



The Harmonic Trader Report Monthly

April 2015

"Never Trade the Markets the Same Way Again!"

April 8th, 2015

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United States "Exceptionalism"

The United States has been an exception to the rest of the world during this QE Recovery of the past five+ years. During this time, many of the BRIC countries have languished. Brazil, Russia and China have struggled to regain much of what was lost in the 2008 bear market. It is incredible how public opinion has changed, as these were the darling markets 10 years ago. But, that's what makes financial markets interesting.

Although the U.S. has more or less manufactured dramatic returns for investors, most other markets are still in the process of recovering from the 2008 decline. In particular, Europe and the BRIC countries are just starting to show signs of progress. Meanwhile, commodities have been cut in half and the dollar has rebounded from historic extremes. As we have seen in the US indices, price action has accelerated beyond the initial recovery stage, rallying to new all-time highs a mere three years after the devastating bear market of 2008. Meanwhile, the rest of the world's markets have failed to make progress.

The ability of these markets to stabilize following the collapse of 2008 represented the initial phase of the long-term recovery in the price action. Despite a somewhat constructive consolidation period, many of these have markets have only moved sideways at best. Beyond this stabilization, the recovery trend will need to begin to begin to assert itself and challenge the prevailing resistance. From Harmonic Trading perspective, the patterns in these situations are dictating that this recovery must occur soon. If the price action of the past five years will continue to make progress from the prior bear market, there must be an enhanced degree of

constructive bullish action that must take hold over the next six months. With the clear signs in markets such as China and Europe, the immediate targets are well-defined and have an enormous impact on the future outlook for the second half of this decade.

iShares Germany ETF (EWG): Weekly Bearish Gartley

The iShares Germany ETF EWG has formed a distinct Bearish Gartley that defines harmonic resistance in the 32.50–34 range. Although the price action experienced some initial resistance last year on the test of the low range of the PRZ, the rebound is rallying back and it is poised to reach the completion point of the pattern later this year.



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iShares Japan ETF (EWJ): Weekly Bearish Bat Pattern

Over the past 10 years, the Japanese market has formed a distinct Bearish Bat Pattern that is in the process of completing the CD leg. The recent rally to new highs has brought the completion point of the pattern closer to reality. The Japan ETF still has another 10% to the upside before testing Potential Reversal Zone. These are excellent breakout situations, especially when the CD leg is defined so clearly. For the EWJ, this breakout following an extended consolidation will likely get this going to test the pattern's completion point.



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iShares China ETF (FXI): Weekly Bearish Gartley

Unlike the US markets, China has consolidated for the past several years. On the weekly chart, the FXI has formed a Bearish Gartley that has recently been tested. The pattern was projected to complete in the general 45 area but it has rallied sharply - approximately 5% higher currently than the top end of the Potential Reversal Zone (PRZ).



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iShares China ETF (FXI): Weekly Bearish Gartley Potential Reversal Zone (PRZ)

For the China ETF, the pattern completes exactly at the 45.75 level with the 88.6% retracement as the most important number in the Potential Reversal Zone. The strong price action at the initial completion of this pattern suggests that this long-term resistance will be challenged severely - if not, violated - triggering an enormous long-term breakout that must be monitored closely over the next few months.



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iShares Russia (RSX): Weekly Bullish Gartley

This incredible structure in the Russian ETF cannot be ignored. The distinct $AB=CD$ at the time 88.6% retracement defines the \$14 area as critical support. The low range of the entire zone sits at 12.70. I am closely monitoring this as an enormous potential opportunity. It needs time but it's very close to signaling an important turning point.



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iShares Russia (RSX): Weekly Bullish Shark Potential Reversal Zone (PRZ)

This chart shows the price action in the Potential Reversal Zone. The initial completion reversed exactly at the low range of support at 12.70. The price action may require further consolidation but this should be monitored closely over the next several months for confirmation signals of a historic low at hand.



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iShares Brazil ETF (EWZ): Weekly Bullish Shark Pattern

The iShares Brazil ETF has sustained severe damage over the past year. The price action is retesting the 2008 low and it has formed a Bullish Shark Pattern. Despite the devastation, I actually think this may be one of the best potential opportunities in the past 10 years. This situation will take quite a bit of time to resolve itself but the structure is quite clear. This is a market that must be monitored closely for confirmation signs of a valid reversal. It might be early but these type of depressed situations often define unique opportunities.



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iPath MSCI India ETN (INP): Weekly Bearish Shark

The Indian market has rallied recently to retest long-term resistance from 2011. The INP has formed a Bearish Shark that defines the 78.90 level as the immediate target. This 88.6% retracement combines with an impulsive 1.618% extension to define the critical resistance. The interesting aspect of this chart is that the market has recovered a great deal of the past 18 months but it has not made much progress over the past five years. If the price action can break out to new highs, this would be a significant continuation for the long-term uptrend.



April Conclusion

Despite all of the financial statistics thrown at the market on a daily basis, the best way to gauge what is happening requires a distinct focus on the price action of the market as the primary determinant for any trading decision. Outside the day–

to-day noise of news stories and advisory reports, the collective analysis of multiple markets in this manner can quantify the broader technical condition of global economies and equities as a whole. Although this is not an easy task, many situations will provide overwhelming evidence of structural signals that provide a collective confirmation. Currently, a majority of the world's financial media is focused on the United States. Meanwhile, Europe and Asia tend to be overlooked.

Other markets outside the United States can frequently paint a different picture. For the past few years, the United States has been an exception to the rest of the world. Most other markets are still in the process of recovering from the 2008 decline. Over the past two years, the US indices have extended in extreme fashion years while the rest of the world has languished. If a broader based-global recovery is to take hold, a wider array of financial markets should be exhibiting similar progress as the United States has demonstrated. Simply looking at the 10-year performance charts of many of these markets outside the U.S., it is easy to see that there is still a great deal of room to recover.

We may be seeing the first sign of a broader global recovery taking hold. United States has led the world since 2008. Now, China, Europe, India and Japan are on the verge of testing critical resistance levels. Other markets such as Brazil and Russia have less of an impact on the rest of the world but they may contribute to the overall recovery if they can stabilize these levels.

The recent action in a variety of major global equity indices reinforces the concept of respecting clear technical events that unfold at certain points in the trading history as critical lines of demarcation for future possibilities. In many of these recent cases, the simple fact that the price history has provided such clear structural evidence confirms that different phase may be developing for the international markets going forward that require close scrutiny over the next several months.

Please feel free to contact me at HarmonicTrader@HarmonicTrader.com, as I welcome your comments, questions and suggestions. If you are a trial member or wish to receive future reports, please sign up here:

<http://harmonictrader.secure-mall.com/item/The-Harmonic-Trader-Monthly-Report-30>

Best Regards,

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