



For Immediate Release – Weekly Market Commentary, Research Note

Monday : Reference– ASG WEEKLY COMM 2010 # MAY 5

By: Suneil R Pavse - Chief Investment Officer

Contact: 978- 6623329 or apavse@aol.com

SPX – Closed @ 1173

Market Insights

- *SPX completed our upside bounce target SPX 1210 we gave you last week (hit on the dot)*
- ***And decline began : POM 15 was Triggered at SPX 1205, a good price to be Hedged or Net Short.***
- *On Short term the market is in a condition where it's almost inevitable that a very sharp decline would return to the bottom of the trading range to SPX 1150.*
- *On Intermediate term, the weekly and monthly close below 1150 should have price target to 1050 and then we will evaluate the possibility of 980, till such time the bearish rallied will be in progress.*

Volatility - This was the 5th triple-digit move by the Dow in the last six days.

This is just another sign of topping action and the intervening rallies have been sufficient to attract buy the dips and trap them near the top of the trading range. European Sovereign debt issues and the new financial reform bill on derivatives the problems.

The idea of a 10% correction has gained wide popularity with professionals this week. If they truly believe that such a correction has started, then buy the dip could be a bull trap and the market could slide on momentum alone. In any case, the very short term moves are far less predictable than the big picture

The big picture remains one of a developing top, with the likelihood of one or more short term peaks, most likely lower peaks, ending toward the Mid May. Those events would present the best places to sell for what is likely to be a substantial dip in late May into late June.

In any case, we have a cycle low due tomorrow and a technical bounce could happen very short term, similar to the other bottom-fishing bounces. If we hold 1065 today and close above 1075 we could get a Short bounce to set up another ABC Down but if we close below 1065 breached close then straight possibility of 1150. But we will just watch the Price levels, Volume, TRIN and the Pattern to evaluate the bounces.

May Seasonal Top in Small Stocks

Month of May has not treated the Russell small stocks well. On average, RUT has declined by 11 % from the first day of May to the last day of September. Compared to the blue chip indices, this is significantly weaker (SPX has declined by 3.4% while the Dow have declined by only 1.2%). Certainly, these statistics prove "Sell in May and go away" is good advice in most years.

Aletheia SG Capital LP, 1 Dove Lane, Andover, MA 01810-2845.

Phone: 978.409.2528 Mobile: 972.951.6472

SPY



The 61.8% retracement level comes in near 1220, Above is a slew of indicators that have turned down. The bottom window is the RSI which has had a bearish crossover. The Money Flow has been showing a negative divergence in mid-March. The Summation index has turned down and a bearish sign. The Bullish Percent index has had a bearish crossover and the MACD is rolled over. The President cycle suggests the market is near an intermediate-term high as well as a slew of sentiment studies. When the weekly MACD turns down then one can conclude the decline has started and we won't know that until Friday's close. We are expecting a decline to start near current levels and decline into the October timeframe. We remain bearish.

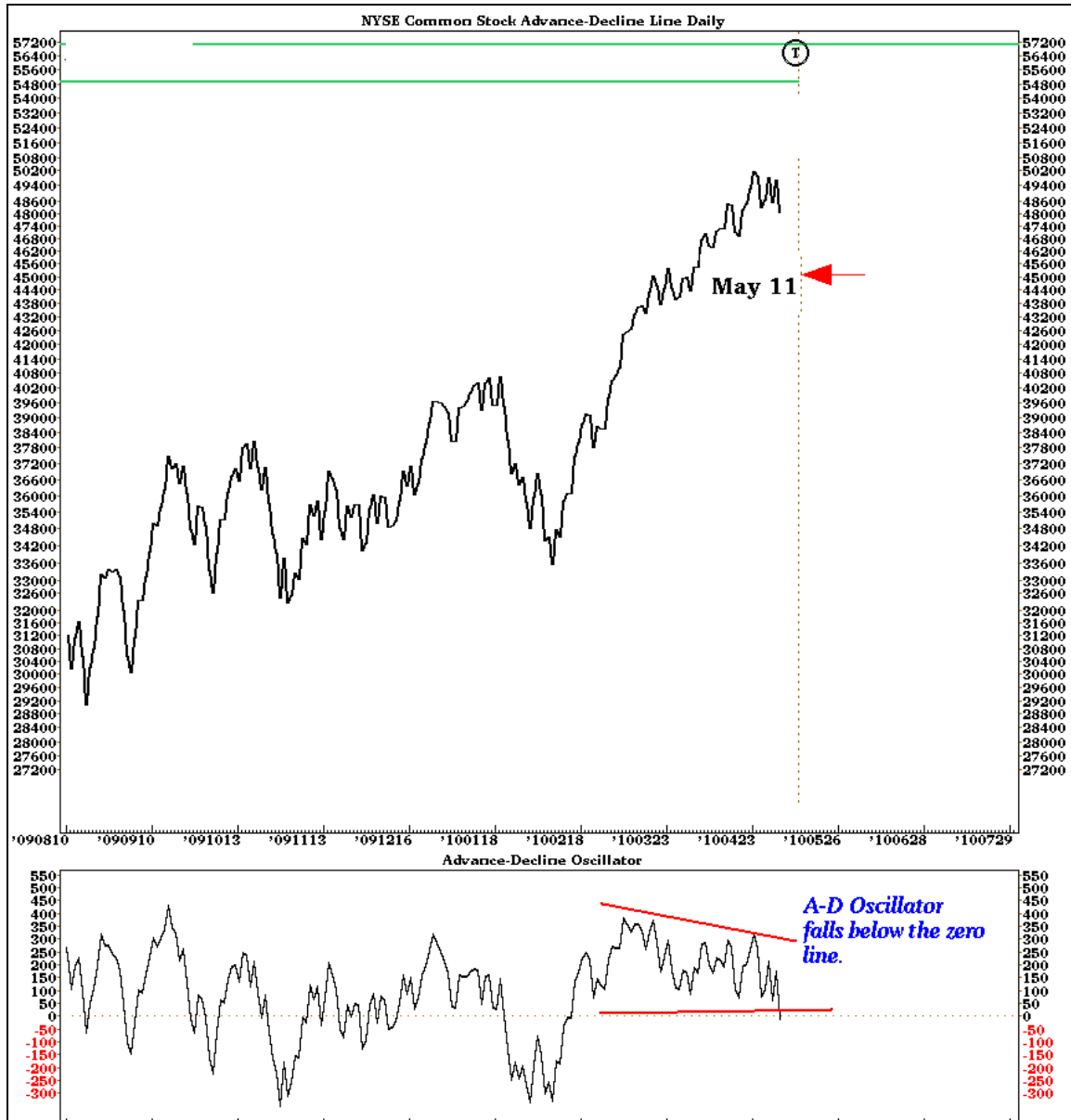
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A/D

The Time Termination of 28th April did pretty good Job combined with the Lunar – both worked well again , Now the second T termination we have been giving you for while Mid of May als needs to be watched for secondary highs.

A/D Oscillator gave good Indication of the topping process, See the box below and now its below 0 , that's bearish

In any case, as the market rolls over its top, we can expect to see the smaller stocks exhibit relative weakness and this is the right time of the year for that kind of action to start taking place.



Foreign Market

While the US stock market has been holding up better than expected, weakness in foreign markets has been echoing a tougher times ahead.

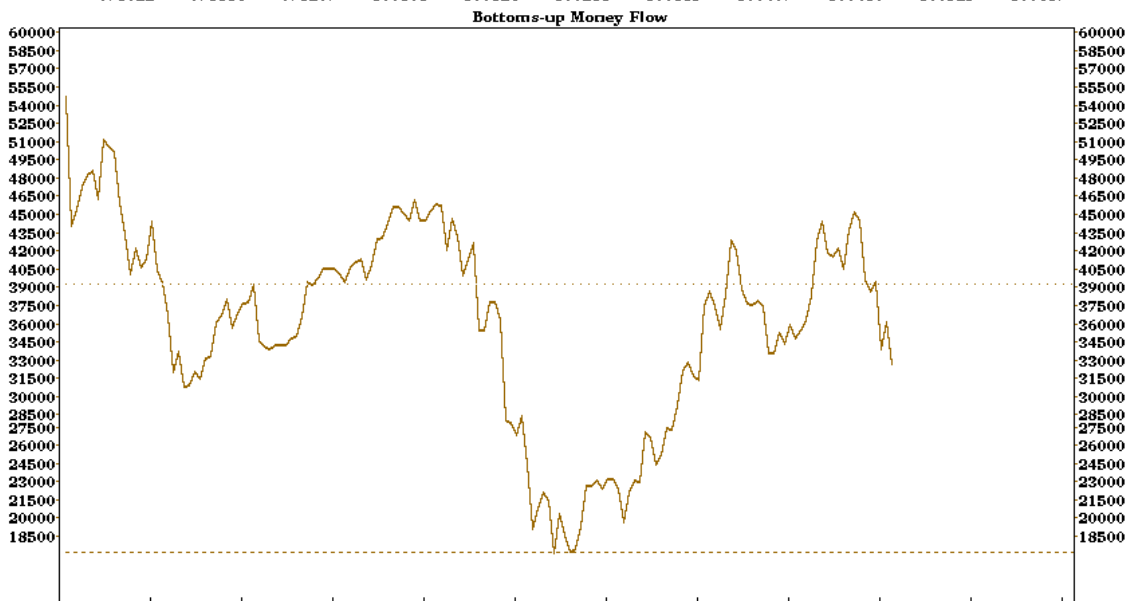
The Shanghai market our lead indicator, we have been warning you for while reflects the real estate bubble. The triangle has been extending as it breaks support and if the current support holds, the apex has been extended out. If we get a rally from here, we may be looking at a potential larger Fall. This roughly coincides with the T-theory timing.



SOX

SOX is our best leading index after China and it is definitely leading to the downside. At Tuesday's low, the index had retraced 44% of the rally from February's to April's high. That's considerably worse than the other major indices and confirms the toppy nature of the current market:

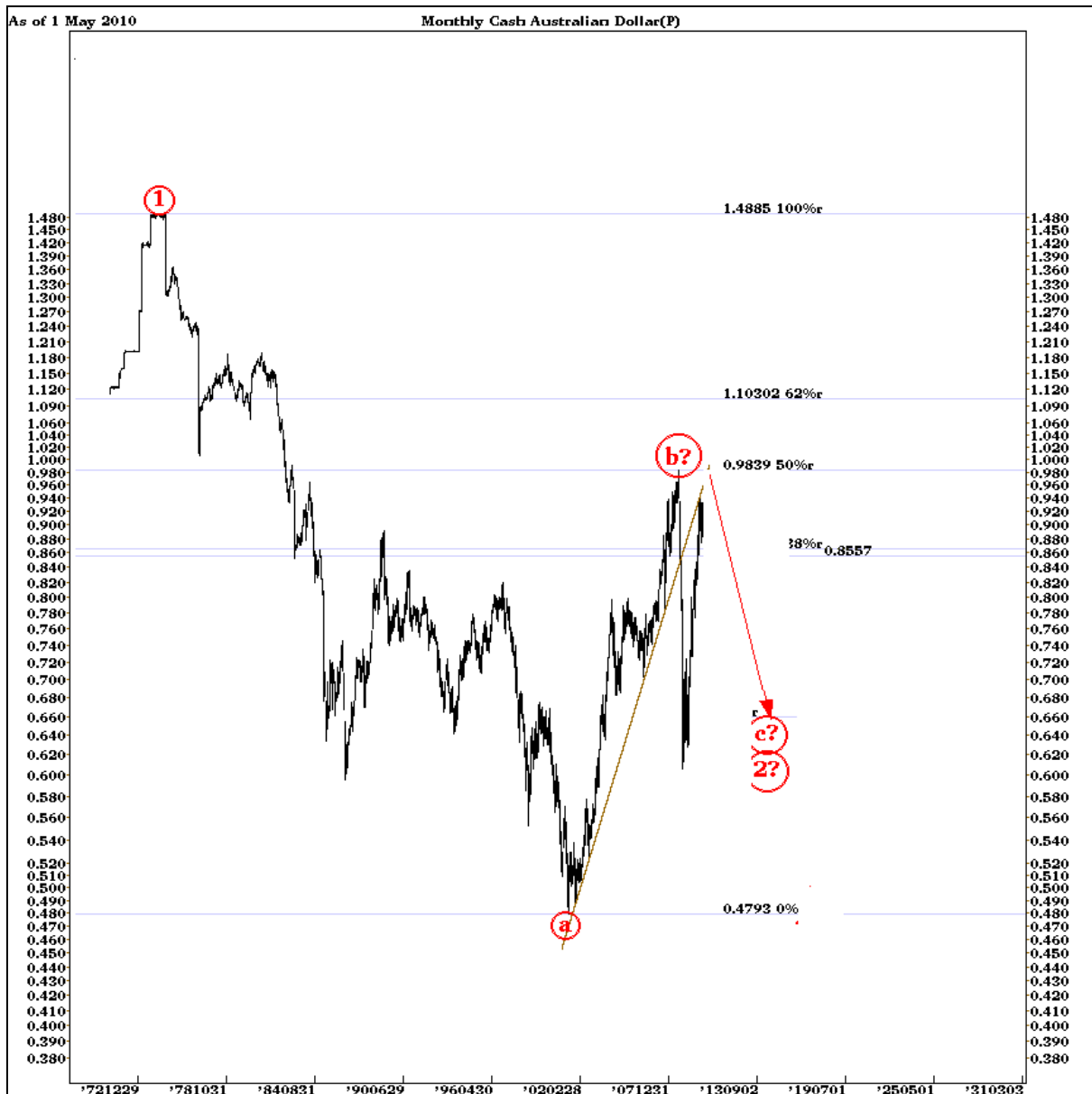
In terms of relative strength, SOX has lost virtually all of its relative performance against the SPX since the January high. And, it's leading to the downside now. We're in a topping zone for the semiconductor and the smart money has bailed out already



AUD

AUD is double-topping near the 50% retracement level on Intermediate term . The next leg is approaching. The Australian market continues weak as the RBA raised short term rates to 4.5% effective Wednesday.

Weakness in the Australian market probably reflects the real estate bubbles in China and Australia. The Chinese real estate bubble is far bigger and Australia's is only slightly smaller..





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. We will continue to send our " Intraday Alerts" as needed

Best Regards,

**Suneil R Pavse
Chief Investment Officer**

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