



Daily Trading Plan for Oct. 20, 2008

1. ESZ8 IN PREVIOUS DAY

Open	High	Low	Closing
921.25	987.75	918.00	933.50

2. PIVOTS FOR ESZ8

	Daily	Weekly	Monthly	Yearly
R3	1044.58	1231.17	1467.17	1796.75
R2	1016.17	1144.33	1385.33	1691.75
R1	974.83	1038.92	1277.17	1584.50
PPT	946.42	952.08	1195.33	1479.50
S1	905.08	846.67	1087.17	1372.25
S2	876.67	759.83	1005.33	1267.25
S3	835.33	654.42	897.17	1160.00

3. FOCUS NUMBERS (Intra-day Position trading)

Sell levels	Buying levels
996-25- 999 (First Sell#)	899.50-894.75 (first Buy#)
1042.75-1060 (Second Sell#)	841-843.50 (second Buy#)

4. MAJOR RESISTANCE AND SUPPORT LEVELS FOR TODAY

Resistance	975.25	996.75	1003.75	1023.00	1058.00
Support	898.25	883.50	863.50	818.75	773.50

5. LONG -TERM OUTLOOK - \$SPX

The S&P 500 (\$SPX) closed at 940.55 on Friday, ending with weekly net gain of 41.33 points. The stock market had much more volatile movement last week. It frequently had 5% to 10% one-day moves in both directions. We are in a serious bear market.

The current bear market has more volatility than the two previous major bear markets (1991 and 2001). Buty now the US has the worst financial system crisis, the worst housing meltdown, the worst consumer debt bubble and the greatest government debt exposure in recent history, and all of these elements point toward a deep recession. We should expect this bear to last longer than those previous two bear markets.

The current market has a deeply oversold condition due to the heavy panic selling that occurred in the past two weeks. Also it has had more substantial declines in the first year than previous bears. Therefore we should expect bear market correction rallies in the coming weeks and months, and with the decline then resuming, probably next year.

The CIT day (Oct. 20) +/- 2 day will be on Monday. We may have seen the low of this year already or we may see one more push down to retest Oct. 10's low within the next few days. In either event an oversold bounce should be expected.

Major monthly resistance level is 1221 and major support level is 750
Major weekly resistance level is 1175.75 and support level 750

SPX WEEKLY Chart



6. WEEKLY OUTLOOK - ESZ8

Last week, ES bounced from its previous Friday's low and struggled in both directions. A great deal of fear remains in the market and that pushed market volatility to record levels around 80.

Have we seen the bottom? The ES has breached major support line 1060, and tried to retest that level last week, but failed to move above the breakdown line for weekly closing. Based on last week's move, we expect the market needs to have one more attempt to test 837 area early this week. Our measurement for the completion of this down move, to the 764-770 range, remains intact.

This week we need to see ES move down to retest last Friday's low 865.25 or further to 764-770 range on Monday – Wednesday. We want to form a yearly bottom earl; we then should expect a 20-25% rally into the end of this year.

Weekly resistance line 1178 and support line 764.00

ES WEEKLY Chart



WEEKLY FOCUS NUMBERS

Sell levels	Buying levels
1061.75-67.00 (First Sell#)	854.25-843.50 (first Buy#)
1133.25-1029.75 (Second Sell#)	761.25-757.50 (second Buy#)

7. DAILY OUTLOOK

Last Friday ES managed to close below 950 level. 80 million option contracts expired on the Friday and created a sharp shakeout move after lunch. That is an option game play.

ES is forming a triangle pattern on daily chart, it is either in a sub-wave 4 or sub-wave 5 move. If in wave 4, a-b-c-d-e pattern should be expected, in which last Friday's high was C-top and today we should see D bottom, which needs to be higher than 865.25 line, and then to form E-top, which needs to be lower than 987.75 to end this wave 4 pattern — i.e. a higher low and a lower high to complete the pattern.

The alternative reading is that ES may be in sub-wave 5 pattern already. If this is correct, we should see a new low around 837 area to end our big wave 3. No matter what pattern ES is in, it should not exceed last week's high today.

ESZ8 DAILY Chart



8. TRADING STRATEGY FOR Oct. 20, 2008

Due to last Friday's option expiration, ES had a shakeout movement, which seems it is going to perform e-wave 4 (sharper move than any other waves). If ES does to try this wave, then last Friday's high shouldn't be exceeded and price should go low first in the morning before bouncing up to form e-top. ES could retest the 837 area for testing.

Intraday swing position entry on short side:
975-976 (scalping) 998-1003 (agg) and 1045-1066.00 (cons)
Intraday swing position entry on long side:
861-55.00 (scalping) 818.25 (agg) and 764.75 (cons)



9. PREDICTION FOR TODAY'S MOVEMENT

Current (interval=15.63)

1031.25	+2/8
1015.63	+1/8
1000.00	8/8
984.38	7/8
968.75	6/8
953.13	5/8
937.50	4/8
921.88	3/8
906.25	2/8
890.63	1/8
875.00	0/8
859.38	-1/8
843.75	-2/8

Up (Interval=15.63)

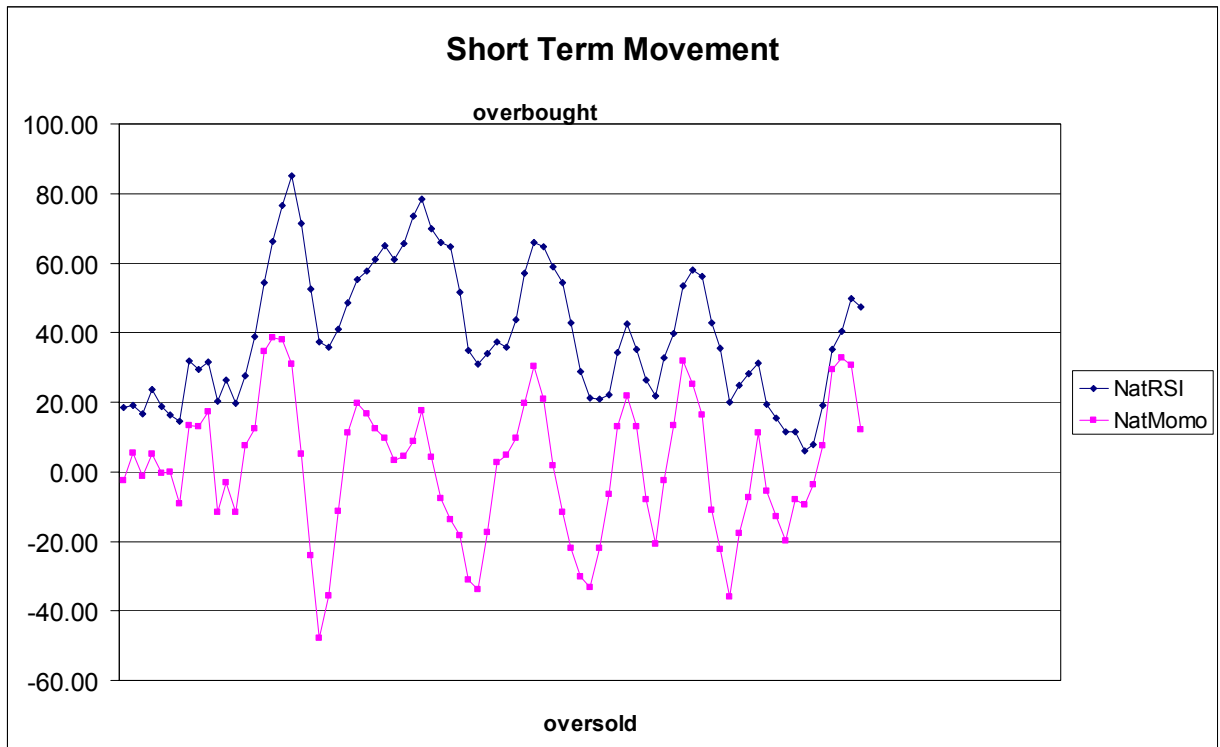
1031.25	+2/8
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984.38	7/8
968.75	6/8
953.13	5/8
937.50	4/8
921.88	3/8
906.25	2/8
890.63	1/8
875.00	0/8
859.38	-1/8
843.75	-2/8

Down (Interval=15.63)

1031.25	+2/8
1015.63	+1/8
1000.00	8/8
984.38	7/8
968.75	6/8
953.13	5/8
937.50	4/8
921.88	3/8
906.25	2/8
890.63	1/8
875.00	0/8
859.38	-1/8
843.75	-2/8

10. OTHER INDICATORS

NatRSI (5day)	NatMoMo	ATR 10	Waist number	
0.47	11.99	67.53	927.38	
neutral				



11. WEEKLY ECONOMIC REPORTS

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

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior
Oct 20	10:00	Leading Indicators	Sep	NA	-0.3%	-0.5%	
Oct 22	10:35	Crude Inventories	10/18	NA	NA	NA	
Oct 23	08:30	Initial Claims	10/18	NA	NA	NA	
Oct 24	10:00	Existing Home Sales	Sep	NA	4.93M	4.91M	