



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

The Precise Take – Correlations gone awry; strength in equities and Treasuries

Leaders Analysis: We posited midday yesterday that scenario 2 from yesterday's report was taking hold. Reprinted, they are:

- 1) The majority of the leaders are correct and equities will correct today. This means we either have a perfect double top at 1038.75, or we will get an extension beyond the highs, which will be reversed late day.
- 2) The majority of the leaders are correct, but will tread water while equities head higher and eventually reverse next week.
- 3) The majority of the leaders are incorrect and equities will continue to post new material highs with the leaders reversing into next week (gold higher, Treasuries and the Dollar lower).

With the successful 30 Year auction yesterday, Treasuries soared higher (and yields lower). However, equities advanced simultaneously, with the S&P 500 advancing over 1%. We don't expect long term correlations to hold every minute of every day, but it is rare when a negative correlation becomes positive with material moves in both securities.

So, we are getting conflicting readings from our leaders. The strongest movers have been 30 Year T-Bond futures (up) and the EuroYen forex cross (down), which both suggest aversion to risk, and would further suggest topping in equities very soon. However, gold is up over 1,000 overnight (not as strong a move as the aforementioned, but material), which confirms equities strength, along with lower lows in the US Dollar. Given our hypothesis that (1) next week's Treasury permanent open market operations proceeds (likely marking the end of quantitative easing) could be channeled as never before into ramping equities, and (2) shorts will suffer as greatly as possible before the next true correction, 1053.50 and 1066.00 are still viable targets in the ES. Looking to next week's calendar, we could see a spike high on next Wednesday's CPI or Thursday's Housing Starts that marks the next interim top. The only thing that would negate this scenario *today* is a large directional day down. Today is an Agency POMO day, so be on the lookout for the possibility of a bullish final 45 minutes of trading.

Trading Today: We are still basis September for today, and will switch to the December contract Monday. We are outright intraday bullish over the daily R1's at 1048.00 and intraday bearish below the daily pivots at 1037.75. If Consumer Sentiment is in line with expectations and the ES has respected this range, we are willing to fade it. However, we will not stick with any shorts that linger around highs too long. We will also fade long the 1031.00 to 1033.00 area if buying comes in there and may fade the 1052.00 to 1054.25 area if it is rejected quickly.

Day Trading Guide

Daily Gap
1043.00 (4:00 pm close)
1041.75 (4:15 pm settlement)

Daily Pivot
1037.75 (day-session-only)
1037.75 (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, 1001.75

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
Consumer Sentiment at 9:55 am
Treasury Budget at 10:00 am

Minor Market Movers
Wholesale Trade at 10:00 am

Tomorrow's Scheduled News

Major Market Movers
None

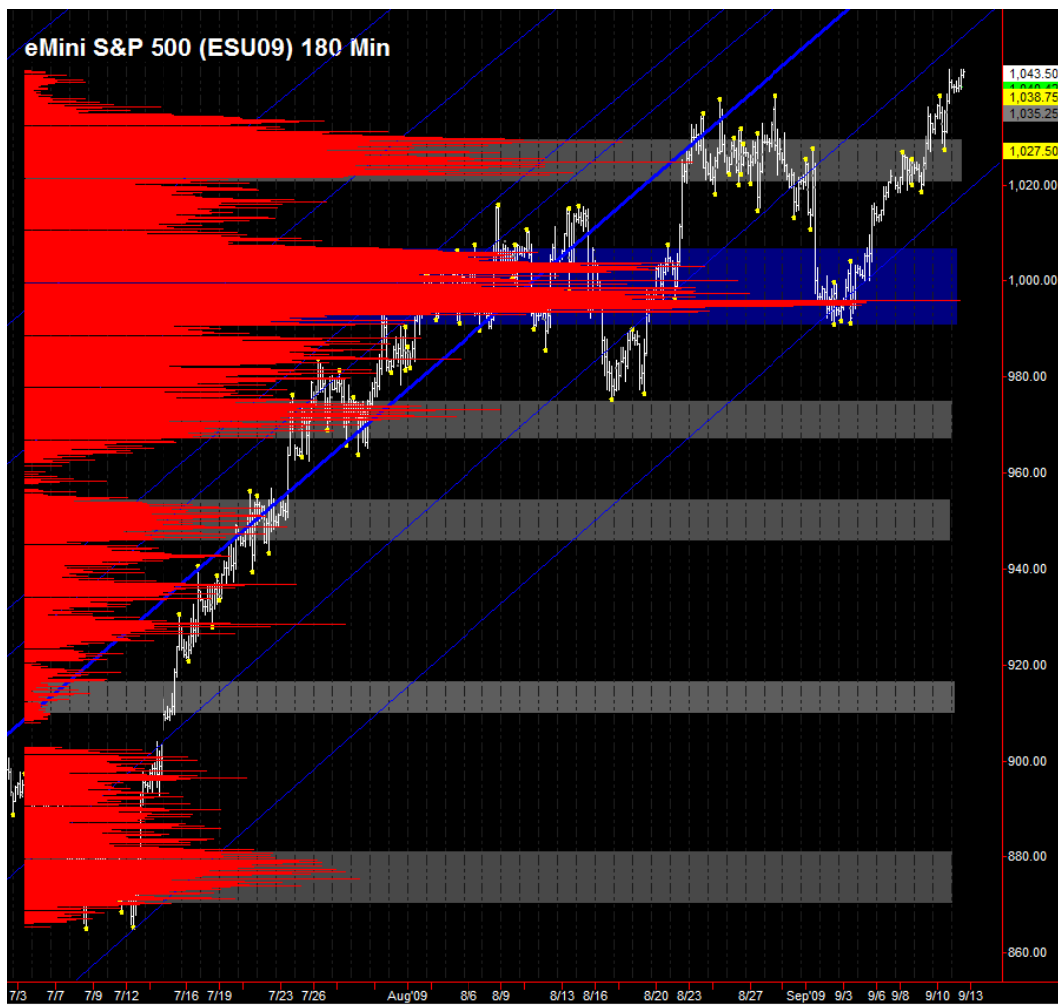
Minor Market Movers
None



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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. All charts herein created with TradeStation.

Volume Profile:

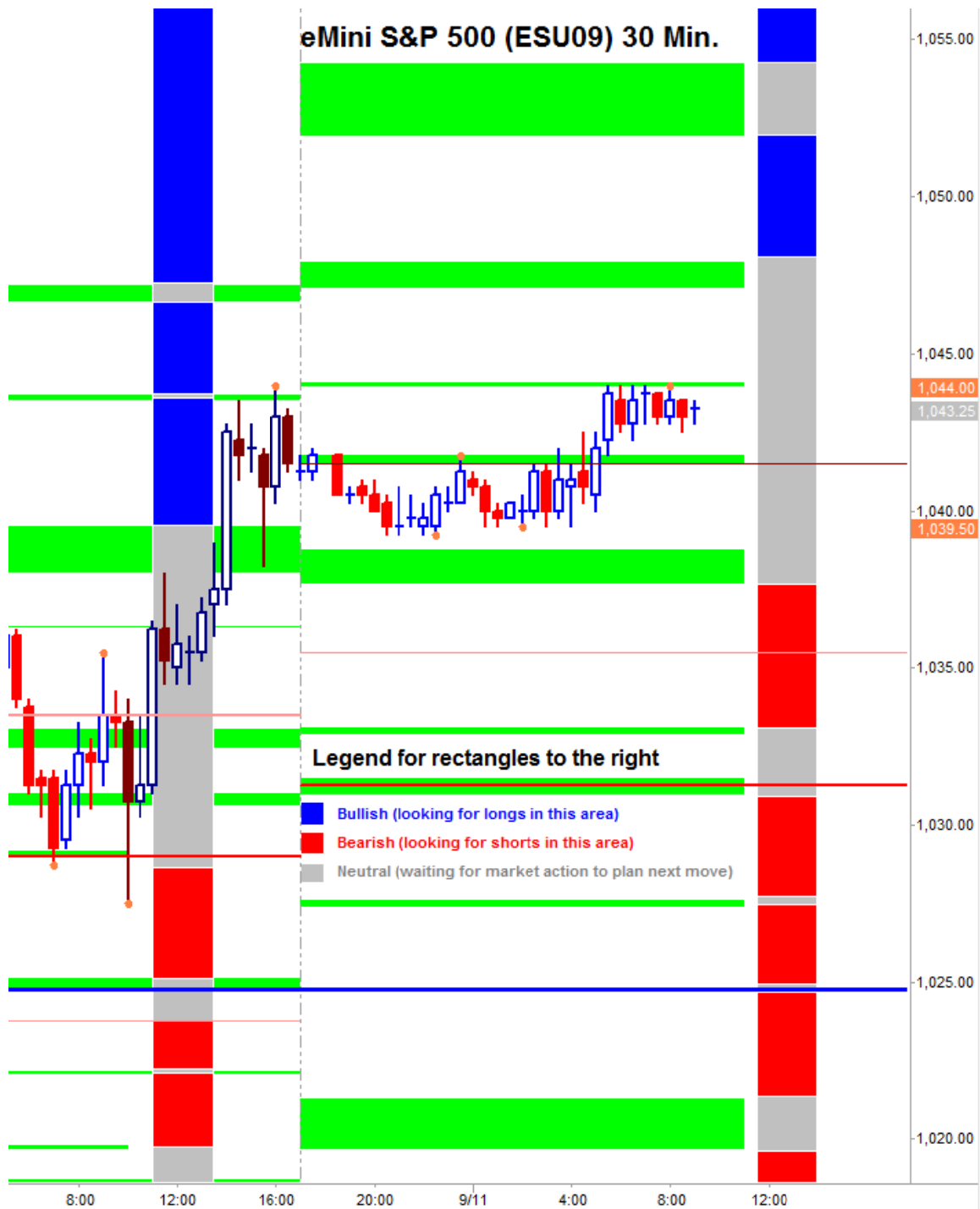


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Support and resistance is as follows:



Legend: Market Profile points of control (POC's) are calculated each day and displayed as lines colored shades of green or red. Shades of 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. They areas are drawn as shaded green boxes. Previously drawn areas have not been adjusted retroactively.

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