



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_22

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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 prices below these was false break downside. This Trigger Signal to be utilized on High Beta Short Positions & rebalancing Longs . (Note – Earlier SPX triggered POM 14 –re run at 1370 on 5/2 at the very top)**
- ***At the same time when SPX Triggered POM 13 , Major Indices approached areas of turns. Among the Indices we followed in this Report.....***
- **EEM, EWA, EZU - were the strongest ones at CZ and on Trigger of POM 13 on SPX. (Refer charts below)**
- **IWM, QQQThe QQQ has been the weakest of all but as reported its CZ in Last week Report, it would stop the decline on Trigger of POM 13 on SPX**

SPX - Insights

A close above 1320 on the September futures would turn the daily / Weekly trend to bullish.

At lows we talked too much about our Bullish Indicators suggesting that low is in place. If that model is correct, we would still likely get a pullback to retrace some percentage of the advance before the next big leg up. (Fed meeting announcement comes in today and can inject volatility). If this move up is wave 1 within an impulse, a retracement in wave 2 would provide another chance .

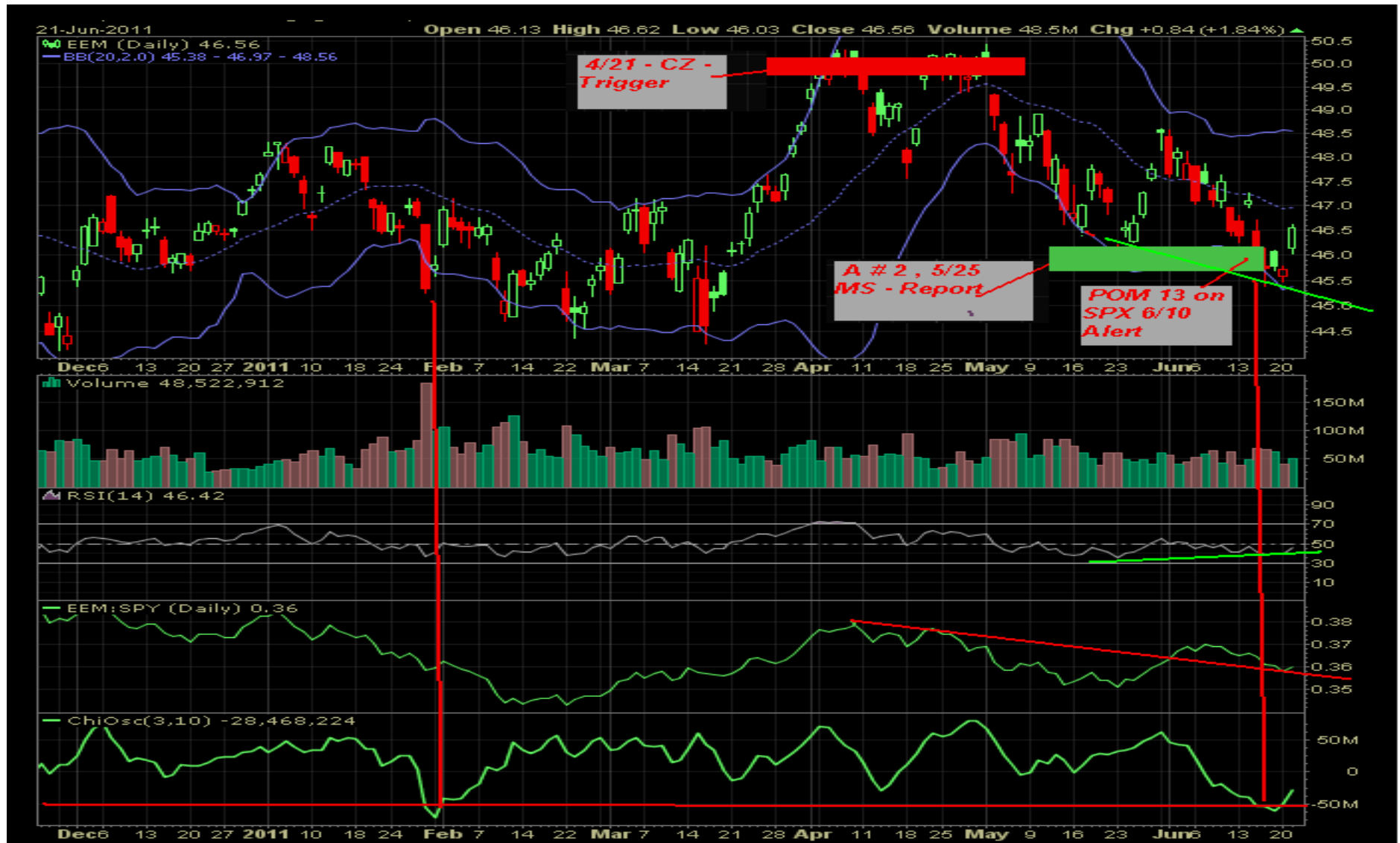
Given the tendency to see short-term backing & filling as noted above, SPX could come back down and attempt to put in a higher low. A rally subsequent to that that exceeds Tuesday's high would be excellent confirmation that all of the bullish indicators and studies we've discussed over the past 1-2 weeks are starting to be in effect for several weeks.

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

- *Although currently NONE of the Broader Indices are at extreme SD 's, Our objective (in charts below) is to check the PRICE PATH Progress & Risk Management at POM 13 on SPX . (indicated) with respect to other Indices.*
- *The broader Indices will follow the SPX on next rally, Charts below indicates the strength and weakness with indicator readings.*
- *Point to note – On Buy side Indicators Most of the Indices bottom out at almost same time which is in contrast to Sell side it tends to be at different price points with as witnessed at POM 14. Each Indices has its own exit point*
- *Weakness in China has been an early warning in equity markets.(Much ahead of time indicated in red, chart below) However, with the latest leg down and we would call for a rally here supportive for equity markets around the world:*

EEM - CZ Analysis

The Bullish CZ has proved its merit, along with POM 13 on SPX. EEM Rallied from it and has shown strength. EEM / SPY ratio has broken out (refer chart below). Chi Osc is also indicating Buy signal. RSI has been diverging bullish and wants to break above 50.



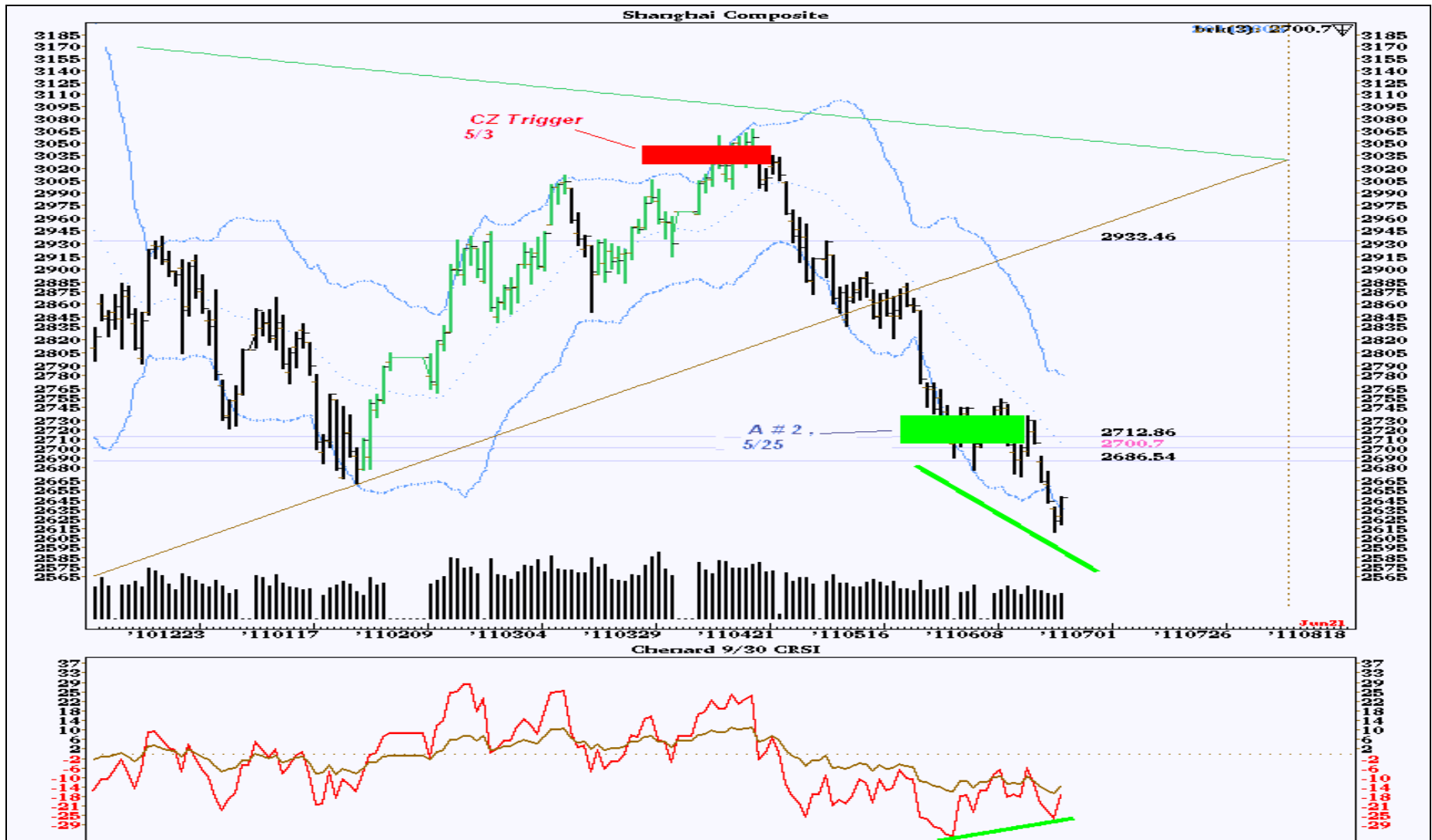
EEM – MA / Pattern and Oscillator Analysis

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



CHINA - MID TERM (Proxy for Emerging)

Signs of a low are appearing in the market. Confirmation of a bottom has come in with false break downside . Given the declining VTO - volume trend, rally could begin.



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. EWA / SPY ratio broke out and back in . We think this will eventually break soon . (Oscillator diverging – see chart above on AORD)



IWM - CZ Analysis

On 6/10 as POM 13 Triggered on SPX, The Bullish price CZ rejected the lows . The ratio IWM is stronger and should breakout the downtrend line soon



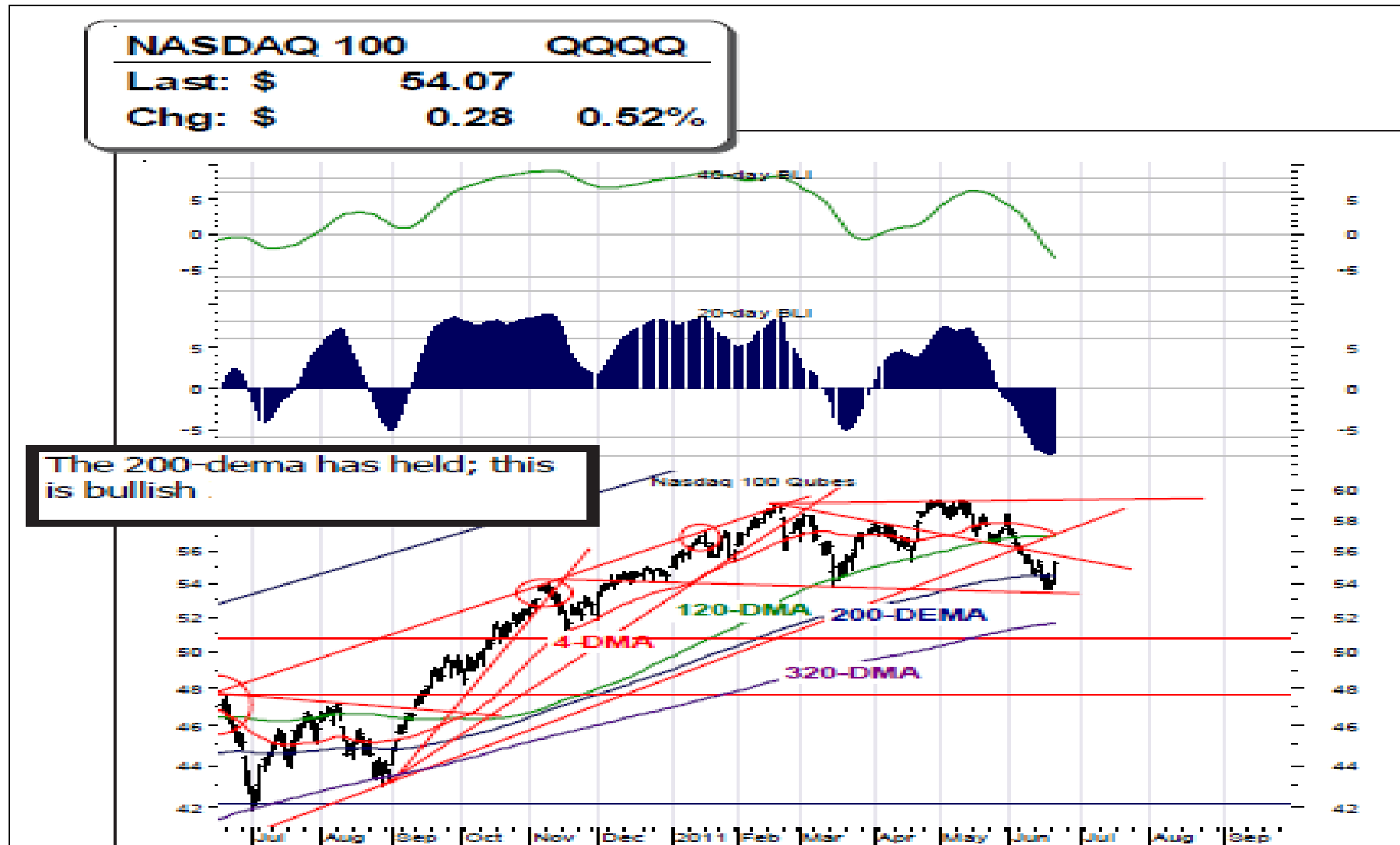
IWM – MA / Pattern and Oscillator Analysis

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) .



QQQQ - CZ - Analysis

Last week CZ Analytics combined with POM 13 on SPX proved its merit . We expected this to be first from bottom. CCI higher high has been indicative of such occurrence.



FTSE - MID TERM (Proxy for Europe)

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



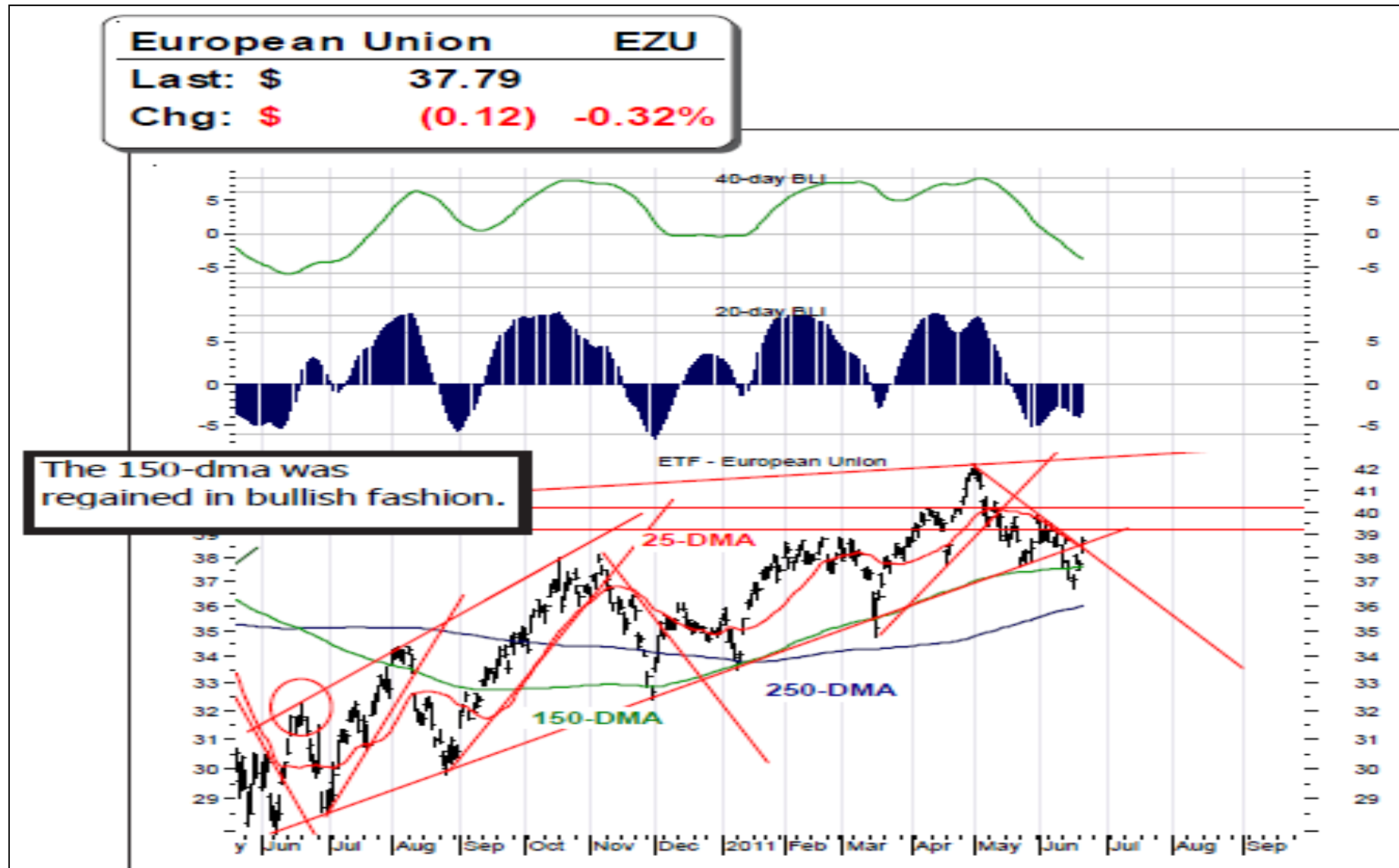
EZU - CZ Analysis

The Bullish CZ has proved its merit, EZU Rallied from it and has shown strength making higher high. EZU / SPY ratio has broke out and dipped in (refer chart below). RSI forming divergence.



EZU – MA / Pattern and Oscillator Analysis

Oscillator suggests another run to the top. DMA & Trend line suggests a break.



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 1315 - 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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