



SG Capital Research

Global Market Insights

Research Note – Intermediate Update # 3 (B)

MAEG INTERMIDATE UPDATE # 3 SG 2010 # AUG 027

For Immediate Release

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Due to market conditions we have a Supplement # 3 “ Intermediate update “ this week.

Market Strategy Global (A) - SPX – Closed @ 1047

Analysis of Broad Market that includes

- **Primary Market SPX & DOW as market driver and**
- **Secondary Markets NYSE, NASD, RUSS .**

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

- **Sentiments ST / IT**
- **SPX**
- **RUSS**
- **DOW– IT**
- **YEN /USD**
- **CL (Special situation)**

SPX – “Our Current Signals & Projections”

- **On 6th Aug – POM 14 – Re run was triggered at 1125**
- **We have decisive weekly close below 1085 which is intermediate bearish conformation**
- **On 26th Aug , Our Indicators conformed POM 13 @ SPX 1047 (We send out intraday Alert). SPX dropped (-7.0%) from our previous Signal POM 14 – Re Run @ 1125.**

Market Insights

A low was put in 1039 SPX. The market should bounce here. We are still looking for the contracting triangle consolidation Price path from b to c point is still in effect. (This chart demonstrated in the Intermediate commentary) .

The upside of the C point as measured by (3) – T – Terminations is on till 27th Aug (A/D Oscillator) , 29th Aug (Geomagnetic Storm) , 2nd Sept (NYSE T). and now may be inverted and supported by the month end money flow. We would look at 1085 SPX as topside to this bounce (but we will be very vigilant) . We will have more clarity when the bounce begins.

The conclusion of this analysis , there will be cause build to break the Apex of the contracting triangle and then the right side of Poly trend will act like magnet . **The ABC which has Confluence Zone of down to 1010 – 960 SPX** . The bigger bounce could happen from those price points as the sentiments get really bearish. **We may very well get POM 12 there.**

SPX , 1010 is a lower boundary of the range . We are now approaching the lower levels on each of the indices . If the averages can hold these support areas it will be a very positive sign for the market over the short term. If these support levels do not hold the market will probably see another round of selling. But given the tremendous amount of negative news and the current oversold condition of the market we would be very surprised if the lower boundaries of the averages are broken over the short term to shake every one out. Market is very devious.

Sentiment Indicator – Short term & Intermediate term

Sentiments are in the areas where bounces have occurred but certainly not in the area where tradable lows have happened (i.e. POM 12 or 11). Oversold conditions are numerically far different from Extreme sentiment Indicators

- **Short term pessimism Indicator – Currently (Suitable for POM 13)**

At the point, bounce can happen @ around 1040...(sentiment wise)

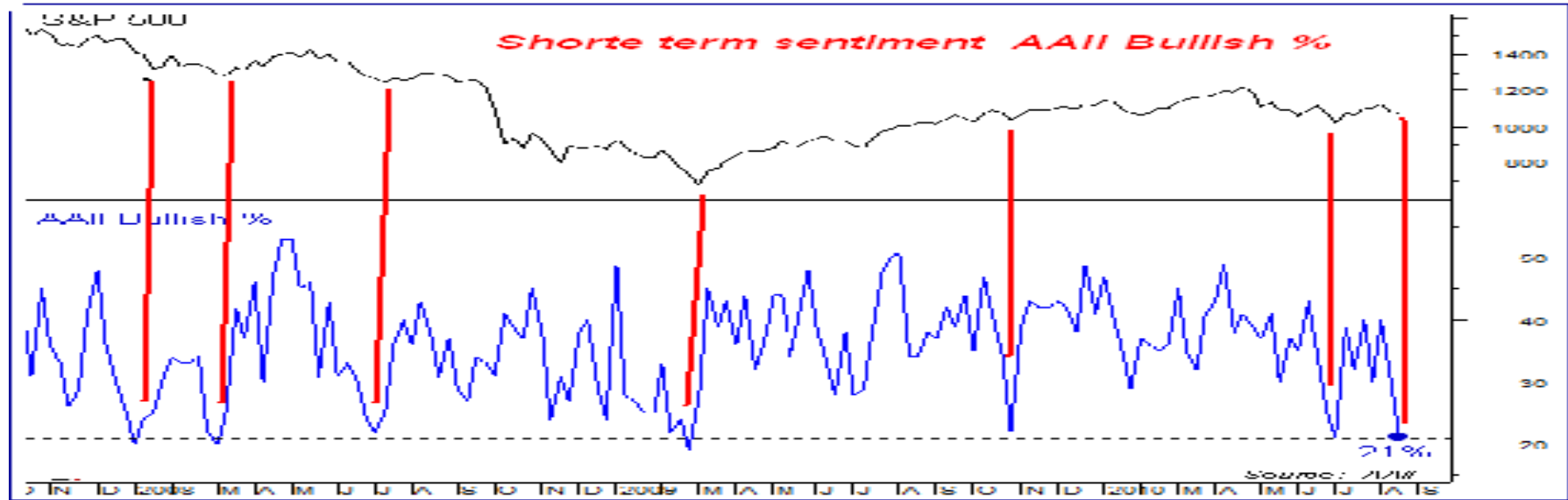
- VIX hit 29, 11% higher than last week , completed our PEC D which results in pull back in VIX i.e Rise in SPX.
- Latest survey from the American Association of Individual Investors (AAII), where the percentage of those looking for the market to rise plummeted to 21% (See charts below, top half) .
- From a contrarian standpoint the extremely negative news scared with terms such as “Double Dip”, “Depression”, “The Death Cross” and “The Hindenburg Omen”.
- Yesterday report we showed you Put / Call ratio at extremes
- All the above condition means something for pessimism.. BUT

- **Intermediate term pessimism Indicator (Suitable for POM 12)**

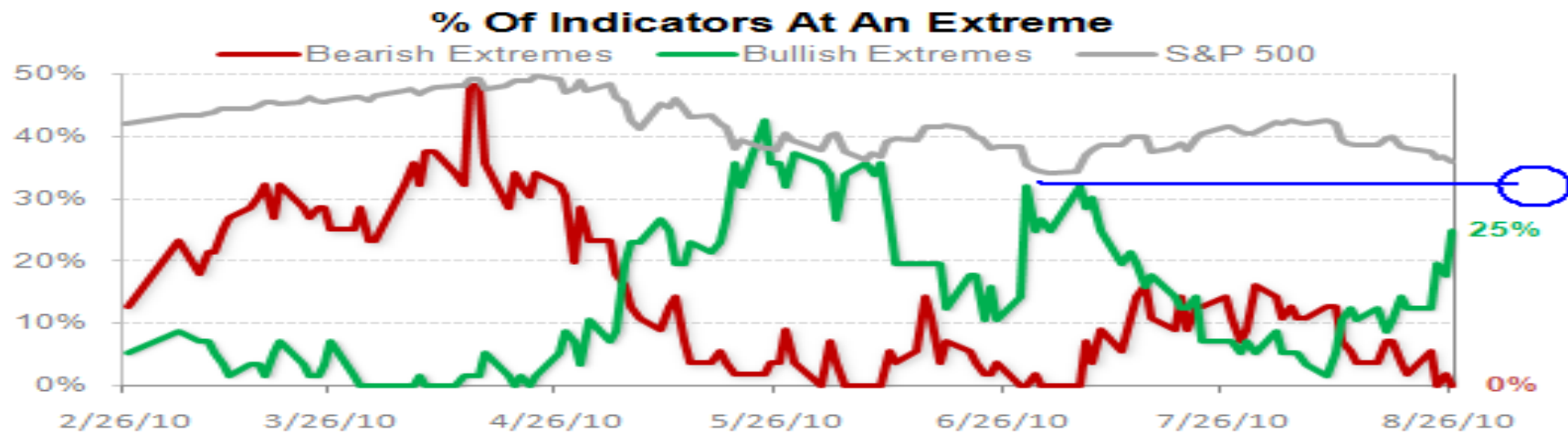
At around SPX 1010 – 960 , to get a tradable bounce(sentiment wise)

- VIX t needs to be spike up to 35 or higher.. Over the past couple of days Investors could be apathetic but may not be extremely pessimistic just yet.
- Although Sentiment remains extremely negative. We can't say that's totally bullish because the crowd is always right in the middle of a move. (1085 – 1010) . But, we have yet to see an Bear trap at the bottom.
- See the chart below in 2nd lower window, it reading needs to get to 35% (Market in Blue) for a good rally , this is collective sentiment reading for intermediate term , Indicator of CBOE multiple matrix. (Its composition is Volatility, Options, Survey, Breath, Rydex flow, Insiders, Media etc)

SPX v/s Sentiment – ST (Upper) / IT (Below) window

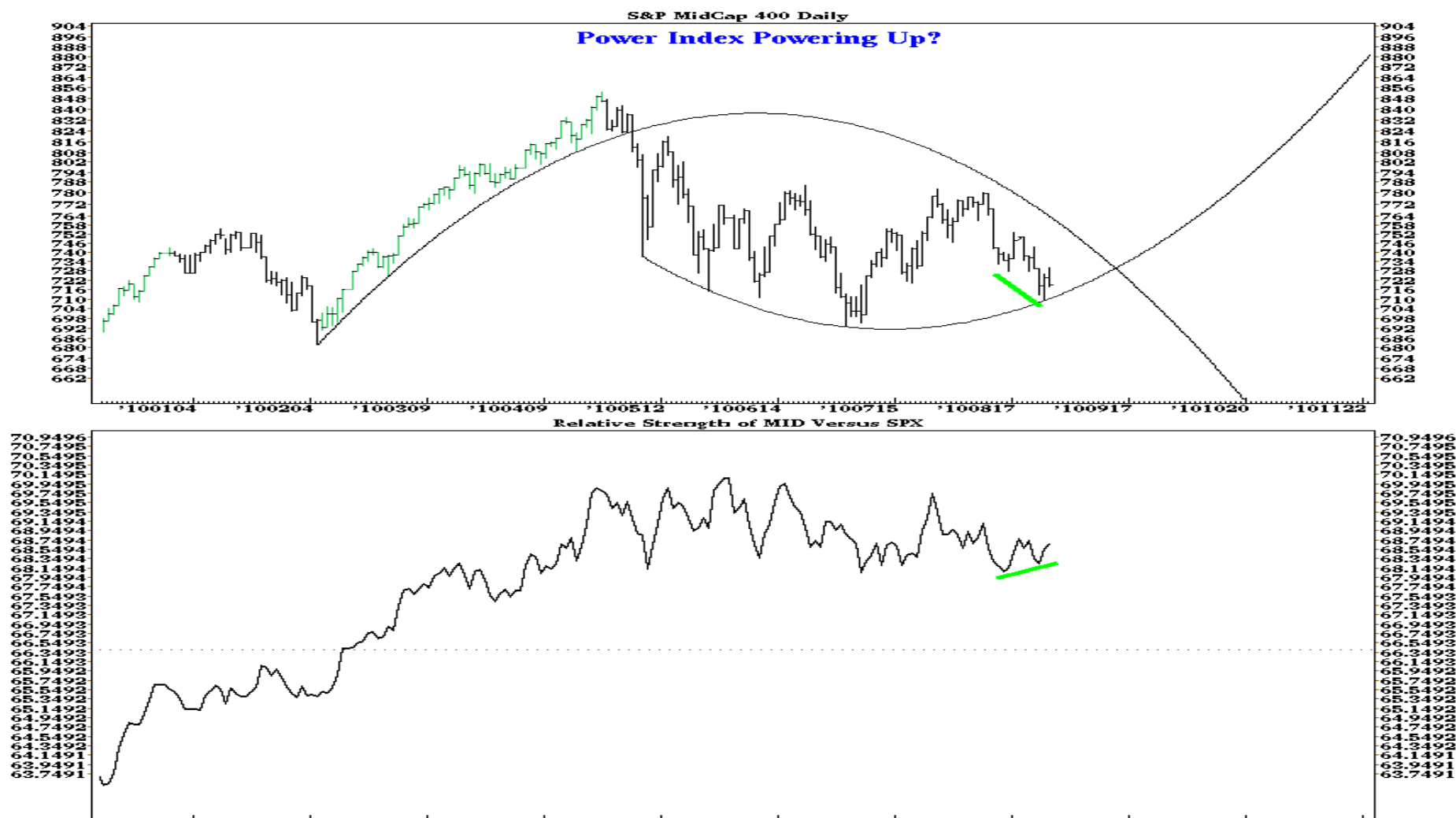


Intermidiate term Bullishness needs to be at @ 35%



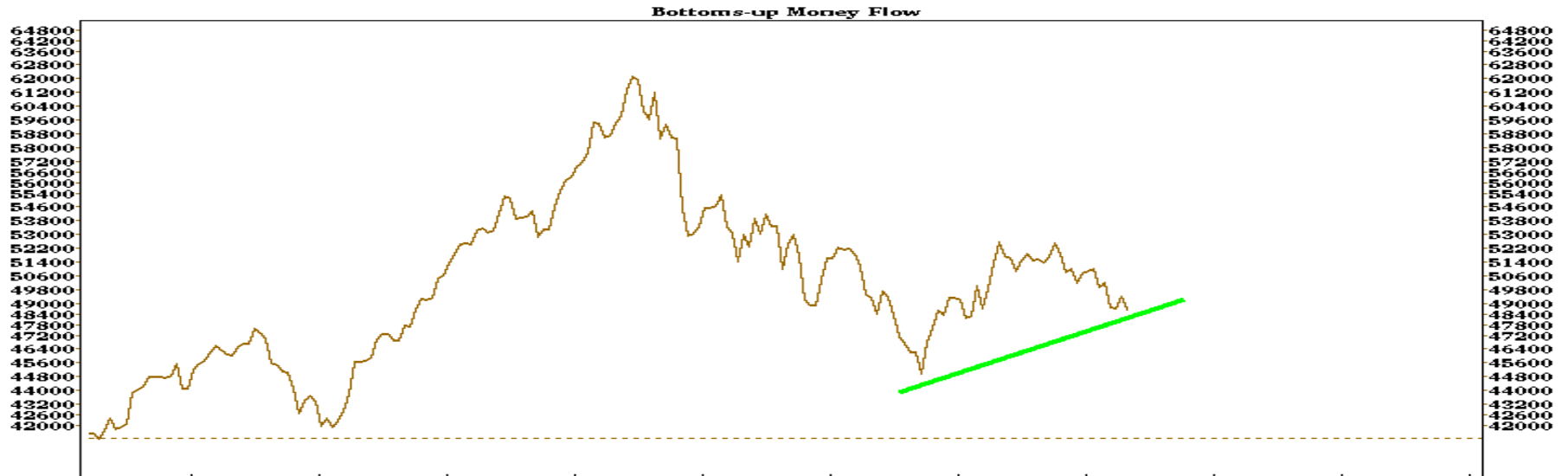
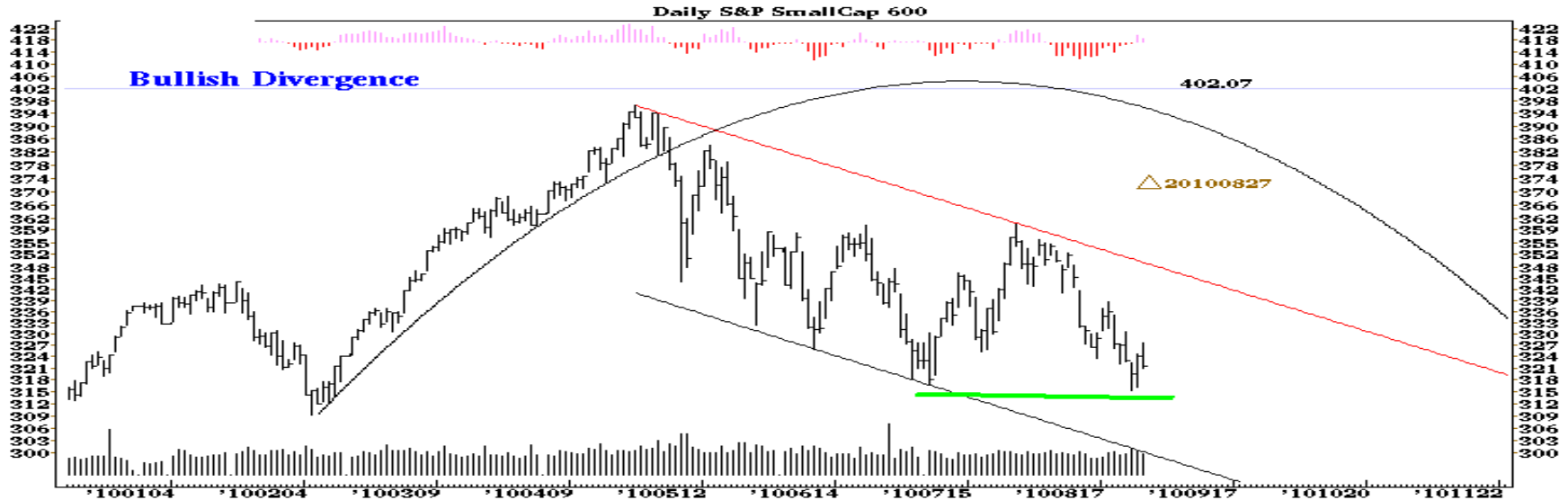
SPX – 400

Mid cap Index also called power Index (Sweet spot of the market usually) . Showing relative strength and positive divergence. The Advance-Decline T is expiring tomorrow, the indicators are actually turning bullish. Lining up with short term sentiment, which is deeply bearish right now (contrariwise very bullish), this market may be poised to start its exhaustion rally.



SML

Even if short-lived, is a warning Top-down money flow has been diverging bullishly both the MidCap and SmallCap indices bullish divergence appearing on their bottoms-up money flow charts. The Time Ratio High due tomorrow is now looking to have inverted and be coming in as a low instead. Risks are high for short sellers now



DOW - Intermediate-Term.

This chart is from 16TH April commentary , when we had POM 14 @ 11300 highs , by Multi - poly trend matrix , The red line show we are almost targeted the projection at 9700.

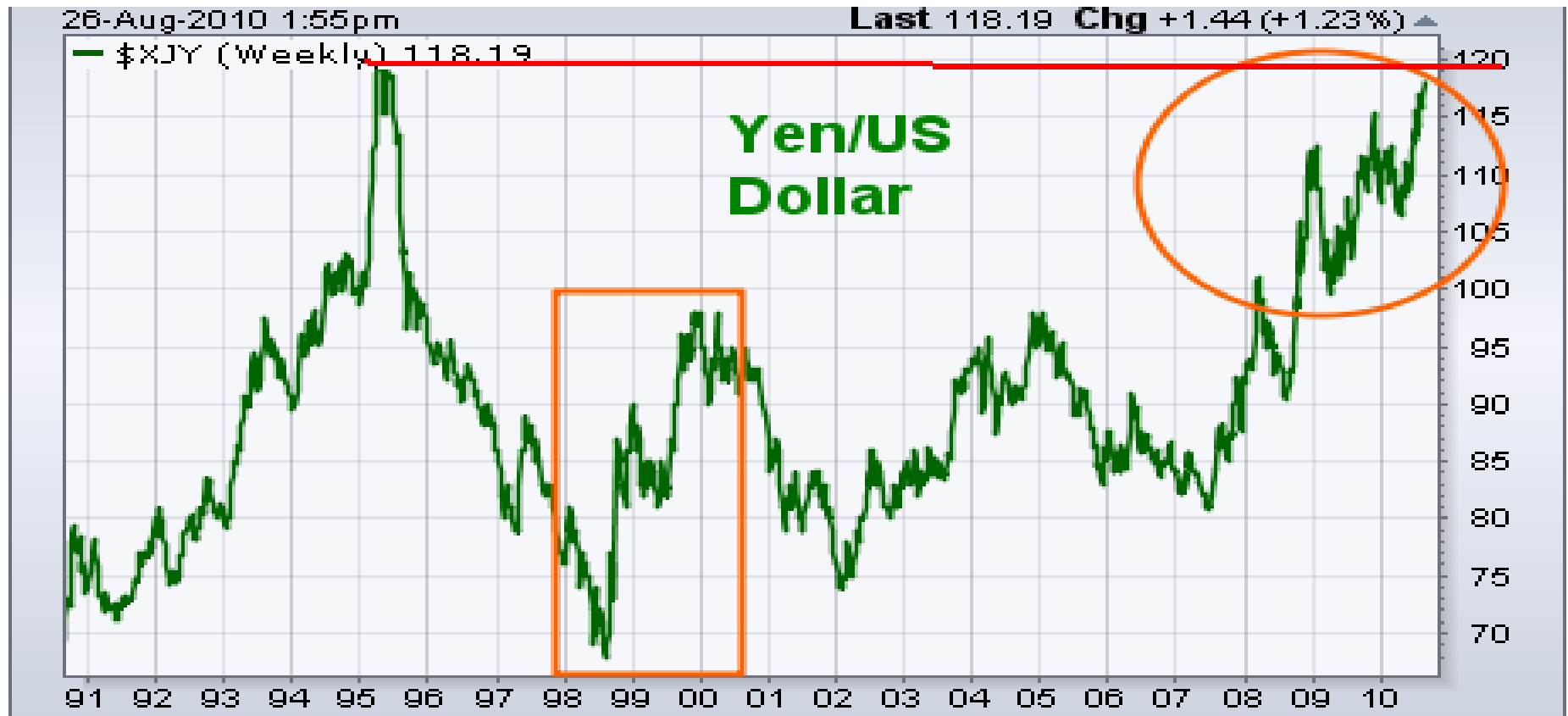


Sector ETF Analysis (C) – Related Section

- NONE -

Currency Analysis (D) - Related Section

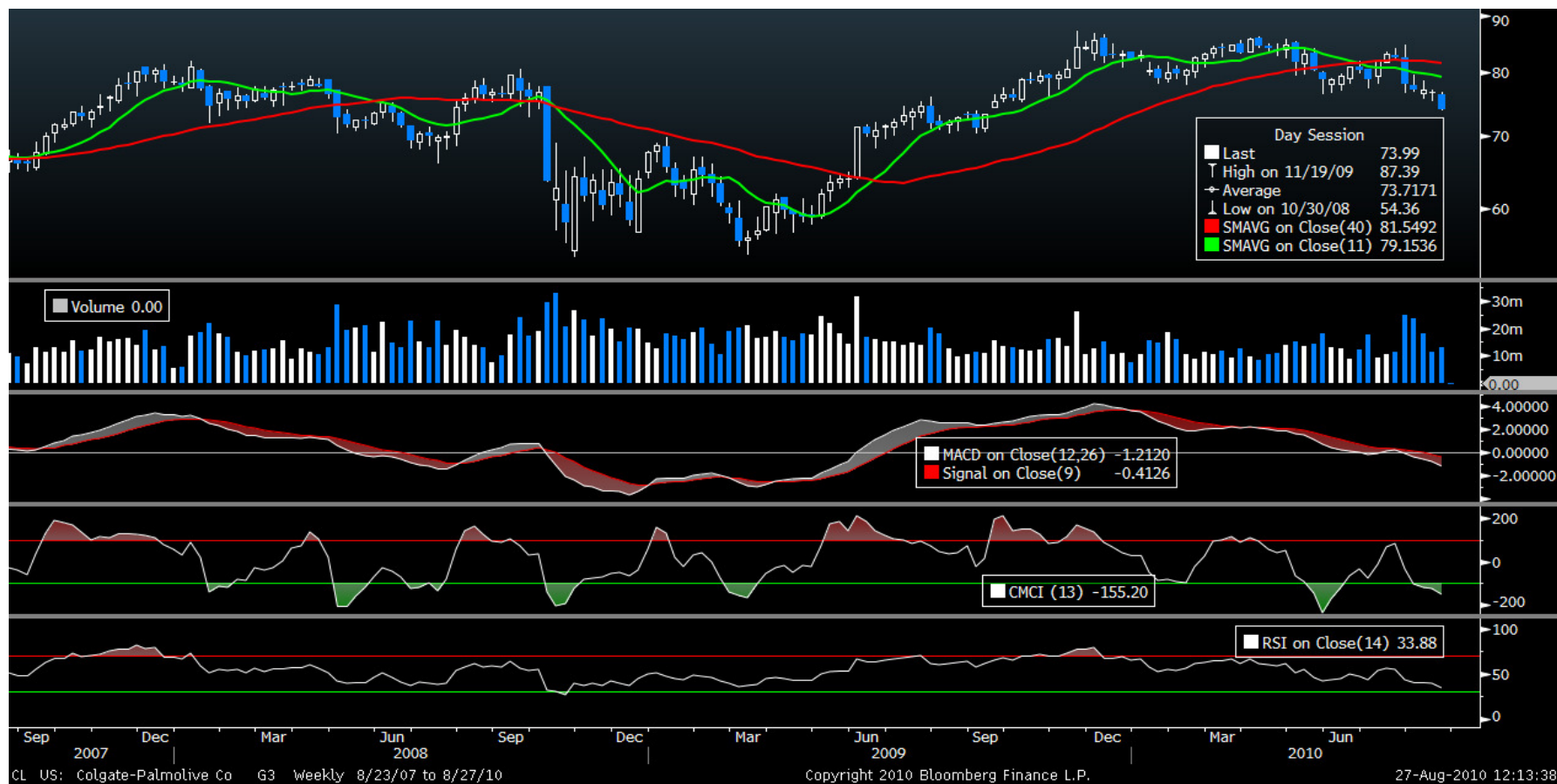
YEN SURGES AGAINST GLOBAL CURRENCIES ... This is past 2 yr's s hero. It gave us best signal in the SPX crashes 2008 - 2009 , unwinding the "yen carry trade" . The point is that the yen "is" rising against all of the world's major currencies. On the way to test the highs again. Once finished the test could it start the SPX Bounce ? We have seen this before. (It is worth keeping an eye)



PQV Equity Analysis (D) - Related Section

- Selected Equity (4) Analytic Charts as Titled below
 - Weekly 1 Year - 11 W / 40 W SMA with RSI, CCI, MACD
 - Daily Year - 11D / 55D SMA with RSI, CCI, MACD
 - Price & Volume Action
 - Money flow

CL Equity – Weekly Chart - 11 W / 40 W SMA with RSI, CCI, MACD - SETUP 2 with Resistance at 79 on any rally



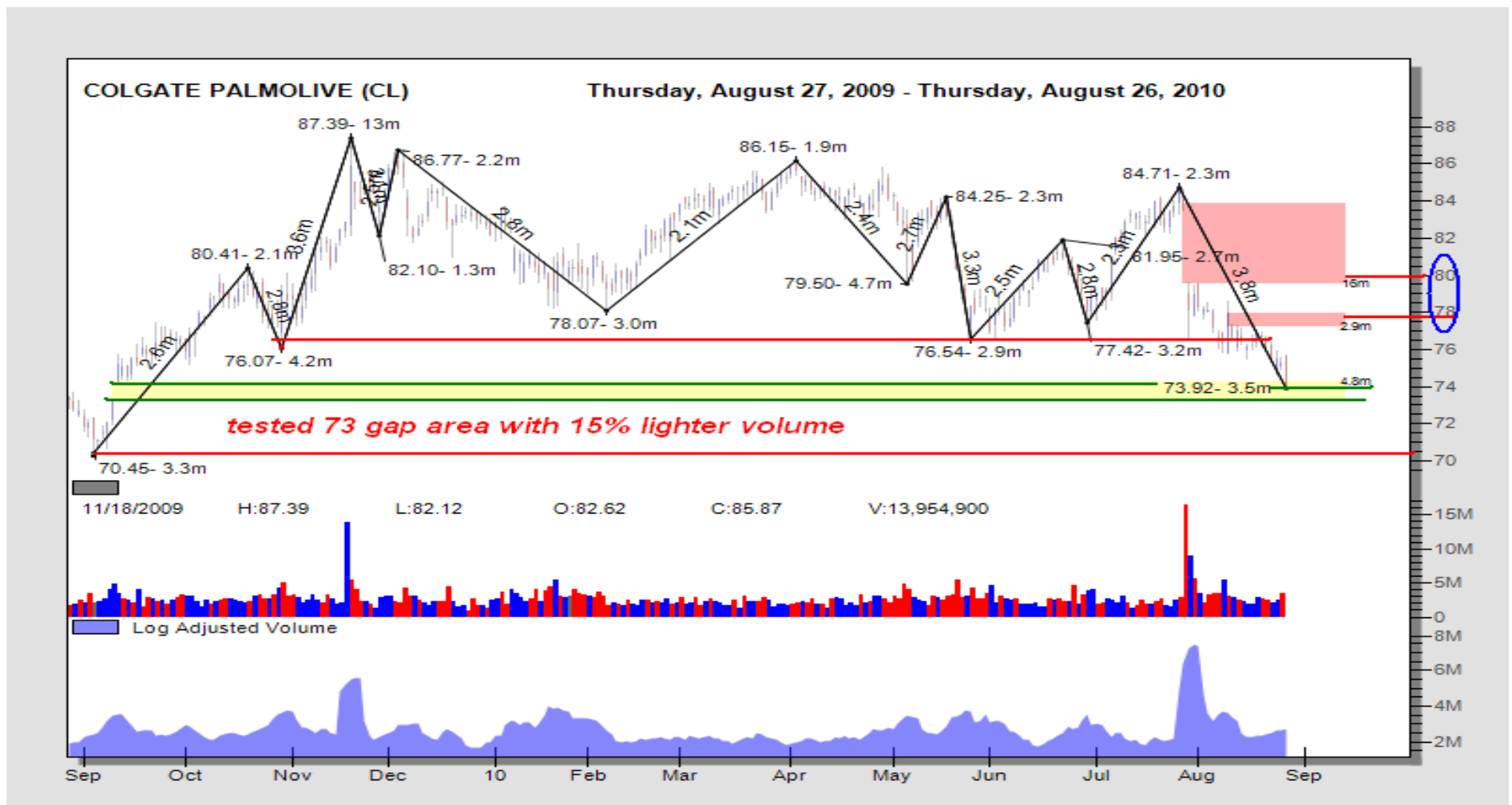
CL Equity - Daily Chart - 11D / 55D SMA with RSI, CCI, MACD – All indicators in window below are oversold in daily but in top chart weekly , inspite of the selloff, it is still neutral inspite of volume on downside



PRICE & VOLUME ACTION (PQV) # 1

CL tested gap of 73 from past at 15% lighter volume (Indicated in Yellow) , suggests if the market bounces it could bounce , but the upside target is limited to 1st Gap 78 @ 2.9 M or 2nd Gap 79 @ 1.5M (both marked in pink) . This area conforms below the SETUP2 @ 79

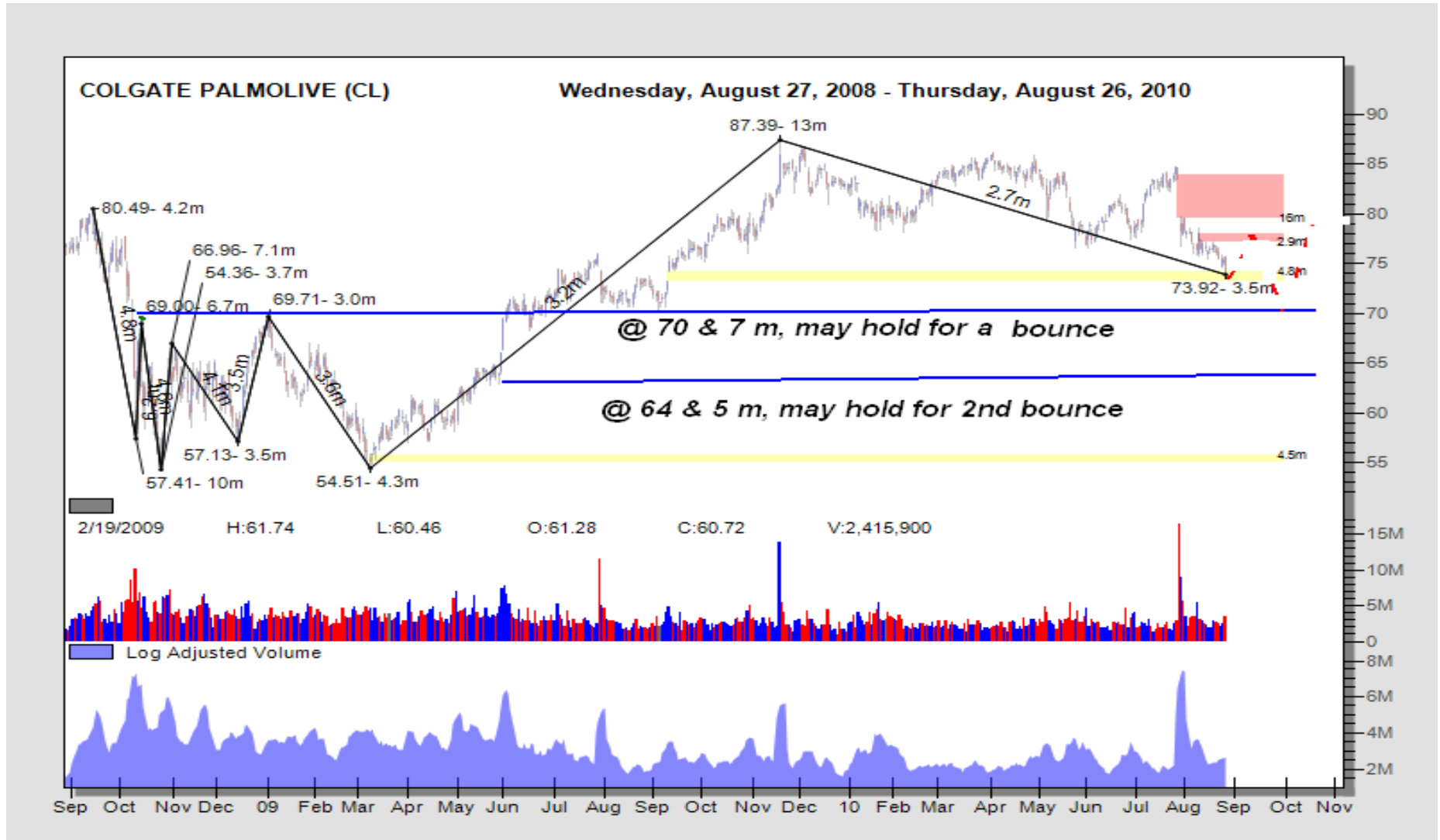
If the volume comes in at 1.2 at those test, it should begin another ABC down , Along with the market and the target is at 70 shown in Red line (Please note the comments within the chart)



PRICE & VOLUME ACTION (PQV) # 2

But based on yesterday's volume, the bottom 70 shown in BLUE line should get tested and the volume is greater than 7 M. We should head to 64 and volume should not exceed more than 5 M (BLUE Line).

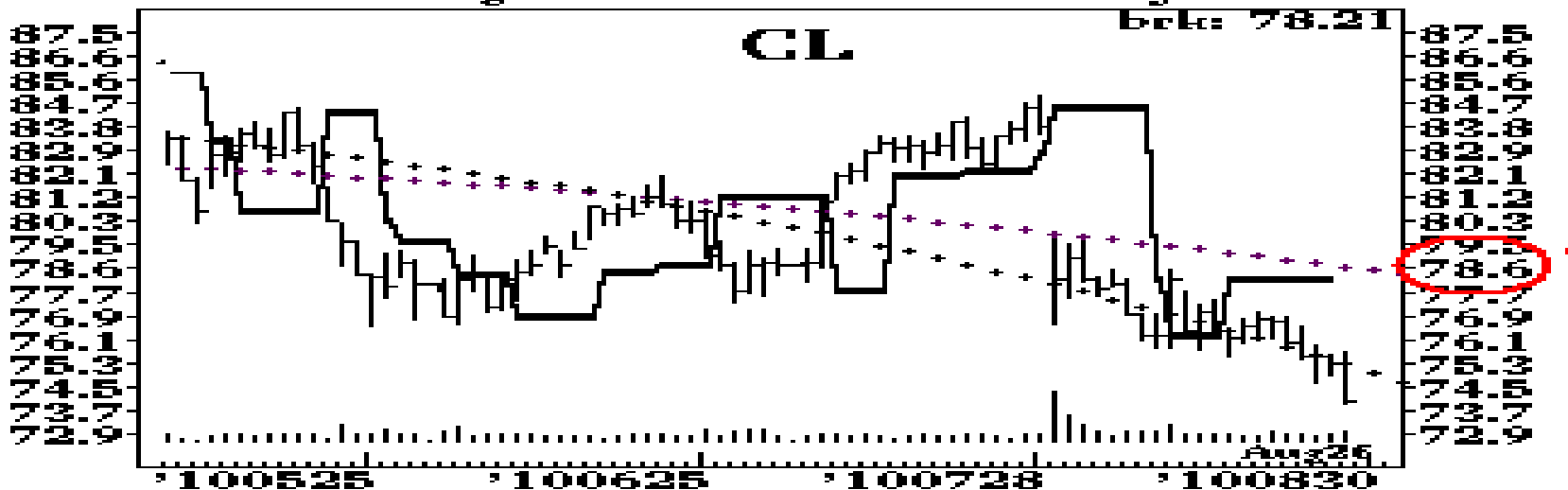
Based current Trend Analysis 64 should hold



MONEY FLOW -

Large amount of Money is trapped at high as Indicated – is now in losing position. On any bounce in the stock price stock, they may try to liquidate the stock.

Colgate-Palmolive Co. Daily



Bottoms-Up Money Flow



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