



Lindisfarne Investments, LLC

An island of safety in a sea of risk

Market Update

July 5, 2013

I thought it might be interesting to do an update on last week's market report. You can view that report at www.lindisfarneinvestments.com. On the short term basis, we observed that the market was in a downtrend that had bounced off of a long term support line. We also laid out the conditions that would cause us to either go long or short, depending on what the market does.

First, let's look at the key regions and indicators on the chart.

1. The red horizontal line is a key support level that looks back to the highs that the market formed in 2000 and 2007. If the price drops below this level, we could face a much larger pull back in the market.
2. The red sloping line is the short term downtrend line formed by the highs made in May and June. A break above this line is a necessary condition to signal the resumption of the intermediate term uptrend.
3. The green sloping line shows the multi-month support line formed by the price action. (See last week's report).
4. The red and blue curving lines are the price "averages" over the last 50 and 200 days respectively. These also can serve as important support and resistance levels for the market.

S&P 500 Short Term Chart



So what has happened in the last week? Looking at the next chart, let's glean what we can. We see that the price has moved back up 1.6% to point E. This leaves the price within the triangle formed by points A & B and the red horizontal line.

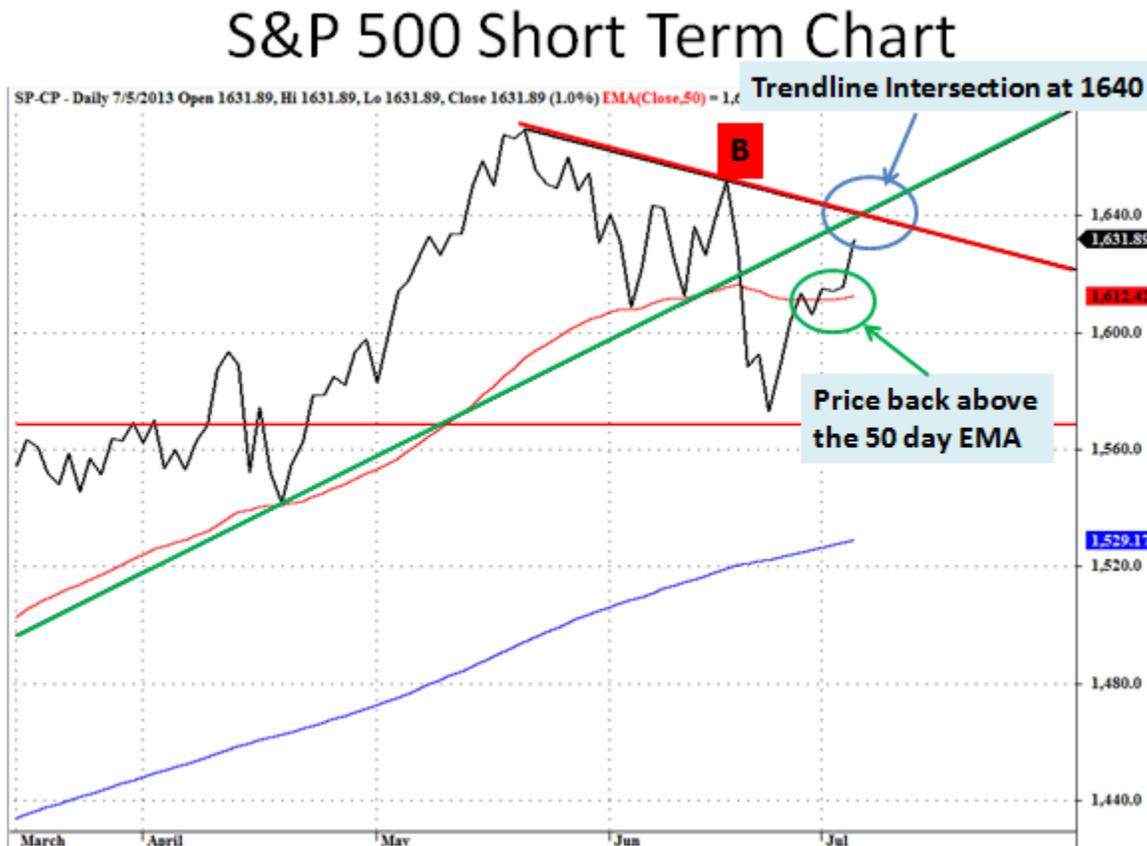
Conclusion: There has been no change in the observations noted last week. The short term downtrend is still intact.

S&P 500 Short Term Chart



We can see several more items on the next illustration.

1. The green uptrend line was support for the intermediate trend. Since it has been broken to the downside, it often serves a resistance as the price will retrace up to the original trendline and then bounce off.
2. This happens to intersect with the short term red downtrend line in the next several days. This is another resistance region.
3. For next week, the 1635 to 1645 region is then a multiple (stronger) resistance area.
4. On a positive note, the price has broken above the red 50 day moving average. However, since the moving average is moving sideways, this is a configuration that often leads to whipsaws when using its penetration as a buy or sell signal.



The world and economic news has been basically positive.

1. The jobs report indicated that there were more jobs created than were anticipated.
2. Previous month's jobs number were revised upwards.
3. Housing prices continued to rise.
4. Egypt has, at least for now, removed president Morsai and revoked the recent Islamic constitution. But more turmoil may be just around the corner.

Overall, last week's market action has not changed the current short term trend. We need to continue to watch the market closely, wait for the risk factors to line up with our tolerance for risk and meantime, do one of the hardest tasks in investing – waiting for the right moment to re-enter the market.

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.

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