



SG Capital Research

Global Market Insights

Research Note – Market Strategy – BROADER IDX GLOBAL (A# 2) – STRATEGY & PROP Analysis (SP)
MAEG- MARKET STRATEGY BROADER IDX GLOBAL CZ # SG 2011 # JULY_07

For Immediate Release – *Thursday AM (EST)*

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Market Strategy Global (A # 2) - (SP)-

We have picked up charts (below) that has some distinct characteristics from observation & Special Situation this week based on our assessment:

- **Coverage**
- **CZ – PQV, Trend line, Pattern & Oscillator Analysis (Qualified for > +/- 2 SD – NONE)**
 - QQQ – NASD 100
 - IWM - RUSSELL 2000
 - EEM - EMRG - with SHANGHAI - Proxy
 - EZU - EUROPE with FTSE Proxy
 - EWA with AORD – Proxy
- **Appendix - History of past SPX - POM Signals & Key Criteria**

BROADER INDICES

- **Trading and Investment Conclusions.**

- ***We continue to remain on NET LONG situation since 6/23 – SPX Triggered POM 12 @ 1277 and on 6/10 Triggered POM 13 @ 1270, (Note – Earlier SPX triggered POM 14 –re run at 1370 on 5/2 at the very top validated Bearish CZ – This Signal was for Fully Hedge and NOT Net Short)***
- ***The Major Indices within this A # 2 Report approached the areas of turns & CZ at the point of POM 12 Trigger on SPX , for NET LONG.***
- ***For EEM, (SHANGHAI), EWA, (AORD) EZU, (FTSE) IWM, QQQ – See coverage below***

SPX – Insights

- **SPX futures are indicating up 12 points to 1354. We have 80 point or appx 7% rally from POM 12 for 1st Leg up. We would let the profits Ride for slightly larger projection.**
- **At Risk Management level, various Broader Indices (below) are approaching **Short term Bearish CZ** as indicated in charts below.**
- **SPX area 1360 – 1355 had the highest imbalance in our 2nd & 3rd derivative TRIN / TICK / ARMS number study during its decline. Usually such areas tends to act like magnet when market reverses. This appears to be that reaction today .**
- **The current move from the bottom has been 100% move of the previous move – indicating great strength. (the recoiled conversion of PE to KE with P/ C Ration spread in rolling form is at play here). Now the pull back to 1320 – 1300 should be expected before moving higher in our Price Path Analysis. Given the tendency of Quick rise, we should see the short-term backing & filling.**
- **Cycles says we should setup an intermediate low right in the middle of July. At that point we could be in for another leg up into August / September. (We can certainly be wrong but we will just follow the market as best as we can.).**
- **When we go back and look at the trading patterns – at the end of QE-1 as the market rallied for 3 week post QE-1's end, and we very well may be witnessing the very same type rally similar reaction to the end of QE-2 . The bond traders to exit the bond and rotate into Equity market.**

IWM, QQQ, EEM, (CHINA), EZU, (FTSE), EWA, (ORD) - Insights

- **Although currently NONE of the Broader Indices are at extreme SD 's, Our objective (in charts below) is to check the PRICE PATH PROGRESS & Our POM 12 /13 Triggers with respect to other Indices.**
- **The broader Indices are following SPX in this rally . Charts below indicates the strength and weakness with indicator readings.**
- **Today Several of those Indices are approaching the Bearish Short term CZ, We have noted those levels in their individual chart below in Red Box in Price path Analysis**
- **Different Indices tell different story as SPX approaches its SHORT TERM projection , Simultaneously one by one Broader Indices are approaching as well with different texture**
- **GR 1 – IWM , QQQ are at ST Bearish CZ with quite a bit of strength**
- **GR 2- EWA, EEM, EZU have No Confirmation of Bearish CZ and shows weakness.**
- **Focus remains on the announcement of Turing point conclusions & PRICE PATH ANALYSIS utilizing integrated Indicators**

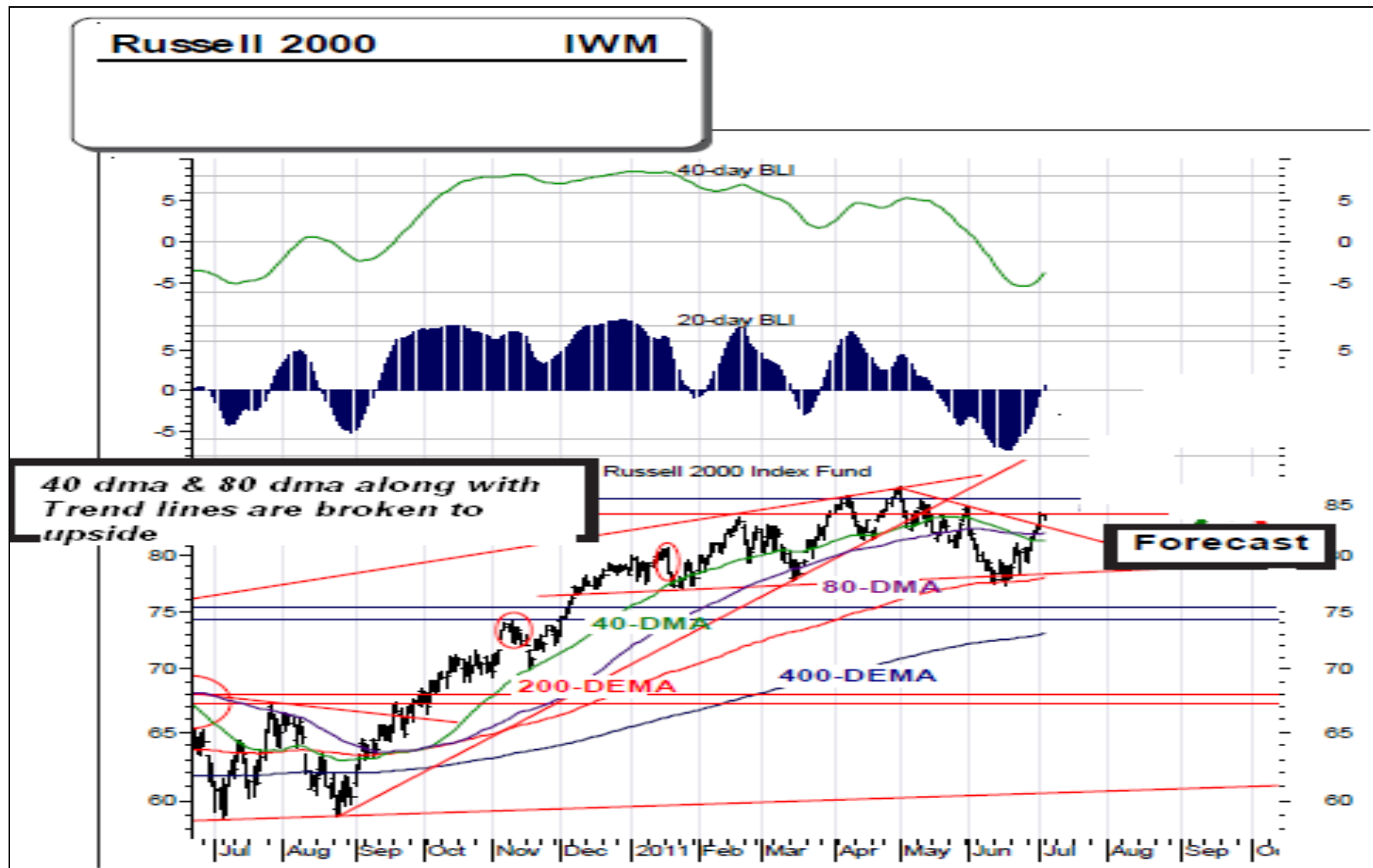
IWM - CZ Analysis

SHORT TERM - Today approaching our **Bearish CZ on Short term basis 85.5 to 87** for Risk Management in red box
The ratio IWM / SPY - breakout on 1st leg up usually suggests strength but ST extended
On 6/23 POM 12 Triggered on SPX, for Net Long (indicated in green) .



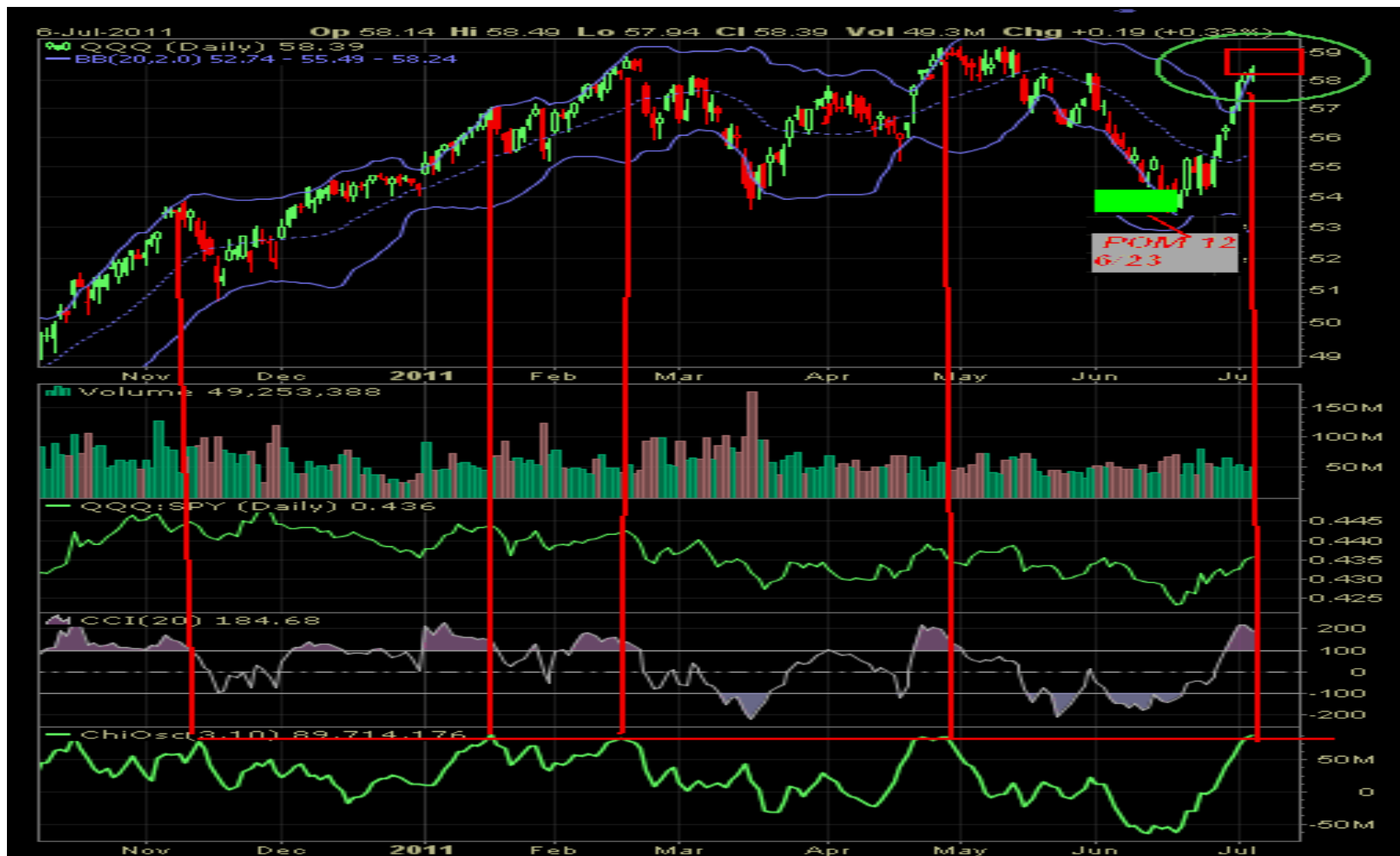
IWM – MA / Pattern and Oscillator Analysis

Intermediate term - Oscillator still oversold although ST overbought , DMA's and Trend Analysis suggests energy left to upside after the pull back (Refer notes within the chart)



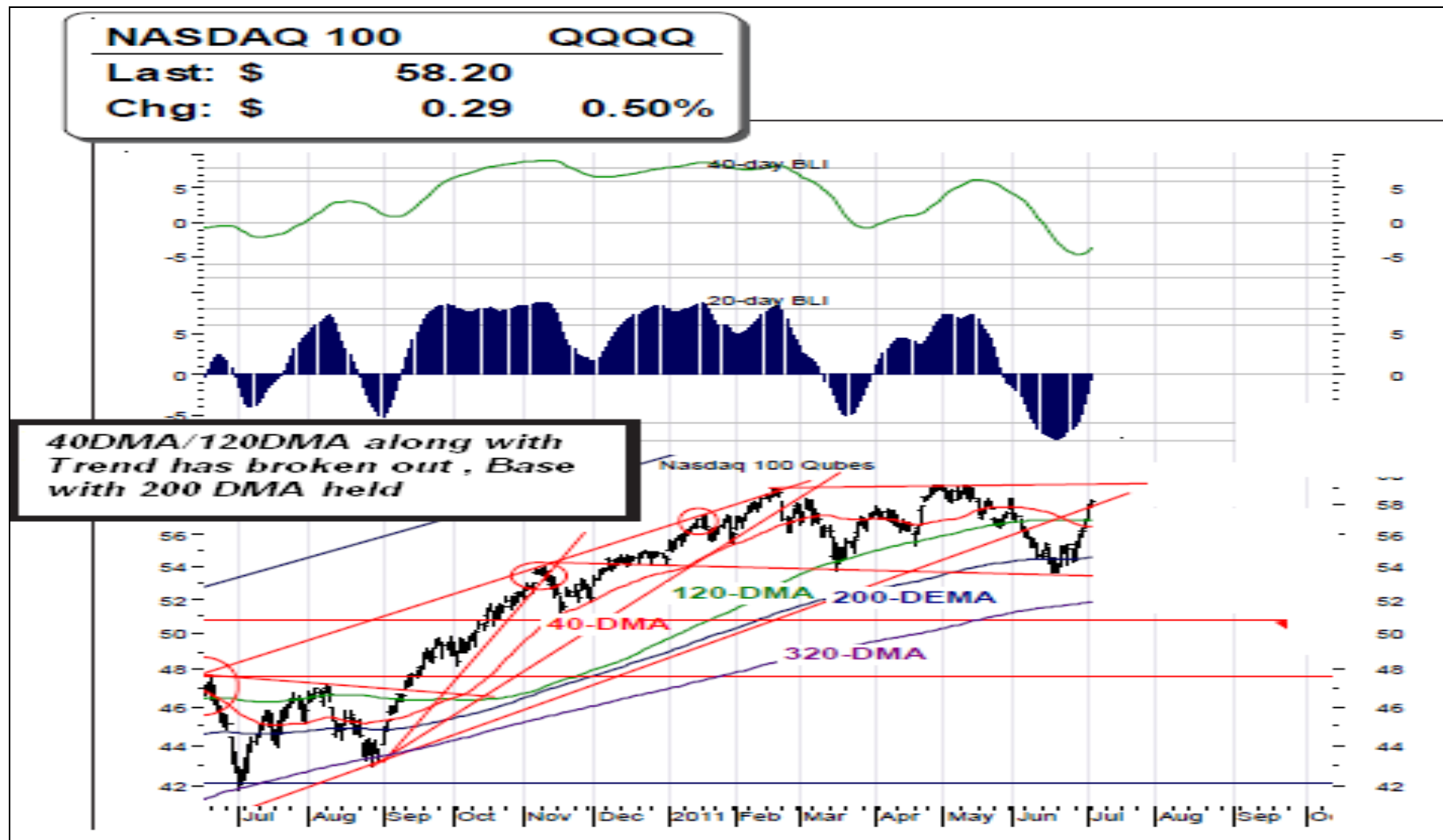
QQQQ - CZ - Analysis

SHORT TERM - Today approaching our **Bearish CZ on Short term basis 59-60** for Risk Management in red box
On 6/23 POM 12 Triggered on SPX, for Net Long (indicated in green) .



QQQQ – MA / Pattern and Oscillator Analysis

Intermediate term - Oscillator still oversold although ST overbought , DMA's and Trend Analysis suggests energy left to upside after the pull back (Refer notes within the chart)



EEM - CZ Analysis

Bearish CZ on Short term basis NO INDICATION (circled in red)

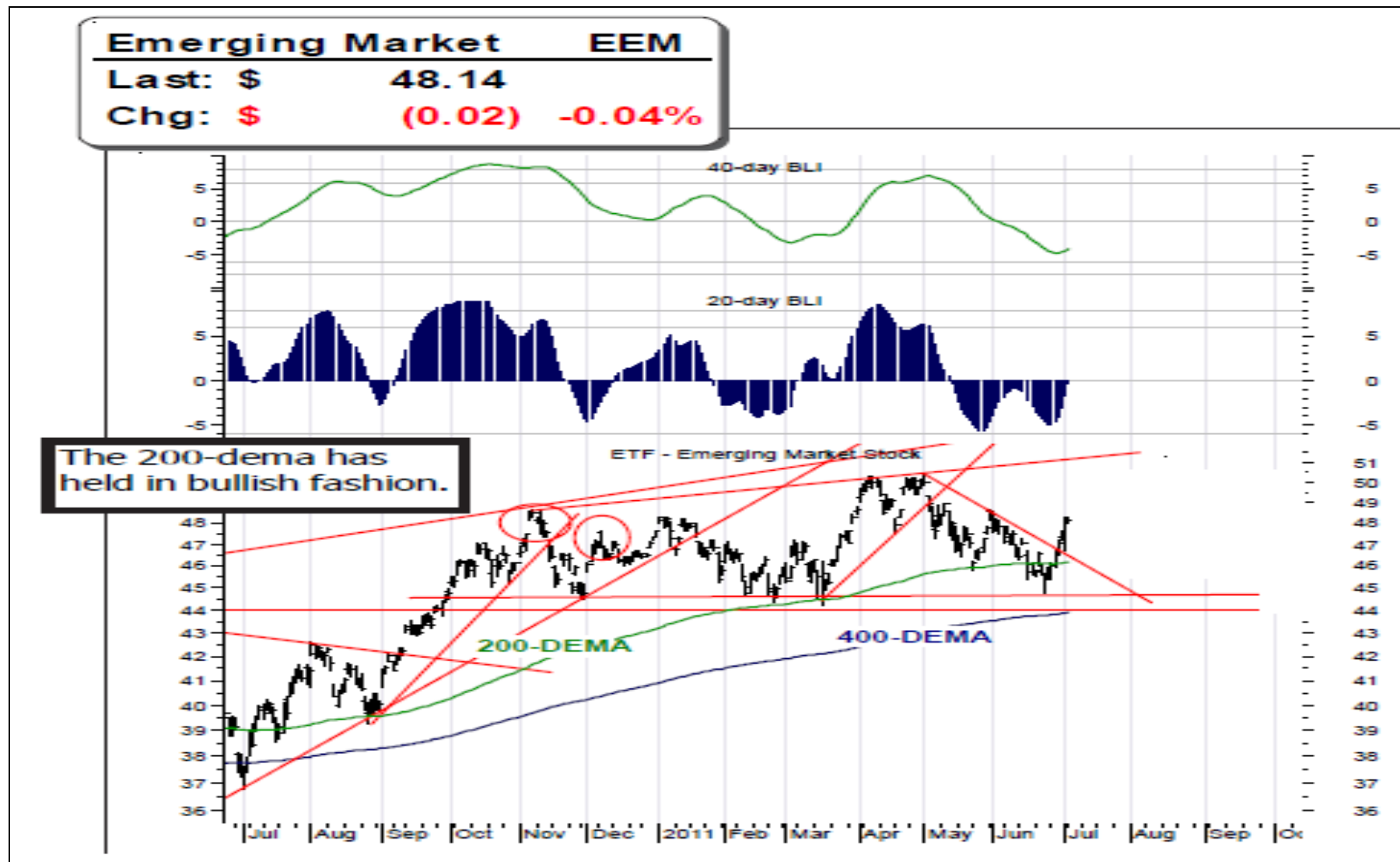
The ratio IWM / SPY - is weak , CCI shows weakness

On 6/23 POM 12 Triggered on SPX, for Net Long (indicated in green) .



EEM - MA / Pattern and Oscillator Analysis

Intermediate term - Oscillator still oversold although ST overbought, DMA's and Trend Analysis suggests energy left to upside after the pull back (Refer notes within the chart)



SHANGHAI - MID TERM (Proxy for Emerging) – **NO CHANGE**

As expected confirmation of a bottom with the declining / Diverging VTO - volume trend. The low formed along with POM 12 on SPX .



ORD - MID TERM

Unlike the US indices, we did not see the kind of volume necessary to push the volume oscillator in the market to a breakout condition. At this point, the AORD is a follower, not a leader.



EWA - CZ Analysis

Bearish CZ on Short term basis NO INDICATION (circled in red)

The ratio IWM / SPY - is weak , CCI shows strength – its mixed picture

On 6/23 POM 12 Triggered on SPX, for Net Long (indicated in green) .



FTSE - MID TERM (Proxy for Europe)

The rally all the way back up to Poly Trend retest from underneath. This should be the spot to rest. If this is a normal move, this will be the reversal point back to the downside but the Oscillator has broken out suggest after the pull back the rally might have legs. FTSE rally will follow US Markets.



EZU - CZ Analysis

Bearish CZ on Short term basis NO INDICATION (circled in red)

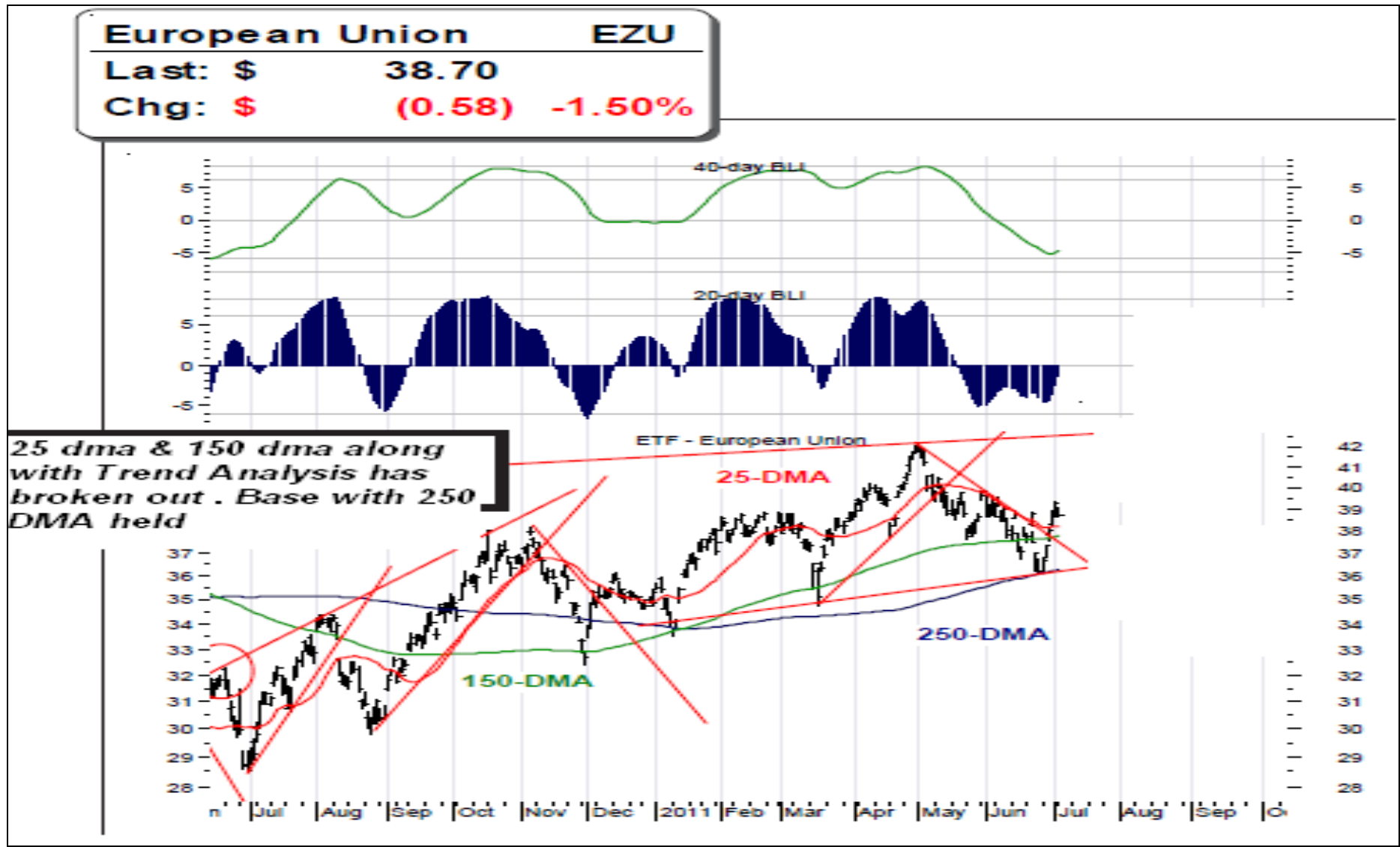
The ratio IWM / SPY - is weak , mixed picture as compared to FTSE

On 6/23 POM 12 Triggered on SPX, for Net Long (indicated in green) .



EZU – MA / Pattern and Oscillator Analysis

Intermediate term - Oscillator still oversold although ST overbought , DMA's and Trend Analysis suggests energy left to upside after the pull back (Refer notes within the chart)



APPENDIX -

Previous Signals

SELL SIDE - Triggered at Qualified CZ on “time & price”

- **IWM (83-85)....with 40 M or less test - qualified at CZ Sell – 31st March @ 84**
- **QQQ (56- 58) ... with 75 M or less test - qualified at CZ Sell – 21st April @ 58**
- **EEM (49.5 – 52.5)... with 55 M or less test - qualified at CZ Sell – 21st April @ 50.19**
- **EZUNo Validation**

BULLISH CZ - Triggers at Qualified CZ

- **Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4th counter trend rally in 2011 within the regime of POM 14 re runs, All the above broader indices will follow the same price path in different proportion based on its own Relative Strength (see details of ech below)**

POM criteria for Implementation on SPX

- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional “New Buys” that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator – On Buy Signal since SPX - 1115

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

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