



SG Capital Research

Global Market Insights

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

**MAEG – WKLY SECTOR ETF ANALYSIS SG 2011 # FEB 25**

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

*By: Suneil R Pavse*

*Contact: apavse@aol.com*

---

**• Daily SPX - “ Trend Adjusted Signal” – Flat @ 1324**

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

**Next Signal – Buy SPX above 1340 close**

## • Sector Insights

### • Summary of Sector Review Post POM 14 - For Short Sell & Longs

➤ Since SPX 1150 ( post POM 14) SPX market has extended 16% percent . During this time frame. We have 20 Sectors Get Qualified

➤ The **Drawdown Minimization** – for the group from the time they were Qualified was **6.7% to 9.0%**

✓ On Short side - Out of 20 – Sectors 13 - Sectors were CZ / PQV Validated resulted in Gains **of + 4.98%** ( open & Closed position included ) while **SPX moved against 16%**

✓ The balance 6 – Sectors are on Watch List awaiting for PQV validation

✓ On Long side - Out of 7 – Sectors 3 - Sectors were CZ / PQV Validated resulted in Gains **of + 6.45 %** ( open & Closed position include ) while **SPX was up 16%**.

✓ The balance 4 – Sectors are on Watch List awaiting for PQV validation

• For this week, On Short Side - XLE, SLV - among previously SD #2 & / POM 14 Qualified for / CZ –PQV Validation.

• For this week On Long side - (3) more Sectors XLP, XLU, XLV are in Watch list ( SD # 2 & POM 12 /13) - pending CZ PQV Validation.

➤ . TLT – CZ we have done detail converge in our A # 2 MS Report

➤ FXI, IFN, BBH – among previously SD # -2 / POM 13 Qualified but now ready for Bounce .

### Key note –

**We will discontinue the coverage on MUB and EWP from this week onwards. Although they were qualified in our PQV –CZ process, They did not confirm to our RA / RI Fundamental criteria. We will present one last side on each due to Academic Interest as MUB was coming out of CRASH & EWP was going into CRASH**

## 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>✓ 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>➤ <b>XLU ( Utility)</b></li> <li>➤ <b>XLP ( Staples)</b></li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> </ul>	<ul style="list-style-type: none"> <li>➤ SMH ( Sem)</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>✓ <b>SLV (Sil)</b></li> <li>✓ GDX (Miners)</li> <li>• USO (Oil)</li> <li>➤ JJC (Cu)</li> <li>• SLX ( Steel)</li> </ul>

**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, 2<sup>nd</sup> 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, SLV ( by CZ –PQV Validation test)**
- **Undervalued confirmed ( LONG ) – TLT, IFN, FXI, XLP, XLU,XLV, BBH ( by SD # - 2)**

# SD # 1.5 / 2.0 - Tracker for Sectors

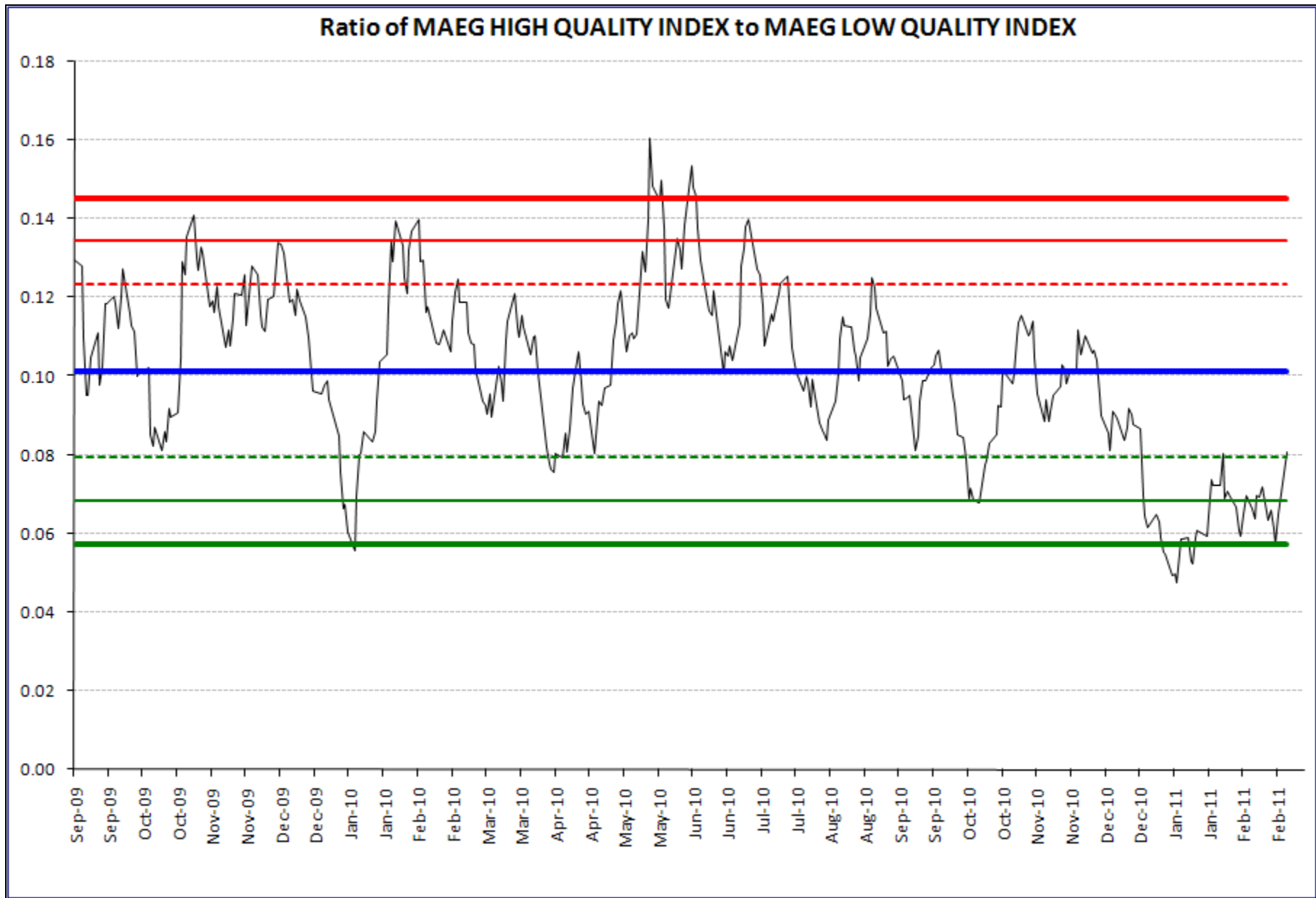
**3X3/9EMA** – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD	Target Exit & Reversion to mean	Last Price	3X3 / 9EMA	Net Exposure	Comments
<b>Gr 1</b>							
SPY		0.22	0.09	130.93	\$ 132.32		
QQQQ		1.02	0.04	56.86	\$ 57.56		
IWM		1.08	0.06	80.32	\$ 81.47		
TLT	Below -1.5SD	-1.87	0.09	91.74	\$ 90.05		
EWJ		-0.75	0.01	11.27	\$ 11.37		
FXI	Below -2SD	-2.49	0.04	41.16	\$ 41.63		
IFN	Below -2SD	-2.51	0.03	29.24	\$ 29.81		
EEM	Below -1.5SD	-1.90	0.04	44.98	\$ 45.20		
<b>Gr 2</b>							
XLV	Below -2SD	-2.10	0.03	32.11	\$ 32.34	67%	
RTH		0.93	0.03	105.63	\$ 107.15		
XLF		-0.97	0.01	16.54	\$ 16.80	43%	
XLU	Below -2SD	-2.04	0.03	31.58	\$ 31.73		
XLE	Above +2SD	3.54	0.05	76.72	\$ 76.33	100%	
XLB		0.58	0.03	38.47	\$ 39.33	-100%	
XLP	Below -2SD	-2.18	0.02	29.40	\$ 29.53	60%	
XLI		1.08	0.03	36.50	\$ 37.11	100%	
<b>Gr 3</b>							
JJC		1.19	0.04	57.80	\$ 58.64		
SLV	Above +2SD	2.41	0.02	31.20	\$ 31.40		
SMH	Above +1.5SD	1.88	0.02	35.26	\$ 35.65		
MUB sp	Below -2SD	-2.11	0.09	100.51	\$ 99.82		special situation
USD		-0.77	0.03	38.97	\$ 37.34		
BBH	Below -2SD	-2.14	0.09	99.72	\$ 100.51		
DBA	Above +1.5SD	1.69	0.02	34.01	\$ 34.39		
DBC	Above +1.5SD	1.72	0.02	29.03	\$ 28.73		New
<b>Primary Index Net Exposure</b>						<b>35%</b>	
<b>POM 14 Re Run 3</b>							

- 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
XLK	Ratio reverted to mean

## 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	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	80.32	73.73	-8.94% ↓	81.47	84.00	@SD2		
RTH	25-Nov-10	105.63	103.47	-2.09% ↓	107.15		@SD2		
<b>XLK</b>	25-Nov-10	26.12	24.49	-6.66% ↓	26.50		@SD2	Exit	
SMH	25-Nov-10	35.26	31.68	-11.28% ↓	35.65	37.80	@SD2		
JJC	10-Dec-10	57.80	54.08	-6.88% ↓	58.64	63.00	@SD2		
SLV	10-Nov-10	31.20	27.00	-15.54% ↓	31.40	28.35	@SD2		
XLE	31-Dec-10	76.72	68.15	-12.58% ↓	76.33		@SD2		
QQQQ	23-Dec-10	56.86	54.74	-3.86% ↓	57.56		@SD2		
XLB	31-Dec-10	38.47	38.44	-0.08% ↓	39.33	43.05	@SD2		
<b>CLOSED SHORT POSITIONS</b>				<b>38.00%</b>					
							<b>SD's</b>		<b>-3.31%</b>
<b>CZ Triggers</b>									
IWM	21-Jan-11	80.32	79.00	-1.67% ↓	81.47	84.00	@CZ1		
<b>EWP</b>		41.33	42.75	3.32% ↓	41.31	46.20	@CZ	Exit	
SMH	21-Jan-11	35.26	35.00	-0.73% ↓	35.65	37.80	@CZ1		
JJC	19-Jan-11	57.80	59.50	2.86% ↓	58.64	63.00	@CZ1		
EWI		18.15	19.50	6.92% ↓	18.39	20.74	@CZ		
XLB	21-Jan-11	38.47	39.50	2.61% ↓	39.33	43.05	@CZ1		
EWA	21-Jan-11	25.53	25.44	-0.35% ↓	25.67	27.30	@CZ1		
IYT		90.81	93.50	2.88% ↓	92.71	99.23	@CZ1		
<b>CLOSED SHORT POSITIONS</b>				<b>24.00%</b>					
							<b>CZ'S</b>		<b>4.98%</b>
			<b>EQ.WT SHORT P/L</b>	<b>0.83%</b>					



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

<b>LONGS</b>									
<b>SECTORS</b>									
<b>SD2 Triggers</b>									
XLV	10-Dec-10	32.11		30.99	3.61%	↓	32.34		@SD2
XLU	23-Dec-10	31.58		31.36	0.69%	↓	31.73		@SD2
XLF	25-Nov-10	16.54		14.63	13.06%	↓	16.80		@SD2
TLT	12-Nov-10	91.74		96.38	-4.81%	↑	90.05	84.55	@SD2
MUB	19-Nov-10	100.51		100.98	-0.47%	↓	99.82		@SD2
BBH	2-Nov-11	99.72		100.95	-1.22%	↓	100.51		@SD2
EWJ	15-Oct-10	11.27		10.22	10.27%	↓	11.37		@SD2
USO	15-Oct-10	38.97		35.47	9.87%	↓	37.34		@SD2
FXI	23-Dec-10	41.16		42.60	-3.38%	↓	41.63		@SD2
XLP	7-Jan-11	29.40		29.18	0.75%	↓	29.53		@SD2
IFN	27-Jan-11	29.24		30.5	-4.13%	↓	29.81		@SD2
									<b>SD's</b>
									<b>2.20%</b>
<b>CZ Triggers</b>									
JOF		9.41		8.47	11.04%	↓	9.51	7.98	@CZ
TLT	21-Jan-11	91.74		89.50	2.50%	↑	90.05	84.55	@CZ1
GLD	27-Jan-11	136.48		129.00	5.80%	↑	135.49	144.90	@CZ1(PDM13)
									<b>CZ'S</b>
									<b>6.45%</b>
<b>CLOSED LONG POSITIONS</b>					10.61%				
<b>EQWT LONG PIL</b>				<b>3.87%</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%	
SLV					4.60%	
GDX					4.90%	
IFN					14.94%	
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%	@CZ1
EEM		21-Jan-11	48	46.97	2.15%	@CZ2
GLD		21-Jan-11	136.5	131.2	3.88%	@CZ
SLV		27-Jan-11	28.5	26.00	8.77%	@CZ1
GDX	15-Oct-10	14-Jan-11	57.41	54.88	4.41%	@SD2
EEM	12-Nov-10	21-Jan-11	47.56	46.97	1.24%	@SD2
GLD	15-Oct-10	21-Jan-11	133.68	131.2	1.86%	@SD2
				<b>TOTAL</b>	<b>61.77%</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
				<b>TOTAL</b>	<b>10.61%</b>	

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

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

• **EQUITY SETUP INDEX : +35%,+27%, +11%, +21% ( 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)**

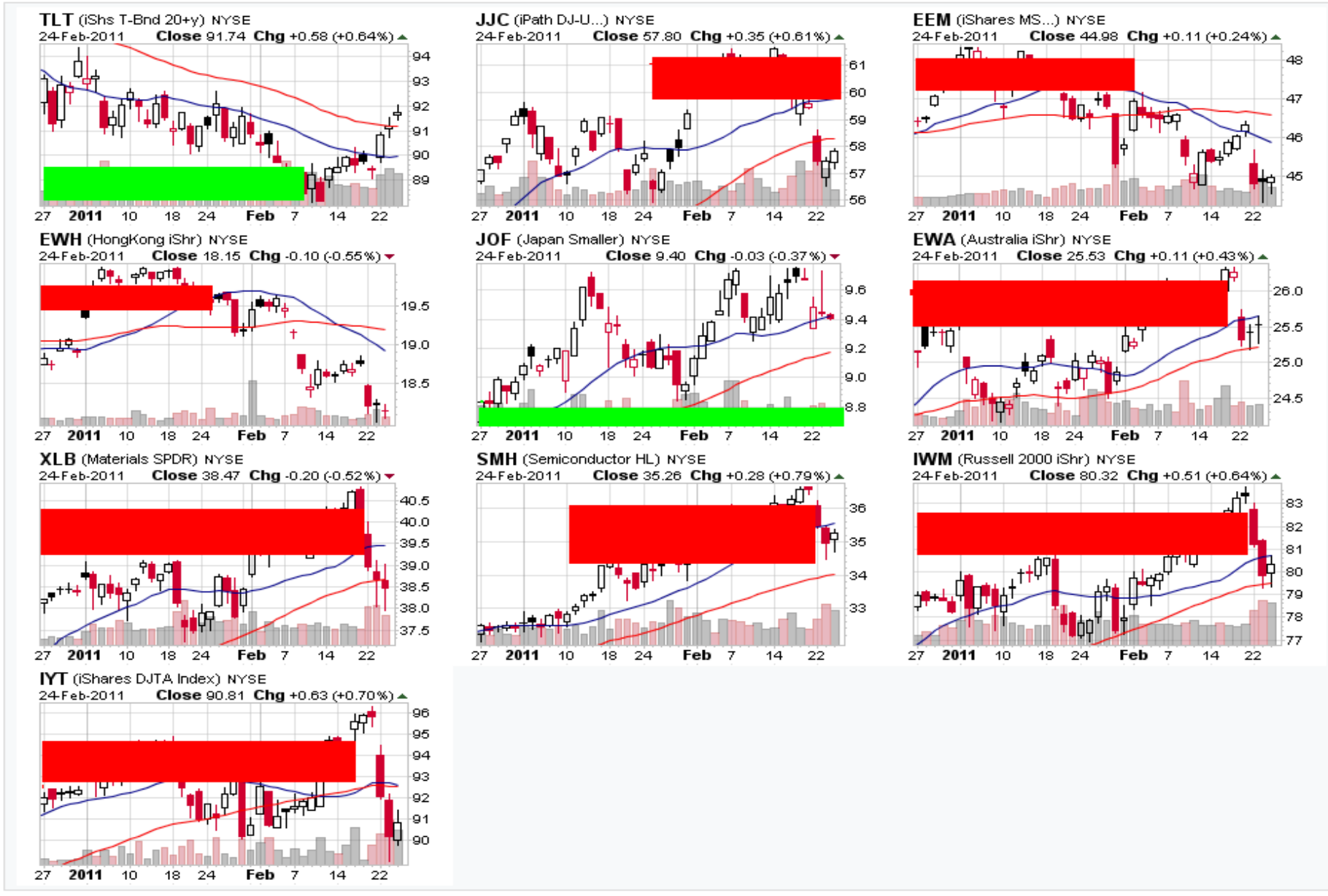
<b>SETUP # 1 (34 of 39)</b>	<b>% away from Gold .Cross</b>	<b>SETUP # 2 ( 3 of 39)</b>	<b>% away from Dead. Cross</b>	<b>SETUP # 3 ( 0 of 39)</b>	<b>% away from 40wk</b>	<b>SETUP # 4 ( 1 of 39)</b>	<b>% away from 40wk</b>
SPY	18.17%	TLT	-6.02%			SLV	43.66%
QQQQ	22.42%	MUB	-4.29%				
IWM	21.53%	IFN	-3.91%				
EEM	11.18%						
EWJ	14.26%						
FXI	1.90%						
RSX	21.99%						
EWP	8.05%						
EWH	19.91%						
JOF	11.58%						
EWA	17.41%						
XLF	12.87%						
XRT	24.35%						
XLV	5.65%						
XLB	20.35%						
XLE	39.74%						
XLK	17.20%						
XLI	22.31%						
XLU	5.56%						
XLP	9.33%						
XLY	21.97%						
XHB	10.41%						
SMH	29.84%						
BBH	3.03%						
IYT	17.12%						
IYR	79.54%						
DBA	36.85%						
DBB	19.47%						
DBC	27.29%						
GLD	64.00%						
GDX	31.59%						
USO	11.08%						
JJC	30.69%						
SLX	18.16%						

# 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	Actual Volume MM on	Volume Pickup	% Away from Test price UL	40wk MA	% Away fom 40 MA	Stoploss @	3X3 / 9EMA	SETUP Qualify Price	Drawdown minimisation	SD #	
<b>TRIGGERED</b>																	
EEM (under \$47)	Short	44.98	47.5	47	48	50	45.0	45.0	-6%	43.61	3.14%	50.40	45.20	46.2	-2.8%	(	
EWB (under \$19.25)	Short	18.15	19.5	19.25	19.75	4.5	4.0	4.0	-8%	17.62	3.00%	20.74	18.39	19.1	-2.1%	(	
JOF (above \$8.55)	Long	9.405	8.475	8.4	8.55	0.06	0.06	0.1	10%	8.44	11.42%	7.98	9.51	8.5	-0.3%	(	
EEM (under \$48)	Short	44.98	49	48	50	40	40	40.0	-10%	43.61	3.14%	52.50	45.20	46.2	-6.1%	(	
SMH (under \$34)	Short	35.255	35	34	36	8	4.5		-2%	29.61	19.08%	37.80	35.65	32.0	-9.4%	(	
EWA (under \$25.5)	Short	25.53	25.5	25	26	3.5	1.9		-2%	23.18	10.13%	27.30	25.67	25.0	-2.0%	(	
XLB (under \$39)	Short	38.47	39.5	38	41	6	6.0	11.0	-6%	34.20	12.49%	43.05	39.33	38.4	-2.9%	(	
IWM (under \$79.5) (half)	Short	80.318	79.75	79.5	80	35	29.0		0%	70.08	14.61%	84.00	81.47	73.0	-9.2%	(	
JJC (under \$59) (half)	Short	57.8	59.5	59	60	0.14	0.1	0.3	-4%	49.12	17.67%	63.00	58.64	54.0	-10.2%	(	
TLT (half)	Long	91.74	89.5	89	90	40	42.0		2%	98.01	-6.40%	84.55	90.05	95.0	-5.8%	(	
IYT	Short	90.81	93.5	92.5	94.5	0.65	0.65		-4%	83.99	8.12%	99.23	92.71	92.0	-1.6%	(	
<b>WATCHLIST</b>																	
TLT (half)	Long	91.74	89.5	89	90	40	weekly		2%	98.01	-6.40%	84.55	90.05	95.0	-5.8%	(	
MUB (above \$98.5)	Long	100.51	97.5	97	98	0.30	0.47	0.5	3%	103.25	-2.66%	92.15	99.82	100.0	-2.5%	(	
EWB (under \$21.5)	Short	18.15	21.5	21	22	5			-18%	17.62	3.00%	23.10	18.39	19.1	-12.6%	(	
IWM (under \$78) (half)	Short	80.318	79.5	78.5	80.5	175	weekly		0%	70.08	14.61%	84.53	60.76	73.0	-8.9%	(	
QQQQ (under \$56, touch of \$57)	Short	56.855	57.25	56.5	58	200	weekly		-2%	50.18	13.30%	60.90	57.56	53.0	-8.0%	(	
QQQQ (under \$57, touch of \$59)	Short	56.855	57	57	57	40			0%	50.18	13.30%	59.85	57.56	53.0	-7.5%	(	
EWA (under \$25.75)	Short	25.53	26.5	26	27	16	weekly		-5%	23.18	10.13%	28.35	25.67	25.0	-6.0%	(	
XLV	Long	32.11	30.75	30.5	31	3			4%	30.38	5.70%	28.86	32.34	31.5	-2.4%	(	
XLE (under \$75, touch of \$77)	Short	76.72	76.5	75	78	60	weekly		-2%	60.03	27.79%	81.90	76.33	68.5	-11.7%	(	
JJC (under \$59) (half)	Short	57.8	59.75	59.5	60	0.14			-4%	49.12	17.67%	63.00	58.64	54.0	-10.6%	(	
XLU	Long	31.5775	30.5	30.25	30.75	4.5			3%	30.91	2.17%	28.74	31.73	31.5	-3.2%	(	
XLP	Long	29.4	28.05	27.8	28.3	3.8			4%	27.96	5.14%	26.41	29.53	29.3	-4.1%	(	
															<b>PQV Drawdown Minimisation factor</b>		<b>-6.2%</b>
PQV Test validated within 5 to 7% of asking																	
Criteria has temporarily exceeded																	

# Our Current – (10) – PQV – Validated Sectors at CZ & their reaction



# ETF's – MUB – Final Coverage

*WKLY LT - Example of Sector that was Crashing but was at CZ 96-97 (patiently tested) in GREEN . Now coming our of CRASH Scenario from CZ*



# MUB - DAILY

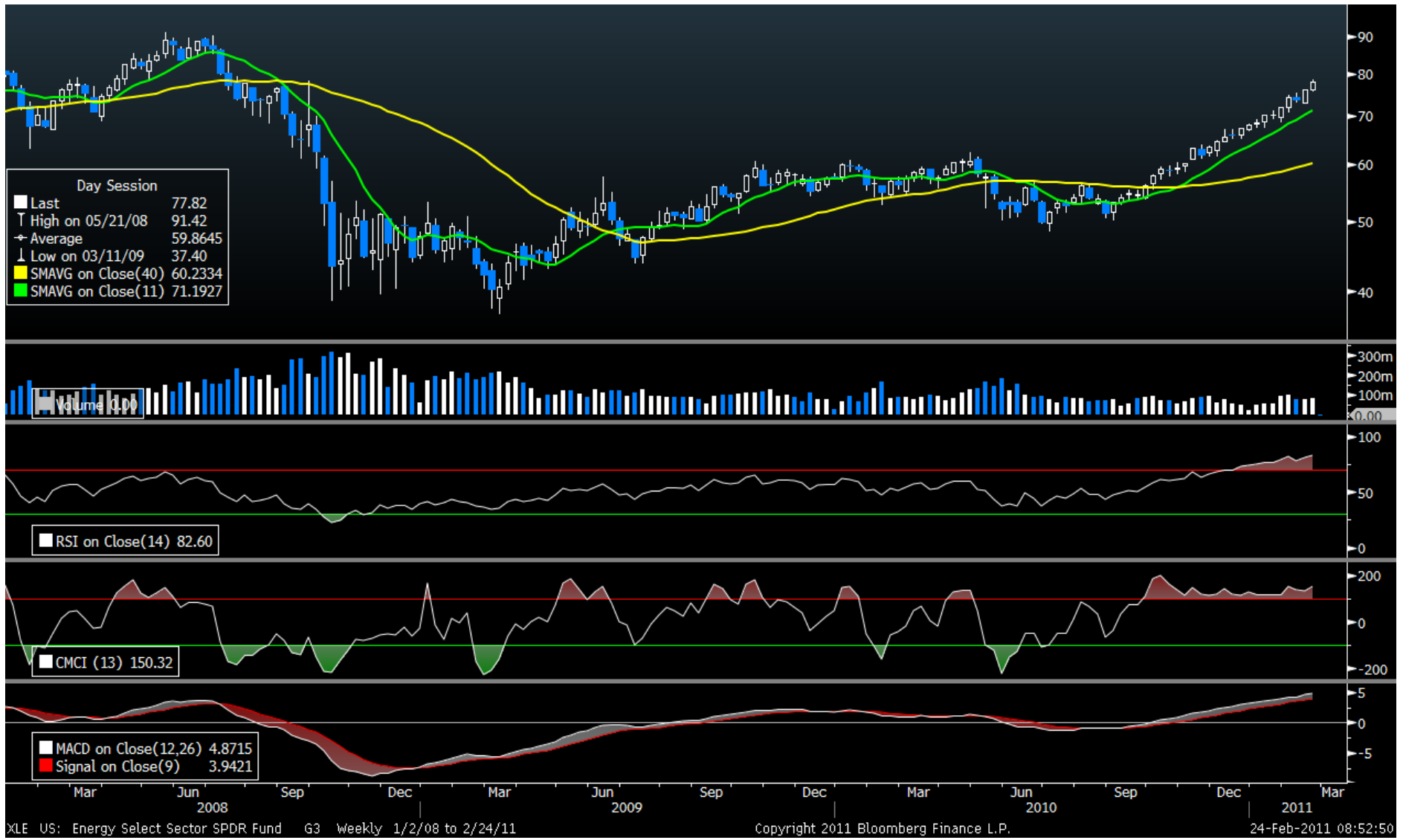


## ETF's Qualified this week for SD # 2

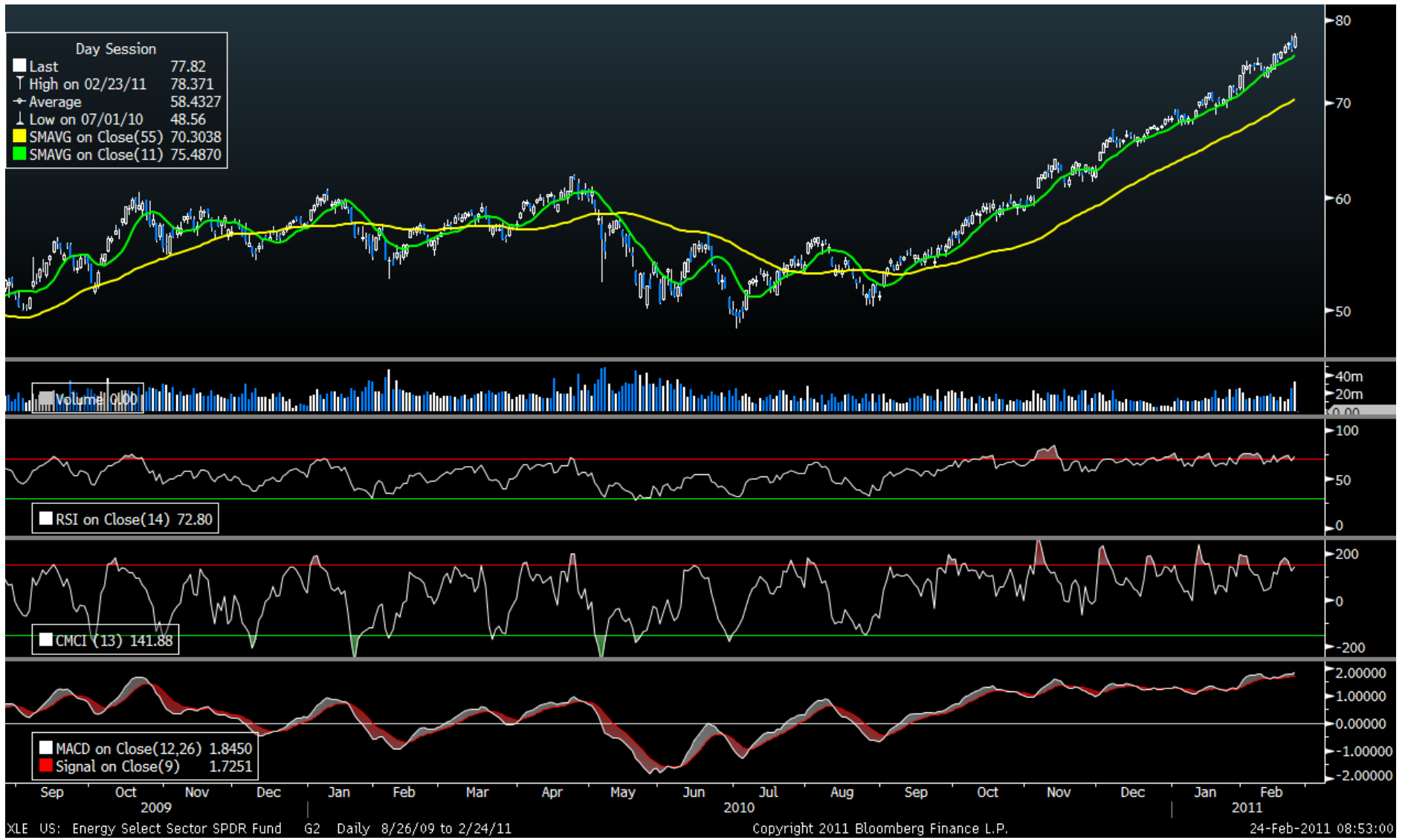
- *XLE*
- *SLV*



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

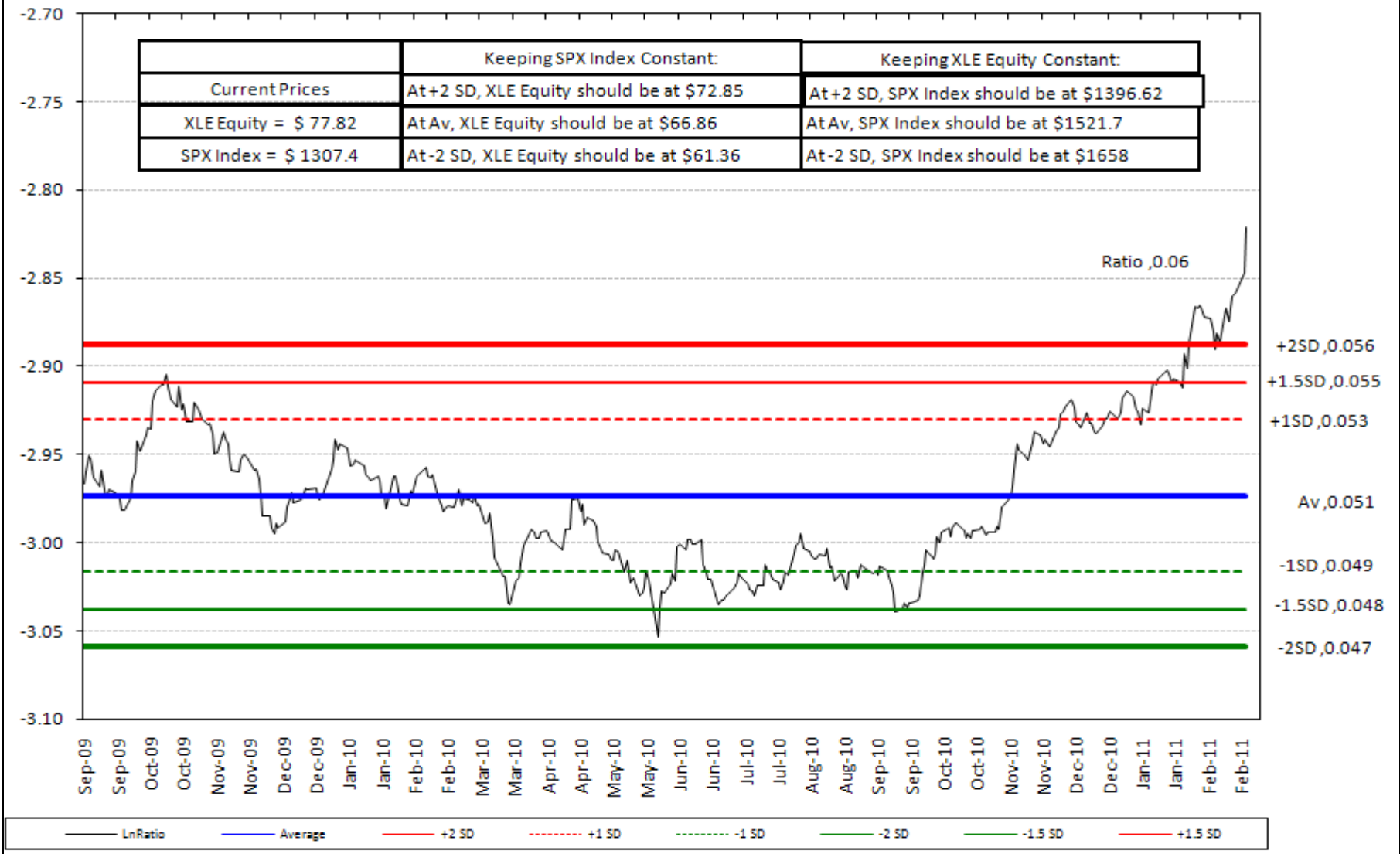


# XLE - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

**Long XLE Equity and Short SPX Index, Updated till 23 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



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

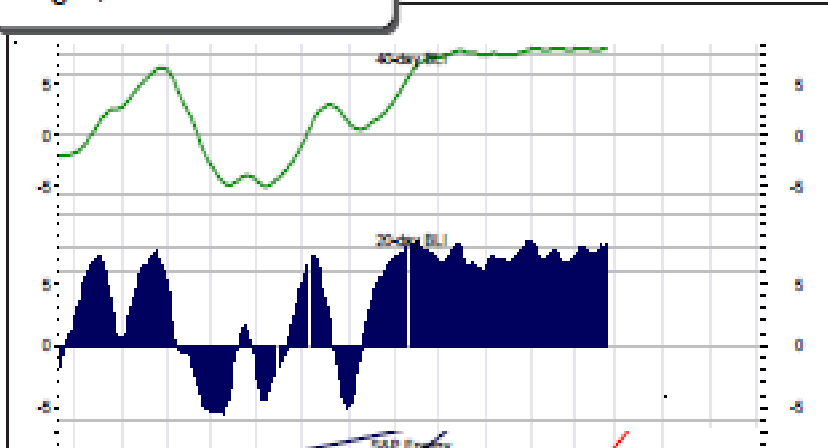
### Long XLE Equity and Short SPX Index, Updated till 23 Feb 2011, FULL PERIOD ANALYSIS



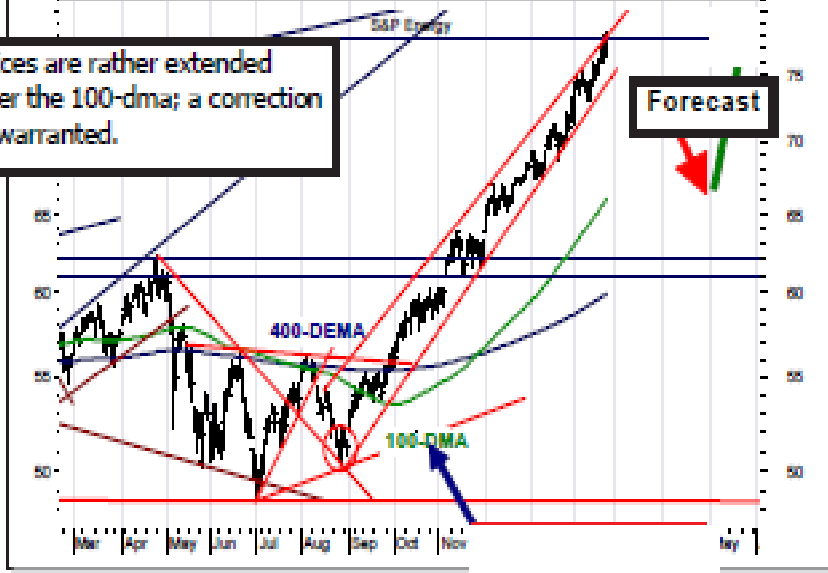
# XLE- Technical & Pattern Analysis

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

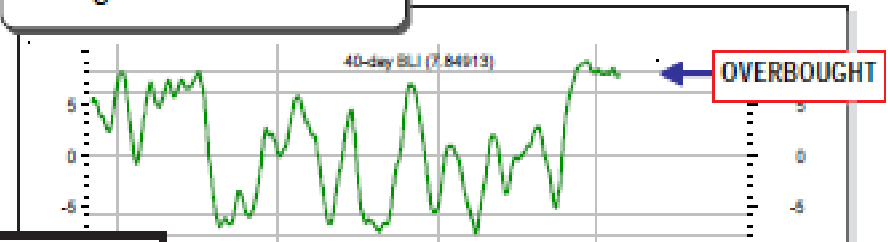
S&P Energy	XLE
Last: \$ 77.82	
Chg: \$ 1.55	1.99%



Prices are rather extended over the 100-dma; a correction is warranted.



RATIO: XLE / SPY
Last: 0.594
Chg: 0.015 2.59%



The distance above the 80-dma is getting rather extended.



**- 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*

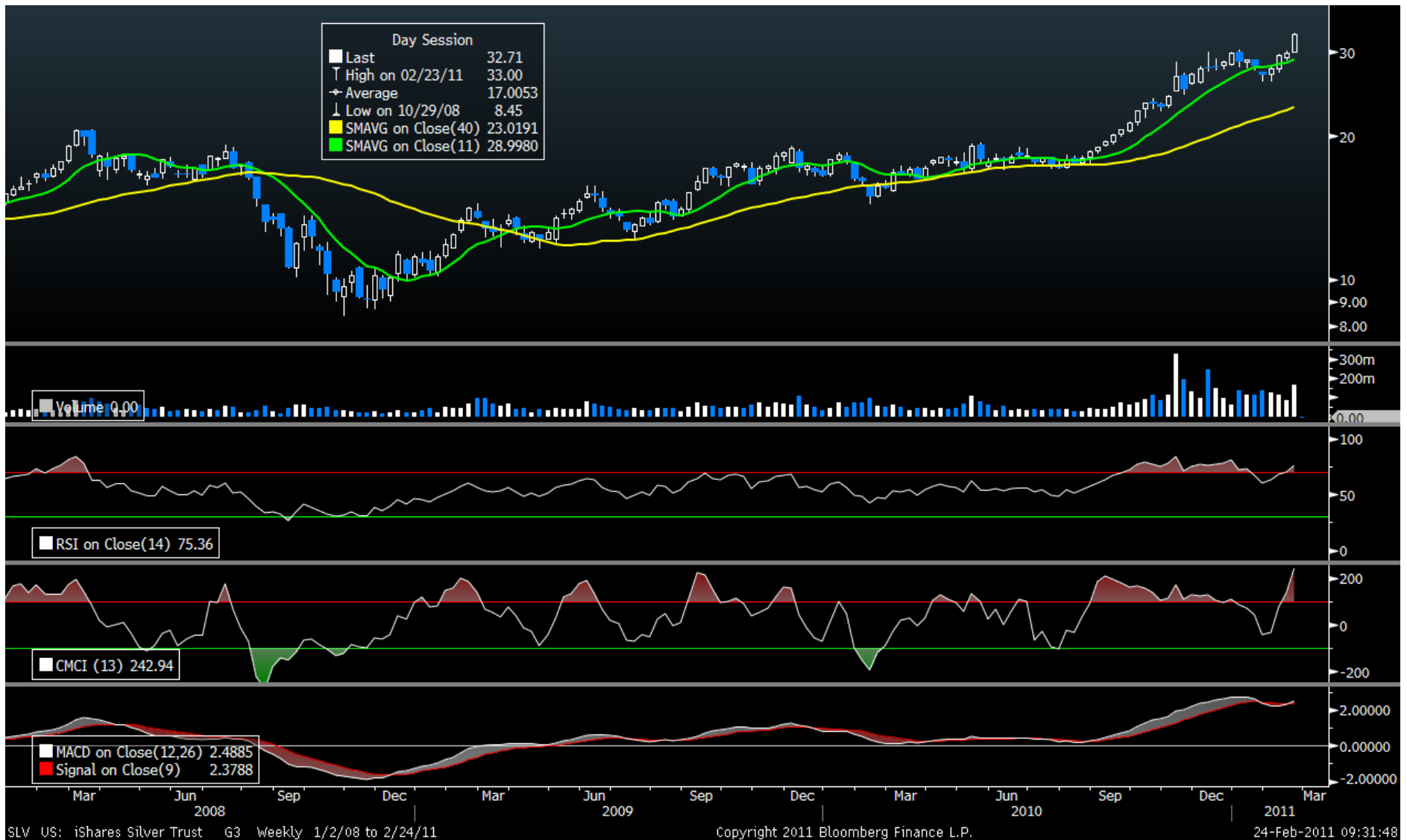
**Charts – No change from last week - in Referal part II**

**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*

**Charts – No change from last week - in Referal part II**

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

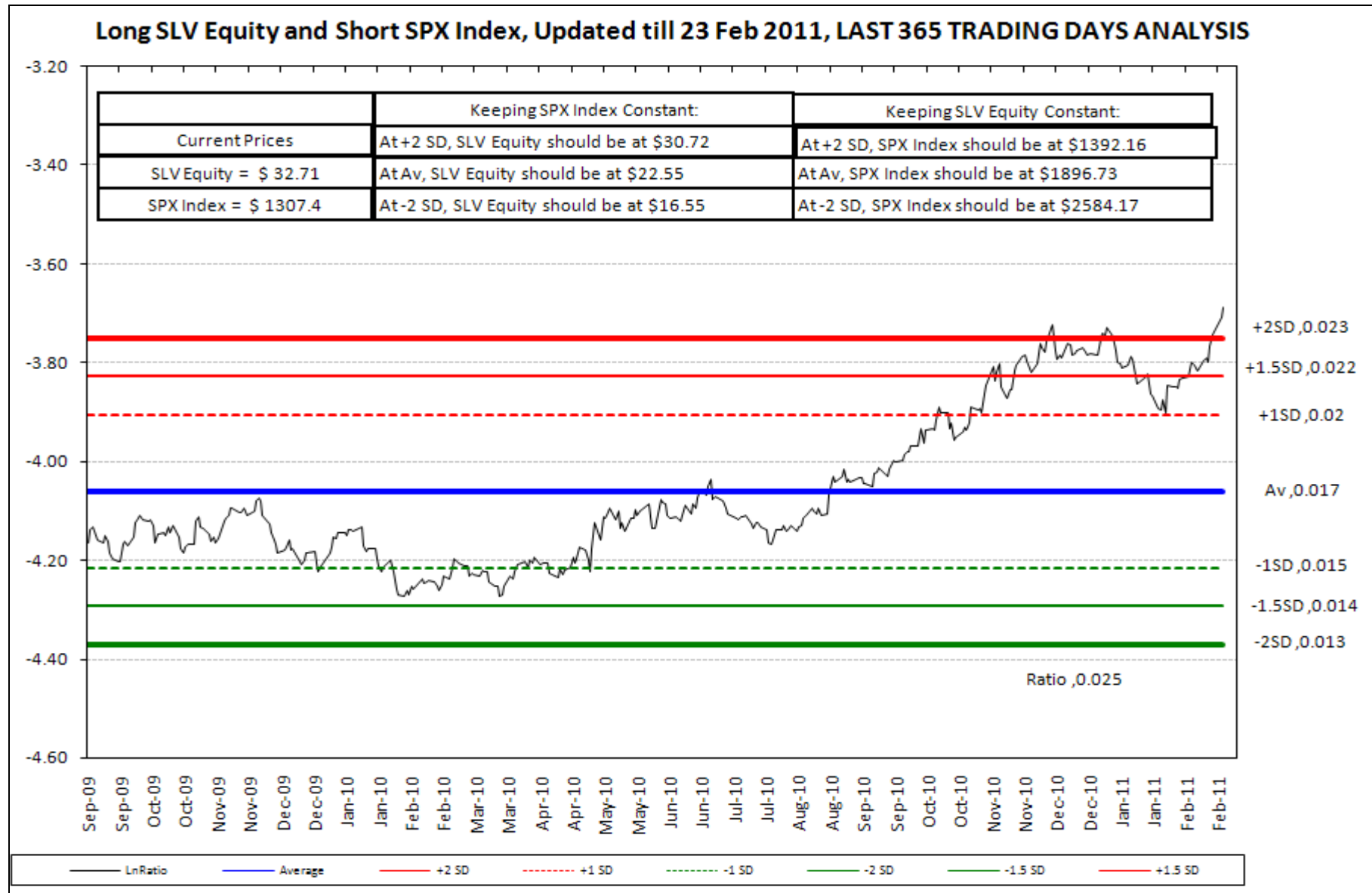


# SLV - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD





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



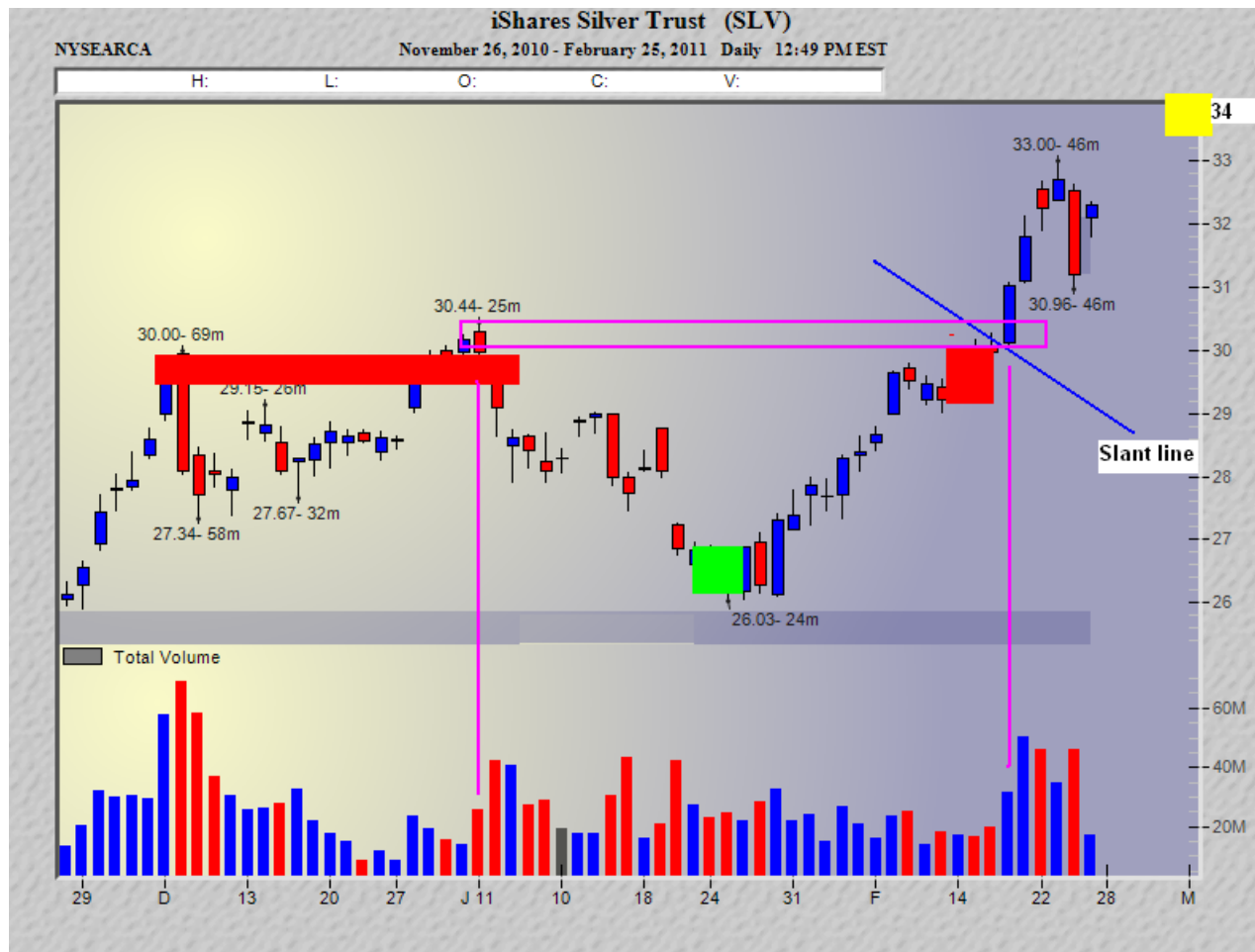
## SLV Correlation Ratio Analysis with SPX – Full Time basis

### Long SLV Equity and Short SPX Index, Updated till 23 Feb 2011, FULL PERIOD ANALYSIS



## SLV – Daily - Price / Volume

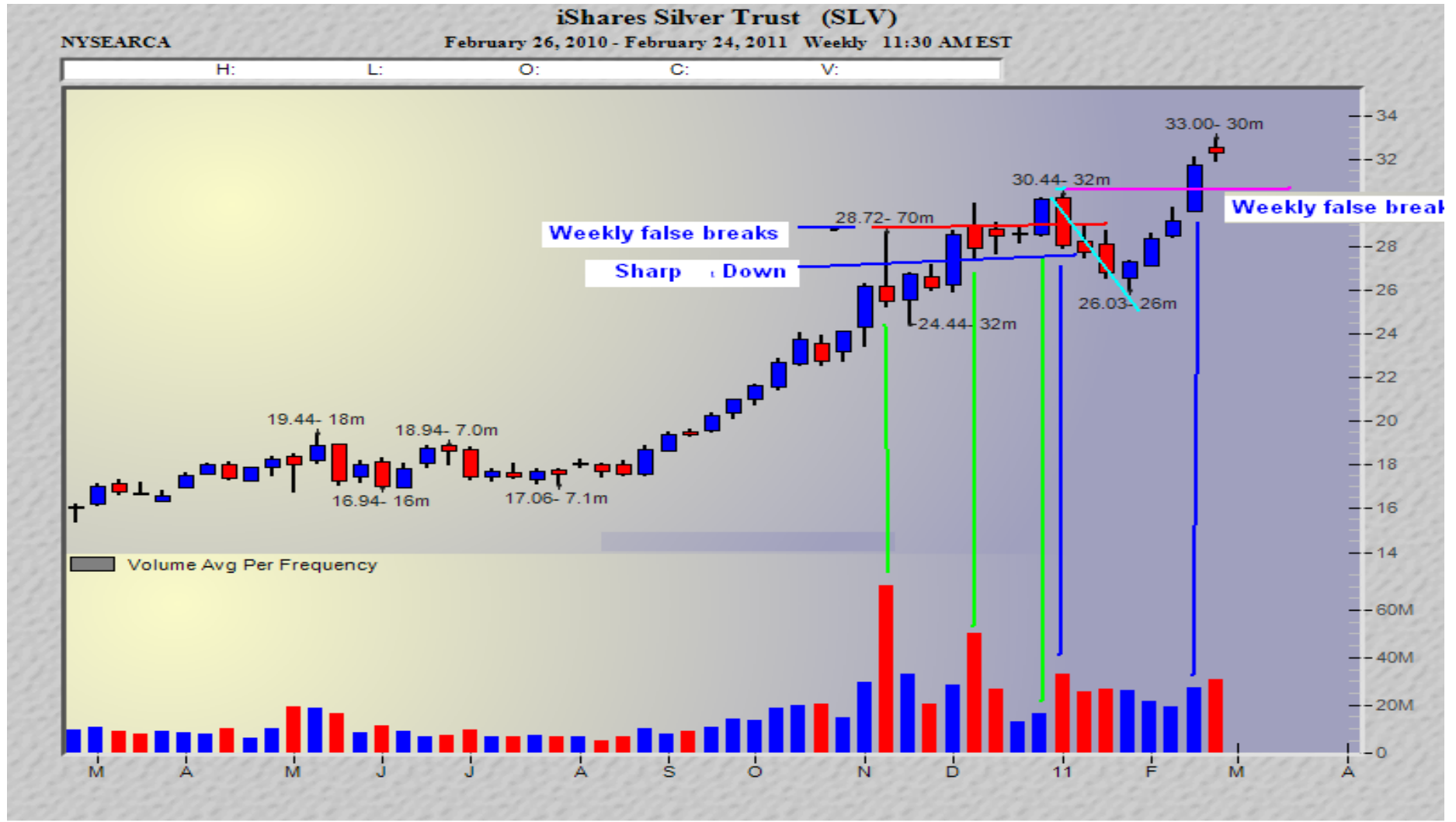
**On daily, it had Double top , closed above 30.5 with 31 M much higher then 20 M required. Short term this is valid breakout . hence can go higher. Therefore we could finish ABC up projection at 34 +/- ( marked in yellow) from that short term breakout . **WARNING - at 33 If the volume drops to 20 M & below and close under 32 on daily then on weekly close under 30 will be failure and trigger POM 14 – Re Run, ( but No signal yet )** Currently volume is 46 M**



## 1- SLV – Weekly - Price / Volume –

***On intermediate term – In spite of short term volume breakout, the weekly we are 15 % lighter on break of double top CZ, nothing changed since yesterdays price action.***

***And volume is picking . unlike GOLD and GDX . This is divergences. This will eventually follow the Gold market but getting little cloudy for PQV – CZ Analysis. May be after Daily ABC up at 34 is finished it can get better picture.***



## ETF's Qualified this week for SD # - 2

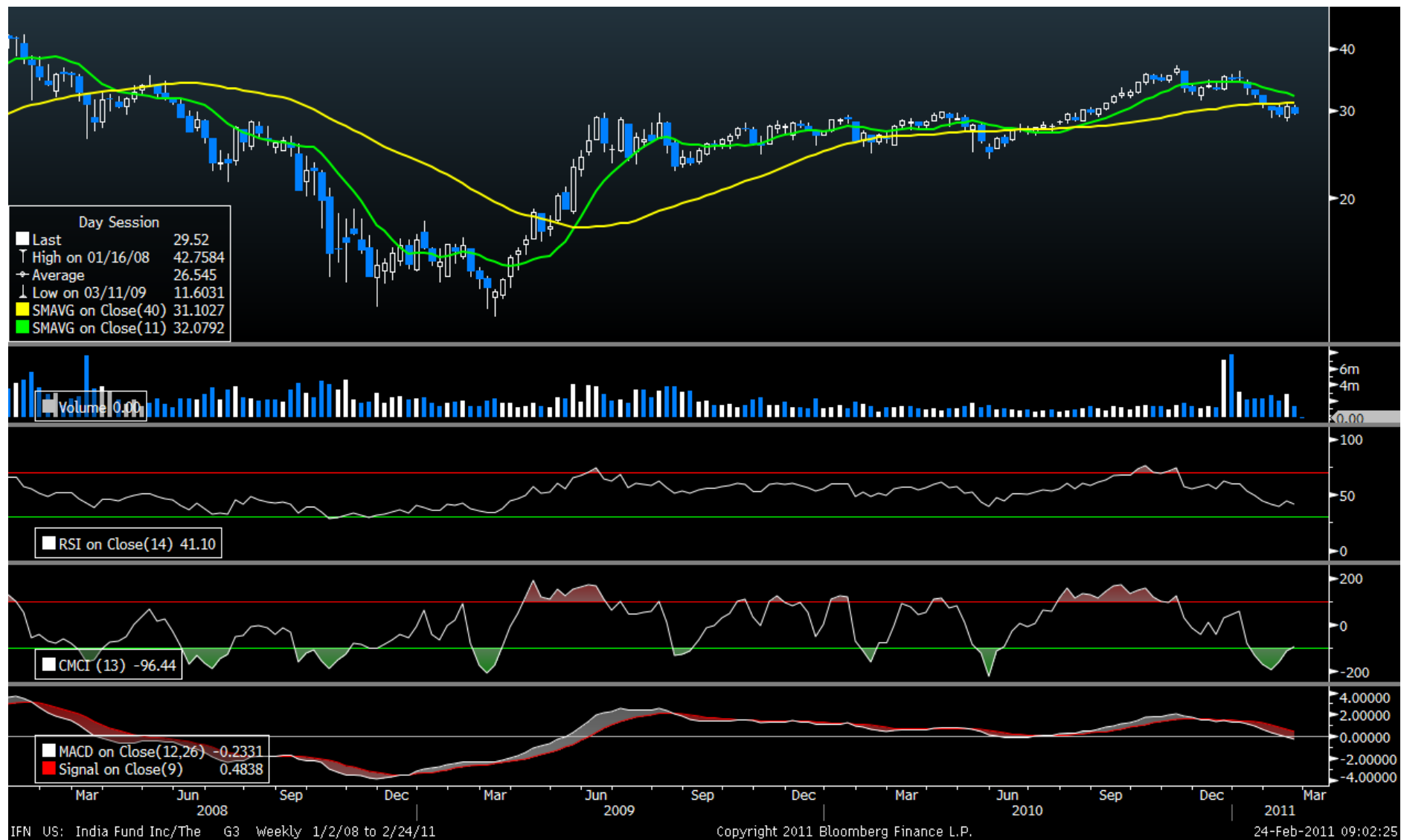
### *CZ for bounce*

- *IFN*
- *FXI*
- *BBH*

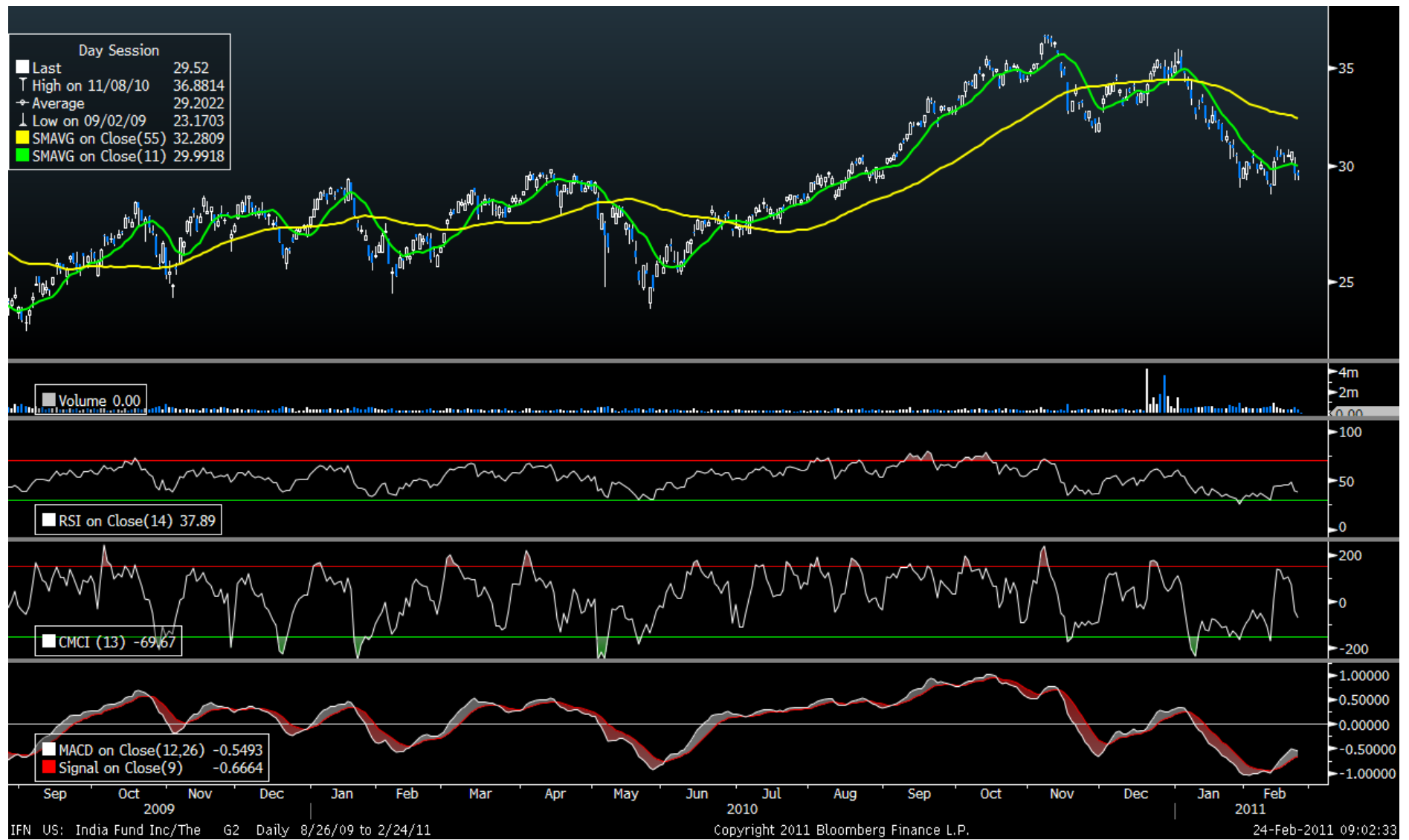
### *CZ with Trigger*

- *TLT*
- *XLV*
- *XLP*
- *XLU*

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

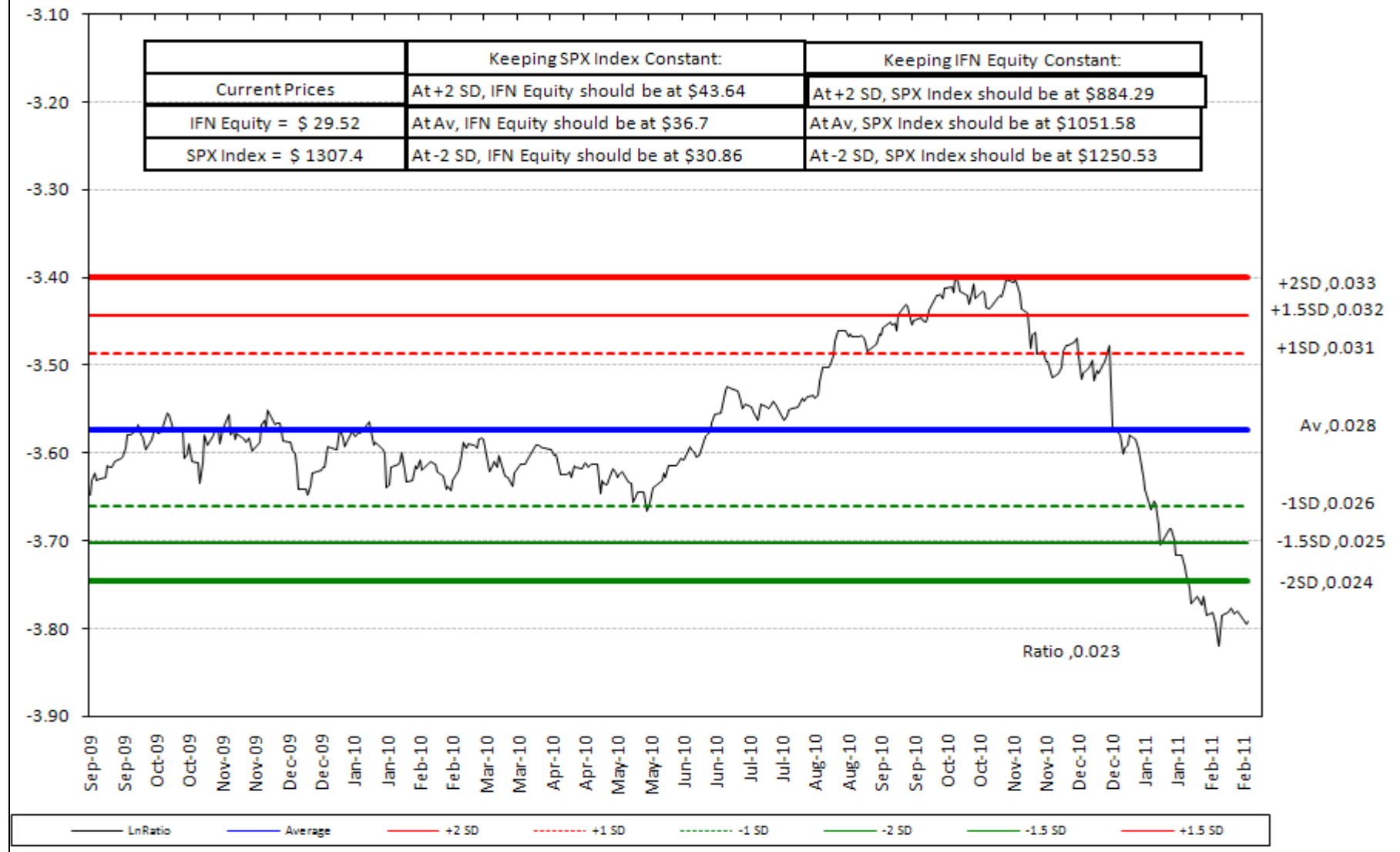


# IFN - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

Long IFN Equity and Short SPX Index, Updated till 23 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 23 Feb 2011, FULL PERIOD ANALYSIS

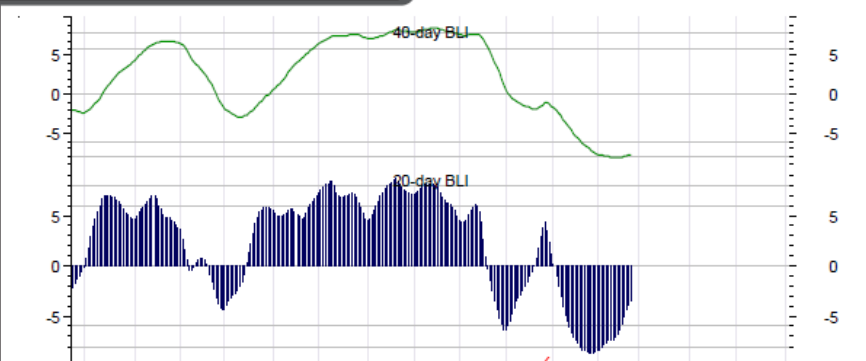


# IFN – Technical & Pattern Analysis

Classic example of high volume lows getting tested currently, after reaching our Projected target of bounce 18400 , it setup the reversal . This high volume lows at 17300 critical to hold , although oversold by various matrix, ( Including SD # - 2) . had entered our CZ with heavy volume is bit heavy suggests that this area could be broken. We will watch the test

India ETF	IFN
Last: \$ 29.52	
Chg: \$ (0.09) -0.30%	

RATIO: IFN / SPY	
Last: 0.225	
Chg: 0.001 0.31%	



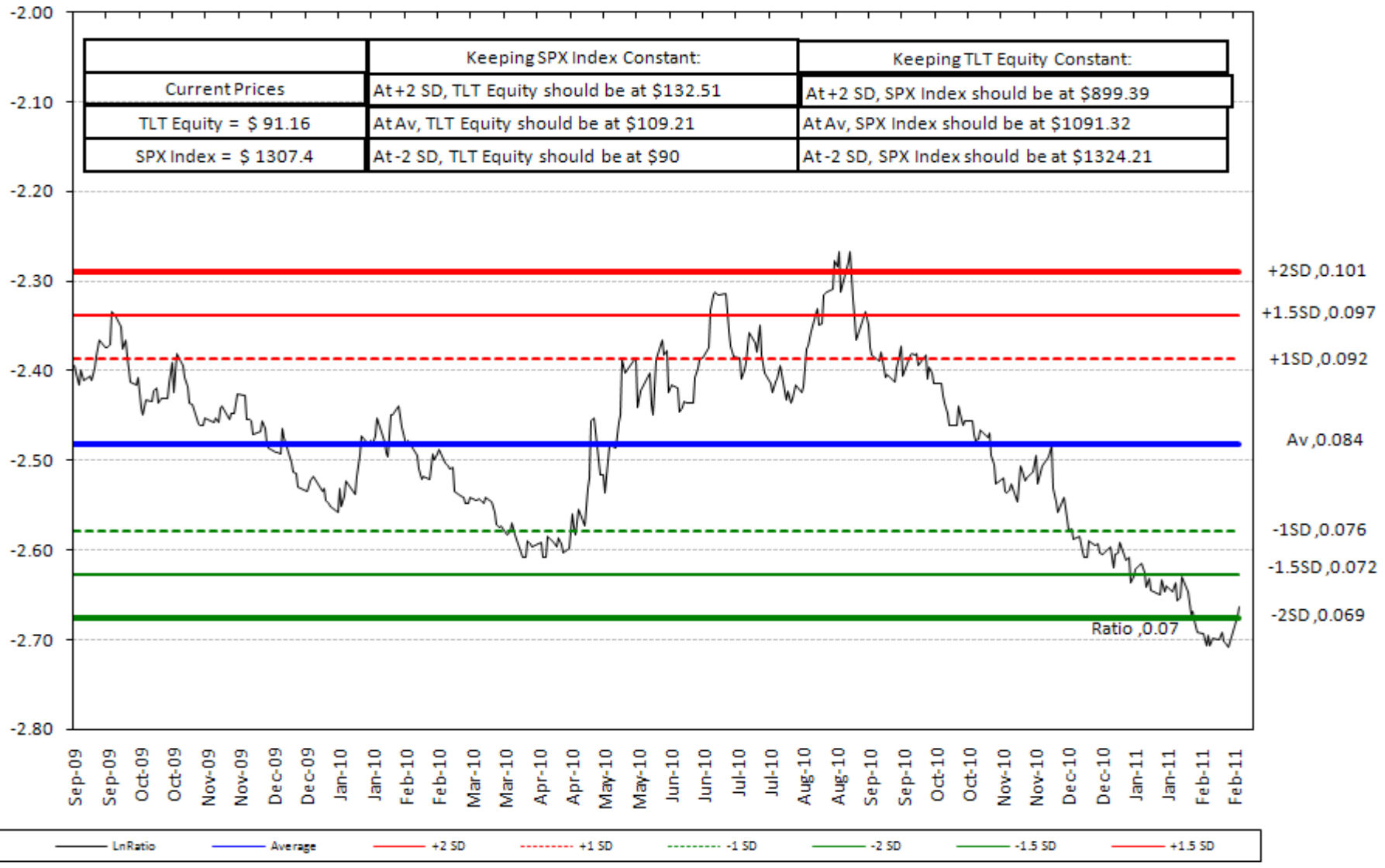
The 300-dma was violated and extended below easily; trendline support must hold.



The lows look to be tested.

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

Long TLT Equity and Short SPX Index, Updated till 23 Feb 2011, LAST 365 TRADING DAYS ANALYSIS



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

### Long TLT Equity and Short SPX Index, Updated till 23 Feb 2011, FULL PERIOD ANALYSIS



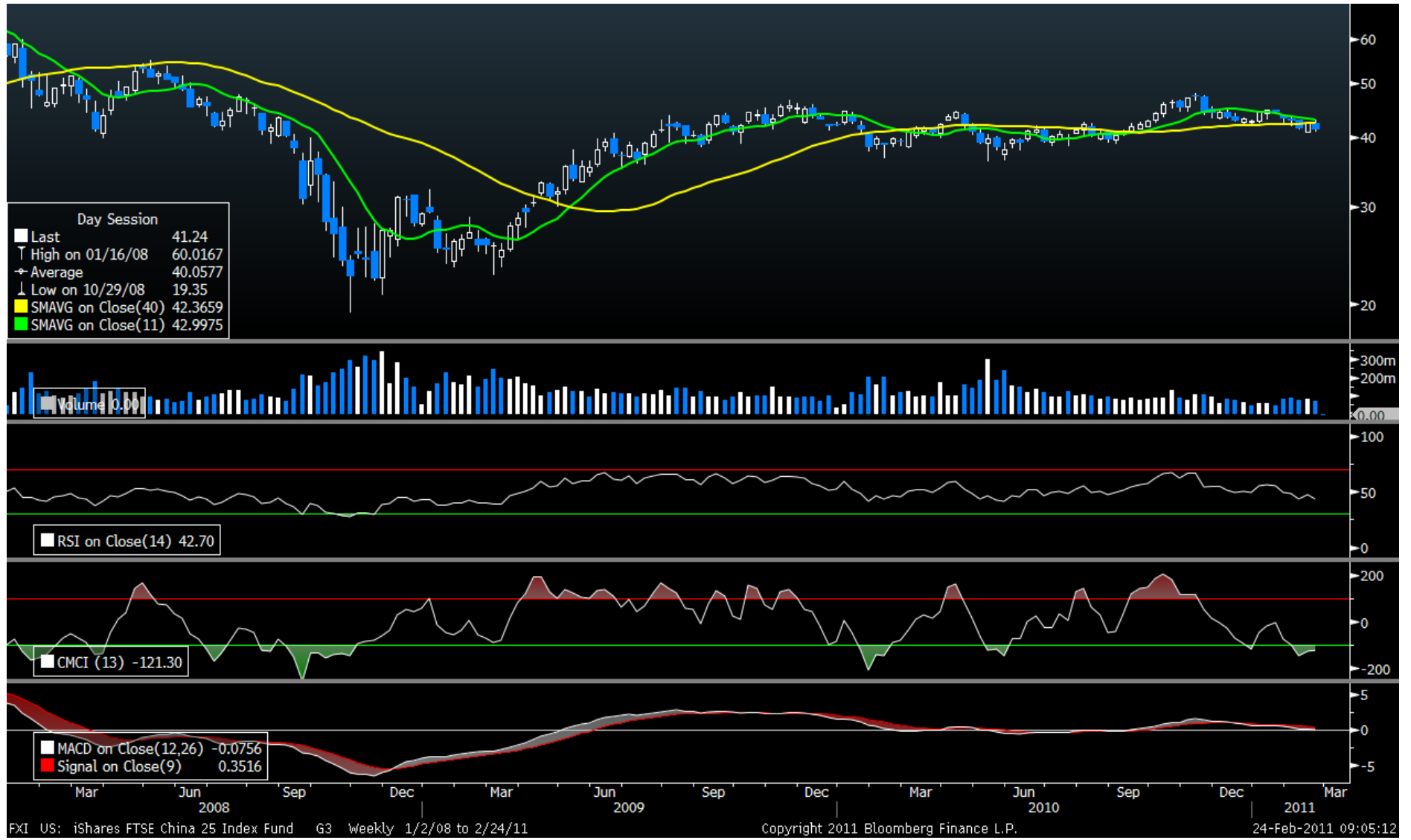
# TLT – Technical & Pattern Analysis - (VALIDATED CZ –PQV – Refer to recent MS – A # 2 )

Chart below Indicates the CZ tested successfully and rally began

Lehman Bond	TLT
Last: \$ 91.74	
Chg: \$ 0.58	0.63%



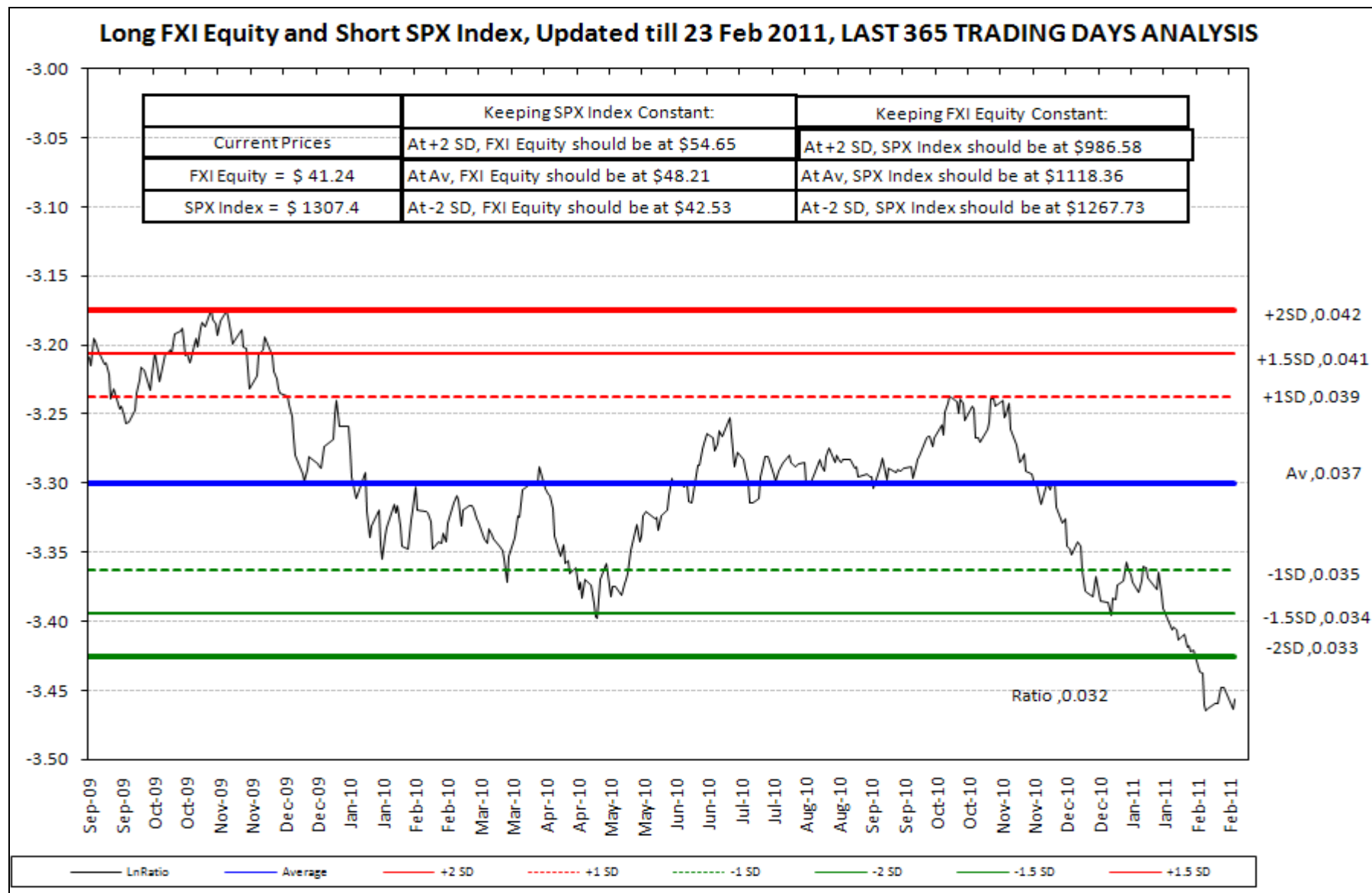
# FXI - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



# 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 23 Feb 2011, FULL PERIOD ANALYSIS

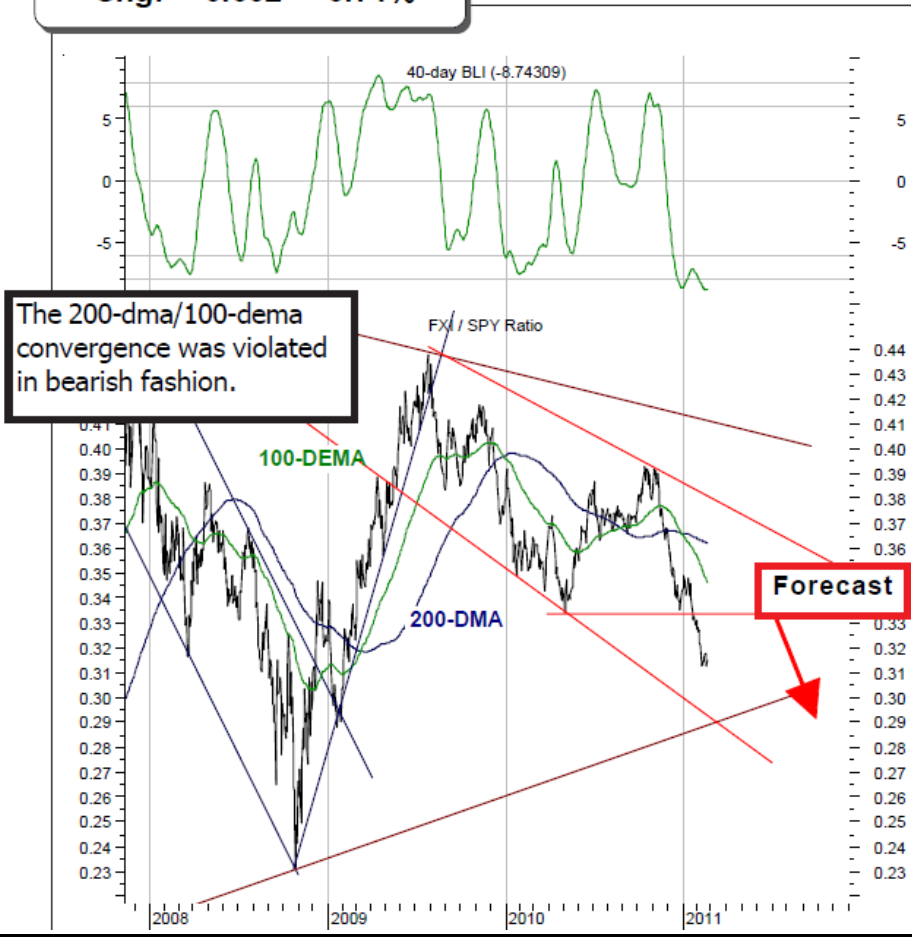


# FXI – Technical & Pattern Analysis

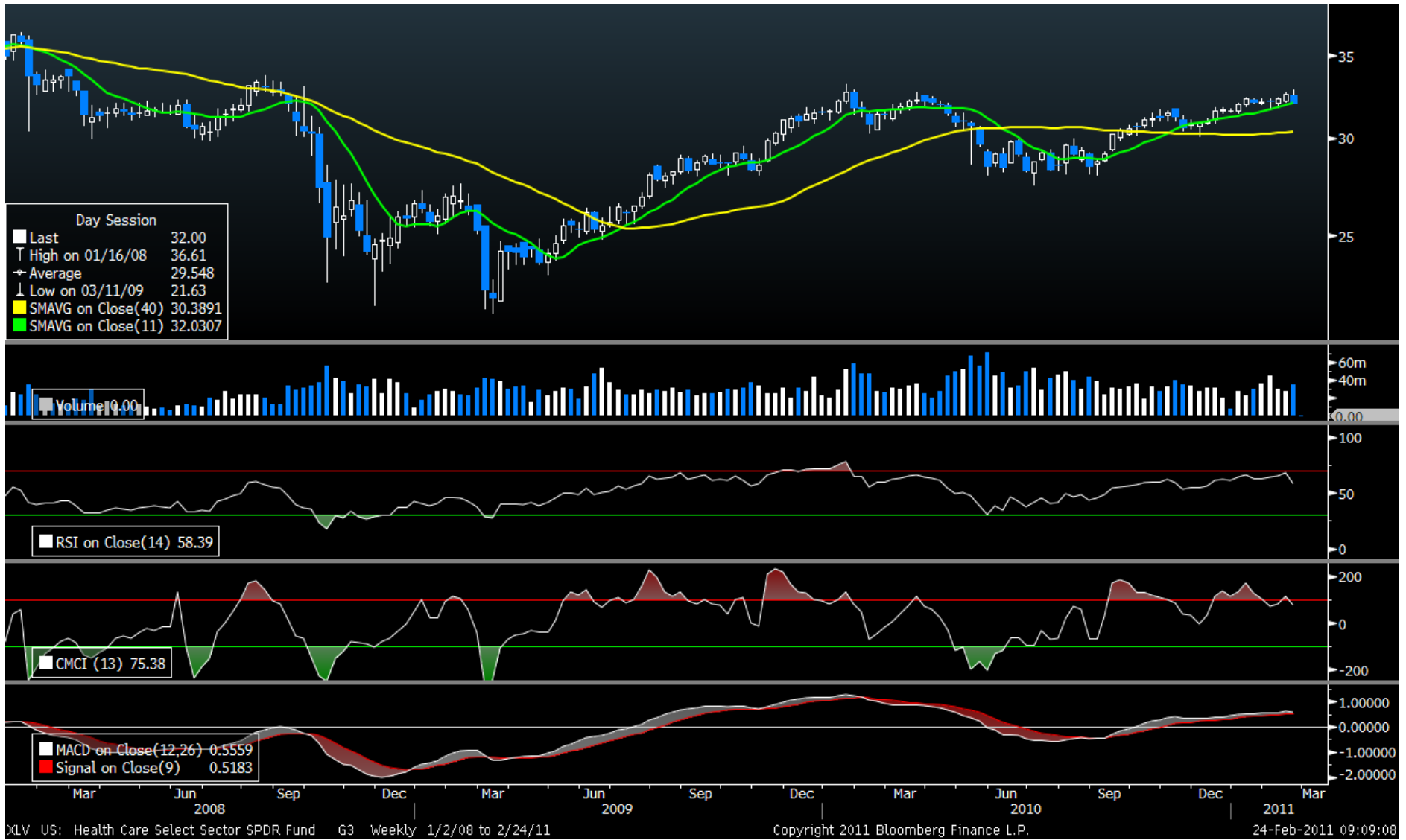
Mid term has been in bearish on China for while , On SHORT TERM FXI should be getting bounce as expected on very oversold conditions by various matrix but it has violated the CZ on heavy volume . These lows will be tested if not Broken ( Currently FXI is at SD # -2 )

China ETF	FXI
Last: \$ 41.24	
Chg: \$ 0.04	0.10%

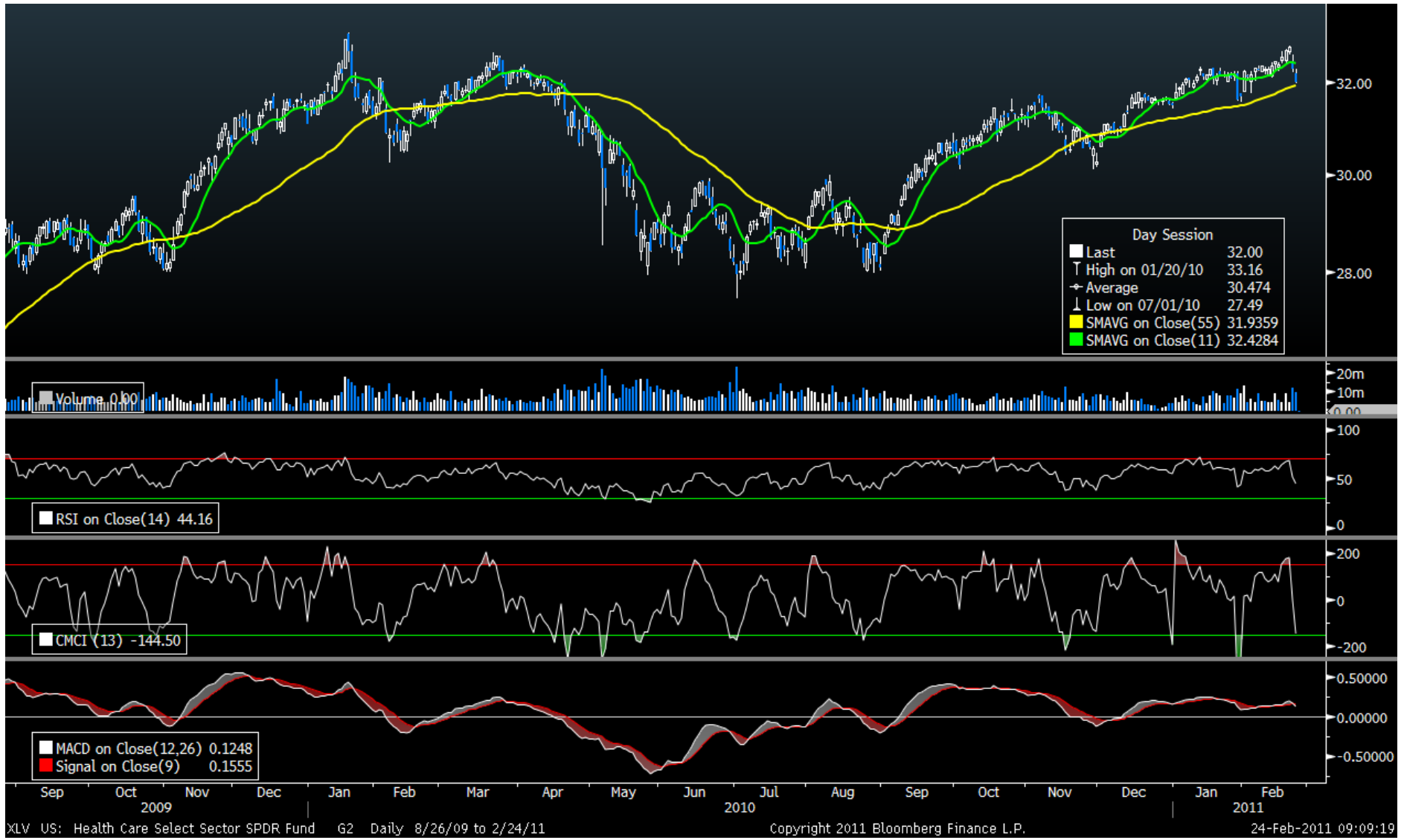
RATIO: FXI / SPY
Last: 0.315
Chg: 0.002 0.71%



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

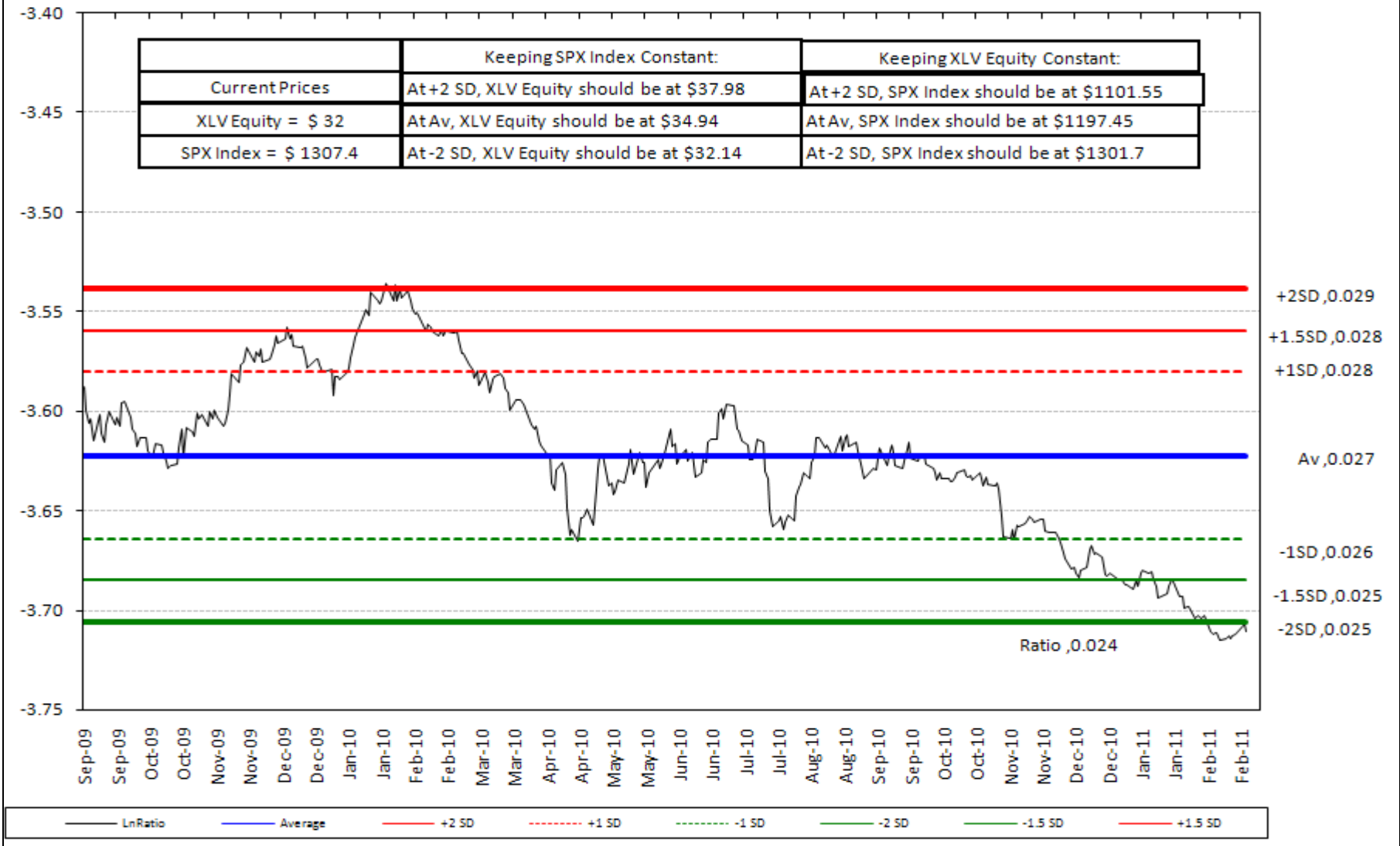


# XLV - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

**Long XLV Equity and Short SPX Index, Updated till 23 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



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

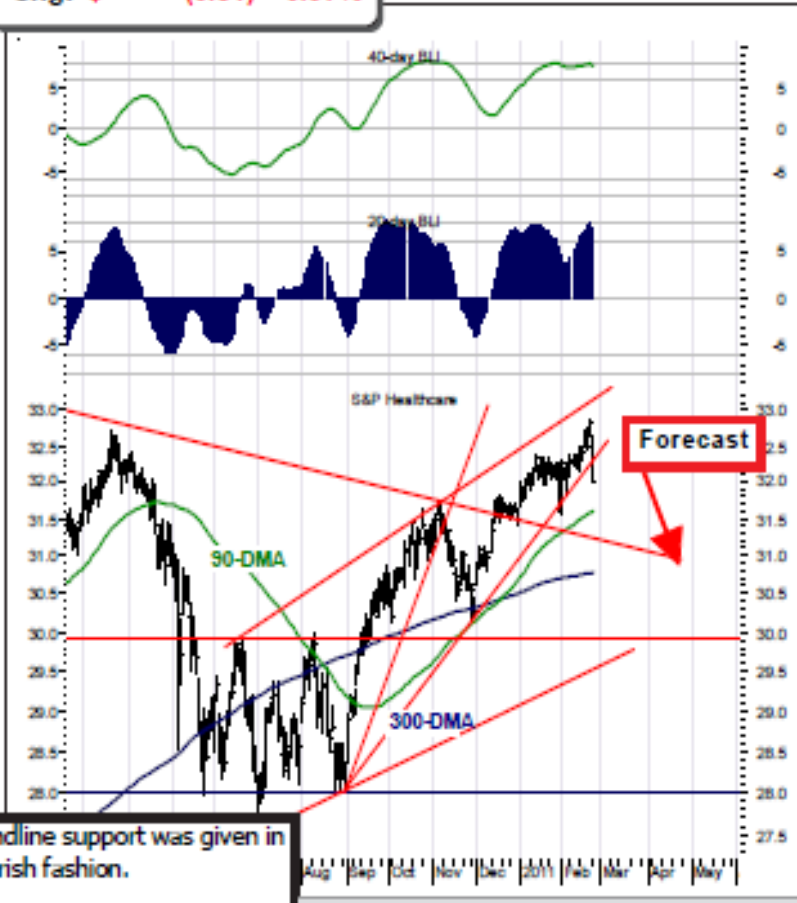
### Long XLV Equity and Short SPX Index, Updated till 23 Feb 2011, FULL PERIOD ANALYSIS



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

*We are awaiting for the CZ test , Trend line was broken so the further pull back should take us to CZ . Also Ratio is setting up Bullishly,*

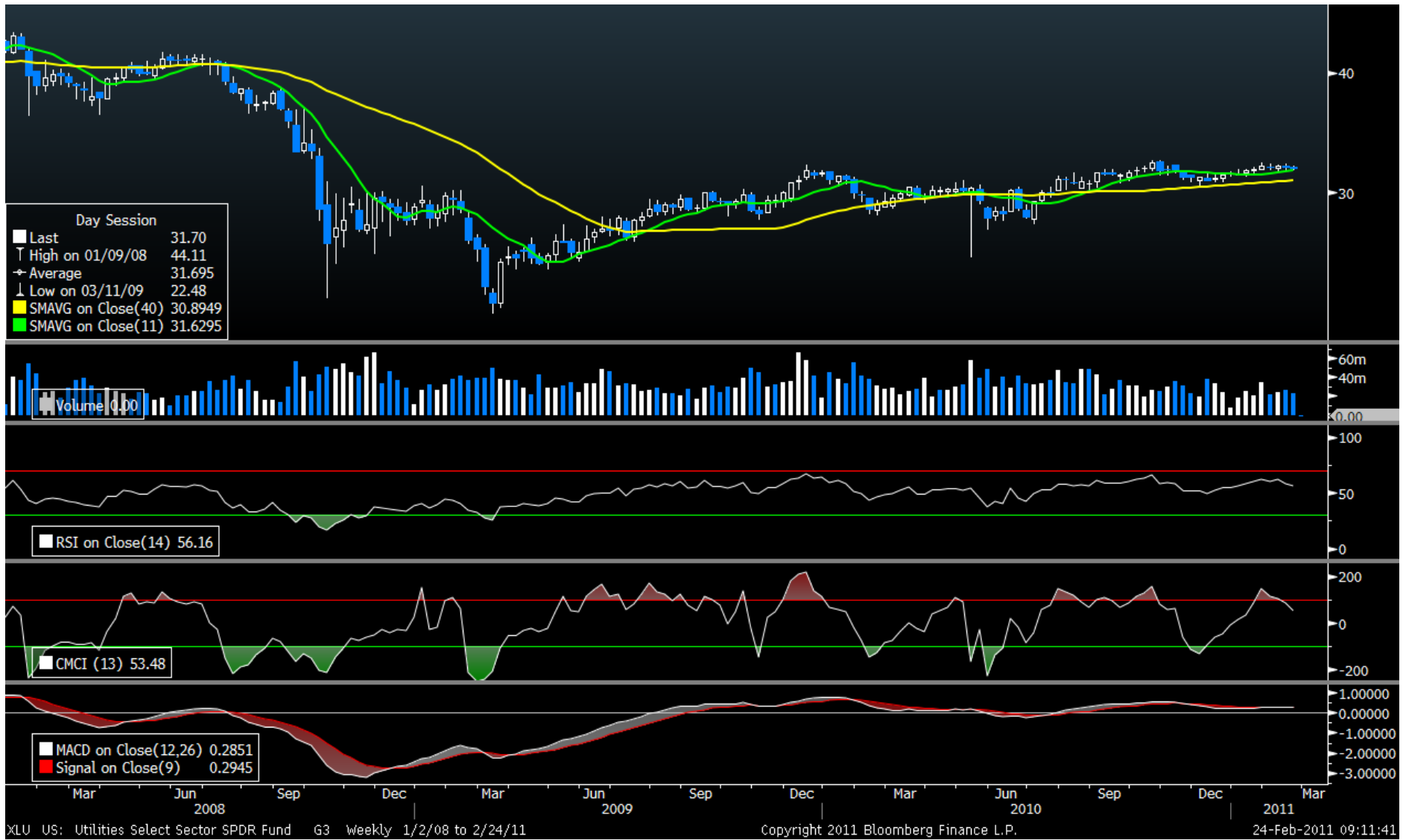
**S&P Healthcare XLV**  
 Last: \$ 32.00  
 Chg: \$ (0.31) -0.97%



**RATIO: XLV / SPY**  
 Last: 0.244  
 Chg: (0.001) -0.35%



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



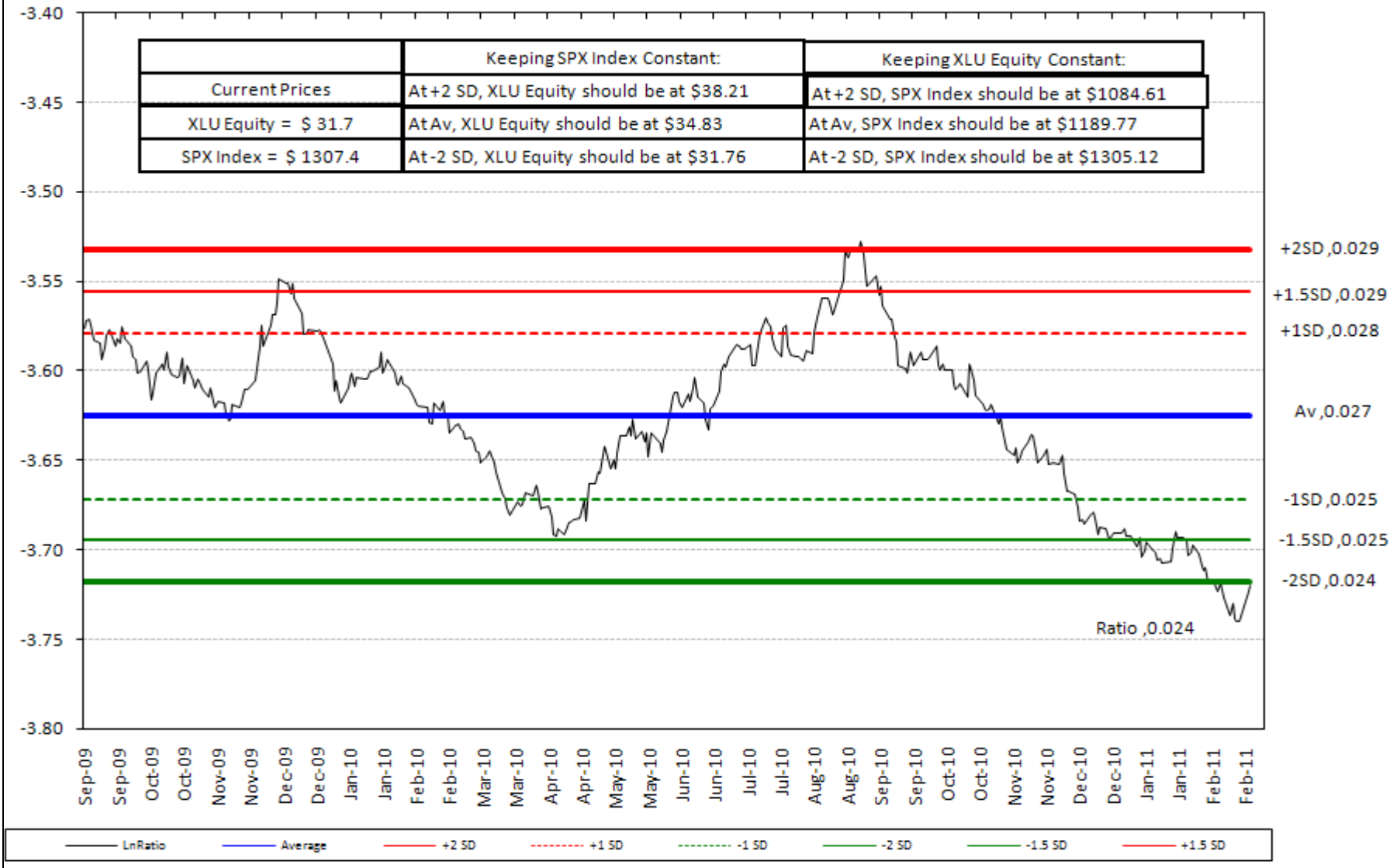


# XLU - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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

**Long XLU Equity and Short SPX Index, Updated till 23 Feb 2011, LAST 365 TRADING DAYS ANALYSIS**



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

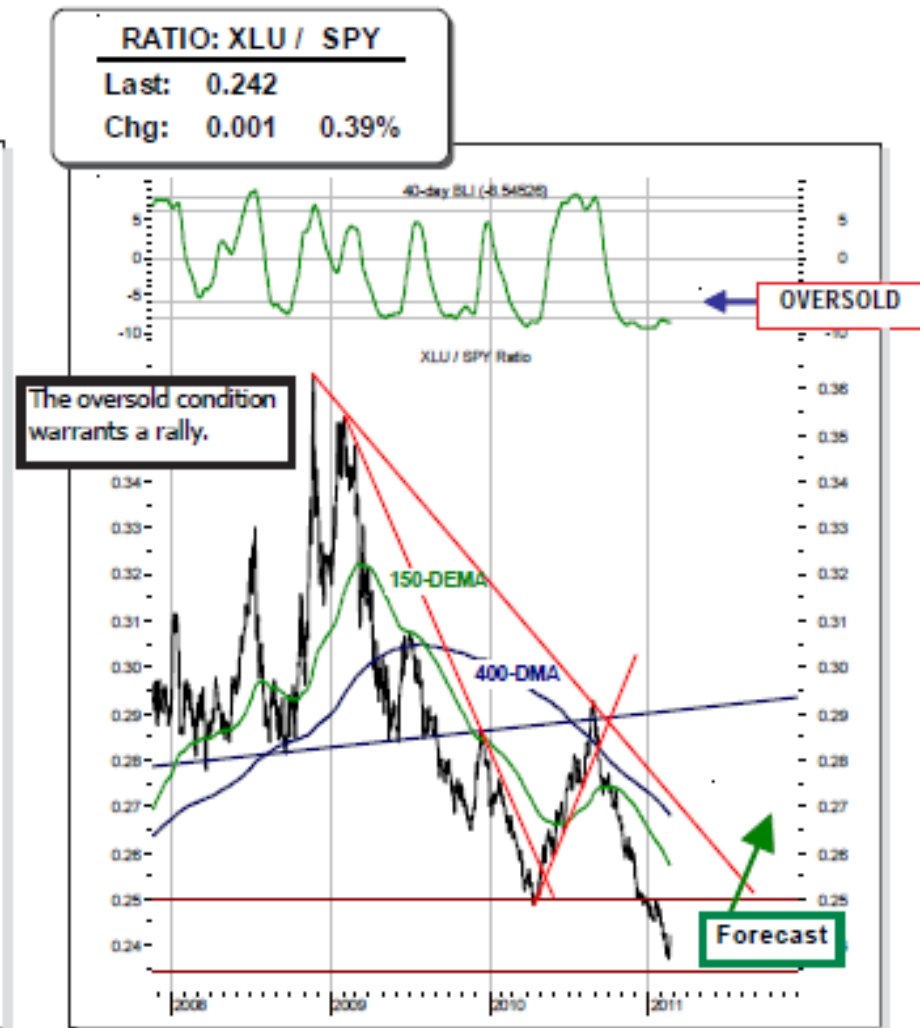
### Long XLU Equity and Short SPX Index, Updated till 23 Feb 2011, FULL PERIOD ANALYSIS



## XLU– Technical & Pattern Analysis

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

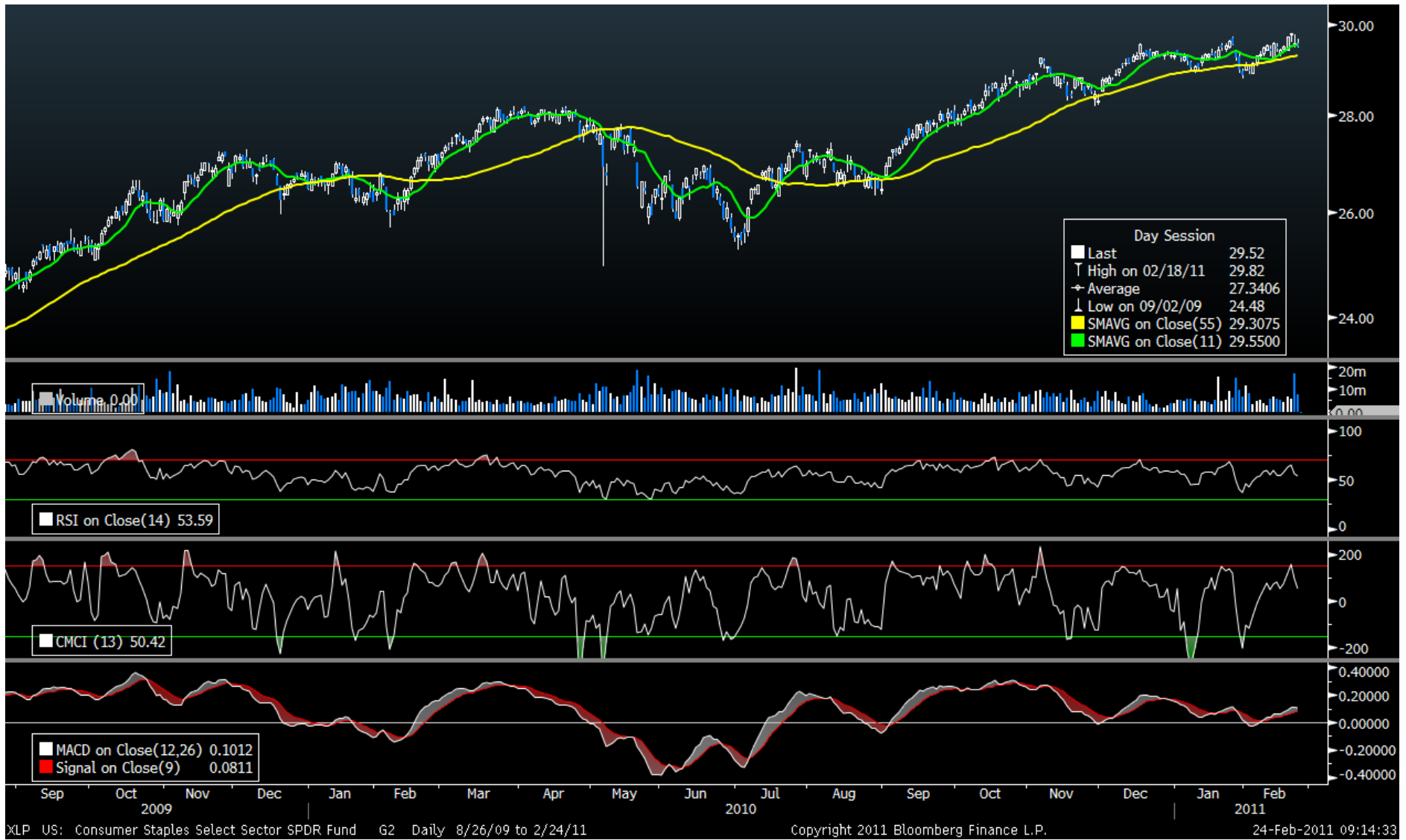
*Ratio is setting up Bullishly, The current pattern suggests the pull back might be coming , that would be to our CZ we defined.*



**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 23 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 23 Feb 2011, FULL PERIOD ANALYSIS

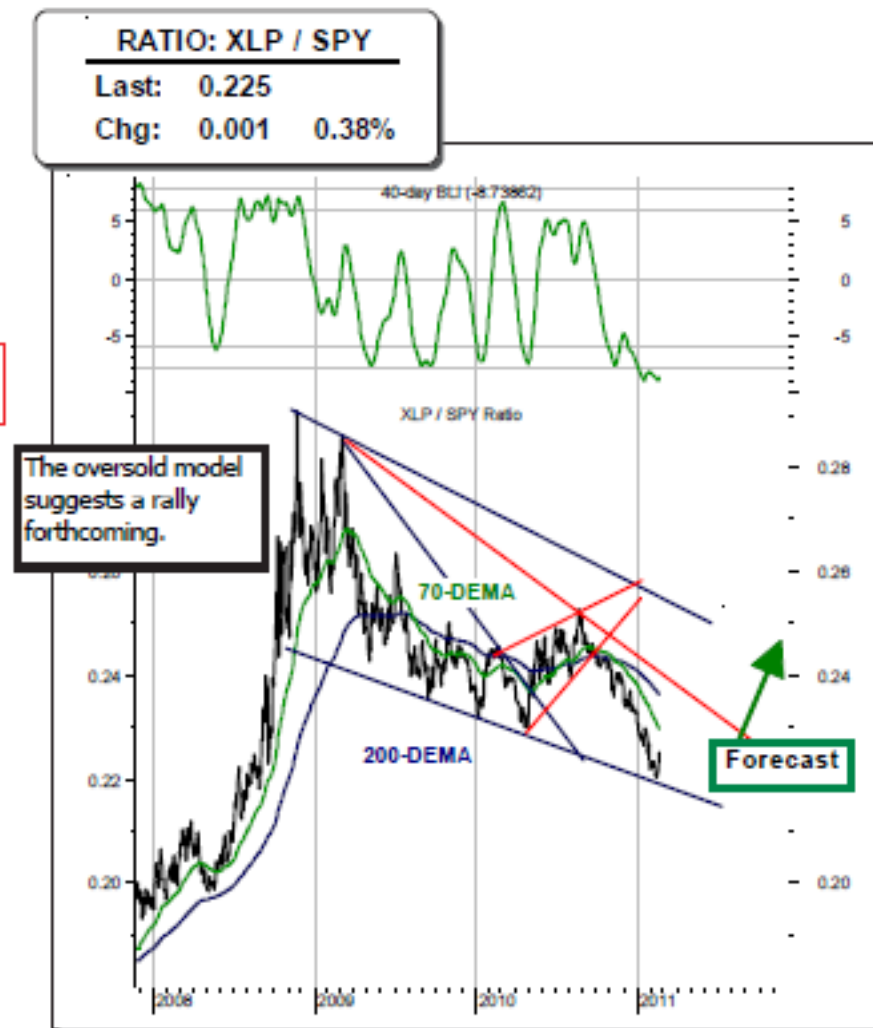
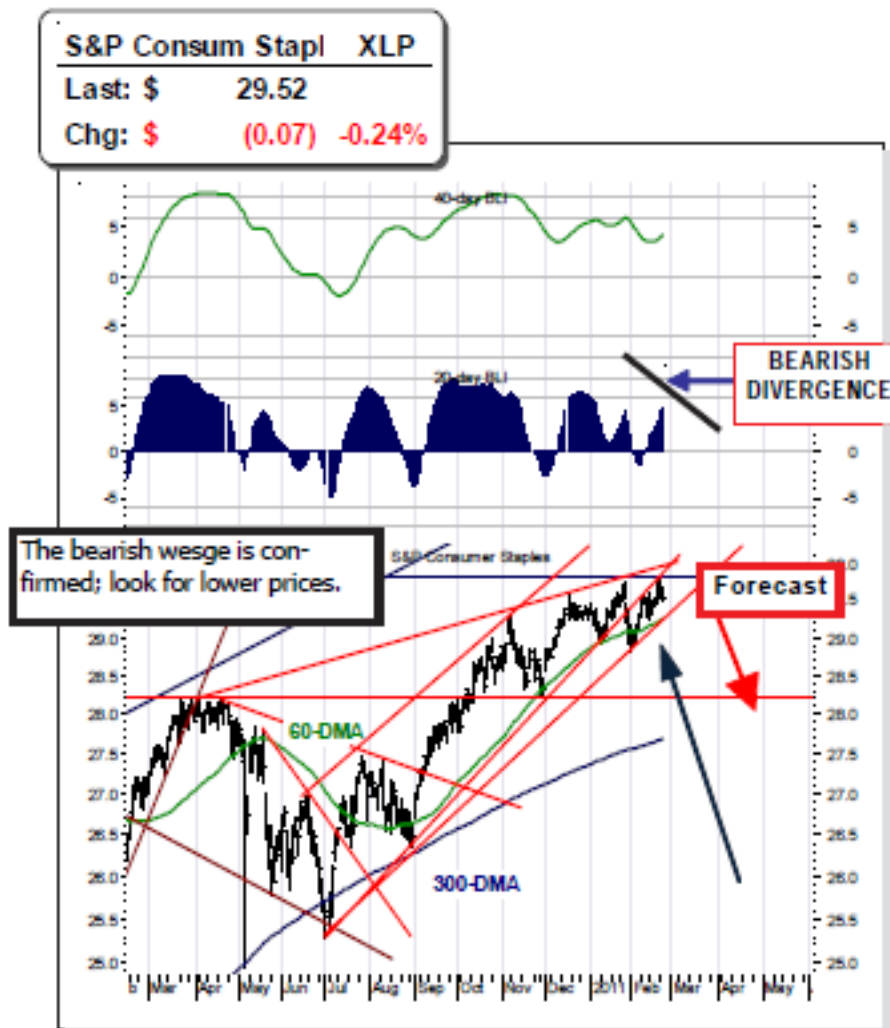




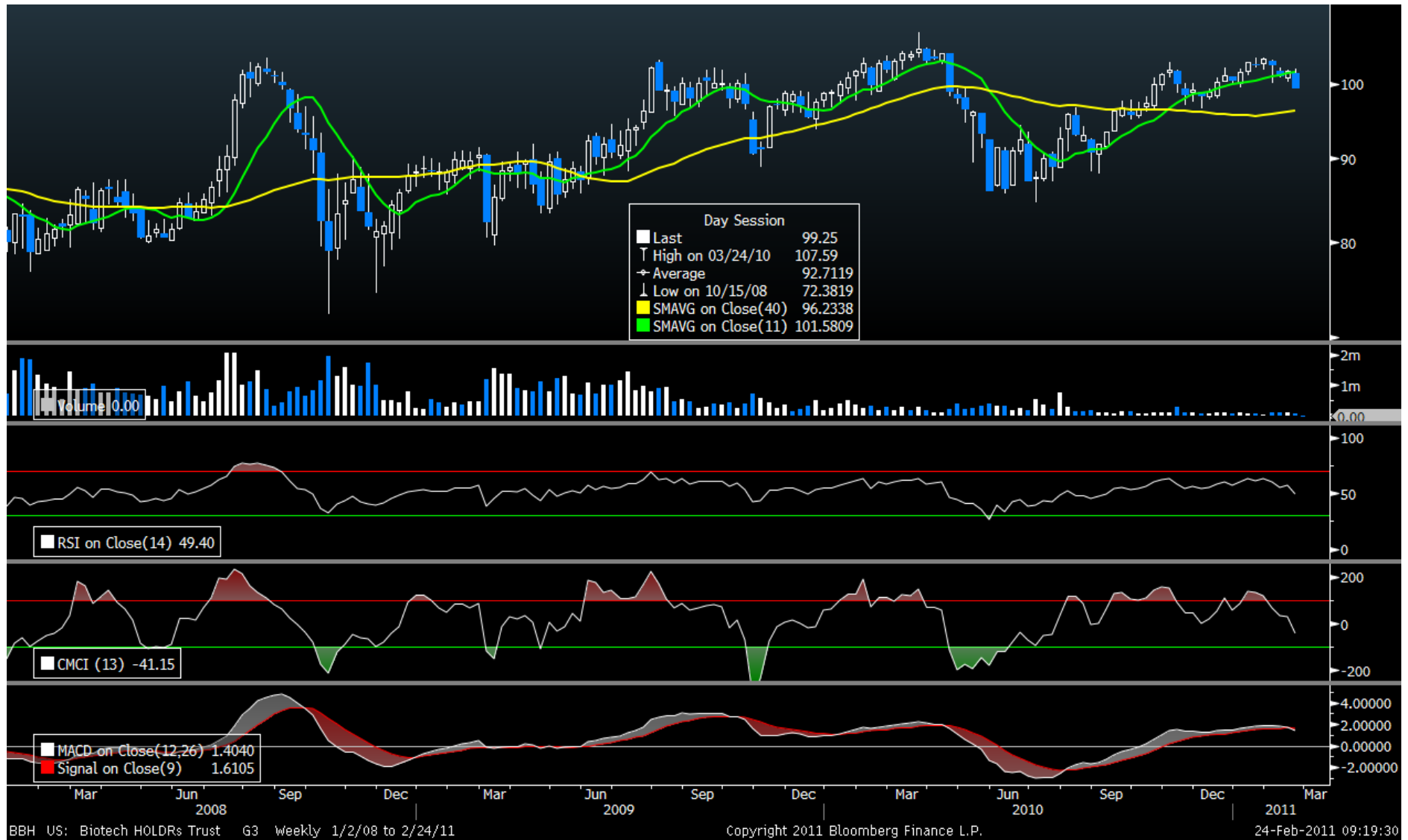
# XLP- Technical & Pattern Analysis

**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.*



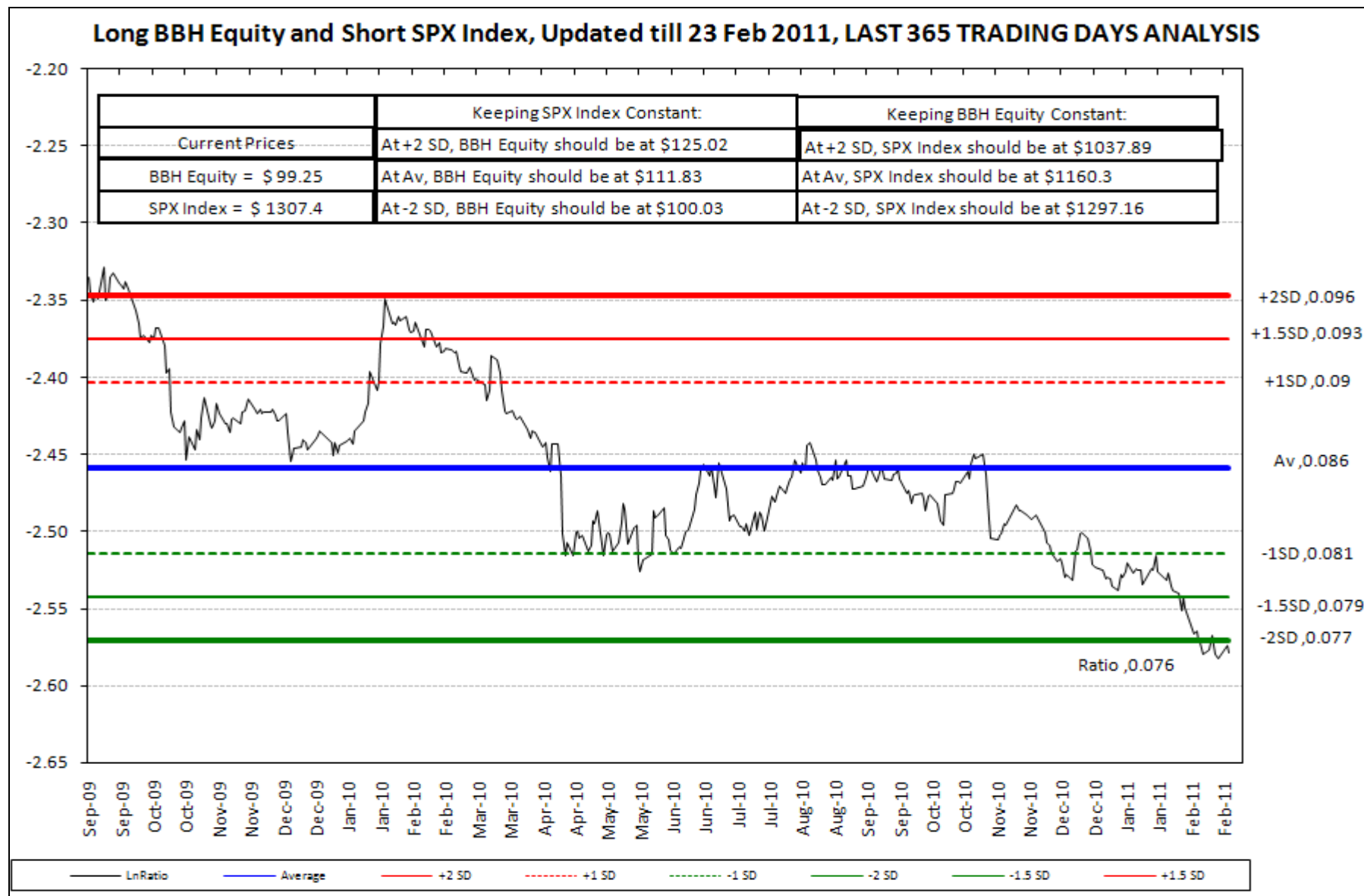
# BBH- Weekly- 3 Year with **11 W / 40 W SMA** with RSI, CCI, MACD



# 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 23 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: \$ 99.25  
 Chg: \$ (1.09) -1.10%



The 100-dma was given in bearish fashion; expect a 200-dma test.

**RATIO: BBH / SPY**  
 Last: 0.758  
 Chg: (0.004) -0.48%



# **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
- ✓ EWH
- ✓ SMH
- ✓ EWA
- ✓ XLB
- XLE
- ✓ SLV
- ✓ JJC
- ✓ IYT
- ✓ GLD
- ✓ GDX
- ✓ SLV

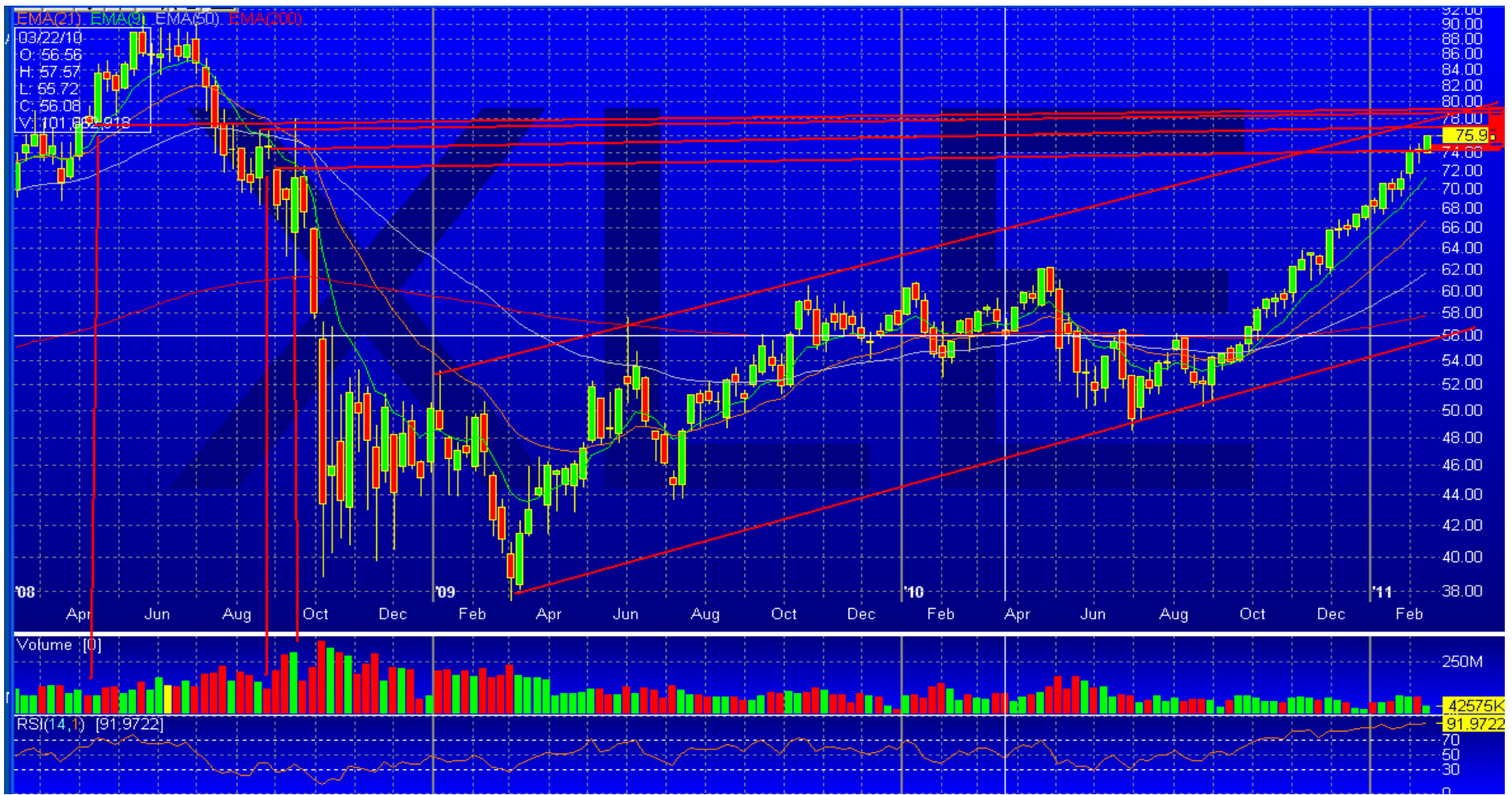
### **Long**

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

# Short

## - XLE - PQV Analysis (Wkly) - No confirmation

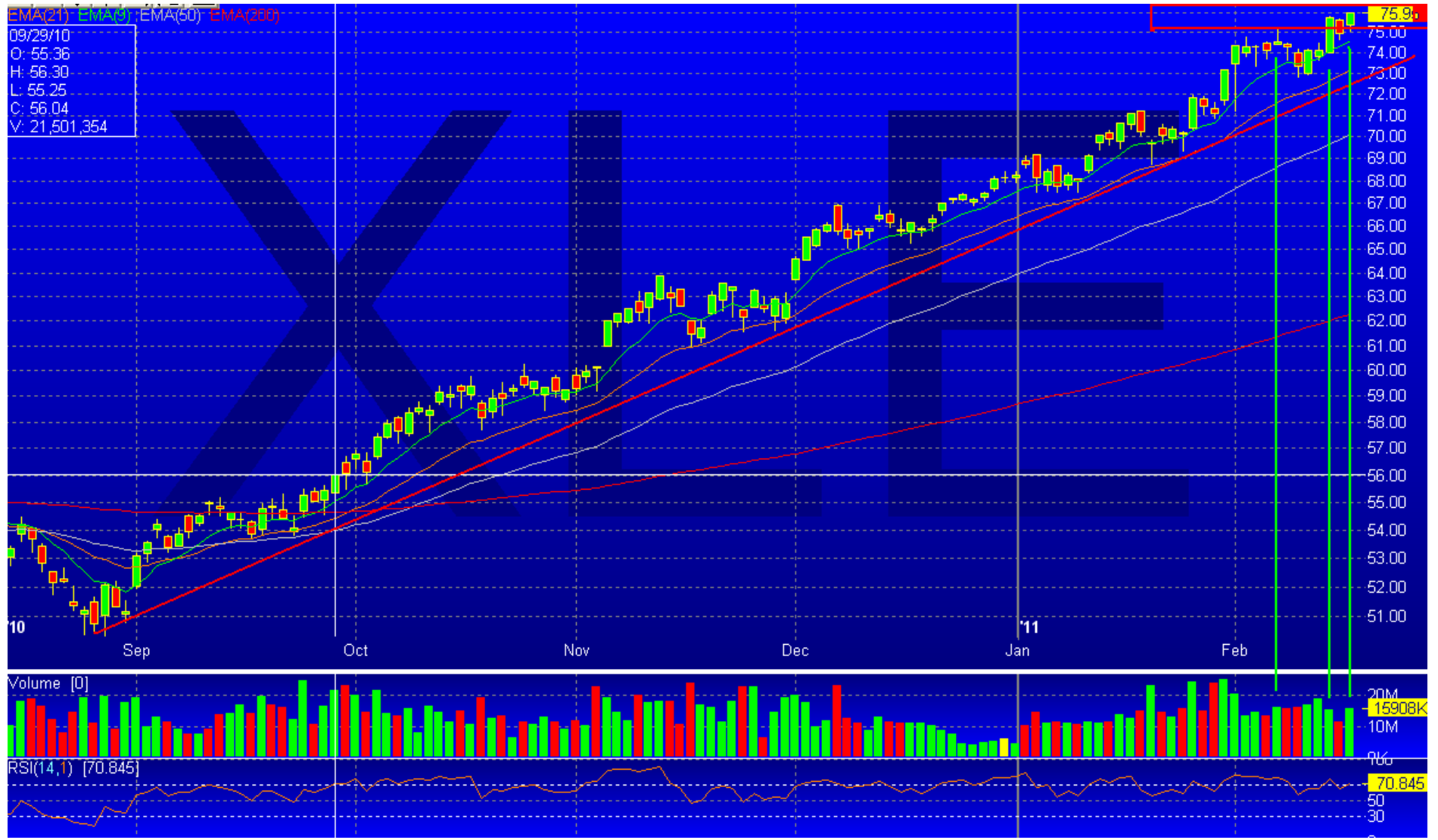
XLE had a false break upside above 72, but stock can still go higher to next level, PQV force has kept us away from harm's way. Currently wkly RSI at 90 (which is very rear to achieve) for sectors. Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 75 to 78 but prices need to 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*



## **1- GLD – Price / Volume ( Add \$ 30 to GLD for Continuous contract)**

*Chart below indicates our previously announced CZ 's for risk management where the prices failed ( RED on Upside and GREEN on Downside)*

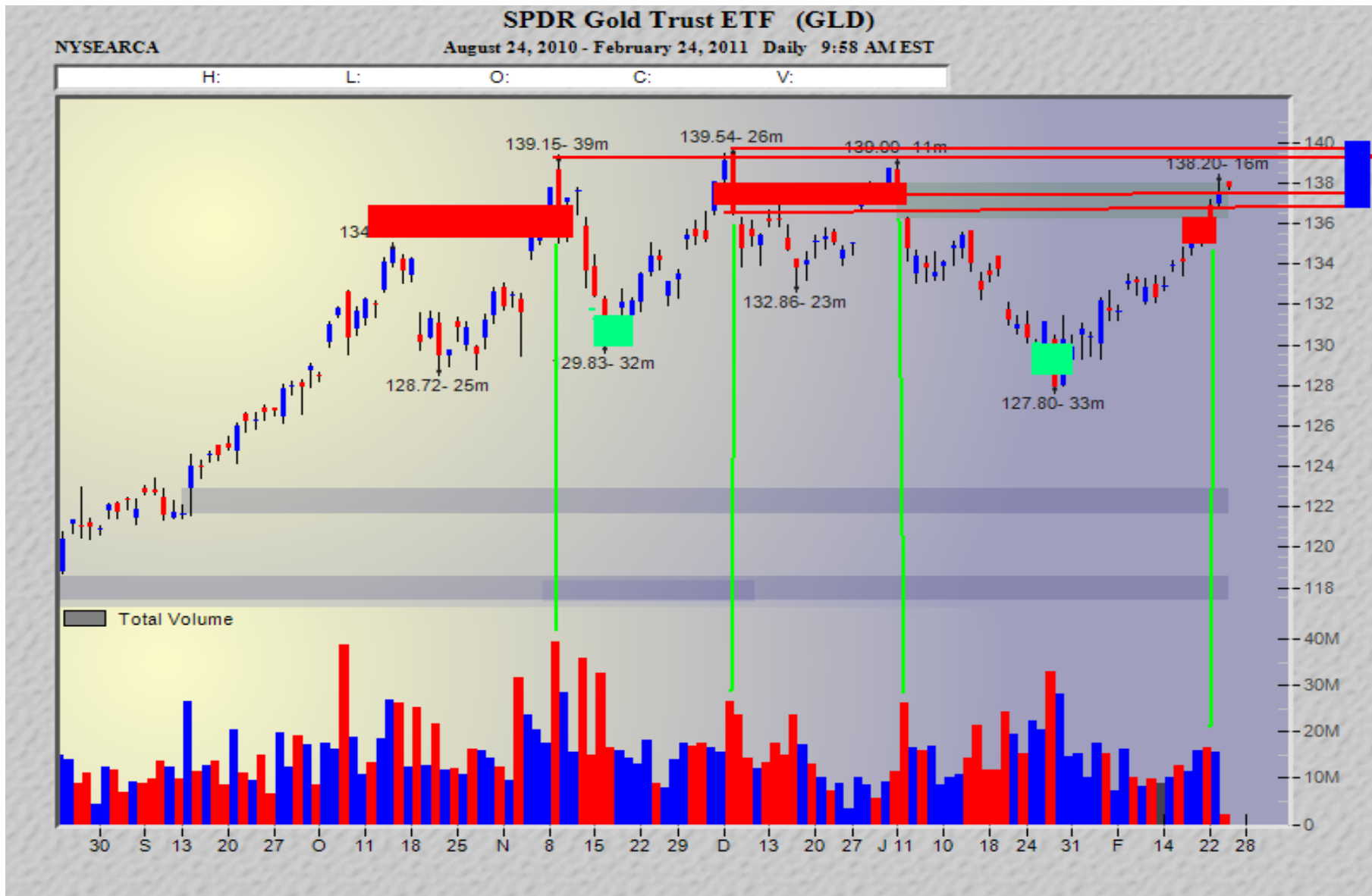
*Currently GLD reached CZ ( 133.5 – 135.5) ( as indicated in Red box) and exceeded to 138 , the volume in its cross over path came in 13 M v/s 9 M required for the test . ( bit higher than we would like ). We need at least the test of these 138 Highs and come back to CZ 135.5.*

*However the current price although outside the last CZ , is in more difficult spot on crosscurrent ( Indicated in Blue) .*

*Here is the criteria, We could even double top. If volume drops to 9M ( as required for test and close within UCZ) that will be failure and trigger POM 14 – Re Run, ( but No signal yet ) ( Stops always pre positioned on other side of CZ after the trigger) while re- deploy recycled position. If this scenario triggers then this could be larger consolidation between lows of 1300 , to the highs of 1435 to digest the earlier gains from 1150 to 1425 ( Sometimes market would rest in between 2 ABC's even in Bull market to build a cause for next leg up)*

*The Bullish case is if the Volume picks up 300K contract towards 1435 we could began ABC up . The volume is key here for the break, currently its Trading 150k contract. Where ever Gold goes SLV , GDX will follow.*

# GLD -CZ Mapping



## **1- GDX – Price / Volume**

*Chart below indicates our previously announced CZ 's for risk management where the prices failed ( RED on Upside and GREEN on Downside)*

*Currently GDX reached CZ ( 58 -59 ) ( as indicated in Red box) and exceeded to 60.5 , the volume in its cross over path came in 10 M v/s 7.5 M required for the test . ( bit higher than we would like ). We need at least the test of these 61 Highs and come back to CZ 59. Currently volume is still 9.5 M*

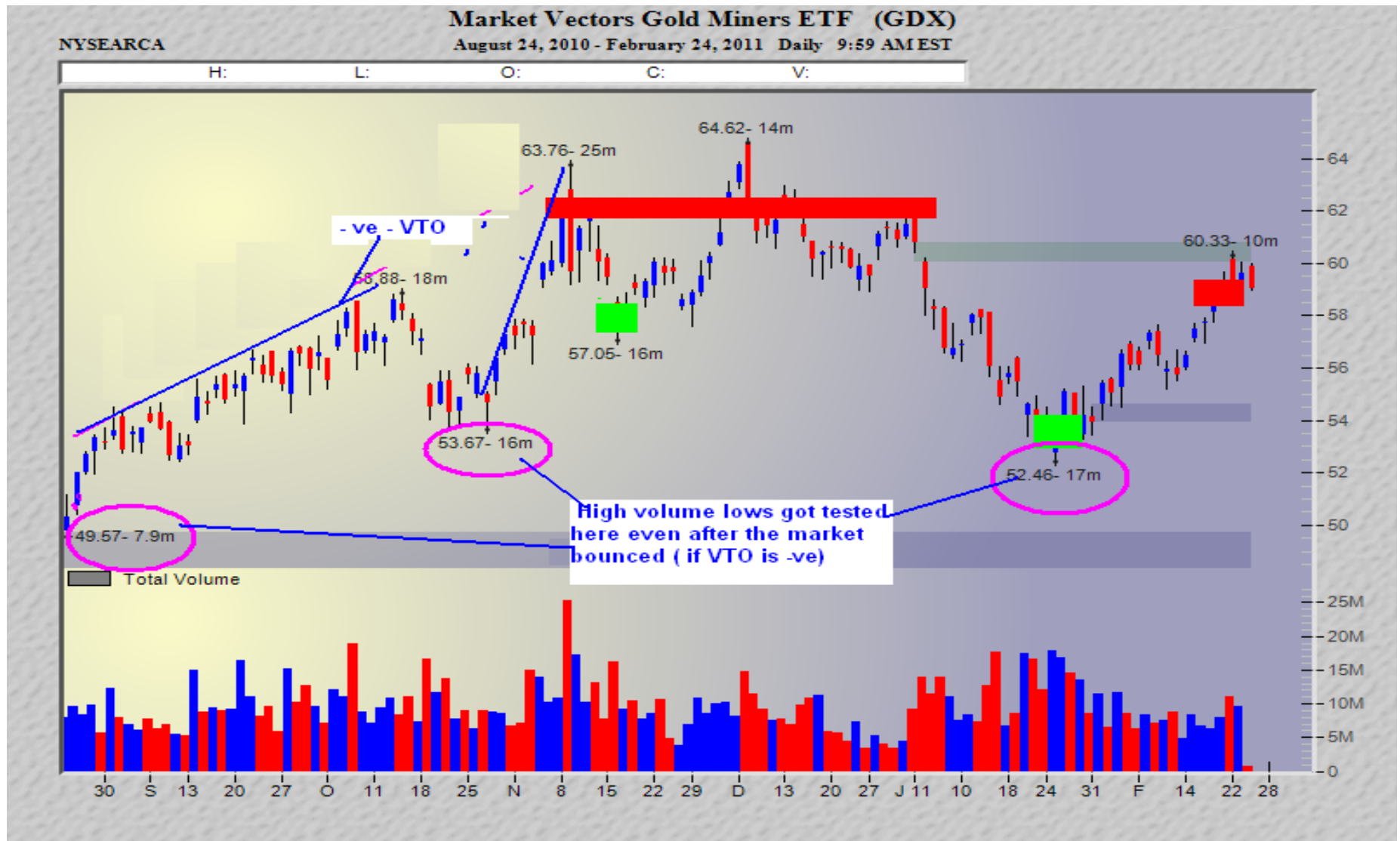
*However the current price (although outside the last CZ) , is in more difficult spot on crosscurrent*

*Here is the criteria, We should get a retest of 60-61 highs once gain and then volume drops to 7.5 M as required for test and close within UCZ that will be failure and trigger POM 14 – Re Run, ( but No signal yet ) ( Stops always pre positioned on other side of CZ after the trigger) whiles re- deploy recycled position.*

*Point to note – The high volume reversal lows have the tendencies of getting tested before any meaningful rally begins ( Off course, VTO should turn negative as well on that bounce ) circled in pink.*

# 1- GDX – CZ – Mapping

*CZ – PQV measurement is certainly not perfect and has its own drawbacks and certainly gets confusing at times in spite of our complete focus and efforts.*

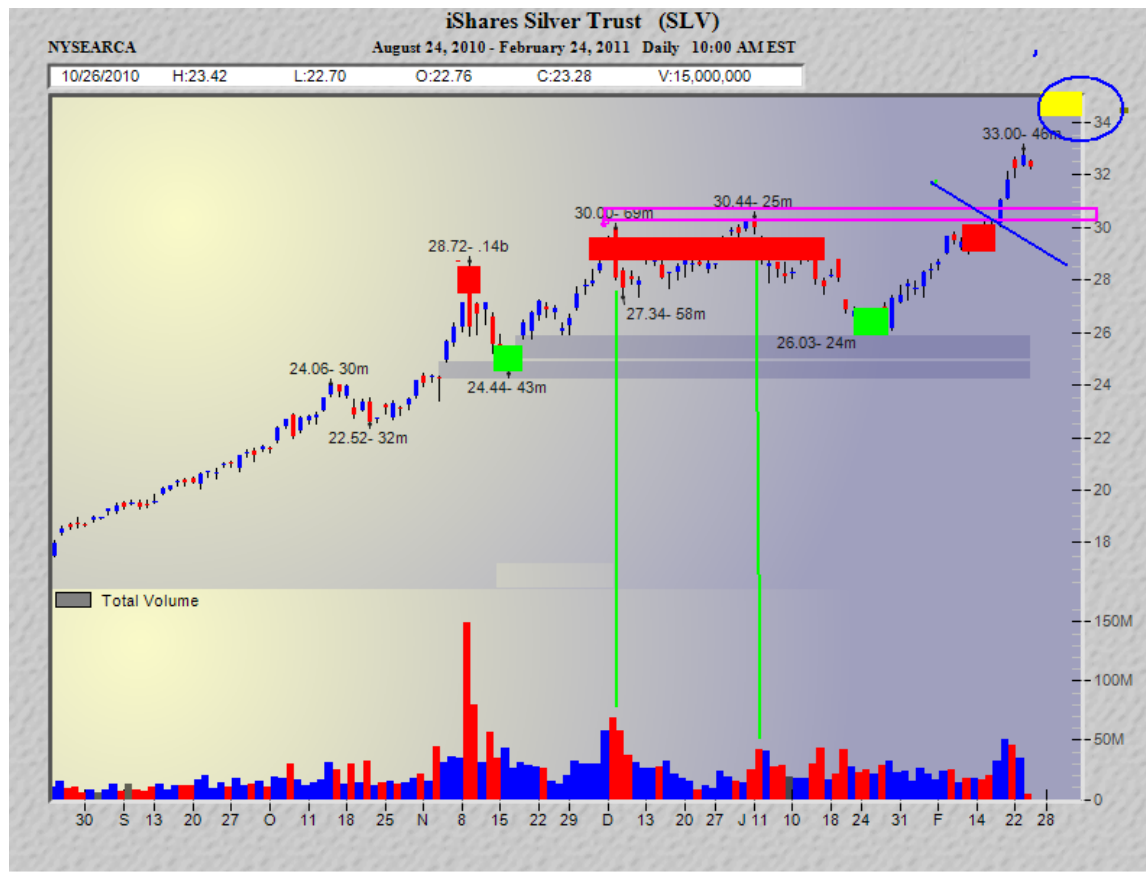


# 1- SLV – Daily - Price / Volume

Chart below indicates our previously announced CZ 's for risk management where the prices failed ( RED on Upside and GREEN on Downside)

On daily, it had Double top , closed above 30.5 with 31 M much higher then v/s 20 M required. **Short term this is valid breakout . hence can go higher. Therefore we could finish ABC up projection at 34 ( marked in yellow) from that short term breakout . If the volume drops to 20 M & below and close under ( marked in pink lines) 30 then on ( weekly and daily) will be failure and trigger POM 14 – Re Run, ( but No signal yet ) ( Stops always pre positioned on other side of CZ after the trigger) whiles re- deploy recycled position. Currently volume is 30M**

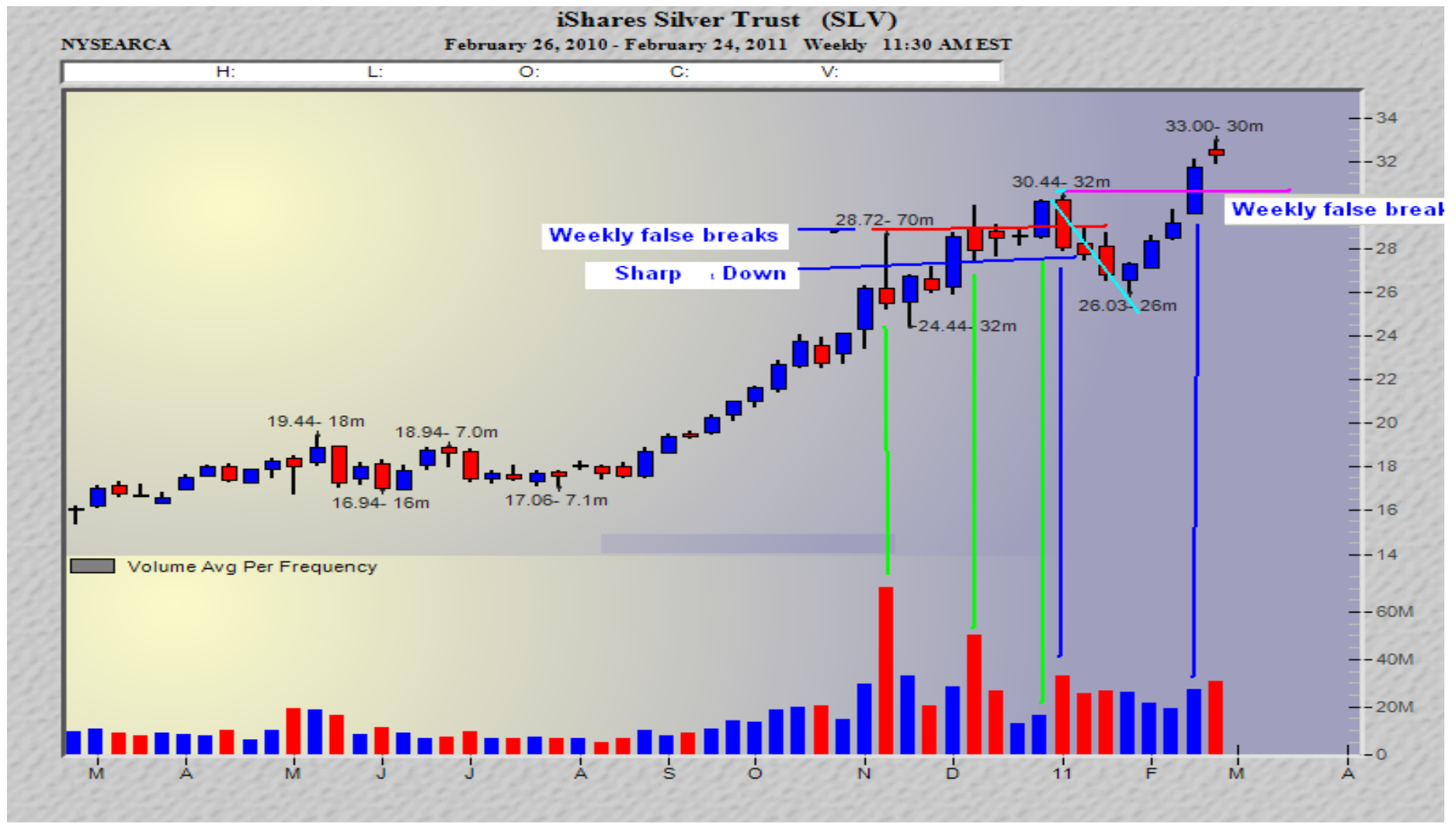
It just seem like this is harder to Trade compared to GDX, has more meat on bones. At least for now till things break loose.



## 2- SLV – Weekly - Price / Volume

On intermediate term – In spite of short term volume breakout, the weekly we are 15 % lighter on break of double top CZ

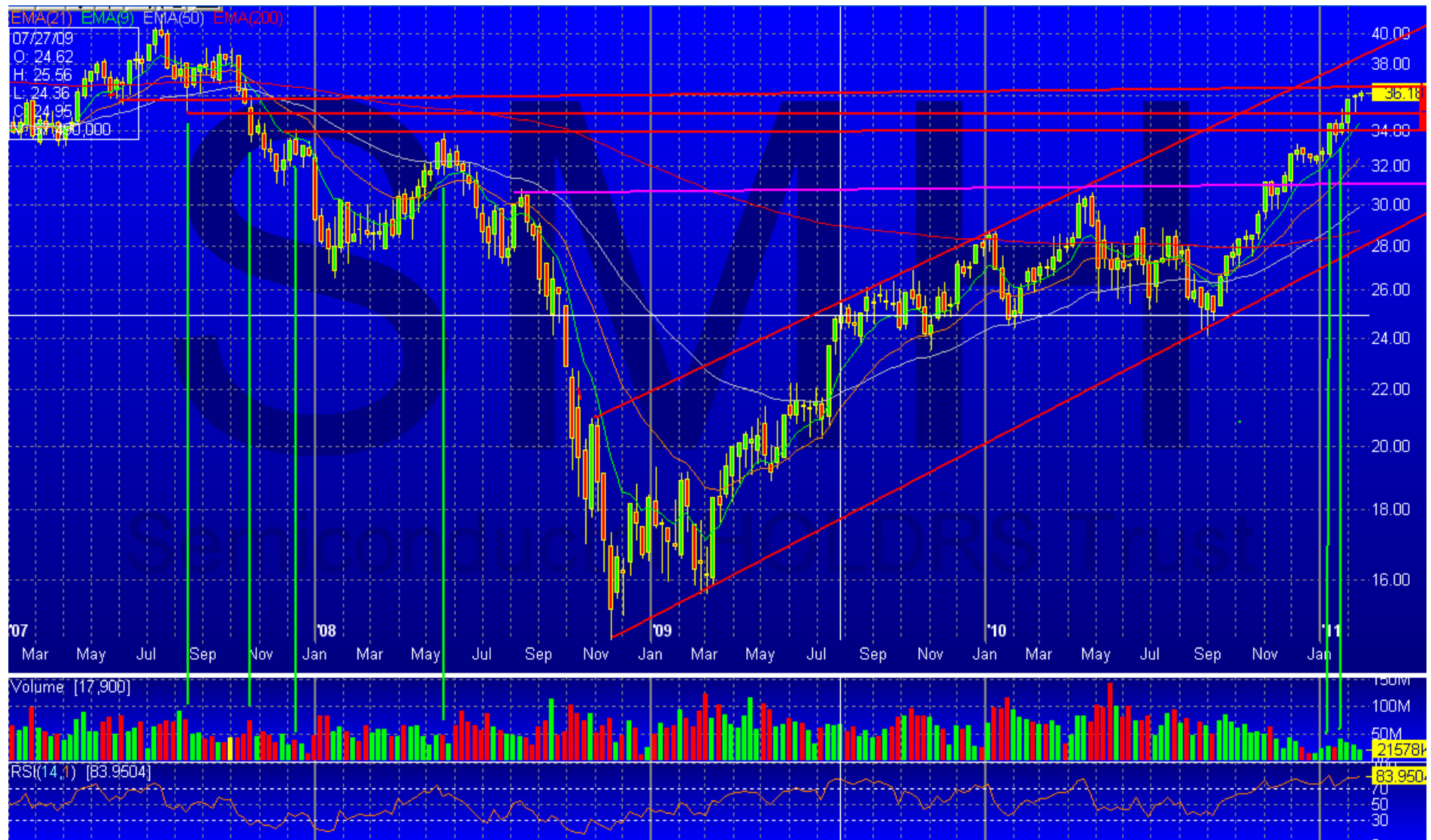
And volume is picking . unlike GOLD and GDX . This is divergences. This will eventually follow the Gold market but getting little cloudy for PQV – CZ Analysis. May be after Daily ABC up at 34 is finished it can get better picture.



## 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.

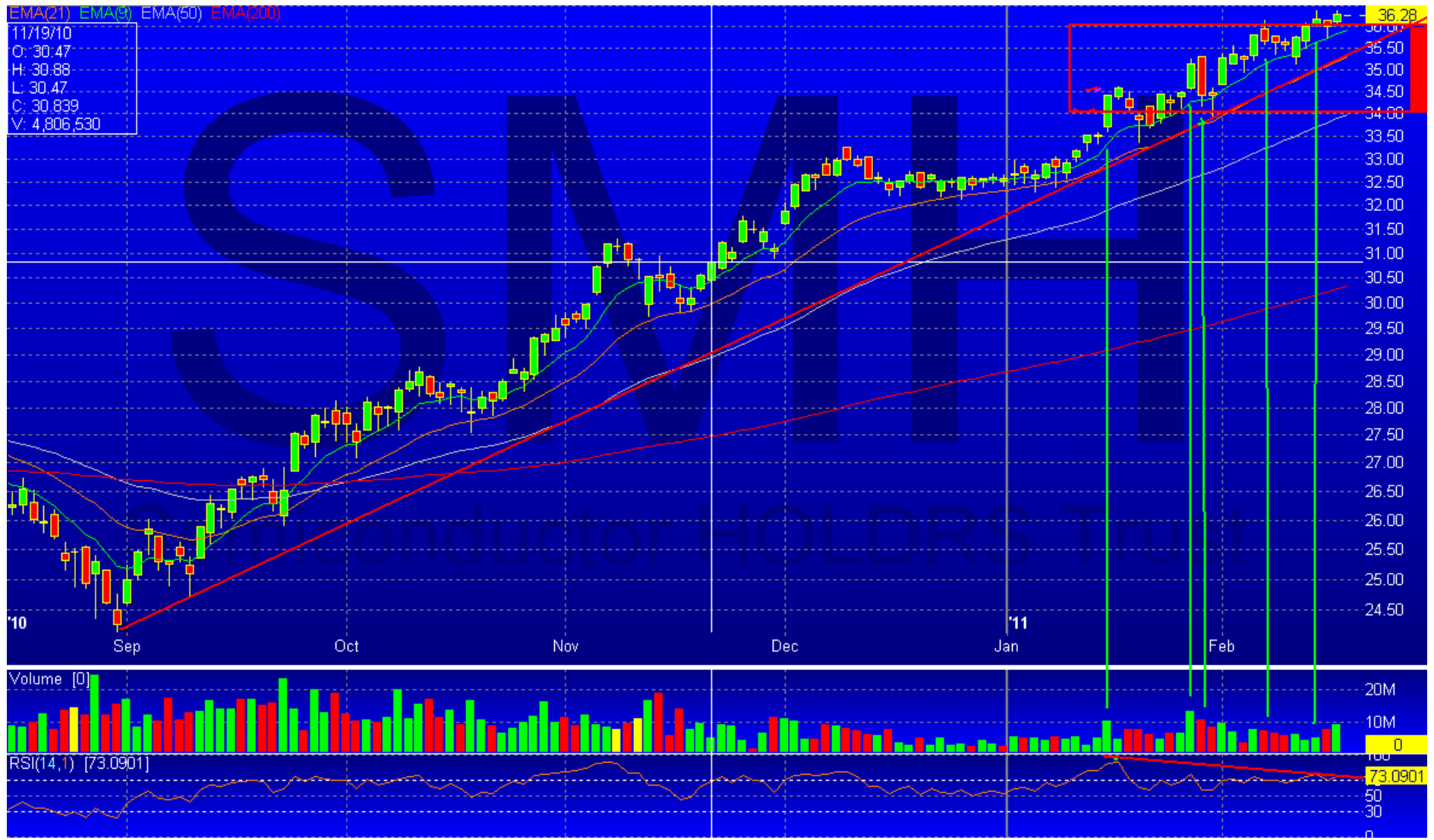
On weekly ( This week), the Volume test should fail, If we close below 34 on week and month, It should be another good failure. ( wkly volume 27m )





# 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.



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

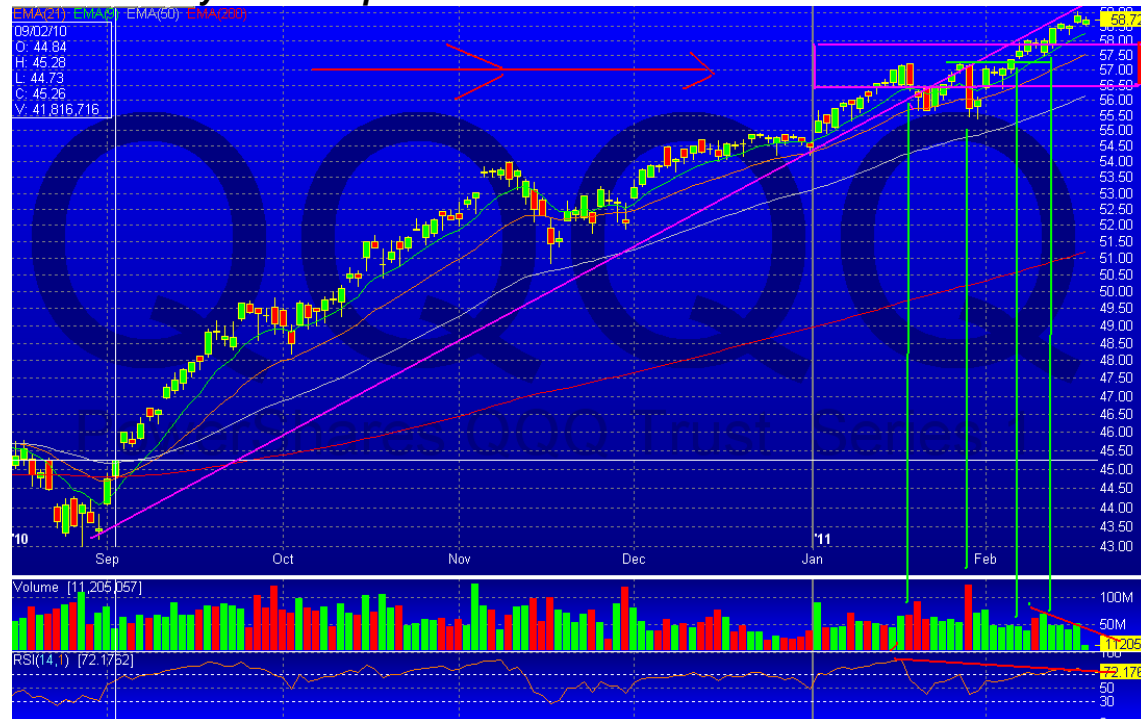
QQQQ – PQV has validated yet and refrained us from stepping in – currently in watch list.

It entered the CZ for 3<sup>th</sup> 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 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 )

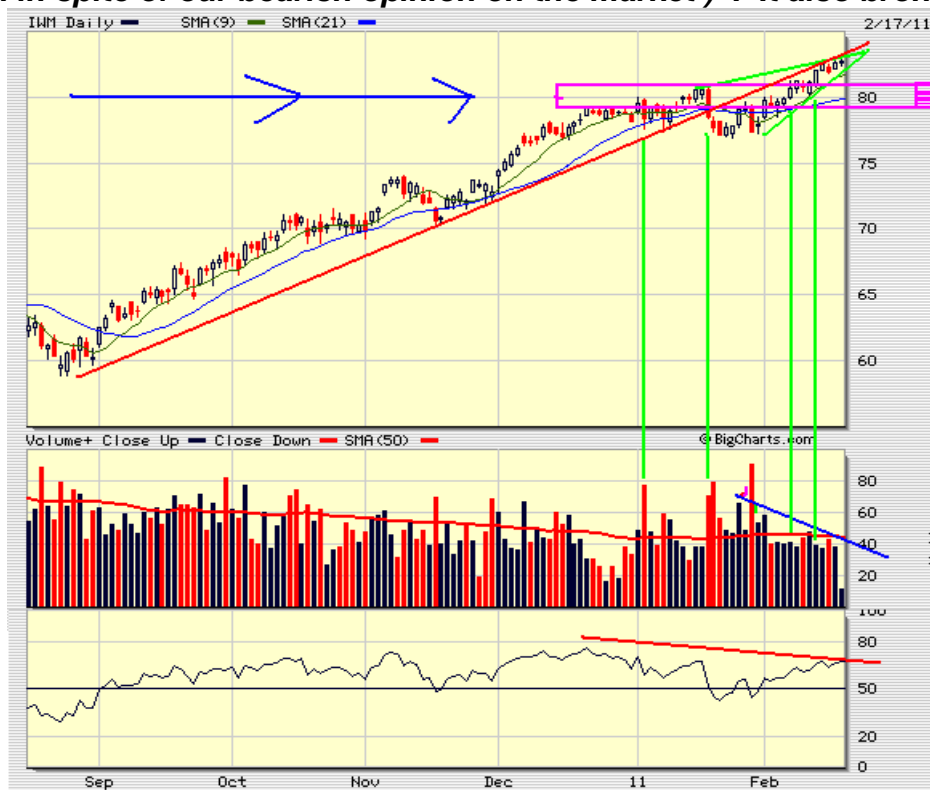
*SPX's non conformance of POM 15 is certainly not supporting this market, although it is at nose bleed territory..*

*Currently entering the CZ for 4<sup>th</sup> 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*

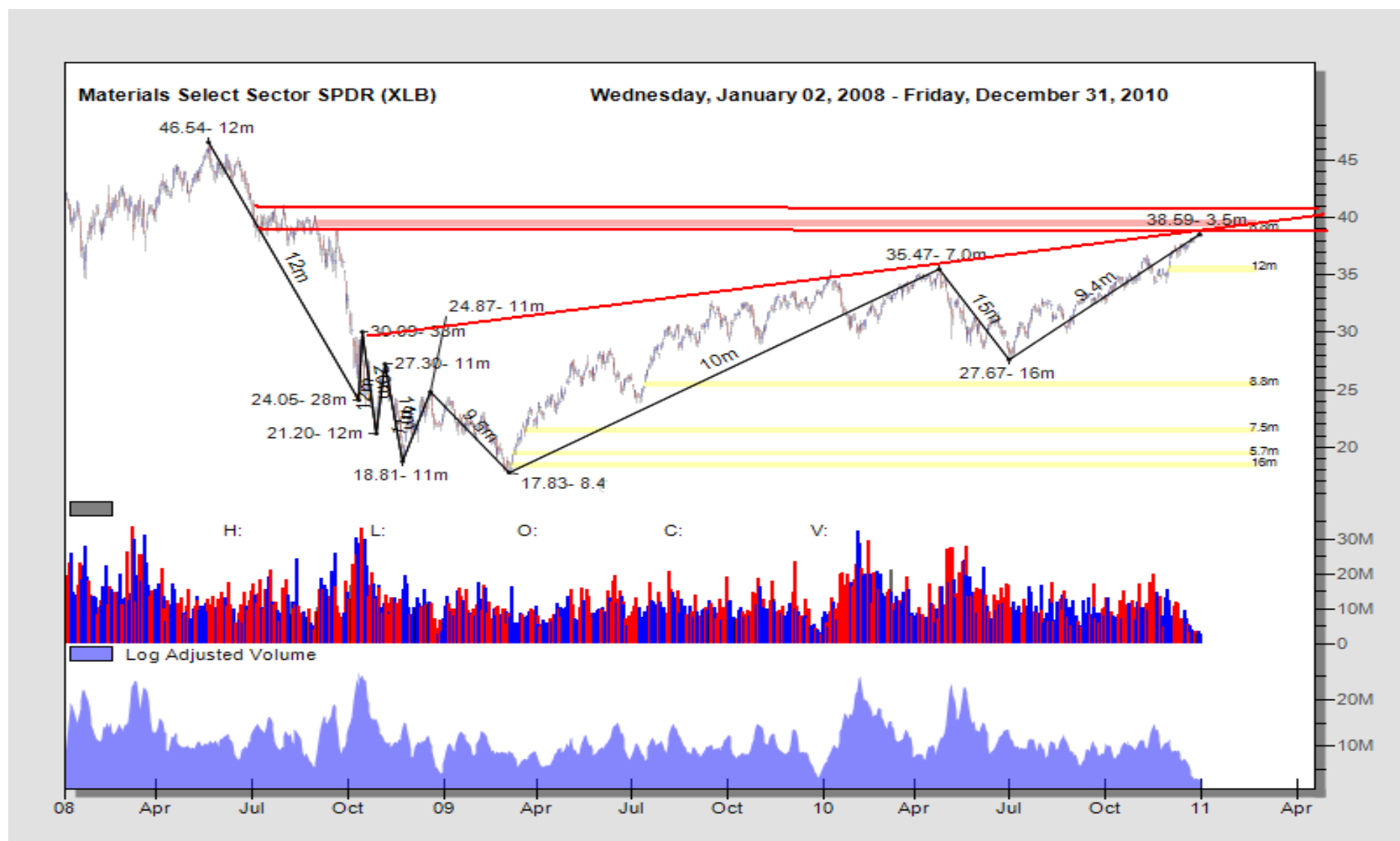
*But on daily basis the CZ For ½ position is 79 – 80.5 with price go above 80 and then close below 79 with 45 M shares for failure has trigged but prices has extended .We think the bearish wedge will be diffused and come back to CZ soon.*

*Earlier IWM tested the 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*



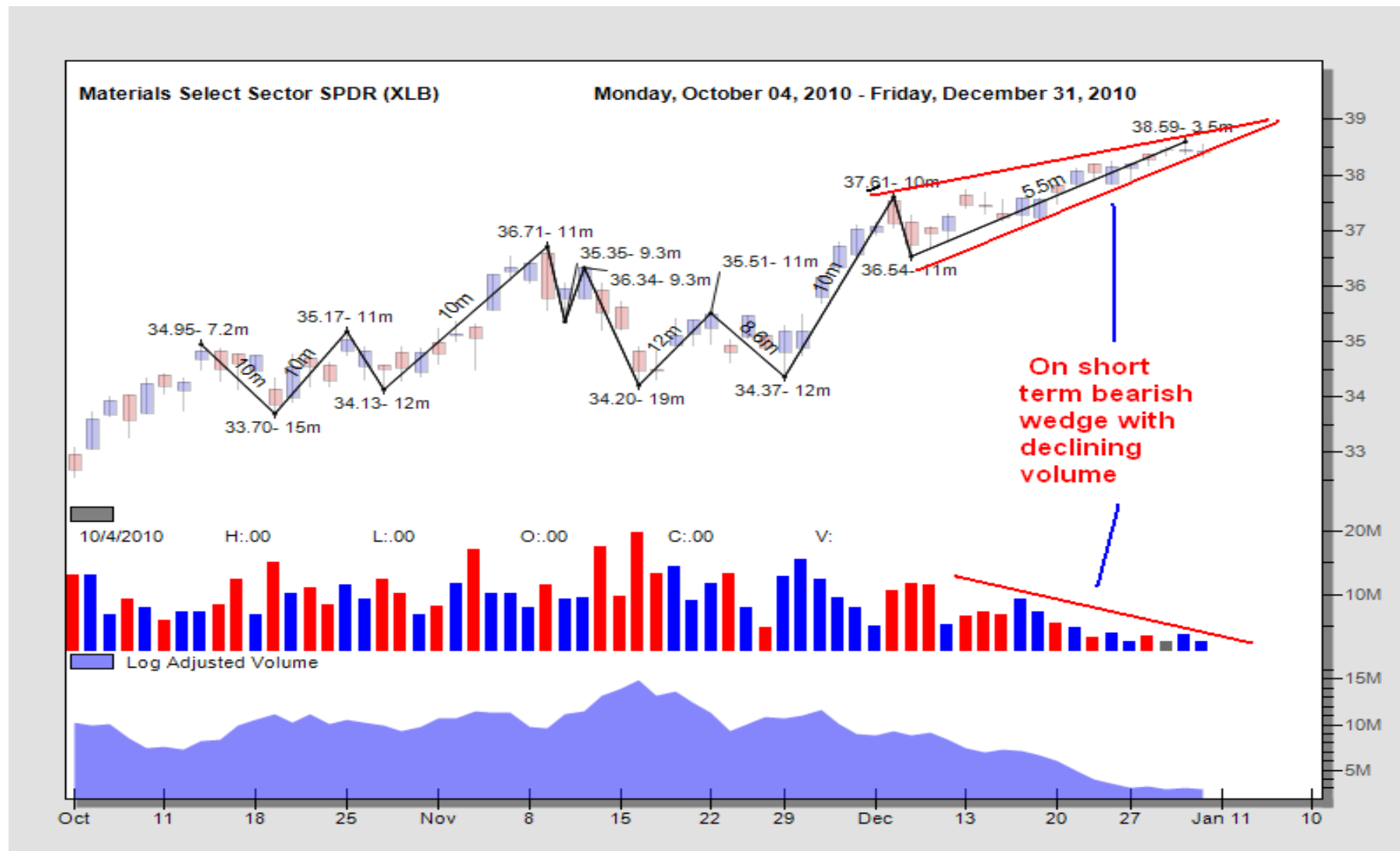
## XLB – PQV Analysis

*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*

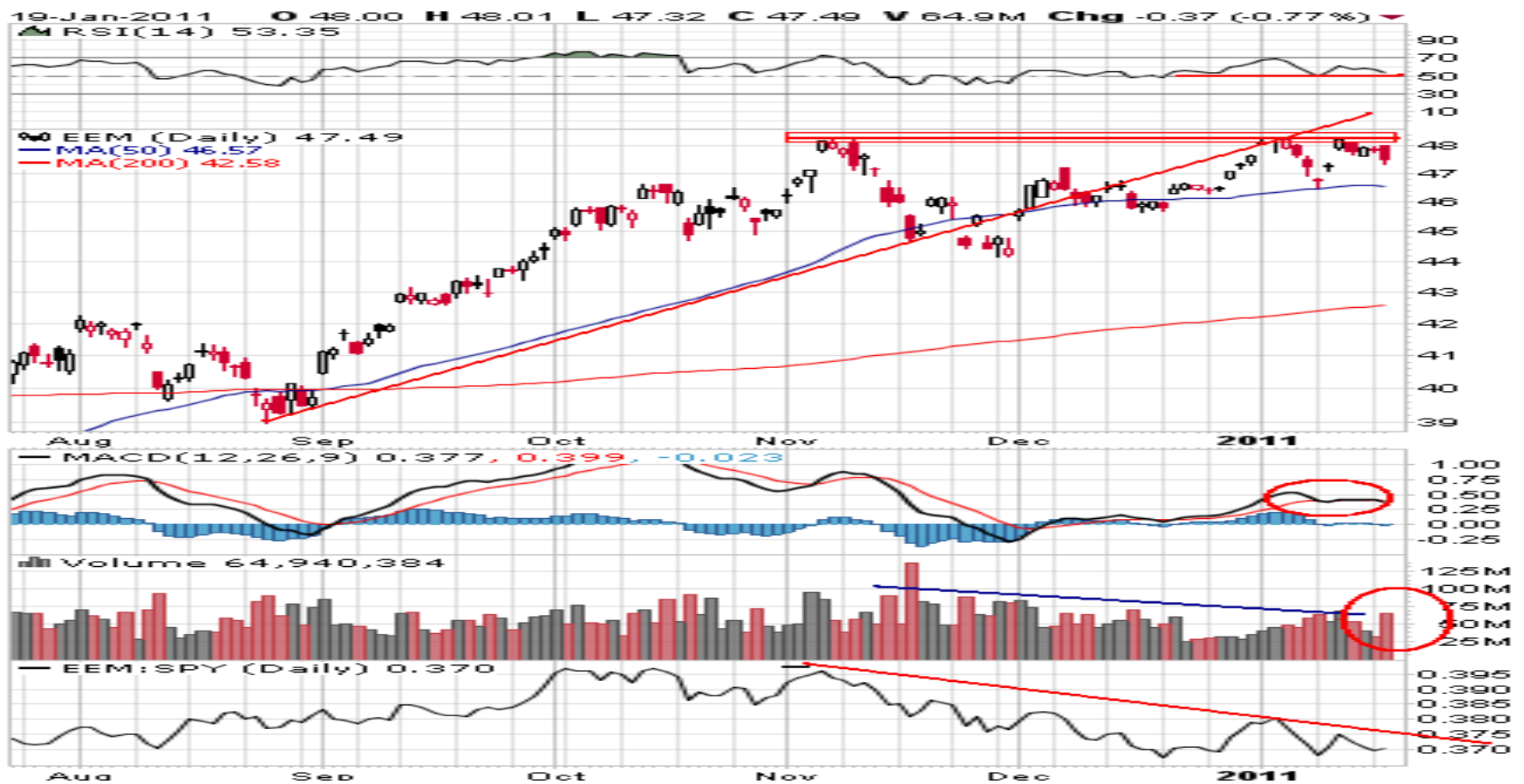


# EEM - POM - LT - Price , Volume & Pattern Analysis - ( MONITORING CZ -PQV

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 - Price , Volume & Pattern Analysis -

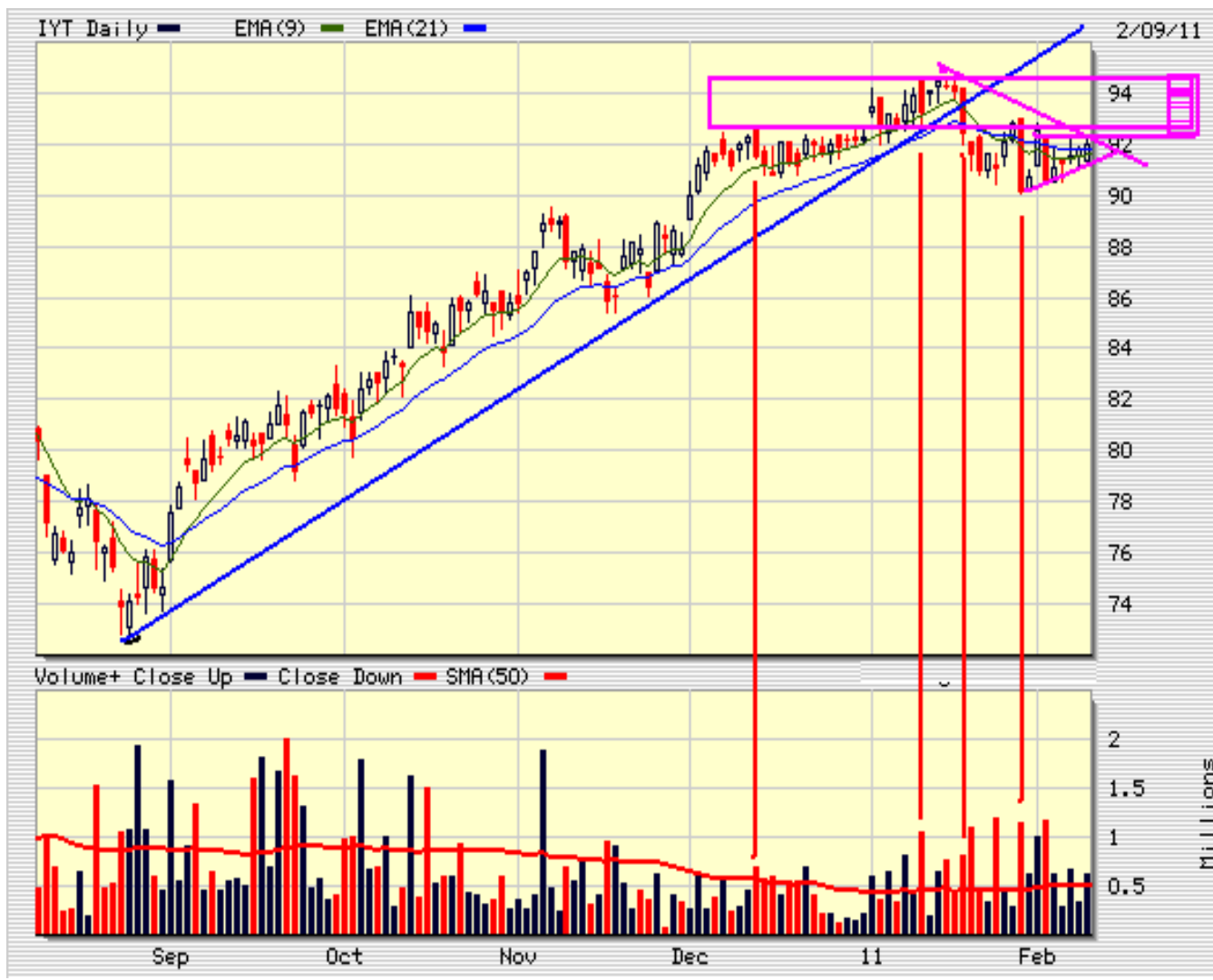
*EEM double topped in CZ Area, tested the broken Trend line and validated PQV test in 47.5 to 49.5. The CZ area is from way back from 2008 Jan breakdown area & 2008 highs of Sept.*

*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 - 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.*

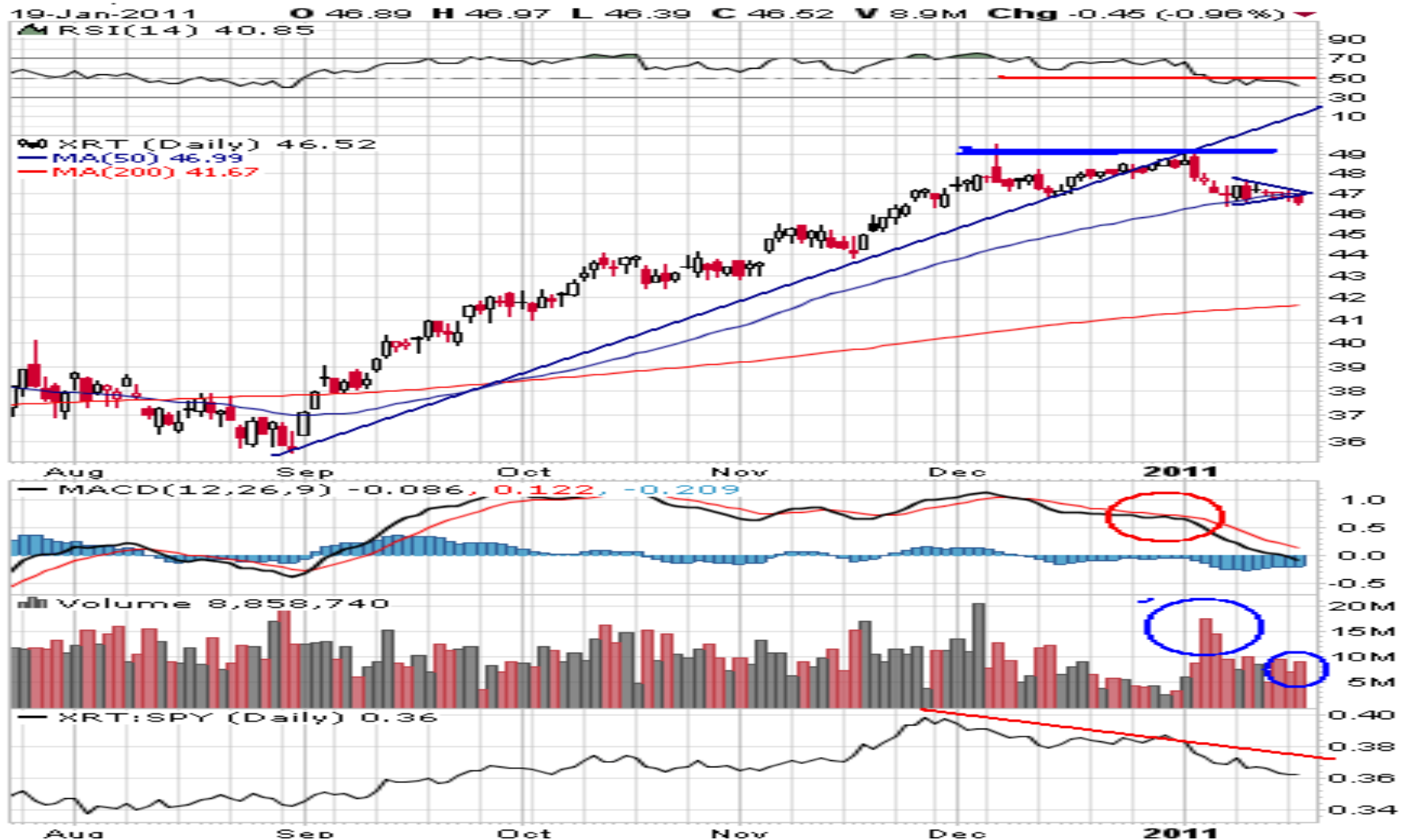




## XRT - ( Special Situation) -

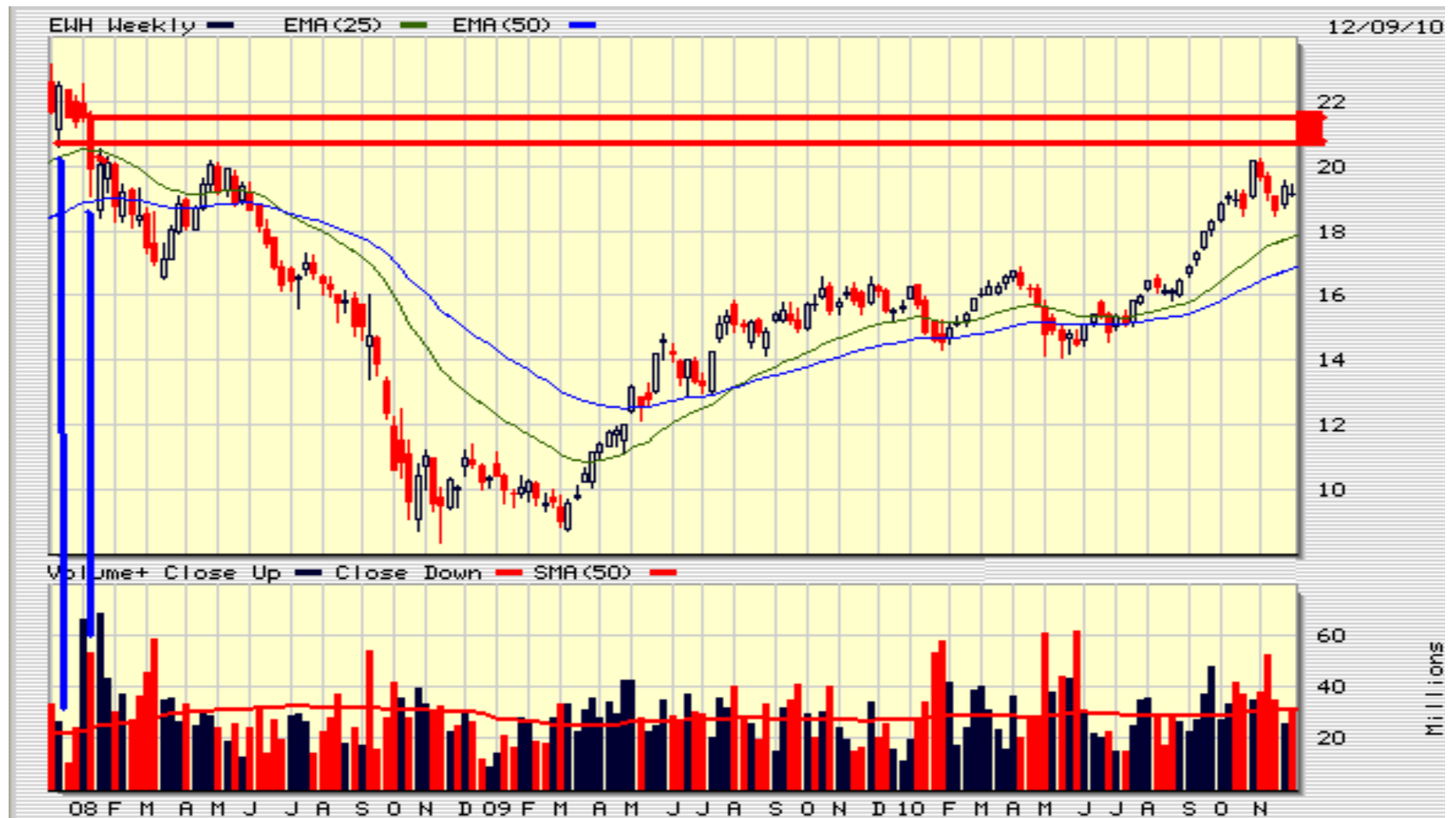
Weak broken down sector, RSI now below 50 on any bounces. Prices broke yesterday on Triangular pattern now 50D should be overhead on bounces. MACD turned down, Volume picked up on downside.

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



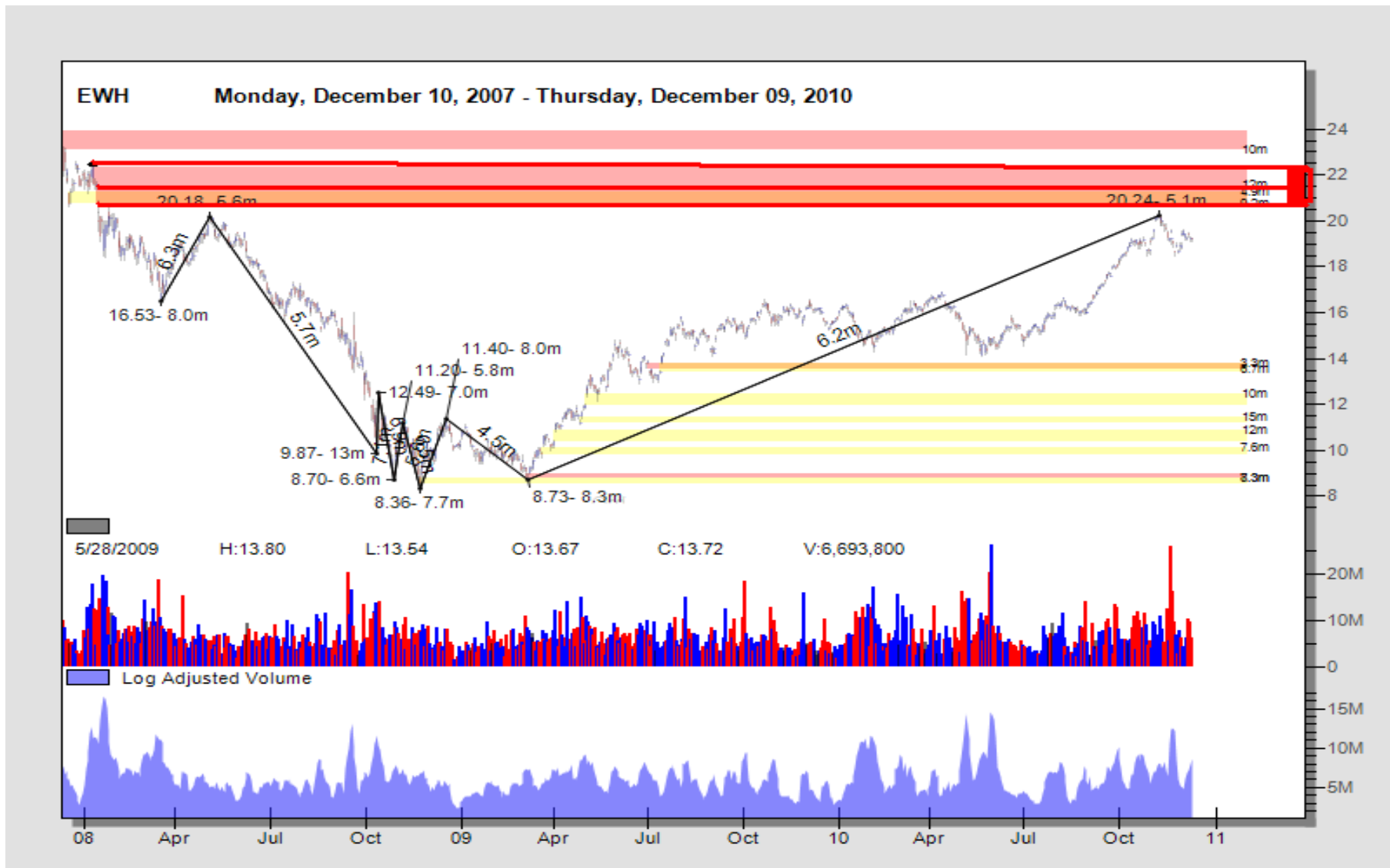
## EWH - POM - LT - Price , Volume & Pattern Analysis

**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



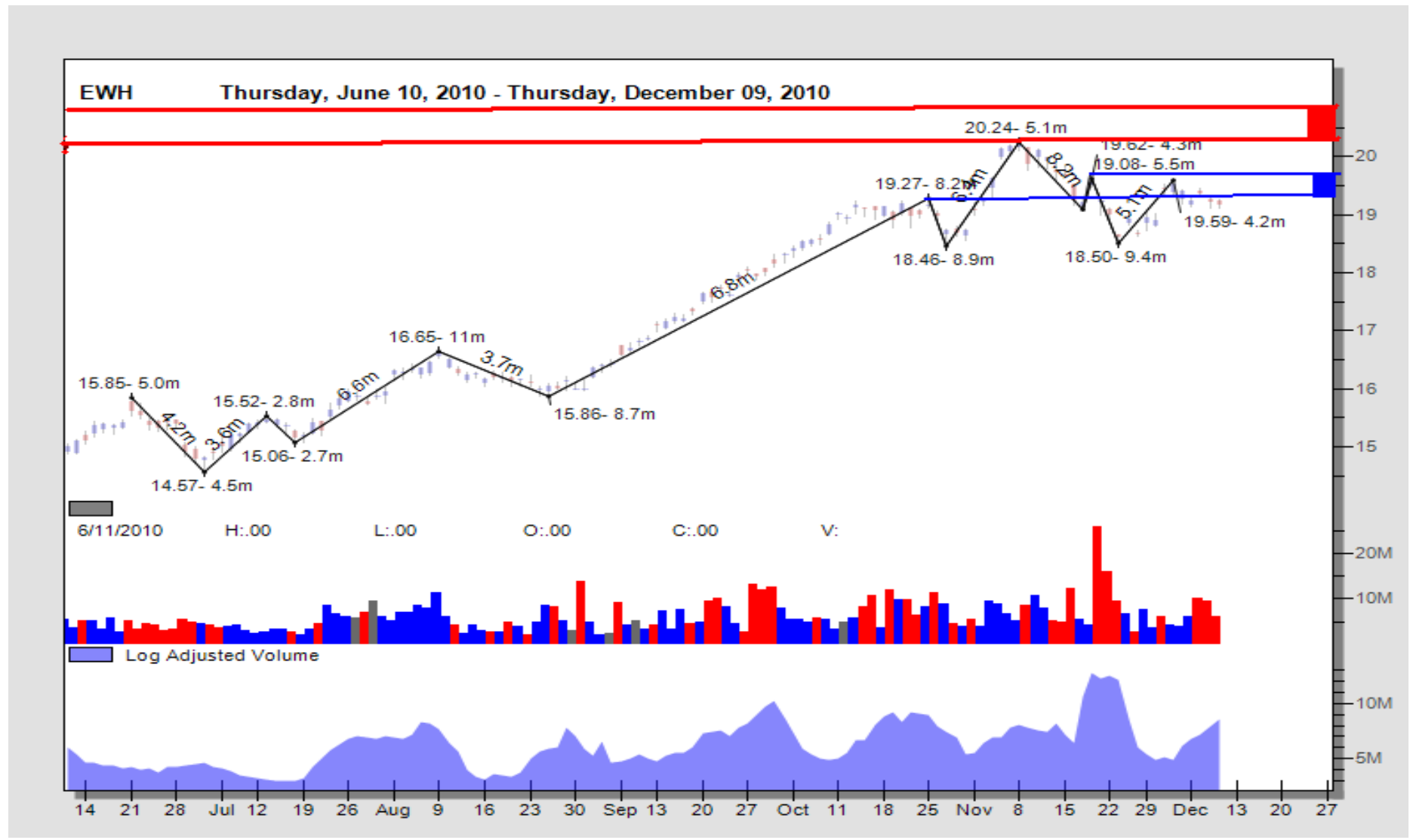
## EWH- POM – MT - Price , Volume & Pattern Analysis

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 .



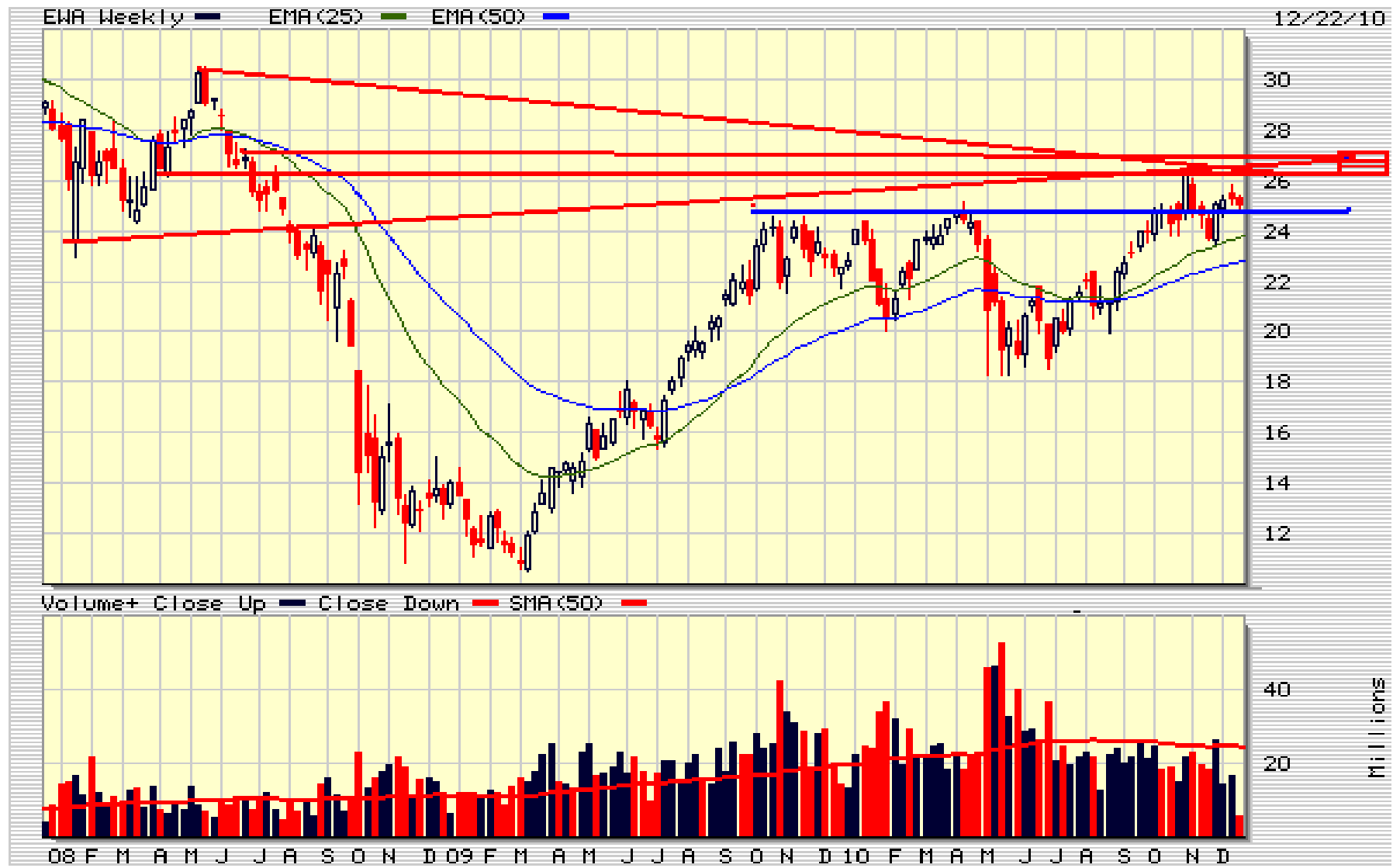
## EWH – Technical & Pattern Analysis & Price / Volume

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 .



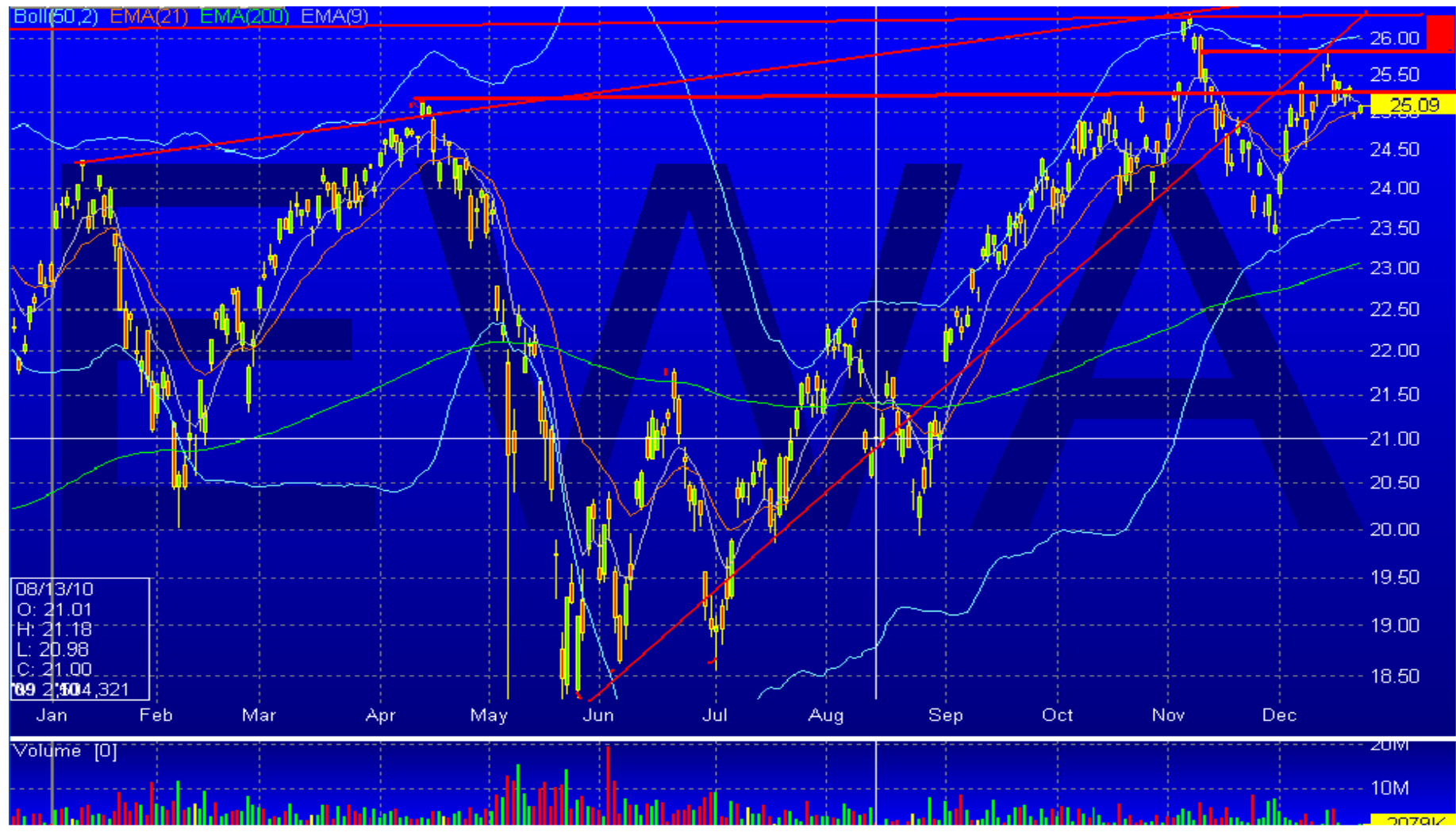
## EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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.



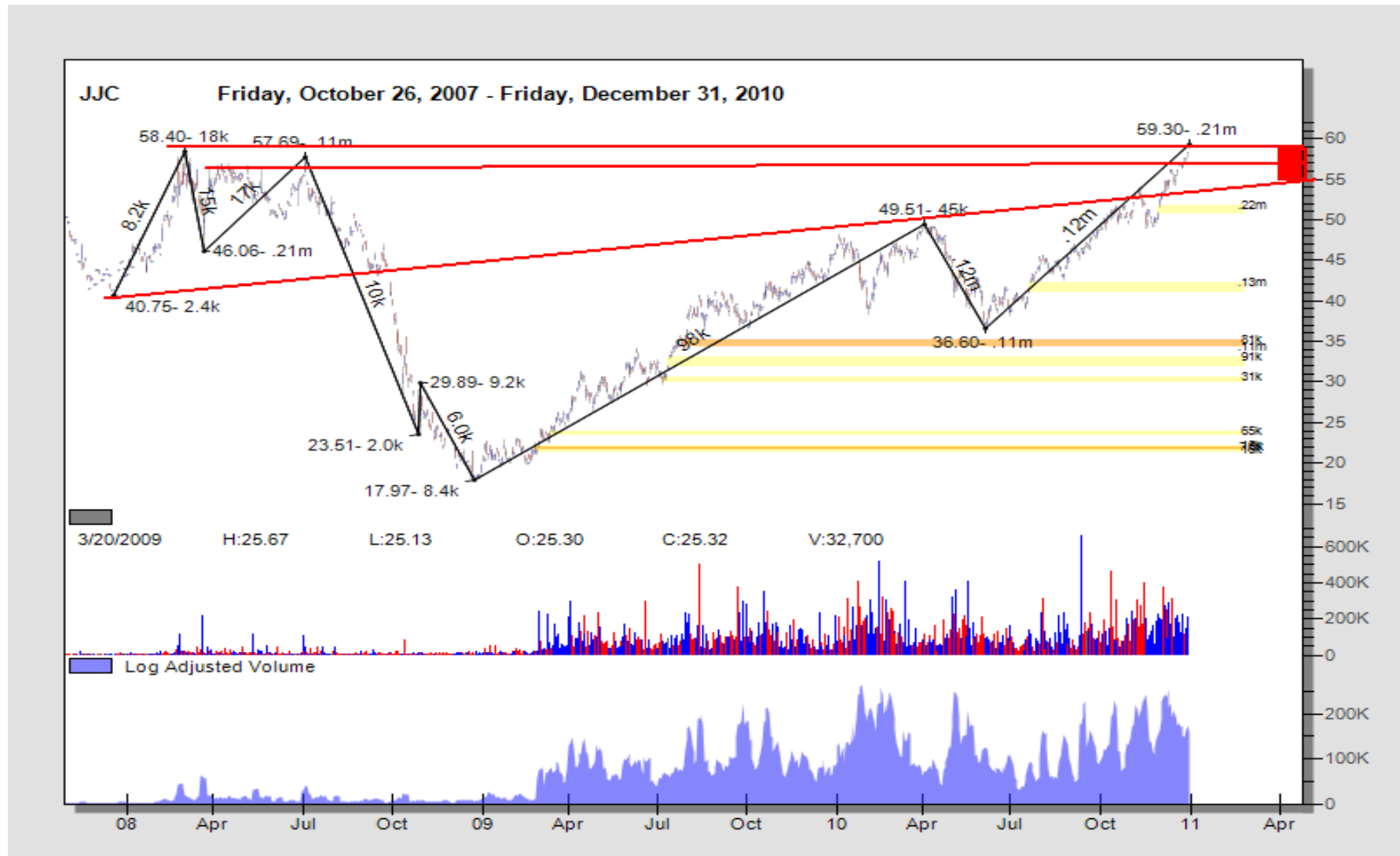
## EWA – Short term - Technical & Pattern Analysis & Price / Volume

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.



## 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*

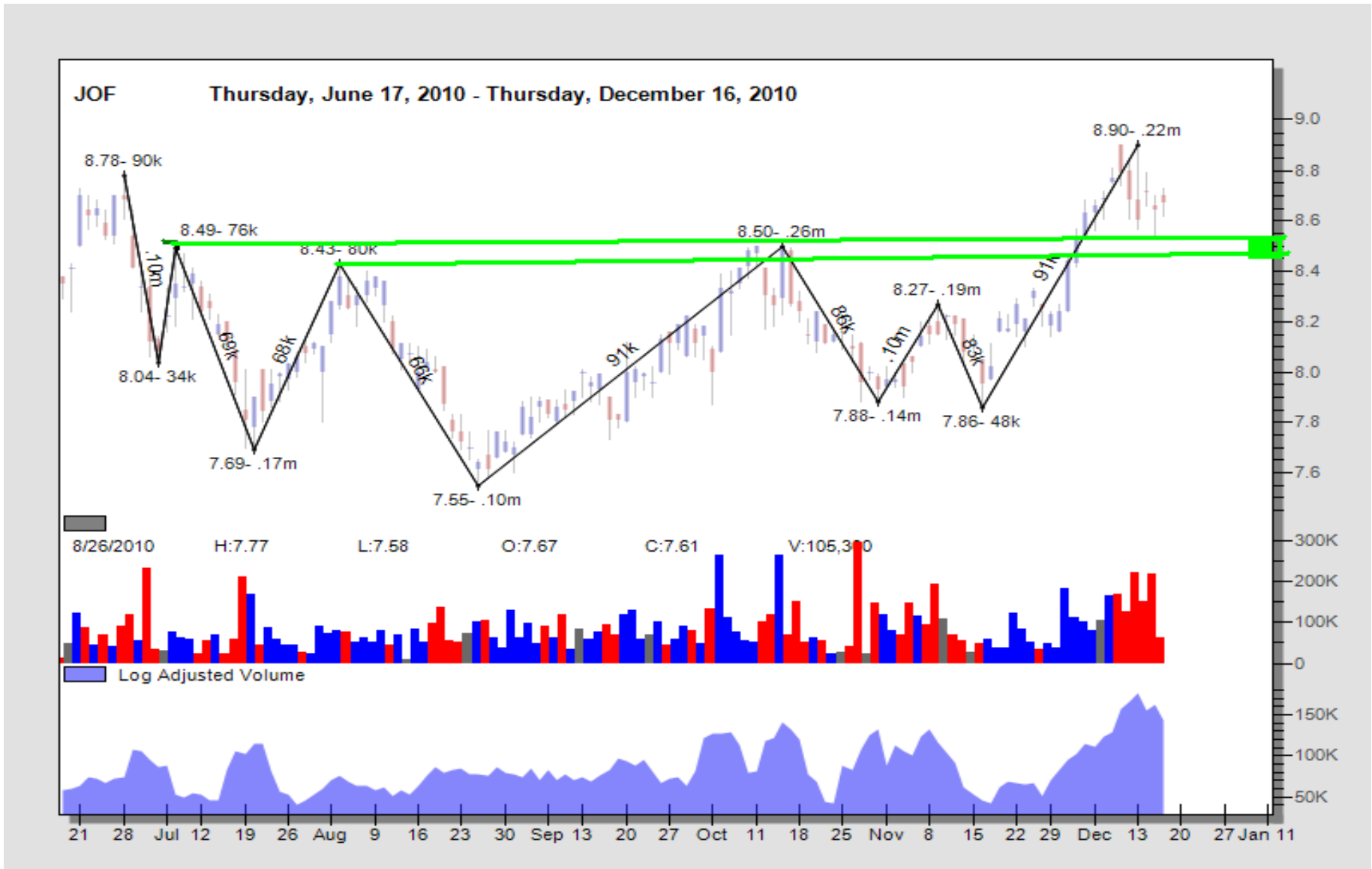




# Long

## 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 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- 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

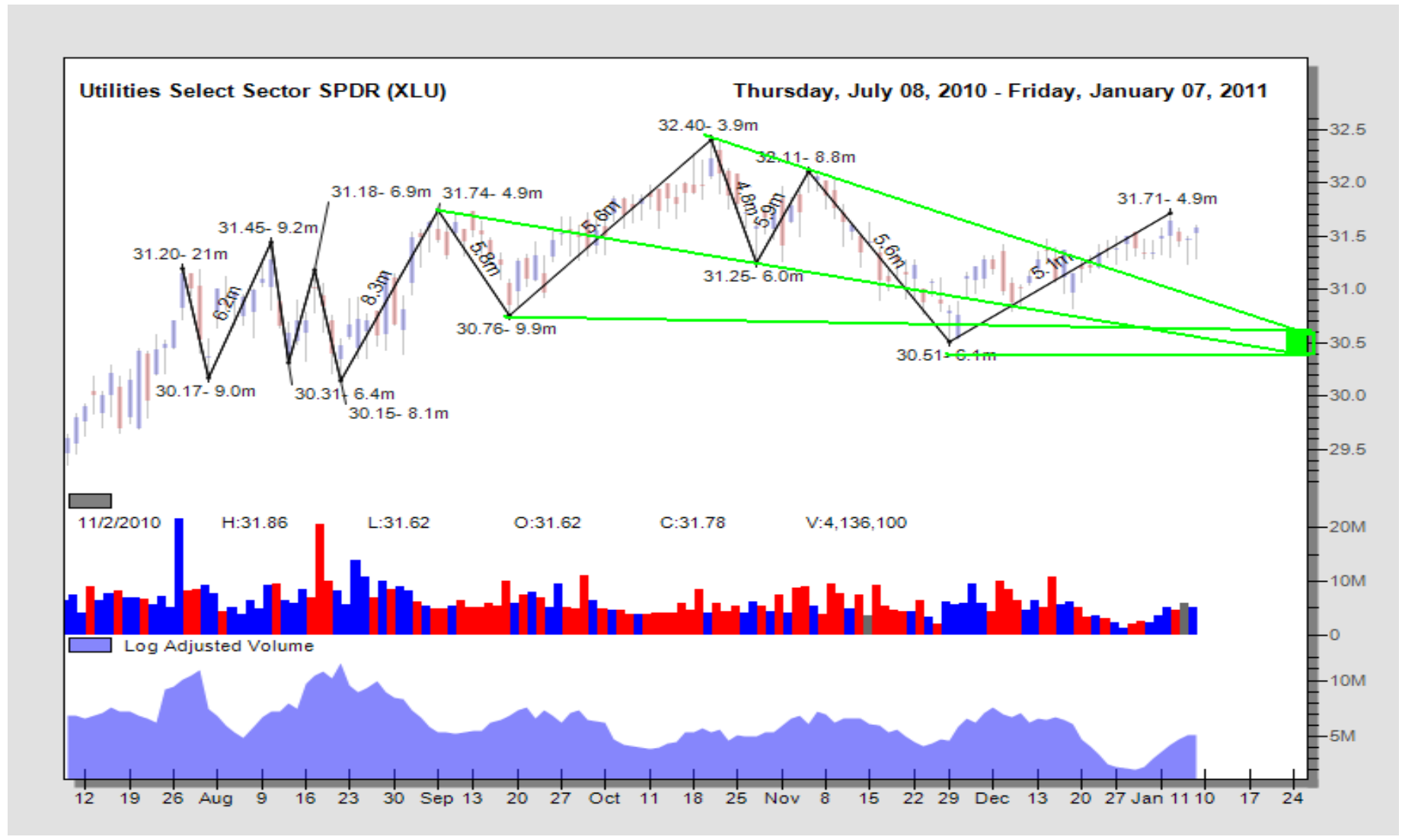
*Current situation considering the Bigger picture and our long term –time horizon could justify ½ position . The 2<sup>nd</sup> half upon re confirmation of Secondary test as indicated in CZ Tracker , As we thought last week, a possibility of bear trap seems to have experienced past 3 days. These TRAPS 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.*



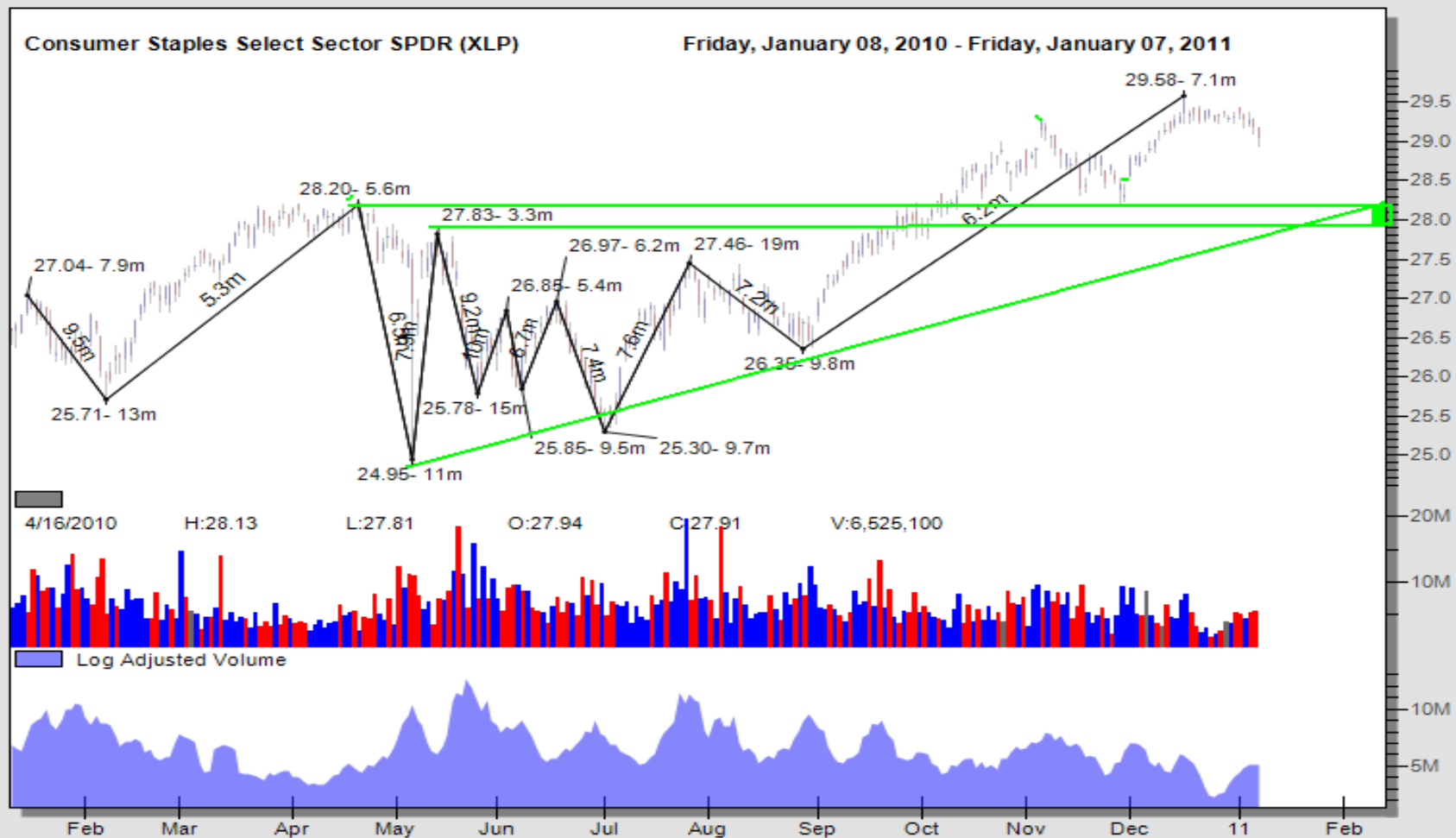
## XLU- Price / Volume

- **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- 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.