



September 25, 2009

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

The Precise Take – ES finding value at lower price levels

Leaders Analysis: With a strong 7 Year auction yesterday, Treasury has wrapped up another highly successful auction week. The 30 Year continues to be sandwiched between [two anchored VWAP lines](#), one from the announcement date of QE on Mar 18 09 and one from the Jun 11 09 low (below). The 30 Year T-Bond continuous futures contract is a good proxy for the long bonds' underlying price action and we use the 30 Year itself as a proxy for the entire longer end of the Treasury market. The 30 Year is clearly consolidating in a battle between the bond bulls and bears, which can continue for some time, but not indefinitely. An eventual break up through the 122 level would be an indication that Treasuries will compete with equities on a more serious level for liquidity dollars. Continued oscillation in the trading range is sufficient to see equities move higher, as they have for months. The EuroYen is down materially overnight, confirming risk aversion.

Liquidity Analysis: The first week of unwinding of Treasury's Supplementary Financing Program (SFP) took place yesterday, with \$35 B (of which \$24.3 B was primary dealer purchased) not rolled over (at least with respect to the SFP program) and available in the markets. Part of our theory is that Treasury wishes to lengthen the average maturity of its debt portfolio, and the increase in longer term Note and Bond auction offering amounts is indicative of this. Another part of our theory is that at least some the unwinding amounts will be pumped into equities because of the similarity to the permanent open market operations of the Fed. However, as we wrote yesterday, the exact timing of rallies as a result of increases in bank non-borrowed excess reserves has become more erratic and so, while we remain generally bullish until we see otherwise in the statistics published by the Fed, we cannot say that on such and such a date we expect an up day because of liquidity injections, etc. In fact, we expect the corrections to become more, not less, violent as the subsequent short covering rallies will be the drivers to new highs. With the world expecting a correction into October, this is the ideal time of year to shake out weak holders [on both sides](#).

Trading Today: As we write, Durable goods has disappointed and the ES has entered our intraday bearish area that begins below yesterday's low of 1041.00. The ES is finding value in the area centered around the long term market profile point of control at 1037.75, which is a natural price target today. If price trades below there by more than a couple points, the ES could eventually head as low as 1025.50 before finding support. We do not become outright intraday bullish unless and until the ES can break above the daily pivots at 1049.00 to 1049.75 and are willing to short this area. As this is the final Friday before the end of the month, we prefer to trade with the trend outside the neutral zone and will only look to fade price at extremes, such as at 1028.00 (long) or 1062.75 (short).

Day Trading Guide

Daily Gaps

1046.00 (4:00 pm close)
1044.00 (4:15 pm settlement)

Daily Pivots

1049.00 (day-session-only)
1049.75 (day & overnight sessions)

Unfilled Gaps

1011.75 to 1014.75 (price)

Upside Targets

1126.25, 1144.75, 1160.75

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*

1071.25

* 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
New Home Sales at 10:00 am

Minor Market Movers

None

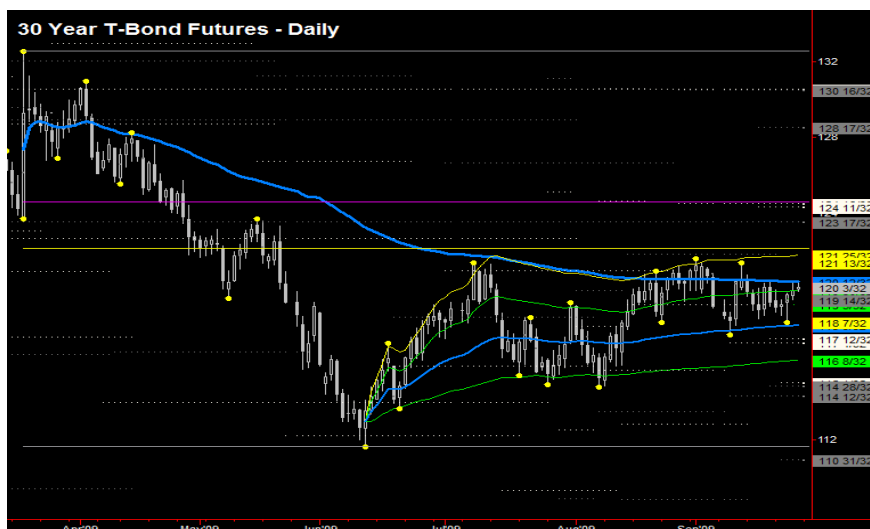
Tomorrow's Scheduled News

Major Market Movers

None

Minor Market Movers

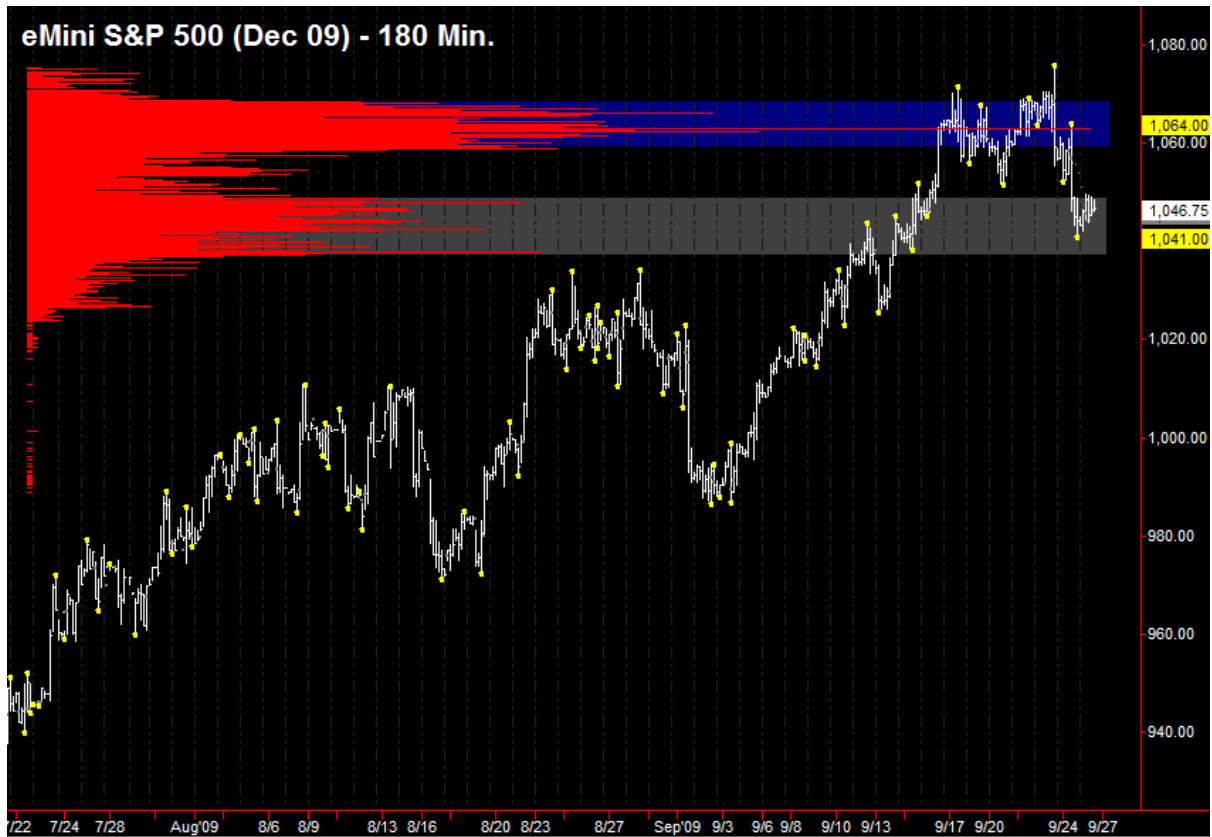
None



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.

Today's volume profile:

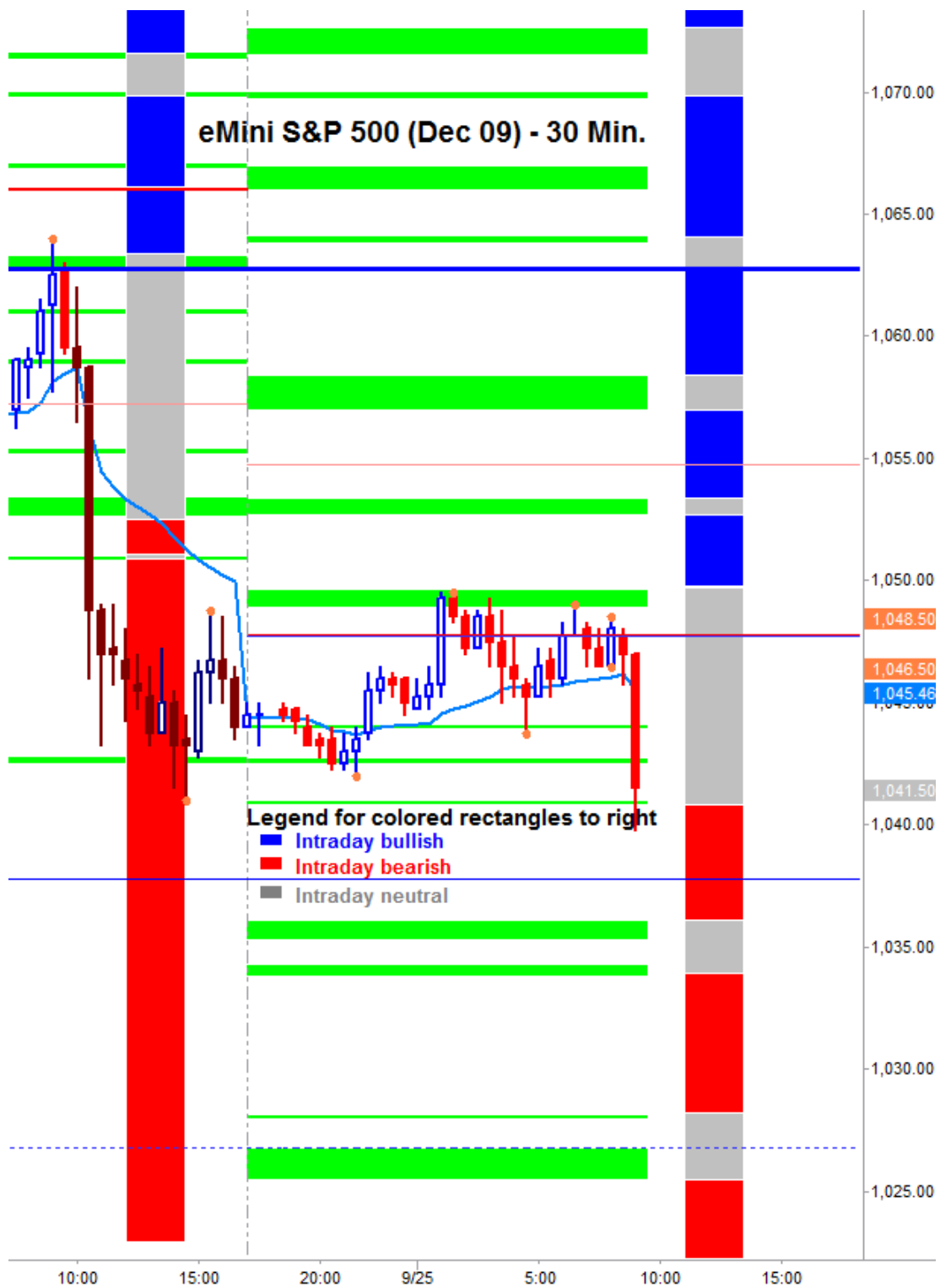


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Support and resistance is as follows:



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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