## SG Capital Research
### Global Market Insights
*Chart System*

**Date : 21st Nov 2013 ( Thursday)**

# GLOBAL INDICES REPORT (Strategy & Prop Tech)

By : Suneil R. Pavse, E : apavse@aol.com

## ● Executive Summary -

| | Current Price | POM Triggered within CZ & Date | Follow up Alert Update For ST Trend Reversal & RM | Progress Status | Existing Position /Exposure | NEW ACTION ( Trigger to Watch) | Upside CZ Near Term | Upside CZ Mid term | Downside CZ Near term | Downside CZ Mid term | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EEM (EMRG)** | 41.79 | POM 15 ( SPX ) *Triggered 7/24* | NONE | NEUTRAL pull back in Progress | CASH | NONE | CZ 43.5-43 Failed | CZ 46-45 Neutral Top | CZ 41-40.5 Should hold on pull back **Best Risk / Reward for Net long** | CZ 36-35 Bearish Bottom | No Signal |
| **EWZ (BRZL)** | 47.60 | POM 15 ( SPX ) *Triggered 7/24* | NONE | NEUTRAL pull back in Progress | CASH | NONE | PEC-D 48 CZ 47-48 Failed | CZ 53-52 Neutral Top | Target to PEC-D 44.5 Should hold on pull back **Best Risk / Reward for Net long** | CZ 41.5-40.5 Neutral bottom | No Signal |
| **FXI ( CHINA)** Pre announcement | 39.57 | Main CZ @ 33.57 *Triggered 9/26/ 2012 Is intact* | *@ 37.92 Closed Net Long* On 11/04 For 15% Profit -RM | NEUTRAL Bullish bias | CASH | Initiate Net Long Within CZ 38.5-38 | Target CZ 42.5-41.5 CZ 2375-2350 *Bullish Top remains.* | *$ SSEC- Target to* CZ 2375-2350 *Bullish Top remains.* | CZ 38.5-38 For re test Validated Bullish bottom | ABC down To 35 Negated | 3 – Gap Play With Bullish breakout |

| | Current Price | POM Triggered within CZ & Date | Follow up Alert Update For ST Trend Reversal | Progress Status | Existing Position / Exposure | NEW ACTION ( Trigger to Watch) | Upside CZ Near Term | Upside CZ Mid term | Downside CZ Near term | Downside CZ  Mid  term | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **$NIKK (JAPAN)** **Or DXJ** | 15300 | Main CZ @ 8500 . *Triggered 10/10/ 2012 Is intact* | CZ 12500-12100 On 5/21 **Secondary** For Net Long entry ( floor) | BULLISH | Net Long | NONE | Target CZ 15600-15900 PEC-D 15800 Bullish Top | ABC up to 17000 intact | PEC-D 14200 Met with Bullish bottom | CZ 13600-13400 Higher high Bullish bottom | *Core position up 77%* |
| **EWJ COR - (JAPAN)** | 12.12 | Main CZ @ 9.05 . *Triggered 10/10/ 2012 Is intact* | CZ 8.95-9.15 On 5/21 **Secondary** For Net Long entry | BULLISH | Net Long | NONE | Target PEC-D 12.75 CZ 12.50-12.40 Bullish Top | CZ -13.70-13.40 intact | CZ 11.50-11.25 Met with Bullish bottom | CZ -10.60-10.80 Higher high Bullish bottom  floor | |

## SPX – Update

Market pulled back past 3days from 1800 to 1780 current levels  towards the first pull back PEC-D 1780 - CZ  1775- 1780 as indicated on Monday's MS Report ( Price path – SPX Chart # 2) .

 We may get little bit lower but Seasonal  going into Thanksgiving  is positive.  The pull back could complete by Friday / Monday as  market gears up for another wave to the upside towards its Momentum Thrust Target towards  PEC-D 1820 , perhaps could fall slightly short

 If this next  rally continues to see breadth narrowing down, it would be inline with historic market tops. Breadth would continue to narrow as Traders move into the liquid blue chip market. This will be seen as the blue chips DOW continue to form new highs even as the Russell Small cap  underperform.  Bearish Instruments indicated in our US Broader Indices are best choices.

 Even if we have seen a top of significance, the best place to sell it short ( For Bears) comes after the first rebound rally fails to break above the old high. We have refrained from getting squeezed.  We would not want to count our Momentum Thrust without Secondary failure on counter trend rally .

Based on internals, Signs of a short term top continues  **BUT**  downside volume is **NOT**  picking up on decline although the Upside volume has been fading consistently .


**Precaution** - Close under 1735 , this week and this month should negate Momentum Thrust

# SIGNALS.  -  Price Projection CZ , Trading / Investment  Conclusion

## Global Indices Overview

- **BULLISH   -**    **EWJ ( Nikk )**

- **NEUTRAL -**    **EWZ , EEM, FXI (China)**  - **Bullish Bias**

- **BEARISH -**   **None**

- **China ( $ SSEC / FXI)**

China pulled  back  as expected after we  exited  our position **for 15%  profit** @ 37.90  and soon after at 36 ,  the renewed policy announcement  from Govt  send the Market higher  Bullishly into 3 Gap play pattern . It negated our Neutral call to Bullish .  3rd Gap is still  pending completion.

Any Pull back to CZ 38.5-38   should give opportunity to reenter ( Trigger to watch for entry) . The next run is  ABC up to 42. On Core Index  $SSEC – the Bullish Top is at PEC- D @ 2390, CZ 2350 -2375  ,

- **Japan ( NIKKE / EWJ)**

NIKK  is in strong uptrend in Bull Market . The  +VTO for next leg up towards Bullish Top continues .  NIKKE Core position entry is **up 77%**  is intact.   We have successfully  taken 3- round Trips on  ½ Trading positions

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

We have **No Position** .  ( Neutral ) .  At  current levels , there is   no favorable Risk / Reward.

## • YTD – Global Indices performance v/s SPX

**Weakest and strongest Indices for PAIR TRADES –** **( Notes within chart below- QE- Impacting various Markets)**

**2013 - Strength / weakness in these market . Chart below is our Inter market Analysis Model with Ratio Relative performance v/s SPX.**
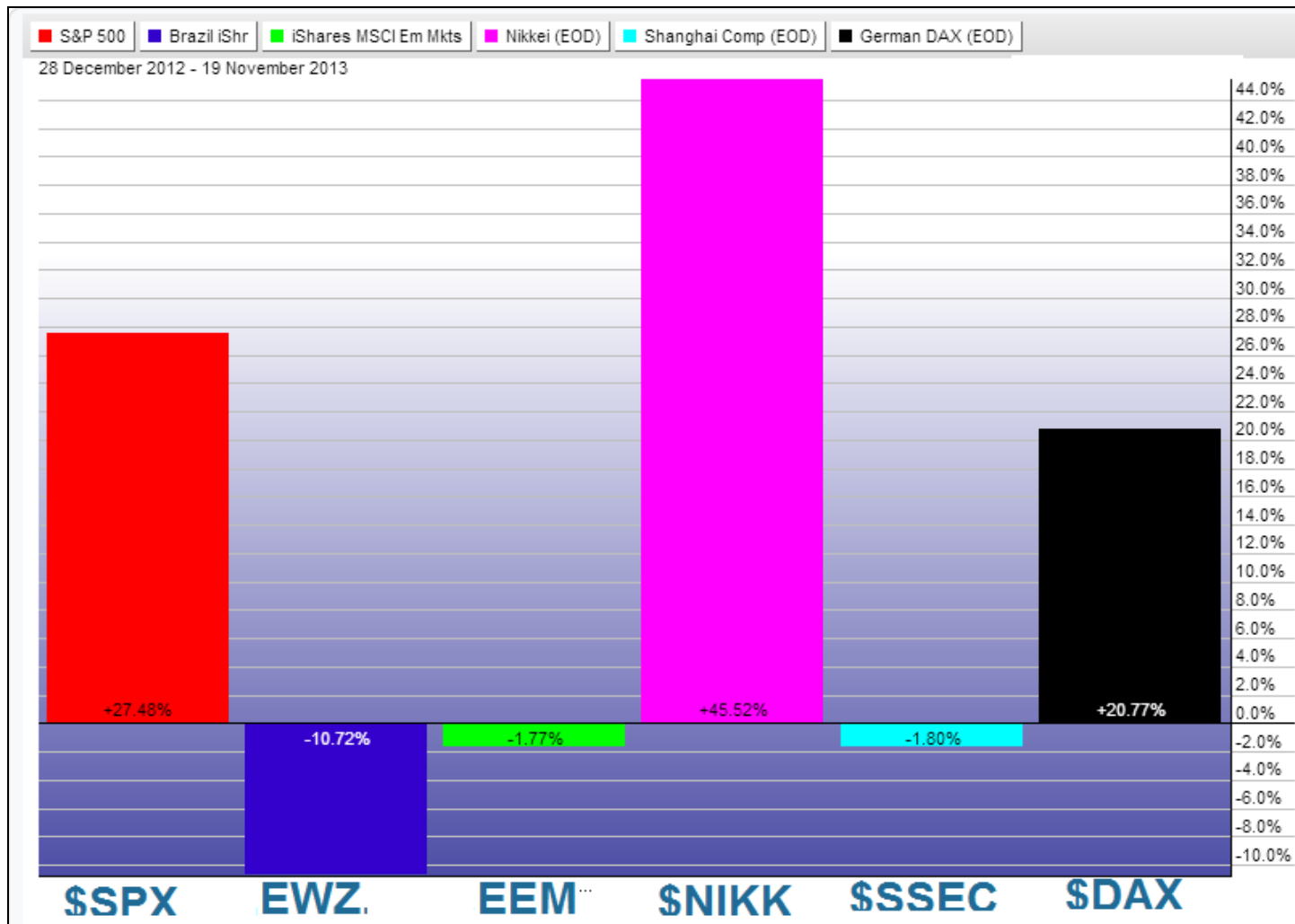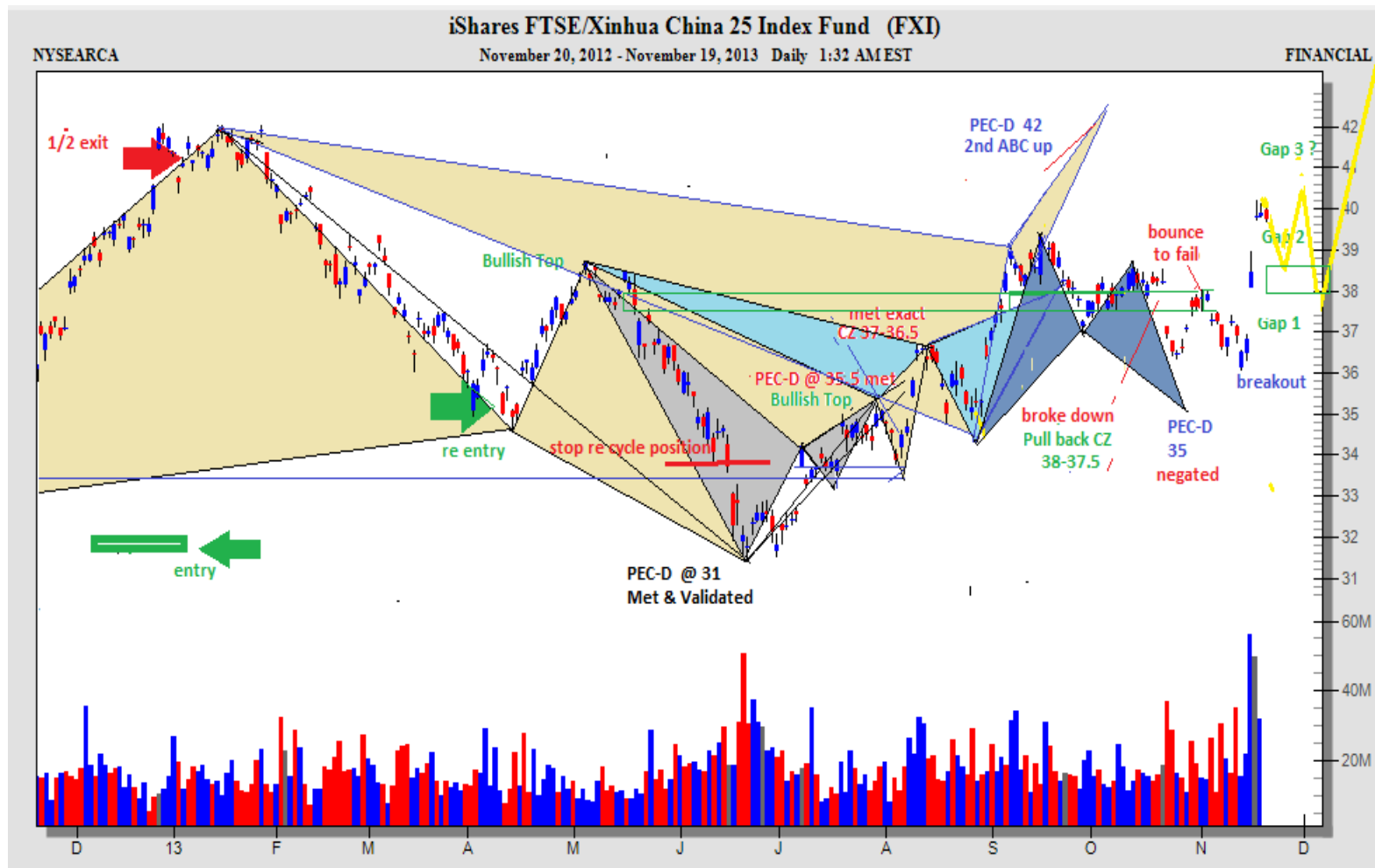
# FXI – ( SHANGHAI)  / PEC-D / Ratio  Analysis.  – Neutral  with Bullish bias

- **Texture -  Neutral Top  & BULLISH BOTTOM**

**UPSIDE** – ABC up PEC-D @ 42.  Broke out to 3- Gap Play pattern  . 3rd Gap completion  pending

**DOWNSIDE** –  Pull back to CZ 38.5-38 for re test   - Trigger to Watch – entry Net long within CZ

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

**1ST UPSIDE** – PEC- D @ 2390, CZ 2350 -2375, - Bullish top . pattern validation is intact . This may take time

**DOWNSIDE** – Pull back to PEC-D 2050 – HELD . It Rejected lows 1950-2000 Bullishly.

# NIKKE ( JAPAN)– CZ / PEC-D / Ratio Analysis – Weekly Bigger picture

- -Texture - BULLISH TOP & BULLISH BOTTOM

**Upside -** Target to – PEC-D 15800 ( CZ 15600-15900) – Bullish Top . **Larger ABC at - 17000,**

**Downside –** C PEC-D 14200 Met Bullishly . CZ 13600-13400 - Bullish Bottom . .

# NIKKE V/S YEN Analysis

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

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

**Upside -** Target PEC-D 12.75- to CZ 12.5-12.40 Bullish Top . **Larger ABC at - 13.40-13.70,**

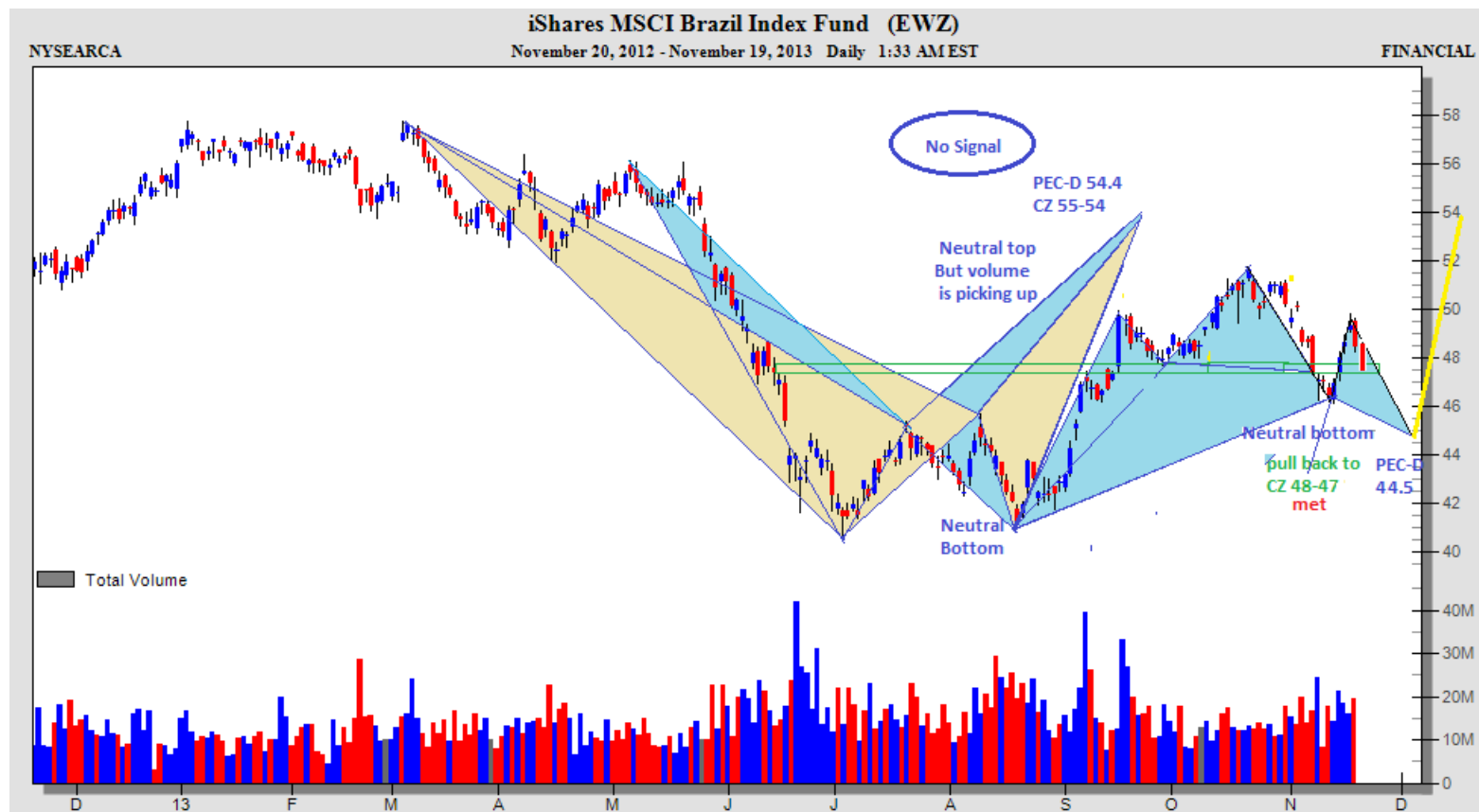**Downside –** Pull back to CZ 11.50-11.25- HELD Bullish Bottom. - ( 10.60-10.80) is the Floor.
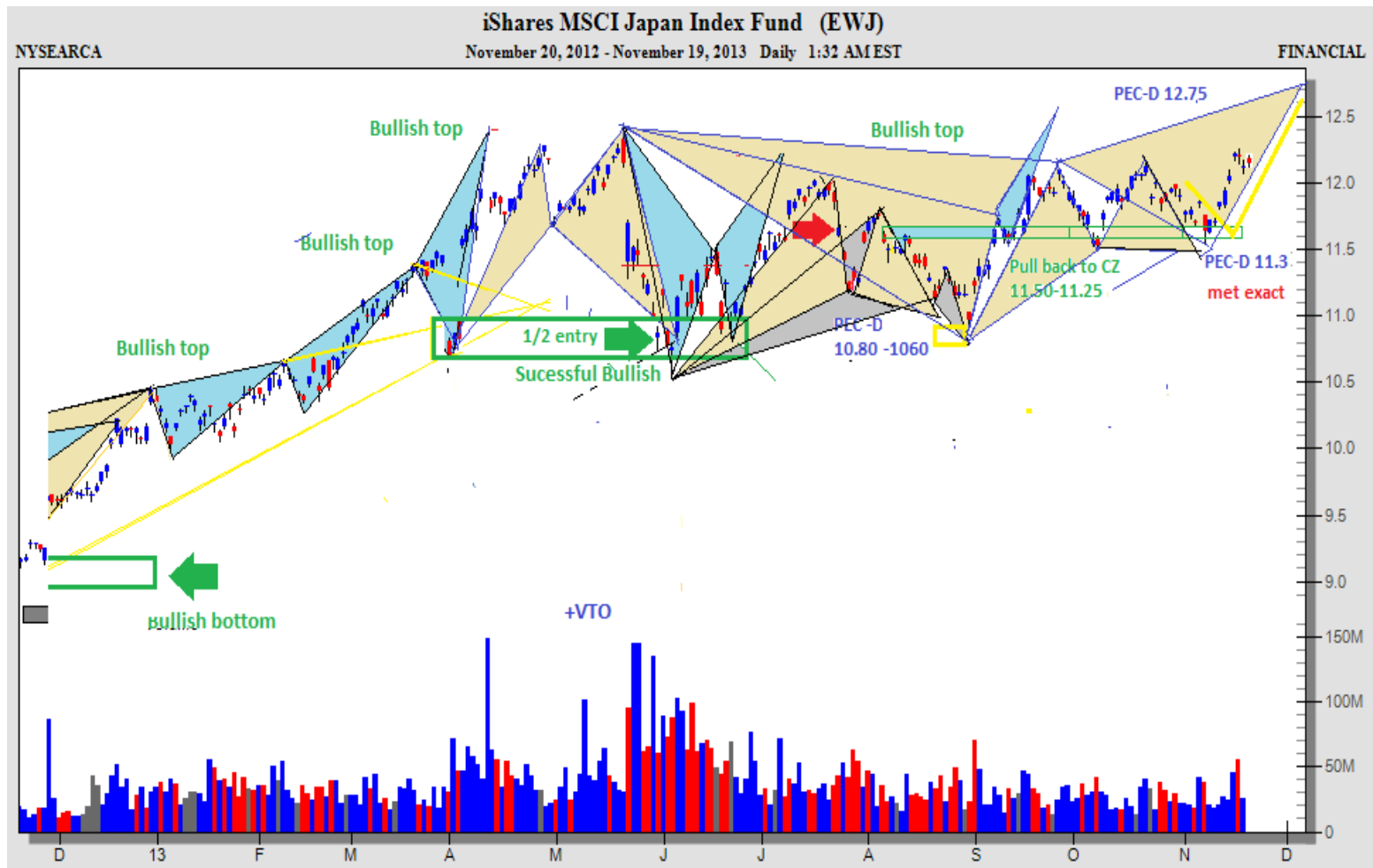
# EWZ (BRAZIL) - CZ / PEC-D / Ratio Analysis - Neutral

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

At current levels No Signal / No Risk Reward .

**DOWNSIDE** –- PEC-D 44.5 should hold. – Best Risk / Reward for Net Long .

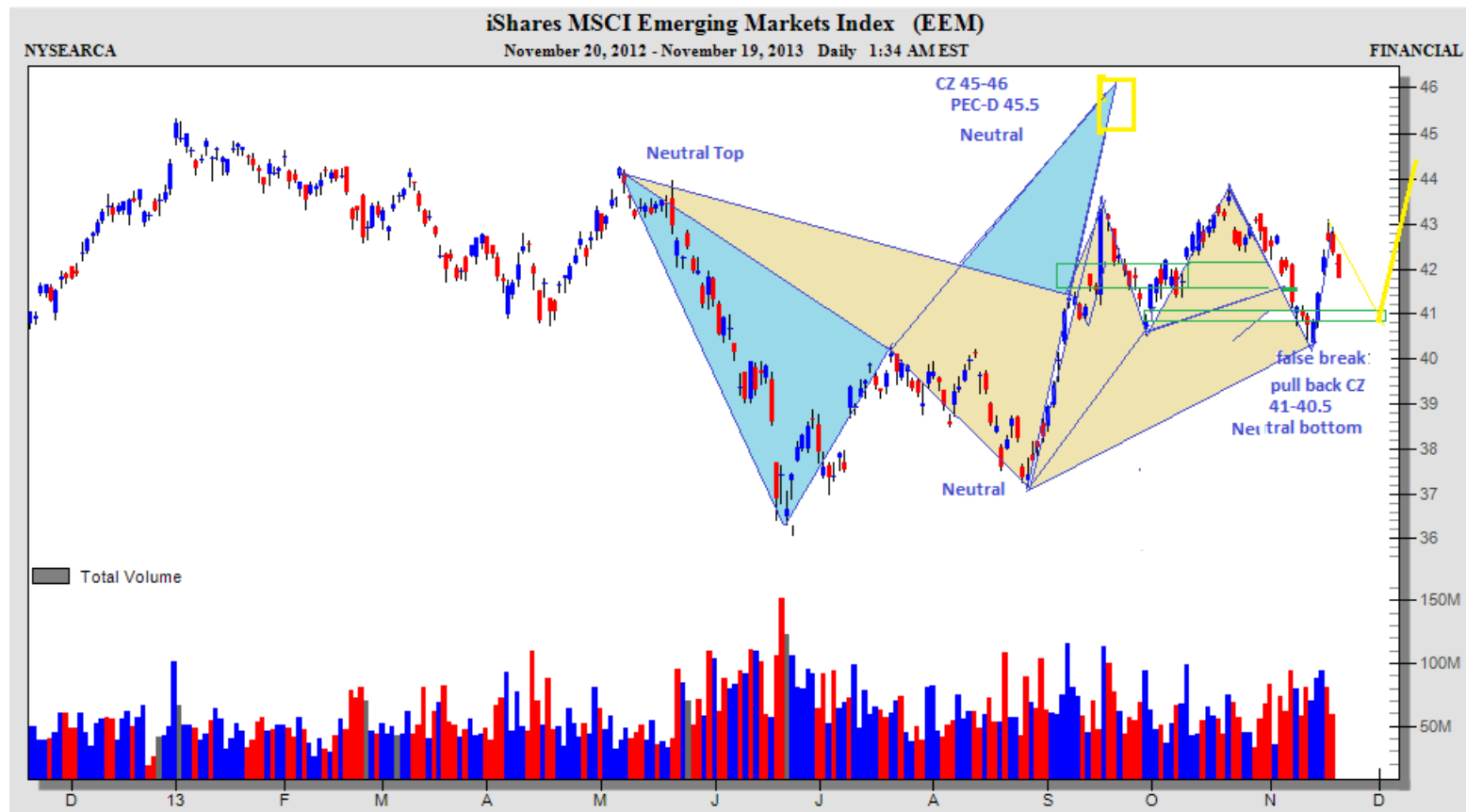**UPSIDE** – –- ABC to PEC-D 53 within CZ 53-52.

# EEM  (EMMEG) – CZ / PEC-D / Ratio  Analysis –  Daily –  Neutral

- **Texture – Neutral Top  &  NEUTRAL BOTTOM**

At current levels No Signal  / No Risk Reward .

**DOWNSIDE** –  CZ 41-40.5  – should hold  .   Best Risk / Reward for Net Long .

**UPSIDE** – –-  ABC to  PEC-D  45  within CZ 45-46..

# 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*

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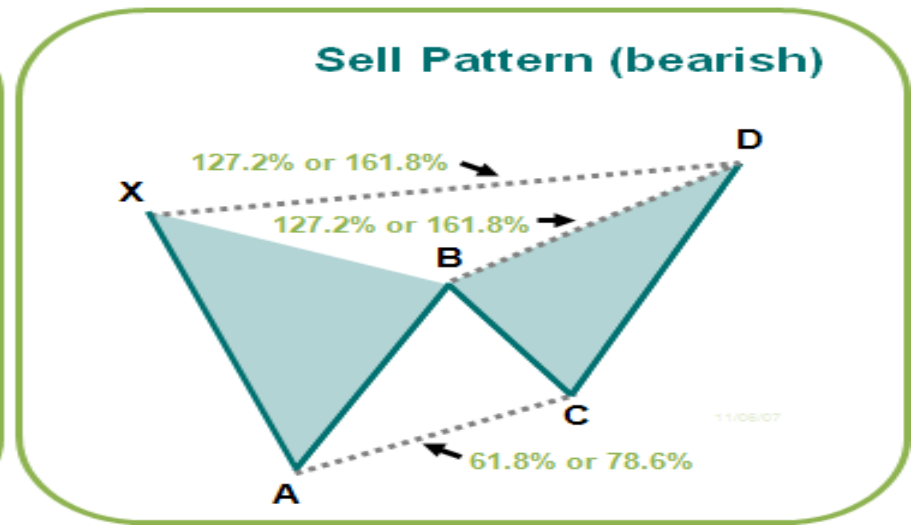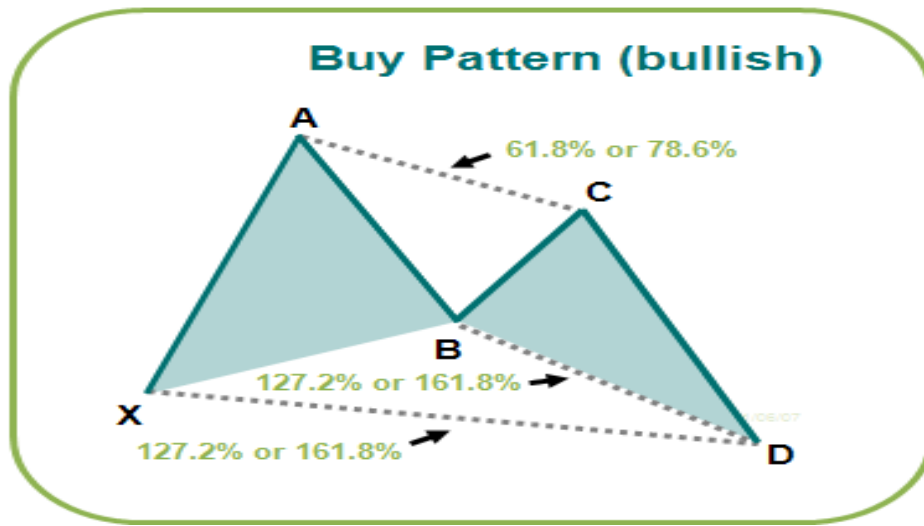
*The Neutral Top IDX's  are in CONSOLIDATION , with Force equally balanced. Upon building cause  it  should be resolved in direction of " New pick up in force in one direction" to decide the Trajectory of Path.*

## Pythagoras Expansion / Contraction — (PEC) Model

- PEC Model is a 2$^{th}$ 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%