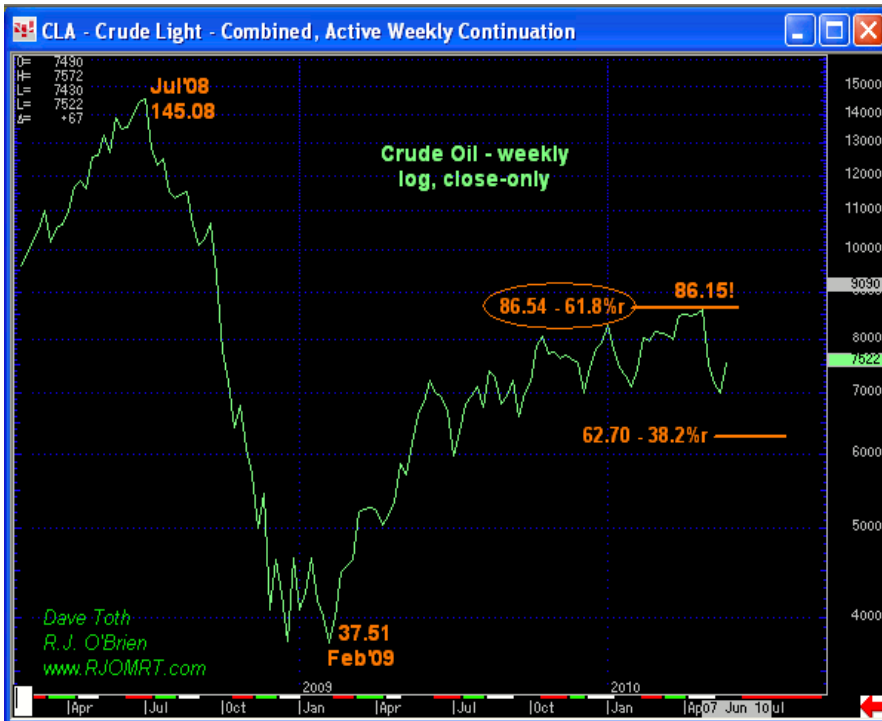


Alternate Bullish Counts Could Be Extreme; Goldman Constructive Above \$146

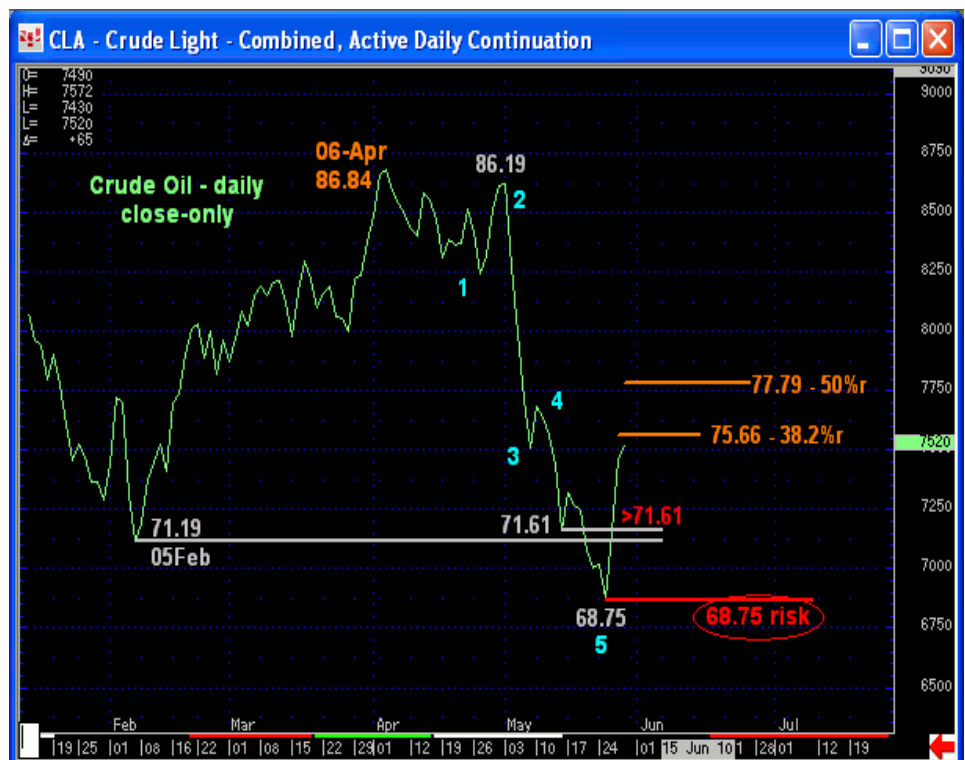


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During the course of a technically eventful May, we've discussed the unique combination in the crude oil market of a confirmed bearish divergence in the momentum, a very impulsive/trendy decline, and a rejection of the exact 61.8% retrace of 2008-09's massive collapse as factors that warn that the recent slide may be just the *start* of a much larger-degree move south. But following this week's confirmed bullish divergence in momentum that's arguably of too minor a degree to suggest anything but an interim *bear*-market correction, we'd like to explore some very interesting alternate technical issues that may expose the current technical condition in both crude oil and the S&P markets as outstanding risk/reward buying opportunities for the longer-term.

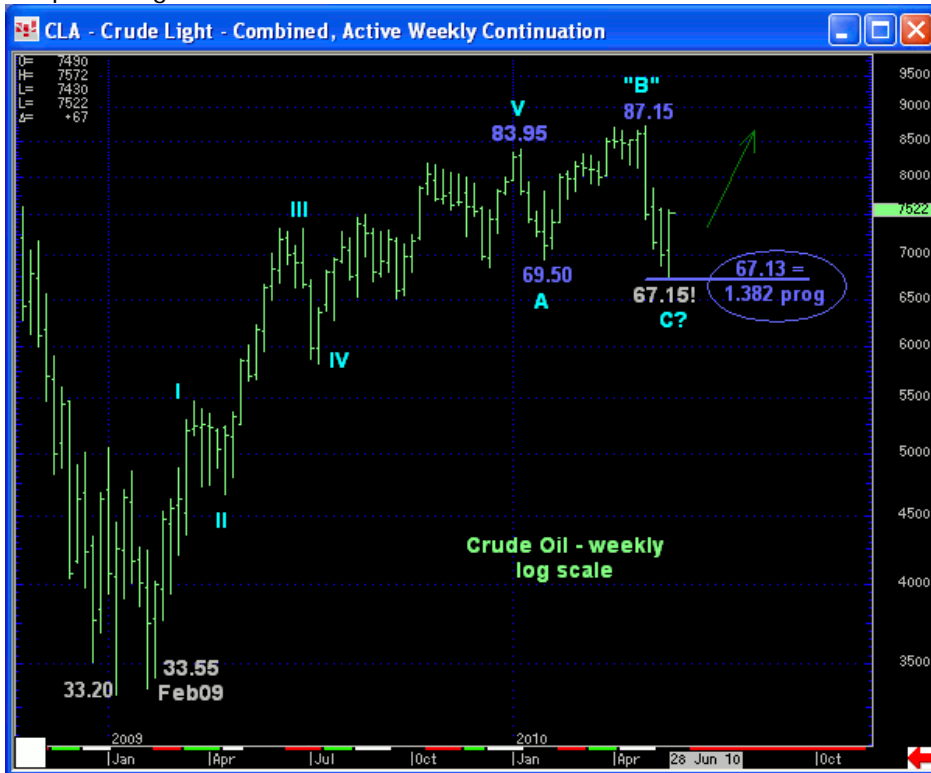
above shows the market's rejection of the 61.8% retrace of 2008-09's 145.08 - 37.51 collapse. Combined with early-May's confirmed bearish divergence in momentum and subsequent and extensive 5-wave decline, 03-May's 87.15 intra-day high has got to be respected as a high and pertinent technical condition of potentially long-term importance.

A key tenet of Elliott Wave Theory is that "corrections" cannot be 5-wave structures. They must be 3-wave affairs. So if we knew for a fact that the broader bull from Feb09's 33.55 low actually ENDED at 87.15 with May's 87.15 high, "theoretically" we'd advise approaching the currently exposed recovery as a correction worth selling. However, the wave count labeled in the weekly log chart (top, page 2) suggests that May's 5-wave decline is not the start of a move south, but rather the C-Wave *completion* of a 3-

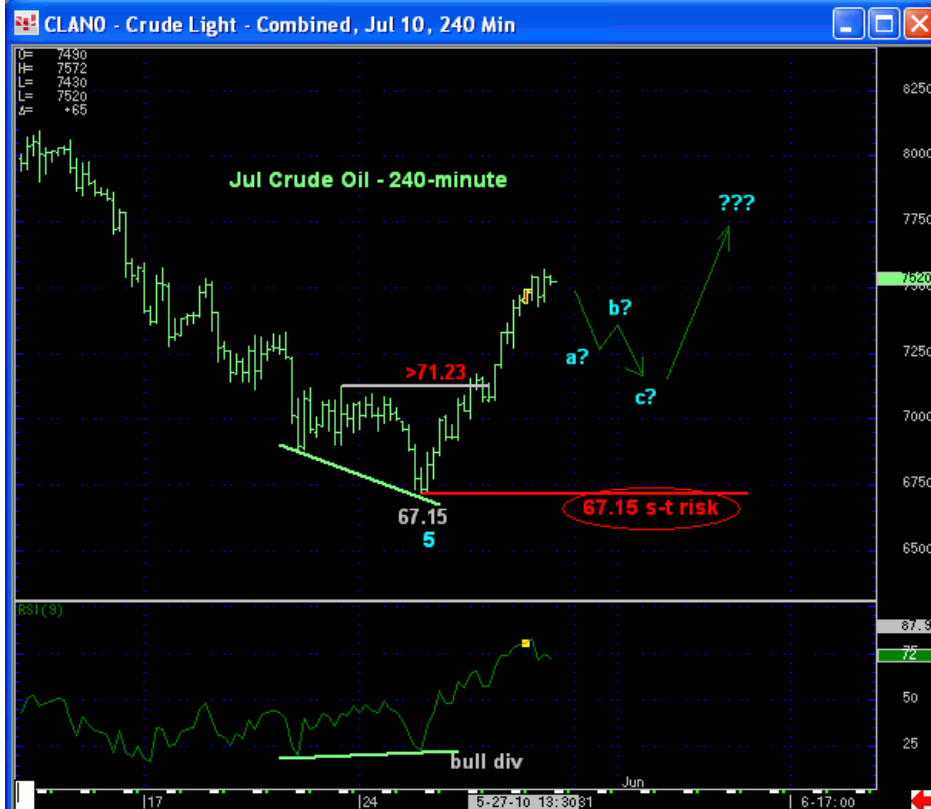


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wave correction that began with Jan's 83.95 high and defines May's 87.15 high as a B-Wave "irregular" (i.e. higher than the *start* of the correction). Per this alternate wave count, it's interesting and reinforcing to note that the prospective C-Wave down from 87.15 spanned a length exactly 38.2% longer (i.e. 1.382 progression) than the preceding 83.95 - 69.50 A-Wave.



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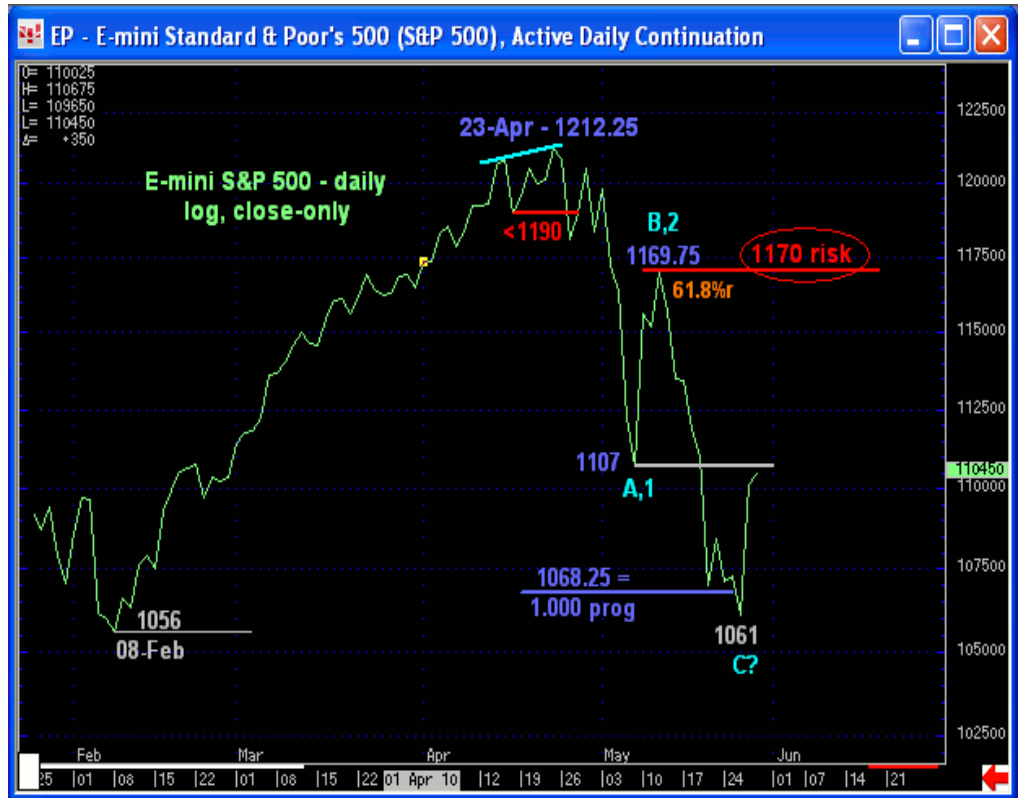


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If the alternate bullish wave count above is correct and the market has just completed a broader *bull*-market correction, this week's 67.15 low- objectively defined by a confirmed bullish divergence in short-term momentum below- would be considered the start and risk parameter of the resumed secular bull trend to eventual new highs above 87.15.

CLEARLY, the past couple days' pop is grossly insufficient in and of itself to *conclude* such a broader bullish eventuality. Indeed, per the bearish factors listed above, this pop is just as easily considered a *bear*-market one ahead of eventual and potentially steep losses below 67.50. But if such a broader bullish count does lie ahead, reinforcing proof would be expected to come in the form of 3-wave, corrective behavior on a subsequent relapse attempt. On the heels of this week's recovery, if the market can provide evidence of labored, corrective, bull-flag behavior on a setback attempt, it may provide one of the great risk/reward buying opportunities of the next quarter or two. And given the crude oil market's tight correlation with the equity market, such a prospect would appear to bode very well for stocks and the global economy as well.

If the alternate bullish wave count in crude is correct, it is unlikely to take off without the stock market. And per such, it is interesting to point out that *to this point*, the past month's decline in the S&P 500 market is only a 3-wave affair as labeled in the daily log close-only chart right. Given the fact that May's prospective and potential *correction-completing C-Wave* is of roughly the same length (i.e. 1.000 progression) as the preceding 1212 - 1107 A-Wave, it is not hard at all to consider 26-May's 1061 low close and support as a very valid and objective risk parameter to a bullish wave count that could have massive upside potential.



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This week's confirmed bullish divergence in SHORT-TERM momentum is clear in the 240-min chart left. This defines this week's intra-day low of 1036.75 as an objective low, support, and risk parameter on a short-term basis, making it too much of a leap of faith to conclude a resumption of the 11-month bull trend. But especially given the alternate bullish counts for both the crude oil and stock market that we're discussing here today, this week's strength IS enough to neutralize any bearish policy and consider cautious bullish exposure, especially given the very objective definition of a low and risk parameter around to which to base such.



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As we know the equity markets at large have a solid positive correlation with the stock of Goldman Sachs, it's difficult to maintain a broader bullish outlook on stocks without one for Goldman. Per such, we'd like to address the importance of Wed's 145.80 intra-day high in Goldman Sachs' stock detailed in the hourly chart below. A break above this level will confirm *at least* the short-term trend as up and define recent lows at 139.69 and especially 134.20 as objective corrective lows and risk parameters the market would then need to break to threaten a broader developing bullish prospect.

Such solid short-term footing and proof of impulsive behavior up is needed to break 11-May's 147.20 corrective high on a daily close-only basis right to confirm a bullish divergence in momentum sufficient to suggest that Apr-May's collapse from 184.92 may be complete. Combined with what could be a textbook 3-wave and thus corrective decline from Oct09's 189.30 high on a weekly log close-only basis shown in the chart on the next page in which the prospective C-Wave is of equal length to Oct09 - Jan10's 189 - 148 A-Wave break (i.e. 1.000 progression), one can

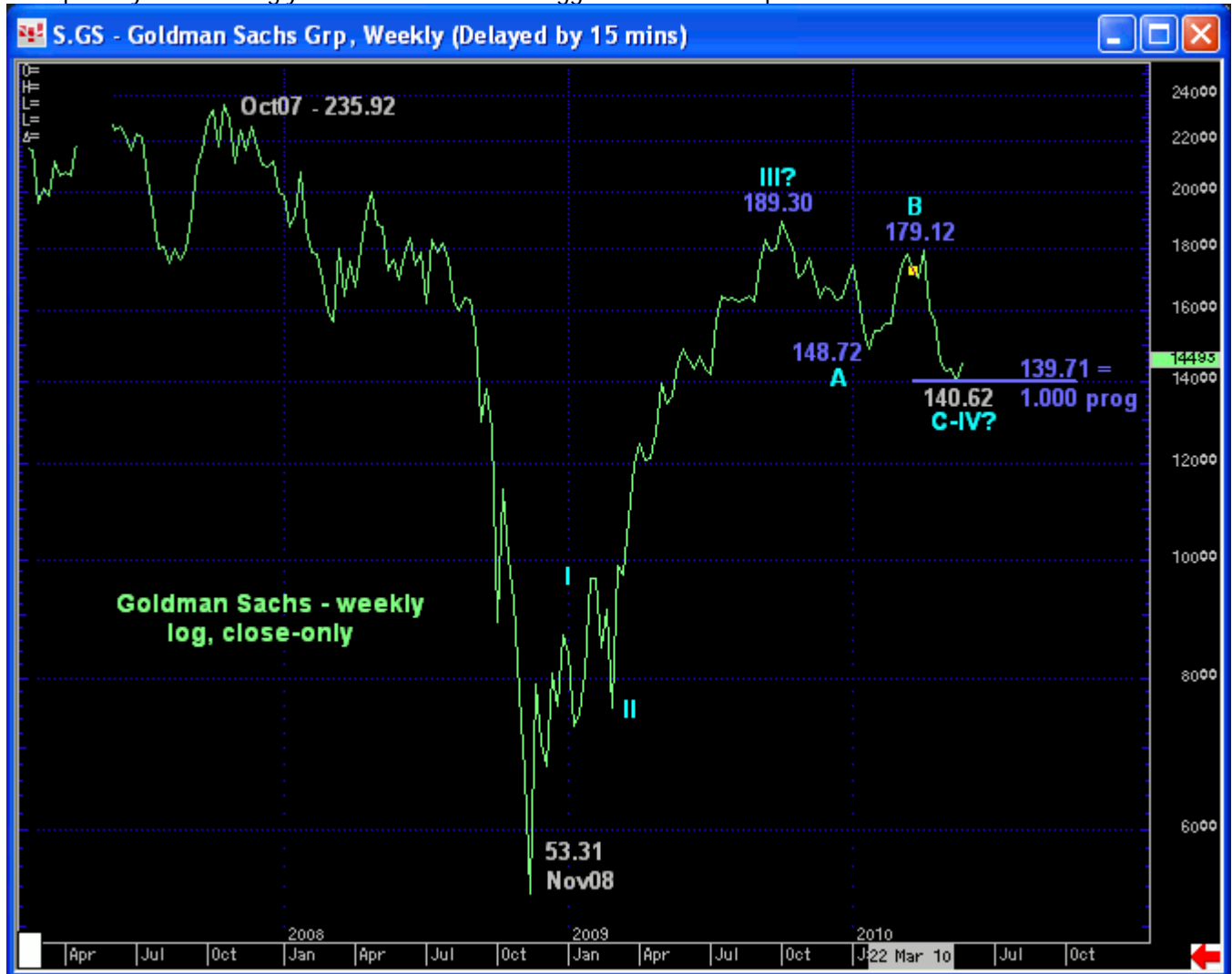


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build a case for a very low risk play from the bull side with potential reward legs to new highs above 189.30 in the months ahead.

In sum, this article provides some objective technical basis for considering this week's admittedly short-term strength as the start of what could be an exceptionally bullish and opportunistic environment for the crude oil, S&P, and Goldman Sachs markets for the months or even quarters ahead. Given the need for proof of 3-wave, corrective behavior on short-term setback attempts in these markets in the days/week ahead, only *cautious* bullish exposure via options can be advised at this time. But if such reinforcing proof of weakness unfolds, we will update you accordingly and look to add more aggressive bullish exposure.



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