



SG Capital Research

Global Market Insights

Research Note – Market Strategy – GLOBAL IDX (A# 2G) – STRATEGY & PROP Analysis (SP)

MAEG- MARKET STRATEGY CZ _POM _ GLOBAL_IDX # SG 2011 # DEC 16

For Immediate Release – *Friday AM (EST)*

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Market Strategy Global (A # 2G) - (SP)-

Contents for coverage within A # 2B –SP

- BSE – BOMBAY SE v/s SPX –POM Correlation
- EEM - EMRG - with
- CHINA SHANGHAI – Proxy)
- EZU - EUROPE with
- FTSE – UK Proxy)
- EWA - AUST with
- (ORD – Proxy)
- EWZ – BRAZIL
- EWJ – JAPAN (**if Special Situation**)
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- ***EWZ (BRAZIL)***
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- ***EWH (HK) – (only if special situation)***

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1. Executive Summary.

- ***Since our last Report A# 2G – Global MS dated 11/24 (on the day Model Triggered POM 13 on SPX). All the Global Indices in this Report followed the Price Path upwards on that rally till SPX reached its POM 14 – Re Run target . This was our actionable Zone once again since some IDX tested its own CZ .***
- ***Currently SPX is on POM 14 Re run triggered 12/02 @ CZ (1251-1270) and Signal applicable for Global Markets as well.***
- ***Since that Signal (POM 14 re Run), SPX has declined 50 points. Our First Price Projection on this decline has been towards CZ 1205-1195. We are almost in that vicinity but no Trigger yet.***
- ***If Market bounces from here without proper POM 13 – CZ test or Trigger due to seasonality reasons , then placing New Short Position could be postponed till the bounce finishes towards the POM 14 area.***
- ***POM 13 is price area was for any Rebalancing based on Individual Portfolio Objective to avoid risk of “PREDICTABLE” counter Trend moves)***
- ***The way currency PIPs. Bond Yield are moving suggests further deleveraging is ahead of us.***
- ***For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report***

- **Trading & Invest Conclusions on GLOBAL Indices**

For POM 14 & its application on Global Markets , Ideally to scale in, take (1/2) @ POM –SPX trigger and (1/2) @ Its own individual CZ trigger. This is our **PLAN A**.

Our **PLAN B** is STOP loss on other side of CZ within Portfolio Objective for Risk Management.

- **EEM (EMERG)**

CZ – 41-43 – tested successfully as indicated in A # 2G dated 11/10- Alerted & Triggered with POM 14 @ 40-41

First point of decline Target is next POM 13 – SPX. – **Risk Management**

- **SSEC (SHANGHAI)**

CZ – 2500-2600 – tested successfully as indicated in A # 2G dated 11/10- Alerted .

First point of decline Target is next POM 13 – SPX. – **Risk Management**

The Main 2011 – CZ 3100-3000 still in tact longer term .

- **EZU (EUROPE)**

CZ – 31-33 – **(Did not Trigger)** as indicated in A # 2G dated 11/10- But Triggered with POM 14 @ 29-31

First point of decline Target is next POM 13 – SPX. – **Risk Management**

- **FTSE (UK)**

CZ – 5600-5500 – tested successfully as indicated in A # 2G dated 11/10- Alerted & Triggered with POM 14 @ 5500-5400

First point of decline Target is next POM 13 – SPX. – Risk Management

- **ORD (AUST)**

CZ – 4350-4500 – (Did not Trigger) as indicated in A # 2G dated 11/10- But Triggered with POM 14 @ 4250-4350

First point of decline Target is next POM 13 – SPX. – Risk Management

- **EWZ (BRAZIL)**

CZ – 63-65 – tested successfully as indicated in A # 2G dated 11/10- Alerted & Triggered with POM 14 @ 61-63

First point of decline Target is next POM 13 – SPX. – Risk Management

- **EWJ (JAPAN)**

CZ – 9.25 -9.00 – Failed earlier and stopped out at 9.00 as indicated in A # 2G dated 11/10- Alerted

ALERT - We will target back into CZ 9.20-8.90 test and BUY close above 9.10 with 8.75 STOP

Chart Analysis – Global IDX v/s SPX

- *YTD – GLOBAL IDX performance v/s SPX - Chart Analysis*
- *EFA – (World – EX US) - Chart Analysis*
- *BSE – COR / SPX POM – Correlation – Chart Analysis*

EEM – (EMERG) – Chart Analysis

- *EEM Trend & Oscillator Analysis*
- *EEM - CZ – Price & Volume Analysis*
- ***CORRELATION RATIO Analysis EEM– with SPX***

SSEC (SHANGHAI) – Chart Analysis

- *SSECI - Trend & Oscillator Analysis*
- *SSEC - Poly- Trend Analysis*
- ***CORRELATION RATIO Analysis SHANGHAI – with SPX***

EZU- (EUROPE) – Chart Analysis

- *EZU - MA Trend & Oscillator Analysis*
- *EZU- CZ – Price & Volume Analysis*
- ***CORRELATION RATIO Analysis EZU– with SPX***

FTSE – (UK) - Chart Analysis

- *FTSE - Trend & Oscillator Analysis*
- *FTSE - Poly- Trend Analysis*
- ***CORRELATION RATIO Analysis FTSE – with SPX***

ORD – EWA (AUST) – Chart Analysis

- *ORD (EWA) - Trend & Oscillator Analysis*
- *ORD (EWA) - Poly- Trend Analysis*
- *ORD (EWA) -- CZ – Price & Volume Analysis*
- ***CORRELATION RATIO Analysis ORD (EWA) – with SPX***

EWZ- (BRAZIL) - Chart Analysis

- *EWZ - Trend & Oscillator Analysis*
- *EWZ -- CZ – Price & Volume Analysis*
- ***CORRELATION RATIO Analysis EWZ– with SPX***

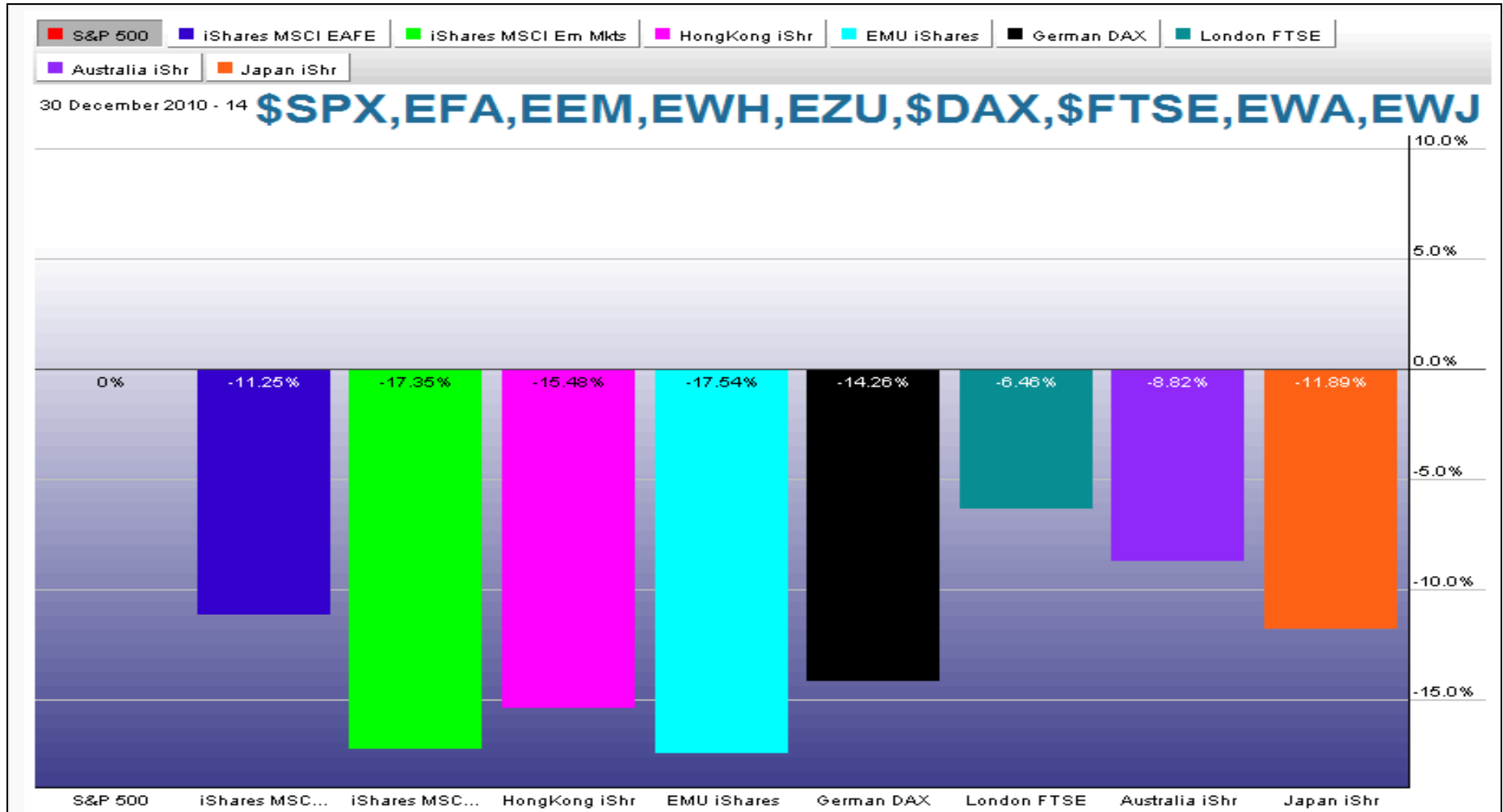
EWJ – (JAPAN)- Chart Analysis

- *EWJ - Trend & Oscillator Analysis*
- *EWJ -- CZ – Price & Volume Analysis*
- ***CORRELATION RATIO Analysis EWJ– with SPX***

- YTD – Global IDX performance v/s SPX

Chart below shows Ratio Relative performance of leaders and lagers with respect to SPX & For Pair Trades

It certainly appears US is safe haven market as compared to all the Global Markets.



EFA (WORDL -EX US) - MONTHLY – MACD Cross – LONG TERM-

Our Caution announcement based on this Long Trem Chart combined with Mid term charts Proved its merit.
The Long Term m INDICATORS are not showing improvement yet

EFA is WORLD MARKET (EX- US) - CAUTION

This is Monthly chart – Monthly are had to change . Some bearish development. RSI is breaking down below 50 on Monthly . MACD has crossed over Bearishly & MACD (in yellow circle is begin to roll over below 0) . This concludes that the market should be viewed very cautiously. .



BSE v/s SPX – POM Correlation

The Chart below pinpoints the Tops in BSE and bottom with respect to SPX & POM . We think this is much better Market Timing tool for BSE – than most of the struggle & Helplessness we have seen in Domestic Market Participants on Dalal Street past several years



EEM – CZ Analysis - (Qualified for UnderValued - 2 SD)

SPX – POM 14 trigger is indicated . **EEM validated the CZ 41-43 as indicated in last Report 11/10 and 40-41 is POM 14 area**

STOC RSI, MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness (see window below) & currently diverging negatively suggests the counter Trend bounces to be Sold into CZ re test.



SSEC (SHANGHAI) - Poly trend Analysis - (Qualified for UnderValued - 2 SD)

On ST basis due to oversold nature , the bounce should becoming in. But this just counter bounce till 200 points up move. Hold any new Short position until the bounce. Over long term, our Price script very well since Jan @ 3100 . . .



ORD (AUSS) - Poly trend Analysis

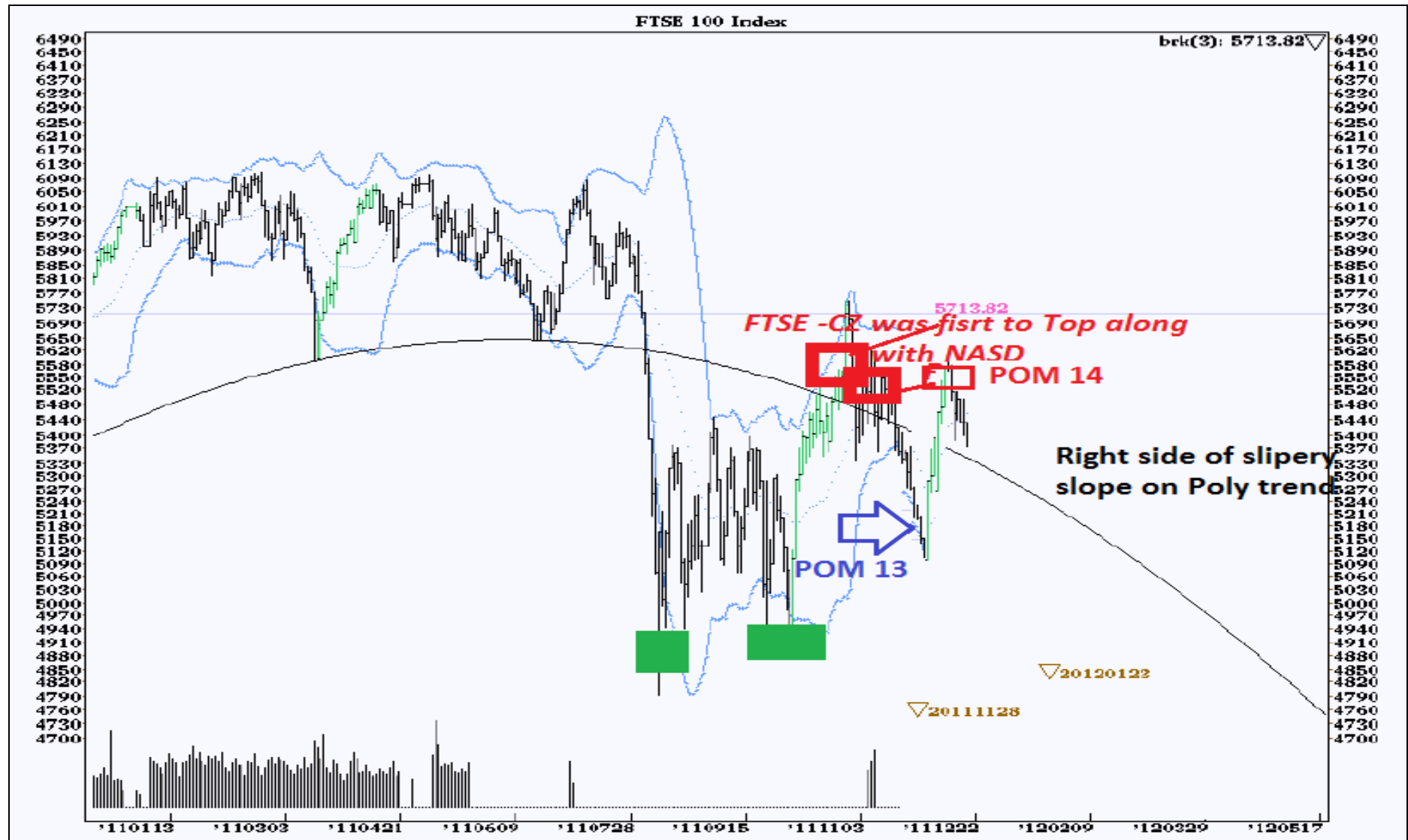
AORD: SPX – POM 14 trigger is indicated . **But ORD “did not” enter the CZ 4350- 4500 . But confirmed 4250- 4350 @ POM 14 Trigger area**



FTSE - Poly trend Analysis (Proxy for Europe)

FTSE went into the Poly Trend CZ - 5600- 5500 Triggered & POM 14 trigger @ 5500-5400

The decline came into underneath the Poly trend- This is BEARISH on right side slippery slope of Poly TREND.



EZU – CZ / Ratio Analysis – (Qualified for UnderValued - 2 SD)

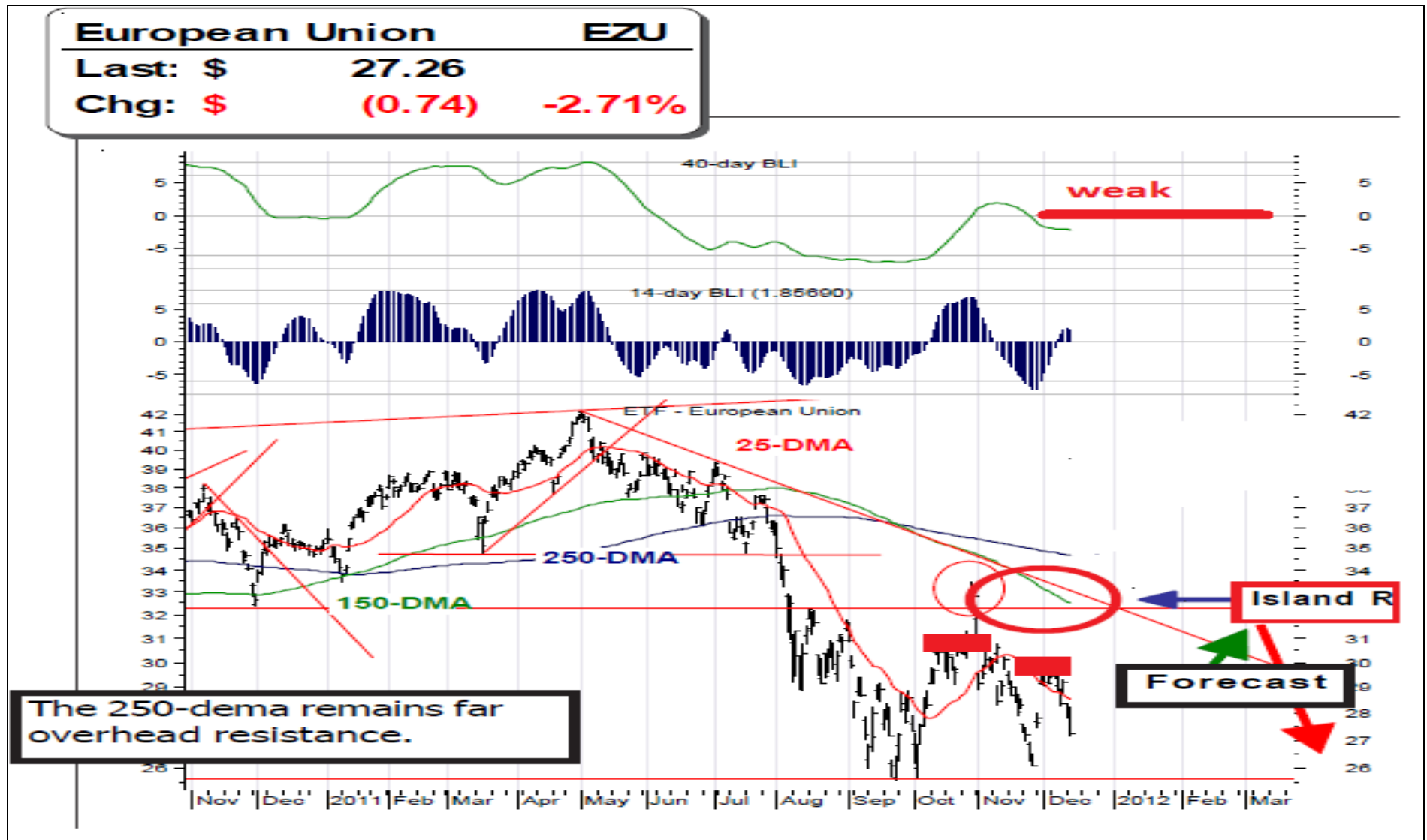
SPX – POM 14 trigger is indicated . But EZU did not enter the CZ 31 -33 for PQV validation. But 29.5 -31 is POM 14 Trigger area

STOC RSI, MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness (see window below) & currently diverging negatively suggests the counter Trend bounces to be Sold into CZ re test.



EZU – MA / Pattern and Oscillator Analysis –

*DMA's and Trend Analysis suggested the upside will be limited on bounces (Refer notes within the chart)
Indicated SPX – POM's. This Market was so weak with Bearish top that it could not have energy to go to CZ*



EWZ – CZ / Ratio Analysis -

SPX – POM 14 trigger is indicated . **EWZ entered the CZ 63-65** as indicated in our last Report 11/10 . & **61-63 is POM 14 Trigger area**

STOC RSI, MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness (see window below) & currently diverging negatively suggests the counter Trend bounces to be Sold into CZ re test.



EWZ – MA / Pattern and Oscillator Analysis –

DMA's and Trend Analysis suggests – Will follow the Global Commodity Market & POM's . Indicated are SPX – POMs



EWJ – CZ / Ratio Analysis - (Qualified for UnderValued - 2 SD)

EWJ although Undervalued via -2SD Matrix, It is Trading back to the CZ imported from past & of Oct 4TH area where it Triggered POM 12- SPX .

ALERT - We will target back into CZ 9.20-8.90 test and BUY close above 9.10 with 8.75 STOP



EWJ – MA / Pattern and Oscillator Analysis –

DMA's and Trend Analysis suggests some bottoming process . In chart below (Refer notes within the chart) Indicated SPX – POM's

Japan ETF	EWJ
Last: \$ 9.20	
Chg: \$ (0.04)	-0.49%



The model structure suggests a return to overhead 400-dema resistance.

Island Reversal

POM 14

Forecast

POM 12

Nov | Dec | 2011 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | 2012 | Feb | Mar

Appendix Content

- Objectives & POM /CZ Guidelines
- Guidelines for Full Utilization of “ SP” Report with Limitations
- Trading & Investment CZ - Conclusion History 2011
- SPX- POM – “ Price Oscillation Model “ Criteria
- DOW TRASPORT THEORY – Criteria.
- PEC –D “ Pythagoras – Expansion & Contraction Criteria
- SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria.
- Definitions of Extreme Sentiment Indicators

• Objective & POM / CZ Guidelines

Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is Unidirectional Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

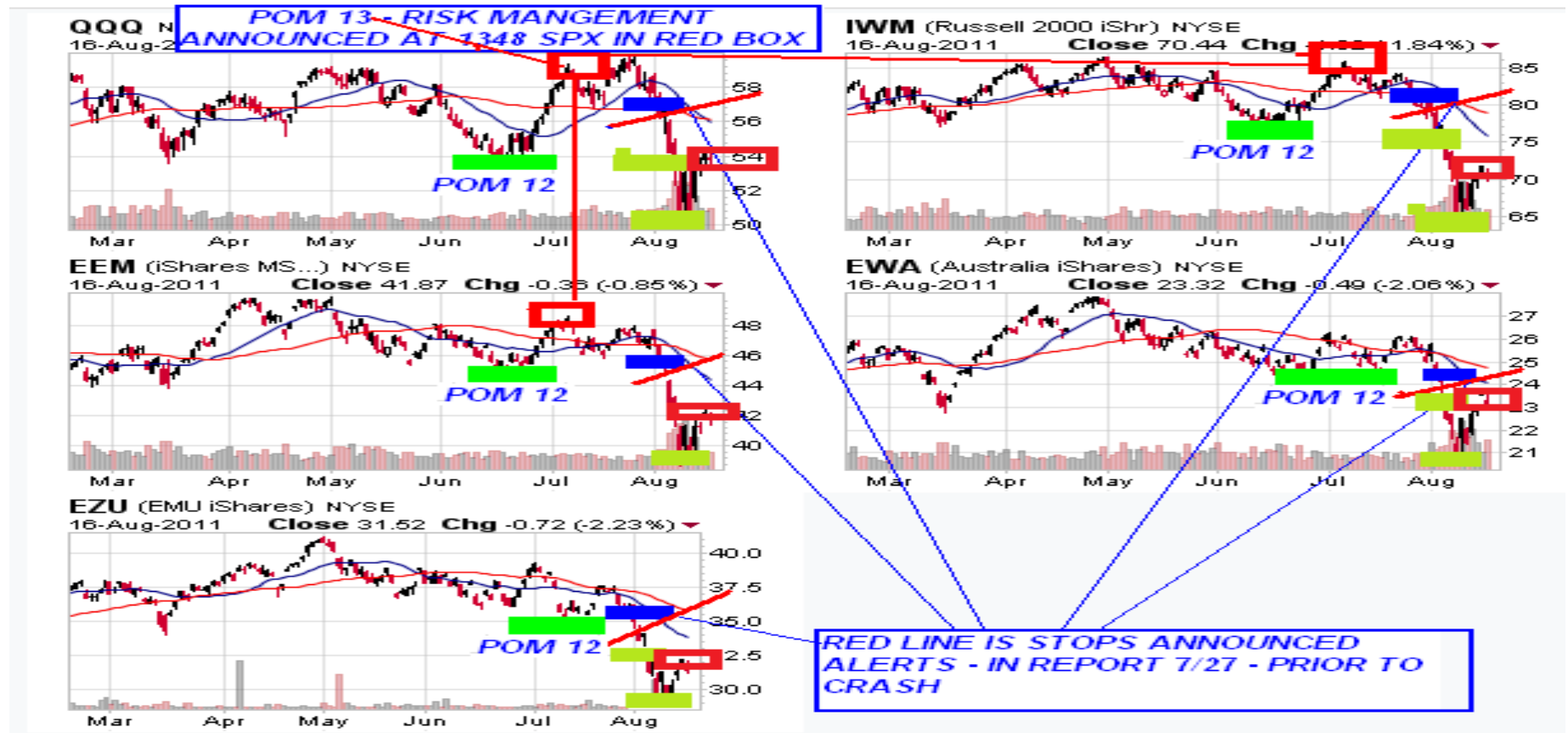
- *SPX acts as Risk Benchmark for all the other Markets (Key US Indices & Key Global) , these Markets gets priced off SPX- Risk (in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our A # 2B,G – MS Report focuses on Broader Indices and Global Indices.*
- *All the Global Indices tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger its own individual CZ – Validation within 4--6% of extension move for NET SHORT.*
- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*
- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *POM's are more favorable Areas to act for better Reward / Risks.*
- *Stops always on other side of CZ @ value based on Portfolio's Risk tolerance*
- *POM Conclusions to be cross verified by other methods prior to final decision*
- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix*

➤ Key Points for Full utilization of SP- Reports

- **Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness**
- At Top down Level – Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .
- Rebalancing Pre Planned procedure at Triggers – “ Rebalancing % of Overall Position Sizing” , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.
- Key points for Risk Management
- Hard Stops around CZ's
- STOP SELL- “ early warning Alerts” in fast moving markets, Over night Day / Night (IST) time delay Risks.
- Cross verification by Other Methods
- Computerized Daily Monitoring, CZ Triggers, Timely PQV validations**
- **2. CZ – Tracking**
- Programing - “Time/ Price Displacement, Supply / demand Activity Bar Analysis” –
- At “Institutional Grade - Price , Volume with Time Integration
- Supply / Demand Activity bar Analysis – Real time.
- Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers

CHARTS UPDATED 16TH AUG - FOR ABOVE IDX IN AREAS OF “ CZ STOPS” ANNOUNCED - REALTIME

Read notes within the chart

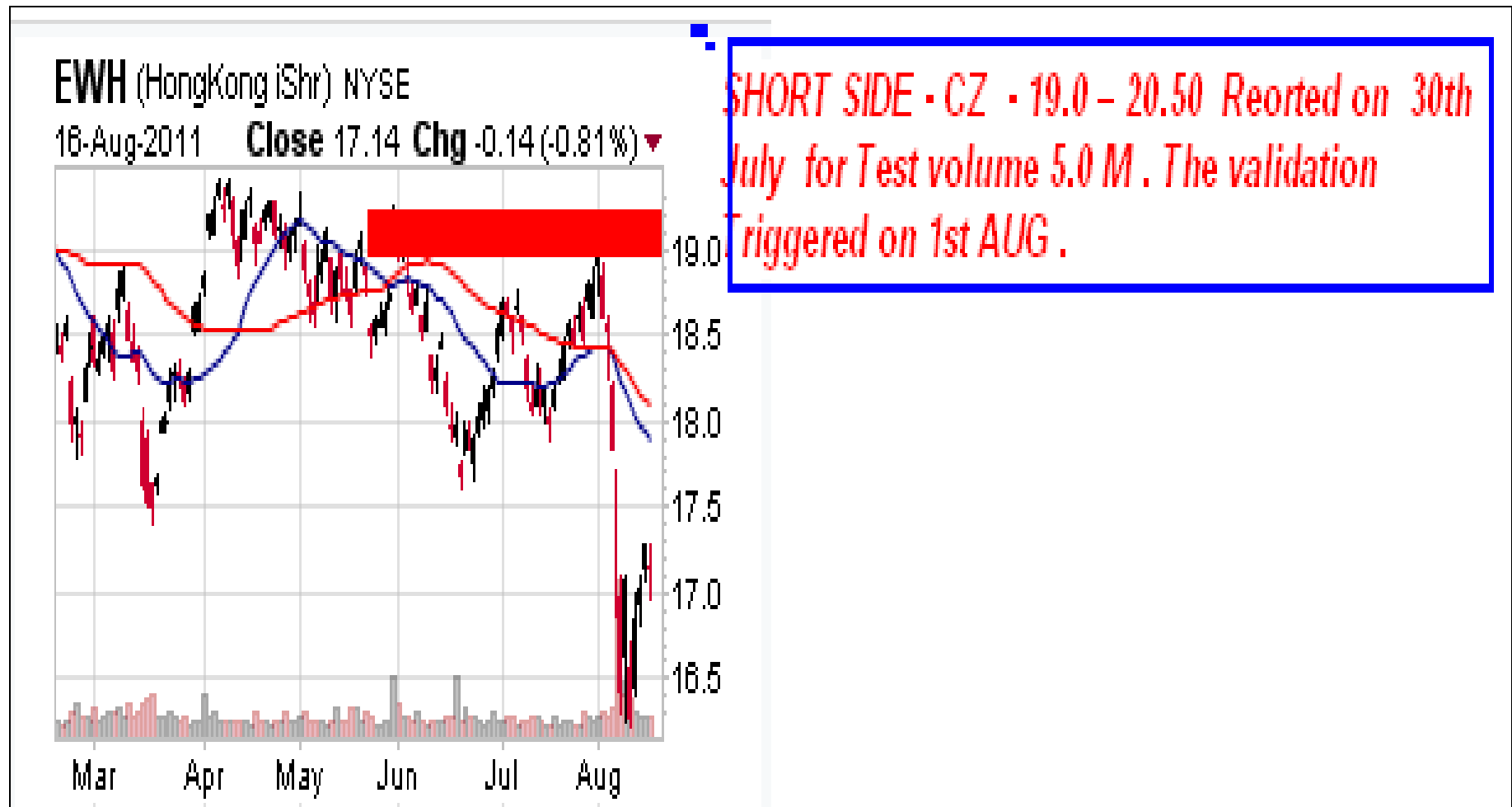


CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30th JULY

EWH – CZ Analysis – **Neutral** but

SHORT SIDE - CZ - 19.0 – 20.50 is indicated in red (partially imported from 2010 / 08) Test volume 5.0 M.

- $\frac{1}{2}$ position – was Triggered on 8/01 - into LCZ -MCZ



Quick Summary of Turning points - "Price path Reported " from Previous Reports - UPDATE dt - 7/21

QQQ Nasdaq GM

20-Jul-2011 **Close 58.80 Chg -0.25 (-0.42%)** ▼



IWM (Russell 2000 iShr) NYSE

20-Jul-2011 **Close 83.18 Chg -0.14 (-0.17%)** ▼



EEM (iShares MS...) NYSE

20-Jul-2011 **Close 46.93 Chg +0.14 (+0.30%)** ▲



EWA (Australia iShares) NYSE

20-Jul-2011 **Close 25.48 Chg +0.29 (+1.15%)** ▲



EZU (EMU Index iShares) NYSE

20-Jul-2011 **Close 36.31 Chg +0.60 (+1.68%)** ▲



Previous Signals

SELL SIDE - Triggered at Qualified CZ on "time & price"

- **IWM (83-85)....with 40 M or less test - qualified at CZ Sell – 31st March @ 84**
- **QQQ (56- 58) ... with 75 M or less test - qualified at CZ Sell – 21st April @ 58**
- **EEM (49.5 – 52.5)... with 55 M or less test - qualified at CZ Sell – 21st April @ 50.19**
- **EZUNo Validation**

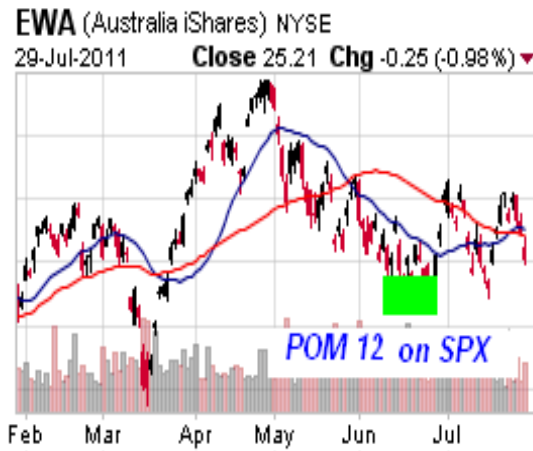
BULLISH CZ - Triggers at Qualified CZ

- **Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4th counter trend rally in 2011 within the regime of POM 14 re runs, All the above broader indices will follow the same price path in different proportion based on its own Relative Strength (see details of ech below)**

Cont.....QQQ, IWM, EEM, EWA, EZU, EWH “ Price path” update - From A # 2 MS Global

Short term Risk management zone announced for POM 13 on 7/08 & on A # 2 - MS - 7/06

Bullish CZ on Pull back but in Case of IWM volated at 81



POM criteria for Implementation on SPX

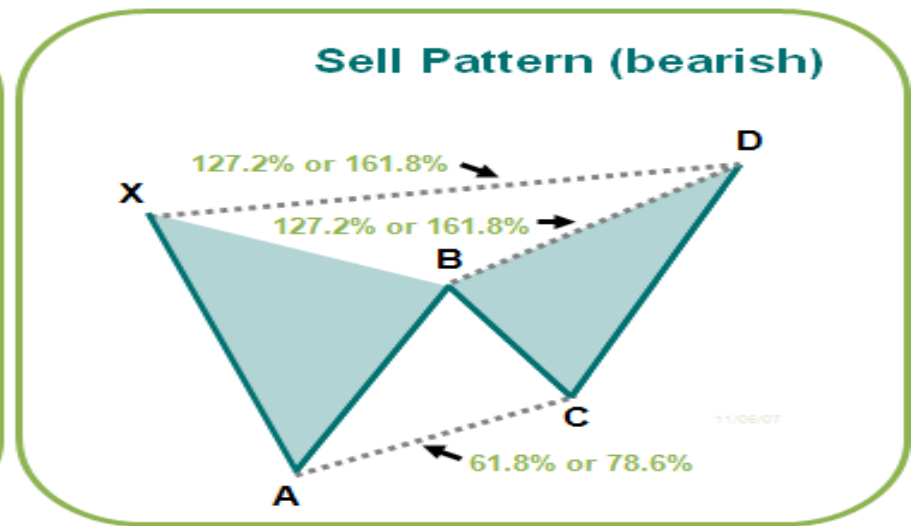
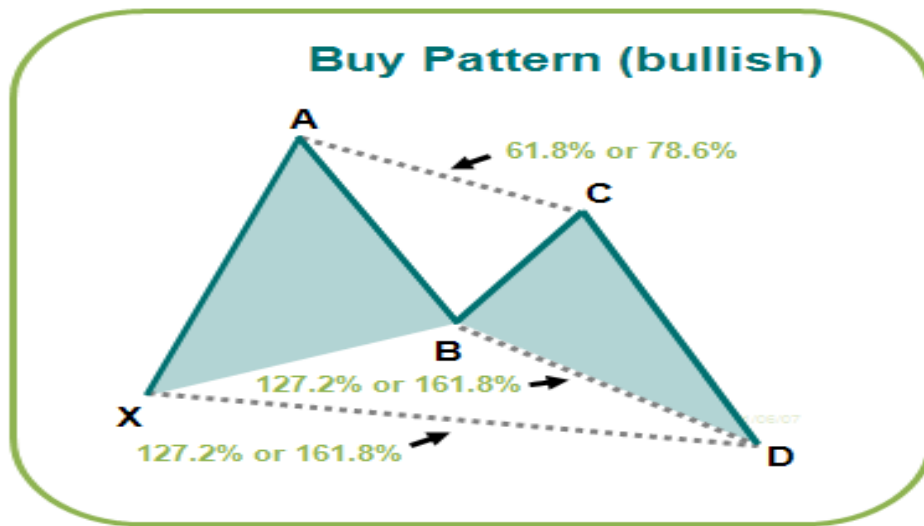
- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional “New Buys” that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci streams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D



Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator – On Buy Signal since SPX - 1115

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close

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