



SG Capital Research

Global Market Insights

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

MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # MAR_21

For Immediate Release – Thursday AM (EST)

By: Suneil R Pavse

Contact: apavse@aol.com

Market Strategy Global (A # 2) - SPX – Closed @ 1280

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
- SPY – Commentary
- EQUITIES – CZ- PQV (**Special Situation**)
- Appendix - History of past SPX - POM Signals & Key Criteria

- Objective

Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections. POM is Unidirectional Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

- Trading & Investment Conclusions (Update)

Our start point 2011 in SPX @ 1257 – Current Indicators

- Long Side –
 - POM 12 Call – None so far this year.
 - Trend Adjusted Signal – Next Buy Signal SPX 1307 on Close.
 - Since First Target on SPX 1270-1280 was reached, Area to lighten up on some volatile Hedges
 - And consider Longs in Stock specific in Sectors that have achieved our CZ level in our Sector Report. i.e XLV, XLP & Some stock specific in XLK are to be actively considered. .
- Hedge Longs / Risk Management for Downside Corrections via -
 - At SPX 1270-1280 lighten up on some volatile Hedges
 - From Fully Hedged long positions with the SETUP – PQV Hedge SHORT Index, and / or
 - SD # 2 –CZ – PQV Validated EQWT SHORT Index.
- Net Short –
 - POM 15 Calls – None so far Triggered this year

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

3x3 /9EMA – Momentum Break Indicator – Next Signal – Buy SPX above 1307 close,
TREND ADJUSTED SIGNAL (TAS)

• SPX – POM Signals & Price Projections with Setup Index

- DOWNSIDE Target - Our First Projected SPX 1270 – 1280 Target was achieved, (6% DROP) . Hit a low of 1256. The Quality of Rally / Bounce to next decision point and Triggers. We will monitor closely @ 1295 - 1305
- EARLIER UPSIDE - ABCD Pattern of 10W price X 10W time in SPX with 2 yr March Anniversary @ 1345 proved its merit along with T termination.

Important note to Monitor is (Monthly close below 1280 with 9 – Trading days left in March) the highs of Pre – Lehman crash price tops 1280 on Monthly .

- TARGETS : We certainly have some work to do on downside towards the 1250 area , although our several matrix measurements have called for 1220
-
- EQUILIBRIUM Price - favorable Risk / Reward opportunity will come at POM 13/ 12. This area we would be interested for Fresh capital for Longs

• Market Insights

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- *In Our Mondays MS, A # 1 notes , we had previewed Key Mathematical Indicators VTO, Oscillator, TRIN, TICK ARM'S derivative study and Patterns with "Cash Build up phase" on right side of Termination on breath indicators that gave us the "heads up" for upcoming reversal by Monday / Tuesdays lows as stated . In IWM 77-78.5, QQQQ 55 - 55.75 (s had shown in chart_ and SPX 1270 -1280, (just around the time it looked real Ugly) and as Mathematical energy was drying up right.*
- *These above price areas in the "Gap downs' are the good actionable in time for full exploitation if pre positioned trades @ mid CZ to get the fine Granular "out it in fast moving markets. The objective being to reduce Volatile and overweight Hedges on bounces etc*
- *If not we saw the ST – Reversal from there and 2 days of quick Rally. Now this AM, the color of choice across the world is Green. and SPX futures up as well 15 and collectively the market takes away the GRAVY.*
- *In SPX, the quality of the bounce is a deciding factor of the next move. We will monitor closely @ 1295 - 1305 and measure how much mathematical energy it generates during that move for conservation / dissipation (Note - Due to Health related reason we have not able to dissect the market internals as much as we normally do)*
- *On Positive side of the picture , exactly the time SPX hit 1270 – 1280 that very moment in our Sector Report – Watch list Sectors - XLV, XLP, XLU hit the CZ's. although volume was heavy. The stocks specifics within these group & select technology (with its own CZ – PQV Validation) will provide these good choices for these situation.*
- *Super full moon on 19th for turn and 21st Equinox*

- SPX

Refer the comments within the charts. We pointed the Topping pattern comparison with April ... few week prior to correction



- **CZ - PQV - EQUITIES (Special Situation)**

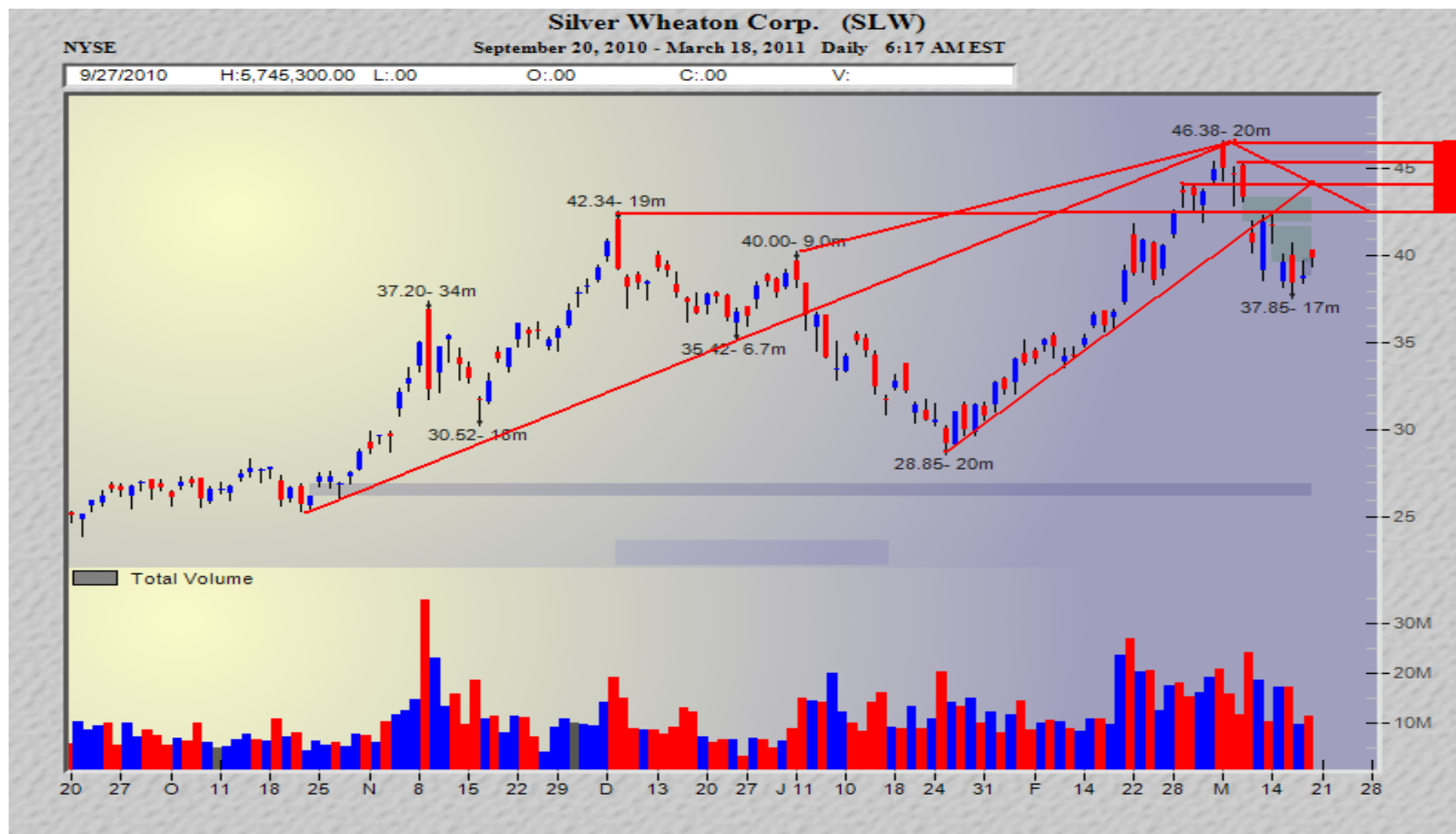
- *Prior to our intermission over weekend due to our Health related reason we had already worked on few Special situation stocks on Saturday which we will release now as follows -*

- **SLW**
- **CSCO**
- **GOOG**

SLW – Daily - CZ – PQV MAP (Special Situation)

SLW has 2 minds – GDX & SLV . GDX has signaled POM 14 re Run @ 59.5 but SLW had no trigger.

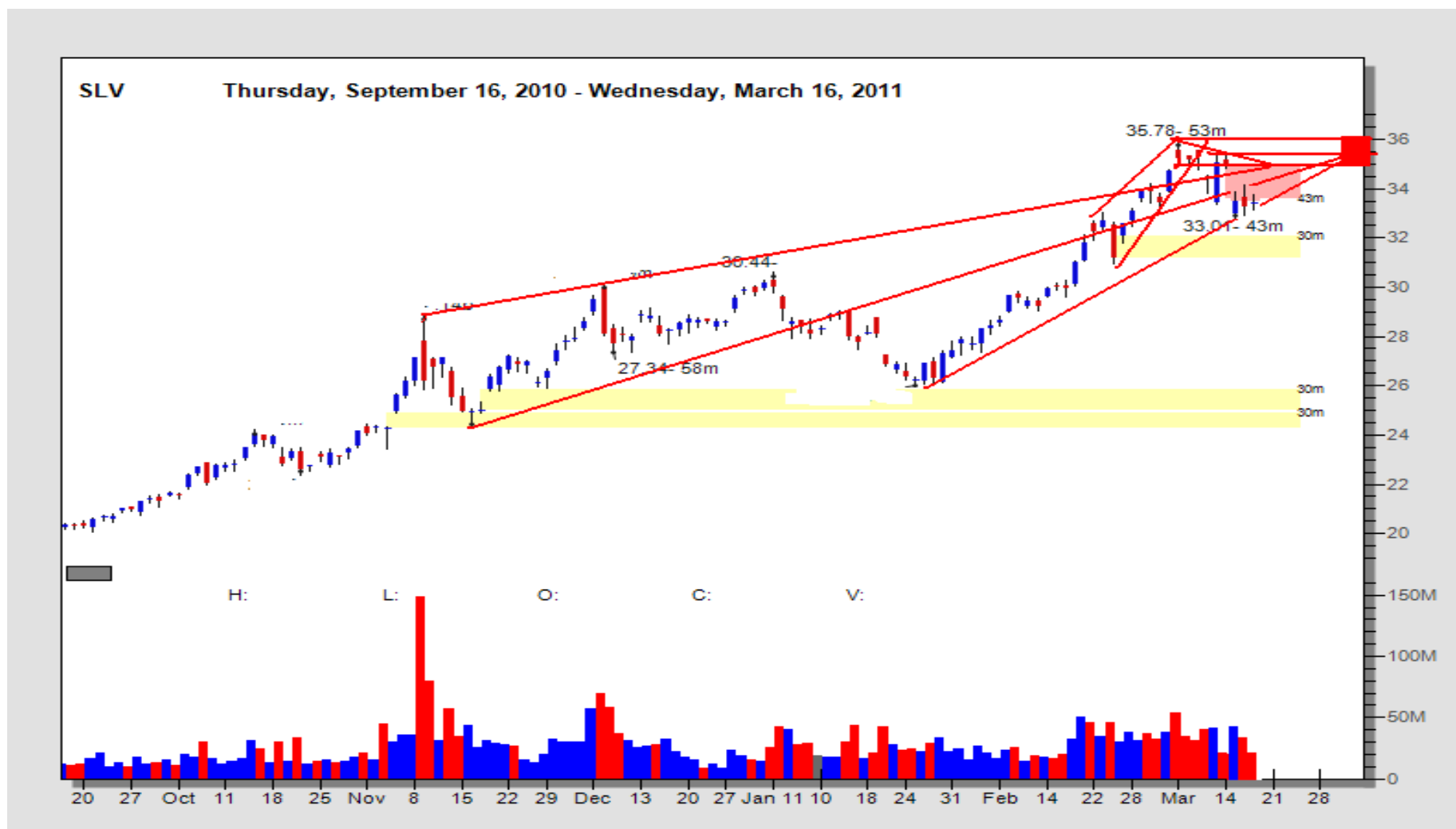
SLW - to get a signal we should be looking for CZ 42.5 – 46.50 with 11M test and close below 43.5 (½ position) and for (2nd half) position at touch of 47 @ 14 M and close below 46 for trigger. (Stops always on other side of CZ) . If 3x3 Vol is low in UCZ, Some flexibility on tight stops.



SLV – Daily - Price / Volume- (For Reference – Extract from D – wkly Sector)

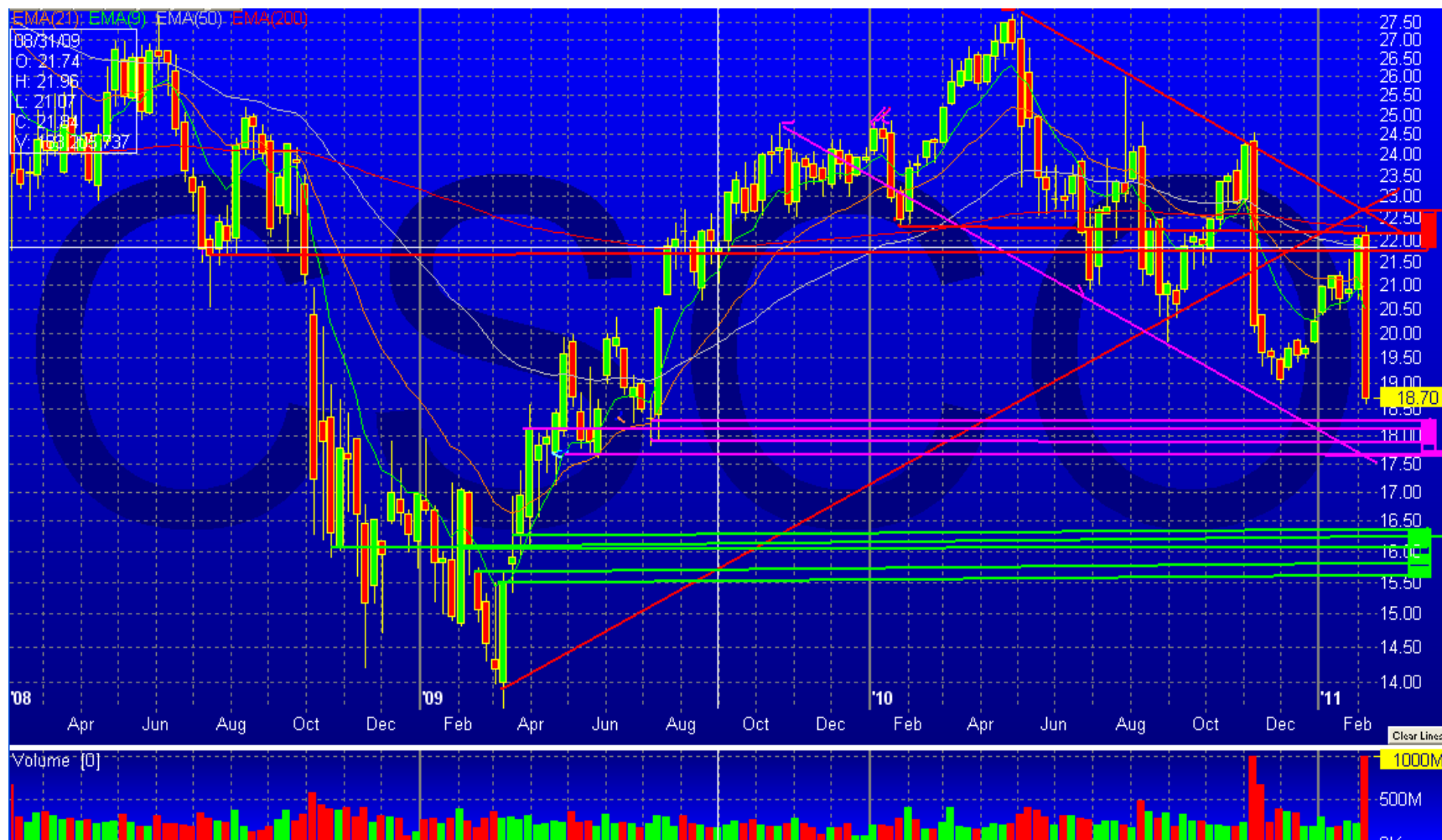
SLV is 2nd mind of SLW – For reference, we have triggered POM 14 Re run on Gold and GDX , Although we think SLV will closely follow but currently there is No signal yet. This looks like Terminal pattern here . Since ABC up was completed at 34.5 +/- .

On SLV - CZ for this terminal pattern is 35 -36 with 25 M shares. Test and reject. If 3x3 volume picks up stay neutral . Stop above 37 .



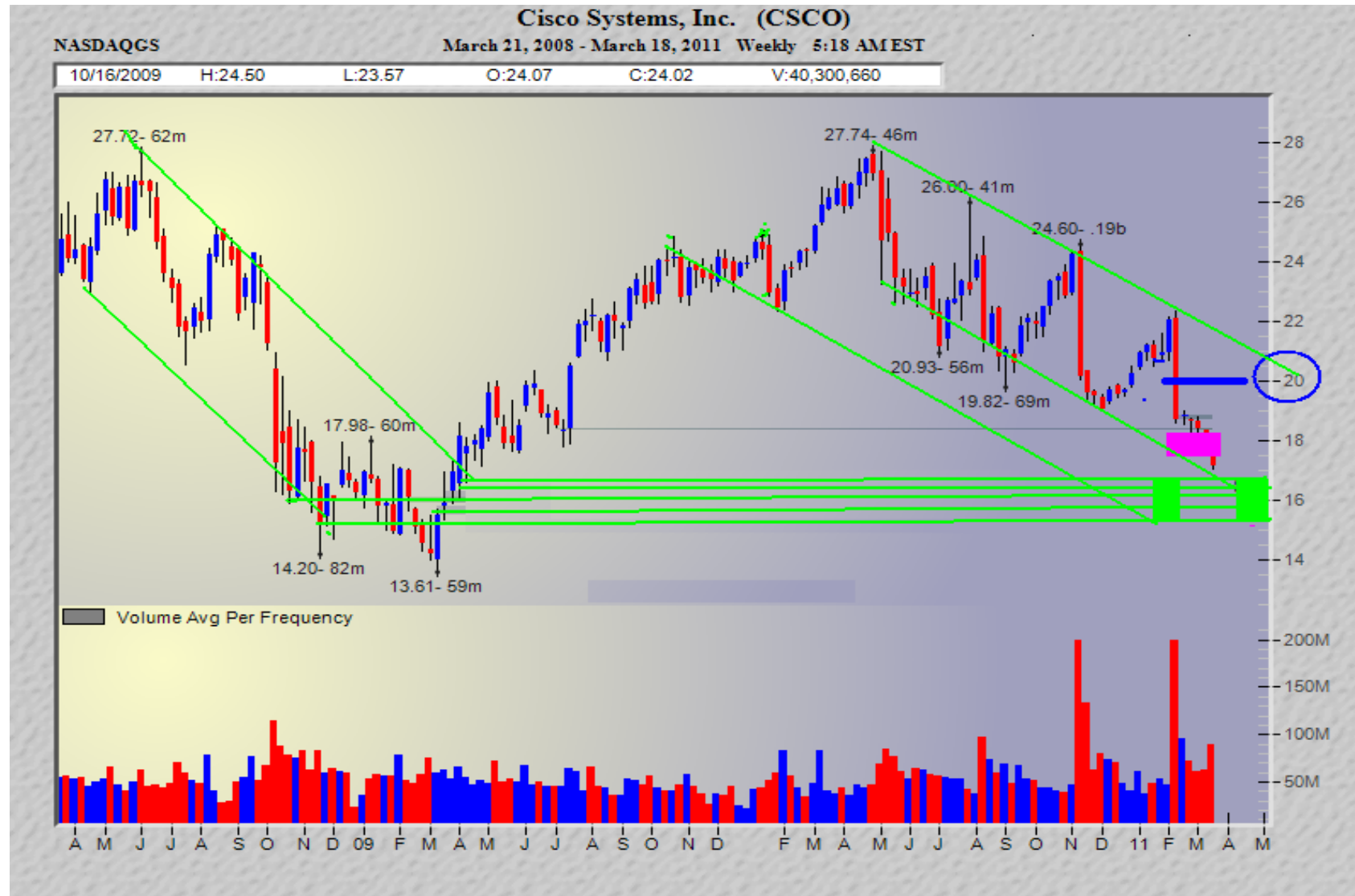
CSCO – CZ PQV Plot (our old Plot for reference from past expectation)

- Our CZ Indicated in PINK BELOW was reached and breached – The PQV test did not get validated, that resulted in the entry into the Next staircase landing CZ indicated in Green where longer term CZ as we were expecting. CZ in green 15.5 – 16.25 with 48M and reject (Next chart we will evaluate current situation)



CSCO – CZ PQV Plot

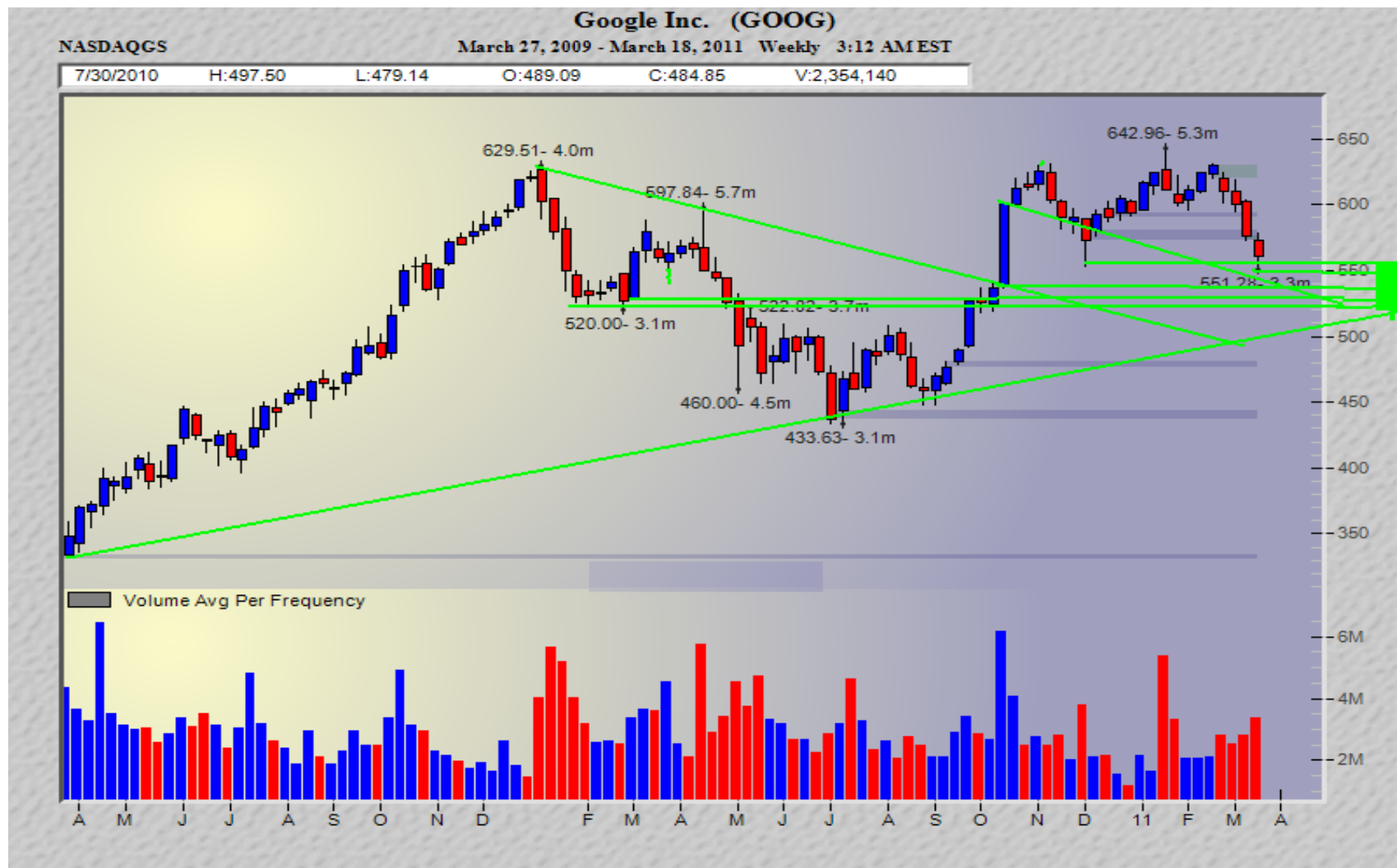
Decline began at 20 , heading to CZ in green we had indicated for while CZ - 15.5 – 16.25 with 48M test volume. So far it hit a low of 16.90 since our initial watch price of 20.00 while PINK CZ went in with force.



GOOG PRICE & VOLUME ACTION

GOOG – PQV – CZ

PQV validation from past 2007 & 2008SELL .CZ 614 -630 acted like magnet on upside and then decline began to CZ 560 - 520 with 3.2 M for test. We pointed out this stock few days go as it entered 550 with good test, , We might get another shot at it on pull back , when market does.



Appendix

Daily SPX - “Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator

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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