



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\_15**

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*By: Suneil R Pavse*

*Contact: apavse@aol.com*

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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.**

- *On Friday 6/10 , SPX triggered POM 13 @ 1270 , we believe its false break downside to the Bullish Mean CZ 1300 ( 1315-1285) . At the same time, simultaneously Major Indices approached areas of turns. ( Note – Earlier SPX triggered POM 14 –re run at 1370 on 5/2 at the very top)*
- *Among the Indices we followed in this Report, EEM, EWA, EZU did not break the lows of Bullish MCZ's ( 5/25) , in fact these Indices made higher highs on the Retests whiles SPX triggered POM 13 slightly under ( Refer charts below)*
- *Among IWM, QQQ .....The QQQ has been the weakest of all especially on the Re test*
- *At current prices, the Risk Management on Short Positions for high Beta is warranted within the MCZ 1300 and POM 13 Trigger – 1270*

## **SPX - Insights**

- *The Breadth indicators are on buy signals. As we stated in earlier Reports, we think any break below 1290 on SPX should be false break. Our view short term is that the market is backing and filling giving multiple opportunities to act in partial deployments*
- *On the hourly chart the S&P could be drawing a Head and Shoulder bottom and a pull back to 1280 range could complete the Right Shoulder. We are bullish here on the S&P and we could get another pull back for the test.*

## **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

The Bullish CZ has proved its merit , EEM Rallied from it and has shown strength making higher high . EEM / SPY ratio has broken out ( refer chart below) suggests the RSI wants to break above 50.



## EEM - MA / Pattern and Oscillator Analysis

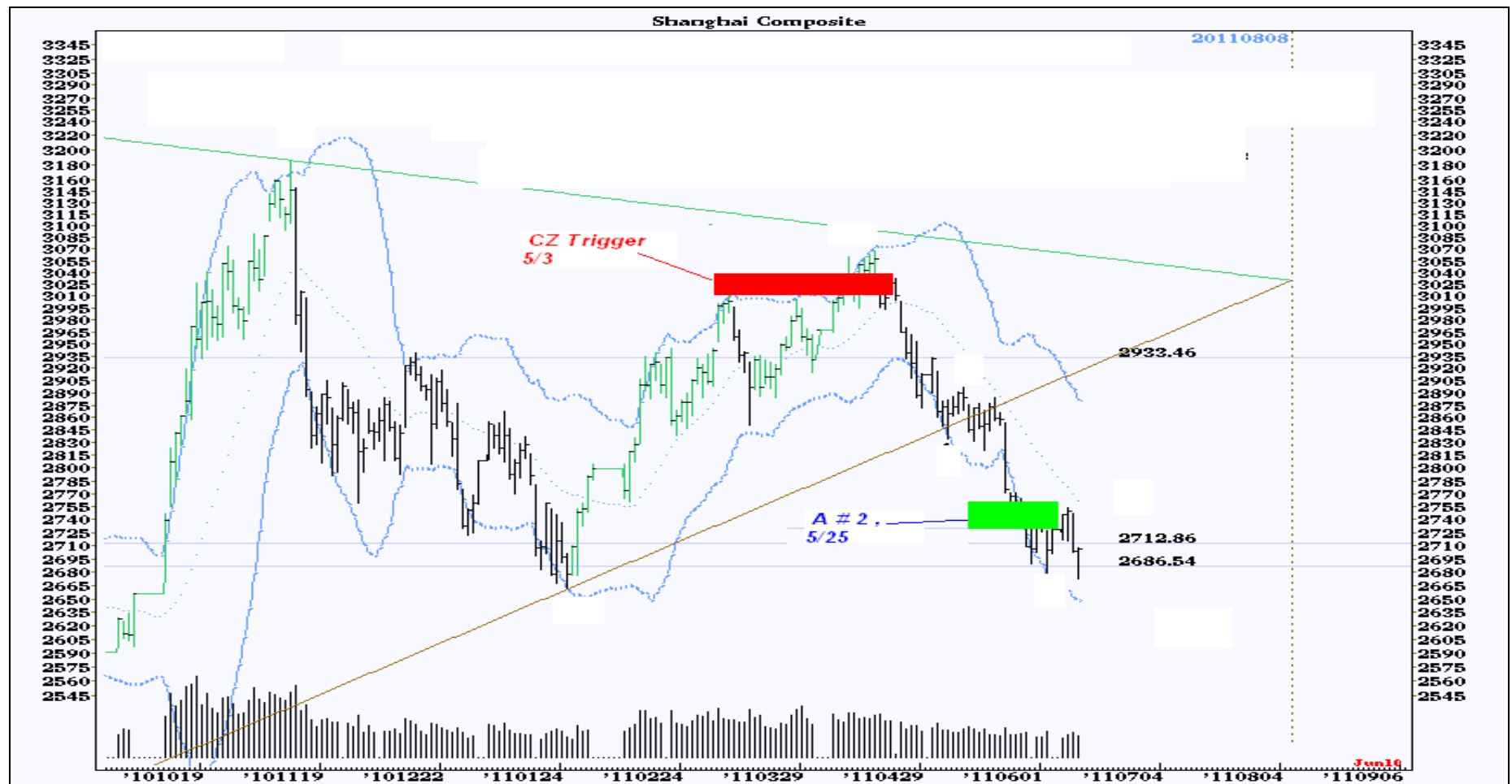
*Oscillator suggests another run to the top. 20p BLI is turning green. ( Notes within chart ) .*



## 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.*

*We expected a trading low and got it, although it was beginning to try to break down late in the week to finish this initial thrust to the downside.*



# ORD - MID TERM

*Signs are evident that we could have a low with Oscillator diverging*

*Volume has dried up and the best chance for a rally comes in soon*



## EWA - CZ Analysis

The Bullish CZ has proved its merit, EWA Rallied from it and has shown strength making higher high 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. Is bouncing between Bullish price CZ and its Triggers. (Currently circled in pink). The ratio IWM is stronger then QQQ but weaker then EEM, EWA etc . Ratio should breakout once rally starts*



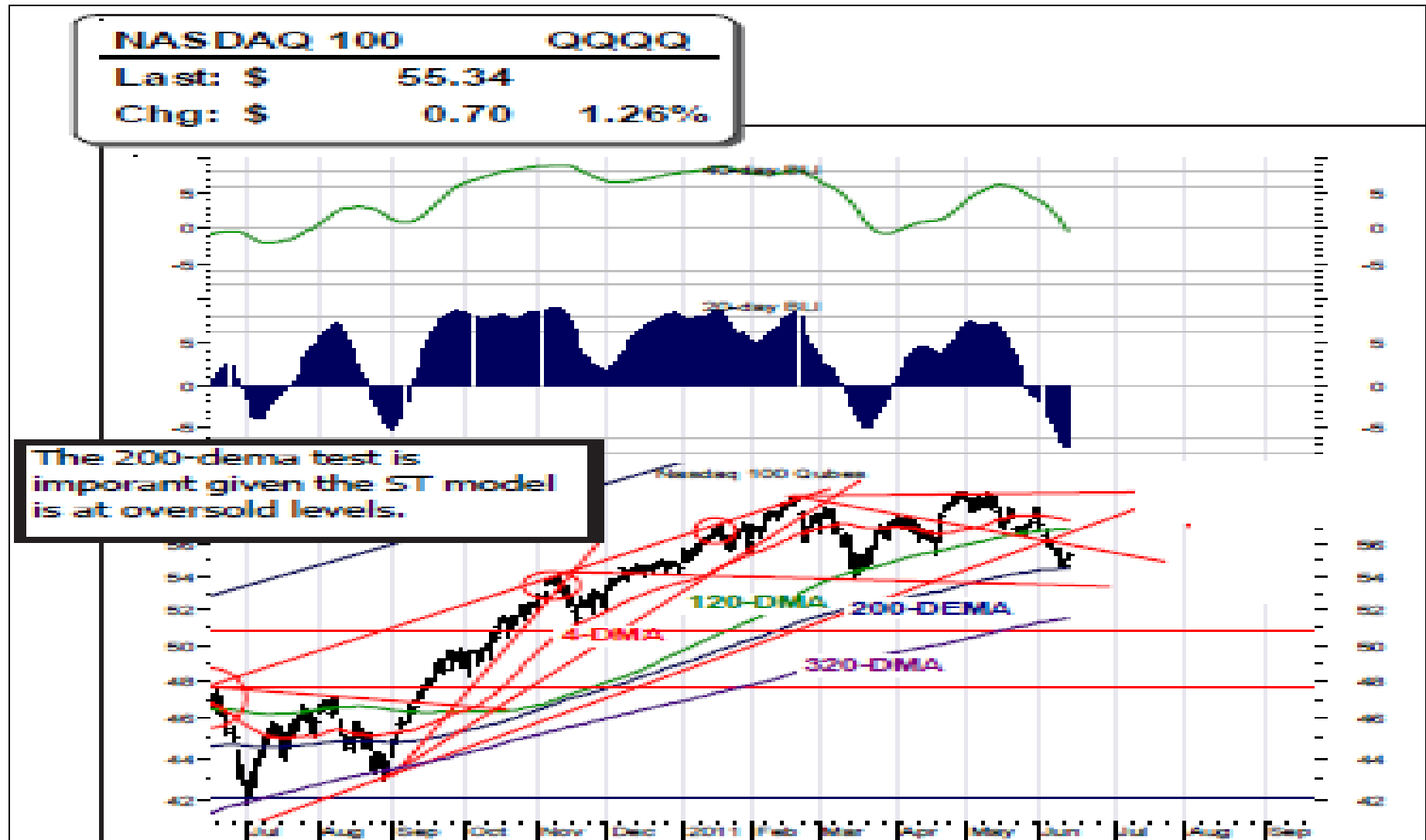
## IWM – MA / Pattern and Oscillator Analysis

Oscillator, DMA's and Trend Analysis suggests finding a point of turn ( Notes within the chart ).



## QQQQ – MA / Pattern and Oscillator Analysis

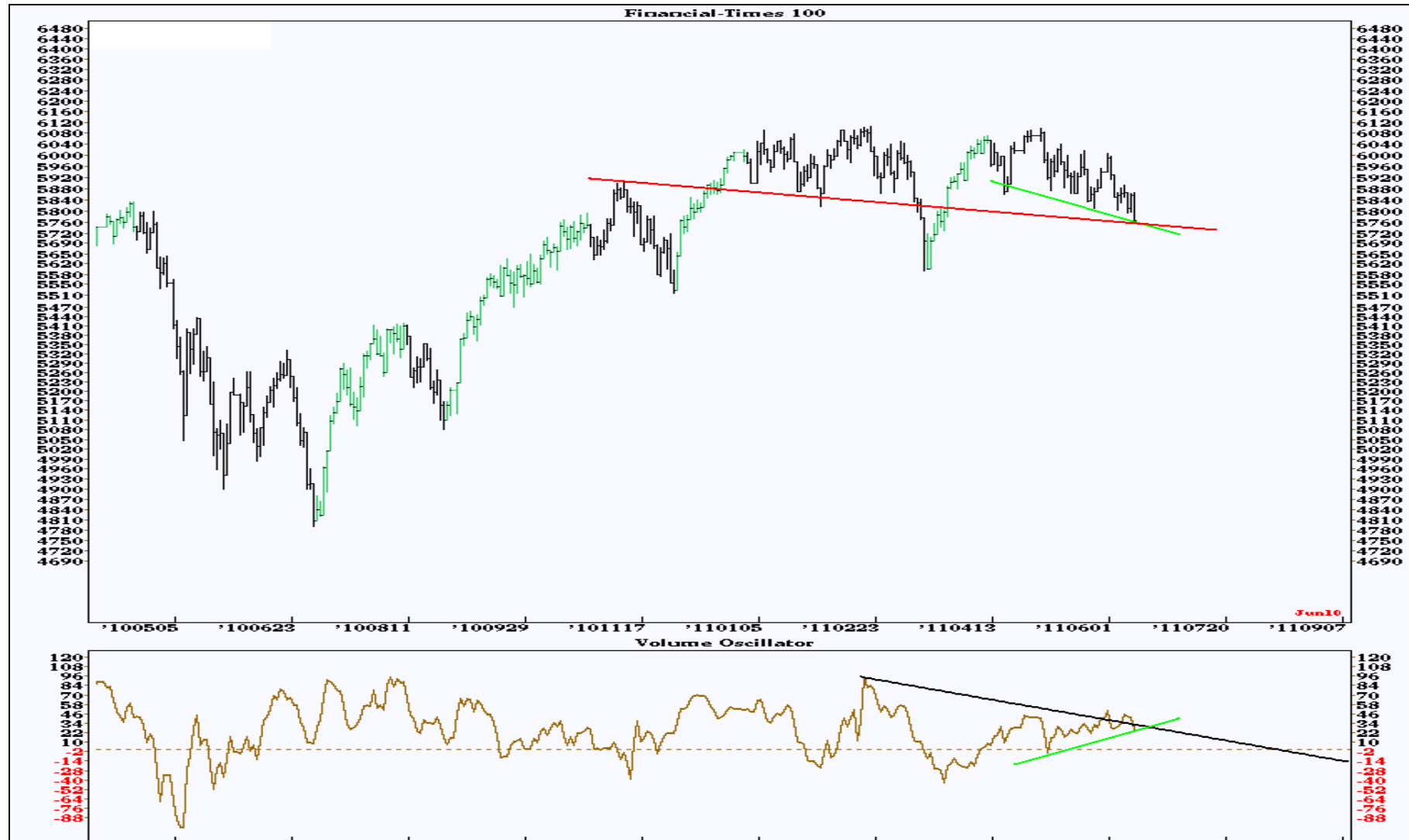
QQQ is far weaker than IWM but , DMA's and Trend Analysis suggests finding a point of turn ( Notes within the chart ).



## FTSE - MID TERM ( Proxy for Europe)

*The volume oscillator continues to show downside force is weakening , which is bullish for a rebound rally*

*This is beginning to look like a head and shoulder bottom , with the right shoulder in the process of completing. Like the other markets.*



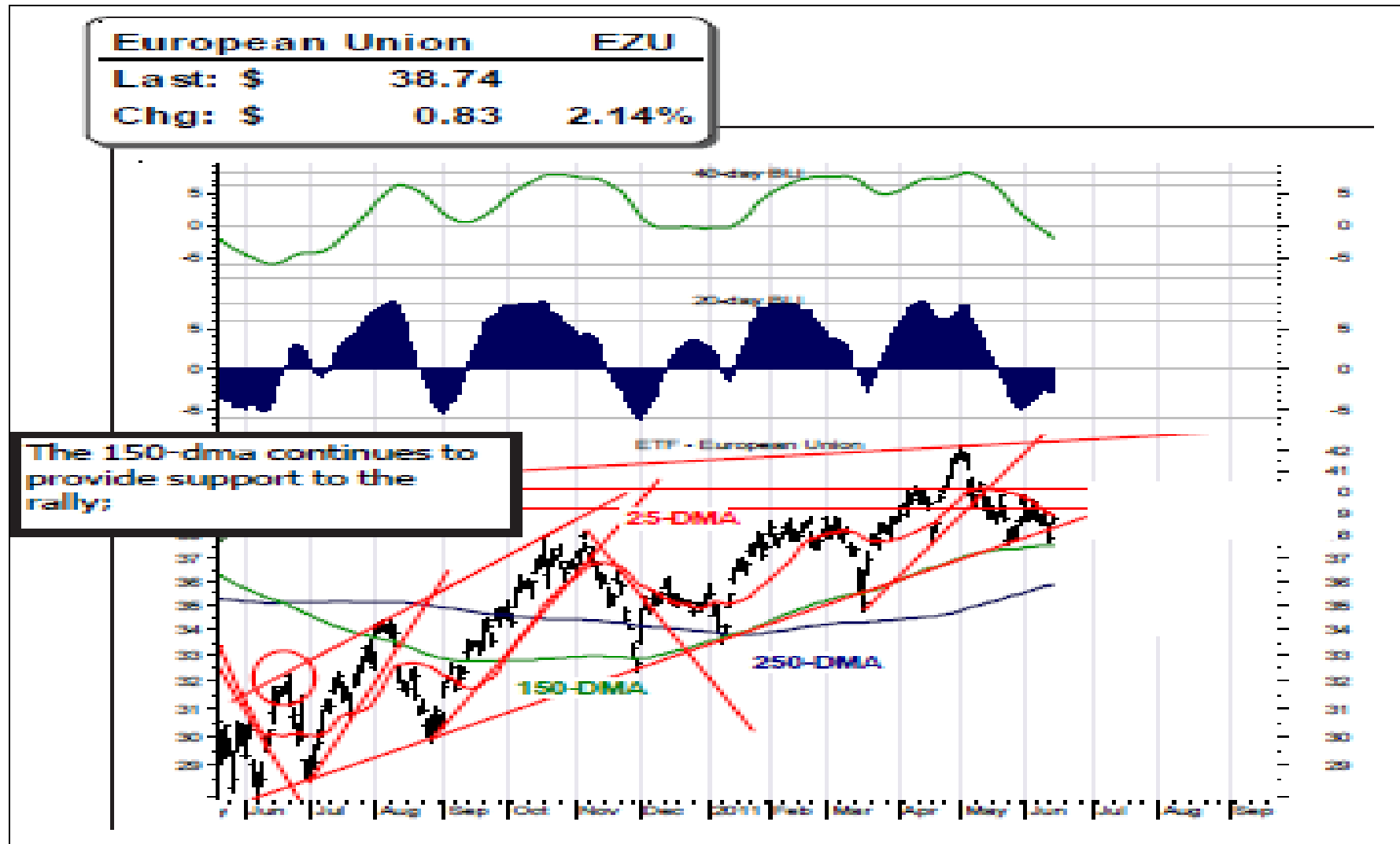
## EZU - CZ Analysis

The *Bullish CZ* has proved its merit, EZU Rallied from it and has shown strength making higher high. EZU / SPY ratio has broken out (refer chart below) 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. ( Notes within chart ).



## 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 – 31<sup>st</sup> March @ 84**
- **QQQ ( 56- 58) ... with 75 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 58**
- **EEM ( 49.5 – 52.5 )... with 55 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 50.19**
- **EZU ....No Validation**

#### **BULLISH CZ - Triggers at Qualified CZ**

- **Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4<sup>th</sup> 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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