



SG Capital Research

Global Market Insights

**Research Note – Sector – ETF Analysis (D )**

**MAEG – WKLY SECTOR ETF ANALYSIS SG 2011 # FEB 11**

**For Immediate Release – *Friday AM (EST) or Saturday***

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**• Daily SPX - “ Trend Adjusted Signal” – Long at 1307**

**3x3 /9EMA – Momentum Break Indicator –**

- For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%
- For Bull case – long position from 1228 to 1276 = 4.0 % & from reference point 2011@ 1257 = 1.5%

**Currently “ Trend Adjusted Signal “ Triggered Long at 1307 - STOP 1307 ( Revised)**

## • Sector Insights

- *For Hedging purposes in the post POM 14 move, we focus on the Sectors closer to the SD # - 2 qualified that are showing first sign of break and which are at CZ – PQV Validation. The intend is to minimize the risk of added extension in general market. Currently SPX is closer to POM 15 but no signal for Net Short sell. Its been all about patience for pattern Setup .*
- *( 10 ) such Qualified Sectors within this strategy with either full entry or partial entry has a **Drawdown of (-0.44%)** in Equally weighted Index ( but Stops on other side of CZ). Additional (10) more Sectors are in Watch list pending CZ PQV Validation. **The Draw down minimization factor of (- 6. 2%) so far.***
- *XLE, SMH - among previously SD #2 & / POM 14 Qualified for / CZ –PQV Validation. We have updated the CZ / PQV Mapping in charts below*
- *TLT, XLV, XLU, XLP – among previously SD # -2 & POM 12-13 Qualified for CZ / PQV Validation. We are awaiting for CZ triggers in Watch list. & USO , BBH are new additions. TLT – we have done detail converge in our A # 2 MS Report*
- *FXI, IFN – among previously SD # -2 / POM 13 Qualified but now ready for Bounce .*

## Sector Analysis (D) -

- Detail Coverage for sectors with extremes SD # + 2.0 or **Special situation (SP)** , highlighted in yellow
- For Commodity based ETF's the Extremes SD # 2.0 should be qualified v/s both CRB and SPX

### **SECTORS - (39) – Highlighted below are this weeks SD # 2 & CZ –PQV Qualified this week**

- ✓ **PQV – CZ Validated Sectors**
- **In Watch list pending validation**

GR1 (15)	GR2 ( 11)	GR3 (13)
<ul style="list-style-type: none"> <li>• SPY</li> <li>• QQQQ</li> <li>➤ <b>TLT ( Bonds)</b></li> <li>✓ <b>MUB (Mun) (SP)</b></li> <li>✓ IWM</li> <li>✓ EEM (Emerg)</li> <li>• EEA (Europe)</li> <li>• EWJ (Japan)</li> <li>• <b>FXI (China)</b></li> <li>• RSX ( Russia)</li> <li>• <b>IFN (India)</b></li> <li>✓ EWP (SP)</li> <li>✓ EWH(<b>SP</b>)</li> <li>✓ JOF (<b>SP</b>)</li> <li>➤ EWA(<b>SP</b>)</li> </ul> <p><b><u>SP – Special Situation</u></b></p>	<ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XRT (RTH) ( Retail)</li> <li>➤ <b>XLV ( Health )</b></li> <li>➤ XLB ( Materials)</li> <li>➤ <b>XLE (Energy)</b></li> <li>• XLK / QQQQ (Tech)</li> <li>• XLI ( Industrial)</li> <li>➤ XLU ( Utility)</li> <li>➤ <b>XLP ( Staples)</b></li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>SMH ( Sem)</b></li> <li>• <b>BBH ( Biotech)</b></li> <li>• IYT ( Transports)</li> <li>• IYR (Real Estate)</li> <li>• DBA ( Agro)</li> <li>• DBB ( Base metal)</li> <li>• DBC ( Commodity)</li> <li>✓ GLD (Gold)</li> <li>✓ SLV (Sil)</li> <li>✓ GDX (Miners)</li> <li>• <b>USO (Oil)</b></li> <li>➤ JJC (Cu)</li> <li>• SLX ( Steel)</li> </ul>

***MUB, EWP, EWH , JOF ,EWA - Special Situation***

## • Objective

*The Weekly Validated Sector selection is to Setup “ Global Long / Short – Market Neutral ETF Index” –( Equally Weighted) Utilizing SD, POMs & SETUP INDEX within RA / RI framework with composition of ETF’s with SD # 1.5 to 2 Overvalued and Undervalued characteristics. Additional direction bias is given via doubling on ETF’s with extremes SD # 2 & POM conditions.*

*The Focus is to derive and compare the Relative performance of various Sector ETFs via using Standard Deviation ( SD) Criteria, POM – SPX Methodology as a PIVOT point for start then use with SECTOR / SPX Ratio chart for their “Pattern Recognition and Technical Analysis” for OVERVALUATION AND UNDERVALUATION of Sectors.*

Step 1 – Qualify the Sector based on Correlation Ratio Analysis with SPX to determine Standard Deviation (SD # 1.5 to 2) @ extremes level to define “Overvaluation and Undervaluation” of the SECTOR

Step 2 - Overlay this Correlation input data on Sector’s Relative strengths based on the SPX –POM latest STATUS as Pivot point to measure Maximum and Minimum strength of the Sector. Validate those ideas via technical Patterns of absolute Charts & SPX Ratio charts of these Sectors for Bullish and Bearish SETUPS via Pattern Recognition, Technical Analysis via second derivative DMA’s

### Overlay Criteria

- SD # 1.5 /2 ANALYSIS EXTREMES by 365 D Correlation.
- SPX - POM FRAMEWORK as PIVOT by Trend Correlation
- TECHNICAL PATTERNS, 2<sup>nd</sup> Derivative DMA’s & VOLUMES”
- Attached, the Chart list & specific Charts (below). We have selected the charts that has some distinct characteristics and values as the pattern gets completed based on our assessment:
- Selected Sector may have (1) up to (6) Analytic Charts as Titled below
  1. SETUP charts Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W ) SMA
  2. SETUP charts Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D) SMA
  3. Correlation Ratio Analysis with SPX by 365 days Basis
  4. POM Analysis -Technical & Pattern & Price / SMA Analysis
  5. Trend Reversion Analysis – Long Trend Chart (if applicable if R2 is above 75%)
- Charts 4,5, (above) articulates special situation coverage for that specific SECTORS highlighted in the list below

- **SPX – “ POM Signal**

- *At POM 14 & 15, Focus is on +2.0 SD , Currently SPX is at POM 14*
- *At POM 13, Focus to be o -2.0 SD.*

- **Trading & Investment Conclusions**

**ACTIONABLE ZONE :**

**“ Global Long / Short – Market Neutral ETF Index”**( Equally Weighted)

- *With composition of ETF's with entry at SD # 2 - Overvalued and Undervalued characteristics &*
- *For Direction bias to capitalize on extremes via doubling on ETF's at SD # 2 & CZ- PQV validation at appropriate POM conditions.*

**NEW THIS WEEK**

**WEEKLY SD & TECH PATTERN VALIDATED CONCLUSIONS by – Processes 1,2 - for BEST IDEAS:**

- **Overvalued confirmed ( SHORT ) – XLE, SMH ( by CZ –PQV Validation test)**
- **Undervalued confirmed ( LONG ) – MUB, TLT, IFN, FXI, XLP, XLU,XLV, USO, BBH ( by SD # - 2)**

# SD # 1.5 / 2.0 - Tracker for Sectors

**3X3/9EMA** – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD	Target Exit & Reversion to mean	Last Price	3X3 /9EMA	Net Exposure	Comments
<b>Gr 1</b>							
SPY		-0.47	0.09	132.32	↓ 131.05		
QQQQ		1.50	0.04	58.02	↓ 57.39		
IWM		1.29	0.06	81.19	↓ 79.86		
TLT	Below -2SD	-2.49	0.09	88.19	↓ 89.00		
EWJ		-1.02	0.01	11.32	↓ 11.26		
FXI	Below -2SD	-2.85	0.04	41.37	↓ 42.33		
IFN	Below -2SD	-3.08	0.03	29.00	↓ 29.68		
<b>Gr 2</b>							
XLV	Below -2SD	-2.30	0.03	32.31	↓ 32.16	60%	
RTH		1.07	0.03	49.17	↓ 47.90		
XLF		-0.87	0.01	16.85	↓ 16.67	43%	
XLK		0.93	0.02	26.76	↓ 26.60	100%	
XLU	Below -2SD	-2.20	0.03	32.06	↓ 31.84		
XLE	Above +2SD	2.41	0.05	74.12	↓ 73.90	-100%	
XLB		1.13	0.03	39.63	↓ 39.43	-100%	
XLP	Below -2SD	-3.02	0.02	29.42	↓ 29.22	50%	
XLI	Above +1.5SD	1.75	0.03	37.57	↓ 36.87	-100%	
<b>Gr 3</b>							
JJC	Above +1.5SD	1.86	0.04	60.52	↓ 60.62		
SLV	Above +1.5SD	1.78	0.02	29.46	↓ 28.51		
SMH	Above +2SD	2.30	0.02	35.76	↓ 35.34		
MUB sp	Below -2SD	-2.53	0.09	99.20	↓ 98.51		special situation
USD	Below -2SD	-2.18	0.03	36.54	↓ 37.07		
BBH	Below -2SD	-2.10	0.09	100.95	↓ 101.31		New
DBA	Above +1.5SD	1.90	0.02	34.96	↓ 34.35		
<b>Primary Index Net Exposure</b>							
<b>PDM 14 Re Run 3</b>							
						11%	

- From (39) Sector list , The green highlights are Newly added and the ETF's with SD # 2 is qualified for further review for extremes of over ( Sell) / under ( Buy) valuation v/s SPX & CRB ( if applicable)– within our Expectancy Model

Ticker ( Exited from Previous weeks )	Comments

# SHORT -- ETF Index - (with positions taken at SD # + 2.0 & CZ )

SD -TECH VALIDATED MARKET NEUTRAL ETF INDEX ( Directional Bias only at Externe POM's)									
Ticker	Entrg date	Last Price	Validated Test price	P/L Since the Test	3X3 / 9EMA	Stoploss @ Close	Trigger either by SD2 or CZ1,CZ2	Comments	
<b>SHORTS (SECTORS)</b>									
<b>SD 2 Triggers</b>									
IWM	25-Nov-10	81.19	73.73	-10.12% <span style="color: green;">\$</span>	79.86	84.00	@SD2		
RTH	25-Nov-10	108.10	103.47	-4.47% <span style="color: green;">\$</span>	106.71		@SD2		
XLK	25-Nov-10	26.76	24.49	-9.27% <span style="color: green;">\$</span>	26.60		@SD2		
SMH	25-Nov-10	35.76	31.68	-12.88% <span style="color: green;">\$</span>	35.34	37.80	@SD2		
JJC	10-Dec-10	60.52	54.08	-11.91% <span style="color: green;">\$</span>	60.43	63.00	@SD2		
SLV	10-Nov-10	29.46	27.00	-9.11% <span style="color: green;">\$</span>	28.51	28.35	@SD2		
XLE	31-Dec-10	74.12	68.15	-8.76% <span style="color: green;">\$</span>	73.90		@SD2		
QQQQ	23-Dec-10	58.02	54.74	-5.99% <span style="color: green;">\$</span>	57.39		@SD2		
XLB	31-Dec-10	39.63	38.44	-3.10% <span style="color: green;">\$</span>	39.43	43.05	@SD2		
								Entrg Triggered @ SD's	-8.40%
<b>CZ Triggers</b>									
								Drawdown	
IWM	21-Jan-11	81.19	79.00	-2.77% <span style="color: green;">\$</span>	79.86	84.00	@CZ1		
EWP		41.39	42.75	3.18% <span style="color: green;">\$</span>	41.74	46.20	@CZ		
SMH	21-Jan-11	35.76	35.00	-2.17% <span style="color: green;">\$</span>	35.34	37.80	@CZ1		
JJC	19-Jan-11	60.52	59.50	-1.71% <span style="color: red;">\$</span>	60.62	63.00	@CZ1		
SLV		29.46	28.50	-3.37% <span style="color: green;">\$</span>	28.51	28.35	@CZ1		
EWH		18.46	19.50	5.33% <span style="color: red;">\$</span>	19.20	20.74	@CZ		
XLB	21-Jan-11	39.63	39.50	-0.33% <span style="color: green;">\$</span>	39.43	43.05	@CZ1		
EWA	21-Jan-11	25.86	25.44	-1.65% <span style="color: green;">\$</span>	25.71	27.30	@CZ1		
<b>CLOSED SHORT POSITIONS</b>									
				53.00%					
								Entrg Triggered by CZ'S	-0.44%
								Drawdown	
<b>INCEPTION @ SPX 1180 to Current 1321.87</b>				<b>EQ WT SHORT P/L</b>	<b>-1.54%</b>				
				<b>SPX CHANGE</b>	<b>12.02%</b>				

# LONG -- ETF Index - (with positions taken at SD # - 2.0 & CZ )

<b>LONGS</b>									
<u>POM/Trend Adjusted</u>									
SPY ( POM Signal)		0.00	0.00	0.00%		0.00	None - Flat		
SPY ( Trend Adjusted )		132.70	130.70	1.50%		127.60	@ SPX 1307 /stop 1276		
PQV Validated Index	9-Sep-10			-5.50%		0.00			
<u>SECTORS</u>									
<u>SD2 Triggers</u>									
XLV	10-Dec-10	32.31	30.99	4.26%	↓	32.16	@SD2		
XLU	23-Dec-10	32.06	31.36	2.23%	↓	31.84	@SD2		
XLF	25-Nov-10	16.85	14.63	15.17%	↓	16.67	@SD2		
TLT	12-Nov-10	88.19	96.38	-8.50%	↓	89.00	84.55 @SD2		
MUB	19-Nov-10	99.20	100.98	-1.76%	↓	98.51	@SD2		
BBH	11-Feb-11	100.95	96.76	4.33%	↓	101.31	@SD2		<b>New</b>
EWJ	15-Oct-10	11.32	10.22	10.76%	↓	11.26	@SD2		
USO	15-Oct-10	36.54	35.47	3.02%	↓	37.07	@SD2		
FXI	23-Dec-10	41.37	42.60	-2.89%	↓	42.33	@SD2		
XLP	7-Jan-11	29.42	29.18	0.82%	↓	29.22	@SD2		
IFN	27-Jan-11	29.00	30.5	-4.92%	↓	29.68	@SD2		
								<b>SD's</b>	<b>2.05%</b>
<u>CZ Triggers</u>									
JOF		9.41	8.47	11.10%	↓	9.40	7.98 @CZ		
TLT	21-Jan-11	88.19	89.50	-1.46%	↓	89.00	84.55 @CZ1		
								<b>CZ'S</b>	<b>4.82%</b>
<b>CLOSED LONG POSITIONS</b>									
				28.78%					
<b>15th OCT 2010 INCEPTION</b>									
<b>SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX</b>									
<b>INCEPTION @ SPX 1180 to Current 1321.87</b>									
			<b>EQYT LONG P/L</b>	<b>4.69%</b>					
			<b>SPX CHANGE</b>	<b>12.02%</b>					



## **CLOSED SHORT & LONG POSITION – On Reversion to mean or POM 13**

<b><u>CLOSED SHORTS POSITIONS</u></b>	<b>Entry Date</b>	<b>Exit Date</b>	<b>Entry Price</b>	<b>Exit Price</b>	<b>P / L</b>	<b>Comments</b>
DBB					3.16%	
GLD					2.60%	
SLY					4.60%	
GDX					4.90%	
IFN					14.94%	
GDX	15-Oct-10	14-Jan-11	57.41	54.88	4.41%	@SD2
GDX	25-Nov-10	14-Jan-11	59.67	54.88	8.03%	@CZ
EEM	12-Nov-10	21-Jan-11	47.56	46.97	1.24%	@SD2
EEM	12-Nov-10	21-Jan-11	47.56	46.97	1.24%	@CZ1
EEM		21-Jan-11	48	46.97	2.15%	@CZ2
GLD	15-Oct-10	21-Jan-11	133.68	131.2	1.86%	@SD2
GLD		21-Jan-11	136.5	131.2	3.88%	@CZ
				<b>TOTAL</b>	<b>53.00%</b>	
<b><u>CLOSED LONGS POSITIONS</u></b>						
BBH					0.00%	@SD2
EWJ					-0.50%	@SD2
USO					6.68%	@SD2
BBH					0.26%	@SD2
EWJ					4.17%	@SD2
SPY ( Trend Adjusted Signal )		28-Jan-11	122.8	128.5	4.44%	SPX 1228 to 1285
SPY ( POM Signal )	6-Jul-10	9-Sep-10	102	110.5	7.69%	POM 12 - POM 14
SPY ( Trend Adjusted Signal )	9-Sep-11		110.5	117.6	6.04%	SPX 1105 to 1176
				<b>TOTAL</b>	<b>28.78%</b>	

• **SECTOR SETUP INDEX +74%, 79%, 79%, +85% ( past 4 weeks)**

(Currently for monitoring purposes only, we will establish . correlation as we go forward with POM 13 )

• **EQUITY SETUP INDEX : +11%, +21%, 25%, +31% ( past 4 weeks)**

• **POM – 14 re run**

**(ETF's highlighted below are CZ – PQV Qualified Sector watch list with SD # 2 or just turned down)**

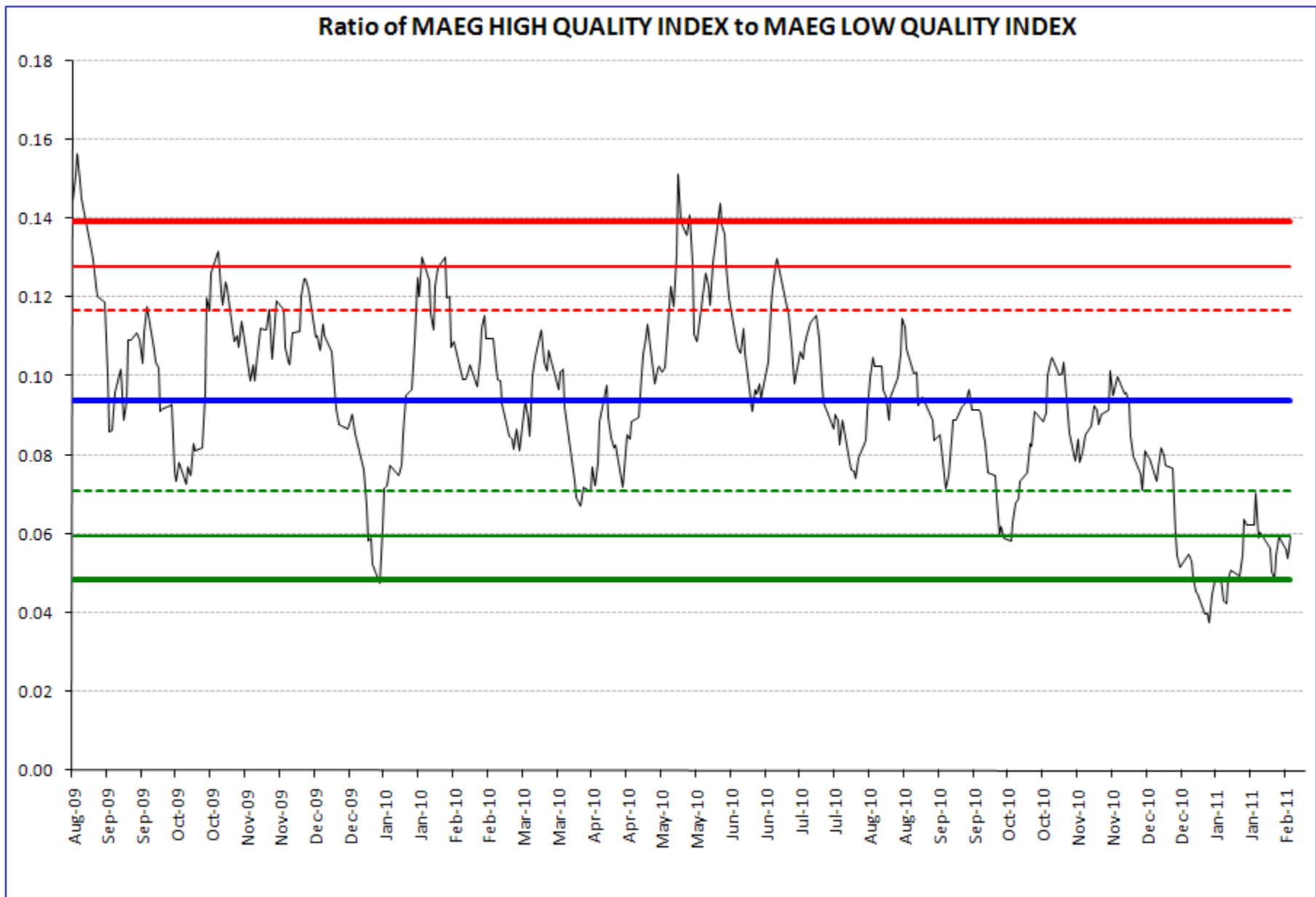
<b>SETUP # 1 (33 of 39)</b>	<b>% away from Gold .Cross</b>	<b>SETUP # 2 ( 3 of 39)</b>	<b>% away from Dead. Cross</b>	<b>SETUP # 3 ( 0 of 39)</b>	<b>% away from 40wk</b>	<b>SETUP # 4 ( 1 of 39)</b>	<b>% away from 40wk</b>
SPY	19.35%	TLT	-9.08%			SLV	31.20%
QQQQ	25.59%	MUB	-5.05%				
IWM	23.63%	IFN	-5.60%				
EEM	11.69%						
EWJ	14.46%						
FXI	2.22%						
RSX	21.01%						
EWP	8.92%						
EWI	21.29%						
EWA	19.45%						
XLF	14.70%						
XRT	26.43%						
XLV	6.67%						
XLB	23.34%						
XLE	33.09%						
XLK	20.49%						
XLI	26.63%						
XLU	6.76%						
XLP	8.96%						
XLY	24.18%						
XHB	15.56%						
SMH	32.74%						
BBH	4.80%						
IYT	21.35%						
IYR	80.67%						
DBA	39.56%						
DBB	21.23%						
DBC	24.95%						
GLD	58.44%						
GDX	23.47%						
USO	1.98%						
JJC	37.67%						
SLX	21.99%						

# CZ – PQV – Validation Tracker

## SETUP 2 -4 - PQV VALIDATION TEST PROCESS SUMMARY

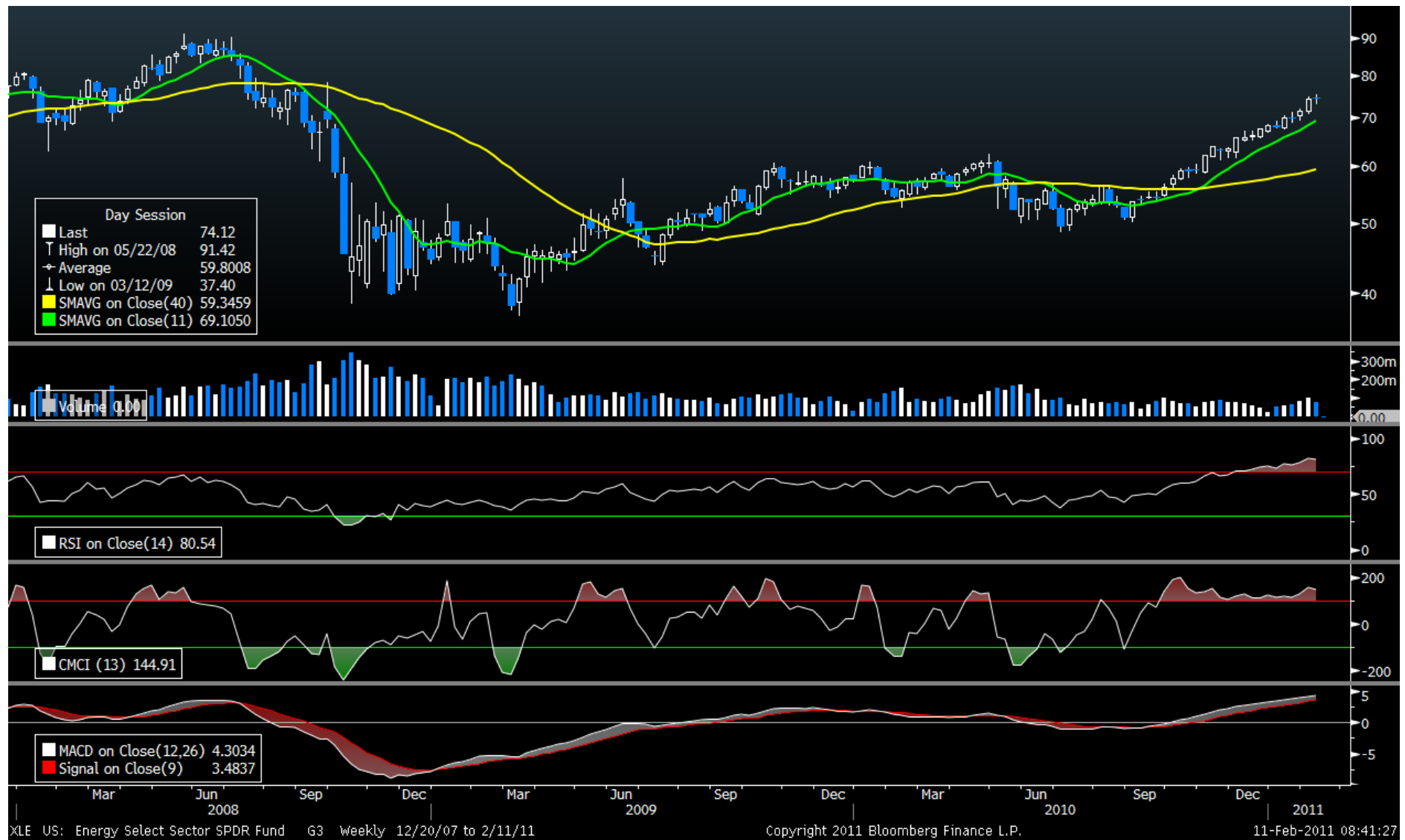
Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Required Volume MM on Test	Actual Volume MM on	Volume Pickup	% Away from Test price UL	40wk MA	% Away from 40 MA	Stoploss @ C3X3 / 9EMA	SETUP Quality Price	Drawdown minimisation	SD # 1.5	
<b>TRIGGERED</b>																
EWP	Short	41.4	42.75	41.5	44	0.4	0.4	0.4	-6%	38.28	8.16%	46.20	41.80	40.1	-6.6%	(1.03)
GLD (under 136.5)	Short	132.3225	137	136	138	20	17.0	17.0	-4%	126.39	4.70%	144.90	131.86	134.7	-1.7%	(0.38)
EEM (under \$47)	Short	45.625	47.5	47	48	50	45.0	45.0	-5%	43.33	5.29%	50.40	46.21	46.2	-2.8%	(2.17)
EWB (under \$19.25)	Short	18.68	19.5	19.25	19.75	4.5	4.0	4.0	-5%	17.46	6.98%	20.74	19.20	19.1	-2.1%	(0.78)
GDX (under \$61.5) (New)	Short	55.73	63.5	62.25	64.75	11	10.2	10.2	-14%	54.57	2.12%	67.99	56.10	61.0	-4.1%	(0.61)
SLV	Short	29.21	27	27	27	50	32.0	32.0	8%	22.34	30.73%	28.35	28.62	24.8	-8.9%	1.78
JOF (above \$8.55)	Long	9.4115	8.475	8.4	8.55	0.06	0.06	0.1	10%	8.42	11.78%	7.98	9.43	8.5	-0.3%	(0.18)
EEM (under \$48)	Short	45.625	49	48	50	40	40	40.0	-9%	43.33	5.29%	52.50	46.21	46.2	-6.1%	(2.17)
SLV (under \$28)	Short	29.21	28.5	27	30	50	32.0		-3%	22.34	30.73%	31.50	28.62	25.0	-14.0%	1.78
SMH (under \$34)	Short	36	35	34	36	8	4.5		0%	29.26	23.02%	37.80	35.49	32.0	-9.4%	2.30
EWA (under \$25.5)	Short	25.79	25.5	25	26	3.5	1.9		-1%	22.97	12.27%	27.30	25.78	25.0	-2.0%	0.56
XLB (under \$39)	Short	39.85	39.5	38	41	6	6.0	11.0	-3%	33.85	17.71%	43.05	39.58	38.4	-2.9%	1.13
IWM (under \$79.5) (half)	Short	82.07	79.75	79.5	80	35	29.0		3%	69.54	18.02%	84.00	80.22	73.0	-9.2%	1.29
JJC (under \$59) (half)	Short	60.69	59.5	59	60	0.14	0.1	0.3	1%	48.36	25.49%	63.00	60.62	54.0	-10.2%	1.86
TLT (half)	Long	89.46	89.5	89	90	40	42.0		-1%	98.18	-8.88%	84.55	89.00	95.0	-5.8%	(2.49)
<b>WATCHLIST</b>																
TLT (half)	Long	89.46	89.5	89	90	40	weekly		-1%	98.18	-8.88%	84.55	89.00	95.0	-5.8%	(2.49)
MUB (above \$98.5)	Long	100.79	97.5	97	98	0.30	0.47	0.5	3%	103.43	-2.55%	92.15	98.68	100.0	-2.5%	(2.53)
EWB (under \$21.5)	Short	18.68	21.5	21	22	5			-15%	17.46	6.98%	23.10	19.20	19.1	-12.6%	(0.78)
IWM (under \$78) (half)	Short	82.07	79	78	80	175	weekly		3%	69.54	18.02%	84.00	80.22	73.0	-8.2%	1.29
QQQQ (under \$56)	Short	58.44	57.25	57.25	57.25	250	weekly		2%	49.71	17.57%	60.11	57.46	53.0	-8.0%	1.50
QQQQ (under \$56)	Short	58.44	57.25	57.25	57.25	50	59.0		2%	49.71	17.57%	60.11	57.46	53.0	-8.0%	1.50
EWA (under \$25.75)	Short	25.79	26.5	26	27	16	weekly		-4%	22.97	12.27%	28.35	25.78	25.0	-6.0%	0.56
XLV	Long	32.38	30.75	30.5	31	3			4%	30.28	6.95%	28.76	32.24	31.5	-2.4%	(2.30)
XLE (under \$75, touch)	Short	74.11	76.5	75	78	60	weekly		-5%	59.17	25.25%	81.90	74.05	68.5	-11.7%	2.41
JJC (under \$59) (half)	Short	60.69	59.75	59.5	60	0.14			1%	48.36	25.49%	63.00	60.62	54.0	-10.6%	1.86
XLU	Long	32	30.5	30.25	30.75	4.5			4%	30.82	3.84%	28.74	31.88	31.5	-3.2%	(2.20)
XLP	Long	29.58	28.05	27.8	28.3	3.8			5%	27.87	6.13%	26.41	29.27	29.3	-4.1%	(3.02)
IYT	Short	94.68	95	94	96	0.65			-1%	83.44	13.46%	100.80	91.77	92.0	-3.3%	0.45
													<b>PQV Drawdown Minimisation factor</b>		<b>-6.2%</b>	
PQV Test validated within 5 to 7% of asking																
Criteria has temporarily exceeded																
volume still higher than the test volume no result																
Revised Confluence Values & Stoploss																
Close under situations in gray																

## Ratio of HQ v/s LOW QLTY - 1 yr

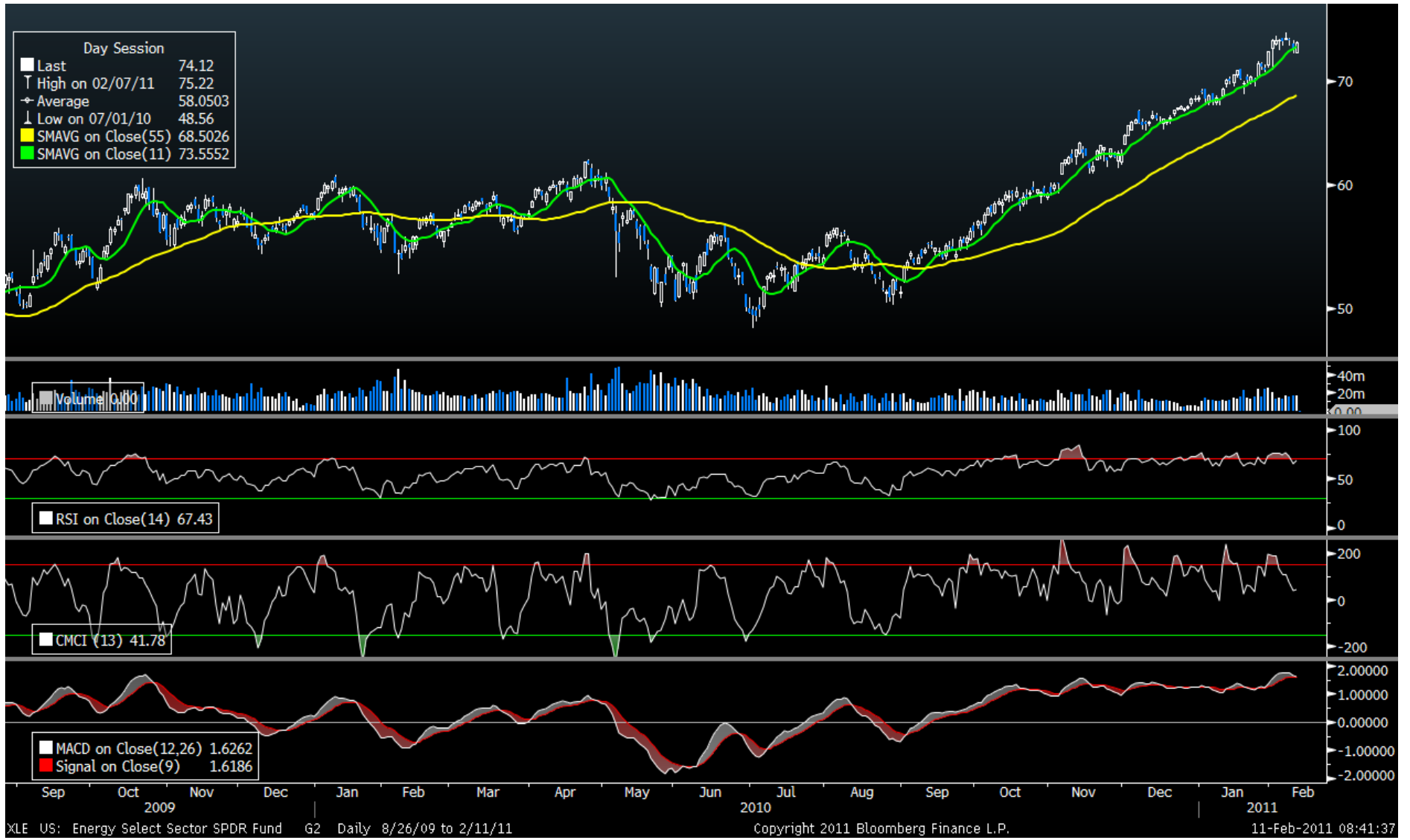


# ETF's Qualified for SD # 2 - Over / Under valuation by POM Methodology

## XLE - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

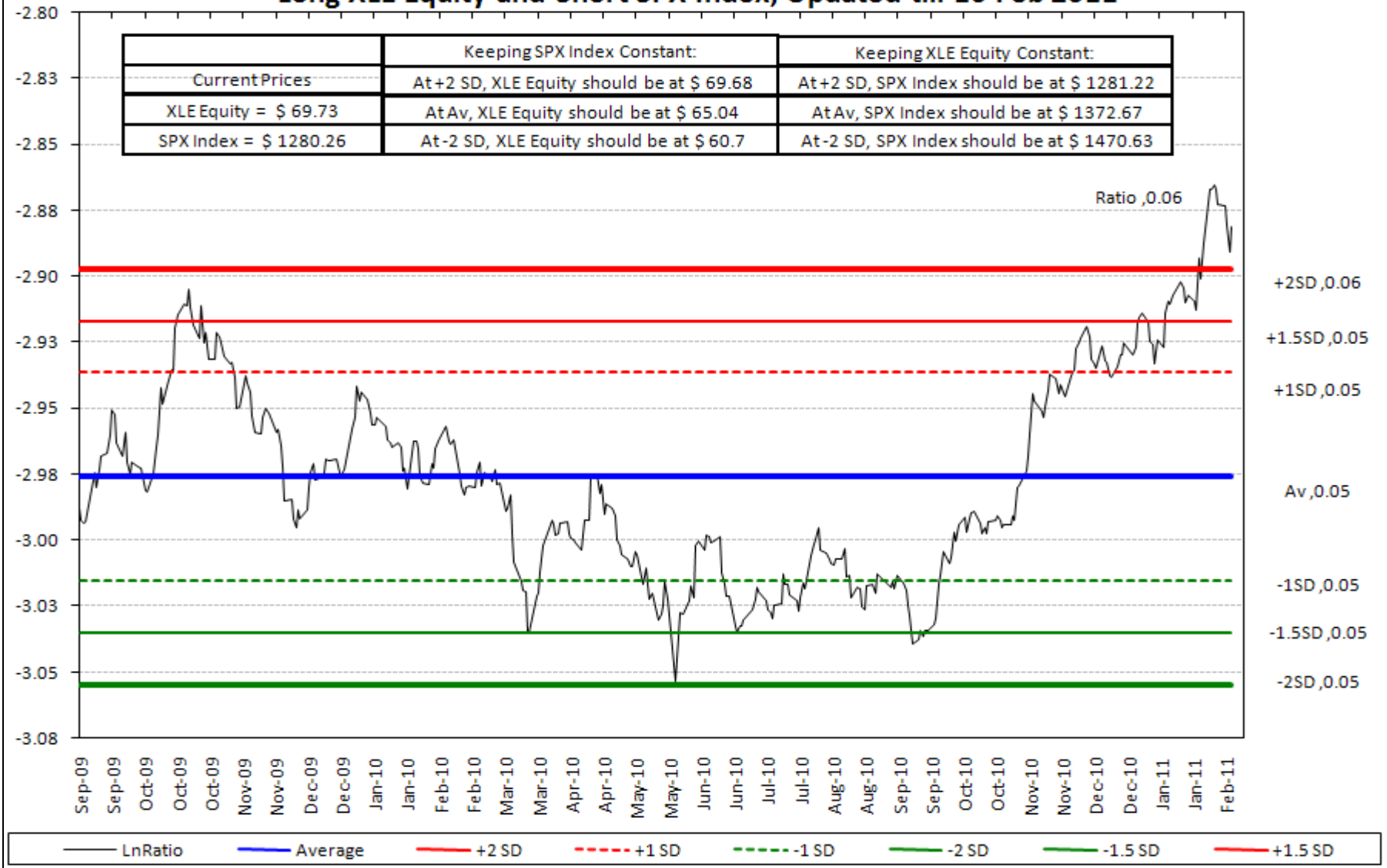


# XLE - Daily – 3 Year with **11 W / 40 W SMA** with RSI, CCI, MACD



# XLE Correlation Ratio Analysis with SPX – 365 days Time basis

**Long XLE Equity and Short SPX Index, Updated till 10 Feb 2011**



## XLE Correlation Ratio Analysis with SPX – Full Time basis

### Long XLE Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS





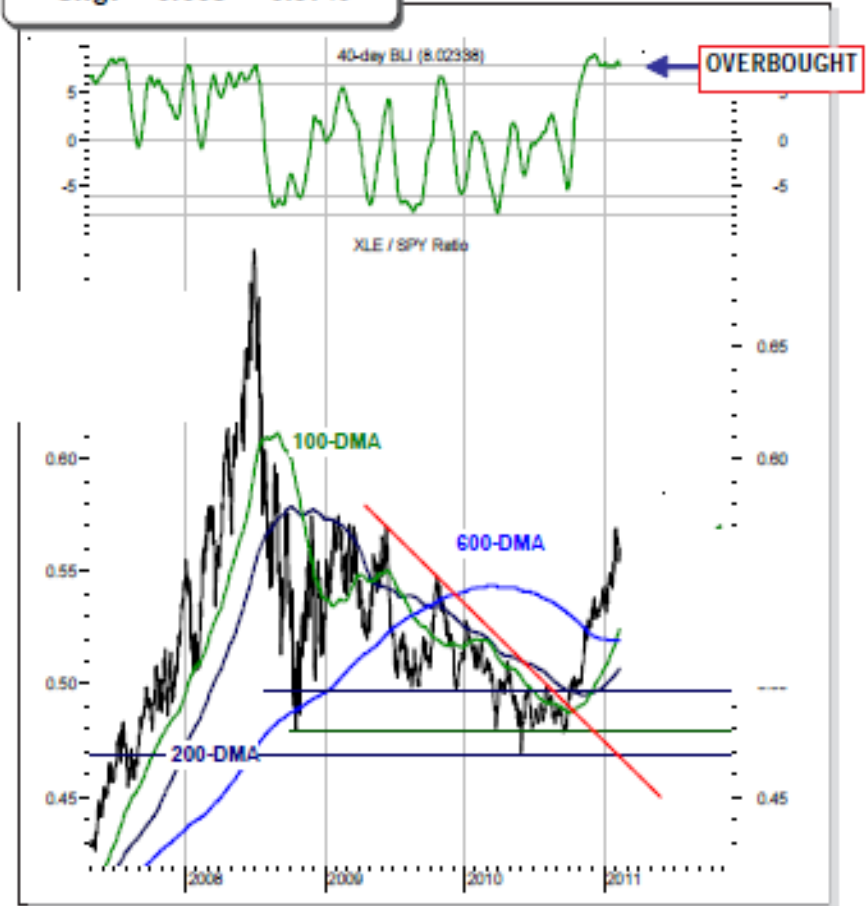
# XLE- Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 3 weeks.

S&P Energy	XLE
Last: \$ 74.12	
Chg: \$ 0.75	1.01%



RATIO: XLE / SPY
Last: 0.560
Chg: 0.005 0.97%



## - XLE - PQV Analysis (Wkly)

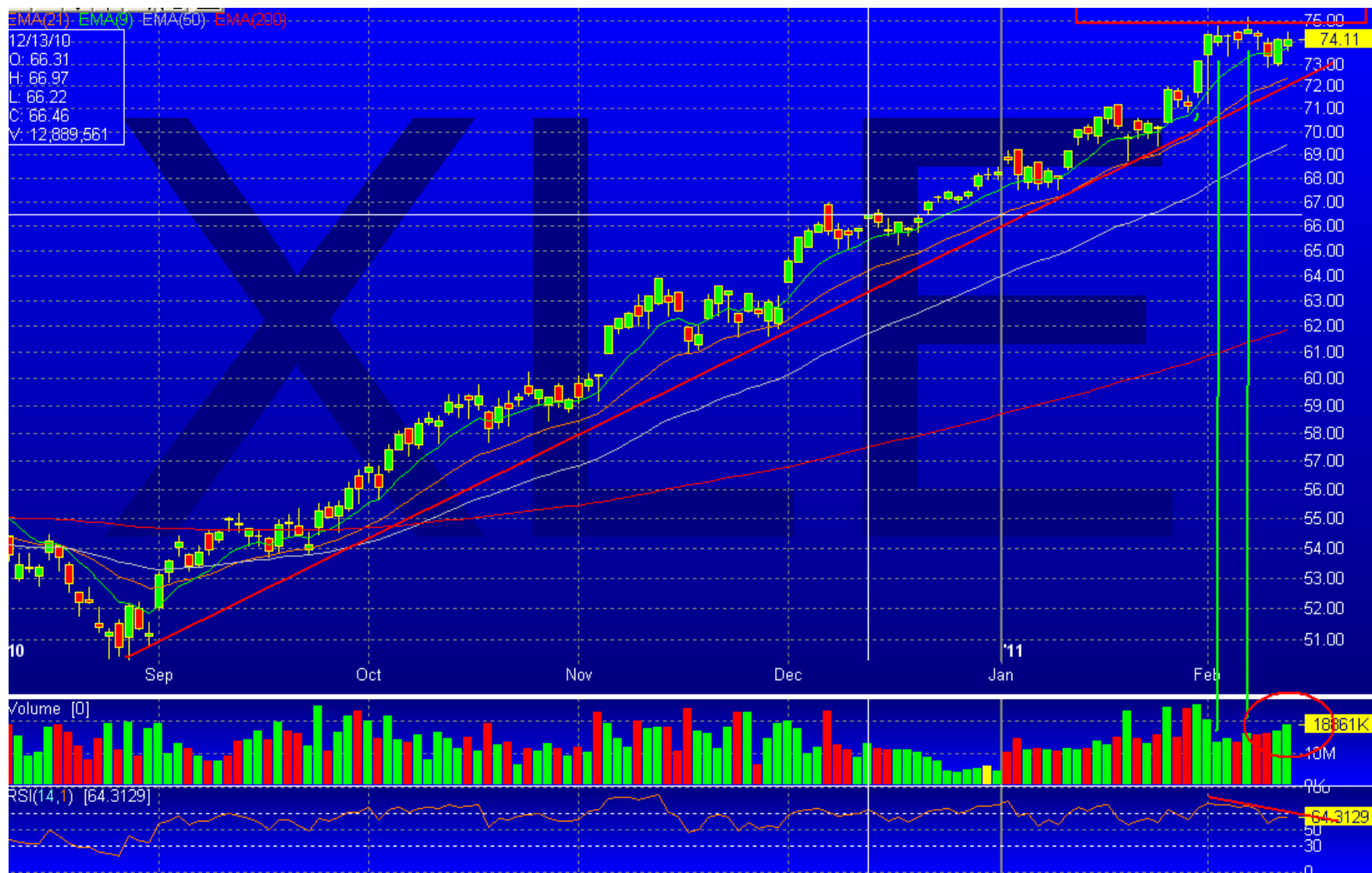
*XLE had a false break upside indicated by Pink line, but stock can still go higher to next level, PQV force has kept us away from harm's way. Currently wkly RSI at 90 (which is very rear to achieve).*

*Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 75 to 78 but prices need to fail on volume, We rather see this go to 77 on 60 M shares weekly and close under 75 , but weekly volume is still heavy and daily 3x3 is also heavy on up move*

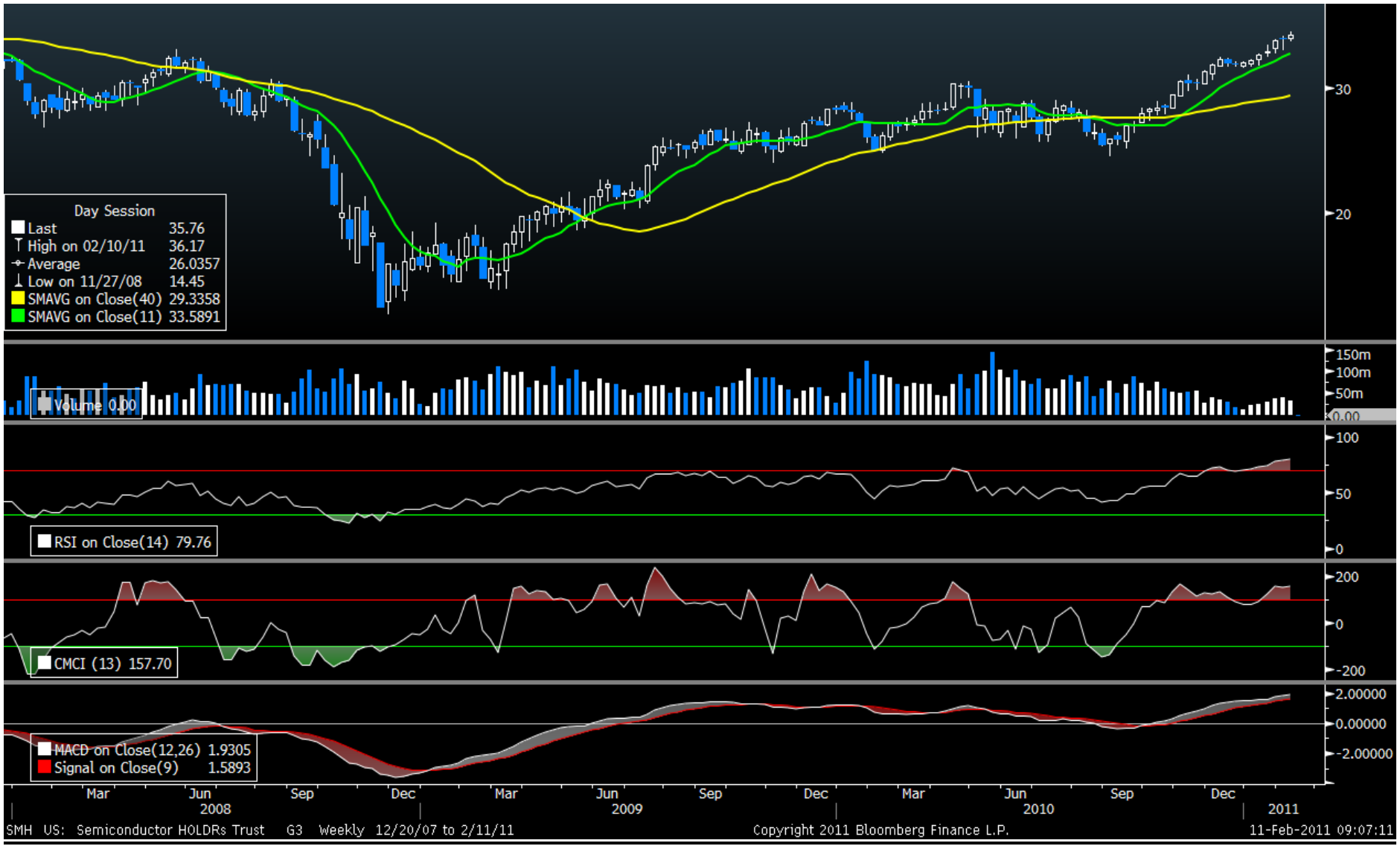


## XLE - PQV Analysis (Daily)

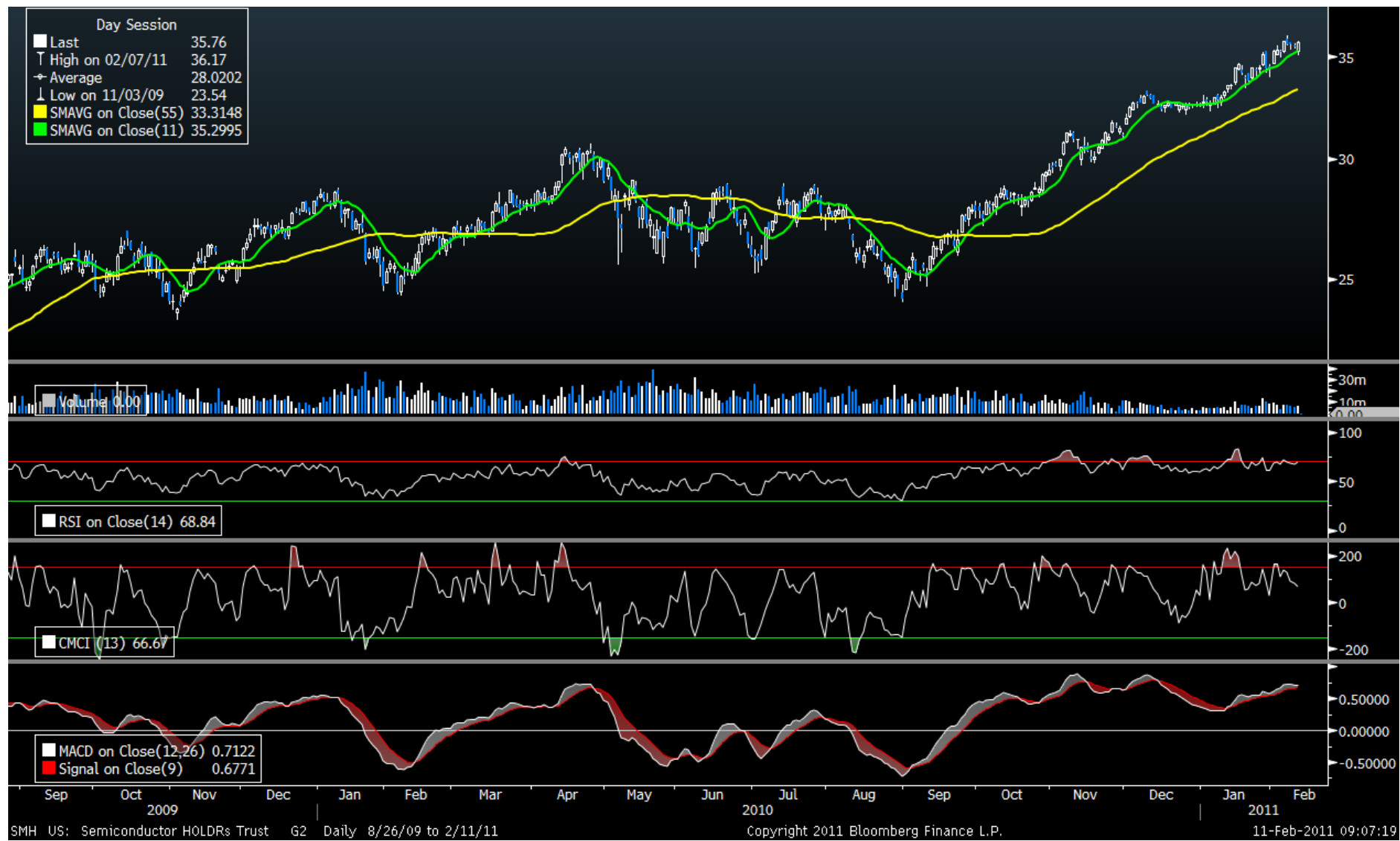
*XLE on daily basis, Although RSI is diverging, Price wise it just touched the CZ/ UL @ 75 and volume expanded on 3x3 hence weekly signal rules. Interesting to note that Daily RSI is lower then weekly RSI which is good sign of Intermediate topping*



**SMH- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD**

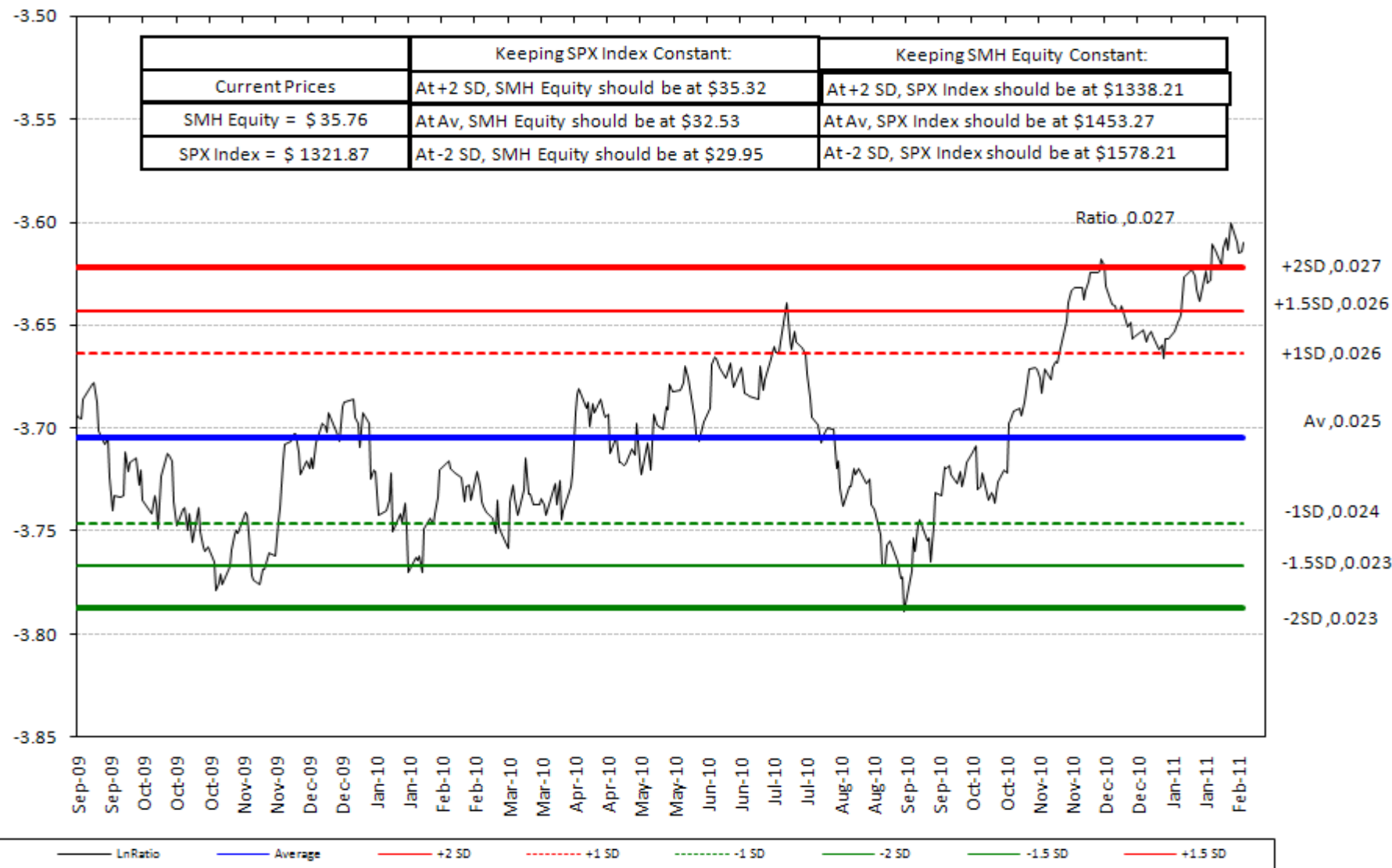


# SMH - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



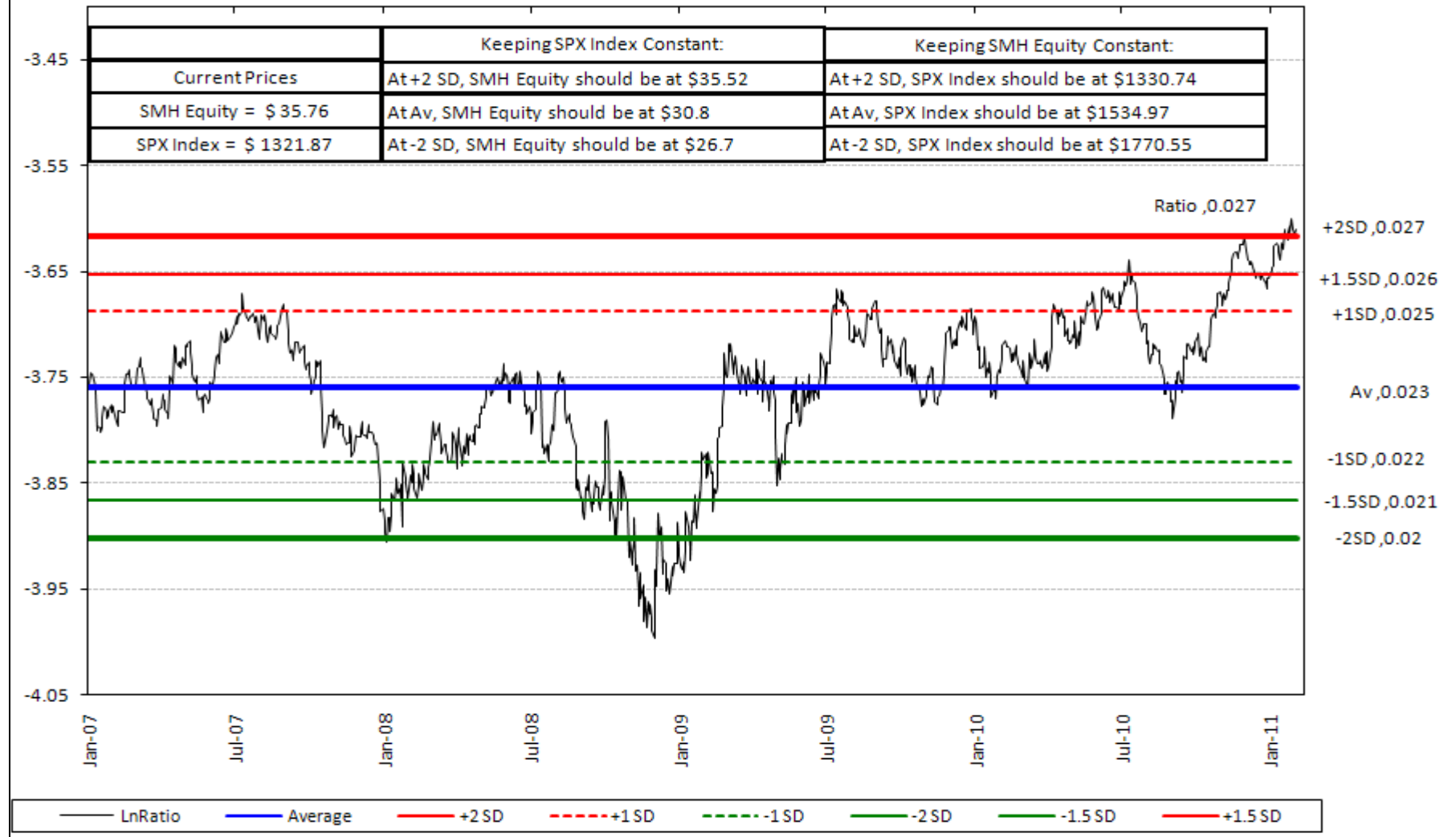
## SMH Correlation Ratio Analysis with SPX – 365 days Time basis

Long SMH Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



# SMH Correlation Ratio Analysis with SPX – Full Time basis

Long SMH Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS

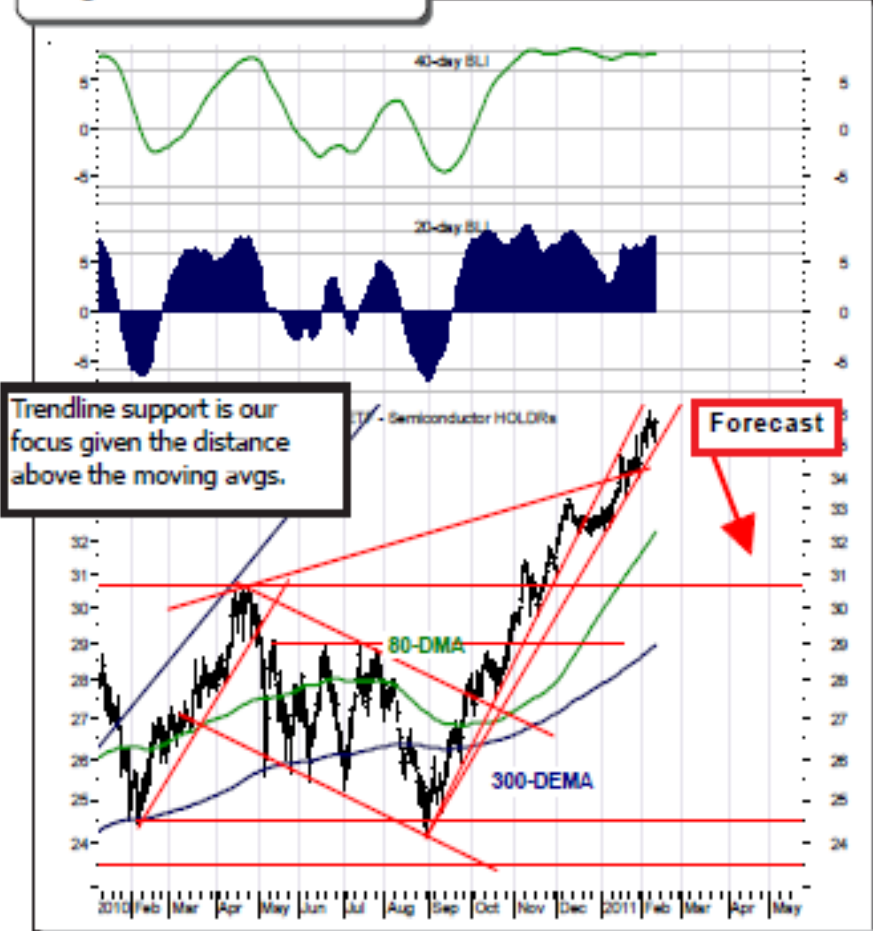


# SMH – Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. Currently in CZ and Validated PQV

Semiconductor	SMH
Last: \$	35.76
Chg: \$	0.18 0.50%

RATIO: SMH / SPY
Last: 0.270
Chg: 0.001 0.46%

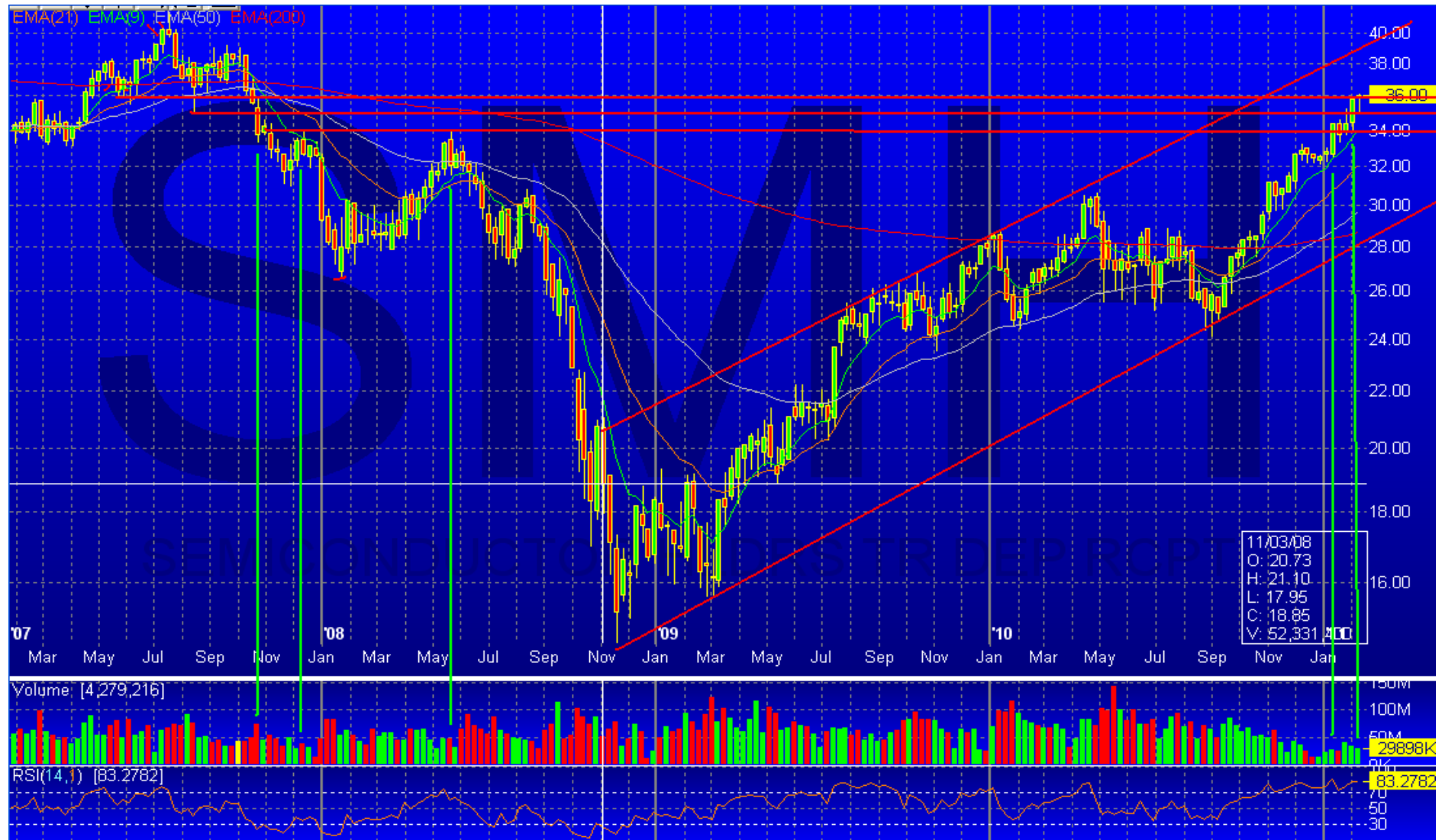




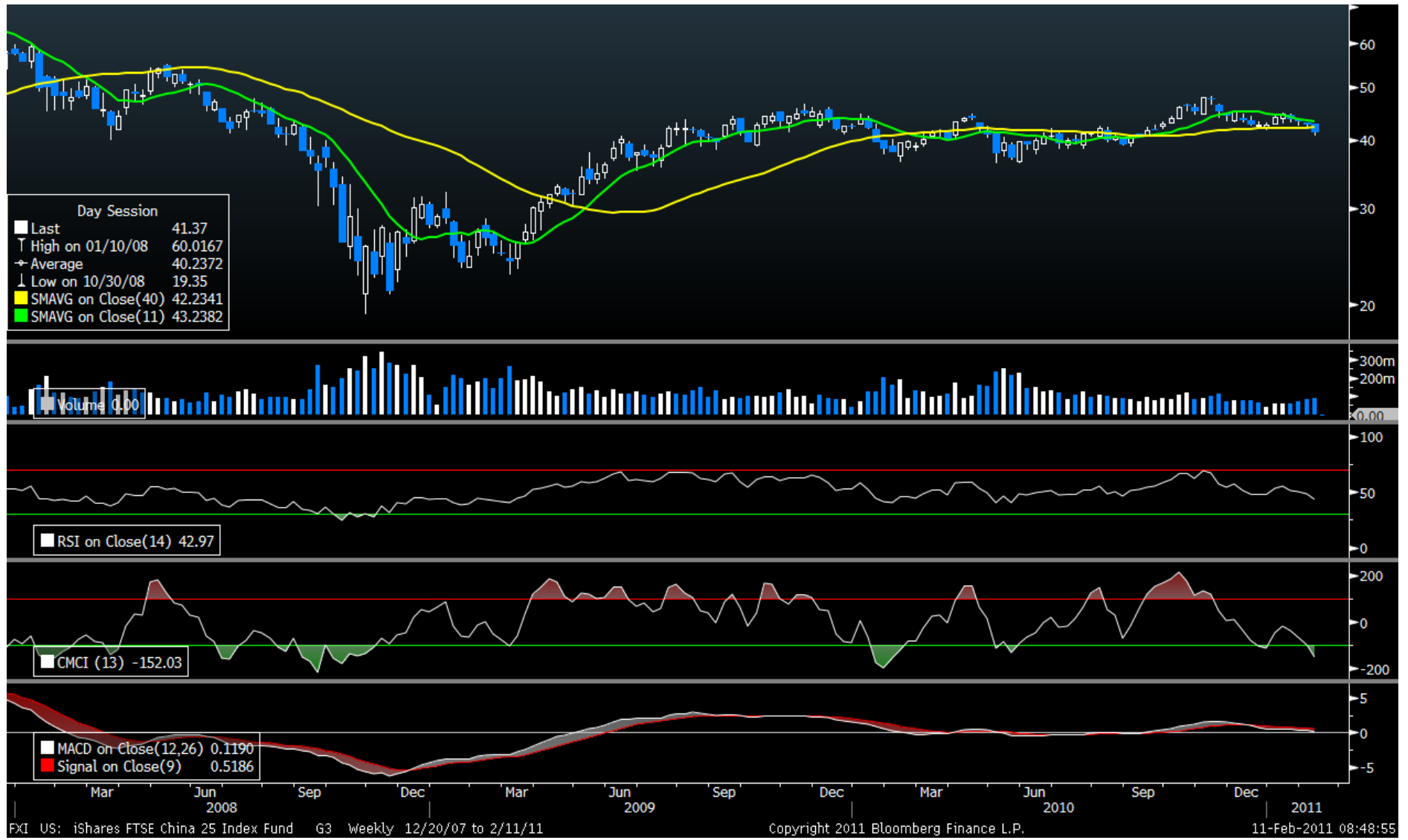
## SMH – Price / Volume (No Change)

SMH came our test zone defined by May 084 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M, this was triggered. On risk reward as always the stop on other side of CZ.

On weekly ( This week), the Volume test should fail, If we close below 34 on week and month, It should be another good failure. ( wkly volume 27m )



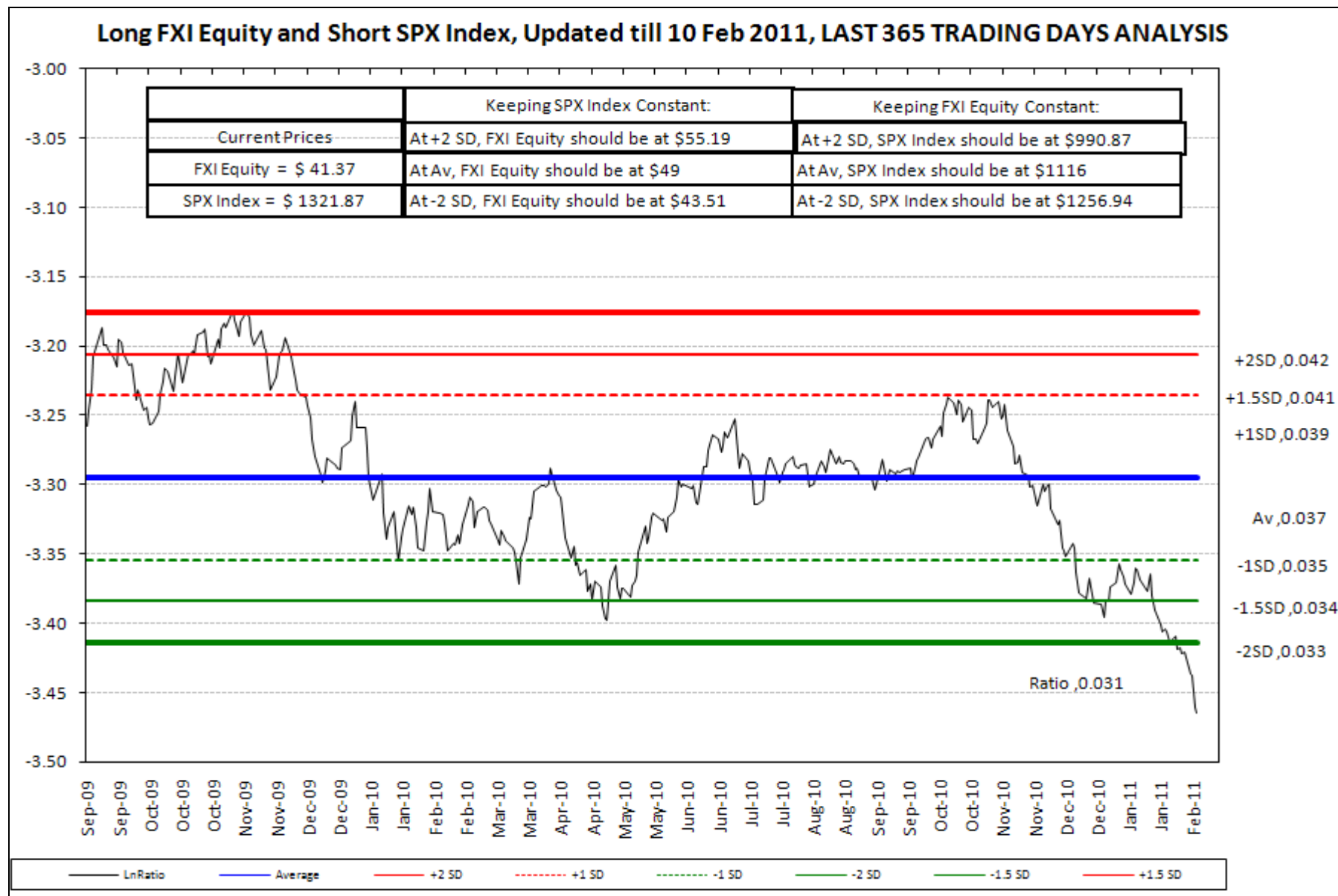
# FXI - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



# FXI - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



## FXI Correlation Ratio Analysis with SPX – 365 days Time basis



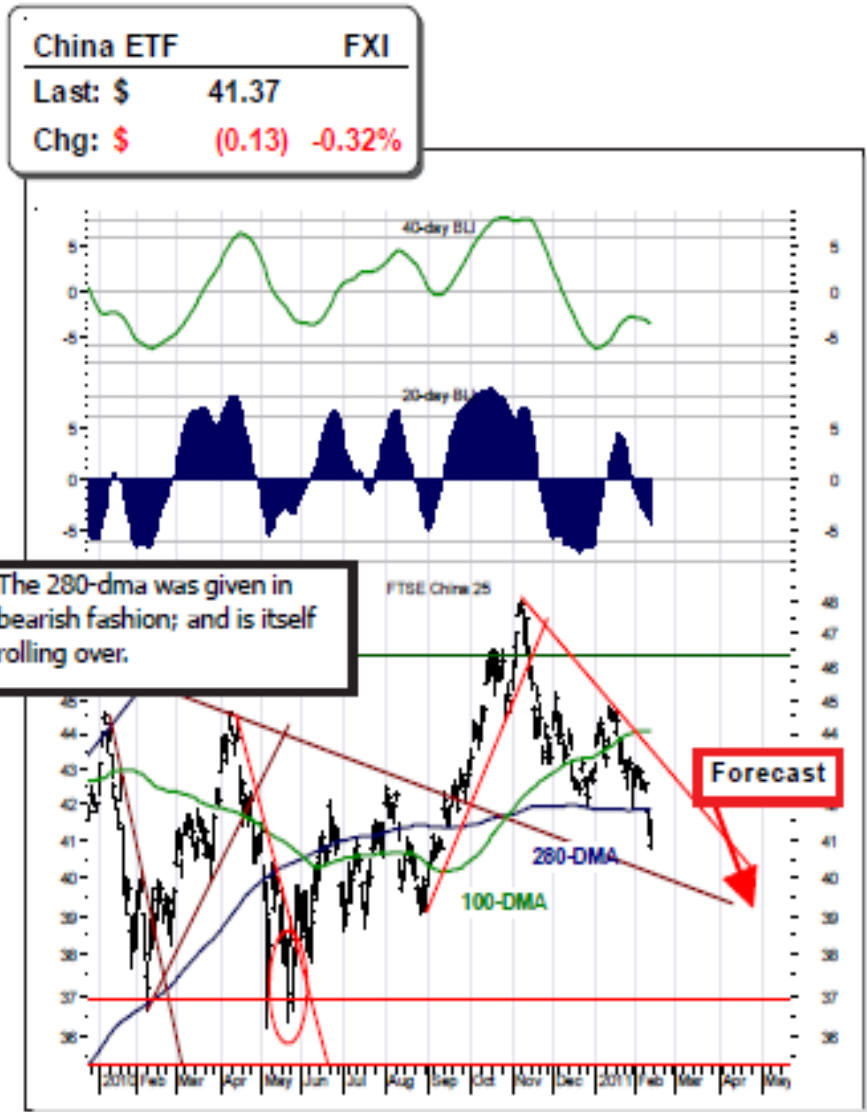
## FXI Correlation Ratio Analysis with SPX – Full Time basis

### Long FXI Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS

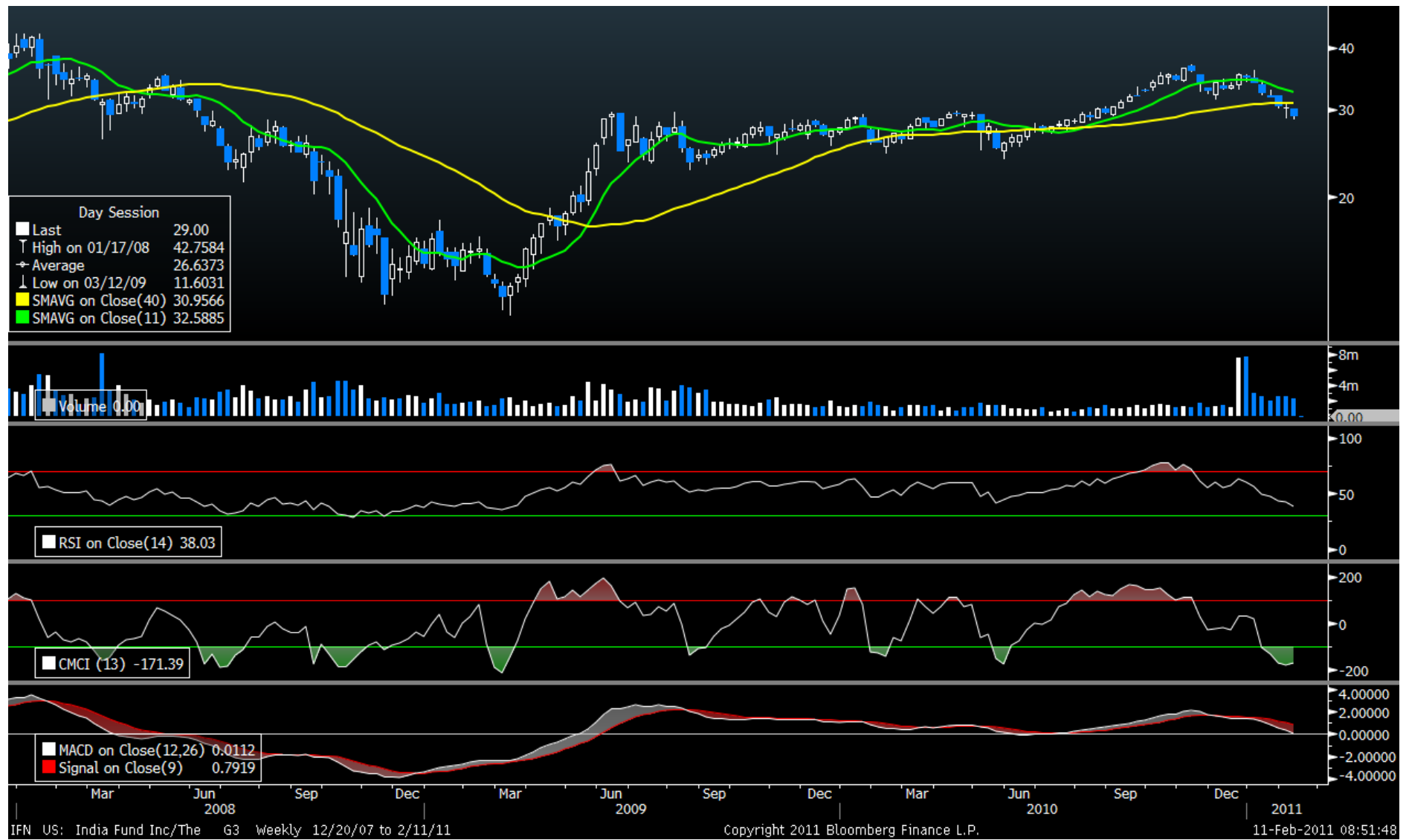


# FXI – Technical & Pattern Analysis

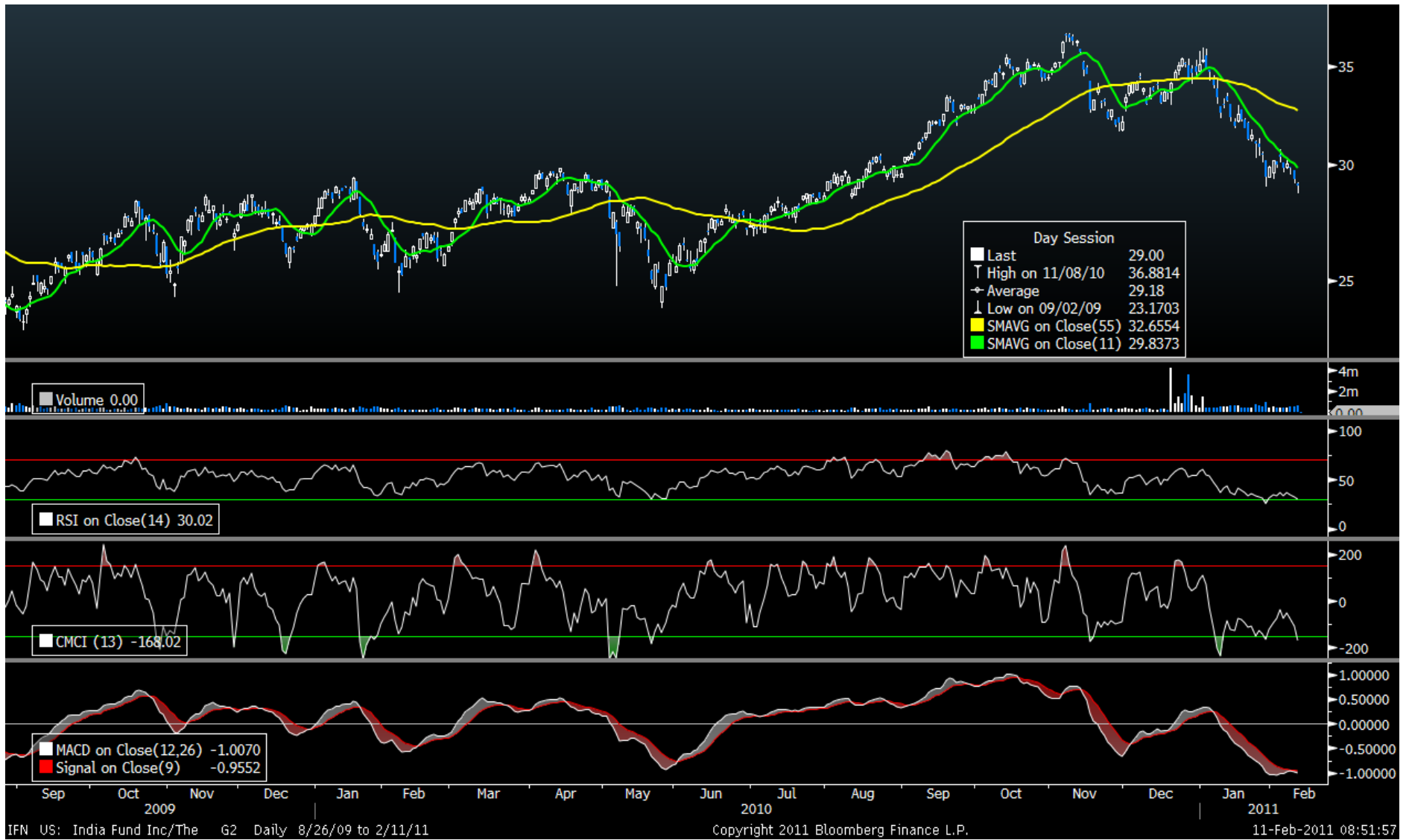
Mid term has been in bearish on China for while , On SHORT TERM FXI is very oversold by various matrix & calls from bounce but it has violated the CZ on heavy volume . These lows will be tested if not Broken ( Currently FXI is at SD # -2 )



# IFN- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



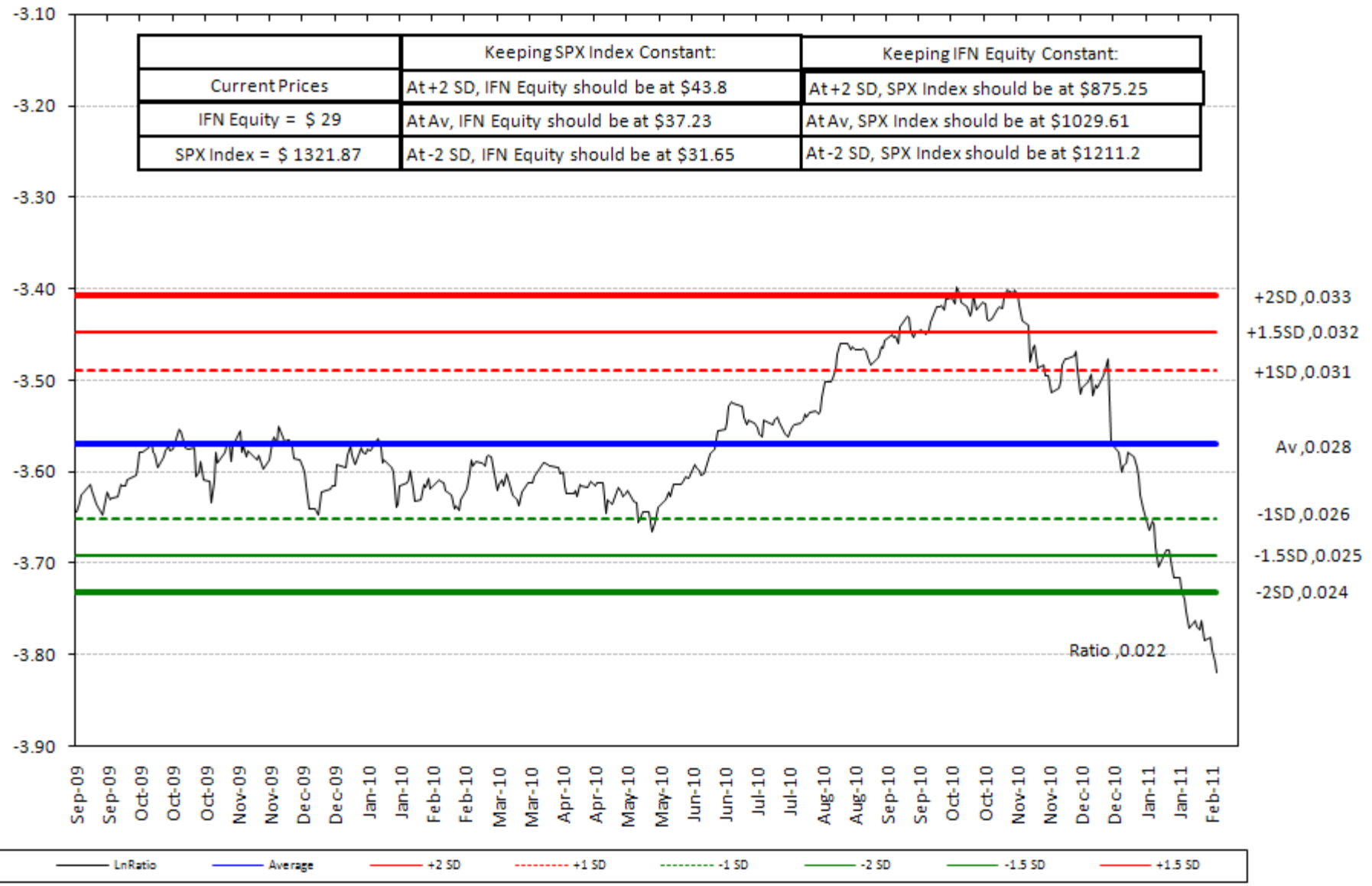
# IFN - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD





## IFN Correlation Ratio Analysis with SPX – 365 days Time basis

**Long IFN Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



## IFN Correlation Ratio Analysis with SPX – Full Time basis

### Long IFN Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



## IFN – Technical & Pattern Analysis

Although very oversold by various matrix, ( Including SD # -2) . It has entered our CZ and bounce should come in any time however the volume is bit heavy suggests that this area will be tested again if not broken. The Core Sensex Index achieved our Price target of 18000 and over shot to 17300 , we could very well see 1000 plus point rally here.

India ETF	IFN
Last: \$ 29.00	
Chg: \$ (0.30) -1.03%	

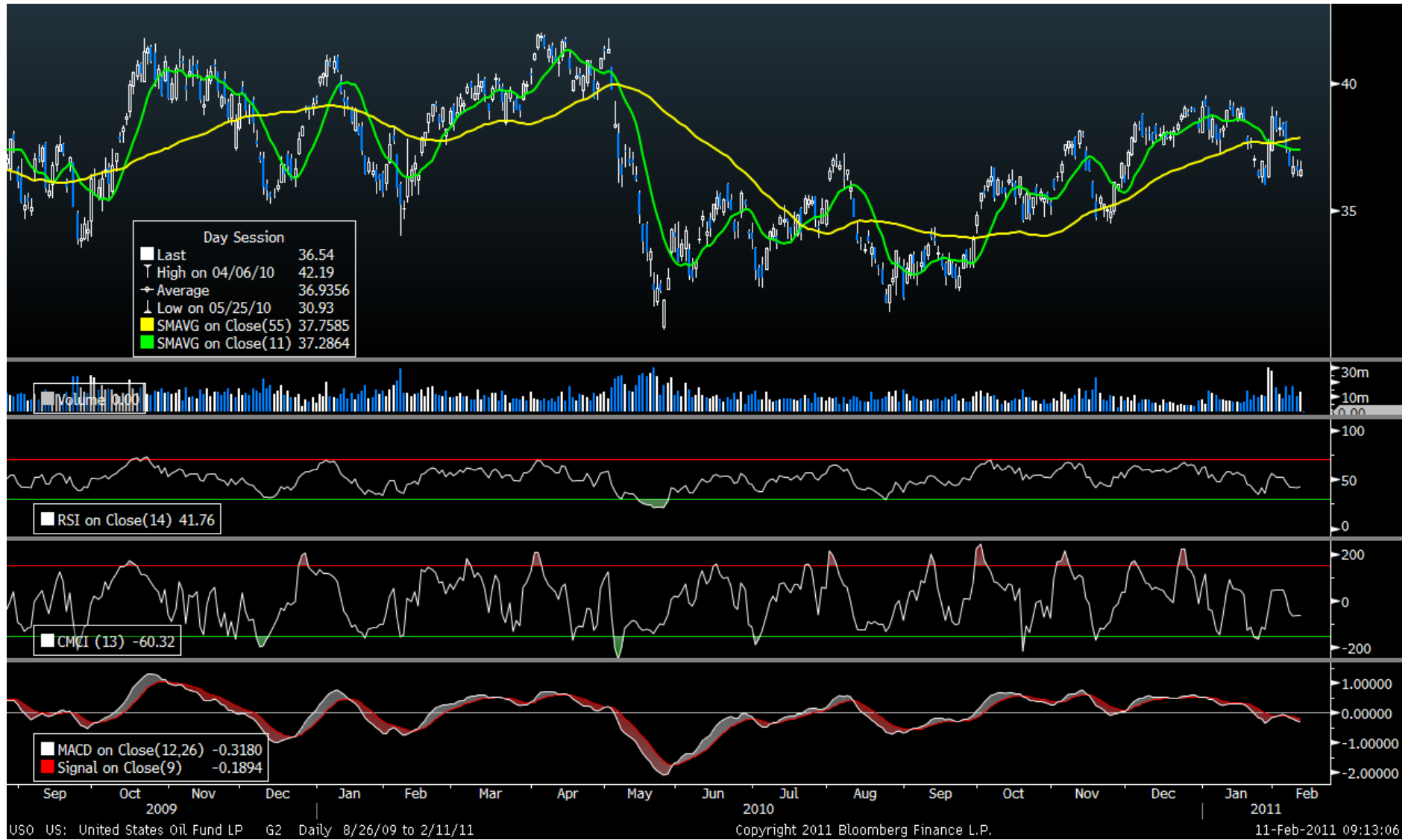
RATIO: IFN / SPY
Last: 0.219
Chg: (0.002) -1.07%



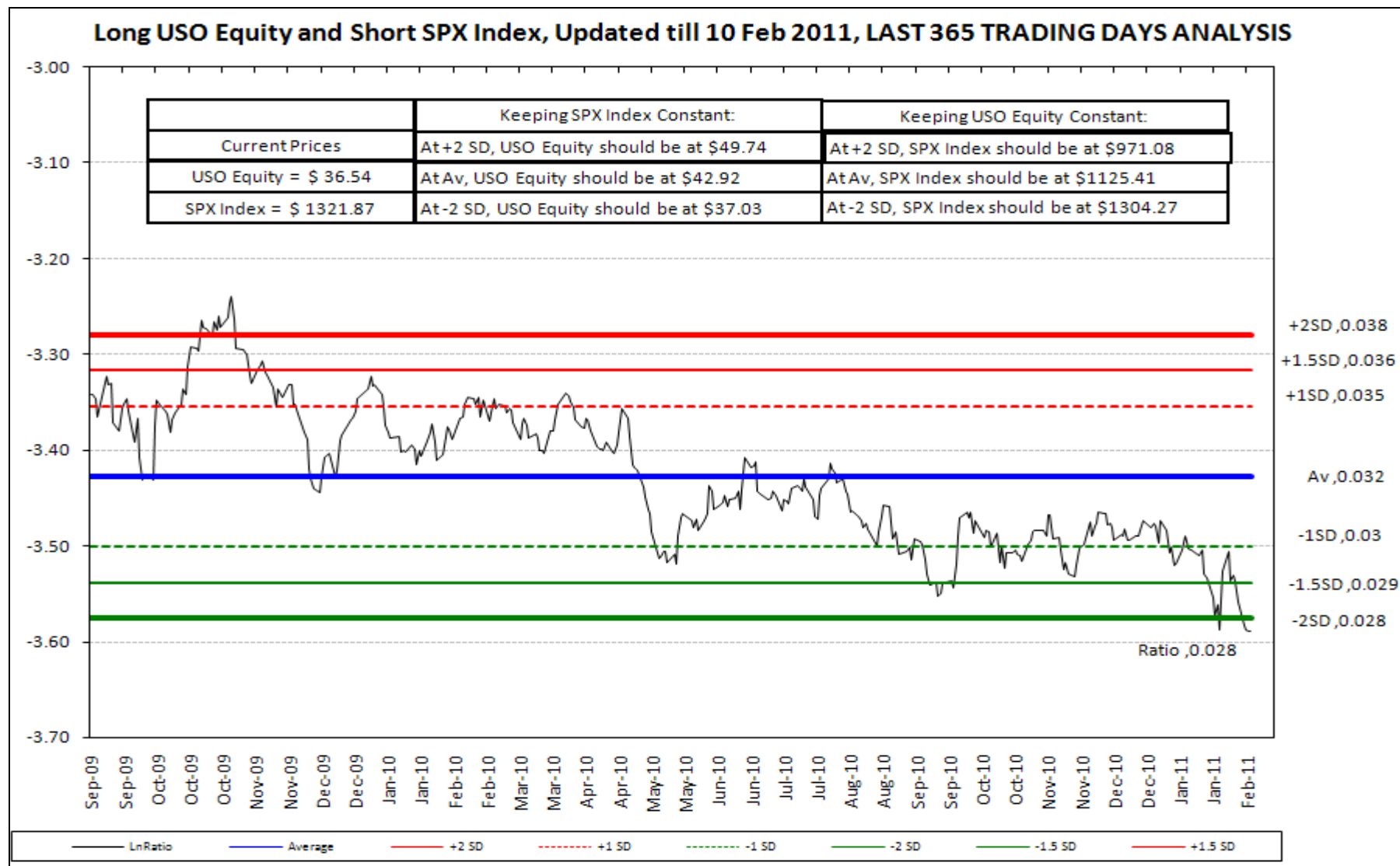
**USO- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD**



# USO - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



## USO Correlation Ratio Analysis with SPX – 365 days Time basis



## USO Correlation Ratio Analysis with SPX – Full Time basis

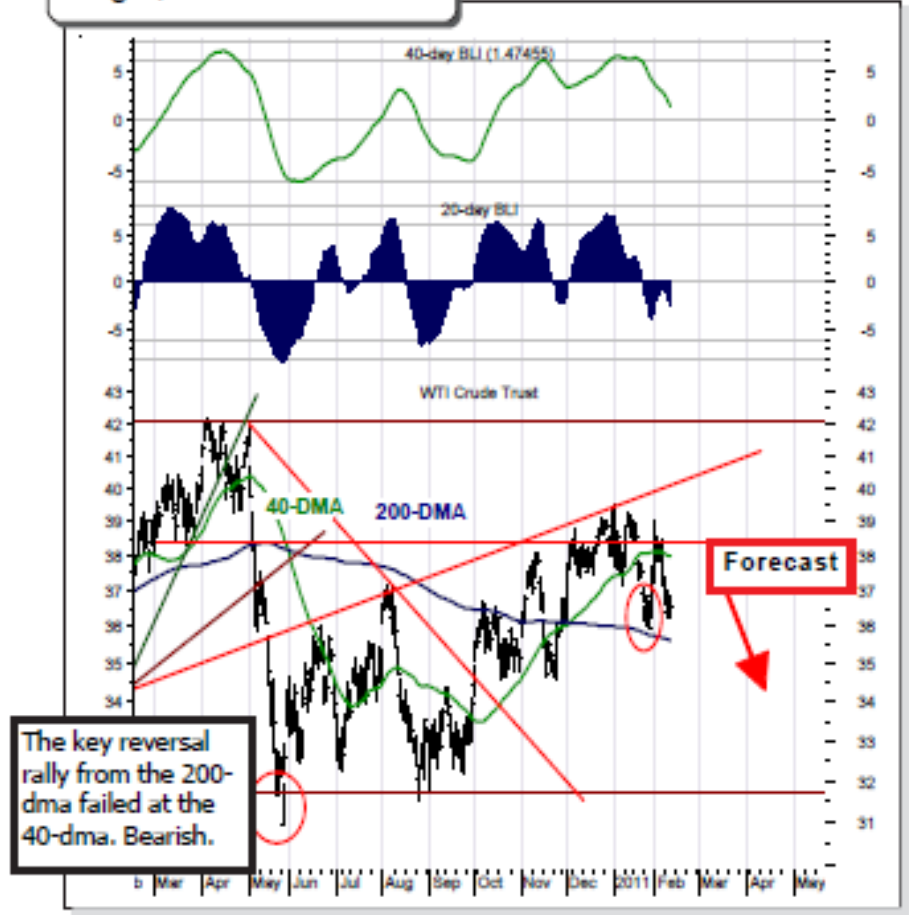
### Long USO Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



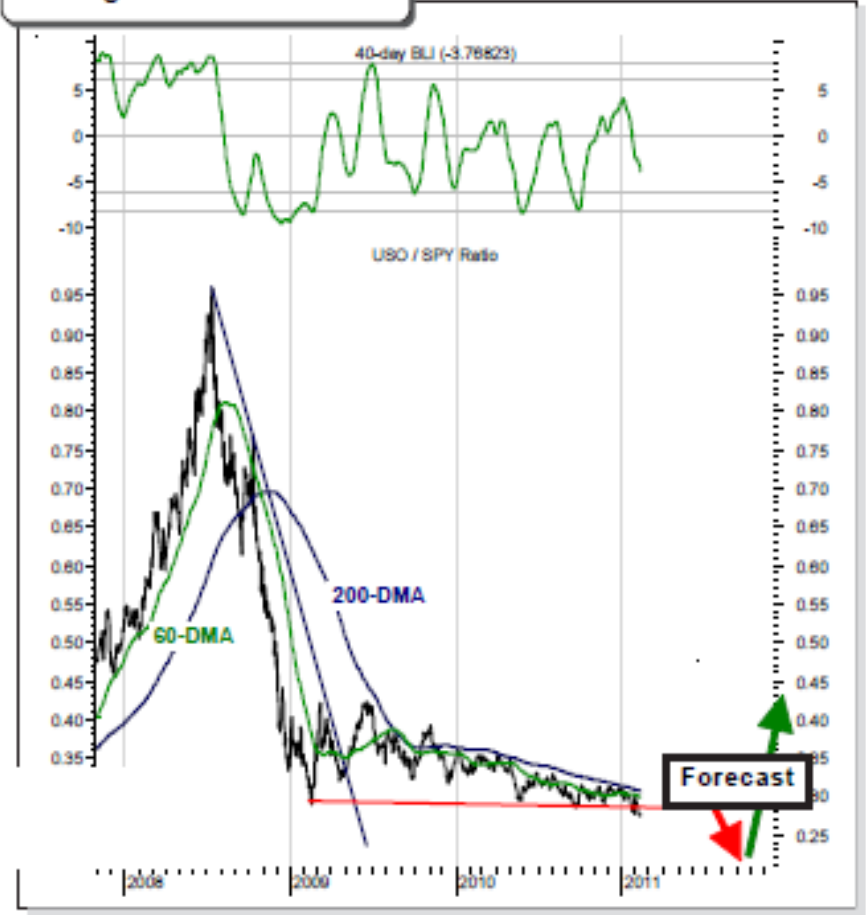
## USO – Technical & Pattern Analysis

*Although Ratio Pattern is setting up Bullishly, there may be little more work to do on downside. We rather wait for XLE to pull back then to plot CZ / PQV to get sense of pull back.*

Crude Oil ETF	USO
Last: \$	36.54
Chg: \$	0.04 0.11%

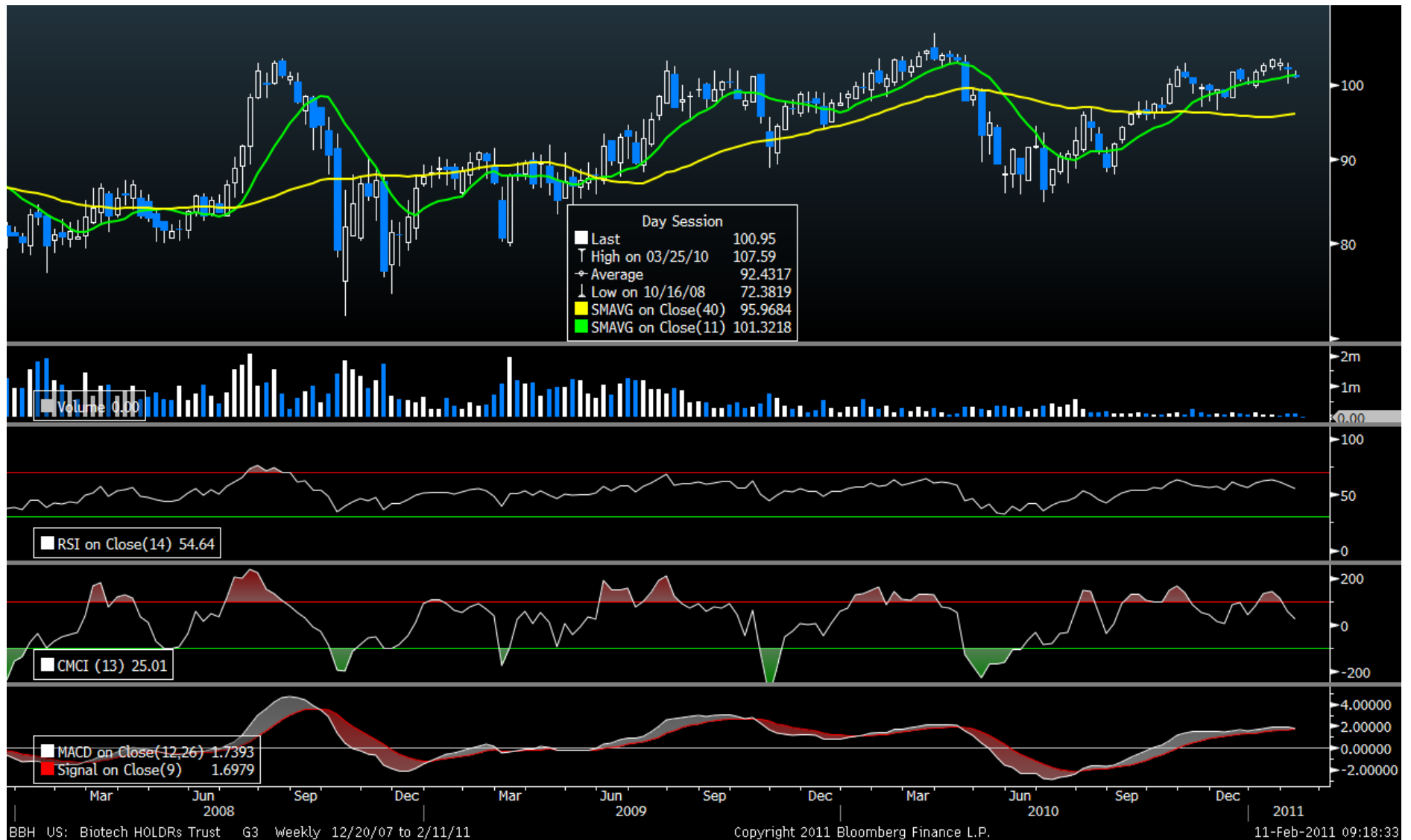


RATIO: USO / SPY
Last: 0.276
Chg: 0.000 0.07%

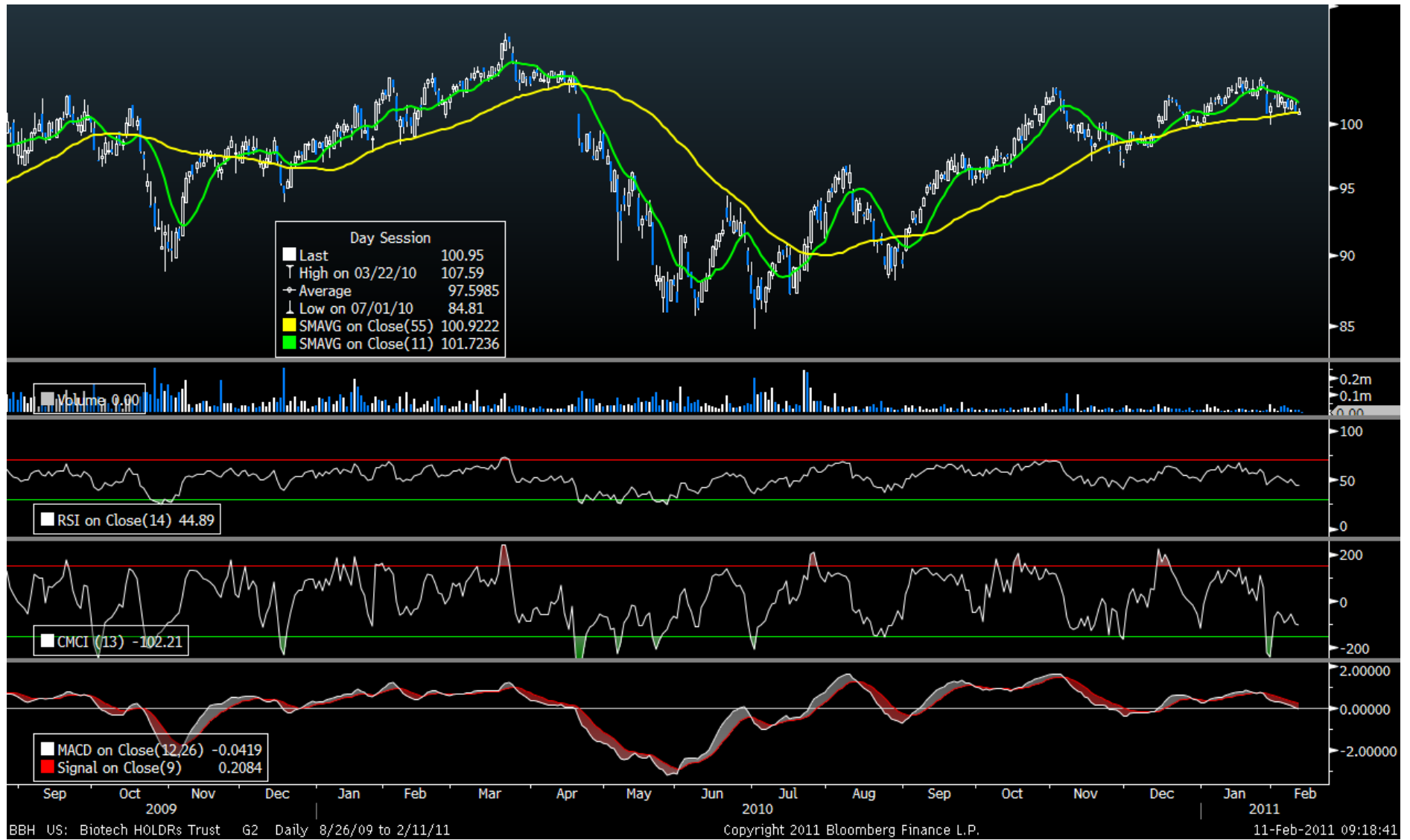




# BBH- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

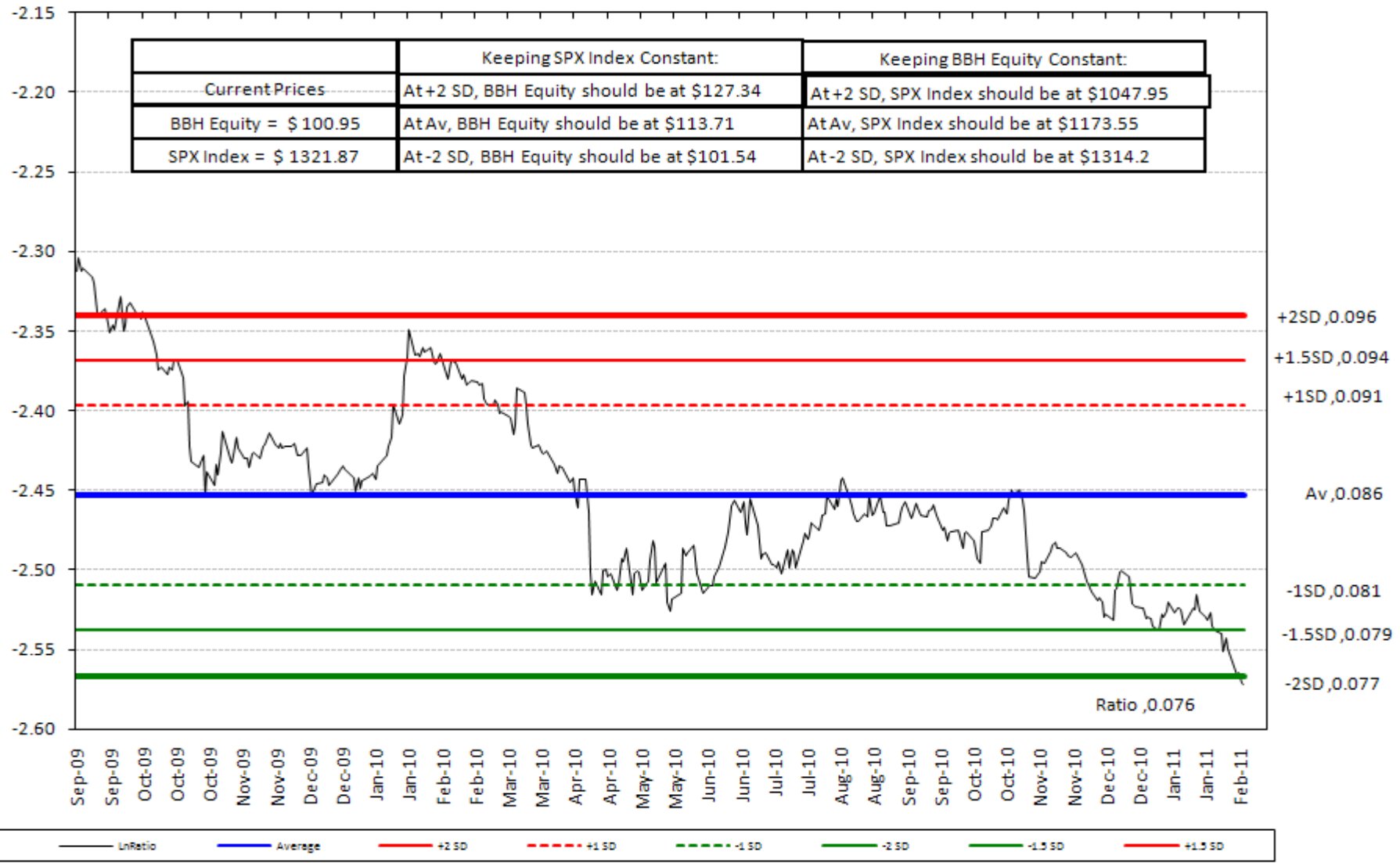


# BBH - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



# BBH Correlation Ratio Analysis with SPX – 365 days Time basis

Long BBH Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



## BBH Correlation Ratio Analysis with SPX – Full Time basis

### Long BBH Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



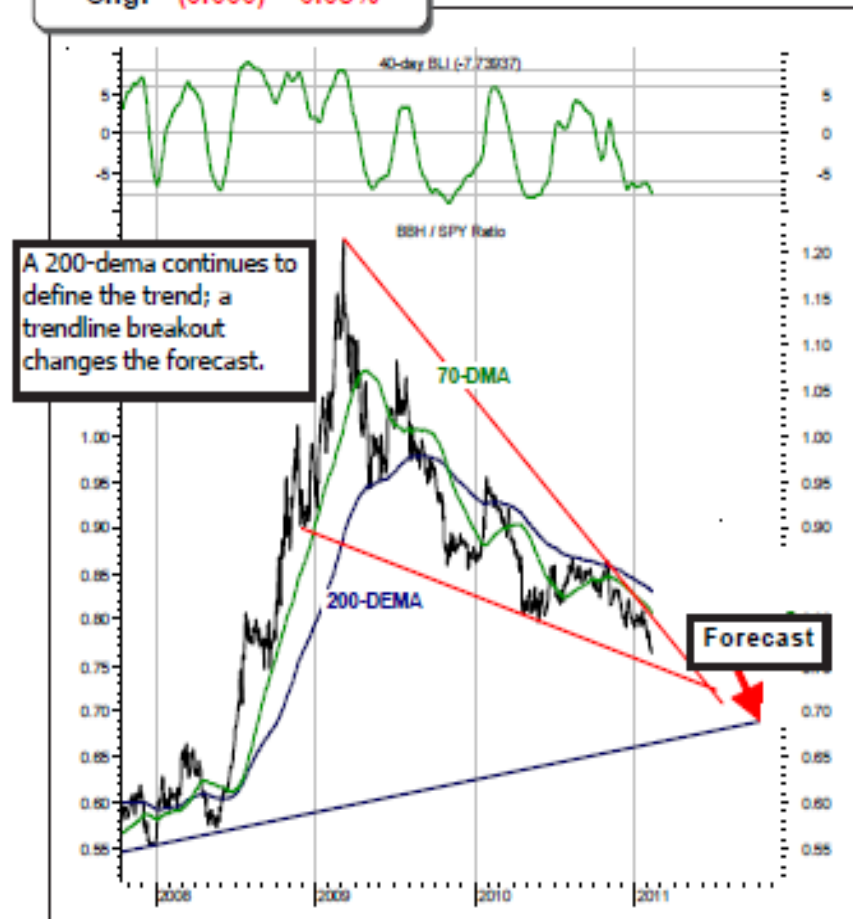
## BBH – Technical & Pattern Analysis

Although Ratio Pattern is setting up Bullishly, there may be little more work to do. we rather wait for SPX to pull back then to plot CZ / PQV to get sense of pull back in BBH

Biotech	BBH
Last: \$	100.95
Chg: \$	(0.01) -0.01%

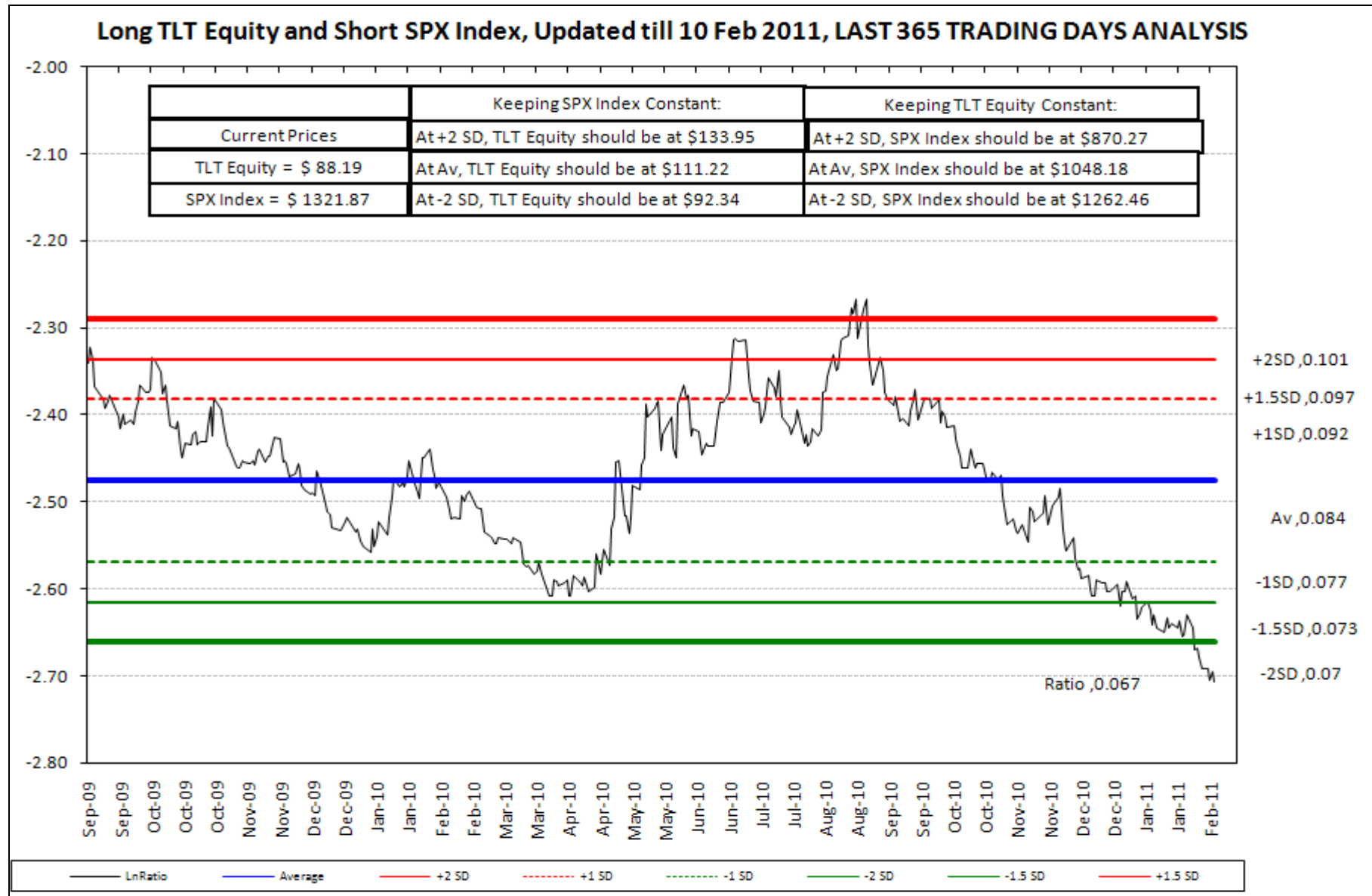


RATIO: BBH / SPY
Last: 0.763
Chg: (0.000) -0.05%



**TLT - VALIDATED CZ -PQV – Refer to yesterdays MS Report – A # 2)**

**TLT Correlation Ratio Analysis with SPX – 365 days Time basis**



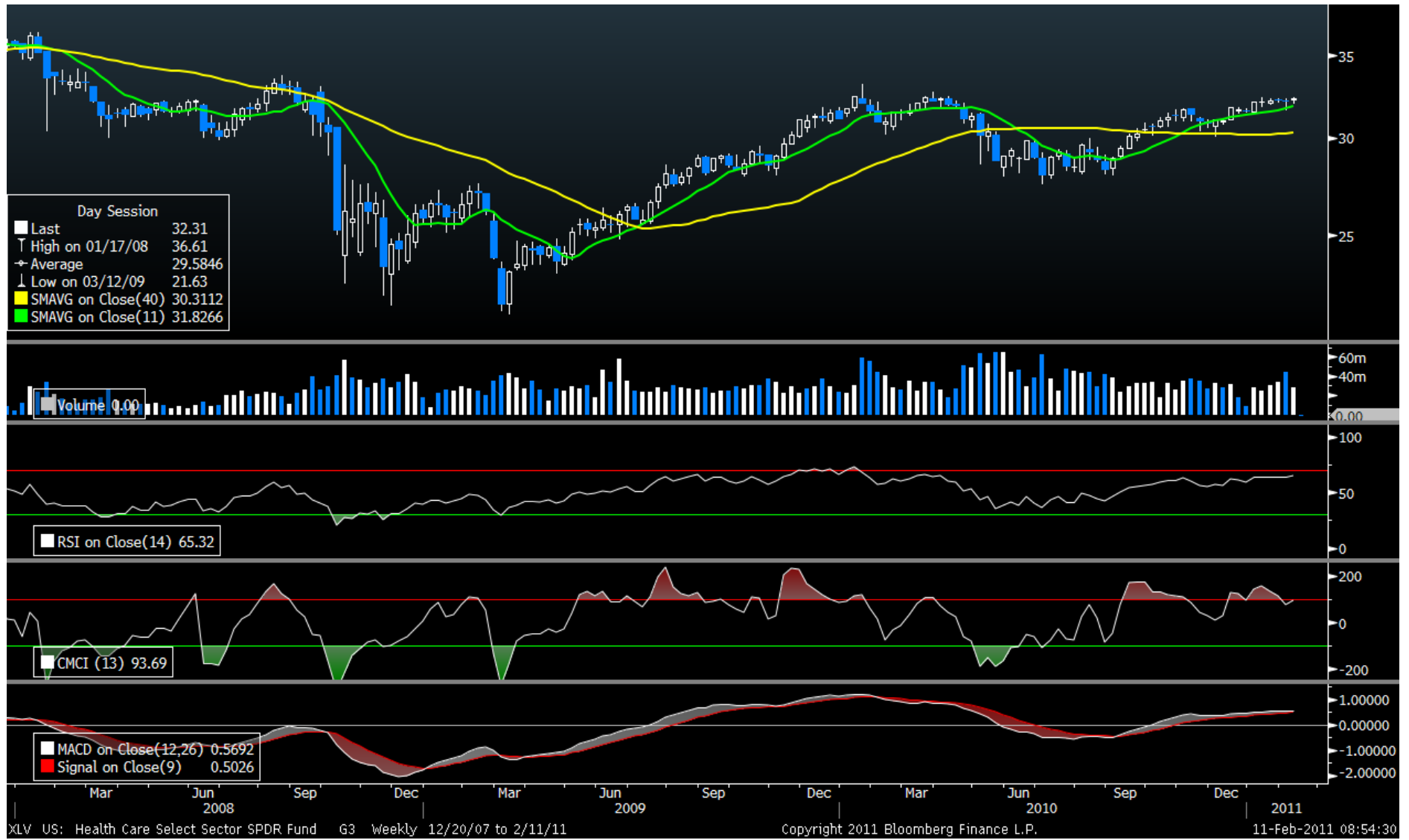
## TLT Correlation Ratio Analysis with SPX – Full Time basis

### Long TLT Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



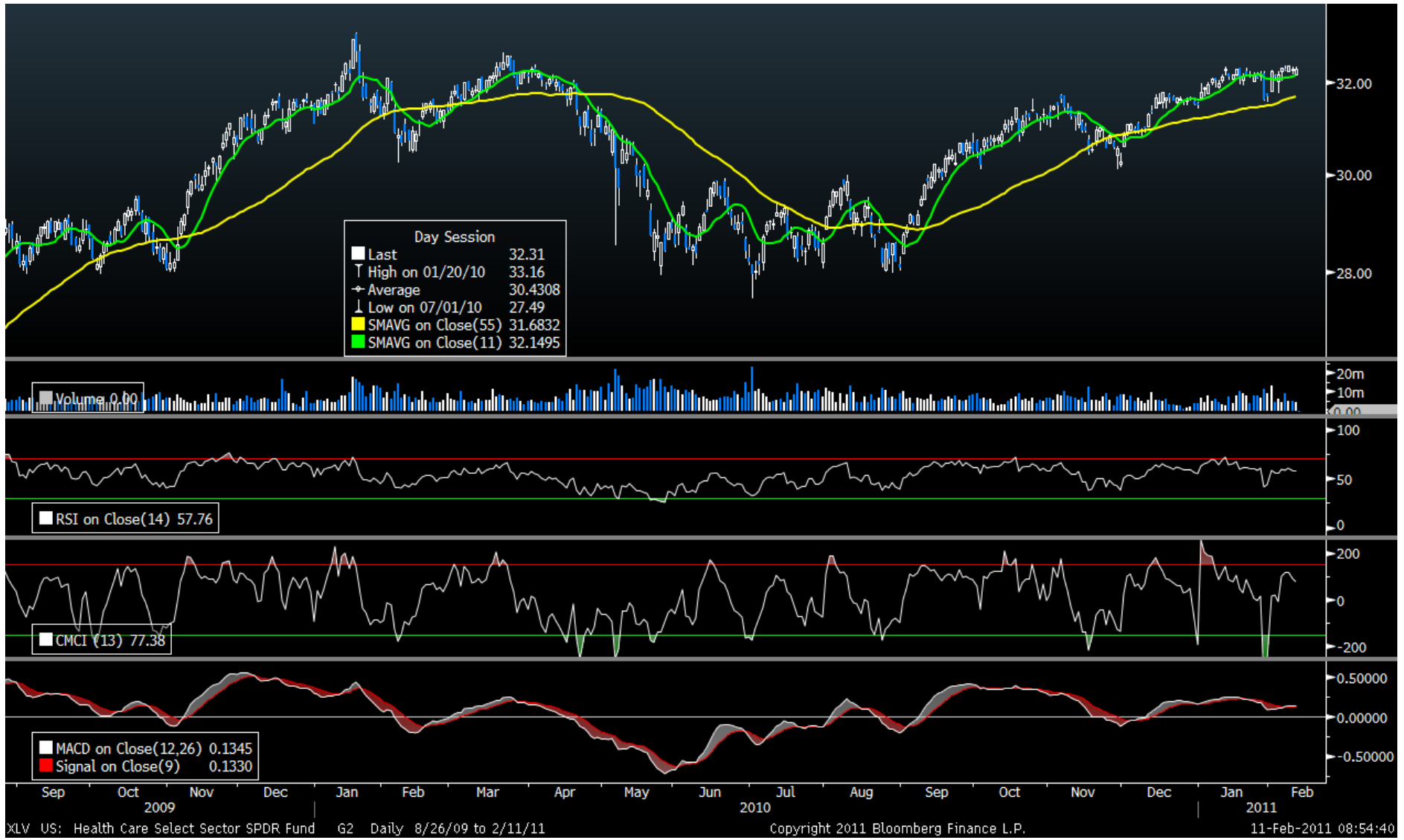
# MONITORING CZ -PQV in Sector Watch list Report )

## XLV - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



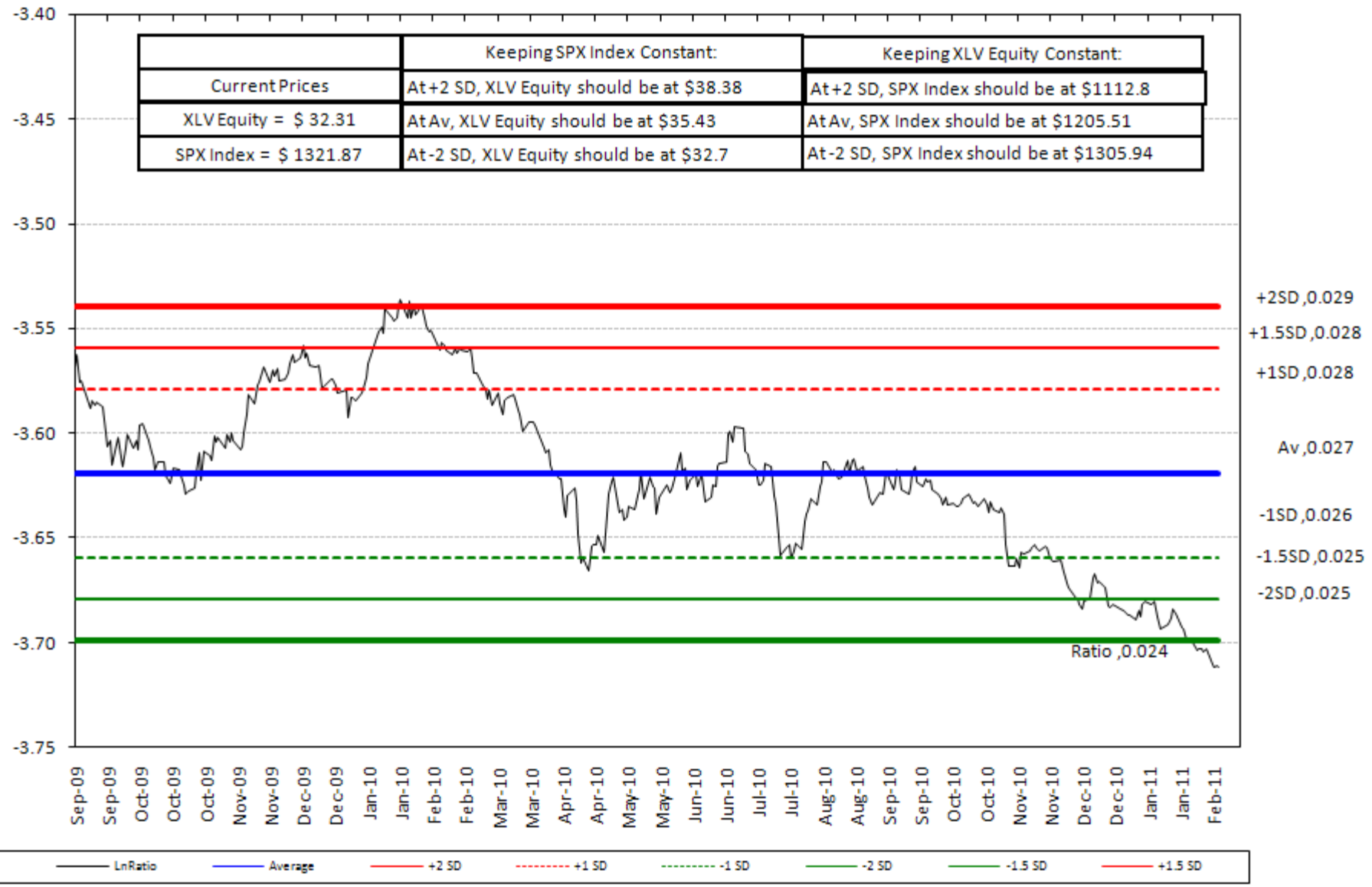


# XLV - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



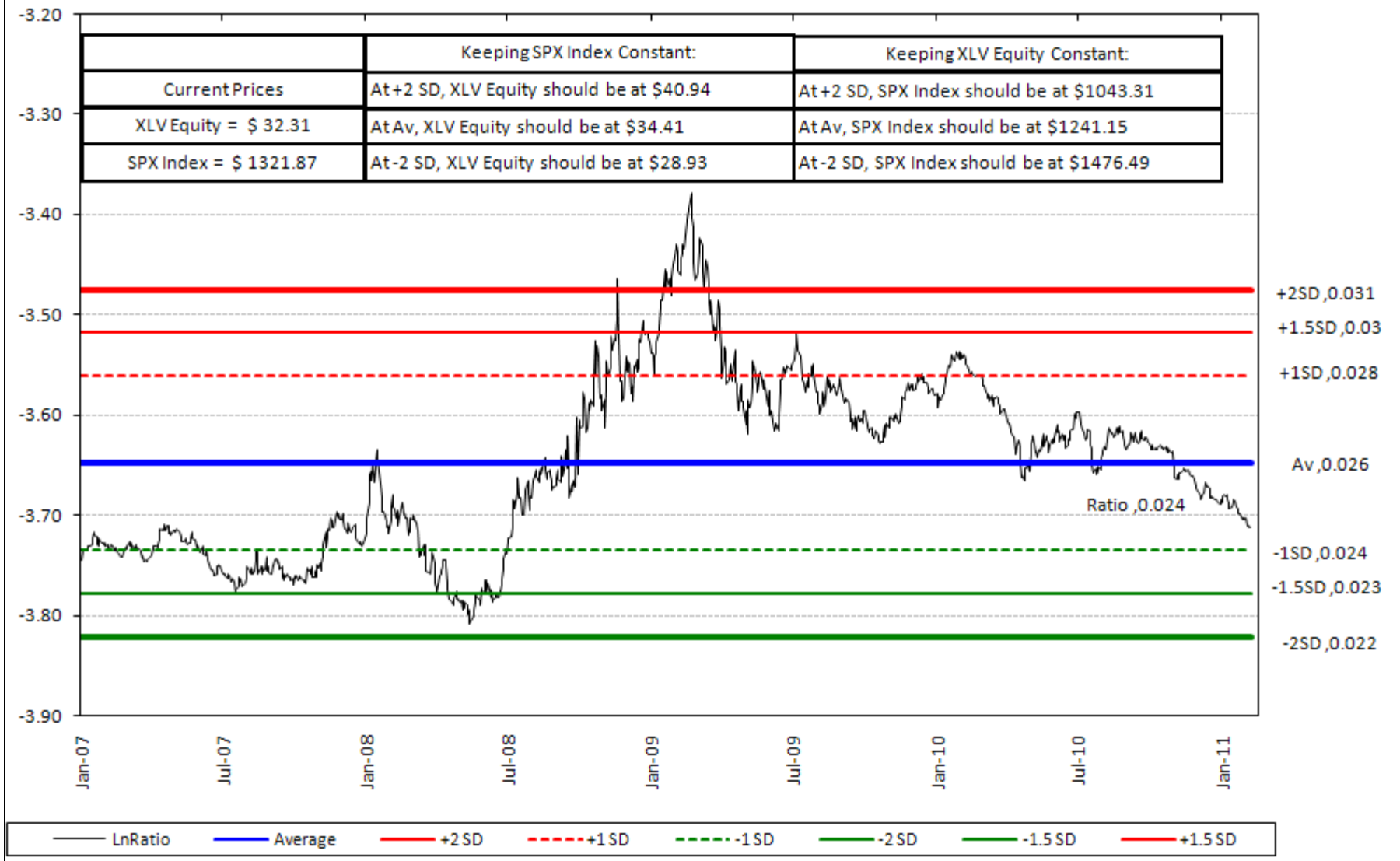
## XLV Correlation Ratio Analysis with SPX – 365 days Time basis

**Long XLV Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



## XLV Correlation Ratio Analysis with SPX – Full Time basis

### Long XLV Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS

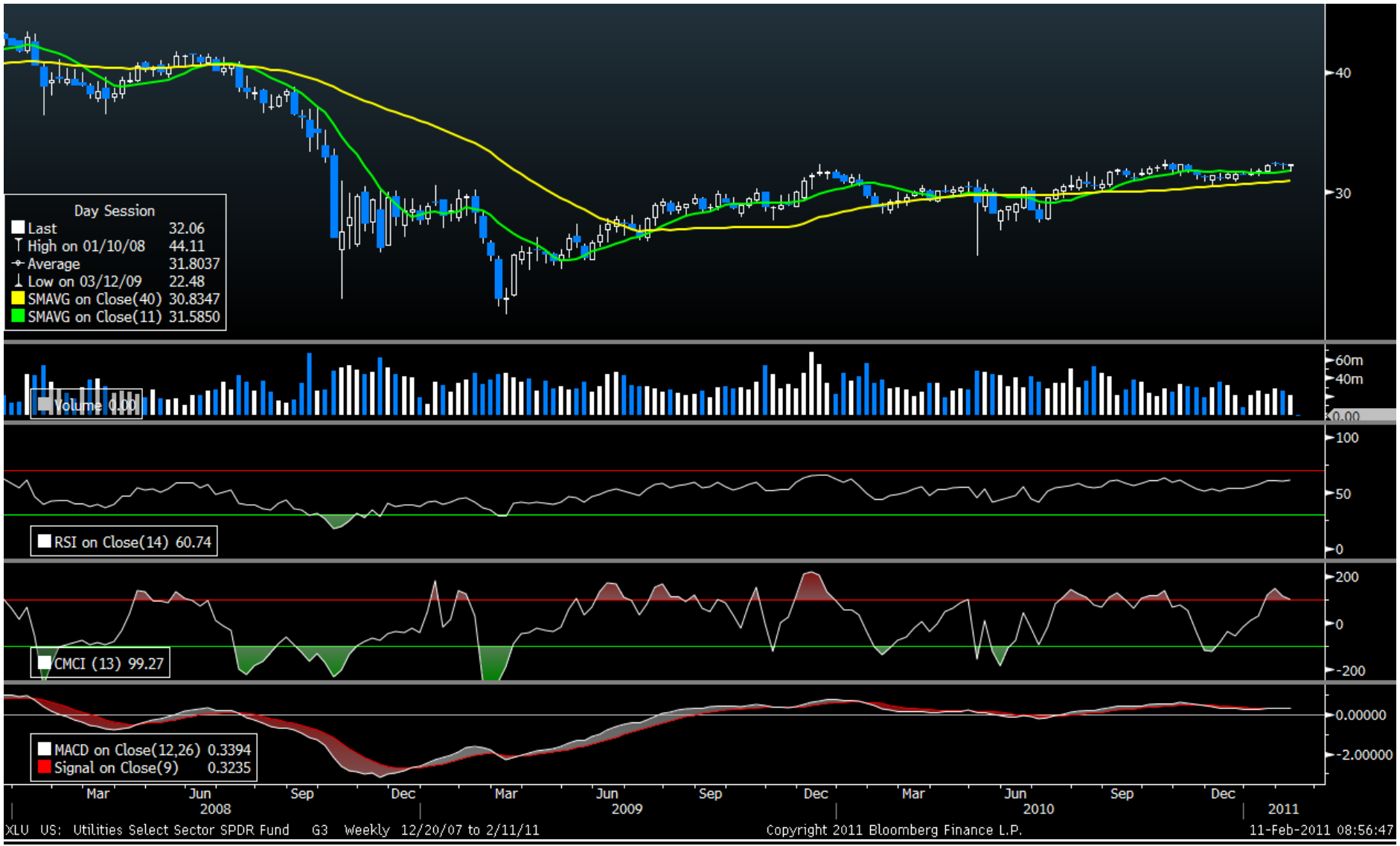


# XLV- Technical & Pattern Analysis **In the WACTHLIST with PQV /CZ Qualified – Pending validation Test**

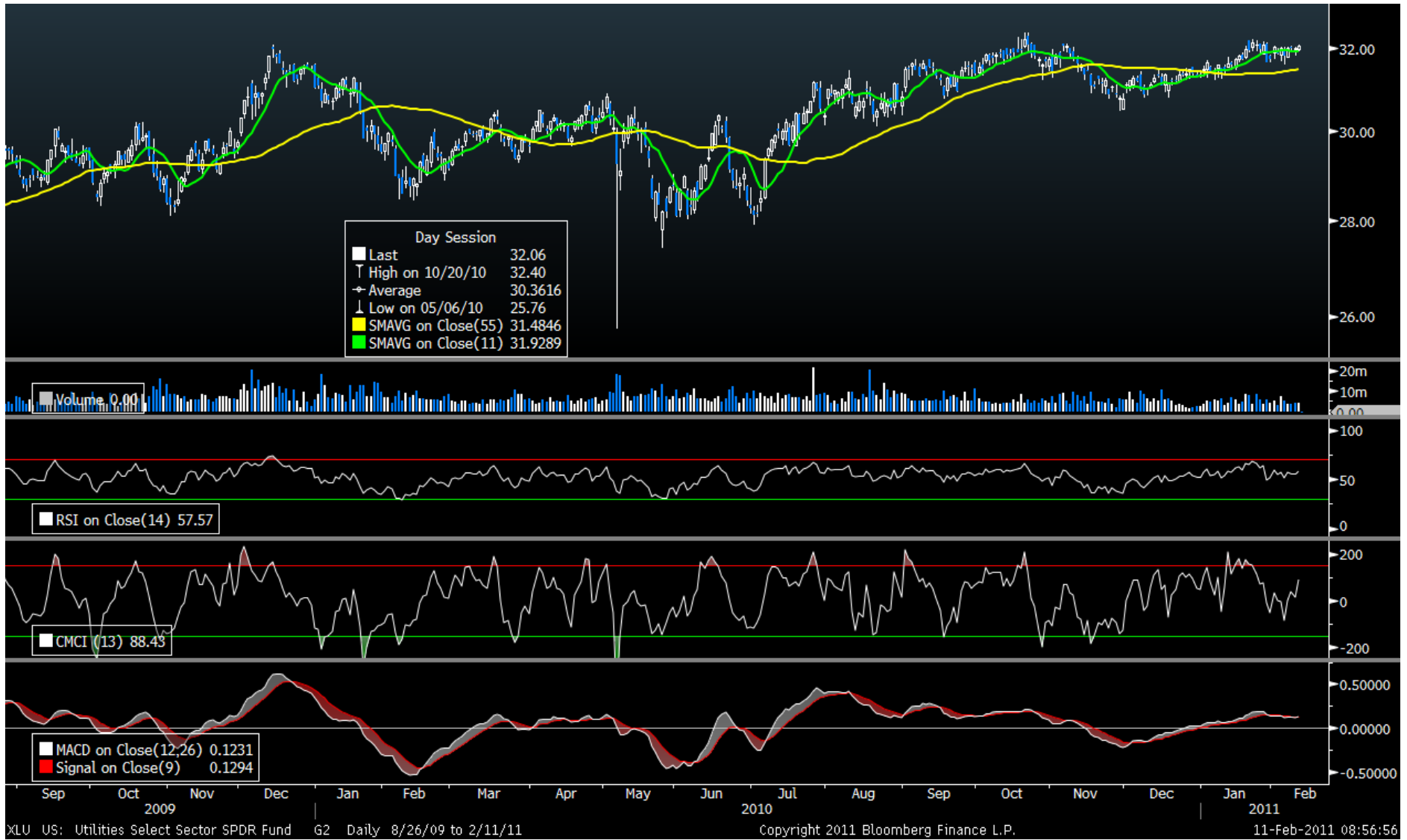
Ratio is setting up Bullishly, The current pattern suggests the pull back might be coming , that would be to our CZ we defined.



**XLV - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD**

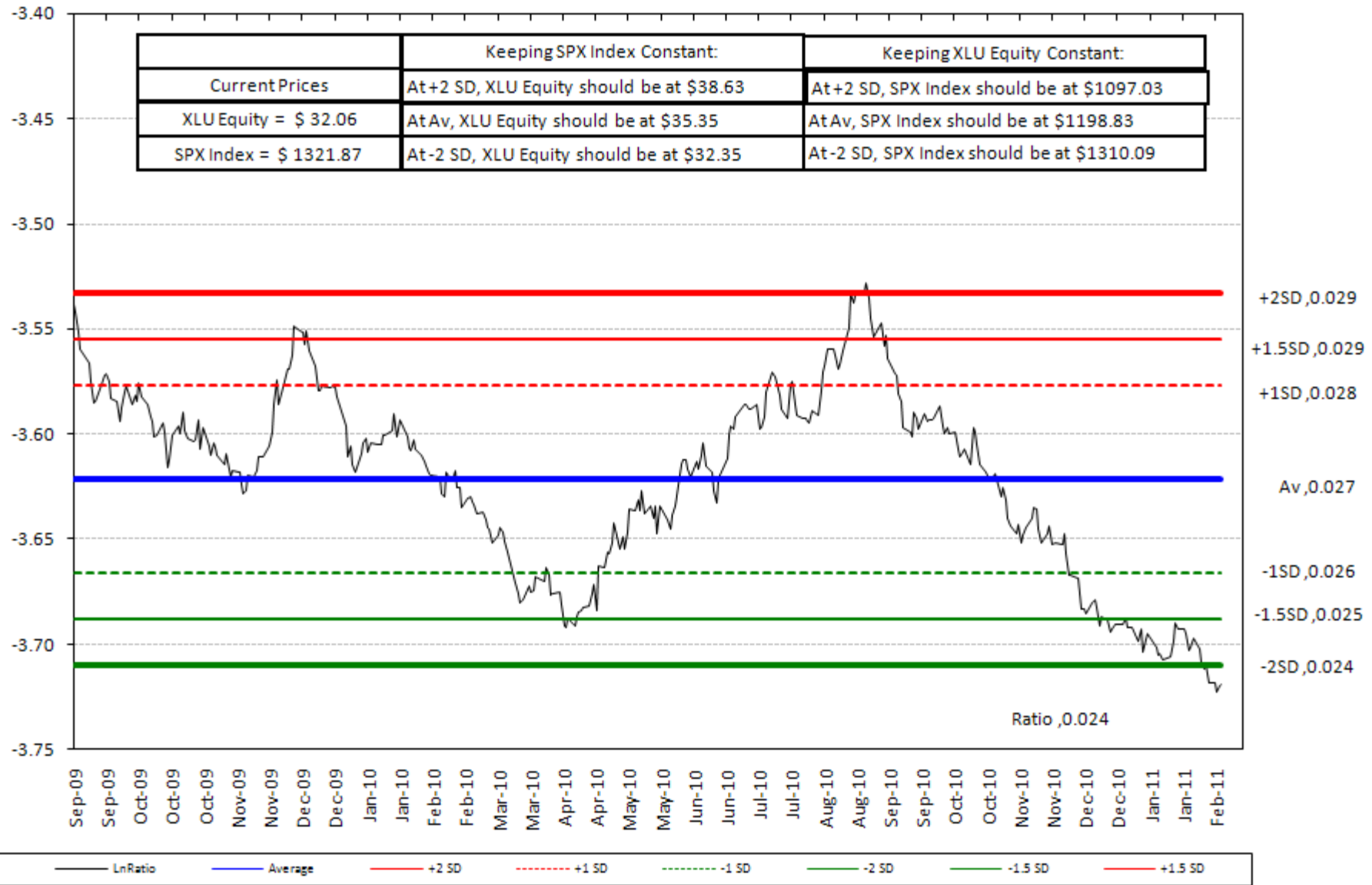


# XLU - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



# XLU Correlation Ratio Analysis with SPX – 365 days Time basis

**Long XLU Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



## XLU Correlation Ratio Analysis with SPX – Full Time basis

### Long XLU Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS

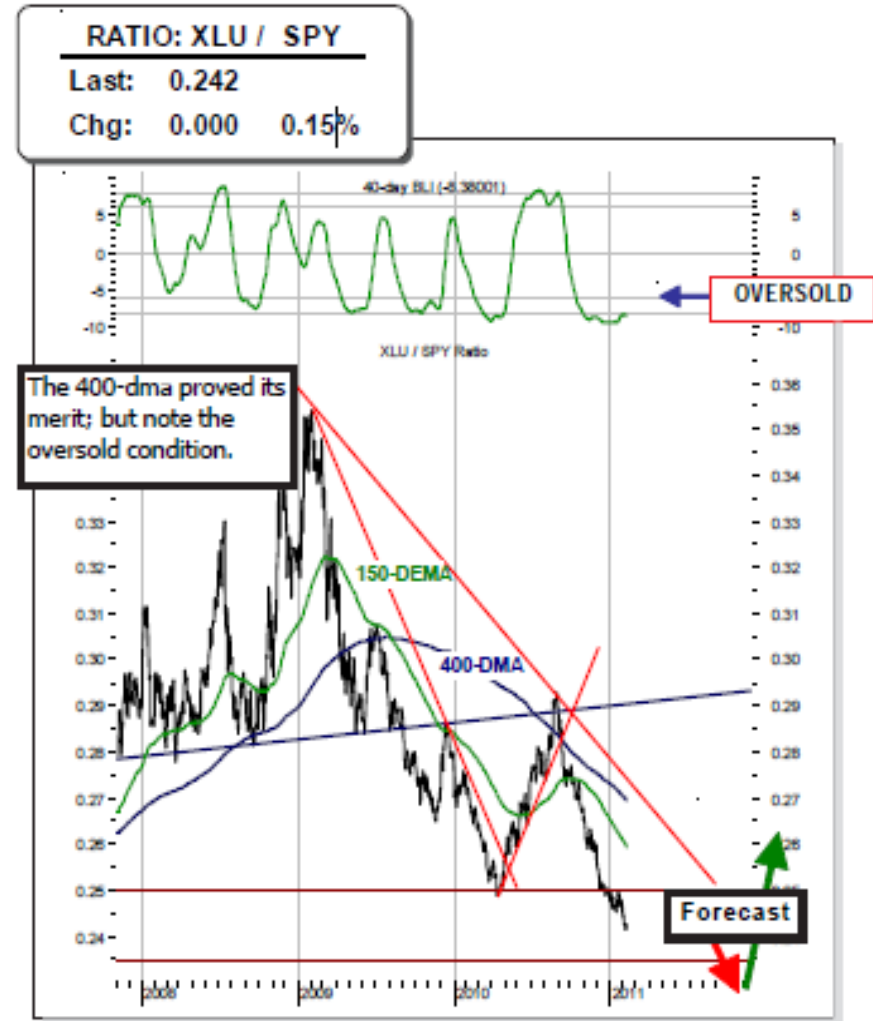




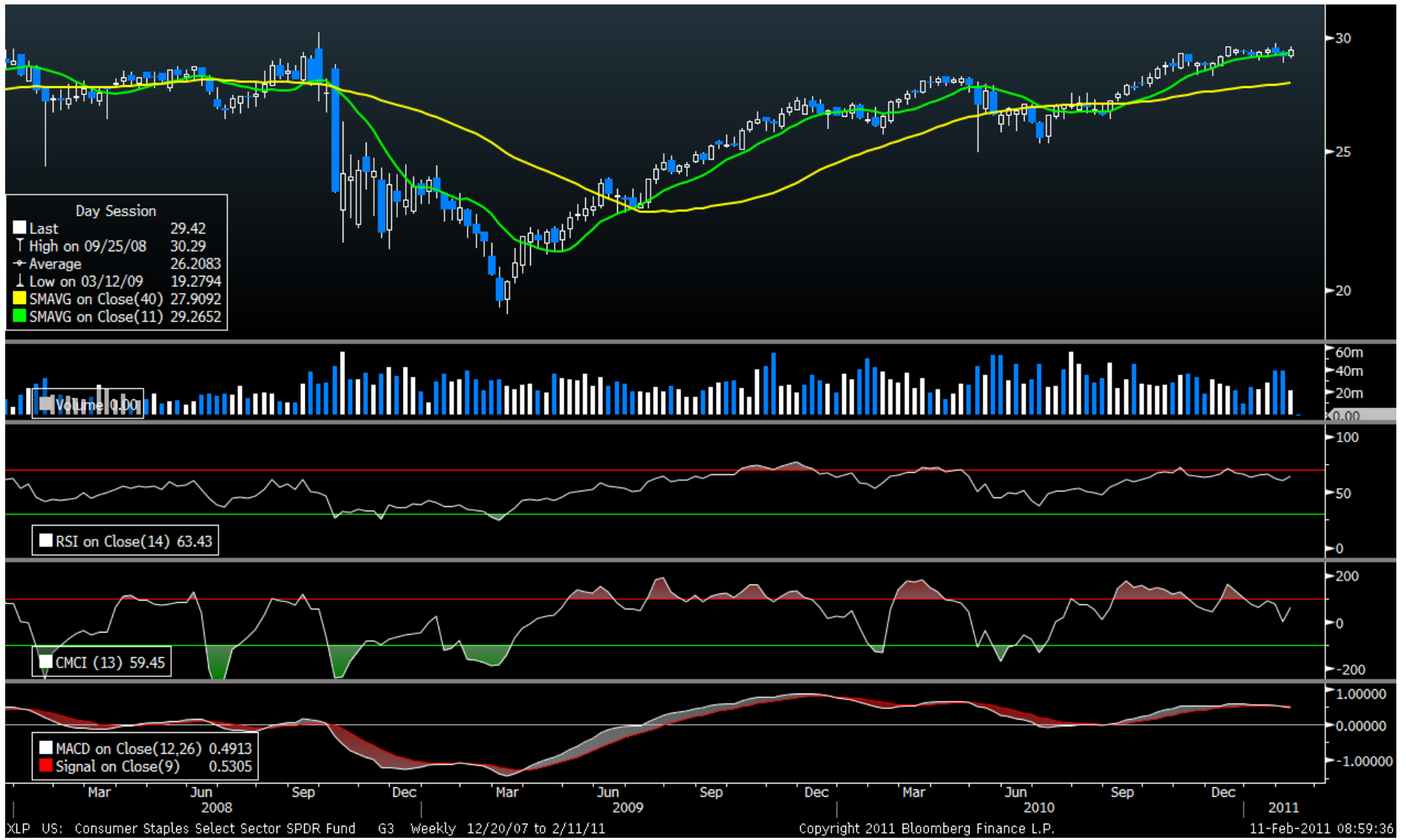
# XLU- Technical & Pattern Analysis

**In the WACTHLIST with PQV /CZ Qualified – Pending validation Test**

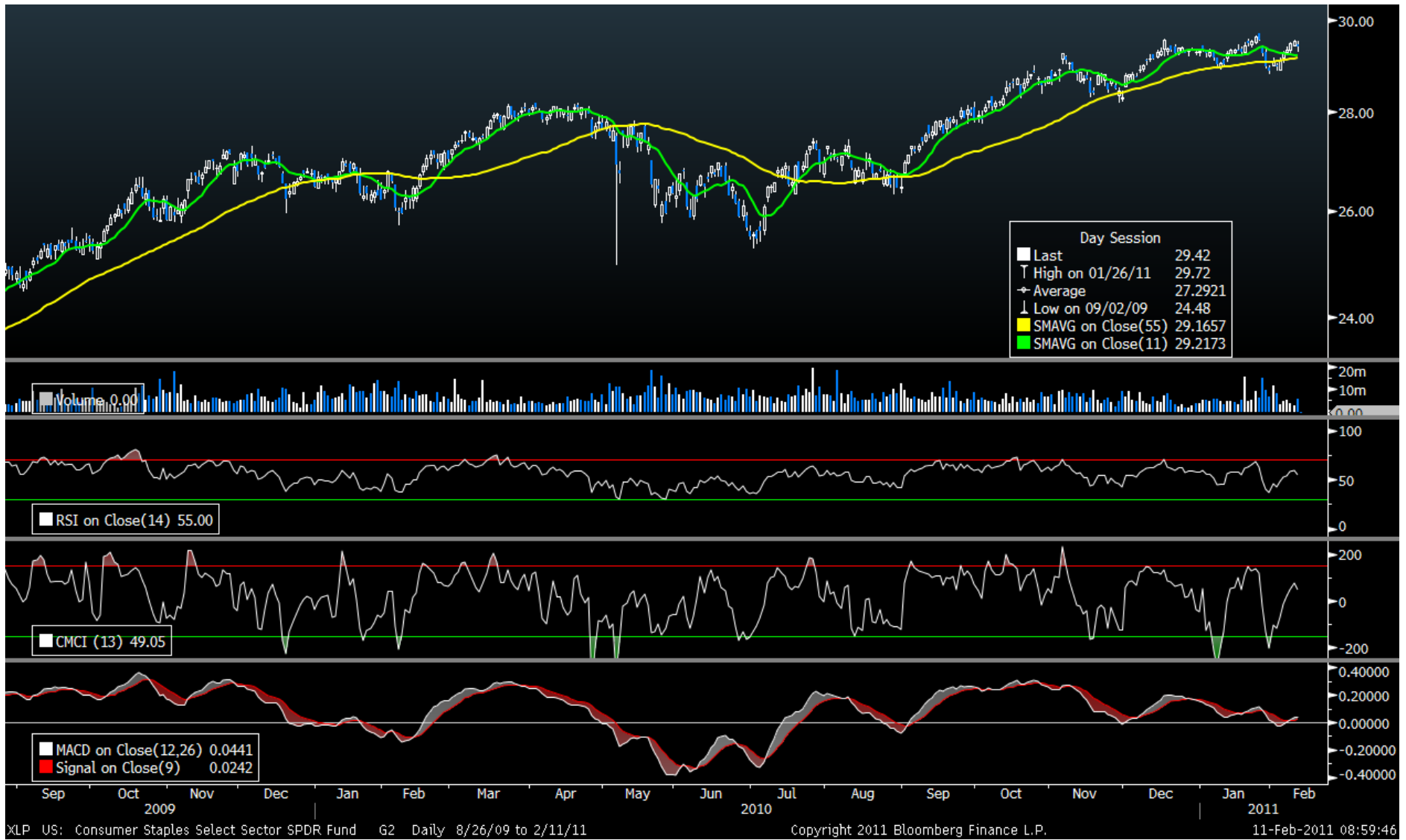
*Ratio is setting up Bullishly, The current pattern suggests the pull back might be coming , that would be to our CZ we defined.*



# XLP - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

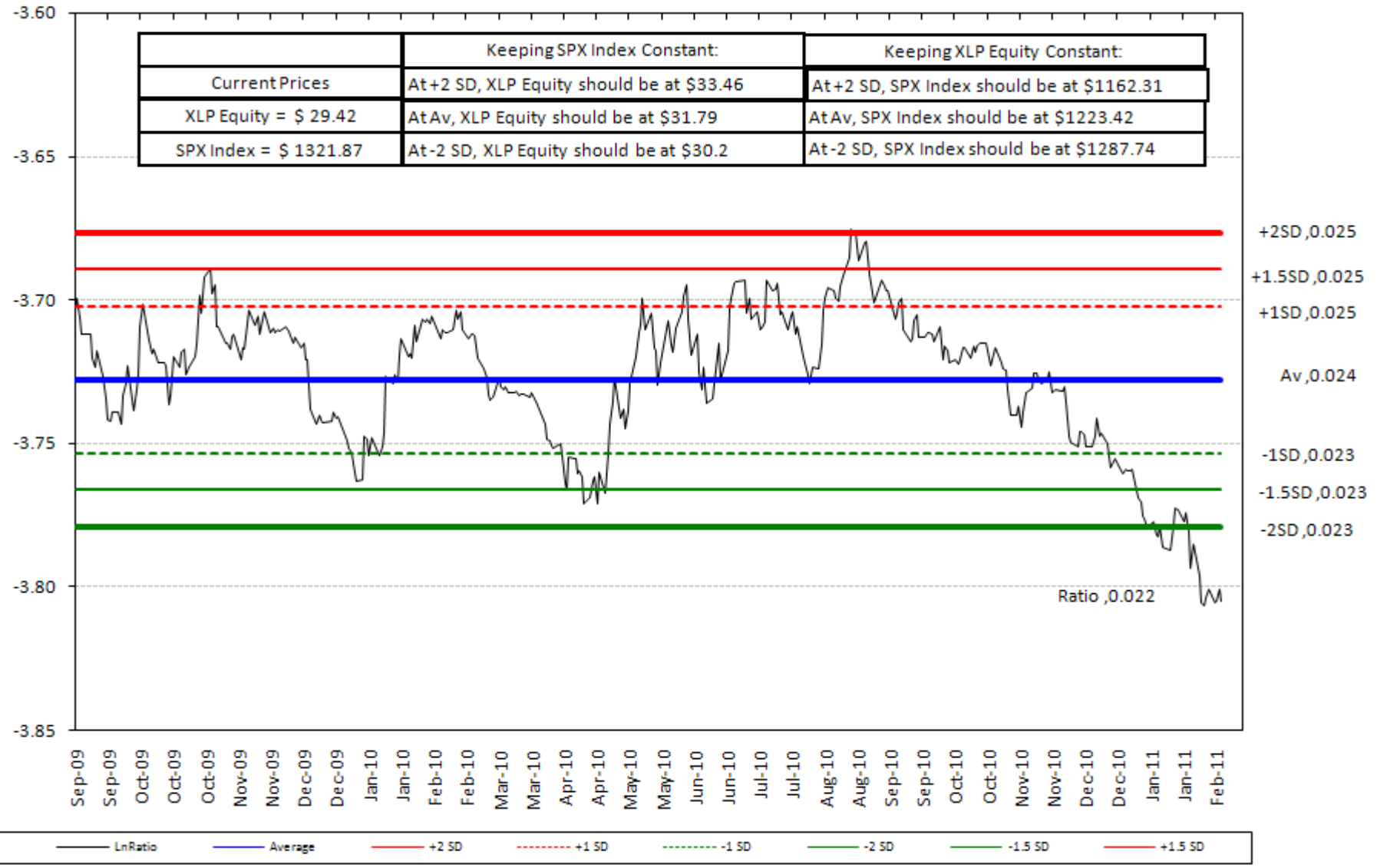


# XLP - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



# XLP Correlation Ratio Analysis with SPX – 365 days Time basis

**Long XLP Equity and Short SPX Index, Updated till 10 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



## XLP Correlation Ratio Analysis with SPX – Full Time basis

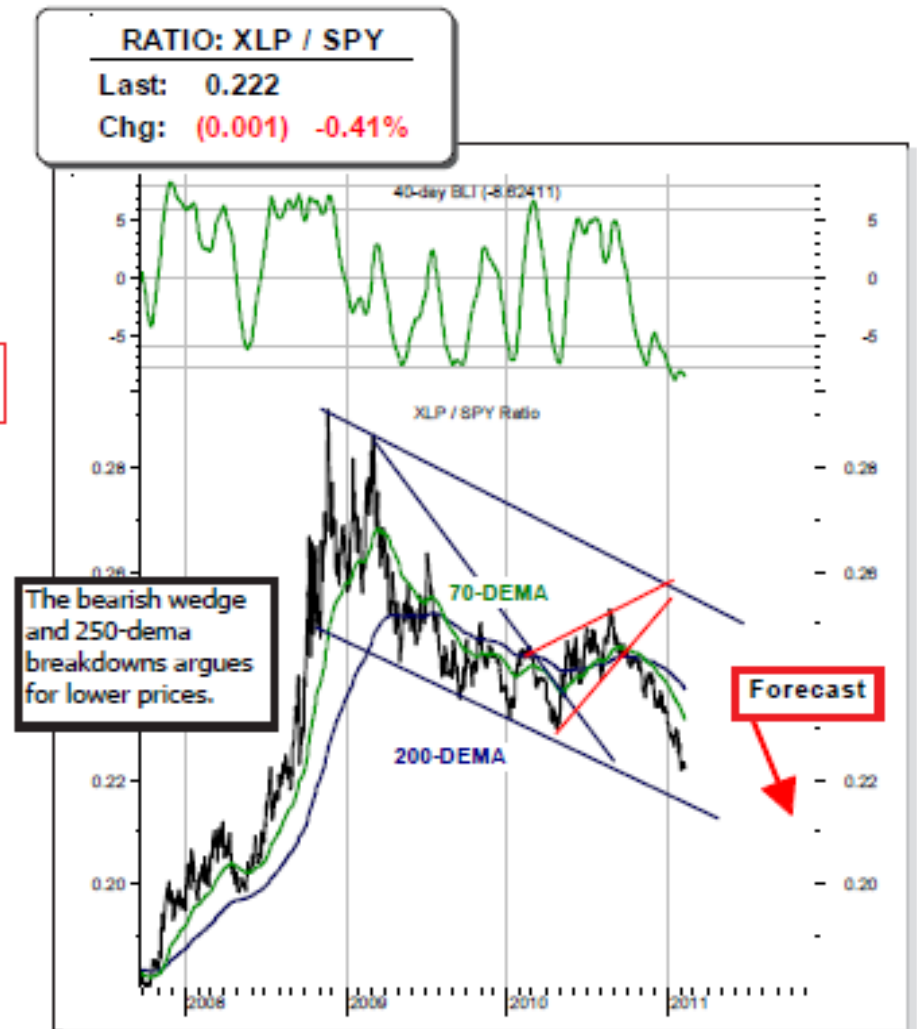
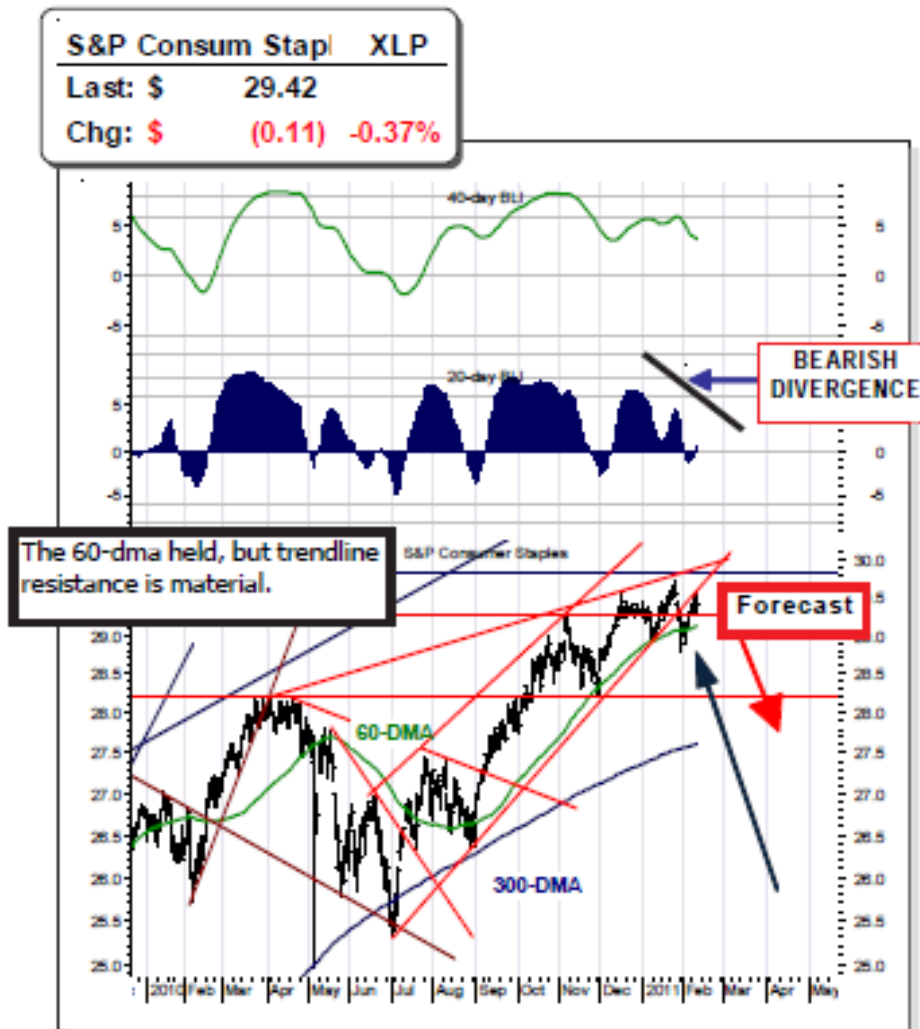
### Long XLP Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



# XLP- Technical & Pattern Analysis

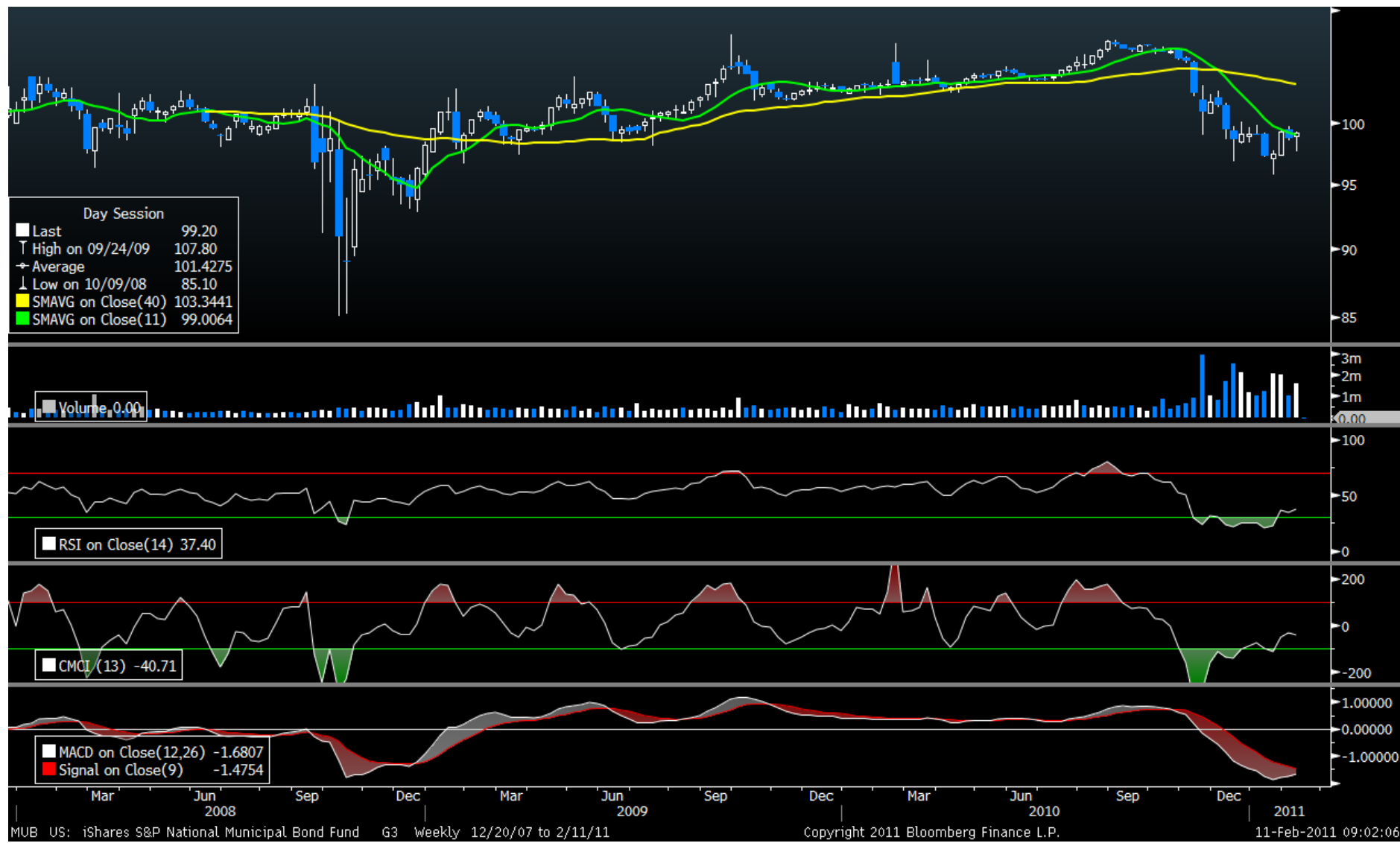
**In the WACTHLIST with PQV /CZ Qualified – Pending validation Test**

*The current pattern suggests the pull back might be coming , that would be to our CZ we defined.*

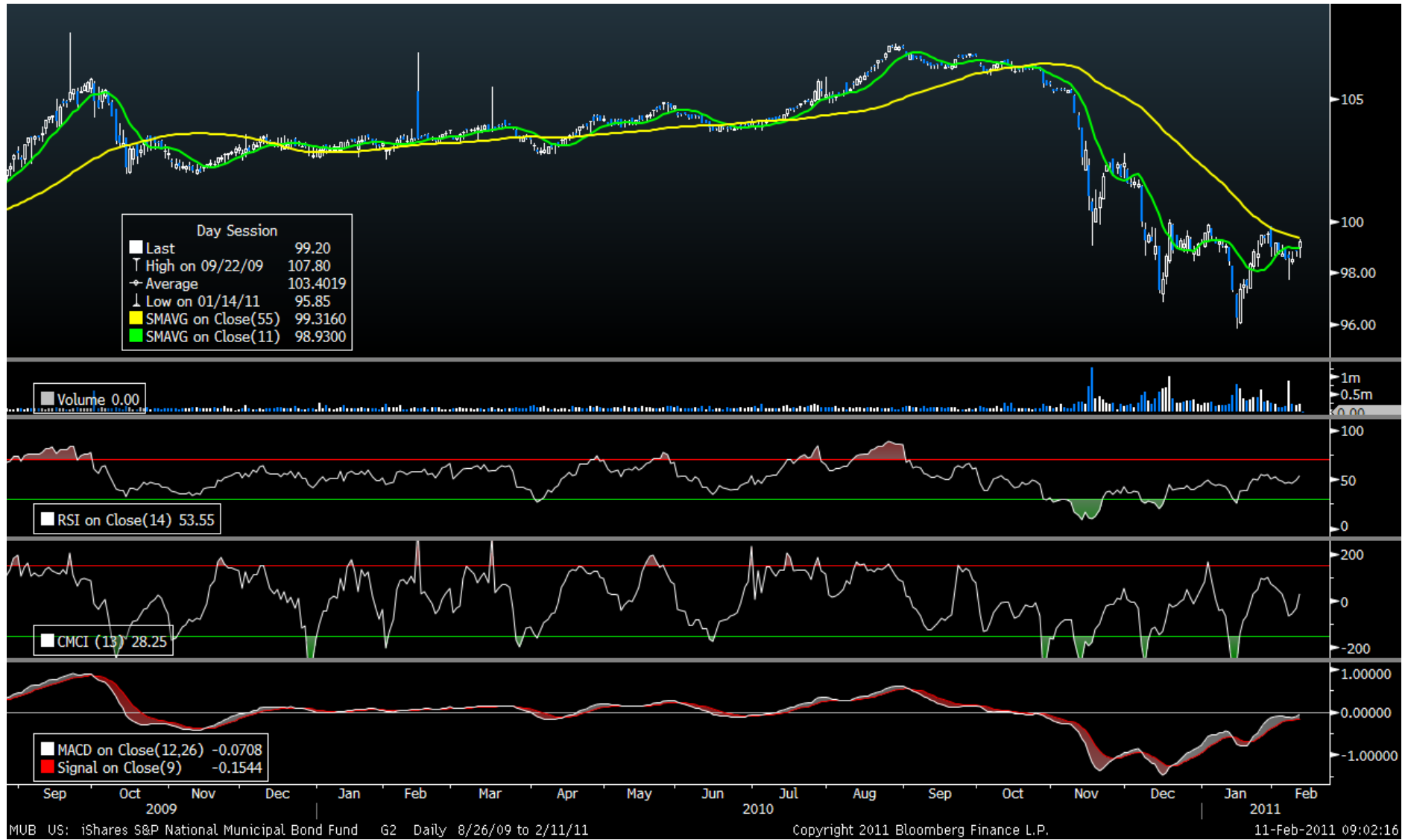


**MUB – ( Technically this is setting up well but Fundamentals are not supporting this Asset as yet)**

**MUB- Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD**



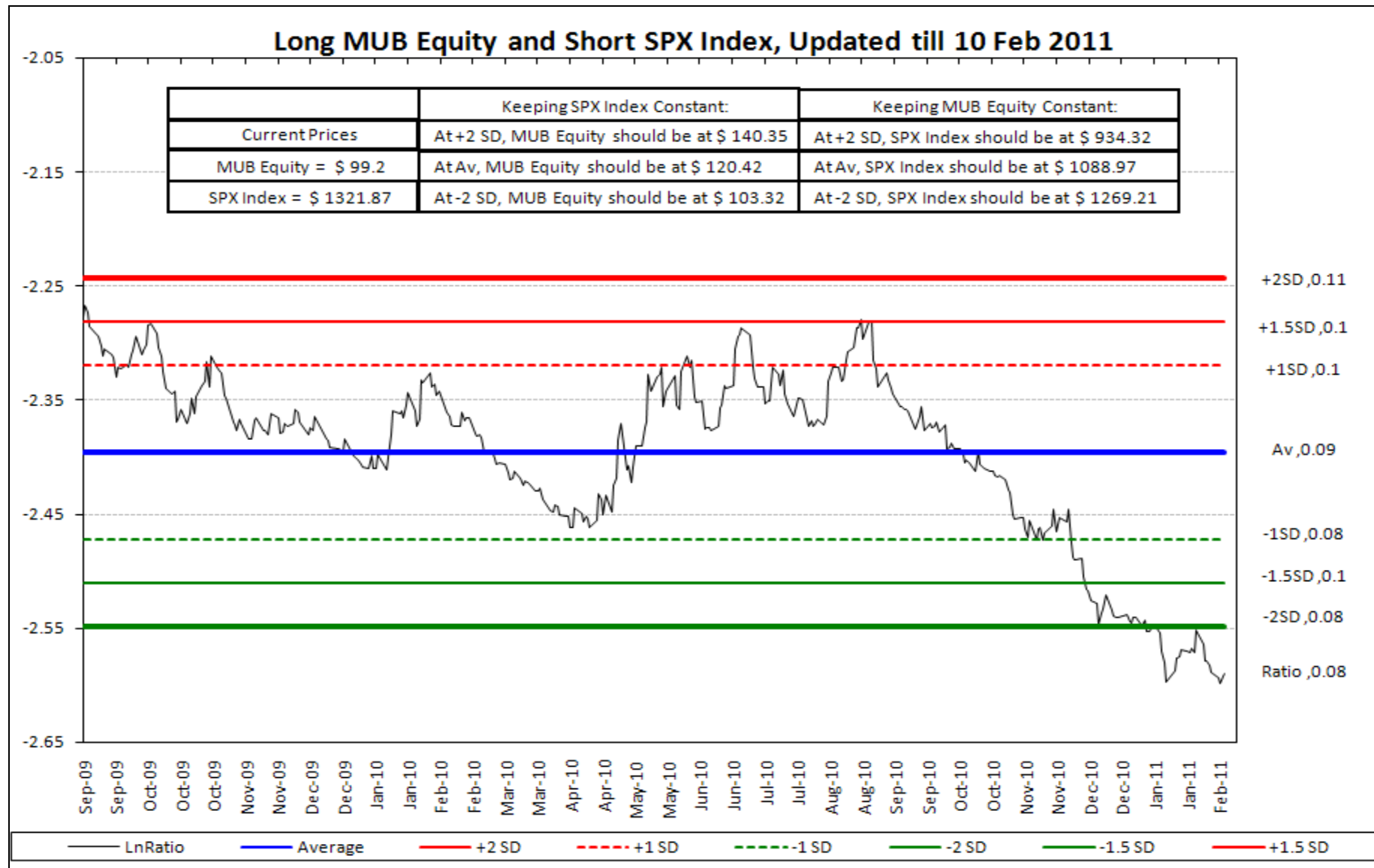
# MUB - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD





## MUB Correlation Ratio Analysis with SPX – 365 days Time basis

**In the WACTHLIST with PQV /CZ Qualified – Pending validation Test**



## MUB Correlation Ratio Analysis with SPX – Full Time basis

### Long MUB Equity and Short SPX Index, Updated till 10 Feb 2011, FULL PERIOD ANALYSIS



# **REFERENCE MATERIAL – Part II ( Separate Attachment)**

## **PREVIOUS PLOTS**

**CZ- PQV Validation list – ETF – Sectors (Previously Triggered SD #2)**

**✓ PQV – CZ validated Sectors**

### **Short**

- QQQQ
- ✓ IWM
- ✓ EEM
- ✓ EWP
- ✓ EWH
- ✓ SMH
- ✓ EWA
- ✓ XLB
- XLE
- ✓ SLV
- ✓ JJC
- ✓ GLD
- ✓ GDX, IYT, XRT

### **Long**

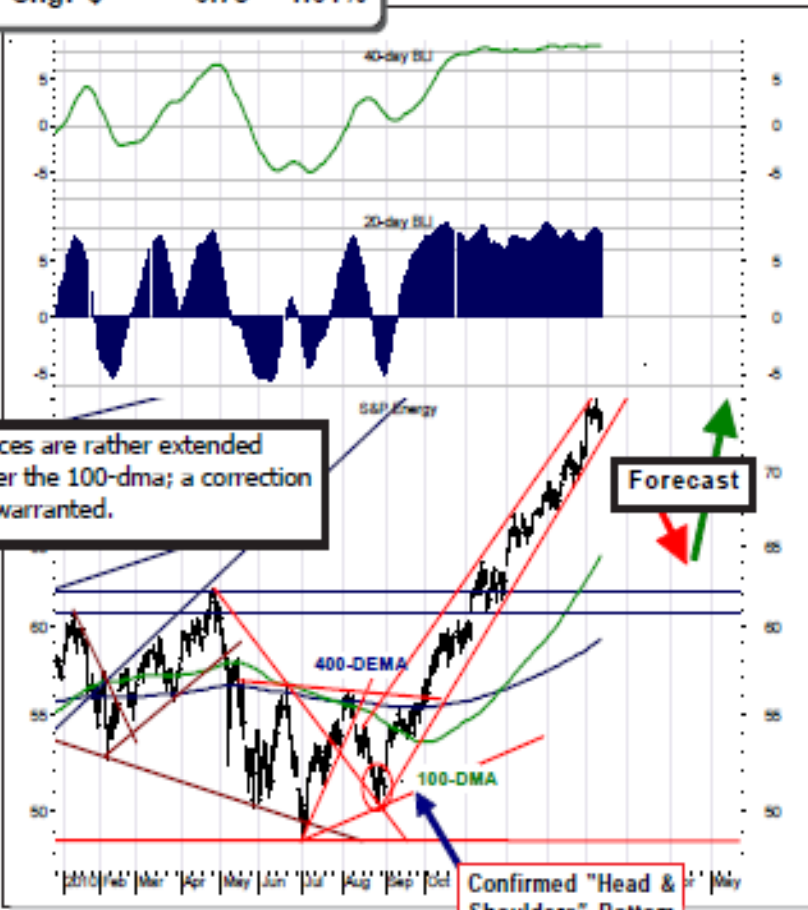
- ✓ JOF
- XLV
- ✓ TLT
- MUB
- XLU
- XLP
- BBH
- USO

# Short

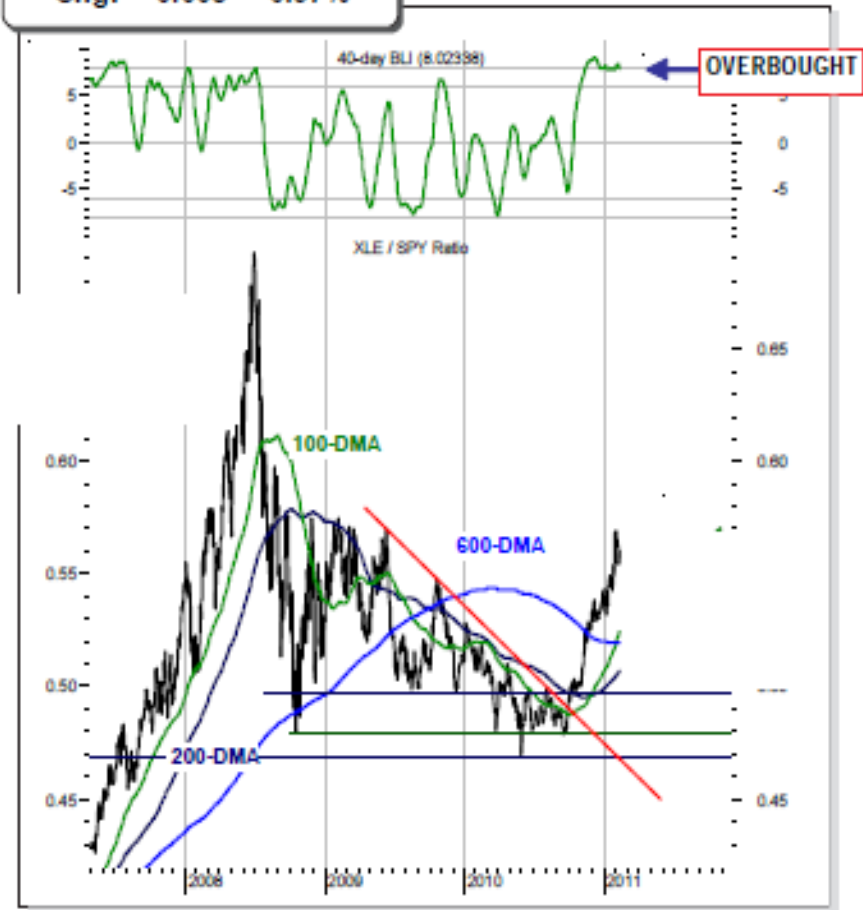
## XLE- Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 3 weeks.

S&P Energy	XLE
Last: \$ 74.12	
Chg: \$ 0.75	1.01%



RATIO: XLE / SPY
Last: 0.560
Chg: 0.005 0.97%



## XLE - PQV Analysis (Wkly)

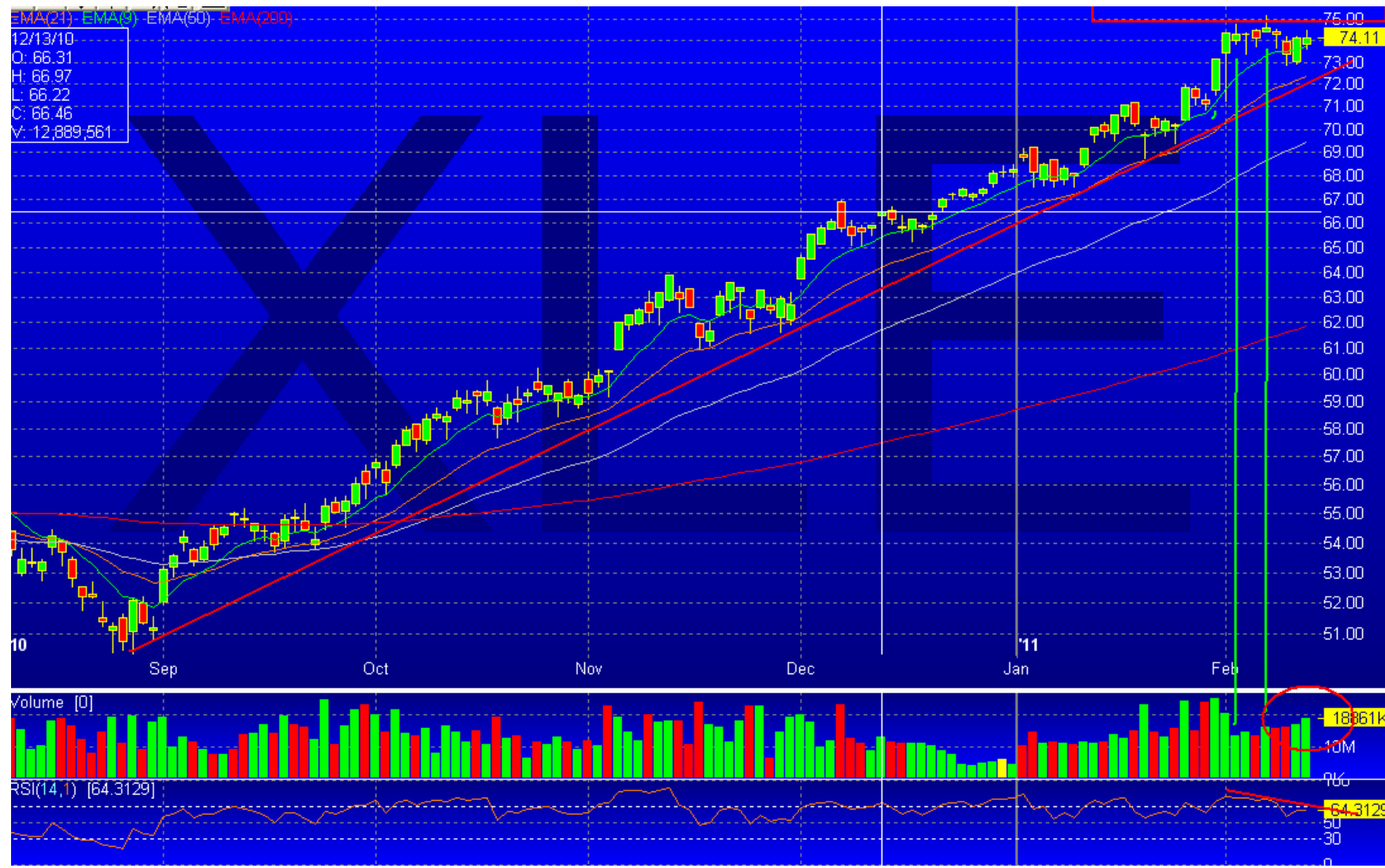
*XLE had a false break upside indicated by Pink line, but stock can still go higher to next level, PQV force has kept us away from harm's way. Currently wkly RSI at 90 (which is very rear to achieve).*

*Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 75 to 78 but prices need to fail on volume, We rather see this go to 77 on 60 M shares weekly and close under 75 , but weekly volume is still heavy and daily 3x3 is also heavy on up move*



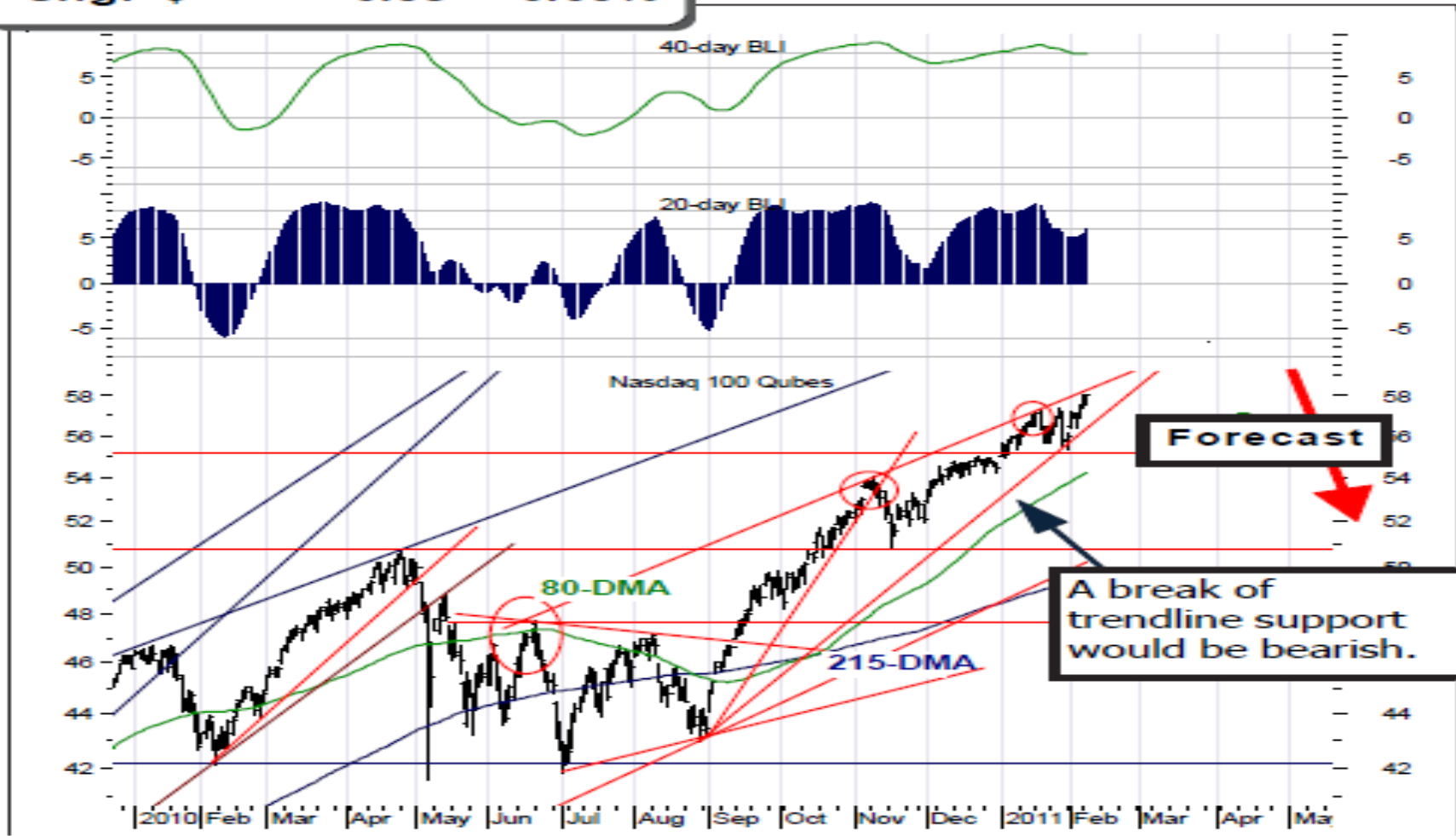
## XLE - PQV Analysis (Daily)

*XLE on daily basis, Although RSI is diverging, Price wise it just touched the CZ/ UL @ 75 and volume expanded on 3x3 hence weekly signal rules. Interesting to note that Daily RSI is lower then weekly RSI which is good sign of Intermediate topping*



# QQQQQ - POM - LT - Price , Volume & Pattern Analysis - ( MONITORING CZ -PQV

NASDAQ 100		QQQQ
Last: \$	58.03	
Chg: \$	0.38	0.65%



## QQQQQ - POM – LT - Price , Volume & Pattern Analysis - ( MONITORING CZ –PQV

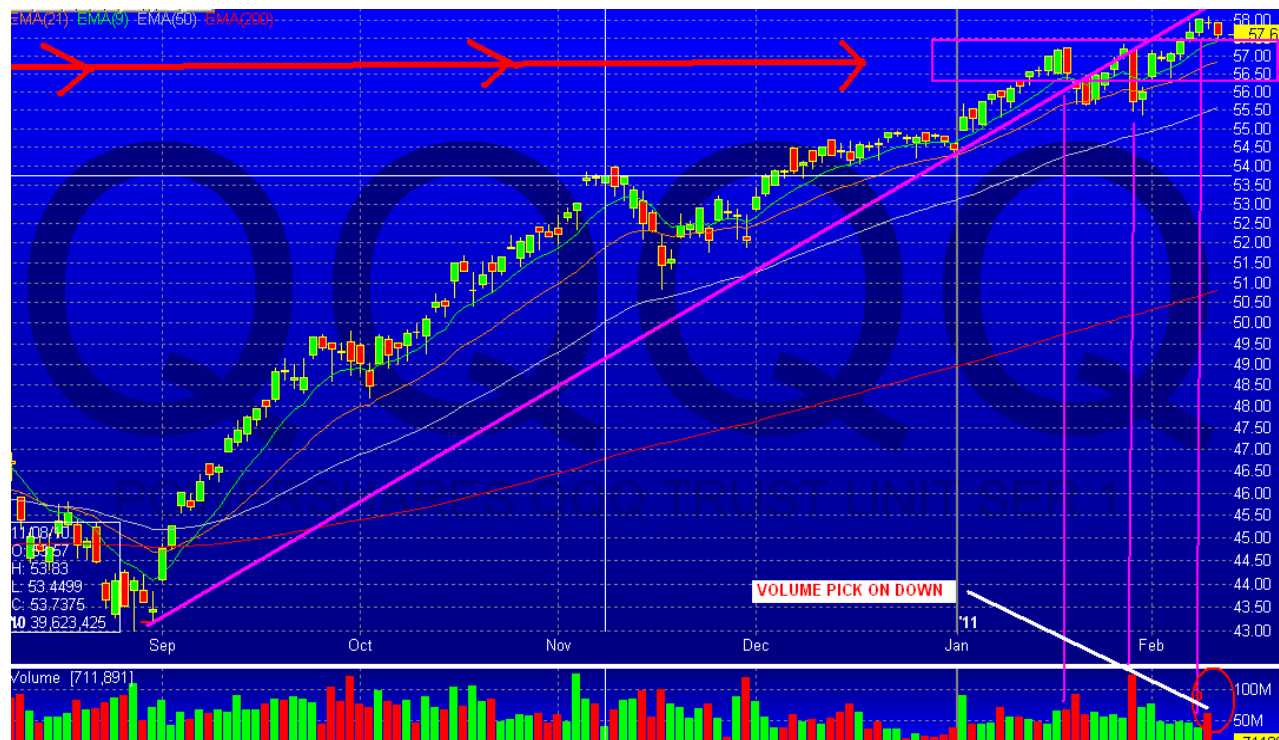
In QQQQ – There has been Validation yet – In our watch list.

Currently entering the CZ for 3<sup>th</sup> time (exceeded little) & testing the back of Trend line but there is no volume behind the move as indicated in Green ( Our CZ for PQV Validation is marked in Red)

The CZ area is from way back 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 55 – 56.5 ( currently it is in the zone 3<sup>rd</sup> time ) and test 57.25 with 250 M ( weekly volume ) and close under 56, revised ) should be a good test.

On daily basis the CZ For ½ position is with price go **above 57.25** and then close **below 56** with 50 M shares for failure. For another failure . We are watching closely in CZ – PQV in Sector Report

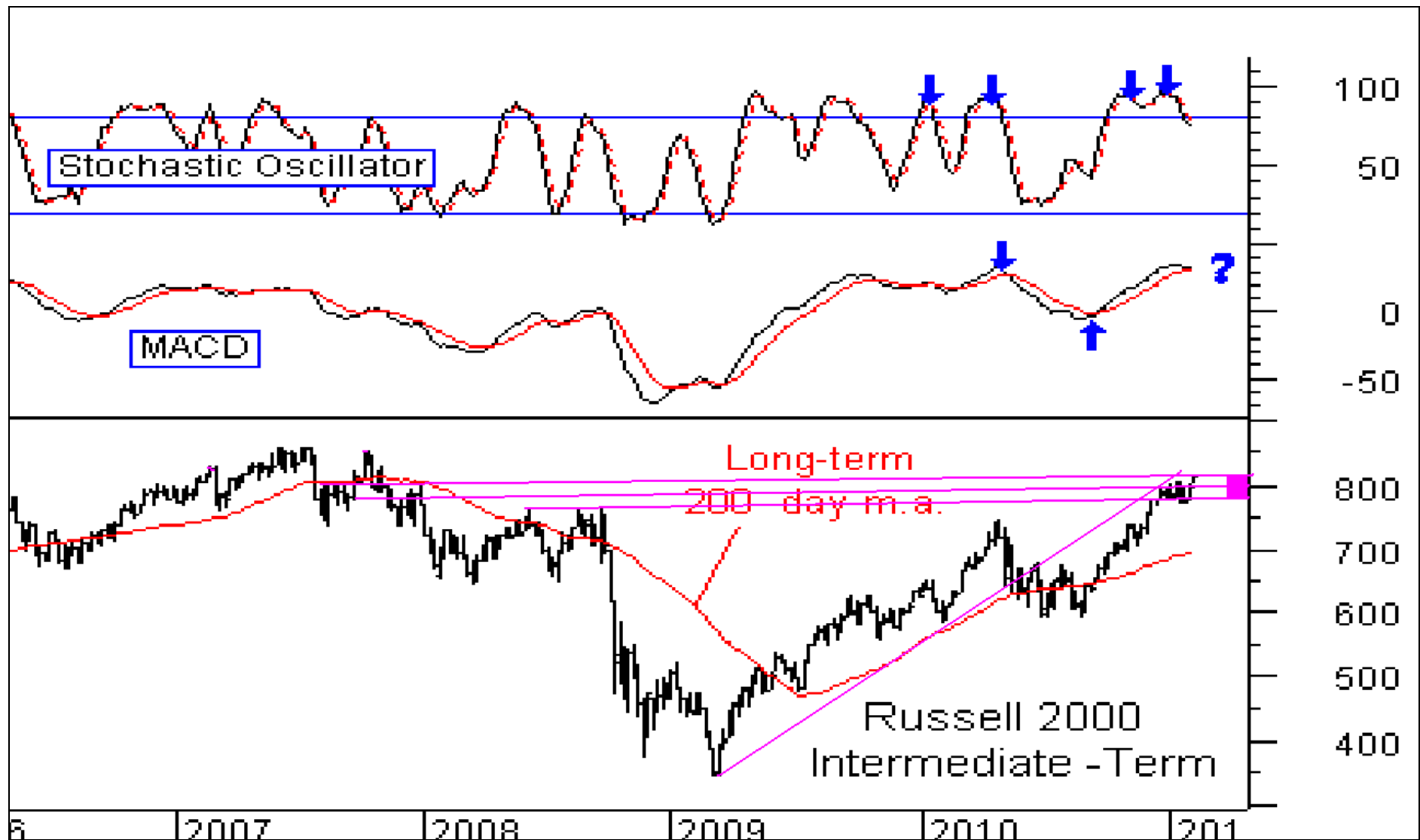
Earlier QQQQ tested the 1<sup>st</sup> bearish Dark cloud in CZ area) and snapped right back with 2<sup>nd</sup> Dark Cloud in the CZ Area( that we waited for 8 weeks to touch in spite of our Bearish tone overall . Also broke the trend line with MACD turned down, Volume picked up & RSI should very soon drop below 50.





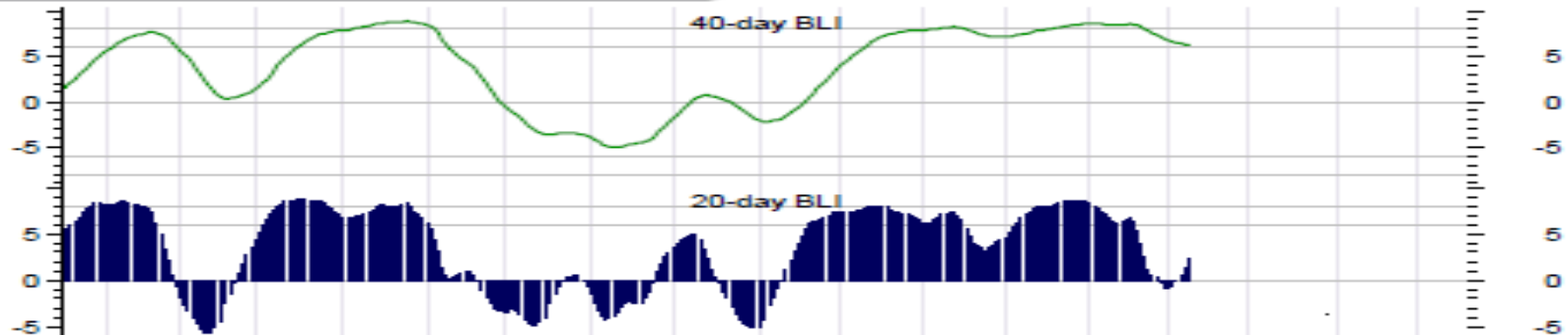
## IWM- POM – LT - Price , Volume & Pattern Analysis - ( MONITORING CZ –PQV )

Far extended from 200DMA , MACD has trigged, STOC below -50 RSI should show weakness, On bigger picture the weekly volume should come in above 175 M but to Fine tuning on daily basis the CZ For ½ position is 79.50- 80 with price go above 80 and then close below 79 with 35 M shares for failure. (We finished that test with 29 -35 mm test.) We are watching closely in CZ – PQV in Sector Report



# IWM - SMA / Trend line Analysis

Russell 2000	IWM
Last: \$ 81.23	
Chg: \$ 0.57	0.70%



A break of trendline and 40-dma support would be bearish.



## IWM- POM – LT - Price , Volume & Pattern Analysis - ( MONITORING CZ –PQV )

Currently entering the CZ for 4<sup>th</sup> time & testing the back of Trend line but there is no volume behind the move as indicated in Green ( Our CZ for PQV Validation is marked in Pink )

The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 78 – 80.00 ( currently it is in the zone 3<sup>rd</sup> time ) and test with 175 M ( weekly volume ) and close **under 78**, ) should be a good test.

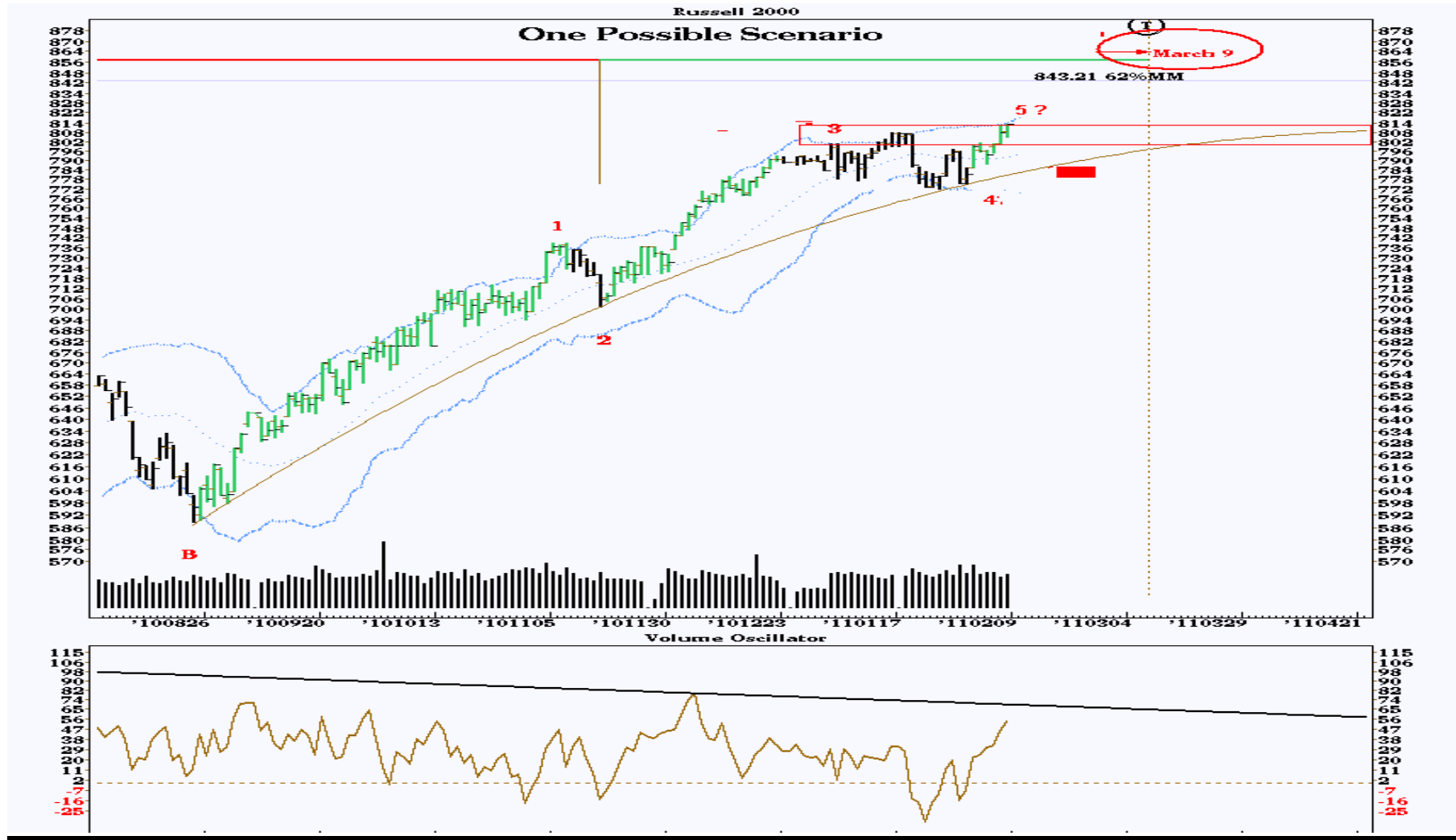
On daily basis the CZ For ½ position is 79 - 80 with price go above 80 and then close below 79 with 45 M shares for failure. For another failure . We are watching closely in CZ – PQV in Sector Report

Earlier IWM tested the 1<sup>st</sup> bearish engulfing once and snapped right back with 2<sup>nd</sup> Dark Cloud in the CZ Area ( that we waited for 8 weeks to touch in spite of our bearish opinion on the market ) . It also broke the trend line with MACD turned down, Volume picked up & RSI diverging bearishly .



# RUS - ST

*Bearish Engulfing of 4<sup>th</sup> Jan proved its merit as a stoppage point over the Poly Trend line with AD- oscillator  
RUT had been a leader, It finally registered a higher high after lagging last week. If the 5<sup>th</sup> Wave of top is over (within the CZ(over the Poly Trend lines ). We could get the initial Sell off to Red Box above the Poly Trend line and march time till the T expires into that early March anniversary period: This is a texture of topping process. ( If we fail at / below the Red box , we run into risk of negating the bounce) Volume would be the key on that test touch.*



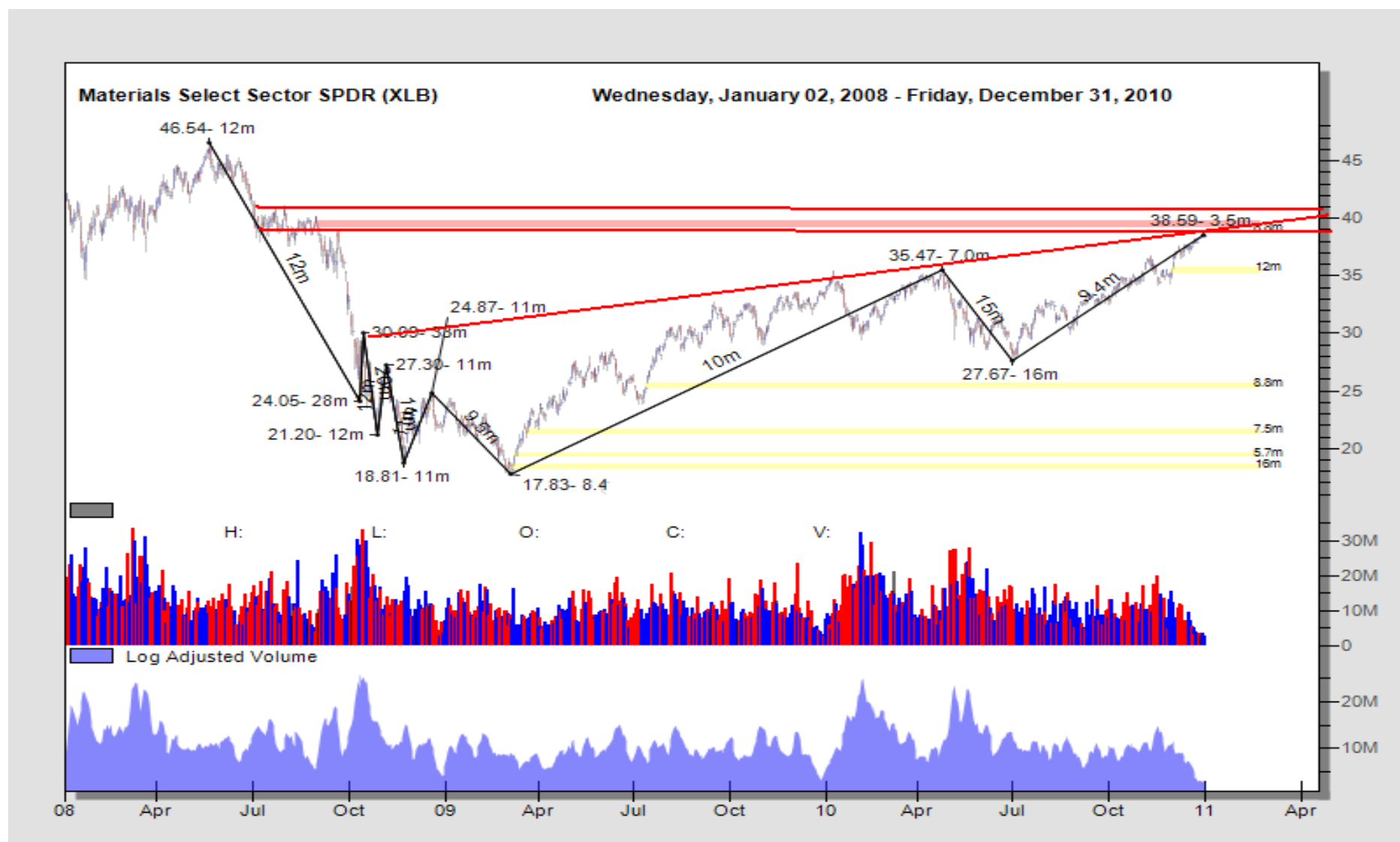
# XLB – Technical & Pattern Analysis & Price / Volume

*Both on relative basis and absolute basis confirms over valuation, decline should begin toward 80 DMA & breakout area 35, by this Method*



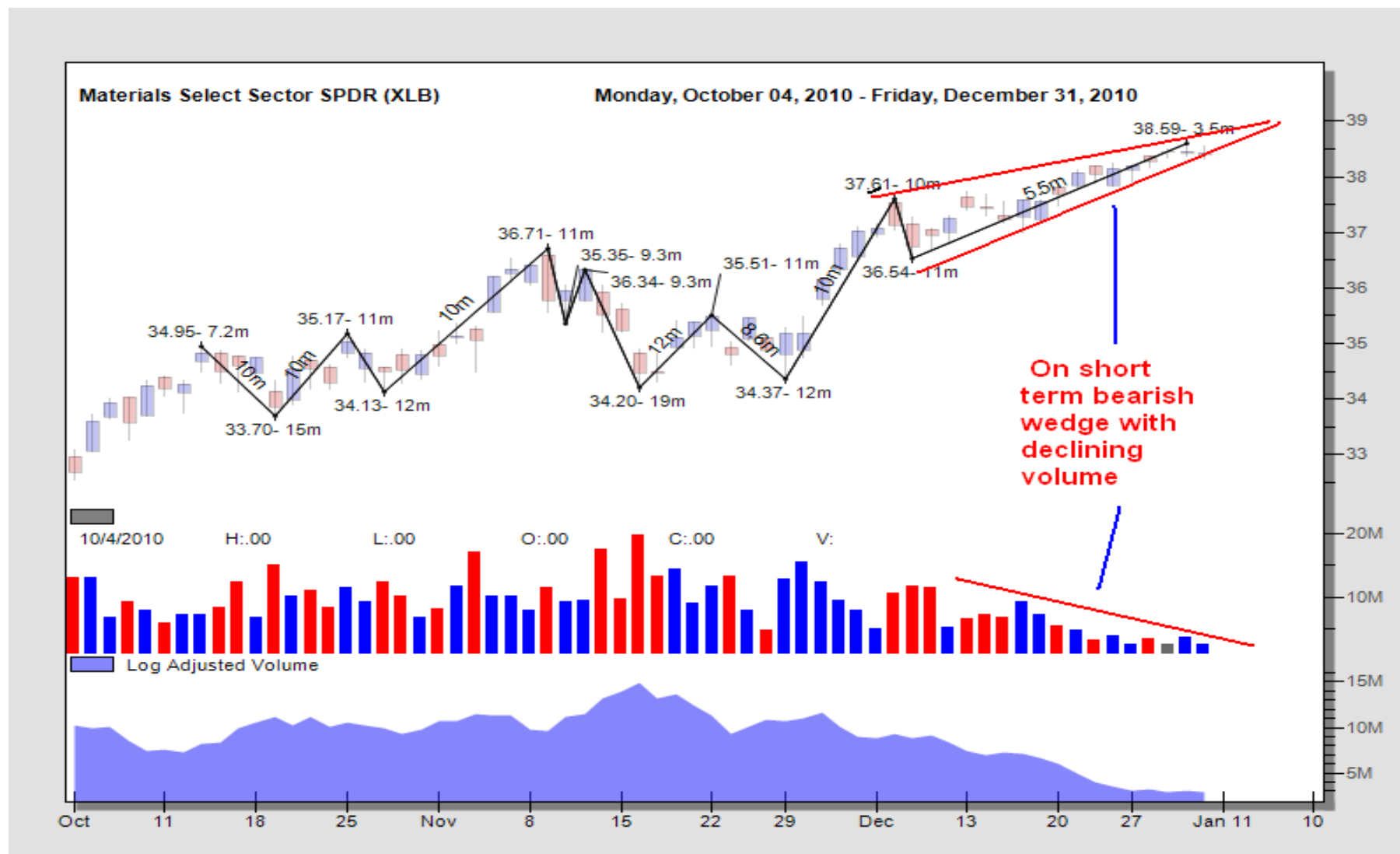
## XLB – PQV Analysis

*This has entered the CZ on 3x3 on light volume but after the pull back this area needs to be tested once again on lighter volume For better Risk reward , first a sign of pull back on heavy volume and at least 6 - 8 m and then test of 38 – 41 with 3 M Shares for failure. But no signal yet, This will follow SPX closely on decline*



## XLB – PQV Analysis – SHORT TERM

*This Bearish Wedge should be diffused first to 36 price if volume picks up 6-8 on the decline, then monitor the bounce into CZ as stated above*



## EEM- POM – LT / ST – Key points

- **EEM is closely related with SPX on downside when SPX signal is at POM 15 , EEM acts with the texture of POM 14 . Conversely Our in-depth Analysis suggest that SPX 's POM – Buys POM 11,12 are closely related with the buys of EEM 's.**
- **SD # Levels are at + 1.0 SD and Neural Zone , but any bounce should take to Target Zone into +2.0 SD, we should monitor this**
- **Charts below gives different possibility in different time frame with volume study**

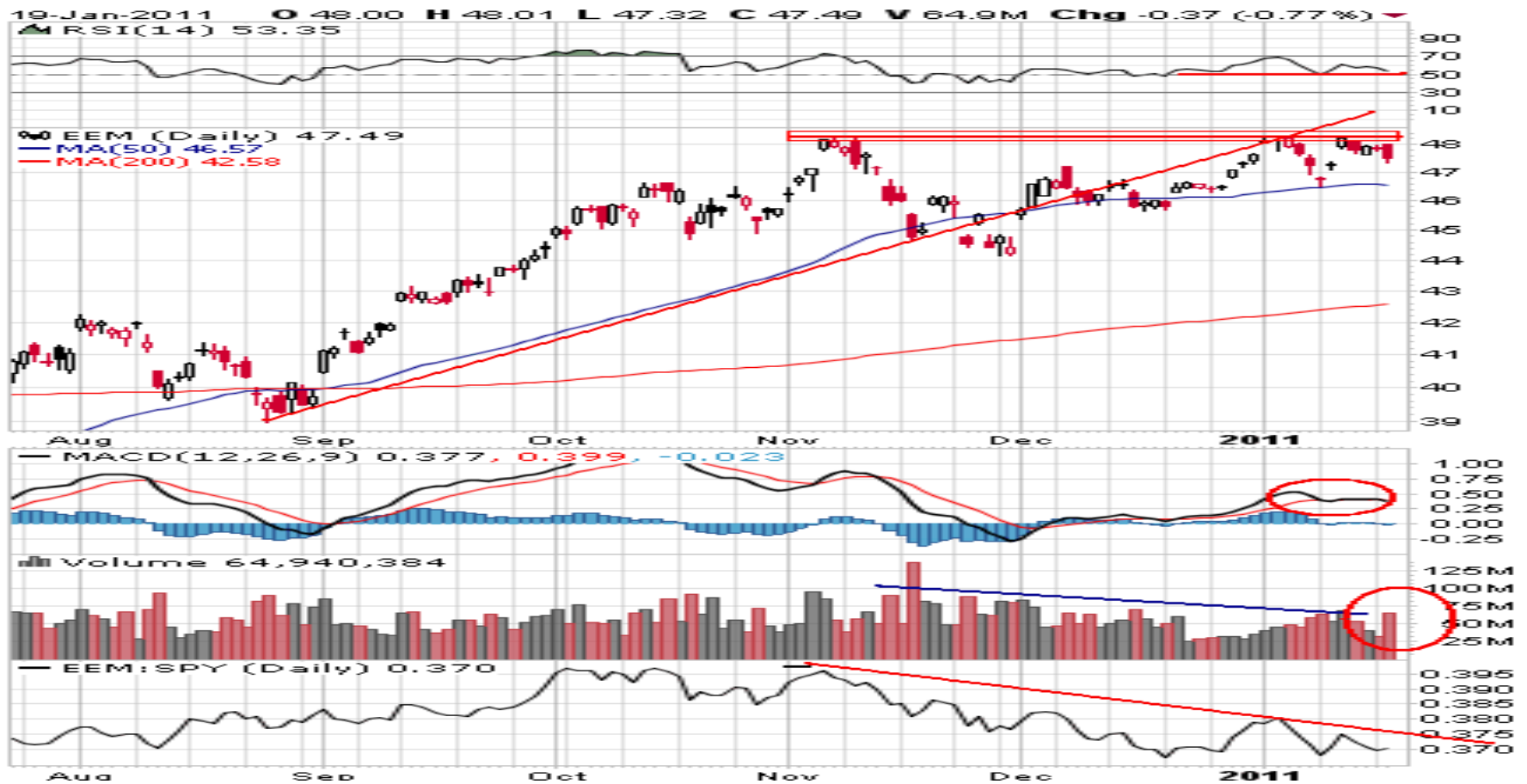


## EEM - POM - LT - Price , Volume & Pattern Analysis - (MONITORING CZ -PQV)

Showing weakness , EEM / SPY Ratio has weakened considerably ( See charts below) Indicating flight to safety . SPX will hold much better then EEM in next decline.

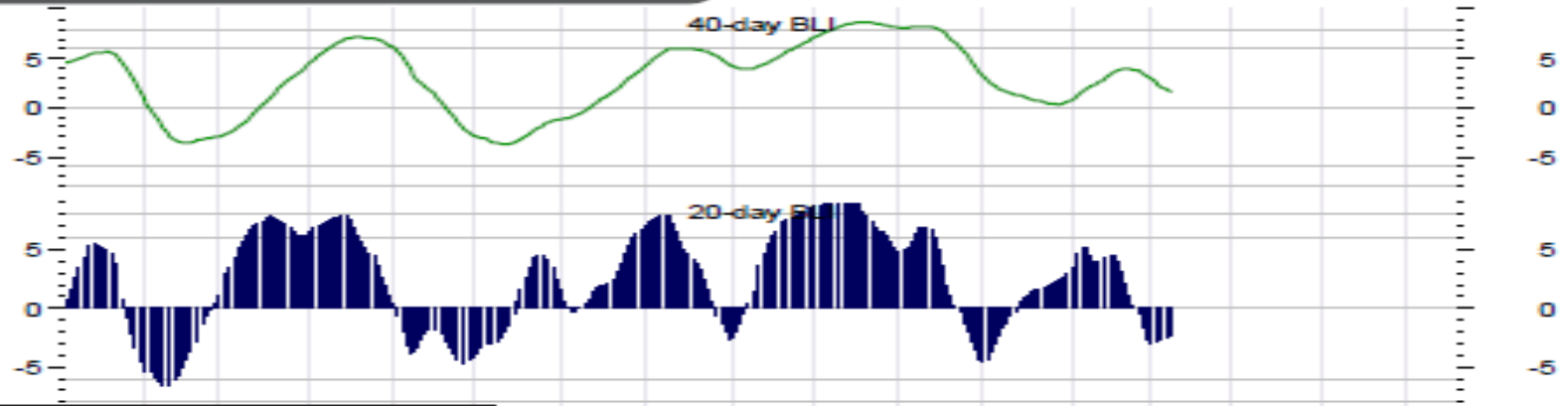
Currently RSI should trigger below 50. . Prices broke yesterday on Volume pick up on downside. MACD turned down

Earlier EEM double topped and Tested the broken Trend line in the CZ and PQV validated on test



# EEM - POM - LT - SMA / Trend line Analysis - - (MONITORING CZ -PQV)

Emerging Market		EEM
Last: \$	46.58	
Chg: \$	0.02	0.04%



Trendline and 80-dma support were clearly violated in bearish fashion.



## EEM - POM – LT - Price , Volume & Pattern Analysis -

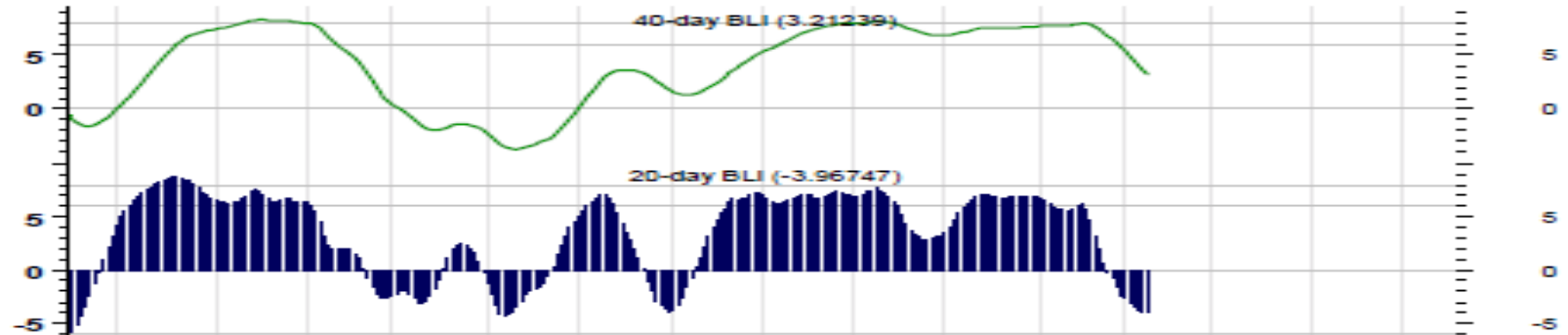
*EEM double topped in CZ Area, tested the broken Trend line and validated PQV test in 47.5 to 49.5. The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept.*

*Based on Volume Analysis, the trend has revered to downside. Its Showing weakness , EEM / SPY Ratio has weakened considerably Indicating flight to safety . SPX will hold much better then EEM in next decline. RSI should trigger below 50. .. MACD turned down. Currently it is setting up B point for next leg down .*



# IYT - Price , Volume & Pattern Analysis ( Special Situation ) –

Transports		IYT
Last: \$	91.79	
Chg \$	0.19	0.21%

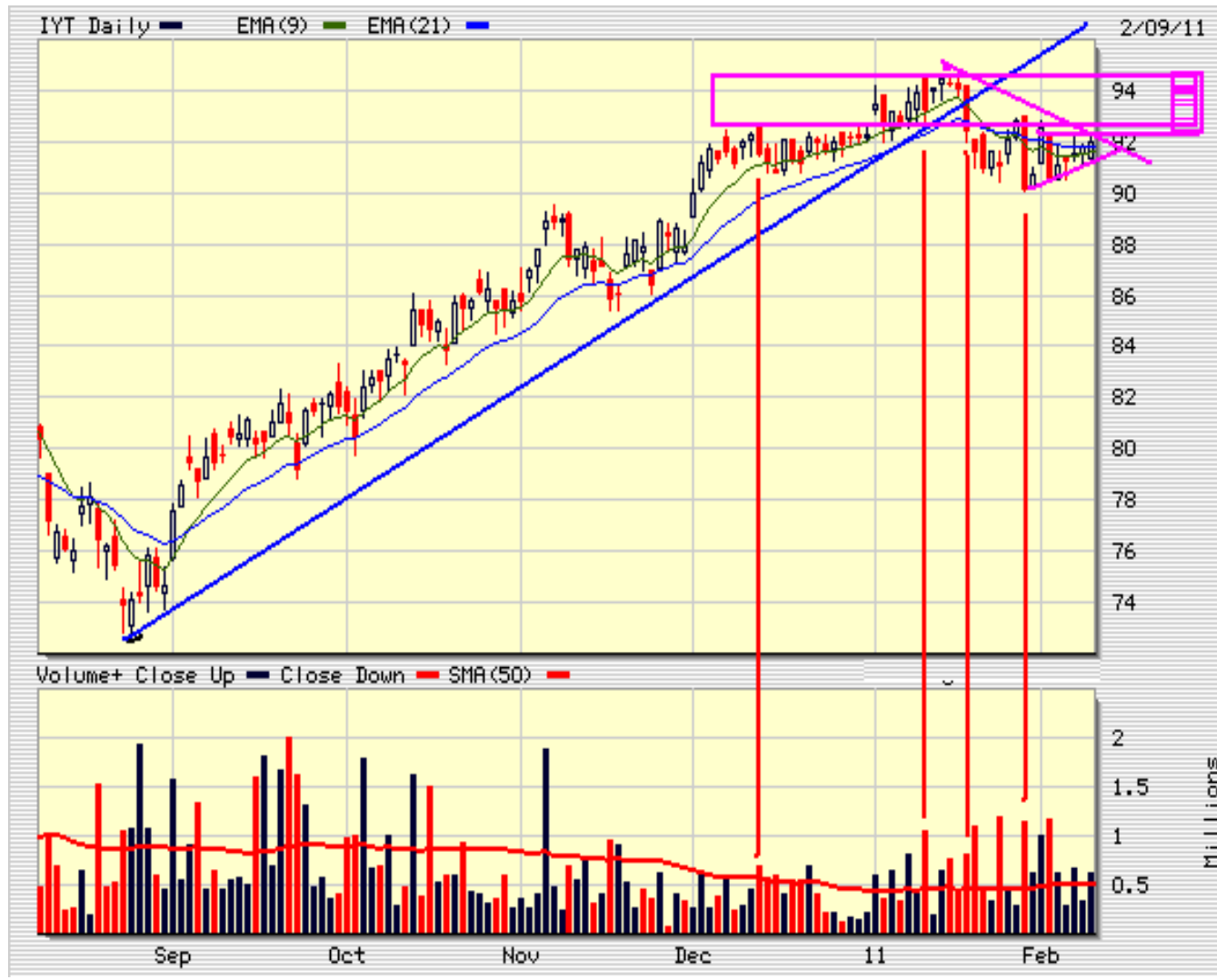


The key reversal at the highs coupled with the 40-dma breakdown suggests lower prices.



## IYT - PQV Analysis

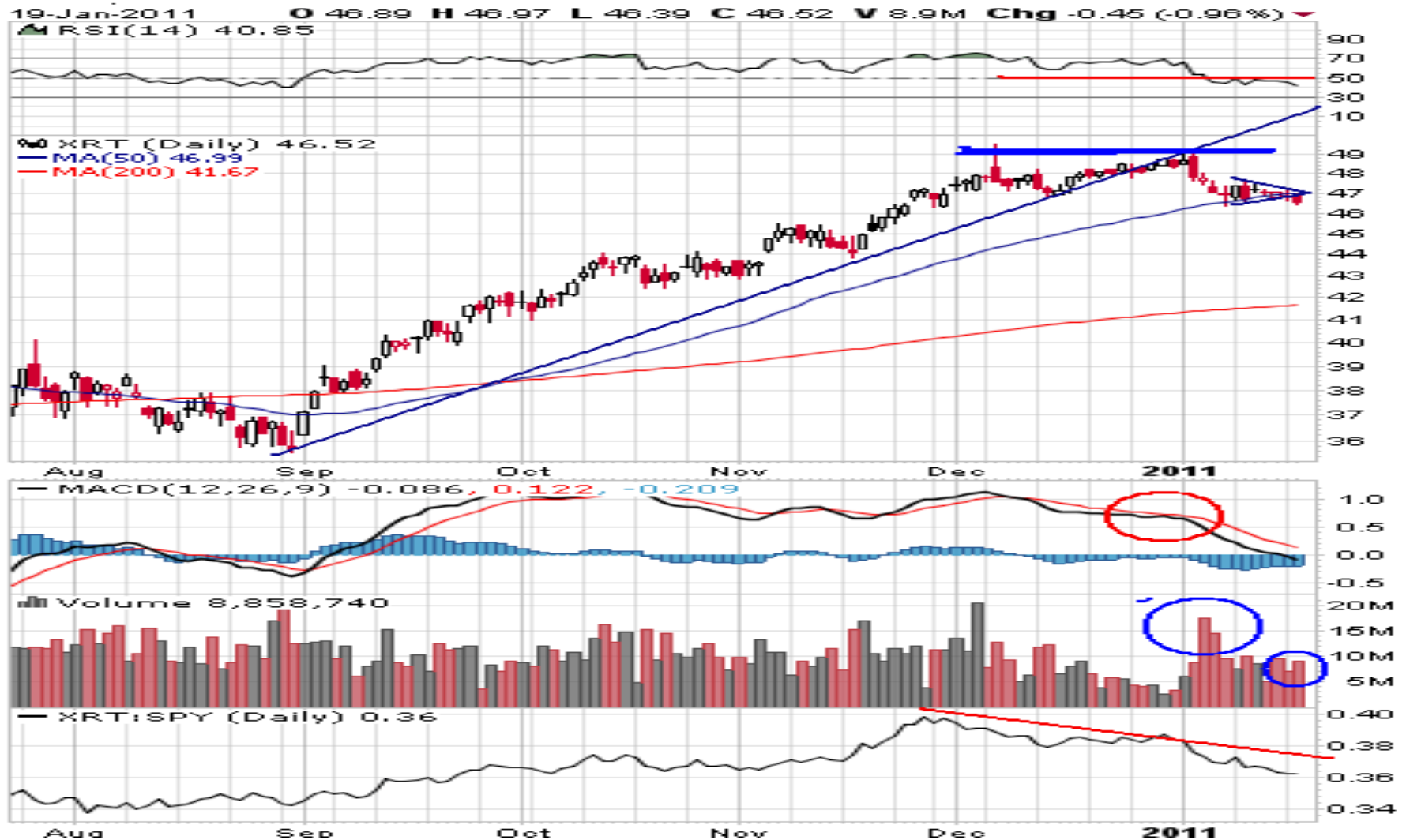
**ITY failed on weekly chart at 94 to 96 CZ and on Daily chart we had our first chance at 93. Currently the CZ is at 92.5 to 94.5 and volume should come in at 650 K or close under 92 for ½ position within this week. A bearish consolidation Triangle is under formation.**



**XRT – ( Special Situation) –**

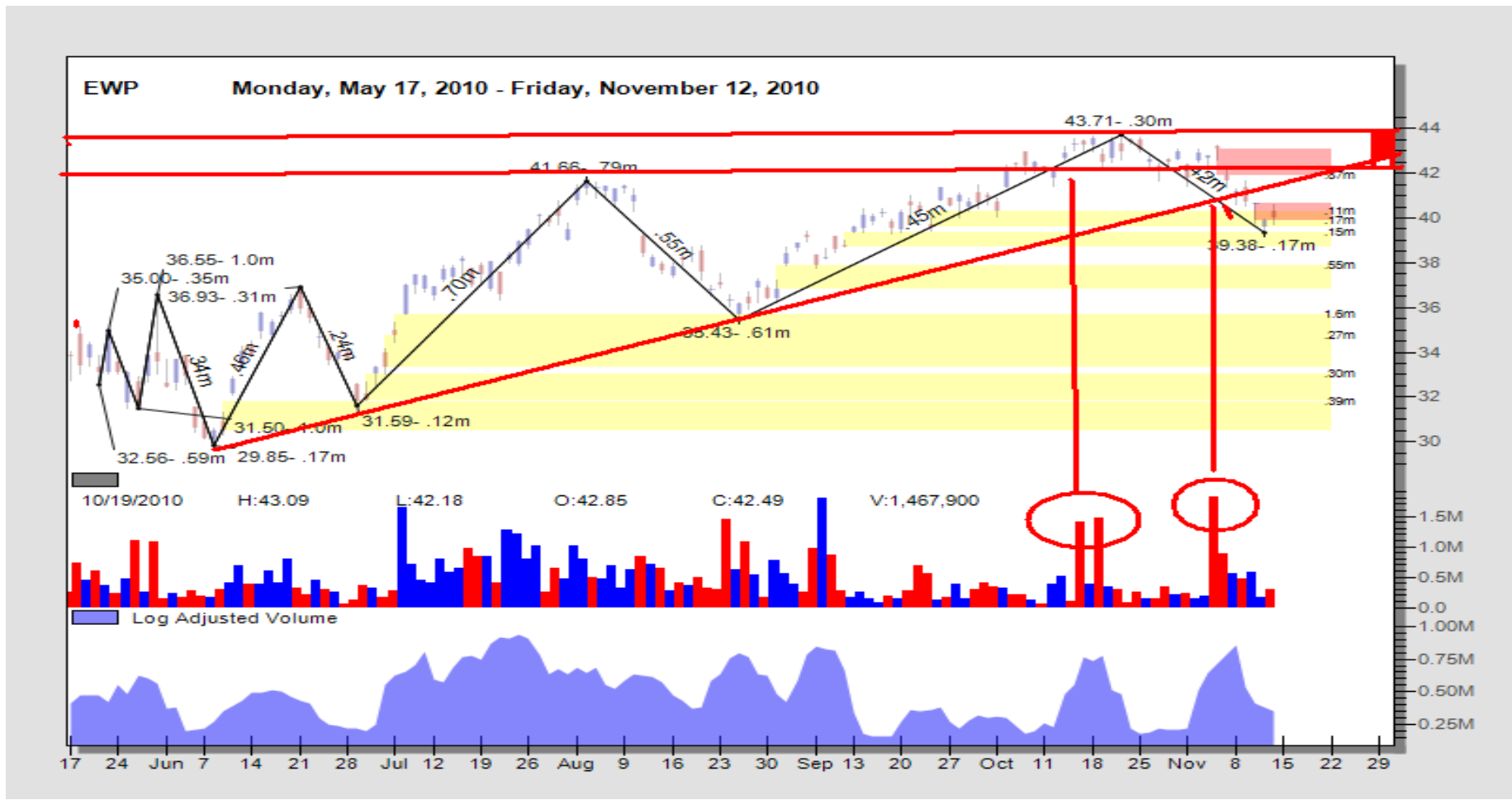
*Weak broken down sector, RSI now below 50 on any bounces. Prices broke yesterday on Triangular pattern now 50D should be overhead on bounces. MACD turned down, Volume picked up on downside.*

*Earlier XRT double topped and broken Trend line in the CZ and PQV failed on test*



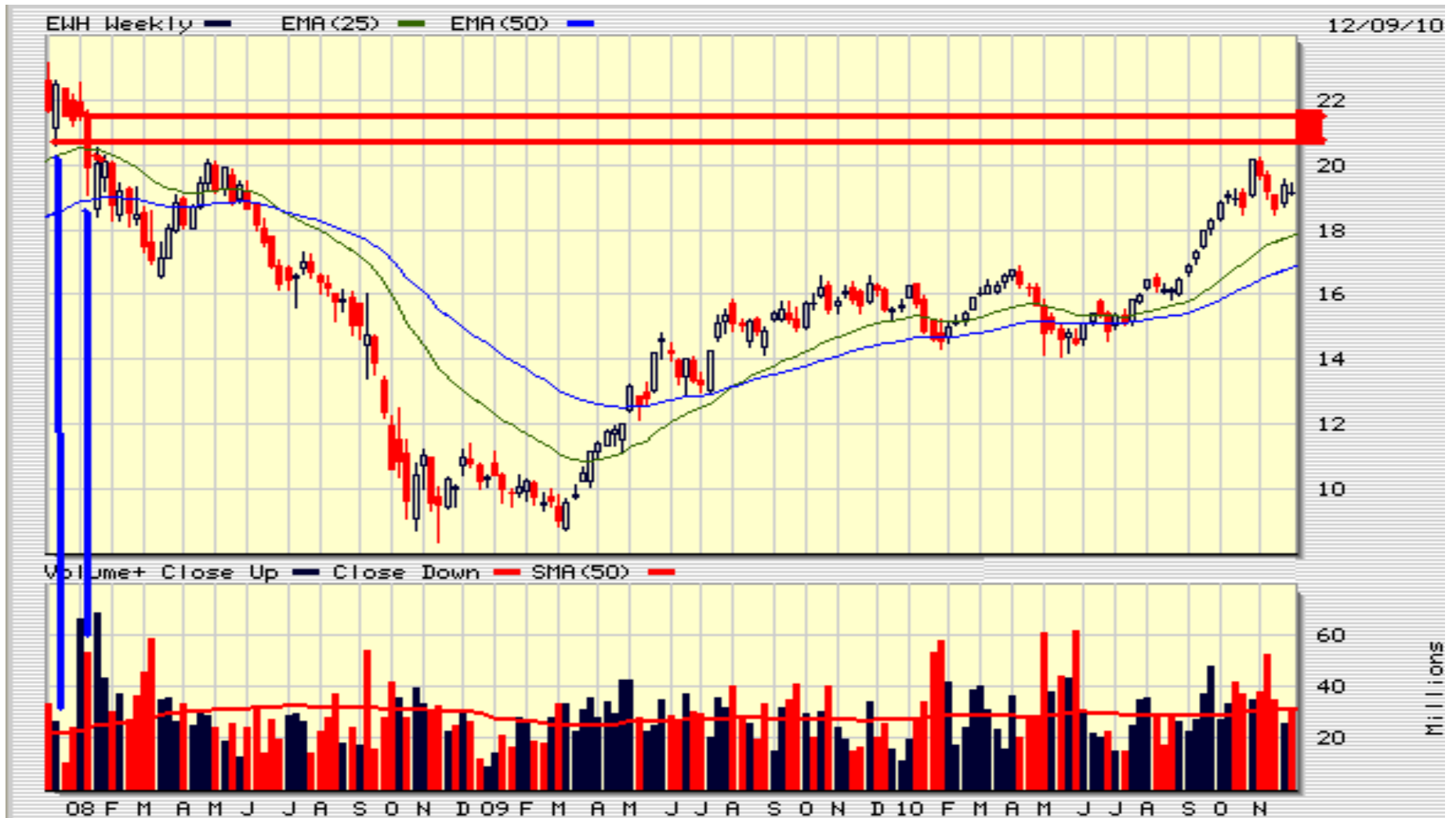
**EWP – PRICE & VOLUME ACTION**

- **CONFLUENCE ZONE 41.5 - 44 , with 0.4 m volume test.** In the bigger picture , this market bounced back 50% from the bottom into the breakdown area with 35% lighter volume ,
- **In the current decline volume in the down move has picked up as indicated ( Fundamental stated in our A # 1 report)**
- **In PQV INDEX – ½ position at 40.40 yesterday and other half at Confluence Zone**



## EWH - POM - LT - Price , Volume & Pattern Analysis

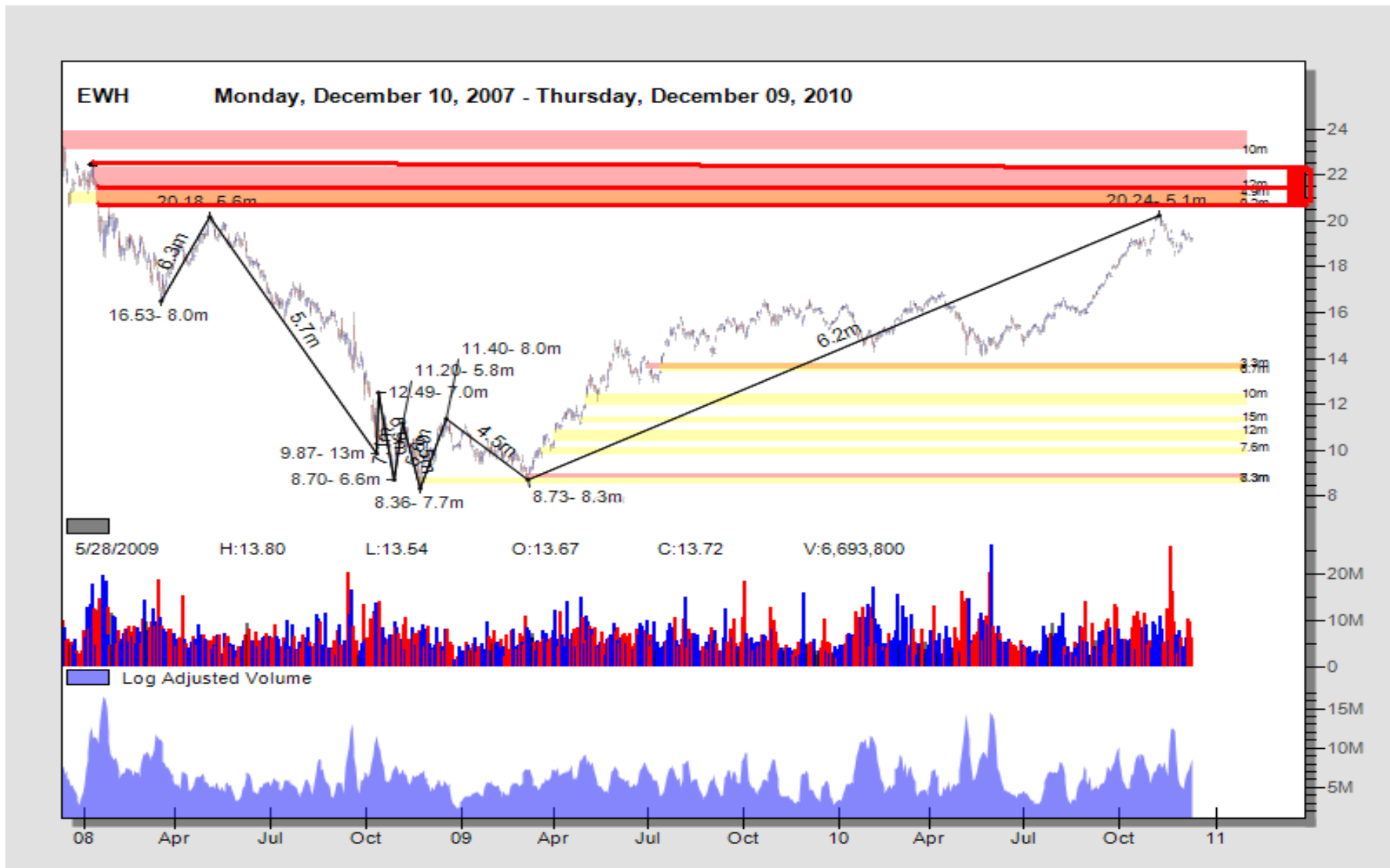
**Backdrop** - as a worst case scenario EWH may test the Previous breakdown area of Dec 07 of 22 & Jan 08 at 21. We don't know yet it will get there or not in prices but ( This will be a better failure ), as this would depend on SPX failure. If EWH gets to these price point , we may as well get SD # 2 and above, currently SD is at # 1.25





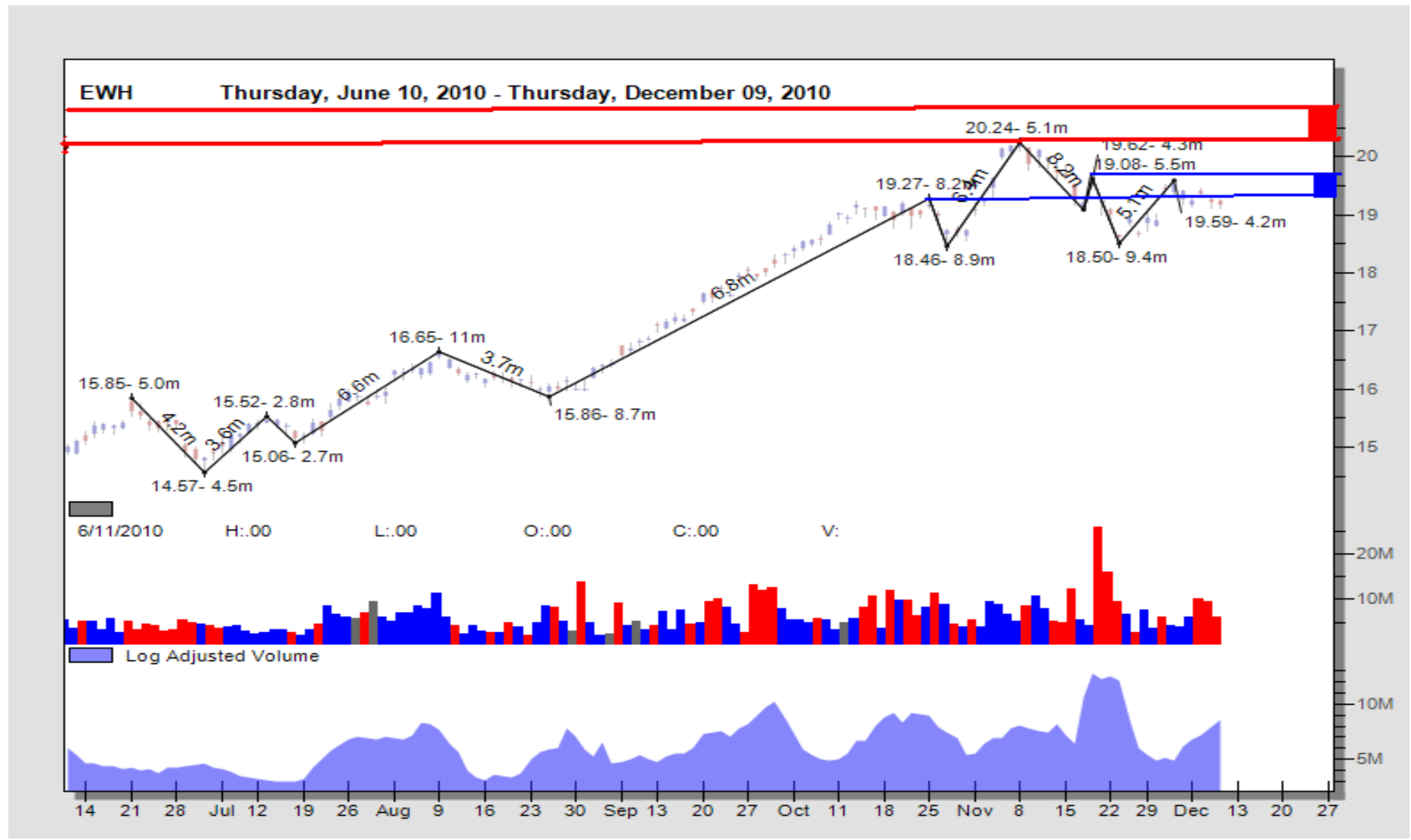
## EWH- POM – MT - Price , Volume & Pattern Analysis

The CZ is 21- 22 and needs 5 M for test and price close below 21.5 . That would Top , On risk reward as always the stop on other side of CZ. If there is one final seasonality rally



## EWH - POM - ST - Price , Volume & Pattern Analysis

There is a possibility, if SPX fails, then we look for EWH to enter in this area of H & S 's CZ of 19.25 to 19.75 to fail, the volume should come in at 4.5 M and close under 19.25 . On Shorter term, there is a H & S Top is in place .



## EWH – Technical & Pattern Analysis & Price / Volume

On Daily charts , It is a Bearish Head and Shoulder pattern with volume confirming it as well on the secondary test . **RSI Diverging with at Head Level and has diverged at Shoulder level. Volume came out of this ETF on Sell side as circled in Red** . This a bearish Set up. If SPX put in a Top here, it might coincide with it this as well at Head & Shoulder CZ might prove its merit .



# SMH – Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. Currently in CZ and Validated PQV

Semiconductor	SMH
Last: \$	35.76
Chg: \$	0.18 0.50%

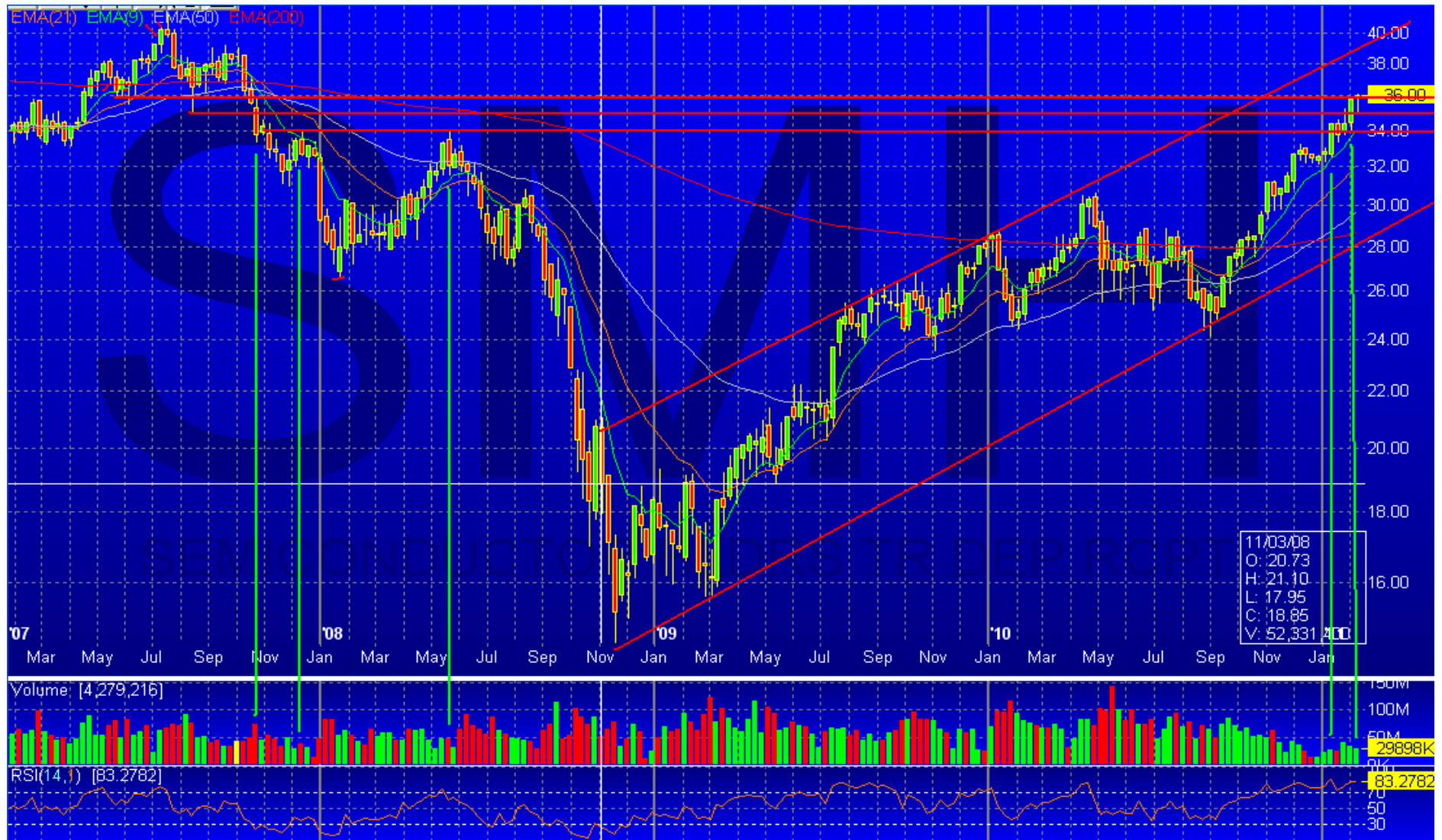
RATIO: SMH / SPY
Last: 0.270
Chg: 0.001 0.46%



## SMH – Price / Volume (No Change)

SMH came our test zone defined by May 084 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M, this was triggered. On risk reward as always the stop on other side of CZ.

On weekly ( This week), the Volume test should fail, If we close below 34 on week and month, It should be another good failure. ( wkly volume 27m )

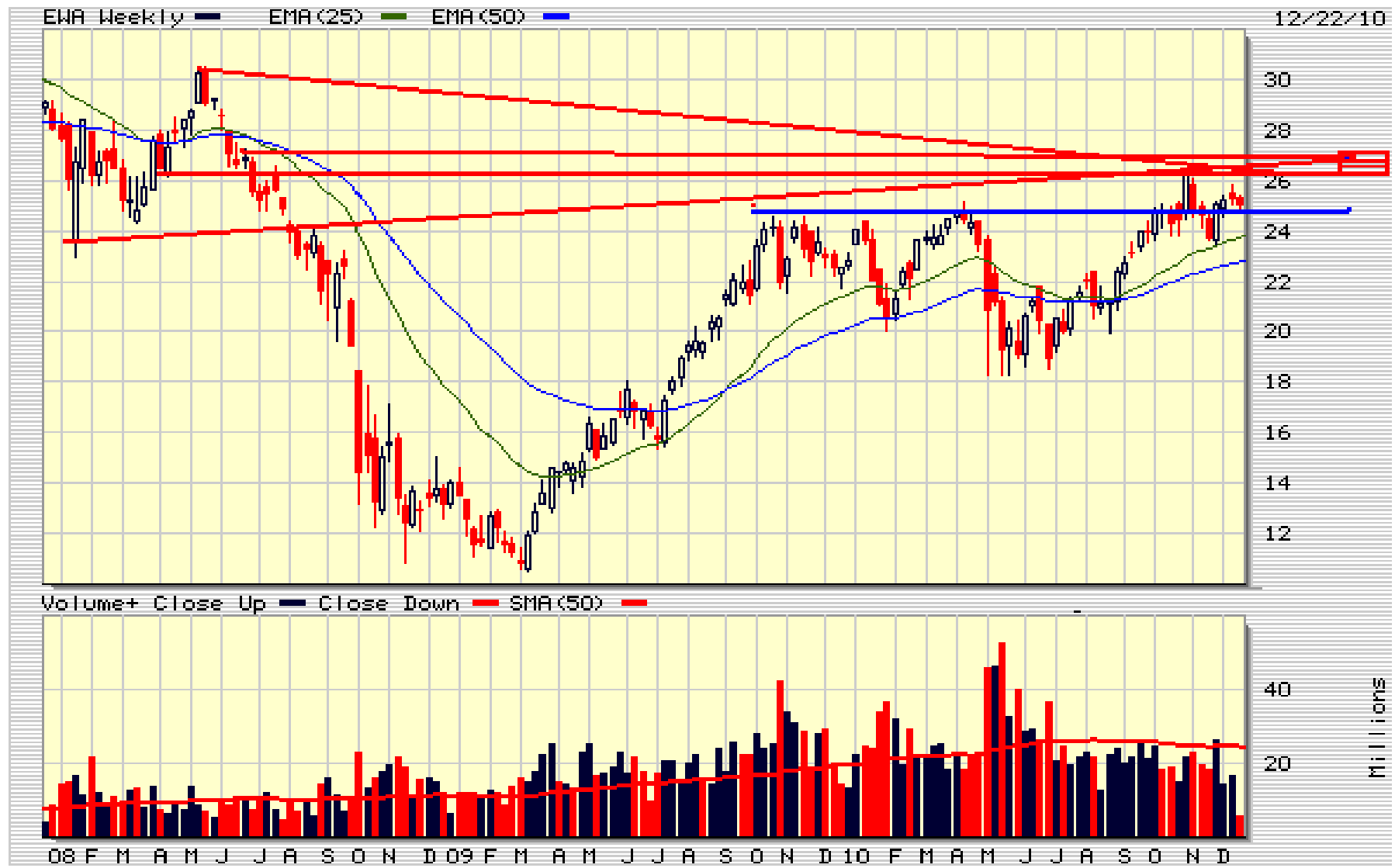


## EWA- POM – LT / ST – Key Points

- **SD # Levels are below +1.0 SD and Neural Zone ,**
- **EWA is closely related with Commodity Market which in turns tied up with USD , if DXY rally's ,SPX should decline and so as EWA follow on downside**
- **Currently SPX is at POM 14 and EWA belongs to AOM**

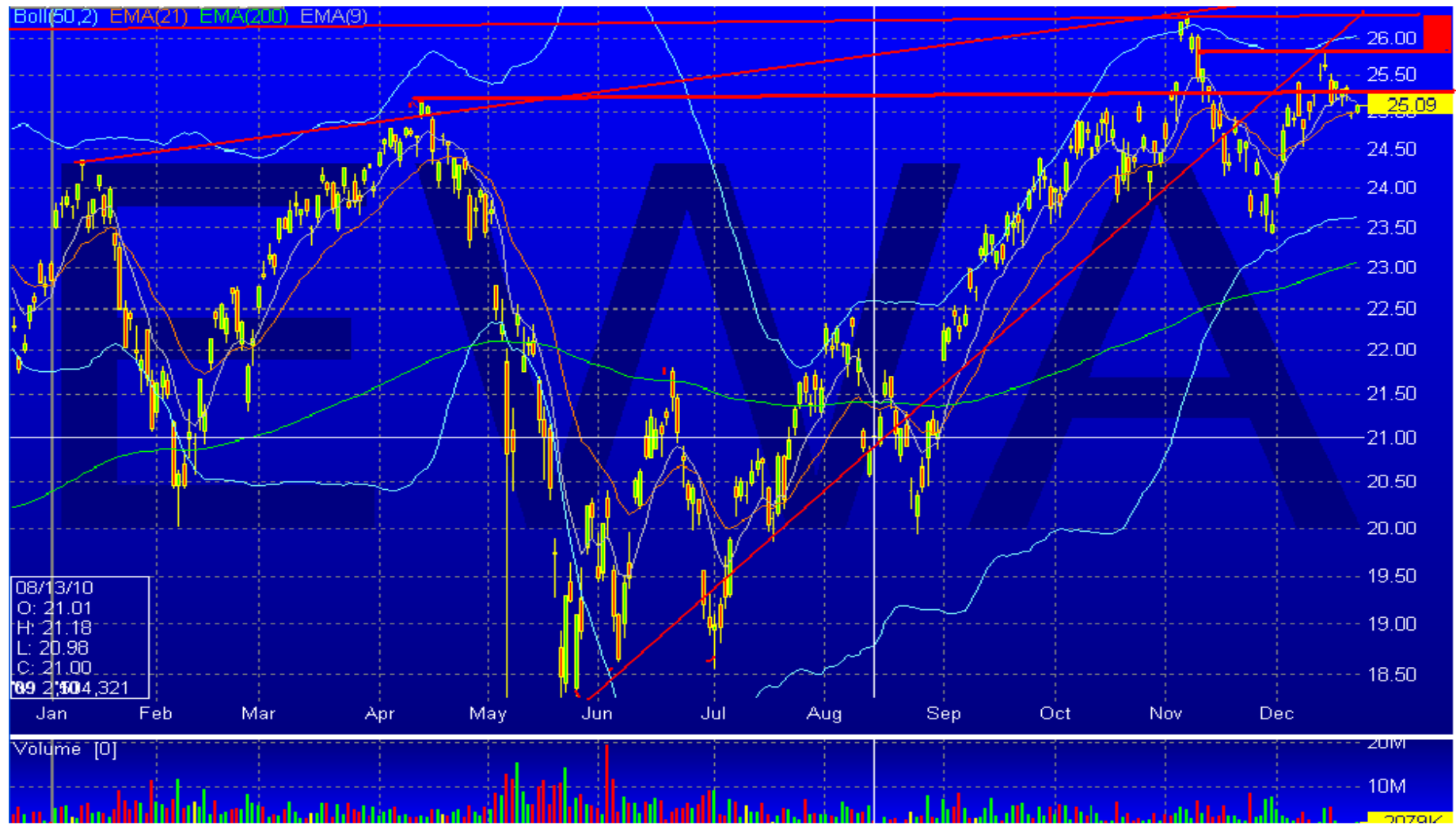
## EWA – Wkly - Technical & Pattern Analysis & Price / Volume

The best Risk / reward would come in the CZ test of 26 -27 and test with 16 M weekly & close under 25.75 (weekly) should be a good test. But if SPX declines this will follow.



## EWA – Short term - Technical & Pattern Analysis & Price / Volume

On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



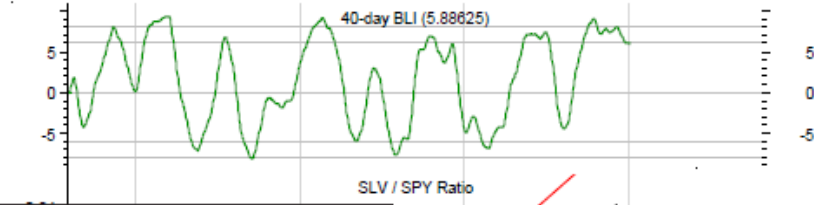
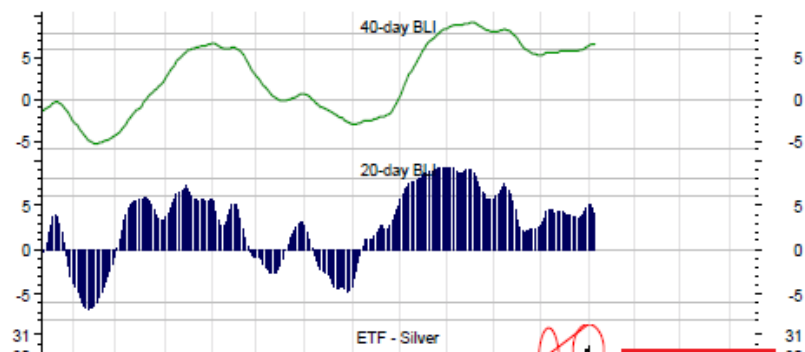


# SLV – Technical & Pattern Analysis

## SLV - ( CZ –PQV tested in Sector Watchlist Report & Commodity Report - C)

**Silver ETF**      **SLV**  
 Last: \$      28.42  
 Chg: \$      (0.19) -0.67%

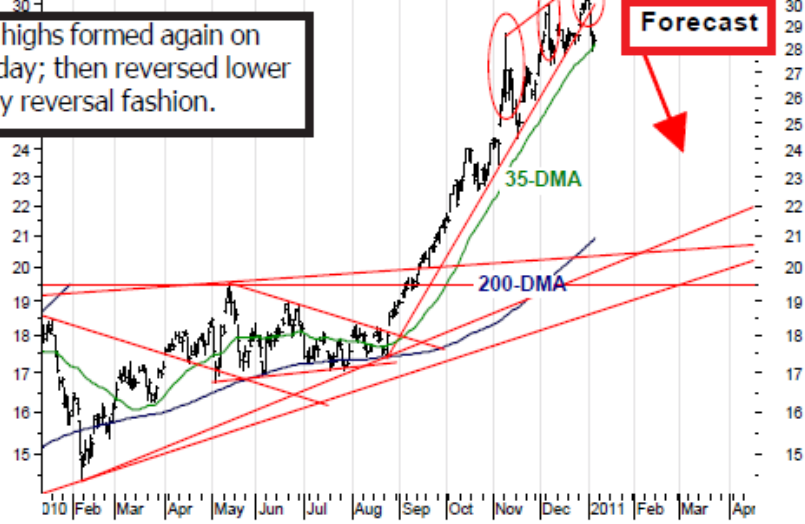
**RATIO: SLV / SPY**  
 Last: 0.223  
 Chg: (0.001) -0.47%



New highs formed again on Monday; then reversed lower in key reversal fashion.

The parabolic move is showing signs of "stalling"; a 60-dma breakdown would be quite bearish.

**Forecast**



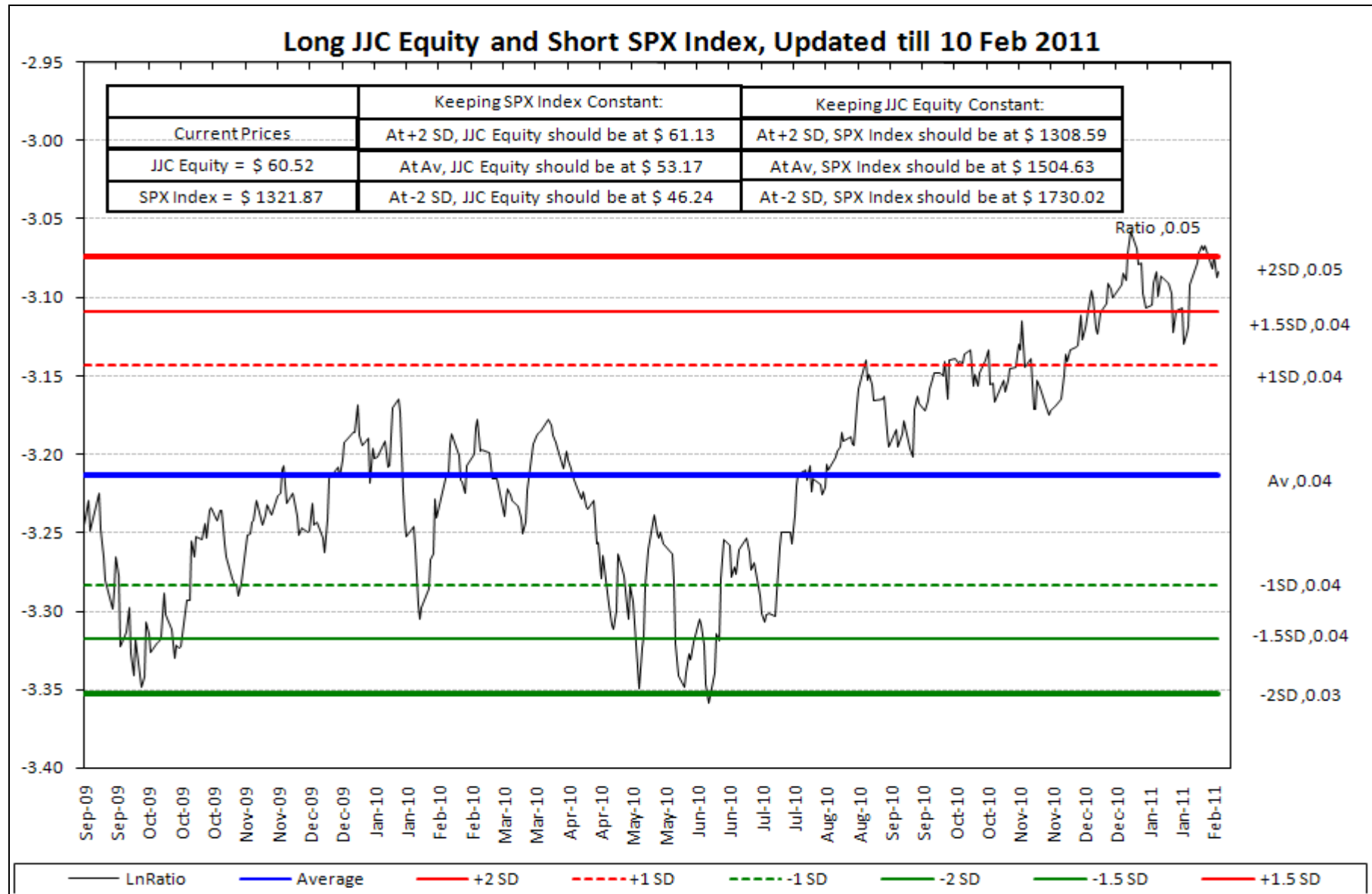
## SLV – PQV

*GDV has been great bench mark for P. Metals market , it is on way to our target of 54 from 61 with volumes navigating this down. Meanwhile SLV testing area around swing lows and 50DMA of 27.50 with volume picking up on down . MACD turned down, RSI is weakening , That shows loss of upside momentum, suggests the bounce could be anemic on counter Trend towards the 29.00 area as indicated .*

*On bigger scale, the price pattern is 3 drives to the top & Key reversal with heavy volume on downside suggested of the current down move that's in progress toward our target of 25 and eventually 22 after several Zig - Zags .*



## JJC Correlation Ratio Analysis with SPX – 365 days Time basis



## JJC– Technical & Pattern Analysis

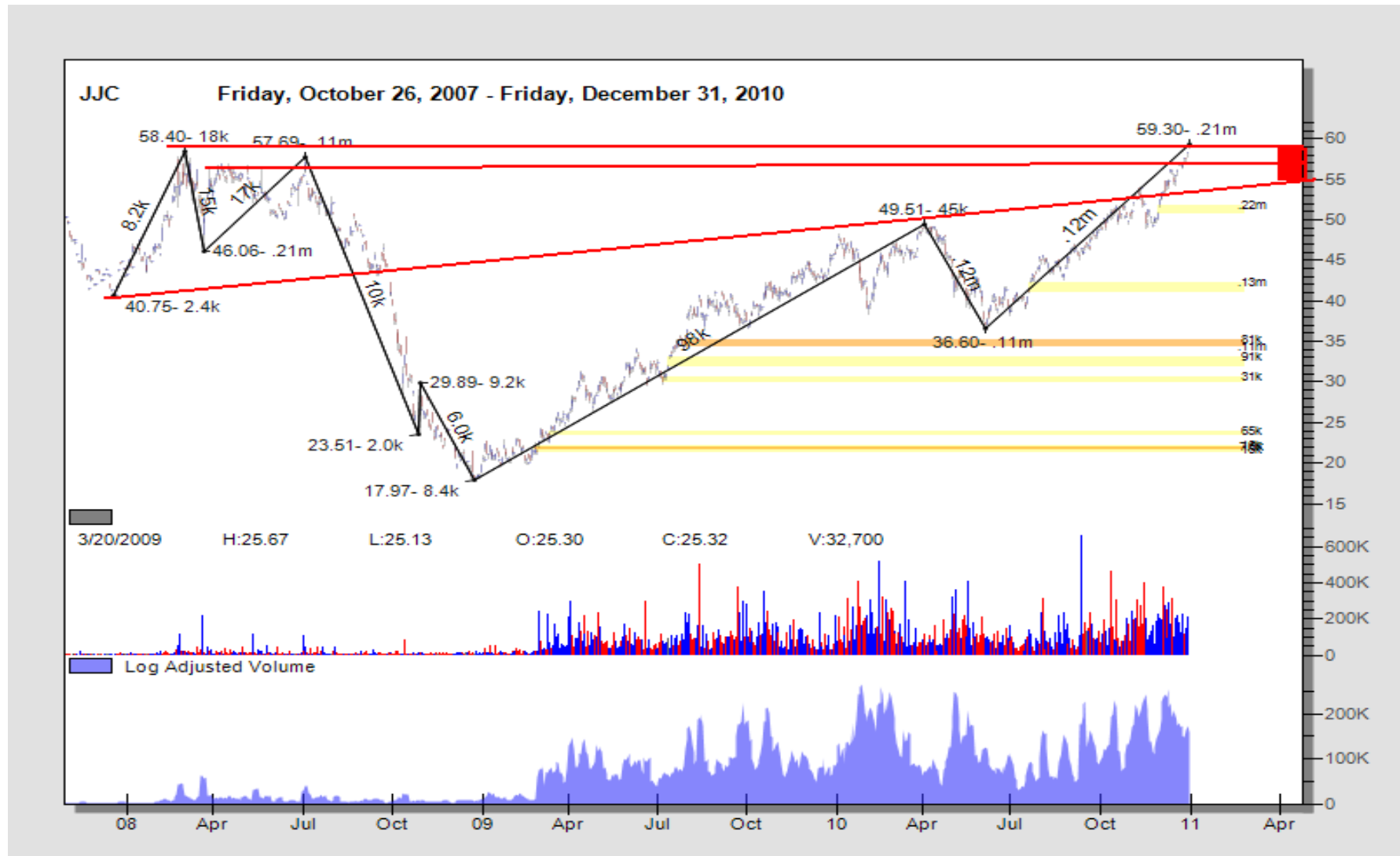
The JJC / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall (**hence overvalued**) by this matrix in Sync with SD Analysis

*This has entered the CZ , 2<sup>nd</sup> time and volume expanded at the swing high, We are not comfortable . We will monitor closely when the week ends.*



## JJC – PQV Analysis

*This has entered the CZ on 3x3 on volume expanded at the swing high, For better Risk reward , first a sign of pull back on heavy volume and at least 18 -20 m and then test of 60 with 10 M shares and close under 59 for failure. But no signal yet*



# Long

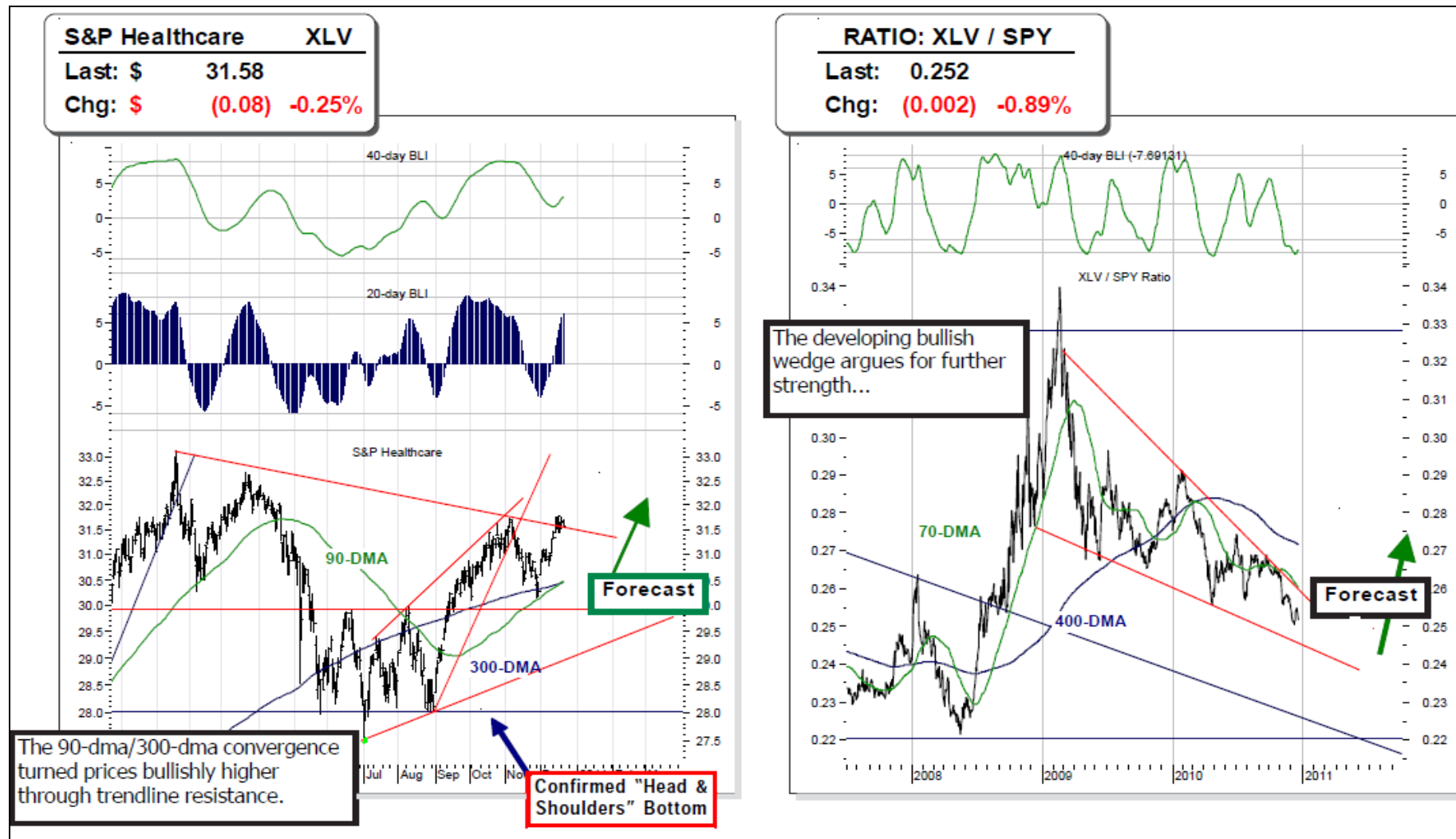
## JOF – Technical & Pattern Analysis –

Pull back into CZ 8.40 – 8.55 with 60K shares and close above 8.55 would be good signal to Buy . Stop as always on other side of CZ as SPX is on POM 14 .



# XLV – Technical & Pattern Analysis & Price / Volume

The XLV / SPX ratio chart looks bullish and should trend up in RH side chart below, confirms the relative rise in **XLV / SPX ( hence undervalued )** by this matrix **in Sync with SD Analysis**.



## XLV – Technical & Pattern Analysis & Price / Volume

*The larger H & S Bottom should hold on pull back along with Trend line , RSI should pull back to 50*





## XLV – Technical & Pattern Analysis & Price / Volume

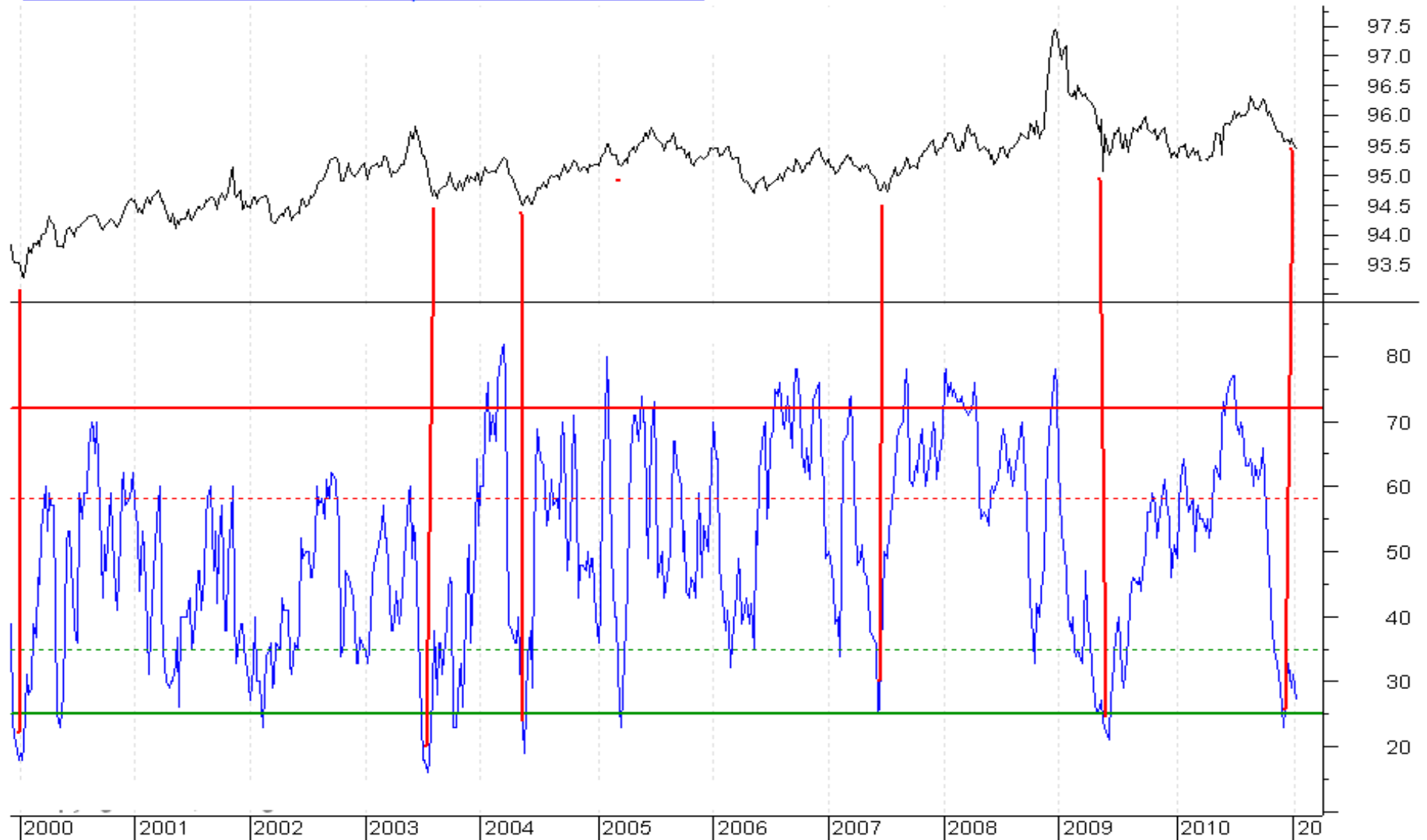
**The CZ on bullish side 30.5 to 31 , the smaller head and shoulder within larger head and shoulder could stop the pull back, Volume on test should be 3.0 M to reject the test. Stops always on other side of CZ,**



**TLT– Bearish Sentiments at EXTERMES. ( Courtesy – CFTC from Traders Sentiment data)**

**Past 10 yrs of Sentiments**

**T-BOND CONSENSUS, INC. BULLISH %**



## TLT- Money Flow

*The money flow bullish divergence In fact, some money managers could be seriously considering a switch to bonds if they are nervous about the stock market They could sell stocks and maintain a 3.73% yield for the remainder of the year. ( In fact the note from Shilling was interesting to that effect ).*



## TLT- Technical & Pattern Analysis – 5yr Monthly Chart

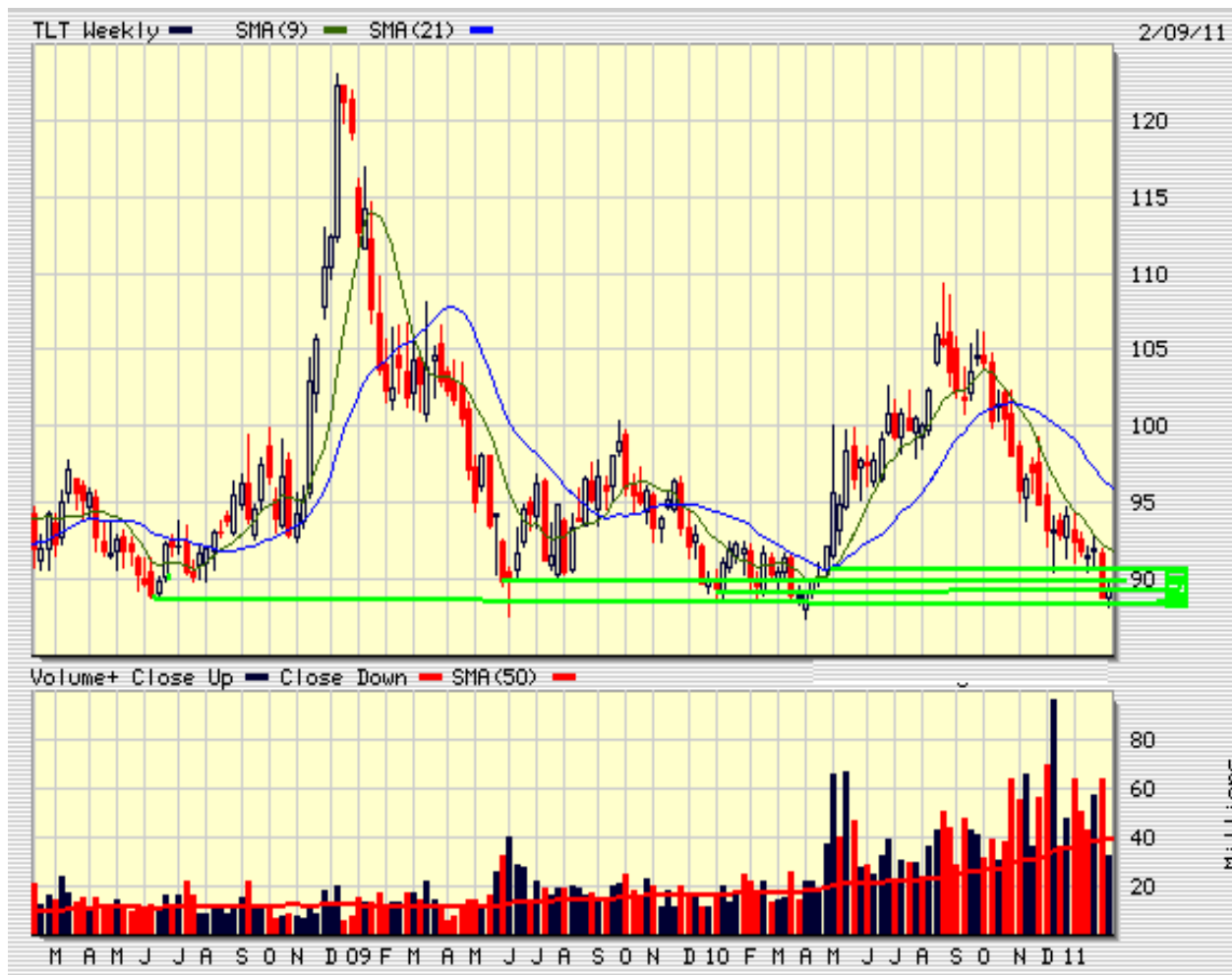
*TLT has reached some critical price points. This is a bigger picture*



## 2 – TLT- POM – ST - Price , Volume & Pattern Analysis

*Current situation considering the Bigger picture and our long term –time horizon could justify ½ position . The 2<sup>nd</sup> half upon re confirmation of Secondary test as indicated in CZ Tracker , As we thought last week, a possibility of bear trap seems to have experienced past 3 days. These TRAPS usually have Retest which usually looks scary ( Which is a common phenomenon at the end of the Intermediate Trend)*

*TLT –Our price target of 89 – 91 and CZ by POM / PQV . PEC D at 91 has been reached. Weekly 40 M test was validated for ½ position.*



## TLT v/s SPY

*Inverse Correlation still exists at every inflection point . Very soon we will see this translate once we close above 92*



## MUB – Technical & Pattern Analysis –

On Daily , Rejected the lows in CZ on the nose SD is at - 2.0 undervalued. This is classic example of CZ test and rally began with SIGN of STRENGTH , Since the volume was heavy and did not qualify our PQV process , now it is testing 97-98 on lighter volume , if volume comes in 300k shares , this should be rejection to 98.5 on close , then we would get a bullish signal . RSI & MACD has diverged bullishly on the 2<sup>nd</sup> re test , this is bullish. ( Stop outside CZ in case decline spiral down in case of event risk but sometimes those risk get prices in at the tests)



## MUB – 3 Yrs - Technical & Pattern Analysis – ( MONITORING CZ –PQV )

It came into the CZ right on the nose 97- 98 but the volume is heavy, we should get the test of the lows again which might be the secondary test . ( Possibility we may not get to tick lows) however we had a climax volume at the first lows



**MUB – Technical & Pattern Analysis –**



On Daily , Rejected the lows in CZ on the nose SD is at - 2.0 undervalued. This is classic example of CZ test and Healthy rally began with SIGN of STRENGTH . this is Bullish. Possibility we get to 98.5 – 98.75 on pull back and if it comes in 300k shares , this should be rejection and give a bullish signal . RSI has diverged bullishly on the 2<sup>nd</sup> re test , this is bullish as well we will move this in our PQV report with CZ in the PQV Validated watch list , this is slow moving but may get some Yield with it ( Stop outside CZ)

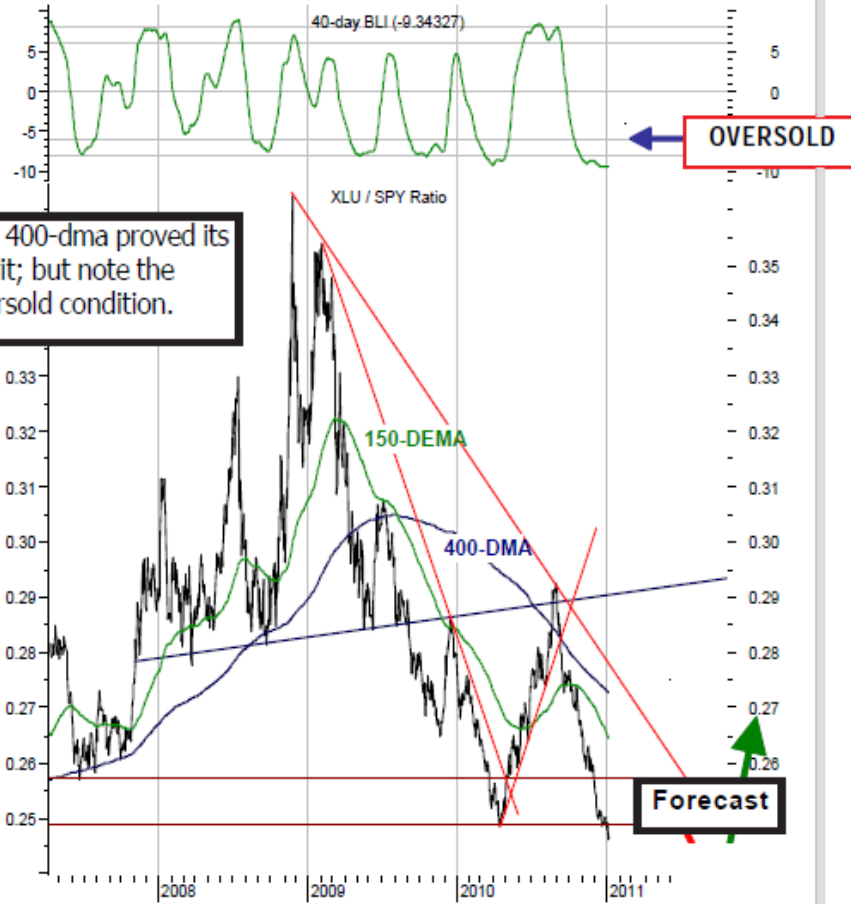


**XLU– Technical & Pattern Analysis**

S&P Utilities	XLU	
Last: \$	31.47	
Chg: \$	0.03	0.10%

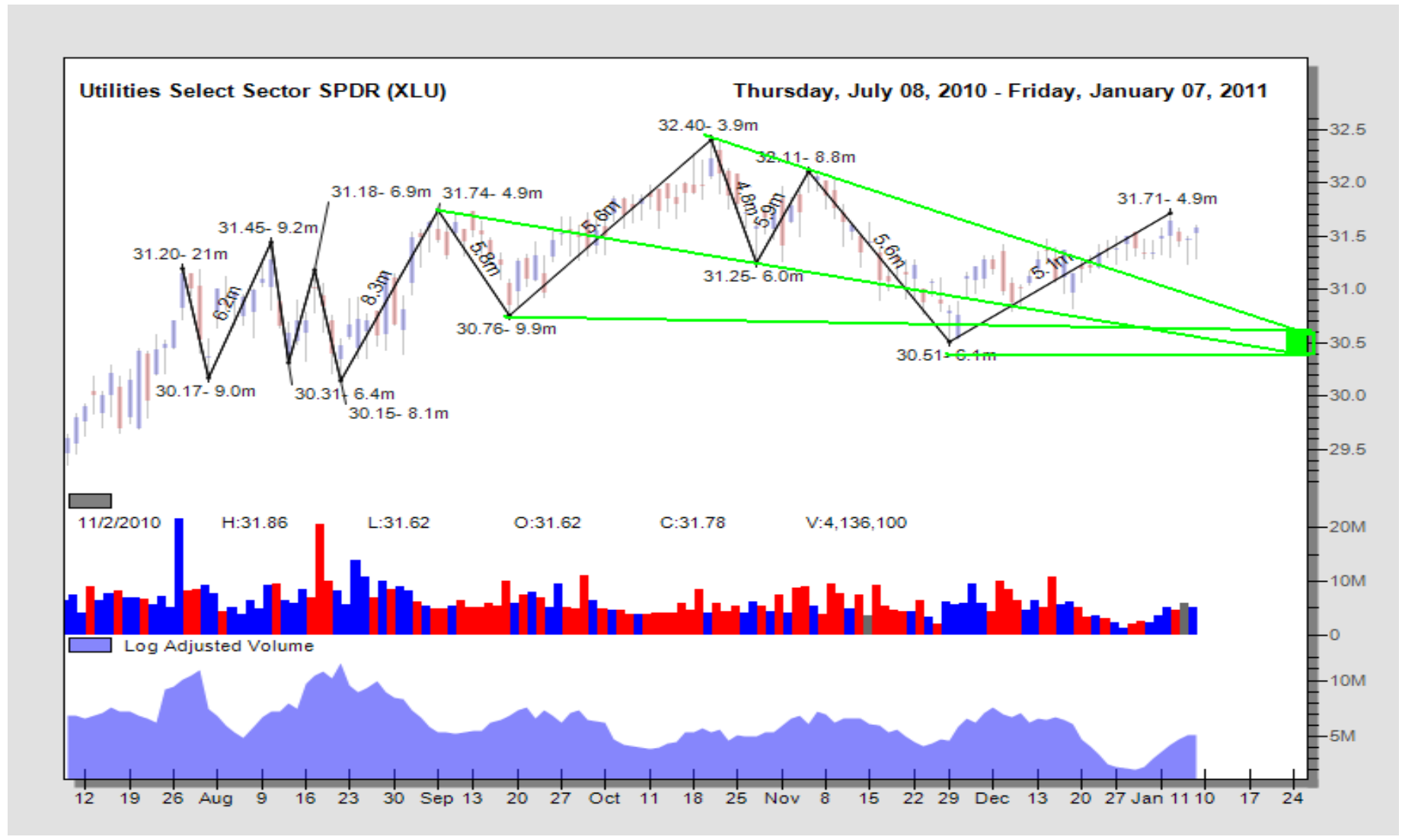


RATIO: XLU / SPY	
Last:	0.247
Chg:	0.001 0.29%



## XLU- Price / Volume

- **CONFLUENCE ZONE** as potential area for a pull back
- **Price between 30.25 – 30.75** and volume should come in below 4.5 M



# XLP- Technical & Pattern Analysis

**S&P Consum Stap | XLP**  
 Last: \$ 29.18  
 Chg: \$ (0.10) -0.34%

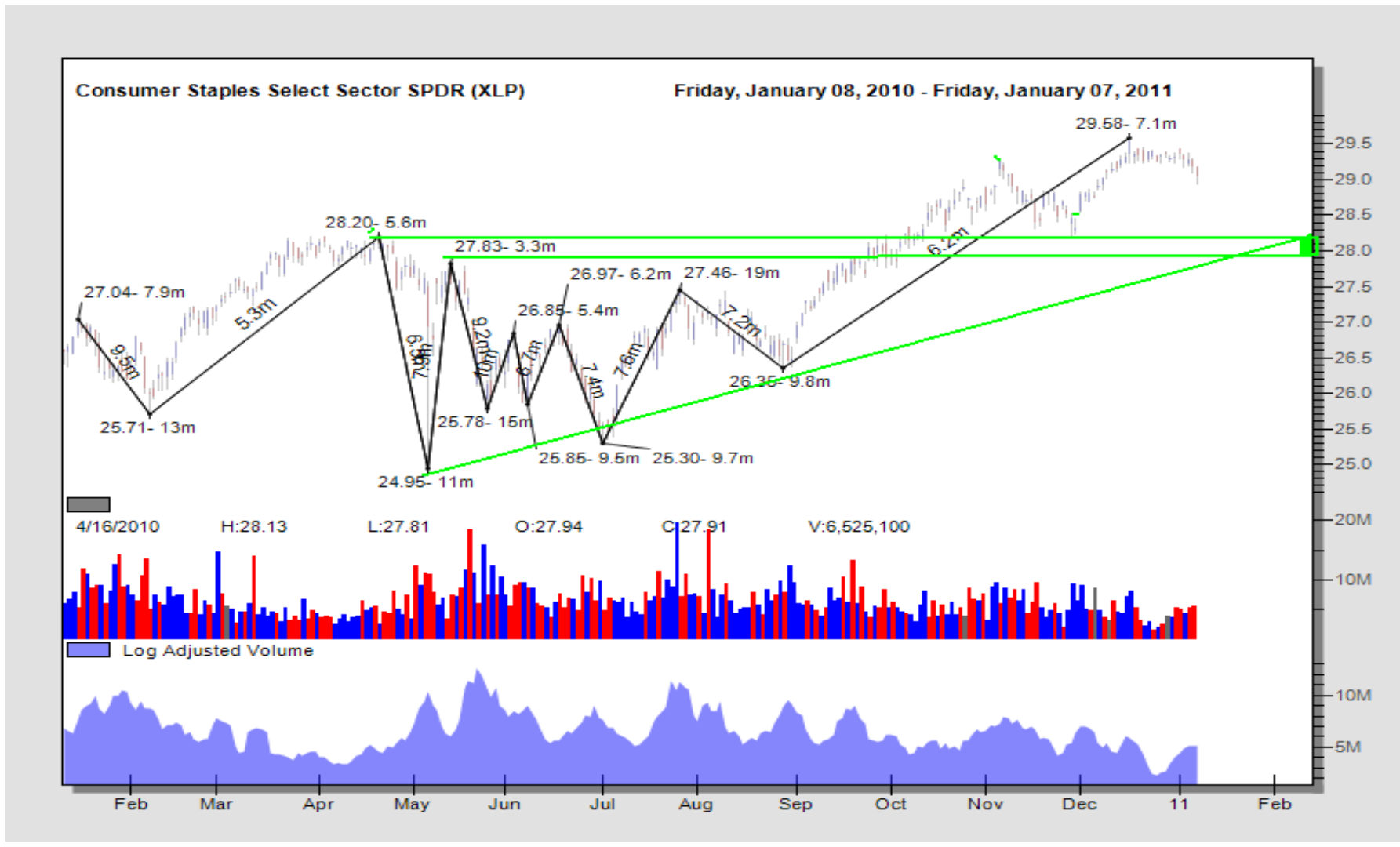


**RATIO: XLP / SPY**  
 Last: 0.229  
 Chg: (0.000) -0.15%



## XLP- Price / Volume

- **CONFLUENCE ZONE** as potential area for a pull back
- **Price between 27.80 – 28.30 and volume should come in below 3.8 M**



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