



WARNER FINANCIAL SELECT, LLC  
Global Financial Market Analysis

## BEFORE THE NEWS

### a Monthly Global Financial Markets Analysis

Volume 7 Edition 7  
July 2010

- Price Momentum Ranking (1) -

<u>Asset Class</u>		<u>Short Term</u>	<u>Medium Term</u>	<u>Long Term</u>	<u>Combined Average</u>
<b>Fixed Income</b>	Long Bonds	50.0%	100.0%	100.0%	90.0%
<b>Commodities</b>	Soft	70.0%	0.0%	-15.0%	6.5%
<b>Commodities</b>	Hard	75.0%	-40.0%	-25.0%	-9.5%
<b>Fixed Income</b>	Money Market	0.0%	0.0%	-58.3%	-29.2%
<b>Currencies vs. U.S. \$</b>		65.4%	-69.2%	-53.8%	-34.6%
<b>Stock Markets</b>		<u>64.3%</u>	<u>-85.7%</u>	<u>-91.9%</u>	<u>-58.4%</u>
	<b>Averages</b>	<b>54.1%</b>	<b>-15.8%</b>	<b>-24.0%</b>	<b>-5.9%</b>

(1) Each as a % of best possible score within a range of -100% to +100%

#### Summary July 5, 2010

Virtually all short-term rankings flipped to the opposite side of the coin last month. Long bonds went from 0% to +50%, hard commodities from -40% to + 75%, stocks from -45% to + 64%, etc. Only money market instruments showed some price contraction. Let's look at the above in order.

**Fixed Income** – Sovereign government bonds, which were the leading asset class at the end of May continue to lead our ratings now. Improvement showed up in the last couple of weeks following support for Greece. A number of these have broken out of consolidation areas and look headed higher. **We recommend buying more bonds and generally extending maturities.** Expect money market rates to remain essentially flat.

**Commodities** – Although short-term momentum has picked up for both hard and soft commodities, and they are expected to remain firm for awhile, **no commodity strikes us as being particularly attractive right now.** **Gold and silver** stand out at the top of the momentum pile and look O.K., but they **have become quite popular**

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## *Global Financial Market Analysis*

**cocktail talk, which is a bothersome sign.** We would watch to see if **O.J.** has an upside breakout. **Corn, beans and wheat** also draw our attention for having done nothing in quite some time. That may change. See the charts for our thoughts there.

**Currencies** – We would be looking for **most currencies to run into resistance** and for the U.S. \$ to strengthen before long. We are also calling this “**big Y month**” to celebrate the probable outperformance of the Yen and Yuan. **On balance we’d own U.S.\$ and some Yen and Yuan.**

**Stockmarkets** – are not looking good to us. We see a probable small head and shoulders top developing that could carry the S&P down to about 880. This formation also shows up in the World Index (ex. the U.S.A.). We have but 1 market carrying a positive combined momentum score and 27 with negative scores. In our opinion the odds for continued weak equity markets are very high. We’d be selling some stocks and buying bonds. More aggressive investors should go short with numerous ideas contained herein.

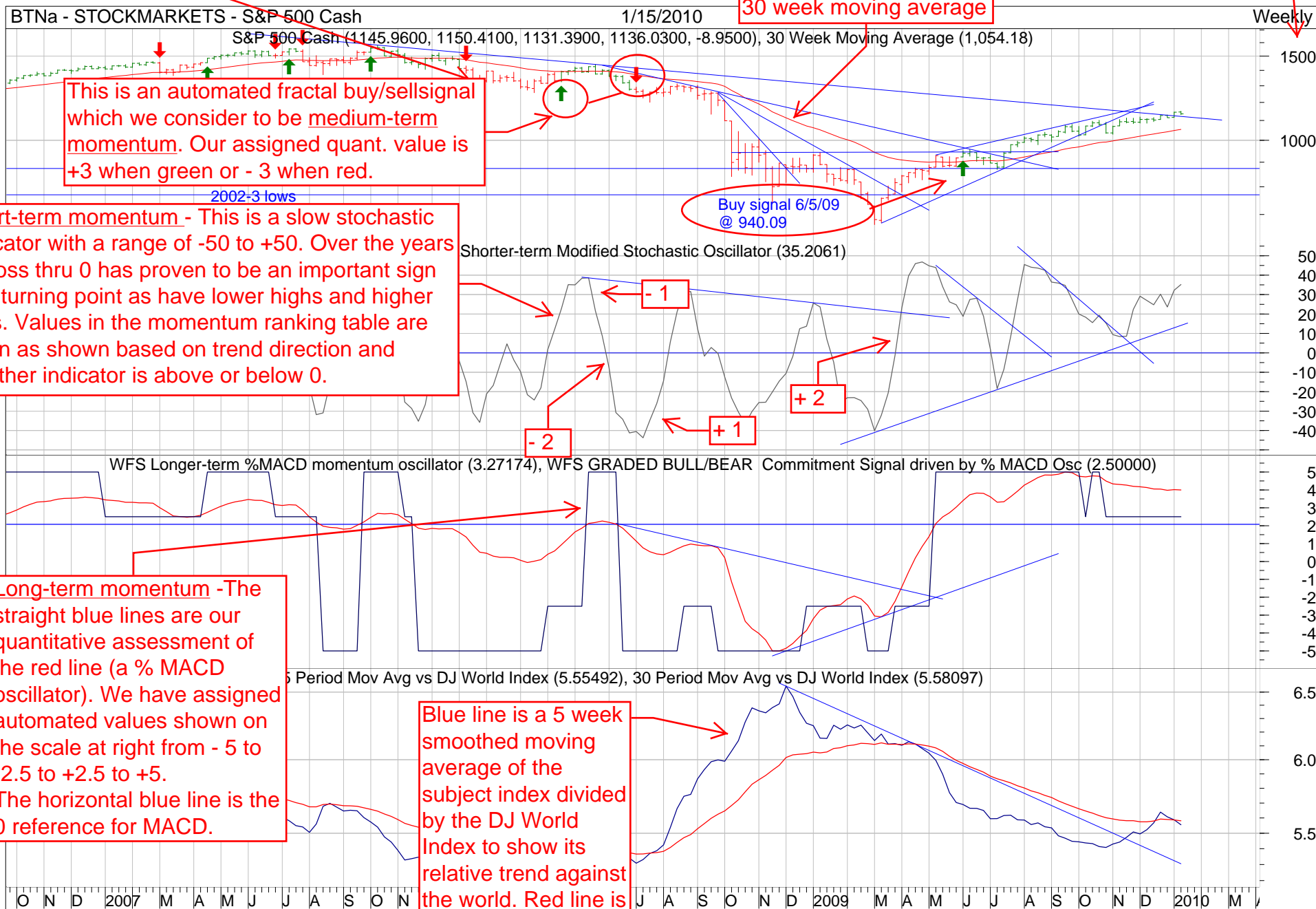
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# STOCK MARKET CHART PAGE

Semi log scale

Weekly high/low/close

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This is an automated fractal buy/sell signal which we consider to be medium-term momentum. Our assigned quant. value is +3 when green or -3 when red.

Short-term momentum - This is a slow stochastic indicator with a range of -50 to +50. Over the years a cross thru 0 has proven to be an important sign of a turning point as have lower highs and higher lows. Values in the momentum ranking table are given as shown based on trend direction and whether indicator is above or below 0.

Long-term momentum - The straight blue lines are our quantitative assessment of the red line (a % MACD oscillator). We have assigned automated values shown on the scale at right from -5 to -2.5 to +2.5 to +5. The horizontal blue line is the 0 reference for MACD.

Blue line is a 5 week smoothed moving average of the subject index divided by the DJ World Index to show its relative trend against the world. Red line is a 30 week plot of the same.

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### FIXED INCOME

(Continuous Futures Contract prices...nearest month value)

	30-Jun-10	-----Momentum Rating-----			Combined	Comment (4)
		Short (1)	Medium (2)	Long (3)		
<u>Money Markets</u>	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>		
Euroyen	99.640	2.0	3.0	2.5	7.5	Expect flat to lower rate
Fed Funds Rate	99.795	2.0	3.0	-2.5	2.5	Expect a flat rate
Libor (U.S. \$)	99.650	2.0	3.0	-2.5	2.5	Expect flat to lower rate
Euribor (3 Month)	99.075	-2.0	-3.0	-5.0	-10.0	Expect a slightly higher rate
Eurodollar	99.350	-2.0	-3.0	-5.0	-10.0	Expect flat to lower rate
Short Sterling	99.160	<u>-2.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-10.0</u>	Expect flat to slightly higher rate
Today's Averages		0.0	0.0	-2.9	-2.9	
Best Possible		2.0	3.0	5.0	10.0	
Today's Average as % Best Possible		0.0%	0.0%	-58.3%	-29.2%	
 <u>Bond Markets</u>						
Canadian Govt. (10 Year) (5)	123.830	2.0	3.0	5.0	10.0	Buy
Japanese Gov't. Bond (JGB)	141.630	2.0	3.0	5.0	10.0	Hold +
U.S. Treasury Notes (10 Year)	122.547	2.0	3.0	5.0	10.0	Buy more
U.S. Treasury Notes (30 Year)	127.500	2.0	3.0	5.0	10.0	Buy more
British (Gilt) (5)	121.050	-1.0	3.0	5.0	7.0	Hold +
EURO - Bund (5)	129.460	<u>-1.0</u>	<u>3.0</u>	<u>5.0</u>	<u>7.0</u>	Hold
Today's Averages		1.0	3.0	5.0	9.0	
Best Possible		2.0	3.0	5.0	10.0	
Today's Average as % Best Possible		50.0%	100.0%	100.0%	90.0%	

Notes: A more complete description of the above ratings can be found on the explanation tab at [www.beforethenews.com](http://www.beforethenews.com)

- (1) The shape and feel of the stochastic oscillator (Scale +2 to - 2), a subjective observation
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)
- (3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.

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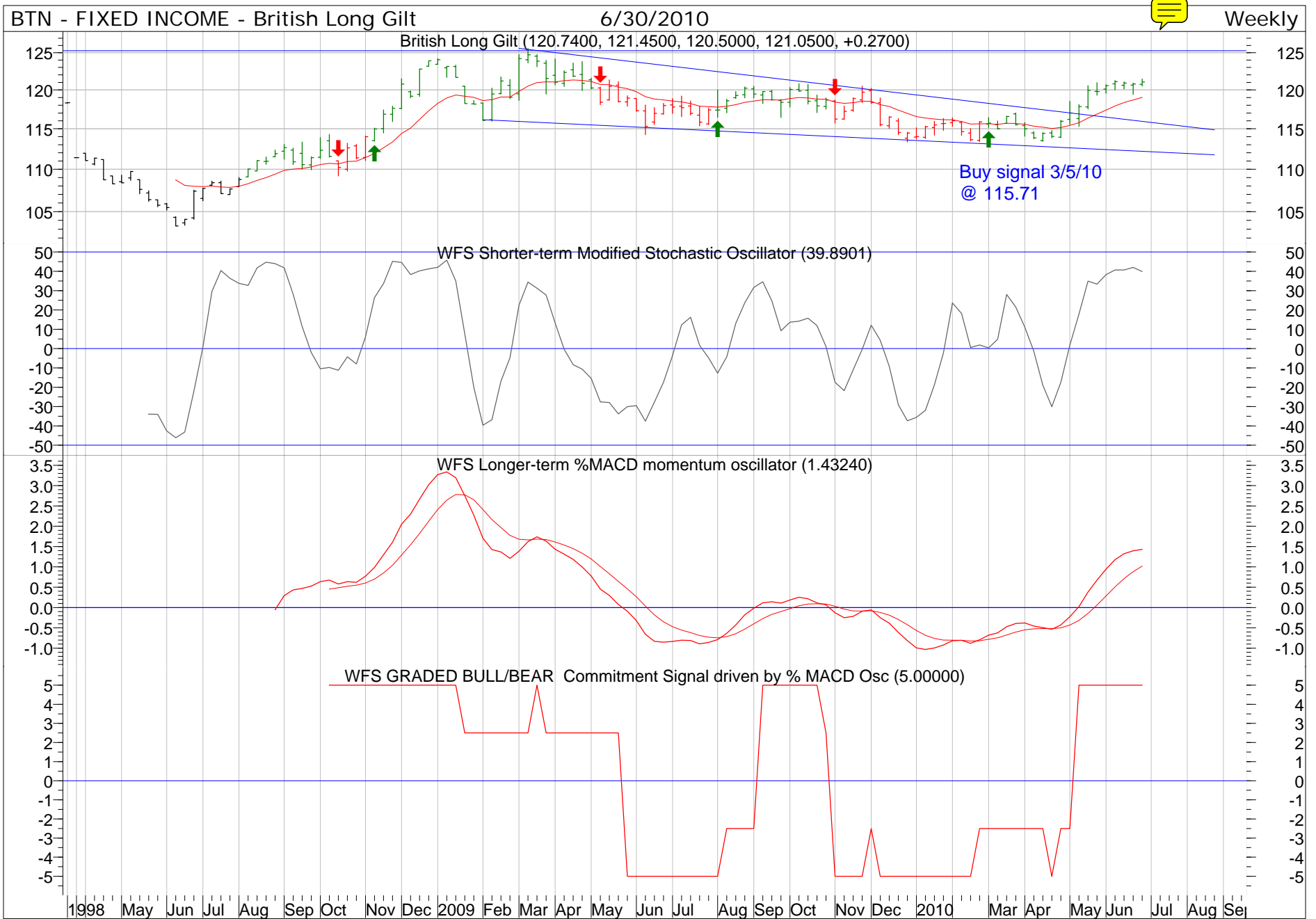
- (4) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.
- (5) We have limited data history to run through the algorithms and apologize for not being able to do the kind of long-term analysis we'd like to. In some fixed income charts we are forced to make an educated guess as to the call of medium-term momentum

### **Commentary:**

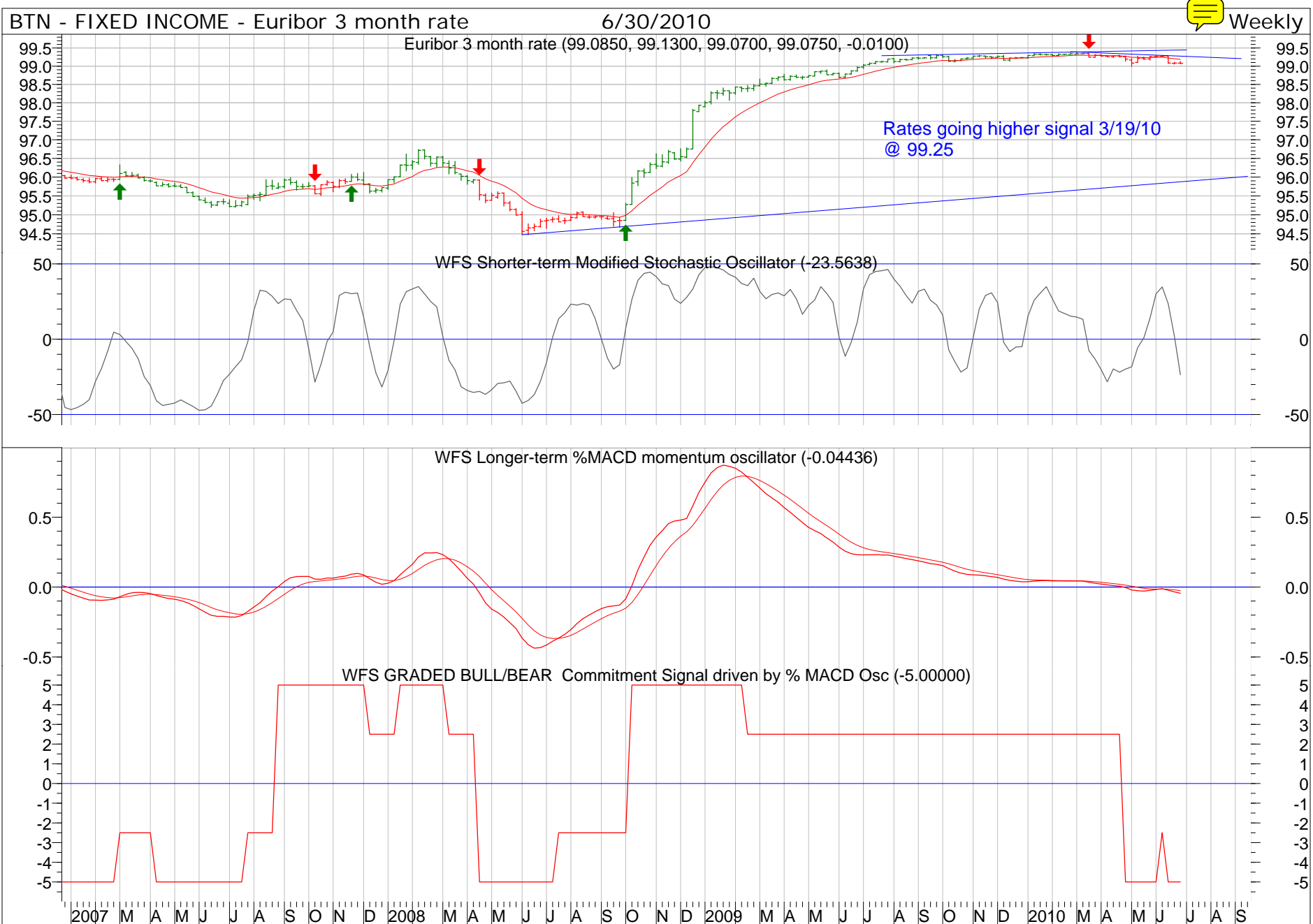
**Money Market Rates** – Momentum here continues quiet, suggesting basically no change in rates near term.

**Bond Markets** – **Sovereign government bond price chart patterns have improved; medium and long-term momentum rankings are both now still at +100% with little sense of overbought markets visible. Probably reflecting a renewed conviction that inflation is further away than previously feared and money coming out of weak equity markets, it looks like bonds are where the upside price action will continue for awhile. In general we'd hold/buy more bonds...extend maturities.**

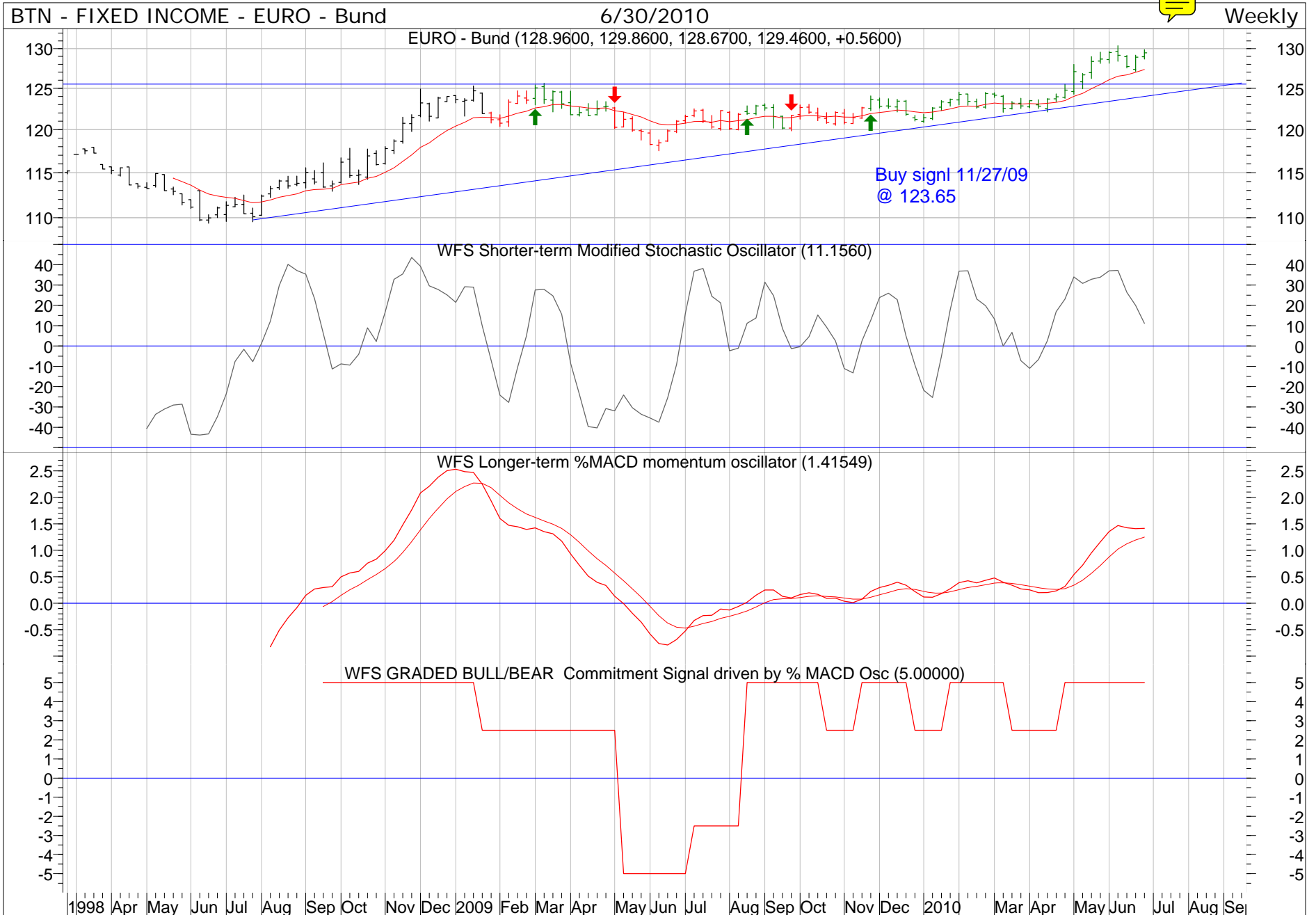
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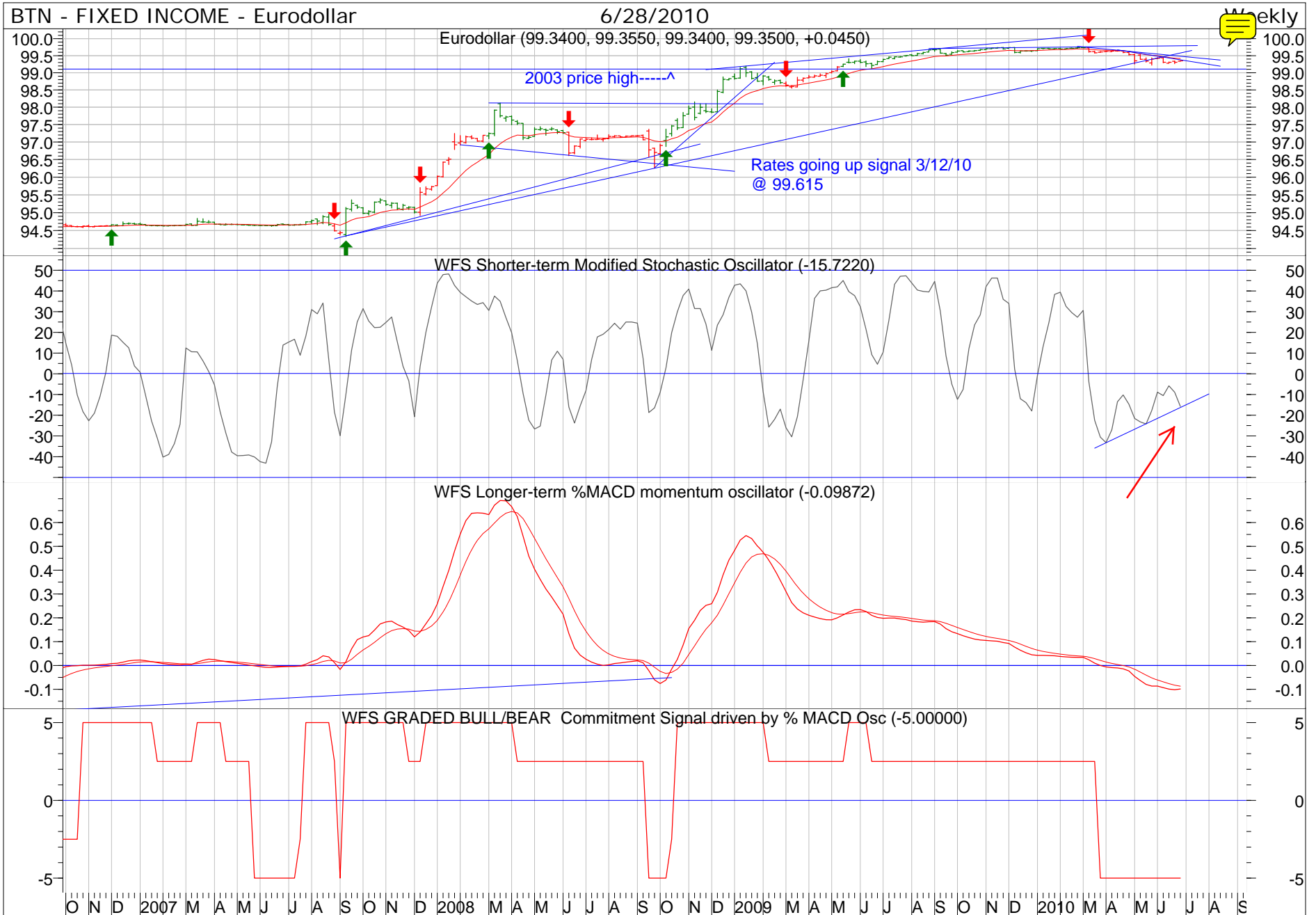
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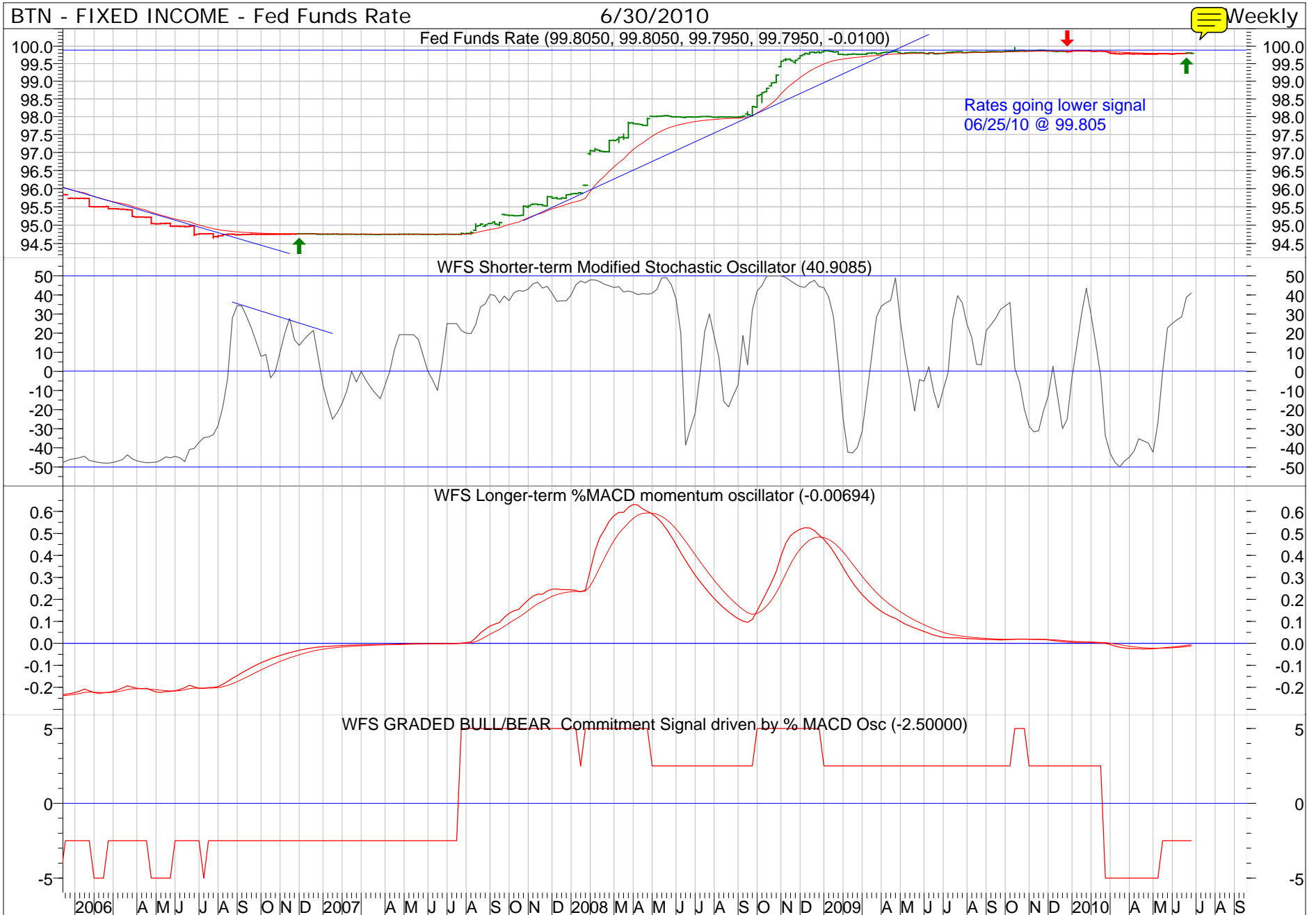
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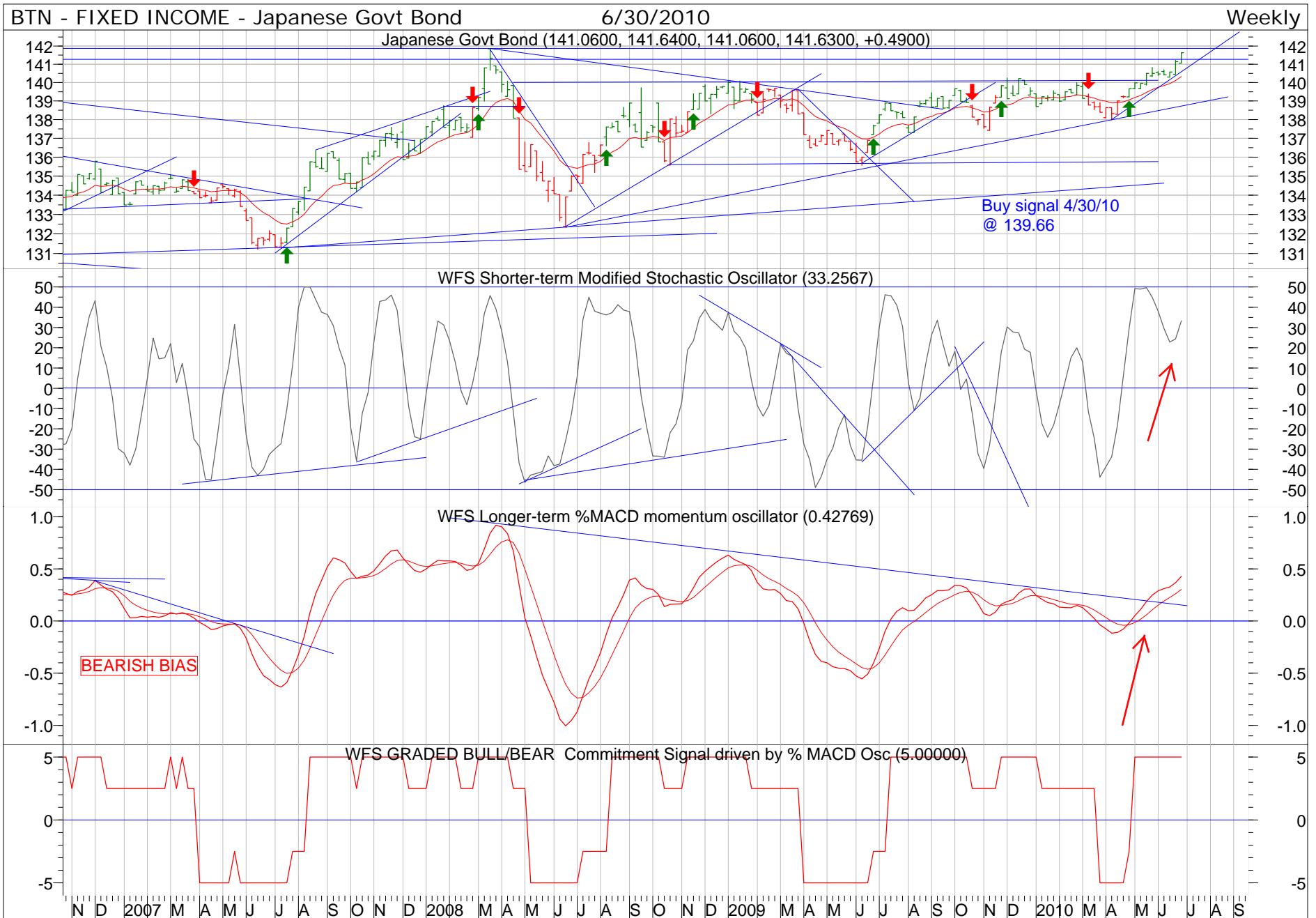
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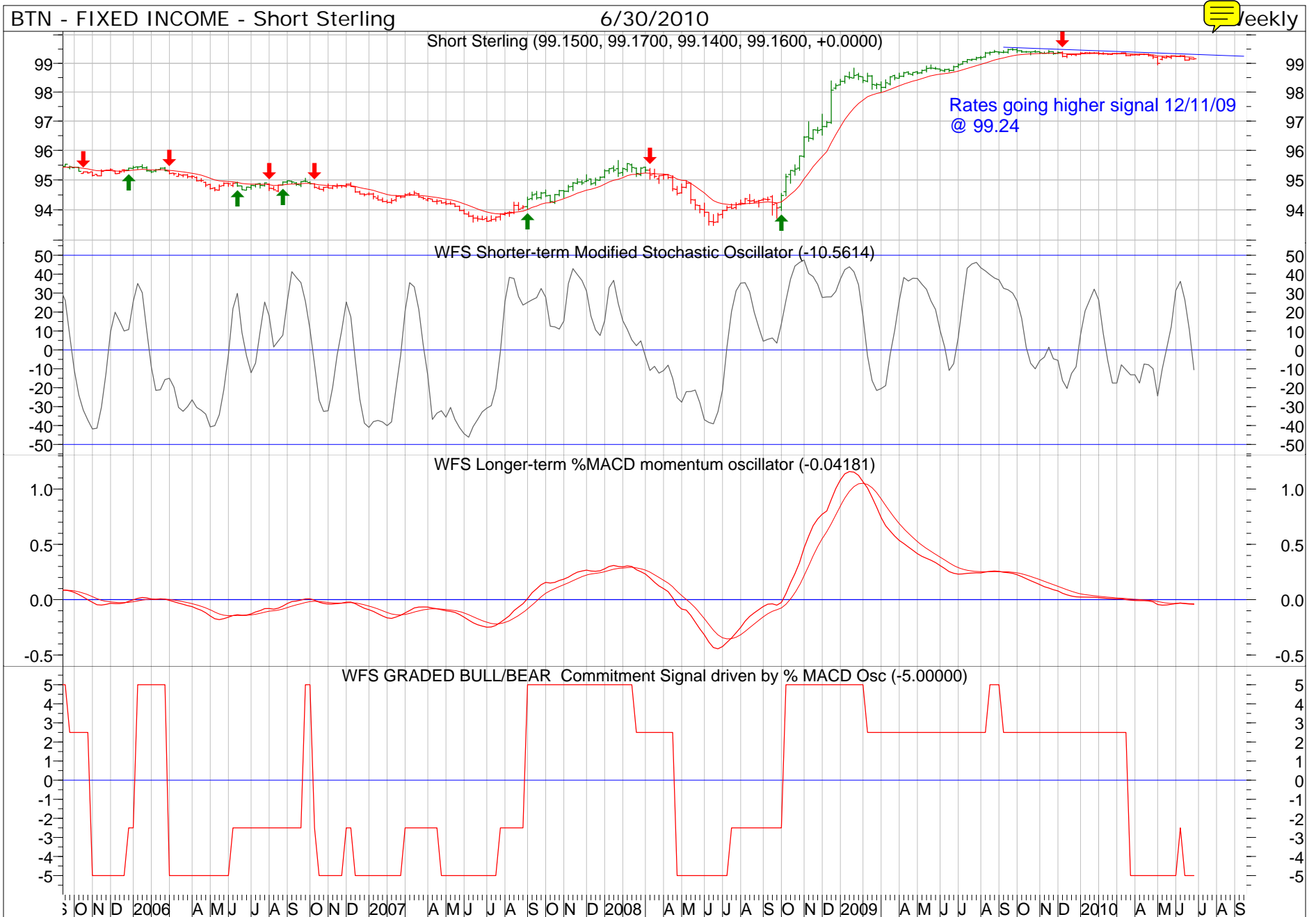
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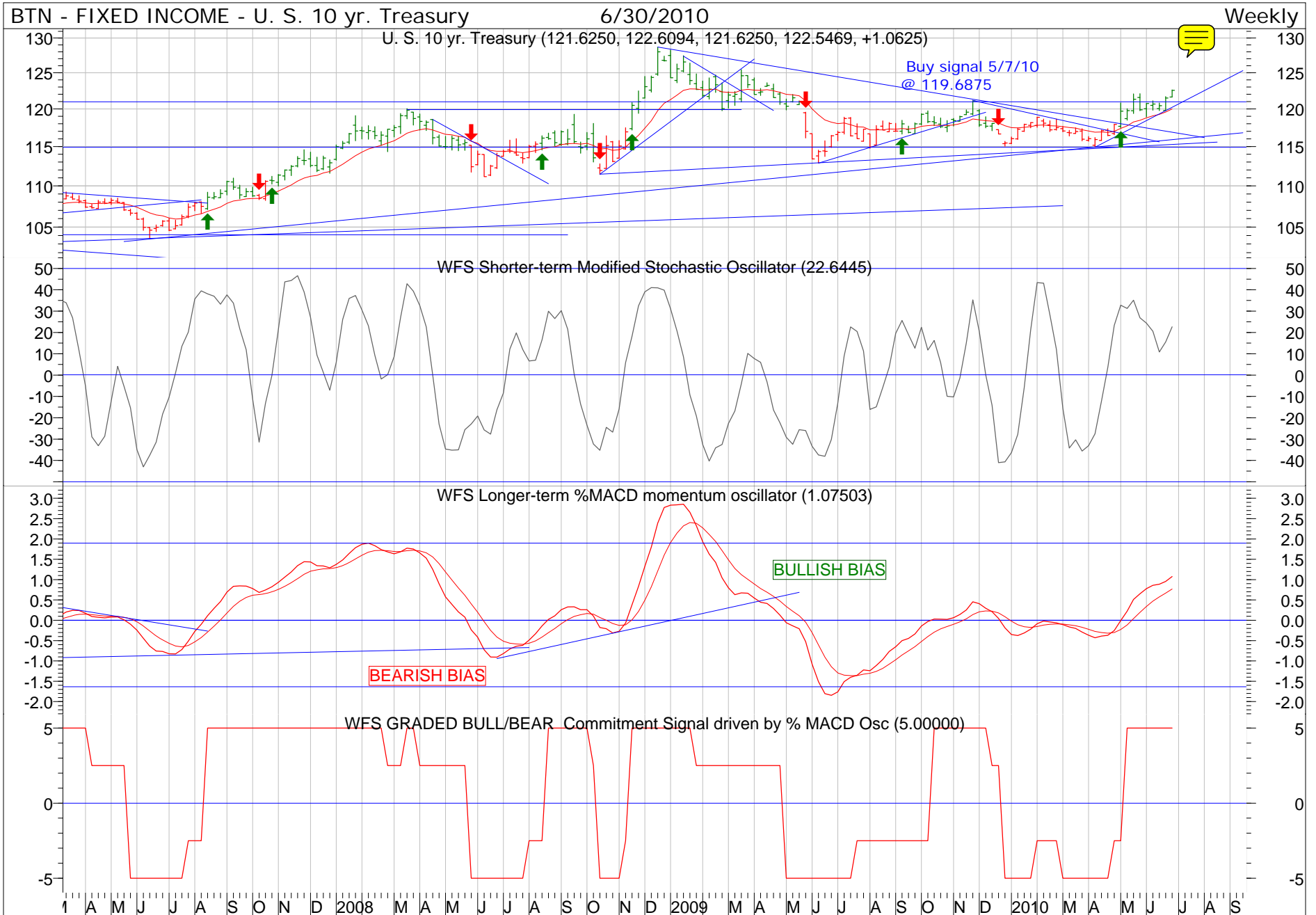
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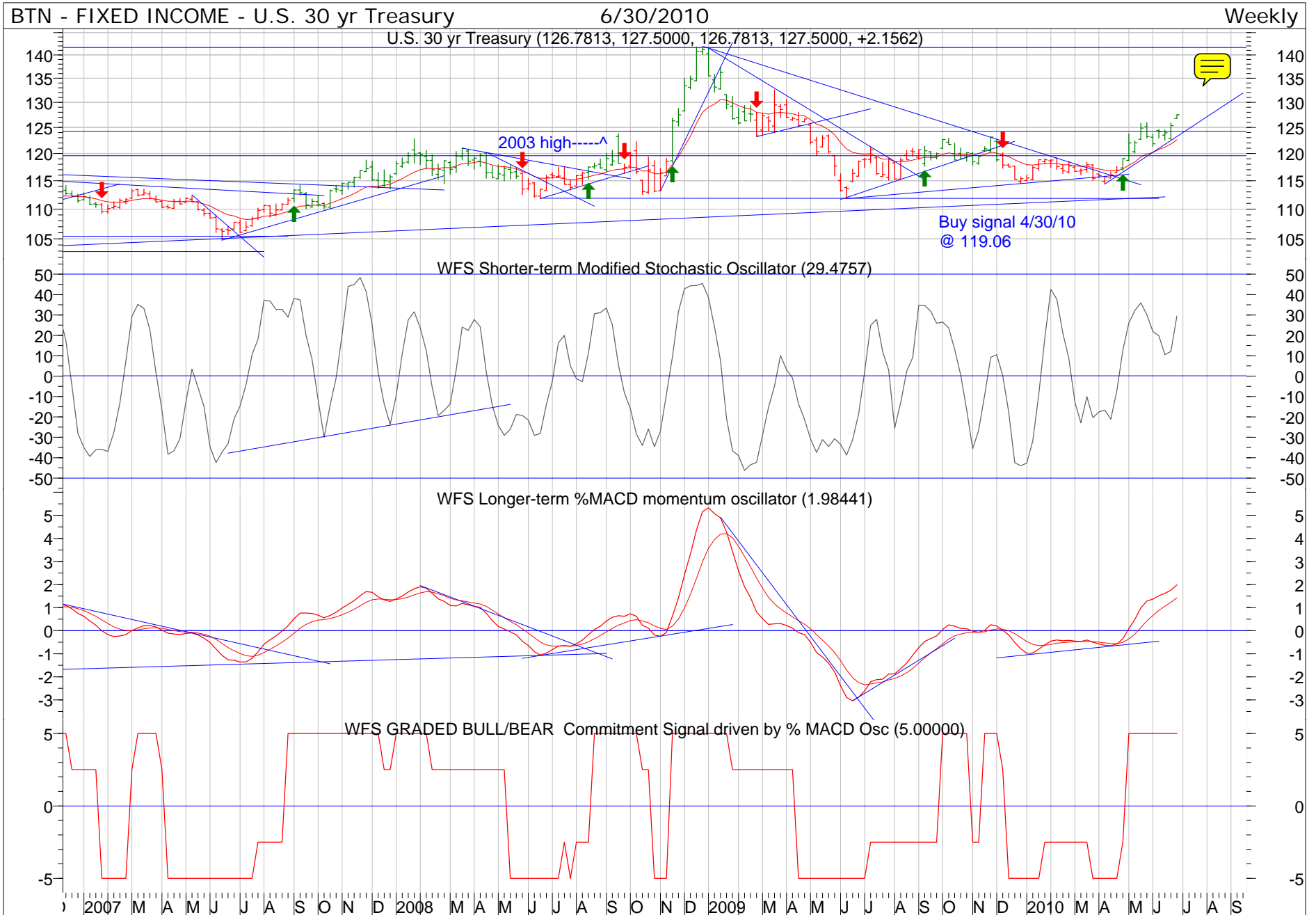
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Volume 7 Edition 7

July 2010

### COMMODITIES

(Continuous futures contracts...nearest month value)

#### -----Momentum Rating-----

Ranked from most to least attractive	30-Jun-10	Short (1)	Medium (2)	Long (3)		
<b>Hard:</b>	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>	<u>Combined</u>	<u>Comment (4)</u>
Gold [100 Troy Oz.] \$ per oz.	\$1,245.90	2.0	3.0	5.0	10.0	Hold
Silver [Troy ounce]	\$18.71	2.0	3.0	5.0	10.0	Hold   see comments
Natural Gas [10,000MMBtu] \$/mmbtu.	\$4.616	-1.0	3.0	5.0	7.0	Hold   see comments
Palladium [Troy ounce]	\$444.40	2.0	-3.0	2.5	1.5	See chart - avoid for now
Copper (High Grade) [25,000 lbs.] \$/lb.	\$2.951	2.0	-3.0	-5.0	-6.0	Avoid   hold small short position
Crude Oil (Light) [bbl.]	\$75.63	2.0	-3.0	-5.0	-6.0	Sell some more
Gasoline (Unleaded) [42,000 gal] \$/gal.	\$2.060	2.0	-3.0	-5.0	-6.0	Sell more
Heating Oil [42,000 gal.] \$ per gal.	\$2.0143	2.0	-3.0	-5.0	-6.0	Sell some more
Aluminum \$ per ton	\$1,969.00	1.0	-3.0	-5.0	-7.0	See comments on chart
Platinum [Troy ounce]	\$1,537.30	<u>1.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-7.0</u>	Sell some more
Today's Average		<u>1.5</u>	<u>-1.2</u>	<u>-1.3</u>	<u>-1.0</u>	
Best Possible		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
Today's Average as % Best Possible		75.0%	-40.0%	-25.0%	-9.5%	
<b>Soft:</b>						
Orange Juice [15,000 lbs.] Cents per lb.	148.35	2.0	3.0	5.0	10.0	See comments on chart
Coffee [37,500 lbs.] Cents per lb.	165.85	-1.0	3.0	5.0	7.0	Hold -
Hogs (Live) [40,000 lbs.] Cents per lb.	79.23	1.0	3.0	2.5	6.5	See comments on chart
Cocoa [10 metric tons] \$ per ton	2,944.00	1.0	3.0	-2.5	1.5	See comments on chart
Cotton [50,000 lbs.] Cents per lb.	78.81	2.0	-3.0	2.5	1.5	Hold -
Soybeans [5,000 bushels] Cents per bu.	931.00	2.0	3.0	-5.0	0.0	Hold   see comments
Sugar #11 Cents per lb.	16.06	2.0	-3.0	-2.5	-3.5	Stay short
Wheat [5,000 bushels] Cents per bu.	480.25	2.0	-3.0	-2.5	-3.5	Neutral   see comments
Corn [5,000 bushels] Cents per bu.	362.75	2.0	-3.0	-5.0	-6.0	Neutral   see comments
Cattle (Live) [40,000 lbs.] Cents per lb.	90.03	<u>1.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-7.0</u>	Hold reduced exposure
Today's Average		<u>1.4</u>	<u>0.0</u>	<u>-0.8</u>	<u>0.7</u>	
Best Possible		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
Today's Average as % Best Possible		70.0%	0.0%	-15.0%	6.5%	

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<b>Goldman Sachs Composite Index</b>	494.00	2	-3	-5.0	-6.0	Lighten up/sell - see comments
<b>Best Possible</b>		<u>2</u>	<u>3</u>	<u>5.0</u>	<u>10.0</u>	
<b>Today's Rank as % Best Possible</b>		100.0%	-100.0%	-100.0%	-60.0%	

[Notes: \[Click here to find a more complete description of the above ratings on the explanation tab at www.beforethenews.com\]](http://www.beforethenews.com)

- (1) The shape and feel of the stochastic oscillator (Scale +2 to - 2), a subjective observation
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)
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**Commentary:** Short-term momentum picked up a bit for commodities in general during June and will continue firm for awhile, but, for the hard commodities medium and longer-term momentum deteriorated from - 20.0% to -40.0% and from +5.0% to -25.0%, respectively, while these numbers for the softs improved modestly. Note that on our system the Goldman Index (heavily weighted by energy) carries fully negative medium and long-term ratings right now; so, like the equity markets, we would anticipate softness ahead.

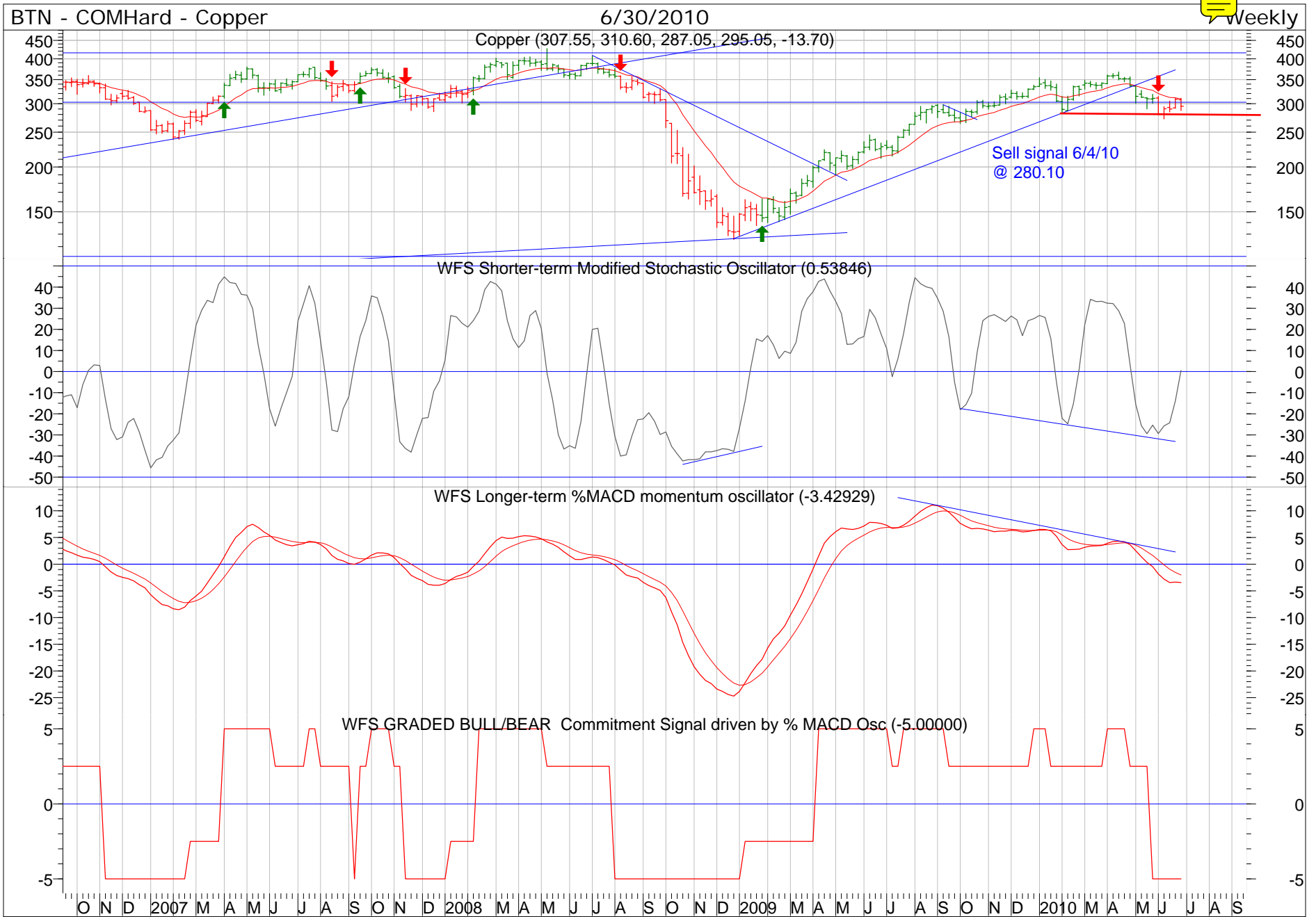
**Hard Commodities** - While our system rates **gold and silver** perfect +10s, they are up, popular and getting talked about a lot on the street, making us a bit nervous....but still rated as holds. **Natural gas** comes in with good numbers, but the technical condition there leaves a bit to be desired before we'd add more. **Crude and its distillates** are really anybody's guess here, but it looks to us like the gasoline price is peaking early this year.

**Soft Commodities** – We find the grains....corn, beans and wheat charts interesting because they have been trading flat for a long while, and their longer term chart pattern suggests they will break out one way or another before long. Too early to tell which way. An upside breakout in **orange juice** would make it a potential very profitable buy in our opinion.

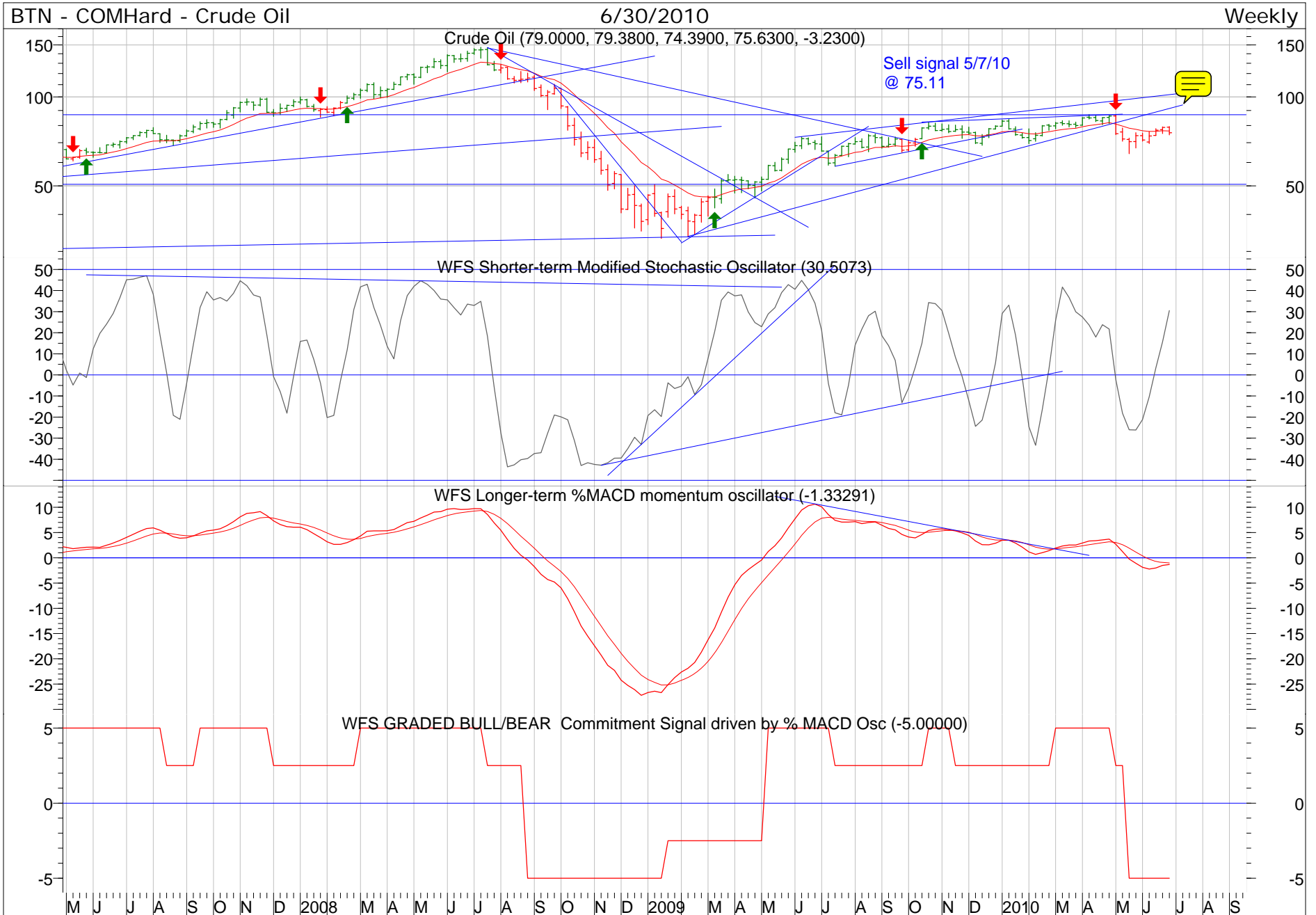
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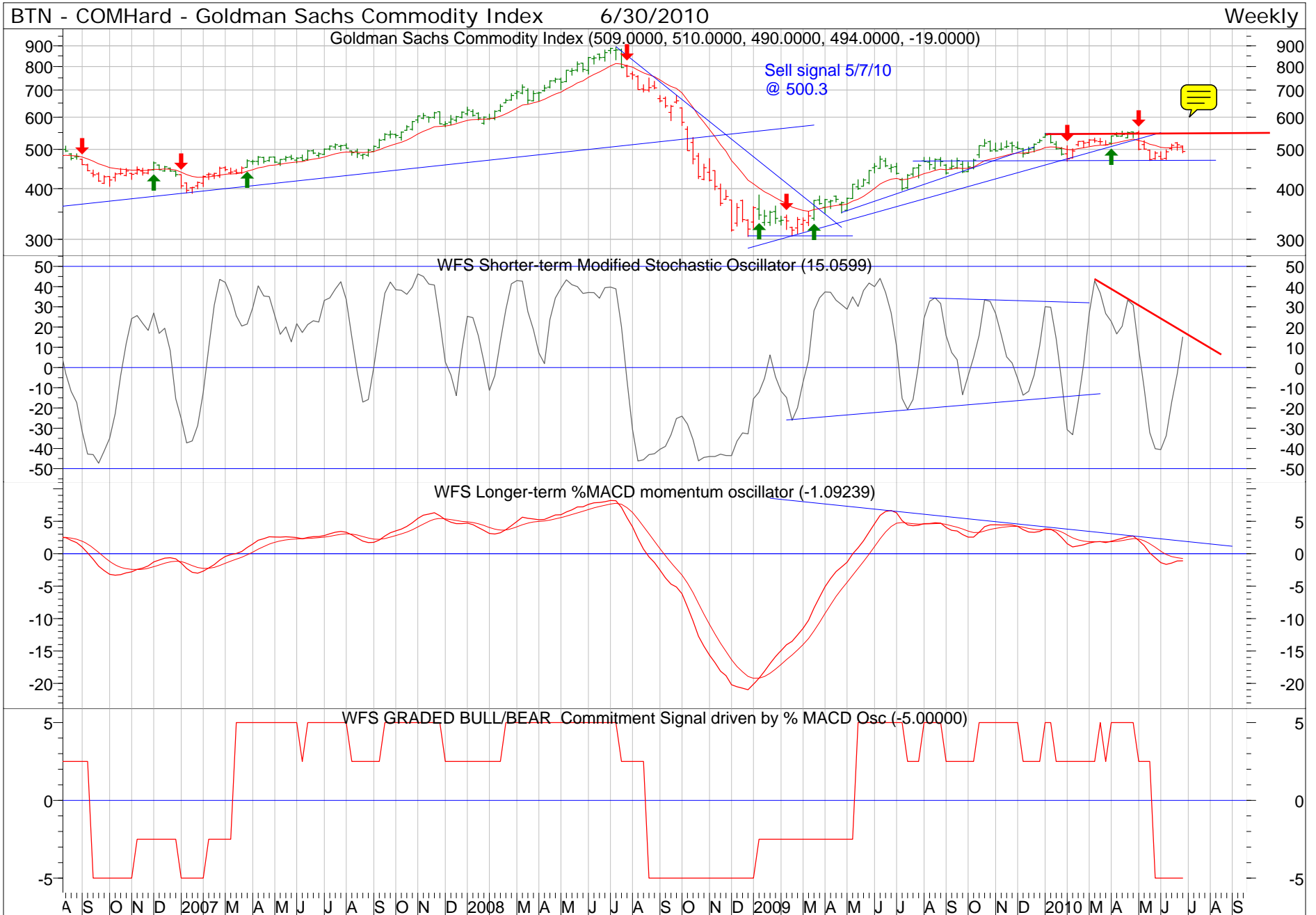
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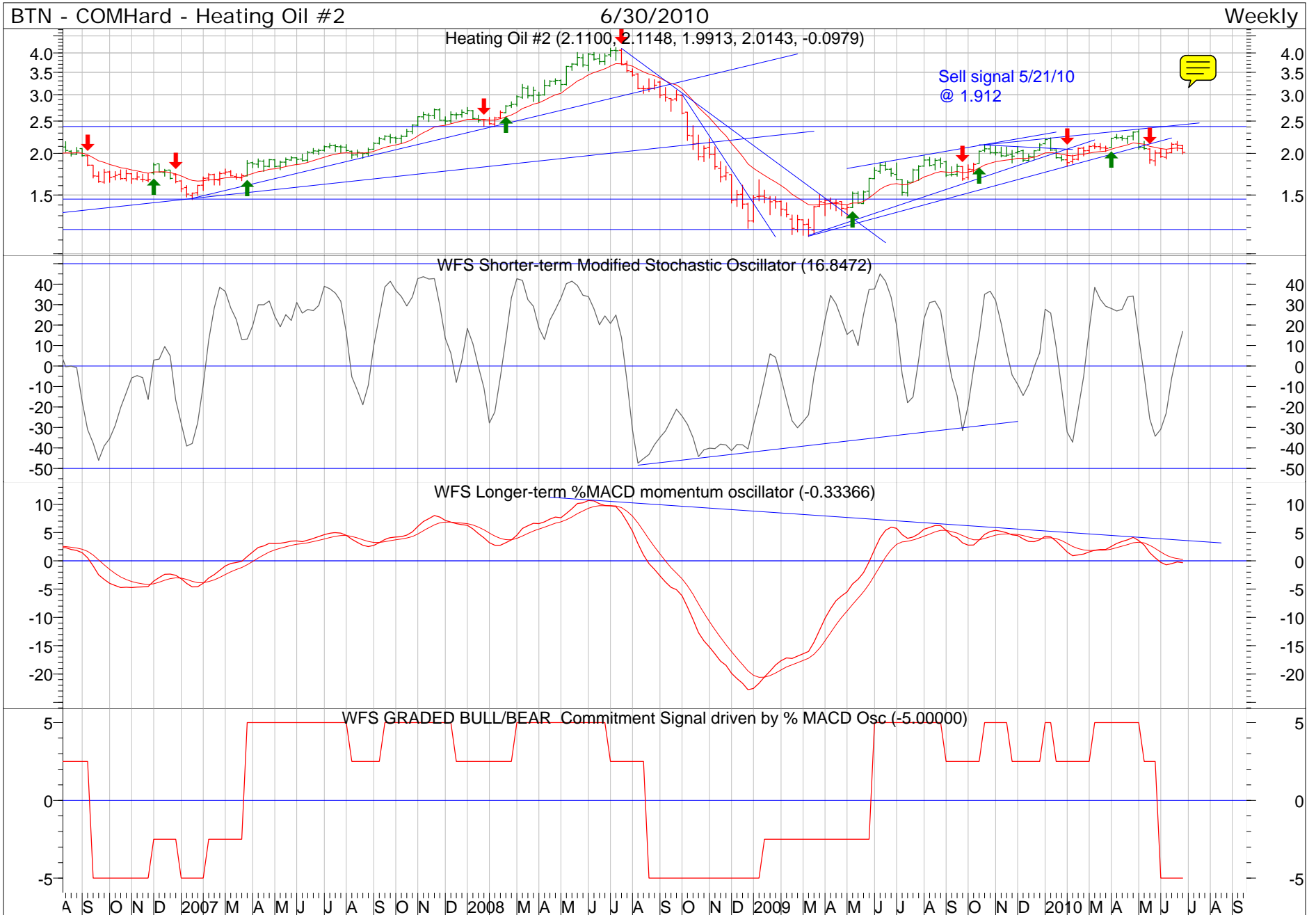
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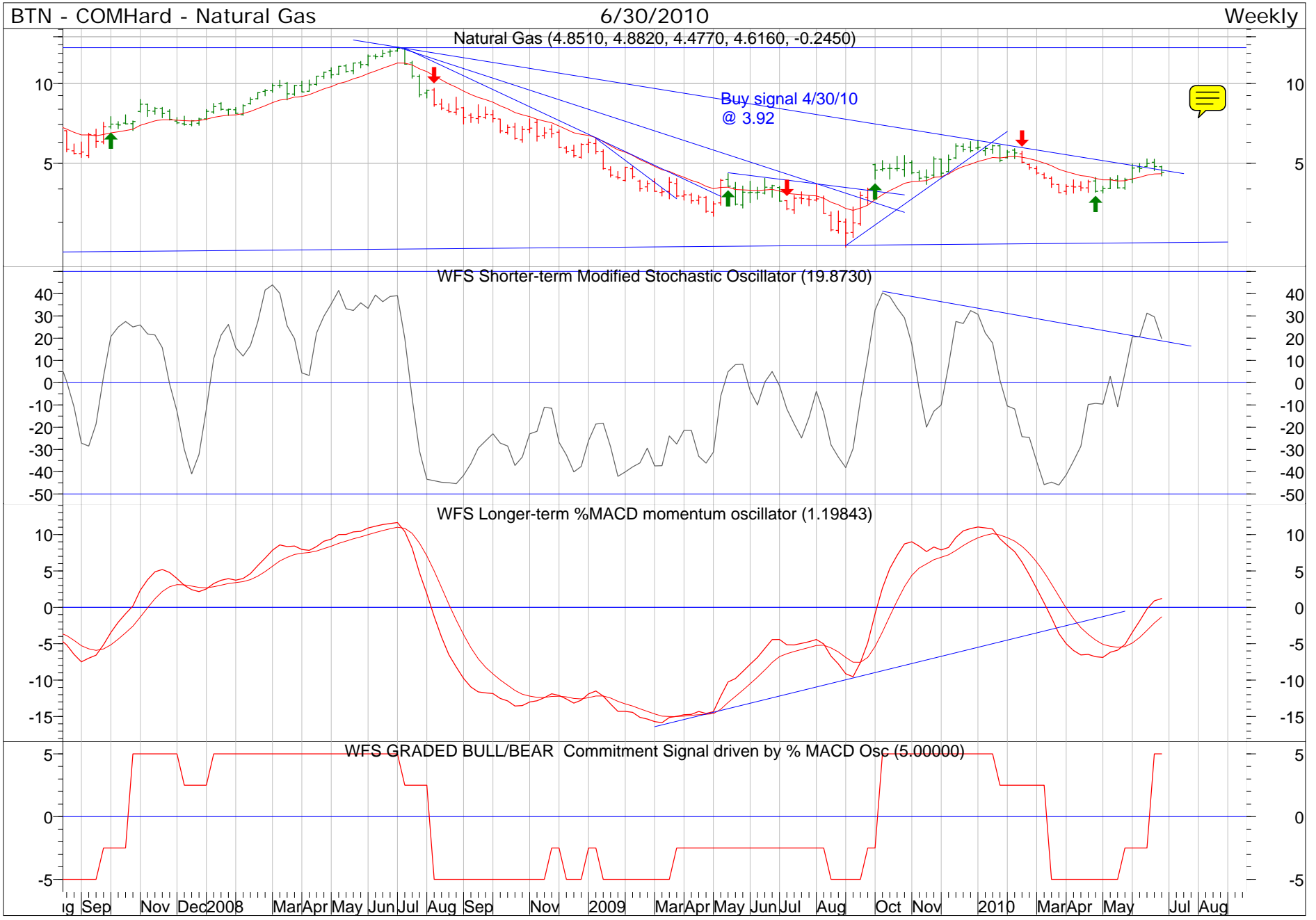
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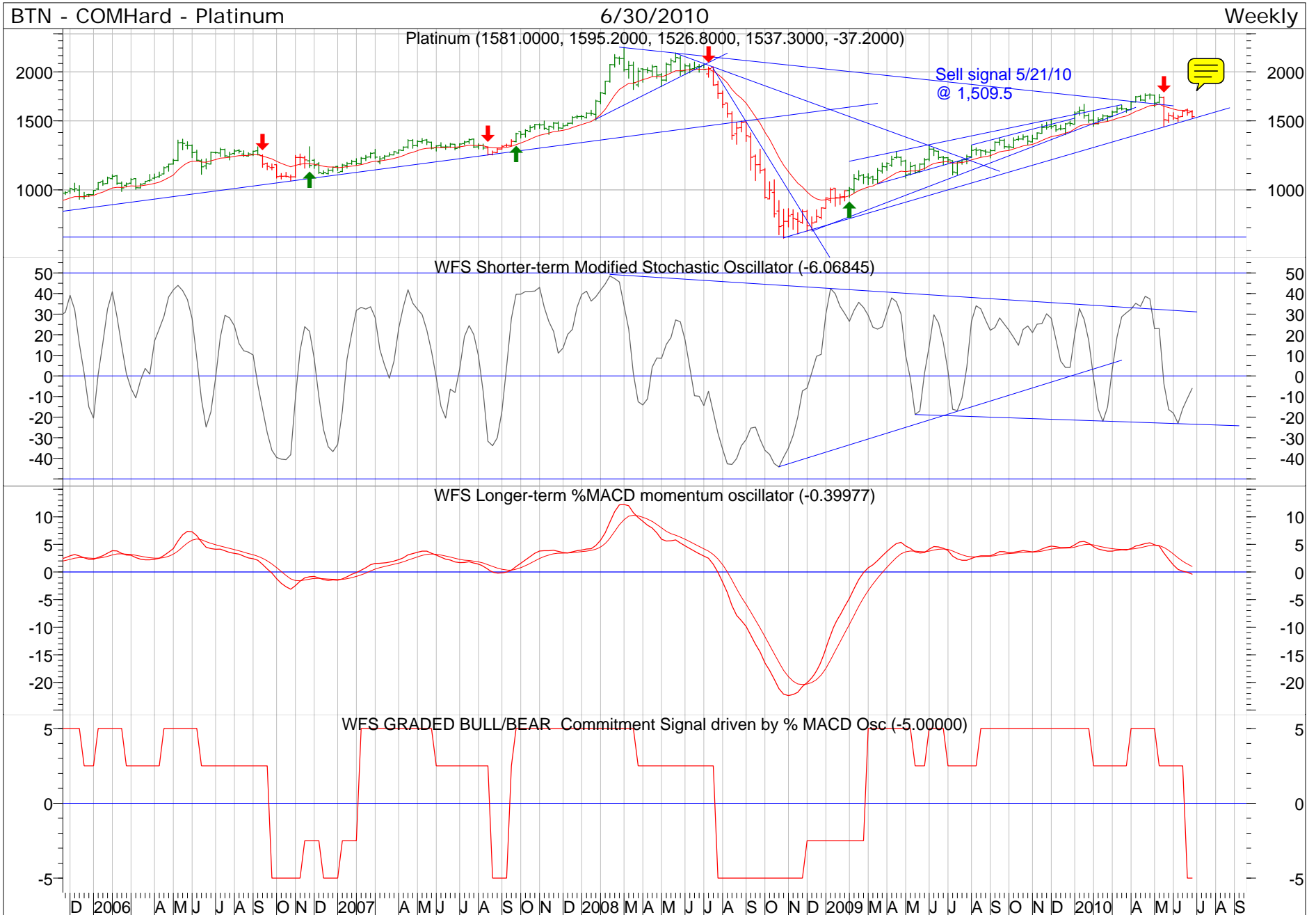
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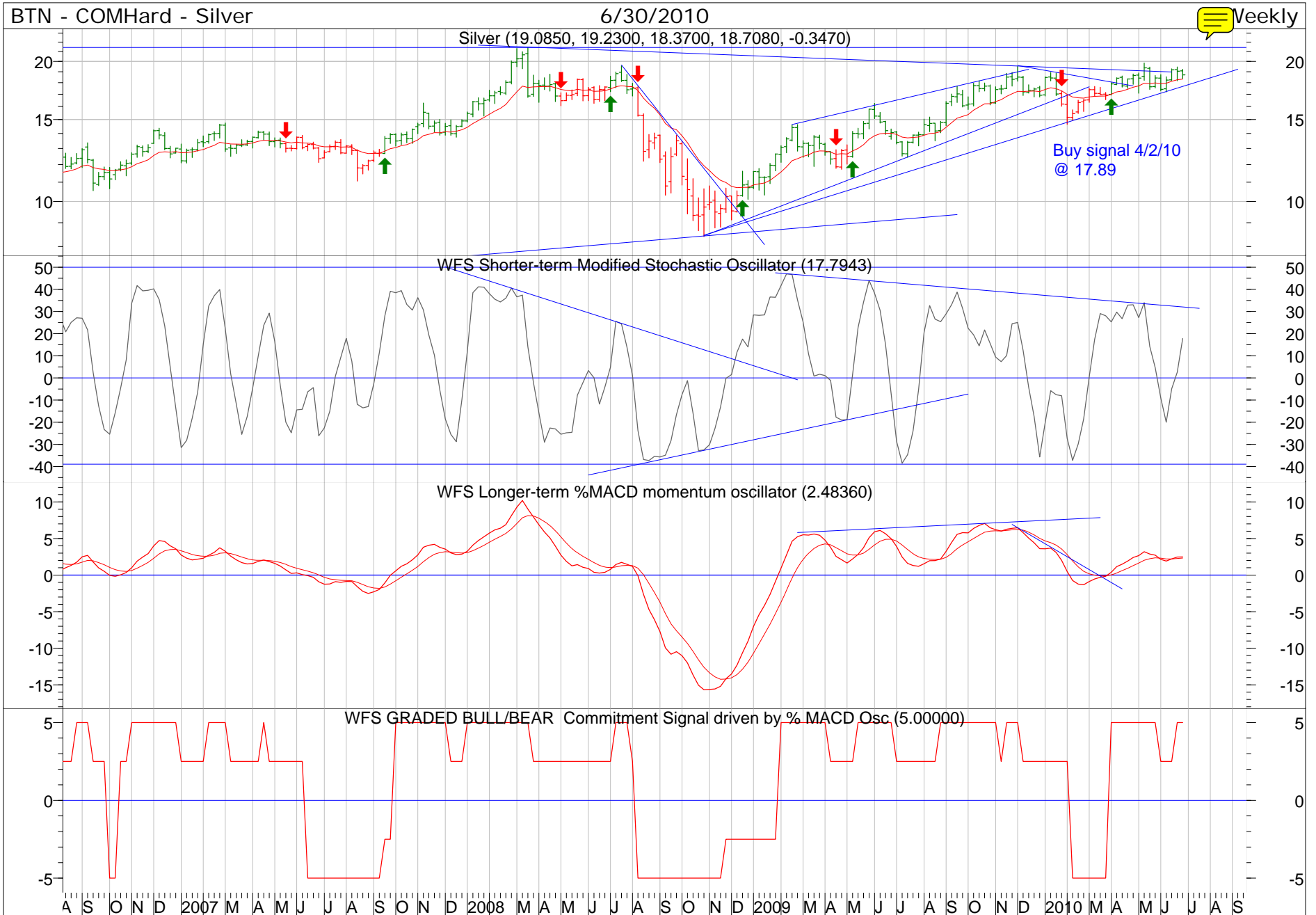
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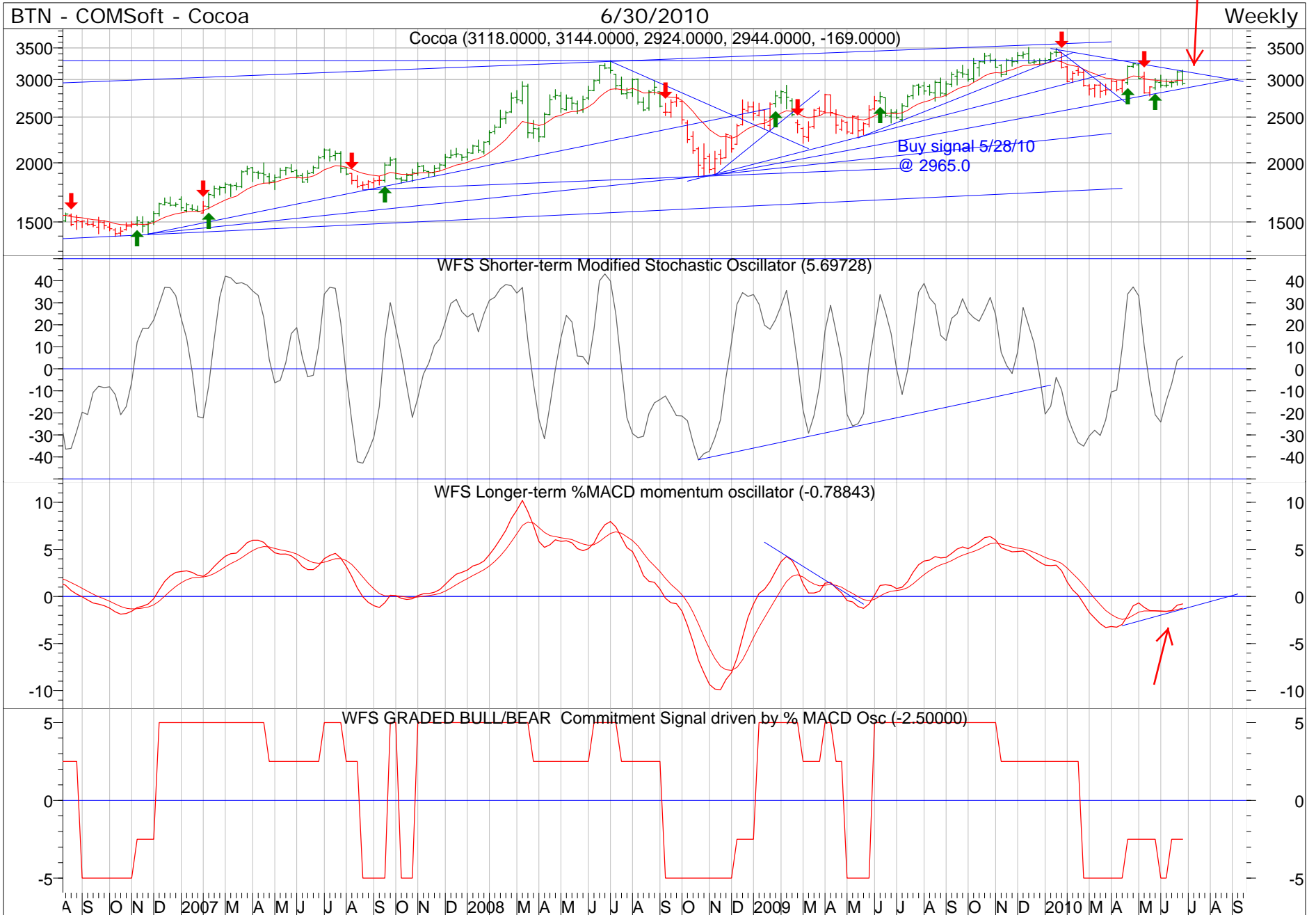
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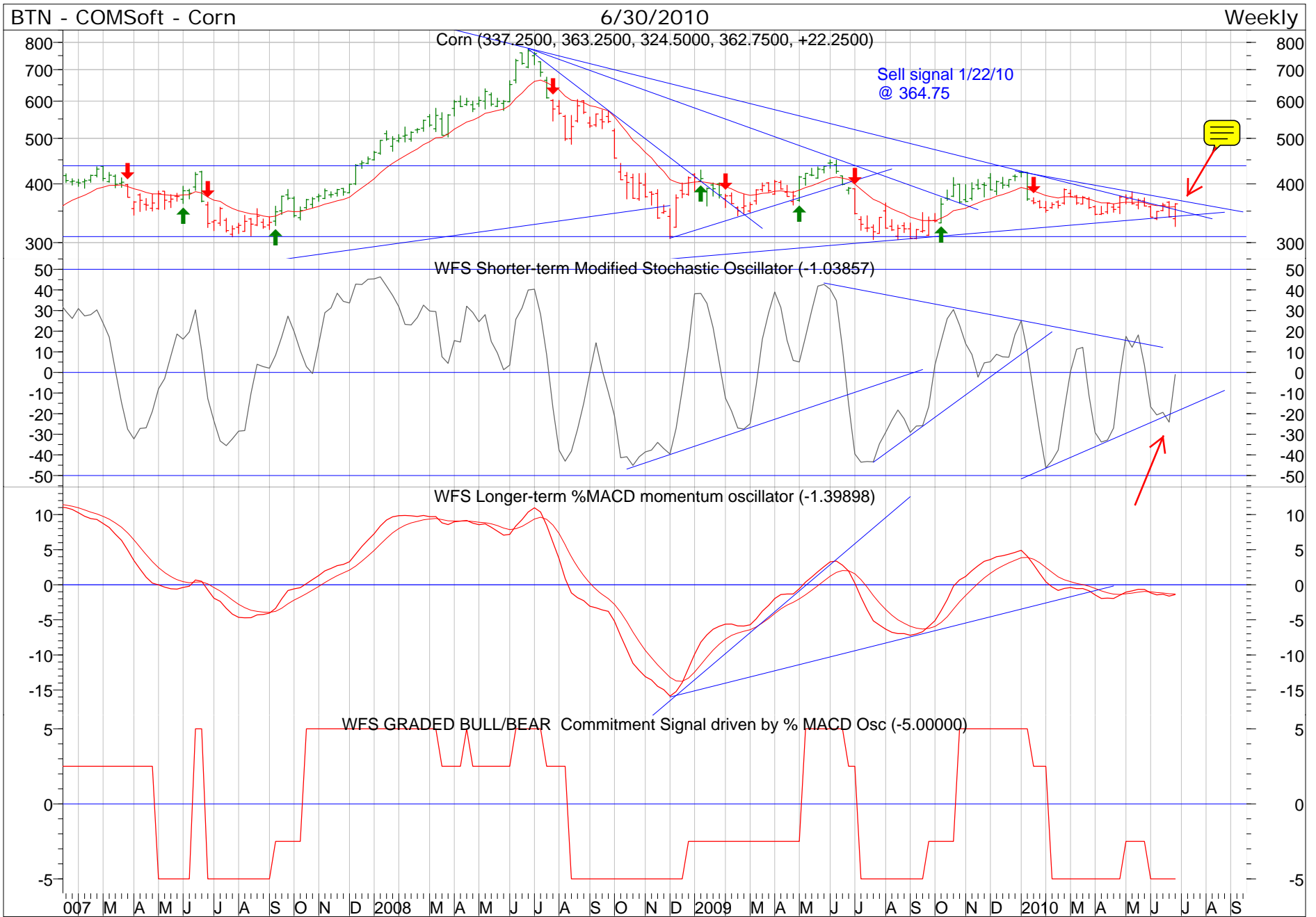
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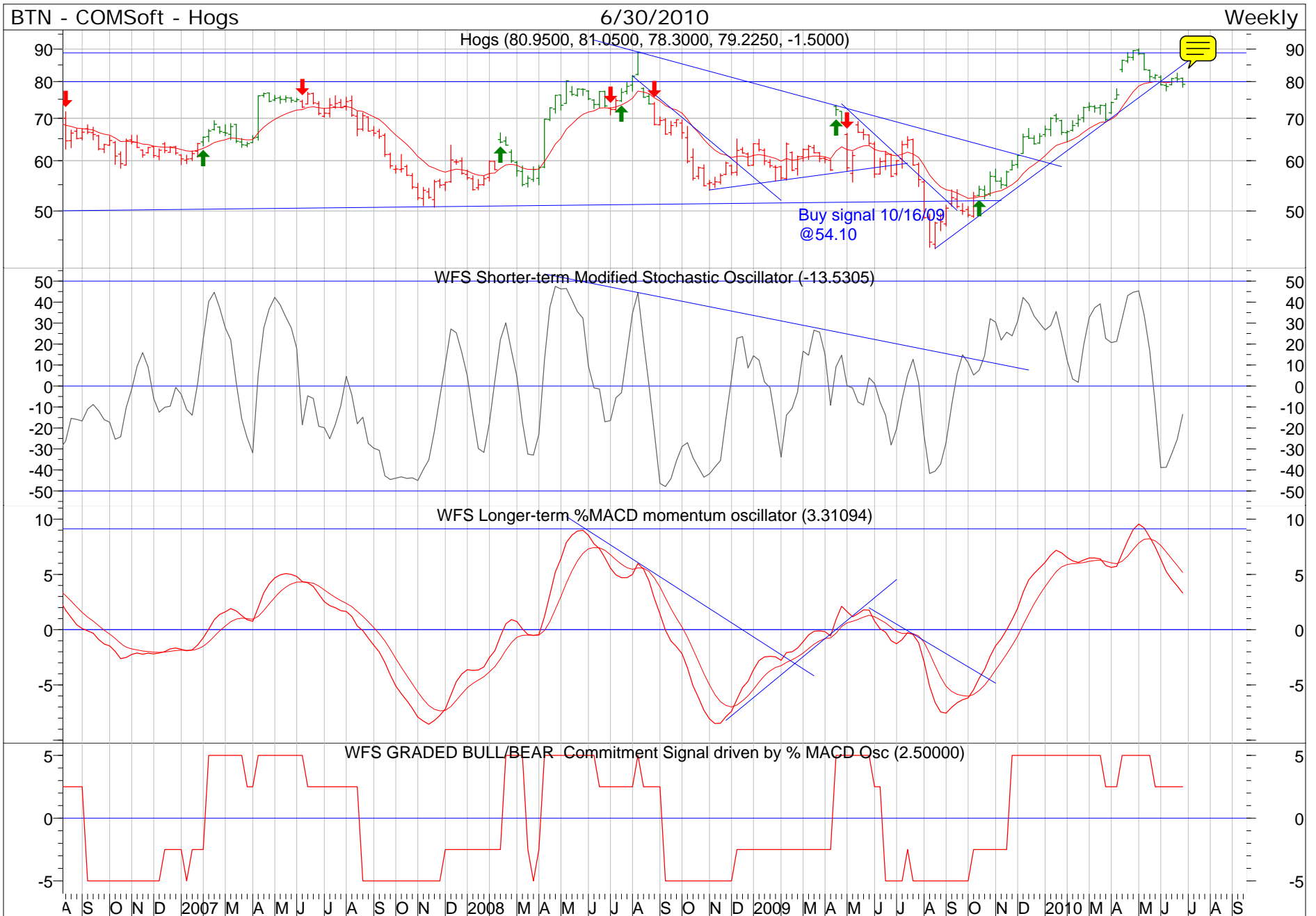
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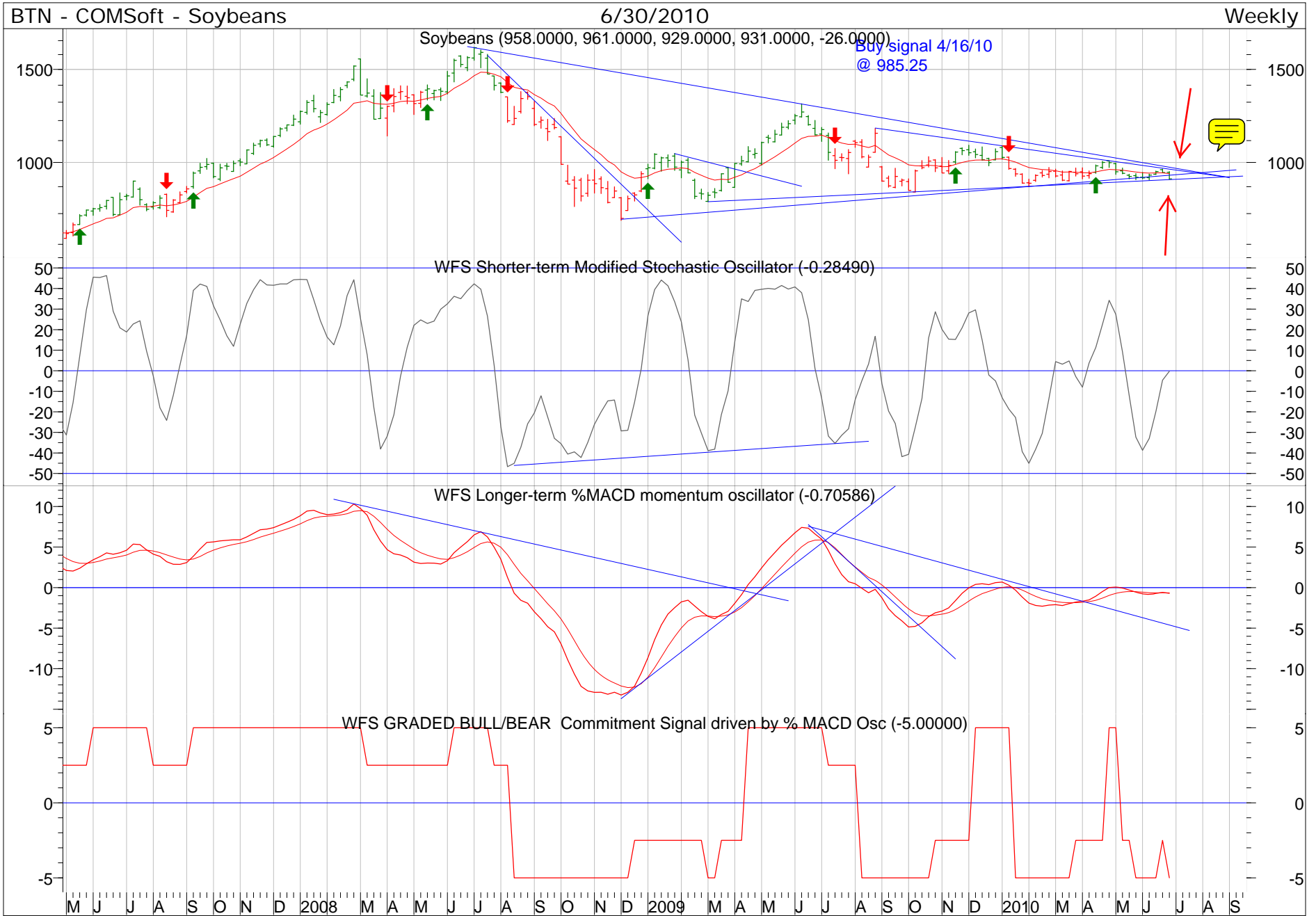
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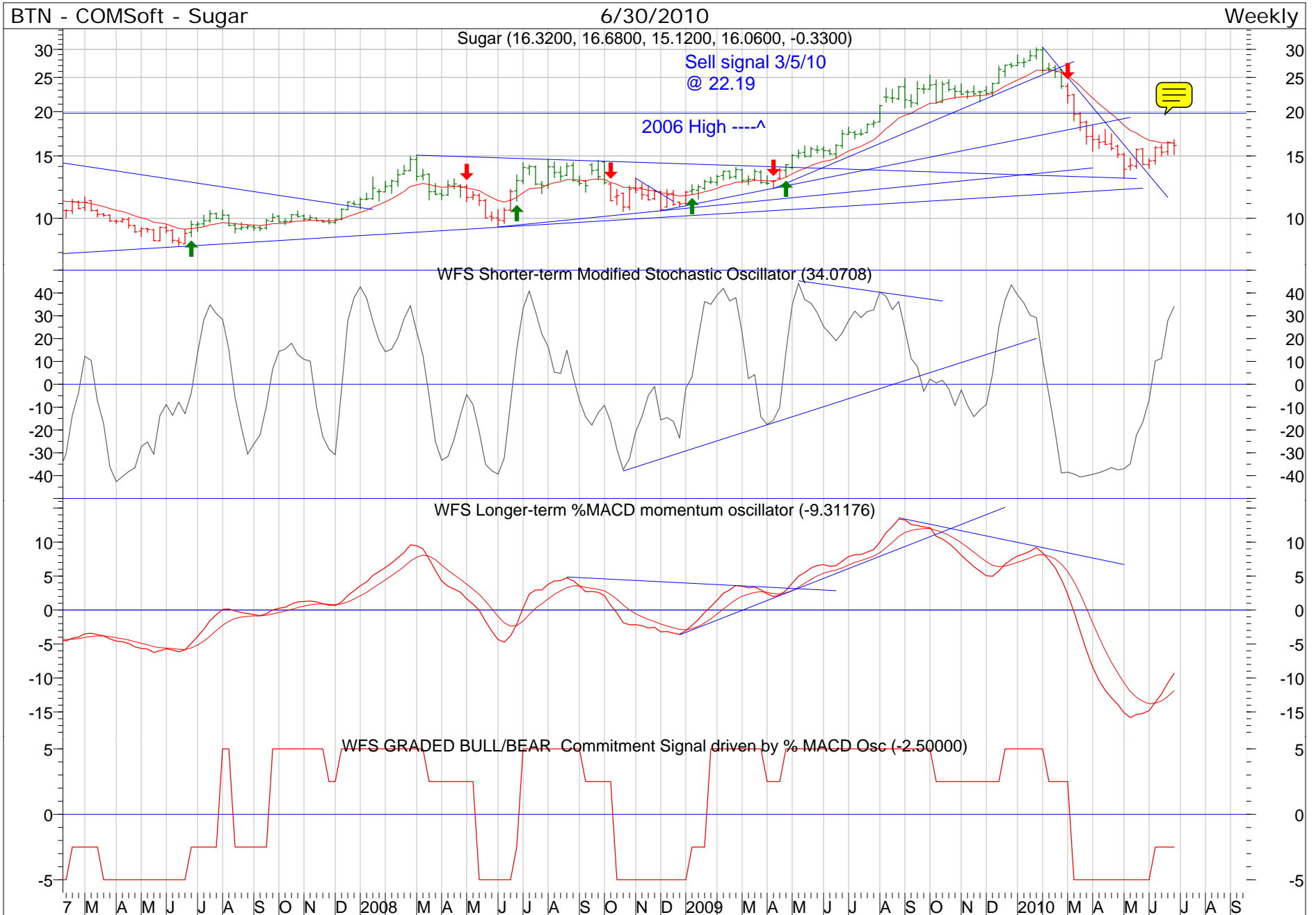
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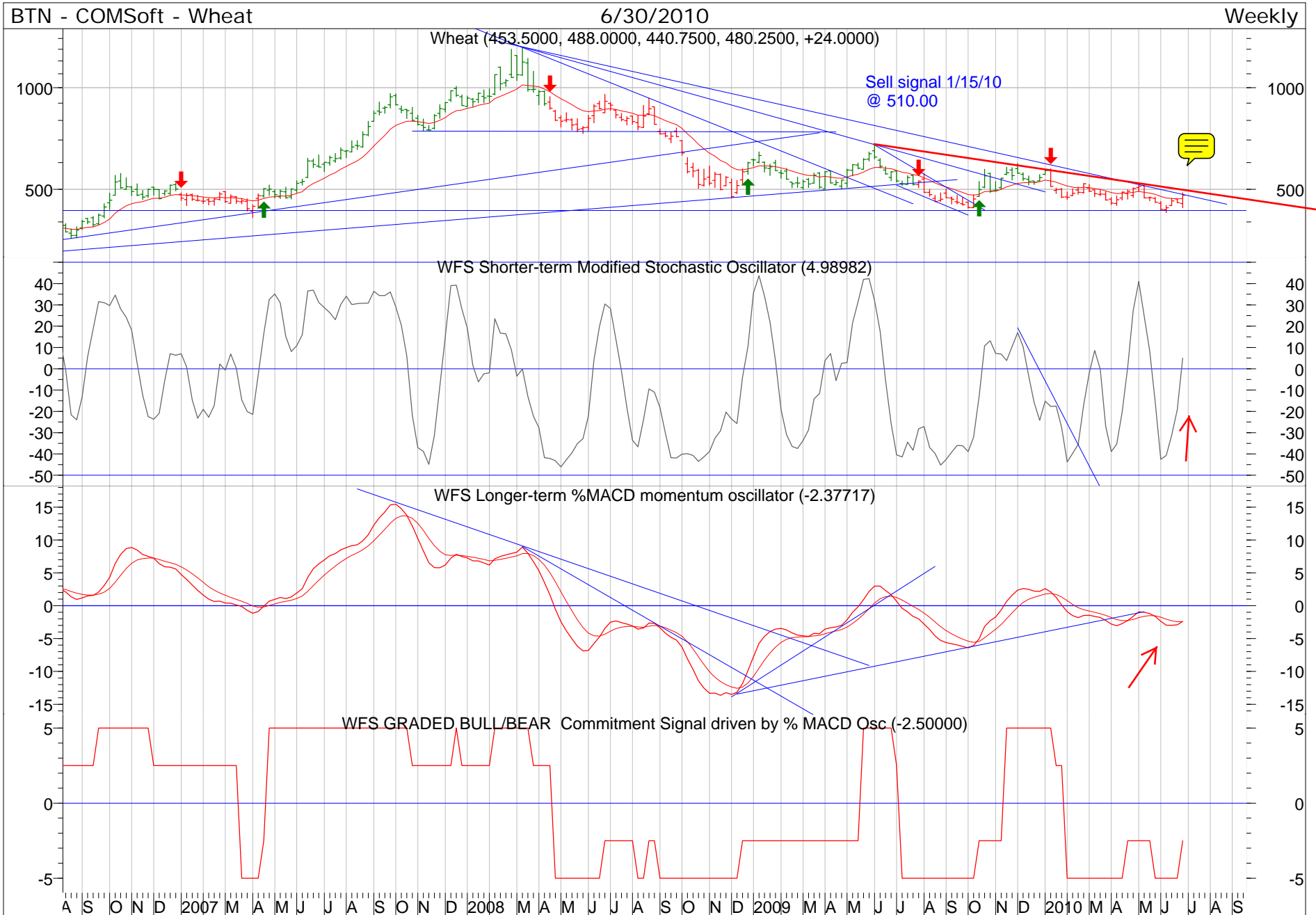
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## CURRENCIES

(Interbank Cash Quotes)

-----Momentum Rating-----

Ranked from most to least attractive	30-Jun-10	Short (1)	Medium (2)	Long (3)	Combined	Comment (4)
<u>Currency</u>	<u>Value</u>	<u>Term</u>	<u>Term</u>	<u>Term</u>		
Chinese Yuan (5)	6.7825	2.0	3.0	5.0	10.0	Buy more
Japanese Yen (5)	88.37	2.0	3.0	5.0	10.0	Hold/buy more
Brazilian Real (5)	1.8045	2.0	-3.0	-2.5	-3.5	Stay short
British Pound- Cash	\$1.4956	2.0	-3.0	-2.5	-3.5	Cover hedge   neutral
New Zealand \$ - Cash	\$0.6839	2.0	-3.0	-2.5	-3.5	Stay short
Swiss Franc - Cash	\$0.9295	2.0	-3.0	-2.5	-3.5	Hold   see comment
Australian \$ - Cash	\$0.8374	2.0	-3.0	-5.0	-6.0	Stay short
Norwegian Krone (5)	6.5051	2.0	-3.0	-5.0	-6.0	Stay short
EURO - Cash	\$1.2348	1.0	-3.0	-5.0	-7.0	Stay short
Indian Rupee (5)	46.4000	1.0	-3.0	-5.0	-7.0	Stay short
Russian Ruble	\$0.0319	1.0	-3.0	-5.0	-7.0	Stay short
Canadian \$ - Cash	\$0.9402	-1.0	-3.0	-5.0	-9.0	Neutral   see comments on chart
Mexican Peso - Cash	\$0.0769	<u>-1.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-9.0</u>	Stay short
<b>Today's Averages</b>		<u>1.3</u>	<u>-2.1</u>	<u>-2.7</u>	<u>-3.5</u>	
<b>Best Possible</b>		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
<b>Today's Average as % Best Possible</b>		65.4%	-69.2%	-53.8%	-34.6%	
<b>U.S. \$ Index</b>	86.04	-2	3	2.5	3.5	Hold
<b>Possible Maximum</b>		<u>2</u>	<u>3</u>	<u>5.0</u>	<u>10.0</u>	
<b>% Possible maximum ranking</b>		-100.0%	100.0%	50.0%	35.0%	

[Notes: \[For a more complete description of the chart pages, please refer to the explanation page tab at www.beforethenews.com\]](http://www.beforethenews.com)

(1) The shape and feel of the stochastic oscillator (Scale +2 to - 2) a subjective observation

(2) The Buy/Sell/SS(Sell Short) signal shown on chart (+3 or -3)

(3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.

(4) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on

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# WARNER FINANCIAL SELECT, LLC

## *Global Financial Market Analysis*

the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.

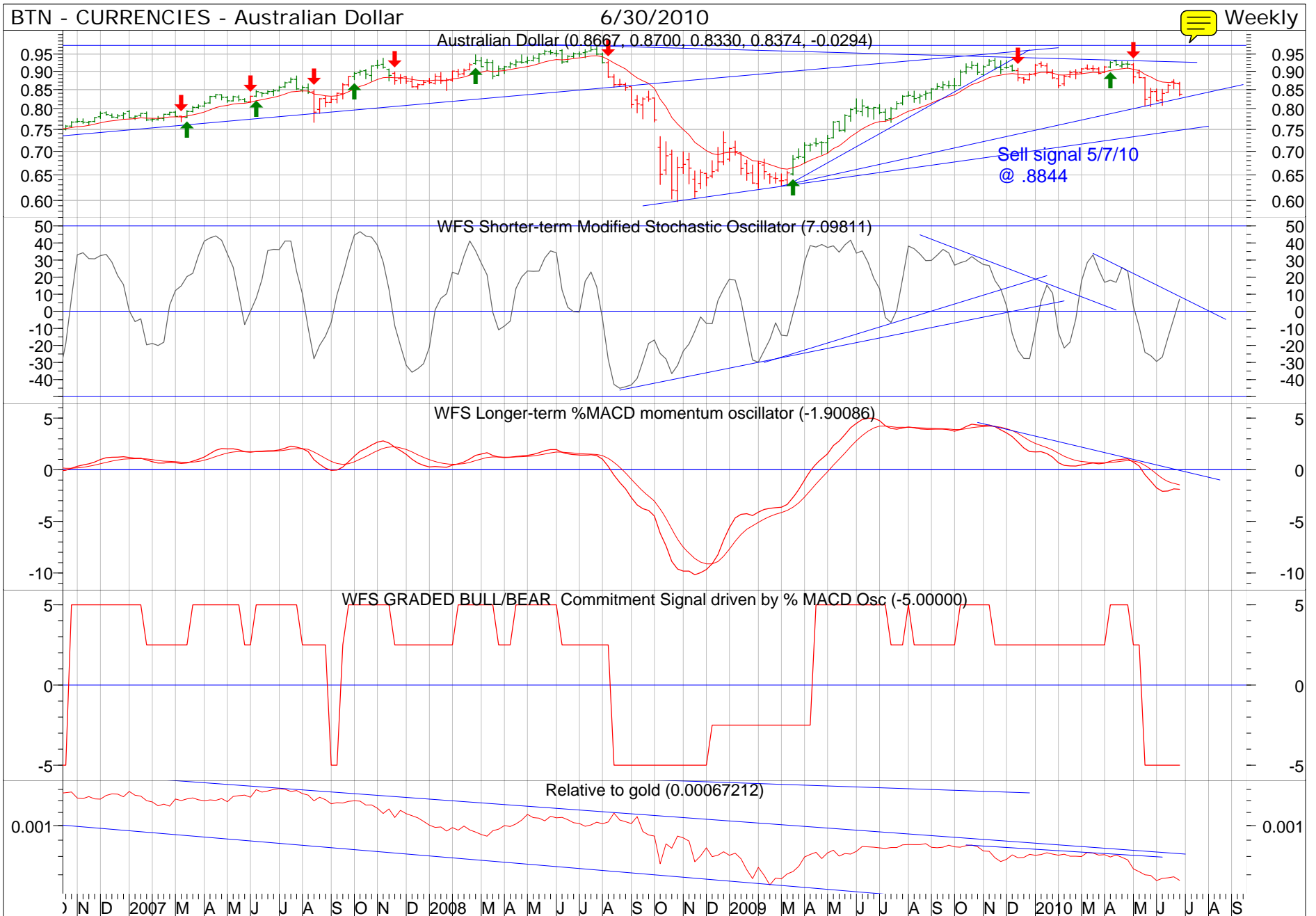
(5) These currencies are quoted in the European tradition showing the number of currency units per \$. The graphics have been inverted to make them pictorially similar to the others. The scale #s on the indicator charts (panels 2,3&4) should be ignored. They have been adjusted above to be comparable.

### **Commentary:**

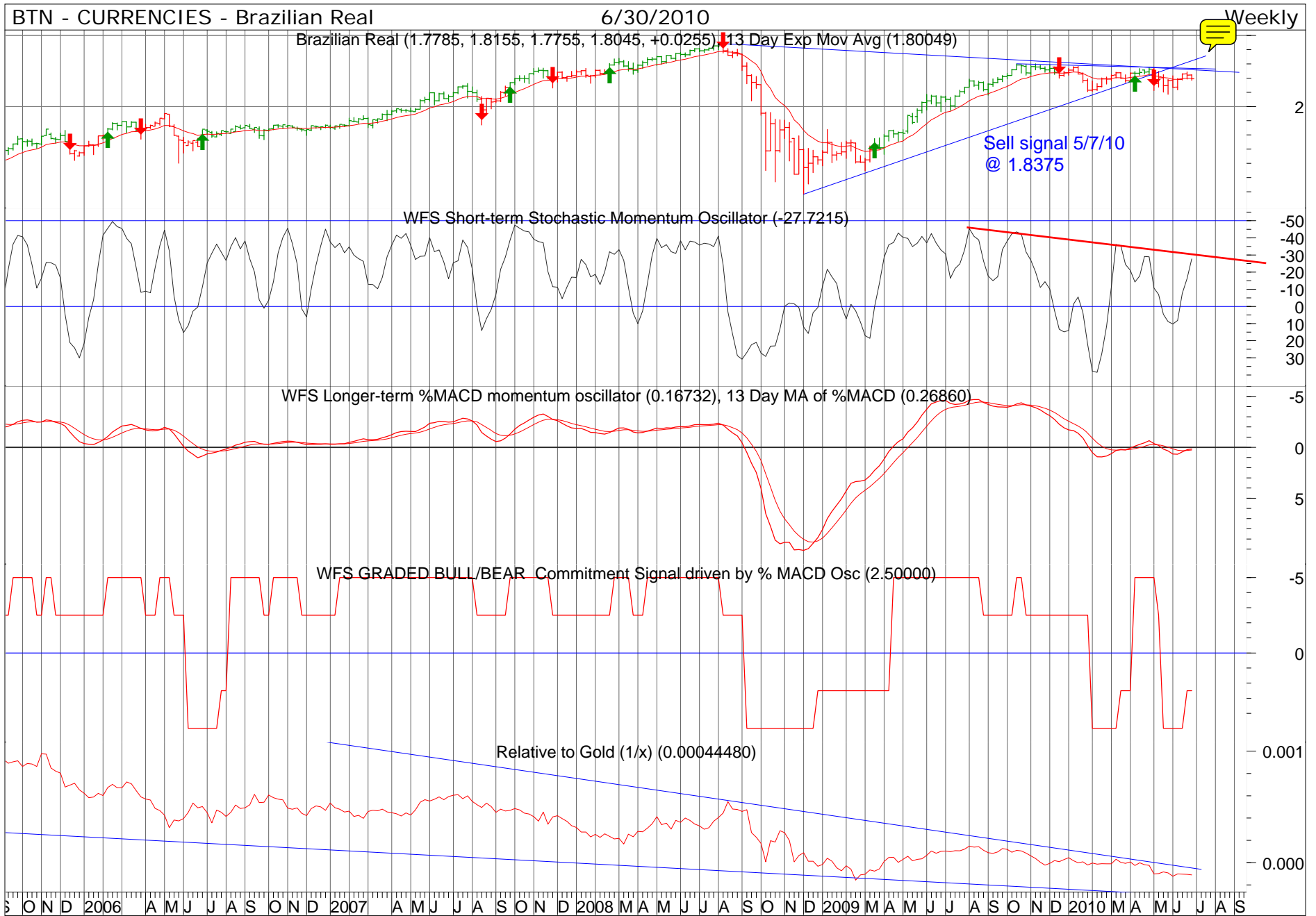
July might be called “big Y month” this year, honoring the prospects for strength of the Yen and Yuan vs. the U.S. \$ and most of the other currencies.

**Note that the U.S \$ carries a -100% short-term rating vs. an average +65.4% for its foreign counterparts. Most of those will be running into resistance before long which is likely to cause them to reverse course and the dollar to strengthen once again. The Yen and Yuan are likely to outperform the dollar in our opinion, but we would continue to be long U.S. \$ vs. most of the others.**

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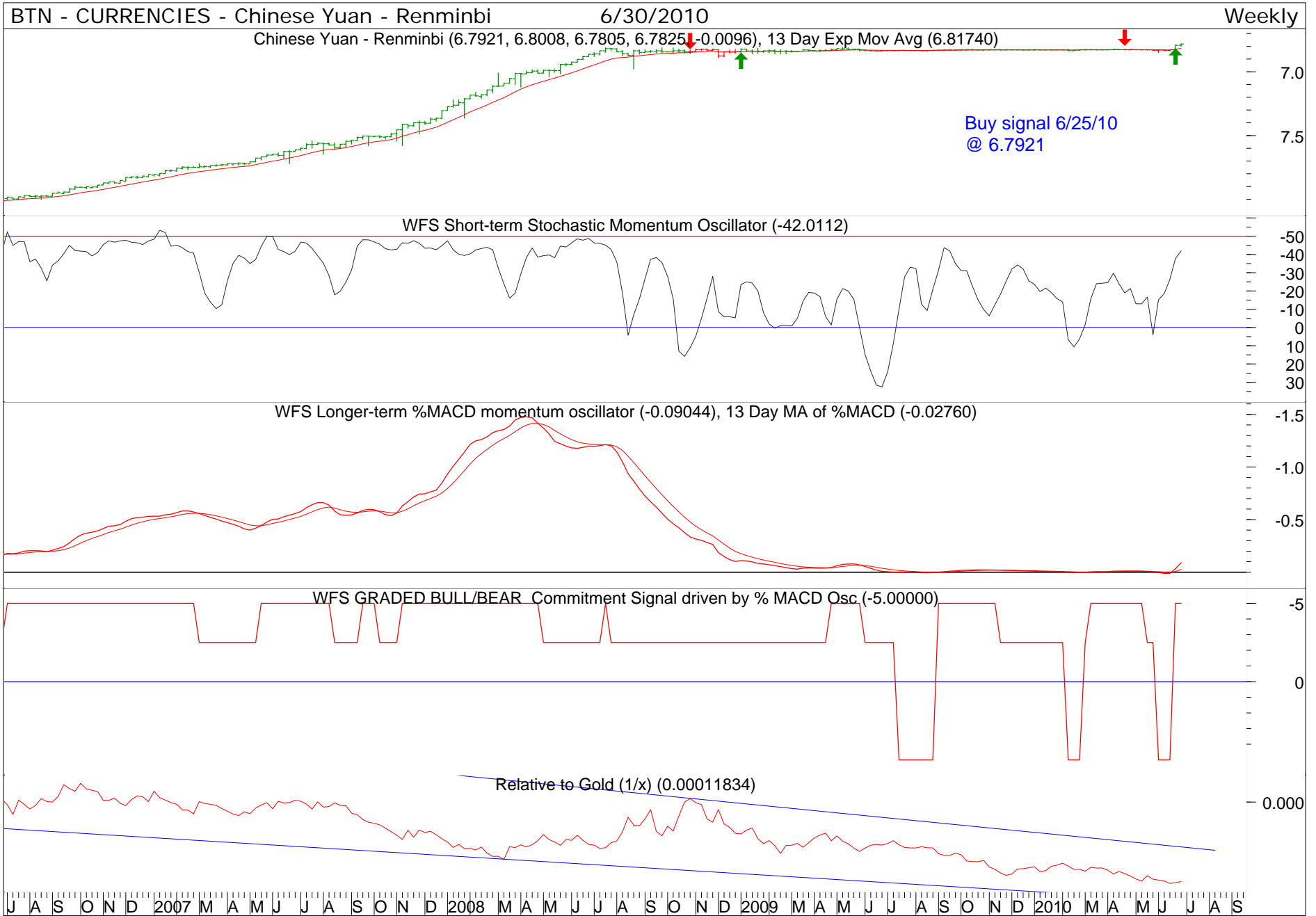
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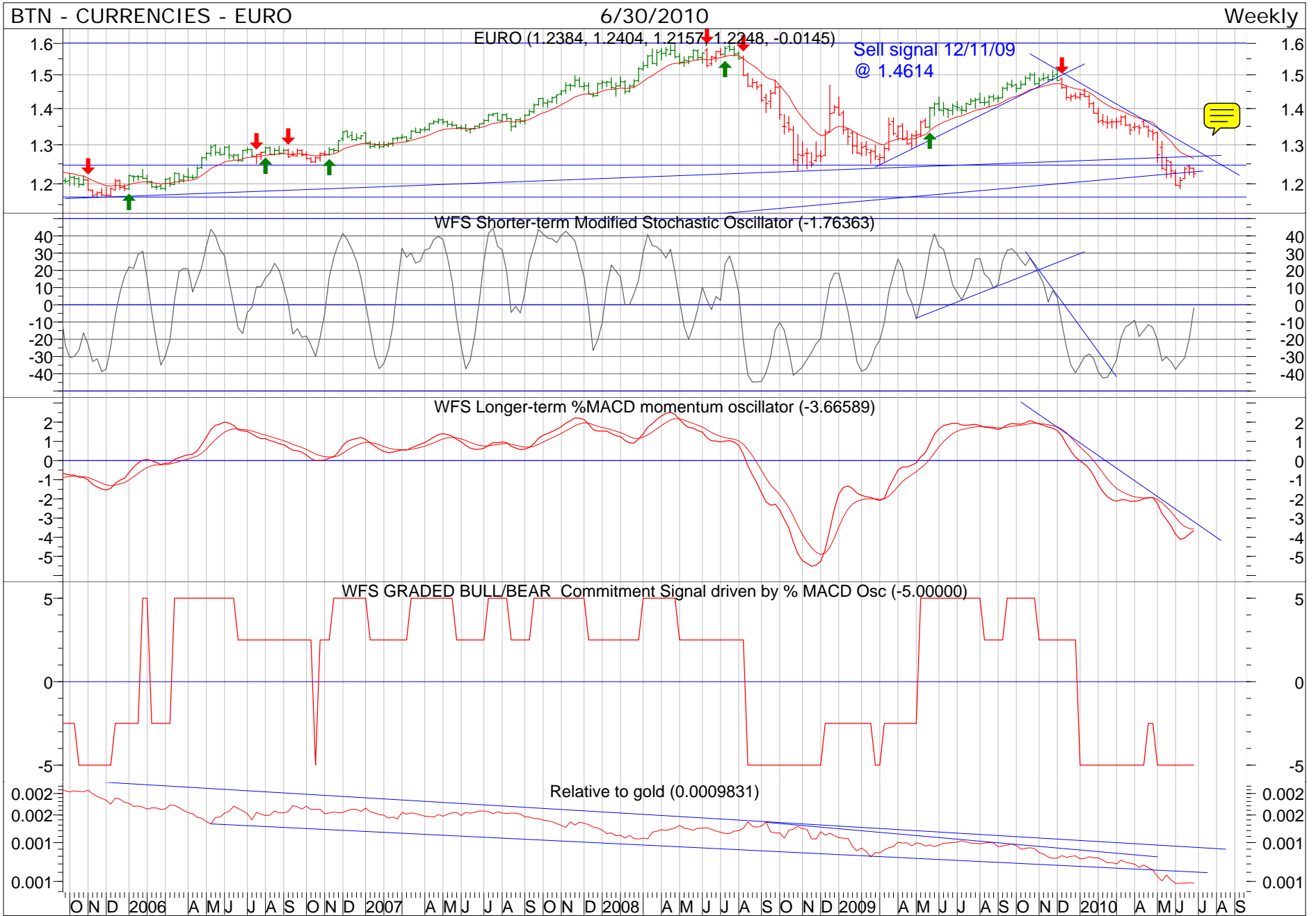
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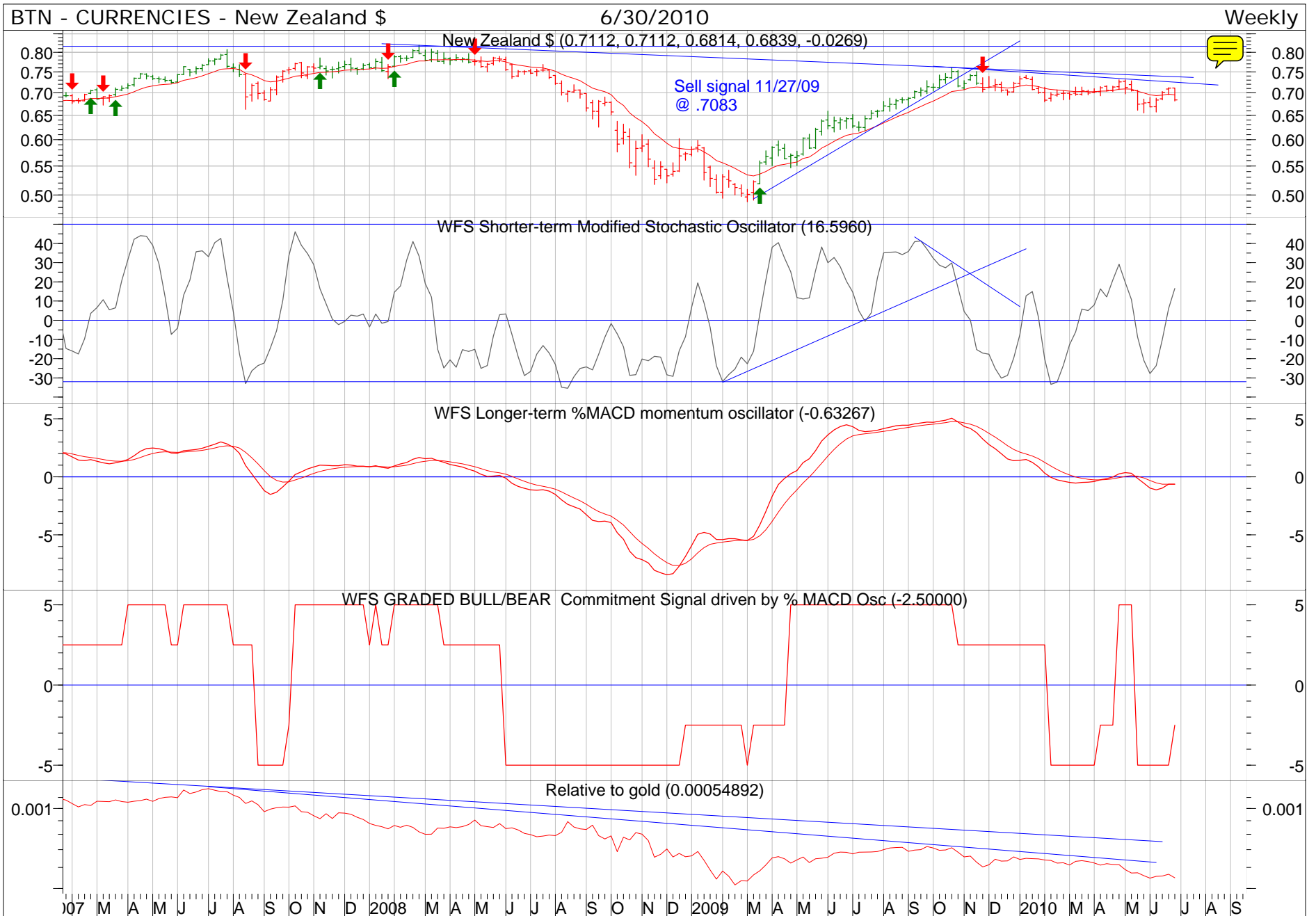




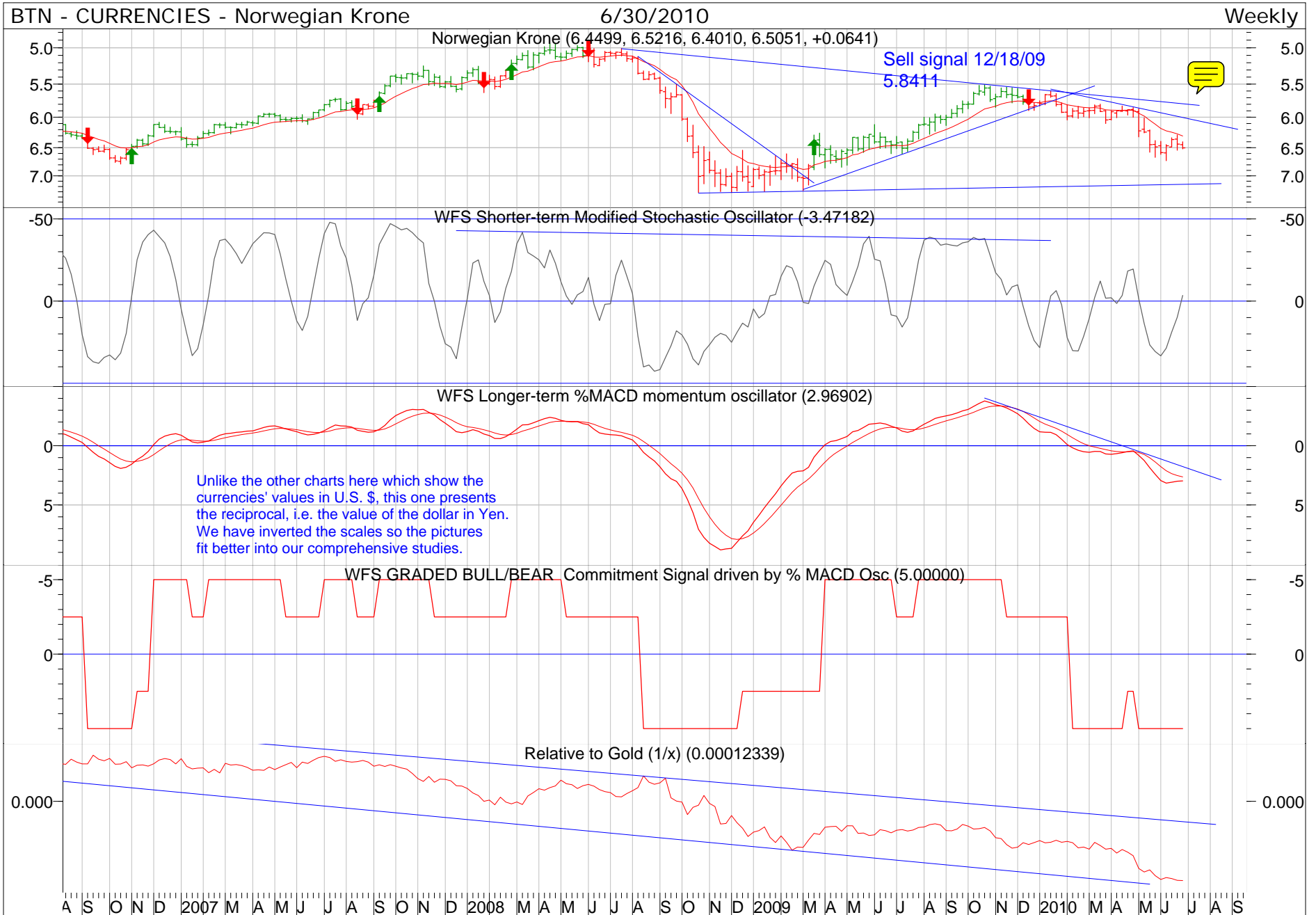
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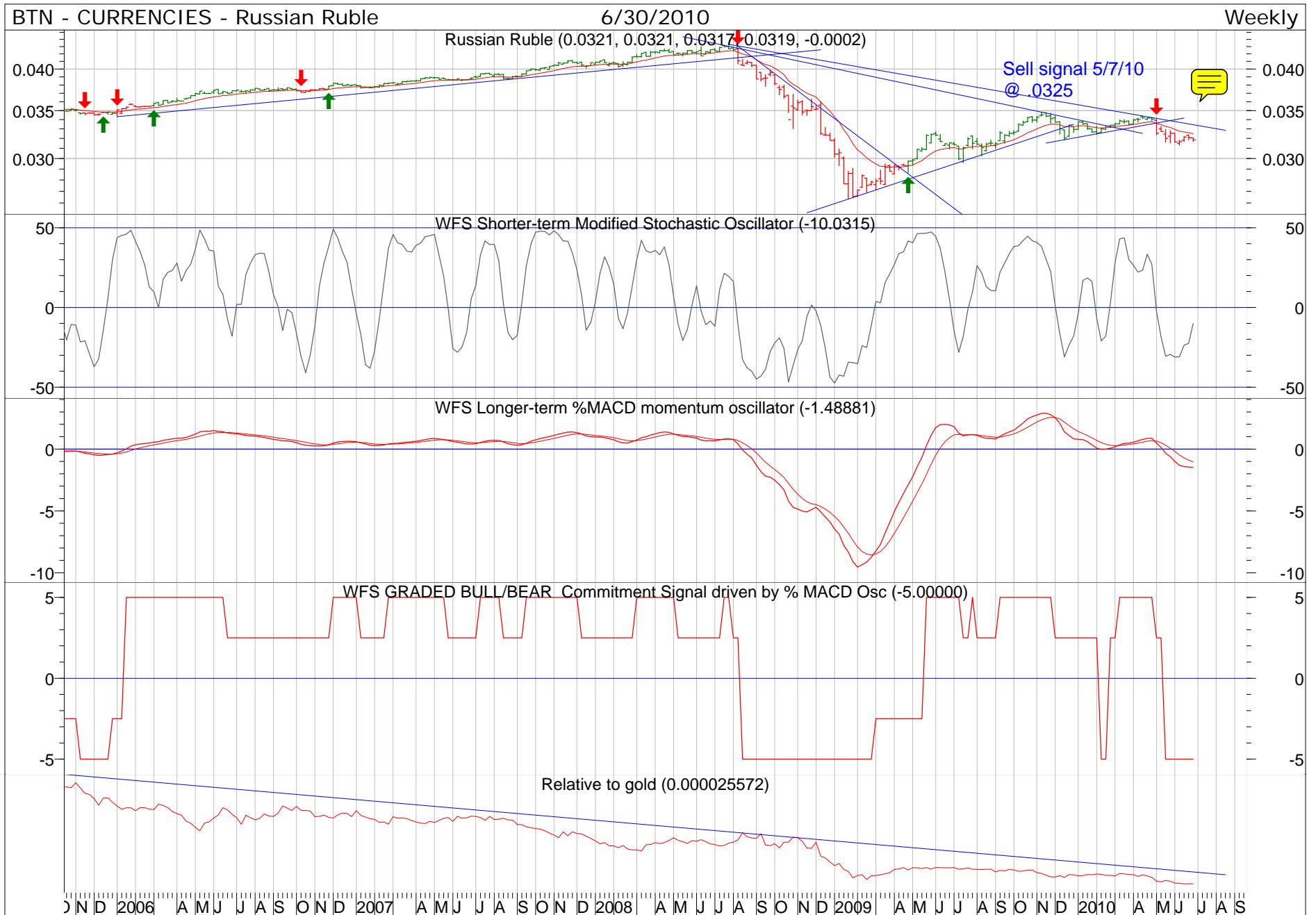
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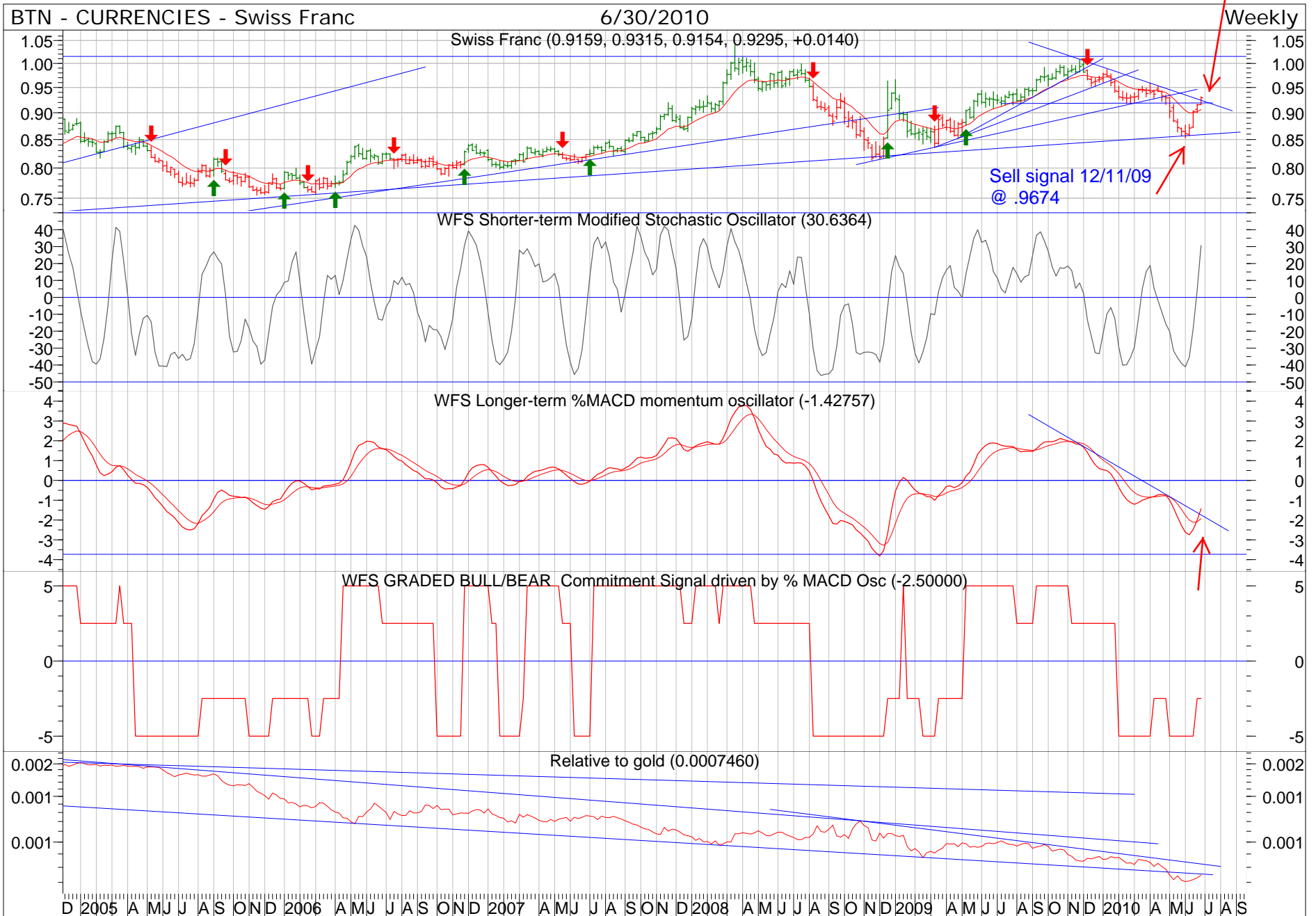
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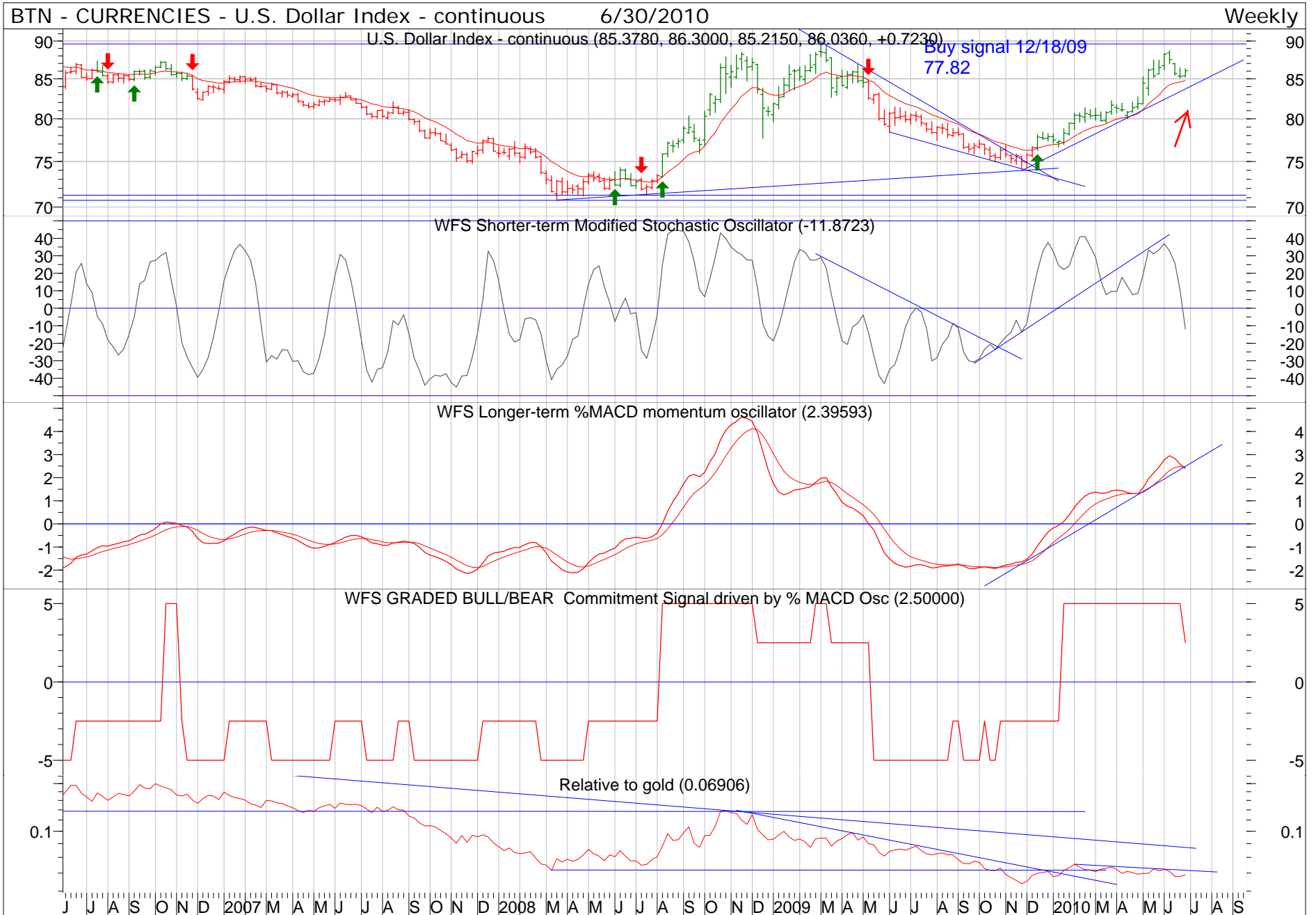
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# WARNER FINANCIAL SELECT, LLC

## *Global Financial Market Analysis*

Volume 7 Edition 7  
July 2010

### MAJOR STOCK MARKETS

Please see note (4) below

-----Momentum Rating-----

Ranked from most to least attractive <u>Country Index &amp; Symbol (4)</u>	30-Jun-10 <u>Value</u>	<u>Short (1)</u> <u>Term</u>	<u>Medium (2)</u> <u>Term</u>	<u>Long (3)</u> <u>Term</u>	<u>Combined</u>	<u>Comment (5)</u>
Malaysia - MSCIP iShare EWM	11.44	2	-3	2.5	1.5	Neutral
Canada - MSCIP iShare EWC	24.87	-1	3	-5.0	-3.0	Hold a small position
Mexico - MSCIP iShare EWW	47.89	-1	3	-5.0	-3.0	Neutral
Portugal - Dow Jones Index \$	150.51	2	-3	-2.5	-3.5	Stay short
Australia - MSCIP iShare EWA	18.98	2	-3	-5.0	-6.0	Sell more   see comments
Brazil - MSCIP iShare EWZ	61.83	2	-3	-5.0	-6.0	Stay short see chart
Denmark - Dow Jones Index \$	434.95	2	-3	-5.0	-6.0	Avoid
Germany - MSCIP iShare EWG	18.71	2	-3	-5.0	-6.0	Stay short
Hong Kong - MSCIP iShare EWH	14.77	2	-3	-5.0	-6.0	Neutral
India - India Fund - IFN	30.25	2	-3	-5.0	-6.0	Hold small short position
Italy - MSCIP iShare EWI	13.80	2	-3	-5.0	-6.0	Stay short
Netherlands - MSCIP iShare EWN	17.11	2	-3	-5.0	-6.0	Hold small short position
New Zealand - Dow Jones Index \$US	147.32	2	-3	-5.0	-6.0	Stay short
Singapore - MSCIP iShare EWS	11.24	2	-3	-5.0	-6.0	Neutral   hold small short position
South Korea - MSCIP iShare EWY	44.71	2	-3	-5.0	-6.0	Hold small short position
Spain - MSCIP iShare EWP	31.83	2	-3	-5.0	-6.0	Stay short
Sweden - MSCIP iShare EWD	22.83	2	-3	-5.0	-6.0	Hold small short position
Switzerland - MSCIP iShare EWL	19.99	2	-3	-5.0	-6.0	Sell more
United Kingdom - MSCIP iShare EWU	13.44	2	-3	-5.0	-6.0	Avoid
China - FTSE Xinhua 25 FXI	39.13	-1	-3	-2.5	-6.5	Hold a small short position
Austria - MSCIP iShare EWO	15.27	1	-3	-5.0	-7.0	Stay short
Finland - Dow Jones Index \$	687.30	1	-3	-5.0	-7.0	Avoid
France - MSCIP iShare EWQ	19.56	1	-3	-5.0	-7.0	Stay short
Japan - MSCIP iShare EWJ	9.20	1	-3	-5.0	-7.0	Stay short
Norway - Dow Jones Index \$	262.17	1	-3	-5.0	-7.0	Avoid
Taiwan - MSCIP iShare EWT	11.20	1	-3	-5.0	-7.0	Neutral

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# WARNER FINANCIAL SELECT, LLC

## *Global Financial Market Analysis*

<b>United States (S&amp;P 500)</b>	1,030.71	0	-3	-5.0	-8.0	Avoid   sell more short
<b>Belgium - MSCIP iShare EWK</b>	10.84	<u>-1</u>	<u>-3</u>	<u>-5.0</u>	<u>-9.0</u>	Avoid   sell some short
<b>Today's Averages</b>		<u>1.3</u>	<u>-2.6</u>	<u>-4.6</u>	<u>-5.8</u>	
<b>Best Possible</b>		<u>2.0</u>	<u>3.0</u>	<u>5.0</u>	<u>10.0</u>	
<b>Today's Averages as % Best Possible</b>		64.3%	-85.7%	-91.1%	-58.4%	
<b>Dow Jones World Index ex U.S.A.</b>	178.06	<u>2.0</u>	<u>-3.0</u>	<u>-5.0</u>	<u>-6.0</u>	See comments on chart
<b>% of Best Possible Rating</b>		100.0%	-100.0%	-100.0%	-60.0%	

[Notes: A more complete description of the above ratings can be found on the explanation tab at www.beforethenews.com](http://www.beforethenews.com)

- (1) The shape and feel of the stochastic oscillator (Scale +2 to - 2), a subjective view.
- (2) The BUY/S/SS(Sell Short) signal shown on chart (+3 or -3)
- (3) The value of WFS' LT Graded Bullish/Bearish signal as shown on the charts.
- (4) The bulk of the indices displayed here are ETF iShares designed by Barclays Global Investors to replicate the MSCIP index for each country. They are traded in U.S. \$ on the American Stock Exchange with symbols as shown. Extensive info about these is available at: [http://www.ishares.com/home.jhtml?&\\_requestid=410727](http://www.ishares.com/home.jhtml?&_requestid=410727). Where no iShares exist, we use the Dow Jones Index in U.S.\$.
- (5) Most of the enclosed charts have more detailed comments on them. To find the charts, please click on the bookmark tab at left, click on the + signs to fully open the index, then click on the chart you would like to see. Once there a click on a yellow tab will open up the note.

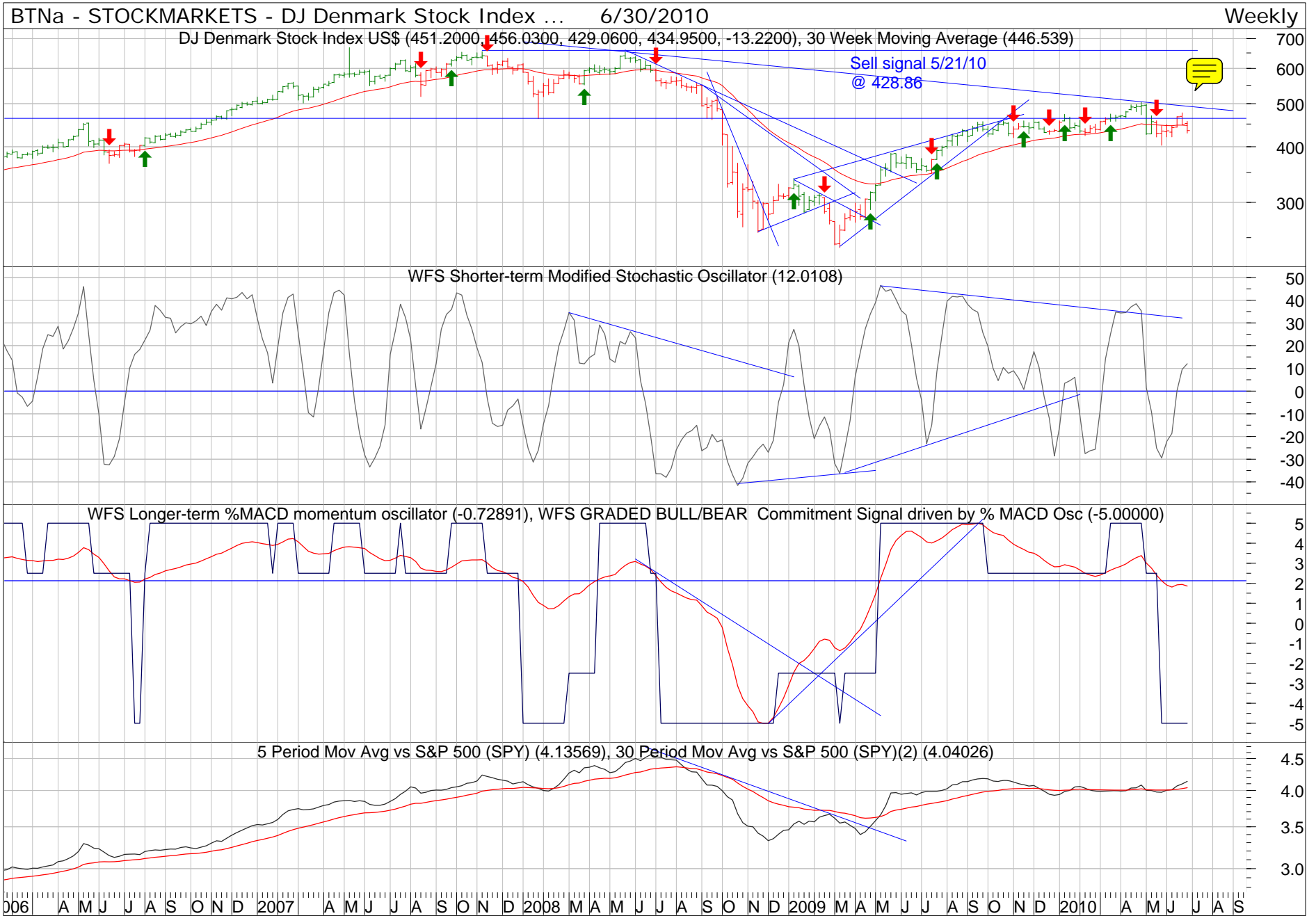
### **Commentary:**

Most equity markets rallied at the beginning of June but then began to tail off. The move is reflected in the change in our short-term stochastic ranking which moved from -44.6% to +64.3% at the end of the month. During this period, however, there was no change in the negative medium-term ranking, and the long-term momentum ranking deteriorated further to -91.1% (scale is +100% to -100%). **Thus in general we are looking for short-term momentum to weaken, which will allow the negative pull of the stronger longer-term indicators to go to work.**

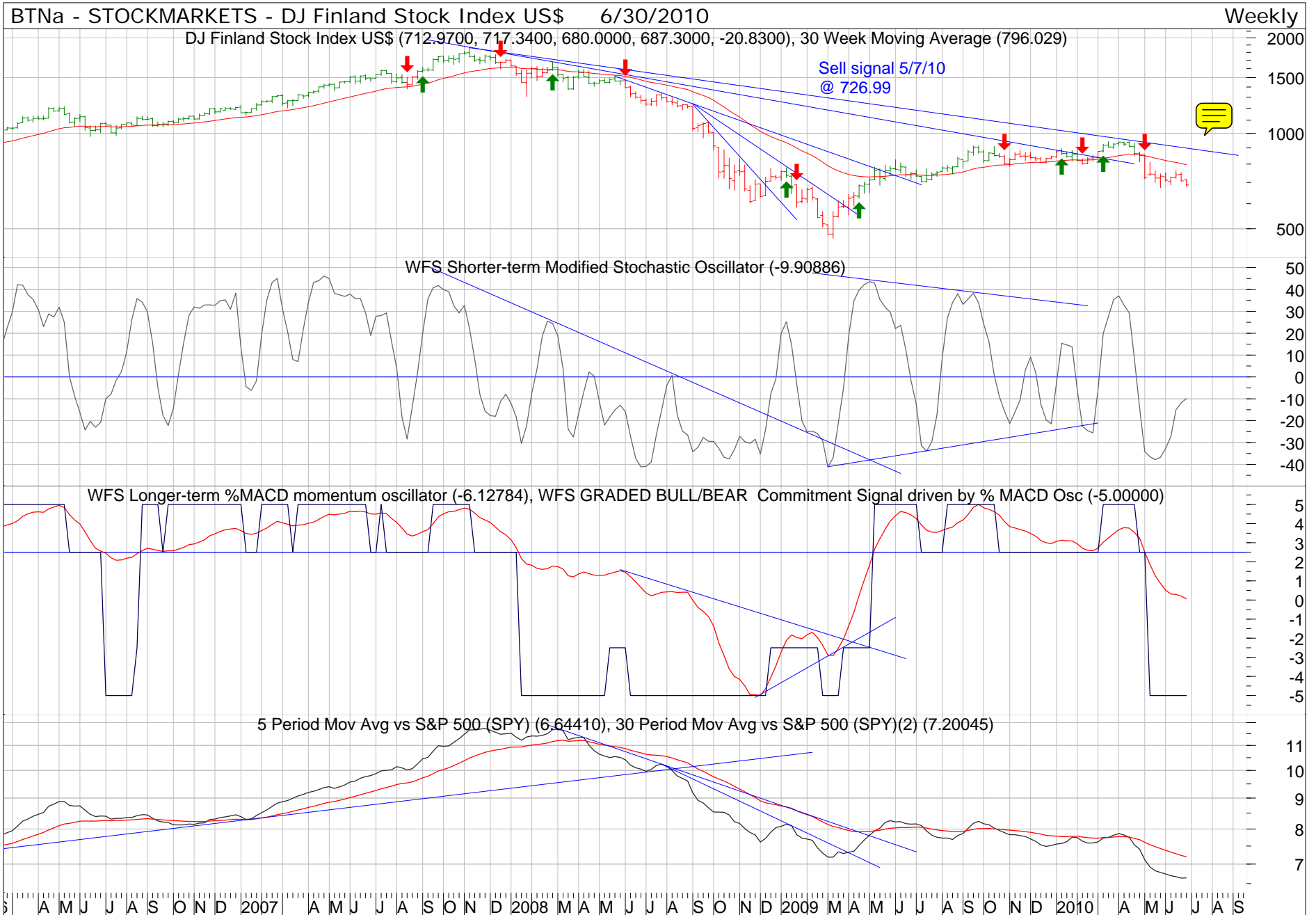
Note above that there is only one market whose combined momentum ranking is above the neutral rank of zero, but none of the markets is really oversold. **Our comment on the Dow Jones World Index (ex. U.S.A.) chart enclosed is: "We do not like the picture here. (We) sense a small head and shoulders top now building its right shoulder. This is also developing in many of the underlying markets and the USA as well. (As reflected above) we'd be net sellers and sell some more short."**

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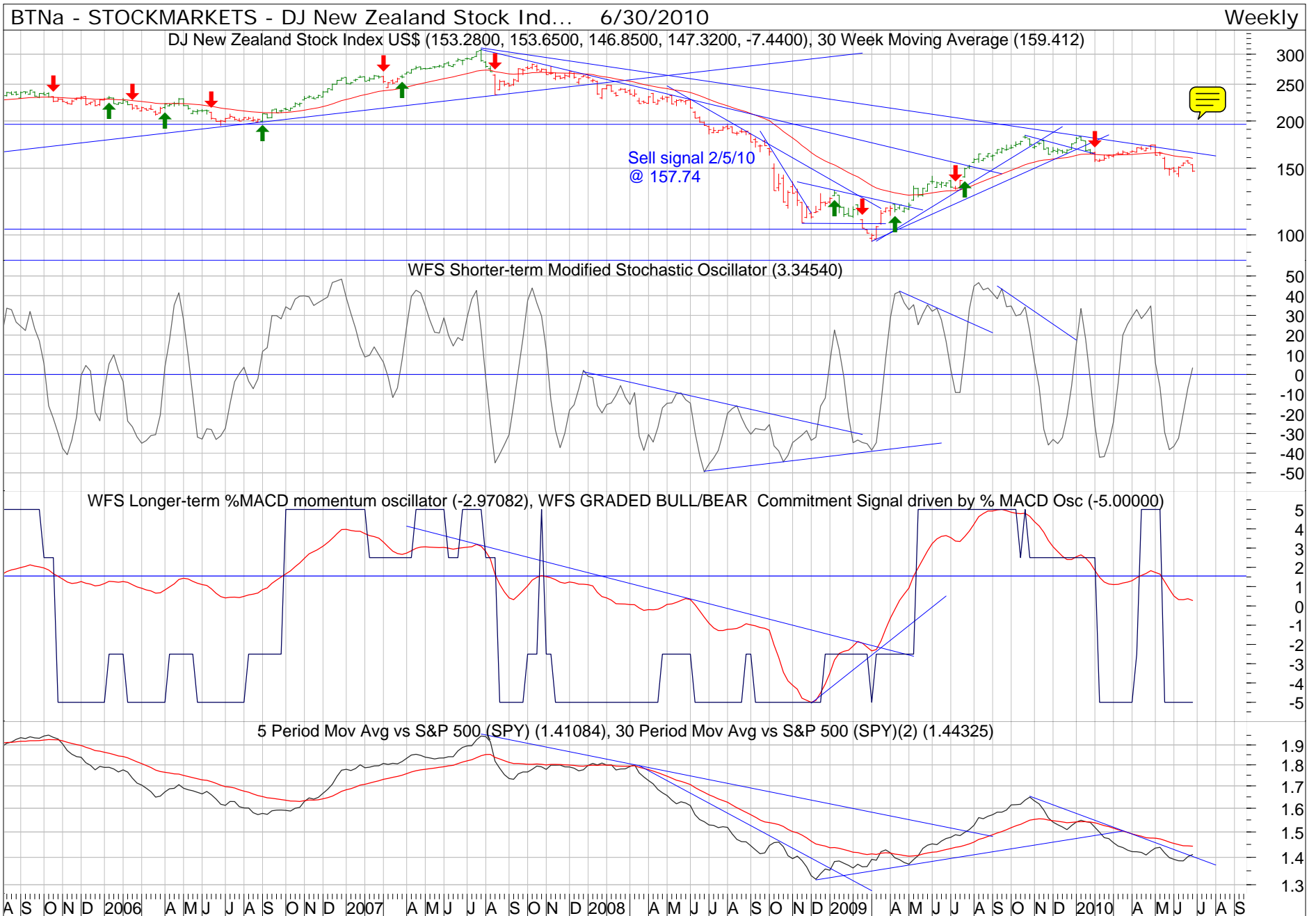
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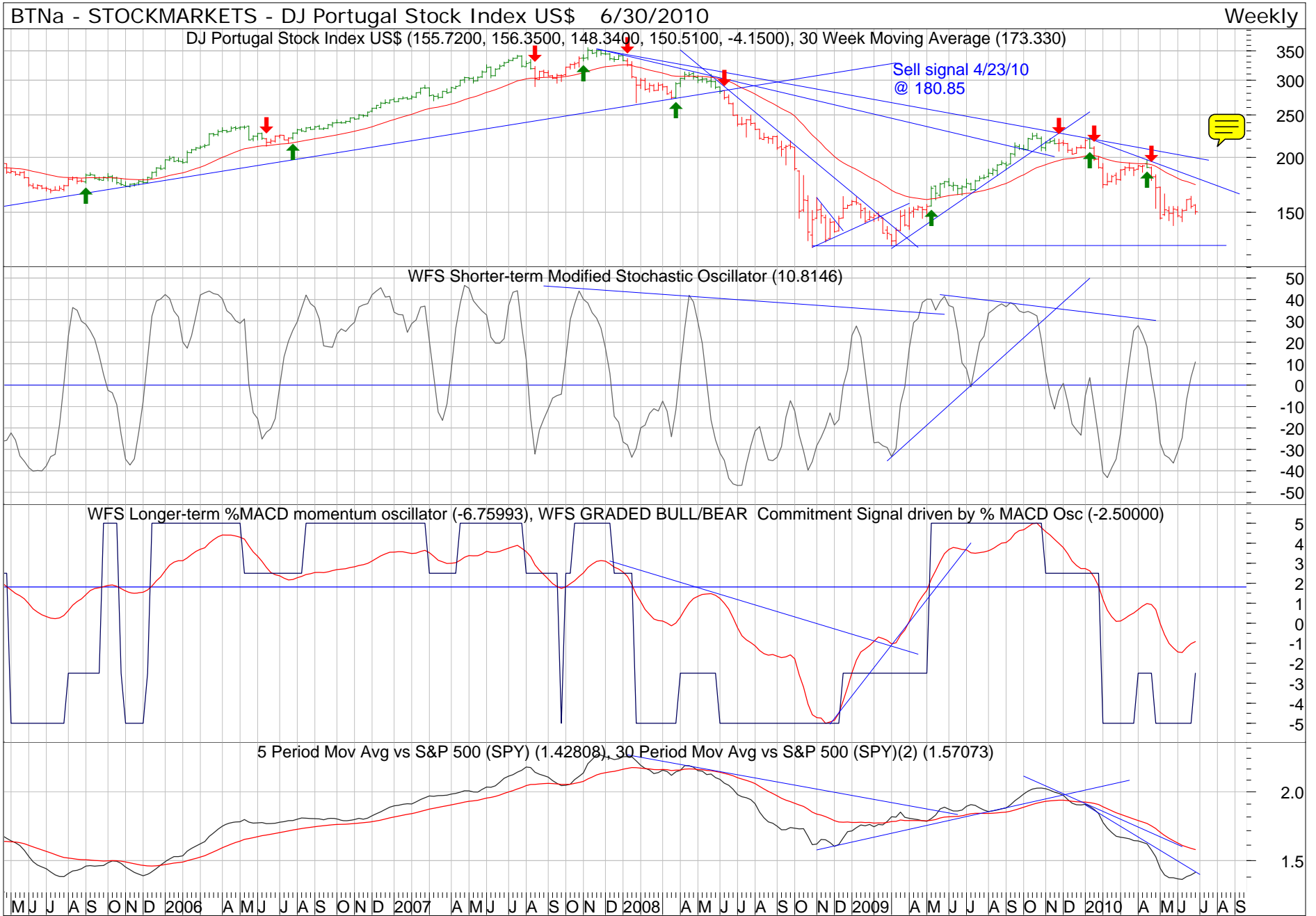
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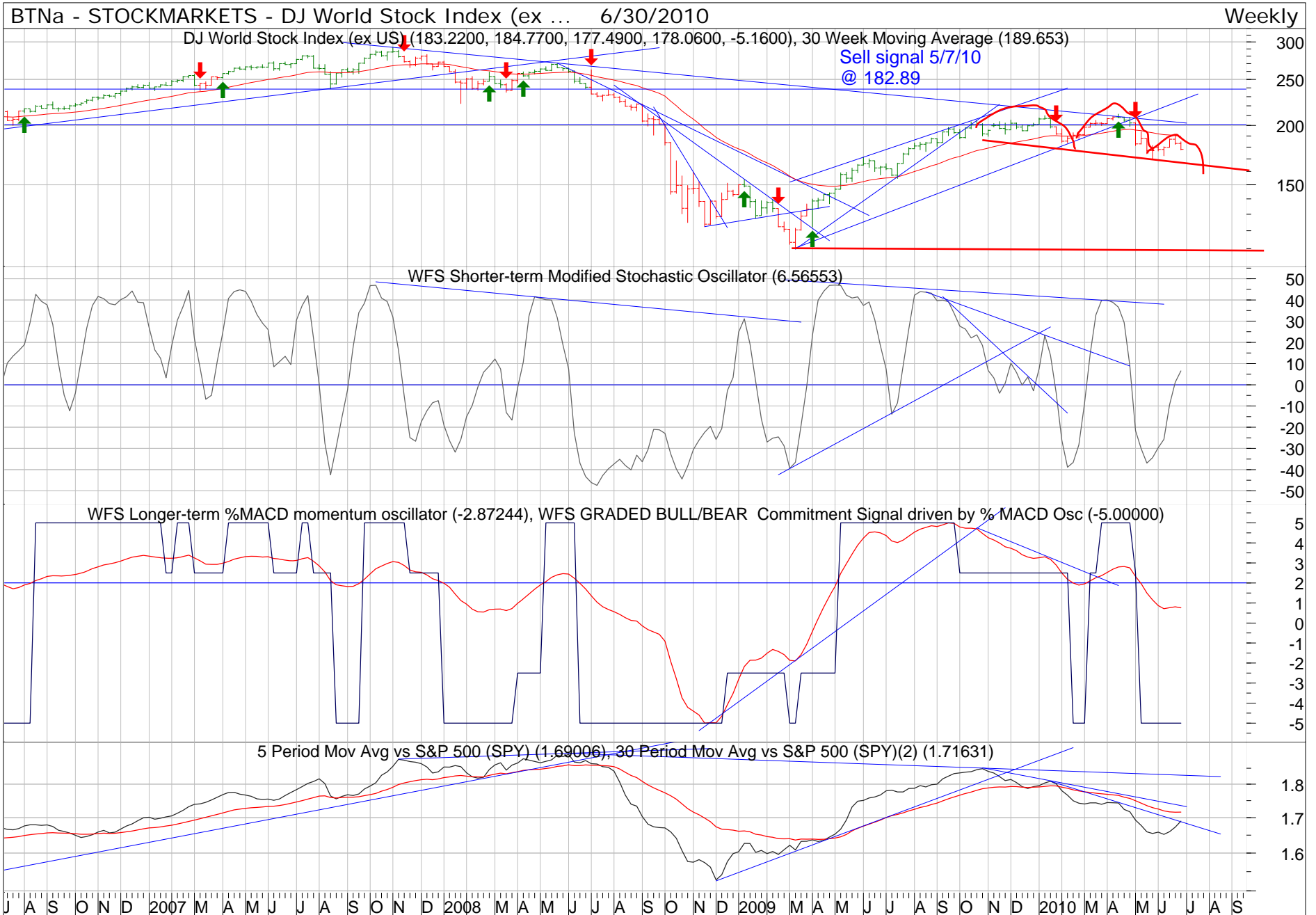
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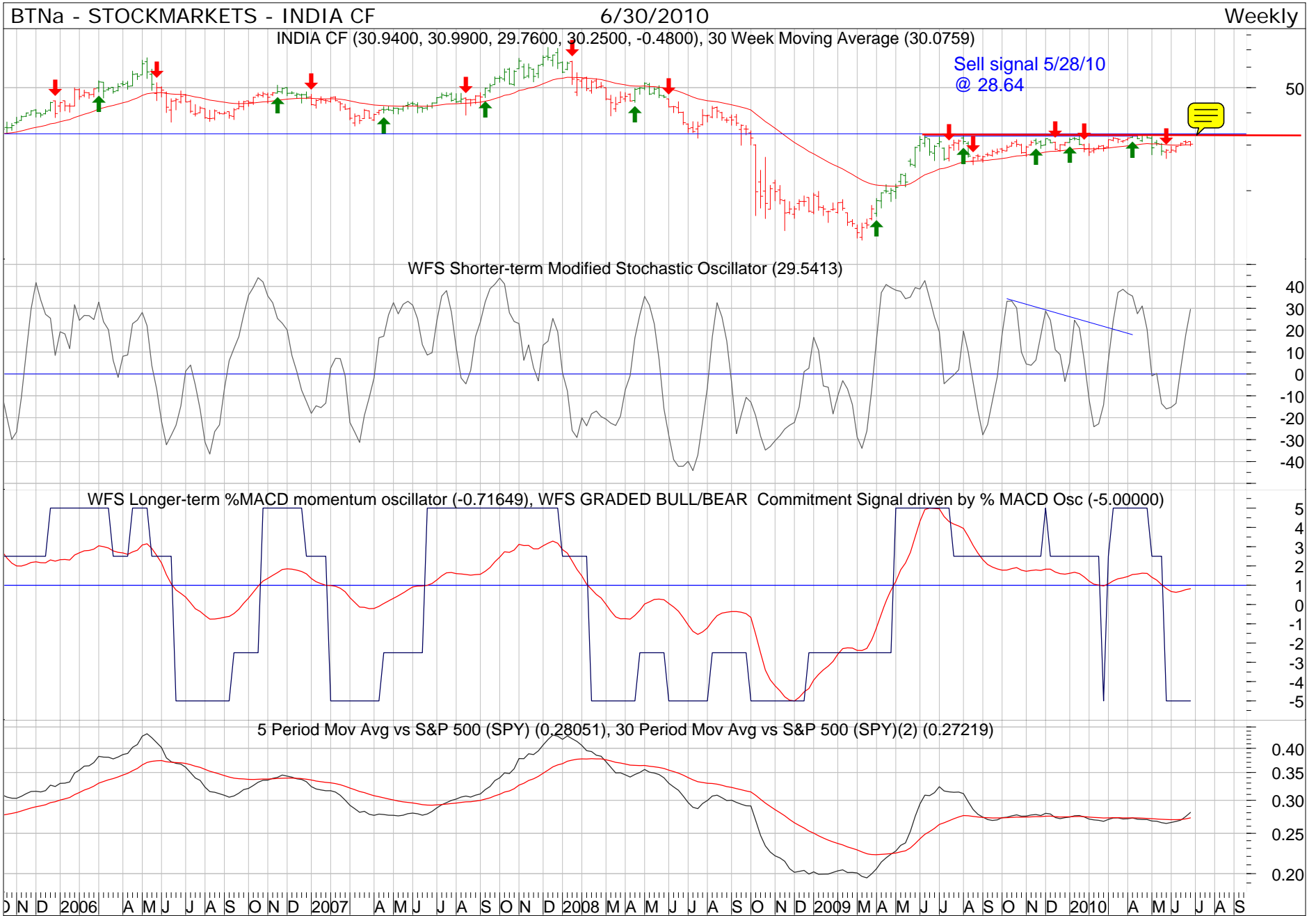
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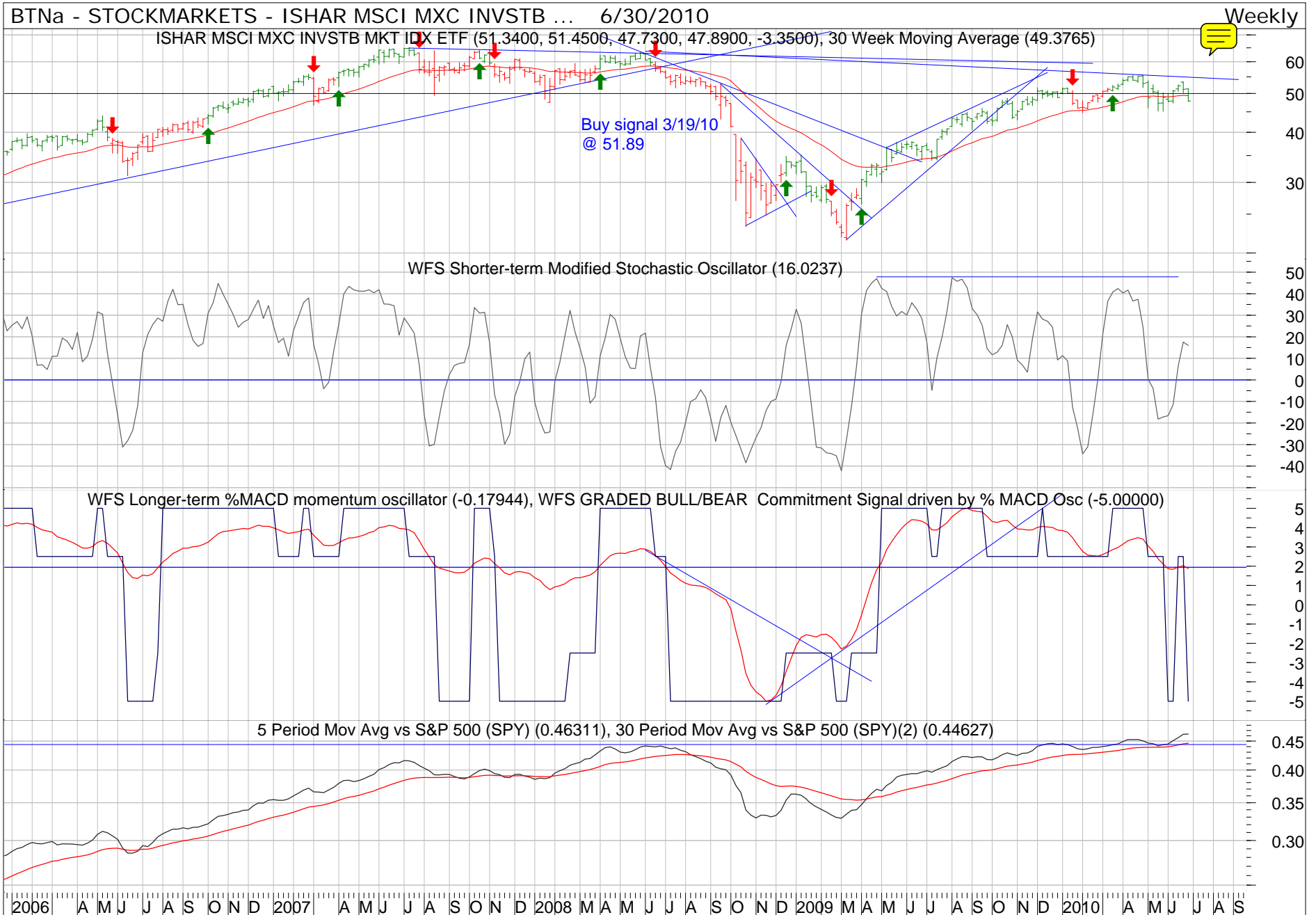
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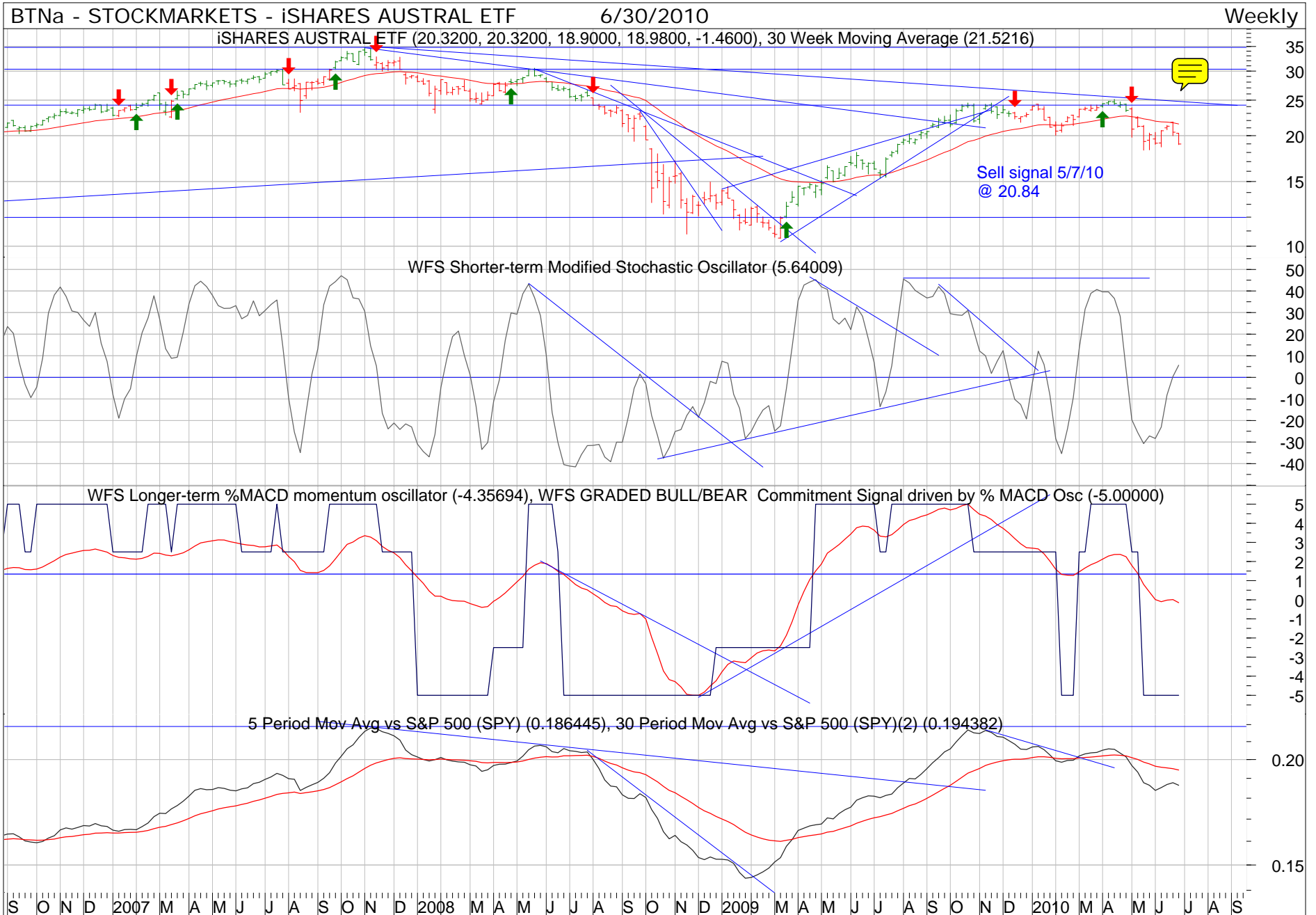
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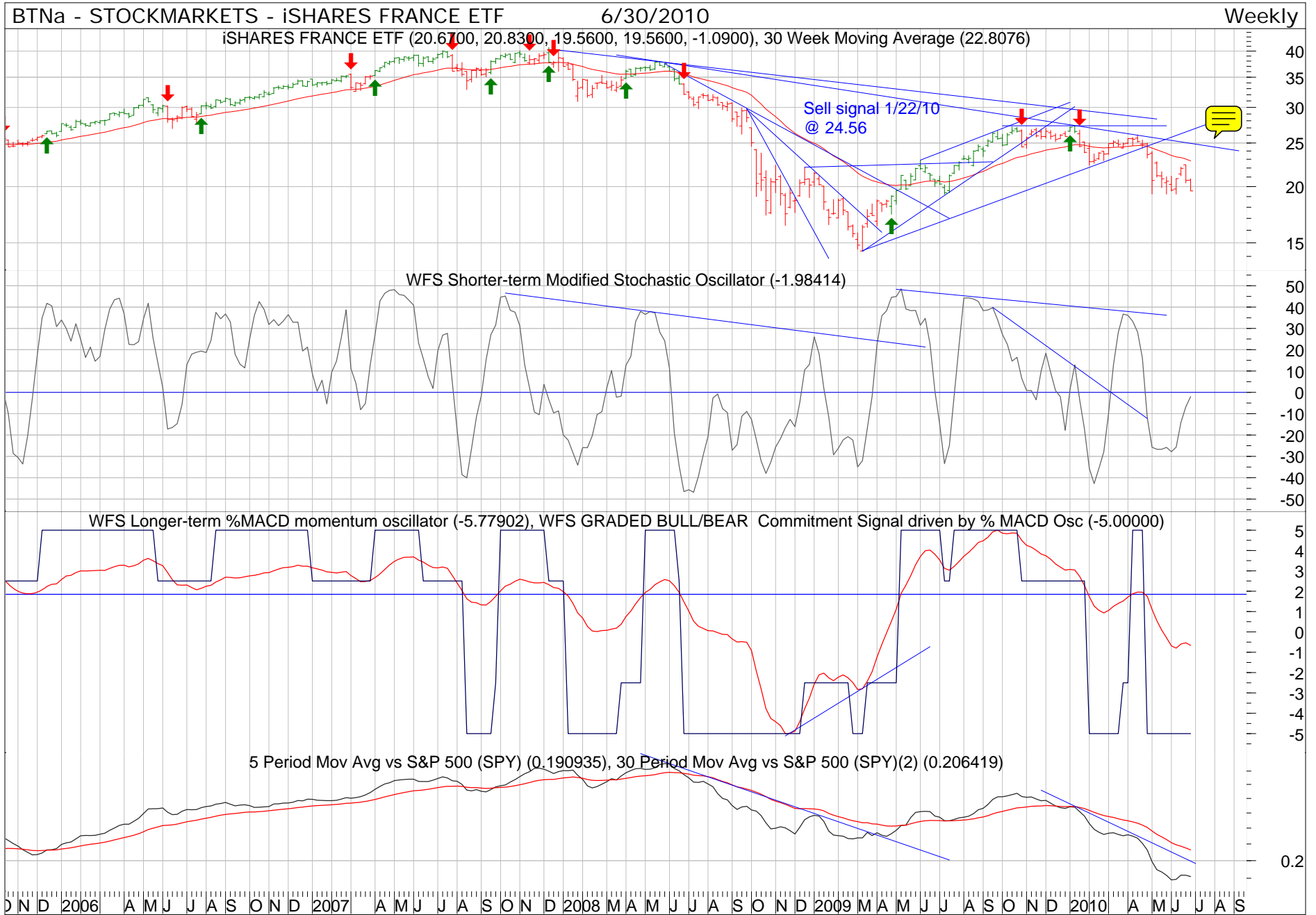
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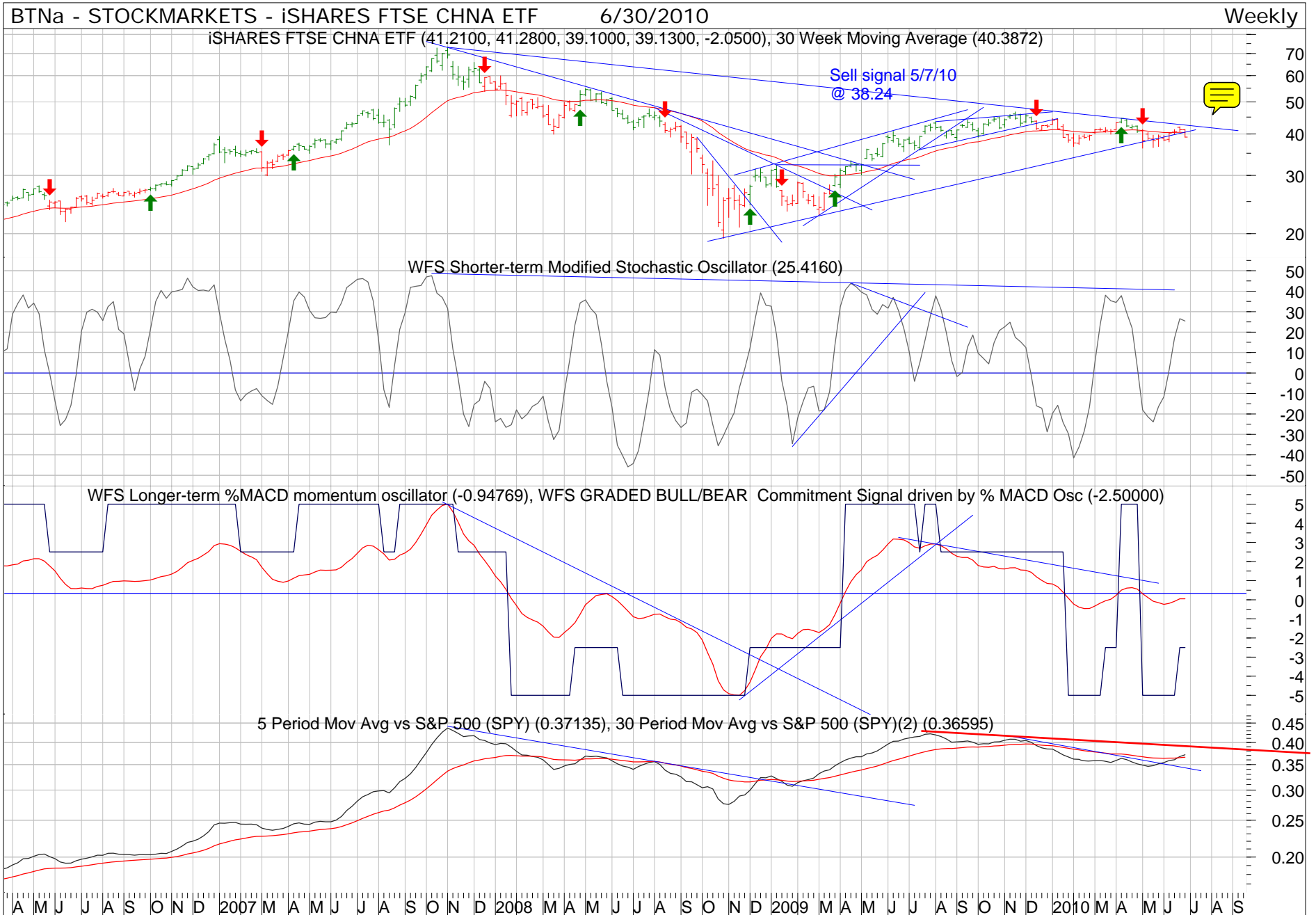
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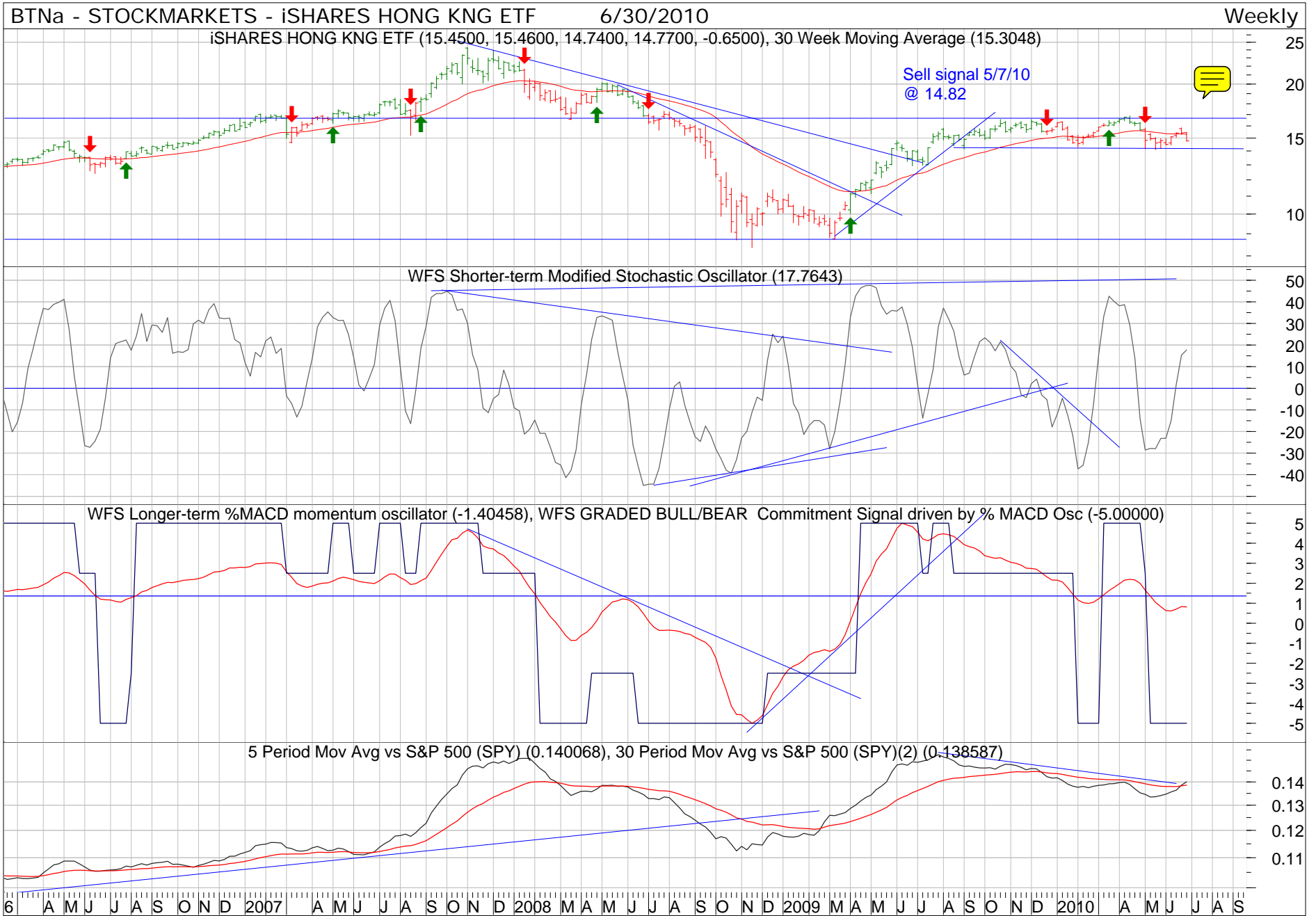
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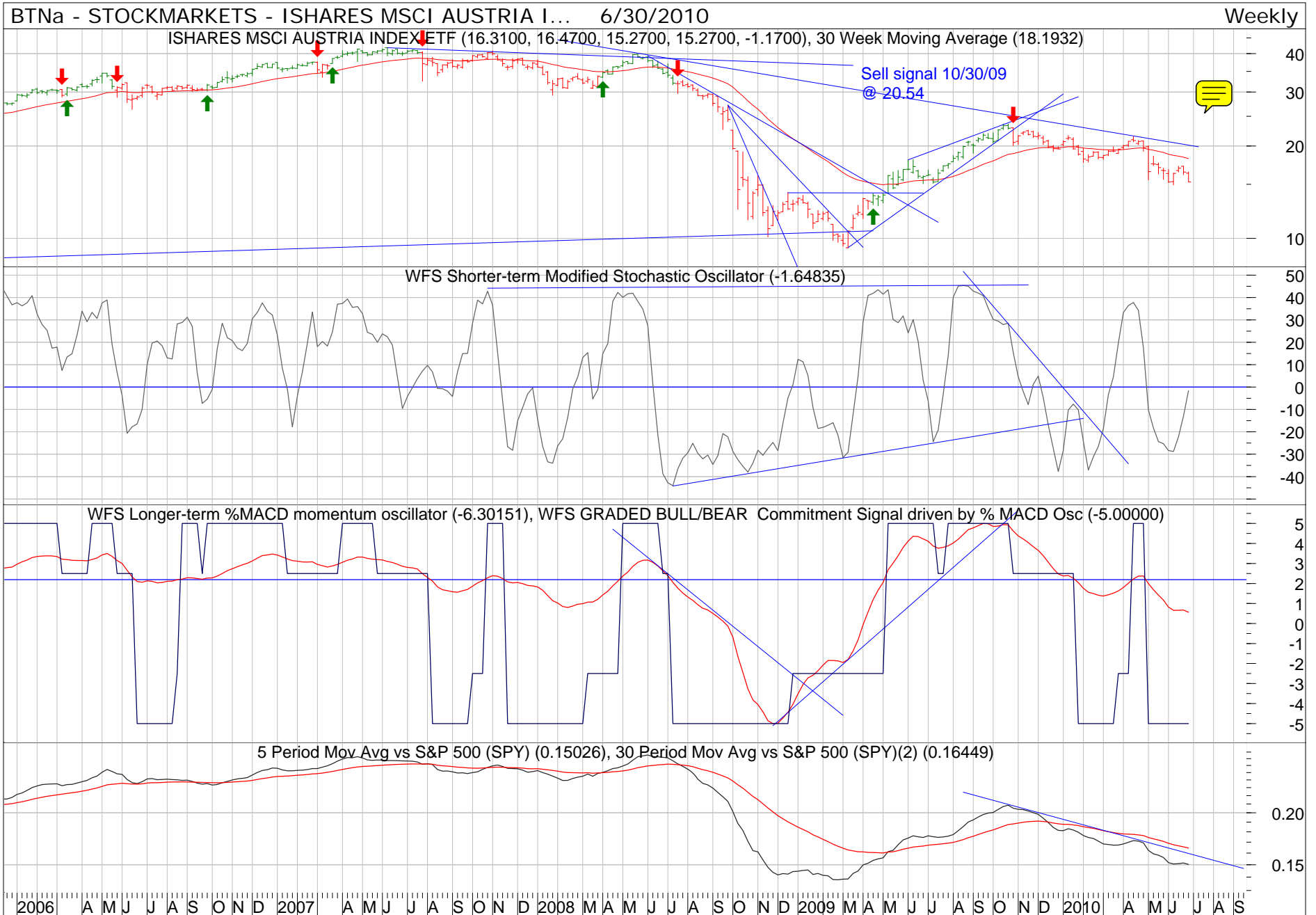
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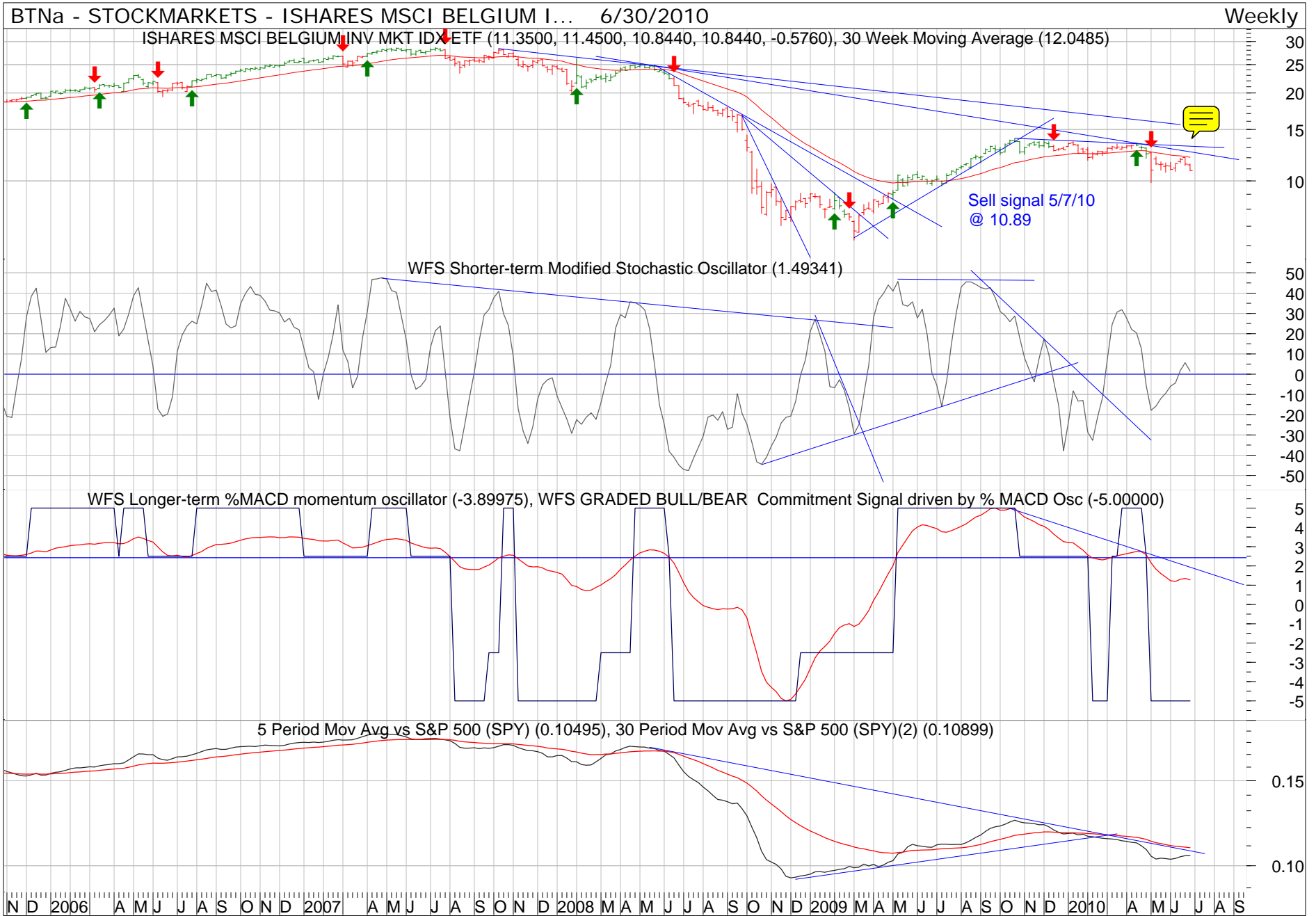
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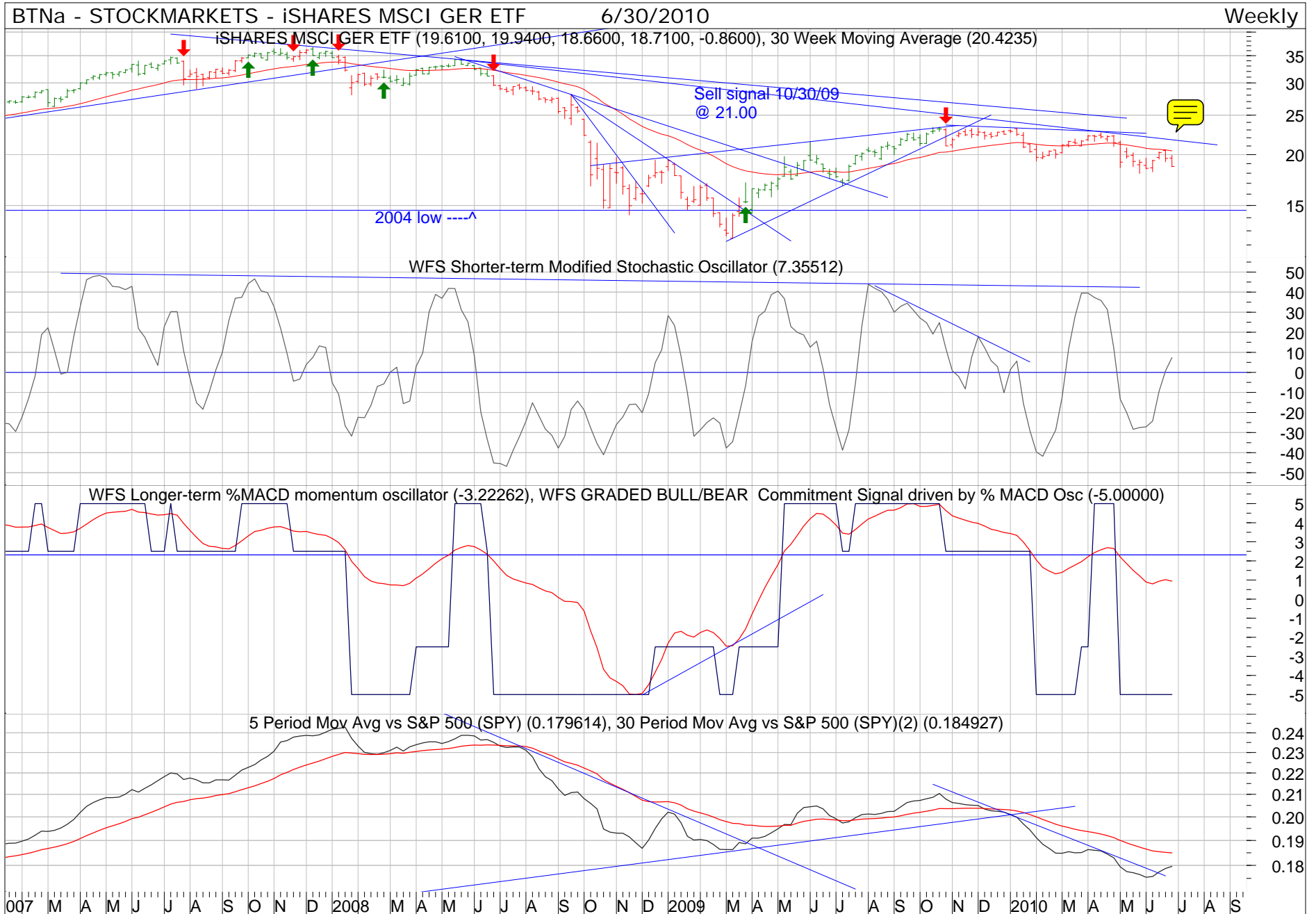
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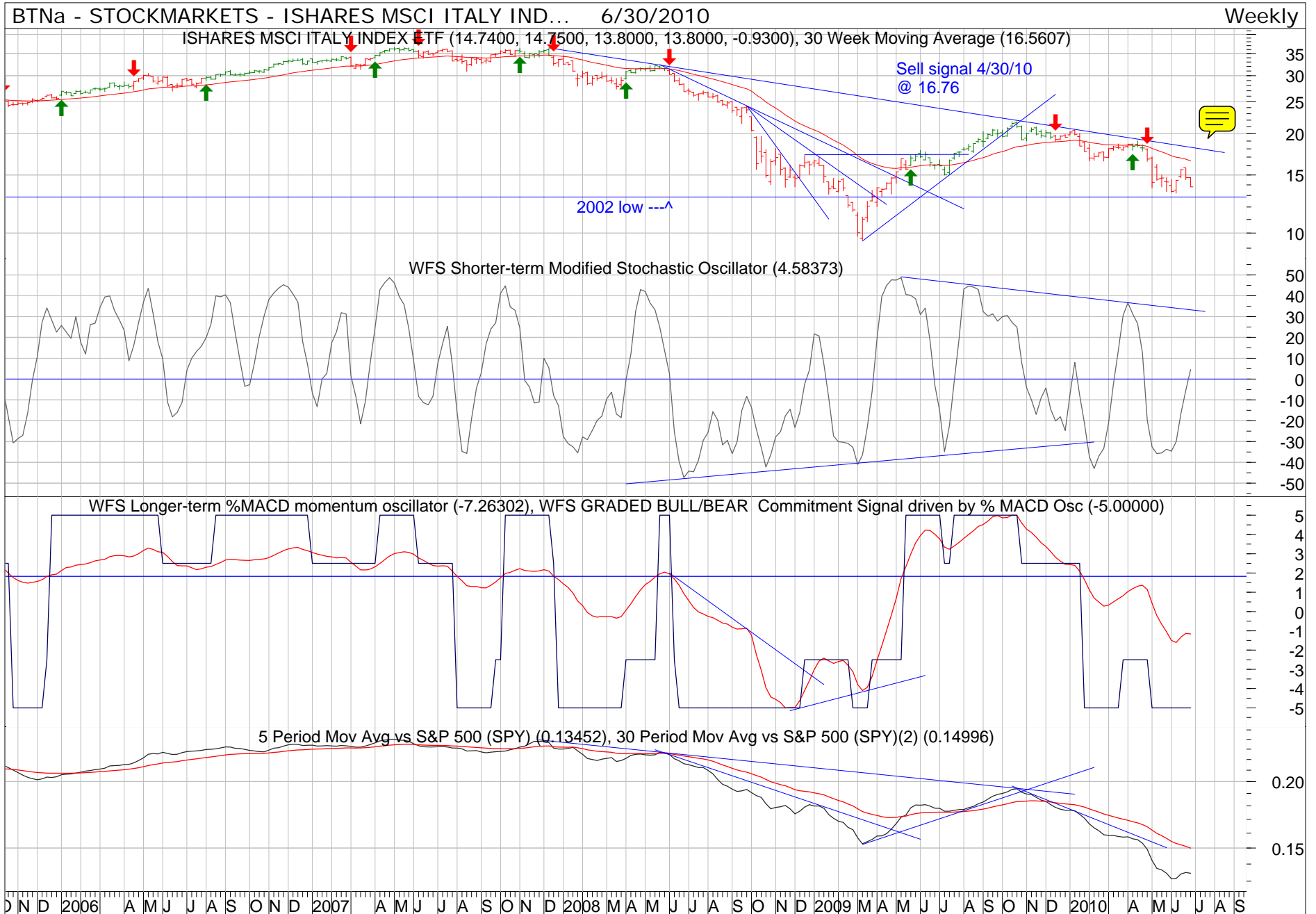
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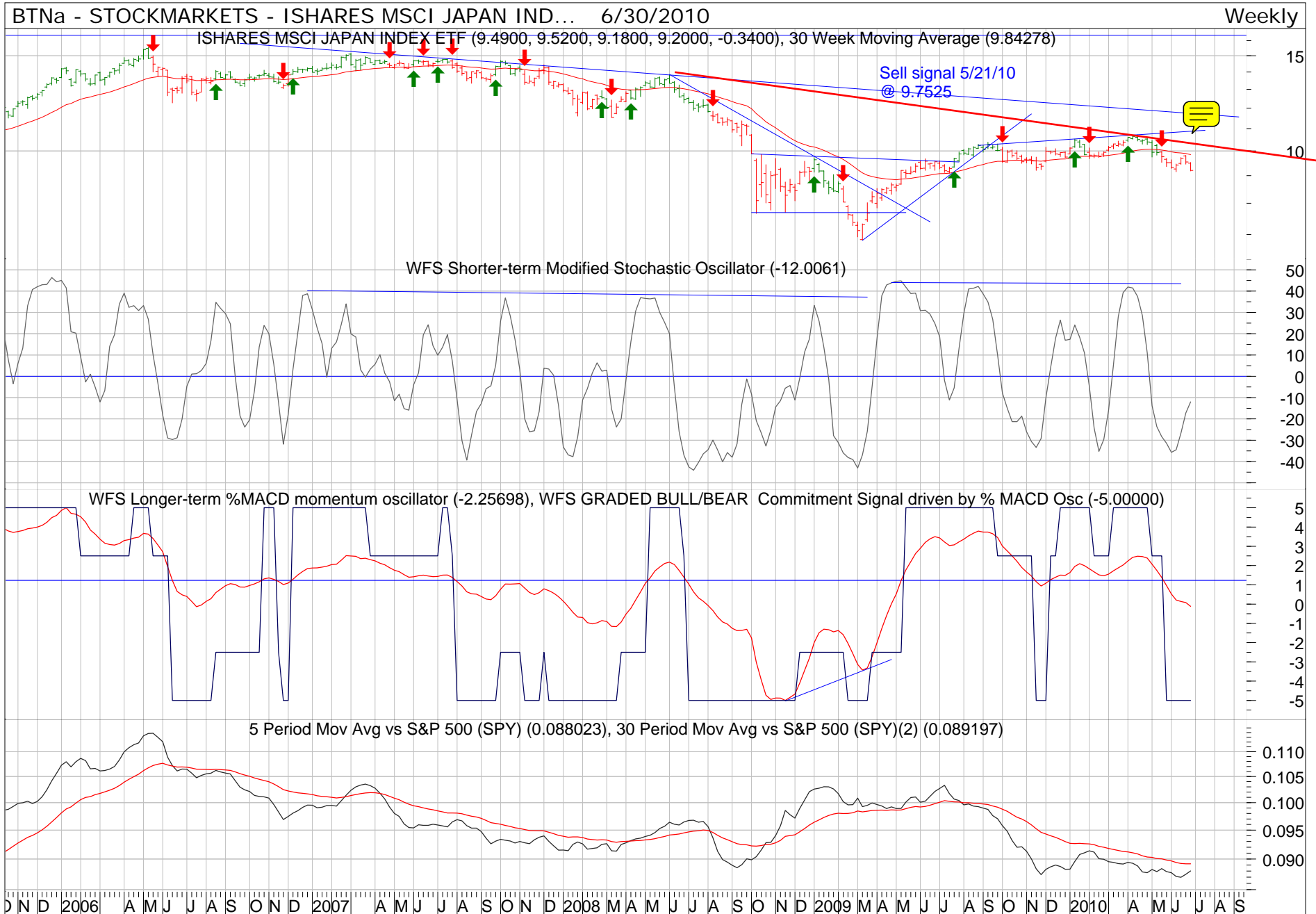
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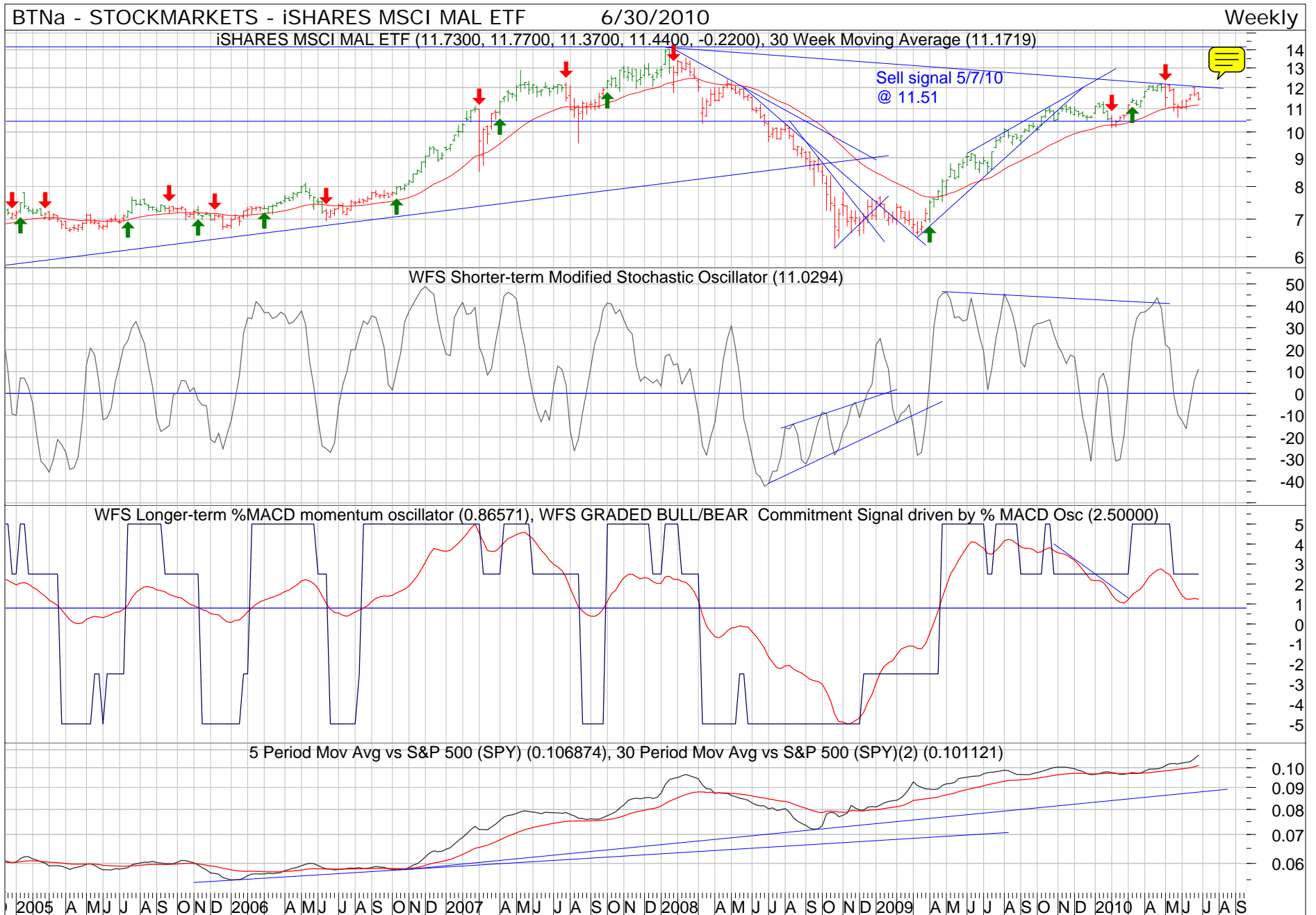
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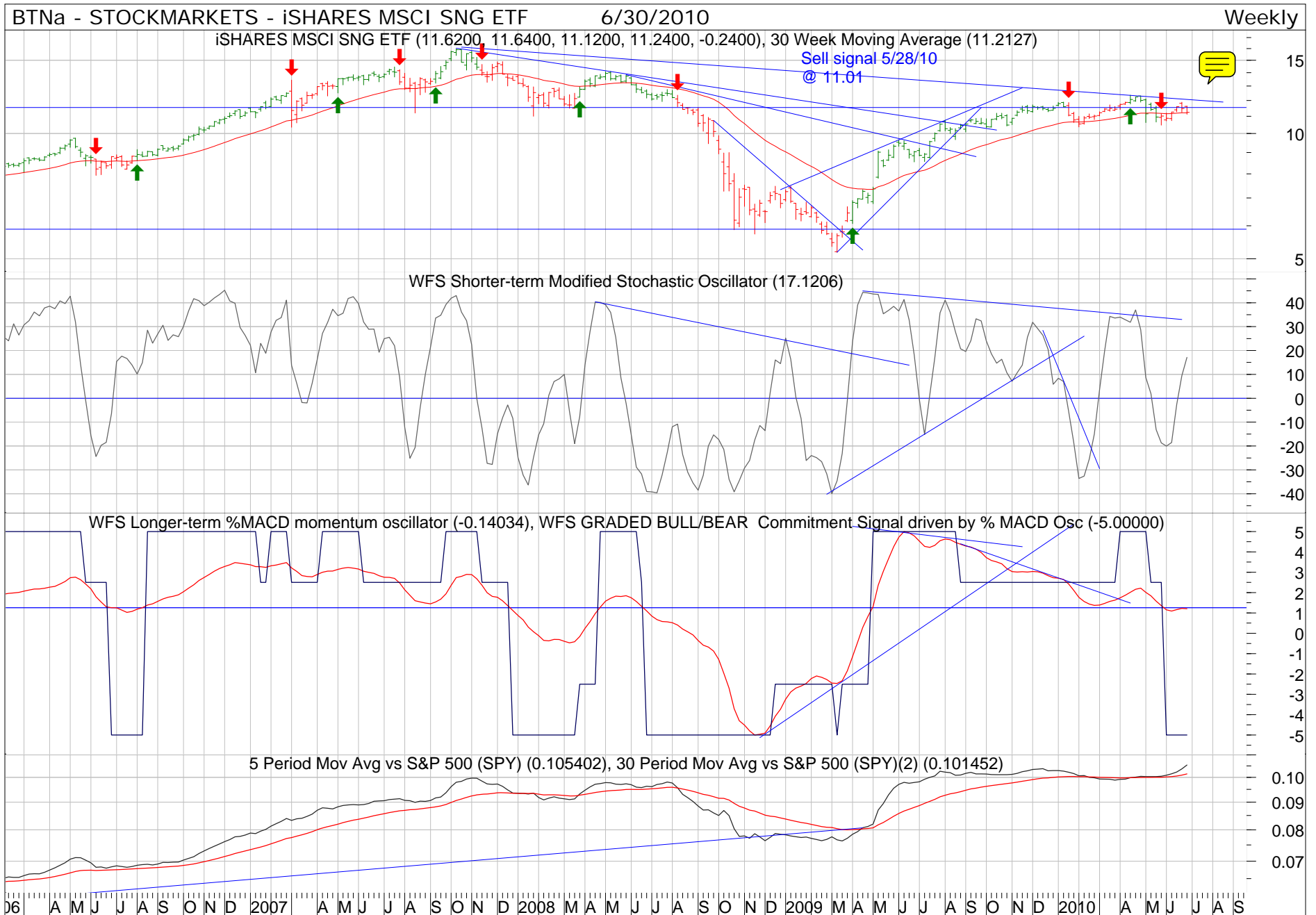
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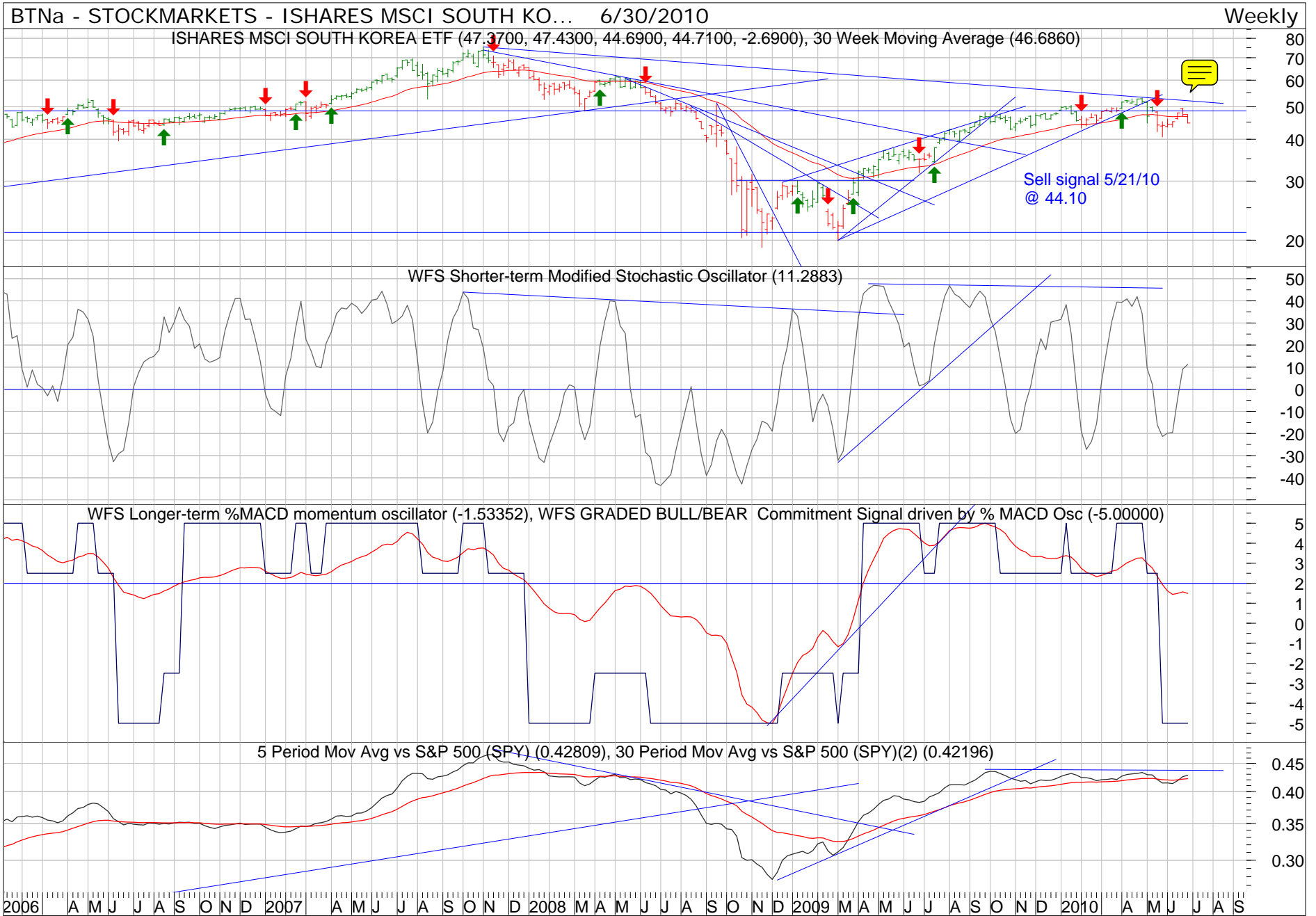
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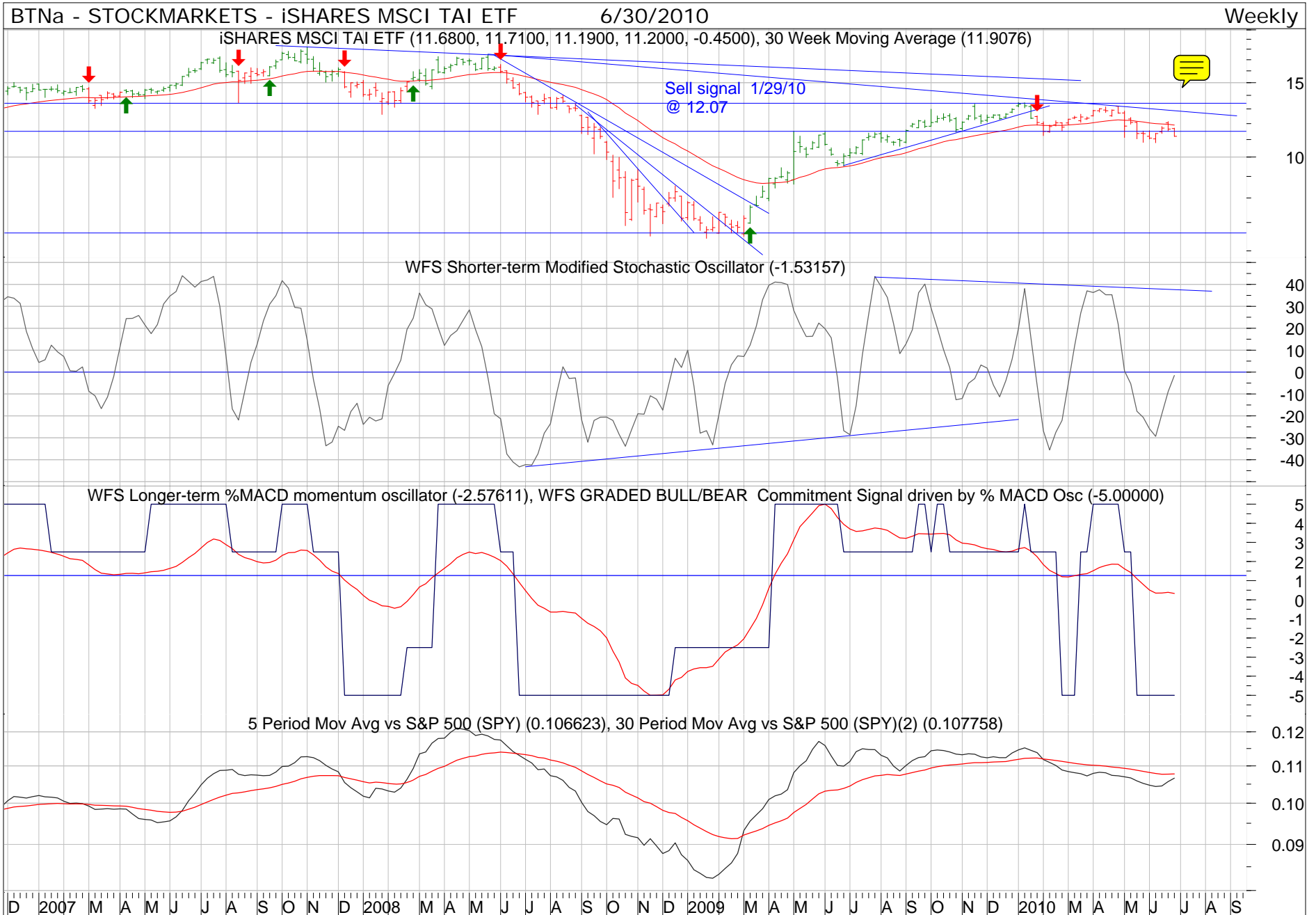
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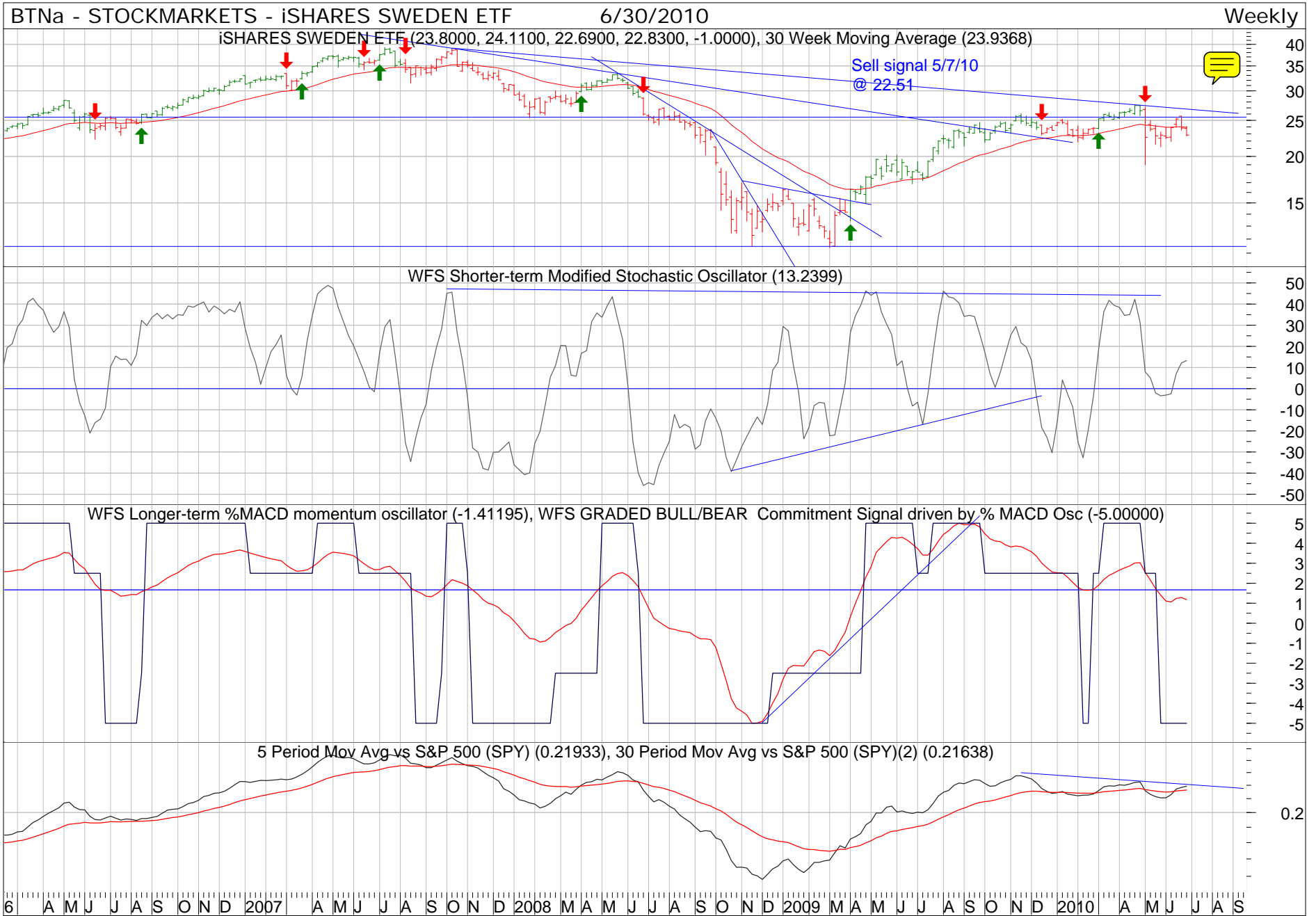
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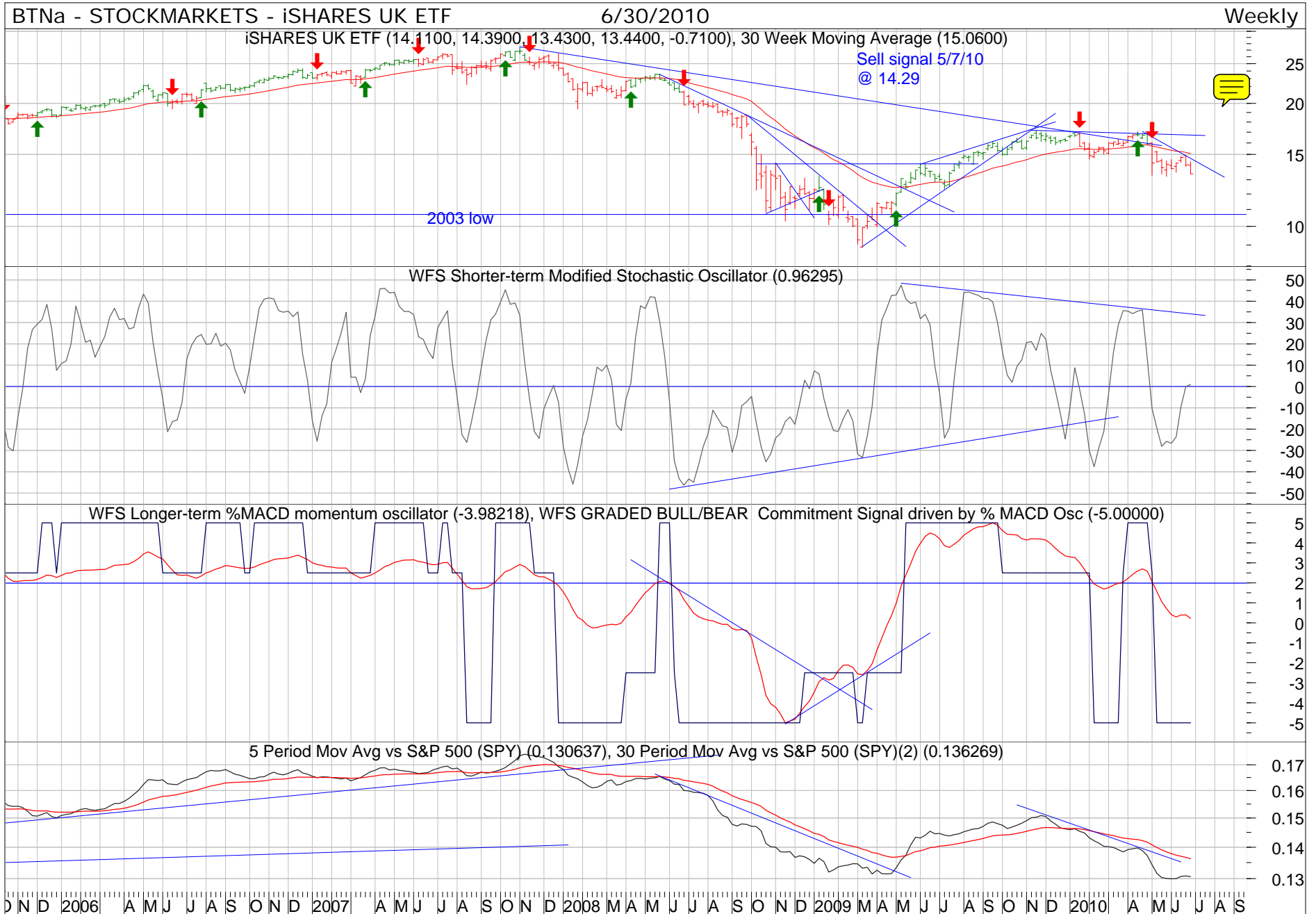
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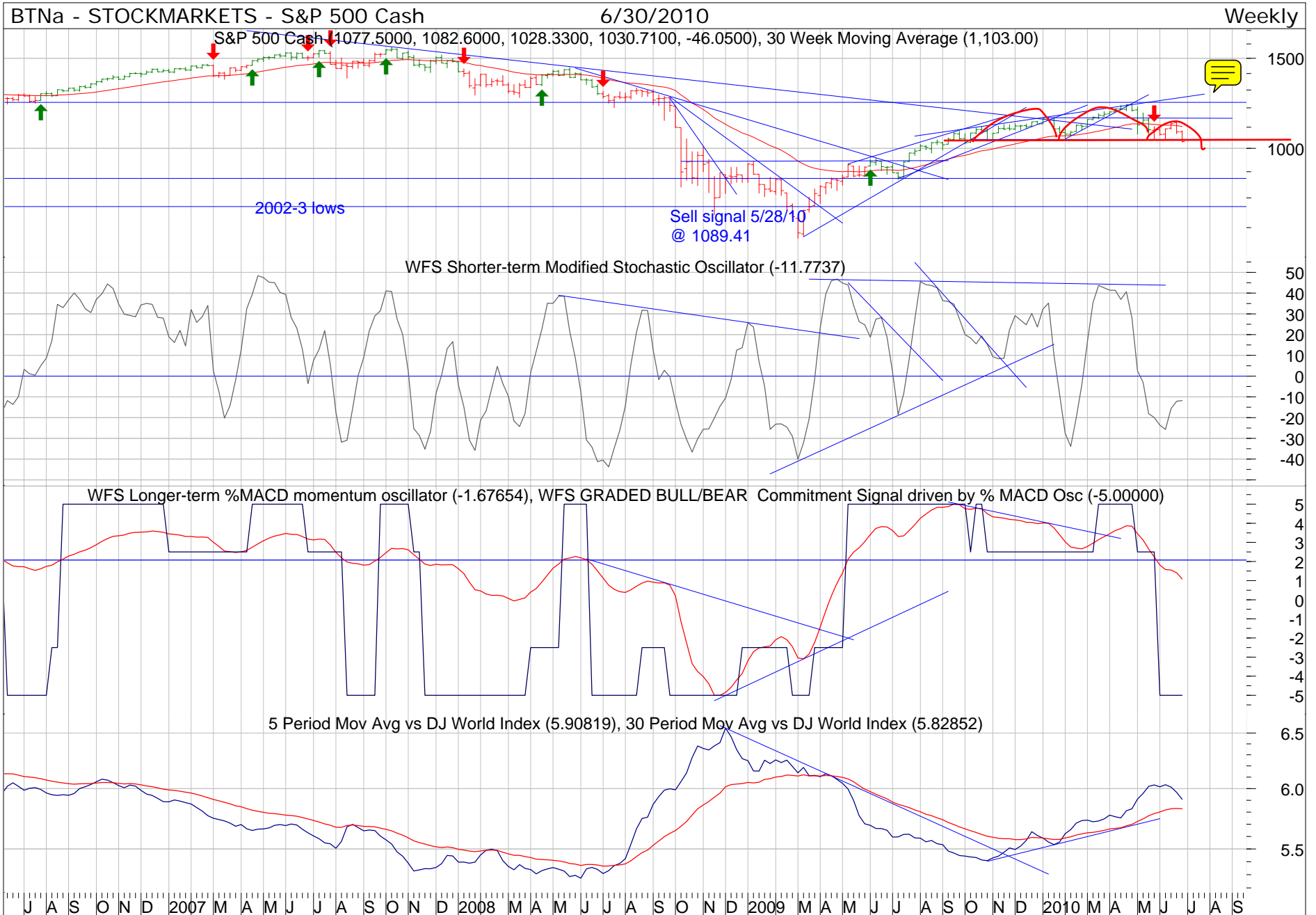
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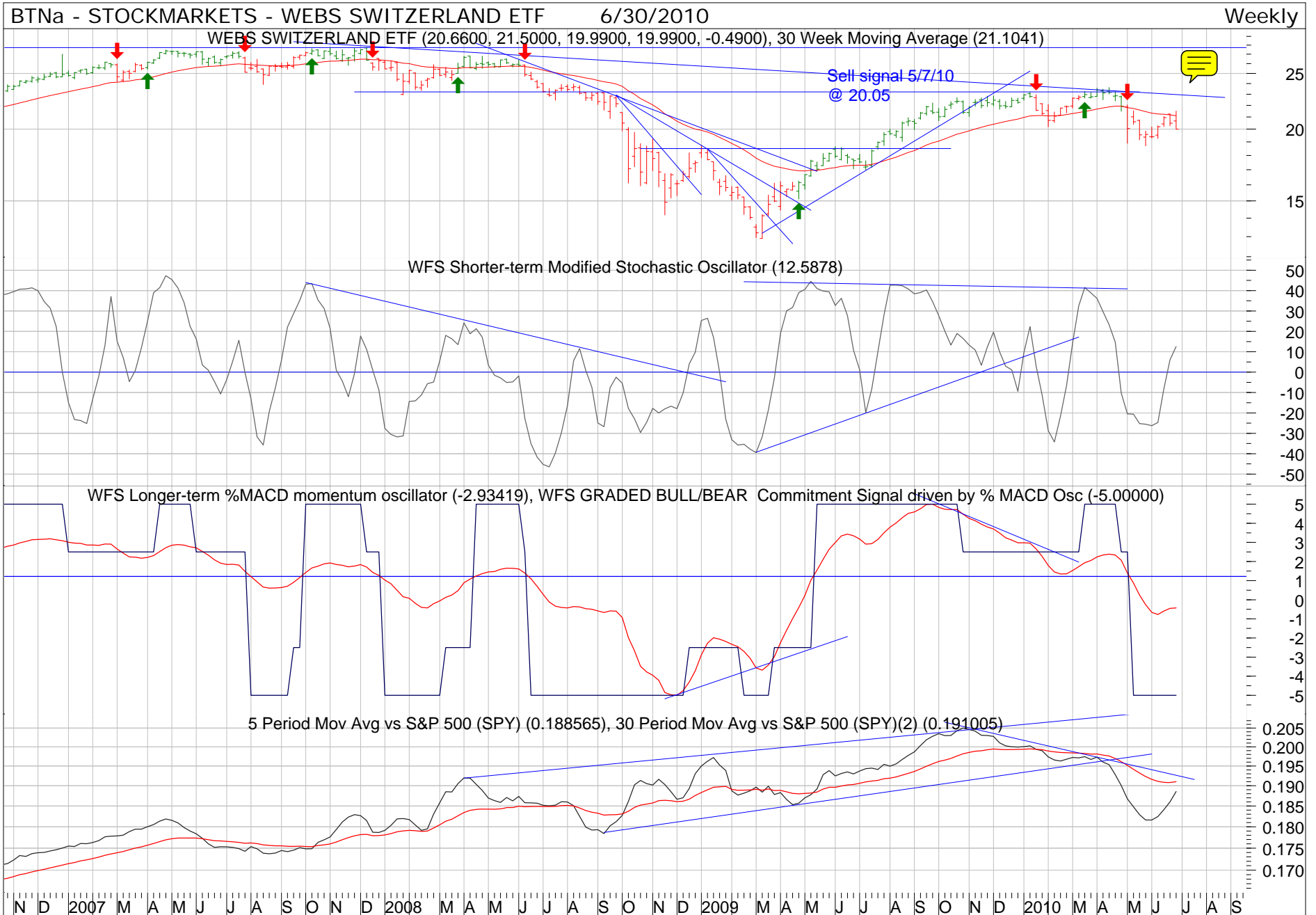
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