SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)- STRATEGY & PROP Analysis (SP)

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Sector Analysis (D) - (SP)-

Contents for coverage within D # –SP

- **Attached, the Chart list & specific Charts (below).** *We have selected charts that has some distinct characteristics:*

- **CZ – PQV, Trend line, Pattern & Oscillator Analysis (Qualified for > +/- 2 SD or Special Situation)**
- *Selected charts that has some distinct characteristics:*
    1. *MA / PATTERN/ OSCILLATOR Analysis*
    2. *Confluence (CZ) & Price / Volume Analysis*
    3. *Poly Trend Analysis (If Applicable)*
    4. *Correlation Ratio Analysis v/s SPX*
    5. *PEC Analysis. (If Applicable)*
    6. *Sentiments Analysis Mathematical & behavior (if Extreme character)*

-   Appendix - Objective, POM Signals Summary , History Trading conclusion , POM /C Guidelines & Criteria.

SECTORS & INDICES - (40) – Highlighted below are SD # +/- 2 & CZ –PQV Qualified –

- **Detail Coverage for sectors with extremes <u>SD # +/- 2.0</u> or Special situation (SP) , highlighted in yellow**
- **For Commodity based ETF's the Extremes <u>SD # +/- 2.0</u> should be qualified v/s both CRB and SPX**

GR1 (16) Coverage in A #1, A# 2 (B, G) MS	GR2 (14) Coverage in D # SECTOR	GR3 (10) Coverage in C # COMMODITY
BROADER IDX • SPY (SPX 500) • DIA (DOW 30 • QQQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) **BOND IDX** • TLT (Bonds) • MUB (Muni). • JNK (Junk) **COUNTRY IDX** • EEM (Emerg.) • EZU (Europe) • EWH (HK) • EWA (Aust) • EWJ (Japan) • FXI (China) • RSX (Russia) • IFN (India)	**SECTORS IDX** • RTH (Retail) - – SD + 2 • XLF (Financials) – SP • XLV (Health) – SP • XLB (Materials) – SD-2 • XLE (Energy) - SP • XLK (Tech) - SP • XLI (Industrial) - SP • XLU (Utility) • XLP (Staples)- SP • XLY (Discretionary) - SP • XHB (Home Builders) • SMH (Sem.) • BBH (Biotech) • IYR (Real Estate) **Highlighted above are covered in Today's Report** **SP- Special Situation**	**COMMODITY IDX** • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDX (Miners) • USO (Oil) • JJC (Copper • DBA (Agro) • DBB (Base metal) • UNG (Natural Gas) • SLX (Steel)

<u>Index</u>

• *Executive Summary.*

In our last D # Sector Report on 11/26, The Model in A #1 had just announced POM 13 on SPX . Since then all the Sectors there were Qualified in that Report followed the " Price Path of POM 13 turn on the Rally till the prices achieved POM 14 re run .

This is Classic example of how POM 12/13 on SPX , at the Market Turns tends to take the Sectors in the direction of SPX move . The Bullish Top Sectors rallying to attraction point CZ faster than the general market (upon POM 13 reversal).

Price Path quality of down move (from POM 14 to 13) and the subsequent up move (from POM 13 to POM 14 re) tends to tell much more about the strength and weakness of these Sectors via Top Heavy / Bottom Heavy CZ / PQV Analysis , Trend & Pattern , Ratio Analysis, VTO structure qualifying it as Bullish Top , Neutral Top , Bearish Top

BULLISH TOP SECTORS- XLV. XLP, Will tend to have only Retracement / Pull back in correction forming Higher high Price level Target (Indicated) for next ABC ups towards the Bullish Top. Usually these are best Ideas to accumulate at next POM 13 validation.

NEUTRAL TOP SECTORS – XLY, XLF will tend to pull back all the way to test Lower CZ with double bottom CZ and high probability of Holding (if PQV is balanced) during correction

BEARISH TOP SECTORS- XLE , XLI will tend to test lower CZ BUT – ALERT - it needs to be looked carefully during PQV violation during the correction

In Today' s coverage, all the Sectors have began down move from POM 14 Re area from the Top of Trend with some sectors testing its own Individual "upper CZ".

For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report

- ## **2- _Trading & Invest Conclusions on Qualified Sector Indices_**

MEAN REVERSION

- ## **_XHB -_ (SD – Mean to Reversion this week)**

- ### **_Mean @ 16.92 on 12/12 from 14.00 – 07/12_**

BULLISH TOP -

- ## **_XLV_**

From POM 13 Trigger on 11/22, the rally began from 32.25 to 34 (POM 14 Re Run) .

Now the Retracement expected to CZ 33-32, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

- ## **_XLP_**

From POM 13 Trigger on 11/22, the rally began from 30.50 TO 32 (POM 14 Re Run) .

Now the Retracement expected to CZ 31.25-30.5, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

BEARISH TOP -

- *XLE*

From POM 13 Trigger on 11/22, the rally began from 66.3 TO 72 (POM 14 Re Run) .

Now the Retracement expected to CZ 66-64, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

- *XLI -*

From POM 13 Trigger on 11/22, the rally began from 31.95 to 34. 50 (POM 14 Re Run) .

Now the Retracement expected to CZ 32-31, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

NEUTRAL TOP

- *XLY*

From POM 13 Trigger on 11/22, the rally began from 37 to 39.5 (POM 14 Re Run) .

Now the Retracement expected to CZ 39.5-37, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

- *XLF -*

From POM 13 Trigger on 11/22, the rally began from 12 to 13.40 (POM 14 Re Run) .

Now the Retracement expected to CZ 12 to 11.75, IF this pull back coincides with next POM 13 , it should present good Risk / Reward

SPX – " POM Signals with SECTORS @ SD +/- 2

ACTIONABLE ZONE :

The Weekly Validated Sector selection - (Undervaluation) / (Overvaluation)

- *Utilizing SD, POMs within RA / RI framework with composition of ETF's with SD # 2 (+/-) Overvalued and Undervalued characteristics.*

- *At POM 14 or Bearish CZ on SPX - Focus is on Sectors with + 2.0 SD for CZ – PQV Validation for SHORTS*

- *At POM 13 (Bounce) or Bearish CZ on SPX - Focus is on Sectors with +2.0 for CZ – PQV Validation for SHORTS*

- *At POM 13 (Pull back) or Bullish CZ on SPX - Focus is on Sectors with -2.0 for CZ – PQV Validation for LONGS*

- *At POM 12, 11 on SPX – Focus is on All the Sectors & Broader Indices for Entry*

This Observation above can be utilized within any specific Portfolio's Objective for Risk Management

KEY NOTES

- *In Our POM Guidelines Section – The Purpose of POM 13 Trigger is for Risk management. In volatile Market the Risk management is critical point protection on counter Trend moves for rebalancing*

- *All the Sector Indices tends to follows the Price path of POM's in general but for POM14, 15 regime various individual Sectors might Top out at different time to Trigger CZ – Validation for SELL. We have CZ – PQV validation indicated in charts below (For Risk Management – STOPS always on other side of CZ based on Portfolio Objectives. For POM 12,11,13 , All broader market will move in concert with SPX*

- ## CHART ANALYSIS - Sectors v/s SPX

- *YTD – Sectors Relative performance v/s SPX - Chart Analysis.*
- *XLY/ XLP Ratio Analysis (Risk On v/s Risk off – Defensive) v/s SPX*

SPECIAL SITUATION

XLV - Chart Analysis
- *XLV - MA, Pattern Trend & Oscillator Analysis*
- *XLV – CZ – Price & Volume- Analysis*
- *XLV - CORRELATION RATIO Analysis with SPX*

XLP - Chart Analysis

- *XLP - MA, Pattern Trend & Oscillator Analysis*
- *XLP – CZ – Price & Volume- Analysis*
- *XLP - CORRELATION RATIO Analysis with SPX*

XLY - Chart Analysis

- *XLY - MA, Pattern Trend & Oscillator Analysis*
- *XLY – CZ – Price & Volume- Analysis*
- *XLY - CORRELATION RATIO Analysis with SPX*

XLE - Chart Analysis

- *XLE - MA, Pattern Trend & Oscillator Analysis*
- *XLE – CZ – Price & Volume- Analysis*
- *XLE - CORRELATION RATIO Analysis with SPX*

XLF - Chart Analysis

- *XLF - MA, Pattern Trend & Oscillator Analysis*
- *XLF – CZ – Price & Volume- Analysis*
- *XLF - CORRELATION RATIO Analysis with SPX*

XLI - Chart Analysis

- *XLI - MA, Pattern Trend & Oscillator Analysis*
- *XLI – CZ – Price & Volume- Analysis*
- *XLI - CORRELATION RATIO Analysis with SPX*
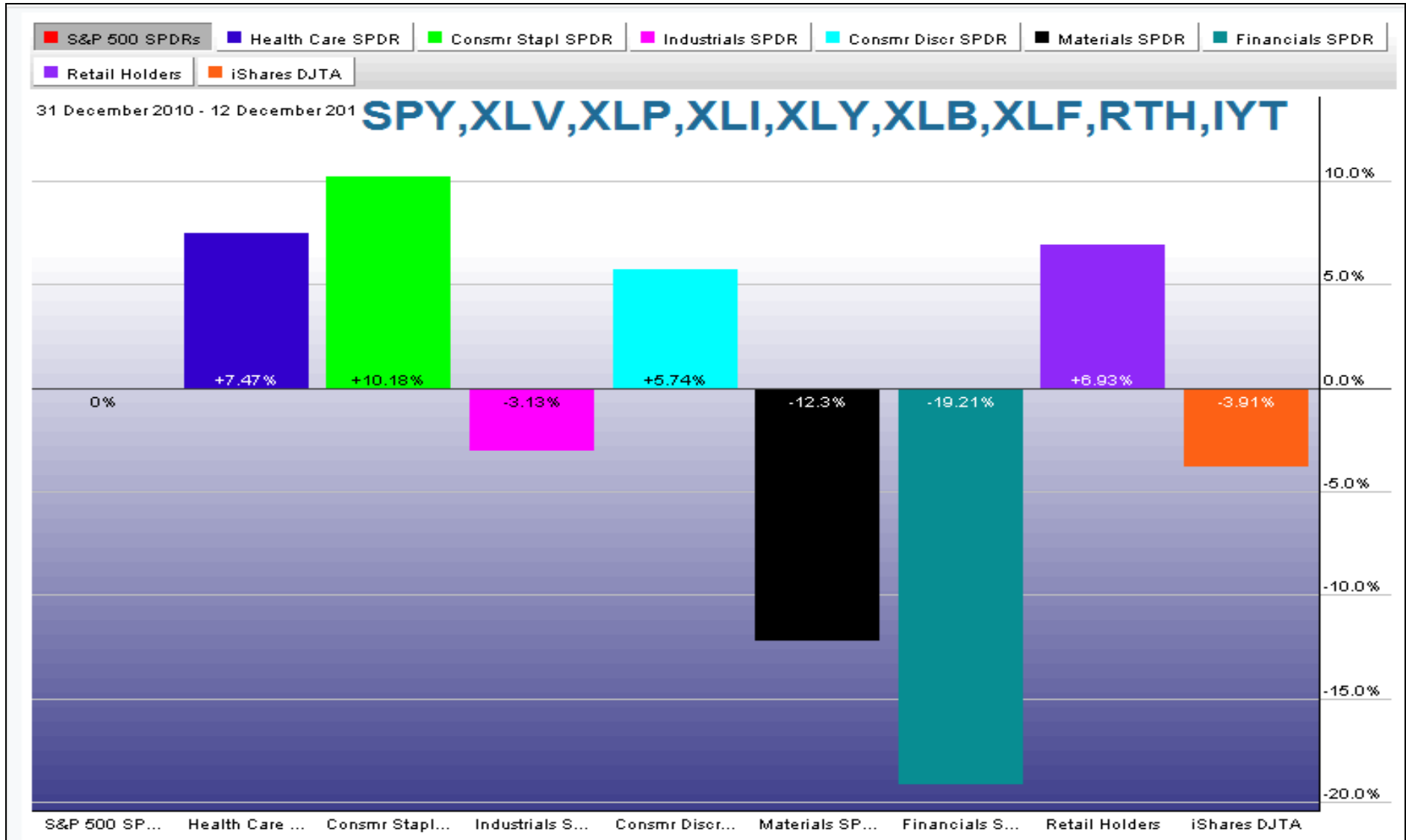
SD - OVERVALUED v/s SPX   ETF (SD +2)

- **NONE**

SD - UNDERVALUED v/s SPX ETF (SD - 2)

- **NONE**

YTD - SECTOR (SD extremes / Defensive IDX) performance v/s SPX

*Chart below shows Ratio Relative performance of leaders and lagers with respect to SPX for evaluation & **for Pair Trades** .*

Legend: S&P 500 SPDRs | Health Care SPDR | Consmr Stapl SPDR | Industrials SPDR | Consmr Discr SPDR | Materials SPDR | Financials SPDR | Retail Holders | iShares DJTA

31 December 2010 - 12 December 201 SPY,XLV,XLP,XLI,XLY,XLB,XLF,RTH,IYT

Sector	Performance
S&P 500 SP...	0%
Health Care ...	+7.47%
Consmr Stapl...	+10.18%
Industrials S...	-3.13%
Consmr Discr...	+5.74%
Materials SP...	-12.3%
Financials S...	-19.21%
Retail Holders	+6.93%
iShares DJTA	-3.91%

XLY/ XLP Ratio Analysis (Risk On v/s Risk off – Defensive) v/s SPX

DEFENSIVE LEADERSHIP... measures the relative performance XLY /XLP market sectors compared to the SPX. It's usually a bad sign for the market when defensive sectors are market leaders. XLY is under-performing XLP .

XLY/XLP ratio turning down over the last month. That's another bad sign for the market.

XLV - CZ / Ratio Analysis - (Special Situation - Defensive Sector)

Since POM 13, the rally began to 2nd Bullish Top. XLV / SPY Ratio is in strong up Trend with valid breakout. STOC – Bullish This is Strong market , any Correction in general Market should have retracement back into CZ and could not even go to August lows in previous corrections. It is in its own Bull Market.

The Current pull back area (yellow) should be CZ 33-32. Also our next POM 13 , we should get better Risk reward.
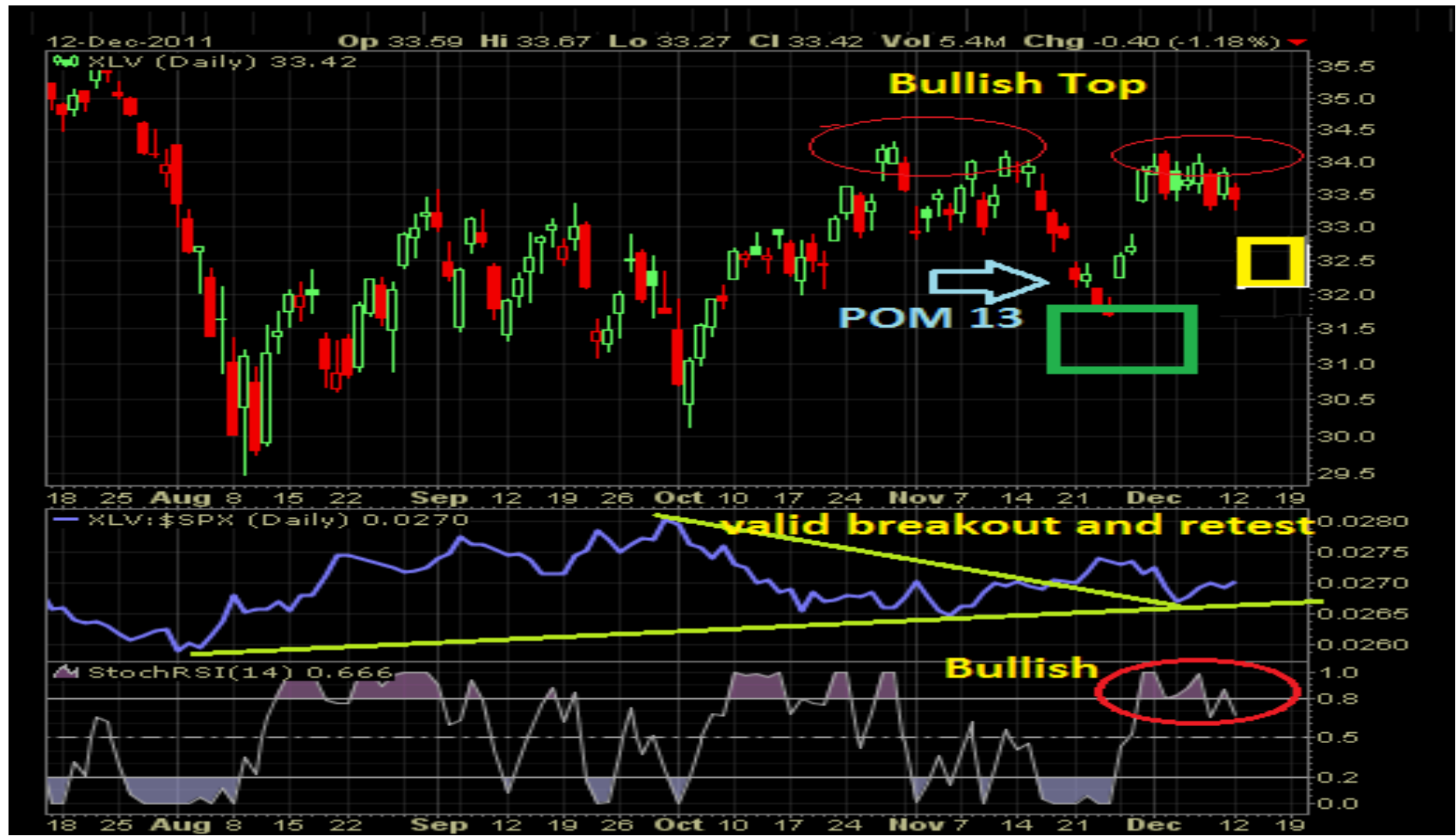
XLV - – MA / Pattern and Oscillator Analysis – (Special Situation - Defensive Sector)

*DMA's and Trend Oscillator Analysis suggested **Bullish at Top** of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).*

*Oscillator & Pattern Analysis diverging Bullishly. **Earlier XLV reversed at POM 13 @ 32.25 to rally to 34***

S&P Healthcare   XLV
Last: $ 33.42
Chg: $ (0.40)   -1.20%

40-day BLI

14-day BLI (3.43785)

The 200-dma continues to provide resistance; a break of the highs would be bullish.

S&P Healthcare

200-DMA

90-DMA

380-DMA

Bullish top

POM13

XLP - CZ / Ratio Analysis - (Special Situation - Defensive Sector)

Since POM 13, rally began to 2nd <mark>Bullish Top</mark>*. XLP / SPY Ratio is in strong up Trend with valid breakout. This is Strong market , STOC – Bullish . Any Correction in general Market should have retracement back into CZ and could not even go to August lows in previous corrections. It is in its own Bull Market.*
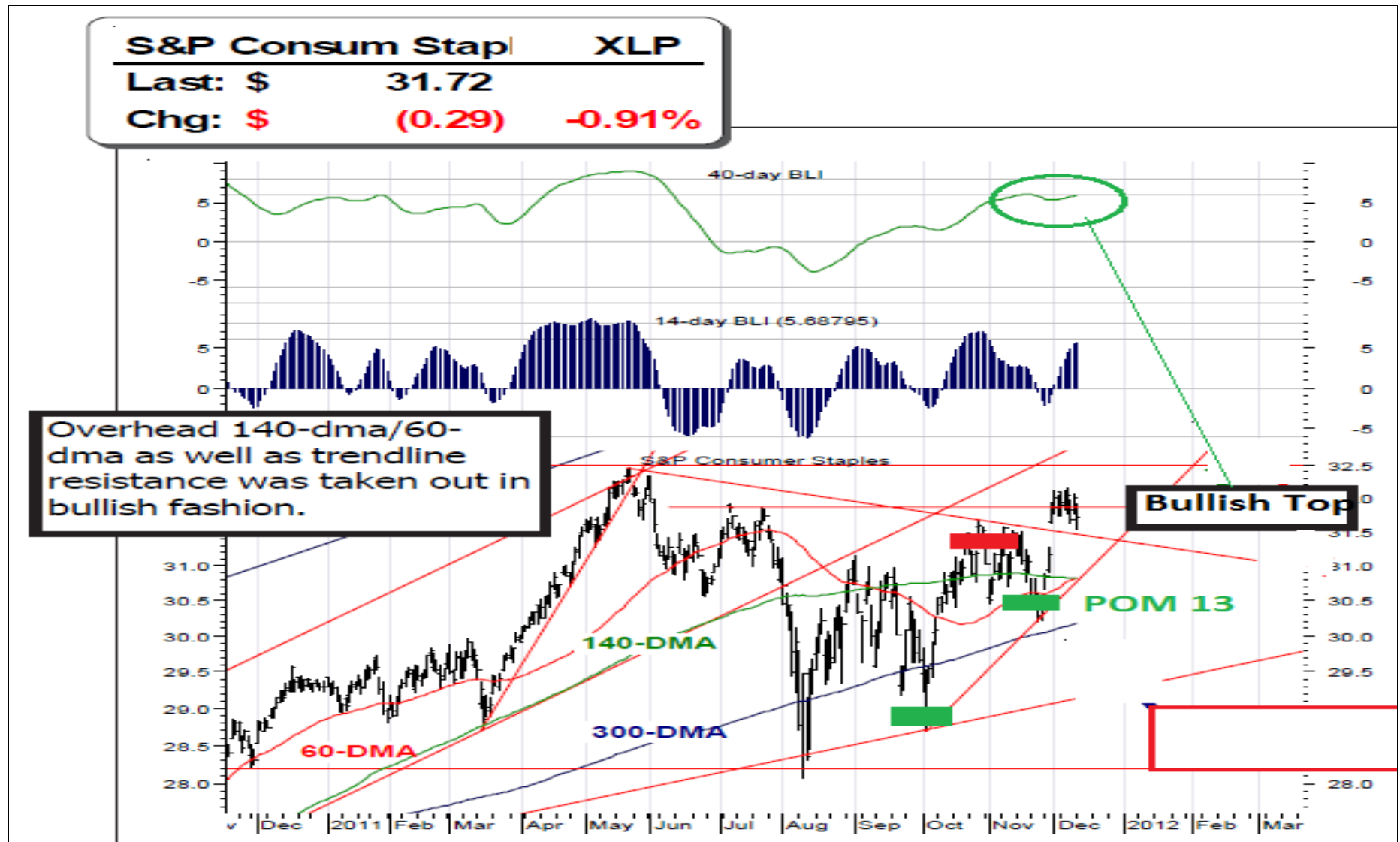
The Current pull back area (yellow) should be <mark>CZ 31.25-30.5.</mark> *Also our next POM 13 , we should get better Risk reward*
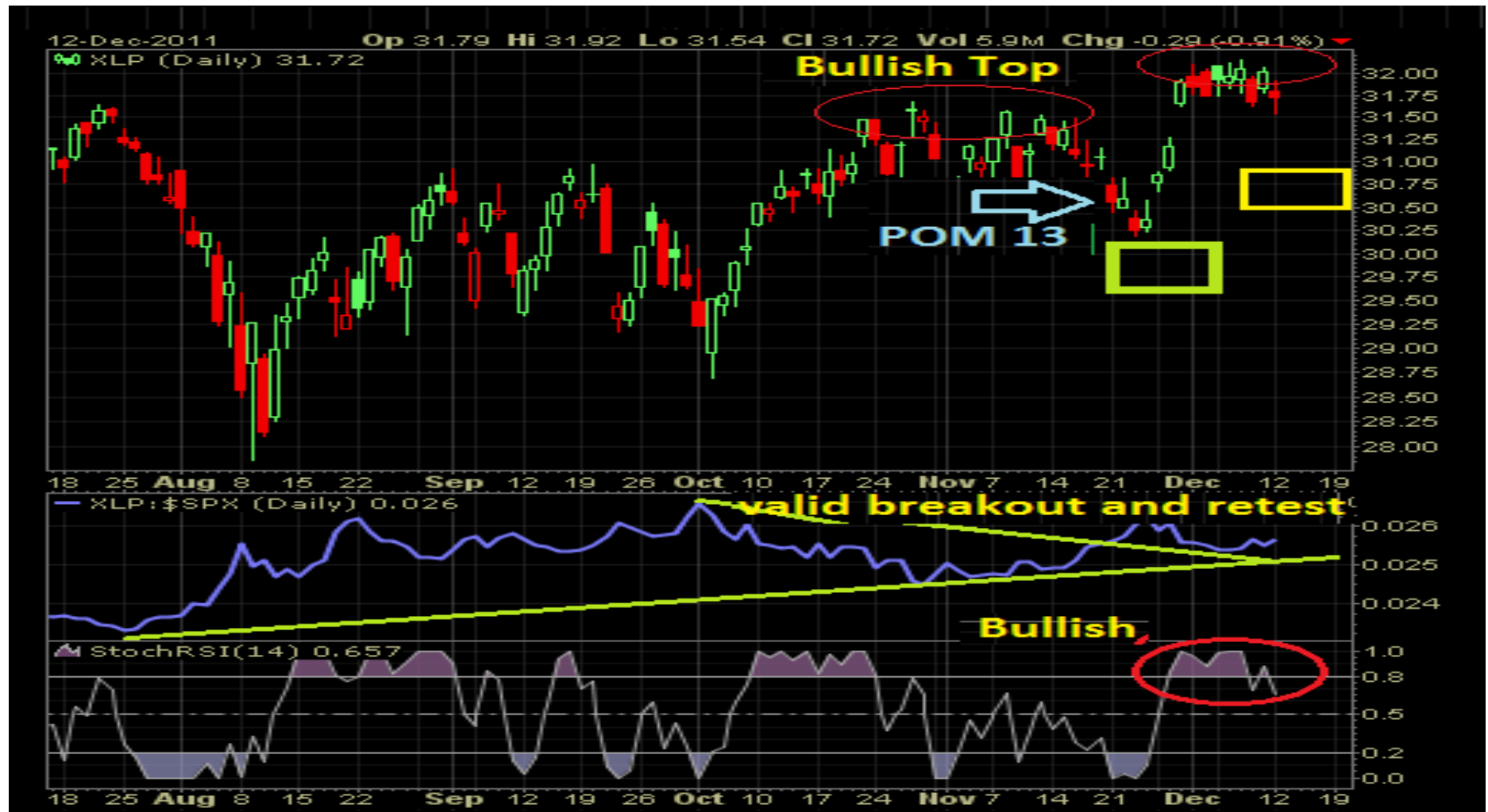
XLP - – MA / Pattern and Oscillator Analysis – (Special Situation - Defensive Sector)

DMA's and Trend Oscillator Analysis suggested Bullish at Top of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).

Oscillator & Pattern Analysis diverging Bullishly. Earlier XLP reversed at POM 13 @ 30.50 to rally to 32

XLE - CZ / Ratio Analysis - (Special Situation)

Since POM 13, rally began to <mark>BEARISH TOP</mark> . XLE / SPY Ratio is broken down the Trend . STOC – Bearish . Any Correction in general Market should have retracement back into CZ. BUT we have to be careful (See the 2nd chart below) The RATIO Pattern is Topping out with <mark>BEARISH WEDGE TOP</mark> which is negative

The Current pull back area (green) should be <mark>CZ 66-64.</mark> . Our next POM 13 , we should get better Risk reward

XLE - – MA / Pattern and Oscillator Analysis – (Special Situation)

*DMA's and Trend Oscillator Analysis suggested **BEARISH TOP** of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).*

*Oscillator & Pattern Analysis diverging Bullishly. **Earlier XLE reversed at POM 13 @ 66.30 to rally to 72***

RATIO PATTERN ON BIGGER TIME FRAME - and Oscillator is bearish .
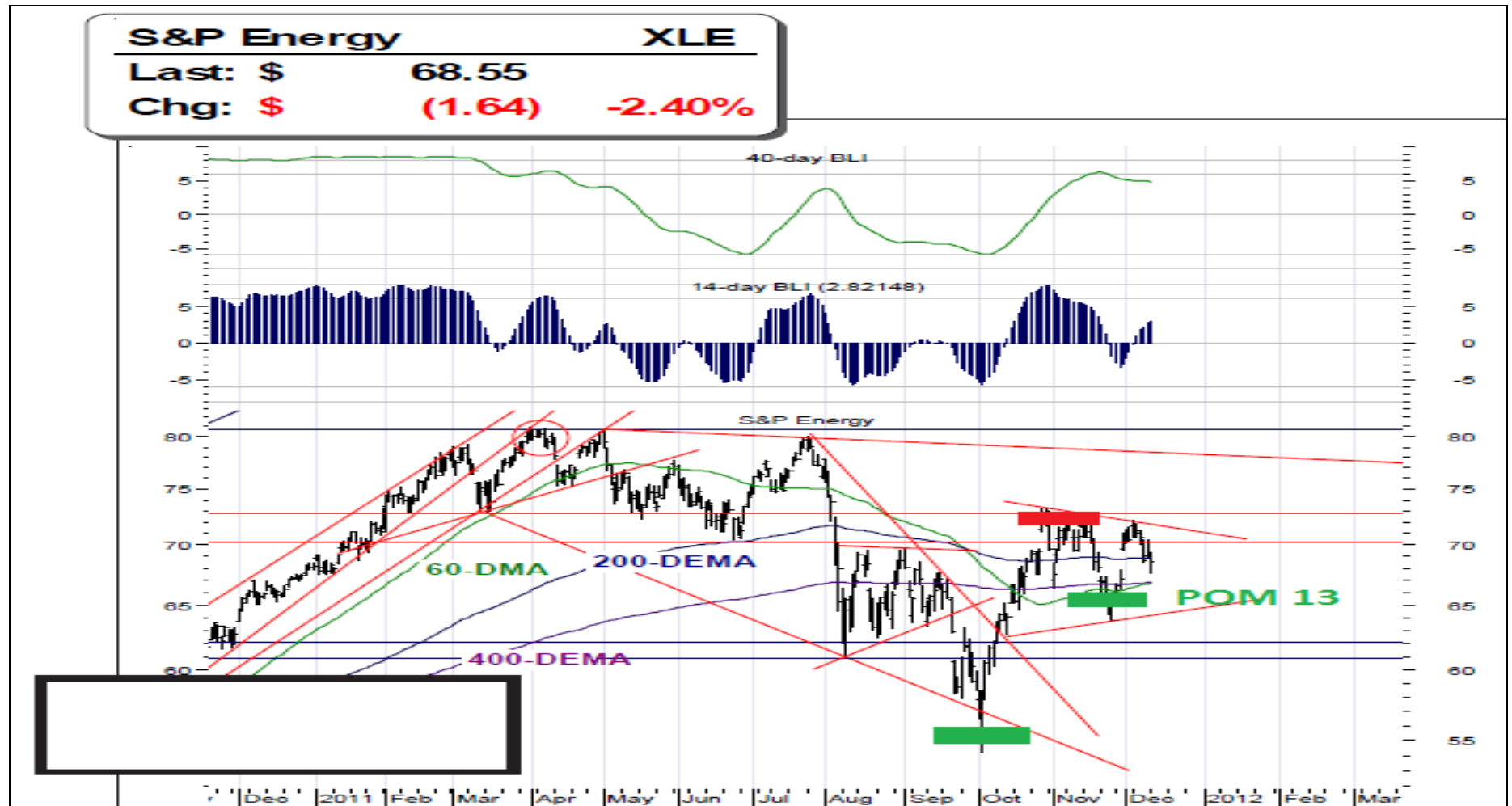
XLI - CZ / Ratio Analysis - (Special Situation)

Since POM 13, rally began to <mark>BEARISH TOP</mark> *. XLI / SPY Ratio is broken down the Trend . STOC – Bearish . Any Correction in general Market should have retracement back into CZ. BUT we have to be careful (See the 2nd chart below) The RATIO Pattern is Topping out with* <mark>BEARISH WEDGE TOP</mark> *which is negative*

The Current pull back area (green) should be <mark>CZ 32-31.</mark> *. Our next POM 13 , we should get better Risk reward*
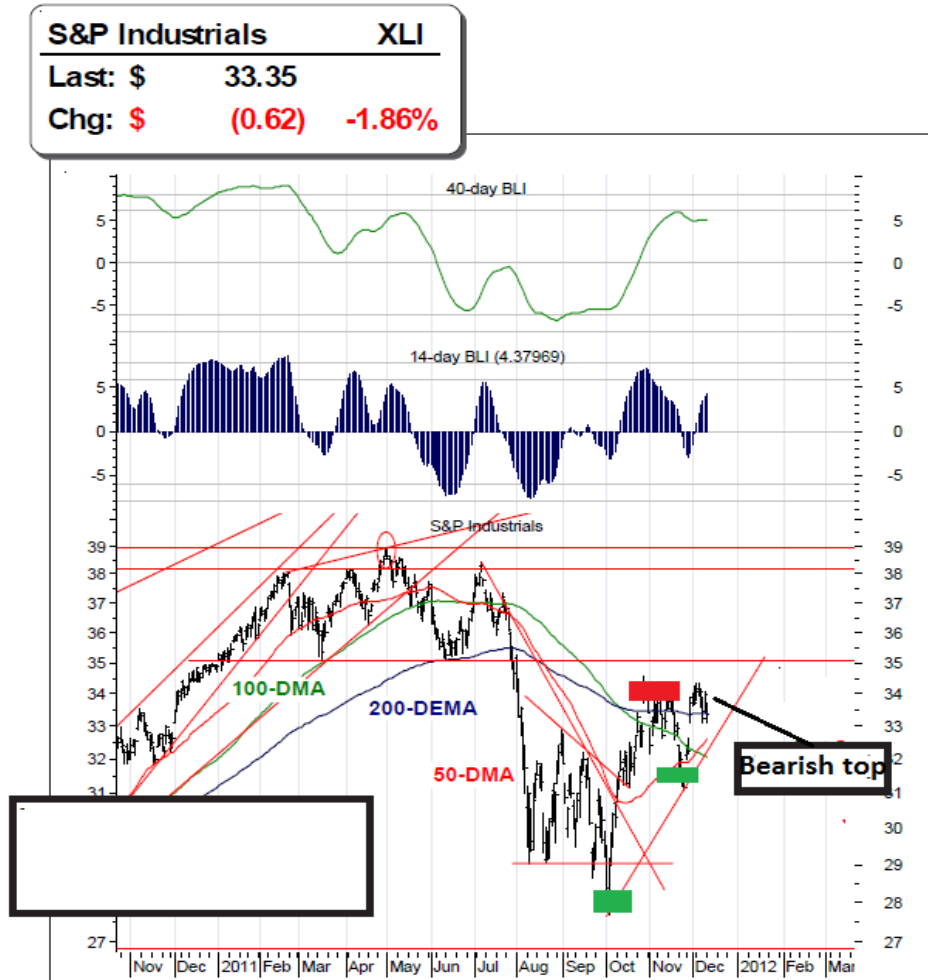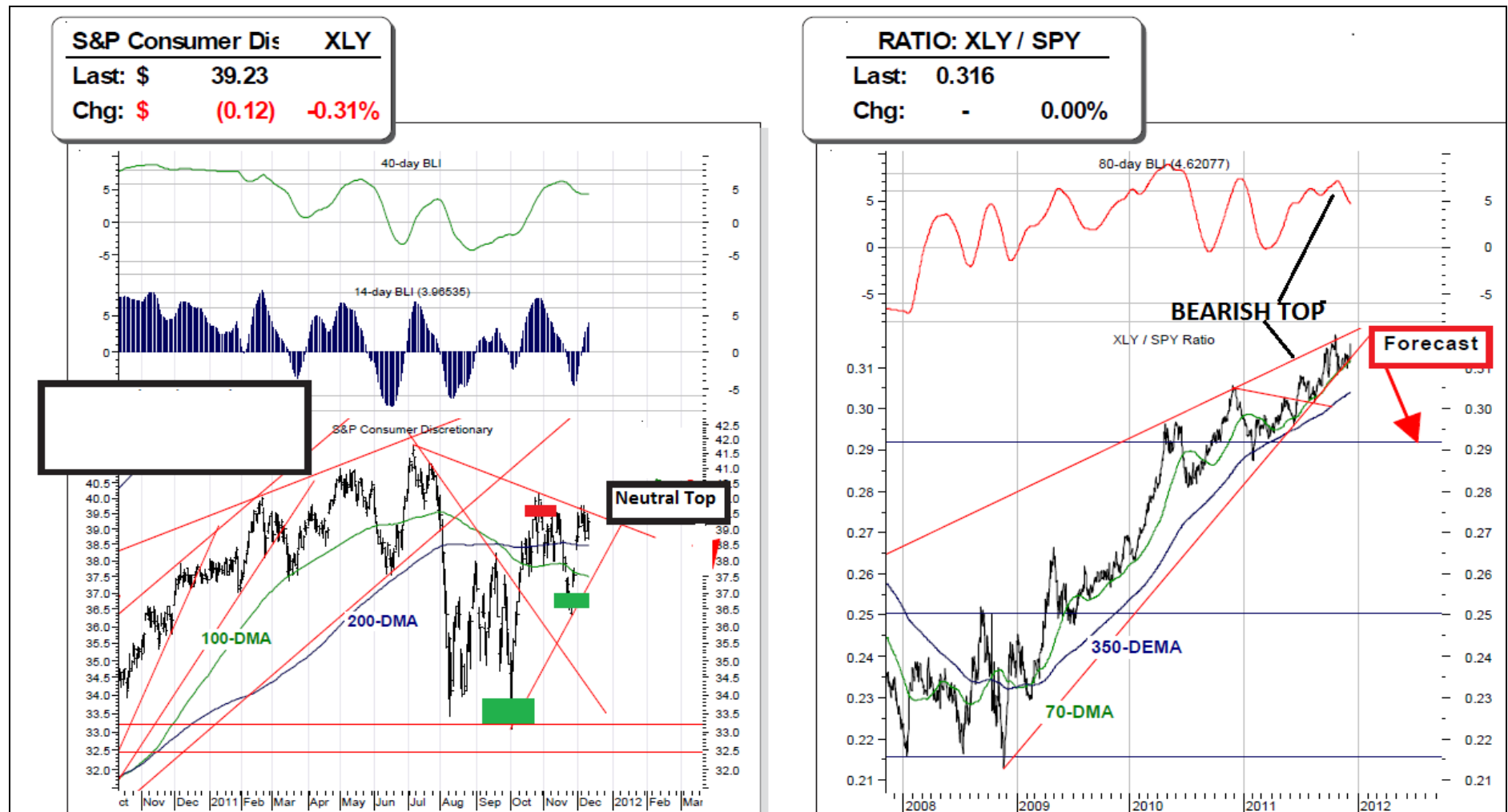
XLI - – MA / Pattern and Oscillator Analysis – (Special Situation)

*DMA's and Trend Oscillator Analysis suggested **BEARISH TOP** of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).*

*Oscillator & Pattern Analysis diverging Bullishly. **Earlier XLE reversed at POM 13 @ 31.95 rally to 34.50***

RATIO PATTERN ON BIGGER TIME FRAME -   and Oscillator is bearish .

S&P Industrials		XLI
Last: $	33.35	
Chg: $	(0.62)	-1.86%

RATIO: XLI / SPY	
Last:	0.268
Chg:	- 0.00%

XLY - CZ / Ratio Analysis - (Special Situation)

Since POM 13, rally began to 2nd NEUTRAL TOP. XLY / SPY Ratio is in still in Trend . No breakdown yet . Any Correction in general Market should have retracement back into CZ. BUT we have to be careful (See the 2nd chart below The RATIO Pattern is Topping out with BEARISH WEDGE TOP which is negative

The Current pull back area (green) should be CZ 37.5-36.5. . Our next POM 13 , we should get better Risk reward

XLY - – MA / Pattern and Oscillator Analysis – (Special Situation)

DMA's and Trend Oscillator Analysis suggested NEUTRAL at Top of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).

Oscillator & Pattern Analysis diverging Bullishly. Earlier XLY reversed at POM 13 @ 37 to rally to 39.50

CAUTION – Ration Pattern on Bigger Time is Bearish but not Broken (RIGHT SIDE CHART BELOW) -   and Oscillator is bearish .

XLF - CZ / Ratio Analysis - (Special Situation)

Since POM 13, rally began to 2nd NEUTRAL TOP. XLF / SPY Ratio is in in down trend . No breakout yet . Any Correction in general Market should have retracement back into CZ.
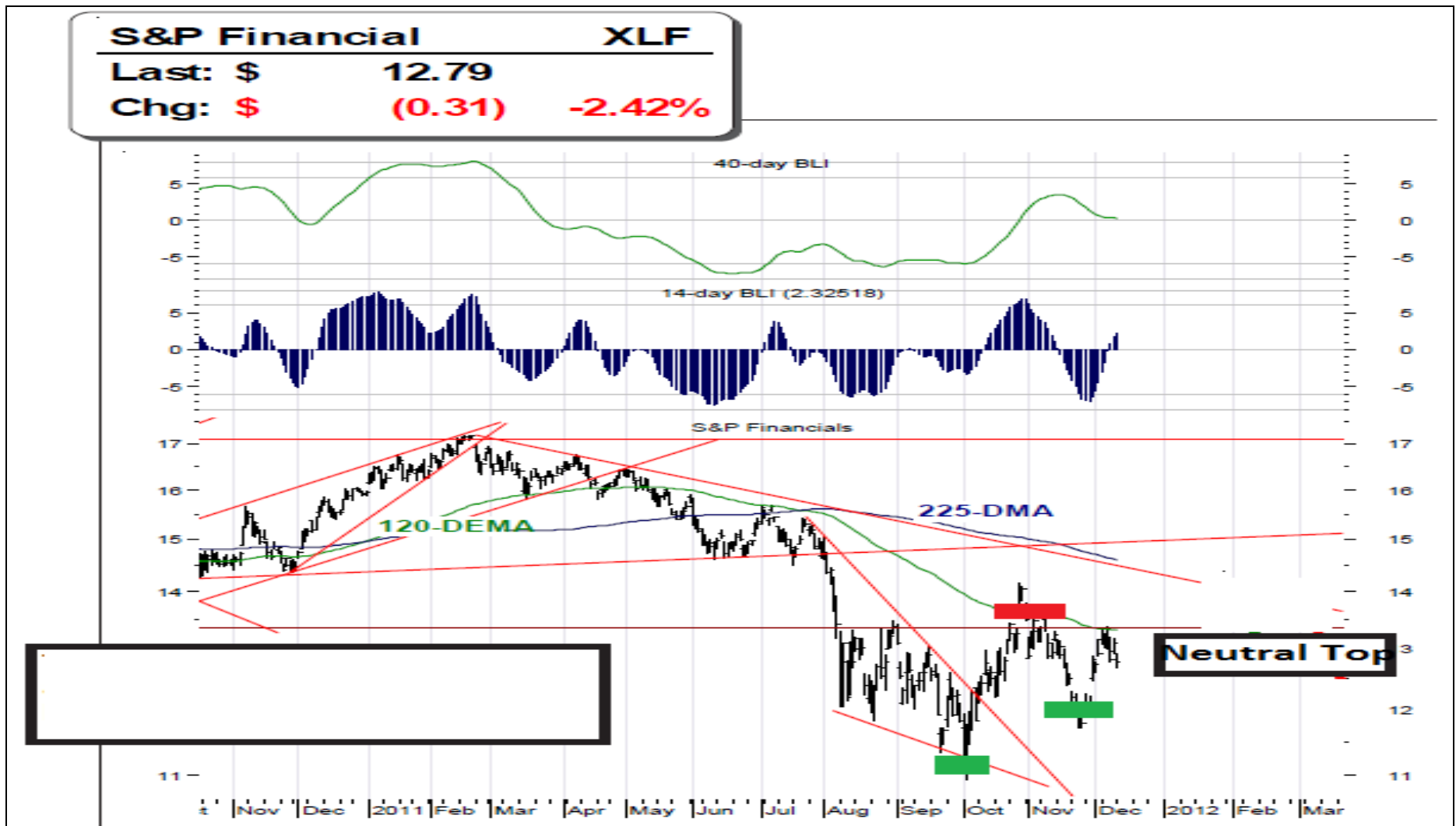
The Current pull back area (green) should be CZ 12- 11.75. . Our next POM 13 , we should get better Risk reward

XLF - MA / Pattern and Oscillator Analysis – (Special Situation)

DMA's and Trend Oscillator Analysis suggested NEUTRAL at Top of last rally (Refer notes & CZ 's indicated below coincided with POM 14 & 12, 13 within the chart).

Oscillator & Pattern Analysis diverging Bullishly. Earlier XLY reversed at POM 13 @ 12 rally to 13.40

S&P Financial   XLF
Last: $ 12.79
Chg: $ (0.31)   -2.42%

40-day BLI

14-day BLI (2.32518)

S&P Financials

120-DEMA

225-DMA

Neutral Top

Appendix Content

- **Objectives & POM /CZ Guidelines**

- **Guidelines for Full Utilization of " SP" Report with Limitations**

- **Trading & Investment CZ - Conclusion History 2011**

- **SPX- POM – " Price Oscillation Model " Criteria**

- **PEC –D " Pythagoras – Expansion & Contraction Criteria**

- **SPX – TAS 3x3x3 / 9EMA - " Trend Adjusted Signal " Criteria.**

- **Definitions of Extreme Sentiment Indicators**

• <u>Objective</u>

Focus is on the Short & Intermediate term turning point of the "Sectors" via SPX's POM's & Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is <u>Unidirectional</u> 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.

- *SPX acts as Risk Benchmark for all the other Markets (Sectors) , these Markets gets priced off SPX- Risk (in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our D # – Sector Report focuses on Sectors of the Market.*

- *All the Sectors tends to follows the Price path of POM 11, 12, 13 of SPX (except during POM14, 15), various Sectors will Top out at different time to Trigger CZ – Validation for NET SHORT.*

- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*

- *All CZ / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*

- *Stops always on other side of CZ @ value based on Portfolio's Objectives and Risk tolerance*

- *Conclusions to be cross verified by other methods prior to final decision*

- *For Maximum utilization of POM Process for Risk Management. Refer to guidelines within the Appendix below*

- ## <u>Objective …cont…</u>

The Focus is to derive and compare the Relative performance of various Sector ETFs via using Standard Deviation (SD) Criteria, POM – SPX Methodology as a PIVOT point for start then use with SECTOR / SPX Ratio chart for their "Pattern Recognition and Technical Analysis" <u>for OVERVALUATION AND UNDERVALUATION </u>of Sectors.

<u>Step 1</u> *– Qualify the Sector based on Correlation Ratio Analysis with SPX to determine Standard Deviation (SD# 2) @ extremes level to define "Overvaluation and Undervaluation" of the SECTOR*

<u>Step 2</u> *- Overlay this Correlation input data on Sector's Relative strengths based on the SPX –POM latest STATUS as Pivot point to measure Maximum and Minimum strength of the Sector. Validate those ideas via technical Patterns of absolute Charts & SPX Ratio charts of these Sectors for Bullish and Bearish SETUPS via Pattern Recognition, Technical Analysis via second derivative DMA's & Derive CZ for PQV Validation test.*

<u>*Overlay Criteria*</u>

- *SD # /2 ANALYSIS EXTREMES by 365 D Correlation.*
- *SPX - POM FRAMEWORK as PIVOT by Trend Correlation*
- *TECHNICAL PATTERNS, 2nd Derivative DMA's & VOLUMES" & Derive CZ for PQV Validation.*

➢ *Key Points for Full utilization of SP- Reports*

- **_Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness_**

➢ _At Top down Level_ – *Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .*

➢ _Rebalancing Pre Planned procedure at Triggers_ – *" Rebalancing % of Overall Position Sizing" , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.*

➢ _Key points for Risk Management_

➢ *Hard Stops around CZ's*
➢ *STOP SELL- " early warning Alerts" in fast moving markets, Over night Day / Night (IST) time delay Risks.*
➢ *Cross verification by Other Methods*
   Computerized Daily Monitoring, CZ Triggers, Timely PQV validations

➢ **_2. CZ – Tracking_**

   ➢ _Programing - "Time/ Price Displacement, Supply / demand Activity Bar Analysis" –_

- *At "Institutional Grade - Price , Volume with Time Integration*
- *Supply / Demand Activity bar Analysis – Real time.*
- *Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers*

Trading & Investment CZ - Conclusion History 2011

PREVIOUS LONGS – YTD – " Price path " update- From D- Sector Report

XLV, XLU, BBH, IFN, XLF, IYT, DIA, TLT

Previous Trend – POM to Reversion to mean
REVERSION TO MEAN - 6/10 - SPX – POM 13 @ 1270 via SD Levels or POM 13 or CZ –

- **SMH, DBC,JJC, XLB -** *(CZ validation indicated Red on charts below)*

SMH NYSE + BATS
16-Jun 10:24am Last 32.88 Chg +0.04 (+0.12%) ▲

DBC NYSE + BATS
16-Jun 10:24am Last 29.37 Chg -0.11 (-0.37%) ▼

JJC (iPath DJ-U...) NYSE
16-Jun 10:08am Last 53.72 Chg -0.47 (-0.87%) ▼

XLB NYSE + BATS
16-Jun 10:25am Last 37.19 Chg -0.02 (-0.05%) ▼

Mean to Reversion @ POM 13 SPX
@ 1270 via Alert dt 6/10

MEAN TO REVERSION – via SD Levels or POM 13 or CZ – First Price target achieved

- **QQQ, IWM, EEM – Refer A # 2 – MS Report , 5/25 -** *(Reversion to mean indicated Blue on charts, We will now monitor the Quality of the rally for next move)*
- **XLP –** *(Reversion to mean by SD, indicated Blue on charts)*
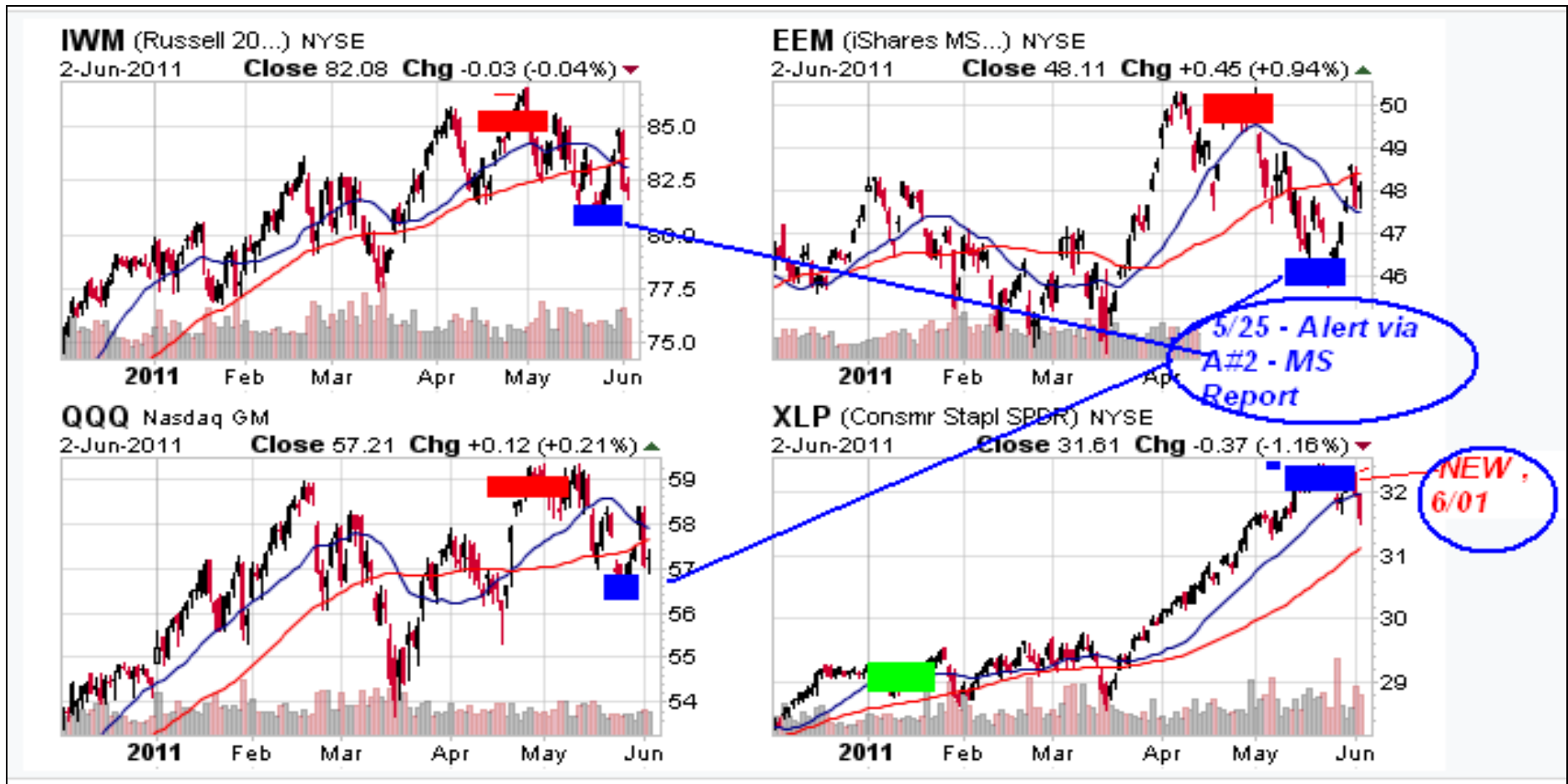
POM criteria for Implementation on SPX

- **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)

Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on "Short & Intermediate term" Trend in the currency market.

- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM). This has a high probability for greater accuracy on Price projections at confluence when Integrated together.

- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.

- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci steams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D
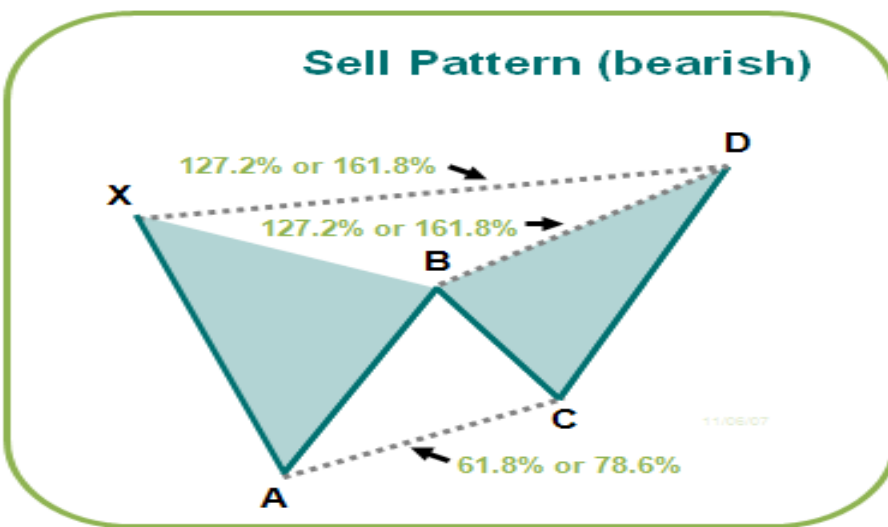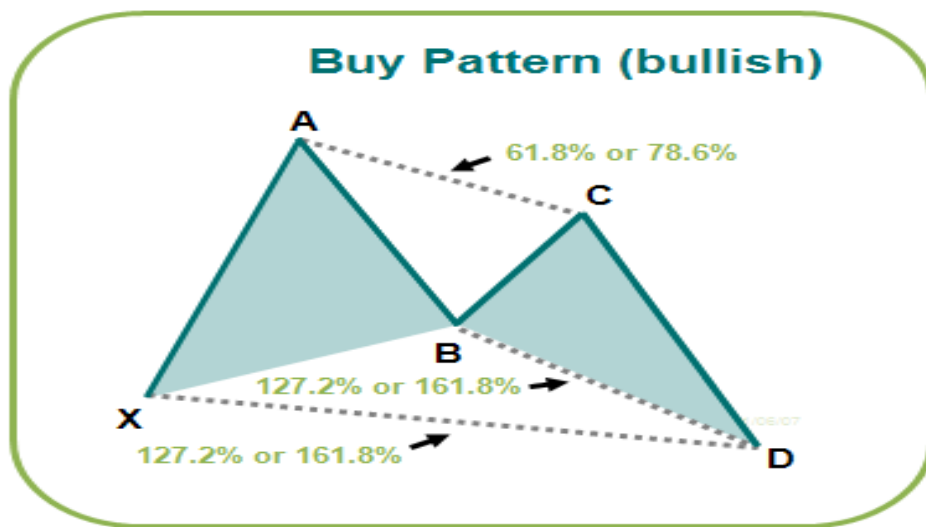
- ## Daily SPX - " Trend Adjusted Signal"

- ## 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).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close