SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR_ETF ANALYSIS SG 2011 # MAR 11

For Immediate Release – Friday AM (EST) or Saturday

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- **Daily SPX - " Trend Adjusted Signal" – Flat @ 1324**

3x3 /9EMA – Momentum Break Indicator –

Next Signal – Buy SPX above 1340 close

- **Sector Insights**

- ***Update on Summary of Sector Review Post POM 14 - For Short Sell & Longs***

  ✓ ***On Short side*** **–**

  Out of 20 Sectors Qualified for PQV, (15) Sectors were CZ / PQV Validated resulted in Gains of + 9.55% (open & Closed position included) while our Drawdown minimization of 6. 2% whiles SPX moved against 16%

  ✓ ***The balance 6 – Sectors are on Watch List awaiting for PQV validation (pending test)***

  ✓ ***On Long side*** **–**

  Out of 7 Sectors Qualified for PQV –(3) Sectors were CZ / PQV Validated resulted in Gains of + 6.14 % (open & Closed position include) while SPX was up 16%.

  ✓ ***The balance 4 – Sectors are on Watch List awaiting for PQV validation (pending test)***

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

➢ ***For this week On Long side - (1) IFN among previously SD # -2 / POM 13 Qualified but is now ready for Bounce .***

➢ ***. TLT – CZ we have done detail converge in our A # 2 MS Report POM 12 , CZ / PQV Validated***

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)) ✓ 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)

EWH, JOF, EWA - Special Situation

- ## Objective

The Weekly Validated Sector selection is to Setup " Global Long / Short – Market Neutral ETF Index" –(Equally Weighted) Utilizing SD, POMs & SETUP INDEX within RA / RI framework with composition of ETF's with SD # 2 Overvalued and Undervalued characteristics. Additional direction bias is given via doubling on ETF's with extremes SD # 2 & POM/ CZ PQV Validation conditions.

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

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

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

Overlay Criteria

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

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

- **SPX – " POM Signal**

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

- **Trading & Investment Conclusions**

ACTIONABLE ZONE :

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

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

NEW THIS WEEK (same as past week)

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

- **Overvalued confirmed (SHORT) – *DBC,XLE, SLV* *(by CZ –PQV Validation test)***
- **Undervalued confirmed *(LONG)* – *TLT, IFN* *(by SD # - 2)***

SD # 1.5 / 2.0 - Tracker for Sectors

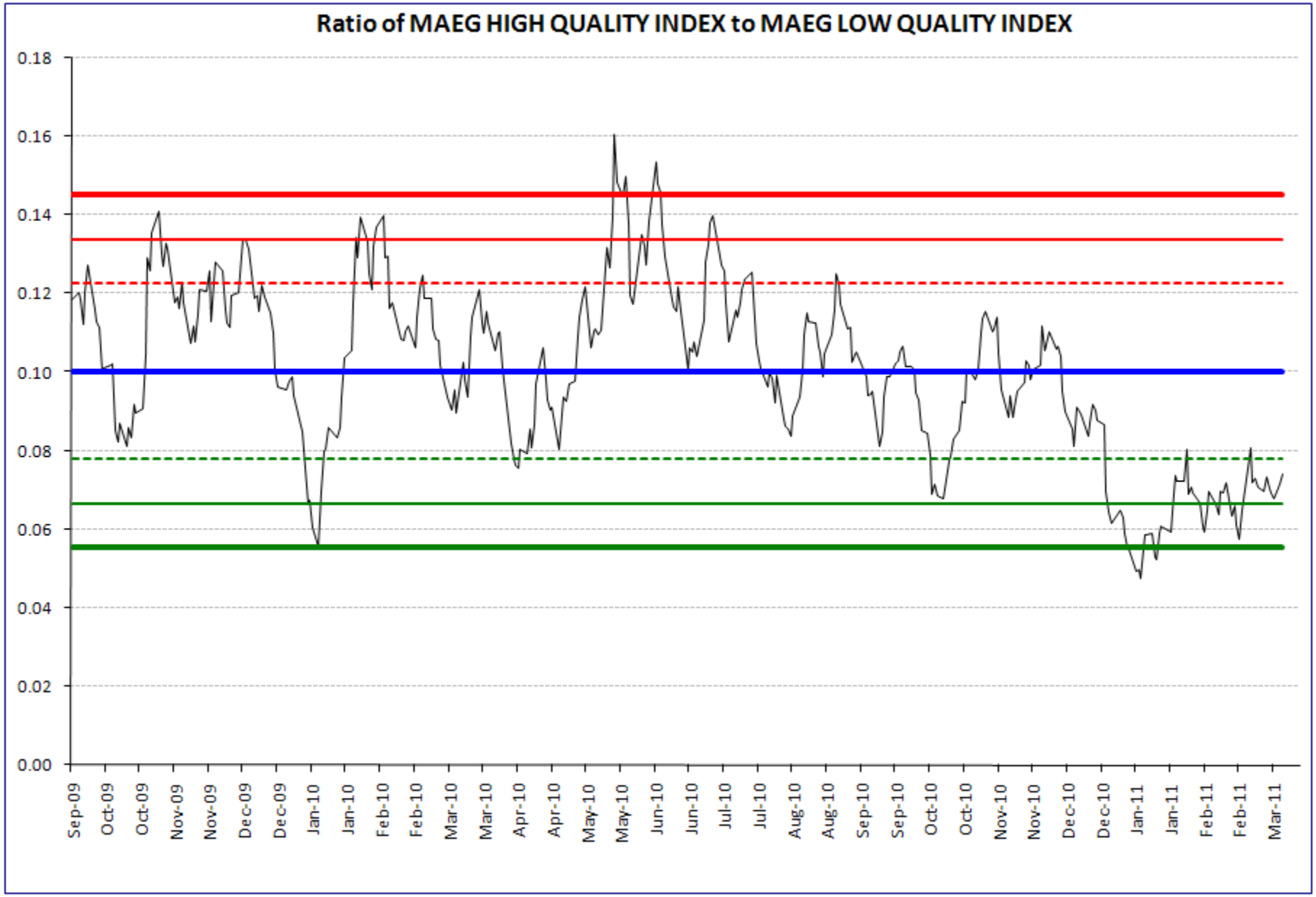
3X3/ 9EMA – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD		Target Exit & Reversion to mean	Last Price	3X3 / 9EMA	Net Exposure	Comments
Gr 1								
SPY		0.73		0.09	129.94	$ 131.92		
QQQQ		0.92		0.04	56.14	$ 57.39		
IWM		1.44		0.06	79.97	$ 81.51		
TLT	Below -1.5SD	-1.89		0.09	92.08	$ 90.46		
EWJ		-1.23		0.01	10.99	$ 11.35		
FXI		-1.33		0.04	43.64	$ 43.00		
IFN	Below -2SD	-2.04		0.03	30.10	$ 30.13		
EEM		-0.89		0.04	45.56	$ 46.29		
Gr 2								
XLV		-1.41		0.03	32.59	$ 32.77	100%	
RTH		0.94		0.03	105.49	$ 105.10		
XLF		-0.88		0.01	16.43	$ 16.55	100%	
XLU		-1.37		0.03	32.45	$ 32.04		
XLE	Above +2SD	2.52		0.05	73.83	$ 77.64	0%	
XLP	Below -1.5SD	-1.87		0.02	29.71	$ 29.55	64%	
XLI		1.26		0.03	36.25	$ 36.65	50%	
Gr 3								
JJC		0.54		0.04	55.62	$ 58.55		
SLV	Above +2SD	2.54		0.02	34.36	$ 34.04		
SMH		1.13		0.02	33.74	$ 35.71		
USO		-0.15		0.03	41.40	$ 41.31		
BBH		-1.34		0.09	103.28	$ 102.58		
DBA	Above +1.5SD	1.76		0.02	34.17	$ 35.05		
DBC	Above +2SD	2.08		0.02	29.66	$ 30.12		New
	Primary Index Net Exposure						70%	
		POM 14 Re Run 3						

- **From (40) 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
XLB	Ratio reverted to mean

Ratio of HQ v/s LOW QLTY - 1 yr



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

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

Ticker	Entry date	Last Price		Validated Test price	P/L Since the Test	3X3 / 9EMA	Stoploss @ Close	Trigger either by SD2 or CZ1,CZ2	Comments
SHORTS (SECTORS)									
SD 2 Triggers									
IWM	25-Nov-10	79.97		73.73	-8.46%	$ 81.44	84.00	@SD2	
RTH	25-Nov-10	105.49		103.47	-1.95%	$ 105.11		@SD2	
SMH	25-Nov-10	33.74		31.68	-6.50%	$ 35.48	37.80	@SD2	
JJC	10-Dec-10	55.62		54.08	-2.85%	$ 58.11	63.00	@SD2	
SLV	10-Nov-10	34.36		27.00	-27.26%	$ 34.37	28.35	@SD2	
XLE	31-Dec-10	73.83		68.15	-8.33%	$ 77.49		@SD2	
QQQQ	23-Dec-10	56.14		54.74	-2.55%	$ 57.26		@SD2	
XLB	31-Dec-10	37.36		38.44	2.82%	$ 38.62	43.05	@SD2	**Exit**
DBC	10-Mar-11	29.66		30.15	1.63%	$ 30.11		@SD2	**New**
								-0.36%	
								SD's triggered P/L	-6.16%
CZ Triggers									
IWM	21-Jan-11	79.97		79.00	-1.23%	$ 81.44	84.00	@CZ1	
SMH	21-Jan-11	33.74		35.00	3.60%	$ 35.48	37.80	@CZ1	
JJC	19-Jan-11	55.62		59.50	6.52%	$ 58.11	63.00	@CZ1	
EWH		18.73		19.50	3.95%	$ 18.70	20.74	@CZ	
XLB	21-Jan-11	37.36		39.50	5.43%	$ 38.62	43.05	@CZ1	
EWA	21-Jan-11	24.68		25.44	2.99%	$ 25.68	27.30	@CZ1	
IYT		92.16		93.50	1.43%	$ 91.37	99.23	@CZ1	
GLD	10-Mar-11	137.77		139.50	1.24%	$ 138.88	141.00	@CZ1 & POM 14 - Re	**New**
GDX	10-Mar-11	56.83		59.00	3.68%	$ 59.66	62.00	@CZ1 & POM 14 - Re	**New**
CLOSED SHORT POSITIONS					57.96%			58.32%	
								CZ'S Triggered P/L	9.55%

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

LONGS										
SECTORS										
SD2 Triggers										
XLV	10-Dec-10	32.59		30.99	5.17%	$	32.83		@SD2	
XLU	23-Dec-10	32.45		31.36	3.47%	$	32.11		@SD2	
XLF	25-Nov-10	16.43		14.63	12.30%	$	16.55		@SD2	
TLT	12-Nov-10	92.08		96.38	-4.47%	$	90.42	84.55	@SD2	
MUB	19-Nov-10	100.03		100.98	-0.94%	$	99.81		@SD2	
BBH	2-Nov-11	103.28		100.95	2.31%	$	102.79		@SD2	
EWJ	15-Oct-10	10.99		10.22	7.56%	$	11.33		@SD2	
USO	15-Oct-10	41.40		35.47	16.72%	$	41.48		@SD2	
FXI	23-Dec-10	43.64		42.60	2.44%	$	43.18		@SD2	
XLP	7-Jan-11	29.71		29.18	1.82%	$	29.57		@SD2	
IFN	27-Jan-11	30.10		30.5	-1.31%	$	30.13		@SD2	
									10.61%	
									SD's triggered P/L	5.06%
CZ Triggers										
JOF		9.21		8.47	8.74%	$	9.55	7.98	@CZ	
TLT	21-Jan-11	92.08		89.50	2.88%	$	90.42	84.55	@CZ1	
GLD	27-Jan-11	137.77		129.00	6.80%	$	138.88	144.90	**@CZ1 (POM 13 to PMM 14)**	**Closed**
									CZ'S Triggered P/L	6.14%
CLOSED LONG POSITIONS					10.61%					
				EQWT LONG P/L	5.29%					
15th OCT 2010 INCEPTION										
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX				EQWT AGG P/L Short E	7.08%					
INCEPTION @ SPX 1180 to Current 1295.02				SPX CHANGE	9.75%					

Inception 1st Oct 2010- L/S - SECTOR

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

CLOSED SHORTS POSITIONS	Entry Date	Exit Date	Entry Price	Exit Price	P / L	Comments
DBB					3.16%	
GLD					2.60%	
SLV					4.60%	
GDX					4.90%	
IFN					14.94%	
GDX	25-Nov-10	14-Jan-11	59.67	54.88	8.03%	@CZ
EEM	12-Nov-10	21-Jan-11	47.56	46.97	1.24%	@CZ1
EEM		21-Jan-11	48	46.97	2.15%	@CZ2
GLD		21-Jan-11	136.5	131.2	3.88%	@CZ
SLV		27-Jan-11	28.5	26.00	8.77%	@CZ1
EWP		24-Feb-11	42.75	41.02	4.05%	@CZ1
						58.32%
GDX	15-Oct-10	14-Jan-11	57.41	54.88	4.41%	@SD2
EEM	12-Nov-10	21-Jan-11	47.56	46.97	1.24%	@SD2
GLD	15-Oct-10	21-Jan-11	133.68	131.2	1.86%	@SD2
XLK	25-Nov-10	24-Feb-11	24.49	26.42	-7.86%	@SD2
						-0.36%
				TOTAL	57.96%	
CLOSED LONGS POSITIONS						
BBH					0.00%	@SD2
EWJ					-0.50%	@SD2
USO					6.68%	@SD2
BBH					0.26%	@SD2
EWJ					4.17%	@SD2
						10.61%
				TOTAL	10.61%	

- **SECTOR SETUP INDEX** **+79%,+79%,69%,+74% (past 4 weeks)**
  (Currently for monitoring purposes only, we will establish . correlation as we go forward with POM 13)

- **EQUITY SETUP INDEX : +70%,+59%35%,+27% (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 (1 of 39)	% away from 40wk
SPY	19.41%	TLT	-6.65%			SLV	49.66%
QQQQ	23.44%	IFN	--0.59%				
IWM	24.99%						
EEM	16.33%						
EWJ	13.95%						
FXI	9.79%						
RSX	30.37%						
EWH	25.49%						
JOF	11.58%						
EWA	18.06%						
XLF	14.14%						
XRT	25.97%						
XLV	9.31%						
XLB	18.86%						
XLE	37.58%						
XLK	17.92%						
XLI	24.67%						
XLU	9.29%						
XLP	10.78%						
XLY	24.31%						
XHB	14.49%						
SMH	27.62%						
BBH	8.36%						
IYT	21.32%						
IYR	81.29%						
DBA	39.96%						
DBB	16.55%						
DBC	31.03%						
GLD	66.26%						
GDX	30.11%						
USO	17.36%						
JJC	26.62%						
SLX	16.78%						

CZ – PQV – Validation Tracker

SETUP 2 -4 - PQV VALIDATION TEST PROCESS SUMMARY

Ticker	Trade Type	Last Pric	Mean Confluence	LL confluence	UL confluence	Required Volume MM on	Actutal Volume MM on	Volume Pickup	% Away from Test price UL	40wk MA	% Away fom 40 MA	Stoploss @ 03X3 / 9EMA		SETUP Qualify Price	Drawdown minimisation	SD # 1.5	SI
TRIGGERED																	
EEM (under $47)	Short	45.56	47.5	47	48	50	45.0	45.0	-5%	43.76	4.11%	50.40	46.18	46.2	-2.8%	(0.89)	11.4%
EWH (under $19.25)	Short	18.73	19.5	19.25	19.75	4.5	4.0	4.0	-5%	17.68	5.92%	20.74	18.69	19.1	-2.1%	(0.12)	10.4%
JOF (above $8.55)	Long	9.21	8.475	8.4	8.55	0.06	0.06	0.1	8%	8.44	9.09%	7.98	9.53	8.5	-0.3%	(0.10)	0.8%
EEM (under $48)	Short	45.56	49	48	50	40	40	40.0	-9%	43.76	4.11%	52.50	46.18	46.2	-6.1%	(0.89)	11.4%
SMH (under $34)	Short	33.74	35	34	36	8	4.5	9.9	-6%	29.83	13.11%	37.80	35.27	32.0	-9.4%	1.13	69.2%
EWA (under $25.5)	Short	24.68	25.5	25	26	3.5	1.9	1.9	-5%	23.06	7.02%	27.30	25.52	25.0	-2.0%	0.46	2.5%
XLB (under $39)	Short	37.355	39.5	38	41	6	6.0	11.0	-9%	34.18	9.29%	43.05	38.38	38.4	-2.9%	(0.26)	31.1%
IWM (under $79.5) (half)	Short	79.97	79.75	79.5	80	35	29.0	67.8	0%	70.59	13.29%	84.00	81.06	73.0	-9.2%	1.44	101.0%
JJC (under $59) (half)	Short	55.62	59.5	59	60	0.14	0.1	0.3	-7%	49.95	11.35%	63.00	57.83	54.0	-10.2%	0.54	2.1%
TLT (half)	Long	92.075	89.5	89	90	40	42.0	42.0	2%	96.11	-4.20%	84.55	90.53	95.0	-5.8%	(1.89)	64.5%
IYT	Short	92.16	93.5	92.5	94.5	0.65	0.65	1.5	-2%	84.41	9.18%	99.23	91.04	92.0	-1.6%	0.43	54.0%
GLD (New)	Short	137.77	139	139	139	17	8.7	14.1	-1%	128.12	7.53%	141.00	139.11	137.4	-1.2%	0.29	4.8%
GDX (New)	Short	56.83	59	59	59	7.5	5.9	5.9	-4%	55.10	3.13%	62.00	59.55	58.95	-0.1%	0.02	12.8%
WATCHLIST																	
TLT (half)	Long	92.075	89.5	89	90	40	weekly		2%	96.11	-4.20%	84.55	90.53	95.0	-5.8%	(1.89)	64.5%
IWM (under $79) (half)	Short	79.97	80.5	79.5	81.5	350	weekly		-2%	70.59	13.29%	85.58	81.06	73.0	-10.3%	1.44	101.0%
QQQQ (under $56, touch of $57) (Hold)	Short	56.14	57.25	56.5	58	200	weekly		-3%	50.66	10.81%	60.90	57.03	53.0	-8.0%	0.92	21.0%
QQQQ (under $57, touch of $59)(Hold)	Short	56.14	57	57	57	40			-2%	50.66	10.81%	59.85	57.03	53.0	-7.5%	0.92	21.0%
EWA (under $25.75)	Short	24.68	26.5	26	27	16	weekly		-9%	23.06	7.02%	28.35	25.52	25.0	-6.0%	0.46	2.5%
XLV	Long	32.593	30.75	30.5	31	3			5%	30.40	7.21%	28.88	32.77	31.5	-2.4%	(1.41)	32.0%
XLE (under $75, touch of $77) (Hold)	Short	73.83	76.5	75	78	60	weekly		-5%	61.00	21.04%	81.90	76.99	68.5	-11.7%	2.52	22.9%
JJC (under $59) (half)	Short	55.62	59.75	59.5	60	0.14			-7%	49.95	11.35%	63.00	57.83	54.0	-10.6%	0.54	2.1%
XLU	Long	32.448	30.5	30.25	30.75	4.5			6%	30.70	5.71%	28.74	32.08	31.5	-3.2%	(1.37)	17.9%
XLP	Long	29.71	28.05	27.8	28.3	3.8			5%	27.87	6.59%	26.41	29.54	29.3	-4.1%	(1.87)	18.1%
											PQV Drawdown Minimisation factor				-5.4%		

PQV Test validated within 5 to 7% of asking

Criteria has temporaily exceeded

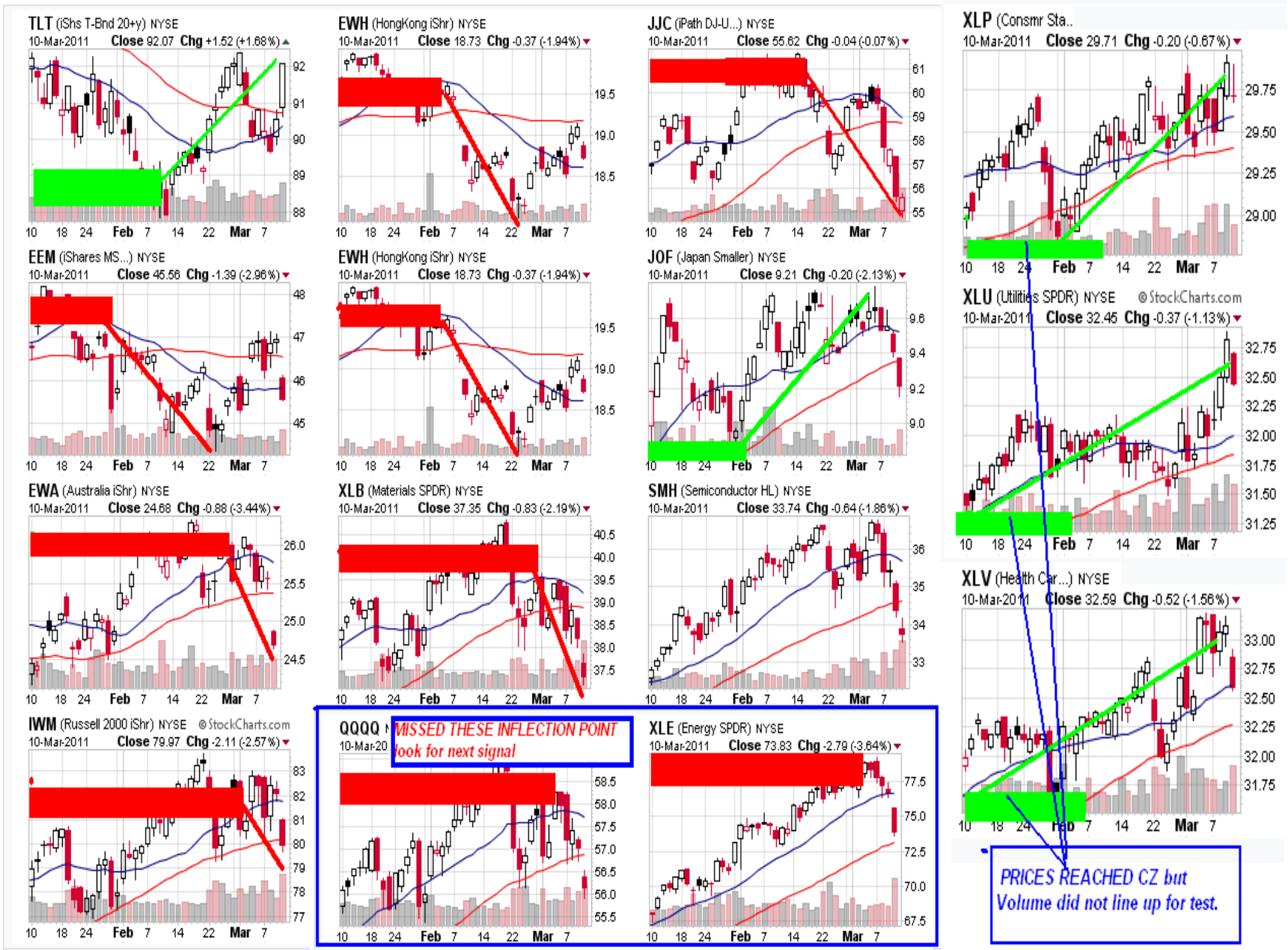
volume still highet then the test volume no result

Revised Confluence Values & Stoploss

Close under situations in gray

Numbers hard coated

Our Current – (16)– PQV – Validated Sectors at CZ & their reaction



ETF's Qualified this week for SD # 2

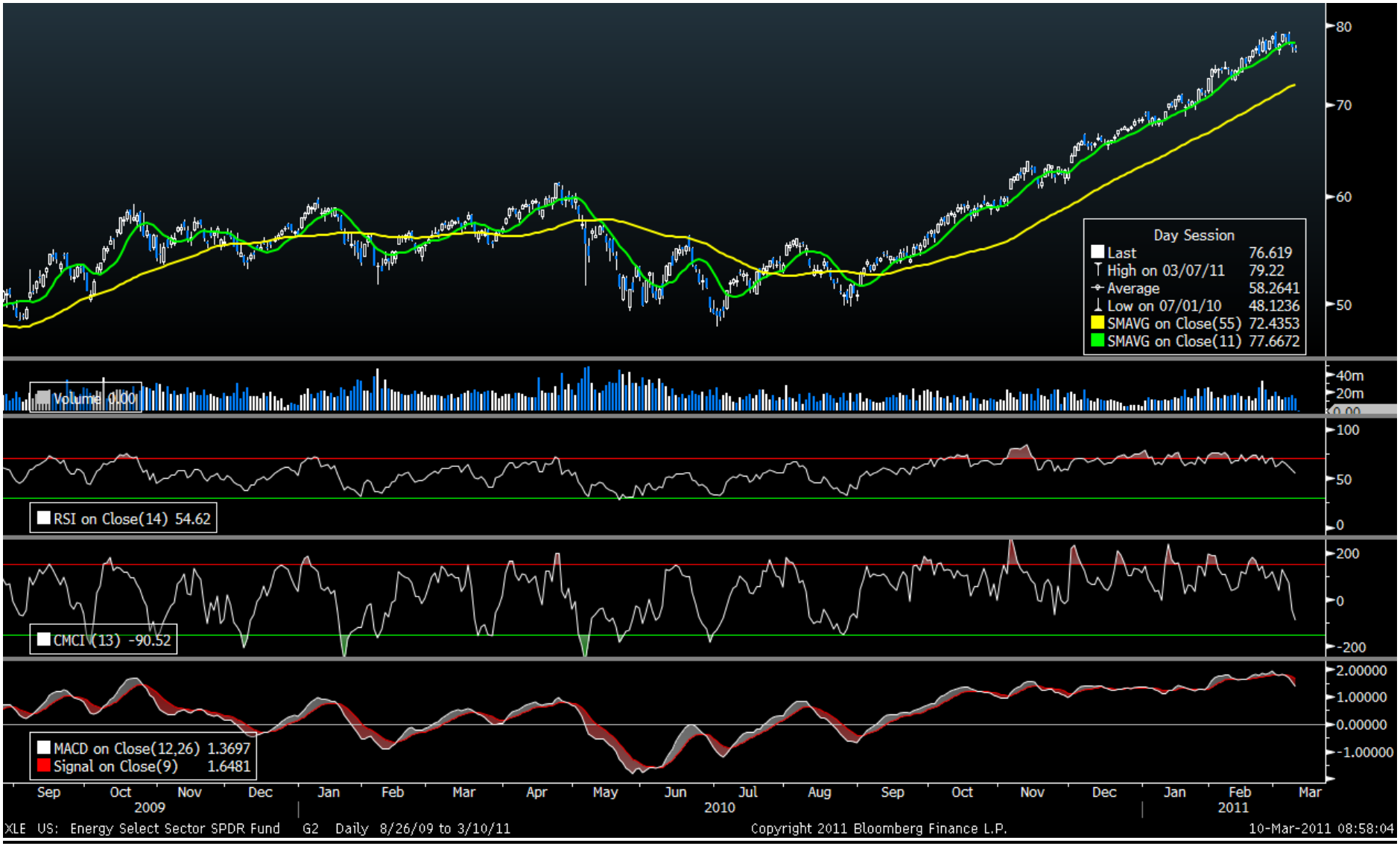
- *XLE*
- *DBC*
- *SLV*

XLE Note – This actually failed at 77 on 6th March with 14 M shares v/s revised test of 16 M in CZ 79 -77. however due to our Offsite visit we did not get the chance to calibrate inflection point those days , otherwise we would have nailed this.

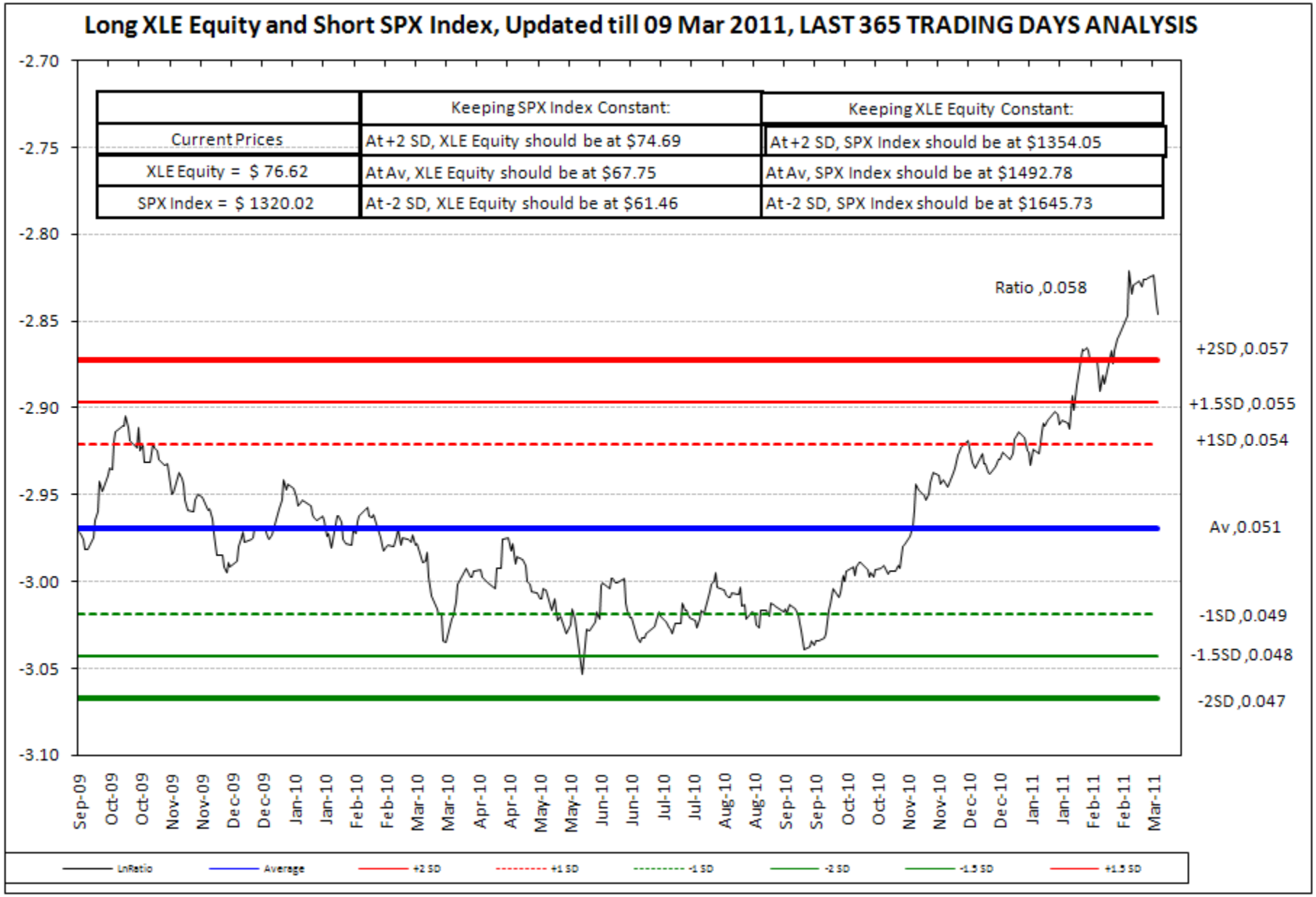
We missed it similar to QQQQ but there is always another trade . Now we will wait for bounce for next decision point .

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

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



XLE Correlation Ratio Analysis with SPX – 365 days Time basis



XLE Correlation Ratio Analysis with SPX – Full Time basis

– XLE - PQV Analysis wkly - We will re initiate the coverage after we missed the first time

XLE had a false break upside @ / above 72, but stock went higher to next level to 79 (to CZ like magnet , as shown in chart below) , PQV force has kept us away from harm's way. Till 79 . Wkly CZ derived from 2008 multiple breakdown areas and channel lines is from 76 to 78

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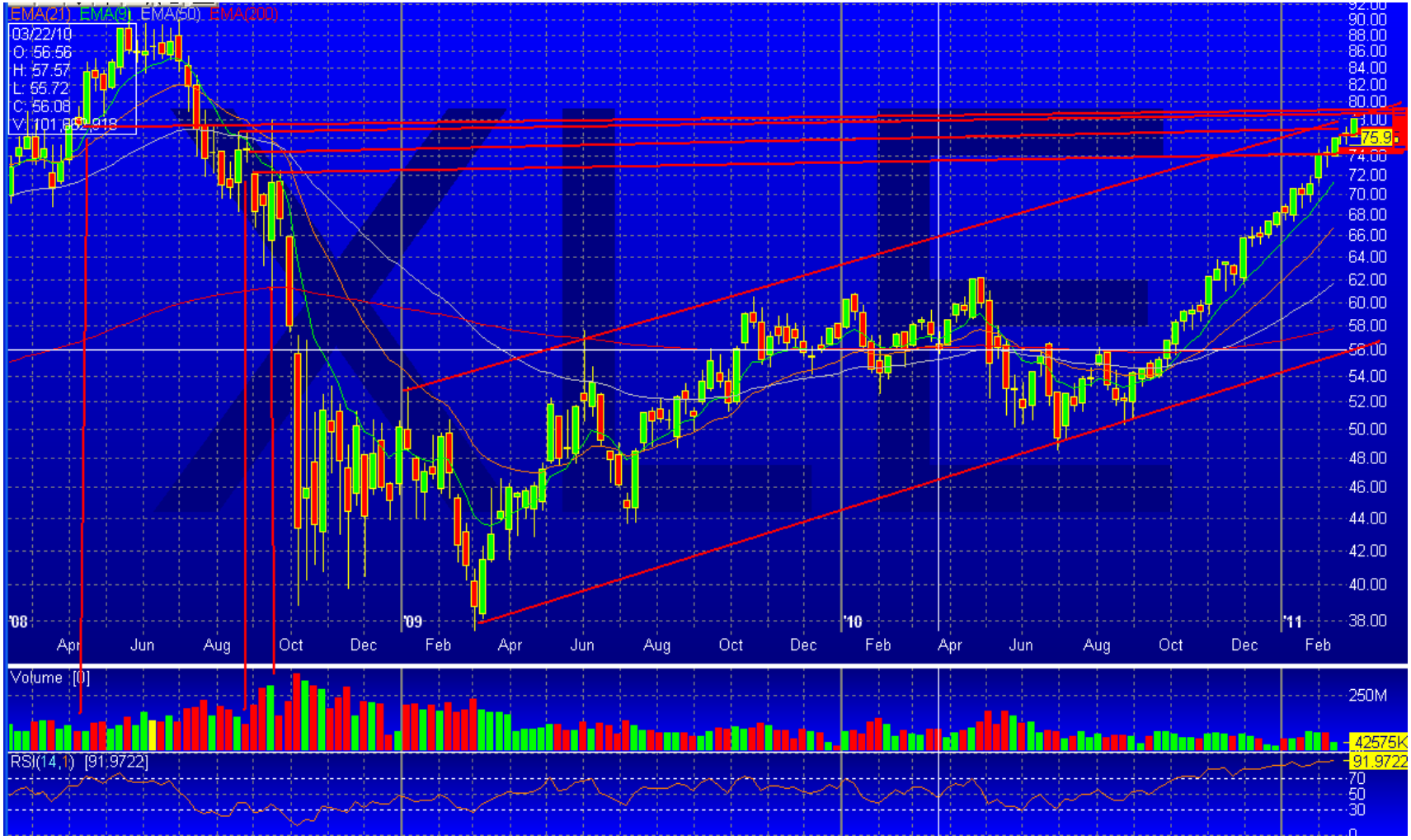

– XLE - PQV Analysis Daily

The effect of false break upside from 72 was seen , This market dropped from 78 to 73 in heart beat.
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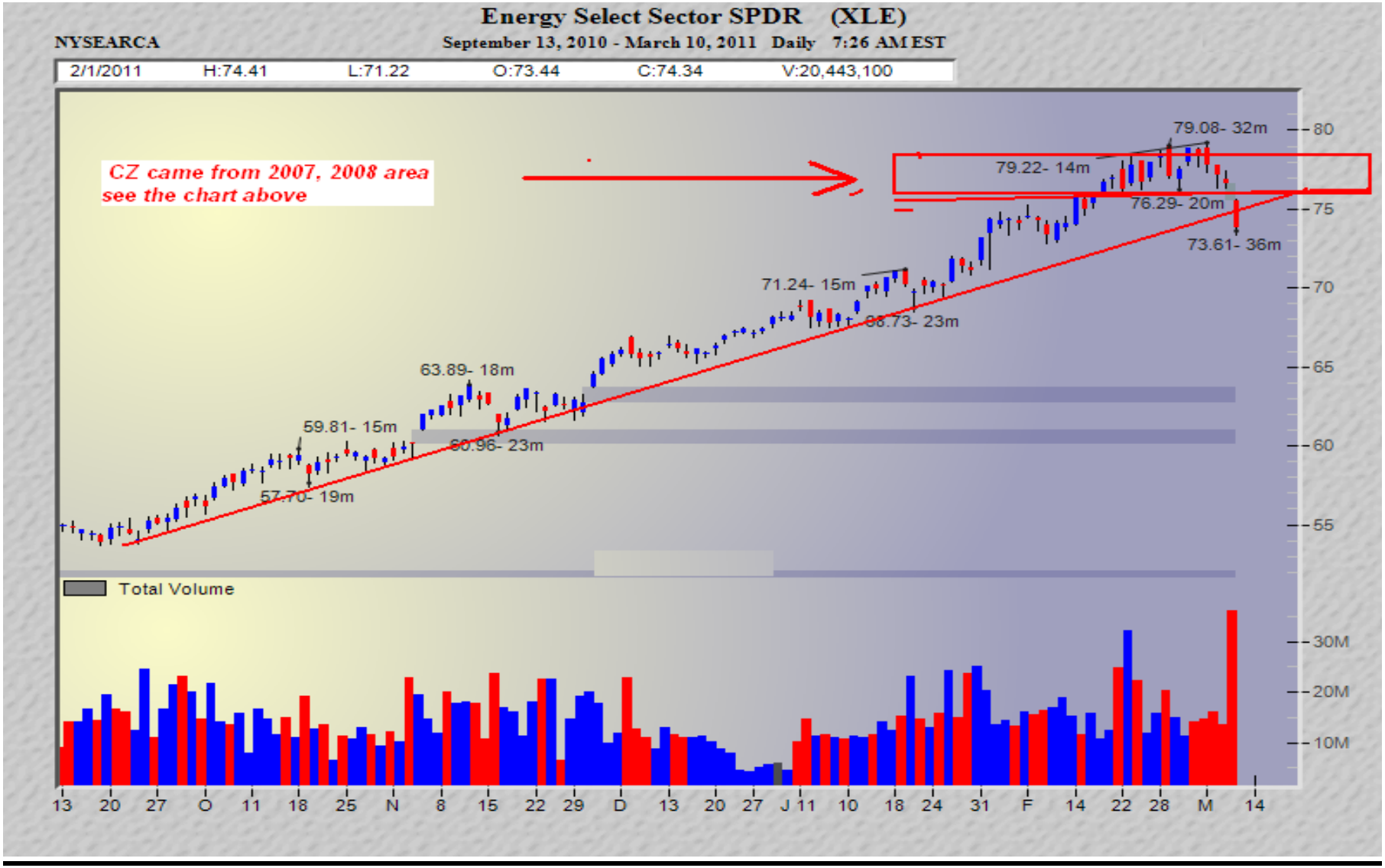
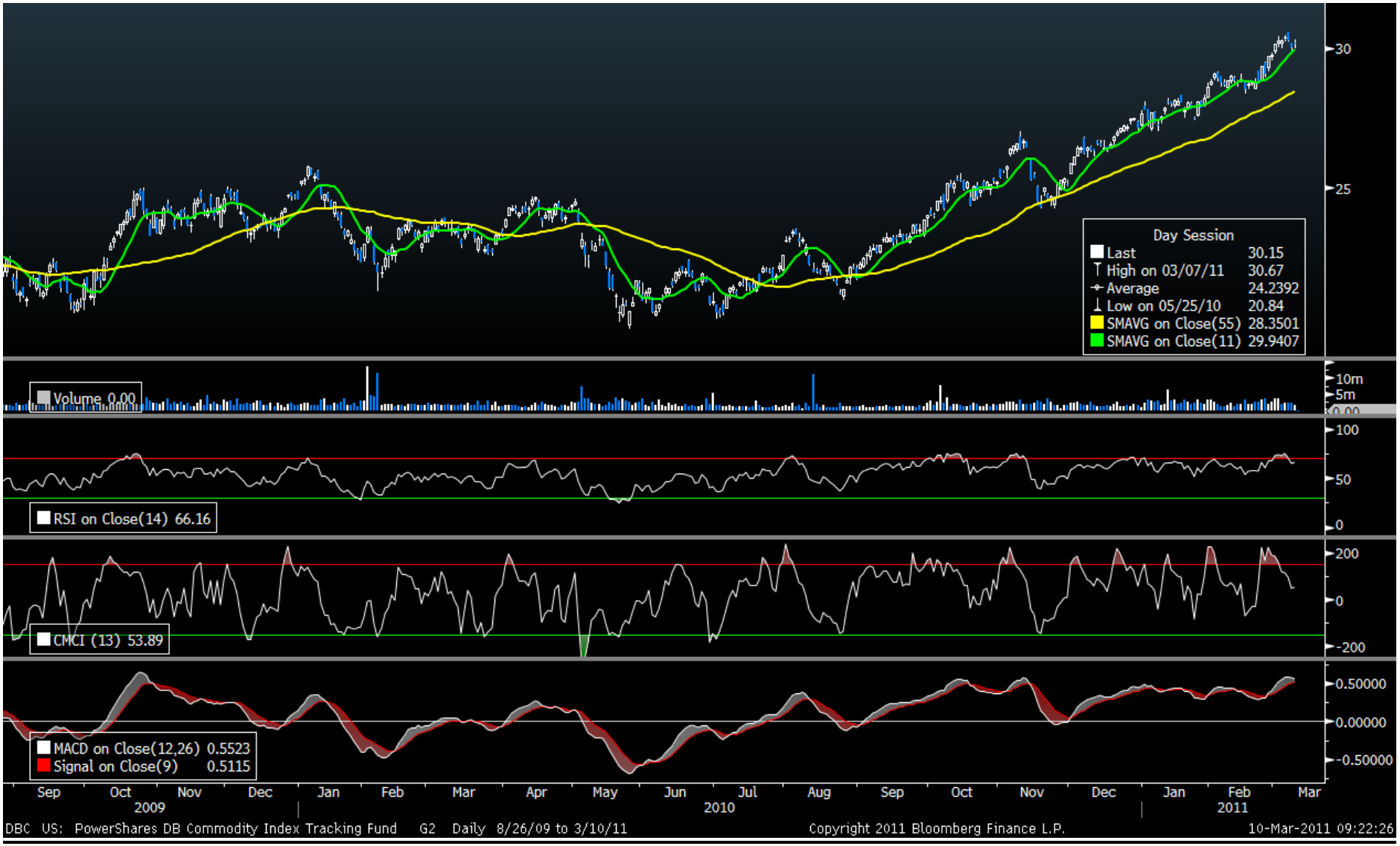
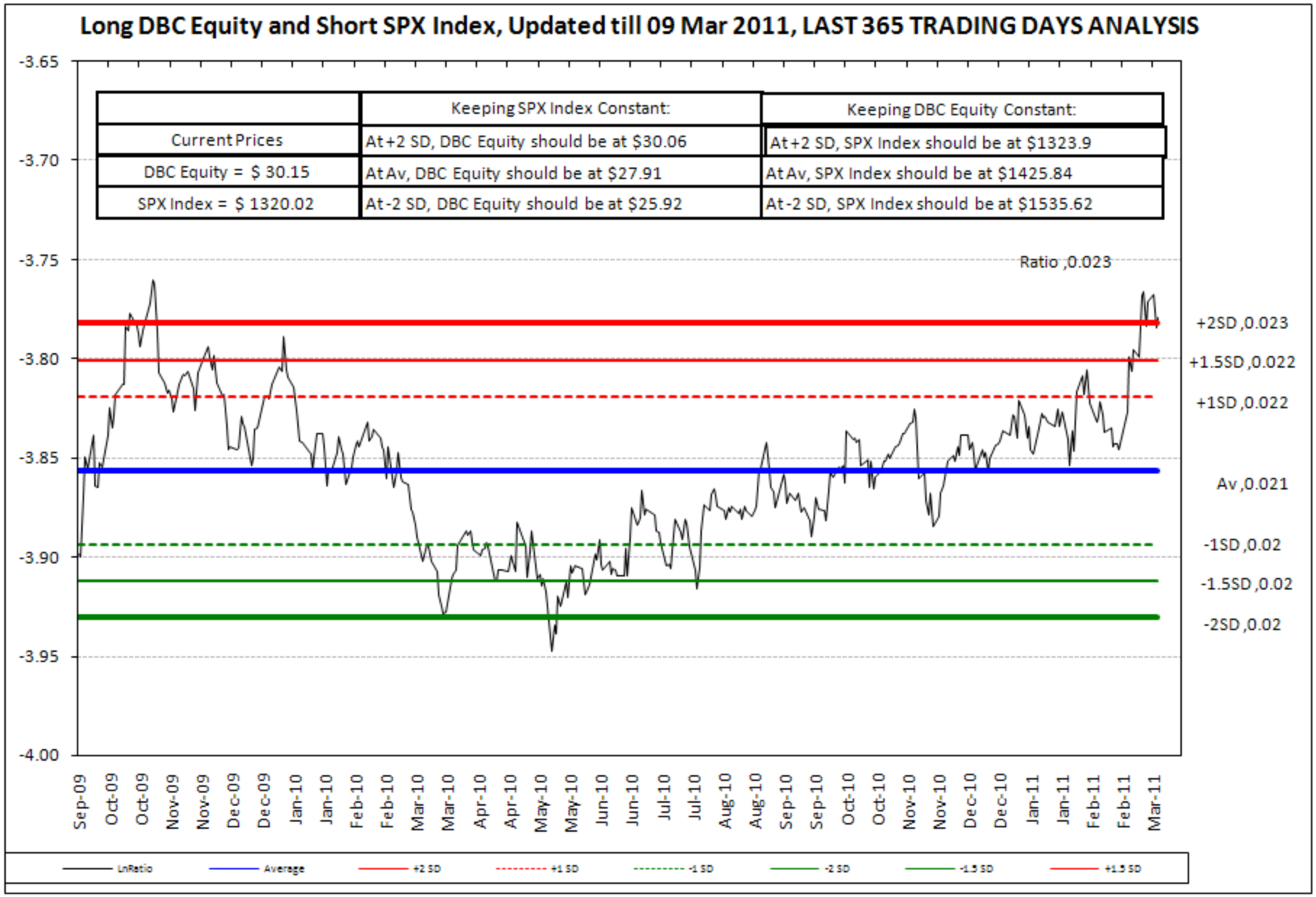


DBC- Weekly– 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

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



DBC Correlation Ratio Analysis with SPX – 365 days Time basis



DBC Correlation Ratio Analysis with SPX – Full Time basis

DBC – LT - Technical & Pattern Analysis

On bigger picture, we have reached the CZ with multiple price streams indicated in Red, Blue, Green, & Yellow. We did not show any break areas as it got too crowded.

RSI has reached at the value of previous peak on bigger time frame , which is quite meaningful. Certainly this market can to a final parabolic move which will be a false break to upside if volume does not confirm but we will manage the risk with stops on CZ

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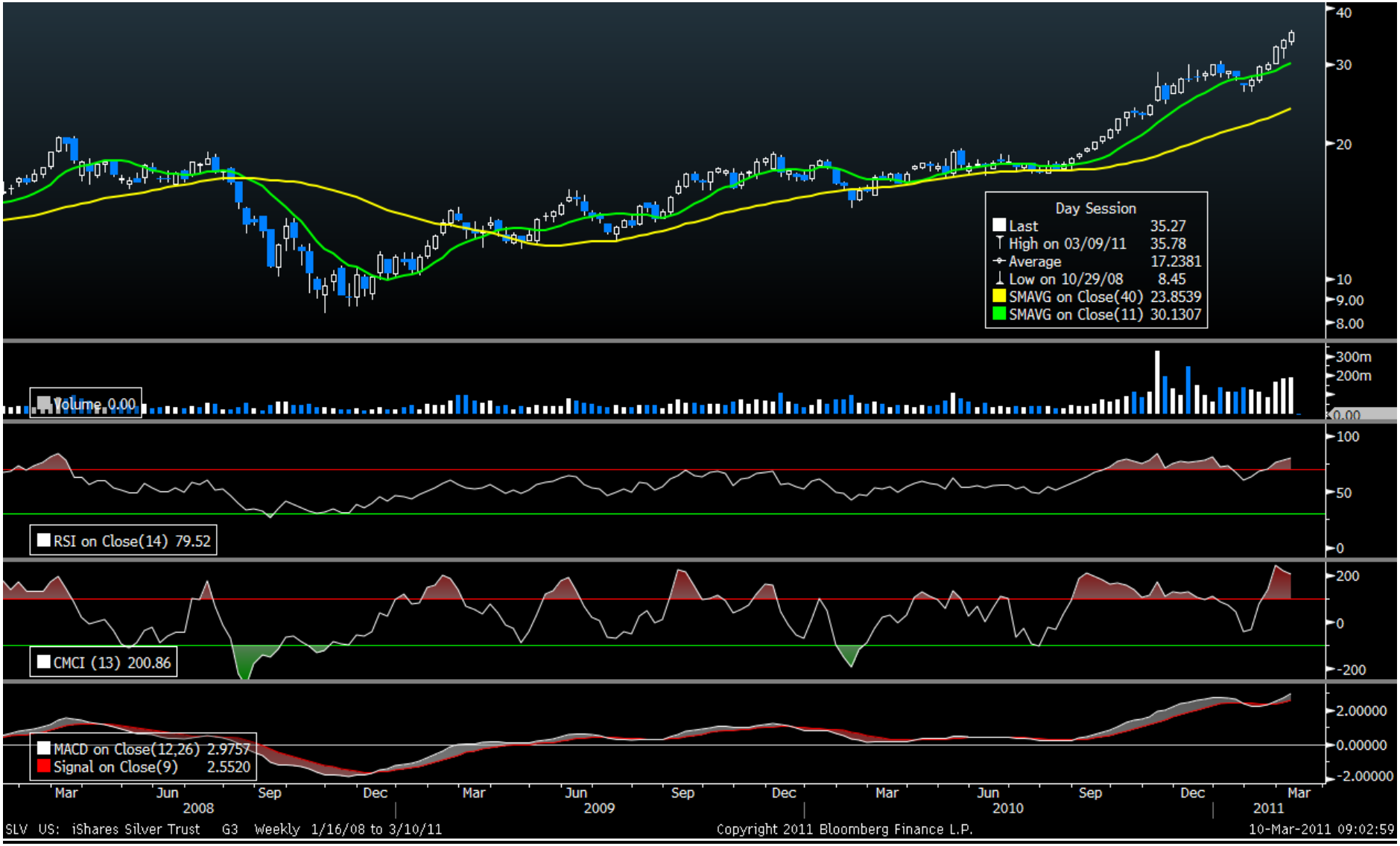
This Index made key reversal at the CZ but Trend line held meaningfully, Volume is not lining up yet. There is no confirmation yet by this method on PQV Validation. (No signal)

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



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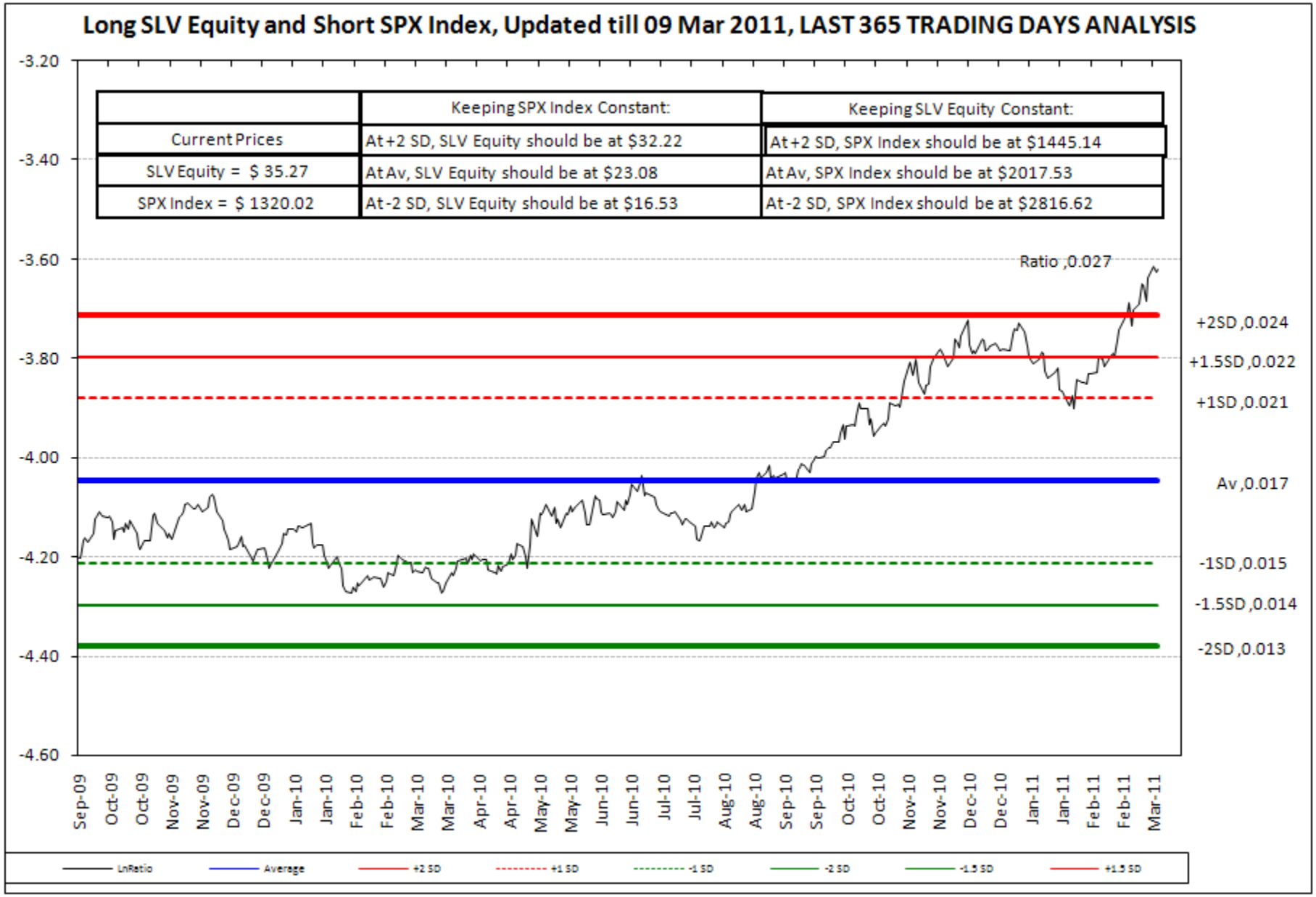
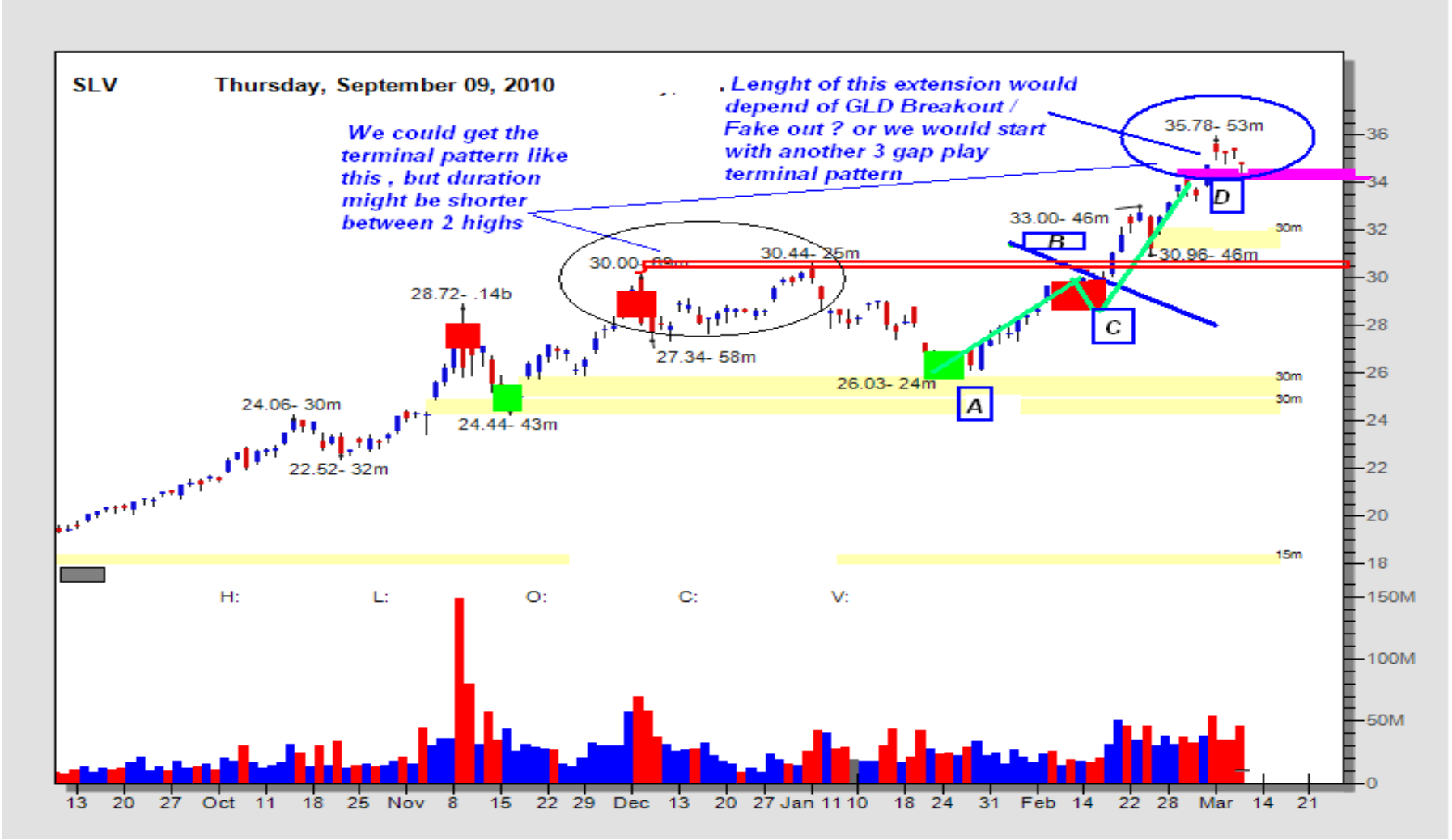


SLV Correlation Ratio Analysis with SPX – Full Time basis

SLV – Daily - Price / Volume-

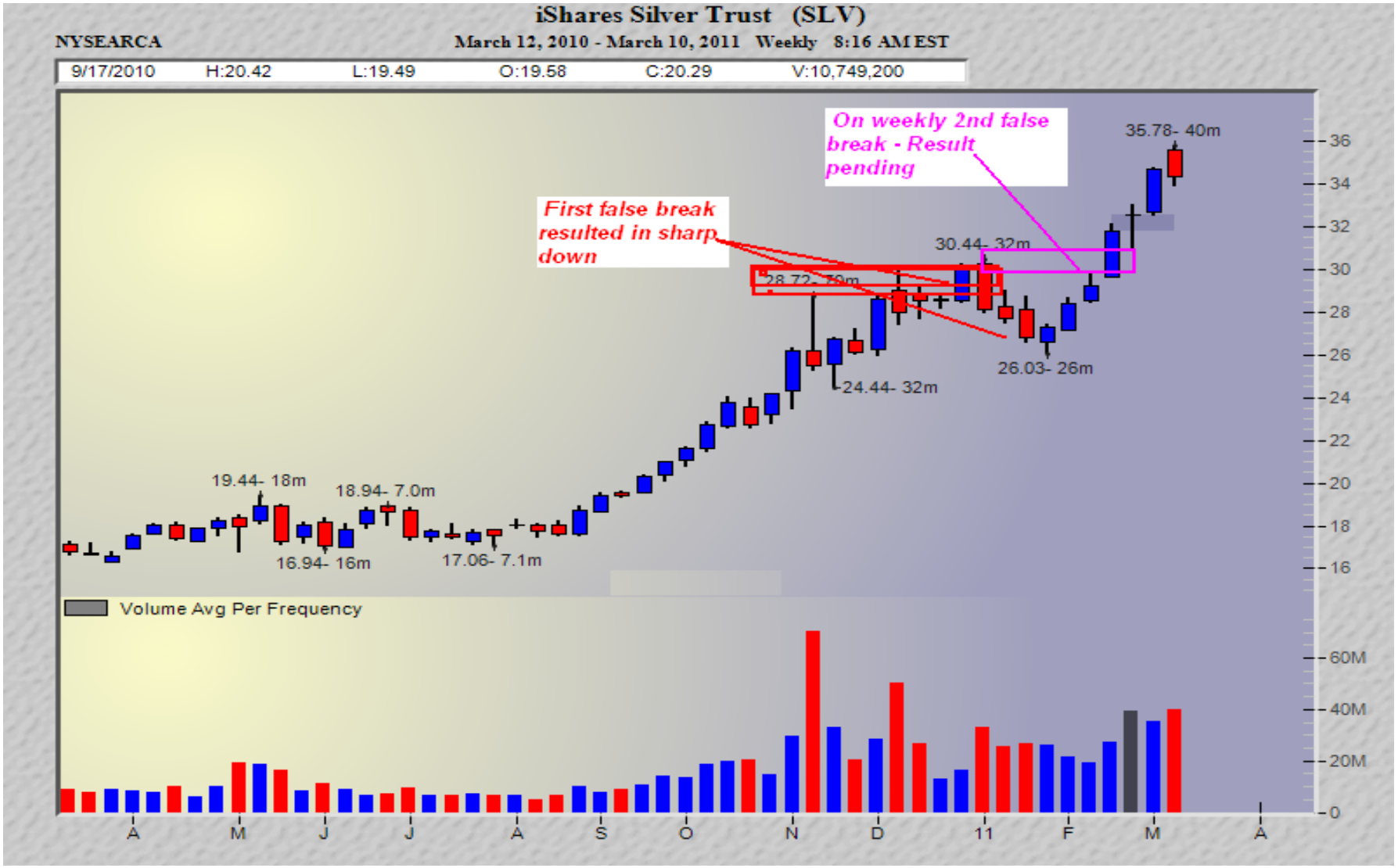
We have triggered POM 14 Re run on Gold and GDX , Although we think this will closely follow there is No signal yet. Possibility of Terminal pattern here . Since ABC up is complete at 34 + / - . We have two options to get signal

1) ***A 3 gap play on top with test volume of 3x3 = 35 M and close below the Fib point base of 34.50 (This could be similar to what happened last time in SLV, first circle in black)***
2) ***Or wait for Gap away sell off and then attack the CZ created with new Data points . (Similar to what happened to XLE in current situation . We are watching carefully.***



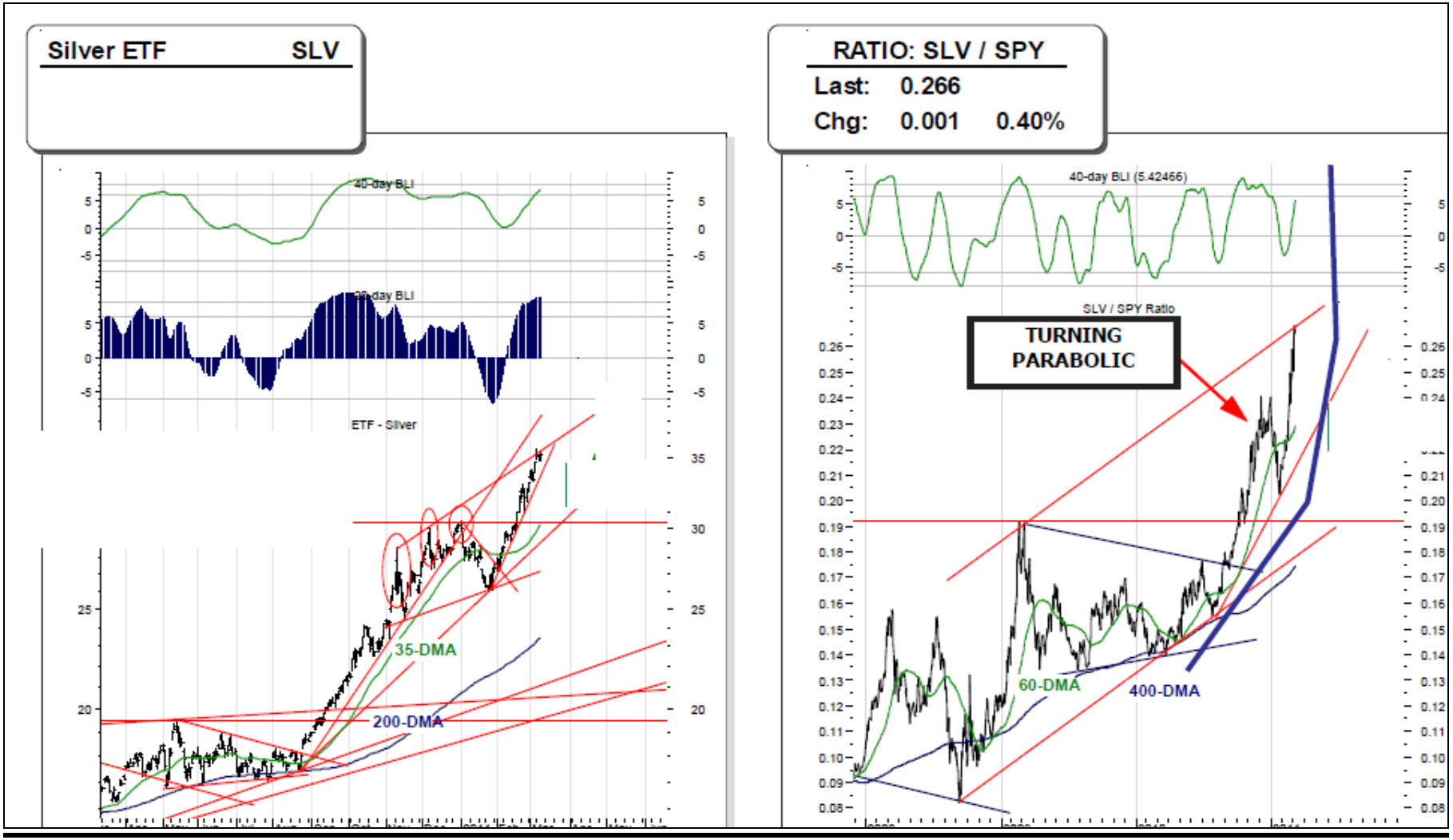
1- SLV – Weekly - Price / Volume –

<u>On intermediate term</u> – In spite of short term ABCD completion due to volume breakout, the weekly we are 15 % lighter on break of double top CZ,



SLV - Technical & Pattern Analysis

The Ratio Profile indicator suggests the possibility of Turning Parabolic ,(see the right chart below) if it does then we will capitalize on 3 gap play pattern top with test volume of 3x3 = 35 M similar to what happened last time in SLV, although GLD & GDX is on POM 14 Re run on its own.



ETF's Qualified this week for SD # - 2

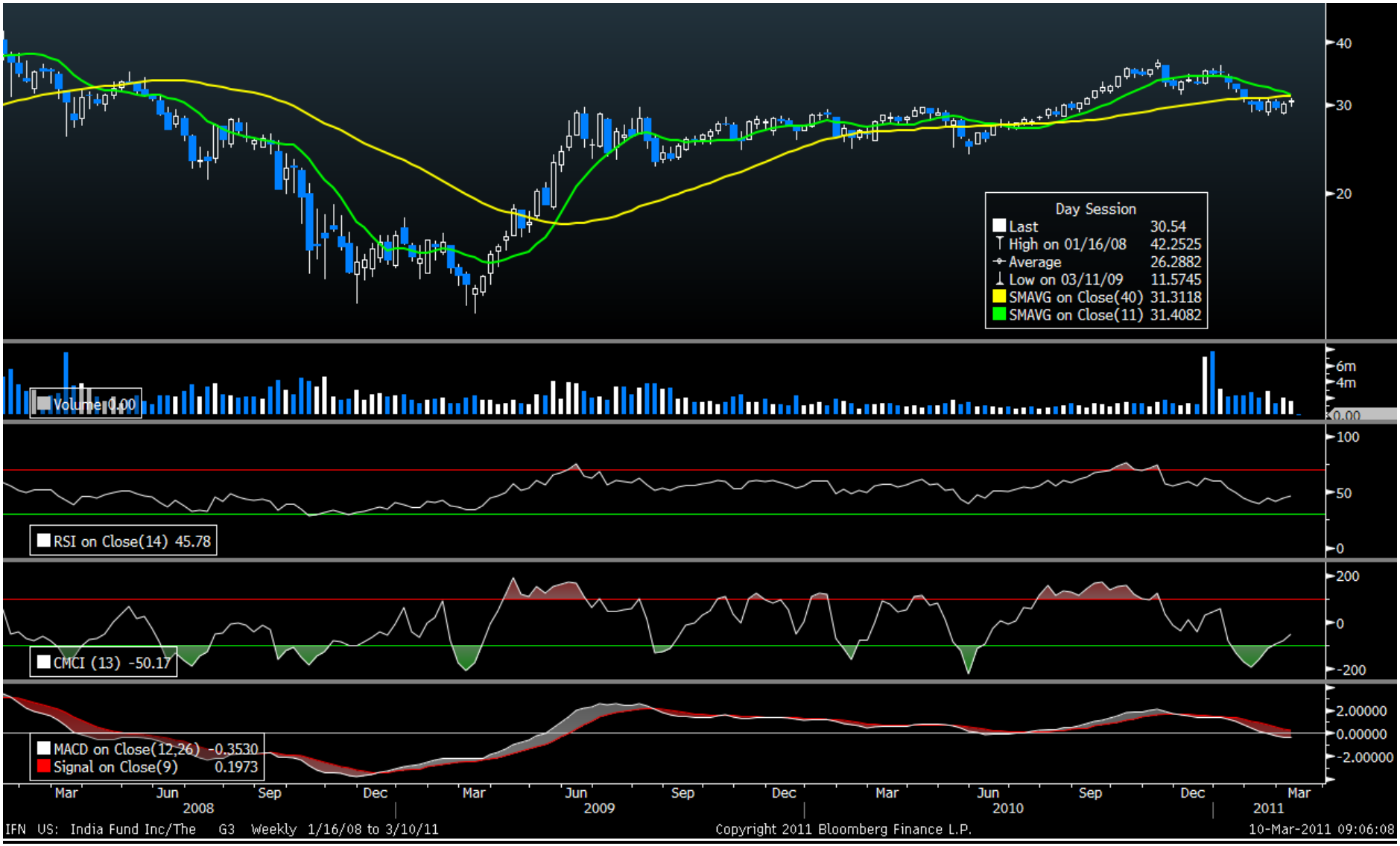
CZ for bounce

- ***IFN***

CZ with Trigger PQV Validated

- ***TLT (Coverage in A # 2 MS in detail)***

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



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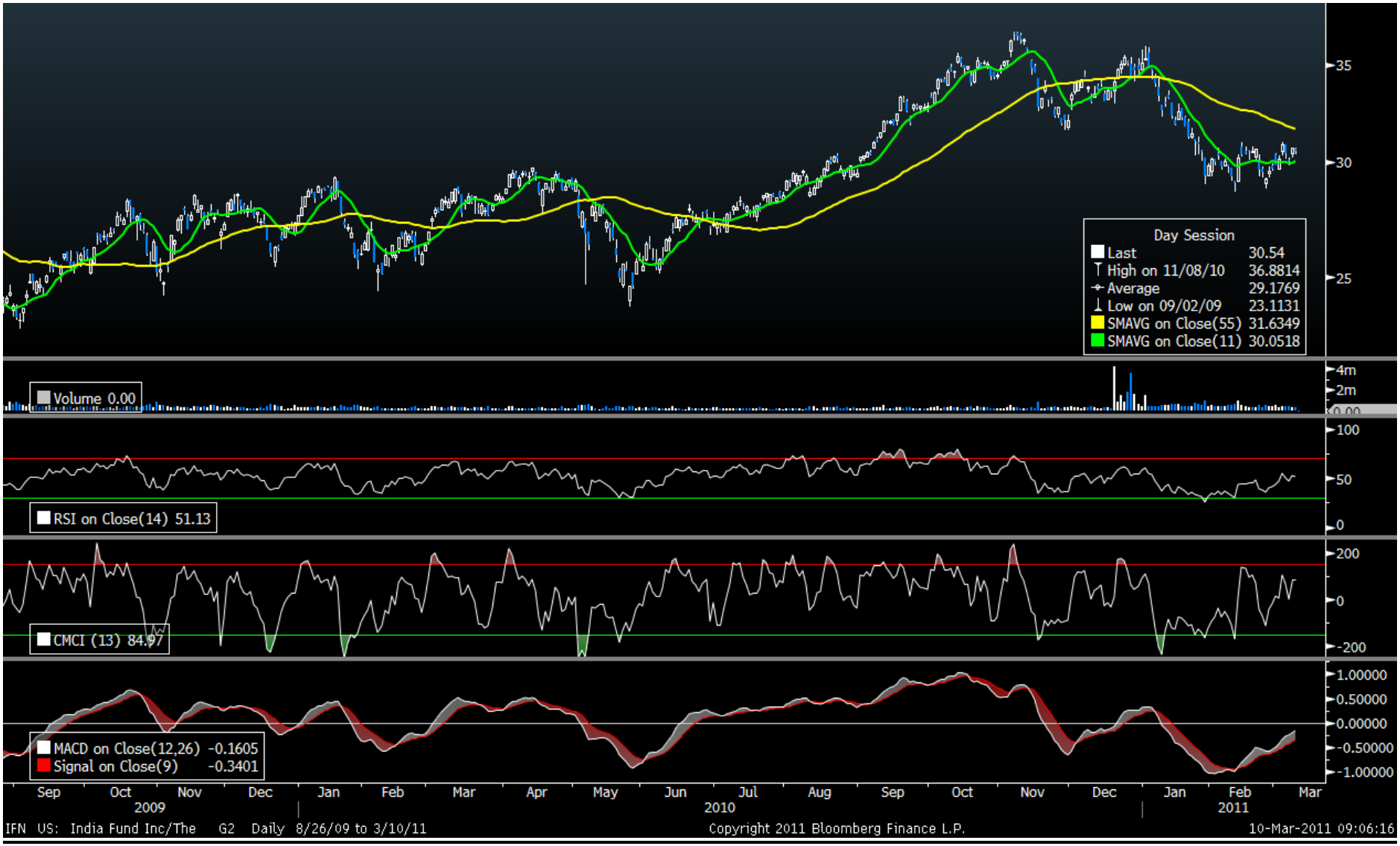
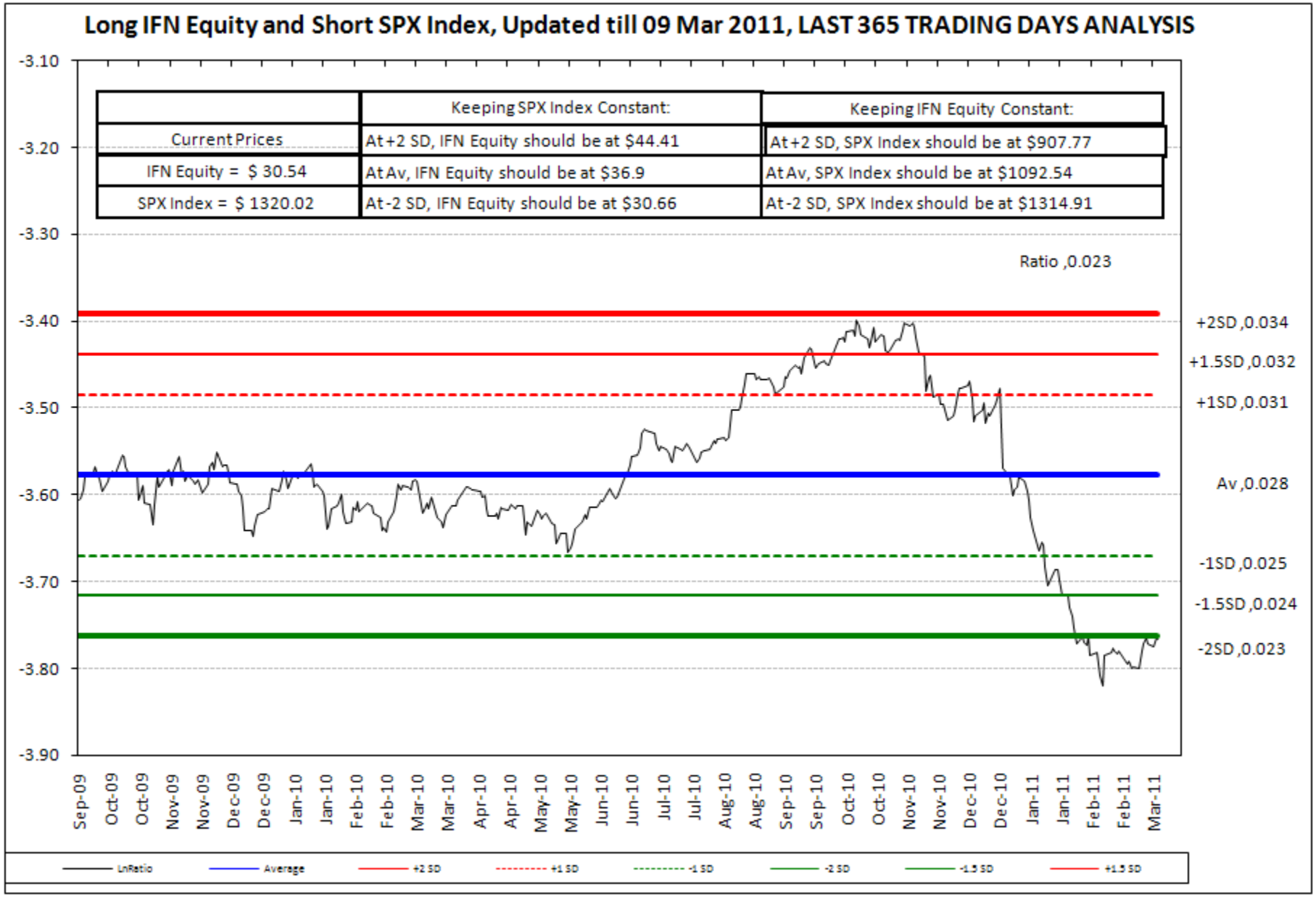
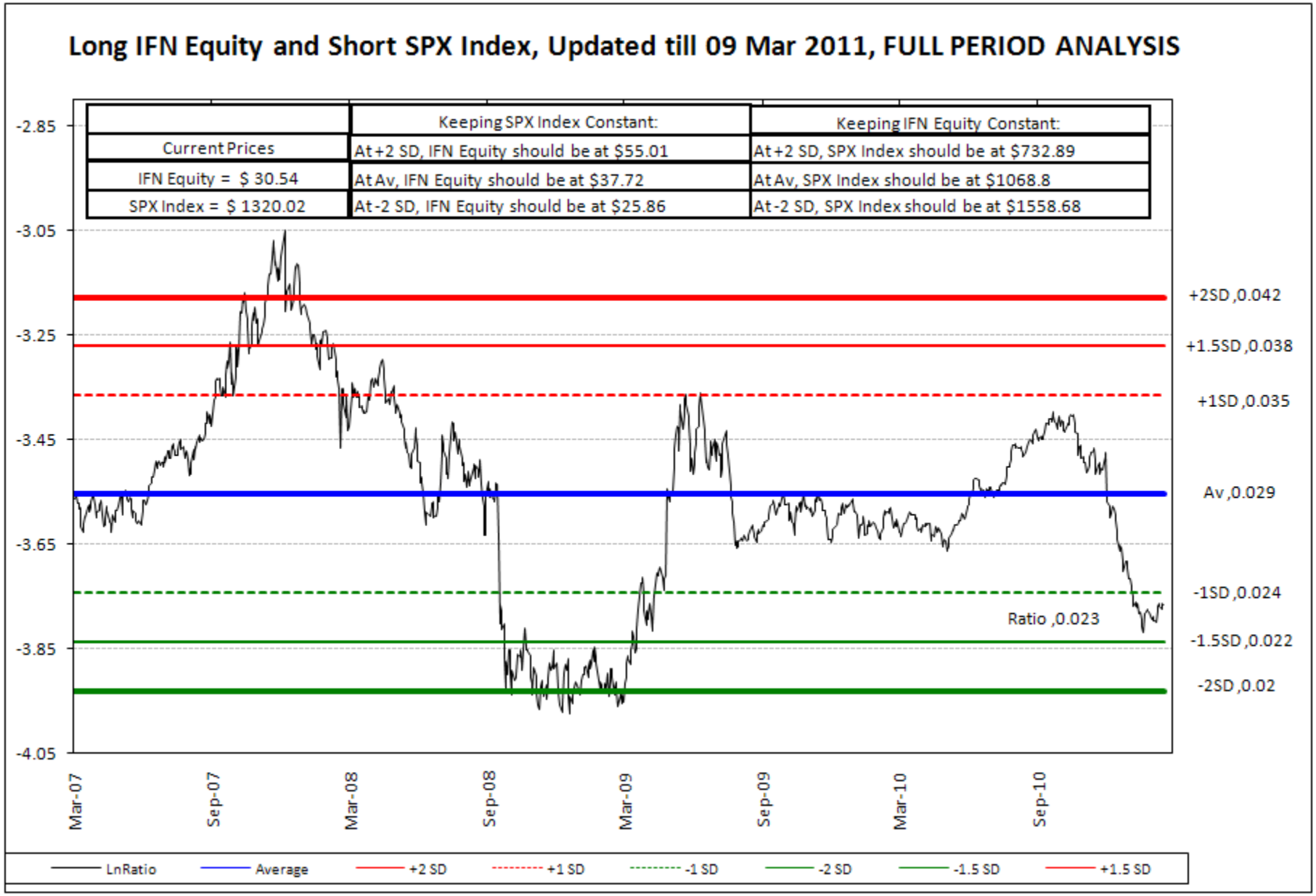


IFN Correlation Ratio Analysis with SPX – 365 days Time basis



IFN Correlation Ratio Analysis with SPX – Full Time basis



IFN – Technical & Pattern Analysis

After it reached our target of 29 , (18000 in SENSEX) , IFN oversold by various matrix, (Including SD # -2) had entered our CZ with heavy volume but not clear if its building cause bottoming phase for bounce or for breakdown . Volume was bit heavy at 17500 lows suggests that this area could be tested at some point if not broken . We will watch the test

REFERENCE MATERIAL – Part II (Separate Attachment)

PREVIOUS PLOTS

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

- ✓ ***PQV –CZ validated Sectors***

Short

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

Long

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

Short

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On bigger picture, we have reached the CZ with multiple price streams indicated in Red, Blue, Green, & Yellow. We did not show any break areas as it got too crowded.

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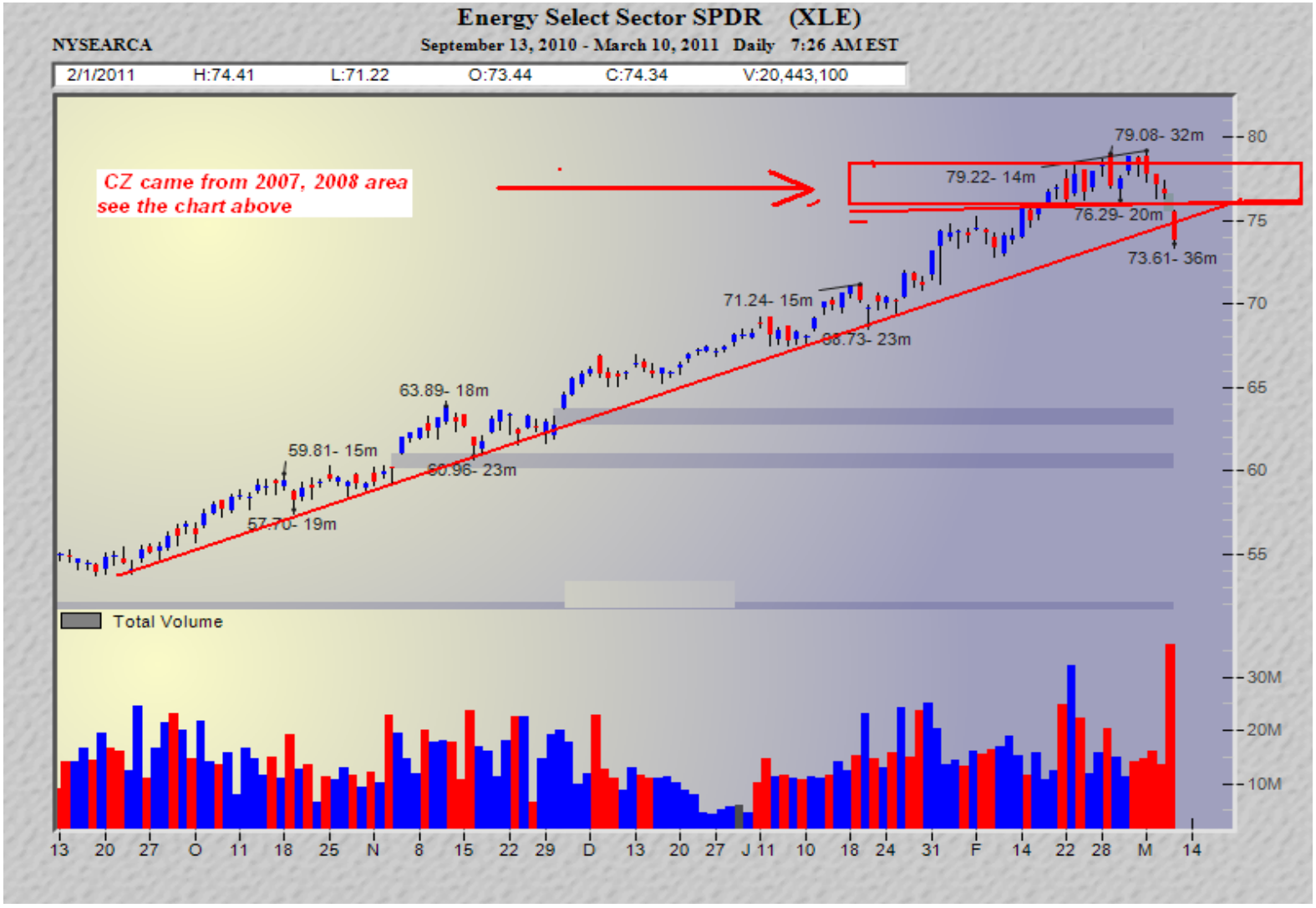


IWM –

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

IWM met our bounce target of 83 one more time from last message and rejected, then the decline began .

Weekly test for ½ position(CORE) – IWM should test with GREATER THAN 350 M (weekly volume) and close under 79) for e a good test. But hasn't happened. We wait for next signal . We have been watching closely in CZ – PQV in Sector Report

But on daily basis we have taken - the CZ For ½ position within 79.5 – 81.5 with 45 M failure. Volume on decline picked up . This is good for intermediate term bearish Trade , our price target is 74

For Short term - Next Level should come in at price point s 77.5 to 79 and volume should come in above 125 M to get continuation of bearish signal if not we would get a bounce . This will be short term Risk Management for excess capital We will wait and see.

IWM- Price & Volume -

Struggling in CZ in spite of false breakout. Divergence plotted, if RSI close below 50 should have tough time to regain momentum back . Target 74

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

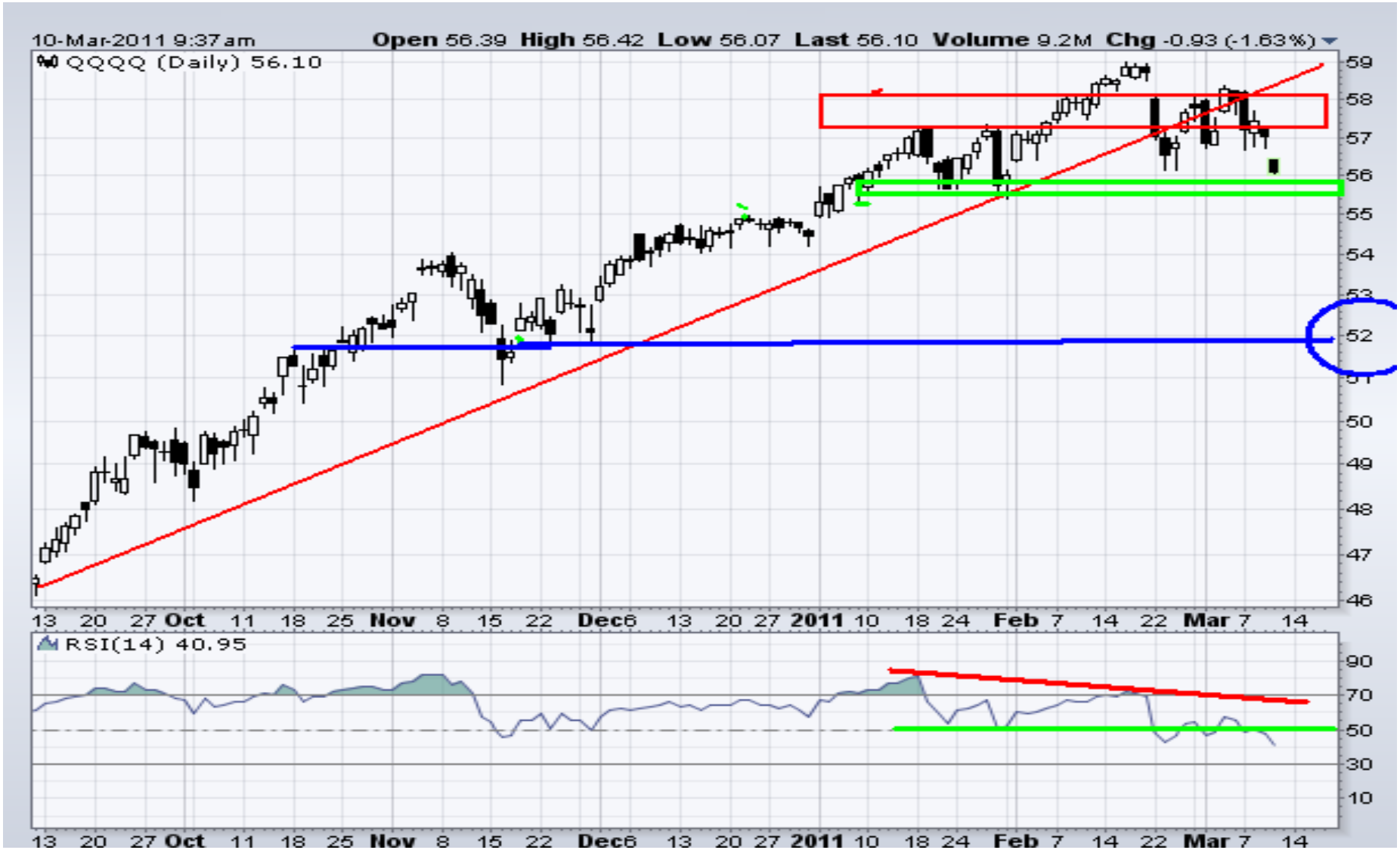
QQQQ – PQV has validated yet and refrained us from stepping in from 52 .

We had this in our CZ - 57 -58 & failed from way back 2008 Jan breakdown area & 2008 highs of Sept . and test 57.25 with 200 M (weekly volume) and close under 56, should be a good test. (voided)

On daily basis - Note – This actually failed at 58 on 3/rd March with 60 M shares v/s revised test of 100m , however due to our Offsite visit we did not get the chance to calibrate inflection point , otherwise we would have nailed this, We missed it but there is always another trade . Now we will wait for bounce for next decision point .

QQQQ - Price & Volume -

Struggled in CZ in spite of false breakout. Divergence plotted, if RSI close below 50 should have tough time to regain momentum back . Target 52



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

GLD - Currently we are awaiting for POM 14 – Re Run Trigger in 137 -140 Area (pink circled) . Having reached our bounce target. Currently it is at inflection point with some patience game

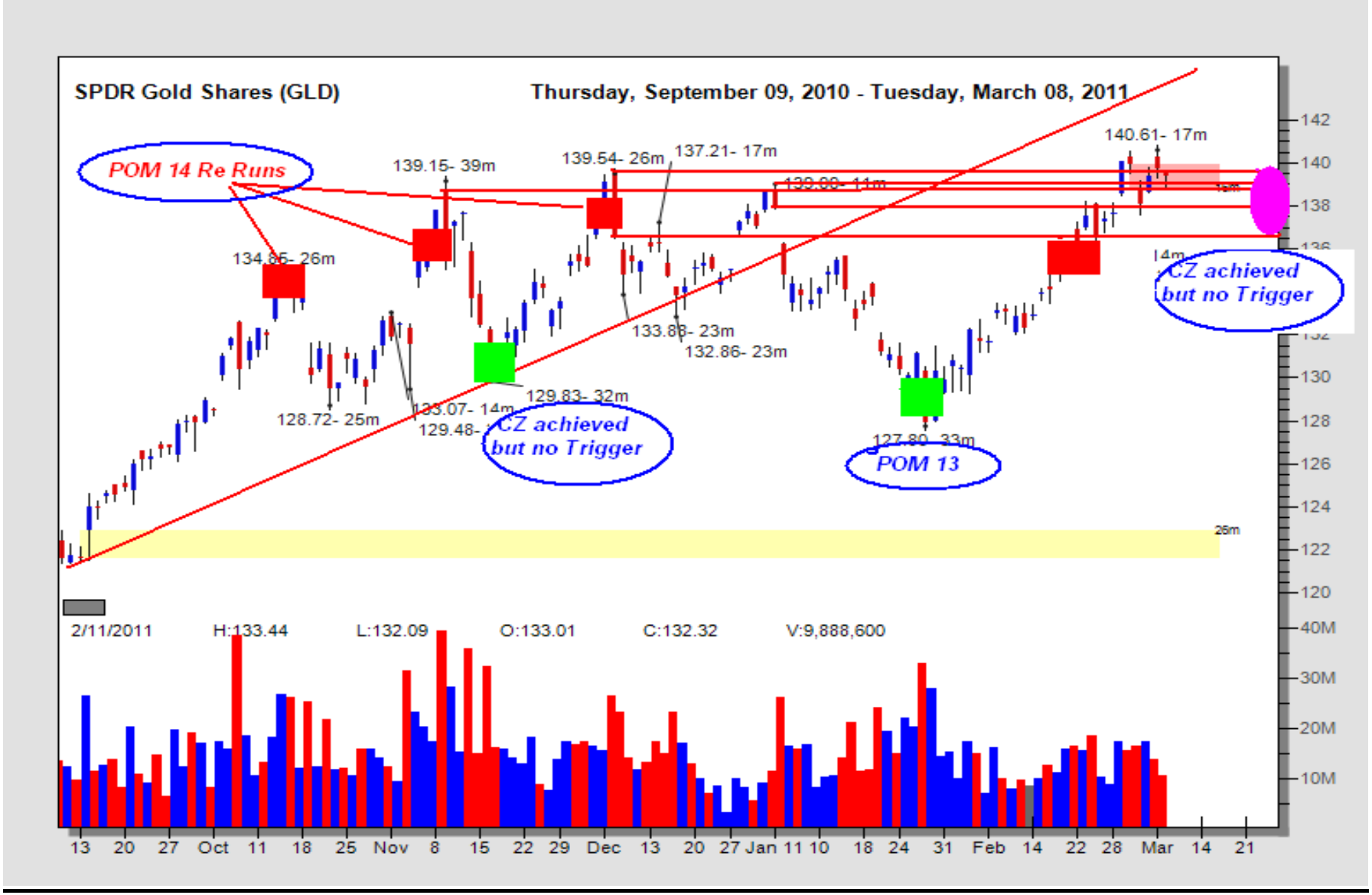
For Failure - Based on current configuration we are looking for 12 M on test on volume and for Price to go to 141 and close below 139 (pink zone)

For Fake out - Go above 141 with 12M and trigger all the stops and then die on its track in 2-3 days. At higher price. But confirmation will be delayed.

For Break out - This corresponds to on continuous contract ,GOLD - if the Volume picks up 300K towards and close above 1435 then would begin ABC up . currently the volume has been at 180 k . Where Gold goes SLV , GDX will follow. But usually GDX leads the metal higher . GDX is lagging quite a bit which is divergence. But we do not argue with Price & Volume on GLD

We advise risk management with STOPS on other side of CZ Stops, ,

GLD –CZ Mapping

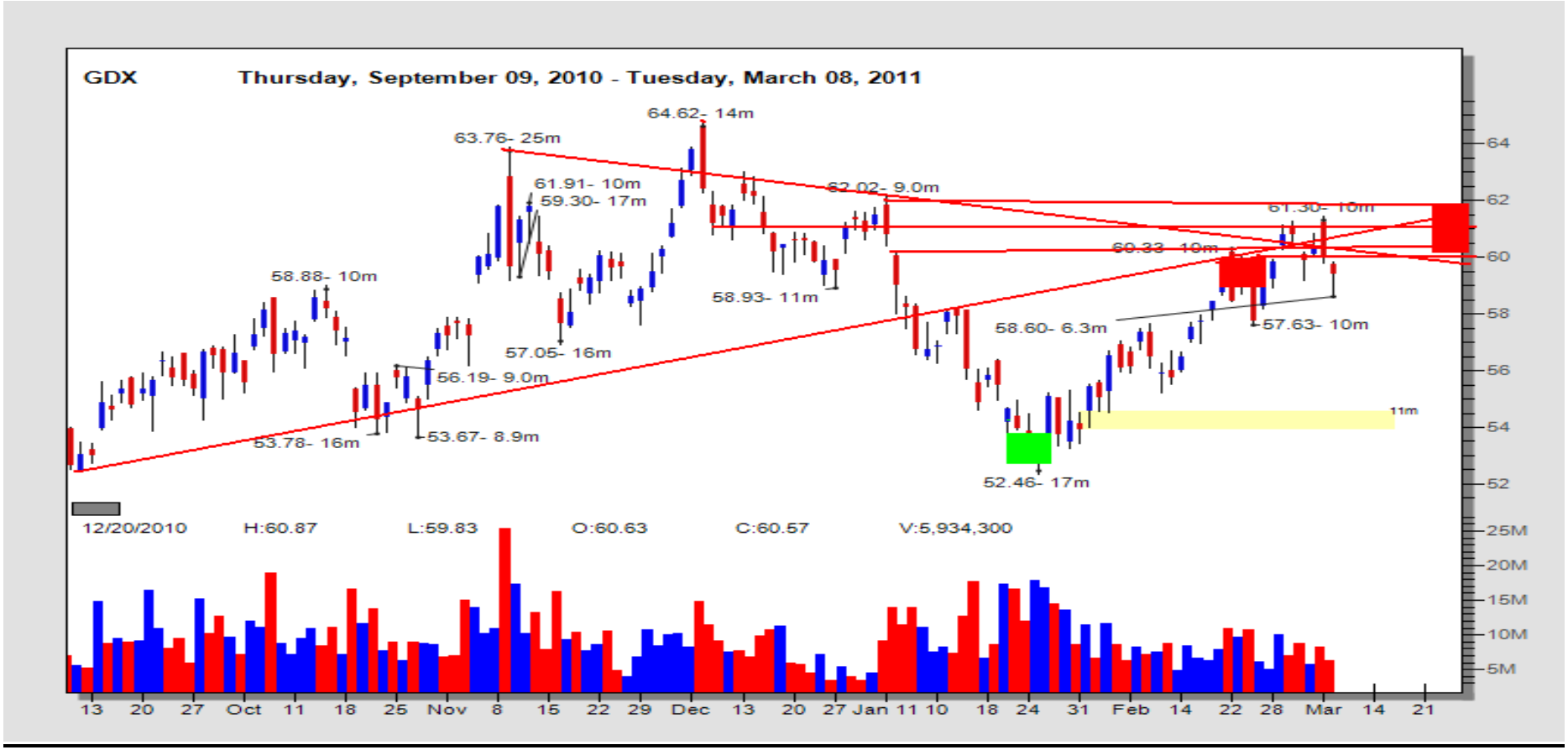


1- GDX – Price / Volume

GLD - Currently we are awaiting for POM 14 – Re Run Trigger in 60-62 Area (red marked above) . Having reached our bounce target (red marked below) . This index is Top heavy and weak compared to GLD, this is kind of divergence.

For Failure - Based on current configuration we are looking for 7.5 M on test on volume and for Price to go to 62 and close below 61

We advise risk management with STOPS on other side of CZ Stops ,



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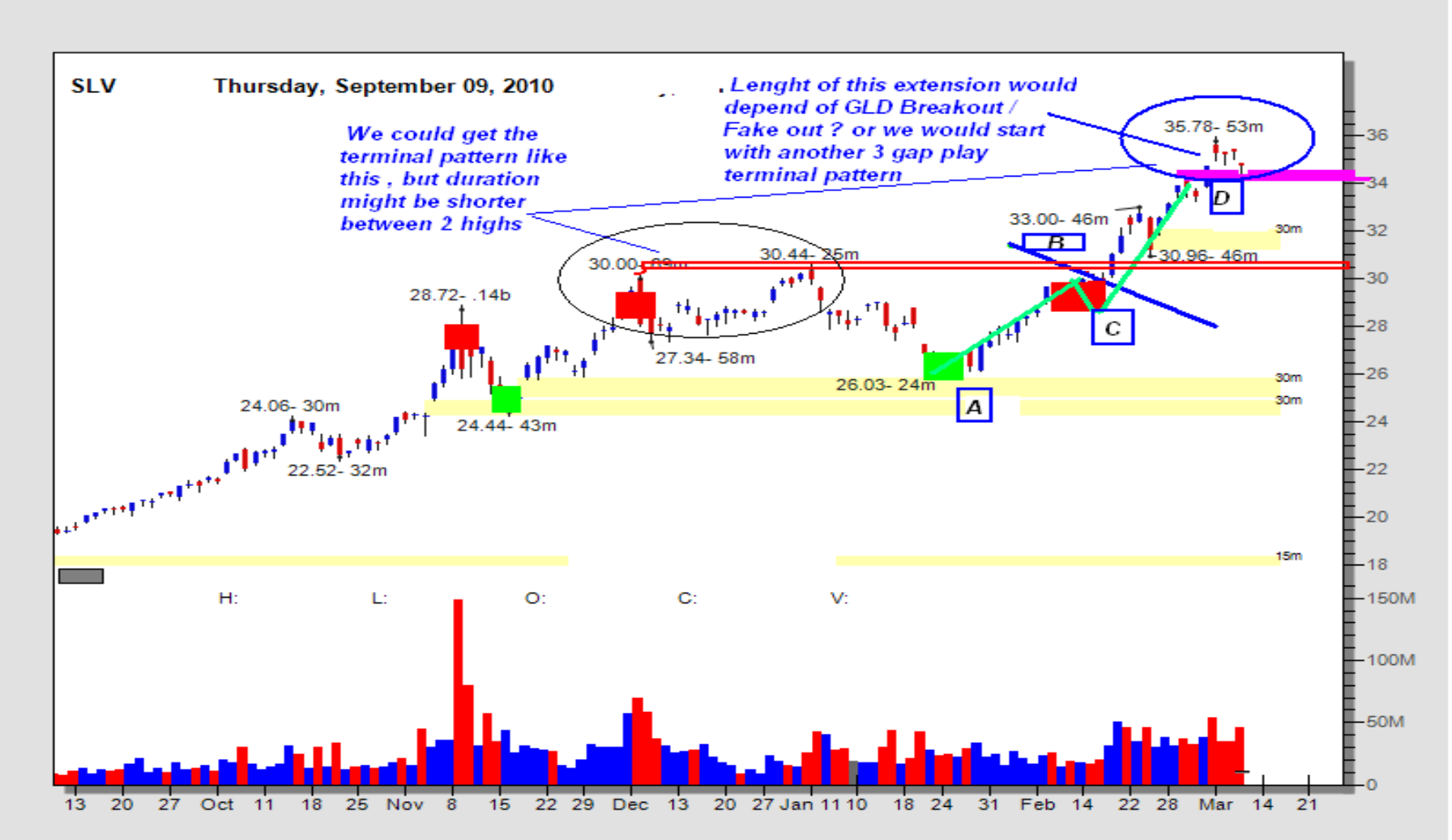
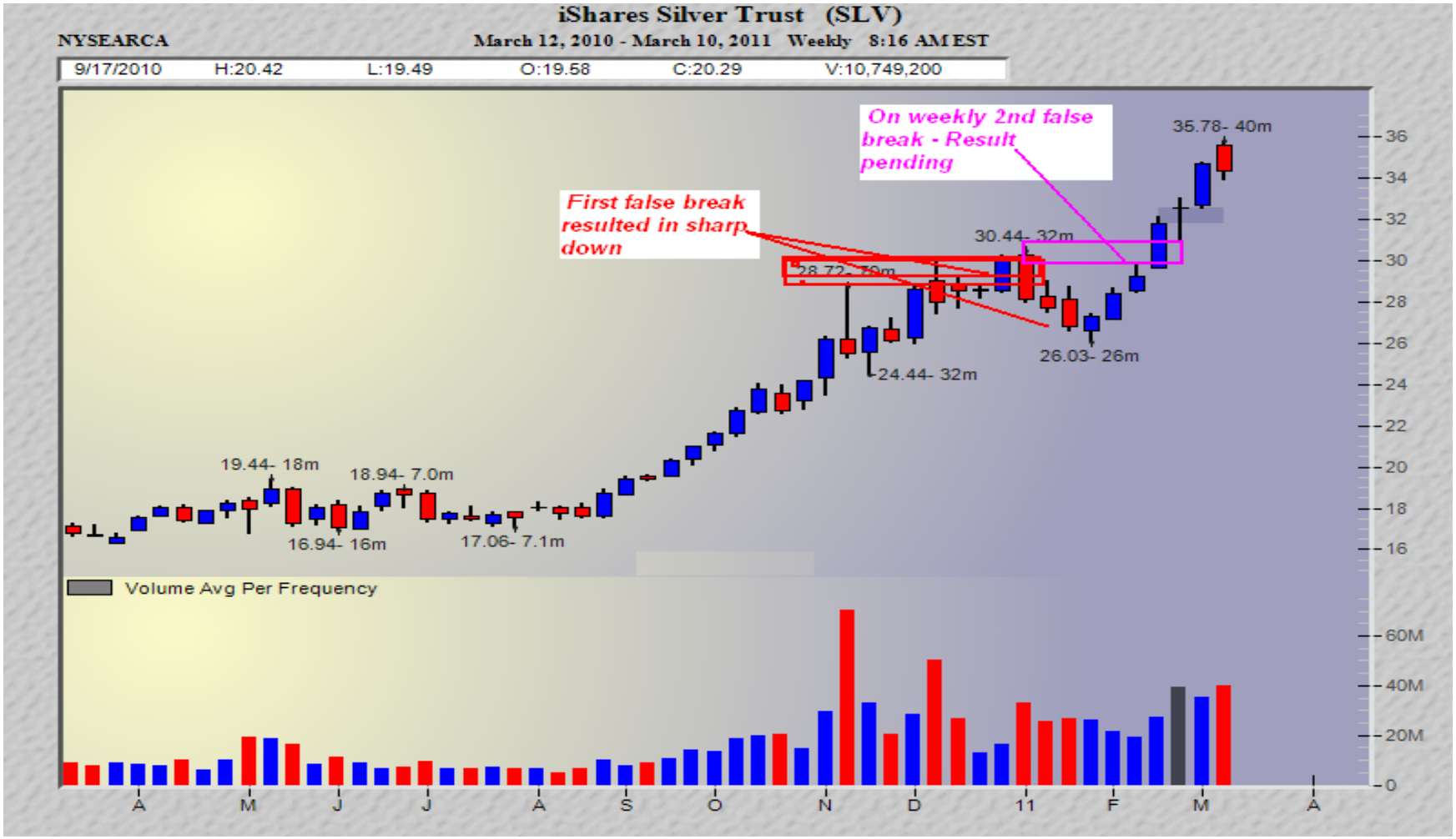


2- SLV – Weekly - Price / Volume –

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

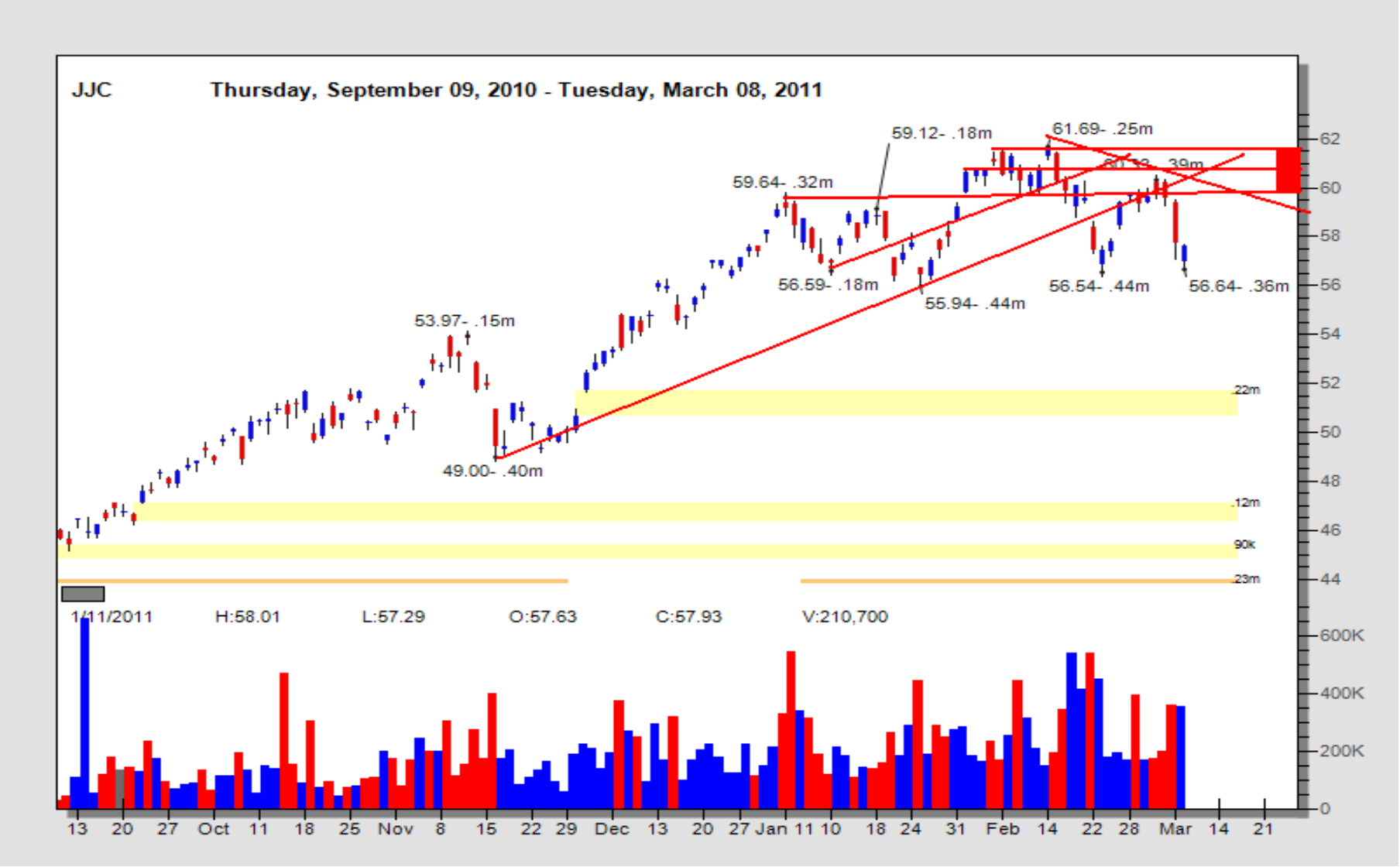
And volume is picking . unlike GOLD and GDX . This is divergences. This will eventually follow the Gold market but getting little cloudy for PQV – CZ Analysis. May be after Daily ABC up at 34 is finished it can get better picture.



Copper (JJC) – PQV Analysis

Our CZ 59-60 from 2008 cross current proved it merit and market stopped on its track.

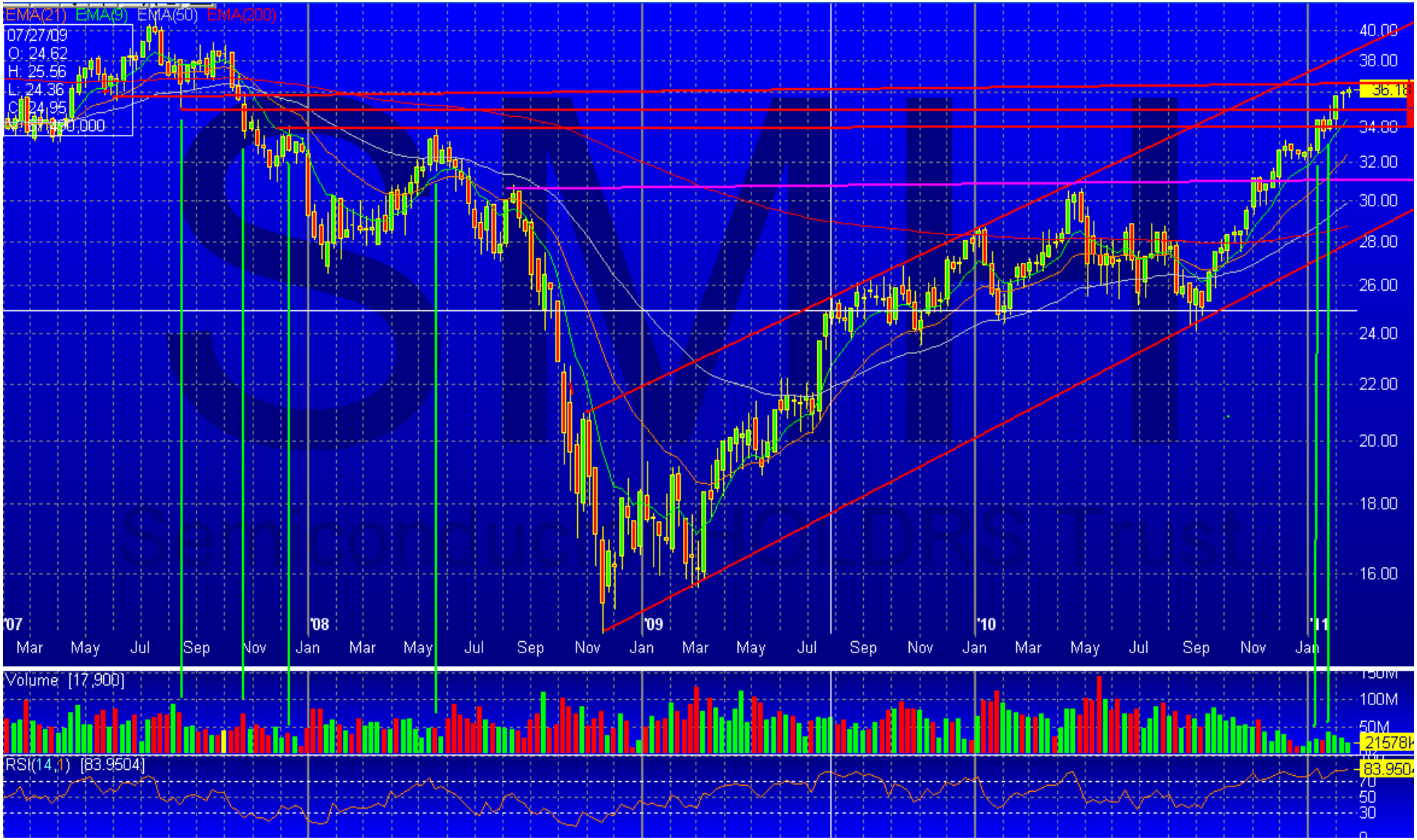
After this current breakdown, now we are dealing with CZ 60-61.5 , the test volume should be 180k on the bounce



SMH – Price / Volume (No Change)

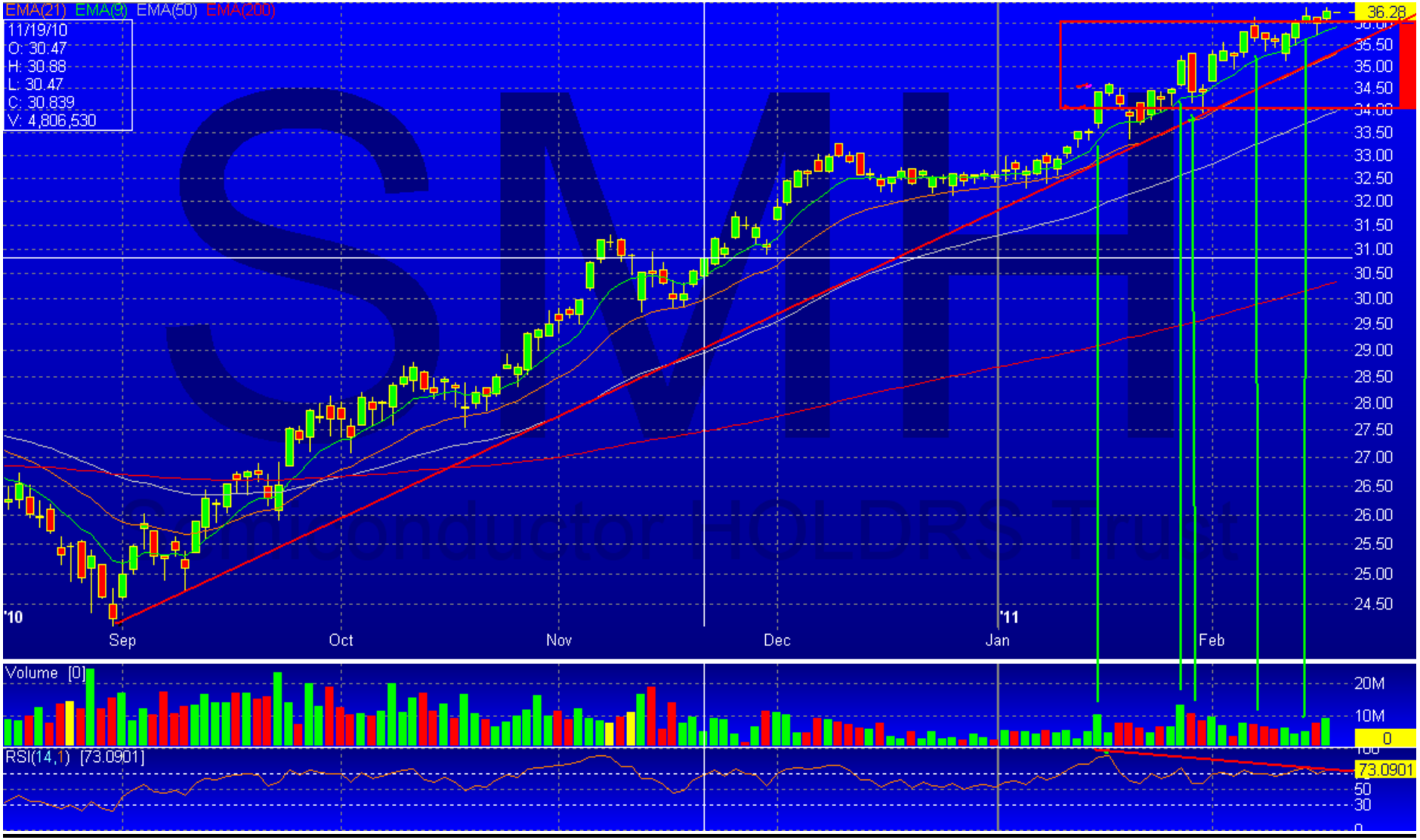
SMH came our test zone defined by May 08 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M , this was triggered. On risk reward as always the stop on other side of CZ.

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



SMH - PQV Analysis (Daily)

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



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

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

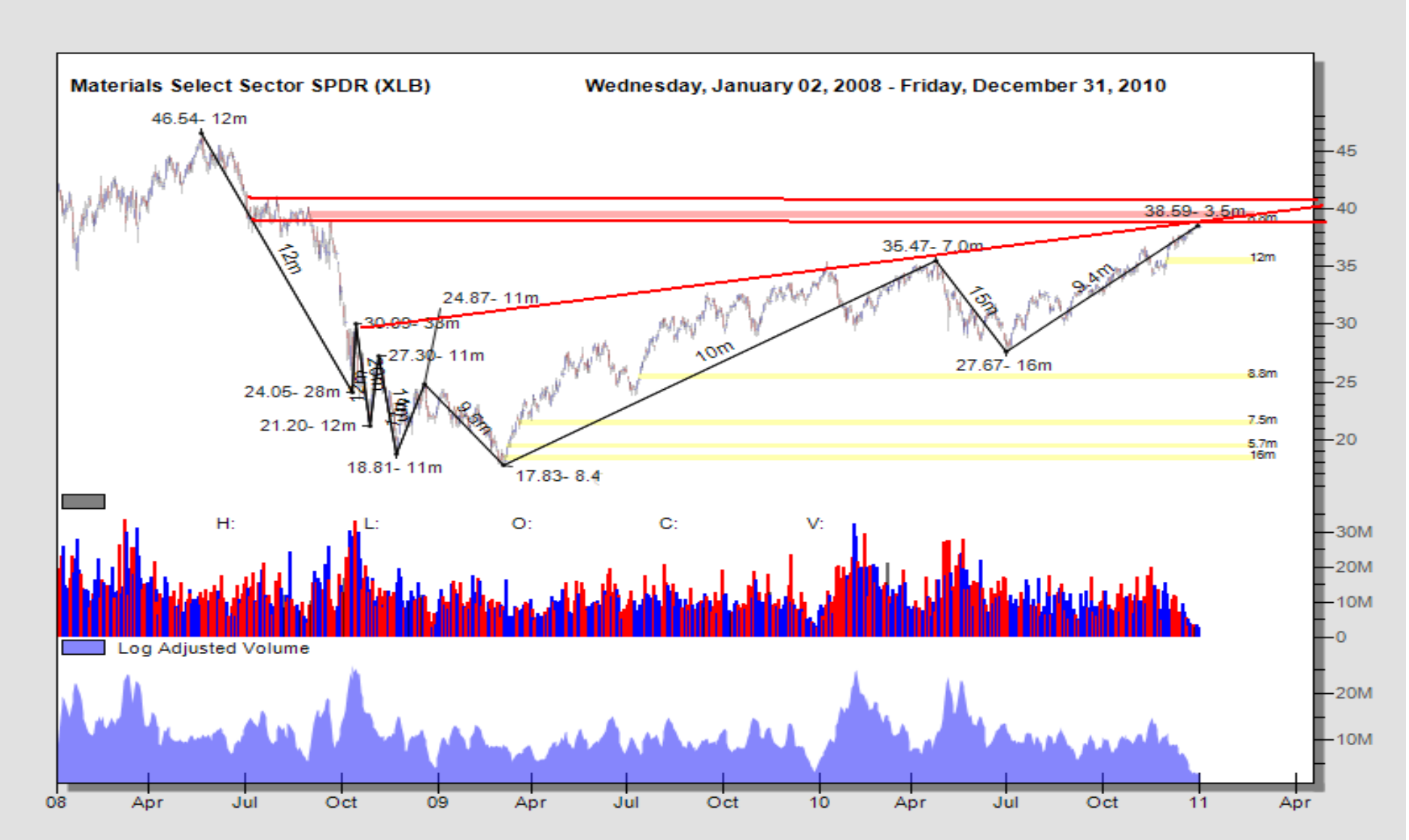
Struggled in CZ . Divergence plotted, if RSI close below 50 should have tough time to regain momentum back .

IYT - PQV Analysis

ITY failed in CZ 92.5 – 94.5, Struggled in CZ in spite of false breakout. Divergence plotted, if RSI close below 50 should have tough time to regain momentum back . Target 86

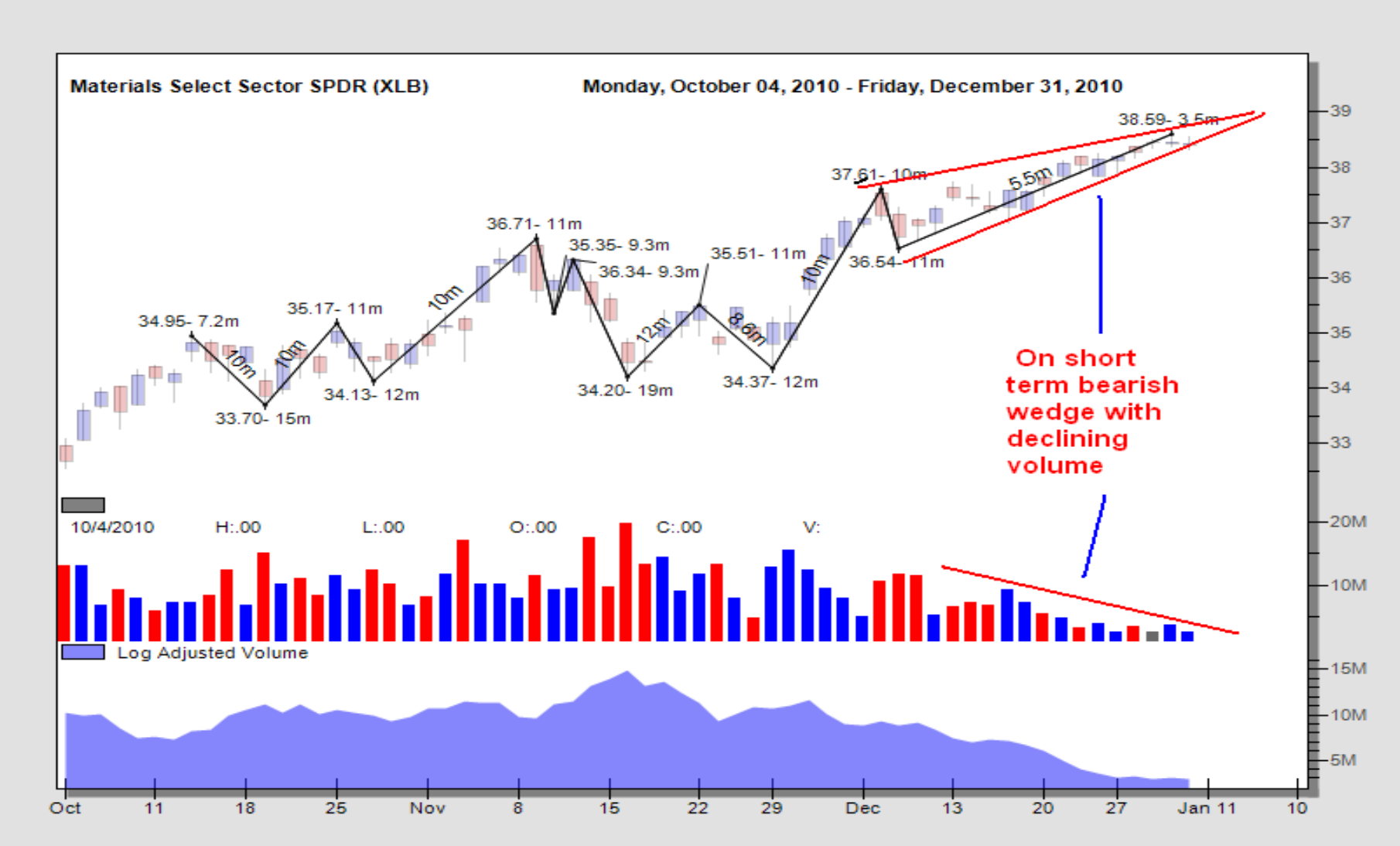
XLB – PQV Analysis

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



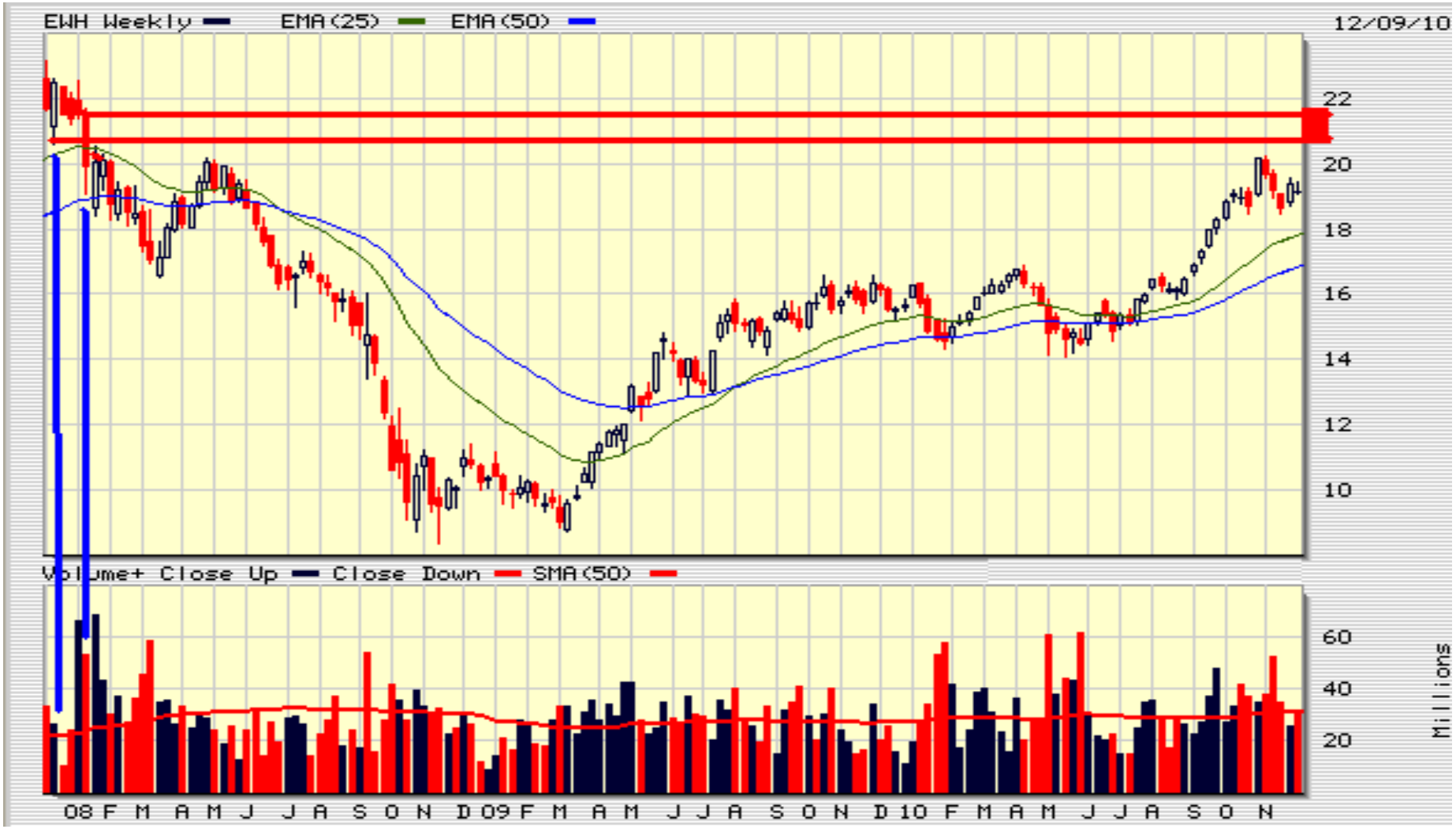
XLB – PQV Analysis – SHORT TERM

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



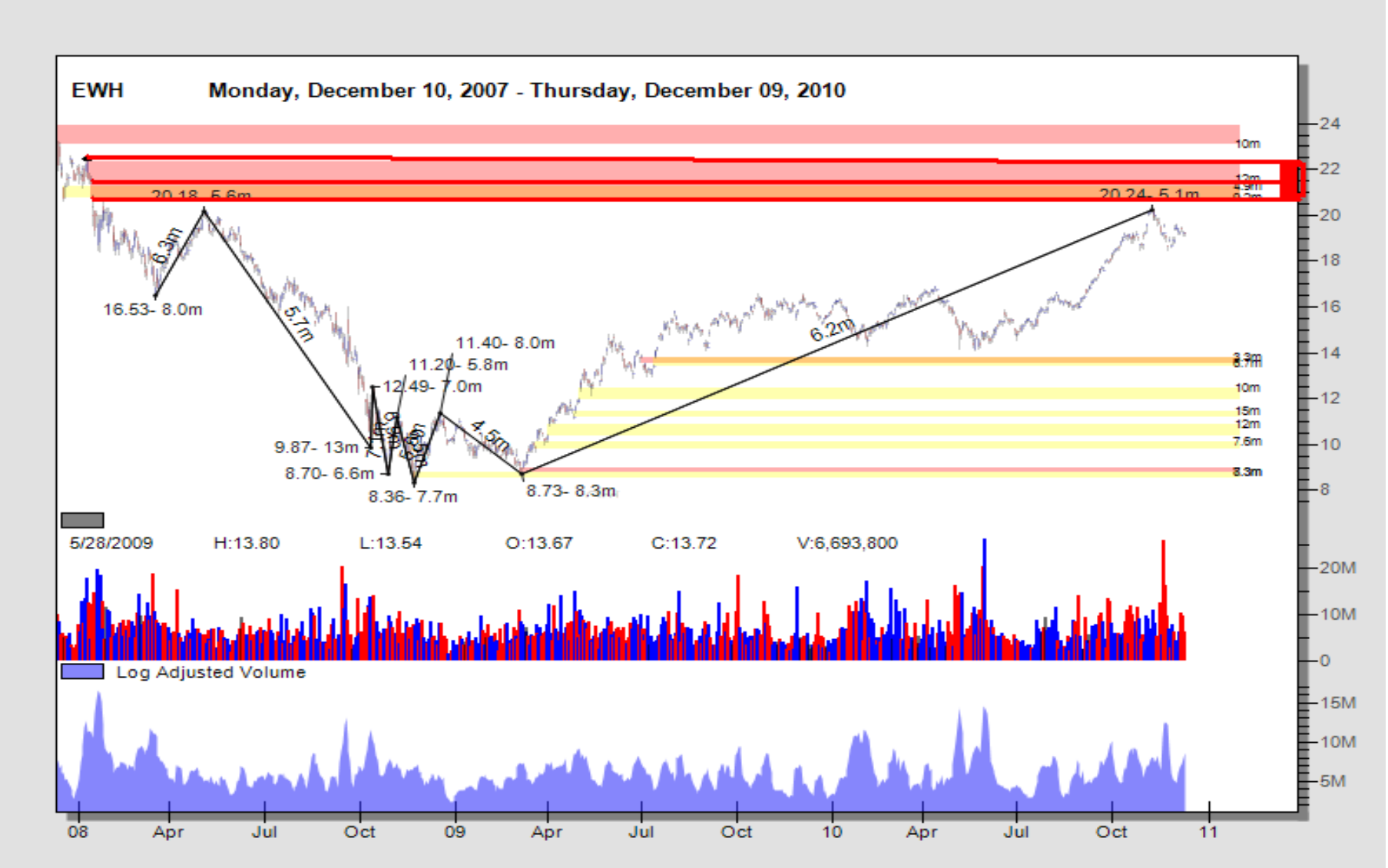
EWH - POM – LT - Price , Volume & Pattern Analysis

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



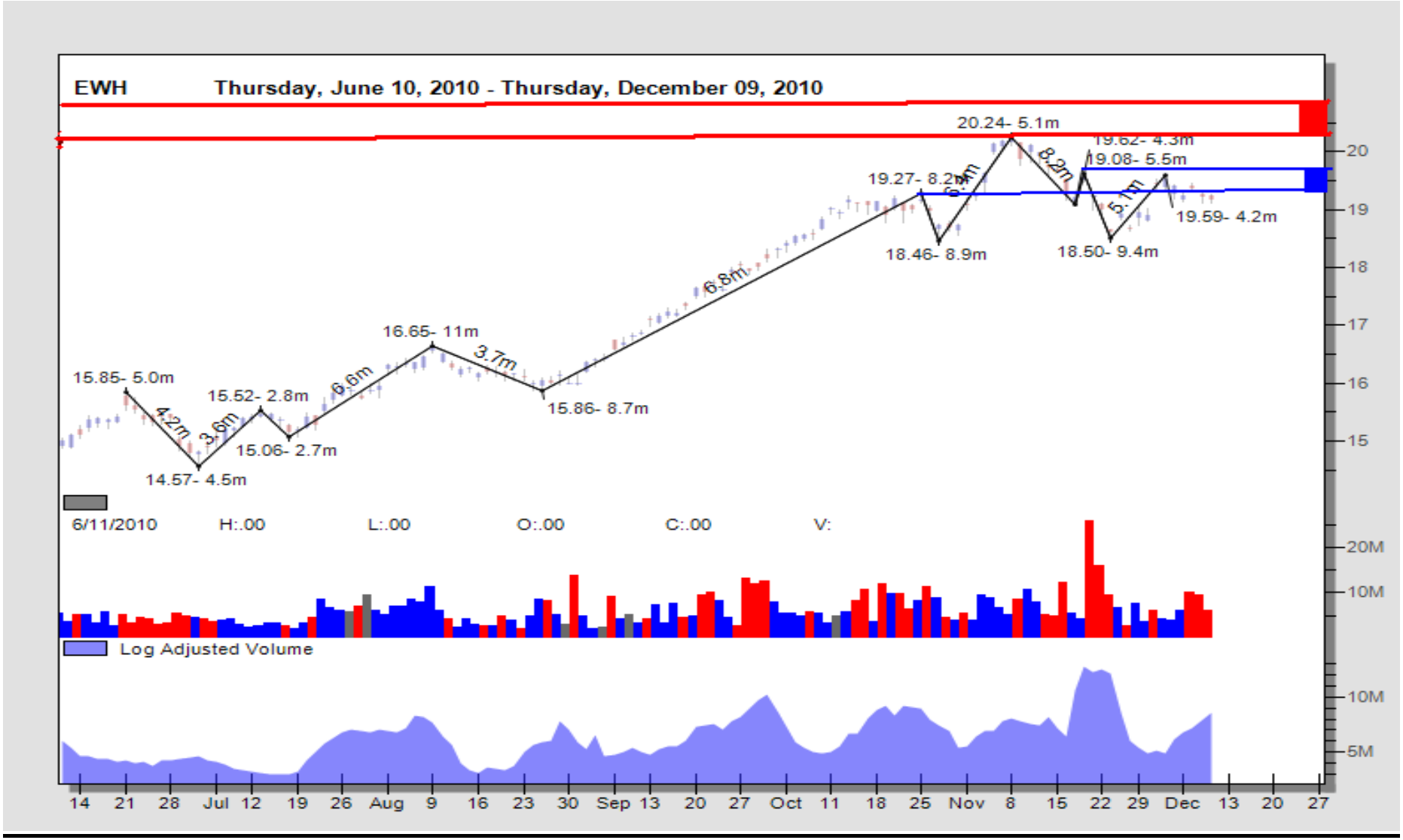
EWH- POM – MT - Price , Volume & Pattern Analysis

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 .

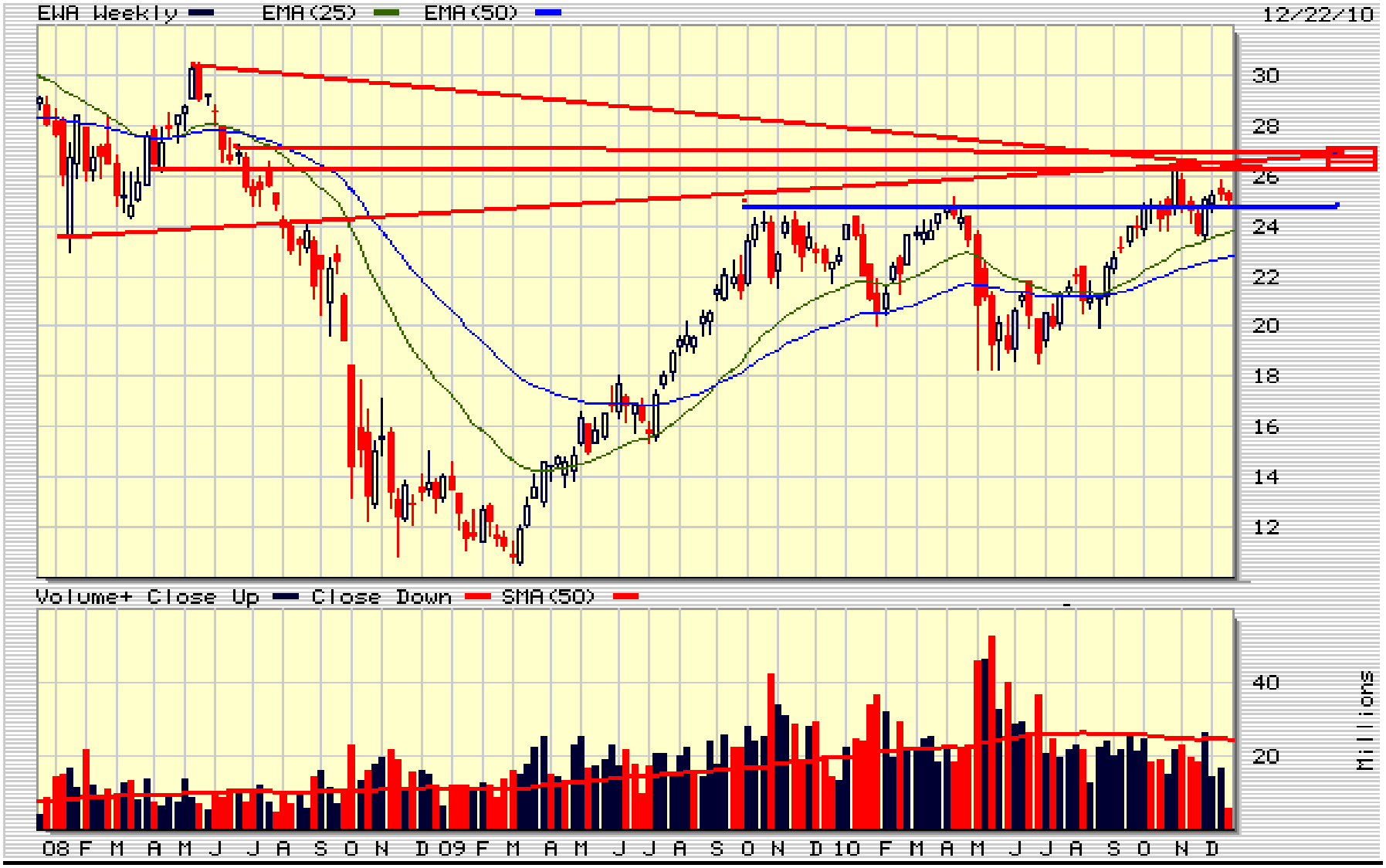


EWH – Technical & Pattern Analysis & Price / Volume

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 .

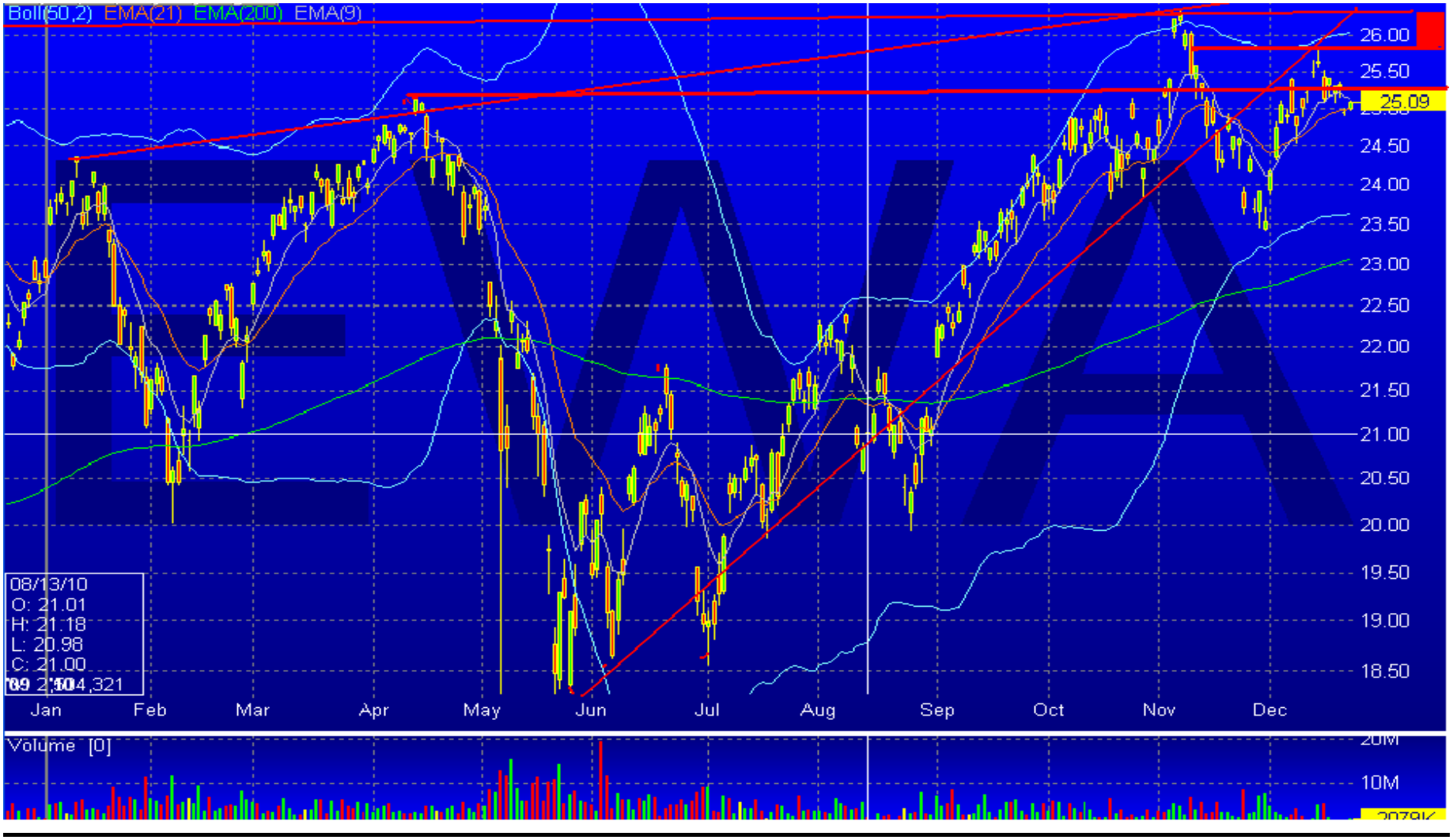
EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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

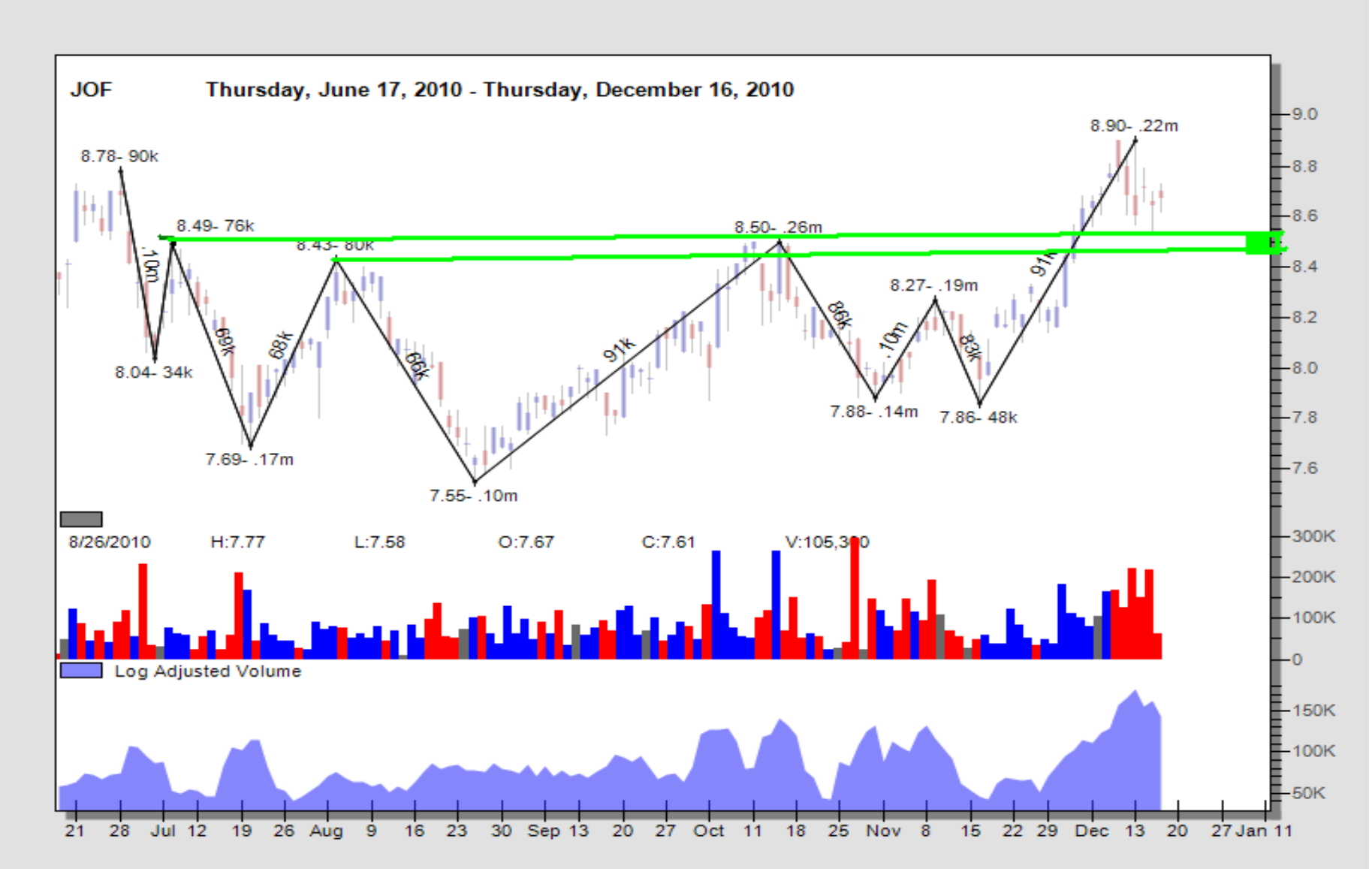
On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



Long

JOF – Technical & Pattern Analysis –

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



XLV – Technical & Pattern Analysis & Price / Volume

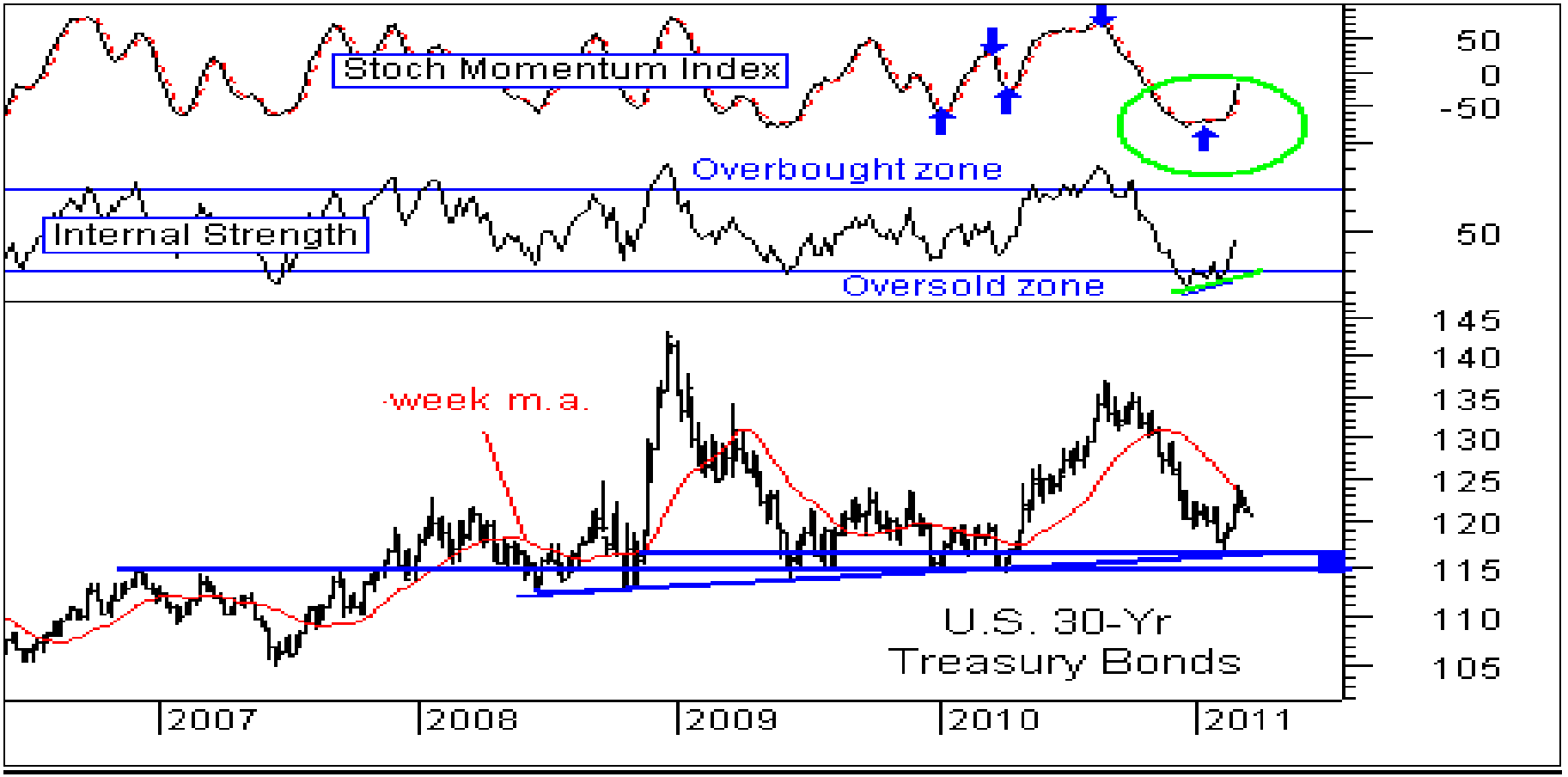
The larger H & S Bottom should hold on pull back along with Trend line , RSI should pull back to 50

XLV – Technical & Pattern Analysis & Price / Volume

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

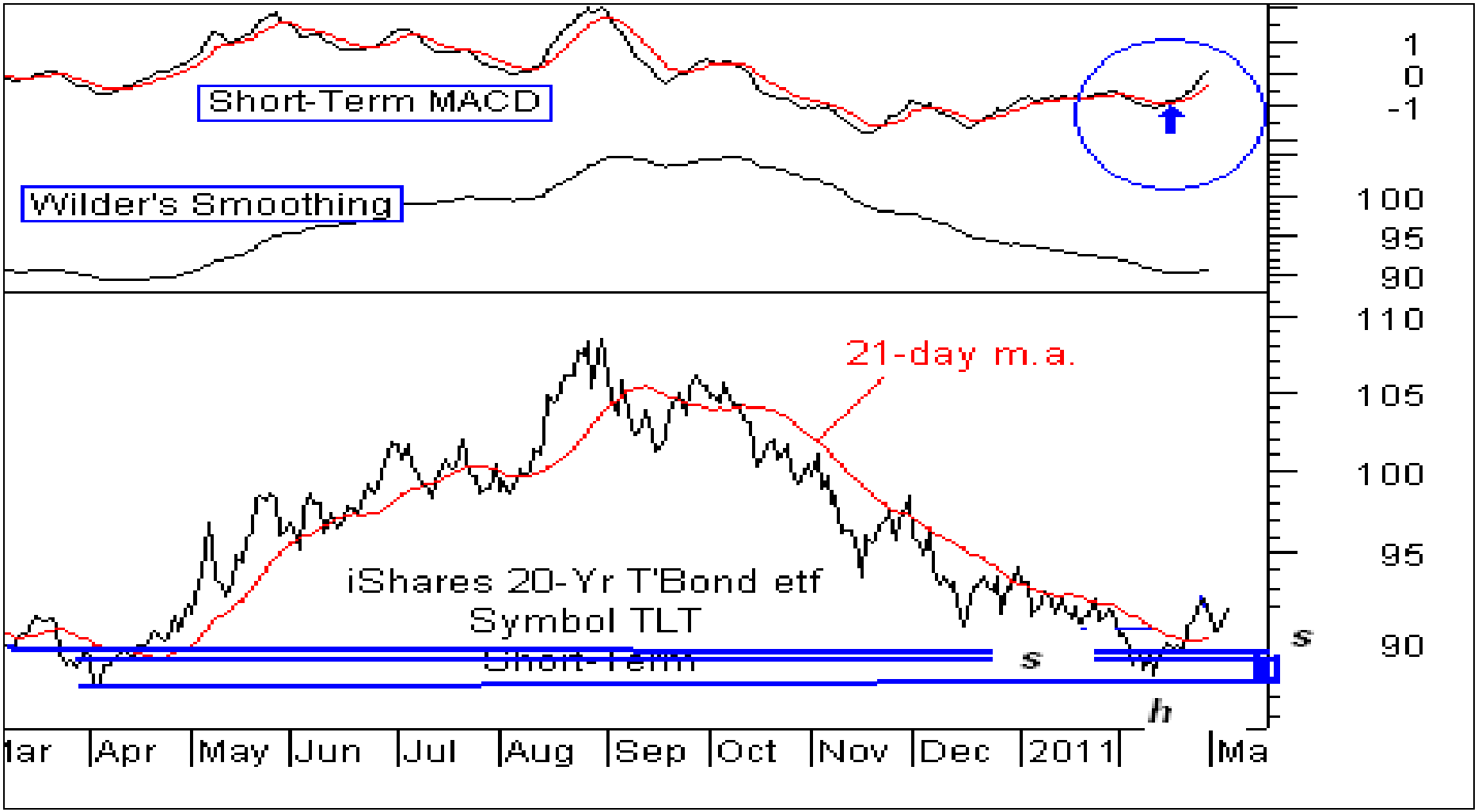
2 – 30 – YR BOND – Technical Analysis.

Money is flowing back into bonds to create an upside reversal in our momentum reversal indicators.



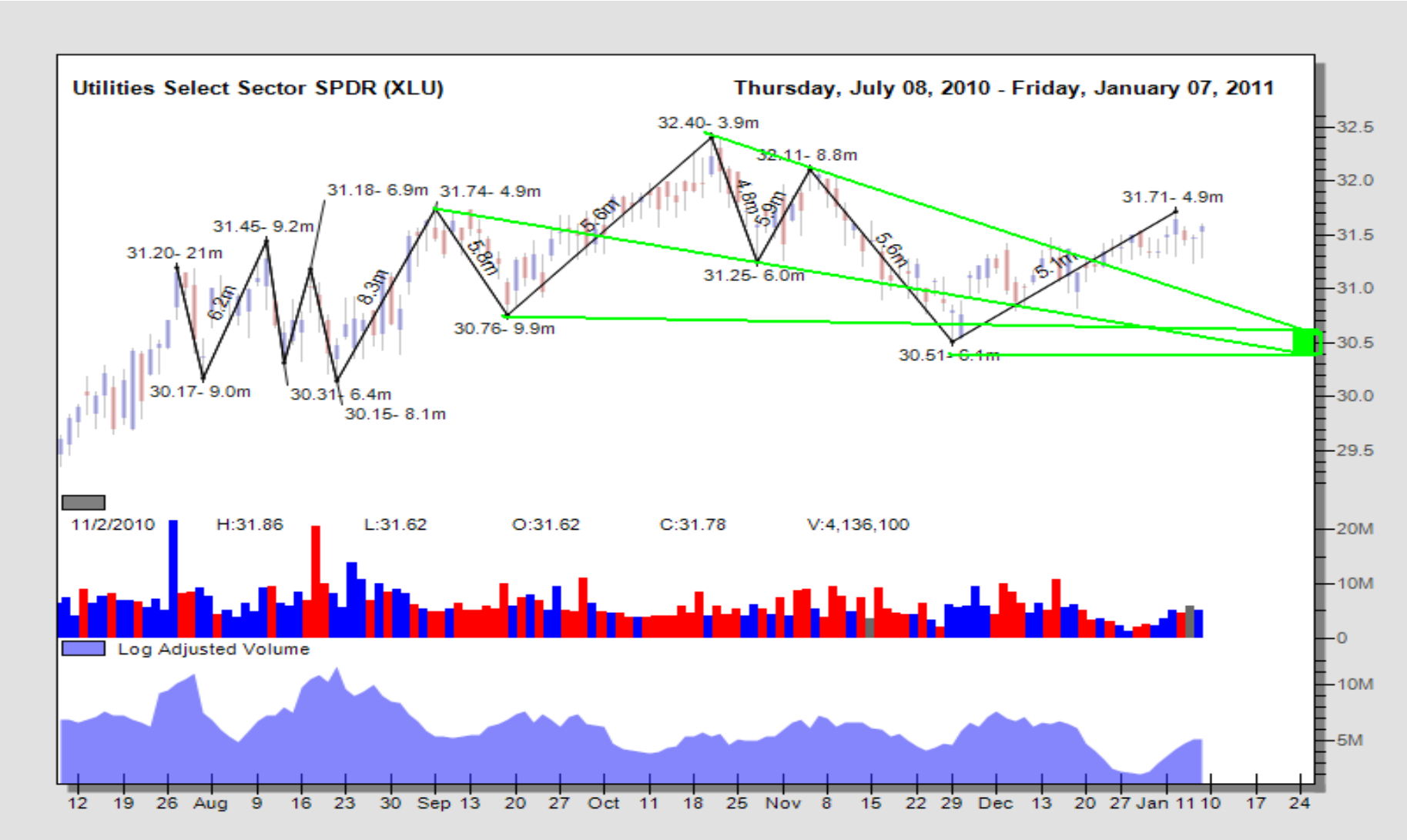
2 – TLT- POM – ST - Price , Volume & Pattern Analysis

There is clearly a bullish setup here , After being effectively validated on PQV /CZ /POM 12 – Now it has established ABC up with Inverse H& S bottom (confirmed by volume) all these criteria being accomplished above 21 D and MACD triggered on ST & MT basis.. Note – Inverse H & S has much higher probability if used in concert with CZ /PQV



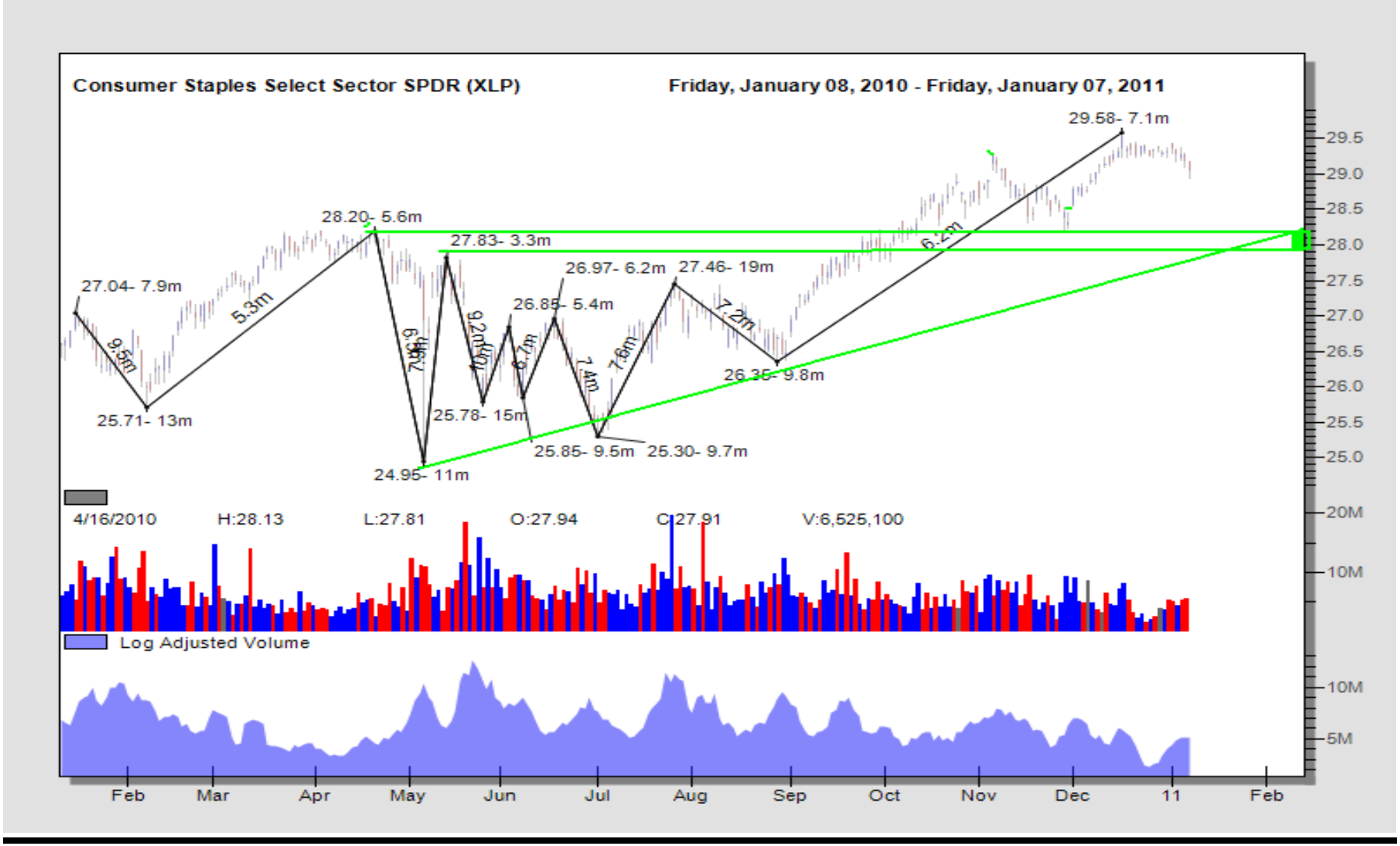
XLU– Price / Volume

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



XLP– Price / Volume

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



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