



SG Capital Research

Global Market Insights

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

MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # AUG _09

For Immediate Release – Monday AM (EST)

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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:

- **Special Coverage**
- **SPX - Alert POM 11**
- **GOLD – Alert – Hedging Longs (from Parabolic move)**

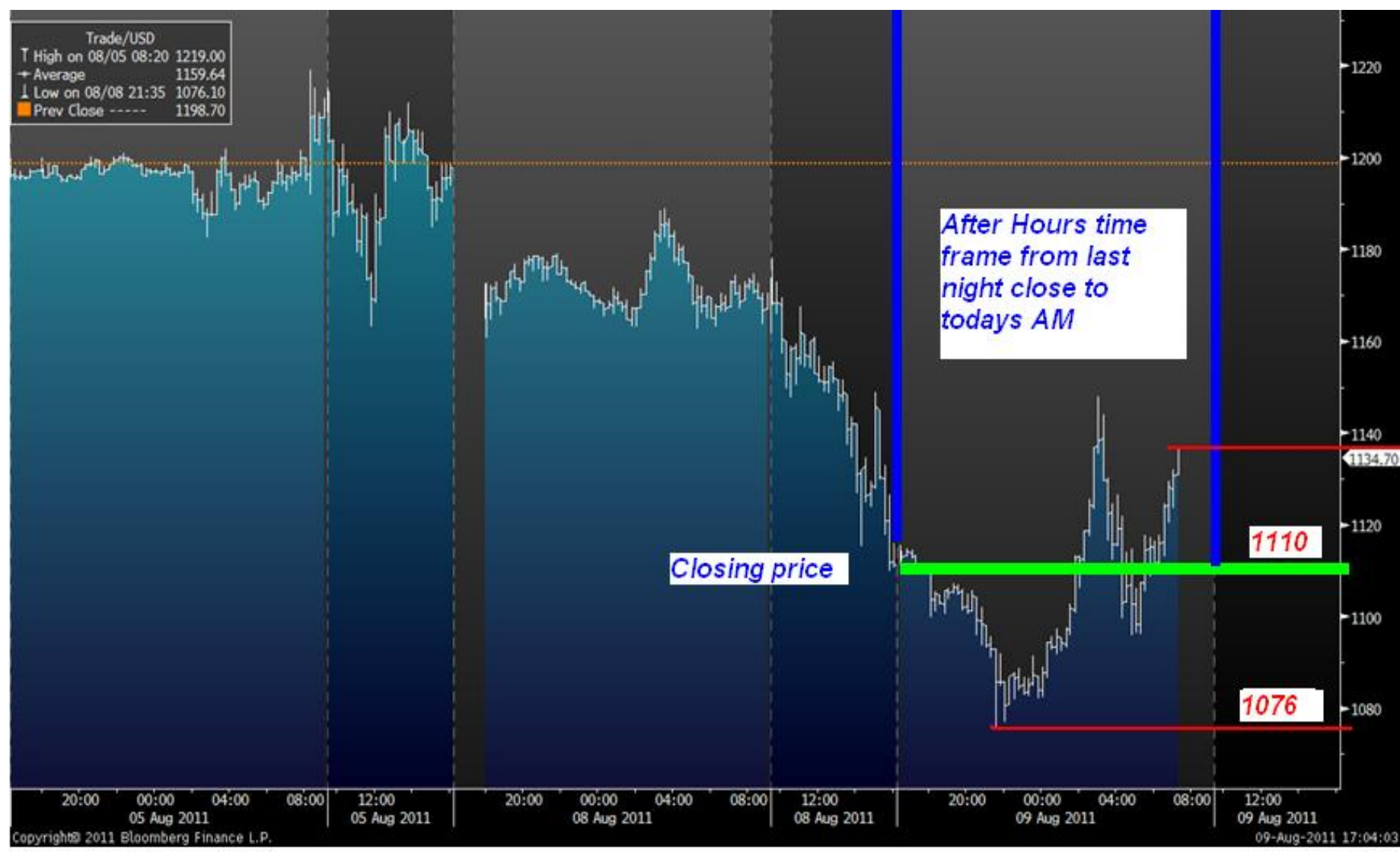
SPX - Insights

Based on yesterdays volatile ugly day we observed the following -

- ***More margin calls and more liquidation. Market is in uncharted territory with Bearish Sentiments.***
- ***Almost 85% of our Indicators we track are at either at 2nd or 3rd most Extreme Oversold conditions and Extended price Projections (Indicated in A #1 MS Report) are in the Territory where POM 11 has been Triggered.***
- ***This AM – Futures are indicating positive which is slightly Bearish ST on the surface (in light of Yesterdays Heavy volume decline) but considering Hrly SPX Futures charts below – At least a floor building process is in place***
- ***ALERT – In light of Above three conditions . The POM Oscillator is Registering reading for POM 11 @ Today' s open. However due to Event Risk from Fed's disappointment, it might be even worthwhile awaiting till after the FED Meeting if the market goes back down and Re tests the Floor it put in after hrs in Future (see chart below).***
- ***The Buy Signal on Liquidation Mode (POM 11) being very Volatile and makes it difficult to Buy . The cross verification by other methods is critical. Since No model is perfect & Risk tolerance is critical***

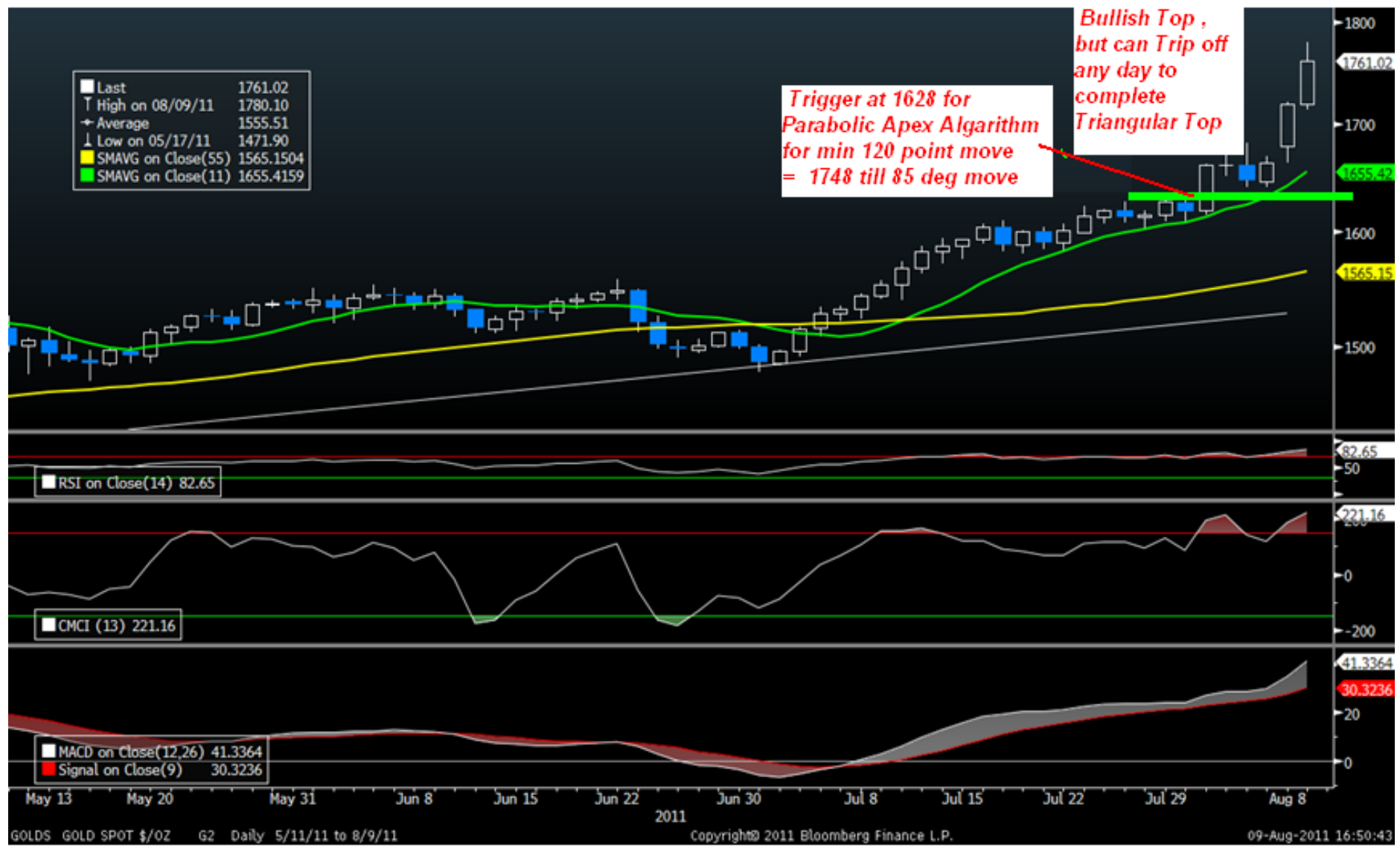
SPX Futures – D days – Hrly chart

(See notes within the chart) . Futures dropped 35 points to 1076 after hrs and now currently Trading higher 1134, this is the first sign of floor (swing of 58 points overnight. It is critical for a reason – In case today Cash market does not go back down to re test & rally back up but we cannot rule it out intraday possibility if a trigger from Fed meeting at 2.15 .



• GLD

(Notes within the charts) - Parabolic Apex as we Triggered at 1628 in earlier Reports is still in Progress from 1628 to 1750 . It has Bullish Top currently , This suggest after the Triangular Top is put in, a decline back to $\frac{3}{4}$ base for another Rally next leg up. **However Alert – Prices above 1760 to 1790 would be good Areas to scale in partially for Hedging longs only not Net Short (as it has not Triggered POM 15) – Same goes for TLT as well**



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).

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