



Daily trading plan for Dec. 17, 2007

1. ESZ7 IN PREVIOUS DAY

| Open | High | Low | Closing |
|---------|---------|---------|---------|
| 1487.50 | 1498.00 | 1478.00 | 1478.50 |

2. PIVOTS FOR ESZ7

| | Daily | Weekly | Monthly | Yearly |
|------------|----------------|----------------|----------------|----------------|
| R3 | 1511.67 | 1572.33 | 1679.33 | 1722.00 |
| R2 | 1504.83 | 1549.67 | 1609.42 | 1583.50 |
| R1 | 1491.67 | 1514.08 | 1546.58 | 1506.00 |
| PPT | 1484.83 | 1491.42 | 1476.67 | 1367.50 |
| S1 | 1471.67 | 1455.83 | 1413.83 | 1290.00 |
| S2 | 1464.83 | 1433.17 | 1343.92 | 1151.50 |
| S3 | 1451.67 | 1397.58 | 1281.08 | 1074.00 |

3. FOCUS NUMBERS (Intra-day Position trading)

| Sell levels | Buying levels |
|------------------------|-------------------------------|
| 1487.25 (First Sell#) | 1469.25- 1467.25 (first Buy#) |
| 1496.00 (Second Sell#) | 1461 - 1459.25 (second Buy#) |

4. MAJOR RESISTANCE AND SUPPORT LEVELS FOR TODAY

| | | | | | |
|-------------------|---------|---------|---------|---------|---------|
| Resistance | 1487.25 | 1493.25 | 1496.75 | 1501.50 | 1507.50 |
| Support | 1469.25 | 1465.75 | 1461.00 | 1459.25 | 1453.25 |

5. LONG-TERM OUTLOOK

The S&P 500 (SPX) closed at 1467.95 on Friday, net weekly loss 36.71 points. Last week, we had a classic battle: Fed versus the markets. Before the FOMC meeting on Tuesday, the recent data had been fairly positive, analysts expected the Fed would cut interest rates by 0.25%, and that expectation was factored into the price before the meeting. So it was not a big surprise for the Fed's decision. "Buy the rumor, Sell the news" type movement occurred right after Fed announcement.

However, there was a big surprise and disappointment in the Fed's statement that accompanied the rate cut announcement. That statement made the market nervous and worried that the Fed would not be taking any further steps to give the economy a boost for awhile. So the market plunged, with SPX closing down 51.50 points.

The next morning, Wednesday, before the stock market opened, the Fed jumped in with an unexpected and dramatic announcement — a rescue package, in which four major global central banks will lend at least \$40 billion to financial firms that need it. That announcement indicated the Fed is willing to do more to solve the credit problems. It caused the market to "gap up" at the open. SPX almost immediately went back up more than 40 points, but by the close Friday it had all been given back.

Traders and investors were angered and frustrated because their positions were blown out on both sides. But that movement was no different from one occurred in March and one in April 2000. It is a sign of struggle between Bull and Bear, often characterized by a "railway track" chart pattern until one side totally gives up fighting.

Due to coming holiday season and option expiration this week, we may see SPX makes a little continuation down and then go bouncing sideways until the holiday season is over. The short-term trend is clearly downside. Last Tuesday's high 1523.57 remains important to the near-term bearish case and shouldn't be exceeded (or even tested)

Monthly resistance level remains at 1555 and monthly support level still is 1375.
Major weekly resistance level for SPX is 1496 and support level 1406.75

SPX DAILY Chart



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6. WEEKLY OUTLOOK — ESZ7

Last week ES closed below 20/40 weekly moving average lines. So far long-term trend is up, but short-term remains down and bearish. Last Friday the 90% volume showed up on the downside move. Of the 30 stocks in the DJIA, 28 closed on the downside; all of the 10 S&P 500 economic sectors closed the day down, with the downside leaders the financials followed by energy and information technology. That indicated market sentiment was very bearish and the selloff was across-the-board.

This week, we could see ES makes a continuation down move until it finds the support level around 1423-1410 range. But due to the coming holiday and option expiration week, we may see ES make a little down and bounce from the 1437 area to make a holiday rally to 1487-94 range. Nevertheless, the short term on ES still is bearish.

Struggling around 20/40 weekly moving average line usually will cause a high volatility whipsaw move. Trade caution

Weekly major resistance level is 1507.50. Weekly major support is 1426.

ES WEEKLY Chart



7. DAILY OUTLOOK

In the past four days, ES mainly performed a railway track move, but with a relatively smaller range in the last two days. That is a typical bear move in the fight to take control of the market.

This today we may see ES make a low first and bounce from the first hour range low. ES currently goes into contraction mode. Smaller range than last Friday should be expected, but lower highs and lower lows compared to last Friday could also be made.

ESZ7 DAILY Chart



8. TRADING STRATEGY FOR Dec. 17, 2007

Today 1468.75 is first key support level. Fails to hold ES above it could be negative and it is likely for ES to go down further to 1460.75-59 to fill 1463.25 gap created Dec. 4. If we see Gap up at open, we still look for short side entry. As long as price doesn't breakout 1507.50, intraday trend is down and will stay down.

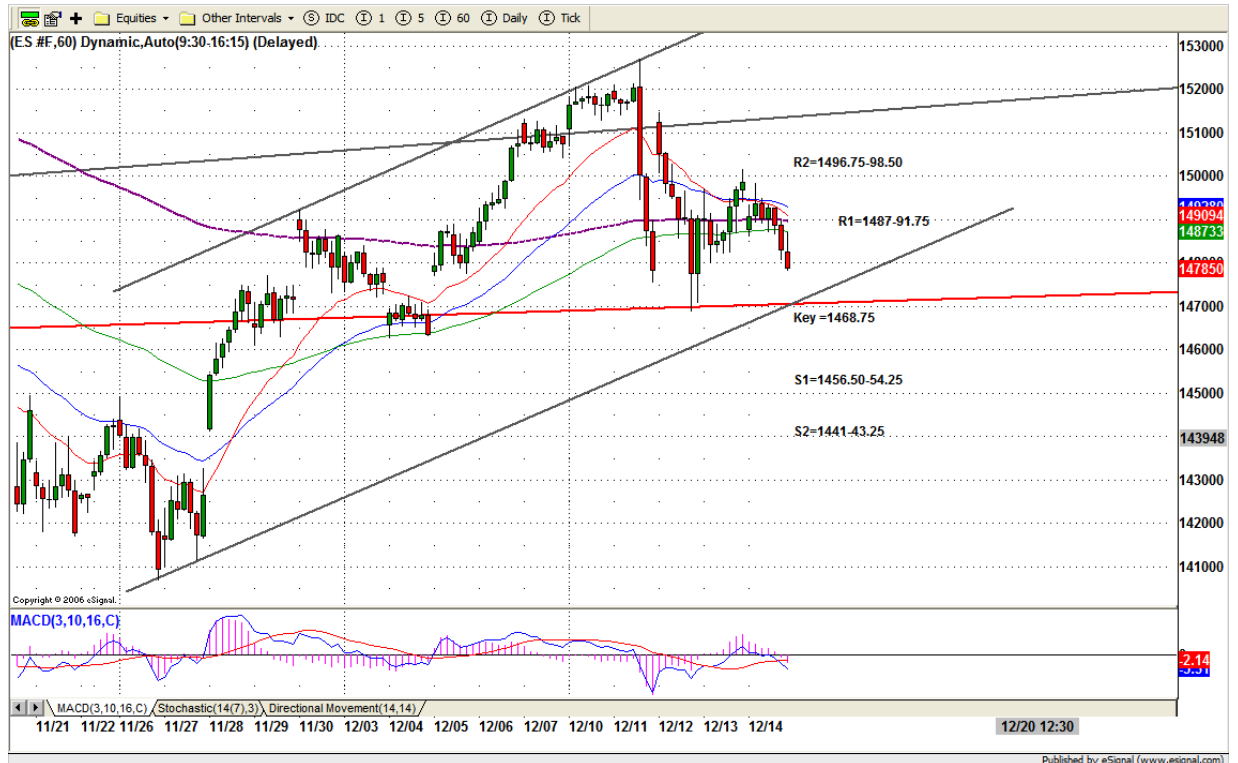
Intraday swing position entry on short side:

1487.25 (scalp) 1496.75 (agg) and 1502.25 (cons)

Intraday swing position entry on long side:

1469-67.25 (scalp) 1459.75-61 (agg) and 1449.50 (cons)

ESU7 INTRADAY



9. PREDICTION FOR TODAY'S MOVEMENT

Current (interval=0.95)

| | |
|---------|------|
| 1507.81 | +2/8 |
| 1503.91 | +1/8 |
| 1500.00 | 8/8 |
| 1496.09 | 7/8 |
| 1492.19 | 6/8 |
| 1488.28 | 5/8 |
| 1484.38 | 4/8 |
| 1480.47 | 3/8 |
| 1476.56 | 2/8 |
| 1472.66 | 1/8 |
| 1468.75 | 0/8 |
| 1464.84 | -1/8 |
| 1460.94 | -2/8 |

Up (Interval=3.90)

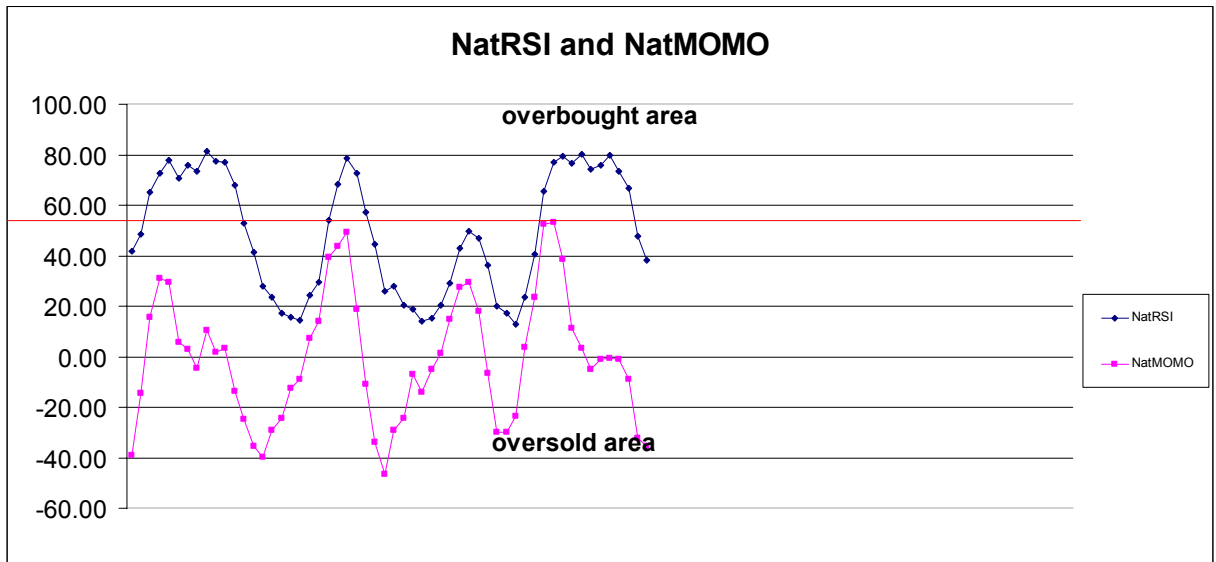
| | |
|---------|------|
| 1507.81 | +2/8 |
| 1503.91 | +1/8 |
| 1500.00 | 8/8 |
| 1496.09 | 7/8 |
| 1492.19 | 6/8 |
| 1488.28 | 5/8 |
| 1484.38 | 4/8 |
| 1480.47 | 3/8 |
| 1476.56 | 2/8 |
| 1472.66 | 1/8 |
| 1468.75 | 0/8 |
| 1464.84 | -1/8 |
| 1460.94 | -2/8 |

Down (Interval=3.90)

| | |
|---------|------|
| 1492.19 | +2/8 |
| 1488.28 | +1/8 |
| 1484.38 | 8/8 |
| 1480.47 | 7/8 |
| 1476.56 | 6/8 |
| 1472.66 | 5/8 |
| 1468.75 | 4/8 |
| 1464.84 | 3/8 |
| 1460.94 | 2/8 |
| 1457.03 | 1/8 |
| 1453.13 | 0/8 |
| 1449.22 | -1/8 |
| 1445.31 | -2/8 |

10. OTHER INDICATORS

| NatRSI (1day) | NatRSI (5day) | NatMoMo | ATR 10 | Waist number |
|---------------|---------------|---------|--------|--------------|
| 0.28 | 0.38 | -35.28 | 22.25 | 1483.00 |
| neutral | neutral | | | |



11. WEEKLY ECONOMIC REPORTS

(<http://www.briefing.com/Investor/Public/Calendars/EconomicCalendar.htm>)

| Date | ET | Release | For | Actual | Briefing.com | Consensus | Prior |
|--------|-------|--------------------------------------|-------|--------|--------------|-----------|-----------|
| Dec 17 | 08:30 | Current Account | Q3 | | | -\$183.0B | -\$190.8B |
| Dec 17 | 08:30 | NY Empire State Index | Dec | | NA | 21.0 | 27.4 |
| Dec 17 | 09:00 | Net Foreign Purchases | Oct | | | | -\$26.4B |
| Dec 18 | 08:30 | Housing Starts | Nov | | NA | 1190K | 1229K |
| Dec 18 | 08:30 | Building Permits | Nov | | NA | 1150K | 1170K |
| Dec 19 | 10:30 | Crude Inventories | 12/14 | | NA | NA | -722K |
| Dec 20 | 08:30 | GDP-Final | Q3 | | NA | 4.9% | 4.9% |
| Dec 20 | 08:30 | Chain Deflator-Final | Q3 | | NA | 0.9% | 0.9% |
| Dec 20 | 08:30 | Initial Claims | 12/15 | | NA | NA | 333K |
| Dec 20 | 10:00 | Leading Indicators | Nov | | NA | -0.1% | -0.5% |
| Dec 20 | 12:00 | Philadelphia Fed | Dec | | NA | 8.0 | 8.2 |
| Dec 21 | 08:30 | Personal Income | Nov | | NA | 0.5% | 0.2% |
| Dec 21 | 08:30 | Personal Spending | Nov | | NA | 0.5% | 0.2% |
| Dec 21 | 08:30 | Core PCE Inflation | Nov | | NA | 0.2% | 0.2% |
| Dec 21 | 10:00 | Mich Sentiment-Rev. | Dec | | NA | 74.3 | 74.5 |

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