SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR_ETF ANALYSIS SG 2011 # JAN 28

For Immediate Release – Friday AM (EST) or Saturday

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

3x3 /9EMA – Momentum Break Indicator – Buy Signal @ 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%**
- **For Bull case – Current long position from 1228**

Currently " Trend Adjusted Signal " has Reversal stop @ 1285 SPX (REVISED)

We would consider all 3 major Indices to Trigger below Trend Adjusted Signal, Upon rejection of volume in CZ – PQV

SPX – 1285 , DJ – 11885 ,

- ## Sector Insights

- ***(10) Sectors out off (20) Majors are testing CZ in PQV Validation for Short Sell Signal in Sector Analysis. This clearly suggests the SPX is closer to POM 15***

- ***In our current Report – New CZ –PQV Validated sectors past week are JJC, TLT (We have updated this in CZ – PQV Tracker sheet below)***

- ***The New entrants in SD # 2 (Overvalued / Under valued) this week continues to be SMH @ SD +2 & TLT, FXI, IFN, USO, MUB @ SD -2, pending CZ –PQV tests .***

- ***NOTE : Our Trigger Method of 1st Position via SD # 2 touch and additional position via CZ Test or POM 15 Trigger seem to give a much better performance in the " Long / Short Index" (See the Tracker Long / Short Index - P/L Below)***

- ***We have special Situation Coverage on GOLD, GDX, SLV, SLW. (Charts Below)***

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

NEW THIS WEEK

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

- **Overvalued confirmed (SHORT) – *SMH* (by SD # 2) & *JJC , SMH* (by CZ –PQV Validation test)**
- **Undervalued confirmed *(LONG)* – *MUB, TLT, IFN, FXI,USO* (by SD # 2)**

SD # 1.5 / 2.0 - Tracker for Sectors

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

Sector	Indicator	Distance in SD		Target Exit & Reversion to mean	Last Price	3X3 / 9EMA	Net Exposure	Comments
Gr 1								
SPY		-0.84		0.09	129.99	$ 128.71		
QQQQ	Above +1.5SD	1.64		0.04	57.18	$ 56.28		
IWM		1.21		0.06	79.35	$ 78.06		
TLT	Below -2SD	-2.13		0.09	91.44	$ 91.28		
EWJ		-1.04		0.01	11.11	$ 11.03		
FXI	Below -2SD	-2.07		0.04	43.14	$ 43.24		
IFN	Below -2SD	-2.51		0.03	30.50	$ 31.11		New
Gr 2								
XLV	Below -2SD	-2.17		0.03	32.19	$ 32.13	33%	
RTH		0.79		0.03	108.56	$ 106.77		
XLF		-0.95		0.01	16.54	$ 16.42	45%	
XLK		1.49		0.02	26.44	$ 25.98	100%	
XLU	Below -1.5SD	-1.95		0.03	32.08	$ 31.93		
XLE	Above +2SD	2.18		0.05	71.42	$ 70.17	0%	
XLB		0.62		0.03	38.41	$ 37.90	0%	
XLP	Below -2SD	-3.03		0.02	29.26	$ 29.43	50%	
XLI	Above +1.5SD	1.55		0.03	36.55	$ 35.98	0%	New
Gr 3								
JJC		1.50		0.04	57.44	$ 57.23		
SLV		1.23		0.02	26.29	$ 26.64		
SMH	Above +2SD	2.53		0.02	35.13	$ 34.11		
MUB sp	Below -2SD	-2.56		0.09	99.33	$ 97.97		special situation
USO	Below -2SD	-2.28		0.03	35.94	$ 37.11		
BBH	Below -1.5SD	-1.52		0.09	103.01	$ 102.60		
DBA	Above +1.5SD	1.77		0.02	33.93	$ 33.31		
	Primary Index Net Exposure						25%	
		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 # 2.0 & CZ)

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

Ticker	Entry date	Last Price		Validated Test price	P/L Since the Test	3X3 / 9EMA	Trigger either by SD2	Comments
SHORTS								
IWM	25-Nov-10	79.35		73.73	-7.62%	$ 78.06	@SD2	
IWM	21-Jan-11	79.35		79.00	-0.44%	$ 78.06	@CZ1	
EWP		41.79		42.75	2.25%	$ 40.75	@CZ	
RTH	25-Nov-10	108.56		103.47	-4.92%	$ 106.77	@SD2	
XLK	25-Nov-10	26.44		24.49	-7.96%	$ 25.98	@SD2	
SMH	25-Nov-10	35.13		31.68	-10.89%	$ 34.11	@SD2	
SMH	21-Jan-11	35.13		35.00	-0.37%	$ 34.11	@CZ1	
JJC	10-Dec-10	57.44		54.08	-6.21%	$ 57.23	@SD2	
JJC	19-Jan-11	57.44		59.00	2.64%	$ 57.23	@CZ1	New
SLV	10-Nov-10	26.29		27.00	2.63%	$ 26.64	@SD2	
SLV		26.29		28.50	7.75%	$ 26.64	@CZ1	
EWH		19.57		19.50	-0.36%	$ 19.61	@CZ	
XLE	31-Dec-10	71.42		68.15	-4.80%	$ 70.17	@SD2	
QQQQ	23-Dec-10	57.18		54.74	-4.45%	$ 56.28	@SD2	
XLB	31-Dec-10	38.41		38.44	0.08%	$ 37.90	@SD2	
XLB	21-Jan-11	38.41		39.50	2.76%	$ 37.90	@CZ1	
EWA	21-Jan-11	25.03		25.44	1.61%	$ 24.79	@CZ1	
CLOSED SHORT POSITIONS					48.12%			
				EQ WT SHORT P/L	1.17%			
LONGS								
SPY		**129.99**		**122.80**	**5.86%**	$ 128.71	**Trend Adjusted**	
XLV	10-Dec-10	32.19		30.99	3.87%	$ 32.13	@SD2	
JOF		9.12		8.47	7.68%	$ 9.15	@CZ	
XLU	23-Dec-10	32.08		31.36	2.30%	$ 31.93	@SD2	
XLF	25-Nov-10	16.54		14.63	13.05%	$ 16.42	@SD2	
TLT	12-Nov-10	91.44		96.38	-5.13%	$ 91.28	@SD2	
TLT	21-Jan-11	91.00		91.00	0.00%	$ 91.28	@CZ1	New
MUB	19-Nov-10	99.33		100.98	-1.63%	$ 97.97	@SD2	
BBH	15-Oct-10	103.01		96.76	6.46%	$ 102.60	@SD2	
EWJ	15-Oct-10	11.11		10.22	8.71%	$ 11.03	@SD2	
USO	15-Oct-10	35.94		35.47	1.33%	$ 37.11	@SD2	
FXI	23-Dec-10	43.14		42.60	1.27%	$ 43.24	@SD2	
XLP	7-Jan-11	29.26		29.18	0.27%	$ 29.43	@SD2	
IFN	27-Jan-11	30.5		30.5	0.00%	$ 31.11	@SD2	New
CLOSED LONG POSITIONS					10.61%			
				EQWT LONG P/L	3.90%			
15th OCT 2010 INCEPTION								
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX				EQWT AGG P/L Short Bias	2.53%			
INCEPTION @ SPX 1180 to Current 1299.54				SPX CHANGE	-10.13%			

Closed position

CLOSED SHORTS POSITIONS	Entry Date	Exit Date	Avg Entry Price	Exit Price	P / L
DBB					3.16%
GLD					2.60%
SLV					4.60%
GDX					4.90%
IFN					14.94%
GDX	15-Oct-10	14-Jan-11	57.41	54.88	9.74%
EEM	11-Nov-10	21-Jan-11	47.56	46.97	2.09%
GLD	15-Oct-10	21-Jan-11	133.68	131.2	6.09%
				TOTAL	48.12%
CLOSED LONGS POSITIONS					
BBH					0.00%
EWJ					-0.50%
USO					6.68%
BBH					0.26%
EWJ					4.17%
				TOTAL	10.61%

- **SECTOR SETUP INDEX** **+79%, +85%, +77%, +77% (past 4 weeks)**
  (Currently for monitoring purposes only, we will establish . correlation as we go forward with POM 13)

- **EQUITY SETUP INDEX : +25%, +31%, 20%, 31% (past 4 weeks)**
- **POM – 14 re run**
  (ETF's highlighted below are CZ – PQV Qualified Sector watch list with SD # 2 or just turned down)

SETUP # 1 (34 of 39)	% away from Gold .Cross	SETUP # 2 (3 of 39)	% away from Dead. Cross	SETUP # 3 (0 of 39)	% away from 40wk	SETUP # 4 (0 of 39)	% away from 40wk
SPY	17.25%	TLT	-5.73%				
QQQQ	23.77%	MUB	-4.93%				
IWM	20.83%	IFN	-0.72%				
EEM	15.98%						
EWJ	12.34%						
FXI	6.60%						
RSX	25.74%						
EWP	9.97%						
EWH	28.58%						
EWA	15.61%						
XLF	12.58%						
XRT	21.83%						
XLV	6.27%						
XLB	19.55%						
XLE	28.25%						
XLK	19.05%						
XLI	23.17%						
XLU	6.83%						
XLP	8.37%						
XLY	21.55%						
XHB	14.99%						
SMH	30.40%						
BBH	6.93%						
IYT	20.55%						
IYR	78.22%						
DBA	35.45%						
DBB	14.16%						
DBC	20.56%						
GLD	52.56%						
SLV	109.15%						
GDX	18.61%						
USO	0.31%						
JJC	30.66%						
SLX	21.16%						

CZ – PQV – Validation Tracker

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 @3X3 / 9EM		SETUP Qualify Price	Drawdown minimisation	SD # 1.5	SI
TRIGGERED																	
EWP	Short	41.79	42.75	41.5	44	0.4	0.4	0.6	-5%	38.06	9.81%	46.20	40.84	40.1	-6.6%	(0.90)	41.8%
GLD (under 136.5)	Short	127.925	137	136	138	20	17.0	17.0	-7%	125.45	1.97%	144.90	130.61	134.7	-1.7%	(0.61)	4.8%
EEM (under $47)	Short	46.81	47.5	47	48	50	45.0	61.8	-2%	43.05	8.74%	50.40	46.76	46.2	-2.8%	(0.65)	7.6%
EWH (under $19.25)	Short	19.57	19.5	19.25	19.75	4.5	4.0	5.8	-1%	17.26	13.40%	20.74	19.61	19.1	-2.1%	0.54	9.5%
GDX (under $61.5) (New)	Short	53.73	63.5	62.25	64.75	11	10.2	10.2	-17%	54.21	-0.89%	67.99	53.90	61.0	-4.1%	(0.83)	15.4%
SLV	Short	26.29	27	27	27	50	32.0	32.0	-3%	21.74	20.93%	28.35	26.70	24.8	-8.9%	1.23	4.1%
JOF (above $8.55)	Long	9.1201	8.475	8.4	8.55	0.06	0.06	0.1	7%	8.42	8.25%	7.98	9.13	8.5	-0.3%	(0.44)	0.4%
EEM (under $48)	Short	46.81	49	48	50	40	40	40.0	-6%	43.05	8.74%	52.50	46.76	46.2	-6.1%	(0.65)	7.6%
SLV (under $28)	Short	26.29	28.5	27	30	50	32.0		-12%	21.74	20.93%	31.50	26.70	25.0	-14.0%	1.23	4.1%
SMH (under $34)	Short	35.13	35	34	36	8			-2%	28.90	21.54%	37.80	34.14	32.0	-9.4%	2.53	77.6%
EWA (under $25.5)	Short	25.03	25.5	25	26	3.5			-4%	22.83	9.65%	27.30	24.82	25.0	-2.0%	0.38	2.9%
XLB	Short	38.41	39.5	38	41	4.5			-6%	33.52	14.58%	43.05	37.92	38.4	-2.9%	0.62	32.7%
IWM (under $79.5) (half)	Short	79.35	79.75	79.5	80	35			-1%	69.04	14.93%	84.00	78.06	73.0	-9.2%	1.21	85.0%
JJC (under $59) (half) (New)	Short	57.44	59.5	59	60	0.14			-4%	47.48	20.98%	63.00	57.23	54.0	-10.2%	1.50	2.2%
TLT (half) (New)	Long	91.44	89.5	89	90	40	weekly		2%	98.33	-7.01%	84.55	91.28	95.0	-5.8%	(2.13)	61.5%
WATCHLIST																	
TLT (half)	Long	91.44	89.5	89	90	40	weekly		2%	98.33	-7.01%	84.55	91.28	95.0	-5.8%	(2.13)	61.5%
MUB (above $98.5)	Long	99.33	97.5	97	98	0.30	0.47	0.5	1%	103.71	-4.22%	92.15	98.12	100.0	-2.5%	(2.56)	1.8%
EWH (under $21.5)	Short	19.57	21.5	21	22	5			-11%	17.26	13.40%	23.10	19.61	19.1	-12.6%	0.54	9.5%
IWM (under $77) (half)	Short	79.35	78.25	76.5	80	175	weekly		-1%	69.04	14.93%	84.00	78.06	73.0	-7.2%	1.21	85.0%
QQQQ (under $54)	Short	57.18	54.5	54	55	53	59.0		4%	49.23	16.15%	57.75	56.28	53.0	-2.8%	1.64	16.9%
QQQQ (under $55)	Short	57.18	55	54.5	55.5	100	59.0		3%	49.23	16.15%	58.28	56.28	53.0	-3.8%	1.64	16.9%
EWA (under $25.75)	Short	25.03	26.5	26	27	16	weekly		-7%	22.83	9.65%	28.35	24.82	25.0	-6.0%	0.38	2.9%
XLV	Long	32.19	30.75	30.5	31	3			4%	30.20	6.60%	28.69	32.15	31.5	-2.4%	(2.17)	22.7%
XLE (under $68.5)	Short	71.42	69.5	68.5	70.5	4			1%	58.35	22.39%	74.03	70.22	68.5	-1.5%	2.18	25.4%
JJC (under $59) (half)	Short	57.44	59.75	59.5	60	0.14			-4%	47.48	20.98%	63.00	57.23	54.0	-10.6%	1.50	2.2%
XLU	Long	32.08	30.5	30.25	30.75	4.5			4%	30.72	4.43%	28.74	31.94	31.5	-3.2%	(1.95)	16.4%
XLP	Long	29.26	28.05	27.8	28.3	3.8			3%	27.77	5.35%	26.39	29.43	29.3	-4.1%	(3.03)	11.6%
											PQV Drawdown Minimisation factor from SD				-5.5%		

PQV Test validated within 5 to 7% of asking

Criteria has temporarily exceeded

volume still highet then the test volume no result

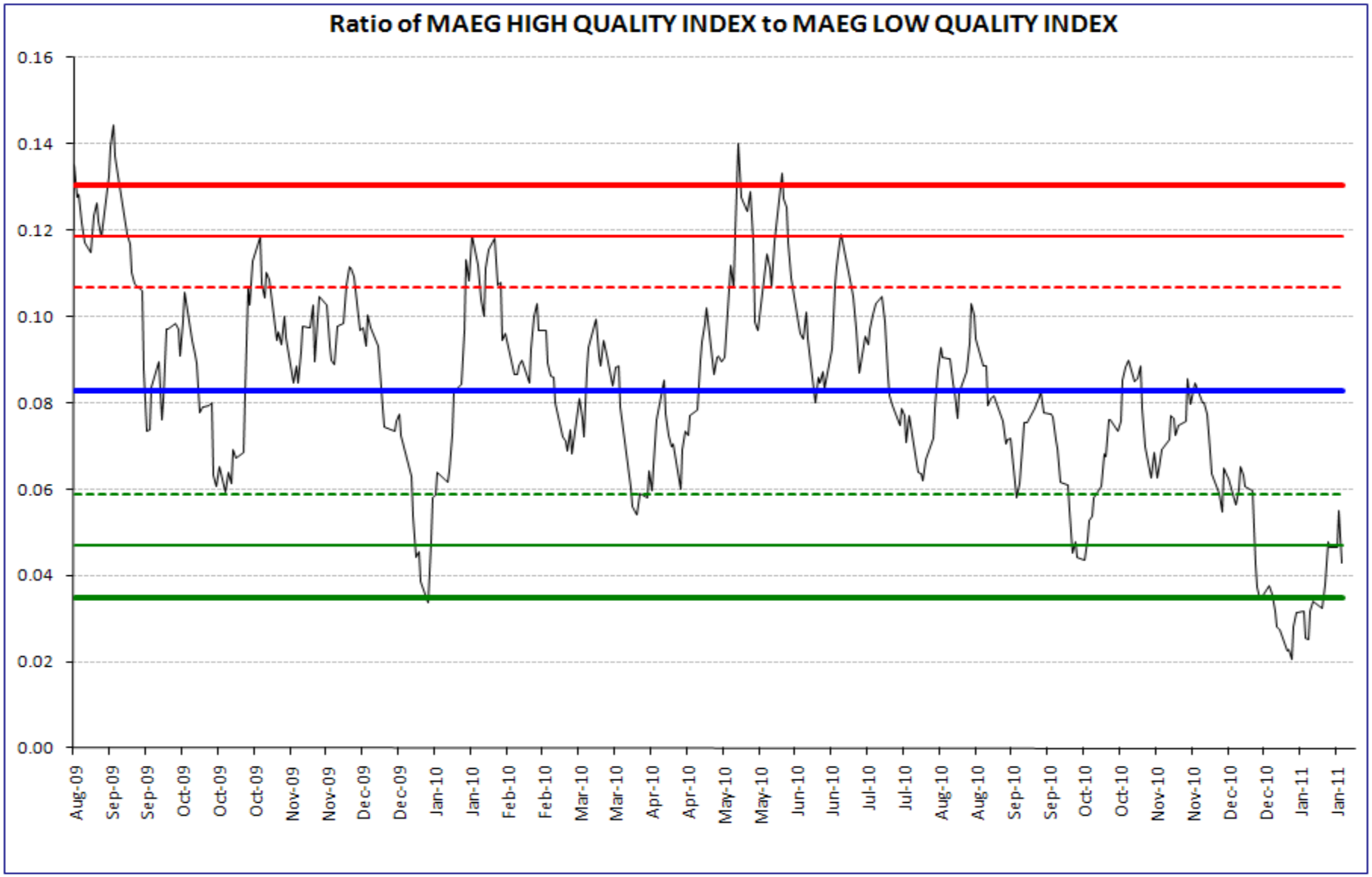
Revised Confluence Values & Stoploss

Close under situations in gray

Numbers hard coated

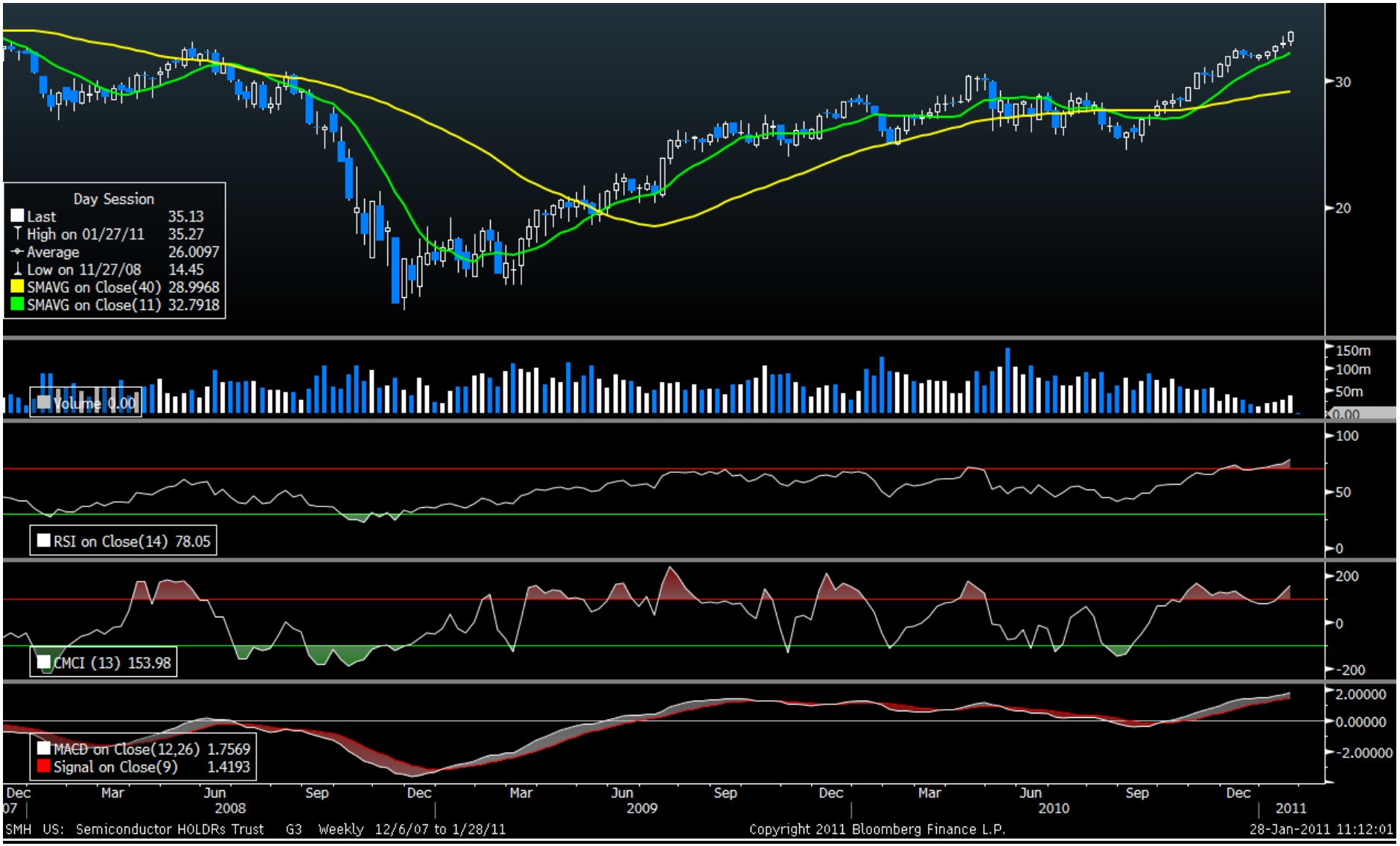
To Achieve Best Risk Reward , The position should be taken on the day of the Test via scle in process within CZ

Ratio of HQ v/s LOW QLTY - 1 yr

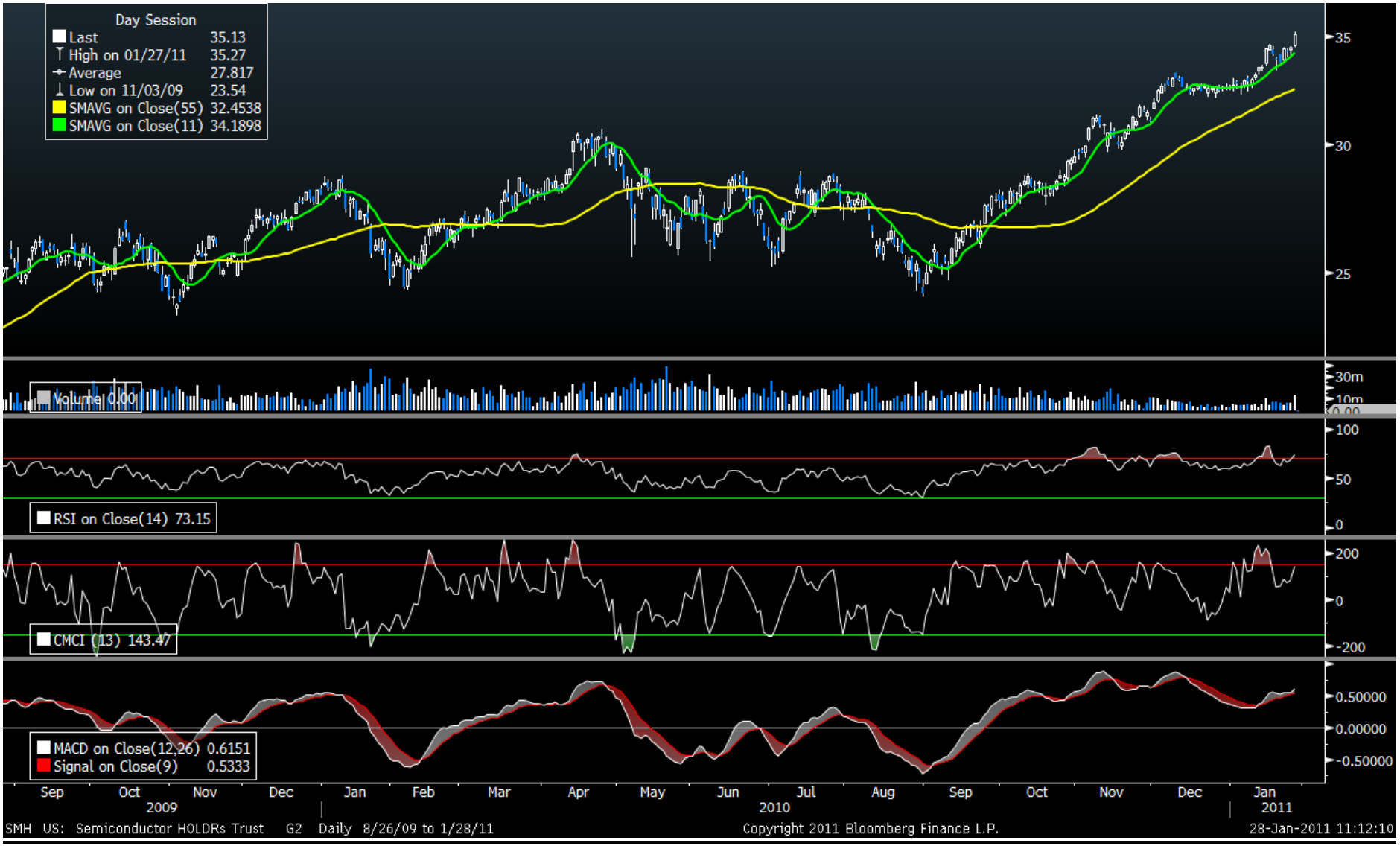


ETF's Qualified for SD # 2 - *Over / Under valuation by POM Methodology*

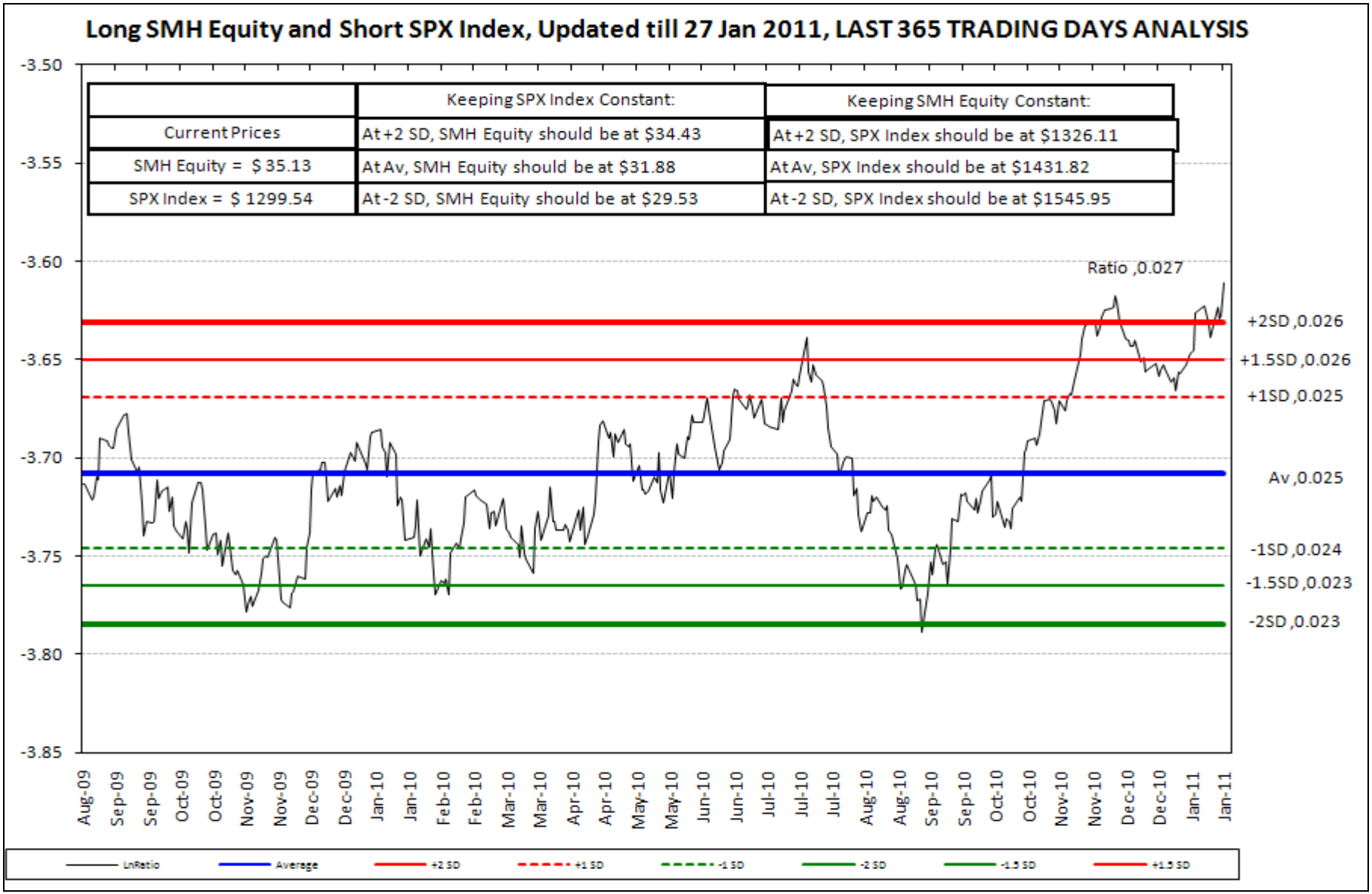
SMH- Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



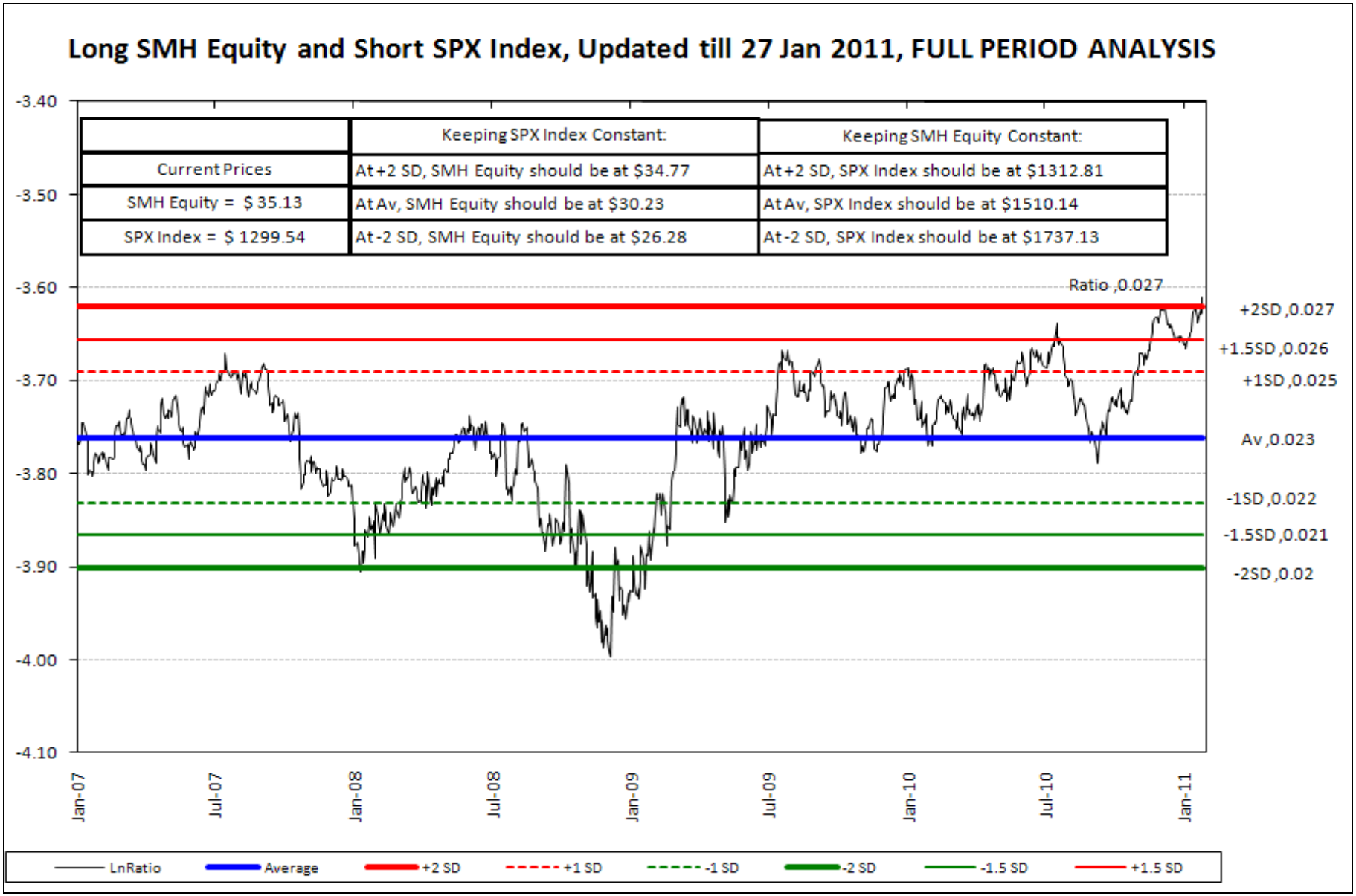
SMH - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



SMH Correlation Ratio Analysis with SPX – 365 days Time basis

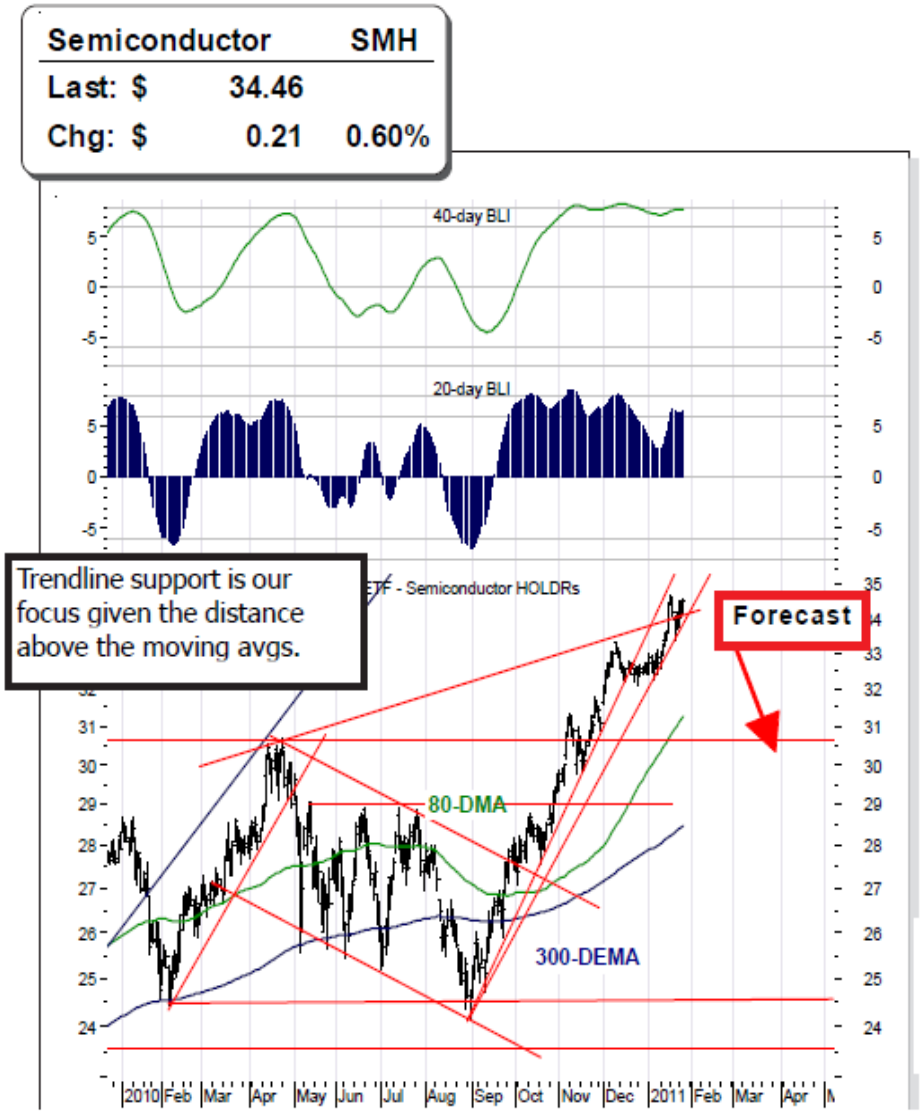


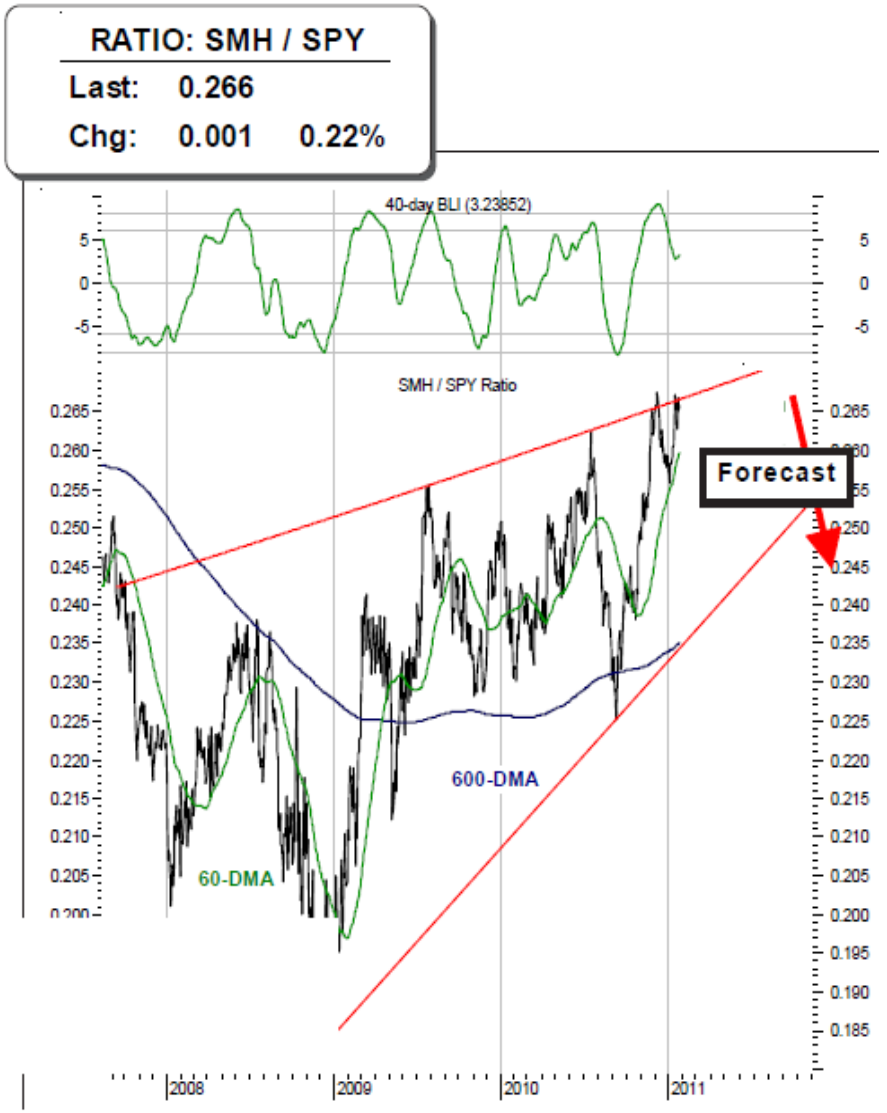
SMH Correlation Ratio Analysis with SPX – Full Time basis



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.

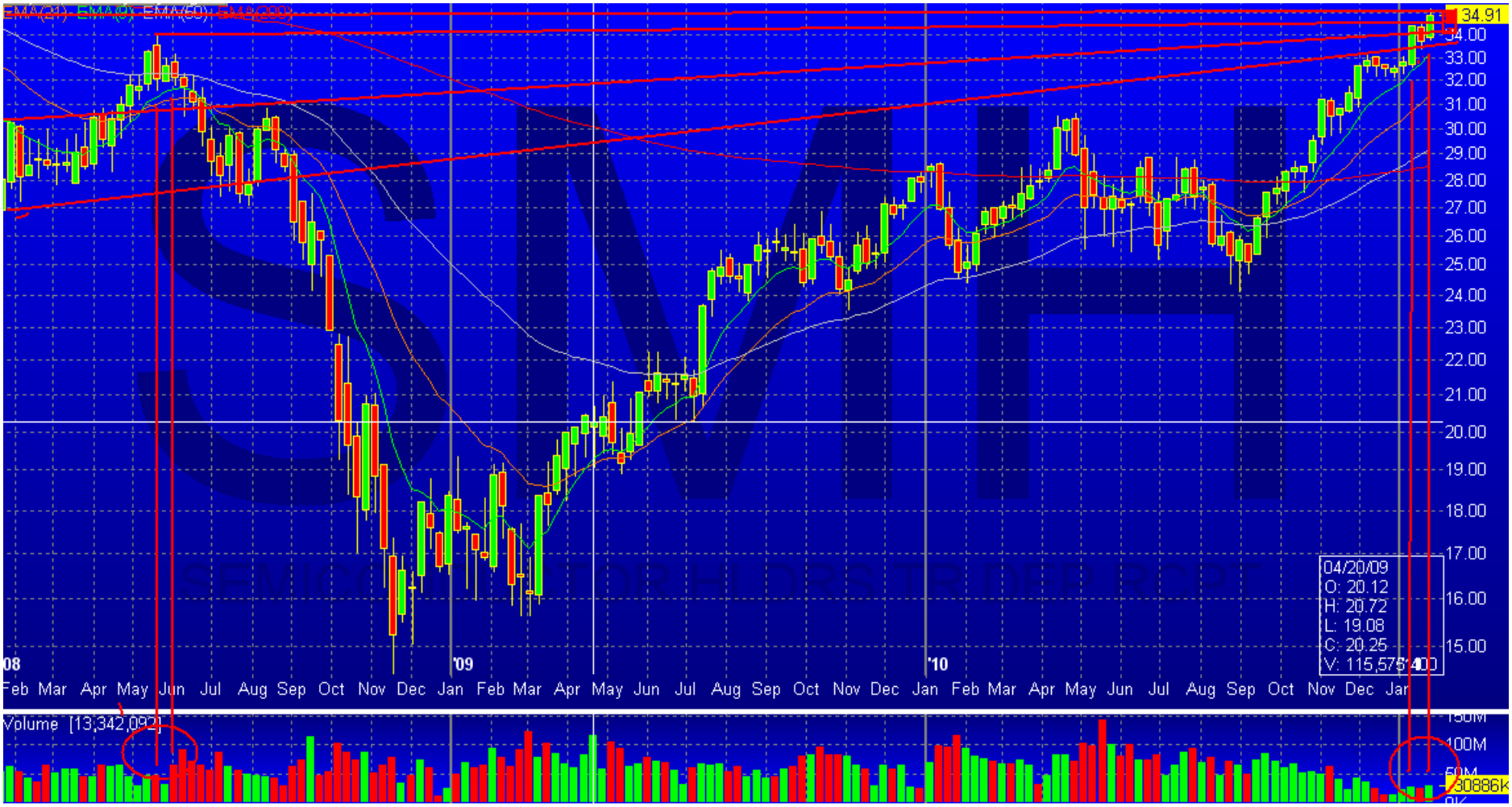




SMH – Price / Volume

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

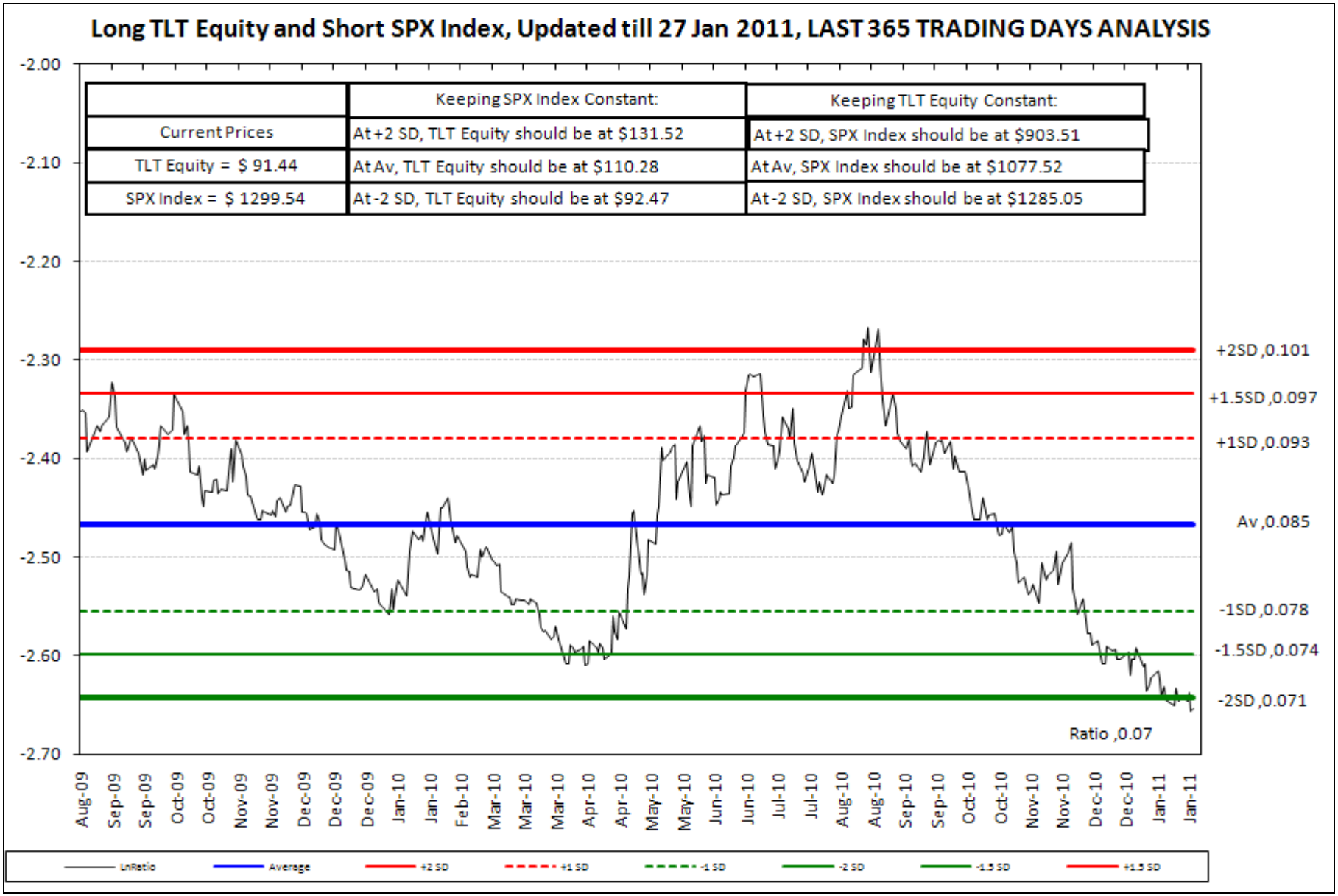
On weekly (This week) and even on Monthly Volume test should fail, If we close below 34 on week and month, It should be another good failure.



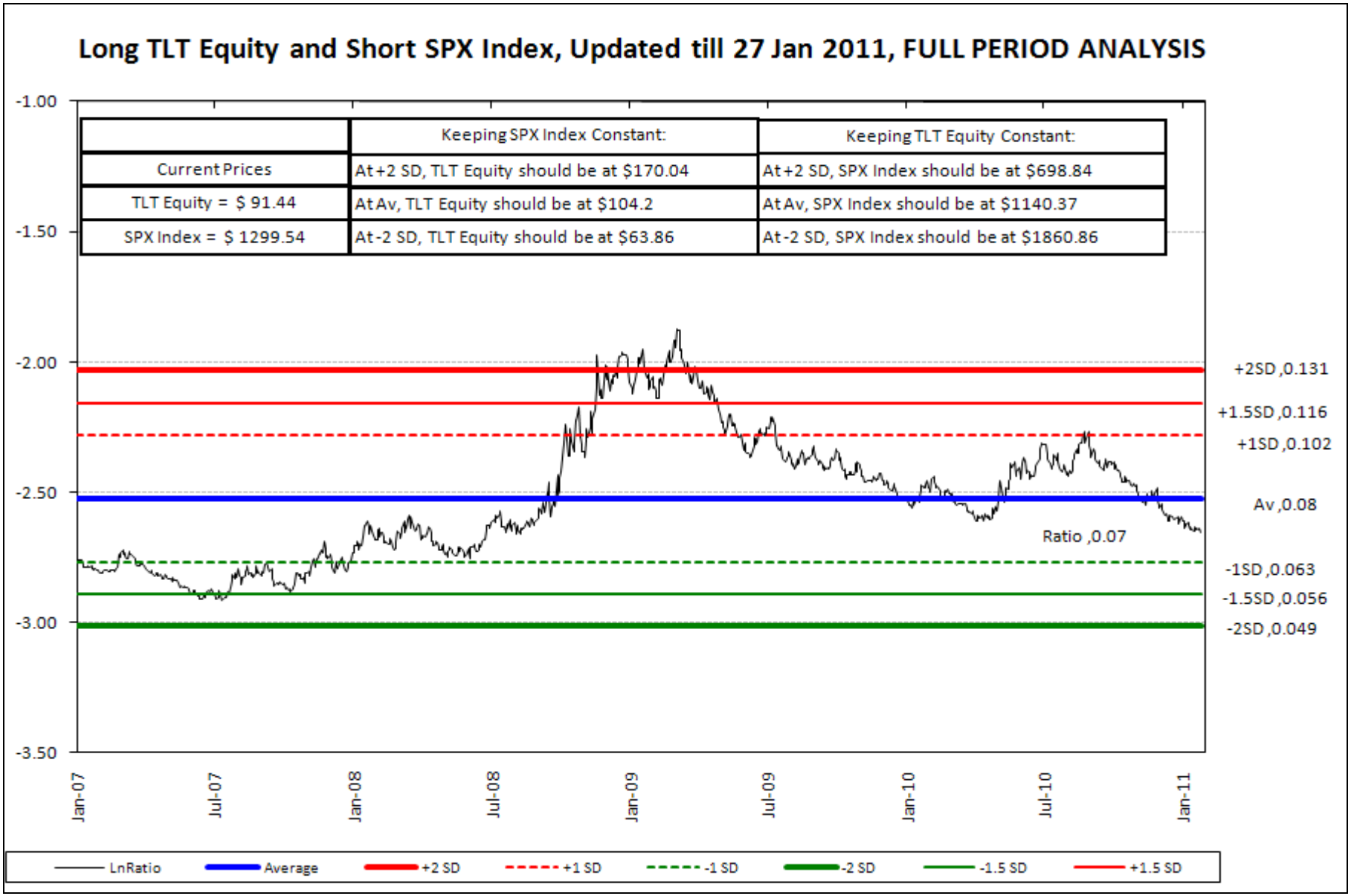
TLT - VALIDATED IN CZ –PQV in Sector Report -)

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

TLT Correlation Ratio Analysis with SPX – 365 days Time basis

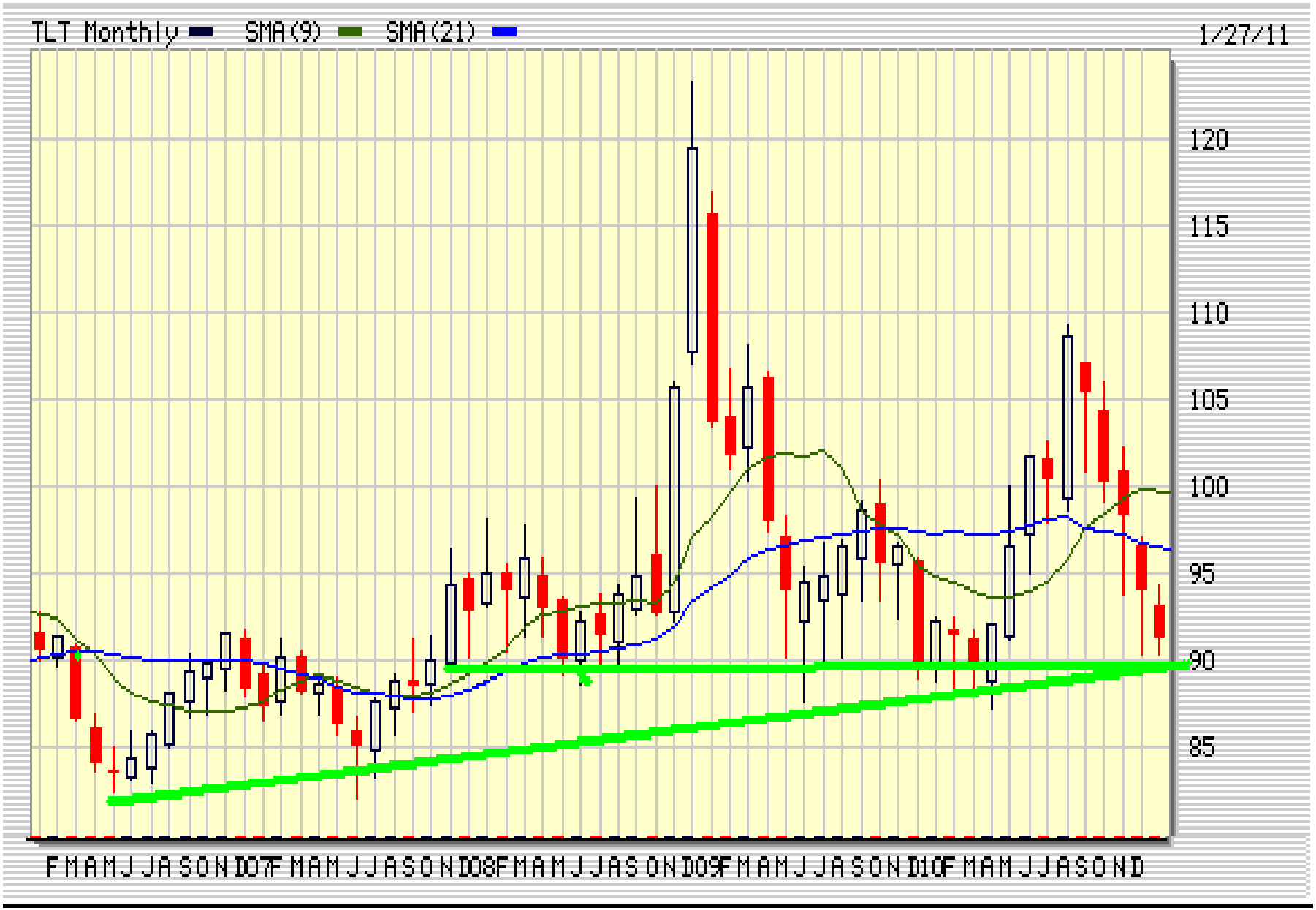


TLT Correlation Ratio Analysis with SPX – Full Time basis



TLT– Technical & Pattern Analysis – 5yr Monthly Chart

TLT has reached some critical price points.



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

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

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

TLT –Close above 93 should get traction on price move, till then should consolidated building base. A break below 89 should be false break to the downside or Bear Trap .

T – Bonds

Reached 786 of last two moves for D point, It should hold

TLT– MF

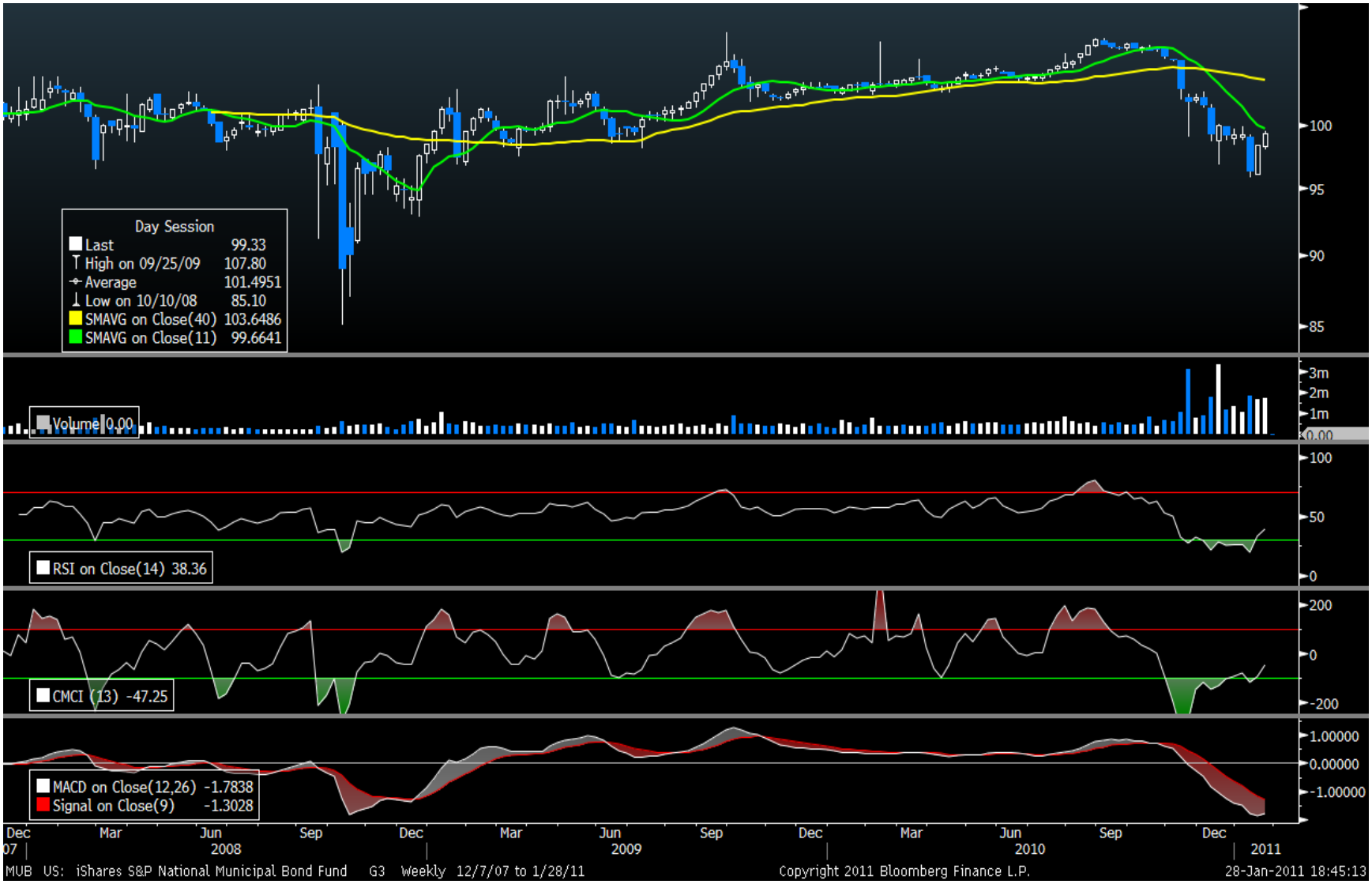
ISHARES LEHMAN 20 YR Daily
TLT
Accumulation in the Long Bond - Low Forming
'100715
'100809
'100901
'100924
'101019
'101111
'101206
'101229
'110121
'110215
'110310
Top-Down Money Flow

TLT v/s SPY

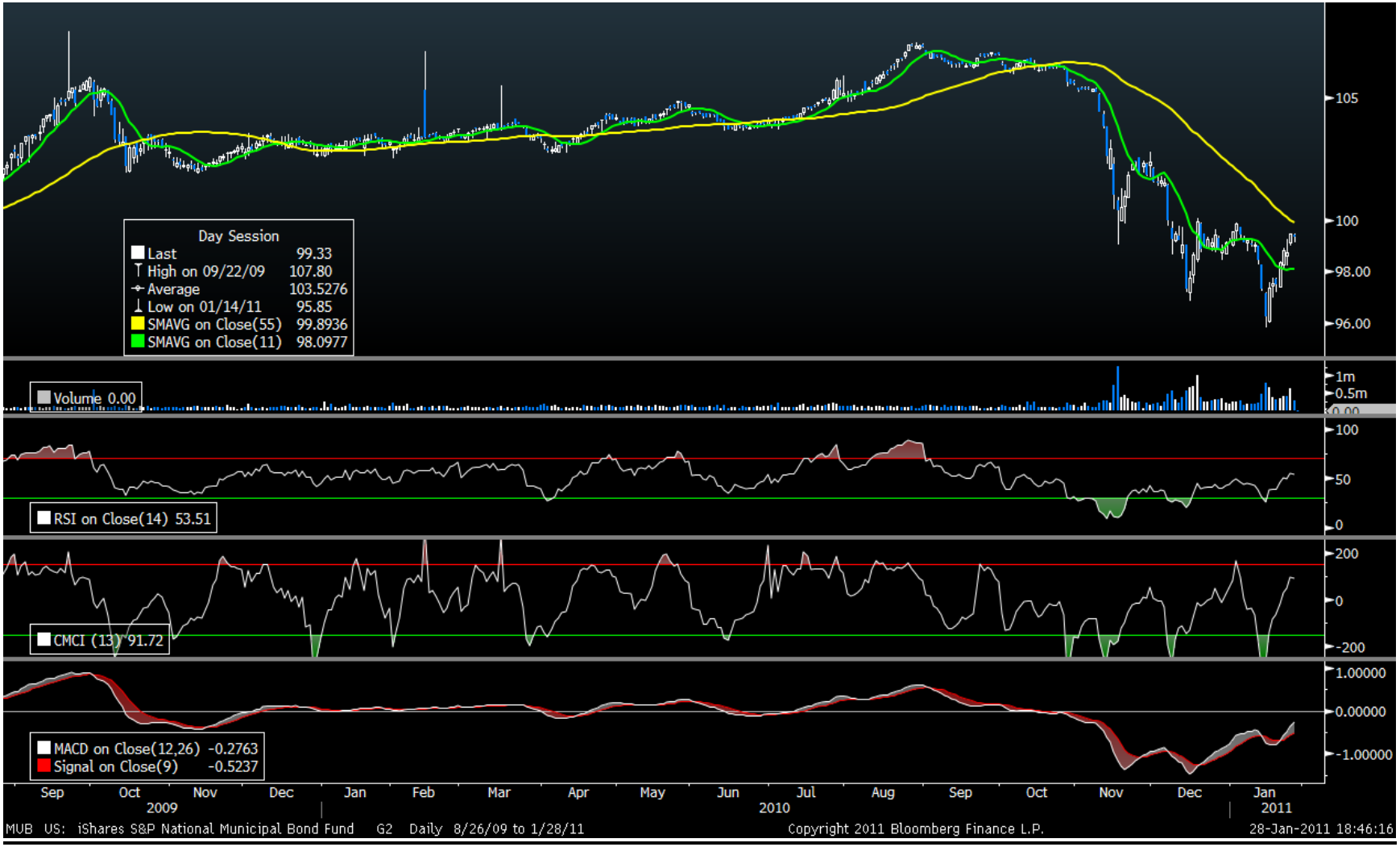
Inverse Correlation still exists at every inflection point .

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

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

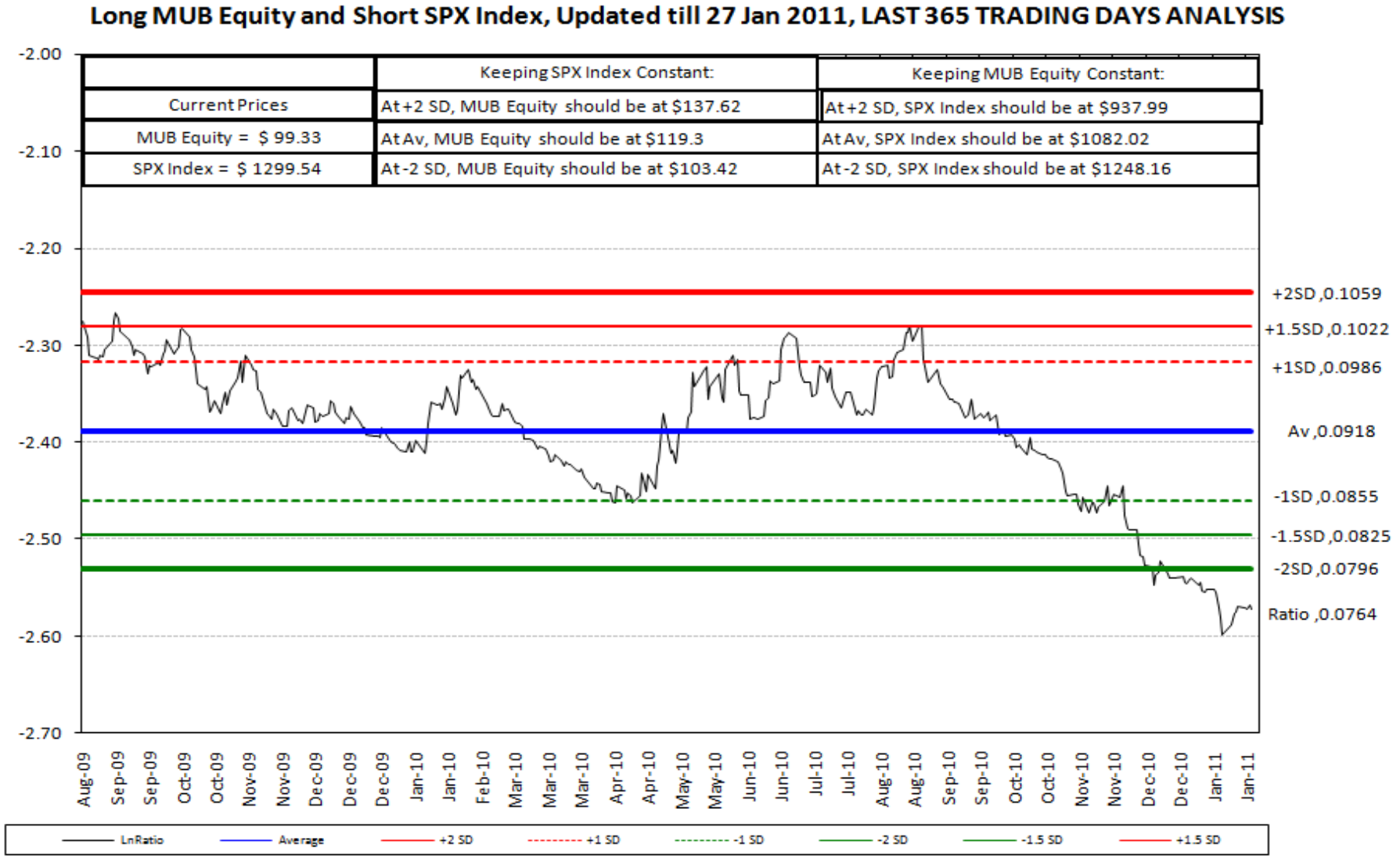


MUB - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



MUB Correlation Ratio Analysis with SPX – 365 days Time basis

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

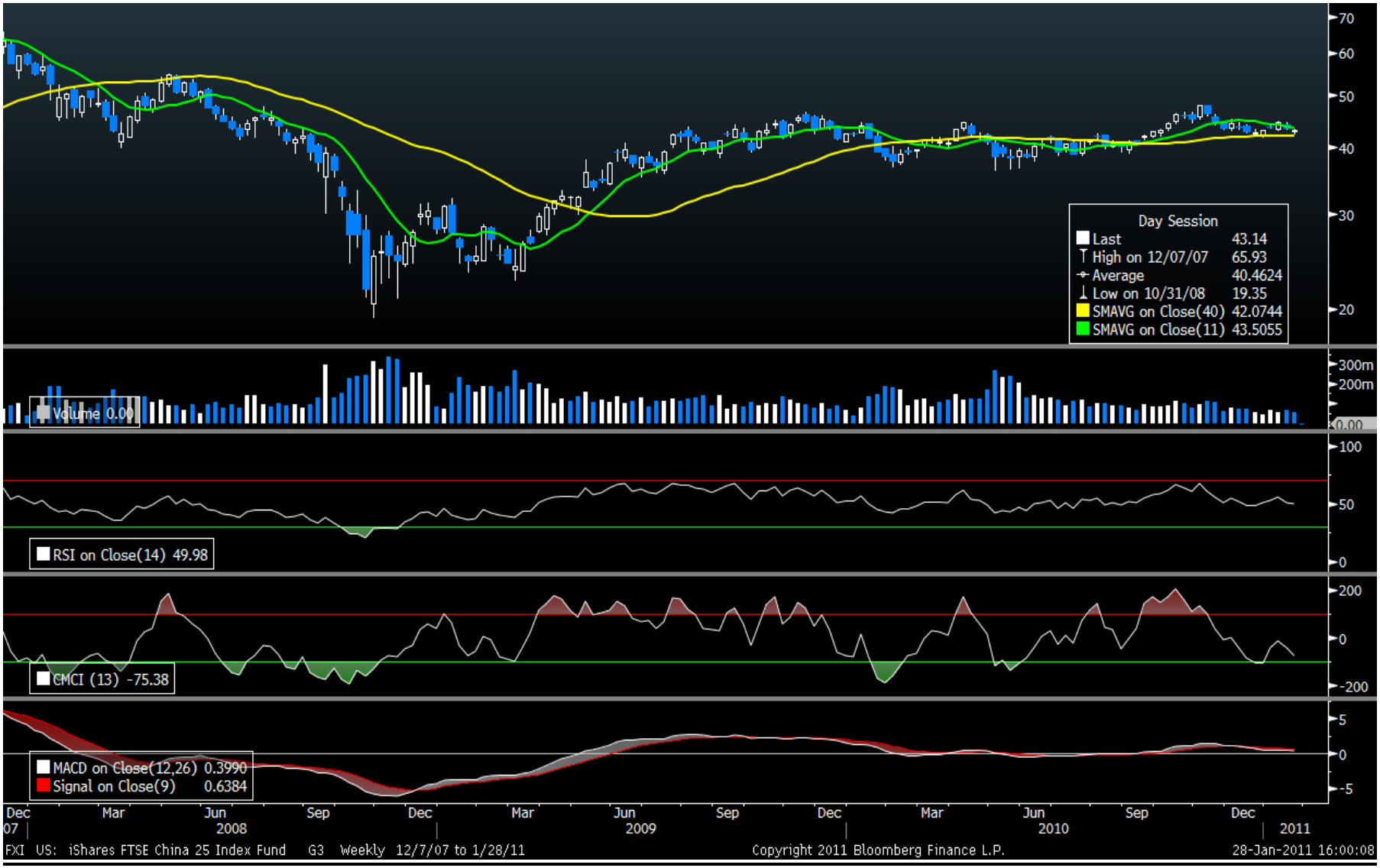


MUB Correlation Ratio Analysis with SPX – Full Time basis

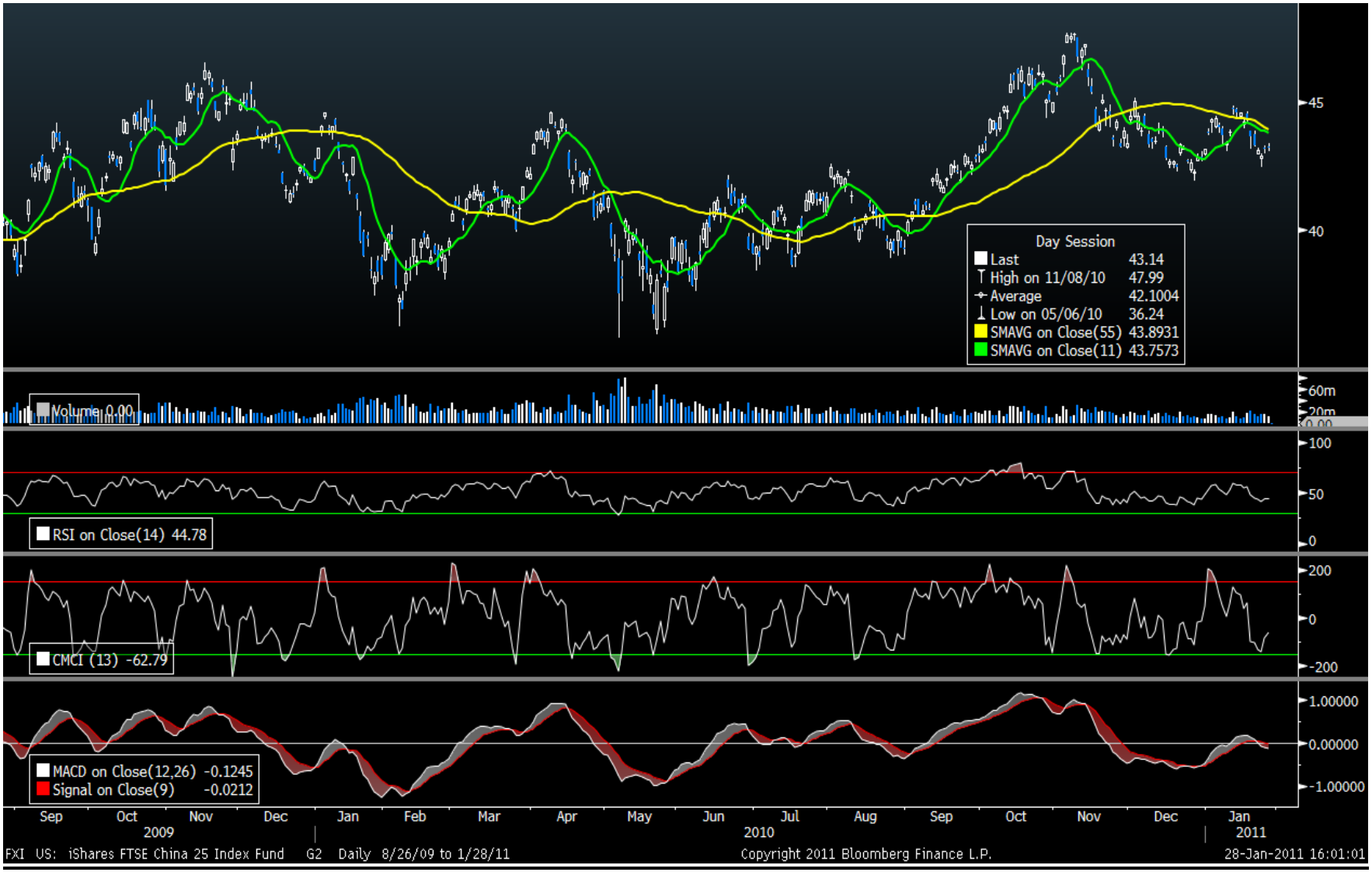
Long MUB Equity and Short SPX Index, Updated till 27 Jan 2011, FULL PERIOD ANALYSIS

	Keeping SPX Index Constant:	Keeping MUB Equity Constant:
Current Prices	At +2 SD, MUB Equity should be at $167.33	At +2 SD, SPX Index should be at $771.43
MUB Equity = $ 99.33	At Av, MUB Equity should be at $117.15	At Av, SPX Index should be at $1101.9
SPX Index = $ 1299.54	At -2 SD, MUB Equity should be at $82.01	At -2 SD, SPX Index should be at $1573.93

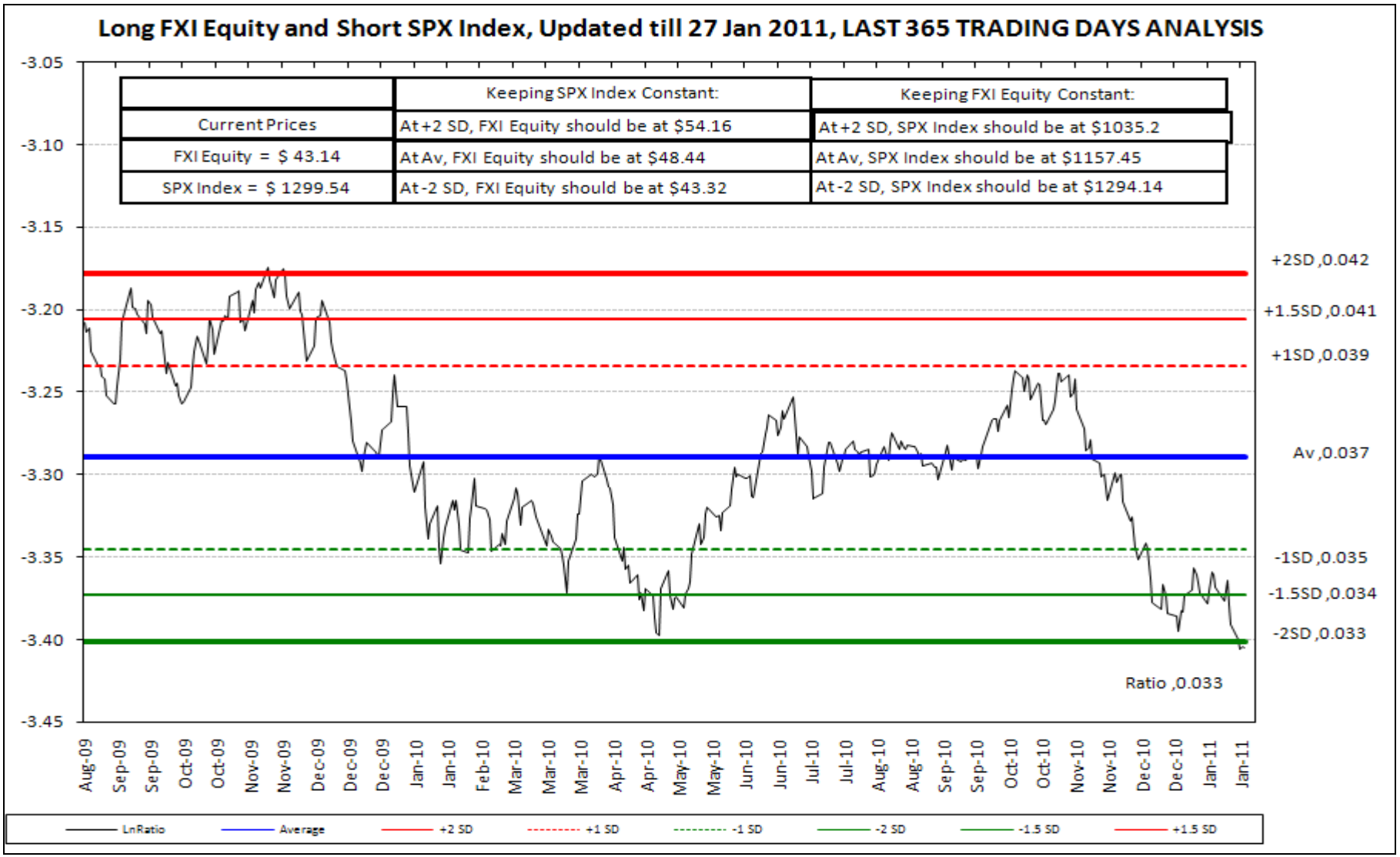
FXI - Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



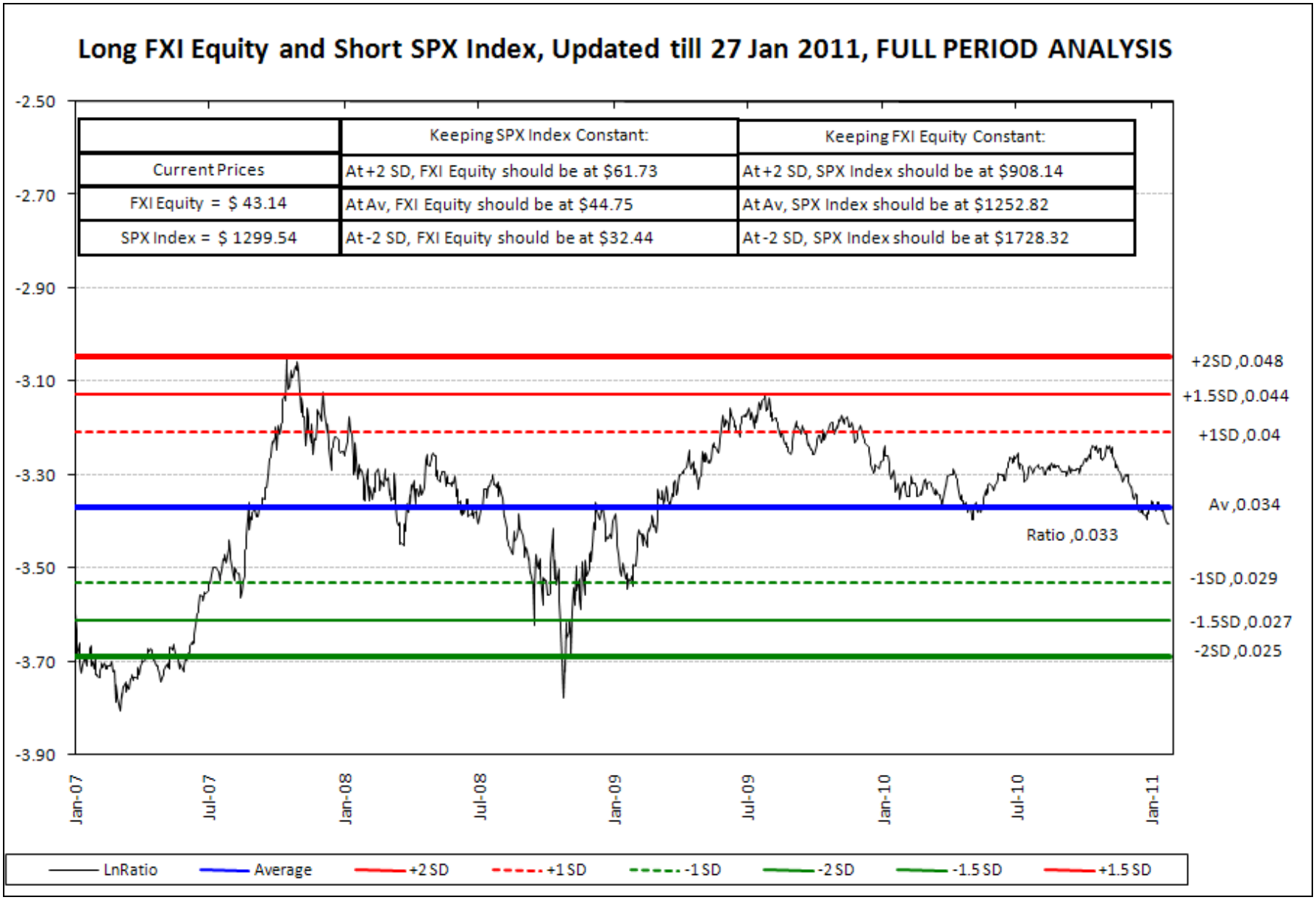
FXI - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



FXI Correlation Ratio Analysis with SPX – 365 days Time basis



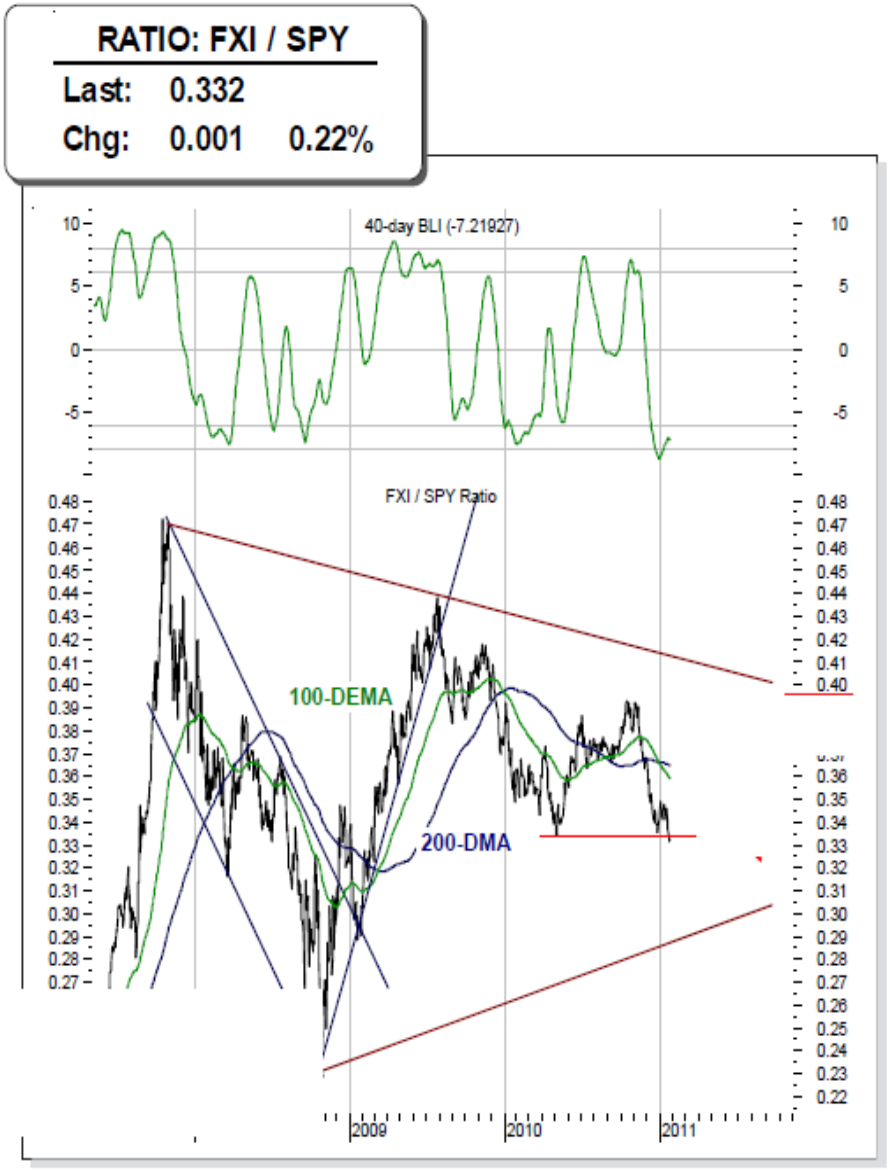
FXI Correlation Ratio Analysis with SPX – Full Time basis



FXI – Technical & Pattern Analysis

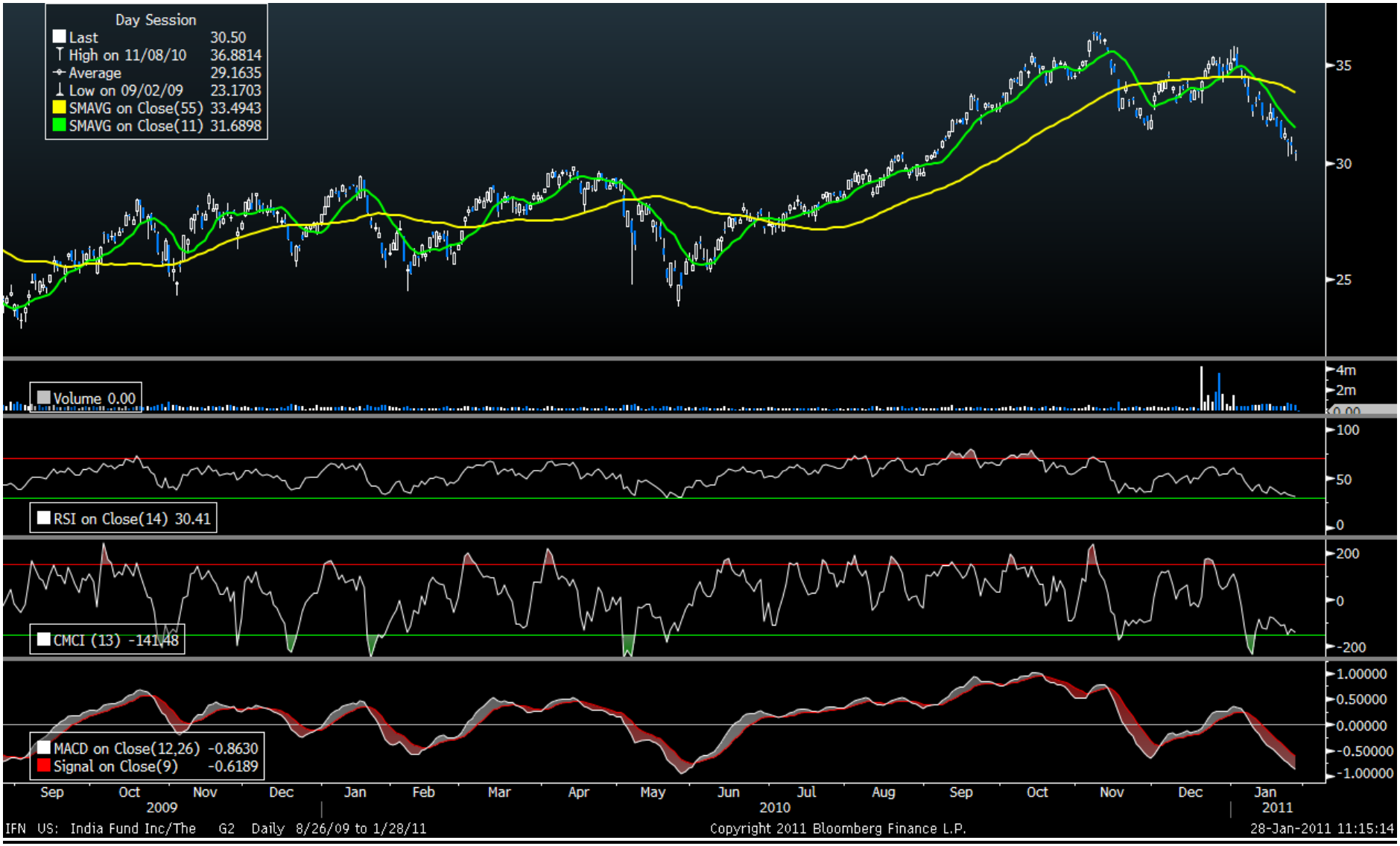
All rallies should be capped price wise for good bounces but path of least resistance is down.

FXI – Price / Volume

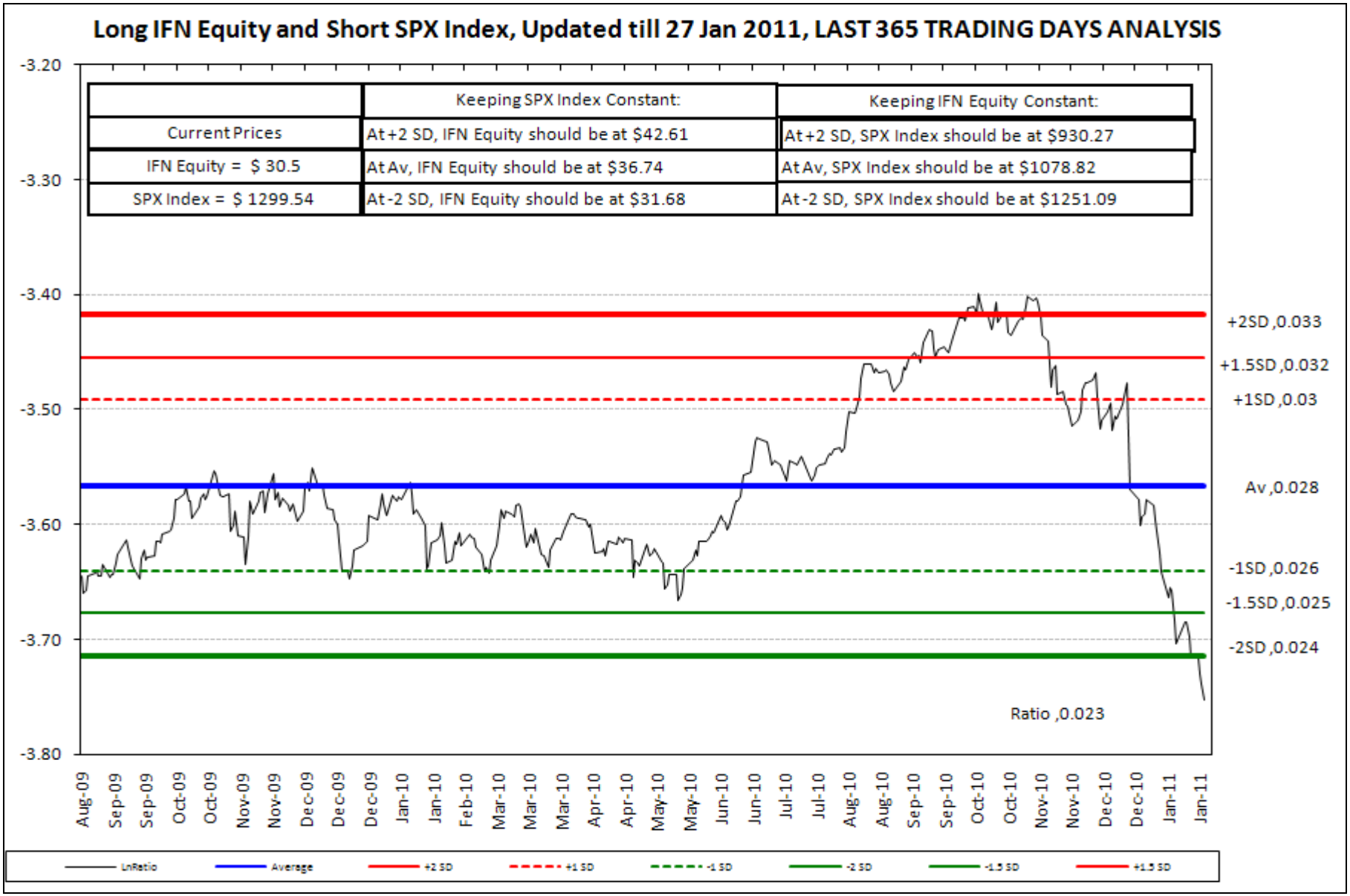


IFN- Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

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



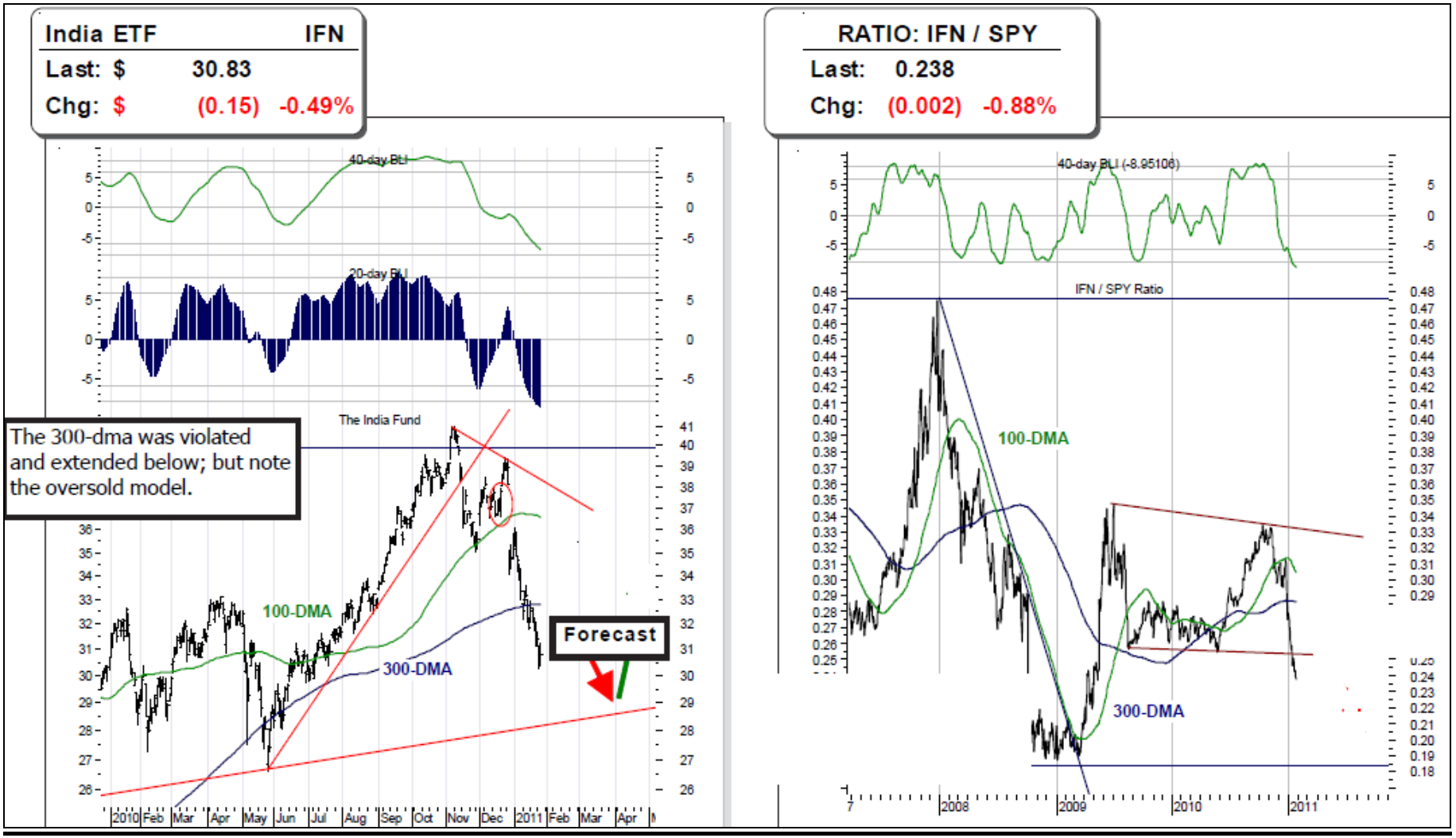
IFN Correlation Ratio Analysis with SPX – 365 days Time basis



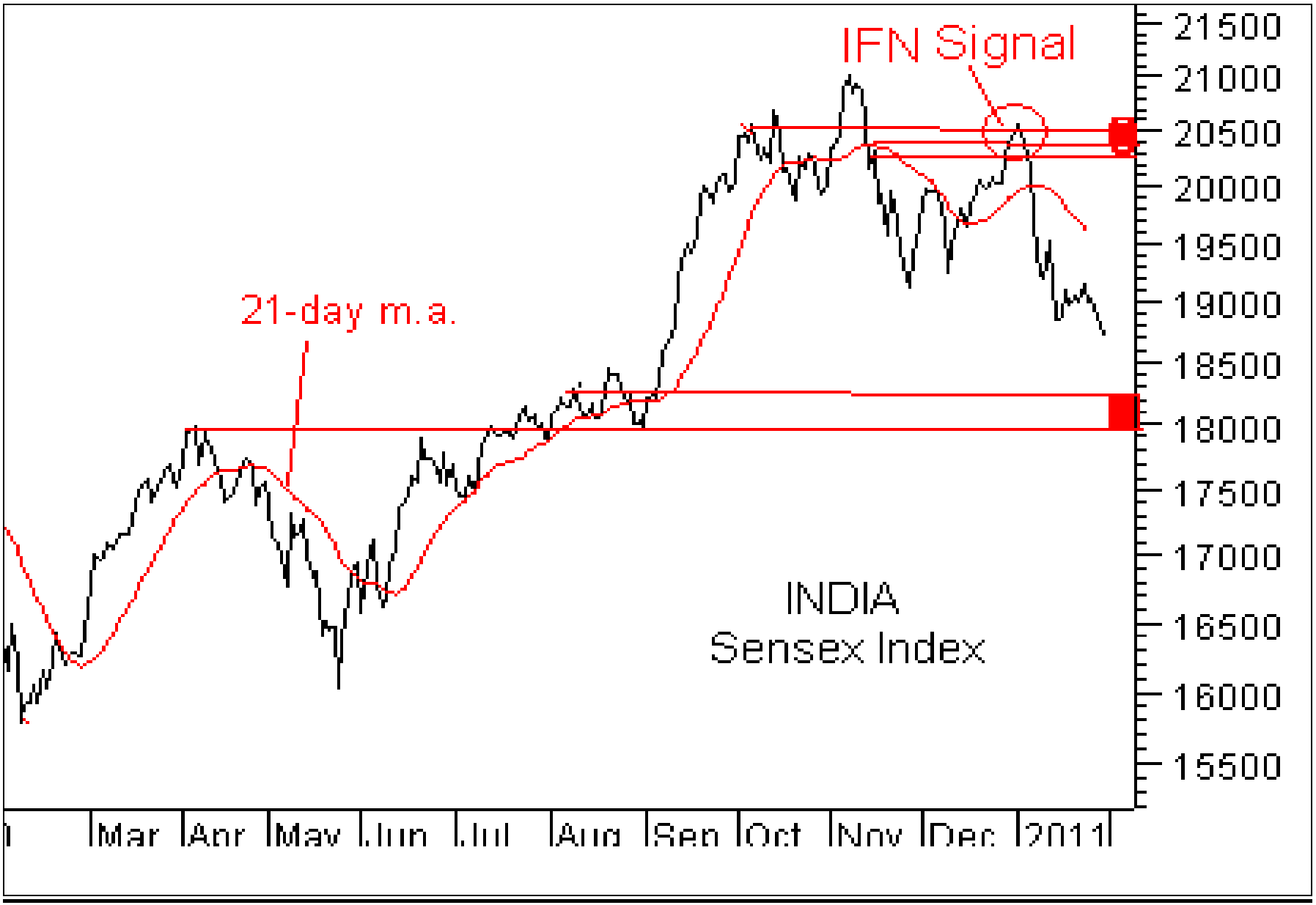
IFN Correlation Ratio Analysis with SPX – Full Time basis

IFN – Technical & Pattern Analysis

Although very oversold, Confluence Zone not defined clearly. This has declined far more than Core Sensex Index. IFN at 39 was the price in our PQV – Short - in Sector Report. Corresponded to 20200



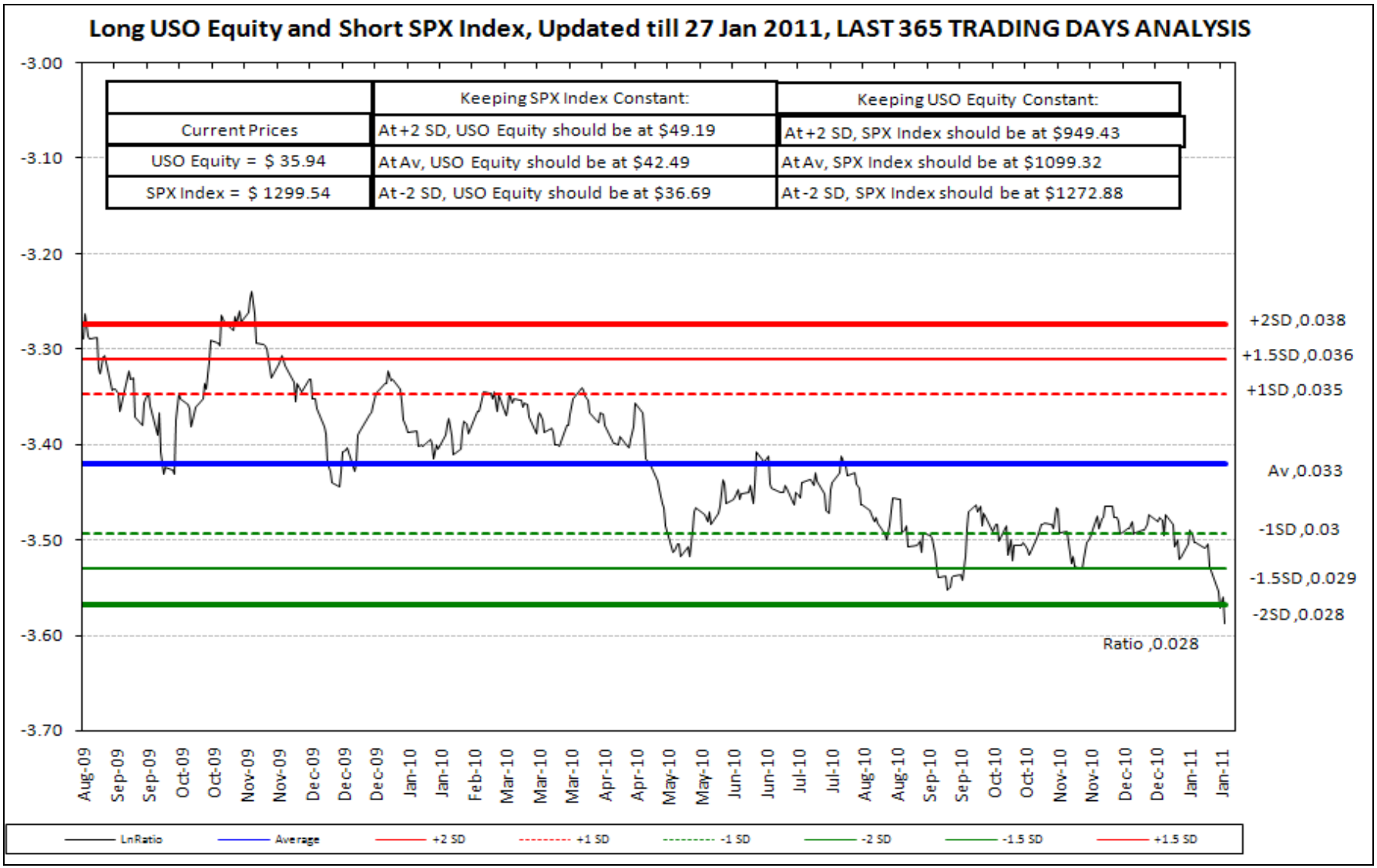
IFN – Technical & Pattern Analysis



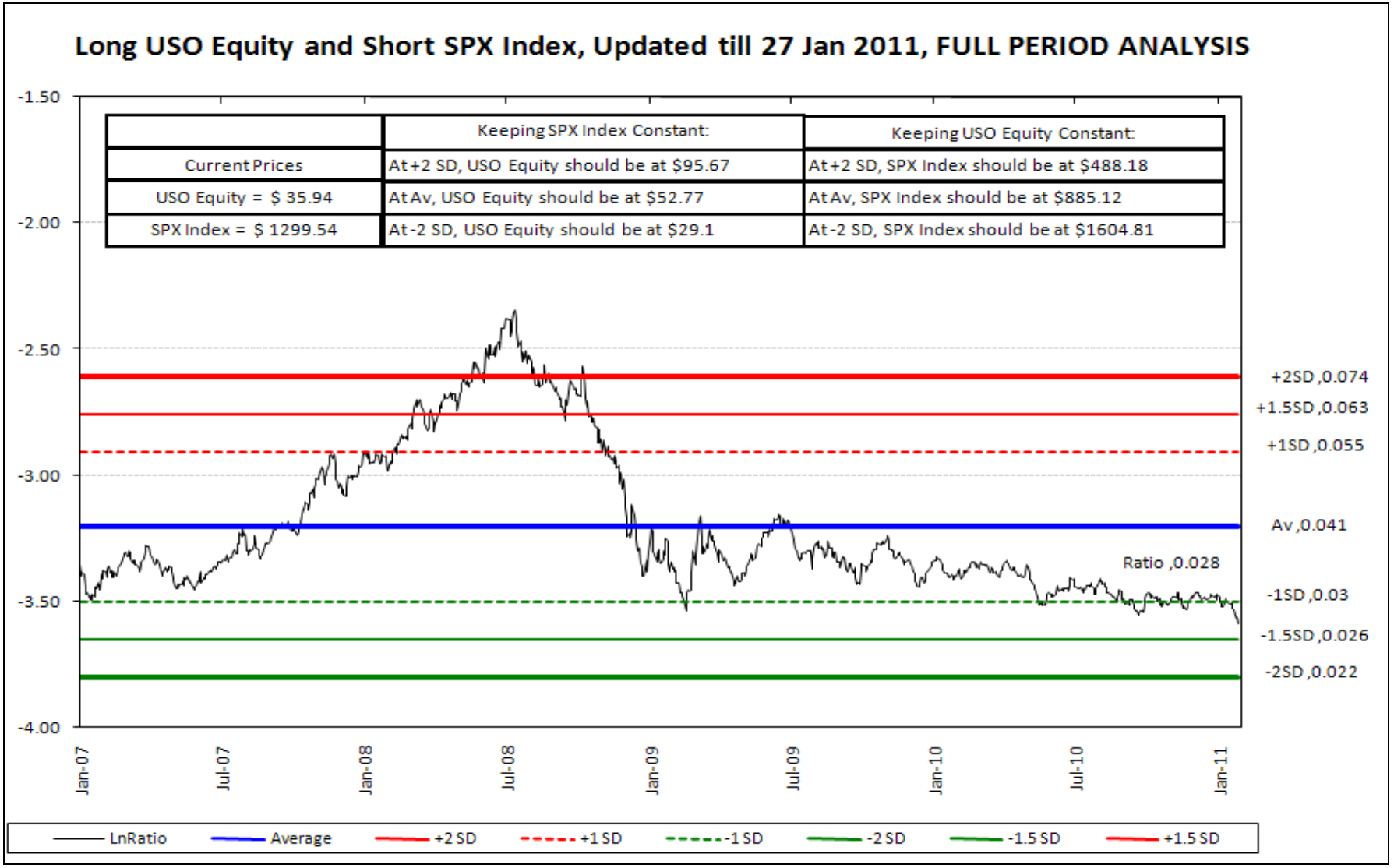
USO - Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

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

USO Correlation Ratio Analysis with SPX – 365 days Time basis



USO Correlation Ratio Analysis with SPX – Full Time basis



USO– Technical & Pattern Analysis

Although very oversold, Confluence Zone is slightly below , Should get the oversold bounce.

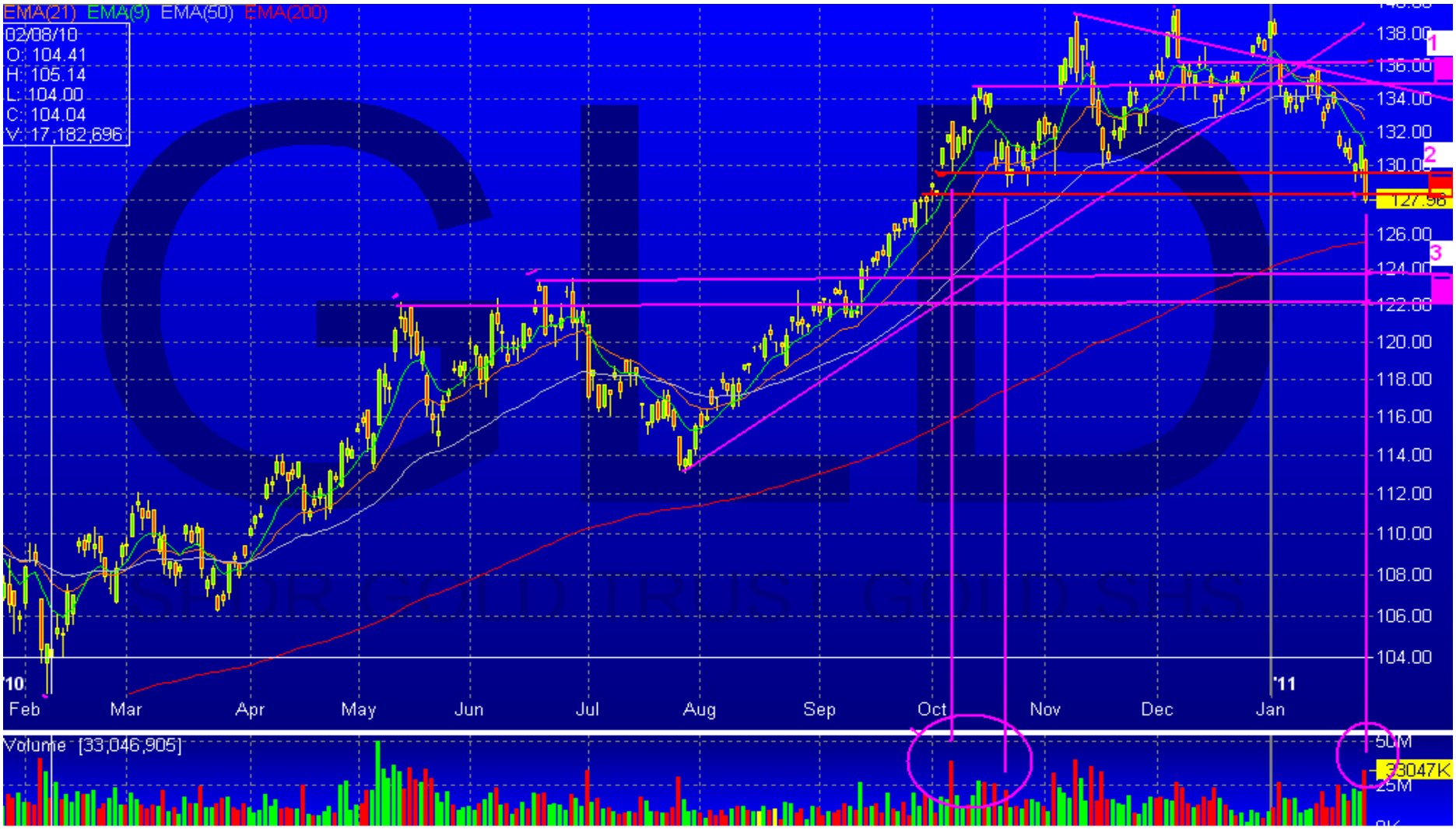
1- GDX – Price / Volume

***From POM 14 on GOLD we triggered POM 13** . as GDX reached our downside price target 53-54 as expected (in red) and exceeded a bit , prices were rejected at CZ which suggests a possibility of a good bounce but the Volume expanded on touch (see chart below) , this suggests that this area will be re tested at some point if not broken. Currently market is way oversold by several matrix we measure.*

The bounces from the CZ's tends to last little longer then the bounces that gets initiated from the middle of trend. In this case it could take us to the CZ (58 – 59) as indicated in pink (We will do the volume analysis as it approaches for next step) . If the Volume dries up into CZ bounce , it should setup ABC down. If volume picks up on rise we should flip in consolidation. But a lot would depend on how SPX & GLD acts (See chart below)

2- GLD – Price / Volume (Add $ 30 to GLD for Continuous contract)

***From POM 14 on GOLD we triggered POM 13** as GLD has finally entered its initial price target of 130 -128 (we have been indicating for while , there was some room to go there within the CZ . On touch of this CZ volume expanded(see chart below) , this suggest after the bounce this area should be tested. The bounce could go to CZ 1 as indicated in pink (with same guidelines as GDX). However as we have been indicating our Target areas for POM 12 is at CZ indicated by 3 – pink area 122 -124 (Equal to 1250-1280 on contract.*



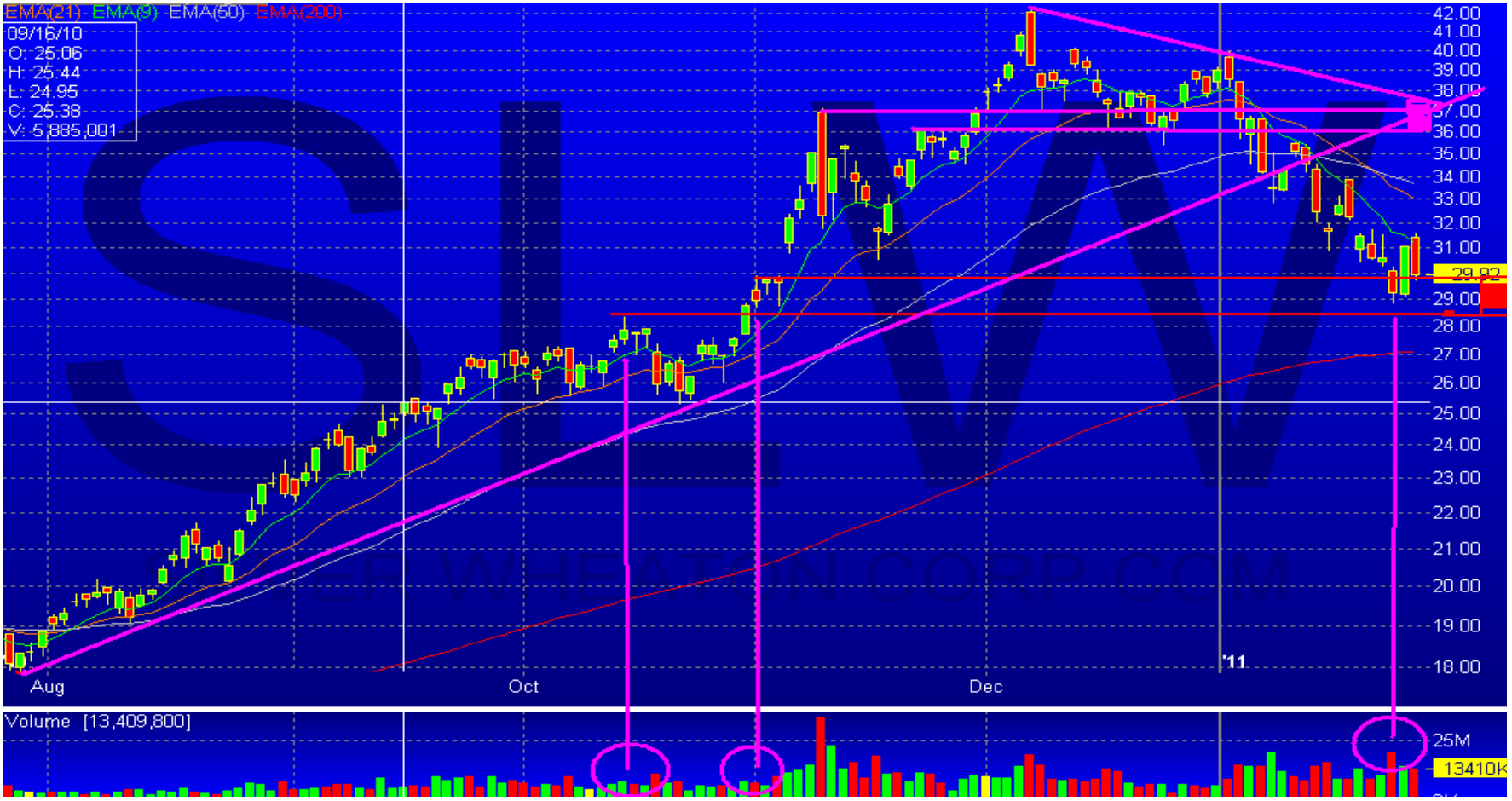
3- <u>SLV – Daily - Price / Volume</u>

<u>From POM 15 on SLV we triggered POM 13</u> as SLV has finally approached initial downside price target of 26 (we have been indicating for while , we do have some room to go there within the CZ but a lot would depend on GLD for lead . The volume is about equal on test (see chart below) , this suggests a good area to bounce from . The bounce could go to CZ 1 as indicated in pink (with same guidelines as GDX /GLD). However as we have been indicating our Target areas for POM 12 is at CZ indicated by 3 – pink area 24 -25. As a extreme case if due to abnormal currency movement this market slices this current CZ 2 Region to CZ 3 below (We call it as jumping the creek) then POM 12 would be triggered volume test confirms

1- SLW - Daily – Technical & Pattern Analysis & Price / Volume

***From POM 15 on SLV, we triggered POM 13** . SLW reached our initial downside price target 29-30 as expected (in red) , prices were rejected at CZ which suggests a possibility of a good bounce but the Volume expanded on touch (see chart below) , this suggests that this area will be re tested at some point if not broken. Currently SLW is way oversold by several matrix we measure.*

The bounces from the CZ's tends to last little longer then the bounces that gets initiated from the middle of trend. In this case it could take us to the CZ (35 -37) as indicated in pink, these are all high probability and Short term events. (We will do the volume analysis as it approaches for next step) . If the Volume dries up into CZ bounce , it should setup ABC down. If volume picks up on rise we should flip in consolidation. But a lot would depend on how GDX & GLD acts



REFERENCE MATERIAL – Part II (Separate Attachment)

PREVIOUS PLOTS

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

- ✓ ***PQV –CZ validated Sectors***

Short

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

Long

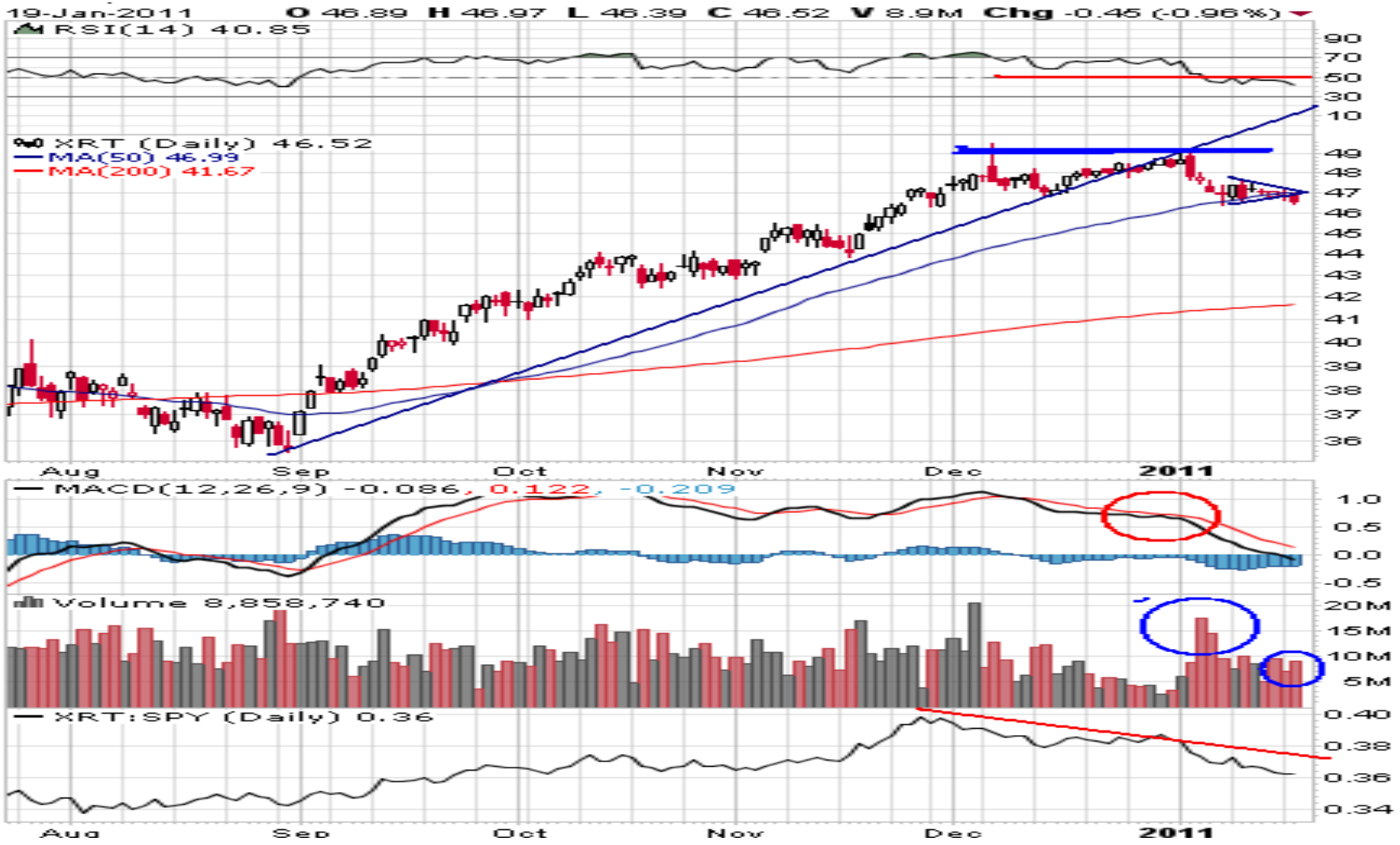
- ✓ ***JOF***
- ***XLV***
- ✓ ***TLT***
- ***MUB***
- ***XLU***
- ***XLP***

Short

XRT – (Special Situation) – Transfer this to D - Sector Report

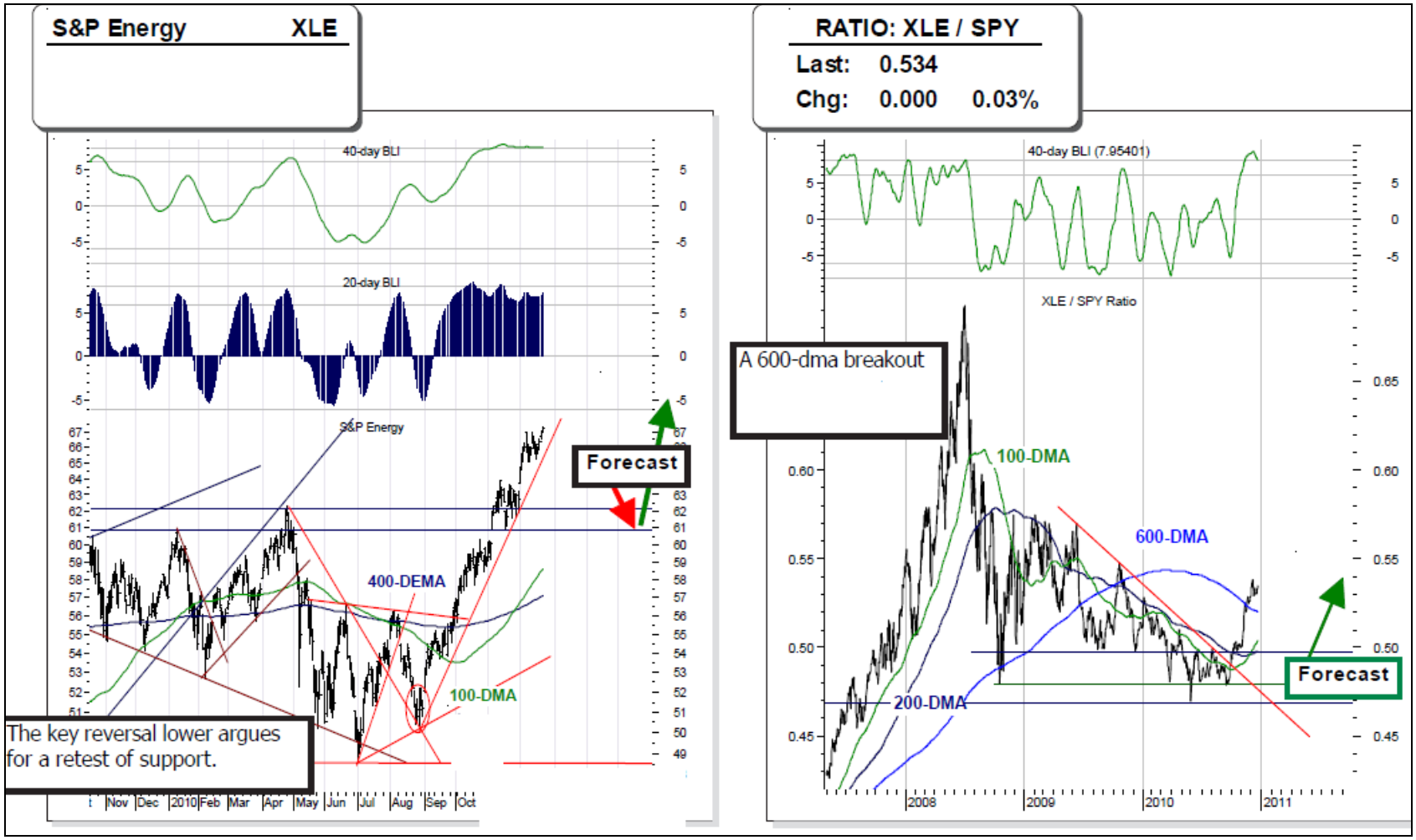
Weak broken down sector, RSI now below 50 on any bounces. Prices broke yesterday on Triangular pattern now 50D should be overhead on bounces. MACD turned down, Volume picked up on downside.

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



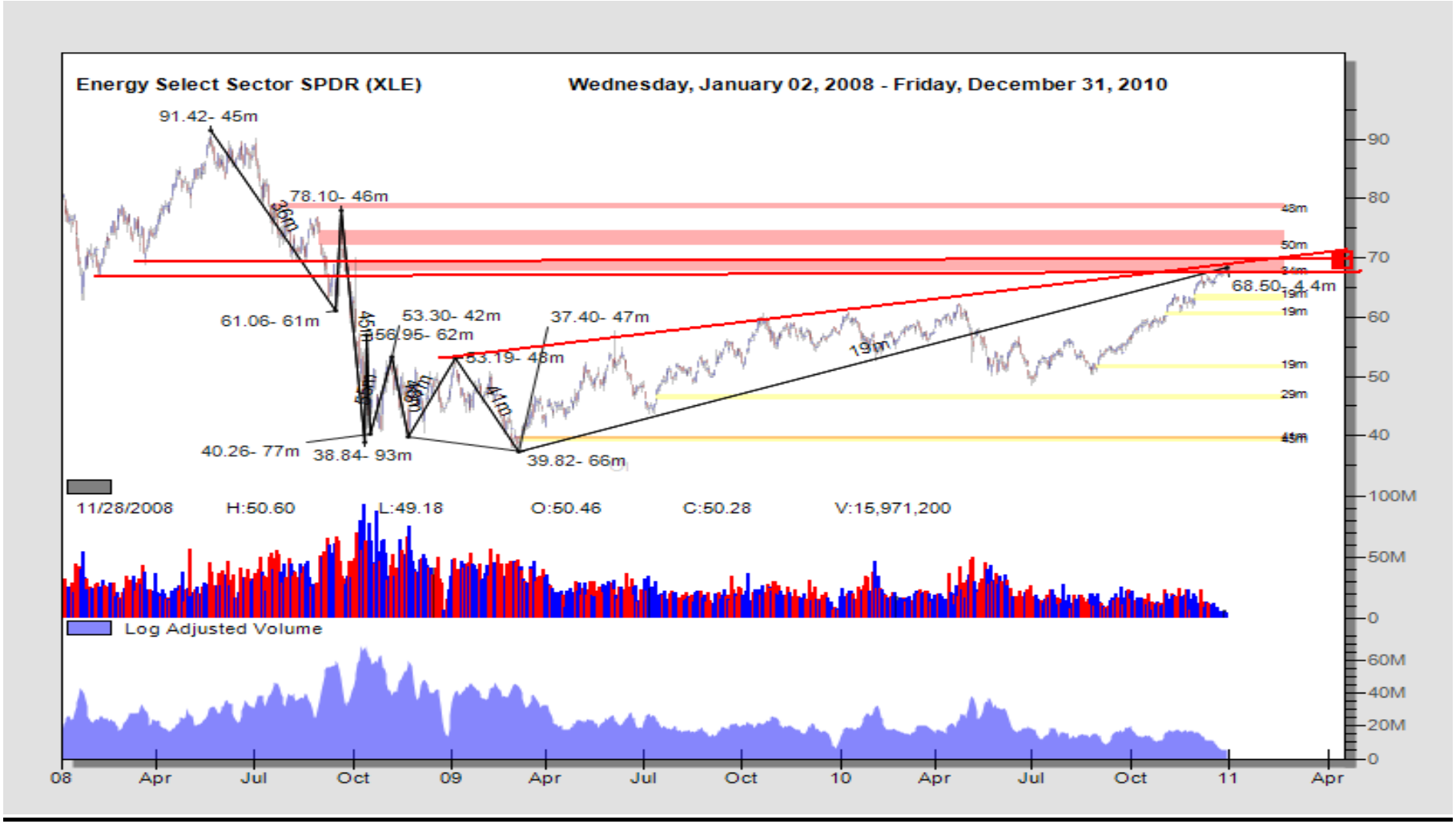
XLE – Technical & Pattern Analysis & Price / Volume

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



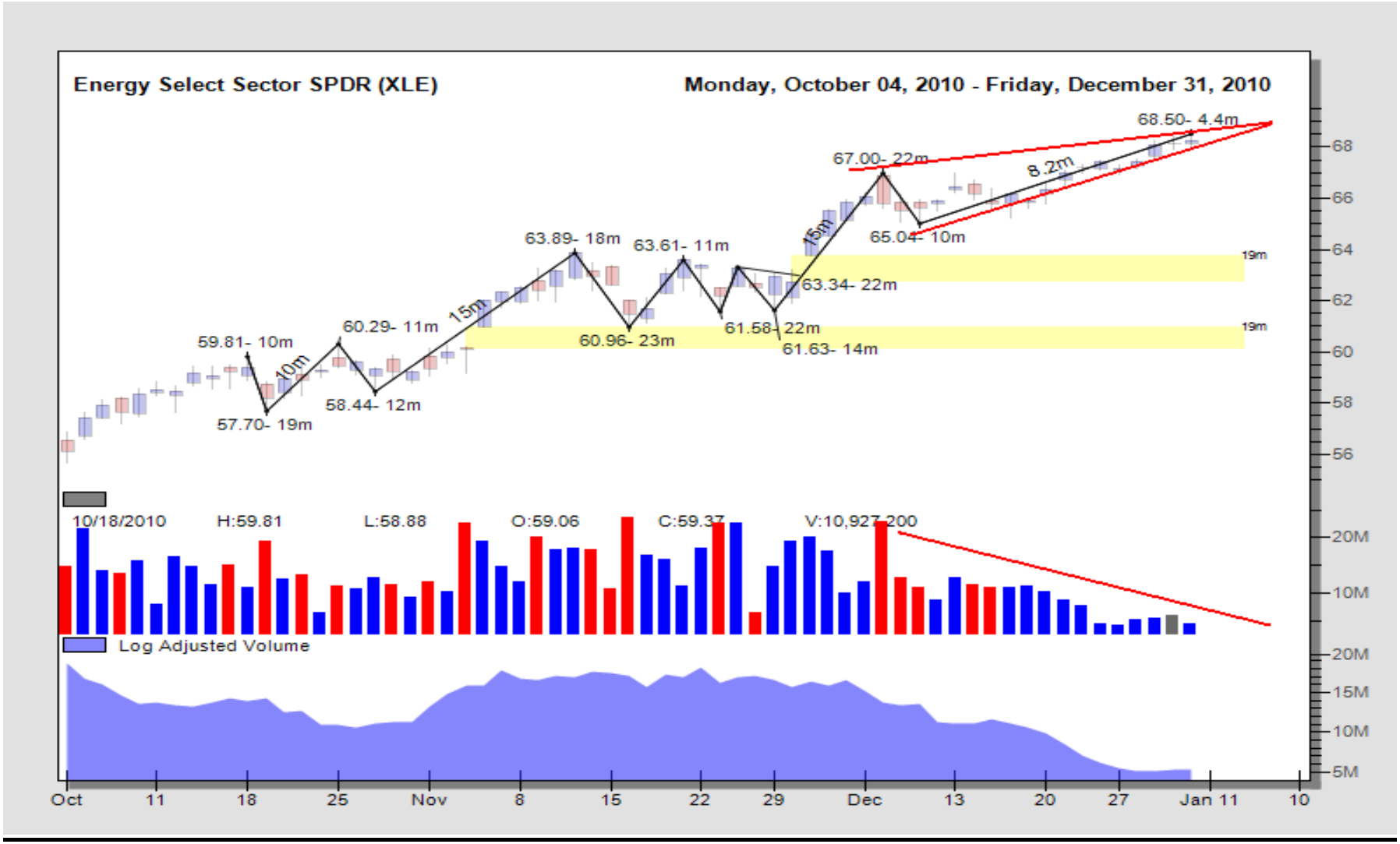
– XLE - PQV Analysis

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

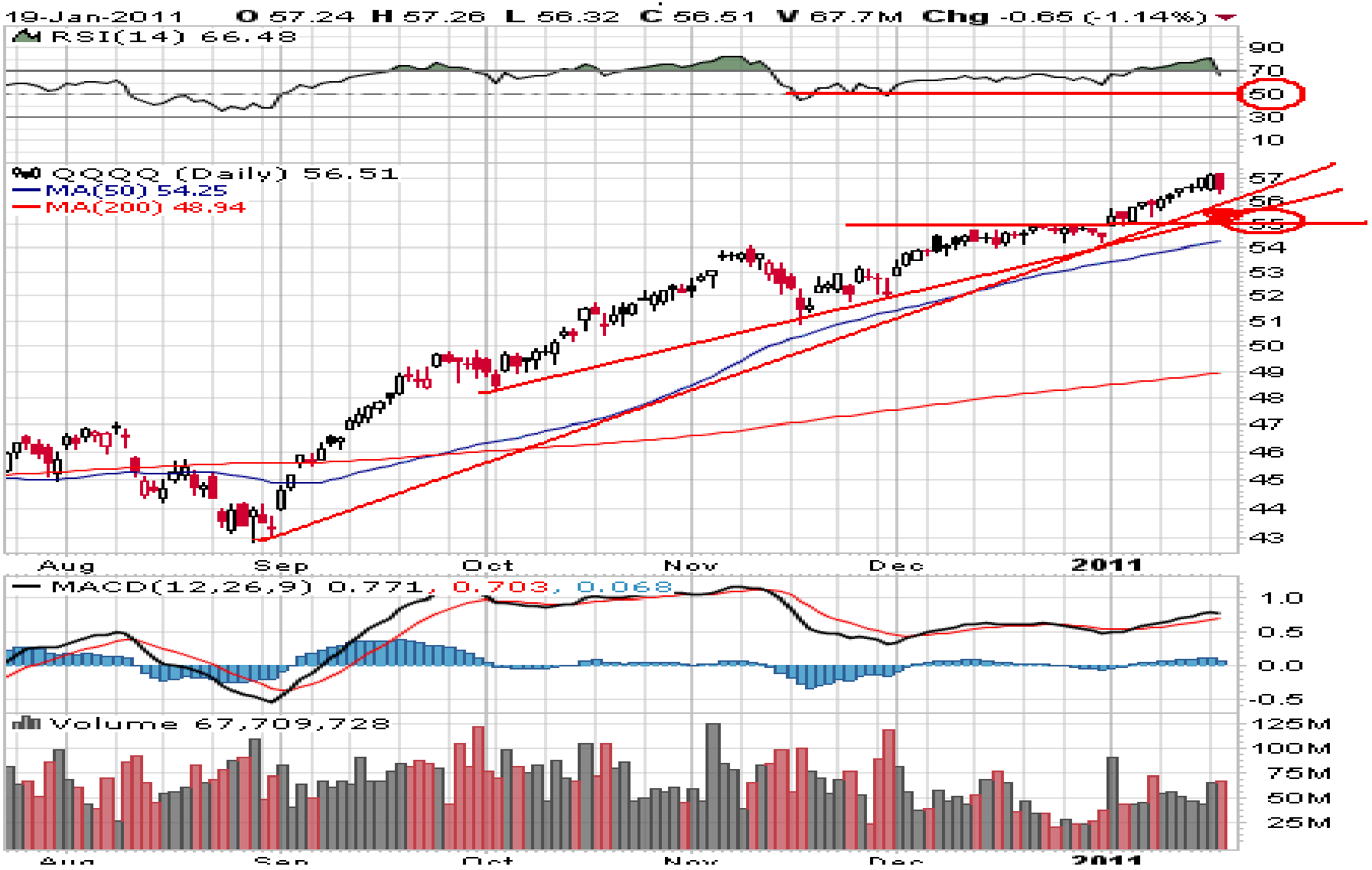
This Bearish Wedge should be diffused first to 65 price if volume picks up 10-12 M on the decline , then monitor the bounce into CZ as stated above



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

MACD has trigged, RSI in two time frames showing divergences . So we are watching closely in CZ – PQV in Sector Report

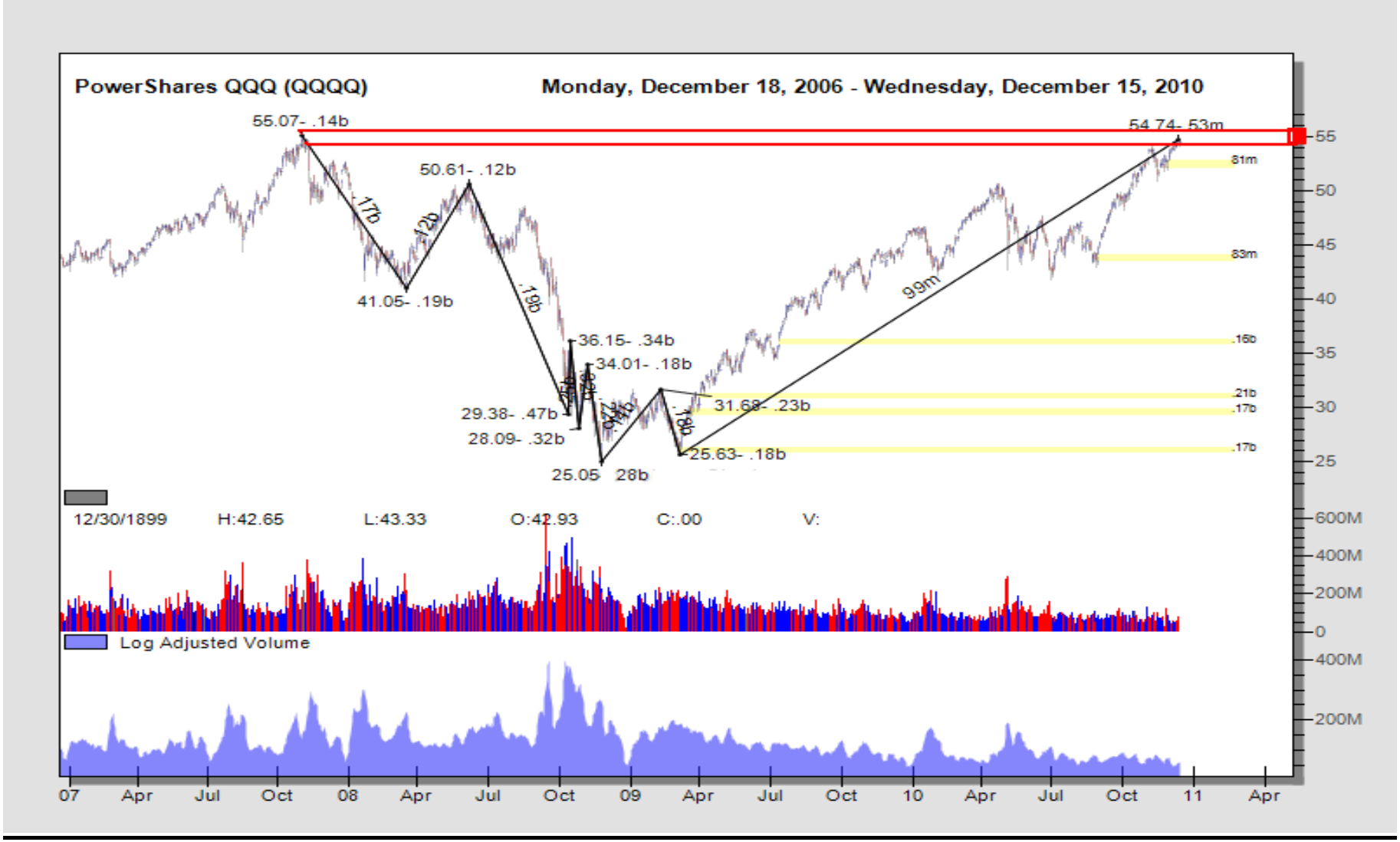
Yesterday's action was a Bull trap. Price above 55 was false break top side on lighter volume Currently slightly above CZ on lighter volume. A break below 55 on higher volume as Indicated should break the 2 trend lines and Breakout area, that action should constitute Bearishness.



QQQQQ – SMA / Trend line Analysis

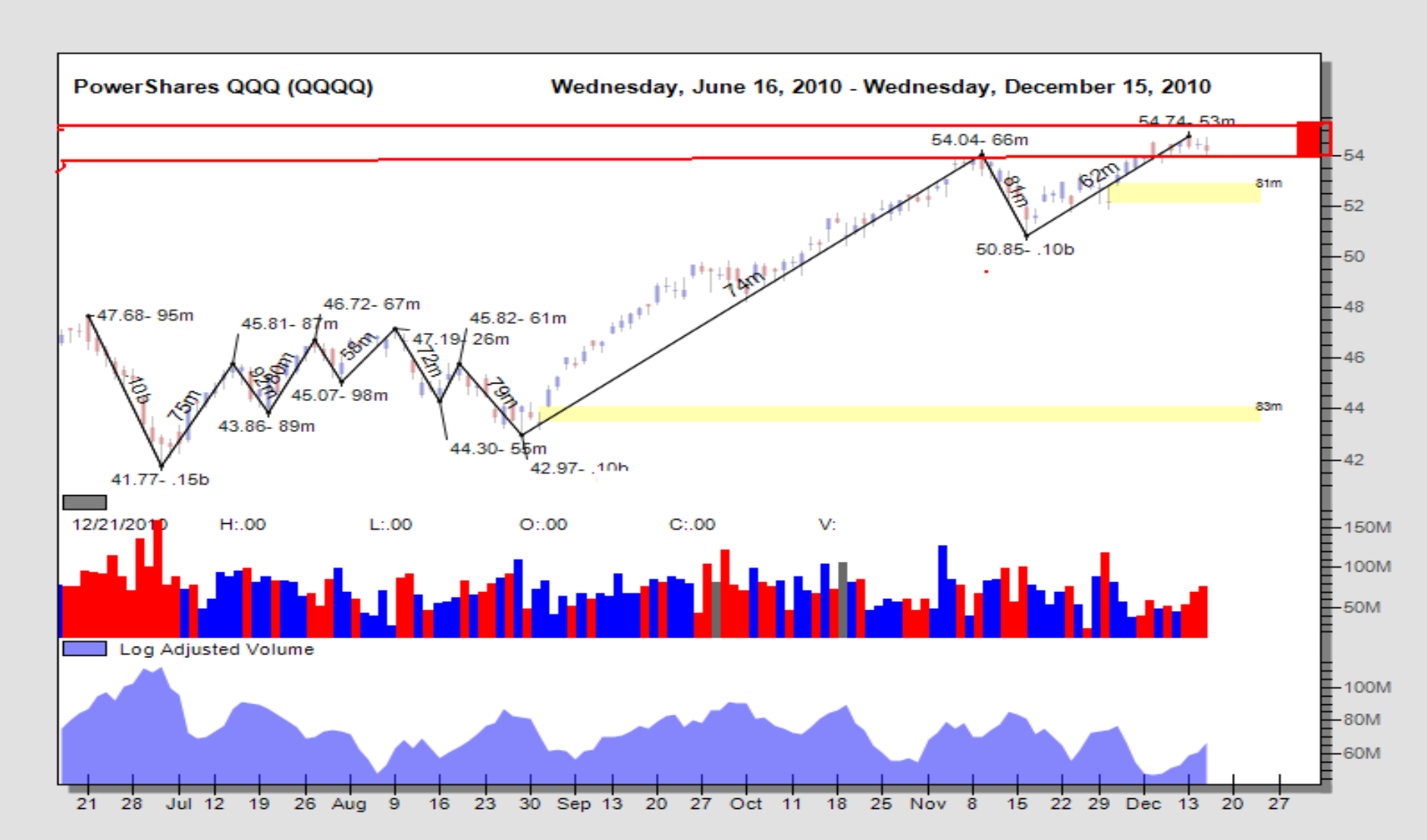
QQQQ - POM – LT - Price , Volume & Pattern Analysis

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.



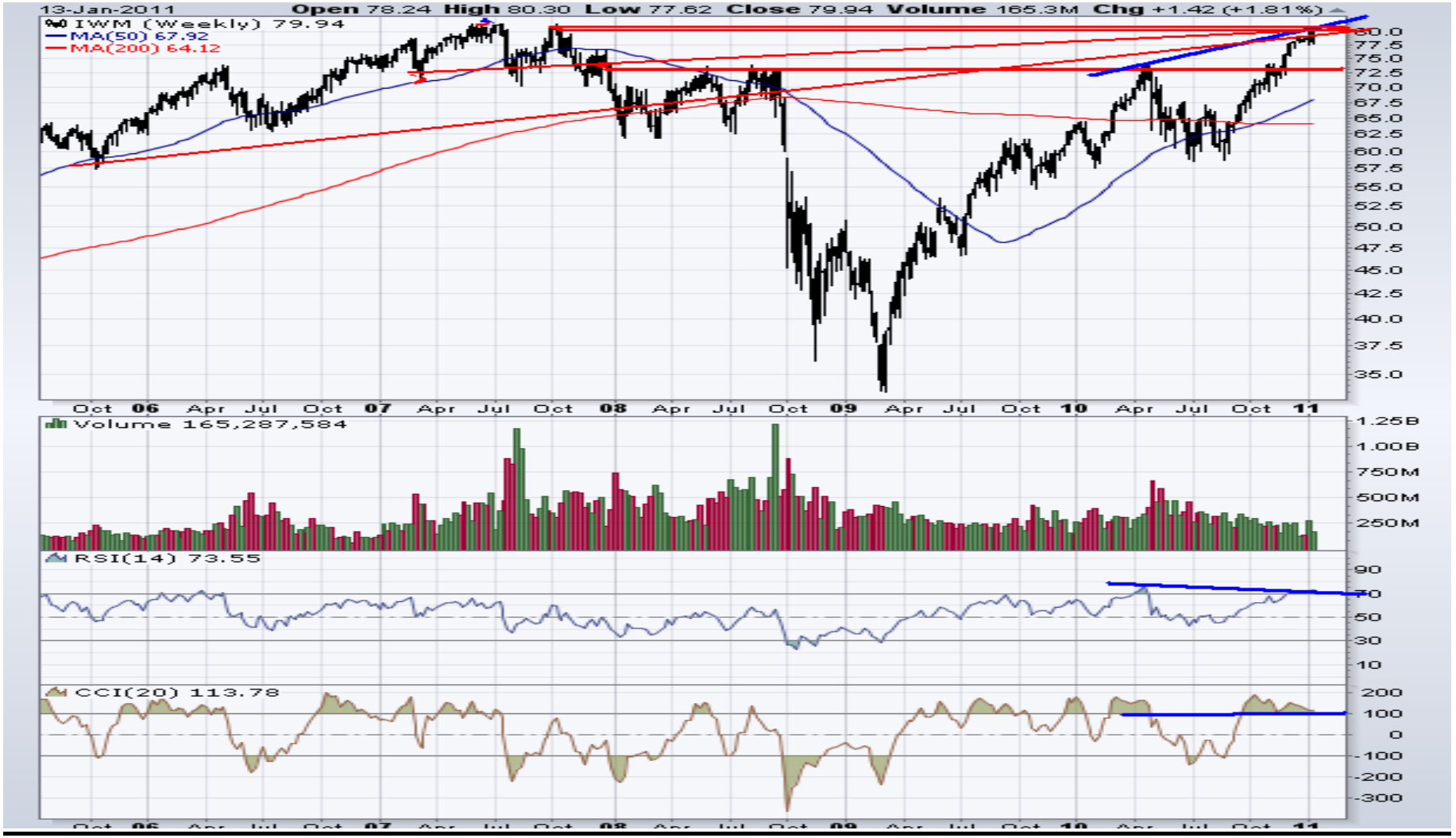
QQQQ - POM – ST - Price , Volume & Pattern Analysis

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

Finally after so much patience , the day arrives for CZ – As required , currently it is testing 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ - 1 of 77 – 80.00 (currently it is in the zone) and test with 175 M and weekly close under 77 should be a good test If SPX declines this will follow.



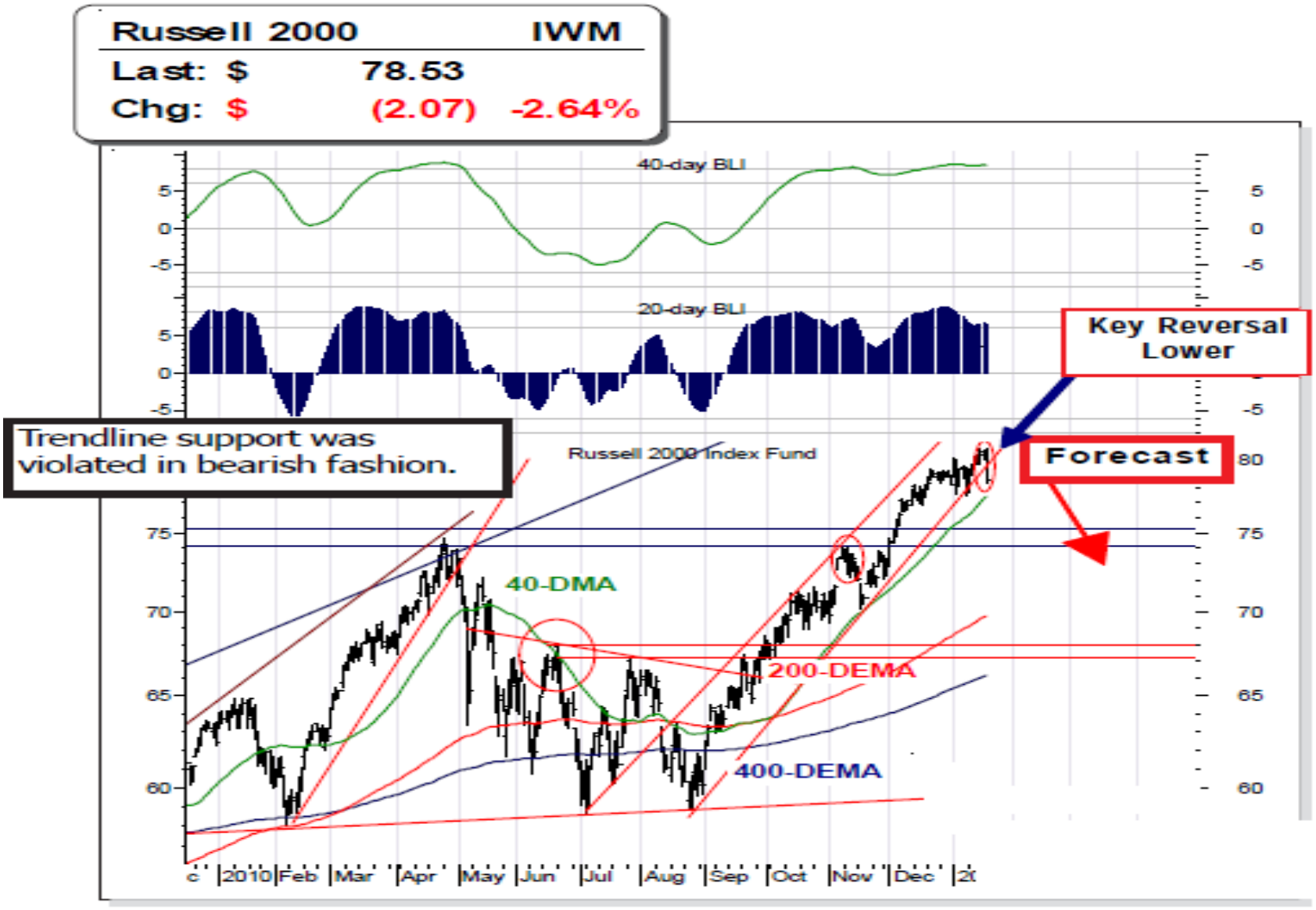
IWM- POM – LT - Price , Volume & Pattern Analysis - (MONITORING CZ –PQV)

IWM tested the bearish engulfing and extended and snapped right back . Right at the CZ of past. Also broke the trend line with MACD turned down, Volume picked up & RSI should very soon drop below 50.

Currently it tested 2008 Jan breakdown area & 2008 highs of Sept an its derived CZ of 77 – 80.00 (currently it is in the zone) and test with 175 M and weekly close under 77) should be a good test If SPX declines this will follow.

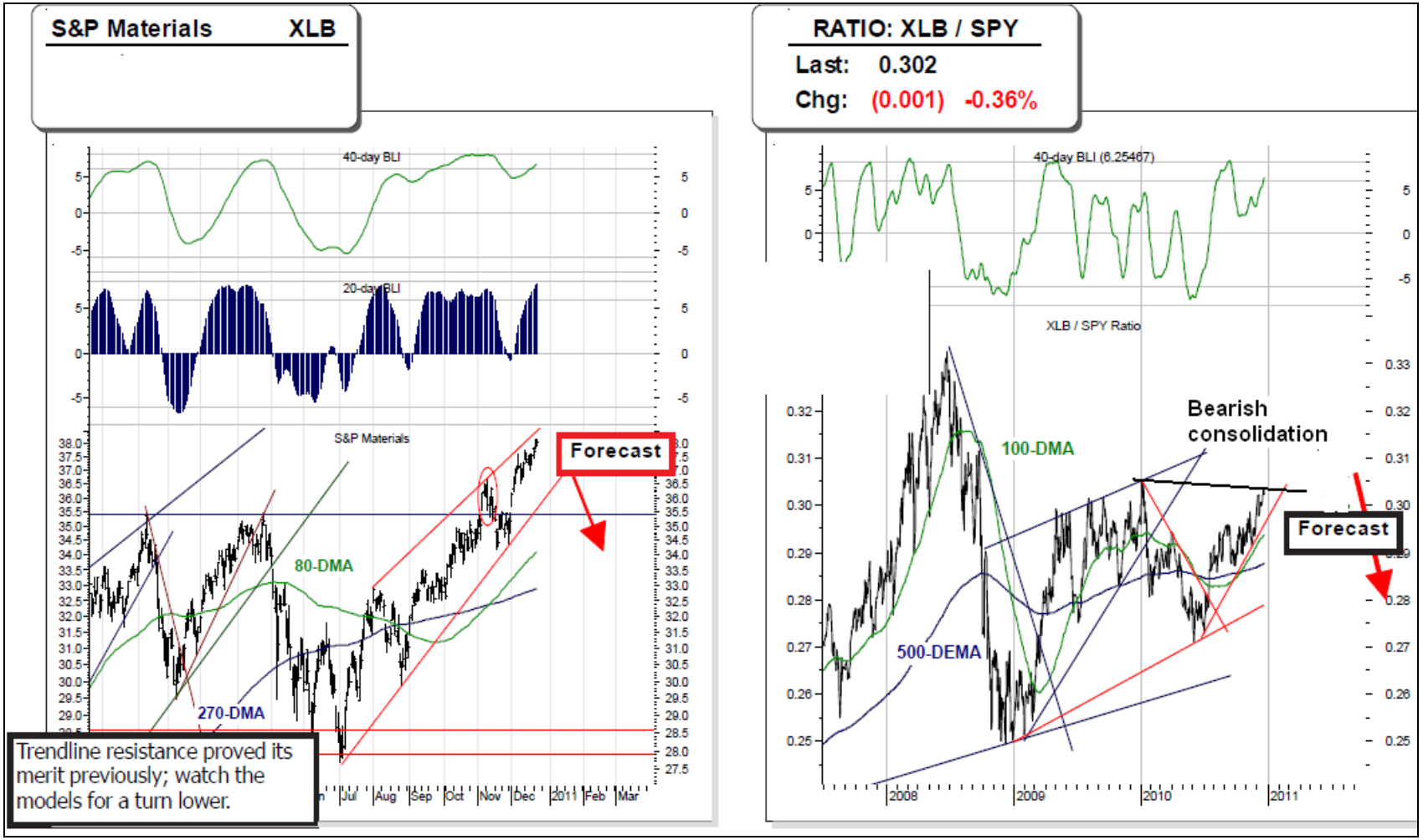
On daily basis the CZ For ½ position is 79.50- 80 with price go above 80 and then close below 79 with 35 M shares for failure. We finished that test with 29 -35 mm test. We are watching closely in CZ – PQV in Sector Report

IWM – SMA / Trend line Analysis



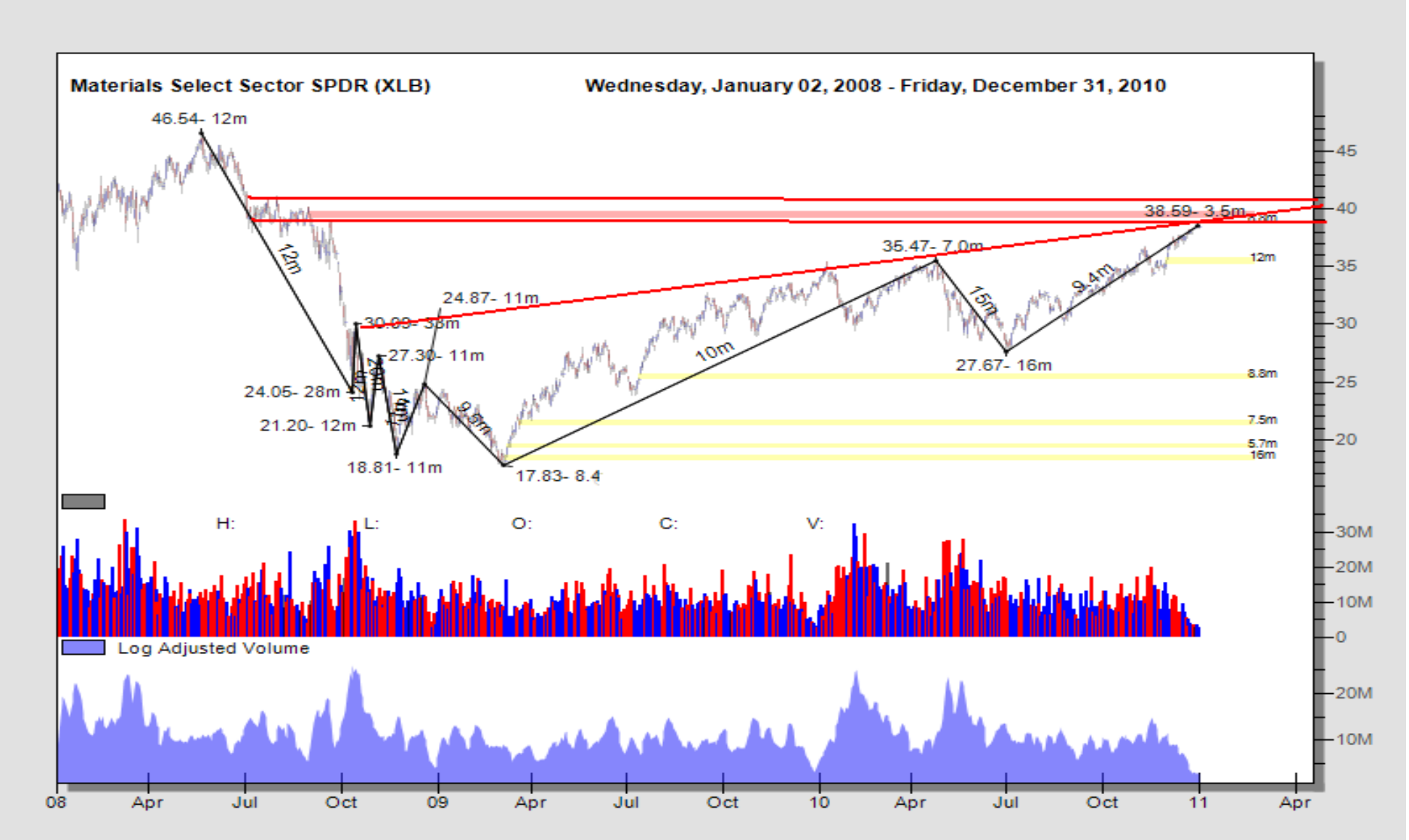
XLB – Technical & Pattern Analysis & Price / Volume

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



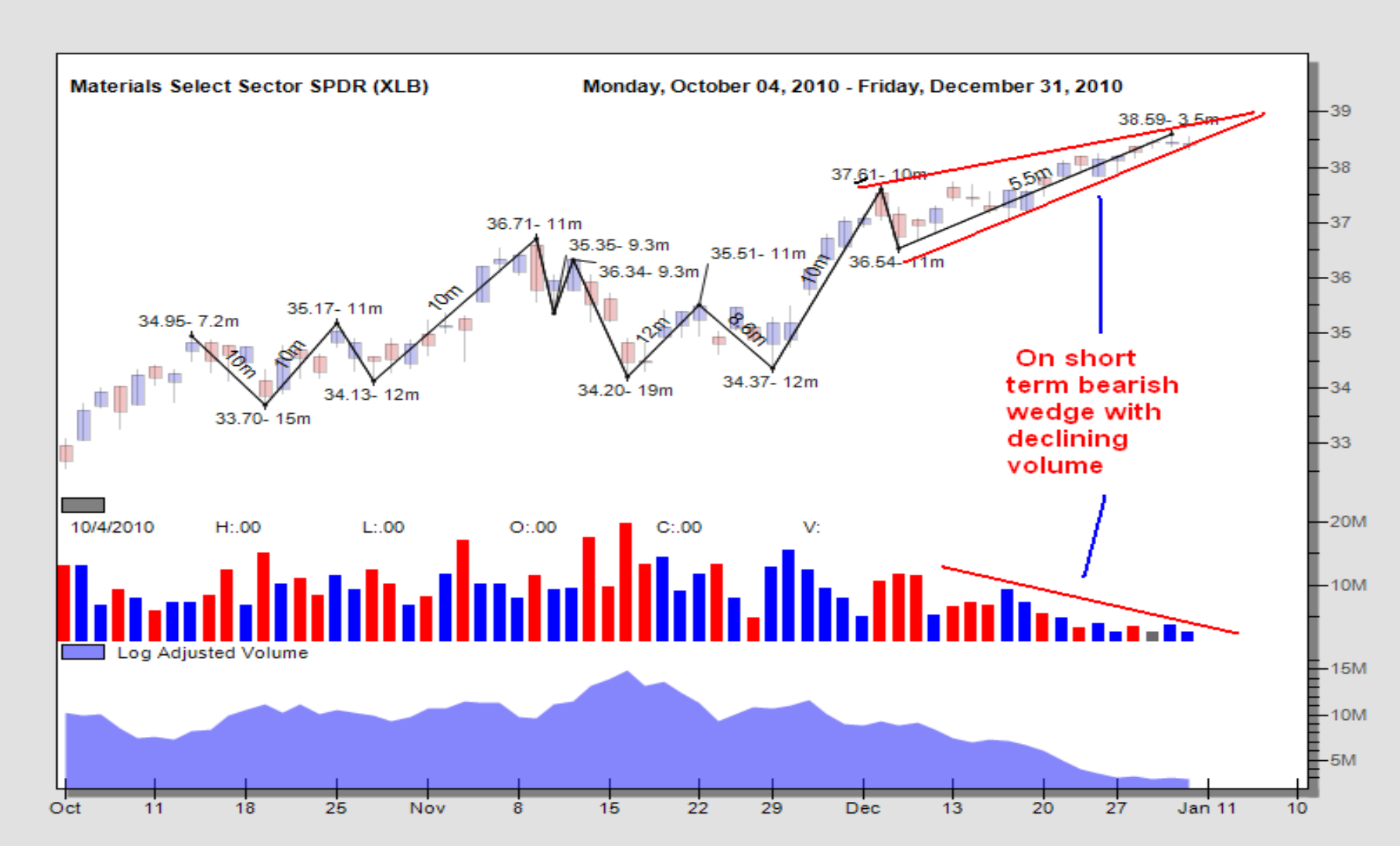
XLB – PQV Analysis

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



XLB – PQV Analysis – SHORT TERM

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



EEM- POM – LT / ST – Key points

- **EEM is closely related with SPX on downside when SPX signal is at POM 15 , EEM acts with the texture of POM 14 . Conversely Our in-depth Analysis suggest that SPX 's POM – Buys POM 11,12 are closely related with the buys of EEM 's.**

- **SD # Levels are at + 1.0 SD and Neural Zone , but any bounce should take to Target Zone into +2.0 SD, we should monitor this**

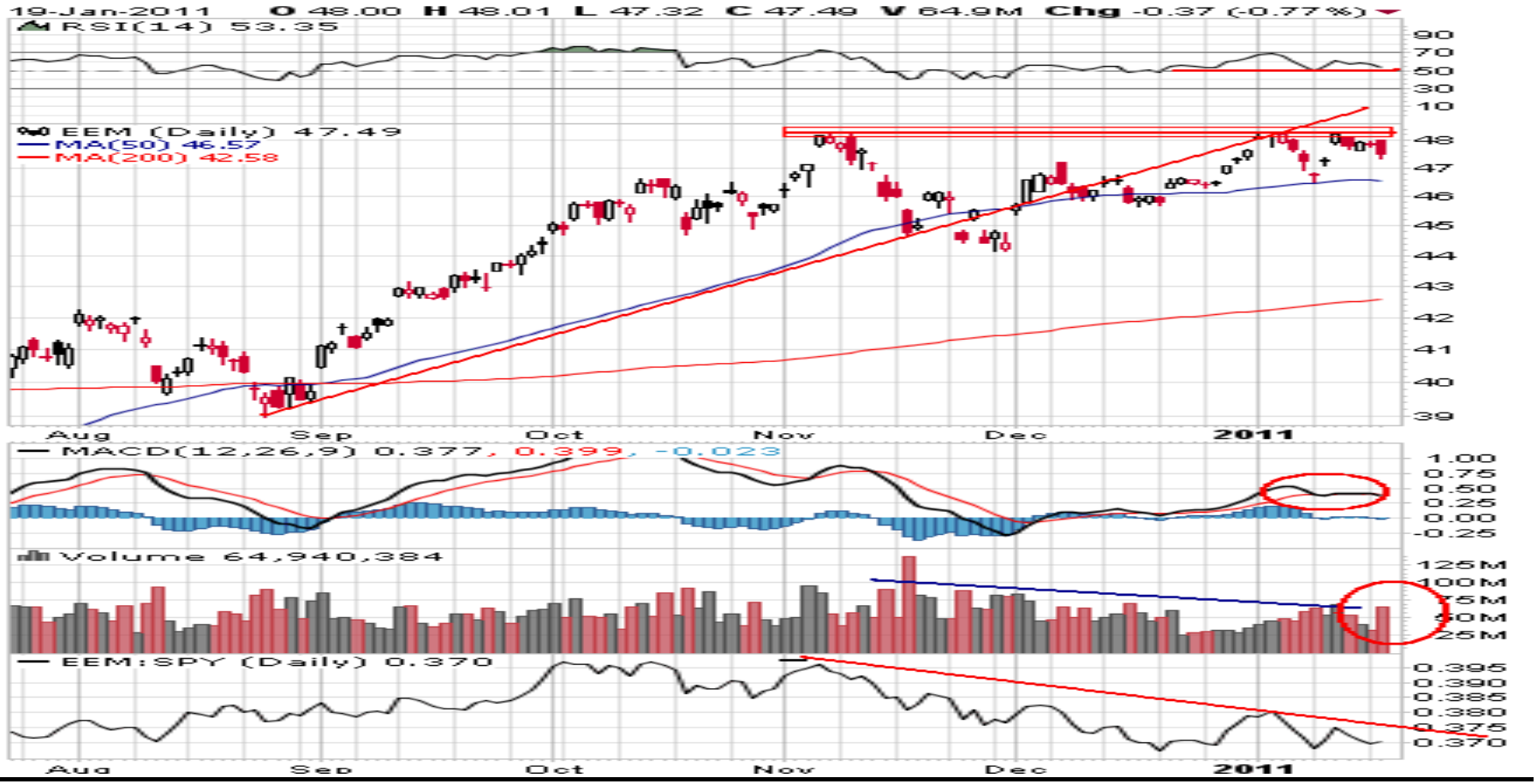
- **Charts below gives different possibility in different time frame with volume study**

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

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

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

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

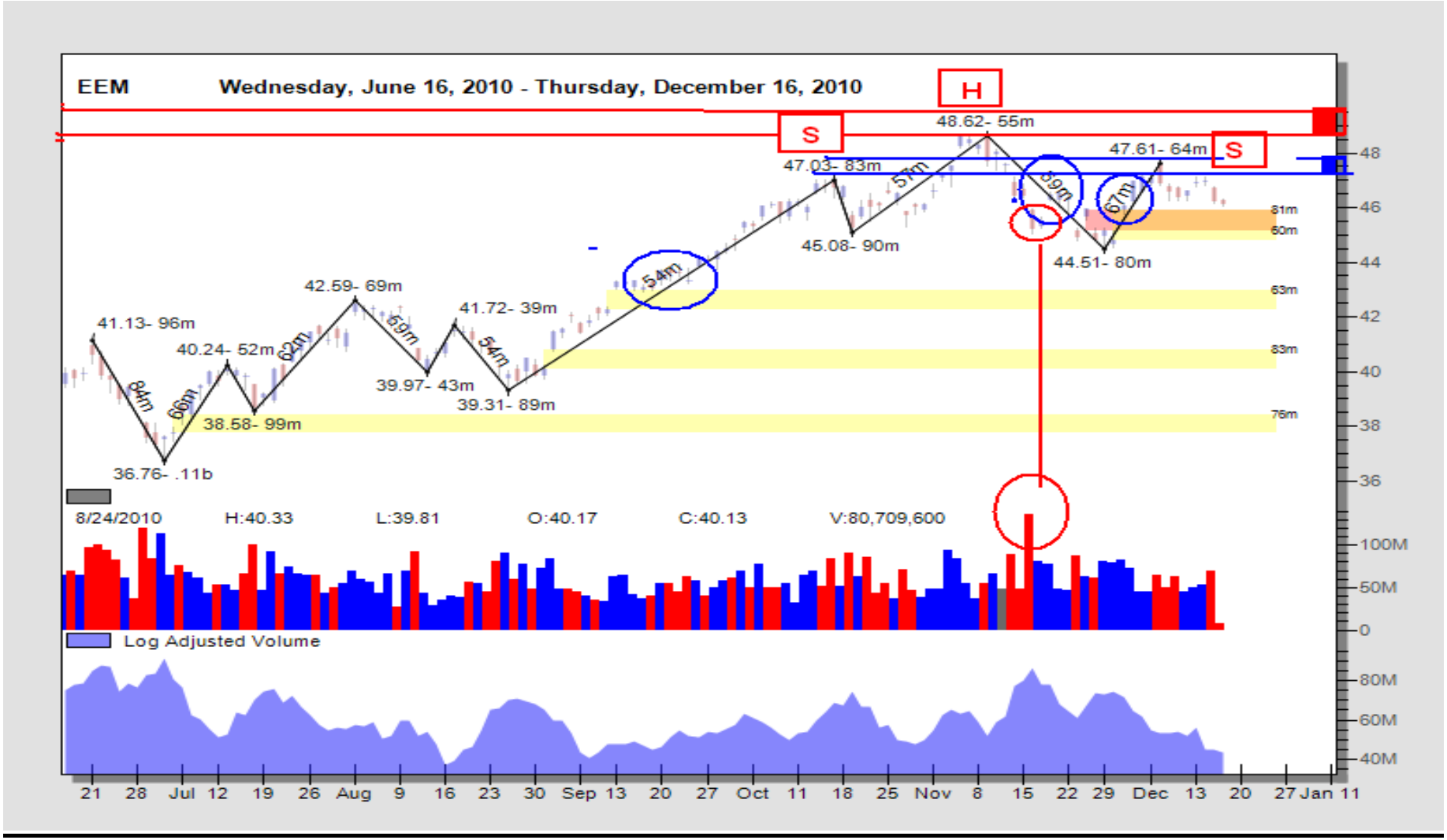


EEM – Trend line & SMA Analysis

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

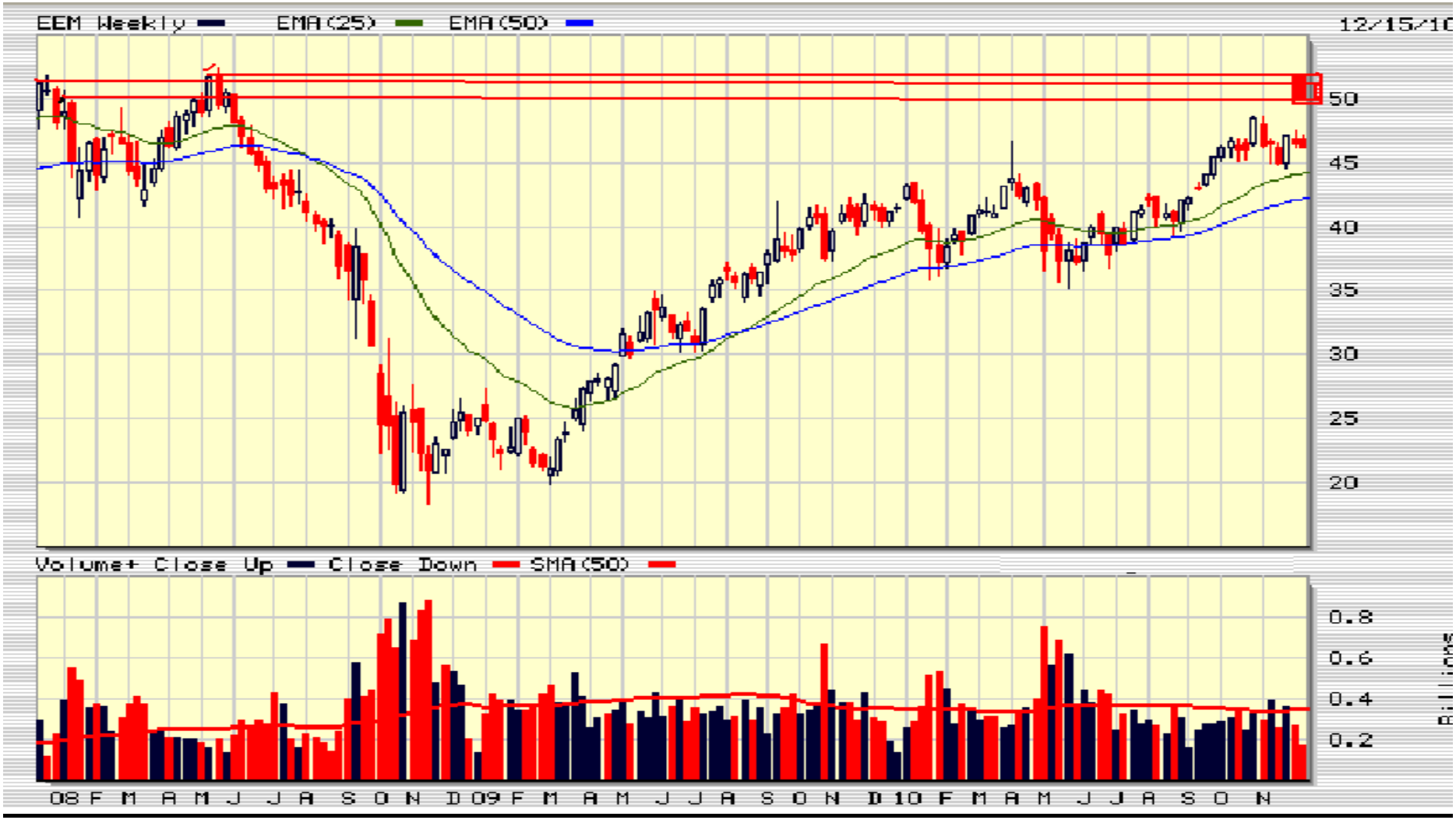
EEM- POM – ST - Price , Volume & Pattern Analysis

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 ??)



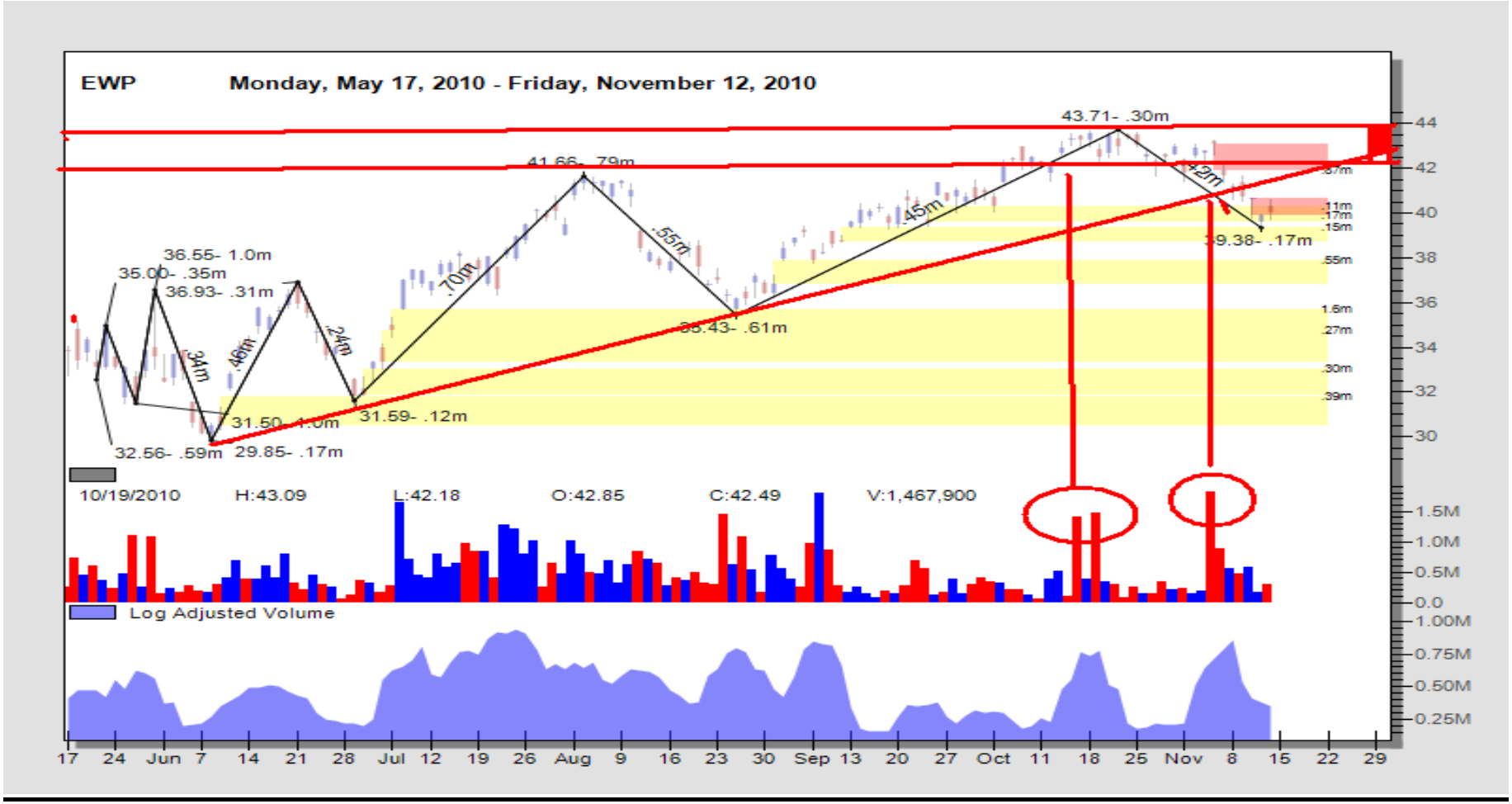
EEM- POM – LT - Price , Volume & Pattern Analysis

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



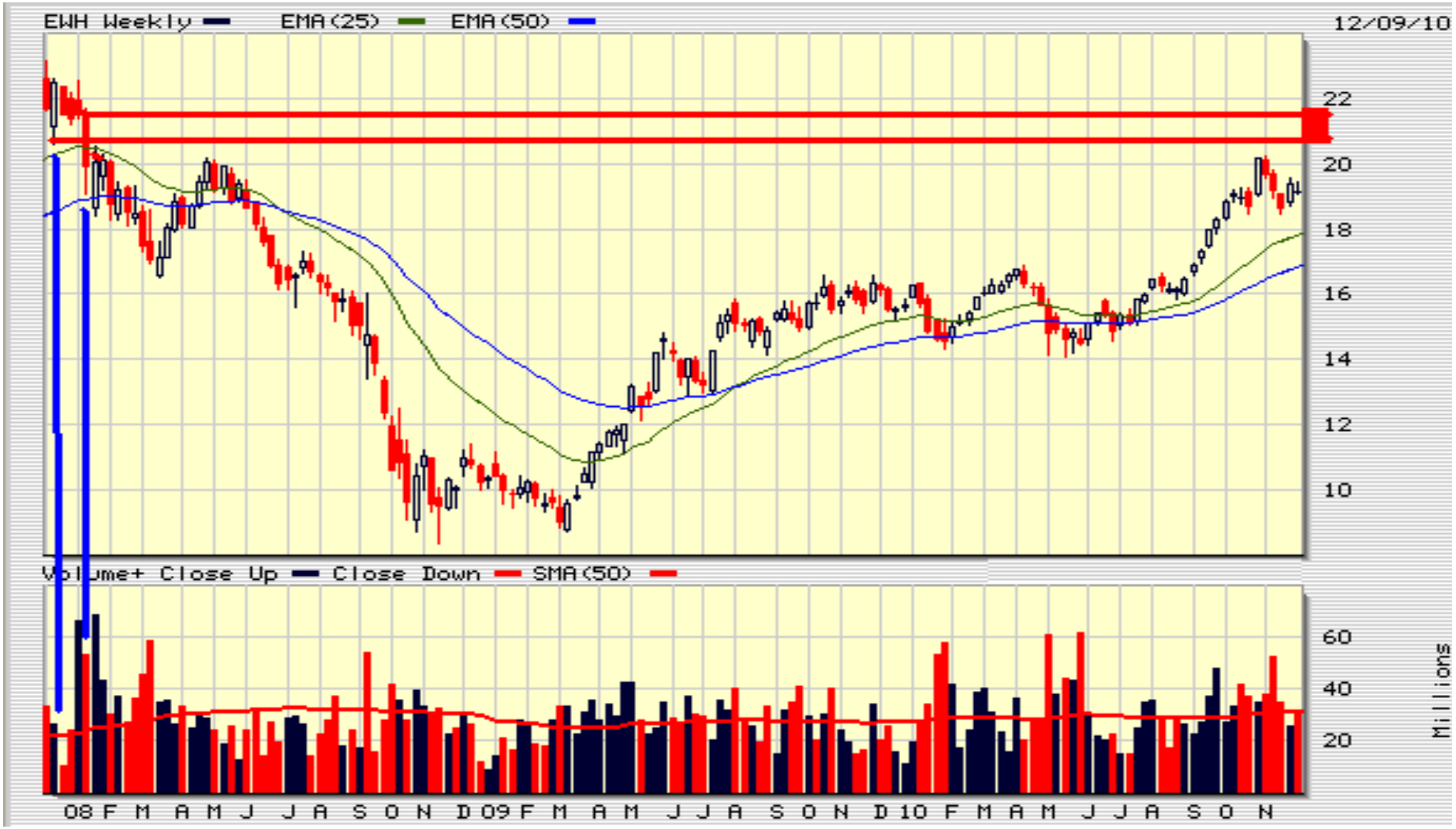
EWP – PRICE & VOLUME ACTION

- **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**



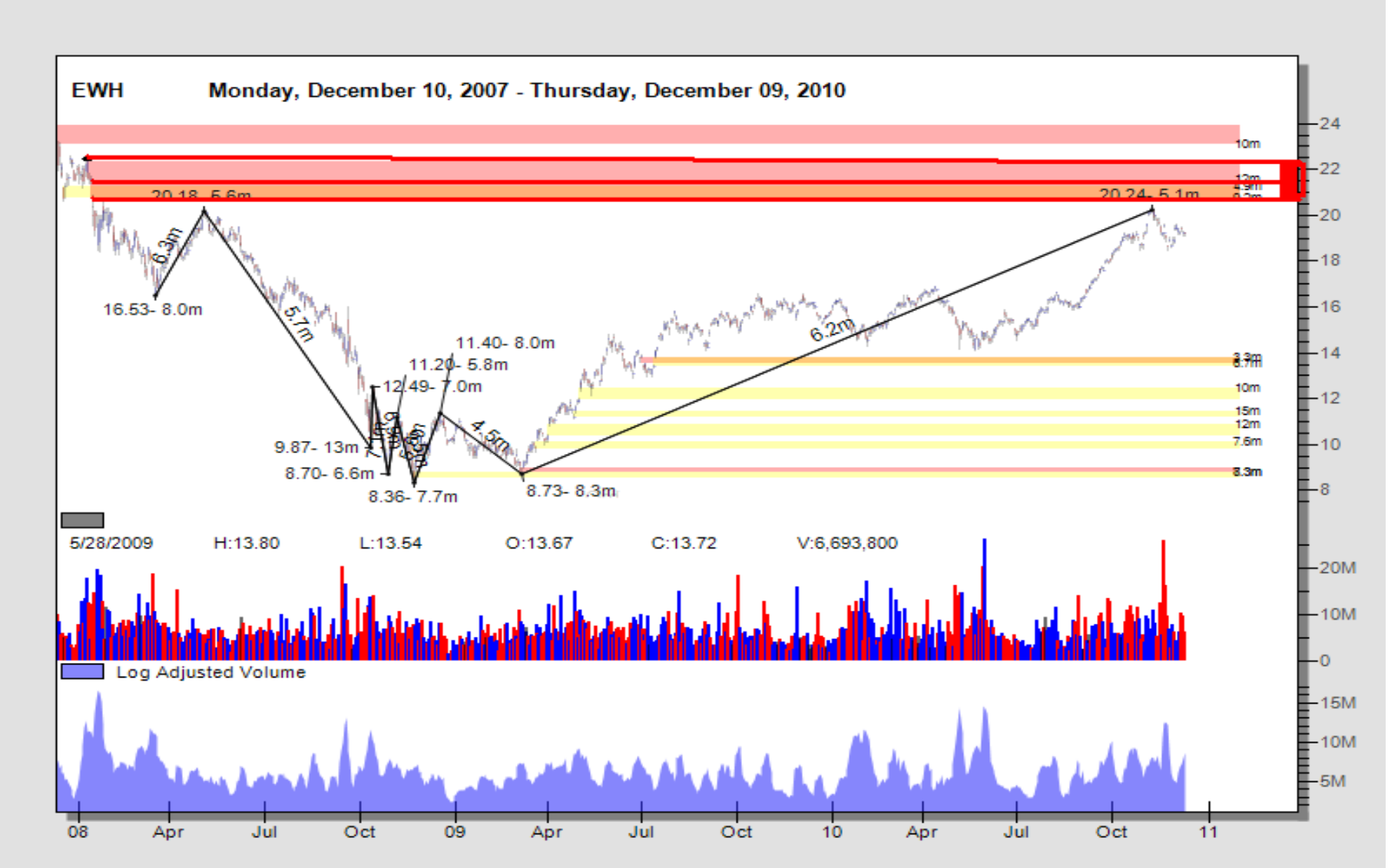
EWH - POM – LT - Price , Volume & Pattern Analysis

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



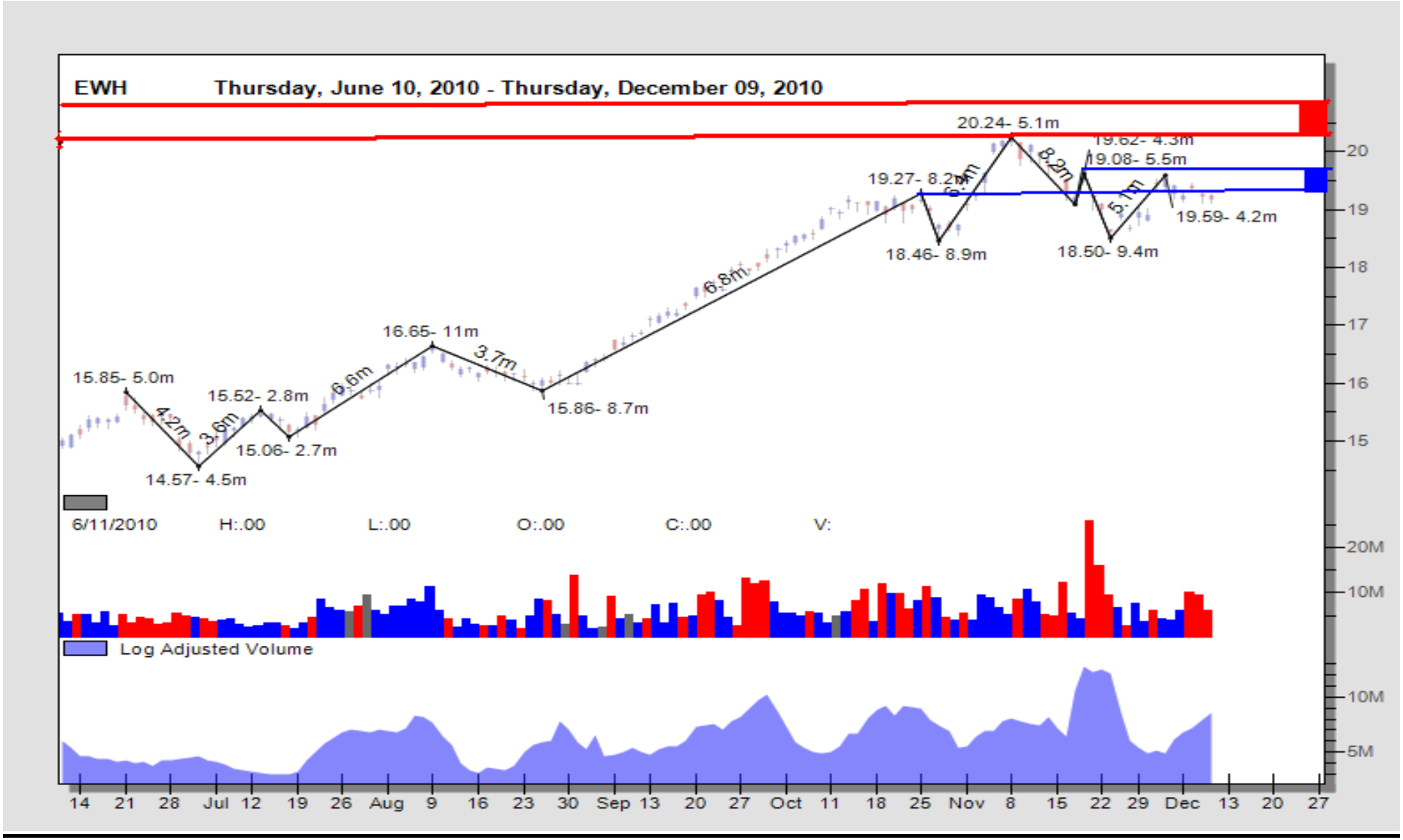
EWH- POM – MT - Price , Volume & Pattern Analysis

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 .

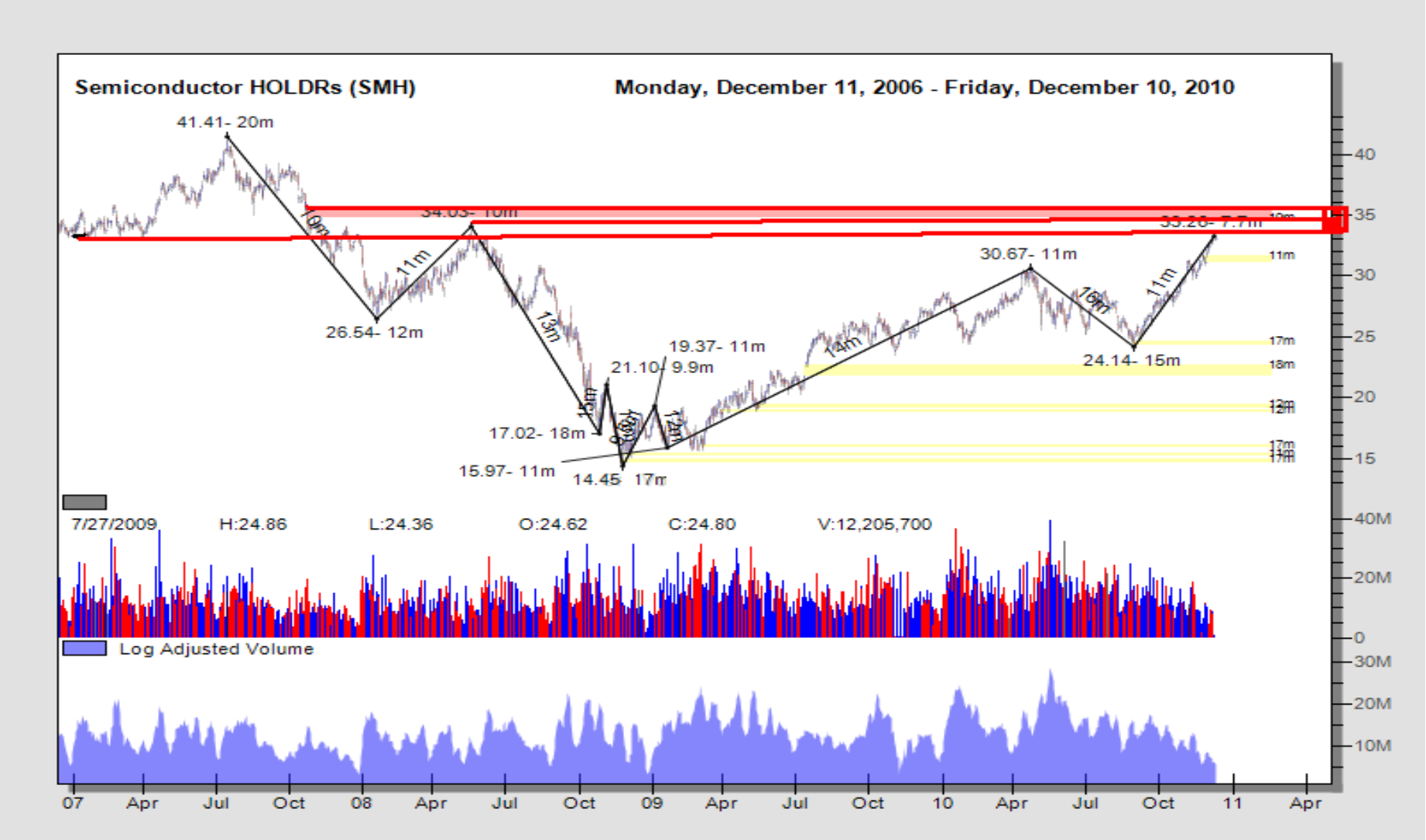


EWH – Technical & Pattern Analysis & Price / Volume

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 .

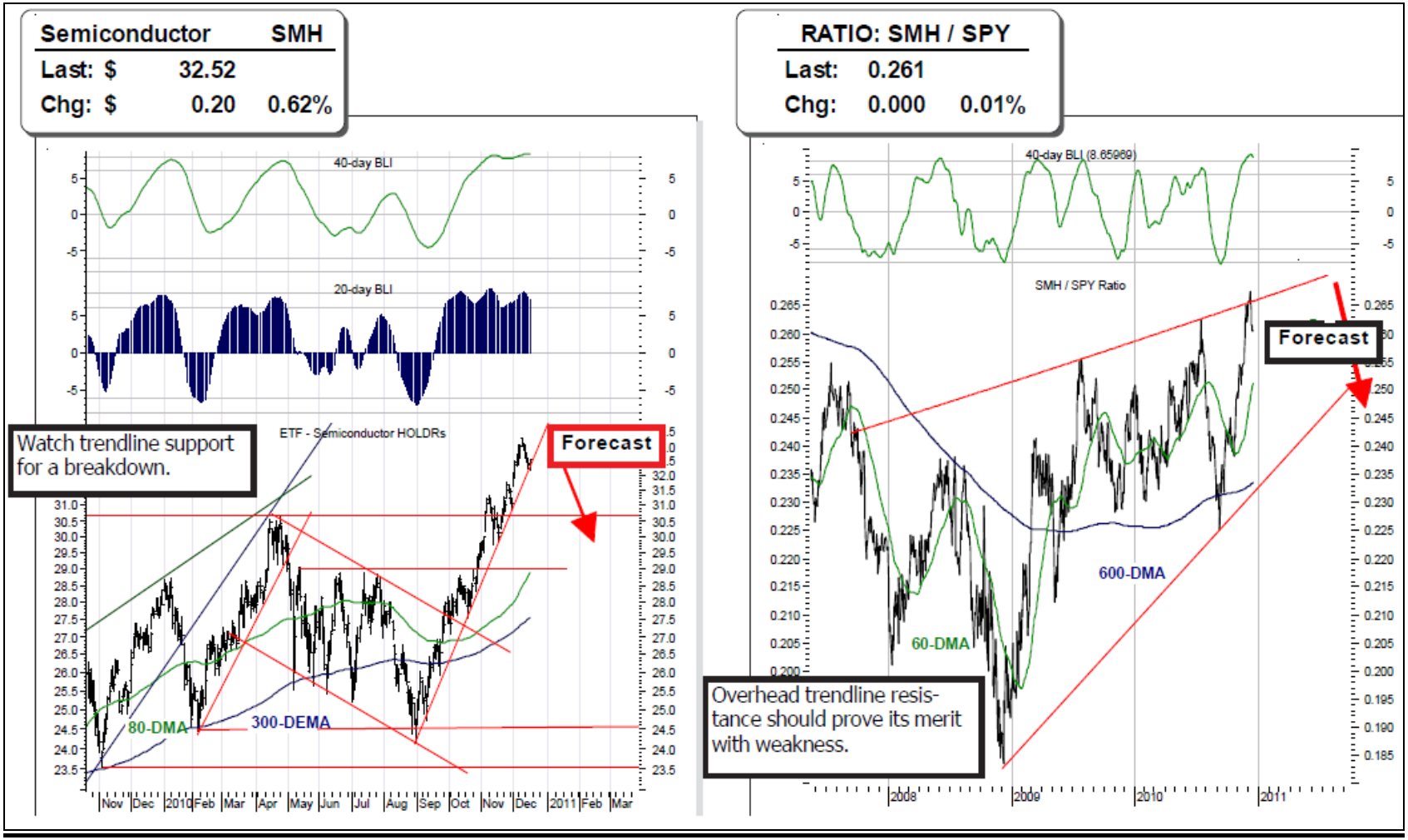
1- SMH – Technical & Pattern Analysis & Price / Volume (No Change – No test)

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

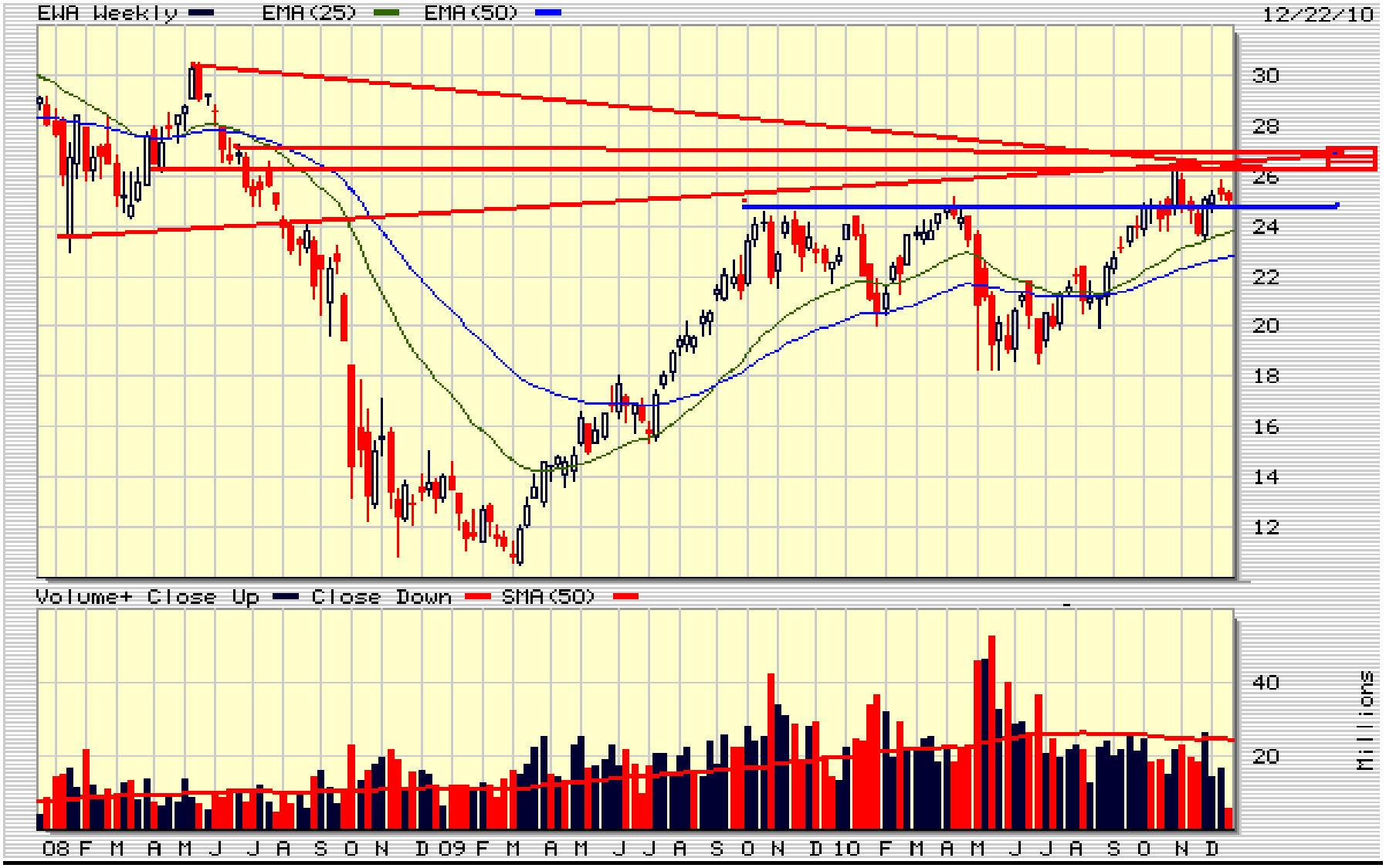
- SD # Levels are below +1.0 SD and Neural Zone ,

- 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

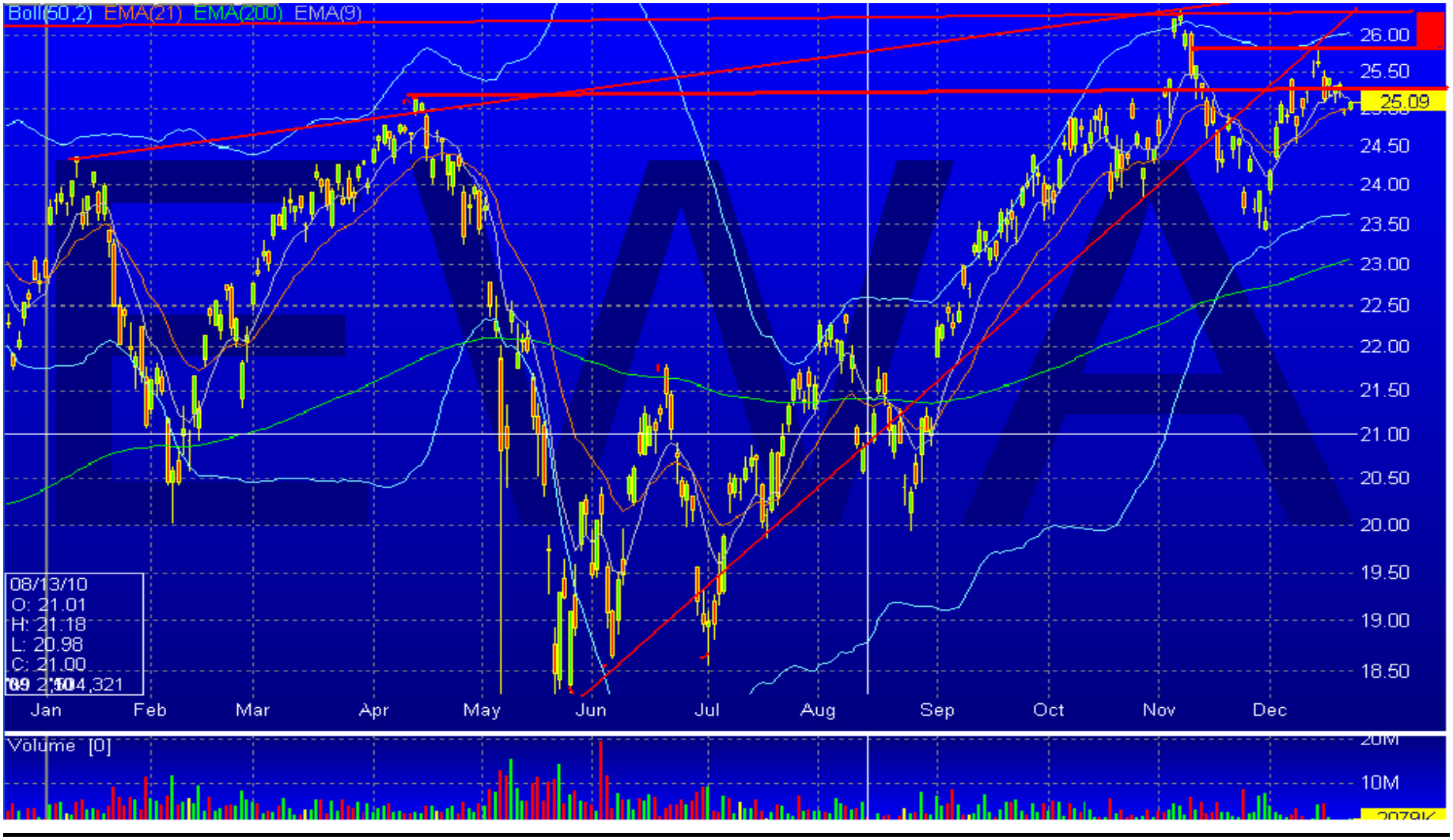
EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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.



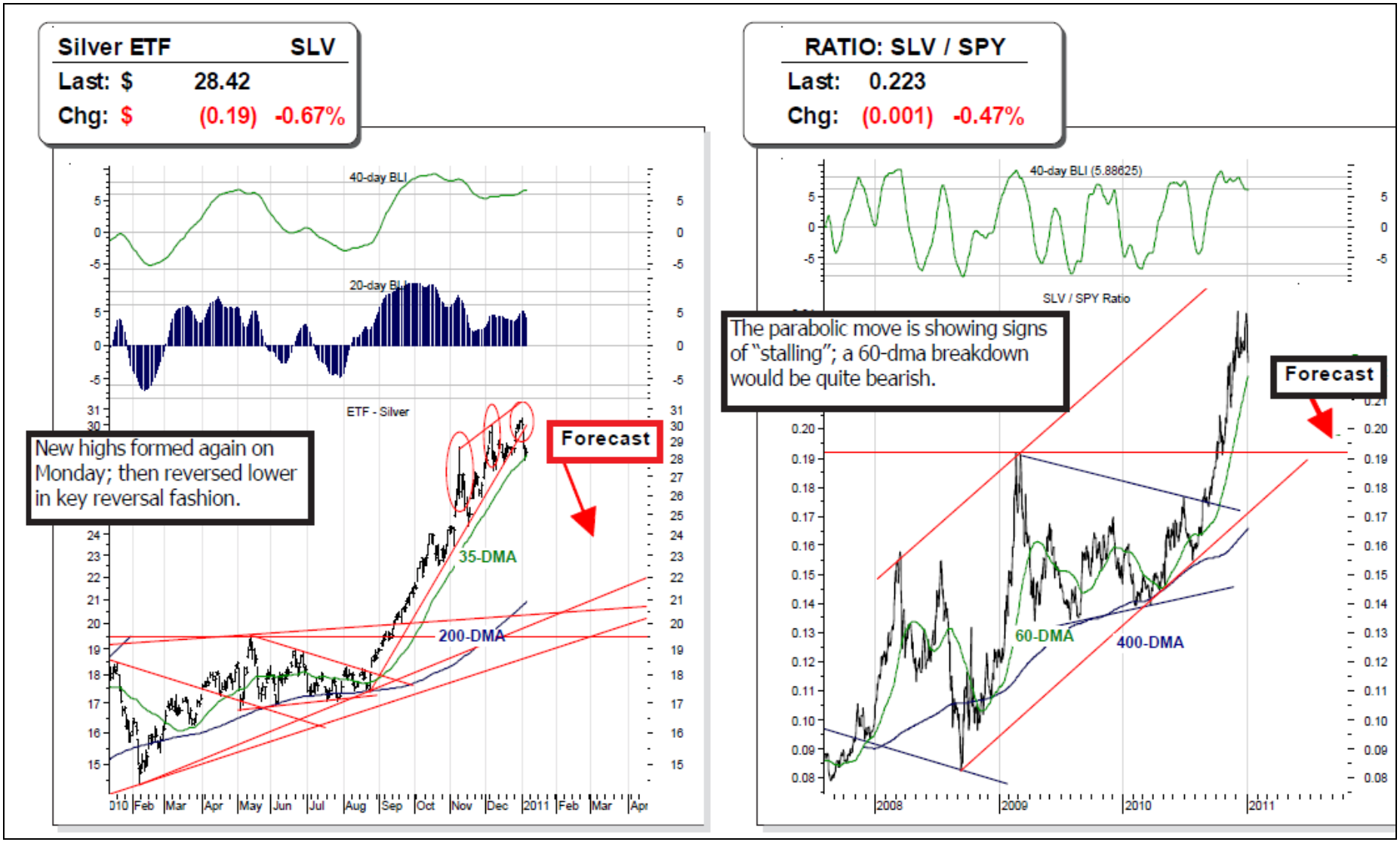
EWA – Short term - Technical & Pattern Analysis & Price / Volume

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 – Technical & Pattern Analysis

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



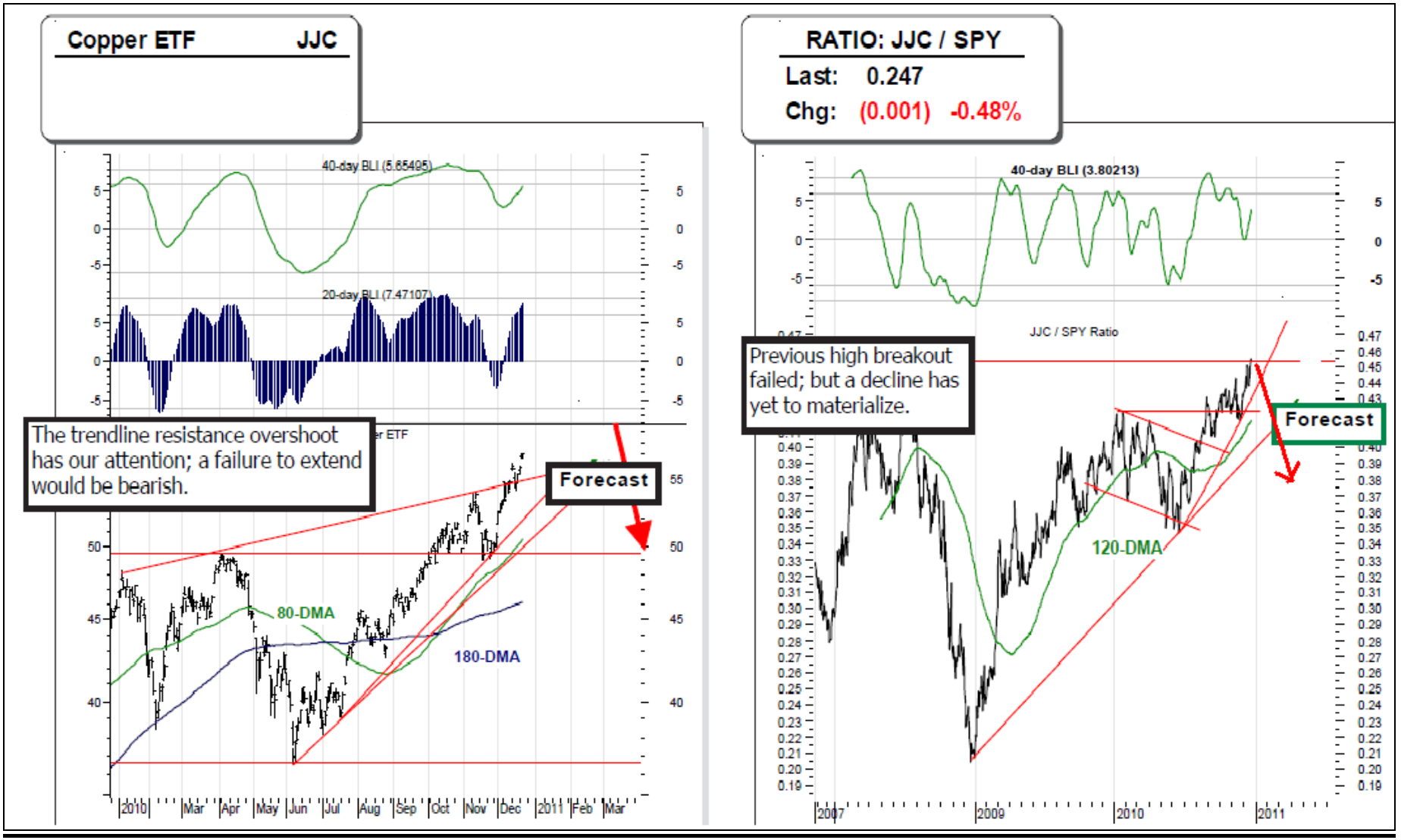
SLV – PQV

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

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

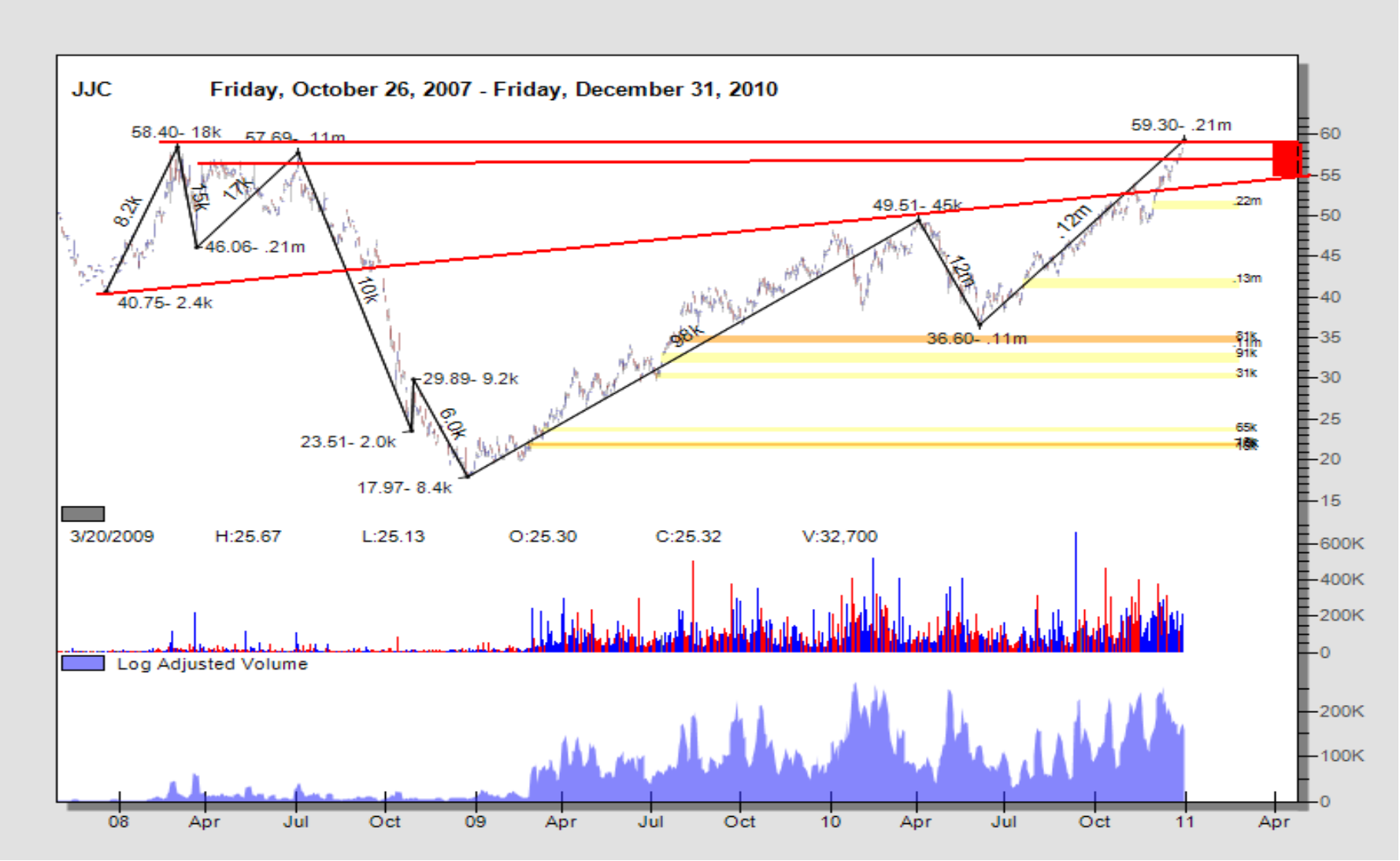
JJC – Technical & Pattern Analysis & Price / Volume

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

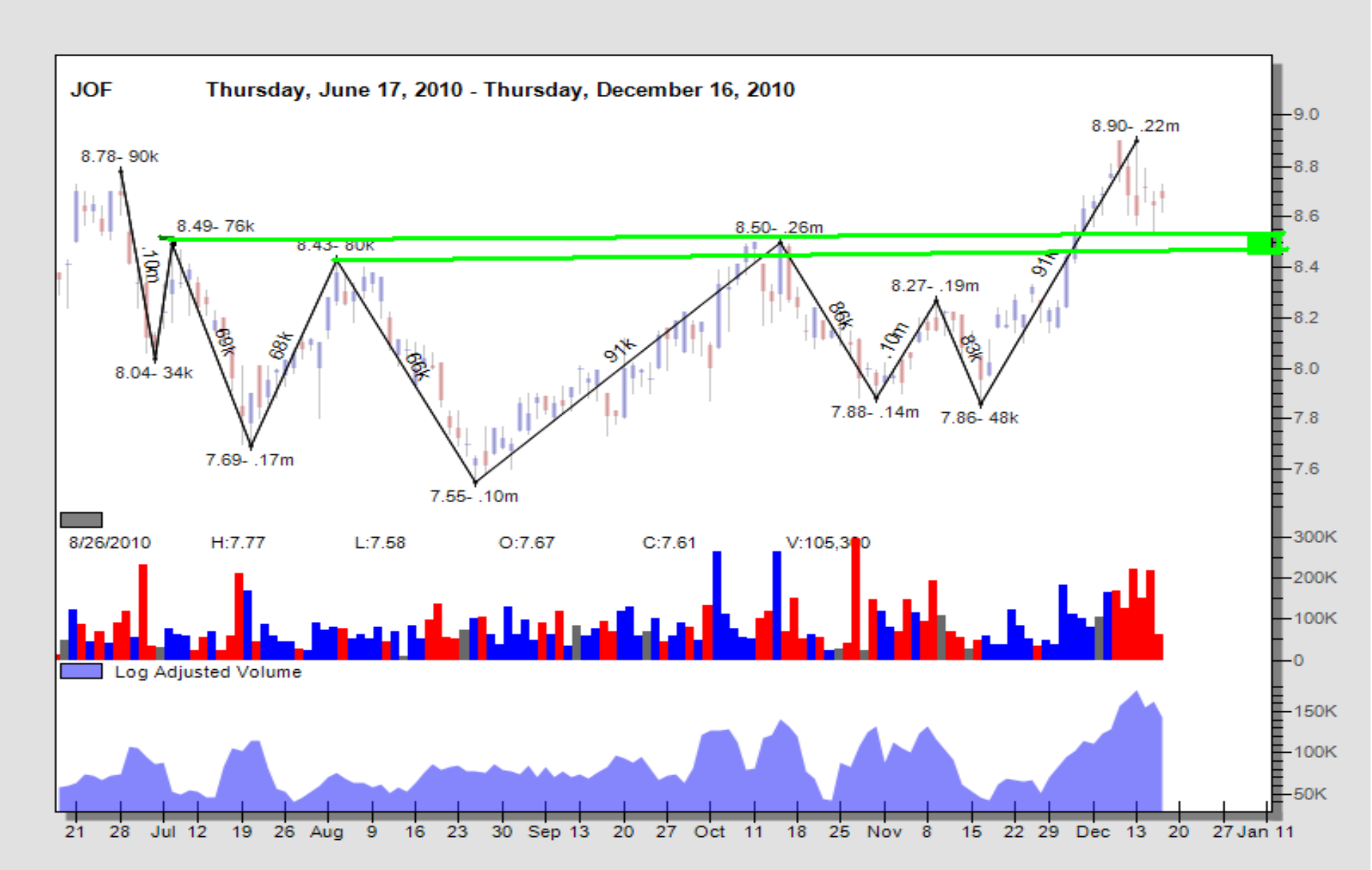
This has entered the CZ on 3x3 on volume expanded at the swing high, For better Risk reward , first a sign of pull back on heavy volume and at least 18 -20 m and then test of 60 with 10 M shares and close under 59 for failure. But no signal yet



Long

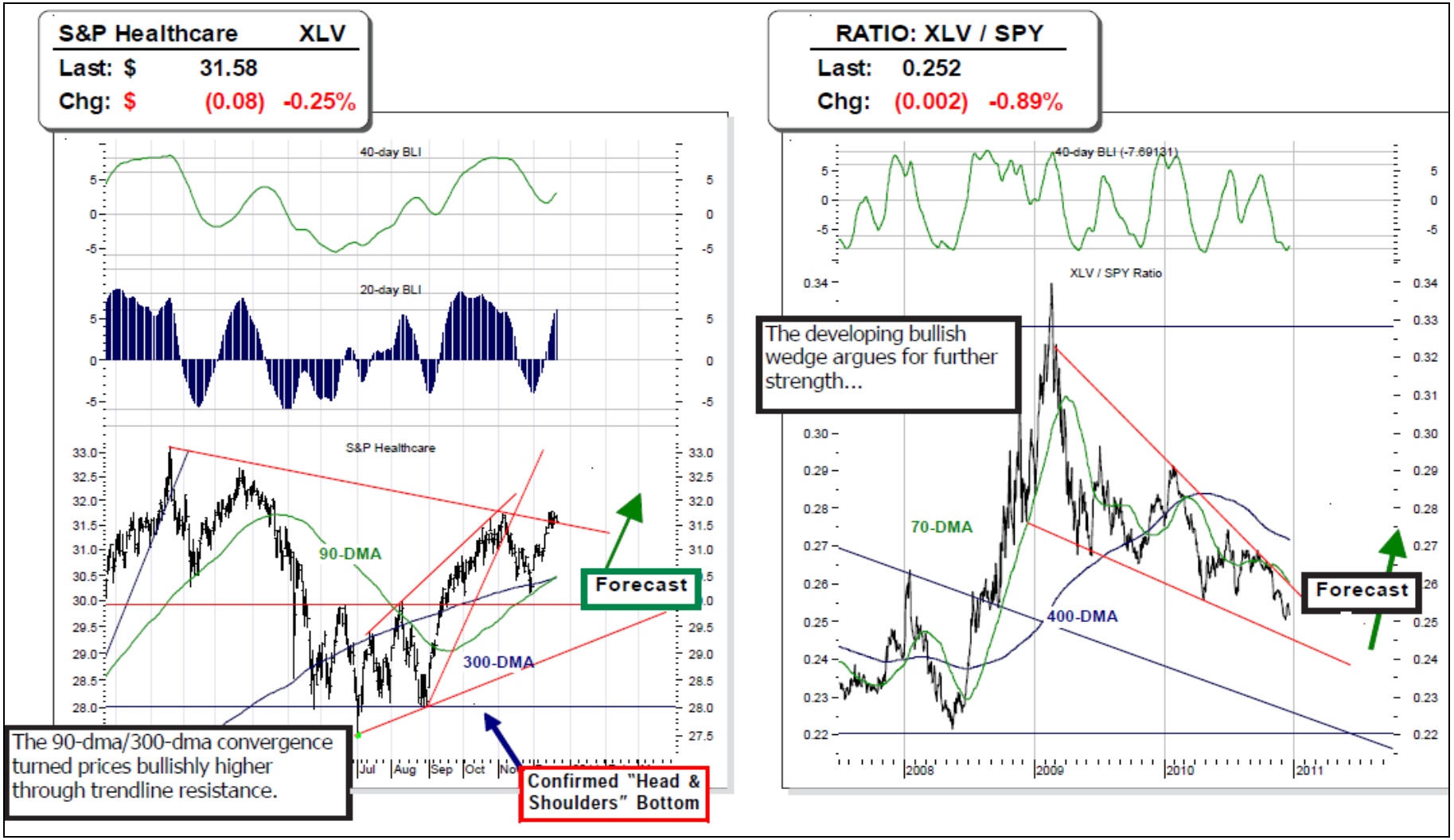
JOF – Technical & Pattern Analysis –

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



XLV – Technical & Pattern Analysis & Price / Volume

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



XLV – Technical & Pattern Analysis & Price / Volume

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

XLV – Technical & Pattern Analysis & Price / Volume

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

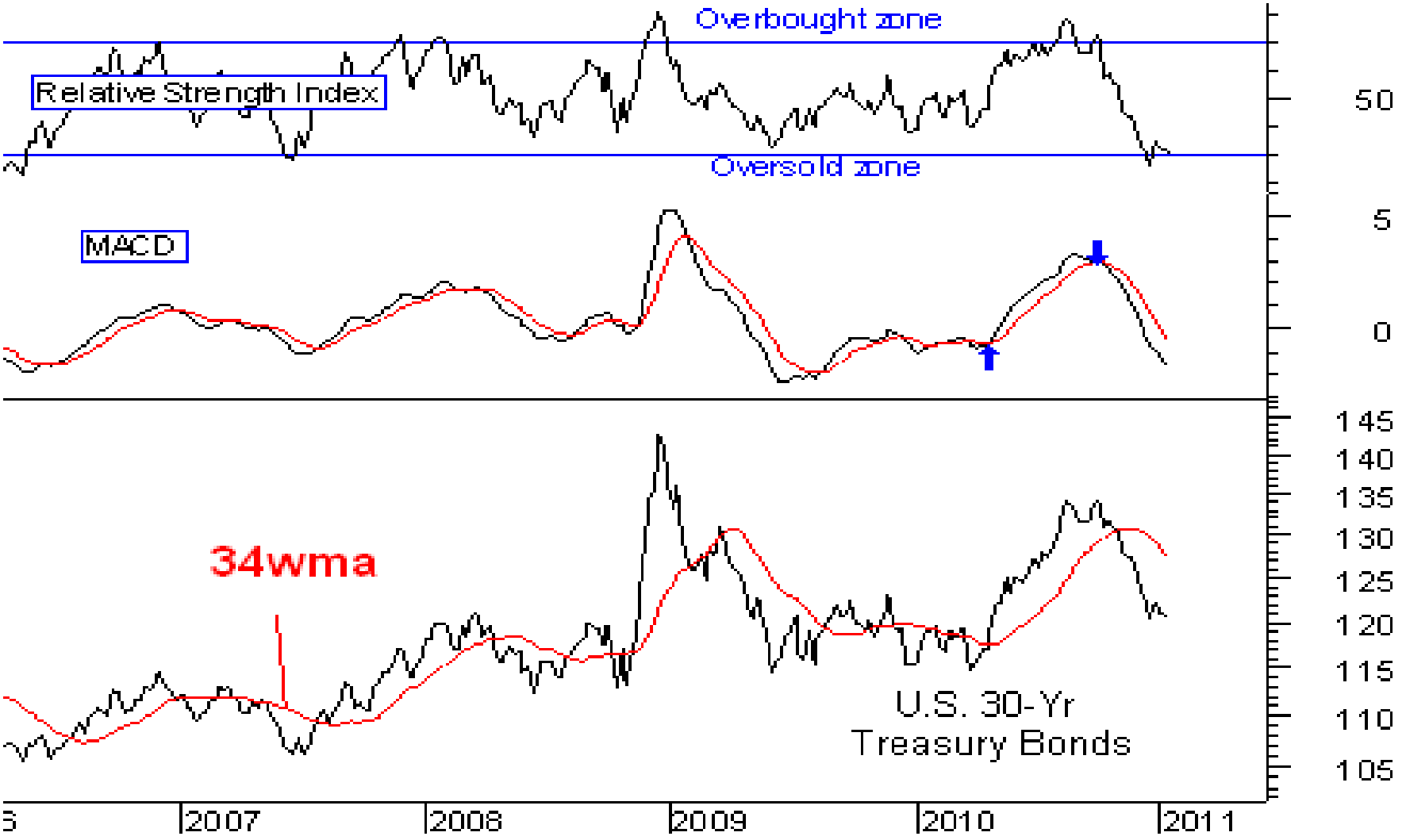
2 – US BONDS- PEC Analysis

PEC D – Target on TLT has reached 119 (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,

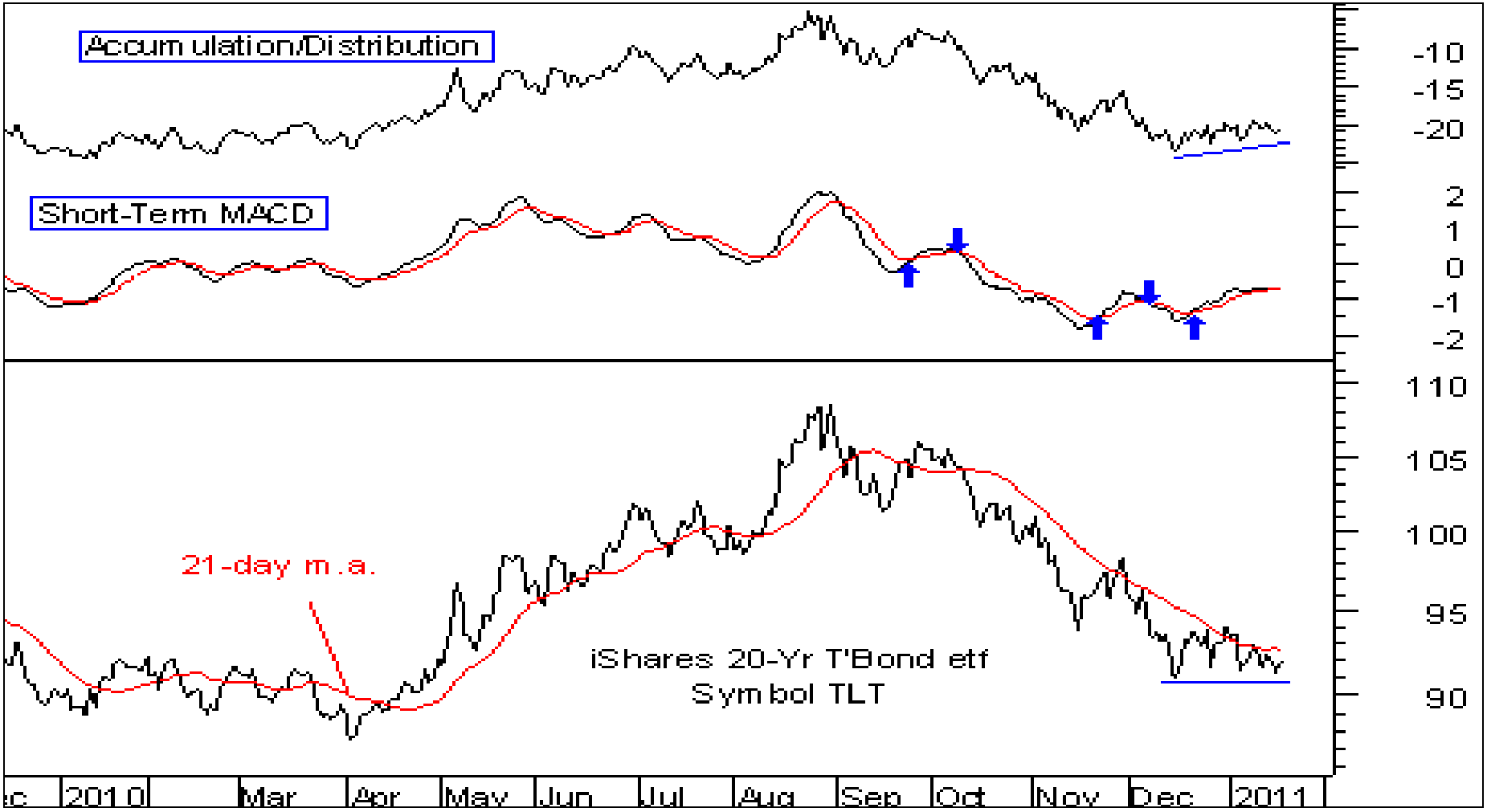
2 – US BONDS- POM – ST - Price , Volume & Pattern Analysis (MONITORING CZ –PQV)

Bonds have become quite oversold beneath their 34-week m.a. and the Relative Strength Index on bonds has just about reached its oversold zone. So we are watching closely in CZ – PQV



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

TLT have become quite oversold beneath with bullish divergences see in Chart below , a close above 21 D should trigger new buying. So we are watching closely in CZ – PQV



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 – Technical & Pattern Analysis –

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

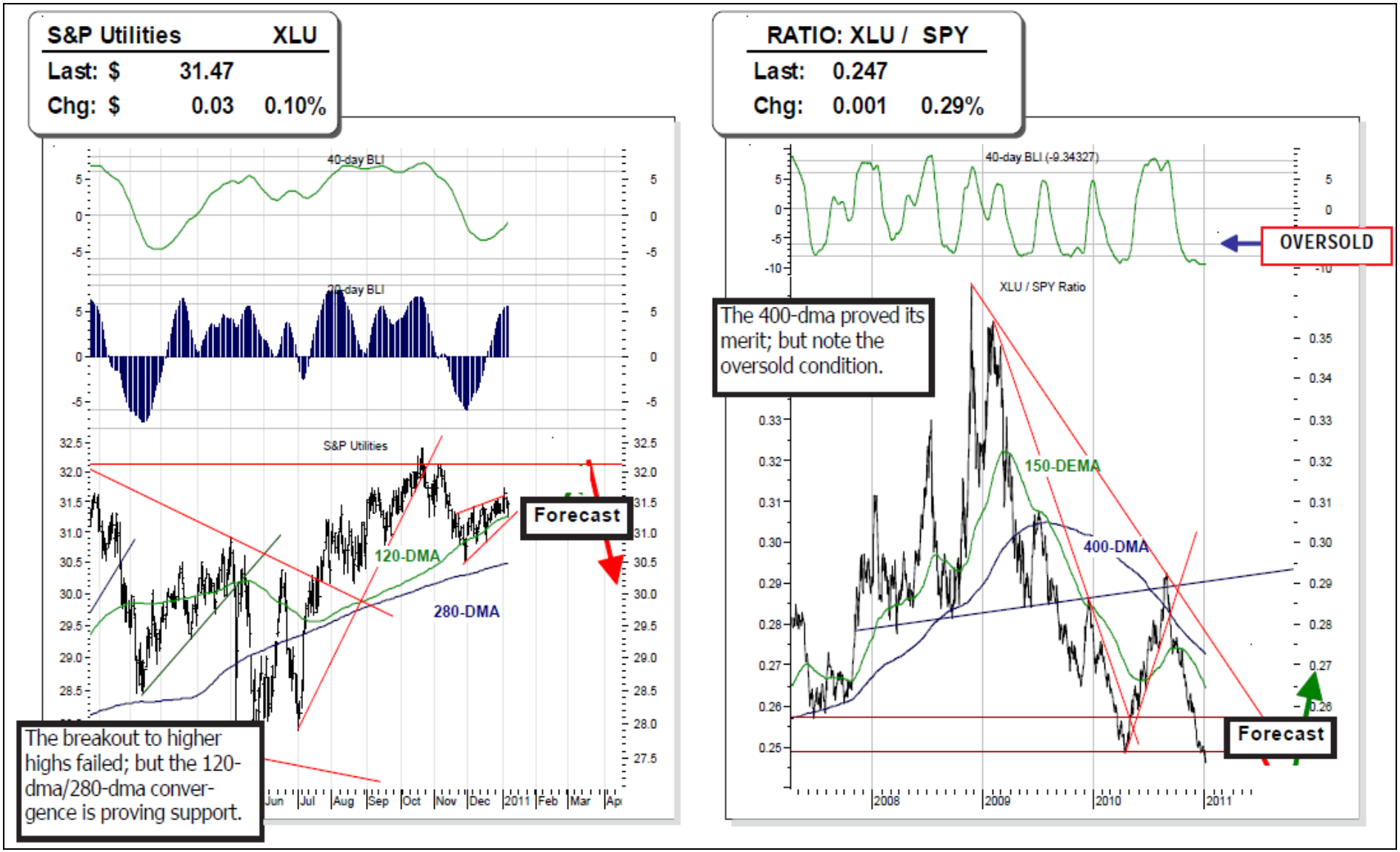
MUB – 3 Yrs - Technical & Pattern Analysis – (MONITORING CZ –PQV)

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

MUB – Technical & Pattern Analysis –

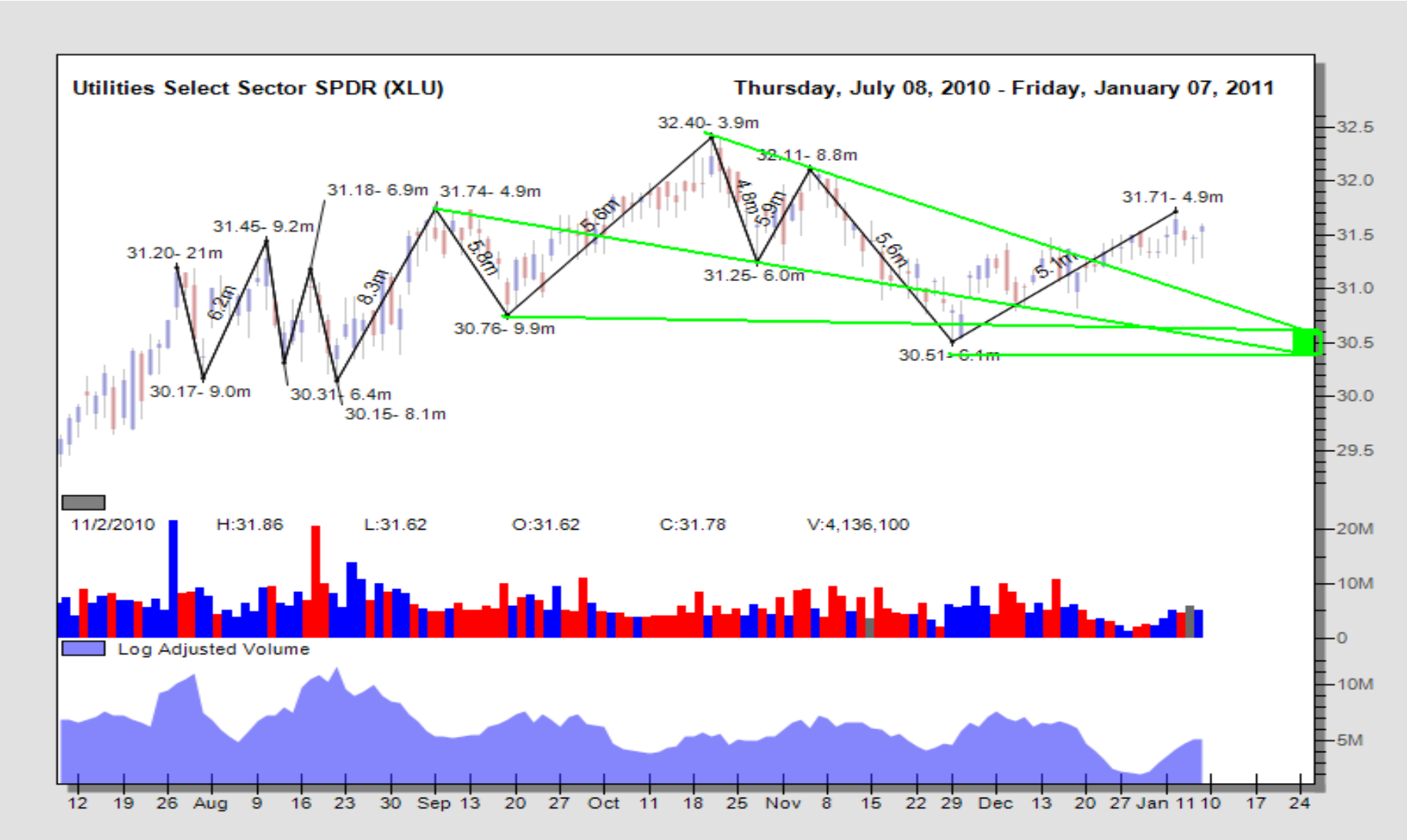
On Daily , Rejected the lows in CZ on the nose SD is at - 2.0 undervalued. This is classic example of CZ test and Healthy rally began with SIGN of STRENGHT . this is Bullish. Possibility we get to 98.5 – 98.75 on pull back and if it comes in 300k shares , this should be rejection and give a bullish signal . 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)

XLU– Technical & Pattern Analysis

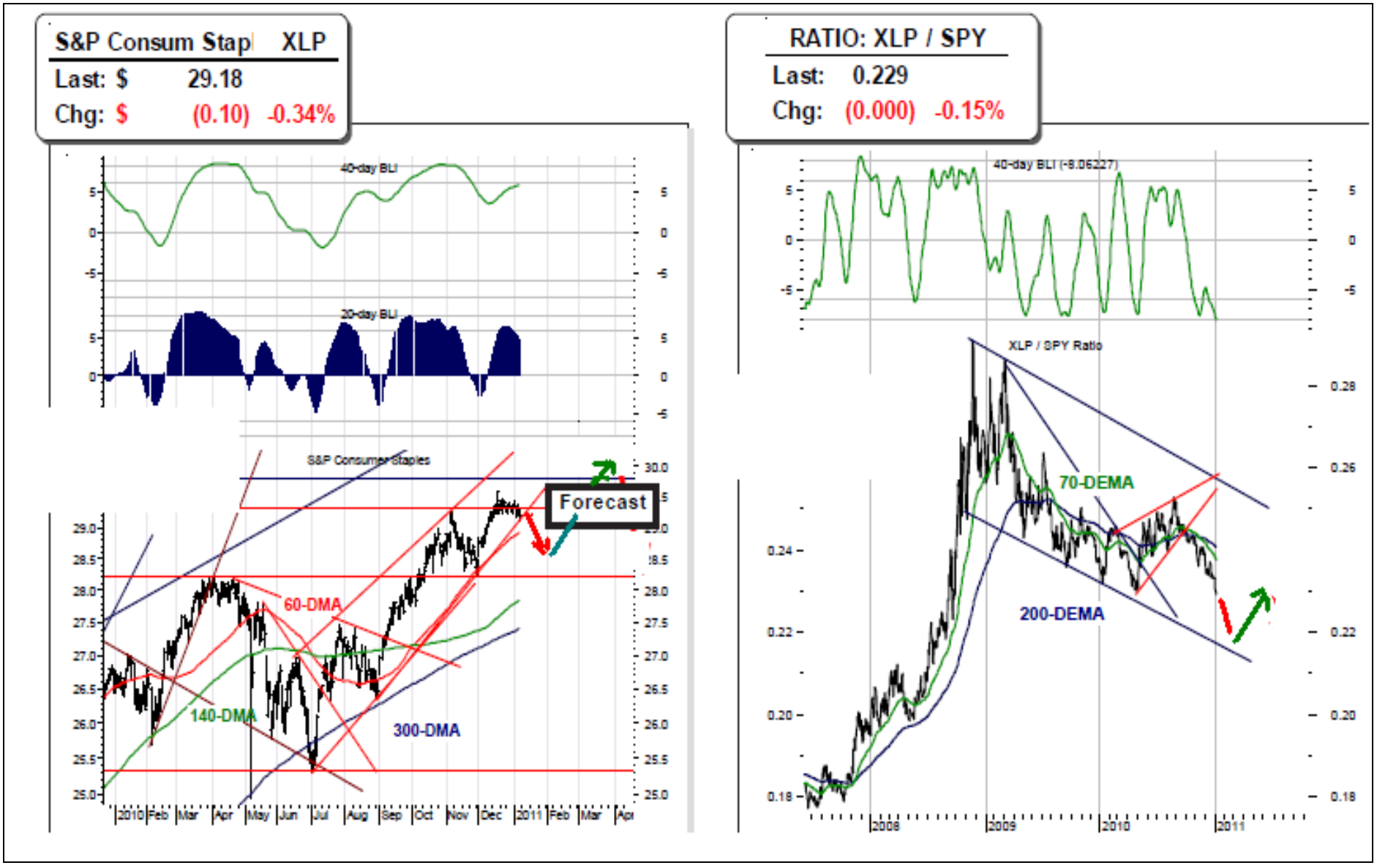

S&P Utilities XLU
Last: $ 31.47
Chg: $ 0.03 0.10%
40-day BLI
21-day BLI
S&P Utilities
120-DMA
280-DMA
Forecast
The breakout to higher highs failed; but the 120-dma/280-dma convergence is proving support.
RATIO: XLU / SPY
Last: 0.247
Chg: 0.001 0.29%
40-day BLI (-9.34327)
OVERSOLD
XLU / SPY Ratio
150-DEMA
400-DMA
The 400-dma proved its merit; but note the oversold condition.
Forecast
2008
2009
2010
2011

XLU– Price / Volume

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

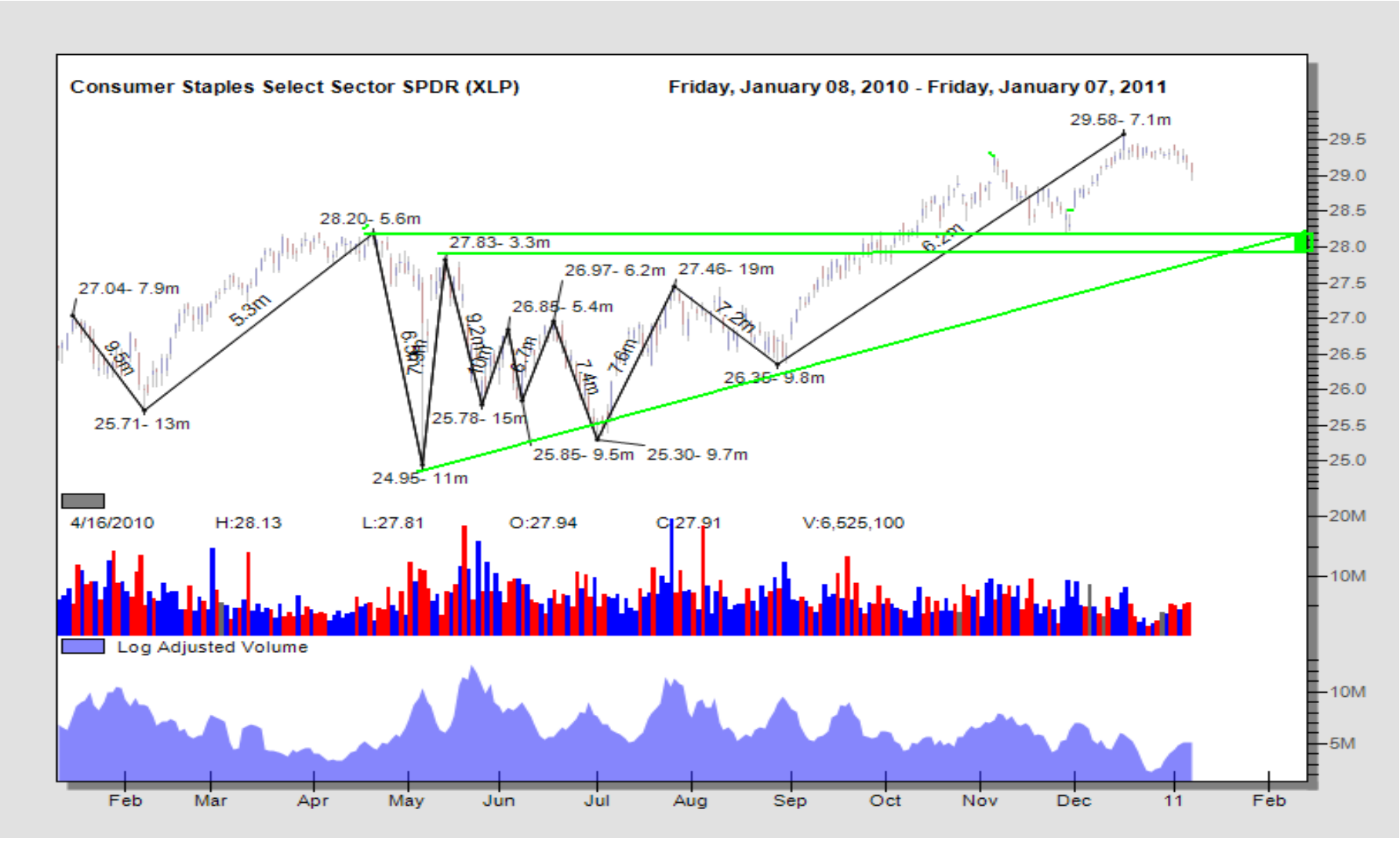


XLP– Technical & Pattern Analysis



XLP– Price / Volume

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



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