



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

**The Precise Take** – Strength in equities leading into critical Treasury auction week

**Treasury Analysis:** Today is the first of three major auctions this week for Treasury securities—today is the 3 Year, tomorrow the 10 Year and Thursday the 30 Year. The 30 Year T-Bond future backed off its major resistance are Friday on the equities advance, nearly reaching the 50% retracement support at 118 7/32 from the August interim low. As equities are now testing highs, key will be to watch the 30 Year's reaction this week to the various auctions with 117 4/32 to 118 7/32 containing the Fibonacci box from August lows and VWAP anchored from the June 11 09 low of the year. If we do get reversals this week in equities (down) and Treasuries (up), it will most likely be from this support area by early tomorrow (though possibly after the 10 Year auction at 1:00 pm tomorrow). We expect Treasury auctions to be the biggest news items of the week and they should be watched closely.

**Gold:** Gold futures broke through 1000 overnight (high of 1009.40 basis Dec 09), but we would like to see confirmation with gold priced in Australian and Canadian Dollars break through swing high resistance from late June to mid-July 09. Until that happens, we consider the rally based on Dollar weakness, and not yet sufficiently broad based to signal a strong move up.

**POMO:** Today is the only day on which the Federal Reserve Bank of New York will conduct permanent open market operations for Treasury securities this week (though it will likely announce another Agency POMO), and the Treasury program is expected to end with next week's two POMO days (Sep 16 & 17). The program was prolonged to end in October 09, but will likely reach the \$300 B cap in next week's auctions. In the unlikely event that the program dollar cap is increased, expect violent moves in both Treasuries and equities. Both have benefited from the program—Treasuries because POMO supports demand and equities because the proceeds appear to have been channeled into the stock market. However, the markets may call Bernanke's bluff and any prediction on an eventual reactionary move is extremely speculative. Though the day trading POMO pattern of paint-the-tape closes had subsided, it was resurrected with last Thursday's strong close (it was a POMO day for Agency securities). The Treasury POMO program could end with a bang rather than a whimper into next week, with every last leveraged dollar from the proceeds squeezed into equities, so just a word of caution to the shorts.

**Trading Today:** While we are not surprised to see the ES up again at the highest market profile value area (primarily because of gold strength and [the correlation we noted last week](#)), the rally was not on what we would consider a *clean* NFP reversal. Rather the move began a bit high (10 points off the lows) to consider the NFP pattern to have held. Back to market profile, if the ES continues to accept value above 1019-1020, there is a good chance we will see new highs. If current highs are to be respected, the ES should reject this area by early tomorrow. We are willing to go long in an early retracement into the daily gap/pivot area of 1019.00 to 1021.75, but become intraday bearish below. Despite this, we will likely avoid shorts down to 1008.25, as there is much support, and would prepare to fade long anywhere from 1008.25 to 1015.00, needing to watch price action to determine the ideal spot. Above, and we become intraday bullish above 1025.75, watching 1029.75 to 1033.00 as a potential reversal area, as well as the 1038.75 to 1041.25 area. We are willing to take longs above 1025.75 and will only fade short a quick rejection of one of our potential reversal areas.

### Day Trading Guide

Daily Gap  
1016.00 (4:00 pm close)  
1021.75 (4:15 pm settlement)

Daily Pivot  
1010.25 (day-session-only)  
1019.00 (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  
3 Yr Note Auction at 1:00 pm

Minor Market Movers  
Redbook at 8:55 am  
Consumer Credit at 3:00 pm

### Tomorrow's Scheduled News

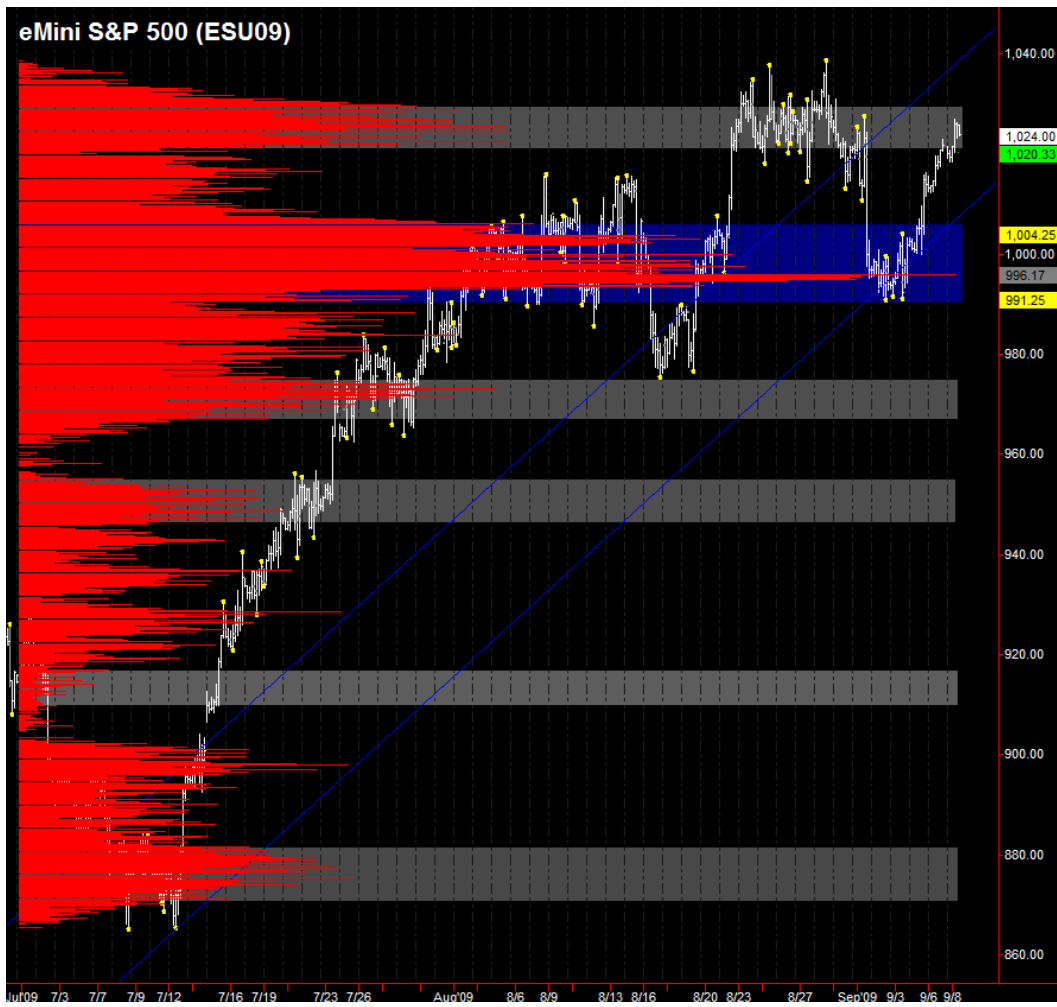
Major Market Movers  
10 Yr Note Auction at 1:00 pm

Minor Market Movers  
MBA Purchase Apps at 7:00 am  
Quarterly Svcs Survey at 10:00 am  
Beige Book at 2:00 pm

Free intraday updates at <http://www.precisioncapmgt.com>.

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**Volume Profile:**



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