SG Capital Research
Global Market Insights

Date : 16th Jan 2013 (Wednesday) **BROADER 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 Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
MDY (MID CAP)	193.7	POM 14 On 12/26 ½ @ 185	CZ 191-185 ½ @ 191 Alerted Market open -1/04	BULLISH to NEUTRAL	Reduce Position / Raise CASH (Or HEDGE) on Positions bought in Nov @ 176.5 avg	NONE	CZ 191-185- Met with Neutral Top	To follow SPX rally Till POM 15	CZ 182-177		2.MDY is Extended, Under-Weigh. Position till we get next pull back then add longs
SMH (SEMI)	33.40	POM 14 On 12/26 ½ @ 32	CZ 33.5-32 ½ @ 33.4 Alerted Market open -1/04	BULLISH to NEUTRAL	Reduce Position / Raise CASH (Or HEDGE) on Positions bought in Nov @ 30.0 avg.	NONE	CZ 33.5-32 Met with Neutral Top	Ditto	CZ 30.50-31.5		Under- Weigh position. till we get next pull back, then add longs
IYT (TRANS)	100.5	POM 14 On 12/26	CZ-97.5-95 On 1/04	BULLISH to NEUTRAL	Reduce Position / Raise CASH (Or HEDGE) on	NONE	CZ 97.5-93 Met with Neutral Top	Ditto	CZ 97-93		1. IYT is Extended, Under- Weigh position. till we get next pull back, then add longs

Note - On Larger Size Portfolio Use Hedges instead of Raising outright Cash at POM 14 CAUTION Signal .

Continued…….

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QQQ (NASD) Pre announcement	66.63	POM 14 On 12/26	CZ 67-65 On 1/04	BEARISH	Net Short	Initiate to "Scale in" CZ 66.5-67.75	CZ 67.75-66.50 Met, Bearish Top	To follow SPX rally Till POM 15	CZ 64-63		QQQ is Preferred instrument to use as Hedge against existing Longs. & Best Instrument during POM 15
IWM (SM CAP)	87.77	POM 14 On 12/26	CZ 87-84 On 1/04	BEARISH	NONE	To be advised	CZ 87-84 Met, with Bearish top	CZ 89.25 - 88, should fail	CZ 82.5-80.5		Good Candidate to be Short at POM 15 If PQV validates
TLT (BONDS)	120.07	POM 13 – Re Run @ 118 On 0/7	CZ 118-115	BULLISH	Net Long	Initiated to "Scale in" CZ 1/3 @ 118.5 1/3@ 115 .5-limit orders	CZ 125-124	CZ 135-136	CZ 118-115 With re test possible		If SPX Weakens, the Flight to safety should begin STOP RM @ 113

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

Broader Indices

- **BULLISH INDICES -   TLT**

- **BEARISH INDICES-   QQQ, IWM .**

- **NEUTRAL INDICES -   MDY, SMH , IYT**

- **DOW TRANSPORT THEORY (IMPROVISED - For Monitoring Purposes ONLY -**

   NEW SIGNAL - <mark>No new Buy Signal</mark> *, In spite of rally in Transportation " charts below)*

- **MODERN DOW THEORY with SEMI's & TECH - For Monitoring Purposes ONLY -**

   NEW SIGNAL - <mark>No new Buy Signal</mark> *(charts below)*

Broader Indices Overview

*During the recent Rally from POM 13 to POM 14 , the BULLISH Indices   **MDY, SMH** have Outperformed very profitably **since our entry .** BEARISH Indices **QQQ** underperformed SPX grossly in this rally .*

- *__MDY, SMH , IYT__ - Remains NEUTRAL with residual strength still active for further upside . The rally should continue till SPX Reaches our POM 15 Target which is in progress.*

At current levels , there is   no favorable Risk / Reward For Long side New positions till we get meaningful pull back. .

- *__QQQ, IWM__ - Are setting up BEARISHLY,*

***QQQ i**s Validated for Short position as an Suitable Hedge against existing long . Any further rally in SPX towards POM 15, QQQ should lag in rally , Any move back to Re test CZ , we should add to the position.*

* **IWM-** Bearish & extended, but **i**s not quite ready yet for Short. We are very close to it*

*__I__n Our Sector Report last week we previewed **XLK (QQQ proxy) was** setting up Bearishly as well*

- *__TLT__*

***TLT** is building a base around the CZ 118-115. The first rally attempt off the bottom, the upside volume is picked up . On Short term basis, the secondary test into CZ is still wide open. Overall , the force on down side has reduced as it approached PQV Validation.*

*The Next rally could begin as " "Flight to Quality" once SPX begins it own correction. This is good Hedge against Long Equities. **On 1/07 – ALERT ,** We trigger POM 13 Re run .- Net long , initiated position & add to it on Secondary test in CZ 118-115,   . We would like to achieve average entry point of 116.5. on overall position,*

SPX – Market Overview - Update

The market continues to trade sideways to up. This is typical action if Market wants to Spike up, The options market is trying to push SPX to our Projected CZ 1480 - 1500 to get the best out of it & have puts expire worthless. VIX option are very cheap. The market needs a negative catalyst to trigger a turn.

Several T- Termination are due to expire this week on various days, the Final T is not later than Monday. T- Time just gives good guidelines but Final Pattern & Price /. Volume is ultimate for Turn for POM 15 .

SMH (Leader) is due to peak out on Friday and an early peak would be a strong clue for the market.
*NASD (Bearish) is due to peak on Thursday, it is another Clue*

RUSS (Bearish & is extended) & MID Cap (Bullish bias) are all time highs. Finally Last SPX, itself could be setting new highs soon as well since the broad market tends to top out ahead of the blue chip.

In terms of leading Global indicator, Europe is certainly giving us important information. The DAX is getting weaker & AEX (Dutch) Market seem to have given up first.

YTD – Broader 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 .
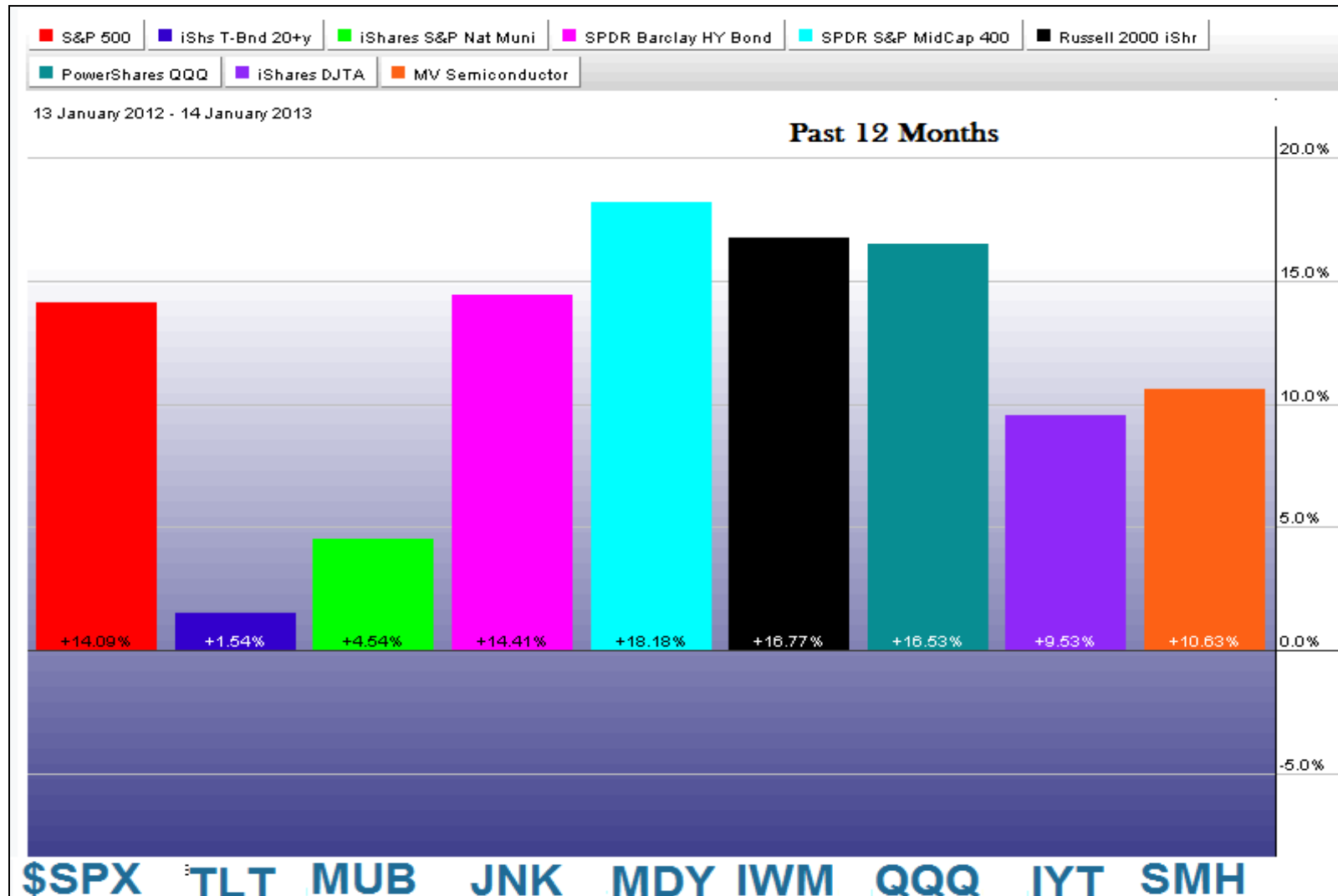
QQQ – (NASD 100) - CZ – PEC-D Analysis   - *BEARISH)*

- *Texture – Texture -* TOP BEARISH CZ. & TOP BEARISH CZ   (*SELL SHORT*)

Upside - CZ 66.5-67.75 met & Failing with Bearish Top with PEC-D @ 1.618 & 1.27 at 67.5

Note - *3 Drives to the top with expanding Triangle is also failing at PEC-D points*

IWM – (RUSS 2000) - CZ – PEC-D Analysis - NEAR TERM *"BEARISH)*

- *Texture - TOP BEARISH CZ. & TOP BEARISH CZ   (FLAT)*

Upside - CZ 87-84 met & extended with Bearish Top with PEC-D @ 1.618 & 1.41 at 88 .25

IWM – (RUSS 2000) - CZ – PEC-D Analysis - MID TERM *"BEARISH)*

- *Texture - TOP BEARISH CZ. & TOP BEARISH CZ (FLAT)*

Upside - 5 YEAR long chart has Bearish Top with Long term PEC-D @ 88.25 & 89.75

Note - Awaiting for Long term PEC-D to complete CZ 89.75 -88 .25

MDY (MIDCAP) – CZ- PEC- D Analysis – *Neutral*

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

Upside -   CZ 191-186 met & extended with Neutral top, with PEC-D @ 1.27 & 1.618 at 190.

Await for pull back to get Net Long

SMH (SEMI) – CZ - PEC- D Analysis – *Neutral*

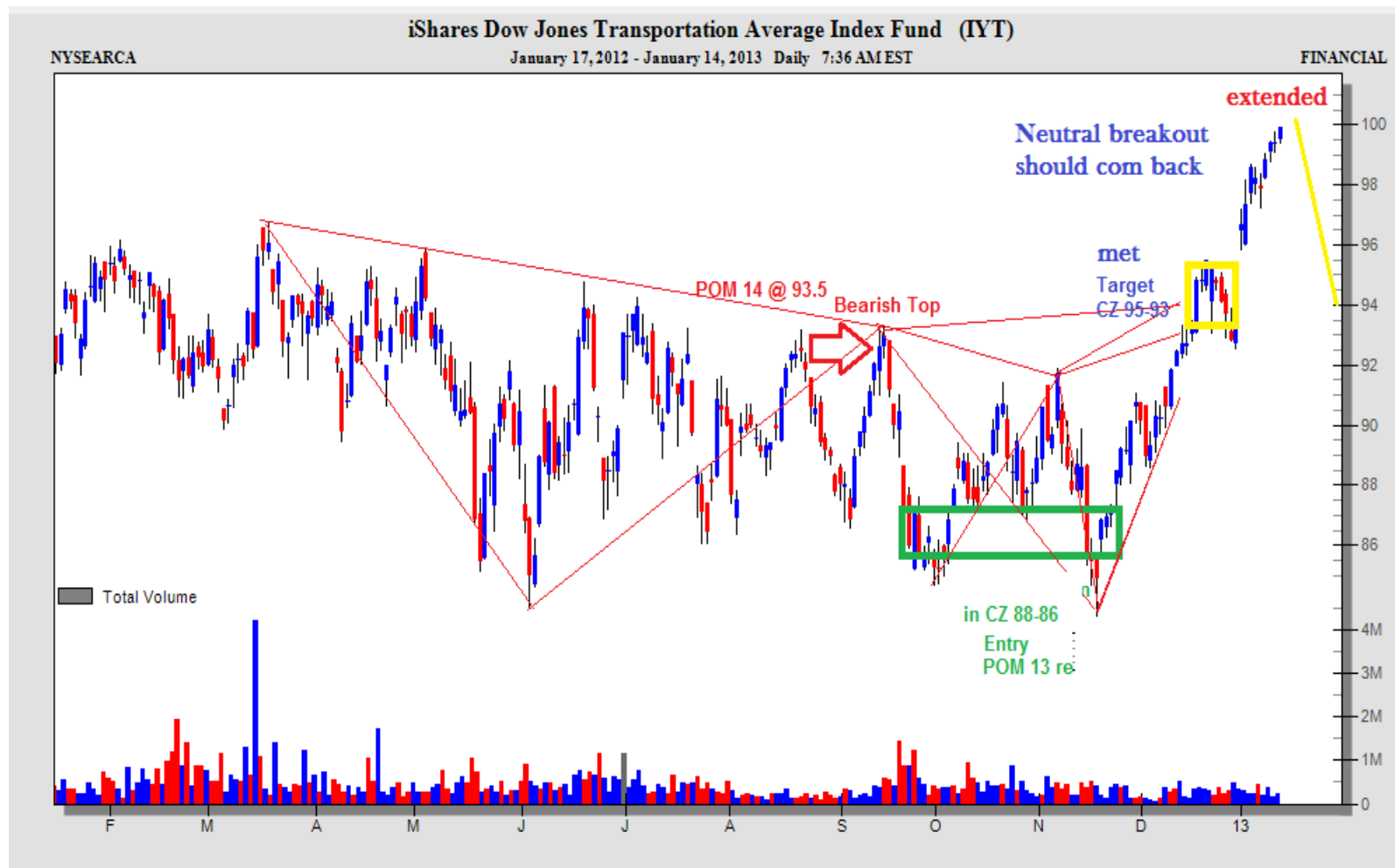- ***Texture –*** *NEUTRAL TOP   &   NEUTRAL BOTTOM   (UNDERWEIGHT OR FLAT)*

__Upside -__   CZ 33.5 -33 MET with Neutral Top , Await for pull back to get Net Long
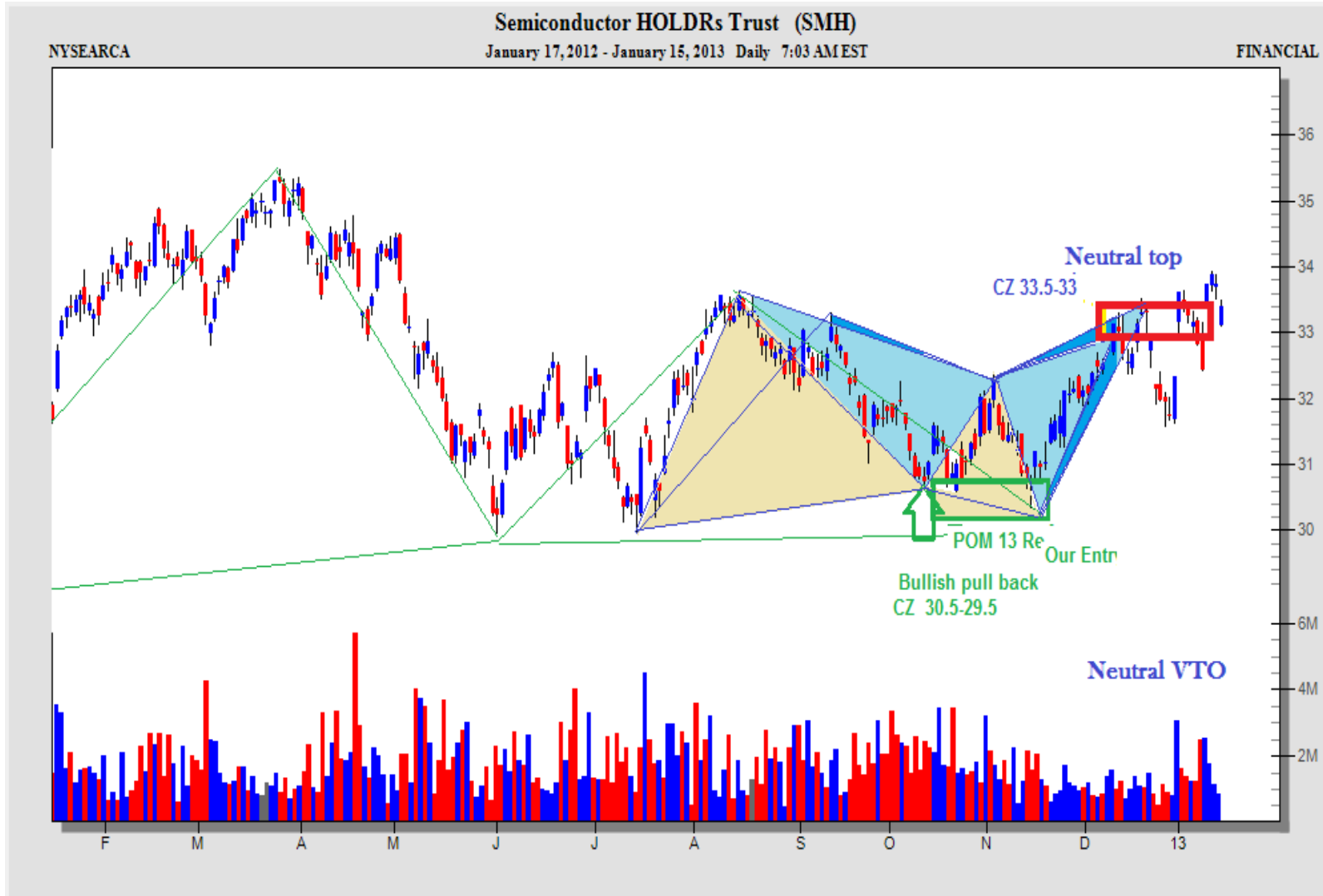
IYT – (Transport) - CZ / PEC –D Analysis - "NEUTRAL

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

Upside - Projected CZ – 95-93 – Met & extended, with Neutral top, Rally from 96 to 100 is not natural price move, Rally will not last - Await for pull back to get Net Long

iShares Dow Jones Transportation Average Index Fund (IYT)
January 17, 2012 - January 14, 2013 Daily 7:36 AM EST

NYSEARCA   FINANCIAL

extended

Neutral breakout
should com back

met
Target
CZ 95-93

POM 14 @ 93.5
Bearish Top

in CZ 88-86
Entry
POM 13 re

Total Volume

Dow Transport Theory – FYI - No NEW Buy signal, - last Sell signal at 12800

 By this Method – IYT (Transport) is lagging DIA (Dow Jones) - DIA Price cross over with IYT price and has not given Buy signal . The Ratio curve ….IYT / DIA has broken downtrend which +ve   . *PQV is still Invalidated*

Modern - Tech – Semi Theory – FYI - No NEW Buy signal,

By this Method –SMH (SEMI) is lagging QQQ (Tech) - *QQQ Price cross over with SEMI price and has not given Buy signal . The Ratio curve ….SEMI / QQQ has broken downtrend which +ve . PQV is still Invalidated*

TLT (Bond) – CZ- PEC- D Analysis – Near Term . - *Bullish*

- **Texture -** NEUTRAL TOP CZ. & BULLISH BOTTOM – (NET LONG)

Downside - CZ 118- 115 Met with PQV Validation. It should Rally first & have another test in CZ then move higher into our First upside target - RM - 113

Upside - CZ – 128-125, If it is broken Bullishly then to Target CZ 135-136. .
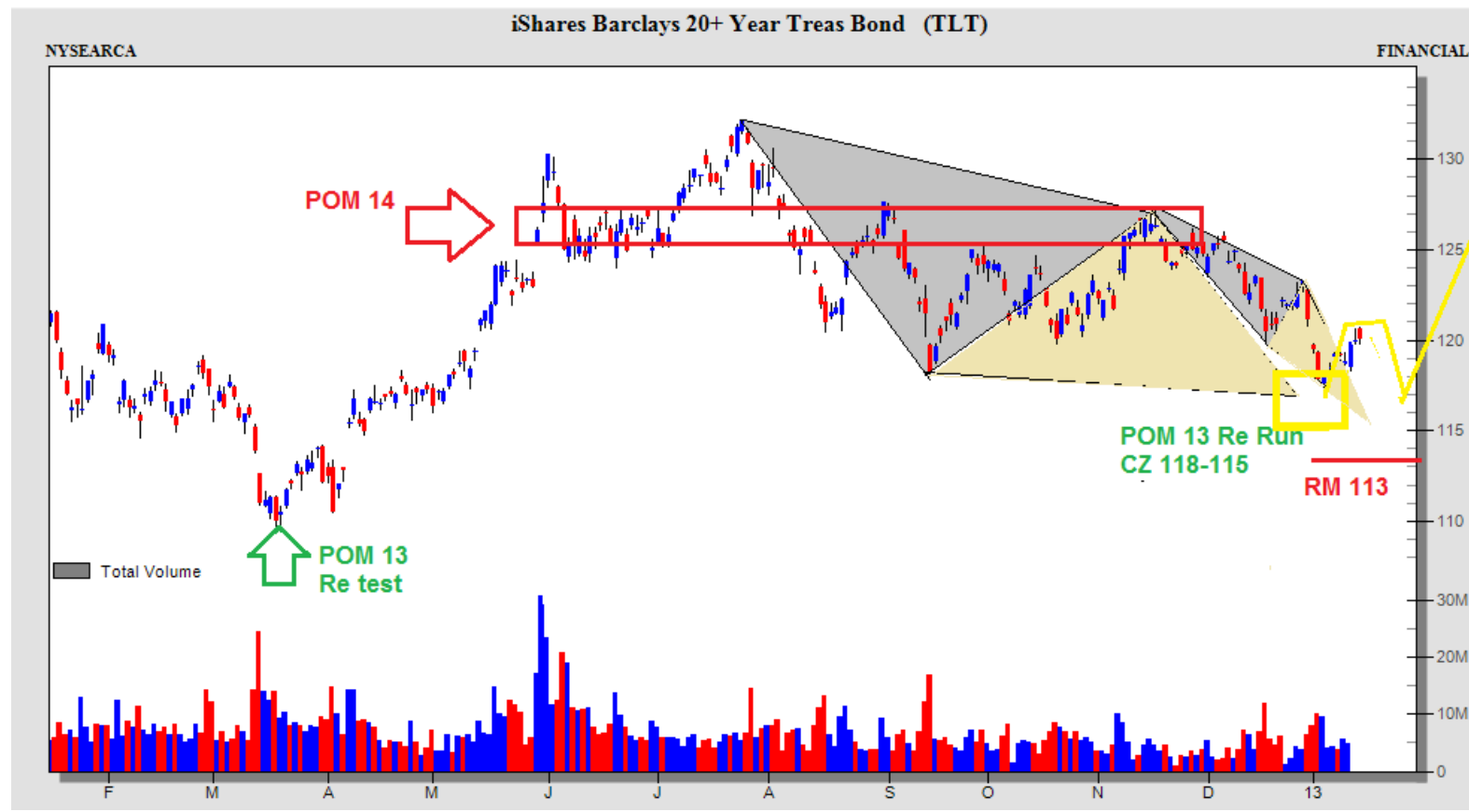
TLT (Bond) – CZ- PEC- D Analysis – BIG PICTURE - *Bullish*

Monthly PEC- D projections is at 115 , On daily basis , TLT has Triggered POM 13 re in CZ 118-115.

 __30 yr Bull Market .__ LT Monthly PEC- D projections of POM 15 to 136 with PQV Analysis is a possibility ,

iShares Barclays 20+ Year Treas Bond (TLT)
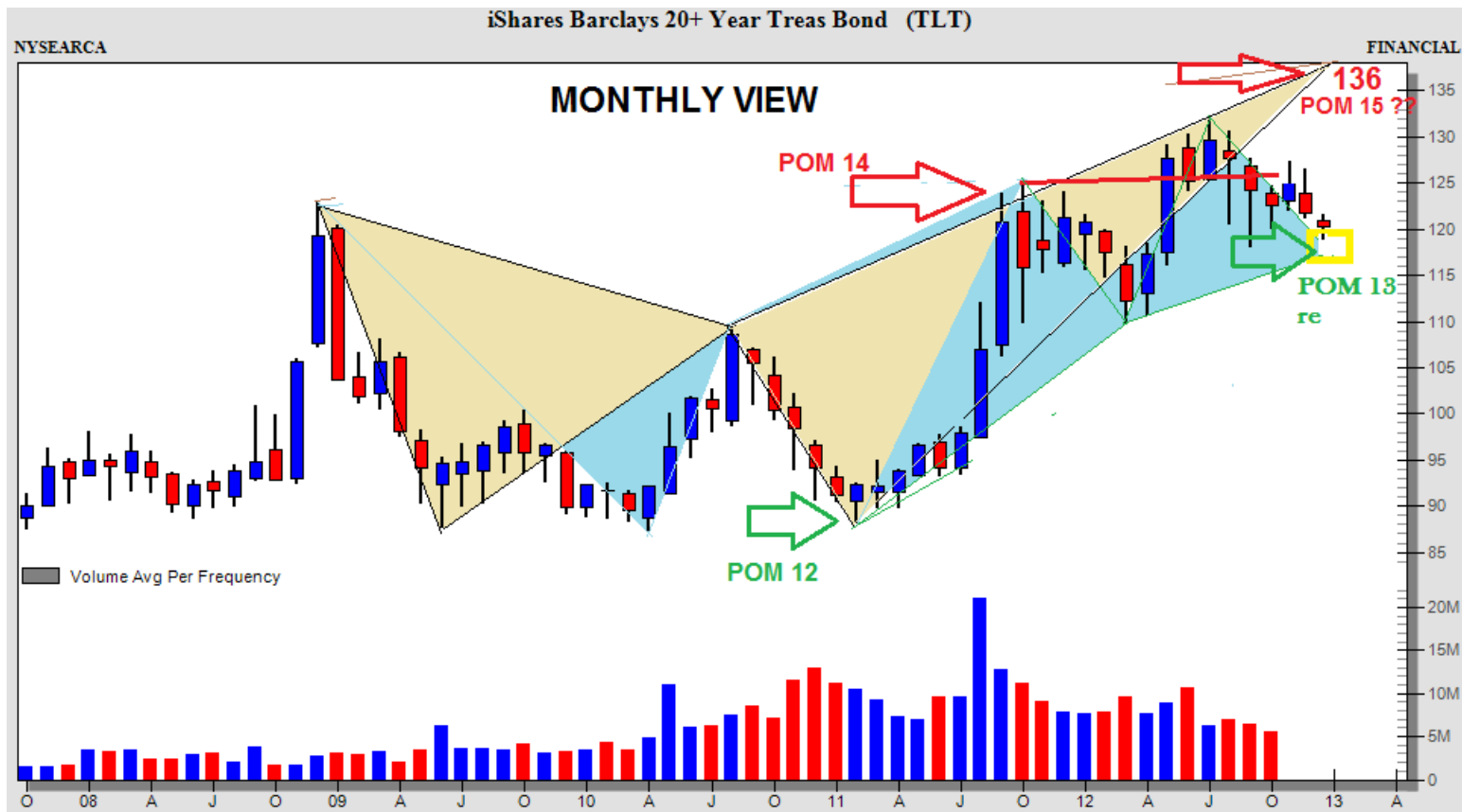
IWM (RUSSELL) -- BEARISH

IWM - Trigger   POM 14, CAUTION within CZ 84-87, on 12/26, & 1/04 , This signal completed POM 13 – Re run on 10/15
within CZ 82.5-80.5 & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

QQQ (NASD 100) – - BEARISH

QQQ - Trigger   POM 14, CAUTION within CZ 65-67, on 12/26, & 1/04 , This signal completed POM 13 (Original) on 5/215
within CZ 61-62 & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

MDY (MID CAP) - NEUTRAL

MDY - Trigger   POM 14, CAUTION within CZ 185-191, on 12/26, & 1/04 , This signal completed POM 13 – Re run on 10/15
within CZ 175-178 & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

SMH (SEMI)   – NEUTRAL

SMH - Trigger   POM 14, CAUTION within CZ 32-33.5, on 12/26, & 1/04 , This signal completed POM 13 – Re run on 10/15
within CZ 29.5-30.5 & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

IYT (TRANSPORT – NEUTRAL

IYT - Trigger   POM 14, CAUTION within CZ 95-97.5, on 12/26, & 1/04 , This signal completed POM 13 – Re run on 10/15
within CZ 88-90 & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

TLT (BONDS)– BULLISH"

TLT - Triggered POM 13 – Re run   on 1/07, we initiate to Net Long) within CZ 118-115, This signal completed POM 14-
Triggered on 5/21 for CAUTION within CZ 128-125. All subsequent commentary refers to
CZ to CZ moves are for Risk Management/ rebalancing overweight positions.

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*

CORRELATION RATIO ANALYSIS

Inter market Analysis – TNX (Yield) v/s SPX

- *Direct Correlation continues in Current Trend*

Inter market Analysis – TLT v/s USD

- *Inverse Correlation continues in Current Trend*

- ## EXTREAME Sentiment Analysis
- **(3rd Party Data)** - Courtesy : SENTIMENT TRADERS

None @ EXTREMES

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 <u>UP</u> move, *POM 13* signifies to <u>STOP</u> executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

- On way <u>DOWN</u> move, *POM 13* signifies to <u>STOP</u> executing additional " New Short Sells" that was initiated at *POM 14 or POM 15 levels*

- **_(Bear Markets)_** **POM 15** is for - **<u>Net Short</u>** & **POM 14** is for - **<u>Hedge Longs</u>**

- **_(Bull Markets)_** **POM 15** is for - **<u>Hedge Longs</u>** & **POM 14** is for - **<u>Partial Hedge</u>**

- *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 steams to achieve confluence point D coinciding with POM
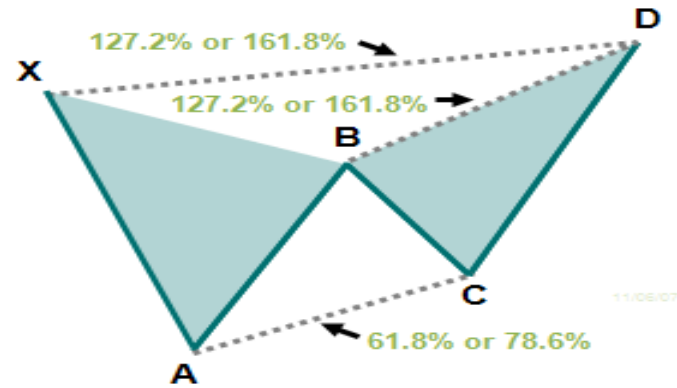
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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%