



SG Capital Research

Global Market Insights

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

**MAEG- MARKET STRATEGY BROADER IDX GLOBAL CZ # SG 2011 # SEPT\_14**

**For Immediate Release – *Wednesday AM (EST)***

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## **Market Strategy Global (A # 2) - (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)**
  - **QQQ – NASD 100**
  - **IWM - RUSSELL 2000**
  - **EEM - EMRG - with SHANGHAI - Proxy**
  - **EZU - EUROPE with FTSE Proxy**
  - **EWA - AUST with AORD – Proxy**
  - **EWI – HK**
- **Appendix - History of past SPX - POM Signals & Key Criteria**

## **BROADER & GLOBAL INDICES**

### **IWM, QQQ, EEM, (CHINA), EZU, (FTSE), EWA, (ORD) , EWH**

- **Trading and Investment Conclusions.**

- *The Broader Indices within this A # 2 Report has been closely following “The Price Path” of SPX during Market turns*
- *Our Last Signal - POM 13 @ 1220 dated 09/01 – **ALERT** - signaled the turn on SPX & Broader IDX*
- *As always SPX Signals- POM11, 12 ( NET LONG) & POM 13 ( RISK MANAGEMENT) applies to all the Broader Indices Except in case of @ POM14, 15, the various Instruments will Top out at different time frames mostly upon Triggering its own CZ – PQV Validation.*
- *In the Current Market, our Next Projection is ( a) for the Successful test to Trigger POM 12 Re Run OR ( b) for Secondary failure of upside POM 14 whichever comes first as Trigger. Market has setup wide Trading Range.*
- *As Market moves inbetween POM’s, the bounces within ST – Bullish CZ to ST Bearish CZ will be evident in our Price Path . This has become Trader’s Paradise for fast fingers.*

## Market Insights

- *The Broader indices has drawn some Bearish Patterns near Bearish CZs ( see charts below). We are at POM 13 – Signal – SPX since then we have witnessed the market turns and great volatility closely followed in our Price path.*
- *On this current bounce, not all Indices will enter into its own CZ if SPX abruptly turns (SPX is the driving force for the turn) this is the Risk one can face if one picks up one single Index. But upon the CZ Validation, it sets up better Risk Reward for that instrument. .*
- ***As pointed out in our Mondays' A # 1 MS Report** – “Internal Math readings on very Short Term, suggested upside move left still left in the Market Mid this week . The positive bias towards the option expiration, Effect of Turn & Cycle dates , Time Termination lows T & potential 3<sup>rd</sup> drive to the Top. However this move is only a counter Trend bounce.*
- *Wednesdays of Option expiration, the unwinding effect is at its peak. The gravitation towards the Max pain should happen on slowing internal energy. It is simple market mechanic v/s Buying strength we calculate for Price displacements during option expiration.*

## QQQQ – CZ – Analysis-

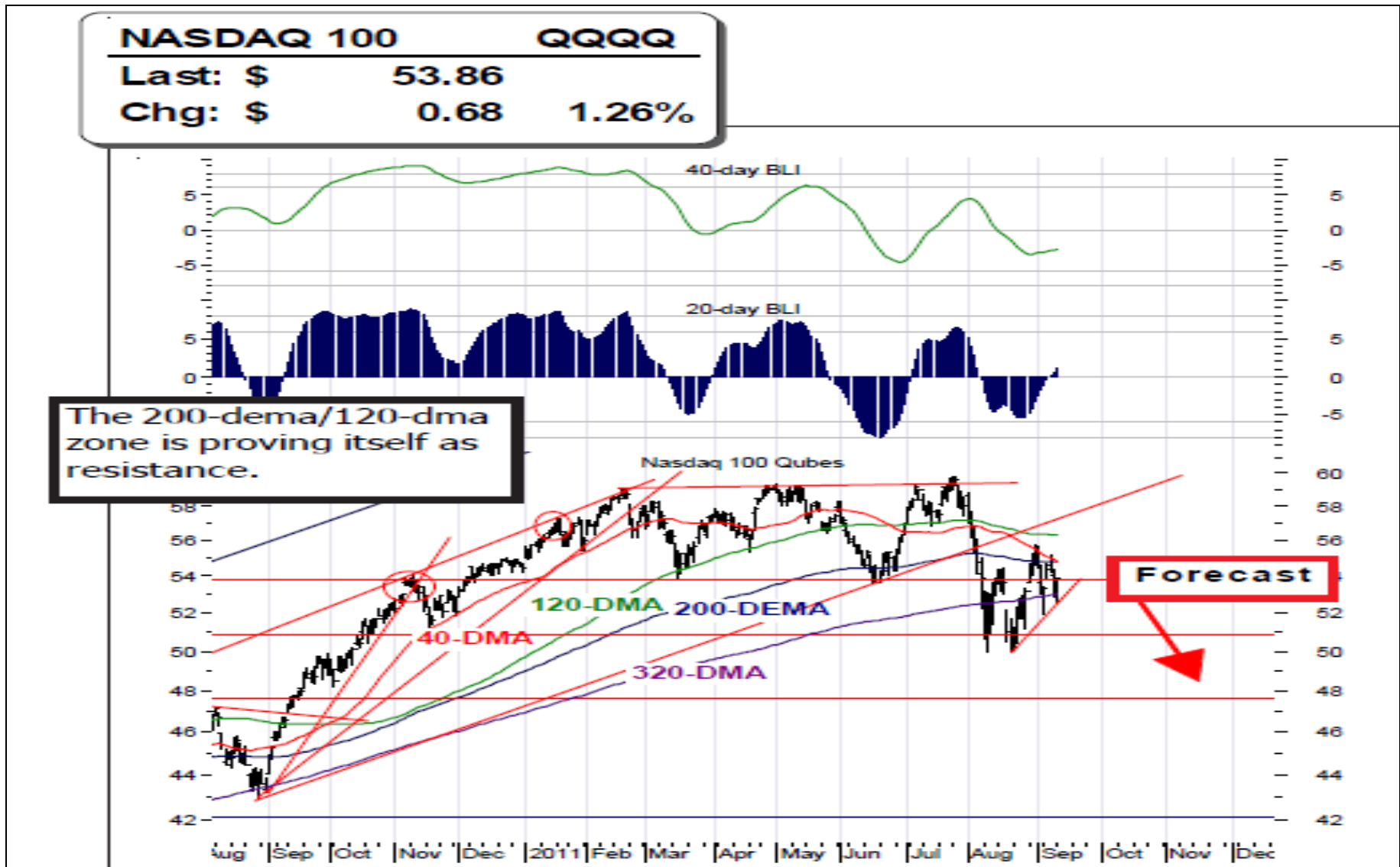
QQQ has been the strongest Index on this rally but approaching the **Bearish CZ 55.5-56.5** but needs to get validated PQV wise. ( *This should give a false break upside but this is not the Index one needs to Short the strength* )

The ratio QQQ / SPY - is very positive compared to other Indices , suggest this might hold well on pull back . Strong Index Stoc-RSI – Indicated by arrow is Holding positive



# QQQQ – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggests, the upside is limited ( Refer notes within the chart)



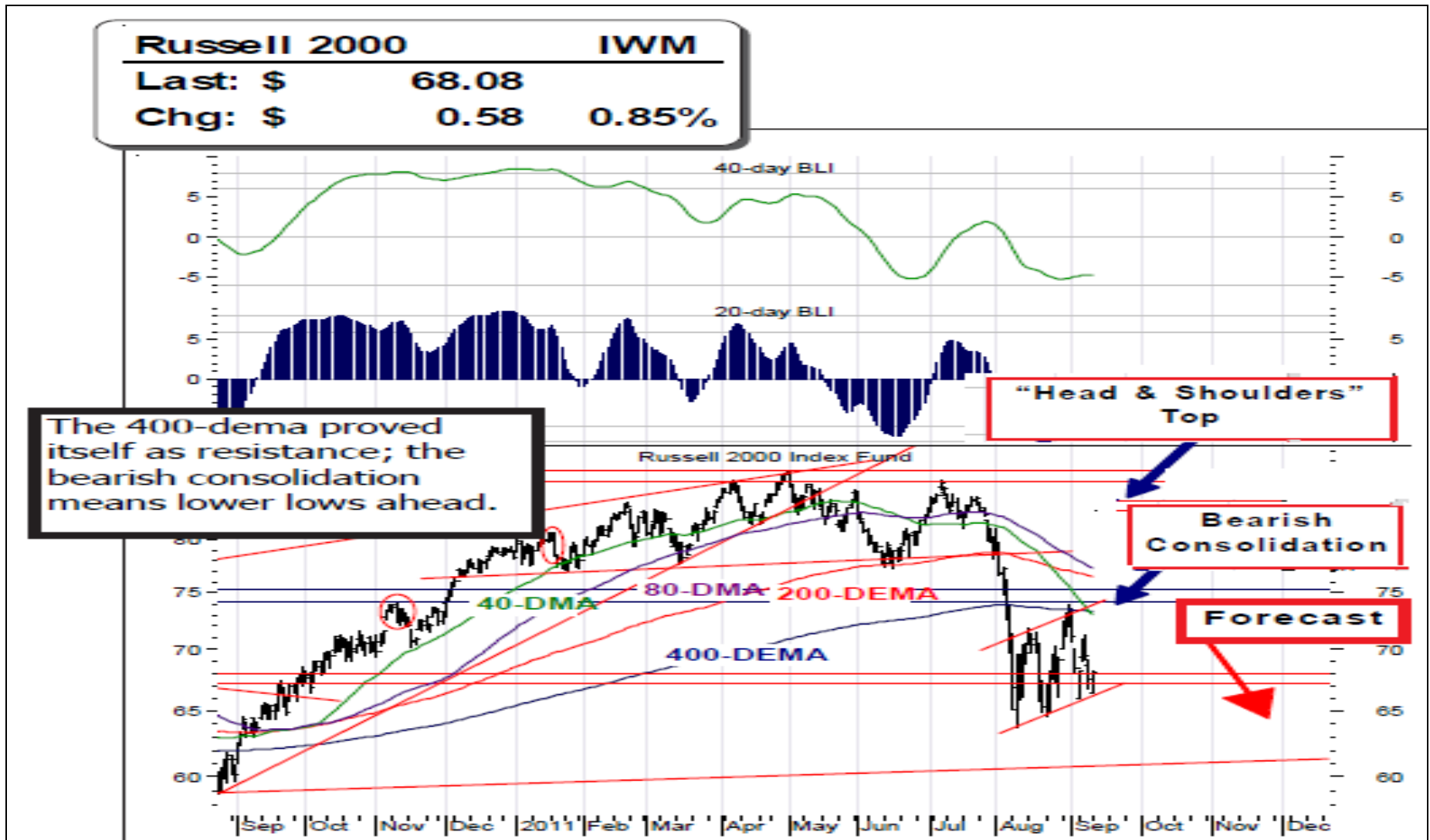
## IWM – CZ Analysis

*IWM is weak, this is Bearish Consolidation . Ratio is lagging the strength . The move is approaching Underneath **Bearish CZ – 73.25 -77** imported from past ( revised) but needs to get validated PQV wise. **Point to note** - the First and the best chance to act is always along with POM Trigger. Although sometimes we get 2<sup>nd</sup> chance based on luck factor.*



# IWM – MA / Pattern and Oscillator Analysis

DMA's and Trend Analysis suggests, the upside is limited ( Refer notes within the chart)



## EEM – CZ Analysis

*EEM is weak, this is Bearish Consolidation . Ratio is lagging the strength . **Bearish CZ – 43 -44.5** imported from past - ( This was Ideal spot when POM 13 – SPX was Triggered at that time.*

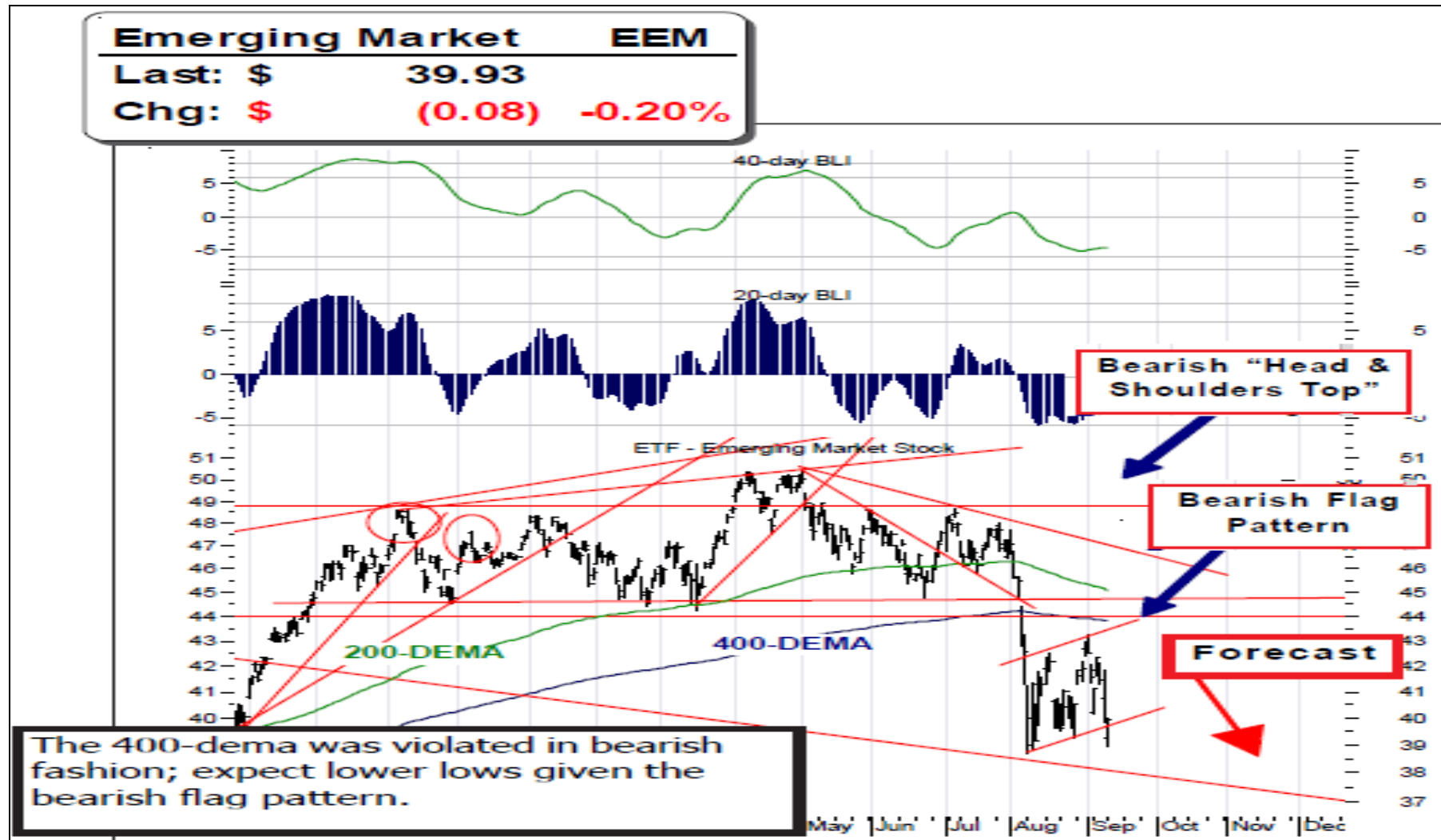
*Although EEM is weak, Stoc-RSI – Indicated is oversold, Suggest the possibility of bounce here (on this 2<sup>nd</sup> chance).*





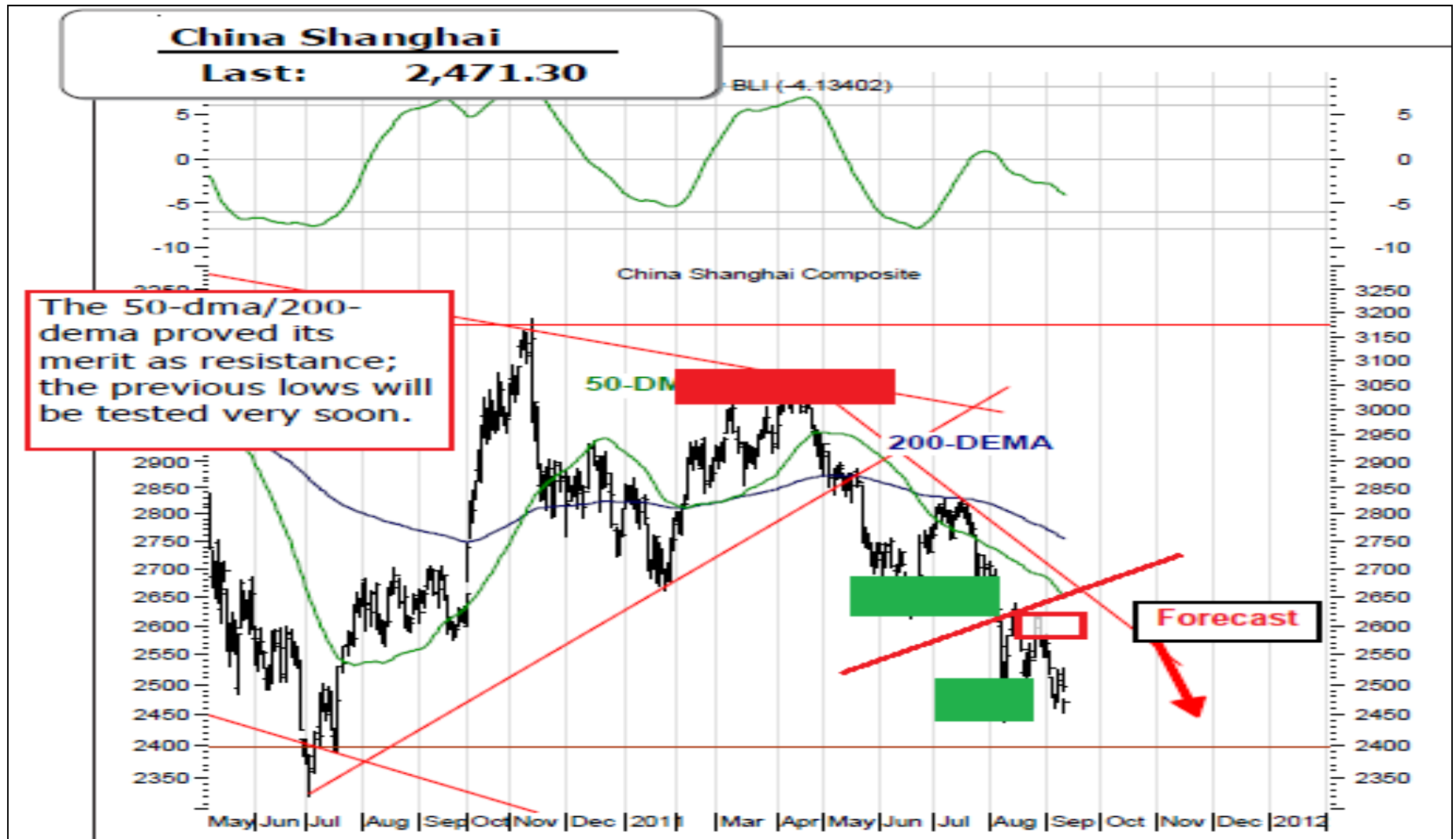
## EEM – MA / Pattern and Oscillator Analysis

*EEM has similar behavior of bounce as IWM but has not bounced like IWM – Mixed picture - Suggests lower price first then the bounce ( Refer notes within the chart)*



## SHANGHAI - MID TERM ( Proxy for EMMERG)

Chart below marked in Color with our Previous calls Shanghai , The Major TRIANGULATION Pattern of large Magnitude is broken impact on world markets .



## EWH – CZ Analysis

*EWH is acting exactly like EEM, CHINA. The Ratio is lagging the strength . **Bearish CZ – 17.25 -18.00**, imported from past - ( This was Ideal spot when POM 13 – SPX was Triggered at that time.*

*Although EWH is weak, Stoc-RSI – **Indicated is oversold**, Suggest the possibility of bounce here (on this 2<sup>nd</sup> chance).*



## EWA - CZ Analysis -

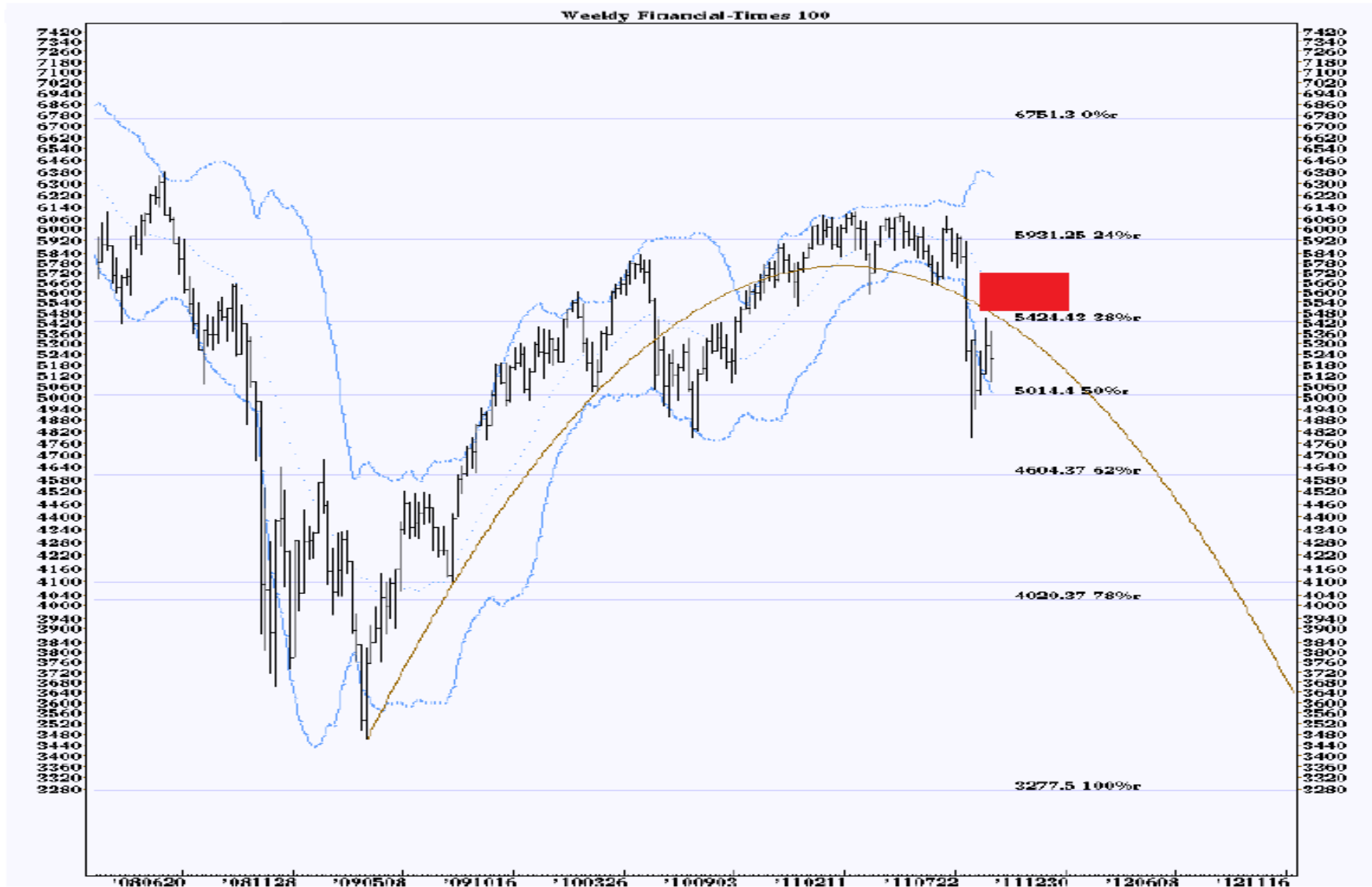
*EWA has been the strong Market on the bounce, in a way similar to QQQ . But has been Forming Bearish Wedge never the less. However VTO has been Diverging positively . **BEARISH CZ 23.25- 24.5***

*The ratio EWA / SPY - is very positive compared to other Indices , & Oversold .*



## FTSE - MID TERM ( Proxy for Europe)

FTSE is gradually creeping towards into Underneath the Poly Trend & **Bearish CZ 5500 -5700** , we indicated this in last week's Report.



## EZU – CZ Analysis

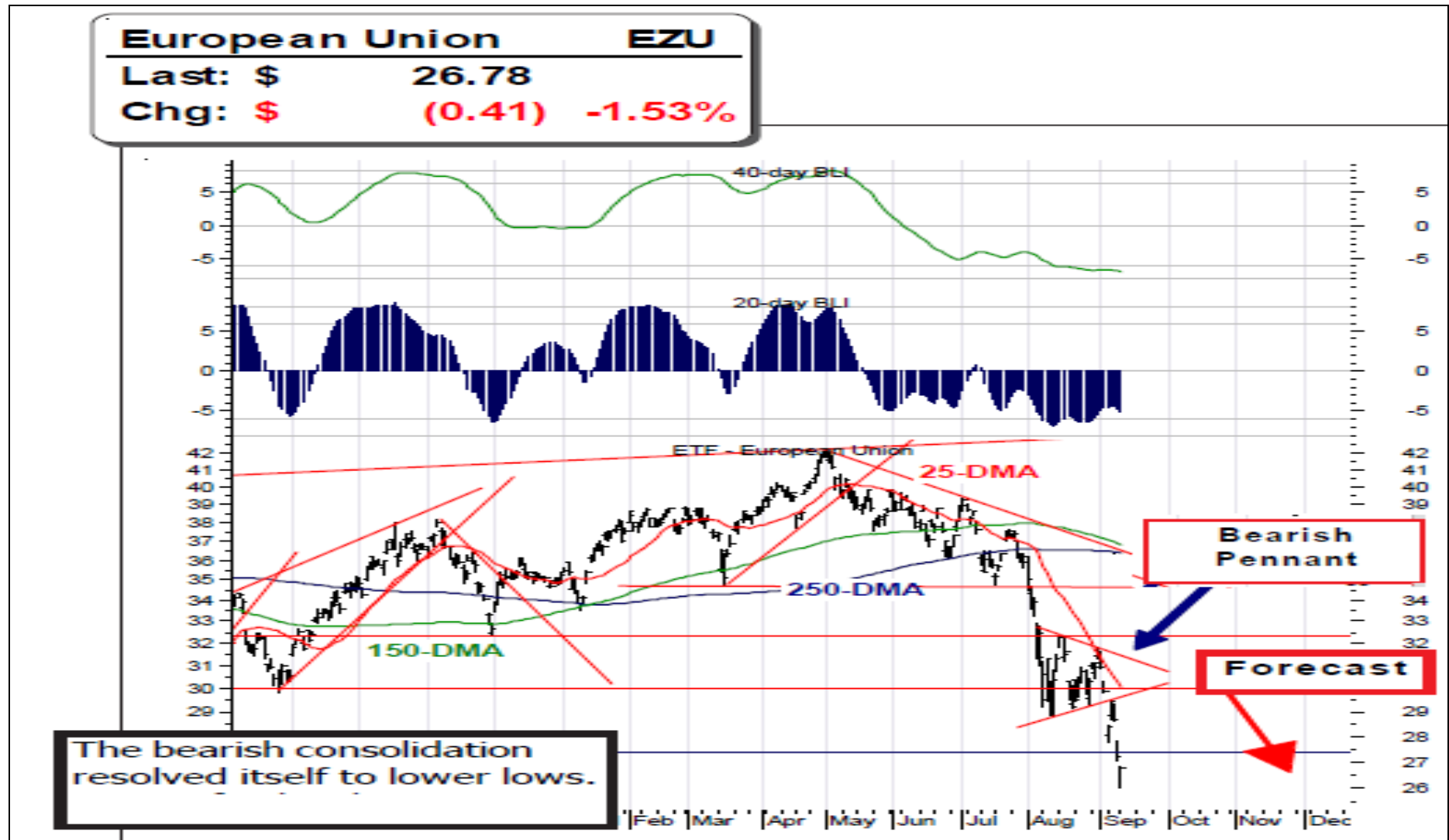
*EZU is weak, this is Bearish Consolidation . Ratio is lagging the strength . **Bearish CZ – Not clear – Need more data points** ( *Ideal spot CZ was @ when POM 13 – SPX was Triggered at that time*).*

*Although EEM is weak, Stoc-RSI – Indicated is oversold, Suggest the possibility of bounce here (on this 2<sup>nd</sup> chance).*



## EZU – MA / Pattern and Oscillator Analysis –

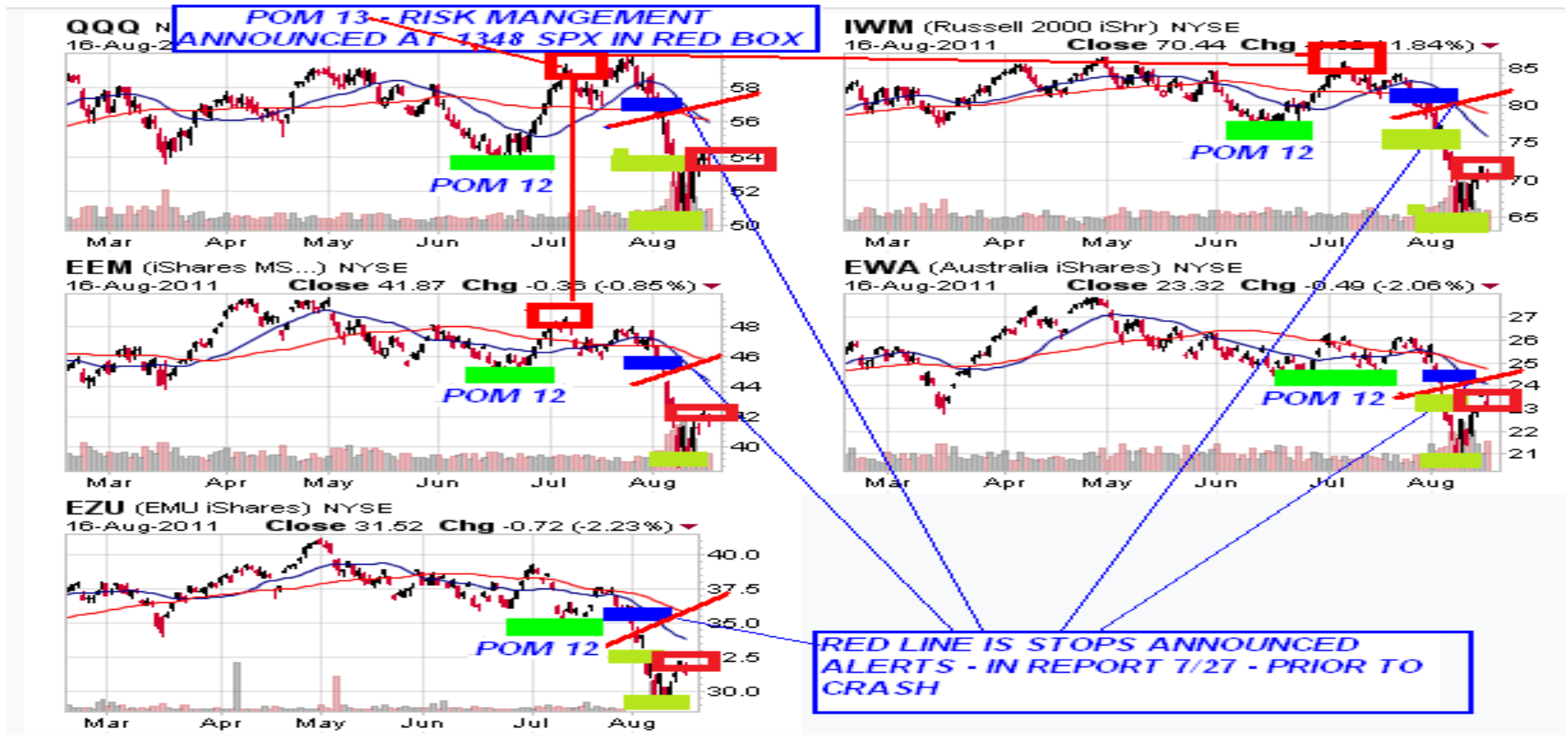
Reflects European Problems DAX, ITALY – MIB in particular . FTSE shown above is in better shape ( Refer notes within the chart)



# APPENDIX -

## CHARTS UPDATED 16<sup>TH</sup> AUG - FOR ABOVE IDX IN AREAS OF “ CZ STOPS” ANNOUNCED - REALTIME

Read notes within the chart . . . . .



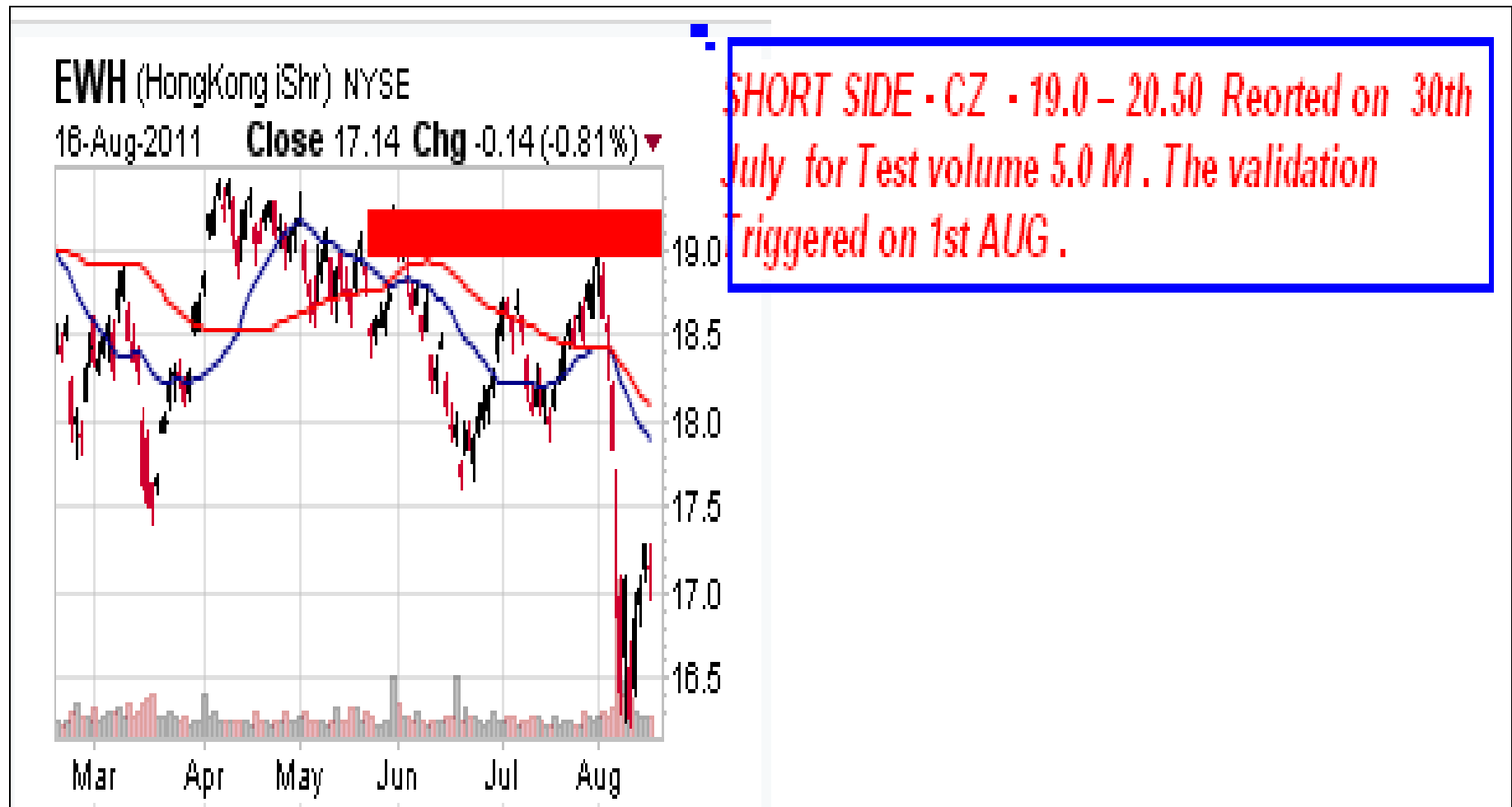


## CZ - SHORT SELL “ ANNOUNCED – D # Sector Report – 30<sup>th</sup> JULY

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 – 31<sup>st</sup> March @ 84**
- **QQQ ( 56- 58) ... with 75 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 58**
- **EEM ( 49.5 – 52.5 )... with 55 M or less test - qualified at CZ Sell – 21<sup>st</sup> April @ 50.19**
- **EZU ....No Validation**

### **BULLISH CZ - Triggers at Qualified CZ**

- **Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4<sup>th</sup> 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)

## Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator – On Buy Signal since SPX - 1115

*The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).*

*This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. ( it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).*

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