



# SG Capital Research

Global Market Insights

**Research Note – Market Strategy – Bi – Weekly Interim Update (A# 2)**

**MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # MAR 02**

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

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**Market Strategy Global (A # 2) - SPX – Closed @ 1307**

**Jan 1<sup>st</sup> 2011 – SPX 1257 (+ 3.9 % YTD)**

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

- **Coverage**

- 9EMA / 3X3 Strategy – DOW & SPX
- PQV Validated Sub – Sectors of SPX
- IWM – PQV Analysis
- IYT – CF
- SMH - CF
- XLB - CF
- Appendix - History of past SPX - POM Signals & Key Criteria

● **Daily SPX - “Trend Adjusted Signal” – Flat @ 1324**

**3x3 /9EMA – Momentum Break Indicator - Next Signal – Buy SPX above 1340 close**

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- *SPX reached 1335 in the cash market ( 45 point move) was the target for our bounce ( This was the TOP of the 1<sup>st</sup> CROW of 3 Black crow area indicated in the earlier message with double red line ). The volume died in its track on that test ( Refer to IWM below for CZ & volume Re test ).*
- *We have entered the Month of March and our message as remained the same about early March, 2-year anniversary of the 2009 low acts as historical turn date and gets to be meaningful as we have been announcing it past 2 months.*
- *Here the Market is in a condition we call "triangulating.", this is the price path due to confusing both bulls and bears fighting it out in the trenches. Because of rising volatility from the news background, price path trades sideways around an invisible "middle line." once the volatility diminishes the invisible line grow weaker and weaker, resulting in a contracting triangle pattern. when it finishes five internal waves. We have seen this in play since 10<sup>th</sup> of Jan onwards as indicted in our past MS reports. Therefore we have been cautious all along since then not calling for POM 15 Net Short signal . during such time SPX moved 100 points*
- *Critical point to note 1) on Geo Crisis v/s USD v/s 30 yr Bond, Our observation has been during such time if TLT rises USD may not and if USD rises TLT may not . The both will rise if Crises turns out Reality. In the current Crisis we have seen TLT rally, May be very well due to PQV –CZ validated at the price earlier on technical theme. It is usually outside the market on Inter market analysis which offers better clue then the market itself*
- *Critical Point note 2) In our Volume Analysis v/s Geo Political. Prior to the events, we saw although XLE @ - 2SD at \$ 72 did not Signal the top in XLE till about \$ 80 on PQV validation basis and kept us in harms way in Sector Report. It may have very suggested oil prices would breakout But on other hand DOW Transport ( IYT) was PQV validated much earlier suggesting Oil prices would have ( See IYT chart below CZ - validation)*

## IWM –

### IWM- POM – LT - Price , Volume & Pattern Analysis - ( MONITORING CZ –PQV – SECTOR )

*IWM met our bounce target of 83 from last message and rejected then decline began .*

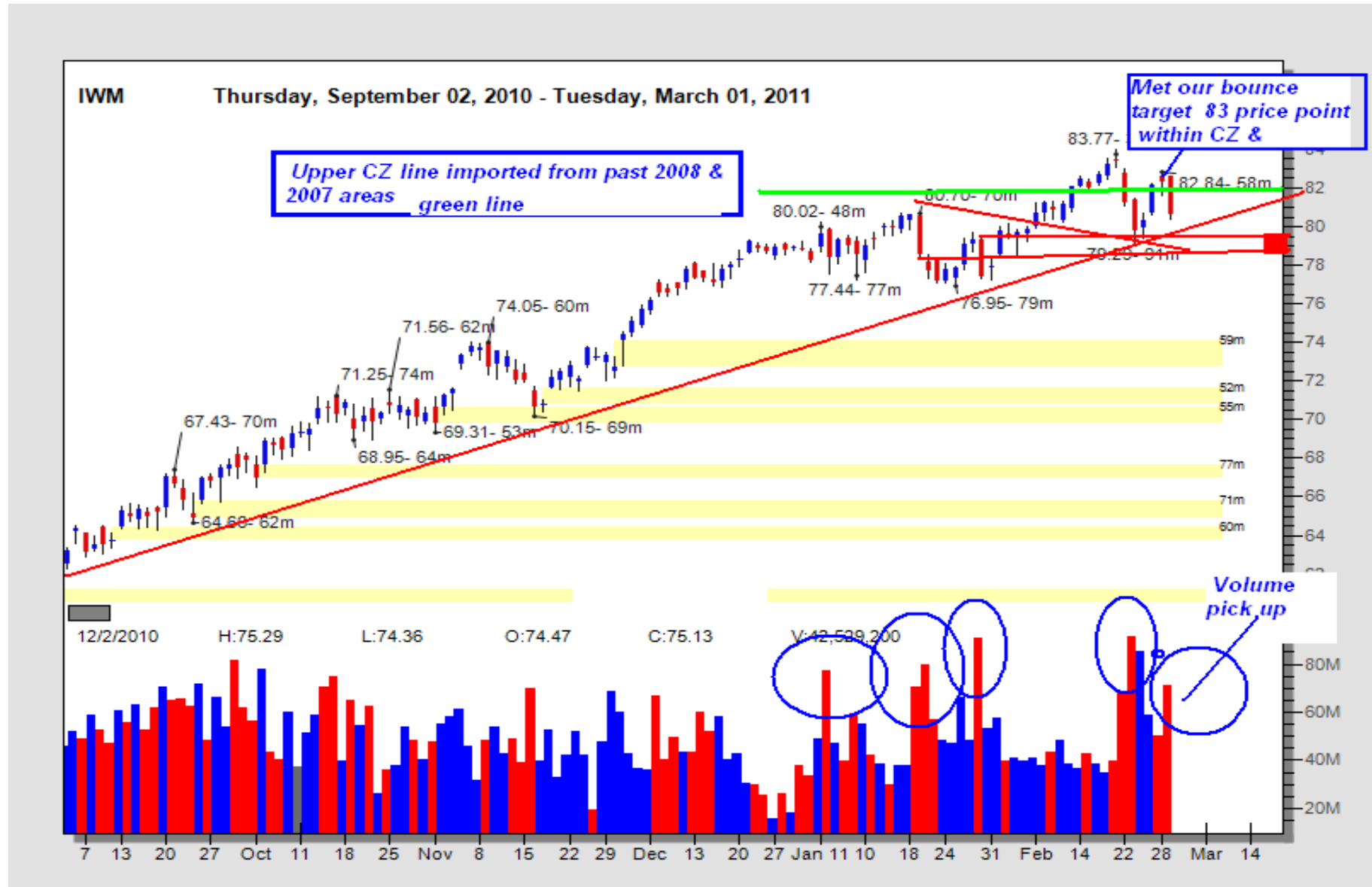
*New Revised - Weekly test for ½ position( CORE) – IWM should test with GREATER THAN 350 M ( weekly volume ) and close under 79 ) for e a good test. But hasn't happened. If not bounce will come in and we wait for next signal . We have been watching closely in CZ – PQV in Sector Report*

*But on daily basis we have taken - the CZ For ½ position within 79.5 – 81.5 with 45 M failure. Volume on decline picked up . This is good for intermediate term bearish Trade , our price target is 74*

*For Short term - Next Level should come in at price points ( Indicated in Red ) 77.5 to 79 and volume should come in above 125 M if one is bearish for short term Risk Management for excess capital*

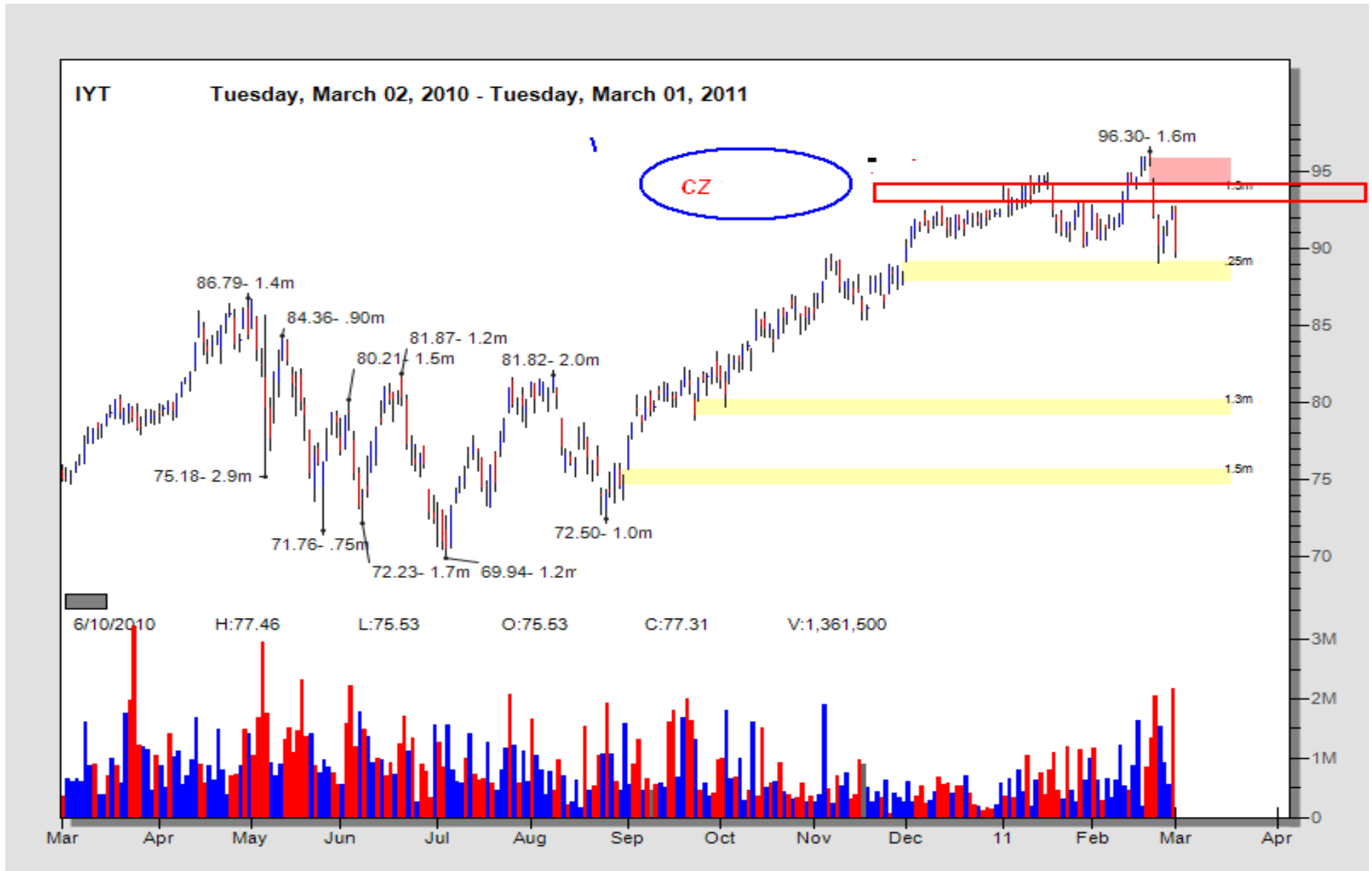
# IWM- Price & Volume -

Ref notes within chart

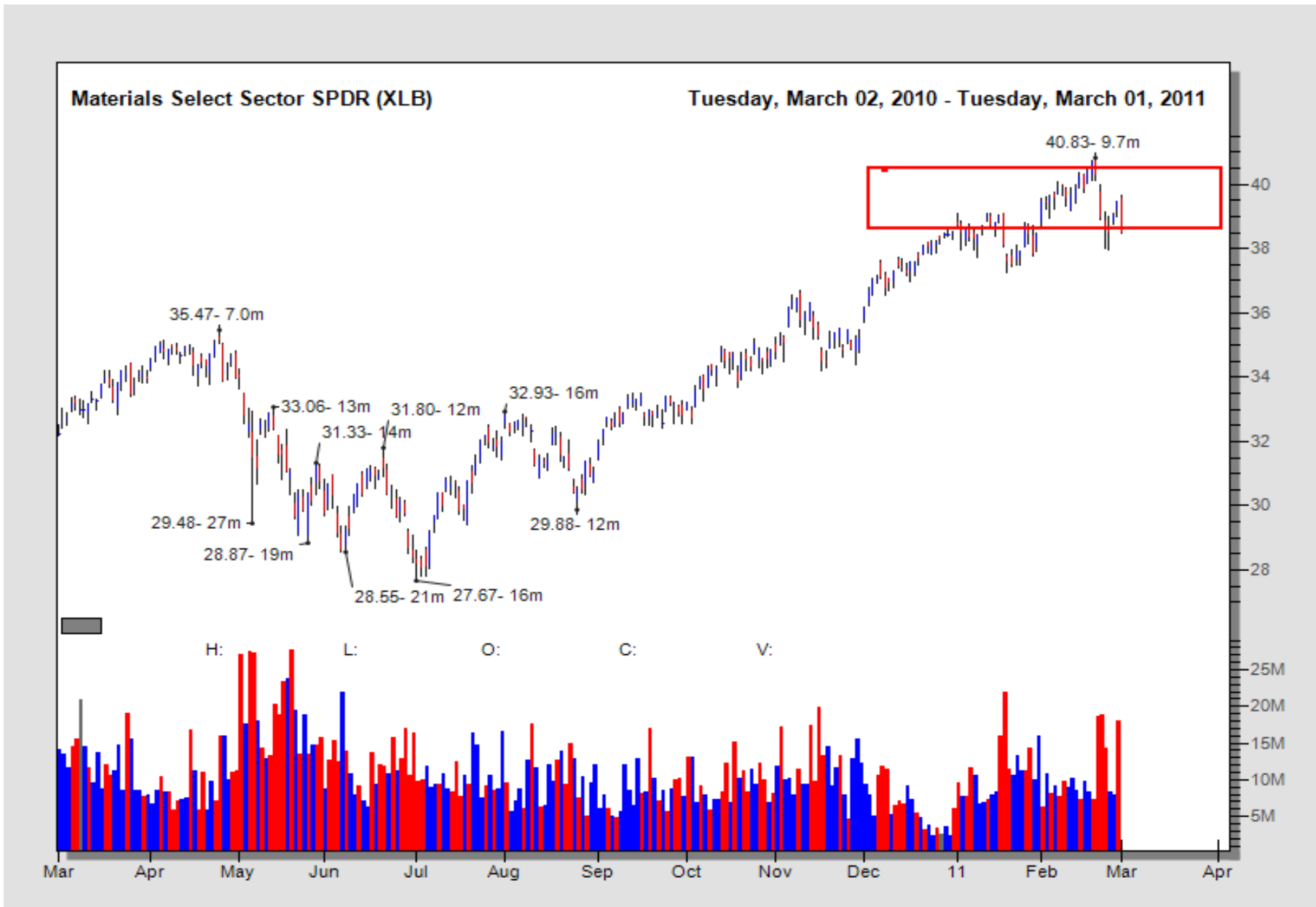


# TRANSPORT THEORY – (IYT)

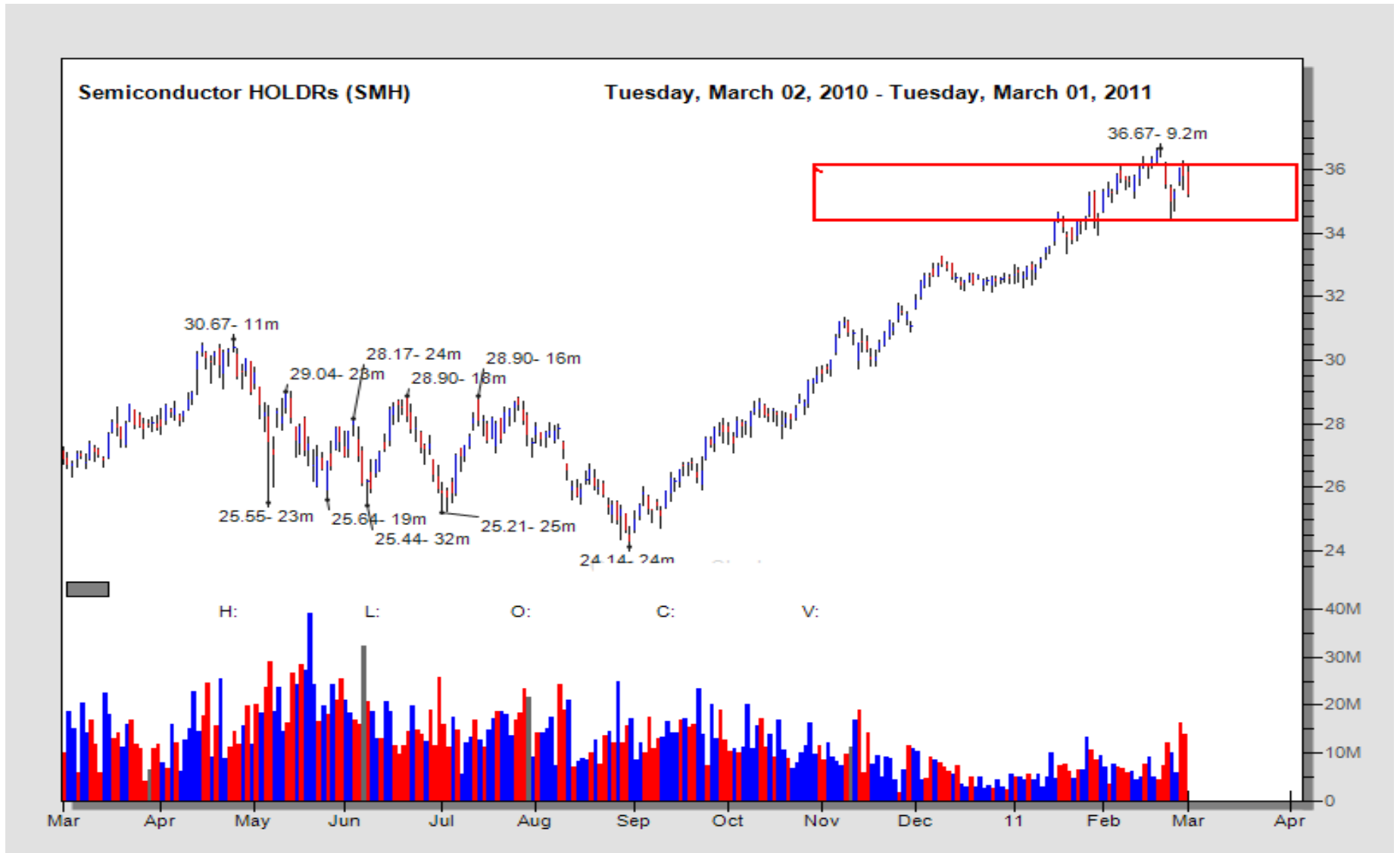
*PQV Validated Sector CZ – Clear Victim of OIL PRICES*



**XLB - PQV Validated Sector CZ ( See below)**



**SMH** *PQV Validated Sector CZ ( See below)*



# Appendix

## On closure of 2010,

As we begin 2011, let us Summarize 2010 and put the year behind us. The Aggregate POM Signals for the Full year on absolute basis irrespective of the SPX market moves. Our review is to attempt to do better in the following year as best as we can within our limitations and capabilities.

- Long Side – We had ( 4 ) clear POM 12 to POM 14 ( 7.5% FEB, 7.0% MAY, 10% JULY, 9.5% AUG ) = Total of 34% up move
- Hedge Longs / Risk Management for Downside Corrections - We had ( 4 ) , POM 14 to POM 13/12 ( 9% JAN, 8% JUNE, 8% AUG & In the last Qtr extended move we had – 5% Drawdown ) = Total of 20% Risk management move
- Net Short – We had (1) Clear POM 15 to POM 13 – April / May for decline of 9% = Total move of 9%
- In last 4Q , 2010 – We began tracking “ Trend Adjusted Signal” 3X3 / 9EMA - on Long Side - post POM 14 ( 8% & 4% ) = Total move of 12% .

### History - “ SPX – POM Signals & Projections”

- 2010 YTD – This year, we have had (3) clean TREND SIGNALS rise from “ POM 12 to POM 14 “ for LONG IDEAS
- FEB - 7.5% ,
- MAY - 7.0%
- JULY - 10.0 %

And (1) POM 15 to POM 13 ( drop of - 9% - April /May ) for Net Short Ideas

(3) Risk Managed POM 14 declines to POM 12 or 13

- JAN - ( drop of - 9 % )
- JUNE - ( drop of - 8 % )
- AUG -- ( drop of - 8 % )





## 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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