

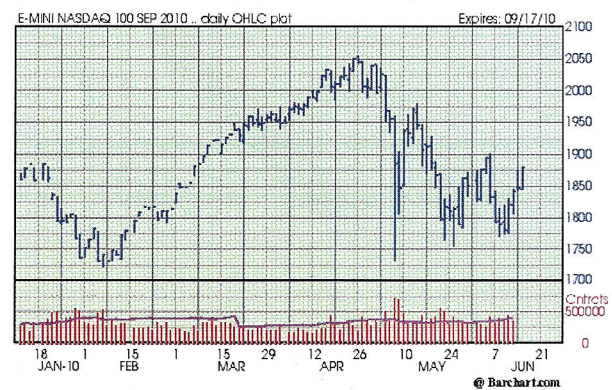


## Is the Stock Market correction over?

Since the lows set back in March of 2009, investors have been treated the best stock market rally in history. The E Mini S&P 500 rallied more than 75% off its lows of 676 to reach levels above 1210 in just 13 months. Granted, this came after more than a 50% plunge in the stock market from late 2007 to early 2009. That being said, the real question is, "where are we go from here"? The E-Mini S&P 500 has tested its February '10 lows three separate times over the past 4 weeks (see chart below). Each time the market has recovered nicely by rallying back to the 200-day moving average at 1105. The E-Mini Nasdaq has experienced similar moves off the February '10 lows and is also sitting at its 200-day moving average. So far this year, corporate earnings have exceeded analyst's expectations. Yet, as the European Union's problems unfold, corporate news takes a backseat to the EU's banking crisis. It seemed that the US economy was well on its way to recovering as the market made multi-year highs in late April '10. Most traders were expecting a correction. However, few were expecting a move as sharp and as violent as this. As we progress through June, the EU fears have subsided and the Euro appears to have regained its footing after touching lows against the US Dollar in the 1.17 range.



September 2010 E-Mini S&P 500



September 2010 E-Mini Nasdaq

It is presently trading at the 1.23 level and should continue to slowly recover to 1.25 before resuming its downward trajectory. The Euro's value against the Dollar is very important to monitor. It seems that our stock market has linked itself to the Euro and for the moment is nearly 100% correlated. The Euro's recent volatility has undoubtedly been the driving force behind the explosive moves in the E-Mini S&P 500 and E-Mini Nasdaq. This volatility should remain throughout the year as currency fluctuations will be sudden and fierce. The Euro will most likely head towards parity with the US Dollar over the next 12-24 months. We are expecting the E-Mini S&P 500 to move lower over the next few weeks to re-test the 1065-1075 range. This is the area that you should be looking to go Long to potentially capture a move higher to the 1150 level. Similarly, we are expecting the E-Mini Nasdaq to re-test the 1815-1825 level. You should also use this pull-back in the market as an opportunity to position yourself Long to take advantage of a potential move higher into the 1950-1960 level.

### TRADE RECOMMENDATIONS (6/17/2010)

#### E-Mini S&P 500 Futures and Options:

Buy ESU10 (September 2010 E-Mini S&P 500) at 1072.50 o/b with a GTC sell-stop at 1032.00. If filled, exit position if September 2010 E-Mini S&P 500 rises above 1148.50. Buy ESU10 (September 2010 E-Mini S&P 500) 1200 Calls (expires 9/17/10) at 9.5 o/b (\$475). If filled, exit position if the option price trades above 22.0.

#### E-Mini Ndaq Futures and Options:

Buy NQU10 (September 2010 E-Mini Nasdaq) at 1828.50 o/b with a GTC sell-stop at 1744.50. If filled, exit position if September 2010 E-Mini Nasdaq rises above 1947.50. Buy NQU10 (September 2010 E-Mini Nasdaq) 2000 Calls (expires 9/17/10) at 32.0 o/b (\$640). If filled, exit position if the option price trades above 61.0.

