



August 11, 2010

COMMENTARY FOR THE eMINI S&P 500 MAR 2010 CONTRACT (the "ES")

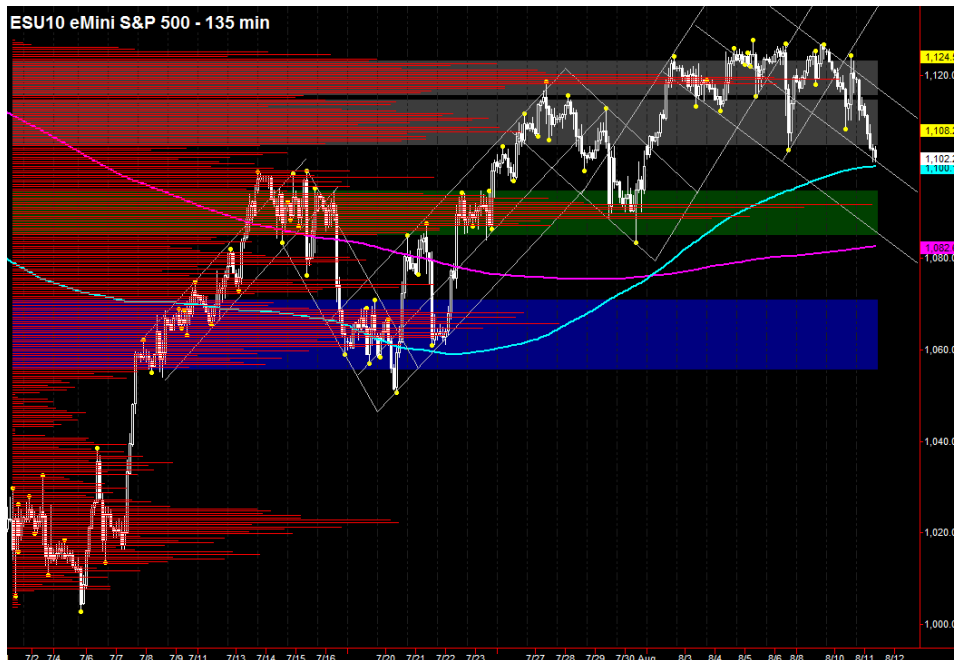
The Precise Take – ES down to critical support

Big Picture Analysis: We mentioned the August trading range yesterday, which has seen both sides since the FOMC Announcement yesterday. The ES is now trading just below what we considered critical support at 1103.50, and a close below this level will damage the rally. If 1191.75 is taken out, odds favor a retest of the July lows. Regarding the FOMC Announcement yesterday, the Fed's portfolio has been steadily shrinking as a result of principal payments on mortgage backed securities. It will now take its MBS and Agency cash flows and buy 2 to 10 Year Treasuries. Based on current interest rates, our math suggests this will be \$176.9 billion over the next year or \$14.7 billion per month. It remains to be seen if this will have the same equities ramping effect as it did in 2009, but we'll keep a keen eye on the first few auction dates.

Leaders Analysis: Equities finally caught up with the plunging yield on long term Treasuries, as the latter is now at 2.72%. There is still a bit to go until 2.65% support is reached, and at that point there could be a slight relief rally. The US Dollar Index broke through trendline resistance to reach its 20 day moving average at 81.75, and has backed off a bit since doing so. The EuroYen and AussieYen are both down big (though to support) after consolidating ahead of FOMC day. For today, it looks like the big moves have been made, but the carry unwind could continue in the coming days. Based on the 10 Year's potential to drop a bit more today, the leaders are slightly equities bearish.

Trading Today: The upper end of the projected range for a range day contains the daily S1's, from 1109.75 to 1110.50. The lower end contains the daily S2's and the 20 day moving average, from 1100.50 to 1102.00.

Today's volume profile:



Day Trading Guide

Daily Gaps

1119.00 (4:00 pm close)
1119.75 (4:15 pm settlement)

Daily Pivots

1118.00 (day-session-only)
1117.50 (day & overnight sessions)

Unfilled Gaps

1142.75 to 1150.00 (price)

Upside Targets

1119.25, 1132.00, 1143.75, 1150.75, 1165.00

Downside Targets

1022.75, 1040.75, 1065.75, 1075.75, 1191.75, 1100.25, ~~1107.75, 1118.75~~

Today's Scheduled News

Major Market Movers

None

Minor Market Movers

10 Yr Note Auction at 1:00 pm

Tomorrow's Scheduled News

Major Market Movers

None

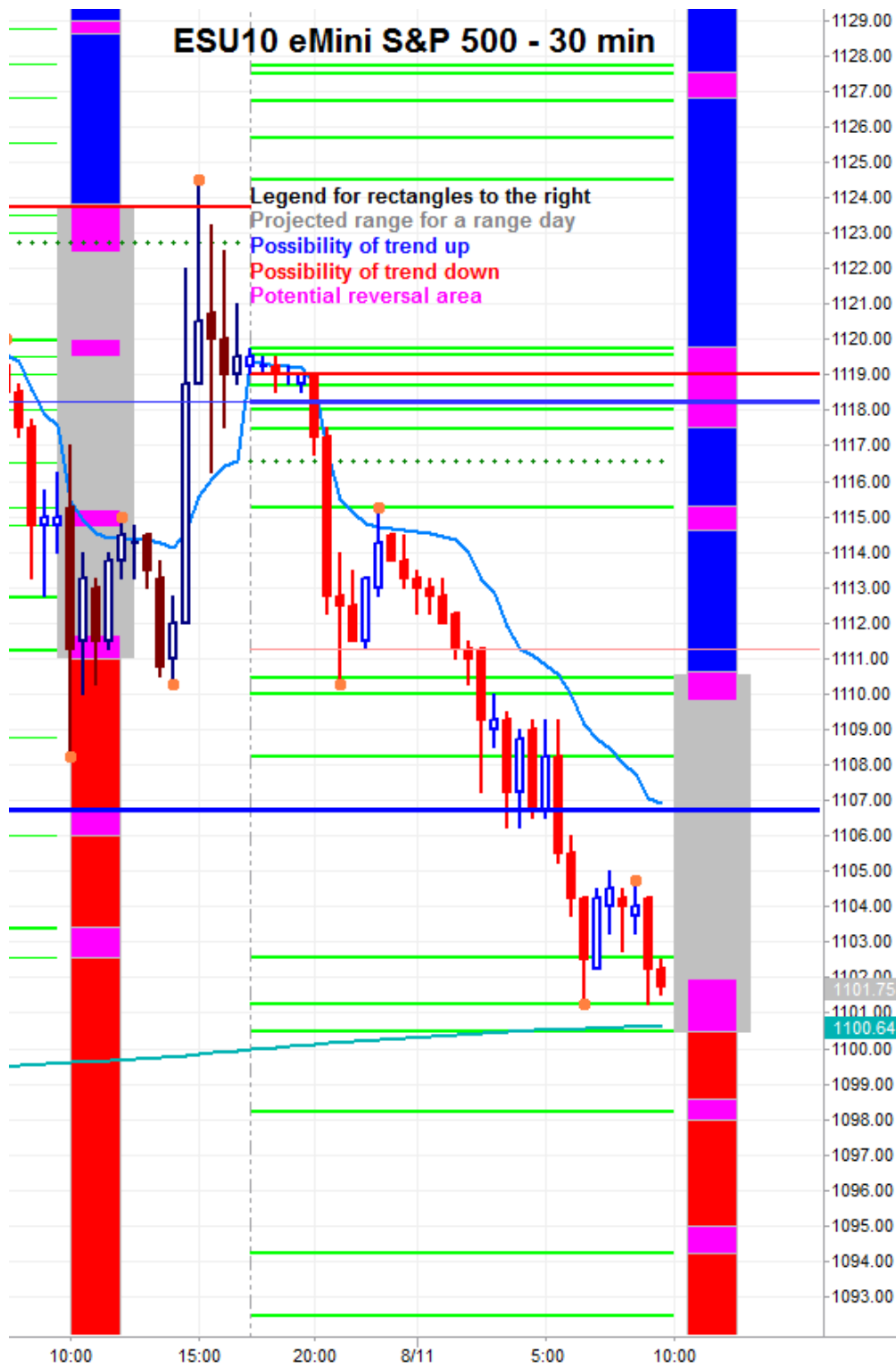
Minor Market Movers

Jobless Claims at 8:30 am
Import and Export Prices at 8:30 am
30 Yr Bond Auction at 1:00 pm

Free intraday updates at <http://www.precisioncapmgt.com>.

Disclaimer: The information in this report is general market commentary and for educational purposes only. No personal trade recommendations are being made hereby. Trading futures and securities is highly risky and you can lose a substantial amount of money. Past performance is not necessarily indicative of future results. All charts herein created with TradeStation.

Today's Support and Resistance:



Legend: Market Profile points of control (POC's), or high volume levels, are calculated each day and displayed as lines colored shades of blue or red. Shades of blue measure POC's over the life of the contract. Shades of red measure POC's for the previous day only. Confluence areas of support and resistance are calculated using Fibonacci retracement and extensions, market profile POC, and pivot formulas calculated on monthly, weekly and daily (day-session-only and day/overnight combined) time frames. These areas are drawn as shaded green boxes. Previously drawn areas have not been adjusted retroactively.

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