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

MAEG – WKLY SECTOR_ETF ANALYSIS SG 2011 # JULY_01
For Immediate Release – Bi – Wkly Friday AM (EST)
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Sector Analysis (D) -

- **Attached, the Chart list & specific Charts (below).** *We have selected charts that has some distinct characteristics:*
- **Selected Currency have up to (3) Analytic Charts as Titled below**
    1. **MA / PATTERN/ OSCILLATOR Analysis**
    2. **Poly Trend Analysis (If Applicable)**
    3. **PEC Analysis. (If Applicable)**
    4. **Sentiments (if Extreme character)**
- **Appendix - OBJECTIVE , HISTORY of past Signals & POM Key Criteria**

SPX – Special Update – To follow

SECTORS - (40) – <mark>Highlighted below are SD # 2 & CZ –PQV Qualified –</mark>

- **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 (15)	GR2 (11)	GR3 (13)
• SPY • <mark>DOW</mark> • QQQQ • IWM • ● <mark>TLT (Bonds) **(SP)**</mark> • MUB (Muni) • JNK (Junk) • EEM (Emerg) • EEA (Europe) • <mark>EWJ (Japan)</mark> • FXI (China) • RSX (Russia) • <mark>IFN (India)</mark> • EWP • EWH • EWA	• <mark>XLF (Financials)</mark> • XRT (RTH) (Retail) • <mark>XLV (Health)</mark> • XLB (Materials) • XLE (Energy) • XLK / QQQQ (Tech) • XLI (Industrial) • <mark>XLU (Utility)</mark> • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders)	• SMH (Sem) • <mark>BBH (Biotech)</mark> • <mark>IYT (Transports)</mark> • IYR (Real Estate) • ● DBA (Agro) • DBB (Base metal) • DBC (Commodity) • GLD (Gold) • SLV (Sil) • <mark>GDX (Miners)</mark> • USO (Oil) • UNG (Natural Gas) • JJC (Cu) • SLX (Steel)

- ## **SPX – " POM Signals & SD – 2**

- ## **Trading & Investment Conclusions**

ACTIONABLE ZONE :

The Weekly Validated Sector selection to Setup " Global Long / Short

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

- *At POM 14 / Re – Run or Bearish CZ on SPX - Focus is on Sector with + 2.0 SD   for CZ – PQV Validation for Exit / SS*

- *At POM 13 or Bullish CZ on SPX -   Focus is on Sectors with -2.0 for CZ – PQV Validation & HQ Sectors for Entry*

- *At POM 12 on SPX – Focus on SPX – Focus is on All the Sectors for Entry*

- ## **Key Note**

  On 6/23 - SPX – POM 12 Triggered @ 1278 &

  On 6/10 - SPX – POM 13 Triggered @ 1270 Mean Reversion

  "Since our POM Triggers, the market has run almost 45 points (½ of its correction down move) . As pointed out in our A # 2 – MS , the Short term Target point is 1315 +/- . This will be breather spot. We should initiate a pull back. (I will send a Interim Update to this effect)

  Our Decision points were at POM's &/ or CZ – PQV Triggers . We do not want to chase rallies

- **<u>Trading and Investment conclusions</u>**

SHORT(LQ) <u>ETF</u> (CZ Validated @ POM 14 and SD +2)

- **NONE …..from Previous (All reverted to mean & POM 13 / POM 12)**

- **NONE ……in New Analysis**

PREVIOUS LONG (HQ) ETF (SD -2 or CZ Validated OR @ POM 13 /12 trigger on SPX) – CHARTS BELOW

- **XLV, XLU, BBH, IFN – Previous** *(CZ / SD -2 validation indicated Green on charts below) - Bullish Setup continues to remain in XLV, XLU, BBH . IFN . Confirmed by POM 12 & 13 Trigger 6/23 & 6/10 (Indicated in green)*

- **TLT – ½ position from price of 89 to 95 was SOLD , (the balance ½ holding reversion to POM 14)** *Upon consolidation and pull back in TLT we would re – enter the ½ position back again based on risk management)*

- **GDX – CZ – 52 -54 Triggered Buy – Refer C# Commodity Report 5/11**

  Bullish Setup continues GDX / GOLD ration has been undervalued to SD -2 , along with GOLD on POM 13

PREVIOUS LONGS – YTD

- **<mark>*This Week's*</mark> *New - SD - Qualified " Sector Review"*__
- __*Short Longs & Shorts for CZ Validation*__

- **<u>Trading and Investment conclusions -</u>**

<u>*On Long side*</u> *-* **XLF & EWJ ..** <u>Triggered Buy</u> **– Refer D # Sector Report 6/17**

> *-* **TLT** *– (special situation*)

(Criteria - either SD # -2 or POM 13 / 12 Qualified or / CZ Validated)

> <u>*On Short Side*</u> *–* **NONE**-

(Criteria either SD # 2 or POM 14 Qualified or / CZ Validated)

LATEST LONG (HQ) ETF - Qualified this week for SD # - 2 - Undervalued

(SD -2 or CZ Validated OR   @ POM 13 /12 Triggered on SPX   )

- *TLT – (update)*
- *XLF (CZ validated)*
- *EWJ (CZ validated but missed the volume Trigger of last week by a bit – Oh well !!! . We missed after awaiting patiently to get it right)*

XLF, EWJ,

XLF NYSE + BATS
30-Jun 11:23am   Last 15.38 Chg +0.09 ▲

POM 12 & 13 on SPX

EWJ NYSE + BATS
30-Jun 11:21am   Last 10.43 Chg +0.07 ▲

CZ of 9.95 -9.75 was met , @ POM 12 on SPX

BUT - Volume Critera missed by few notches

LATEST LONG   ETF - Qualified by – " DOW TRASPORT THEORY" in A # 1 MS with POM 12 Trigger on SPX

- *IYT –(update)*
- *DIA - (validated)*

IYT (iShares DJ...) NYSE
30-Jun-2011 **Close** 97.96 **Chg** +1.13 (+1.17%) ▲
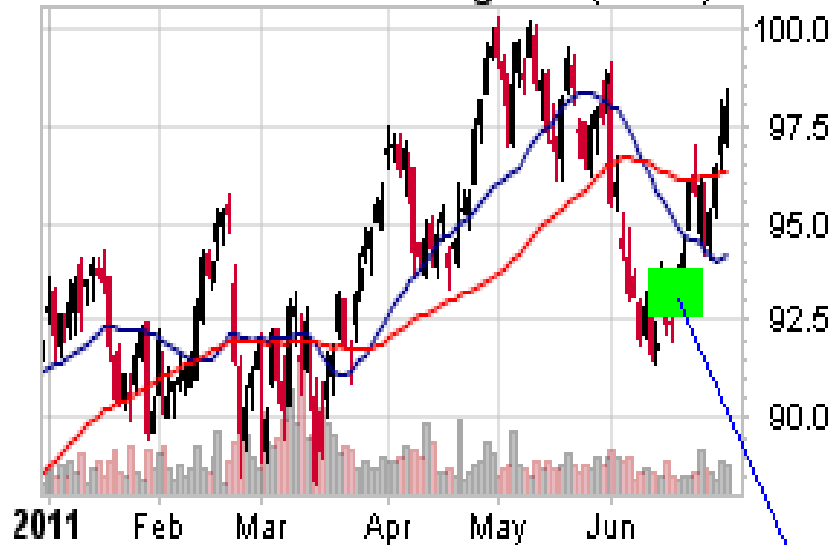
DIA (SPDR DJIA) NYSE
30-Jun-2011   CI 123.83 **Chg** +1.38 (+1.13%) ▲

POM 12 & 13 on SPX
& DOW TRASPORT THEORY

(CHART from A # 1 – MS) - Dow Transport Theory -

Based on our DOW Transport Theory – IYT is trading above DIA (see chart below) , Second the ITY / DIA Ratio is break out . CZ validation should happen at the time of POM 12 Trigger . Triggered Buy Signal same time as SPX – POM 12. DOW 11900 -12000

TLT – MA / Pattern / Oscillator Analysis - Update

TLT completed ABCD pattern from POM 12 (89) to POM 13 (95) , exited ½ position (see chart below) . Bull Tarp was created for 2 months for 2 points. The decline was 3 black crows such pattern has tendency to rally back to 96. We should see quality of the rally . We might exit our 2nd half position if we trigger POM 14 on TLT (& if ABC up fails)

Lehman Bond — TLT

2 POINTS OF PLEASURE FOR 2 MONTHS , ALL LAGGING TECHNICAL SIGNALED BUY IN THE TRAP

XLF – MA / Trend line Analysis - Update

XLF / SPY Ratio chart is oversold on Oscillator . The Pattern is Bullish consolidation. We had Trigger at 14.90 for BUY Signal as indicated in last week Report with CZ & PEC –D .

EWJ – MA / Trend line Analysis – Update.

EWJ – Entered CZ 9.85 – 9.75 as expected but Volume did not line up & validated. However POM 12 should override it but we died not consider it hence we missed it !!!! then rally began

Japan ETF   EWJ
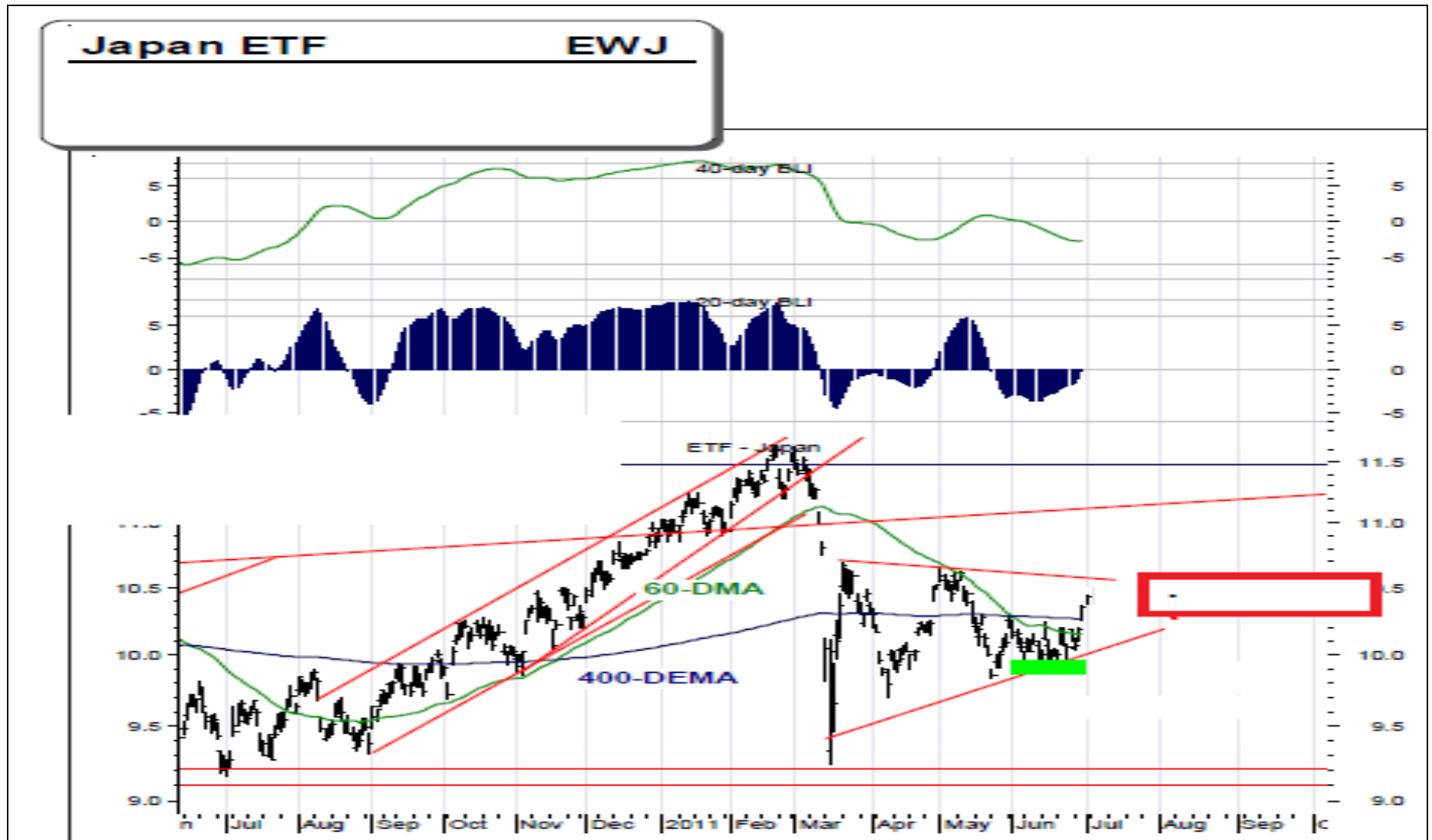
NEW - ETF's Qualified this week for SD # 2 – Overvalued

- *NONE*

APPENDIX -

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)*

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)*
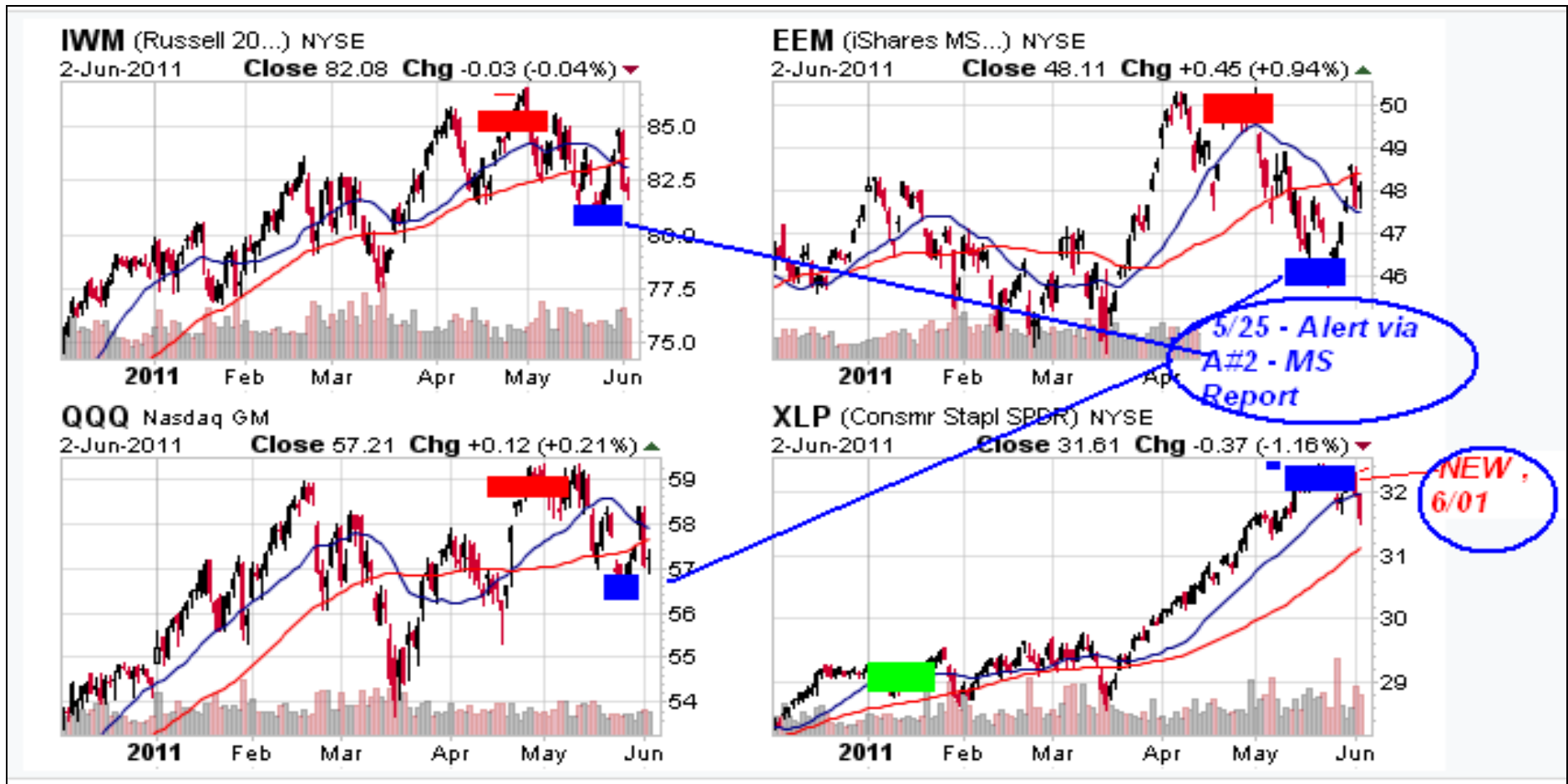
CONT……Previous Trend

- **GLD ,SLV – Refer C – Commodity Report , Alert 5/6 -** *(Reversion to mean indicated Blue, POM 13 on charts)*
- *Now looking for the counter Trend bounce – No confirmation yet*

GLD NYSE + BATS
3-Jun 9:51am   Last 150.61 Chg +1.11 ▲

SLV NYSE + BATS
3-Jun 9:51am   Last 35.07 Chg -0.22 (-0.62%) ▼

Alert 5/6 - POM 13

- # Objective

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" for OVERVALUATION AND UNDERVALUATION of Sectors.

Step 1 – 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

Step 2 - 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.

Overlay Criteria

- ***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.***