



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (C)

MAEG SECTOR ETF ANALYSIS SG 2010 # Aug 25

For Immediate Release

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We have picked up charts that has some distinct characteristics and values as the pattern gets completed based on our assessment. Analysis includes Technical Pattern Recognition, Price & Volume Analysis and Correlation Analysis.

- Attached is Chart list & Charts
- XLV
- XLP
- XLU
- XLF

SPX – “Our Current Signals & Projections”

- ***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 & 25th Aug (Yesterday), we came very close to our projected price for +/- 1060 SPX but it is NOT POM 13 YET at 1053 although bounce back to 1100 is entirely possible but dangerous (As mentioned in our Weekly Strategy Report this week and Our Intermediate Report that will be released later on in the day)***

Sector Analysis

S&P SECTOR THEMES: QUITE A FEW BEARISH KEY REVERSAL PATTERNS FORMED TWO WEEKS AGO, Our Analysis gave warning on those signals

SMALL CAP IS UNDERPERFORM:

- **S&P Small cap (IWM)** – IWM /SPY is forming a “head & shoulders” topping pattern, which suggests Small cap weakness moving forward.

FINANCIALS WEAKENED:

- **S&P Financials (XLF)** – XLF/SPY has broken below the lower boundary of the bullish consolidation, which is putting more distance between it and the relevant overhead moving averages. This is clearly supportive of lower equity prices.

TECH UNDERPERFORMED:

- **S&P Technology (XLK & SMH)** – XLK & SMH/SPY is forming a “head & shoulders” topping pattern, which suggests broader technology weakness moving forward.

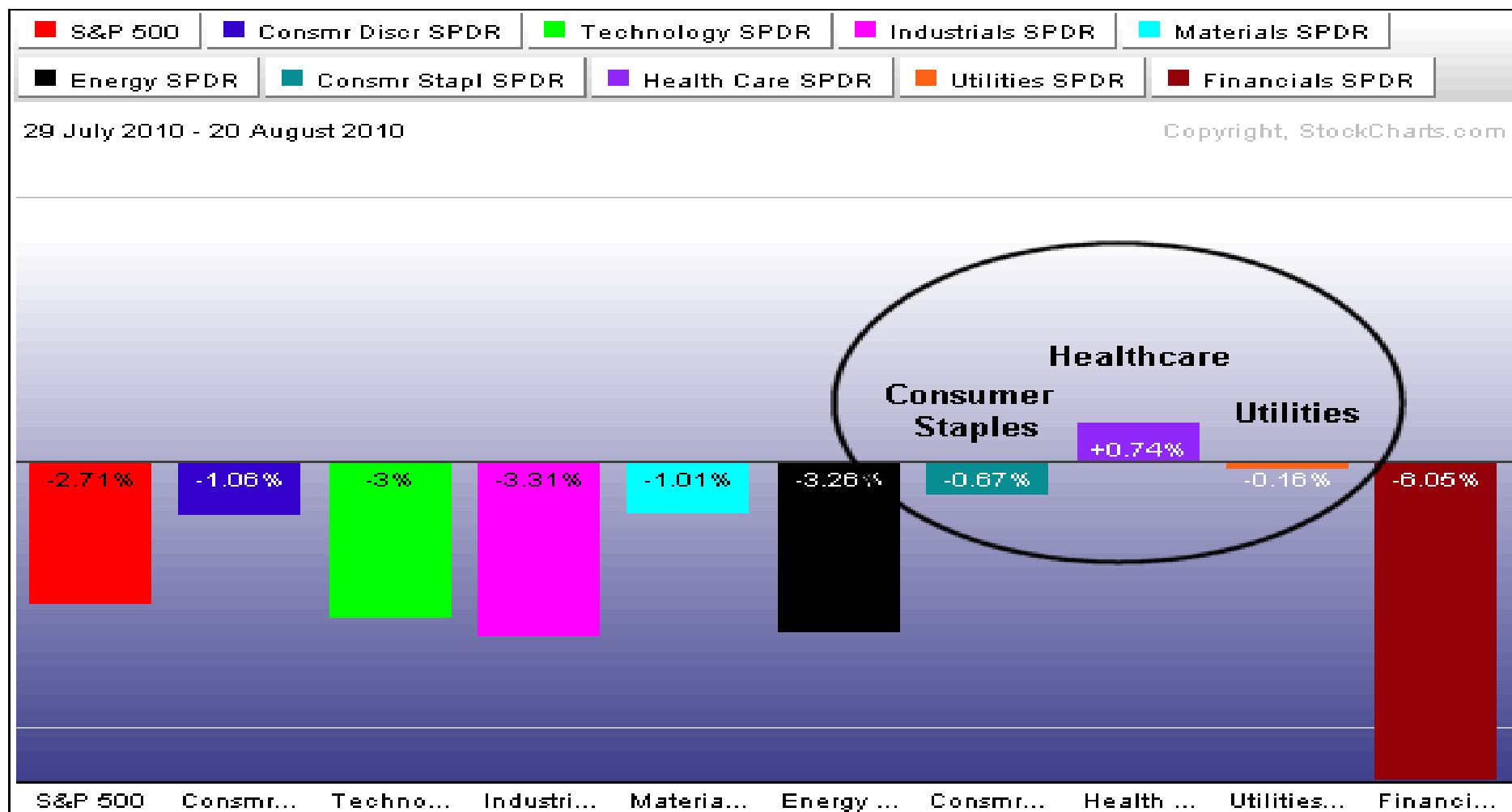
STAPLES OUTPERFORMED:

- **S&P Consumer Staples (XLP)** – XLP/SPY is forming a bullish “head & shoulders” bottom pattern, which suggests staples outperformance.

Select Sector Analysis – BEST & WORST – for Pairs

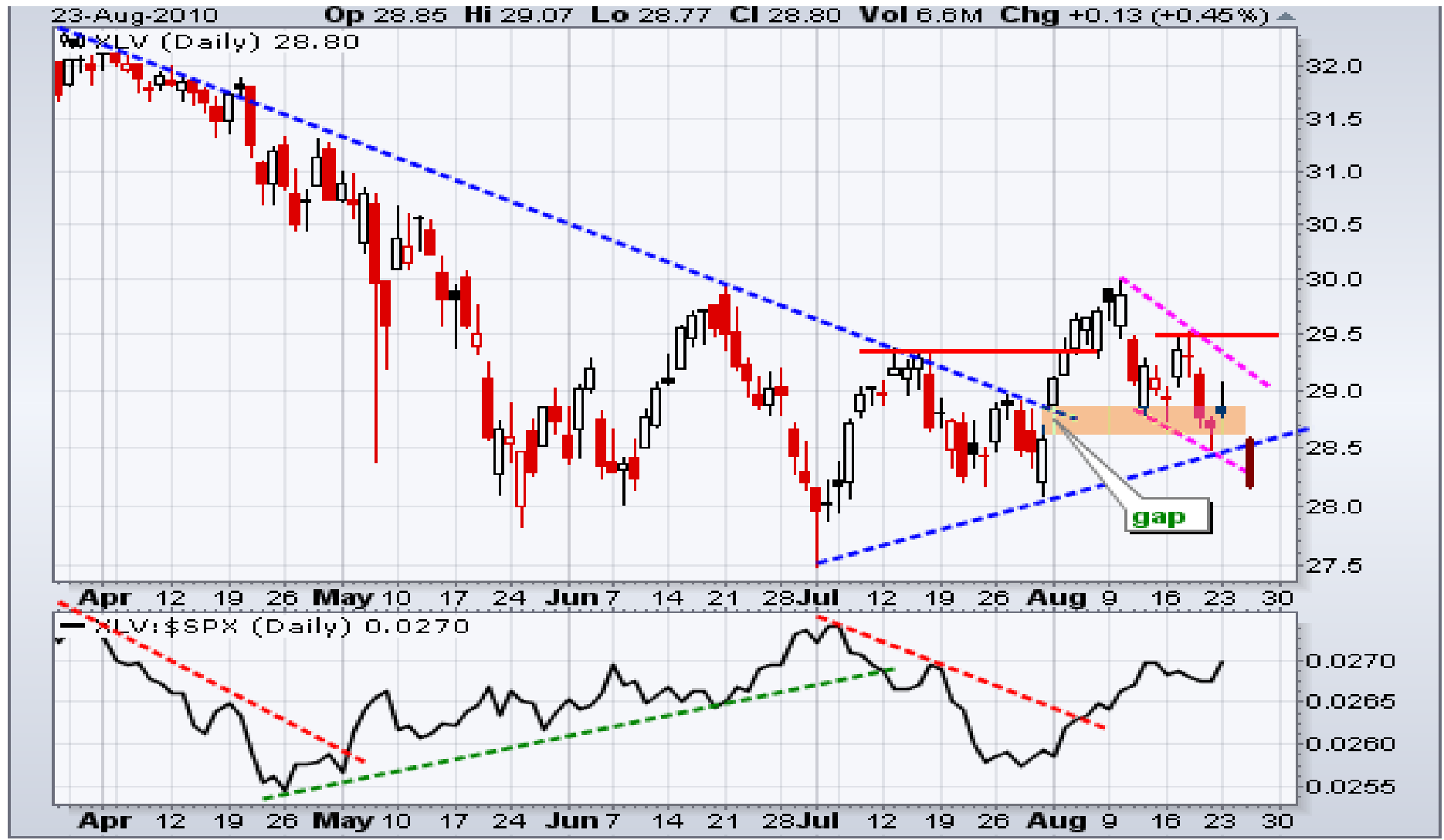
Since 29th July to current, here is the relative strength of the sectors v/s SPX.

In our earlier Report we had highlighted the “Underperformance for Setup 2 and Over performance for Hedges” The Underperformers are heading this current decline lower. **DEFENSIVE SECTORS SHOW RELATIVE STRENGTH ...** August has been a tough month for stocks, but the defensive sectors have held up the best. Chart below shows the nine sectors of SPX. Health care (**XLV**), Utilities (**XLU**) and consumer staples (**XLP**) are holding up relatively well, although all are in Downtrend. The worst have been Financials (**XLF**) this has been our favorite proxy for decline.



XLV – Pattern & RS with SPX

Even the most defensive sector looks bearish in the pattern. It positive RS with SPX . Effect of POM 14



XLP - Pattern & RS with SPX

This defensive sector looks Bullish in the pattern. It positive RS with SPX .



XLU - Pattern & RS with SPX

This defensive sector looks Bullish in the pattern. It positive RS with SPX . Could be the effect of BOND market Bubble



WORST

XLF - Pattern & RS with SPX

This Warning sector looks Bearish in the pattern. It Negative RS with SPX .



XLF – Technical & Pattern Analysis & Price / Volume

After yesterday's action, XLF is near the trend line connecting the lows going back to Sept 09 and to confirm the downtrend a **“Sign of Weakness”** through this trend line could appear. This could be Jumping the Creek or after the bounce and consolidation.

The weekly XLF, Bollinger bands are trending down and imply the intermediate term trend is down. The pattern has a measured downside target near 10.00 which is also a 61.8% retracement of the rally from the July 09 low and is a possible target on this decline. The weekly MACD had a bearish crossover in May and with “down hook” which implies downtrend is accelerating. The bullish percent index has steadily getting weaker over the last year and shows no sign of bottom at this stage. When the weekly RSI reaches near 30 or lower then its very bearish Intermediate term.

XLF



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