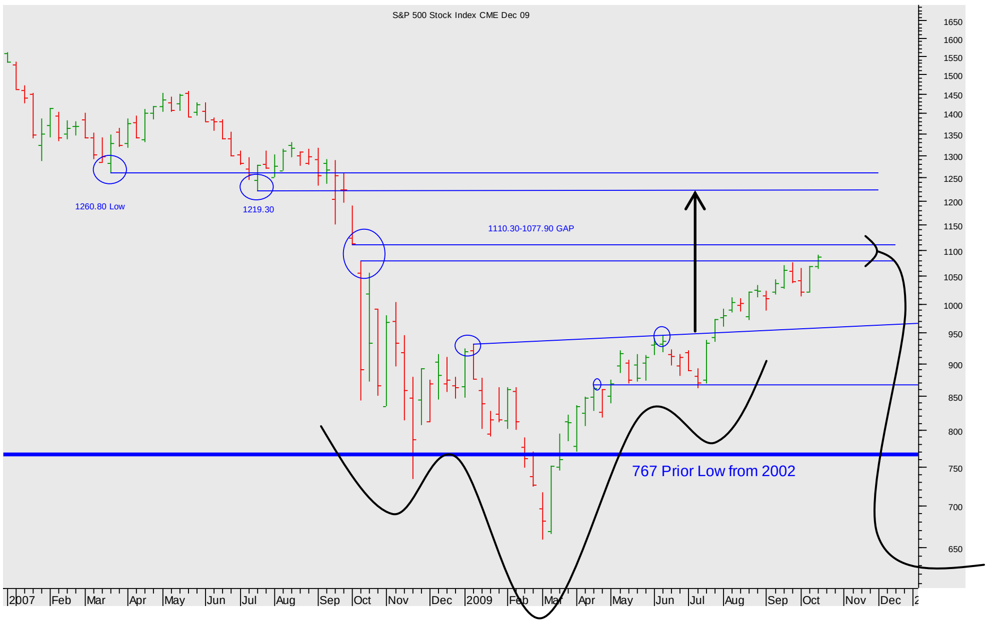
Our Guides - the **Technical Trader's Guide** and the **Macro Trader's Guide** both deal with these and many other markets in much more detail over multiple time- frames. **Key Trades Bulletins** subscribers receive a detailed report on every trade we enter for our Key Trades Portfolio. More details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

Market Update   15th October 2009

Does the S&P remain good value?

The Technical Trader's view:



WEEKLY CHART

We remain bulls of the S&P.

The market has been driven better by the Head and Shoulders Reversal in place.

But there is more to go – just 50% of the minimum move has been achieved.

There has been a slight pause at the Gap resistance at 1110-1077.

But now the market appears to be penetrating that resistance.

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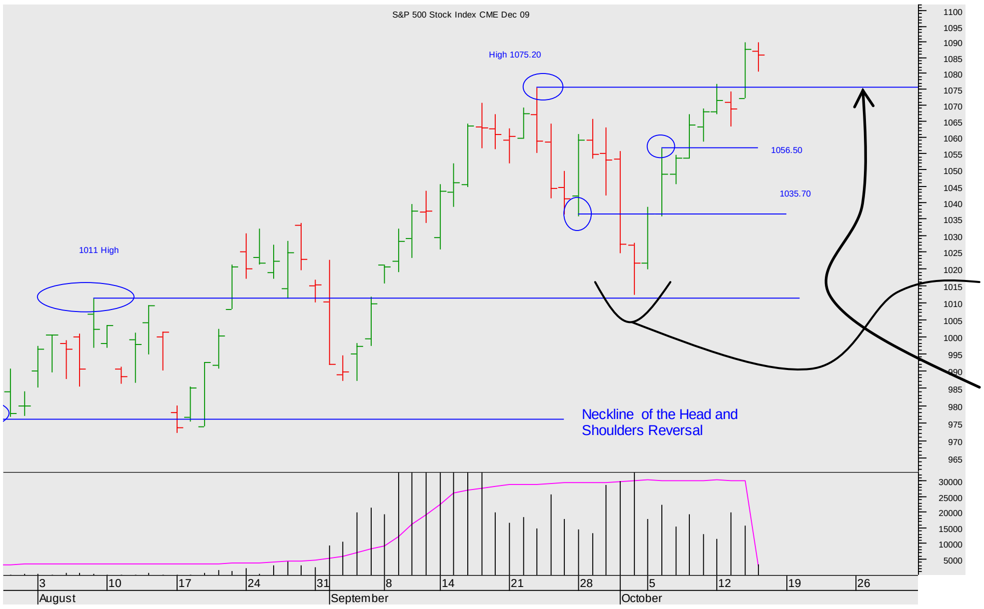

DAILY CHART

The day chart suggests a solidly-constructed bull trend.

The Prior High at 1011 was good support.

And now the recent High at 1075 has been overcome with an encouraging surge of volume.

That should act as good support and ratchet the market higher still.

The Macro Trader's view:

The S&P has enjoyed a sustained rally since March and although there have been periodic corrections driven by doubts over the durability of the fledgling recovery, traders have on each occasion overcome their anxiety and the rally has extended.

More recently the market suffered another correction after a disappointing ISM manufacturing survey and non-farm payroll report earlier this month, which again raised fears about the staying power of the recovery.

These fears were short-lived. The more important ISM non-manufacturing survey released the next week, beat consensus and showed the service sector of the economy was once again expanding.

Earlier this week another potential hurdle was successfully overcome when retail sales came in better than expected. The expectation in the market was for a steep contraction on the month resulting from the Government's cash for clunkers scheme expiring.

In the event, while a negative number was reported, it was better than consensus and the ex-auto version was in positive territory, offering hope that the consumer remains willing to spend.

But as we are now into the Q3 corporate reporting season, traders are more inclined to react to high profile corporate results, than Macroeconomic data. But here too, the news so far is good. Apart from some solid results released by non-financials, the S&P has risen on strong profit reports from J P Morgan Chase. Today, Goldman Sachs had stronger-than-expected results.

This is not only good news for shareholders but also for the economy, since as the leading financial institutions repair their balance sheets and profitability, their appetite for advancing new lines of credit will grow. This will feed the recovery and, in turn, feed equity markets.

So although the S&P has done well to get to current levels, we judge the signs are encouraging and it should rally further.

Mark Sturdy

John Lewis

Seven Days Ahead

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