



SG Capital Research

Global Market Insights

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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	Current Exposure / Holding	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)	41.49	Original POM 13 On 5/21 @ 35.25 In tact	Secondary Test CZ 40.75-41	BULLISH	Net Long	5%- Neutral (No change)	NONE	CZ 42-42.5	To follow SPX rally Till POM 15	CZ 38.5-39		Bullish Sectors - Cautionary signal Triggers at POM 15
XHB (HM BLDR)	27.75	POM 13 Re run On 5/21 @19.5 In tact	Secondary Test CZ 19-20	BULLISH	Net Long	5%- Neutral (No change)	NONE	CZ 28.5-29	Ditto	CZ 39.75-40.25		Ditto
XLP (CONS STPL)	35.55	Original POM 13 On 5/21 @ 33.25 In tact	Secondary Test CZ - 36-36.5	BULLISH	Net Long	0%-	NONE	CZ - 36.25-36.50	Ditto	CZ 35-35.25		Ditto <u>PS</u> - Remain long if you own it

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XLF (FINN)	16.94	POM 14 On 12/26 @ 16.40	CZ 16.40-16.88 <u>Alert</u> On 1/04 @ Market open -	CAUTION	RAISED CASH on positions Recommended during the Buy zone @ Nov lows .	Reduced from 2% to 0% low	NONE	CZ 17.25-16.90 MET Caution	To follow SPX rally Till POM 15	CZ 16-16.25		Under- Wt if one is Long
XLI (INDUST)	39.07	POM 14 On 12/26 @ 37.93	CZ 37.93-38.93, <u>Alert</u> On 1/04 @ Market open	CAUTION	NONE	0%-	NONE	CZ 39.50-39 MET Caution	Ditto	CZ 37.25-37.75		Under- Wt if one is Long
XLE (ENERGY)	72.86	POM 14 On 12/26 @ 71.95	CZ 71.95-73.75 <u>Alert</u> On 1/04 @ Market open	BEARISH	NONE	0%-	To be advised	CZ 75.5-74 Potential Target for Net Short if validated	Ditto			Good Candidate to be Short at POM 15 If validates
XLK (TECH) QQQ - Proxy				BEARISH		0%-	To be advised Via QQQ On MS - Report					Good Candidate to be at POM 15 Short via QQQ
XLB (MATRL)	38.90	POM 14 On 12/26 @ 37.42	CZ 37.42-38.67 <u>Alert</u> On 1/04 @ Market open	NEUTRAL	NONE	0%-	NONE		Ditto			MIX SIGNAL No clear picture

SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

Sector Overview - It is interesting that in recent rally from POM 13 to POM 14 ,

XLV , XLP, XHB - Continues to Remains BULLISH, We Maintain our Net long Position (as re iterated during our POM 14 Trigger note Alert). These Sectors should top out once SPX reaches POM 15.

XHB (Home Blrs) is on 2nd weekly leg up in long term Bull Market and we would prefer not to get shaken out.

Our CAUTIOUS Sectors are **XLI, XLF.** have no favorable Risk / Reward at current levels. But at POM 15 , that could change **XLB** – is giving a MIX Picture with Bullish bias

At current POM 14 – Levels , **XLE, XLK (QQQ)** - underperformed SPX & Long side has resulted in dead money . Are setting up **BEARISHLY**, Once Validated these would be candidate for Net Short @ POM 15 .
“Special Report on Sunday” we have coverage on XLE - Equity. & Next Wednesday’s – MS Broader Indices , we have coverage on QQQ

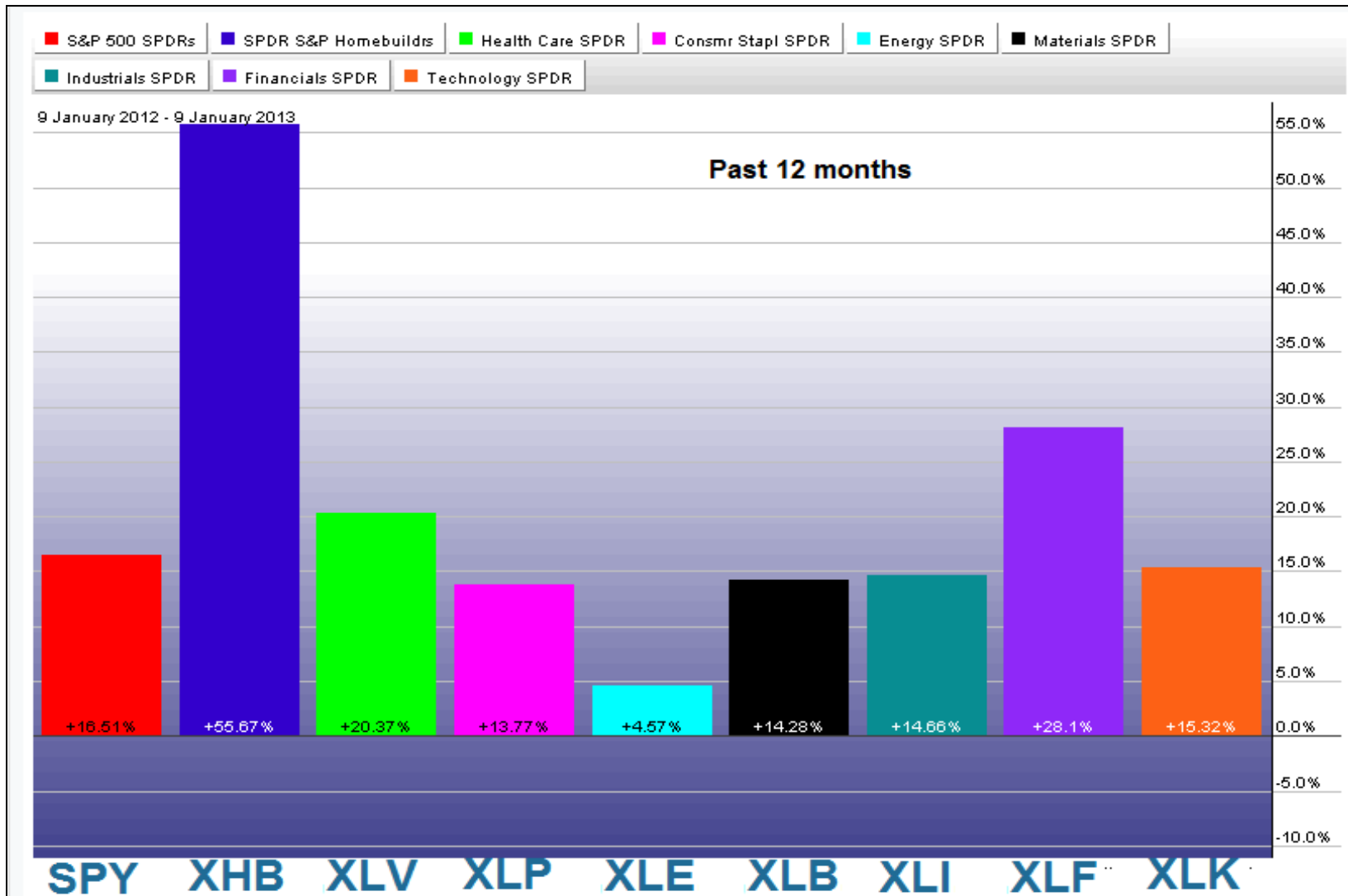
Sectors

- **BULLISH INDICES** - **XLV, XLP, XHB**
- **BEARISH INDICES-** **XLE, XLK.**
- **NEUTRAL INDICES -** **XLI, XLF** - **CAUTION** , **XLB** is mix picture

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 to 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..



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 .

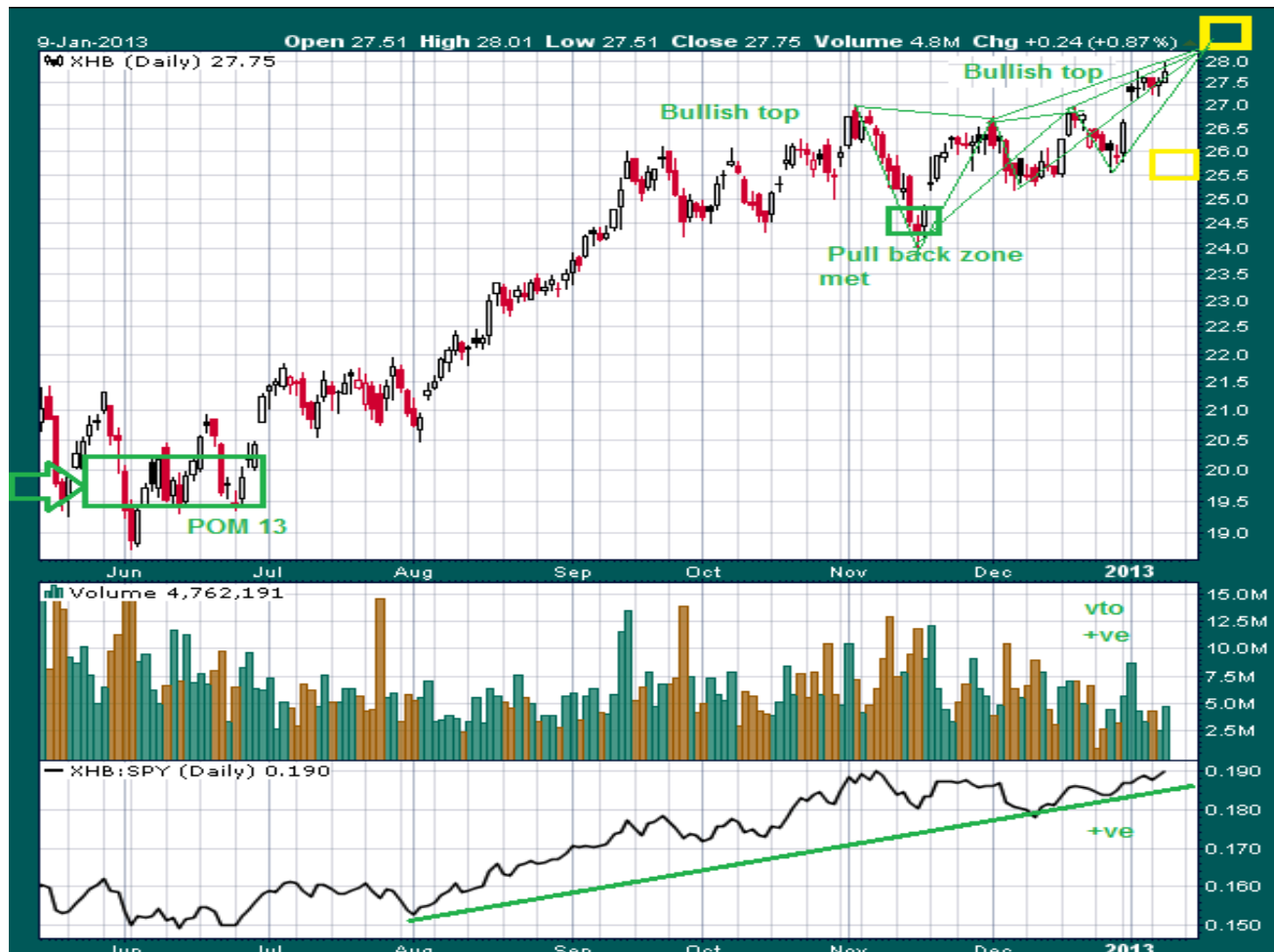
XHB (HOME BULDERS) - CZ – PEC-D / Ratio Analysis - **BULLISH**

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

UPSIDE – CZ 28.5-29 . The Mid term Bullish Top, remain long till POM 15

DOWNSIDE- CZ 25.5-26

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



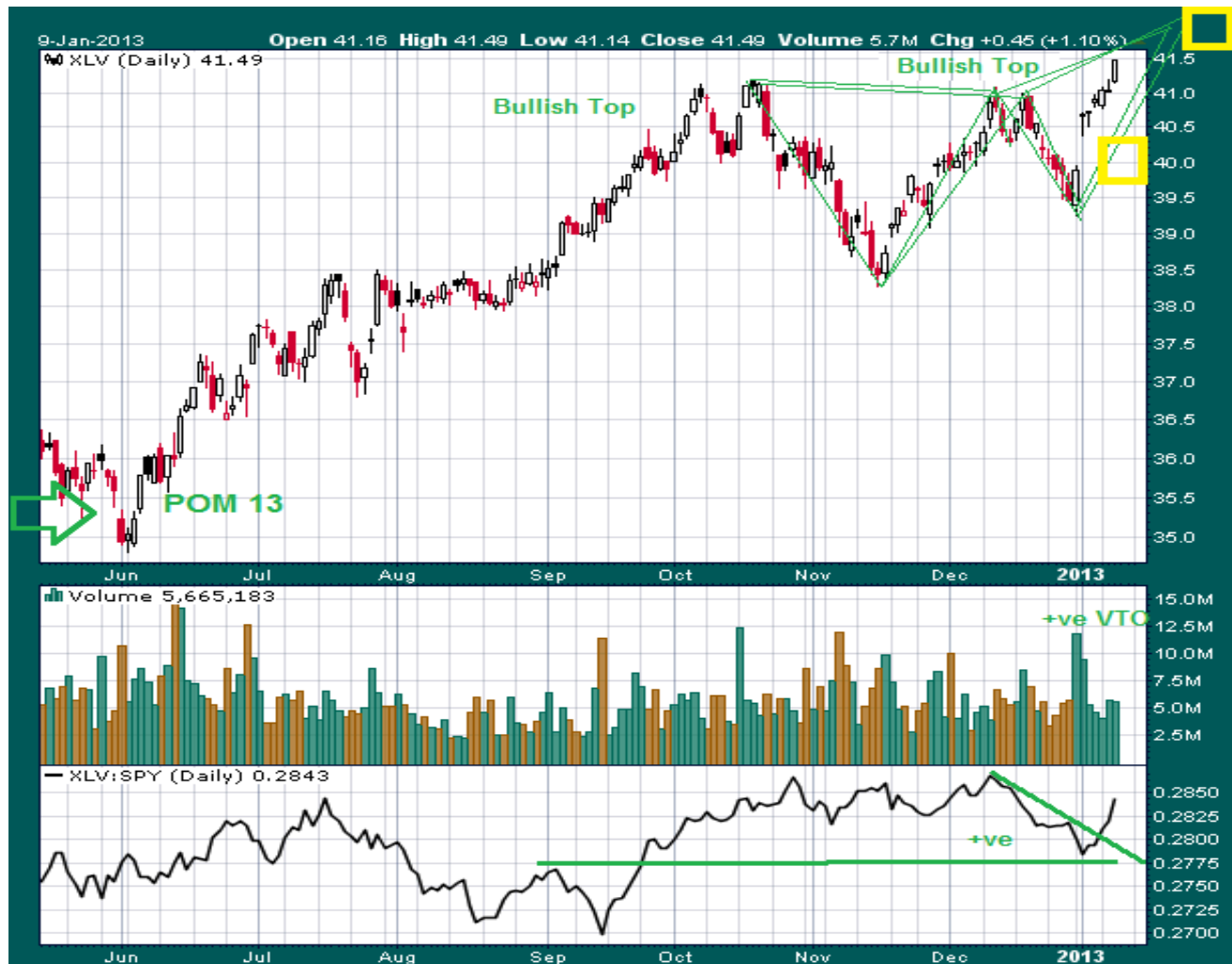
XLV (HEALTH)- CZ – PEC-D / Ratio Analysis - **BULLISH**

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

UPSIDE – CZ 42-42.5 . The Mid term Bullish Top, remain long till POM 15

DOWNSIDE- CZ 39.75-40.25

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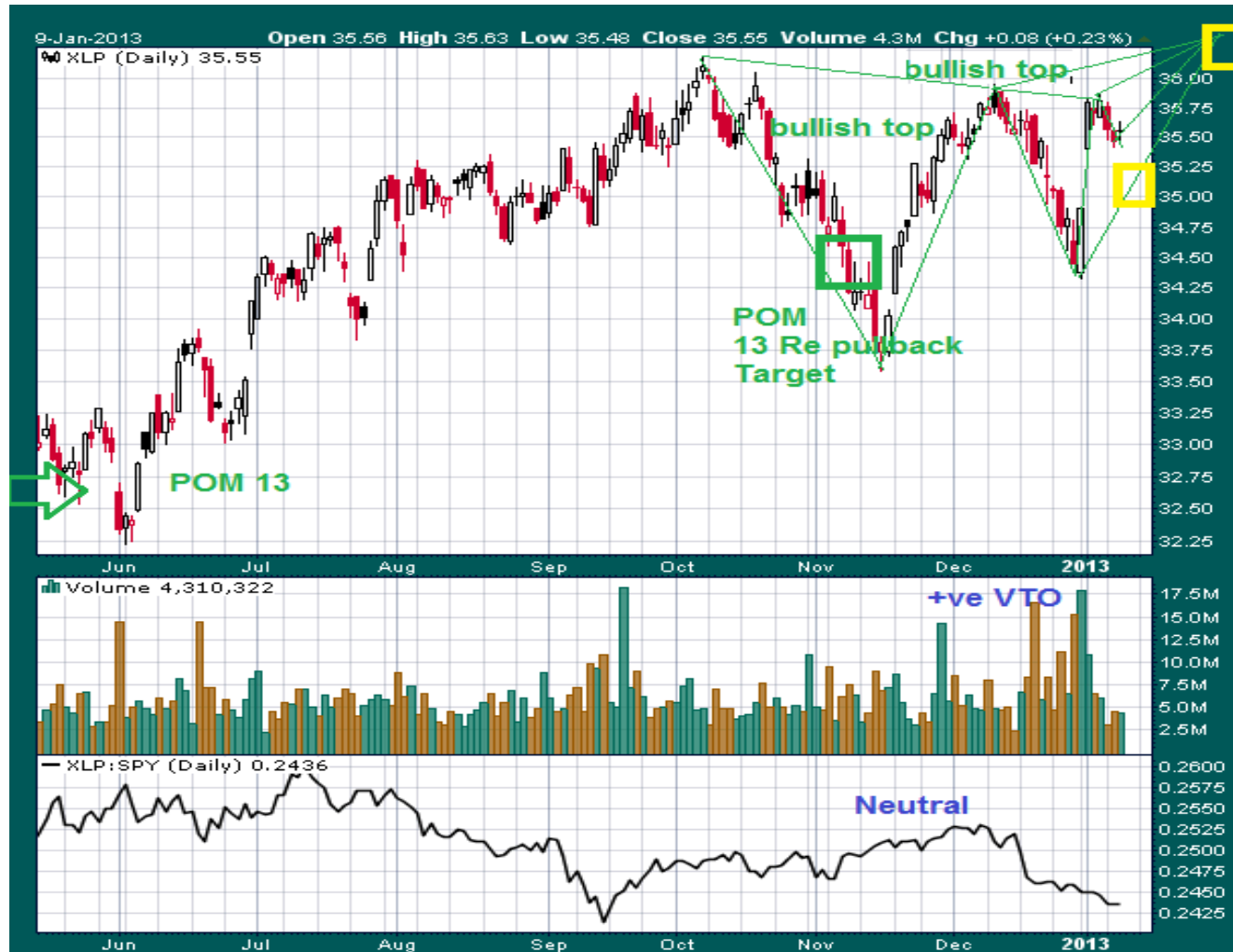


XLP (CONSUMER) - CZ – PEC-D / Ratio Analysis - **BULLISH**

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

UPSIDE – CZ 36.25-36.50 . The Mid term Bullish Top, remain long till POM 15

DOWNSIDE- CZ 35-35.25

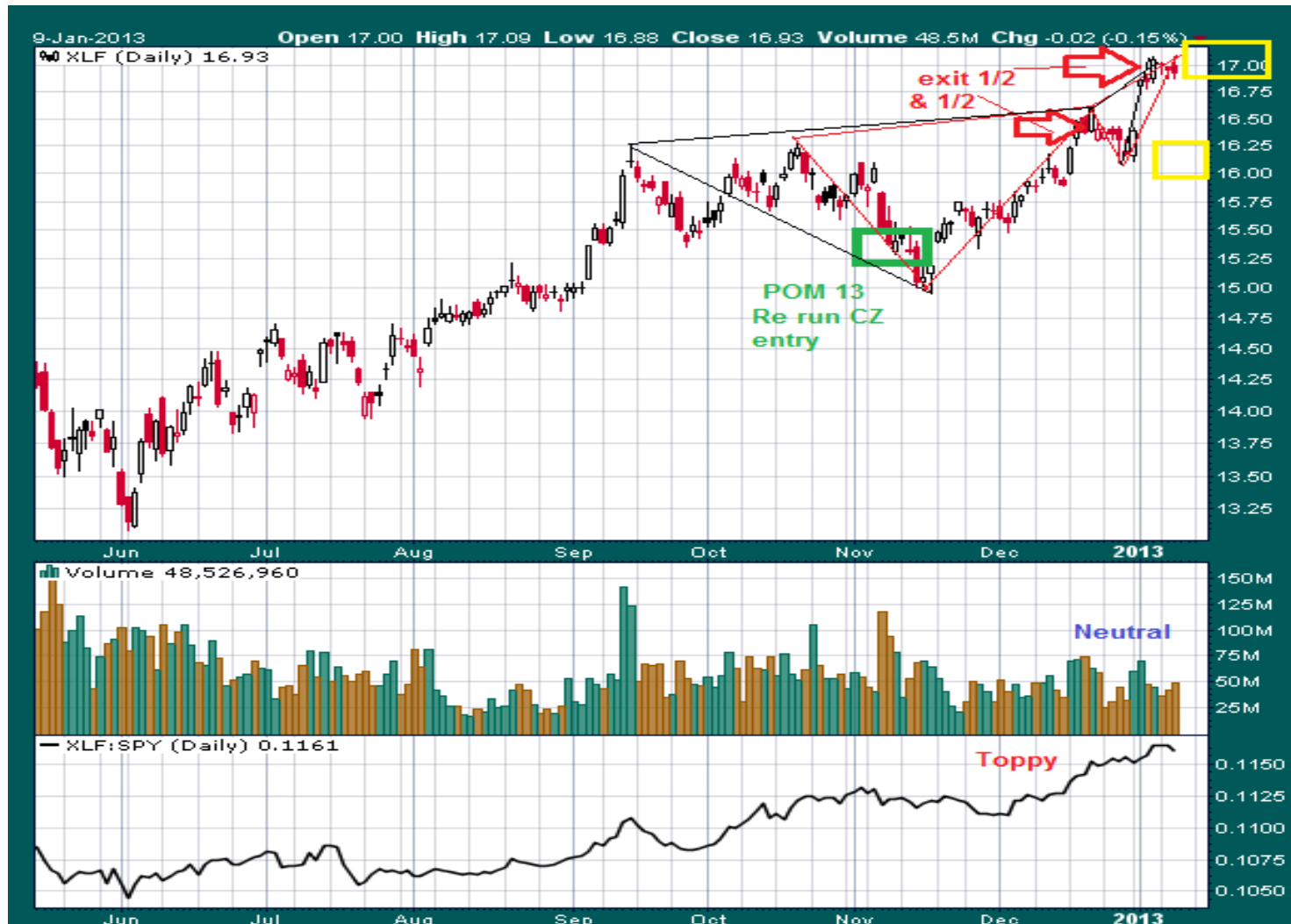


XLF (FINNACIAL) - CZ-PEC-D / Ratio Analysis - **NEUTRAL - CAUTIOUS**

Texture – NEUTRAL TOP & NEUTRAL BOTTOM –

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

DOWNSIDE- CZ 16-16.25



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

- -Texture – NEUTRAL TOP & NEUTRAL BOTTOM

UPSIDE – CZ 39.50 -39- Met, XLF Should top out at POM 15 – SPX

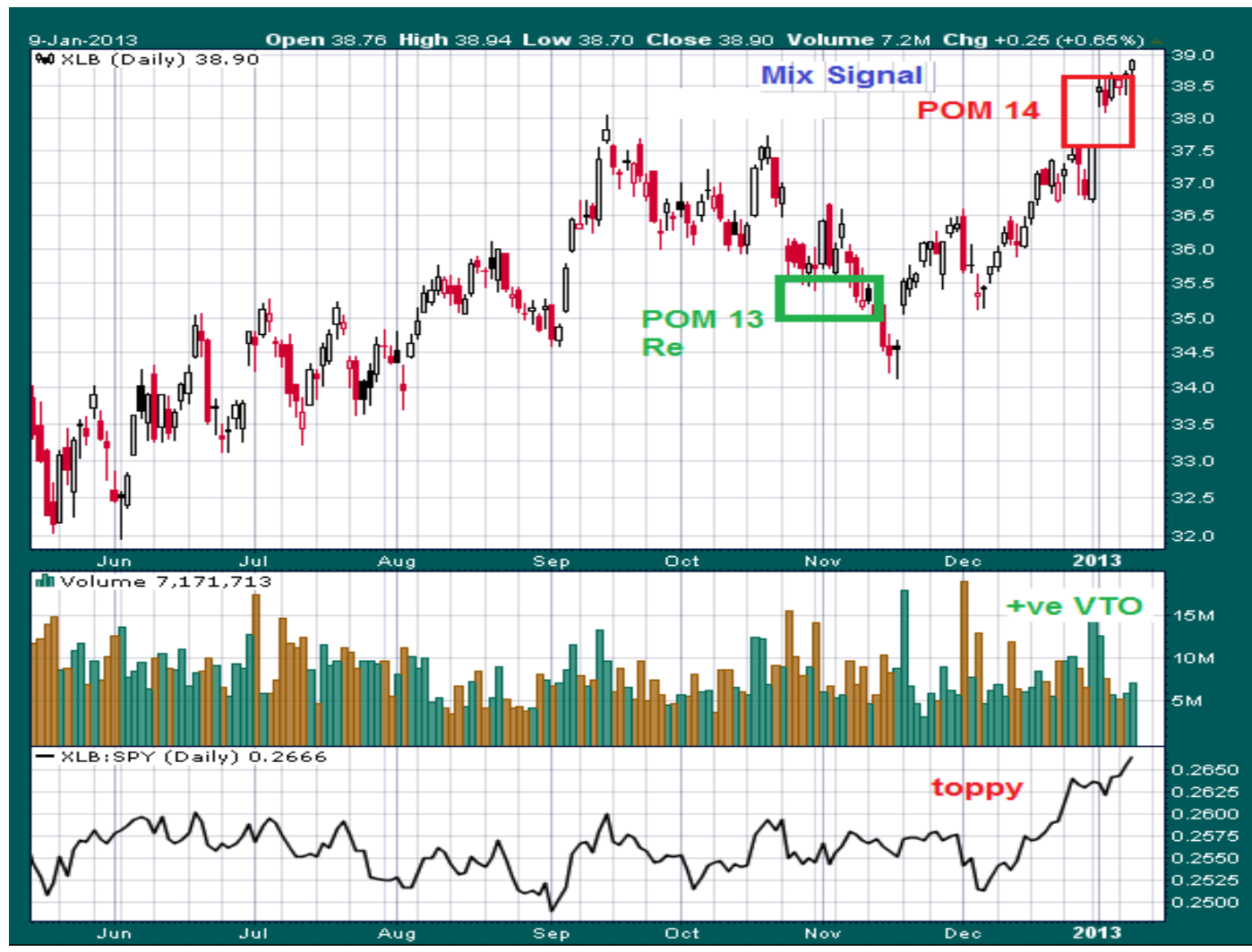
DOWNSIDE- CZ 37.25-37.75



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

- -Texture – NEUTRAL TOP & NEUTRAL BOTTOM

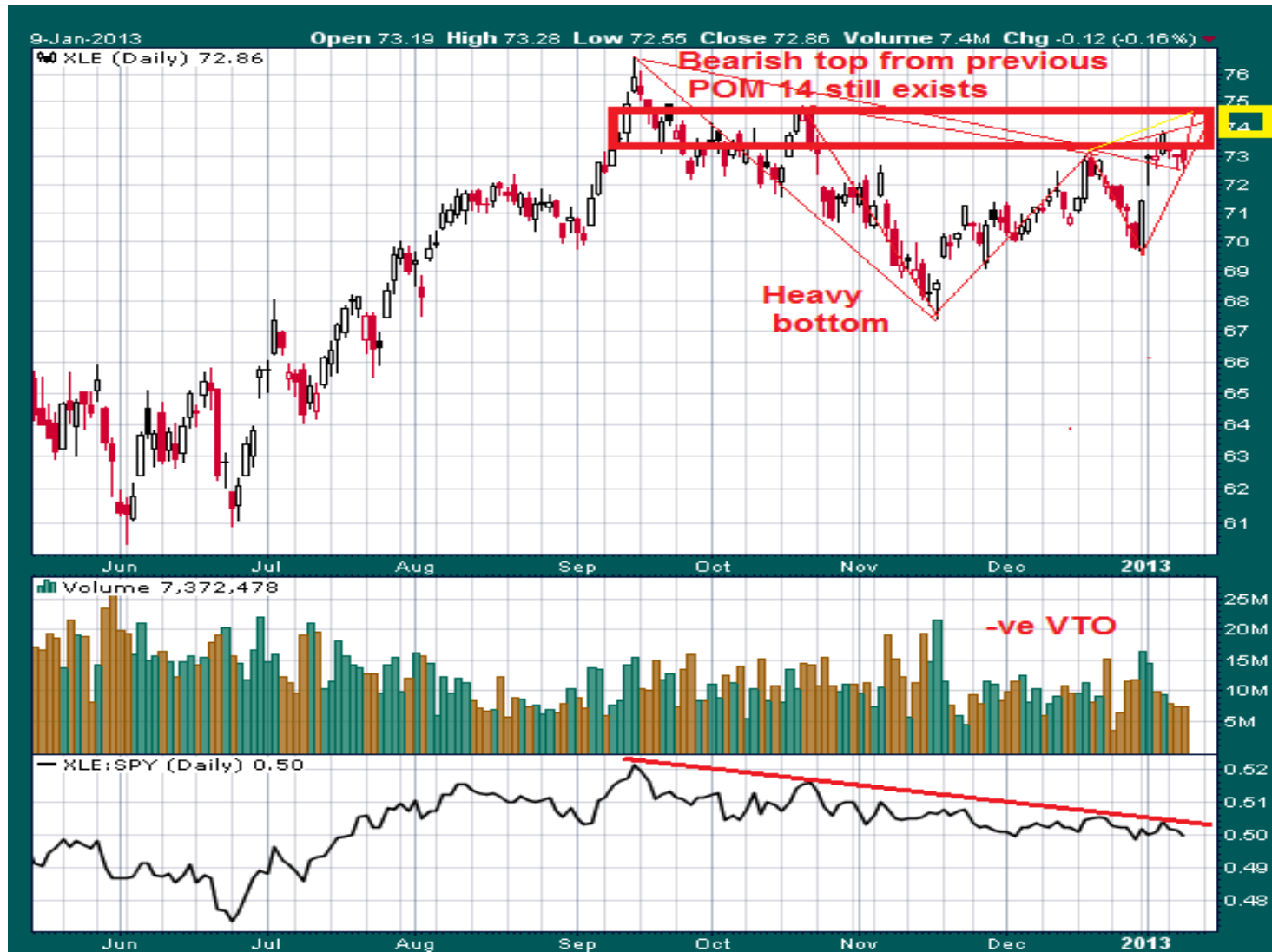
UPSIDE – Neutral Top *BUT May turn Bullish, with +ve VTO*



XLE - CZ-PEC-D / Ratio Analysis - **BEARISH**

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

UPSIDE – *Bearish Top , CZ 75.5-74 – Potential target for PQV – Validation at POM 15 – SPX*



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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