Aletheia SG Capital

Note & Market Comments, APRL 09, 2010

Reference – ASG Daily COMM 2010- APRL 09

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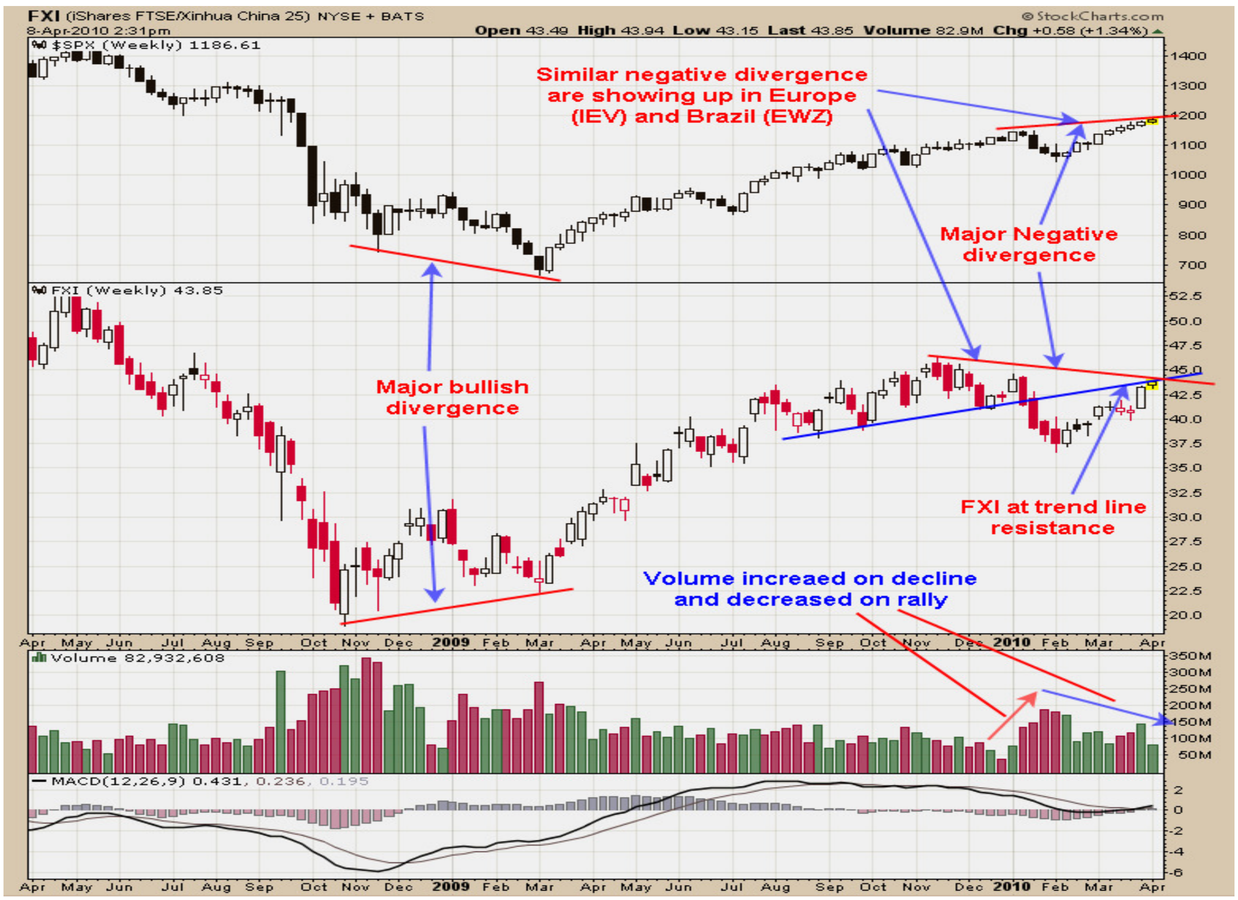
SPX – Closed @ 1186 on Wednesday

Market Insights

SPX v/s FXI (China) Lead Indicator in March 09 and Now.



Above is the weekly ETF for the China market FXI and is compared to SPX market. A bullish divergence appeared at the March 09 low where FXI made a higher low and SPX made a lower low. The opposite is now occurring where FXI is making a lower high and SPX has made a higher high. This same negative divergence is also showing up in the Brazil (EWZ). Also notice that FXI is running into resistance line near current prices and that volume from the February low has been decreasing showing upside energy is decreasing.   The weekly MACD for FXI is also showing a negative divergence. It appears an intermediate term high is developing.   The eventual decline could last much longer then anyone expects.

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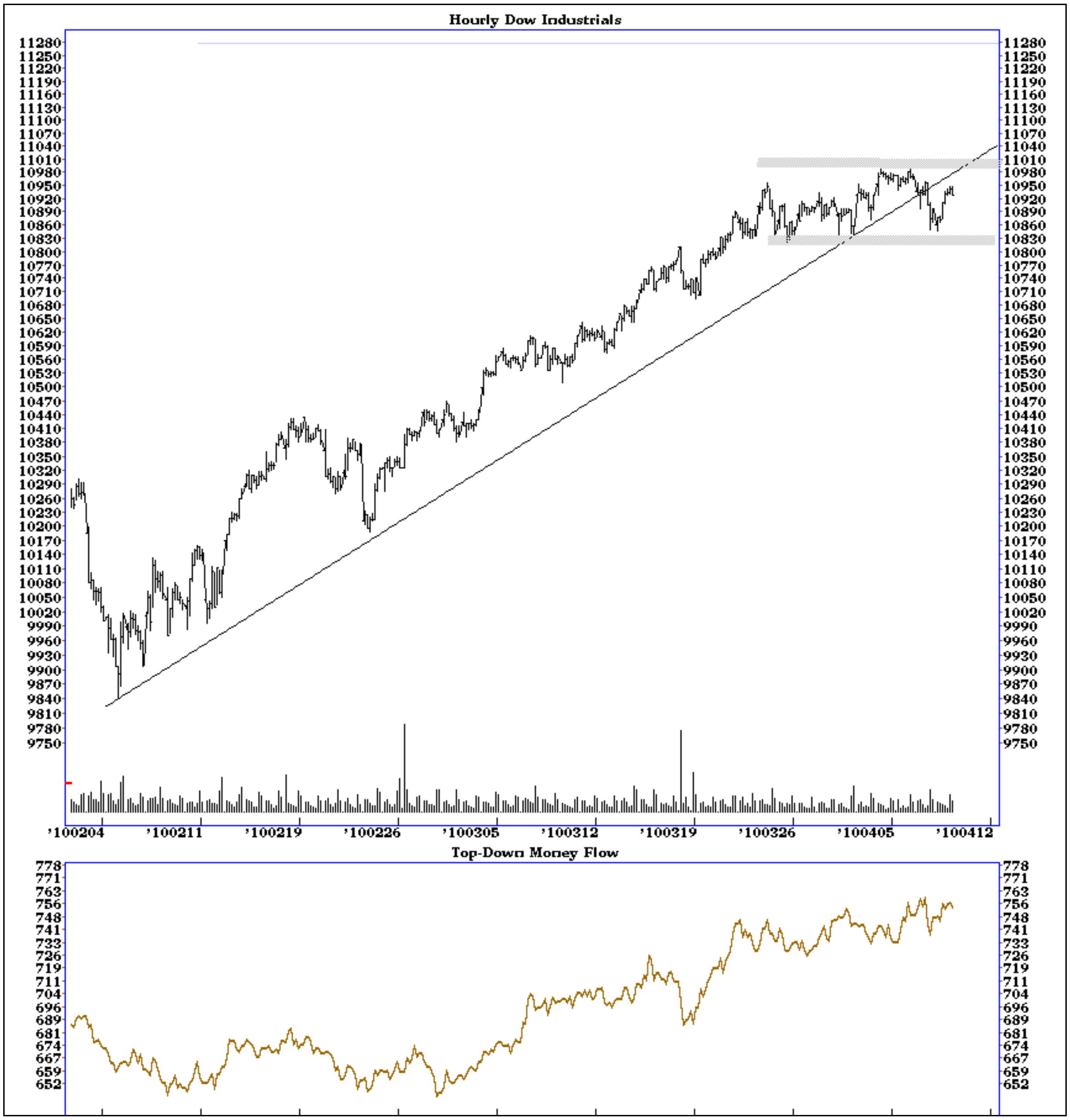
DOW

Interestingly the Dow hourly chart on very short term basis broke its uptrend line and triggered an hourly 3-line break sell signal at the same time Clearly, the market is on the edge here. According to the cyclic model, the market tracing out a trading range. First decline came in came on expanded volume, which we always find troubling. Then rally back yesterday to test the Broken trend line.



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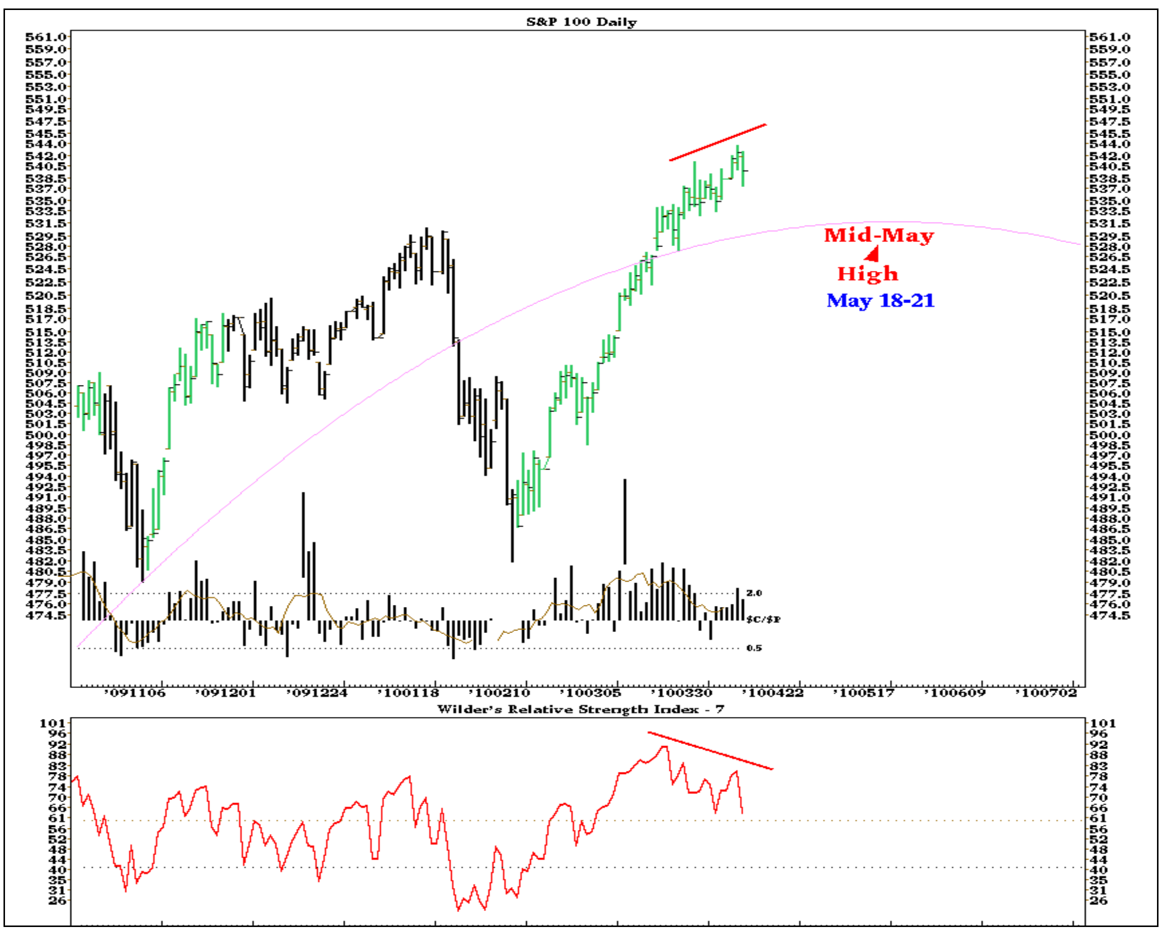
SPX – 100 , OEX

Breadth was not impressive, nor was volume. In fact, volume was much stronger yesterday when the market was going down than it was today, which is a sign that the bulls are still fairly nervous about holding stocks at such high levels of overvaluation. Not only that, but the ARMS & TRIN has seldom been this overbought in history. Today's value of 0.52 shows that the market just can't put in a decent correction---bottom feeders are buying the dips at any time the market drops to a prior low. This may be short term lived but mid term very bearish, just as the option sentiment is in the same condition. Our OEX Dollar-Weighted Call-Put Ratio ended the day at **2.33**, indicating . This is the kind of sentiment we saw at the 2000 high / 2007 highs:

Presuming we are tracking the 2007 top, we can see Tuesdays selloff was only the first shot across the market's bow in the topping formation leading up the first top in a double top formation In 2007, that first top occurred in July. This year, that first top should occur just about now and second in mid-May:

Sentiment reflects the fact that call buyers were the majority in today's selloff **(see the put call ratio on the chart below)** On the intermediate term, that's extremely bearish because it means that all fear has been erased and hot money are buying the dip. Short term, though, it means that the bottom-feeders continues to push stock prices into the stratosphere.

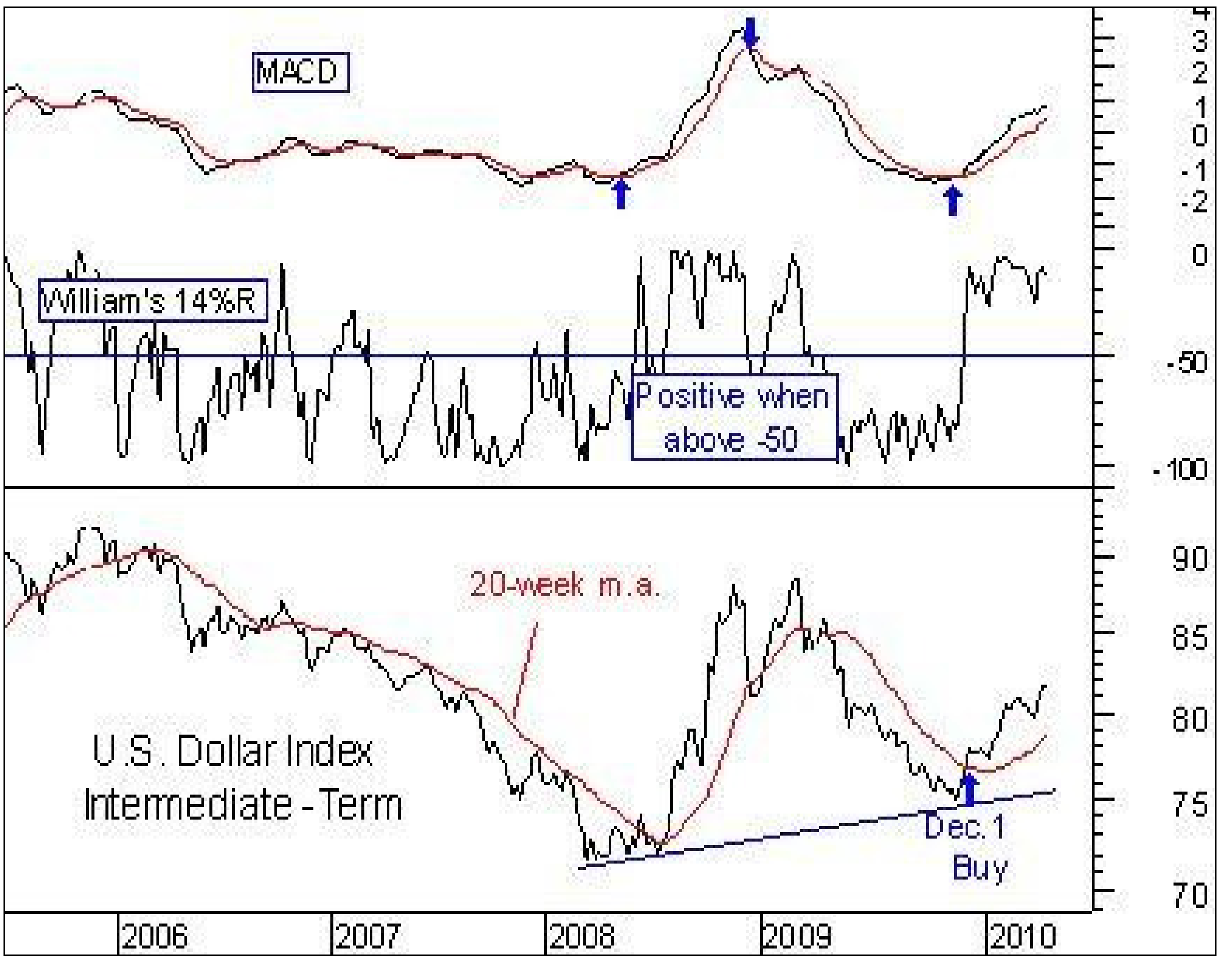


What the market is doing is so similar to what it did at the January high this year that we think that's what we're going to see. As you may recall, the NYSE Composite made its high on January 11th, while the SPX and Russell 2000 made their highs on January 19th. In between, we simply went back and forth in a trading range.

Now, we have a similar setup. **The Russell has a Time Ratio High due anytime from right now to the 15th** and we think that high in the small stocks could very well be the major high and that the index will underperform the SPX from that point forward.

USD –

Bottom at 75 was a great rejection for a rally for target to 83. (See the chart below)



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For target to 83 a the top of the heap on Time termination

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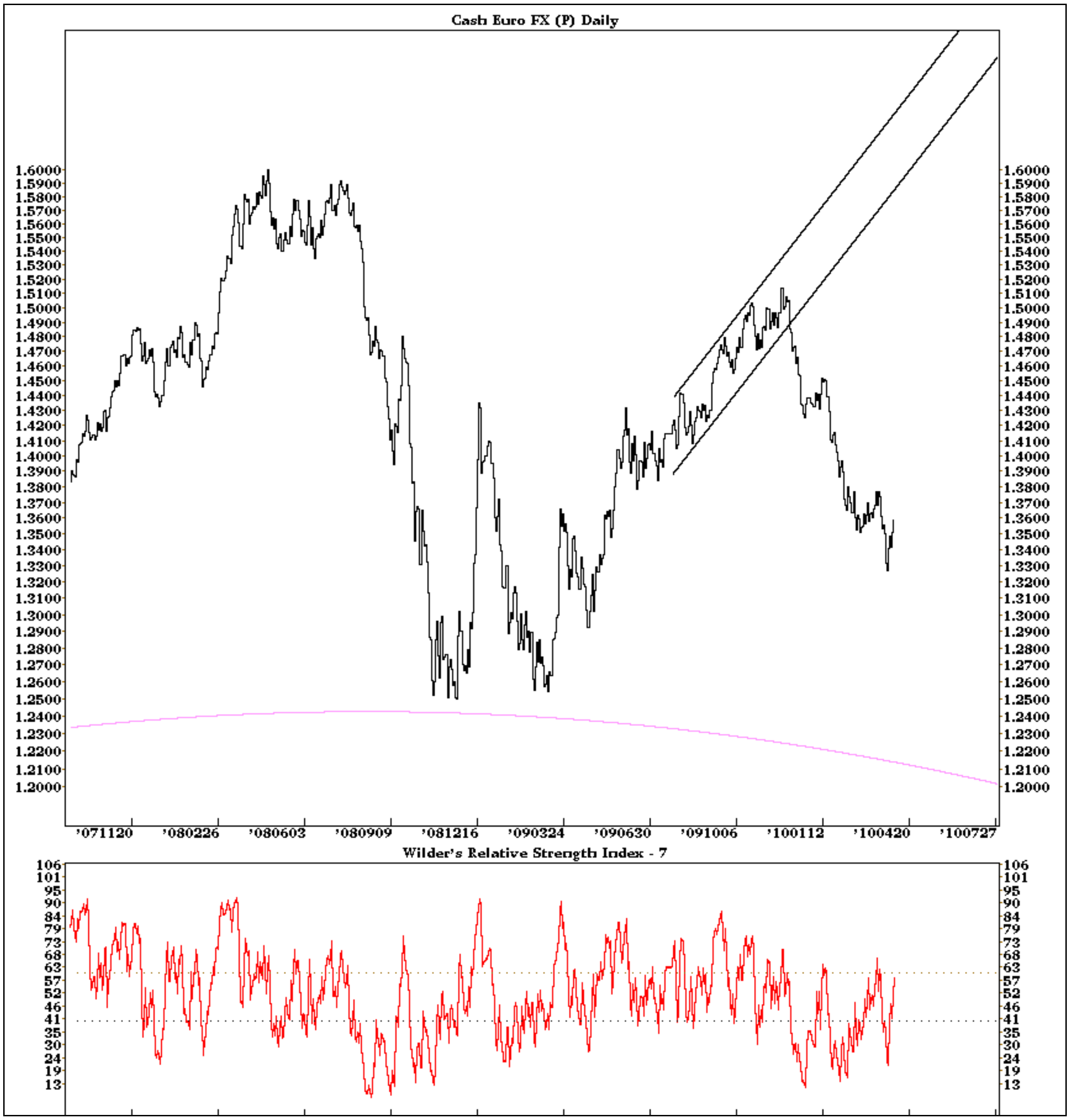
FXE –

The Euro is the weakest of all currencies, Top was signaled at 1.50 Bounces will be just bounces. Close below 1.32 should be bearish.



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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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