



Research Note – Intermediate Update (B)

MASG INTERMIDATE 2010 # AUG 012

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We have picked up charts that has some distinct characteristics and values from today's observation:

AD – Oscillator, (RUSS / SPY), SPX, DOW, NASD, (FXE /SPY)

SPX – Closed @ 1089

SPX – “Our Current Signals & Projections”

- ***On 6th Aug – POM 14 – Re run was triggered at 1125 currently we are at 1089 .***
- *A decisive close below 1085 on weekly would be a greater bearish conformation*

Market Insights

It is all about the US Dollar and Euro, this is classic deleveraging trade such impedes tends to cause much larger moves.

Market took 3 weeks of gains in just about 6 hrs. There was a wide price spread on negative price expansion with accelerated volume. We had warning bell for past 9 days of distribution (smart money to exit) that proved itself with gap away at open trapping the last day traders buying the dips and tinkering till the last minute wasn't good idea for them.

On the day of fed meeting 1107 lows was a good indication of volume expanding as we broke the trendline of the bearish wedge yesterday as flood gates opened and the market swiftly moved to our projected low of the week near SPX 1090 (the low was 1087) . Once we close below 1085 we should get a next projection of decline. We're in a trend change zone, which is characterized by enhanced volatility.

Last week's geomagnetic storm set this week's decline and, unless we get another one (still possible n 16th AUG), the bulk of the selling that can be attributed to it.

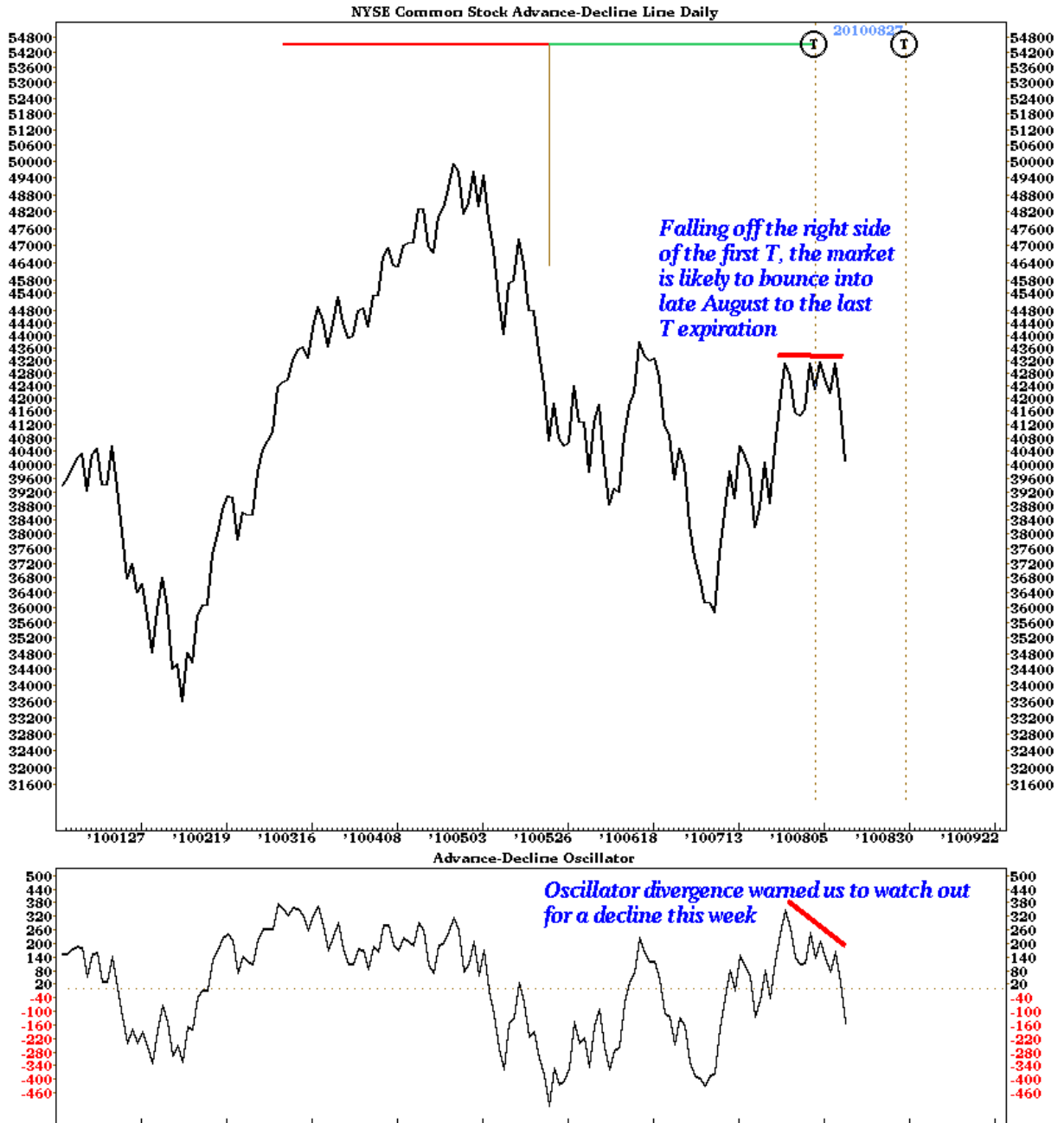
AD - Oscillator

As you can see, the oscillator (chart below) , which warned us that this of substantial potential on the downside, has fallen below the zero level. If we get a rally with poor breadth, that oscillator may only be able to move up to the zero level before the next top. That top would correspond to the end of the second T



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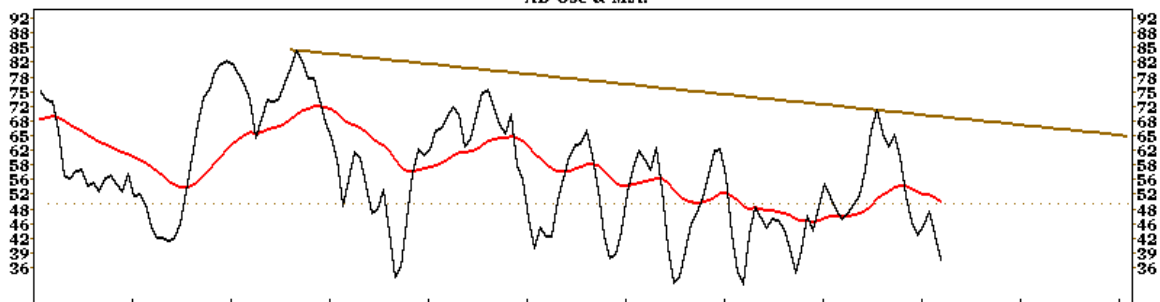
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RUSS / SPY

Our Relative Strength charts below have been sounding warnings that a top of significance is near as we had pointed out. And, of course, the SOX Index is our absolutely best leading index which gave a good signal as well.





SPX – Daily – Chart 1

Critical summation index turned down to crossover



The chart below indicates the Mid point of Bollinger is the top side on the rally. The weekly mid Bollinger band turned down in June and implied the intermediate term trend turned down. When the intermediate term trend has turned down, then shorter term tops can be found when the weekly RSI approaches the lower 50 range. Over the last several days the weekly RSI reading has been coming in around the 53 range and suggested the SPY was near a top. Volume has been light for the last several weeks as the market pushed higher and this condition defines a possible "Rising Wedge" pattern may be forming. The "Rising Wedge" pattern has a minimum downside target to where the pattern began and in this case would give a target to 1020 range.

With today's weak Advance/Decline line, the McClellan Summation index will turn down. Seasonality remains bearish into September October timeframe and may be where the next intermediate term low will be found.



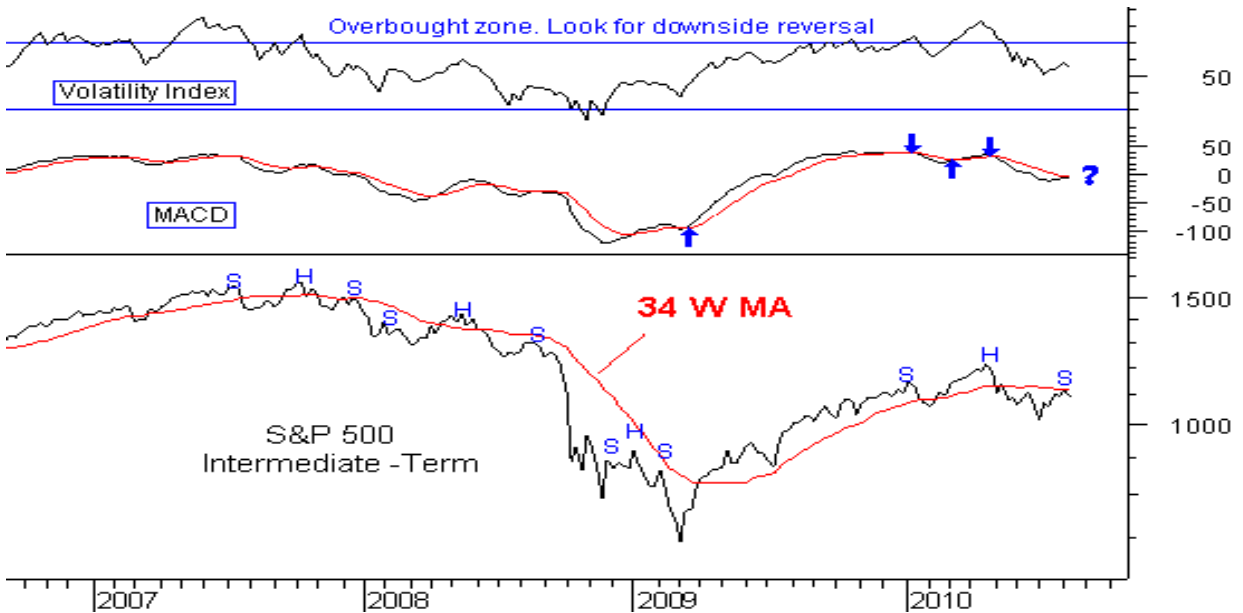
SPX – Daily – Chart 2





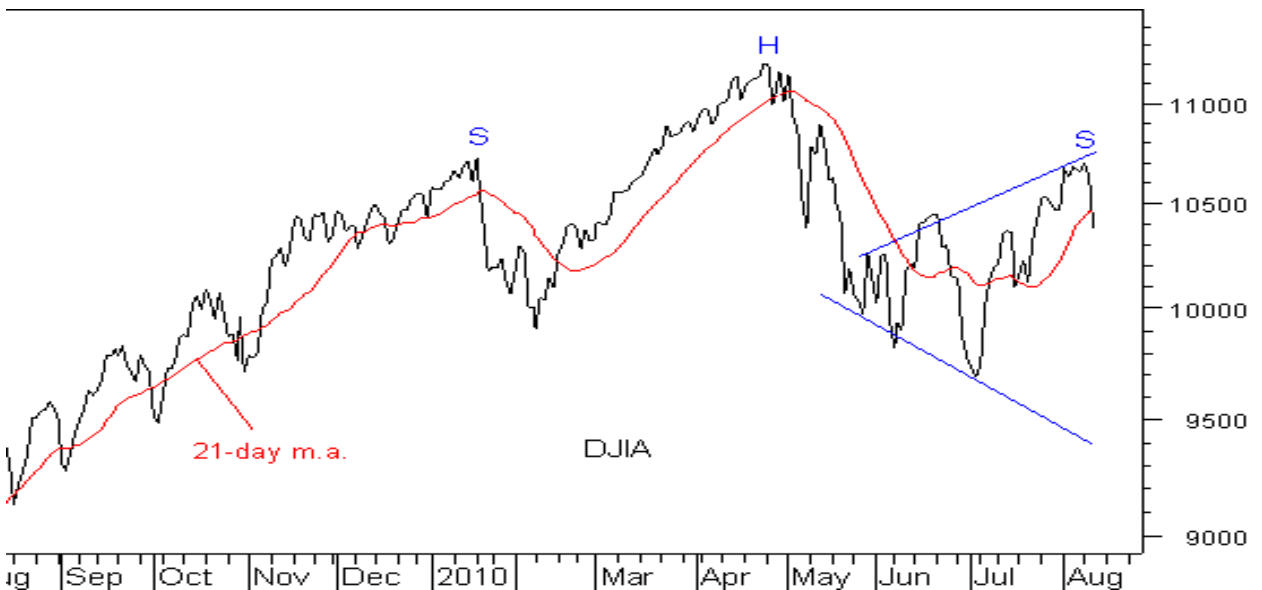
SPX – Intermediate-Term.

The rally has stopped at the resistance at the 34-week m.a. as we expected. Also creating a right shoulder, see below H & S.



DOW – short term

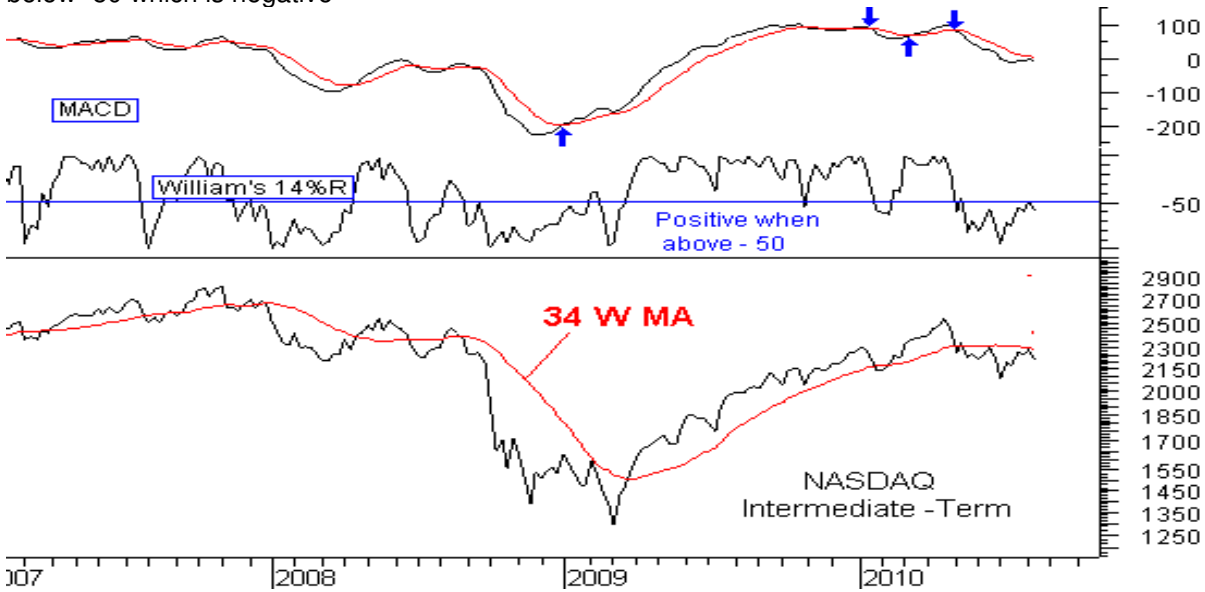
In the last few days we've seen broadening top, or megaphone formation is considered a bearish signal, indicating that the current uptrend may reverse to form a new downtrend. In fact it broke below the potential support at its 21-day m.a., and triggered short-term sell signals on short-term technical indicators. That adds credence to the potential of the megaphone formation.





NASD - Intermediate-Term.

The 20-week m.a. is again going to be overhead resistance that halts its rally. Williams also below -50 which is negative



FXE / SPY – Inter market correlation

Stocks and the Euro positively correlated the last five months, as we have pointed out earlier, breakdown in the Euro would be negative for stocks. Chart below shows the Euro and stocks rise and fall since April till today .





FXE

We have covered this more in our Currency report but this for Market correlations. (see the notes within the chart) . We are still on left side of poly trend line and for real decline to start we need to go on right side of poly trend , so keep a close watch at the market SPX, for initial support of Euro





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