SG Capital Research

Global Market Insights

Research Note – Intermediate Update (B)

MAEG INTERMIDATE SG 2010 # AUG 017

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

SPX – ST / IT,
SPX – H/L,
EURO.

SPX – Closed @ 1079

SPX – "Our Current Signals & Projections"

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- ***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*

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Yesterday we projected a price of SPX 1060 +/- on SPX for this pull back and find a short term lows as short term indicators (we showed in yesterday's note) . This price area IS where bounce could happen. We hit lows of 1067 (60 points drop from our POM 14) and market rallied . **Please note that 1069 is not POM 13.** It is half way move

On hourly basis SPX touched the 5th wave (see the chart below) and with Indicators oversold, the market was due for bounce .

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SPX – Short term

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SPX – Short term

We remain intermediate term bearish but a bounce is possible this week which is option expiration week. . Short term bounces can occur when SPY/CPCE ratio reaches below the lower band. We have pointed out these instances with blue arrows. Also the ARMS index closed last Wednesday at 6.5 which predicts a short term low in the next couple of days. The market gap down last Wednesday and with ARMS index and SPY/CPCE ratio showing a short bullish short term sign it would make since for a bounce to test the gap near 1110 range before heading lower. (we are watching very carefully) Seasonality remains bearish into September October timeframe and may be where the next intermediate term low will be found. We remain bearish. See the bearish cross on VIX as well in chart below on intermediate term.

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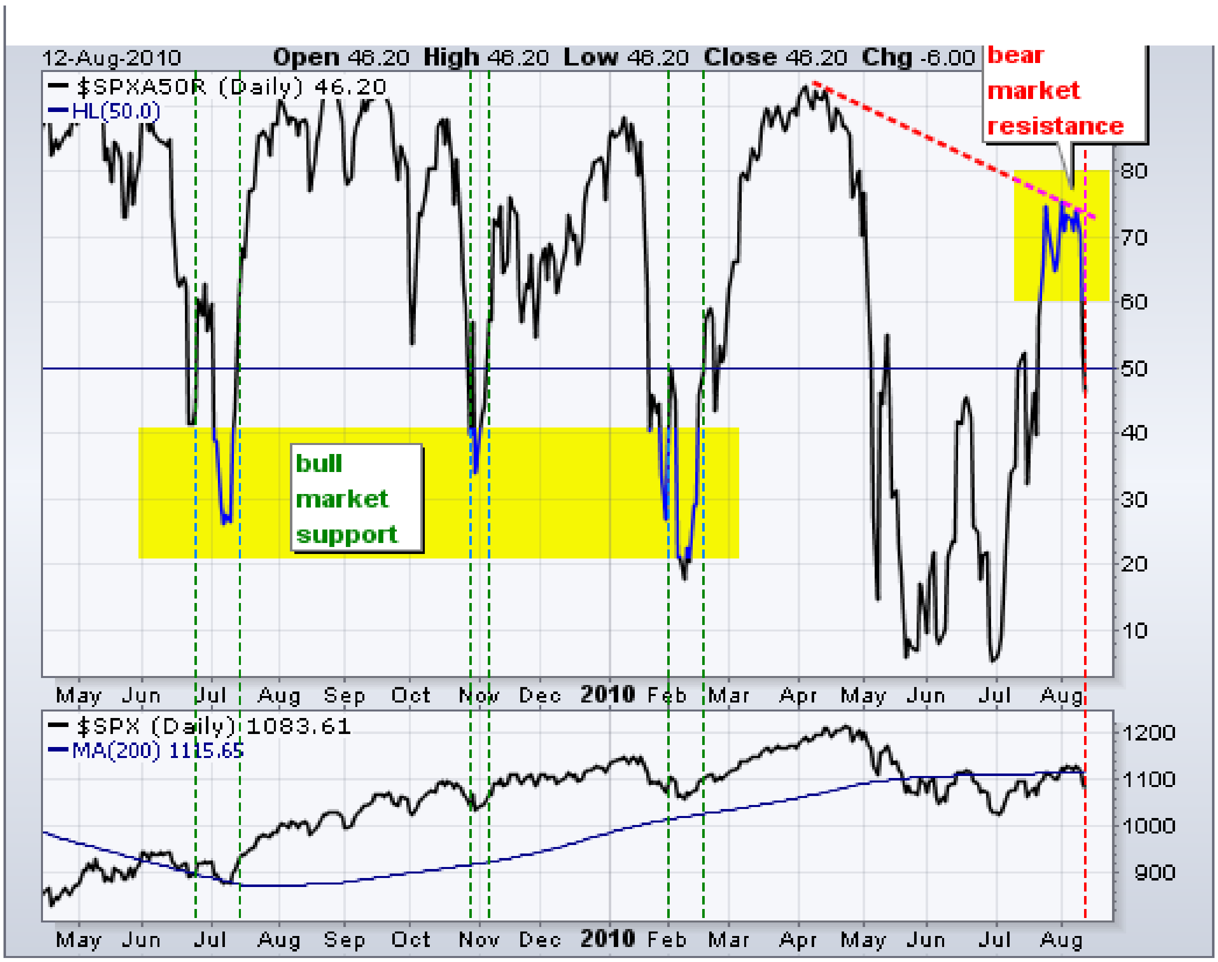
SPX - Intermediate term

This has been our favorite indicator **, S&P 500 % ABOVE 50-DAY SMA BREAKS 50%...** forming a lower high and plunging below 50% this week. Like momentum oscillators, this indicator also has bullish and bearish ranges. Notice how the indicator bottomed in the 20-40% range during the bull run of 2009. The indicator plunged below bull market support with the move below 10% in May, June and July. With support broken, it is time to start thinking about a bear market resistance. Corresponding bear market resistance would be 60 to 80. Notice how the indicator moved into this zone and then back below 50% this week. In April top we had Indicated this as well in the note.



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EURO

The bounce in the euro was undoubtedly one of the reason the stock market followed. Its intermarket connectivity. The euro is likely to retest the broken support line and it should be resistance. But, while the euro is rising, it helps pull stocks back up short term. Right side of poly trend needs to be watched carefully as we approach 1.30 area.

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