



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 # MAY\_25**

**For Immediate Release – *Wednesday 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
- QQQQ
- EEM with CHINA - Proxy
- EFA with FTSE - Proxy
- Appendix - History of past SPX - POM Signals & Key Criteria

## **BROADER INDICES**

- *In our Report A # 1 – MS, dt. 5/2 - we announced the Bearish CZ Trigger on SPX 1370 - 1380 on SPY's within POM 14 Re run Signals on counter trend move*
- *At the same time, In our Report A # 2 –MS dt. 5/3 simultaneously we announced Major weak Indices approached / Topped out with CZ / PQV VALIDATION : previewed below*

- **Trading and Investment Conclusions.**

### **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 1320 - 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)**

## **SPX - Insights**

- *In follow up from Monday's A #1 MS- our expectation was for SPX to trade under 1320 , It has done so to complete the 4<sup>th</sup> wave . Past 2 Reports we mapped price path of such occurrence. **Today in Futures and Cash Market We have reached our Bullish CZ 1315 – 1295** ( traded in that territory lows)*
- ***The A /D Line and TRIN / TICK** - and other Math indicators ( Refer Mondays A # 1 for details) Our Monitor suggests today's pull back should be complete however . The time termination approaches towards 1<sup>st</sup> June ( +/-) . **In order to fully comply with it we may get a initial bounce and test of that in that time frame** all within the Bullish CZ depicted ( This also coincides with the June Cycle work as well)*
- ***The volume oscillators** & Money flow - over this week has setup a bullish divergence .*
- ***The moon cycles**, - we could be looking at another low around next new moon on June 1 plus / minus 2 days. But this could very well be the re test or secondary lows.*
- *The details below are our justification, Market can always trick us and no model is perfect but we will follow the indicator as best as we can .*

## **IWM, QQQ, EEM, CHINA - Insights**

- *Details below*

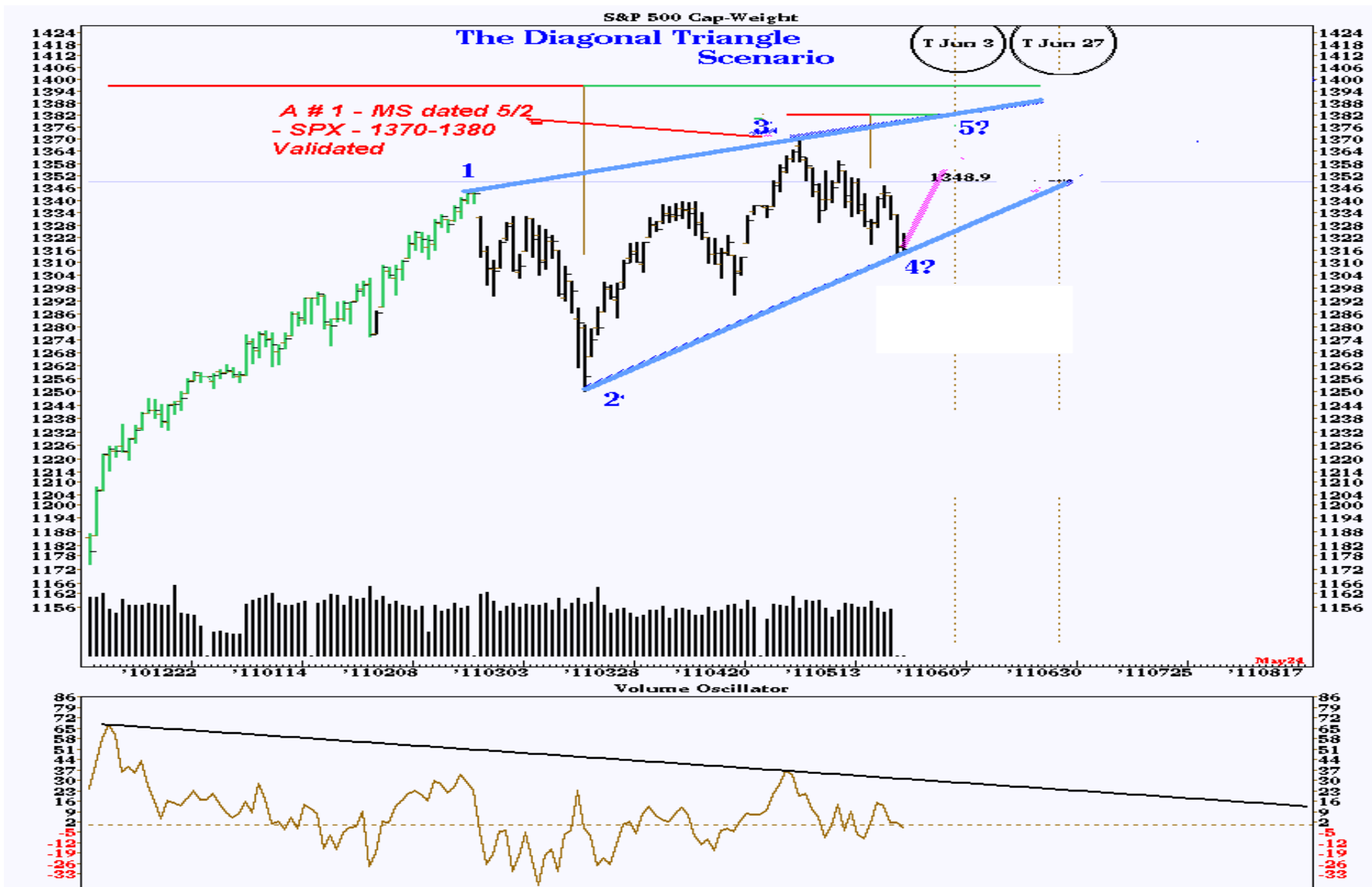
# SPX – Poly Trend and Wave Analysis

- Refer notes within the charts.



# SPX – Poly Trend and Wave Analysis

- . Market should rally towards Time Ratios T – Termination June 27<sup>TH</sup> for more significant peak. ( chart below)

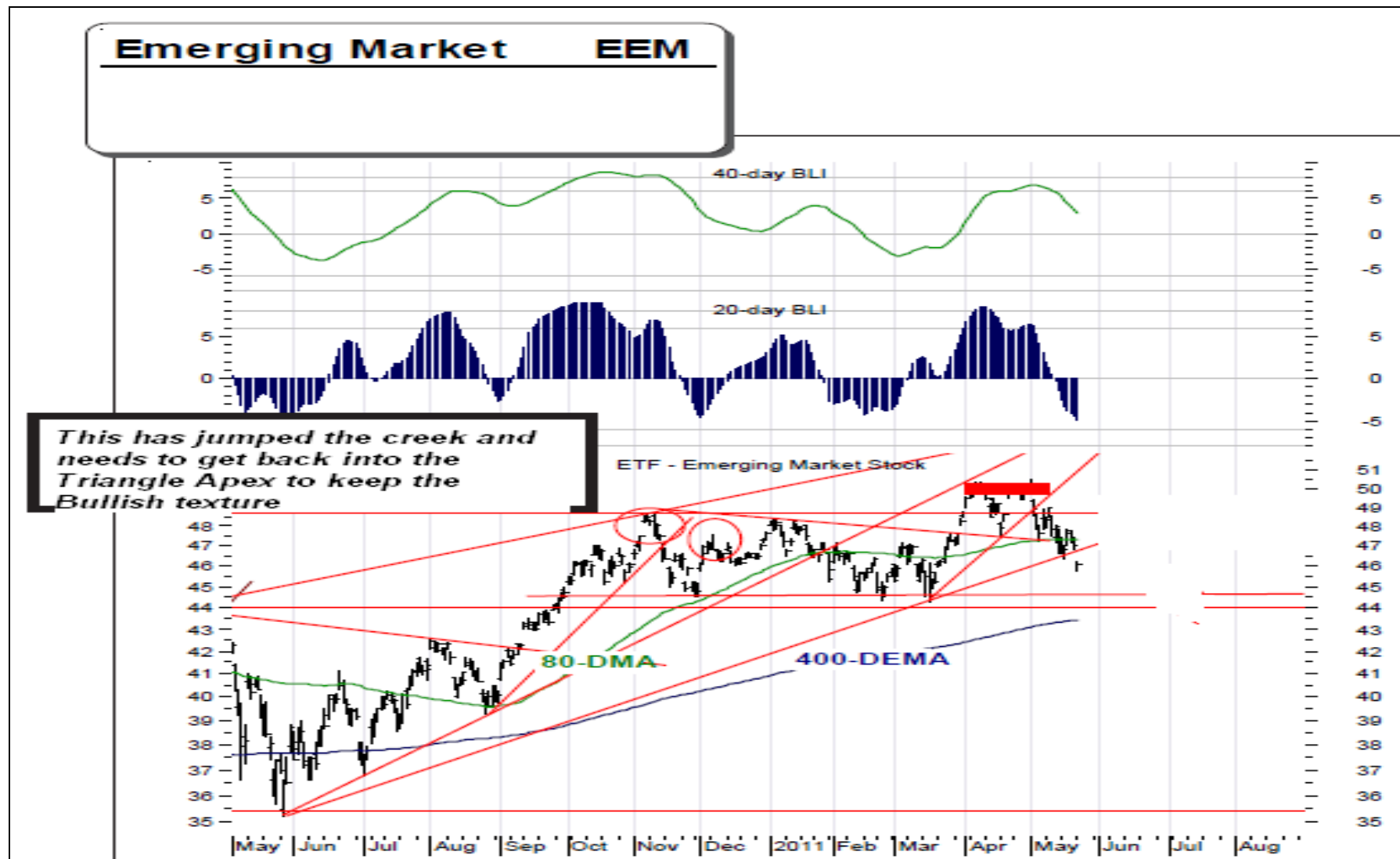


## **Key point**

- ***Although currently none of the Broader Indices are at extreme SD 's, Our objective today in charts below is to check the price paths to see the progress of the decline from Bearish CZ ( indicated in Red) to current levels of Broader Indices with respect to Bullish CZ on SPX***
- ***The broader Indices will follow the SPX on next rally, Charts below indicates the strength and weakness***

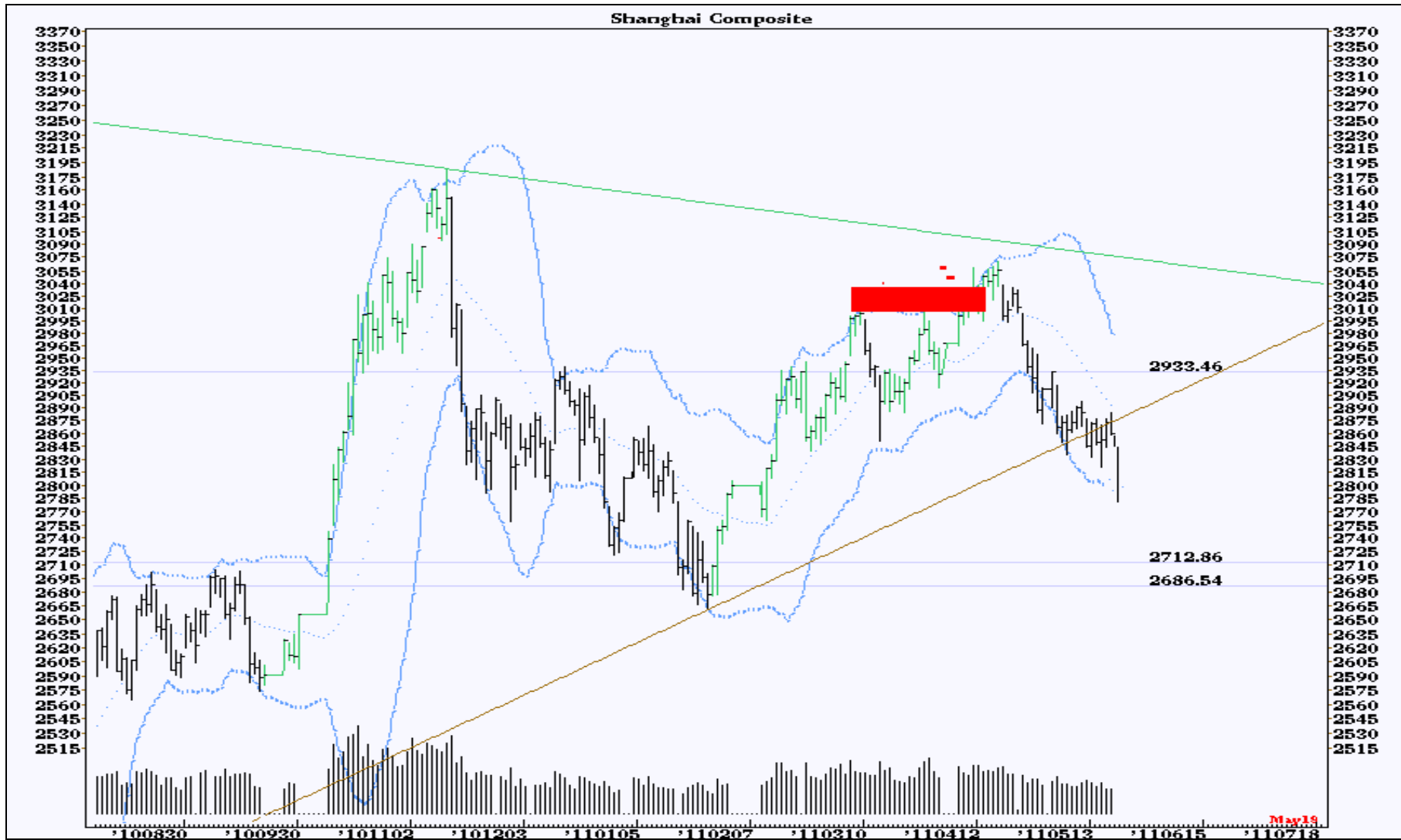
## EEM - MA / Pattern and Oscillator Analysis

*On sell side CZ Trigger @ 50 proved its merit. - We are watching SPX will lead the next Rally and take EEM with it . Refer notes within the chart -*



## CHINA - MID TERM ( Proxy for Emerging)

*On our Last Report 5/3 , it had trigged the CZ at 3000. A proxy for EEM which followed accordingly  
Currently the Trend lines & Triangle is broken in bearish fashion. This appears to be breakdown.*





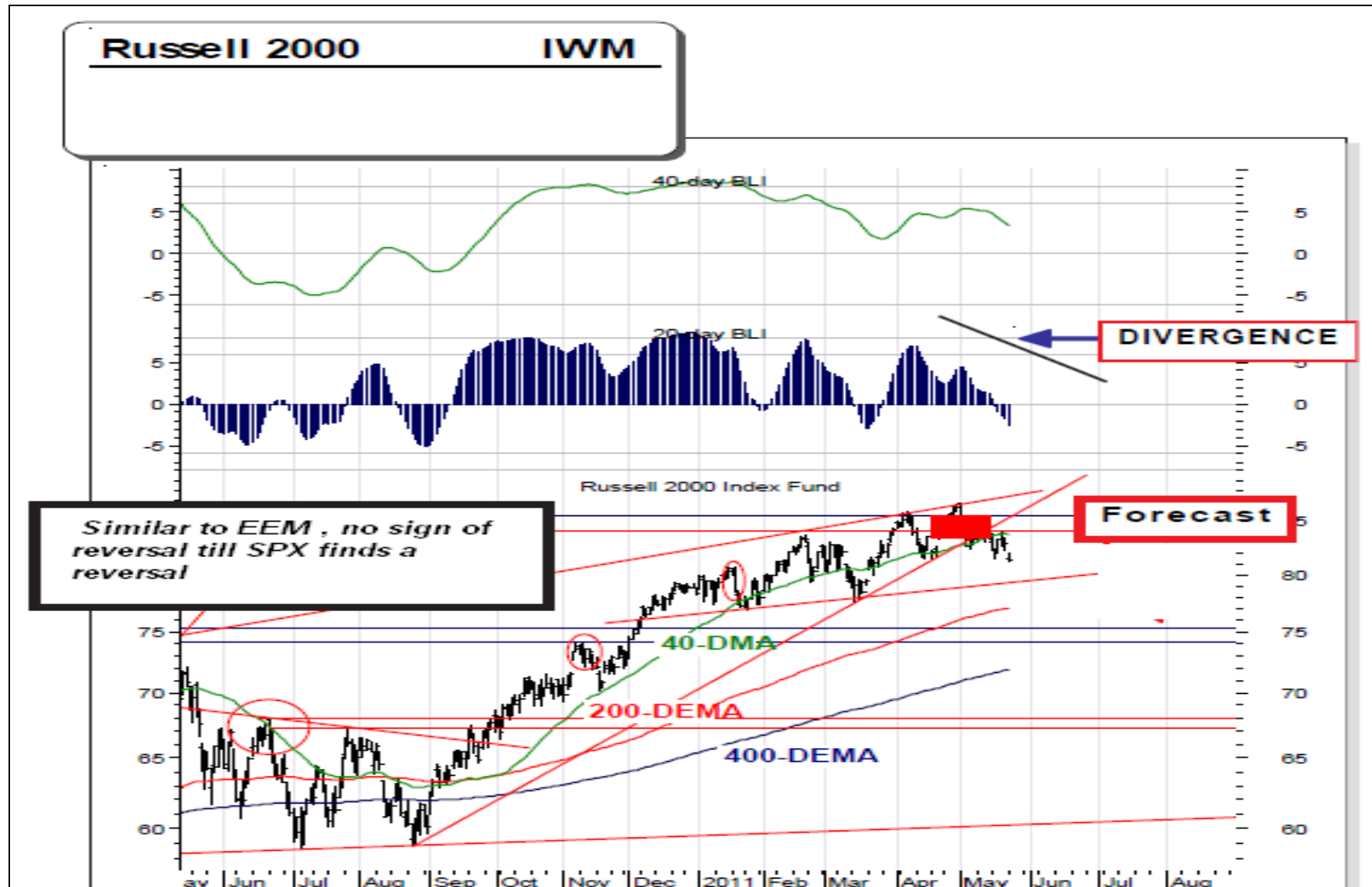
## EEM – CZ Analysis

*From above chart on China, EEM 's weakness v/s SPX should place a upward cap on next rally on EEM*



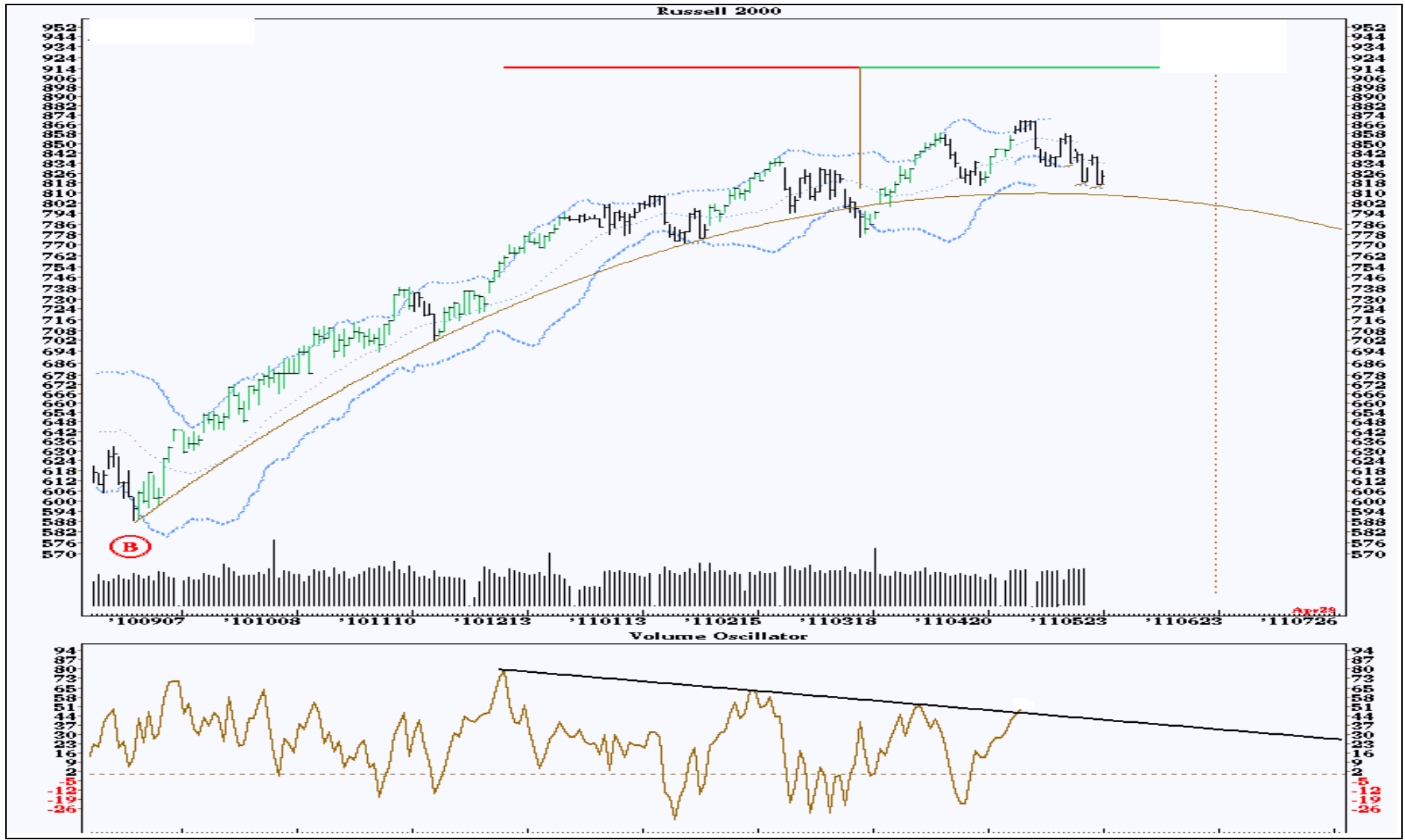
# IWM – MA / Pattern and Oscillator Analysis

*CZ Trigger 84 proved its merit but IWM is stronger than EEM or QQQ. - Refer notes within the chart -*



# IWM – RUSS – Poly – Trend Analysis

The relative strength v/s QQQ is justified in IWM. It has some floor underneath IWM at current level via Poly Trend Analysis on this pull back. **This Index could bounce the most among the lot**



# RUSS 3000 – MF

*Positive divergence in Money flow is more clear in wider spectrum of small cap stocks. This can fuel the bounce*



## IWM - CZ - Analysis

*IWM v/s SPY weaker, SPX reversal to be watched first and then IWM for reversal.*



# QQQQ – MA / Pattern and Oscillator Analysis

On sell side CZ Trigger @ 58 proved its merit. – Weaker Index Refer notes within the chart



## NASD - Poly – Trend Analysis

*The relative weakness v/s SPY & IWM justified in QQQ. It has no floor underneath at current level via Poly Trend Analysis on this pull back. Something to watch for on bounce.*



## QQQQ - Price & Volume -

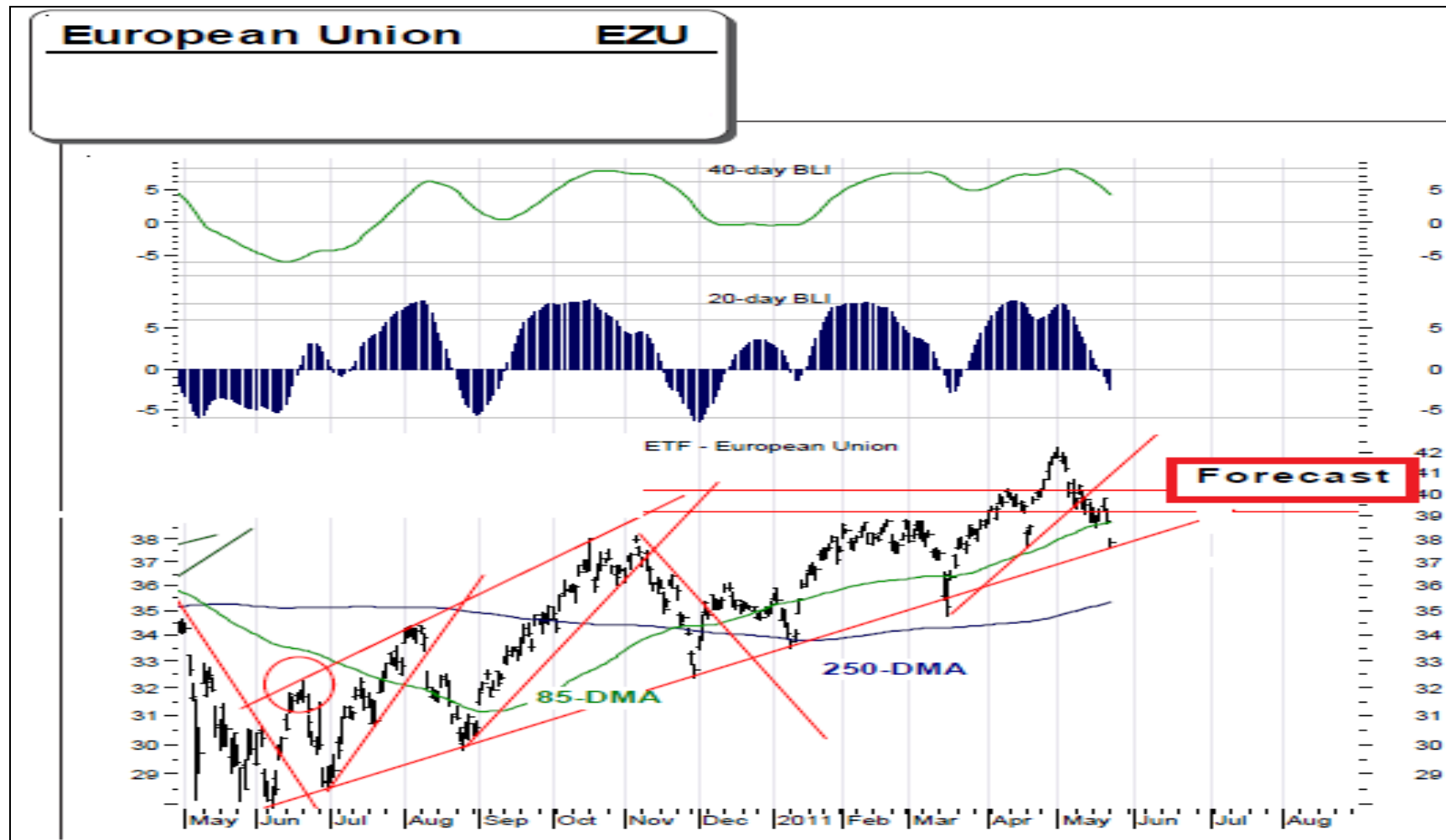
*From above chart on NDX , QQQ's weakness v/s SPX should place a upward cap on next rally on QQQ*





## EZU – SMA / Trend line Analysis

*During the Topping process the Sell side CZ did not trigger but expectation was it should follow the FTSE .  
Currently the bottom seem to be closer . We'll wait and see.*



## 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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