



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_22

For Immediate Release – *Thursday AM (EST)*

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)
 - SPX -
 - QQQ – NASD 100
 - IWM - RUSSELL 2000
 - EEM - EMRG - with SHANGHAI - Proxy
 - EZU - EUROPE with FTSE Proxy
 - EWA - AUST with AORD – Proxy
 - EWH – 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 A # 2 Report has been closely following “The Price Path” of SPX during Market turns*
- *Our Last Signal - POM 13 @ 1220 dated 09/01 – **ALERT** - signaled the turn on SPX & Broader IDX proving its merit*
- *As always 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, the various Instruments will Top out at different time frames mostly upon Triggering its own CZ – PQV Validation.*
- *In the Current Market, our Next Projection is for the Successful test to Trigger POM 12 Re Run .*
- *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 with 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*

Strategy Insights

- *In our A # 2 MS last week and A # 1 on Monday, we depicted the Bearish Patterns, Bearish CZ on Broader Market / Global IDX combined with effect of POM 13 on its turn is proving its merit (see charts below).*
- *On Monday, SPX re - tested the POM 13 – 1220 area once again and failed .*
- *Point to note on SPX – Our Analysis suggests CZ areas between two back to back POM's are much harder to break into. In current situation it applies to our POM 12 Re – Run (from last Trigger) at 1240 and slightly below that is our current POM 13 @ 1220. Very seldom we get such structure close to each other*
- *All the Indices moved simultaneously on the first turn @ POM 13 but on its Re tests, not all Indices will enter into its own CZ especially. This is the Risk one can face if one picks up single Index.*
- *To avoid above situation, strategically one can look for Partial position when SPX – POM is triggered and the balance position on CZ Validation of that underlined IDX. This can eliminate “AON” Trade Risk (All or None).*

Market Insights

- **Most important wild card** . As suggested in C # Commodity Report - USD move was the leader, post FOMC statement. DXZ1 – most active contract began another ABC up as expected moving towards 85 as target. This should put concoction under the market & Commodity
- Our Inter market Analysis on 09/13 – Currency Report had coverage on this subject in detail charts. DXY has been building base since 2008 -2011 for huge rally which began from CZ 73-72 as Triggered - 8/23 Report.
- IYT appears to have began ABC down in yesterday's Trading.
- Post FOMC as mentioned yesterday, exactly 40 mints after the announcement 2.15pm , market put in High point on SPX @ 1201 and then sold off to close 1166. Now indicating 1130 in futures market.
- Fed comes up with another “MBA” phase “ Operation Twist on Yield Curve & Curve downs “ We loved these phrases when we wore our “MBA” - HAT ON in BULL market 1988 to 2000 . But past decade we realized our “CPE” –HAT has done more justice to us “Mentally” in utilizing the “Laws of Quantum Physics & Engineering Calculus” on Market Oscillations.
- As indicated in Commodity Report yesterday – GOLD Level 1770 to be watched . Today as soon as it touched 1770 it dropped 50 points.
- GDX - It is amazing, 2 days ago how the market took the GDX bulls to cleaner on last Exhaustion move (Last Engulfing on completion of extended ABC up extension @ 1.168 which is immediate change of trend). They took it down 7 points in 3 trading hrs.
- Broader IDX within this Report were in Bearish consolidation are now resulting in decline

SPX – CZ – Analysis – Bigger picture -

Chart below is the Monthly SPX from 2007-2008 - In Nov 2010 , we had pointed the following issues (below) would occur. Here is the Graphic view) .

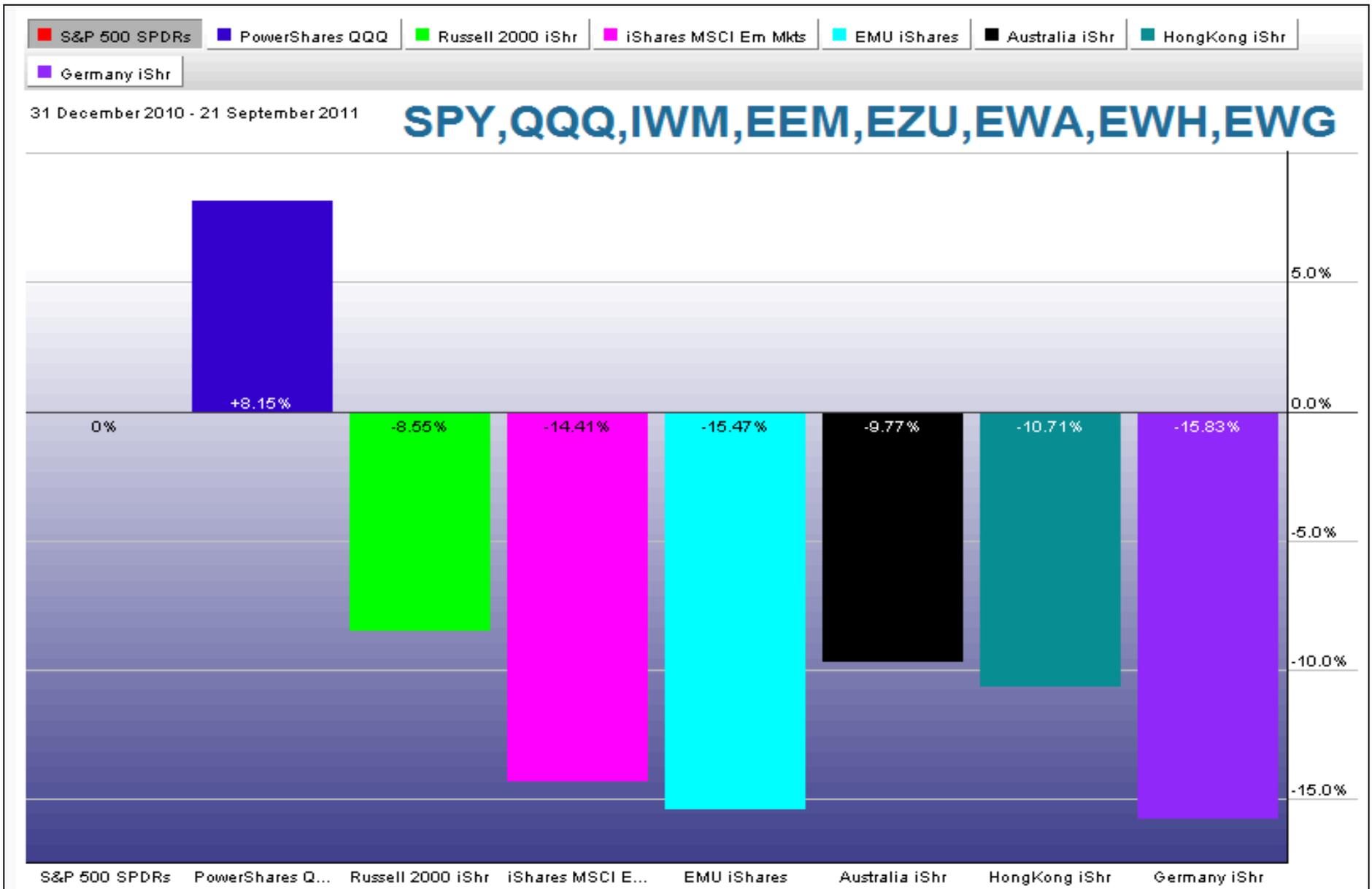
POINT 1- LEHMAN CRASH AREA - Currently SPX is at 1140 and still struggling in LEHMAN CRASH Area (1100-1200) , past 6 weeks SPX keeps coming back into that area with high volatility (Circled in black). This past dislocation is the cause for current market moves of 300 points up & down days with Gap ups and Gap down.

POINT 2 – FALSE BREAK ABOVE 1135 (POM 14) in Sept 2010 – The natural Oscillation of the market ended at 1135 (Red arrow POM 14) which was extended due to QE 2 effect at that time and gave the market false break upside. Our Analysis t that time projected this would come back on round Trip. ... we are back Market Physics is more powerful then QE-2

Although we did not like the LONG SIDE post 1135 up move (in QE-2 Blue Box) due to our Risk Reward Equation but we could make up for it well on the other side of Market coming down (with bounces within it) .



SPX v/s Other INDEX - Ratio Analysis – Relative Performance - YTD



QQQQ – CZ – Analysis-

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.

The ratio QQQ / SPY - is very positive compared to other Indices , suggest this might hold well on pull back . Strong Index
Stoc-RSI – Indicated by arrow is Holding positive



QQQQ – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggested last week the upside was limited (Refer notes within the chart)



IWM - CZ Analysis

*IWM is weak and couldn't even get into the CZ . IWM / SPY Ratio broke down suggest , IWM could break the August lows First . **Point to note** - the First and the best chance to act is always along with POM Trigger on SPX or its re test . Sometimes it doesn't offer 2nd lucky chance .*



IWM – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggested last week the upside was limited (Refer notes within the chart)



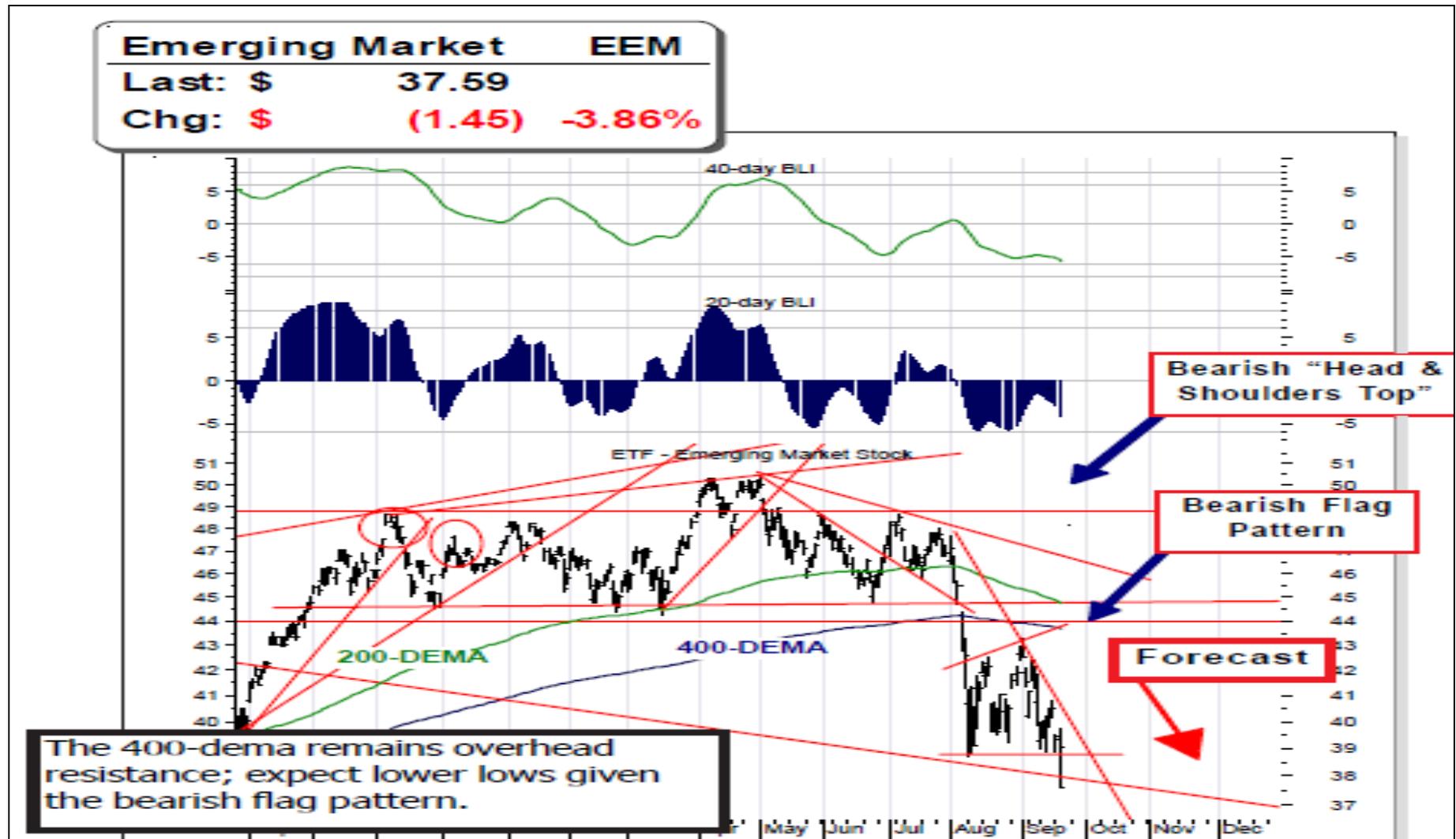
EEM - CZ Analysis

*EEM is weak and broke the lows of August . **Point to note** - the First and the best chance to act is always along with POM Trigger on SPX or its Re test .*



EEM – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggested last week the upside was limited (Refer notes within the chart)



SHANGHAI - MID TERM (Proxy for EMMERG)

Chart below marked in Color with our Previous calls Shanghai , The Major TRIANGULATION Pattern of large Magnitude is broken impact on world markets .



EWH - CZ Analysis

*EWH is weak & broke the AUG lows . EEH / SPY Ratio broke as well **Point to note** - the First and the best chance to act is always along with POM Trigger on SPX or its Re test .*



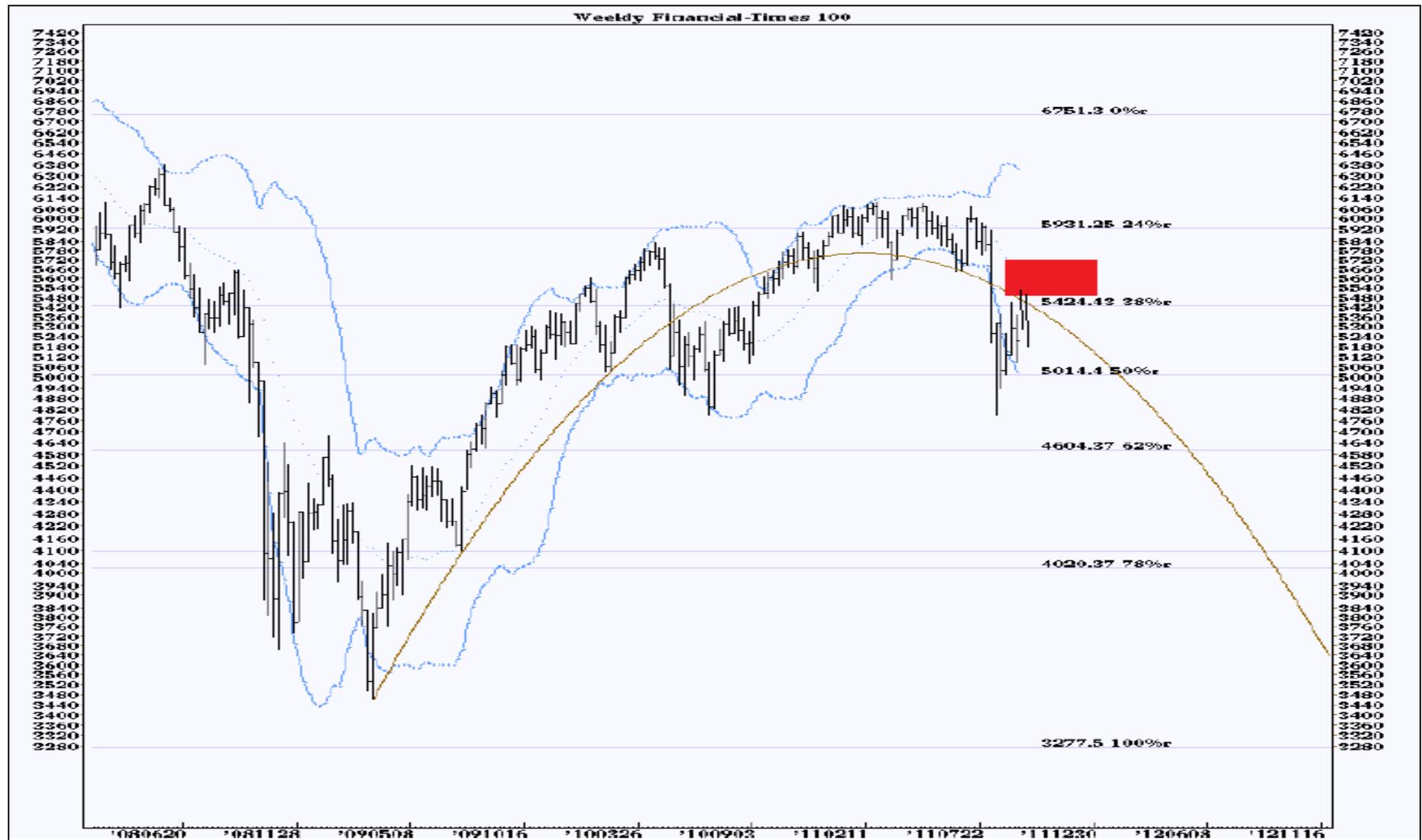
EWA - CZ Analysis -

EWA is weak . EWA / SPY Ratio broke down suggest , EWA could break the August lows soon t . **Point to note** - the First and the best chance to act is always along with POM Trigger on SPX or its re test .



FTSE - MID TERM (Proxy for Europe)

FTSE went into Underneath the Poly Trend , we indicated this in last week's Report & gave up on prices .



EZU - CZ Analysis

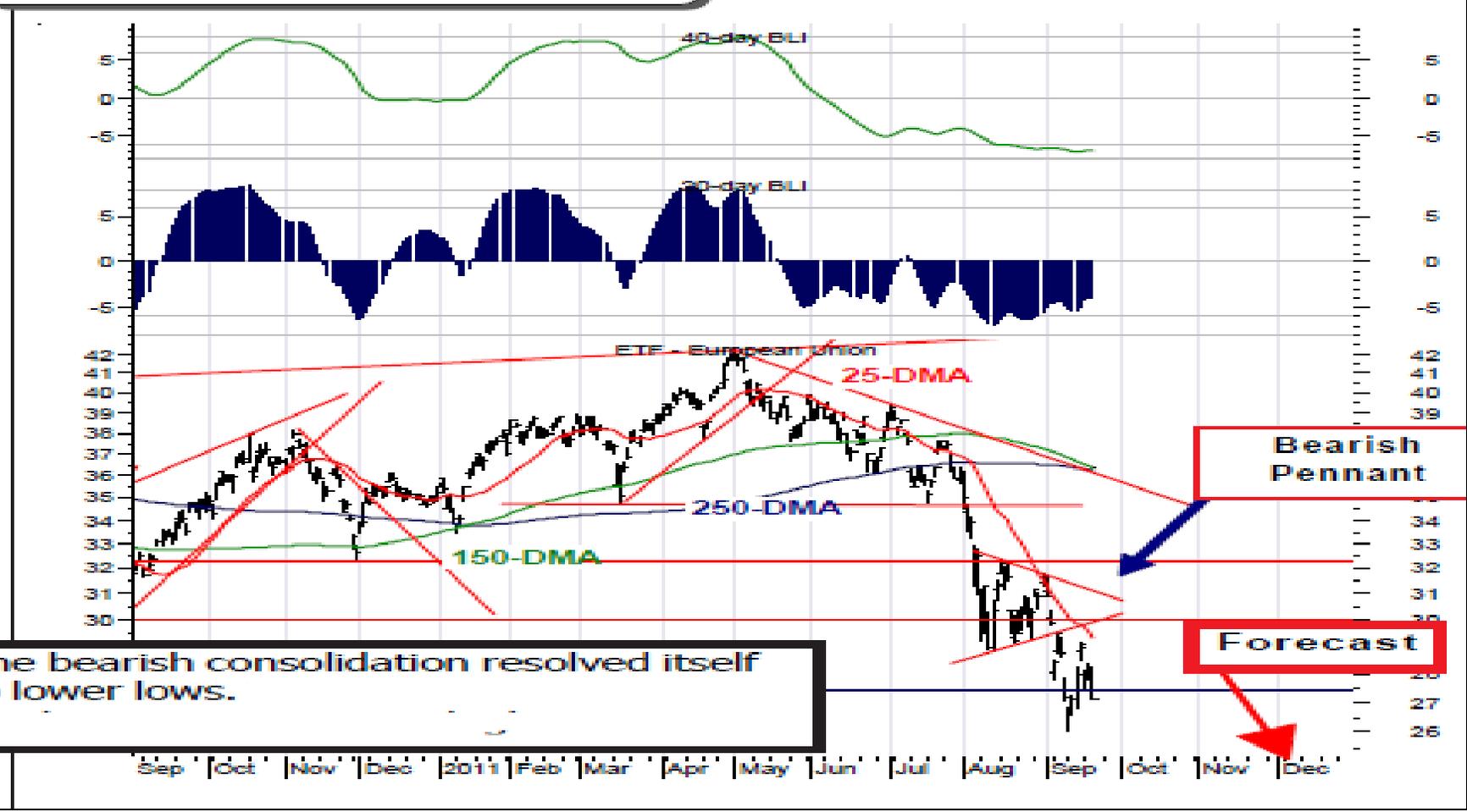
EZU is weak, DAX & ITALY - MIB should settle first



EZU – MA / Pattern and Oscillator Analysis –

Reflects European Problems DAX, ITALY – MIB in particular . (Refer notes within the chart)

European Union	EZU
Last: \$	27.12
Chg: \$	(0.87) -3.21%



The bearish consolidation resolved itself to lower lows.

Bearish Pennant

Forecast

APPENDIX -

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

Read notes within the chart

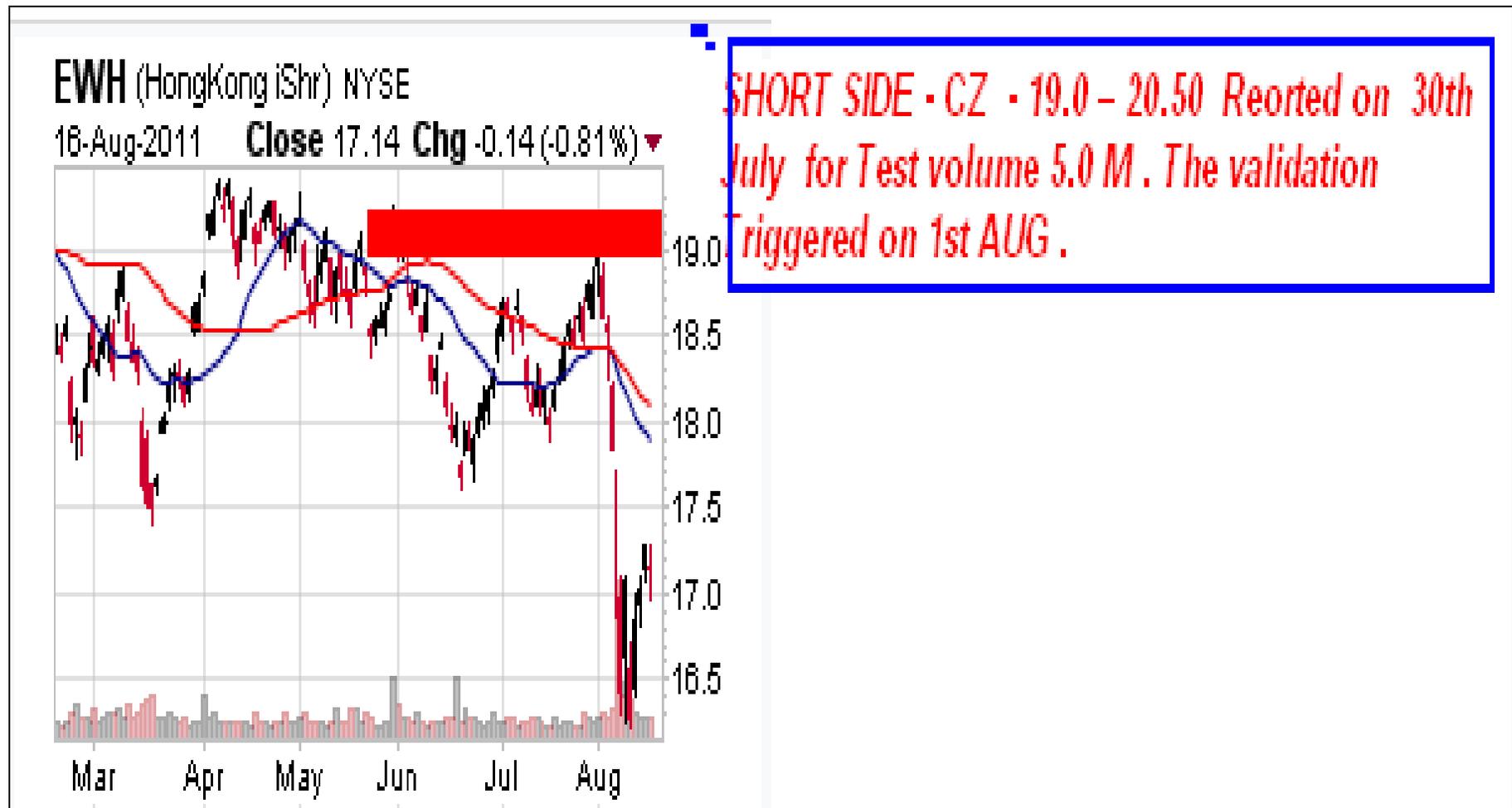


CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30th JULY

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).

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.