

The PRECISION REPORT

Precise Market Timing



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

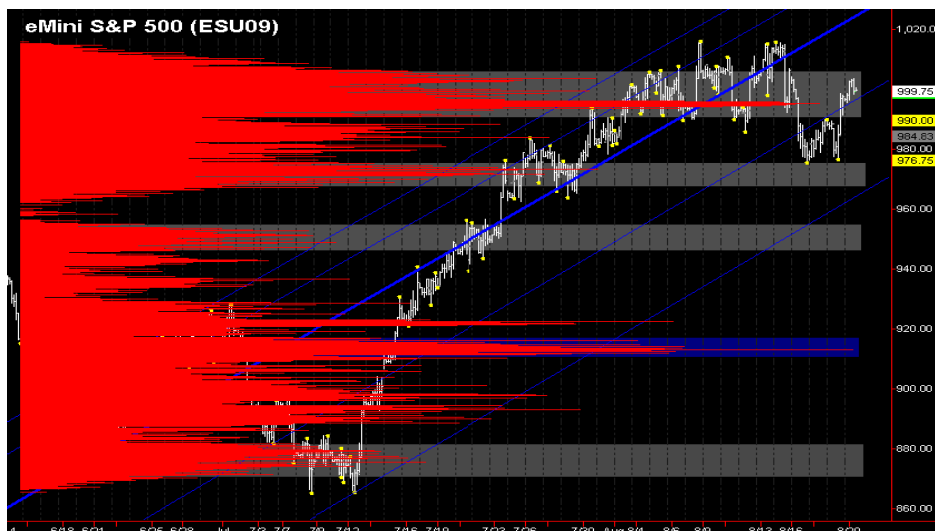
A technical problem yesterday prevented us from posting the morning report while travelling; however, we are back on schedule today.

The Precise Take – Equities rebound smartly into options expiration Friday

Treasury Analysis: With the overbought condition of equities having been relieved and a decent turnaround yesterday to reverse a poor opening on Monday, the markets appear more or less neutral. The 30 year T-Bond future that we monitor as a barometer of the health of long term Treasuries hit resistance earlier in the week, but has not sold off much in light of yesterday's equities gains. At 11:00 am today, the Treasury will announce the auction amounts for the slew of auctions that will occur next week to finish the month's borrowing needs. The trend has been for one record breaking month after another and we expect no less to be announced today. It will be important for the 2, 5 and 7 year auctions to go well next week, especially after last month's poor showing. But, with the strength of the recent 30 year auction and recent equities correction, long term Treasuries are in a good position to weather a few hiccups.

Time Profile: Today is the day after the FRNY's permanent open market operations (POMO) and has typically had a slightly bullish edge into midday and a bearish edge thereafter, accelerating into the close. Because the two POMO auctions this week on Monday and Wednesday have not produced the typical tape-the-paint closes (yesterday was simply up from the beginning), we are suspect of the pattern for the post POMO day (today) holding. Rather, we believe it is likely the markets will consolidate yesterday's action with a nominal new weekly high possible, but a strong directional movement in either direction unlikely. Existing Home sales and options expiration tomorrow should be market movers and we will post the Time Profile pattern for OpEx days later today. Thanks to Billy O'Nair for updating us on the upcoming POMO days—there are two next week on Monday and Wednesday and only one the following week. Ironically, POMO was intended to support longer dated Treasuries, but has also allowed for the large equities run-ups. With POMO winding down into October, further gains in the stock market will increasingly need to be made on strong fundamentals rather liquidity injections (that is, unless the FRNY comes up with something else in the interim).

Trading Today: We don't have a strong directional bias and would merely suggest longs be cognizant of the tendency of a bearish close after two POMO days in the week. We are intraday bullish above 1005.75 and intraday bearish below 995.00, with the likelihood of a range day trading between these levels likely. We would be willing to fade long the 889 to 991 area if we saw buying come in. Similarly, we would be willing to fade short the 1012 area on a strong reaction off it.



Day Trading Guide

Daily Gap
995.50 (4:00 pm close)
997.00 (4:15 pm settlement)

Daily Pivot
991.25 (day-session-only)
990.75 (day & overnight sessions)

Unfilled Gaps
903.50 to 912.50 (price)
955.00 to 962.50 (volume)

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

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
None

Minor Market Movers
Leading Indicators at 10:00 am
Phili Fed Survey at 10:00 am
Next week's Treasury auction amounts at 11:00 am

Tomorrow's Scheduled News

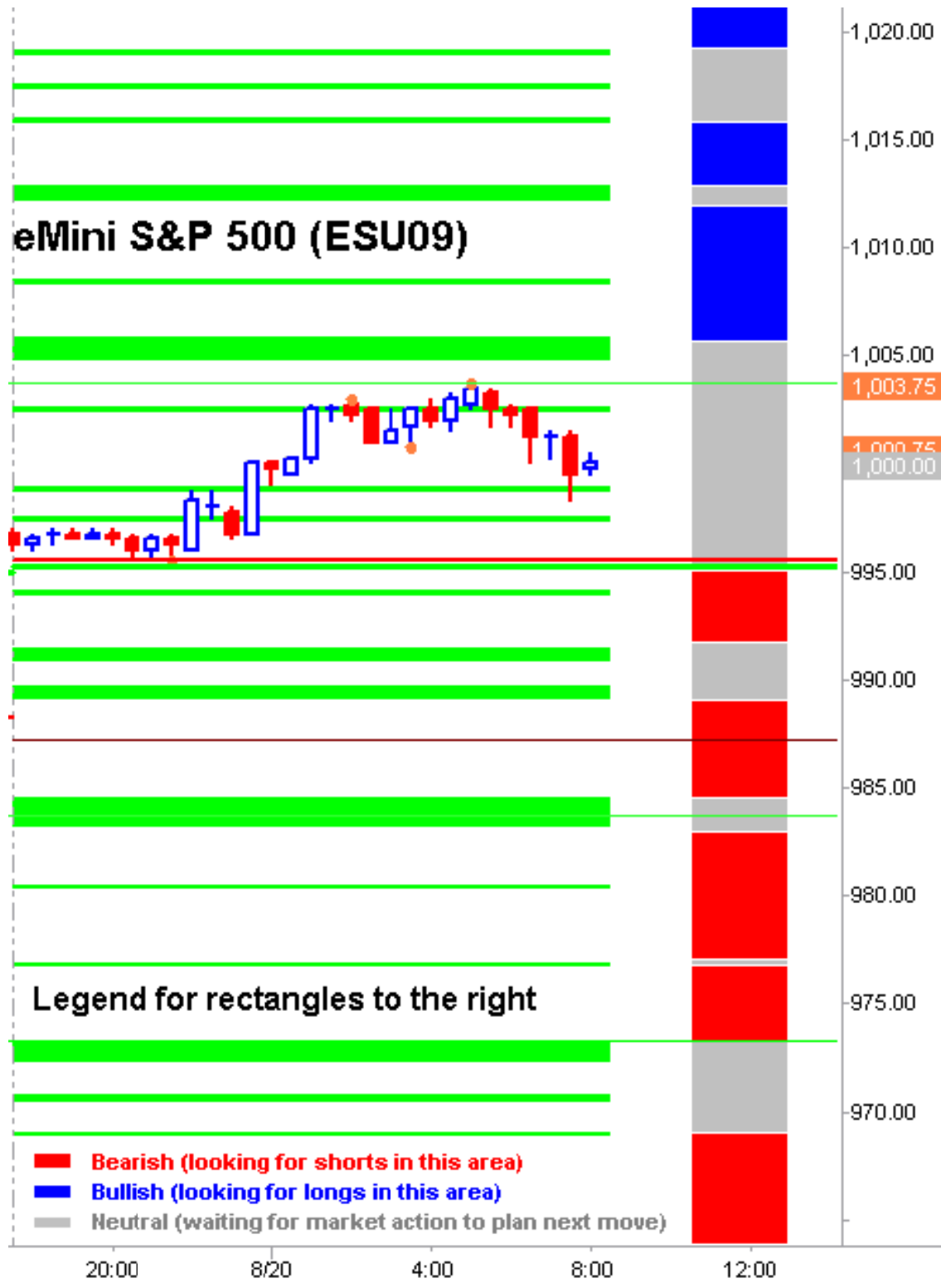
Major Market Movers
Existing Home Sales at 10:00 am

Minor Market Movers
Bernanke speaks at 10:00 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.

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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