



Research Note – Weekly Market Strategy (A)

MAEG WKLY MKTSTR SG 2010 # Aug 16

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We have picked up charts that has some distinct characteristics and values from last weeks observation at Inflection points:

AD-Oscillator

SPX, DOW, NDX,

SPX/ VIX,

DXY, EURO.

SPX – Closed @ 1079

SPX – “Our Current Signals & Projections”

- ***On 6th Aug – POM 14 – Re run was triggered at 1125 currently we are at 1079.***
- ***We have decisive weekly close below 1085 which is intermediate bearish conformation***

Market Insights

On Short term basis market is getting oversold after 50 SPX points

The ARMS ratio averaged 1.13 last week, which is verging on the oversold side, so with the market oversold and looking to start a final rally, considering that the sentiment indicators are voting bullish. which would argue that the decline is likely to end soon and turn into a short-covering rally. **We'll just see what level that is in next day or two . SPX 1060 +/- might be good area to initiate this bounce**

Sentiment

The sentiments has been swinging so quickly turning bearish which is contrariwise bullish. It confirms the picture we're seeing in the options sentiment arena. The ISEE number dropped to 68 on Friday, which shows extremely bearish on stocks. Our OEX Dollar-Weighted Call-Put Ratio shows the same kind of sentiment---most OEX traders are quite bearish and they have a wonderful record as contrary indicators.

AD – Oscillator w/ T - Termination

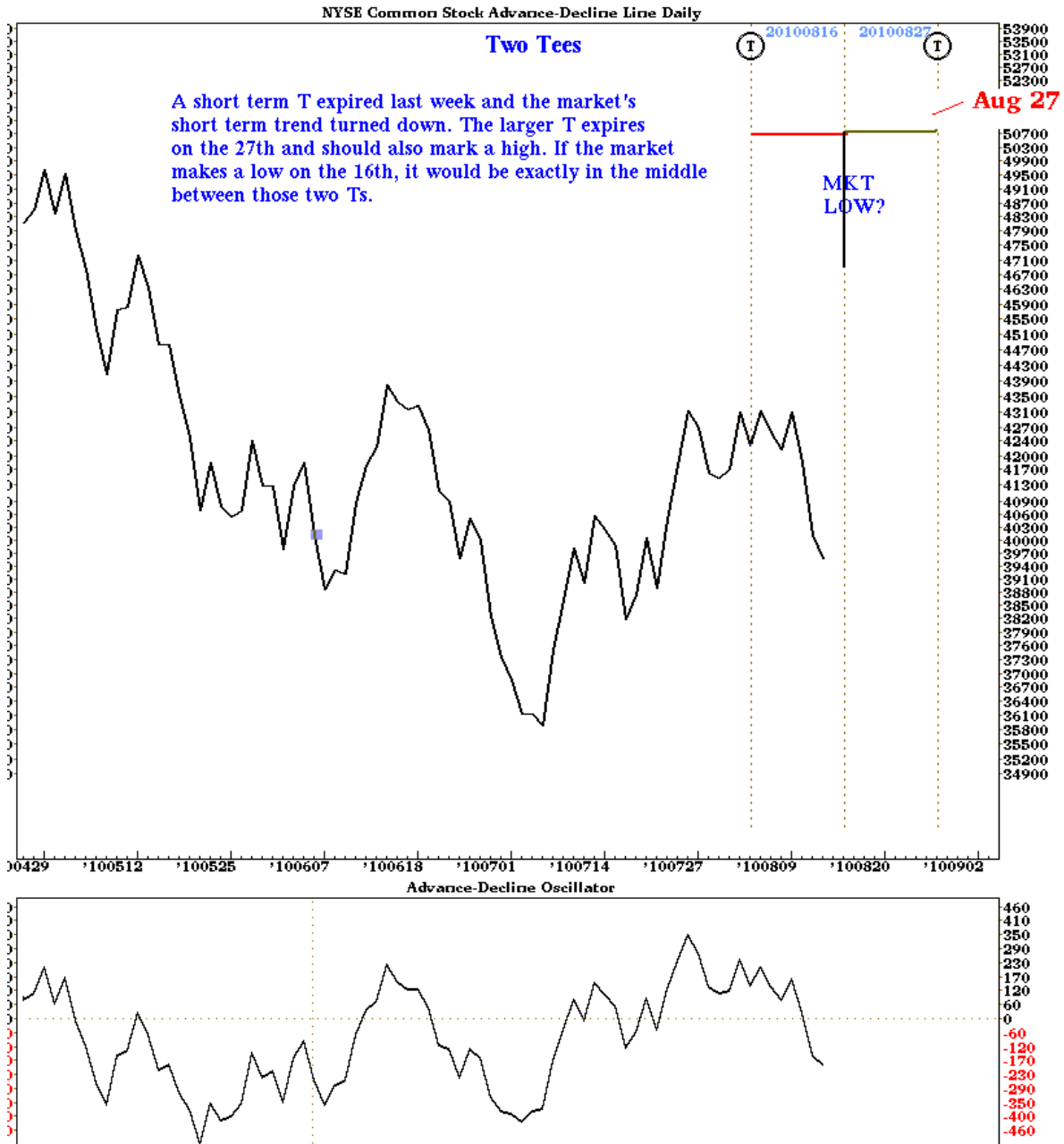
On short term basis, the Advance-Decline Chart below (Two Tees). The first one expired last week That marked the end of the uptrend, although prices around their highs for additional week until traders' psyches forced them to sell **(the geomagnetic storm undoubtedly was a major influence here)**

The second tee, the large Advance-Decline T, expires on the 27th. If we take the midpoint between these two tees, it turns out that **the 16th (Monday, possibly extending into Tuesday,**



the traditional turnaround day), in the positive expiration week. We would then have another bounce into the August 27th expected high. (See the chart below) This last bounce could be a short covering before September dreaded month.

AD – Oscillator w/ T - Termination





SPX – Short Term

The bounce here would be to at least the descending resistance line that provided the excuse for a top last week seems a good probability near term. Dow and NASD has additional features that gives additional clues for bounce. 1125 Top was signaled correctly by Polytrendline





DOW - Short Term

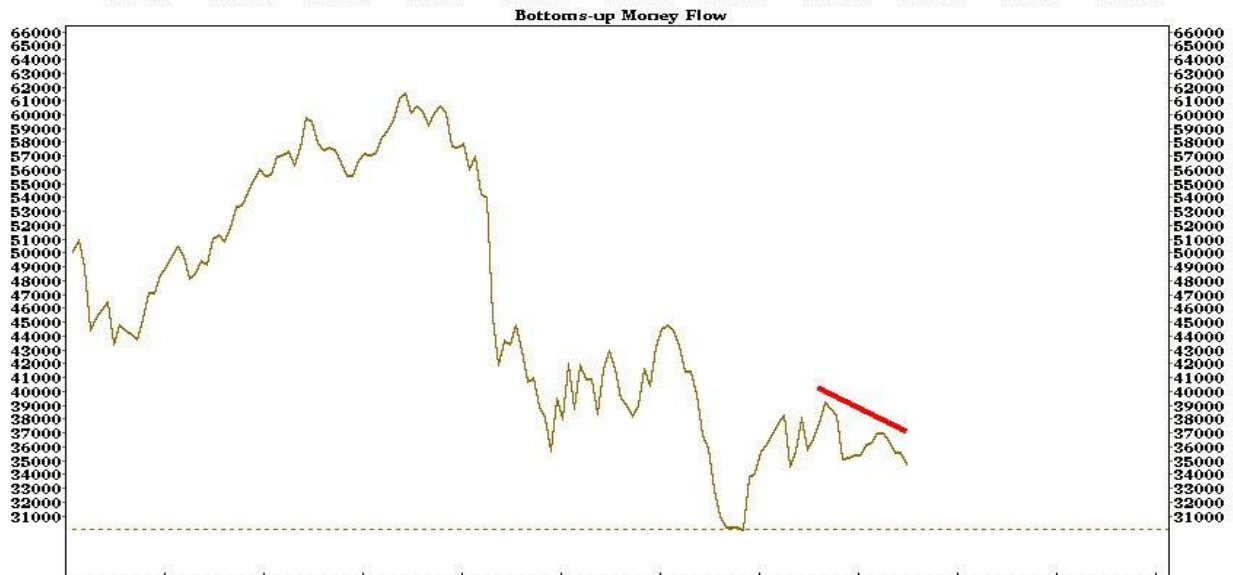
We consider this due to safe haven money till Money managers gives up on market or Invest their last dime to get fully invested but On a very short term basis, A wave counts suggest. Here's a count which would have it as a correction and bottoming after a minor new low for a bounce and money flow is diverging on very short term basis.





NDX - Short Term

A short term rally here is probable, but the major trend is down. This should bounce less than Dow



In our Sector Analysis we have additional Inter market analysis



SPX v/s VIX - Intermediate Term

Noting has changed here, a weekly close below 1085 was a bearish development. **VXX is the ETF for the VIX. We have inverted the VXX so that VXX goes up down with the SPX and makes it easier to follow.**

Our view is that the SPX has started the next decline where the low in July will be broken. This next decline may last into September before it's finished. Several momentum indicators have turned down on yesterday's decline on the SPX which implies the impulse wave down has started. Also there are a couple of sell signals generated on the VXX. When the 10 day moving average on the VXX a sell signal is triggered (circled in Blue). Also when the Slow Stochastics turns down from above 80 a sell signal is triggered and both instances occurred on yesterday's decline. **Also on yesterday's decline the ARMS index closed at 5.75 and predicts a short term bounce but this potential short term bounce should be in the context of an intermediate term decline..** We remain bearish and next intermediate term low may form in September / October in time for Presidential cycle lows. (See the notes within the charts.





In our Currency Report we have additional the actual PEC but this Analysis is to capture the Inter market analysis for SPX direction

DXY

It is all about the dollar, we had the price projection confluence at 80, Chart below explains it all





EURO

The euro has had a major slide since 133 area. The Euro **fell over 3% the last five days**, which is a big move for a currency. On the flipside, the Dollar is the go-to currency during a flight to safety.

A sharply falling Euro increases the chances of another crisis in Europe and favors the risk-off trade. This trade is bearish for stocks and oil, but bullish for the Dollar, bonds and gold.





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Global Market Insights

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