



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 # NOV_24

For Immediate Release – Thursday AM (EST)

By: Suneil R Pavse

Contact: apavse@aol.com

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

SPX Insights – “ Special Situation”

- **German Bond Auction and widening yield spread in Europe resulted in flight to Quality into “ King Dollar” & US Bonds . This put great downside pressure on market – We have been long US Dollar for quite some time now. USD certainly reminds us of the Gold was acting at 320-330 in early stages of Bull Market 2002/03.**
- **In spite of yesterday’s Market decline VIX was been barely Flat (For 250 points drop DOW, the VIX should have been up 15 % and not 5%) This Suggests there is “no Fear” in the Market . VIX is still trading under the breakout area 35**
- **In our Current Scenario - SPX reached our POM 13 price target (our 1st destination, which we kept emphasizing as magnet for pull back) from POM 14. Upon reaching it jumped the CZ .**
- **Option (1)- After effect of Jump - Such jumps(call it ICE- CZ) when it occurs prices should come back in the Range to Mean CZ 1200 Range of that jump within 1-2 days IF it does NOT the decline further down the staircase tends to get into next landing (CZ) which in this case is the end of the Oscillation of SPX @1125 (around POM 12 target previously announced)**
- **Option (2) After effect of Jump – Such jump of ICE- CZ, if followed by the delay of 1-2 days in coming back into CZ, it Builds up slab by converting itself to “ Thick CEILING” of CZ – TOP HEAVY (1200-1210). This requires far more energy to Burst through to resume meaningful upside or requires several weeks/ Months of cause to repair the damage . Not to forget – We have another Heavy Ceiling on Top of this CZ in form of previous POM 14 area 1226-1252- This CZ is mother of both CZ .**
- **Important Note – There are ways to negate the Top Heavy ness of CZ with different Market internal structure . We monitor closely .**
- **Meanwhile our Pre planned Mechanical process of Risk Management will continue to “Scale in” and “Scale out” of POM’s & its CZ areas at its landing to manage our Risk to rebalance Beta & Net Exposures**
- **For Our Next game Plan –. Currently Risk is completely balanced. We will wait Patiently for one of the events to occur Either. (1) decline down to POM 12 area 1125 /or (2) Rise up to POM 14 re run in CZ (upon its failure to take next step) till then let the BULLS & BEARS fight it out, similar to what we witnessed in their behavior action at near POM 14 – CZ 1226-1255 just 2 weeks ago. Such creates imbalance to our advantage.**
- **RISK MANAGEMENT - For Positions “ Not in Sync with previous POM”s or its CZ with its entry or exits , Especially the NEW FRESH Overweight LONG Position, the best Risk management Stop had announced @ 1178 (to cover all**

Risk of market volatility)

● **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*

- Global Insights

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.
- Via Alert Email – Risk Management Signal -SPX - POM 13– Triggered (11/22) at 1189 @ close . The following AM 11/23, the Market opened with Gap Down to 1178. For positions taken at POM 14 manage partial rebalance Beta & Net Exposures based on Portfolio Objective

IMPORTANT NOTE –

- In recent correction, all the GLOBAL Indices followed SPX downwards in the Price path of SPX – POM 14 Signal . This combined with various Instruments that went into its own individual CZ and Validated for Topping (as pointed out in Last A # 2G Report dated 11/10. Refer charts below)
- Our Recommendation as stated was to take (1/2) @ POM –SPX trigger and (1/2) @ Its own CZ individual CZ trigger.

- **Announced in our last A # 2 G - Report dated 10TH Nov - the CZ – Trigger areas**

EEM - In Last Report A # 2G dated 11/10 indicated CZ – 41-43 – entered & POM 14 @ 40-41

EZU - In Last Report A # 2G dated 11/10 indicated CZ – 31-33 (**DID NOT ENTER**) & POM 14 @ 29-31

EZU - In Last Report A # 2G dated 11/10 indicated CZ – 63-65 – entered & POM 14 @ 61-63

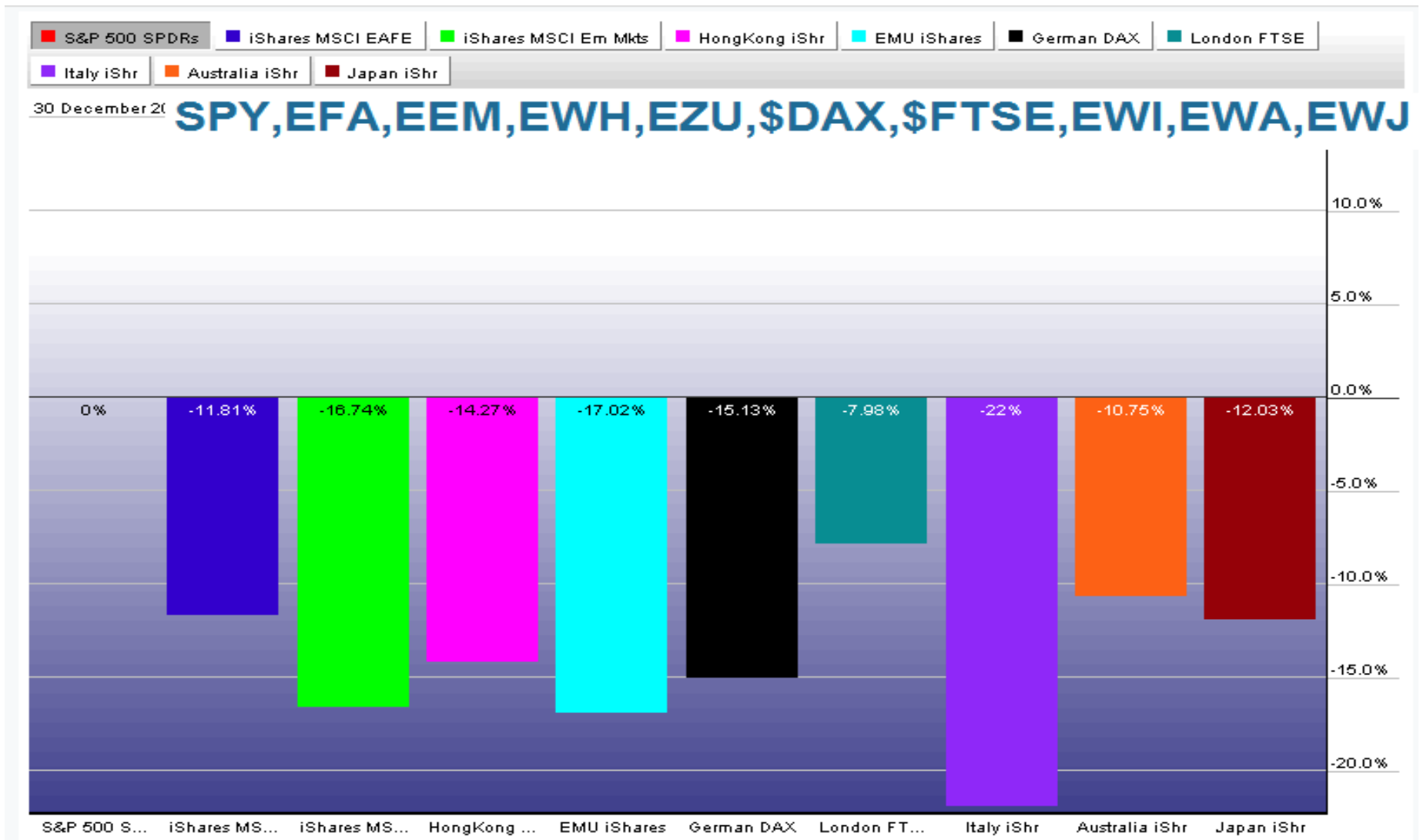
EWJ - In Last Report A # 2G dated 11/10 indicated CZ – 9.25 -9.00 – entered & stop 9.00 **FAILED** and was stopped out

- Stops always on other side of CZ @ value based on Portfolio's Risk tolerance

- 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

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

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. .



BSE v/s SPX – POM Correlation

The Chart below pinpoints the Tops and bottom with respect to SPX & POM . Local story on Domestic consumption, GDP Growth and Inflation under control is not in Sync with POM. All New FII flow since POM 14 lost twice as much - (1) in Market decline and (2) on Currency. Our theme on USD rally played out here with Rs as well along with POM 14



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

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

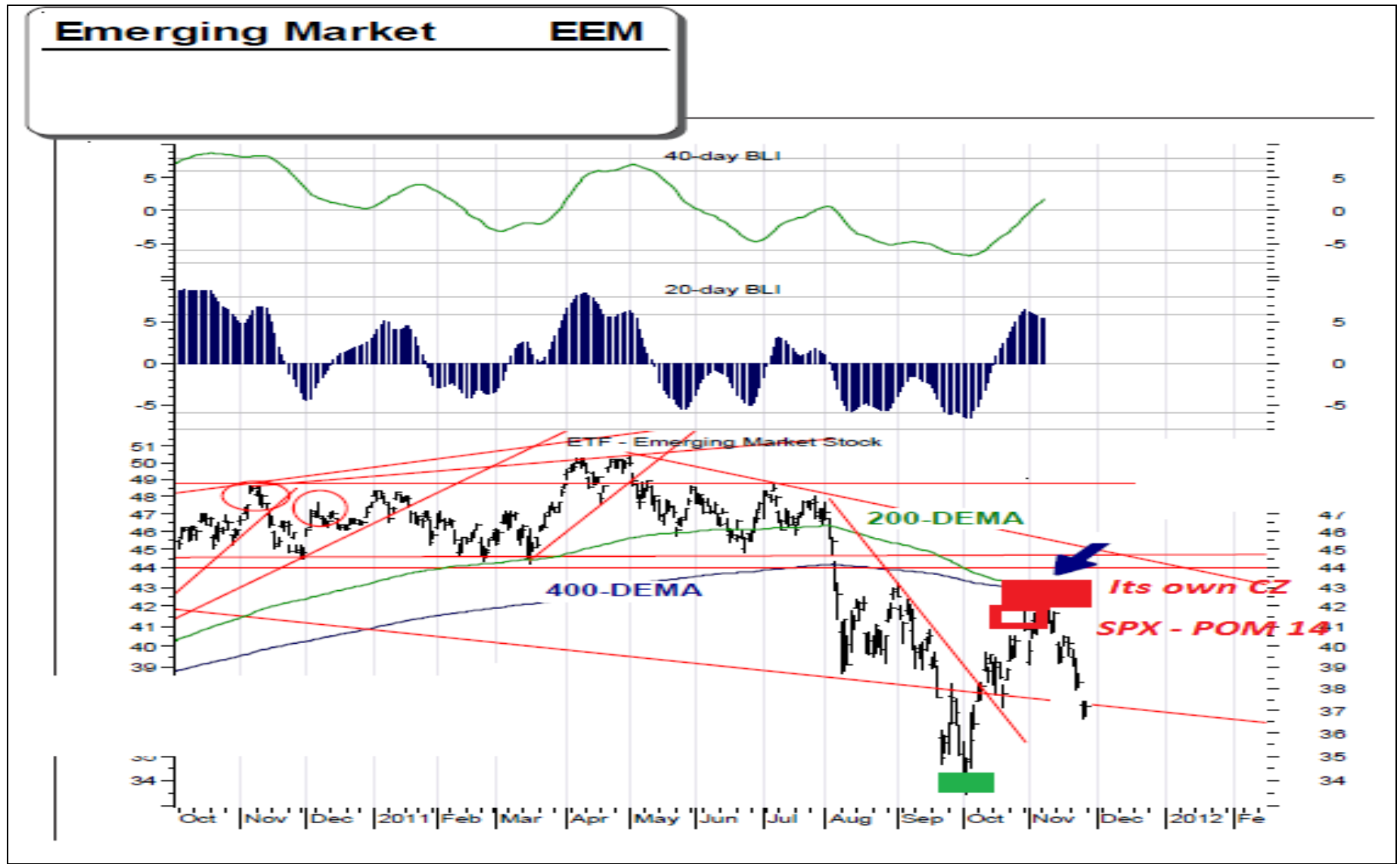
MACD, Signaled SELL & Ratio – with / SPY continues to Trigger weakness (see window below) & currently diverging negatively



EEM – MA / Pattern and Oscillator Analysis

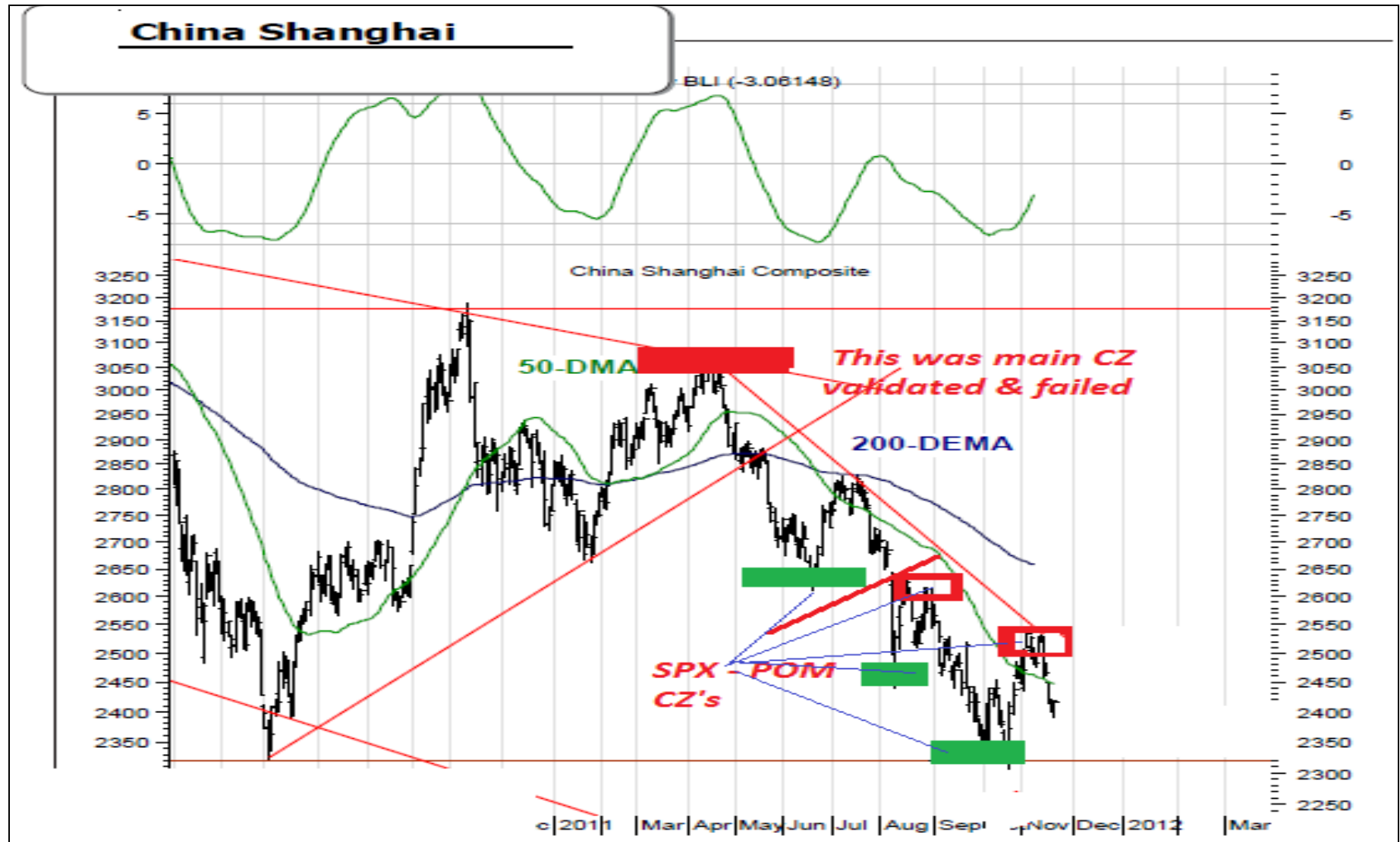
DMA's and Trend Analysis suggested the upside was limited & correction would resume and it did in major way (Refer notes within the chart)

Indicated SPX – POM's



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

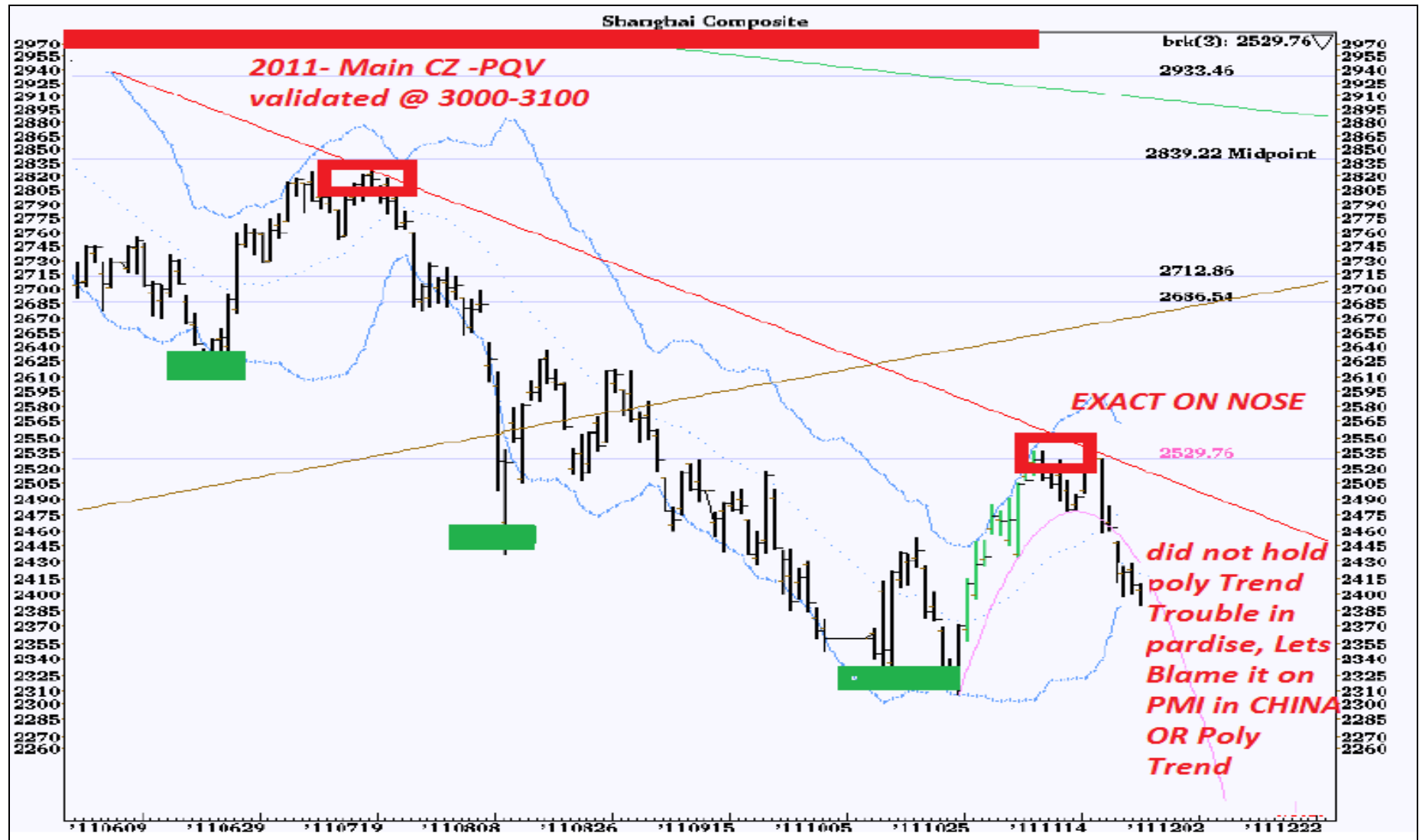
Chart below marked in Color with our Previous calls Shanghai indicated in previous commentary
CZ indicated on 10th Nov – Proved its merit



SHANGHAI - Poly trend Analysis

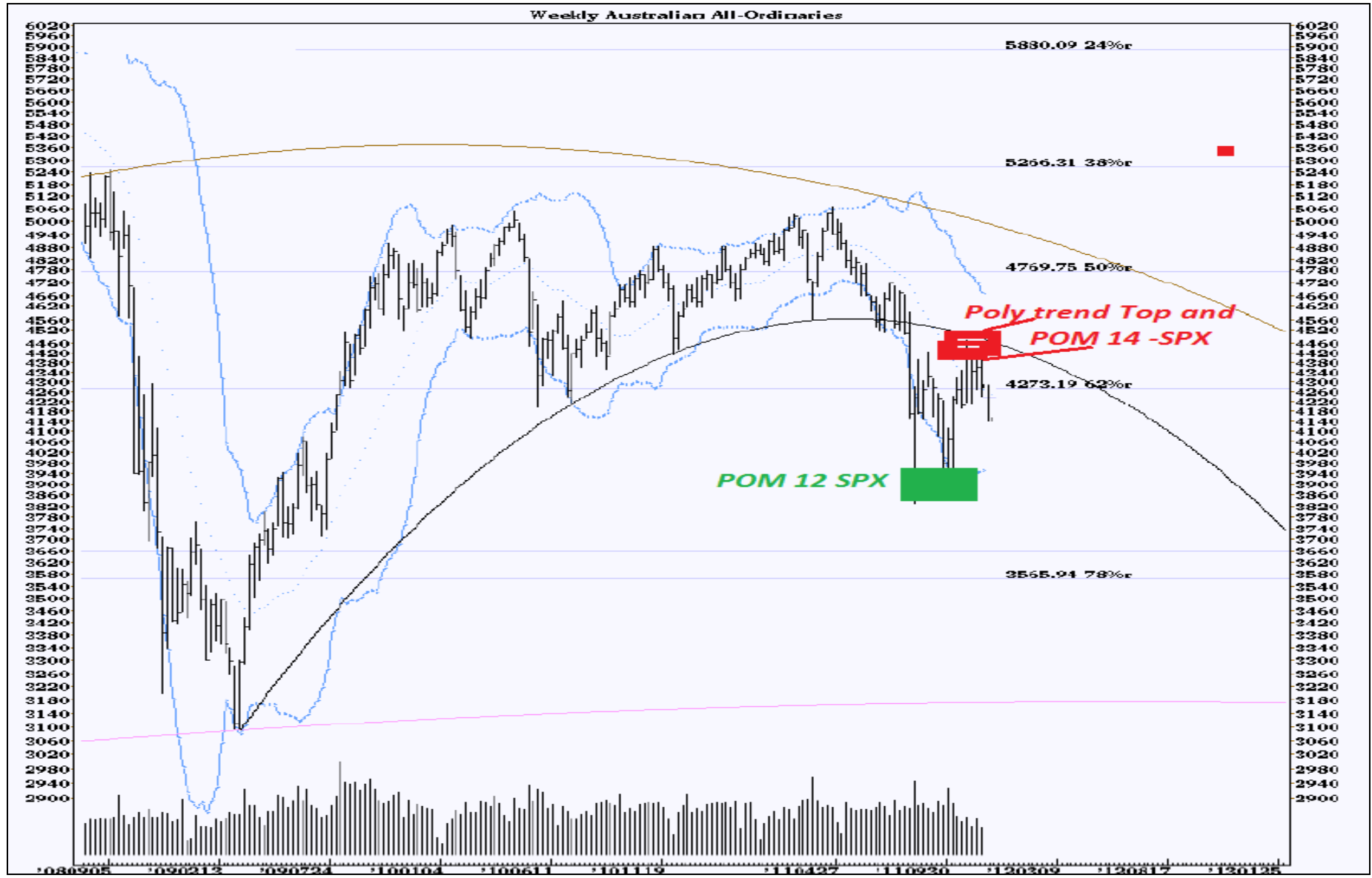
SSEC: Is following our Price script very **well since Jan @ 3100** . Currently reached our **Upside target** (as we had projected in earlier Reports) & **Top came** . Sold off as expected

This is **Mother of bear market from 6500 to 2500** . .



ORD - 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 5600- 5500. & POM 14 trigger @ 5500-5400

The decline came into underneath the Poly trend- This is BEARISH on right side 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

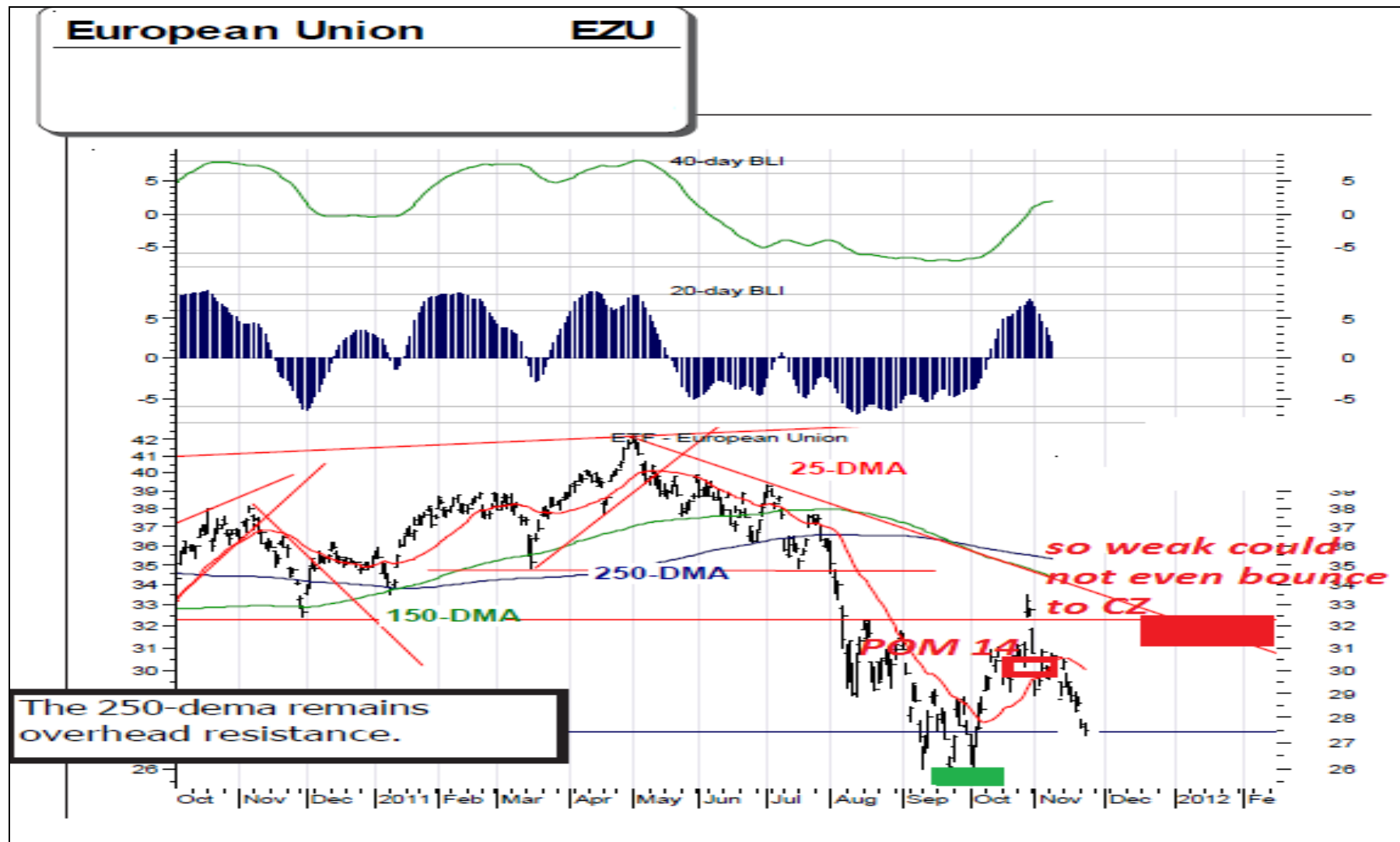
MACD, Signaled SELL & Ratio - with / SPY continues to Trigger weakness (see window below) & currently diverging negatively



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*

This Market was so weak with Bearish top that it could not have energy to go to CZ -



EWZ – CZ / Ratio Analysis -

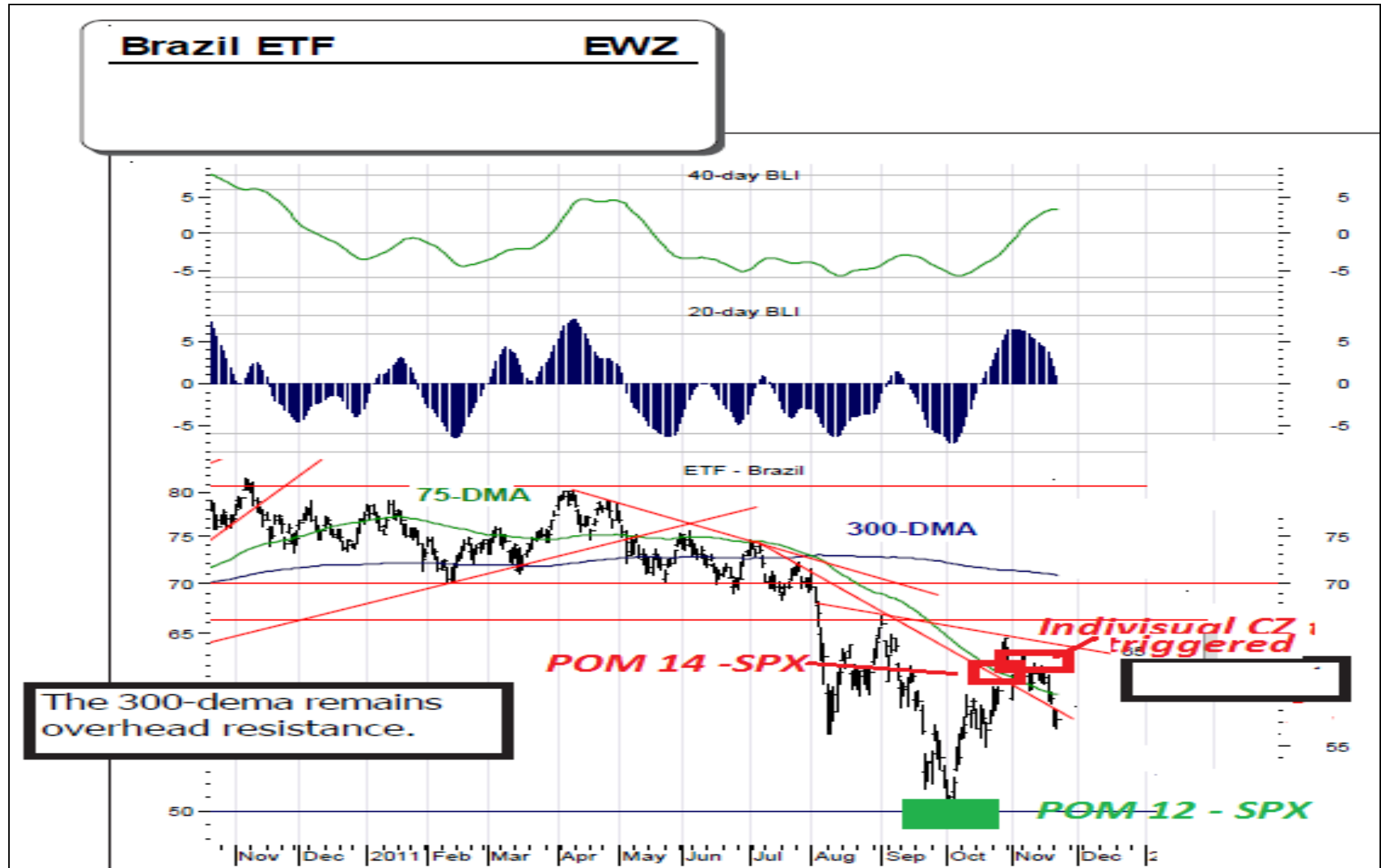
SPX – POM 14 trigger is indicated . **EWZ entered the CZ 63-65** as indicated in our last Report 11/10 . & 61-63 is POM 14 Trigger area

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



EWZ – MA / Pattern and Oscillator Analysis –

DMA's and Trend Analysis suggests – Will follow the Global Commodity Market & 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 4TH area where it Triggered POM 12- SPX .

We did not have Price rejection in the CZ and the Bearish case played out with stop at 9.00 and Began next Leg down

The rally of the OCT 4th lows has been weak. .



EWJ – MA / Pattern and Oscillator Analysis –

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



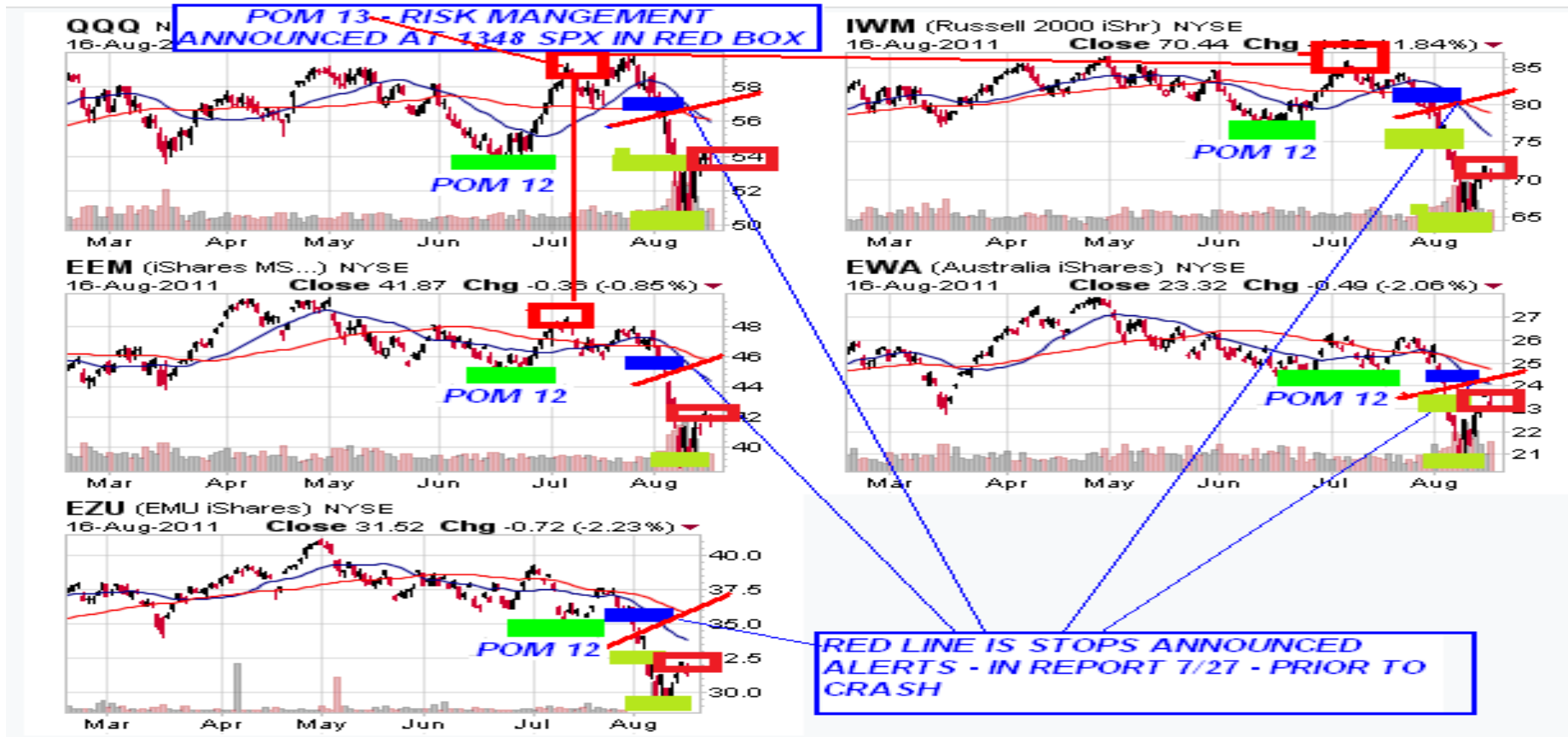
APPENDIX -

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

Read notes within the chart

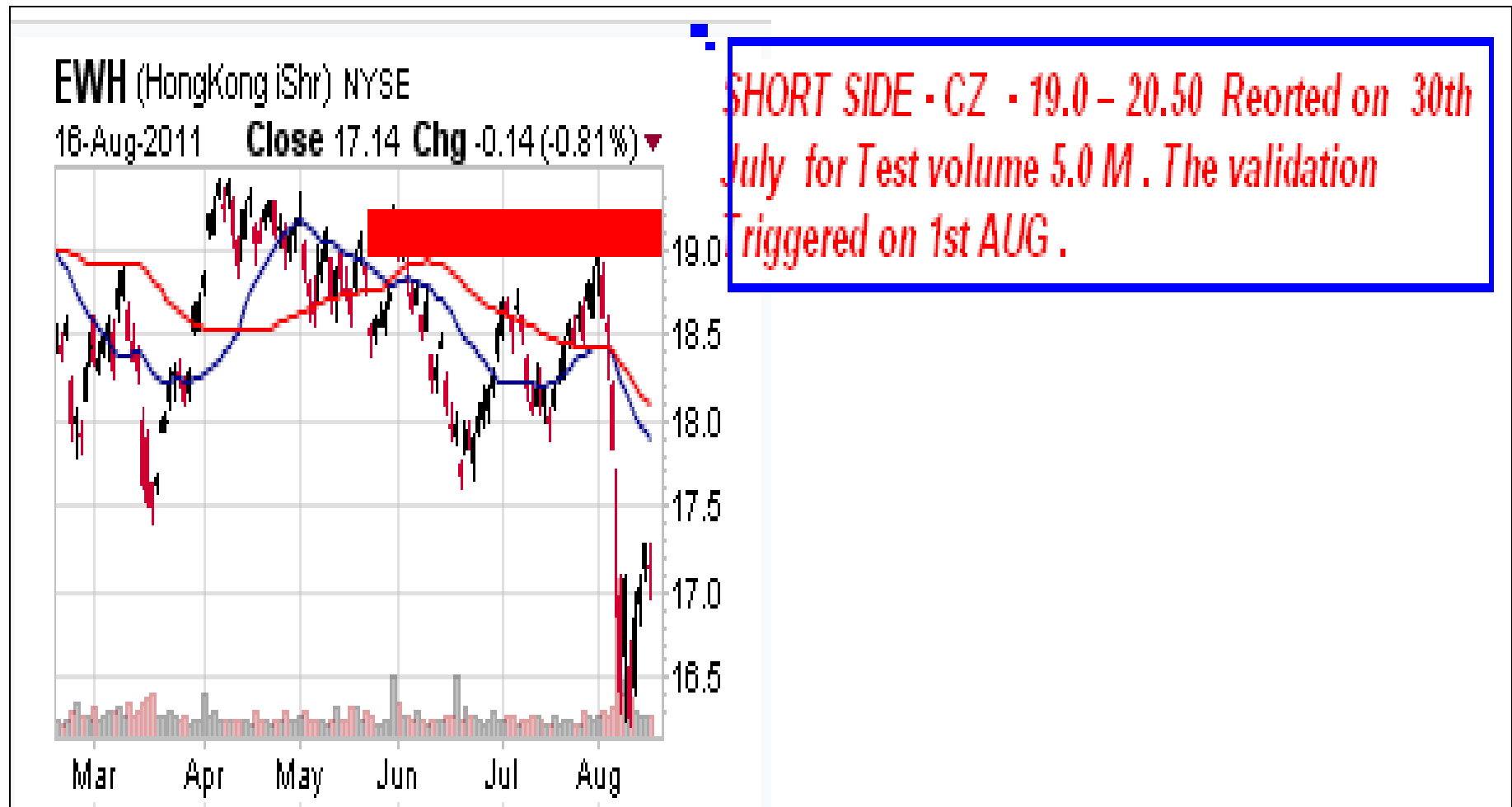


CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30th JULY

EWI – 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)**

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).

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.