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LA BOURSE: The underlying trend remains bullish

Interview – Over the last two years, Jean-Charles Gand has closely predicted the evolvement of market trends. As a technical analysis specialist, Jean Charles anticipates a consolidation phase over the next few months before a recovery in U.S indices.

Market strategist for BBSP, an independent financial research firm, Jean-Charles Gand is also the General Secretary for AFATE, the French Association for Technical Analysts. Former Head of Technical Analysis at Société Générale Asset Management, he is one of the most frequently mentioned technical analysts in Paris.

LE FIGARO BOURSE – **Through thick and thin, Wall Street has reached a new all-time high. Should we fear the end of this bullish wave or could this movement continue?**

After the previous interview that took place in March 2013, I mentioned a potential progression of 15% for the Dow Jones on the basis of an index which undercut 14,450 points, or a potential target to reach 16.600 points approximately within six to twelve months. This index reached a high of 16,588.25 points on the 31st of December that suggested a precise progression of 14.9%. This objective was achieved.

Does this mean that there is no potential for a further increase? No, the thresholds of 18,400 or even 20,500 points remain insight for a medium-term focus as long as the DJIA remains above 13,300 points.

Currently, major stock market barometers are showing divergence; the S&P500 just recorded a new all-time high, as did the S&P Small Cap 600. Whilst the Dow Jones Industrial Average has not recorded a new high since the 31st of December 31st. In fact, this key Wall Street index has started out the year “in-line” with its seasonal tendency, for a Mid-Term year of the US Presidential cycle. This is the assumption for the first half of 2014: the Dow Jones index should fluctuate within a horizontal channel with alternating downside and upside accelerations. This consolidation is in response to the previous 5 years of uninterrupted appreciation. This phase of digestion should endure for a further 6 months before the underlying upside trend resumes its course, from next autumn onwards. Therefore in 2015, indices should approach with good provisions

Last year, you suggested ordering 4400 points on the CAC 40 and, like the previous year, your advice was to take advantage of the correction periods in order to strengthen. What are your current goals and strategies?

The 4400 points level on the CAC that was anticipated in March 2013 has in fact been reached. Here also the potential for progression has yet to be exhausted. The next step will be to negotiate the 4800 points on a six to twelve month horizon. Moreover the 5300/5400 point area will more of a long-term objective. Regarding the short-term that is to say over the course of the next few months, indices should however evolve with ‘saw teeth’. Tactically speaking the market timing for operational trading will be even more important. Once several months of consolidation has passed, the upward trend should aim to distribute in accordance to the trend objectives seen below.

Has Gold stopped at its decline since 2011-2012?

The decline of Gold appears incomplete in terms of its potential to further decrease. In fact it has still not completely reached its lowest. The escalation of course does not allow time to eliminate the scenario of a continuation of the correction. In fact, the resuming movement of recent weeks is probably nothing more than a counter-trend reaction. It should clearly exceed the threshold of $1500 per ounce in order for the decline to stop.

Can you discuss your strongest convictions for the forthcoming month?

Our biggest conviction is dependent on the underlying trend remaining bullish which suggests we should buy-back in cyclical troughs – that will inevitably occur. Within a tumultuous international climate (geopolitically, Chinese growth etc.) the U.S stock market remains a well of strength.

The second conviction takes in the sectorial approach in Europe. We believe that the progress in the investment cycle will, generally, continue to make cyclical sectors preferable (Automotive, Construction) Moreover traditional sectors are preferred at the end of the cycle (Collectives, Materials) and no longer deserve to be under-weighted in a portfolio.

Finally we continue to believe in the pursuit of a recovery for peripheral European markets (Spain, Italy and Greece even if it is now considered an emerging country by MSCI). In this context, France unfortunately remains stuck within an uncertain environment.