



SG Capital Research

Global Market Insights

**Research Note – Market Strategy – Weekly *Interim Update* (A# 3) – STRATEGY & PROP Analysis ( SP)**

**MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # JUNE\_16**

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

*By: Suneil R Pavse*

*Contact: apavse@aol.com*

---

## **Market Strategy Global (A # 3) - (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
- SPY
- QQQ
- Appendix - History of past SPX - POM Signals & Key Criteria

- **Trading and Investment Conclusions.**

- **Alert to be announced** - **We might be very close to Trigger POM 12** – This Signal is to initiate **Net Long** – Buys by POM criteria. Currently SPX is at 1265. ( Refer Market Insight below for details)
- **On Friday 6/10 , SPX triggered POM 13 @ 1270** – This Signal for the Risk Management on High Beta Short Positions & rebalancing .
- **The Bullish CZ – 1310 -1295** - This Signal is for reducing the excesses ( or overweighed positions) or Recyclable partials capital .
- Our allocations at various POM Triggers remains based on our pre planned Guidelines of scaling in. We will follow that closely that specific purpose.
- **Note** – Earlier SPX triggered POM 14 –re run at 1370 on 5/2 at the very top)

## **SPX - Insights**

- *As pointed out in earlier Reports, 15<sup>th</sup> June ( Yesterday ) was Full Moon and Lunar Cycle combination. Such combination results in high volatility especially at the end of the trend but that tends to mark the Turing points ( Refer to our chart on SPX in A # 1 – MS this week for Full Moon / New Moon turns ). Surely such events are not stand alone , they need to coincide with other technical and math indicators to confirm the convergence.*
- *Yesterday's move looked like a classic Bearish shake out . We will have more confirmation in today market action. We think the lows should hold here and very well could Signal POM 12. Charts below demonstrates some of the rational behind such judgment with respect to our Indicators.*
- *One notable point here is Usually there is some price differential between the POM 13 and POM 12. If we do Trigger POM 12 here both are almost at the same price levels 1270 and 1265 on SPX which is little unusual ( but we just follow the signal)*
- *Europe is down this morning. The Lead Index DAX is testing the Fridays lows. Ideally we would like SPX to give a Gap down and then Price rejection with intraday price reversal as a final bit Trigger POM 12. We think PQV Validation will follow along. We will announce !! accordingly*
- *We are watching PQV validation on several Indices. Especially QQQ was the worst hit of all caused the Major decline on 2<sup>nd</sup> leg . We expect this will bottom first, therefore validation QQQ is being looked at carefully . ( See the details in Chart below)*
- *Cycle work – We have demonstrated some bullish cycle work as well - Chart Below*
- *Point to note – XLF is at - 2 SD levels and is completely undervalued v/s SPY ( We will preview this in Sector Report)*

## SPY v/s VIX

Finally we are getting a response from the VIX which is the first response since the decline began. Yesterday the VIX closed outside of the Bollinger band and shows the market is in an exhaustion mode. ( Outside the Bollinger Band & PEC D has been VIX's way of topping ). PEC -D pattern on VIX also confirms the D point ( Not in chart )

A close back inside of the Bollinger Band would be a Trigger ( We expect that to happen at the time of Key reversal in SPX hopefully today )

Additionally the 5 day rolling mean Equity put/call ratio has reached the level last recorded at the May 2010 low. The 5 MA of the TICK also reached at the level last seen at the May 2010 low and suggests an intermediate term low is forming. 2 Day Tick was in panic mode . We should POM 12 soon.



## QQQQ – CZ – Analysis

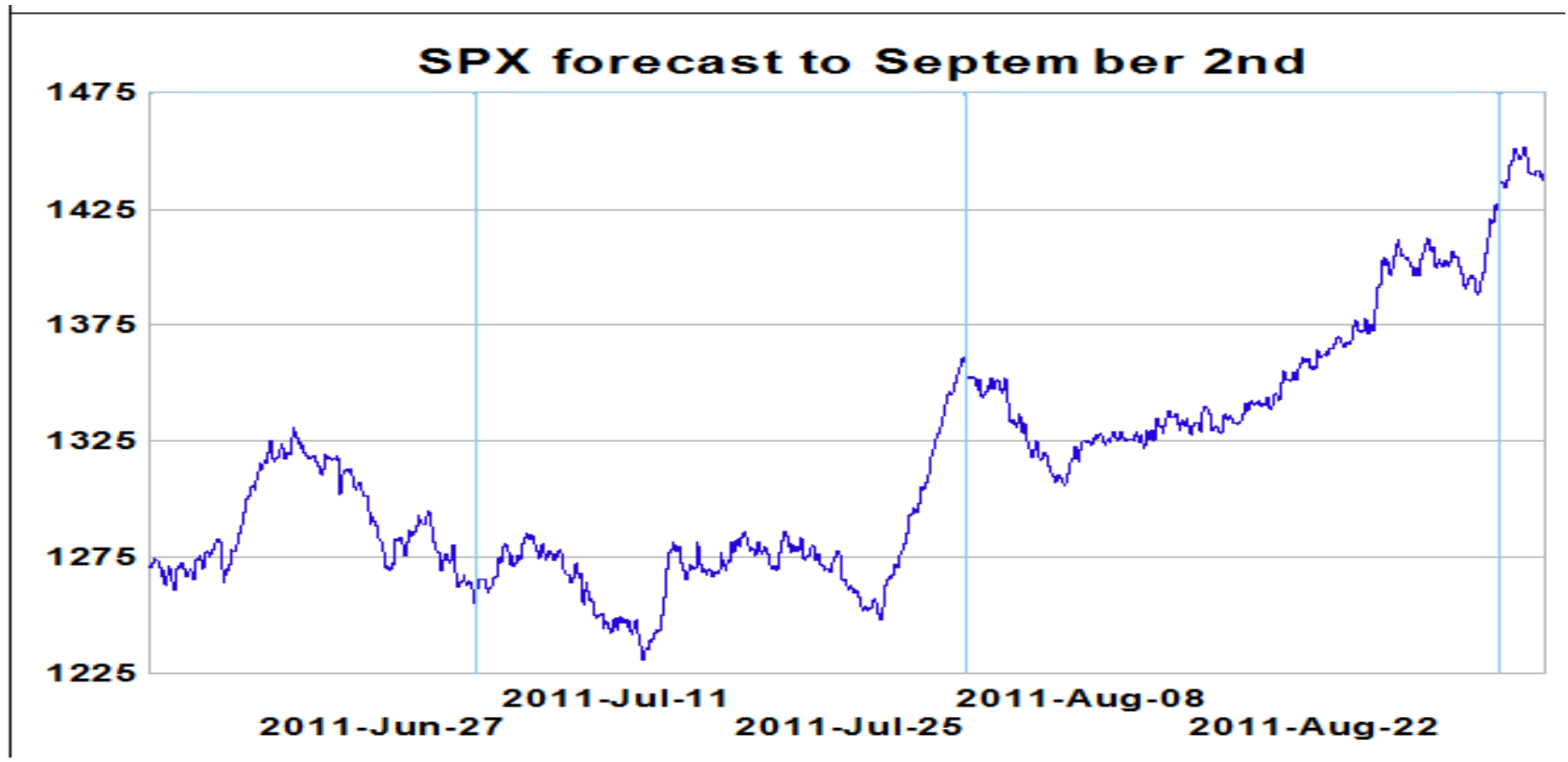
We are watching PQV validation QQQ very closely. QQQ was the worst hit of all caused the Major decline on 2<sup>nd</sup> leg . We expect this will bottom first. CCI higher high has been indicative of such occurrence along with PQV validation @ CZ



## SPY v/s Cycle work

*Point to note – By no means we are saying yet , SPX has target of 1475 but its point worthy to note that if this upward Inverse Gravitational force has some merit , the Risk / Rewards favor upside move from current levels.*

*Cycle work in absolute sense, the kind of pattern would fit with a final rally in stocks . This would be the 6-year cycle, the only major cycle still pointing should complete by this process. ( The 4-year cycle is still on the upside, but isn't a major cycle) . Once the 6-year cycle tops, all major cycles will be pointing down into an expected cycle low in 2014 ( Little premature to talk now)*



## APPENDIX -

### **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.