



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 _29

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**

- SMI – Zurich LT,ST
- SMI v/s SPX – SD
- TLT – Zurich ST
- TLT v/s SPX – SD

Key points -

Since there will be “ No update” this week, We have special Report today.

With respect to SPX & GOLD they have been following the Price paths as expected so far stated in our earlier Reports.

• SMI – Short Term

On shorter term SMI has indicated a pattern of Reverse pull Hyperbolic move towards 5400-5650 bounce once validated by PQV SMI / SPY Ratio is oversold and underperforming suggests such markets of underperformance depend on SPX to lead them out till the down trend line in second window is broken .

*On ST – RSI should top out towards 50 (circled in red) once the CZ is tested and rejected.
ST – STO @ 80% should bend down cross on first pull back. (last window below)*

In order to begin another ABC up, A break th' CZ with fire power is required with sign of strength . Considering STO @ 80 not much energy is left on short term for such criteria (Although anything can happen in the market)



• SMI – Mid term

On Slightly longer time Frame – Safer entry point would be when SPX Tests the 1100-1120, rejects and Triggers Signal then SMI would trigger as well (At that time most likely SMI would get into CZ – indicated in green) . especially due to SMI / SPX Ratio is still tending down suggest SPX is lead dog and it is safer to follow SPX's POM .

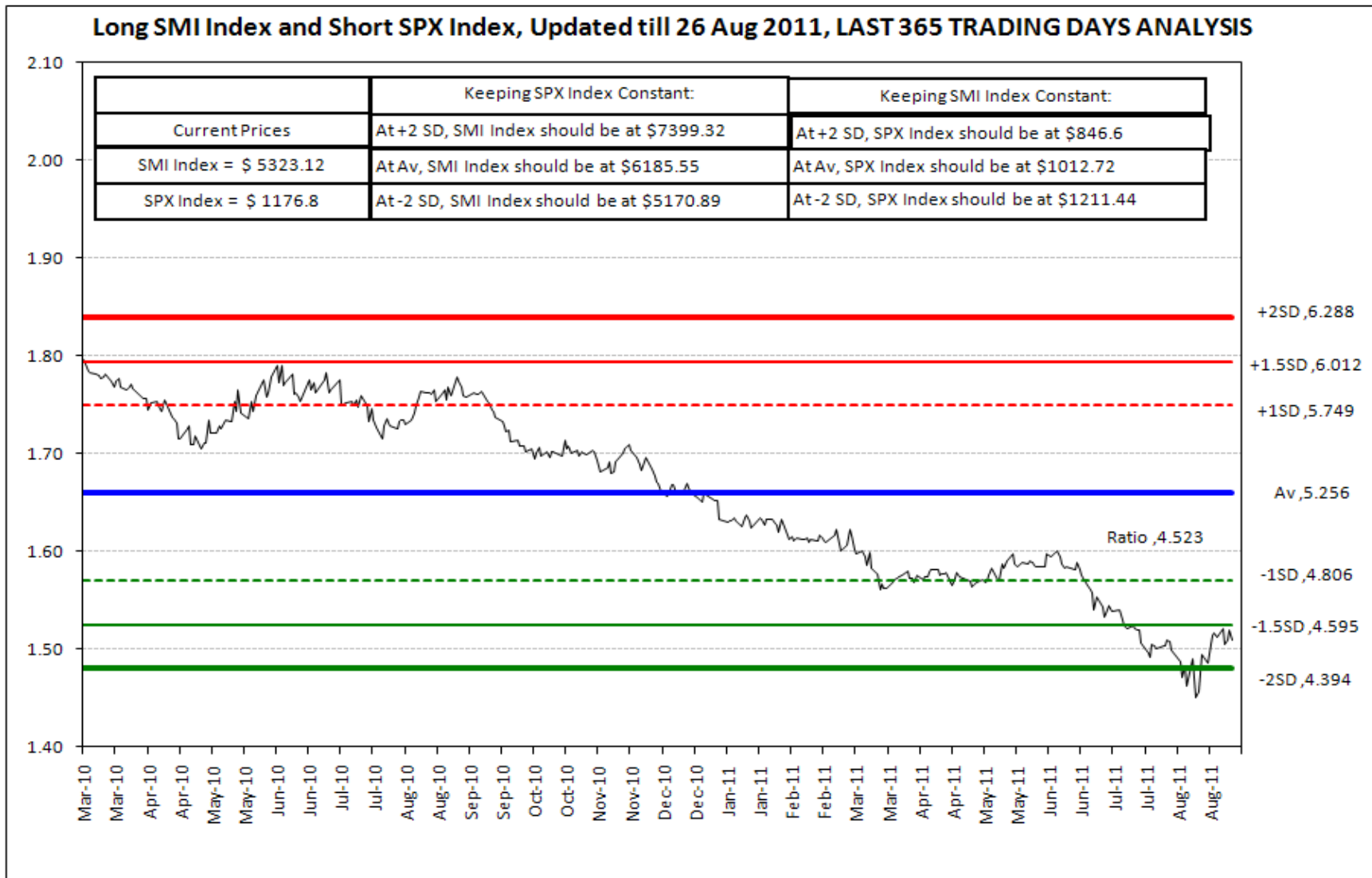
Currently SMI is building cause to test the lower main CZ indicated in green 4600-4800. To be validated

On MT – During the test of CZ – RSI would show positive divergence to current levels where past lows have been formed. . ST – STO @ 20% has already bed up suggest the bottom will hold . (last window below)



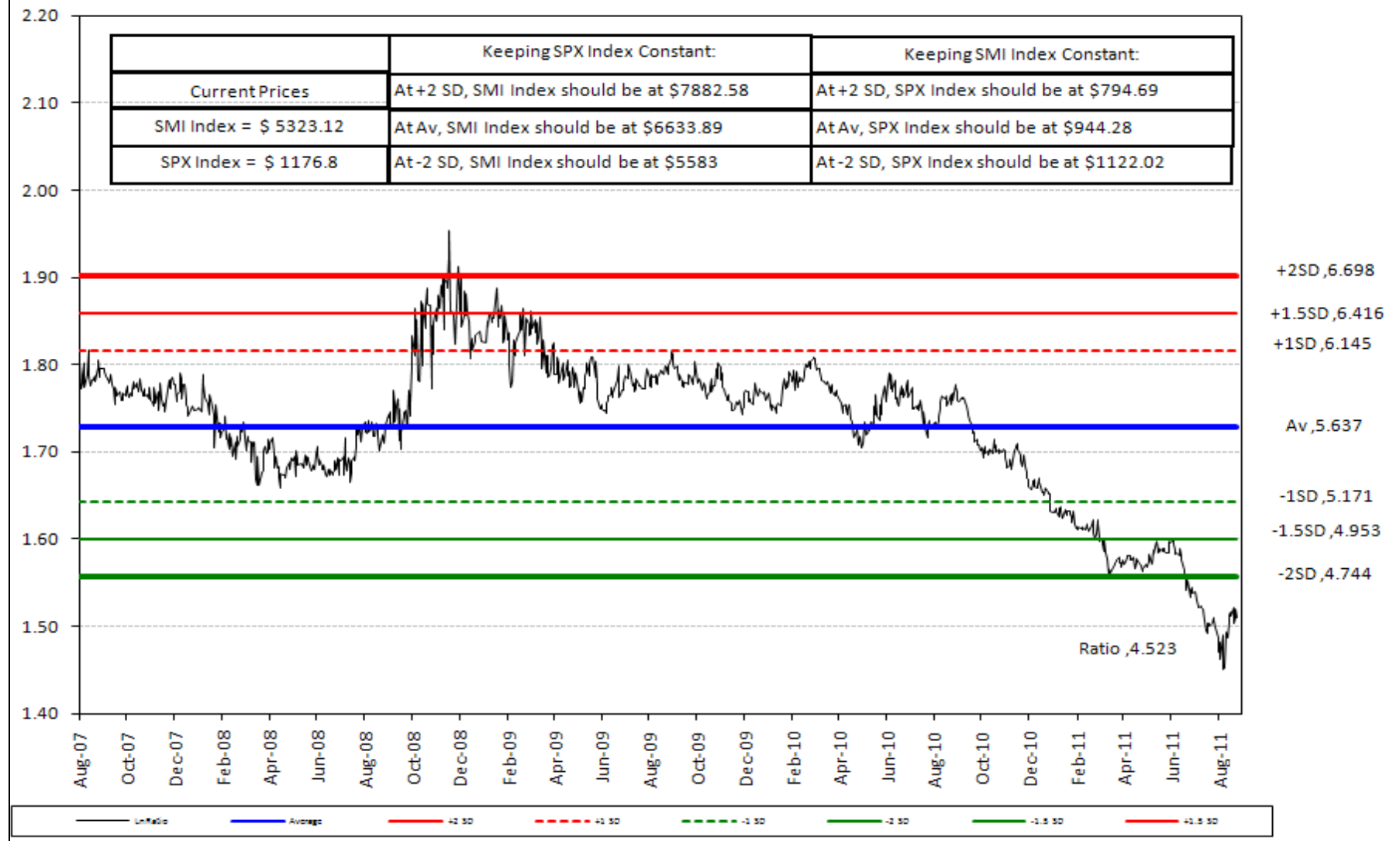
- **EXTEMES - SD**

SMI Correlation Ratio Analysis with SPX – 365 days Time basis



SMI Correlation Ratio Analysis with SPX – Full Time basis

Long SMI Index and Short SPX Index, Updated till 26 Aug 2011, LAST 1000 TRADING DAYS ANALYSIS



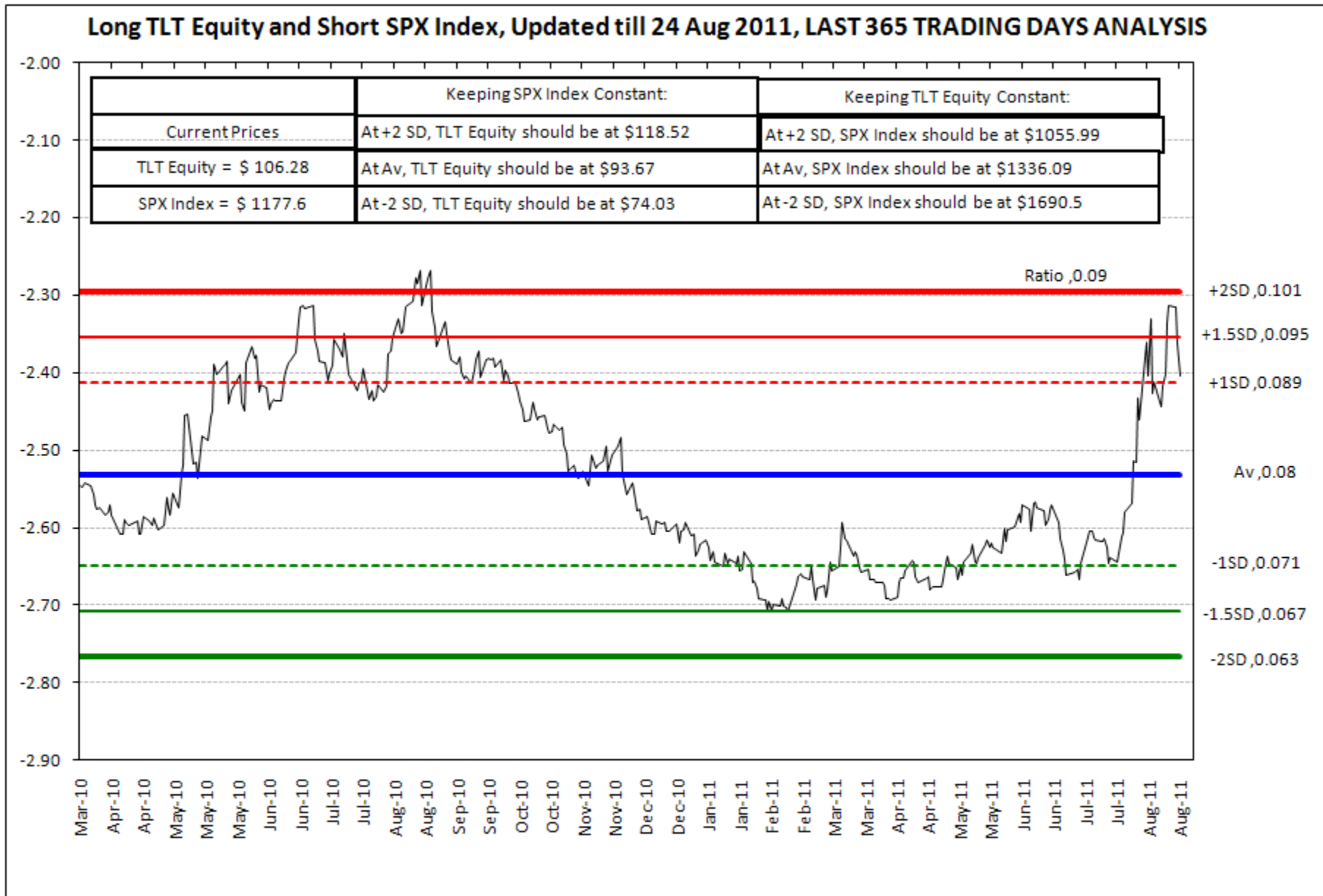
• TLT – Short Term

We are in the Vicinity of POM 15 (Our expectation) – It will Trigger sooner then later , **ALERT** - however we will not be available to announce it real time on failure . But in such cases of POM 15, It is a fast moving market and risk management is critical. These patterns ends up after gunning one or two times

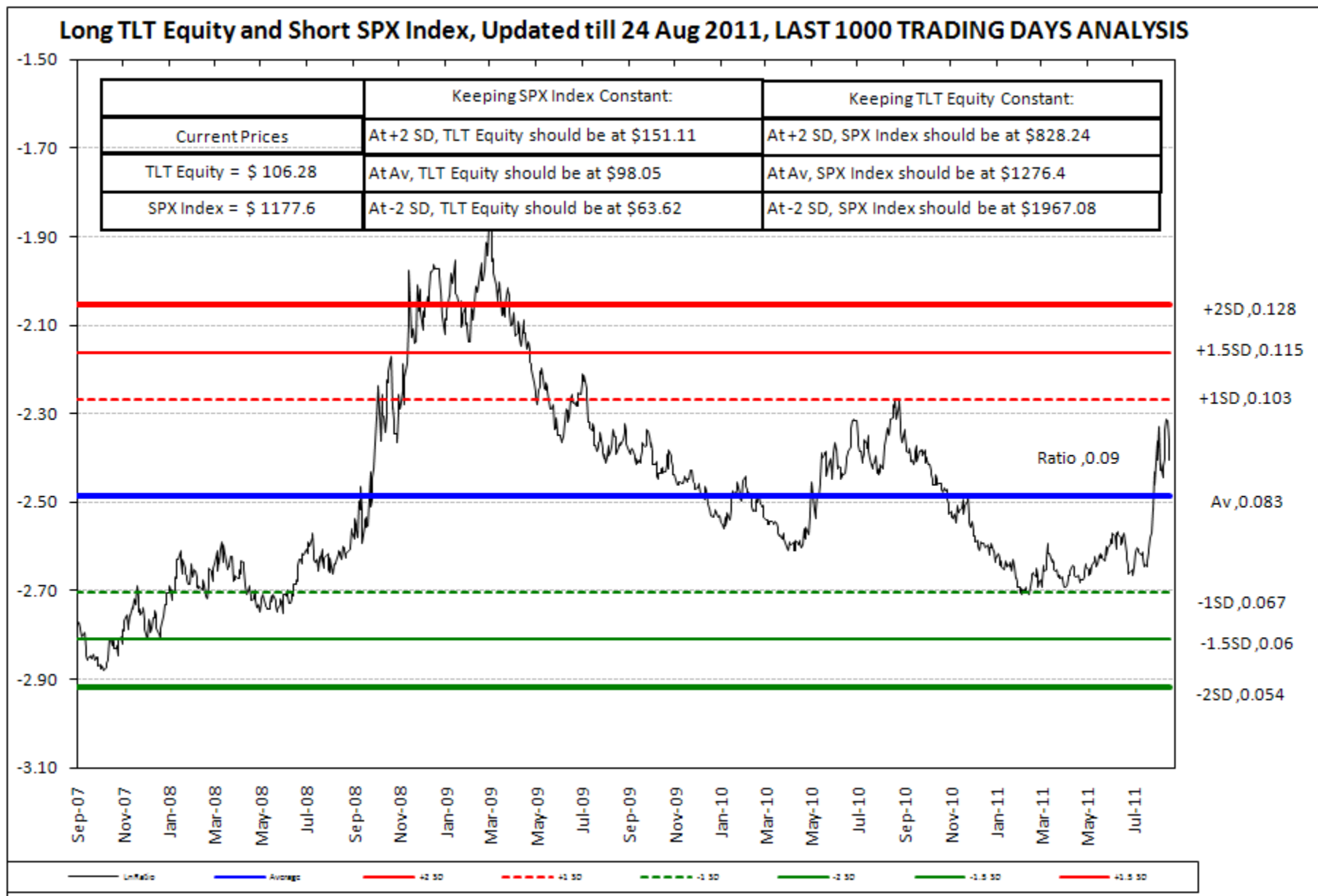
Earlier Triggered at 107.5 and failed stop out at 109.25 (see the chart)



TLT Correlation Ratio Analysis with SPX – 365 days Time basis



TLT Correlation Ratio Analysis with SPX – Full Time basis



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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