



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 _11

For Immediate Release – *Friday 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 – ST**
- **SPX - MT**
- **SPX – LT**
- **Rydex Bull / Bear**
- **GOLD**
- **TLT**
- **Sector Extreme Analysis**

POM's – 3 Sub - Asset classes

SPX, TLT, GLD.

SPX -

- **ALERT** – On 8/9, A # 3 Report Release Announced POM 11 (AVG of open and after Fed meeting sell off price) = SPX 1117 . The POM 11 Oscillator – is liquidation Bottom Buy Signal. Earlier POM 12 Re Run @ 12 40 is still in place

TLT

- **ALERT** – On 8/10, Email Announced POM 15. @ TLT 107.25 (stop @ 109.50) The POM 15 Oscillator – is SHORT Sell Signal.
- Earlier POM 14 was Triggered at 101.5 ending the POM 12 at 89.5 = 13% move

GLD

- **ALERT** – On 8/09, A # 3 Report Release Announced – Fully Hedge Position Averaging from 1760 to 1790 Parabolic move – In Bull market we do not get POM 15 and POM 14 is fully Hedge position. .
- Earlier exited between 1598 – 1615 on Completion of ABC up , that began at POM 13 @ 1470. = 135 points move or 15% GDX move from 52 to 60
- **Parabolci Alert Warning announced 7/20 C # Commodity Report** – trigger of 1628 would put in a Parabolic Apex pattern for 130 point move in very Short time to 1760 target - Although we announce it as forecast , such long play is for special Type of specialized Trading Desk

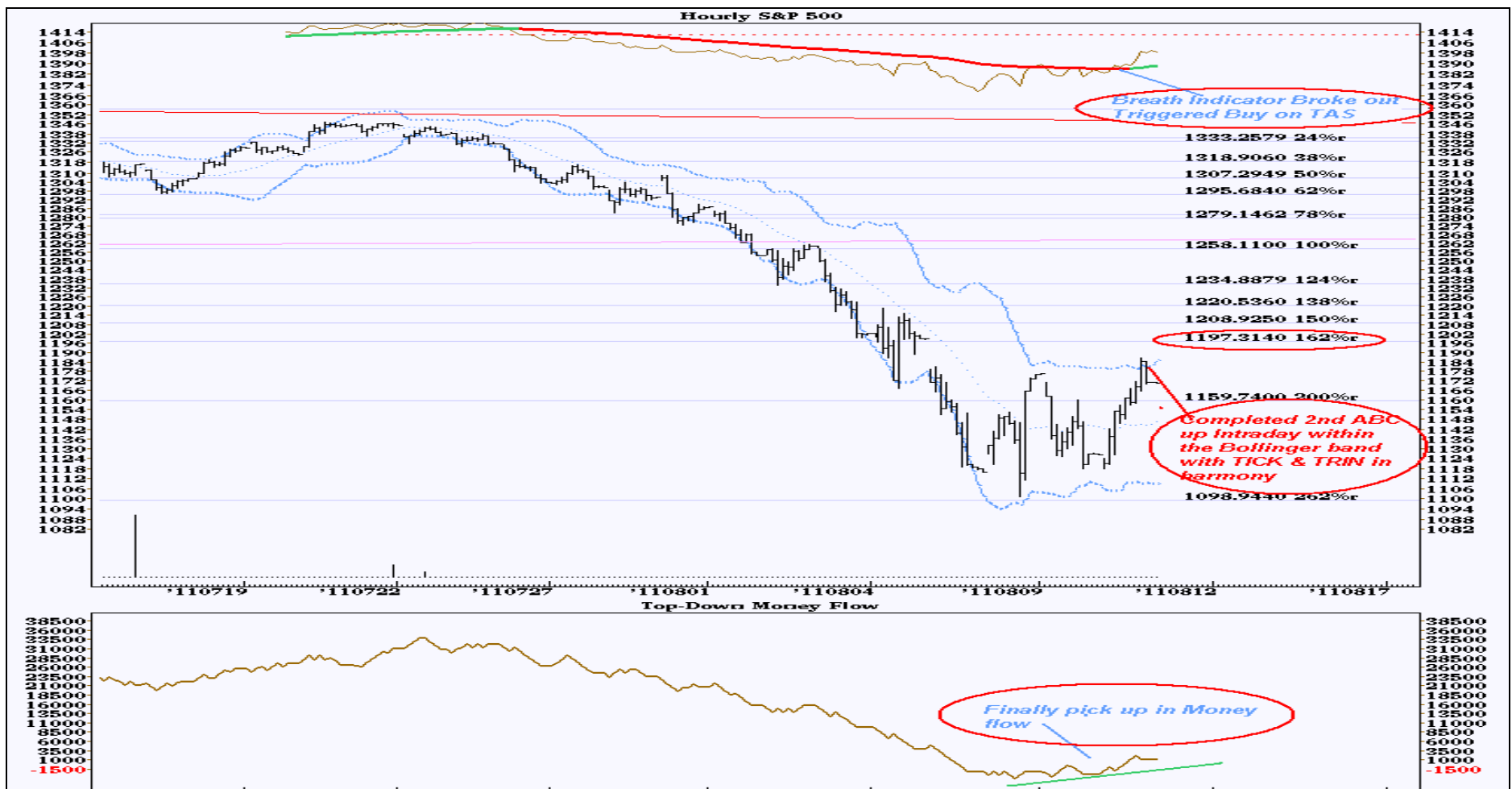
SPX – Insights

The market is currently violently consolidating its oversold position by swinging in massive intraday point moves which are virtually impossible for human to navigate (computerized systems are required). It's a crazy market, and it's hard to maintain high confidence when volatility is so abnormal.

- ***On Wednesday – We believe could very well be a Bear Trap after Tuesday's 90% Key Reversal day & Selling climax – which we think is a floor under the market.***
- ***On Thursday (yesterday) - ON HOURLY - work SPX completed 2nd hrly ABC up from the lows of the day 1123 to 1160 and then to 1189. (last 15 mints trading sold off to 1172) . We finished the day with tapering Arms read and high exhaustion Tick reads at the completion of min ABC***
- ***The 2ND ABC completion of 1189 came in 5 points of 38% retracement from the lows of the bounce & into the breakaway Gap 1199 to 1175. In our A # 3 Reported our Target was 1196***
- ***The gap is partially filled in the first rally up but we need little more fire power to go th' the Gap. The initial rally off the bottom is almost always has lower volume than what was seen during the final days of the decline***
- ***Such above combination of above (key points) has probability of another test of 1189 highs & the Gap open remaining 1189 to 1196 . We will wait and see if it does it . but 1189 will be tested - **ALERT - This is the Area to Manage Risk for positions entered at POM 11. POM 11 is a Liquidation bottom Buy Signal.*****
- ***Currently, ON DAILY closing basis we need a B point . We can achieve this only if we get 2 or 3 days with higher highs to establish . Past 10 days we have really not established B point in water fall drop .***
- ***If we get the B point up move now the chances of breaking to Tuesdays lows immediately (“ The High Volume , 90% reversal day low”) is reduced considerably – (Market needs quite bit of cause – sideways price move in price / time and Volume to break such lows) .***
- ***BUT – if it does not establish the B point - the worry still remains of going back 1100 or lower again. **Today is Good chance to Build B point – close higher then 1189.**will eliminate that possibility***
- ***Historically, Corrections of 20% or Non Stop down move of 250 points without B points , tends to have bounces up to 38% and takes 5-7 trading days , we are in 3^d day***
- ***Volatility is making it difficult for Signal read. The cross verification by other methods is critical for final conclusion***

• SPX – Short Term -

- (Refer notes within the charts) - On hourly work SPX completed 2nd hrly ABC up to 1189 from the lows of the day 1123 to 1160 to 1189. (last 15 mints sold off to 1172) . We finished the day with tapering Arms read and high exhaustion Tick reads at the end of ABC on Intraday work
- The 2ND ABC completion of 1189 came in 5 points of 38% retracement from the lows of the bounce & into the breakaway Gap 1199 to 1175. In our A # 3 Reported our Target was 1196



• SPX – Short Term

On shorter term bounce has taken us to 1189 (slightly below red marking 1) of 1195.

The Red mark 2 is most critical point for market to bounce to underneath CZ 1240 (POM 12 re Run area) . 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 for false break as well. This may take a little while



• SPX – Mid term

On Slightly longer time Frame – After building the cause for some time This Bottom will be tested at some point. Weekly close today above 1196 , will put in weekly price rejection on Bullish side

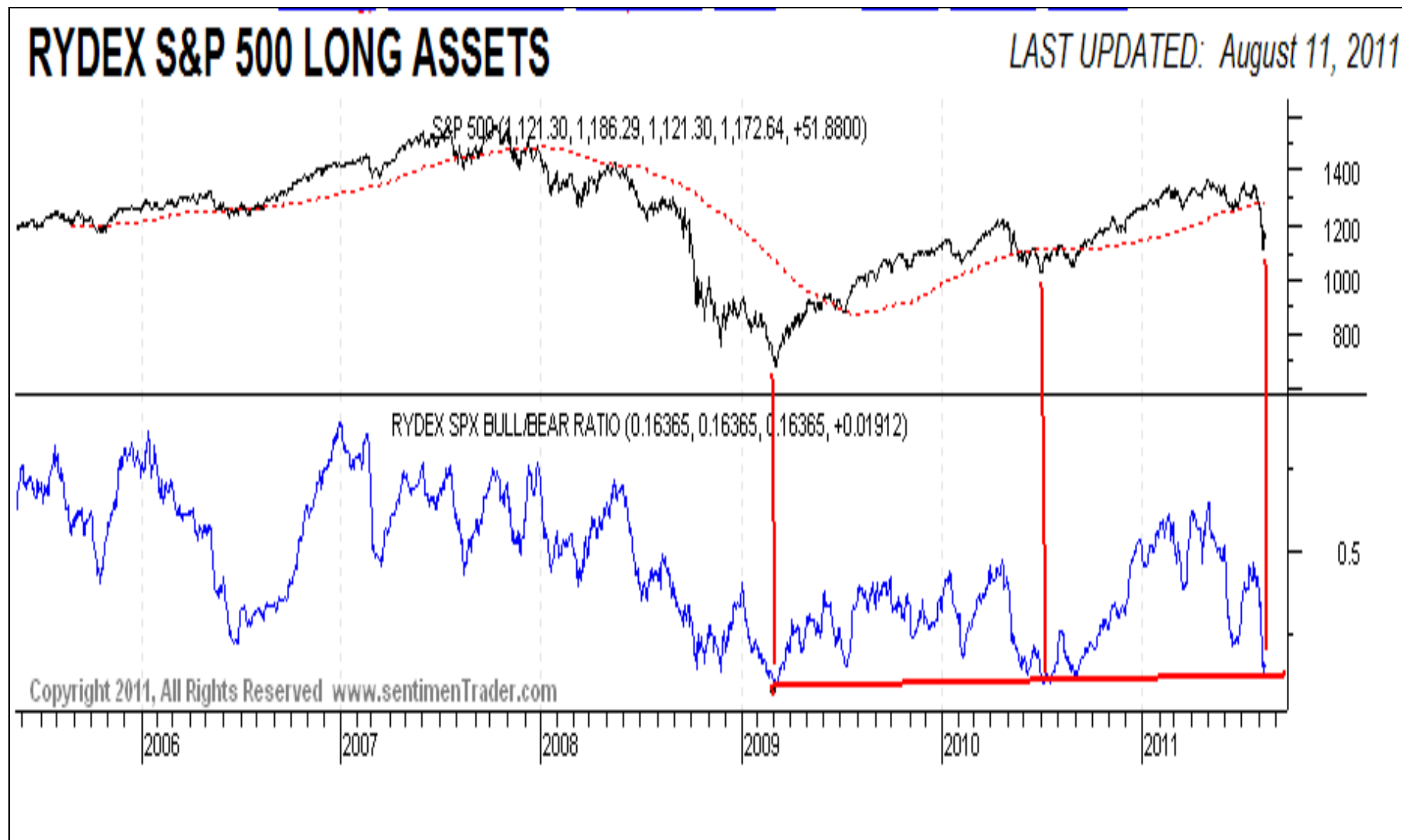
- *If this is True then the second ABC up on daily has Projection of 1240, that will be ultimate target for now. This Area is where Market broke down from and Multiple CZ come to those areas*

The close this week above 1190 is so important to make a very good Bullish case (Circled in green) & the whole move below 1190 could be a Shake out with only 38% pull back move of the entire move from march 2009 lows



Rydex Bull / Bear – Leveraged Ratio - Courtesy : SENTIMENT TRADERS

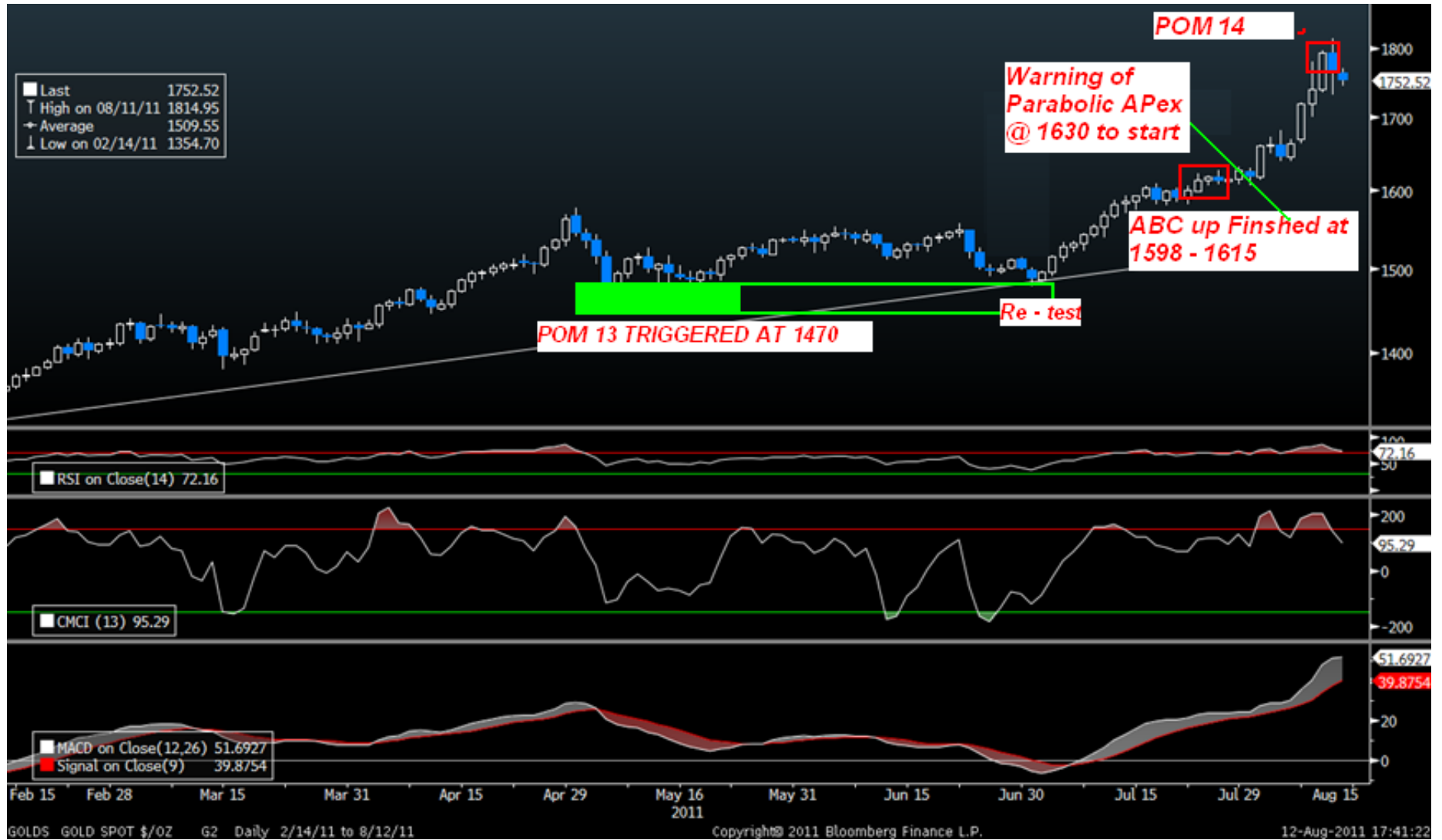
Such extremes have happened only 3 times in past 6 yrs



• GLD

(Notes within the charts) – Last Report – A # 3, Alert to Hedge from (POM 14)1760 to 1790 in Parabolic Apex Triggered at 1628 in earlier Reports – We d not get POM 15 in Bull market unless it's the Final wave up

Parabolic ABC is completed in Bullish Fashion , This suggest after the Triangular Top is put in, a decline back to $\frac{3}{4}$ base for another Rally next leg up



- TLT

Bond market got crooked yesterday upon Trigger of POM 15

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- **SECTORS @ EXTEMES**

- **This Week's New - SD - Qualified "Sector Review"**
- **For Pairs - Sell & Longs**

On Long side SD -2

- XLF, EZU, XLI, XHB (ST)

(Criteria - either SD # -2 or POM 12, 11 Qualified or / Bullish CZ Validated)

On Short Side SD +2

- QQQ, XLK, GDX, TLT (ST)

(SLV v/s SPY Ratio is overvalued but SLV v/s CRB is not , the process requires confirmation by both)

Criteria - either SD # -2 or POM 14, 15 Qualified or / Bearish CZ Validated)

Reversion to Mean – NONE

(Criteria either SD # Mean or POM 13 Qualified or CZ at mean

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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