



Daily Trading Plan for Oct. 27, 2008

1. ESZ8 IN PREVIOUS DAY

Open	High	Low	Closing
845.00	896.75	840.25	866.00

2. PIVOTS FOR ESZ8

	Daily	Weekly	Monthly	Yearly
R3	951.58	1111.58	1467.17	1796.75
R2	924.17	1052.17	1385.33	1691.75
R1	895.08	959.08	1277.17	1584.50
PPT	867.67	899.67	1195.33	1479.50
S1	838.58	806.58	1087.17	1372.25
S2	811.17	747.17	1005.33	1267.25
S3	782.08	654.08	897.17	1160.00

3. FOCUS NUMBERS (Intra-day Position trading)

Sell levels	Buying levels
923.50 (First Sell#)	800-795.25 (first Buy#)
959.25-57.00 (Second Sell#)	754.75-757.50 (second Buy#)

4. MAJOR RESISTANCE AND SUPPORT LEVELS FOR TODAY

Resistance	899.75	908.75	1003.75	1052.27	1086.25
Support	831.75	806.58	795.25	784.25	764.25

5. LONG -TERM OUTLOOK - \$SPX

The S&P 500 (\$SPX) closed at 876.77 on Friday, ending with weekly net loss of 63.78 points which was 6.8%. This is the first time for SPX to close below 900 level since early 2003. It indicates the stock market remains bearish, and new intraday lows could be made this week.

Last Friday the futures were limit down overnight and when the regular trading started, the stock market rallied back, showing limited downside market action. The market volatility index shot up high again at the open, but we didn't see the sell off action from our market all day. That could be due to a reluctance of both sides to leave positions open for the weekend.

On the daily SPX chart, there is a wedge — a pattern of horizontal support and declining resistance that indicates one side or the other will break out soon. Based on last Friday, with high VIX peak, and indicators heading back into oversold territory, one would think a rebound is the only possibility. But the closing price shows the market continued to deteriorate, so it also has a chance to breakdown to make at least new intraday lows before there is a bounce back. No matter what we think the market “should” be doing, we need to focus on the current contracting wedge shape, this is the pattern which could set up some movement in one direction or another very soon.

Major monthly resistance level is 1221 and major support level is 750
Major weekly resistance level is 1060.75 and support level 750

SPX DAILY Chart



6. WEEKLY OUTLOOK - ESZ8

Last week, ES lost the battle against closing below 900 level for the first time since early 2003. It attempted to rally in the early week, but in the end, all failed in later 3 days.

Look ahead of this week, on the weekly chart, there is a descending triangle pattern (wedge pattern) and overlapping a small rectangle pattern. ES mainly traveled within 1000-837 range while fighting all kinds of bad news. The VIX did shoot up below 90, and NYSE TRIN showed the 32 area, which indicates one kind of “panic” and “capitulation.” But price still holds above the Oct. 10 low and managed to close above it. This could tell us that ES may have made the low already, and could bounce anytime this week.

Another view is based on last Friday’s closing price. ES may need to retest Oct 10’s low again and make new lows to shakeout weak hands first before it starts to bounce. If this is the case, 923.50 is upside key line and 812.50 is downside key line. A break above 923.50 will be positive, and likely price will be pushed up to 992.50-1025 range. A move below 812.50 will be bearish. It is possible for ES to go down further to 776-754 range to retest year 2002’s low 768 area.

Weekly resistance line 1078 and support line 764.00

ES WEEKLY Chart



WEEKLY FOCUS NUMBERS

Sell levels	Buying levels
1062.50-1075.25 (First Sell#)	776.25-754(first Buy#)
1131.25-1137.75 (Second Sell#)	660-665 (second Buy#)

7. DAILY OUTLOOK

Last Friday due to an overnight collapse in the Asia markets, ES gapped down at open, but it managed to move back up to cover half the losses. It made a-b-c counter move before it sold off before the market closed.

Today we may see ES go down first to make new lows, (this is based on last Friday, both sides didn't want to leave positions over the weekend, especially the bears) and later price may start to bounce back up. On the downside, 850, 795, 776, 754, 740, 713, 695 and 580 are all measured key support levels.

Because ES has already been down more than 65% from 2007 peak, it is near the bottom and in extremely oversold condition, so a sharp rally should be expected anytime, especially before Oct 29.

ESZ8 DAILY Chart



8. TRADING STRATEGY FOR Oct. 27, 2008

If the overlapping patterns on the 60min chart work, ES should be in last stage of sub-wave 5. It is possible for this wave to end this week. The sub-wave 5 pattern should be completed around either 818-812 area or further lower to 776-744.75 area in normal measure. If the normal measures do not apply — and these are not normal times — then 580 is extreme measure.

Intraday swing position entry on short side:
923.25 (scalping) 959.50 (agg) and 978.25 (cons)
Intraday swing position entry on long side:
812.50 (scalping) 795.25 (agg) and 764.75 (cons)



9. PREDICTION FOR TODAY'S MOVEMENT

Current (interval=7.81)

921.88	+2/8
914.06	+1/8
906.25	8/8
898.44	7/8
890.63	6/8
882.81	5/8
875.00	4/8
867.19	3/8
859.38	2/8
851.56	1/8
843.75	0/8
835.94	-1/8
828.13	-2/8

Up (Interval=15.63)

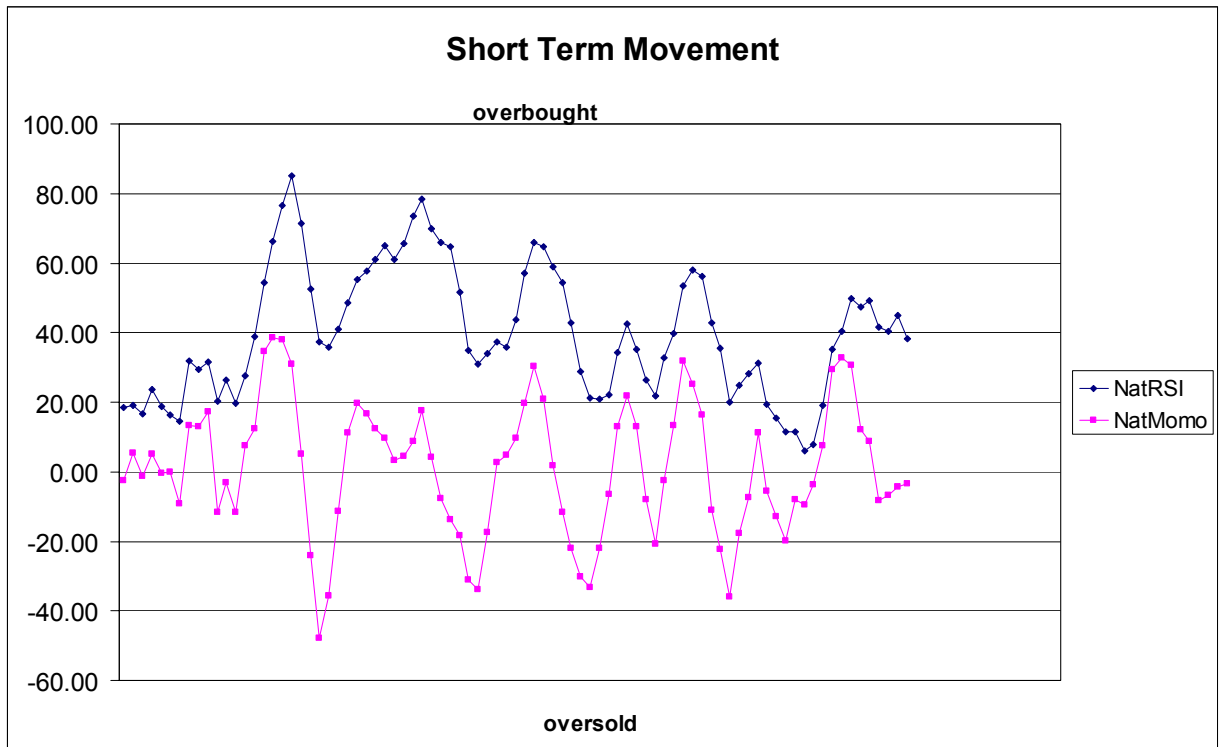
1031.25	+2/8
1015.63	+1/8
1000.00	8/8
984.38	7/8
968.75	6/8
953.13	5/8
937.50	4/8
921.88	3/8
906.25	2/8
890.63	1/8
875.00	0/8
859.38	-1/8
843.75	-2/8

Down (Interval=15.63)

906.25	+2/8
890.63	+1/8
875.00	8/8
859.38	7/8
843.75	6/8
828.13	5/8
812.50	4/8
796.88	3/8
781.25	2/8
765.63	1/8
750.00	0/8
734.38	-1/8
718.75	-2/8

10. OTHER INDICATORS

NatRSI (5day)	NatMoMo	ATR 10	Waist number	
0.38	-3.32	67.43	855.50	
neutral				



11. WEEKLY ECONOMIC REPORTS

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

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior
Oct 27	10:00	New Home Sales	Sep	445K	450K	460K	
Oct 28	10:00	Consumer Confidence	Oct	52.0	52.0	59.8	
Oct 29	08:30	Durable Orders	Sep	-1.0%	-1.0%	-4.5%	
Oct 29	10:35	Crude Inventories	10/25	NA	NA	NA	
Oct 29	14:15	FOMC Policy Statement					
Oct 30	08:30	Chain Deflator-Adv.	Q3	4.2%	4.0%	1.1%	
Oct 30	08:30	GDP-Adv.	Q3	+0.3%	-0.5%	2.8%	
Oct 30	08:30	Initial Claims	10/25	470K	473K	478K	
Oct 31	08:30	Employment Cost Index	Q3	0.7%	0.7%	0.7%	
Oct 31	08:30	Personal Income	Sep	0.2%	0.1%	0.5%	
Oct 31	08:30	Personal Spending	Sep	-0.1%	-0.2%	0.0%	
Oct 31	09:45	Chicago PMI	Oct	50.0	48.0	56.7	
Oct 31	10:00	Mich Sentiment-Rev.	Oct	55.0	57.5	57.5	