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Mesch Market Outlook

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"My mission is to help you read and understand the language of the market and to support you in becoming the most effective and consistently profitable trader possible."

Robin Mesch is a leading market strategist and a pioneer in the field of technical analysis and market theory. She has been building market models for more than twenty-five years and has developed a distinct body of market analytics and proprietary trading methodologies used to assist portfolio managers and traders around the country. She is considered by Bloomberg as one of the world's top minds in technical analysis and her advice and market strategies are incorporated into financial portfolios by some of the foremost investment firms and trading houses in the country.

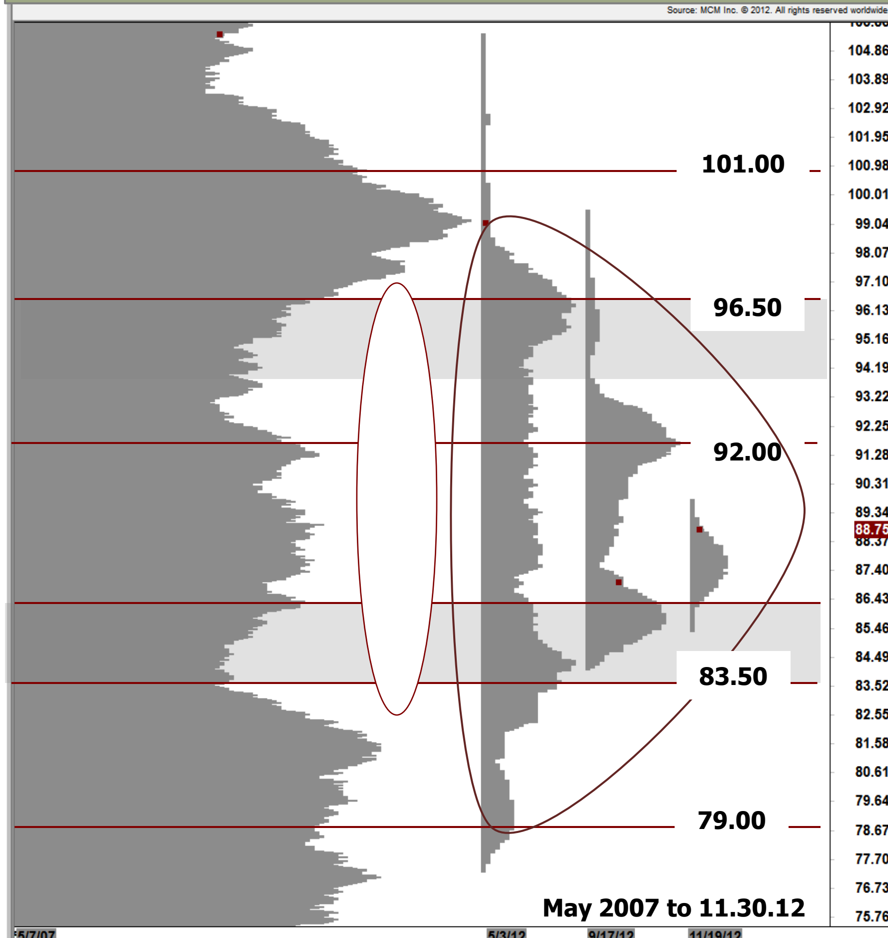
Robin's innovative methodology and market analysis have been featured on CNBC and profiled in numerous books such as*; Bulls, Bears, and Millionaires; The Outer Game of Trading; The Day Traders Advantage; The Tao of Trading;* and *Women of the Pits, as* well as two signature Bloomberg publications: *New Thinking in Technical Analysis; and Breakthroughs in Technical Analysis.*

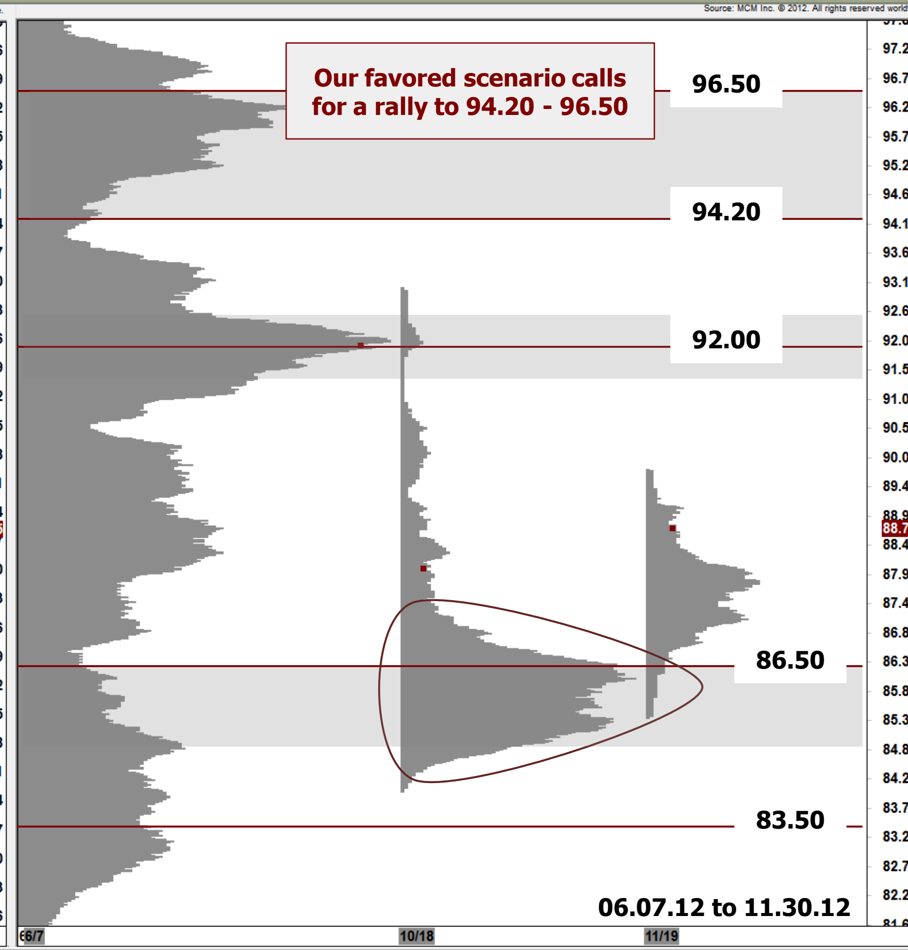
Robin currently serves as a Unit Trust Portfolio consultant for Invesco and is the chief strategist for the Morgan Stanley Insider Buy portfolio, which is an offering within their private wealth management division.

The charts included in this report are Price Usage charts which depict the usage of a given price over time. The vertical left axis represents price, while the horizontal axis represents time. Price Usage charts display where the market has 'used' price, thus accepting - or rejecting - value. The result of this market auction process are Bell Curve shaped composite Profiles, which indicate phases of development and create a top and bottom of perceived value in the market.

CRUDE (Jan. Contract)

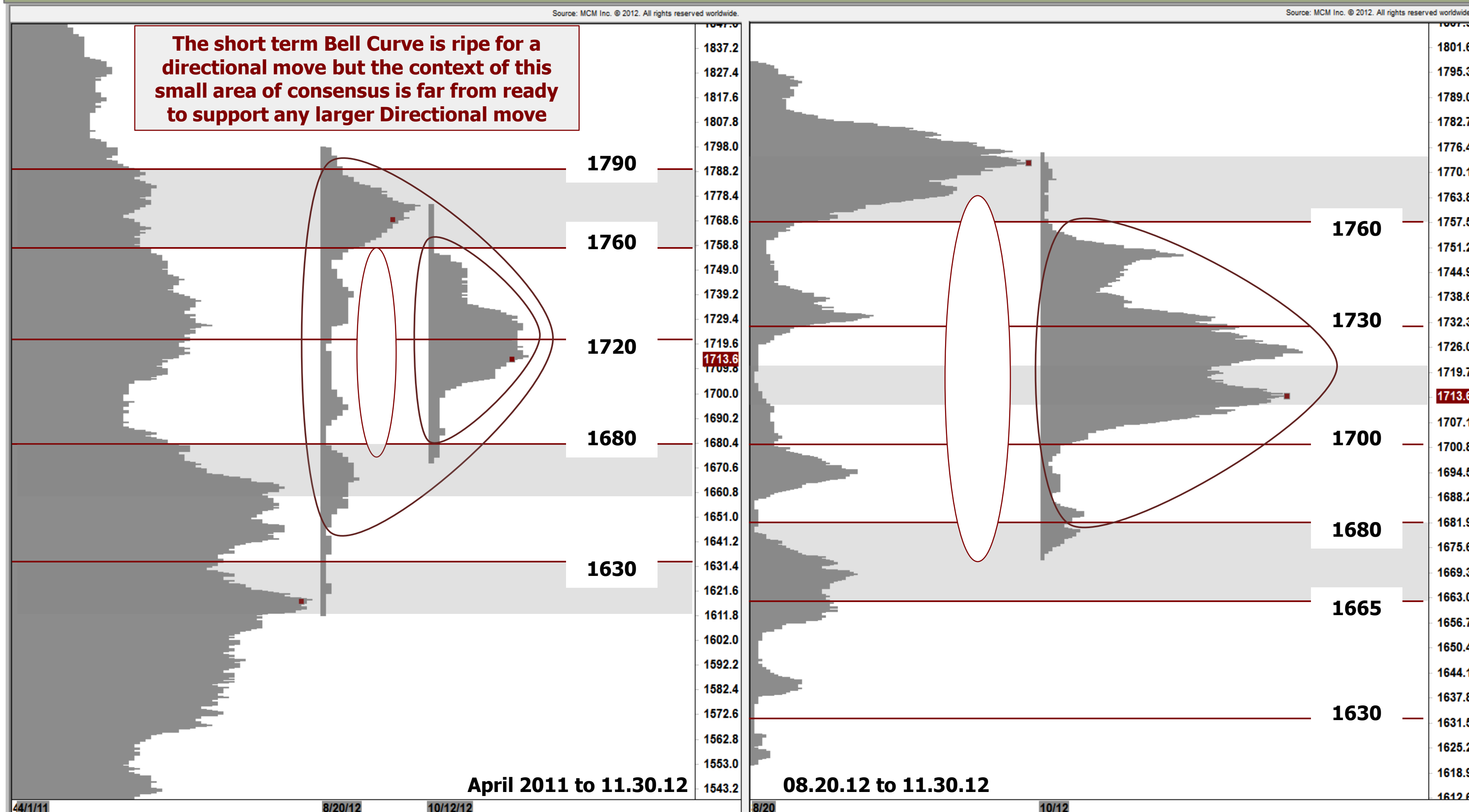
MESCH MARKET OUTLOOK – Dec. 2012





We came into last month having reached our downside targets of 87-85, and where we began a close watch on the Bear's ability to maintain their control. Instead of separating below this bottom of value, Crude shifted into a phase of sideways activity spending the majority of November trading within the 84-88 area and developing a mid-term Bell Curve (as noted on the shorter-term chart on the right).
The Bears failure to stage a further decline against this longer-term support ledge can be viewed as a sign of capitulation and represents an opportunity for Bulls to take the reins and stage a rally at the outset of the new month and into next year. With the push back over the 86.50 ledge, we are seeing continued signs of sell order flow dry up and our favored scenario is buying for a move this month toward at least 92.00 and likely 94.20 or potentially to 96.50. As highlighted on the longer-term chart to the left, this 96.50 area represents formidable resistance and a good spot to secure profits at the top of a long-term underdeveloped range. For the Bulls, the first upside hurdle will be to overcome the 92.00 ledge of prior high usage, and we see the potential for an interim shift to development against this range initially. However, it would take a break back below 83.50 at this point to tip the scales back into the favor of the longer-term Sellers.

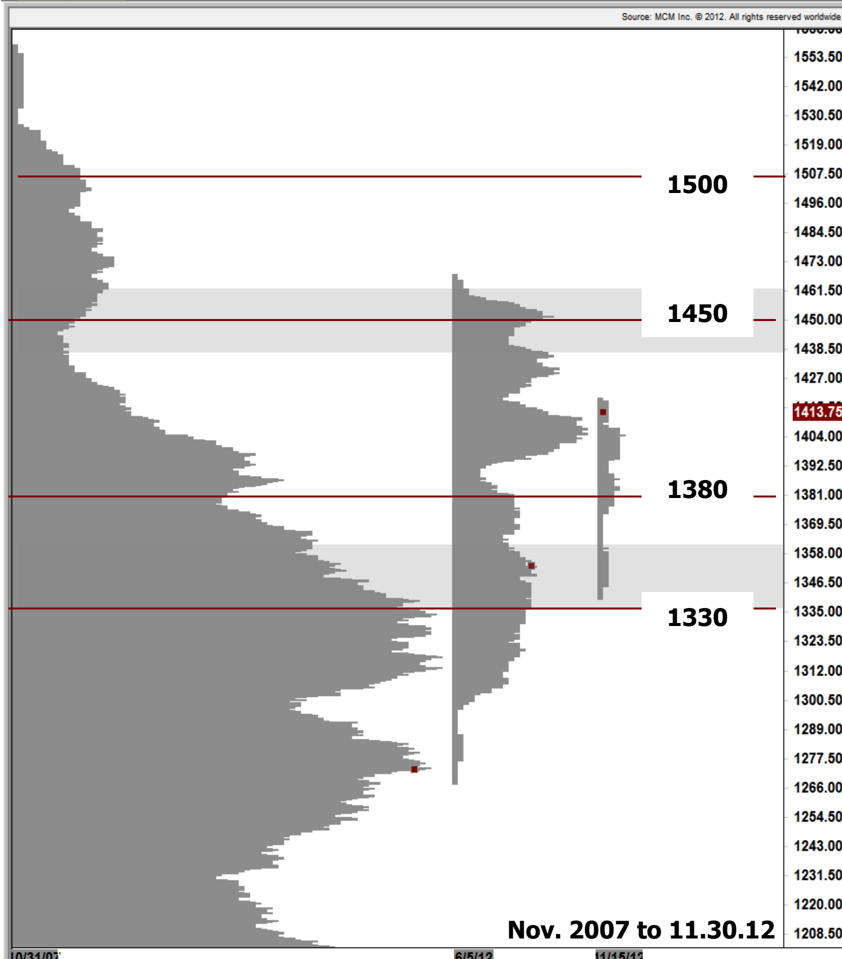
GOLD (Feb. Contract)

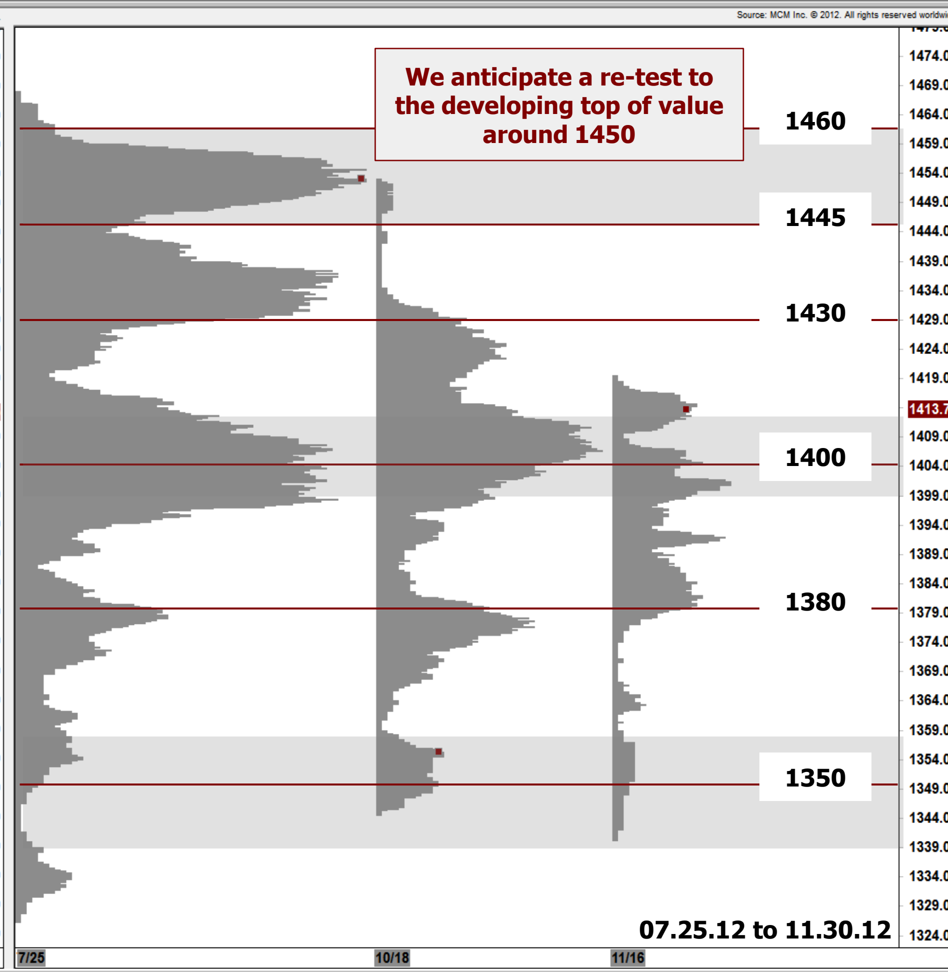


Gold is a market to stalk longer-term plays at the extremes of value this month. While the short term Bell curve (building since October) is ripe for a directional move, the context of this small area of consensus is far from ready to support any sustained directional move beyond the larger congestion confine that has contained trading since August 2012. We'd view a break below 1700 as a sign of interim seller control and a signal of the bear's intention to explore the lower end of value toward 1680-1665. The market could also extend to the extreme bottom of the trading range toward 1630-20. This extreme ledge of support represents the initiation point of the late summer rally; if this level is offered, we would get long for a return to the mid-point of the recent trading range around 1715-20. If instead we see an early in the month rally over 1730, then likely a monthly high will be set first. We would still be willing to sell this month at the upper edge of the trading range toward 1750-1760, in anticipation of a return to the current comfort zone of 1720.

E-MINI S&P 500 (Dec. Contract)

MESCH MARKET OUTLOOK – DEC. 2012

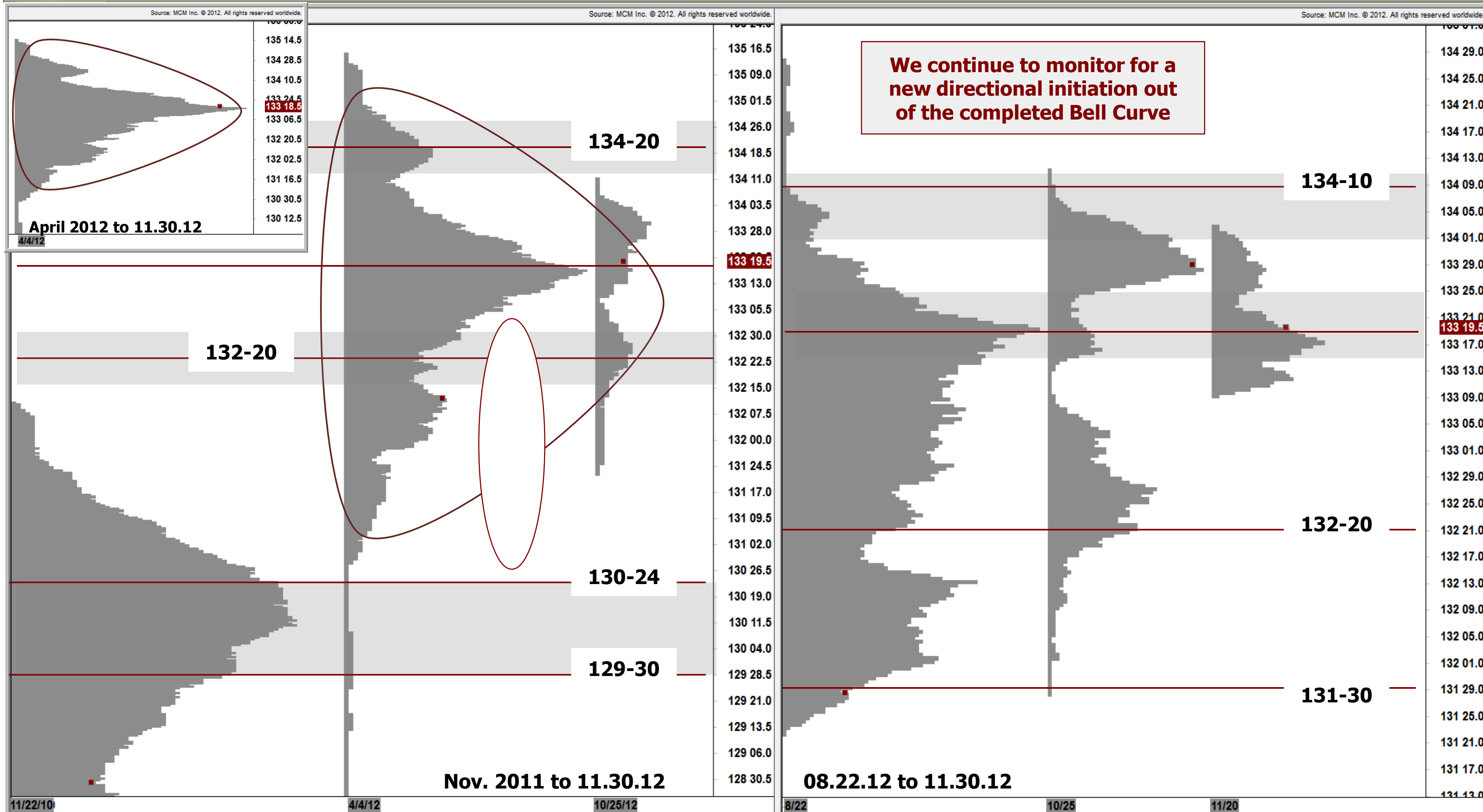




Coming into November, we were tracking the scenario of a deeper decline into the bottom of the developing value range (1380-1350), where we viewed this re-test to the bottom of value as a potential springboard for a substantial rally in to the new year. Ultimately, the E-mini S&P did indeed launch the anticipated rally off this long-term area of support. The market's ability to quickly absorb last month's decline emboldens our view that we will see a return to the developing top of value (1445-50) as a minimum upside projection, while separation above this range (over 1460) opens the door for a more substantial rally and return to the 2007 highs around 1500. The current range, as illustrated by the shorter-term chart on the right, shows remaining pockets of low usage where we see potential for further development which may slow the rally a bit (against 1425-30 initially). While a slide back below 1380 increases the likelihood for further development in the lower portion of this range (to 1360-50), our preferred strategy for a rally into the new year remains intact unless we see usage back below 1330.

10-YEAR T-NOTES (March Contract)

MESCH MARKET OUTLOOK – DEC. 2012



The 10-Year has spent the majority of the past 7 months trading between 132-00 and 134-00 resulting in a very developed Bell Curve with a pronounced Mode (where November closed). Our strategy is to monitor for signs of significant separation beyond this mode range to gauge the next directional move. A bullish scenario is triggered upon continued accumulation above 134-10-20 which would suggest market acceptance of the current top of value as a new price too low, and ultimately could trigger a substantial rally into the new year. While the rally scenario has little in the way of prior usage to stop the advance, a breakdown scenario is less likely to evolve into a sustained decline. Within the larger context of development there are multiple ledges of high usage to stop any significant fall-- beginning with 130-24-129-30. A break below 132-20 indicates a increased likelihood that this support ledge of 130-24 will be tested and we'd be eager buy this key support in anticipation of rotation once again back toward 132-20 to 133-00.