Lindisfarne Investments, LLC

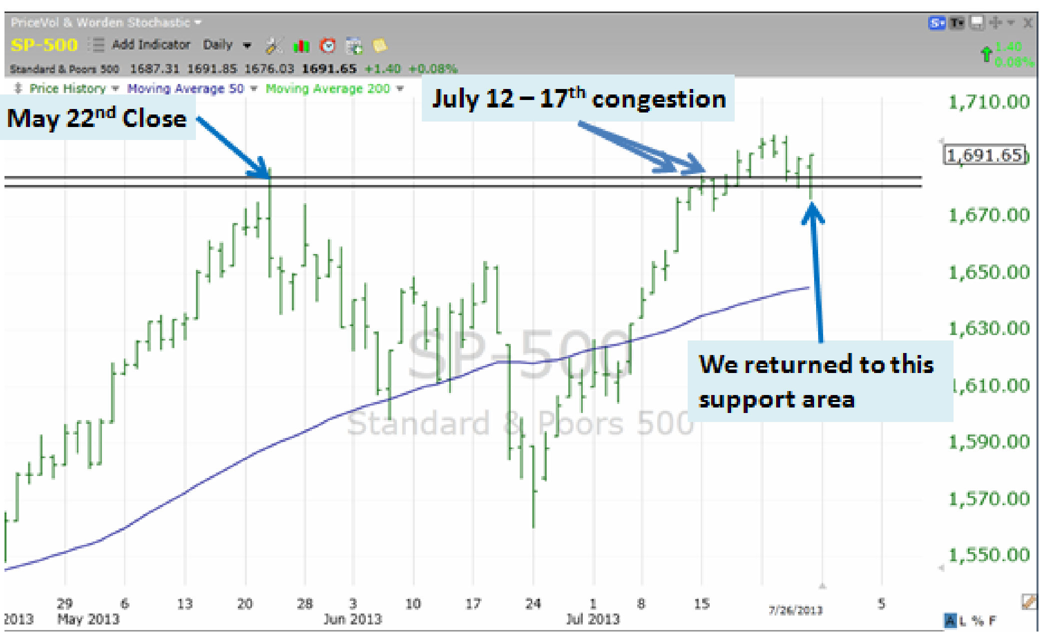
An island of safety in a sea of risk

Market Update
July 26, 2013

I thought that the last several week's reports showed how looking at the charts could guide one as to when it was safer to put money back into the market. This last week has, in my opinion, shown a good example of the psychology that one can infer about the bigger economic picture from studying the charts (previous reports are at www.lindisfarneinvestments.com). Or in other words, by reviewing and synthesizing how various investments are doing, one can sometimes draw conclusions about larger issues in the world.

First, look at the S&P 500 daily chart for the last 3 months. Although we broke out in mid July above the May 22nd closing high, after advancing about 10 points, we pulled back to that level.

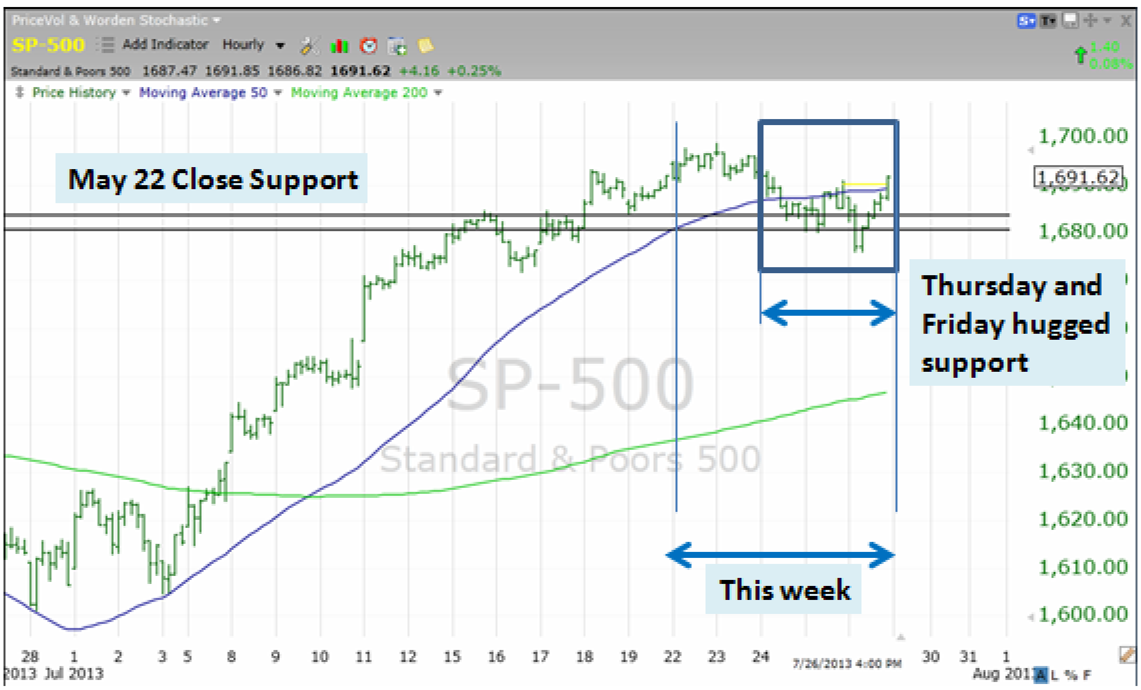
S&P 500 Daily Chart



Now look at the hourly chart for the last month. We can see that Thursday and Friday were characterized by some big moves in the market (105 and 155 points on the Dow, respectively). We returned again and again to the May 22nd level and ended with basically a no-change week.

This holding pattern on the markets could be telling us something. Either the market has found a “state of equilibrium” or it is being cautious because of the uncertainty of the near term future. I believe that if we look at expectations of what is happening next week, it can shed some light on why the market took this pause.

S&P 500 Hourly Chart



Here are some of the potential market moving events coming up next week:

Earnings:

½ of the S&P 500 stocks have reported earning so far.

68% have beaten their estimates

56% have beaten revenue estimates

100 S&P 500 stocks report earnings this coming week.

We get our first look at big oil earnings this week, BP, Exxon and Chevron.

Lindisfarne Investments, LLC
320 Kenmore Drive, Bay Village, OH 44140
(440) 623-0775 www.lindisfarneinvestments.com

Jobs:

Job creation announced this week. Expectations are for 185,000 jobs vs. 194,000 in June.

Unemployment expected to fall from 7.6% to 7.5%.

Much better or worse numbers could change the Fed tapering of bond purchases.

Fed meeting:

Tuesday and Wednesday this week.

Could tweak the $85 billion bond buying program.

2nd quarter GDP announcement:

Expectations are for less than 1%. Very slow growth.

Government is revising GPD numbers back to 1929.

China:

Releases official PMI manufacturing data on Thursday.

Any one of these issues are potential market movers, either up or down, next week. And these are the economic issues only. There also are the political issues, both in the US and abroad, that could surprise us.

Given the confluence of so many important issues next week, I believe it is easy to see that the pause last week is the market "holding its breath". It wants to go up, but the uncertainty has resulted in a wait and see attitude. The important item here is to watch these events and the market's response closely and be ready to react to any negative or positive developments.

Please feel free to pass this update on to anyone that you think might be interested in it. If they wish to be on the mailing list or would like more information about the services of Lindisfarne Investments, we can be contacted by phone at (440) 623-0775 or by email at bill@lindisfarneinvestments.com .