



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

The Precise Take – Strength in equities into three day critical news period

Leaders & Medium Term Analysis: The correlation divergences in our leaders has more or less disappeared, with equities and the EuroYen forex cross up yesterday, Treasuries and the US Dollar down, and gold trading water. Over the next three day, a slew of major reports to be released pre-market, including PPI, Retail Sales, CPI, and Housing Starts, are likely to give equities pause, as they have done in months past. Combined with the [statistical likelihood of a material correction](#) going into the third week of October as a result of record money supply contraction, we expect the monthly high to be posted on or before Thursday. The first sign will be a more bearish than expected reaction to one of the major reports. Ideally, there would be a new spike high on a bullish report and a reversal down in price into the open with a close below the 1030 to 1033 support area in the ES. We have taken into consideration this week's POMO schedule (to be conducted Wed and Thurs), which will likely burn the remaining unused portion of the quantitative easing's \$300 B mandate. Thursday for sure needs to close below 1030 to validate this theory, otherwise the extension upwards in equities will likely continue. Our upside price target range remains 1053.25 to 1066.00, which are major resistance areas on the daily continuous futures chart for the ES. However, if we get the reversal criteria before the area is reached, we will not hold out for the extension.

Trading Today: Longs should heavily defend today the 1037.25 to 1039.50 area, which includes the daily pivots and yesterday's (and long term) market profile points of control. We become intraday bearish below, watching price action around the 1029.75 to 1031.00 support area, where we may fade long. Below, and we will not pick bottoms as the end of this rally could be in. As we write, equities are heading higher off Retail Sales at 8:30 am and have entered our intraday bullish area (above 1045.25). There are several potential reversal zones up to the 1057.75 area, so while we do not want to pick tops today (as we feel the eventual medium term reversal is likely to come tomorrow or Thursday), we will use tight stops on longs. From 1057.75 to 1065.25, there is no technical resistance based on our methods.

Day Trading Guide

Daily Gap
 1044.25 (4:00 pm close)
 1043.50 (4:15 pm settlement)

Daily Pivot
 1039.50 (day-session-only)
 1038.00 (day & overnight sessions)

Unfilled Gaps
 1011.75 to 1014.75 (price)

Upside Targets
 1053.50, 1066.00, 1126.25

Downside Targets
 991.00, 948.75, 922.25, 913.00,
 854.75, 846.00, 828.00, 811.75,
 777.25

Countertrend Longs*
 None

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

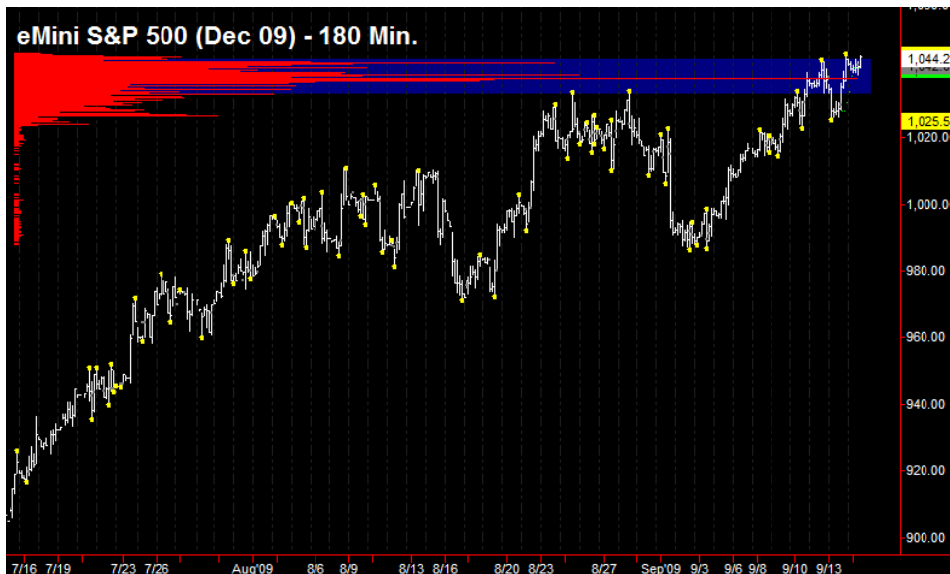
Major Market Movers
 None

Minor Market Movers
 Redbook at 8:55 am
 Business Inventories at 10:00 am

Tomorrow's Scheduled News

Major Market Movers
 CPI at 8:30 am
 Industrial Production at 9:15 am

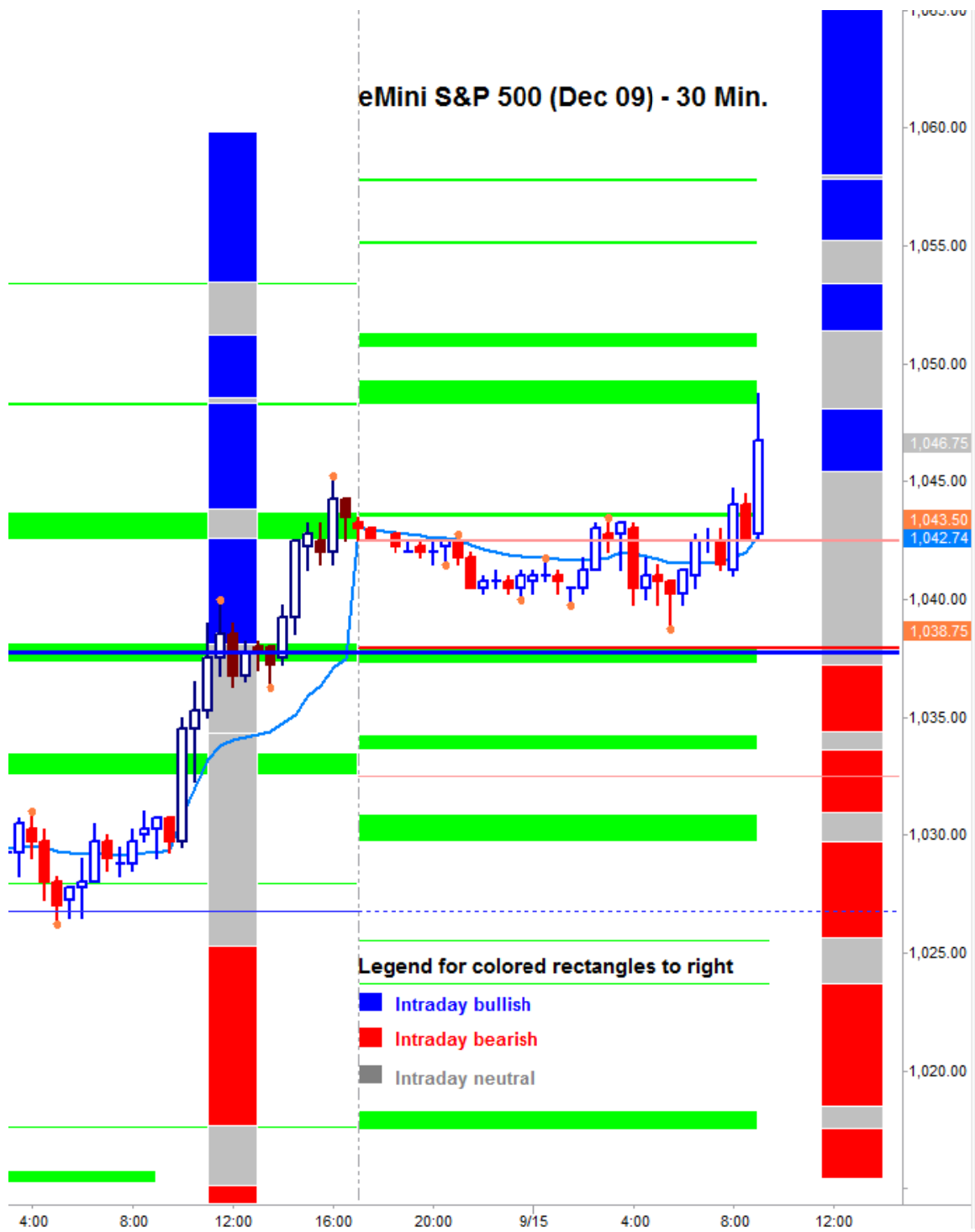
Minor Market Movers
 MBA Purchase Apps at 7:00 am
 Current Account at 8:30 am
 Treasury Int'l Capital at 9:00 am
 EIA Petroleum Stats at 10:30 am
 Housing Mkt Index at 1:00 pm



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. All charts herein created with TradeStation.

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.

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. All charts herein created with TradeStation.

© Precision Capital Management, LLC 2009