



Research Note – Sector Analysis (C)

MASG SECTOR ETF 2010 # Aug 13

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

SPX,NASD,QQQQ,XLY,XLF,XLI,XLK.

Sector Analysis

We cover Broader market which is our bread and butter very extensively in our “ Top Down Market Strategy Report and its Intermediate updates “ but just to get warmed up with Sector view we have the SPX, NASD, DOW, NYA which is a backbone to our thinking.

On 6th Aug – POM 14 – Re run was triggered at 1125 -SELL in our Top down Analysis currently SPX @ 1083

SPX - hitting resistance near the June high. Also notice that the index retraced 50-62% of its April-July decline. This is the perfect spot for a counter-trend rally to fail. The indicator window shows MACD on the verge of moving below its signal line (red).





NASD with similar characteristics. The index hit resistance near the 50% retracement, stalled for a couple weeks. CCI turned momentum bearish with its deepest move into negative territory since early July.



QQQQ with a head-and-shoulders pattern evolving on the weekly chart, patterns were identified in mid June. Despite this advance, QQQQ is meeting resistance near the prior high. Even though the week is still incomplete, QQQQ has a **bearish engulfing pattern working** this week. CCI is meeting resistance near the zero line. The head-and-shoulders, neckline support around 42.5 and a break below this would target further weakness. A 50-62% retracement of the March-April advance also extends to the 35-37 area. (Just a possibility)





Eight sectors in the SPX , but some are more important to overall market performance than others.

- Consumer discretionary, finance, industrials and technology as the **offensive sectors** that are vital to overall market performance.
- Healthcare, utilities and consumer staples are the **defensive sectors** that perform best during adverse market conditions.
- Materials and energy perform best when the Dollar is falling, commodity prices are rising.

When we look at the S&P sectors, which is representative of entire market, we find a plethora of failures at around the moving averages.

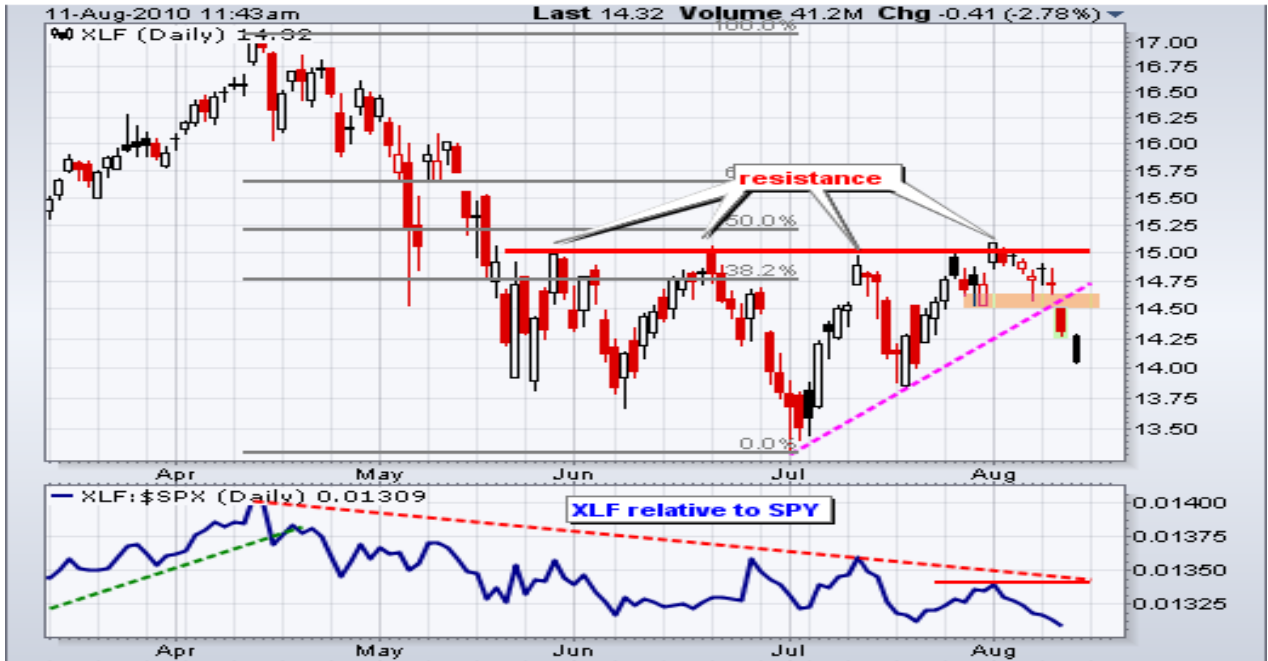
- Consumer Discretionary failed at its 85-dma;
- Energy failed at both the 100-dma/400-dma convergence;
- Financials at the 120-dma/220-dma convergence;
- Healthcare at the 90-dma/300-dma convergence;
- Technology at the 80-dma/240-dma convergence and so forth.
- Relative strength ratio of Sector / SPX gives the correct picture (See window 2)

XLY Consumer Discretionary hitting resistance near the 50% retracement and gapping below the July trendline. Support from the late July low has yet to be broken, but the gap down is bearish until filled





XLF - Financials breaking below the July trendline and late July low with a gap down. Again, this is bearish as long as the gap remains unfilled. Also notice that the price relative hit a new low as XLF continues to underperform. (**we have covered this extensively as proxy for the market in our " Top Down Market Strategy Report and its Intermediate updates)**



XLI - Industrials gapping down to form an island reversal over the last nine days.





XLK - Technology hitting resistance near the 62% retracement and gapping down today.



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