

Research Note – Intermediate Update

SG 2010 # June 16

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SPX – Closed @ 1115

Market Insights

SPX – “Our Model Signals & Projections”

- **On 8th June** SPX at 1050, we signaled the Re – Run of POM 12 for another bounce / Rally few points from the lows. .
- **On 15TH June** it Triggered POM 13, 40 points move higher from our POM 12 that is the real gravy and then the first failure at 1105.
- POM 13 is “reversion to mean”, “Neutral signal” and its risk management signal for any fresh buys from here at higher prices above 1105.
- Since overall, We have the weekly close below 1150, and market should remain below this on any rally bounces.
- On completion of the bounce, we should get a next leg down and looking for 960 SPX target, We do expect to see a return to that secular bearish trend at some point.

SPX – Short term

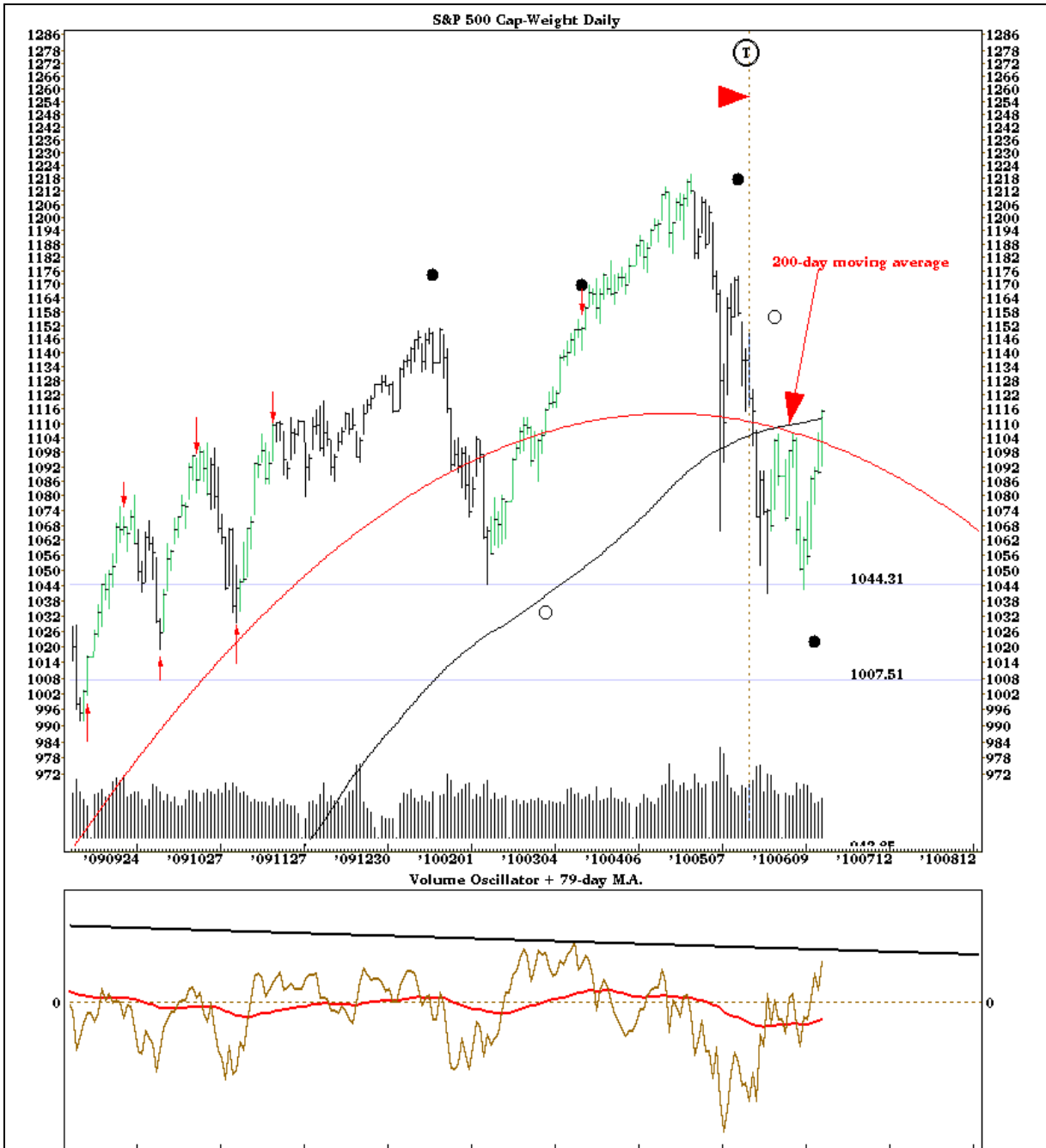
Yesterday, The market exceeded our POM 13 target of SPX 1105 and the 5th miniature wave, that it had failed the previous day without pull back from POM 13 . Apparently the positive divergences we had highlighted in our weekly note yesterday with respect to RSI and A/D line divergence still had some life to put in yesterdays rally. Therefore now it could be very well on way to POM 14 as per the “Price path” we indicated with respect to on the way to “ Head and Shoulder top, Gaps and summer rally target of 1140. (See charts below)

POM 14, POM 15 are the points for next actionable points if pull back to POM 12 doesn't happen soon..

Yesterday rally is definitely not the kind of rally to chase especially after the mean to reversion.. The crossover is more like the option expiration strength and the computerized trades around the 200 D -MA which the whole world follows and expect volatility around it (see the chart below).

Part of the counter-trend nature of the rally is due to the currencies. After the big runup in the dollar, it's taking a vacation and letting the foreign currencies have their day.

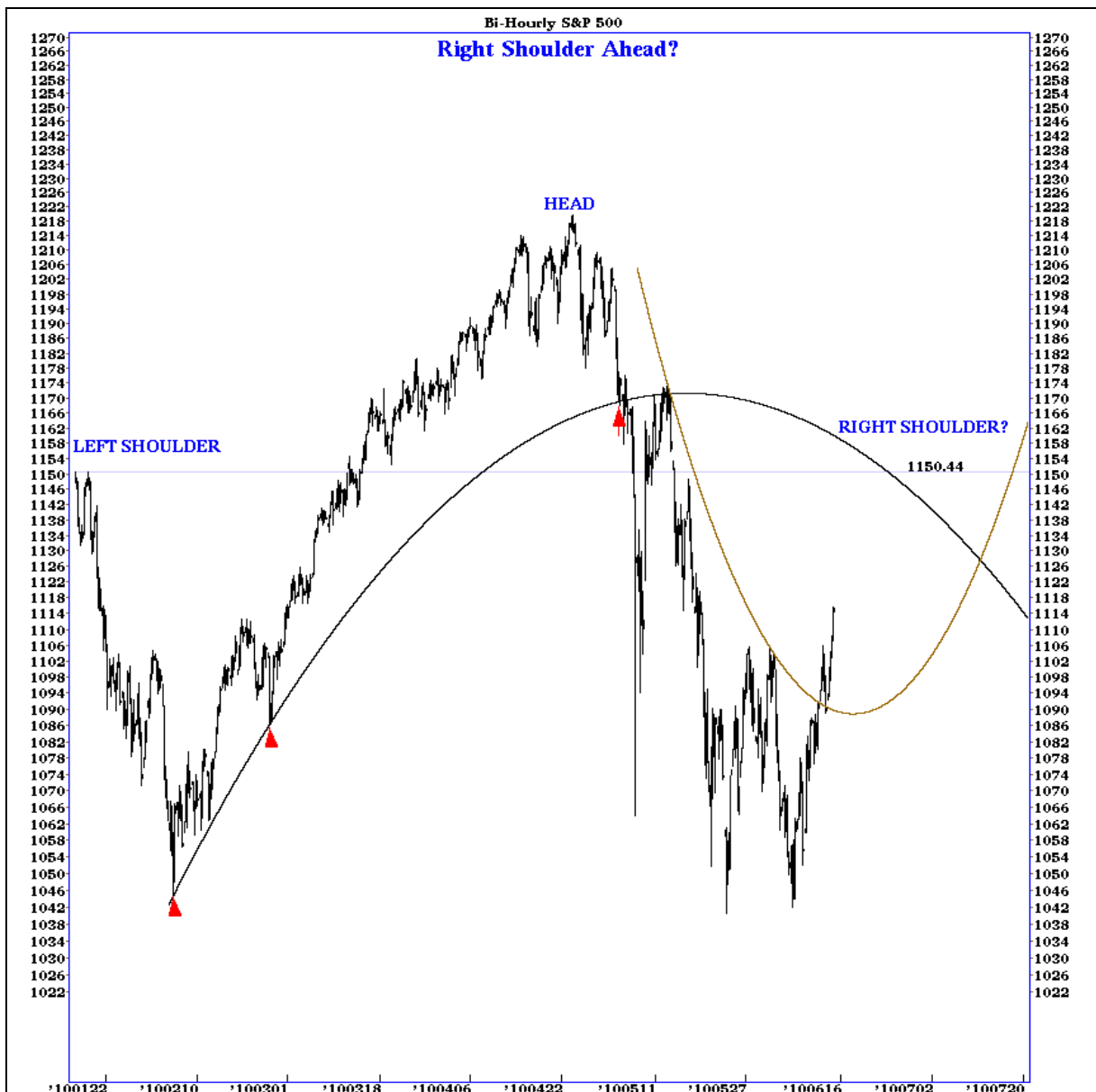
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SPX – H & S – TOP – Potential – Measurement 1

If the market wants a head-and-shoulders pattern, all it needs is a rally here to around the 1140 area and it will be a classic topping pattern. This could very well trigger our POM 14 and perhaps POM 15 depending on where we are with respect to USD and other market internal components, not to forget the T- Termination is very important as well.

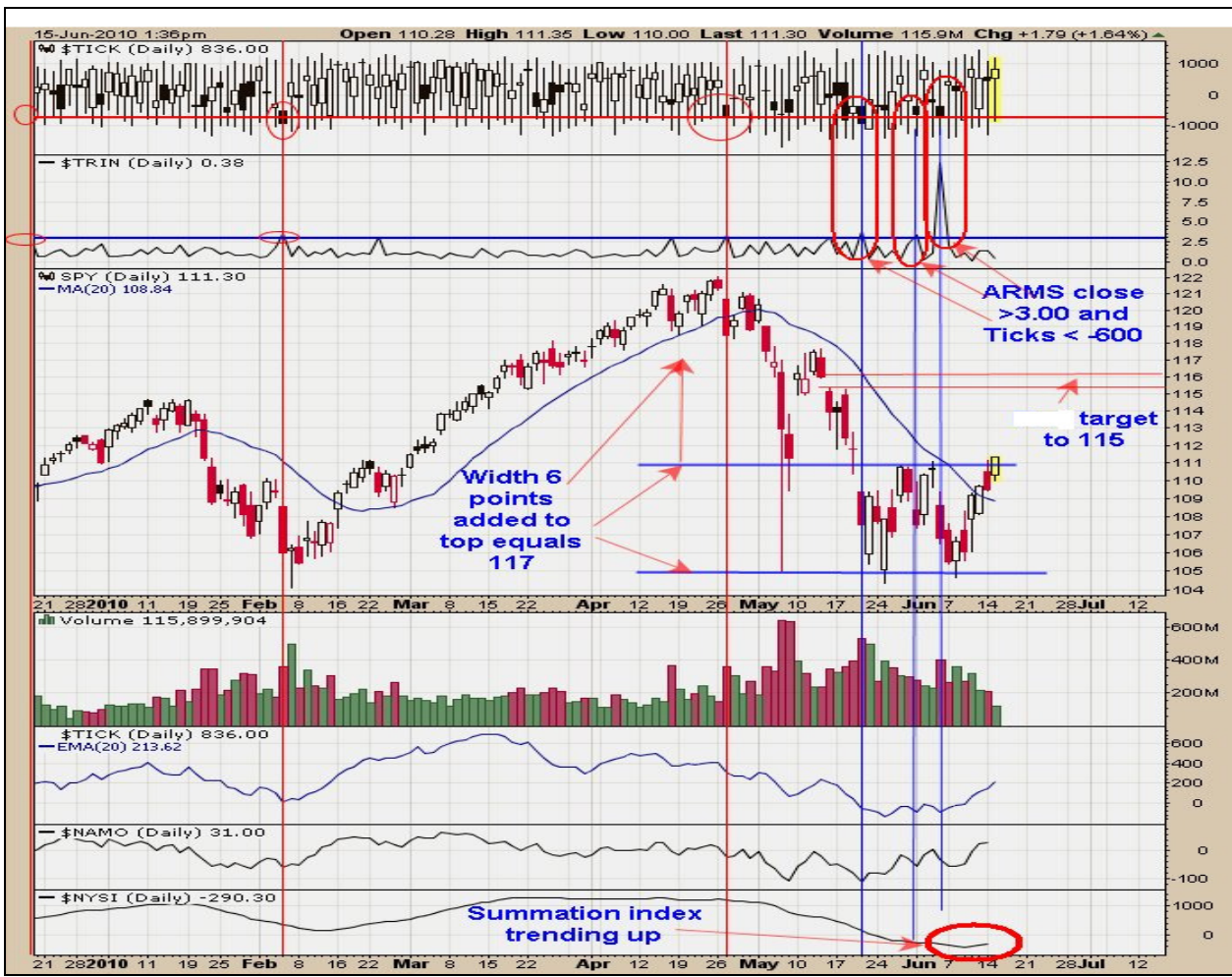


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SPX – GAP AREA – Potential – Measurement 2

SPY/Trin ratio is projecting a high in the SPY after this rally. The chart below with the ARMS and Ticks index with the NYSE McClellan Summation index in the bottom window. Bullish signs were given at 1050 SPX (POM 12) by those indicators. This bullish setup occurred three times (Blue vertical lines) in the last three weeks and suggested a rally was coming from 1050

The width of the trading range give an upside target near 1150 range. Our first target is still the open gap near 1150. These are the resistance zone we will be looking at for the next potential high in the SPY. Once the bounce is completed we are looking for a bottom in the September timeframe near 950.



The most devious the market can do is stop little before the target and fool everyone, but our point is only to look for reversals via surrounding indicators. Mainly being through the currencies DXY

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DXY – Short term

The euro is bouncing higher alongside other currencies. The Dollar Index DYX is approaching first support and when it reaches it, should set the counter trending markets back on their ears.



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Should you have any questions regarding this Research note , you can reach me by email at apavse@aol.com or at [978- 662 3329](tel:978-662-3329).

Best Regards,

**Suneil R Pavse
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