Aletheia SG Capital

Note & Market Comments, APRL 12, 2010
Reference – ASG Daily COMM 2010- APRL 12

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SPX – Closed @ 1194 on Friday

Market Insights

This is the first time in quite some while where we've seen strength give way to weakness, which may very well be a "buy the rumor; sell the fact" type situation. In any event, the S&P futures nearly touched 1200. Our models suggest the risk-reward is setting up lower in the short-term. Although POM 15 is not confirmed yet . The correction is likely to be on the order of what was seen during the January-February period…short and sweet in the first get go

INTERESTING OBSERVATIONS:

• Looking at the US and Country ETFs, one can be struck by the sheer steepness of the rising weekly trendline support levels are; the rate of their ascent is simply unsustainable. This is clear on the daily charts as well. Once our 40-day models turn lower, then these support levels shall be put at risk. This is expected in the very near future.

• In many broader country cases, our 20-day models have formed a "bearish ledge" as prices move to higher highs while the model turns higher in a lethargic manner. This is a sign of "exhaustion" generally, with its turn lower in tandem with the 40-day model considered a bearish setup (See the chart in the attachment, SPX- VIX)

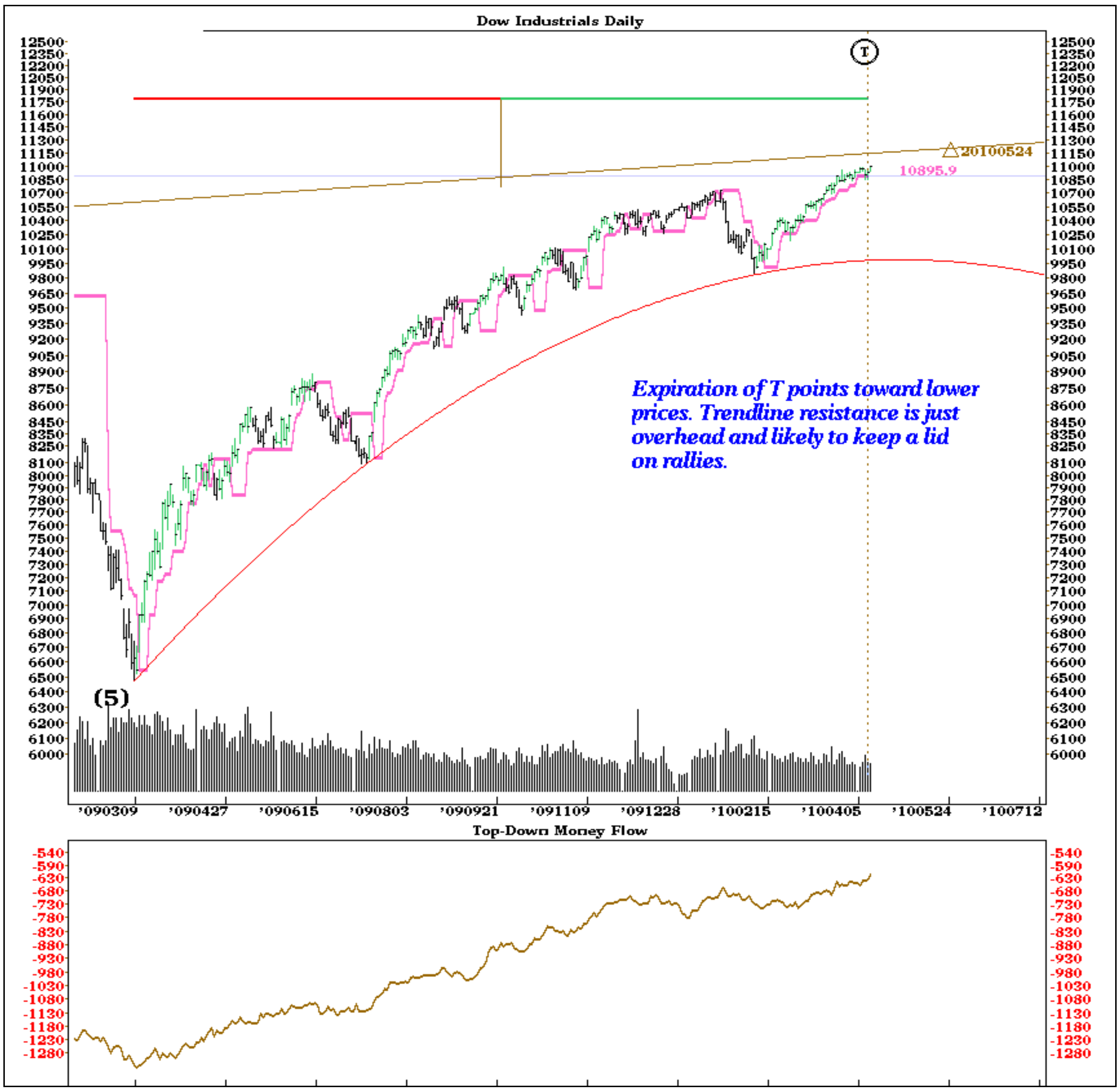
We are watching the Aussie Dollar this morning closely, for it was the first to signal the weakness in the equity markets. It was sharply higher on the initial news related to the Greece rescue plan, but then reversed in what is now key reversal lower fashion from major overhead resistance. This circumstance has pushed the other commodity currencies lower as well. Also following along is the commodity complex; crude oil has given up its gains. Thus, the risktrade is being taken off in small pieces as traders use the strength to pare back their risk. We think this development shouldn't be overlooked given the "stretched" nature of the equity markets. To this end, the S&P has now rallied over 40 sessions without a -1% loss, while the S&P 500 (SPY) have rallied in 32 of the last 44 sessions while the S&P Financials (XLF) have rallied in 36 of the last 44 sessions. One would think enough is enough.

Under the surface, when we analyze the individual component stocks in the average, we find that there has been distribution of positions rather than a buildups. This confirms that the entire bear market rally since last March has simply been an operation of the government to foster confidence and stimulate investors to forget that the financial system as a whole is bankrupt. Apparently, the government believes so much in the "Wealth Effect" of higher stock prices that it is willing to spend with complete abandon in the stock market in order to brighten the spirit of people.

The US real estate market was the catalyst for the unraveling of the debt bubble in the last leg down. What could be the catalyst for next wave down appears logical bubble to burst is governments' debt bubble. Almost every government in Europe is either in a worsening debt crisis or is fated to see their big trade surpluses come tumbling down. We hear a lot about the Greek problem, but of course there are much larger problems, such as Spain. But, what we don't hear about is the problem caused by Germany's big trade surplus.

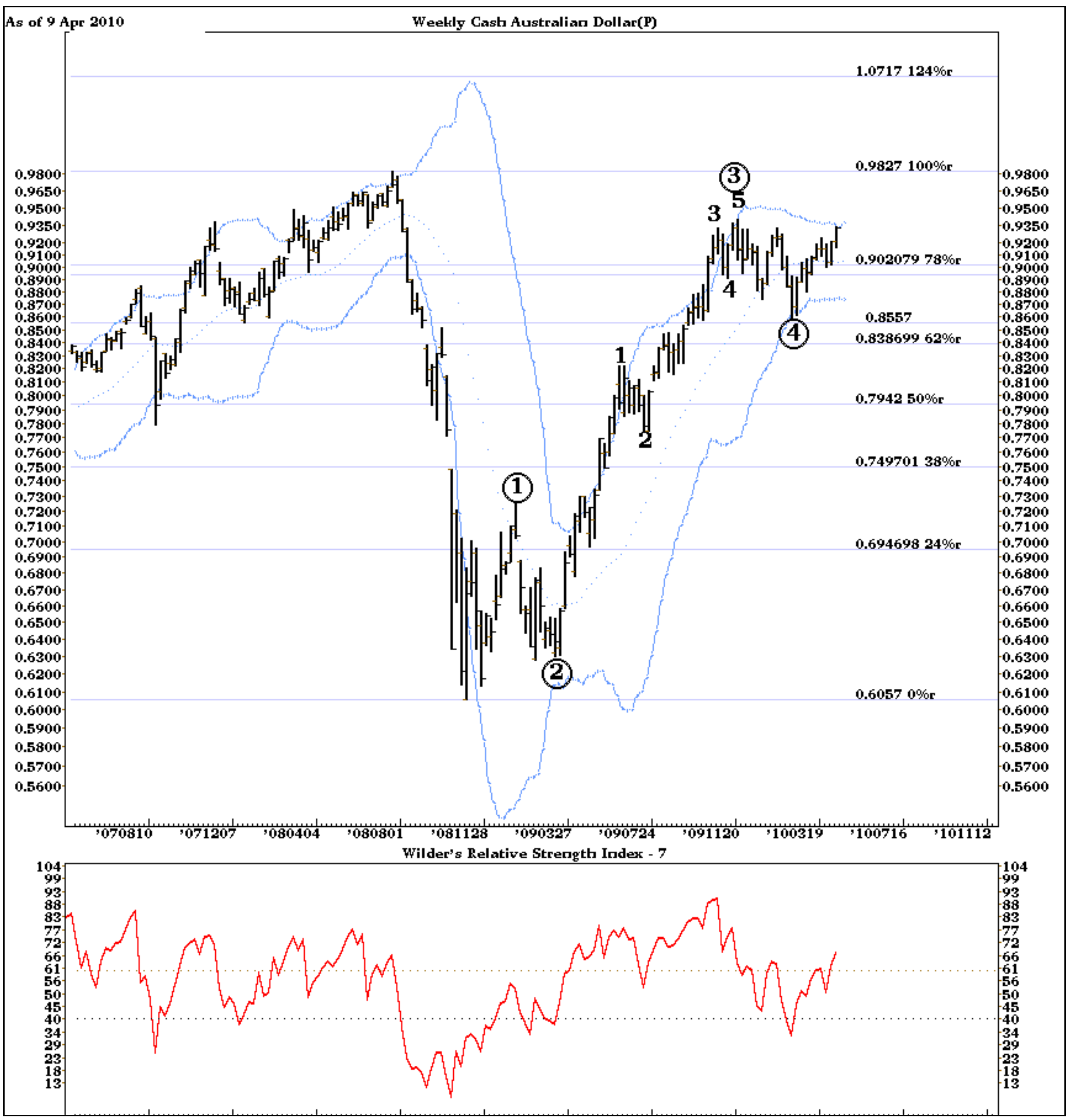
It looks like DOW could make a high this week and a low at the end of April and a final high in May. The cyclical and T termination is calling for a trend lower for this week. The manic rally may finally be taking a pause here as the cyclic model is forecasting a decline this week. We still have mid-May to look forward to as a more significant high, so a dip here could be setting up a final run into that timeframe.

DOW



AUSSI

The RBA raised rates again last week as they belatedly are trying to prick the bubble in the Australian real estate market. They are fighting the government, which continues to try to reflate the bubble. When push comes to shove, the RBA will win and the Aussie is going to fall as soon as economy weakens, till then its holding strong.



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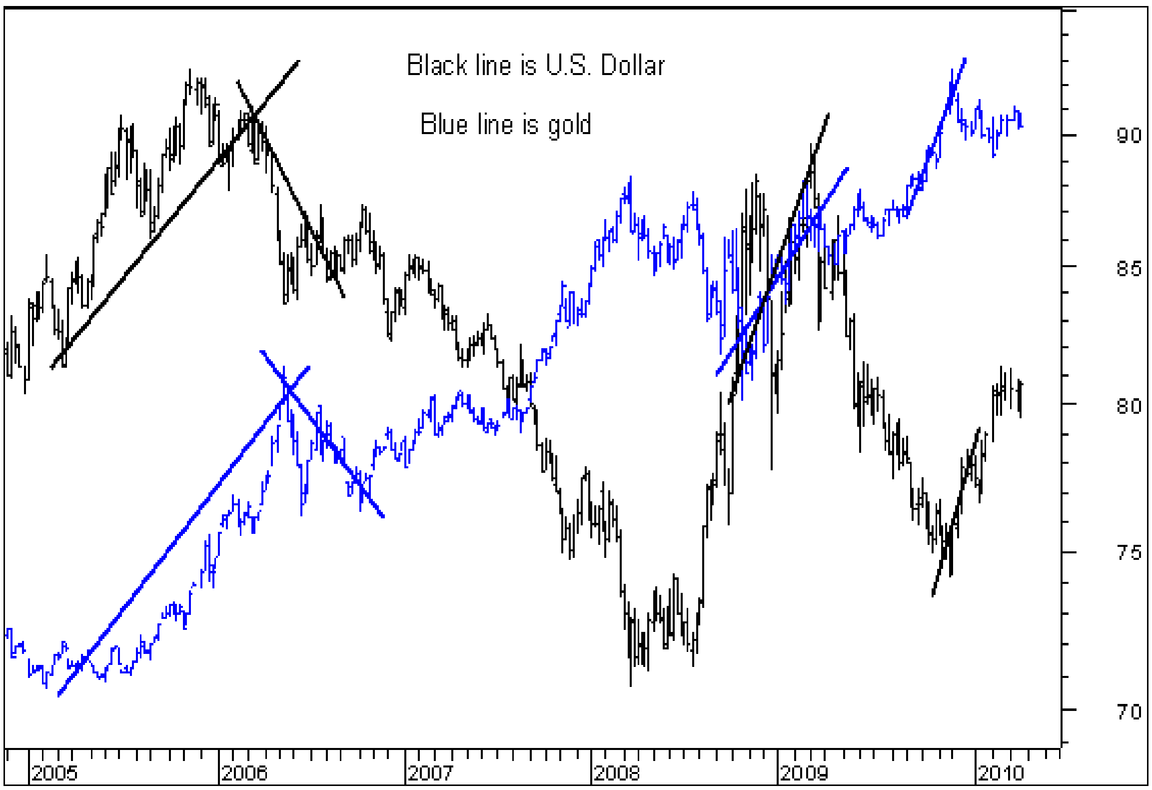
Gold v/s dollar.

Shows, sometimes gold and the dollar have move opposite to each other, and sometimes they haven't . We have marked intermediate to longer term periods in just the last five years when they have moved in the same direction.



OIL.

Oil is a large component of inflation . It has been attracting a lot of attention lately, with analysts striving to forecast at what price it might begin to affect the economy and stock market. The low price of oil early last year looks like it might have contributed to the ability of the economy to begin its recovery.

Oil has retraced almost half of its sharp decline, and looks like it may run into resistance at around $90 a barrel. Above that it could begin to affect the economy. Its trading on expired T termination on right side of Inverted U

As oil is just creeping closer to retracing 50% of its losses, **only 6.67% of the public are bearish** on oil prices . At 33 USD , the **public sentiment Indicator was 78% Bearish.**

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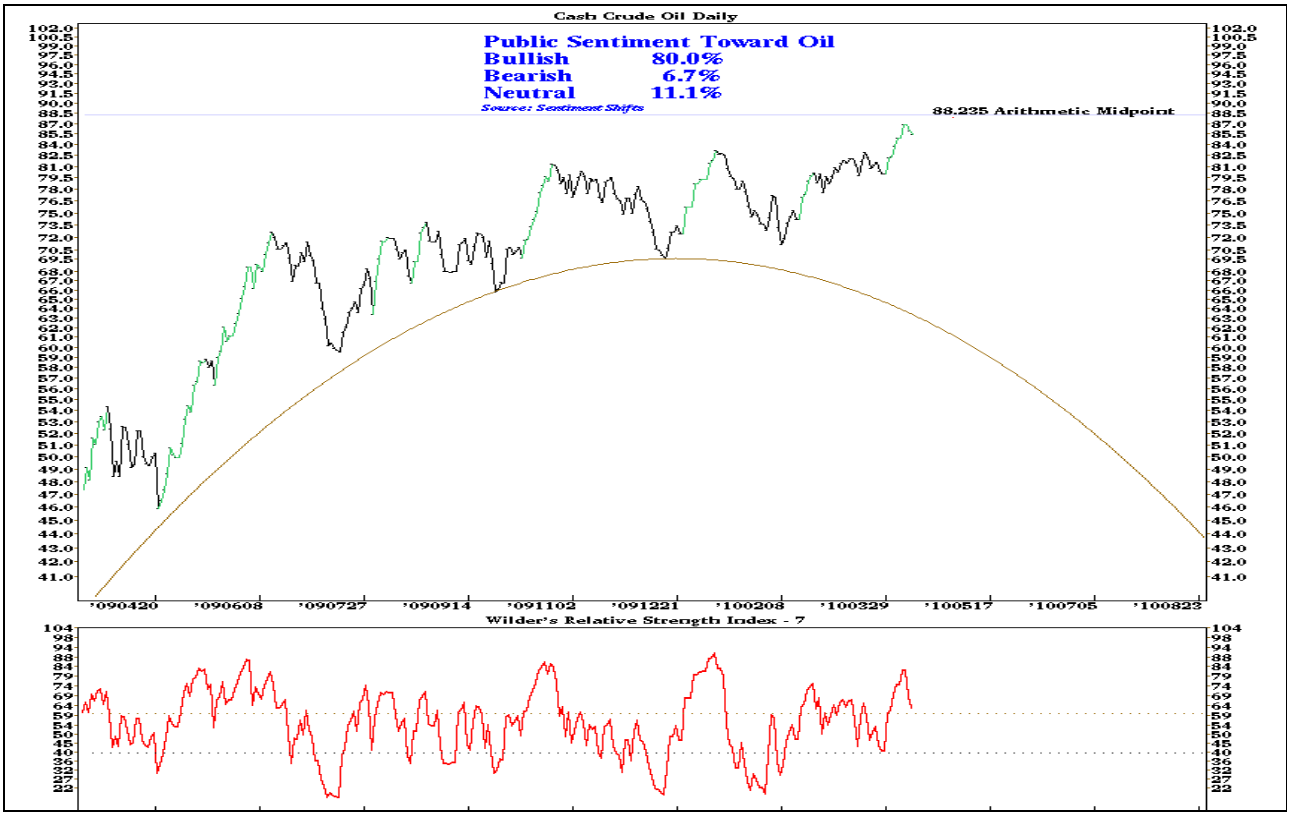

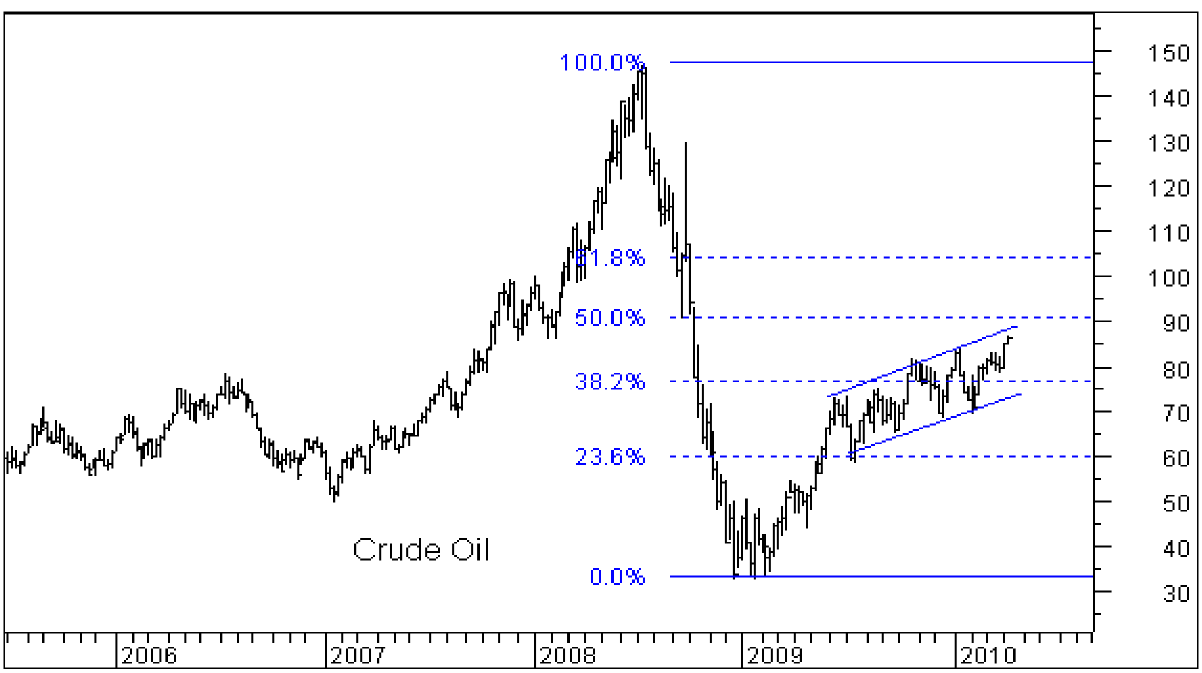

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Should you have any questions regarding this Daily Trade Advisory, you can reach me by email at apavse@aol.com or at 978- 662 3329. We will continue to send our " Intraday Alerts" as needed

Best Regards,

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Chief Investment Officer