



SG Capital Research

Global Market Insights

Date : 18TH JAN 2013 (**Friday**)

GLOBAL INDICES REPORT (Strategy & Prop Tech)

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● Executive Summary

	Current Price	Triggered POM or CZ & date	Triggered within CZ & date	Progress Status	Current Position	NEW ACTION (Trigger to Watch)	Upside CZ <u>Near Term</u>	Upside CZ <u>Mid term</u>	Downside CZ <u>Near term</u>	Downside CZ <u>Mid term</u>	Remark
EEM (EMRG)	44.66	POM 14 On 12/26 @ 43.40	CZ 44.50-43.50	NEUTRAL Residual Bullish strength	NONE	NONE	CZ 44.30-43.40 Met with Neutral Top		To follow SPX on decline		EEM is Extended. Delay new buys after the pull back
EWZ (BRZL)	56.99	POM 14 On 12/26 ½ @ 55.40	CZ 57-55.50 ½ @ 56.95 Alerted Market open - 1/04	NEUTRAL Residual Bullish strength	RAISED CASH on Nov Positions entry @ 53.0 avg	NONE	CZ 57-55.50 Met with Neutral Top		To follow SPX on decline		1. Exited for 5.5% profit. (53 to 56.1)
FXI (CHINA)	41.65	Main CZ / PQV @ 33.57 Avg. On 9/26	CZ 33.90-33.25	BULLISH ST CAUTION @43	Net Long	NONE	CZ 43-42, ABC up @ 43 Approaching With Bullish Top		CZ 38.25-39.50		Bullish top. Remain . Since our – ALERT special 9/11 buy @ 33.25 -its up 24%

Continued...

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\$NIKK (JAPAN) Announcement	10900	Main CZ @ 8500 avg. On 10/10	CZ 8600-8450	BULLISH ST CAUTION @ 10900	½ Net Long Exited ½ Alerted On 1/11 @10800 25% move	NONE	CZ 10900 - 10800 Met With Island Bullish Top ST Caution	CZ 12000 -11800	CZ 10400-10100 (New floor		Since –ALERT special on buy–@ 8500, Nikk is up 26% since Refer notes in chart Especially Weakening YEN (We are Short yen 76 to 88)
EWJ COR - (JAPAN) Announcement	9.90	Main CZ @ 9.05 avg. on 10/10	CZ 8.95-9.15	BULLISH ST CAUTION @ 9.90	½ Net Long Exited ½ Alerted On 1/11 @ 9.80 @ 8% profit	NONE	CZ 10-9.85 Met With Bullish Top ST Caution	CZ 10.80-10.60	CZ -9.55-9.40 (New floor		Bullish top. Remain . Since our recommendation –ALERT special10/10 on buy –@ 9.05 its up 8.5% since
\$FTSE – (UK) Proxy Europe	6100	POM 14 On 12/26	CZ 6100-5950	CAUTION	n/a	n/a	CZ 6000 - 5950 Met Exact	To follow SPX rally Till POM 15	CZ 5800-5700	To follow SPX on net decline	
\$BSE MUMBAI	20050	POM 14 In SPX COR	CZ 20050-19650 On 1/16 19850 mean	CAUTION	n/a	n/a	CZ 20050 – 19650- Met exact on full price Projection	Spike up to 20220 (Refer chart below) follow SPX to POM 15	CZ 19250-19000		Entry in CZ - trigger, 18350-18100 (POM 13 @ 18500) rallied to our projected Target point 20050-19650

• **SIGNALS. - Price Projection CZ , Trading / Investment Conclusion**

Global Indices

- **BULLISH INDICES -** **FXI / China , EWJ / Nikk .**
- **BEARISH INDICES-** **FTSE.-UK, BSE**
- **NEUTRAL INDICES -** **EEM,EWZ – Brazil.**

Global Indices Overview

This has been Global Rally since our POM 13 Signal, We preferred safer instruments with Bullish Bottom base in likes of China, Japan, Brazil & US . These Markets have done what was expected from it at POM 13 – Ne long Signal in November, they are just looking tired internally. On pull back we should have great opportunity to increase our Net long exposure.

- **China (\$ SSEC / FXI) , Japan (Nikk / EWJ)**

We remain Long & Bullish in \$ SSEC, \$NIKK. Both exceeded our upside CZ projection with Bullish tops, suggests shallow retracement and continuation move higher. These Bullish Indices have Outperform very strongly & profitably since our entry. We have reduced our ½ position (NIKK) due to Risk Management VIA ... **ALERT** - Special Report Announcement on 1 /15_

\$NIKK(Japan) has been getting assistance from **weaker YEN** , since our triggered it moved **2000** points (26%) , currently very **extended** & **YEN (Short)** has moved from **76 to 88 USD/JPY** in Currency Report.

\$ SSEC (China)- To much good news on Macro is flowing out of China after 24% rally . **Copper & Oil** has been moving higher with China Markets. We have been long **Copper / JJC** to capitalize on same theme in Commodity Report

Both these Markets have 6 months – PQV / PEC-D Validated base building resulting in Monster ABC up

- **Brazil (EWZ) , Emmrg (EEM)**

EWZ, EEM Remains NEUTRAL with residual strength still active. These are NOT Short Candidates. Both IDX should top out once SPX reaches POM 15. At current levels , there is no favorable Risk / Reward till we get meaningful pull back for adding any Long positions.

- **Mumbai (\$ BSE)**

- **Signal is Exclusively benchmarked via SPX- POM 14 & COR with PEC-D, CZ pattern completion.**

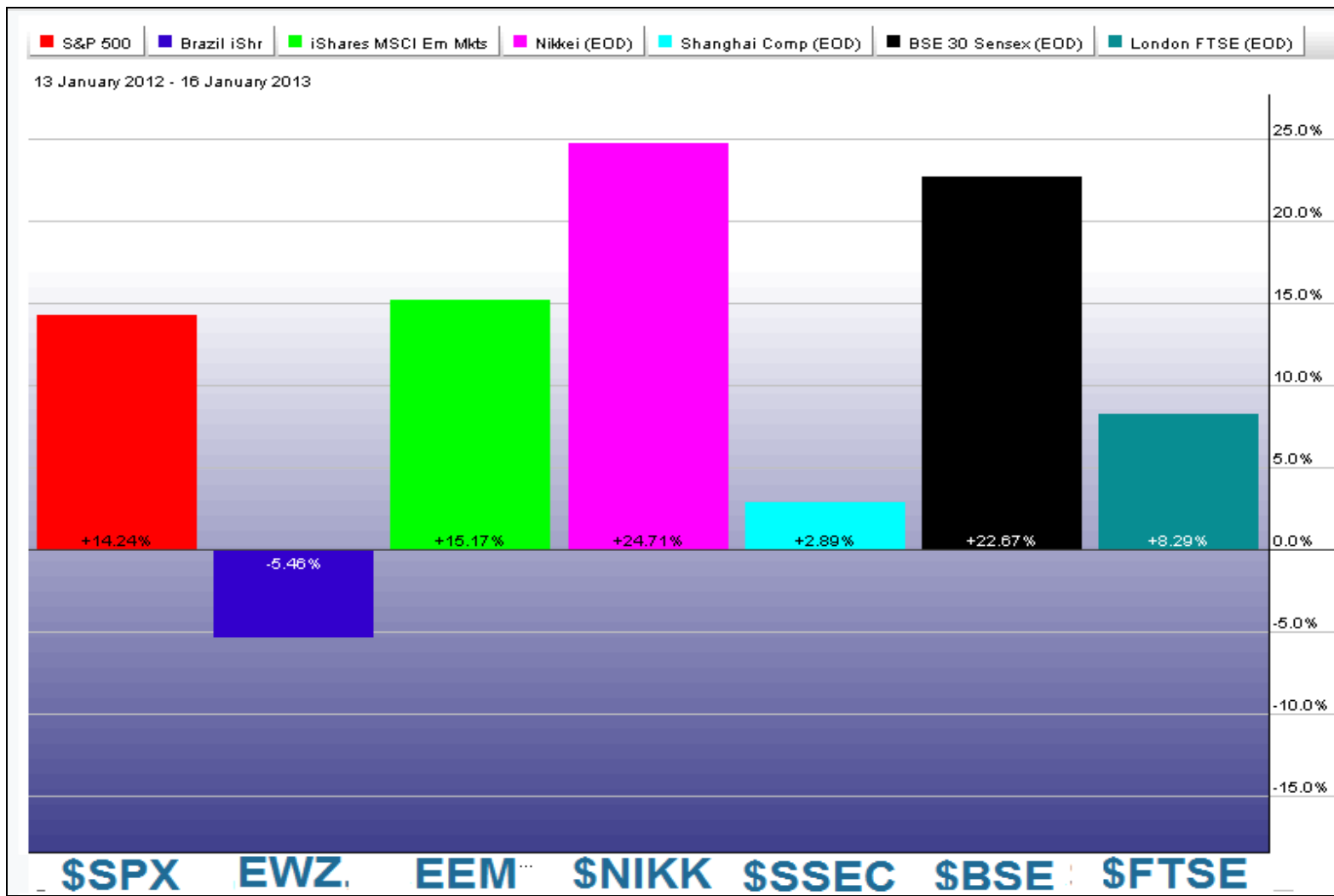
*BSE is at **SPX - POM 14 – CAUTION** within **CZ 20050-19650**. BSE is awaiting for SPX to finish POM 15 process to top out. *Till then it should show Typical Time delayed residual strength . Pull back to be along with SPX , COR is at 0.8 , give more validity to POM .**

*In Our last Report,- strong expectation was for BSE to move upside towards our Target **CZ 20050-19650**, since our entry test in **CZ 18350 -18100 . (POM 13 in SPX @ 18500)** . This Market has rallied **1600 points** to Highs of **20075 - Today**. The Full “ Natural” price projection is complete , now rest of the Price move higher would not have good Risk / Reward.*

- YTD – Global Indices performance v/s SPX

Weakest and strongest Indices for PAIR TRADES

2013 - Strength / weakness in these market . Chart below is our Inter market Analysis Model with Ratio Relative performance v/s SPX.



FXI – (SHANGHAI) v/s COPPER / OIL – Correlation Analysis.

Copper & Oil has been moving higher with China Markets



FXI – (SHANGHAI) / PEC-D / Ratio Analysis. – **Bullish - ST Caution @ 43**

- **Texture - BULLISH TOP & BULLISH BOTTOM**

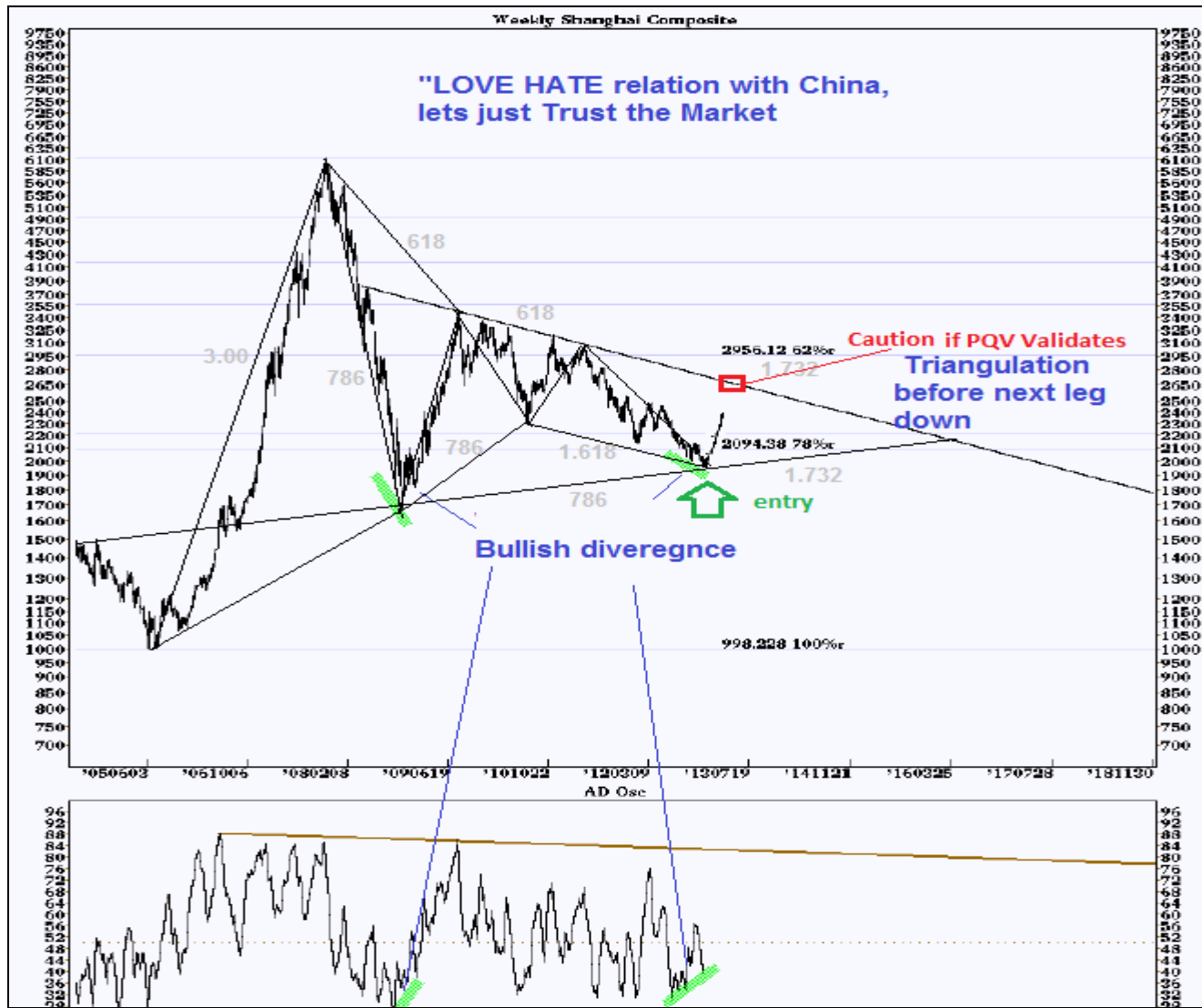
UPSIDE – CZ 42-43, 2ND ABC up @ 43 - Bullish top

DOWNSIDE - CZ 38.25-39.25. – 6 month was strong **BASE BUILDING** with PQV Validation



\$SSEC (SHANGHAI) / PEC-D / Ratio Analysis. – Bigger picture

Upside - Target 2800 - Larger PEC-D pattern validation Would raise Cautionary flag if PQV Fails (Notes in the chart).



NIKK (JAPAN) v/s YEN – Correlation Analysis.

NIKK Inverse correlation continues with YEN. (Refer chart below)

2005,- NIKK rallied 60% v/s YEN drop 20%

2012,- NIKK rallied 25% v/s YEN drop 14% - *We think more to come in next 18 months*



NIKKE (JAPAN)– CZ / PEC-D / Ratio Analysis – **Bullish – ST Caution @ 10900**

- -Texture - **BULLISH TOP & BULLISH BOTTOM**

UPSIDE – CZ 10900-10800 Bullish top met & extended with ISLAND TOP, (exited ½)

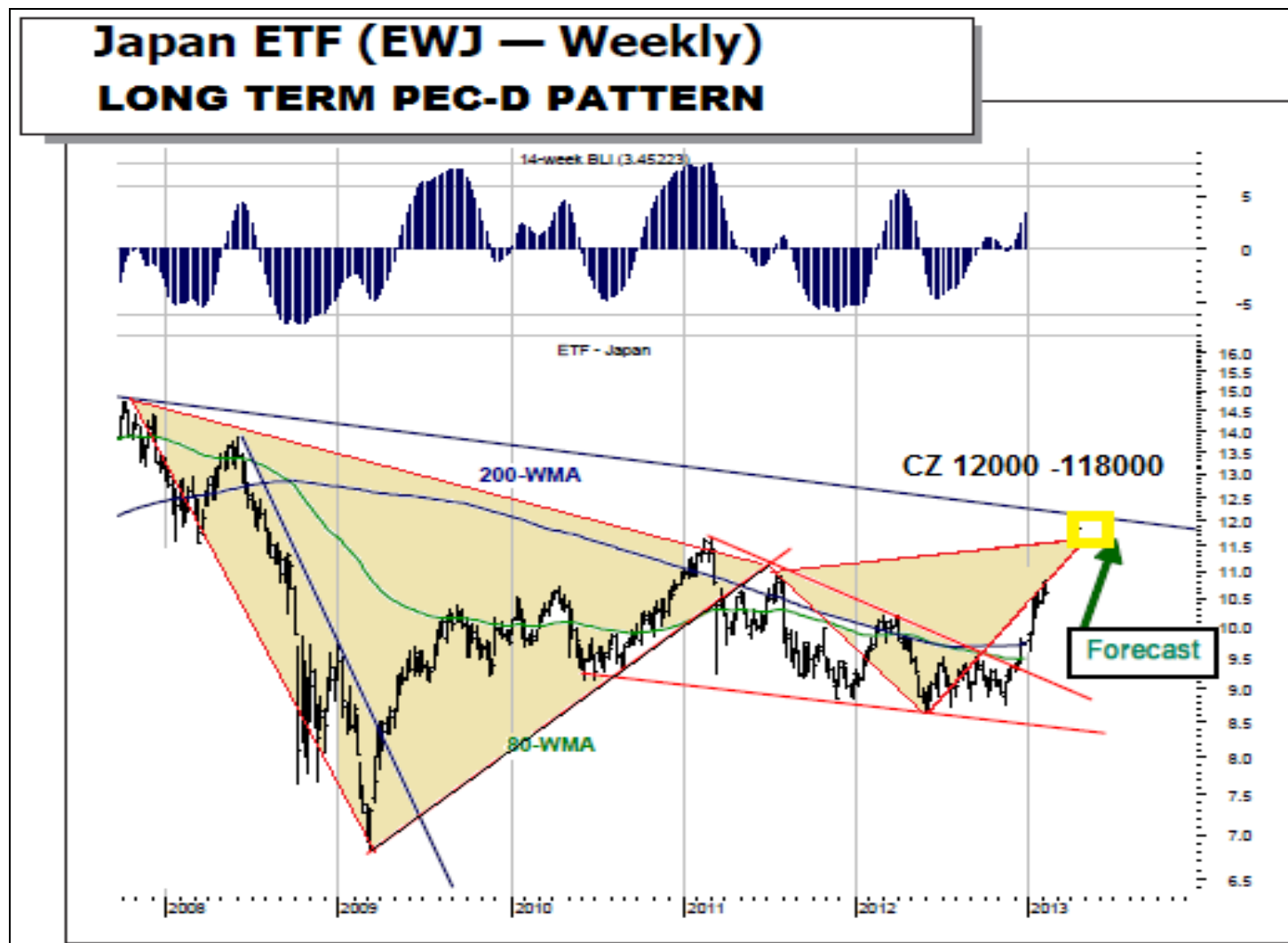
CRITICAL POINT - This PEC-D –Expansion is very hard to form with ISLAND TOP suggests , the pullback should be larger.

DOWNSIDE - CZ 10400-10100, new floor ,



\$NIKK (JAPAN) / PEC-D / Ratio Analysis. – Bigger picture

Upside - *Target CZ 12000-11800 – Larger PEC-D pattern validation* Would raise Cautionary flag if PQV Fails (Notes in the chart).



EWJ (JAPAN)– CZ / PEC-D / Ratio Analysis – **Bullish - ST Caution @ 9.90**

- **-Texture - BULLISH TOP & BULLISH BOTTOM**

NEAR UPSIDE – CZ 10.00-9.85, Bullish top, remain long (exited ½)

MID TERM UPSIDE – CZ 10.80-10.60 - Larger PEC-D pattern validation Would raise Cautionary flag if PQV Fails

DOWNSIDE - CZ 9.55-9.40, - 6 month was strong BASE BUILDING with PQV Validation



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

- Texture – NEUTRAL TOP & NEUTRAL BOTTOM (UNDERWEIGHT OR FLAT)

UPSIDE – CZ 44.40-43.30 – *Met exact with Neutral Top , Residual strength pending*

DOWNSIDE – *Follow SPX*



CHART 1- BSE (Mumbai) v/s SPX – ROC - Corr - MID TERM - *Caution*

- Texture – BEARISH TOP & NEUTRAL BOTTOM

BSE , As projected BSE , rallied towards our Projected target CZ 20050-19650 (SPX – POM 14 @ 19800) from well tested CZ 18350 -18100 (SPX – POM 13 @ 18500) . A good 1600 points rally from our signal . Pull back to be along with SPX , COR @ 0.8 levels (Refer notes within the charts)

Any Indian Political issues can mess up the price path .



CHART 2- BSE (Mumbai) v/s SPX – ROC - Corr – NEAR TERM - **Caution**

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

UPSIDE - Spike up to 20220 is possible due to residual energy based on Short term WAVE 1-3-5 & PEC-D, but BSE is beginning to show internal weakness with **Bearish Top**, Be **CAUTIOUS**. It would not be “New ABC up” as Price projections are met with PQV Invalidation.

DOWNSIDE – CZ 19250-19000-, This is Price contraction target, This CZ has highest imbalance on last leg up



Note – This Analysis in BSE is “**STRICTLY**” with respect to SPX & POM . pinpoints the Tops and bottom. NOTE - POM 's of SPX are better actionable points. All other points CZ (noted) are moves within the move for Risk Management. Actionable point by this methodology is at SPX @ POM 14

.EWZ (BRAZIL) - CZ / PEC-D / Ratio Analysis - Neutral – Bullish bias

- Texture – NEUTRAL TOP & NEUTRAL BOTTOM (UNDERWEIGHT OR FLAT)

UPSIDE – CZ 57-55.50 – *Met exact with Neutral Top , Residual strength pending*

DOWNSIDE – *Follow SPX*



EEM (EMERG) - NEUTRAL -

EEM- Triggered **POM 14, CAUTION** within **CZ 44.50-43.50**, on 12/26, & 1/04 , This signal completed **POM 13** on 10/15, **NET LONG** within **CZ 41.5-40**, We advice to Rebalance and maintain Underweight .

within **CZ 81.5-79** All subsequent commentary refers to CZ to CZ moves are for Risk Management.

EWZ (BRAZIL) - NEUTRAL -

EWZ- Triggered **POM 14, CAUTION** within **CZ 57-55.50**, on 12/26, & 1/04 , This signal completed **POM 13** on 10/15, **NET LONG** within **CZ 53.5-51.5**, We advice to Rebalance and maintain Underweight

All subsequent commentary refers to CZ to CZ moves are for Risk Management.

FXI – (\$ SSEC SHANGHAI) – BULLISH

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) – BULLISH

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) - CAUTION

FTSE Triggered **POM 14, CAUTION** within **CZ 6100-5950**, on 12/26, & 1/04 , This signal completed **POM 13 @ 5300** on 5/21 **Net Long** within **CZ 5300-5400**. We advice to Rebalance and maintain Underweight .

subsequent. commentary refers to CZ to CZ moves are for Risk Management / rebalancing overweight positions

Appendix Content

- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure
- 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.*
 - *Externe Indicator Analysis*

Critical backdrop Notes –

- *Price path Analysis is running commentary of the Market’s price behavior , Not a Trade Signal.*
- *Intermittent CZ’s are Short time out / Risk management for overweight position / rebalancing spots. Unless your own Portfolio objective demands.*
- *POM’s are Action points. Also at times Action points is at Main CZ’s when specifically announced Triggers.*
- *Model does not encourage Buying in between unless its false break upside or false break downside soon after POM / Main CZ Trigger and is specifically announced . Model stays with Trend POM to POM Signal.*

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. .

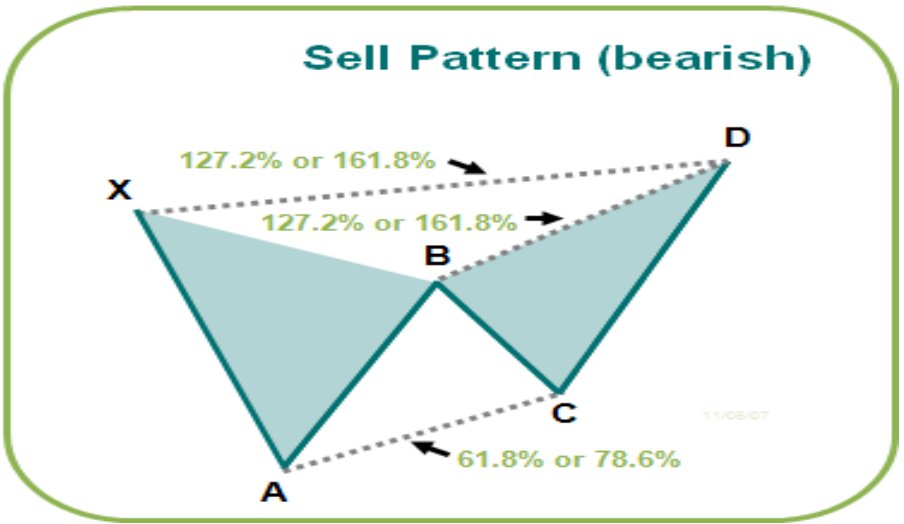
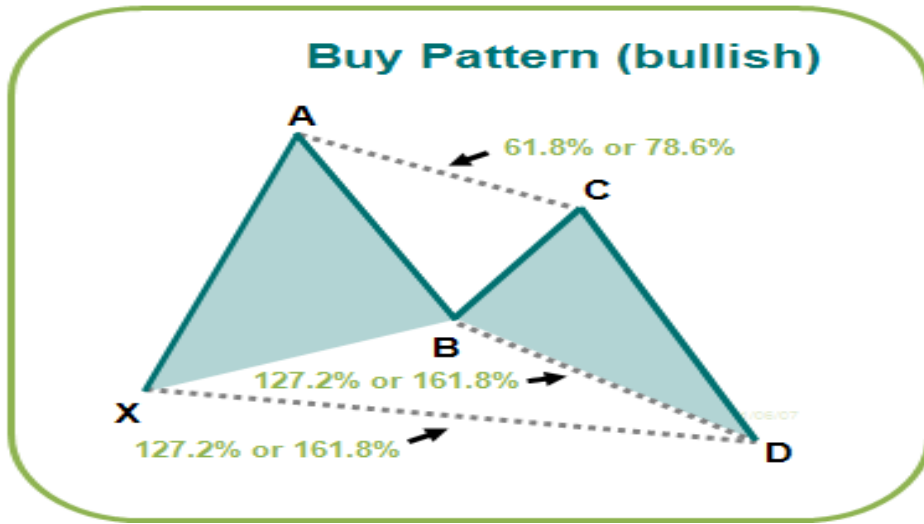
The Neutral Top IDX's are in CONSOLIDATION , with Force equally balanced. Upon building cause it should be resolved in direction of “ New pick up in force in one direction” to decide the Trajectory of Path.

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



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