



Natus

Daily Trading Plan Jan 4, 2016

NOTE: THE LIVE TRADE ROOM IS ON THE NORMAL OMNOVIA SITE. SORRY FOR THE INCONVENIENCE.

1. PREVIOUS DAY (ESH6)

Open	High	Low	Closing
RTH 2048.75	2054.50	2030.25	2035.50
GBX 2055.25	2057.75	2030.25	2035.50

2. PIVOTS

	Daily RTH and GBX	Weekly	Monthly	Yearly
R3	2074.25	2108.50	2221.00	2472.50
R2	2064.25	2091.75	2163.00	2303.25
R1	2050.00	2063.50	2099.25	2169.50
PPT	2040.00	2047.00	2041.25	2000.25
S1	2025.50	2018.75	1977.50	1866.25
S2	2015.75	2002.00	1919.50	1697.00
S3	2001.25	1974.00	1855.75	1563.33

3. FOCUS NUMBERS

	Daily	Weekly
2nd Sell level	2073.75-2070.75	2096.50-2097.50
1st Sell level	2053.25-2055.50	2078.50-2081.75
Key #	2036.50-2038.50	2020.50-2023.50
1st Buy level	2016.00-2014.50	1987.50-1985.50
2nd Buy level	2006.00-2003.75	1966.75-1968.50

4. WEEKLY OUTLOOK — S&P 500 CASH INDEX

Before we start, I want to convey sincere best wishes for a healthy and prosperous 2016 from both me and Bill, and from all the staff at Naturus.com

The S&P 500 cash index (\$SPX) closed at 2043.94 last Friday, down 17.05 points for a net weekly loss of 1%. For year 2015, the index only lost 0.7%, which was pretty small after a six-year bull run.

Last week: The market was sold off last week, partly a result of year-end tax-loss selling, and partly due to uncertainty about the Dubai fire on the final day of the year. The selling sent the index into a negative yearly close for the first time since 2008.

This week: The market could get a boost this week – the first week of the New Year – from the so called “January effect.” Some will be buying back tax loss sales from December and the panic surrounding the Dubai fire dissipated with the news that it was apparently not terrorism. There is a good chance investors may jump on the chance to scoop their favorite stocks at a lower level. But the rally may not hold up very long; in the closing days of the year we got a one-day buy signal quickly followed by a one-day sell signal. Confusion reigns.

Technical analysis

a) Long-term

Chart 1 – SPX Monthly



The LONG-TERM price momentum indicator (PMO) gave a monthly selling signal after the index made a new high at 2034.22. But the SPX did not fall very much. The price was held up well by the long-term trend momentum support levels (20/40ema monthly) At this point, as long as the PMO indicator doesn't turn up, it suggests lower prices this year.

The high made last May high should be the top of impulse wave 3. Right now we still assume that last year's low could be the low of the correction wave 4. But this has not been confirmed by the price. To confirm that the wave 4 low has been posted, the index has to make new highs above the 2035.50 level.

Wave 5 could end at the same high level at the wave 3 top or higher by forming a sub-wave 1-3-5 to end the bull market. The index went sideways last year, and didn't give out any direction for the long-term. Therefore we still look for a breakout – in

either direction – to indicate the direction of the next move. Here are a couple of scenarios we are considering:

1. Wave 4 is not complete.

If Wave 4 is not complete (i.e. if there is still some further move down to come) the first resistance at the 2080-85 zone should hold the price down. The index needs to move back down to the 1950 level and break through it to retest last year's low area around 1867.10-1849.36. That will shake out many weak hands among long-term investors. If the decline does not penetrate the support provided by the 40-month moving average line around 1850, there is then likely to be a fast reversal to the upside at that point.

2. Wave 4 is complete and wave 5 is under way.

If wave 5 is in progress the market has posted its maximum decline and will rally at least to the old May high around 2135, or higher. Only in this way can the index resume its rally to form sub-waves of Wave 5. The final destination by our calculation should be either at 2337.10 or higher at the 2485.39 area.

But this final destination describes a multi-year move. It doesn't mean the index will go there this year. The index has made a 62% rally from 1578, the break-out level of the long-term double-top pattern, pulled back slightly, then recovered most of the loss. This is a critical level on the long-term chart and we are watching carefully to see how it is resolved.

The high made last November may also be treated as a medium-term double top if the index can't break above the 2085-80 zone this time.

b) Short-term

S&P500 Daily Chart



The index closed at the middle of the consolidation zone last Thursday. The declining volume emphasized that volume support is becoming weak. The 200-day ema becomes a key line for this week. A failure to hold up the 2040 level could lead the index back down to the 2000-1990 zone – the bottom of consolidation area – for testing.

A one-day buying signal reversed into a selling signal last Thursday. That kind of rapid reversal makes it difficult for traders to execute their trades. But the volatility is likely to continue: the index moved 1% or more on 72 trading days last year. High volatility should be expected again in 2016.

This week the SPX could go in either direction, based on the yearly closing price. For the positive side, the price still closed above 200-day moving average line, and the NYSE Adv/Dec line didn't fall much despite the price decline.

On the negative side, the small Caps still lagged behind the Big Caps. Bulls and Bears will definitely fight for their levels – 2075-85 and 2020-2010 – before the winner is established.

5. DAILY OUTLOOK – S&P 500 MINI FUTURES (ES)

ESH6 Daily chart



Last Thursday the ES sold off after 12:45pm, in reaction to the news about the Dubai fire. People thought it could be terrorism and dumped their positions. The market closed under both daily support lines.

The buyers may return for the trading first day of the New Year. The afternoon fear is now seen as overblown, and Dubai is apparently just a tragic accident that has no market impact.

2045-48.50 will be the first zone to watch Monday. The ES may push higher in overnight trading and move the ES further after the market opens, up to 2057-55 or higher up to 2065-62.50.

But ES also could go low first if it fails to move above 2045-48.50. The Dec 18 closing level is 1992. That's when the big traders left for holidays; this level usually needs to be retested again when they return.

The Short-term slow stochastic oscillator (SSO) has an overbought condition. We could see ES to go down before it bounces. How far price can go depends on how fast the SSO indicator moves into oversold territory.

Major support levels: 2000.50-1998.50, 1990.50-92.25, 1975-72, 1962-58

Major resistance levels: 2068.50-2069.50, 2075-78, 2088-95.50

Short-term ---- Bearish
 Medium term -----Neutral
 Long term ---- Bullish

6. TRADING STRATEGY: Jan. 4, 2016

a. Intraday Scalping numbers

	Gap	Target	Entry price
Sell level	2055.50-2053.50	2062.75-2064.50	2072.75-2075.50
Buy level	2023.50-2021.75	2016.00-2014.50	2006.00-2002.75

b. Gap Method Trading

	Gap	Target
Sell level	2054.50-2055.50	2046.50
Buy level	2020.50-2021.75	2030.25

c. Option trades (short calls or puts trades)

	Strike price	Expiration Date	Entry price
calls	2095		
Meanline	2050	Jan. 8, 2016	
puts	1920		

Murrey Math Line Movement *

(Caution. Know MMLine rule before you trade these numbers.)

Prior Move	3.91	Up Move	7.81	Down Move	7.81
2070.31	+2/8	2078.13	+2/8	2078.13	+2/8
2066.41	+1/8	2070.31	+1/8	2070.31	+1/8
2062.50	8/8	2062.50	8/8	2062.50	8/8
2058.59	7/8	2054.69	7/8	2054.69	7/8
2054.69	6/8	2046.88	6/8	2046.88	6/8
2050.78	5/8	2039.06	5/8	2039.06	5/8
2046.88	4/8	2031.25	4/8	2031.25	4/8
2042.97	3/8	2023.44	3/8	2023.44	3/8
2039.06	2/8	2015.63	2/8	2015.63	2/8
2035.16	1/8	2007.81	1/8	2007.81	1/8
2031.25	0/8	2000.00	0/8	2000.00	0/8
2027.34	-1/8	1992.19	-1/8	1992.19	-1/8
2023.44	-2/8	1984.38	-2/8	1984.38	-2/8

7. OVERNIGHT CALL (3:30am to 8:00 am)

	1 st Sell level	2 nd Sell level
	2056.50-2055.50 (s159.75)	2062.50-2064.50 (s166.75)
Central line	2048.50	
	2029.75-2031.50 (s25.25)	2016.50-2014.50 (s11.75)
	1 st Buy level	2 nd Buy level

Overnight Call:

Central line = 2048.50

Above it, ES could pop up to 2056.50-2055.50 or higher to 2062.50-2064.50 (short entry).

Below it, ES could dip into 2029.75-2031.50 or lower to 2016.50-2014.50 (long entry).

9. WEEKLY ECONOMIC REPORTS

Time	Imp.	Event	Actual	Forecast	Previous
Monday, January 4, 2016					
09:45	▼▼▼	Manufacturing PMI (Dec)			51.3
10:00	▼▼▼	ISM Manufacturing Employment (Dec)		49.6	51.3
10:00	▼▼▼	ISM Manufacturing PMI (Dec)		49.0	48.6
15:30	▼▼▼	CFTC Crude Oil speculative net positions			192.9K
15:30	▼▼▼	CFTC Gold speculative net positions			26.4K
15:30	▼▼▼	CFTC S&P 500 speculative net positions			-95.2K
Tuesday, January 5, 2016					
16:35	▼▼▼	API Weekly Crude Oil Stock			2.900M
Wednesday, January 6, 2016					
08:15	▼▼▼	ADP Nonfarm Employment Change (Dec)		190K	217K
08:30	▼▼▼	Trade Balance (Nov)		-44.00B	-43.90B
09:45	▼▼▼	Markit Composite PMI (Dec)			53.5
09:45	▼▼▼	Services PMI (Dec)			53.7
10:00	▼▼▼	Factory Orders (MoM) (Nov)		-0.2%	1.5%
10:00	▼▼▼	ISM Non-Manufacturing Employment (Dec)			55.0
10:00	▼▼▼	ISM Non-Manufacturing PMI (Dec)		56.0	55.9
10:30	▼▼▼	Crude Oil Inventories			2.629M
Thursday, January 7, 2016					
08:30	▼▼▼	Initial Jobless Claims			287K
Friday, January 8, 2016					
08:30	▼▼▼	Average Hourly Earnings (MoM) (Dec)		0.2%	0.2%
08:30	▼▼▼	Nonfarm Payrolls (Dec)		200K	211K
08:30	▼▼▼	Participation Rate (Dec)			62.5%
08:30	▼▼▼	Private Nonfarm Payrolls (Dec)		198K	197K
08:30	▼▼▼	Unemployment Rate (Dec)		5.0%	5.0%