



SG Capital Research

Global Market Insights

**Research Note – Sector – ETF Analysis (D )**

**MAEG – WKLY SECTOR ETF ANALYSIS SG 2011 # MAR 31**

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

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- **Daily SPX - “ Trend Adjusted Signal” TAS - MO – Buy @ 1309**

**3x3 /9EMA – Momentum Break Indicator –**

- **Market Insight**

- *With respect to the General Market as indicated in our A # 1 – MS, Monday’s Report, The mathematical indicators of the market suggested, that current behavior does not indicate ABC down but just a “consolidation” in Trading Range .*
- *The strong Indices / Sectors ( shown on Mondays Report wrt SPX ) are now double topping but the weak are forming lower lows ( therefore the weak Sectors may test the 16<sup>th</sup> March lows whiles the strong and HQ sectors could be Bought on first pull back at CZ – Validated) for another rally.*

- **Sector Insight**

- *On 16<sup>th</sup> March, in LONG /SHORT INDEX we closed all the SHORT positions as soon as Market reached the downside CZ, ( simultaneously benchmarked with SPX reached our Projected SPX 1270 – 1280 Target & IWM @ 77.5 – 78.5 ( Refer to L/S Sector Index spreadsheet)*

- *Currently the counter Trend move is in Progress, Several of the Sectors are reaching back into our Sell CZ for PQV Validation.*

- *we are looking the Recycle the same capital back as “Drawdown minimization process” while holding the on Core position*

- *Since SPX is at POM 14 , these are Recycled Hedge.*

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

- *For this week, On Short Side – 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"> <li>• SPY</li> <li>• QQQQ</li> <li>• TLT ( Bonds) )</li> <li>• IWM</li> <li>• EEM (Emerg)</li> <li>• EEA (Europe)</li> <li>• <b>EWJ (Japan)</b></li> <li>• FXI (China)</li> <li>• RSX ( Russia)</li> <li>• IFN (India)</li> <li>• EWP (SP)</li> <li>• EWH</li> <li>• JOF</li> <li>• EWA</li> </ul>	<ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XRT (RTH) ( Retail)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• <b>XLE (Energy)</b></li> <li>• XLK / QQQQ (Tech)</li> <li>• XLI ( Industrial)</li> <li>• XLU ( Utility)</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> </ul>	<ul style="list-style-type: none"> <li>• SMH ( Sem)</li> <li>• BBH ( Biotech)</li> <li>• IYT ( Transports)</li> <li>• IYR (Real Estate)</li> <li>• DBA ( Agro)</li> <li>• DBB ( Base metal)</li> <li>• DBC ( Commodity)</li> <li>• GLD (Gold)</li> <li>• <b>SLV (Sil)</b></li> <li>• GDX (Miners)</li> <li>• USO (Oil)</li> <li>• JJC (Cu)</li> <li>• SLX ( Steel)</li> </ul>

- **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, 2<sup>nd</sup> 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.*

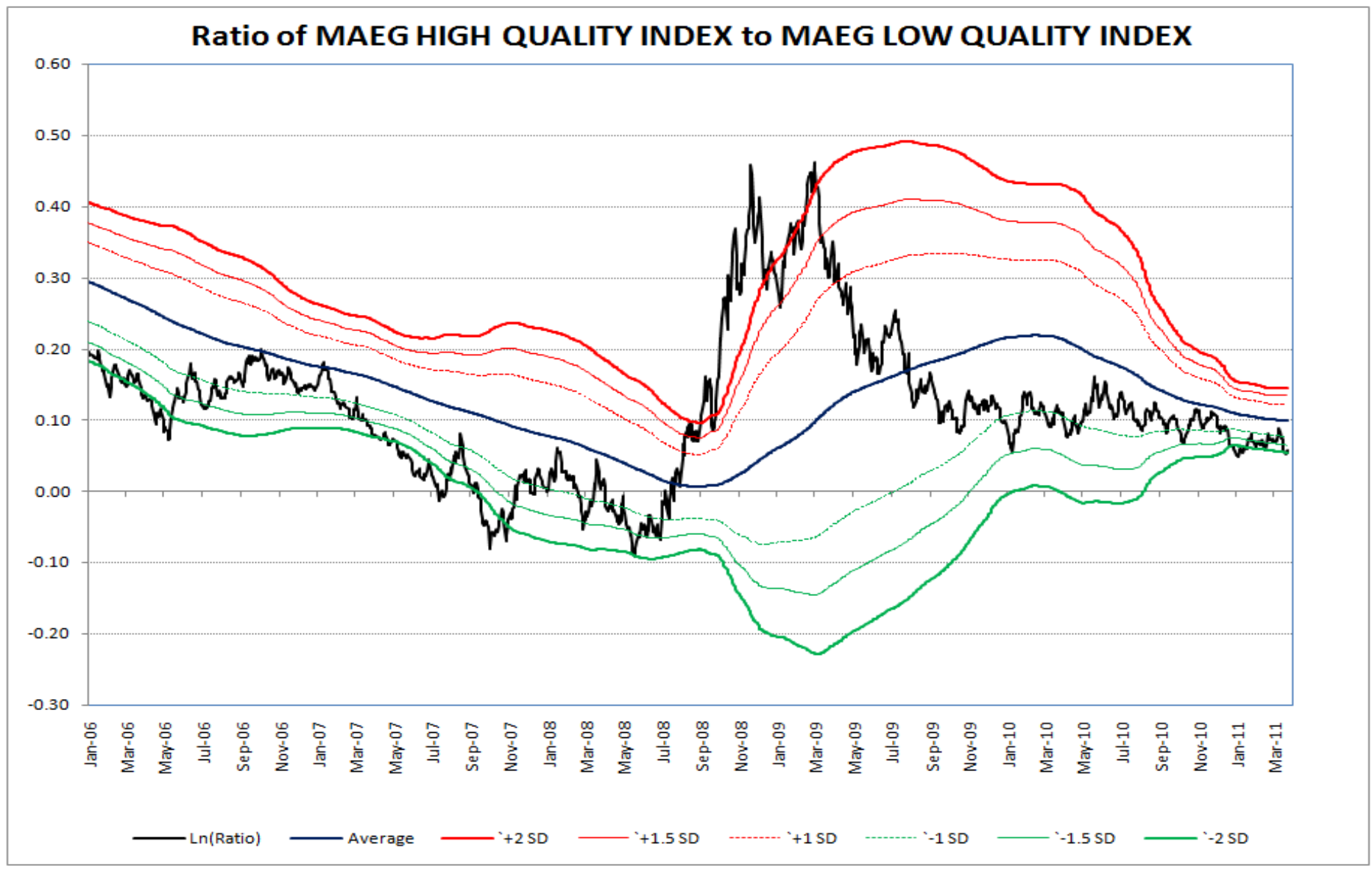
- **Trading & Investment Conclusions**

**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.*

## Ratio of HQ v/s LOW QLTY - 1 yr



- EQUITY SETUP INDEX : +69%, 81%, +67%, +70% ( 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 QQQ IWM EEM EWJ FXI RSX IFN EWP JOF EWA XLF XRT XLV XLB XLE XLK XLI XLU XLP XLY XHB SMH BBH IYT IYR DBA DBB DBC GLD GDX USO JJC SLX	19.75% 24.13% 27.73% 19.55% 5.66% 9.71% 31.79% 6.45% 12.79% 11.58% 22.59% 11.98% 31.47% 9.24% 24.09% 43.67% 17.56% 26.46% 6.39% 11.04% 24.22% 14.37% 28.99% 10.11% 23.83% 80.58% 34.37% 18.50% 30.55% 65.38% 31.66% 16.27% 28.59% 22.47%	TLT	-4.82%			SLV	46.90%

# 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
<b>Gr 1</b>							
SPY		-1.34		0.09	132.77	\$ 130.66	
QQQ		0.84		0.04	57.35	\$ 56.34	
IWM	Above +1.5SD	1.67		0.06	83.88	\$ 81.73	
TLT	Below -1.5SD	-1.62		0.09	92.32	\$ 92.32	
EWJ	Below -2SD	-3.63		0.01	10.45	\$ 10.43	
FXI		-1.31		0.04	44.40	\$ 43.35	
IFN		-1.23		0.03	32.70	\$ 31.35	
EEM		-0.30		0.04	48.25	\$ 47.04	
<b>Gr 2</b>							
XLV		-1.43		0.03	33.09	\$ 32.52	75%
RTH		1.44		0.03	51.13	\$ 49.41	
XLF	Below -1.5SD	-1.56		0.01	16.45	\$ 16.28	83%
XLU	Below -1.5SD	-1.85		0.03	31.95	\$ 31.35	
XLE	Above +2SD	2.75		0.05	80.01	\$ 78.11	0%
XLP	Below -1.5SD	-1.81		0.02	29.98	\$ 29.62	25%
XLI		1.38		0.03	37.52	\$ 36.93	100%
<b>Gr 3</b>							
JJC		0.58		0.04	56.53	\$ 57.78	
SLV	Above +2SD	2.31		0.02	36.53	\$ 35.93	
SMH		1.13		0.02	34.75	\$ 34.28	
USO		-0.31		0.03	41.66	\$ 41.65	
BBH		-1.10		0.09	106.07	\$ 104.32	
DBA		0.99		0.02	33.66	\$ 33.78	
DBC	Above +1.5SD	1.60		0.02	30.04	\$ 30.03	
Primary Index Net Exposure							69%
POM 14 Re Run 3							

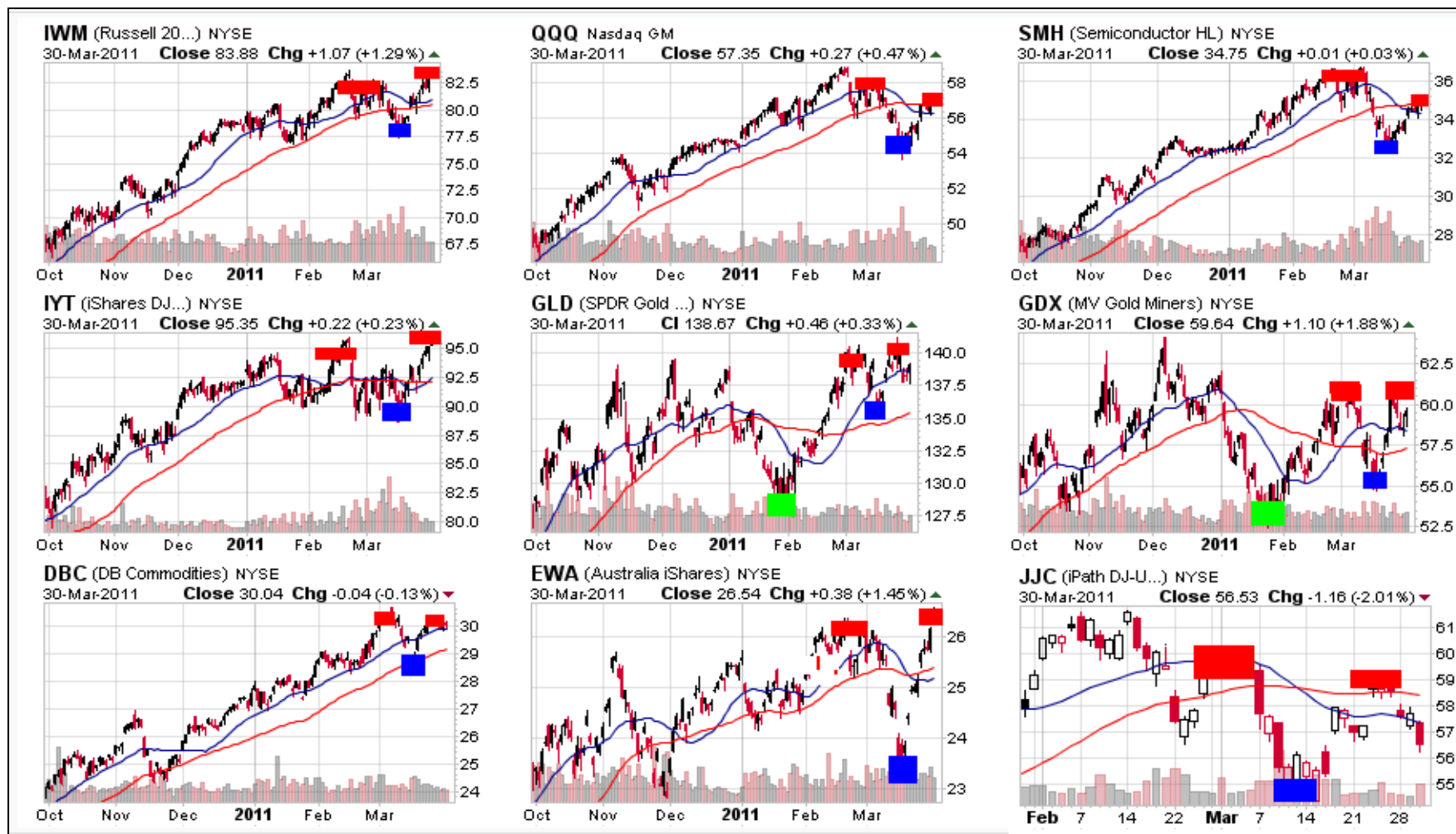
- From (40) Sector list , The green highlights are Newly added and the ETF's with SD # 2 is qualified for further review for extremes of over ( Sell) / under ( Buy) valuation v/s SPX & CRB ( if applicable)– within our Expectancy Model

Ticker ( Exited from Previous weeks )	Comments
USO	Ratio Reverted to Mean



## Price Path Update - **PQV Validated** - ETS' s in validation list (**Keeping simple**)

- On the Current market bounce the following sectors are back up into CZ validated as Indicated in CZ Red Color & Triggered ( 1/2) in some or Full in some ( For recycled capital)
- The Blue CZ is where our Price Projection was reached ( Refer our Reports from 14<sup>th</sup> – 16<sup>th</sup> March, SPX 1270 -1290 )
- Since Jan 2011 only GLD & GDX have reached POM 13 as Indicated in Green
- As per CZ Pricing and Volume details in Tracker spread Sheet



## Price Path Update – **NON - PQV Validated** - ETS' s , in validation list

- Here we are awaiting for either full PQV Validation or (  $\frac{1}{2}$  ) Position validation that test is in progress on this bounce , these areas are indicated in by Red empty box.
- Earlier , in some of the ETF's marked in Blue CZ had proven its merit for initiating the bounce
- Off course as we know QQQ & XLE we missed last time on leg down.
- As per CZ Pricing and Volume details in Tracker spread Sheet



## Price Path Update – ETS' s ,

- *TLT – Triggered POM 12 @ Green ( Refer to detail coverage update below)*
- *FXI & IFN , as indicated in our Earlier Reports “CZ in blue for bounce”. ( IFN equivalent of 17,800 in Sensex)*
- *EWJ – still no clarity , once the Traders volatility is out we should plot the CZ*

**TLT** (iShs T-Bnd 20+y) NYSE

30-Mar-2011 **Close** 92.32 **Chg** +0.73 (+0.80%) ▲



**IFN** (India Fund, Inc.) NYSE

30-Mar-2011 **Close** 32.70 **Chg** +0.26 (+0.80%) ▲



**FXI** (iShrs FTSE China 25) NYSE

30-Mar-2011 **Close** 44.40 **Chg** +0.68 (+1.56%) ▲



**EWJ** (Japan iShares) NYSE

30-Mar-2011 **Close** 10.45 **Chg** +0.16 (+1.55%) ▲



# 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 Externe 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
<b>SHORTS (SECTORS)</b>									
<b>SD 2 Triggers ( BIGGER TREND)</b>									
IWM	25-Nov-10	83.88		73.73	-13.77%	\$ 81.73	84.00	@SD2	
RTH	25-Nov-10	106.51		103.47	-2.94%	\$ 104.85		@SD2	
SMH	25-Nov-10	34.75		31.68	-9.69%	\$ 34.28	37.80	@SD2	
JJC	10-Dec-10	56.53		54.08	-4.53%	\$ 57.78	63.00	@SD2	
SLV	10-Nov-10	36.53		27.00	-35.30%	\$ 35.93	28.35	@SD2	
XLE	31-Dec-10	80.01		68.15	-17.40%	\$ 78.11		@SD2	
QQQ	23-Dec-10	57.35		54.74	-4.76%	\$ 56.34		@SD2	
DBC	10-Mar-11	30.04		30.15	0.36%	\$ 30.03		@SD2	
								1.39%	
								SD's triggered P/L	-10.83%
<b>CZ Triggers ( DRAWDOWN MINIMIZATION PROCESS)</b>									
GLD	10-Mar-11	138.67		139.50	0.59%	\$ 138.70	142.00	@CZ1	
GDX	25-Mar-11	59.64		59.00	-1.08%	\$ 59.00	62.00	@CZ1	
IYT	25-Mar-11	95.35		93.50	-1.98%	\$ 93.75	99.23	@CZ1	
SMH	31-Mar-11	34.75		35.00	0.71%	\$ 34.28	37.80	@CZ1	New
QQQ	31-Mar-11	57.35		57.00	-0.61%	\$ 56.41	60.90	@CZ1	New
DBC	31-Mar-11	30.04		30.50	1.51%	\$ 29.99	32.55	@CZ1	New
IWM	31-Mar-11	83.88		83.00	-1.06%	\$ 81.87	88.20	@CZ1	New
JJC	31-Mar-11	56.53		59.50	4.99%	\$ 57.59	63.00	@CZ1	New
EWA	31-Mar-11	26.54		25.50	-4.08%	\$ 25.65	27.30	@CZ1	New
<b>CLOSED SHORT POSITIONS</b>									
					105.95%			104.57%	
								CZ'S Triggered P/L	11.51%
				EQ WT SHORT P/L	1.00%				

# 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	33.09	30.99	6.78%	📈	32.58		@SD2	
XLU	23-Dec-10	31.95	31.36	1.88%	📈	31.36		@SD2	
XLF	25-Nov-10	16.45	14.63	12.44%	📈	16.28		@SD2	
TLT	12-Nov-10	92.32	96.38	-4.21%	📉	92.18	84.55	@SD2	
MUB	19-Nov-10	99.60	100.98	-1.37%	📉	99.83		@SD2	
BBH	2-Nov-11	106.07	100.95	5.07%	📈	104.37		@SD2	
EWJ	15-Oct-10	10.45	10.22	2.25%	📈	10.39		@SD2	
USO	15-Oct-10	42.10	35.47	18.69%	📈	41.56		@SD2	EXIT
FXI	23-Dec-10	44.40	42.60	4.23%	📈	43.39		@SD2	
XLP	7-Jan-11	29.98	29.18	2.74%	📈	29.65		@SD2	
IFN	27-Jan-11	32.70	30.5	7.21%	📈	31.59		@SD2	
								10.61%	
								SD's triggered P/L	6.03%
CZ Triggers									
JOF		9.23	8.47	8.97%	📈	9.05	7.98	@CZ	
TLT	21-Jan-11	92.32	89.50	3.15%	📈	92.18	84.55	@CZ1	
								4.17%	
								CZ'S Triggered P/L	8.15%
CLOSED LONG POSITIONS									
				14.78%					
				EQWT LONG P/L	6.36%				
15th OCT 2010 INCEPTION									
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX									
INCEPTION @ SPX 1180 to Current 1328.26									
				EQWT AGG P/L Short E	7.35%				
				SPX CHANGE	12.56%				

D.L  
1321

## Inception 1<sup>st</sup> Oct 2010- L/S - SECTOR

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

<b>CLOSED SHORTS POSITIONS</b>	<b>Entrg Date</b>	<b>Exit Date</b>	<b>Entrg Price</b>	<b>Exit Price</b>	<b>P / L</b>	<b>Comments</b>
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
IWM	21-Jan-11	16-Mar-11	79	78.42	0.73%	@CZ1
SMH	21-Jan-11	16-Mar-11	35	32.98	5.77%	@CZ1
JJC	19-Jan-11	16-Mar-11	59.5	57.94	2.62%	@CZ1
EVH		16-Mar-11	19.5	17.74	9.03%	@CZ1
XLB	21-Jan-11	16-Mar-11	39.5	37.67	4.63%	@CZ1
EVA	21-Jan-11	16-Mar-11	25.44	23.74	6.68%	@CZ1
EEM	21-Jan-11	16-Mar-11	47.86	44.60	6.81%	@CZ2
IYT		16-Mar-11	93.5	91.07	2.60%	@CZ1
GLD(Half Position)	10-Mar-11	16-Mar-11	139.5	136.97	1.81%	@CZ1
GDX	10-Mar-11	16-Mar-11	59	55.72	5.56%	@CZ1
						104.57%
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%
				<b>TOTAL</b>	<b>105.95%</b>	
<b>CLOSED LONGS POSITIONS</b>						
BBH					0.00%	@SD2
EWJ					-0.50%	@SD2
USO					6.68%	@SD2
BBH					0.26%	@SD2
EWJ					4.17%	@SD2
						10.61%
GLD	27-Jan-11	11-Mar-11	129	137.77	4.17%	@CZ1
						4.17%
				<b>TOTAL</b>	<b>14.78%</b>	

**ON 16<sup>TH</sup> March SPX Reached 1270 -1280 and CZ target in sector was met and closed**

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

Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Required Volume MM on Test	Actual Volume MM on Test	Volume Pickup	% Away from Test price UL	40wk MA	% Away from 40 MA	Stoploss @ CLO	3X3 / 9EMA	SETUP Quality Price	Drawdown minimisation	SD #
TRIGGERED																
SMH (under \$34) (New)	Short	34.61	35.00		34	36	10	9.0	-4%	30.50	13.46%	37.80	34.31	33.0	-6.1%	1.13
QQQ (Half) (New)	Short	57.38	57.00		56	58	75	74.0	-1%	51.54	11.33%	60.90	56.49	53.0	-7.5%	0.84
DBC (half) (New)	Short	30.4	30.5		30	31	2.3	1.9	-2%	25.62	18.68%	32.55	30.02	28.5	-7.0%	1.60
IWM (under \$82) (half) (New)	Short	84	83.00		82	84	40	42.0	0%	72.11	16.49%	88.20	82.02	78.4	-5.8%	1.67
JJC (under \$59) (New)	Short	56.9	59.50		59	60	0.18	0.14	-5%	51.29	10.93%	63.00	57.54	57.9	-2.7%	0.58
EWA (under \$25.5) (New)	Short	26.627	25.50		25	26	3.5	3.6	2%	23.82	11.78%	27.30	25.73	23.7	-7.4%	0.89
GDX	Short	60.2	59		59	59	7.5	8.2	2%	55.88	7.74%	62.00	58.81	55.72	-5.9%	0.08
IYT	Short	95.86	93.5		92.5	94.5	0.65	0.6	1%	85.83	11.69%	99.23	94.14	91.1	-2.7%	0.69
TLT (half)	Long	92.23	89.5		89	90	40	42.0	2%	97.31	-5.22%	84.55	92.16	95.0	-5.8%	(1.62)
GLD	Short	140.01	139		139	139	17	8.7	1%	129.45	8.16%	142.00	138.63	137.0	-1.5%	0.04
WATCHLIST																
SLV (No Trigger)	Short	36.71	36		35	37	25		-1%	25.01	46.79%	38.00	35.97	26.0	-38.5%	2.31
XLE (half) (New)	Short	80.4	78		77	79	12	12.0	2%	63.04	27.54%	82.95	78.43	68.5	-13.9%	2.75
XLE (under \$78, touch of \$79) (half) (New)	Short	80.4	79.00		79	79	14	18.0	2%	63.04	27.54%	82.95	78.43	68.5	-15.3%	2.75
DBC (under \$30, touch of \$31) (half) (New)	Short	30.4	31.00		31	31	2.7		-2%	25.62	18.68%	32.55	30.02	28.5	-8.8%	1.60
EWV (under \$19.25)	Short	18.911	19.50		19.25	19.75	4.5		-4%	18.05	4.77%	20.74	18.45	17.7	-9.9%	(0.39)
EEM (under \$48)	Short	48.72	49.00		48	50	40	53.0	-3%	44.59	9.27%	52.50	47.21	44.6	-9.9%	(0.30)
XLB (under \$39)	Short	40.15	39.5		38	41	10	11.6	-2%	35.22	14.00%	43.05	39.06	37.7	-4.9%	1.15
IWM (touch of \$84, under \$83) (half) (New)	Short	84	83.00		82	84	35	42.0	0%	72.11	16.49%	88.20	82.02	78.4	-5.8%	1.67
TLT (half)	Long	92.23	89.5		89	90	40	weekly	2%	97.31	-5.22%	84.55	92.16	95.0	-5.8%	(1.62)
QQQ (touch of 59, Closed below \$58)	Short	57.38	58.75		58.5	59	59	Daily	-3%	51.54	11.33%	61.95	56.49	53.0	-10.8%	0.84
XLV	Long	33.15	30.75		30.5	31	3		7%	30.82	7.56%	28.98	32.63	31.5	-2.4%	(1.43)
XLU	Long	31.936	30.5		30.25	30.75	4.5	15.0	4%	31.24	2.22%	28.74	31.39	31.5	-3.2%	(1.85)
XLP	Long	29.98	28.05		27.8	28.3	3.8		6%	28.34	5.77%	26.41	29.67	29.3	-4.1%	(1.81)
PQV Drawdown Minimisation factor																
-8.1%																
PQV Test validated within 5 to 7% of asking																
Criteria has temporarily exceeded																
volume still higher than the test volume no result																
Revised Confluence Values & Stoploss																

## ETF's - Special Situation

### TLT – update

*TLT – Triggered POM 12 @ Green, Currently showing signs of 2<sup>nd</sup> ABC up , Pull back held as expected, See the H & S bottom is confirmed by our VTO & PQV analysis.*





## TLT – update

*TLT v/s SPY ratio is moving as expected ( see chart below) , If all goes well ABCD up should be at Red area*

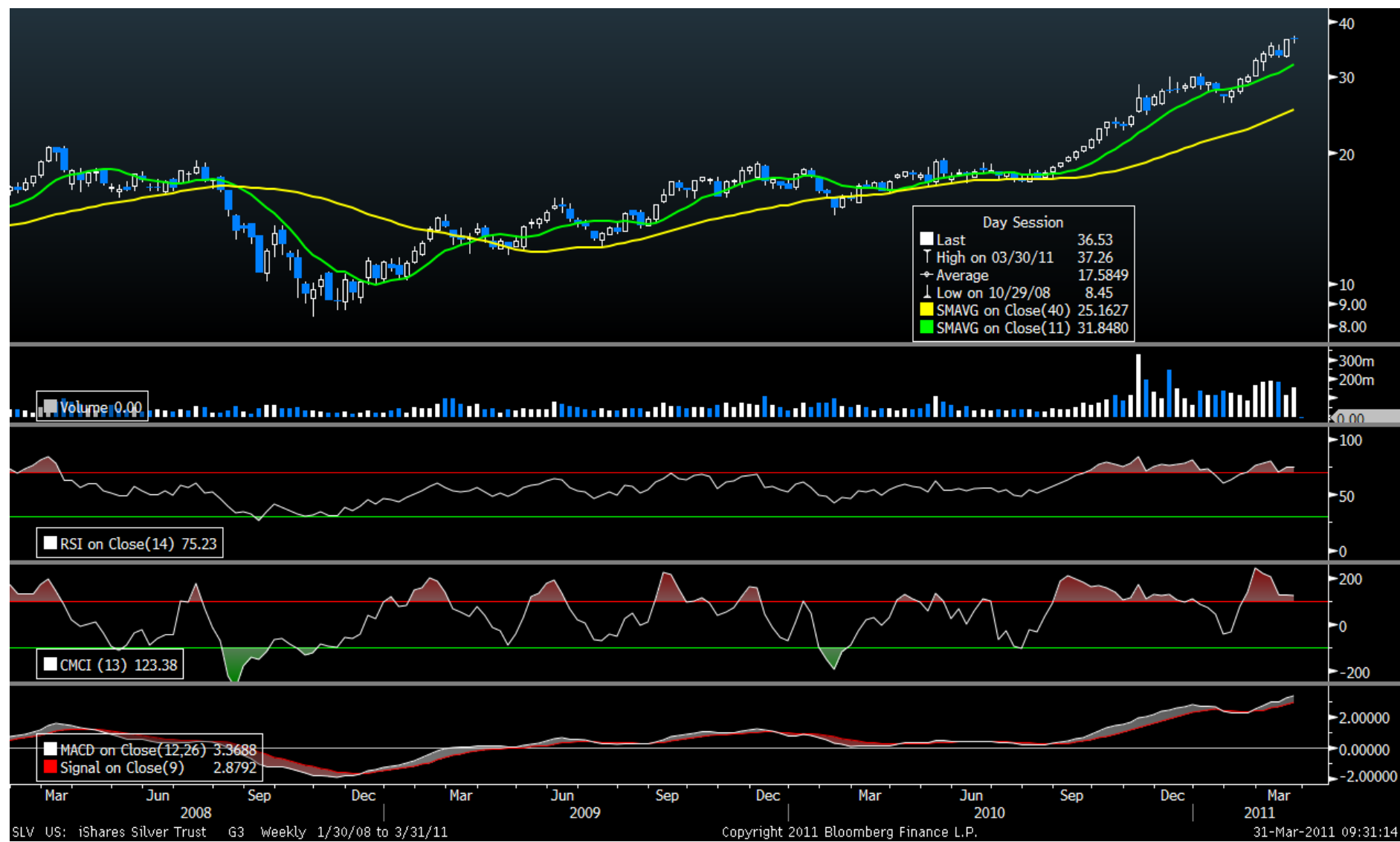


**ETF's Qualified this week for SD # 2 – Overvalued**

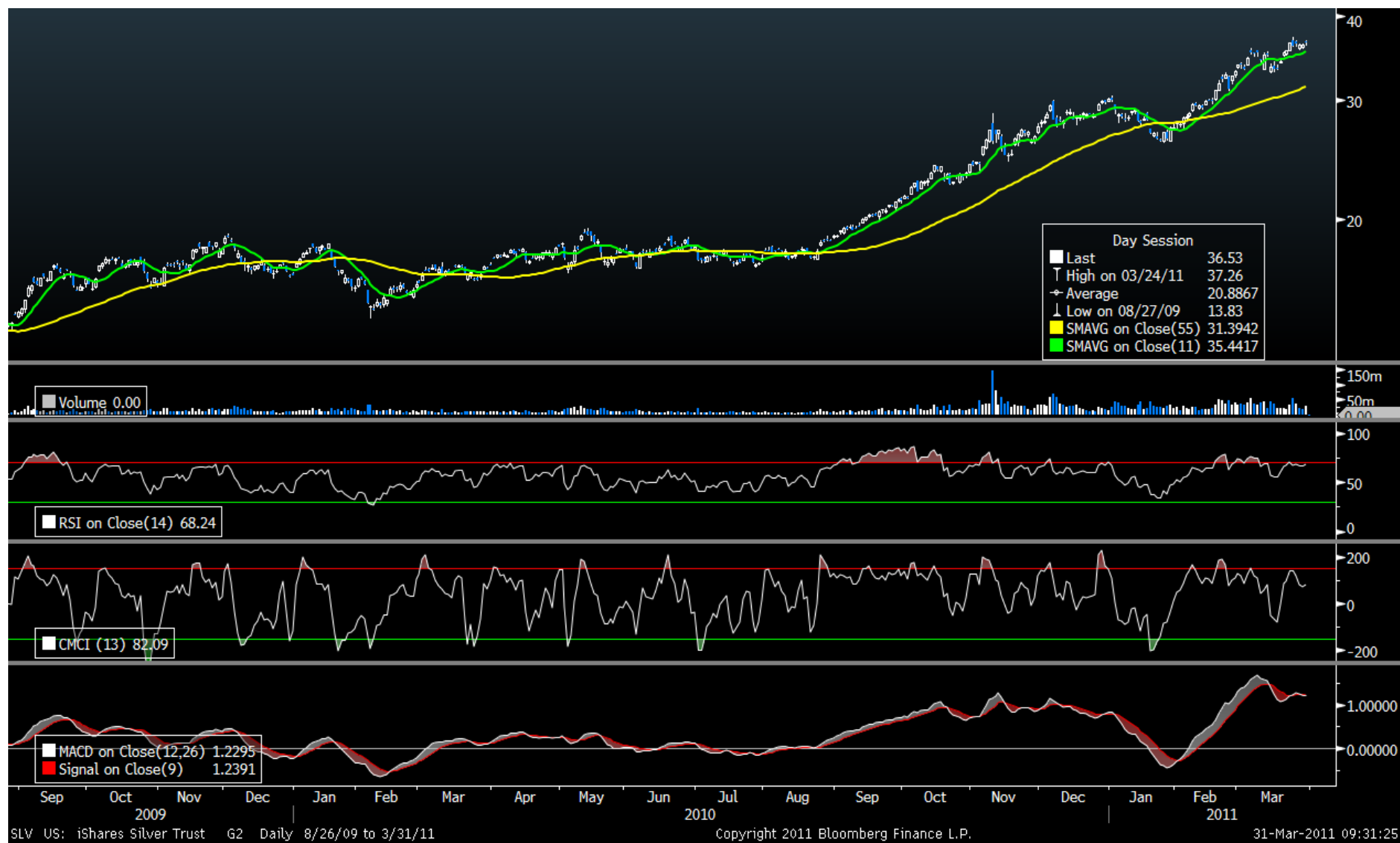
***CZ – PLOTTED FOR***

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

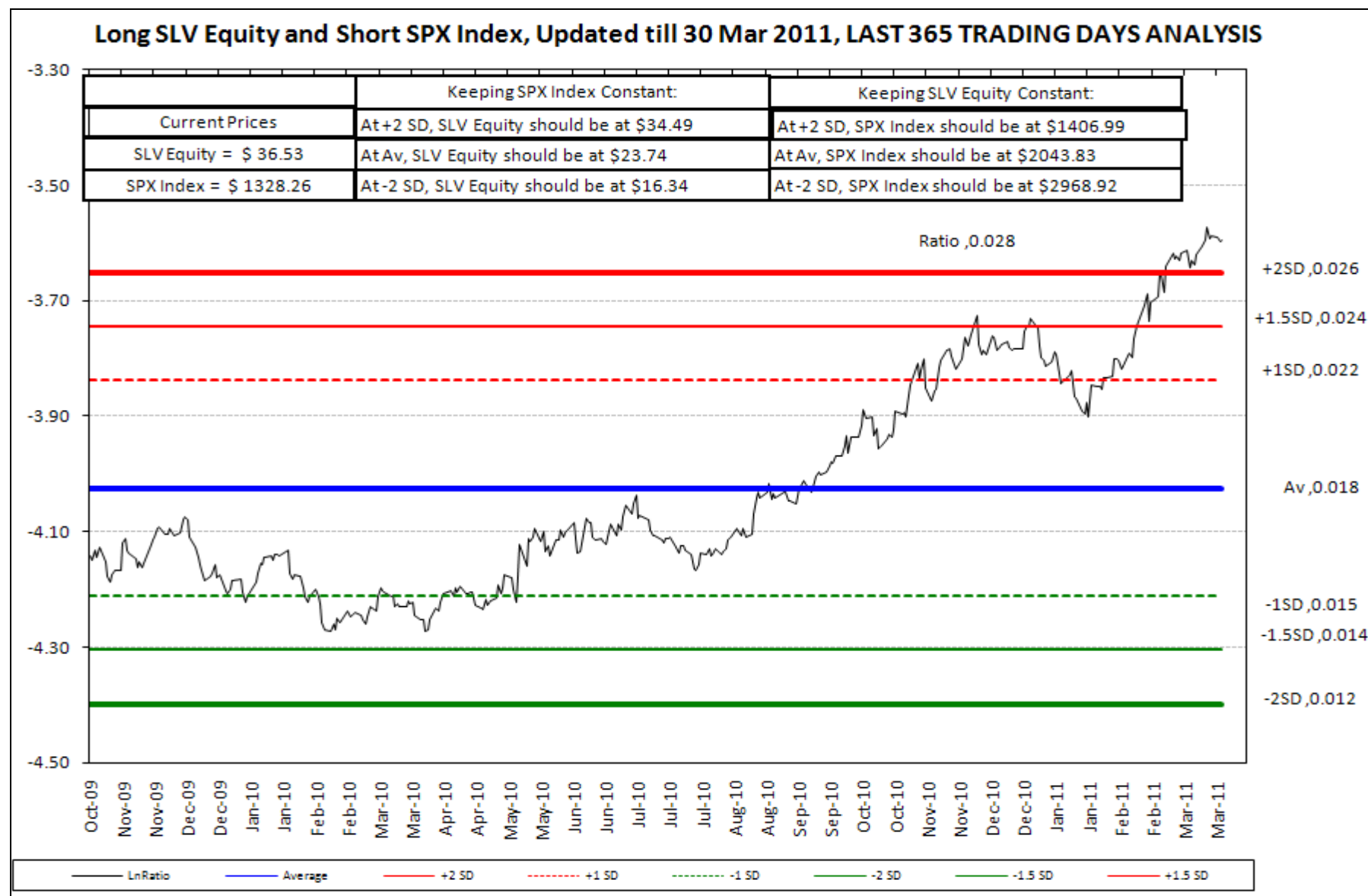
# SLV- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



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



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



## SLV Correlation Ratio Analysis with SPX – Full Time basis

### Long SLV Equity and Short SPX Index, Updated till 30 Mar 2011, FULL PERIOD ANALYSIS

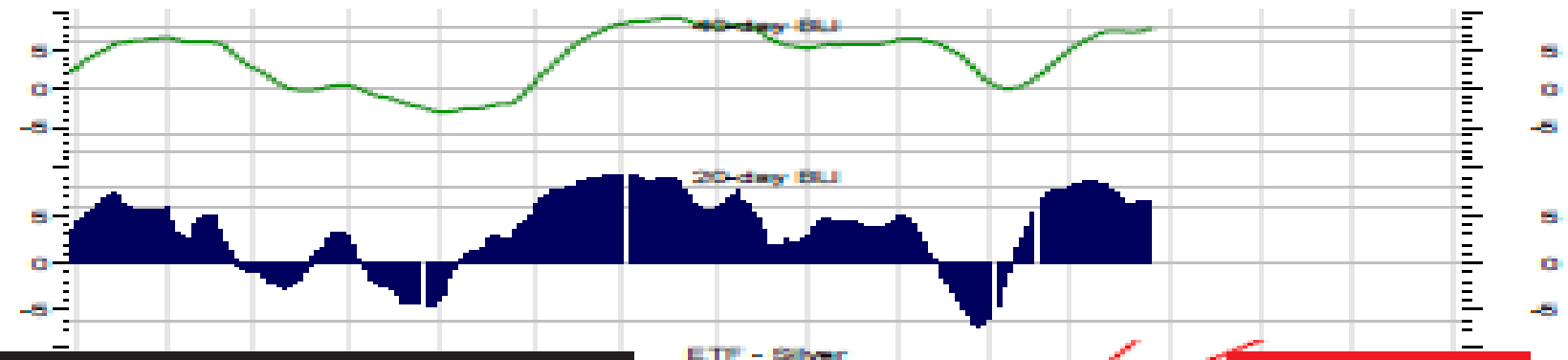


## SLV – SMA & Trend Analysis

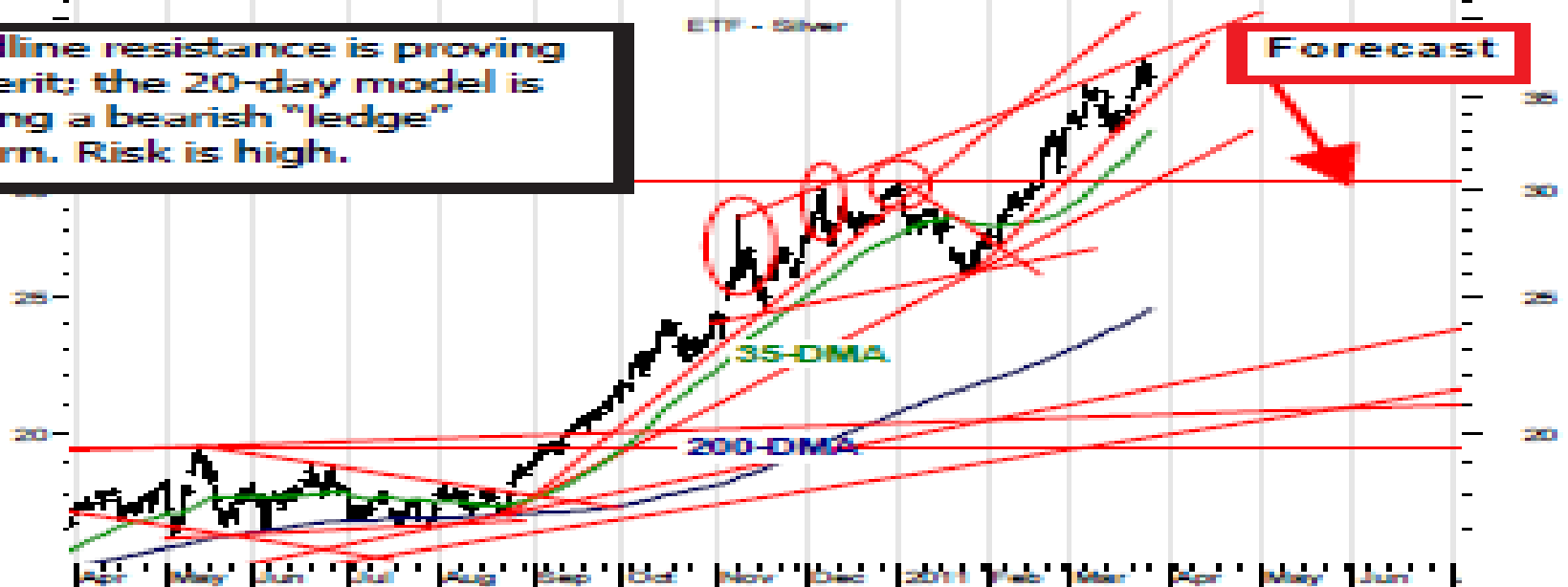
*Refer notes within charts. Still terminal Process is progress*

Silver ETF

SLV



Trendline resistance is proving its merit; the 20-day model is forming a bearish "ledge" pattern. Risk is high.

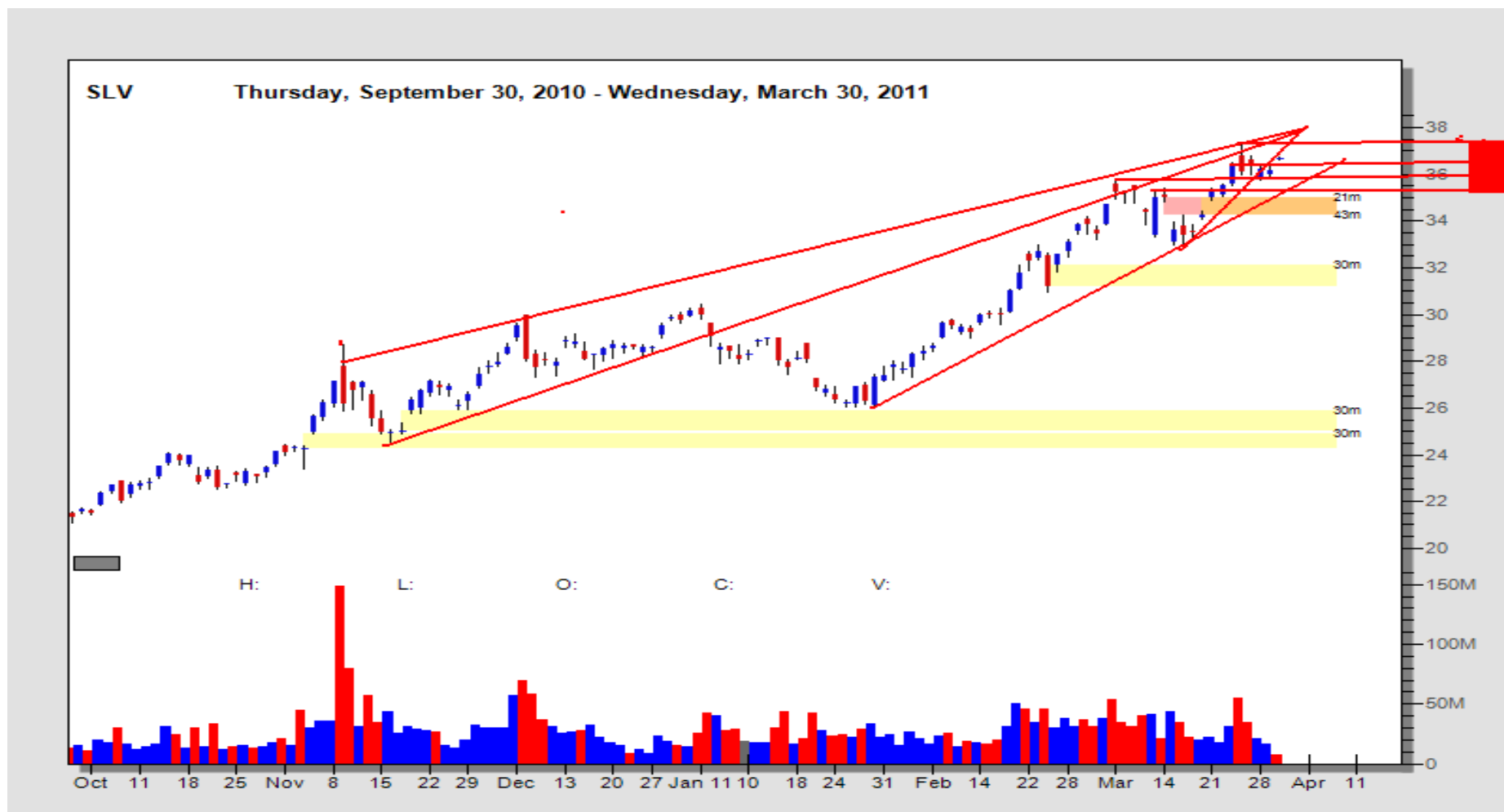


## SLV – Daily - Price / Volume- **Repeat - Covered in yesterdays commodity Report**

*Yesterday the test volume came at 28 V/s 25 Required , today might be interesting to see. No Trigger*

*CZ for this terminal pattern is 35 -37 with 25 M shares. At least we need another test of Highs and reject . Stop above 38 .*

*Although GOLD / GDX have triggered POM 14 Re run , But “No signal on SLV “. Possibility of Terminal pattern here . Since ABC up was completed and current expansion is 1.61 , the Exhaustion could happen with 3 gap play @ 60 degree . We are watching carefully but if GLD begins its decline SLV will follow.*

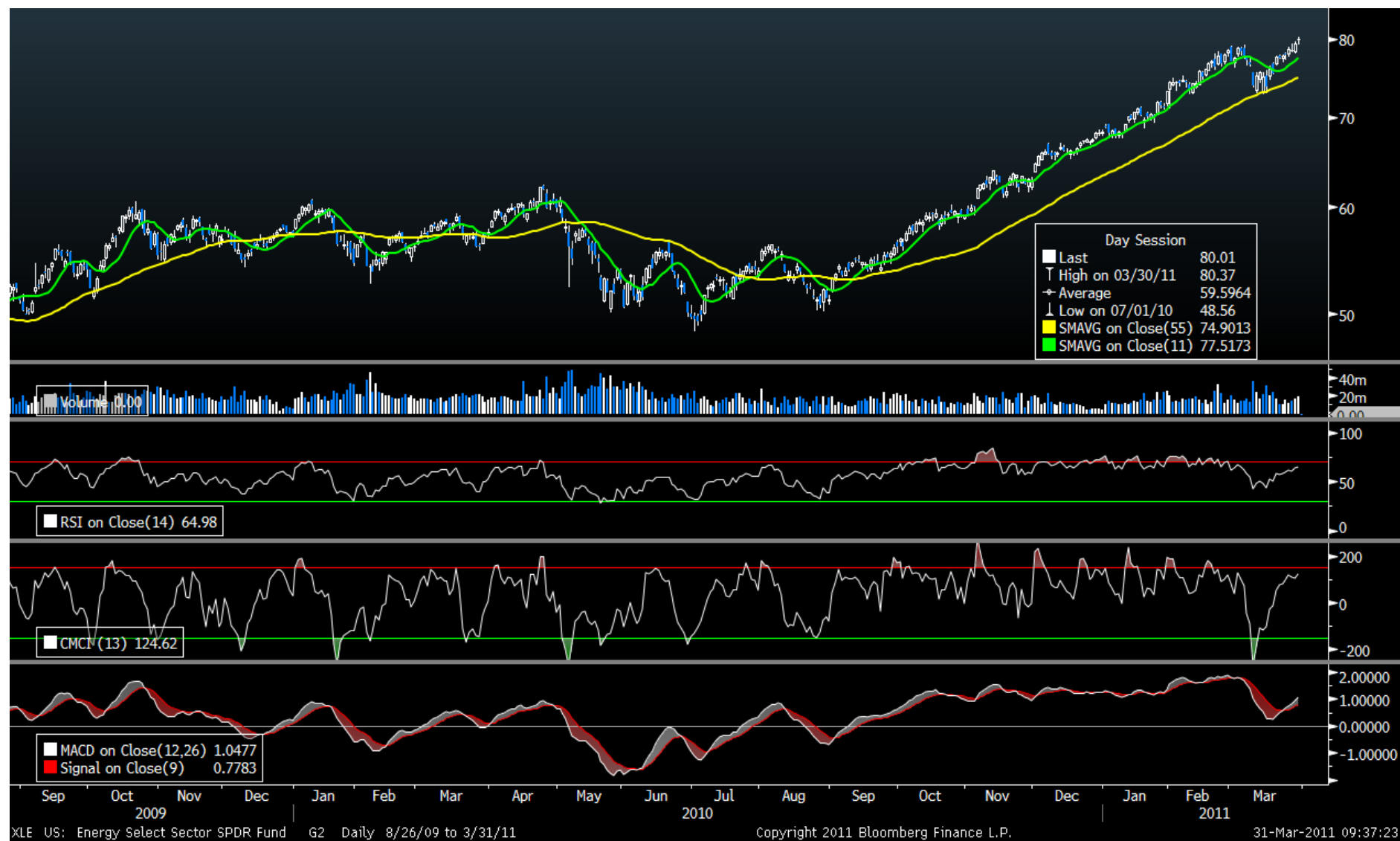




# XLE - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

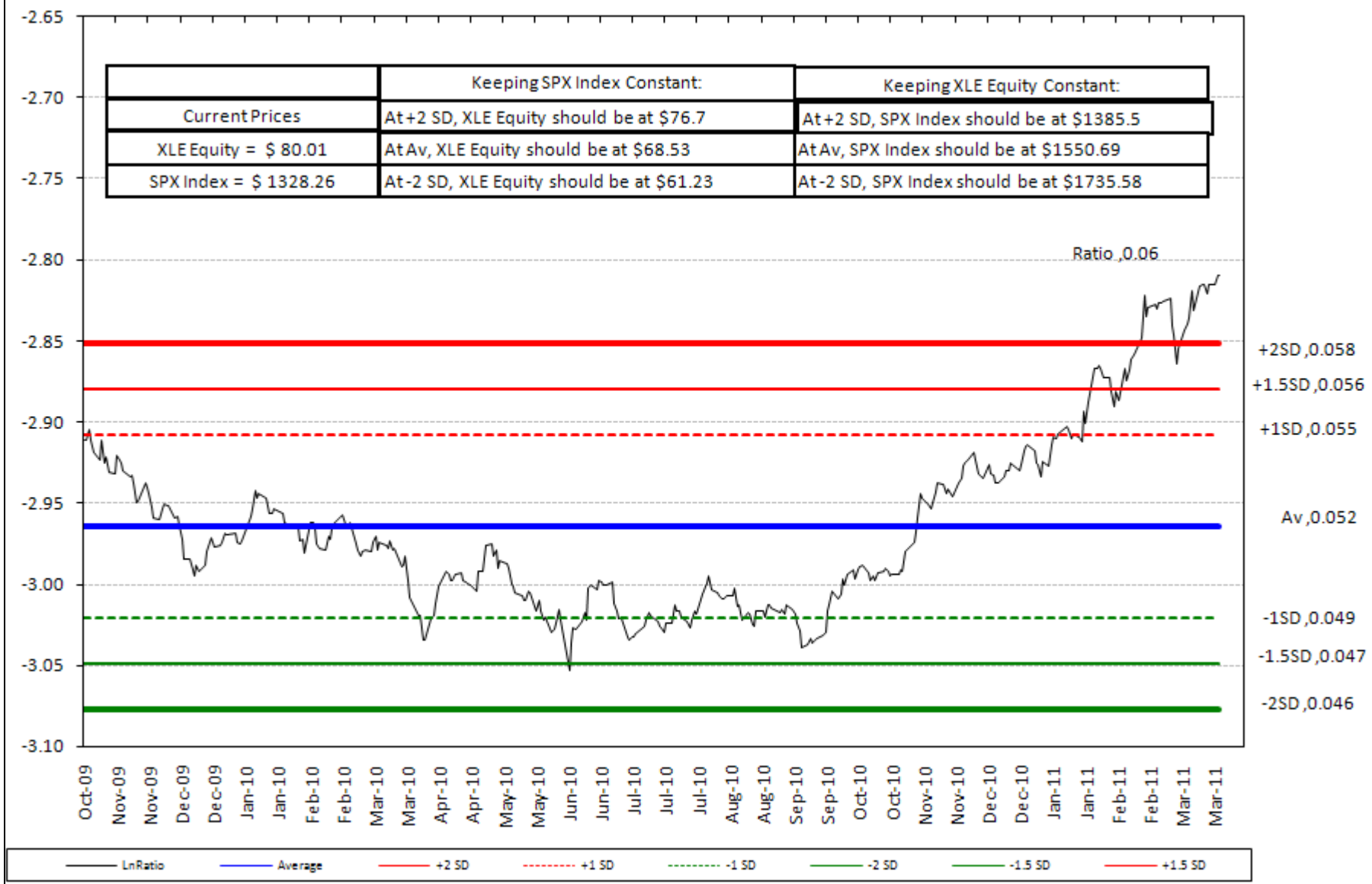


# **XLE - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD**



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

**Long XLE Equity and Short SPX Index, Updated till 30 Mar 2011, LAST 365 TRADING DAYS ANALYSIS**



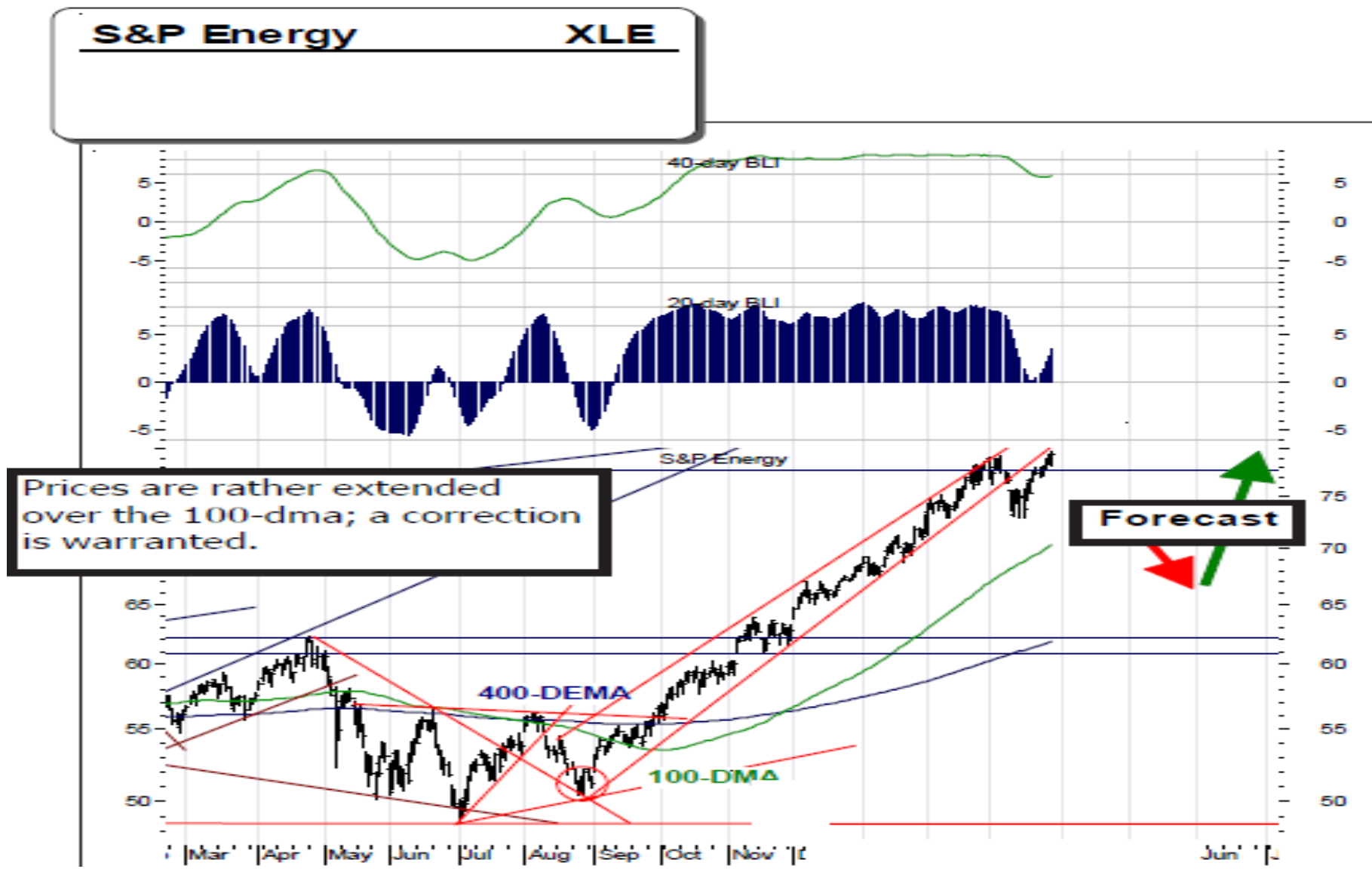
## XLE Correlation Ratio Analysis with SPX – Full Time basis

### Long XLE Equity and Short SPX Index, Updated till 30 Mar 2011, FULL PERIOD ANALYSIS



## XLE – LT - Technical & Pattern Analysis

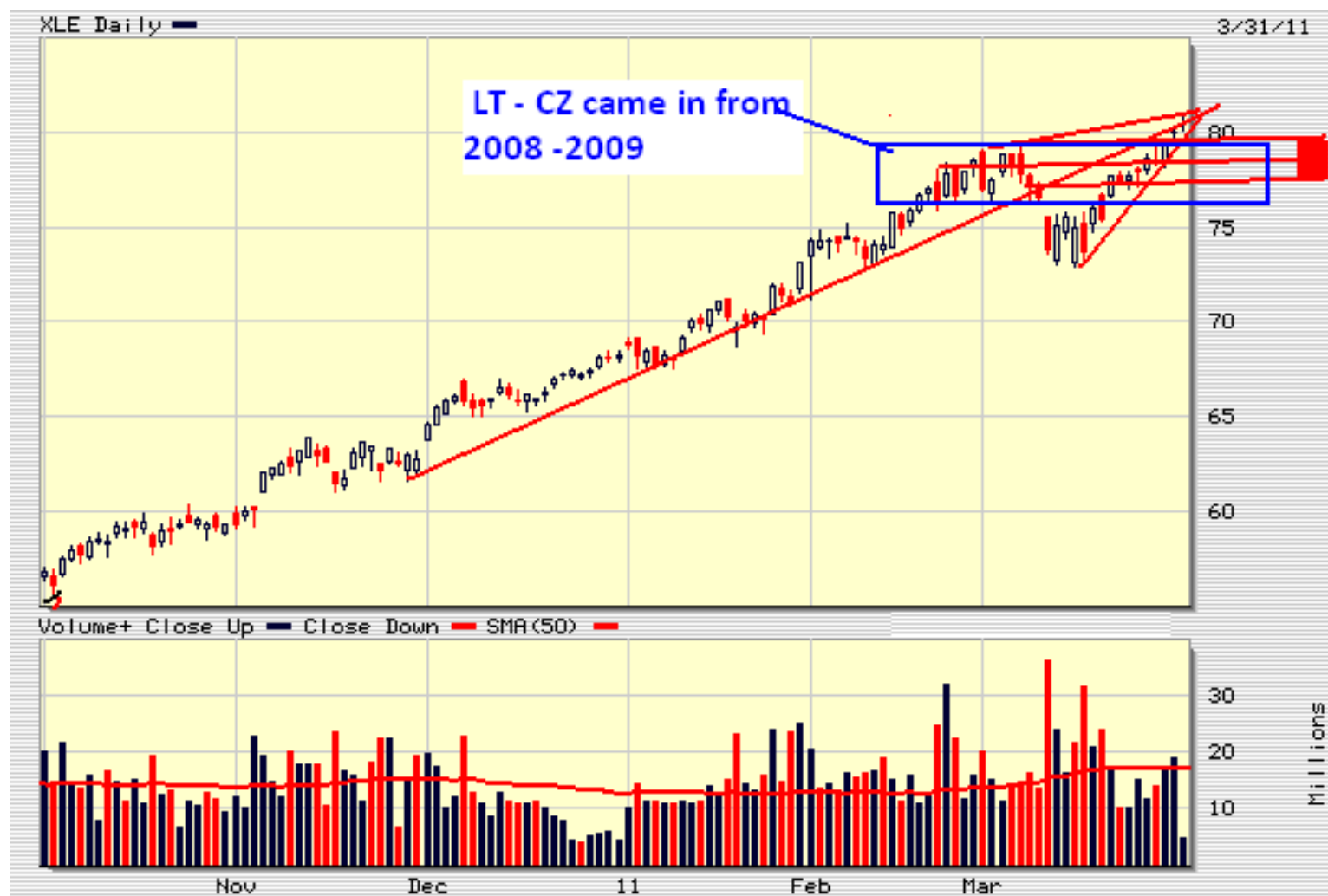
*Topping process is best described in the Trend lines and MA Analysis ( Refer notes within Chart)*



## XLE - PQV Analysis

Our decision point is going into CZ 77 to 79 and test with 12 M shares and fail ( ½ position) and 2<sup>nd</sup> half when Traded above 79 and close under 78 with 14 M for Trigger. **No Trigger , the Volume picked up 19M v/s 14 M, and above our UCZ**

Note - On overall lap CZ imported from way back 2008 dislocation proved its merit , On 4<sup>th</sup> March it failed again at 78 and immediately dropped to 73.



## ETF's Qualified this week for SD # - 2 - Undervalued

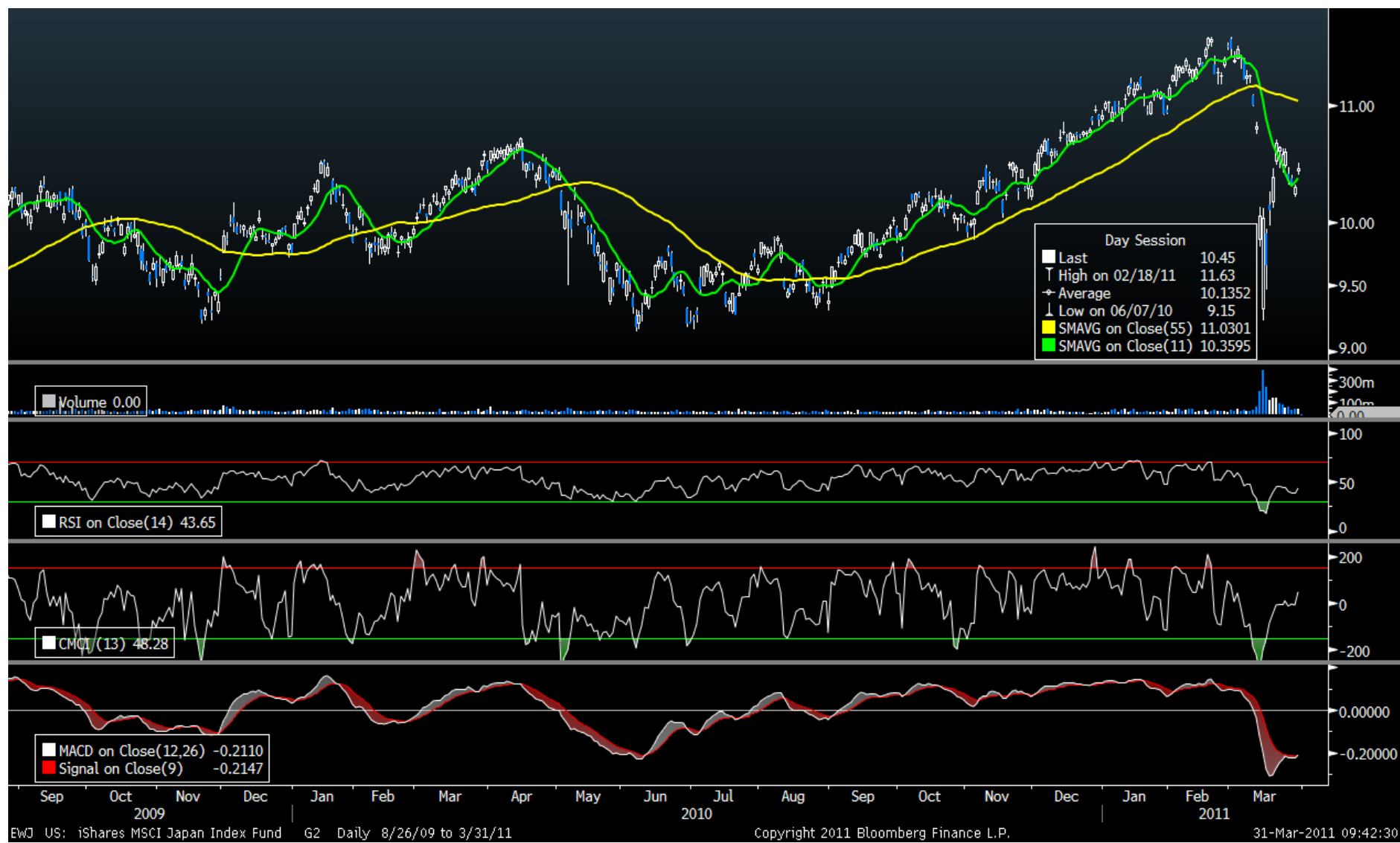
- *EWJ*

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



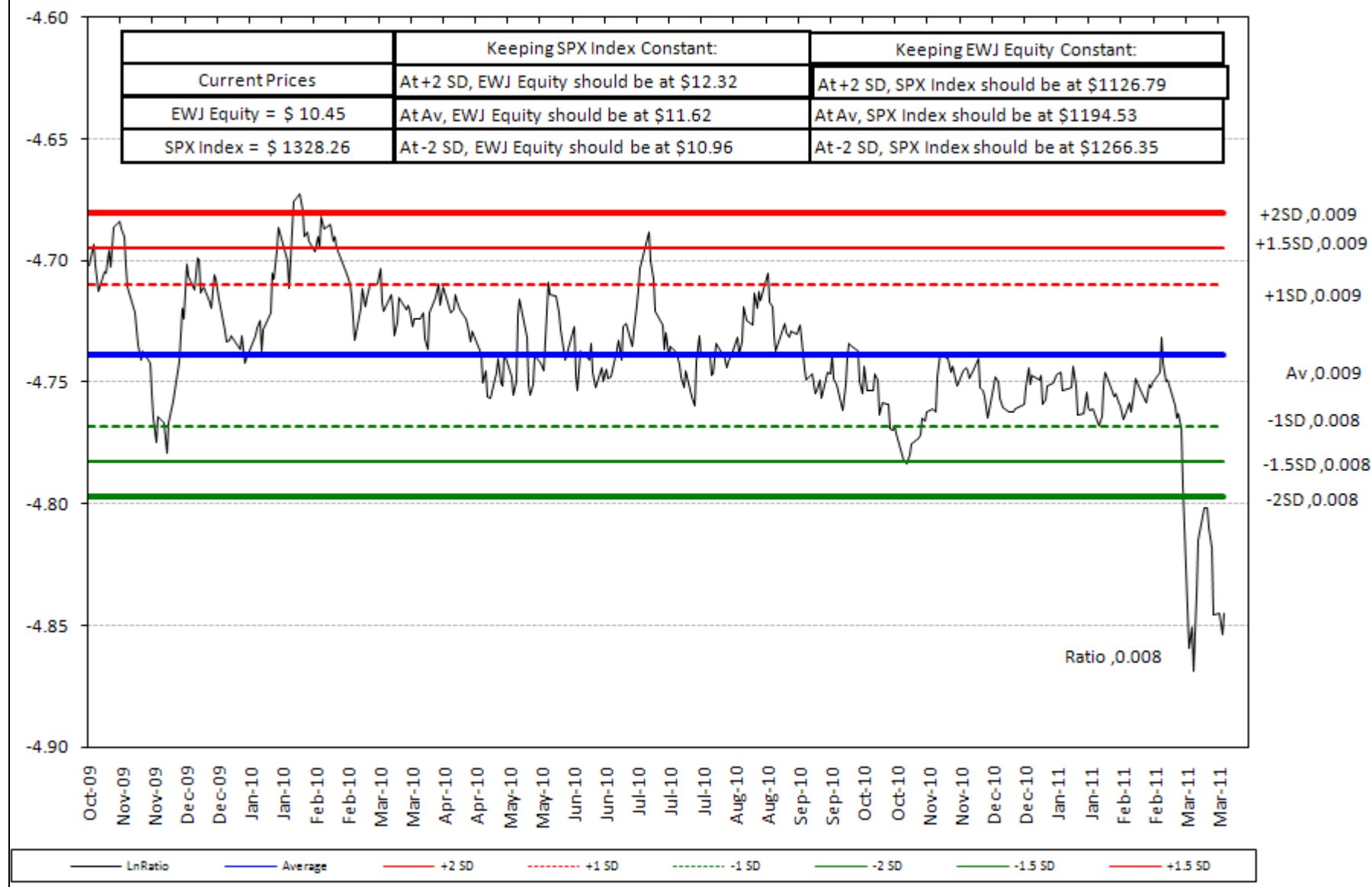


# EWJ - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



## EWJ Correlation Ratio Analysis with SPX – 365 days Time basis

**Long EWJ Equity and Short SPX Index, Updated till 30 Mar 2011, LAST 365 TRADING DAYS ANALYSIS**



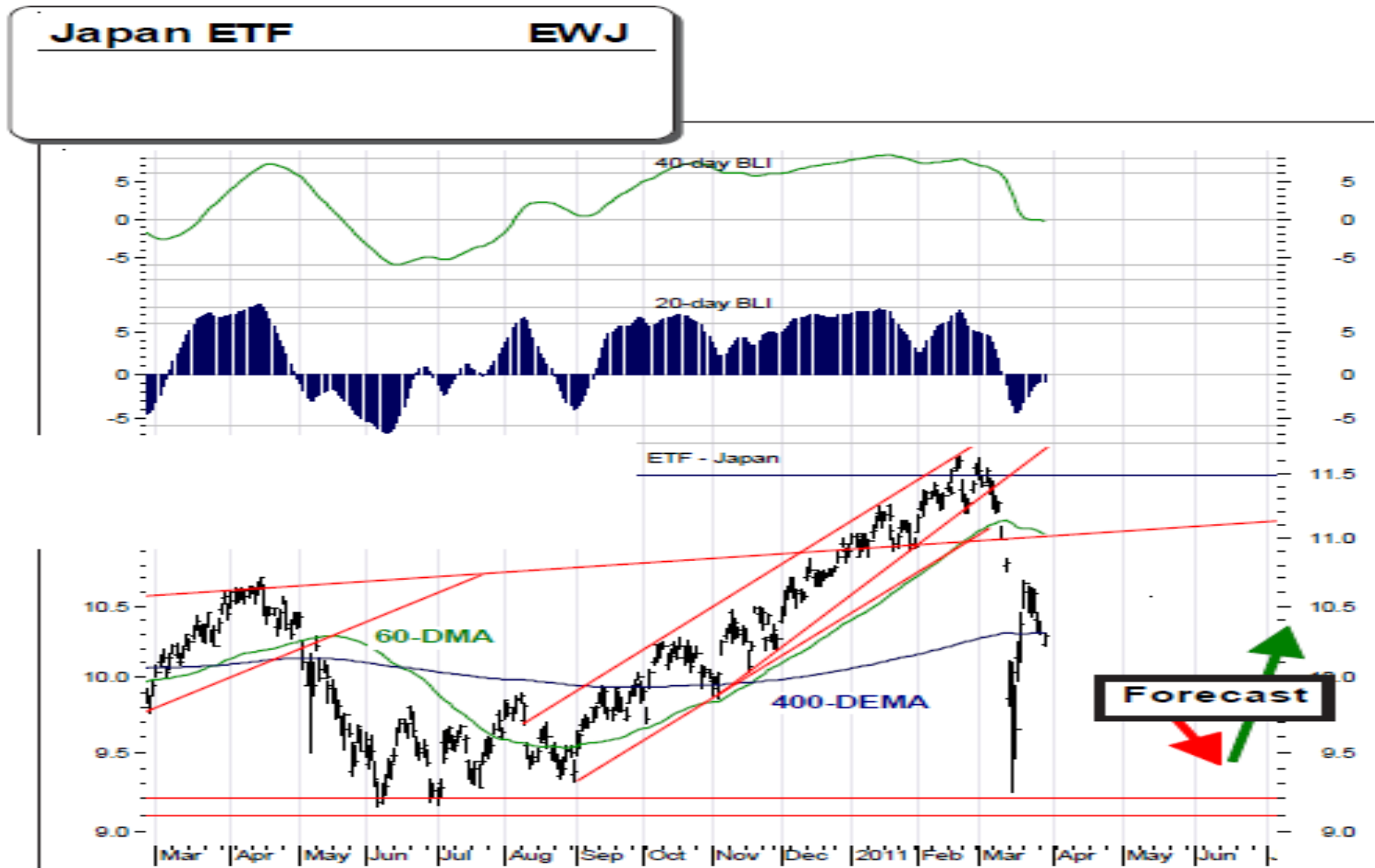
## EWJ Correlation Ratio Analysis with SPX – Full Time basis

### Long EWJ Equity and Short SPX Index, Updated till 30 Mar 2011, FULL PERIOD ANALYSIS



## EWJ – MA / Trend line Analysis

*Once the Traders volatility is reduced then Testing of CZ should begin PQV Analysis with data points similar to MUB several weeks ago*



## **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*



***On bigger picture, we have reached the CZ with multiple price streams. ( Archived chart CZ from LT ) peak on bigger time frame , which is quite meaningful.***

**PowerShares DB Commodity Idx Trking Fund (DBC)**

**Monday, September 27, 2010 - Friday, March 25, 2011**

30.67- 3.2m  
30.36- 2.3m  
6.3m  
3- 2.5m  
26.90- 3.1m  
25.47- 1.8m  
24.42- 1.7m  
24.33- 3.0m

H: L: O: C: V:

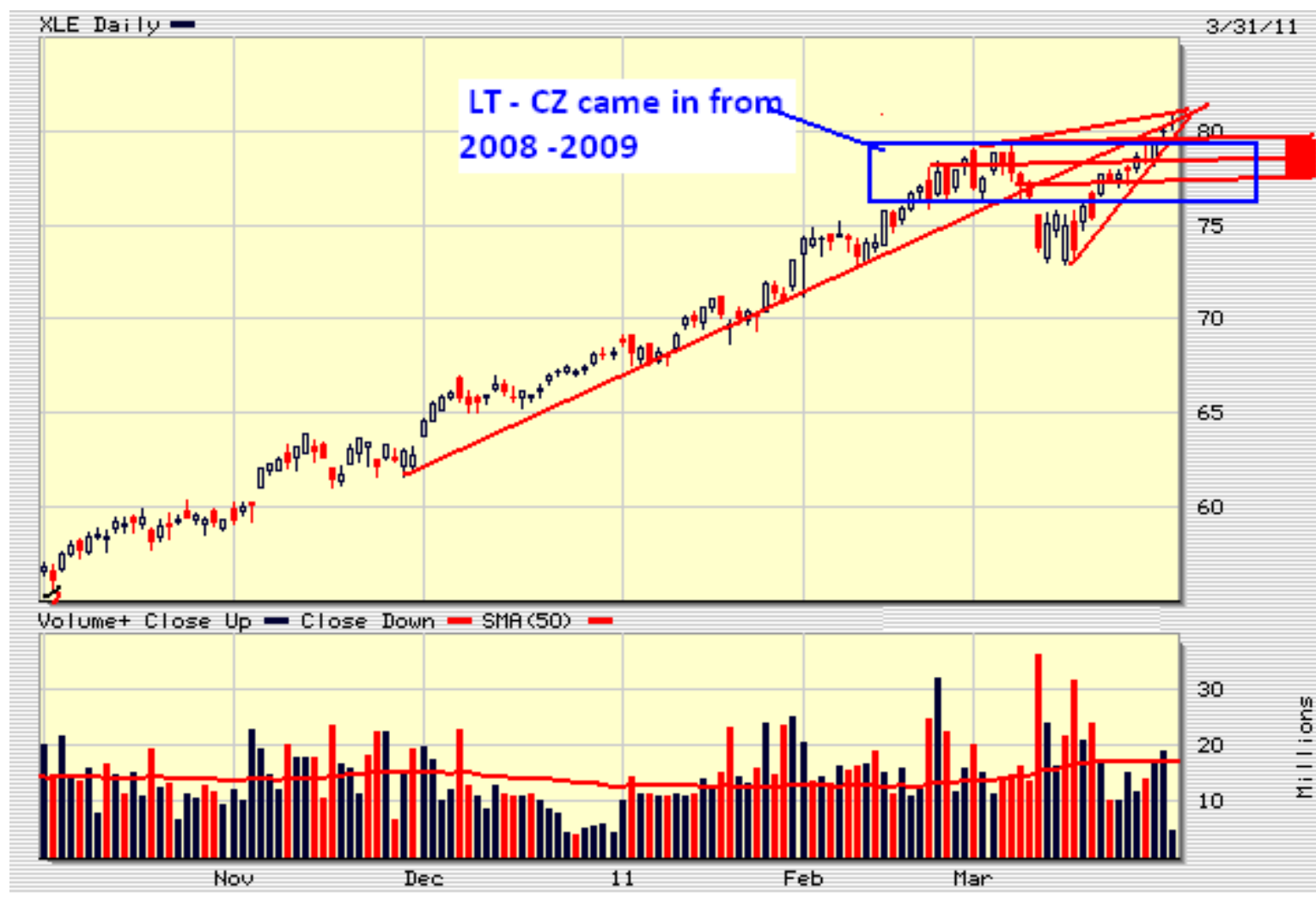
8M  
6M  
4M  
2M

27 Oct 11 18 25 Nov 8 15 22 29 Dec 13 20 27 Jan 11 18 24 31 Feb 14 22 28 Mar 14 21 28 Apr 11

## XLE - PQV Analysis

Our decision point is going into CZ 77 to 79 and test with 12 M shares and fail ( ½ position) and 2<sup>nd</sup> half when Traded above 79 and close under 78 with 14 M for Trigger. **No Trigger , the Volume picked up 19M v/s 14 M, and above our UCZ**

Note - On overall lap CZ imported from way back 2008 dislocation proved its merit , On 4<sup>th</sup> March it failed again at 78 and immediately dropped to 73.





## 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 .*

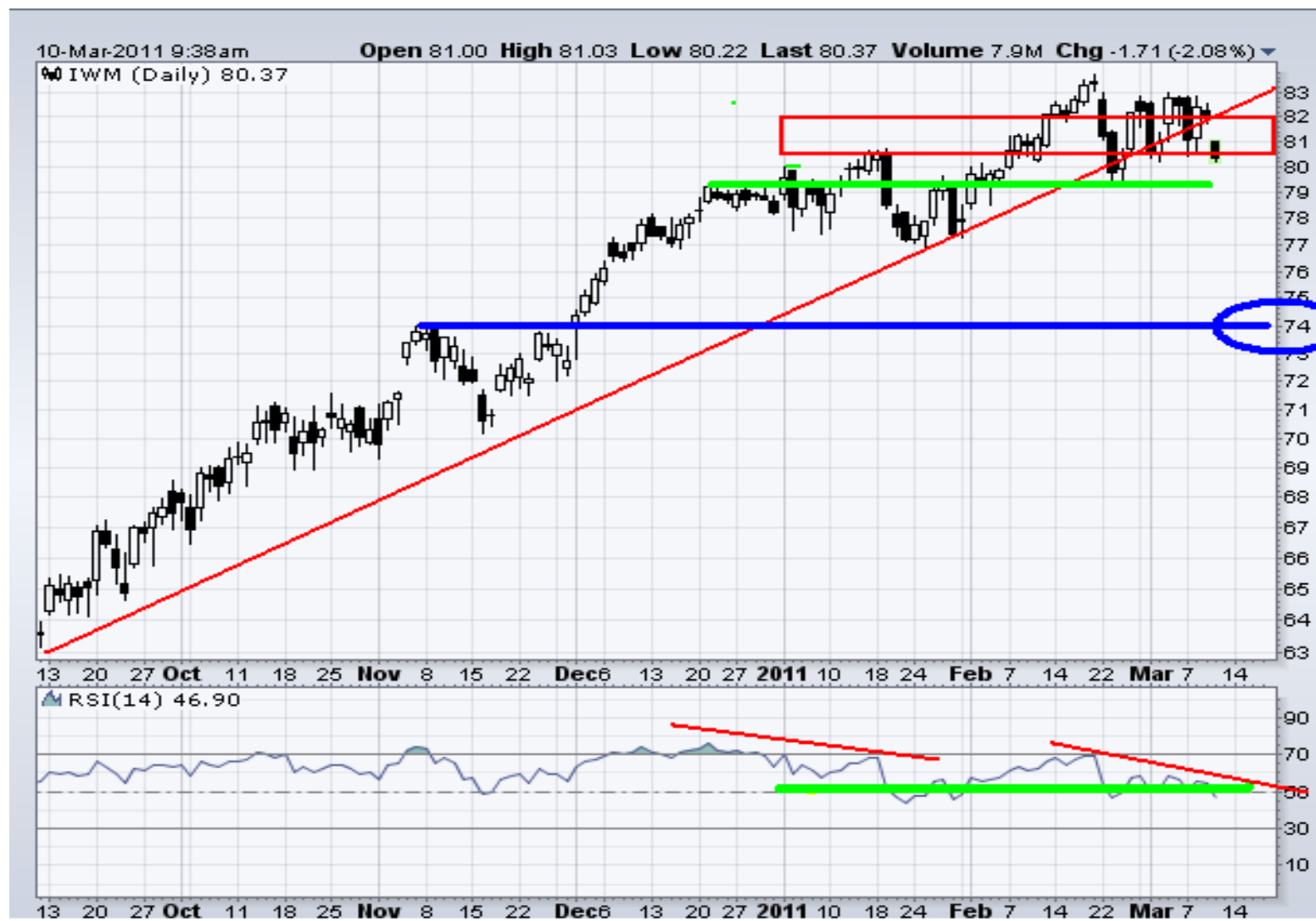
*Weekly test for ½ position( CORE) – IWM should test with GREATER THAN 350 M ( weekly volume ) and close under 79 ) for e a good test. **But hasn't happened.** We wait for next signal . We have been watching closely in CZ – PQV in Sector Report*

*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**

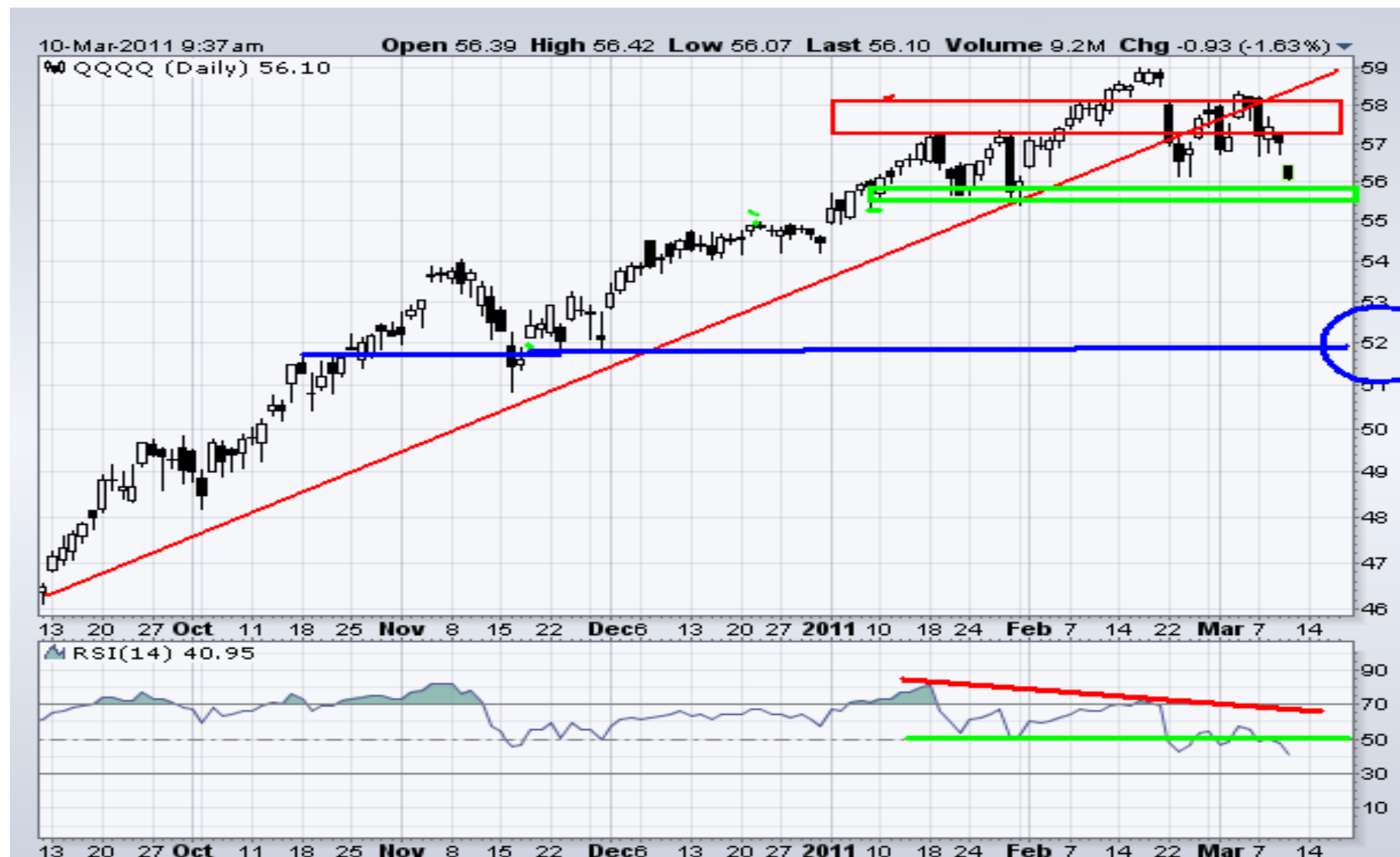
*QQQQ – PQV has validated yet and refrained us from stepping in from 52 .*

*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*

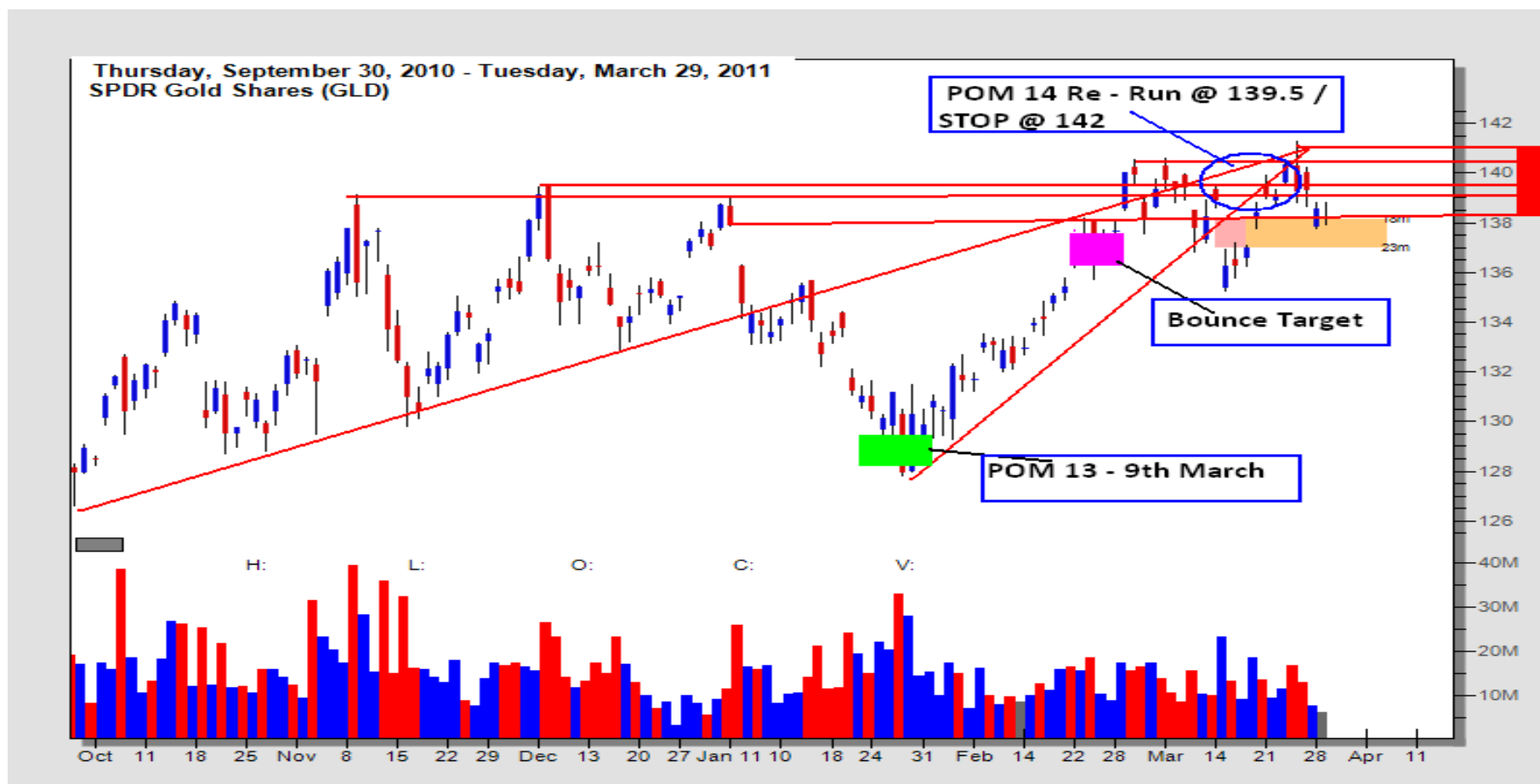


## 1- GOLD – Price / Volume ( Add \$ 30 to GLD for Continuous contract)

On 3/9 at 1430 coincided with POM 14 Re Run. – GLD at 139.5 . stop @ 142),

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 1445 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

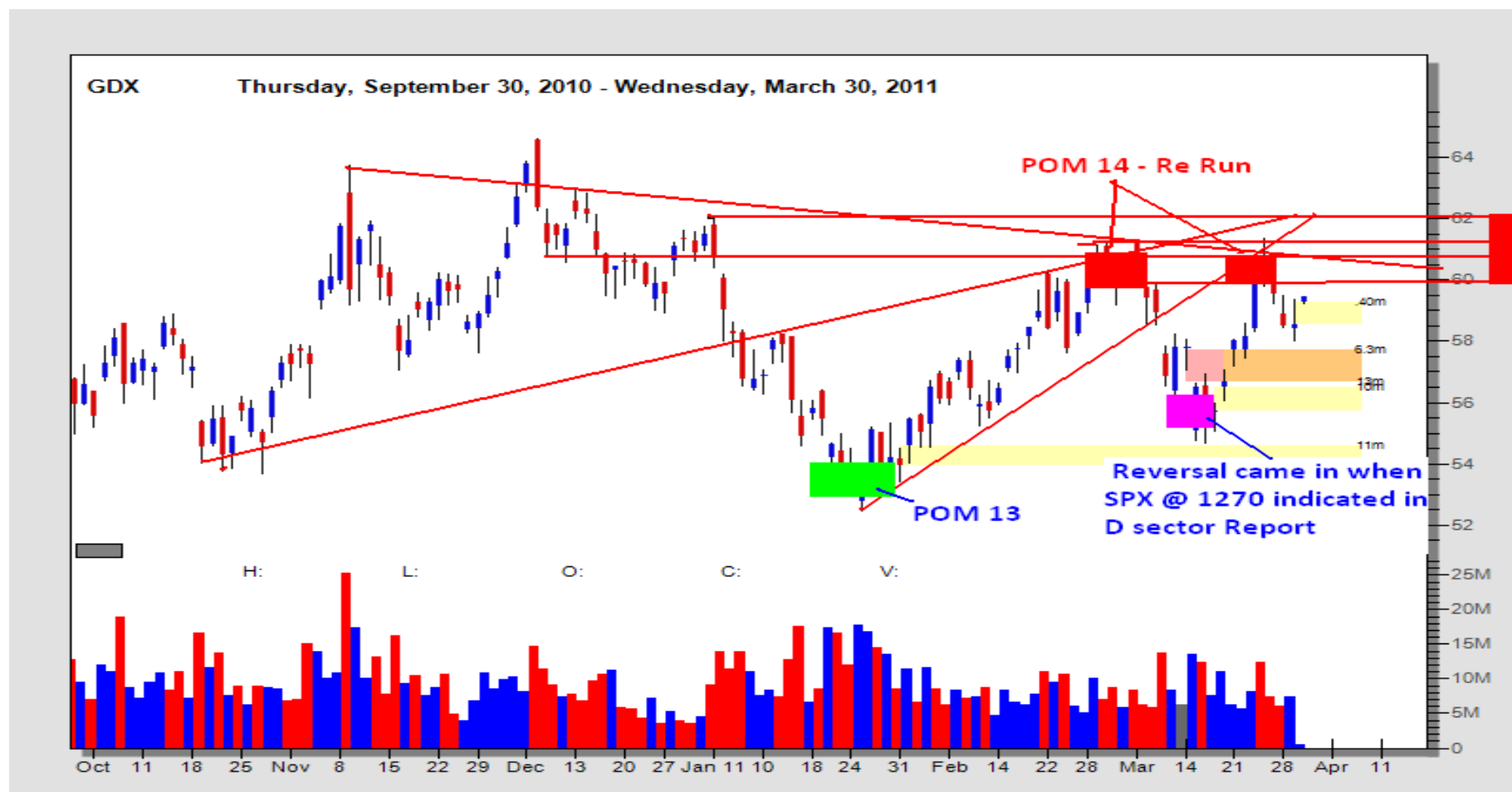


## 1- GDX – Price / Volume

**GDX - Currently we are at POM 14 – Re Run Triggered in CZ 60-62 with test of 9.0 M . Area ( red marked). This index is Top heavy. – 2 weeks ago it went into CZ and snapped back 6% now back into it**

**For Fake out - Go above 62 with 9.0 M .**

**For Break out – Gold should break out in conditions mentioned above. We advise risk management with STOPS on other side of CZ Stops ,**

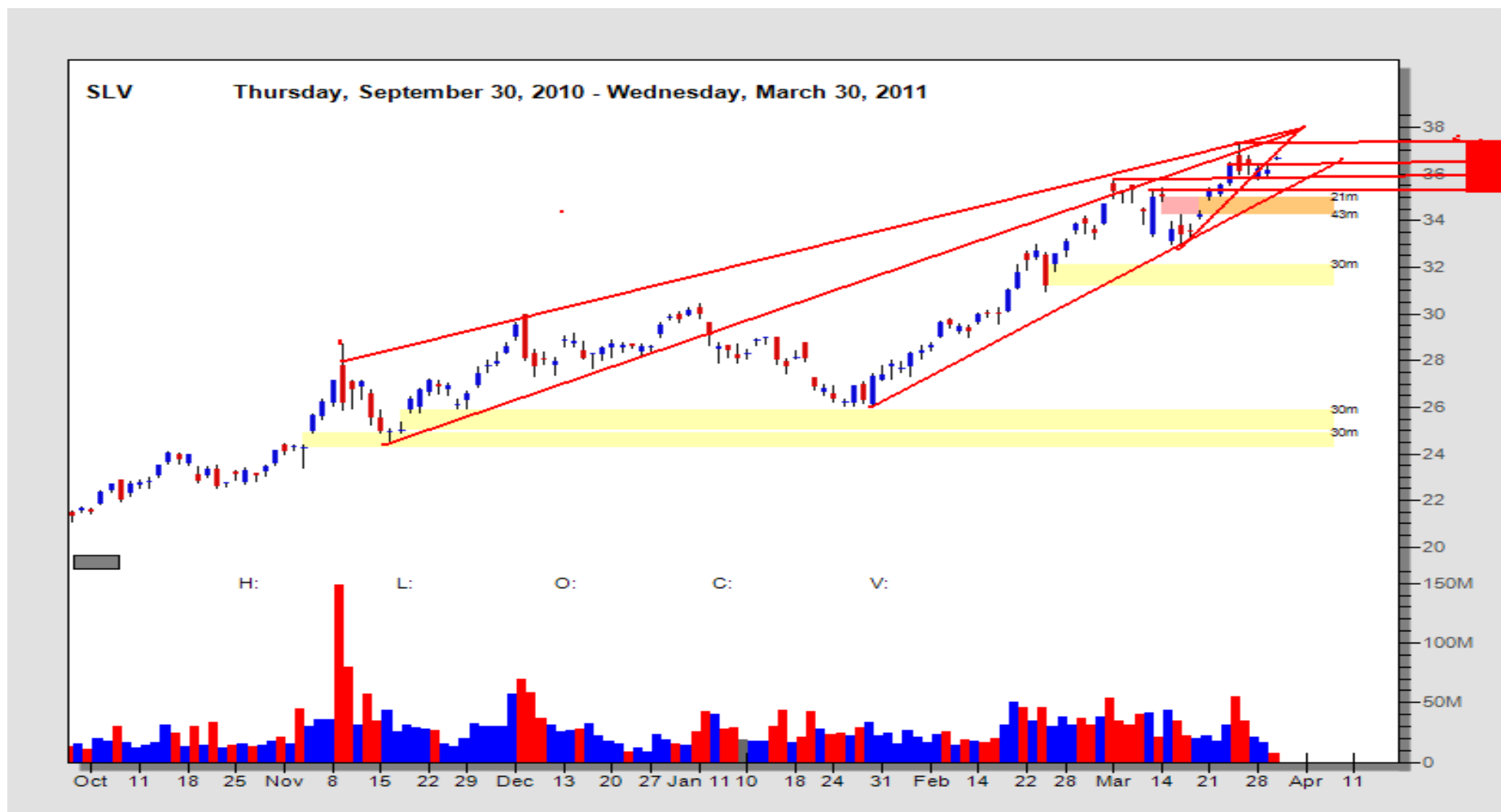


## SLV – Daily - Price / Volume- **Repeat - Covered in yesterdays commodity Report**

*Yesterday the test volume came at 28 V/s 25 Required , today might be interesting to see. No Trigger*

*CZ for this terminal pattern is 35 -37 with 25 M shares. At least we need another test of Highs and reject . Stop above 38 .*

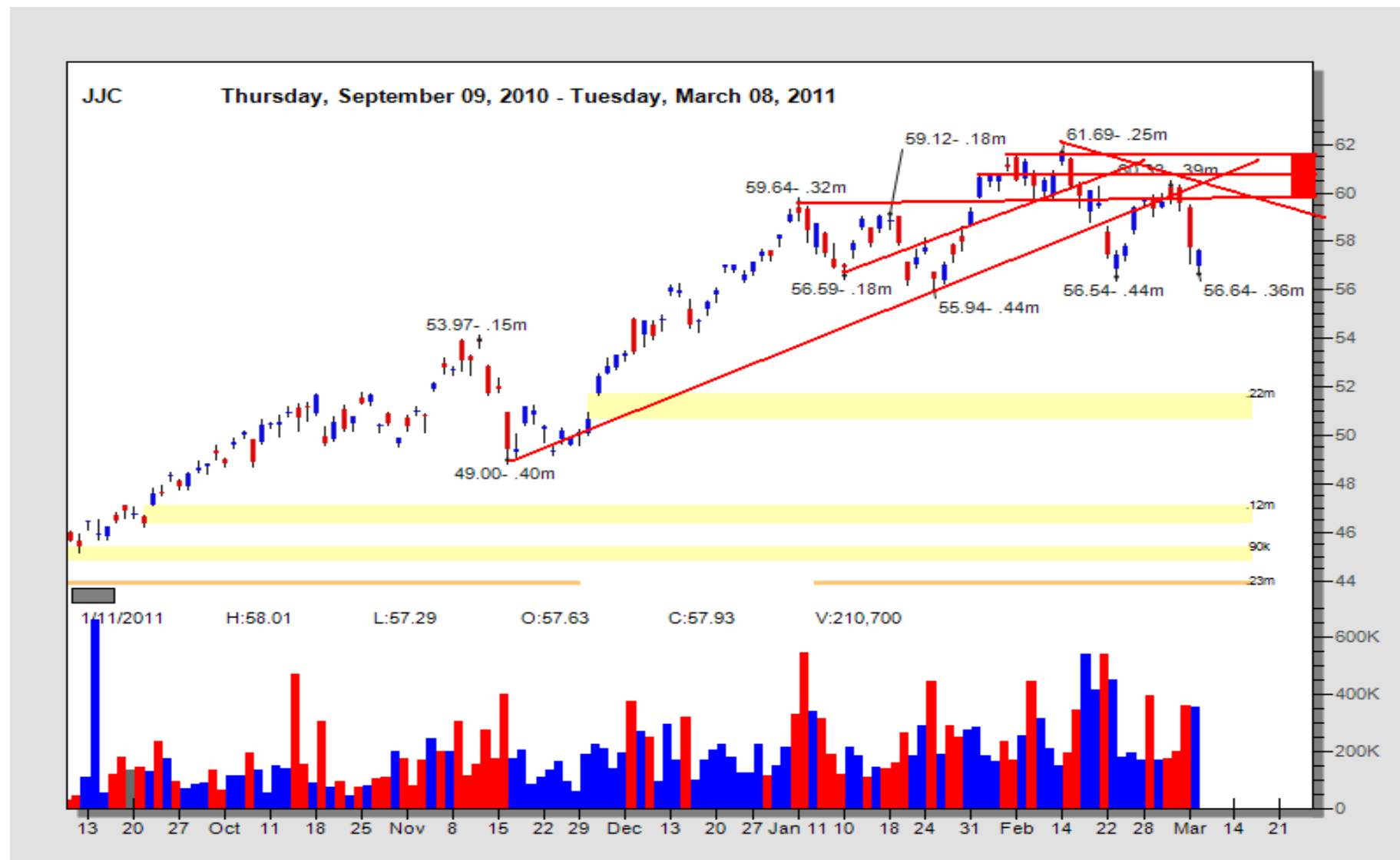
*Although GOLD / GDX have triggered POM 14 Re run , But “No signal on SLV “. Possibility of Terminal pattern here . Since ABC up was completed and current expansion is 1.61 , the Exhaustion could happen with 3 gap play @ 60 degree . We are watching carefully but if GLD begins its decline SLV will follow.*



## 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*

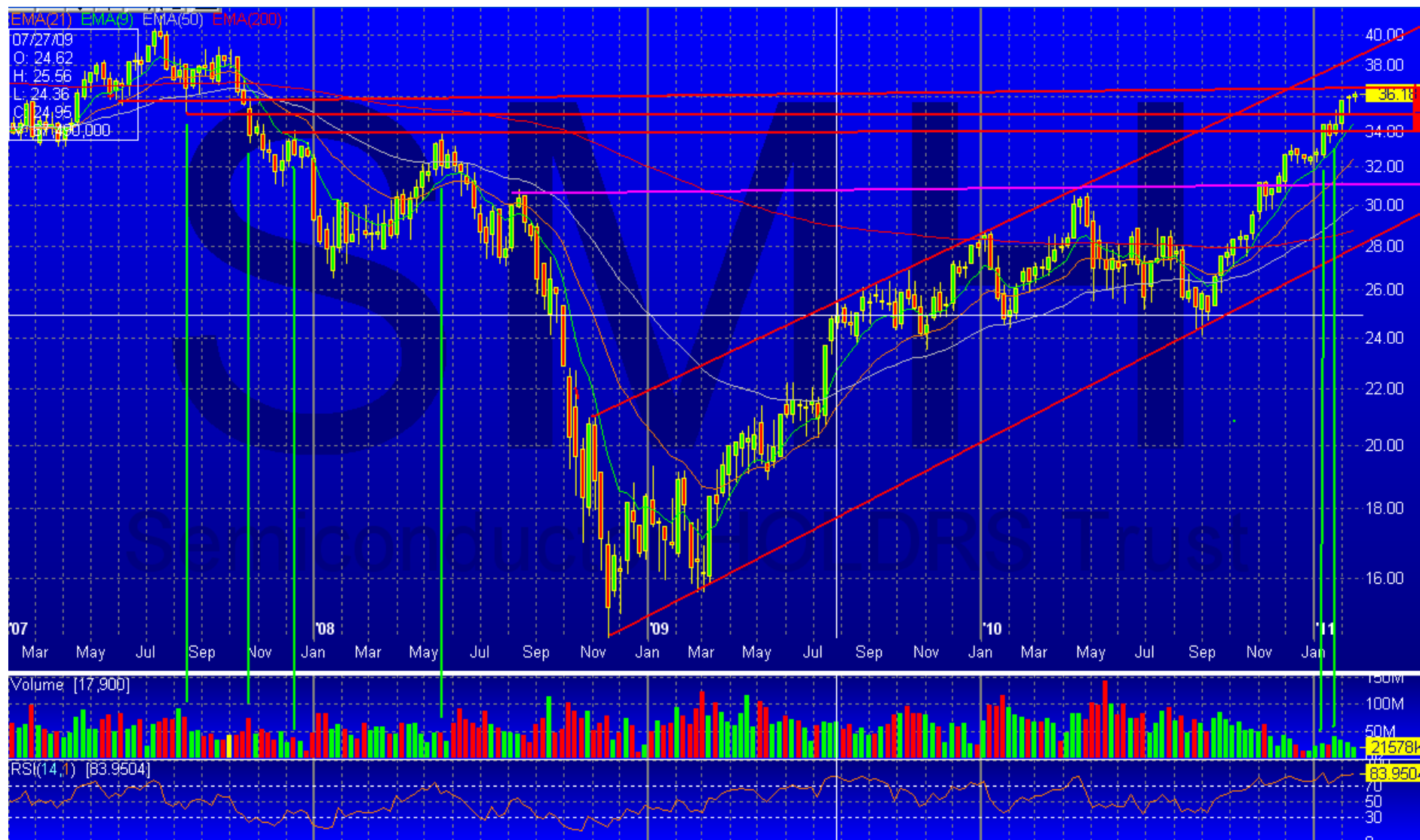


**SMH – Price / Volume (No Change)**



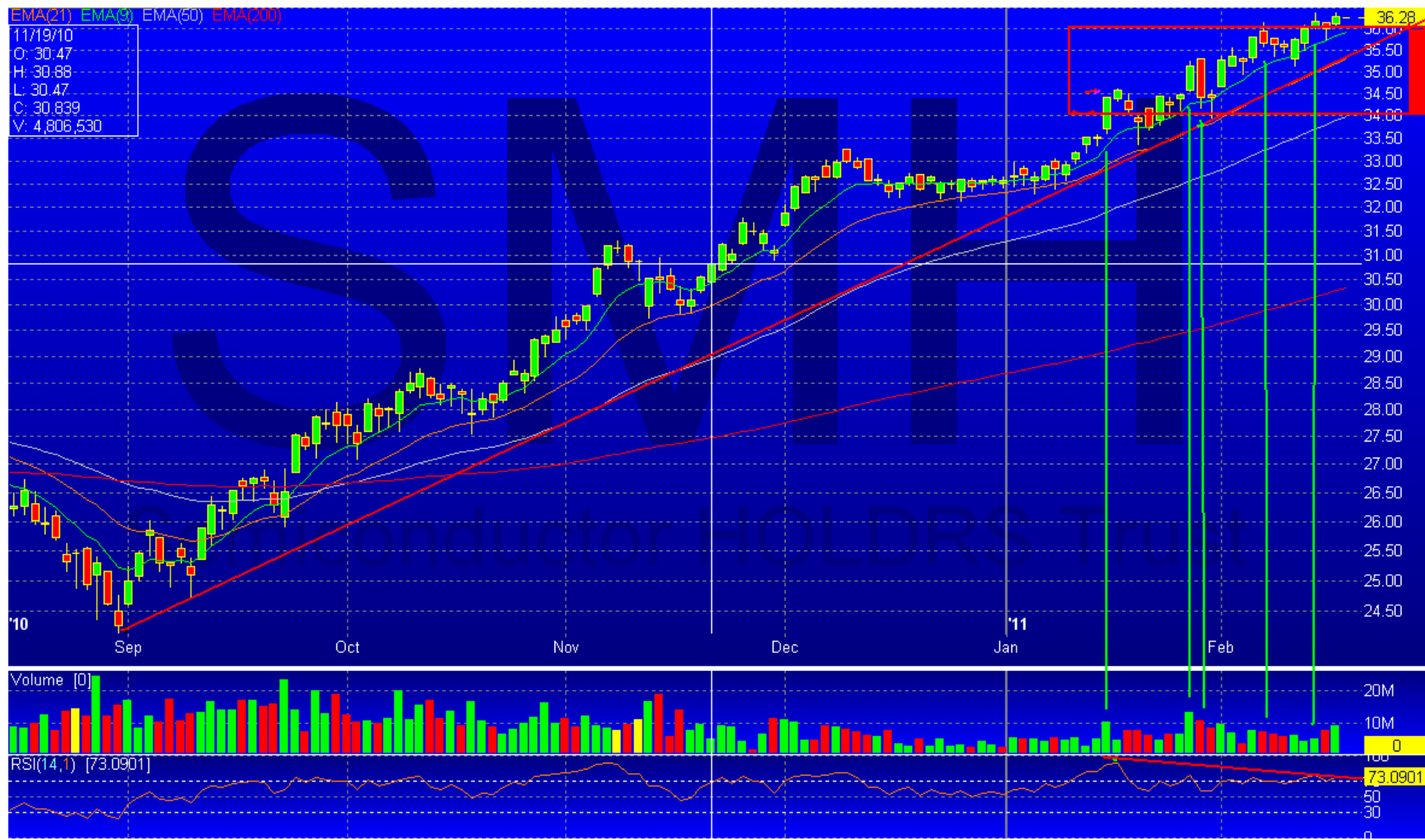
**SMH** came our test zone defined by May 08 and breakdown area of Jan 08 - **CZ for SMH is 34 -36 and volume on test to be 8M**, this was triggered. On risk reward as always the stop on other side of CZ.

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 .*



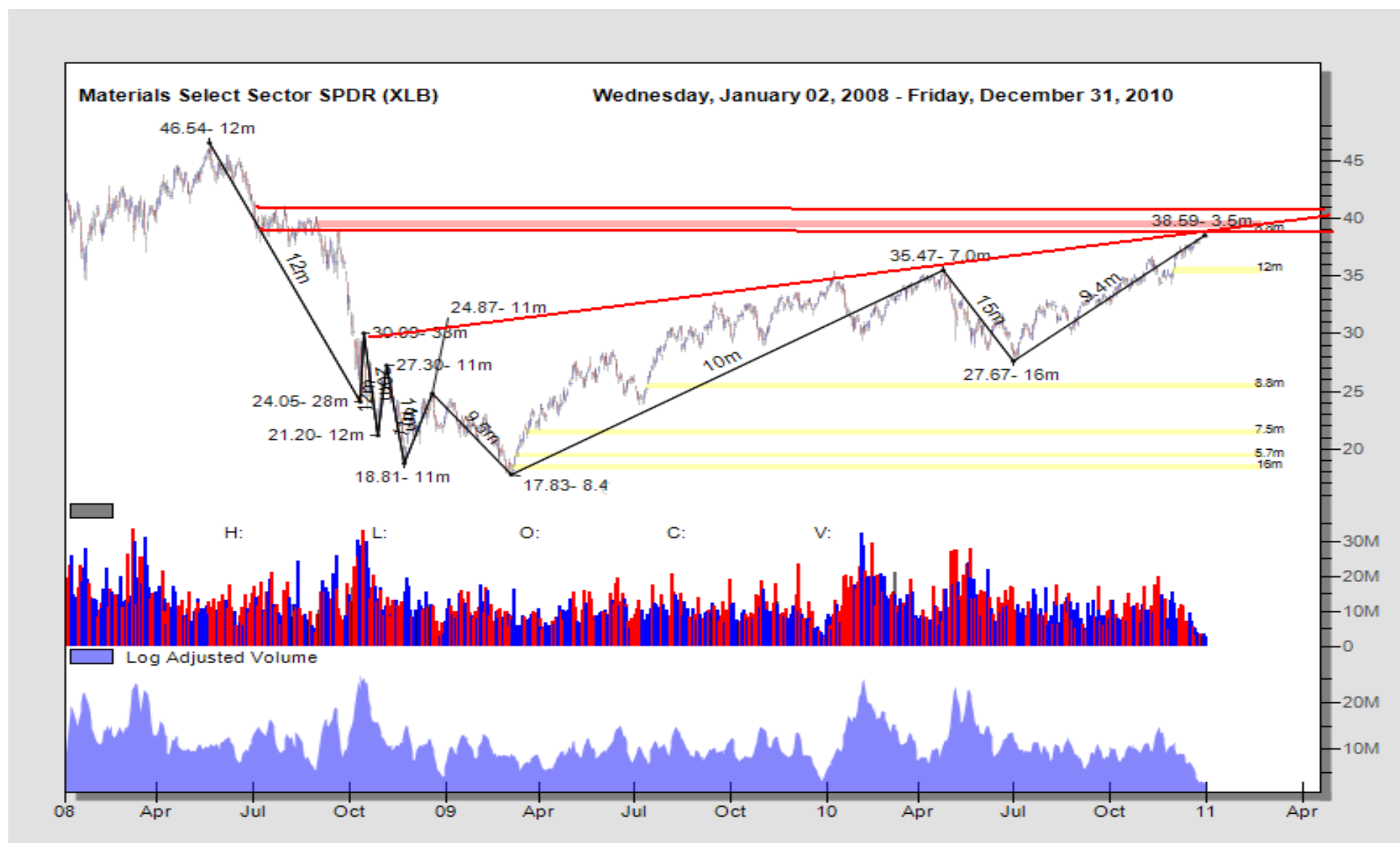
## IYT - PQV Analysis

*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*



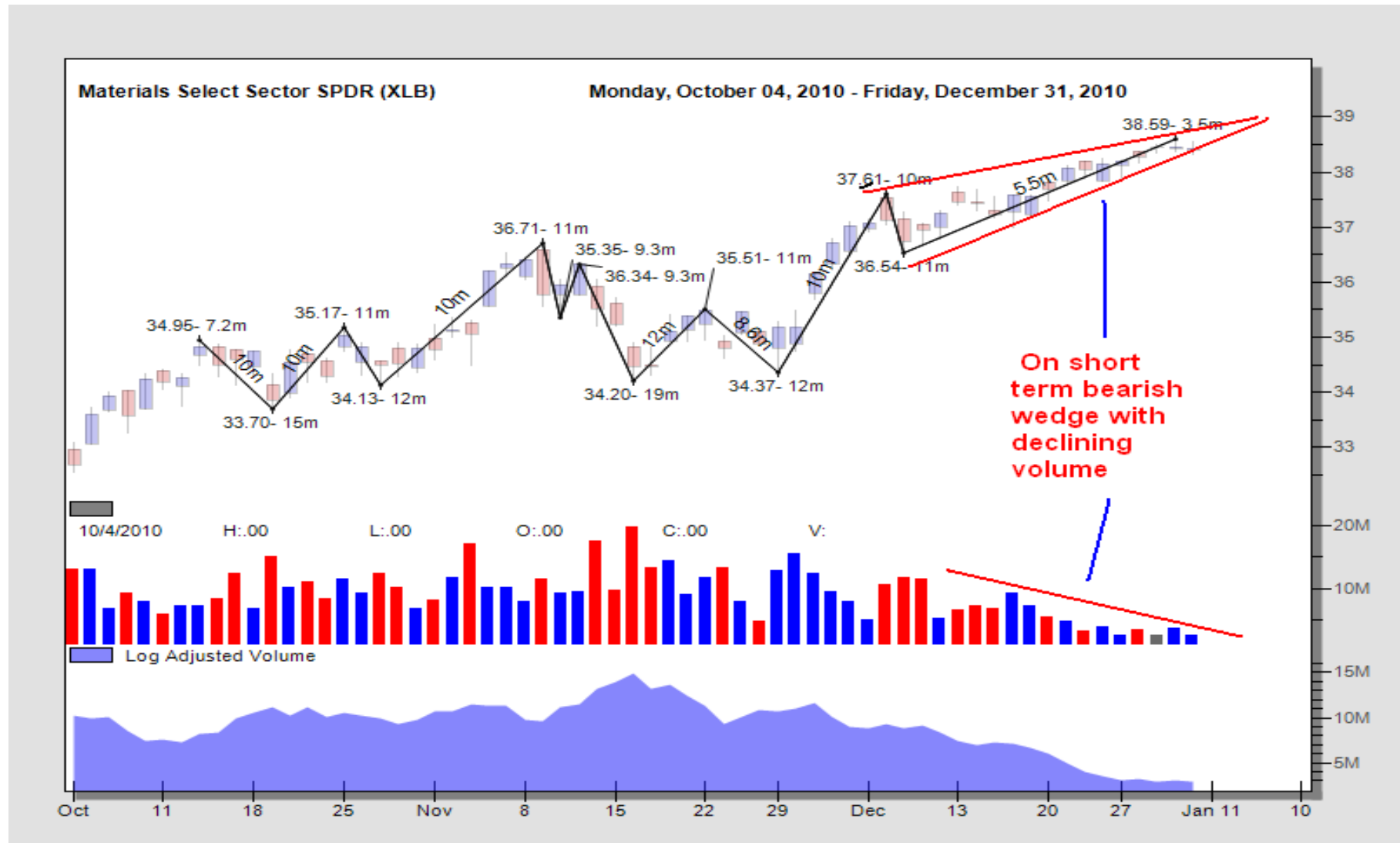
## XLB – PQV Analysis

*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*



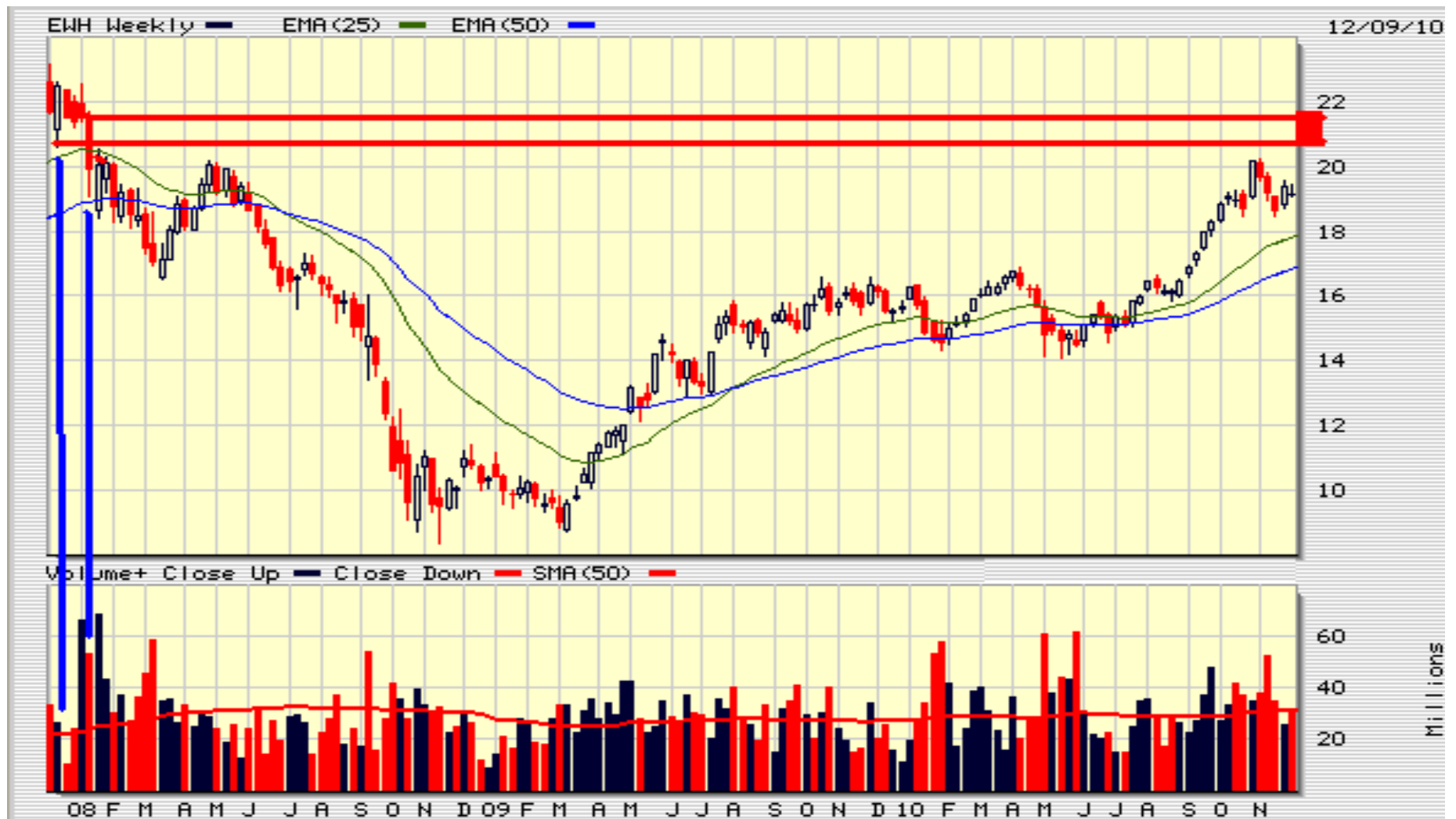
## XLB – PQV Analysis – SHORT TERM

*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*



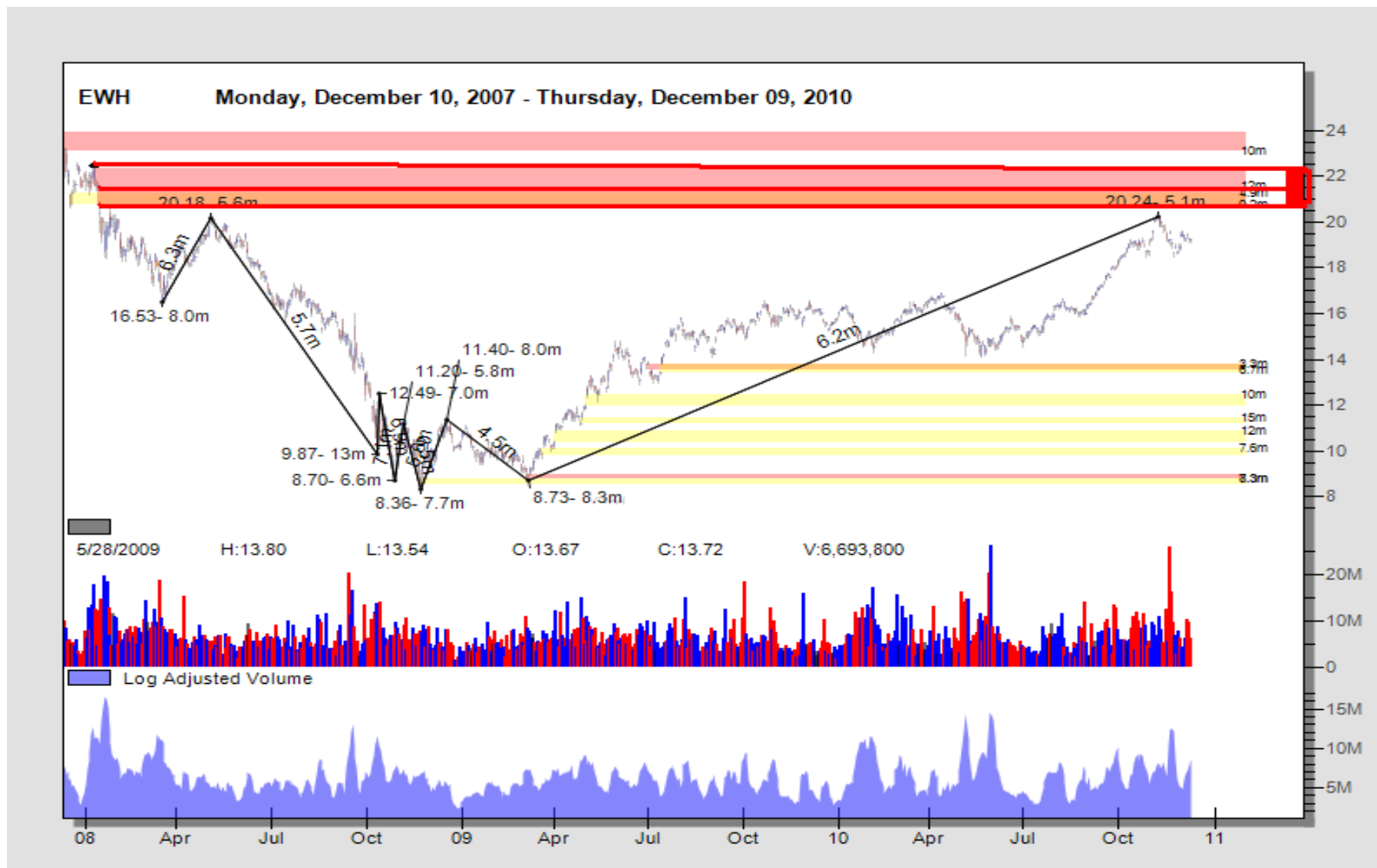
## EWH - POM - LT - Price , Volume & Pattern Analysis

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

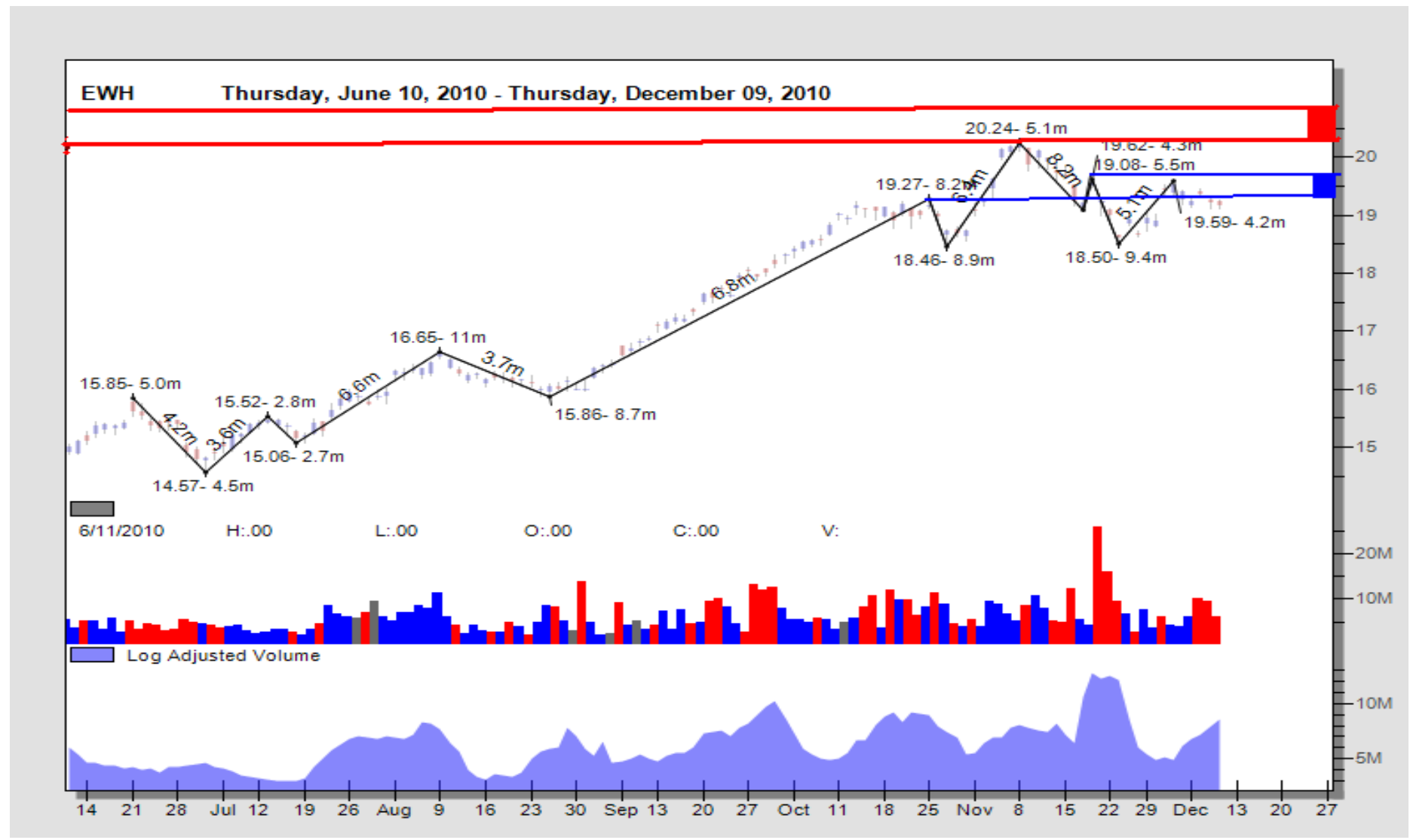
The CZ is 21- 22 and needs 5 M for test and price close below 21.5 . That would Top , On risk reward as always the stop on other side of CZ. If there is one final seasonality rally





## 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 .



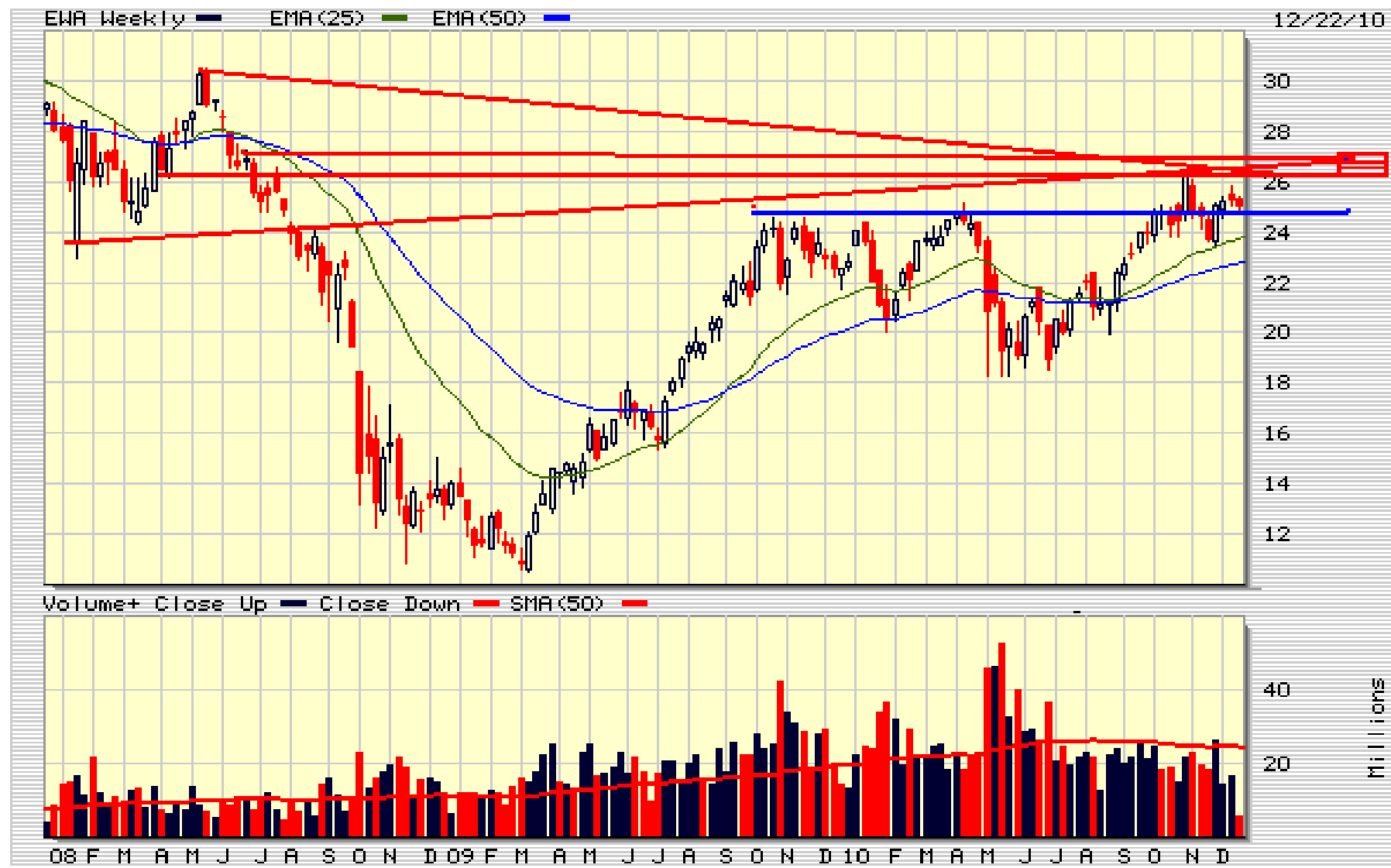
## EWJ – Technical & Pattern Analysis & Price / Volume

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 .



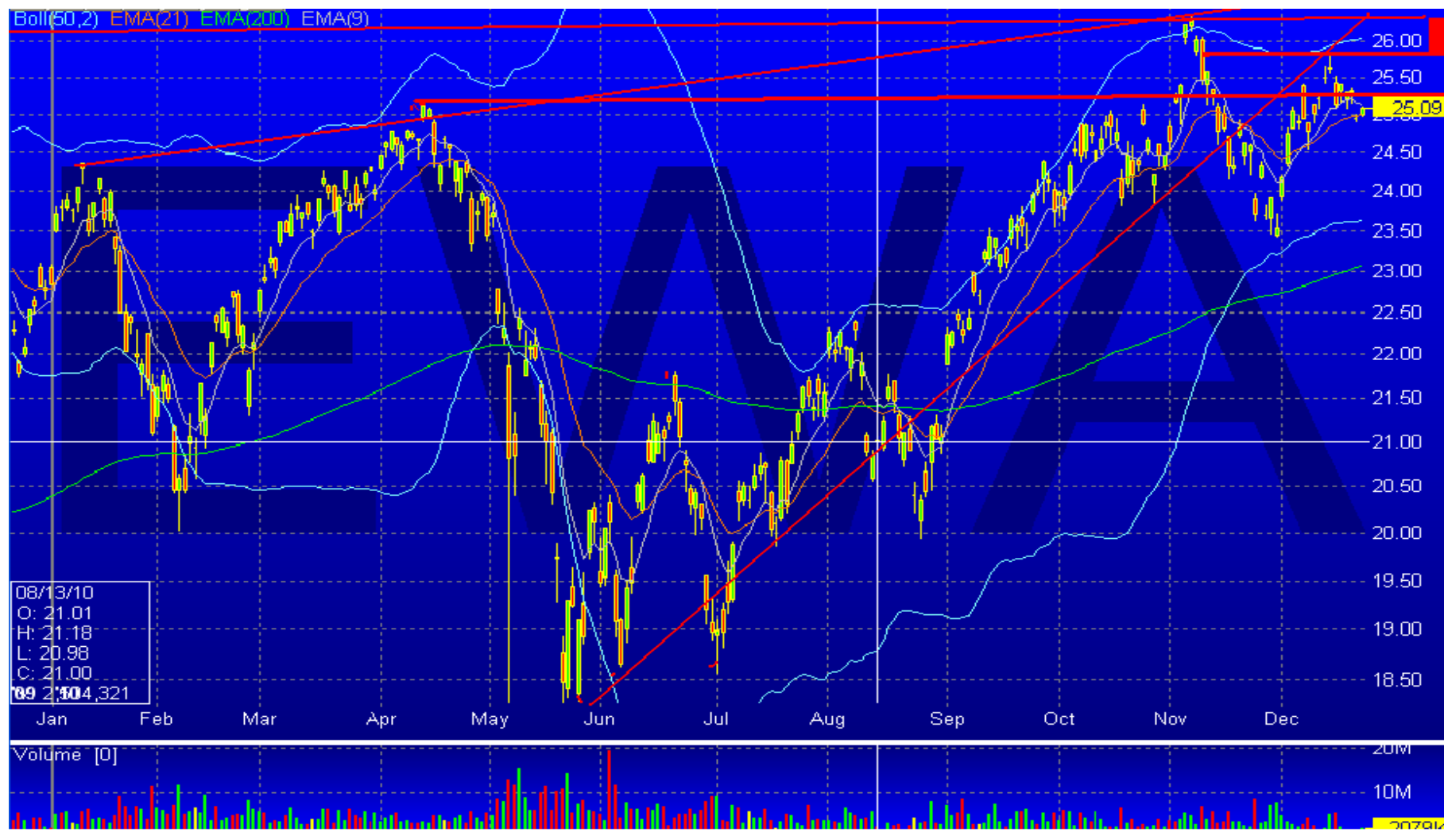
## EWA – Wkly - Technical & Pattern Analysis & Price / Volume

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

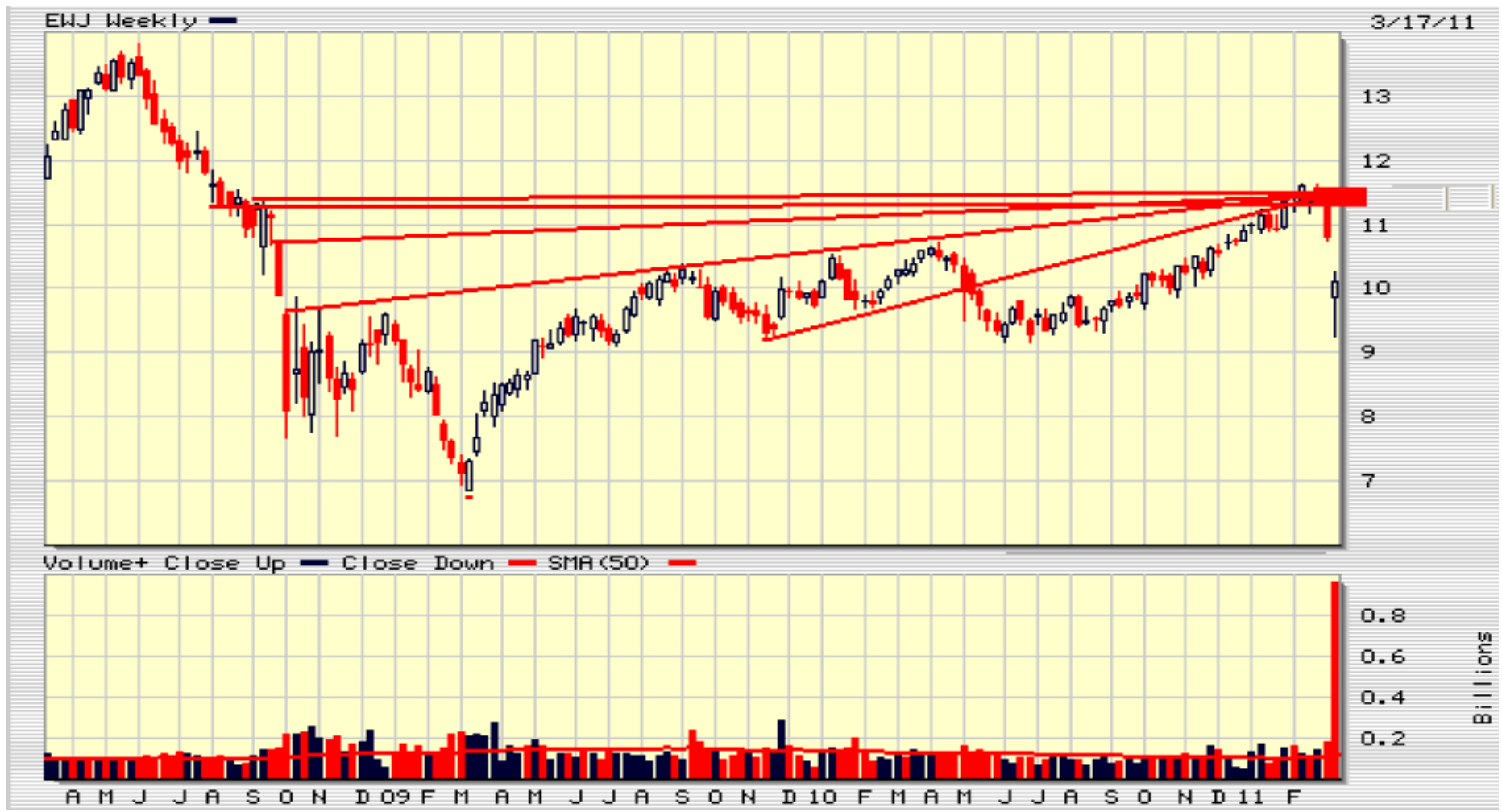
On premature basis , this area could very well be the top the CZ test of 26 – 26.5 and test with 3.5 M daily & close under 25.50 Daily should be a good test to initiate the position.



## 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 say ....one 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

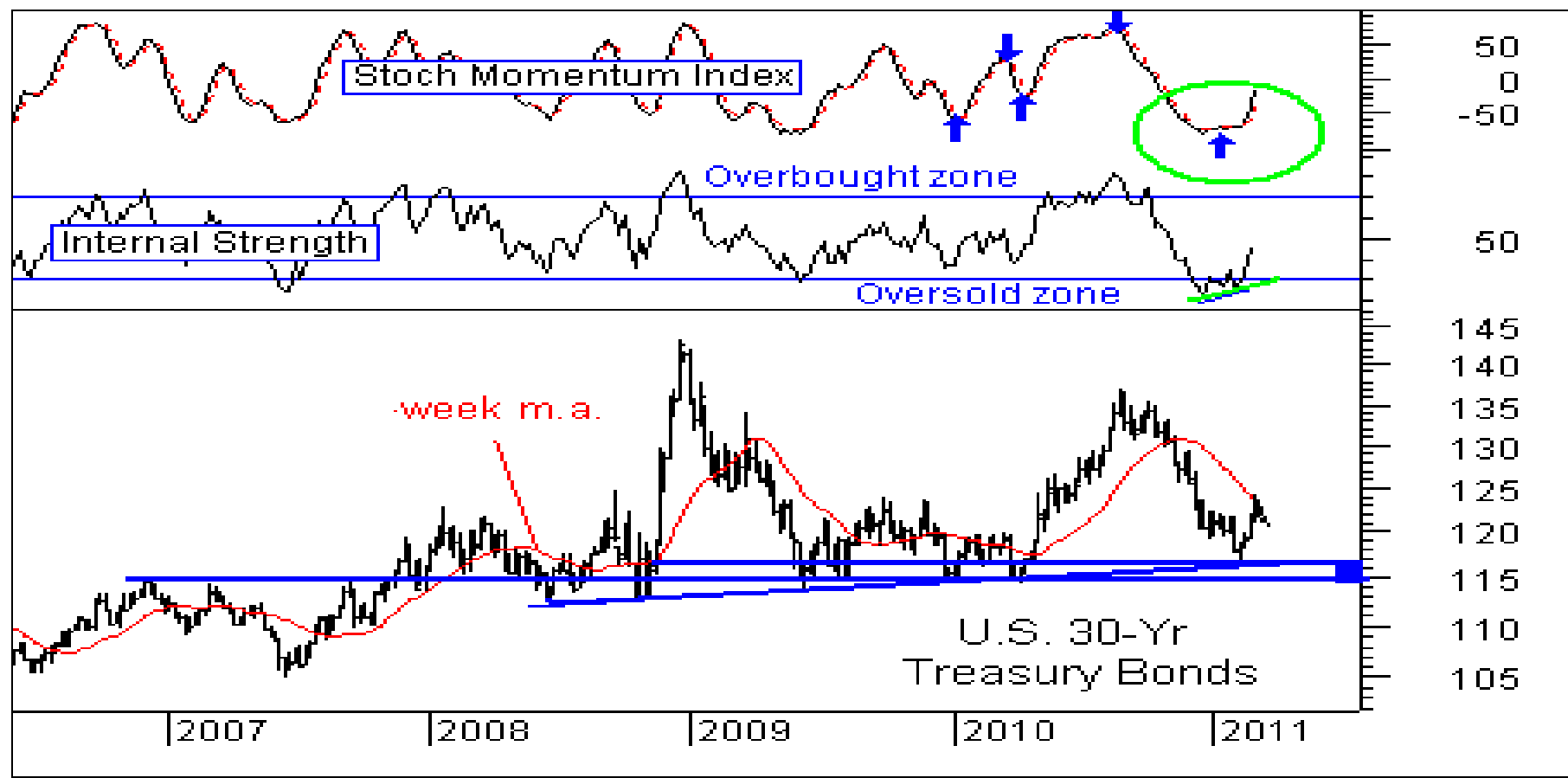
**The CZ on bullish side 30.5 to 31 , the smaller head and shoulder within larger head and shoulder could stop the pull back, Volume on test should be 3.0 M to reject the test. Stops always on other side of CZ,**





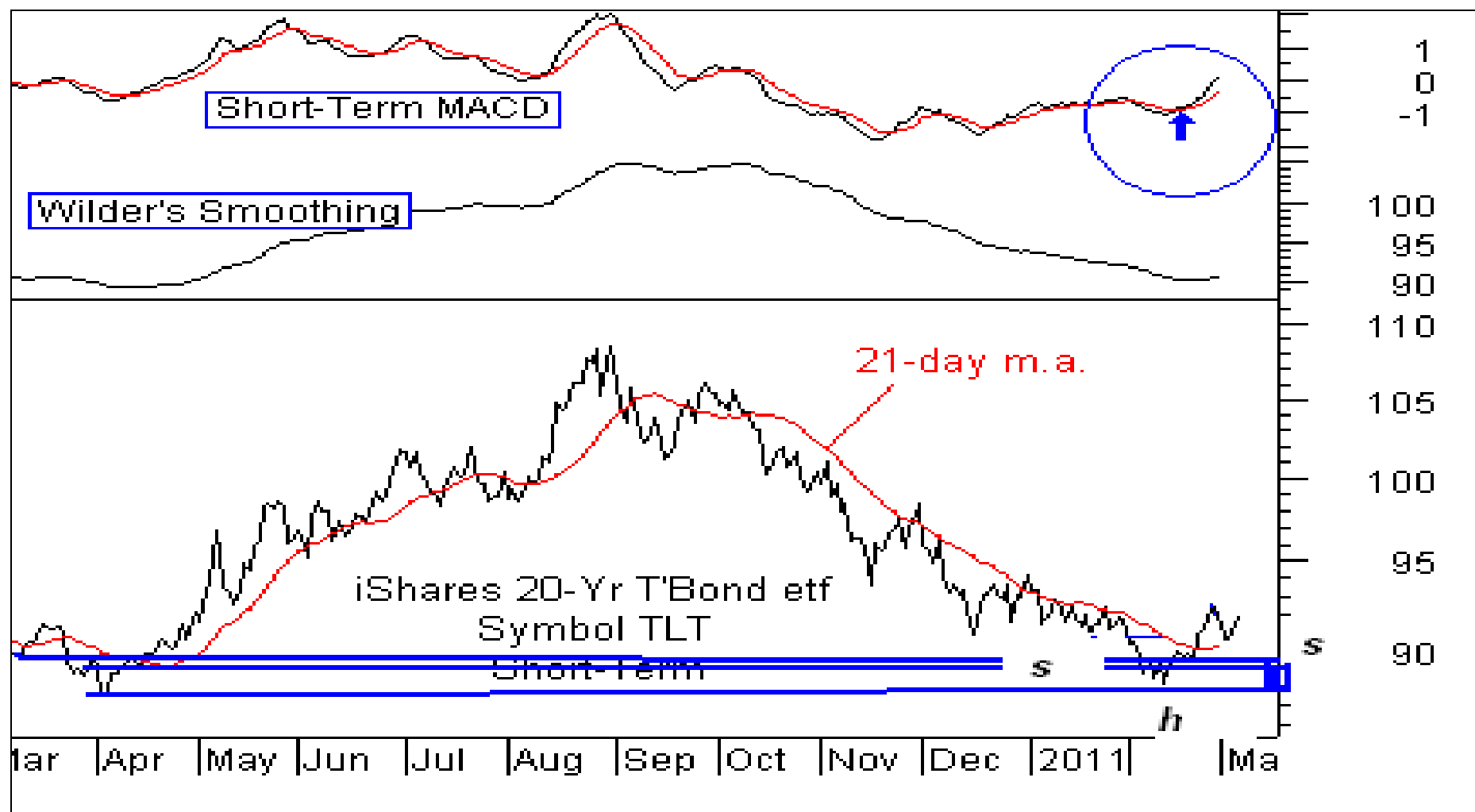
## 2 – 30 – YR BOND – Technical Analysis.

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



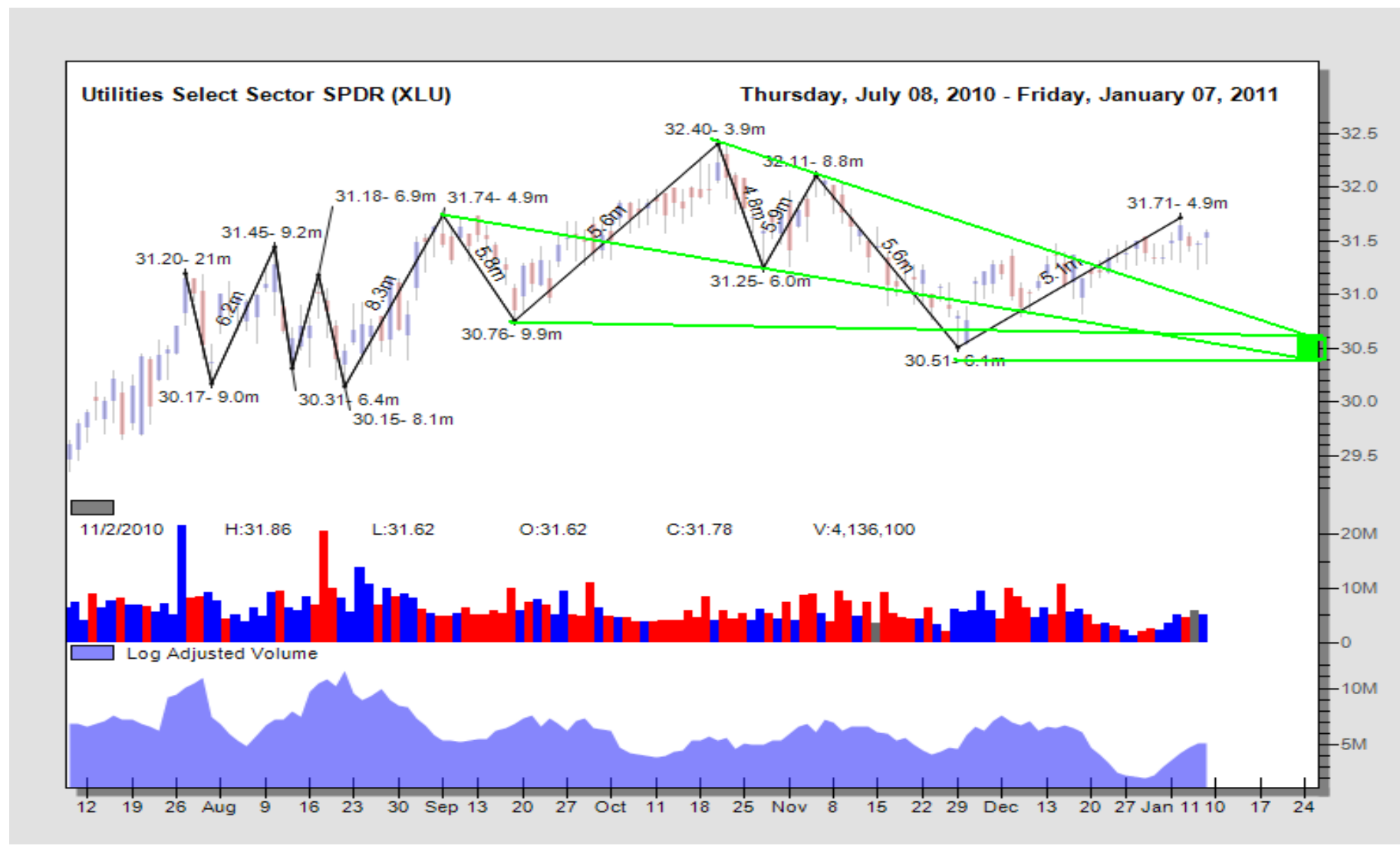
## 2 – TLT- POM – ST - Price , Volume & Pattern Analysis

*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*



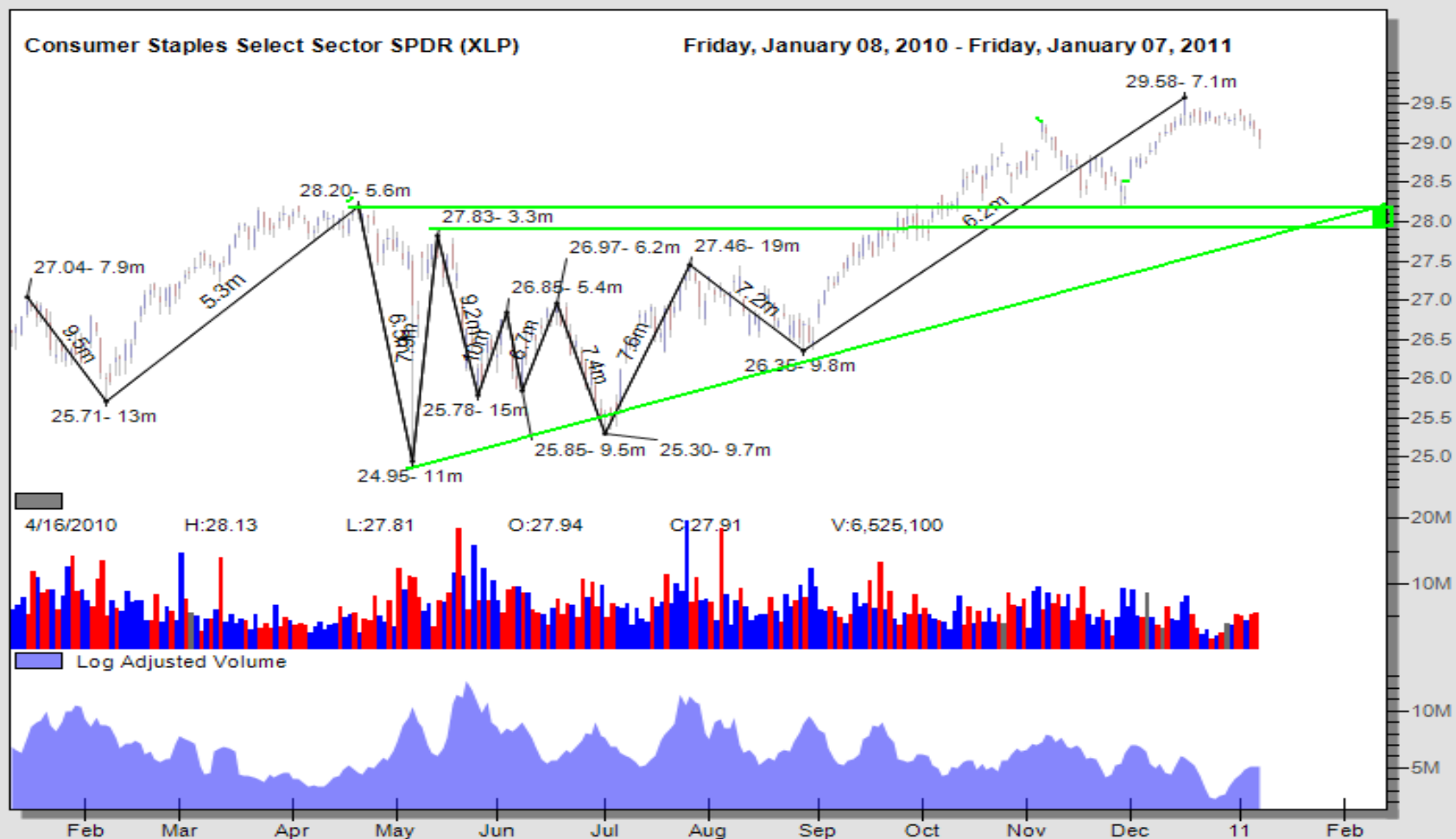
## **XLU– Price / Volume**

- **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**



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