Aletheia SG Capital

Note & Market Comments, APRL 07, 2010
Reference – ASG Daily COMM 2010- APRL 07

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SPX – Closed @ 1185 on Monday

Market Insights

SPX – Mid term

The window below is the NYSE McClellan Summation index. Normally the NYSE rise and falls along with the McClellan Summation index. The McClellan Oscillator produces a divergence before the market makes a stop (see NYMO chart above) and the larger the divergence the larger the decline. This chart dates back to Late July and the current negative divergence is the larger in this time frame and even larger then the one that appeared at the January high. We remain bearish.

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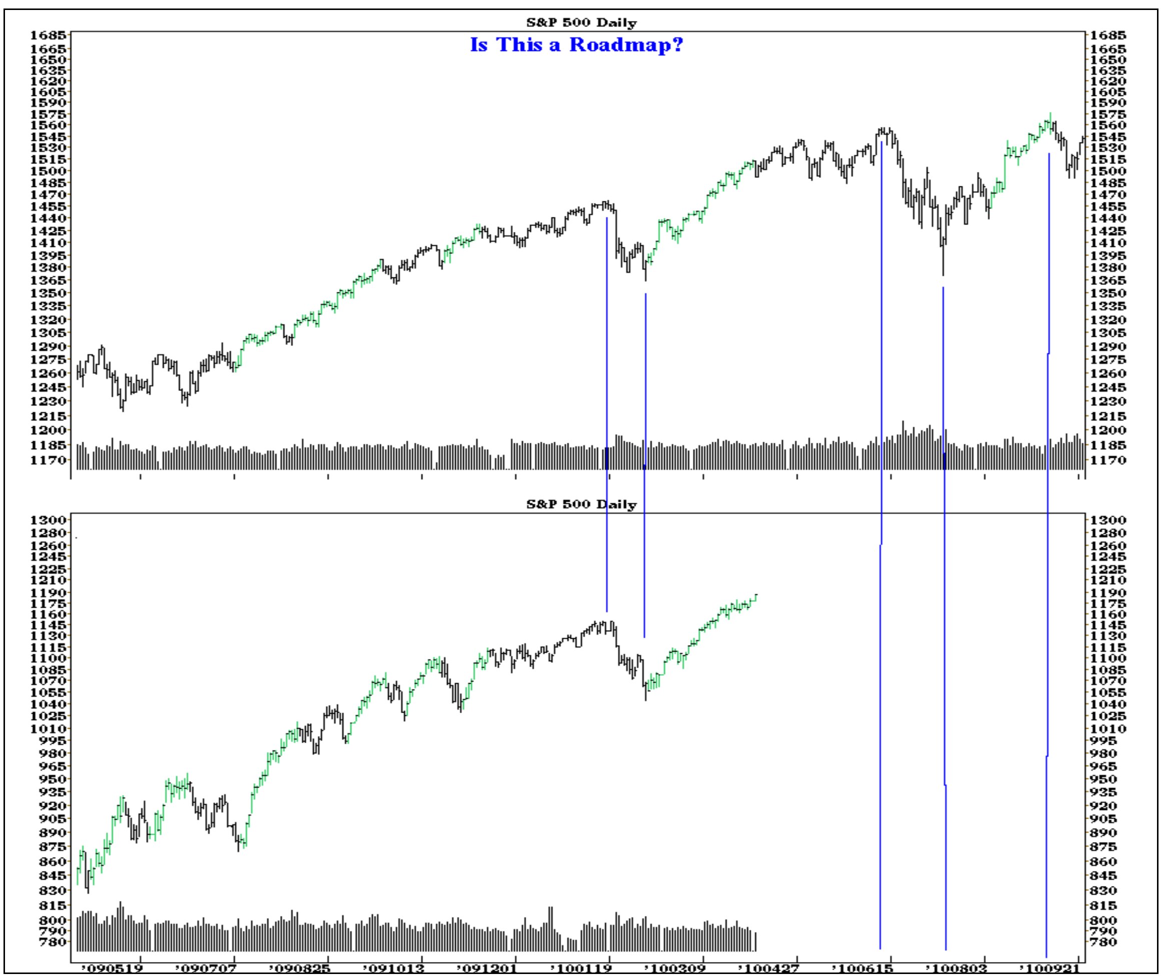
2007 - All Over Again

This stock market certainly looks familiar. it's a rerun of 2007. In the early days of 2007, the stock market took no notice whatsoever of the storm that was coming, proving once again that the stock market is not a forward-looking indicator, but a reflection of the emotion of the moment. And, at that moment everything looked just fine.

The top chart shows the 2007 market. The analogy is pretty clear here. After a correction from February 22 to March 14, the 2007 market rallied in a manic way, just like today, into a June 1 high. It then traded sideways and popped up in a false breakout to the high of July 16. A sharp ABC decline ended on August 16 due to intervention from the Fed on options expiration day right before the opening bell, The market then went on an ABC rampage to the upside into October 11, where it made its final all-time high. At that point, the market began more than 50% decline.



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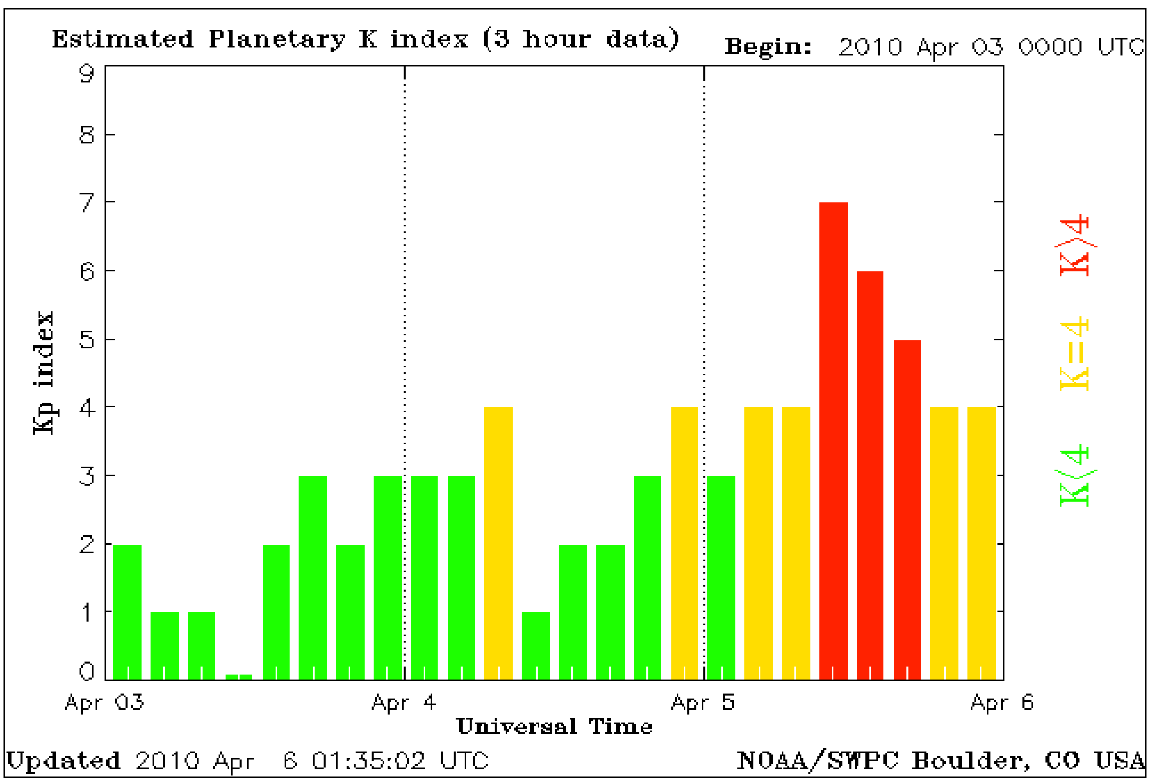
Just a possibility (May or may not happen) . If this analogy holds, we are approaching the analogy to the June 1 high of 2007, probably something that will happen sometime this week. (April 4, 2010). The trading range would eat up / down time until May, when another quick pop to a secondary high would create a false breakout condition. That would correspond to the expected mid-May high, (the expiration of the large T). Continuing this analogy, the market would proceed to into a low in the middle of the year, form a low and rally to a potentially tertiary high in August. After that, we could repeat the beginning of similar experience of 2008.

Geomagnetic Storm – has not worked lately.

A geomagnetic storm broke out today and history tells us that storms which cause the indicator bars on the chart to turn red are strong enough to precipitate some selling in the stock market. The storm isn't expected to last very long, but the psychological effects, according to a Federal Reserve study, tend to last about a week *after* the storm dies down. And, it doesn't appear to be over just yet. Curtsey http://www.noaa.gov/



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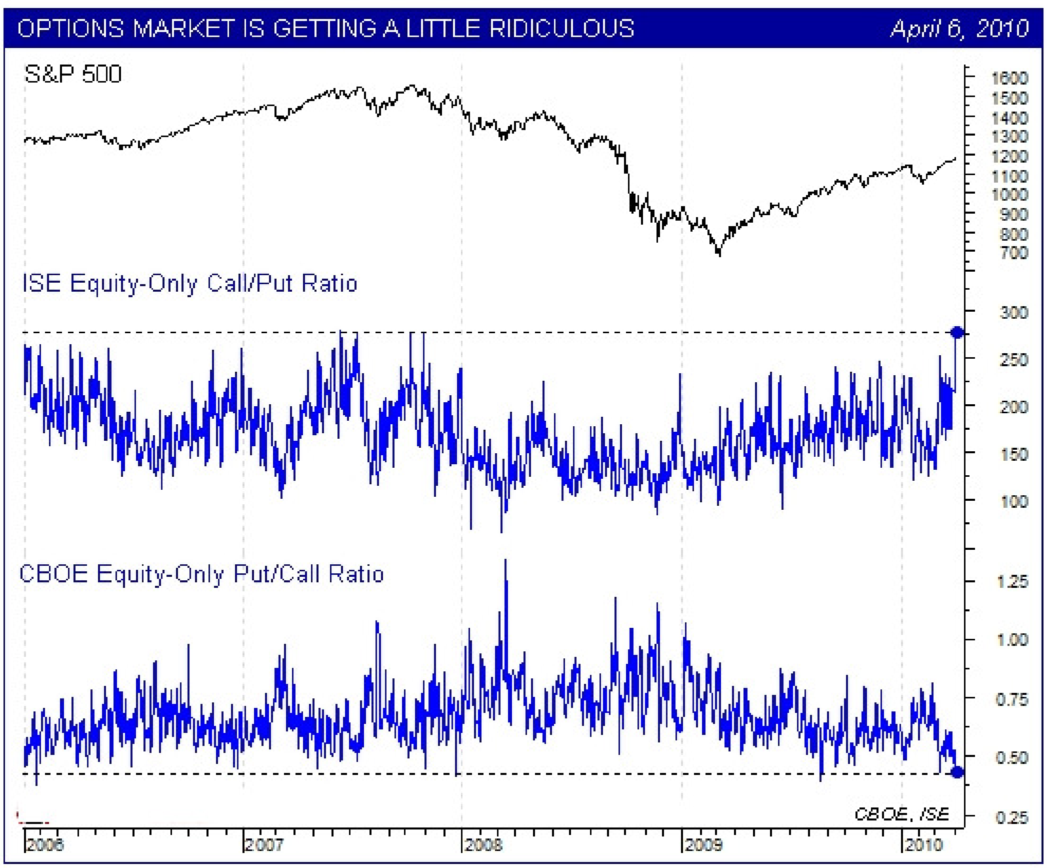
Curtsey - CBOE

ISE Call/Put Ratio and CBOE Put/Call Ratio

The spurt to new highs, on some of the lowest turnover of the year, was enough to register historic extremes among the options indicators we follow. Most notably is the one from the ISE exchange, whose call/put ratio shot to 276 by yesterday's close. That means that traders bought nearly three times more call options than they did put options.

At the same time, the put/call ratio from the CBOE exchange sunk to only 0.43, meaning that 2.3 times more calls were traded than puts. That helps confirm the reading from the ISE exchange.

Both are among the lowest of any other readings from the past four years.



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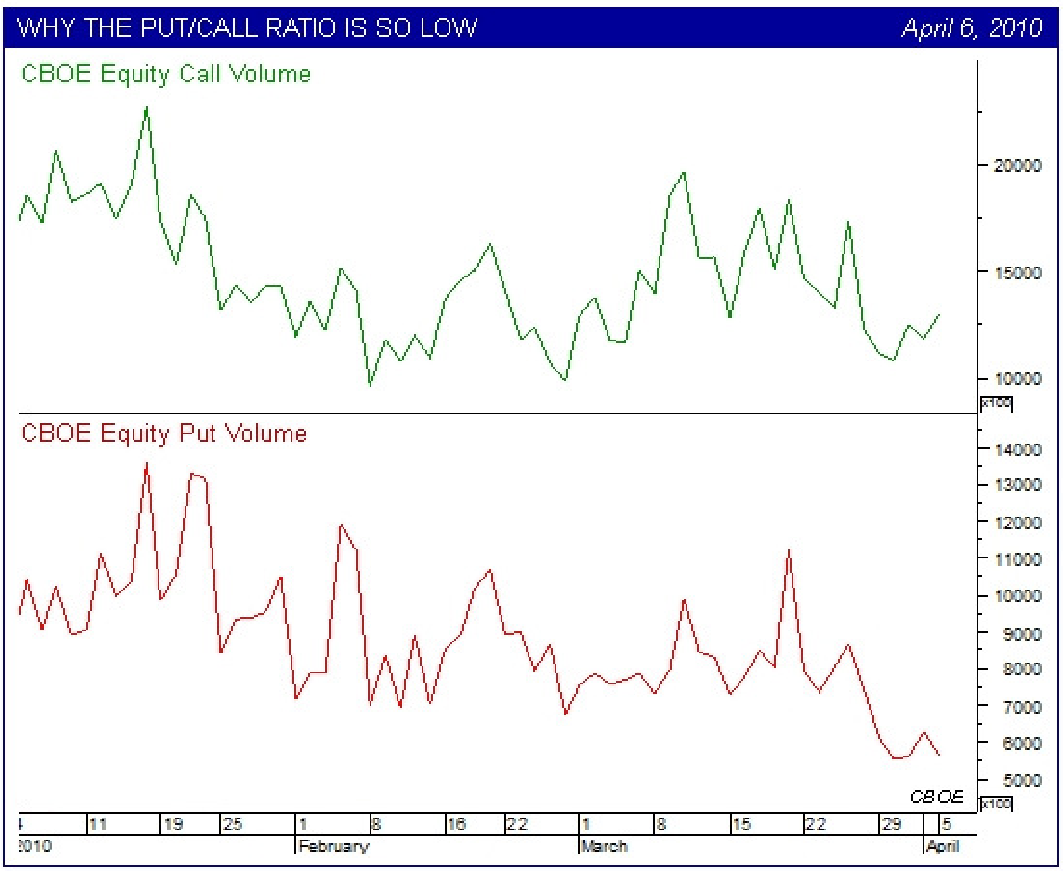
Date	2 Weeks Later	Max Loss	Max Gain
06/15/07	-1.9%	-3.2%	0.3%
07/12/07	-4.2%	-5.3%	0.5%
10/08/07	-3.0%	-4.0%	1.5%
10/29/07	-6.6%	-6.7%	0.8%
Average	**-3.9%**	**-4.8%**	**0.8%**

Here is the total equity call and put option volume from the CBOE for 2010. Over the past week, we can clearly see that call option volume hasn't spiked too much, but put option volume is dragging along at the lowest level of the year.



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GOLD

We have been neutral over the last couple of weeks but now the market has a chance to form a bullish pattern if the current bounce can last a couple of more days. The bottom window is the GDX index and today it has broke above the downtrend line and is showing short term strength. The next window up is the GDX/Gold ratio and it is making an effort to break above the red downtrend line and is another bullish sign. The gold chart shows a possible Head and Shoulder pattern forming and a break of the Neckline would be a bullish development. We have numbered in red what we think is the correct Wave count and currently wave 4 is being completed and once completed a Wave 5 up will begin, look for close above 1160 then that will take the gold market to test the old highs and should be a strong move up. If wave 4 is ending and Wave 5 is beginning then the current bounce should not hesitate but continue from here.

Gold ETF (GLD) holding support and moving towards flag resistance over the last five days. This chart shows a wedge breakout followed by a trading range on either side of 107.5 the last five weeks. With three bounces off support in this area. <u>A break below the March lows (shaded area in 2nd chart below) would be bearish for bullion</u> shows GLD with a different perspective.

The March decline looks like **a** bull flag, which slopes down. It is also possible that a larger falling channel is taking shape. Failure to break through 110 would keep this channel alive and argue for a move towards the lower trendline. A move above 110 would break flag resistance and the channel trendline. It looks like gold is **nearing its moment-of-truth**.

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Should you have any questions regarding this Daily Trade Advisory, you can reach me by email at <u>apavse@aol.com</u> or at <u>978- 662 3329.</u> We will continue to send our " Intraday Alerts" as needed

Best Regards,

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