SG Capital Research
Global Market Insights

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

Coverage - 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**

- **CZ – PQV, Trend line, Pattern & Oscillator Analysis (Qualified for > +/- 2 SD or Special Situation)**
- *Selected charts that has some distinct characteristics:*
    1. *MA / PATTERN/ OSCILLATOR Analysis*
    2. *Poly Trend Analysis (If Applicable)*
    3. *Correlation Ratio Analysis v/s SPX*
    4. *PEC Analysis. (If Applicable)*
    5. *Sentiments Analysis Mathematical & behavior (if Extreme character)*

 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 <u>Unidirectional</u> 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 # 2B,G – 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*

- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix below*

- ## *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 with Warning - SPX rally towards 1252 (see the chart below) . Hrly charts critical towards the final observation .*
- *POM 14 – CZ is for ==Fully Hedge Position== by SP's RA/RI, for the positions taken at POM 12 @ 1080)*
- *==Unless the Pull back down in SPX   breaks below previous the POM 13 area (1195-1200), the down trend will not begin . (Area marked in Blue) Till that happens SPX will be stuck in Trading range – POM 14 CZ in volatile manner==*

- *Via Alert note A# 3 – MS Report - QQQ Trigger was at 59 Monday (10/31) was first to Trigger – as lead dog showed all the weakness and Price projections / CZ exact.*

==*IMPORTANT NOTE* – ==

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

- ### *==Announced in our last A # 2 B - Report dated 3rd Nov - the CZ – Trigger areas==*

QQQ - Triggered Alert - @ 59 – A # 3 – MS dated 10/31

IWM -   In Last Report A # 2B dated 11/03 indicated CZ – 74-77 – entered same day and re tested @ 75.5 on 11/8

IYT - In Last Report A # 2B dated 11/03 indicated CZ – 87.5-91- entered same day 88.25

DIA - In Last Report A # 2B dated 11/03 indicated PEC –D @ 12200 v/s SPX PEC- D @ 1252

- *Stops always on other side of CZ @ value based on Portfolio's Risk tolerance*

YTD – Broader IDX performance v/s SPX

Weakest and strongest Indices - **Chart below shows Ratio Relative performance of leaders and lagers with respect to SPX**
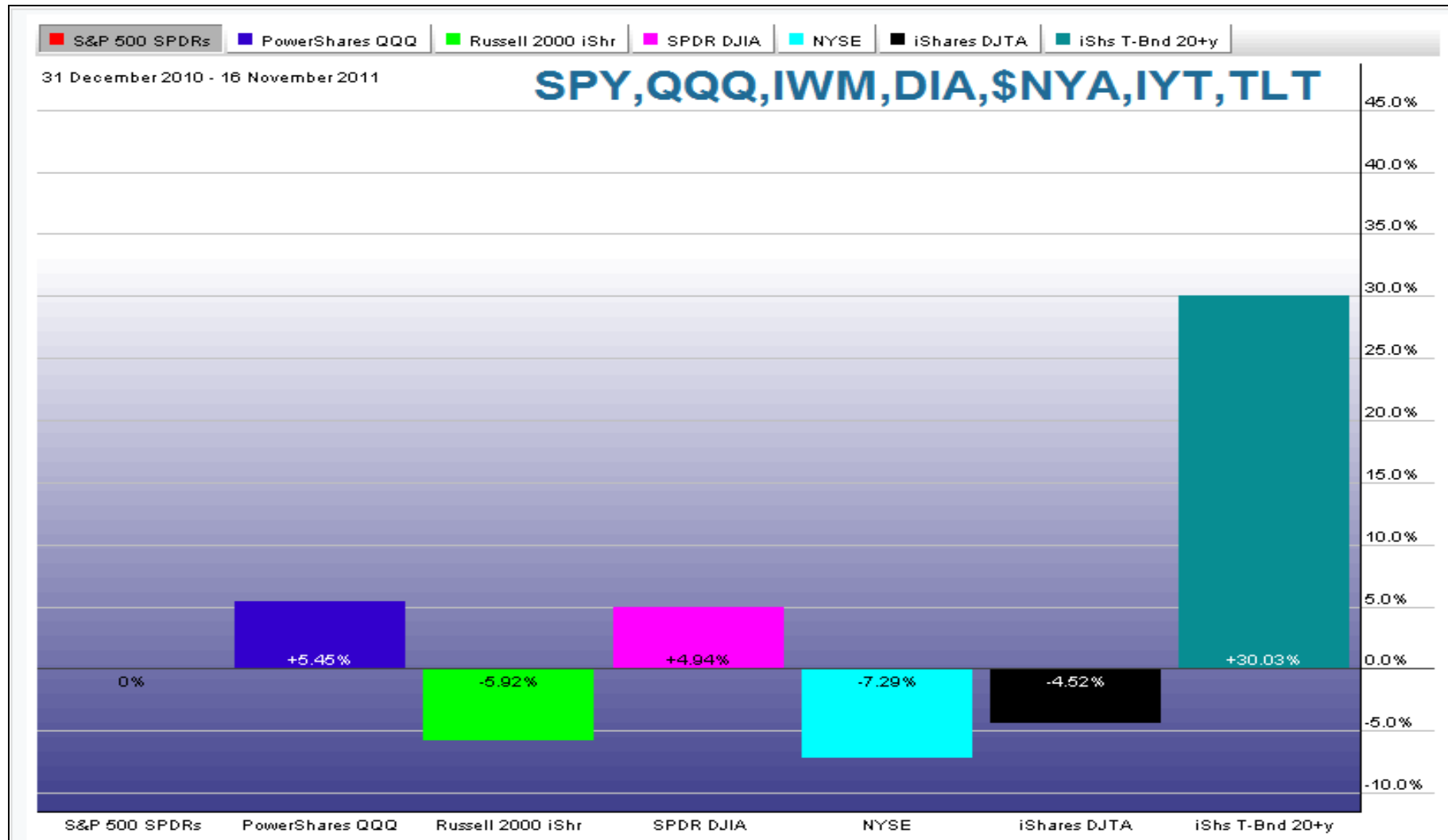
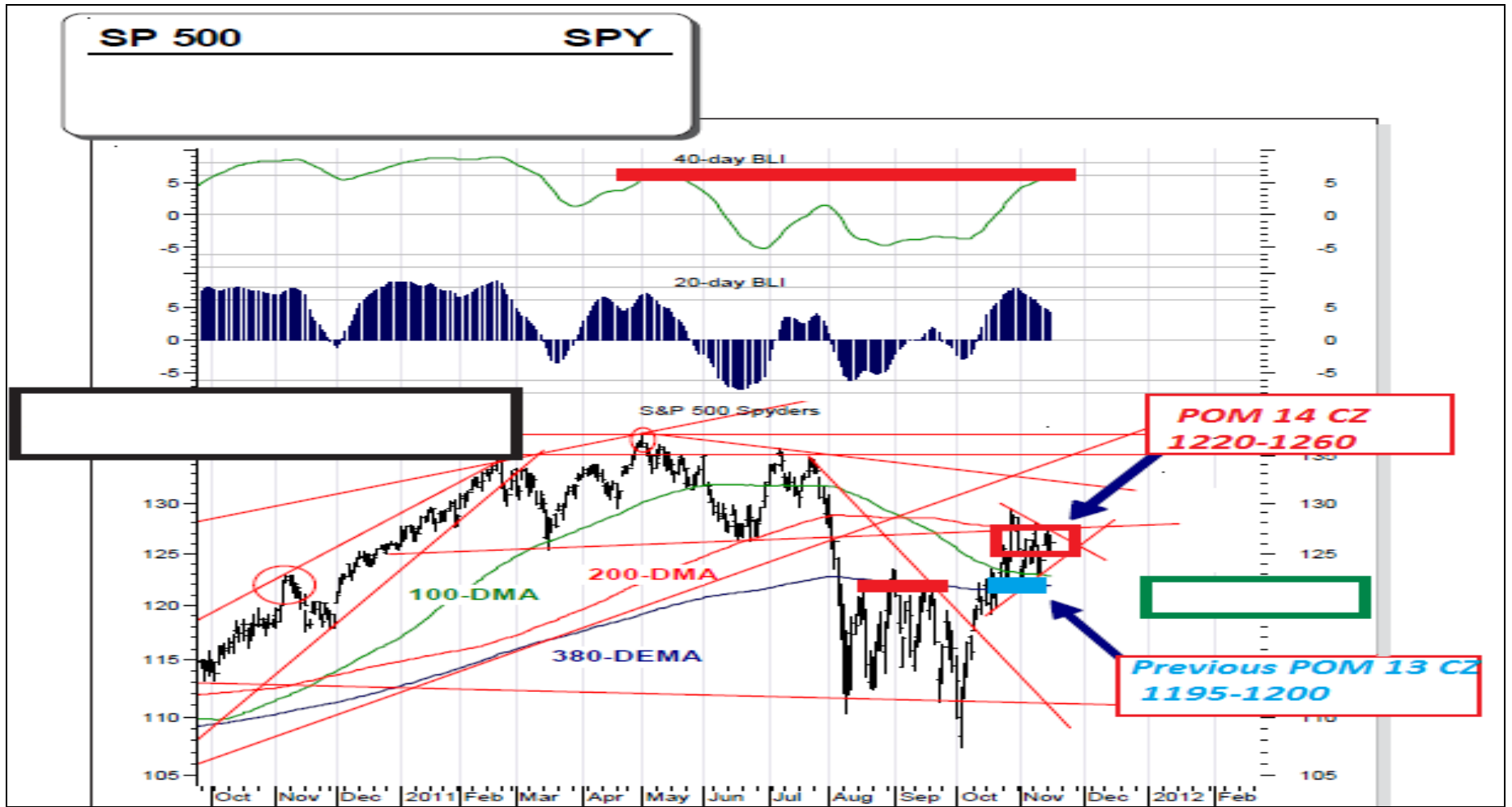# SPX – Hrly - Poly trend Analysis

- *Chart below indicates the Brick Wall of POM 14 – CZ 1220-1260 and Hrly CZ 1240-1255 move we had indicated appears to be the last gasp.*
- *POM 14 – CZ 1226 -1252 is good area to accumulate the Hedges – POM 14 is for Fully Hedge by SP - RA/RI for positions entered @ POM 12 - 1080*
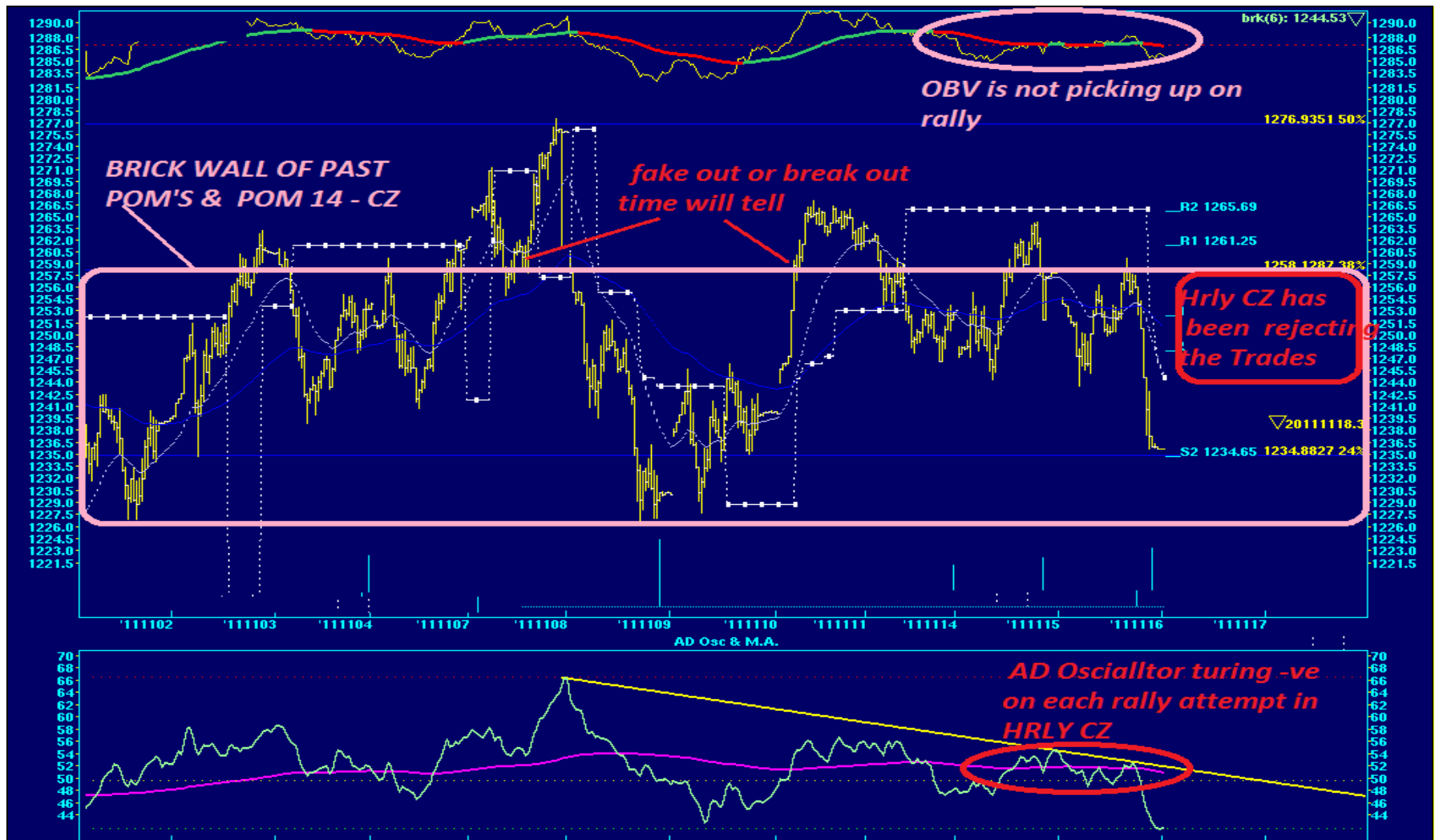
SPX – MA – Oscillator Analysis

Unless the Pull back down in SPX breaks below previous the POM 13 area (1195-1200), the down trend will not begin .
(Area marked in Blue)

Our Triggered POM 14 – CZ 1226-1255 & By PEC –D Method we had projections (618 / 718) to 1252,
Jumped CZ - 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) . First Index to signal the Top.

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 is presenting better picture on price path. 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)

QQQ may pull back to 54-55 for ABC down . It put in Bearish divergence on the Nasdaq McClellan Oscillator.

RUSSEL - PEC –D Analysis

PEC –D Pattern -   @ 770 for TOP. @ 618 /786 (as Indicated in our last Report A# 2B Dated Nov 3rd)

IWM – MA / Pattern and Oscillator Analysis

IWM – CZ - 74 – 77 , indicated CZ for Trigger on Nov 3 – A # 2B Report. Price entered CZ the same day to 75.2 and re tested @ 75.5 – dt 11/8. 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)

DIA – MA / Pattern and Oscillator Analysis

DIA is aligned with POM 14 on SPX , PEC –D Pattern on Russell @ 12200 for TOP. @ 618 /786 9 Indicated in previous Report dt 3rd Nov)

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)
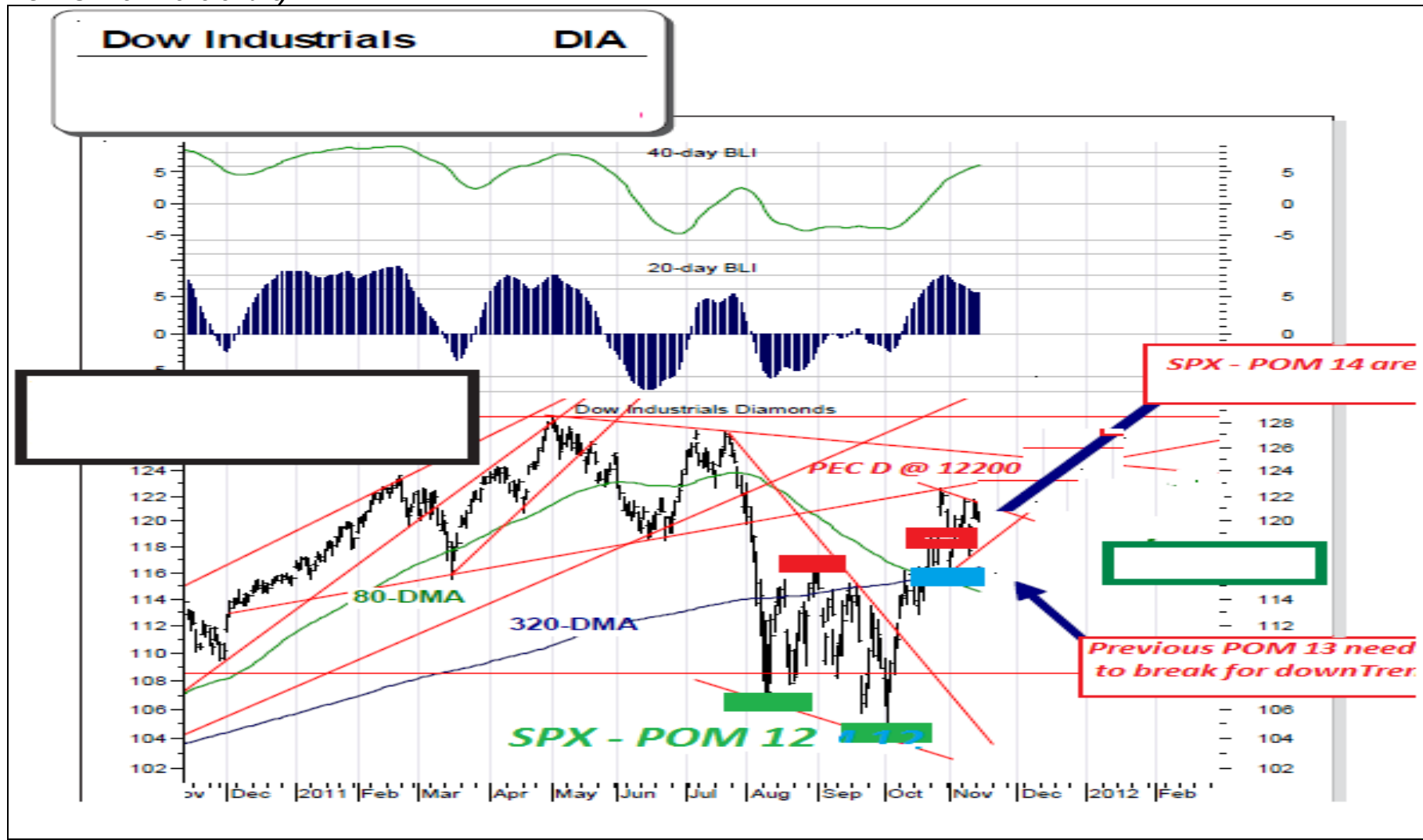
Dow Transport Theory – No signal

We follow Dow theory for Tracking purpose only – with 4 criteria for Buy Trigger / Sell Trigger (See Appendix below) .
Dow Theory usually is late comer to the party & Gets Whipsawed in Trading Range Market

This is not the time (@ POM 14) the DOW Theory will signal BUY.
IYT cross with DIA on price strength has not given signal (1st chart below)
The Ratio line ….IYT / DIA is not broken downtrend (see chart below 2nd window), Trigger Buy will come in if Cross the down trend line –
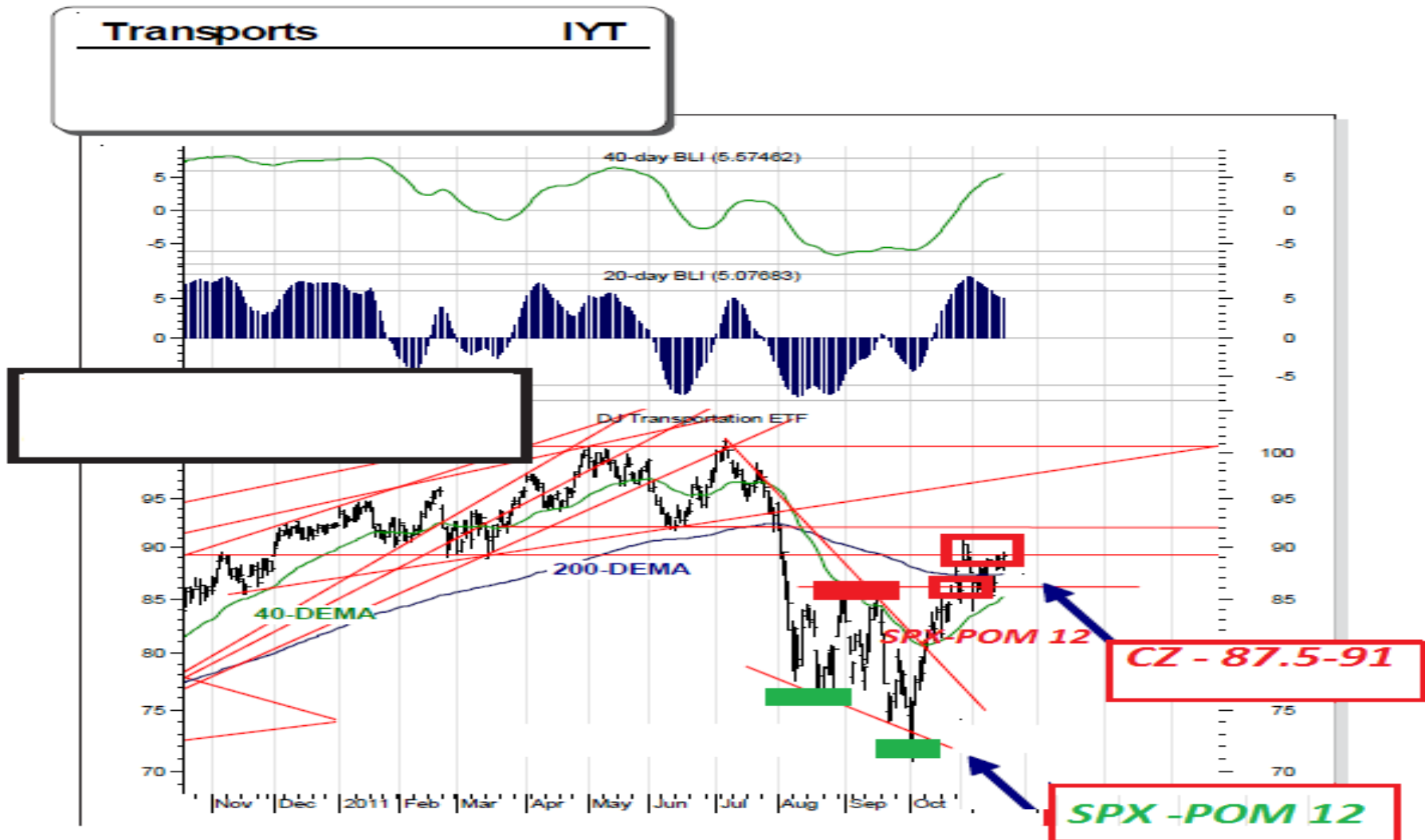
Based on our Methodology – Triggered last Sell @ 11900 and not Signaled New buy yet (As Alerted in our Previous Reports)

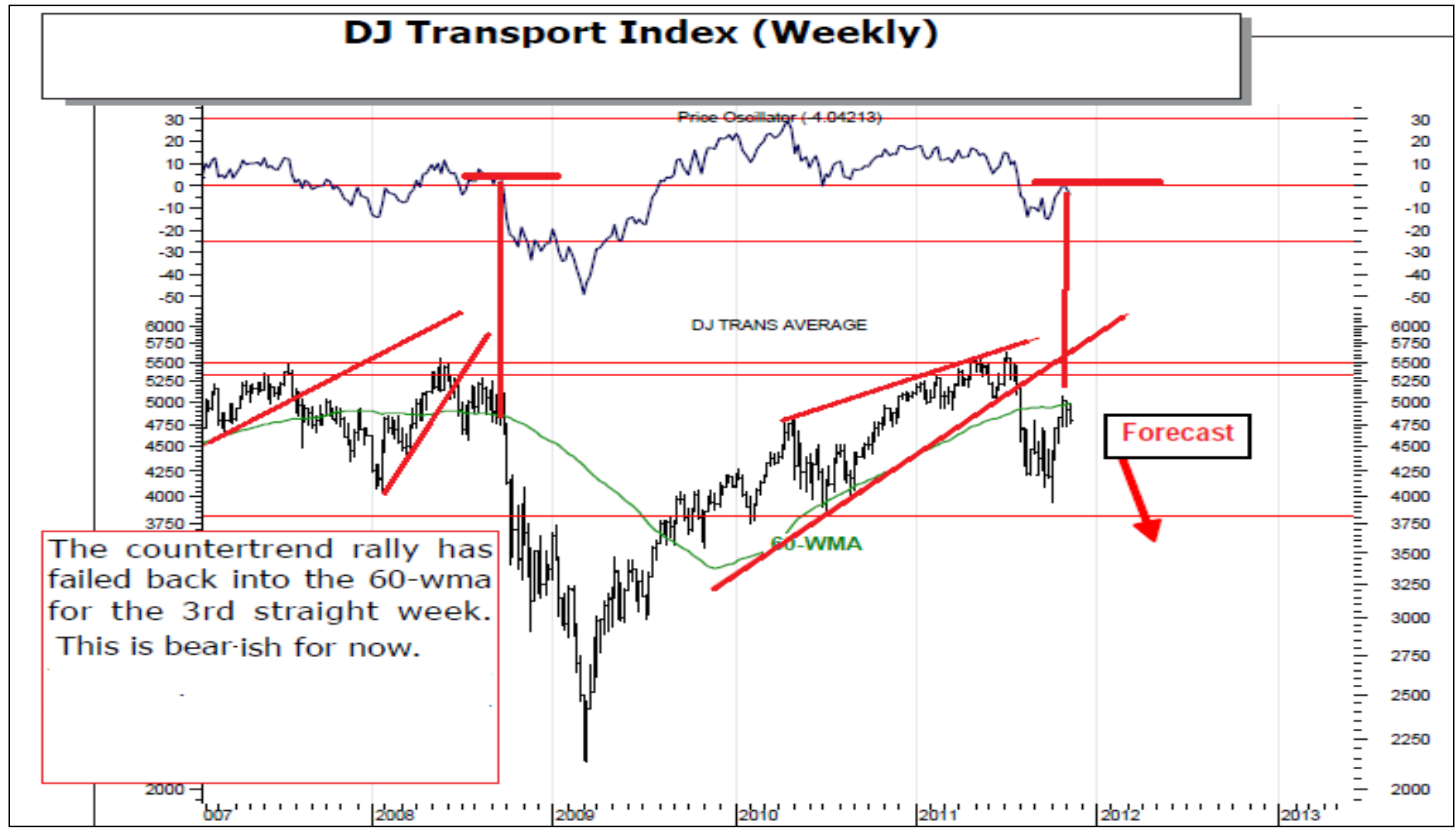# IYT - MA / Pattern and Oscillator Analysis

IYT – CZ 87.5 - 91 , - Indicated CZ for Trigger on Nov 3 – A # 2B Report. Price entered the CZ same day to 88.25. 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)

Transports   IYT

40-day BLI (5.57462)

20-day BLI (5.07683)

DJ Transportation ETF

200-DEMA

40-DEMA

SPX-POM 12

CZ - 87.5-91

SPX -POM 12

|Nov' '|Dec' |2011 |Feb' |Mar' ' '|Apr' |May' |Jun' ' '|Jul ' |Aug' '|Sep ' |Oct ' ,

TRANSPORT -   MA / Pattern and Oscillator Analysis – Bigger Picture

Longer term Oscillator @ 0 and the larger Bearish wedge was broken .
IYT's favorite 60M – MA has been failing at 0 oscillator. Longer term DMA & Oscillator Analysis seem to be in sync with
current CZ and also with SPX's - POM 14 (notes within the chart)

TLT – MA / Pattern and Oscillator Analysis -

TLT initiated another ABC up since POM 13 trigger. We haven't participating on long side on this leg up (although we could have played both side) . Flat for now - Awaiting for upward ABC up towards POM 14 or 15 .

- ## Inter market Analysis –

TLT v/s SPX

TLT & SPX has been having inverse co relation

NO CHANGE

- ## EXTREAME Sentiment Analysis (3rd Party Data)

Courtesy : SENTIMENT TRADERS

NO EXTREAMES

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

  - **TLT - Trading & Investment Conclusion - – Updated**

- ***Net Short – POM 15 - (Total points gains = +6.5 = +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 = (+ 8.5 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 = +8%) + 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*

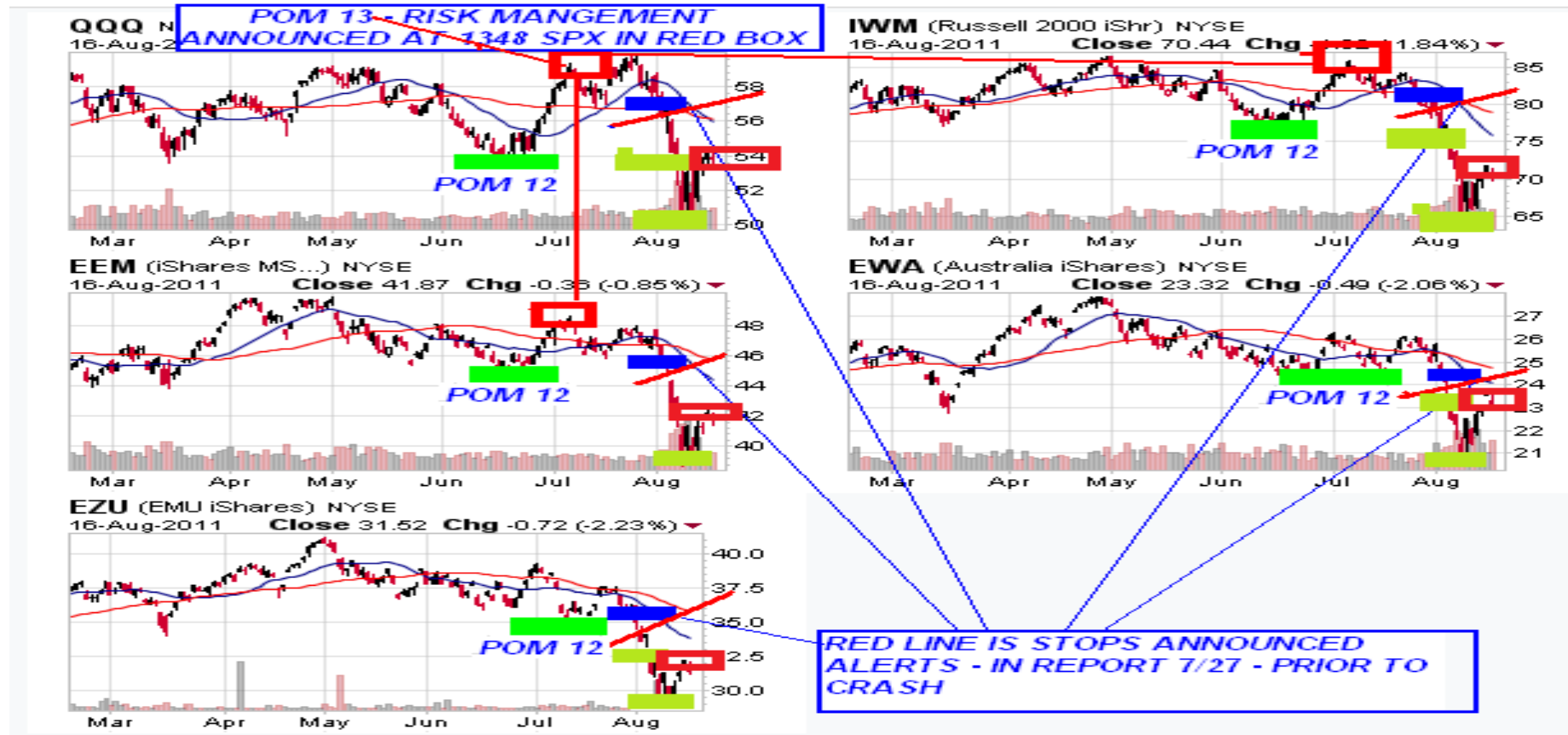- ***Hedge Longs / Risk Management for corrections - NONE***

APPENDIX -

> ### *Key Points for Full utilization of SP- Reports*

- ***Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness***

> *At Top down Level* – *Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .*

> *Rebalancing Pre Planned procedure at Triggers – " Rebalancing % of Overall Position Sizing" , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.*

> *Key points for Risk Management*

> *Hard Stops around CZ's*
> *STOP SELL- " early warning Alerts" in fast moving markets, Over night Day / Night (IST) time delay Risks.*
> *Cross verification by Other Methods*
> ***Computerized Daily Monitoring, CZ Triggers, Timely PQV validations***

> ### *2. CZ – Tracking*

> > *Programing - "Time/ Price Displacement, Supply / demand Activity Bar Analysis" –*

- *At "Institutional Grade - Price , Volume with Time Integration*
- *Supply / Demand Activity bar Analysis – Real time.*
- *Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers*

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

Read notes within the chart . ……….

POM 13 - RISK MANGEMENT ANNOUNCED AT 1348 SPX IN RED BOX

RED LINE IS STOPS ANNOUNCED ALERTS - IN REPORT 7/27 - PRIOR TO CRASH
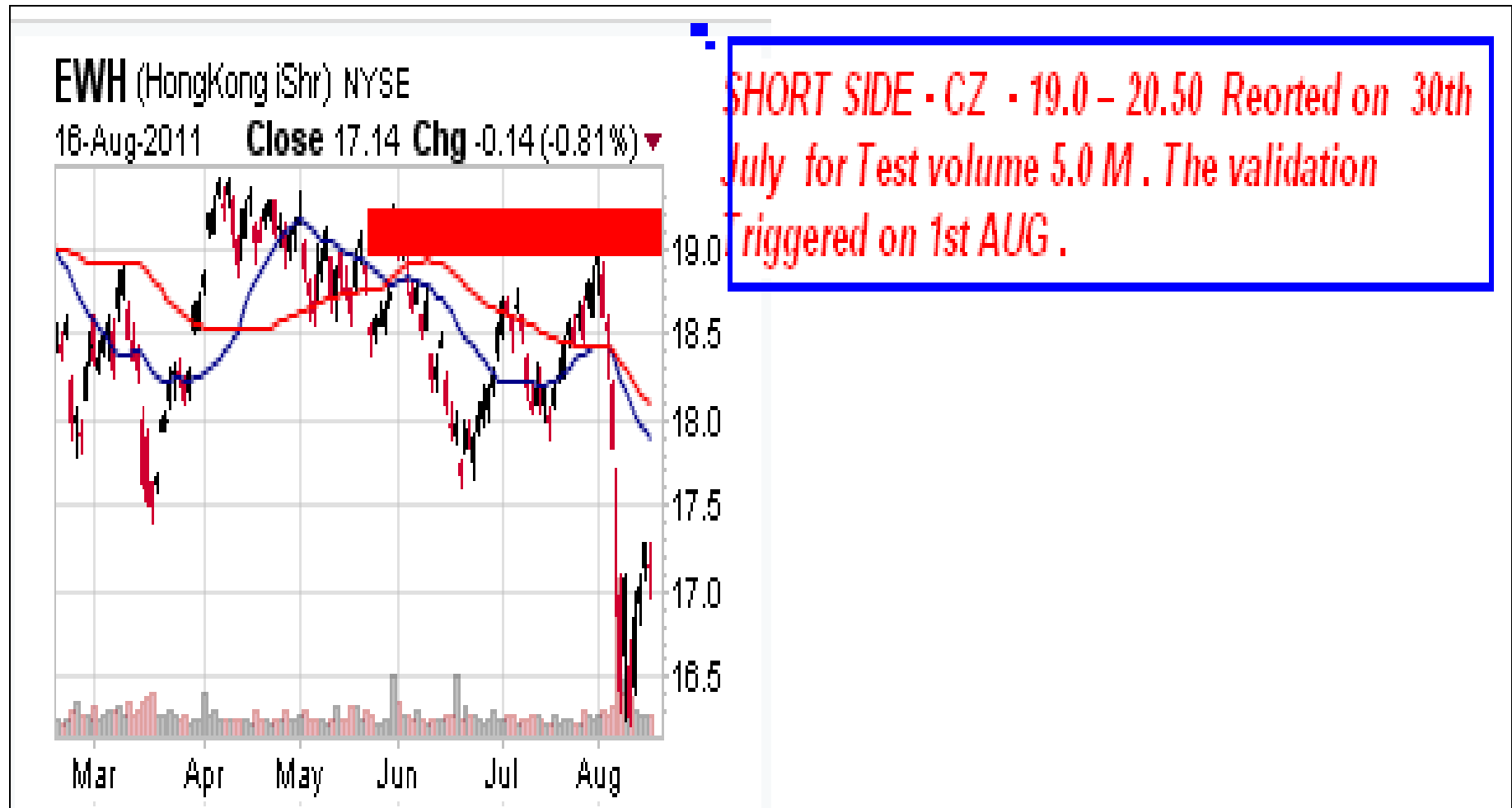
CZ - SHORT SELL " ANNOUNCED – D # Sector Report – 30th JULY

EWH – CZ Analysis – <mark>Neutral but</mark>

<mark>SHORT SIDE - CZ - 19.0 – 20.50 is indicated in red (partially imported from 2010 / 08) Test volume 5.0 M.</mark>
- *½ position – was Triggered on 8/01 - into LCZ -MCZ*

SHORT SIDE - CZ - 19.0 – 20.50 Reorted on 30th July for Test volume 5.0 M . The validation Triggered on 1st AUG .

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

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*
- *EZU ….No Validation*

BULLISH CZ - Triggers at Qualified CZ

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

POM criteria for Implementation on SPX

- *POM is rated from 10 to 15*

- *POM 14 , 15 (is Sell Signal)* and *12 , 11 (is Buy Signal)* both are the Actionable Area whereas *POM 13 is A Neutral Signal* for Risk management

- On way *UP* move, *POM 13* signifies to *STOP* executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

- On way *DOWN* move, *POM 13* signifies to *STOP* executing additional " New Short Sells" that was initiated at *POM 14 or POM 15 levels*

- *(Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs*

- *(Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge*

- *POM 12 & 11 is for Net Long*

- *POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)*

- ## Past 52 Week DOW THEORY Signal - updated 20th April

In chart below – top most window - when IYT prices Trades above DIA prices (– green arrow) & , Confirmed by the break of blue line on IYT / DIA Ratio (window 2 below) Triggers a Buy Signal. As long as both remains in same trading overlap pattern. ………As soon as IYT breaks below (red arrow) confirmed by breakdown in ratio on IYT / DIA " Sell is signal" is trigger till next time it repeats itself as indicated in Blue bar (which we are awaiting for Triggers) .

point – In spite of Sell Signal by this DOW Theory end Jan (which we used as PRE – Qualification) The real sell by our Method came on 19th Feb) , by the time IYT moved up 7% towards the CZ – Validation to finally get Trigger in PQV and then fell apart (Refer sector Report, Feb Edition)