Aletheia SG Capital

For Immediate Release – Weekly Market Commentary, Research Note
Monday : Reference– ASG WEEKLY COMM 2010 # MAY 25

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SPX – Closed @ 1075

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.*
- *We had suggested in last note that a Re test of 1065 and Volatility will take us to 1045 Intra day to February lows. Both those Objectives has been achieved.*
- *Our downside target for POM 12 has been to 1050 (hit a low 1040), a 150 points drop from POM 15 has achieved it and Fulfilled our expectations of POM 12 .*
- *Now we should have a much bigger bounce then any one could expect. This could should put the Short positions at greater risks.*
- *Since overall, We have the weekly close below 1175, and market should remain below this on any rally bounces.*

SPY – ST

We should expect this correction to setup another rally, the charts below would explain the rational. On Price projection achievements, Pattern fulfillment and Market Internals with Tick and ARMS. Semiconductor Index & CHINA (see chart below) that have been our best signal for reversal at April Top has diverged positively. Sentiments (Chart below) shows extreme pessimism very quickly.

Below is the 50 D – SMA of tick index chart of the NYSE with the SPY chart above it. The tick index has reached extremes in areas where previous lows have (like at the February 2010 and July 2009 lows) occurred in the past. Such extreme downtick readings suggest a short term bounces that could last much longer.

We also noticed today that the SPY tested its May 6 low & Feb 6 lows on much lighter volume and a positive sign. Last Thursday's ARMS index 05/25/10 closed at extremes, suggest a low in the market. The closing tick readings also have meaning and last Thursday's the tick closed at extremes. When such combinations occur the bounce / Rally is coming shortly. Especially when the price projections have been fulfilled and tested the lows successfully (Lets put it this way we were extremely bearish in April for SPX above 1200 and at current price of 1050 we are not bearish at all till the bounce or rally is complete

There are gaps above in the SPY, which are 1150 range with the tick and ARMS index reads in bullish areas, this condition suggests a bounce to one of the gap levels on the SPY. If the market is going to start a bounce it should start in this area shortly.

Our intermediate term after this potential short term bounce is completed at which time we expect to see much more in the way of another bearish divergences. Then we are expecting the market to turn back down lower into October. Our conclusion in the past has been, when the weekly MACD turns down the second time after a negative divergence then the larger top is in.

We expect the market to work lower into October of this year but are expecting a bounce to 1150. We will capture our bearish stance after the rally and B point is established .

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SENTIMENT - PUT-CALL Ratio

Indicates excessive Bearishness Chart shows the Put-Call Ratio with its 10-day moving average in the bottom window. The other indicator window shows the Percentage Price Oscillator for the CBOE Put/Call Ratio. This week's surge pushed the oscillator to its highest level since March 2007. This shows excessive bearishness that could set up a near term low.

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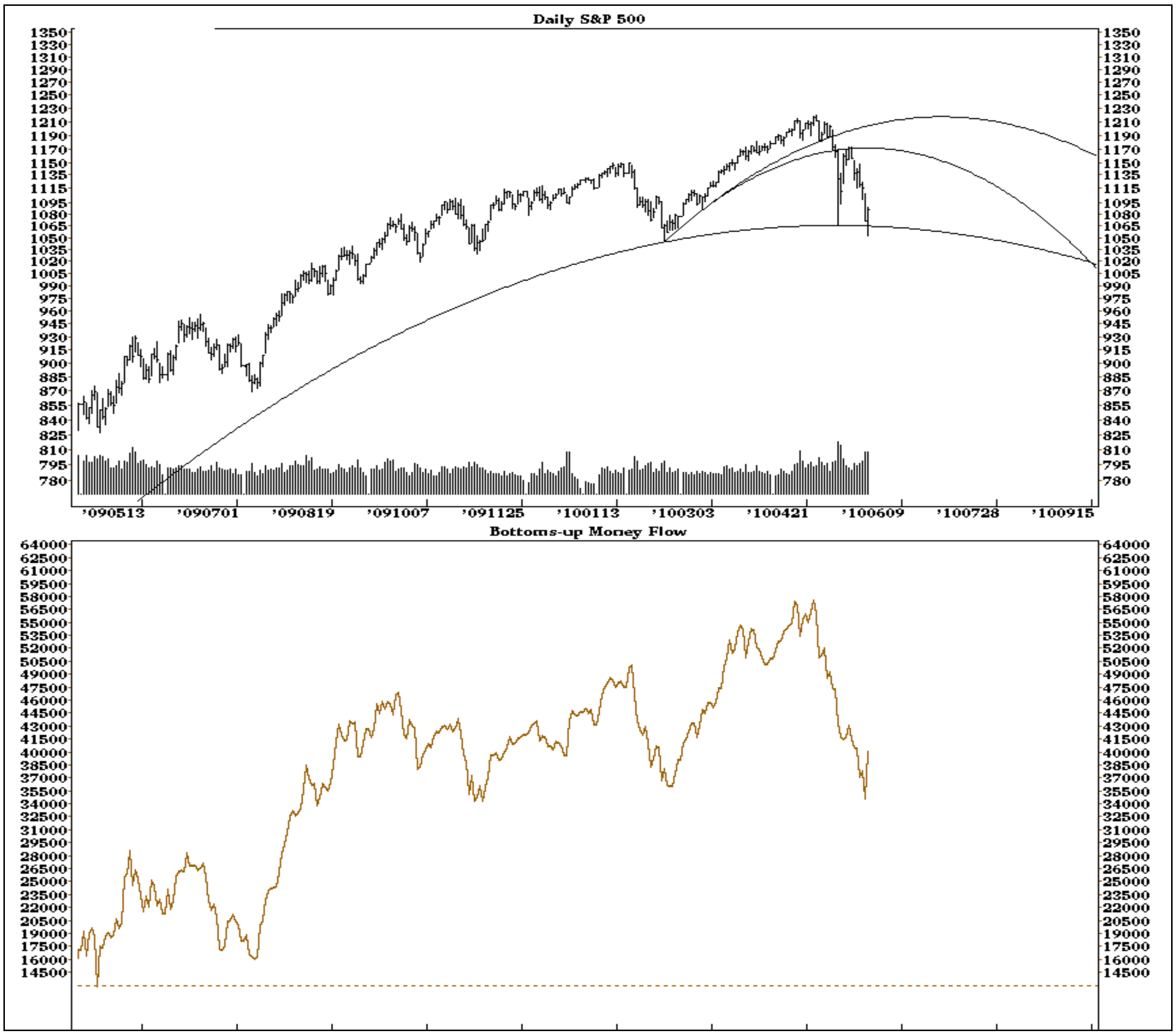
SPY – IT

Poly trend line 1050, computed via several projection targets supported the decline. We should expect this correction to setup another larger bounce. The DOW target of 9800 we gave you also had good support.



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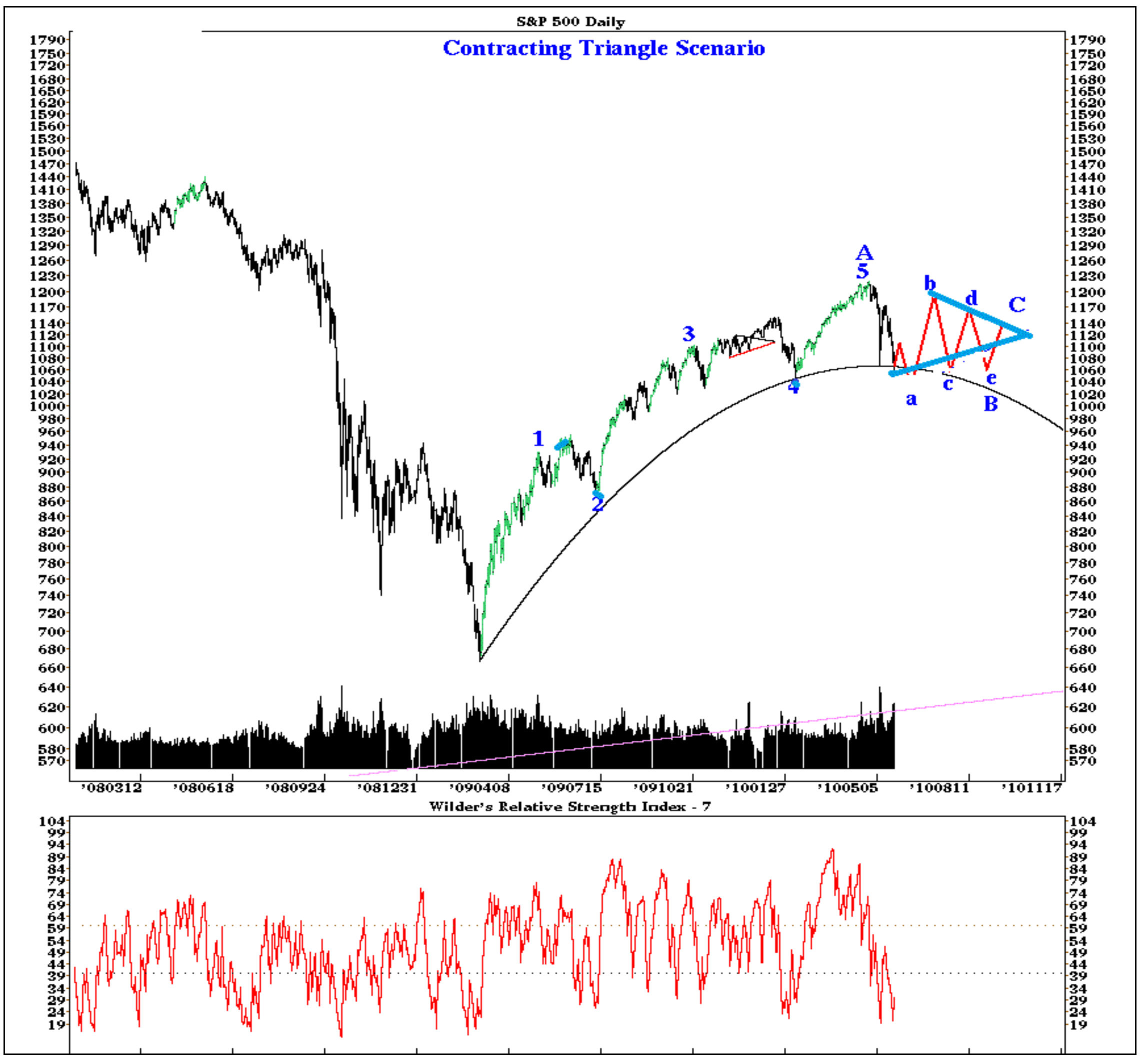
SPY – IT – " Projected Price Path"

Since we saw a very clear five-wave movement to the upside from March 2009 to April 2010, that has to be counted as a wave A advance. The correction we're now experiencing would then be counted as a wave B decline. Given the very volatile drop of only 25 days from the high of April 26 to the low of May 21, that wave a is very likely to be the first wave down in a contracting triangle wave B.

Consequently, we should expect a wave b rally, typically will retrace about 50% of the wave a decline). From that wave b high, we should see a wave c decline to retest the wave a low, a wave d rally which falls short of the wave b high and final decline in wave e. That wave e would end the wave B contracting triangle.



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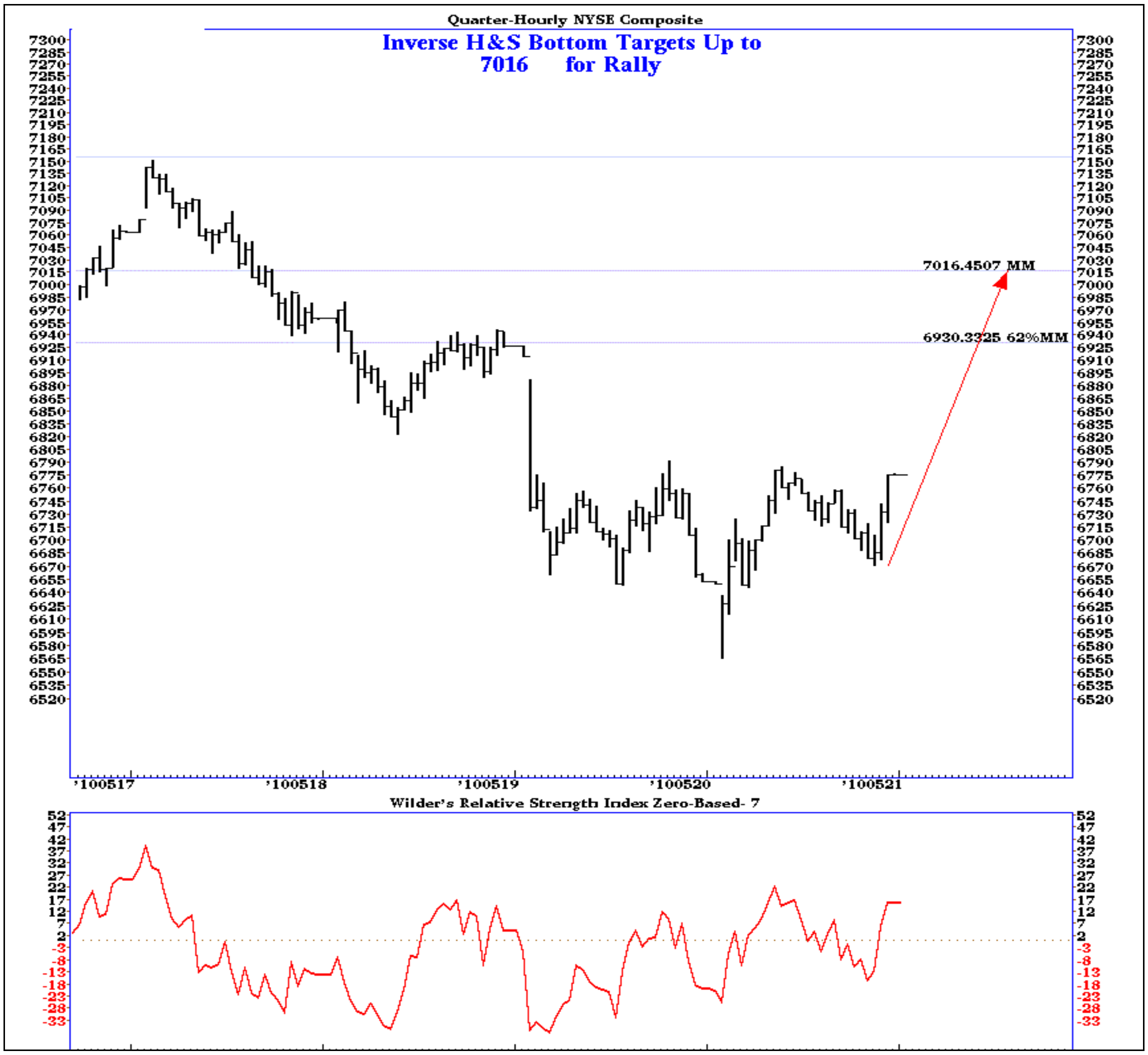
NYSE – ST

In hourly work , the stocks made their lows and formed an inverse head and shoulders bottom. The rally out of this pattern has two targets as shown on the NYSE chart.



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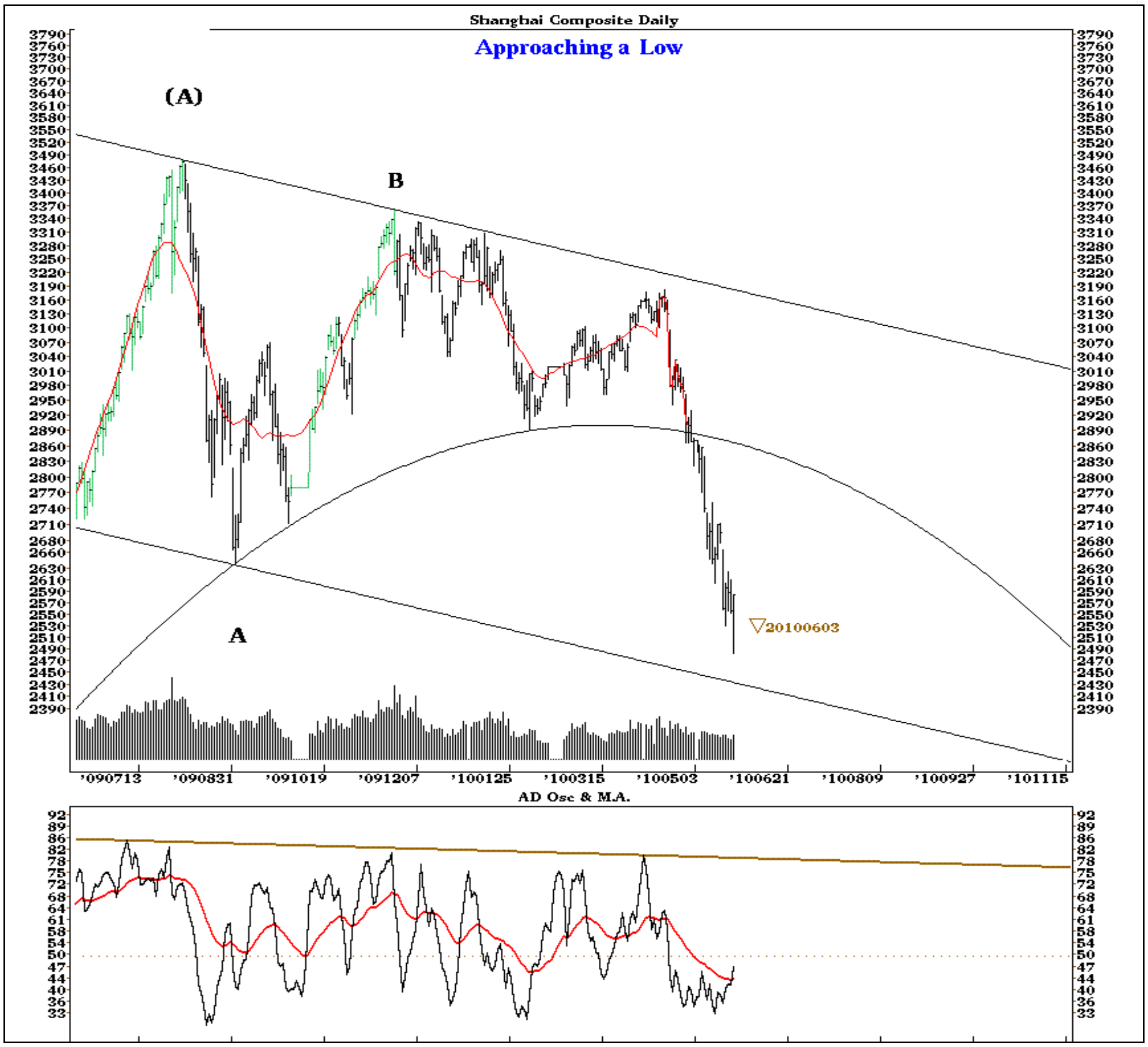
CHINA

This market signaled the Top as Lead Indicator and is now signaling the lows , Rally out of this should lead the rest of the world to kick start a rally. Market could be approaching a good trading low.



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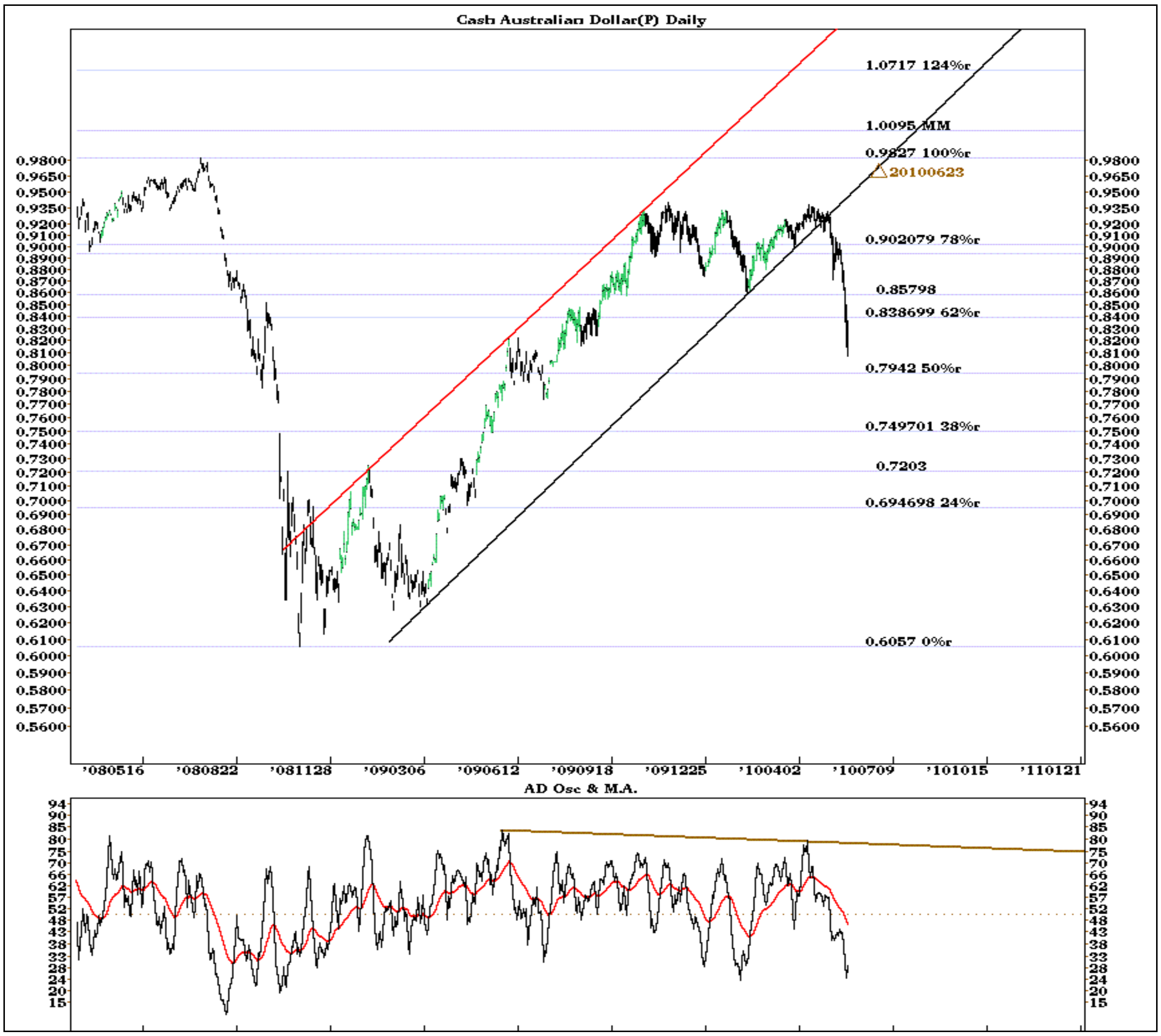
AUD

Channel Break signaled the top but after last week Aussie decline . It's getting to be oversold and due for a bounce,

China weakness is seen in AUD and therefore the Commodity Market. All 3 are co related.



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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,

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