



SG Capital Research

Global Market Insights

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

MAEG- MARKET STRATEGY BROADER IDX GLOBAL CZ # SG 2011 # SEPT_08

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

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Market Strategy Global (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)**
 - **QQQ – NASD 100**
 - **IWM - RUSSELL 2000**
 - **EEM - EMRG - with SHANGHAI - Proxy**
 - **EZU - EUROPE with FTSE Proxy**
 - **EWA - AUST with AORD – Proxy**
 - **EWI – HK**
- **Appendix - History of past SPX - POM Signals & Key Criteria**

BROADER & GLOBAL INDICES

IWM, QQQ, EEM, (CHINA), EZU, (FTSE), EWA, (ORD) , EWH

- **Trading and Investment Conclusions.**

- *The Broader Indices within this A # 2 Report has been closely following “The Price Path” of SPX during Market turns*
- *Our Recent Signal - POM 13 @ 1220 signaled the turn on SPX & Broader - **Alert on 09/01***
- *As always SPX Signals (Net Longs POM11, 12 & Risk Management POM 13) applies to all the Broader IDX. Except @ POM14, 15, the various Instruments will Top out at different time mostly upon Triggering CZ – PQV Validation for NET SHORT.*
- *Our Next Projection is for the Successful test of POM 12 Re Run OR Secondary failure of upside whichever comes first as Trigger.*
- *As Market moves in between the POM’s, the bounces within ST – Bullish CZ to ST Bearish CZ becomes Trader’s Paradise.*

Market Insights

- *There is residual strength into the market to hold it till State of the Union Speech tonight.*
- *In Broader indices, we see some Bearish Patterns and Bearish CZ's are being formed (see charts below). We are at POM 13 – Signal and witnessed the Primary turn warning with drop of 80 points. SPX is driving force for the turn.*
- *On this bounce some indices are almost approaching Bearish CZ's . As always all Indices may not get into it but If they do then it sets up better Risk Reward.*
- *Currently some internal Math readings (on very Short Term) still suggest some upside testing left*
- *12th Aug – is NEW MOON followed by Option Expiration Friday.*
- *Historically if Wednesday before option expiation is positive then week of option expiration tends to be soft.*

QQQQ – CZ – Analysis-

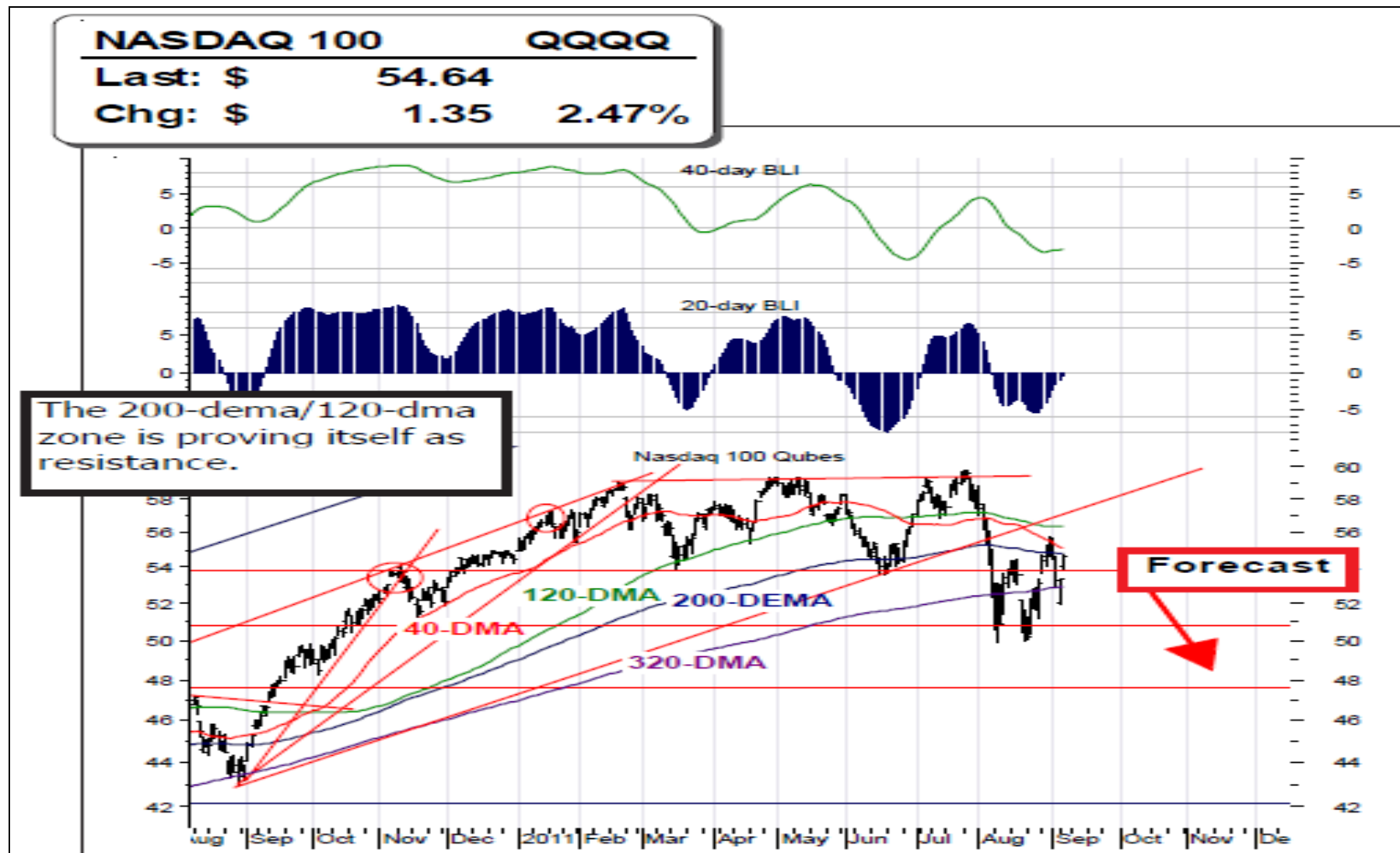
QQQ has been the strongest Index on this rally but approaching the **Bearish CZ 55-56**,

The ratio QQQ / SPY - is very positive compared to other Indices, suggest this might hold well on pull back



QQQQ – MA / Pattern and Oscillator Analysis

, DMA's and Trend Analysis suggests, the upside is limited (Refer notes within the chart)



IWM - CZ Analysis

*IWM is forming Bearish FLAG on lighter volume, This is Bearish Consolidation . The move is approaching Underneath the Poly Trend & **Bearish CZ - 74.5 -77***



IWM – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggests, the upside is limited (Refer notes within the chart)



EEM - MA / Pattern and Oscillator Analysis

EEM has similar behavior of bounce as IWM unlike QQQ which is slightly different (Refer notes within the chart)



SHANGHAI - MID TERM (Proxy for EMMERG)

Shanghai has broken Major TRIANGULATION Pattern of large Magnitude. This is huge heads up for the world markets .



EWH - CZ Analysis

*EWH is forming Bearish FLAG on lighter volume, This is Bearish Consolidation . The move is approaching **Bearish CZ** 17.25- 18.25*



EWA - CZ Analysis -

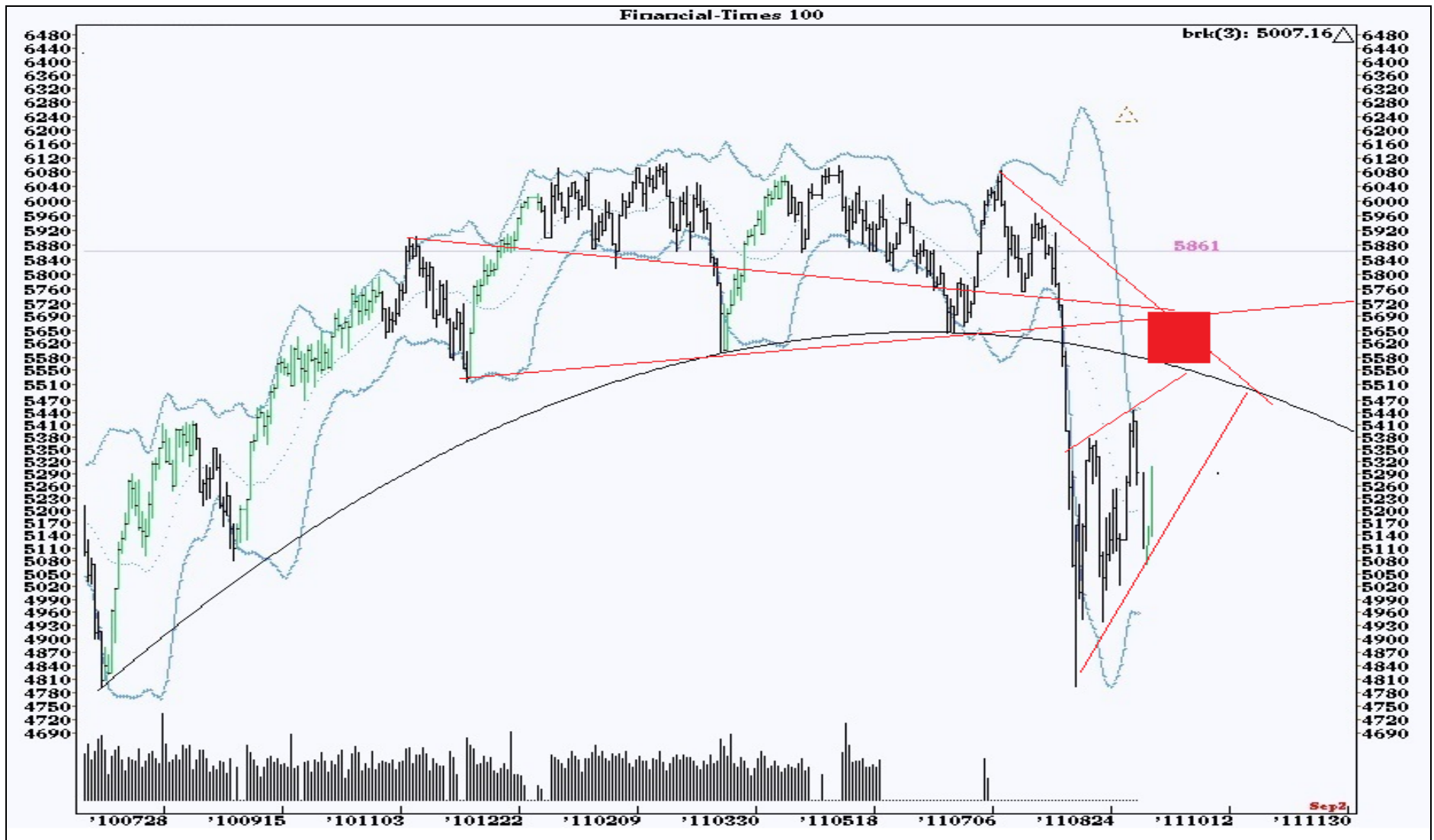
*EWA has been the strongest Market on the bounce, in a way similar to QQQ . But has been Forming Bearish Wedge never the less. However VTO has been Diverging positively . The Time has termination till next week . **NO BEARISH CZ***

The ratio QQQ / SPY - is very positive compared to other Indices , suggest this might hold well on pull back



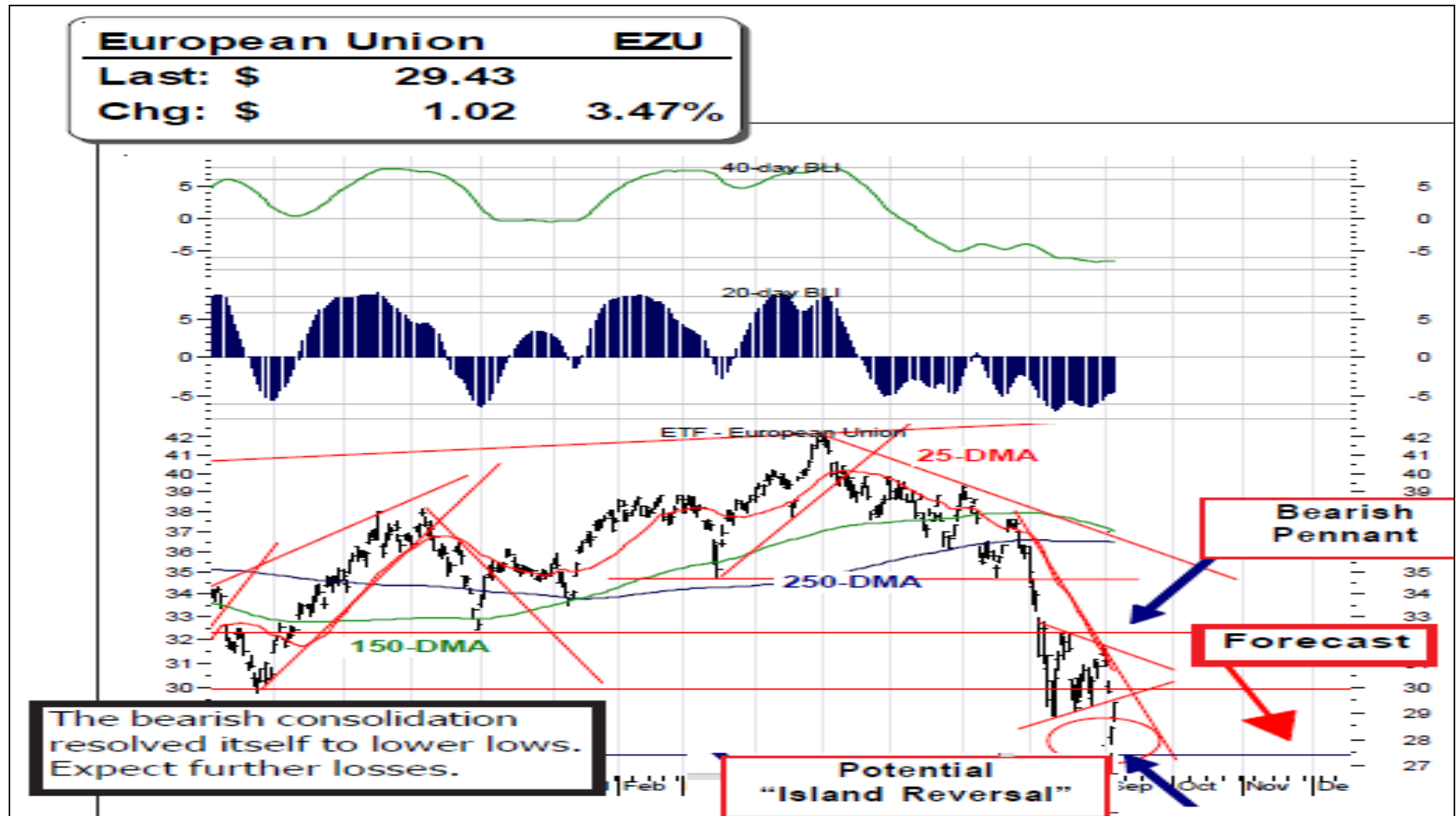
FTSE - MID TERM (Proxy for Europe)

FTSE is forming Bearish WEDGE on lighter volume, This is Bearish Consolidation . The move is approaching Underneath the Poly Trend & Bearish CZ 5500 -5700



EZU – MA / Pattern and Oscillator Analysis –

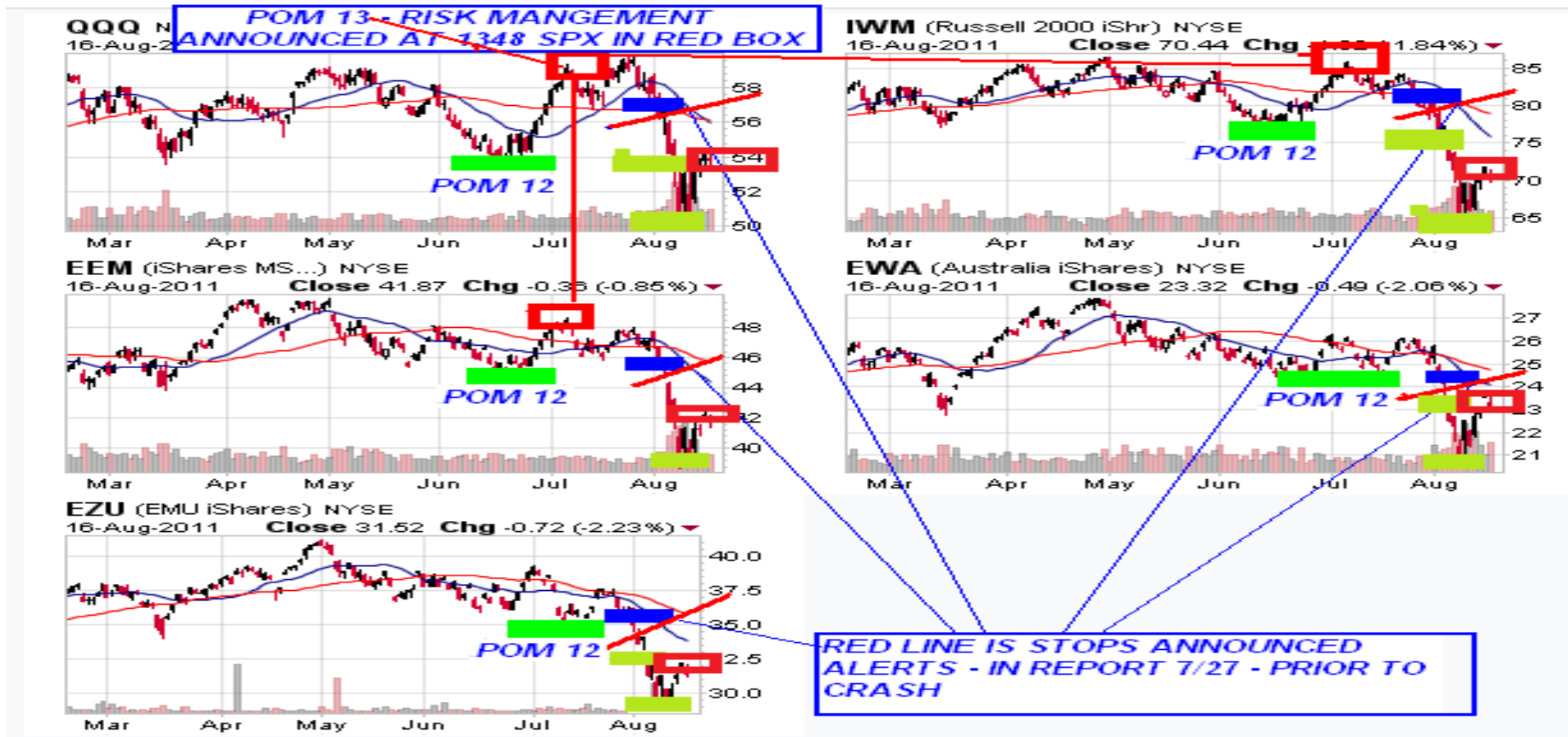
Reflects European Problems (Refer notes within the chart)



APPENDIX -

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

Read notes within the chart

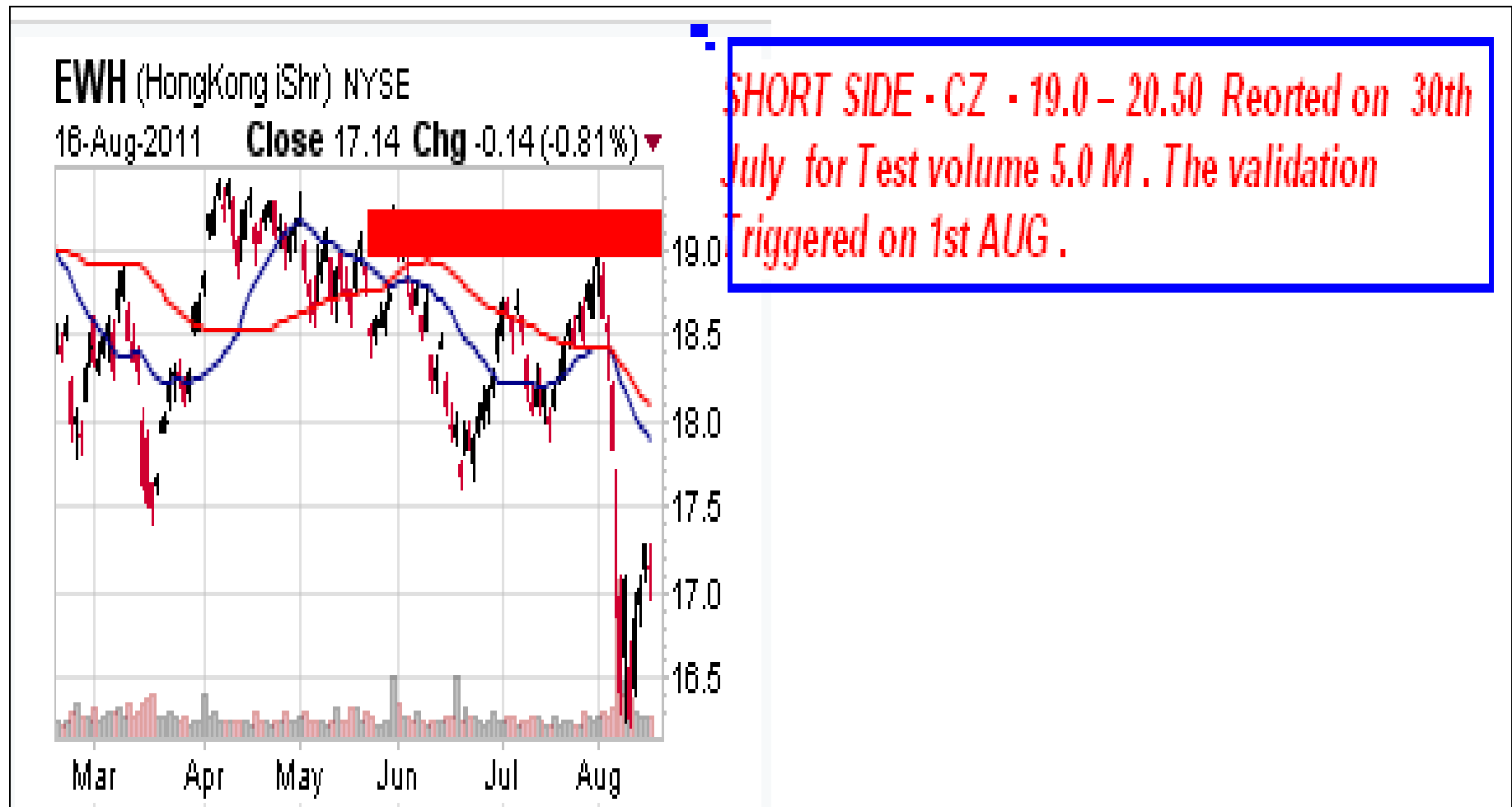


CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30th JULY

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)**

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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