



Date : 1ST Feb 2013 (**Friday**).

SECTOR REPORT (Strategy & Prop Tech)

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● Executive Summary

	Current Price	Trigger POM or CZ & Date	Triggered Within CZ & Date	Progress Status	Current Position	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
XLV (HLT CARE)	42.91	POM 13 On 5/21 @ 35.25 Is In tact	Secondary Re entry CZ 40.75-41	BULLISH	Net Long	NONE	CZ 42.5-42 Met Bullishly	To follow SPX in Bullish way Till POM 15	CZ 41-41.75		On Bullish Sectors - POM 15, Triggers ST Cautionary signal
XHB (HM BLDR)	28.82	POM 13 On 5/21 @19.5 Is In tact	Secondary Re entry CZ 19-20	BULLISH	Net Long	NONE	CZ 29-28.5 Approaching Bullishly	Ditto	CZ 26.25-27.25		Ditto
XLP (CONS STPL)	36.87	POM 13 On 5/21 @ 33.25 Is In tact	Secondary Re entry CZ - 36-36.5	BULLISH	Net Long	NONE	CZ - 36.5 - 36.25 Met Bullishly	Ditto	CZ 35.25-35.75		Ditto

Continued

PAIR TRADE – (Long XME / Short XLE)- Delta Neutral

	Current Price	Trigger 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
XLE (ENERGY)	77.35	POM 14	CZ 78.5-76.5 On 1/25	BEARISH	Net Short	Initiated to Scale in CZ 78.50 - 76.50- Pair Trade with XME	CZ 78.5-76.50- Bearish top , Triggered		CZ 73-72,		Both Legs (XLE & XME) to be opened & closed simultaneously To Maintain Delta Neutral
XME (METAL & MININGS)	43.87	NONE POM 13 CORR with GDx 05/15	CZ 43-45 On 1/25	BULLISH	Net Long	Initiated to Scale in CZ CZ 43.2-44.2 Pair Trade with XLE	CZ 48-47,		CZ 44.2-43.2 Approached		Ditto

XME (Metal & Mining) - Has been “underperformer” past 12 months v/s SPY & XLE Ratio.

XME Should be validated for BULLISH Building base & then rally . It is good candidate for Long paired with XLE – Short.

GDx – Precious Metal Mining Index is at POM 13 – Net long

PS – Under severe Market correction XME could go down but relative the XLE it should outperform.

Continued

	Current Price	Trigger POM or CZ & Date	Triggered Within CZ & Date	Progress Status	Current Position	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
XLF (FINN)	17.38	POM 14 On 12/26 ½ @ 16.40	CZ 16.40-16.88 ½ @ 16.88 <u>Alerted</u> On 1/04 @ Market open -	CAUTION	RAISED CASH on Nov lows Positions entry	NONE	CZ 17.25-16.90 MET & Neutral top	To follow SPX rally In <u>Bearish way</u> Till POM 15	CZ16.25-16.50		Under- Wt once reaches our upside target if one is Long
XLI (INDUST)	40.08	POM 14 On 12/26 @ 37.93	CZ 37.93-38.93, On 1/04	BEARISH	NONE	NONE	CZ 39.50-39 MET & exceeded Bearish Top	Ditto	CZ 38.25-38.75		
XLB (MATRL)	39.02	POM 14 On 12/26 @ 37.42	CZ 37.42-38.67 On 1/04	NEUTRAL	NONE	NONE		Ditto			MIX SIGNAL No clear picture (Refer chart below)
XLK (TECH) QQQ - Proxy		POM 14 On 12/26	QQQ- CZ - On 1/16	BEARISH	Short (to Hedge long position)	QQQ On MS - Report	Target met with Bearish Top				QQQ is good Instrument to Hedge against existing Long XLV, XLP, XHB

SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

Sectors

- **BULLISH INDICES** - **XLV, XLP, XHB, XME**
- **BEARISH INDICES**- **XLE, XLI, XLK (QQQ – Proxy) .**
- **NEUTRAL INDICES** - **XLF** - **CAUTION** , **XLB** is mix picture

Sector Overview

We Maintain our Net long Position in Bullish Sectors (as re iterated during our POM 14 Trigger note Alert). These Sectors tends to Build new ABC up's till reaches POM 15.

XLV , XLP, XHB , XLF - the **BULLISH** Indices . During the recent Rally from POM 13 to POM 14 , have Outperformed very profitably **since our entry. We remain long except (XLF exited @ POM 14)**

XLB,XLF - We Remains **NEUTRAL** with residual strength **still active.**

At current levels , there is no favorable Risk / Reward till we get meaningful pull back for adding any Long positions . These are **NOT** Short Candidates and should top out once SPX reaches POM 15. . **XLB** – is giving a MIX Picture

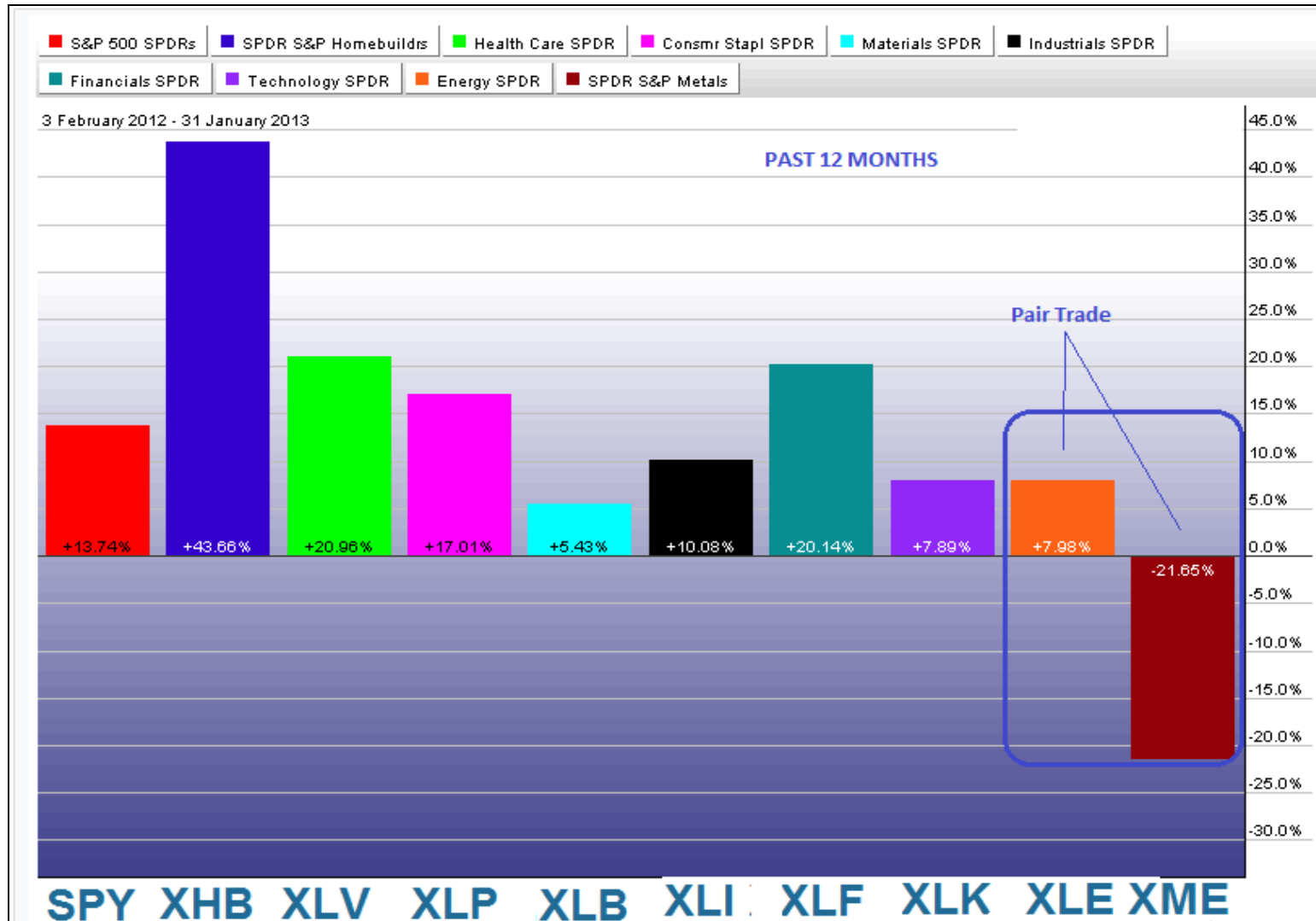
XLE, XLI, XLK(QQQ) - Are setting up **BEARISHLY**. **BEARISH** Indices **XLK (QQQ)** underperformed SPX grossly in this rally as we had pre-warned.

QQQ(XLK) & XLE Validated for Short position as an Suitable Hedge against existing long ,(Not a POM 15 - NET SHORT, yet). Any further rally in SPX towards POM 15, QQQ should lag in rally. **ALERT** - Special Report Announcement on 1 /15 on QQQ & 1/25 on XLE

YTD - SECTOR Performance v/s SPX

For Pair – Weakest and strongest Indices –

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



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

XLY (DISCR) / XLP (STPL) Ratio Indicator – This Indicator has moved **above 1.36**. This is the area where SPX tends to be in POM 15 area. The **OBV** of the XLY /XLP Ratio is diverging negatively suggest the Risks / On” is still at play.. **(NO TRIGGER)**



DEFENSIVE LEADERSHIP... measures the relative performance XLY /XLP market sectors compared to the SPX. It's usually a Caution sign for the market when XLY is out -performing XLP .

XHB (HOME BULDERS) - CZ – PEC-D / Ratio Analysis - **BULLISH**

- **-Texture - BULLISH TOP & BULLISH BOTTOM - Initial Trigger at POM 13 at 19.5 on 5/21 still remains.**

UPSIDE – CZ 29-28.5. Approaching with Bullish Top, remain long till POM 15

DOWNSIDE- CZ -26.25 - 27.25

XHB has been strongest with +ve divergence & Money flow accumulation. We have remained Net long this Sector since ALERTED - March 17th, as beginning of New Bull Market on Long term PQV Validation.



XLV (HEALTH)- CZ – PEC-D / Ratio Analysis - **BULLISH**

- **Texture - BULLISH TOP & Bullish Bottom . - Initial Trigger at POM 13 at 35.5 on 5/21**

UPSIDE – CZ 42.5-42 . MET with Bullish Top, remain long till POM 15

DOWNSIDE- CZ 41-41.75

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XLP (CONSUMER) - CZ – PEC-D / Ratio Analysis - **BULLISH**

- **-Texture - BULLISH TOP & BULLISH BOTTOM - Initial Trigger at POM 13 at 35.25 on 5/21**

UPSIDE – CZ 36.50-36.25 . MET with Bullish Top, remain long till POM 15

DOWNSIDE- CZ 35.25-35.75



XME – CZ – PEC-D Analysis - DAILY - **Bullish – Pair with XLE**

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

Downside - CZ 43.2- 44.22, with +ve VTO , for PQV Validation test



XLE - CZ - PEC-D / Ratio Analysis - **BEARISH** - **Pair with XME**

- Texture - **BEARISH TOP & BEARISH TOP**

UPSIDE - Bearish Top, CZ 78.5-76.5, **PQV Triggered**.



XLF (FINNACIAL) - CZ-PEC-D / Ratio Analysis - **NEUTRAL - CAUTIOUS**

Texture - NEUTRAL TOP & NEUTRAL BOTTOM -

UPSIDE - CZ 17.25-16.90- Met, XLF Should top out at POM 15 - SPX

DOWNSIDE- CZ 16.25 -16.50



XLI (INDUSTRIAL) - CZ-PEC-D / Ratio Analysis - **BEARISH**

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

UPSIDE – CZ 39.50 -39- Met & Exceeded Bearish Top

DOWNSIDE- CZ 38.25-38.75



XLB (MATERIALS) - CZ-PEC-D / Ratio Analysis - *NEUTRAL - MIX SIGNAL*

- -Texture - NEUTRAL TOP & NEUTRAL BOTTOM

UPSIDE - Neutral Top *BUT May turn Bullish, with +ve VTO* - *Mixed signal not clear if breakout or fake out*



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*

40- INDICES SUMMARY

GR1 (16) Coverage in A #1, A# 2 (B, G) MS	GR2 (14) Coverage in D # SECTOR	GR3 (10) Coverage in C # COMMODITY
<p><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><u>BOND IDX (A # 2B)</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). • JNK (Junk) <p><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><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) • SMH (Sem.) • BBH (Biotech) • IYR (Real Estate) <p>Highlighted above are covered in Today's Report</p>	<p><u>COMMODITY IDX (C #)</u></p> <ul style="list-style-type: none"> • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDV (Miners) • USO (Oil) • JJC (Copper) • DBA (Agro) • DBB (Base metal) • UNG (Natural Gas)

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

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