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Today's S&P Report

For Thursday August 7, 2008

FINAL EDITION

Special Notice - The Crash of 2008 (no we are not kidding)

You've probably never heard of Juval Aviv. He was an Israeli Mossad agent (their CIA). A real James Bond. He gave information to our federal government about 9/11 and the details of how it would happen, one month before the attack on September 11 occurred. He informed the FBI and CIA in **August 2001** that as many as 200 terrorists were slipping into the United States and planning "a major assault on the United States." He cautioned that it had picked up indications of a "large-scale target" in the United States and that Americans would be "very vulnerable." He also gave the exact details of the London subway bombing to MI5 (their CIA) one week before it happened. He is currently a consultant to the US Congress. Here is what he says now, once again in **August 2008** and what you need to know.

Aviv says the next attack will come **in a few months** and will involve suicide bombers and non-suicide bombers in places that people congregate like Disneyland, Las Vegas, and big cities like New York, San Francisco, and Chicago. It will be in shopping malls, subways at rush hour, train stations, casinos, and football stadiums, as well as in rural America in places like Wyoming and Montana. The coming attack will be simultaneous detonations around the country in five to eight cities and the rural areas. This information is well known to the CIA and FBI and has been for years, but the US Federal Government is not saying anything publicly about it, in order not to alarm its citizens. He also says that the US response to this new attack will be for the US to attack both Iran and Syria in return and before Bush leaves office.

We have therefore skewed our computer models to be even more bearish based on **the information above in blue**. We always did that on Labor Day weekend anyway, preferring to be short in the fall for any sell off down in October or sometimes Thanksgiving. But we learned to do it in August instead, and before Labor Day, back in 1998, when the spoos crashed to

the third largest drop in history (that record still stands) on August 31. If you've been through the seminars you know that we now skew our computers to the short side more whenever football season starts and that includes the pre-season games. So that time is right now. Couple that, [with the information above in blue](#), and you now know why we have done it even more so for this coming fall of 2008. Just like last year in the early fall of 2007, we hope the [information above in blue](#) is wrong and nothing happens. But we are prepared if it does.

Special Notice - Earnings Announcements Still A Factor

You may be tired of seeing this notice, but we still have at least two more weeks of possibly significant corporate earnings announcements to endure. Remember that these announcements usually are announced either before or after the market's day session. We have seen what havoc can be wreaked upon the markets as a result of rumors of earnings news releases. We remind you that reactions to earnings reports have no particular reason and cannot be projected. They are indeed external events that have proven to have significant effects on trading activity but that are truly unpredictable by program trading precedent. Keep the presence of these rumors in mind should you see sudden moves or otherwise unexplained volatility in stocks during the day.

Program Trading Precedents

The program trading pattern recognition color for today is **Red**. The TIKI opened at **-2** on **Wednesday** and closed at **+2**.

Here are the times of today's scheduled economic reports or events that can affect the market:

7:30 Weekly Jobless Claims
9:00 Pending Home Sales
9:35 EIA Natural Gas
2:00 Consumer Credit

1. Today is a **Red Thursday** of a **PU** (post-Unemployment) week. In trading history overall, these **Red** Thursdays have seen most predictable trades **short 68%** of the time. **However**, the spoos closes have been edged **positive 53%** of the time, but with the Dow closes split **50/50**.

2. **More recently** within the past **ten** years overall, ANY **Red PU Thursdays** have seen most predictable trades **short 84.6%** of the time. Yet, the joint daily market closes have been edged **positive 53.8%** of the time.

3. **Specifically**, this is what we term a **b1** week of **PU** in trading history.

ONLY considering these particular weeks, most predictable trades on these **Red Thursdays** have only been **short 55%** of the time, with the joint daily closes split exactly **50/50**.

4. **However**, since 1998, these particular **Red Thursdays** of **b1** weeks of **PU** have seen most predictable trades **short 75%** of the time. The joint daily market closes have been **negative 58%** of the time.

5. Per your requests: How often in trading history have ANY **Red Thursdays** been **preceded** by joint daily market closes which were **negative** on Monday, then **positive** on **both** Tuesday and Wednesday (as this week)? **Five** times. Only five times in history! That represents **ONLY 7% of ALL Red PU Thursdays** in history! At any rate, of these rare **Red PU Thursdays** here were the daily **lows**: 2:50, 2:20, 1:30, 12:30, 10:15. Now put those with these days respective **highs**: 12:50, 8:40, 9:20, 9:05, 3:15. You should be able to tell by these times that most days exhibited distinct volatility. Most predictable trades have been **short 60%** (3 of 5) of the time. The spoos closes have been **negative 60%** of the time, with the Dow closes **negative 80%** (4 of 5) of the time. These dates: 5/14/87, 4/13/89, 8/11/83, 7/9/87, 6/08/87.

6. **Significant?** However, in trading history there are **NO** program trading precedents of ANY prior **Red PU Thursdays** having seen their **Yellow Tuesdays** post Dow closes at least **positive +300** points or more, or even at least **positive +200** points or more. **NONE**.

7. **However**, there ARE **five** instances in which **Yellow Tuesdays** of ANY **Blue PU weeks** have posted Dow closes at least **positive +100** points or more. Again, here in this category, this ALSO represents **ONLY 7%** of ALL prior **Blue PU weeks**! We found it interesting that **ALL five Red Thursdays** in this limited group posted most predictable trades **short 100%** (5 of 5) of the time! The joint daily closes were **negative 60%** of the time. From this particular group of **Red Thursdays** here are the **lows**: 3:00, 2:50, 2:35, 2:15, 1:55. These days respective daily **highs**: 8:40, 10:05, 8:30, 9:40, 12:55. These dates: 8/12/04, 11/08/04, 11/07/02, 9/08/05, 7/10/08.

8. Per your inquiries: In history, how have ANY **second** days after ANY prior Dow closes at least **positive +300** points or more fared? Most predictable trades have been **short 66.6%** of the time, but with the joint daily market closes split **50/50**. **More specifically**, whenever the **first** days after ANY prior Dow **+300** or more closes have seen the Dow close in another **positive** position, how have the **second** days afterward fared? This are **ONLY eight** prior instances. The ensuing days have seen most predictable trades **short 62.5%** of the time. Yet, the spoos closes have been **positive 62.5%** of the time, but with the Dow closes split **50/50**. Their daily **lows**: 2:10, 2:05, 1:55, 1:50, 11:00, 8:35, 8:35, 8:35. Their respective daily **highs**: 8:40, 9:10, 8:35, 3:00, 9:05, 1:20, 10:20, 3:15.

Summary: Once we calculated all of the individual program trading research categories relevant for today's trading, including the few examples cited above, we found that the most predictable trade for today is to be **Short** and with **60/40** odds of success.

Note: Statistically when the market exhibits a significant pullback or sell off in the first part of the day, at least **half** the program trading precedents have rallied back prior to the close.

Program Trading Pattern Recognition

The most predictable patterns matching best for today are **bearish** for a sell off. That is very typical in **Blue weeks**. But the odds for that bearish pattern hitting are only average. Such are **Blue weeks**. So lighten up and bet accordingly.

In these **bearish** patterns the **highs** are usually in the morning and usually in the first hour or so **8:35**(a lot), 8:55, **9:05**, 9:20, and **9:35**. Sometimes the early morning bounce stretches out until 9:55, 10:05, 10:20, and 10:40. But that is not the most common pattern.

The **lows** are usually in the after noon at 12:30, 12:50, 1:45, **1:55**(a lot), **2:10**, **2:35**, **2:55**, and 3:15. Be careful with the last hour. In two patterns matching last night, the spoos rallied instead and **hit new highs at 2:35 and 3:00**. Sometimes the morning sell off is a good one and the afternoon sell off is not and the day's lows hit in the morning at 10:25, **10:45**, **11:00**, and 11:45. But that is not the most common pattern. Be sure to have a stop after these times to avoid a very rare bounce into lunch.

These patterns suggest going **Short** on the morning rally, usually early for a sell off through lunch and into the afternoon. The odds of this pattern repeating again today are average at **60/40**.

Program Trading Times and Direction

Look for two reversal times early, at **8:35** and **8:55**. One or both are usually positive peaking the spread and the Dow for the early going about half of the time. More buying at **9:05** will push the Dow up some more maybe. The spoos usually peak on these times in bold this morning. Then two reversal time at **9:35** and **9:55** that are coin flips. The only common pattern is that they are usually opposite of each other. If the first one is positive, then the second one is negative dropping the Dow right back down. And in three projections the first one was very positive and the spoos hit new highs for the morning here. And any rally here is usually a great time to get short for

the rest of the day.

Buying at 10:05 and possibly 10:20 will push the Dow up maybe. Sometimes the spoos peak on this rally. But that is not the most common pattern. Selling at **10:25** will drop the Dow down. Once before this drop was a good one and the spoos bottomed for the morning and the day. So tighten stops here. Selling at **10:45** will drop the Dow down and into a reversal time at **11:00** that is usually negative too. If so, the spoos can hit new lows for the morning here. And both times are very common times for the **low of the morning**. So tighten stops here again. More selling at 11:45 will drop the Dow down some going into lunch and...

The Afternoon: Look for selling at **12:15** and **12:30** dropping the Dow down. Then a reversal time at **12:50** that is a coin flip. If positive the spoos hit the high at lunch. If negative the opposite. Rarely the spoos bottom here for the afternoon. So tighten stops here. Selling at 1:05 and **1:10** will drop the Dow down some more. Once before this sell off ended up being the low of the afternoon, so tighten stops. Tightening stops after 1:10 on **Red** days is always a good idea and something we go over a lot in the seminars. Buying at 1:30 will pull the Dow up a little. Whether higher than at lunch though is doubtful. Then selling at **1:45** and **1:55** will drop the spoos down into the bond close. They bottom a lot on this sell off and **1:55** is the single most common time for the **low of the day** today. So tighten stops here for sure going into.....

The Final Hour: Look for two reversal times in the last hour at **2:10** and **2:35**. Usually the first one is negative and if so ends up being the low of the hour and the day. So tighten stops here for sure pushing short positions into the closes. The next reversal time at **2:35** is a coin flip, but if negative the spoos usually hit new lows again here and again at **2:55**. Sometimes the spoos sell off a little more into their close and hit new lows at 3:15.

In one projection the 2:35 reversal time was positive instead and the spoos hit new highs for the day here. So watch your stops closely after 2:10. We usually re-do them every five minutes when trading this late in the day. A .0095c parabolic stop on a one minute charts works fine too. Something that we go over a lot in [Program Trading 601](#).

Program Trading Premium Execution Levels

Our **FairValue** for the **SP 500** today is **\$-0.46**. That price level will not change during the day. Our computers are set for program buying at **\$1.16** and set for program selling at **\$-- 1.88**. If you would like to watch these premium execution levels, the symbol is **PREM**. That is PREM.Z, and EPREM AO from two relatively good data vendors that do it correctly and \$prem, prem.x, sps, or any other weird ticker symbol from the other

mediocre and horrible ones.

Program Trading Recommendations

For Today: After the biggest one day rally since spring and the spill over yesterday, switch game plans. **Sell.** Go **Short** on the morning rally, usually early, and any rally near 10:05 and 10:20, for a sell off through lunch and into the afternoon and usually near the bond close. Look for a few points with average odds of **60/40**. However, keep in mind that research statistics have proven that at least half the time after any significant morning pullback/selloff that the markets have rallied back. See the **Program Trading Pattern Recognition** section above for the best times to execute these trades. Be sure to tighten stops after any sell off in the morning and especially after **10:45**. Tighten again at **12:50** for sure and again at **1:10** as usual.

Gamblers: The real gamble today is holding short positions into the closes. The odds drop some after the bond close. The most common times for new lows are 2:10, 2:35, and 2:55.

Support: 1258.50 1260.00 1262.50 1265.00 1268.50 1272.00 1275.50
1278.00 1281.25 1284.50

Resistance: 1290.00 1291.50 1295.25 1299.00 1301.50 **1304.00 1308.50**
1312.00 1318.00 1320.50

Program Trading Projections

Symbol	PTL	PL	PH	PTH
ES8U	1268.50	1278.00	1295.25	1301.50
SPY	126.66	127.67	129.66	130.33
QQQQ	45.05	45.85	47.07	47.57

PL is the most probable low for today. **PH** is the most probable high for today. **PTL** is the most probable low with program selling hitting the markets. **PTH** is the most probable high with program buying hitting the markets.

If you have comments or suggestions, please send email to

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