

SP500 Market Forecast for July 2011

This document is designed to provide the trader and investor of the Standard and Poor's 500 with an overview of the seasonal tendency as well as the current cyclic pattern of the SP500 for the month of July 2011. While this information is considered valuable and insightful, in no way should it be considered infallible. There always remains an element of randomness in the markets that require some allowance for deviation. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. If you use this information for the purpose of trading, you do so at your own risk.

The Current Cycle

The daily SP500 chart shown on the next page has been plotted along with the current short-to-midterm cycle envelopes. The cycles are extended out about 20 days into the future from 6/27/2011. While we could plot out further, the margin of error increases as well because as new data is introduced into the historical database, some adjustments often occur in the plotted future cycle pattern. Therefore, to maximize the value of the cyclic information and reliability, it is best to keep the forward plot as short as is useful.

What immediately stands out on this daily chart of the SP500 is that the major dominant cycle (shown in RED) is clearly bearish for most of the month of July.

Within that dominate cycle we see two other significant cycles at work. Note that the secondary dominant cycle (BLACK ENVELOPE) is at the bottom of the dominate cycle and appears to indicate bearishness into the 3rd to 4th week of July when it starts to turn up again. In fact, the minor cycle (BLUE ENVELOPE) also appears to bottom out around the same time, although it is also making a minor swing bottom at this time entering into the first week of July.

This is actually quite interesting, considering that it tends to agree with the Historical Seasonal Tendency of this market as you will see on the following pages, starting with page 3.

SP500 (Daily) 6/27/2011

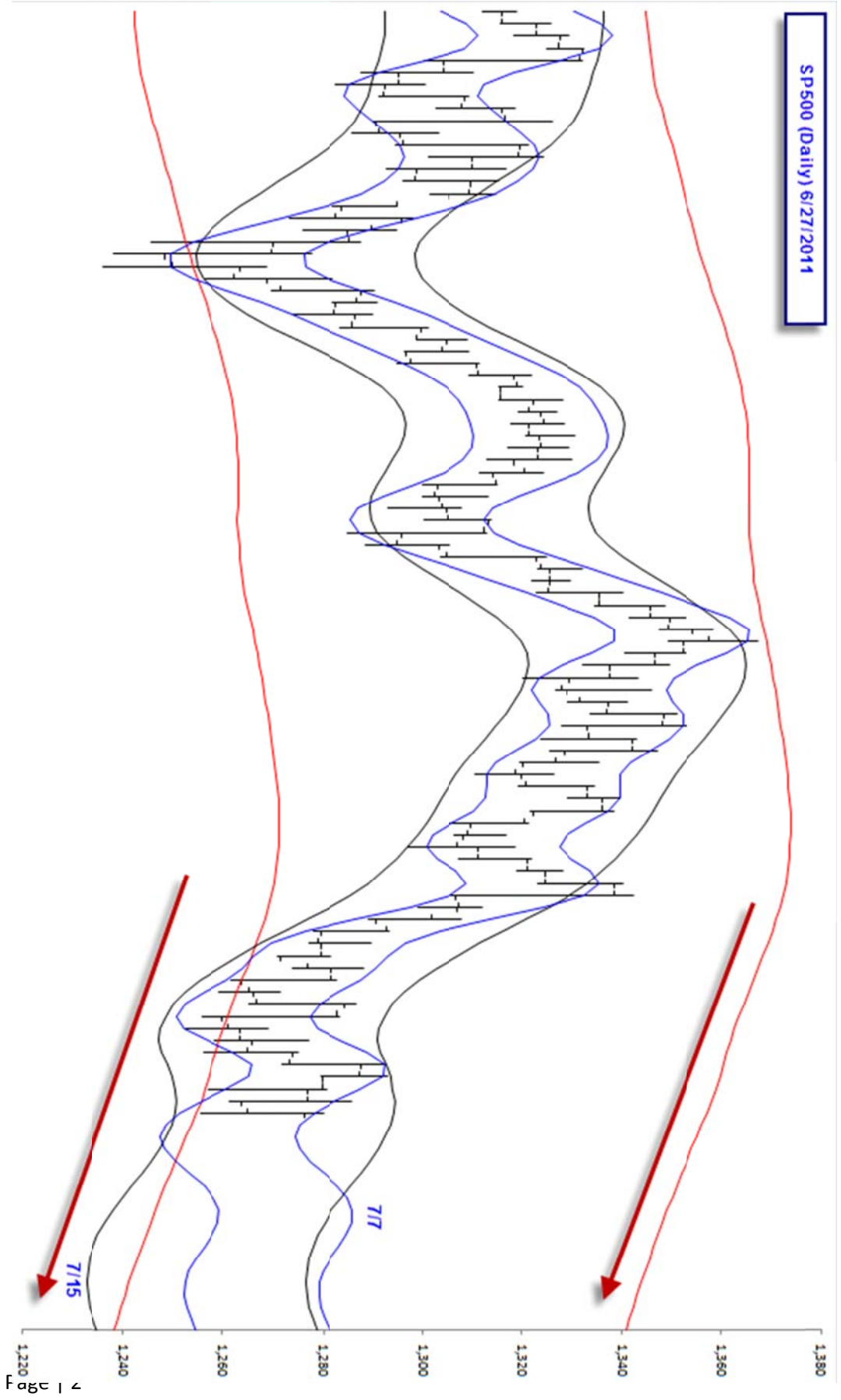
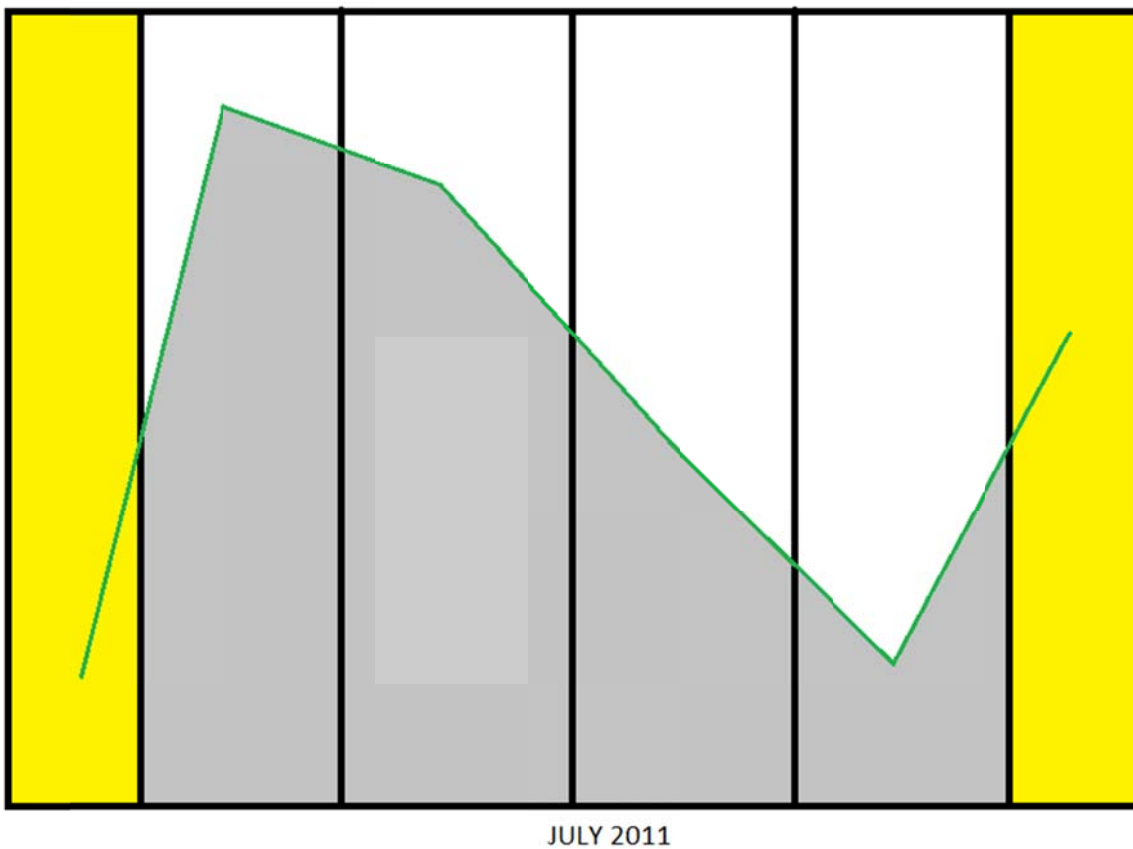


Figure 1

SP500 Seasonal Tendency for July 2011

Below is the seasonal tendency for daily prices in the SP500. It is based on nearly 30 years of historical price data and normalized in order to be graphed as shown below. These types of charts are useful for noting whether the market is following its historical statistical price behavior or opposing it, which also provides useful information.

The graph below represents the month of July 2010. It does not provide a reference for how high or low prices will likely move, but rather, an indication of whether a certain time period throughout history has been more bearish or bullish. The month of July is divided into 4 quadrants and should not be confused with being 4 individual weeks. Rather, this is just a guide, and as there are 31 days in July, you could average the time of each of these quadrants to represent approximately 7-8 calendar days each.



What is quite interesting in the graph above is how well it agrees with the cyclic pattern currently calculated for daily SP500 prices. Notice that the SP500 is seasonally bullish entering into July, but then turns quite bearish leading into the last 7-8 days of the month before becoming bullish going into August.

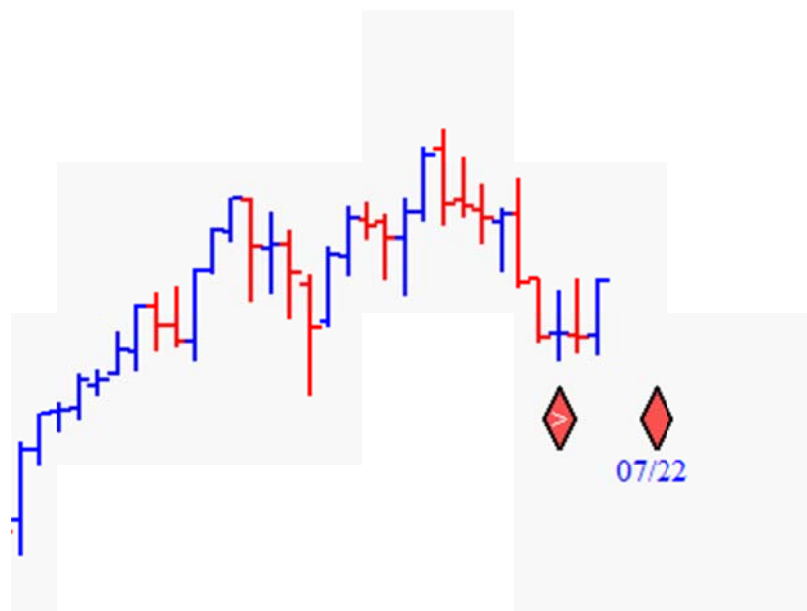
These indications suggest that July is a weak month, on average, for the SP500, and so the trader/investor would be wise to tread carefully when considering long positions, and have

additional confidence in opportunities that may arise (such as the perceived end of a rally in prices) for shorting opportunities.

The above seasonal graph can be further illustrated with plain old statistics as shown below.

Date	06/17	06/24	07/01	07/08	07/15	07/22	07/29	08/05
Years	17	17	17	17	17	17	17	17
UP Cnt	10	4	10	10	8	8	9	6
DN Cnt	7	13	7	7	9	9	8	11
Avg UP Pts	12.01	15.9375	18.155	19.33	21.2375	22.0812	10.2778	27.6167
Avg DN Pts	16.9286	16.5539	23.3571	25.7143	16.1722	29.5389	18.9125	15.1909
Pct.	59	76	59	59	53	53	53	65
Closing	UP	DN	UP	UP	DN	DN	UP	DN
New H/L	64	69	--	53	67	58	65	62
Peak/Valley	59	41	41	24	41	53	47	53

In this Seasonal Data Report shown above, we see the high probability of a Peak/Valley occurring around the week ending 6/17. This is indicated by the dark cell in the bottom left corner. What is truly interesting here is that the current weekly low in the SP500 occurred during week ending 6/17 and is still holding as of this writing. Below is a partial view of the weekly SP500 chart.



The price bar just above the red diamond with the (>) within it is the 6/17 weekly price bar. Notice that it has already confirmed as a weekly swing bottom due to the following week forming a higher weekly high.

On the daily chart of the SP500, you'll see that this weekly bottom formed exactly on 6/16 within week 6/17.



The red diamonds you see on the weekly chart on page 4 are calculated weekly FDates. As we can see, the 6/17 FDate correctly identified the time period for a weekly swing to form.

What is most interesting, however, is that the next weekly FDate shown on the chart is for the time period of week 7/22. Normally, we would suspect that a weekly swing bottom from one weekly FDate would mean that the next would likely be a top.

From what we have already seen with the cycle patterns and the seasonal tendency, we may not want to make this assumption. FDates are used to predict 'when' to expect a swing turn, not what type of turn that will be. In addition, they are most useful for when the time period they represent arrives, since we can then simply note the direction of prices entering that time period and expect a turn.

If the SP500 follows our calculated cycle pattern and follows its own seasonal tendency, that future weekly FDate may well present the weekly time zone for the monthly low of July.

Notice again the Seasonal Data Report on 4. We can see that seasonally, week 7/22 and week 8/5 are time periods where peaks and valleys often form. They both are bearish weeks statistically, with week 8/5 showing a higher tendency for this.

Notice also that week ending 7/1 to 7/8 are usually bullish. This matches the seasonal graph and the chart with the cycles plotted. So it is possible that we could see weekly prices start to drop off again following this week, likely no later than next. This would then turn the direction of prices down into that following FDate.

On the following page, we will conclude with the very short-term turn dates for the SP500. These are days where the probability of a daily swing top or bottom is highly likely to occur. There is no indication in advance whether a future date is going to be a top or bottom. Rather, one simply waits for price to arrive at that time period in order to determine that prices are likely to reverse at that time.

DAILY SP500 TURN DATES FOR JULY

Below are the turn dates produced using different types of methods and algorithms. Because of the July 4th Holiday in the US, one needs to be careful when dealing with turn dates that fall on or a day of a Holiday, as the turn date often turns out to be nothing more than the end of trading prior to and the beginning of trading following the non-trading Holiday.

GANN PHASES

6/27	6/30	7/4	7/11	7/18	7/20	7/25	7/28
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SEASONALS

6/27	6/29	7/5	7/11	7/14	7/19	7/25	7/28
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Note that the Seasonal tendency nearly matches the Gann Phase calculations, with the exception of 7/14 and 7/18 (highlighted in yellow). When I see something like this, I often look for the turn to occur on the day that separates the two. In other words, 7/15 is a day after 7/14 and a day before 7/18. Therefore, 7/15 is considered a high probability turn date based on the 7/14-18 indications above.

Also, keep in mind that these turn dates have a margin of error of +/- one trading day.

We already know that 6/27 has just confirmed as a daily swing bottom (DSB).

Cheers!

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