



# SG Capital Research

Global Market Insights

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

**MAEG- MARKET STRATEGY CZ \_POM \_ GLOBAL IDX # SG 2011 # NOV\_10**

**For Immediate Release – Thursday AM (EST)**

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

### **Coverage - GLOBAL IDX**

- EEM - EMRG - with
- (CHINA SHANGHAI – Proxy)
- EZU - EUROPE with
- (FTSE Proxy)
- EWA - AUST with
- (ORD – Proxy)
- EWZ – BRAZIL
- EWJ – JAPAN ( if Special Situation)
- EWH – HK ( if Special Situation)

CZ – PQV, Trend line, Pattern & Oscillator Analysis ( Qualified for > +/- 2 SD or Special Situation)

- Selected charts that has some distinct characteristics:
  - 1 MA / PATTERN/ OSCILLATOR Analysis
  2. Poly Trend Analysis ( If Applicable)
  3. Correlation Ratio Analysis v/s SPX
  4. Sentiments Analysis Mathematical & behavior ( if Extreme character)
- Appendix - OBJECTIVE , HISTORY of past Signals & POM Key Criteria

## • 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 CZ – Validation 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 below*

# GLOBAL INDICES

## EEM, (CHINA) , EZU, (FTSE) , EWA,( AORD, EWJ, EWZ

### • Trading and Investment Conclusions.

- **Via Alert Email** - SPX - POM 14 – Triggered ( 11/01) **at 1226** into the **CZ 1220 -1250 of POM 14** ( **Fully Hedge Position** by SP's RA/RI with **Warning** - **SPX rally towards 1252** ( **see the chart below**) . **Hrly charts critical towards the final observation .**
- **Via Alert note A# 3**– MS Report - QQQ Trigger was at 59 Monday (10/31) **showed all the weakness and Price projections.**

**IMPORTANT NOTE** - All the GLOBAL Indices tends to follows the Price path of SPX - POM's at exact for POM 11,12

**BUT** - for POM14, 15, various Instruments will Top out at different time due to its own CZ – Validation Trigger for Topping

**In charts below** - Each Global IDX have their respective CZ – PQV validation indicated. They usually tend **to be within 4 - 6% away from POM 14** ( historic observation) due to its own country's volatility . ( For Risk Management – STOPS always on other side of CZ).

**Although taking partial position at SPX – POM 14 within POM mandate might be considered ONLY IF** verified by other Methodologies and Individual Portfolio Objectives.

### • Global Insights

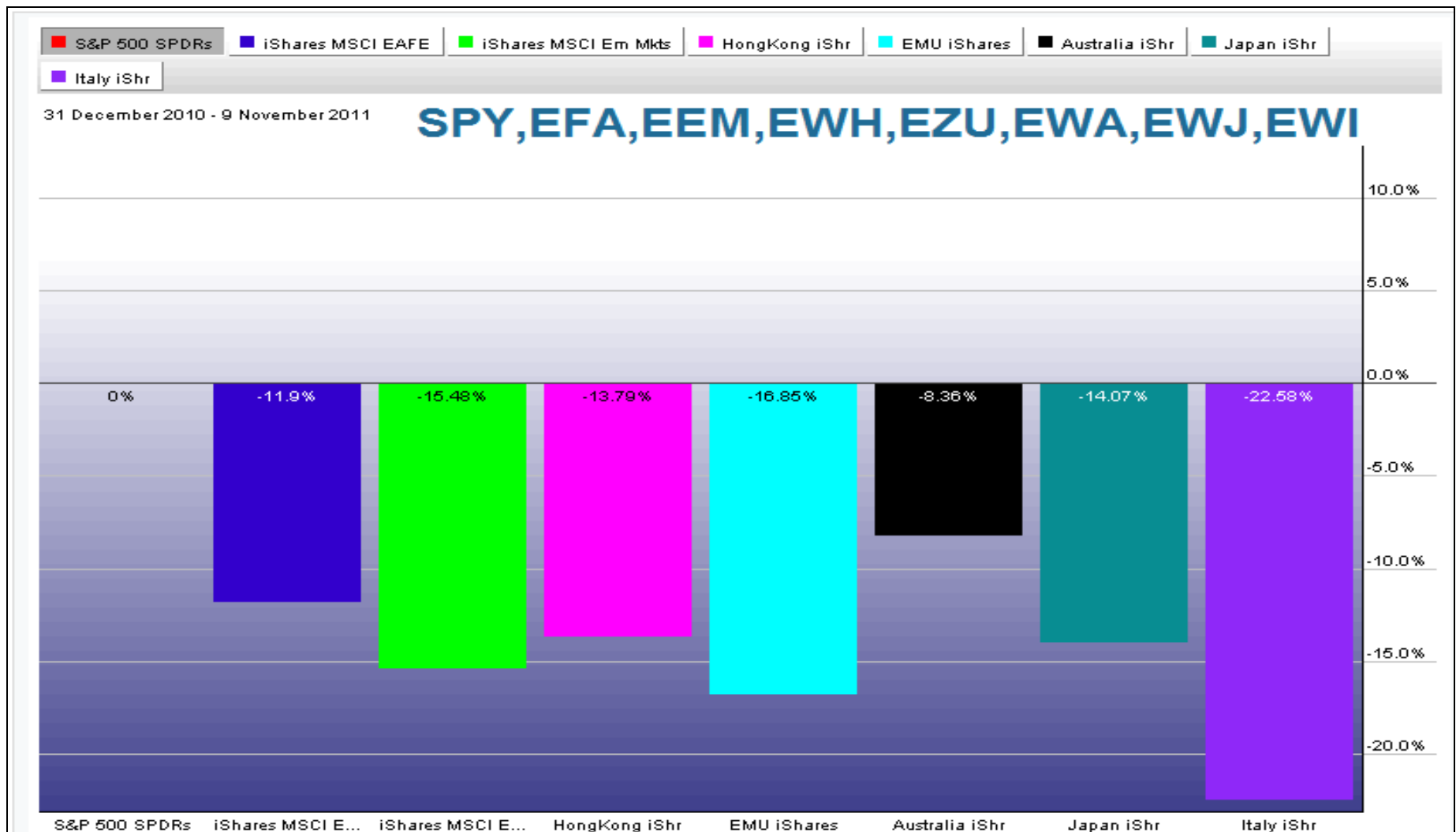
**WORLD MARKETS ARE GAPING UP AFTER NASTRY DECLINE YESTERDAY** - as Europe and in particular – Greece and Italy – remain center of attraction for Traders .

**The most widely watched piece of data is the Italian 10-year bond yield, and it is falling from yesterday's move above the 7.0% level. We certainly don't believe that it shall remain below 7.0% but stock markets think it will stay . If this moves violently we certainly can see ratings downgrades coming soon.**

## • YTD – Global IDX performance v/s SPX

*Chart below shows Ratio Relative performance of leaders and lagers with respect to SPX*

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



# EFA - MONTHLY – MACD CROSS – LONG TERM - Caution

EFA is WORLD MARKET ( EX- US)

*This is Monthly chart – 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. .*



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

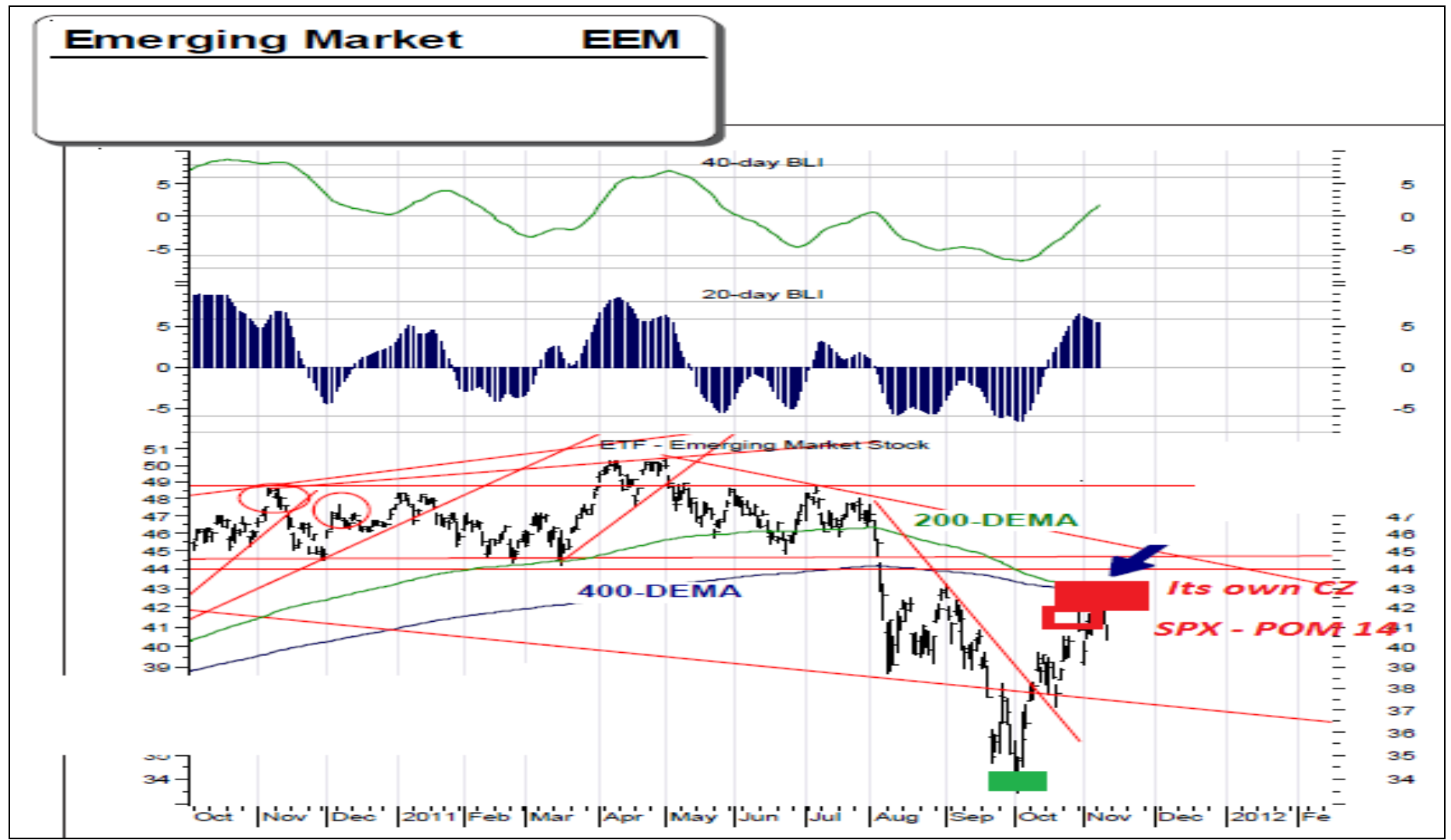
SPX – POM 12 called the bottom and now SPX – POM 14 trigger is indicated . **EEM has entered the CZ 41-43 – upon PQV validation and 40-41 is POM 14 area**

MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness ( see window below ) & currently diverging on



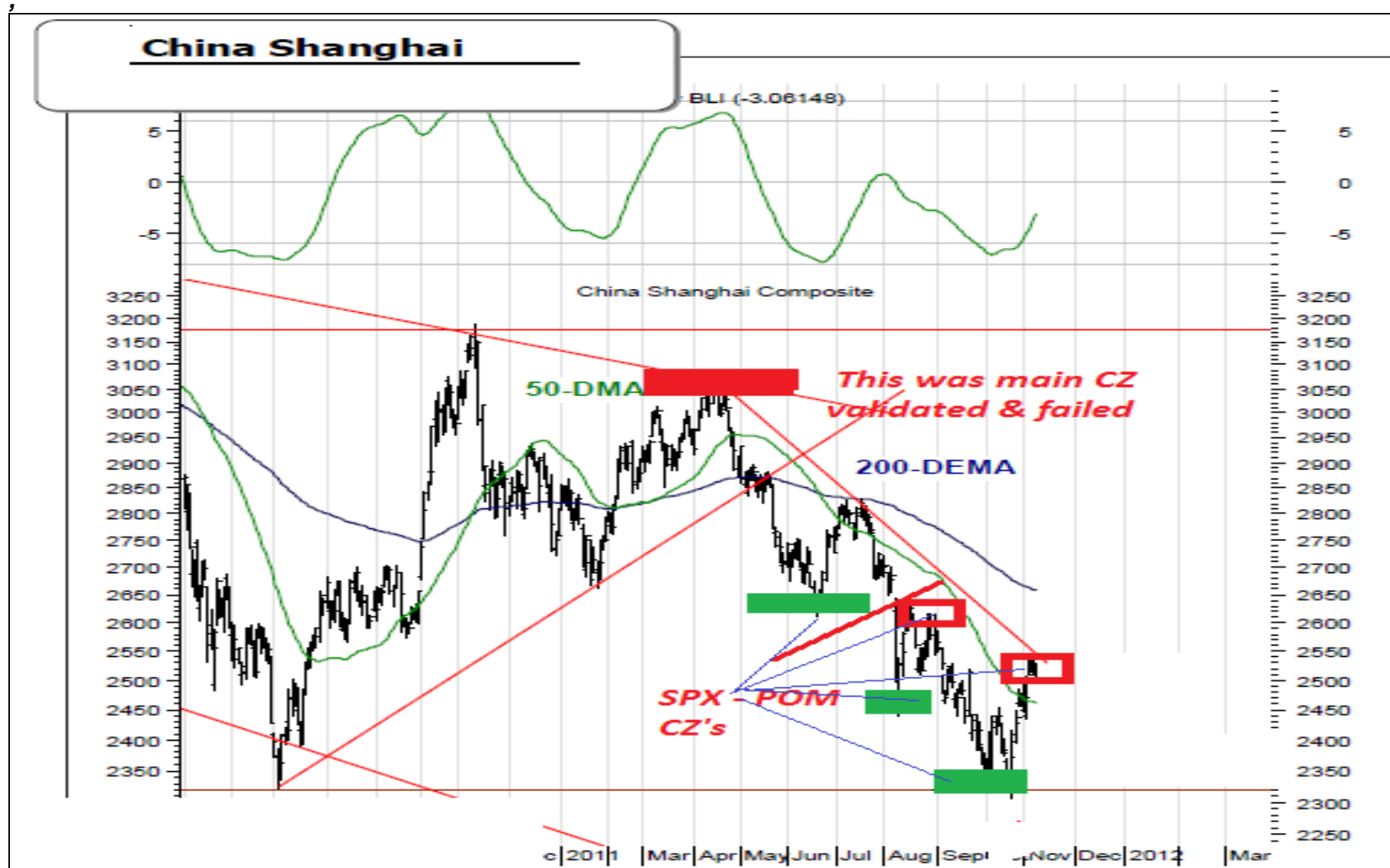
## EEM – MA / Pattern and Oscillator Analysis

*DMA's and Trend Analysis suggested the upside was limited ( Refer notes within the chart)  
Indicated SPX – POM's*



# SHANGHAI- MA / Pattern and Oscillator Analysis – ( Proxy for EMMERG)

Chart below marked in Color with our Previous calls Shanghai indicated in previous commentary





# SHANGHAI - Poly trend Analysis

**SSEC: Reached our Upside target ( as we had projected in earlier Reports) . It is in 3 channel downtrend in price and oscillator – This is Mother of bear market from 6500 to 2500 . Given the tops likely in the other markets , Shanghai is likely to also put in a top. The Major TRIANGULATION Pattern of large Magnitude is broken, this is bearish impact on world markets.**



## EWA - CZ / Ratio Analysis -

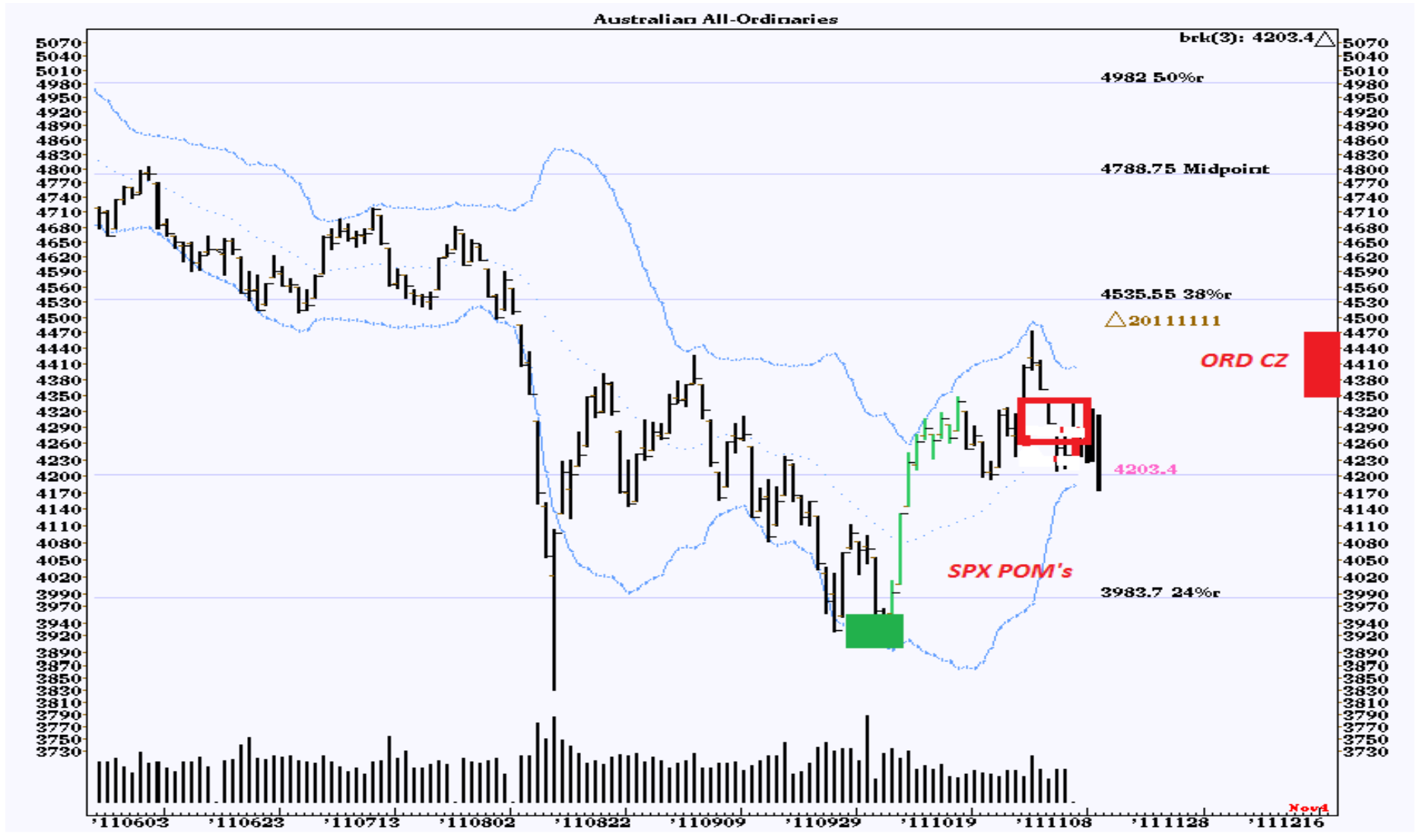
SPX - POM 12 called the bottom and now SPX - POM 14 trigger is indicated . **But EWA did not enter the CZ 31 -33 for PQV validation. But 29.5 -31 is POM 14 Trigger area**

MACD, Signaled SELL & Ratio - with / SPY continues to Trigger weakness ( see window below ) & currently diverging on



# ORD - Poly trend Analysis

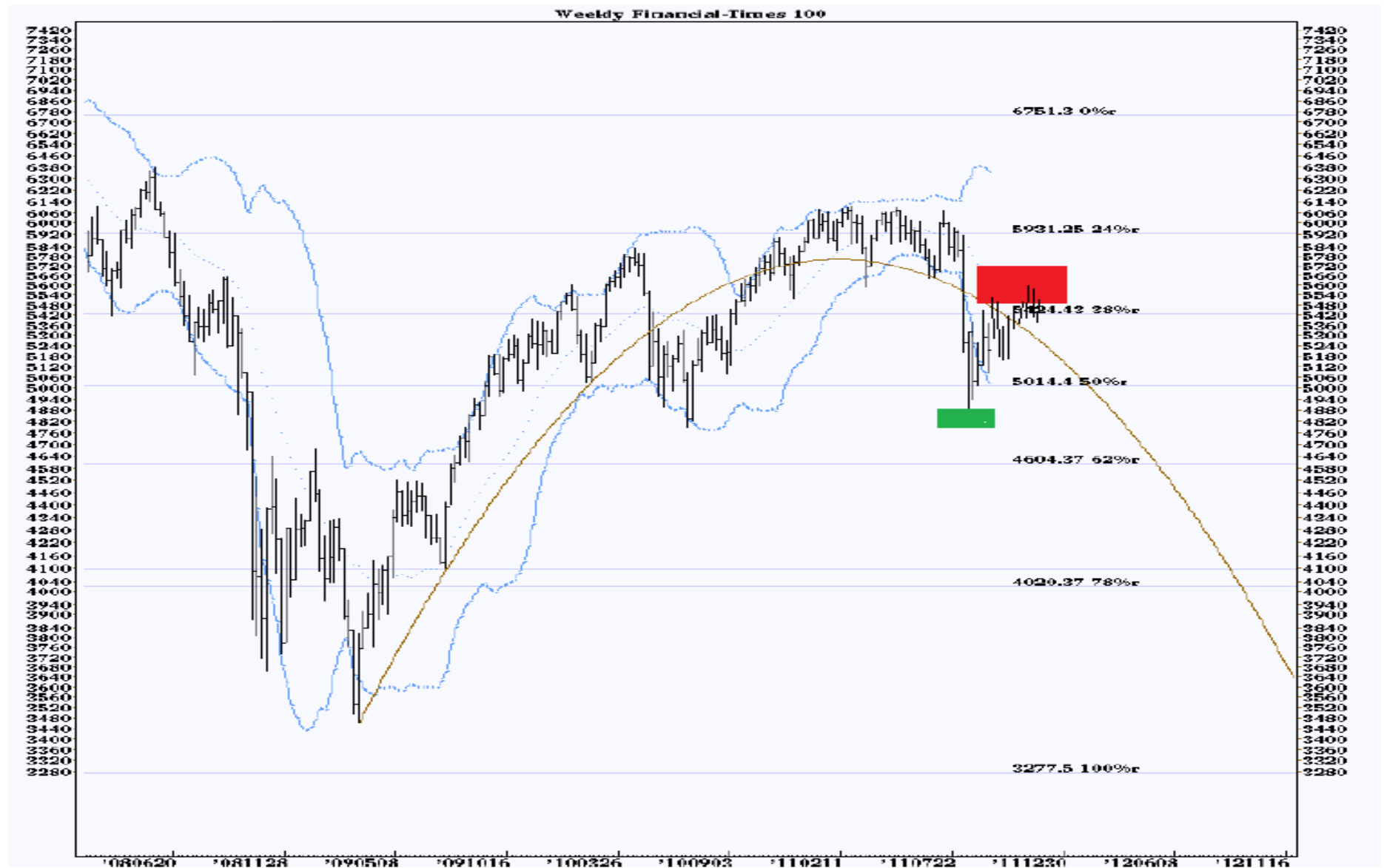
AORD: SPX – POM 12 called the bottom and now SPX – POM 14 trigger is indicated . **But ORD did not enter the CZ 4350-4500 for PQV validation. But confirmed 4250- 4350 @ POM 14 Trigger area**



# FTSE - Poly trend Analysis (Proxy for Europe)

*FTSE went into Underneath the Poly Trend , we Projected this in last Report & gave up on prices*

*Back in CZ indicated in red and on right side of Poly TREND.*



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

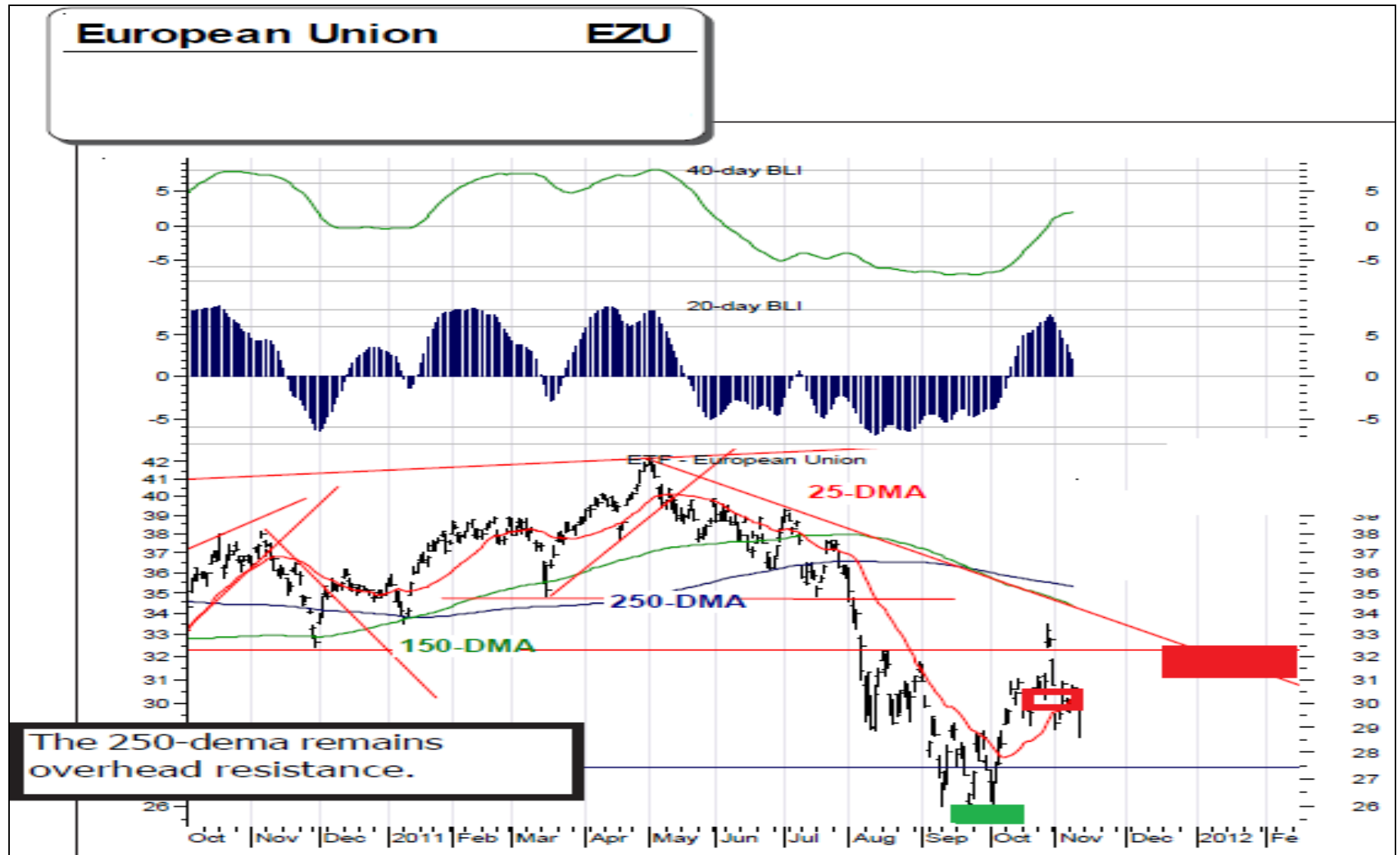
SPX – POM 12 called the bottom and now SPX – POM 14 trigger is indicated . **But EZU did not enter the CZ 31 -33 for PQV validation. But 30 -31 is POM 14 Trigger area**

MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness ( see window below ) & currently diverging on



## EZU – MA / Pattern and Oscillator Analysis –

*DMA's and Trend Analysis suggested the upside was limited (Refer notes within the chart)  
Indicated SPX – POM's*



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

*EWJ although Undervalued via -2SD Matrix, It is Trading back to the CZ of Oct 4<sup>TH</sup> area where it Triggered POM 12- SPX .*

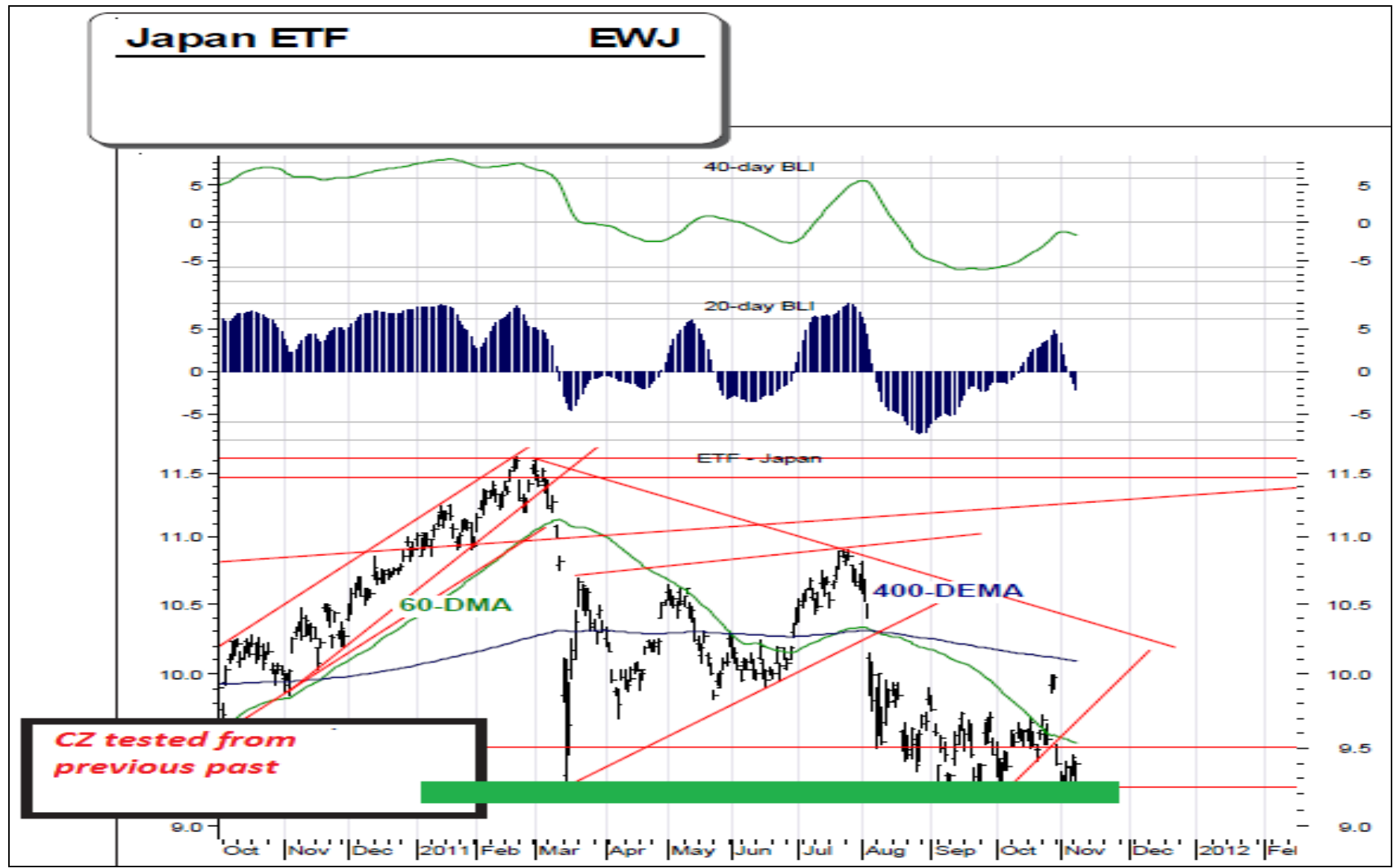
*Currently we do not have Price rejection in the CZ and has NEUTRAL SIGNAL. With Bullish Bias . In order to make The Bullish case we need to begin rally with Volume initiation process. LONG POSITION here at 9.25 should have stop at 9.00*

*The Bearish case – EWJ may jump below this area and begin next leg down especially since rally of the OCT 4<sup>th</sup> lows has been weak. .*



# EWJ – MA / Pattern and Oscillator Analysis –

*DMA's and Trend Analysis suggests – NEUTRAL*





## EWZ – CZ / Ratio Analysis -

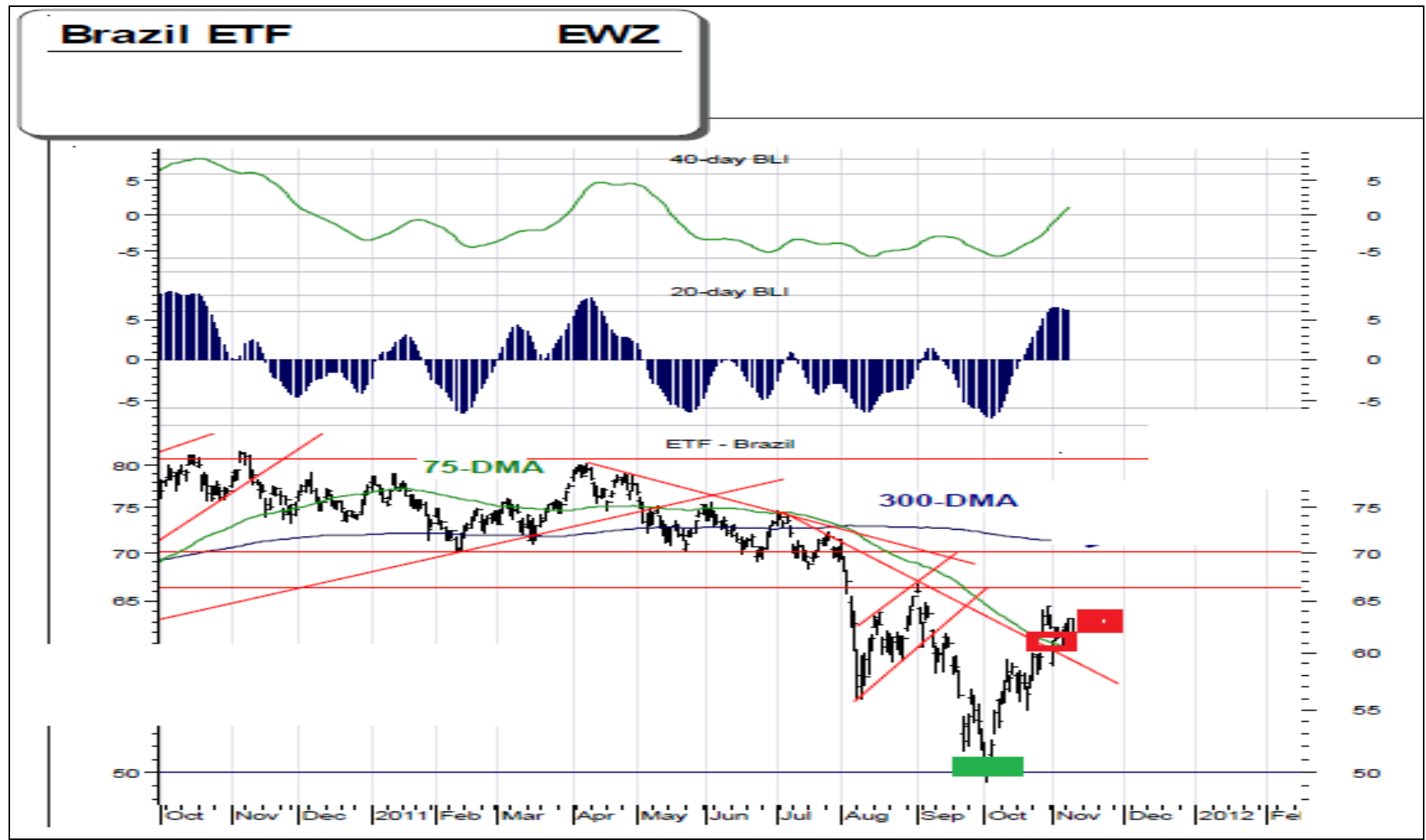
SPX – POM 12 called the bottom and now SPX – POM 14 trigger is indicated . EWZ entered the CZ 63-65 for PQV validation. & 61-63 is POM 14 Trigger area

MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness ( see window below ) & currently diverging on



## EWZ – MA / Pattern and Oscillator Analysis –

*DMA's and Trend Analysis suggested the upside was limited ( Refer notes within the chart)  
Indicated SPX – POM's*



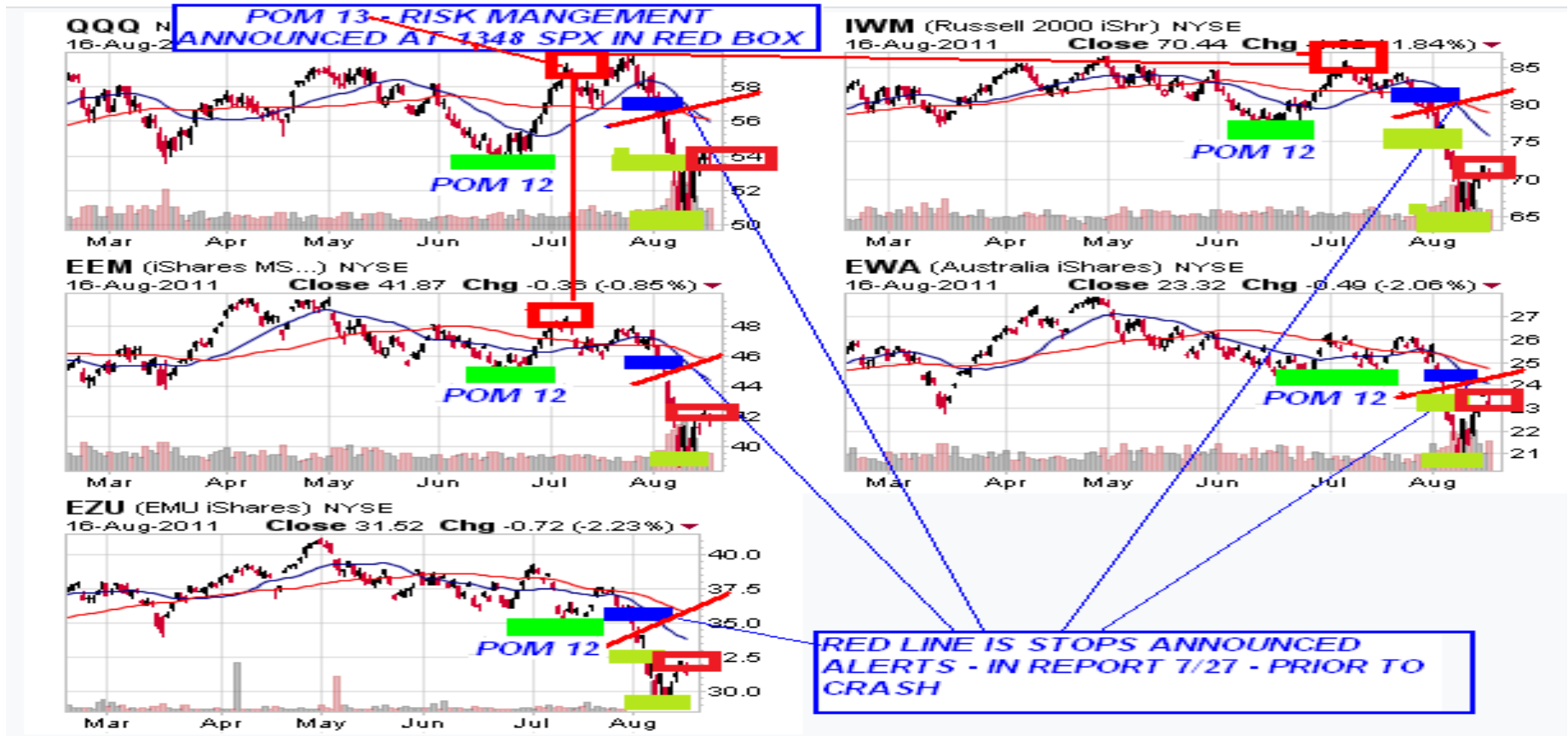
## APPENDIX -

### ➤ 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 16<sup>TH</sup> AUG - FOR ABOVE IDX IN AREAS OF “ CZ STOPS” ANNOUNCED - REALTIME

Read notes within the chart . . . . .

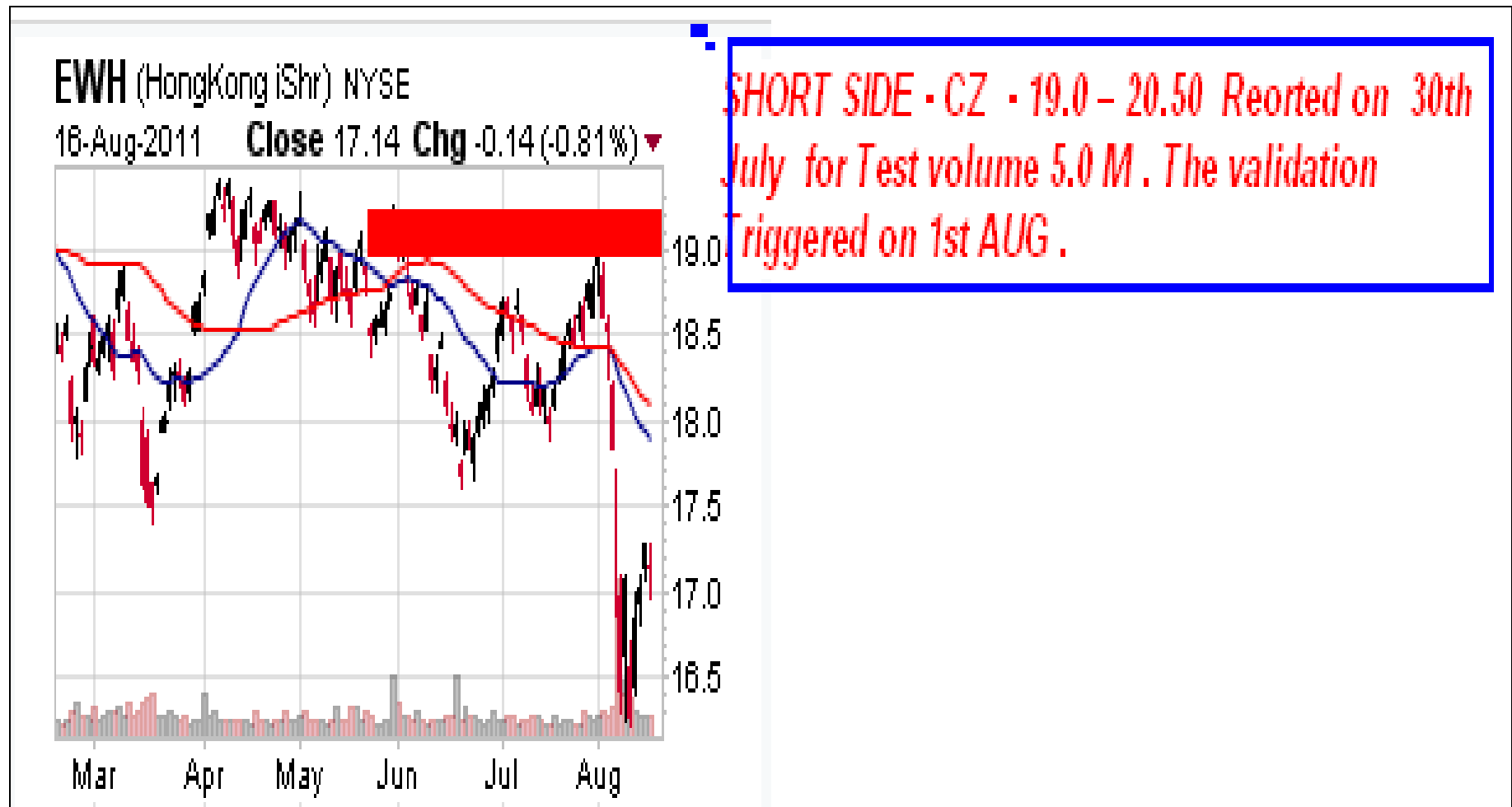


## CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30<sup>th</sup> JULY

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.**

- *½ 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 – 31<sup>st</sup> March @ 84**
- **QQQ ( 56- 58) ... with 75 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 58**
- **EEM ( 49.5 – 52.5 )... with 55 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 50.19**
- **EZU ....No Validation**

### **BULLISH CZ - Triggers at Qualified CZ**

- **Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4<sup>th</sup> 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)**

## 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)



## 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).*

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