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For Immediate Release – Weekly Market Commentary, Research Note
Monday : Reference– ASG WEEKLY COMM 2010 # APRIL 26

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SPX – Closed @ 11217

Market Insights

- *SPX completed our upside target of 1210 we gave you last week and exceeded by 7 points but no conformation of POM 15 yet, but we have been stretched*
- *POM 14 @ 1110 with a stretch to 1210,(high end of POM 15) , so for average price of SPX 1160 is a good price to be Hedged or Net Short.*

Dr John Hussman, we respect very much in his latest interview released the following note:

" Our most comprehensive measure of market valuation reached a price-to-normalized earnings multiple of 19.1, exceeding the peaks of August 1987 (18.6) and December 1973 (18.3). Outside of the valuations achieved during the late 1990's bubble and the approach to the 2007 market peak, the only other historical observation exceeding the current level of valuation was the extreme of 20.1 reached just prior to the 1929 crash. The corollary to this level of rich valuation is that our projection for 10-year total returns for the S&P 500 is now just 5.3% annually"

" The lesson that valuations are important to long-term investment outcomes is underscored by the fact that the S&P 500 has lagged Treasury bills over the past 13 years, including dividends. Yet the fact that these 13 years have included three successive approaches (2000, 2007, and today) to valuation peaks - at the very extremes of historical experience - is evidence that investors don't appreciate the link between valuation and subsequent returns. So they will predictably experience steep losses and mediocre returns yet again. Ironically, before they do, it also means that investors who take valuations seriously (including us) can expect temporary periods of frustration" .

" In contrast, only when valuations became quite depressed did the combination of favorable valuations and market action produce positive subsequent returns. Multiples below 12, coupled with favorable market action, were associated with annualized returns of 12.5% on SPX"

Bubble

We seem to be replaying the final months of that bubble right now. The government is flooding the economy with printed money. The real economy needs real money, but debt money just won't do the job. The signs of the collapse are visible in Europe right now. Greece is a preview of what's coming. When the debt is so large on a country that the entire foundation of the financial system is cracking. Certainly, a bailout is possible till runs out of funds

Money is now flooding into the US market from Europe, where the declining Euro is making investment in US Dollars very attractive. by selling euro currencies, buying dollars

The Consumer Discretionary and Retail groups are more overbought than they have been in over 10 year, Russell / SPX spread is on parabolic path.

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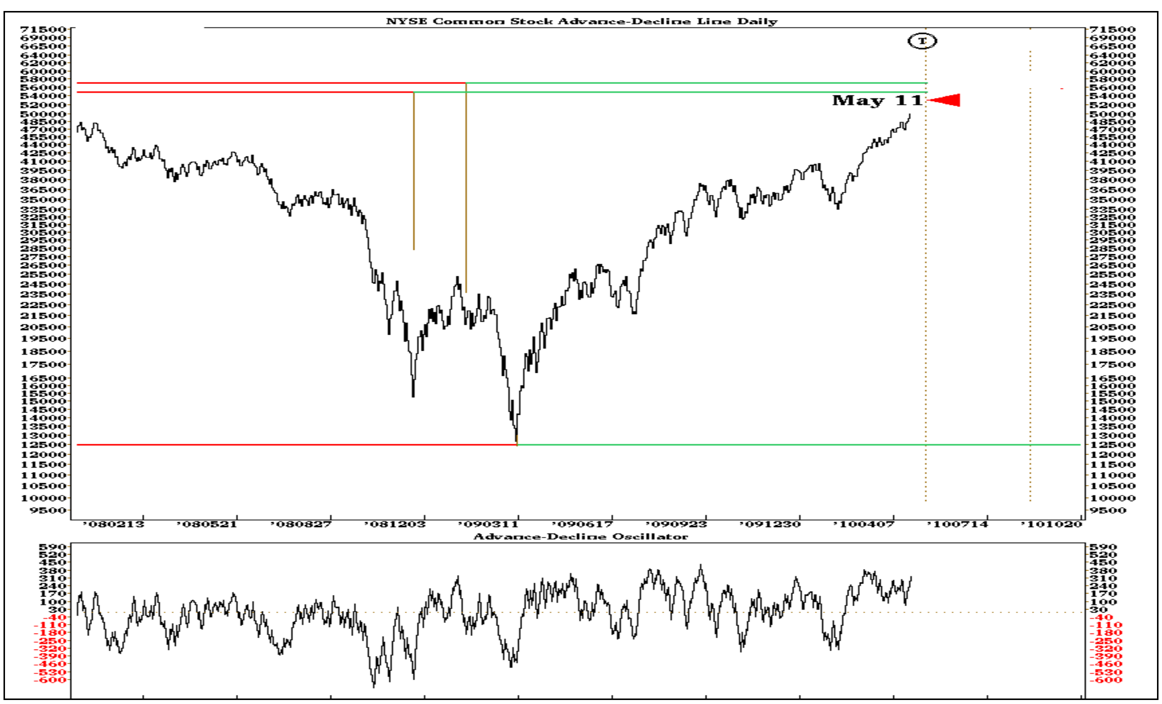
SPY - Channels

Rising price channels exceeding their upper trendlines in the last two weeks. On the face of it, this simply affirms the uptrend and shows strength. under the surface, we have another overbought indication at extreme sentiments.

The intermediate term T continues to point toward an uptrend lasting until May 11 to 15.

A/D LINE



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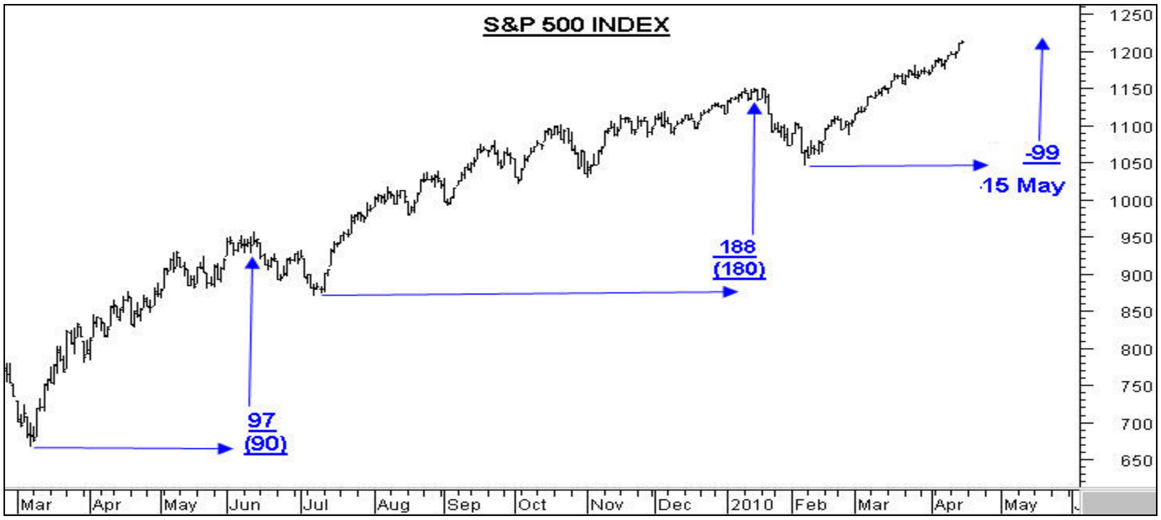
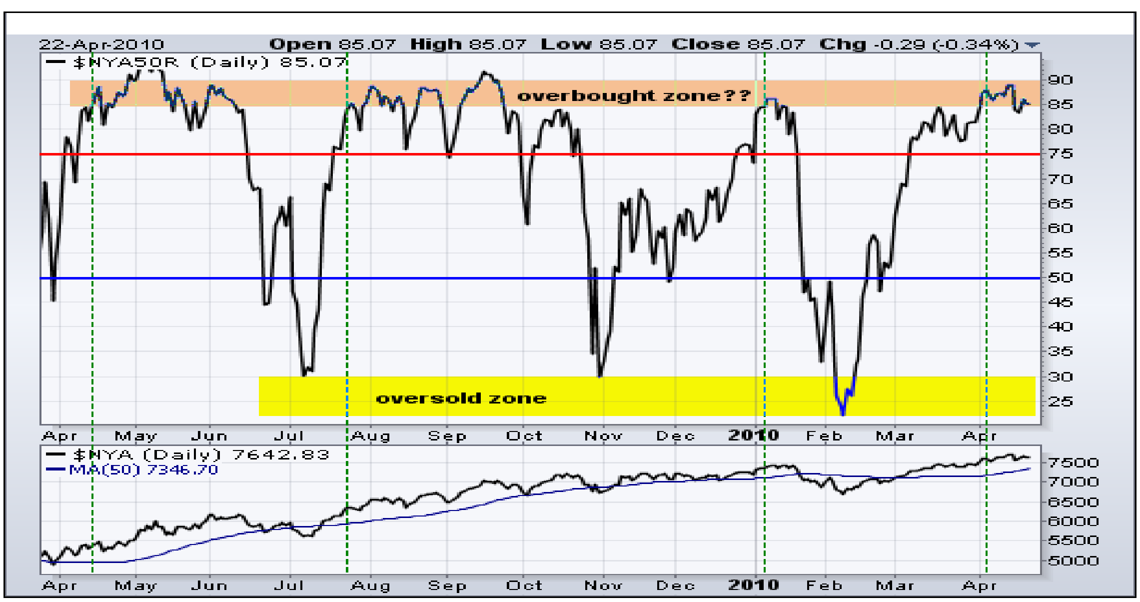
This chart represents "TIME – Termination T to end this leg at May 6th - 15th. That is the probability only, the reality is the price movement and volume and that will need to confirm the time probability but this is the highest probability now. This trend is currently in an exhaustion phase and will end soon, but will need some the correction.



STOCKS ABOVE 50-D SMA

With the advance over the last two months, the percentage of stocks above their 50-day moving average surged back towards the highs. Chart shows the percent of NYSE stocks above their 50-day moving average surging back above 85% for the first time since January. On the face of it, this is bullish because some 85% of NYSE stocks are above their 50-day SMAs. Prior surges occurred in April 2009, August 2009 and January 2010 fizzled quite quickly as the market started a correction later that month. This helps to think of this indicator like a momentum oscillator with high readings may be considered extreme overbought, it is also as sign of strength as long as this indicator remains at high levels. A sharp decline below this level would increase the odds of a correction unfolding.



BONDS - TLT

Fed is considering selling some of its government and mortgage related assets this selling translates into supply that could weigh on the bond market. Note that the **20+ Year Treasury (TLT) hitting a resistance** zone around 91-92. This zone marked support in early November and then resistance from January to March. With a bounce the last three weeks, TLT is once again testing resistance in this area. A breakout at 92 would be bullish for bonds (but we don't think so) . TLT has support around 87-88 that extends back to the July-August lows. 2010. This suggests the rate might be bottoming and rising.

TNX – 10 yr rates

This suggests the rate might be rising, falling wedge If TLT (Bond falls) TNX (bottoming and then rise rates).

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EURO (FXE)

Finding support near the prior low, if it hold we could get some short covering rally. However lonegr term be are bearish below 132- 129 area.. Upside **resistance 136 area**.. RSI remains below 50-60 resistance, which has marked resistance throughout 2010.

Dollar (UUP)

While this pattern is could suggest short-term bearish pull back, the overall trend remains up. UUP is **well above its key support zone** around 23.4 and RSI remains above its support zone in the 40-50 area., the whole story is inverse of FXE

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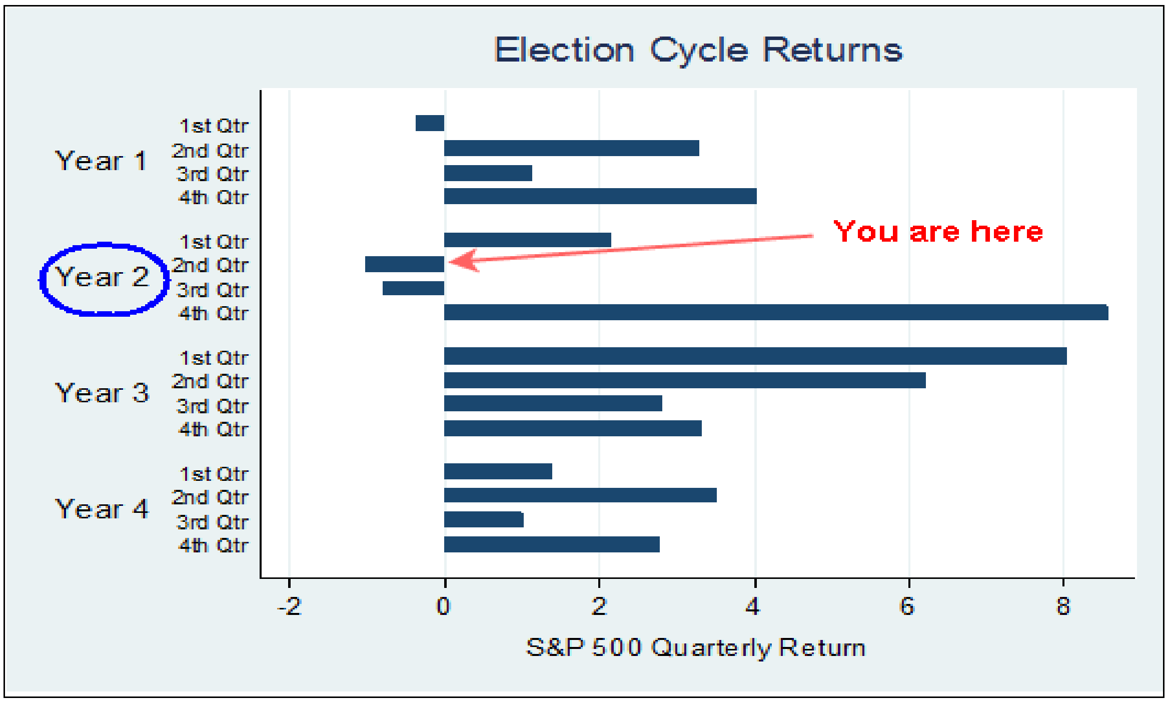
Four-Year Presidential Cycle is the market.

In additional to ' Sell in May and go away", we have another bearish cycle in place 2nd year of Presidential election. Just as annually the market makes most of its gains in the months between November and April, and suffers most of its losses between May and October, so over the long-term it also suffers most of its major declines in the first two years of the Four-Year Presidential Cycle, and makes most of its gains in the last two years.

Obviously, the time to be extremely cautious, the second year of every Presidential term. and the time to buy aggressively is from the low in the 2nd year of each term. (See the table below)



Above is the performance chart published by Pepperdine University for the market for each quarters of the four year Presidential cycle, this four year cycle starts in the second quarter of the second year (Starts now) and runs into October of the second year. What is interesting is that the strongest performance for the market starts in the four quarter of the second year and runs for over year. To get that kind of rally the sentiment might be pushed to extreme in the opposite direction we have now. In a nutshell the cycle suggest downtrend for six months starting now and then bullish for 12 months starting around October. (But lest take this one step at a time whatever its worth) , but certainly signals caution now

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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