SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR_ETF ANALYSIS SG 2011 # JAN 07

For Immediate Release – Friday AM (EST) or Saturday

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- **Daily SPX - " Trend Adjusted Signal" - UPDATED**

3x3 /9EMA – Momentum Break Indicator – Long @ 1228 SPX

- **For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%**
- **For Bear case - SS from last Sell Signal at 1193 to 1225 = - 2.6%**

Currently " Trend Adjusted Signal " has Reversal stop @ 1269 (Revised) SPX & DOW 11650 (Revised) .

- ***Post POM 14, Our " Momentum Break Indicator has been on Long side on Trend Adjusted Signal 3X3 / 9EMA" twice. First, 1105 TO 1193 (8% move) and then in current trend from 1228 to 1276 (4% move) . We will stop this position at 1269.***

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

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

GR1 (15)	GR2 (11)	GR3 (13)
• 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) SP – Special Situation	• 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)	➢ 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 # 1.5 to 2 Overvalued and Undervalued characteristics. Additional direction bias is given via doubling on ETF's with extremes SD # 2 & POM conditions.

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

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

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

Overlay Criteria

- ***SD # 1.5 /2 ANALYSIS EXTREMES by 365 D Correlation.***
- ***SPX - POM FRAMEWORK as PIVOT by Trend Correlation***
- ***TECHNICAL PATTERNS, 2nd Derivative DMA's & VOLUMES"***

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

- **SPX – " POM Signal**

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

- **Trading & Investment Conclusions**

ACTIONABLE ZONE :

" Global Long / Short – Market Neutral ETF Index" (Equally Weighted)

- ***With composition of ETF's with entry at SD # 1.5 - Overvalued and Undervalued characteristics &***
- ***For Direction bias to capitalize on extremes via doubling on ETF's at SD # 2 at appropriate POM conditions.***

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

- **Overvalued confirmed– *SLV, XLE, XLB, JJC***
- **Undervalued confirmed – *MUB, TLT, XLP, XLU***
- **Non Conformance – *None***
- ***This conclusion to be Utilized with PQV Validation Test for MAEG – E Section***

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		-1.10		0.09	127.39	$ 125.36		
QQQQ	Above +1.5SD	1.72		0.04	55.92	$ 54.77		
EEM		0.43		0.04	47.69	$ 47.56		
IWM	Above +1.5SD	1.73		0.06	78.97	$ 78.26		
TLT	Below -2SD	-2.09		0.09	91.86	$ 92.75		New
EWJ		-0.94		0.01	10.94	$ 10.77		
FXI		-1.49		0.04	43.97	$ 42.89		
EWP	Below -2SD	-2.00		0.04	35.05	$ 36.23		special situation
Gr 2								
XLY		1.05		0.03	37.72	$ 37.49	33%	
XLV	Below -1.5SD	-1.95		0.03	32.09	$ 31.64	80%	
RTH		1.06		0.03	105.06	$ 106.03		
XLF		-0.78		0.01	16.36	$ 15.83	25%	
XLK		1.43		0.02	25.87	$ 25.25	60%	
XLU	Below -2SD	-2.12		0.03	31.47	$ 31.23		
XLI		1.20		0.03	35.19	$ 34.73	-43%	
XLE		1.47		0.05	67.79	$ 67.99	-100%	
XLB		1.36		0.03	38.35	$ 38.37	-100%	
XLP	Below -2SD	-2.69		0.02	29.18	$ 29.25	33%	New
Gr 3								
IYT		1.22		0.07	92.81	$ 92.47		
JJC	Above +2SD	2.01		0.04	57.52	$ 58.32		
SLV	Above +2SD	2.06		0.02	28.42	$ 29.25		
GLD		0.34		0.10	133.83	$ 136.42		
SMH	Above +1.5SD	1.51		0.02	32.89	$ 32.53		
GDX		0.08		0.04	56.74	$ 59.71		
MUB sp	Below -2SD	-2.76		0.09	99.13	$ 99.25		special situation
USO		-1.47		0.03	37.68	$ 38.61		
BBH		-1.41		0.09	101.85	$ 100.52		
	Primary Index Net Exposure						40%	
		POM 14 Re Run 3						

- **From (34) 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

Long / Short –- ETF Index - Market Neutral (with positions taken at SD # 1.5 & 2.0)

SD -TECH VALIDATED MARKET NEUTRAL ETF INDEX (Directional Bias only at Exterme POM's)						
Ticker	Entry date	Last Price		Validated Test price	P/L Since the Test	Comments
SHORTS						
EEM	12-Nov-10	47.69		47.20	-1.03%	
EEM	12-Nov-10	47.69		47.20	-1.03%	
IWM	25-Nov-10	78.97		73.73	-7.11%	
IWM	10-Dec-10	78.97		76.79	-2.84%	
XLY	15-Oct-10	37.72		34.71	-8.67%	
RTH	15-Oct-10	105.06		99.54	-5.55%	
RTH	25-Nov-10	105.06		103.47	-1.54%	
XLK	20-Oct-10	25.87		24.00	-7.79%	
XLK	25-Nov-10	25.87		24.49	-5.63%	
SMH	12-Nov-10	32.89		30.87	-6.54%	
SMH	25-Nov-10	32.89		31.68	-3.82%	
IYT	15-Oct-10	92.81		84.90	-9.32%	
JJC	2-Dec-10	57.52		52.39	-9.79%	
JJC	10-Dec-10	57.52		54.08	-6.36%	
SLV	10-Nov-10	28.42		27.00	-5.26%	
SLV	15-Oct-10	28.42		23.75	-19.66%	
GDX	15-Oct-10	56.74		58.19	2.49%	
GDX	25-Nov-10	56.74		59.67	4.91%	
XLI	15-Oct-10	35.19		32.43	-8.51%	
GLD	15-Oct-10	133.83		133.68	-0.11%	
XLE	16-Dec-10	67.79		65.79	-3.04%	
XLE	31-Dec-10	67.79		68.15	0.53%	
QQQQ	23-Dec-10	55.92		54.74	-2.15%	
XLB	31-Dec-10	38.35		38.44	0.23%	
CLOSED SHORT POSITIONS					30.20%	
				EQ WT SHORT P/L	-3.22%	
LONGS						
XLV	15-Oct-10	32.09		31.15	3.02%	
XLV	10-Dec-10	32.09		30.99	3.55%	
XLU	12-Nov-10	31.47		31.50	-0.10%	
XLU	23-Dec-10	31.47		31.36	0.35%	
XLF	12-Nov-10	16.36		15.15	8.00%	
XLF	25-Nov-10	16.36		14.63	11.84%	
TLT	12-Nov-10	91.86		96.38	-4.69%	
TLT	7-Jan-11	91.86		91.86	0.00%	New
MUB	19-Nov-10	99.13		100.98	-1.83%	
MUB	10-Dec-10	99.13		99.48	-0.35%	
BBH	15-Oct-10	101.85		96.76	5.26%	
EWJ	15-Oct-10	10.94		10.22	7.05%	
USO	15-Oct-10	37.68		35.47	6.23%	
FXI	23-Dec-10	43.97		42.60	3.22%	
XLP	7-Jan-11	29.18		29.18	0.00%	New
EWP	7-Jan-11	35.05		35.05	0.00%	New
CLOSED LONG POSITIONS					10.61%	
				EQWT LONG P/L	3.26%	
15th OCT 2010 INCEPTION						
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX				EQWT AGG P/L Short Bi	0.02%	
INCEPTION @ SPX 1180 to Current 1273.85				SPX CHANGE	-7.95%	

- **SECTOR SETUP INDEX** **+77%, +77% , +85%, +87% (past 4 weeks)**
  (Currently for monitoring purposes only, we will establish . correlation as we go forward with POM 13)

- **EQUITY SETUP INDEX : +31%, +30%, +40%, +39% (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 (33 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	14.90%	TLT	-4.31%			SLV	34.01%
QQQQ	21.04%	MUB	-5.12%				
IWM	20.25%						
EEM	18.15%						
EWJ	10.62%						
FXI	8.65%						
RSX	22.27%						
IFN	10.48%						
EWH	30.62%						
EWA	13.21%						
XLF	11.38%						
XRT	21.06%						
XLV	5.94%						
XLB	19.36%						
XLE	21.73%						
XLK	16.48%						
XLI	18.60%						
XLU	4.80%						
XLP	8.07%						
XLY	19.56%						
XHB	10.98%						
SMH	22.09%						
BBH	5.73%						
IYT	20.53%						
IYR	70.75%						
DBA	26.03%						
DBB	18.31%						
DBC	18.30%						
GLD	59.61%						
GDX	25.25%						
USO	5.16%						
JJC	30.85%						
SLX	20.12%						

CZ – PQV – Validation Tracker

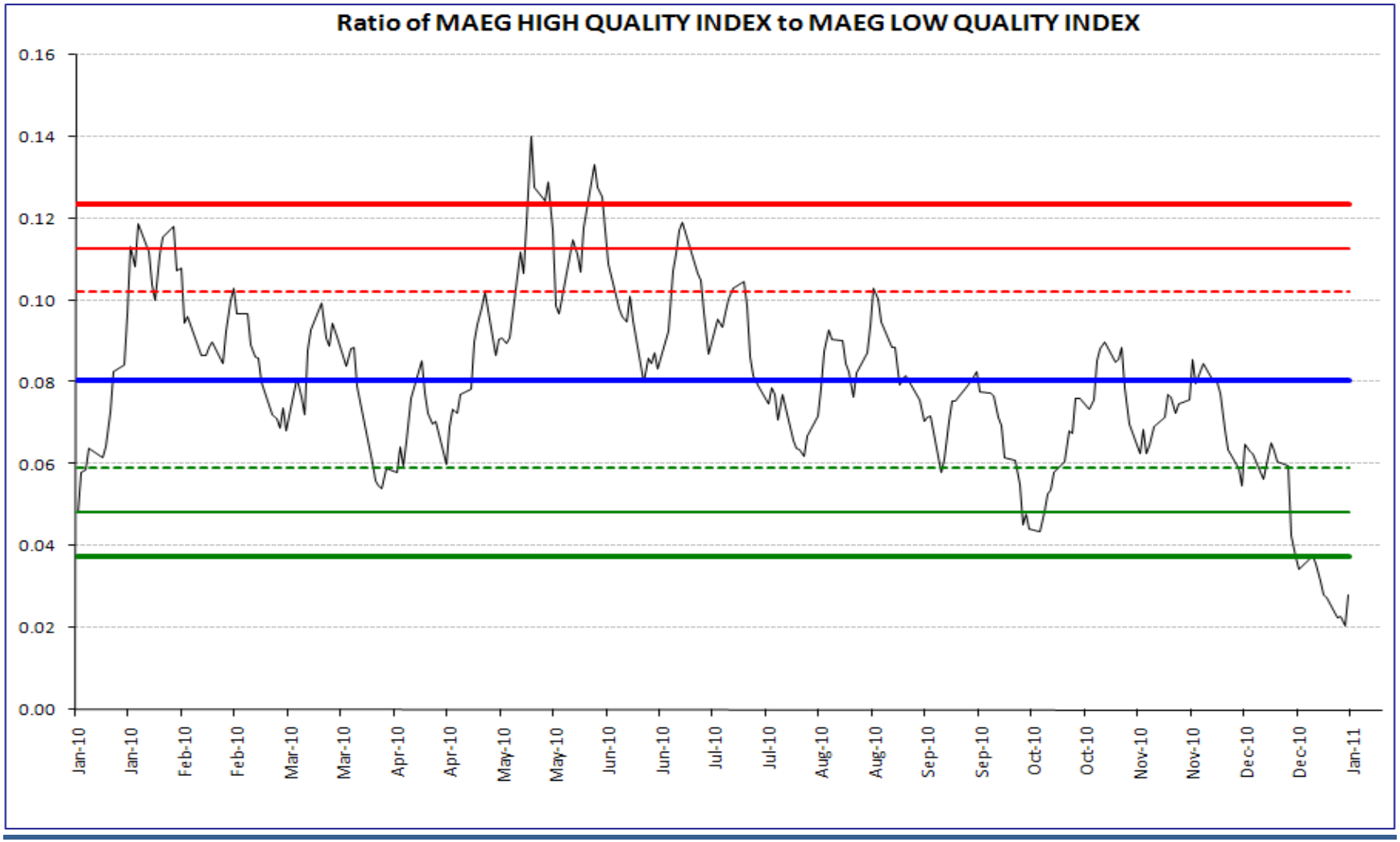
SETUP 2 -4 - PQV VALIDATION TEST PROCESS SUMMARY

Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Required Volume MM on Test	Actutal Volume MM on Test	Volume Pickup	% Away from Test price UL	40wk MA	% Away fom 40 MA	Stoploss @ CLOSE	3X3 / 9EMA	SETUP Qualify Price	Drawdown minimisation	SD # 1.5
TRIGGERED																
EWP	Short	35.05	42.75	41.5	44	0.4	0.4	0.4	-20%	38.39	-8.69%	46.20	36.23	40.1	-6.6%	(2.00)
GLD (under 136.5)	Short	133.83	137	136	138	20	17.0	17.0	-3%	124.00	7.93%	144.90	136.42	134.7	-1.7%	0.34
EEM (under $47)	Short	47.685	47.5	47	48	50	45.0	45.2	-1%	42.76	11.52%	50.40	47.56	46.2	-2.8%	0.43
EWH (under $19.25)	Short	19.88	19.5	19.25	19.75	4.5	4.0	4.0	1%	17.03	16.75%	20.74	19.28	19.1	-2.1%	1.18
GDX (under $61.5) (New)	Short	56.74	63.5	62.25	64.75	11	10.2	10.2	-12%	53.64	5.78%	67.99	59.80	61.0	-4.1%	0.08
SLV	Short	28.42	27	27	27	50	32.0	42.0	5%	21.03	35.13%	28.35	29.38	24.8	-8.9%	2.06
JOF (above $8.55)	Long	9.12	8.475	8.4	8.55	0.06	0.06	0.1	7%	8.44	8.12%	7.98	8.98			(0.16)
MUB (above $99)	Long	99.13	98.625	98.5	98.75	0.3	0.38	0.4	0%	104.07	-4.74%	93.58	99.17	100.0	-1.4%	(2.76)
EEM (under $48)	Short	47.685	49	48	50	40	40		-5%	42.76	11.52%	52.50	47.56	46.2	-6.1%	0.43
WATCHLIST																
TLT	Long	91.86	89.5	89	90	40	weekly		2%	98.14	-6.40%	84.55	92.75	95.0	-5.8%	(2.09)
EWH (under $21.5)	Short	19.88	21.5	21	22	5			-10%	17.03	16.75%	23.10	19.28	19.1	-12.6%	1.18
IWM (under $77) (half)	Short	78.97	78.25	76.5	80	175	weekly		-1%	68.48	15.32%	84.00	78.51	73.0	-7.2%	1.73
IWM (under $79) (half)	Short	78.97	79.75	79.5	80	35			-1%	68.48	15.32%	84.00	78.51	73.0	-9.2%	1.73
SMH (under $34)	Short	32.89	35	34	36	8			-9%	28.57	15.11%	37.80	32.53	32.0	-9.4%	1.51
SLV (under $28)	Short	28.42	28.5	27	30	50	32.0		-5%	21.03	35.13%	31.50	29.38	25.0	-14.0%	2.06
QQQQ (under $54)	Short	55.92	54.5	54	55	53	59.0		2%	48.72	14.78%	57.75	54.90	53.0	-2.8%	1.72
QQQQ (under $54)	Short	55.92	55	54.5	55.5	100	59.0		1%	48.72	14.78%	58.28	54.90	53.0	-3.8%	1.72
EWA (under $25.75)	Short	24.51	26.5	26	27	16	weekly		-9%	22.82	7.42%	28.35	25.10	25.0	-6.0%	0.38
EWA (under $25.5)	Short	24.51	26.25	26	26.5	3.5			-8%	22.82	7.42%	27.83	25.10	25.0	-5.0%	0.38
XLV	Long	32.09	30.75	30.5	31	3			4%	30.18	6.34%	28.67	31.68	31.5	-2.4%	(1.95)
XLB	Short	38.35	39.5	38	41	3			-6%	33.26	15.30%	43.05	38.37	38.4	-2.8%	1.36
XLE (under $68.5)	Short	67.79	69.5	68.5	70.5	4			-4%	57.62	17.66%	74.03	67.99	68.5	-1.5%	1.47
JJC (under $59)	Short	57.52	59.5	59	60	0.1			-4%	46.82	22.85%	63.00	58.32	54.0	-10.2%	2.01
											PQV Drawdown Minimisation factor				-5.7%	
							PQV Test validated within 5 to 7% of asking									
							Criteria has temporaily exceeded									
							volume still highet then the test volume no result									
							Revised Confluence Values & Stoploss									
							Close under situations in gray									
							Numbers hard coated									

To Achieve Best Risk Reward . The position should be taken on the day of the Test via scle in process within CZ

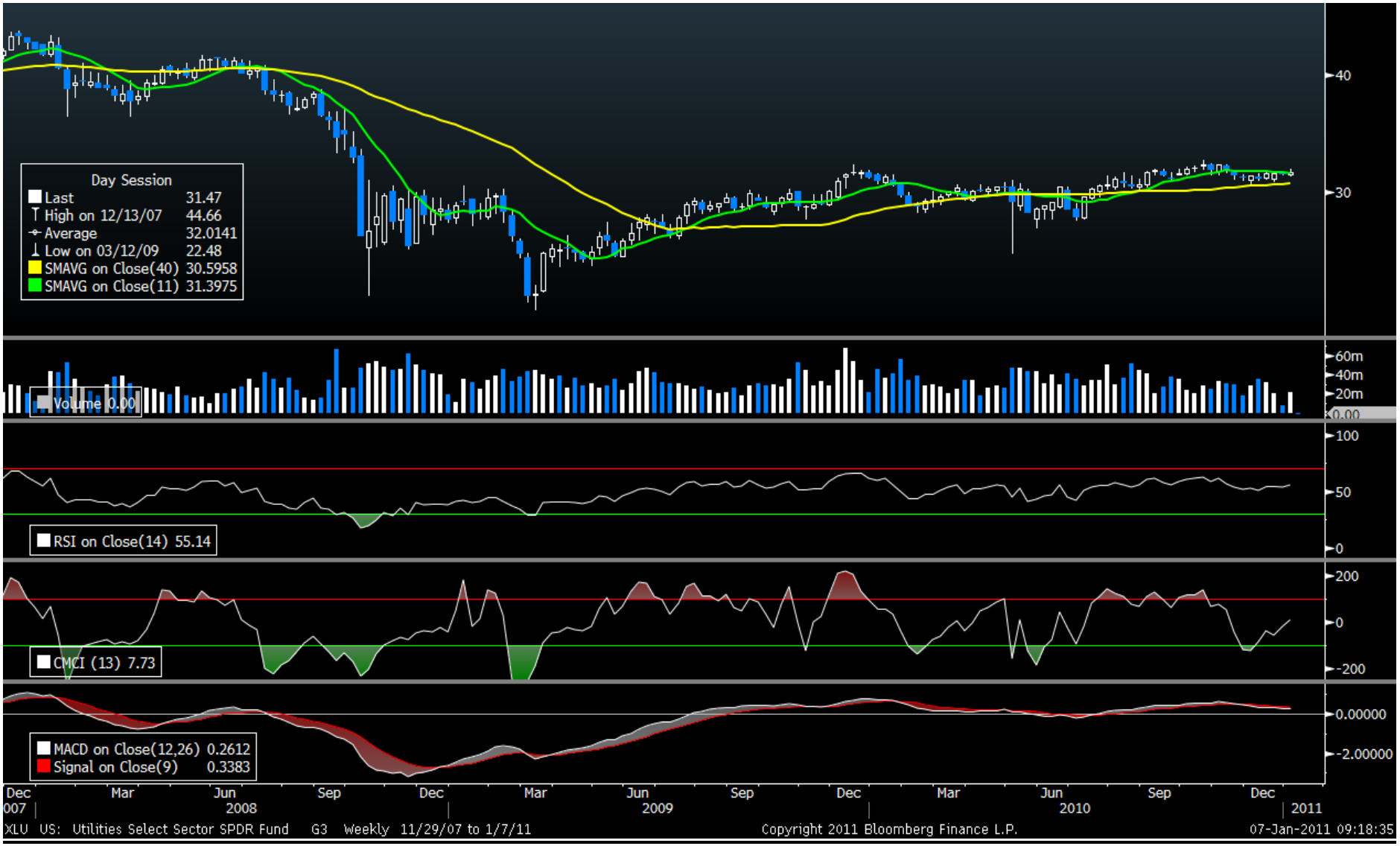
Ratio of HQ v/s LOW QLTY - 1 yr

- **Overvalued confirmed by PQV & SD # 2 –** ***SLV, XLE, XLB, JJC , QQQQ, IWM, EEM, EWH,EWA***
- **Undervalued confirmed by PQV & SD # 2 –** ***XLV, XLP, XLU (Refer PQV – CZ Validation sheet)***

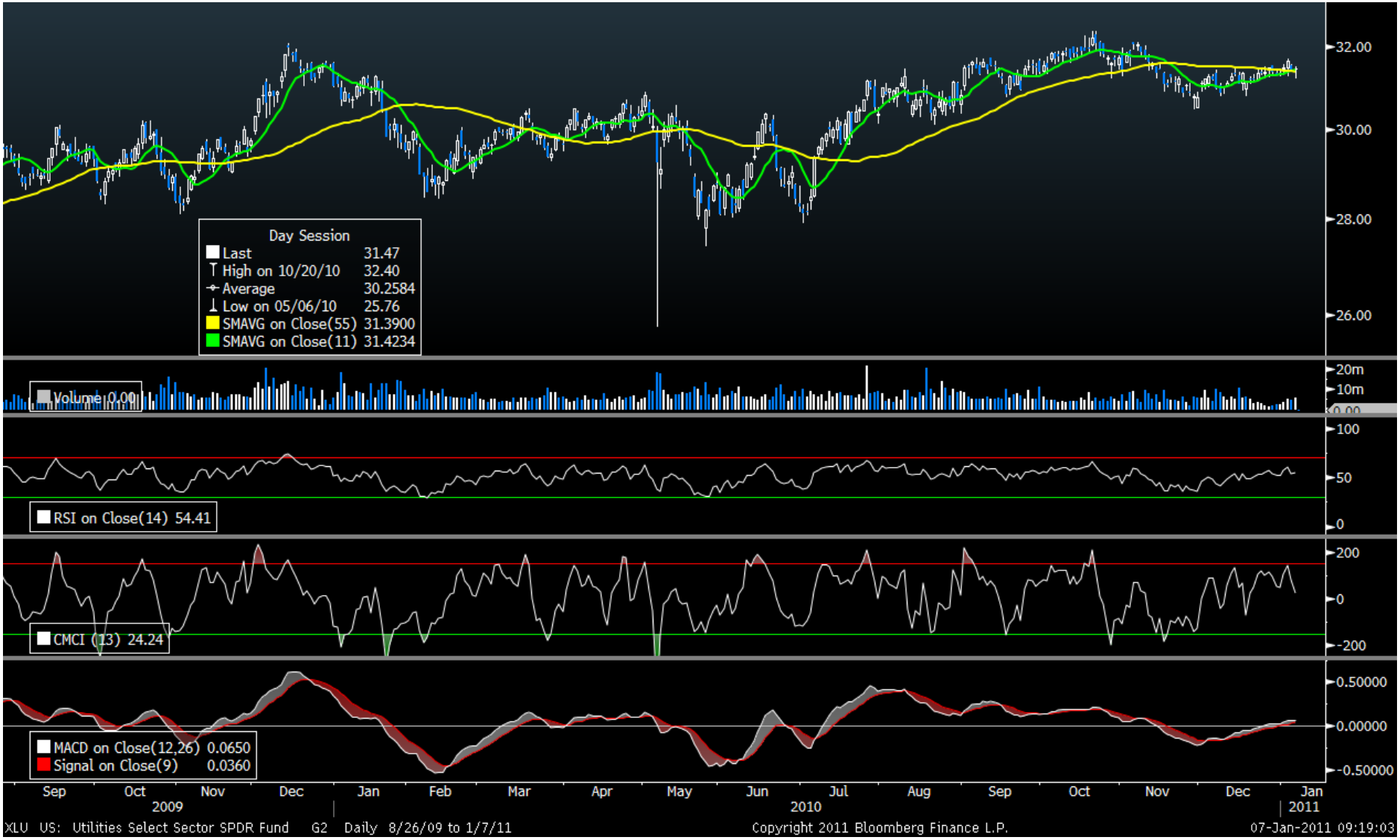


ETF's Qualified for SD # 2 - *Over / Under valuation by POM Methodology.*

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

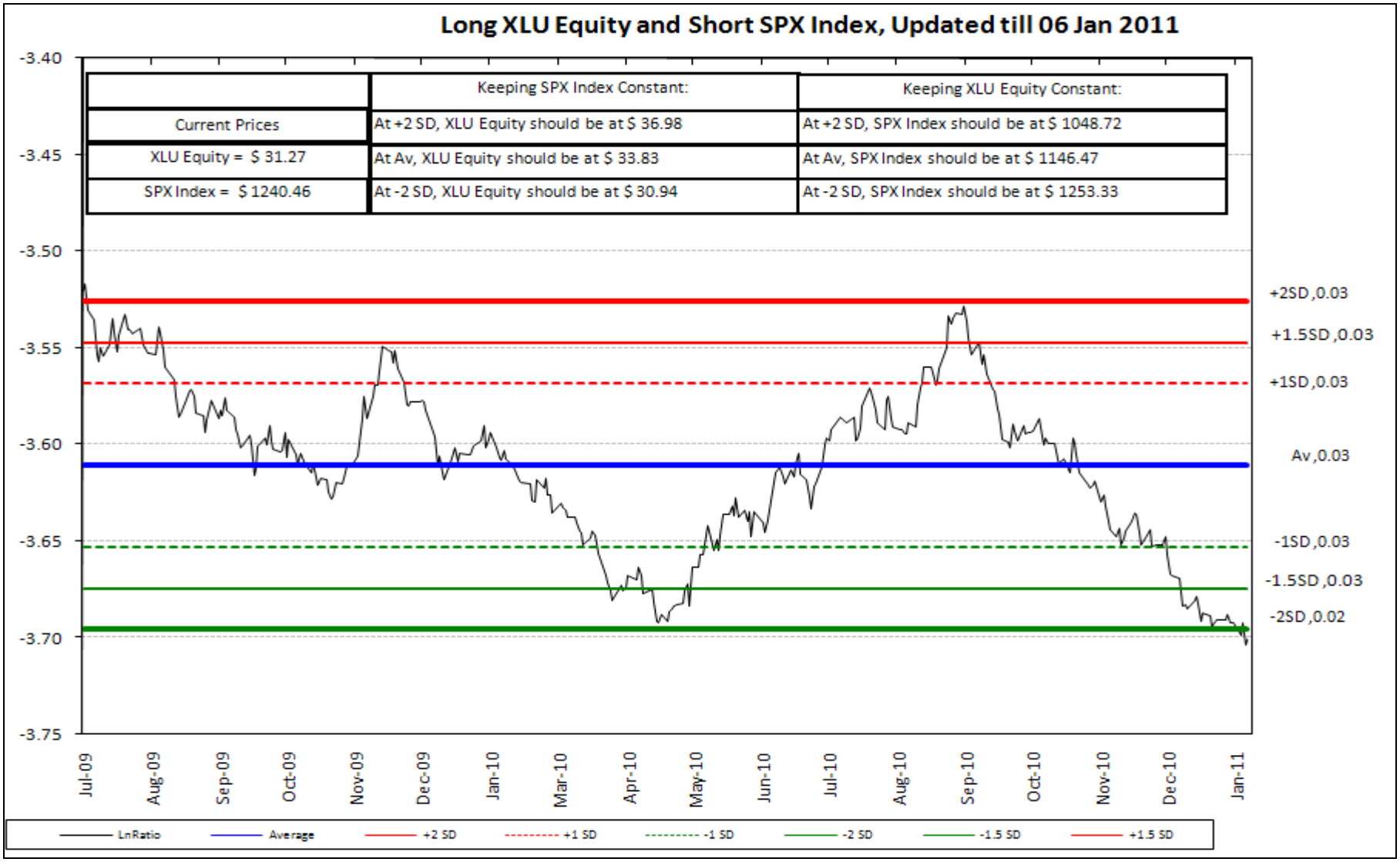


XLU - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



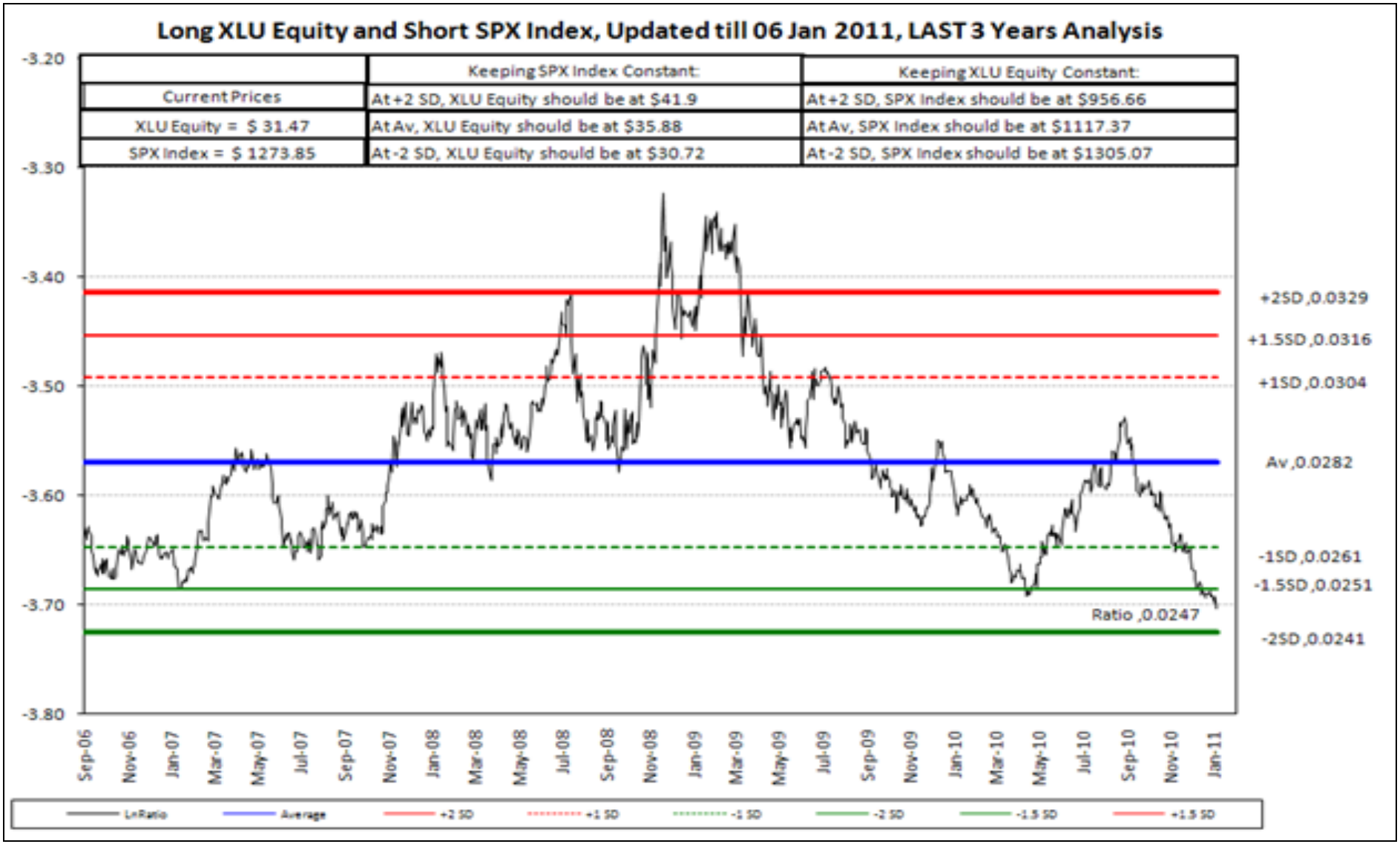
XLU – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2 Qualified for CZ –PQV

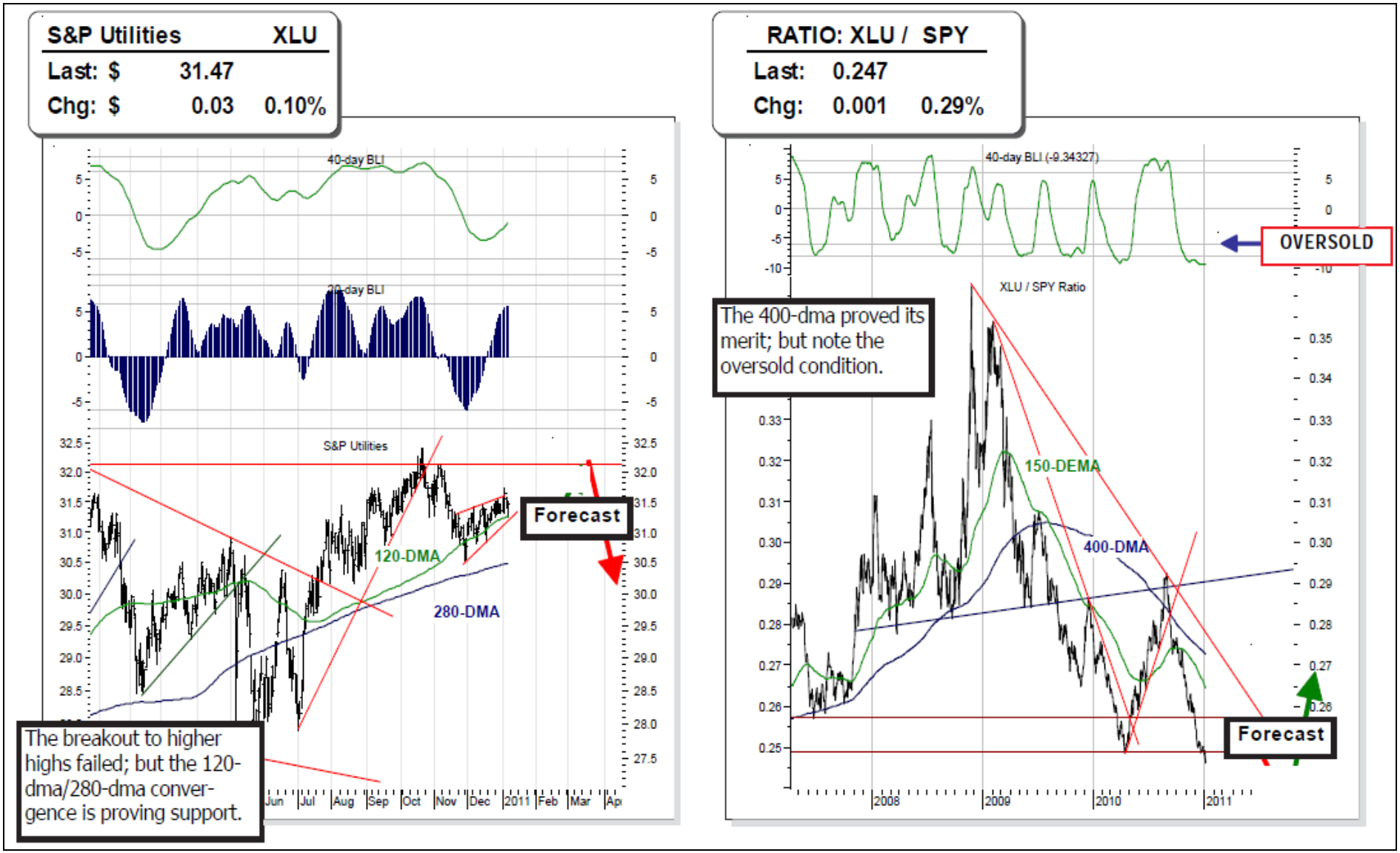


XLU – Correlation Ratio Analysis with SPX – Full Time basis

SD # 2 Qualified for CZ –PQV

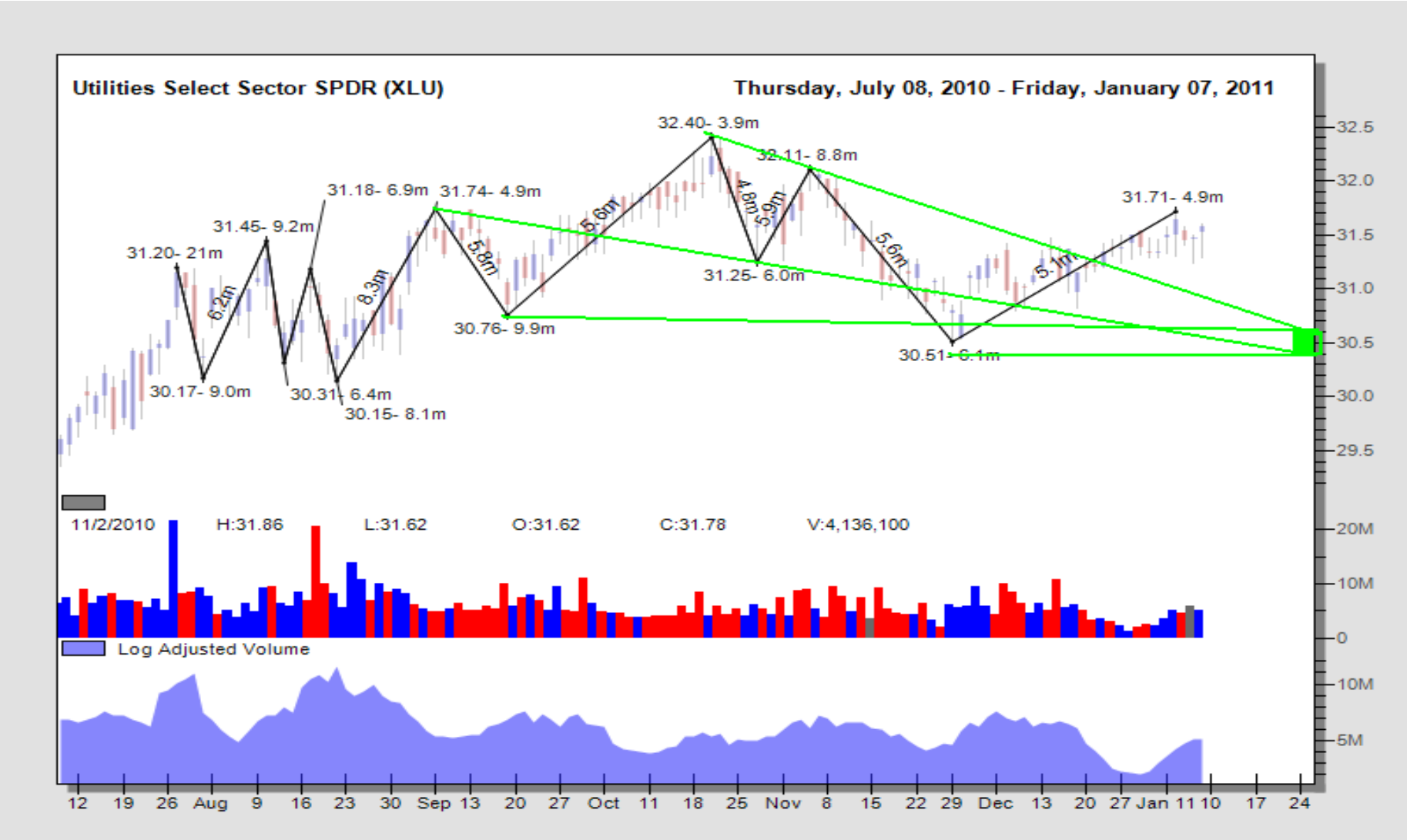


XLU– Technical & Pattern Analysis

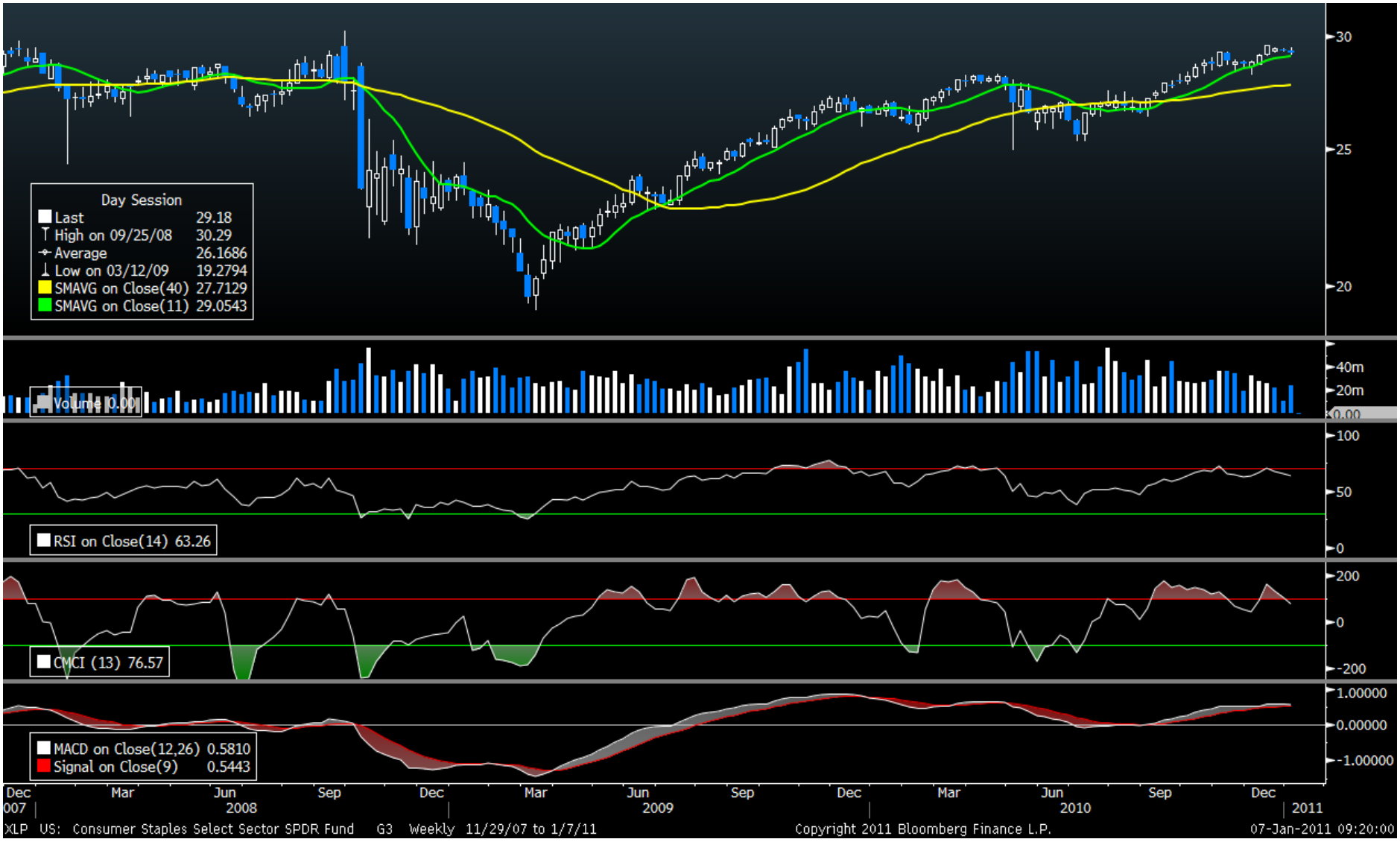


XLU– Price / Volume

- **CONFLUENCE ZONE as potential area for a pull back**
- **Price between 30. 25 – 30.75 and volume should come in below 4.5 M**



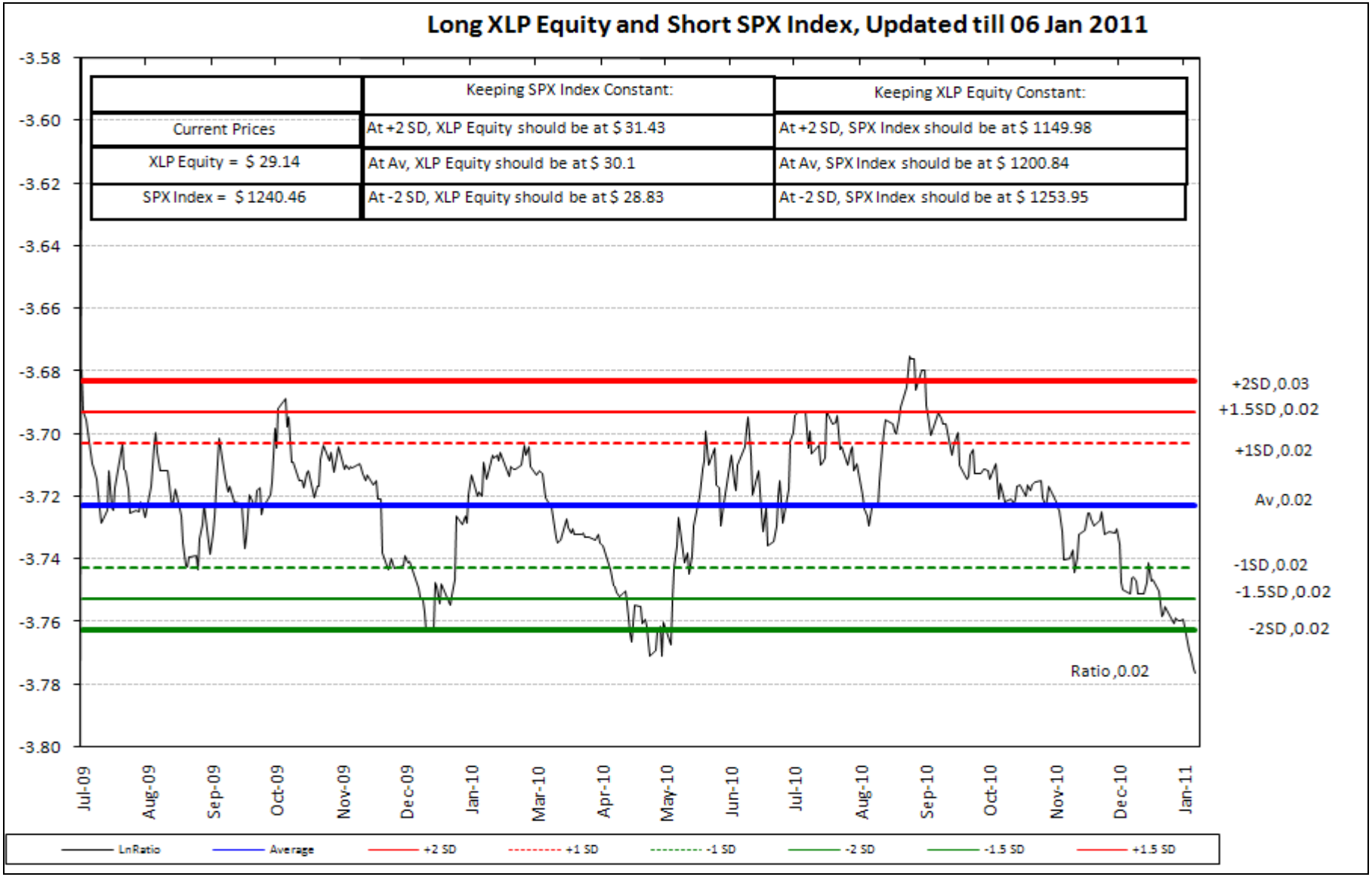
XLP- Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



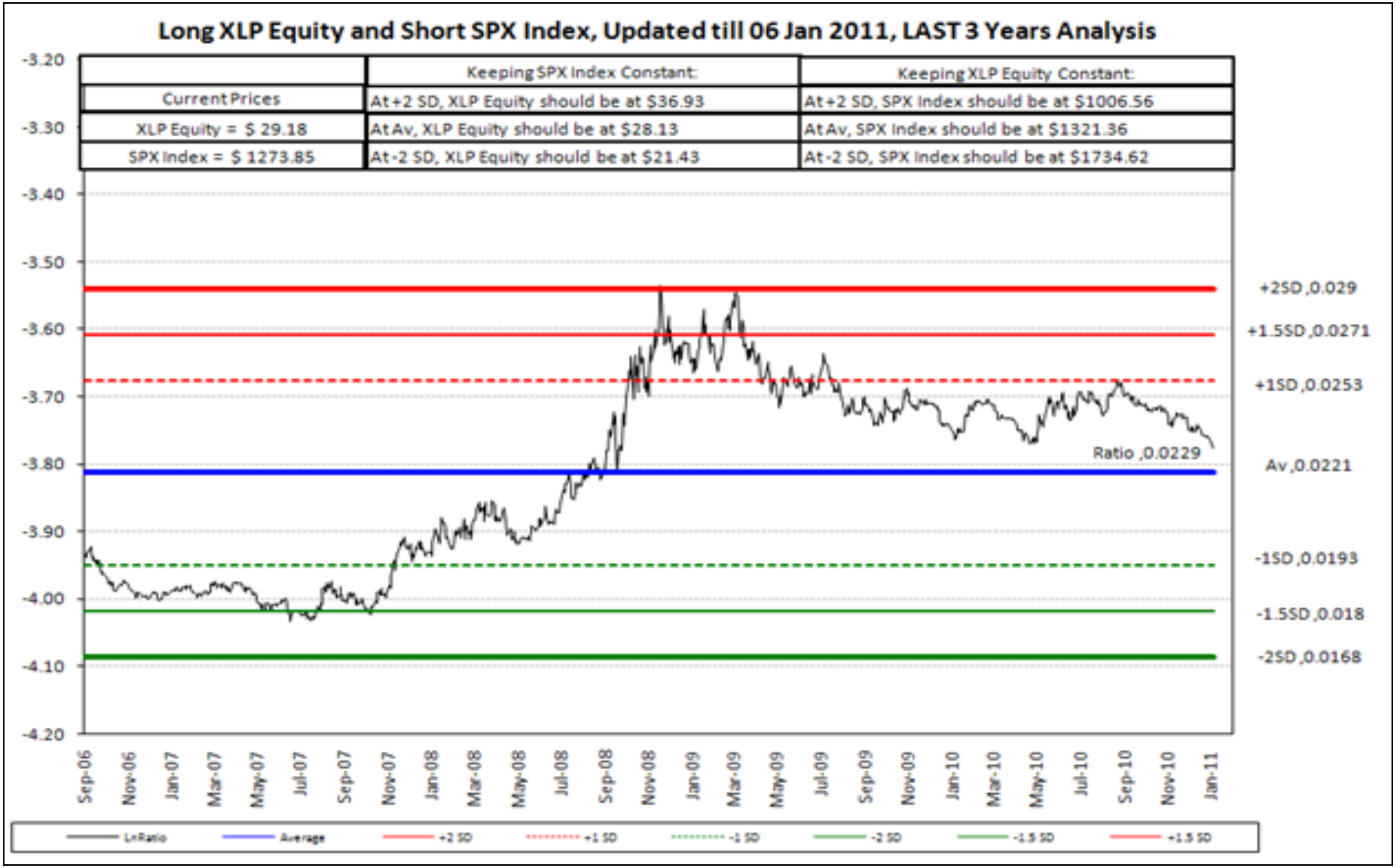
XLP- Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

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

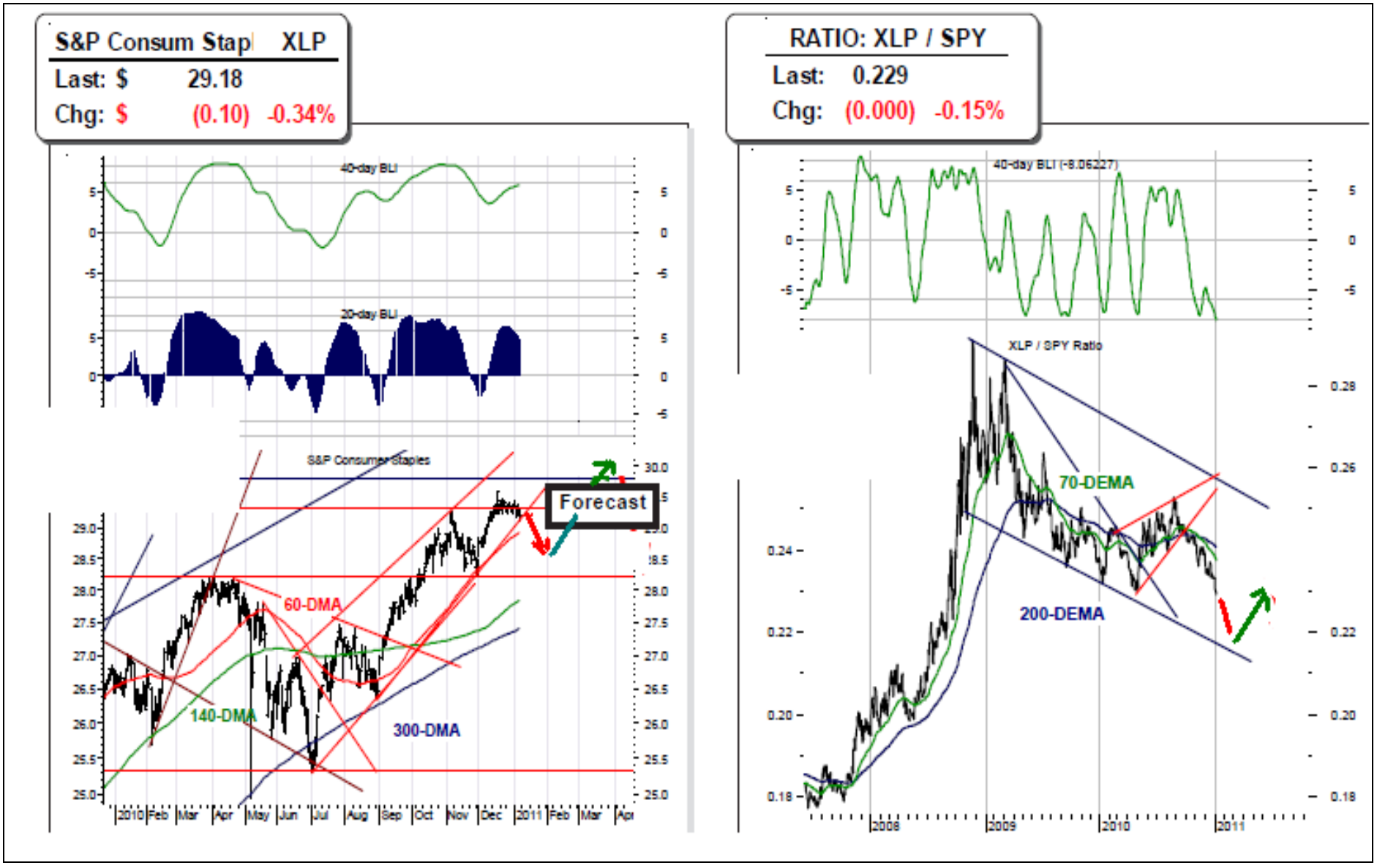
SD # 2 Qualified for CZ –PQV



XLP– Correlation Ratio Analysis with SPX – Full Time basis

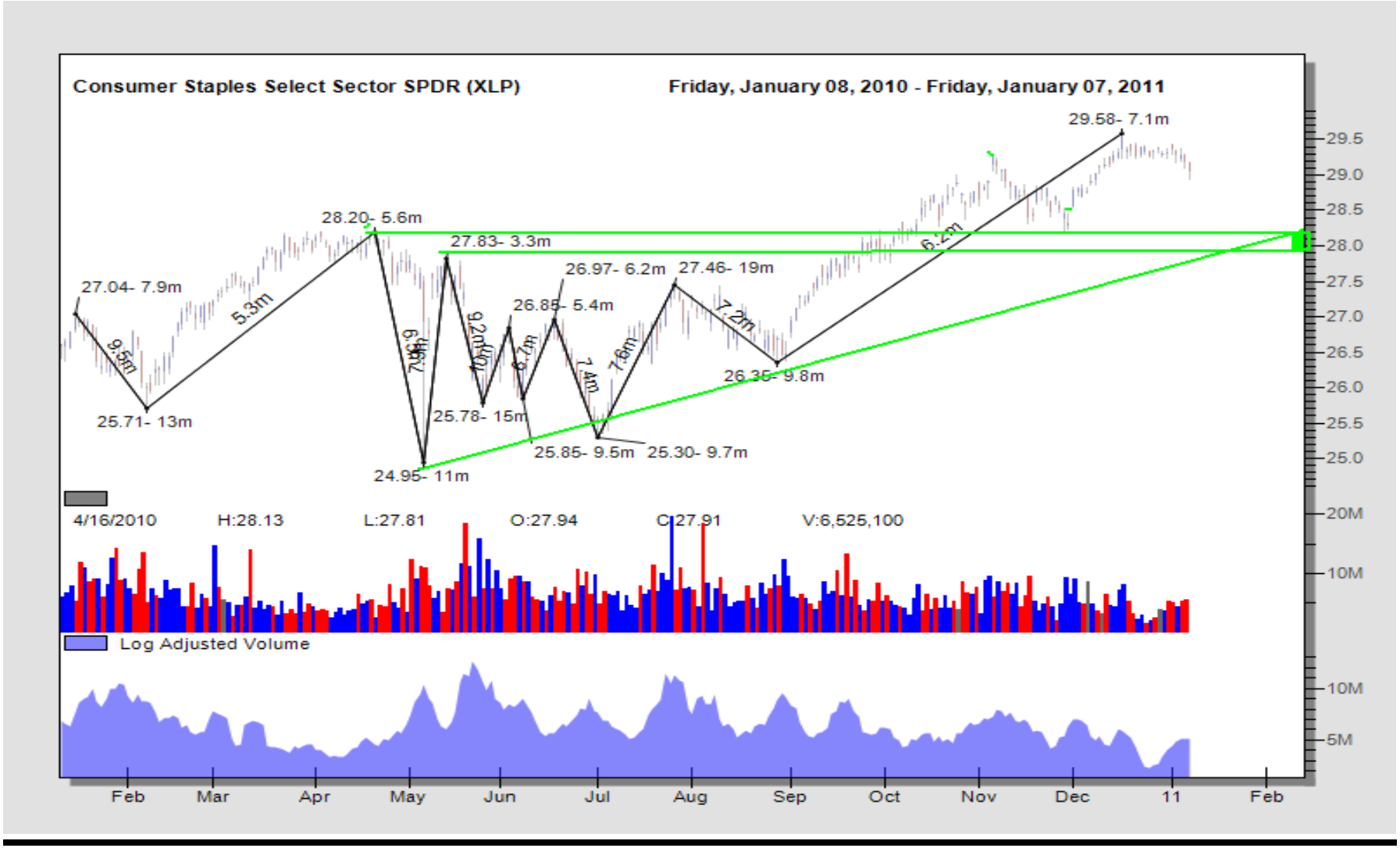


XLP– Technical & Pattern Analysis



XLP– Price / Volume

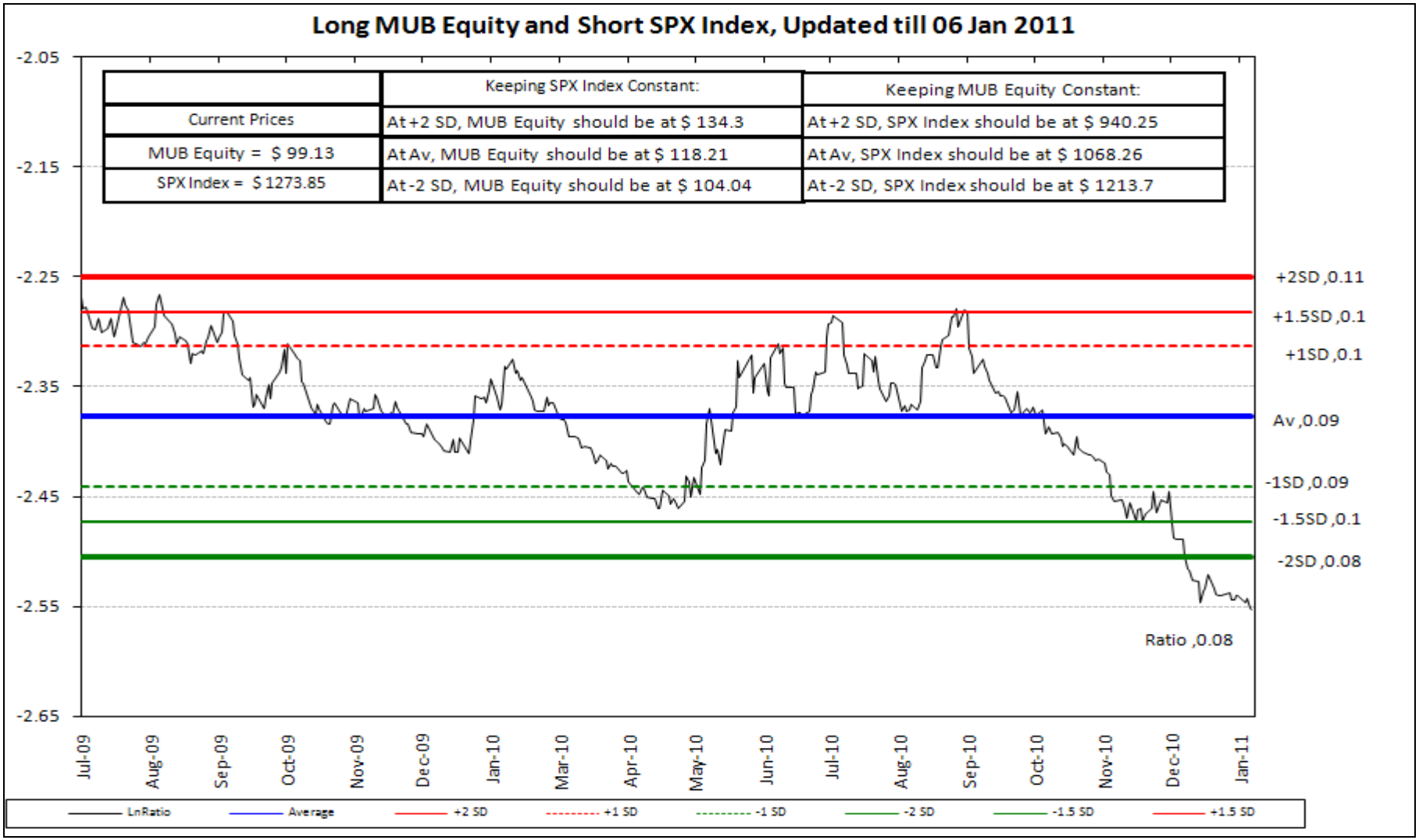
- **CONFLUENCE ZONE as potential area for a pull back**
- **Price between 27.80 – 28.30 and volume should come in below 3.8 M**



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

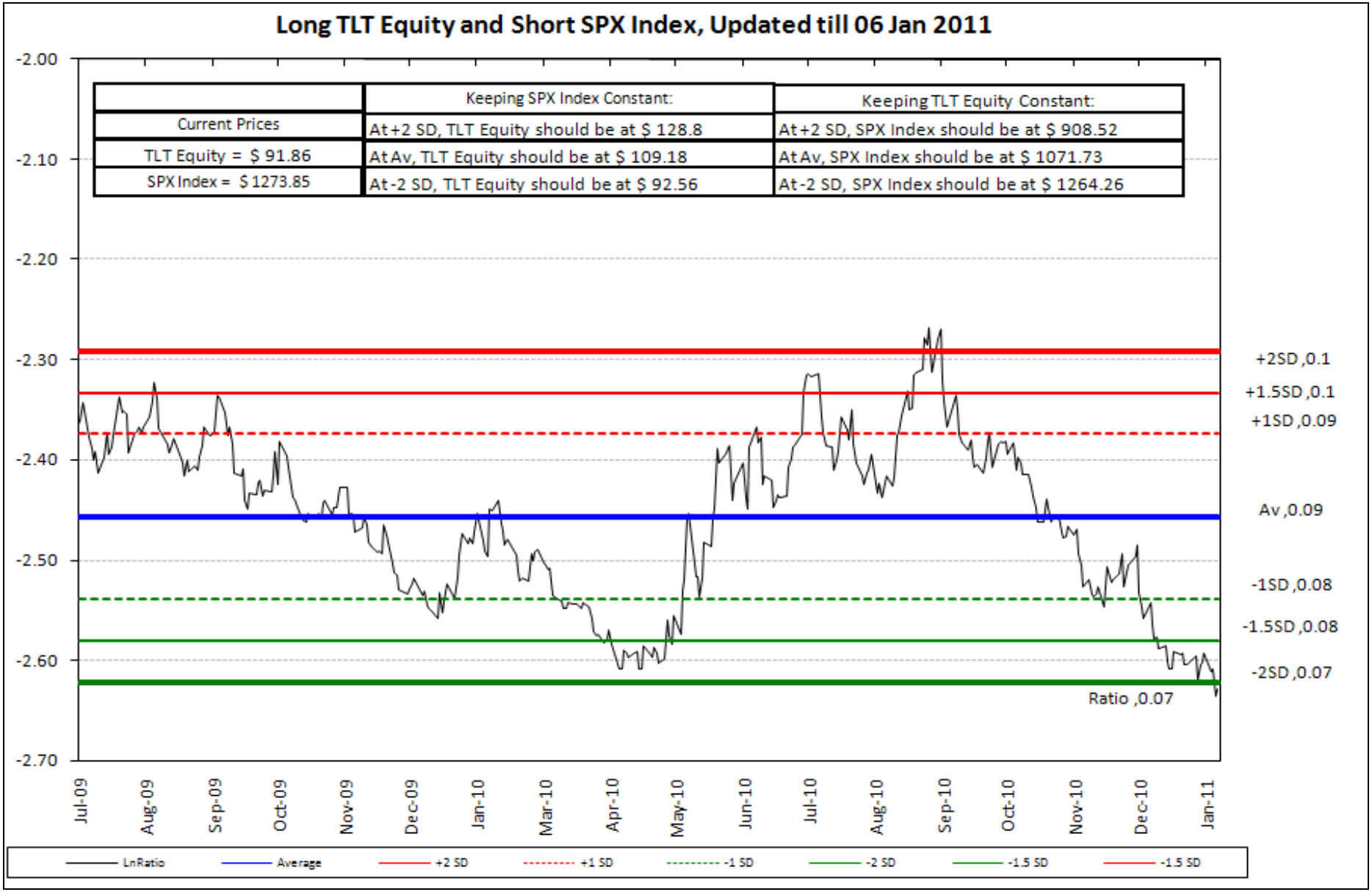
SD # 2 Qualified for CZ –PQV

MUB - (CZ –PQV tested in Sector Watchlist Report & A # 2 - MS Report)



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

SD # 2 Qualified for CZ –PQV

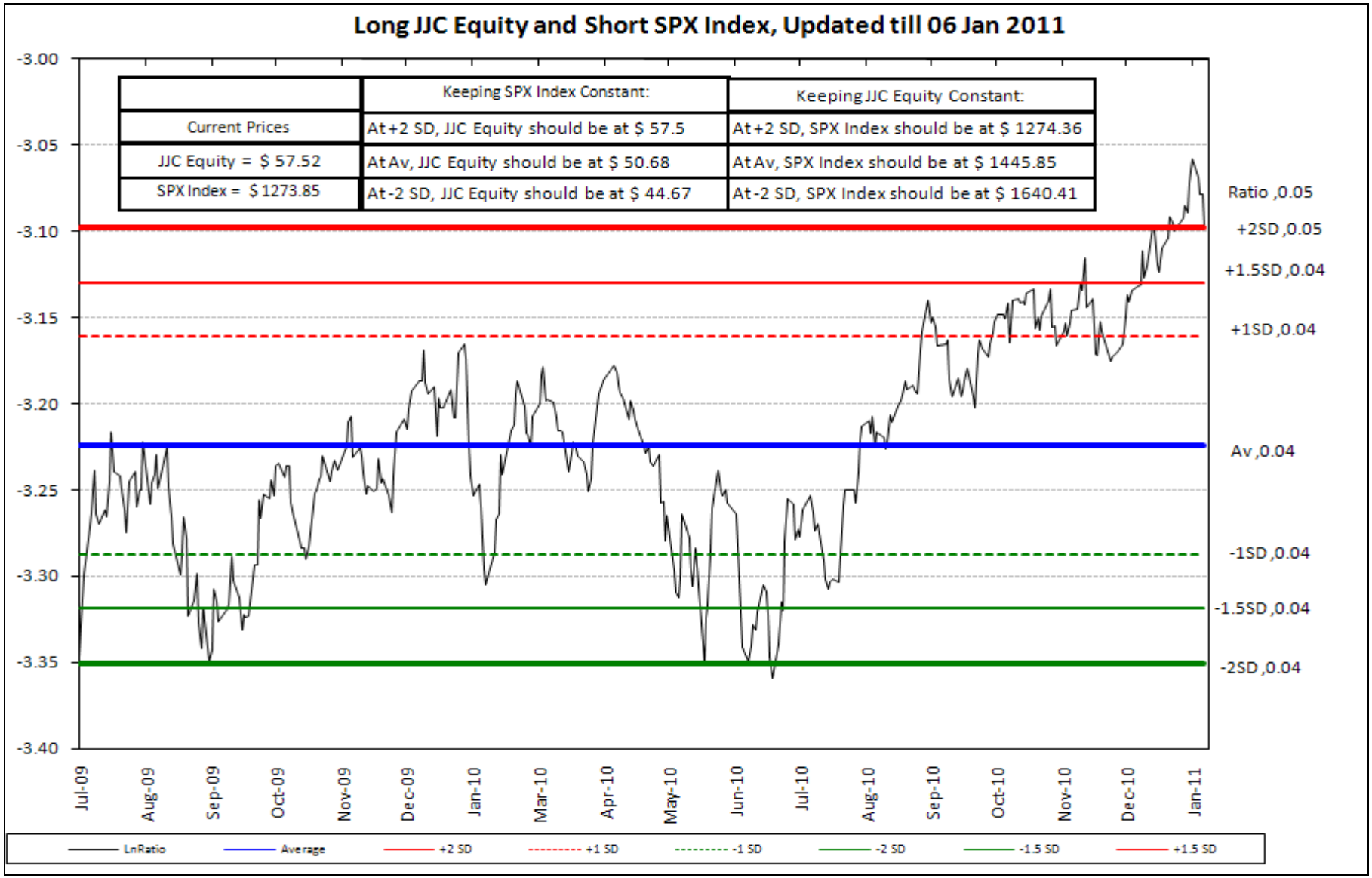


TLT Technical & Pattern Analysis

TLT - (CZ –PQV tested in Sector Watchlist Report & A # 2 - MS Report)

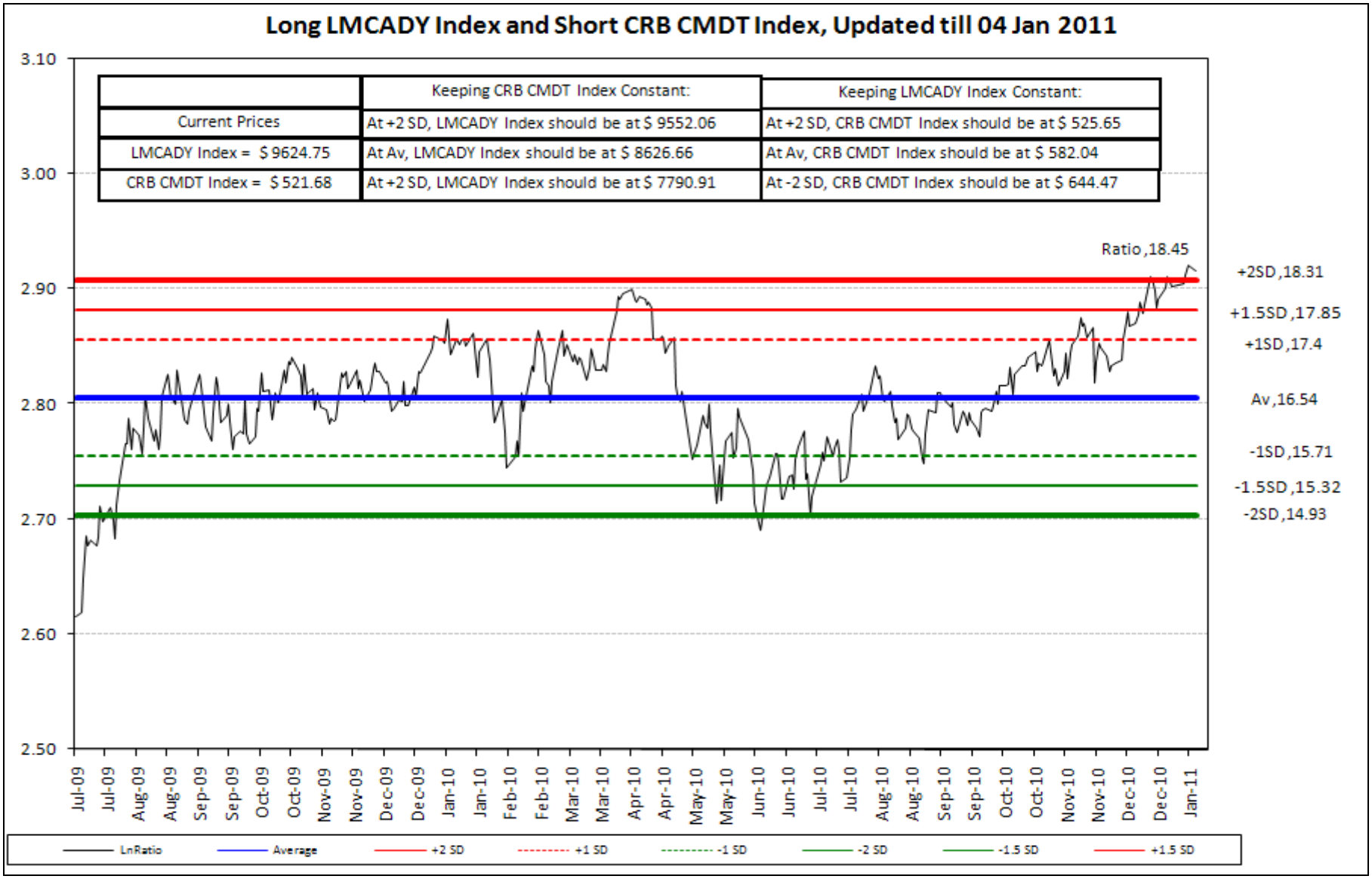
JJC – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2 Qualified for CZ –PQV



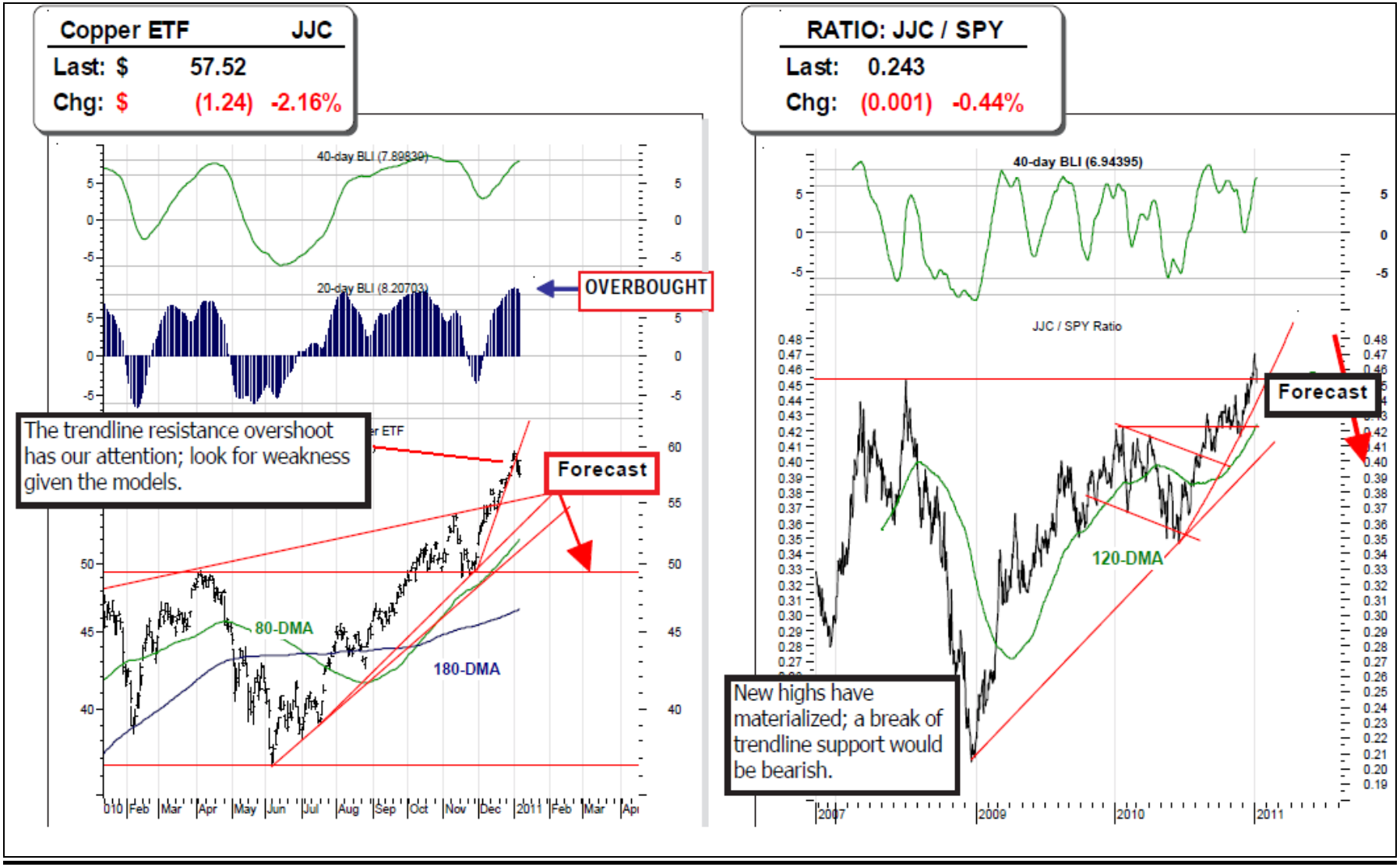
JJC (CU) – Correlation Ratio Analysis with CRB – 365 days Time basis

SD # 2 Qualified for CZ –PQV



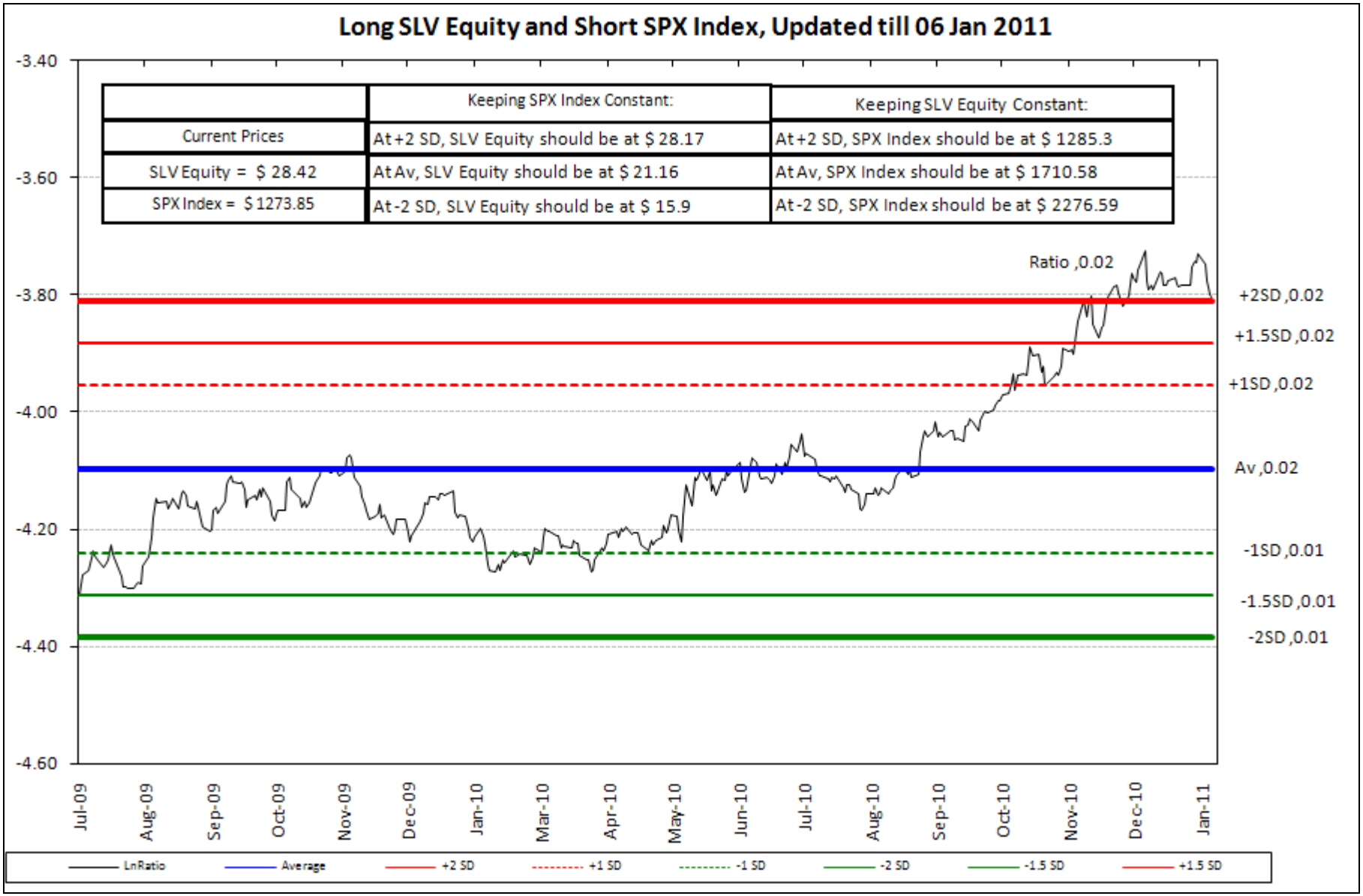
JJC – Technical & Pattern Analysis

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



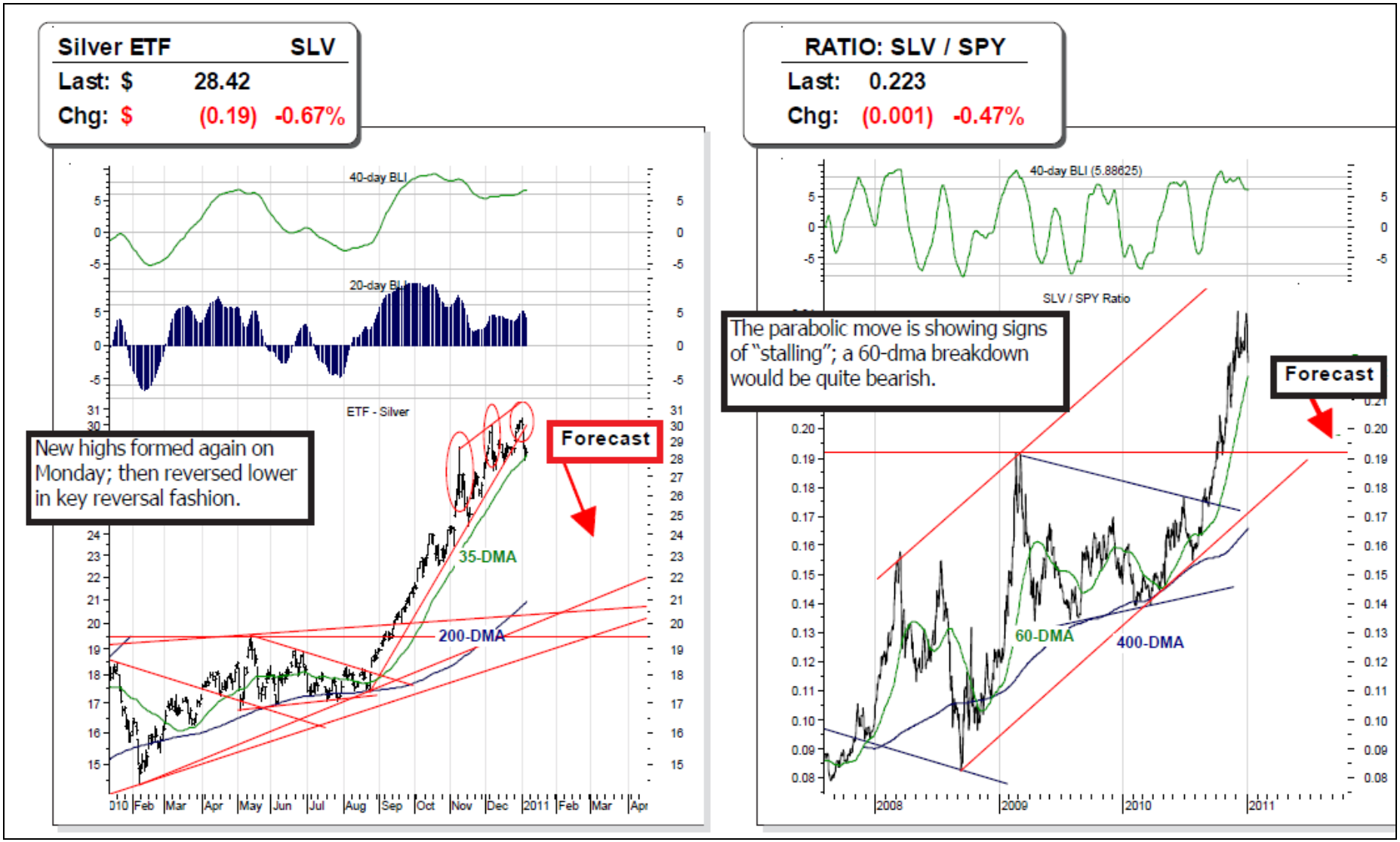
SLV – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2 Qualified for CZ –PQV



SLV – Technical & Pattern Analysis

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



REFERENCE MATERIAL – Part II (Separate Attachment)

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

✓ ***PQV –CZ validated Sectors***

Short

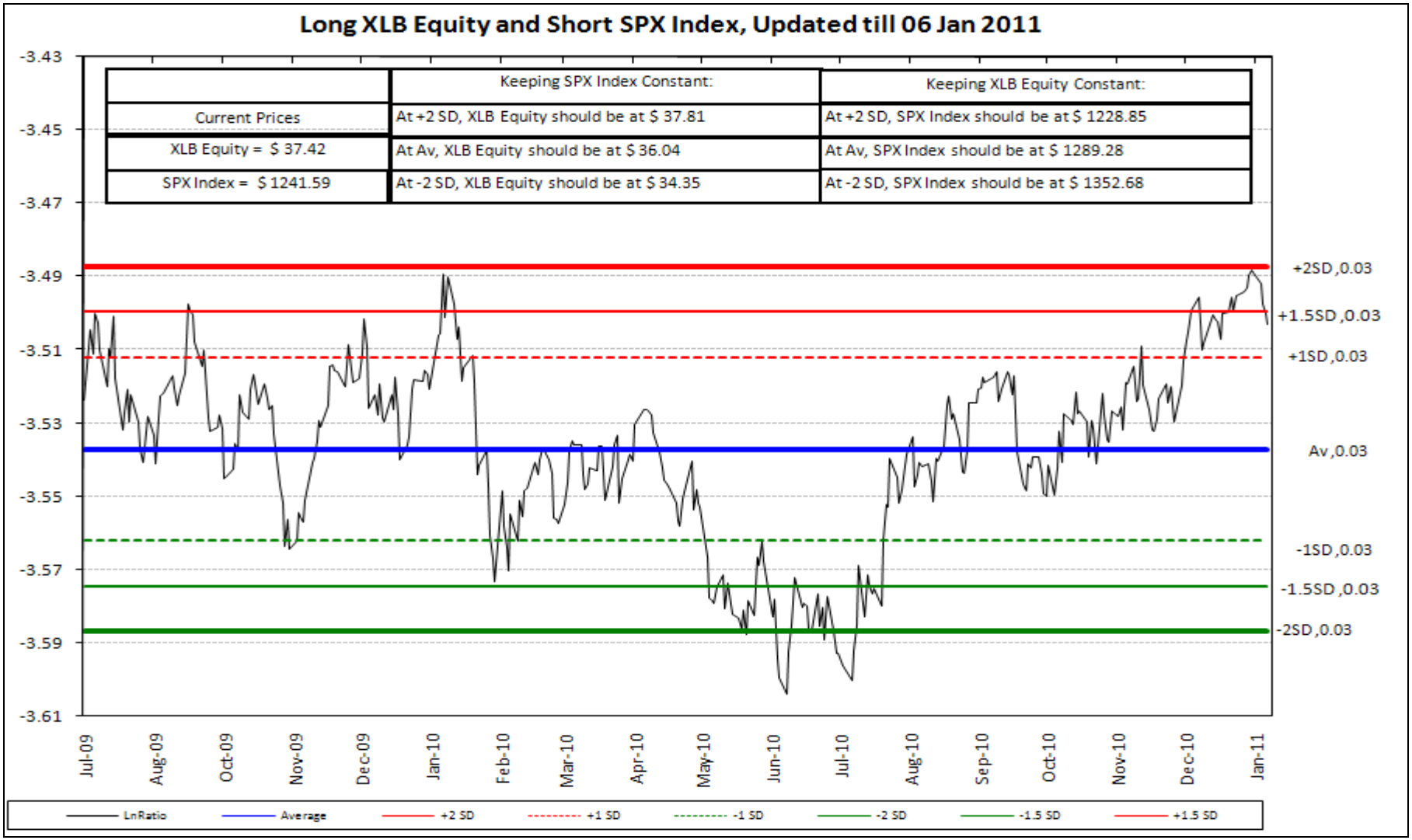
- ***QQQQ***
- ✓ ***IWM***
- ✓ ***EEM***
- ✓ ***EWP***
- ✓ ***EWH***
- ***SMH***
- ***EWA***
- ***XLB***
- ***XLE***
- ✓ ***SLV***
- ***JJC***
- ✓ ***GLD***
- ✓ ***GDX***

Long

- ✓ ***JOF***
- ***XLV***
- ***TLT***
- ✓ ***MUB***

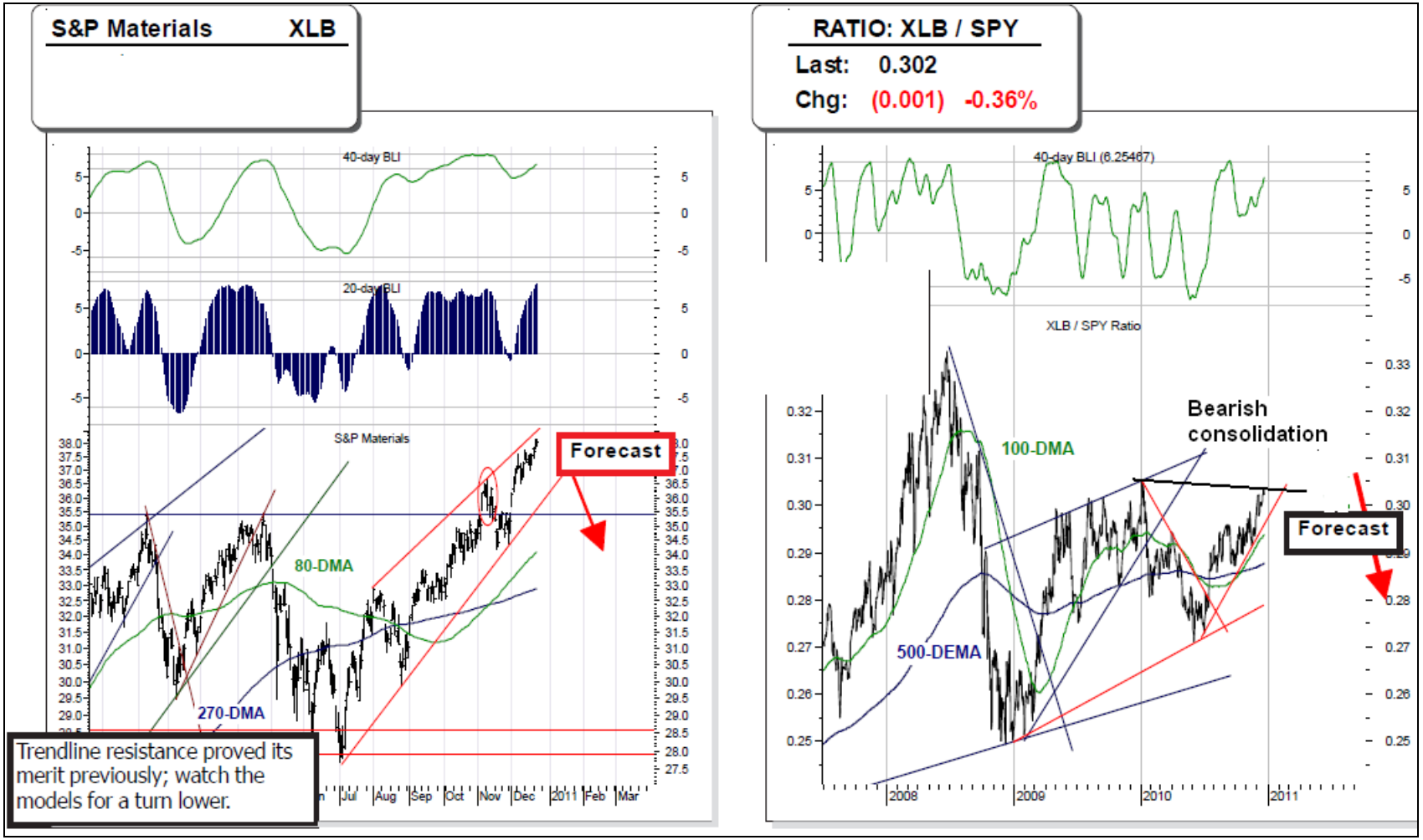
Short

XLB – Correlation Ratio Analysis with SPX – 365 days Time Basis



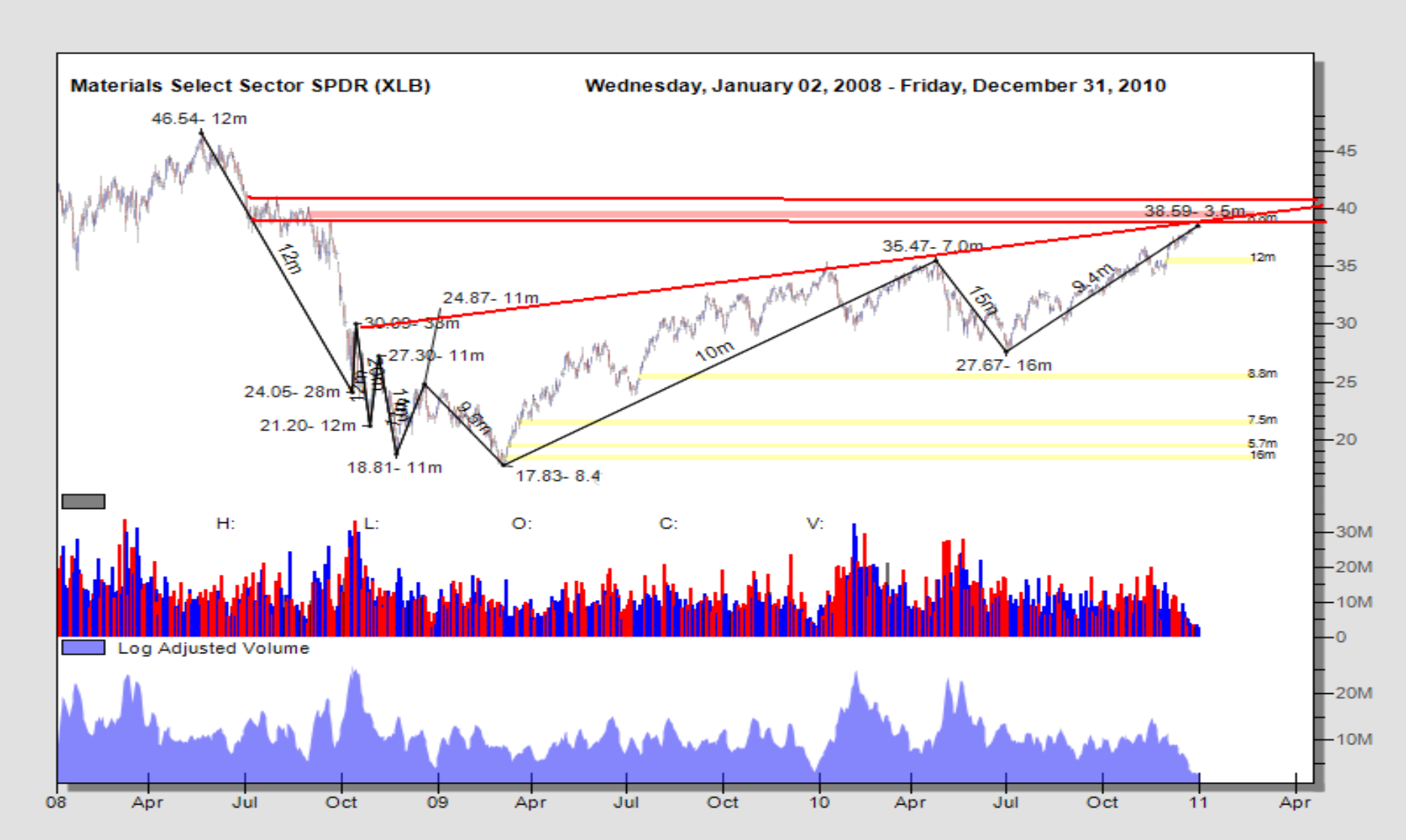
XLB – Technical & Pattern Analysis & Price / Volume

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



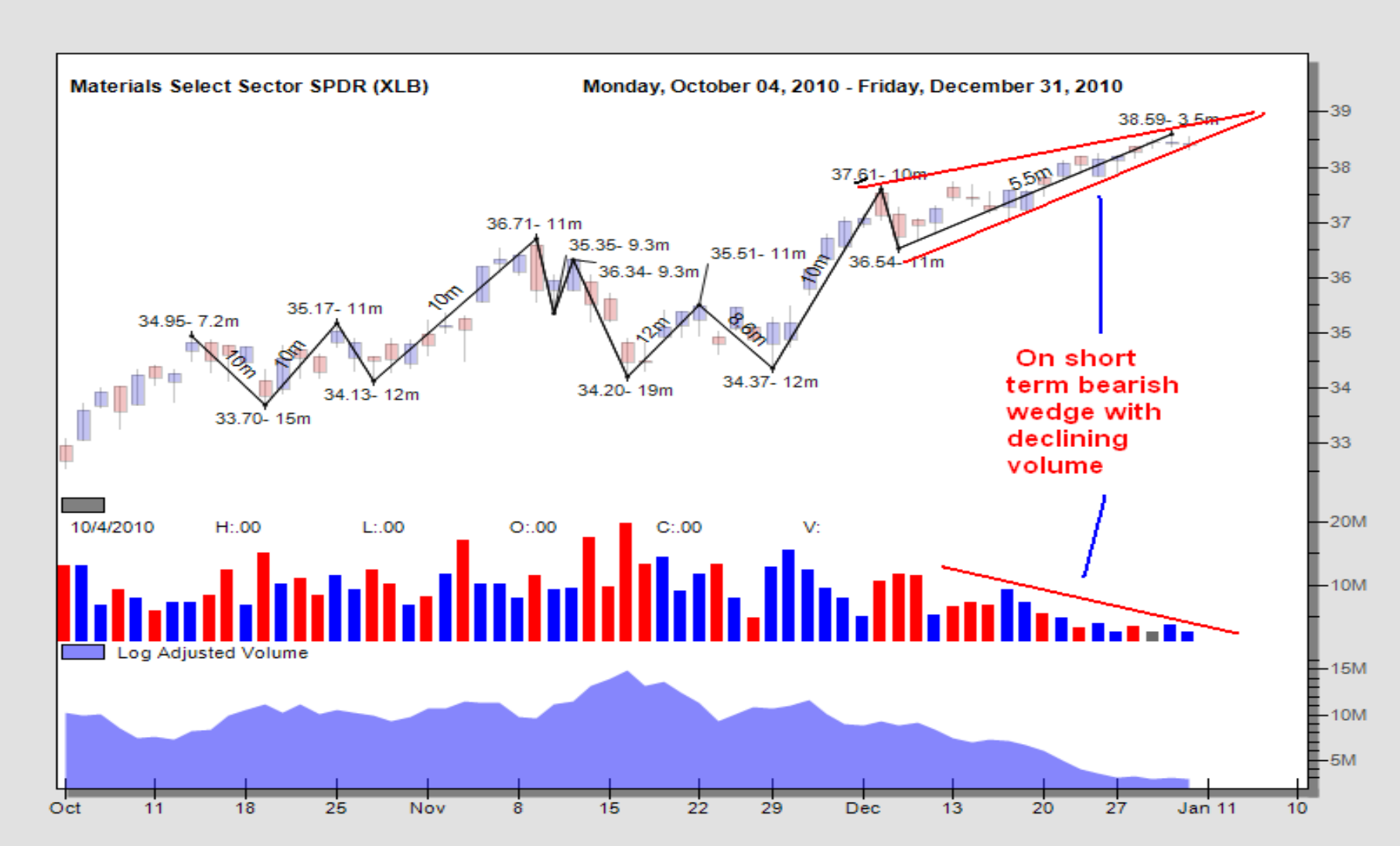
XLB – PQV Analysis

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

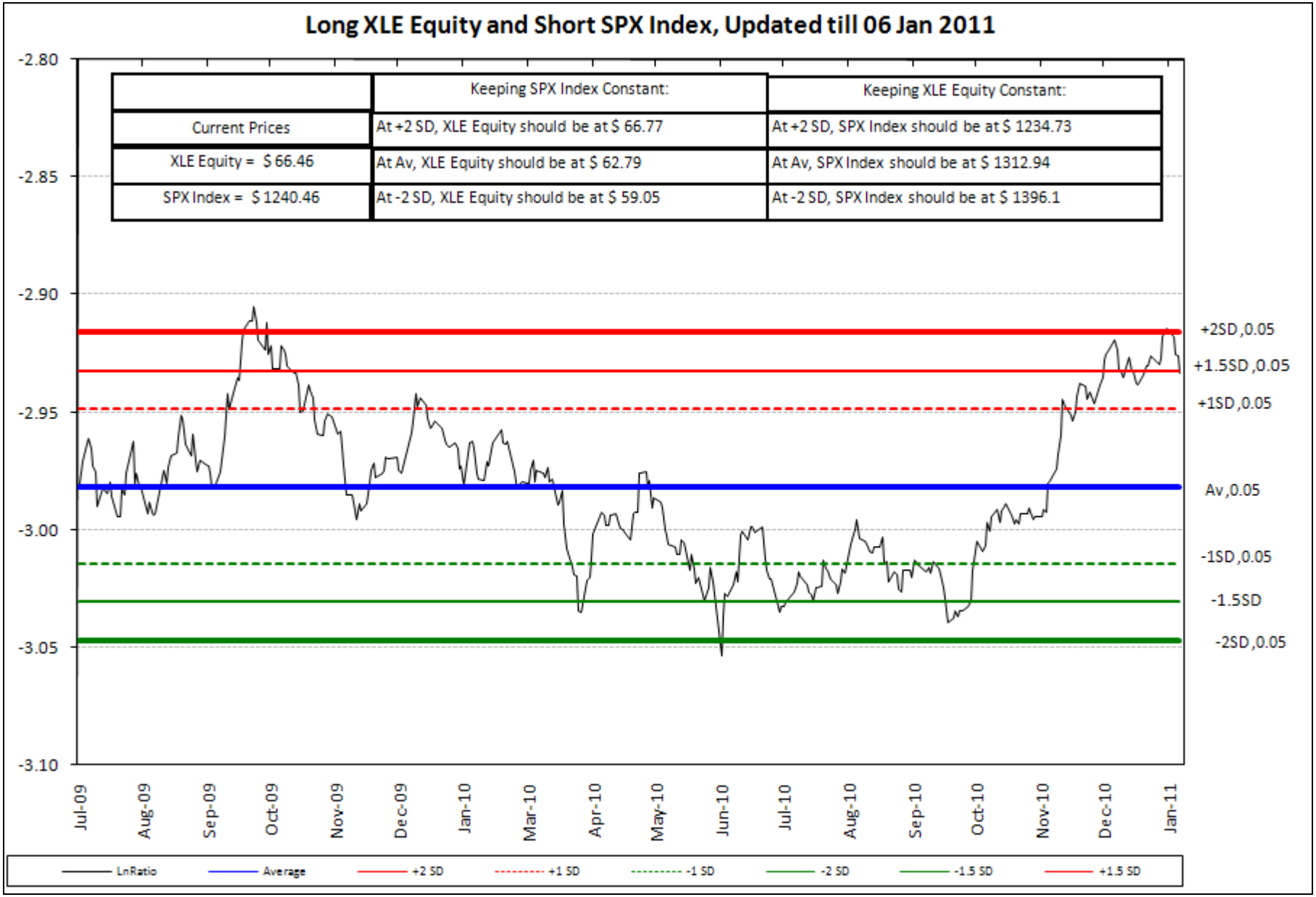


XLB – PQV Analysis – SHORT TERM

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

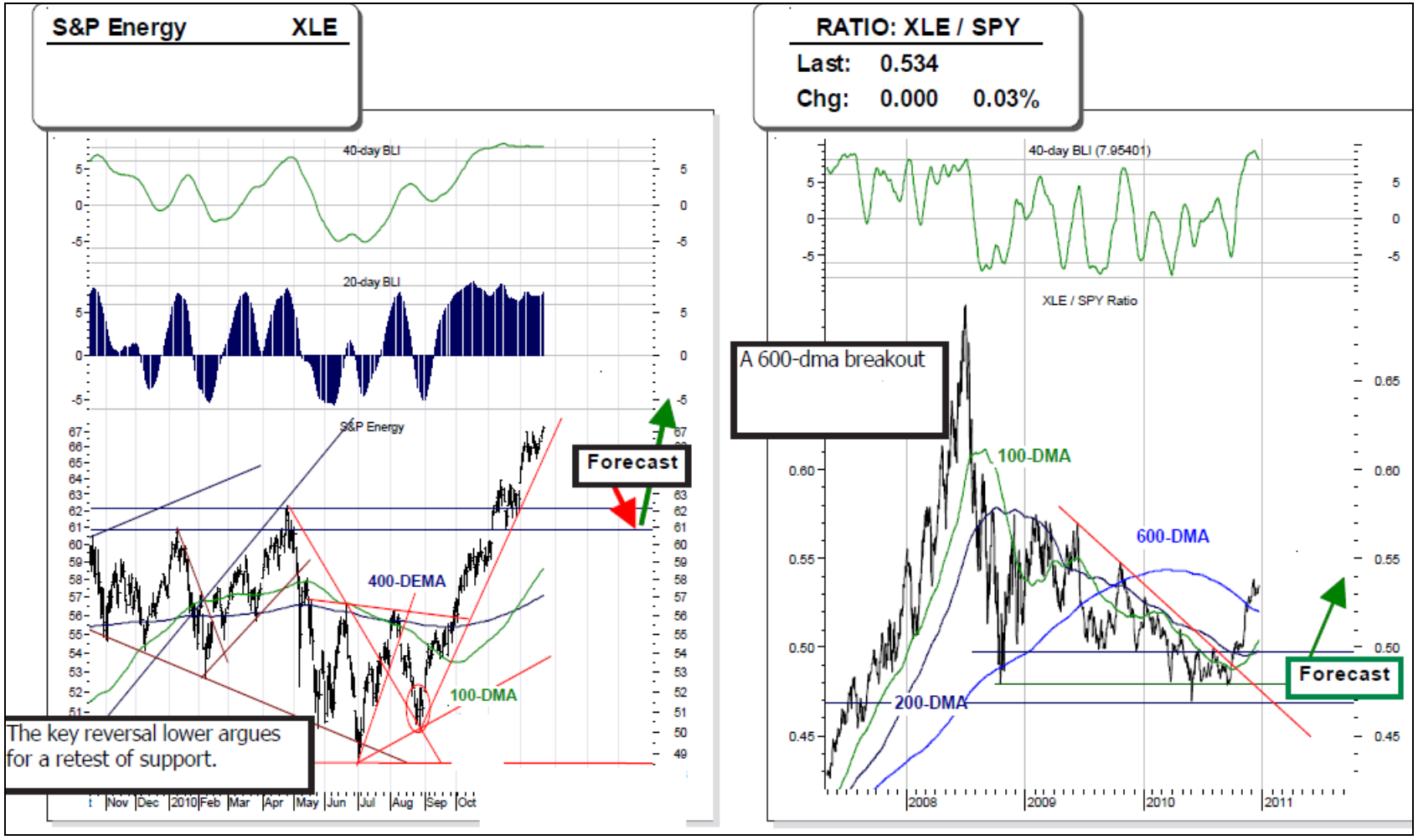


XLE – Correlation Ratio Analysis with SPX – 365 days Time basis



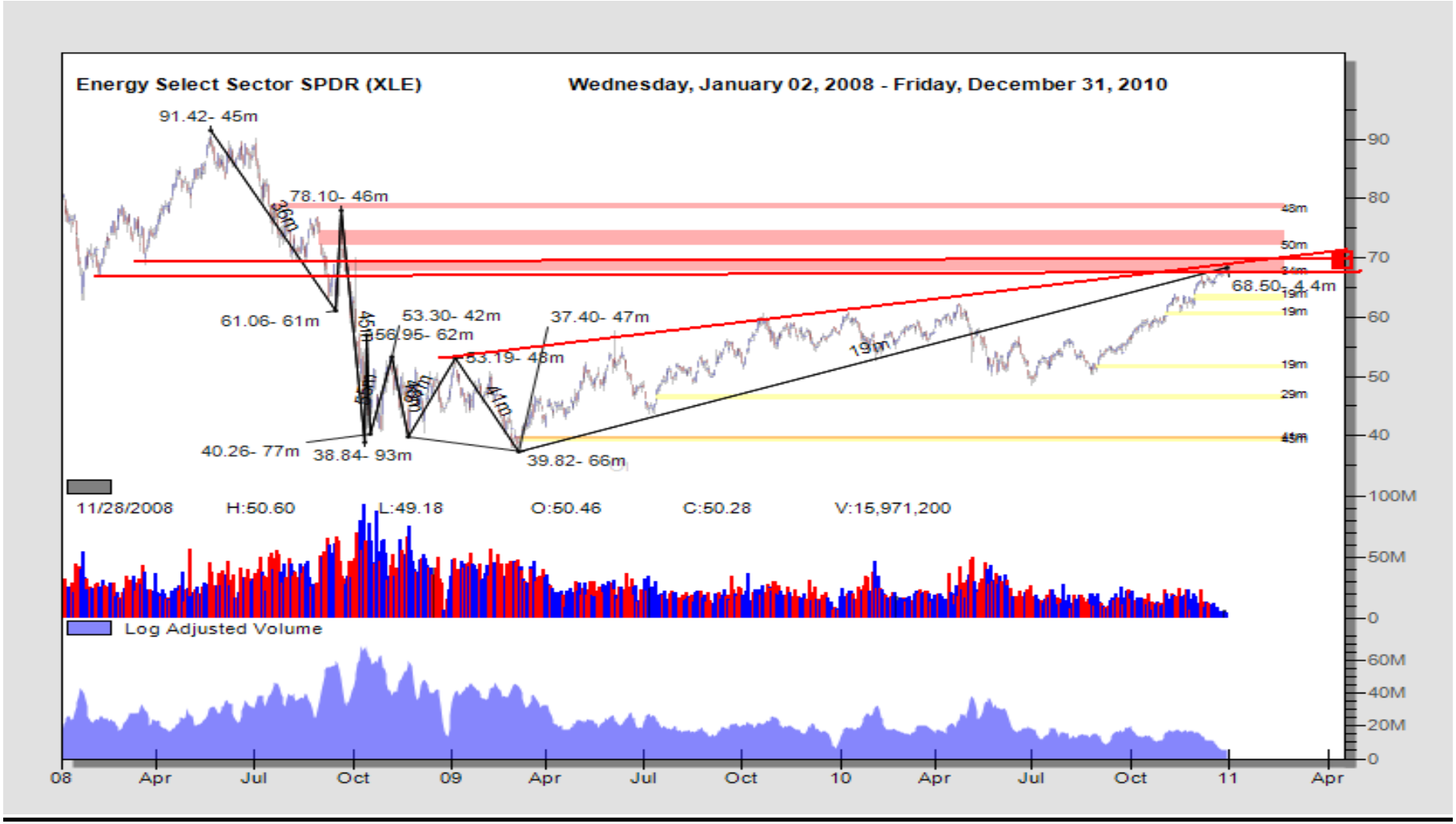
XLE – Technical & Pattern Analysis & Price / Volume

On absolute basis looks extended but the Pattern of XLE / SPY Ratio looks bullish , with breakout of 600 DMA , pull back on this ratio is possible to breakout area and XLE should decline to 62 on break of trend line



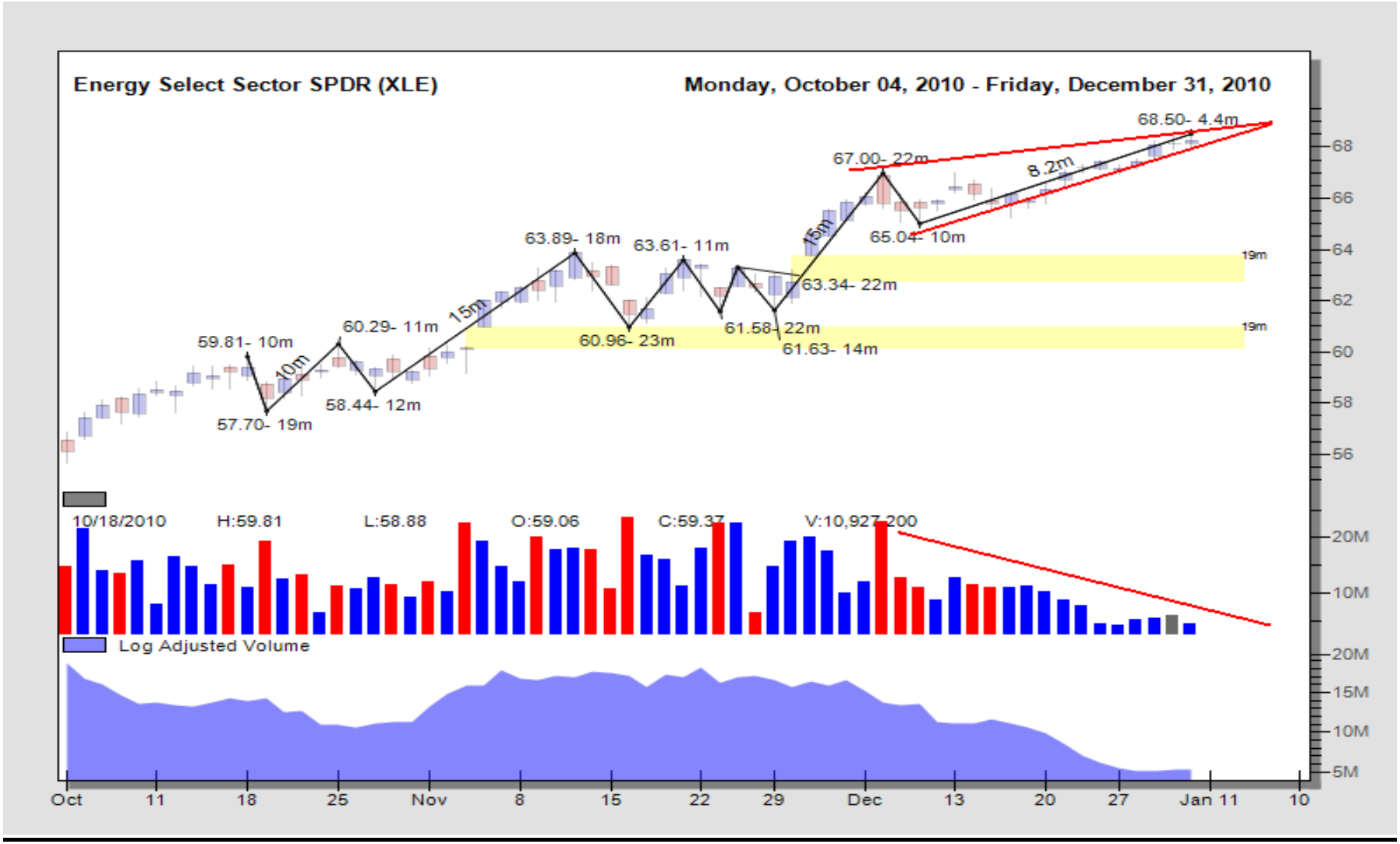
– XLE - PQV Analysis

This has entered the CZ on 3x3 on light volume , For better Risk reward , first a sign of pull back on heavy volume and at least 10-12 m and then test of 68.50 – 70.5 with 4 shares and close under 68.5 for failure. But no signal yet



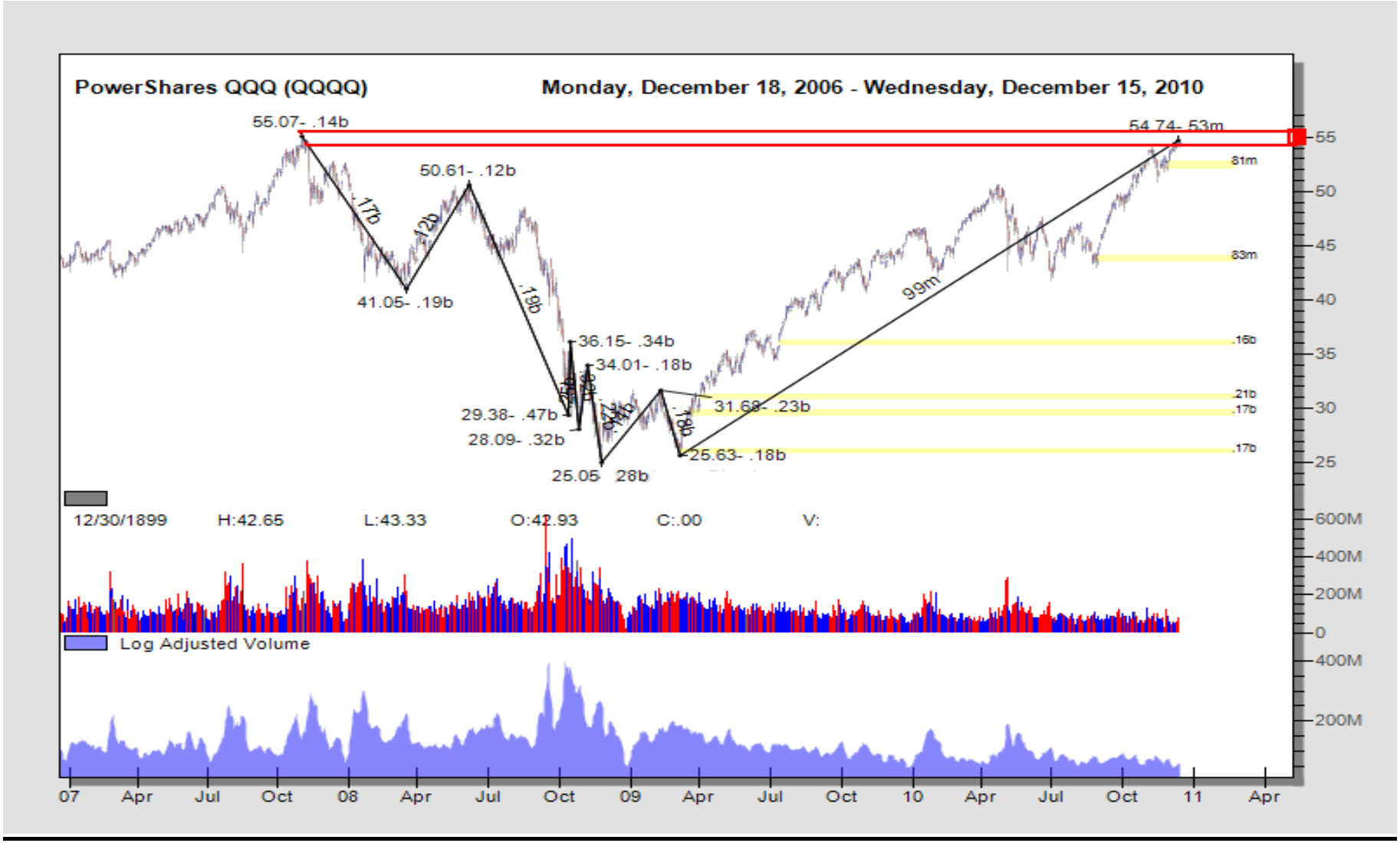
XLE – PQV Analysis – SHORT TERM

This Bearish Wedge should be diffused first to 65 price if volume picks up 10-12 M on the decline , then monitor the bounce into CZ as stated above



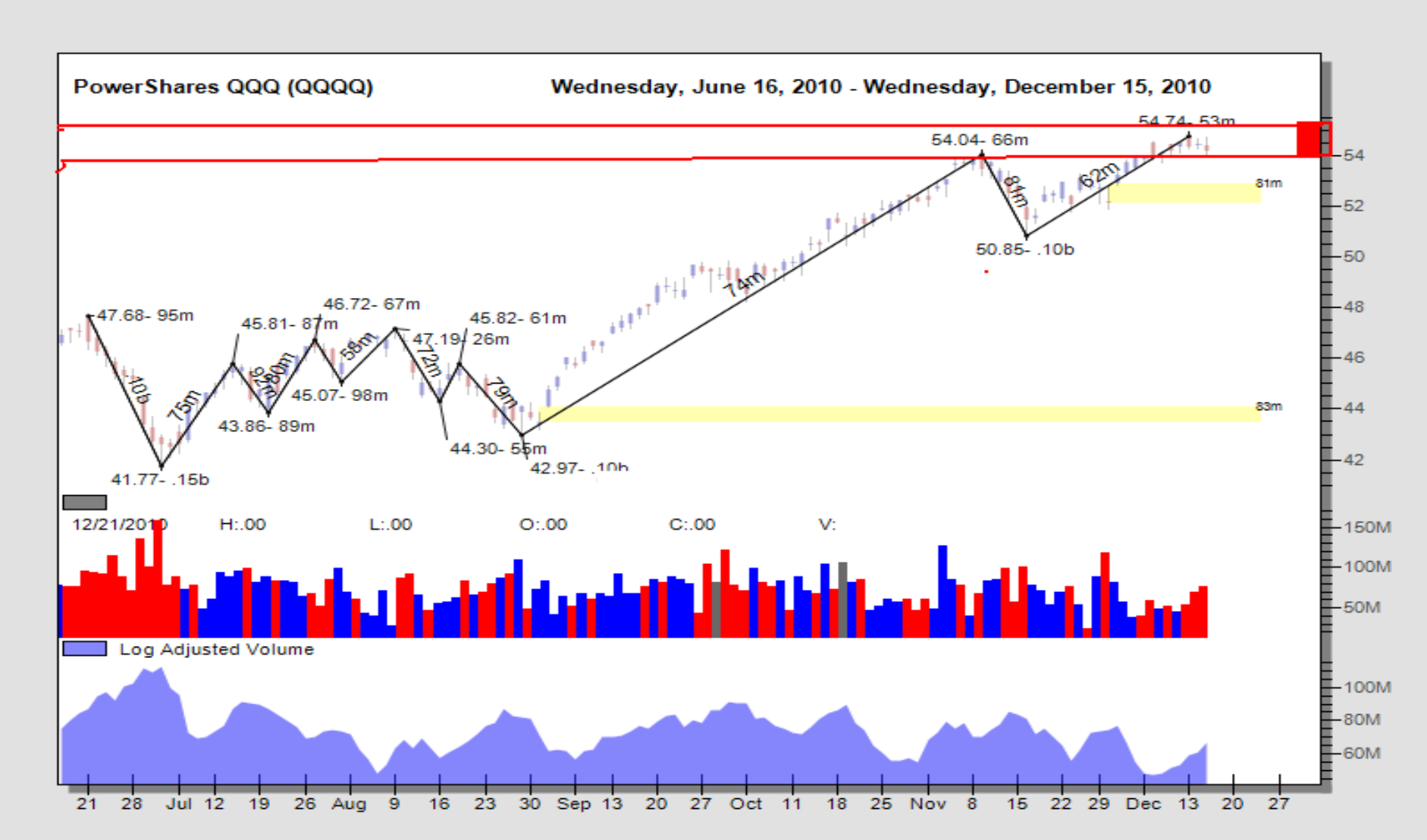
QQQQ - POM – LT - Price , Volume & Pattern Analysis

QQQQ is testing Oct 08 highs of 55 , Previously it tested the breakdown area of Oct 08 of 54 with 65% lighter volume
If the test of 55 with 100 M shares and close below 54 would be failure (This is a better failure) , On risk reward as always the stop on other side of CZ.



QQQQ - POM – ST - Price , Volume & Pattern Analysis

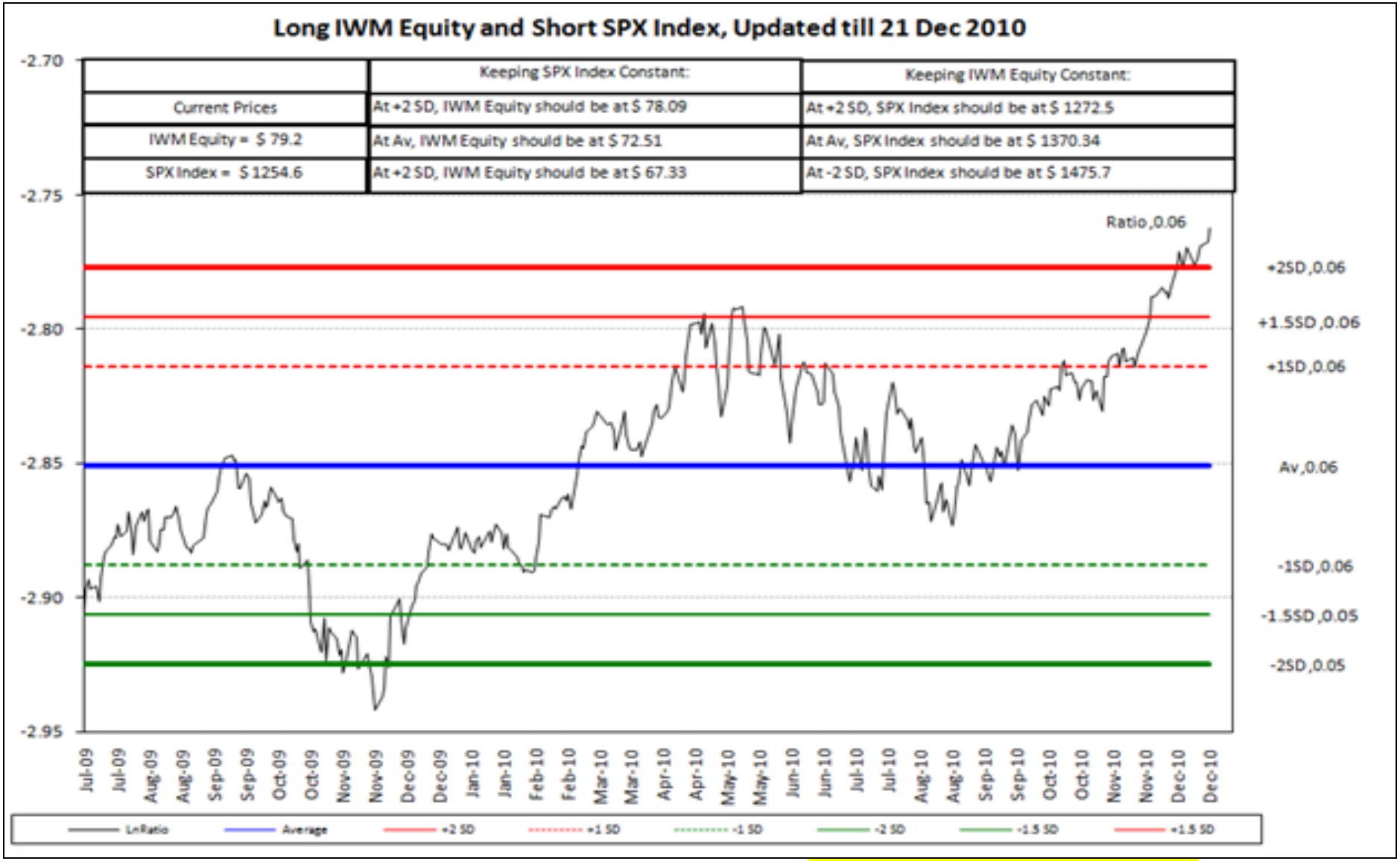
On Shorter term, QQQQ tested 54 with 53 M v/s 53 required within CZ & 5-7%and now close below 54 would be failure , if SPX fails before NASD , then QQQQ may fail prematurely (without going higher then 55)



IWM – Correlation Ratio Analysis with SPX – 365 days Time basis

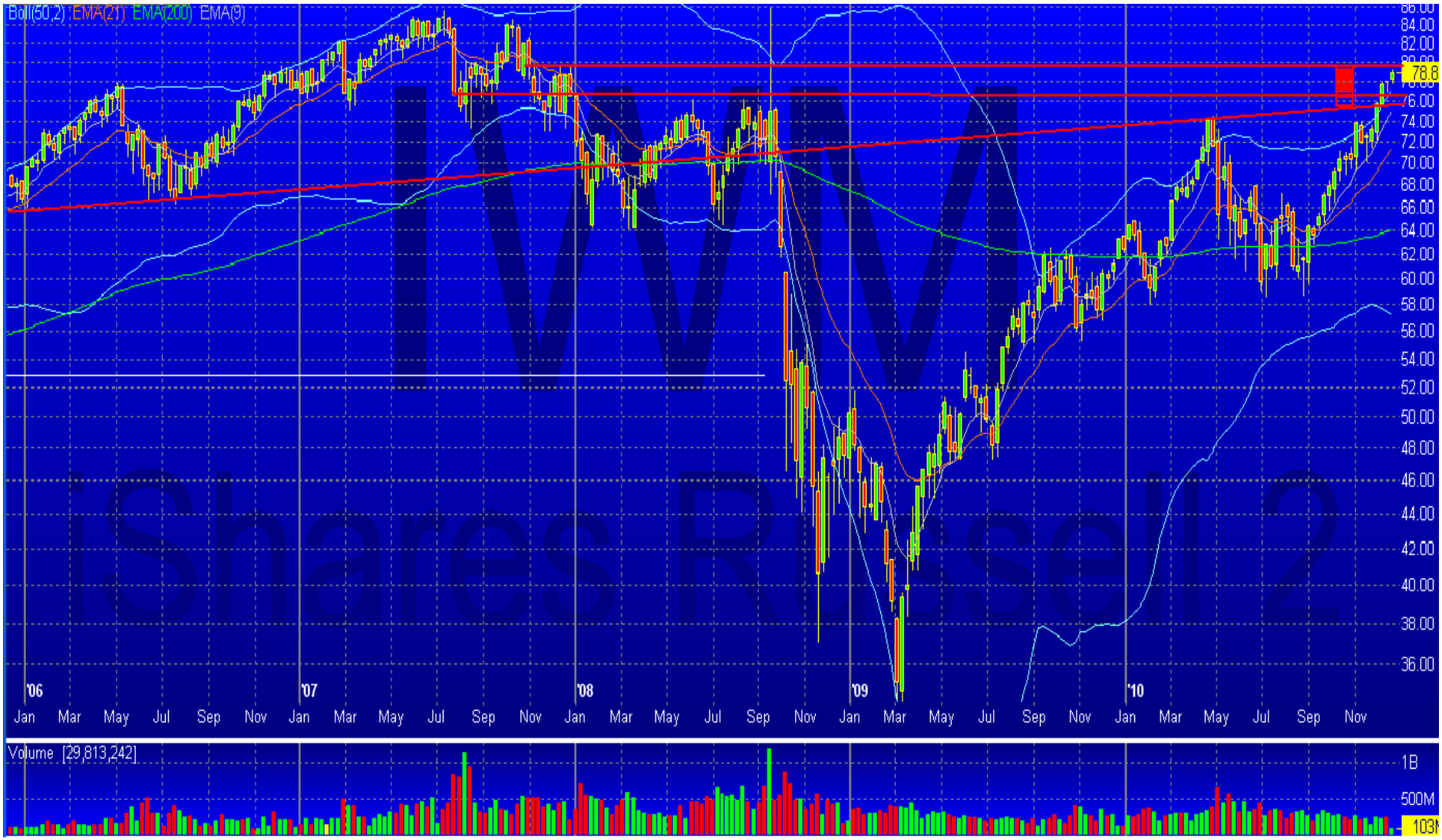
SD # 2.0 has just reached extremes

WE HAVE COVERED THIS IN DETAIL IN MS A # 2 – Yesterdays Report



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

IWM did not validate the PQV – CZ test in first get go and got extended with heavier volume then our benchmark. Currently it is testing 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 76.50 – 80.00 (currently it is in the zone) and test with 175 M and weekly close under 77 (revised) should be a good test If SPX declines this will follow.



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**

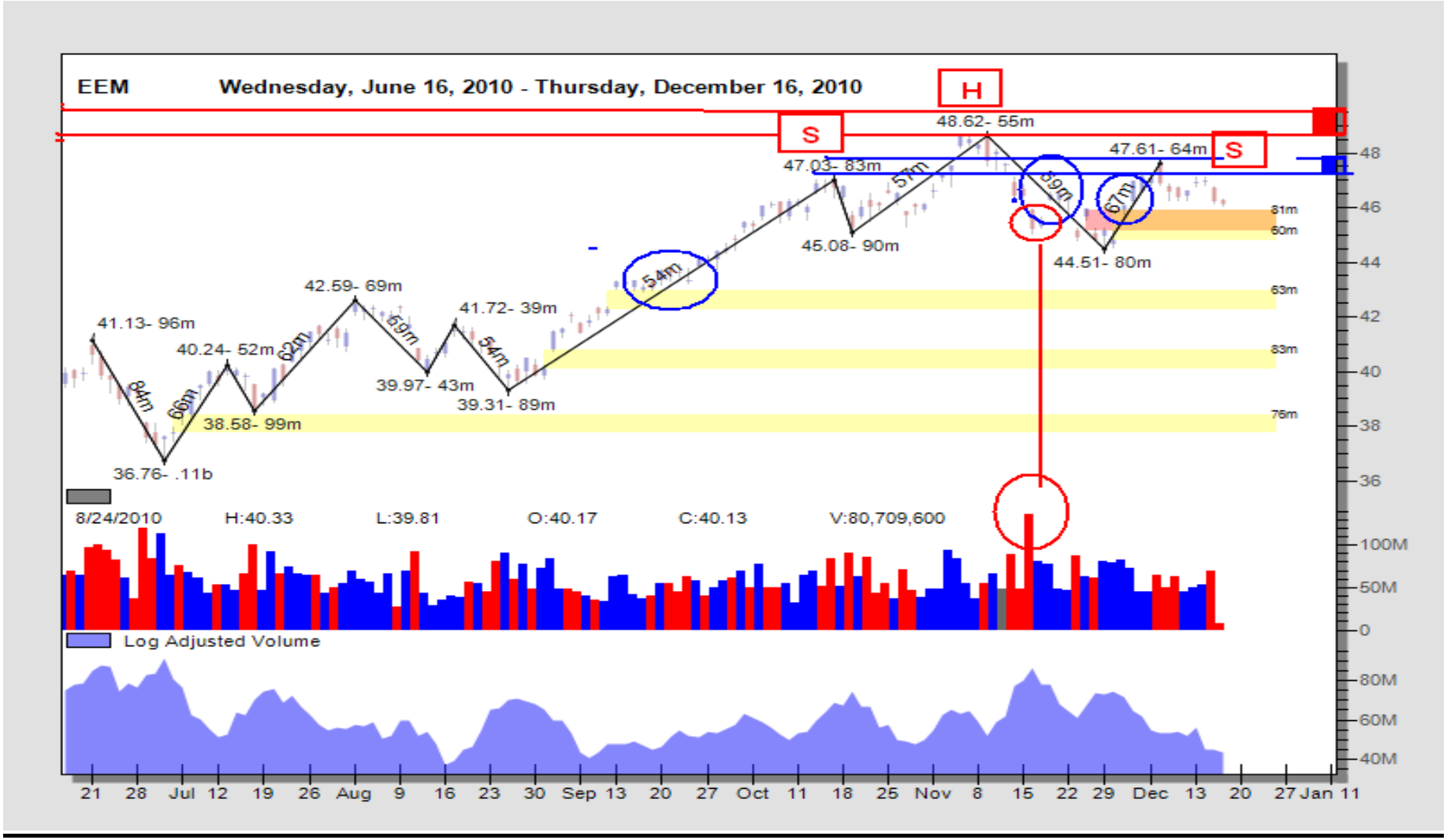
- **Charts below gives different possibility in different time frame with volume study**

EEM – Trend line & SMA Analysis

By this method , this is a Bearish Setup, these reversal are good probability patterns.

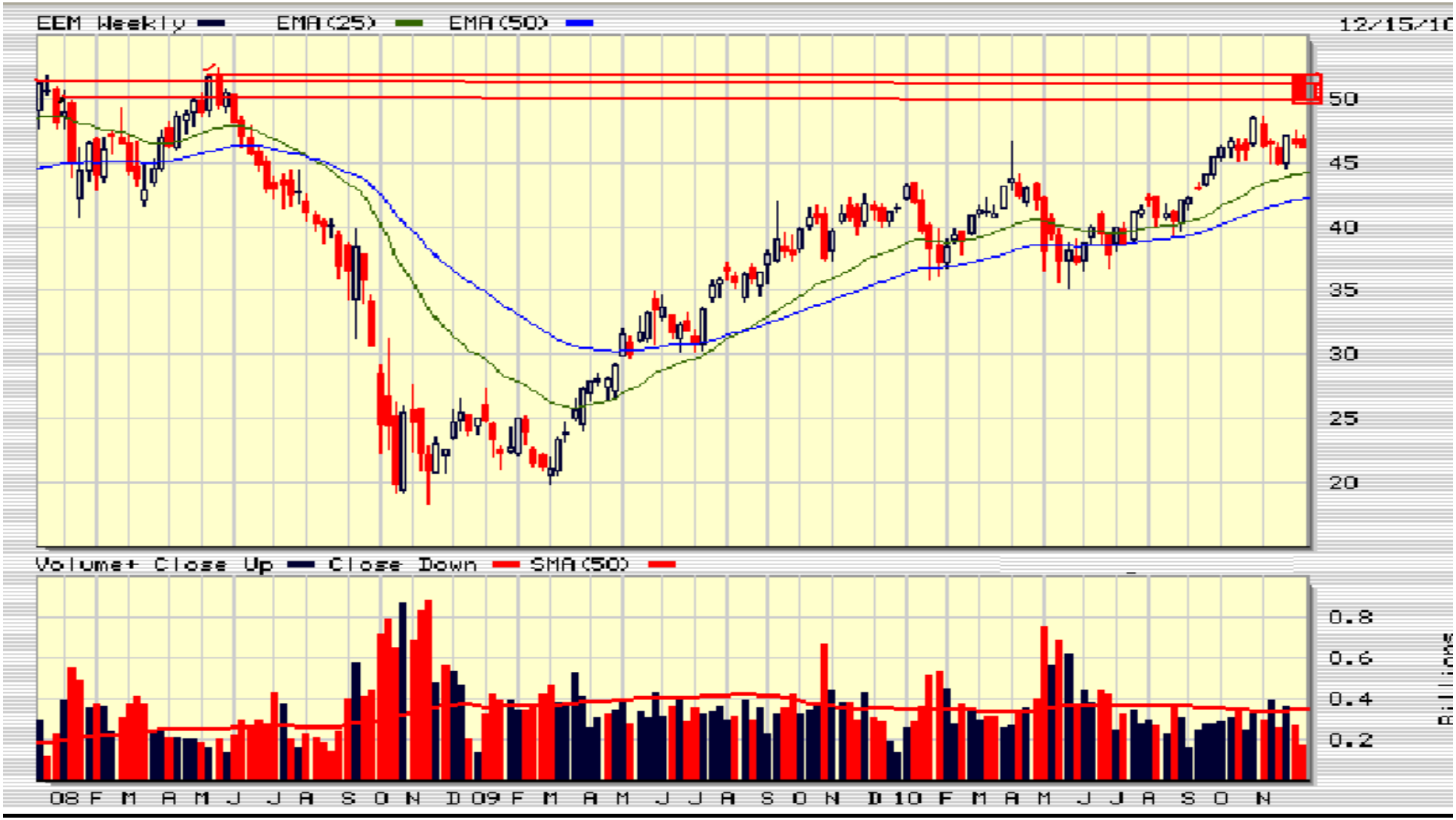
EEM- POM – ST - Price , Volume & Pattern Analysis

Since our last update , Our CZ of Head and Shoulder passed successfully with close of 47 and volume tests as Indicated If SPX fails, then we may not get to the CZ of 48 -50 ,. The needs to be 40 M & price close below 48 . That would Top , On risk reward as always the stop on other side of CZ. (If volume pick up more than 40M and we could certainly not pass the test., that is what if ??)



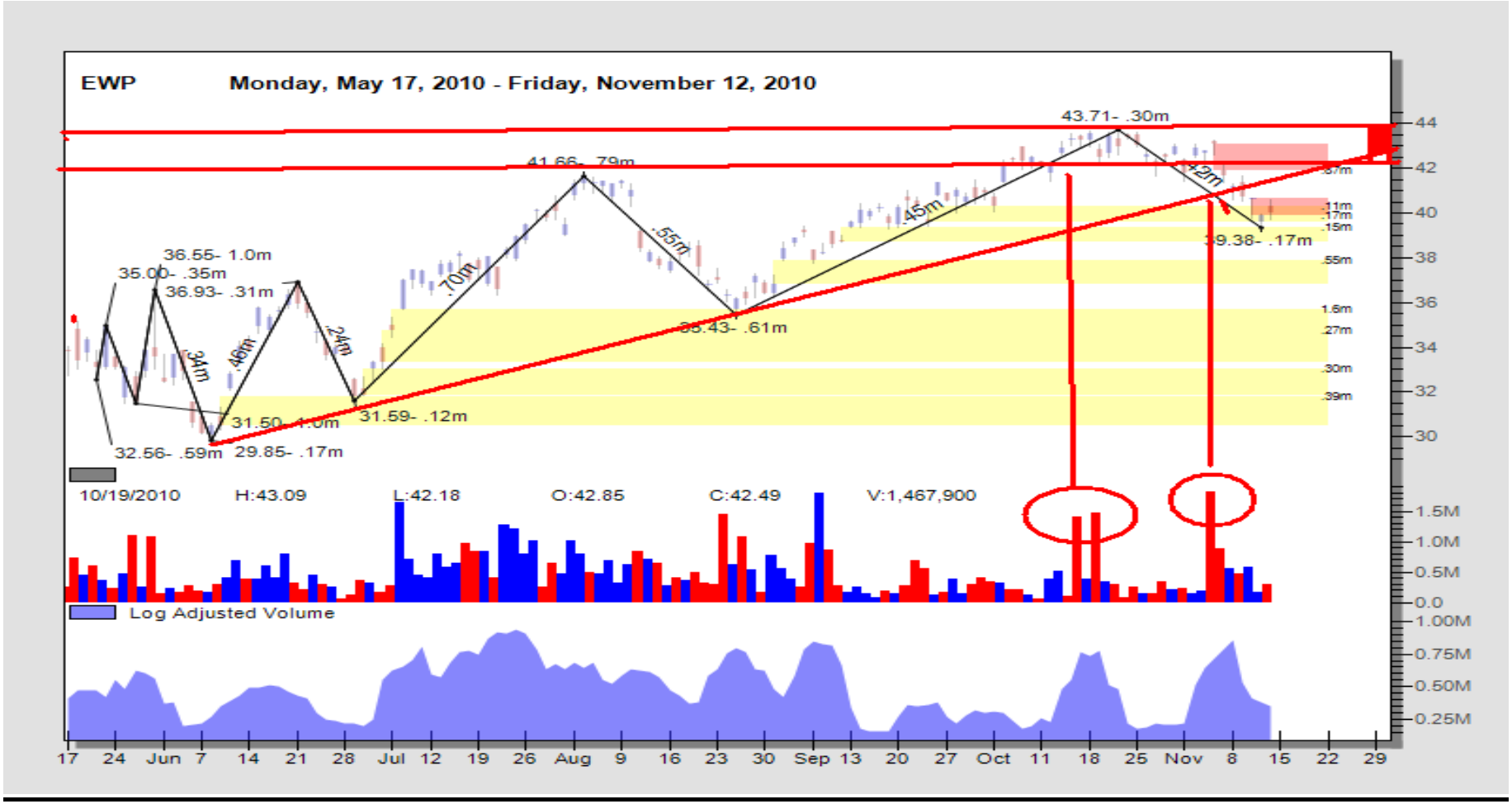
EEM- POM – LT - Price , Volume & Pattern Analysis

Heads up - As a worst case scenario if volume exceeds 40 M then test the Previous swing highs of May 08 at 52 and breakdown area of Jan 08 of 49. is wide open similar to what happened to IWM. (but we wait till it proves itself via volume study) We don't know yet it will get there or not in prices. We will do the volume study if it gets there along with SD # 2, levels for 2nd visit



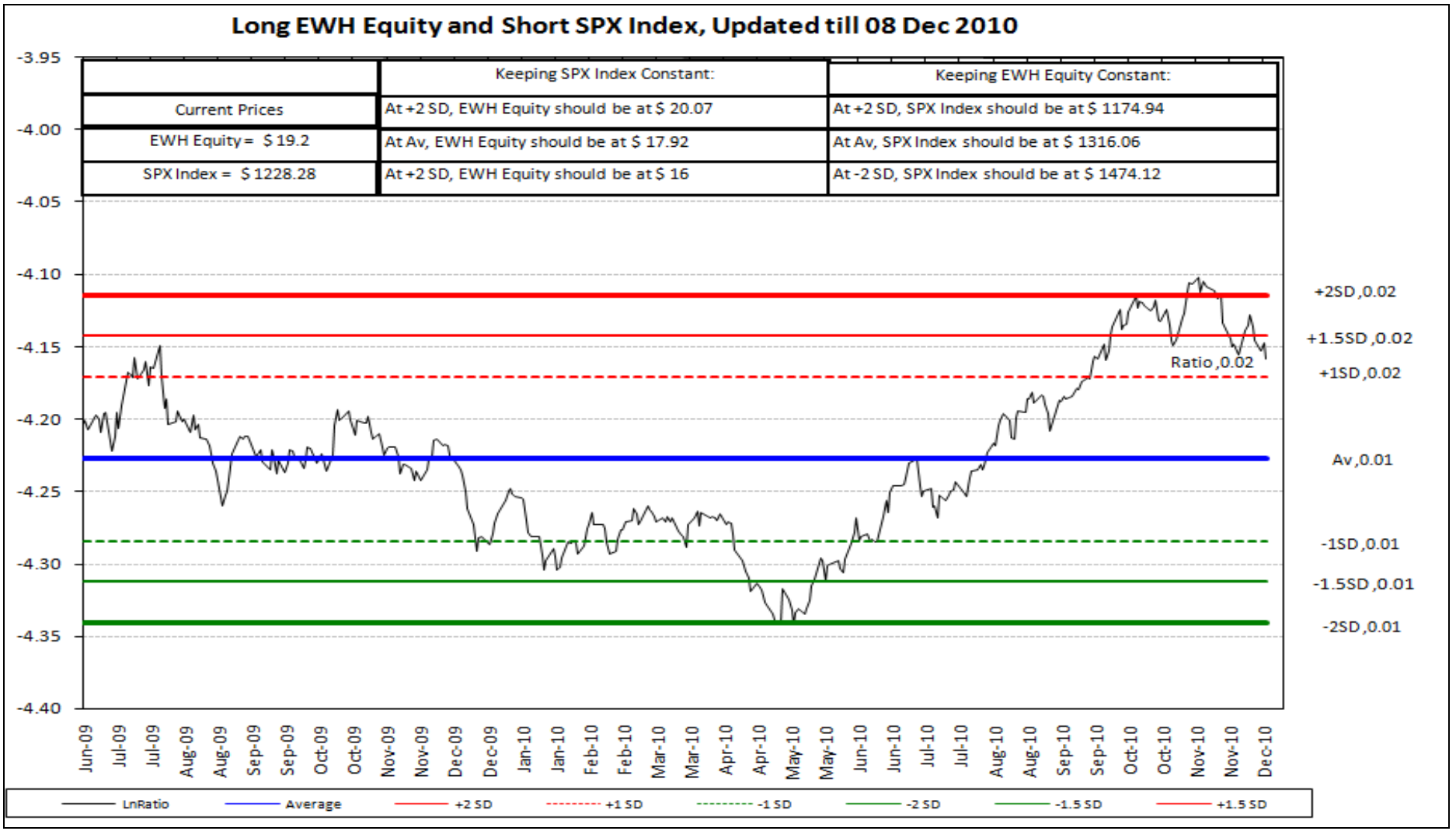
EWP – PRICE & VOLUME ACTION

- **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**



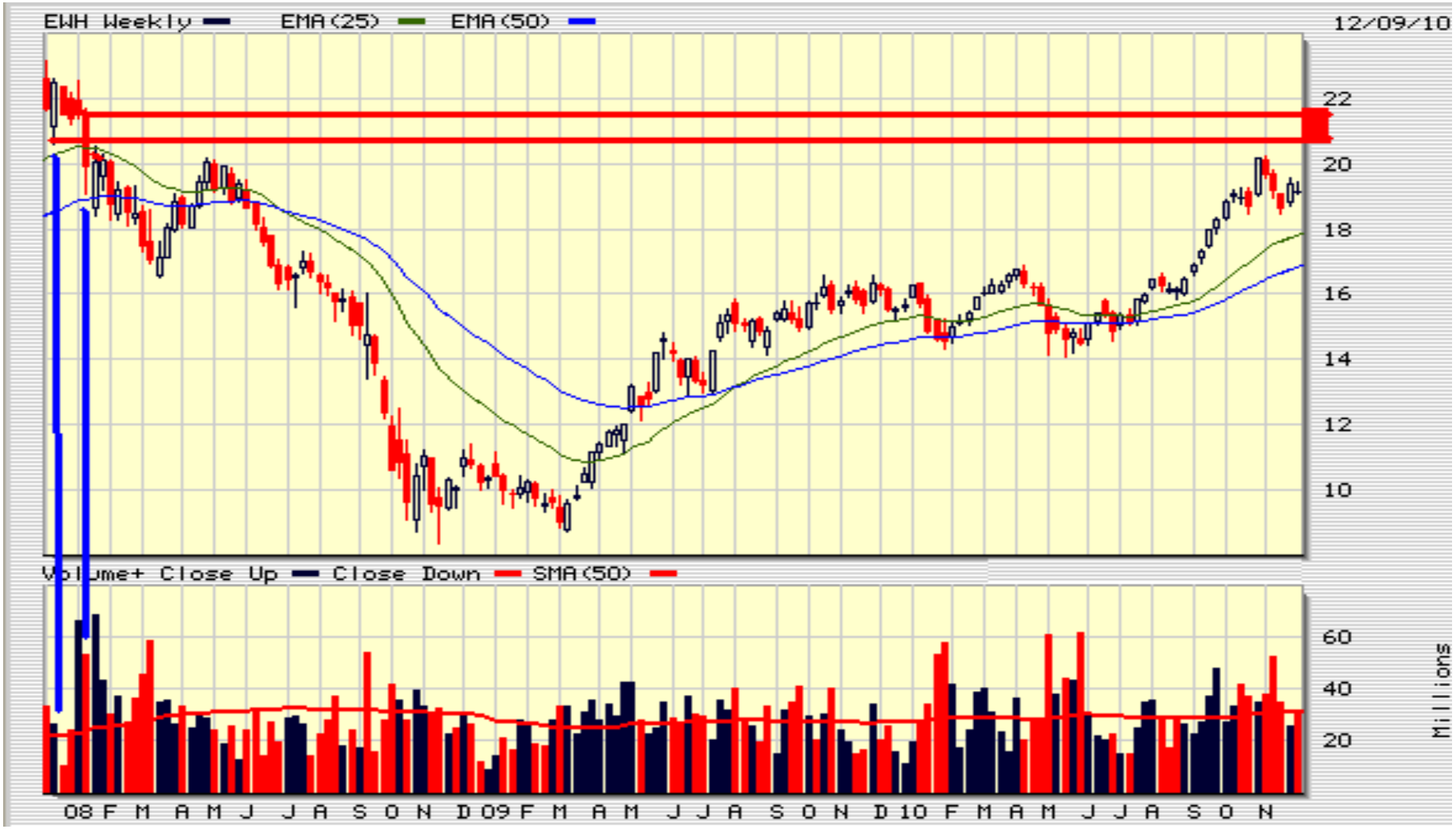
EWH – Correlation Ratio Analysis with SPX – 365 days Time basis

SD# is at + 1.25 for overvaluation



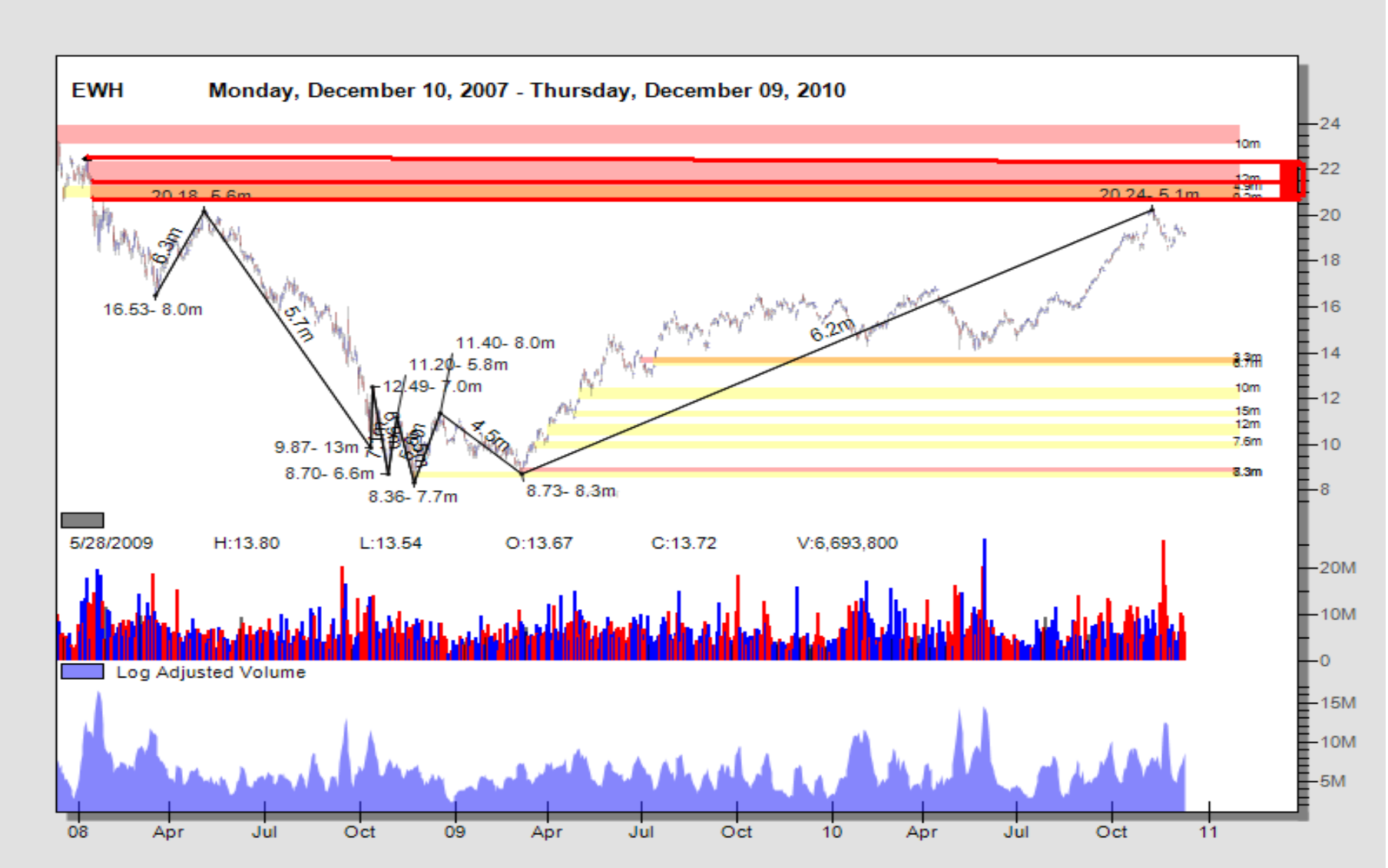
EWH - POM – LT - Price , Volume & Pattern Analysis

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



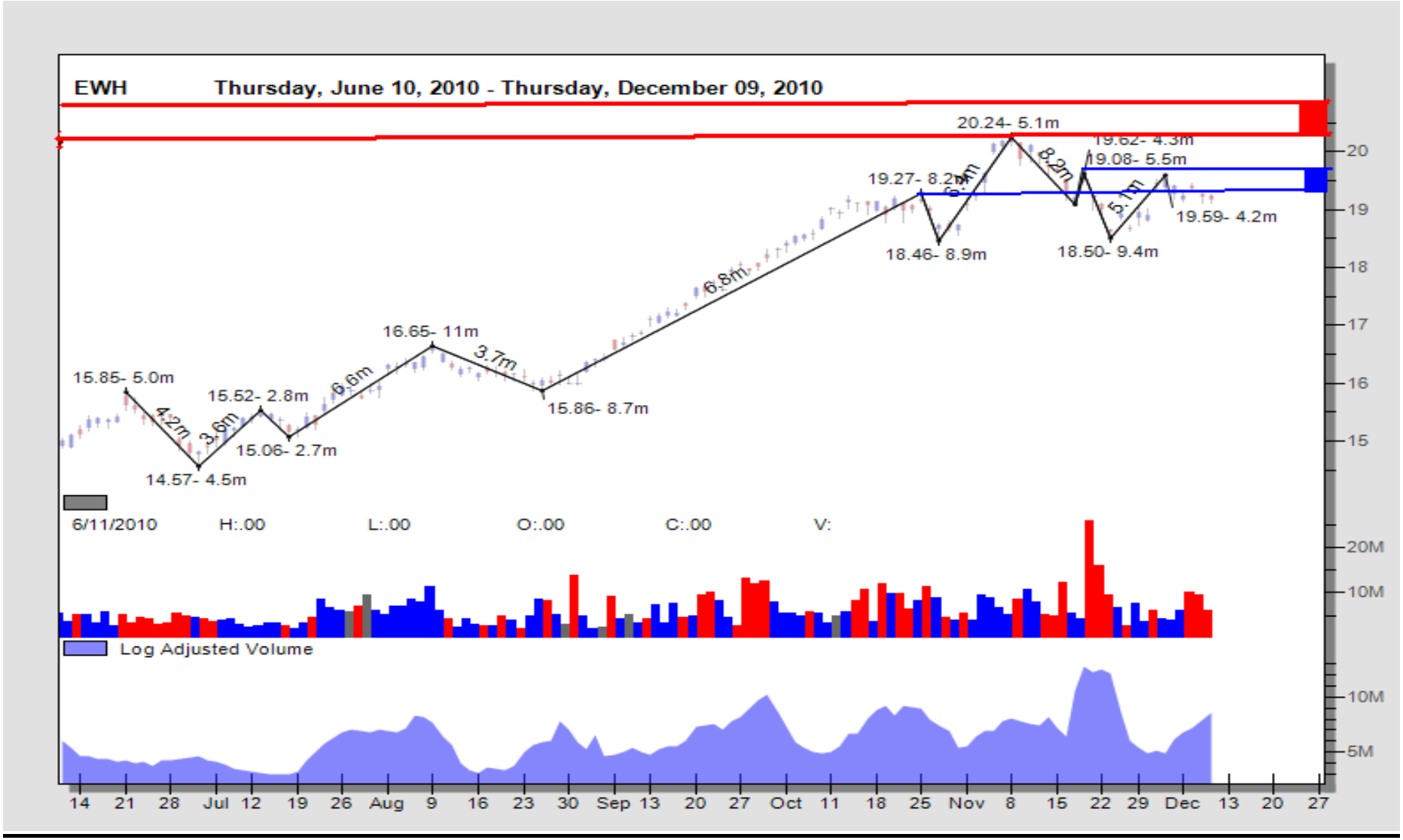
EWH- POM – MT - Price , Volume & Pattern Analysis

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 is 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 .

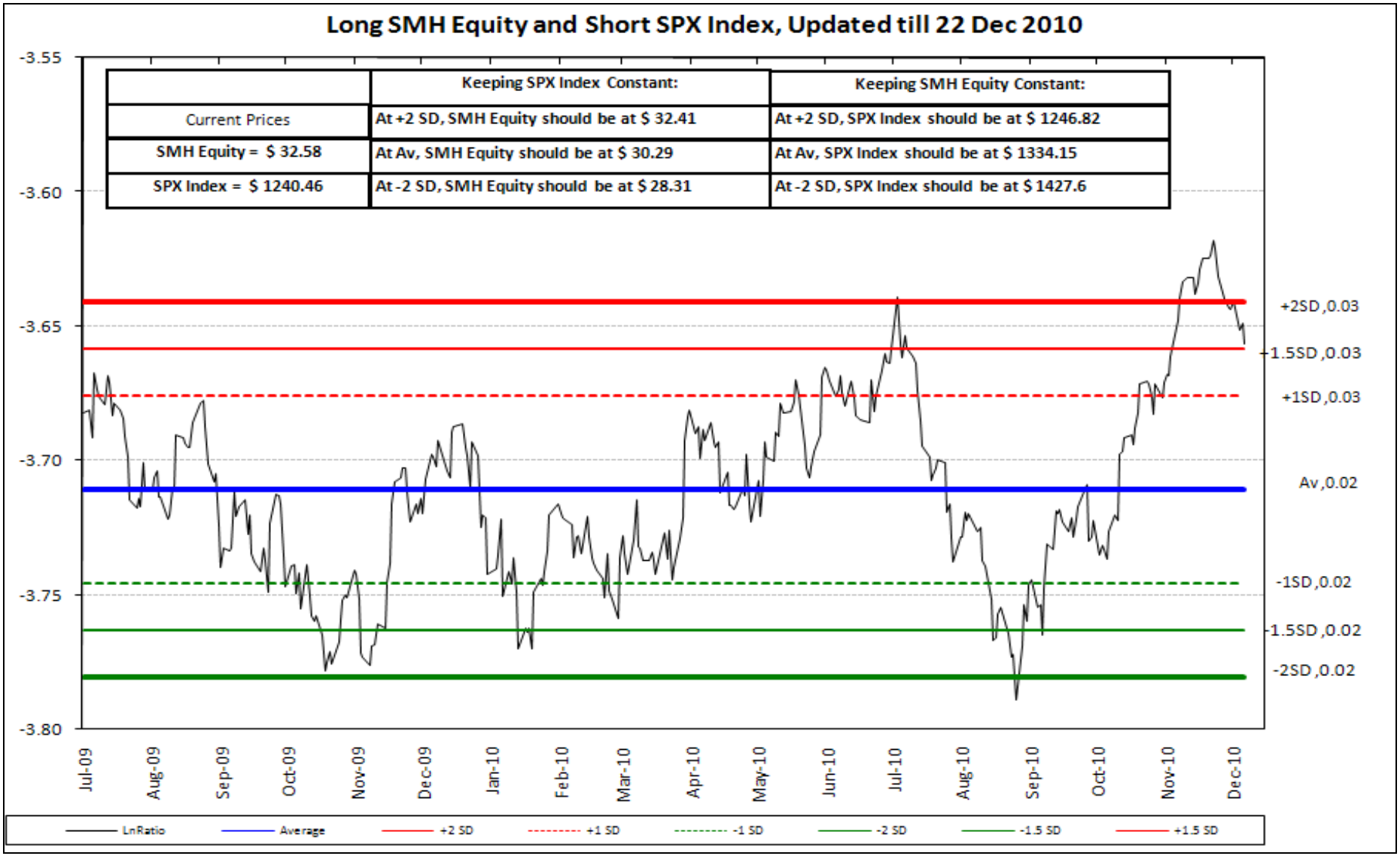


EWH – Technical & Pattern Analysis & Price / Volume

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 .

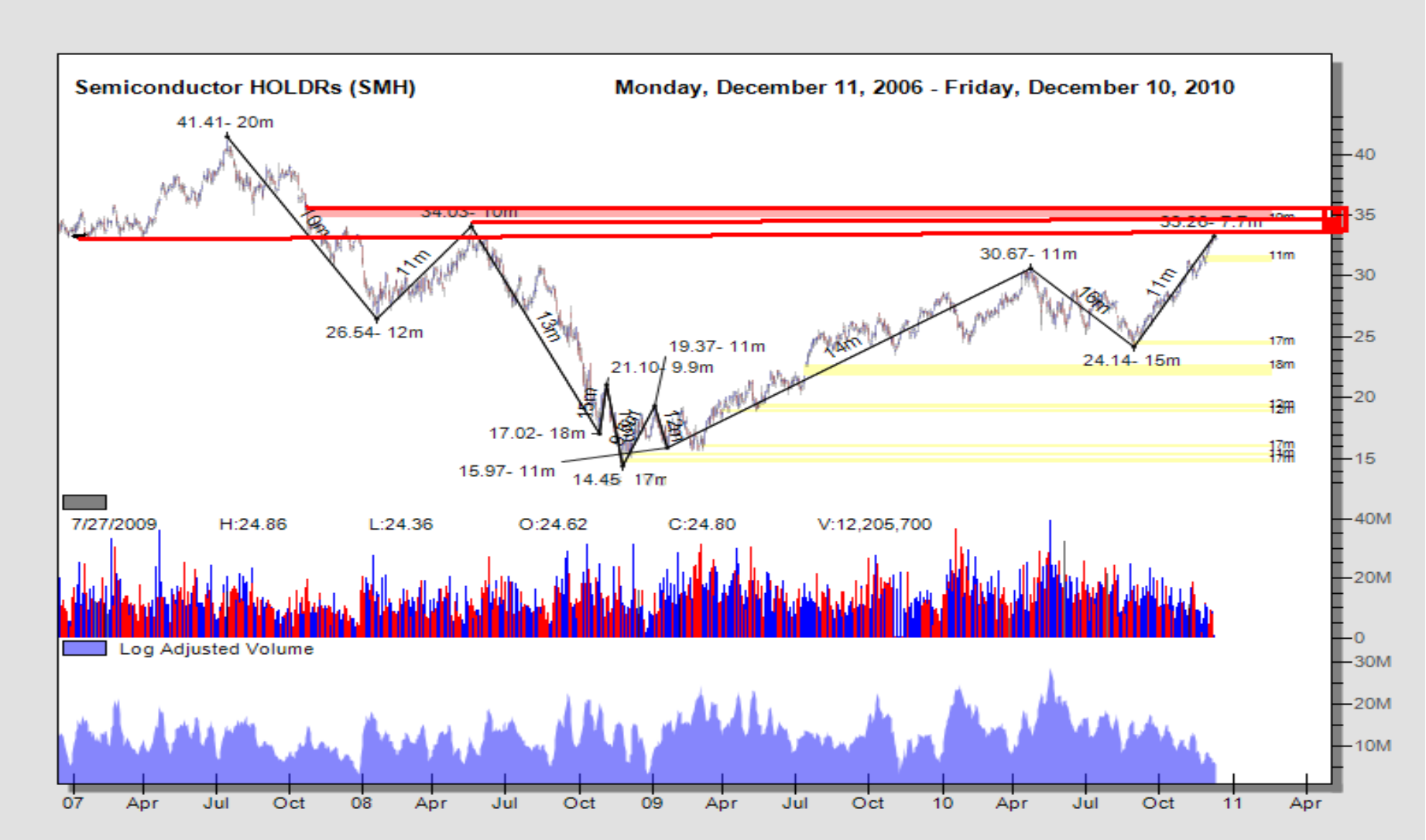
SMH – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2.0 has just reached extremes



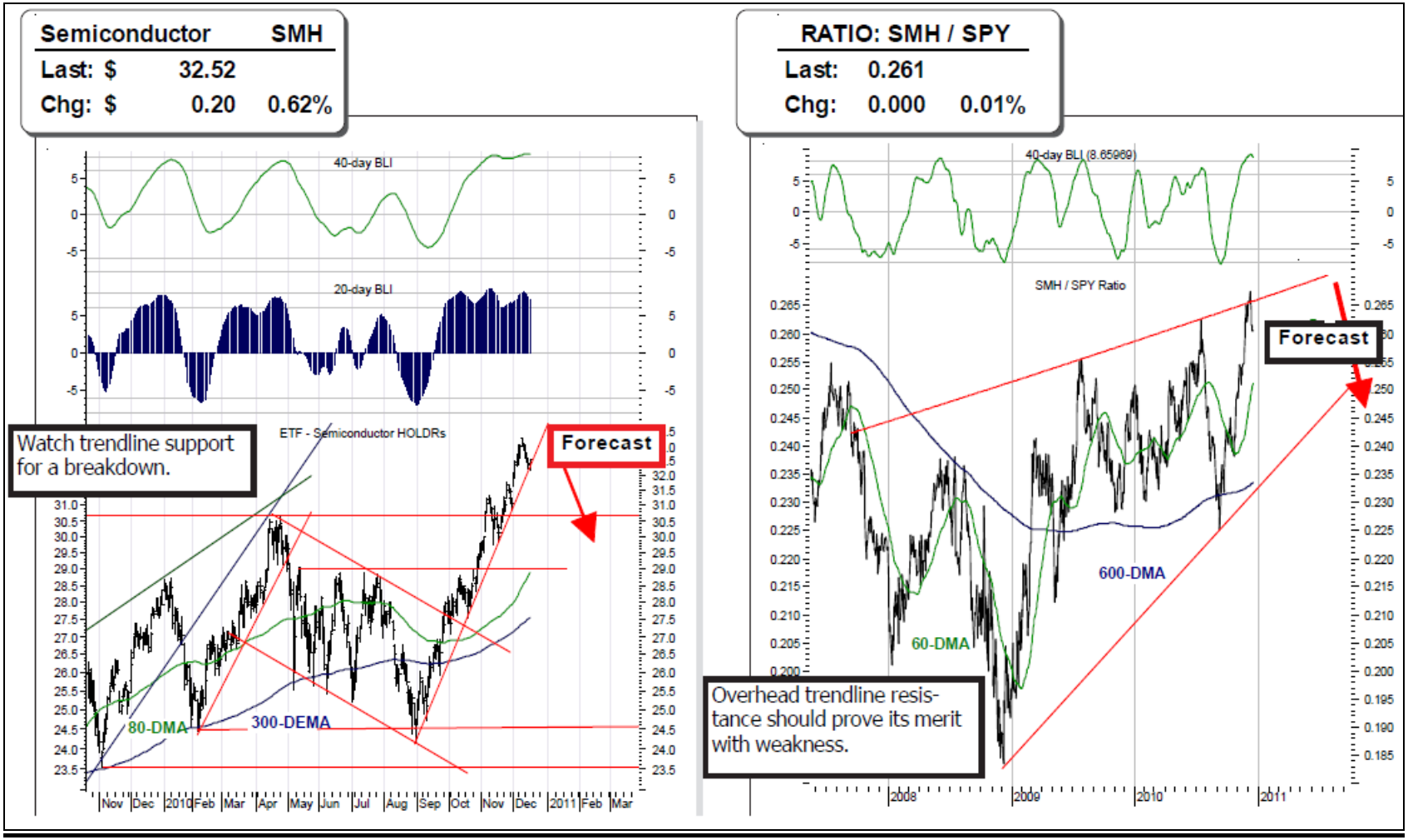
1- SMH – Technical & Pattern Analysis & Price / Volume (No Change – No test)

SMH came very close to our test zone defined by May 08 at 34 and breakdown area of Jan 08 of 33 as this would depend on SPX failure. There is a possibility, if SPX fails, then we look for SHM to fail as well and CZ might not get tested . CZ for SMH is 34 -36 and volume on test to be 8M and close below 34 . That would Top , On risk reward as always the stop on other side of CZ.



SMH– Technical & Pattern Analysis –

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



EWA- POM – LT / ST – Key Points

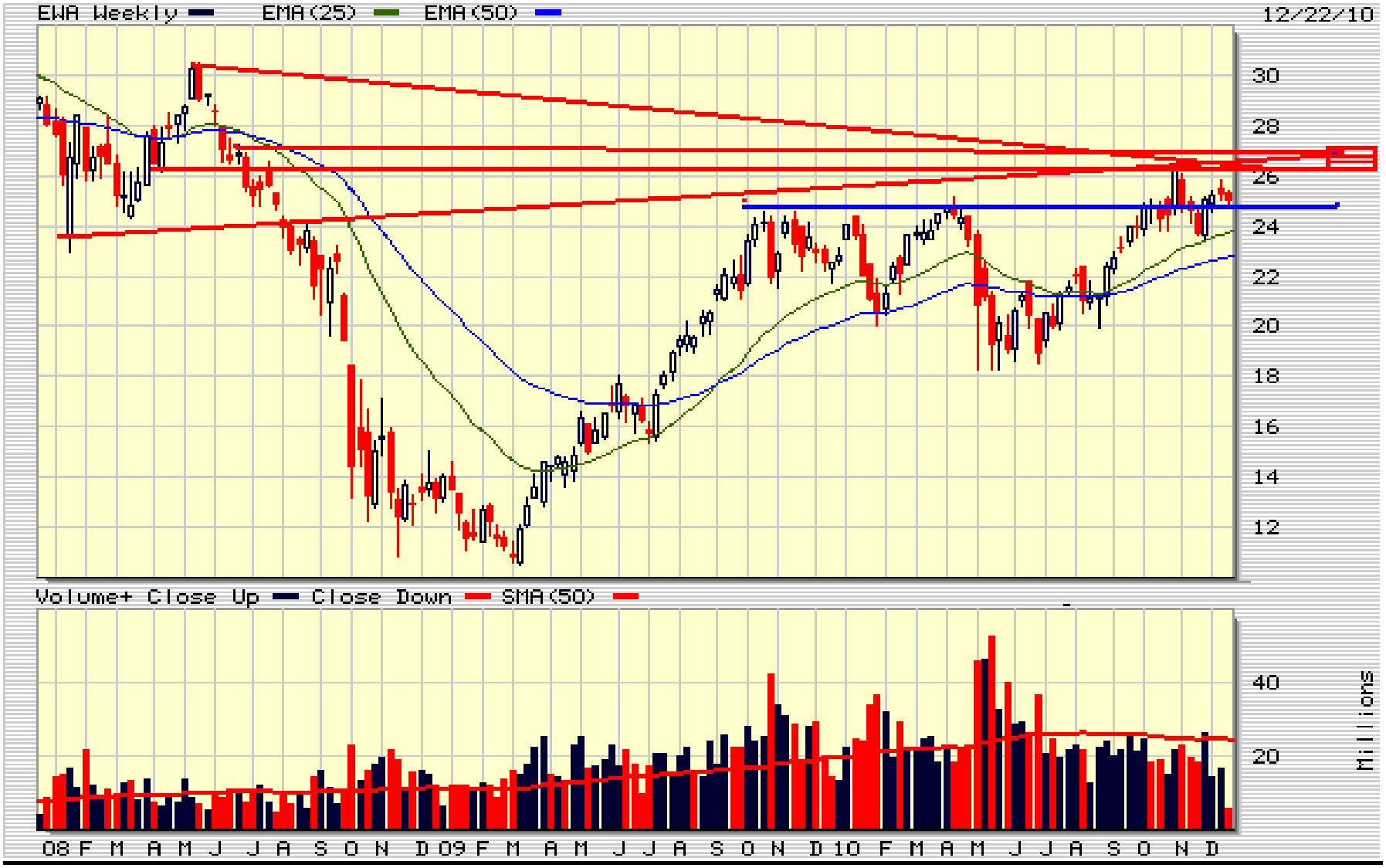
- SD # Levels are below +1.0 SD and Neural Zone ,

- 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

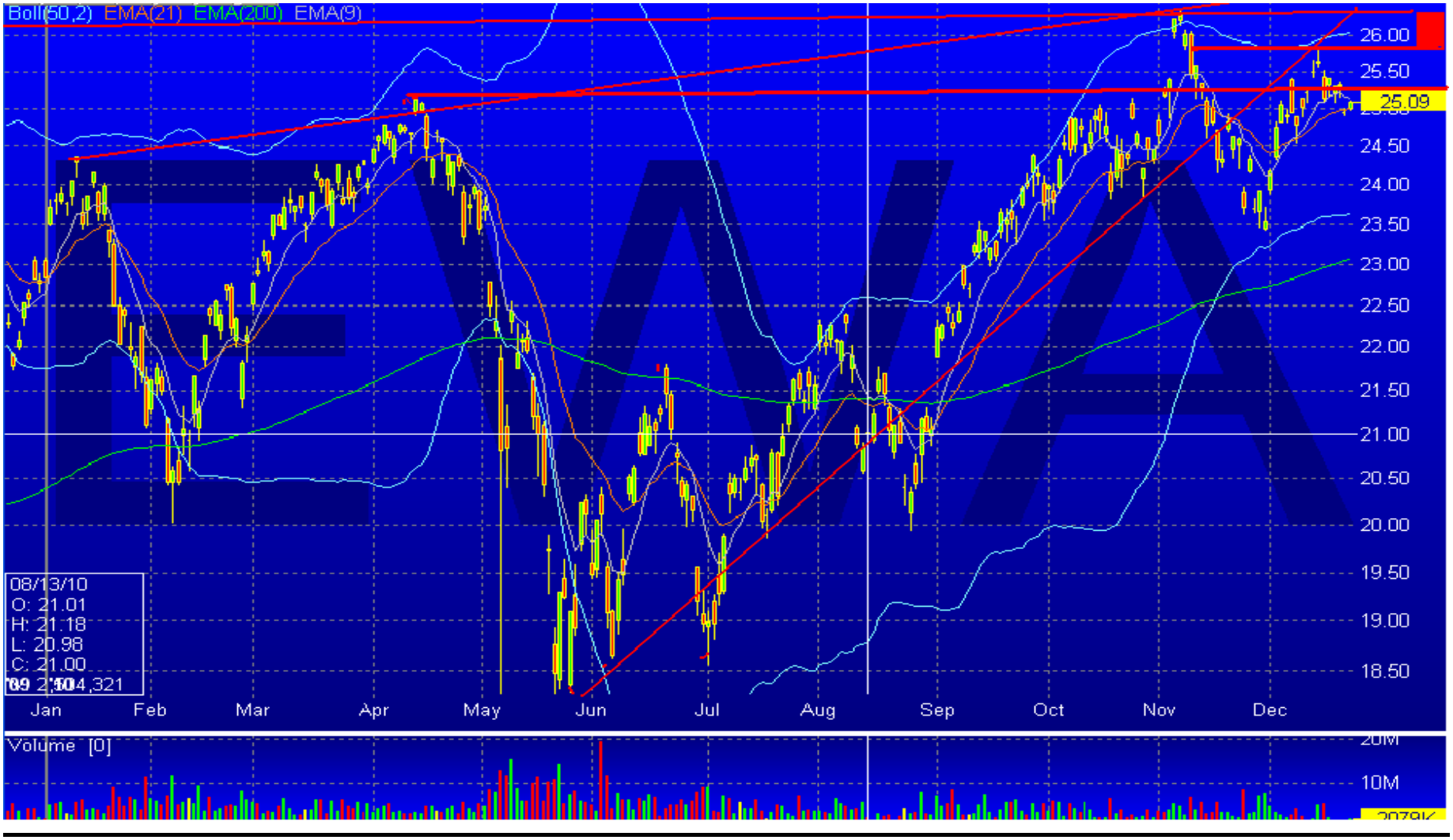
EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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

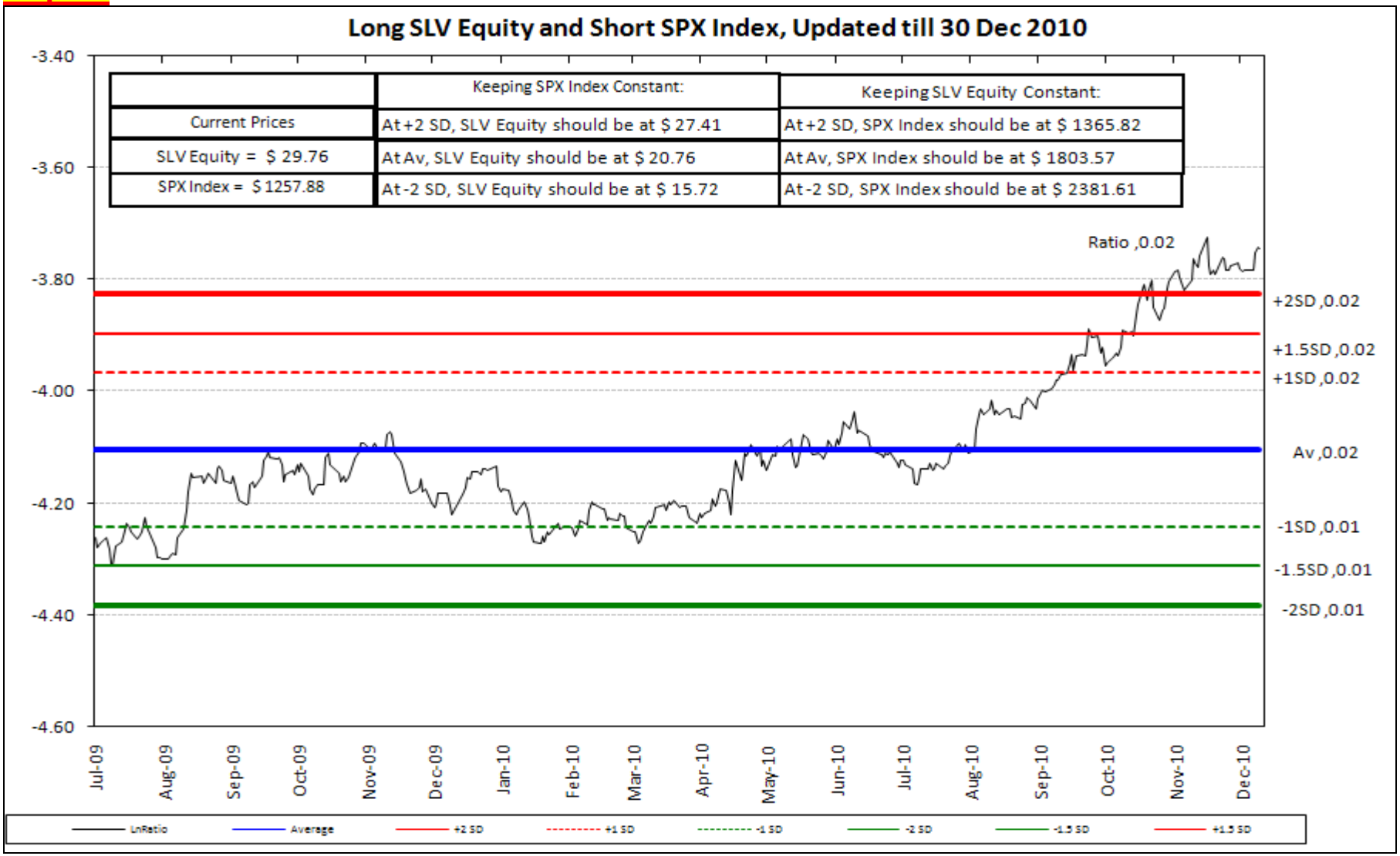
On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



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

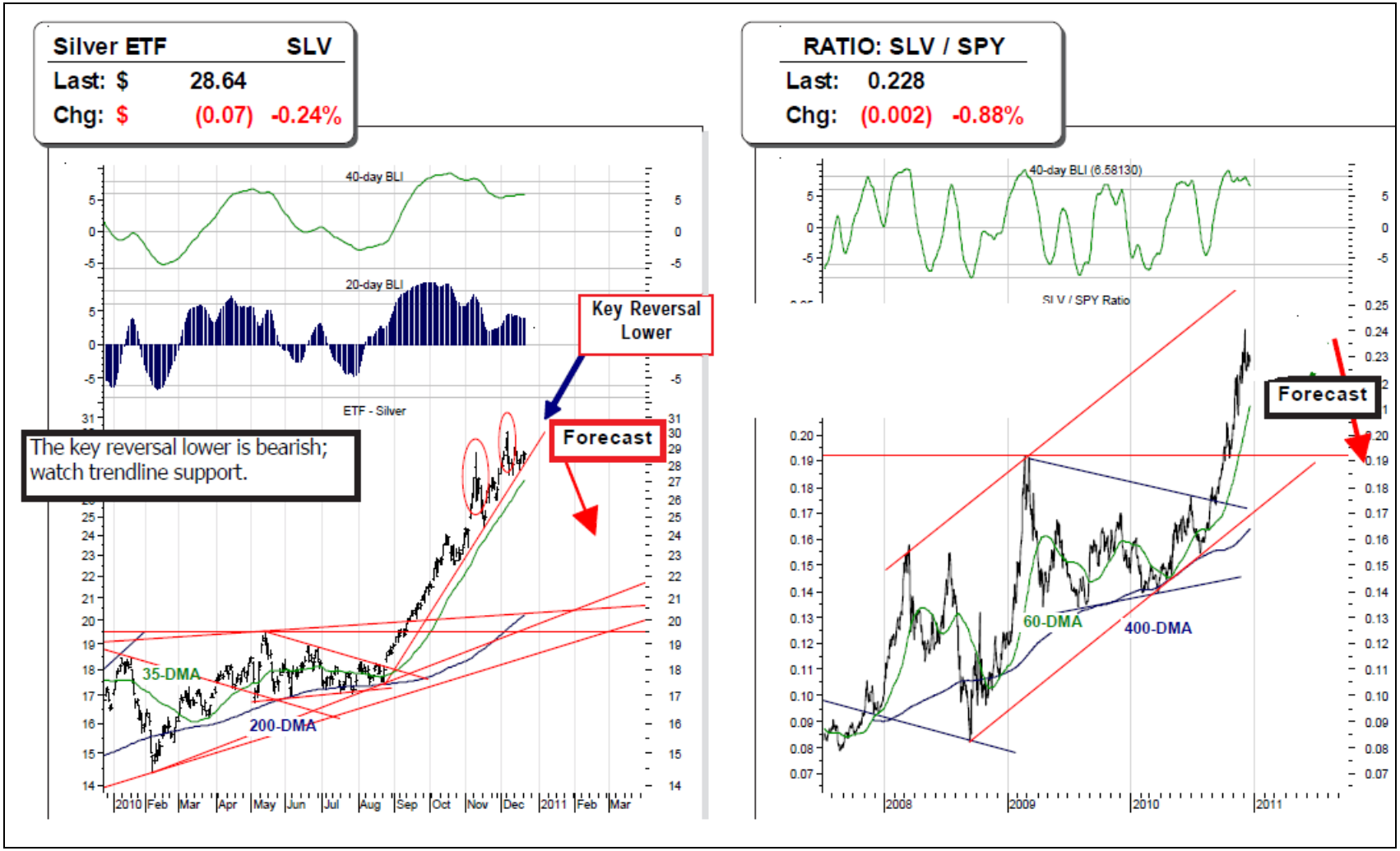
In the CZ – PQV Trigged POM 15

WE HAVE COVERED THIS IN DETAIL IN SPECIAL SITUATION & IN COMMODITY # C – Report



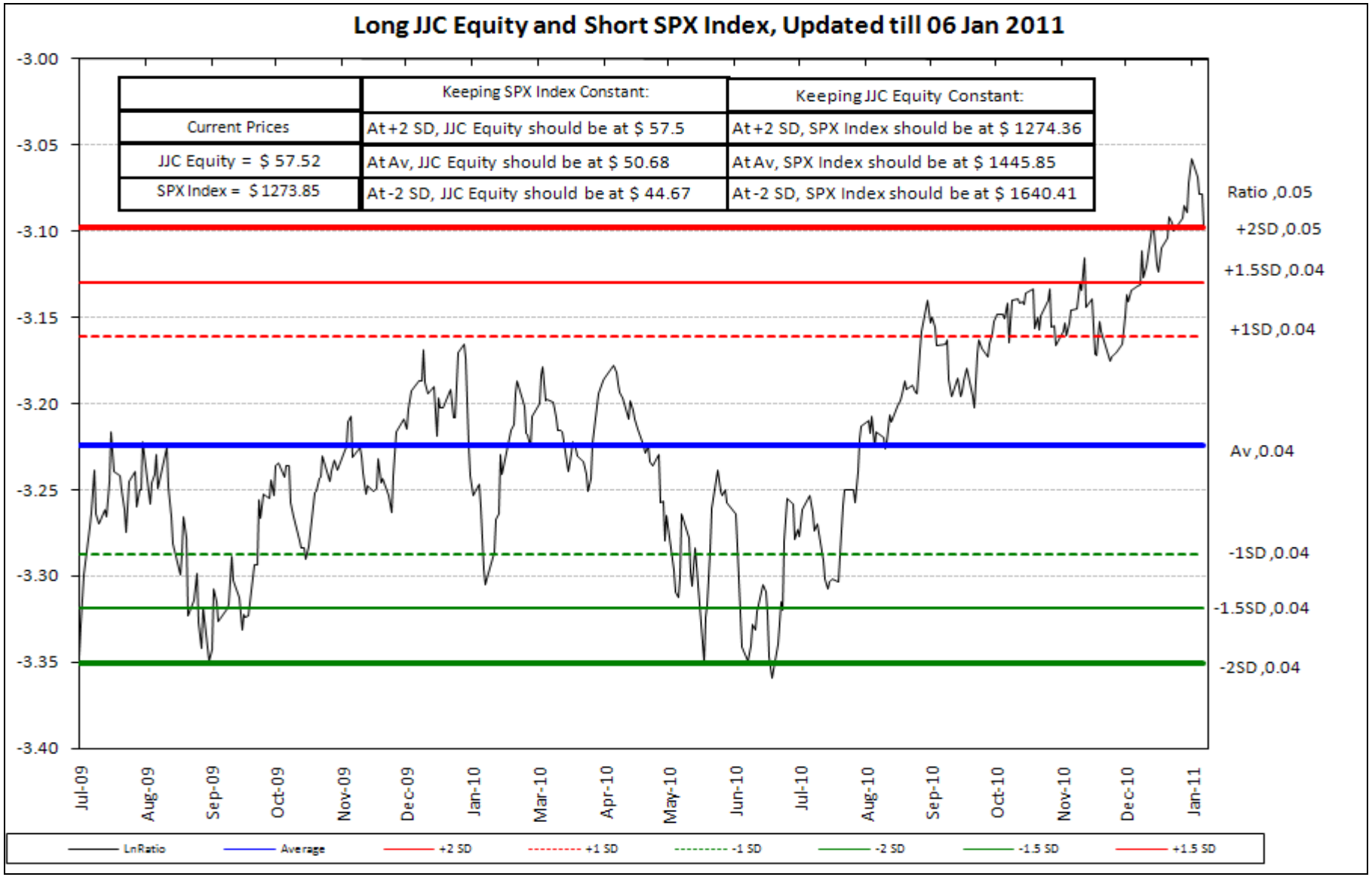
1 – SLV- Pattern & Trend line Analysis

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

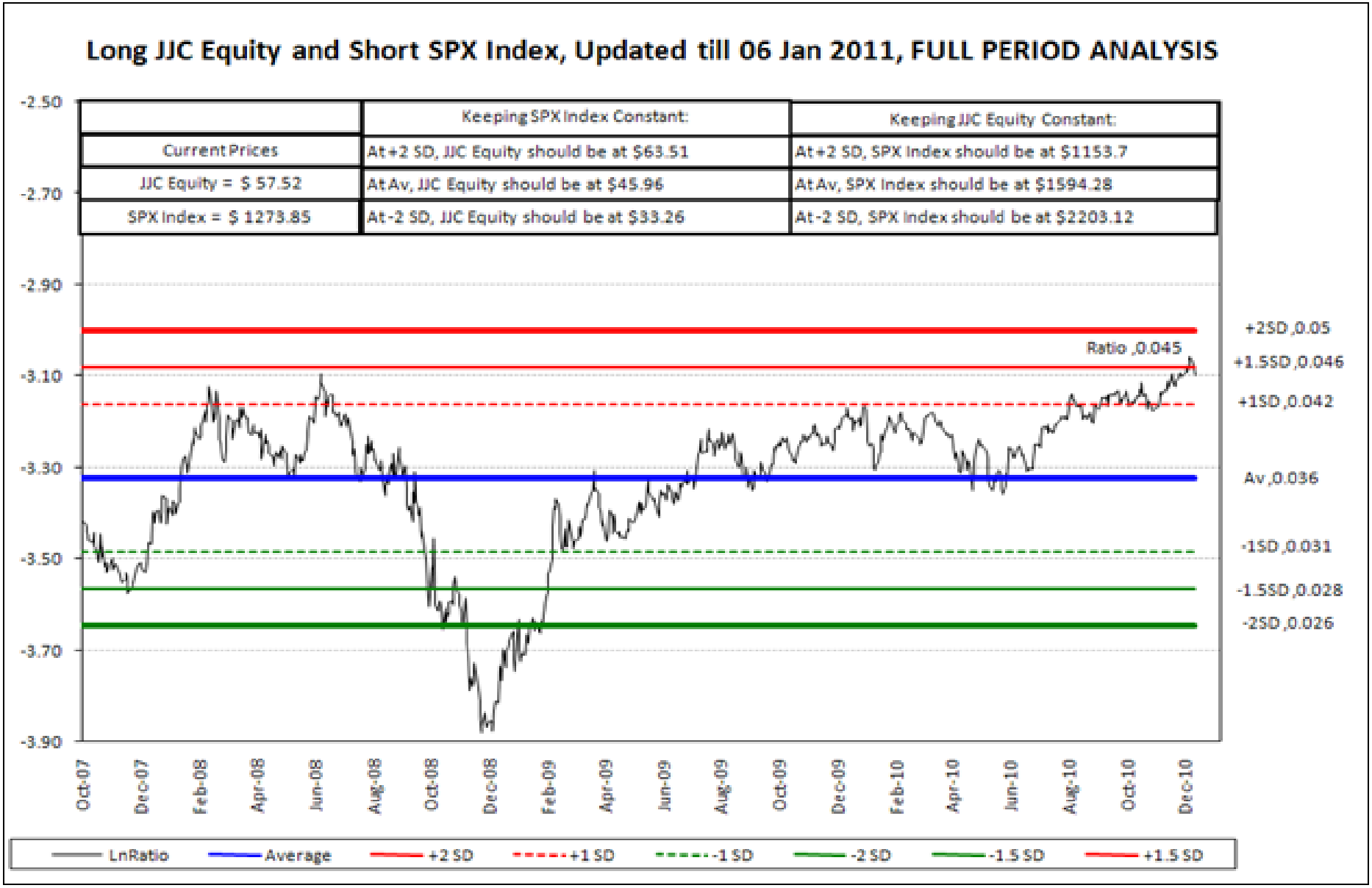


JJC – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2.0 v/s SPX has reached extremes

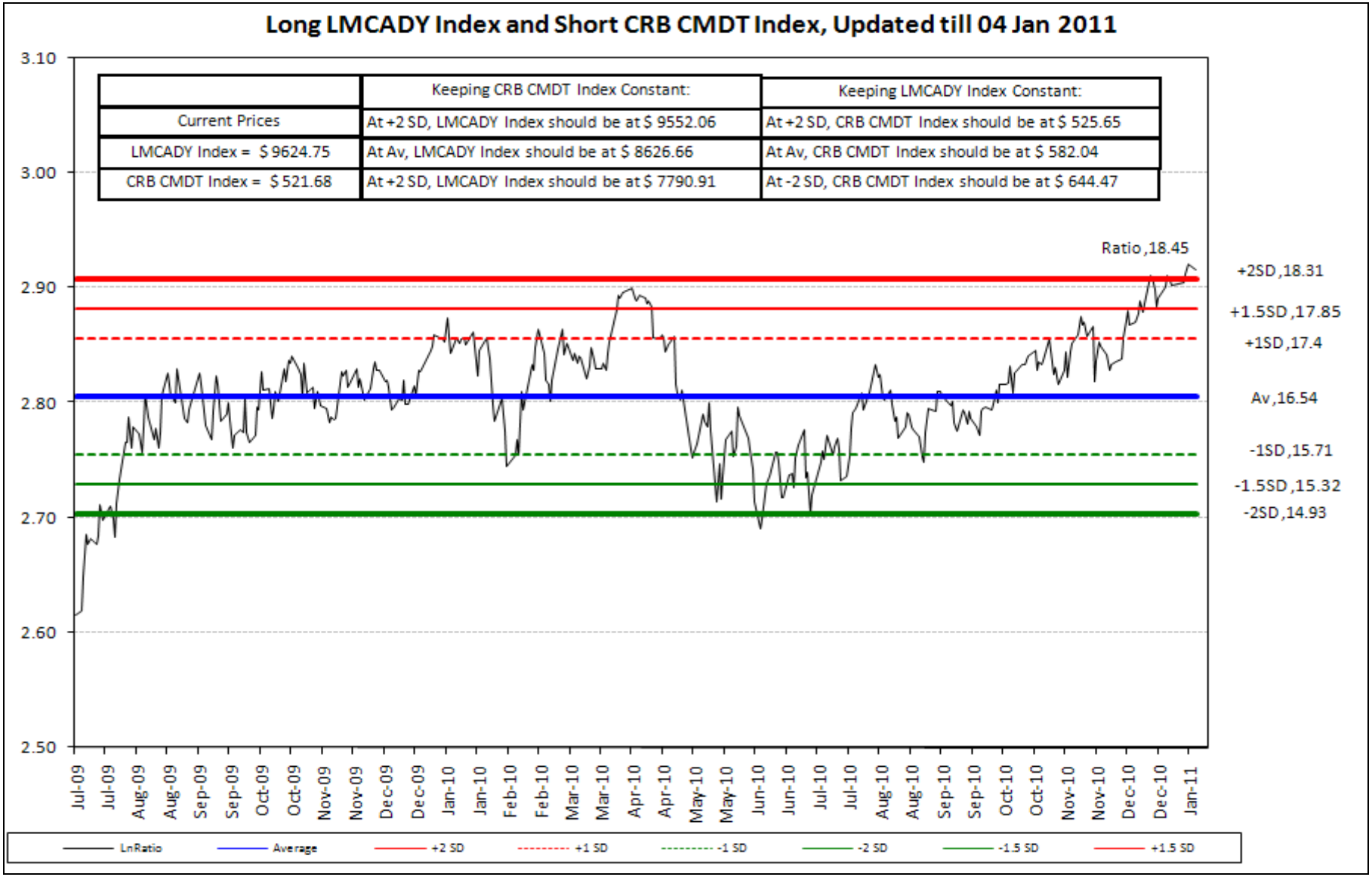


– Correlation Ratio Analysis with SPX – Full Time basis

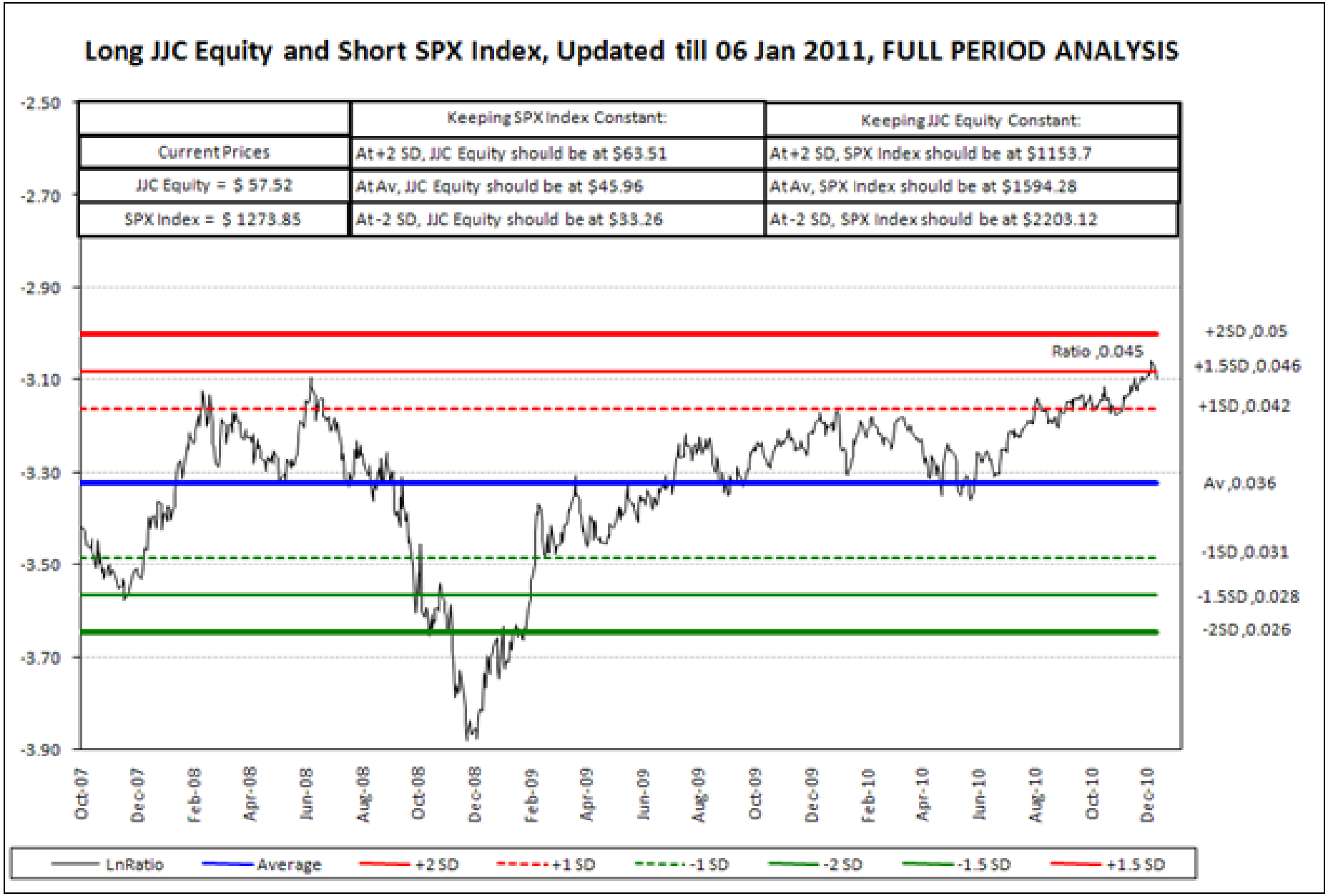


COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

SD # 2.0 v/s SPX has reached extremes

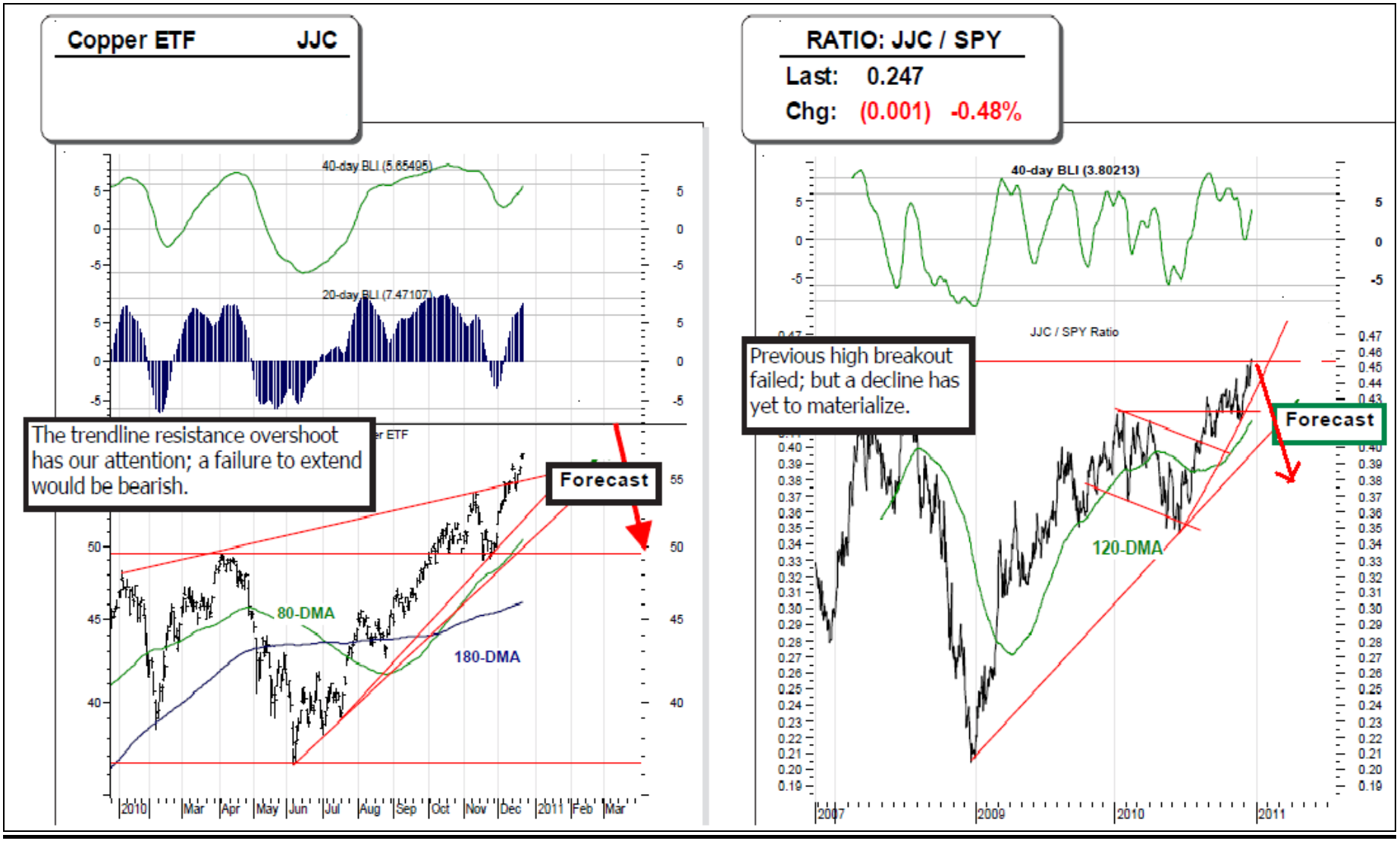


JJC – Correlation Ratio Analysis with CRB – Full Time basis



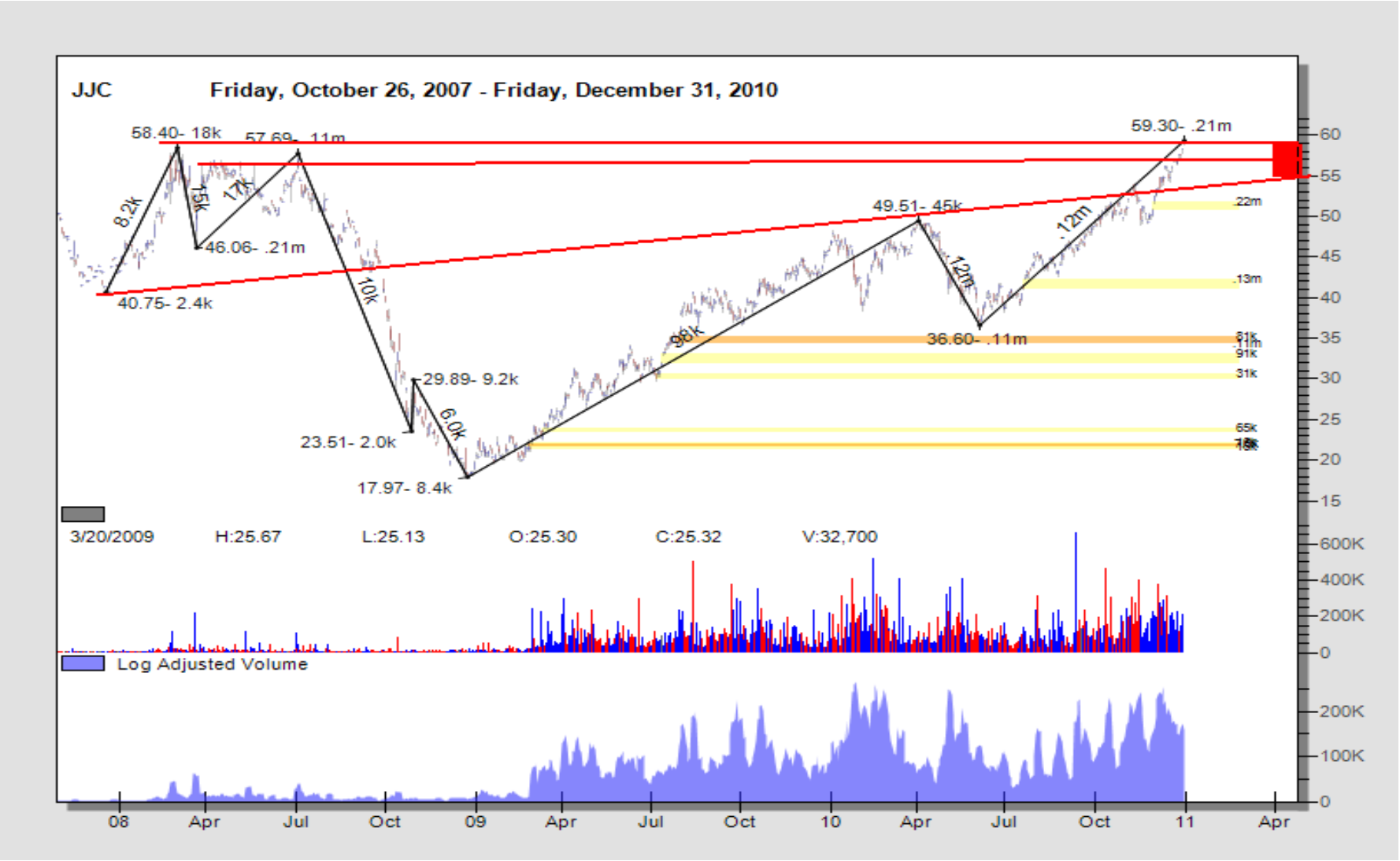
JJC – Technical & Pattern Analysis & Price / Volume

Both on relative basis and absolute basis confirms over valuation, on break of trend lines , decline should begin toward 80DMA and breakout area 50. By this method without Volume Analysis



JJC – PQV Analysis

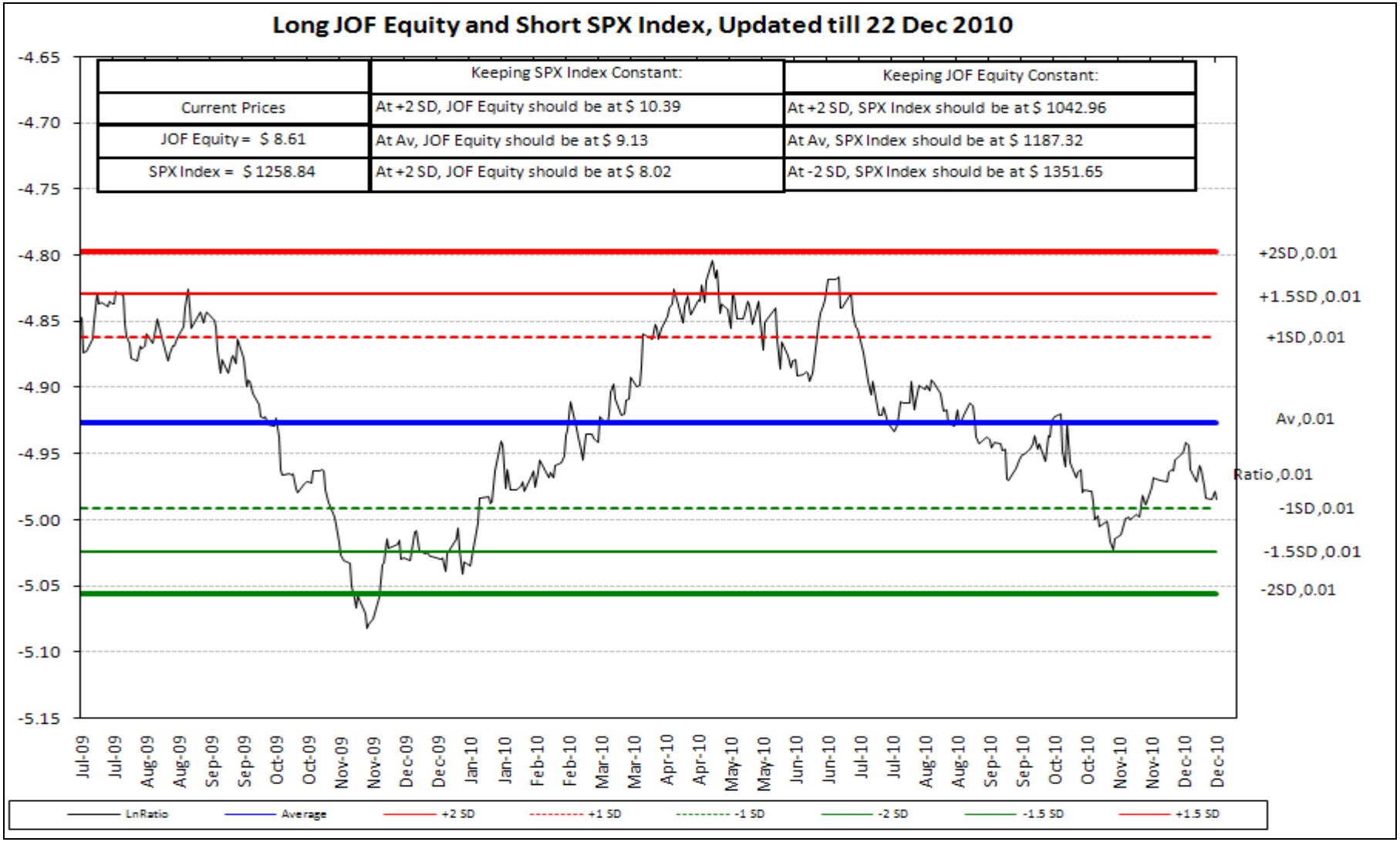
This has entered the CZ on 3x3 on volume expanded at the swing high, For better Risk reward , first a sign of pull back on heavy volume and at least 18 -20 m and then test of 60 with 10 M shares and close under 59 for failure. But no signal yet



Long

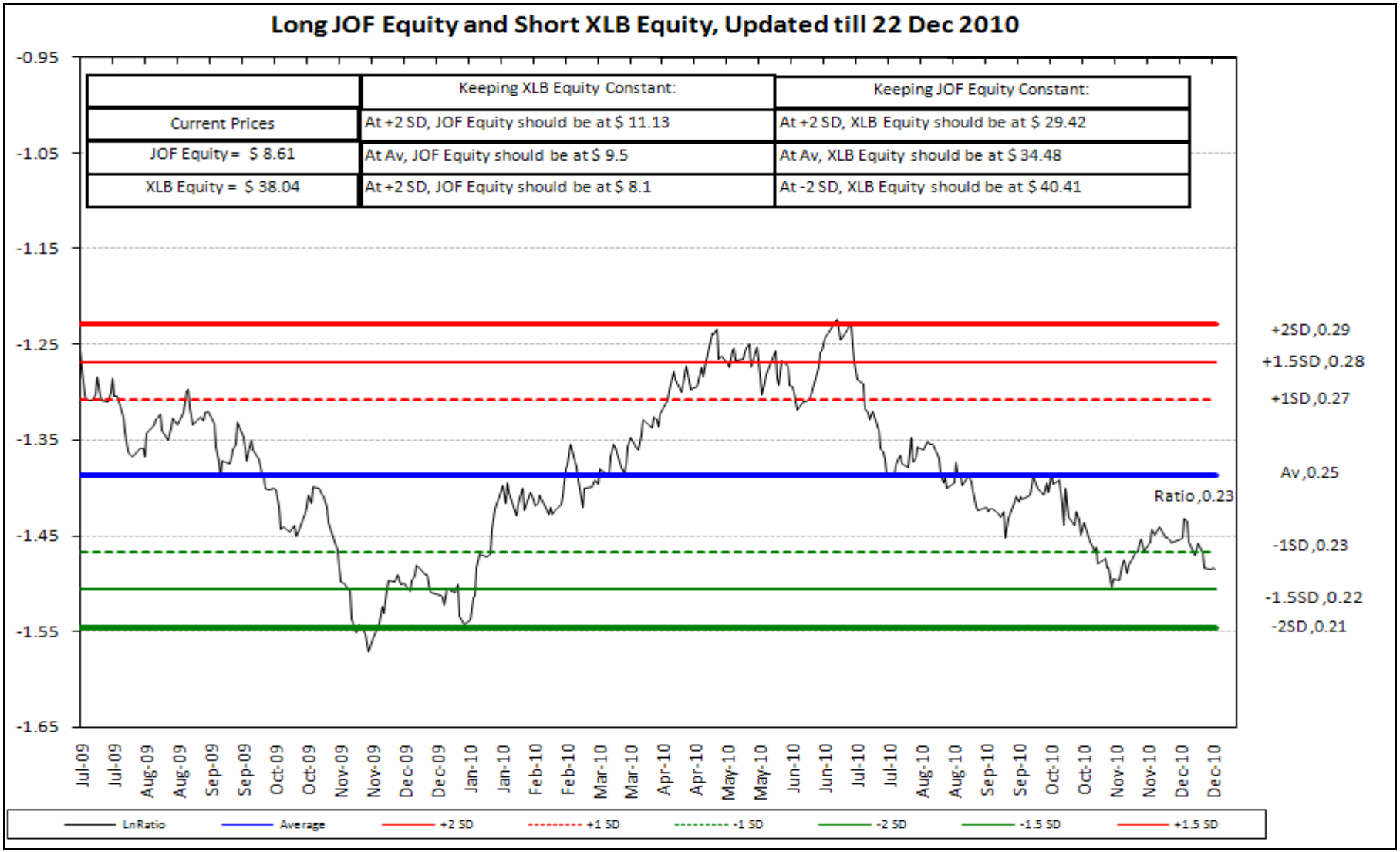
JOF – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # Neural but undervalued bias



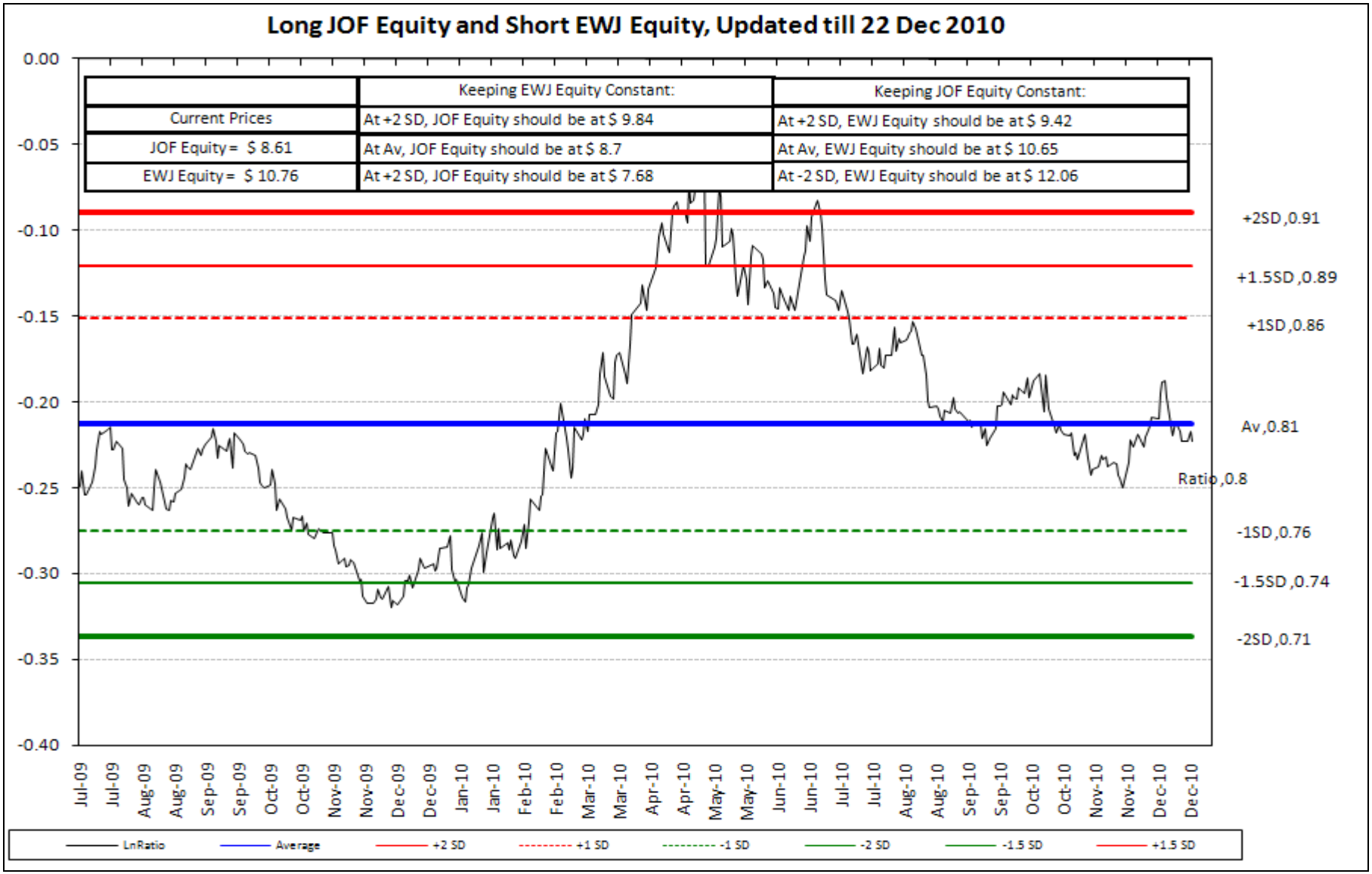
JOF – Correlation Ratio Analysis with XLB – 365 days Time basis

SD # Neural but undervalued bias



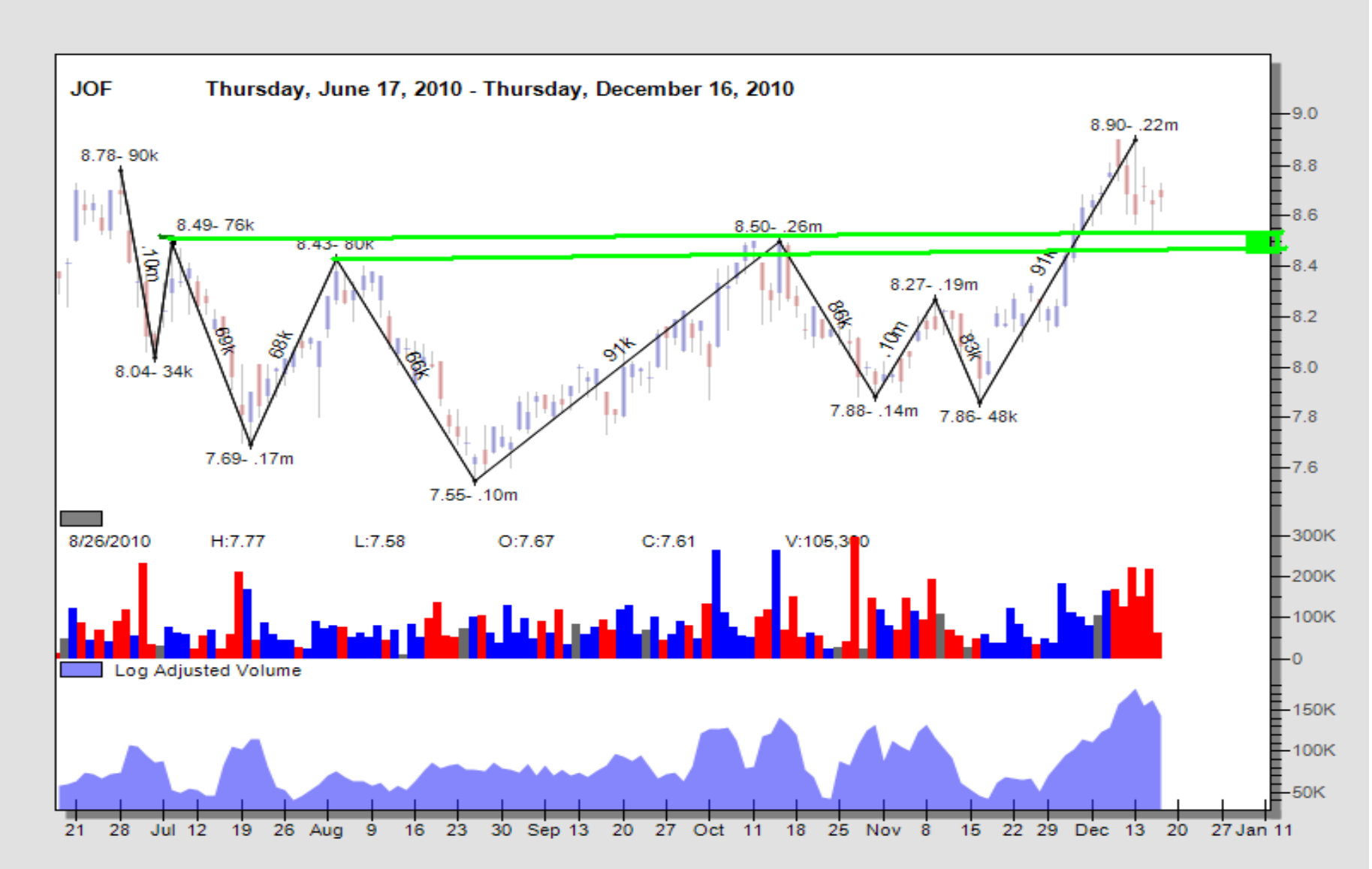
JOF – Correlation Ratio Analysis with EWJ – 365 days Time basis

SD # Neural

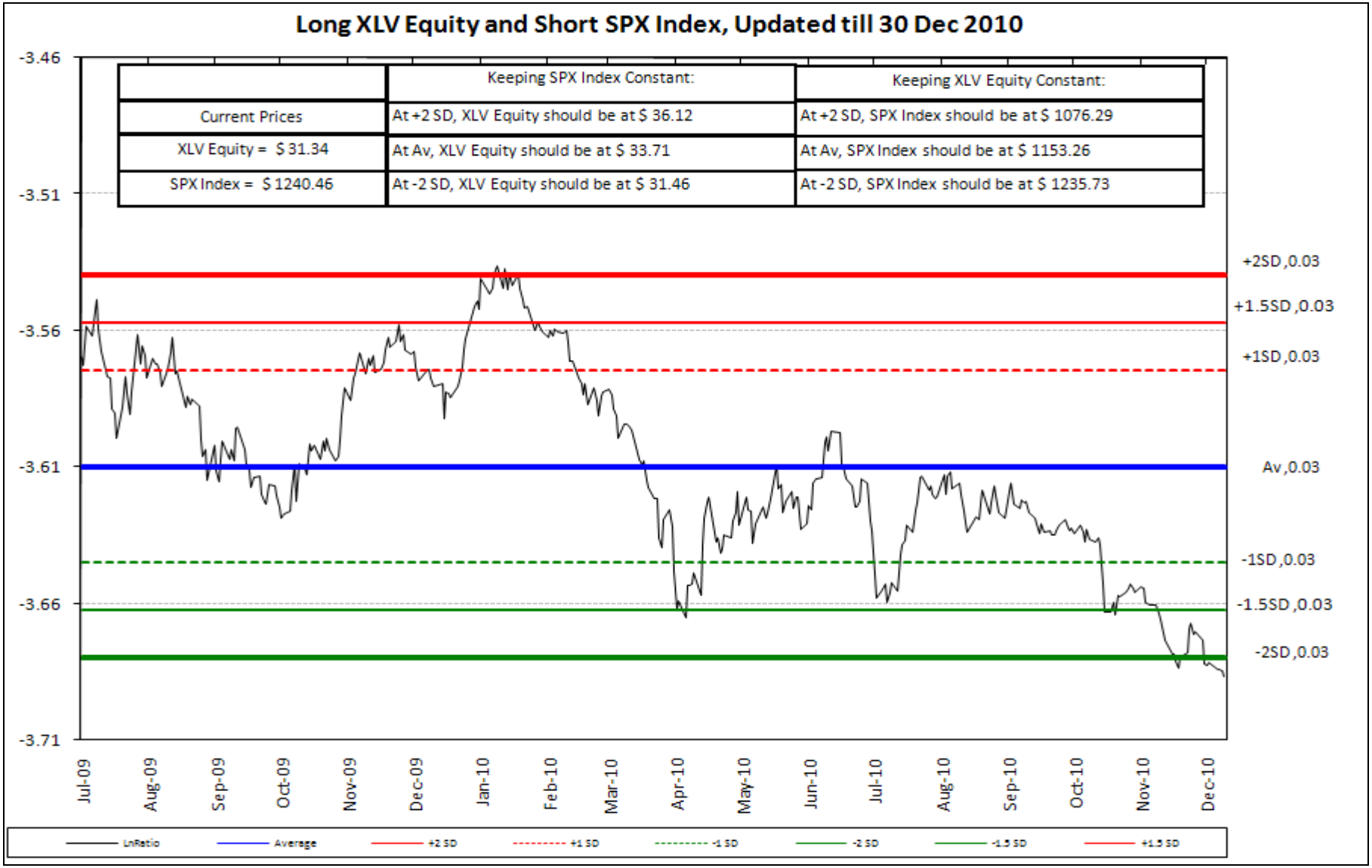


JOF – Technical & Pattern Analysis –

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 .

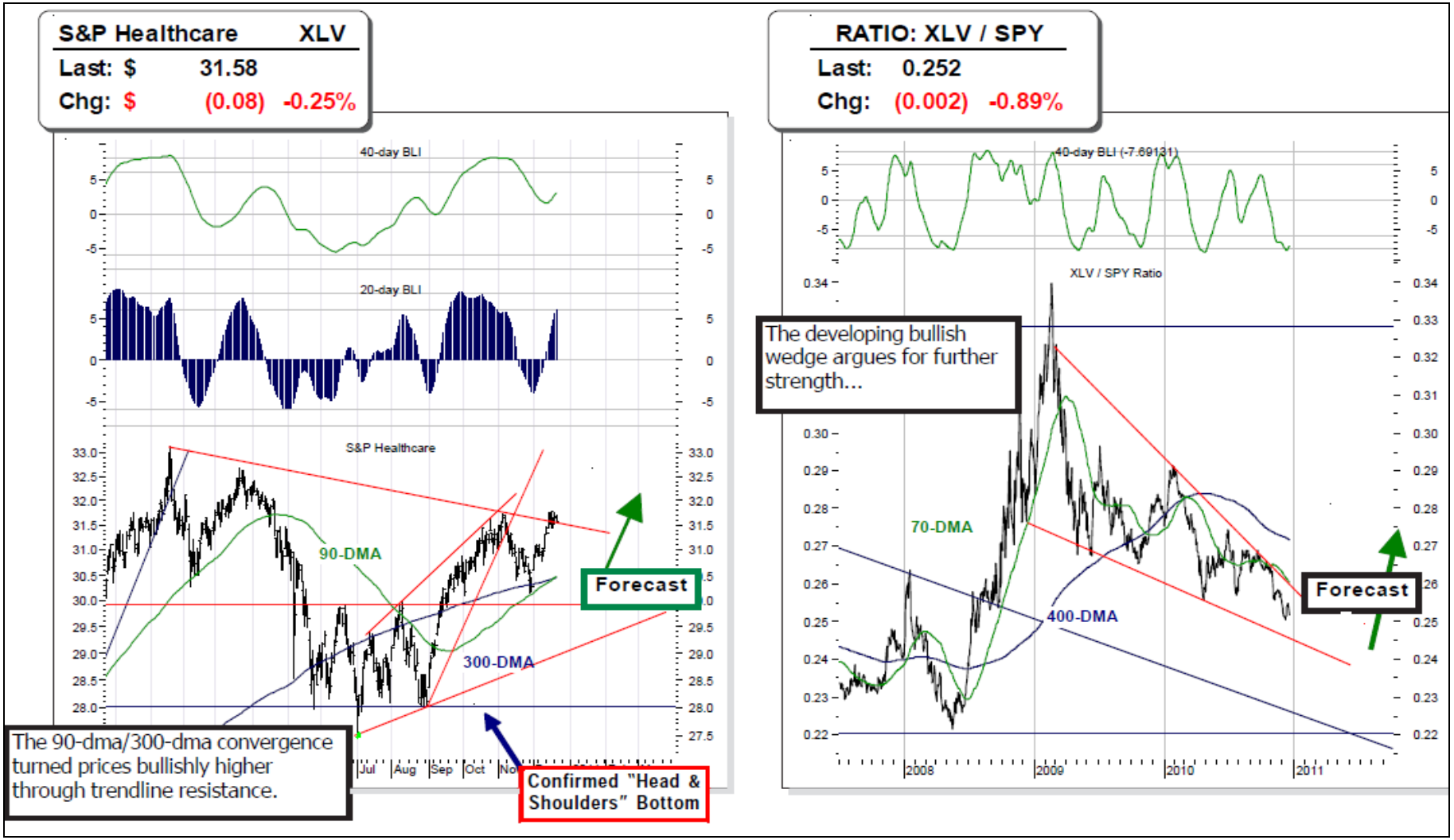


XLV – Correlation Ratio Analysis with SPX – 365 days Time basis



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

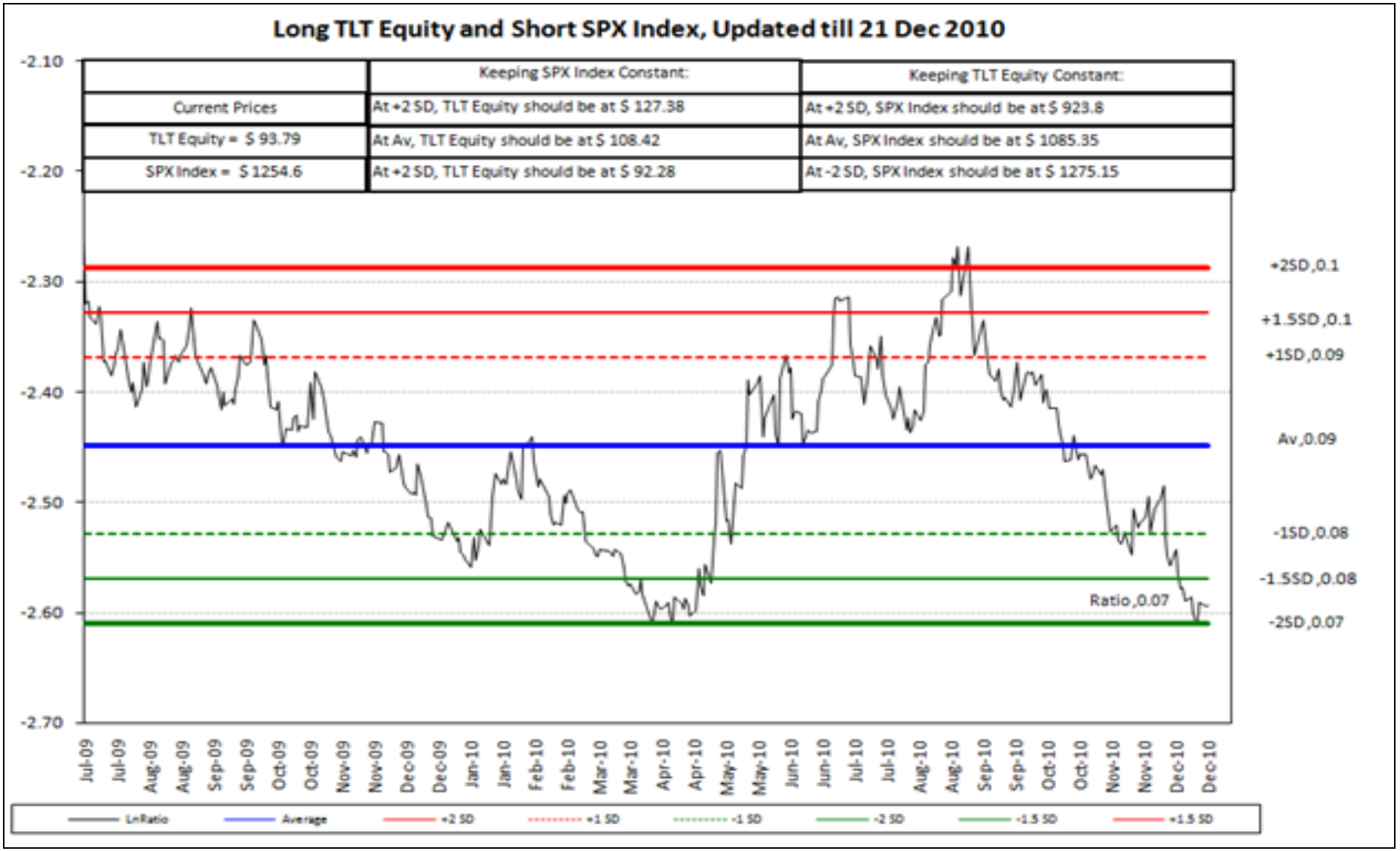
The larger H & S Bottom should hold on pull back along with Trend line , RSI should pull back to 50

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 – Correlation Ratio Analysis with SPX – 365 days Time basis

We ware watching this carefully for SD# - 2 , for undervaluation Zone



2 – TLT- PEC Analysis

PEC D – Target on TLT has reached 91 (completing a 0.786 retracement) . Overall, bonds appear to be oversold and are due for a rally. **if SD # 2 & POM 's lines up , We may re visit this market on buy side with TLT.**

Our first PEC D point came in at 107 with Extreme " Bullish Sentiment " and that marked the Top with Triangular formation,

2 – TLT- POM – ST - Price , Volume & Pattern Analysis (MONITORING CZ –PQV)

TLT –Our price target of 89 - 90 should be CZ by POM / PQV . If SD # 2 / PQV qualifies , might give a next good signal on POM. PEC D at 91 has been reached. Our price target of 89 - 90 should be CZ and test to be with 40 M shares weekly, but volume is expanding 96 m) this suggest after the bounce the lows of 90.50 will be tested and market may go into consolidation)

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 STRENGHT . 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)

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