



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2011 # MAR 18

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

By: Suneil R Pavse

Contact: apavse@aol.com

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

3x3 /9EMA – Momentum Break Indicator –

Next Signal – Buy SPX above 1307 close

- **Sector Insight**

- *Option expiration Friday , it could be volatile but with positive bias . Few of the competing complex strategies gets played and tested on expiration day.*
- *Turn came in as expected around our CZ in SPY & IWM ,*
- *We now are looking for 1295 in SPX to be our focus point , this AM we touched 1290 (More of it in Mondays A # 1 – MS Report , we will visit our Indicators)*
- *Process continued in our SECTOR L /S with reversion to mean, POM to POM & CZ to CZ moves*

- **Summary of “ Sector Review” - For Short Sell & Longs (UPDATE)**

- ✓ **On Short side –**

Out of (20) Sectors Qualified for PQV, (15) Sectors were CZ / PQV Validated resulted in Gains of +11.66 % (open & Closed position included) while **our Drawdown minimization of 6.0% whiles SPX moved against 8%**

- ✓ The balance (5) – 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 + 4.45 % (open & Closed position include) while SPX was up 8%.

- ✓ 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) EWJ among previously SD # -2 / POM 13 Qualified but is now ready for Bounce .**

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 - (40) – Highlighted below are this weeks SD # 2 & CZ –PQV Qualified this week

GR1 (15)	GR2 (11)	GR3 (13)
<ul style="list-style-type: none"> • SPY • QQQQ • TLT (Bonds)) • IWM • EEM (Emerg) • EEA (Europe) • EWJ (Japan) • FXI (China) • RSX (Russia) • IFN (India) • EWP (SP) • EWH • JOF • EWA 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • 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)

- **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.*

STEP 1 - SECTOR SELECTION PROCESS - SD # 1.5 / 2.0 -

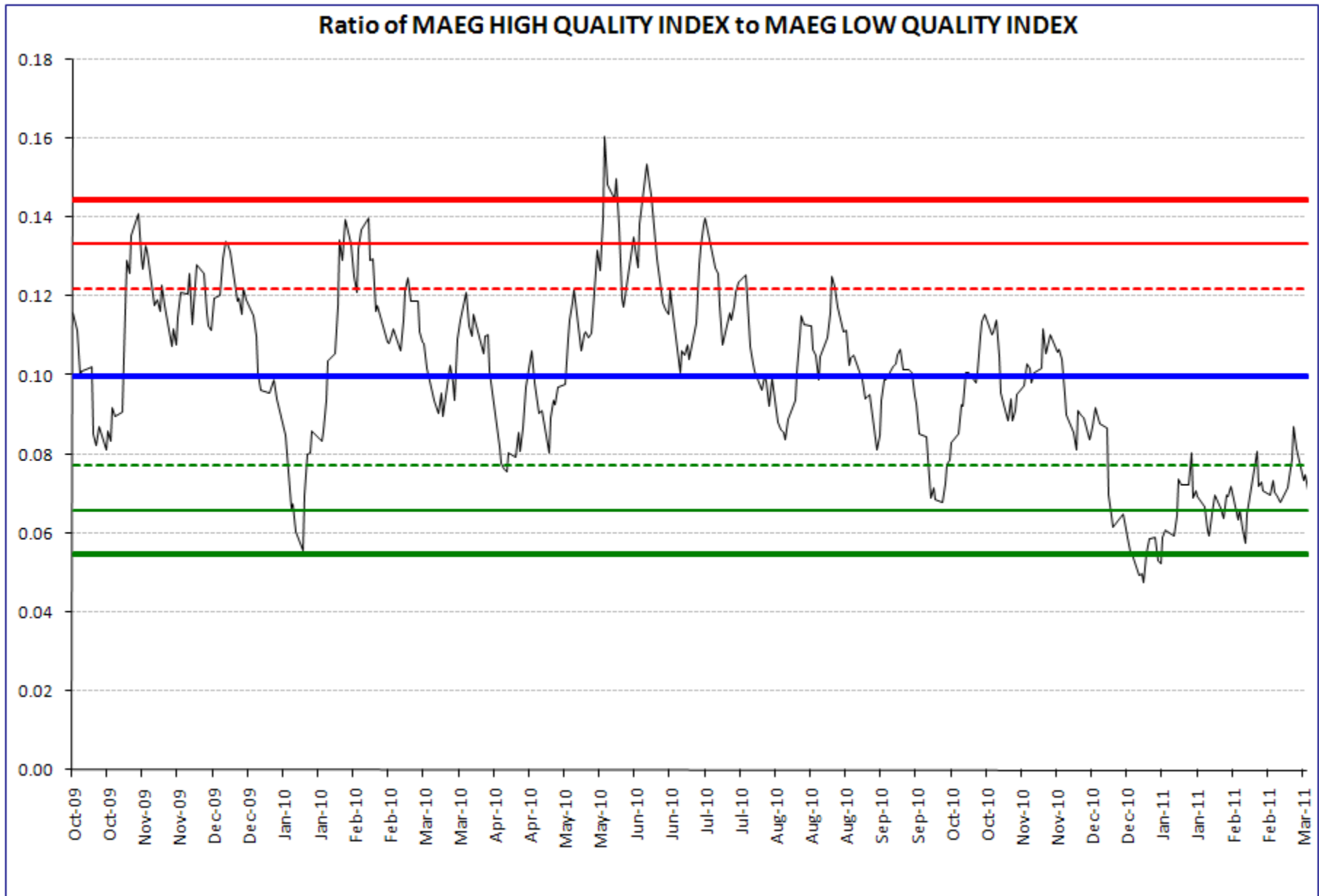
3X3/9EMA – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD	Target Exit & Reversion to mean	Last Price	3X3/9EMA	Net Exposure	Comments
Gr 1							
SPY		1.23	0.09	127.85	↓ 129.18		
QQQQ		0.69	0.04	54.65	↓ 55.73		
IWM		1.16	0.06	78.42	↓ 79.54		
TLT		-1.20	0.09	93.21	↑ 91.56		
EWJ	Below -2SD	-3.81	0.01	10.10	↓ 10.50		
FXI	Below -1.5SD	-1.60	0.04	41.98	↓ 43.05		
IFN	Below -1.5SD	-1.77	0.03	30.00	↓ 29.93		
EEM		-0.96	0.04	45.15	↓ 45.56		
Gr 2							
XLV		-1.34	0.03	31.97	↓ 32.45	100%	
RTH		1.14	0.03	47.99	↓ 48.23		
XLF		-1.01	0.01	16.09	↓ 16.31	100%	
XLU	Below -1.5SD	-1.73	0.03	31.03	↓ 32.01		
XLE	Above +2SD	2.89	0.05	76.00	↑ 74.58	0%	
XLP	Below -1.5SD	-1.67	0.02	28.98	↓ 29.44	64%	
XLI		1.37	0.03	35.90	↓ 36.07	50%	
Gr 3							
JJC	Above +1.5SD	1.59	0.04	57.94	↑ 55.75		
SLV	Above +2SD	2.29	0.02	33.51	↓ 34.08		
SMH		0.97	0.02	32.98	↓ 33.78		
USO		-0.09	0.03	40.69	↓ 40.71		
BBH		-0.86	0.09	103.22	↓ 103.41		
DBA	Above +1.5SD	1.53	0.02	33.41	↓ 33.44		
DBC	Above +2SD	2.39	0.02	29.55	↑ 29.42		
Primary Index Net Exposure							
POM 14 Re Run 3							67%

- 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

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	78.42	73.73	-6.36%	↓ 79.54	84.00	@SD2		
RTH	25-Nov-10	102.93	103.47	0.52%	↓ 104.30		@SD2		
SMH	25-Nov-10	32.98	31.68	-4.10%	↓ 33.78	37.80	@SD2		
JJC	10-Dec-10	57.94	54.08	-7.14%	↓ 55.75	63.00	@SD2		
SLV	10-Nov-10	33.51	27.00	-24.11%	↓ 34.08	28.35	@SD2		
XLE	31-Dec-10	76.00	68.15	-11.52%	↓ 74.58		@SD2		
QQQQ	23-Dec-10	54.65	54.74	0.17%	↓ 55.73		@SD2		
DBC	10-Mar-11	29.55	30.15	1.99%	↓ 29.25		@SD2		
							1.39%		
							SD's triggered P/L		-6.15%
CZ Triggers									
IWM	21-Jan-11	77.75	79.00	1.58%	↓ 79.26	84.00	@CZ1		Closed on Wednesday (16th March 2011)
SMH	21-Jan-11	32.75	35.00	6.43%	↓ 33.61	37.80	@CZ1		Closed on Wednesday (16th March 2011)
JJC	19-Jan-11	54.75	59.50	7.98%	↓ 55.69	63.00	@CZ1		Closed on Wednesday (16th March 2011)
EWI		17.19	19.50	11.85%	↓ 18.33	20.74	@CZ		Closed on Wednesday (16th March 2011)
EEM		44.60	47.50	6.11%	↓ 45.56	52.50	@CZ		Closed on Wednesday (16th March 2011)
XLB	21-Jan-11	36.75	39.50	6.96%	↓ 37.42	43.05	@CZ1		Closed on Wednesday (16th March 2011)
EWA	21-Jan-11	23.60	25.44	7.23%	↓ 24.37	27.30	@CZ1		Closed on Wednesday (16th March 2011)
IYT		89.25	93.50	4.55%	↓ 90.93	99.23	@CZ1		Closed on Wednesday (16th March 2011)
GLD(Half Position)	10-Mar-11	135.50	139.50	2.87%	↓ 137.55	141.00	@CZ1		Closed on Wednesday (16th March 2011)
GLD(Half Position)	10-Mar-11	136.97	139.50	1.81%	↓ 137.88	141.00	@CZ1		
GDX	10-Mar-11	55.00	59.00	6.78%	↓ 56.81	62.00	@CZ1		Closed on Wednesday (16th March 2011)
CLOSED SHORT POSITIONS									
				59.70%			58.32%		7
				EQ YR SHORT P	3.96%		CZ'S Triggered P/L		11.66%

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	31.97	30.99	3.16%	↓	32.34		@SD2		
XLU	23-Dec-10	31.03	31.36	-1.05%	↓	31.85		@SD2		
XLF	25-Nov-10	16.09	14.63	9.98%	↓	16.24		@SD2		
TLT	12-Nov-10	93.21	96.38	-3.29%	↓	91.74	84.55	@SD2		
MUB	19-Nov-10	100.26	100.98	-0.71%	↓	99.78		@SD2		
BBH	2-Nov-11	103.22	100.95	2.25%	↓	103.16		@SD2		
EWJ	15-Oct-10	10.10	10.22	-1.17%	↓	10.25		@SD2		
USD	15-Oct-10	40.69	35.47	14.72%	↓	40.50		@SD2		
FXI	23-Dec-10	41.98	42.60	-1.46%	↓	42.85		@SD2		
XLP	7-Jan-11	28.98	29.18	-0.69%	↓	29.35		@SD2		
IFN	27-Jan-11	30.00	30.5	-1.64%	↓	29.85		@SD2		
								10.61%		
								SD's triggered P/L	2.79%	
CZ Triggers										
JOF		8.52	8.47	0.59%	↓	8.79	7.98	@CZ		
TLT	21-Jan-11	93.21	89.50	4.15%	↓	91.74	84.55	@CZ1		
								4.17%		
								CZ'S Triggered P/L	4.45%	
CLOSED LONG POSITIONS										
				14.78%						
				EQWT LONG P/L	2.83%					
15th OCT 2010 INCEPTION										
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX				EQWT AGG P/L Sh	6.79%					
INCEPTION @ SPX 1180 to Current 1273.72				SPX CHANGE	7.94%					

Inception 1st Oct 2010- L/S - SECTOR

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

CLOSED SHORTS POSITIO	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
EVP		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
XLB	31-Dec-10	10-Mar-11	38.44	37.77	1.74%	@SD2
						1.39%
				TOTAL	59.70%	
CLOSED LONGS POSITIONS						
BBH					0.00%	@SD2
EVJ					-0.50%	@SD2
USO					6.68%	@SD2
BBH					0.26%	@SD2
EVJ					4.17%	@SD2
						10.61%
GLD	27-Jan-11	11-Mar-11	129	137.77	4.17%	@CZ1
						4.17%
				TOTAL	14.78%	

SECTOR SETUP INDEX +78%, 79%, +79%, 69% (past 4 weeks)

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

- EQUITY SETUP INDEX : +67%, 70%,+59%35% (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)

<u>SETUP # 1</u> <u>(33 of 40)</u>	<u>% away from</u> <u>Gold .Cross</u>	<u>SETUP # 2</u> <u>(3 of 40)</u>	<u>% away from</u> <u>Dead. Cross</u>	<u>SETUP # 3</u> <u>(0 of 40)</u>	<u>% away from</u> <u>40wk</u>	<u>SETUP # 4</u> <u>(1 of 40)</u>	<u>% away from</u> <u>40wk</u>
SPY	15.32%	TLT	-3.91%			SLV	37.29%
QQQQ	18.29%	IFN	-2.34%				
IWM	19.42%						
EEM	11.87%						
EWJ	2.12%						
FXI	3.73%						
RSX	25.74%						
JOF	11.58%						
EWA	9.65%						
XLF	9.53%						
XRT	23.40%						
XLV	5.55%						
XLB	17.24%						
XLE	36.47%						
XLK	12.29%						
XLI	21.00%						
XLU	3.33%						
XLP	7.33%						
XLY	19.59%						
XHB	10.41%						
SMH	22.42%						
BBH	7.15%						
IYT	18.27%						
IYR	76.97%						
DBA	33.37%						
DBB	18.35%						
DBC	28.42%						
GLD	63.35%						
GDX	23.00%						
USO	13.57%						
JJC	31.80%						
SLX	14.88%						

STEP 2 - CZ – PQV – Validation Tracker for Selected Sectors

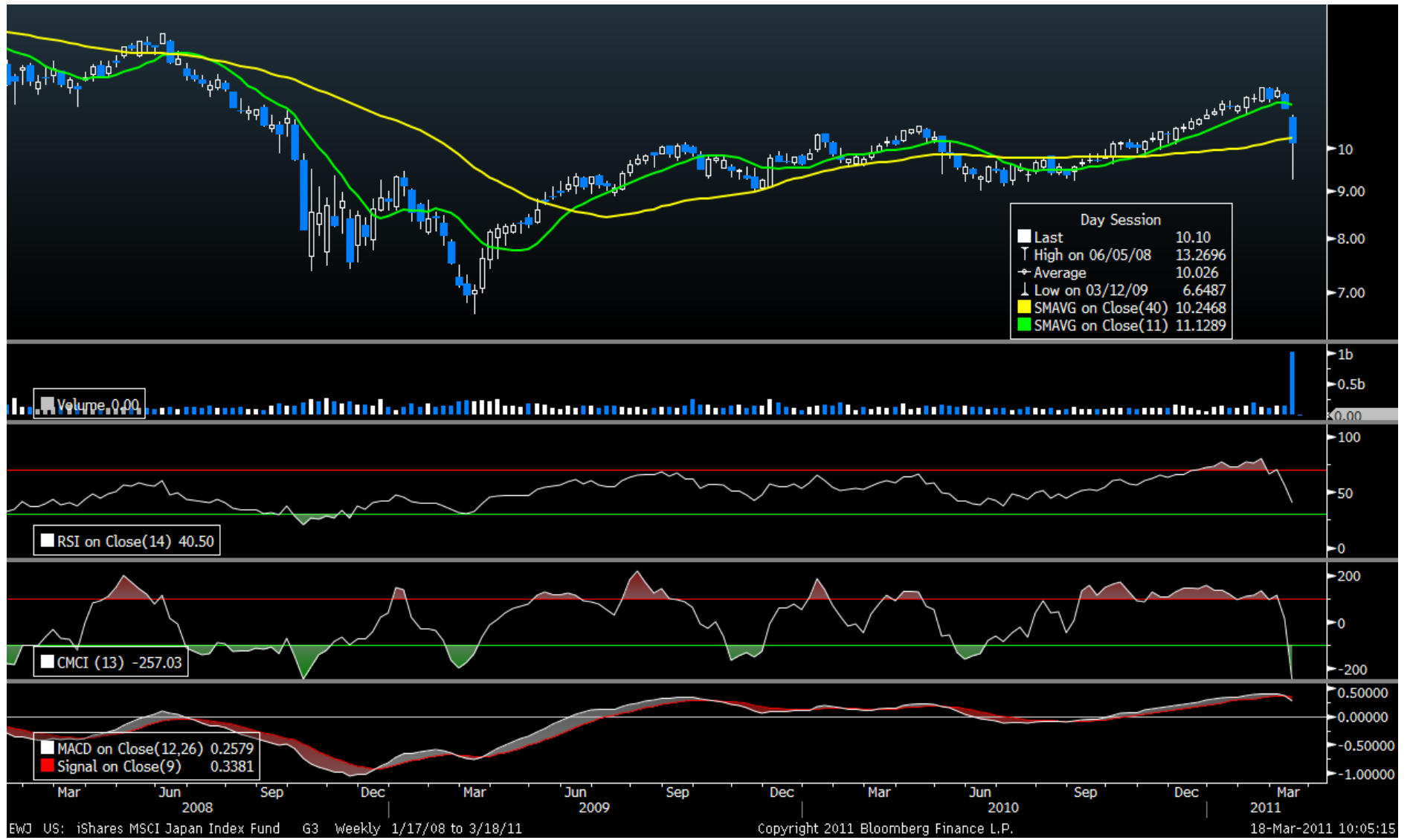
SETUP 2 -4 - PQV VALIDATION TEST PROCESS SUMMARY

Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Required Volume MM on	Actual Volume MM	Volume Pickup	% Away from Test price UL	40wk MA	% Away fom 40 MA	Stoploss @ Q3X3 / 9EMA	SETUP Qualify Price	Drawdown minimisation	SD #	
TRIGGERED																
TLT (half)	Long	93.21	89.5	89	90	40	42.0	42.0	4%	96.05	-2.96%	84.55	91.66	95.0	-5.8% (1.20)	
GLD	Short	136.97	139	139	139	17	8.7	8.7	-1%	128.56	6.54%	141.00	137.51	137.4	-1.2% 0.54	
WATCHLIST																
SLV (New)	Long	33.511	35.5	35	36	25			-7%	24.13	38.89%	22.92	34.08	95.0	-62.6% 2.29	
EWB (under \$19.25)	Short	17.74	19.5	19.25	19.75	4.5	4.0	4.0	-10%	17.78	-0.25%	20.74	18.40	19.1	-2.1% (0.78)	
EEM (under \$48)	Short	45.15	49	48	50	40	40	40.0	-10%	43.99	2.65%	52.50	45.56	46.2	-6.1% (0.96)	
SMH (under \$34)	Short	32.98	35	34	36	8	4.5	4.5	-8%	30.01	9.89%	37.80	33.61	32.0	-9.4% 0.97	
EWA (under \$25.5)	Short	23.74	25.5	25	26	3.5	1.9	1.9	-9%	23.20	2.33%	27.30	24.39	25.0	-2.0% 0.05	
XLB (under \$39)	Short	37.67	39.5	38	41	6	6.0	11.0	-8%	34.31	9.81%	43.05	37.35	38.4	-2.9% 0.59	
IWM (under \$79.5) (half)	Short	78.42	79.75	79.5	80	35	29.0	29.0	-2%	71.03	10.40%	84.00	79.43	73.0	-9.2% 1.16	
IWM (under \$79) (half)	Short	78.42	80.5	79.5	81.5	350	weekly		-4%	71.03	10.40%	85.58	79.43	73.0	-10.3% 1.16	
JJC (under \$59) (half)	Short	57.94	59.5	59	60	0.14	0.1	0.3	-3%	50.43	14.90%	63.00	55.68	54.0	-10.2% 1.59	
IYT	Short	91.07	93.5	92.5	94.5	0.65	0.65	0.7	-4%	84.85	7.33%	99.23	91.26	92.0	-1.6% 0.64	
GDX	Short	55.72	59	59	59	7.5	5.9	5.9	-6%	55.28	0.80%	62.00	56.74	58.95	-0.1% (0.24)	
TLT (half)	Long	93.21	89.5	89	90	40	weekly		4%	96.05	-2.96%	84.55	91.66	95.0	-5.8% (1.20)	
QQQQ (under \$56, touch of \$57) (Hold)	Short	54.65	57.25	56.5	58	200	weekly		-6%	50.88	7.41%	60.90	55.65	53.0	-8.0% 0.69	
QQQQ (under \$57, touch of \$59)(Hold)	Short	54.65	57	57	57	40			-4%	50.88	7.41%	59.85	55.65	53.0	-7.5% 0.69	
EWA (under \$25.75)	Short	23.74	26.5	26	27	16	weekly		-12%	23.20	2.33%	28.35	24.39	25.0	-6.0% 0.05	
XLV	Long	31.97	30.75	30.5	31	3			3%	30.37	5.28%	28.85	32.22	31.5	-2.4% (1.34)	
XLE (under \$75, touch of \$77) (Hold)	Short	76	76.5	75	78	60	weekly		-3%	61.40	23.77%	81.90	74.33	68.5	-11.7% 2.89	
JJC (under \$59) (half)	Short	57.94	59.75	59.5	60	0.14			-3%	50.43	14.90%	63.00	55.68	54.0	-10.6% 1.59	
XLU	Long	31.03	30.5	30.25	30.75	4.5	15.0		1%	30.50	1.74%	28.74	31.59	31.5	-3.2% (1.73)	
XLP	Long	28.98	28.05	27.8	28.3	3.8			2%	27.81	4.22%	26.41	29.22	29.3	-4.1% (1.67)	
														PQV Drawdown Minimisation factor		-8.3%
PQV Test validated within 5 to 7% of asking																

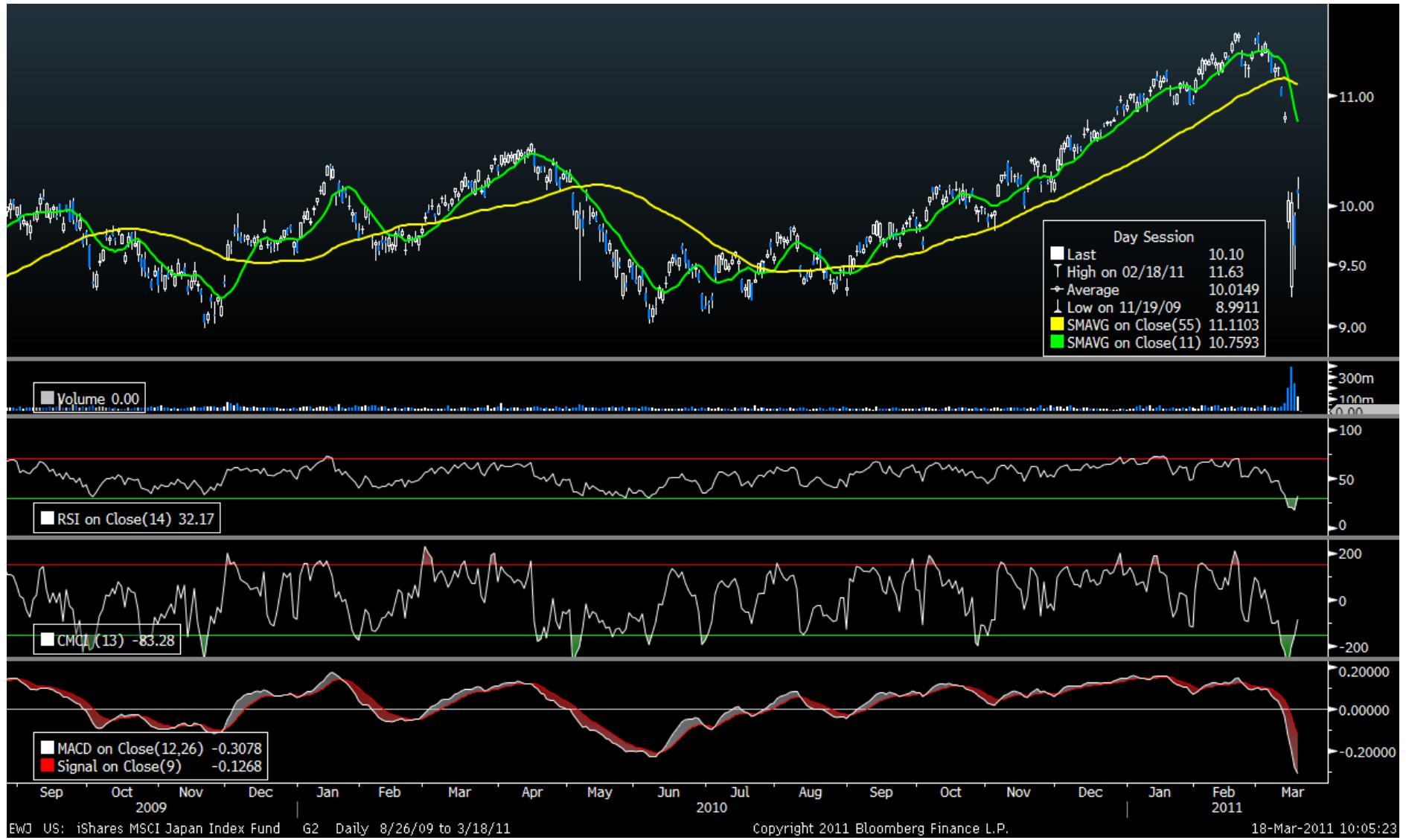
ETF's Qualified this week for SD # - 2

- *EWJ*

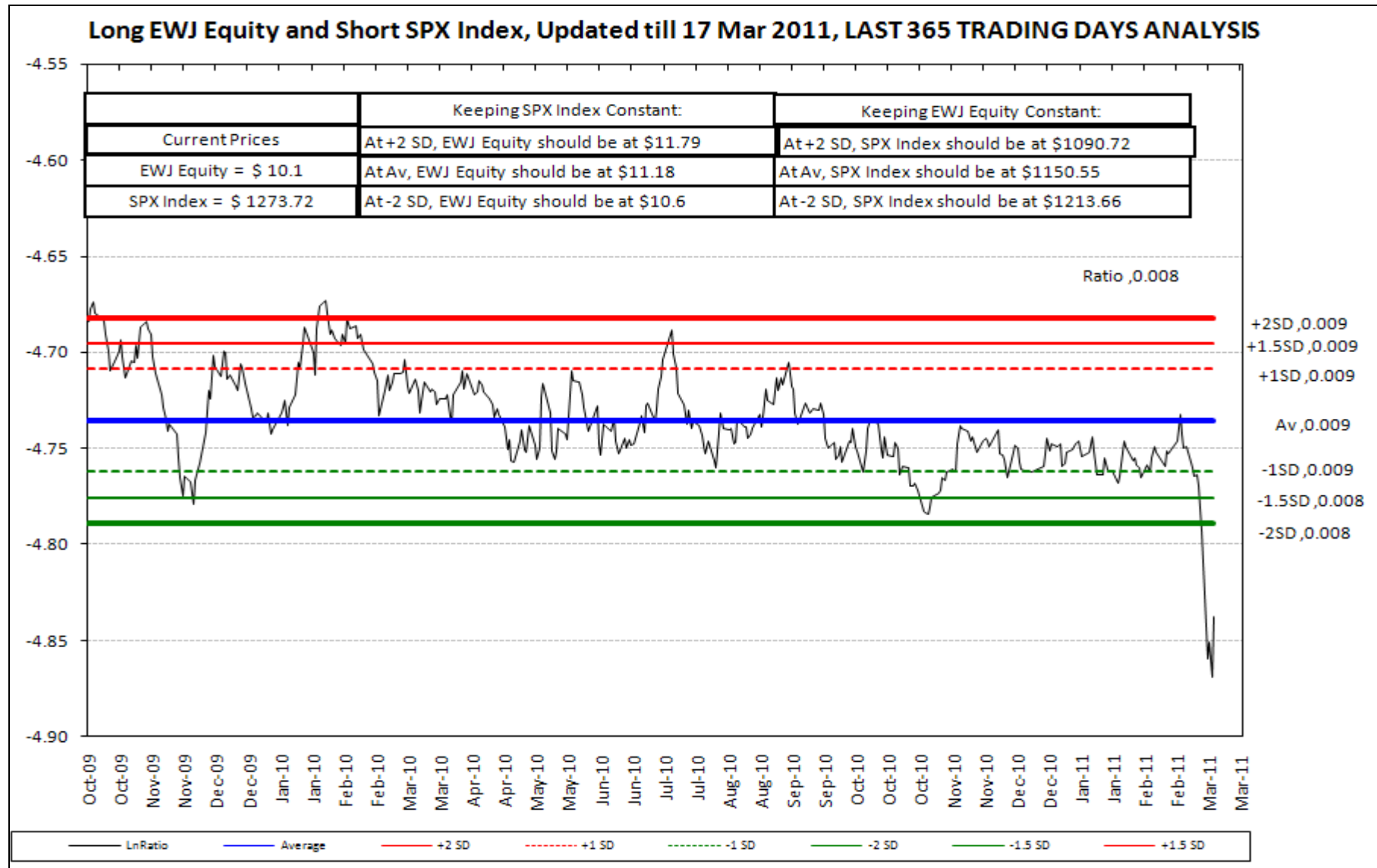
EWJ- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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



EWJ Correlation Ratio Analysis with SPX – 365 days Time basis



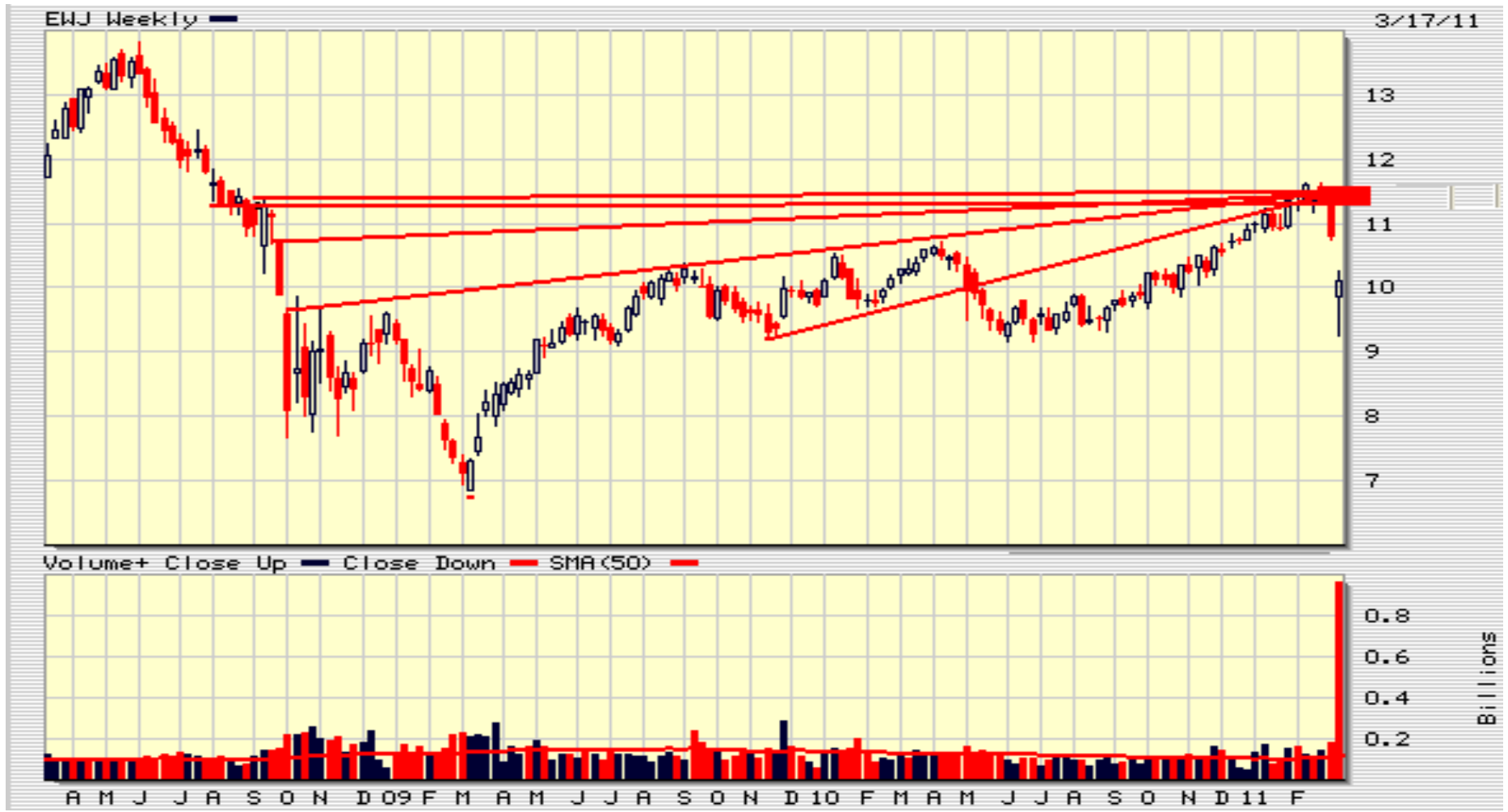
EWJ Correlation Ratio Analysis with SPX – Full Time basis

Long EWJ Equity and Short SPX Index, Updated till 17 Mar 2011, FULL PERIOD ANALYSIS



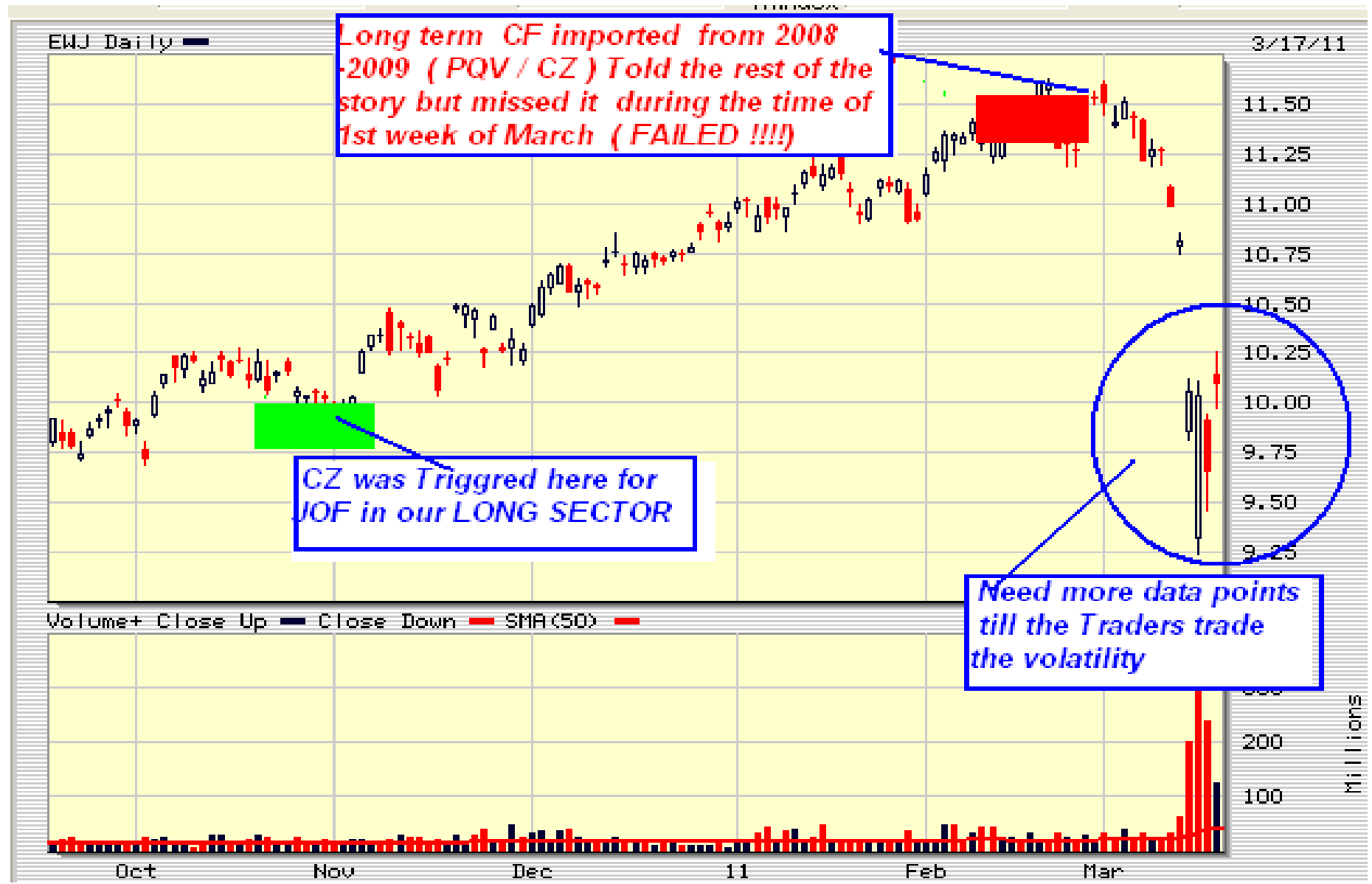
EWJ – PQV Analysis - Wkly

Although we hate to do backward looking indicators but here is a great academic example of EWJ at failed CZ / PQV test imported from 2008 -2009



EWJ – PQV Analysis - Daily

As they sayone has to be on Buy and Sell to make it work . (Refer notes within the charts) , No signals for Buy CZ – PQV yet . Currently Traders Trading in / out !!!



EWJ – Technical & Pattern Analysis (Bigger Picture)

CZ to be advised later



ETF's Qualified this week for SD # 2

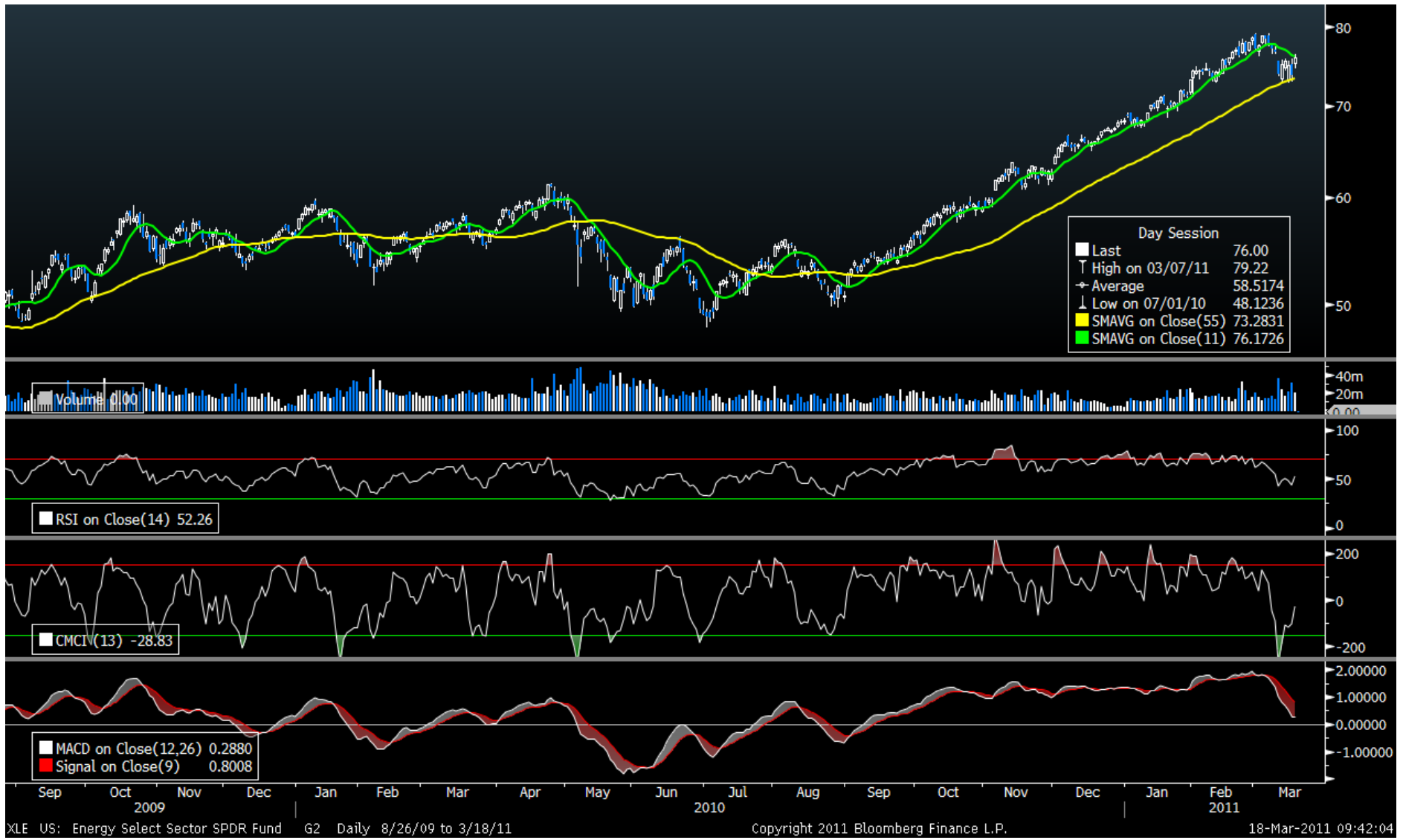
CZ – PLOTTED FOR

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

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

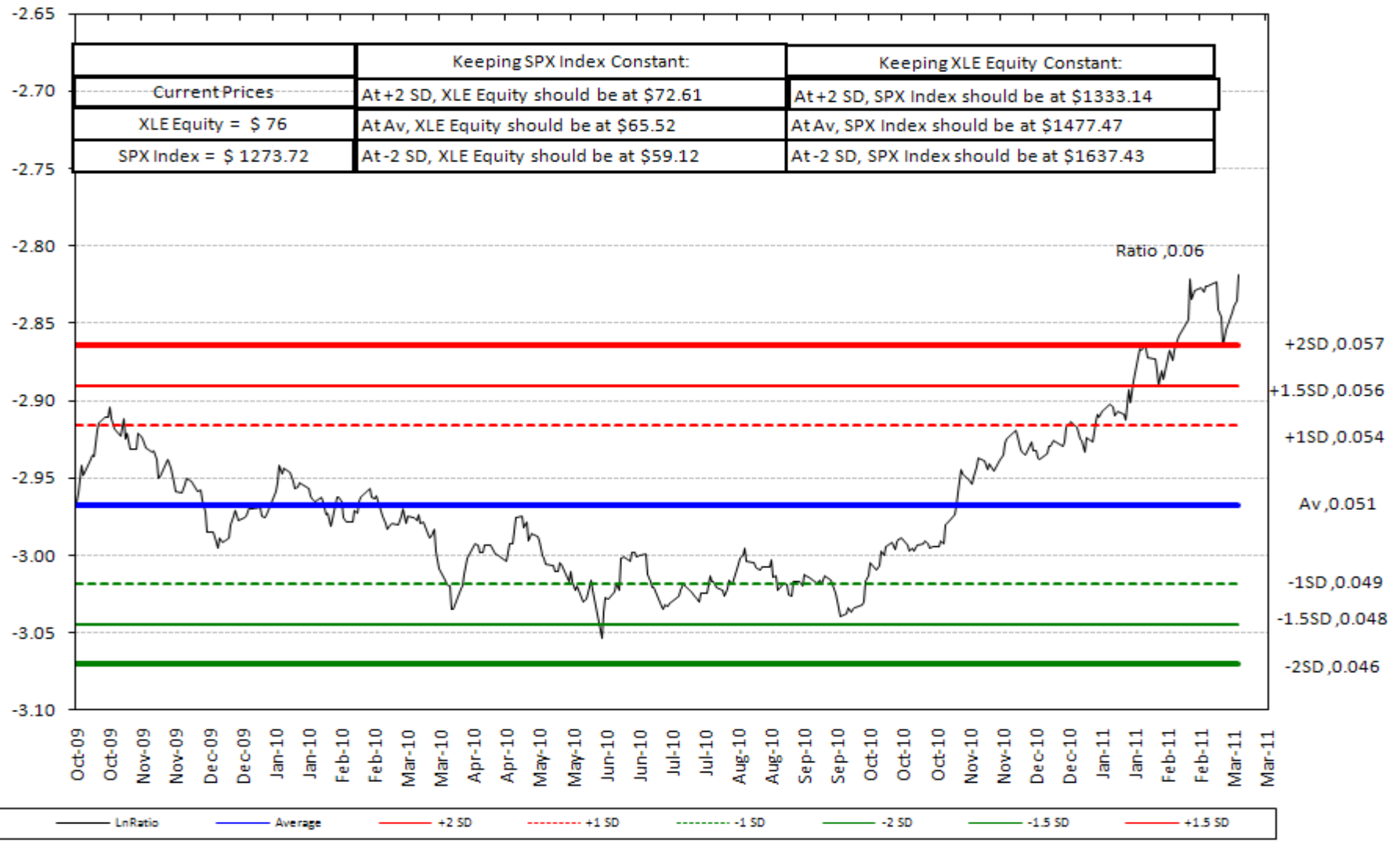


XLE - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



XLE Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLE Equity and Short SPX Index, Updated till 17 Mar 2011, LAST 365 TRADING DAYS ANALYSIS



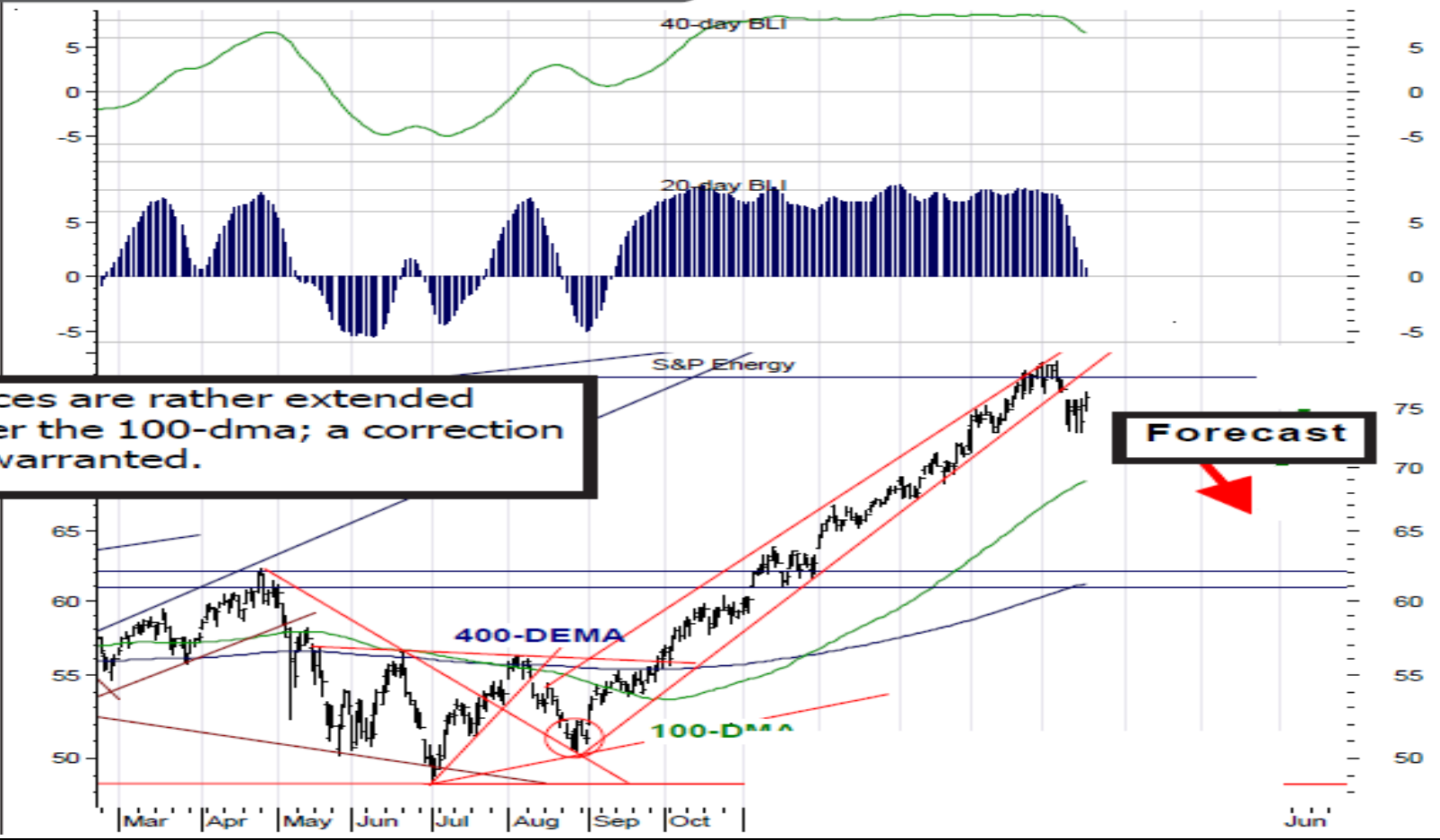
XLE Correlation Ratio Analysis with SPX – Full Time basis

Long XLE Equity and Short SPX Index, Updated till 17 Mar 2011, FULL PERIOD ANALYSIS



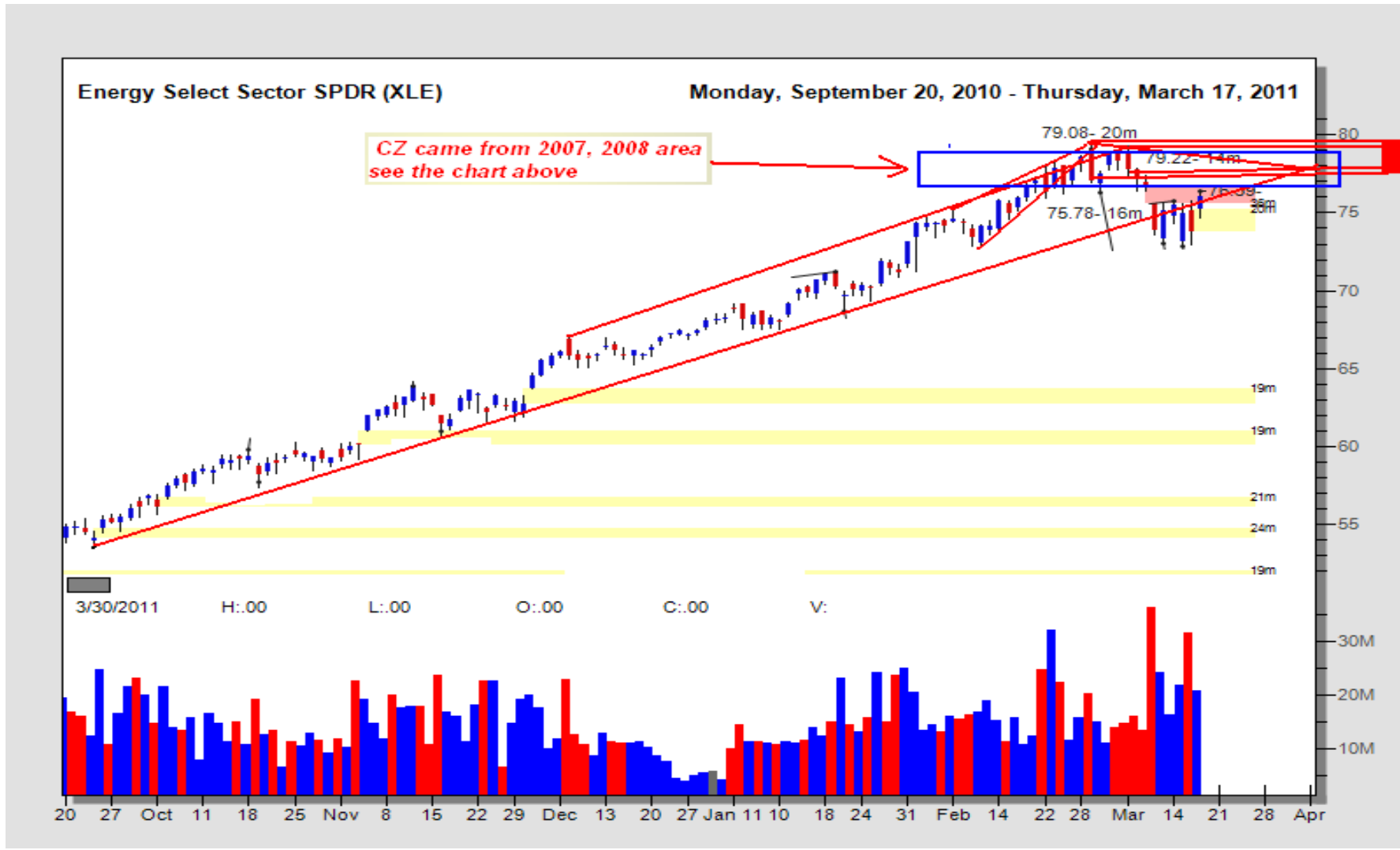
DBC – LT - Technical & Pattern Analysis

S&P Energy	XLE
Last: \$ 76.00	
Chg: \$ 2.25	2.96%



XLE - PQV Analysis

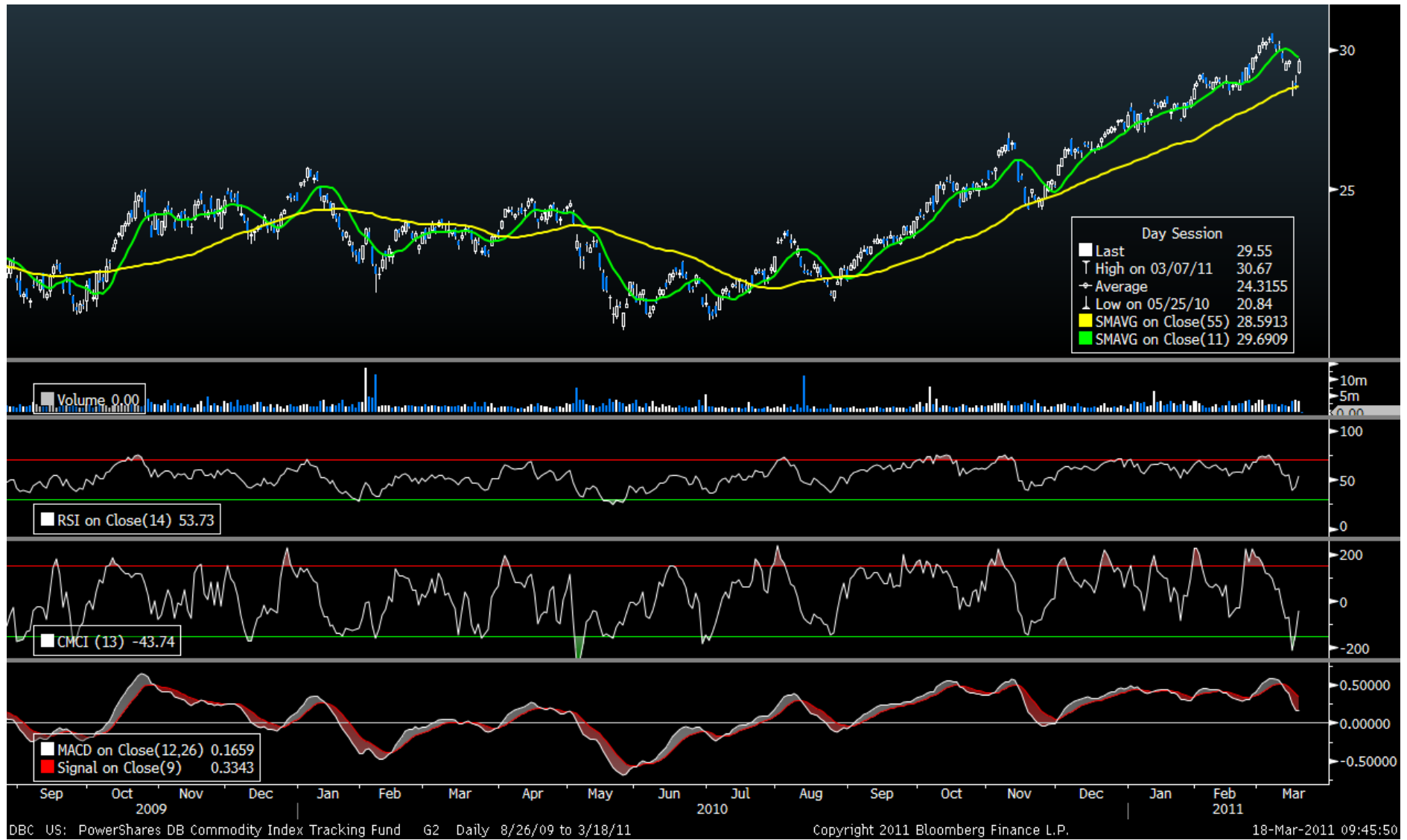
XLE – The CZ 76 – 78 , imported from way back 2008 dislocation proved its merit , On 4th March it Triggered at 78 and immediately dropped to 73. Our next decision point will be going back to 76 to 79 and test with 12 M shares and fail (½ position) and 2nd half when Traded above 79 and close under 78 with 14 M for Trigger



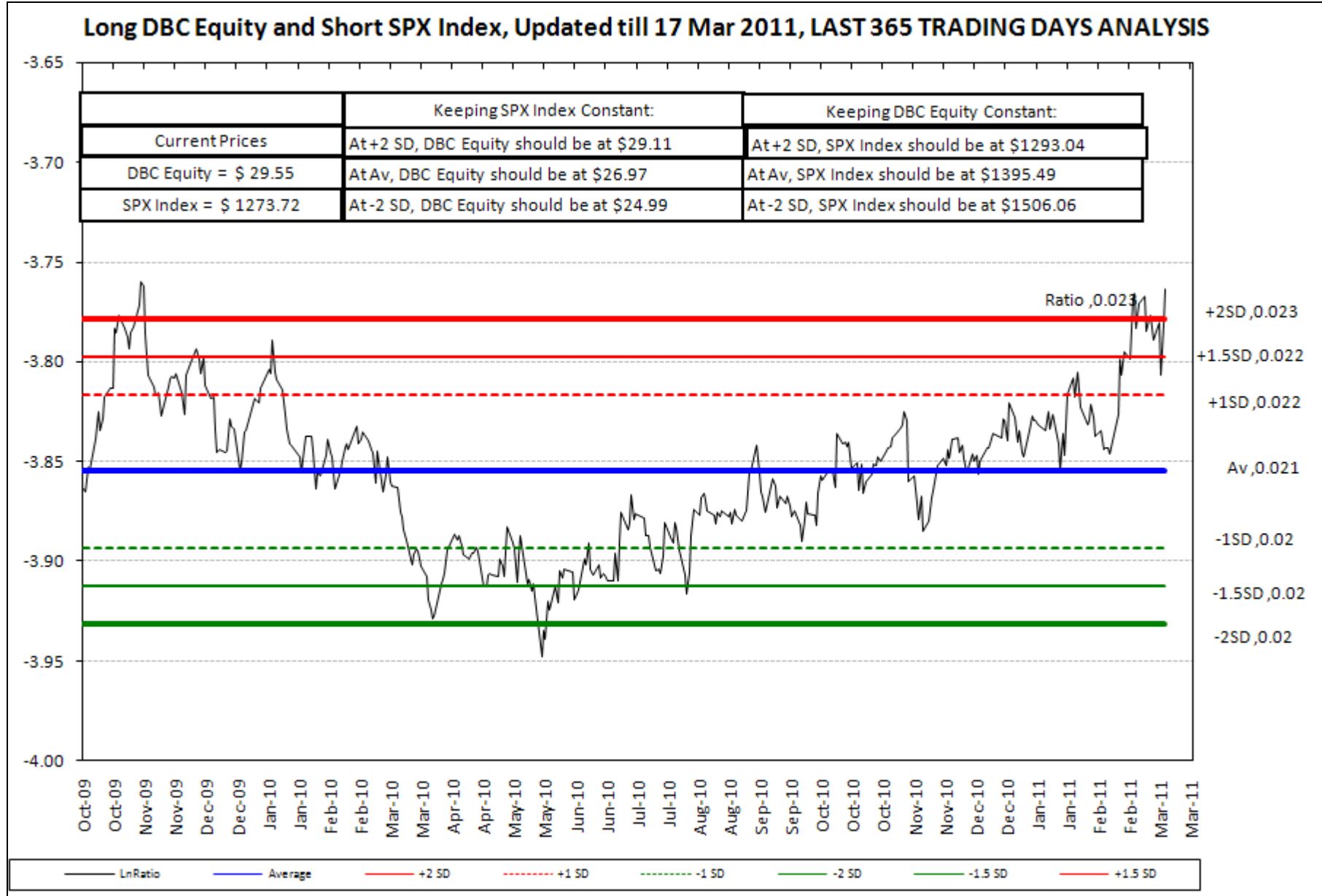
DBC- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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



DBC Correlation Ratio Analysis with SPX – 365 days Time basis



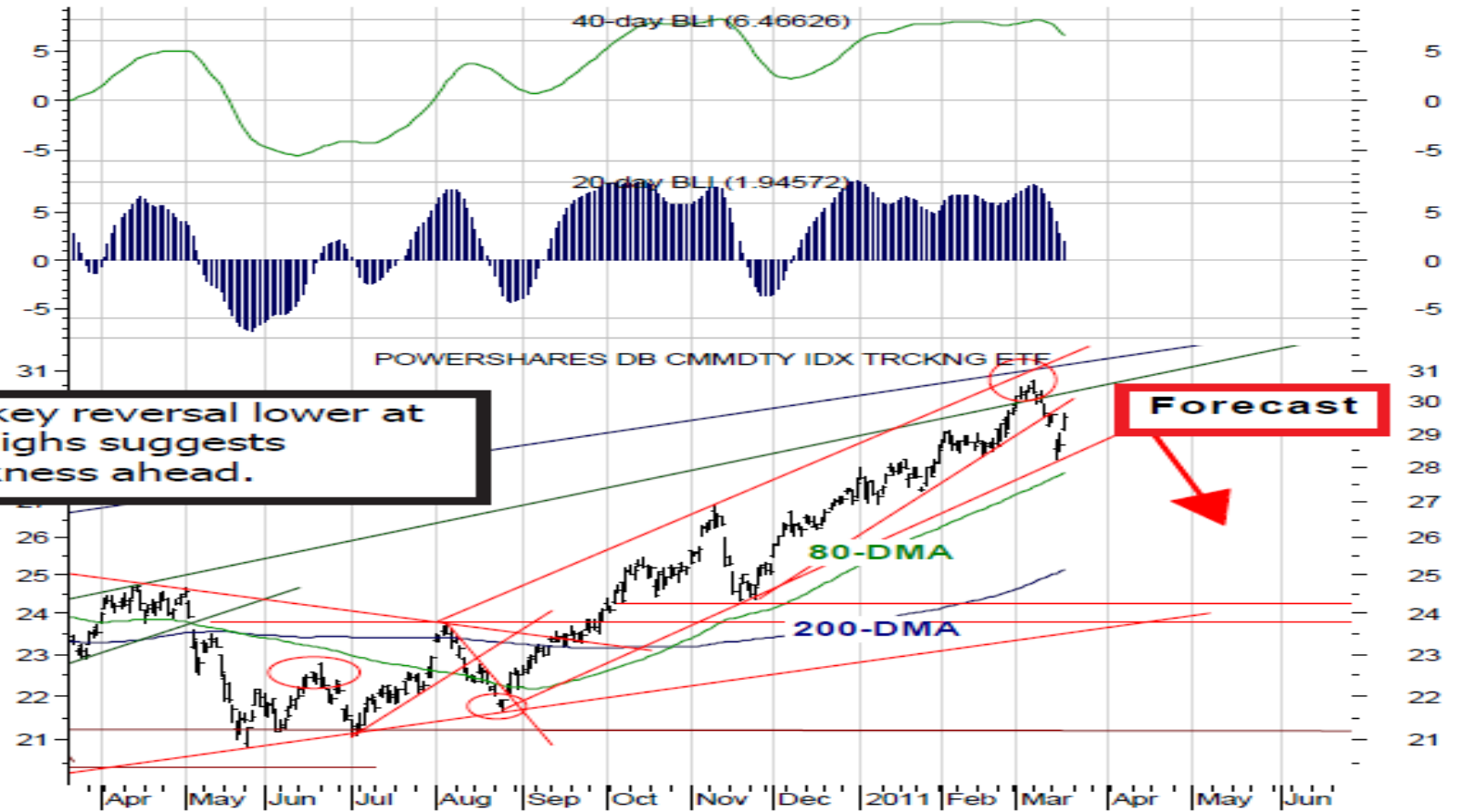
DBC Correlation Ratio Analysis with SPX – Full Time basis

Long DBC Equity and Short SPX Index, Updated till 17 Mar 2011, FULL PERIOD ANALYSIS



DBC – LT - Technical & Pattern Analysis

Commodity Idx		DBC
Last: \$	29.55	
Chg: \$	0.89	3.01%

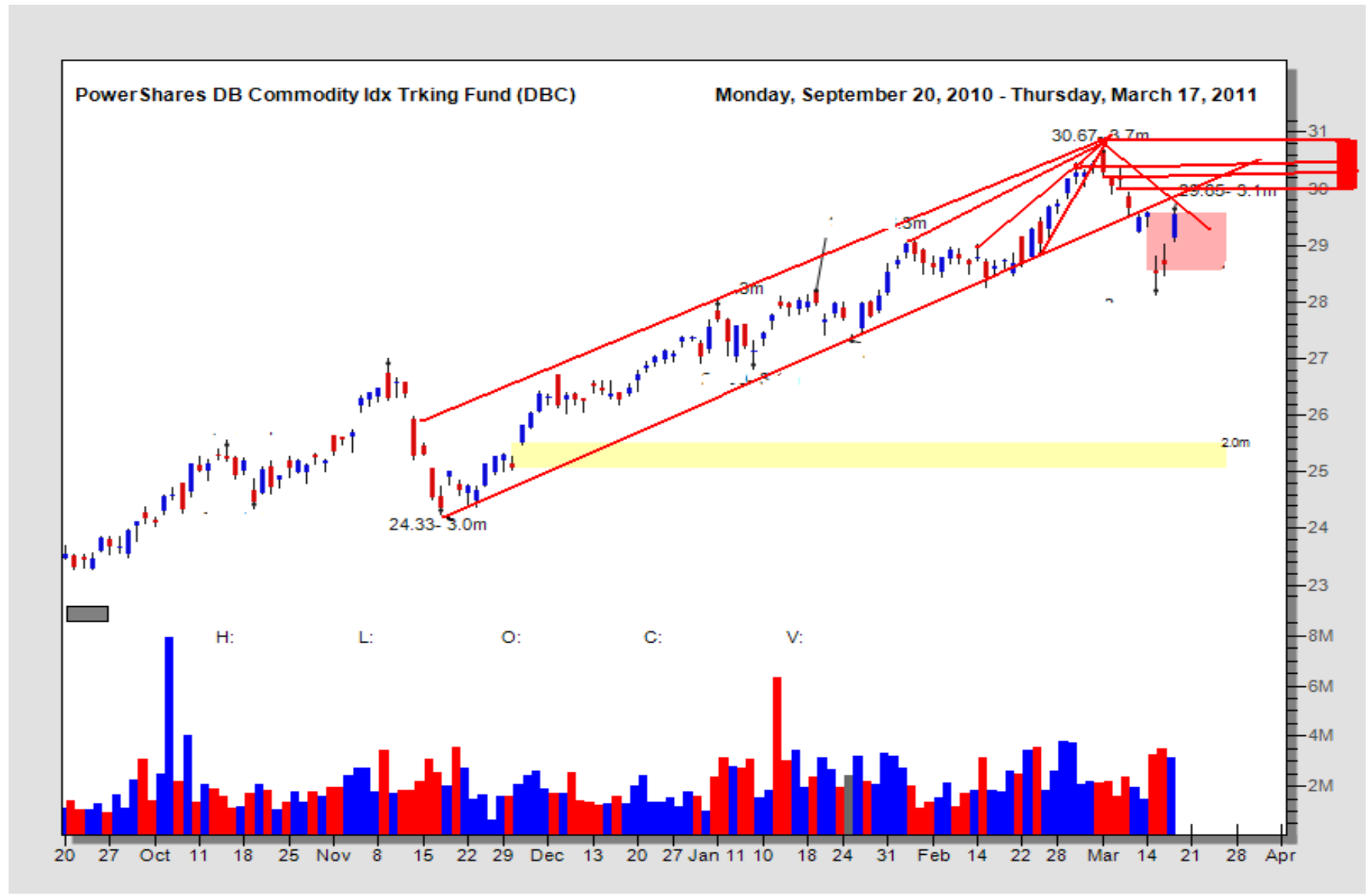


The key reversal lower at the highs suggests weakness ahead.

Forecast

DBC – PQV Analysis

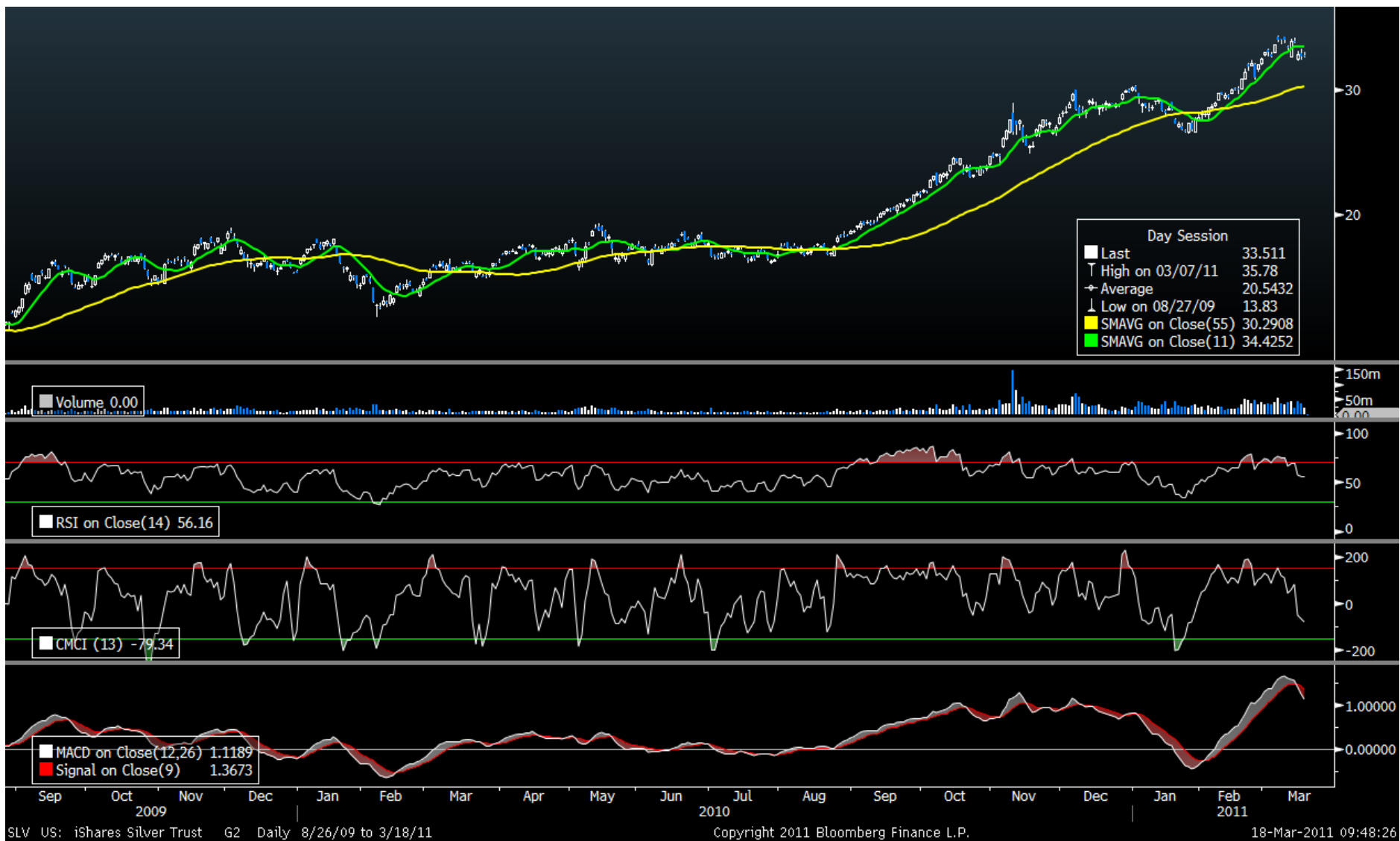
On bigger picture, we have reached the CZ with multiple price streams. (refer last week's chart) peak on bigger time frame frame , which is quite meaningful. CZ 30-31 Trade above 31 and close below 30 volume 2.7 M for test



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

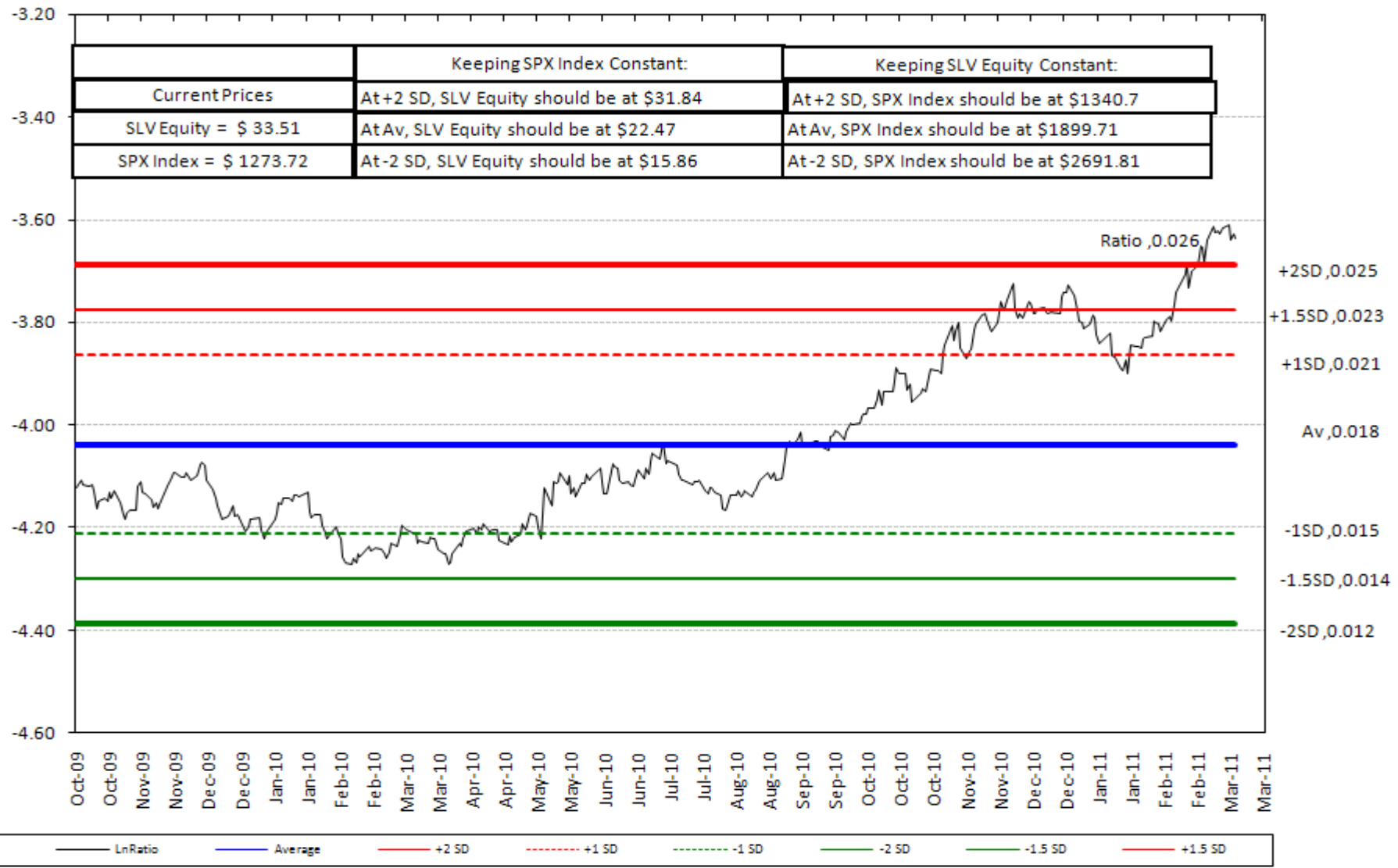


SLV - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



SLV Correlation Ratio Analysis with SPX – 365 days Time basis

Long SLV Equity and Short SPX Index, Updated till 17 Mar 2011, LAST 365 TRADING DAYS ANALYSIS



SLV Correlation Ratio Analysis with SPX – Full Time basis

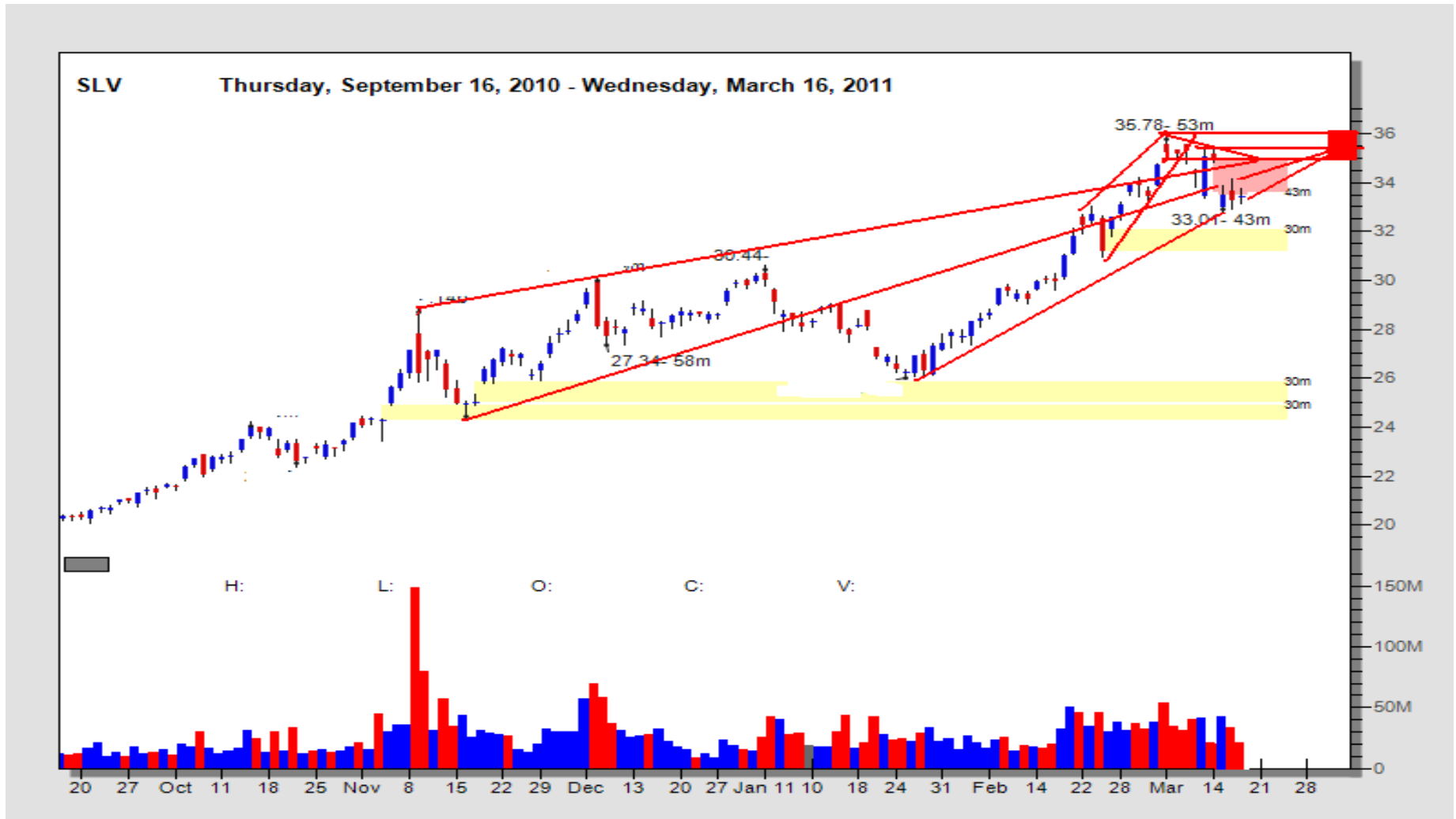
Long SLV Equity and Short SPX Index, Updated till 17 Mar 2011, FULL PERIOD ANALYSIS



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 34.5 +/- .

CZ for this terminal pattern is 35 -36 with 25 M shares. Test and reject. If 3x3 volume picks up stay neutral . Stop above 37 .



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

DBC – LT - Technical & Pattern Analysis

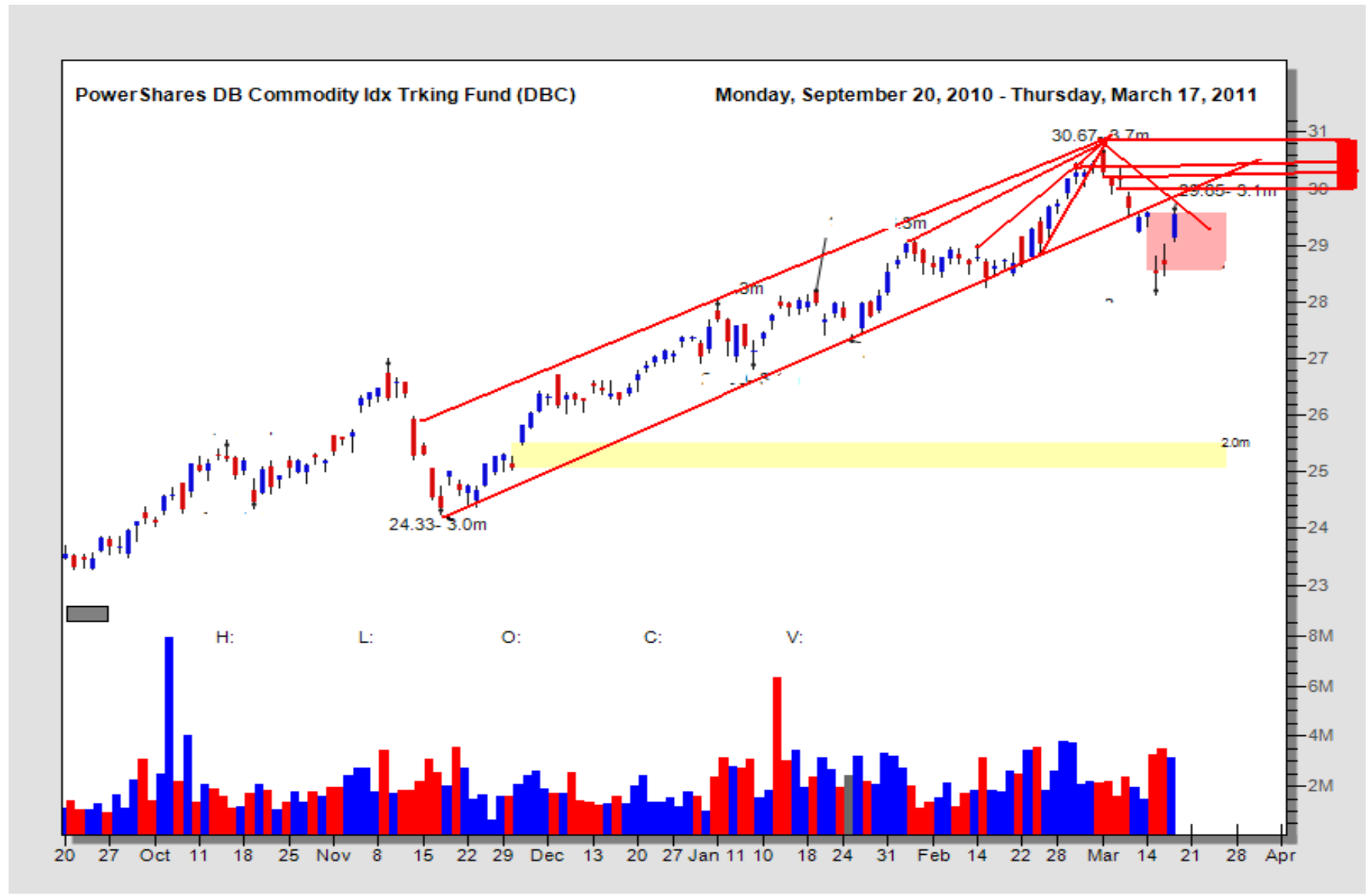
On bigger picture, we have reached the CZ with multiple price streams indicated in Red, Blue, Green, & Yellow. We did not show any break areas as it got too crowded.

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



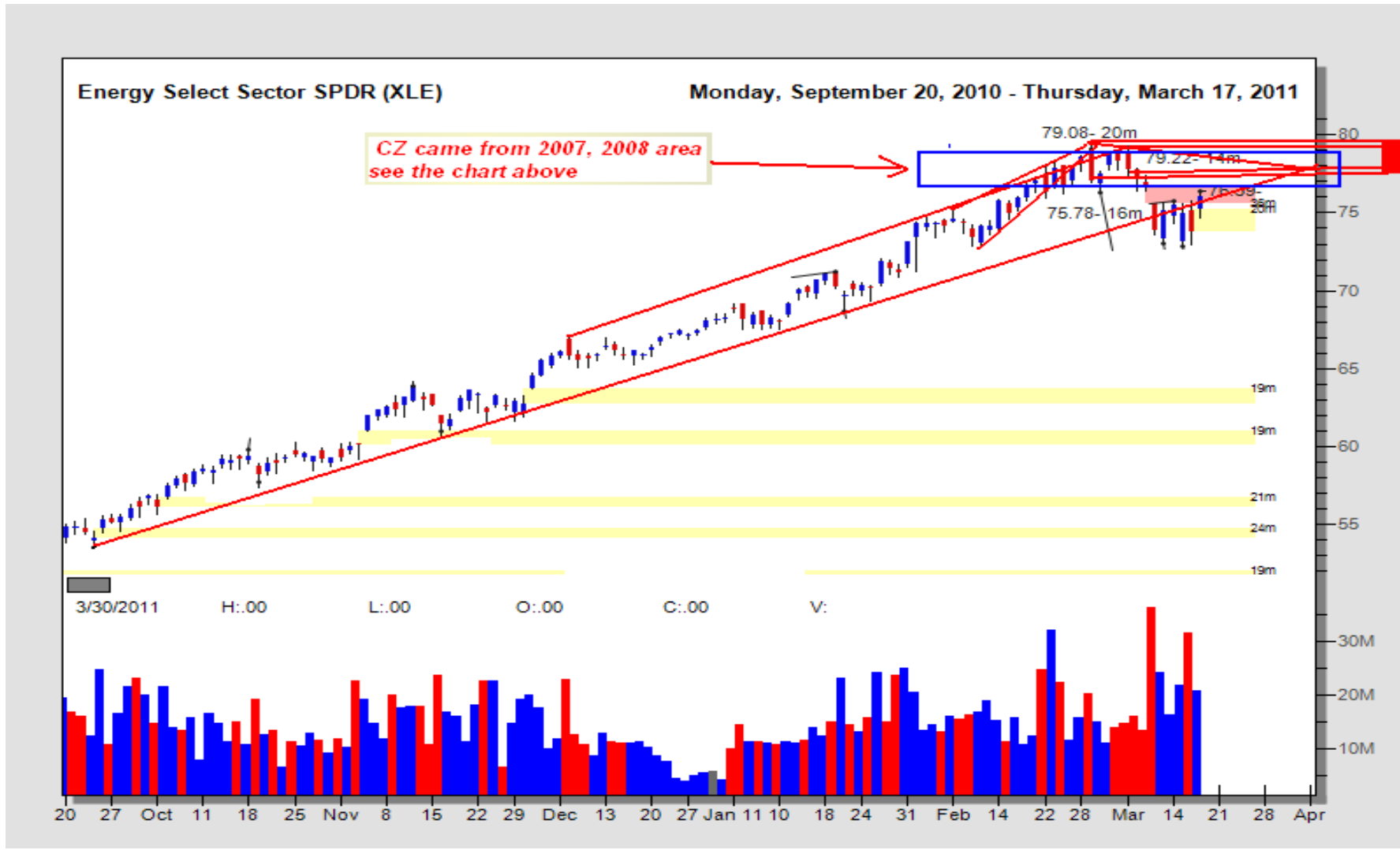
DBC – LT - Technical & Pattern Analysis

On bigger picture, we have reached the CZ with multiple price streams. (refer last week's chart) peak on bigger time frame , which is quite meaningful. CZ 30-31 Trade above 31 and close below 30 volume 2.7 M for test



- XLE - PQV Analysis

XLE – The CZ 76 – 78 , imported from way back 2008 dislocation proved its merit , On 4th March it Triggered at 78 and immediately dropped to 73. Our next decision point will be going back to 76 to 79 and test with 12 M shares and fail (½ position) and 2nd half when Traded above 79 and close under 78 with 14 M for Trigger



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 points 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

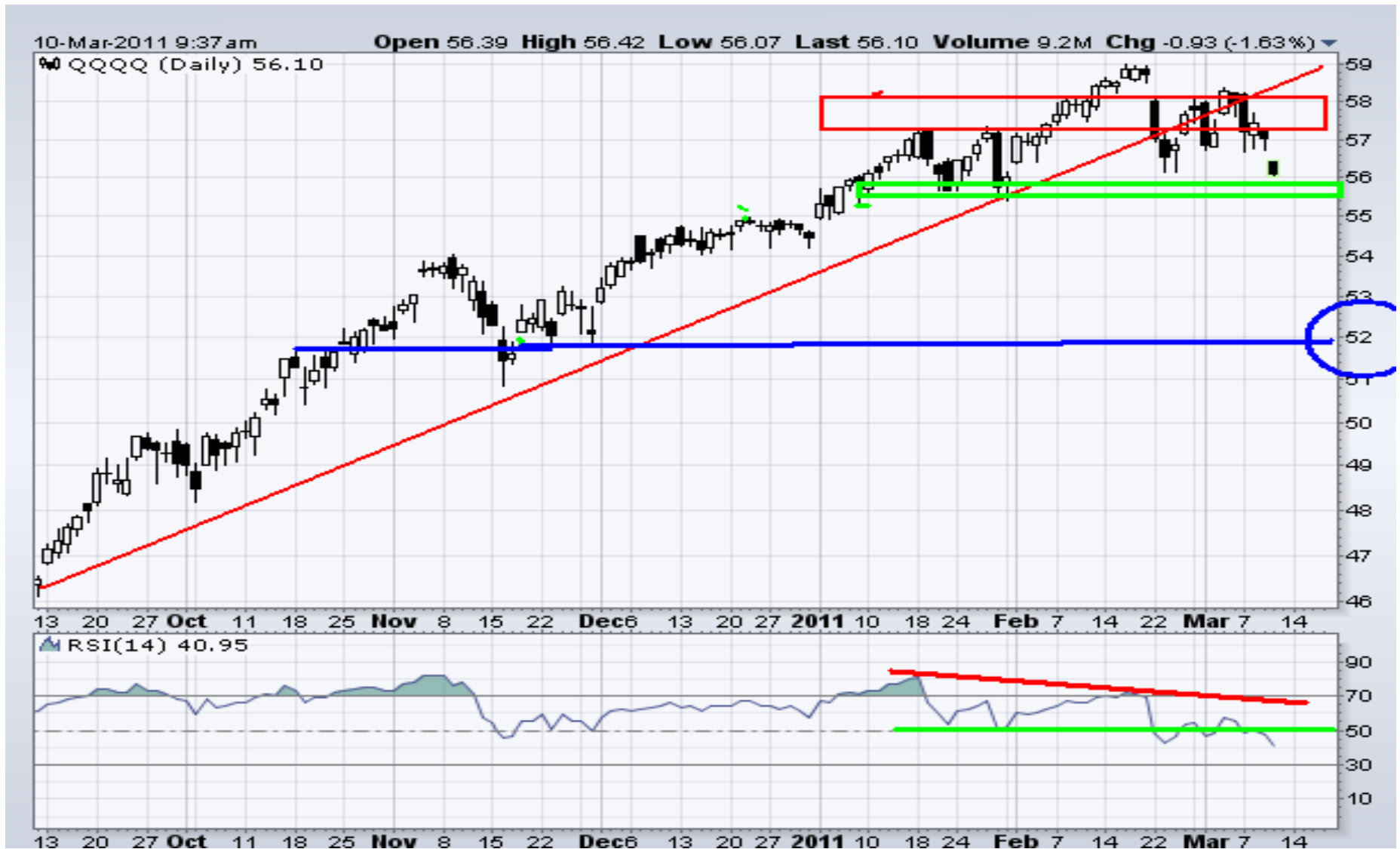
QQQQ - PQV has validated yet and refrained us from stepping in from 52 .

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

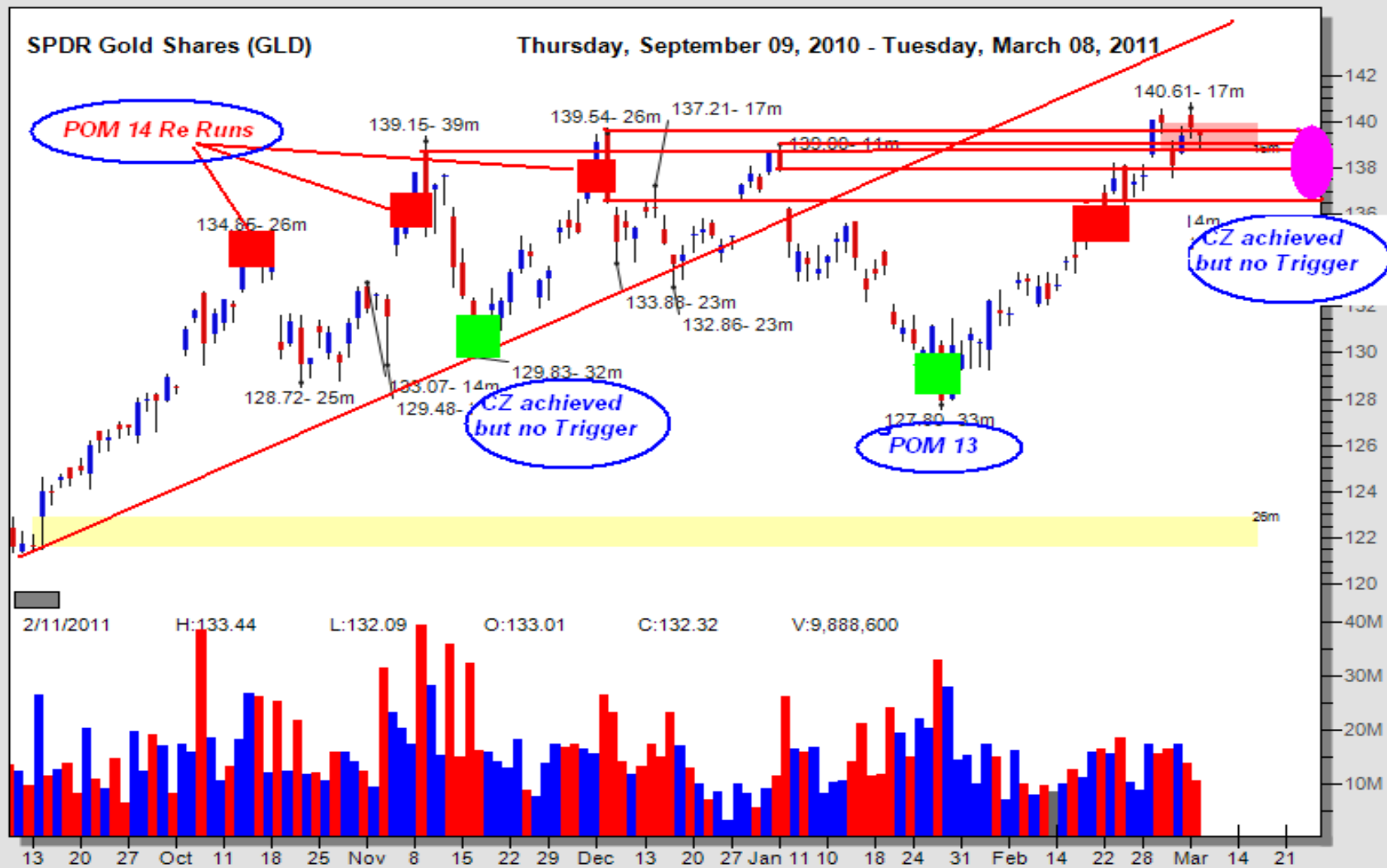
For Failure - Based on current configuration we are looking for 12 M on test on volume and for Price to go to 141 and close below 139 (pink zone)

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

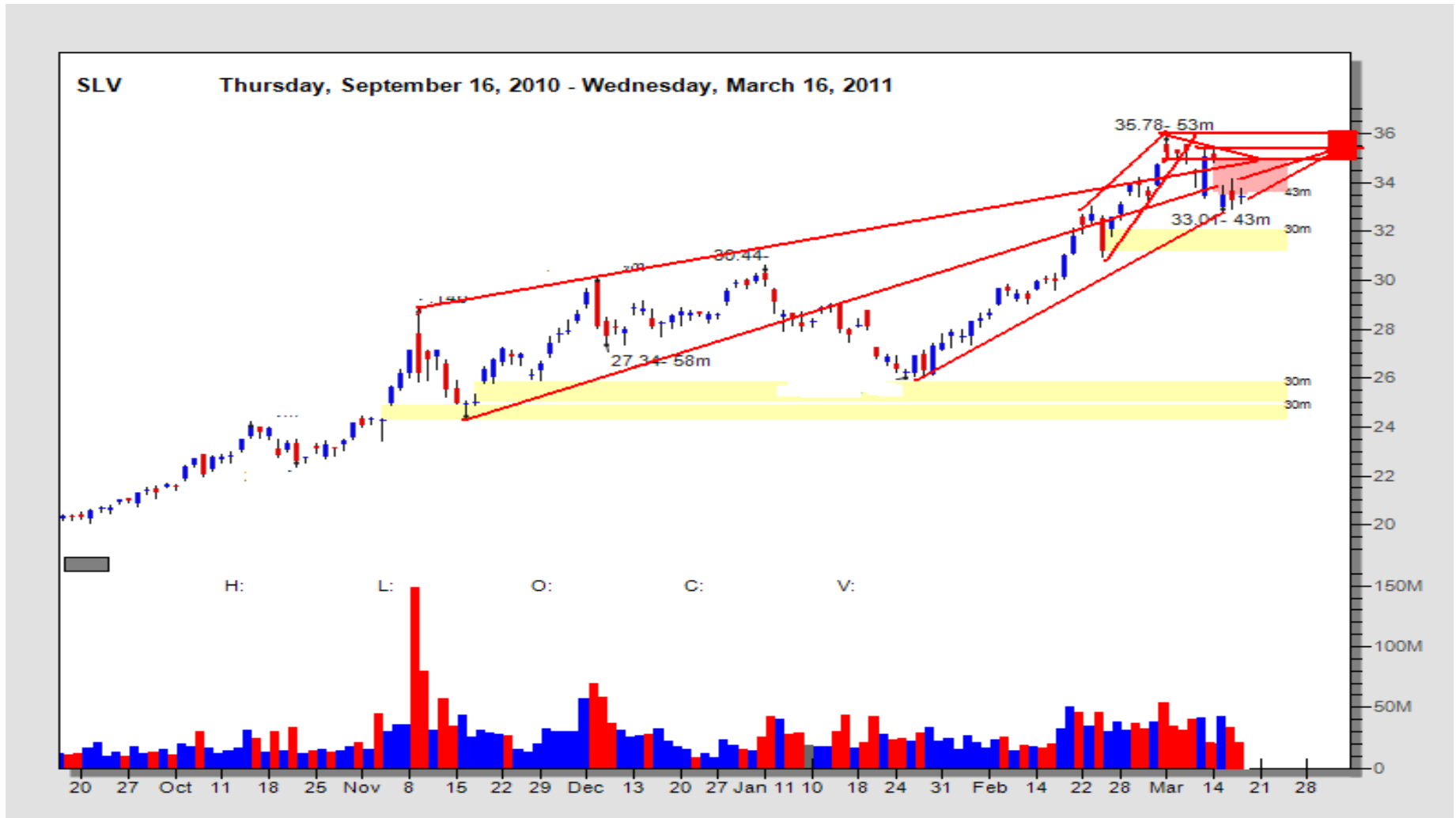
We advise risk management with STOPS on other side of CZ Stops ,



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 34.5 +/- .

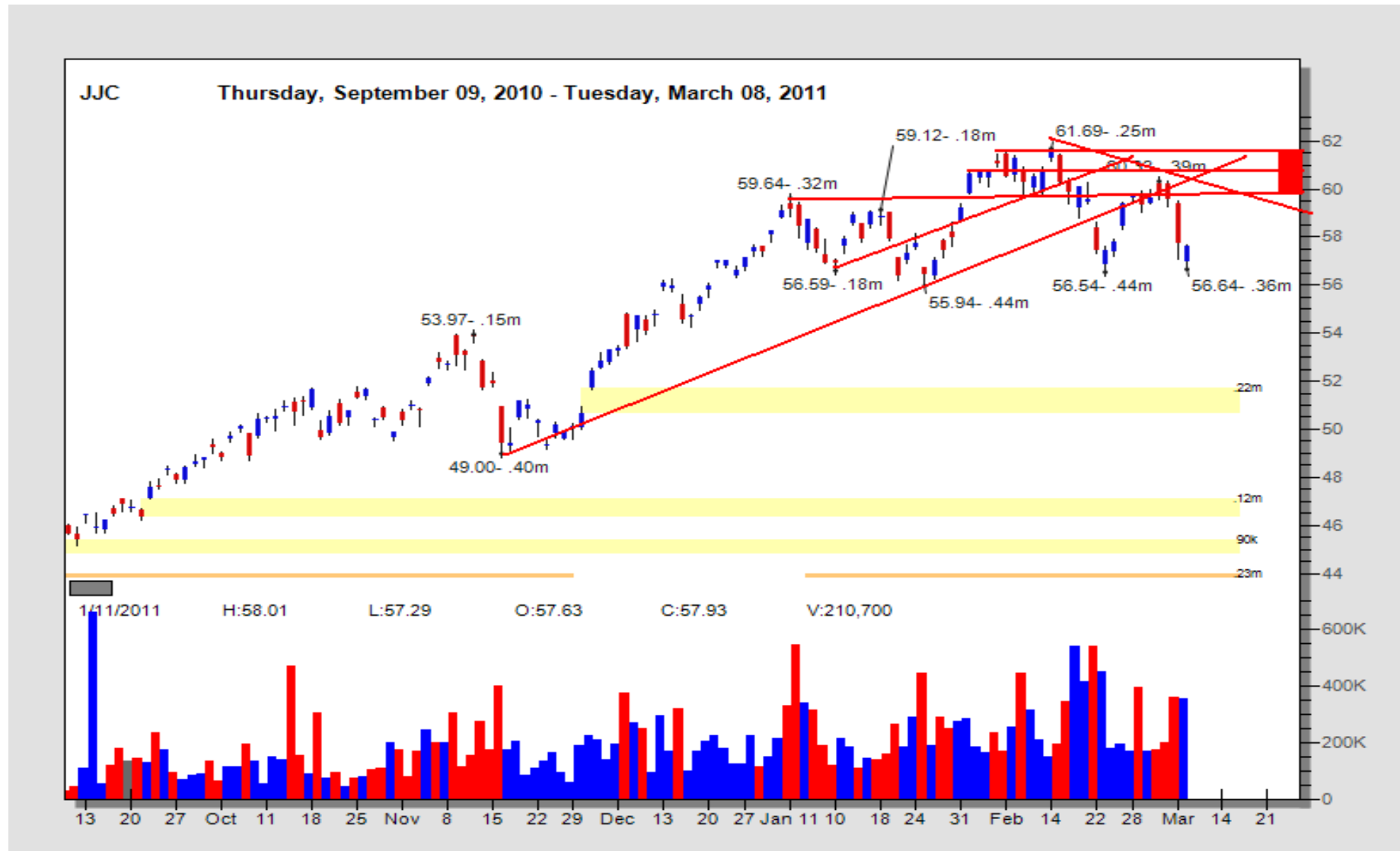
CZ for this terminal pattern is 35 -36 with 25 M shares. Test and reject. If 3x3 volume picks up stay neutral . Stop above 37 .



Copper (JJC) – PQV Analysis

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

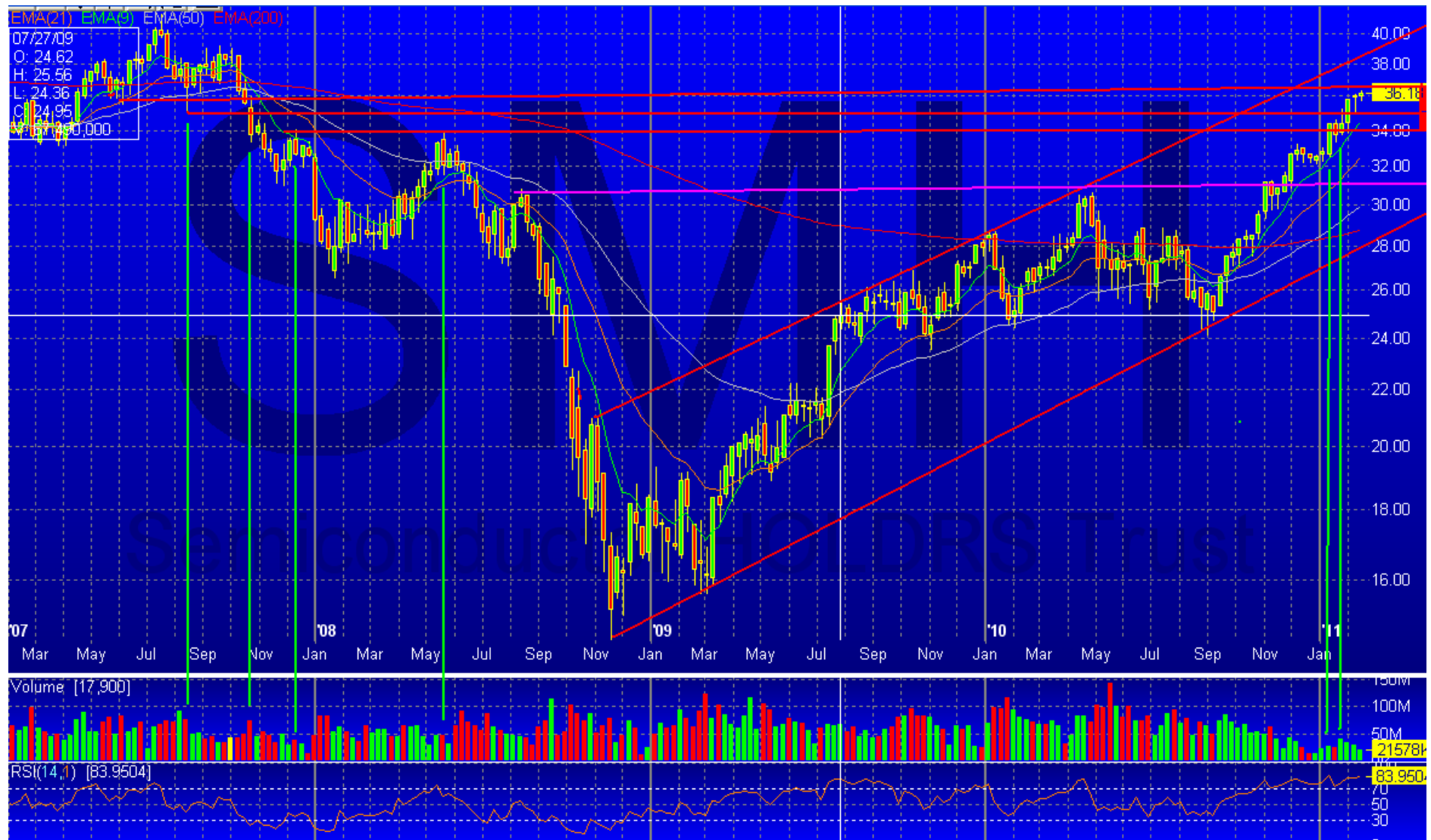
After this current breakdown, now we are dealing with CZ 60-61.5 , the test volume should be 180k on the bounce



SMH – Price / Volume (No Change)

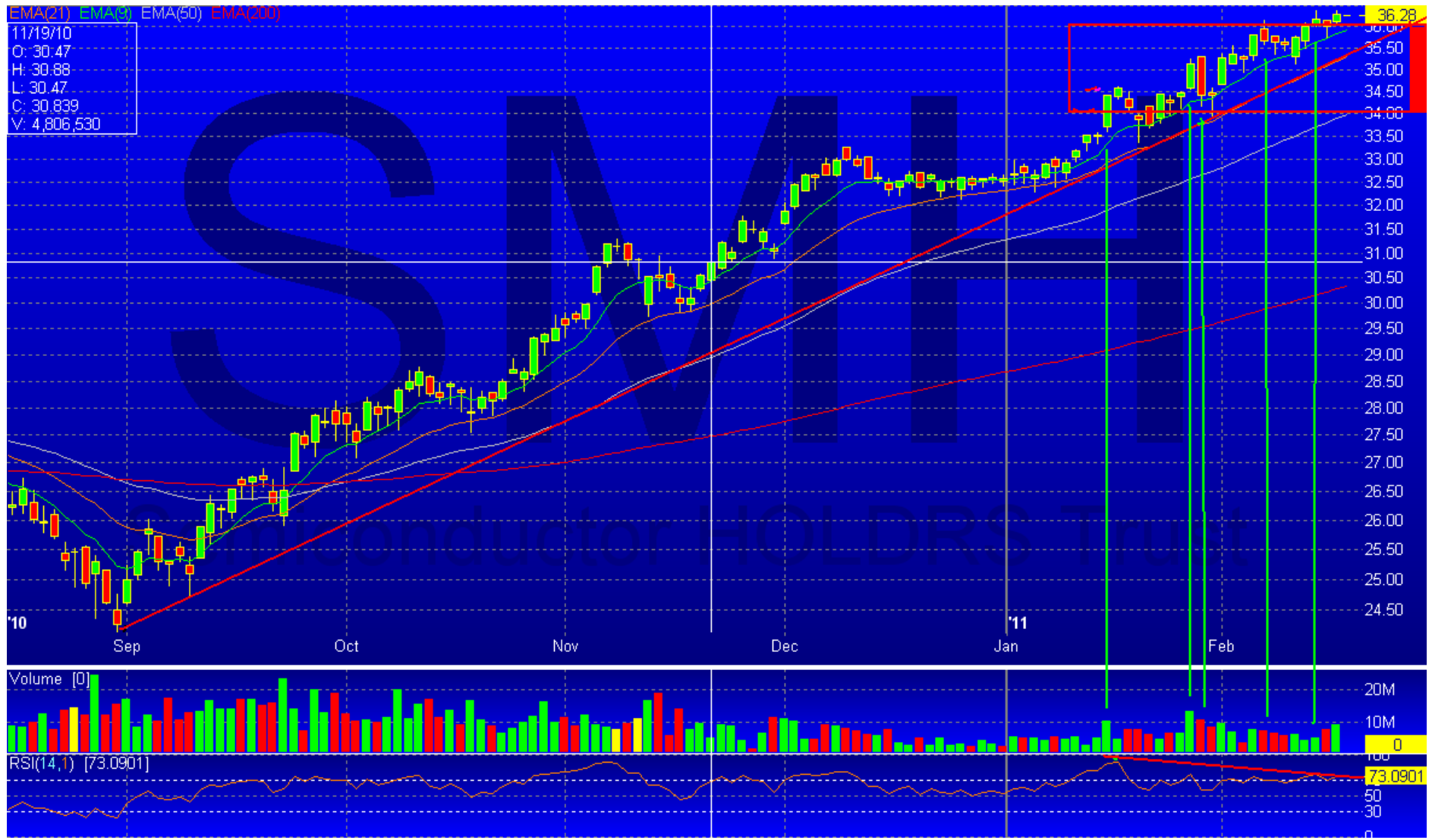
SMH came our test zone defined by May 08 and breakdown area of Jan 08 - CZ for SMH is 34 -36 and volume on test to be 8M, this was triggered. On risk reward as always the stop on other side of CZ.

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 .



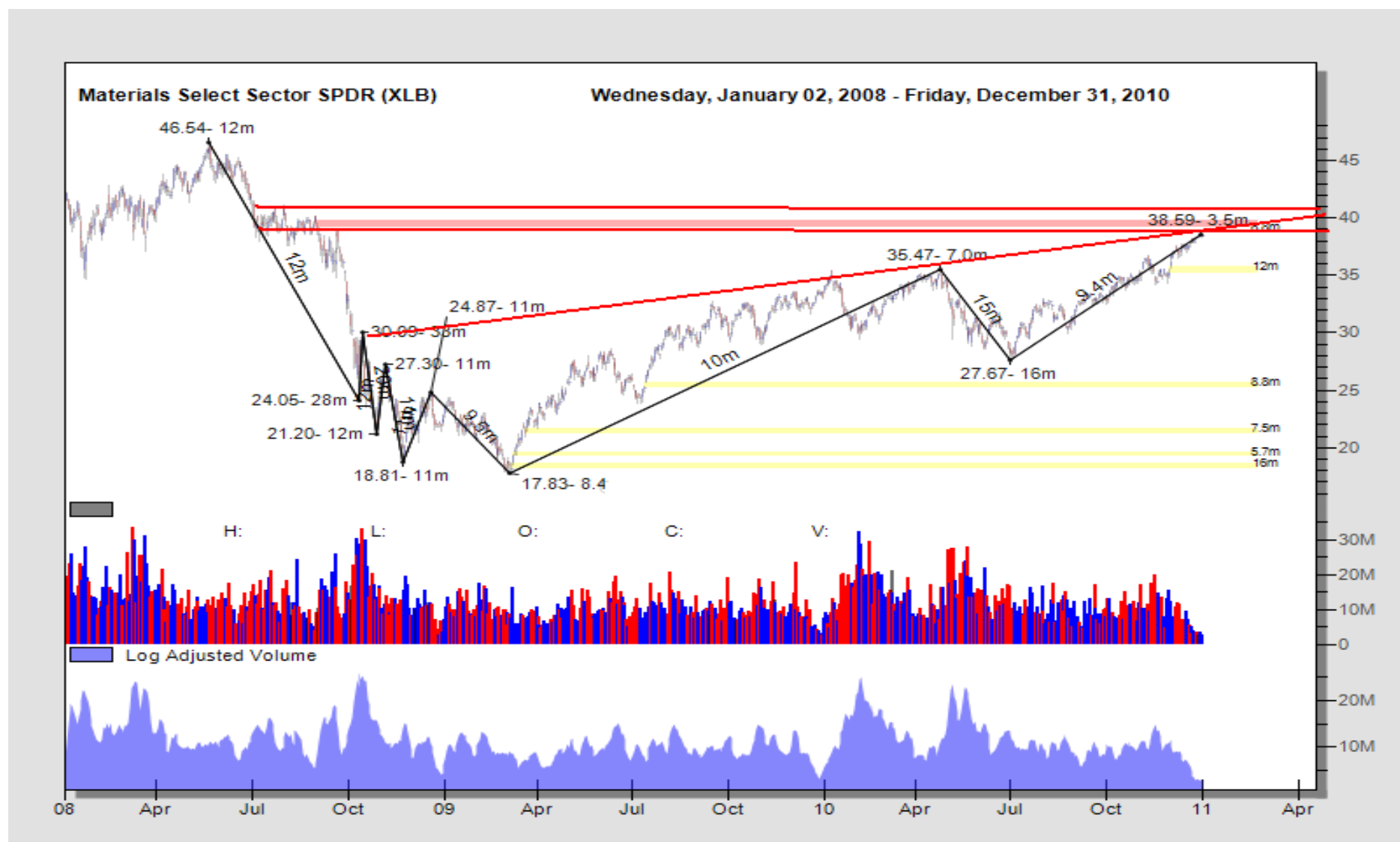
IYT - PQV Analysis

IYT 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



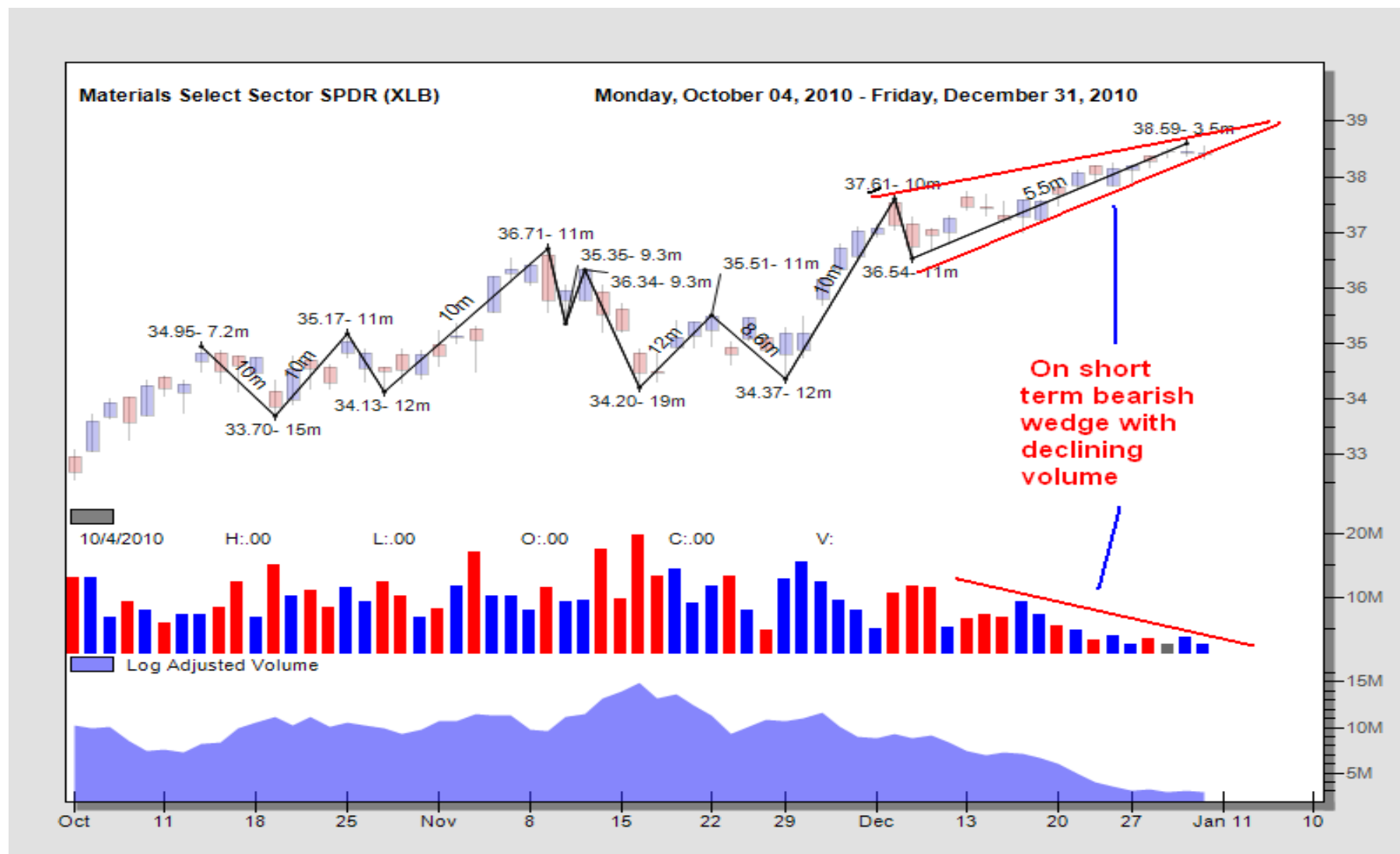
XLB – PQV Analysis

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



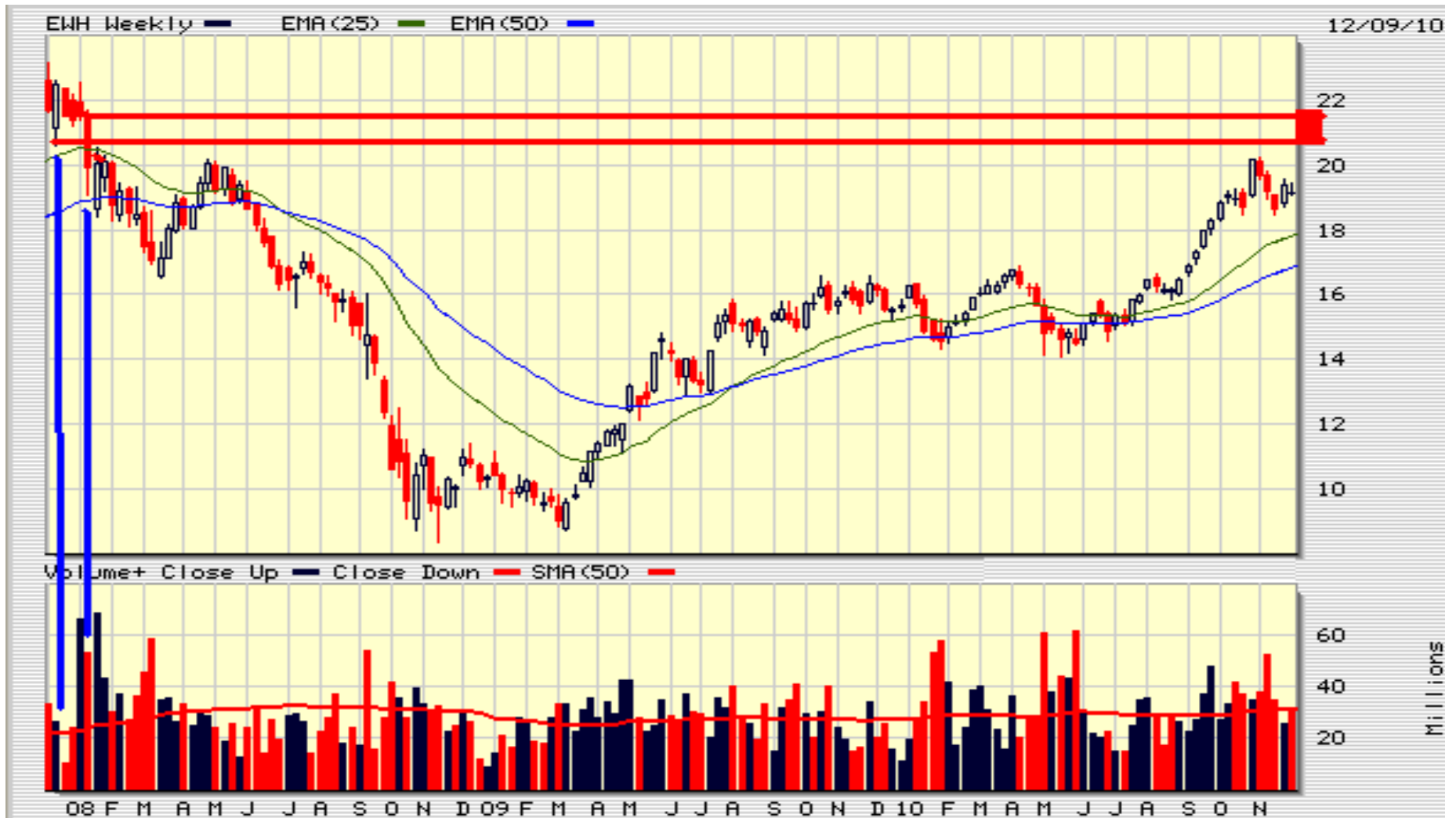
XLB – PQV Analysis – SHORT TERM

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



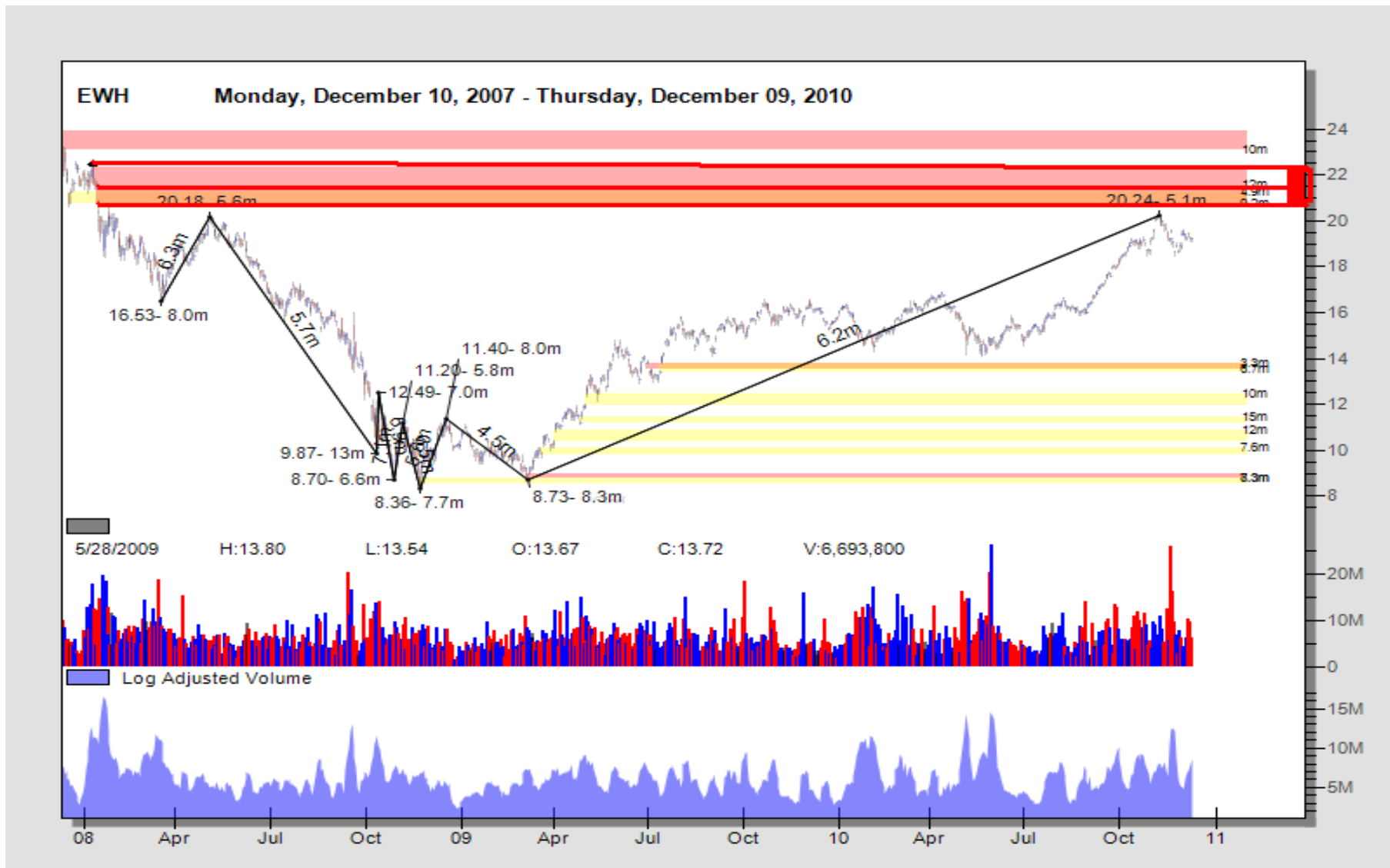
EWH - POM - LT - Price , Volume & Pattern Analysis

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



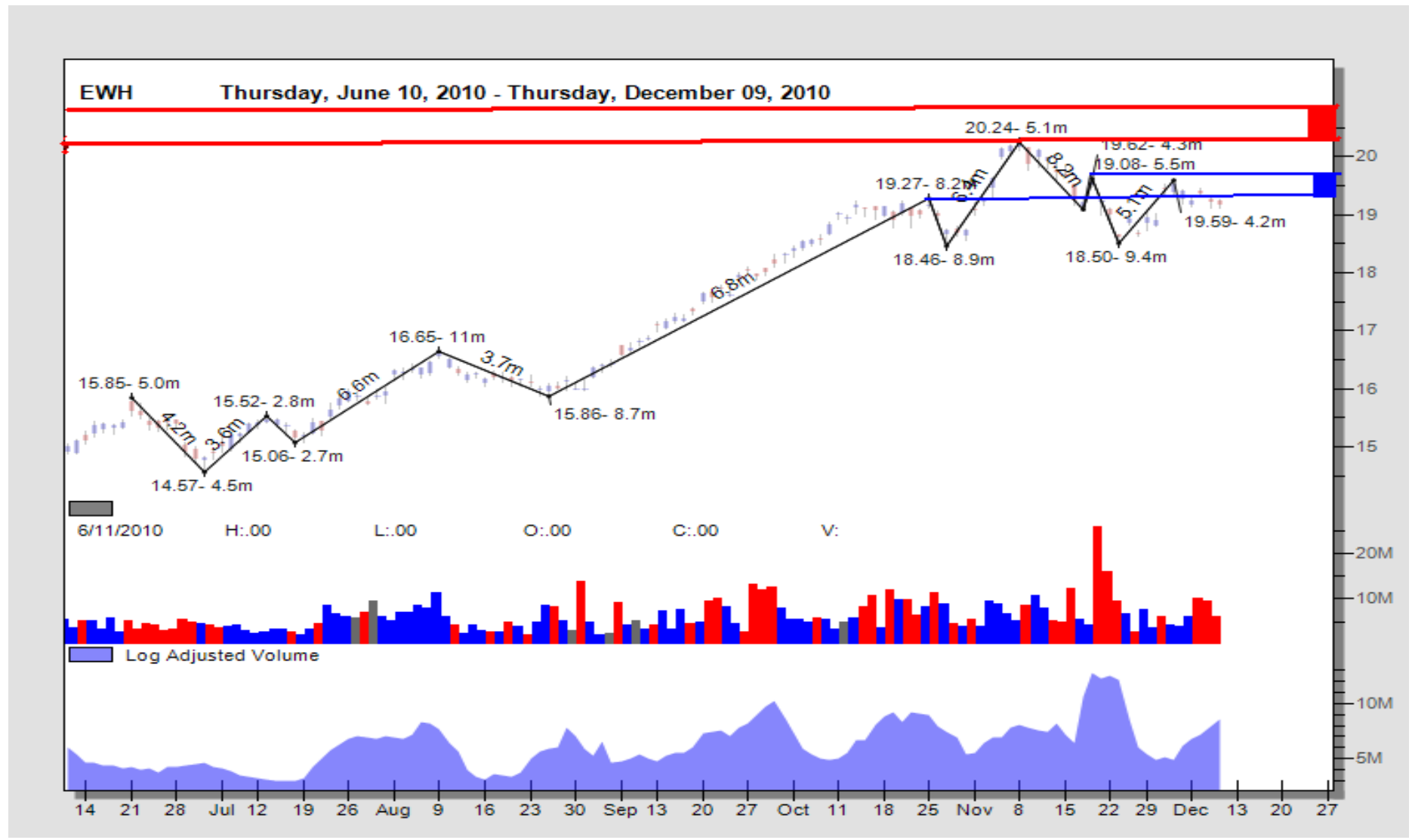
EWH- POM – MT - Price , Volume & Pattern Analysis

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 .



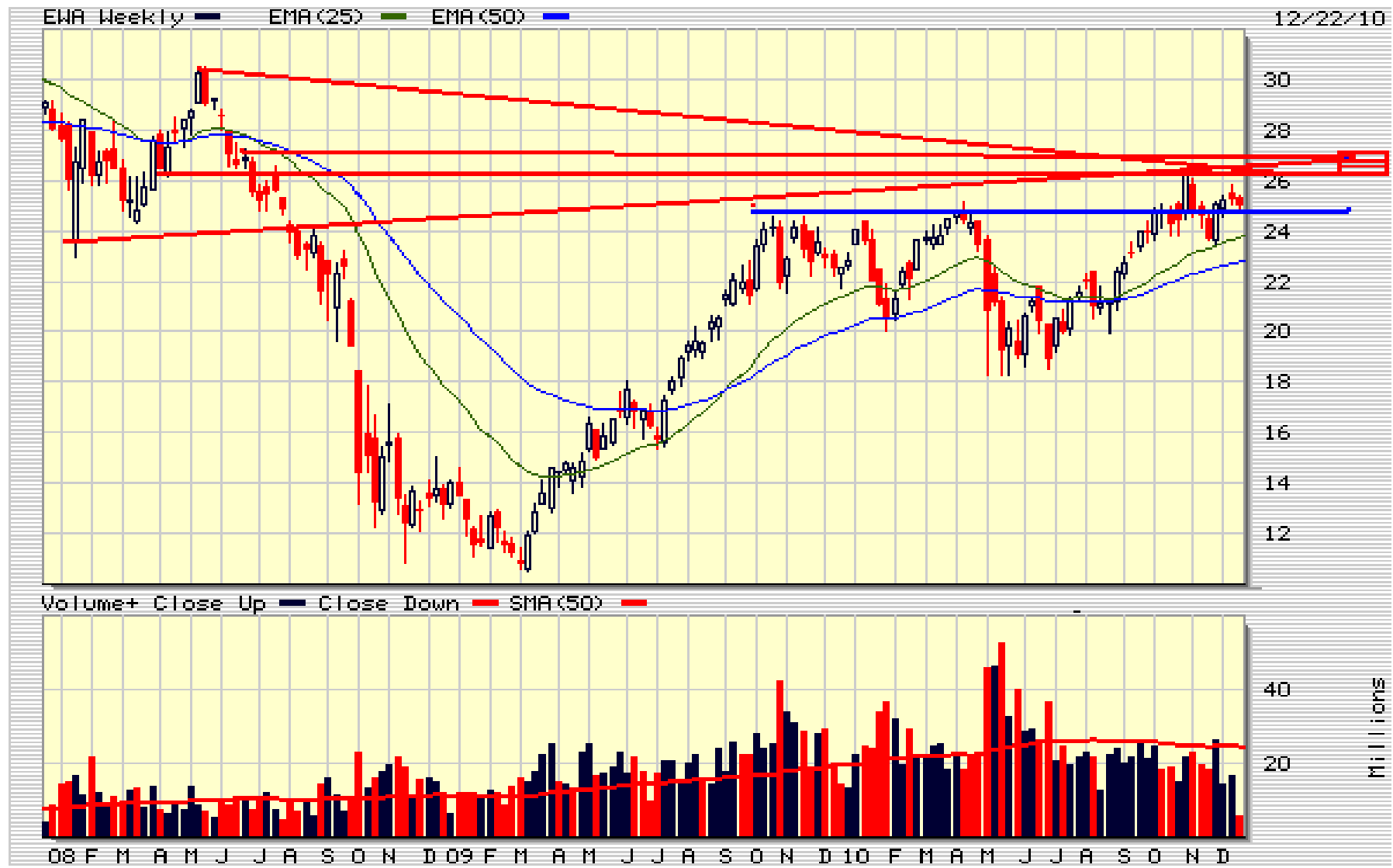
EWH – Technical & Pattern Analysis & Price / Volume

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 .



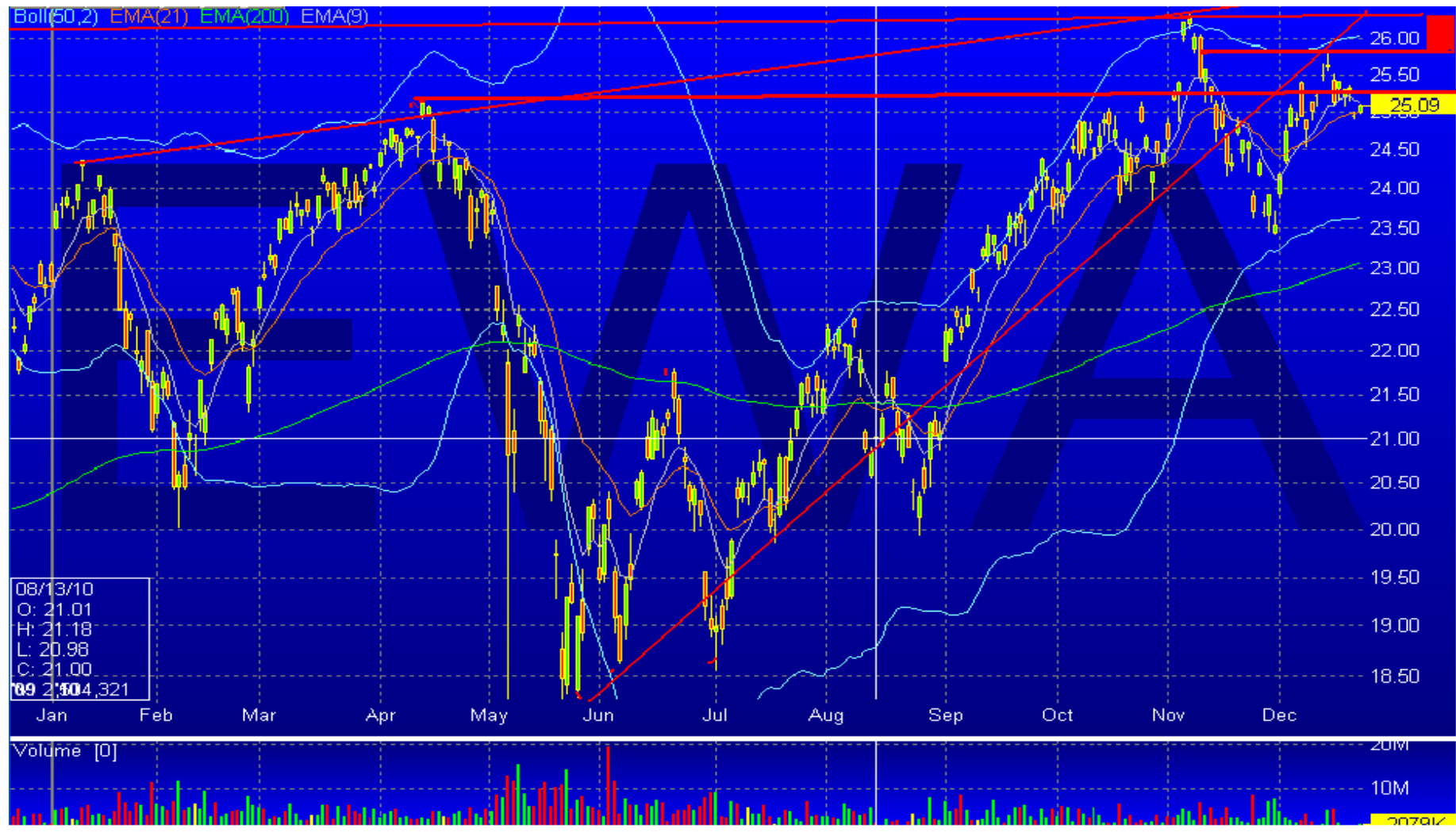
EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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

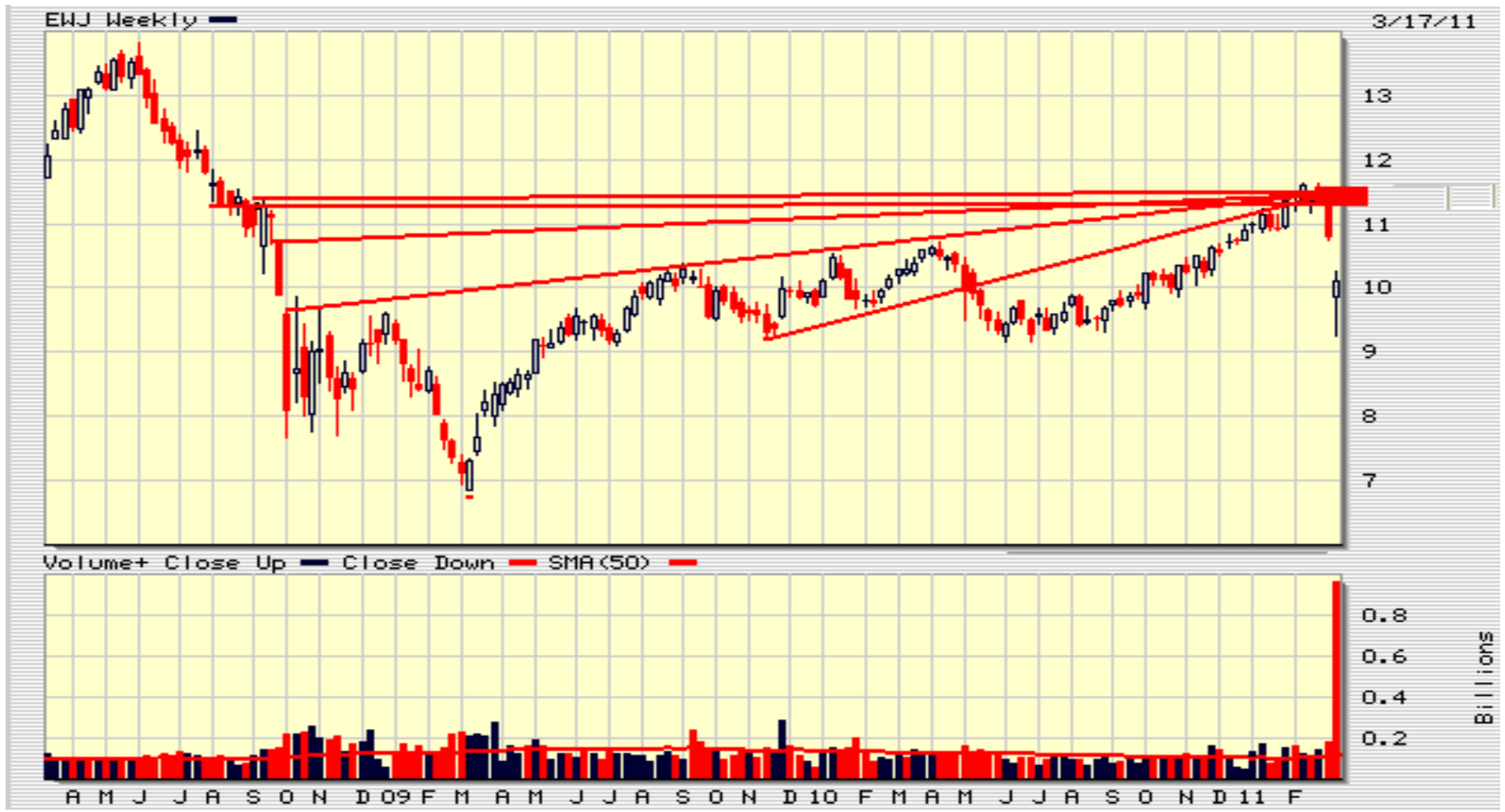
On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



Long

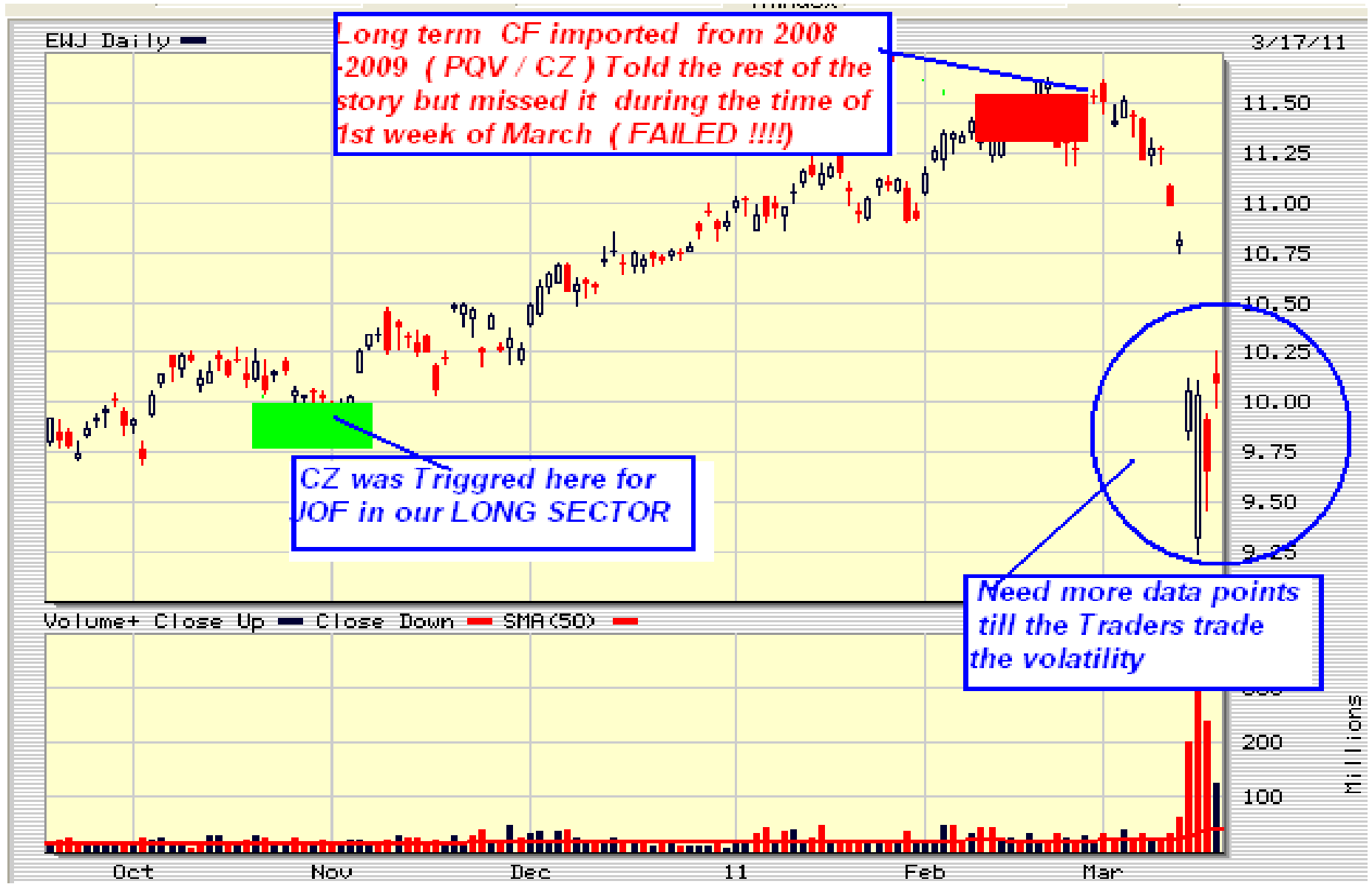
EWJ – PQV Analysis - Wkly

Although we hate to do backward looking indicators but here is a great academic example of EWJ at failed CZ / PQV test imported from 2008 -2009



EWJ – PQV Analysis - Daily

As they sayone has to be on Buy and Sell to make it work . (Refer notes within the charts) , No signals for Buy CZ – PQV yet . Currently Traders Trading in / out !!!



EWJ – Technical & Pattern Analysis (Bigger Picture)

NIKKEI 225 Index (Weekly)



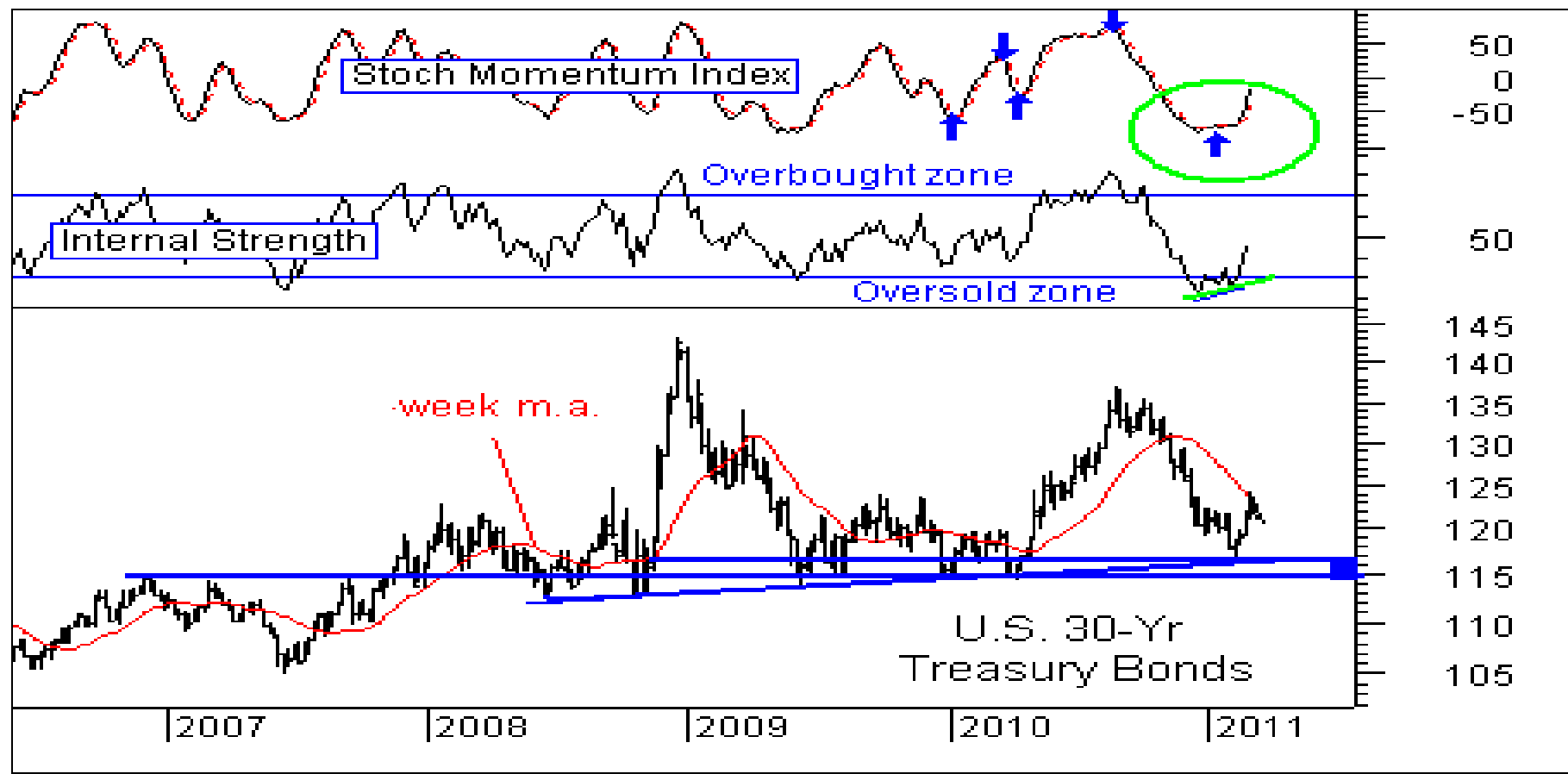
XLV – Technical & Pattern Analysis & Price / Volume

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,



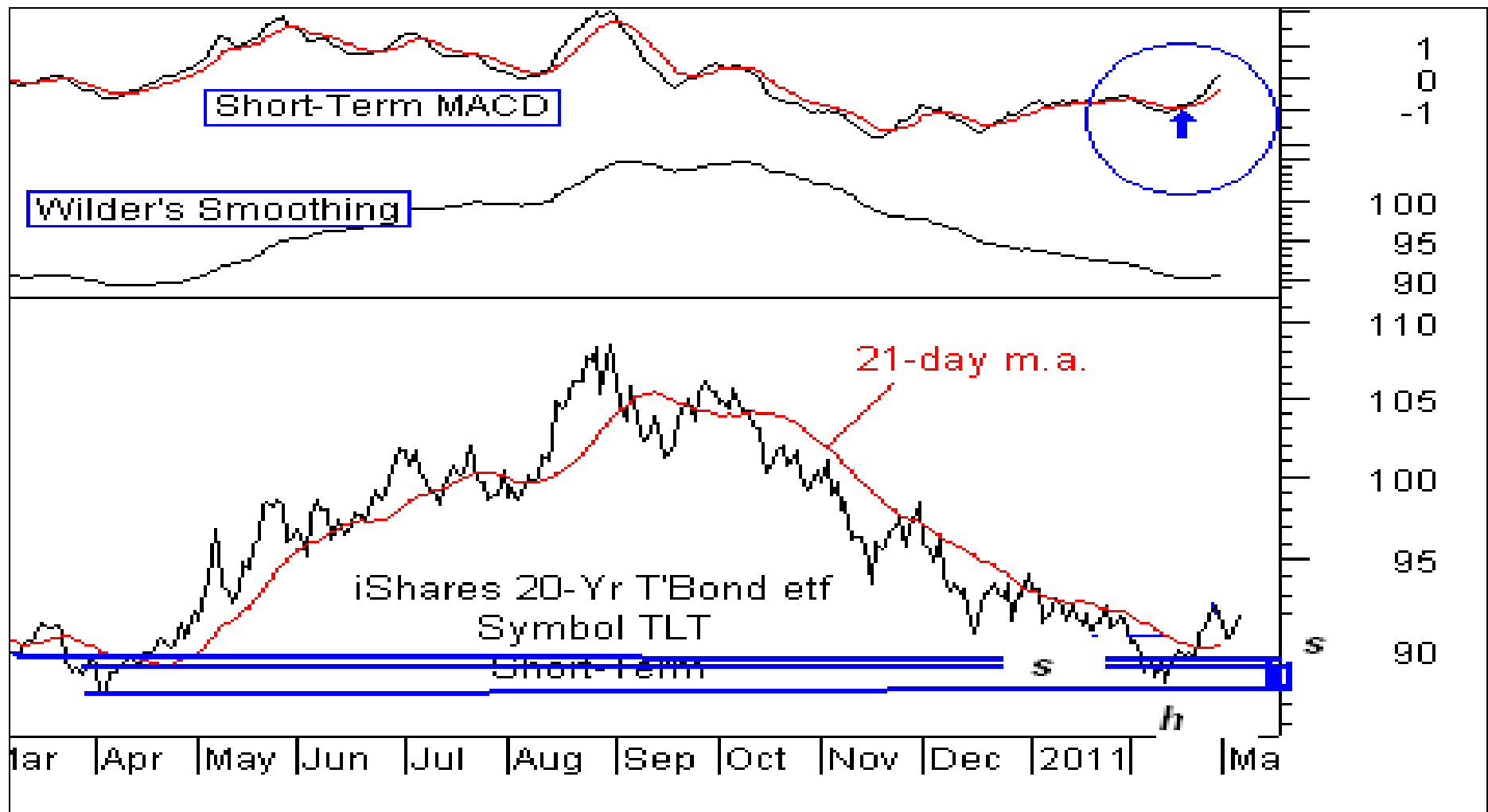
2 – 30 – YR BOND – Technical Analysis.

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



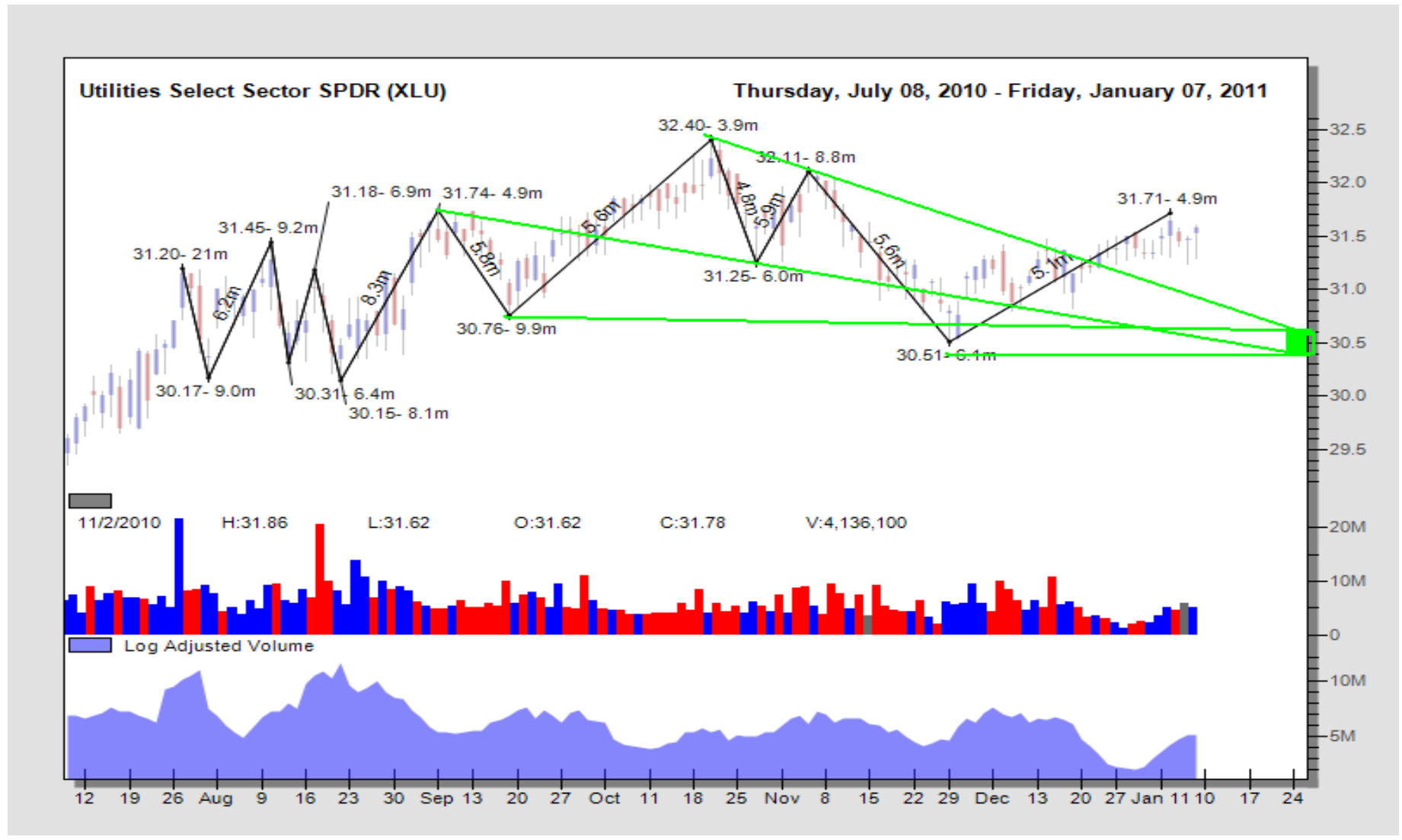
2 – TLT- POM – ST - Price , Volume & Pattern Analysis

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



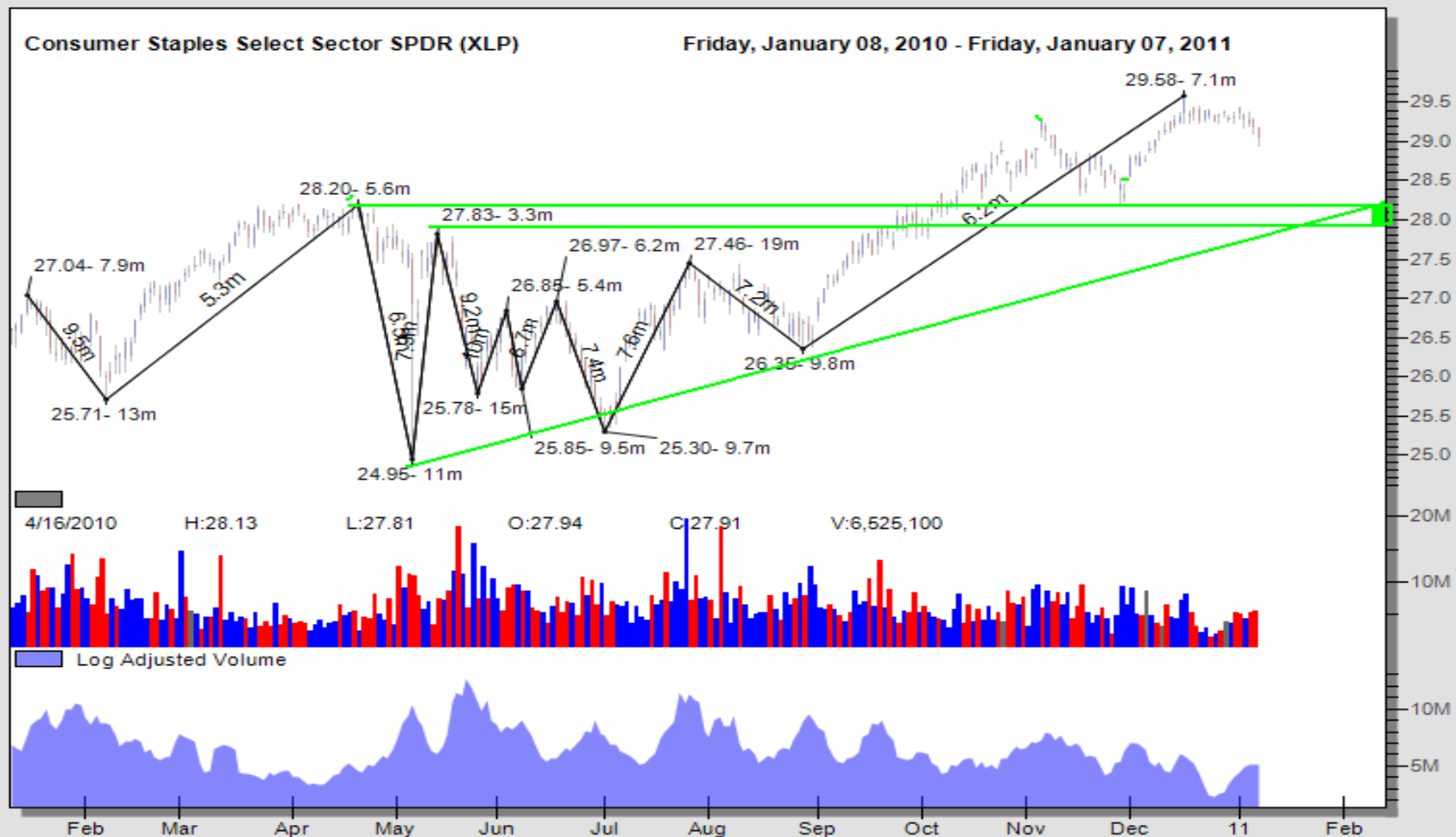
XLU- Price / Volume

- **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**



Disclaimer : The information in this report has been taken from sources believed to be reliable but

SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.