



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

**The Precise Take** – Equities post new highs overnight into massive Treasury auction week

**Medium to Long Term Analysis:** As we have been writing over the past few months, we believe the 30 Year T-Bond futures contract is key to monitoring the health of the long term Treasury market. When it approaches important technical levels, big things usually happen. Most recently, last Friday, the 30 Year reversed off strong resistance and equities posted sizable gains. With the \$197 B in Treasury auctions this week, the 30 Year will be even more important to watch. The first technical support level that could provide major support is the confluence of the 61.8% retracement from the Aug 09 range (117'03) and the Anchored VWAP line from the June 11 09 low (117'13). When and if that area is reached this week, we would monitor equities longs very closely looking for signs of weakness.

Last month during the similar auction week, Monday was an interim high in equities and an interim low in the 30 Year. The 2 Year and 5 Year auctions on Tues and Wed went poorly but the 30 Year held its ground and equities were not able to advance. The 7 Year auction on Thursday last month went very well, allowing the 30 Year to recover a bit as equities advanced the following week and Treasuries again tested critical support, eventually recovering as equities corrected a bit.

For the current month, we doubt things will play out exactly the same, but the result will be similar—at the end of the week, demand for long term Treasuries will be gauged to be healthy, but not so much that they take too much money from equities. The game that has been played to date—ramp equities, then Treasuries—has so far succeeded. However, while equities have clearly trended up, the same daily and weekly charts of the leaders we look to in gold, the EuroYen forex cross, crude and the 30 Year yield (inverse to the 30 Year futures contract) have formed consolidating bull flags. This could continue for perhaps another month or two, but eventually, the consolidation must give way to breakout. Eventually, either we will have a huge inflationary bullish equities run, with gold finally breaking over 1000 decisively and other commodities following suit. Or, we will have a deflationary equities correction with long term Treasuries finally breaking resistance (and yields headed downward again. Neither scenario is good for the economy because, in the former case, long term yields eventually rise to unmanageable levels and, in the latter, the risk of another stock market crash is high. As always, we will monitor all of this on a daily basis but, if we had to pick a scenario, history says that governments ultimately choose inflation at their own peril. Until a scenario ultimately shakes out, trading with longer than a few days to a week's time horizon will be very difficult.

**Time Profile:** Today the FRNY conducts permanent open market operations (POMO) and it is the day after options expiration Friday. This has only happened twice, once on May 18 09 (a large up day) and June 22 09 (a large down day). As the Time Profile for these two dates yields no useful information, the individual Time Profiles for POMO Mondays and Post OpEx Mondays are posted on page 2. Between the two, there a bearish bias in the morning and early afternoon and a bullish bias in the late afternoon into the close.

**Trading Today:** Only the 3 and 6 Month auctions today at 1:00 pm are scheduled news and they are very likely to go well. Tomorrow begins a strong news day that could reverse markets. Given the Time Profiles for today, we would see a retracement to the 1021.50 to 1023.00 area as a buying opportunity, but would not attempt longs below that until the 1006.00 level. As the Time Profile is only a statistical tendency, it is entirely possible for the opening bearishness to be shrugged off and for the ES to head higher. We would watch 1036 and 1043 as potential reversal levels, but would be hesitant about fading short. If equities head south below the 921.50 level, be careful to protect profits on shorts later in the afternoon.

### Day Trading Guide

#### Daily Gap

1024.75 (4:00 pm close)  
1025.50 (4:15 pm settlement)

#### Daily Pivot

1021.50 (day-session-only)  
1016.25 (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

995.25, 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

3 & 6 Mos. Auctions at 1:00 pm

### Tomorrow's Scheduled News

#### Major Market Movers

S&P Case Shiller Home Price Index at  
9:00 am  
Consumer Confidence at 10:00 am  
4 Wk, 52 Wk, 2 Yr Auctions at  
1:00 pm

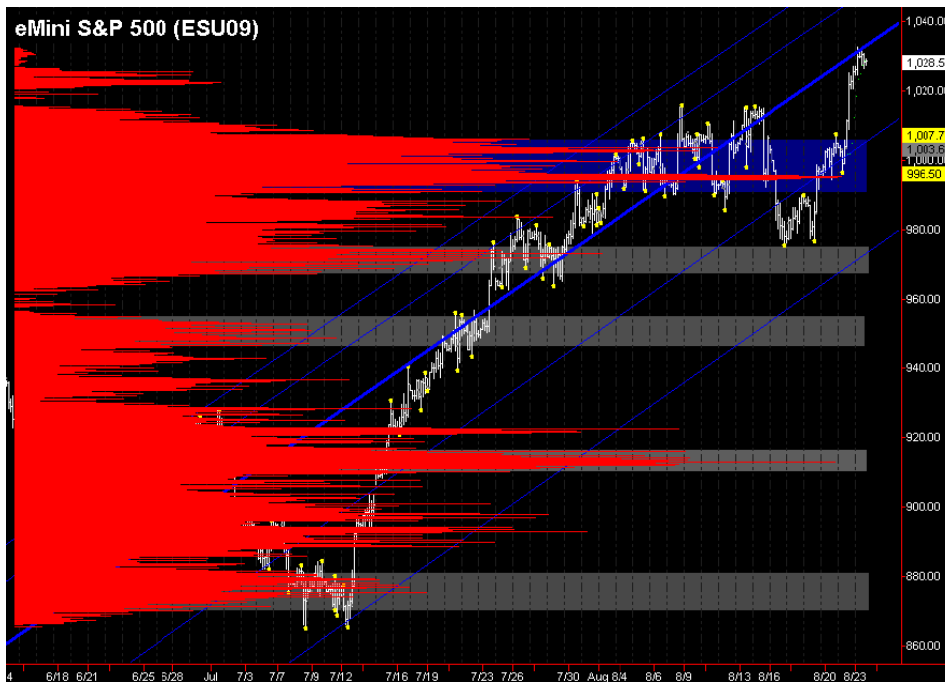
#### Minor Market Movers

ICSC Goldman Store Sales at 7:45 am  
Redbook at 8:55 am  
State St. Investor Confidence at  
10:00 am

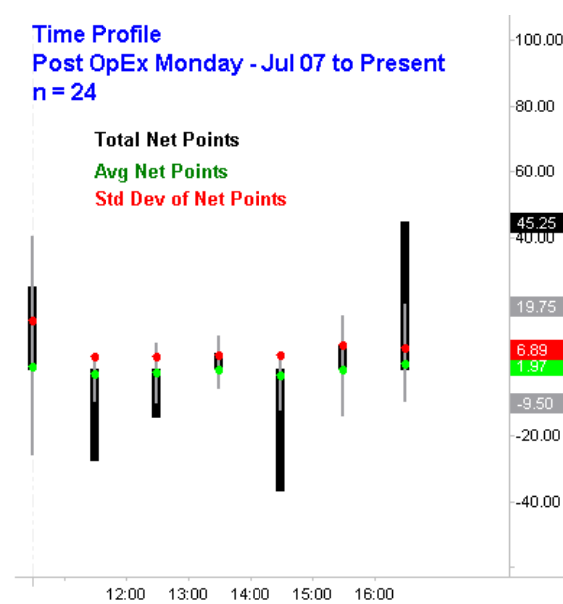
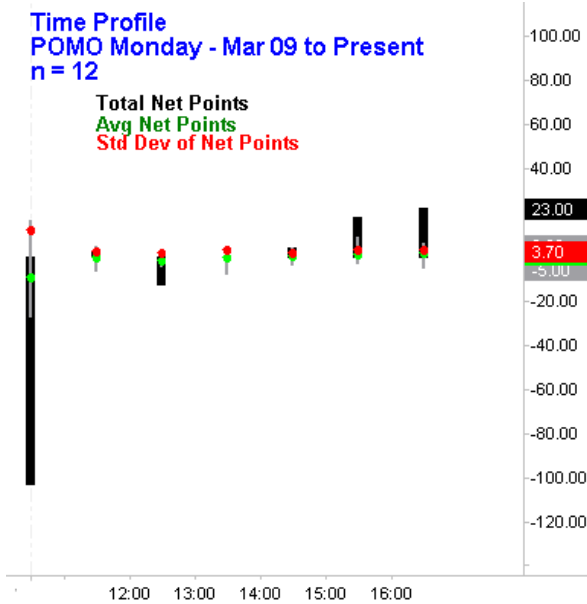
Free intraday updates at <http://www.precisioncapmgt.com>.

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.

**Volume Profile:**



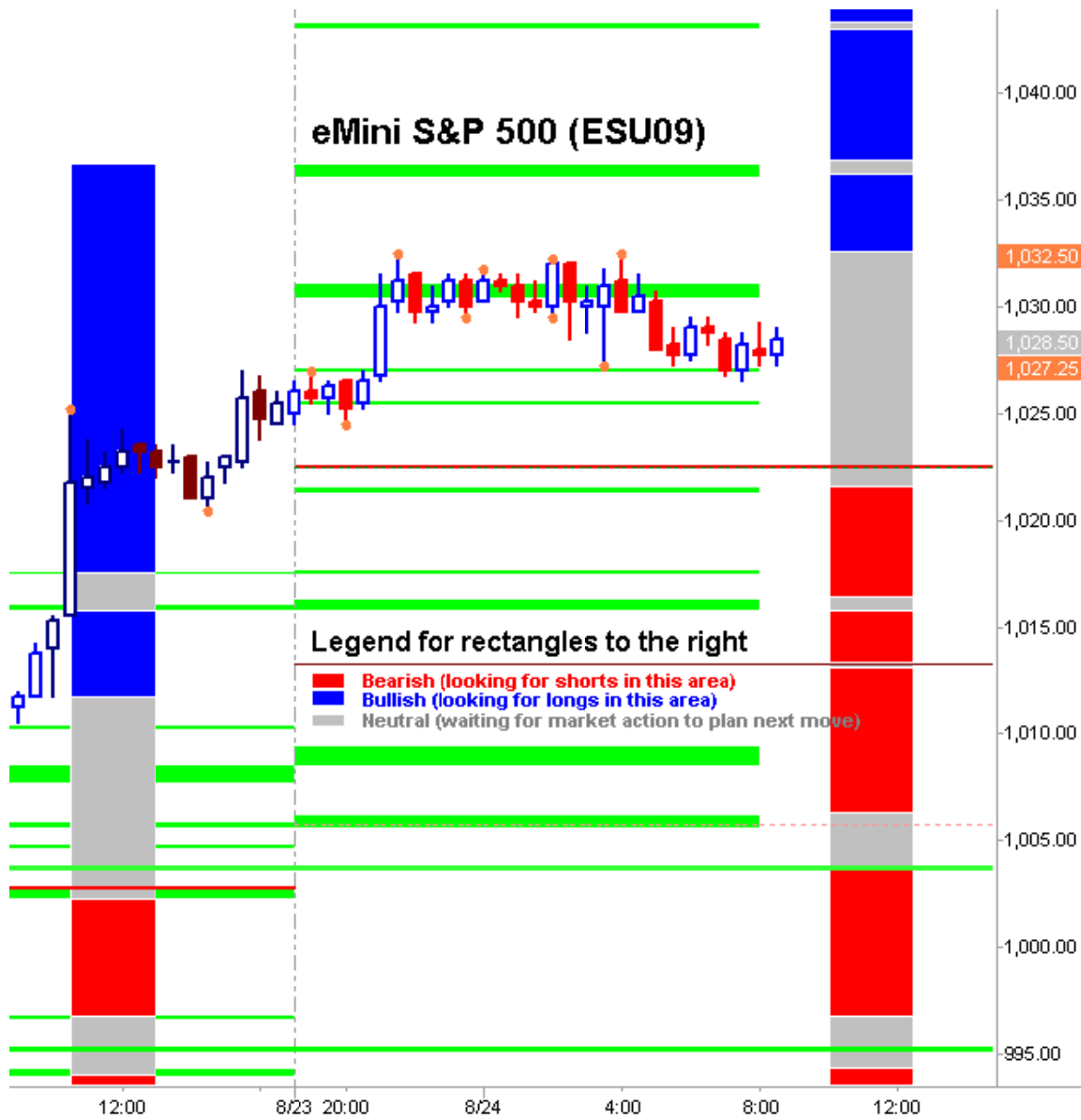
**Time Profiles for the eMini S&P 500.**



Free intraday updates at <http://www.precisioncapmgmt.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.

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.

© Precision Capital Management, LLC 2009