



# SG Capital Research

Global Market Insights

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

**MAEG- MARKET STRATEGY CZ \_POM \_BROADER IDX # SG 2011 # OCT\_06**

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

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## **Market Strategy Broader IDX (A # 2) - (SP)-**

We have picked up charts (below) that has some distinct characteristics from observation & Special Situation this week based on our assessment:

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

### **BROADER IDX**

- **SPX - S & P 500 ( As required)**
- **QQQ – NASD 100**
- **IWM - RUSSELL 2000**
- **DIA – DOW 30 ( As required)**
- **NYA - NYSE ( As required)**
- **IYT – TRANSPORT ( As required)**
  
- **TLT – BONDS ( Special situation)**

**Appendix - History of past SPX - POM Signals & Key Criteria**

- **Objective**

*Focus is on the Short & Intermediate term turning point. The Price Path Analysis of Broader Indices via SPX POM's Price projections and / or CZ ( Bullish & Bearish between the POM's) . POM is Unidirectional Judgmental Model for SPX ( Details in our A # 1- MS Reports) .*

- *SPX signal acts as Risk Benchmark for all the Broader Markets. Since these Markets gets priced off SPX for timely POM & Bullish CZ calls of each Specific IDX .*
- *SPX is still following the Bear Market / Trading Range Market for POM Regime unlike GOLD Market which is Bull.*
- *All Broader Indices within A # 2 MS Report tends to follow the Price path of SPX Signals @ POM11, 12 ( for NET LONG) & POM 13 ( for RISK MANAGEMENT) applies to all the Broader Indices as well Except in case of @ POM14, 15,( NET SHORT), the various Instruments will Top out at different time frames mostly upon Triggering its own CZ – PQV Validation.*
- *As Market moves in between the POM's, the bounces within ST – Bullish CZ to ST Bearish CZ will be evident in our Price Path for Trading Purposes ( within Short term Risk & Reward)*
- *All CZ / PEC D / POM's – Marked ( in color) on charts below has been Announced Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ Stop value based on Portfolio's Risk tolerance*

## Memo -

*Although we do not like to use 3<sup>rd</sup> party "opinion based Indicators" in our Analysis or in our Conclusions. This is exception from time to time. Old friend & neighbor of my mine (Matt) now working ( as Long Only) for Putnam – Andover had saved this from his olden days at Templeton . He send this to me ...It is interesting read*

**John M. Templeton**  
Lyford Cay, Nassau, Bahamas

### **MEMORANDUM (June 15, 2005)**

Financial Chaos – probably in many nations in the next five years. The word chaos is chosen to express likelihood of reduced profit margin at the same time as acceleration in cost of living.

Increasingly often, people ask my opinion on what is likely to happen financially. I am now thinking that the dangers are more numerous and larger than ever before in my lifetime. Quite likely, in the early months of 2005, the peak of prosperity is behind us.

In the past century, protection could be obtained by keeping your net worth in cash or government bonds. Now, the surplus capacities are so great that most currencies and bonds are likely to continue losing their purchasing power.

Mortgages and other forms of debts are over tenfold greater now than ever before 1970, which can cause manifold increases in bankruptcy auctions.

Surplus capacity, which leads to intense competition, has already shown devastating effects on companies who operate airlines and is now beginning to show in companies in ocean shipping and other activities. Also, the present surpluses of cash and liquid assets have pushed yields on bonds and mortgages almost to zero when adjusted for higher cost of living. Clearly, major corrections are likely in the next few years.

Most of the methods of universities and other schools which require residence have become hopelessly obsolete. Probably over half of the universities in the world will disappear quickly over the next thirty years.

## Cont....

Obsolescence is likely to have a devastating effect in a wide variety of human activities, especially in those where advancement is hindered by labor unions or other bureaucracies or by government regulations.

Increasing freedom of competition is likely to cause most established institutions to disappear with the next fifty years, especially in nations where there are limits on free competition.

Accelerating competition is likely to cause profit margins to continue to decrease and even become negative in various industries. Over tenfold more persons hopelessly indebted leads to multiplying bankruptcies not only for them but for many businesses that extend credit without collateral. Voters are likely to enact rescue subsidies, which transfer the debts to governments, such as Fannie May and Freddie Mac.

Research and discoveries and efficiency are likely to continue to accelerate. Probably, as quickly as fifty years, as much as ninety percent of education will be done by electronics.

Now, with almost one hundred independent nations on earth and rapid advancements in communication, the top one percent of people are likely to progress more rapidly than the others. Such top one percent may consist of those who are multi-millionaires and also, those who are innovators and also, those with top intellectual abilities. Comparisons show that prosperity flows toward those nations having most freedom of competition.

Especially, electronic computers are likely to become helpful in all human activities including even persons who have not yet learned to read.

Hopefully, many of you can help us to find published journals and websites and electronic search engines to help us benefit from accelerating research and discoveries.

# **BROADER INDICES**

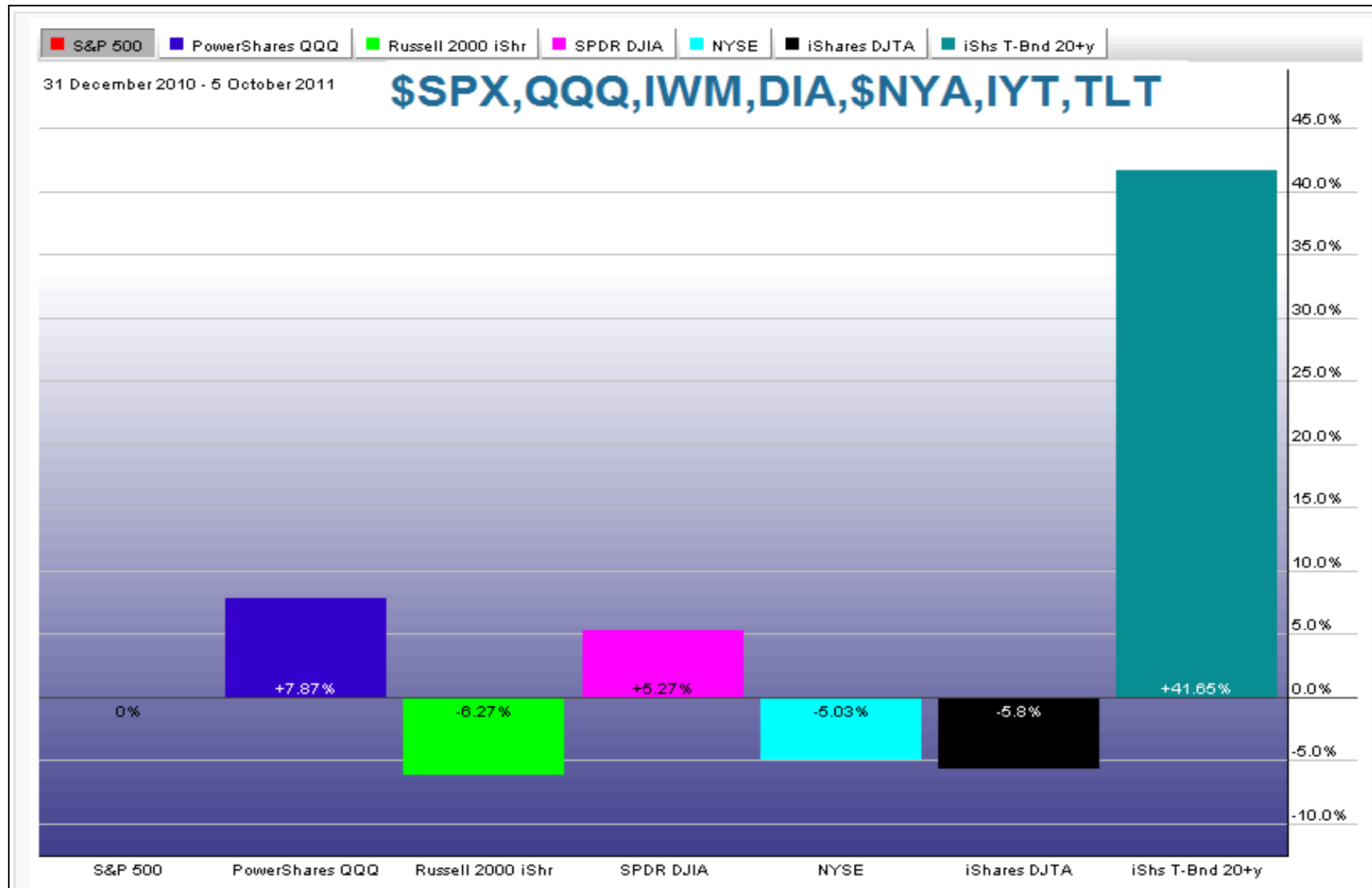
## **IWM, QQQ, DIA, NYA, IYT**

### **• Trading and Investment Conclusions.**

- **SPX - Market Triggered POM 12 @ 1080 ( Net Long) via Alert 10/04.** As per our Objective , the Broader Indices followed the rally closely with the Price Path” of SPX during the turn.
  - **In our A # 1 MS last week, we depicted the detail Process of how the projections and rejection of POM 12 will take place. On 10/4 we evidenced that signal . We waited for 5 weeks for avoiding 140 painful points decline from 1220.**
- **POM 12 – SPX 1080 was a favorable spot to Rebalance the Beta & Net Exposures based on Individual Portfolio’s Objective. Since then, we witnessed rally of + 7% to 1155 as we speak & enjoy the ride on POM 12 position.**
- **POM 12 area on 10/04 was a classic example of BULLS SELLING & BEARS SHORTING at the same time send the market off balance which put in a reversal at 1080. But this is a rally within the consolidation 1220 -1100**
- **We should have some back filling around current area on pull back. As we have some Open order circulation around Lehman area 1200 -1150 from 2008 and POM 14 False breakout area ( QE 2) at 1135- 1155 from last Sept 2010.**
- **This Weekly close for the markets are critical to judge further ( Several charts below).**
- **On hourly work for 2-3 days time Horizon, Trader may take some quick profits as they Square their book on Friday**

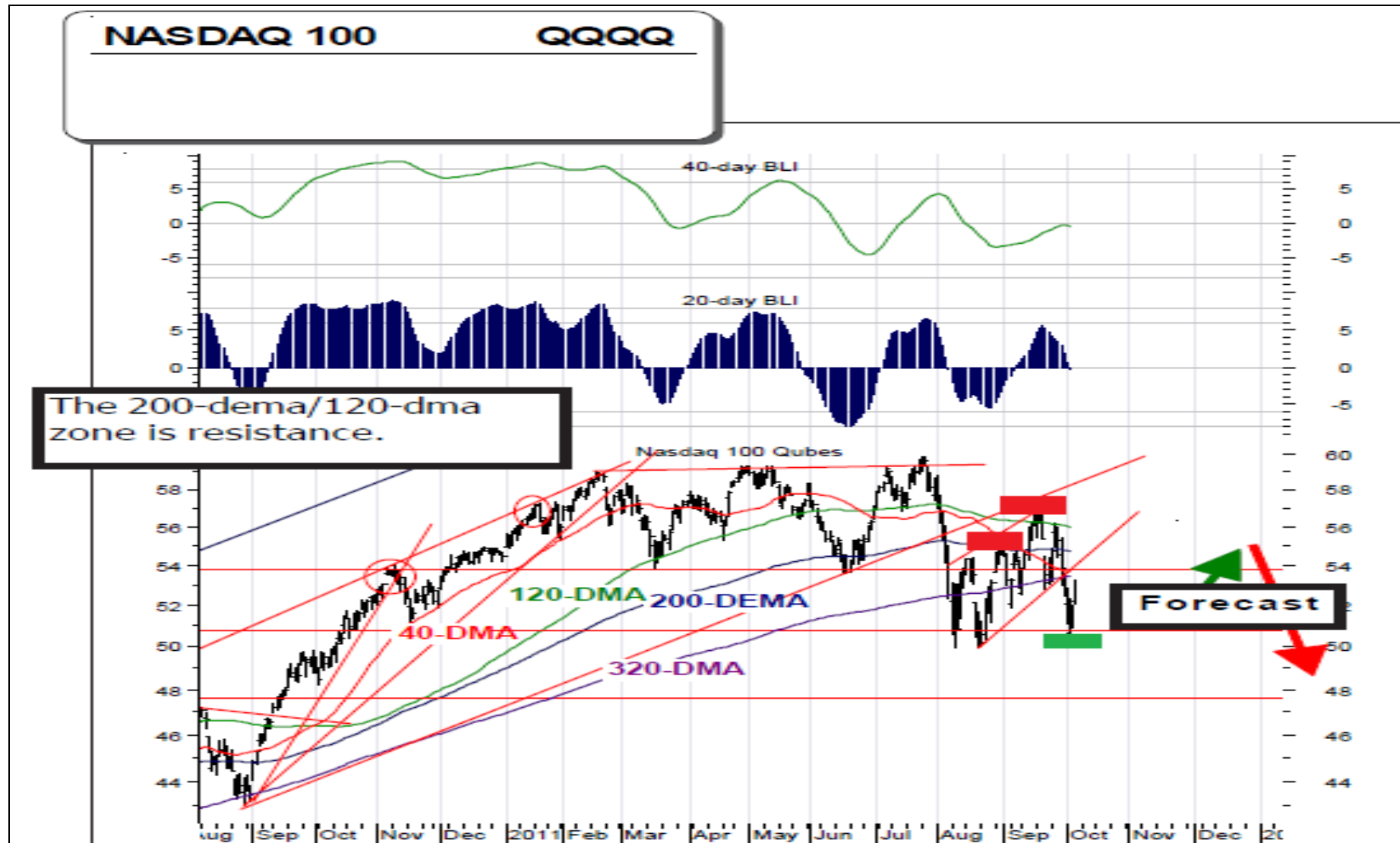
- YTD – SPX 's performance v/s Broader IDX

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



## QQQQ – MA / Pattern and Oscillator Analysis

QQQ - @ 50.25 Triggered at the stroke of POM 12 on SPX, 10/04. DMA's and Trend Analysis suggested last week the POM 12 on SPX should be in close vicinity (Refer notes & CZ 's coincided with POM'S within the chart)



## QQQQ ( Weekly) – Analysis-

QQQ continues to be strongest index. Its weekly key reversal has been healthy & Rally of the bottom has been very powerful. We need STOC –RSI above 0.5 & RSI to move above 50

Our last A # 2 Report “ we pointed “ QQQ Reached into the Bearish CZ 55.5-56.5 with 3 Drives to the Top as we gave in last weeks message – but is the strongest Index” indicated by The ratio QQQ / SPY & Stoc -RSI





# NASD - Money flow

The chart below - Money flow explain our cross verification of QQQ's strength.



## IWM - MA / Pattern and Oscillator Analysis

**IWM - @ 60.30 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis suggested last week the POM 12 on SPX should be in close vicinity ( Refer notes & CZ 's coincided with POM'S within the chart)**



## IWM – ( Weekly) – Analysis-

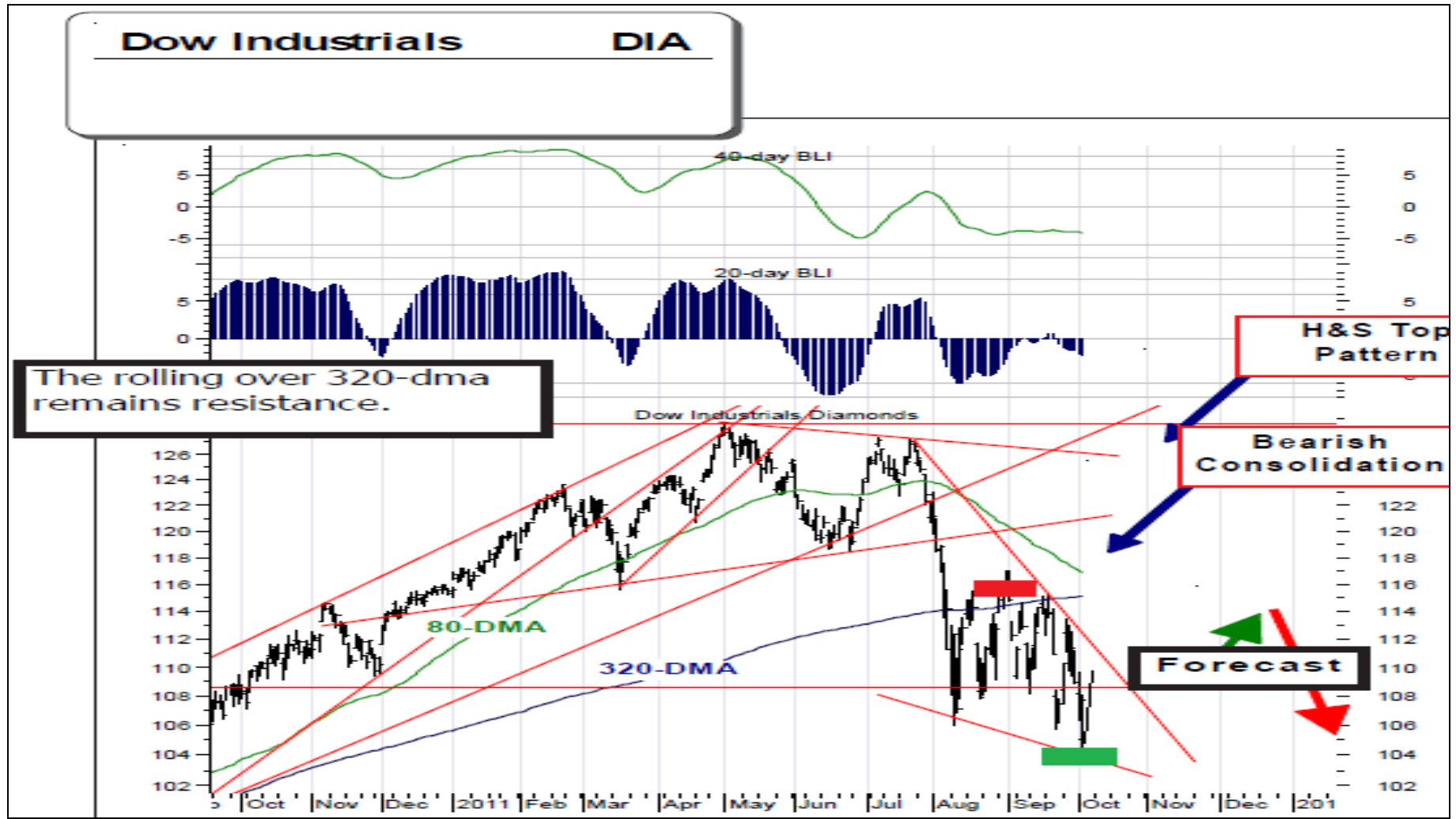
*IWM continues to be weakest index. Its weekly key reversal has been healthy & IDX is not broken down . STOC –RSI is weak*

*Our last A # 2 Report “ we pointed “ IWM would be the first IDX to break the August lows first which it did but it was shake out and came back in range quickly . This should rally with SPX*



## DIA - MA / Pattern and Oscillator Analysis

**DIA - @ 104.10 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis suggested last week the POM 12 on SPX should be in close vicinity ( Refer notes & CZ 's coincided with POM'S within the chart)**



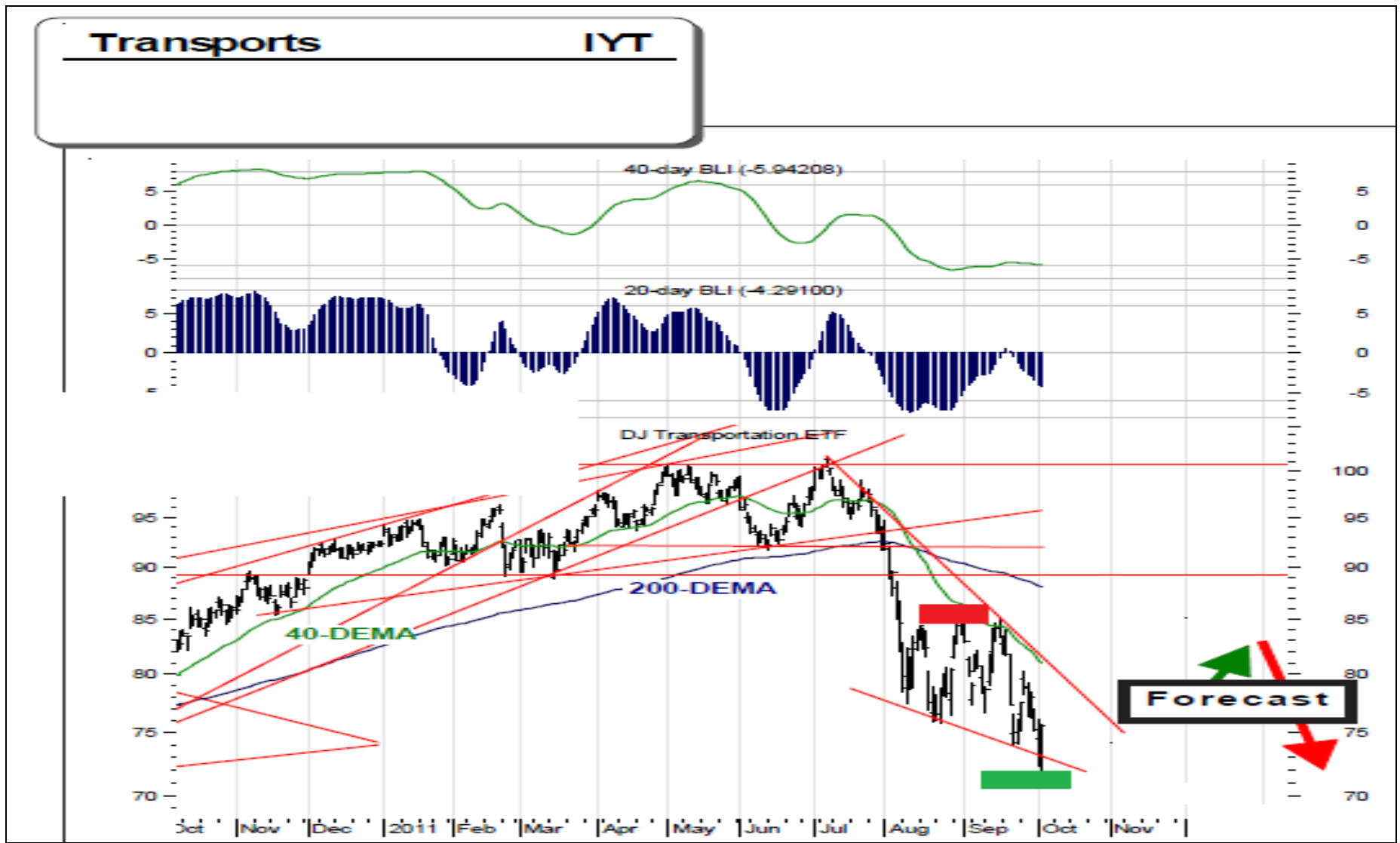
## DIA - ( Weekly) - Analysis-

At POM 12 along with SPX , DIA reached the CZ . There were several divergences ( See chart below)



## IYT - MA / Pattern and Oscillator Analysis

**IYT - @ 70.90 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis suggested last week the POM 12 on SPX should be in close vicinity ( Refer notes & CZ 's coincided with POM'S within the chart)**



## IYT - ( Weekly) - Analysis-

*Similar to IWM , IYT continues to be weakest index. Although its weekly key reversal has been healthy & IDX is not broken down . STOC-RSI is weak.*

*Our last A # 2 Report “ we pointed “ would be the first IDX to break the August lows first which it did but it was shake out and came back in range quickly. This should rally with SPX*



# TLT

- TLT – POM Signals & Price Projections - Start point 94- 1<sup>ST</sup> Jan

- TLT - Trading & Investment Conclusion - – Updated

- Net Short – POM 15 - ( Total points gains= -2 )

*TLT – 4<sup>th</sup> Attempt . Although we attempted from 113.5 onwards but due to risk management rules has lost only -2 on closed position*

- Alert - POM 15 –, TLT – Triggered Alert – 10/4 @ 123.25 / Stop @ 125.5 = ( open position)
- Alert - POM 15 –, TLT – Triggered Alert – 9/30 @ 119.25 / closed @ 117.25 = (+2. Points gain)
- Alert - POM 15 –, TLT – Triggered Alert – 9/26 @ 120 / Stopped @ 122 = (-2. Points loss)
- Alert - POM 15 –, TLT – Triggered Alert – 9/6 @ 113.65 / Stopped @ 115.5 = (-2. Points loss)

- Net Long – POM 12,13 ( Total point gains = + 9 or 10% %) + Yield of 6 months  
(POM 12 for Full Fresh capital to go long)

- Alert – 8/35 - POM 14 Triggered @ 102 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/ (1/2) for average price @ 89.5 = +12.5 points gains
- Alert – 5/5 - POM 13 Triggered @ 95 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/08 (1/2) for average price @ 89.5 = +5.5 points gains

- Hedge Longs / Risk Management for corrections - NONE



# BONDS – PEC D Analysis

*Bonds finished Long Term complex pattern , which is evidence of POM 15*

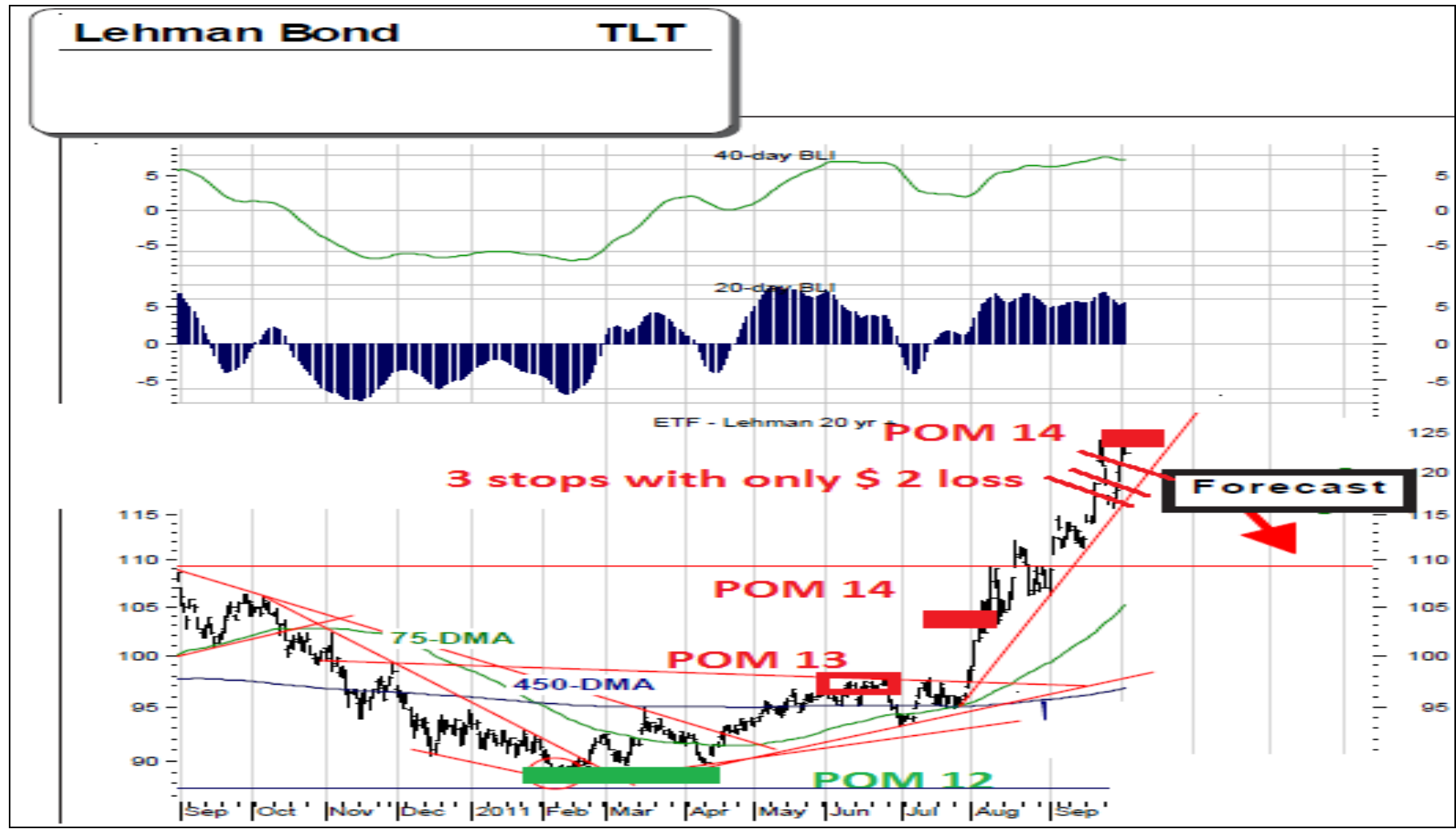


## TLT – MA / Pattern and Oscillator Analysis –

**Alert - POM 15–, TLT– Triggered Alert – 10/4 @ 123.25 currently Trading at 120 / Stop @ 125.5 = (open position in the money)**

*TLT– 4<sup>th</sup> Attempt . Although we attempted from 113.5 onwards but due to risk management rules has lost only (-2) on closed position*

*DMA's and Trend Analysis suggested last week the POM 15 on exhaustion move should be in close vicinity ( Refer notes & CZ 's coincided with POM'S within the chart)*



## TLT v/s SPX

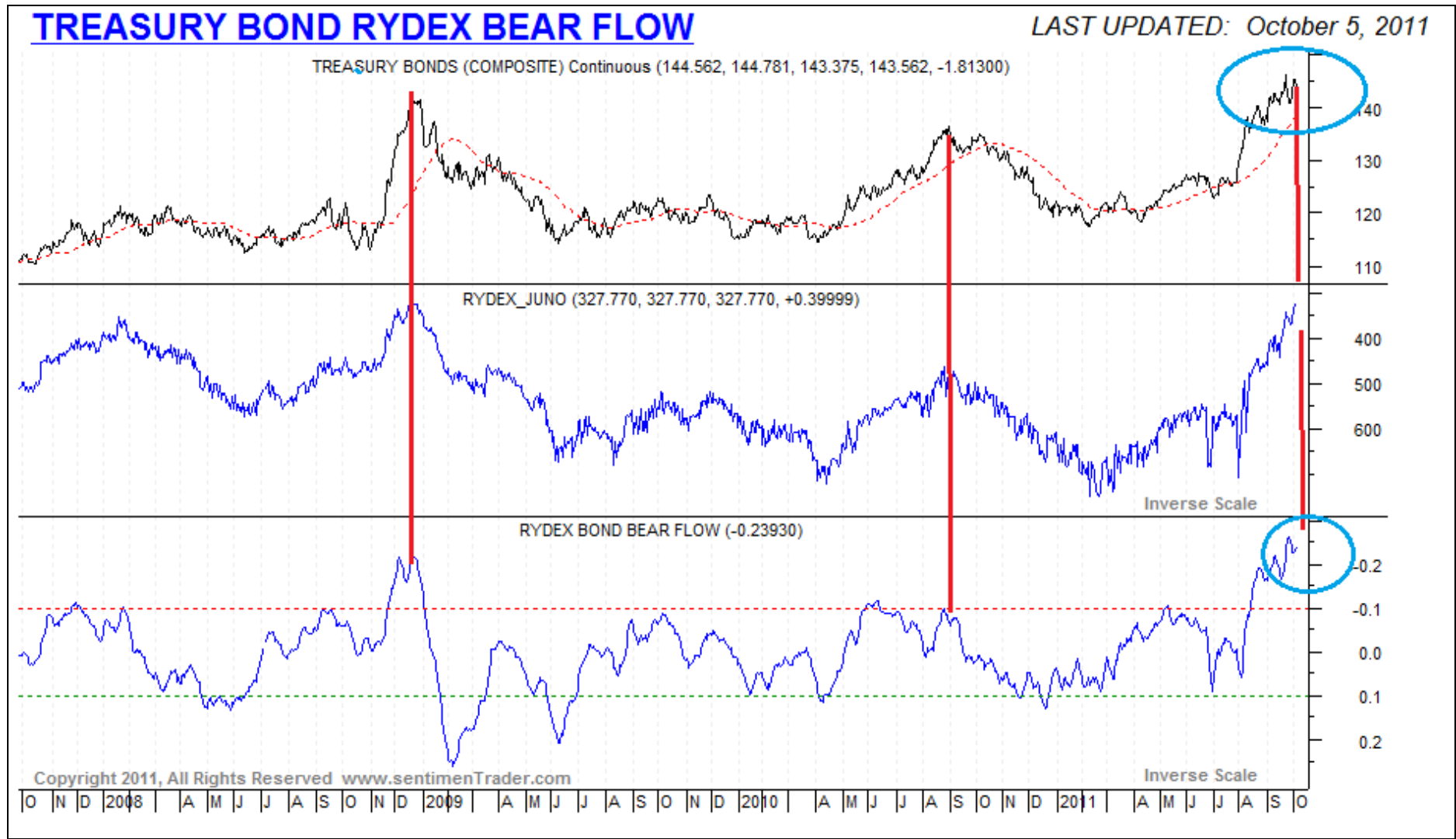
*TLT & SPX has having inverse co relation . Currently we are at POM 15 on TLT . Since our last Trigger @ 123 on TLT , SPX has been rallying . POM 13 on TLT might very well coincide with SPX top on this rally from 1080 ( POM 12)*



# EXTREAME – Rydex Bull / Bear Flow Analysis ( 3<sup>rd</sup> Party Data ) -

Courtesy : SENTIMENT TRADERS

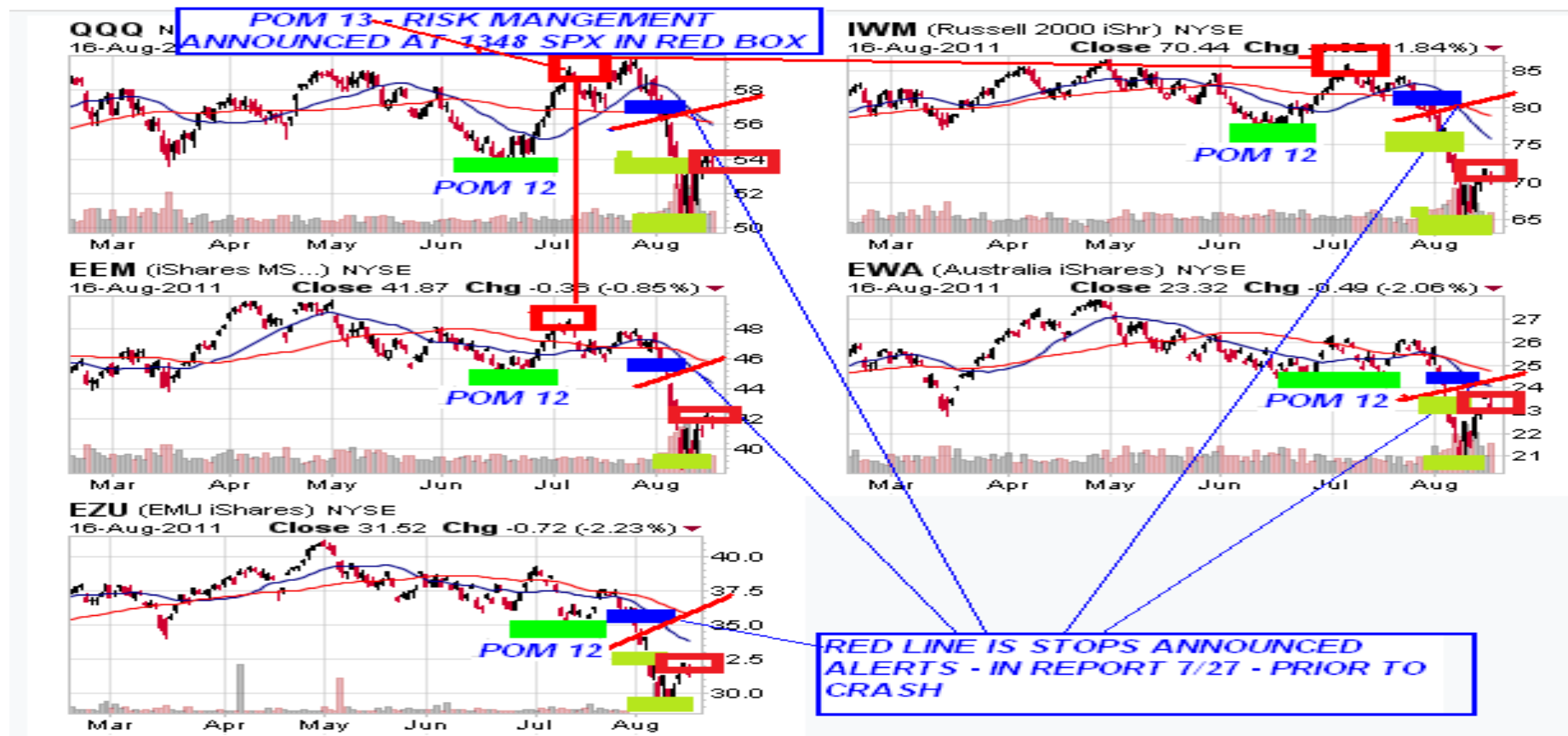
*Past 3 tops in Bonds coincided with BONDS peaking Rydex Bull / Bear flow.*



# APPENDIX -

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

Read notes within the chart . .....

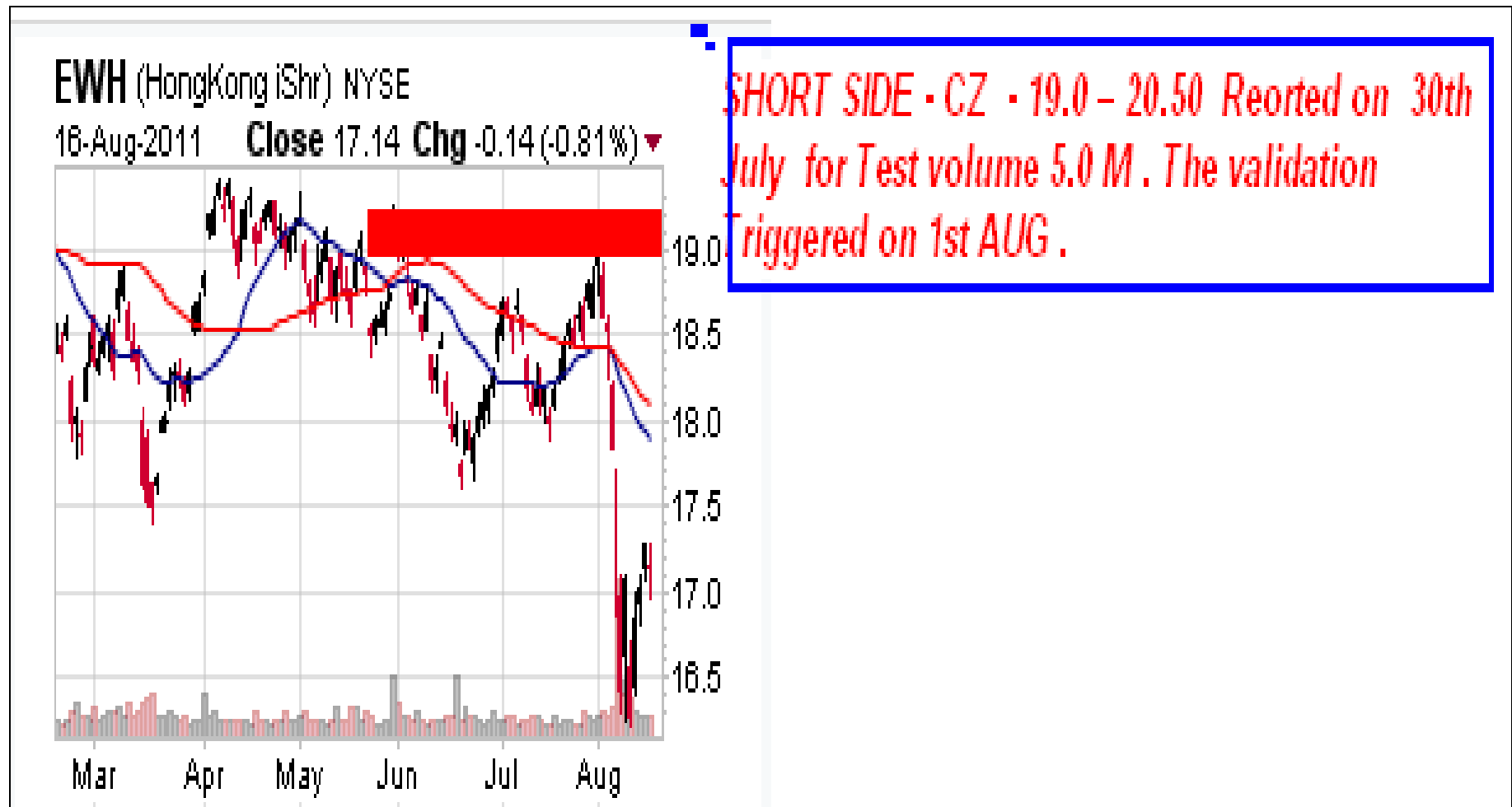


## CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30<sup>th</sup> JULY

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.**

- $\frac{1}{2}$  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%)** ▼



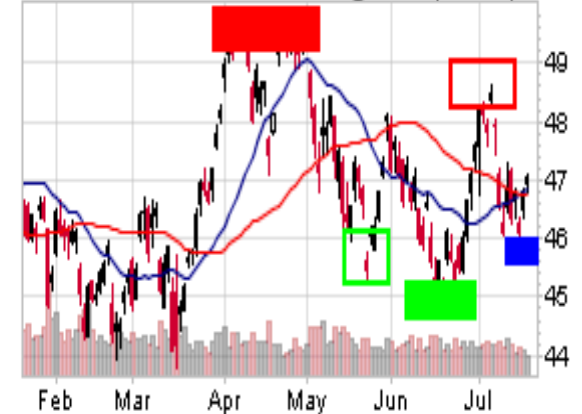
**IWM** (Russell 2000 iShr) NYSE

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 – 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)

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