



SG Capital Research

Global Market Insights

Research Note – Market Strategy – Weekly Interim Update (A# 2) – STRATEGY & PROP Analysis (SP)

MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # JUNE_29

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By: Suneil R Pavse

Contact: apavse@aol.com

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 (only If qualified for > +/- 2 SD)
 - IWM
 - QQQ
 - EEM with SHANGHAI - Proxy
 - EZU with FTSE – Proxy
 - EWA with AORD – Proxy

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

BROADER INDICES

- **Trading and Investment Conclusions.**

- **On 6/23 – SPX Triggered POM 12 @ 1277 and on 6/10 , SPX triggered POM 13 @ 1270 , This Trigger Signal of POM 12 is for NET LONG - (Note – Earlier SPX triggered POM 14 –re run at 1370 on 5/2 at the very top)**
- **At the point of Trigger on SPX, the Major Indices that we follow in this A # 2 Report approached the areas of turns & CZ ...**
- **EEM, (SHANGHAI), EWA, (AORD) EZU, (FTSE) IWM, QQQ – See coverage below**

SPX - Insights

SPX began the move higher as expected in our earlier Reports. Given the tendency of Quick rise, we should see the short-term backing & filling.

Today , ALL WORLD MARKETS ARE IN THE "GREEN" due to general feeling that the Greek government will vote. The market is a discounting mechanism so we prepare for reaction of some kind in this Short term overbought condition to back and fill.

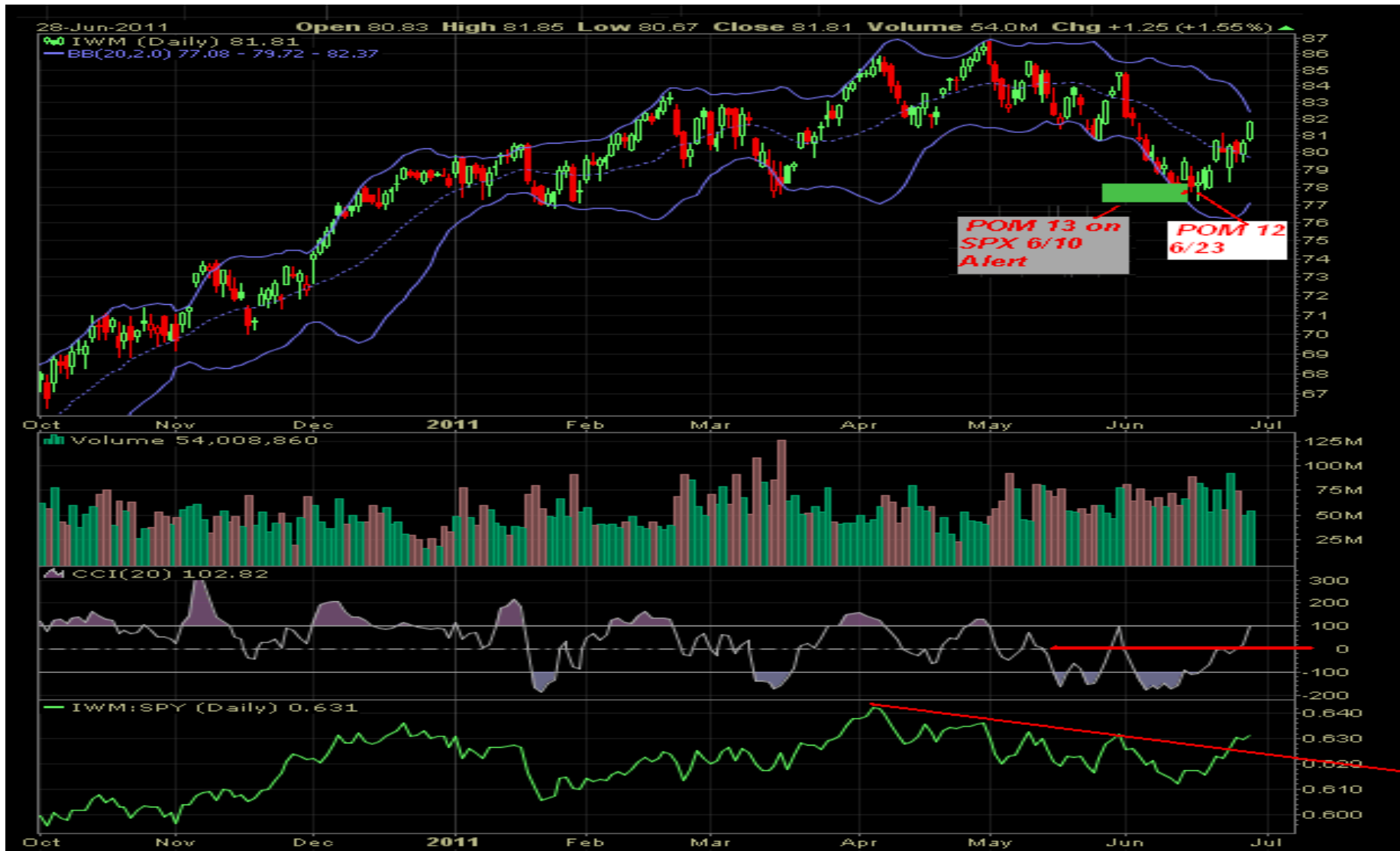
Our First breather point on SPX should be around the time when several of the Lagging indicators turns Bullish. This can be around 1315 +/- price point . However it is safe to let the market prove itself with its forward looking indicators in Our Price Path Analysis

IWM, QQQ, EEM, (CHINA), EZU, (FTSE), EWA, (ORD) - Insights

- *Although currently NONE of the Broader Indices are at extreme SD 's, Our objective (in charts below) is to check the PRICE PATH PROGRESS & POM 12 / 23 Trigger with respect to other Indices.*
- *The broader Indices are following SPX in this rally . Charts below indicates the strength and weakness with indicator readings.*
- *NASD as expected has been a "lead dog index (SD -2 on XLK – Tech Index)*
- *IWM strength with Money flow pick up*
- *Eye on CHINA is very critical , It gave the first signal of SPX top along with USD bottoming. Now CHINA is back into CZ (see the chart below) .*

IWM - CZ Analysis

On 6/23 POM 12 & 6/10 as POM 13 Triggered on SPX, The Bullish price CZ was rejected at lows (indicated in green) . The ratio IWM / SPY was strong last week we pointed out , now down trend broken. CCI tuned Bullish



IWM – MA / Pattern and Oscillator Analysis

Oscillator has signified a turn here , DMA's and Trend Analysis suggests move to upside .



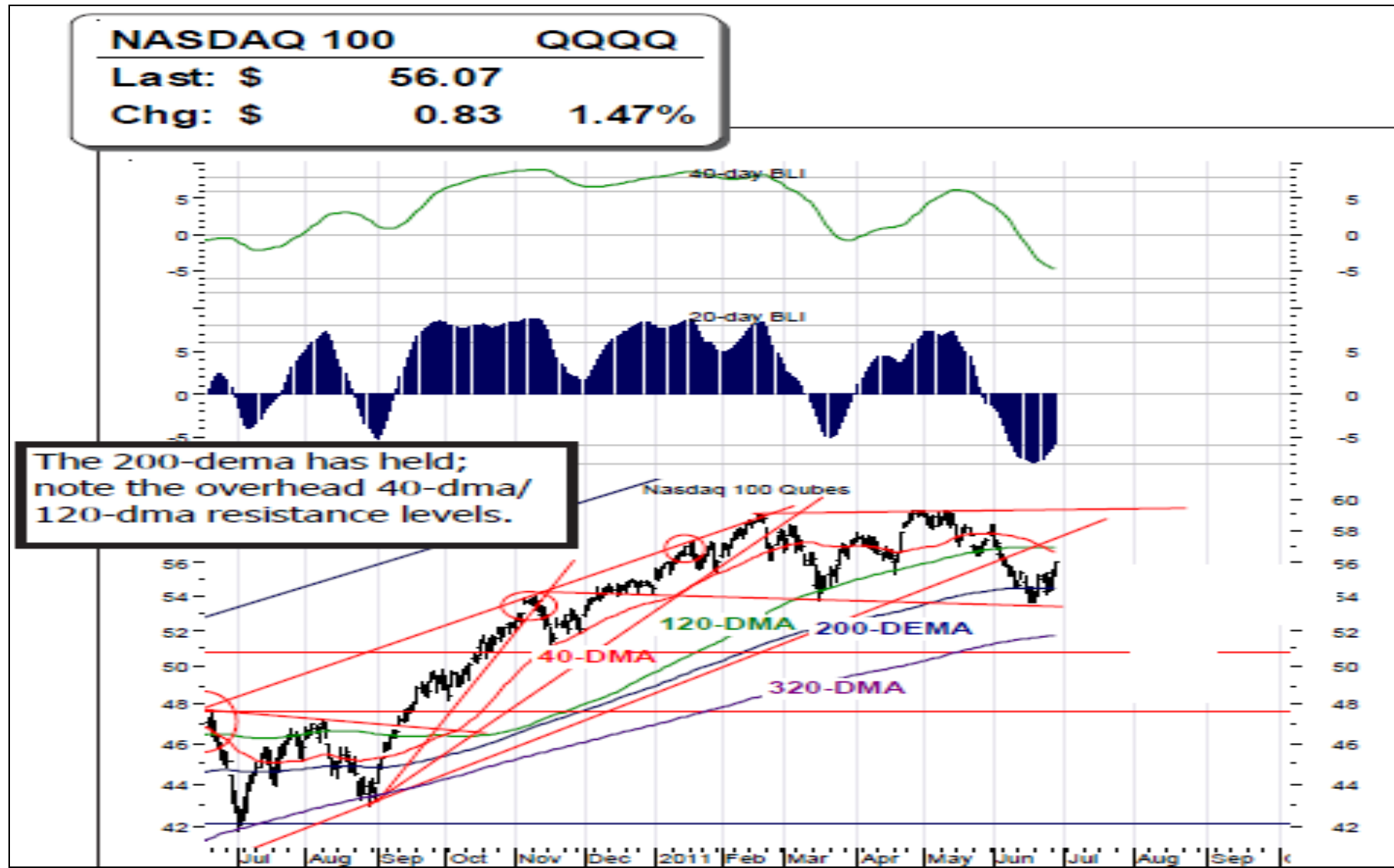
QQQQ - CZ - Analysis

Last week CZ Analytics combined with POM 12 /13 Trigger on SPX proved its merit . We expected QQQ to be the first to rise from bottom. CCI higher high has been indicative of such occurrence. CCI & QQQ / SPY has broken out as well



QQQQ – MA / Pattern and Oscillator Analysis

Oscillator, DMA's and Trend Analysis suggested the turn (Notes within the chart) . Watch for slight head winds



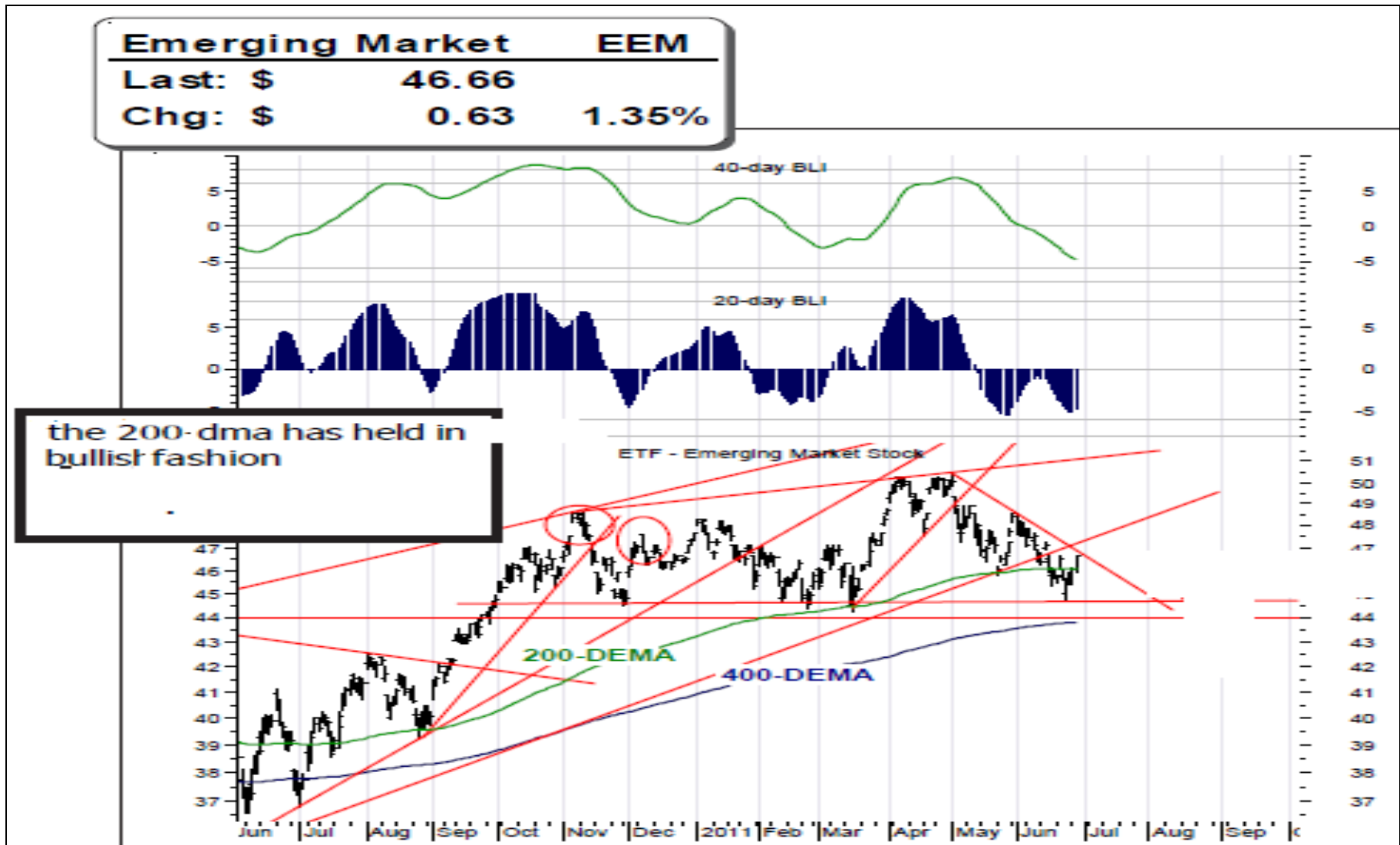
EEM - CZ Analysis

The Bullish CZ has proved its merit, along with POM 12/13 on SPX. EEM Rallied from it and has shown strength. EEM / SPY ratio & CCI is breaking out. CCI has been diverging bullishly



EEM – MA / Pattern and Oscillator Analysis

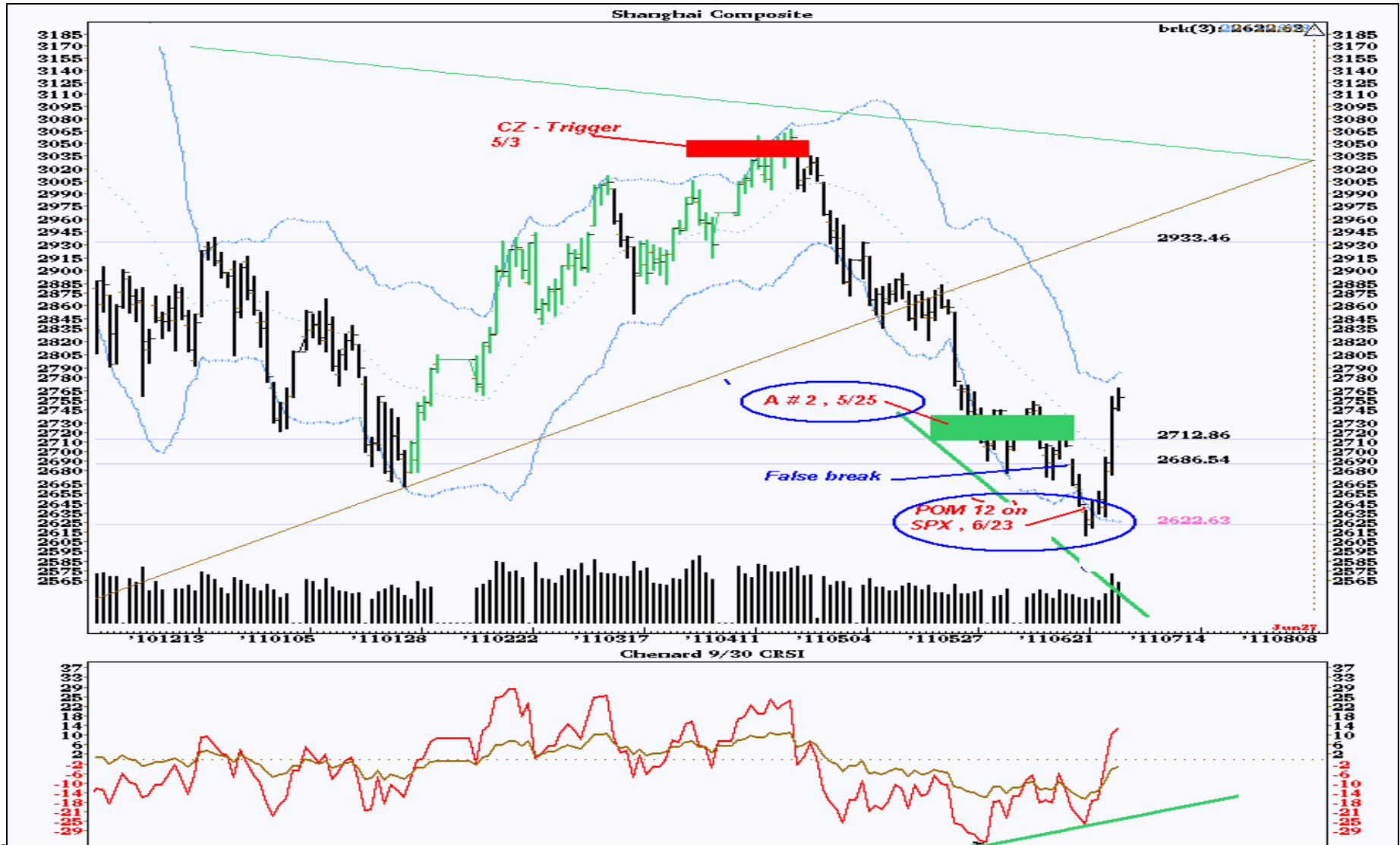
Oscillator, DMA's and Trend Analysis suggested the turn (Notes within the chart) . Watch for slight head winds



SHANGHAI - MID TERM (Proxy for Emerging)

As expected confirmation of a bottom and then false break downside . Given the declining / Diverging VTO - volume trend.

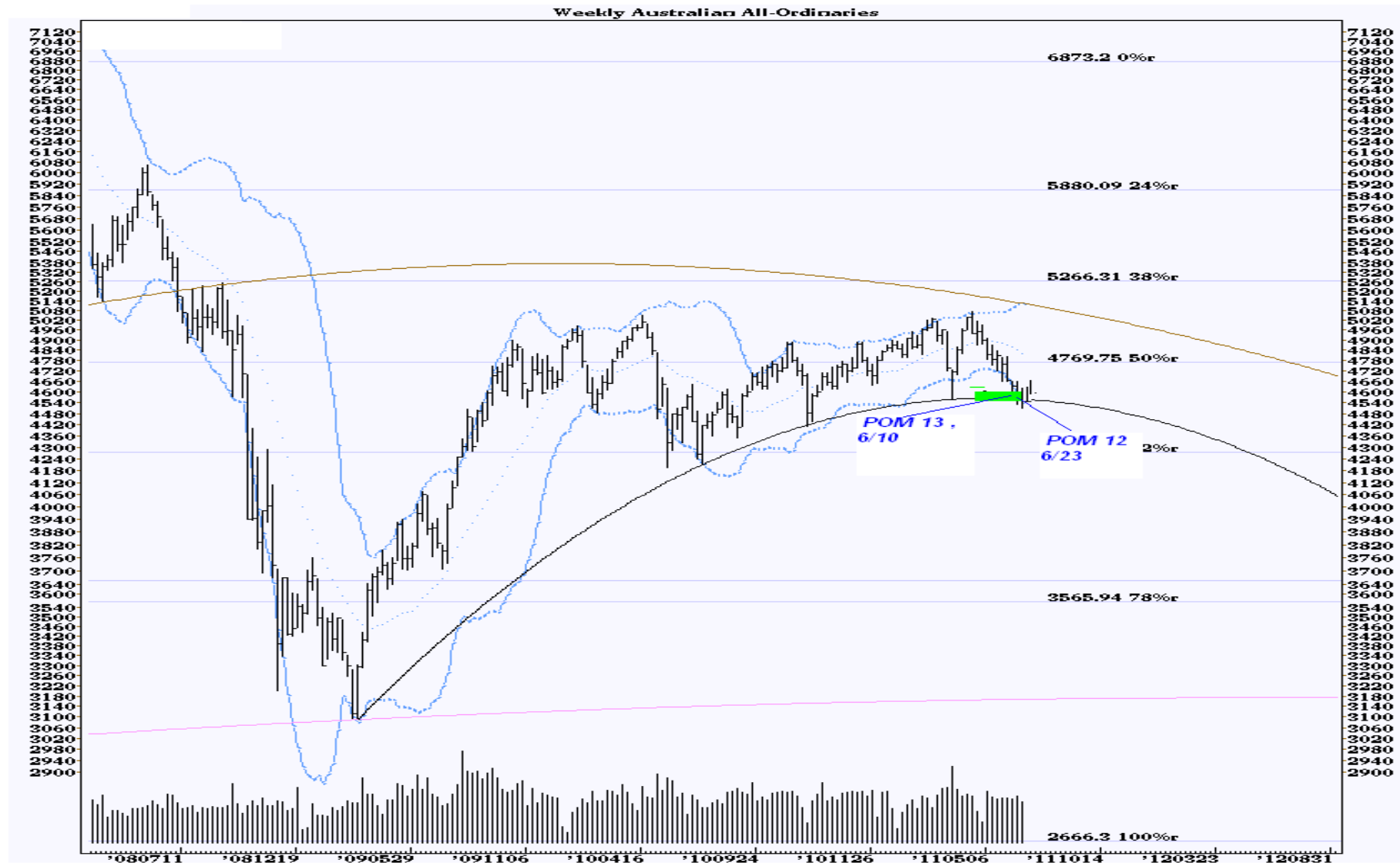
We got the thrust out of the contracting triangle and finished at the recent low along with POM 12 on SPX . (Refer notes within the charts)



ORD - MID TERM

The decline has held on Poly Trend line coincided with POM 12 / POM 13 . The Signs are evident that we could have a low with Oscillator diverging. Volume has dried up and the best chance for a rally comes in soon

But one last rally which could test the falling poly trend line (formed by the significant retracement lows of past 2003 - 2008 – broken in the 2008 crash). This is more evident then other markets.



EWA - CZ Analysis

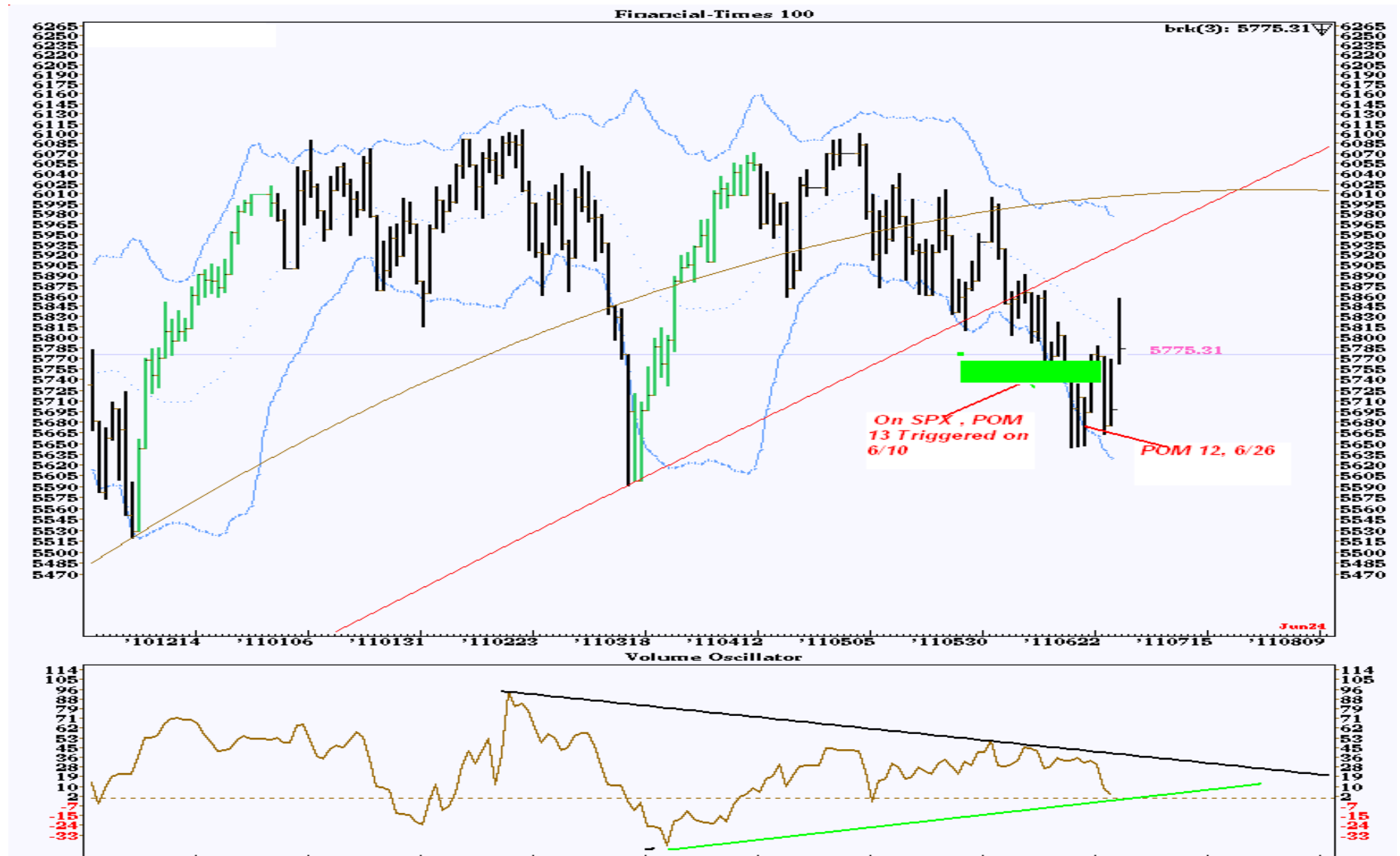
The Bullish CZ has proved its merit , EWA/SPY ratio we think will eventually break soon . (CCI - diverging)



FTSE - MID TERM (Proxy for Europe)

The volume oscillator continues to show downside force is weakening , which is bullish for a rebound rally

If the FTSE is in tune with the US market, the rally will follow US Markets.



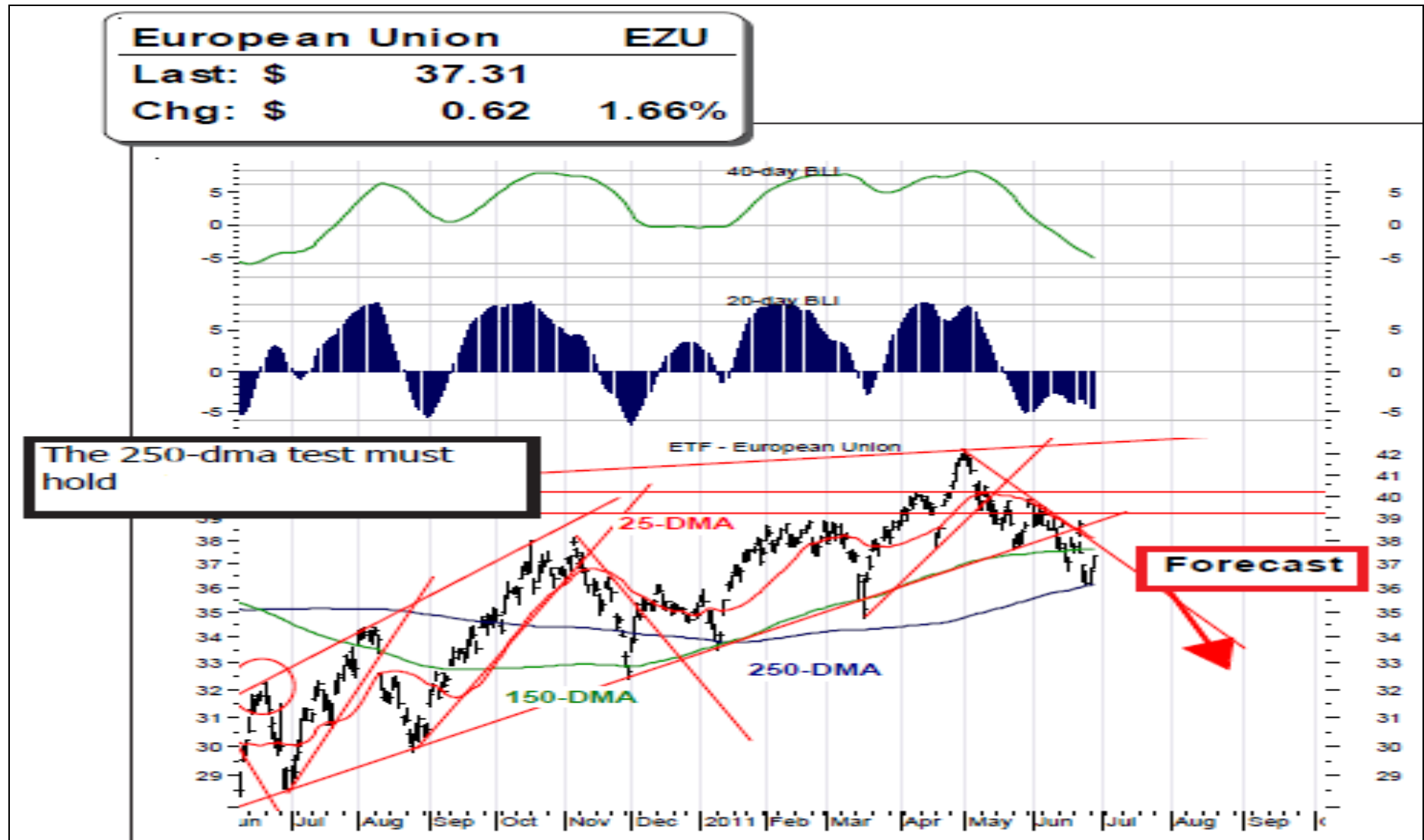
EZU - CZ Analysis

The *Bullish CZ* has proved its merit, EZU Rallied from it and has shown strength making higher high. EZU / SPY ratio has to breakout (refer chart below). CCI forming divergence.



EZU – MA / Pattern and Oscillator Analysis

Oscillator suggests another run to the top. DMA & Trend line suggests a break to upside.



APPENDIX -

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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