



August 14, 2009

COMMENTARY FOR THE eMINI S&P 500 SEP 2009 CONTRACT (the "ES")

The Precise Take – CPI comes out deflationary – can equities shrug off to head higher?

Treasury Analysis: Yesterday's 30 Year auction had solid support, allowing the 30 Year T-Bond future to reverse its prior day loss. The next test will be Monday's Treasury Int'l Capital report at 9:00 am, which will reveal the holdings of the big name purchasers of US long term debt, then next Thursday's announcement for the following week's auctions of Treasuries, which is expected to continue its uptrend and be for a record amount. The 30 Year looks to be in good shape short term, but we would like to see it take out the 119'08.5 swing high sometime next week.

The Federal Reserve Bank of New York (FRNY) had already scheduled POMO for the coming Monday and Wednesday prior to the FOMC announcement. Based on the tentative maturity range, it looks like they will not be buying this week's supply (3, 10 or 30 Year). As has occurred each Friday for the last five weeks, the FRNY will be conducting a POMO for Agency securities today.

Time Profile: The Time Profile for all Agency POMO days that have occurred on Friday since the beginning of the March rally (n=14) has a slightly bullish edge into mid-day and a very strong paint the tape close. However, for July going forward, the edge becomes bearish in the afternoon, with a tendency for a weak close. This could be because each of these recent POMO Agency Friday's has been preceded by a regular POMO day, which tends to have a bearish close on the following day. Accordingly, because yesterday was not a POMO day, we believe the possibility of a strong close is greater today than the previous five Fridays, even if the day is net down up to that point.

Trading Today—Putting it all together. We weigh the markets' reaction to news as much, if not more so, than the news itself, and have expected CPI to be the final confirmation or rejection of the markets' strength this week. As we write, CPI came out deflationary (bearish for equities). There is also Industrial Production at 9:15 am and Consumer Sentiment at 9:55 am. If equities head south hard from here, the news for the rest of the day will tend to be interpreted negatively and will fuel the decent. If, on the other hand, equities can shrug off the numbers and head higher into the open, this is highly bullish. Accordingly, the first 30 minutes will be key today.

We are intraday bullish above 1016.00 and bearish below 1008.50. The ES needs to close below 994.00 to put the ability of the rally to continue in doubt. Overall, the downside is less crowded today than the upside, which only means it should be easier to trade to the downside, should a move in that direction develop.

Day Trading Guide

Daily Gap

1011.50 (4:00 pm close)
1013.50 (4:15 pm settlement)

Daily Pivot

1008.50 (day-session-only)
1009.00 (day & overnight sessions)

Unfilled Gaps

903.50 to 912.50 (price)
955.00 to 962.50 (volume)
975.25 to 979.50 (price)

Upside Targets

1053.50, 1066.00, 1126.25

Downside Targets

973.25, 948.75, 922.25, 913.00,
854.75, 846.00, 828.00, 811.75,
777.25

Countertrend Longs*

917.75, 933.25, 940.75, 945.25,
963.25, 999.25

Countertrend Shorts*

None

* Countertrend trades have a 2 point target and 2 point stop, are valid during the day session only, and are not recommended on high volume moves or around major news releases.

Today's Scheduled News

Major Market Movers

Industrial Production at 9:15 am

Minor Market Movers

Consumer Sentiment at 9:55 am

Tomorrow's Scheduled News

Major Market Movers

Treasury Int'l Capital at 9:00 am

Housing Market Index at 1:00 pm

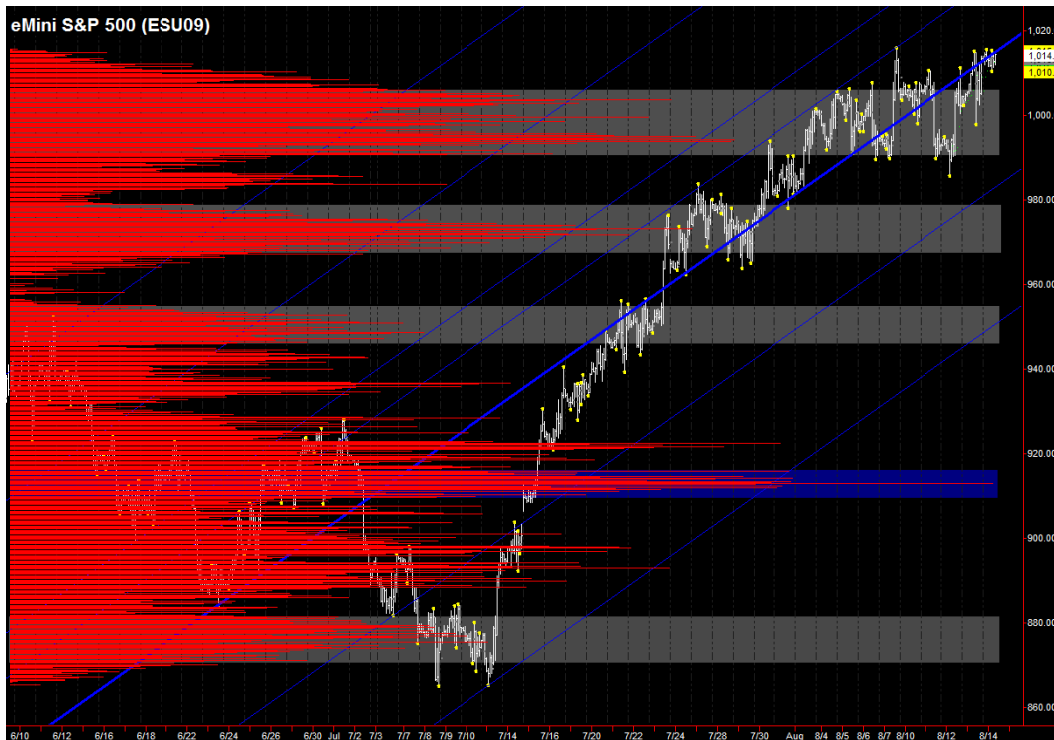
Minor Market Movers

Empire State Mfg Survey at 8:30 am

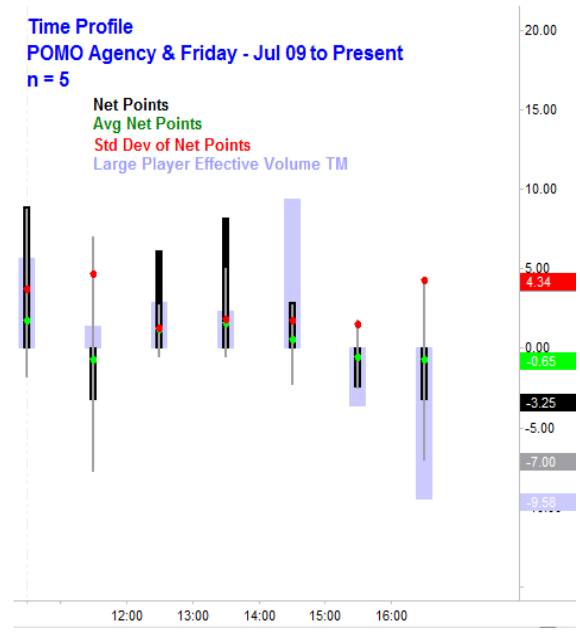
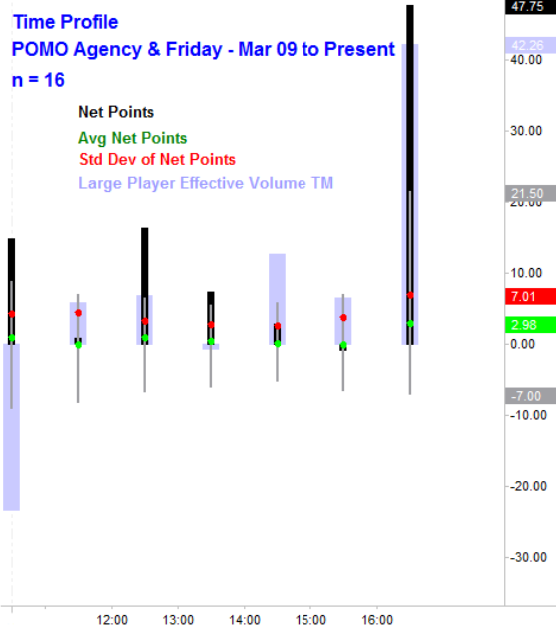
Free intraday updates at <http://www.precisioncapmgt.com>.

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 is highly risky and you can lose a substantial amount of money. Past performance is not necessarily indicative of future results.

Volume Profile:



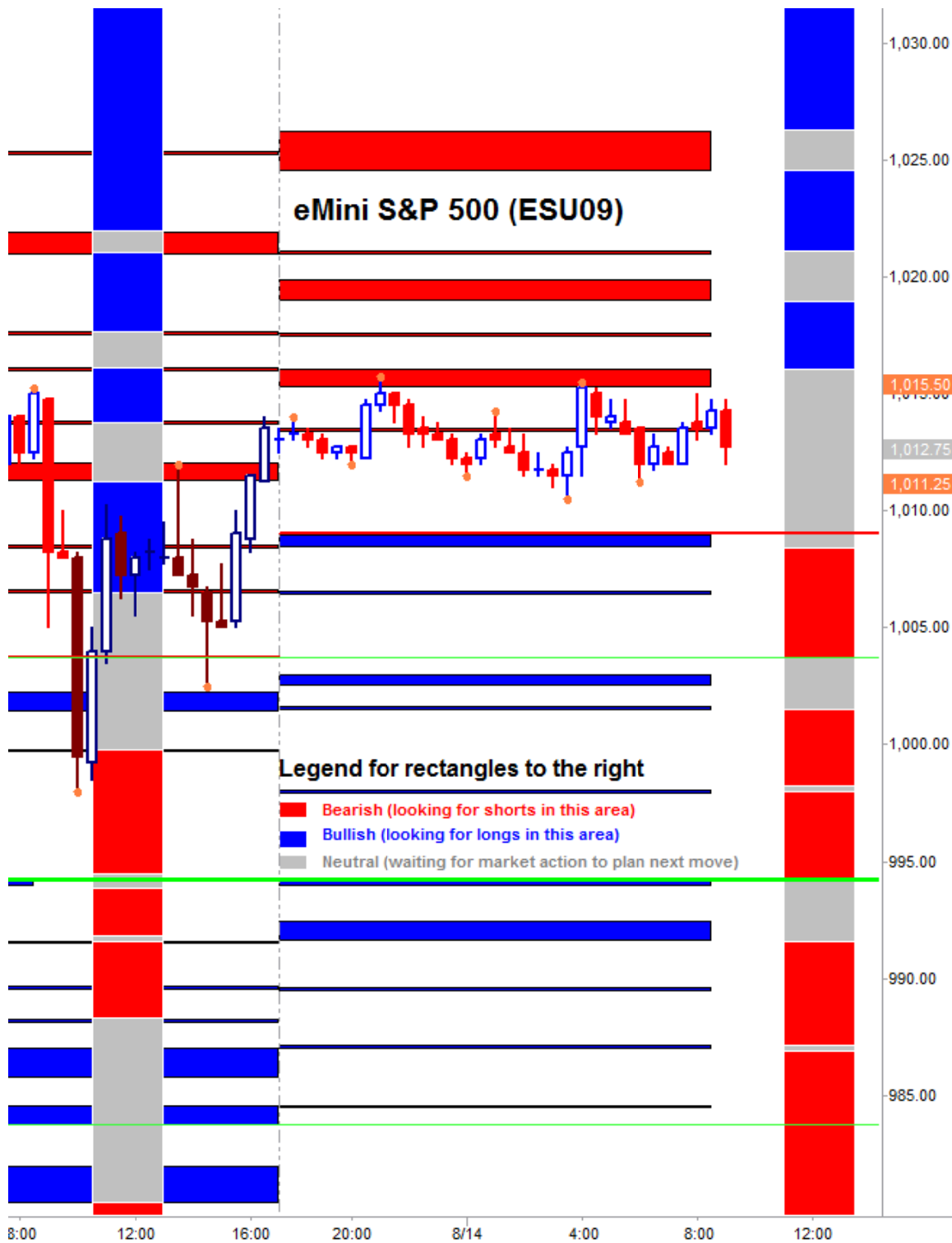
Time Profiles for Today:



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Support and resistance is as follows:



Legend: Market Profile points of control (POC's) are calculated each day and displayed as lines colored shades of green or red. Shades of green 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. They areas are drawn as shaded blue (support) and red (resistance) boxes. Previously drawn areas have not been adjusted retroactively.

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