SG Capital Research
Global Market Insights

Date : 23ⁿᵈ Nov 2012 (Friday)   **GLOBAL INDICES REPORT (Strategy & Prop Tech)**

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● *Executive Summary*

	Current Price	Triggered POM or Main CZ - PQV	Triggered date announced	Triggered within CZ	Progress Status	Current Position	Action - New Position (Trigger to Watch).	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
EEM (EMRG)	41.04	POM 13 Re run @ 41.5	10/15	CZ 41.5-40	NEUTRAL (with Bullish bias)	NONE	NONE	CZ 43.75 -43		CZ 41.5-40 Met		Underweight if Long
EWZ (BRZL)	51.92	POM 13 Re run @ 54.6	10/15	CZ 53.5-51.5	BULLISH	Net Long	NONE	CZ 57.75-56.25		CZ 53.5-51.5 Met		Bullish IDX to participate on upside
FXI (CHINA)	36.19	CZ / PQV @ 33.90	9/26	CZ 33.90-33.25	BULLISH	Net Long	NONE	CZ 37.5-38.5		CZ 35.25-34.75 Fell short of target on pull back		Bullish top came in exact 37.5. Remain with exiting net long @ 33.60
$NIKK (JAPAN)	9050	CZ / PQV @ 8500	10/10	CZ 8600-8450	BULLISH	Net Long	NONE	CZ 9400-9300		CZ 8600-8450 Met		Bullish top. Remain with exiting net long @ 8500
EWJ COR - (JAPAN)	9.17	CZ / PQV @ 9.00	10/10	CZ 8.95-9.15	BULLISH	Net Long	NONE	CZ 9.5-9.60		CZ -9.10-8.95 Met		Bullish top. Remain with exiting net long @ 9.05

Continued…

	Current Price	Triggered POM or Main CZ - PQV	Triggered date announced	Triggered within CZ	Progress Status	Current Position	Action - New Position (Trigger to Watch).	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid_term	Remark
$FTSE –Proxy (UK)	5740	Original POM 13 @5300 In tact	5/21	CZ 5200-5400	NEUTRAL (with Bullish bias)	Net Long (from earlier position 5/21 @ 5300 Remains	NONE	CZ 6000 - 5950		CZ 5700-5800 extended		Original POM 13 position on 5/21 is intact (Did not trigger POM 14 at Aug /Sept highs)
$BSE (MUMBAI)	18450	POM 13 Re run @ 18500	n/a	CZ @ 18500	NEUTRAL (with Bullish bias)	n/a	n/a		CZ 19650-20050	CZ 18350-18100 Entered EXACT – Testing in progress		This Market refused to rally without testing our CZ 18350-18150 , Finally it did. !!

Risk adjusted " STOP LOSS" protection based on Portfolio Objectives.

- ## **<u>SIGNALS.</u> - Price Projection CZ , Trading / Investment Conclusion**

Global Indices Overview

CHINA ($ SSEC), & NIKKE bottomed with Bullish Triggers much earlier than SPX's POM trigger. **FXI EWJ** have rallied , setting in Bullish higher highs.

POM 13 Re run for Net Long is in progress. The Neutral IDX with Bullish bias are still meeting its criteria of testing & repair work .

- **<u>STRONG Indices</u>**

  FXI ($SSEC) , EWJ, EWZ

- **<u>WEAKER Indices</u>**

  NONE

- **<u>NEUTRAL Indices</u>**

  EEM NEURAL with *<u>Bullish bias</u>*
  BSE NEURAL with *<u>Bullish bias</u>*
  FTSE NEURAL with *<u>Bullish bias</u>*

EEM (EMERG) - NEUTRAL (UNDERWEIGH))

Brief Overview

EEM remains " Neutral with Bullish bias. Underweight" if Net Long.   The minimum upside target of CZ 43.75-43.   If volume picks up at that time, it can begin new ABC up

EEM - Remains Triggered   POM 13 on 10/15, NET LONG (**Underweight)** within CZ 41.5-40, We advice to Rebalance and maintain Underweight . This signal completed POM 14 – Caution Triggered on 7/05. on SPX .
 within CZ 81.5-79 All subsequent commentary refers to CZ to CZ moves are for Risk Management.

EWZ (BRAZIL) - NET LONG

Brief Overview

EWZ   held up very well in this correction . It did not pull back much beyond our Bullish CZ in spite of false downside extension in SPY. This offered great opportunity to "Scale in" within CZ's with minimum drawdowns.

EWZ - Remains Triggered   POM 13 on 10/15, NET LONG within CZ 54-51.5, This signal completed POM 14 – Caution Triggered on 7/05. on SPX .
  All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- ## *FXI – ($ SSEC SHANGHAI) – "NET LONG"*

Brief Overview

Near Term Top came in exact with Bullish top / 2nd ABC up at 37 indicated in last Report. The pull back fell slightly short of CZ. The underlined $ SSEC is building a bottom base.

FXI should continue BULLISH move higher. Upside Target – CZ 37.5-38.5 ,

__Note__ - PAIR TRADE China Long with SPX Short " has proved its great Merit, it was suggested in our "Special Report 9/11. Full feature"

FXI – Remains Triggered Bullish CZ on 9/19 & 9/26 (Pre- announced 9/11), Net Long within CZ 33.25-33.90
All Subsequent commentary refers to CZ to CZ moves are for Risk Management / rebalancing positions

- ## *EWJ (NIKKE JAPAN) – "NET LONG"*

Brief Overview

NIKKE has already began to rally with Bullish Bottom consolidation CZ 8500-8600 (EWJ -CZ 8.95-9.15) , towards Bullish Top indicating strength for next leg up. Weakening in YEN is adding fire power on up move. Upside Target CZ 9400-9300 (EWJ - CZ 9.60-950) . Underlined NIKK has rallied much more than EWJ.

__Note -__ The PAIR Trade of NIKKE with SPX indicated Special Report 9/11 is proving its great merit. NIKKE has rallied since trigger. .

EWJ – Remains Triggered Bullish CZ on 10/10 (Pre- announced 9/25) , Net Long within CZ 8.95-9.15
All Subsequent commentary refers to CZ to CZ moves are for Risk Management / rebalancing positions
.

- ## *FTSE (LONDON) - NET LONG – since 5/21 – Initial POM 13*

Brief Overview

FTSE has remained Net Long with original position taken at @ 5300 from 5/21. FTSE did not trigger CZ in POM 14 at the Market highs of August / September

From current levels , testing the criteria of false break . the minimum upside target of CZ 6000-5900. If volume picks up, it should begin new ABC up and the price path should continue.

FTSE Remains Triggered Original POM 13 @ 5300 on 5/21, we initiated Net Long within CZ 5300-5400. All subsequent. commentary refers to CZ to CZ moves are for Risk Management / rebalancing overweight positions

- ## *BSE (MUMBAI) – " NEUTRAL" – Bullish bias*
- ### *Signal is Exclusively benchmarked via SPX- POM 14 & COR with PEC-D, CZ pattern completion.*

Brief Overview

Our last Report,- Although BSE had come within 50 points of testing our pull back target of CZ 18350 -18100, our strong expectation was for BSE to enter the imbalanced CZ to complete the test.

This week, we saw the price action into this CZ 18350 -18100 Finally entered !! and the testing is underway . We need price rejection. Once completed , BSE should participate in the yearend rally to CZ 19650-20050 .) .

• YTD – Global Indices performance v/s SPX

Weakest and strongest Indices for PAIR TRADES

2012 - Strength / weakness in these market . Chart below is our Inter market Analysis Model with Ratio Relative performance v/s SPX.
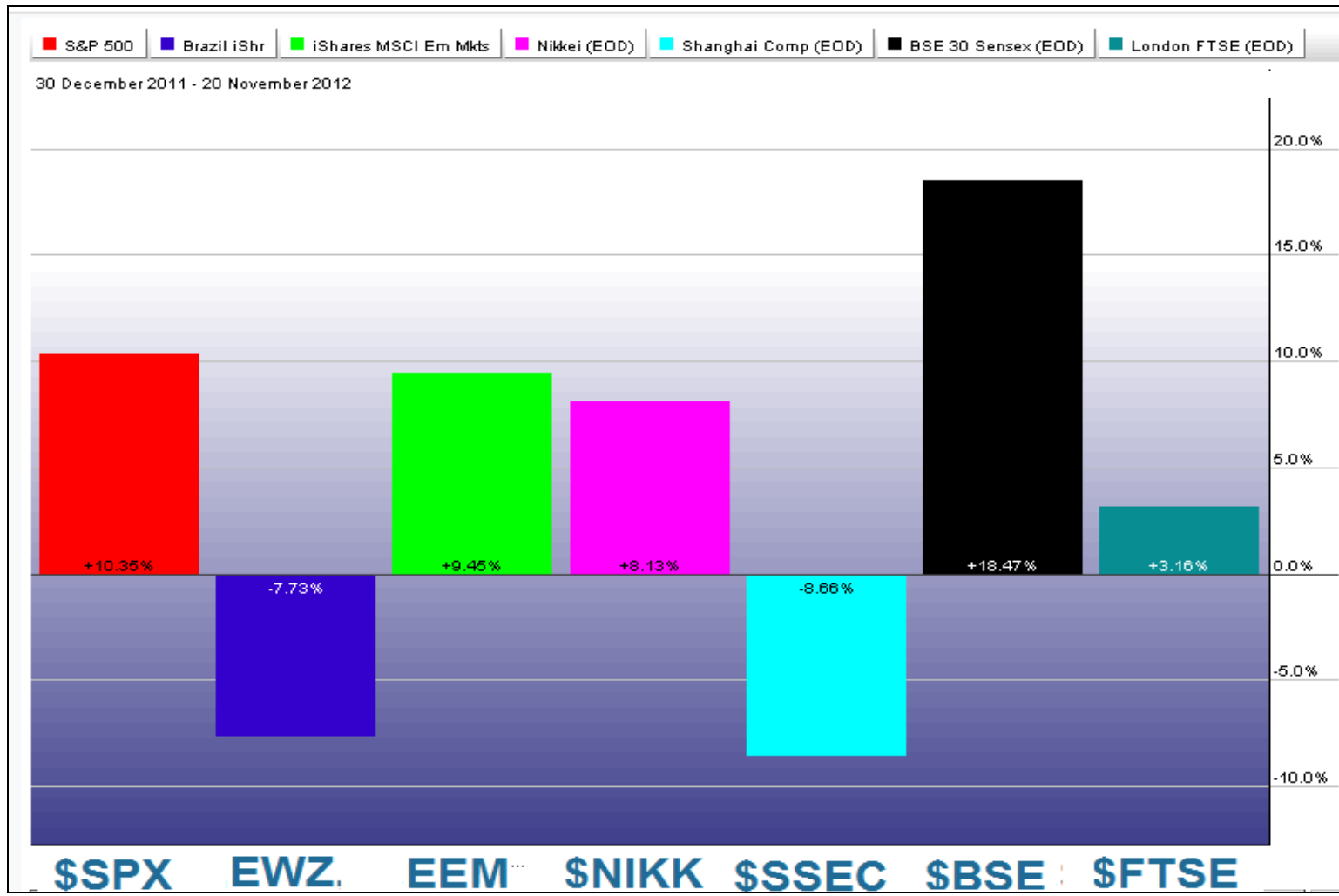
FXI – (SHANGHAI) / PEC-D / Ratio Analysis. - *Bullish*

- *Texture - BULLISH TOP & BULLISH BOTTOM*

UPSIDE – CZ 37.5 -38.5 - Bullish top ,

DOWNSIDE - CZ 35.25- 34.75, fell short in this pull back .

EEM (EMMEG) – CZ / PEC-D / Ratio Analysis – *NEUTRAL – Bullish bias*

- ***Texture -** TOP NEUTRAL CZ. & BOTTOM BULLISH CZ*

DOWNSIDE – pull back target CZ 41.5-40, , testing Bullishly .

UPSIDE – CZ 43.5 - 43

.EWZ (BRAZIL) - CZ / PEC-D / Ratio Analysis - *Bullish*

- ***Texture – BULLISH TOP CZ & BULLISH BOTTOM – CZ***

DOWNSIDE – *pull back target CZ 53.5-51.5, - Met*

UPSIDE – *CZ 57.75-56.25*

NIKKE (JAPAN)– CZ / PEC-D / Ratio Analysis – *Bullish*

- *-Texture - BULLISH TOP & BULLISH BOTTOM*

UPSIDE – CZ 9400-9300, Bullish top remain long

DOWNSIDE - CZ 8400-8500 , tested successfully to begin for NET – LONG position.

EWJ (JAPAN)– CZ / PEC-D / Ratio Analysis – *Bullish*

- *-Texture - BULLISH TOP & BULLISH BOTTOM*

UPSIDE – CZ 9.60-9.50, Bullish top remain long

DOWNSIDE - CZ 8.95-9.10_, tested successfully to begin for NET – LONG position.
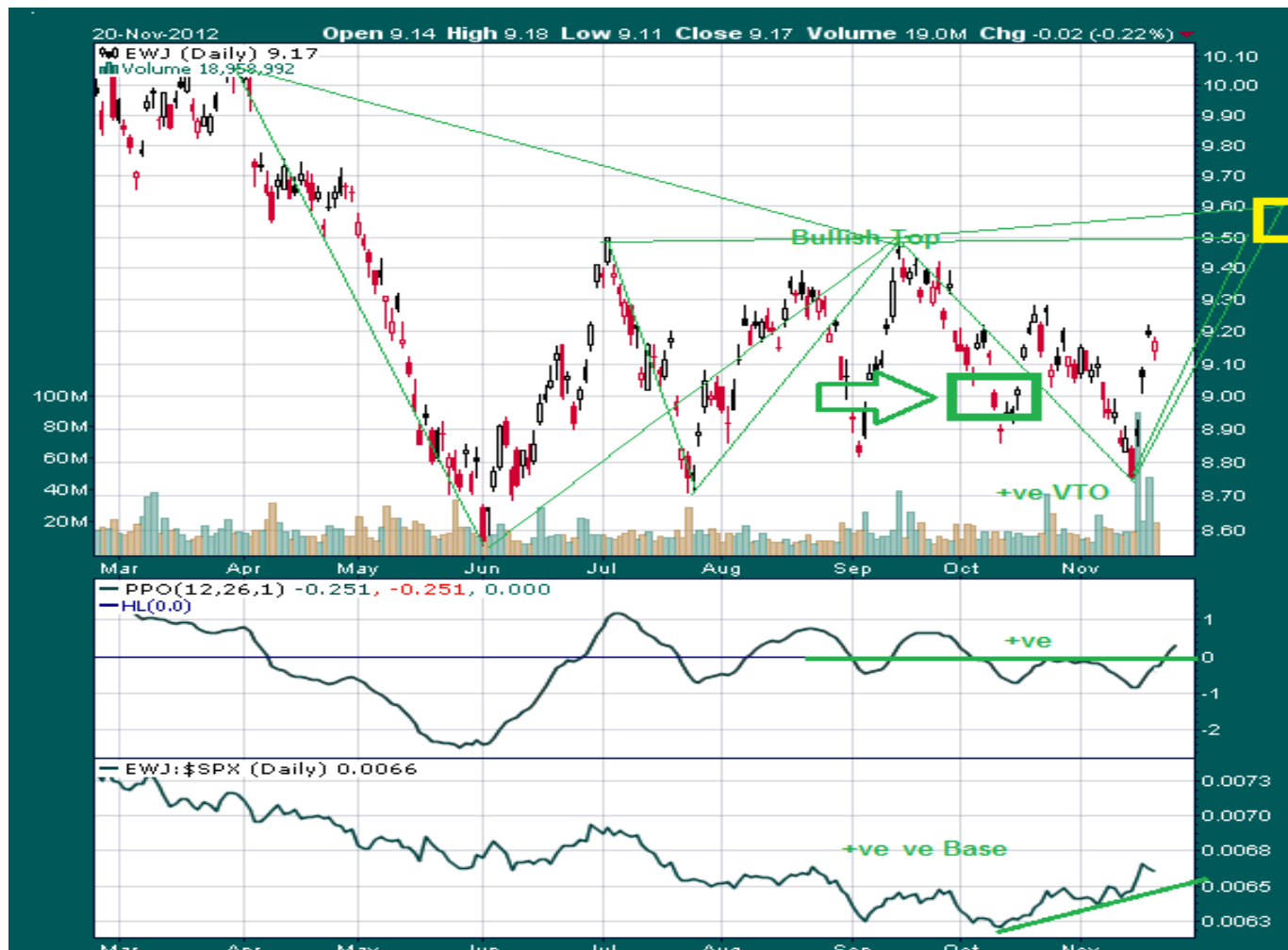
FTSE (LON) - CZ / PEC-D / Ratio Analysis - *Neutral – Bullish bias*

- ***Texture** – NEUTRAL TOP CZ & NEUTRAL BOTTOM – CZ*

DOWNSIDE – *pull back target CZ 5700-5800, appears to have false break .*

The, Initial POM @ 5300 is still intact

UPSIDE – *CZ 6000-5950 .*

CHART 1- BSE (Mumbai) v/s SPX – ROC - Corr - *Neutral – Bullish bias*

- **_Texture –_ NEUTRAL TOP CZ. & BULLISH BOTTOM CZ**

BSE , Finally entered our pull back target of CZ 18350 -18100 testing is in process. Once the test is completed , BSE should participate in the momentum yearend rally along with Global Markets to CZ 19650-20050 .
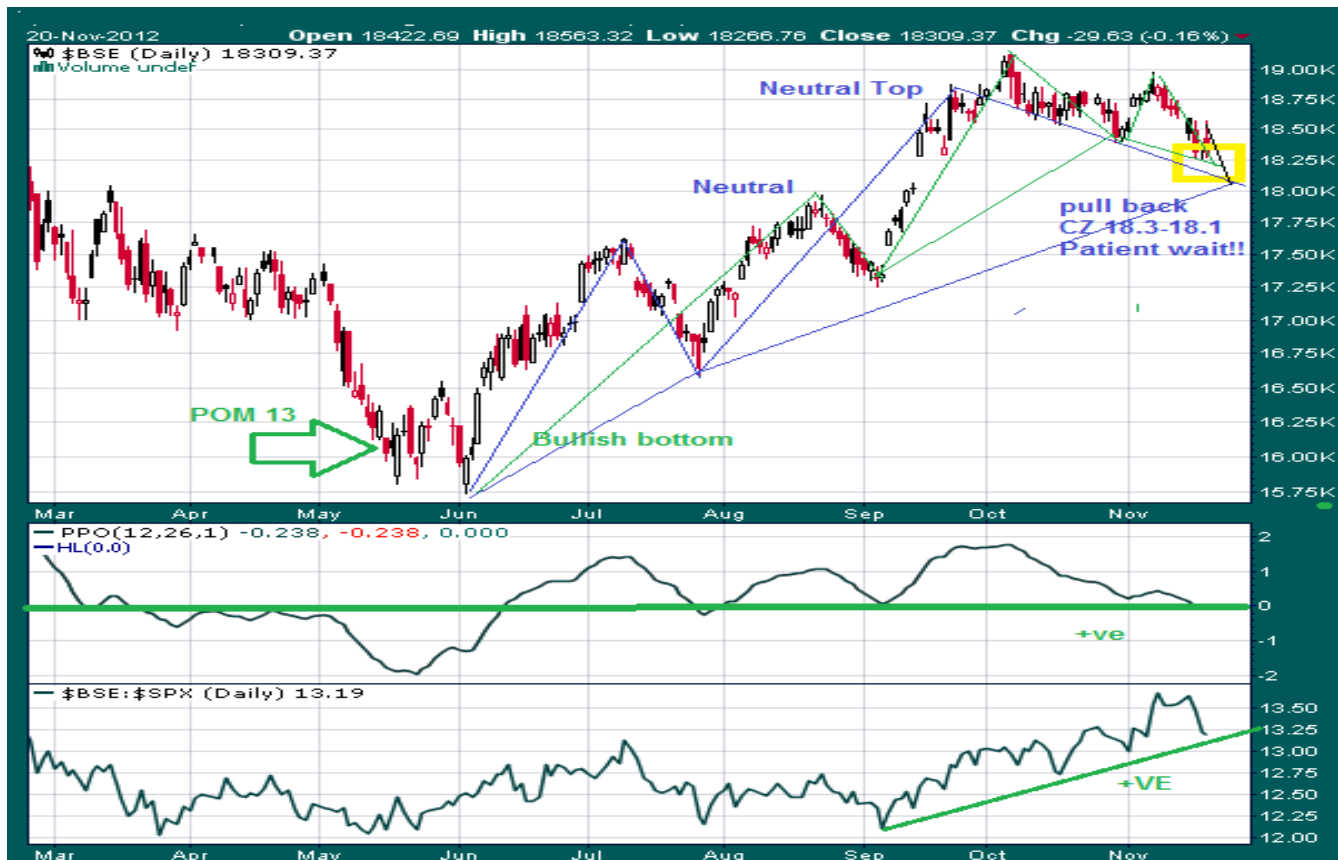
CHART 2- BSE (Mumbai) v/s SPX – ROC - Corr - *Neutral – Bullish bias*

BSE's multiple price projection in multiple time frame comes to CZ 19650-20050. The Bullish Bottom at previous POM 13 @ 16000, has energy left for the POM 13 Re run to reach target.

Any Political issues including Rupee weakening can dampen the effect the price path .

Appendix Content

- **Objectives & POM /CZ / PEC –D Guidelines – <u>Refer to detail Annexure</u>**

- **Full Utilization of " SP" Report Guidelines & Limitations - <u>Refer to detail Annexure</u>**

- **POM – " Price Oscillation Model " Criteria**

- **PEC –D " Pythagoras – Expansion & Contraction Criteria**

- **CZ- Confluence Zone Criteria**

- **TEXTURES – Bullish , Bearish , Neutral**

- **Chart Analysis**

  - *Trend & Oscillator Analysis,*
  - *PEC –D Analysis,*
  - *Poly- Trend Analysis,*
  - *Pattern / CZ – Price & Volume Analysis.*
  - *Exterme Indicator Analysis*

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)

- **TEXTURES – Bullish , Bearish , Neutral**

In charts above we have price path of DX's noted as they are reaching its individual CZ / PEC-D Price Projections in this rally. We have identified IDX's ' with Bullish Tops . These have participated very strongly whereas the IDX with Bearish Tops & Bearish Bottoms are moving higher with –ve divergences. .

At POM 14, Bearish Top IDXs should be viewed with caution for weakness & suitable of Hedging to scale in within its own Individual CZ . These IDX 's should on reduced in position at its CZ area / PEC- D patterns. The pull back in such cases tends to be deeper in correction

The Bullish Top IDX should be continued to Hold Long position from POM 13 – Net long till POM 15 is Triggered and should be accumulated on any pull backs. These are NOT candidates for Short Sell. .
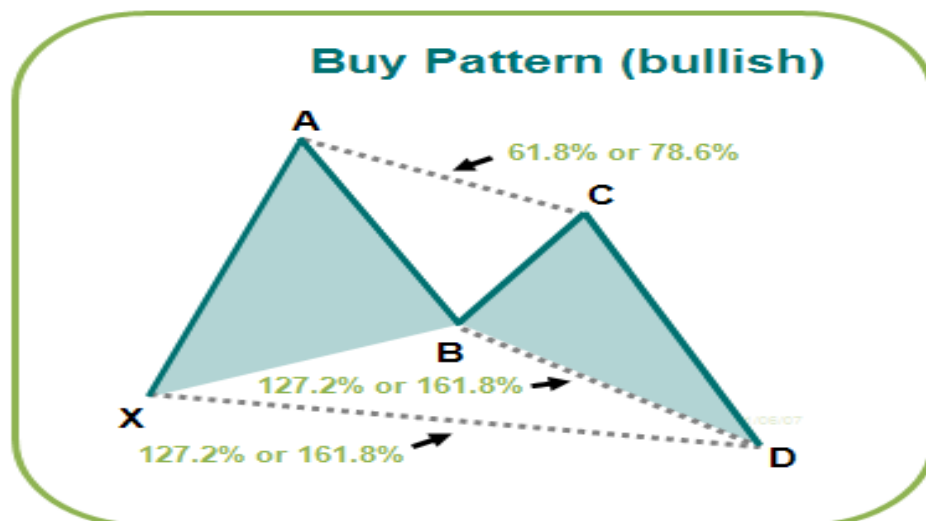
The Neutral Top IDX's are in CONSOLIDATION , with Force equally balanced. Upon building cause it should be resolved in direction of " New pick up in force in one direction" to decide the Trajectory of Path.

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)

A

61.8% or 78.6%

C

B

127.2% or 161.8%

X

127.2% or 161.8%

D

Sell Pattern (bearish)

D

127.2% or 161.8%

X

127.2% or 161.8%

B

C

A

61.8% or 78.6%