



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 _10

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Market Strategy Global (A # 3) - (SP)-

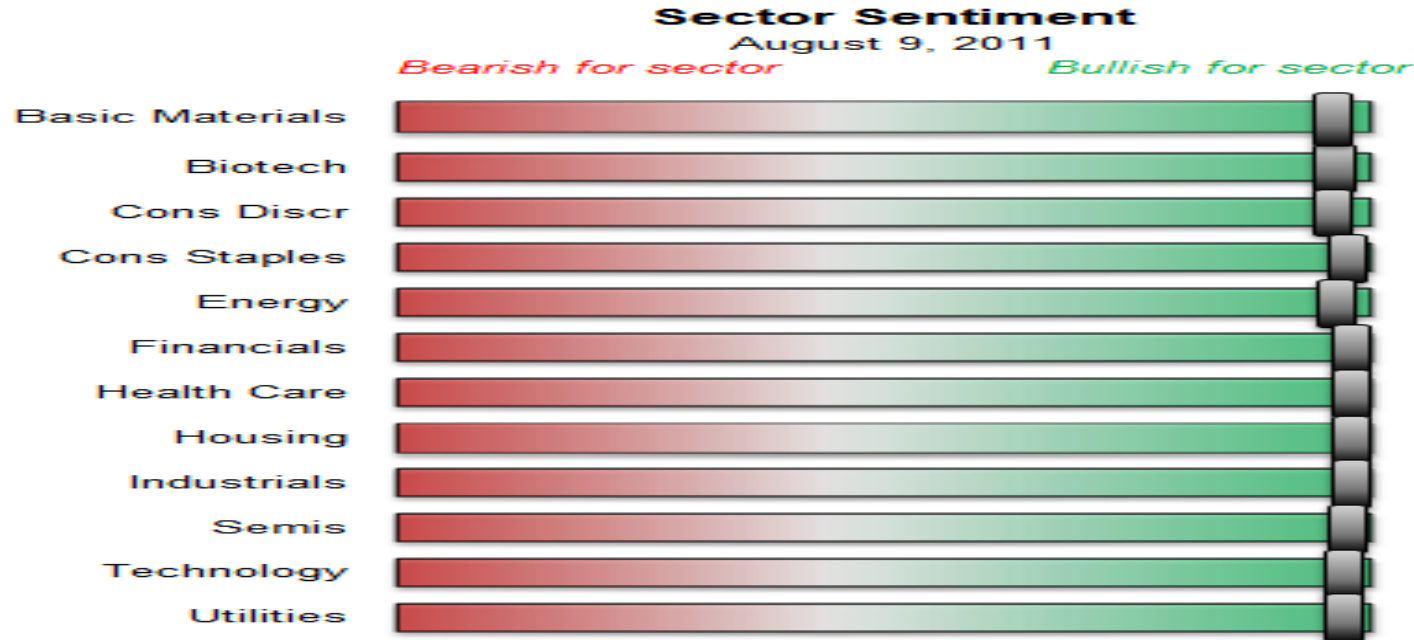
We have picked up charts (below) that has some distinct characteristics from observation & Special Situation this week based on our assessment:

- **Special Coverage**

- **SPX – MT**
- **SPX – ST**
- **QQQ**
- **VIX**

SPX - Insights

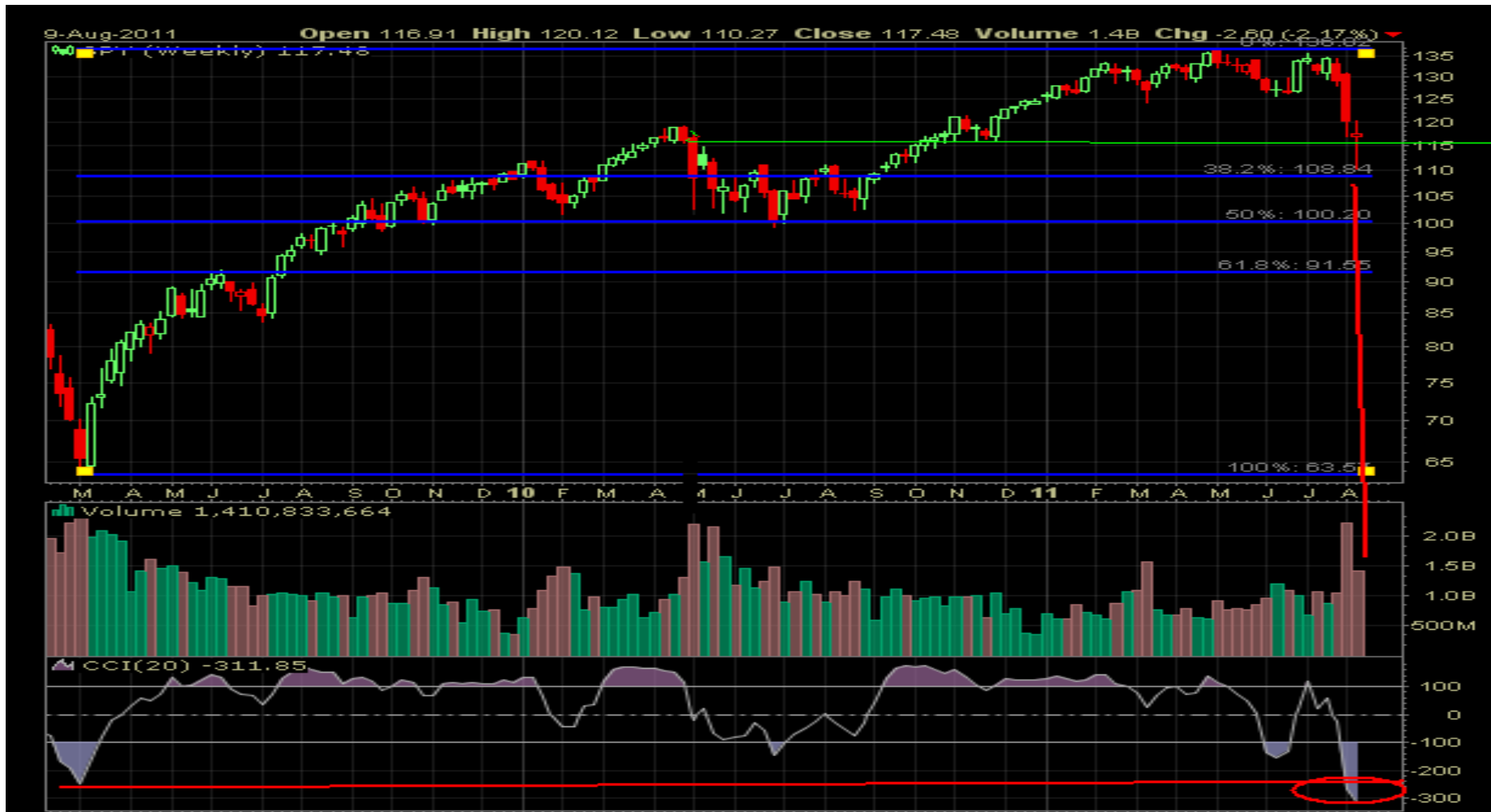
- There is lot of fear in this market, to the extend the“ Contra Investors Index” by Market watch is at its extremes. .
- On very short term basis Today we are pulling back so far 61% of yesterdays total move . Bullish would be if you hold 1140 today on lighter volume& close above 1160 . If the volume picks up and close below 1135 we should go back and test the lows of 1100 back again . We will see what happens .
- As of this writing Volume hrly run rate is still ok , if by 2.25 if we hold 1150 then volume can pick up on upside and conversely if we are at 1135 by 2.25 then volume on downside will pick up
- . But yesterdays 90% key reversal has put in a floor under the market. Let us see if that Re test happening today.
- However due to such volatile conditions Signals are difficult . The cross verification by other methods is critical for final conclusions
- Sentiment Indicator Courtesy – “ Sentiment Traders” - **EXTERMES**



• SPX – Mid term

Slightly longer term time frame we are back into the breakout area (1110) which is also 38% of the total move. The , 38% & 50% moves of pull back are healthy pull backs , CCI has been at very abnormal -300, usually -200 is good reading . we will see what happens.

This week we ideally need to close above 1160



• SPX – Short Term

On shorter term (although it is to early to conclude) . The weak bounce should take us to 1195 , lower red mark but most critical point would be POM 12 – CZ 1240 area from underneath (Upper Red) . we need to build lots of cause to get th' cz 1240 especially the way we came down with waterfall. But usually MO signals tends to pick up in those areas



• QQQ – Short Term

The QQQ, SPY, NDX, SPX trade relative together and is the reason we are looking at QQQ. Especially it was the strongest on way up. On the bounce we need to get th' the CZ from underneath ,

55 TO 56 should approach at the same time as SPX would approach 1195 . If this QQQ hurdle is broken on upside convincingly then the whole down move should be a “Shake Out”

However the lows have been put in place with several indicators reaching at extremes 9 circled in red).



- VIX

VIX has re tested the April 2010 high back again & rejected . Currently at 43 . Close under the pink area 32 within Bollinger band should be Bullish for the rally to begin.



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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