



Date : 23th Feb 2013 (*Saturday*)

SECTOR REPORT (Strategy & Prop Tech)

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

● 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)	43.39	POM 13 On 5/21 @ 35.25 Is In tact	Secondary Re entry CZ 38.75-39.25	BULLISH	Net Long	NONE	CZ 42.5-42 Met with Bullish top	To follow SPX in <u>Bullish way</u> Till POM 15	CZ 41.25-41.75		<u>On Bullish Sectors</u> - POM 15, Triggers ST Cautionary signal
XHB (HM BLDR)	27.94	POM 13 On 5/21 @19.5 Is In tact	Secondary Re entry CZ 25-25.5	BULLISH ST CAUTION	Net Long	NONE	CZ 29-28.5 Met exact with Bullish top	Ditto	CZ 26.25-27.25		Ditto
XLP (CONS STPL)	38.26	POM 13 On 5/21 @ 33.25 Is In tact	Secondary Re entry CZ - 34.75-34	BULLISH	Net Long	NONE	CZ - 36.5 - 36.25 Met & <u>exceeded</u> Bullishly to <u>New ABC up</u>	Ditto	CZ 37-36.5		Ditto

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	Down side CZ Mid term	Remark
XLB (MATRL) Pre - Announcement	38.23	POM 14 In SPX	CZ 38.67-37.42 On 1/04	NEUTRAL turned BEARISH	NONE	Initiate to "Scale in" within CZ 38.50-39.25	Met with Bearish Top	To follow SPX rally In Bearish way Till POM 15	ABC down		Breakaway Bearish reversal down
XLF (FINN)	17.74	POM 14 On 12/26 Exited at avg. 16.64	CZ 16.88-16.40 Alerted @ 16.88 on On 1/04	CAUTION	CASH	NONE	CZ 17.25-16.90 MET & extended with Neutral top	Ditto	CZ16.50-16.25		Exited for 9% profit. (15.40 to 16.88) In current rally
XLI (INDUST)	40.85	POM 14 In SPX	CZ 38.93-37.93, On 1/04	BEARISH	NONE	NONE	CZ 39.50-39 MET & exceeded Bearish Top	Ditto	ABC down CZ 38.25-38.75		key Bearish reversal down
XLK (TECH) QQQ - Proxy		POM 14 In SPX	QQQ- CZ - On 1/16	BEARISH	Net Short (to Hedge long position)	Refer QQQ On MS - Report	Target met with Bearish Top	Ditto			QQQ is good Instrument to Hedge against existing Long XLV, XLP, XHB

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

	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
XLE (ENERGY)	77.97	POM 14	CZ 78.5-76.5 On 1/25	BEARISH	Net Short	NONE	CZ 78.5-76.50- Bearish top Triggered		ABC down CZ 73-72,		Both Legs (XLE & XME) To Maintain Delta Neutral
XME (METAL & MININGS)	41.47	NONE	CZ 43-45 On 1/25 (FAILED)	BULLISH turned NEUTRAL	Net Long Pair Trade with Short XLE	NONE	CZ 44.2-43.2	CZ 48-47 Bullish top	CZ 44.2-43.2 (FAILED)	CZ 41-40	XME should be stuck in trading range between 44-40

XME (Metal & Mining) -

- XME Has been “underperformer” past 12 months v/s SPY & XLE- Ratio.
- XME - Under Market Liquidation Sell off, along with GDX

SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

Sectors

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

Sector Overview

XLV, XLP, XHB - We Maintain our Net long Position in Bullish Sectors .

XLF - We Remains **NEUTRAL** with residual strength still active But **CAUTION** .

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. \

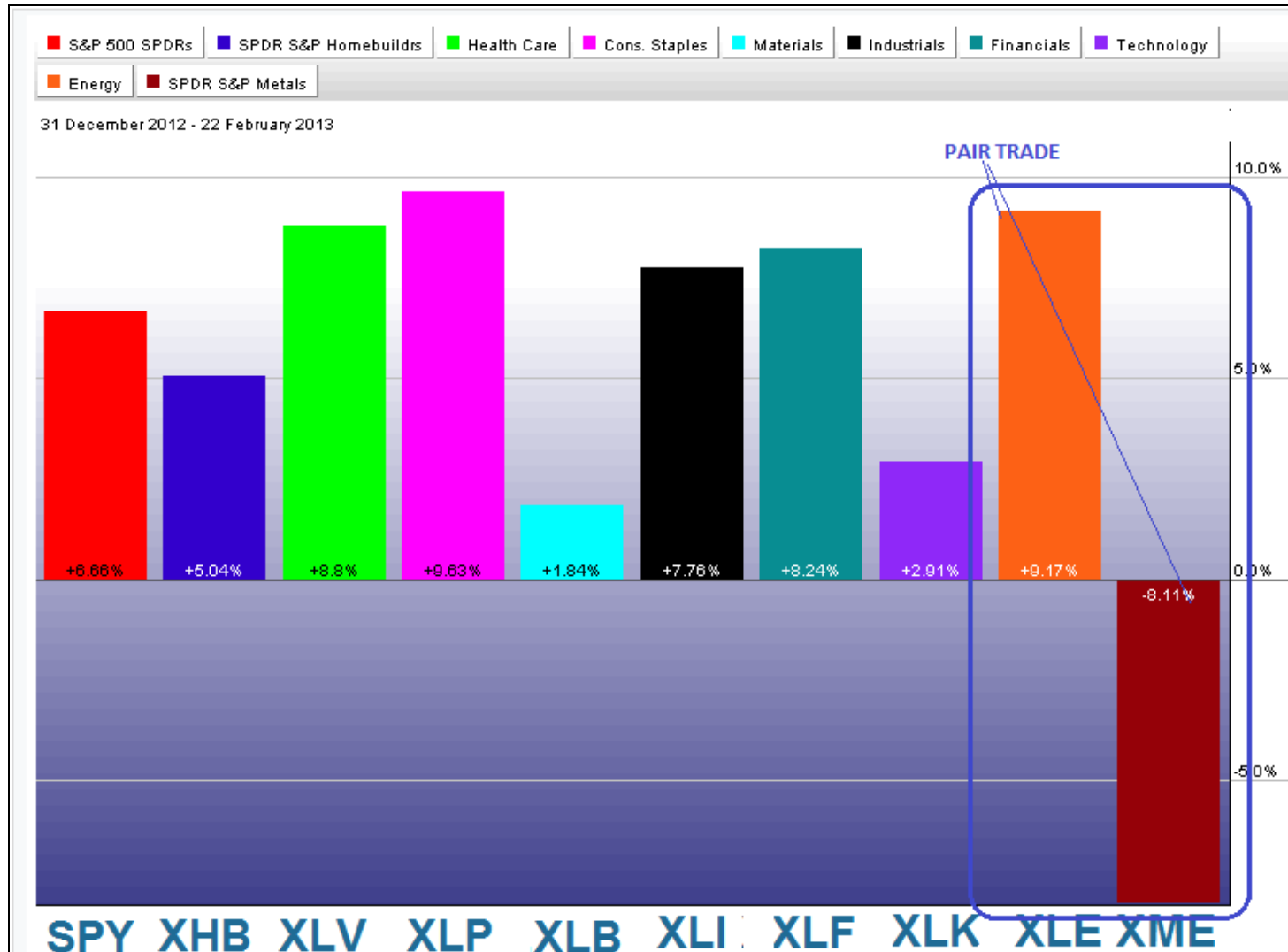
XLE, XLI, XLB, XLK(QQQ) - Are setting up **BEARISHLY**. **BEARISH** Indices **XLK(QQQ)** - declined nastily in get go on downside last week. . **XHB** – We would initiate Net Short Position. Volume has come off the highs suggests a larger retracement

QQQ(XLK) & XLE Validated for Short position as an Suitable Hedge against existing long. **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 Broke down to 1.32 from highs of 1.36 . The is Risk off at play.

The area where SPX tends to be in POM 15 is 1.36 (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 .

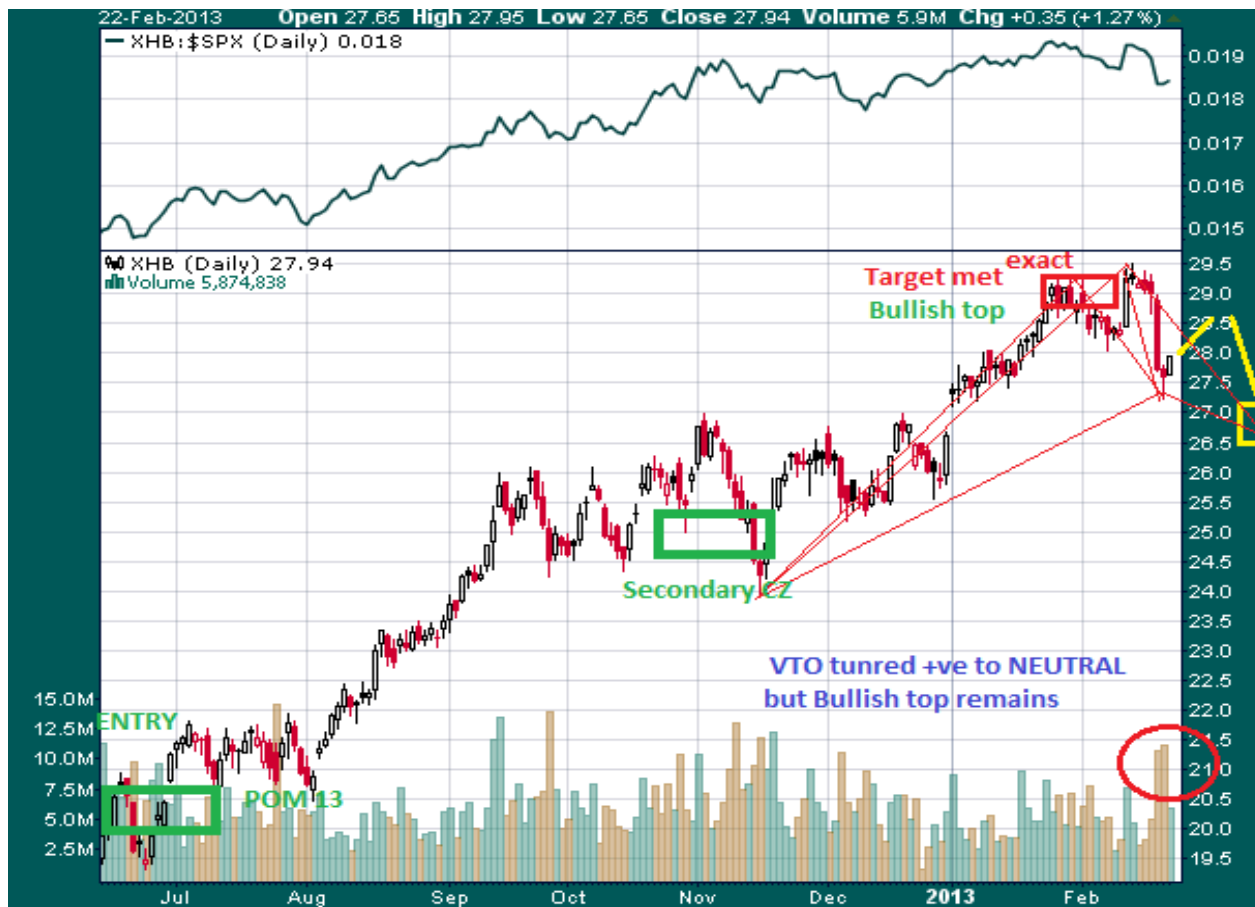
XHB (HOME BULDERS) - CZ – PEC-D / Ratio Analysis - **BULLISH – ST CAUTION**

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

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

DOWNSIDE- CZ -26.25 - 27.25

VTO tuned Neutral, it suggests the downside target (in yellow) should be met. We maintain Net long in this Sector since **ALERTED - March 17th**. as beginning of New Bull Market on Long term PQV Validation.



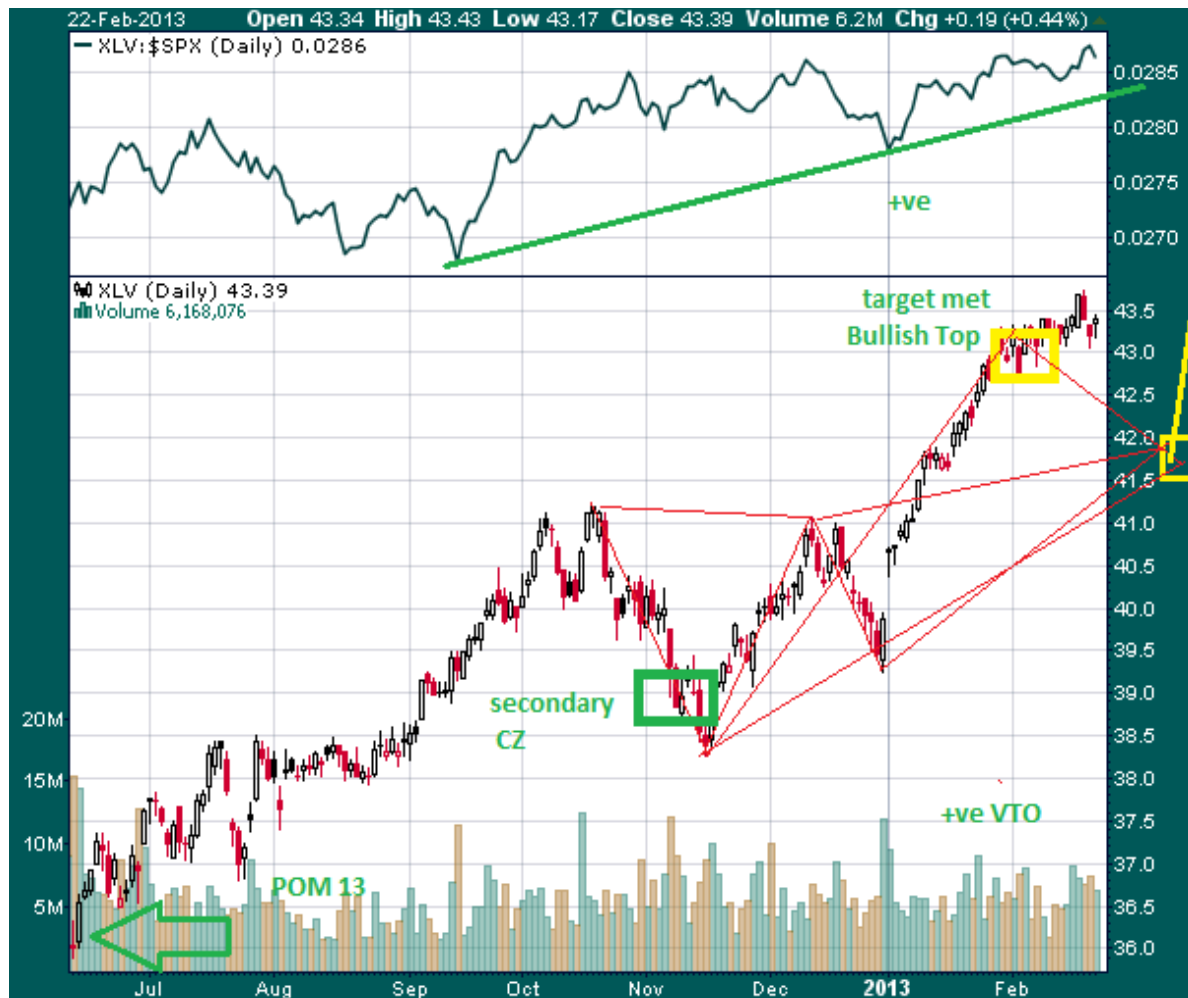
XLV (HEALTH)- CZ – PEC-D / Ratio Analysis - **BULLISH**

- **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 41.25-41.75, (shallow retracement)

=

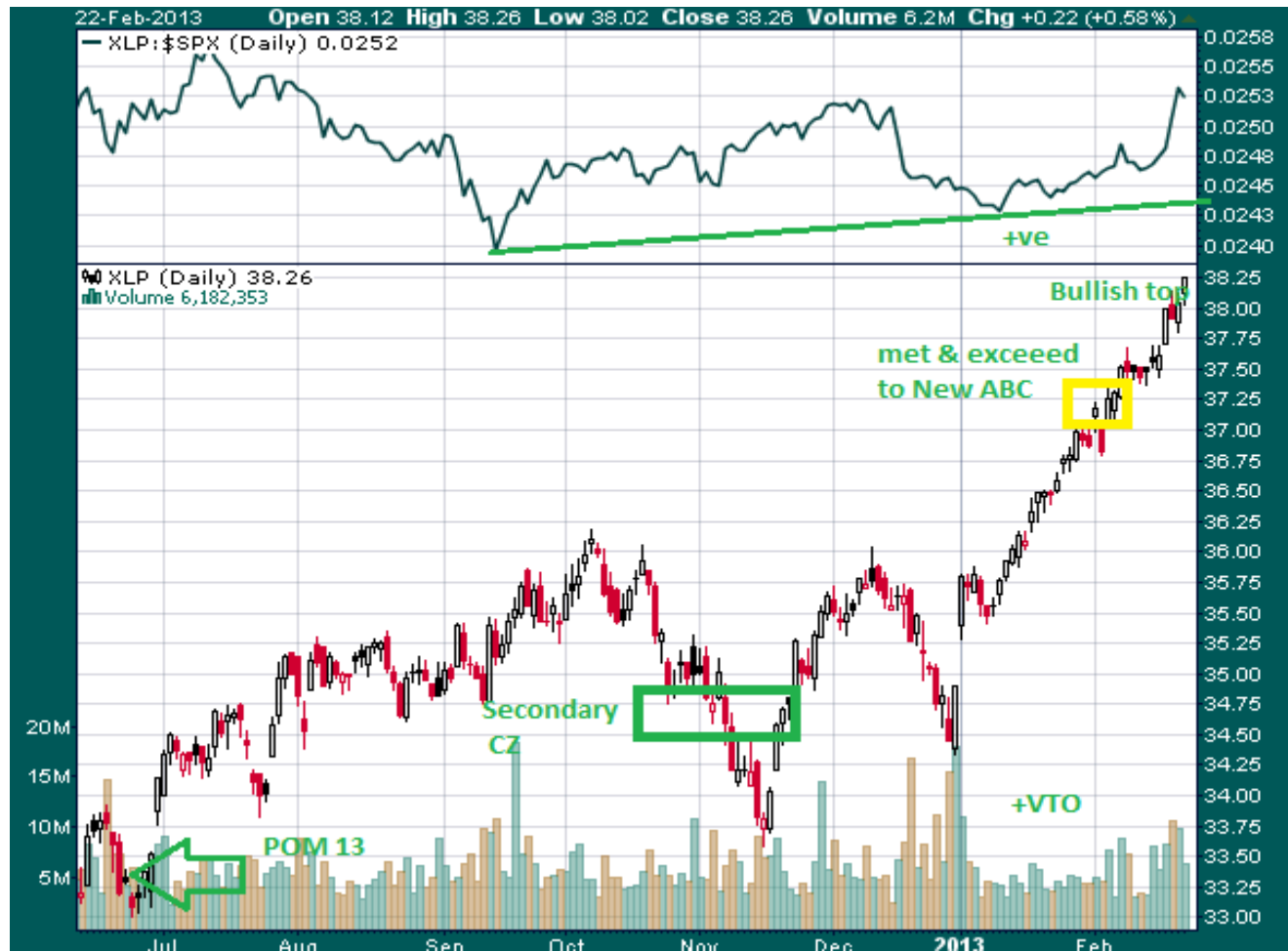


XLP (CONSUMER) - CZ – PEC-D / Ratio Analysis - **BULLISH**

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

UPSIDE – CZ 36.50-36.25 . MET & extended to new ABC up with Bullish Top, remain long till POM 15

DOWNSIDE- CZ 37-36.5 (shallows retracement)



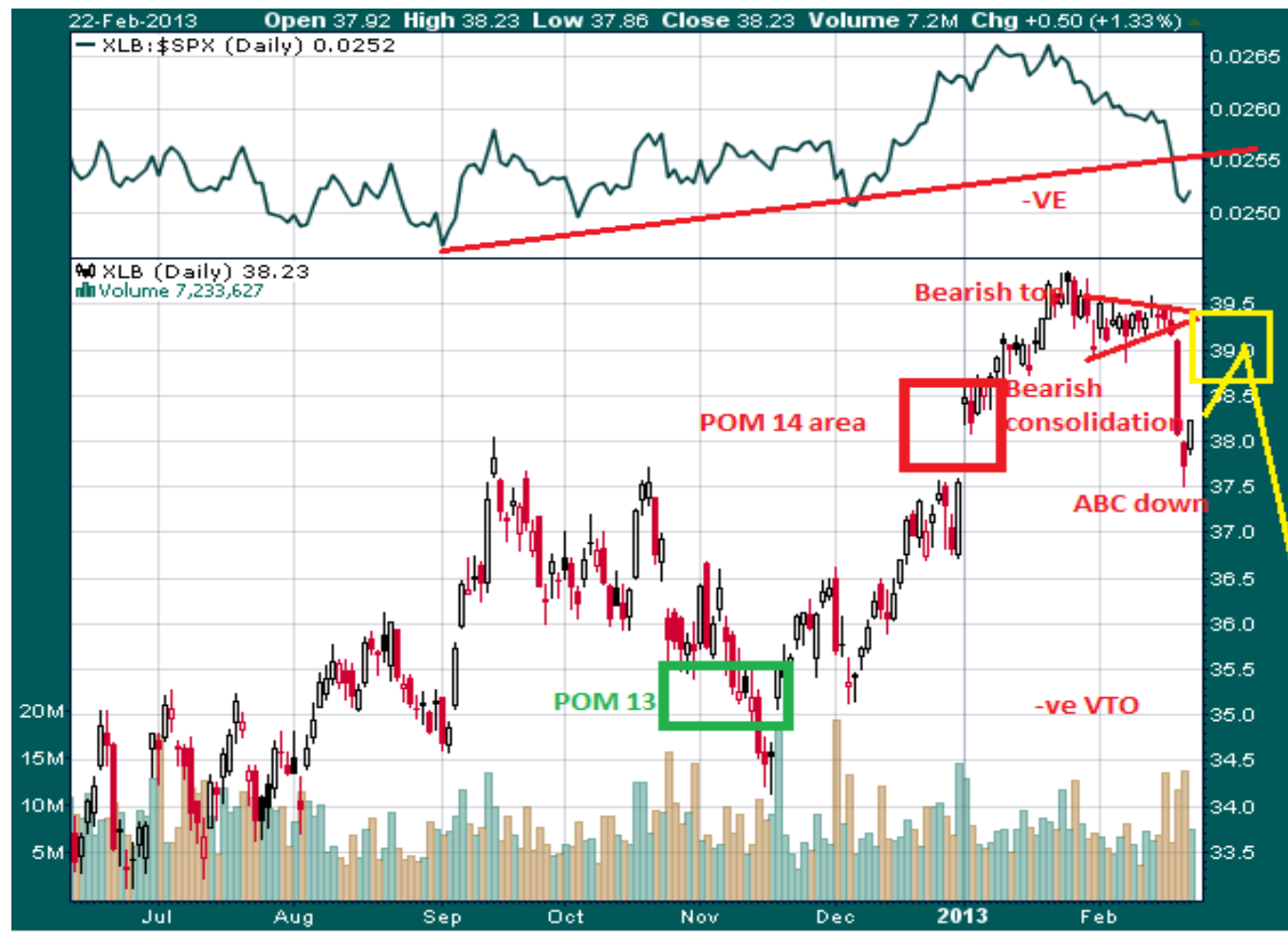
XLB (MATERIALS) - CZ –PEC-D / Ratio Analysis - **BEARISH**

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

UPSIDE – Break away with Bearish Top & Volume come off the highs, suggest larger retracement. .

(Trigger to Watch) Initiate position – within CZ 38.50-39.25

DOWSIDE - Next ABC should begin



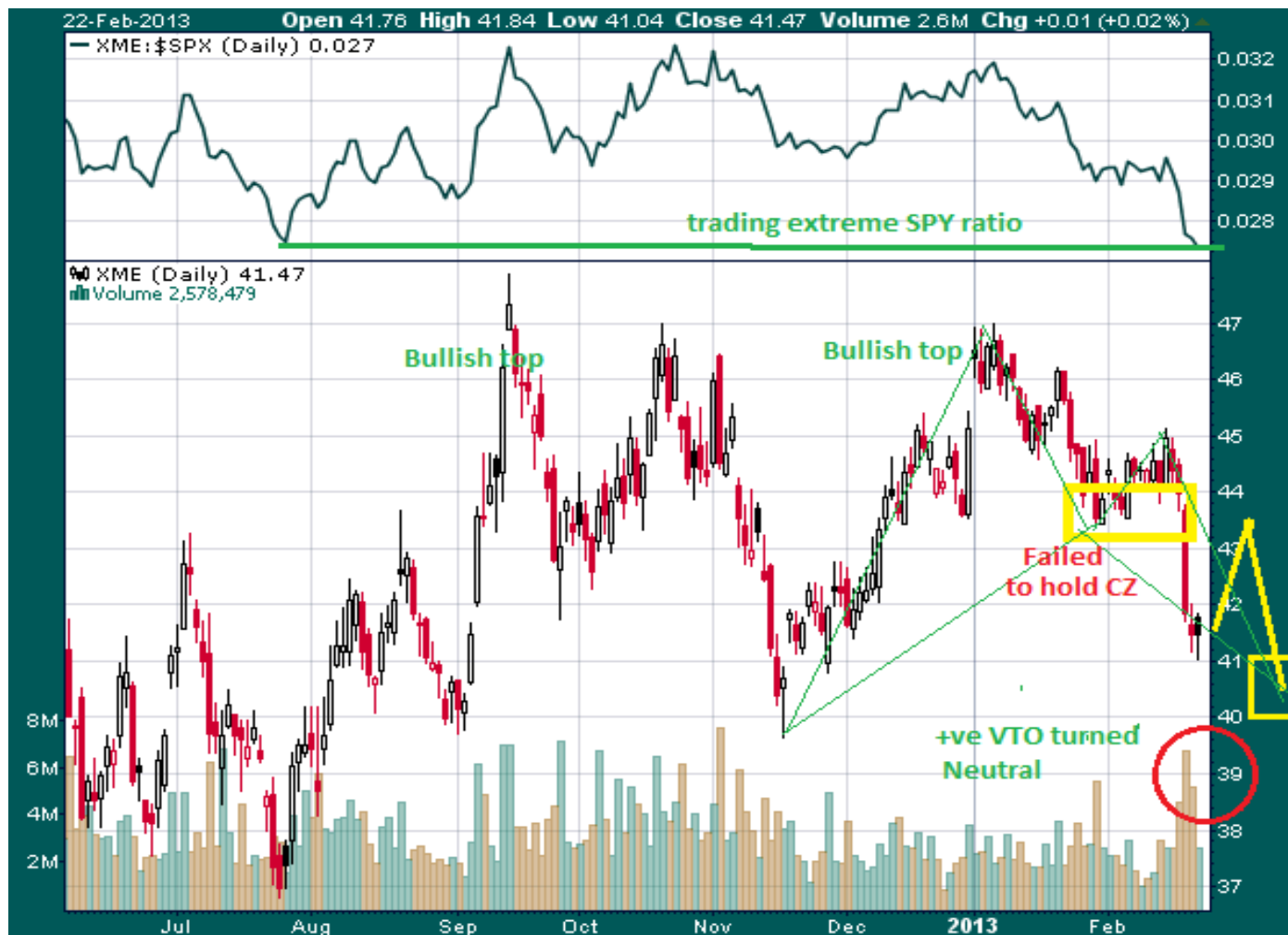
XME – CZ – PEC-D Analysis - DAILY - **Neutral** –Pair with XLE

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

Downside - CZ 43.2- 44.22 (**FAILED**) , & jumped to Next Projection to CZ 40-41 – (PEC-D 40.50)

Upside - Bullish Top remains , First Bounce to CZ 43.20-44.20 & then back down to CZ 40-41 to complete the move

Note - VTO Turned from +ve to Neutral . XME should be stuck in Trading range 44 to 40

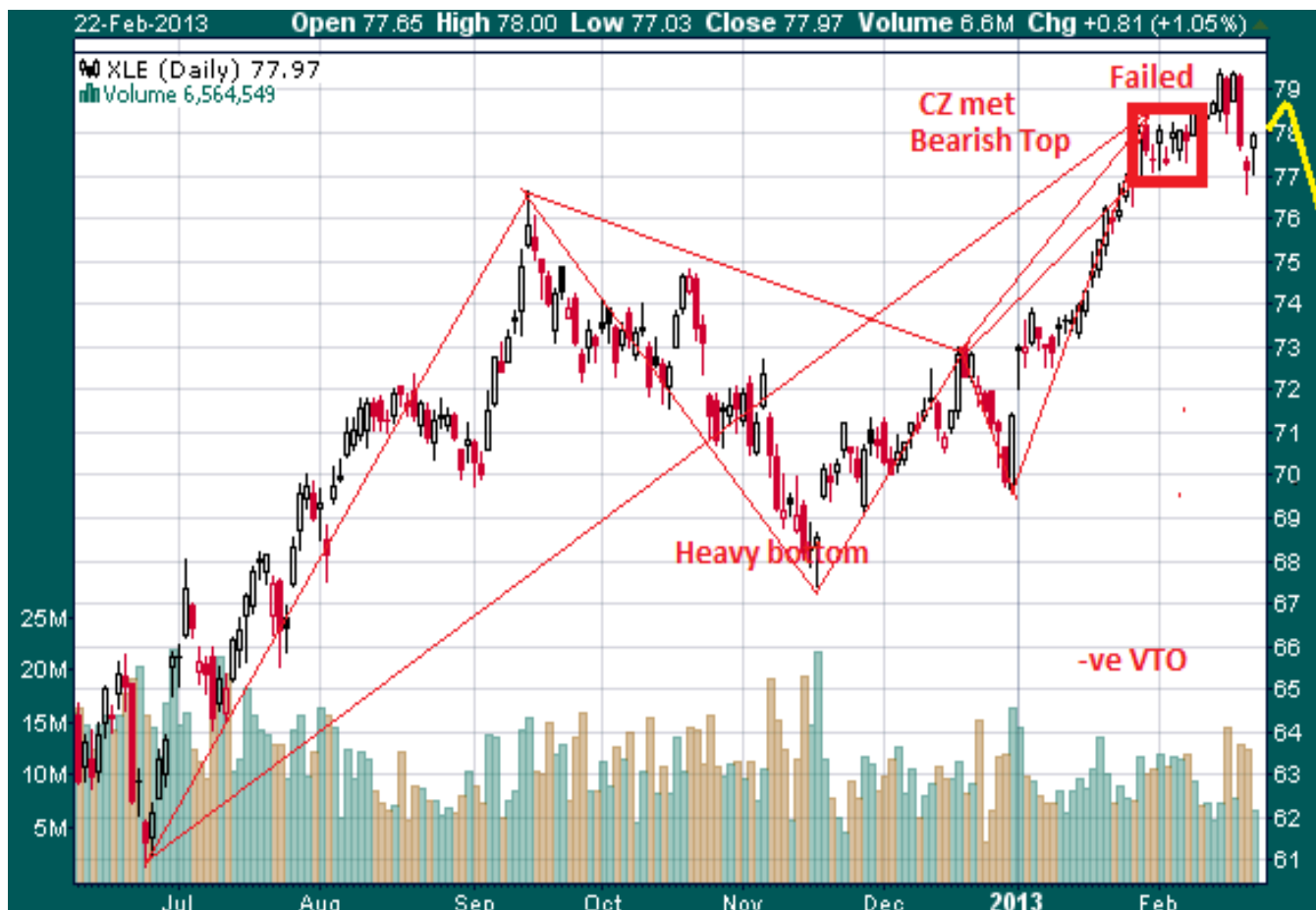


XLE - CZ - PEC-D / Ratio Analysis - **BEARISH** - Pair with XME

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

UPSIDE – Key reversal with Bearish Top , CZ 78.5-76.5, **PQV Triggered** ,

DOWNSIDE- *Next ABC should begin*



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

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

UPSIDE – Key reversal with *Bearish Top* , Next ABC should begin

DOWNSIDE- CZ 38.25-38.75



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

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

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

DOWNSIDE- CZ 16.50-16.25



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

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement