



SG Capital Research

Global Market Insights

**Research Note – Sector – ETF Analysis (D )- STRATEGY & PROP Analysis (SP)**

**MAEG – WKLY\_SECTOR ETF ANALYSIS SG 2012 # JULY\_18**

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

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**Sector Analysis (D) - (SP)-**

**Contents for coverage within D # –SP**

- Attached, the Chart list & specific Charts (below). *We have selected charts that has some distinct characteristics:*
- CZ – PQV, PEC-D, Patterns & Oscillator Analysis for ETF's
- ETF's Qualified for > +/- 2 SD or Special Situation
- *Selected charts that has some distinct characteristics:*
  1. /PATTERN/ OSCILLATOR Analysis
  2. Confluence (CZ) & Price / Volume Analysis
  3. Poly Trend Analysis ( *If Applicable*)
  4. Correlation Ratio Analysis v/s SPX
  5. PEC Analysis. ( *If Applicable*)
  6. Sentiments Analysis Mathematical & behavior ( *if Extreme character*)

## 40- INDICES SUMMARY - Highlighted below are SD # +/- 2 & CZ –PQV Qualified –

- 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

<p>GR1 (16) Coverage in A #1, A# 2 (B, G) MS</p>	<p>GR2 ( 14) Coverage in D # SECTOR</p>	<p>GR3 (10) Coverage in C # COMMODITY</p>
<p><u><b>US BROADER IDX (A # 2B)</b></u></p> <ul style="list-style-type: none"> <li>• SPY ( SPX 500)</li> <li>• DIA ( DOW 30)</li> <li>• QQQQ ( NASD100)</li> <li>• IWM (Small Cap)</li> <li>• IYT ( Transports)</li> <li>• NYA (NYSE)</li> </ul> <p><u><b>BOND IDX ( A # 2B)</b></u></p> <ul style="list-style-type: none"> <li>• TLT ( Bonds)</li> <li>• MUB ( Muni).</li> <li>• JNK ( Junk)</li> </ul> <p><u><b>GLOBAL IDX ( A # 2G)</b></u></p> <ul style="list-style-type: none"> <li>• EEM (Emerg.)</li> <li>• EZU (Europe)</li> <li>• EWH ( HK)</li> <li>• EWA (Aust)</li> <li>• EWJ (Japan)</li> <li>• FXI (China)</li> <li>• EWZ ( Brazil)</li> <li>• IFN (India)</li> </ul>	<p><u><b>SECTORS IDX ( D # )</b></u></p> <ul style="list-style-type: none"> <li>• RTH ( Retail) -</li> <li>• XLF ( Financials)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• XLE (Energy)</li> <li>• XLK (Tech) / QQQ - Proxy</li> <li>• XLI ( Industrial) –</li> <li>• XLU ( Utility)</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders) -<b>SP</b></li> <li>• SMH ( Sem.)</li> <li>• BBH ( Biotech)</li> <li>• IYR (Real Estate)</li> </ul> <p>Highlighted above are covered in Today's Report</p> <p><b>SP- Special Situation</b></p>	<p><u><b>COMMODITY IDX (C #)</b></u></p> <ul style="list-style-type: none"> <li>• DBC ( Commodity)</li> <li>• GLD (Gold)</li> <li>• SLV (Silver)</li> <li>• GDX (Miners)</li> <li>• USO (Oil)</li> <li>• JJC (Copper)</li> <li>• DBA ( Agro)</li> <li>• DBB ( Base metal)</li> <li>• UNG ( Natural Gas)</li> </ul>

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- ***XLK ( We cover QQQ as TECH proxy in A # 2B – MS)***

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## • Executive Summary.

### SPX/ SECTOR IDX -

*During the recent rally from SPX 1300 – POM 13 to current, Our Sector's with Bullish top has participated very strongly & Sectors with Bearish tops with heavy bottoms have lagged. .*

- **Our Last Trigger** –POM 13 NET LONG Position within CZ 1290-1310. (On 5/23 – Alert via email)  
Now has rallied 75 points.

**NEXT – ALERT** - We are fast approaching our Projected price Target on SPX 1375-1410, from POM 13 @ 1300, which Triggered POM 14. Market could reverse any time within the CZ . Based on Portfolio Objective – Risk protections to initiate hedging “ SCALE IN “ – NO NET SHORT YET.

*We think Primary Top might be put in 1-2 days followed by pull back and the secondary rally into CZ by Aug 3<sup>rd</sup>*

**IMPACT OF SPX on Sector IDX** - Majority of the SECTOR IDX's are reaching its individual CZ Price Projections in this rally Target. .

### STATUS -

*Below is the summary textures in various SECTOR IDX's at current market conditions.*

*We have evaluated “the strength and weakness” of these Sectors via Top Heavy / Bottom Heavy CZ / PQV Analysis , ABCD Trend & Pattern , Ratio Analysis, VTO structure qualifying it as Bullish Top , Neutral Top , Bearish Top & Price Projections individually.*

- STRONG SECTORS – SETUPS with
- BOTTOM NEUTRALIZED @ POM 13 – CZ & BULLISH TOP ( @ Previous POM 15 - CZ

XLV, XLP, XLU, - The rally came in as expected in Bullish manner from POM 13 , Now setting up a Bullish Top once again

**Conclusion** – These IDX should be accumulated on next pull back We had advised to accumulate these Markets on pull back at POM 13 area for next leg up .These are NOT candidates for Short Sell.

- WEAKER SECTORS- SETUPS with
- BOTTOM HEAVY @ POM 13- CZ & BEARISH TOP ( @POM 15 - CZ)

XLV, XLE,

The rally came in as expected in Bearish manner from POM 13 , Now setting up a Bearish once again

**Conclusion -** The upside on this bounce should taper once SPX tops out at POM 14 - CZ 1375-1410. These markets should be lightened up at those area for decline back into Heavy bottom CZ – indicated in each individual charts below).

- WEAKER SECTORS- SETUPS with
- BOTTOM HEAVY @ POM 13- CZ & NEUTRAL TOP ( @POM 14 - CZ)

XLB, XLF

The rally came in as expected in neutral manner from POM 13 , Now setting up a Neutral Top.

**Conclusion -** Still some upside, But these Sectors are in Trading range . The further upside on this bounce should taper once SPX tops out at POM 14 - CZ 1375-1410. These markets should be lightened up at those area for decline back into Heavy bottom CZ – indicated in each individual charts below).

## Trading & Invest Conclusions - Price / CZ Projection Summary

D # Sector Report 19-Jul	STATUS	CZ - Trigger start point Confluence Zone	Target Finish point	Comments
SPX				
SHORT-TERM	NEUTRAL	1310-1290	1375-1410	Bounce back to CZ 1375-1410 is in progress ( move 1300 to 1360 to 1300 to 1375 to 1350 )
MID-TERM ( POM 13 ) -1300 Open	BULLISH	1295-1270	1390-1410	NET LONG @ 1300 POM 15 - net short Position closed ( 1400 to 1350 )
XLV ( HLT )				
SHORT-TERM	NEUTRAL	35.75-34.75	To SPX - 1375-1410	Rally in progress & under completion ( Next pull back to 37.5-36.5 )
MID-TERM	BULLISH			
XLP ( Staples )				
SHORT-TERM	NEUTRAL	33.25-32.25	To SPX - 1375-1410	Rally in progress & under completion ( Next pull back to 34.5-33.75 )
MID-TERM	BULLISH			
XLF ( Financial )				
SHORT-TERM	BEARISH	13.50-13.0	To SPX - 1375-1410	Bounce in progress & under completion ( next pull back to 14.25-13.75 )
MID-TERM	NEUTRAL			
XHB ( Home Builders )				
SHORT-TERM	NEUTRAL	20-19	To SPX - 1375-1410	Rally in progress & under completion ( Next pull back to 20.5-19.75 )
MID-TERM	BULLISH			
XLE ( Energy )				
SHORT-TERM	BEARISH	61-63	To SPX - 1375-1410	Bounce in progress & under completion ( next pull back to 64-62 )
MID-TERM	NEUTRAL			
XLI ( Industrial )				
SHORT-TERM	BEARISH	34.5-33.5	To SPX - 1375-1410	Bounce in progress & under completion ( next pull back to 34-33 )
MID-TERM	NEUTRAL			
XLB ( Materials )				
SHORT-TERM	BEARISH	34-33	To SPX - 1375-1410	Bounce in progress & under completion ( next pull back to 35.5-32.5 )
MID-TERM	NEUTRAL			

## **CHART ANALYSIS - Sectors v/s SPX**

- *YTD – Sectors Relative performance v/s SPX - Chart Analysis.*
- *XLV/ XLP Ratio Analysis ( Risk On v/s Risk off – Defensive) v/s SPX*

## **SPECIAL SITUATION**

### **XLV - Chart Analysis**

- *XLV - MA, Pattern Trend & Oscillator Analysis*
- *XLV – CZ – Price & Volume- Analysis*
- *XLV - CORRELATION RATIO Analysis with SPX*

### **XLP - Chart Analysis**

- *XLP - MA, Pattern Trend & Oscillator Analysis*
- *XLP – CZ – Price & Volume- Analysis*
- *XLP - CORRELATION RATIO Analysis with SPX*

### **XLU - Chart Analysis**

- *XLU - MA, Pattern Trend & Oscillator Analysis*
- *XLU – CZ – Price & Volume- Analysis*
- *XLU - CORRELATION RATIO Analysis with SPX*

## **XLB - Chart Analysis -**

- ***XLB - MA, Pattern Trend & Oscillator Analysis***
- ***XLB – CZ – Price & Volume- Analysis***
- ***XLB - CORRELATION RATIO Analysis with SPX***

## **XLE - Chart Analysis**

- ***XLE - MA, Pattern Trend & Oscillator Analysis***
- ***XLE – CZ – Price & Volume- Analysis***
- ***XLE - CORRELATION RATIO Analysis with SPX***

## **XLF - Chart Analysis**

- ***XLF - MA, Pattern Trend & Oscillator Analysis***
- ***XLF – CZ – Price & Volume- Analysis***
- ***XLF - CORRELATION RATIO Analysis with SPX***

## **XHB - Chart Analysis**

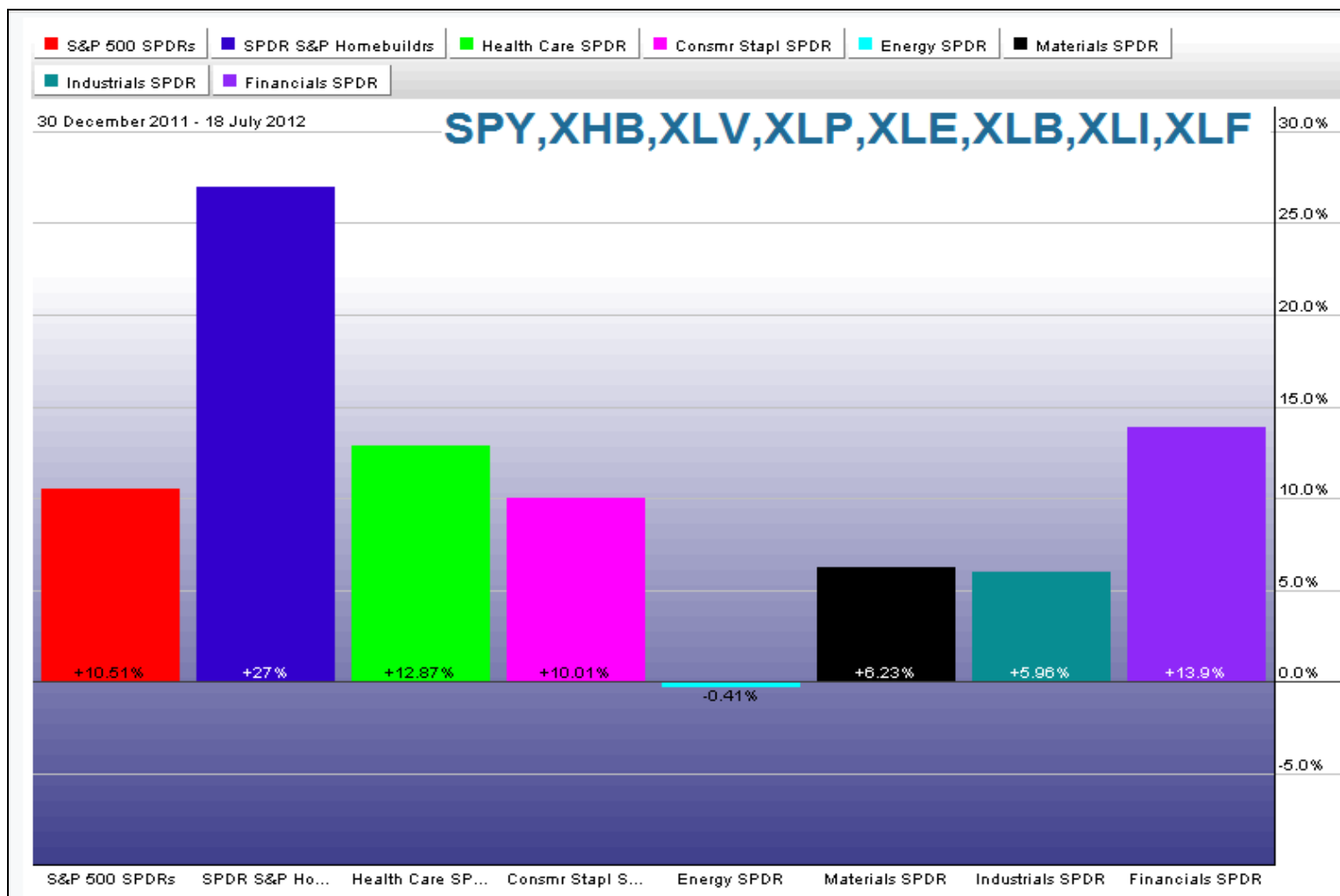
- ***XHB - MA, Pattern Trend & Oscillator Analysis***
- ***XHB – CZ – Price & Volume- Analysis***
- ***XHB - CORRELATION RATIO Analysis with SPX***

**YTD - SECTOR (SD extremes / Defensive IDX) performance v/s SPX**



## For Pair – Weakest and strongest Indices -

Since is beginning of the year 2012 , **it is very critical** to keep close eye on this chart for Strength / weakness pick up in these market . ( Chart below is our Inter Sector Analysis Model with Ratio Relative performance v/s SPX)



## XLV/ XLP Ratio Analysis ( Risk On v/s Risk off ) Aggressive v/s Defensive

*XLV/ XLP Ratio is showing –VE divergence for Risk / off .( This Indicator is SKEWED at POM 14 – Still some room to go upside till POM 15 ).*

*Currently Ratio is at 1.24 , usually it tops out at 1.35 during POM 15. based on “RISK ON v/s RISK OFF” Sectors.*

*DEFENSIVE LEADERSHIP... measures the relative performance XLV/XLP market sectors compared to the SPX. It's usually a Positive signed for the market when Aggressive sectors are market leaders. XLV is under-performing XLP .*



## XLV - CZ / Ratio Analysis - **STRONG SECTORS – SETUPS with**

- **BOTTOM NEUTRALIZED @ POM 13 – CZ & BULLISH TOP ( @ POM 15 - CZ**

**BULLISH TOP / STRENGTH pointed out in last Report , - Proved its merit on this STRONG rally, Buy the pull back**

**XLV / SPY Ratio is in strong up Trend with valid breakout. ROC/ STOC – Bullish +ve VTO, Ratio in uptrend. . This is Strong market , any Correction in general Market should have retracement back into CZ ( in yellow) 37.25 36.5 testing on low volume**



## XLP - CZ / Ratio Analysis - **STRONG SECTORS – SETUPS with**

- **BOTTOM NEUTRALIZED @ POM 13 – CZ & BULLISH TOP ( @ POM 15 - CZ**

**BULLISH TOP / STRENGTH pointed out in last Report , - Proved its merit on this STRONG rally , Buy the pull back**

***XLV / SPY Ratio is in strong up Trend with valid breakout. ROC/ STOC – Bullish +ve VTO, Ratio in uptrend. . This is Strong market , any Correction in general Market should have retracement back into CZ ( in yellow) 34.5-33.75 testing on low volume***



## XHB - CZ / Ratio Analysis - STRONG SECTORS – SETUPS with

- BOTTOM NEUTRALIZED @ POM 13 – CZ & BULLISH TOP ( @ POM 15 - CZ

**BULLISH TOP / STRENGTH pointed out in last Report , - Proved its merit on this STRONG rally , Buy the pull back**

XHB / SPY Ratio is in strong up Trend with valid breakout. ROC/ STOC – Bullish +ve VTO, Ratio in uptrend. . This is Strong market , any Correction in general Market should have retracement back into **CZ ( in yellow) 20.5-19.5** testing on low volume



## XLE - CZ / Ratio Analysis - *WEAKER SECTORS- SETUPS with*

- *BOTTOM HEAVY @ POM 13- CZ & BEARISH TOP ( @POM 15 - CZ)*

*HEAVY BOTTOM / WEAKNESS pointed out in last Report , resulted in much shallow bounce in this rally. Now building Bearish Top once again suggest high possibility of Retest CZ – 63-61 ( Bottom heavy) in next correction.*

*XLE / SPY Ratio is still downtrend. ROC/ STOC – Bearish . –ve VTO , Ratio in downtrend.*



## XLB - CZ / Ratio Analysis - *WEAKER SECTORS- SETUPS with*

- *BOTTOM HEAVY @ POM 13- CZ & BEARISH TOP ( @POM 15 - CZ)*

*HEAVY BOTTOM / WEAKNESS pointed out in last Report , resulted in much shallow bounce in this rally. Now building Bearish Top once again suggest high possibility of Retest CZ – 33.5-32.5 ( Bottom heavy) in next correction.*

*XLB / SPY Ratio is still downtrend. ROC/ STOC – Bearish . –ve VTO , Ratio in downtrend.*



## XLI - CZ / Ratio Analysis - *WEAKER SECTORS- SETUPs with*

- *BOTTOM HEAVY @ POM 13- CZ & NEUTRAL TOP ( @POM 14 - CZ)*

HEAVY BOTTOM / WEAKNESS pointed out in last Report , resulted in much shallow bounce in this rally. Now building NEUTRAL TOP suggests there may be still upside however after completing the UP move , high possibility of Retest **CZ - 34-33** ( **Bottom heavy**) in next correction.

XLI / SPY Ratio is still downtrend. ROC/ STOC – Bearish . –ve VTO , Ratio in downtrend.





## XLF - CZ / Ratio Analysis - *WEAKER SECTORS- SETUPs with*

- *BOTTOM HEAVY @ POM 13- CZ & NEUTRAL TOP ( @POM 14 - CZ)*

HEAVY BOTTOM / WEAKNESS pointed out in last Report , resulted in much shallow bounce in this rally. Now building NEUTRAL TOP suggests there may be still upside however after completing the UP move , high possibility of Retest CZ - 14.25-13.75 ( Bottom heavy) in next correction.

XLF / SPY Ratio is broken down the Trend & still downtrend. ROC/ STOC – Bearish . –ve VTO , Ratio in downtrend.



## SD -MEAN REVERSION FROM PREVIOUS

- NONE - ( *SD – Mean to Reversion this week* )

## SD - OVERVALUED v/s SPX ETF ( SD +2 )

- NONE

## SD - UNDERVALUED v/s SPX ETF ( SD - 2 )

- NONE

# **Appendix Content**

- Objectives & POM /CZ Guidelines
  - Guidelines for Full Utilization of “ SP” Report with Limitations
  - Trading & Investment CZ - Conclusion History 2011
  - SPX- POM – “ Price Oscillation Model “ Criteria
  - PEC –D “ Pythagoras – Expansion & Contraction Criteria
  - SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria.
  - Definitions of Extreme Sentiment Indicators
- 
- **Objective**

*Focus is on the Short & Intermediate term turning point of the “Sectors” via SPX’s 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 ( Sectors) , 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 D # – Sector Report focuses on Sectors of the Market.*
- *All the Sectors tends to follows the Price path of POM 11, 12, 13 of SPX (except during POM14, 15), various Sectors 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 / POM’s – Marked on charts ( in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio’s Objectives and Risk tolerance*
- *Conclusions to be cross verified by other methods prior to final decision*
- *For Maximum utilization of POM Process for Risk Management. Refer to guidelines within the Appendix below*

• **Objective ...cont...**

**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.

**SPX – “ POM Signals with SECTORS @ SD +/- 2**

## **ACTIONABLE ZONE:**

*The Weekly Validated Sector selection - (Undervaluation) / (Overvaluation).*

*Utilizing SD, POMs within RA / RI framework with composition of ETF's with SD # 2 (+/-) Overvalued and Undervalued characteristics.*

- **At POM 15 in SPX - Focus is on Sectors with + 2.5 SD for CZ – PQV Validation for NET SHORTS**
- **At POM 14 or Bearish CZ on SECTORS- Focus is on Sectors with + 2.0 SD for CZ – PQV Validation for SHORTS FOR HEDGING**
- *At POM 13 (Bounce) or Bearish CZ on SECTORS - Focus is on Sectors with +2.0 for CZ – PQV Validation for SHORTS*
- *At POM 13 (Pull back) or Bullish CZ on SECTORS - Focus is on Sectors with -2.0 for CZ – PQV Validation for LONGS*
- *At POM 12, 11 on SPX – Focus is on All the Sectors & Broader Indices for Entry*

**This Observation above can be utilized within any specific Portfolio's Objective for Risk Management**

## **KEY NOTES**

- *In Our POM Guidelines Section – The Purpose of POM 13 Trigger is for Risk management. In volatile Market the Risk management is critical point protection on counter Trend moves for rebalancing*
- *All the Sector Indices tends to follows the Price path of POM's in general but for POM14, 15 regime various individual Sectors 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 based on Portfolio Objectives. For POM 12,11,13 , All broader market will move in concert with SPX*

## **➤ 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

*For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report*

- *All the SECTORS Indices tends to follows the Price path of POM's in general but for POM14, 15 regime various Instruments XLF, XLP, XLV, XLE, XLI, XLU, XLY 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 based on Portfolio Objectives. For POM 12,11,13 , All broader market will move in concert with SPX*

## 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)

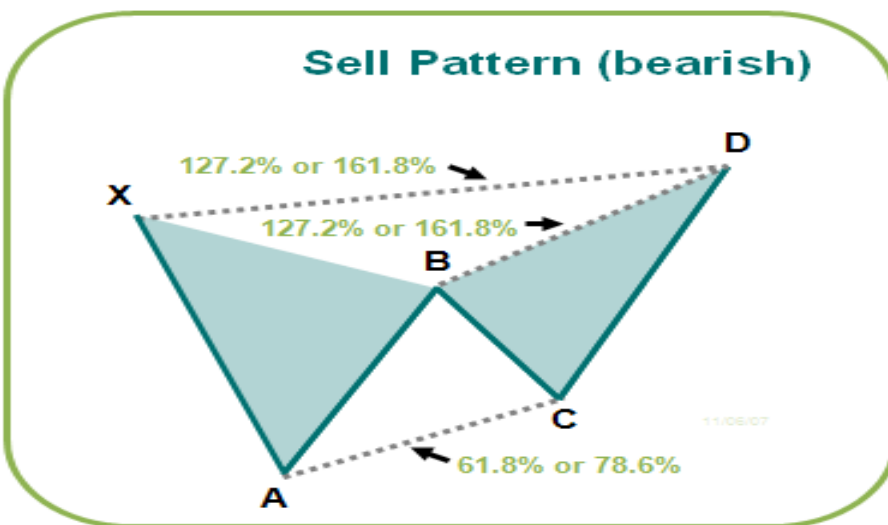
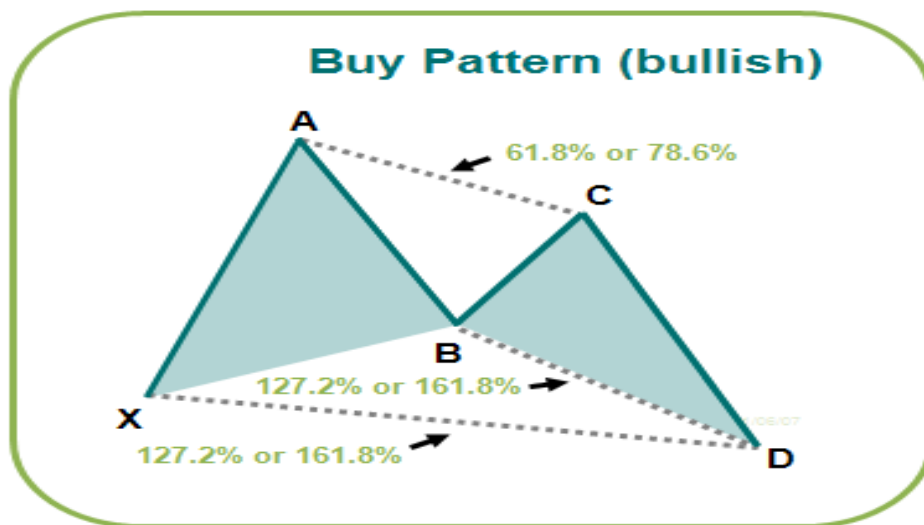


# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2<sup>th</sup> Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction ( PEC) in concert with Price Oscillation ( POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci streams to achieve confluence point D coinciding with POM

## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D



- Daily SPX - “Trend Adjusted Signal”
- 3x3 /9EMA – Break Indicator

*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).*

## **INTERNALS OF 3X3- 9EMA – Break Indicator.**

*The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.*

*Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.*

*As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close*

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