



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2011 # FEB 17

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

By: Suneil R Pavse

Contact: apavse@aol.com

• **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 have focused on the Sectors 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. Since 10th Jan, SPX has had no sign of POM 15 for Net Short sell.*
- *On Short side - (10) such pre qualified Sectors within this strategy with either full entry or partial entry has a current **Drawdown of (- 1.14%)** 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 (- 9. 2%) so far.***
- *For this week, XLE, SMH - among previously SD #2 & / POM 14 Qualified for / CZ –PQV Validation. We have updated the CZ / PQV Mapping in charts below*
- *On Long side - (2) such pre qualified Sectors within this strategy with either full entry or partial entry has a current gains of +7.0% in Equally weighted Index (but Stops on other side of CZ). Additional (3) more Sectors XLP, XLU, XLV are in Watch list pending CZ PQV Validation.*
- *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"> • SPY • QQQQ ➤ TLT (Bonds) ✓ MUB (Mun) (SP) ✓ IWM ✓ EEM (Emerg) • EEA (Europe) • EWJ (Japan) • FXI (China) • RSX (Russia) • IFN (India) ✓ EWP (SP) ✓ EWH(SP) ✓ JOF (SP) ➤ EWA(SP) <p><u>SP – Special Situation</u></p>	<ul style="list-style-type: none"> • XLF (Financials) • XRT (RTH) (Retail) ➤ XLV (Health) ➤ XLB (Materials) ➤ XLE (Energy) • XLK / QQQQ (Tech) • XLI (Industrial) ➤ XLU (Utility) ➤ XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) 	<ul style="list-style-type: none"> ➤ SMH (Sem) • BBH (Biotech) • IYT (Transports) • IYR (Real Estate) • DBA (Agro) • DBB (Base metal) • DBC (Commodity) ✓ GLD (Gold) ✓ SLV (Sil) ✓ GDX (Miners) • USO (Oil) ➤ JJC (Cu) • SLX (Steel)

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 # 2 Overvalued and Undervalued characteristics. Additional direction bias is given via doubling on ETF’s with extremes SD # 2 & POM/ CZ PQV Validation 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# 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 & Derive CZ for PQV Validation test.

Overlay Criteria

- SD #/2 ANALYSIS EXTREMES by 365 D Correlation.
- SPX - POM FRAMEWORK as PIVOT by Trend Correlation
- TECHNICAL PATTERNS, 2nd Derivative DMA’s & VOLUMES” & Derive CZ for PQV Validation.
- 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 (same as past 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

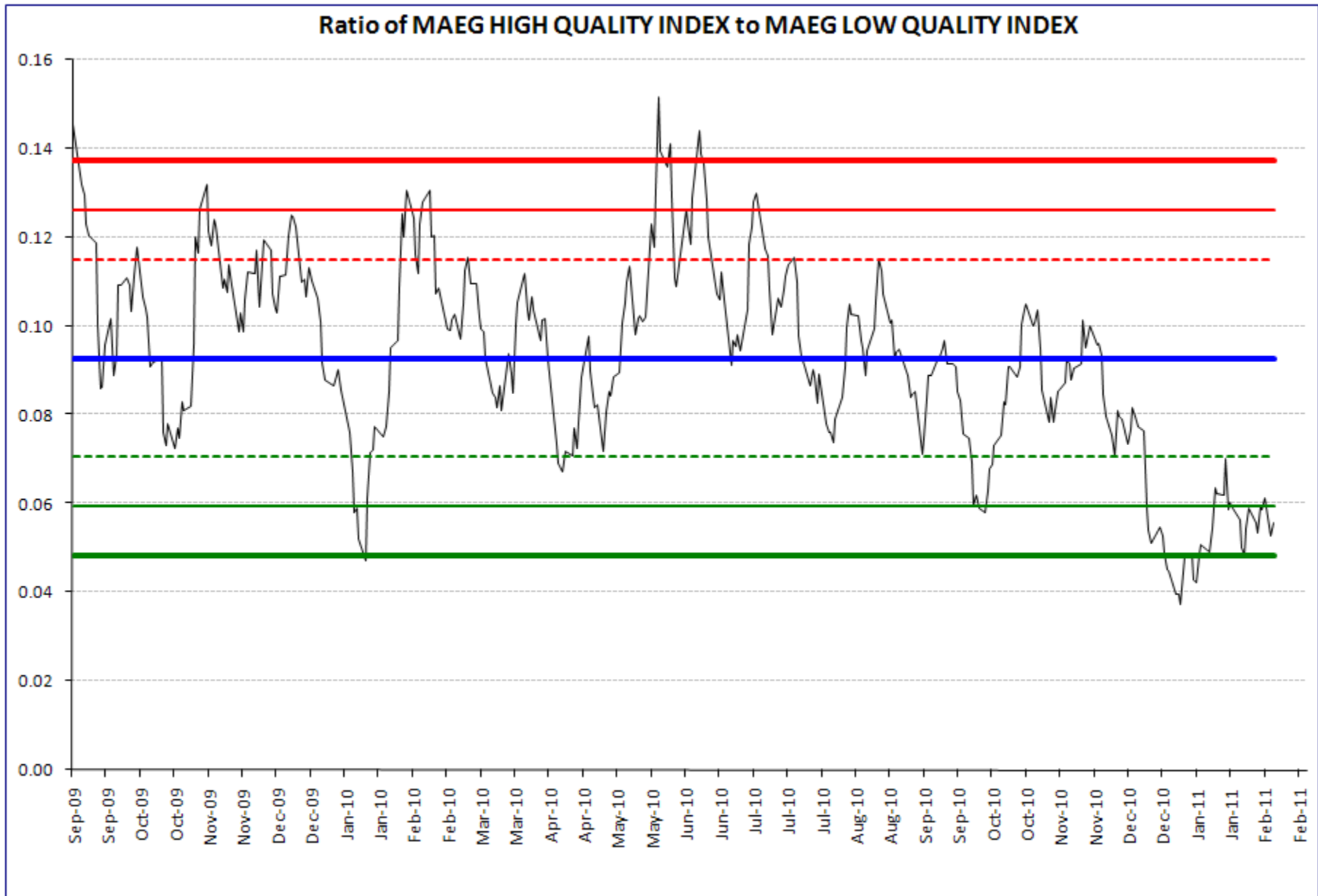
3X3/9EMA – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD	Target Exit & Reversion to mean	Last Price	3X3 /9EMA	Net Exposure	Comments
Gr 1							
SPY		-0.09	0.09	133.85	\$ 132.26		
QQQQ	Above +1.5SD	1.57	0.04	58.88	\$ 58.00		
IWM		1.44	0.06	82.68	\$ 81.19		
TLT	Below -2SD	-2.35	0.09	89.63	\$ 88.97		
EWJ		-0.86	0.01	11.51	\$ 11.32		
FXI	Below -2SD	-2.53	0.04	42.31	\$ 41.72		
IFN	Below -2SD	-2.48	0.03	30.52	\$ 29.67		
EEM	Below -1.5SD	-1.95	0.04	45.87	\$ 45.43		New
Gr 2							
XLV	Below -2SD	-2.27	0.03	32.59	\$ 32.31	43%	
RTH		1.15	0.03	50.04	\$ 48.96		
XLF		-0.66	0.01	17.16	\$ 16.88	60%	
XLK		0.75	0.02	26.99	\$ 26.78	100%	
XLU	Below -2SD	-2.54	0.03	31.80	\$ 31.86		
XLE	Above +2SD	2.63	0.05	75.95	\$ 74.09	0%	
XLB		1.37	0.03	40.34	\$ 39.67	-100%	
XLP	Below -2SD	-3.11	0.02	29.52	\$ 29.37	38%	
XLI	Above +1.5SD	1.63	0.03	37.85	\$ 37.41	0%	
Gr 3							
JJC		1.49	0.04	59.83	\$ 60.46		
SLV	Above +1.5SD	1.77	0.02	29.96	\$ 29.30		
SMH	Above +2SD	2.30	0.02	36.29	\$ 35.74		
MUB sp	Below -2SD	-2.55	0.09	99.41	\$ 99.23		special situation
USD	Below -2SD	-2.59	0.03	35.53	\$ 36.15		
BBH	Below -2SD	-2.10	0.09	101.89	\$ 101.06		
DBA	Above +1.5SD	1.56	0.02	34.63	\$ 34.67		
Primary Index Net Exposure							
POM 14 Re Run 3							27%

- 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
NONE	

Ratio of HQ v/s LOW QLTY - 1 yr



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

SD -TECH VALIDATED MARKET NEUTRAL ETF INDEX (Directional Bias only at Externe POM's)

Ticker	Entry date	Last Price	Validated Test price	P/L Since the Test	3X3 / 9EMA	Stoploss @ Close	Trigger either by SD2 or CZ1,CZ2	Comments
SHORTS (SECTORS)								
SD 2 Triggers								
IWM	25-Nov-10	82.68	73.73	-12.14% \$	81.19	84.00	@SD2	
RTH	25-Nov-10	108.59	103.47	-4.95% \$	107.85		@SD2	
XLK	25-Nov-10	26.99	24.49	-10.20% \$	26.78		@SD2	
SMH	25-Nov-10	36.29	31.68	-14.55% \$	35.74	37.80	@SD2	
JUC	10-Dec-10	59.83	54.08	-10.63% \$	60.46	63.00	@SD2	
SLV	10-Nov-10	29.96	27.00	-10.96% \$	29.30	28.35	@SD2	
XLE	31-Dec-10	75.95	68.15	-11.45% \$	74.09		@SD2	
QQQQ	23-Dec-10	58.88	54.74	-7.56% \$	58.00		@SD2	
XLB	31-Dec-10	40.34	38.44	-4.93% \$	39.67	43.05	@SD2	
							SD's Triggred entry	-9.71%
							DRAWDOWN	
CZ Triggers								
IWM	21-Jan-11	82.68	79.00	-4.66% \$	81.19	84.00	@CZ1	
EWP		42.11	42.75	1.50% \$	41.22	46.20	@CZ	
SMH	21-Jan-11	36.29	35.00	-3.69% \$	35.74	37.80	@CZ1	
JUC	19-Jan-11	59.83	59.50	-0.55% \$	60.46	63.00	@CZ1	
EWH		18.75	19.50	3.85% \$	18.71	20.74	@CZ	
XLB	21-Jan-11	40.34	39.50	-2.11% \$	39.67	43.05	@CZ1	
EWA	21-Jan-11	26.02	25.44	-2.28% \$	25.80	27.30	@CZ1	
CLOSED SHORT POSITIONS					53.00%			
				EQ WT SHORT P/L	-2.64%		CZ'S Triggred entry	-1.14%
				OVERALL			DRAWDOWN	
				DRAWDOWN				

LONG (HQ or SD # -2) -- ETF Index - (with positions taken at SD # - 2.0 & CZ – PQV Validated)

LONGS								
POM/Trend Adjusted Signal								
SPY (POM Signal)		0.00	0.00	0.00%		0.00	None - Flat	
SPY (Trend Adjusted Signal)		133.67	130.70	2.27%		130.70	@ SPX 1307 /stop 1307	
SECTORS								
SD2 Triggers								
XLV	10-Dec-10	32.59	30.99	5.16% ↓	32.31		@SD2	
XLU	23-Dec-10	31.80	31.36	1.40% ↓	31.86		@SD2	
XLF	25-Nov-10	17.16	14.63	17.29% ↓	16.88		@SD2	
TLT	12-Nov-10	89.63	96.38	-7.00% ↓	88.97	84.55	@SD2	
MUB	19-Nov-10	99.41	100.98	-1.55% ↓	99.23		@SD2	
BBH	2-Nov-11	101.89	100.95	0.93% ↓	101.06		@SD2	
EWJ	15-Oct-10	11.51	10.22	12.62% ↓	11.32		@SD2	
USO	15-Oct-10	35.53	35.47	0.17% ↓	36.15		@SD2	
FXI	23-Dec-10	42.31	42.60	-0.68% ↓	41.72		@SD2	
XLP	7-Jan-11	29.52	29.18	1.17% ↓	29.37		@SD2	
IFN	27-Jan-11	30.52	30.5	0.07% ↓	29.67		@SD2	
							SD's Triggred entry 2.69%	
CZ Triggers								
JOF		9.65	8.47	13.93% ↓	9.42	7.98	@CZ	
TLT	21-Jan-11	89.63	89.50	0.15% ↓	88.97	84.55	@CZ1	
							CZ'S Triggred entry 7.04%	
CLOSED LONG POSITIONS				28.78%				
			EQVT LONG P/L		5.57%			
			OVERALL					
15th OCT 2010 INCEPTION		Post POM 14		SPX CHANGE		13.25%		
- INCEPTION @ SPX 1180 to Current 1336.32								

CLOSED (SHORT & LONG) POSITION – On Reversion to mean or POM 13

CLOSED SHORTS POSITIONS	Entry Date	Exit Date	Entry Price	Exit Price	P / L	Comments
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
				TOTAL	53.00%	
CLOSED LONGS POSITIONS						
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
				TOTAL	28.78%	

• **SECTOR SETUP INDEX +69%,+74%, 79%, 79% (past 4 weeks)**

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

• **EQUITY SETUP INDEX : +27%, +11%, +21%, 25% (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)

SETUP # 1 (32 of 39)	% away from Gold .Cross	SETUP # 2 (2 of 39)	% away from Dead. Cross	SETUP # 3 (0 of 39)	% away from 40wk	SETUP # 4 (1 of 39)	% away from 40wk
SPY	20.73%	TLT Equity	-7.60%			SLV	33.47%
QQQQ	27.45%	MUB Equity	-4.85%				
IWM	25.90%	IFN Equity	-0.65%				
EEM	13.65%	USO Equity	-0.84%				
EWJ	16.38%						
FXI	4.55%						
RSX	23.69%						
EWP	10.82%						
EWH	23.19%						
EWA	20.18%						
XLF	16.81%						
XRT	28.67%						
XLV	7.59%						
XLB	25.54%						
XLE	36.38%						
XLK	21.51%						
XLI	27.57%						
XLU	5.89%						
XLP	9.33%						
XLY	26.12%						
XHB	15.81%						
SMH	34.71%						
BBH	5.77%						
IYT	24.14%						
IYR	81.68%						
DBA	38.24%						
DBB	21.37%						
DBC	24.42%						
GLD	59.93%						
GDX	27.46%						
JJC	36.10%						
SLX	25.04%						

CZ – PQV – Validation Tracker

Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Required Volume MM on	Actual Volume MM on	Volume Pickup	% Away from Test price UL	40wk MA	% Away from 40 MA	Stoploss @	3X3 / 9EMA	SETUP Qualify Price	Drawdown minimisation	SD # 1.5 SI	
TRIGGERED																	
EWP	Short	42.18	42.75	41.5	44	0.4	0.4	0.5	-4%	38.11	10.69%	46.20	41.66	40.1	-6.6%	(0.86)	43.9%
GLD (under 136.5)	Short	132.2	137	136	138	20	17.0	17.0	-4%	125.89	5.01%	144.90	129.65	134.7	-1.7%	(0.26)	4.8%
EEM (under \$47)	Short	46.51	47.5	47	48	50	45.0	45.0	-3%	43.15	7.79%	50.40	46.06	46.2	-2.8%	(1.00)	8.3%
EWH (under \$19.25)	Short	19.49	19.5	19.25	19.75	4.5	4.0	4.0	-1%	17.34	12.37%	20.74	19.30	19.1	-2.1%	0.37	9.4%
GDJ (under \$61.5)	Short	56.52	63.5	62.25	64.75	11	10.2	10.2	-13%	54.37	3.96%	67.99	54.02	61.0	-4.1%	(0.33)	15.4%
SLV	Short	28.285	27	27	27	50	32.0	32.0	5%	21.99	28.61%	28.35	26.99	24.8	-8.9%	1.64	4.2%
JOF (above \$8.55)	Long	9.38	8.475	8.4	8.55	0.06	0.06	0.1	10%	8.41	11.48%	7.98	9.01	8.5	-0.3%	(0.06)	0.4%
EEM (under \$48)	Short	46.51	49	48	50	40	40	40.0	-7%	43.15	7.79%	52.50	46.06	46.2	-6.1%	(1.00)	8.3%
SLV (under \$28)	Short	28.285	28.5	27	30	50	32.0		-6%	21.99	28.61%	31.50	26.99	25.0	-14.0%	1.64	4.2%
SMH (under \$34)	Short	35.24	35	34	36	8	4.5		-2%	29.03	21.38%	37.80	34.50	32.0	-9.4%	2.33	77.6%
EWA (under \$25.5)	Short	25.629	25.5	25	26	3.5	1.9		-1%	22.86	12.12%	27.30	24.94	25.0	-2.0%	0.58	2.8%
XLB (under \$39)	Short	39.57	39.5	38	41	6	6.0	11.0	-3%	33.64	17.64%	43.05	38.40	38.4	-2.9%	1.54	29.1%
IWM (under \$79.5) (half)	Short	79.728	79.75	79.5	80	35	29.0		0%	69.19	15.23%	84.00	78.18	73.0	-9.2%	1.16	83.1%
JJC (under \$59) (half)	Short	60.68	59.5	59	60	0.14	0.1	0.3	1%	47.82	26.89%	63.00	58.64	54.0	-10.2%	2.14	2.2%
TLT (half)	Long	89.72	89.5	89	90	40	42.0		0%	98.33	-8.76%	84.55	90.95	95.0	-5.8%	(2.31)	63.0%
WATCHLIST																	
TLT (half)	Long	89.72	89.5	89	90	40	weekly		0%	98.33	-8.76%	84.55	90.95	95.0	-5.8%	(2.31)	63.0%
MUB (above \$98.5)	Long	98.74	97.5	97	98	0.30	0.47	0.5	1%	103.58	-4.68%	92.15	98.89	100.0	-2.5%	(2.59)	1.8%
EWH (under \$21.5)	Short	19.49	21.5	21	22	5			-11%	17.34	12.37%	23.10	19.30	19.1	-12.6%	0.37	9.4%
IWM (under \$78) (half)	Short	79.728	79	78	80	175	weekly		0%	69.19	15.23%	84.00	78.18	73.0	-8.2%	1.16	83.1%
QQQQ (under \$56)	Short	57.0575	55.75	55	56.5	250	weekly		1%	49.40	15.50%	59.33	56.21	53.0	-5.2%	1.38	16.2%
QQQQ (under \$56)	Short	57.0575	57.25	57.25	57.25	50	59.0		0%	49.40	15.50%	60.11	56.21	53.0	-8.0%	1.38	16.2%
EWA (under \$25.75)	Short	25.629	26.5	26	27	16	weekly		-5%	22.86	12.12%	28.35	24.94	25.0	-6.0%	0.58	2.8%
XLV	Long	32.1825	30.75	30.5	31	3			4%	30.22	6.49%	28.71	31.86	31.5	-2.4%	(2.23)	22.6%
XLE (under \$68.5)	Short	74.32	69.5	68.5	70.5	4			5%	58.67	26.67%	74.03	71.76	68.5	-1.5%	2.92	23.7%
JJC (under \$59) (half)	Short	60.68	59.75	59.5	60	0.14			1%	47.82	26.89%	63.00	58.64	54.0	-10.6%	2.14	2.2%
XLU	Long	31.995	30.5	30.25	30.75	4.5			4%	30.76	4.03%	28.74	31.82	31.5	-3.2%	(2.08)	16.5%
XLP	Long	29.13	28.05	27.8	28.3	3.8			3%	27.81	4.76%	26.41	29.08	29.3	-4.1%	(3.21)	13.2%
															PQV Drawdown Minimisation factor		-5.8%
PQV Test validated within 5 to 7% of asking																	
Criteria has temporarily exceeded																	
volume still higher than the test volume no result																	

ETF's Qualified this week for SD # 2

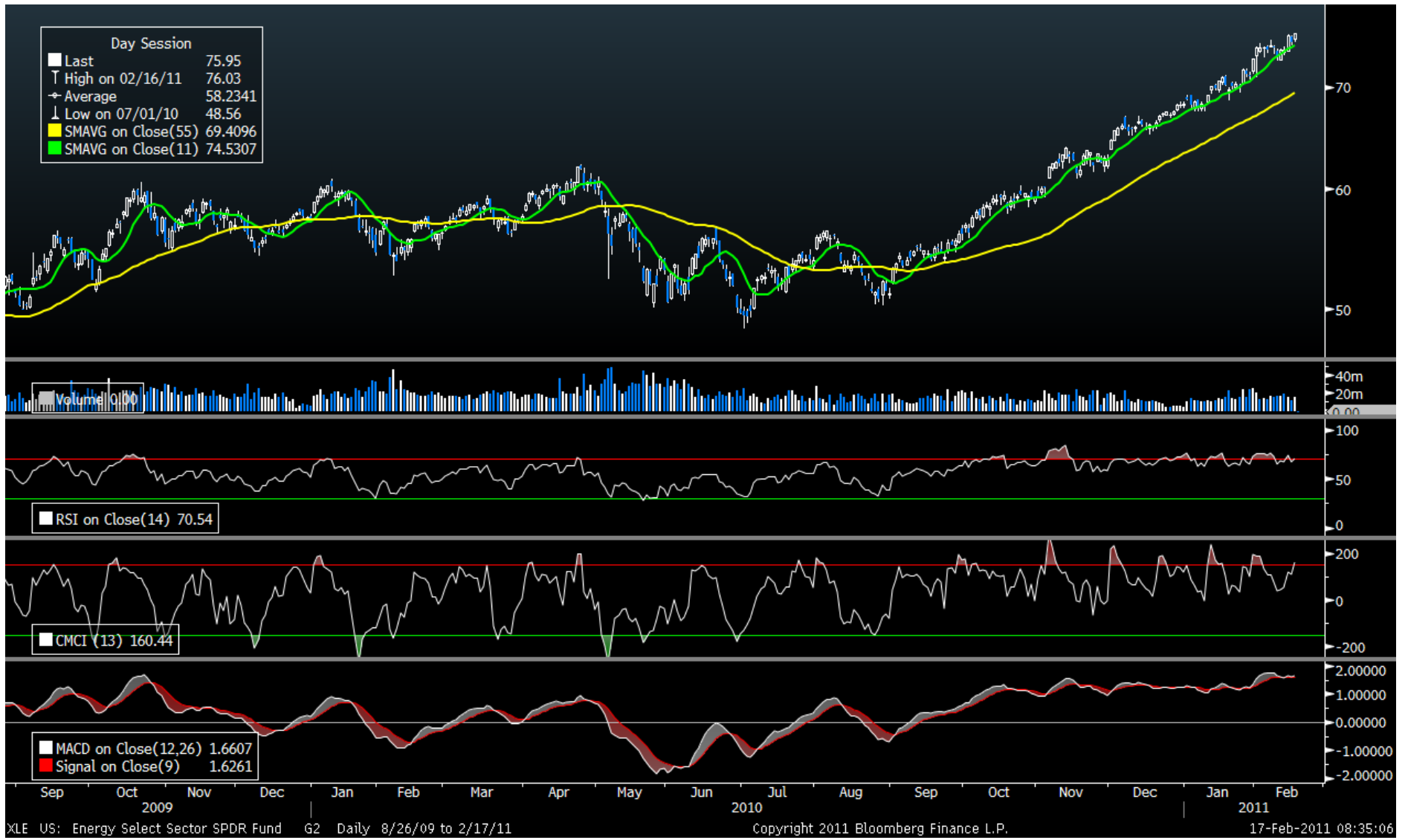
- *Over Valuation by post POM 14 on SPX*
- *Over Extended by Trend & SMA Analysis*
- *Approaching or Approached CZ – PQV Validation*

- *XLE*
- *SMH*
- *QQQQ (**Special situation**)*
- *IWM (**Special situation**)*

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

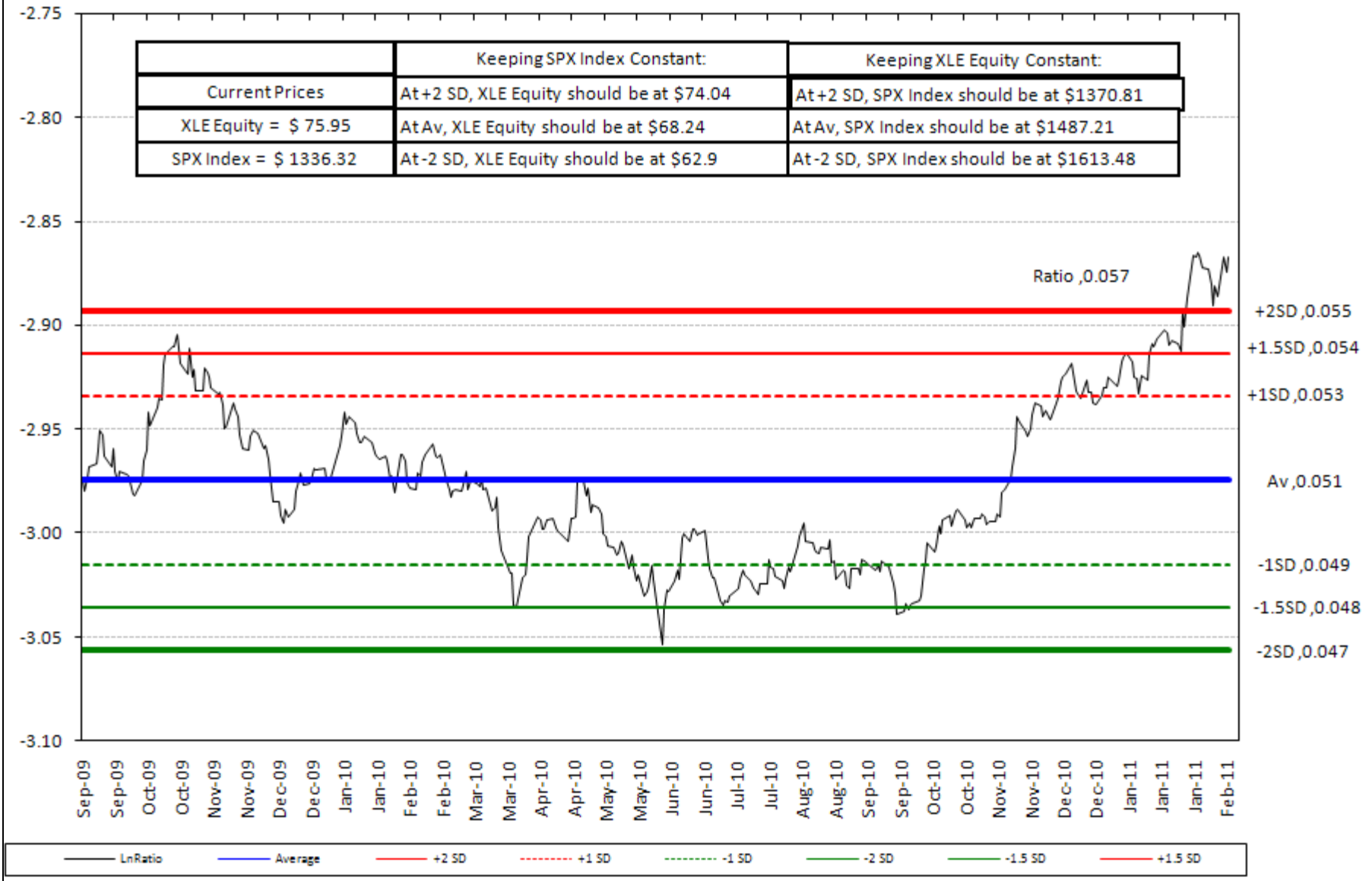


XLE - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



XLE Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLE Equity and Short SPX Index, Updated till 16 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



XLE Correlation Ratio Analysis with SPX – Full Time basis

Long XLE Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



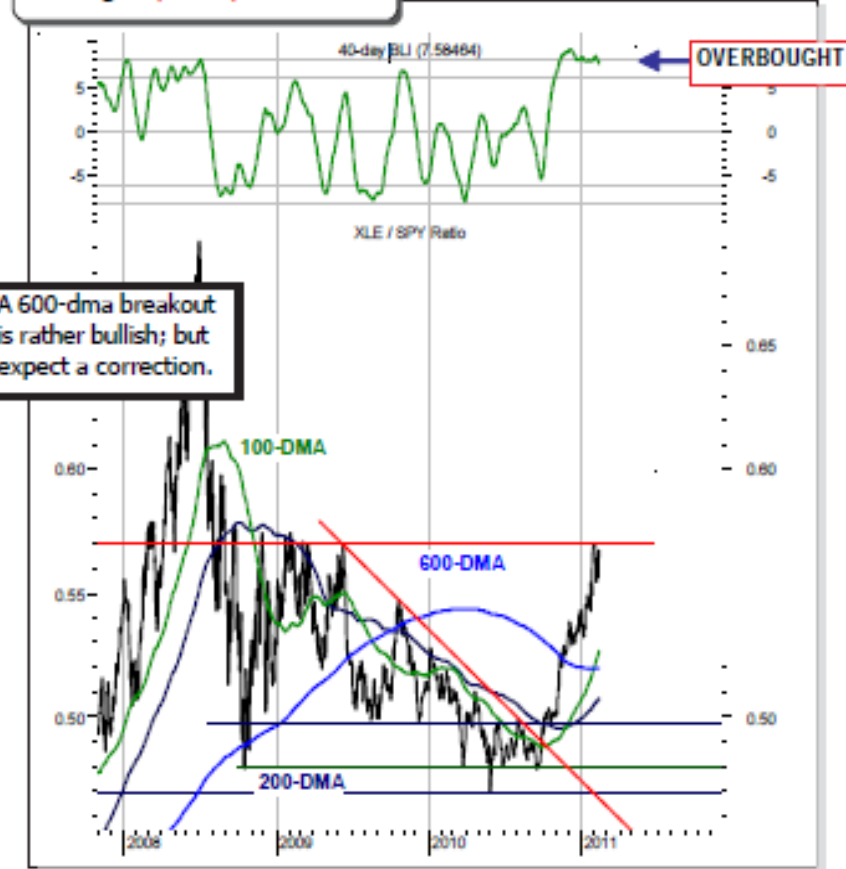
XLE- Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 4 weeks.

S&P Energy	XLE
Last: \$ 74.95	
Chg: \$ (0.79) -1.05%	

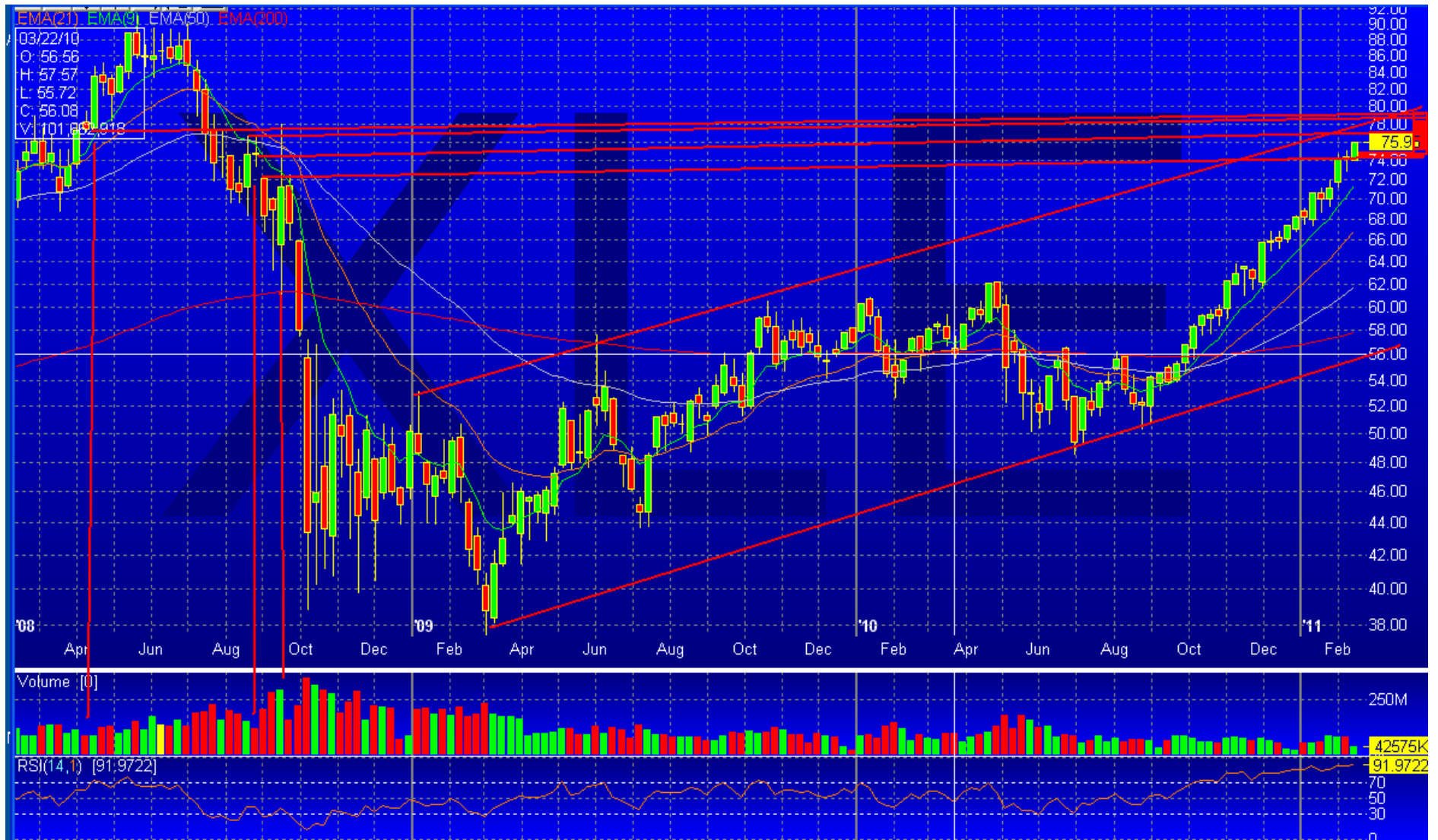


RATIO: XLE / SPY
Last: 0.563
Chg: (0.004) -0.74%



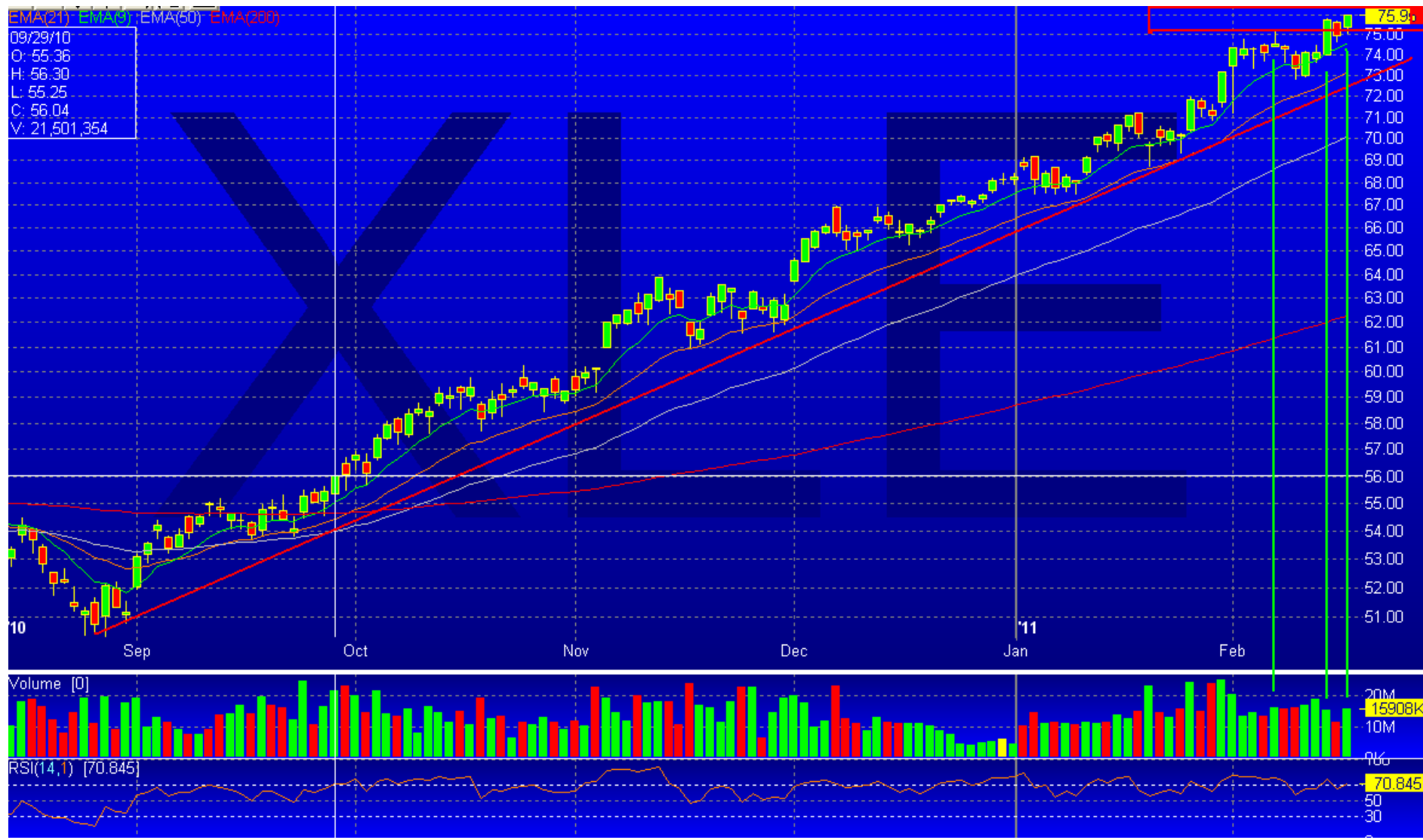
- XLE - PQV Analysis (Wkly) - No Signal (MONITORING CZ -PQV)

XLE had a false break upside above 72, 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) for sectors. Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 75 to 78 but prices need to fail on volume, Currently in CZ but 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

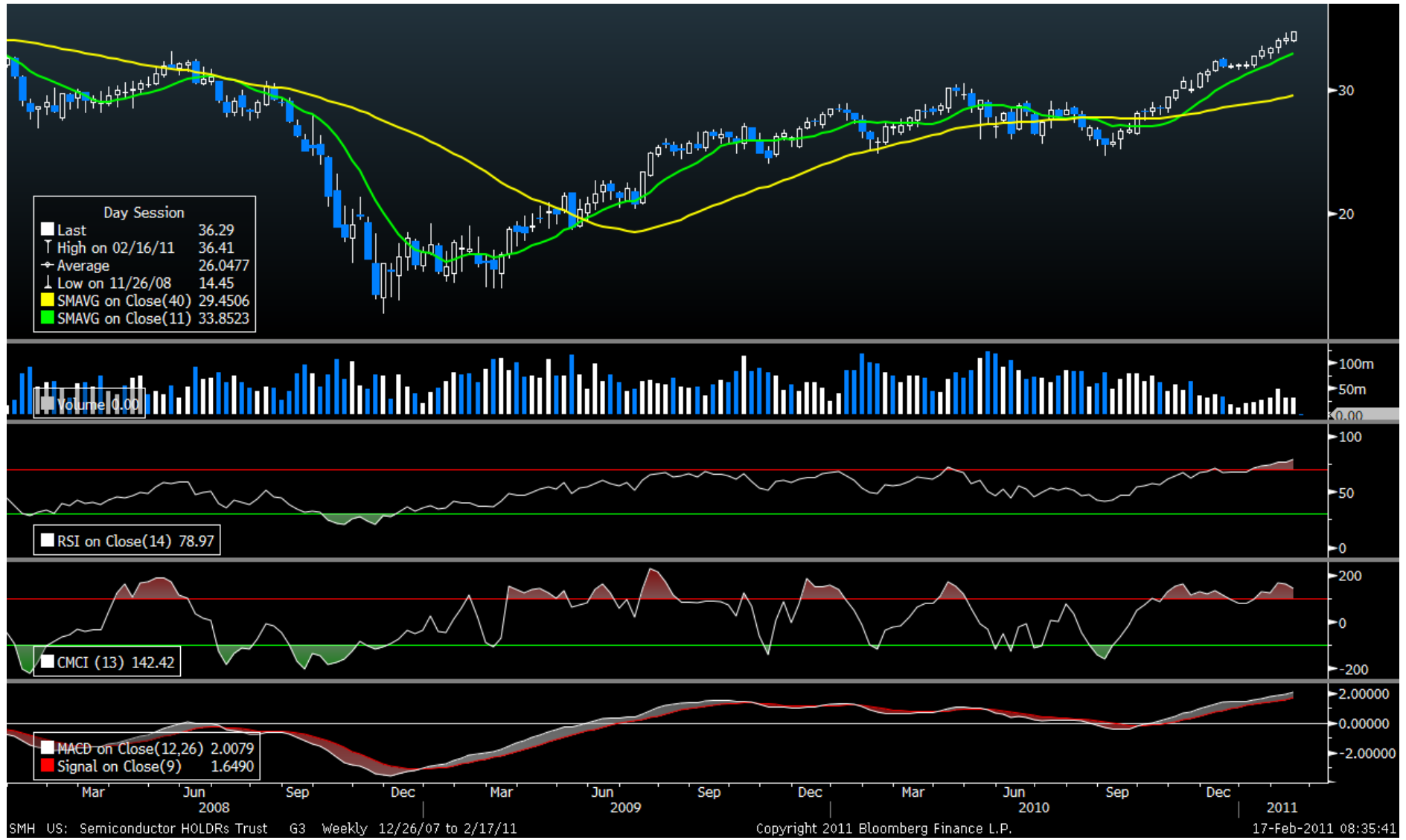


XLE - PQV Analysis (Daily)

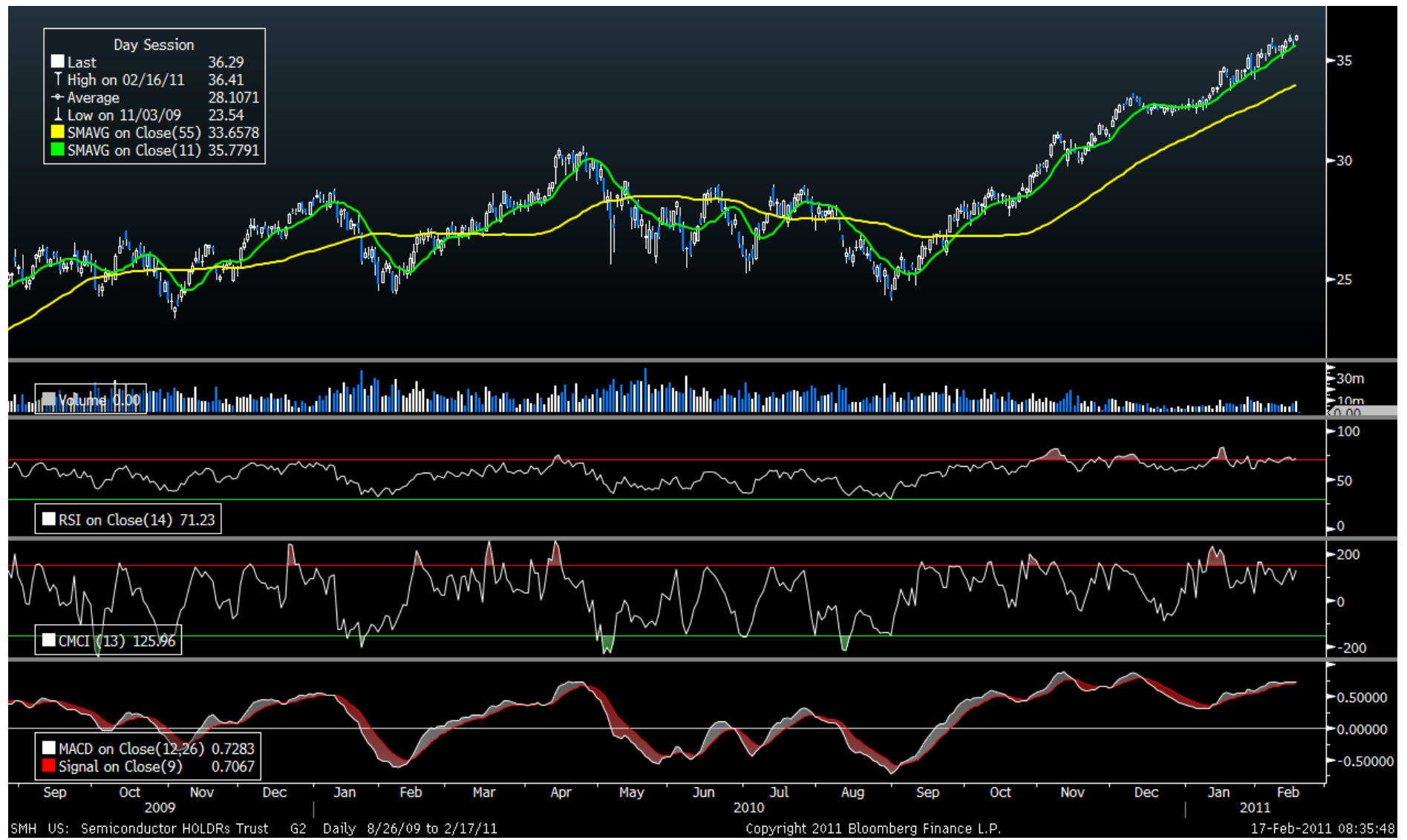
XLE on daily basis, Although RSI is diverging, Price wise it just touched the CZ 75 -78 and volume expanded on 3x3 hence weekly signal rules. Interesting to note that Daily RSI is lower then weekly RSI which is good sign of Intermediate topping but no rejection yet



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

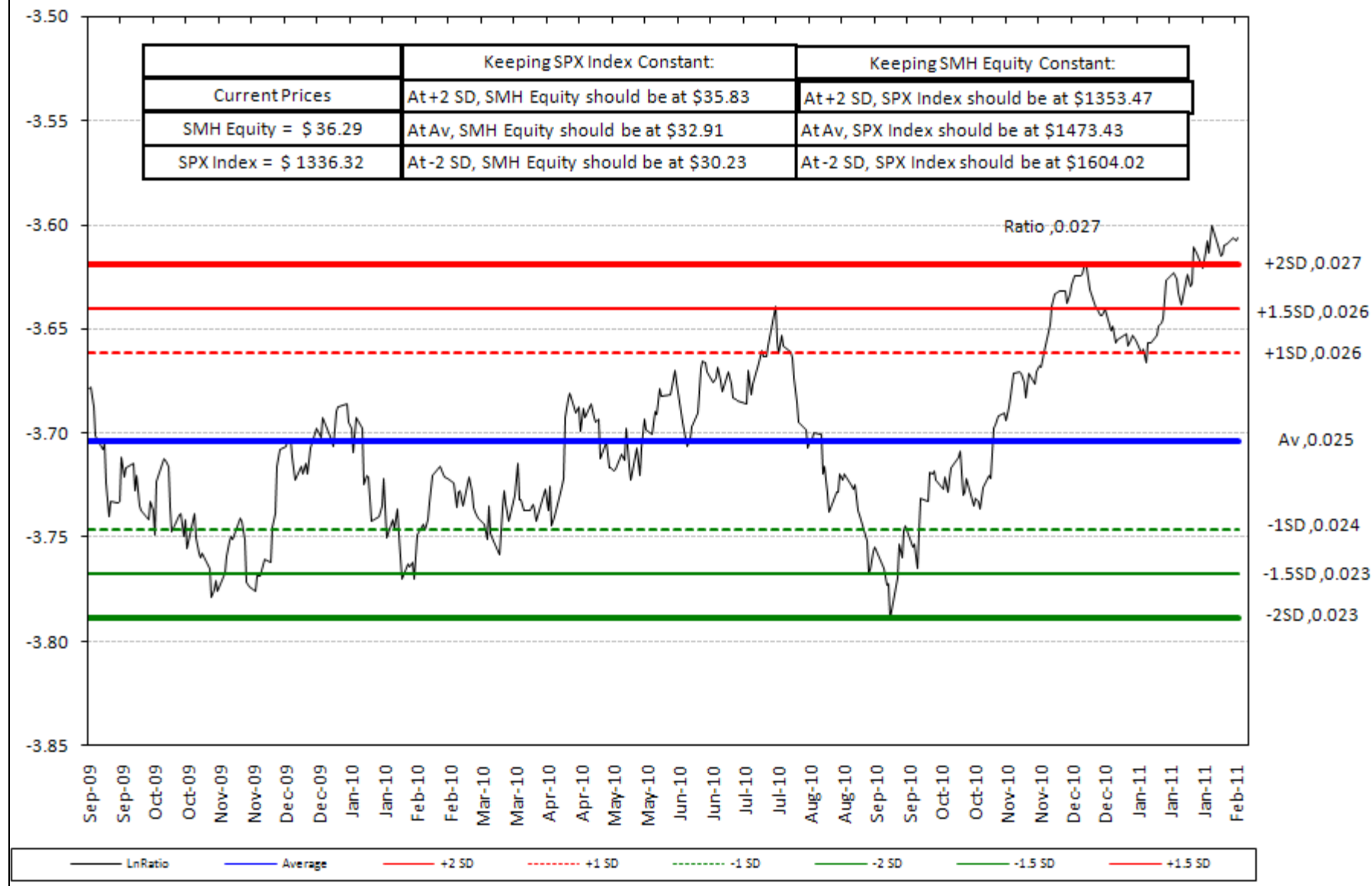


SMH - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



SMH Correlation Ratio Analysis with SPX – 365 days Time basis

Long SMH Equity and Short SPX Index, Updated till 16 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



SMH Correlation Ratio Analysis with SPX – Full Time basis

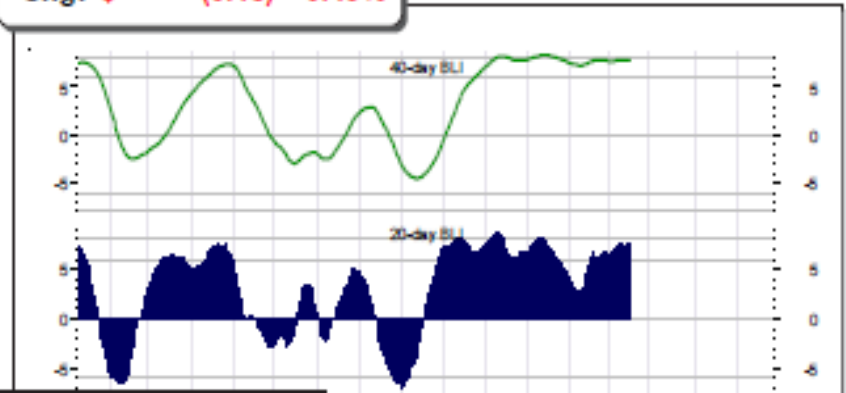
Long SMH Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



SMH – Technical & Pattern Analysis

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

Semiconductor	SMH
Last: \$	36.02
Chg: \$	(0.18) -0.49%



Trendline support is our focus given the distance above the moving avgs.



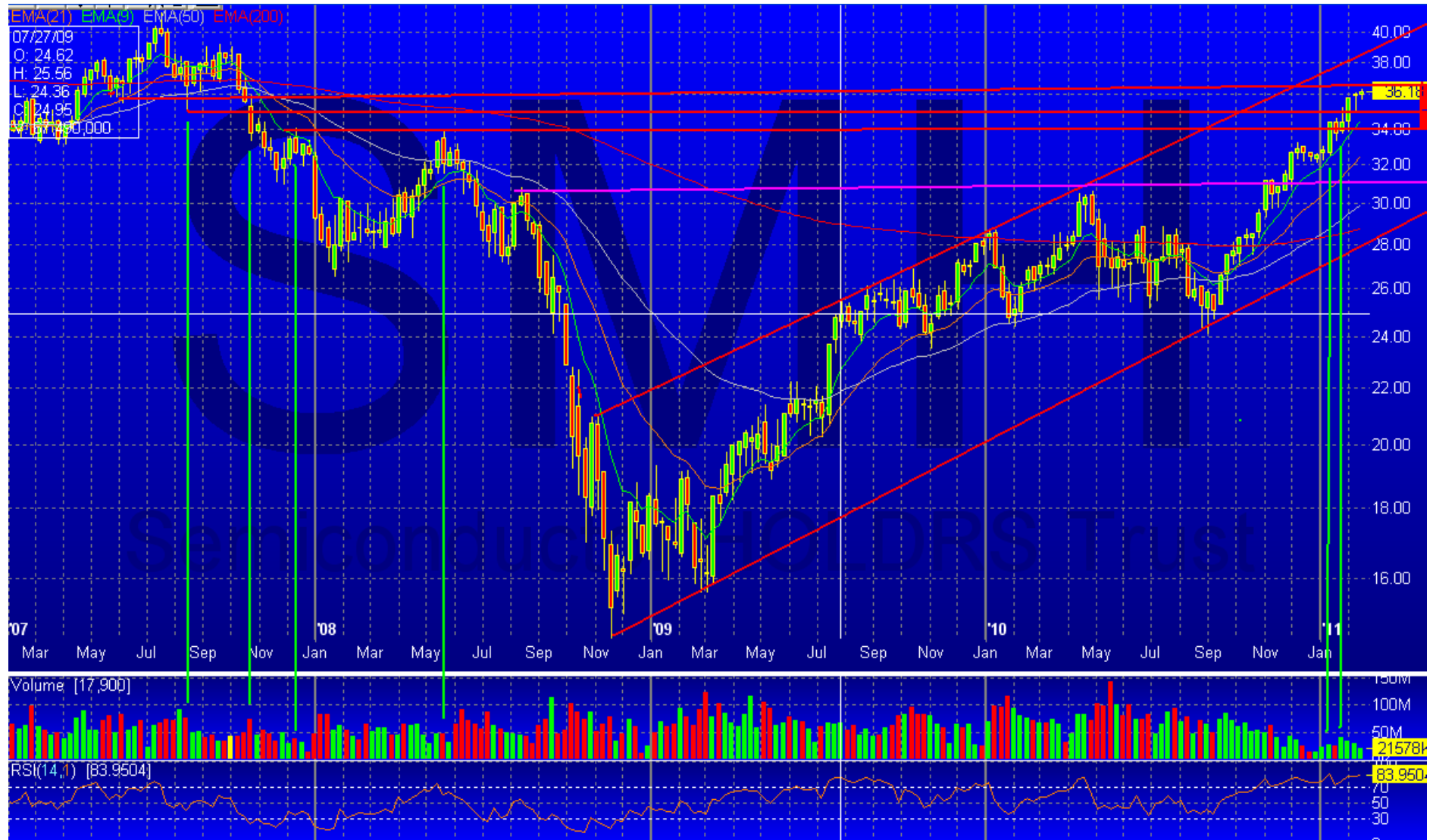
RATIO: SMH / SPY
Last: 0.271
Chg: (0.000) -0.17%



SMH – Price / Volume (No Change) (MONITORING CZ –PQV)

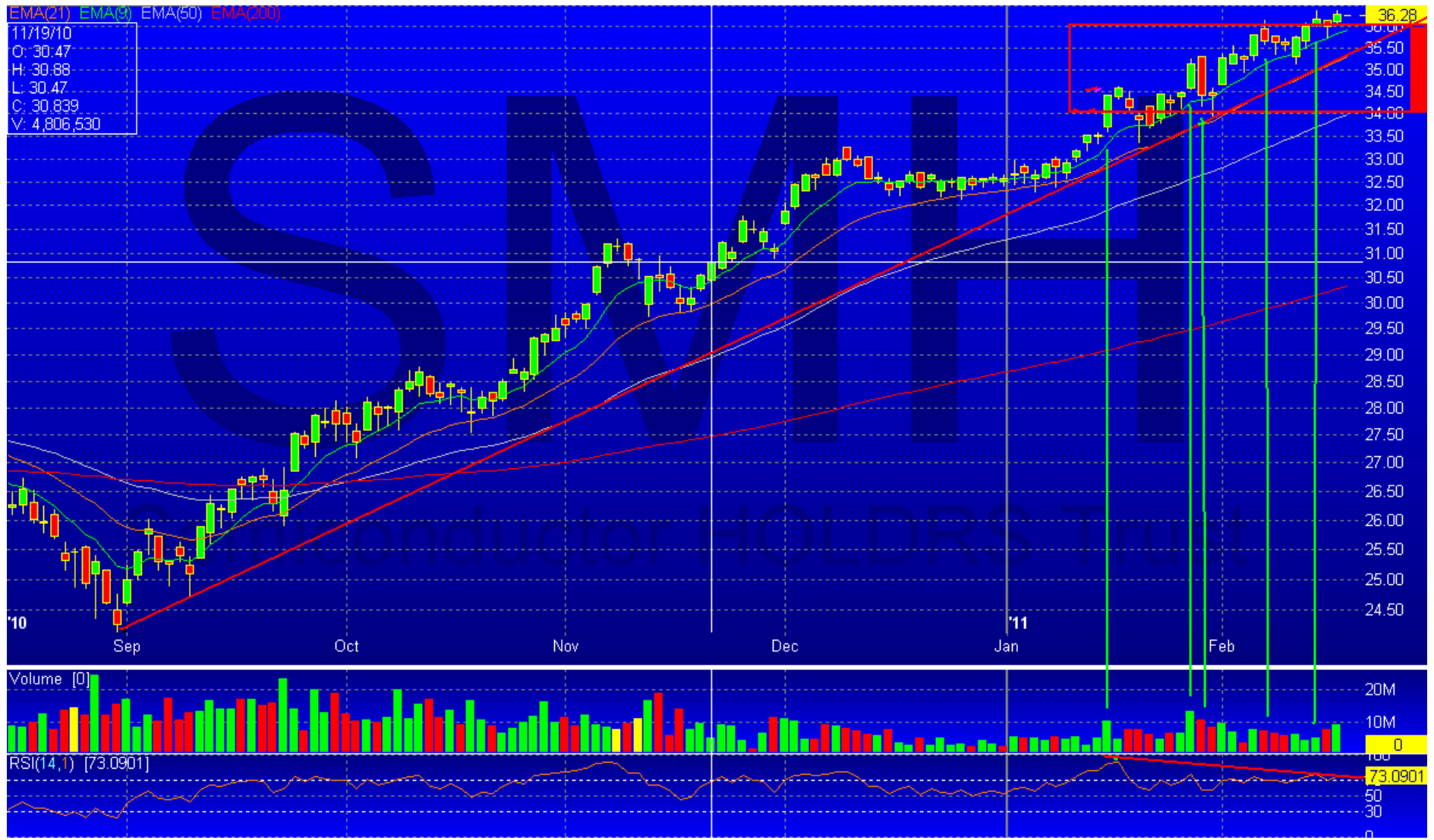
SMH came our test zone defined by May 08 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M, this was triggered. On risk reward as always the stop on other side of CZ.

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)



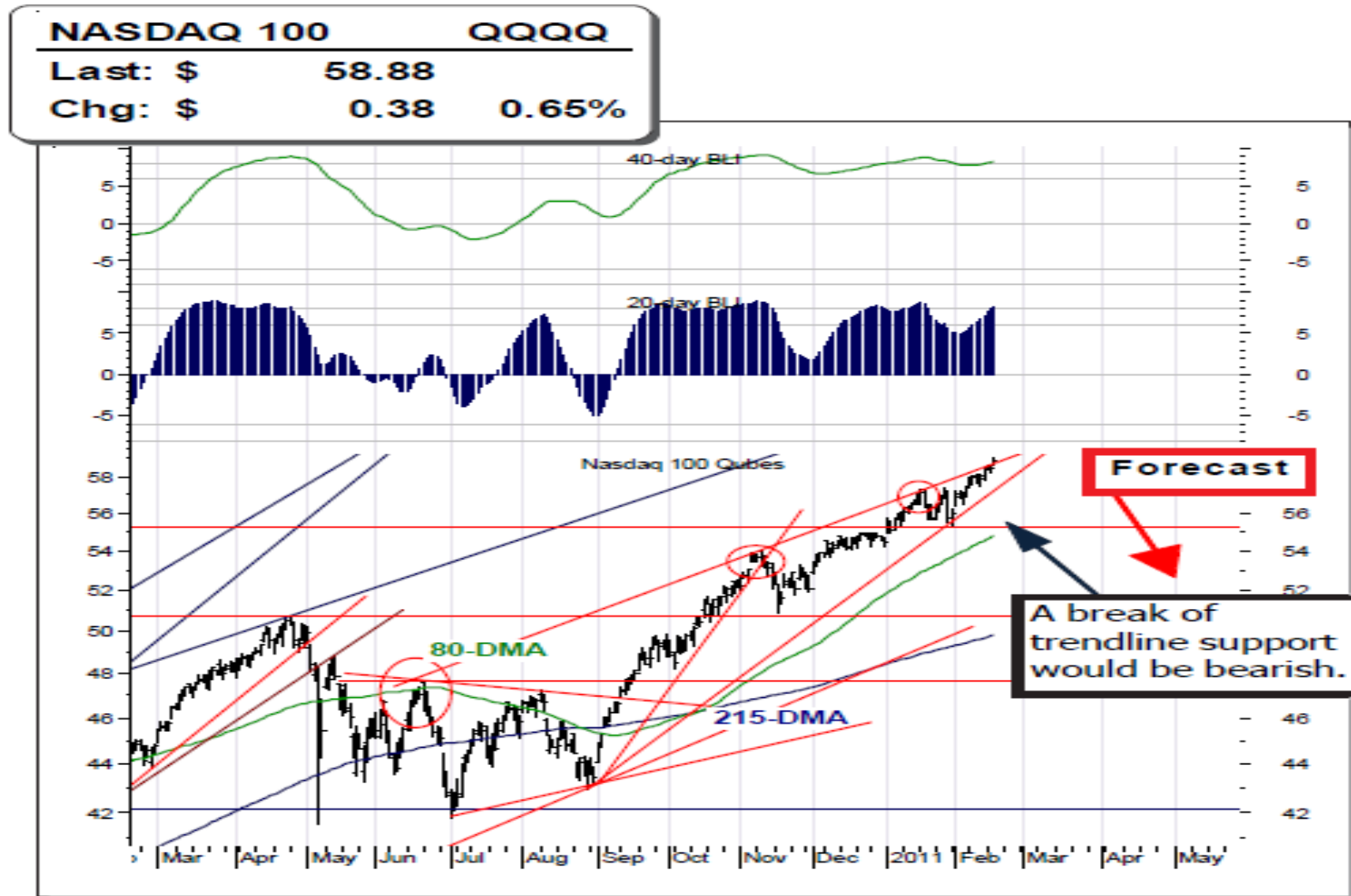
SMH - PQV Analysis (Daily)

SMH on daily basis, Although RSI is diverging bearishly, Price wise it its in CZ currently CZ 34 -36 and volume is contracting, this might be a false break and need to come back to the range. Intermediate topping process.



QQQQ – Technical & Pattern Analysis

It appears like 3 drives to the top , Circled in Red are the 2 drives and third should be triggered any day now Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 4 weeks.



QQQQQ - POM – (No Signal) - Price , Volume & Pattern Analysis - (MONITORING CZ –PQV

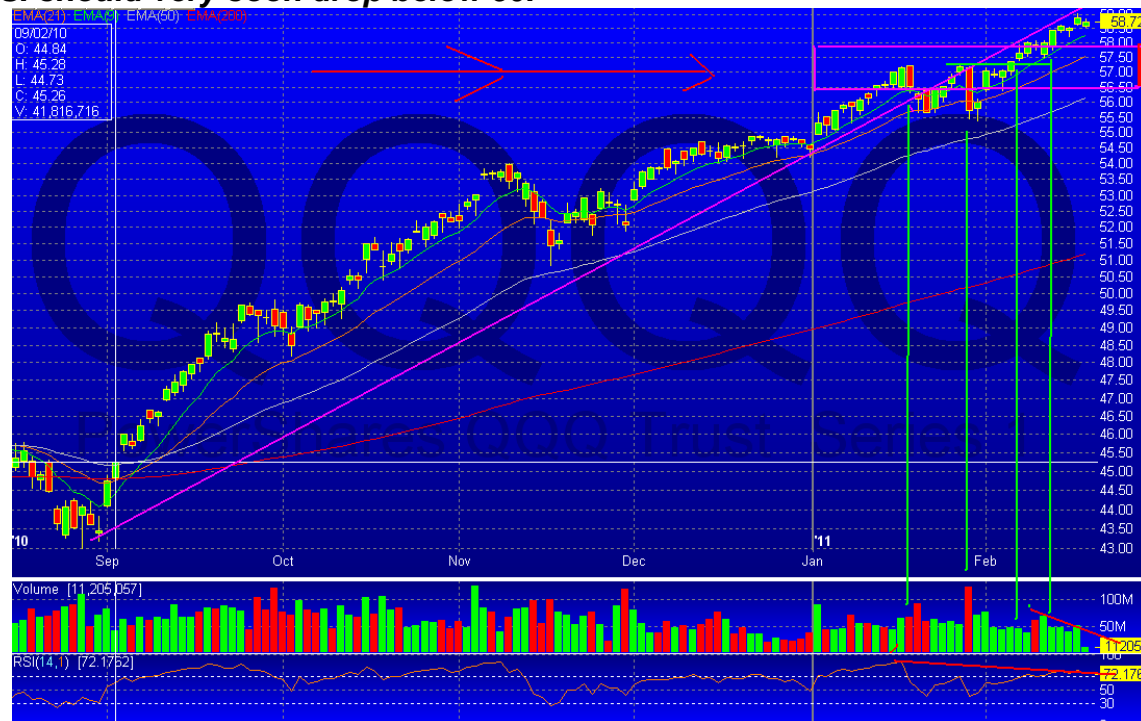
QQQQ – PQV has validated yet and refrained us from stepping in – currently in watch list.

It entered the CZ for 3th time (exceeded) & 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 . Derived at CZ of 56.5 – 58 (currently it is outside the zone with false break) and test 57.25 with 200 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 59** and then close **below 57 with 40 M shares for failure**. For another failure . We are watching closely in CZ – PQV in Sector Report

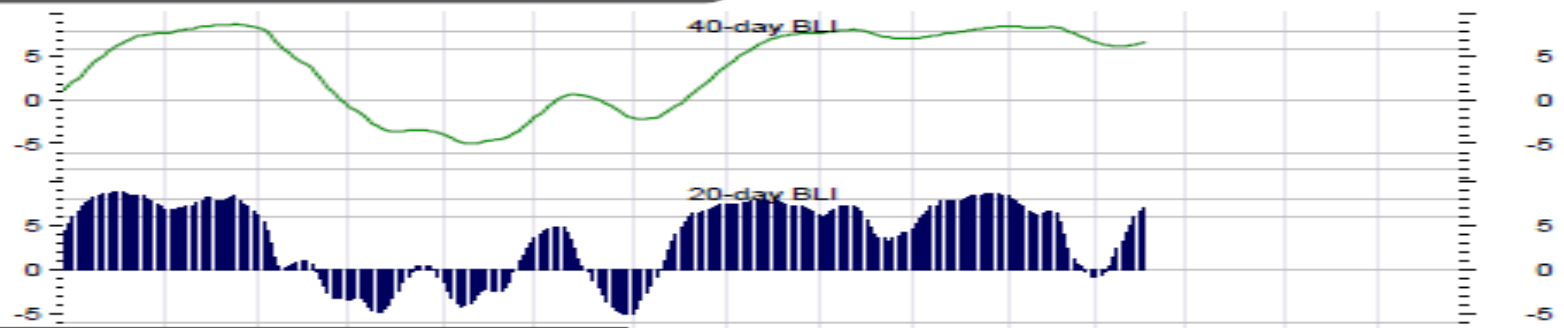
Earlier QQQQ tested the 1st bearish Dark cloud in CZ area) and snapped right back with 2nd Dark Cloud in the CZ Area(that we waited for 8 weeks to touch in spite of our Bearish tone overall . Also broke the trend line with MACD turned down, Volume picked up & RSI should very soon drop below 50.



IWM – Technical & Pattern Analysis

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

	Russell 2000	IWM
Last: \$	82.68	
Chg: \$	0.66	0.80%



Trendline resistance is under assault; a break of trendline support would be bearish.



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

SPX's non conformance of POM 15 is certainly not supporting this market, although it is at nose bleed territory..

Currently entering the CZ for 4th time (extended) & testing the back of Trend line but there is no volume behind the move with Bearish wedge pattern as indicated in Green (Our CZ for PQV Validation is marked in Pink. with MACD turned down, Volume picked up & RSI diverging bearishly .

*The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 78.5 – 80.50 and it should test with 175 M (weekly volume) and close **under 78**,) should be a good test. But hasn't happned We are watching closely in CZ – PQV in Sector Report*

But on daily basis the CZ For ½ position is 79 – 80.5 with price go above 80 and then close below 79 with 45 M shares for failure has trigged but prices has extended .We think the bearish wedge will be diffused and come back to CZ soon.

Earlier IWM tested the 1st bearish engulfing once and snapped right back with 2nd 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

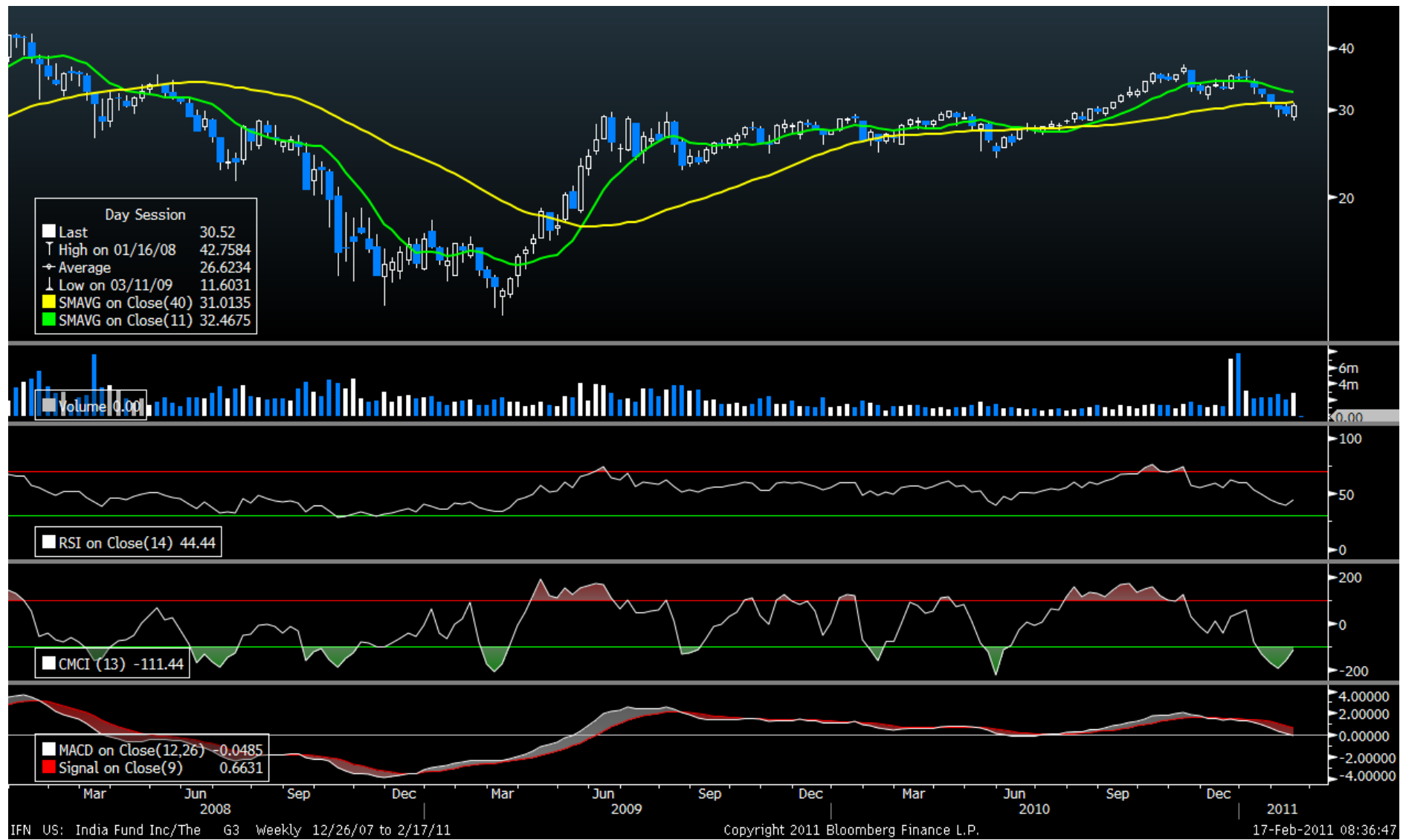


ETF's Qualified this week for SD # - 2

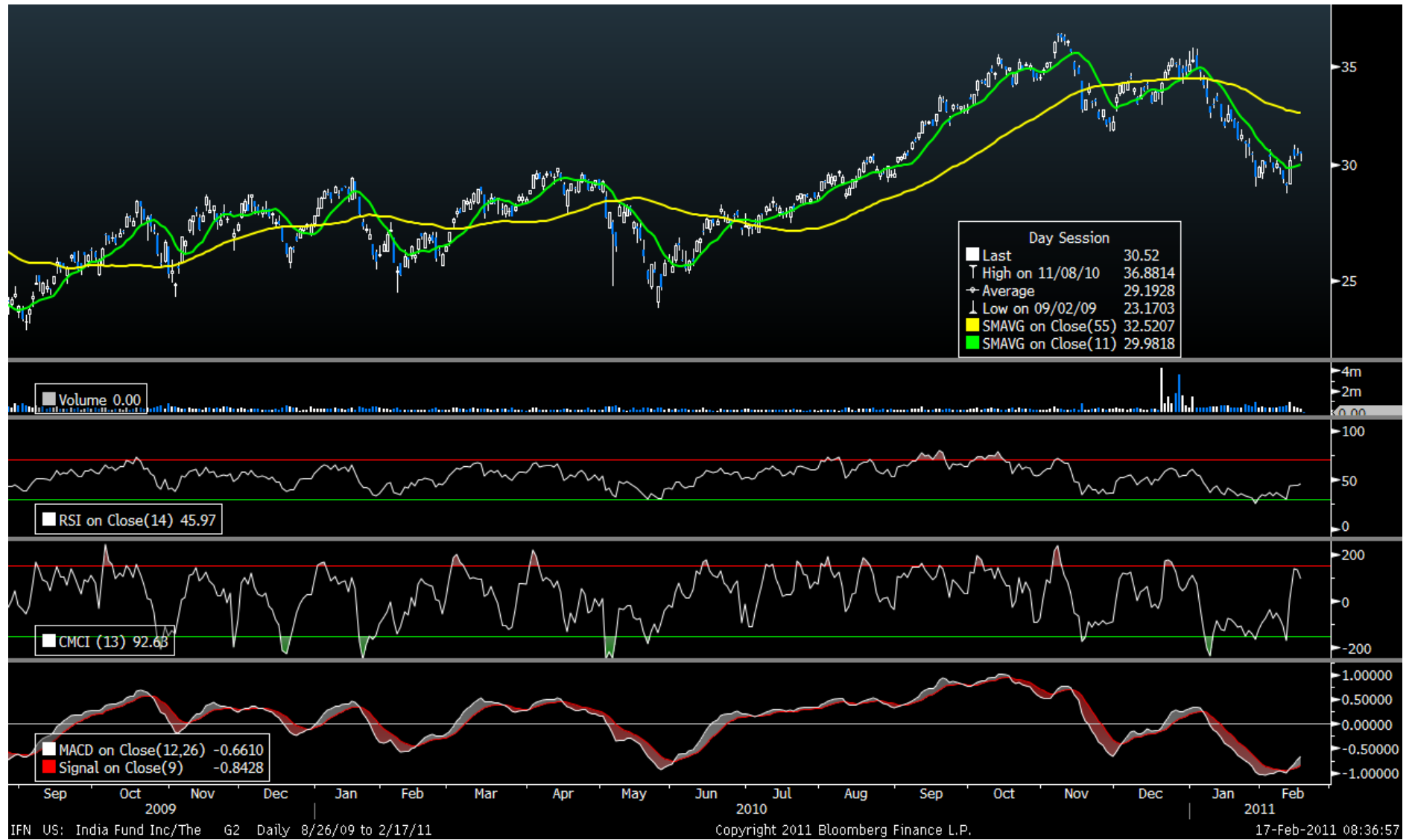
- *Neutral / Under Valuation by POM Methodology*
- *Neutral / Under Extended by Trend & SMA Analysis*
- *Approaching / Approached CZ – PQV Validation*

- *IFN*
- *FXI*
- *XLV*
- *XLP*
- *XLU*
- *TLT*
- *BBH*
- *USO*
- *MUB*

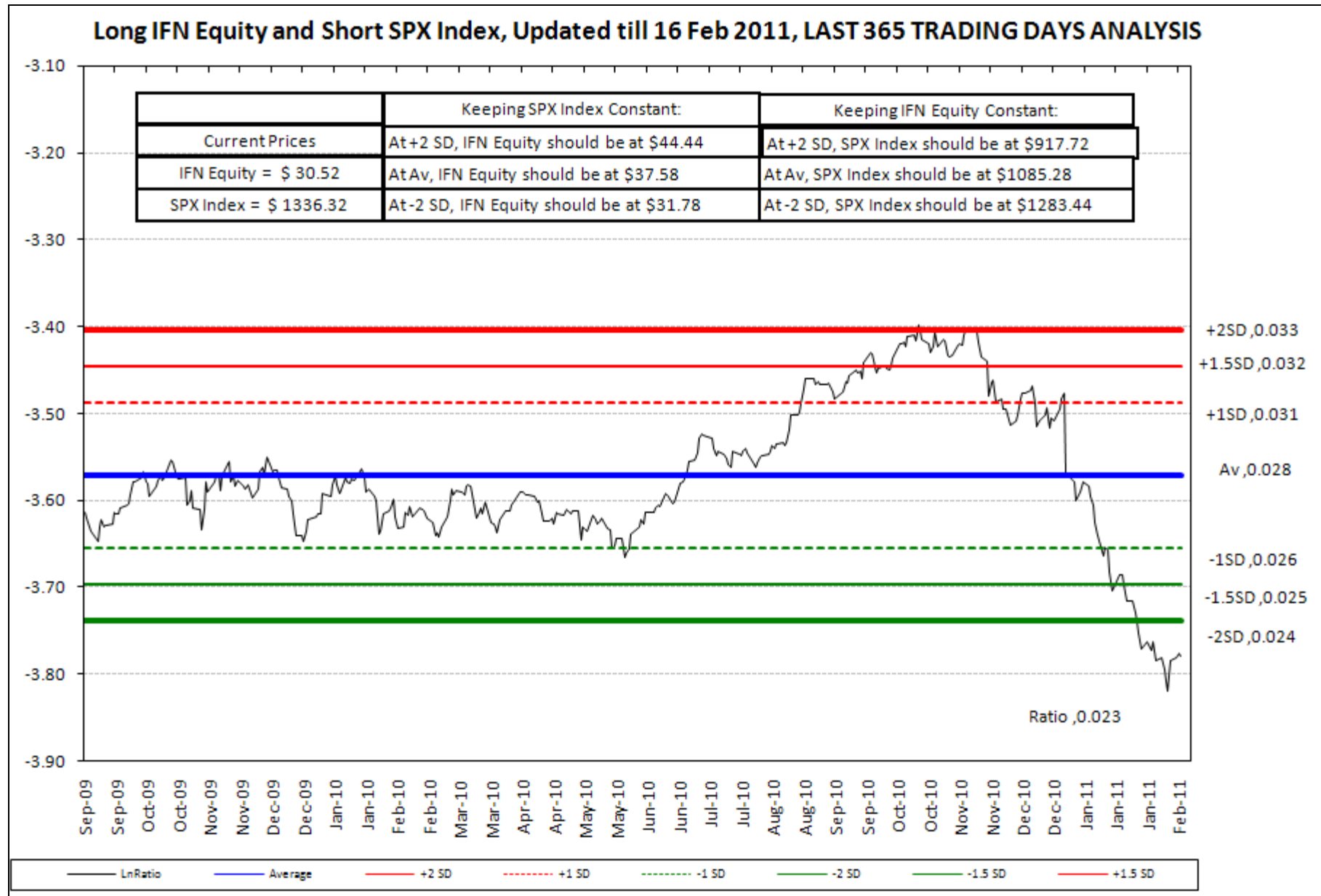
IFN- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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



IFN Correlation Ratio Analysis with SPX – 365 days Time basis



IFN Correlation Ratio Analysis with SPX – Full Time basis

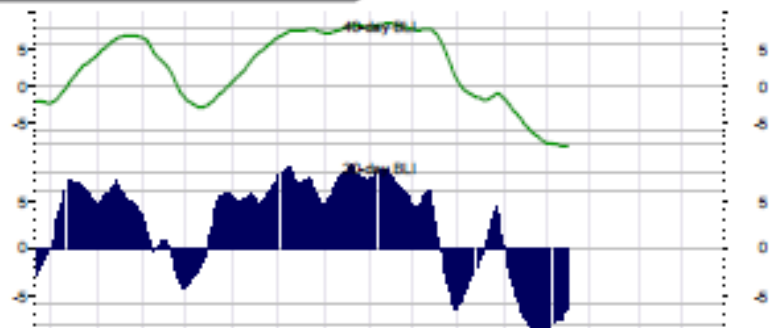
Long IFN Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



IFN – Technical & Pattern Analysis

Last week we expected 1000 point rally on Core Index Sensex, currently at 18400. It was very oversold by various matrix, (Including SD # -2) . had entered our CZ with heavy volume is bit heavy suggests that this area will be tested again if not broken.

India ETF	IFN
Last: \$	30.41
Chg: \$	0.03 0.10%



The 300-dma was violated and extended below easily; trendline support must hold.



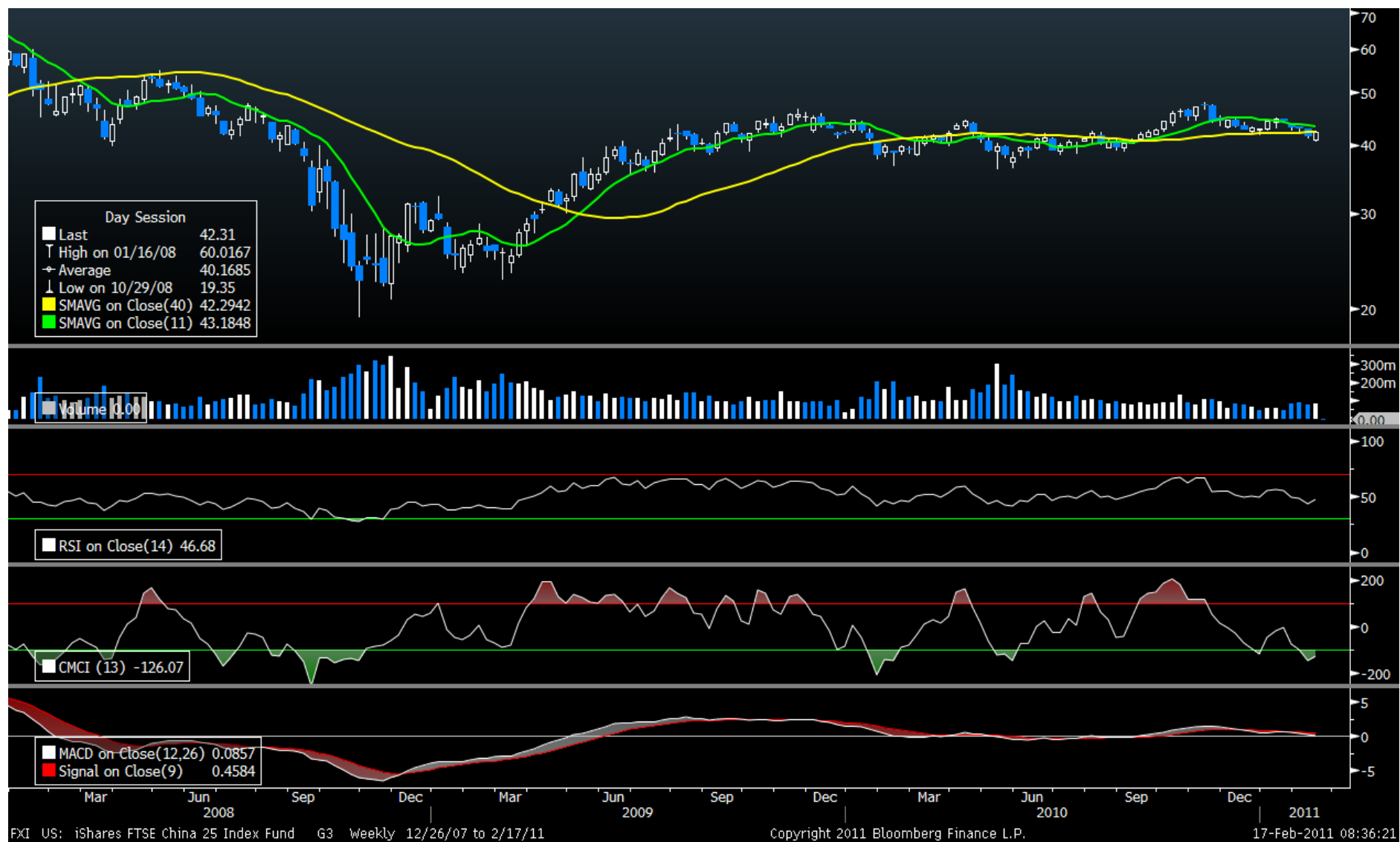
RATIO: IFN / SPY

Last:	0.229
Chg:	0.001 0.41%

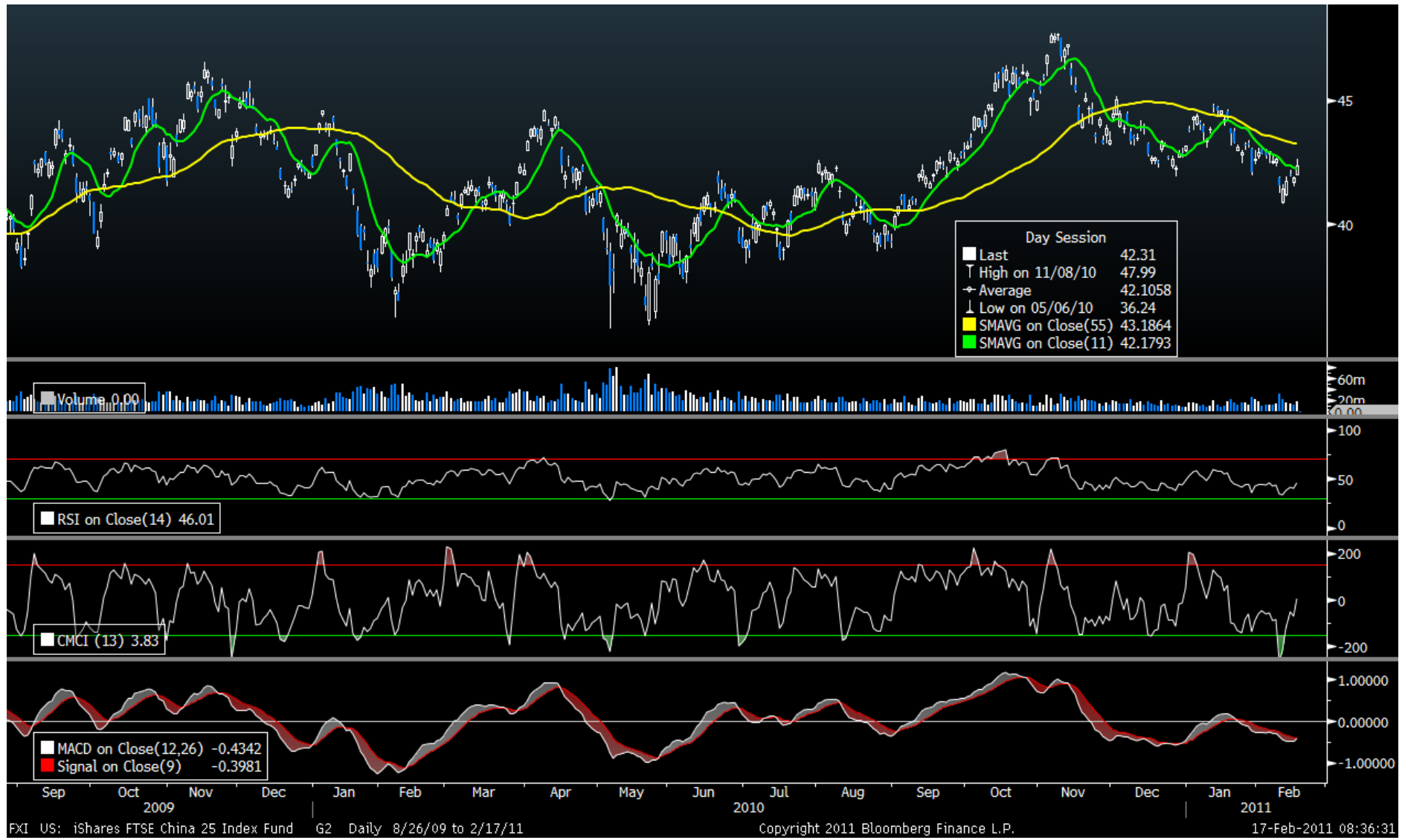


The lows look to be tested.

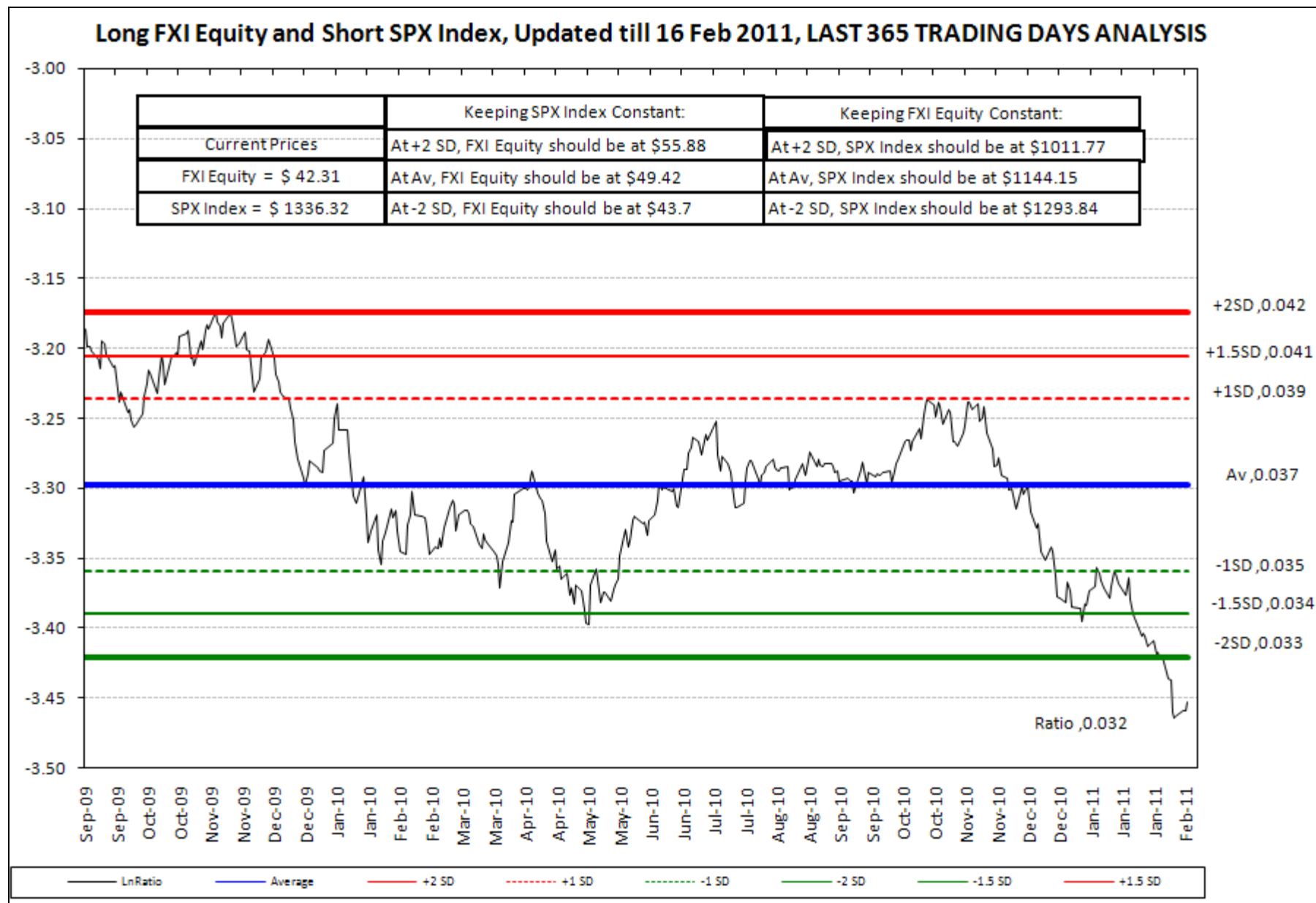
FXI - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

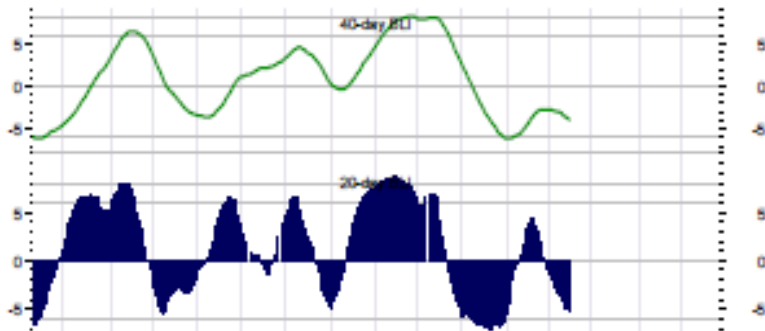
Long FXI Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



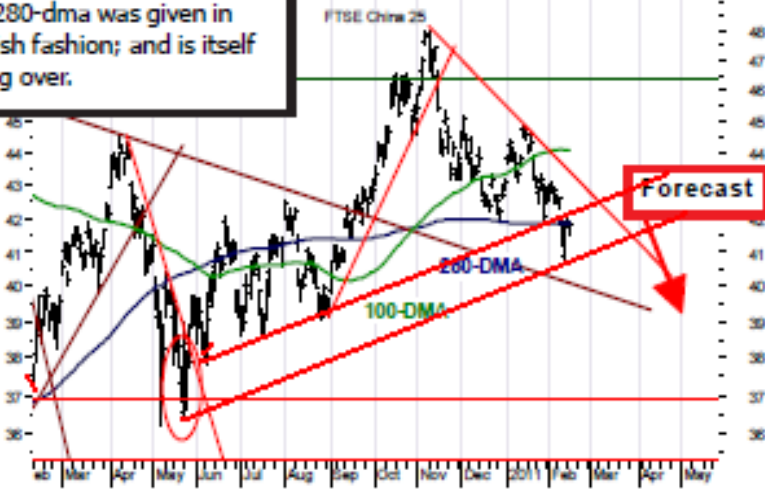
FXI – Technical & Pattern Analysis

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

China ETF	FXI
Last: \$ 41.80	
Chg: \$ (0.12) -0.29%	



The 280-dma was given in bearish fashion; and is itself rolling over.



RATIO: FXI / SPY
Last: 0.314
Chg: 0.000 0.03%



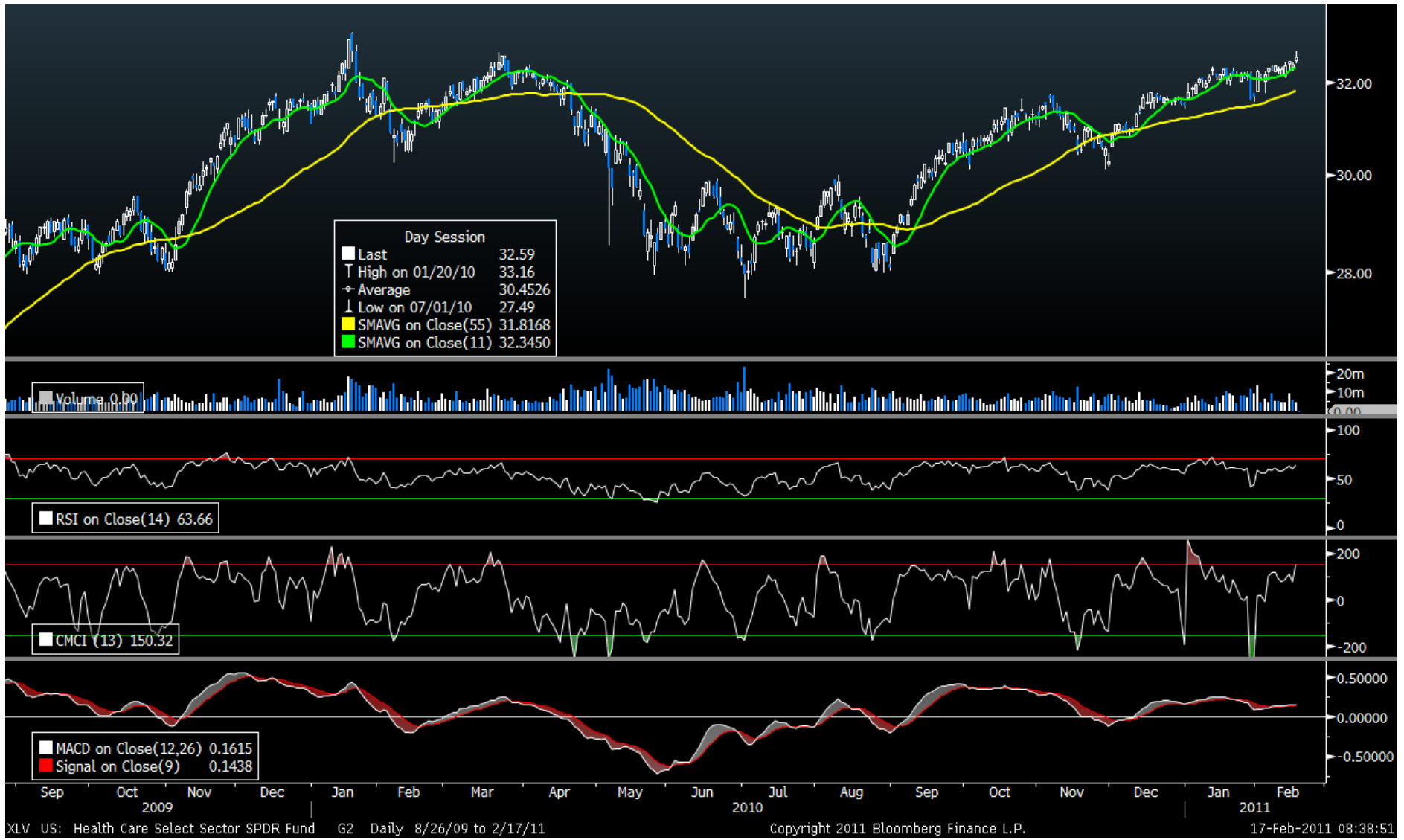
The 200-dma/100-dema convergence was violated in bearish fashion.



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

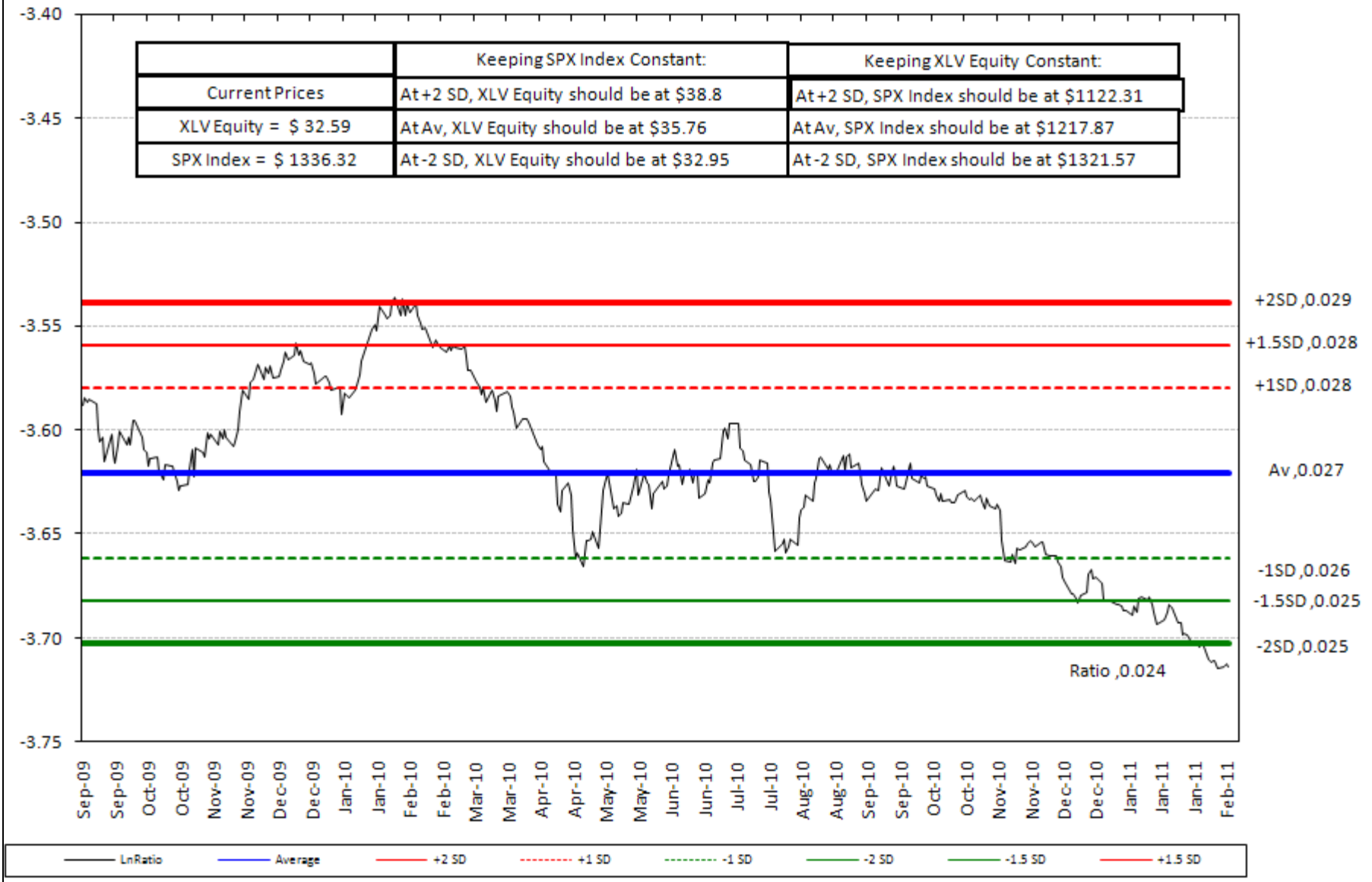


XLV - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



XLV Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLV Equity and Short SPX Index, Updated till 16 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 16 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.

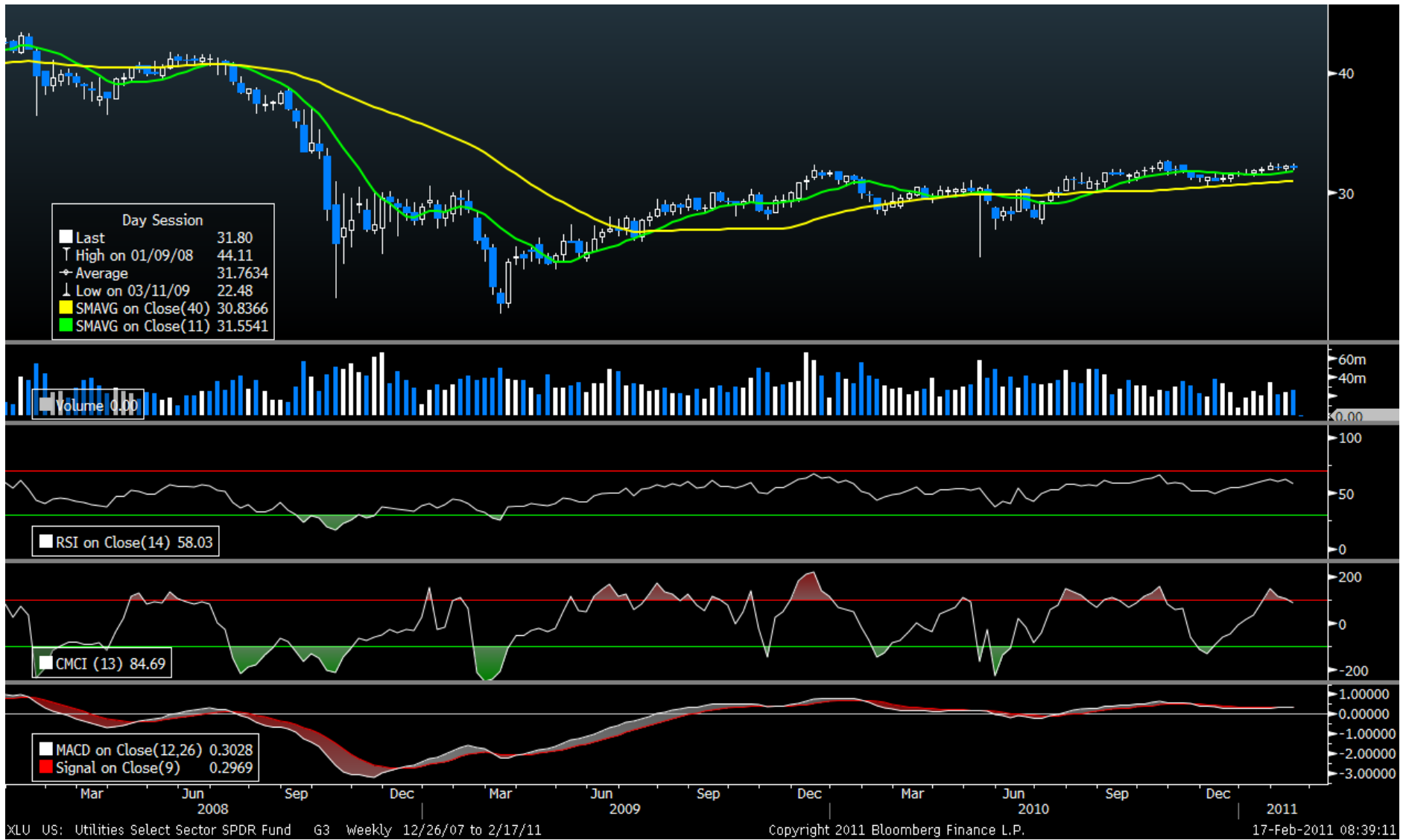
S&P Healthcare	XLV
Last: \$ 32.42	
Chg: \$ (0.07) -0.22%	



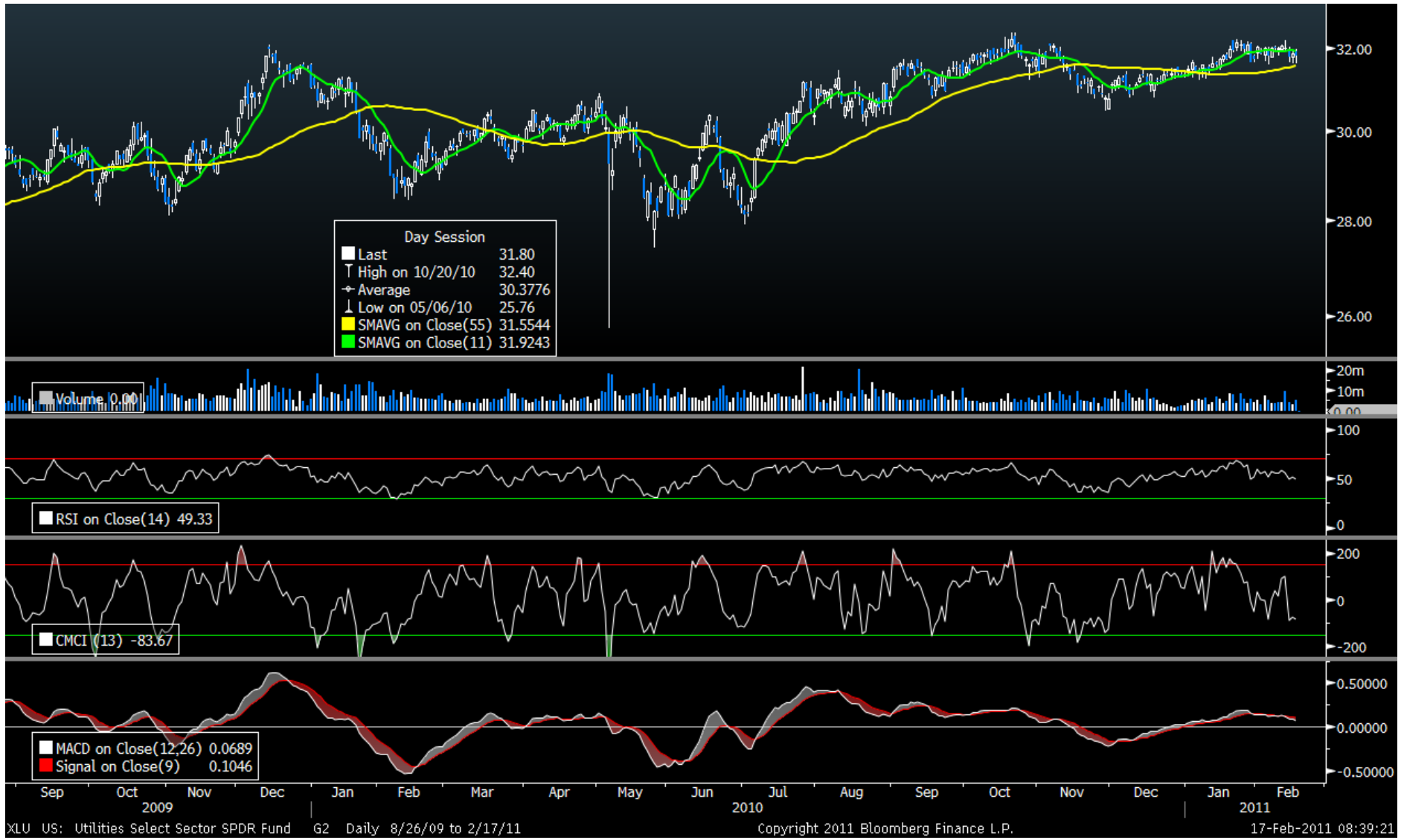
RATIO: XLV / SPY
Last: 0.244
Chg: 0.000 0.10%



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

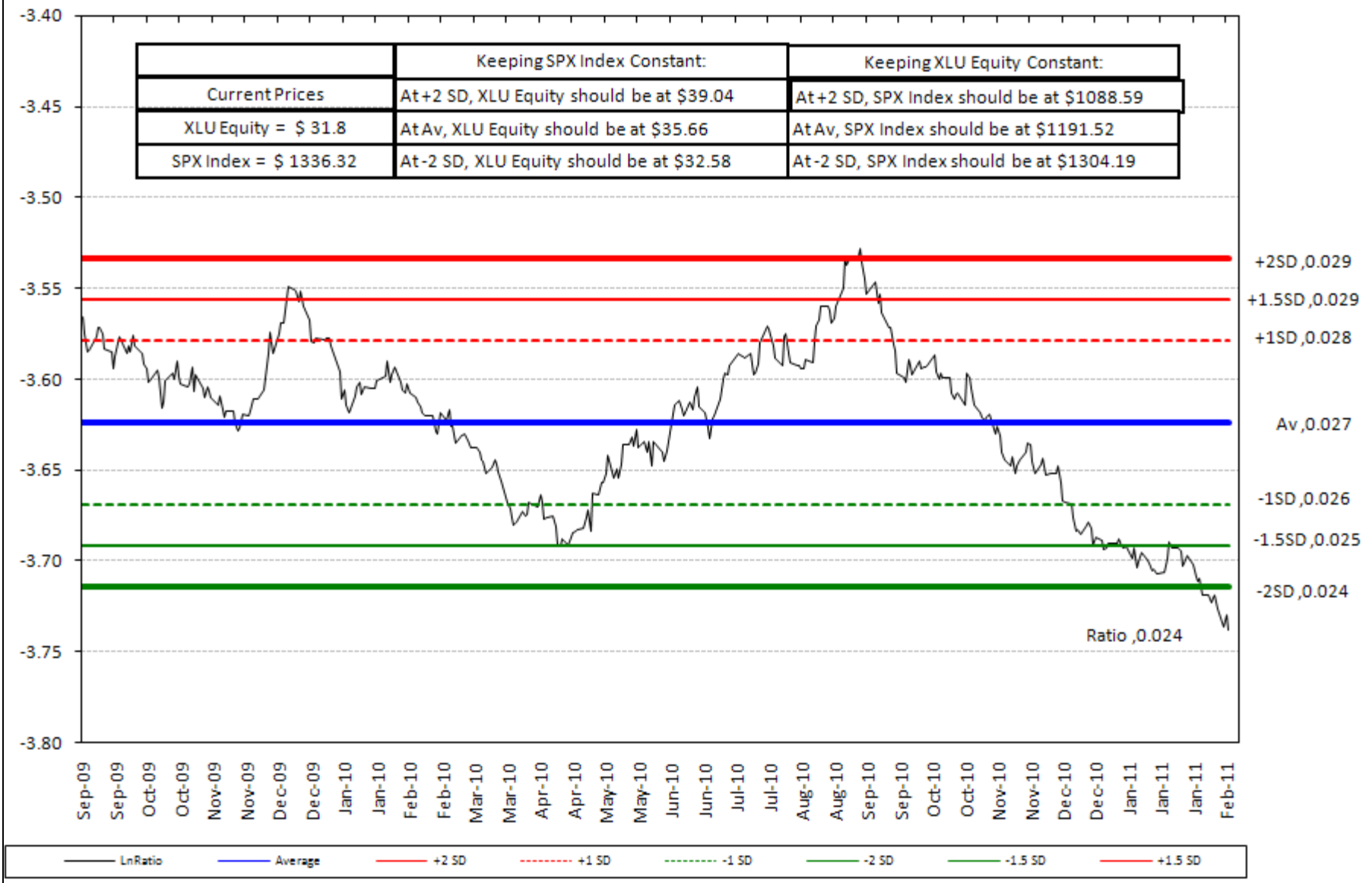


XLU - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



XLU Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLU Equity and Short SPX Index, Updated till 16 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 16 Feb 2011, FULL PERIOD ANALYSIS



XLU- Technical & Pattern Analysis

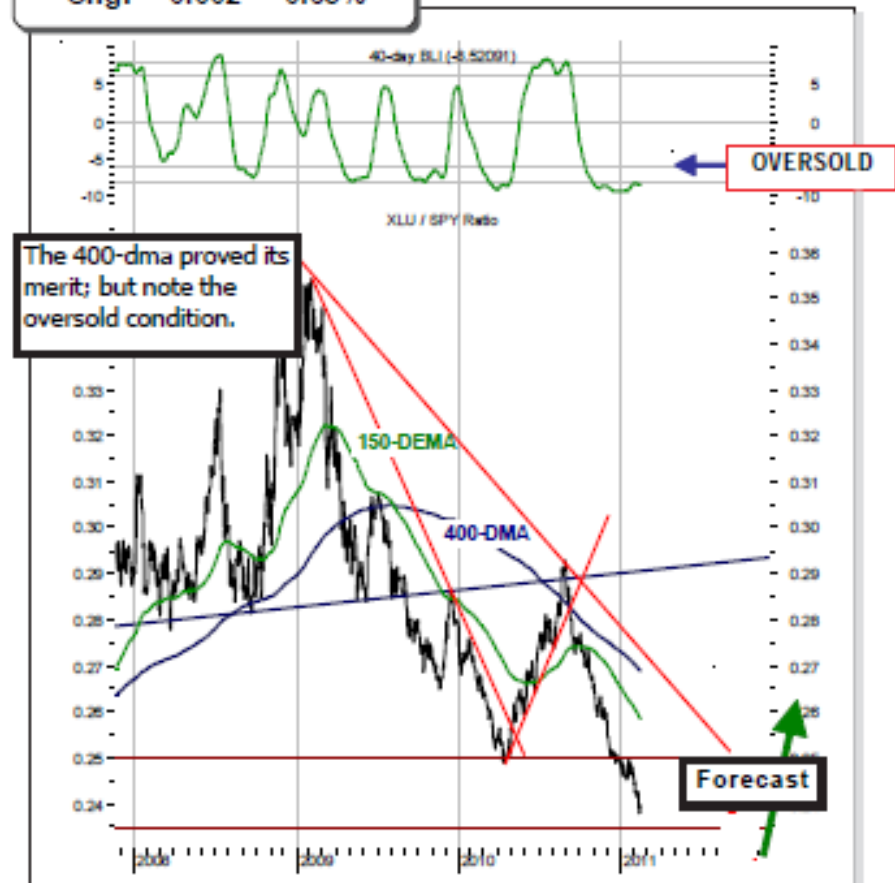
In the WACTHLIST with PQV /CZ Qualified – Pending validation Test

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

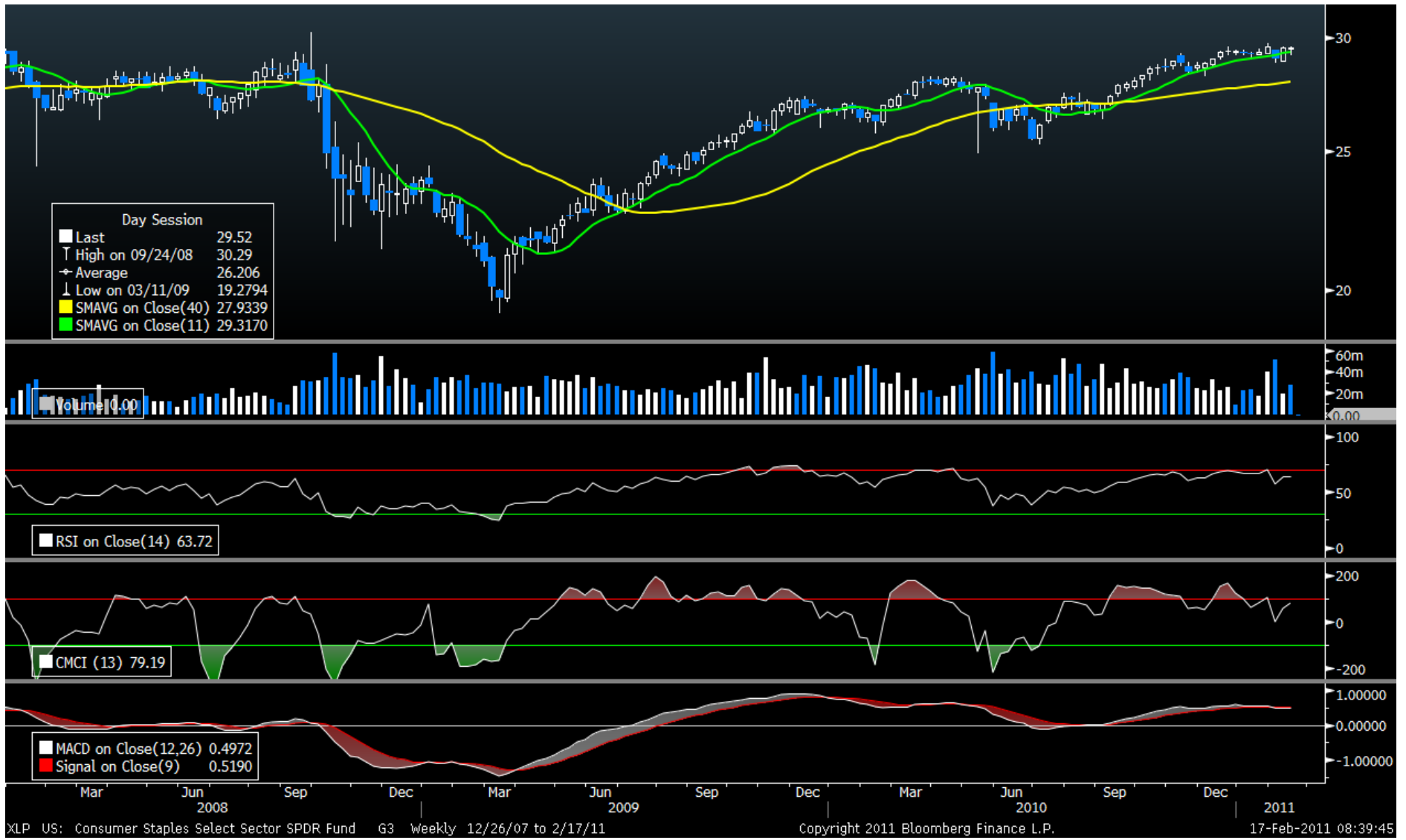
S&P Utilities	XLU
Last: \$ 31.87	
Chg: \$ 0.10	0.31%



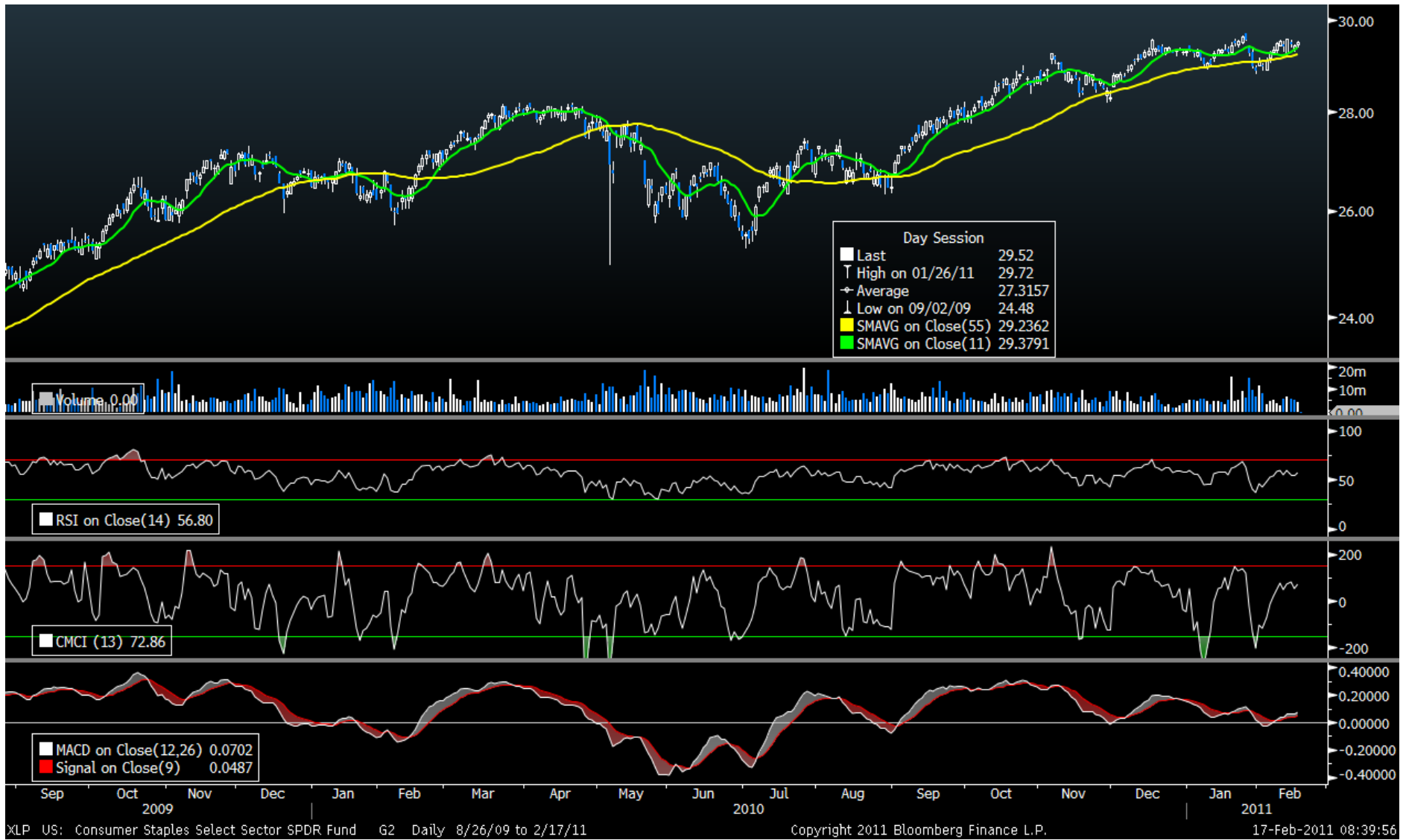
RATIO: XLU / SPY
Last: 0.240
Chg: 0.002 0.63%



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



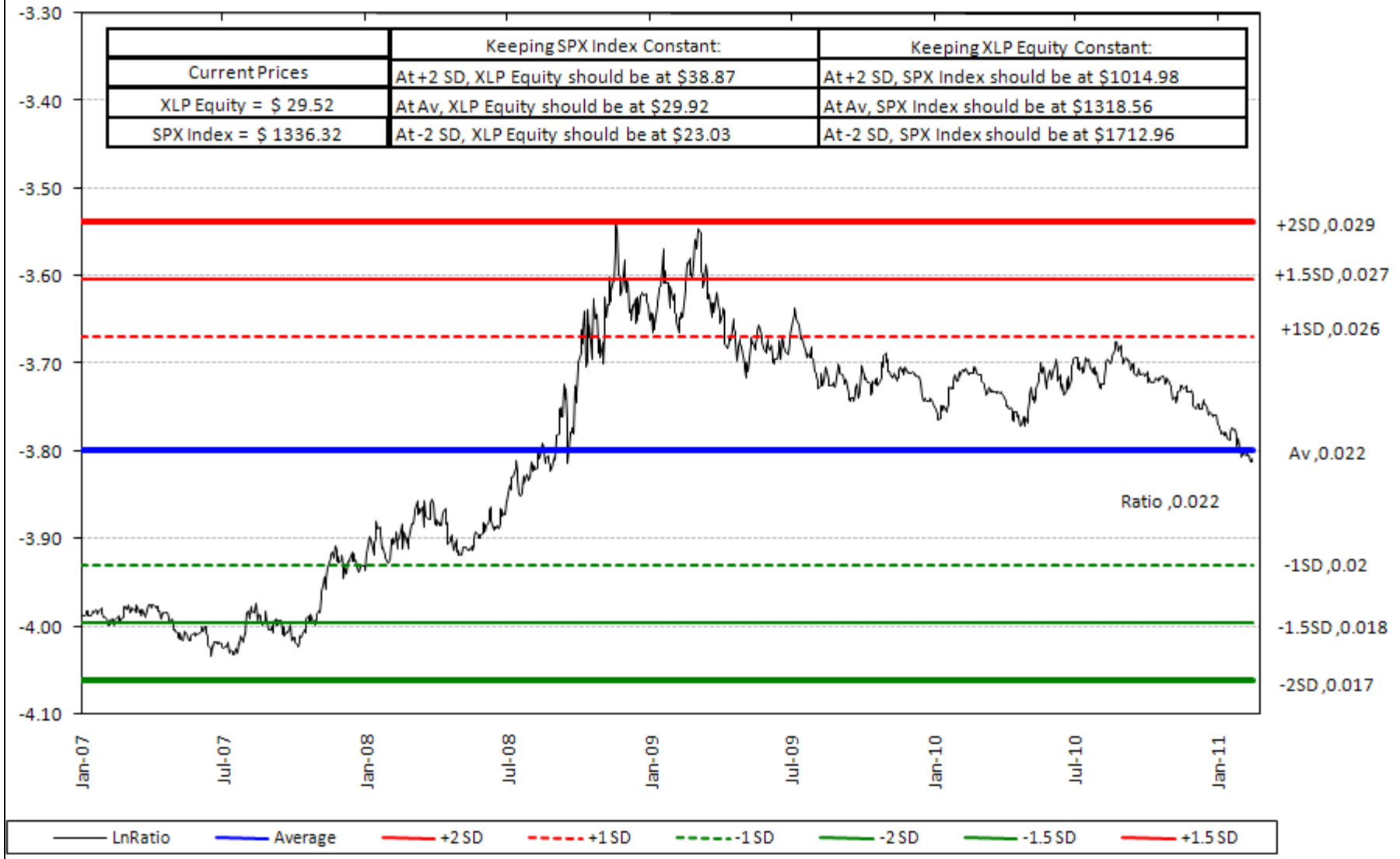
XLP Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLP Equity and Short SPX Index, Updated till 16 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



XLP Correlation Ratio Analysis with SPX – Full Time basis

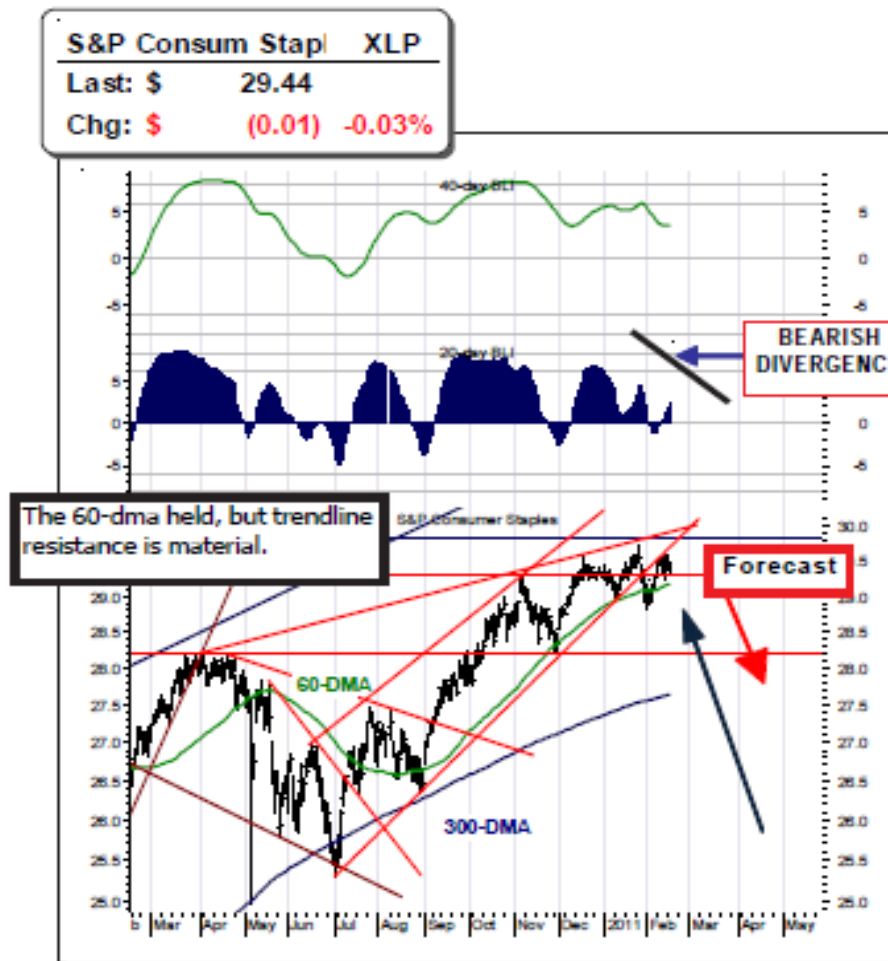
Long XLP Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



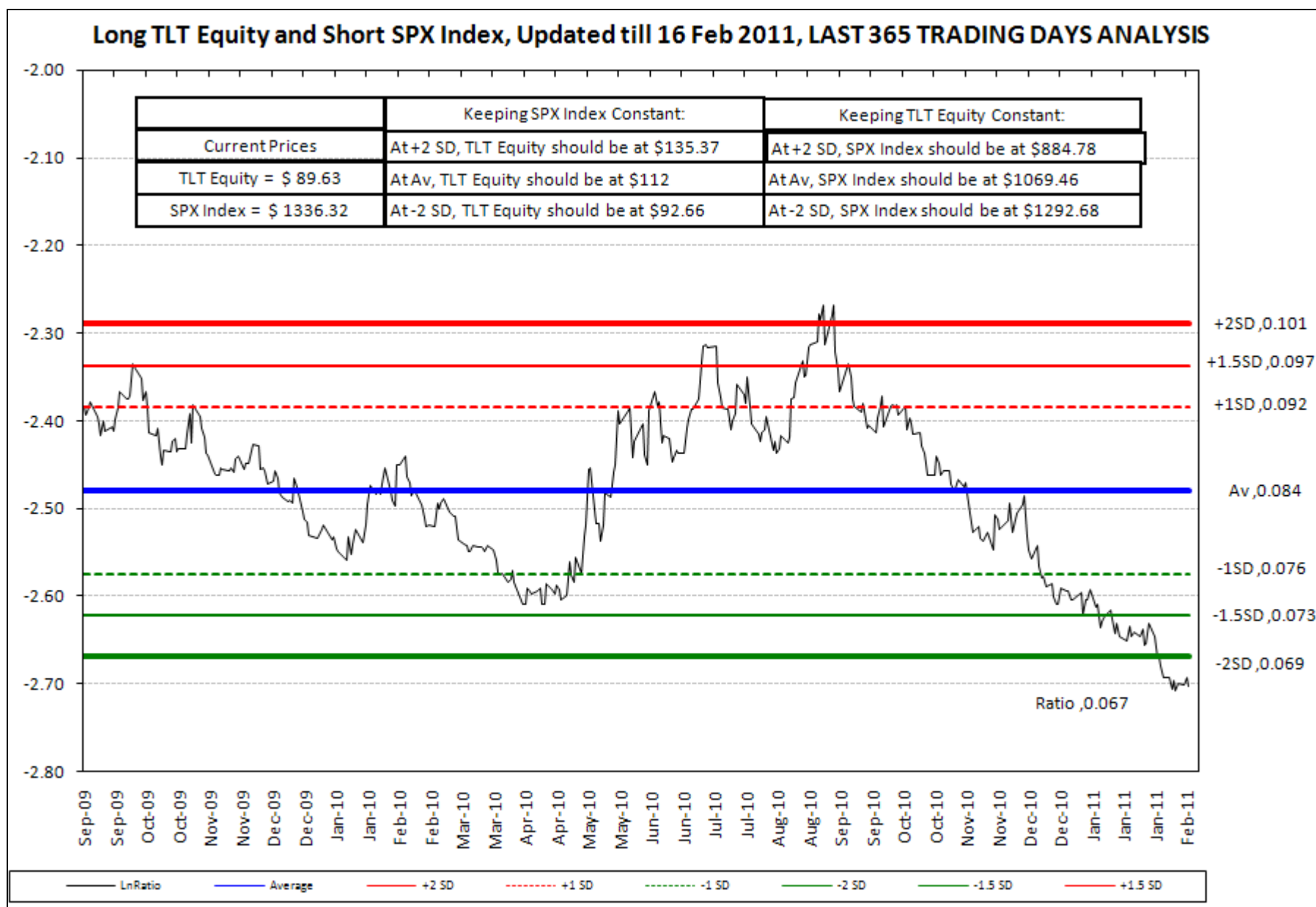
XLP- Technical & Pattern Analysis

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.



TLT Correlation Ratio Analysis with SPX – 365 days Time basis



TLT Correlation Ratio Analysis with SPX – Full Time basis

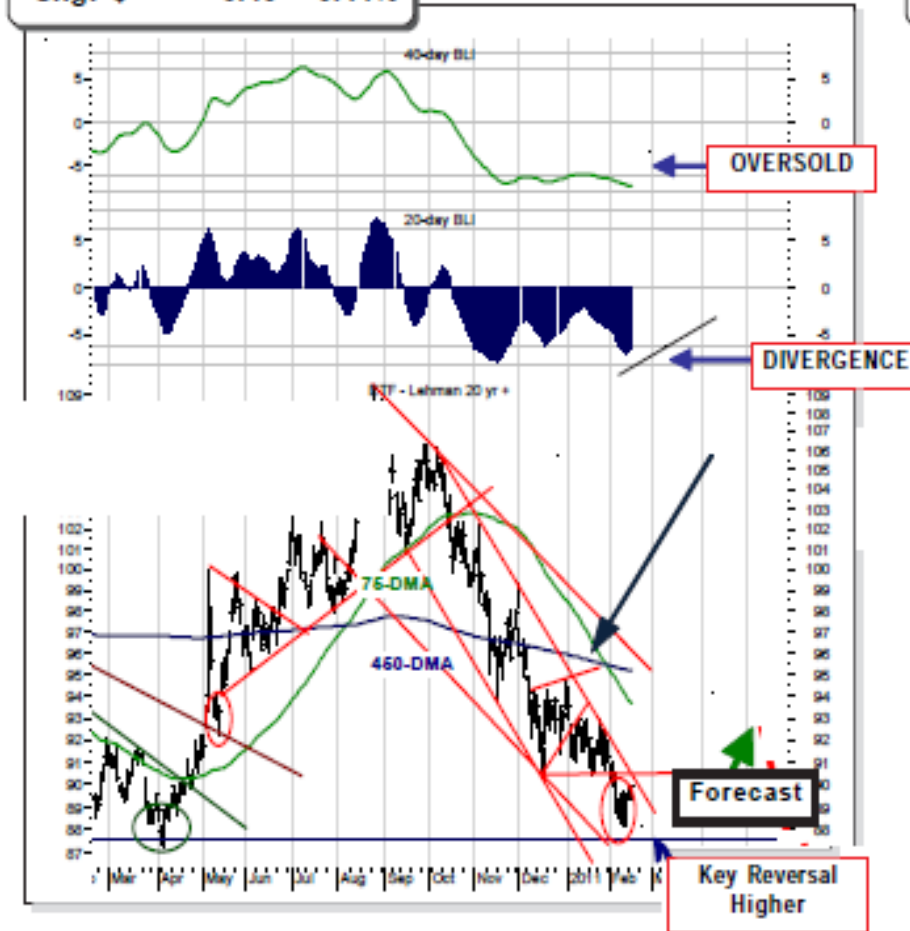
Long TLT Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



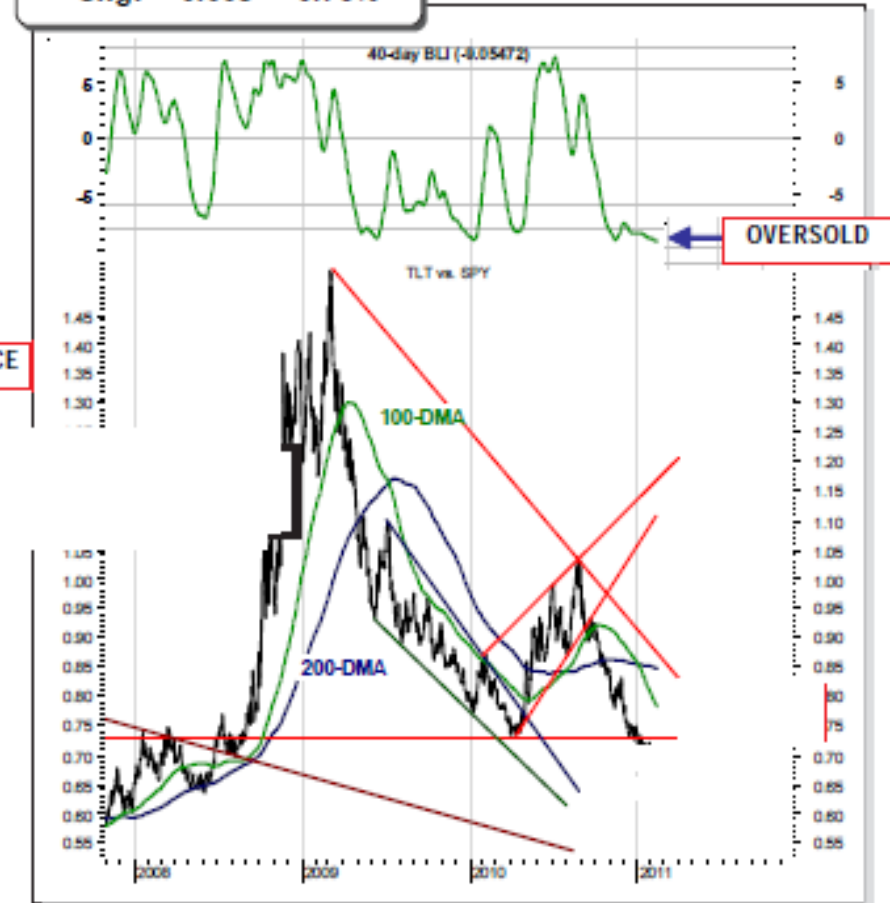
TLT – Technical & Pattern Analysis

(VALIDATED CZ -PQV – Refer to recent MS Report – A # 2)

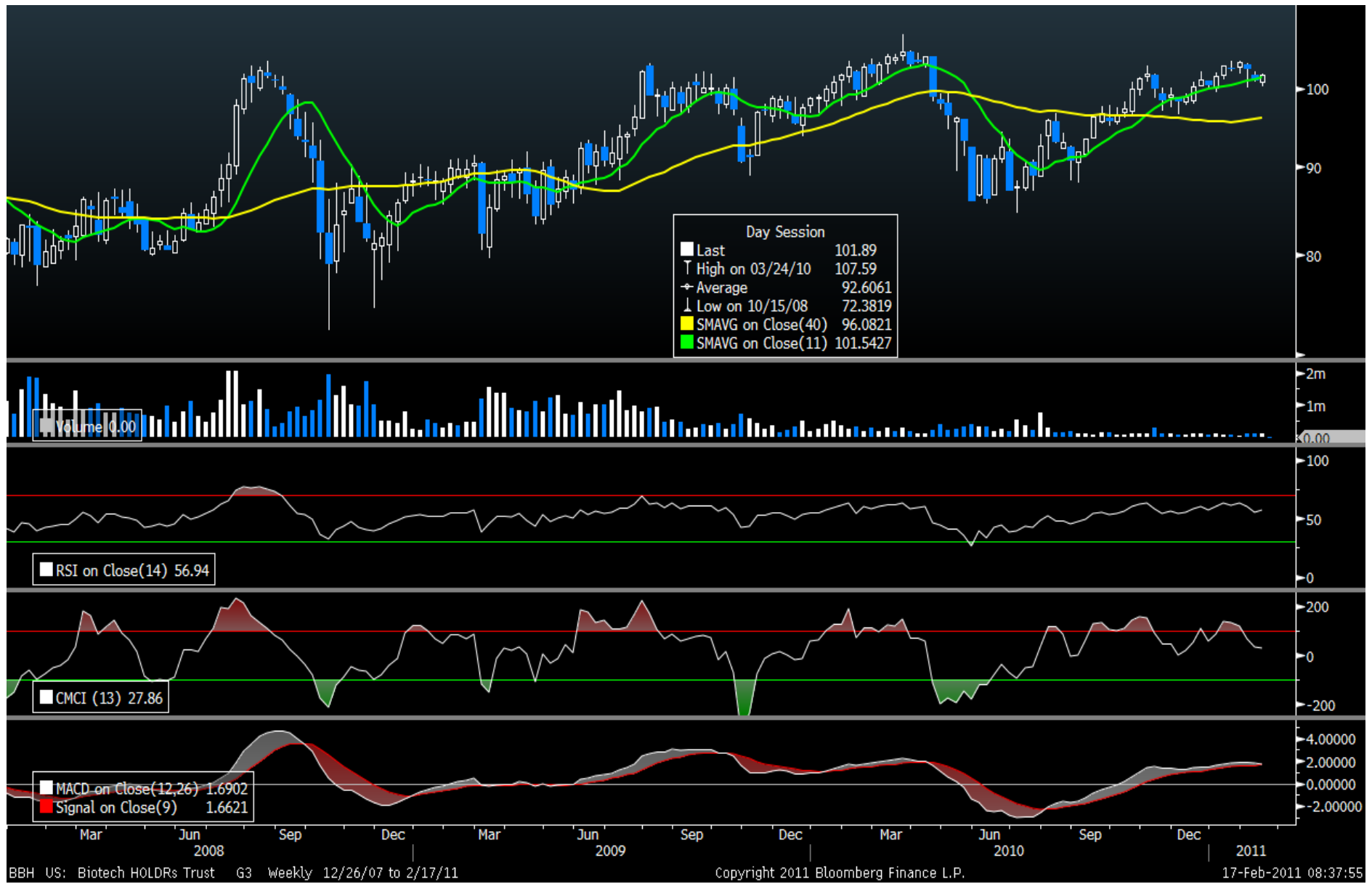
Lehman Bond	TLT
Last: \$	89.92
Chg: \$	0.40 0.44%



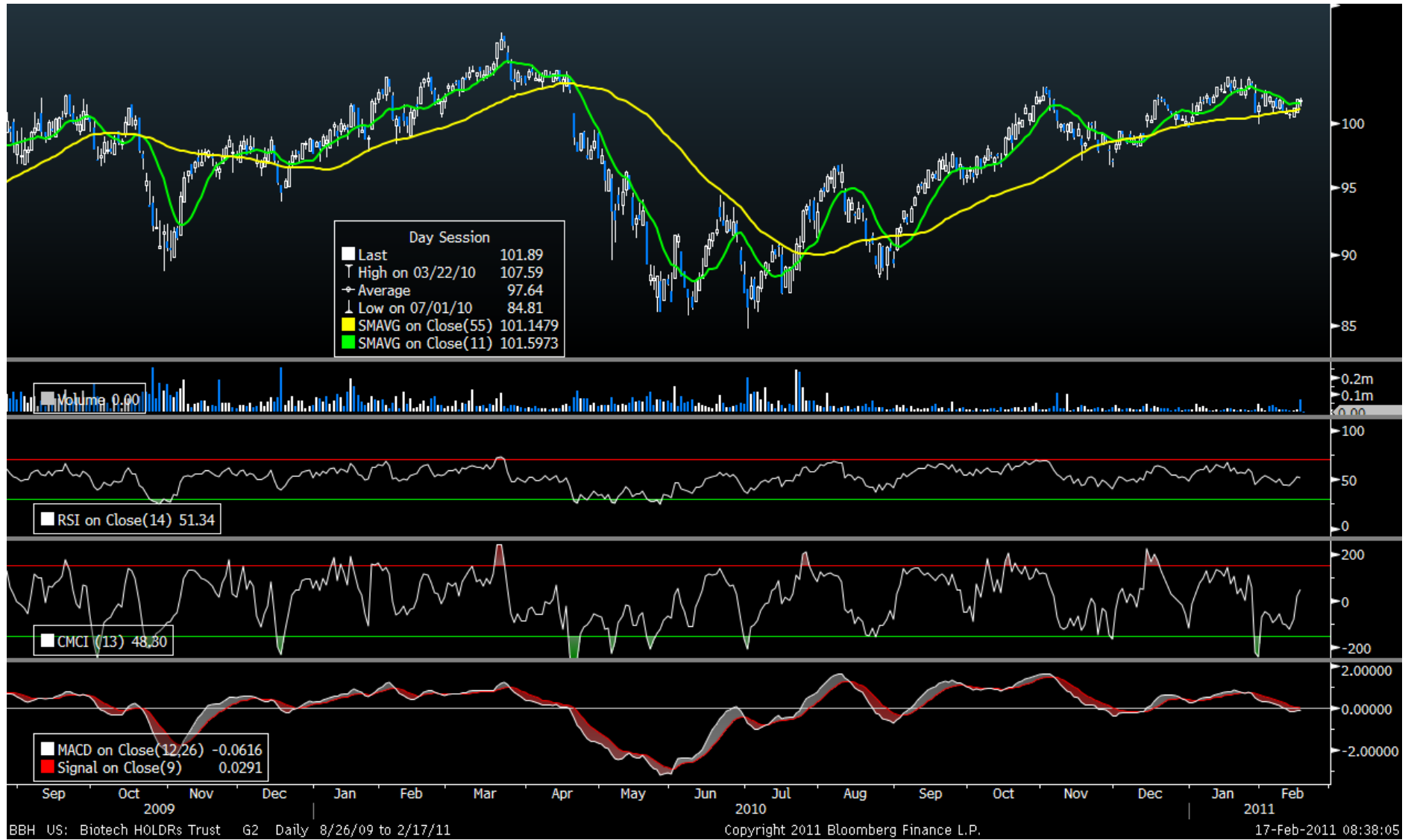
RATIO: TLT / SPY
Last: 0.676
Chg: 0.005 0.76%



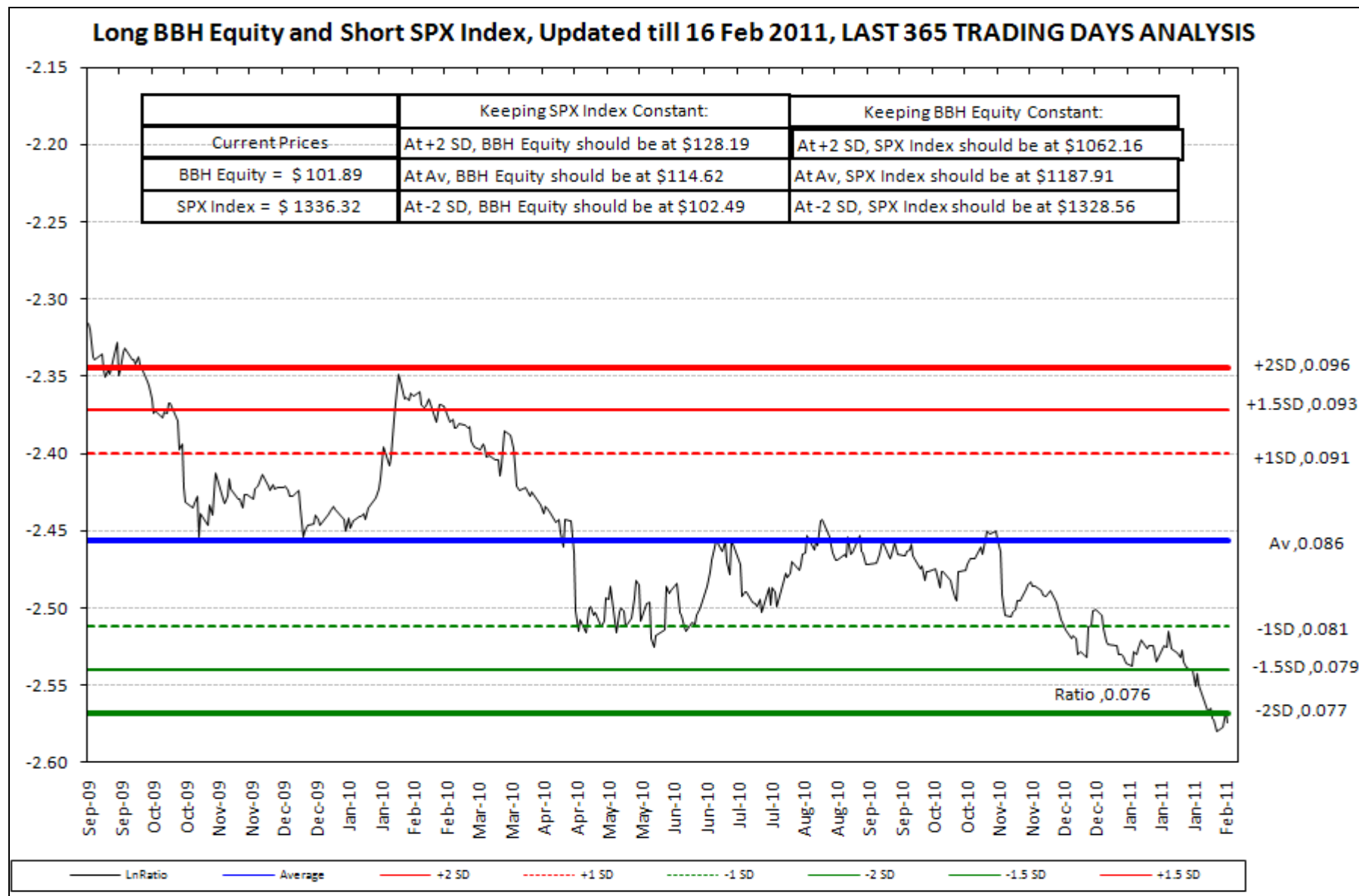
BBH- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

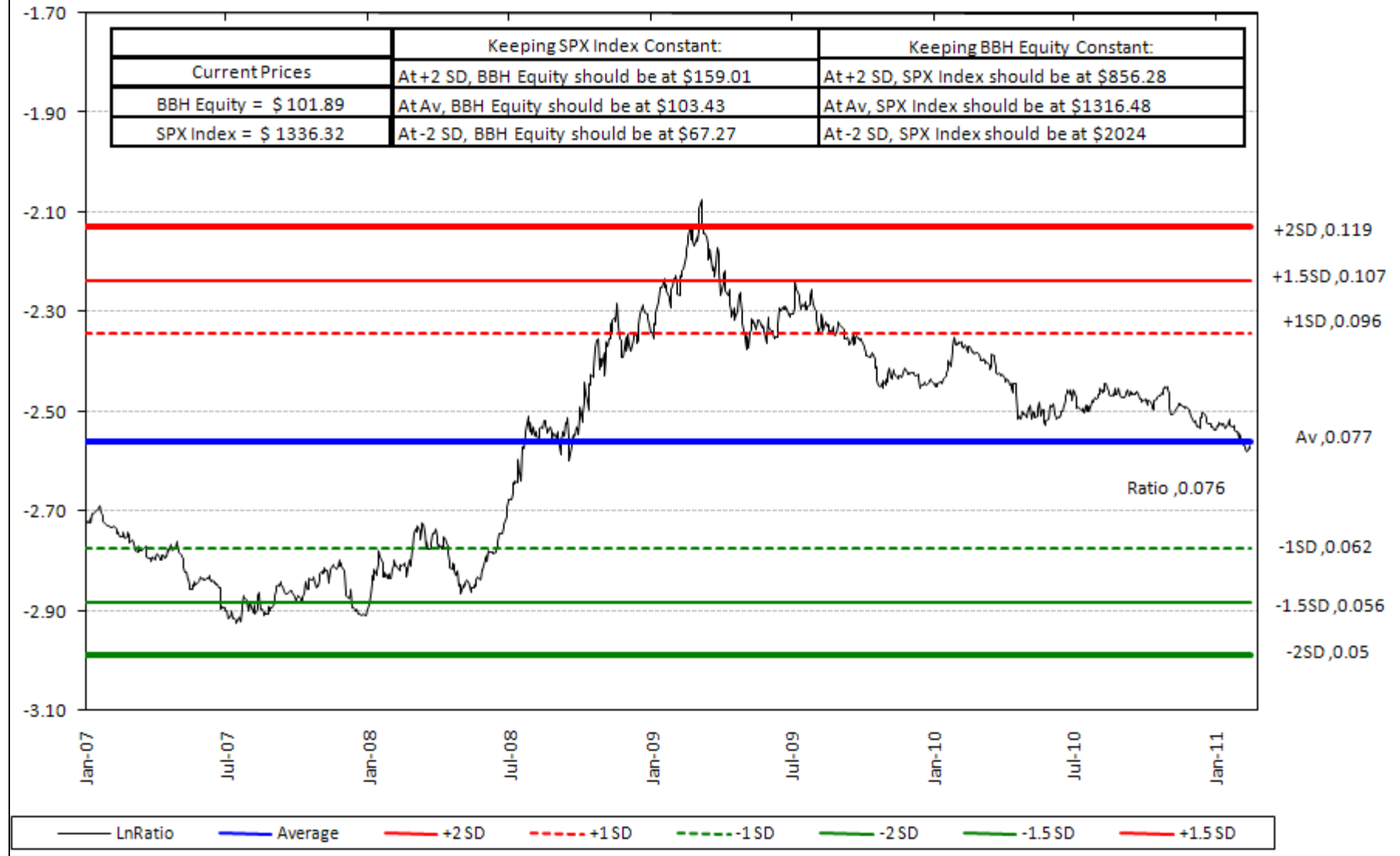


BBH Correlation Ratio Analysis with SPX – 365 days Time basis



BBH Correlation Ratio Analysis with SPX – Full Time basis

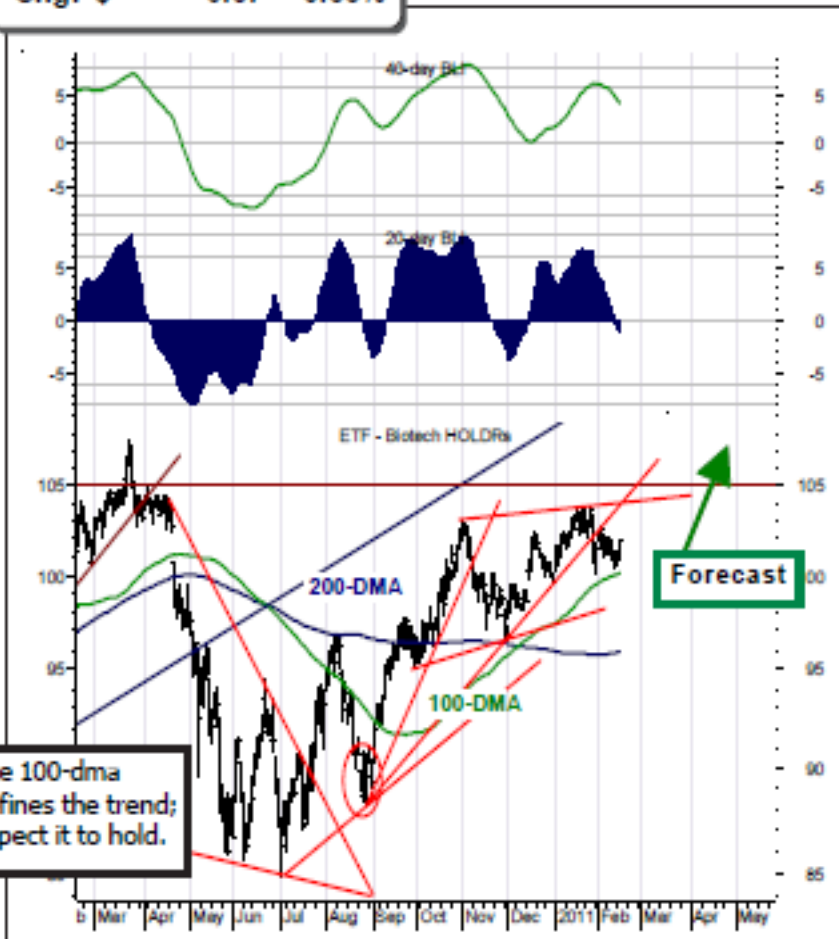
Long BBH Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



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

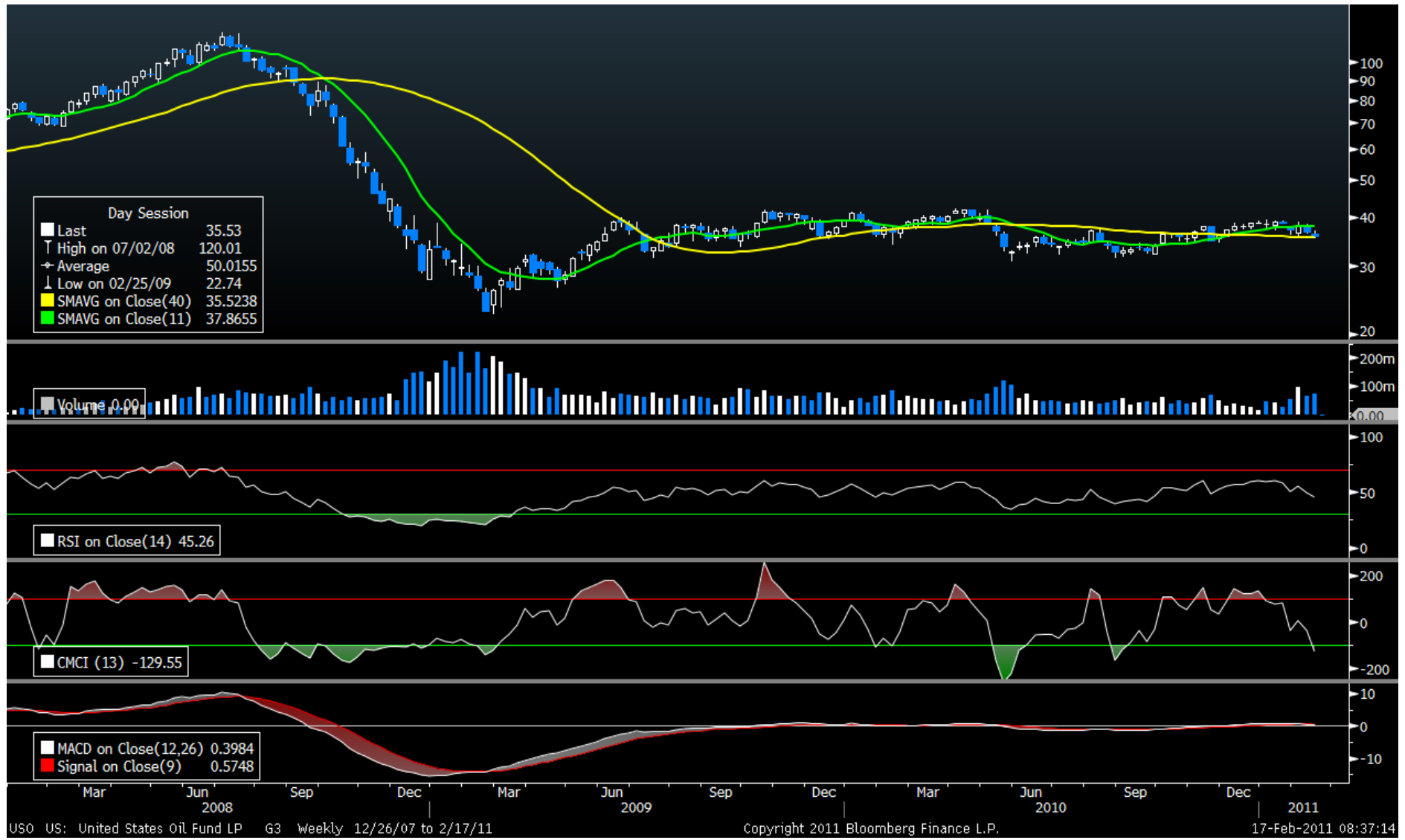
Biotech	BBH
Last: \$ 101.95	
Chg: \$ 0.67	0.66%



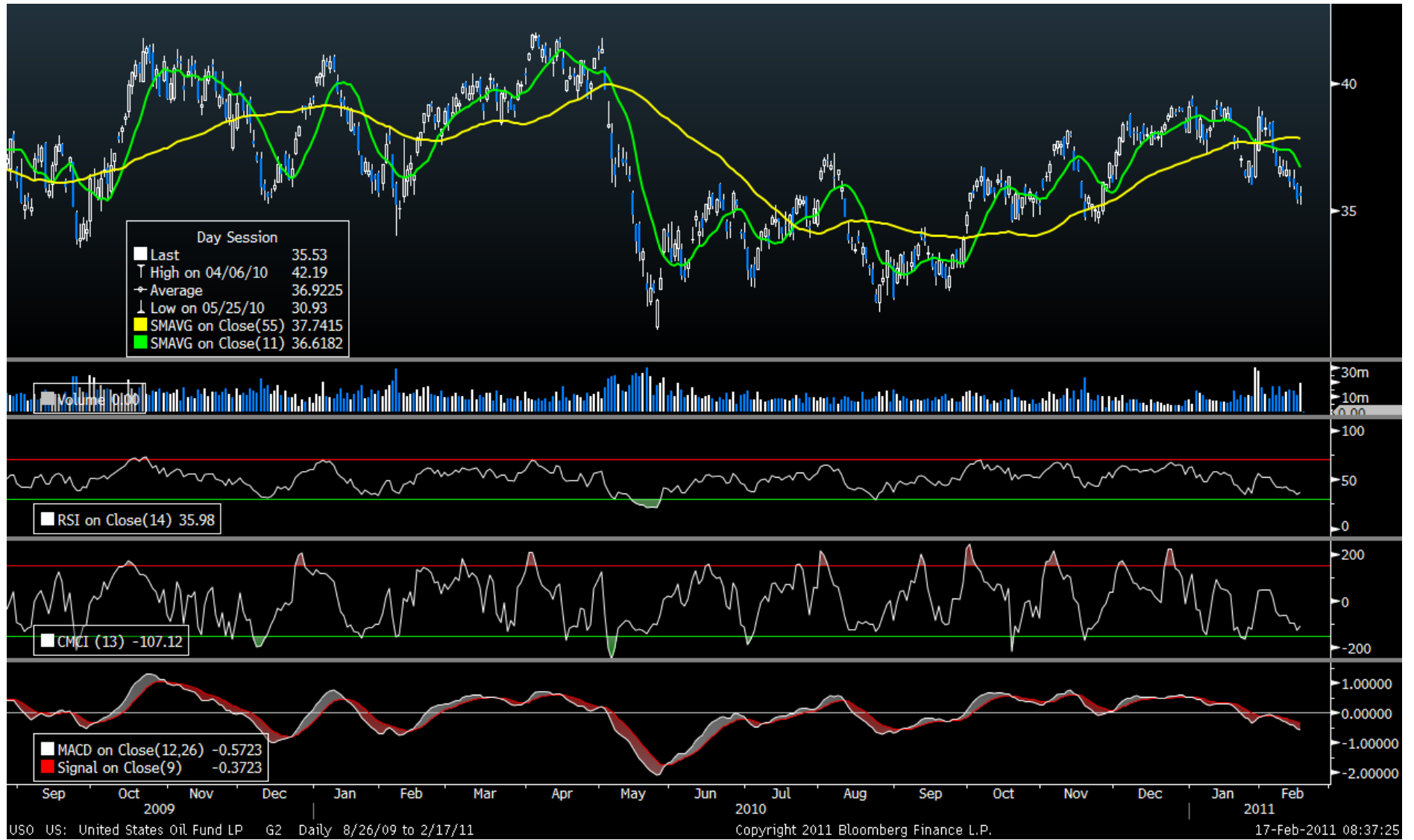
RATIO: BBH / SPY
Last: 0.766
Chg: 0.007 0.97%



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

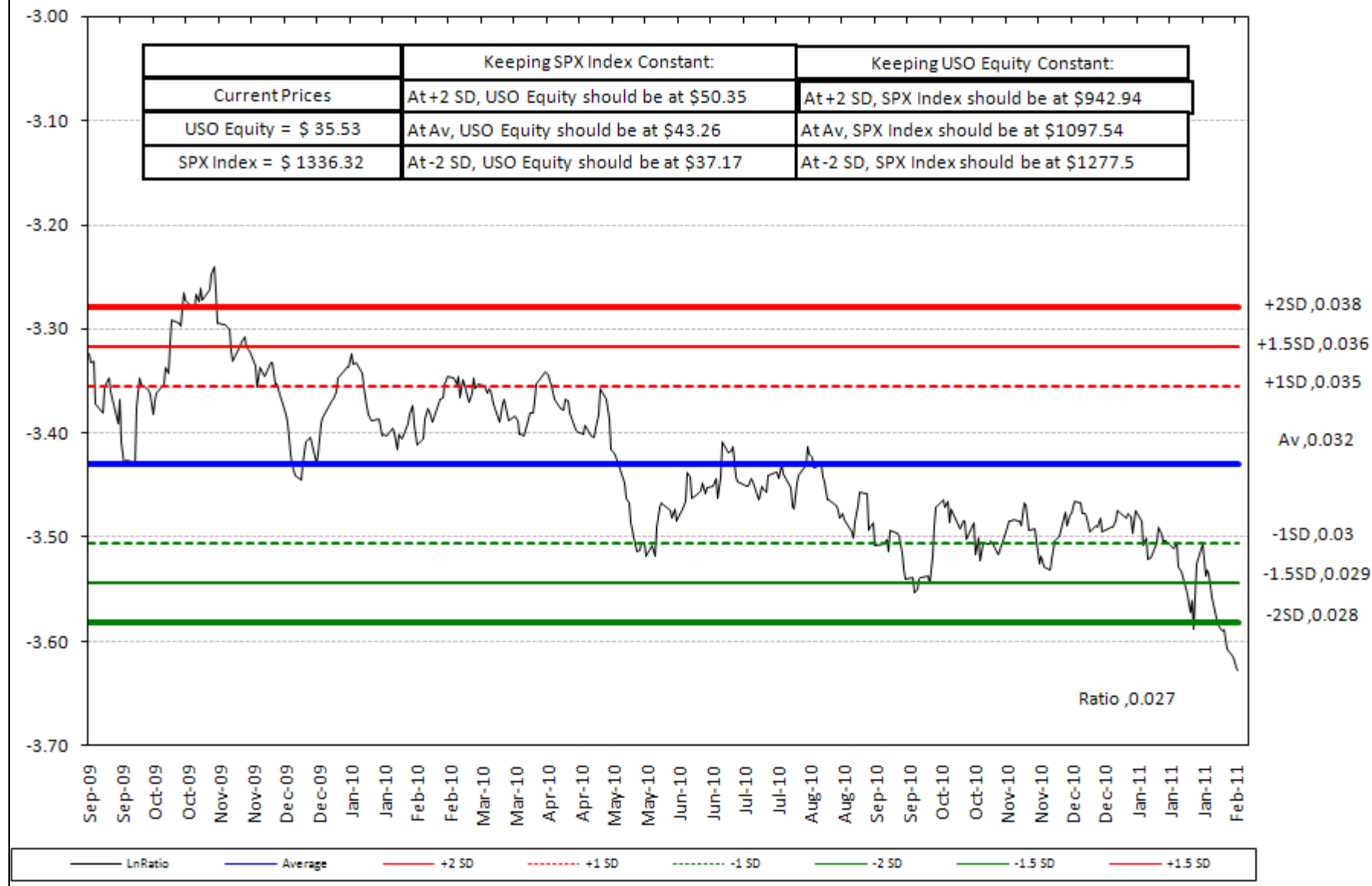


USO - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



USO Correlation Ratio Analysis with SPX – 365 days Time basis

Long USO Equity and Short SPX Index, Updated till 16 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



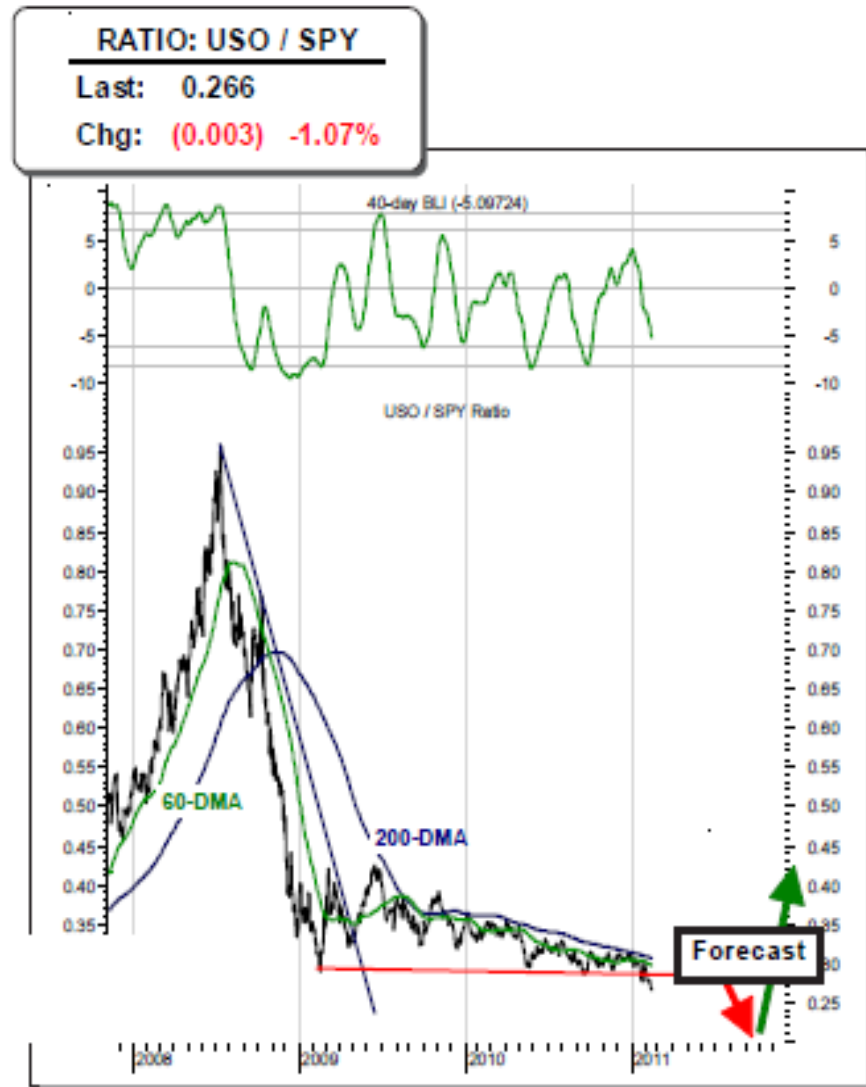
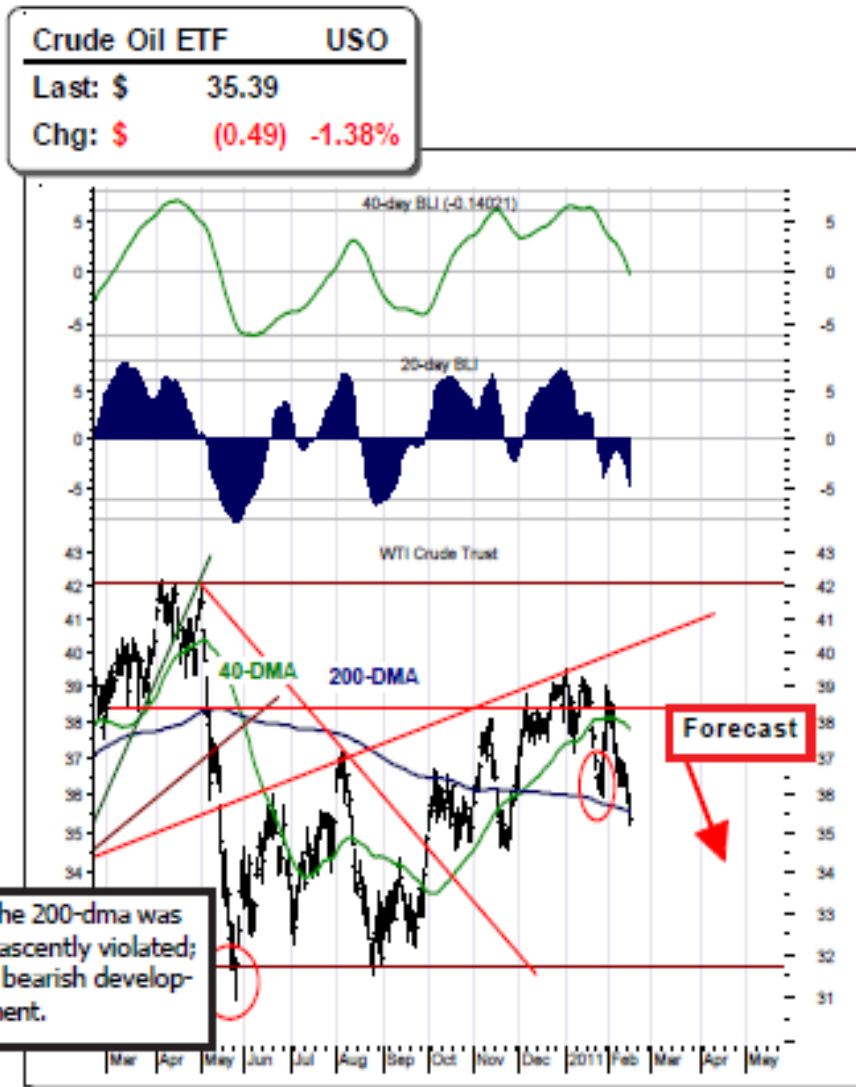
USO Correlation Ratio Analysis with SPX – Full Time basis

Long USO Equity and Short SPX Index, Updated till 16 Feb 2011, FULL PERIOD ANALYSIS



USO – Technical & Pattern Analysis

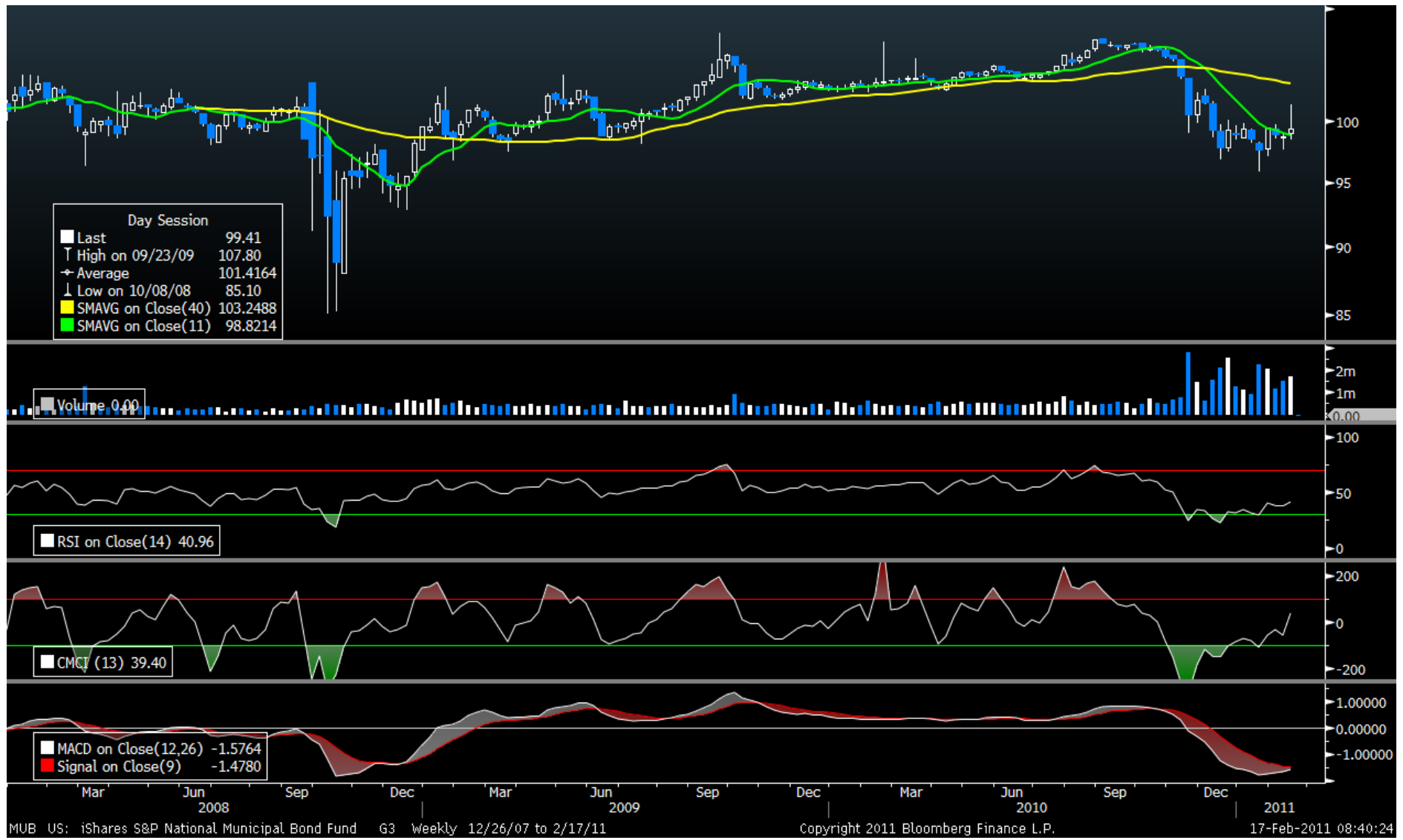
Although Ratio Pattern is setting up Bullishly, there may be little more work to do on downside. We rather wait for XLE to pull back then to plot CZ / PQV to get sense of pull back. (Even in our Commodity Report # C, we pointed out USO broke down and bounced right back at 200D , then rallied back to 40 DMA , now setting up bearish in line with PEC D Pattern



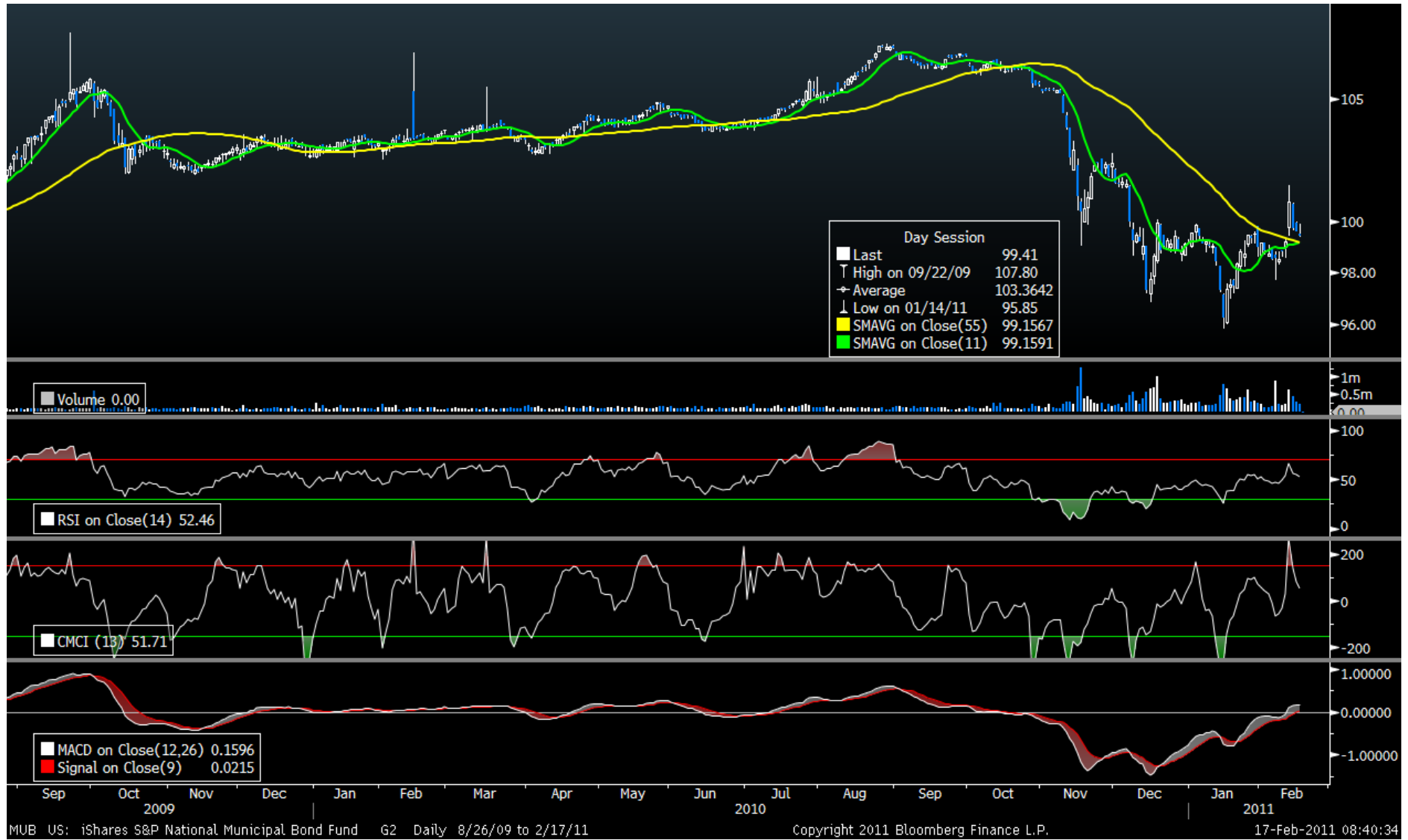
MUB - MONITORING CZ -PQV in Sector Watch list Report)

(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

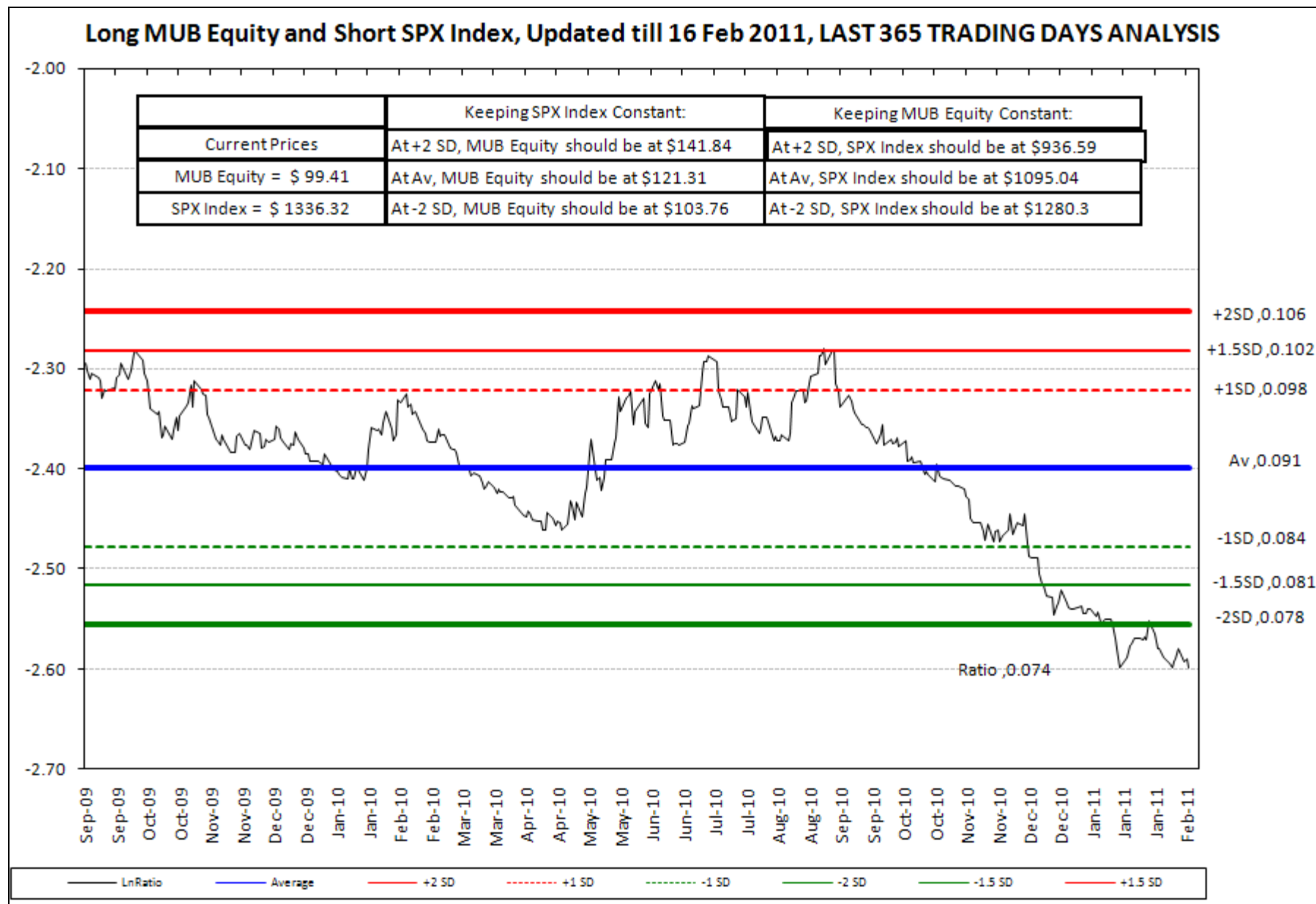


MUB - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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 16 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

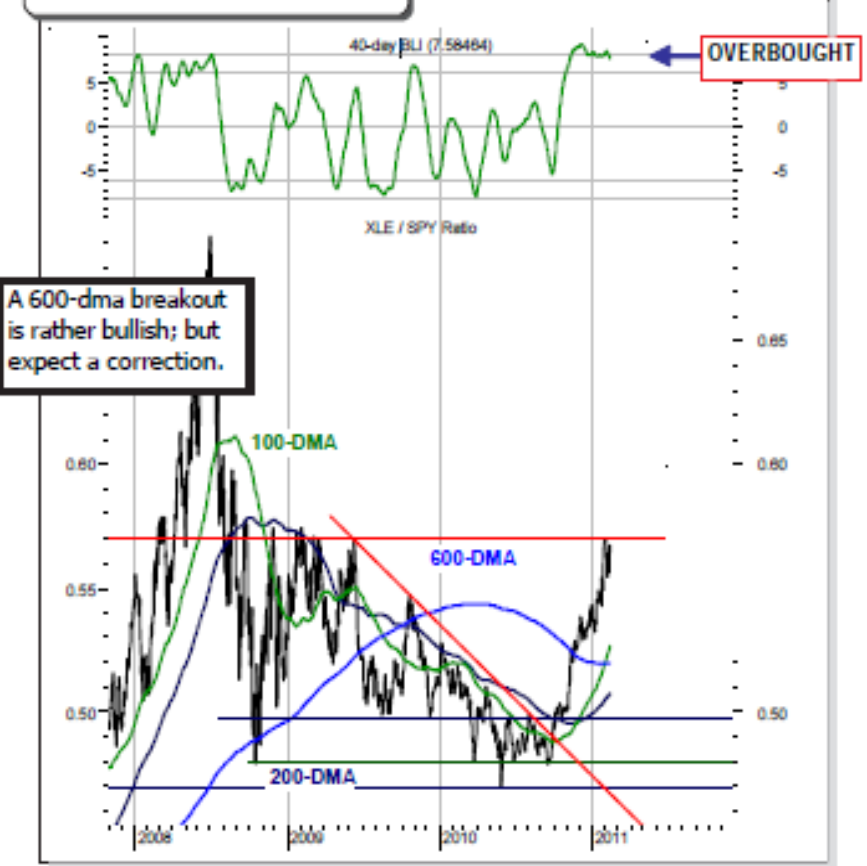
XLE- Technical & Pattern Analysis

Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 4 weeks.

S&P Energy	XLE
Last: \$ 74.95	
Chg: \$ (0.79) -1.05%	



RATIO: XLE / SPY
Last: 0.563
Chg: (0.004) -0.74%



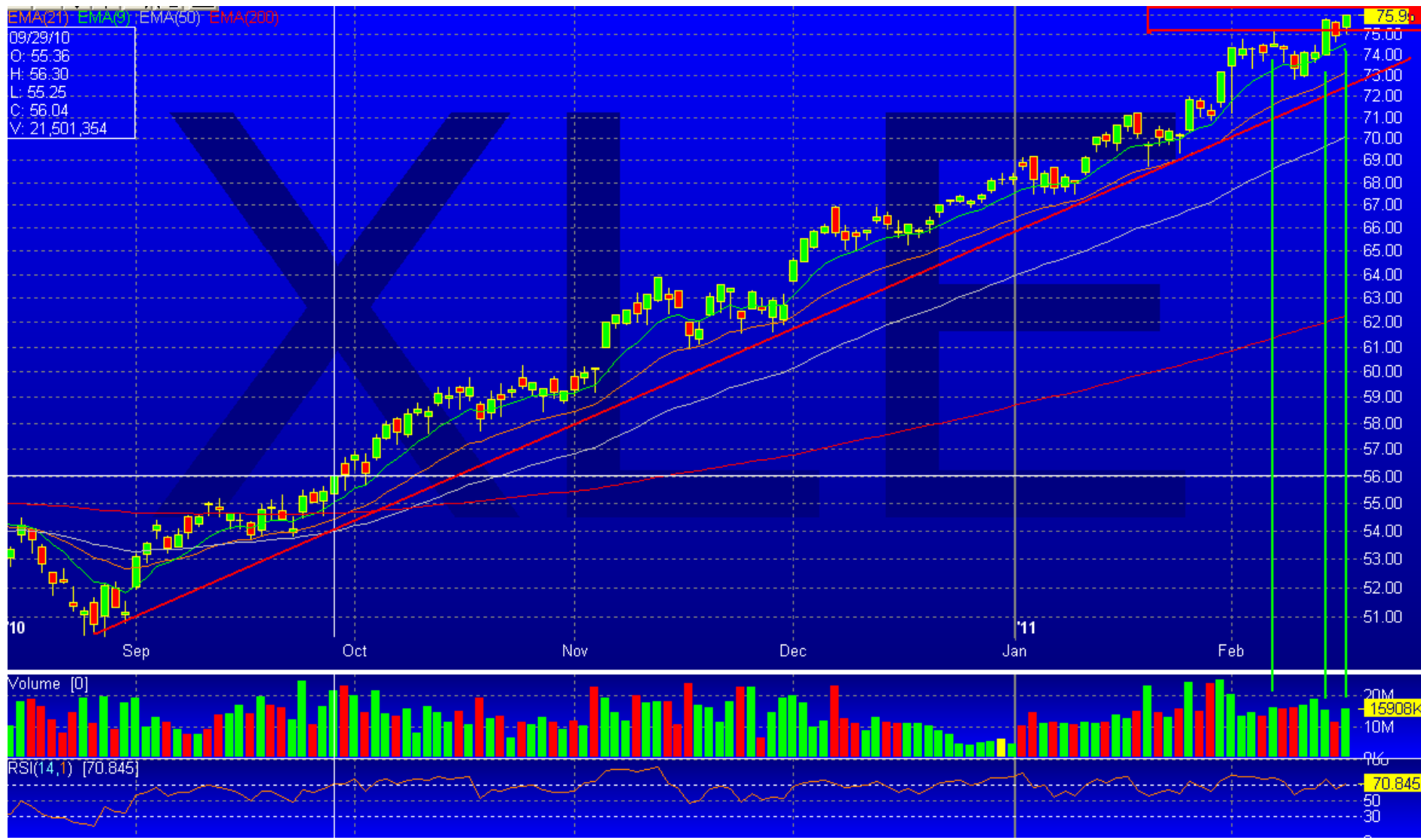
- XLE - PQV Analysis (Wkly) - No confirmation

XLE had a false break upside above 72, 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) for sectors. Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 75 to 78 but prices need to fail on volume, Currently in CZ but 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 75 -78 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 but no rejection yet

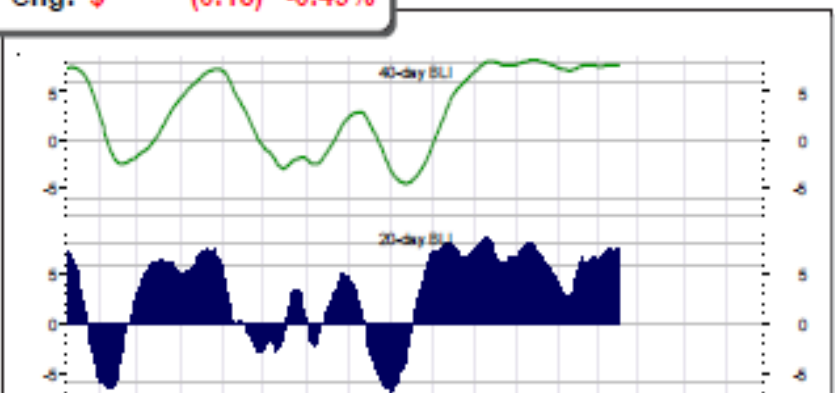


SMH – Technical & Pattern Analysis

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

Semiconductor	SMH
Last: \$	36.02
Chg: \$	(0.18) -0.49%

RATIO: SMH / SPY
Last: 0.271
Chg: (0.000) -0.17%



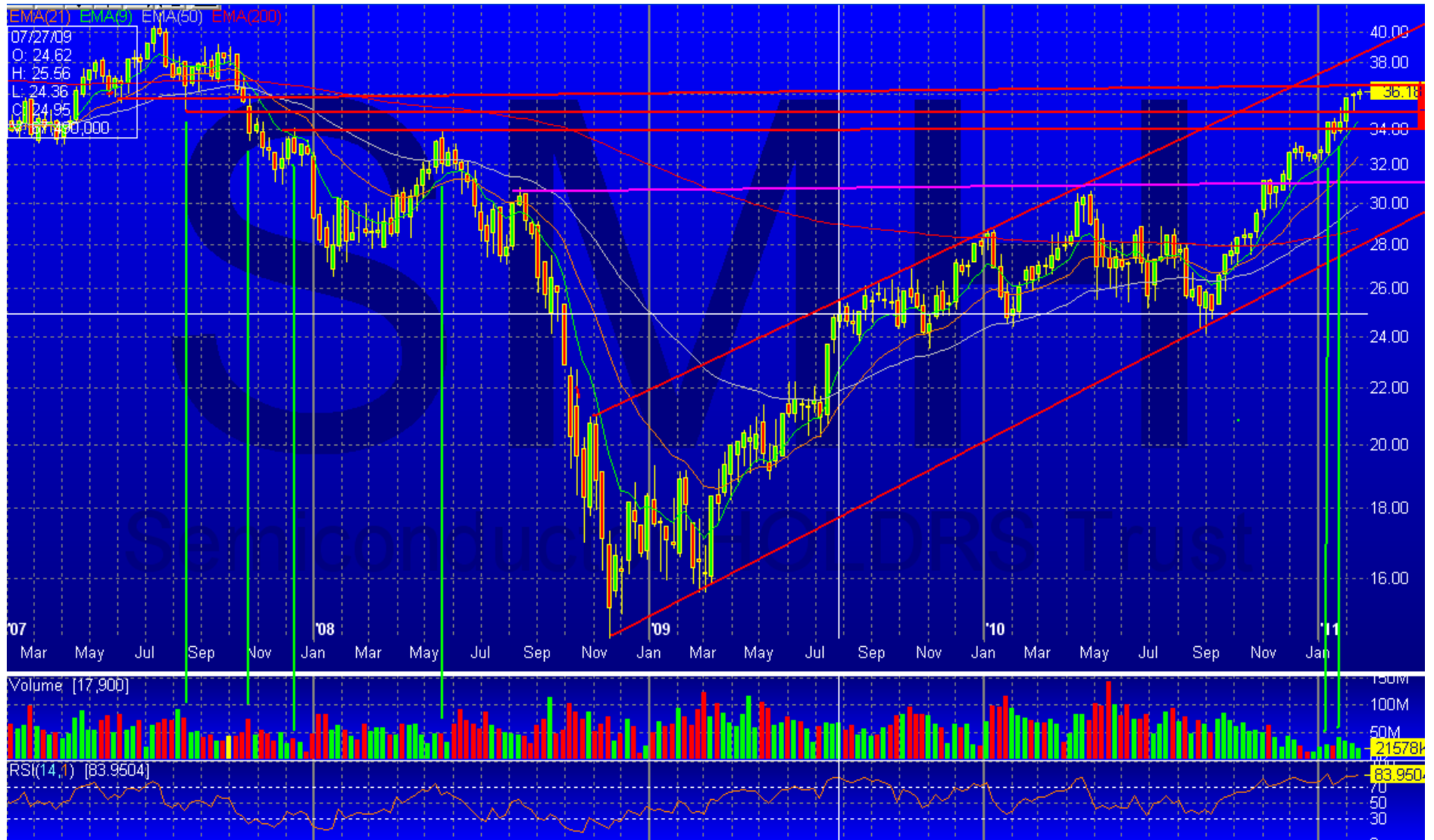
Trendline support is our focus given the distance above the moving avgs.



SMH – Price / Volume (No Change)

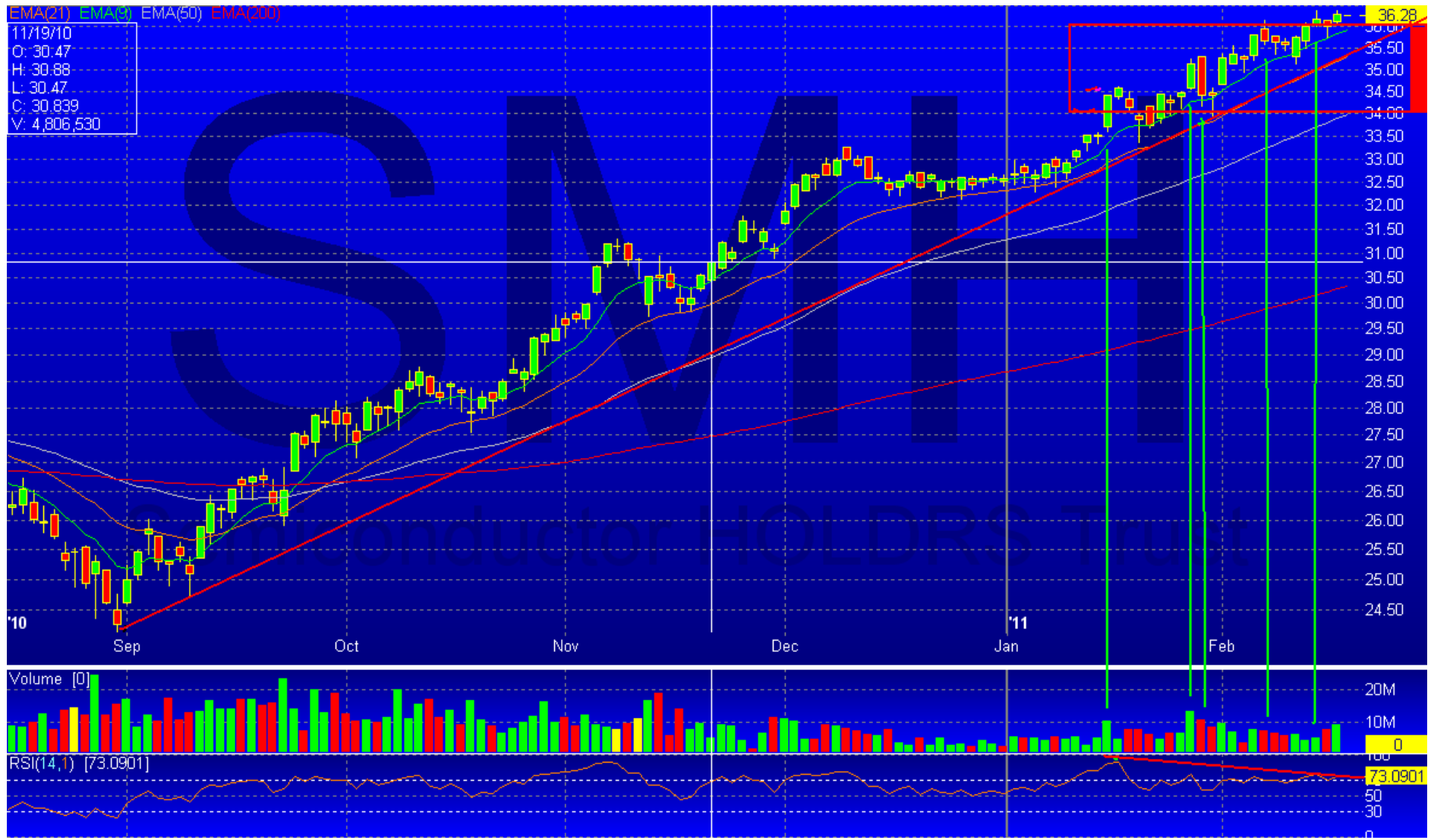
SMH came our test zone defined by May 08 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M, this was triggered. On risk reward as always the stop on other side of CZ.

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)



SMH - PQV Analysis (Daily)

SMH on daily basis, Although RSI is diverging bearishly, Price wise it its in CZ currently CZ 34 -36 and volume is contracting, this might be a false break and need to come back to the range. Intermediate topping process.



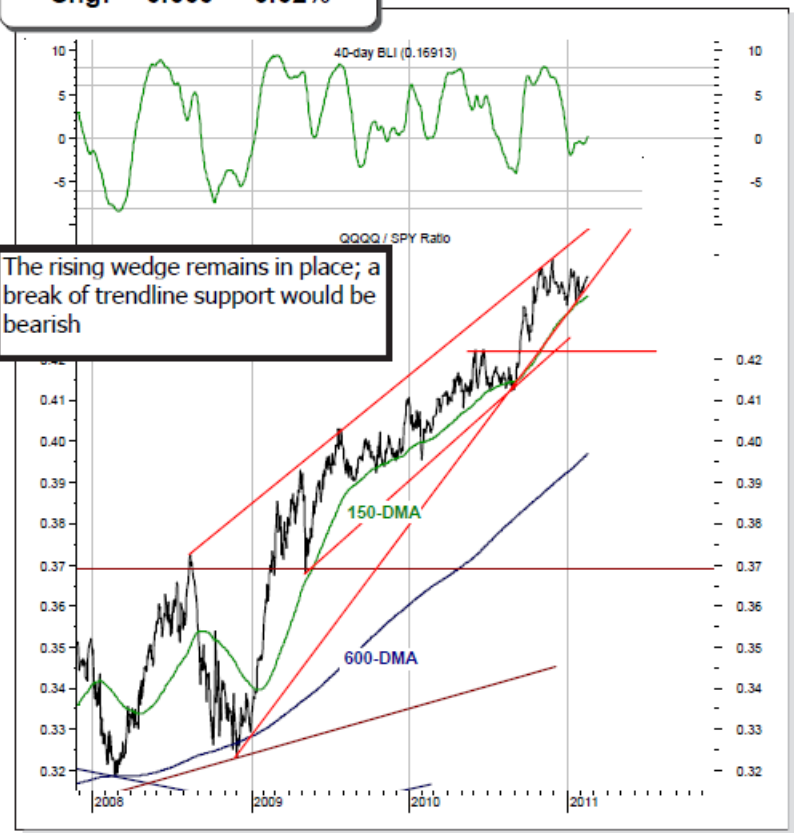
QQQQ – Technical & Pattern Analysis

It appears like 3 drives to the top , Circled in Red are the 2 drives and third should be triggered any day now Prices are extended way beyond and correction is warranted. PQV has kept us from this harm's way for past 4 weeks.

NASDAQ 100	QQQQ
Last: \$ 58.88	
Chg: \$ 0.38	0.65%



RATIO: QQQQ / SPY
Last: 0.440
Chg: 0.000 0.02%



QQQQ - POM – (No Signal) - Price , Volume & Pattern Analysis - (MONITORING CZ –PQV

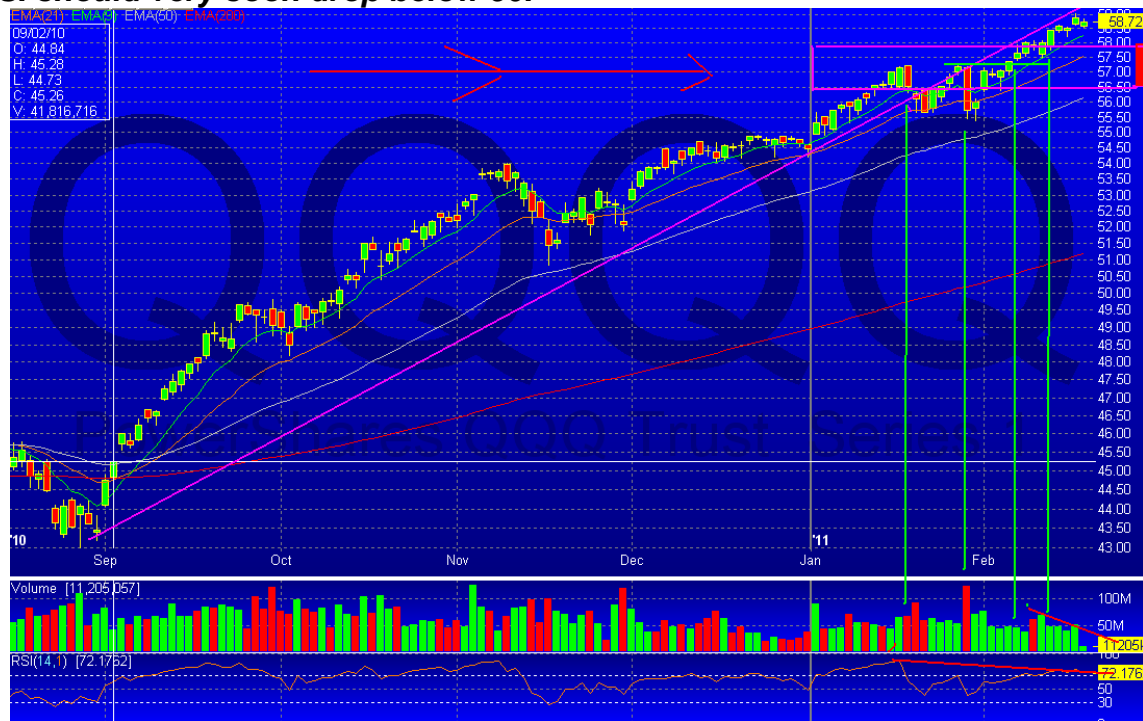
QQQQ – PQV has validated yet and refrained us from stepping in – currently in watch list.

It entered the CZ for 3th time (exceeded) & 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 . Derived at CZ of 56.5 – 58 (currently it is outside the zone with false break) and test 57.25 with 200 M (weekly volume) and close under 56, revised) should be a good test.

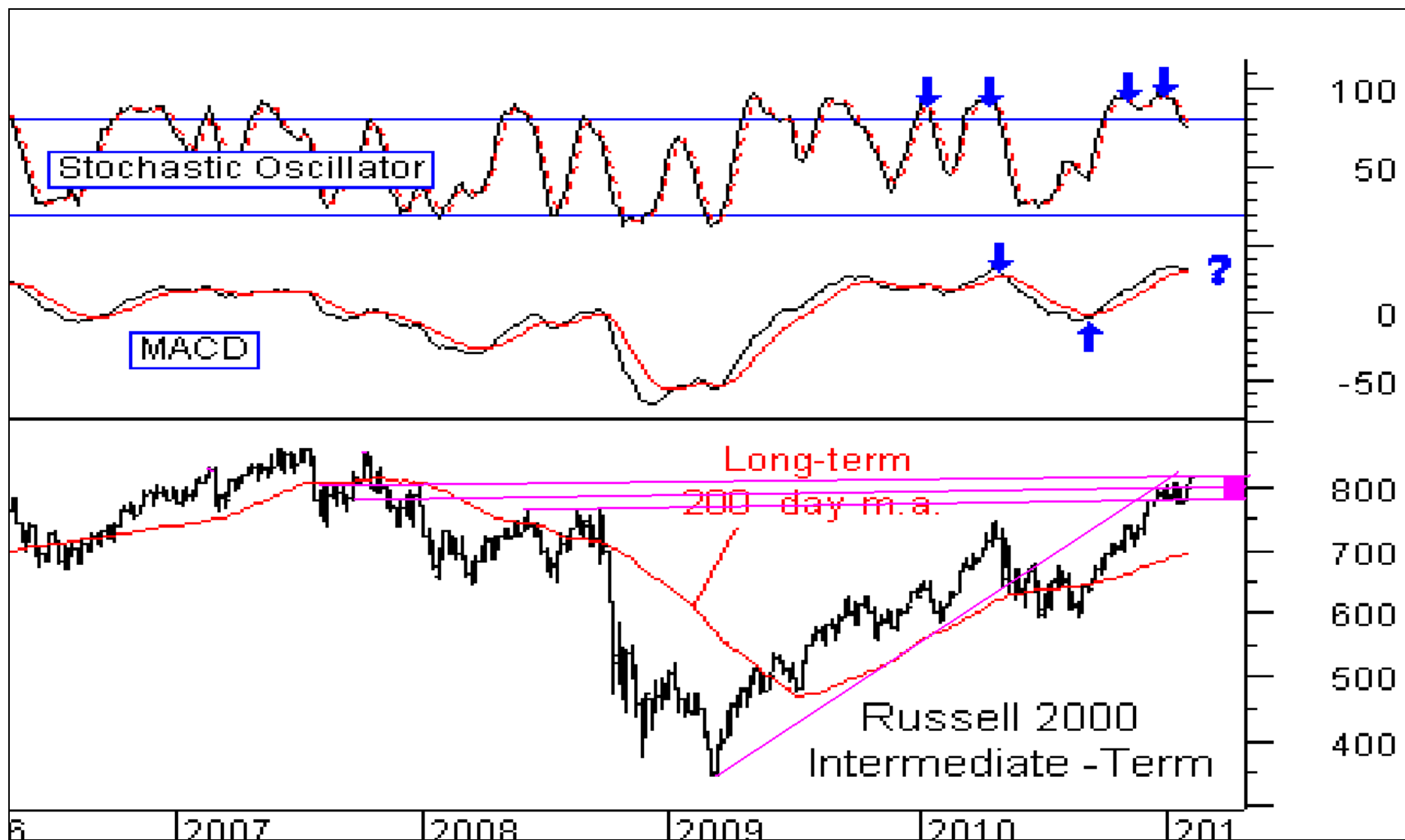
On daily basis the CZ For ½ position is with price go **above 59** and then close **below 57 with 40 M shares for failure**. For another failure . We are watching closely in CZ – PQV in Sector Report

Earlier QQQQ tested the 1st bearish Dark cloud in CZ area) and snapped right back with 2nd 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)

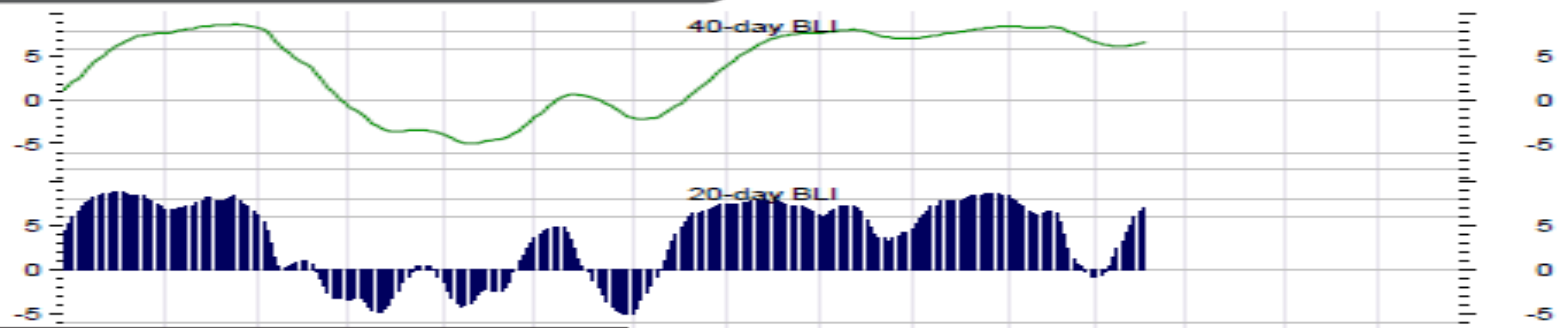
Far extended from 200DMA , MACD has trigged, STOC below -50 RSI should show weakness, On bigger picture the weekly volume should come in above 175 M but to Fine tuning on daily basis the CZ For ½ position is 79.50- 80 with price go above 80 and then close below 79 with 35 M shares for failure. (We finished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



IWM – Technical & Pattern Analysis

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

	Russell 2000	IWM
Last: \$	82.68	
Chg: \$	0.66	0.80%



Trendline resistance is under assault; a break of trendline support would be bearish.



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

SPX's non conformance of POM 15 is certainly not supporting this market, although it is at nose bleed territory..

Currently entering the CZ for 4th time (extended) & testing the back of Trend line but there is no volume behind the move with Bearish wedge pattern as indicated in Green (Our CZ for PQV Validation is marked in Pink. with MACD turned down, Volume picked up & RSI diverging bearishly .

*The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 78.5 – 80.50 and it should test with 175 M (weekly volume) and close **under 78**,) should be a good test. But hasn't happned We are watching closely in CZ – PQV in Sector Report*

But on daily basis the CZ For ½ position is 79 – 80.5 with price go above 80 and then close below 79 with 45 M shares for failure has trigged but prices has extended .We think the bearish wedge will be diffused and come back to CZ soon.

Earlier IWM tested the 1st bearish engulfing once and snapped right back with 2nd 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



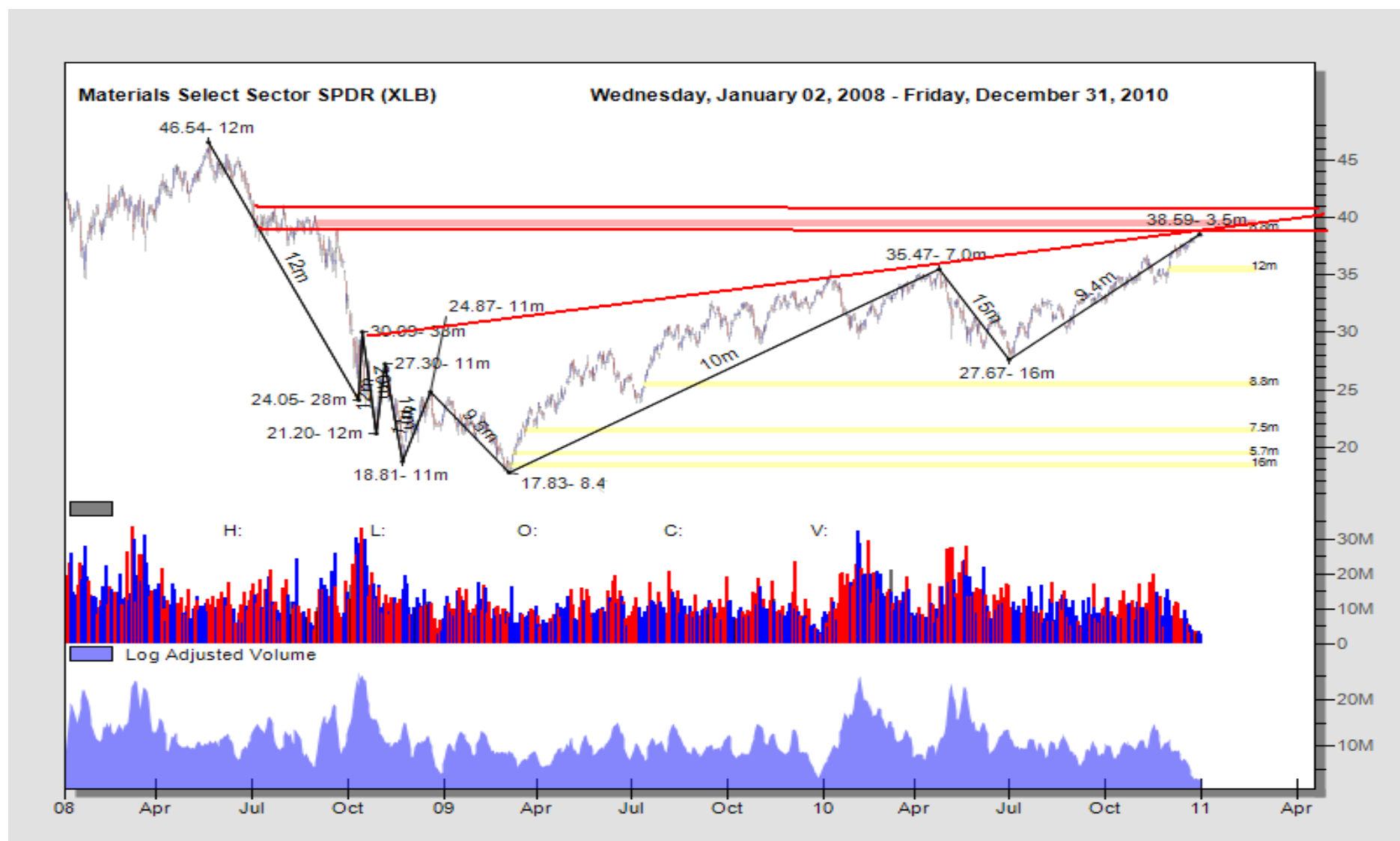
XLB – Technical & Pattern Analysis & Price / Volume

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



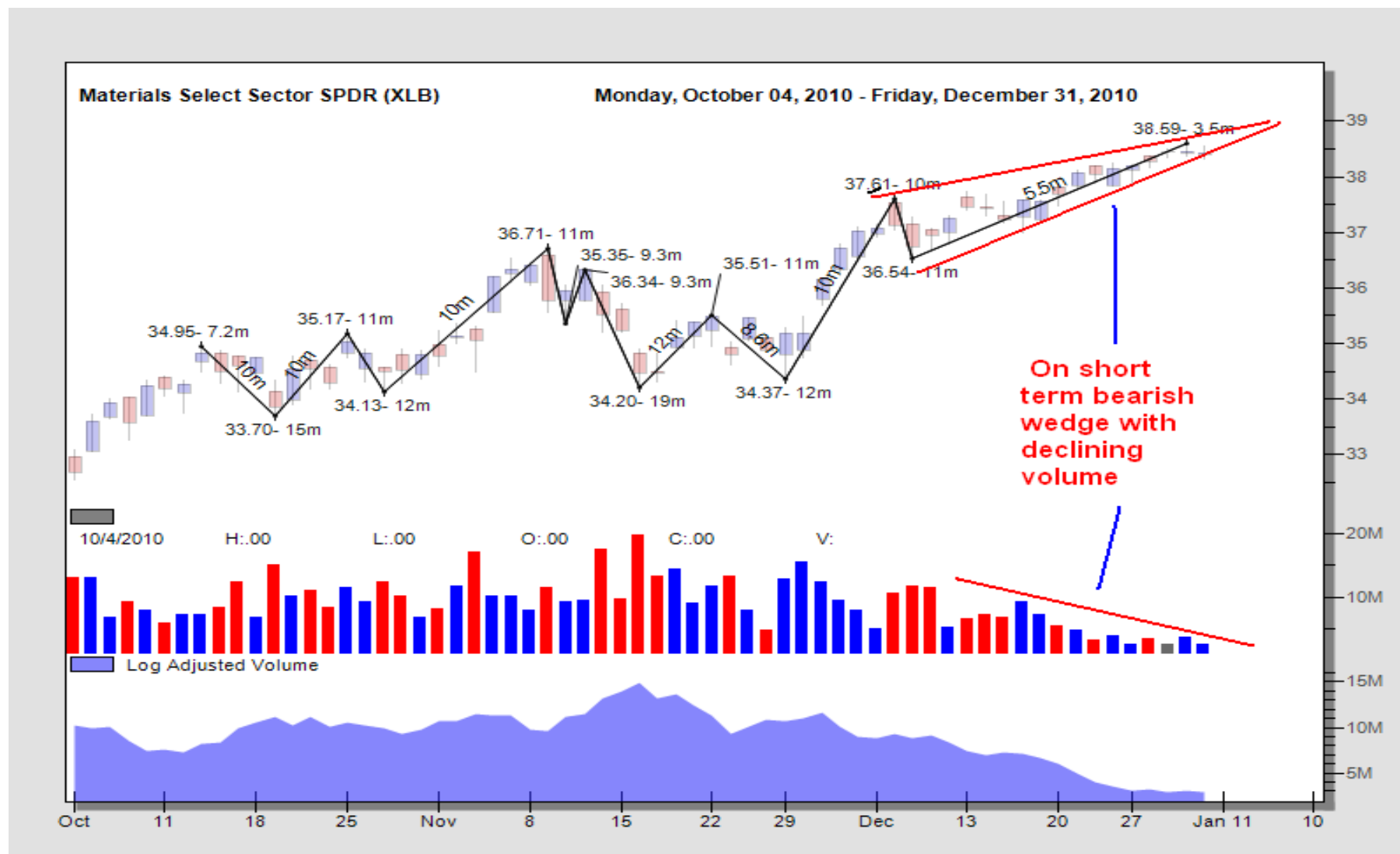
XLB – PQV Analysis

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

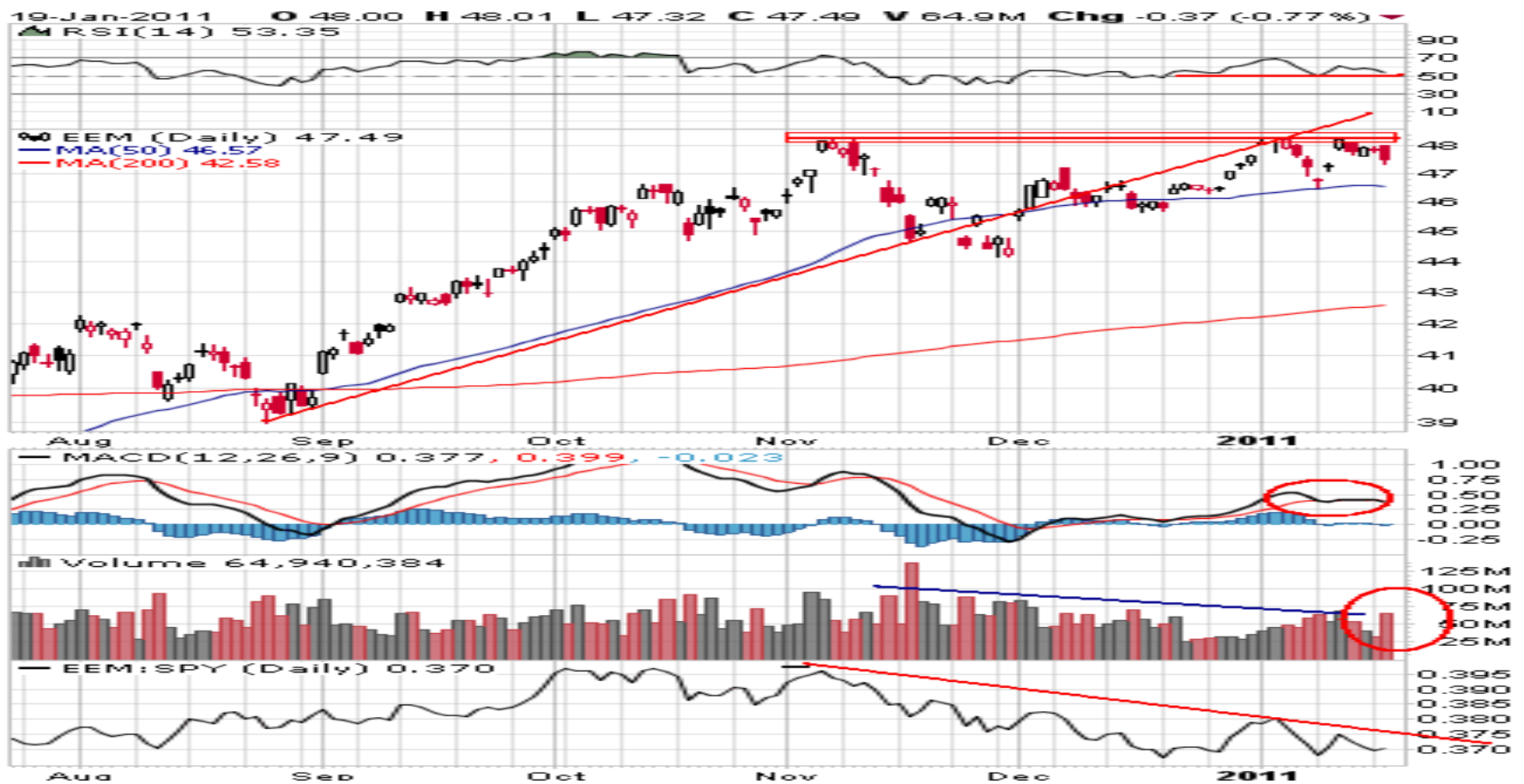
- **EEM is closely related with SPX on downside when SPX signal is at POM 15 , EEM acts with the texture of POM 14 . Conversely Our in-depth Analysis suggest that SPX 's POM – Buys POM 11,12 are closely related with the buys of EEM 's.**
- **SD # Levels are at + 1.0 SD and Neural Zone , but any bounce 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.

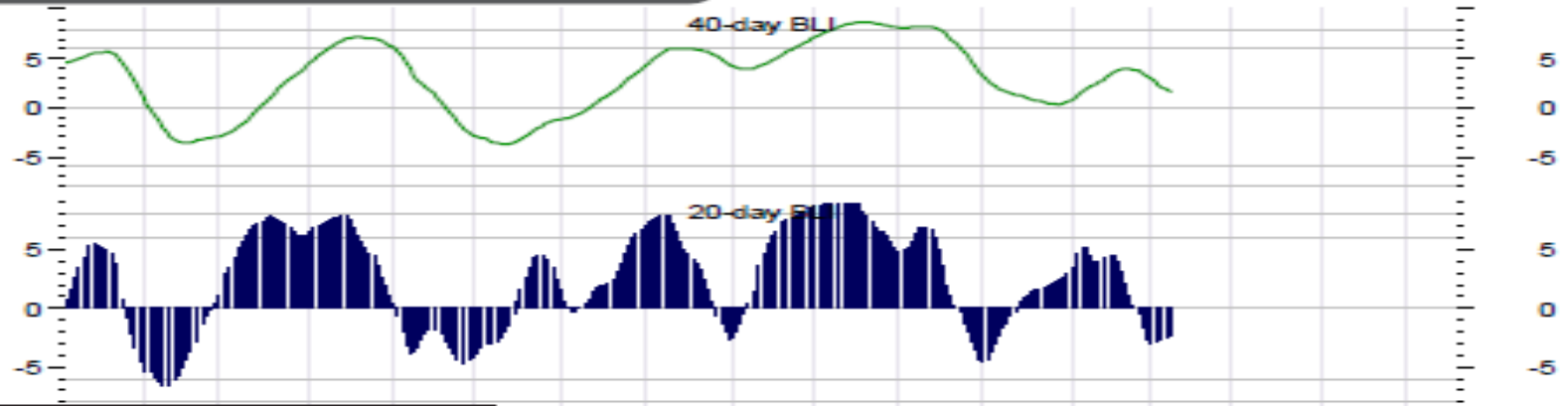
Currently RSI should trigger below 50. . Prices broke yesterday on Volume pick up on downside. MACD turned down

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 -

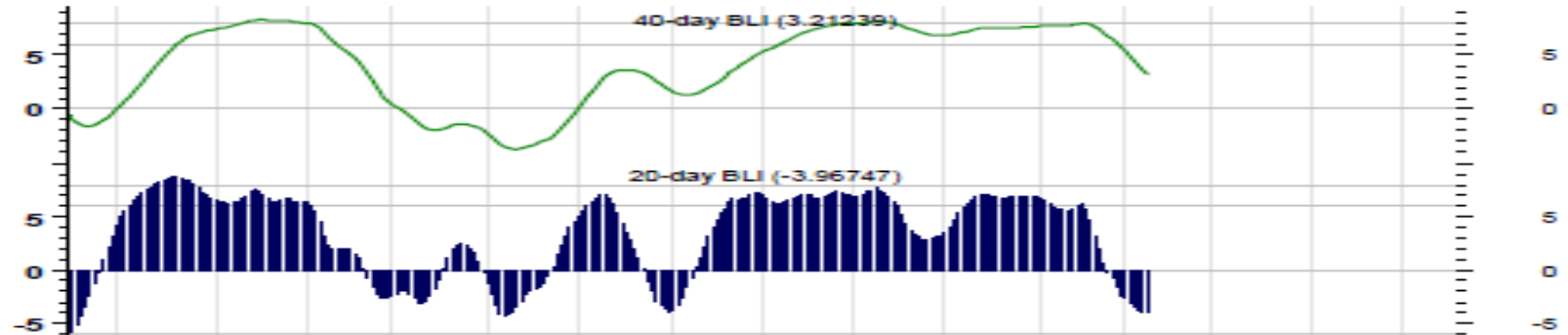
EEM double topped in CZ Area, tested the broken Trend line and validated PQV test in 47.5 to 49.5. The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept.

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%

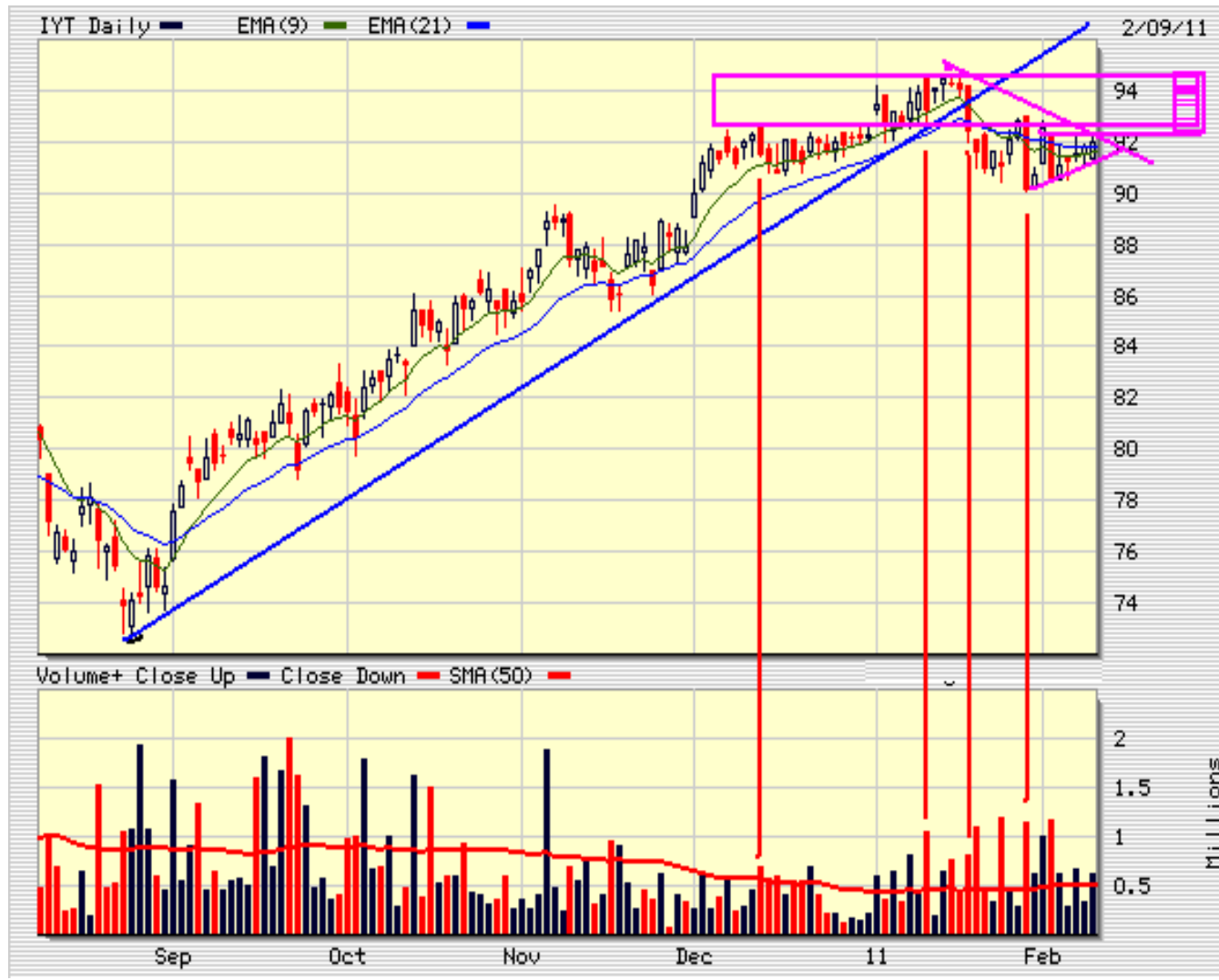


The key reversal at the highs coupled with the 40-dma breakdown suggests lower prices.



IYT - PQV Analysis

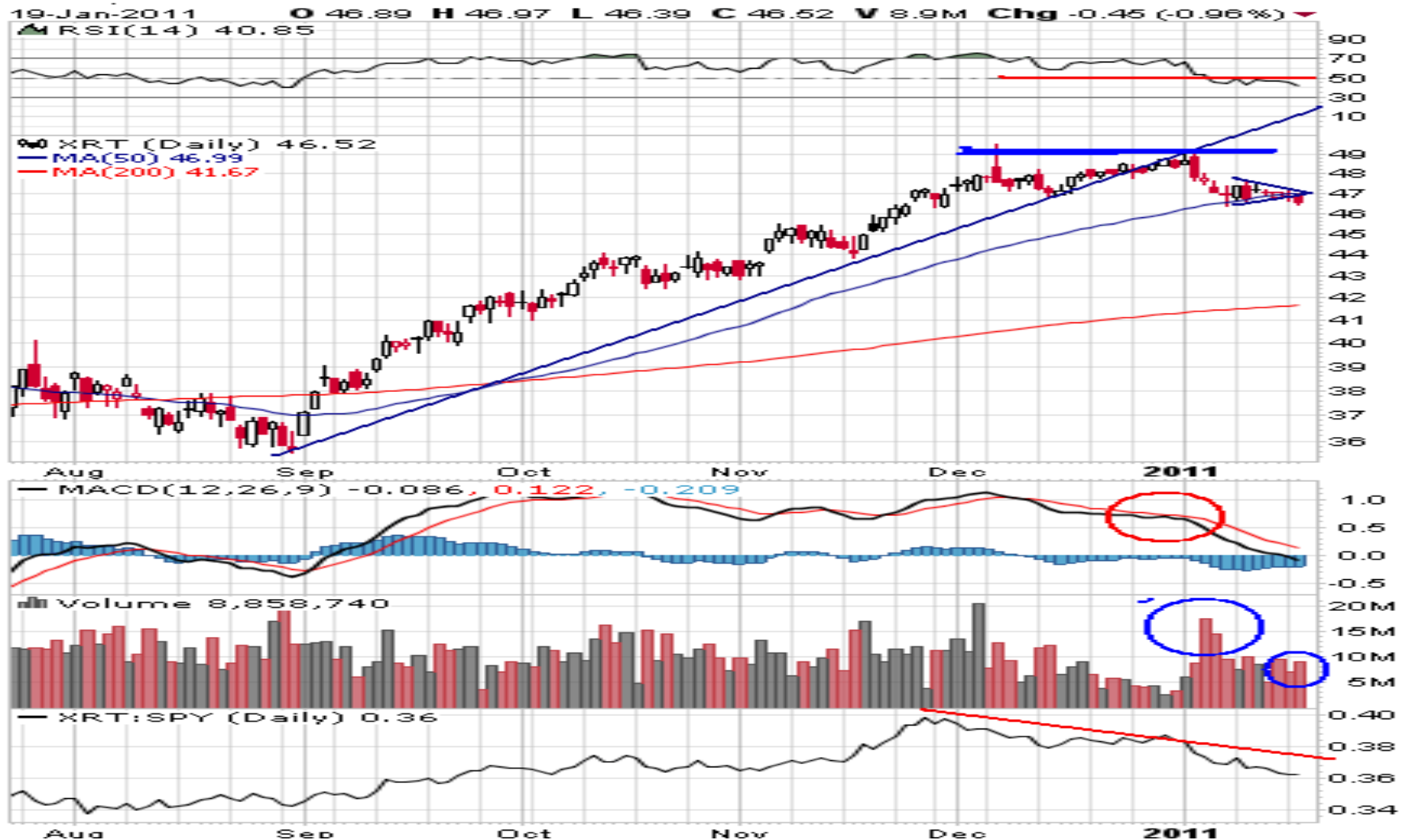
ITY failed on weekly chart at 94 to 96 CZ and on Daily chart we had our first chance at 93. Currently the CZ is at 92.5 to 94.5 and volume should come in at 650 K or close under 92 for ½ position within this week. A bearish consolidation Triangle is under formation.



XRT - (Special Situation) -

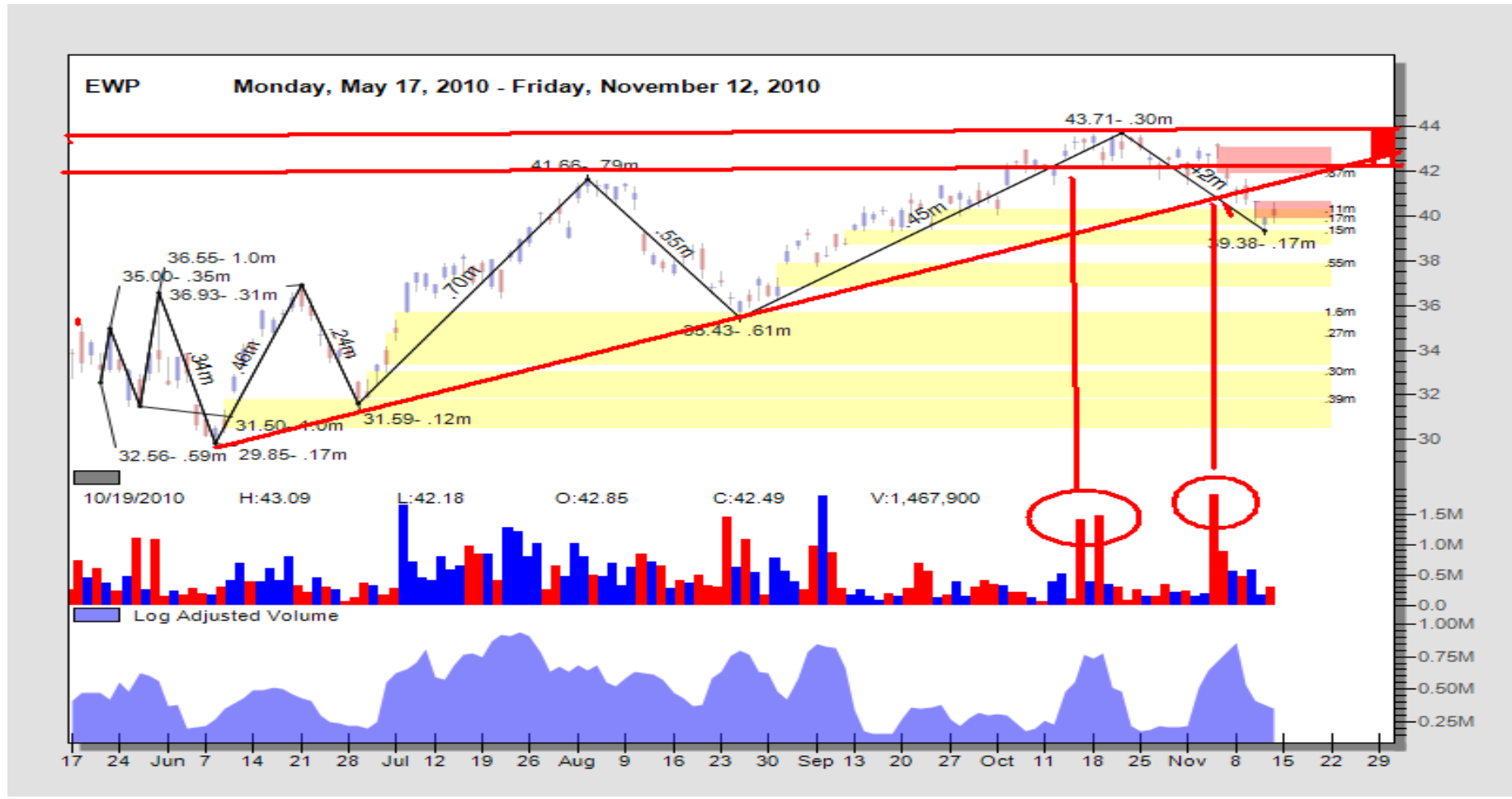
Weak broken down sector, RSI now below 50 on any bounces. Prices broke yesterday on Triangular pattern now 50D should be overhead on bounces. MACD turned down, Volume picked up on downside.

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



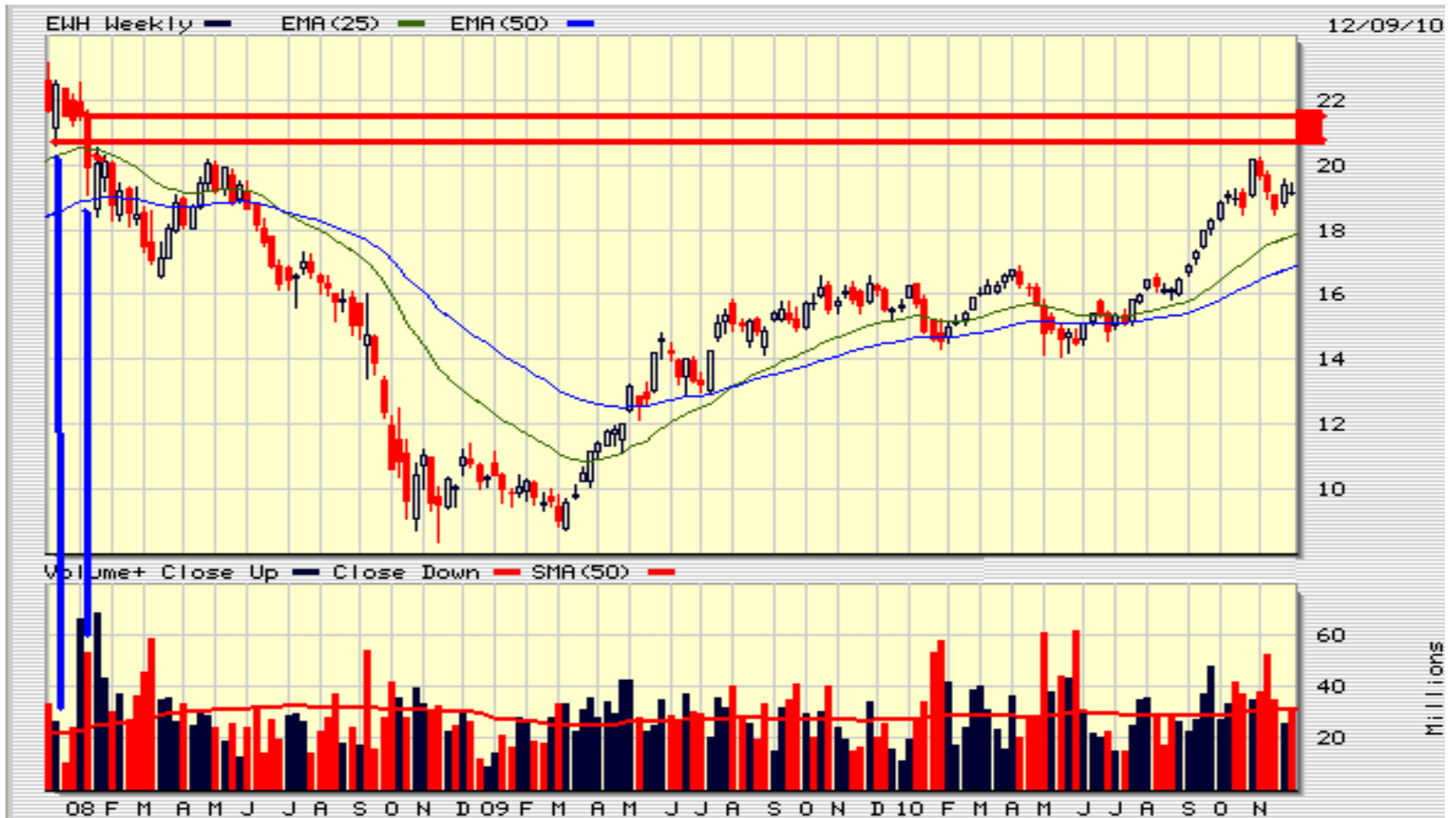
EWP – PRICE & VOLUME ACTION

- **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**



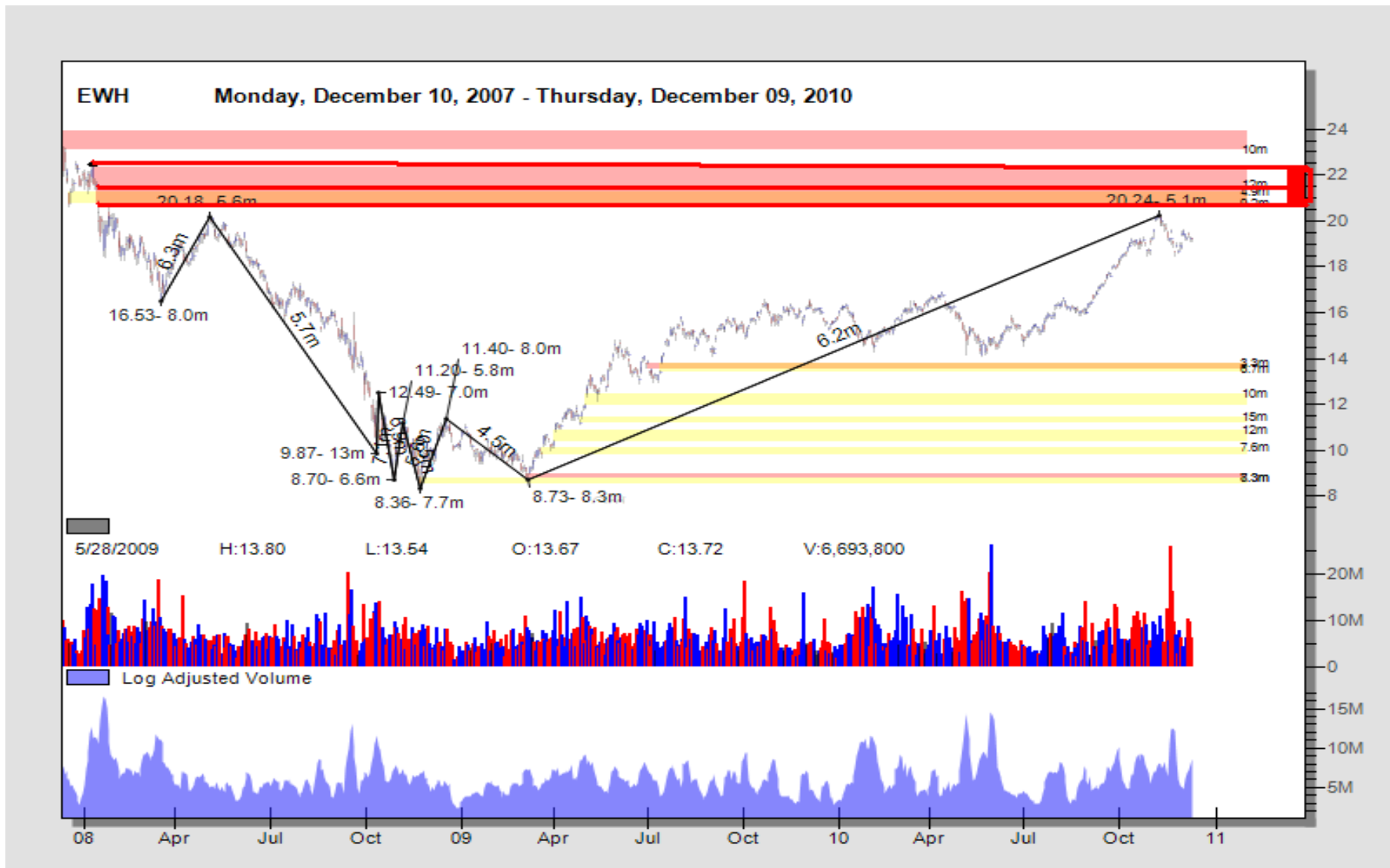
EWH - POM - LT - Price , Volume & Pattern Analysis

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



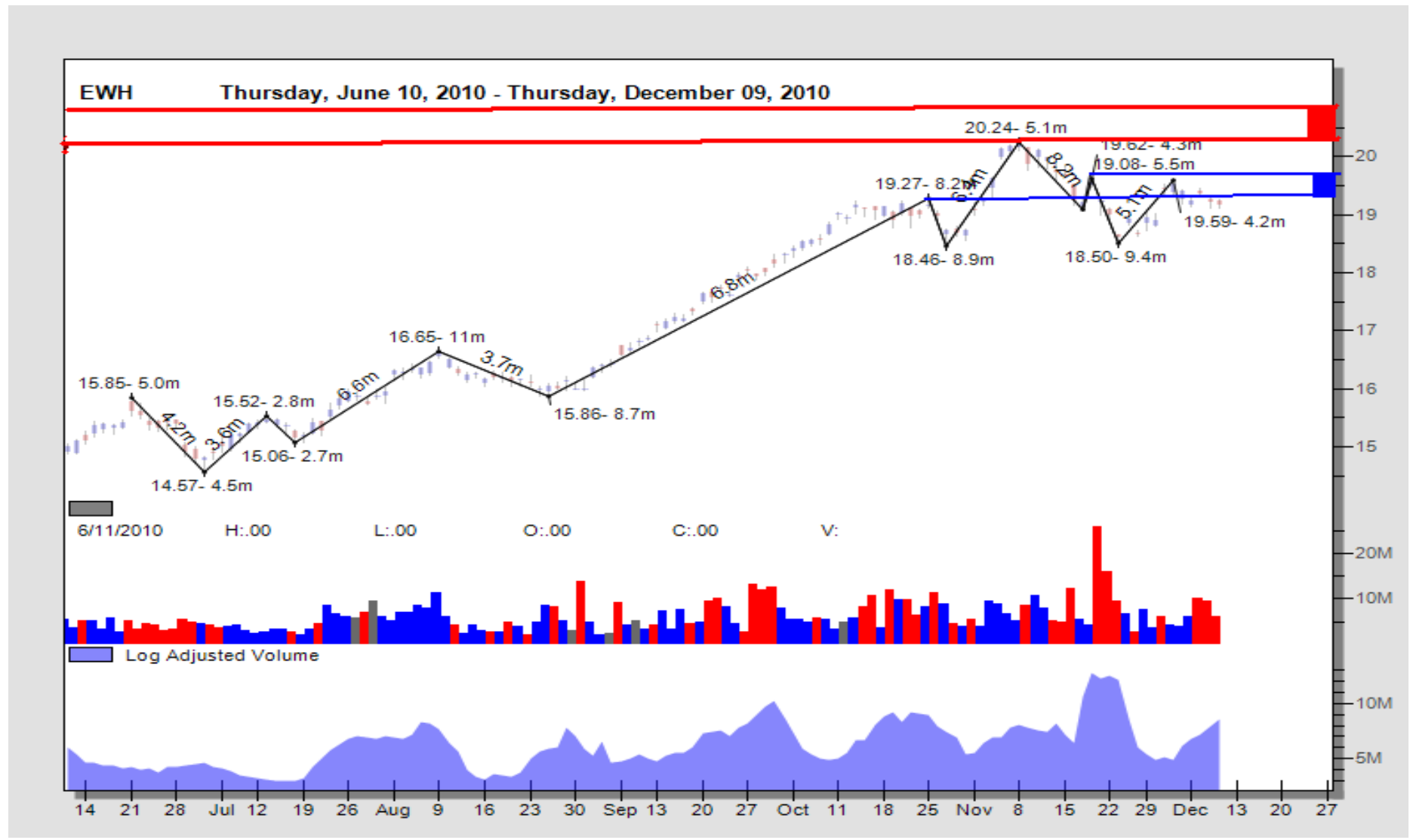
EWH- POM – MT - Price , Volume & Pattern Analysis

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

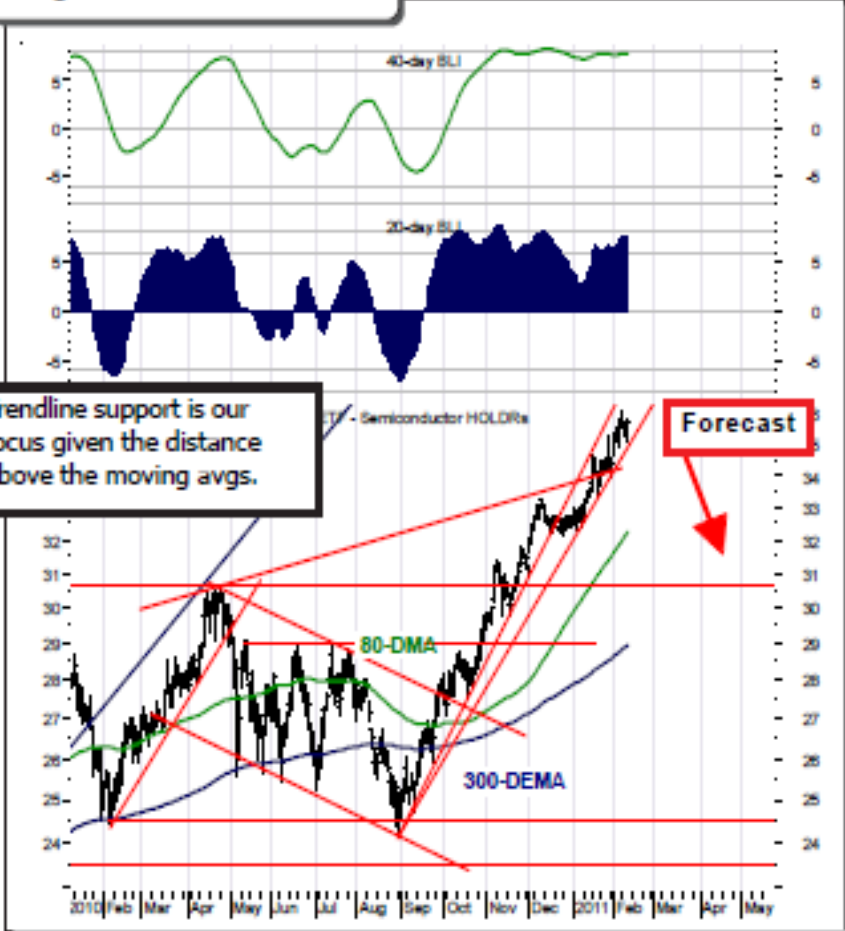
On Daily charts , It is a Bearish Head and Shoulder pattern with volume confirming it as well on the secondary test . RSI Diverging with at Head Level and has diverged at Shoulder level. Volume came out of this ETF on Sell side as circled in Red . This a bearish Set up. If SPX put in a Top here, it might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

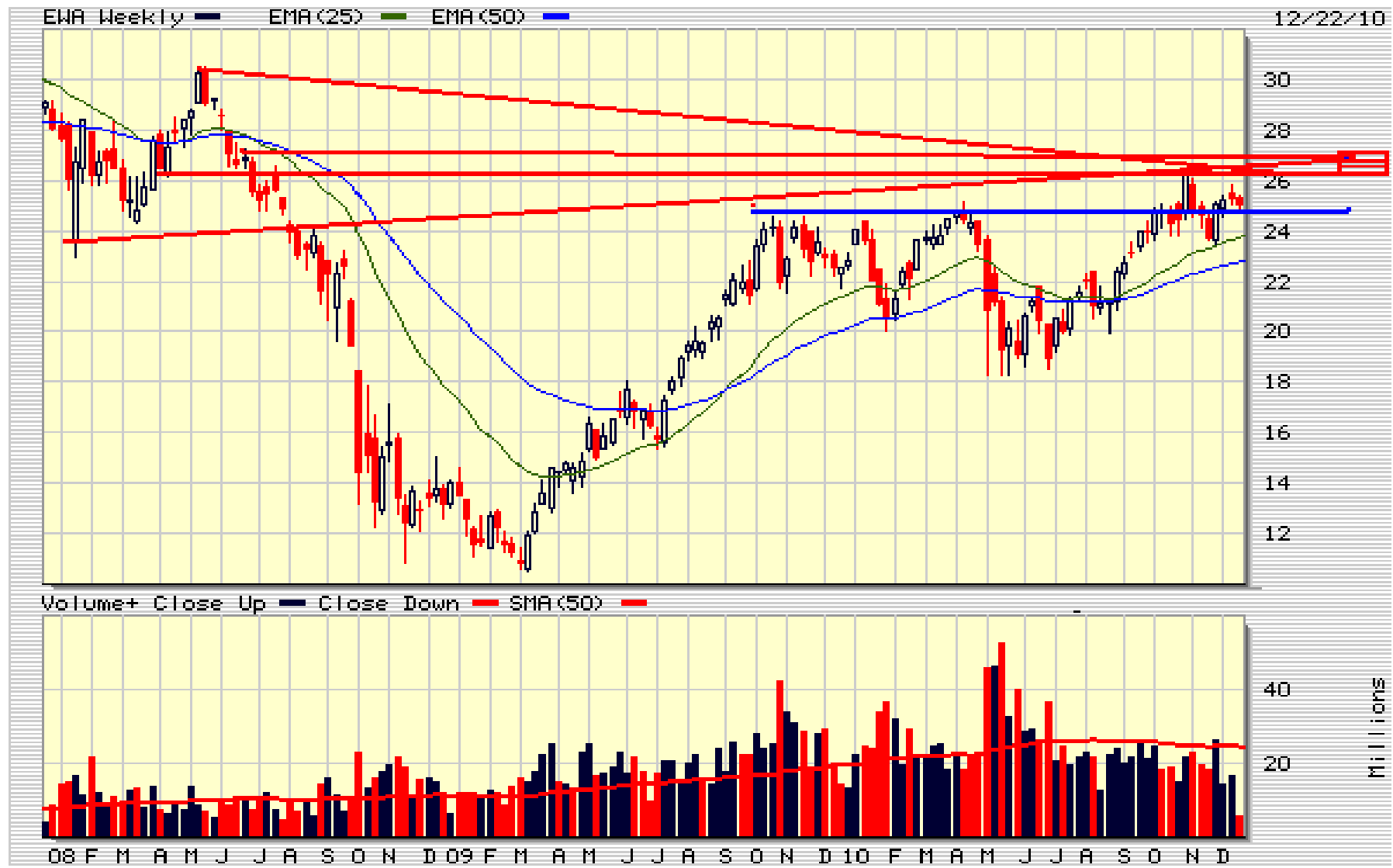


EWA- POM – LT / ST – Key Points

- **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**

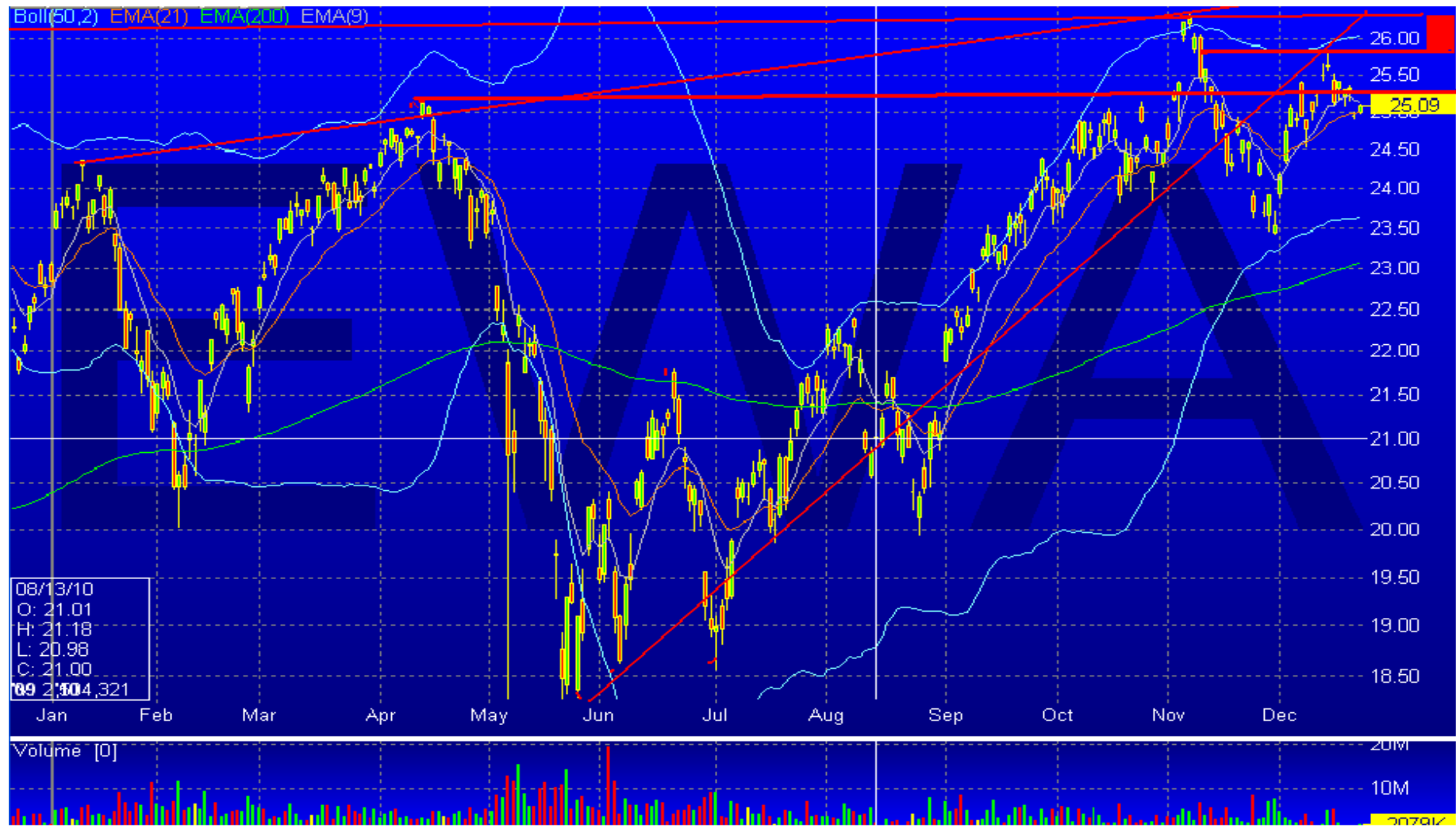
EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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

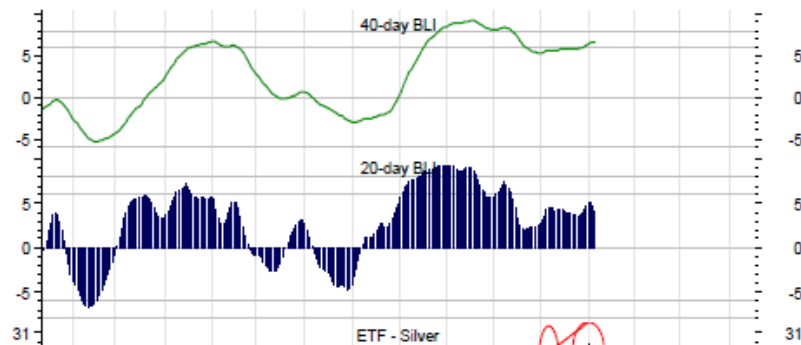
On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



SLV – Technical & Pattern Analysis

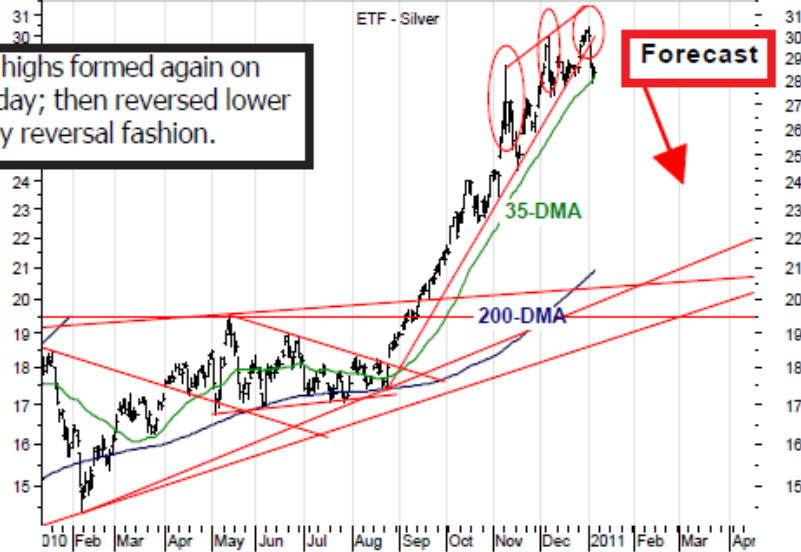
SLV - (CZ –PQV tested in Sector Watchlist Report & Commodity Report - C)

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



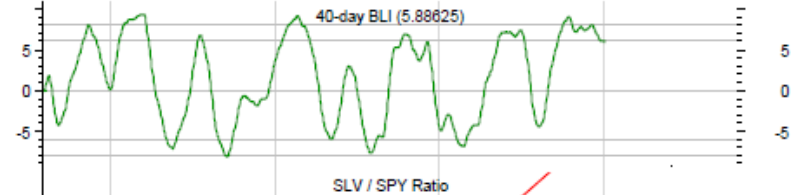
New highs formed again on Monday; then reversed lower in key reversal fashion.

Forecast



RATIO: SLV / SPY

Last: 0.223
 Chg: (0.001) -0.47%



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

Forecast



SLV – PQV

GDJ 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

Long JJC Equity and Short SPX Index, Updated till 16 Feb 2011



JJC– Technical & Pattern Analysis

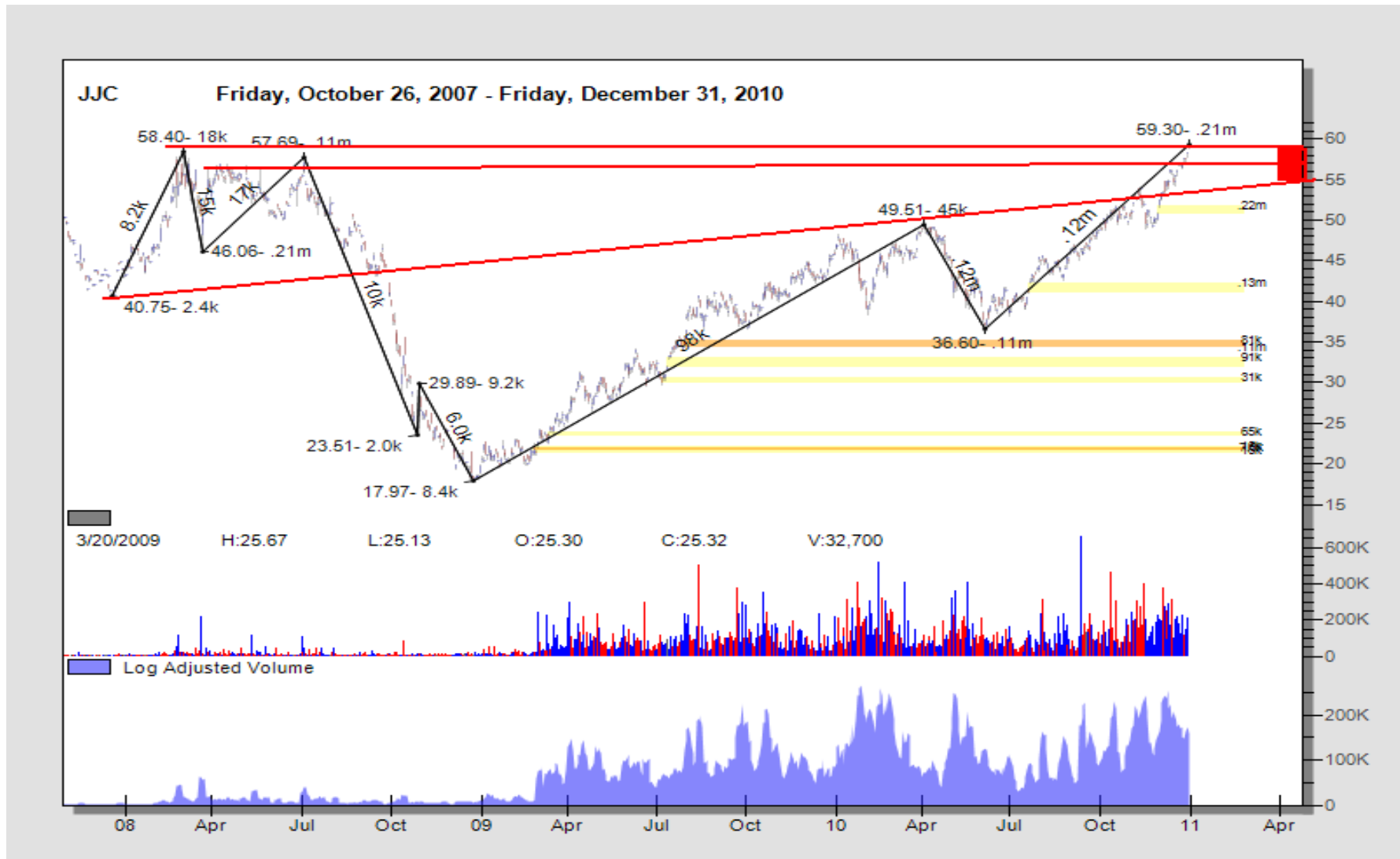
The JJC / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall (**hence overvalued**) by this matrix in Sync with SD Analysis

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



JJC – PQV Analysis

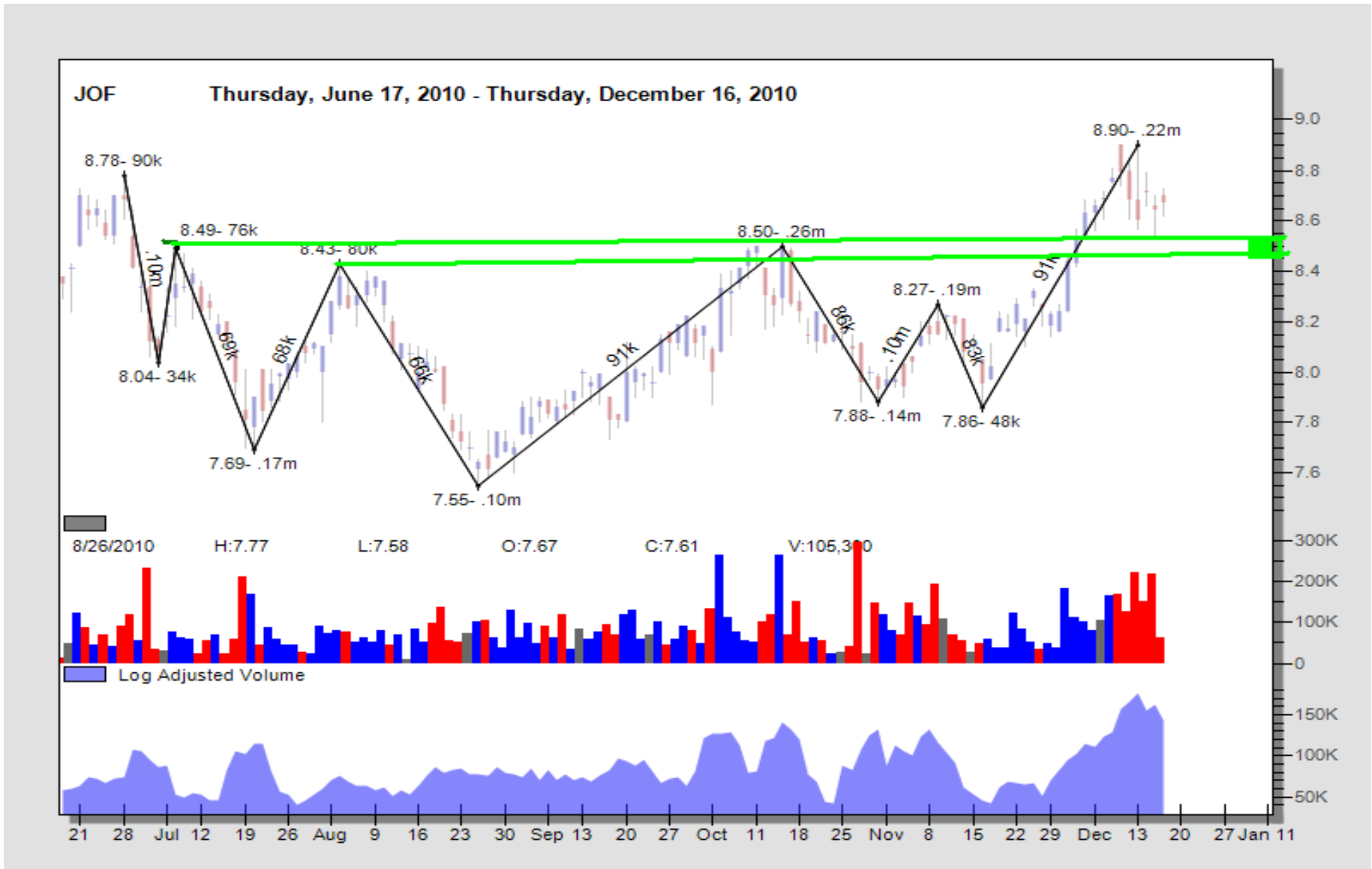
This has entered the CZ on 3x3 on volume expanded at the swing high, For better Risk reward , first a sign of pull back on heavy volume and at least 18 -20 m and then test of 60 with 10 M shares and close under 59 for failure. But no signal yet



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

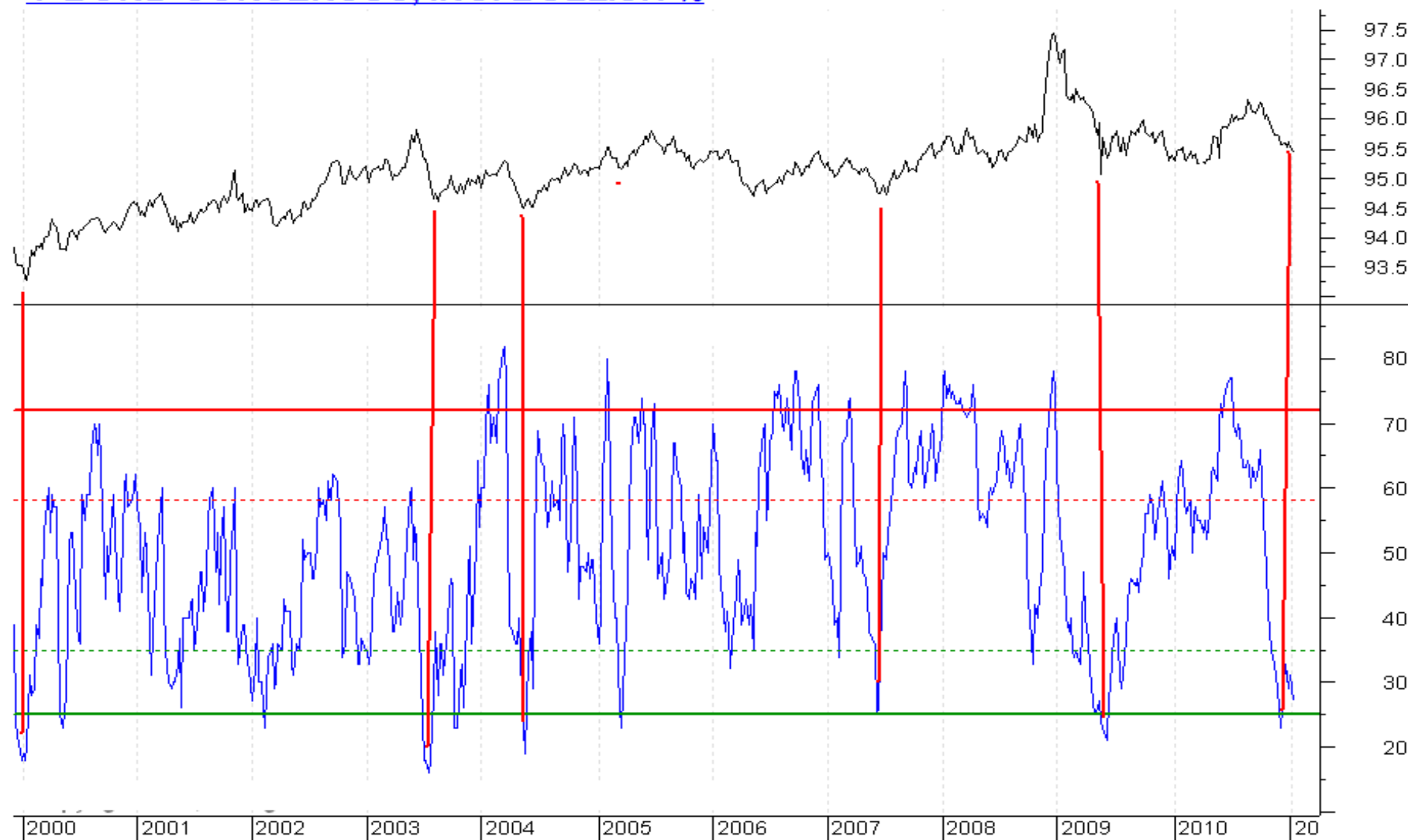
The CZ on bullish side 30.5 to 31 , the smaller head and shoulder within larger head and shoulder could stop the pull back, Volume on test should be 3.0 M to reject the test. Stops always on other side of CZ,



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

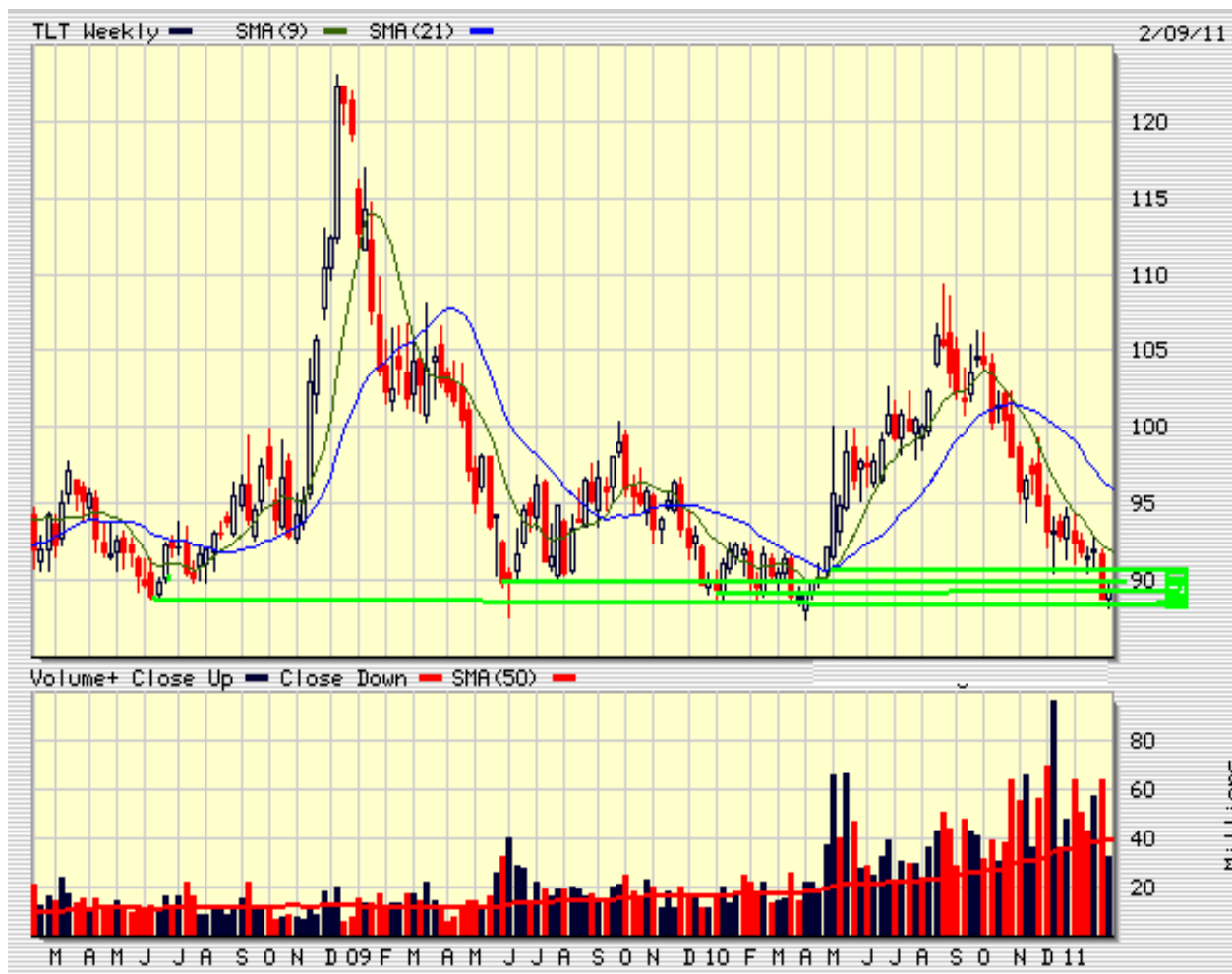
TLT has reached some critical price points. This is a bigger picture



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 2nd 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 STRENGHT , 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 2nd 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 2nd 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)

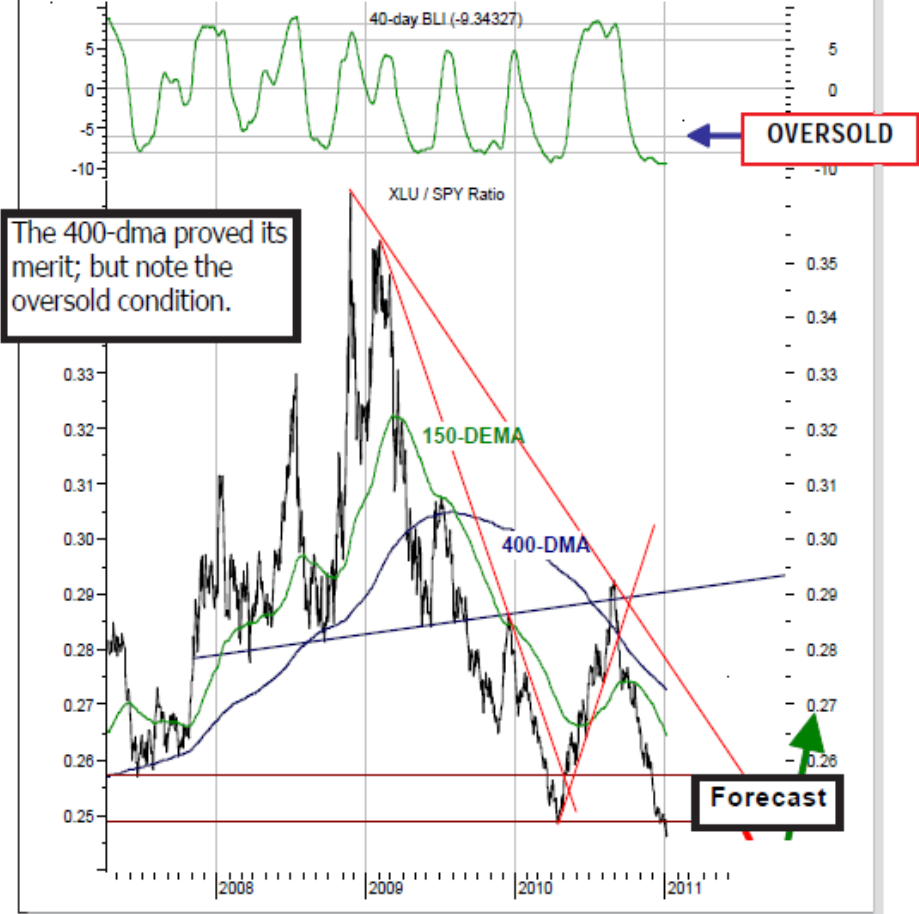


XLU- Technical & Pattern Analysis

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

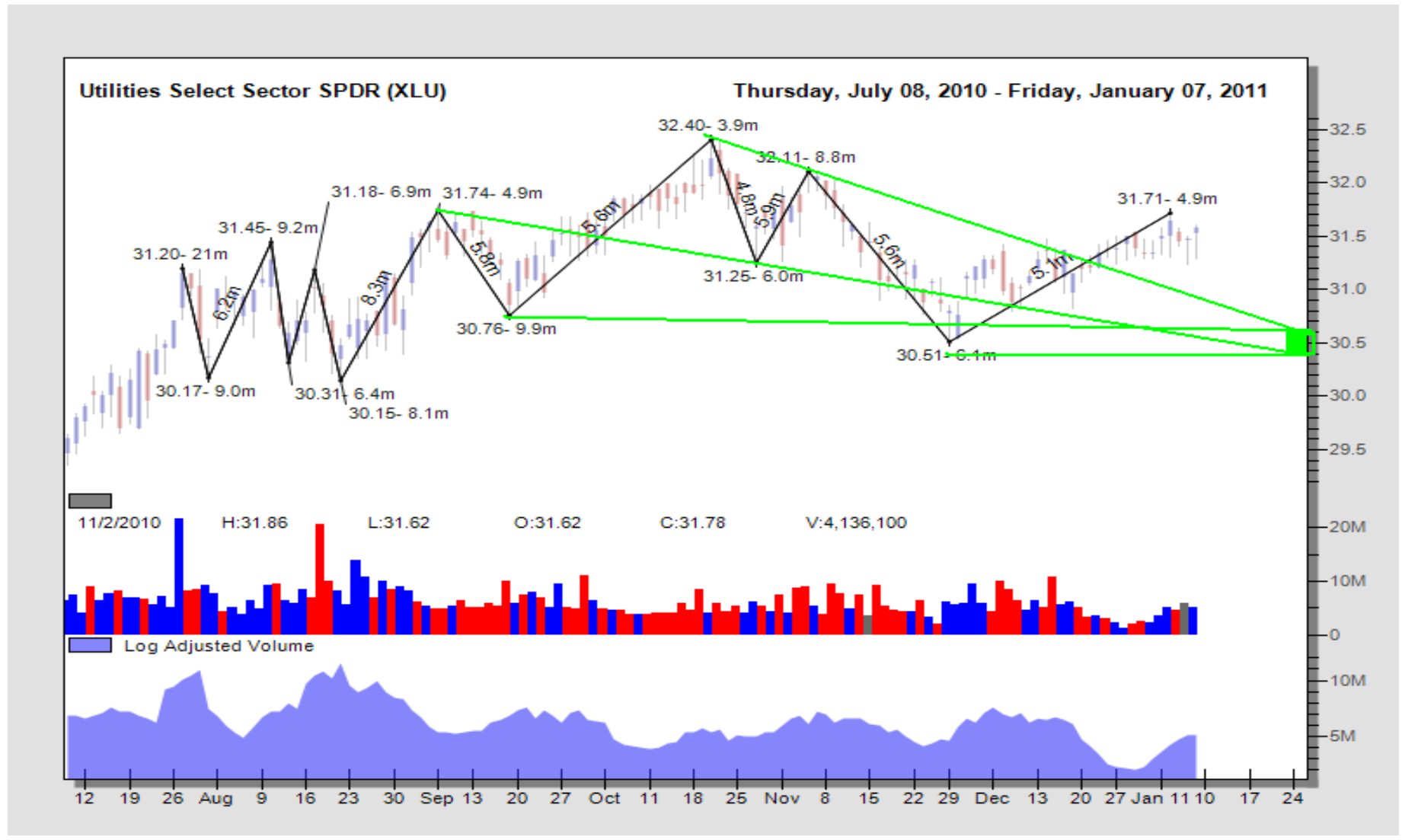


RATIO: XLU / SPY
Last: 0.247
Chg: 0.001 0.29%



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%



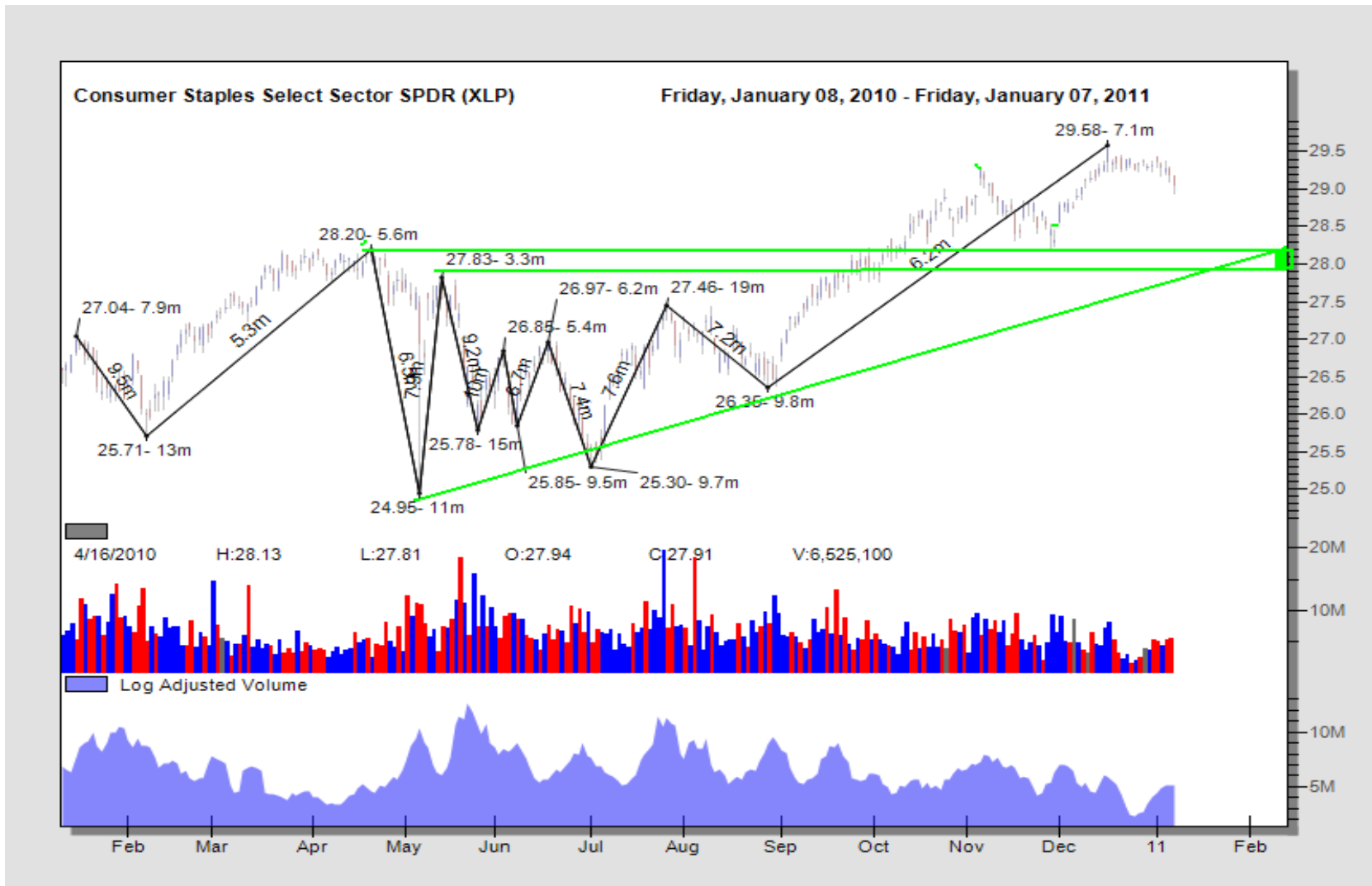
RATIO: XLP / SPY

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**



Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.