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For Immediate Release – Weekly Market Commentary, Research Note

Reference– SG WEEKLY COMM 2010 # June 15
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SPX – Closed @ 1091

Market Insights

SPX – “Our Model Signals & Projections”

- ***On April 22***, *POM 15 was signaled at SPX 1205,(extended to 1225)*
- ***On May 12***, *Secondary high at SPX 1180,(hit 1173) it signaled the Re – run of POM 15. We had suggested, this is a good price to be Hedged or Net Short.*
- ***On May 25,*** *Our downside target of 1050 for this correction was achieved (hit a low 1040), a 150 points drop from POM 15 has achieved it and Fulfilled our expectations of POM 12*
- *Our Goal was to focus the risk from POM 15 (1205) to POM 12 (1050), a fall of 150 points,*
- ***On 3rd June***, *POM 13 price was achieved at 1105 (hit 1102) on Bounce , from our POM 12 target of 1050 lows,(a rise of 55). We suggested this as Neutral point for another pull back and Re- Run of POM 12.*

2010 POM Signals – SPX CHART

The Chart Above Indicated in arrow all our Signal for 2010

- ***On 8th June Report*, We** *mentioned " the Secondary low's test was in progress (at 1050 or slightly lower lows and we had indicated on completion of the re test , the Re – Run of POM 12 to start for another bounce / Rally.. We demonstrated the Charts to that effect. SPX hit the lows of 1042 and the Bounce began.*
- ***We are currently 1090 and Triggered POM 13 Yesterday , a 41 points higher from our Re- Run POM 12 target of 1050. POM 13 is Neutral signal and short term time out.***
- *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

The market tested the resistance line in the SPX Monday and then gave back to close lower. It triggered POM 13. This is the red trendline in the SPX daily chart below. POM 13 should result in some kind of pull back

The cyclic model was looking for a very slightly higher high on Monday and a reversal and that's exactly what we got. It now calls for a retracement into Tuesday or Wednesday, then another rally into options expiration. The last rally had price but was weak in price structure (a diagonal triangle, which is a pattern which is always retraced), In terms of breadth and volume, both of which were lacking in strength. It did succeed in relieving the oversold condition

Chart below, We did see five waves up from last week's cycle low: When a five-wave move occurs, even if the larger pattern is a correction, it's very likely that we'll see a retracement, then another five waves up. – **SPX on miniature HOURLY CHARTS below**

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SPY – Yesterday's short term reversal at 1105 triggered POM 13, but Internals are positively diverging , see the RSI box below at higher high suggesting after pull back market can continue higher. The pull back could have a Re run of POM 12 due to this divergence.

SPY – Intermediate term – Pull back

If the pull back is more than expected then it could finish this wedge pattern (See chart below Wave 5 count of Diagonal wedge triangle to get another Re- Run of POM 12, the apex is at 1030 Don't know yet if it will get there, but then reverse into the Summer Rally. Our expectation is for a bottom to form in June and a Summer Rally and a new stimulus bill that could be impedes for the bounce rally.

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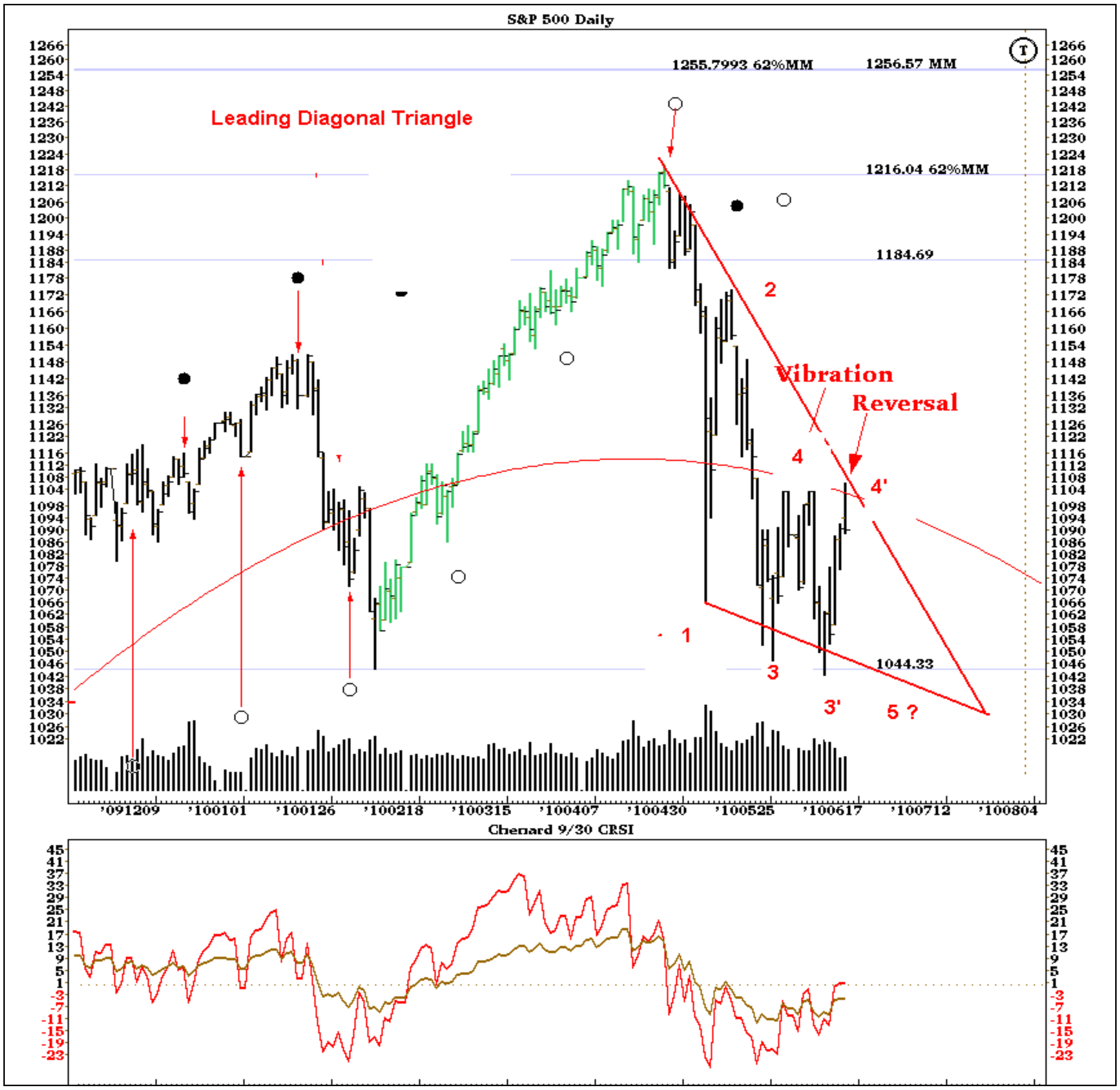

The more important consideration right now is where the next low is going to come from. The rally into summer from that low. Right now, all of the evidence based on T – Time termination pinpoint that low is 22nd June plus or minus ±2 trading days. As more evidence appears from the technical indicators, we'll refine that date span.

There is also an annual seasonal tendency for the market to form a late June low just before the Fourth of July holiday and rally into the middle of July. We've seen an amazing number of times when that rally comes from seemingly nowhere to mid summer vacation timeframe. These midsummer rallies always occur on light volume. That could set up the B point of the larger ABC down.

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SPY - Intermediate term – "Bounce" - could set up Right side of H & S Top

The window above the weekly SPY chart is the weekly SPY/TRIN ratio chart. This ratio reaches a high about 3-4 weeks before the SPY market. So the market has the chance to rally into summer after this current lows in place. We have been expecting a high on the SPY near the 1130 gap level. If the SPY does rally to the 1130 gap level it could represent the Right Shoulder of a Head and Shoulders top. This potential H&D gives a downside target near 950. Once the bounce is completed we are looking for a bottom in the September October timeframe near 960 may be little lower.

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SPY – A/D

Another reason for that bounce would be once the lows set in on this POM 12 (See chart below) **NYSE AD Line** holding well above its February high. Although May decline was deeper than the January-February decline, the AD Line looks higher high**.** Also notice that the AD Line found support on May 20th and has been trading flat the last 3-4 weeks. This means the AD Line is showing some relative strength, especially compared to the AD Volume Line.

Relative strength is one thing. Absolute strength is another. A break above the late May and early June highs is needed to reverse the seven week downtrend. A breakout in the AD Line would be conformation of the bounce for that summer rally

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DXY – Short term

The dollar ETF reached the upper limit of its trading band and also overbought above its 21-day m.a. We expect a pullback to the lower limit of the trading band.

On DXY, Short term we are cautious on wave 5, Bearish divergence warns of a corrective phase in DXY. Our price target has been 90 since 73 in December

As the chart below shows, the dollar's 30-week moving average acts a powerful magnet on the dollar. When the dollar is in a bull market and becomes over-extended above its 30-week m.a., it very soon plunges down at least to the m.a. before the upside resumes. And when the dollar is in a bear market and becomes over-extended beneath its 30-week m.a., it soon rallies back up to the resistance at the m.a. The dollar is now very over-extended above its 30-week m.a., and in the area of potential resistance at its peaks of 2008 and 2009.

It reached our price target of 90 and cautious. DXY has is inversely related to stock market, this might be another reason for the market bounce in summer.

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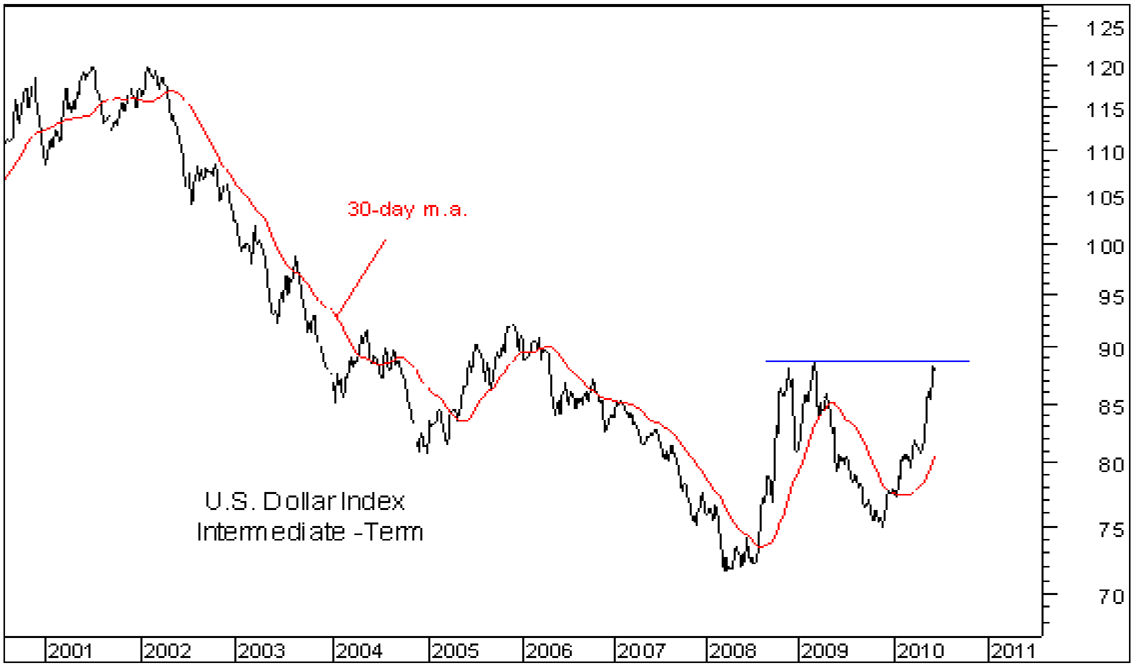
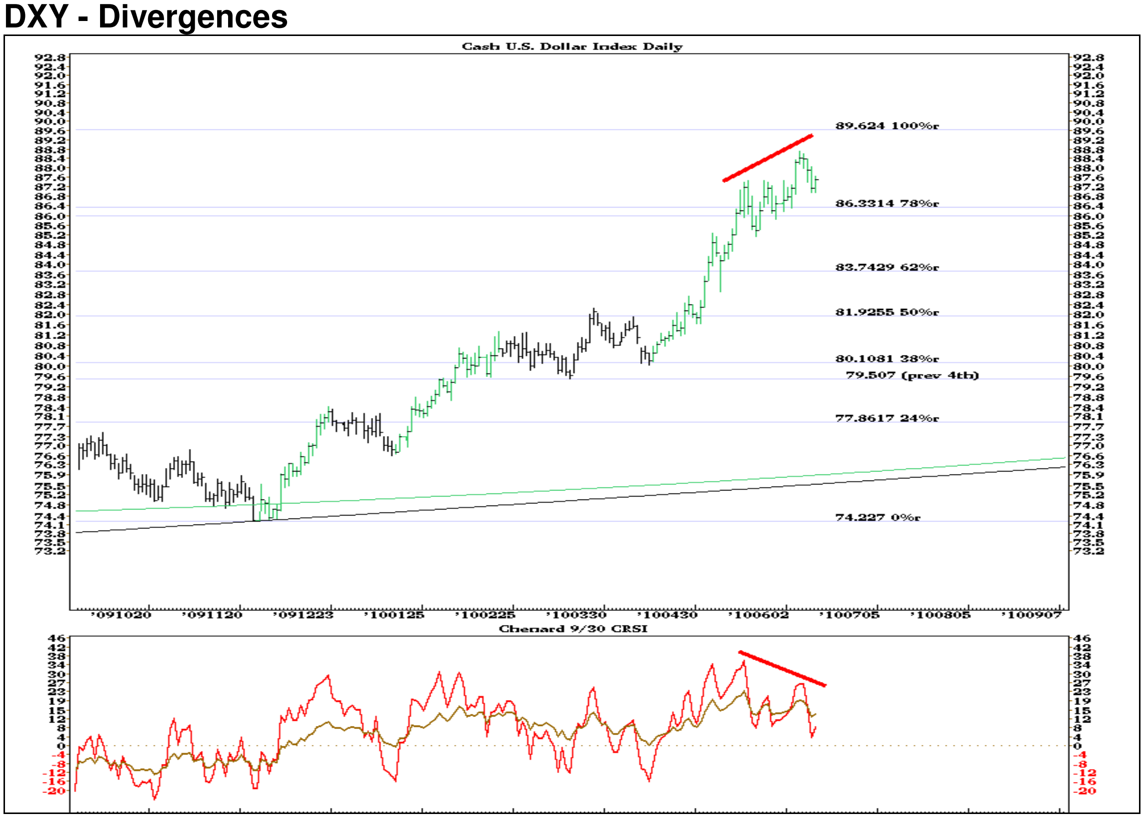
The summer rally in stocks is likely to coincide with a retracement in the dollar, When the stock market tops in July - August, we will likely find it a good time to add more to buy dollars once again for the next leg up.



DXY - Divergences



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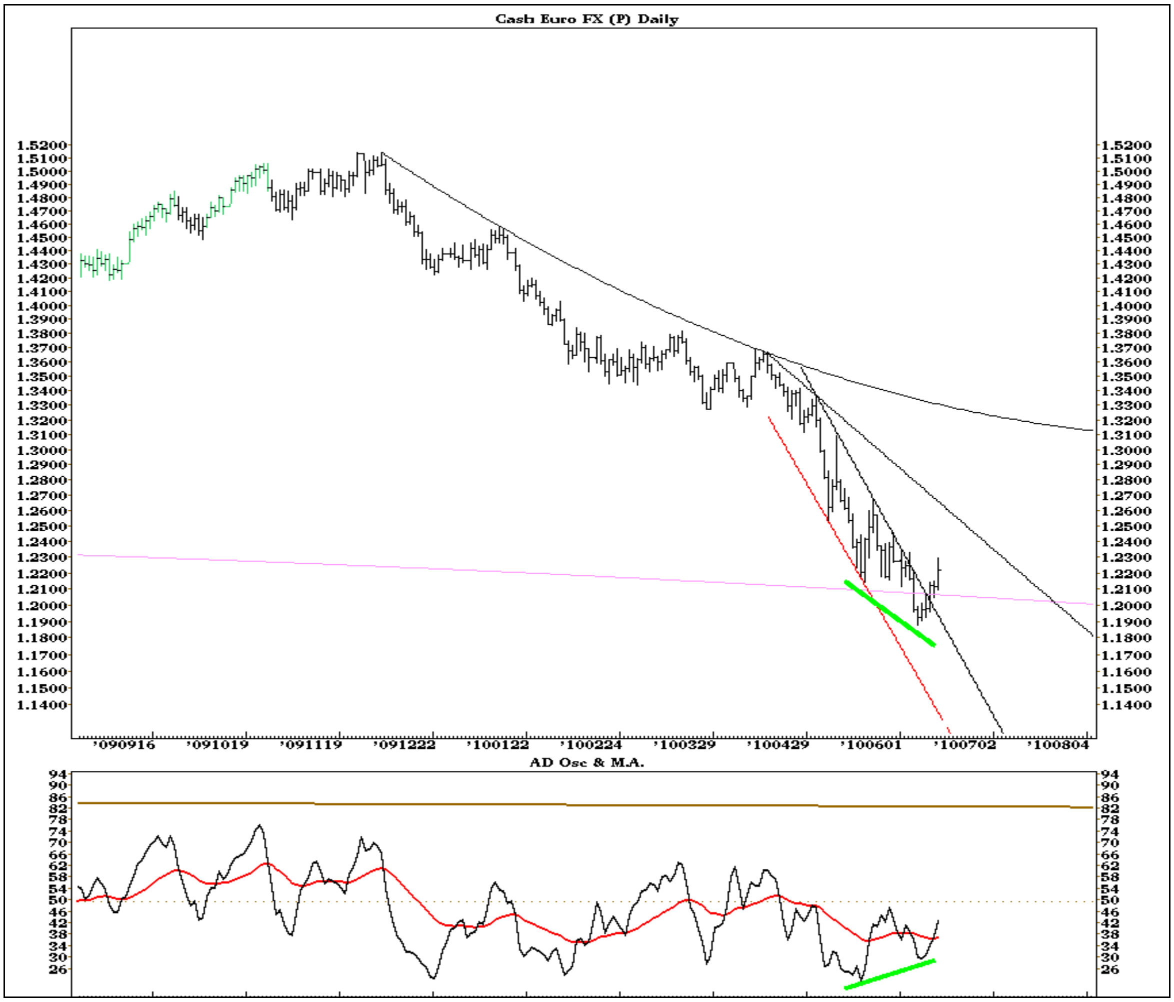
EURO

The Euro extended its oversold bounce with a surge above 122. Strength in the Euro goes hand-in-hand with strength in stocks. the **(FXE)** within a clear downtrend, which means advances are counter-trend moves. This means we can expect resistance . The 50-60 zone will continue to act as resistance in a downtrend.

EURO – Divergences at 119 bottom

We had sell signal on EURO at 145 and then at 134



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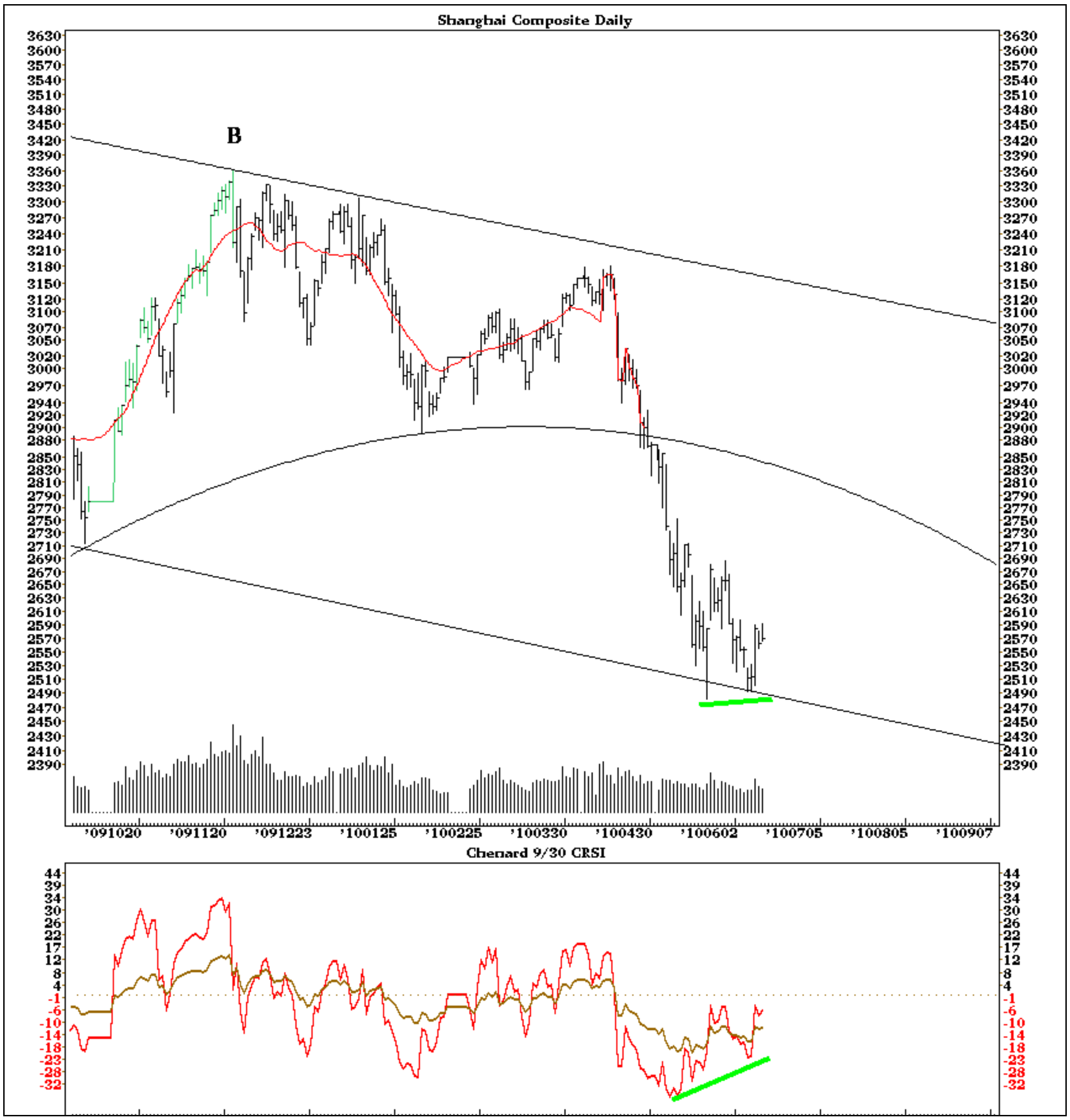
CHINA

China bottomed right at the Time Ratio Low and led the global market down (Our previous commentary we had shown this on China topping process) , If this low does hold, we could see a pretty good bounce, although the long term trend may require lower lows in the future



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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.

Best Regards,

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