



SG Capital Research

Global Market Insights

Research Note – Market Strategy – BROADER IDX GLOBAL (A# 2B) – STRATEGY & PROP Analysis (SP)

MAEG- MARKET STRATEGY CZ _POM_ BROADER IDX # SG 2011 # NOV_03

For Immediate Release – Thursday AM (EST)

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Market Strategy Broader IDX (A # 2 B) - (SP)-

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

- **Coverage**

- **CZ – PQV, Trend line, Pattern & Oscillator Analysis (Qualified for > +/- 2 SD or Special Situation)**

BROADER IDX

- **SPX - S & P 500 (As required)**
- **QQQ – NASD 100**
- **IWM - RUSSELL 2000**
- **DIA – DOW 30 (As required)**
- **NYA - NYSE (As required)**
- **IYT / DIA – DOW TRANSPORT Theory**
- **TLT – BONDS**

Appendix - History of past SPX - POM Signals & Key Criteria

- **Objective & POM / CZ Guidelines**

Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is Unidirectional Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

- *SPX acts as Risk Benchmark for all the other Markets (Key US Indices & Key Global) , these Markets gets priced off SPX- Risk (in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our A # 2 – MS Report focuses on Broader Indices and Global Indices.*
- *All the Broader Indices tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger CZ – Validation for NET SHORT.*
- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*
- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *POM's are more favorable Areas to act for better Reward / Risks.*
- *Stops always on other side of CZ @ value based on Portfolio's Risk tolerance*
- *POM Conclusions to be cross verified by other methods prior to final decision*

BROADER INDICES

IWM, QQQ, DIA, NYA, IYT

- **Trading and Investment Conclusions.**

- **Via Alert Email** - SPX - POM 14 – Triggered (11/01) at 1226 into the CZ 1220 -1250 of POM 14 (**Fully Hedge Position** by SP's RA/RI with Warning - **SPX rally towards 1252 (see the chart below) . Hrly charts critical towards the final observation .**
- **Via Alert note A# 3** – MS Report - QQQ Trigger was at 59 Monday (10/31) showed all the weakness and Price projections.

IMPORTANT NOTE - All the Broader Indices tends to follows the Price path of POM's but for POM14, 15, various Instruments QQQ, IWM, IYT will Top out at different time to Trigger CZ – Validation for SHORT. We have CZ – PQV validation indicated in charts below (For Risk Management – STOPS always on other side of CZ)

SPX – Strategy Sequence

First – SPX Top was placed in on 26th / 27th based on Cycle , Astros, T termination into the Projected target of 1220-1250 Brick Wall of POM 14 on SPX (without Trigger) .

Second - False breakout was given above CZ with the CZ Volatility , Whiles VIX completing PEC-D Pattern (Ref A # 3 MS) at the SPX – Top

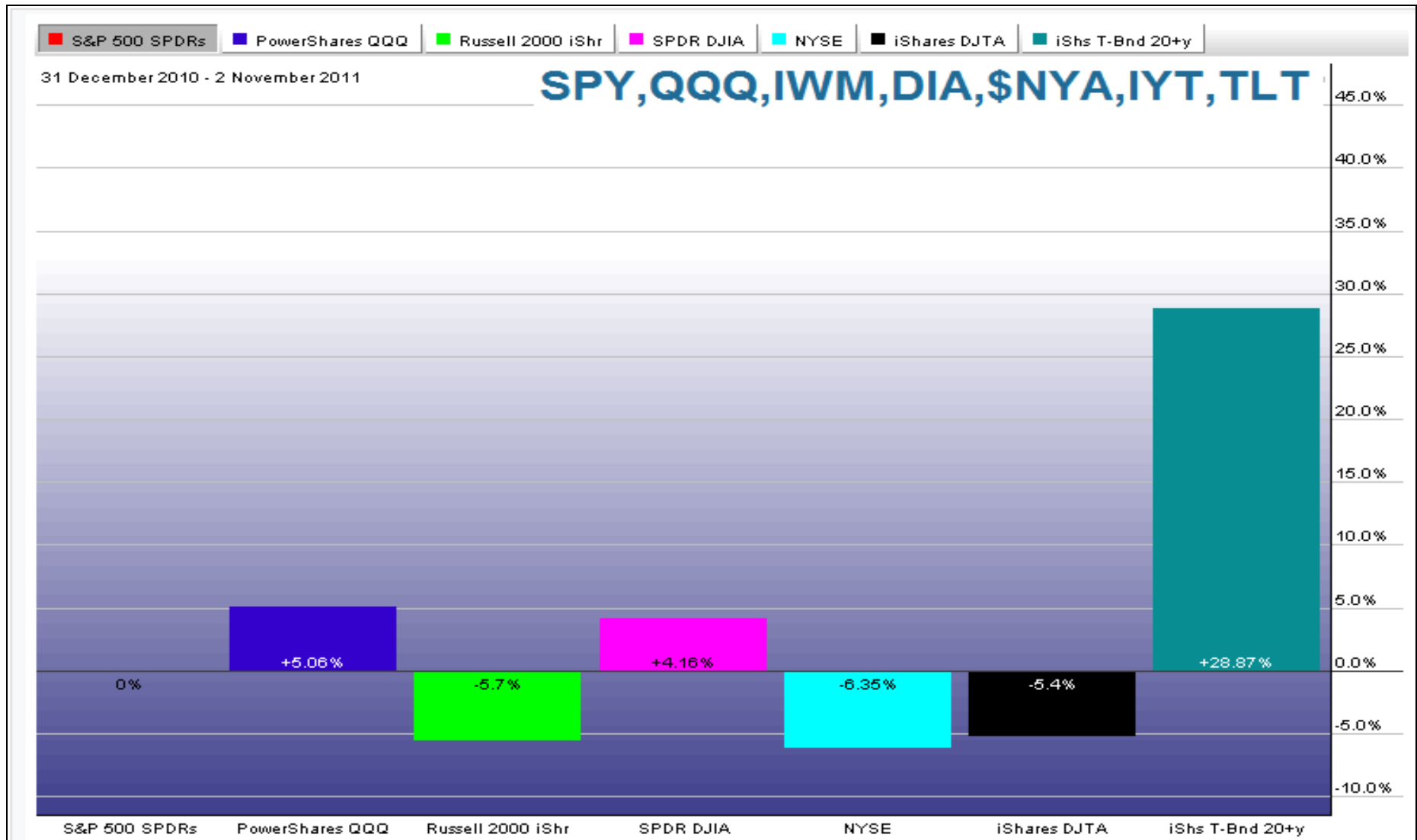
Third – NASD gave Signal first on the day of the SPX Top with **QQQ – 59 , Alerted in A # 3 – MS, 10/31.**

Fourth - SPX back into the CZ 1220-1250 Range negating the potential of “ Momentum Price Path” process of 1-2-3-4-5 Waves X 2 on 3X3/EMA –CZ repeated 3 times

Fifth – SPX triggered POM 14 @ 1226 via Alert 11/01 with Warning – SPX to rally back into hrly CZ 1240-1255 (**Currently experiencing that move – Refer chart below**)

- YTD – Broader IDX performance v/s SPX

Chart below shows Ratio Relative performance of leaders and lagers with respect to SPX



SPX – Hrly - Poly trend Analysis

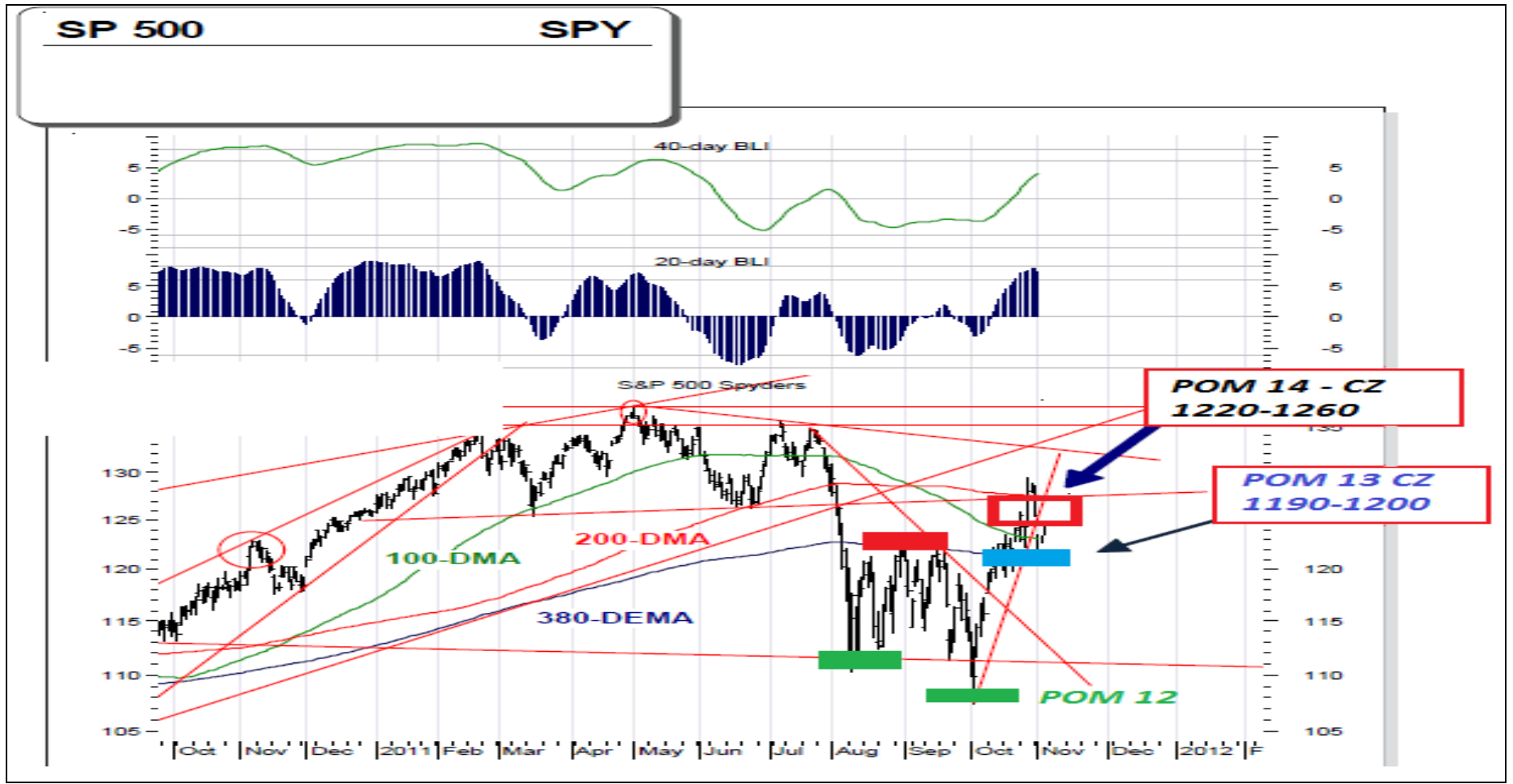
- Chart below indicates the Brick Wall of POM 14 – CZ 1220-1260 and Hrly CZ 1240-1255 for last gasp.
- POM 14 – CZ 1226 -1252 is good area to accumulate the Hedges – POM 14 is for Fully Hedge by SP - RA/RI



SPX – PEC D- Analysis

On the Pull back down SPX needs to break below previous POM 13 area (1190-1200) as first down target. (see mark in Blue)

In our Triggered POM 14 – CZ 1220-1255 & By PEC –D Method we had projections (618 / 718) to 1250, & then jumped on false break outside with poor internals and came back in



NASD - PEC -D Analysis

On 10/31 A # 3 MS - Alert - PEC -D Pattern on NASD for TOP was completed (QQQ @ (59)) .



QQQ – Poly trend Analysis

NASDAQ traditionally leads the rest of the market , We had the confirmation of the TOP – 2 days prior to POM 14 Trigger MACD, Signaled SELL & Ratio – QQQ / SPY continues to Trigger weakness (see window below) & currently diverging on Oscillator unable to breakout the prices while the Dow and SPX false broke above

QQQ - Triggered @ 59 (See chart below) completing the oscillation @ 50.25 Triggered from POM 12 on SPX , 10/04.



QQQQ – MA / Pattern and Oscillator Analysis

QQQ may pull back to 54-55 for ABC down . It put in Bearish divergence on the Nasdaq McClellan Oscillator.
Market seems to mimics previous patterns “Three Drives to Top” of the August to September time frame that the third top had an ABC decline; we are expecting a similar pattern to form here. (see the chart below)



RUSSEL - PEC -D Analysis

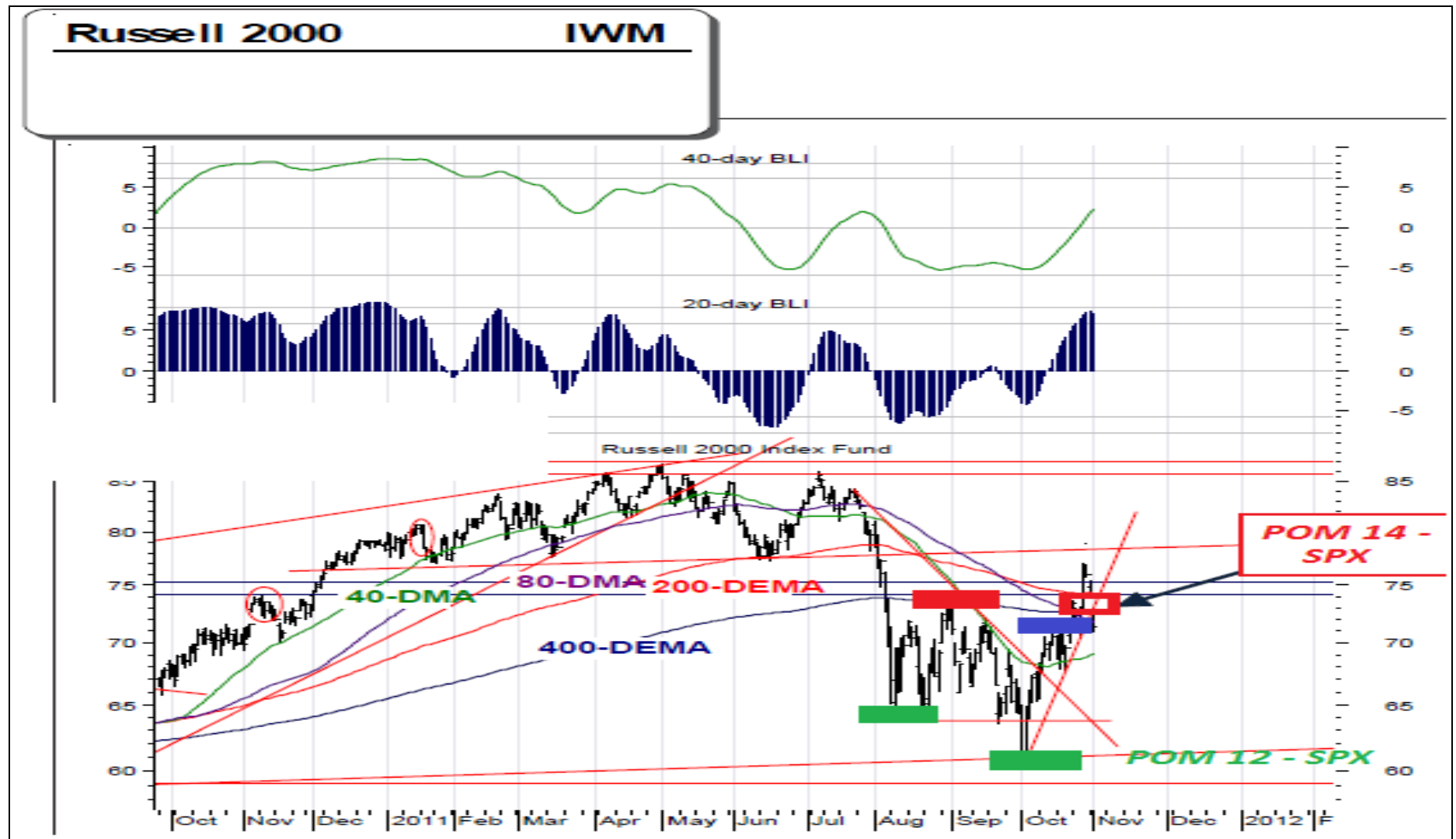
PEC -D Pattern on Russell @ 770 for TOP. @ 618 /786



IWM – MA / Pattern and Oscillator Analysis

IWM – CZ - 74 – 77, it would fail on PQV validation . It is aligned with POM 14 on SPX ,

Earlier - @ 60.30 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis (CZ 's coincided with POM'S within the chart)



DOW - PEC -D Analysis

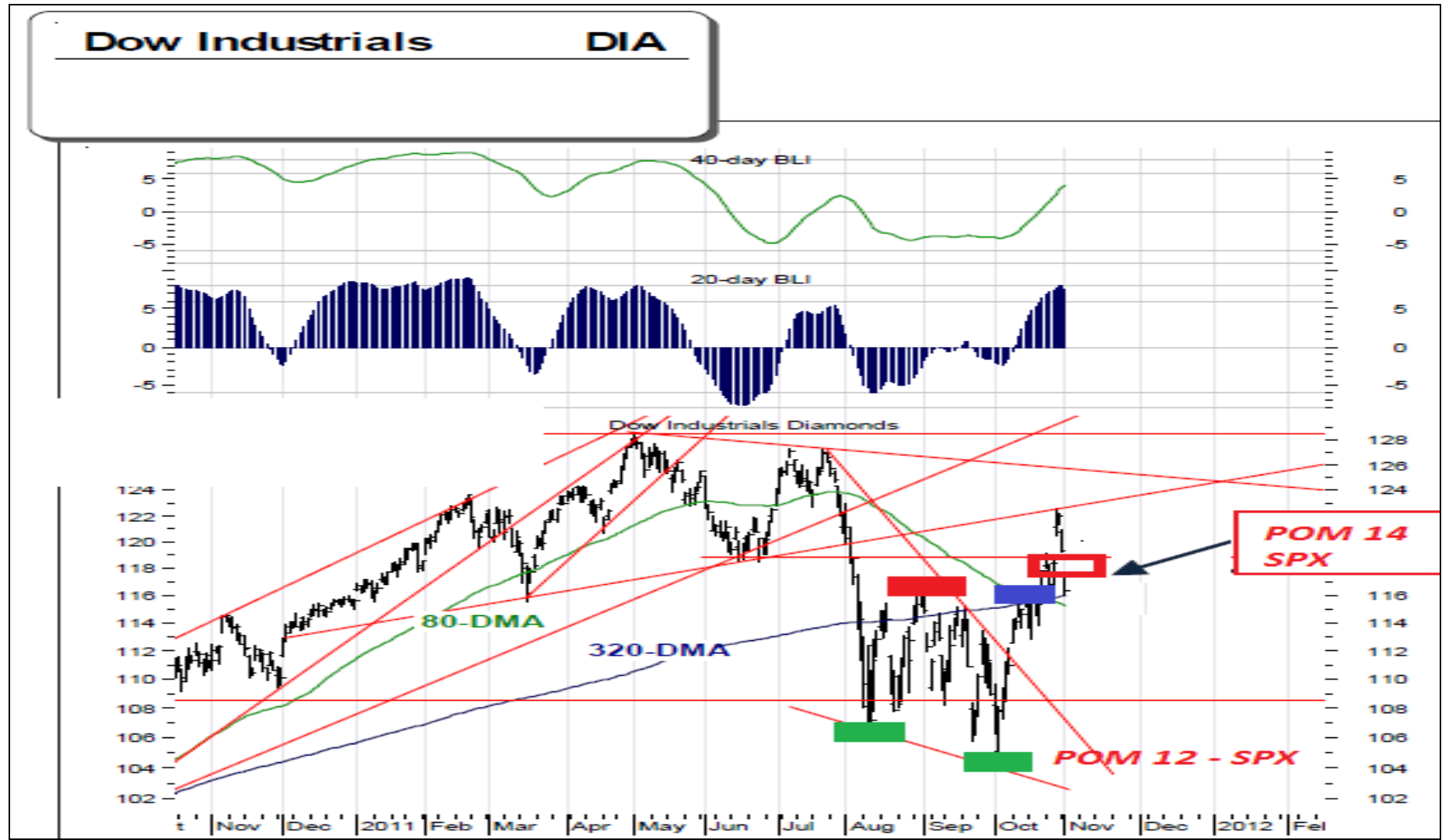
PEC -D Pattern on Russell @ 12200 for TOP. @ 618 /786



DIA – MA / Pattern and Oscillator Analysis

DIA is aligned with POM 14 on SPX,

Earlier - @ 104.10 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis (CZ 's coincided with POM'S within the chart)



Dow Transport Theory – No signal

We follow Dow theory for Tacking purpose only – with 4 criteria for Buy Trigger / Sell Trigger (See Appendix below).

This is not the time @ POM 14, DOW Theory will signal BUY. IYT cross with DIA on price strength has not given signal (chart below) and the Ratio lineIYT / DIA is not broken downtrend (see chart below 2nd window), Trigger Buy will come in Cross of down trend line – Dow Theory usually is late comer to the party

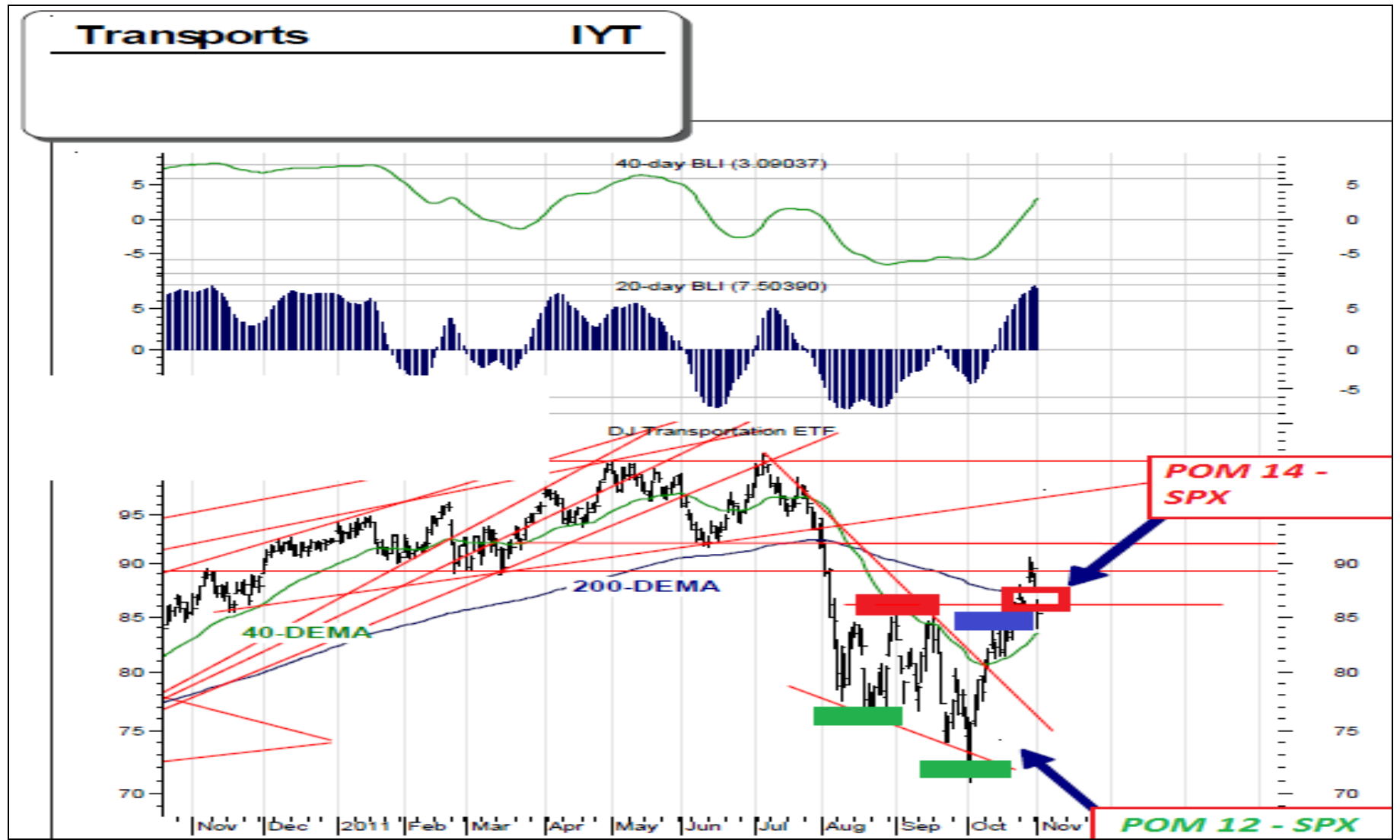
Earlier had Trigger Buy in Green and stopped out at Red both around the same price of 11900 (As Alerted in our Previous Reports)



IYT - MA / Pattern and Oscillator Analysis

IYT - CZ 87.5 - 91, It would fail on PQV validation. It is aligned with POM 14 on SPX,

Earlier - @ 70.90 Triggered at the stroke of POM 12 on SPX, 10/4 . DMA's and Trend Analysis (CZ 's coincided with POM'S within the chart)



BONDS – PEC D Analysis

*Flat for now - Awaiting for upward ABC up towards POM 14 . Earlier It Triggered POM 13 @382 / 786 .(see chart below)
We haven't participating on long side on this leg (although we could have played both side)*



- Inter market Analysis –

TLT v/s SPX

TLT & SPX has having inverse co relation

NO CHANGE

- EXTREAME Sentiment Analysis (3rd Party Data)

Courtesy : SENTIMENT TRADERS

NO EXTREAMES

TLT'S POINT SUMMARY ON INVESTMENT CONCLUSIONS

TLT – POM Signals & Price Projections - Start point 94- 1ST Jan

TLT - Trading & Investment Conclusion - – Updated

Net Short – POM 15 - (Total points gains= +6)

TLT – Short position closed @ 115 from 123.5 via Trailing stop for 8 points gains

- Alert 4 - POM 15 –, TLT – Triggered Alert – 10/4 @ 123.25 closed @ 115 = (+ 8 Points gains)
- Alert 3- POM 15 –, TLT – Triggered Alert – 9/30 @ 119.25 / closed @ 117.25 = (+2. Points gain)
- Alert 2 - POM 15 –, TLT – Triggered Alert – 9/26 @ 120 / Stopped @ 122 = (-2. Points loss)
- Alert 1 - POM 15 –, TLT – Triggered Alert – 9/6 @ 113.65 / Stopped @ 115.5 = (-2. Points loss)

Net Long – POM 12,13 (Total point gains = + 9 or 10% %) + Yield of 6 months (POM 12 for Full Fresh capital to go long)

- Alert – 8/35 - POM 14 Triggered @ 102 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/ (1/2) for average price @ 89.5 = +12.5 points gains
- Alert – 5/5 - POM 13 Triggered @ 95 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/08 (1/2) for average price @ 89.5 = +5.5 points gains

Hedge Longs / Risk Management for corrections - NONE

APPENDIX -

CHARTS UPDATED 16TH AUG - FOR ABOVE IDX IN AREAS OF “ CZ STOPS” ANNOUNCED - REALTIME

Read notes within the chart

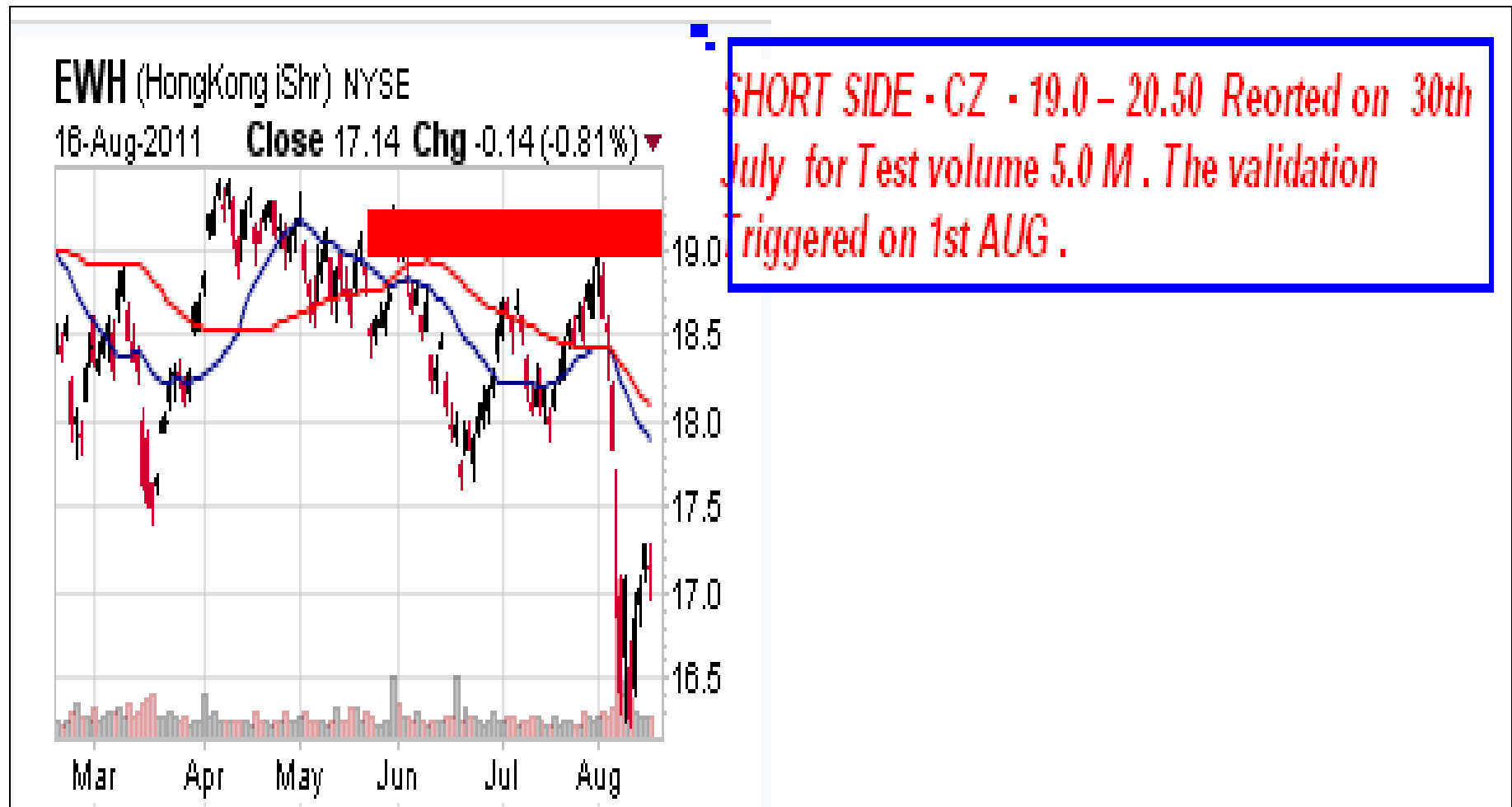


CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30th JULY

EWH – CZ Analysis – **Neutral** but

SHORT SIDE - CZ - 19.0 – 20.50 is indicated in red (partially imported from 2010 / 08) Test volume 5.0 M.

- $\frac{1}{2}$ position – was Triggered on 8/01 - into LCZ -MCZ



Quick Summary of Turning points - "Price path Reported " from Previous Reports - **UPDATE dt - 7/21**

QQQ Nasdaq GM

20-Jul-2011 **Close 58.80 Chg -0.25 (-0.42%)** ▼



IWM (Russell 2000 iShr) NYSE

20-Jul-2011 **Close 83.18 Chg -0.14 (-0.17%)** ▼



EEM (iShares MS...) NYSE

20-Jul-2011 **Close 46.93 Chg +0.14 (+0.30%)** ▲



EWA (Australia iShares) NYSE

20-Jul-2011 **Close 25.48 Chg +0.29 (+1.15%)** ▲



EZU (EMU Index iShares) NYSE

20-Jul-2011 **Close 36.31 Chg +0.60 (+1.68%)** ▲



Previous Signals

SELL SIDE - Triggered at Qualified CZ on "time & price"

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

BULLISH CZ - Triggers at Qualified CZ

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

POM criteria for Implementation on SPX

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

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