



SG Capital Research

Global Market Insights

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

MAEG – WKLY_SECTOR ETF ANALYSIS SG 2012 # MAY_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, 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 - **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 style="text-align: center;">GR1 (16) Coverage in A #1, A# 2 (B, G) MS</p>	<p style="text-align: center;">GR2 (14) Coverage in D # SECTOR</p>	<p style="text-align: center;">GR3 (10) Coverage in C # COMMODITY</p>
<p style="text-align: center;"><u>US BROADER IDX (A # 2B)</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p style="text-align: center;"><u>BOND IDX (A # 2B)</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). • JNK (Junk) <p style="text-align: center;"><u>GLOBAL IDX (A # 2G)</u></p> <ul style="list-style-type: none"> • EEM (Emerg.) • EZU (Europe) • EWH (HK) • EWA (Aust) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • IFN (India) 	<p style="text-align: center;"><u>SECTORS IDX (D #)</u></p> <ul style="list-style-type: none"> • RTH (Retail) - • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLU (Utility) • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) -SP • SMH (Sem.) • BBH (Biotech) • IYR (Real Estate) <p style="text-align: center;">Highlighted above are covered in Today's Report</p> <p style="text-align: center;">SP- Special Situation</p>	<p style="text-align: center;"><u>COMMODITY IDX (C #)</u></p> <ul style="list-style-type: none"> • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDX (Miners) • USO (Oil) • JJC (Copper) • DBA (Agro) • DBB (Base metal) • UNG (Natural Gas)

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- **XHB**
- **XLV**
- **XLP**
- **XLB**
- **XLE**
- **XLF**
- **XLI**
- **XLK (We cover QQQ as TECH proxy in A # 2B – MS)**

5. APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation, Disclaimers

• Executive Summary.

MARKET OVERVIEW – SPX – Special Situation

This Market did a wonderful Job trapping all the LATE Bulls of Feb / March & early April. The “JONNY BE LATE” Triggers using Backward looking / lagging Technical Indicators usually misjudges the Price projections. They are all in losing position in just 2 weeks . Our Model warned of such eventuality & had advised to use the Cash either for HEDGE OR POM 15 – Net Short and Buy after the correction instead of getting in Late Long Positions .

Now decline continues in Global Market in nasty way. We have been protected very well in this decline with “Fully Hedged or Raised Cash position” (as case may be based on Portfolio) due to our @ POM 14 as of now . In the process taking advantage of downside decline as well.

Our Model is more conservative on NET SHORT Positions at extremes. It gave good Profit and continued in first half of decline and further protecting us with Fully Hedge or Cash in this correction.

USD & TLT *After waiting patiently for 10 weeks, all our the prepositioned bets have worked out very well USD & TLT (Bonds) both rallying has paid off handsomely. Our Model warned of such upcoming move higher in USD & Bonds during time of our Entry signals POM 12 / 13 into these assets. @ 72 & 111 respectively. Now almost ready for pull back*

GOLD & GDX.- *Rally in Gold began just upon testing our CZ as expected , Most importantly during this 3 month correction time, we have avoided being caught in Long side in GOLD & GDX. (As they say “We rather not be in the market wishing we were out of the Market”). Finally managed to get much closer to our Prices after 40% of downside correction in MINERS & 200 Points in GOLD .*

In SPX - *We were Net Short – POM 15 from the Top of the Market SPX 1415 – 1375 CZ into CZ 1345-1355 triggered @ PEC-D -1345 resulting in initial decline to completing first leg down of 4 % - 5% - This Profitable Position. We Closed / Reduced the NET SHORT depending Portfolio Objective.*

The Broader, NYA, IWM, Global weaker IDX, EFA (World), EEM, Commodity IDX CRB, XHB DBB, XLE is where we are concentrated have declined more than 8 to 10%) at the time of covering Short Position & Gone further down helping our Hedges .

BSE –

In our A # 2 G – Global Report on 10th May, We had the Projected target of decline to CZ 15800-1600 WITH PEC-D @ 15850 EXACT . Today we hit lows of 15809 in the CZ and market rallied 350 points out of the gates. It appears that Math Indicators are more sincere than Indian Politics. Next move should depend on test SPX in our projected CZ

Current Status – SPX -

Weekly heavy bottom PQV overruled the daily's at CZ – 1345-1355 after a brief bounce, SPX continued to our Next Projected Prices that we had Targeted CZ 1310-1290 (currently trading within)

PLAN A - We remain at POM 14 - Fully Hedge / Raised Cash level. Avoiding this correction, as the decline continues to go to our next level down to CZ 1310-1290, We shall review the test in this area

Upon successful test we shall cut back on our Fully hedge position from past and may go **NET LONG – POM 13**), if indicators line up for Market rally

If unsuccessful test we shall continue to Maintain current position till our Next projection CZ 1260-1240 all in one GO. Next week is critical to judge this.

PLAN B - Conversely if Market begins to bounce without successful test at CZ 1310-1290 (Heavy bottom) than we shall look to add NET SHORT opportunity once again at higher prices in POM 15 – Bearish Top area on failure to position SHORTS back in .

More this Analysis on Monday's A # 1 – SPX – MS Report.

SECTOR IDX

During the correction our participation was in the weaker SECTOR IDX for NET SHORT (POM 15) on first leg down. Now positioned with POM 14 – Fully Hedge / or Raised Cash position in this 2nd leg down.

Impact of the above SPX – POM 15 & POM 14 signal on Individual Sectors (covered this D # Sector Report) has been quite brutal on weaker Sectors in this decline .(Refer charts below)

ALERT - Currently in decline, several of the IDX's are reaching our CZ Price Projections decline Target as we had indicated in previous messages. However the test of SPX – CZ 1310-1290 is very critical for next signal & Trigger point

The weaker IDX's have reached these CZ areas with Heavy bottom and some extended the target price . especially the ones with Bearish Tops . These IDX' should bounce much lesser and should be weaker on next leg down.

Others IDX's which are Neutralized in this CZ should give a Larger bounces, especially the ones with Bullish Tops at POM 15 TOPs

Below is all summary of these IDX textures. It is little too early to judge the size of the bounce from current levels till we get more data point.

Overall Global markets outside of the U.S. has rolled over since last April, and that their rally off the October low has made lower highs . Most recently topping out in early March and Correction this summer in progress.

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*

STATUS - 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.

- **BOTTOM NEUTRALIZED @ Current CZ & BULLISH TOP (@ POM 15) Levels**

XLV, XLP, XLU, XHB , Pull back came in as expected in Bullish Manner. Earlier it approached our upside CZ – Targets with higher PQV, setting up Bullish Tops suggests continuation move higher . For pull back levels refer below.

These markets should be accumulated at POM 13 on Pull back Zone for next leg up .These are NOT candidates for Short Sell.

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

XLV, XLE, XLB These Markets came down on decline into CZ Targets with Heavy bottoms from Failed Bearish Tops. Bounces should happen from current levels for another ABC down.

This correction next leg down to follow till SPX POM 13 very closely on its decline to end .

- **BOTTOM HEAVY @ Current CZ & NEUTRAL TOP (@POM 15) levels**

XLF

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 19th May	STATUS	CZ - Trigger start point Confluence Zone	Target Finish point	Comments
SPX				
POM 15- NET SHORT Triggered SHORT-TERM MID-TERM - Full - Hedge	BEARISH NEUTRAL	1415 & 1375 1310-1290	1345-1355 TBA 1260-1240	CZ TARGET REACHED FOR NET SHORT Bounce to begin soon on successful test
XLV (HLT) SHORT-TERM MID-TERM	NEUTRAL BULLISH	35.75-34.75	TBA	Rally to begin soon on successful test
XLP (Staples) SHORT-TERM MID-TERM	NEUTRAL BULLISH	33.25-32.25	TBA	Rally to begin soon on successful test
XLF (Financial) SHORT-TERM MID-TERM	NEUTRAL NEUTRAL	14.75-14.25	TBA	Bounce to begin soon on successful test MIXED SIGNAL
XHB (Home Builders) SHORT-TERM MID-TERM	NEUTRAL BULLISH	20-19	TBA	NEW BULL MARKET ???
XLE (Energy) SHORT-TERM MID-TERM	NEUTRAL BEARISH	67-65	TBA	Bounce to begin soon on successful test
XLI (Inustrial) SHORT-TERM MID-TERM	NEUTRAL BEARISH	34.5-33.5	TBA	Bounce to begin soon on successful test
XLB (Meterials) SHORT-TERM MID-TERM	NEUTRAL BEARISH	34-33	TBA	Bounce to begin soon on successful test

SD -MEAN REVERSION FROM PREVIOUS

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

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

- XHB, XLY

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

- XLE

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 -

- ***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***

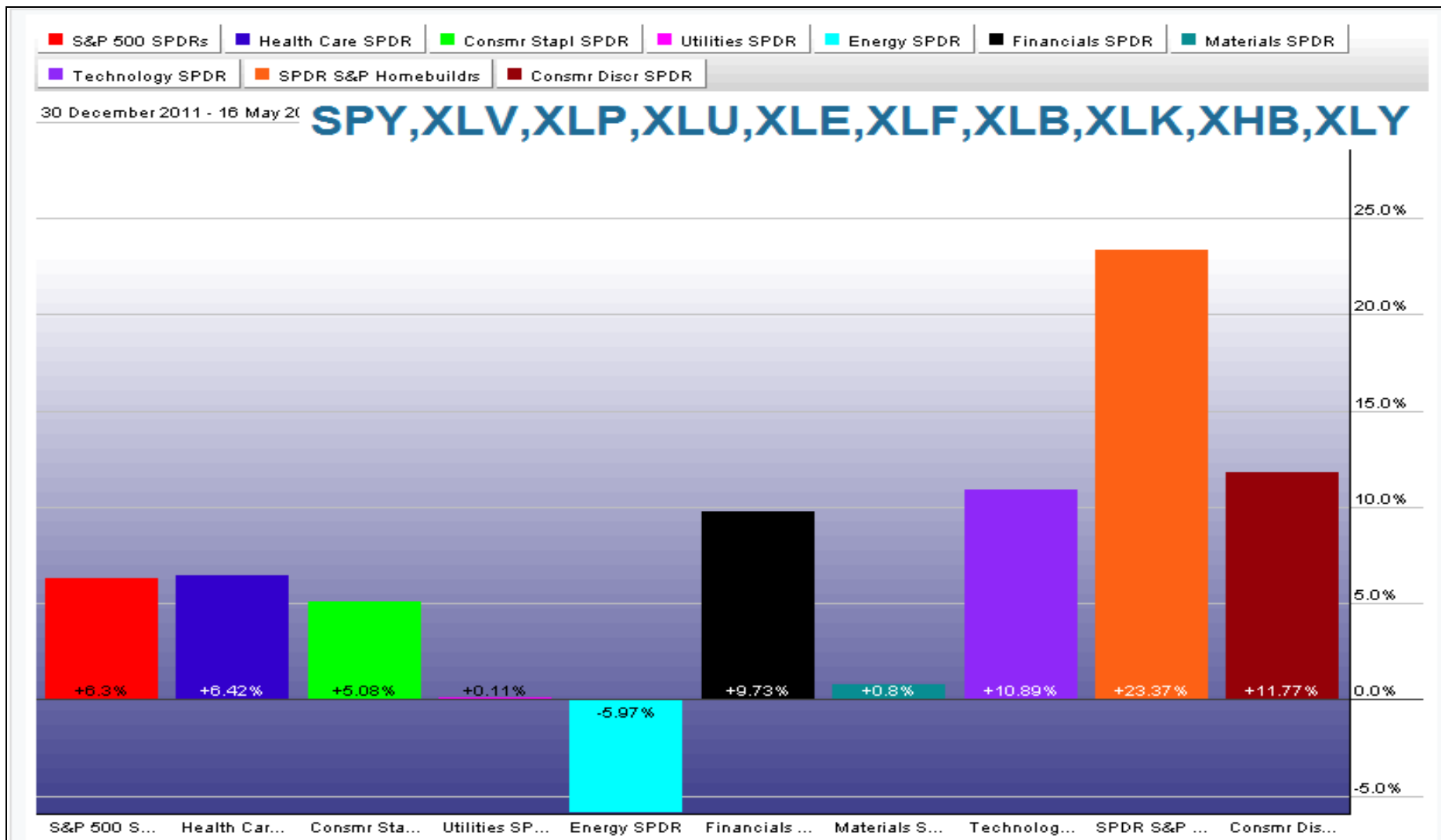
XHB - Chart Analysis

- ***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)



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

XLY / XLP Ratio at 1.34 gave exact signal at the top based on "RISK ON v/s RIKS OFF" Sectors. Our Model predicted in last message

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 turned down on High volume in downtrend . That's another bad sign for the market.



XHB - LT – Trend Analysis - (Special Situation)

*Last Month XHB tried to breakout, 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)

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. Pull back target **CZ 20-19** – Volume is bit heavy , In ST this lows should be tested even if get bounce before New ABC up

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 opportunity when SPX Trigger POM 13



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

BULLISH TOP / STRENGTH pointed out in last Report, resulted in very shallow retracement in this current decline

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) 35.75 -34.75(revised)** testing on low volume



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

BULLISH TOP / STRENGTH pointed out in last Report, resulted in very shallow retracement in this current decline

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) 33.25-32.25(revised) testing on Neutral volume



XLE - CZ / Ratio Analysis - (Special Situation)

BEARISH TOP / WEAKNESS pointed out in last Report, resulted in very large retracement in this current decline from our Trigger (in red)

XLE / SPY Ratio is broken down the Trend & still downtrend. STOC – Bearish . –ve VTO , Ratio in downtrend. This correction has resulted in retracement back into Target **CZ (yellow) 67-65.** & **exceed** with HEAVY BOTTOM



XLB - CZ / Ratio Analysis - (Special Situation)

BEARISH TOP / WEAKNESS pointed out in last Report, resulted in very large retracement in this current decline from our Trigger (in red)

XHB / SPY Ratio is broken down the Trend & still downtrend. STOC – Bearish . –ve VTO , Ratio in downtrend. This correction has resulted in retracement back into Target **CZ (yellow) 34-33.** & exceed with **HEAVY BOTTOM**



XLI - CZ / Ratio Analysis - (Special Situation)

BEARISH TOP / WEAKNESS pointed out in last Report , resulted in very large retracement in this current decline from our Trigger (in red)

XLI / SPY Ratio is broken down the Trend & still downtrend. STOC – Bearish . –ve VTO , Ratio in downtrend. This correction has resulted in retracement back into Target **CZ (yellow) 34.5-33.5** . & exceed with HEAVY BOTTOM



XLF - CZ / Ratio Analysis - (Special Situation)

NEUTRALTOP / with SOS) pointed out in last Report was (Mixed Signal) , resulted in retracement in this current decline (we did not have pull back target at that time) .

XLF / SPY Ratio is broken down the Trend . STOC – Bearish . Neutral Ratio in downtrend. This correction has resulted in retracement back into Target CZ (yellow) 14.75-14.25. & exceed with HEAVY BOTTOM. This suggest the rally should be watched carefully to decide the next setup. Still Neutral with Mixed signals



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*

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, 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 -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

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)

SMH NYSE + BATS

16-Jun 10:24am Last 32.88 Chg +0.04 (+0.12%) ▲



DBC NYSE + BATS

16-Jun 10:24am Last 29.37 Chg -0.11 (-0.37%) ▼



JJC (iPath DJ-U...) NYSE

16-Jun 10:08am Last 53.72 Chg -0.47 (-0.87%) ▼



XLB NYSE + BATS

16-Jun 10:25am Last 37.19 Chg -0.02 (-0.05%) ▼



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)

IWM (Russell 20...) NYSE
2-Jun-2011 **Close 82.08 Chg -0.03 (-0.04%)** ▼



EEM (iShares MS...) NYSE
2-Jun-2011 **Close 48.11 Chg +0.45 (+0.94%)** ▲



5/25 - Alert via
A#2 - MS
Report

QQQ Nasdaq GM
2-Jun-2011 **Close 57.21 Chg +0.12 (+0.21%)** ▲



XLP (Consmr Stapl SPDR) NYSE
2-Jun-2011 **Close 31.61 Chg -0.37 (-1.16%)** ▼



NEW,
6/01

POM criteria for Implementation on SPX

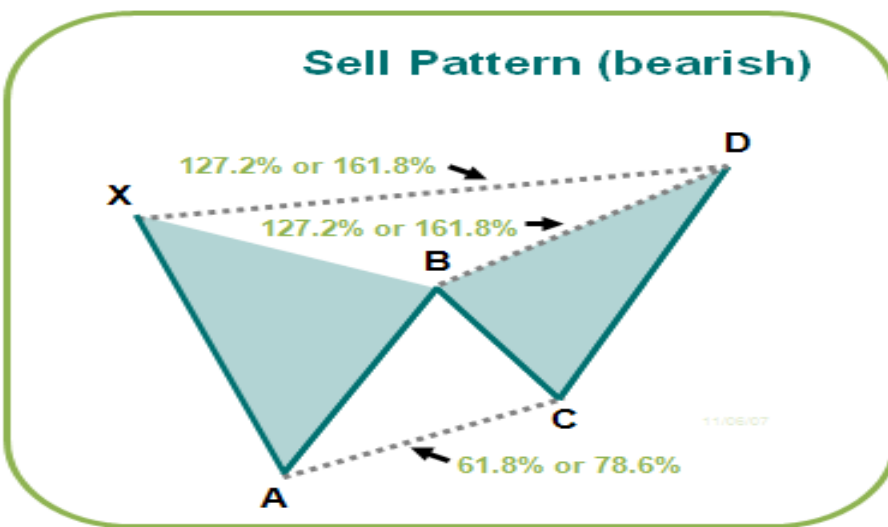
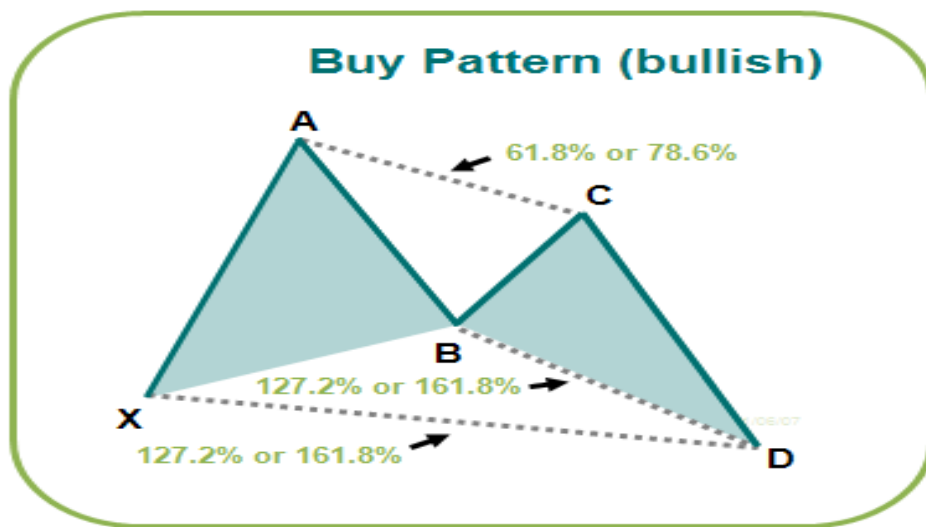
- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional “New Buys” that was initiated at POM 12 or POM 11 levels
- On way 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 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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