SG Capital Research

Global Market Insights

Research Note – Intermediate Update (B)

MAEG INTERMIDATE SG 2010 # AUG 019

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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

QQQQ I/T

GOLD, SLV, v/s SPX Ratio (We have this sector in this Report due to SPX correlation

SPX – Closed @ 1094

SPX – "Our Current Signals & Projections"

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- ***On 6th Aug* – POM 14 – Re run was triggered at 1125 and we are still on that same signal**
- ***We have decisive weekly close below 1085*** *which is intermediate bearish conformation*
- *On 16th Aug, we had price projection of +/- 1060 SPX for reversal (We hit 1069 and reversed but it is* ***NOT POM 13 although we had price target on the bounce at 1110****. It hit a high of 1100 yesterday We think it is half way move*

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We've seen weakness come into the market during the last hour in the past 2- trading sessions that have knocked prices off their highs. The early buying is related to retail buying, while late selling means institutions are selling out. Therefore, the recent internal price patterns are a bit bearish in our opinion, which means the broader market forecast remains "LOWER."

It's options expiration week and the typical pattern is for the market to rally to the closest expiration on the SPX (rounded to the nearest 50). That just happens to be **1100**, our minimum target for this week's rally. **The MAX PAIN is at 1100** and We suspect 1100 is a magnet at least until the opening on Friday.

Although the breadth indicators stayed on the green all day yesterday . Clearly, these "hidden" indicators are showing that the market is not really as healthy as it looks. Yes, most stocks advanced on big rally 2 days ago that we expected , but there was quite a bit of volume concentrated on the downside. It suggests we have a somewhat fragile market .

The uptrend off the big Advance-Decline T from SPX 1069 lows still has another 7 +/- trading days to go.

We remain concerned in the Market given the recent S&P breakdown below its 80W and 34W SMA. This, when coupled with the NASDAQ 100 "head & shoulders" topping pattern forms the basis of our bearishness and likely weakness moving forward. (See H & S Top)

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SPX – Short term - Picture 1

SPX 1100 is at 50% and down draft of the breakdown are . We are approaching these levels with 50% lighter volume

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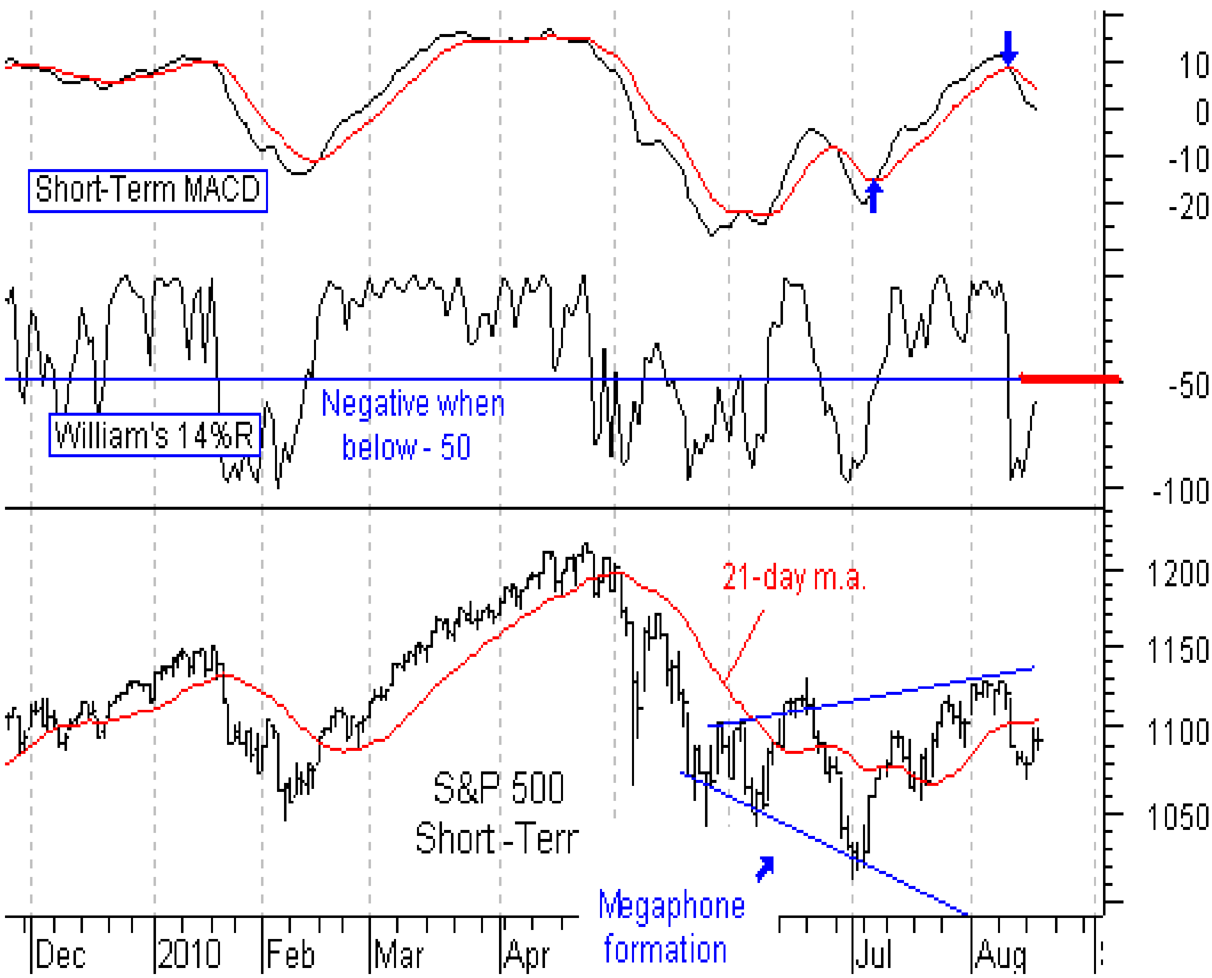
SPX – Short term - Picture 2

SPX 1105 is at 21 DMA , seem to work these days, after 9 DMA worked well last year This keeps changing and we keep eye on it (It's the rule of alternation). We are approaching these levels with 50% lighter volume

This whole thing gets credibility as Broadening Top or Mega Phone is also forming.
Usually this pattern is hard to get. & Williams % below -50 bearish (See chart below)



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SPX – Intermediate term

We remain intermediate term bearish but a bounce is in progress that may take SPX to the gap area near 1110 range. Gap could be tested and 34 W MA underneath then that will bang into overhead and may end the bounce.

Since the Short term bounce occurred at 1069 as we had pointed out when SPY/CPCE ratio reaches below the lower band (Third window up from bottom). We have pointed out these instances with blue arrows. The 50 day moving average of the AROON has turned down and implies the larger trend has turned down. Seasonality remains bearish into September October timeframe and may be where the next intermediate term low will be found.

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QQQQ – Intermediate term

HEAD-AND-SHOULDERS PATTERN REMAINS FOR QQQQ.... Technically, the **right shoulder is under construction** and the pattern is not confirmed until there is a neckline support break. A break below neckline support would target further weakness to the 35-37.5 area, which marks a 50-62% retracement of the entire prior advance.

Resistance at 47.5 holds the key to this bearish pattern. Last week's long red candlestick formed **the second bearish engulfing pattern in nine weeks**. The mid July bearish engulfing was the first QQQQ has yet to recover from last week's decline. A move above 47.5 would negate the bearish engulfing and the head-and-shoulders pattern. (We'll wait and but we are seeing other things pen out as well)

Also watching CCI resistance around the zero line. Last week this momentum indicator hit resistance around zero for the second time this summer. A break above the July-August highs is needed to turn momentum bullish again. (See the Red Arrow)

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GOLD –

Earlier we had Initial POM 14 at 1265 (On completion of H& S Bottom) as Indicated in Red arrows. Then fall to 1170 POM 13 as we had projected in earlier reports.

Then rallied much more then expected . We still don't have **POM 14 re- Run yet** , We thought a price target of 1210 would fail (see the chart below)but it exceeded by 25 to 1235 . There don't seem to have volume behind this more and there is certainly divergence with SLV (see below) that's negative for Gold.
Gold tends to be volatile in both direction for extensions

But during such bounces in GOLD Silver lags But certainly good way to manage the Gold Risks with Silver's weakness as pair trade in time of bounces.

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SLV

SLV with a **large triangle consolidation** over the last few months. The resolution of this triangle will trigger the next signal for silver. SLV remains stuck below its early August highs and shows relative weakness. (See the 2nd box below

GLD:SLV / SPX ratio **Gold outperforms when the ratio rises and underperforms when the ratio falls. SPY move opposite the Gold: Silver ratio. That's bearish for the Market. Very important**
Indicator

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