Aletheia SG Capital

Note & Market Comments, APRL 28, 2010
Reference – ASG Daily COMM 2010- APRL 28

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**SPX – Closed @ 1183**

## Market Insights

- *On Short term the market is in a condition where it's almost inevitable that a very sharp decline will return to the bottom of the trading range to SPX 1150.*
- *On Intermediate term, the weekly and monthly close below 1150 should have price target of 1050, till such time the bearish rallied will be in progress.*
- *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.* ***We Triggered POM 15***
- *The up and down swings Short term rallies does not change our Bearish picture here.*

Now that Greece is a foregone, market has fully priced in this news, they will turn their efforts to Portugal, whose credit default swaps hit another new high this morning at 408 bps versus yesterday's close of 386 bps. The trend here is higher. If we look at Greece's CDS this morning in comparison, it is at 866 bps versus yesterday's close of 823 bps.

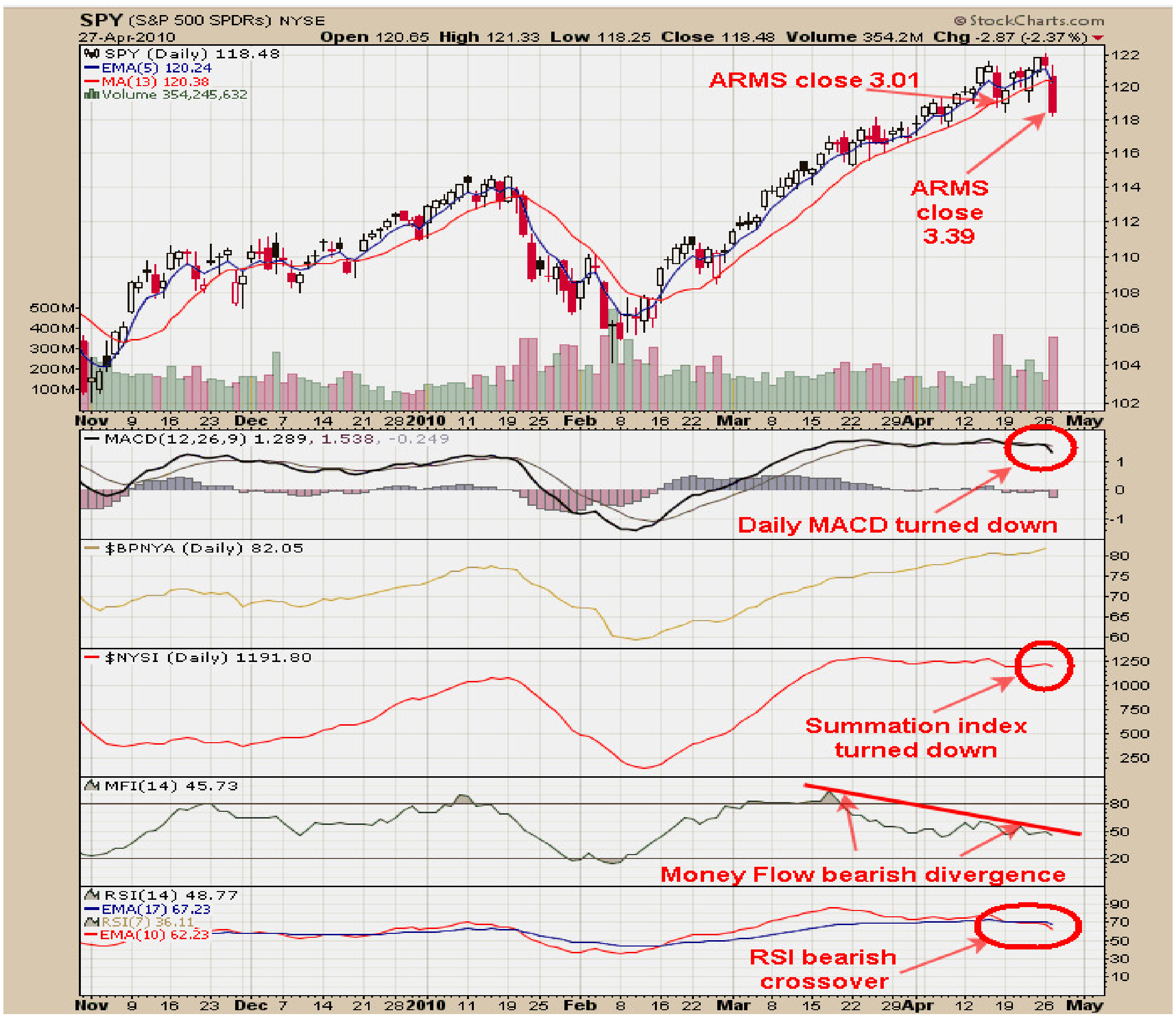
We get the very real sense that a "true top" was formed in the past week – with sharply lower prices to come forward . the rush for the door could overwhelm any and all short-term rallies till May 11 – 15 for secondary top, more of time element then price.

Yesterday was Lunar Eclipse and such turns in the market tends to coincide with these events. It worked 5 times in row last year and stopped working last 2 times. **Sentiment** is about as bullish as it ever got. , which is contrariwise very bearish

## SPX – ST

Yesterday the Trendline support from the early-February low was violated,  The 40-day model has now turned “officially lower”. Copper seem to be a leading Indicator got smoked. Majority of the Indices have broken 20 D – SMA average but we want to have Indices close below 50 D – SMA.  Several momentum indicators turned down today (see chart below)  We also noticed that the ARMS index close over “3.00” have produced bottoms in the market the next business day. Today’s ARMS index closed at 3.39 and suggests that a short term bottom may form tomorrow. **If however the 3.39 ARMS index reading does not produce a low then the character of the market has changed and something different taking place.**

**In this entire rally, the buy side trader used 9 D – SMA and Arms reading of 3.00 to buy the this and it worked. 9 D –SMA ‘s have been violated lets keep eye on ARMS today**

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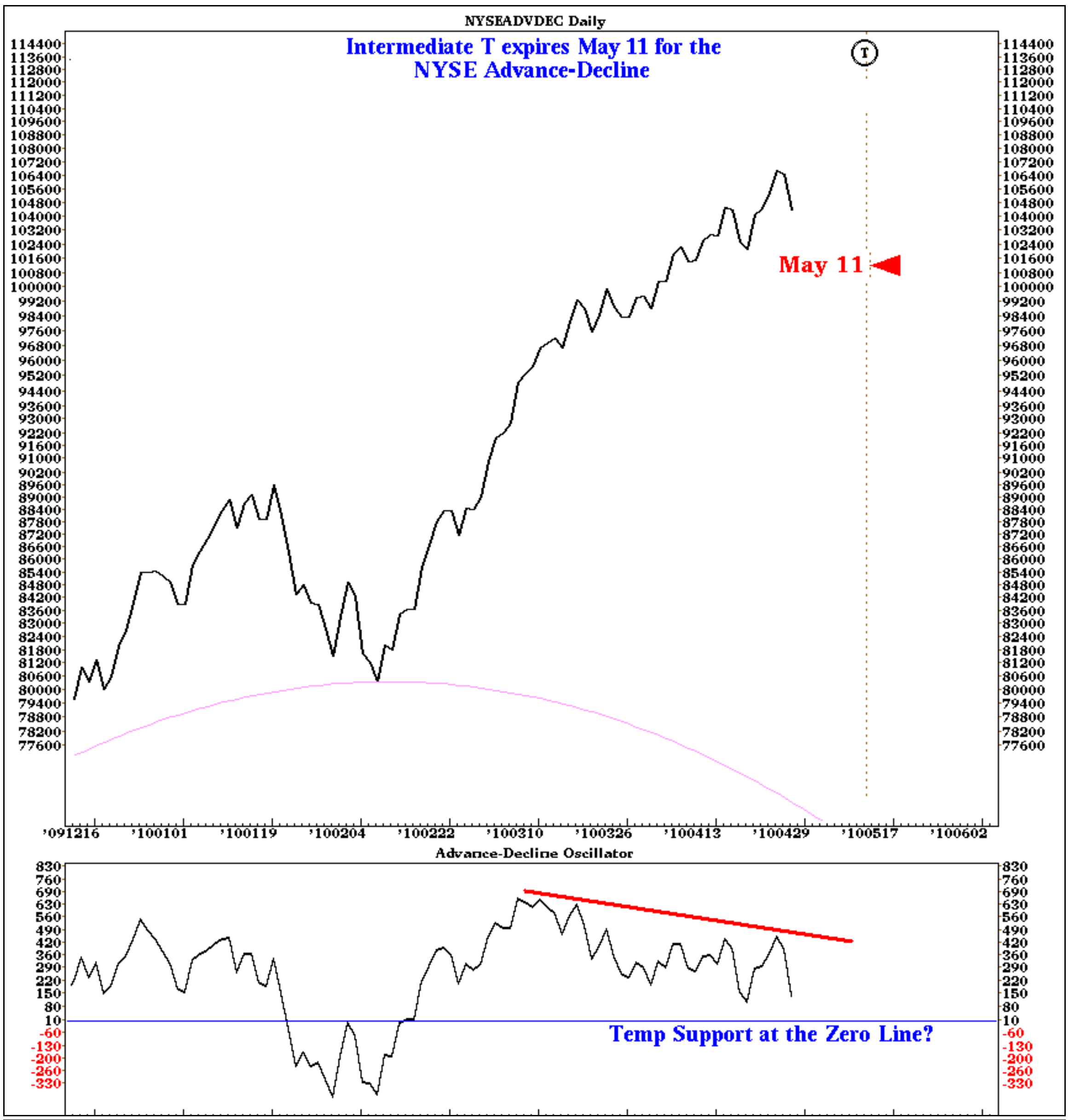
## A/D – Line v/s A/D Oscillator

A/D line tends to follow the Momentum Index that peaks with the price but the A/D Oscillator in 2nd window below shows the Divergences. All short-term rallies till May 11 – 15 for secondary top, more of time element then price. T- Time termination T

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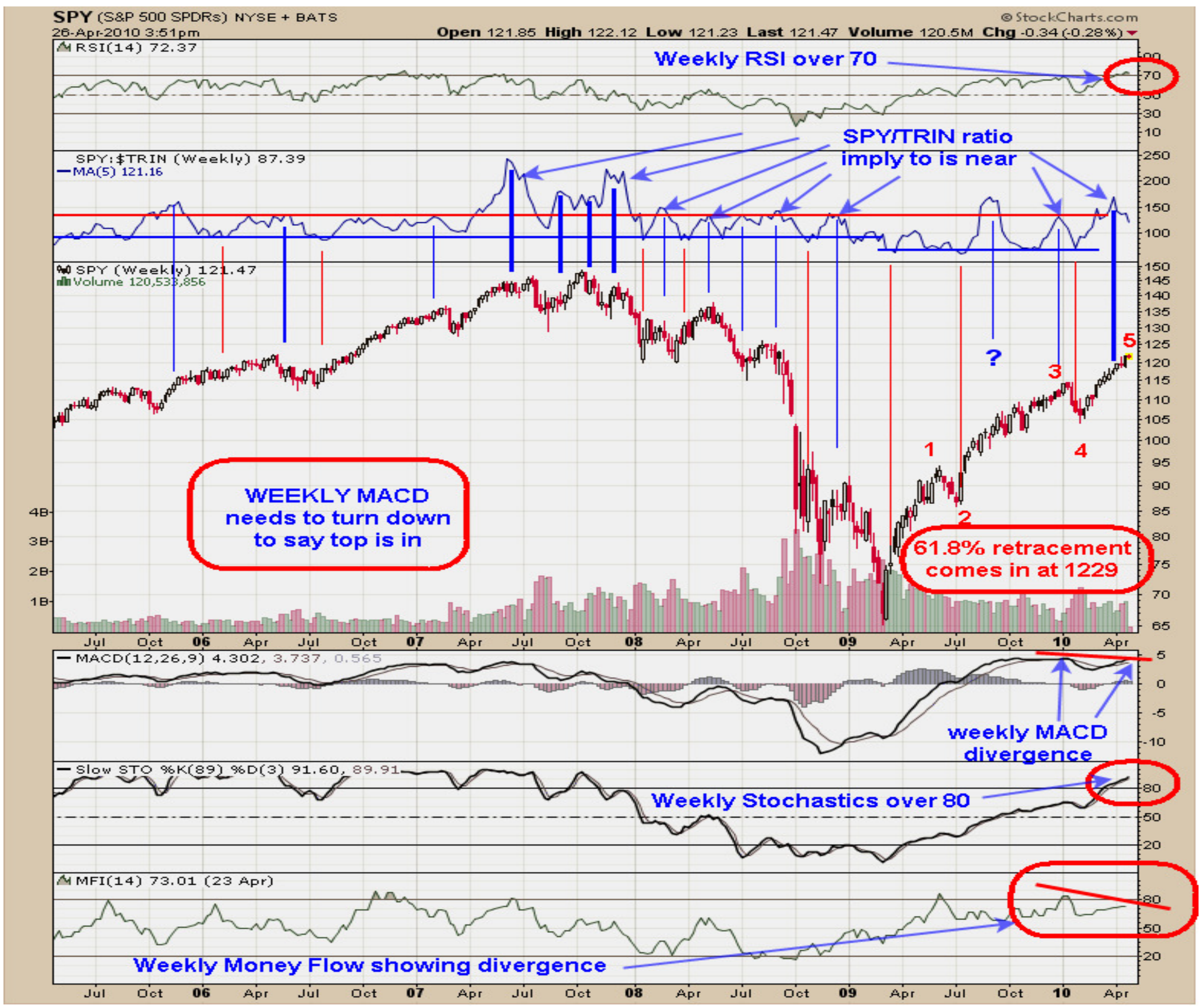
## SPX – IT

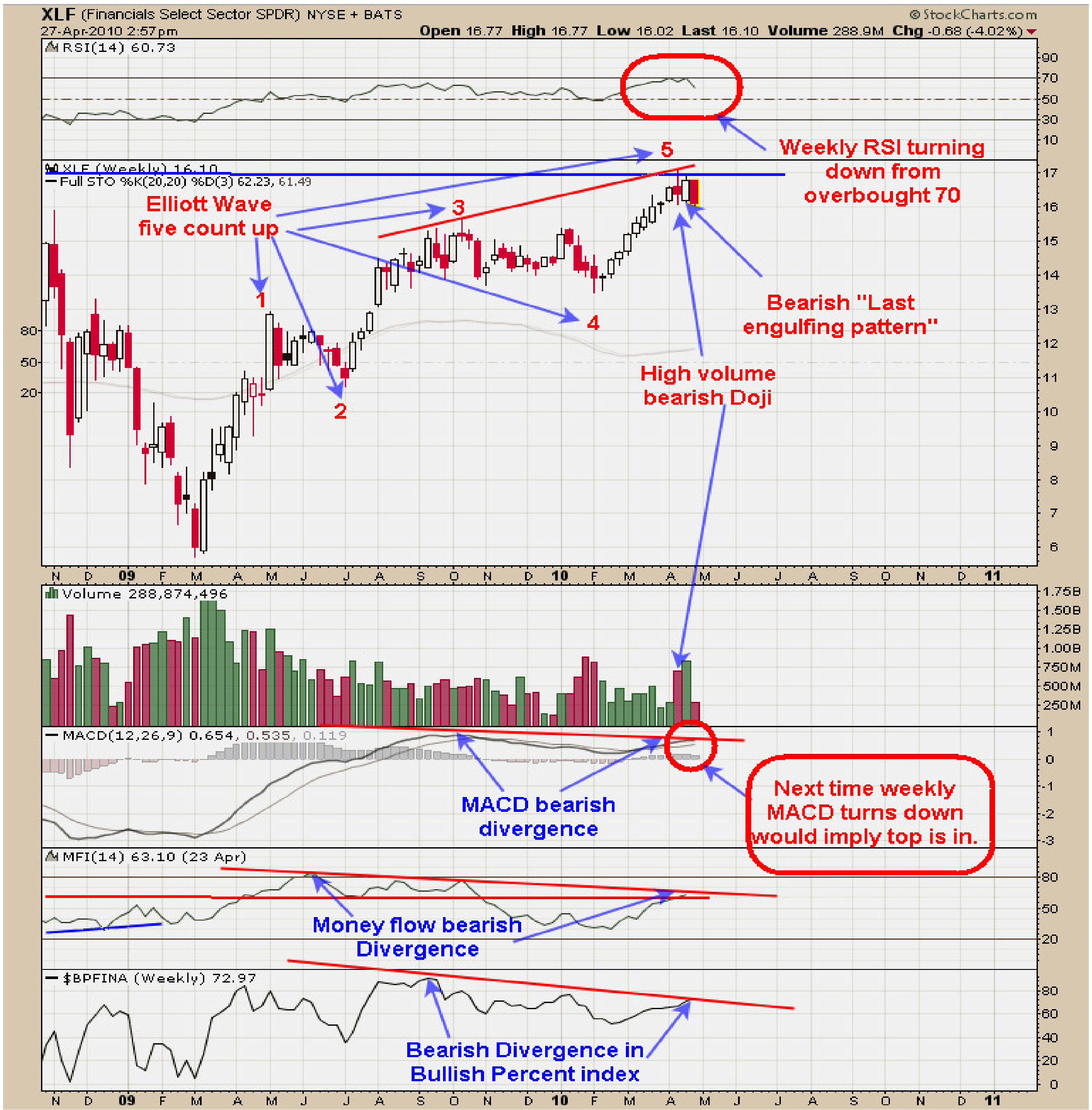
We also have labeled Wave count on the SPY and it appear that final Wave 5 up is in progress. The SPY/Trin weekly five week average has reached the bearish 150 range a couple of weeks ago. This indicator leads the top in the market by usually a couple of weeks. We have identified the buy and sell signals on the chart above. We have also pointed out weekly negative divergences in the MACD and Money Flow. Our conclusion is when the weekly MACD turns down again then the top is in. Once the decline starts it should last into September, October of this year. ( This should coinside with the lows of Presidential cycle – see below) We remain bearish.




***The President cycle shows that the 2nd and 3rd quarters of the second year are the most bearish period for the market. We have just interred the second quarter of the second year. This bearish period of the Presidential Cycle last into the end of the Third quarter of the second year which ends sometime in September or October of this year.***

## XLF – ST

There is a Wave five count up from the March 2009 low and there is a High volume bearish candlestick pattern called a “Rich Shaw Man” at the very high and at trend line and 38.2% retracement suggesting the  five way may have run its course.  Since XLF has made only a 38% retracement of its bear market decline.



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**XLF – IT**

The weekly XLF have been running into the 2000 and 2002 low near 17 over the last couple of weeks and should provide stiff resistance and with the weekly RSI  near 70 (very stretched) and would add to the resistance zone.  According to the Bullish Percent index for the Financials sector, there where about 90% of the financial stocks on buy signals at the September 09 high, at the January high that decreased to about 75% and now there is about 68% even though XLF is higher then January and September 09 high which is a negative divergence.  Another interesting development is that the weekly Money Flow on XLF normally tops around 60 in bear market declines and the current reading is 62.59. Currently the weekly Money Flow is back to 60 range and XLF is at major trend line resistance and 38.2% retracement resistance and major divergences in MACD, Money Flow and Bullish percent index and suggest the next down turn will be part of a bear market decline.


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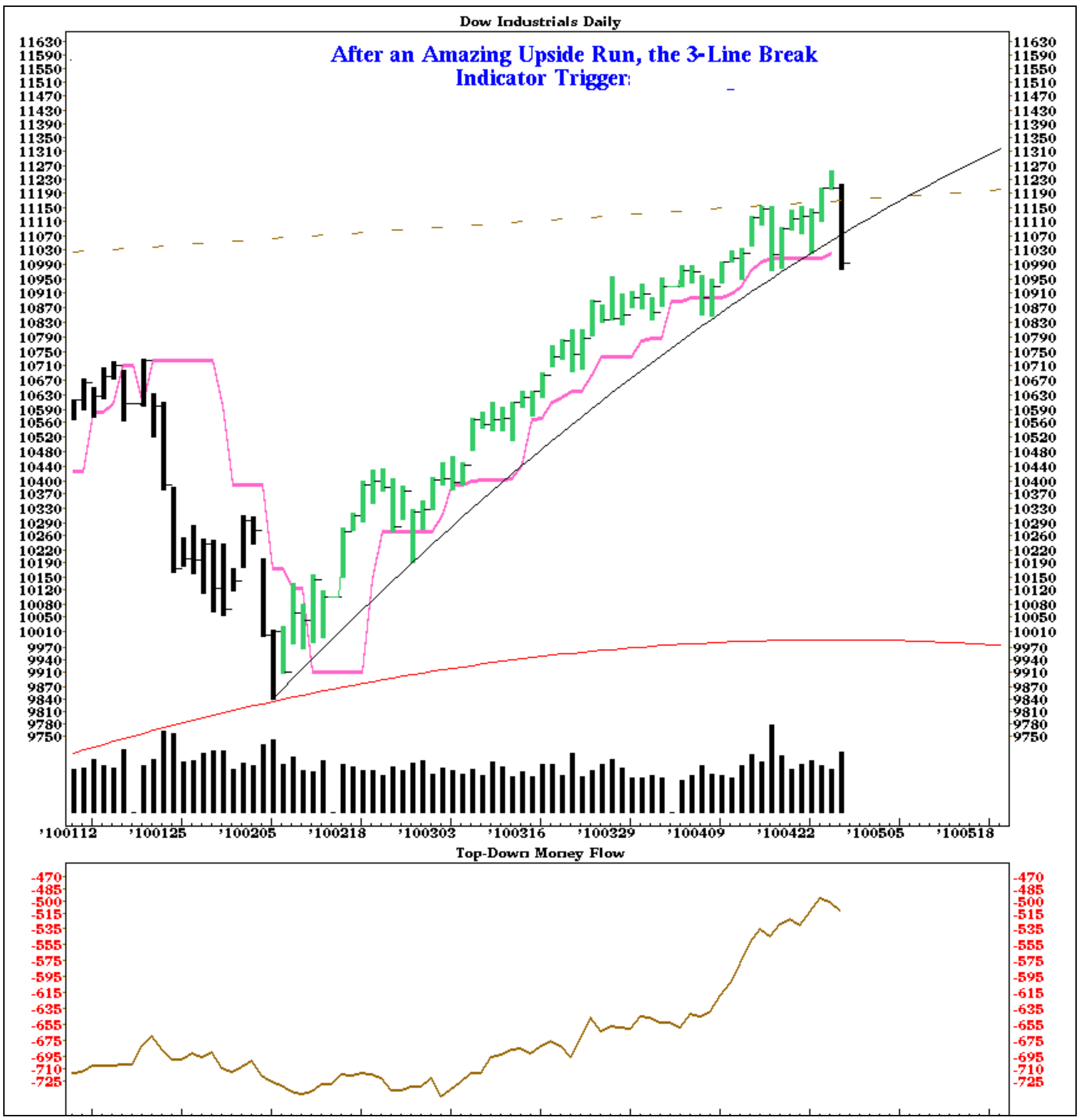
## DOW – ST

It broke the polytrend line quite decisively, the bounce to the upside could be limited to 11190 the intersection of the Poly and 61% retracement in dotted line. If 11th May time line holds

But ARMS Indicators is critical of yesterday ( See the Chart below)

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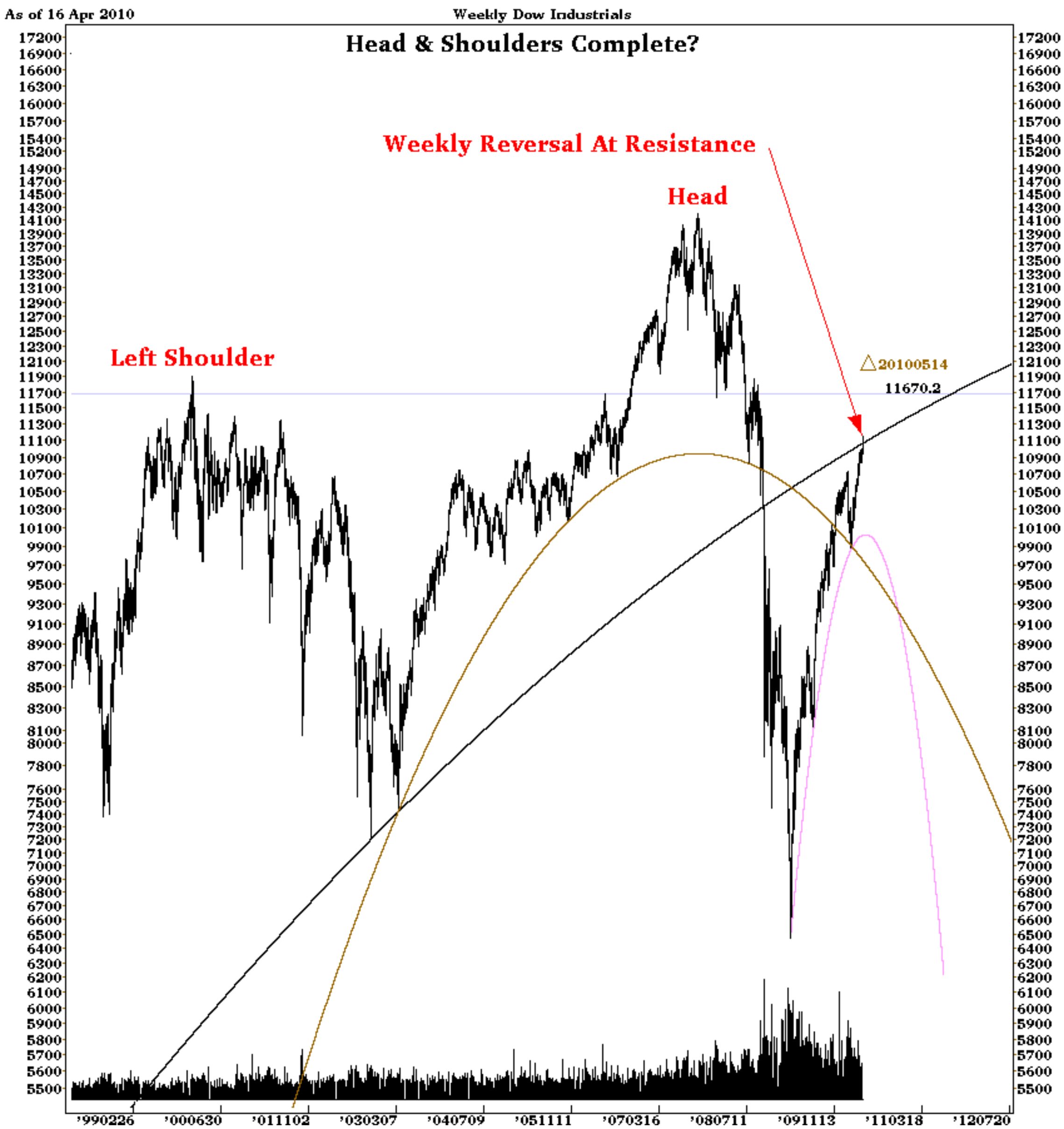
## DOW – IT

The larger picture shows that the market is forming a head and shoulders top of significance here. It's likely that the Dow will continue moving higher into August, at which time that resistance line will be at 11,300. Down side target 9900 and then 9100. May take a while.

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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.**

**Best Regards,**

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