



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

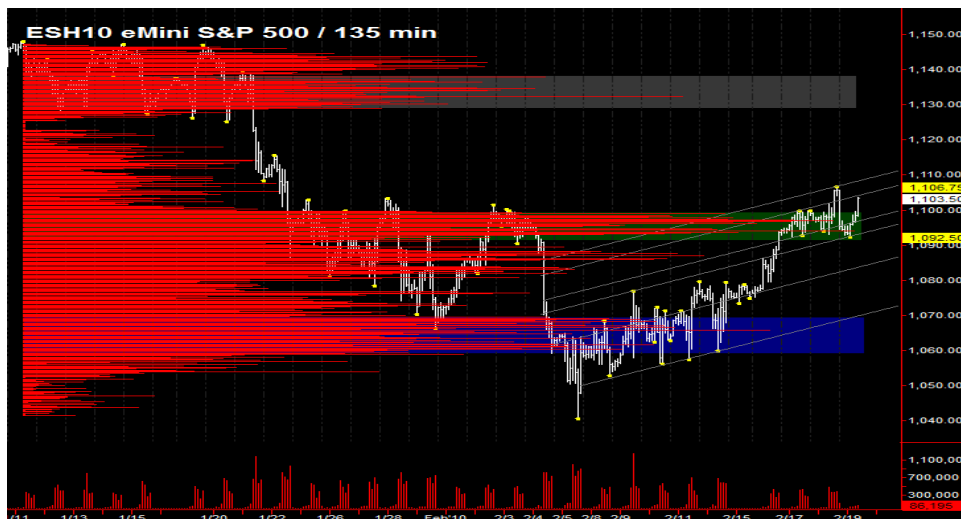
**The Precise Take** – Volatility overnight on Fed news and ahead of opex

**Leaders Analysis:** As we noted intraday yesterday, the leaders have been giving conflicting signals, which should be resolved after opex today and with the big news from the Fed behind us. The US Dollar Index rallied, as would be expected on the news overnight, to its next major long term pivot resistance area, from 81.11 to 81.42, with the 50% retracement of the entire down leg that commenced March 4, just above at 81.90. We expect it post an interim top if and when it can get to this level. As we write, CPI came in deflationary, and it could be we already have an interim top. The other leaders are not confirming Dollar strength, with gold hanging on, 30 Year T-Bond futures only marginally up and the EuroYen the strongest, having only barely budged since yesterday. All in all, the leaders are equities neutral.

**Medium Term Analysis:** The topic dujour is the Fed announcement regarding changes to its primary credit facility, namely a 25 bp rate hike and minimization of the term of the facility from 28 days to overnight. The former was expected as it was explicitly referenced in the last FOMC minutes, though the timing was not mentioned, and the latter should have been expected. The facility was designed to be for emergency purposes only, but has come to be used for carry purposes instead. Accordingly, we can expect the \$14.3 billion in current borrowings to be wound down over the coming month, which is not a critical amount, but still a material liquidity drain. The real drain has been the wind down of QE and, should the Fed raise the interest on excess reserves (IOER), we can expect a much more sustained equities-bearish reaction. So, is this the end of the February rally? A maxim that has served us well is that the Fed does not like to be seen as having put in equities tops. This speaks nothing of the timing, but whether it's today or a few weeks from now, yesterday's high will likely be taken out. Indeed the ES has already regained over 61.8% of its overnight loss. Should the ES close over yesterday's high of 1106.75, which is just shy of the 61.8% retracement of the down leg from the January high, and which coincides with the 50 day moving average in the cash, we should see at least 1127 in the ES. Otherwise, if 1091.50 is taken out to the downside, the ES will probably retrace to the 1059 to 1070 value area before making another rally attempt.

**Trading Today:** Given the turmoil in the markets and opex today, extra caution is warranted. As we write, the ES is rallying very strongly off CPI. The lower end of the projected range is yesterday's high volume level in confluence with day-session-only S1, from 1098.50 to 1099.00. The upper end is 1106.75 to 1107.00, which includes yesterday's high and fib resistance, though it could also be a 1105.00 gap fill. Opex days tend not to be trend days, but they do make it difficult to pin the projected range. The potential reversal areas outside the projected range should make for tradable fades, but these are slightly aggressive trades.

**Today's volume profile:**



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

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### Day Trading Guide

#### Daily Gaps

1105.00 (4:00 pm close)  
1105.50 (4:15 pm settlement)

#### Daily Pivots

1102.75 (day-session-only)  
1101.75 (day & overnight sessions)

#### Unfilled Gaps

1138.50 to 1143.00 (price)

#### Upside Targets

1109.00, 1126.25, 1132.25, 1154.50,  
1196.00, 1235.00

#### Downside Targets

1065.75, 1022.75, 1004.75, 975.50,  
961.00

#### Countertrend Longs\*

1041.75, 1060.50, 1180.50

#### Countertrend Shorts\*

1109.75, 1118.75

\* 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

None

### Tomorrow's Scheduled News

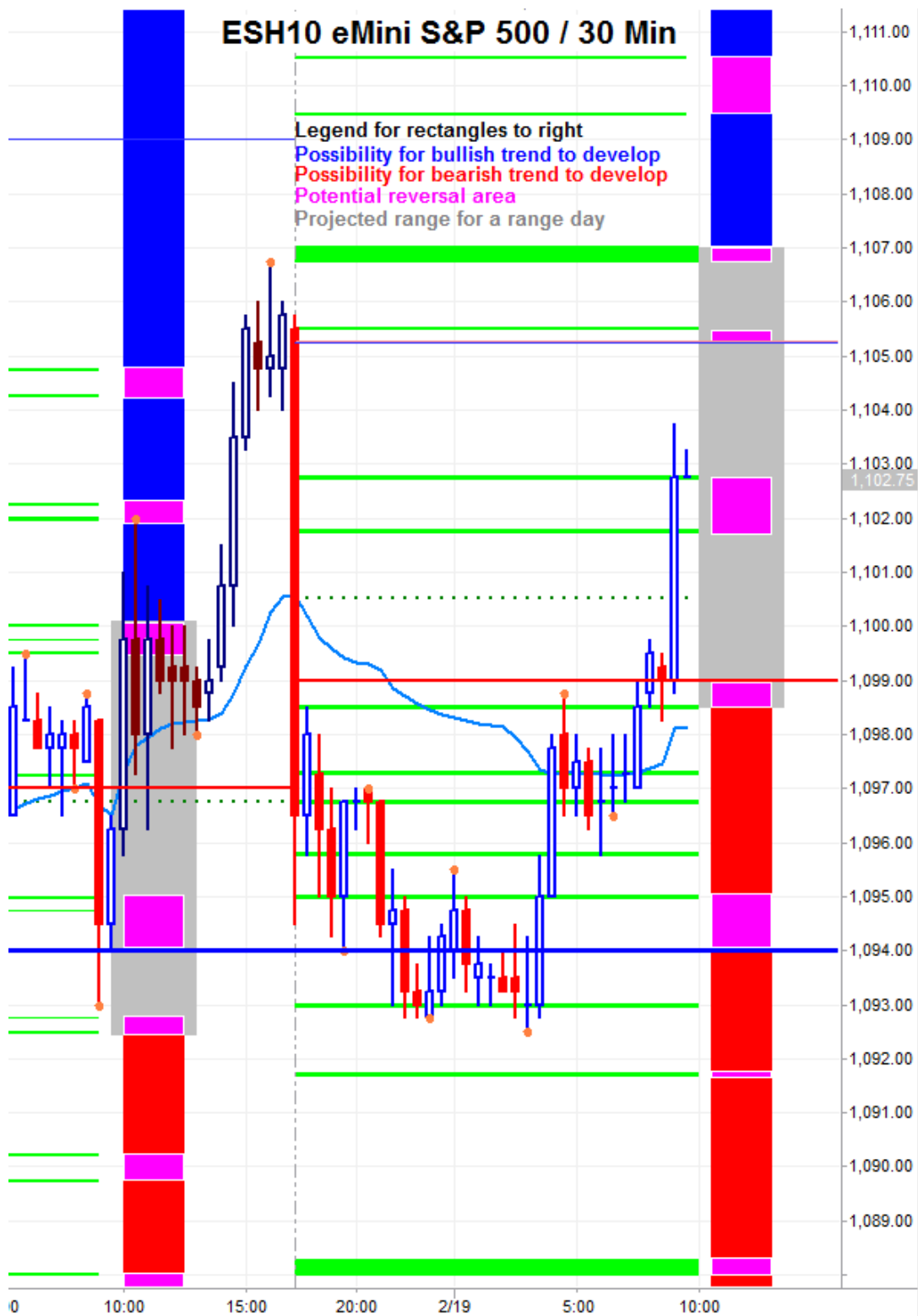
#### Major Market Movers

None

#### Minor Market Movers

Bernanke Speaks at 11:00 am

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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