



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

**The Precise Take** – New highs overnight into critical week of Treasury auctions

This week, the massive Treasury auctions take center stage and, as we reported last week, will likely determine the rally's life. Excellent demand for Treasuries, as we had last month, will likely kick off a correction, while tepid demand will likely provide the inflationary fuel to set new highs. A mediocre showing allows other factors to determine. Also closely watched and anticipated is the first edition of Q2 09 GDP this Friday at 8:30 am. Today, we have the 3 and 6 Month auctions at 11:30 am and 20 Year TIPS at 1:00 pm. Because the former are short in duration, we do not anticipate week demand and are instead looking ahead to the 52 Week and 2 Year auction tomorrow at 1:00 pm, with the 5 Year on Wednesday and 7 Year on Thursday. As to the TIPS auction today, we also do not expect demand problems because they are inflation linked and demand has been historically strong. Of course, any upset will be seen as a bellwether for the upcoming auctions.

We regained our short term bullish posture on the breakout of the 957.50 high last week and will remain bullish, even at overbought levels, until price action or market leaders tell us differently. However, we are increasingly sensitive to corrections and will pay special attention today and tomorrow to gold, 30 year bond and 10 year note futures, which are each at levels from which they will likely reverse sharply or break through strongly to test old highs or lows. Gold has been testing the 61.8% resistance from its early June highs and broke through slightly overnight, but has since retreated. A strong push through is bullish for equities as it is indicative of inflation expectations. The 30 year is at its 61.8% support from June lows and the 10 year at 50%. A break down is also bullish for equities and a reversal is bearish. The success or failure of the auctions this week could be broadcast in these instruments first, and we will update accordingly ([register for free notifications and updates here](#)).

As if it were not tricky enough this week, the Federal Reserve Bank of New York (FRNY) will be conducting permanent open market operations (POMO)\* back to back, Wednesday and Thursday, which will flood large banks with leveragable liquidity at about 11:00 am on each of those days, which has an end of day tape-painting effect.

After testing daily R1 overnight (high of 984.00), the ES is heading below Friday's settlement of 977.75. We don't become bearish intraday until 972.25 is broken, but are willing to fade long key support at 962.50 to 963.75. If that does not hold, selling will likely accelerate down to 957.50, then to 948.75. Above, we are bullish above Friday's 977.75 settlement up to the overnight high of 984.00, which we are willing to fade short. Above that and longs are tricky because of extreme overbought status and much pivot resistance up to 993.25. Above there, however, there is virtually no resistance until 1006, with 1008.50 being our next major upside target. We doubt we will see that level (if we see it) until the end of the week, however.

### Day Trading Guide

**Daily Gap**  
976.25 (4:00 pm close)  
977.75 (4:15 pm settlement)

**Daily Pivot**  
973.00 (day-session-only)  
973.00 (day & overnight sessions)

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

**Upside Targets**  
1008.50, 1066.00

**Downside Targets**  
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 (all times EDT)

**Major Market Movers**  
New Home Sales at 10:00 am

**Minor Market Movers**  
3 & 6 Mos Bill Auction at 11:30 am  
20 Yr TIPS Auction 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

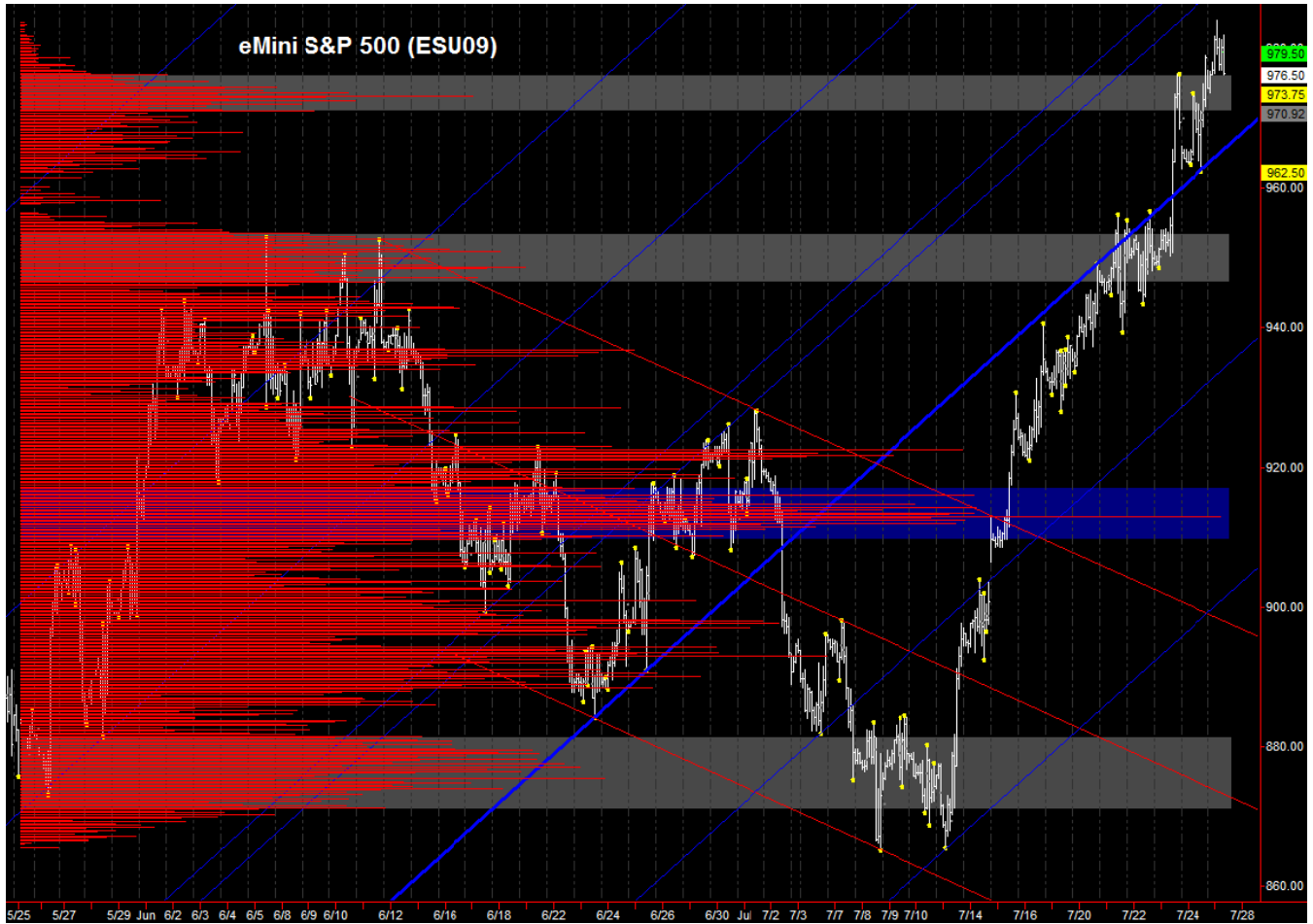
**Minor Market Movers**  
State St. Investor Confidence Index at 10:00 am  
4 Wk, 52 Wk, 2 Yr Auctions at 1:00 pm

\* Thanks to Thanassis Stathopoulos and Billy O'Nair for the POMO effect discovery and development of trading edges.

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.

Today's volume profile is as follows:

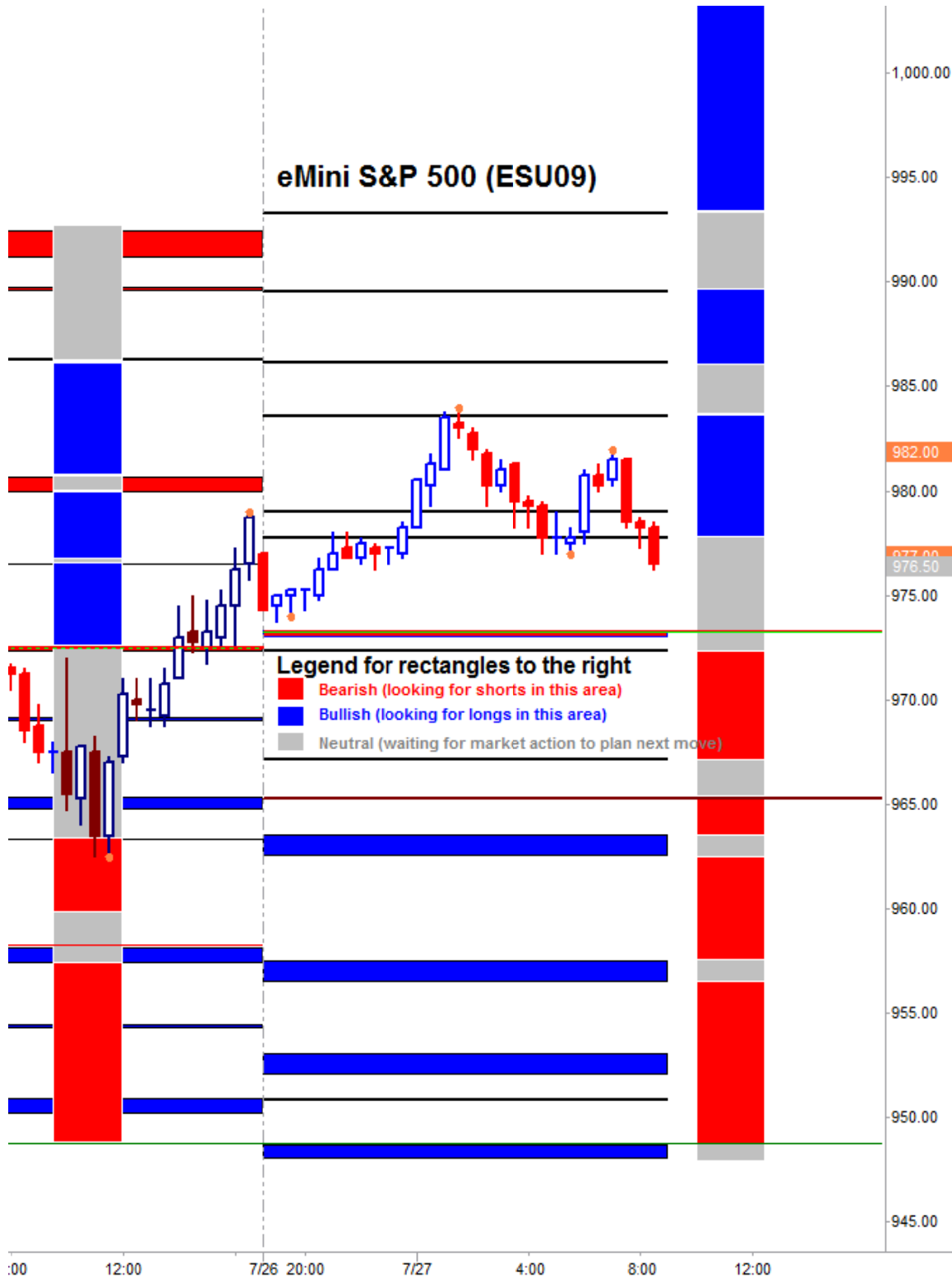


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Support and resistance is as follows:



**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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