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Weekend Update
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VIX was repelled back down from Long-term support/resistance at 12.74. Was the breakout a false start, or an indication of things to come? A rally above mid-Cycle resistance at 15.26 implies that VIX may challenge its Ending Diagonal at 17.50.

(ZeroHedge) **To the list of 'rigged' markets (e.g. Libor, FX, Silver, Treasuries...) we can now add VIX** (which explains a lot) as two University of Texas at Austin finance professors find ***"large transient deviations in VIX prices"*** around the morning auction, ***"consistent with market manipulation."***

As Bloomberg reports, in addition to being an index that is much quoted in articles about market complacency, the **VIX is used as a reference price for derivatives**: If you want to bet that stock-market volatility will go up, or down, you can buy or sell futures or options on the VIX. These products are cash settled: The VIX is not a thing you can own, so if your option ends up in the money you just get paid cash for the value of the VIX at settlement.

SPX makes another new high.

SPX made a new all-time high on Thursday at 2418.71 at the upper trendline of its 5-year Ending Diagonal formation. Last week's reversal pattern turned out to be a false start. However, SPX is fast approaching an important 8.6-year Cyclical interval that suggests a potential Super Cycle turn may be at hand.

(Bloomberg) U.S. stocks rose to fresh records and the dollar strengthened as retailer results boosted confidence in the American consumers' ability to jump start economic growth. Oil sank from a five-week high after OPEC extended plans to limit production without deepening the cuts.

The S&P 500 Index pushed its longest rally since February to six days as Best Buy Co. and PVH Corp. results topped estimates and the Bloomberg Consumer Comfort Index signaledoptimism among U.S. shoppers. The dollar steadied in the wake of FederalReserve minutes showing officials unperturbed by recent signs of slower economic growth. U.S. crude lost more than 4 percent to slide below $50. China's yuan strengthened the most in four months..

NDX rallies to another all-time high.

NDX posted another new all-time high on Thursday. The extension continues. A decline beneath Short-term support and the trendline at 5509.14 may suggest a deeper correction is in order.

(NASDAQ) Earlier this week, CNBC's Jim Cramer echoed some interesting sentiment when he mentioned that chipmaker Nvidia NVDA should replace video streaming giant Netflix NFLX as the "N" in the infamous FANG stocks group.
The FANG acronym was created by Cramer several years ago as a method of tracking some of the world's biggest and trendiest tech stocks. It includes Facebook FB , Amazon AMZN , Netflix, and Google GOOGL .
Of course, a lot has changed since the original formulation of the FANG group, and it would seem that Nvidia does indeed have a legitimate claim to the "N" spot. To understand why, we really have to get down to the bottom of why the FANGs are appealing in the first place.

High Yield Bond Index rallies above Long-term support.

The High Yield Bond Index rallied above Long-term support at 163.13, the last bastion of defense against a bear market. It remains on a sell signal, but must decline back beneath Long-term support to confirm it. The Cycles Model suggests weakness may resume shortly.

(Bloomberg) The holding that corporate bond funds are most excited about now is cash.

With investment-grade company debt having notched gains of 3 percent this year, money managers like Vanguard Group Inc. and Loomis Sayles & Co. say there are fewer bargains around, and they are reluctant to keep buying. Corporate bond funds held their highest level of cash at the end of March in two years, according to data from Morningstar Inc. Trading volumes in the securities dropped in April as did new offerings.

The high cash levels underscore how difficult it is for fund managers to navigate a decades-long bond rally that may be due for a correction.

USB stalls above supports.

The Long Bond stalled above Short- support at 151.98, suggesting another possible test of supports. USB made a short-term low two weeks ago that may be in need of a retest.

(FoxBusiness) U.S. government bond prices edged higher Friday, sustaining a modest rally that began Wednesday in response to signals that the Federal Reserve would maintain its cautious approach to tightening monetary policy.

In recent trading, the yield on the 10-year Treasury note was 2.238%, according to Tradeweb, compared with 2.254% Thursday. Yields fall as bond prices rise.

Minutes for the Fed's May 2-3 policy meeting released Wednesday suggested the central bank is on track to raise short-term interest rates next month. But officials indicated they may hold steady if upcoming economic data doesn't match their expectations.

The Euro stalls above mid-Cycle resistance.

The Euro stalled above mid-Cycle support/resistance, ending a period of Cyclical strength. It did not make the Cycle Top resistance at 115.22 as previously suggested. The reversal from the high may be unusually strong.

(ZeroHedge) As SocGen's Kit Juckes noted earlier in the week, **"The ECB, not The Fed, is in the driving seat,"** and nowhere is that more optically obvious than in the **massive divergence between US-EU bond risk premia and US-EU inflation surprises**.

The FOMC's intent to raise rates in June is clear and reflected in market pricing. But the commitment to any particular forecast of where rates are heading is less clear and seems secondary to a desire to hit the 2% inflation target. **With President Trump's program stalled, the dollar is lacking domestic policy drivers and FX markets are more susceptible to policy elsewhere.** This is good for the euro, and possibly for oil-sensitive currencies, and is carry friendly (yen negative) too.

Furthermore, as Reuters noted, **recent U.S. inflation readings have returned to their long-term trend of underperforming against forecasts** after a brief run of upside surprises earlier this year.

EuroStoxx bounces from Short-term support and trendline.

The EuroStoxx 50 Index retested its Short-term support and Diagonal trendline at 3535.13 before bouncing higher. The bounce may not last, as a breakdown may occur over the next two weeks.

(CNBC) European bourses closed lower on Friday as losses in energy companies weighed down major bourses.

The pan-European Stoxx 600 ended 0.2 percent lower with most major bourses and sectors in negative territory. The European benchmark, French CAC and the German DAX were all little changed on the week.

The FTSE 100 was the standout performer as it closed up 0.4 percent to hit a fresh record high. Sterling's fall to 10-day lows helped boost the stock market on Friday on news the U.K.'s governing Conservative Party had slipped in the polls. British voters are set to cast their votes in the general election on June 8. The U.K.'s blue-chip index was also up by around 0.7 percent for the trading week.

The Yen retests Intermediate-term support.

The Yen eased back to Intermediate-term support. The Cycles Model suggests that Cyclical strength may continue into the month of June before a significant pullback. A test of Long-term resistance at 91.48 may be in order.

Note: Prognostications in the media have become muted since last month's decline.

The Nikkei consolidates beneath the elusive 20000.

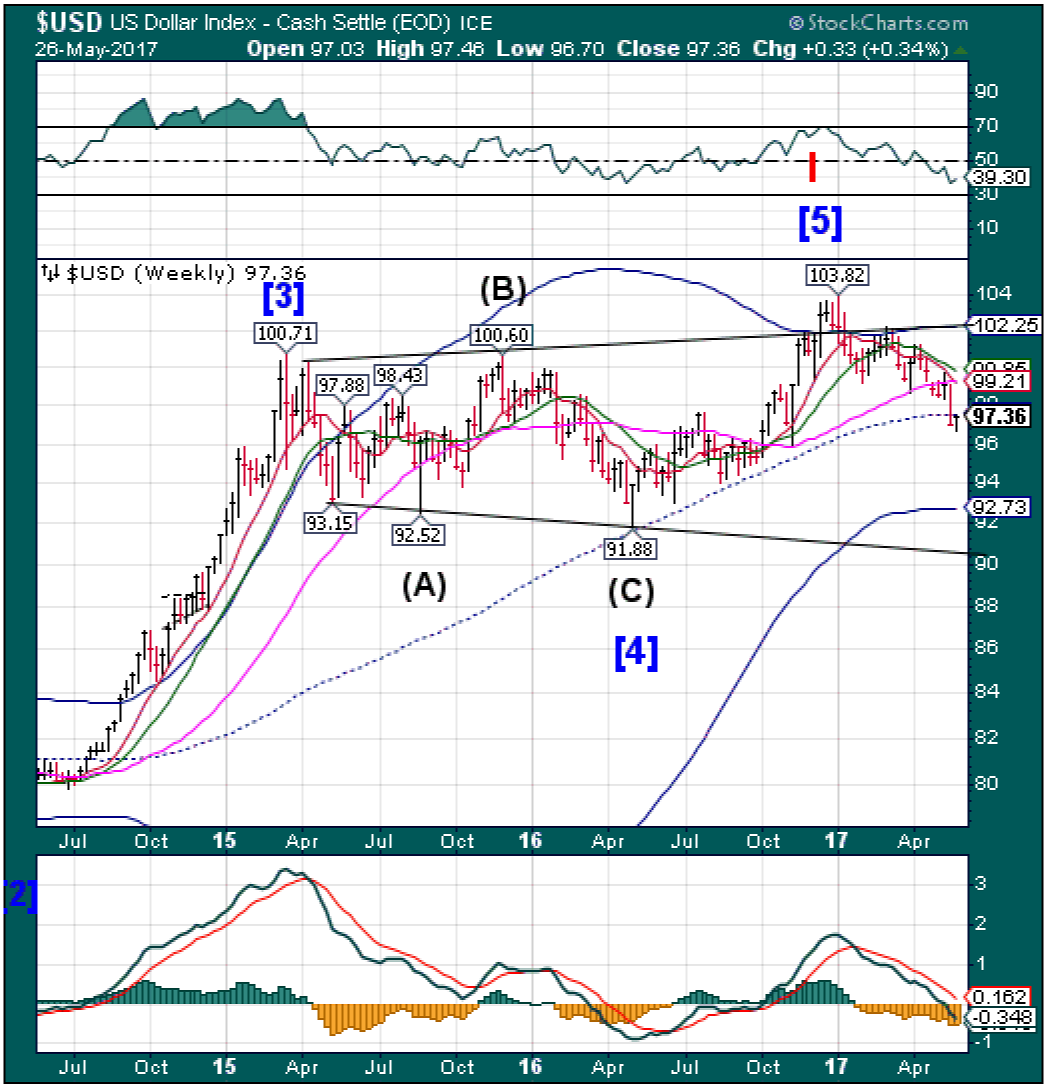
The Nikkei attempted a bounce back to its 20000.00 target fell short in an inside week. The Cycles Model suggests another two weeks of decline ahead. A sell signal may be generated beneath 19450.00. Further loss of supports at 19158.38 may confirm the decline.

(EconomicCalendar) he combination of a sharp decline in oil prices and a stronger yen undermined the Nikkei 225 index on Friday, although gains in US stocks helped limit losses.

Oil prices declined sharply on Thursday following the OPEC deal to extend the current production cuts for a further nine months. Although the decision was in line with expectations, there had been some speculation over more aggressive cuts and the extension had also been priced in. The decline in oil prices undermined support for the Japanese stocks.

Despite lower oil prices, US equities still posted a strong performance for the day with an S&P 500 index gain of 0.4% on the day. The advance in US equities helped provide net support to equities.

U.S. Dollar tests mid-Cycle resistance.



USD appears to be testing mid-Cycle resistance. Should USD remain beneath, it may have changed the intermediate-term trend to bearish. The anticipated short-term bounce may soon be over. The Cycles Model suggests a possible 2-month decline in USD.

([DailyFX](#)) The re-emergence of economic fundamentals helped the US Dollar find a lifeline last week, as [expected](#). The currency had been battered by political instability fears as the Trump administration looked increasingly mired in a scandal about senior members' contact with Russian officials.

Minutes from May's FOMC meeting struck a cautiously hawkish tone and a revised set of first-quarter GDP figures reinforced policymakers' argument for continued tightening, relieving pressure on the benchmark unit. Priced-in expectations implied in Fed Funds futures put a June rate hike as a near-certainty.

The week ahead will offer plenty of top-tier economic data to fuel further speculation. The Fed's favored PCE inflation gauge and its Beige Book survey of regional economic conditions as well as the ISM manufacturing-sector survey and official labor-market statistics are all due to cross the wires.

.Gold retests Broadening Wedge trendline.

After a brief pullback, Gold retested the lower trendline of the Broadening Wedge formation, making a 66% retracement. The rally may be over. The Cycles Model suggests 3-4 weeks of probable decline ahead.

(Reuters) Gold rose to its highest in nearly four weeks on Friday as political uncertainty led investors to favor bullion over assets considered riskier such as stocks.

"We have had the political noise coming from Trump and the U.S. administration and there is a certain element of uncertainty in the markets in general, which is supporting gold. Equities are also down," analyst Carsten Menke at Julius Baer in Zurich said.

Leaders of the world's rich nations face difficult talks with Donald Trump at a G7 summit in Sicily on Friday after the U.S. president lambasted NATO allies and condemned German trade policies a day earlier.

Gold is often a favored investment during times of political and financial uncertainty.

Spot gold gained 1.1 percent at $1,268.69 an ounce by 2:19 p.m. EDT (1819 GMT), the highest since May 1. It was on track to close the week up around 1 percent, the third straight week higher. U.S. gold futures settled up 0.9 percent at $1,268.10.

Crude reversed towards a triply-indicated downside target.

Crude continued its rally until Thursday when a dramatic 7% decline occurred in 24 hours. It bounced on Friday to close beneath weekly Short-term resistance at 49.94. There are now three formations indicating the probable target for the coming decline over the Summer. The anticipated Cycle low may have been hit on Friday.

(Reuters) The OPEC-led decision to extend a production cut to March 2018 disappointed financial investors, prompting an exit from oil futures markets, while refiners in Asia were mostly concerned with whether it meant they would need to go hunting for crude.

In Vienna, the Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers on Thursday extended a pledge to cut 1.8 million barrels per day (bpd) of output until the end of the first quarter of 2018.

Financial traders did not like what they heard, thinking it meant an ongoing oil glut. "The market voted with its feet", investment bank Jefferies said, dragging crude futures CLc1 LCOc1 down 5 percent to near $50 a barrel.

Shanghai Index fails to regain Long-term support/resistance.

The Shanghai Index made a second attempt to rally above Long-term support/resistance at 3139.57, closing beneath it. The consolidation leaves the Shanghai Index two weeks of additional decline. Attempts to limit the decline may not have the same effect they have had in the past.

(Reuters) China stocks reversed earlier losses to end the week higher on Friday, led by the blue-chip CSI300 index posting its best week in six months as suspected state-directed buying offset concerns over a surprise move by Moody's to cut the country's credit rating.

For the day, the blue-chip CSI300 index fell 0.2 percent to 3,480.43 points, while the Shanghai Composite Index added 0.1 percent to 3,110.06 points.

For the week, CSI300 advanced 2.3 percent, while the SSEC gained 0.6 percent.

Sentiment in the market earlier in the week had been depressed by lingering concerns over tightening policy and the growth outlook, with the Moody's downgrade pushing Shanghai stocks to near seven-month lows on Wednesday morning.

The Banking Index bounces above Short-term support.

-- BKX bounced out of last week's low, closing above Short-term support at 90.76. The sell signal remains in place with a probable new target near mid-Cycle support at 76.20. Serious investors may be well served to sell any rally rather than buy the dip, as the decline may resume imminently.

(ZeroHedge) Something strange is taking place in China, and we are not talking about the largely optical, mostly irrelevant first downgrade of China by Moody's since 1989 (which still managed to unleash diplomatic hell in Beijing), and in which the rating agency simply admitted what everyone else already knew about the 300% debt/GDP economy.

The bigger issue, as we noted previously, is that both the short-term...
and conventional Chinese funding market appears to be breaking...

... because as of this week, not only has the one-year Shanghai Interbank Offered Rate, or SHIBOR, exceeded the Loan Prime Rate for the first time ever, meaning Chinese banks' cost of borrowing is now **above** the rate they charge customers, but the Chinese government bond yield curve has inverted in not just one, **but two places,** with both the 3s5s and the 7s10s negative..

(ZeroHedge) ***That's not supposed to happen...***

With the crackdown on financial system leverage underway, Chinese banks (and securities firms) are in big trouble. As we noted previously, **China's bond curve is inverted, yields are surging,** and Chinese regulatory decisions shutting down various shadow-banking pipelines has crushed securities firms' stocks. However, as Bloomberg points out, as China's deleveraging efforts cut into banks' profit margins, rising base funding costs and interbank credit risk concerns have **pushed banks' cost of borrowing beyond the rate they charge customers for loans for the first time in history.**

(NYT) If you stop and think for a minute about how banking actually works, you can't help but conclude what an extraordinary business it really is and how lucky big banks like Bank of America, Wells Fargo and JPMorganChase are to be at the top of it.

In 2016, these three financial institutions together raked in $65 billion in net income, which is after paying out a total of $75 billion or so in compensation and benefits to their employees. This does not appear to be an industry suffering in the least.

Have a great weekend!

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