



SG Capital Research

Global Market Insights

Research Note – Market Strategy – Weekly *Interim Update* (A# 2) – STRATEGY & PROP Analysis (SP)

MAEG- MARKET STRATEGY INTERIM UPDATE # SG 2011 # JUNE_07

For Immediate Release – Tuesday AM (EST)

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Market Strategy Global (A # 2) - (SP)-

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

- **Coverage**

- CZ – PQV, Trend line, Pattern & Oscillator Analysis (only If qualified for > +/- 2 SD)
- IWM
- QQQ
- EEM with CHINA - Proxy
- EZU with FTSE – Proxy
- EWA with ORD – Proxy (**special situation**)
- Appendix - History of past SPX - POM Signals & Key Criteria

BROADER INDICES

- **Trading and Investment Conclusions.**

- ***In our last Report A # 2 – MS, dt. 5/25 - we announced the Bullish CZ Trigger on SPX 1315 -1295 . (within POM 14 – Re run). At the same time, simultaneously we announced Major stronger Indices approached areas of turns***
- ***Immediately the rally began from the Bullish CZ and now most of the Indices are re-testing the same area once again with divergences***
- ***At current price zones, Risk Management on Short Positions on high Beta is warranted for at least partial capital***

SPX - Insights

- *ST - Cycle Lows is very close now. The Breadth indicators are near to buy signals once again and any strength on Tuesday will certainly trigger momentum. Previous levels of strength on this model have corresponded to rises in the market of at least 5 to 7% .*
- *We think any break below 1290 should be false break.*

IWM, QQQ, EEM, CHINA, EZU, FTSE, EWA, ORD - Insights

- *Although currently none of the Broader Indices are at extreme SD 's, Our objective today (in charts below) is to check the price path progress & Risk Management at CZ (indicated in green) - Bullish zone of SPX*
- *The broader Indices will follow the SPX on next rally, Charts below indicates the strength and weakness with indicator readings*

EEM – CZ Analysis

On touch of Bullish CZ in SPX – 5/23 , EEM Rally has shown strength . EEM / SPY ratio has broken out (refer chart below) suggests the RSI wants to break above 50.



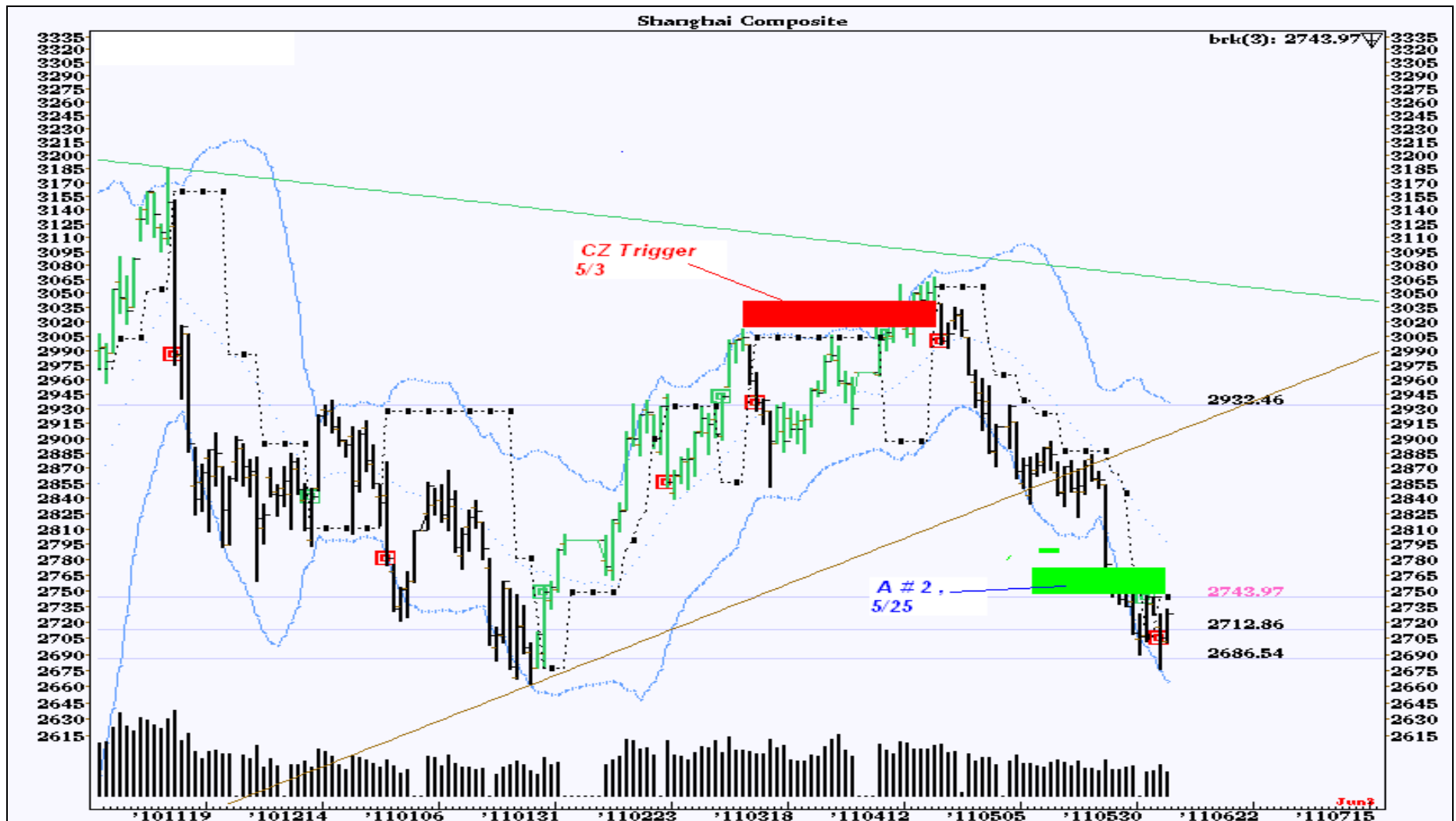
EEM – MA / Pattern and Oscillator Analysis

Oscillator suggests another run to the top. 20p BLI is turning green. The rally should continue time being.



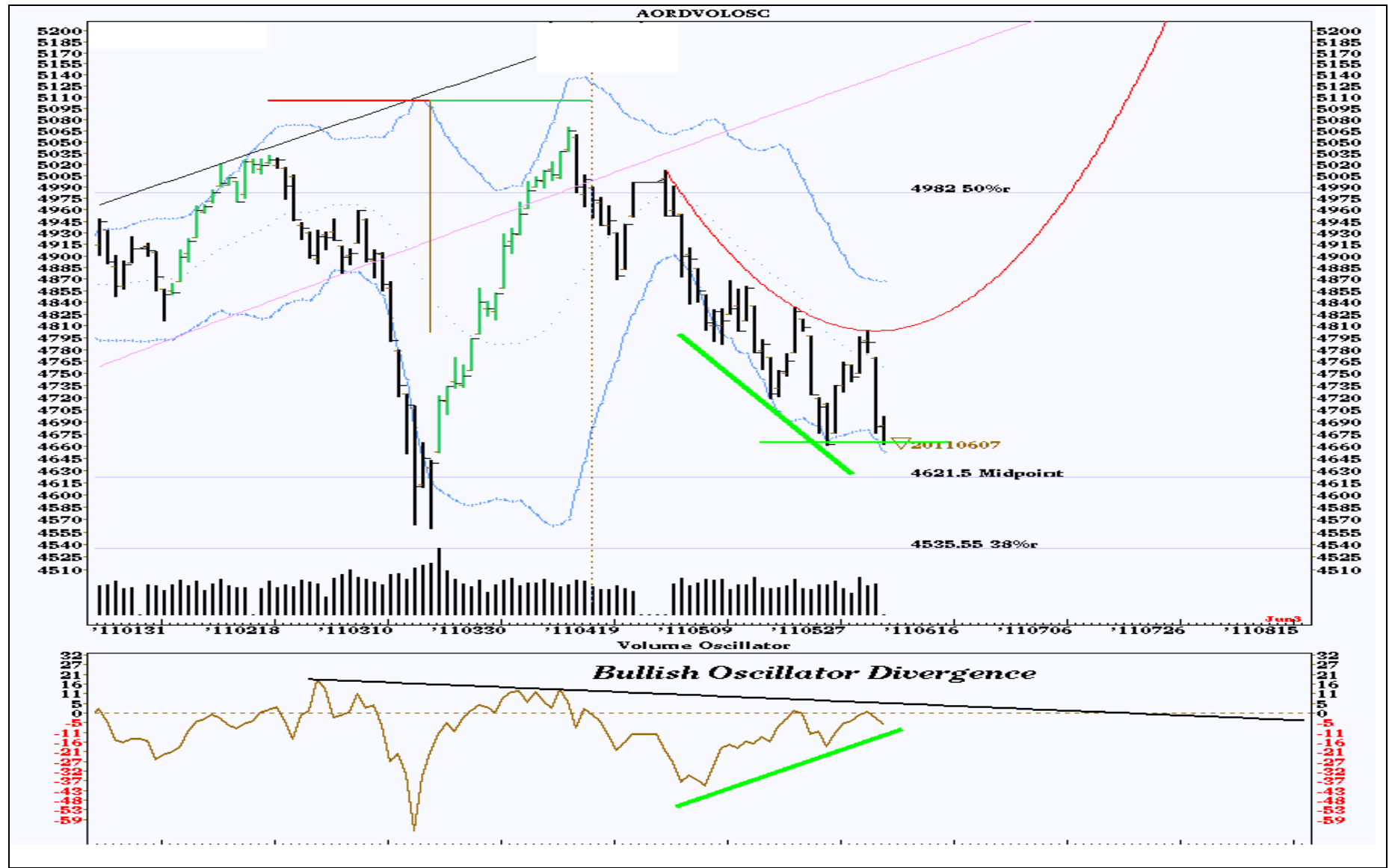
CHINA - MID TERM (Proxy for Emerging)

Signs of a low are appearing in the market. Confirmation of a bottom would come as soon as price close within the green area, (currently at 2750) . Given the declining VTO - volume trend, rally could begin.



ORD - MID TERM

Signs are evident that we could have a low. A Time Ratio Low is due this week and the polytrend line is turning higher, with Oscillator diverging



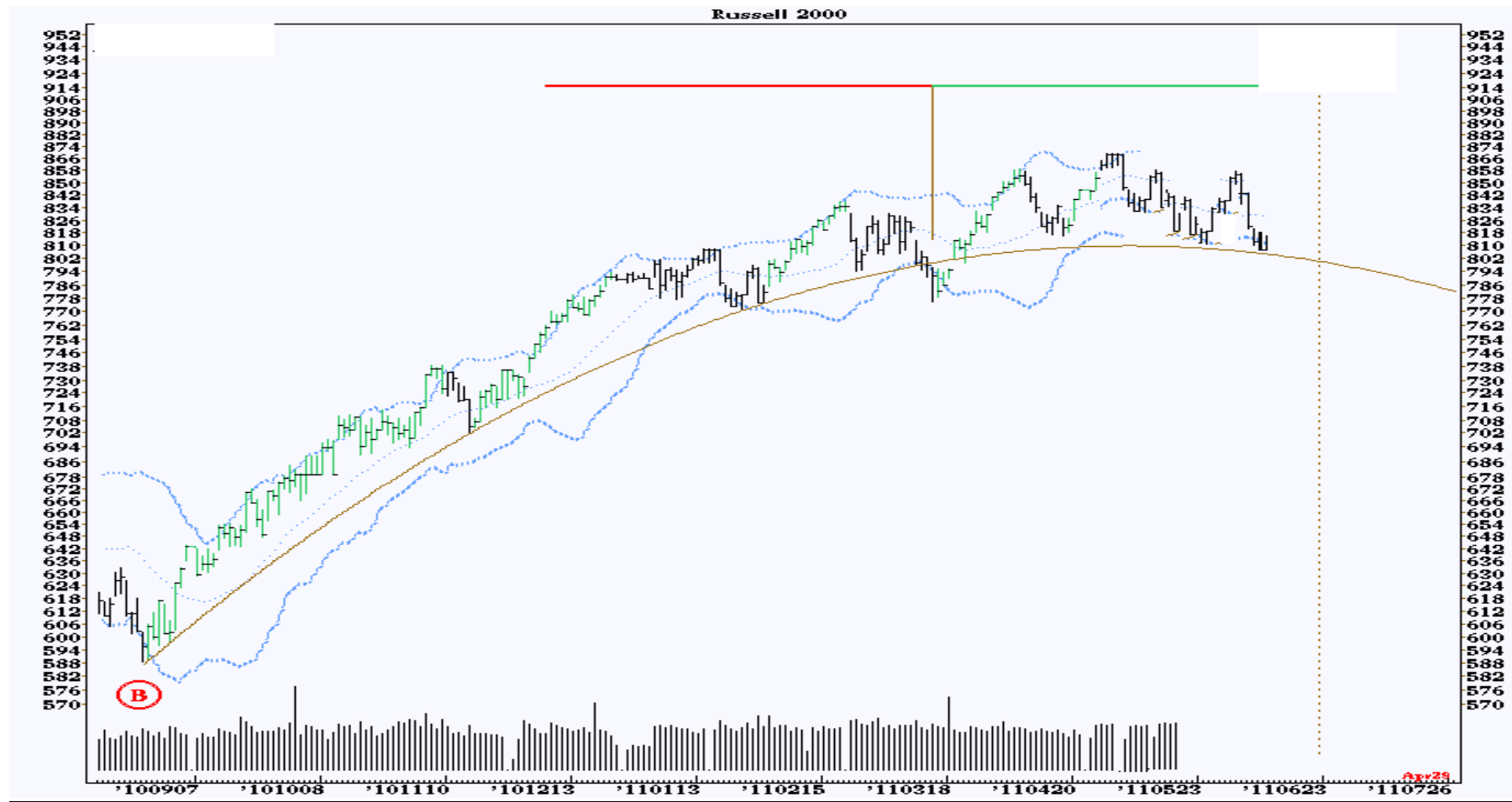
EWA - CZ Analysis

EWA / SPY ratio has broken out suggests the RSI wants to break above 50. RSI has been possibly diverging along with Oscillator (top chart)



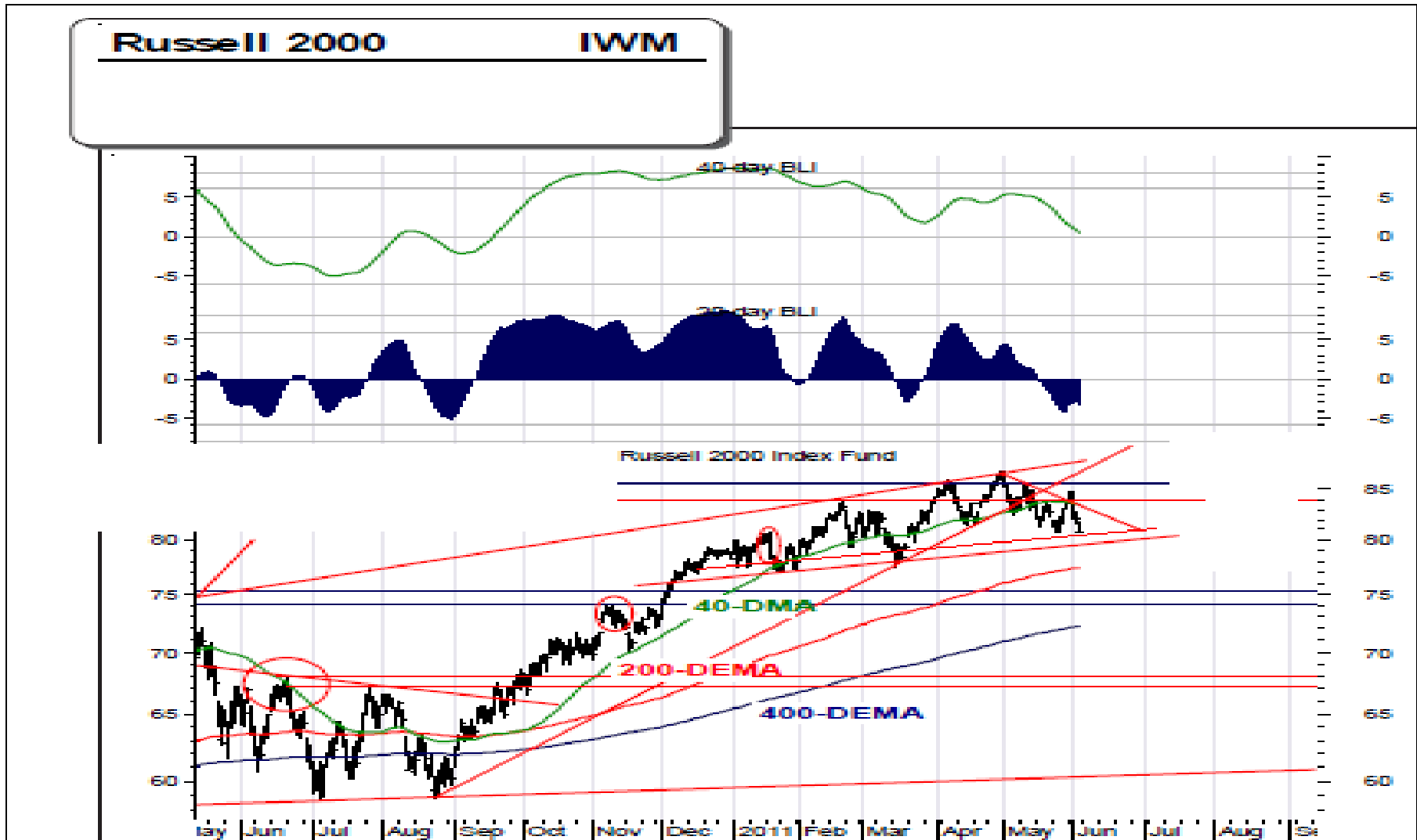
IWM – RUSS – Poly – Trend Analysis

IWM. has some floor underneath at current level via Poly Trend Analysis on this pull back. T – termination expires this week . This Index could bounce the most among the lot.



IWM – MA / Pattern and Oscillator Analysis

Oscillator, DMA's and Trend Analysis suggests same conclusion .



RUSS 2000 – MF

Positive divergence in Money flow is more clear . This can fuel the bounce



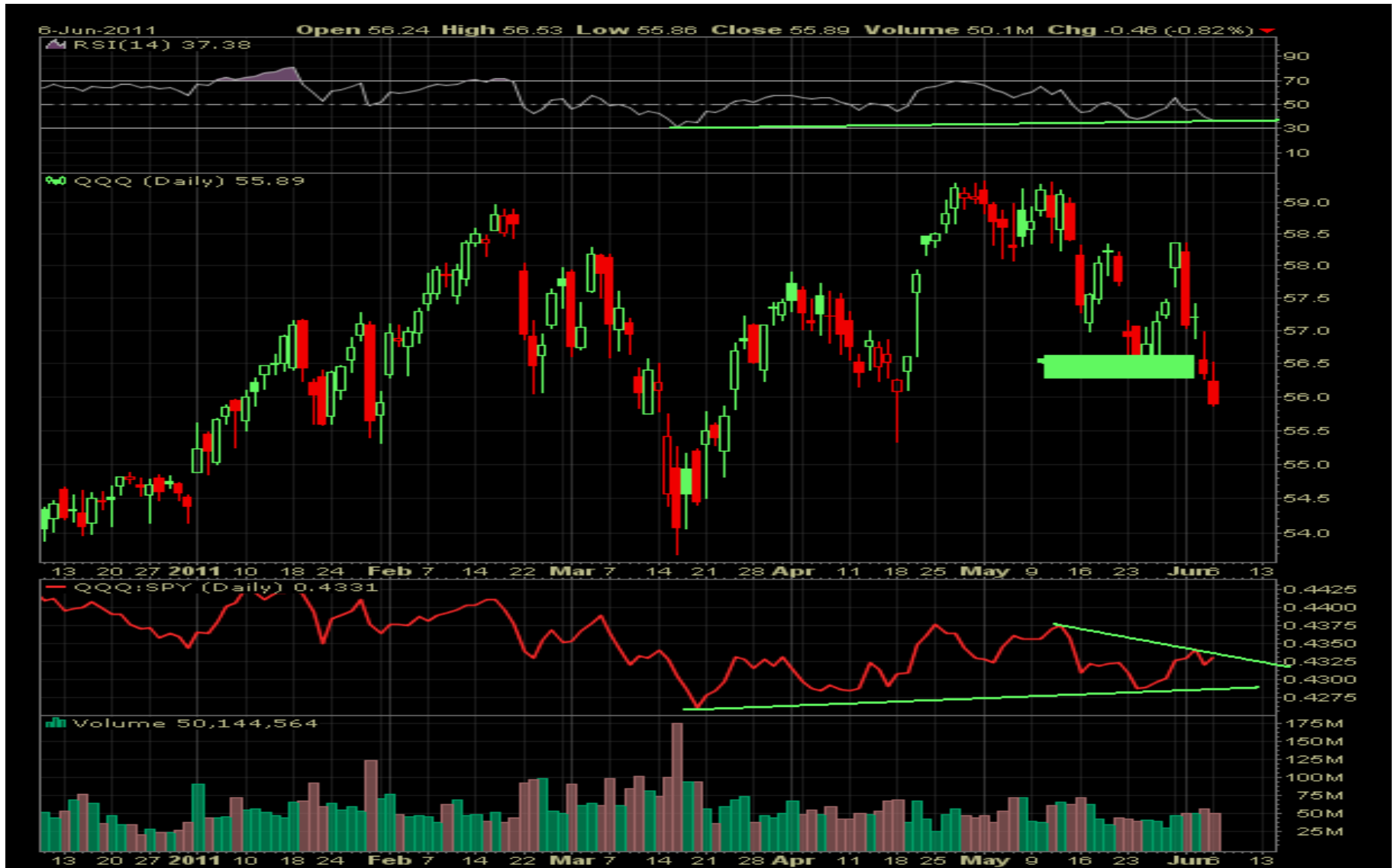
QQQQ – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggests a short term lows and Oscillator is turning Bullish. .



QQQQ - CZ Analysis

QQQ / SPY ratio looks weak, suggest the bounce may not be as healthy. However it will follow SPX.



FTSE - MID TERM (Proxy for Europe)

Similar to SPX , Despite the trend line break last week, the volume oscillator continues to show downside force is weakening , which is bullish for a rebound rally



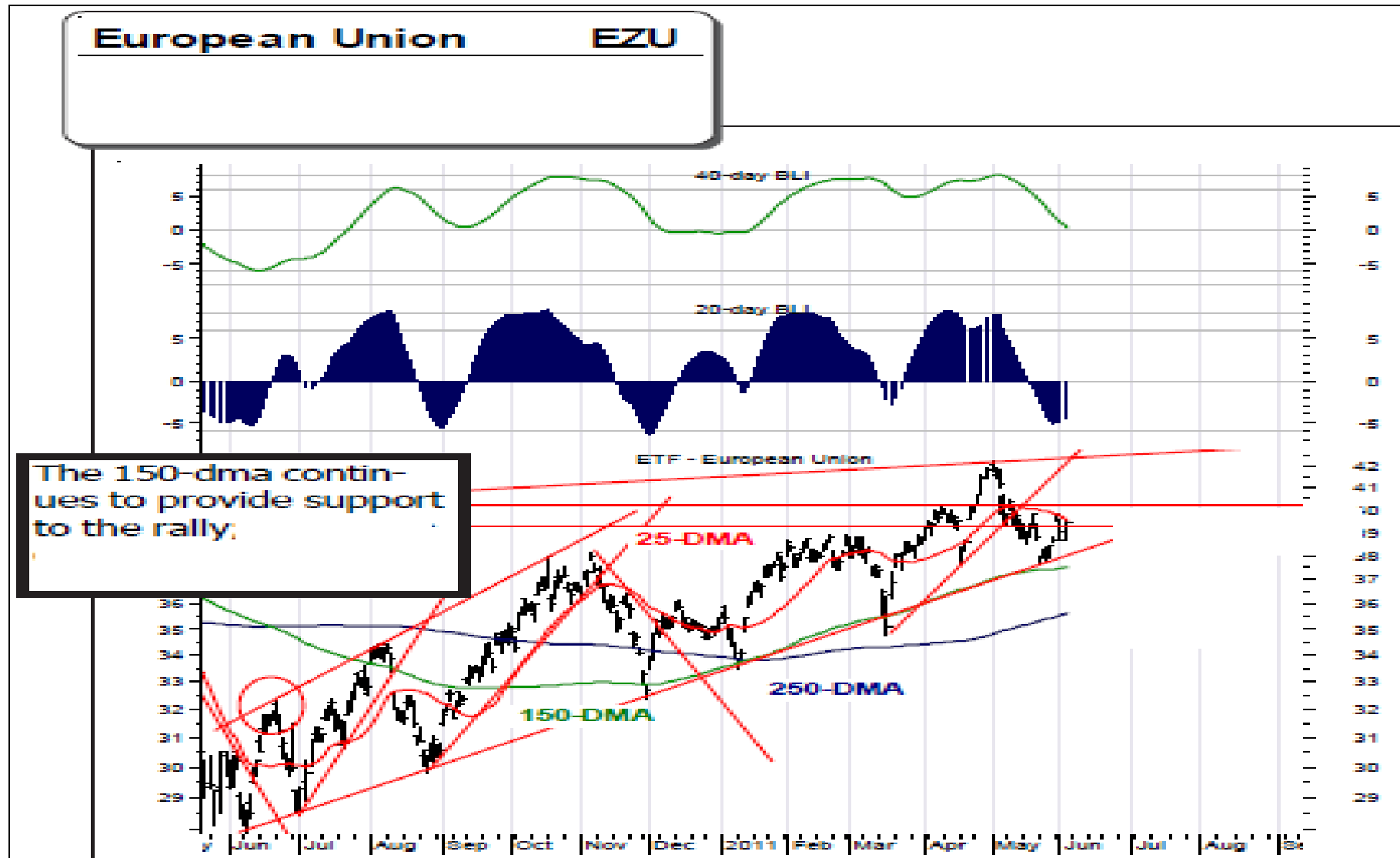
EZU - CZ Analysis

EZU Rally from 5/25 (marked in green) has shown strength . EZU / SPY ratio has broken out suggests the RSI wants to break above 50.



EZU – MA / Pattern and Oscillator Analysis

Oscillator suggests another run to the top. 20p BLI is turning green. Our DMA and Trendline Analysis supports the view.



APPENDIX -

Previous Signals

SELL SIDE - Triggered at Qualified CZ on "time & price"

- **IWM (83-85)....with 40 M or less test - qualified at CZ Sell – 31st March @ 84**
- **QQQ (56- 58) ... with 75 M or less test - qualified at CZ Sell – 21st April @ 58**
- **EEM (49.5 – 52.5)... with 55 M or less test - qualified at CZ Sell – 21st April @ 50.19**
- **EZUNo Validation**

BULLISH CZ - Triggers at Qualified CZ

- **Alert - SPX has reached our Bullish CZ 1320 - 1295 , this will be 4th counter trend rally in 2011 within the regime of POM 14 re runs, All the above broader indices will follow the same price path in different proportion based on its own Relative Strength (see details of ech below)**

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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