



Note & Market Comments, MAY 11, 2010
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SPX – Closed @ 1159

Market Insights

Fear Index Rising as Stocks Rally

Volatility has been rapidly rising during the last few weeks, illustrated by the explosive rally in the VIX. This is a symptom of an expanding triangle, or megaphone, pattern in the market. This is a pattern which only forms at major tops and the fact that we're seeing it here is confirmation that we could be seeing the top of great significance once we look back few months later.

Once a megaphone breaks down, it breaks even harder than a converging, diagonal triangle. The volatility of the pattern, with its higher highs and lower lows. This pattern now beginning to look like CHINA Market 4 months ago when that signaled the top..

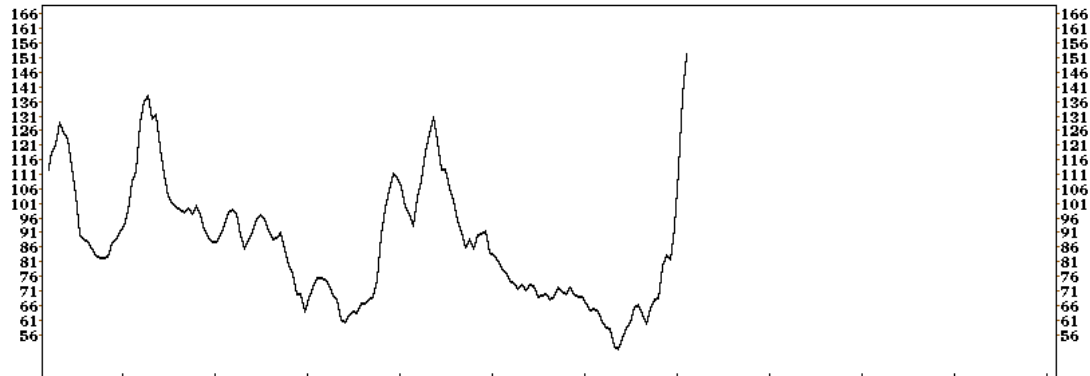
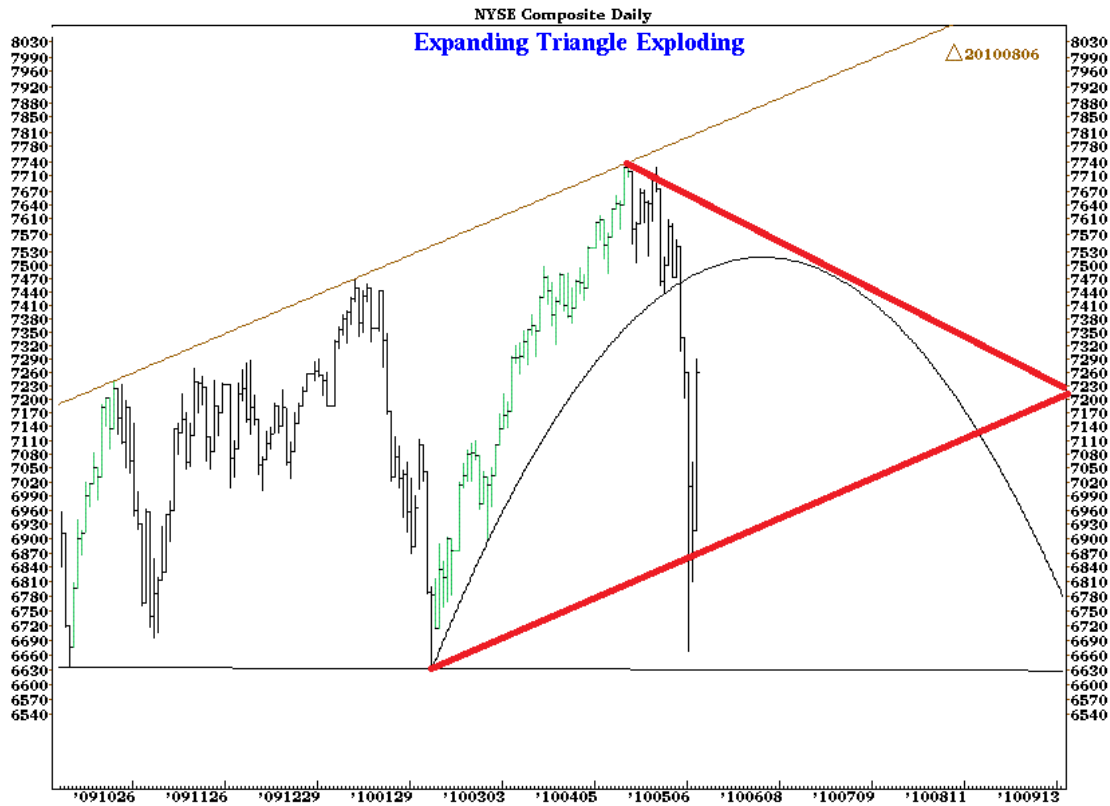
The market rallied today on the basis of the trillions bailout of European banks . We have a financial system which is imploding and doing everything in its power to delay final blow off

Short Term: Rally to the May High

For a while we have been giving you the secondary high in the market to form from between the time termination- T between 11th May to 18th May, lets see if it coincides with Option expiration of May month but it won't be in a straight line and it won't be a high-confidence rally. Still, the market should be heading up toward or into options expiration at the end of next week.

Yesterday we hit 1165 as we are looking for 1180 and May 11th to 18th as time, we want to see how this one goes before it begins a ABC down. NYA has been clear picture at 7400 upside

Aletheia SG Capital



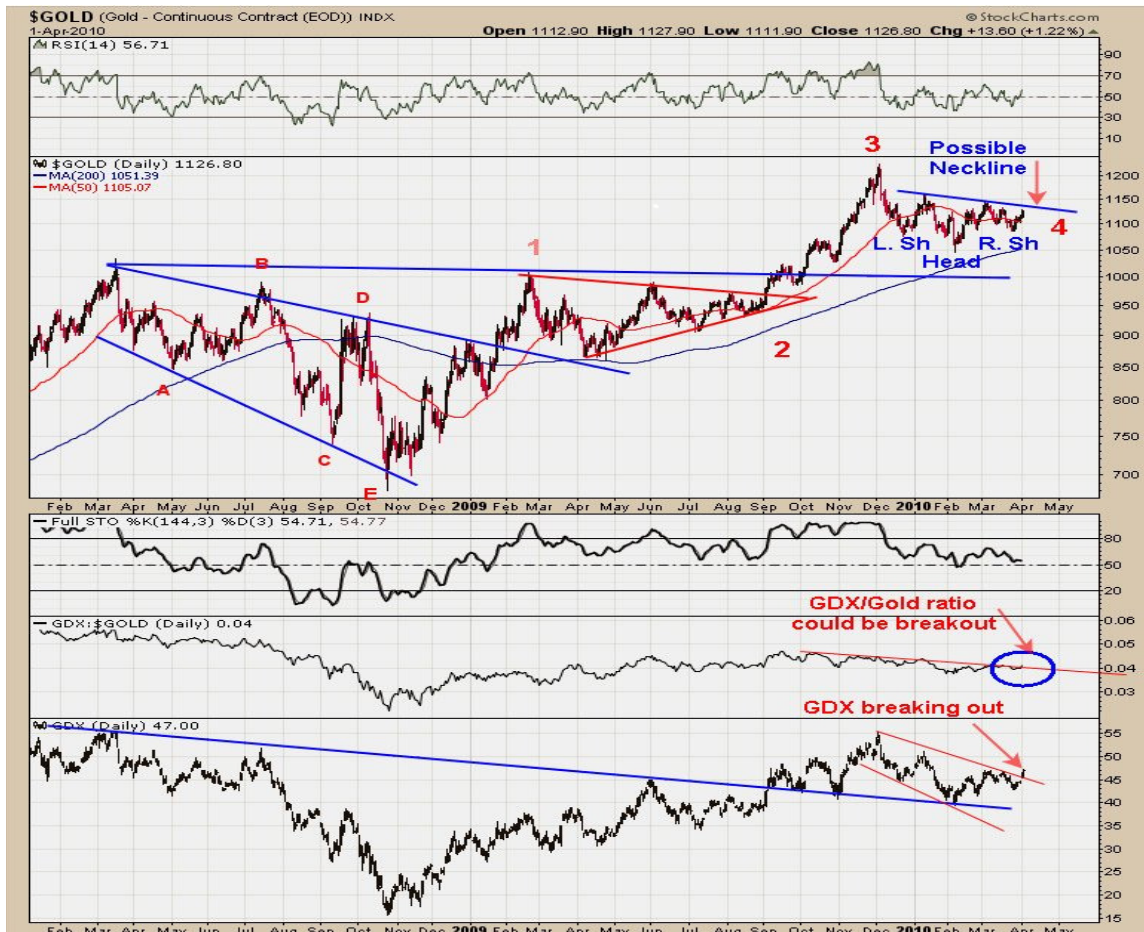
GOLD

Chart & Comments - from our last commentary dated 7th April & 12th April @ 1130

"The market has a chance to form a bullish. The bottom window is the GD_X index and today it has broke above the downtrend line and is showing short term strength. The next window up is the GD_X/Gold ratio and it is making an effort to break above the red downtrend line and is another bullish sign. The gold chart shows a possible Head and Shoulder pattern forming and a break of the Neckline would be a bullish development. We have numbered in red what we think is the correct Wave count and currently wave 4 is being completed and once completed a Wave 5 up will begin, **look for close above 1160** then that will take the gold market to test the old highs and should be a strong move up. If wave 4 is ending and Wave 5 is beginning then the current bounce should not hesitate but continue from here.

Gold v/s dollar. Relation

We had also displayed a chart of GOLD V/S DOLLAR, " In past 5 yrs, sometimes gold and the dollar have move opposite to each other, and sometimes they haven't. . We have marked intermediate to longer term periods in just the last five years when they have moved in the same direction.



Gold – The above was “then” , Below is” now” currently at 1225 (update on H & S Pattern) .

90 point good rally

As the Indicators had suggested and warned the Dollar will rally long side of Gold that’s what it seem to have done. Both have been rallying for quite a while.

The Current chart below on Gold. The Head and Shoulder pattern that formed from December 09 to April 10 (the week of our commentary) , had an upside target near 1250. (We are approaching this target rather quickly) . The bigger Head and Shoulder is still in tact as a part of 5th wave target 1300 (See the chart below) .

Gold gets a rally as the quantitative easing in Europe acts a safe haven for some Euro.. However, this rally from here is 5th wave is relatively hot button profitable move but high-risk. But till we see a key reversal the uptrend is still in tact & Sentiments can get crazy , lets watch the volume and RSI to at least 85 mean of previous tops.





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](tel:978-662-3329).

Best Regards,

**Suneil R Pavse
Chief Investment Officer**

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