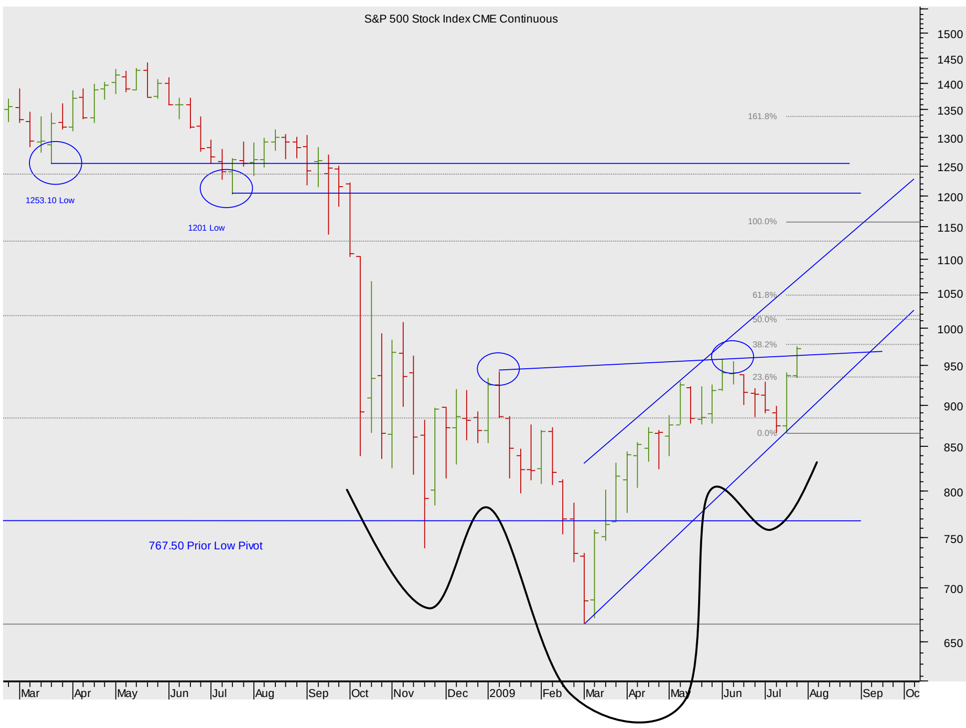
Our Guides - the **Technical Trader's Guide** and the **Macro Trader's Guide** both deal with these and many other markets in much more detail over multiple time- frames. **Key Trades Bulletins** subscribers receive a detailed report on every trade we enter for our Key Trades Portfolio. More details about all these products: CLICK HERE

Market Update 23rd July 2009

How good is the S&P?

The Technical Trader's view:



WEEKLY FUTURES CONTINUATION CHART

The drama of the market is clear enough: a Head and Shoulders Reversal may have completed.

Traders need the close on the week to be above the Neckline…but that may be to wait to long.

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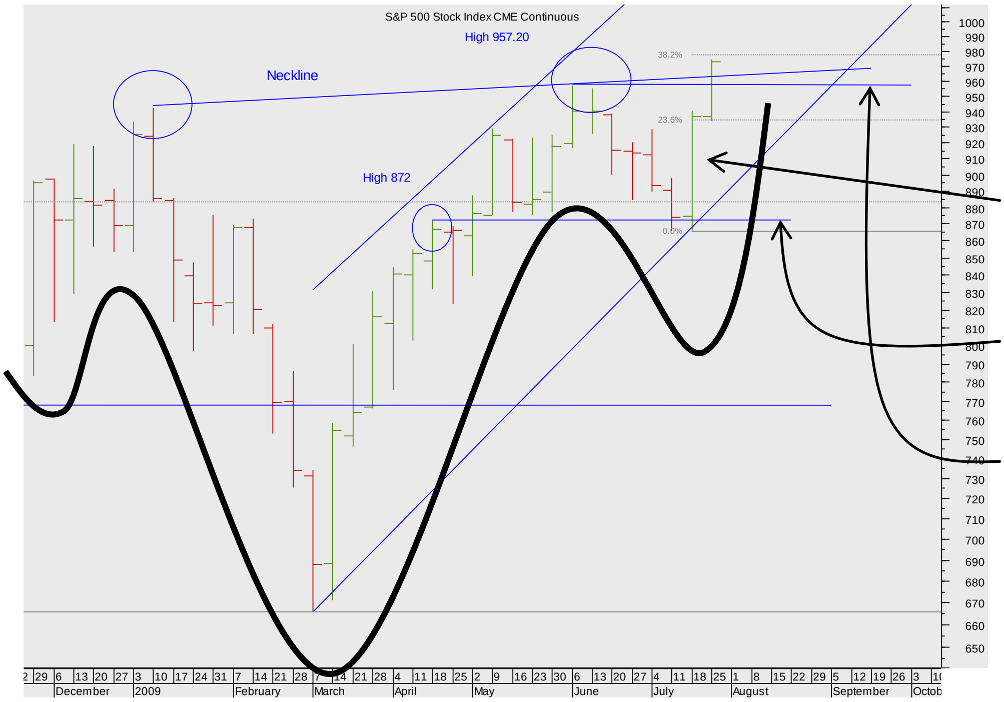
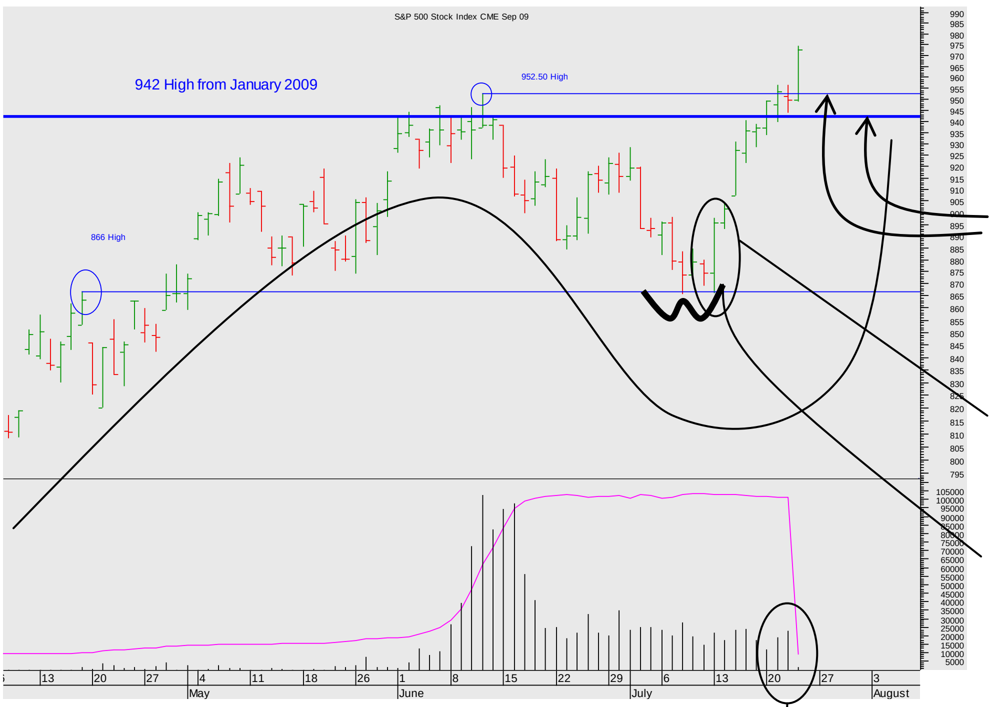
SEVEN DAYS AHEAD



WEEKLY FUTURES CONTINUAITON CHART

This is fascinating: note the <u>nearly</u> weekly Key Reversal, which was the result of bouncing of the Prior High support at 872.

The market has got back through the recent High at 957.20 giving an <u>additional</u> stimulus …
And now the first break of the Neckline - completion of the H&S Reversal pattern?
Look closer still…



DAILY FUTURES CHART

The simultaneous break up through the 942 High and then the 952.50 high will certainly stimulate fresh short-term buying.

The <u>true</u> Day Key Reversal from the 13th July 2009 is clear – and note that is it also a Double Bounce from the 866 High.

<u>The market has smashed the Prior High Pivots.</u>

<u>All in good volume</u>

Fresh buying to come!

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The Macro Trader's view:

After almost three months of sideways price action following a rejection of the lows, the S&P is on the verge of re-establishing a new bull run.

The earlier rally away from the lows of March was fuelled by belief the US was emerging from recession and would begin to grow again later in the year, but that optimism gave way to serious doubts over the economy's ability to grow when the Banks were still, if not in intensive care, not yet ready to check out of Hospital.

But sentiment in markets can change quickly. In recent weeks exactly that has occurred: traders have again begun to believe the US economy is on the mend as the leading economy. Banks have reported stronger profits at the same time as macro-economic data has continued to show improvement.

- **the ISM non-manufacturing survey has continued to advance closer to 50.0,**
- **Pending home sales have increased,**
- **Housing starts and building permits have strengthened, and**
- **Retail sales have been broadly stronger than expected.**

Additionally, the Fed has stopped worrying about deflation and expects the economy to begin growing later this year, and although a rapid recovery isn't expected, and they expect unemployment to rise a little further, the worst of the crisis looks past. Today, Goldman Sachs became the first US Bank to repay the bailout funds it received at the height of the financial crisis, with other leading Banks likely to follow.

And as the quarterly reporting season goes on and several bell weather firms in the consumer sector (Starbucks and Apple) report better than expected results that suggest the consumer remains alive and well, equity markets look buoyant.

While data could yet throw out the odd unhelpful surprise, which s occurs at major turning points in the cycle causing traders to pause, we believe the S&P is building into a new Bull Market. As ever, timing entry will be the key.

Mark Sturdy

John Lewis

Seven Days Ahead

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