



Note & Market Comments, MAY 21, 2010
Reference – ASG Daily COMM 2010- MAY 21

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SPX – Closed @ 1071

Market Insights

SPX

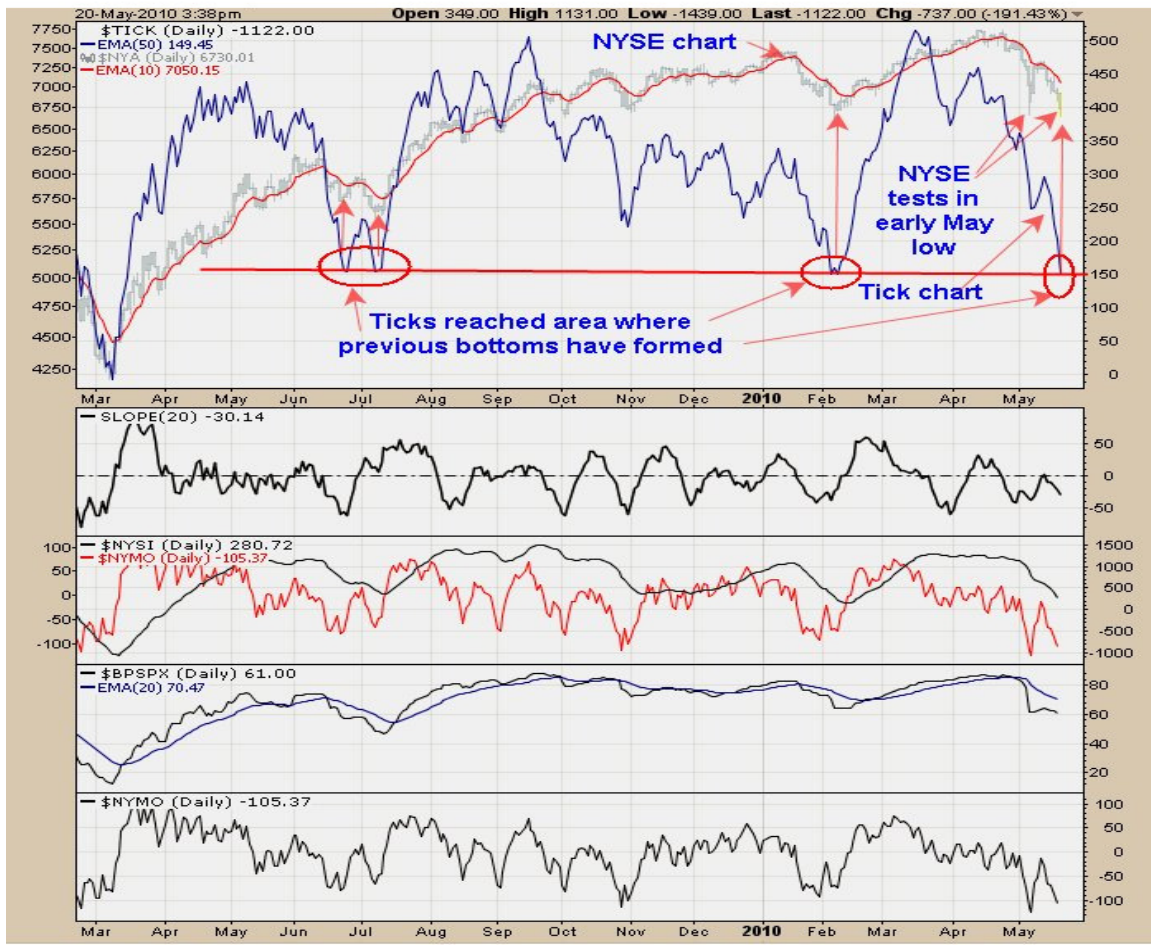
- *First POM 15 was Triggered at SPX 1205, then at secondary high at SPX 1180 it Triggered the Re – run of POM 15. we had suggested, this is a good price to be Hedged or Net Short.*
- *Our downside target for POM 13 was to 1110, this was a 90 point drop from POM 15 to POM.*
- *POM 13 **is reversion to mean** where reflex rally can began, This is a area to manage “ Net Short position” with reference to POM 15.But POM 13 is not a Buy Signal if the overall Model suggests BEAR. .*
- *Our downside target for POM 12 has been to 1050. but a test of 1065 is critical and Volatility could take us even to 1045, Intra day to February low.*
- *Price wise we should get there soon*
- *Overall , We got the weekly close below 1175, and market should remain below this on any rally bounces.*

GOLD

- *Our First upside Target of First H & S Pattern and 61% Fib level 1250, it triggered POM 14) from confirmed breakout of 1130 (12th May POM 13),*
- *Second upside Target of Larger H & S Pattern at 1300 and Wave 5 count at 1265, could trigger POM 15 , may or may not happen. (This is usually exuberance)*
- *Currently we are very close to POM 13, Our price target for POM 13 has been at 1055, lets see how it approaches it.*

SPX

Since the Market is approaching our suggested Target of POM 12, Lets evaluate the Market Internals closely for reversals



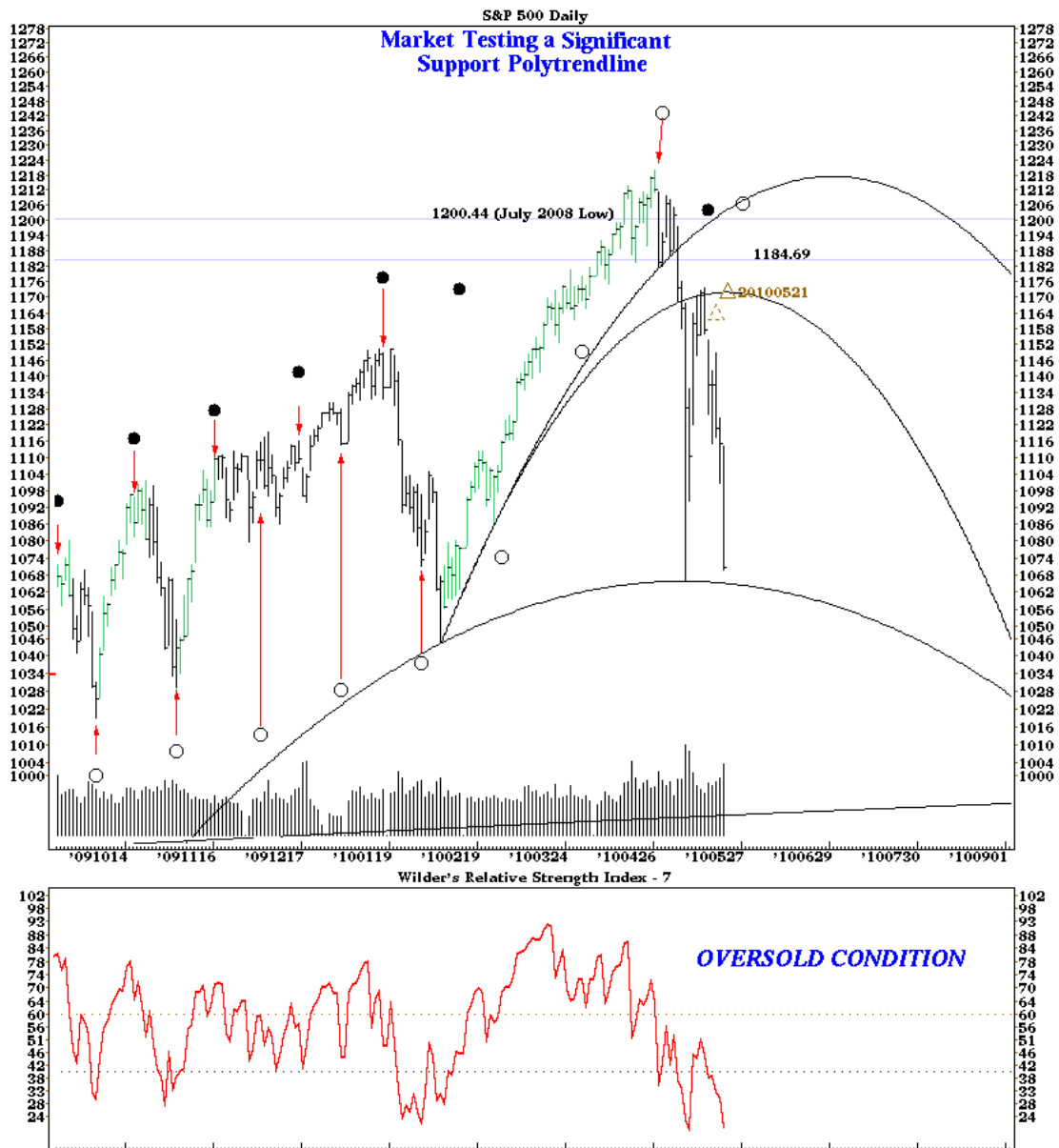
Above is the 50D MA of the tick index of the NYSE with the NYSE in the back ground. The tick index reached extremes yesterday where previous bottoms have (like at the February 2010 and July 2009 lows) occurred in the past. Such extreme downtick readings suggest at least a short term bounce.

The NYSE tested its early May low which is an area of support. ARMS index closed at area suggest a low in the market usually in next or two. The closing tick readings also have meaning and today the tick closed at extremes. All this is bullish setups. (I don't have the put / call reading due to techinal problems) This condition suggests a worth while bounce to the SPY.

When the bounce begins, it would represent Wave 2 consolidation up of a larger t Wave five count down. If the market is going to start a bounce it should start in this area shortly . If and when the market does rally and complete Wave 2 up, then Wave three down will start which is usually a strong wave.

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Our conclusion in the past has been, when the weekly MACD turns down the second time after a negative divergence then the top is in and that happen two Friday's ago. In general expect the market to work lower into October of this year. But the bounce could be larger, we will evaluate the price target.



The above chart clearly shows how Lunar cycles have worked again with exception of two, last two especially on APRIL 26th, we have one coming soon. These work well only if other internal indicators line up well.

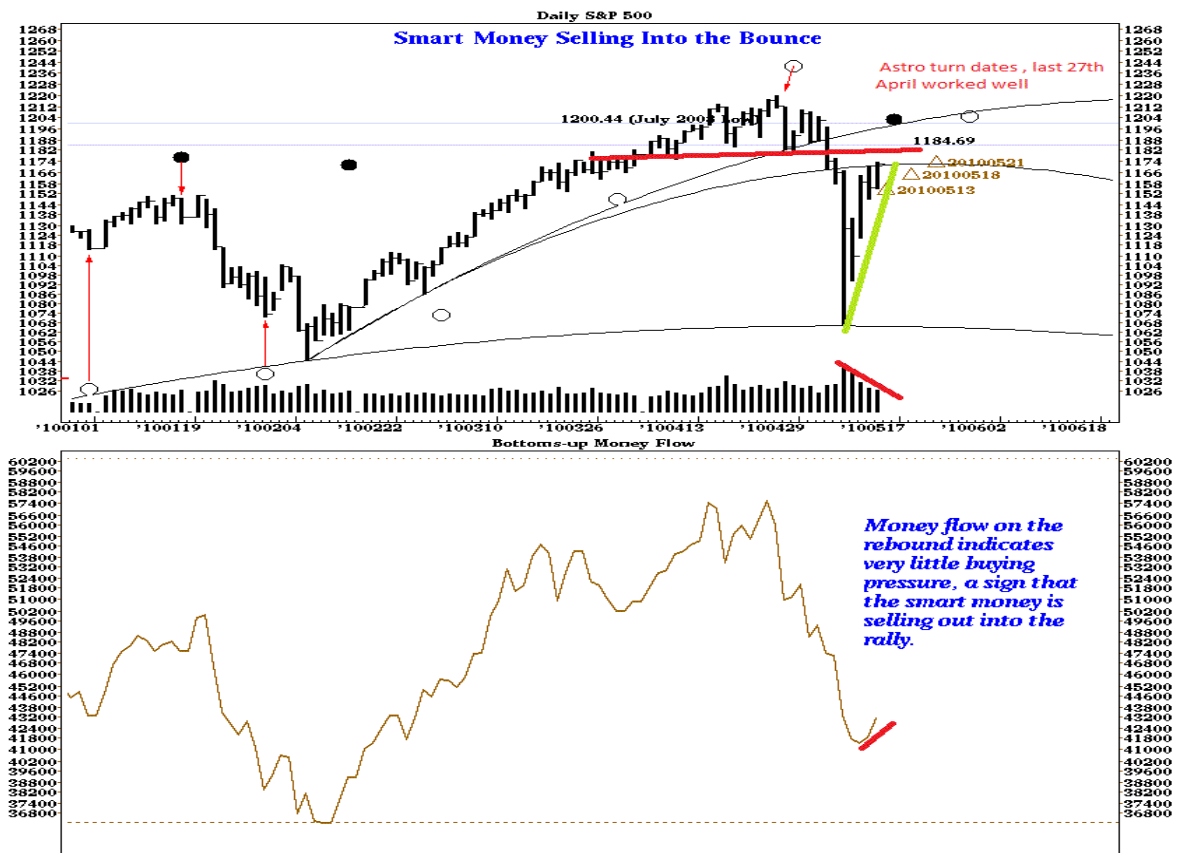
T-theory and Time Ratios, indicates the beginning of a contracting triangle. This fits in with the idea of a three-month trading range with declining volatility over next 3 months. We know that T-theory is looking for another Tertiary Top in August, followed by a low in October. So, a contracting triangle trading range from late April to late August fits that scenario to a "T".

We should be looking for signs that the market is putting in a trading low over the next few days and began the rally sooner rather than later. Once the above Poly trends are satisfied.

As you can see from the SPX support polytrendline from March 2009, if the market can find support on the line, we could see a significant rebound. If this leg down from late April is a wave A of a contracting triangle, it's even possible under Wave for the next high. A more standard contracting triangle will retrace the travel of wave A, which is still a nice rally in terms of points

Of course, if the polytrendline support line breaks, it would be very bearish and a drop to 980, but we think we need enough cause to break these lows for now.

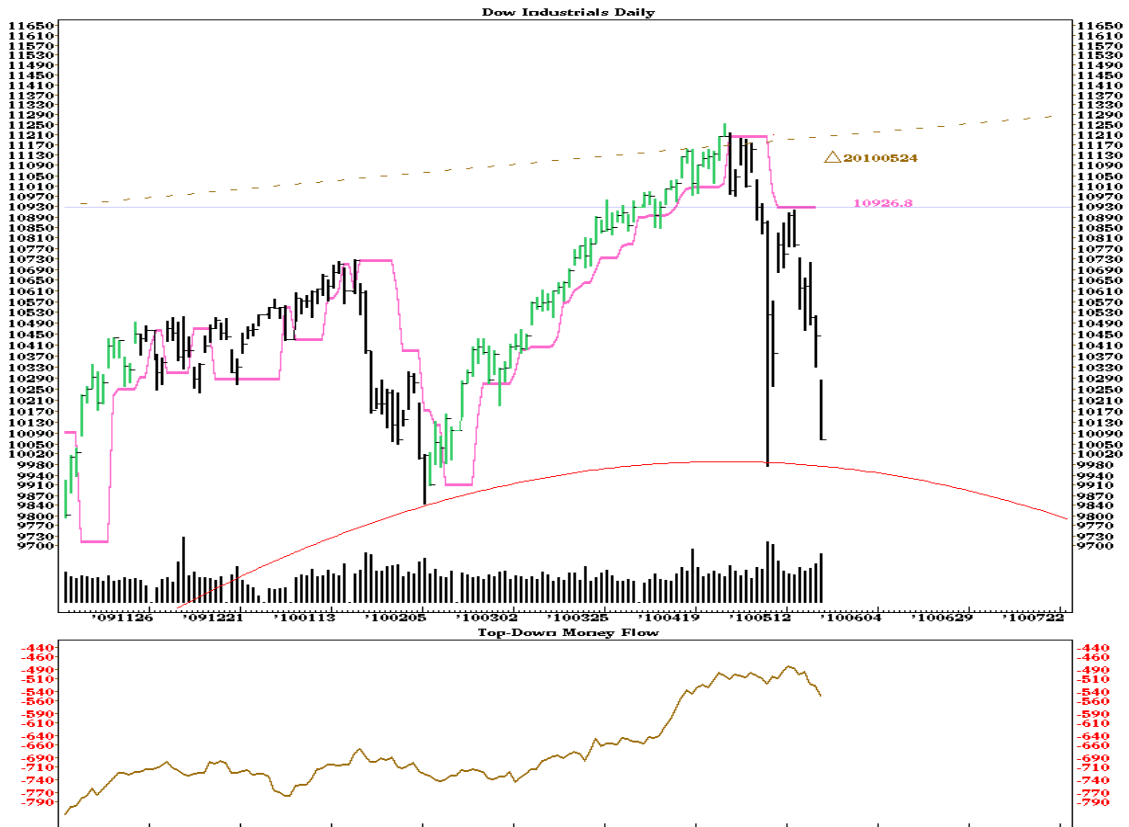
SPX – This was our 13TH May Report for Top at 1180 Target at 1065



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DOW

The target of 9800 we have given you in past is now re testing it . This Index should lead us out of this correction, Like SPX this is above the Poly Trend line.

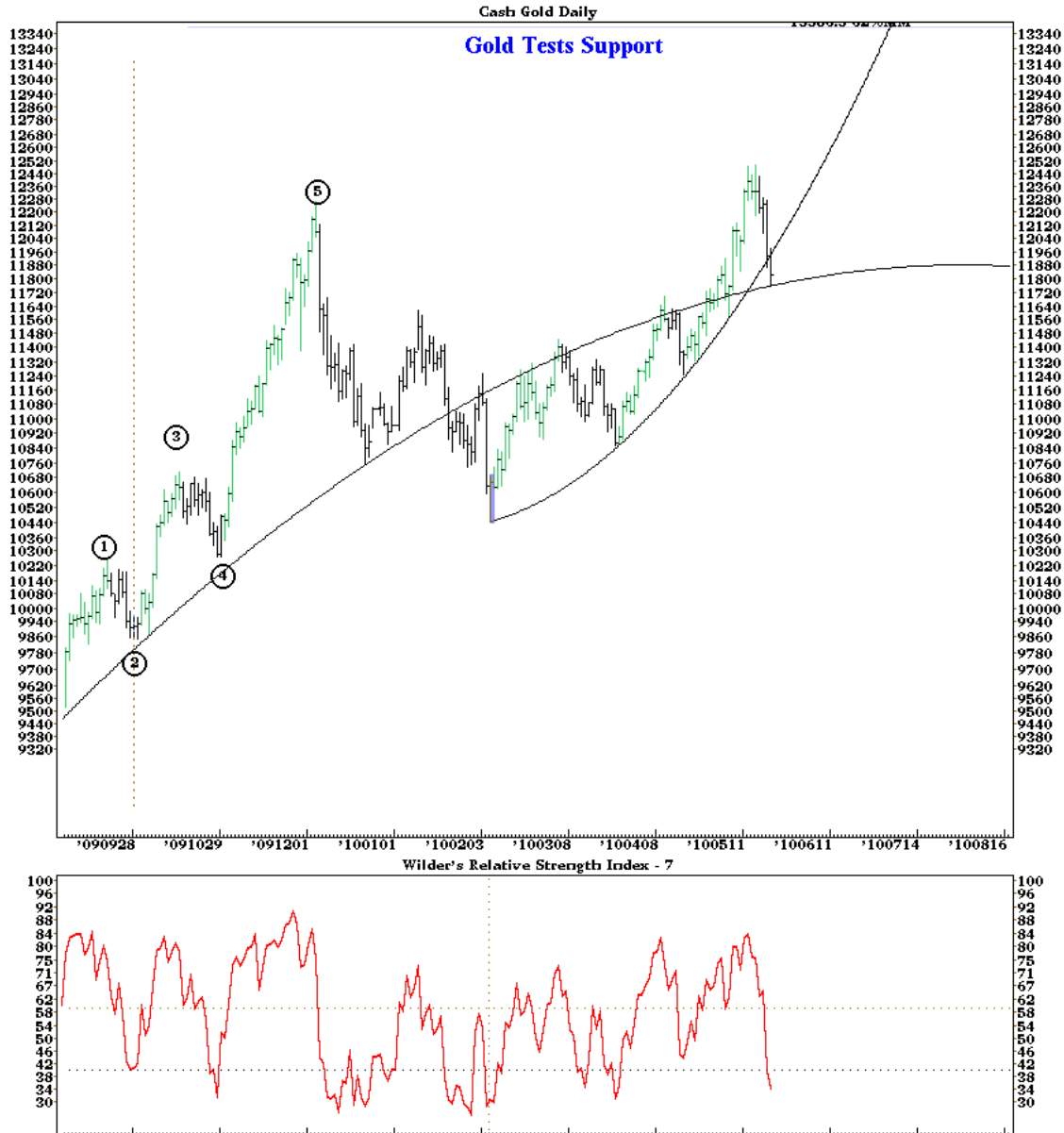




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GOLD

- Currently we are very close to POM 13, Our price target for POM 13 has been at 1055, lets see how it approaches it.
- Our First upside Target of First H & S Pattern and 61% Fib level 1250 was achieved, it triggered POM 14) from confirmed breakout of 1130 (12th May POM 13),



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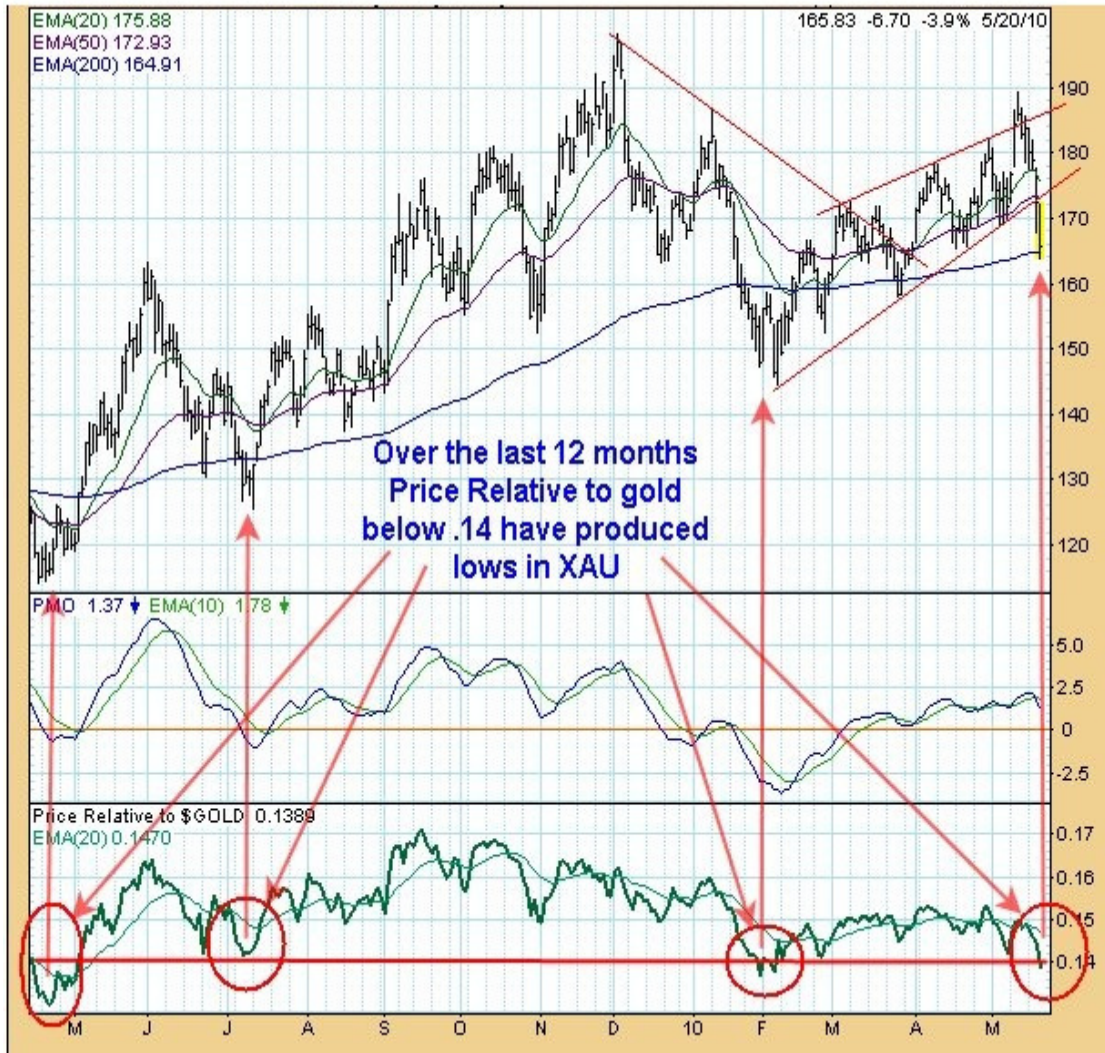
- This Pattern is still remaining from past if POM 13 at 1150 Holds , The Second upside Target of Larger H & S Pattern at 1300 and Wave 5 count at 1265, could trigger POM 15 , may or may not happen. (This is usually exuberance)



Above is the weekly Gold index. A huge Head and Shoulders bottom formed on Gold where the Head came in at the October 2008 low. The Neckline was broken in late August 2009. The measurement of this Head and Shoulders bottom gives an upside target near 1300 range which as not been achieved yet. We have also listed our wave count and if the current leg "5" is equal to Leg "1" and "3" the leg "5" should also be 300 points from the bottom of wave "4" which would have give a target near 1300 range on Gold, This can happen later on this year

Even though a pull back is occurring in gold and gold stocks there should be another rally starting as soon once POM 13 is triggered. At least to 1220 .

XAU v/s GOLD



Over the last year when Price Relative to gold reached .14 and lower a low in XAU has been put in , As writing this report the Price Relative to gold ratio is at .1389.



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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