SG Capital Research
Global Market Insights

*Date : 21th Nov 2012 (**Wednesday**)*   **BROADER INDICES REPORT(Strategy &Prop Tech)**

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● *Executive Summary*

	Current Price	Triggered POM	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
TLT (BONDS)	125.63	POM 14 @ 125	5/21	CZ 125-124	CAUTION	Raised CASH (on position entered at 111 -112 to 125 on 5/21)	NONE	CZ 125-124 Met & ready for pull back	CZ 135-136	CZ 120-118	CZ 116-114	Best Risk reward - Net Short at 136 or Net Long in CZ 116-114 (, which ever comes first)
MDY (MID CAP)	177.5	POM 13 Re run @ 178.5	10/15	CZ 178-175	BULLISH	Net Long	NONE	To follow SPX rally to 1410		CZ 175-178 –Met		Strongest Index To participate on upside, overweight
QQQ (NASD100)	63.78	Original POM 13 @ 63 In tact	5/21	CZ 62.5-63.5	NEUTRAL With Bullish bias	Net Long (from earlier position 5/21 @ 62.5-63.5 Remains).	NONE	CZ 66.75-65.25		CZ 62.5-63.5 - extended		Original POM 13 position on 5/21 is intact (QQQ Did not trigger POM 14 at Aug /Sept highs)
SMH (SEMI)	31.04	POM 13 Re run @ 30.50	10/15	CZ 30.50-29.5	BULLISH	Net Long	NONE	To follow SPX rally to 1410		CZ 29.5-30.50- Met		Lead Indicator IDX- Previously preview in MS –SPX Report
IWM (SM CAP)	79.12	POM 13 Re run @ 82.5	10/15	CZ 82.5-80.5	NEUTRAL	Underweight Or remain Flat	NONE	CZ 82.5-81		CZ 75-77 extended		
IYT (TRANS)	88.37	POM 13 Re run @ 89.6	10/15	CZ 88-89	NEUTRAL With Bullish bias	Net Long Underweight	NONE	CZ 93-95		CZ 88-86 Met		

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

Broader Indices Overview

POM 13 Re run for Net Long is in progress . During the correction , "Scaling into " the respective CZ's of **MDY , SMH** was completed. These Bullish Indices should lead the next rally.

The Neutral (Equity) Indices **IWM,** should be Underweight if any . **QQQ, IYT** are Neutral weight with Bullish bias

- ## ***STRONG INDICES***

  ## ***MDY , SMH***

- ## ***WEAKER INDICES***

  ## ***TLT***

- ## ***NEUTRAL INDICES***

  ## ***DIA, IYT -*** *NEUTRAL (<u>Bullish bias</u>)*

  ## ***QQQ -*** *NEUTRAL (<u>Bullish bias) –OVERSOLD</u>*

  ## ***IWM -*** *NEUTRAL*

TLT (BONDS)– *"CAUTION"*

Brief Overview -

TLT has bounced back into upside CZ 128-125 and should be failing for 5th time. This should result in pull back and simultaneously put upward pressure in stocks.

TLT's is building cause for next massive move. It is stuck in trading range between (120-125) for 5 months with No Net effect on price. In order for rally to continue, volume needs to pick up in CZ to negate Bearish Top to target 136, Ideal place to get " Net short" .

The downside CZ 118-120, has heavy bottom, eventually it be broken. Mid Term downside Target is at CZ 116-114 . This is Target area for potential POM 13 to be triggered if PQV is validated. Ideal place to get " Net long " This appears to be one last rally before the 30 yr old Bull Market ends.

TLT - Remains Triggered   POM 14- on 5/21 we initiated to raise cash (or Hedge) within CZ 125-124, This signal completed POM 13 Triggered on 10/27 for Net Long within CZ 111-112. All subsequent commentary refers to CZ to CZ moves are for Risk Management/ rebalancing overweight positions.

IWM (RUSSELL) - - NEUTRAL (UNDERWEIGH OR FLAT)

Brief Overview

IWM remains " Neutral " with "underweight" or Flat in position. The minimum upside target of CZ 83-81. If volume picks up at that time, it can begin new ABC up

IWM - Remains Triggered   POM 13 on 10/15, NET LONG (**Underweight**) within CZ 82.5-80.5, We advice to Rebalance and maintain Underweight . This signal completed POM 14 – Caution Triggered on 7/05.
 within CZ 81.5-79 All subsequent commentary refers to CZ to CZ moves are for Risk Management.

MDY (MID CAP) - *NET LONG*

Brief Overview

MDY 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.

Among all the Broader IDX , MDY appears to be the strongest with +ve divergence & Money flow accumulation as compared to SPY. MDY should out perform

The minimum upside target towards SPX – 1410 Target.

MDY - Remains Triggered POM 13 on 10/15, NET LONG within CZ 178-175, This signal completed POM 14 – Caution Triggered on 7/05.
All subsequent commentary refers to CZ to CZ moves are for Risk Management.

SMH (SEMI) – *NET LONG –*

Brief Overview

SMH was the first IDX to bottom and did not go below our CZ , indicating Bullish divergence on PQV Validation.

SMH Remains Triggered POM 13 @ 30.5 on 10/15, we initiated Net Long within CZ 30.5-29.5. All subsequent. commentary refers to CZ to CZ moves are for Risk Management / rebalancing overweight positions

QQQ (NASD 100) – NEUTRAL (Bullish bias) - NET LONG – since 5/21 – Initial POM 13

Brief Overview

QQQ is most oversold and has remained Net Long with original position taken at @ 61 from 5/21. QQQ did not trigger POM 14 at the Market highs of August / September

From current levels , the minimum upside target of CZ 66.5-64.5. If volume picks up, it should begin new ABC up and the price path should continue.

QQQ Remains Triggered Original POM 13 @ 62 on 5/21, we initiated Net Long within CZ 61-62. All subsequent. commentary refers to CZ to CZ moves are for Risk Management / rebalancing overweight positions

IYT (TRANSPORT – NEUTRAL (Bullish bias (UNDERWEIGH)

Brief Overview

IYT remains " Neutral " with "underweight" . The minimum upside target of CZ 95-93

IYT - Remains Triggered POM 13 on 10/15, NET LONG (Underweight) within CZ 88-90- We advice to Rebalance and maintain Underweight . This signal completed POM 14 – Caution Triggered on 7/05. within CZ 95-93 All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- ## *DOW TRANSPORT) THEORY (IMPROVISED - For Monitoring Purposes ONLY -*

  NEW SIGNAL - <mark>No new Buy Signal</mark> , Last Signal - DOW Triggered - <u>SELL SIGNAL @ 12800</u>.
  Completing <u>BUY at 12600.</u> . (Charts below)

- ## *MODERN DOW THEORY with SEMI's & TECH - For Monitoring Purposes ONLY -*

  NEW SIGNAL - <mark>No new Buy Signal</mark> (charts belo)

  - *In Modern times since 2000, Ahead of most of market bottoms SEMI IDX & Book to Bill Ratio leads the Market rally ahead of QQQ.*

  - *Modern Tech / Semi Theory is more leading Indicator than original Dow Theory*

YTD – Broader 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 .

TLT (Bond) – CZ- PEC- D Analysis – Near Term . - *"CAUTION"*

- **Texture -** *TOP BEARISH CZ. & BOTTOM BEARISH CZ -*

Upside - *CZ – 125-128. Attempting to enter this area once again. Pick up in volume is required to break upside to target 136, Potentially may be good area to Trigger – Net Short POM 15*

Near Term Downside - *CZ – 118-120 heavy bottom, needs a test*
Mid Term Downside - *CZ – 116-114, Potentially may be good area to Trigger – Net Long POM 13, on PQV validation*
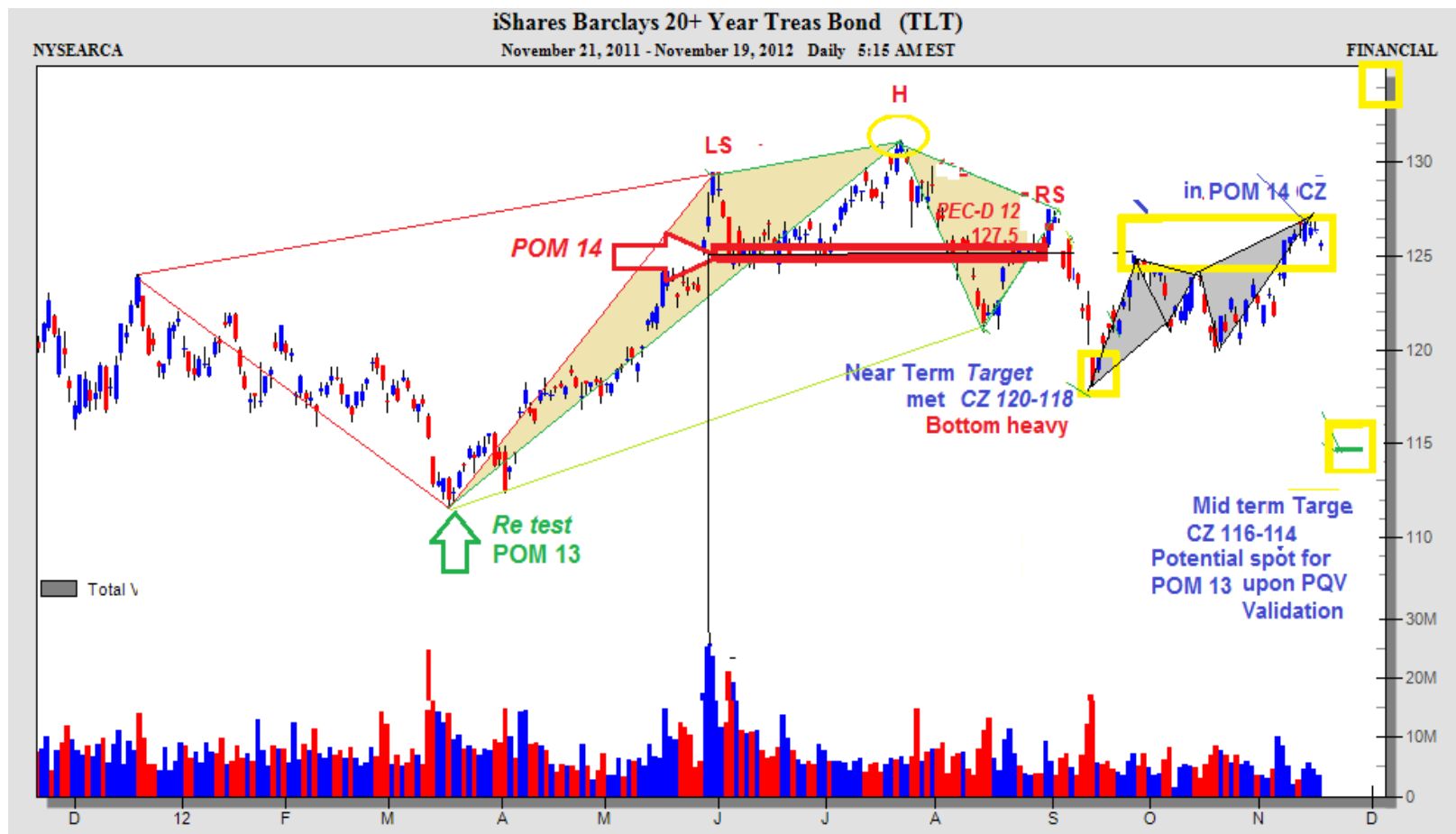
TLT (Bond) – CZ- PEC- D Analysis – BIG PICTURE - "NEUTRAL"

30 yr Bull Market . *LT Monthly PEC- D projections of POM 15 to 136 with PQV Analysis is a possibility , Therefore still not ready for NET SHORT until PQV qualifies the down move.*

POM 12 entry @ 90 ended at POM 14 to 125 with " 2 # POM 13 in between the moves. TLT is at the same level as Oct 2011 (past 12 months) . Therefore we shall pick and choose out best price points for Investment Trades.
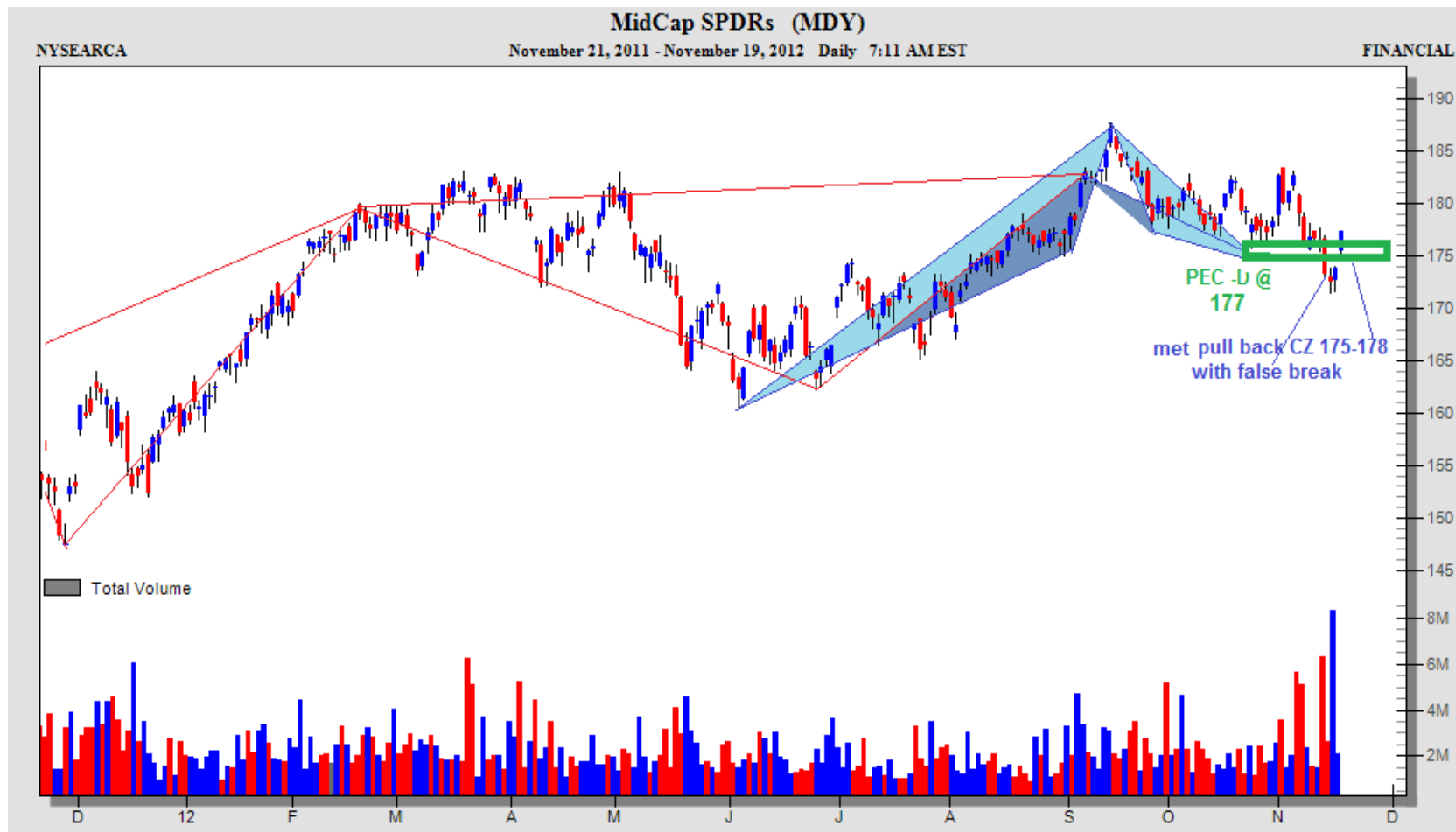

iShares Barclays 20+ Year Treas Bond (TLT)
October 31, 2007 - October 26, 2012 Monthly 3:14 AM EST

NYSEARCA   FINANCIAL

MONTHLY VIEW

136
POM 15 ??

POM 14

POM 12

Volume Avg Per Frequency
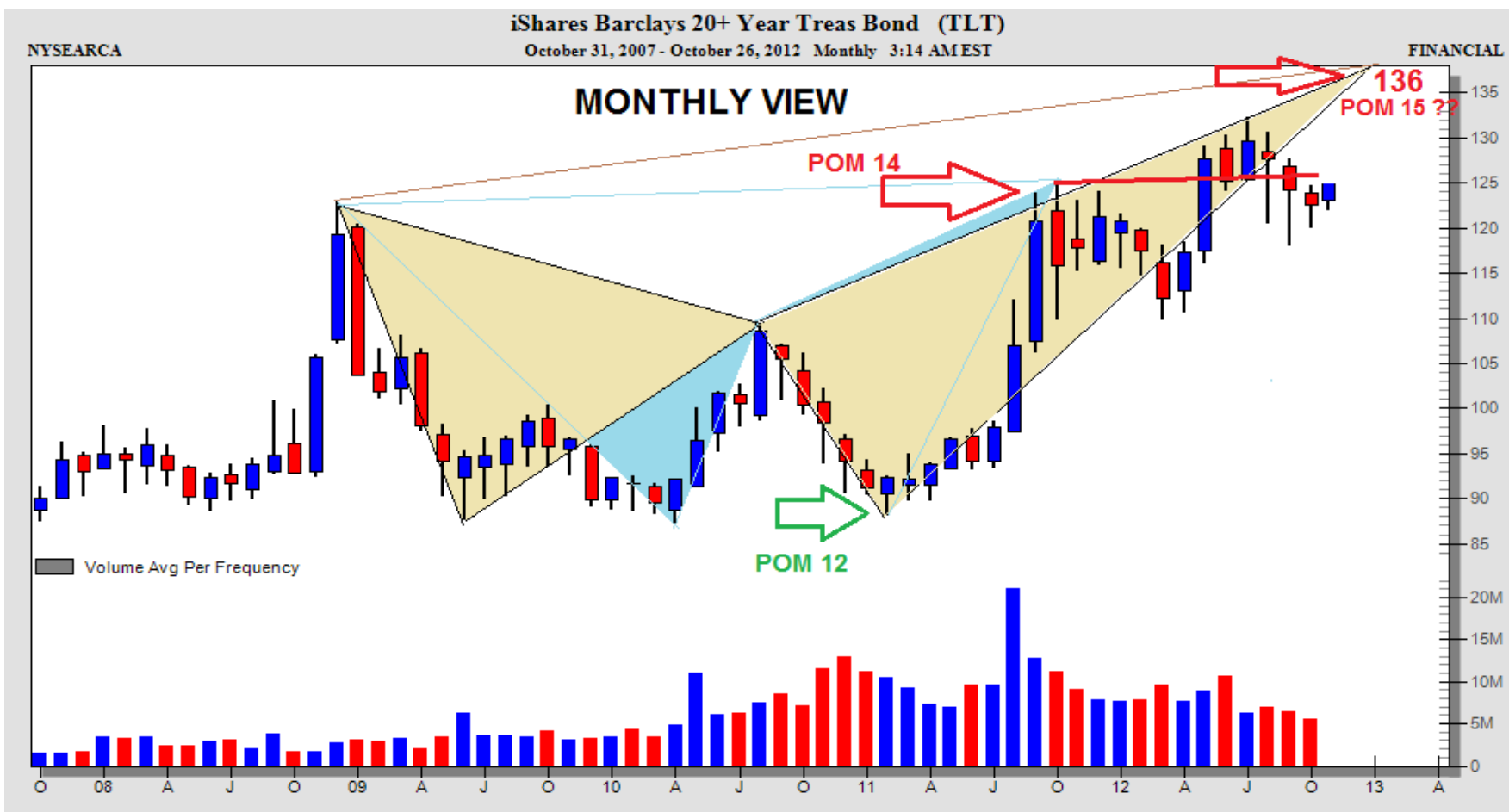
MDY (MIDCAP) – CZ- PEC- D Analysis – Near Term . – *Bullish*

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

Near Term Downside - *CZ – 175-178, Met , tested & rejected Bullishly (Did not go much below CZ in the correction)*
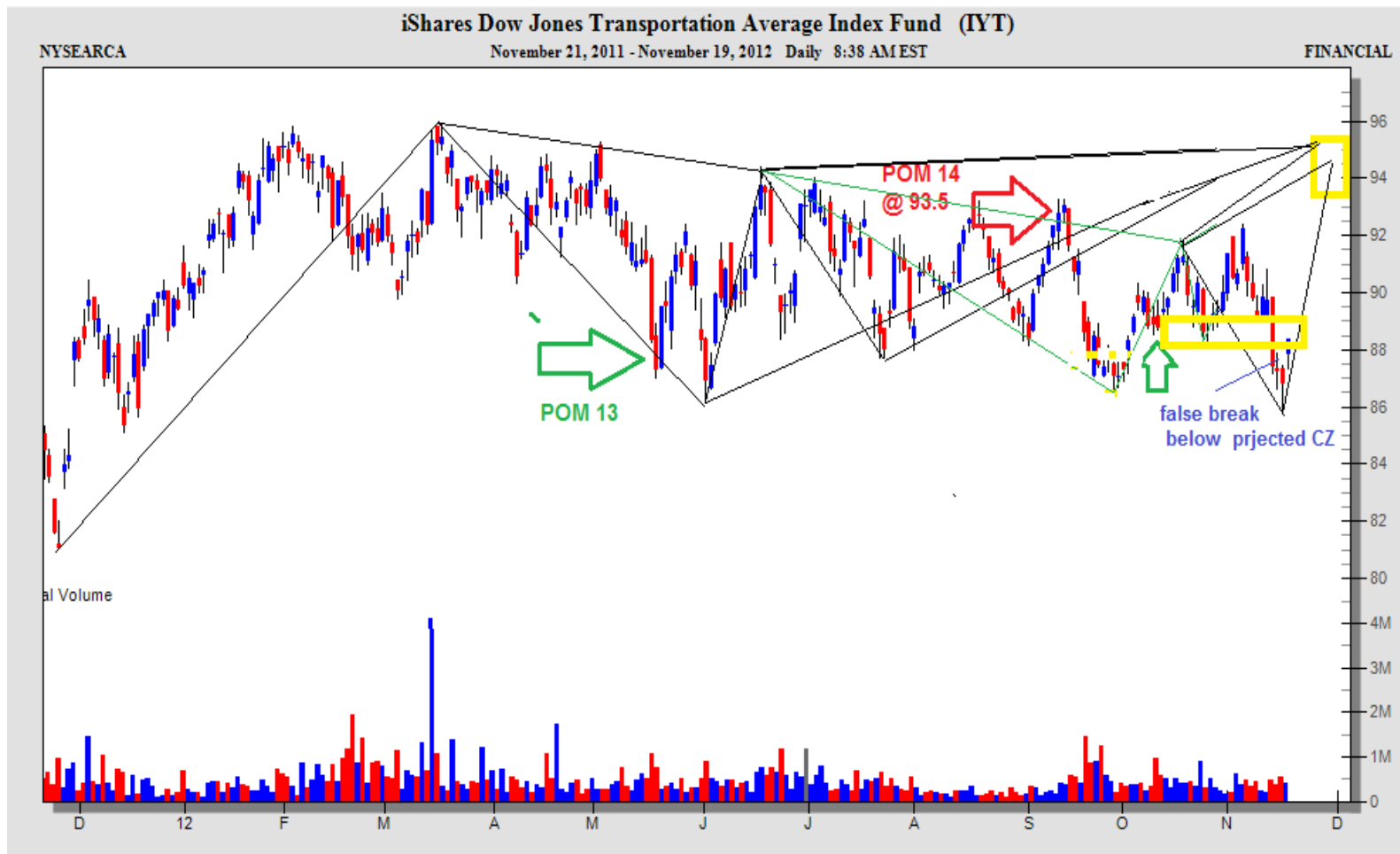
Upside - *SPX to 1410 target . – 82.5 -81*

MidCap SPDRs (MDY)
NYSEARCA   November 21, 2011 - November 19, 2012   Daily   7:11 AM EST   FINANCIAL

PEC -D @ 177

met pull back CZ 175-178 with false break

Total Volume

IWM – (RUSS 2000) - CZ – PEC-D Analysis - _"NEUTRAL_

- _**Texture -** TOP BEARISH CZ. & BULLISH BOTTOM CZ (UNDERWEIGHT OR FLAT)_

**Near Term Downside -** Extended PEC D's @ 1.27 /1618 - CZ – 75-77

**Upside -** CZ – 82.5 -81

QQQ – (NASD 100) - CZ – PEC-D Analysis - "*NEUTRAL (Bullish bias)*

- *Texture – NEUTRAL TOP & BULLISH BOTTOM (OVERSOLD)*

Near Term Downside - Extended *PEC D's @ 1.618 / 1732 - CZ – 62.5-63.5*

Upside - CZ – 66.75-65.25

SMH (SEMI) – CZ - PEC- D Analysis – Near Term . – *Bullish*

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

Near Term Downside - *CZ – 30.5-29.5, Met , tested & rejected Bullishly . (Did not go much below CZ in the correction)*

Upside - *SPX to 1410 target .*
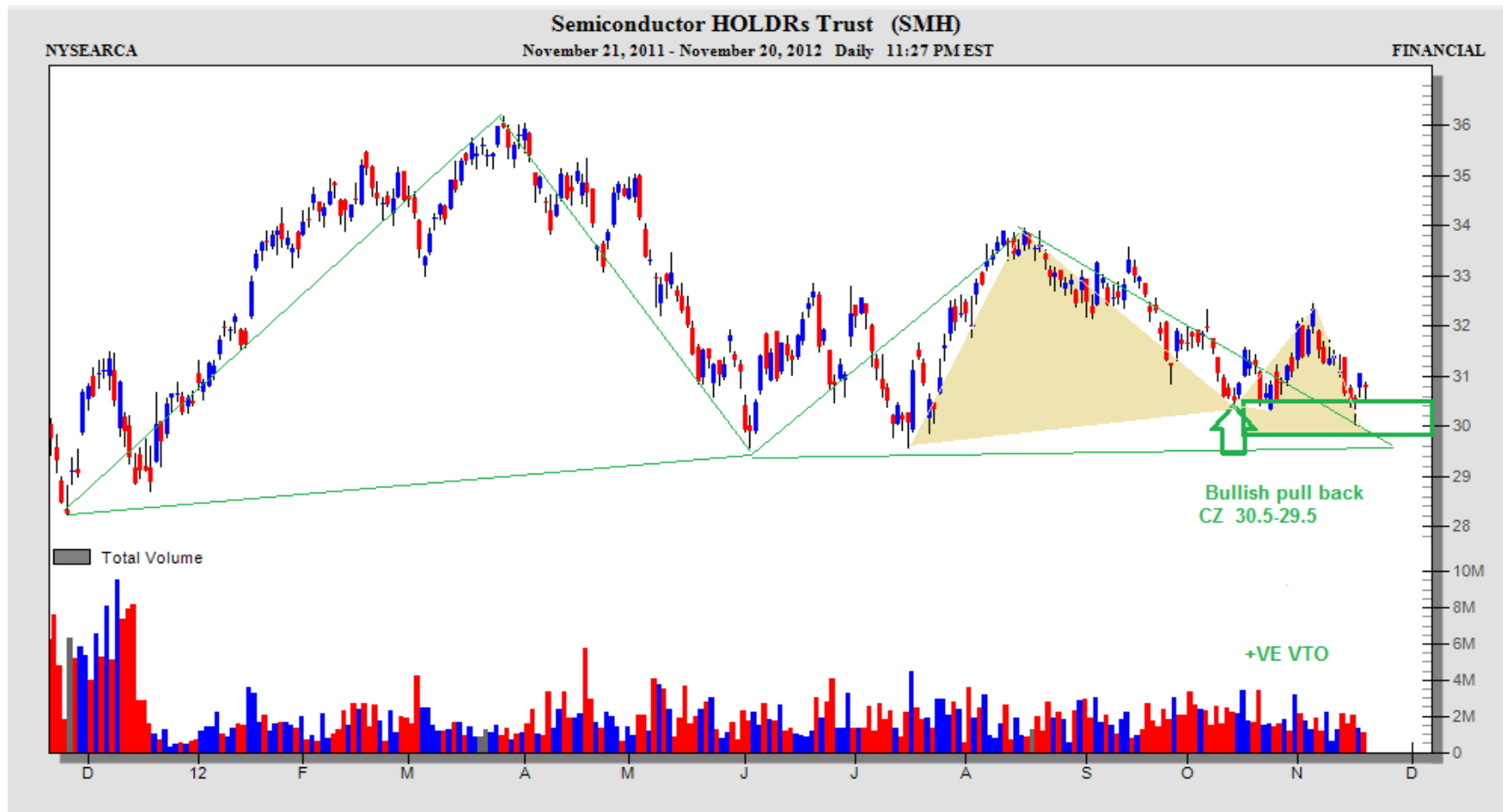
IYT – (Transport) - CZ / PEC –D Analysis -   "NEUTRAL (Bullish bias)

- **_Texture – TOP BEARISH CZ. & BULLISH BOTTOM CZ (UNDERWEIGHT)_**

Near Term Downside - _CZ – 88-86 , Met, tested & rejected Bullishly_

Upside - _CZ – 93-95_

iShares Dow Jones Transportation Average Index Fund (IYT)
November 21, 2011 - November 19, 2012 Daily 8:38 AM EST

NYSEARCA

FINANCIAL

POM 14
@ 93.5

POM 13

false break
below prjected CZ

al Volume

Dow Transport Theory – FYI - No NEW Buy signal,

 By this Method – IYT (Transport) is lagging DIA (Dow Jones) - *DIA Price cross over with IYT price and has not given Buy signal . The Ratio curve ….IYT / DIA has broken downtrend which +ve   . PQV is still Invalidated*

last Sell signal at 12800
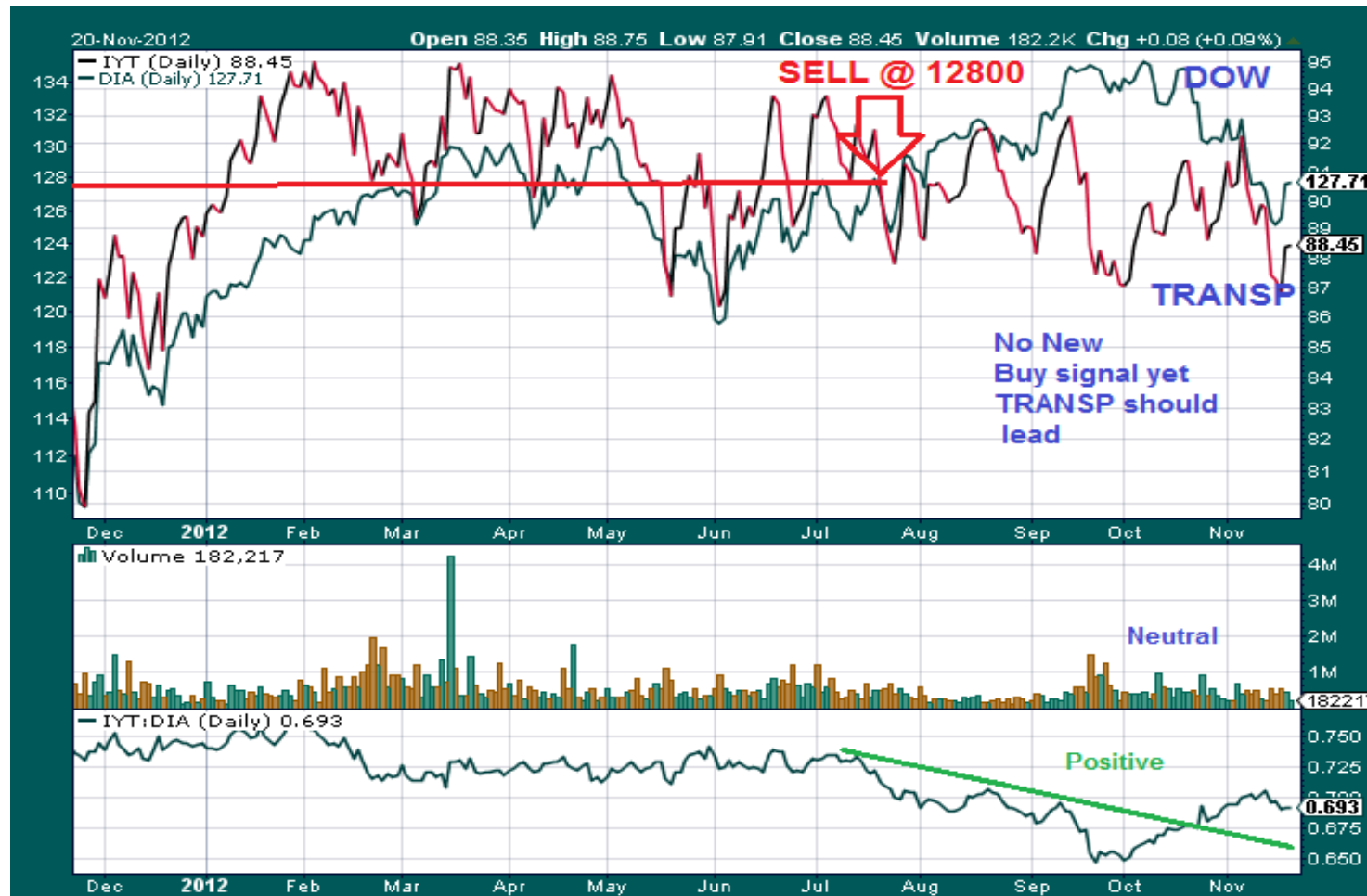
Modern - Tech – Semi Theory – FYI - No NEW Buy signal,

By this Method –SMH (SEMI) is lagging QQQ (Tech) - QQQ Price cross over with SEMI price and has not given Buy signal . The Ratio curve ….SEMI / QQQ has broken downtrend which +ve . PQV has been validated which is +ve
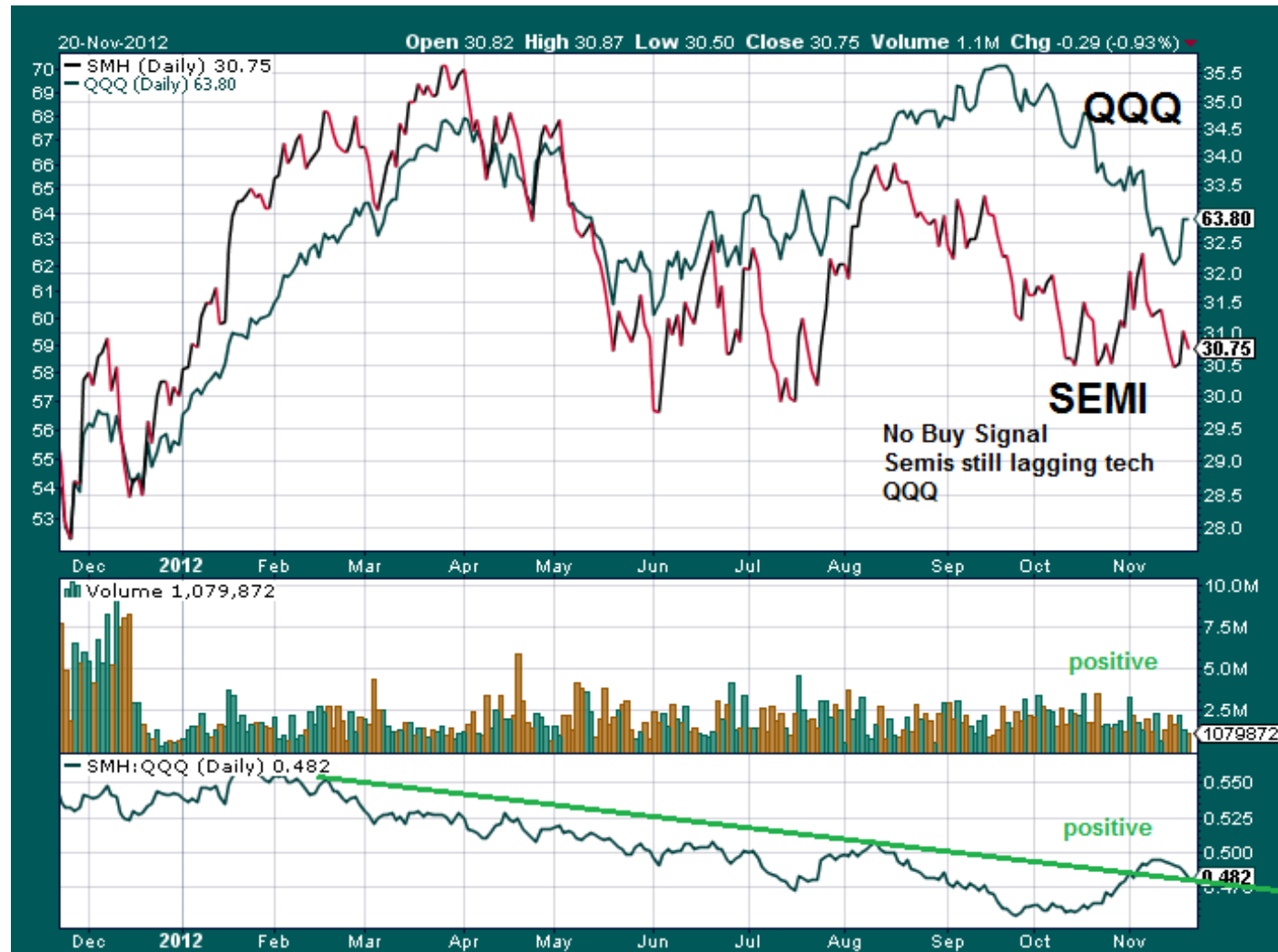
Appendix Content

- **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*

CORRELATION RATIO ANALYSIS

Inter market Analysis – TNX (Yield) v/s SPX

- *Direct Correlation continues in Current Trend*

Inter market Analysis – TLT v/s USD

- *Inverse Correlation continues in Current Trend*

- ## EXTREAME Sentiment Analysis
- **(3rd Party Data) -** Courtesy : SENTIMENT TRADERS

None @ EXTREMES

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
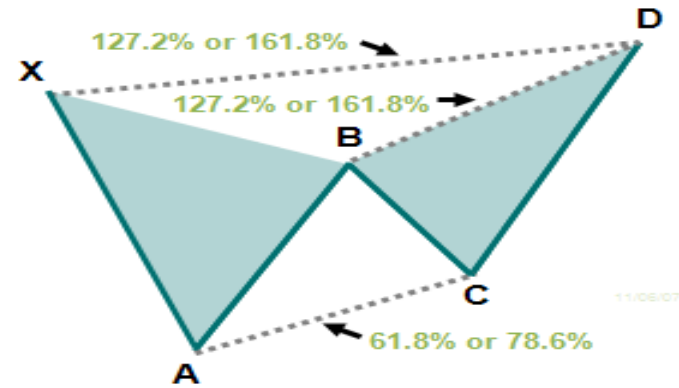
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

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%