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

MAEG – WKLY_SECTOR_ETF ANALYSIS SG 2012 # MARCH_16

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, Ration, Trend line Patterns & Oscillator Analysis for ETF's**
- **ETF's Qualified for > +/- 2 SD or Special Situation**
- *Selected charts that has some distinct characteristics:*
    1. *MA / 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 - <mark>Highlighted below are SD # +/- 2 & CZ –PQV Qualified –</mark>

- **Detail Coverage for sectors with extremes <u>SD # +/- 2.0</u> or Special situation (SP) , highlighted in yellow**
- **For Commodity based ETF's the Extremes <u>SD # +/- 2.0</u> should be qualified v/s both CRB and SPX**

GR1 (16) <mark>Coverage in A #1, A# 2 (B, G) MS</mark>	GR2 (14) <mark>Coverage in D # SECTOR</mark>	GR3 (10) <mark>Coverage in C # COMMODITY</mark>
US BROADER IDX (A # 2B) • SPY (SPX 500) • DIA (DOW 30 • QQQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) **BOND IDX (A # 2B)** • TLT (Bonds) • MUB (Muni). • JNK (Junk) **GLOBAL IDX (A # 2G)** • EEM (Emerg.) • EZU (Europe) • EWH (HK) • EWA (Aust) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • IFN (India)	**SECTORS IDX (D #)** • RTH (Retail) - • <mark>XLF (Financials)</mark> • <mark>XLV (Health)</mark> • <mark>XLB (Materials)</mark> • <mark>XLE (Energy)</mark> • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • <mark>XLU (Utility)</mark> • <mark>XLP (Staples)</mark> • <mark>XLY (Discretionary)</mark> • <mark>XHB (Home Builders) -SP</mark> • SMH (Sem.) • BBH (Biotech) • IYR (Real Estate) **Highlighted above are covered in Today's Report** <mark>**SP- Special Situation**</mark>	**COMMODITY IDX (C #)** • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDX (Miners) • USO (Oil) • JJC (Copper • DBA (Agro) • DBB (Base metal) • UNG (Natural Gas)

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- ## *Executive Summary.*

SECTORS IDX

Primary Risk Market SPX – *On 2/29 at 1375, <u>ALERT –</u> SPX triggered <u>POM 15 – Net Short</u> Position for Portfolio Rebalancing based on its Objective. On 1/26, our 1325 Trigger, We completed a fully Hedge positions/ Raised CASH , Locking in our Profits from POM 12 (1080) and POM 13 ((1165) within our RA/ RI process).*

Sectors – *Post POM 14 on SPX - Each Sector IDX have gradually approached its own Individual CZ's & Price Projections (indicated in our previous messages as price targets) completing its own validation via PQV's & Pattern completion. At the Trigger of POM 15 in SPX @ 1375, the Sectors are Qualified for adding into NET SHORT, especially the instruments which has crossed the CZ with lighter PQV. We do NOT recommend Shorting Sectors with Bullish Tops even if they are extended. .*

Sectors with " Bullish Tops" Projections (indicated in Charts below) should have shallow Retracement in next pull back retracement during next market selloff. Sectors with "Bearish Tops" should have larger retracement and perhaps break below its lower CZ.

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.

BULLISH TOP SECTORS- XLV. XLP,XLU, , *As expected in last Report rally continued towards the Projected Target upward. Bullish tops tend to be forming Higher high Price level for next ABC ups. Usually these are best Ideas to accumulate in next pull back at POM 13 – SPX validation.* ==XHB is new addition==

BEARISH TOP SECTORS- XLY, XLE, XLB *will tend to test lower CZ (indicated) <u>BUT</u> – <u>ALERT -</u> it needs to be looked carefully for PQV violation during the correction*

NEUTRAL TOP SECTORS – XLF - *Last week – gave mixed signal (Refer chart below)*

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

Trading & Invest Conclusions - Price / CZ Projection Summary

D # Sector Report 16th March 2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
SPX				
SHORT-TERM -(1375) - NET SHORT Triggered	BEARISH	1375	1310-1290	leg down to begin soon
MID -TERM -(1325) - Full - Final Hedge - Triggered	BEARISH	1325	1260-1240	
XLV (HLT)				
SHORT-TERM	NEUTRAL	36.5-35.5	33.25-34.25	Should Pull back for next Buy
MID-TERM	BULLISH			
XLP (Staples)				
SHORT-TERM	NEUTRAL	33.5-33	31.5-30.25	Should Pull back for next Buy
MID-TERM	BULLISH			
XLU (Utility)				
SHORT-TERM	NEUTRAL	0	34.5-33.5	Should Pull back for next Buy
MID-TERM	BULLISH			
XLF (Financial)				
SHORT-TERM	NEUTRAL	14.25 - 13.5	TBA	MIXED SIGNAL
MID-TERM	BEARISH			
XHB (Home Builders)				
SHORT-TERM	NEUTRAL	NEW	TBA	NEW BULL MARKET ???
MID-TERM	BULLISH			
XLE (Energy)				
SHORT-TERM	BEARISH	75-73	67-65	leg down to begin soon
MID-TERM	BEARISH			
XLB (Meterials)				
SHORT-TERM	BEARISH	38-37	34-33	leg down to begin soon
MID-TERM	BEARISH			
LEGEND	SPX			NOTE
				For Detail Price Path Chart Analysis Indicators, Justification for our
POM 14	Fully Hedge Status	Trading Market Signal		Conclusions, refer to the full Report
POM 13	Rebalance Beta	Trading Market Signal		for cross verification
POM 12	NET Long Status	Trading Market Signal		

SD -MEAN REVERSION FROM PREVIOUS

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

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

- **XLK (QQQ Proxy)**

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

- **NONE**

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

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 HEDING*

- *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*

CHART ANALYSIS - Sectors v/s SPX

- *YTD – Sectors Relative performance v/s SPX - Chart Analysis.*
- *XLY/ 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 - (NEW)

- *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 (NEW)

- *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)
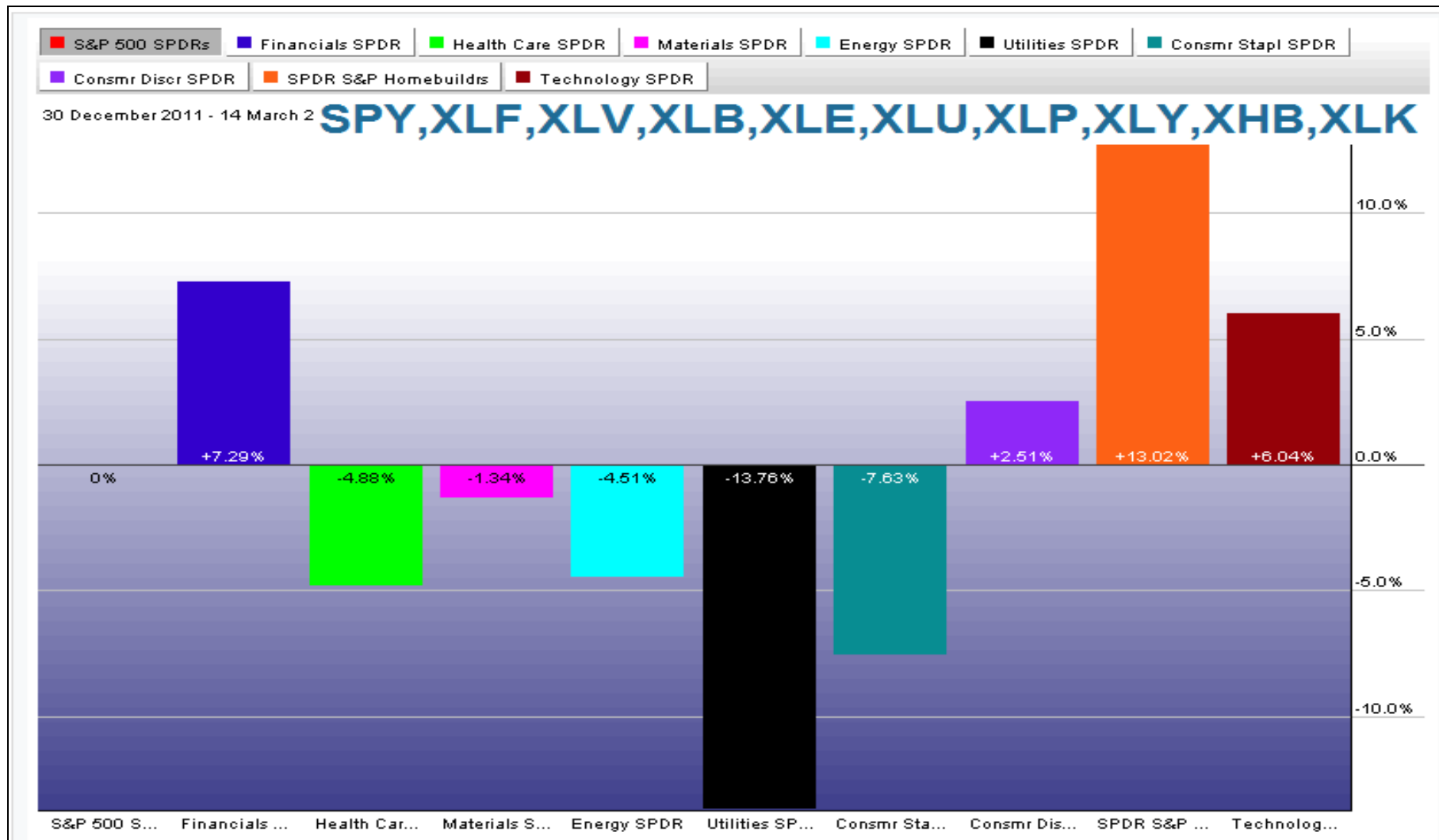
XLY/ XLP Ratio Analysis (Risk On v/s Risk off) Aggressive v/s Defensive

XLY / XLP Ratio is getting stretched. Chart below SPX tends to top out when XLY / XLP Ratio moves above 1.3, indicates the RISK ON v/s RIKS OFF Sectors moving

DEFENSIVE LEADERSHIP... measures the relative performance XLY /XLP market sectors compared to the SPX. It's usually a bad sign for the market when defensive sectors are market leaders. XLY is under-performing XLP .

XLY/XLP ratio turning turned up but on Low volume in downtrend . That's another bad sign for the market.

XHB - LT – Trend Analysis - (Special Situation) NEW

Longer time from HOMEBUILDERS APPEAR TO BE BOTTOMING. There is Dynamic change in the direction of homebuilders. Fundamentally we can argue both ways if the housing is getting better or worse. The charts tells us whether or not this is a good time to be BOTTOMING. The monthly bars breaking of the CZ coming off the bottom. The last hurdle it needs to overcome is its early 2010 high. The bottoming process, First comes the downtrend, which is then followed by a sideways bottoming pattern by relatively flat trading which includes at least one retest of the first bottom. That successful retest took place during 2011, and is usually followed by a test of the upper part of that trading range (the 2010 high). If that 's broken to the upside, a major new uptrend will have been initiated. This is how bottoms are made on Monthly

XHB - CZ / Ratio Analysis - (Special Situation) NEW

HOME CONSTRUCTION XHB - ETF – Has been firing on all cylinders in early stages of move off the bottom. With PQV validation on all ABC ups. A falling flag and breaking flag surge the last three days below new 52-week high
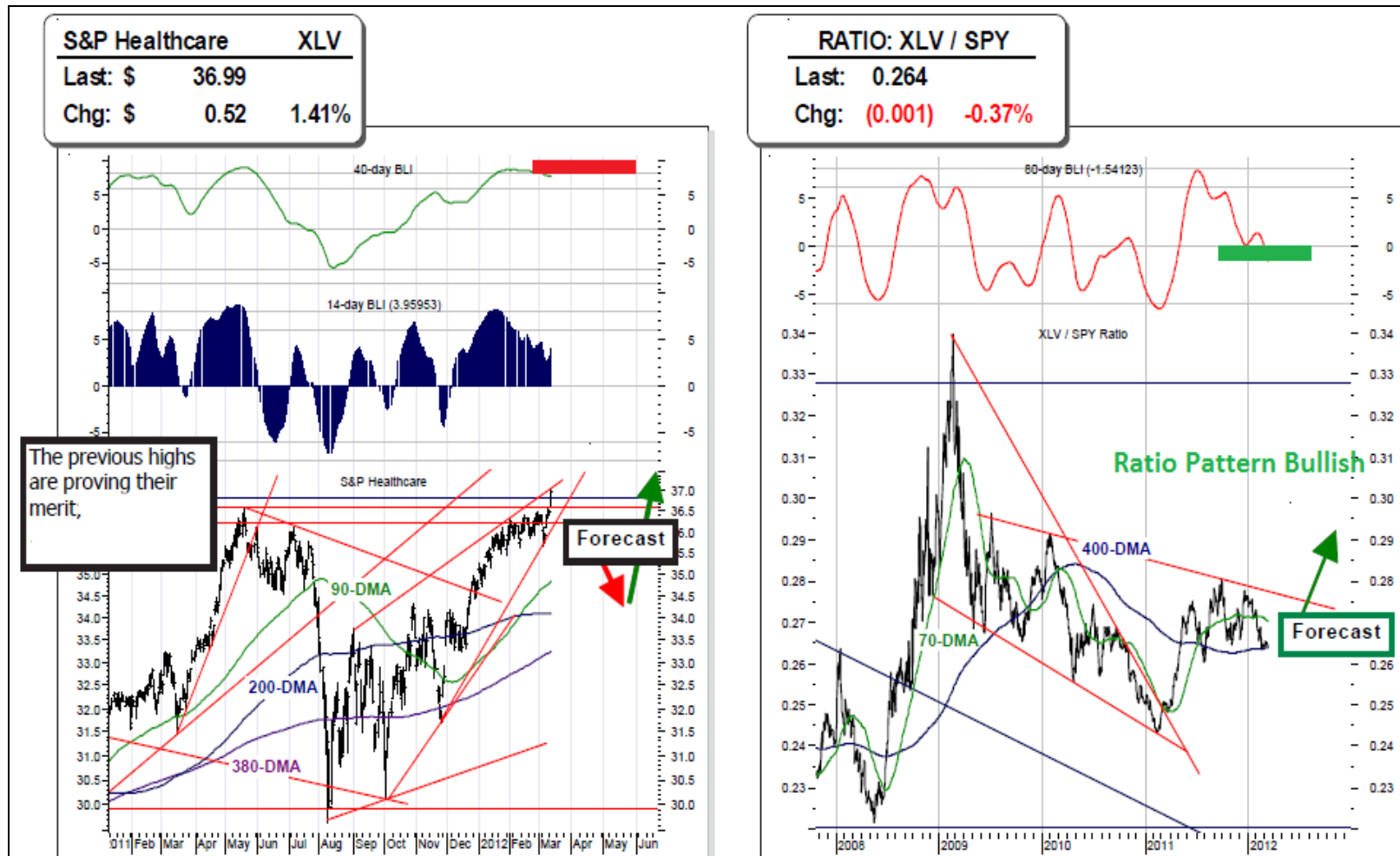
BULLISH TOP - XHB / SPY Ratio is in strong up Trend with valid breakout. STOC – Bullish +ve VTO, Ratio in uptrend. . This is Strong market ,

Any Correction in general Market should have retracement should be great Buying opportunity. – We will advise CZ

XLV - CZ / Ratio Analysis - (Special Situation - Defensive Sector)

BULLISH TOP pointed out in last Report resulted in good rally from POM 13 Trigger & met our Target CZ 36.5 - 35.5 (in red) with another Bullish Top. Bullish Tops get extended with real price move.
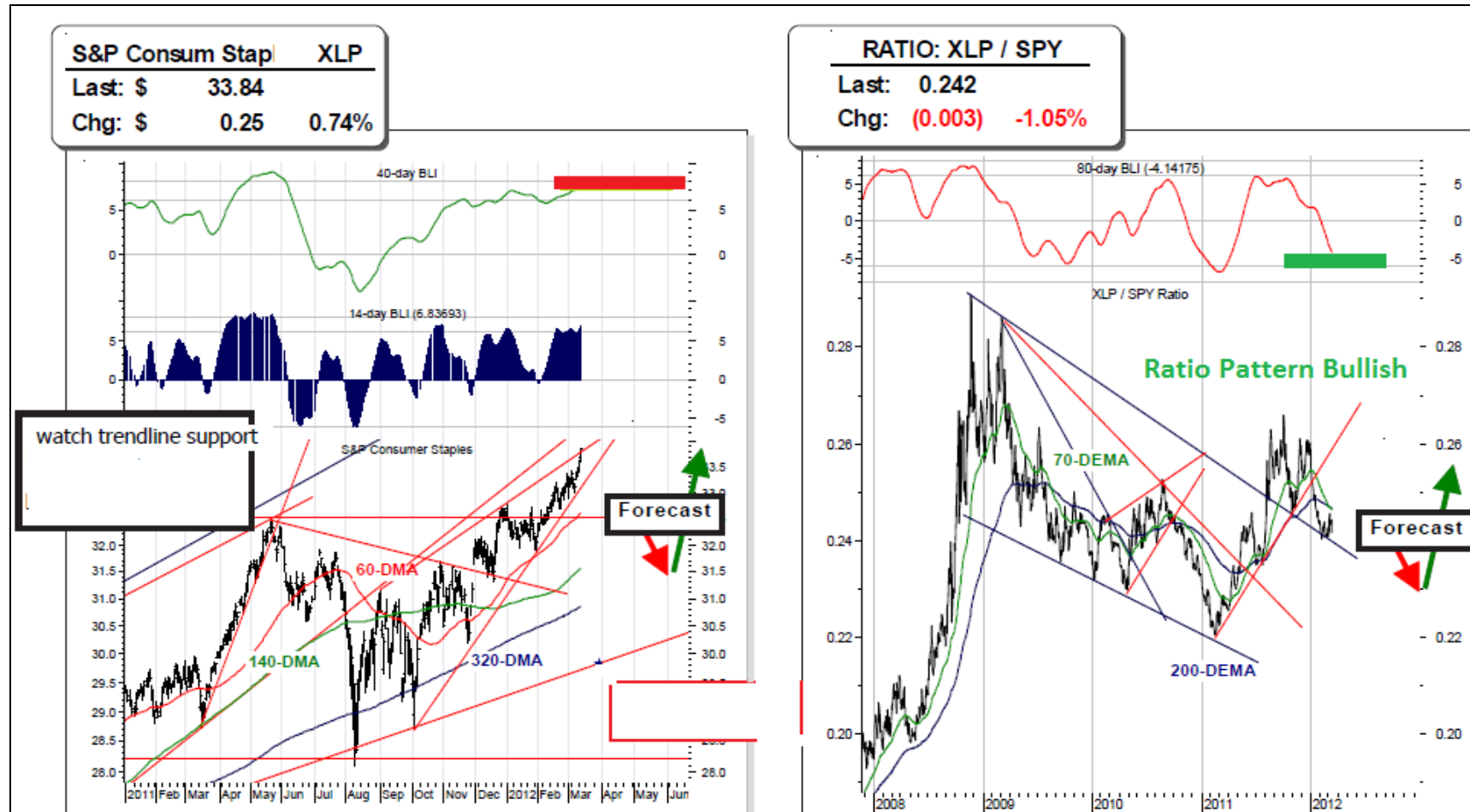
XLV / SPY Ratio is in strong up Trend with valid breakout. STOC – Bullish +ve VTO, Ratio in uptrend. . This is Strong market , any Correction in general Market should have retracement back into CZ (in yellow) 34.5 -33.5

XLV - – MA / Pattern and Oscillator Analysis – (Special Situation - Defensive Sector)

Reconfirmation by   DMA's and Trend Oscillator Analysis validates the BULLISH TOP suggestions &   it proved its merit for rally to continue towards its projection.

Ratio Pattern Analysis (Right side) diverging Bullishly with + ve oscillator. Suggest pull back in lower CZ should be Bullish for next rally. (Notes within the charts)

S&P Healthcare		XLV
Last: $	36.99	
Chg: $	0.52	1.41%

RATIO: XLV / SPY	
Last:	0.264
Chg:	(0.001) -0.37%

XLP - CZ / Ratio Analysis - (Special Situation - Defensive Sector)

BULLISH TOP pointed out in last Report resulted in good rally from POM 13 Trigger & met our Target CZ 33.5-33 (in red) with another Bullish Top. Bullish Tops get extended with real price move.

XLP / SPY Ratio is in strong up Trend with valid breakout. STOC – Bullish +ve VTO, Ratio in uptrend. This is Strong market , any Correction in general Market should have retracement back into CZ (in yellow) 31.5 -30

XLP - – MA / Pattern and Oscillator Analysis – (Special Situation - Defensive Sector)

Reconfirmation by   DMA's and Trend Oscillator Analysis validates the BULLISH TOP suggestions &   it proved its merit for rally to continue towards its projection.

Ratio Pattern Analysis (Right side) diverging Bullishly with + ve oscillator. Suggest pull back in lower CZ should be Bullish for next rally. (Notes within the charts)

S&P Consum Stapl	XLP	
Last: $	33.84	
Chg: $	0.25	0.74%

RATIO: XLP / SPY	
Last: 0.242	
Chg: (0.003) -1.05%	

40-day BLI

14-day BLI (6.83693)

watch trendline support

S&P Consumer Staples

Forecast

60-DMA

140-DMA   320-DMA

80-day BLI (-4.14175)

XLP / SPY Ratio

Ratio Pattern Bullish

70-DEMA

Forecast

200-DEMA

XLU - CZ / Ratio Analysis - (Special Situation - Defensive Sector)

In spite of correction earlier on in Year, XLU / SPY Ratio is in strong up Trend with valid breakout.   STOC – Bullish +ve VTO, Ratio in uptrend.   Our Retracement target CZ (in yellow) 34.5 -33.5 was met and rally began but we think there is more downside once correction begins.

Any Correction in general Market should have retracement back into CZ (in yellow) 34-33.5

XLU - – MA / Pattern and Oscillator Analysis – (Special Situation)

Reconfirmation by DMA's and Trend Oscillator Analysis validates the BULLISH TOP suggestions & it proved its merit for rally to continue towards its projection.

Ratio Pattern Analysis (Right side) diverging Bullishly with + ve oscillator. Suggest pull back in lower CZ should be Bullish for next rally. (Notes within the charts)

XLE - CZ / Ratio Analysis - (Special Situation)

Currently meeting our Projected Target exact indicated in last Report of CZ 75-73 (in red) initiated *from POM 13 Trigger with* __BEARISH TOP__ *. But possibility of another Burst*

XLE / SPY Ratio is broken down the Trend & still downtrend. STOC – Bearish . –ve VTO , Ratio in downtrend. Any Correction in general Market should have retracement back into CZ (yellow) 67-65*.*

__NOTE__ *– The retracement should be Natural retracement towards the upper part of CZ .*

XLF - CZ / Ratio Analysis - (Special Situation)

MIXED SIGNAL – Was Bearish Top having Met our Projected Target exact indicated in last Report of CZ 14.25-13.5 (in red) initiated from POM 13 Trigger with another BEARISH TOP on PQV failure.

Suddenly it broke off from down trend Ratio, with Volume and + VTO – We shall see how it reacts on pull back. No target on pull back .

XLB - CZ / Ratio Analysis - (Special Situation)

Currently meeting our Projected Target of CZ 38-37 (in red) initiated from POM 13 Trigger with BEARISH TOP . But possibility of another Burst

XHB / SPY Ratio is broken down the Trend & still downtrend. STOC – Bearish . –ve VTO , Ratio in downtrend. Any Correction in general Market should have retracement back into CZ (yellow) 34-33.

NOTE – The retracement should be Natural retracement towards the upper part of CZ .

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**

• <u>Objective</u>

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 <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 (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*

- ## <u>Objective …cont…</u>

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" <u>for OVERVALUATION AND UNDERVALUATION </u>of Sectors.

<u>Step 1</u> *– 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*

<u>Step 2</u> *- 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.*

<u>*Overlay Criteria*</u>

- *SD # /2 ANALYSIS EXTREMES by 365 D Correlation.*
- *SPX - POM FRAMEWORK as PIVOT by Trend Correlation*
- *TECHNICAL PATTERNS, 2nd Derivative DMA's & VOLUMES" & Derive CZ for PQV Validation.*

➢ *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 -<u>Mid term</u> & CZ's - <u>Short term</u> – (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*

Trading & Investment CZ - Conclusion History 2011

PREVIOUS LONGS – YTD – " Price path " update- From D- Sector Report

XLV, XLU, BBH, IFN, XLF, IYT, DIA, TLT

Previous Trend – POM to Reversion to mean
REVERSION TO MEAN - 6/10 - SPX – POM 13 @ 1270 via SD Levels or POM 13 or CZ –

- **SMH, DBC,JJC, XLB** - *(CZ validation indicated Red on charts below)*

Mean to Reversion @ POM 13 SPX
@ 1270 via Alert dt 6/10

MEAN TO REVERSION – via SD Levels or POM 13 or CZ – First Price target achieved

- **QQQ, IWM, EEM – Refer A # 2 – MS Report , 5/25 -** *(Reversion to mean indicated Blue on charts, We will now monitor the Quality of the rally for next move)*
- **XLP –** *(Reversion to mean by SD, indicated Blue on charts)*
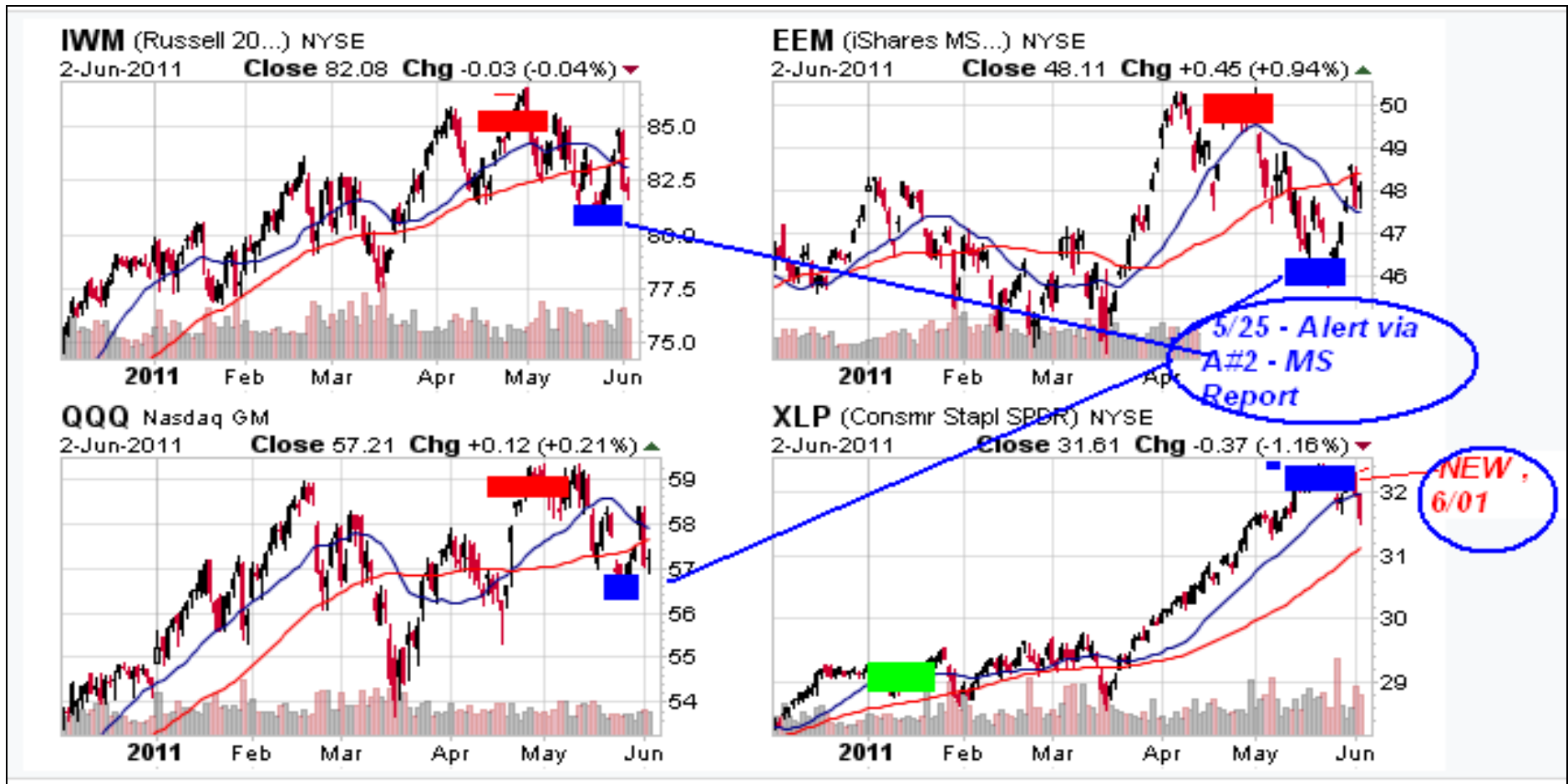
POM criteria for Implementation on SPX

- **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 2th 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 steams 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

Buy Pattern (bullish) / Sell Pattern (bearish)
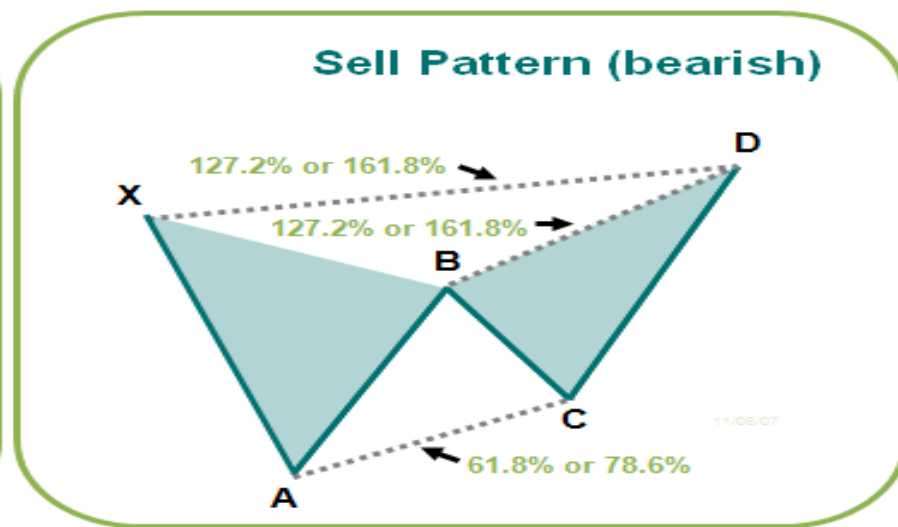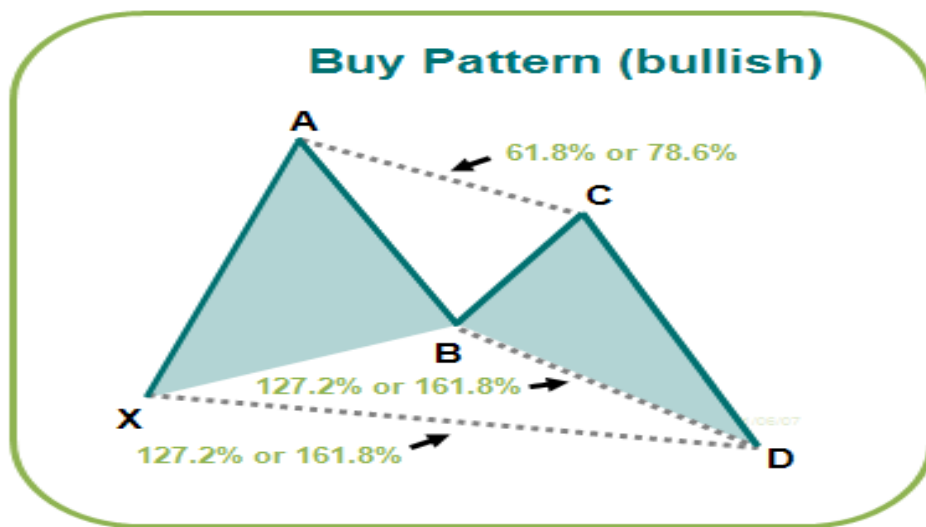
- ## Daily SPX - " Trend Adjusted Signal"

- ## 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