



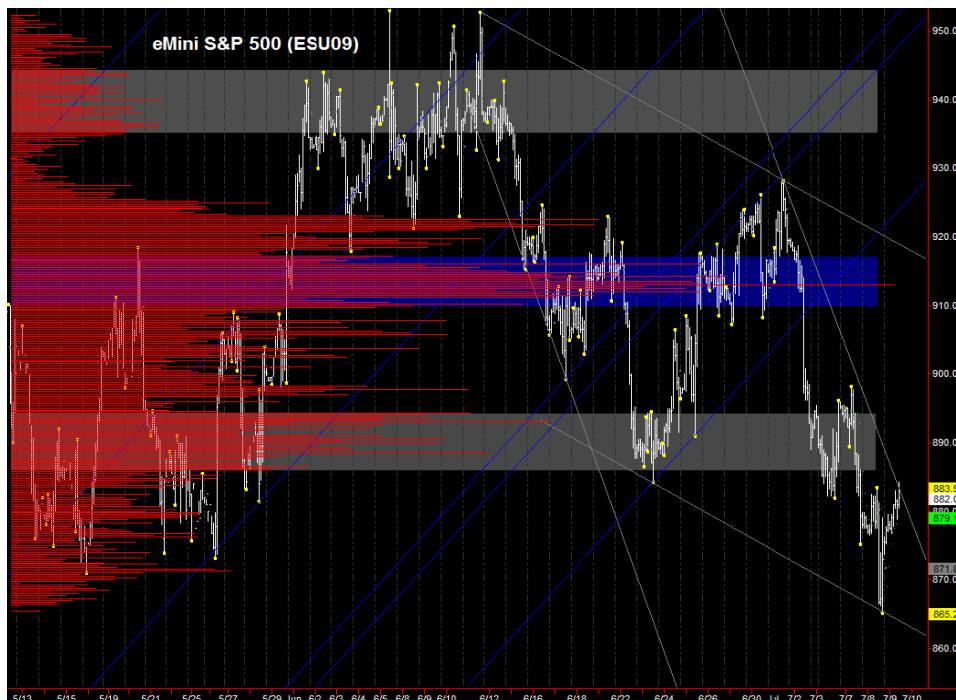
COMMENTARY FOR THE eMINI S&P 500 SEP 2009 CONTRACT (the "ES")

The Precise Take – 10 Yr Auction Resounding Success but H&S neckline decisively broken

The greatest Treasury auction of the year sent bonds vertical with steep drops in rates across the yield curve. The short covering in long dated Treasuries has begun and mortgage rates look like they will again drop below 5%, so all is well in the land of Ben. Except that equities had to fall on the sword, which was a direct cause of the sharp contraction in money supply. Eventually, the FR printing presses will be kicked into high gear again and we expect that will support equities, but as we have warned before, this is a dangerous game for Bernanke to play and much to go wrong. See page 2 for an important analysis of another game the Federal Reserve is playing through permanent open market operations and the trading implications for today and tomorrow.

Gold has broken key support on quelled inflation expectations and the US Dollar was marginally stronger yesterday (except against the Yen which saw a giant drop), though the Dollar has given back most of its gains overnight.

In the ES, the first downside target of 866.50 (long term Fibonacci confluence on the continuous futures chart) provided support to the tick, and after a second breakdown to 865.25 (trend channel support in the below chart), it was able to recover into the close. We are bullish today, but will be more confident being so upon a break up through yesterday's 883.50 high, which would also break very steep trendline resistance (also below). Upon a break of a head and shoulders neckline, there is usually a retest of the neckline and often it is exceeded somewhat just to shake out the weak shorts. Accordingly, we believe a reversal to the downside will either occur in the 888.00 to 893.50 area, or more likely, the 901.00 to 907.00 area. If the ES cannot break 883.50 today, it is more likely that we will get new lows into early next week and get the retest of the neckline next Thursday. In the unlikely event that 907.00 is exceeded, we expect to see a lot of short covering and will be on alert for a head and shoulders failure pattern.



Day Trading Guide

Daily Gap

875.75 (4:00 pm close)
873.00 (4:15 pm settlement)

Daily Pivot

874.00 (day-session-only)
874.00 (day & overnight sessions)

Unfilled Gaps

907.25 to 917.75 (price)
927.50 to 934.75 (volume)
931.50 to 937.25 (price)

Upside Targets

917.75, 940.00, 952.75, 970.50,
1008.50, 1066.00

Downside Targets

854.75, 846.00, 828.00, 811.75,
777.25

Countertrend Longs*

None

Countertrend Shorts*

925.75, 942.00, 949.25

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

Today's Scheduled News (all times EDT)

Major Market Movers

30 Yr Bond Auction at 1:00 pm

Minor Market Movers

BOE Announcement at 7:00 am

Wholesale Trade at 10:00 am

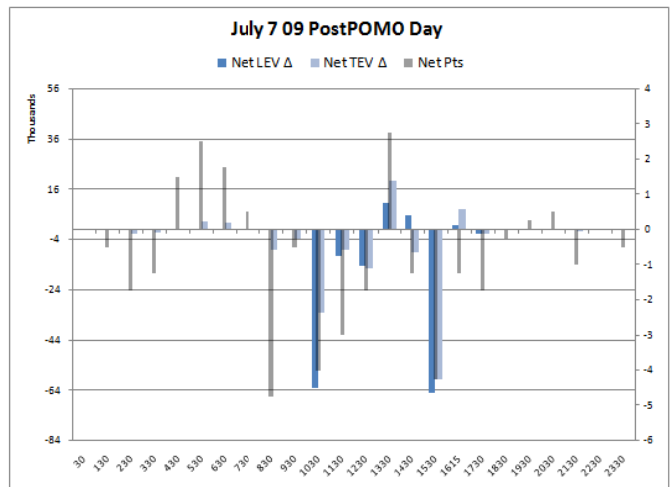
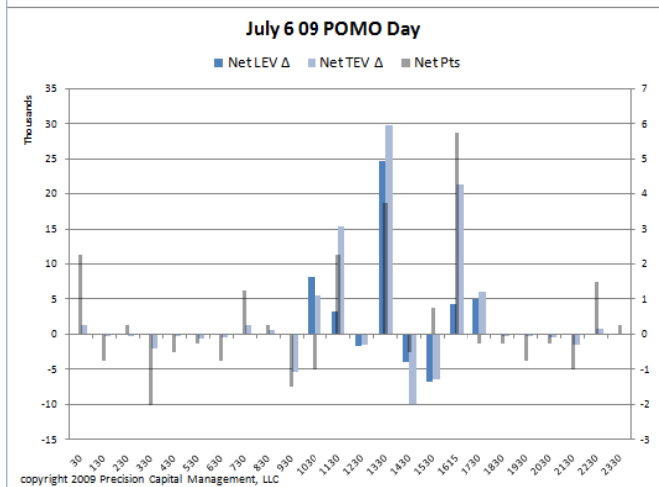
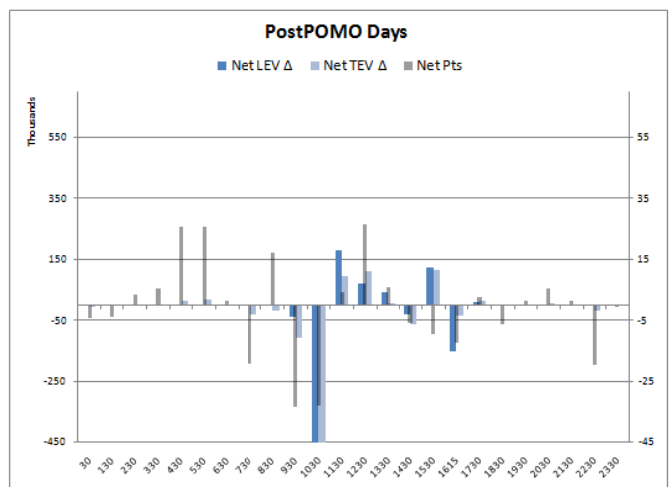
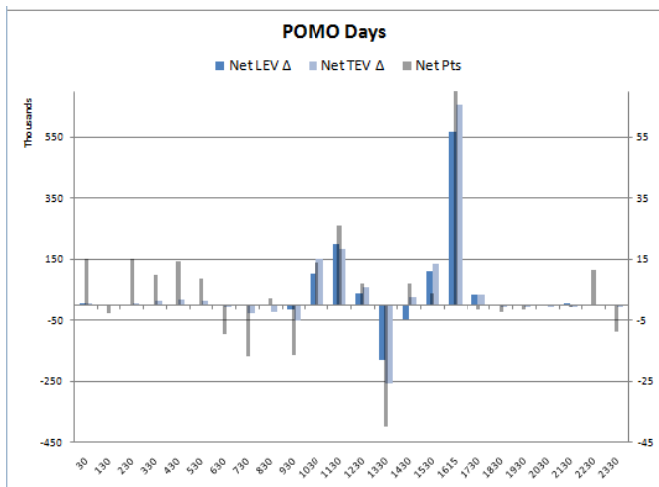
Money Supply at 4:30 pm

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.

Thanks to Thanassis Stathopoulos and Billy O’Nair of the Value in Time group hosted by Effective Volume creator Pascal Willain for discovering and expanding upon a phenomenon created by actions of the Federal Reserve bank of New York (FRNY) in permanent open market operations (POMO). Briefly, these are permanent purchases of government securities from banks by the FRNY that will pump on average \$8 B into large banks between 10:00 am and 11:00 am on such a day (POMO day). This \$8 B can then be levered from 100 + times and used to bid up the equities and derivatives markets. These operations began on March 25 2009 and have been strongly correlated with up days in the markets. On POMO days, there is usually a paint the tape scenario into the close, which is reversed the following day. However, important resistance levels are often cleared on POMO days, which takes out overhead supply and allows markets to regain their upward movement in coming days, even if the immediate next day tends to close down. The benefit to banks has been to inflate their own share prices and allow them to raise money in the equity capital markets to repay Tarp and for other purposes. The benefit to the corporate insiders has been to allow them to dump their own stock at inflated prices.

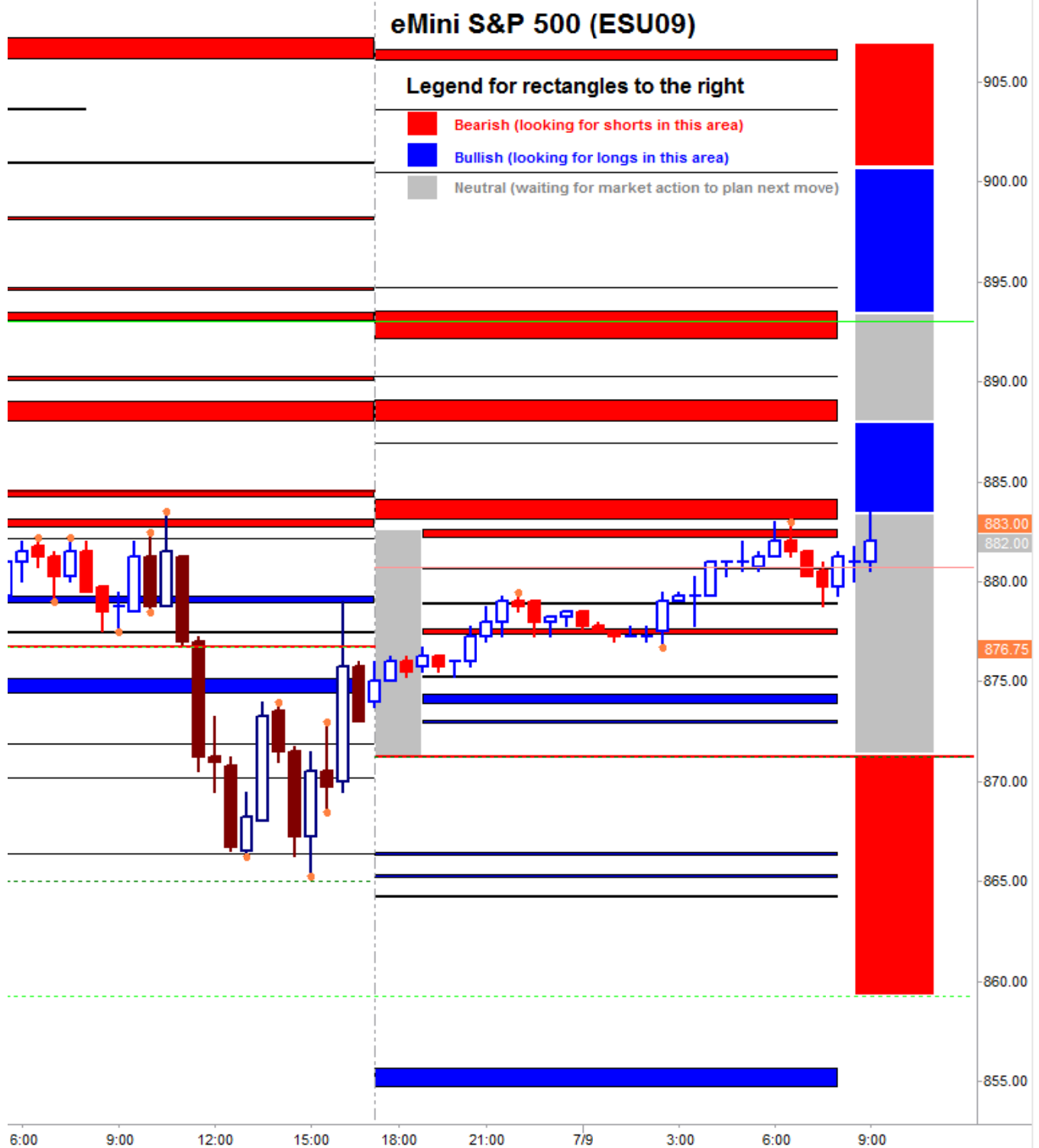
Below in the first row of graphs is a time profile of POMO days and the day after (PostPOMO), showing the average net price gain or loss for each hour of the day along with total and large player Effective Volume for the same period. Effective Volume, as its name suggests, shows the effectiveness of volume in manipulating price either up or down, and can be separated to show large player and small player action (the former tending to move the markets more). In the second row is the result of Monday’s POMO day and Tuesday’s PostPOMO day, which was a perfect buy-the-close one day sell-the-close the next day scenario. Of note, though this did not occur Monday, there is usually a low into the 1330 (1:30 pm EDT) hour that leads to a strong close. As the markets are becoming more bearish, we would expect the down hours on the time profiles below to become more bearish and the up hours to become less bullish.



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.

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.