



Research Note – Weekly Commentary

MASG WKLY 2010 # Aug 06

By: Suneil R Pavse

Contact: apavse@aol.com

We apologies for our absence and regret any inconveniences. Now it is good to be back !!.

We are still in the process in re-creating our Indicator database which got out of sync due to our absentee. We are going to cover far more today to catch up get head start on our Indicators for clues on SPX,DIA,NASD,XLF,SMH,EURO,USD,CDN,AUD.

SPX – Closed @ 1120

SPX – “Our Current Signals & Projections”

- **On 15th July – POM 14 was achieved at 1090**
- **On 19th July – POM 13 was triggered at 1060 (Neutral signal – Short Term) – Although this signal was not announced prior to price shift, its reviewed on back testing (Due to our absentee during this time)**
- **Since overall, We have the weekly close **below 1130**, and Intermediate term market should remain below this on any rally bounces. Any move higher should be computed for detail Bearish analysis.**
- **Therefore , that has remains our price target for to get the Re – Run of POM 14 . We would like to see the test of 1131 fail or decisive close below 1090 on weekly would be another way to look at it.**
- **On completion of the bounce, we should get a next leg down. We do expect to see a return to that secular bearish trend at some point.**

POM implementation criteria

- **POM 14 , 15 (Sell Signal) and 12 , 11 (Buy Signal) are the Actionable Area whereas POM 13 is Risk management**
- **On way UP move, POM 13 signifies to STOP executing additional ‘New Buys’ that was initiated at POM 12 or POM 11**
- **On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15**
- **POM 15 is for Net Short & POM 14 is for Hedge Long position**
- **POM 12 & 11 is for Net Long**
- **POM 10 is Climatic Crash low Buy Signal (A rear event)**



Market Insights

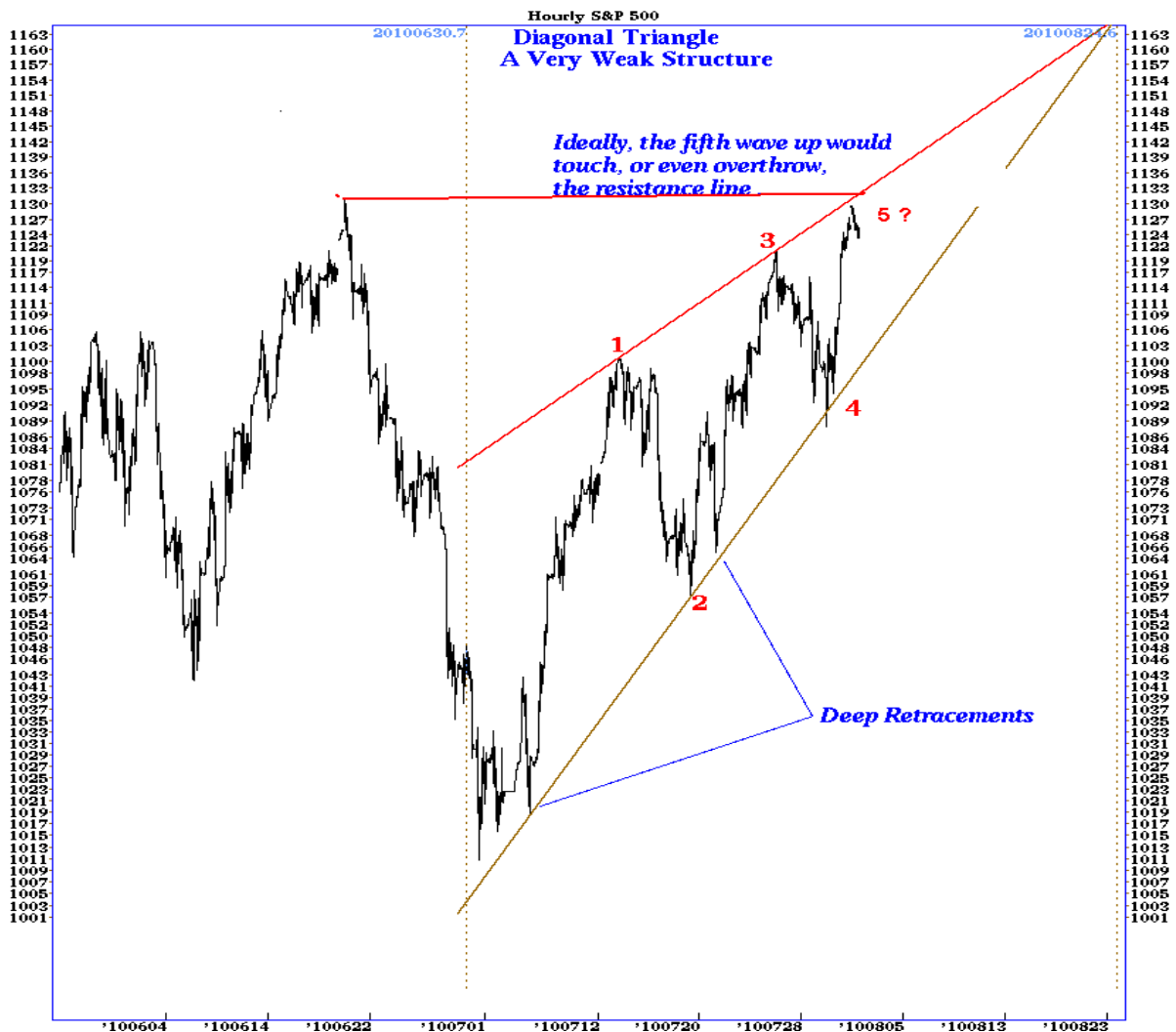
- We are in the time frame currently **in Geo magnetic storm**, it began on Sunday and On Monday the day we had 200 point DOW move. The Coronal Mass Ejection (CMEs) , eruption from Sun moving toward the Earth. We keep eye on NASA and UCLA sites for such information. The Geo Magnetic Storm acts well at high and lows. Even the Federal Reserve study indicates that the market is impacted by storms. So, if the market is rallying during the storm, a trend reversal to the downside may happen. The *vice versa* .
- Wednesday is ADP and Friday is **BLS employment number**, this tends to cause a volatility with triple digit move one way or the other. This is the worst piece of data we know of. Past data suggests the initial reaction to the jobs report is always wrong, so we could get the market react after the report, then sober up. We love when get exhaustion moves from this news at the end of the Trend or Swing point.
- Market is banging between **2 different Setup 2 's on 2 different time frame**. The bigger time frame is 11W & 34 W is under 1130 and 21 D & 50 D @ SPX 1085. This will continue as the diffusion will be completed.
- Our expectation is the market wants to test 1130 and We would like to see the test of 1131 fail for good conformation . Also a decisive close below 1090 on weekly that will have bearish conformation.



SPX – Hourly – Diagonal Triangle Pattern

Our best pattern interpretation says this is a diagonal triangle. And, it's in its fifth and final wave up if that pattern call is correct. And, if that's correct, clearly we're not going to see the market hold up almost to the end of August.

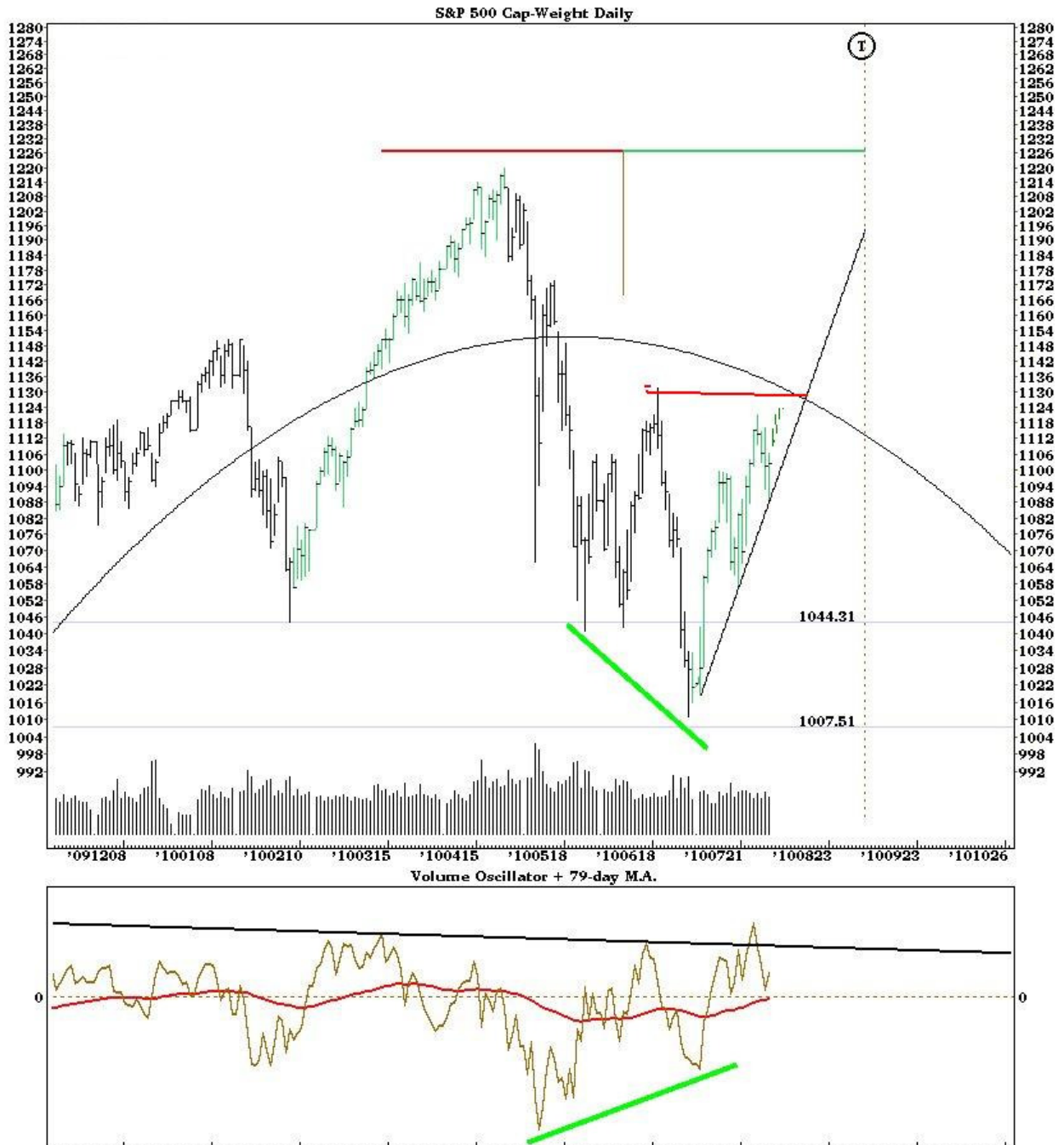
The diagonal triangles are retraced *at least* 100% to the base they started from. If this is indeed the end of the entire pattern up, the retracement should be more than 100% as the larger degree





SPX – Poly Trend Analysis & T Termination

The T expires in late August, marking an boundary for this impulse to the upside.





SPX – Daily

SPX 1130 test in progress and it concedes with 61% retracement bounce makes it more firmer. RSI 50-60 is acting as resistance.





SPX – Weekly – Intermediate term – Picture 1



The above chart is the weekly SPY chart with the weekly Bollinger bands. The mid Bollinger band is a resistance area and market is pushing at that level now. Also the weekly mid Bollinger Band has rolled over and suggests that momentum is now down on the market. The weekly RSI broke through uptrend line and fell well below 50 and suggested the uptrend has ended at the April high. In declining markets the weekly lower 50 RSI range normally finds the market near its next high and current reading is 52.80. The weekly MACD is trending down and implies momentum is down.

The McClellan Oscillator index is reached overbought a couple of days ago and is now showing a negative divergence and suggests the market is extended short term. Market is at resistance and extended with the weekly momentum indicators pointing down and suggests **the market is at a**

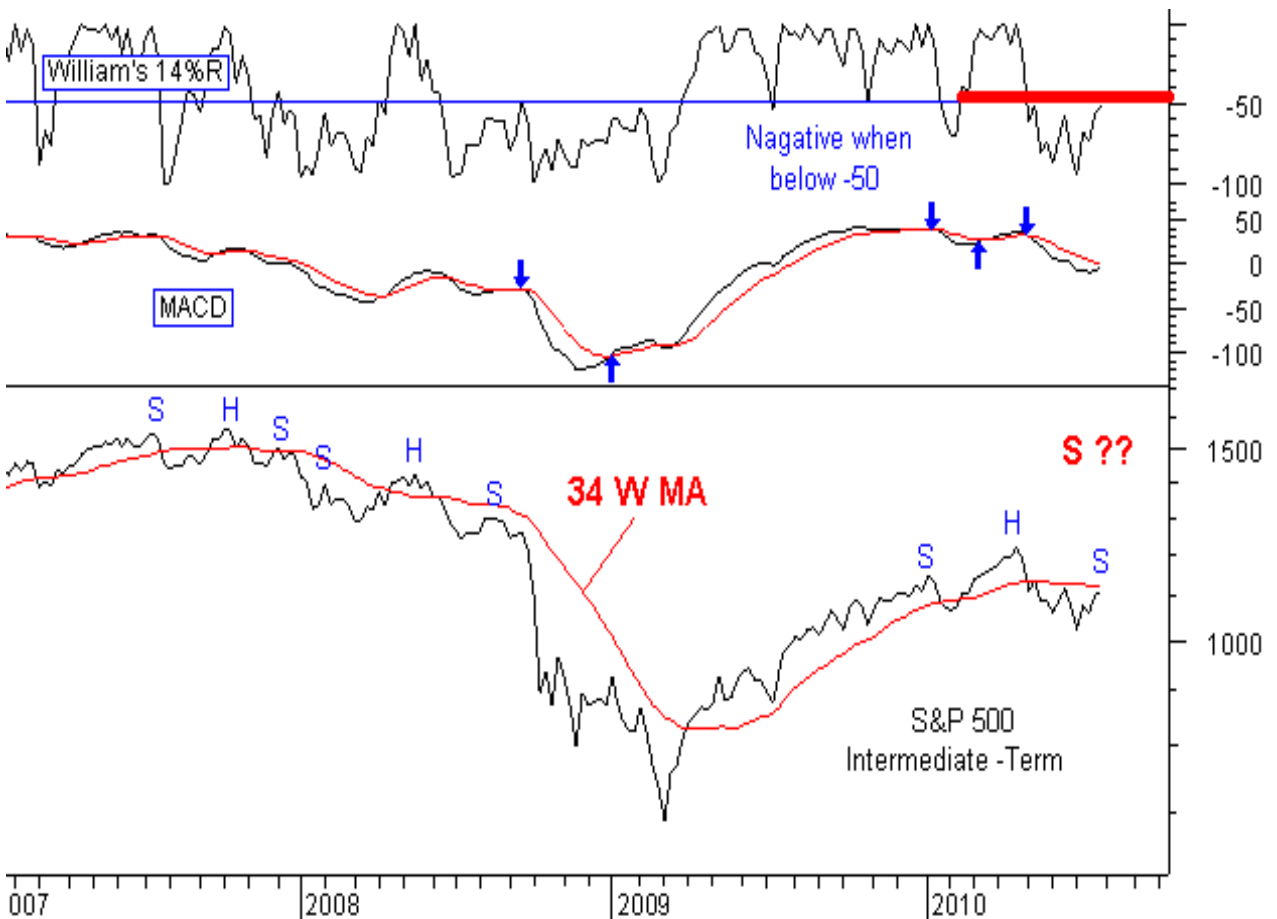


fulcrum. Either market shows a “Sign of Strength” to jump previous high or market is at top. The 11 W & 34 W MA cross SETUP 2 remains bearish.

SPX – Weekly – Intermediate term – Picture 2

The resistance at the 34-week m.a. that halted the first two rally attempts since the market top in April. The SPX remains in a negative intermediate-term pattern of lower highs and lower lows. It broke below its important 34 week m.a. in April. It has rallied back twice in rallies that failed exactly at the 34-week m.a., There are quite a few H & S around the 34WE on weekly basis . We keep these patterns at the back of our mind but mostly only for the First half of the Pattern before the crowd walks in.

William's Index works well with Long term especially with Weekly MA's (-50) after bounce is also negative.





SECTORS

The Relative Strength on sector indicates. SOX is very much weaker than SPX. That's our best leading indicator. NDX is beginning to lose strength, but it's early "lead dog". The NYA is stronger than SPX and that is probably due to late buying pressure in the oil stocks XLE , a sector which is often the last to top in each rally lately . When that relationship weakens, it usually is pretty much coincident with another top.

DIA – Money flow

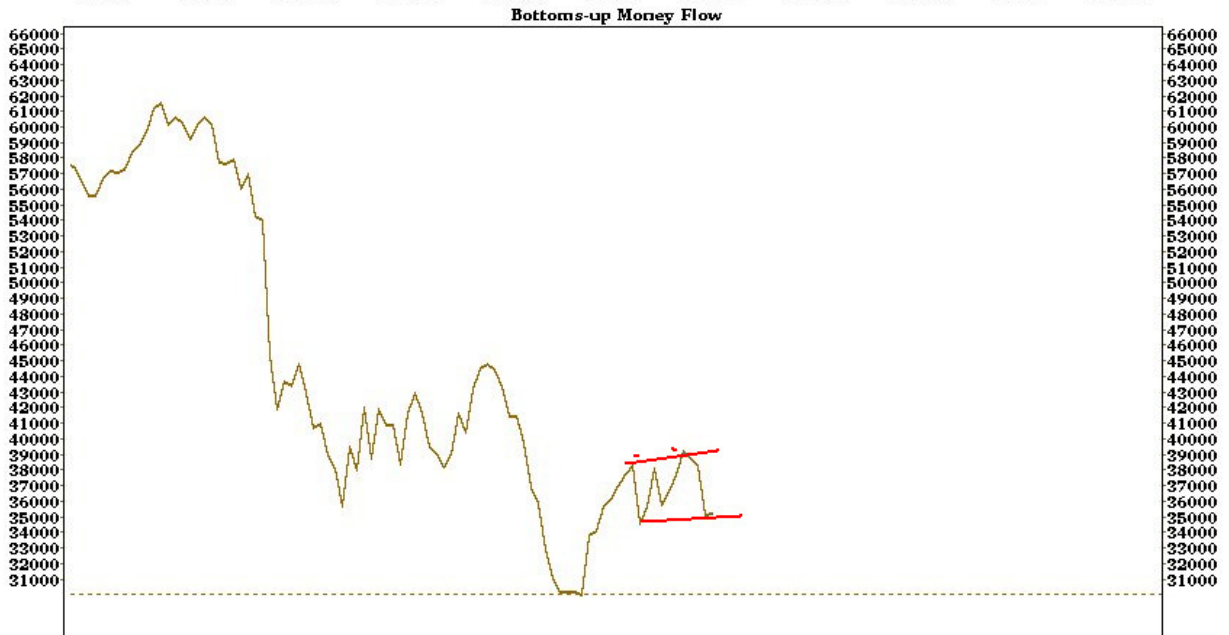
Top-down money flow in the Dow Industrials showed that the pros were selling into the rally. Clearly, they have been early at times, but if they keep this up, it could be an important warning not to stay too long.





NASD

A very clear pattern of intense selling is obvious here. Rallies are being used to sell the low low quality stocks to the Greedy momentum Investors.





SMH

The finance sector & Semiconductor Sector are the most important parts of the NY Composite. Its been modern Transportation Theory.

SMH last 2 months are banging again the resistance. the Red arrows mark, its one volatile trading range the last 13 weeks. No breakout so far. **and the Stochastic Oscillator moves back below 80**. And new breakout above 80 looks unlikely . If the broad market rally is to continue, SMH needs to break above 29 and take out this resistance level.





XLF - Weekly – Intermediate term

This is our favorite chart. This kind of pattern has very high probability. Let's revisit the weekly XLF chart. The rally into the April high near 17.00 was the old lows of 2002 and also a 38.2% retracement of the 2007 to 2009 bear market decline and both are resistance levels and was the top for XLF.

Notice that the weekly MACD, Money Flow and Bullish Percent index has the same negative divergence that appeared at the 2007 bear market top. The XLF is now running into the weekly mid Bollinger band and a resistance area and Also the weekly mid Bollinger band has rolled over and implies XLF is in a downtrend. In Bearish market rallies the weekly RSI normally tops around the lower 50 range and the current reading on weekly RSI is 51. We have measurements for a downside target near 10.00.





USD

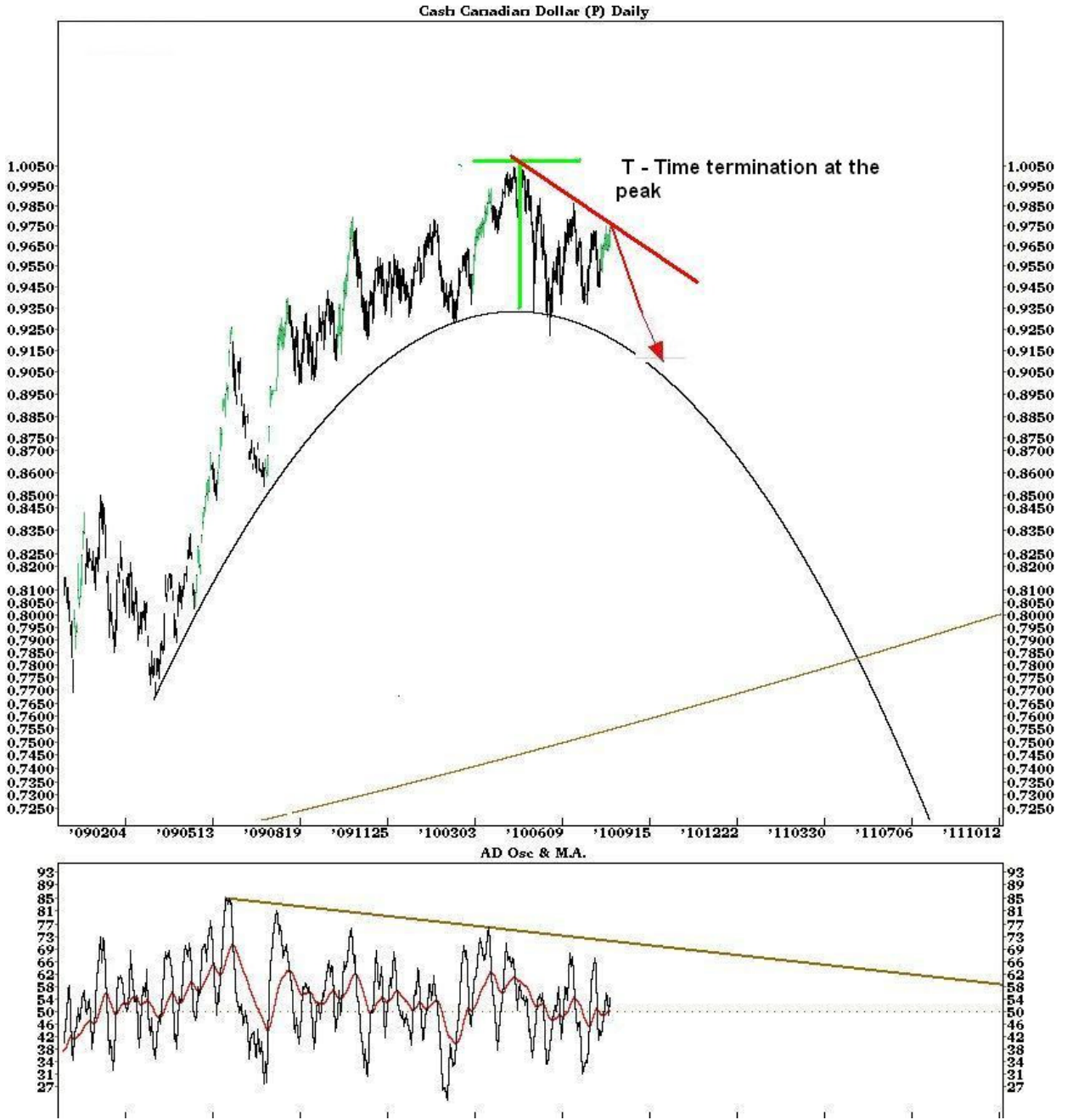
Long term trend remains up into next few years as the value of the dollar rises against most other assets. Area Around 80 should be good place to hold support for next leg up





CDN

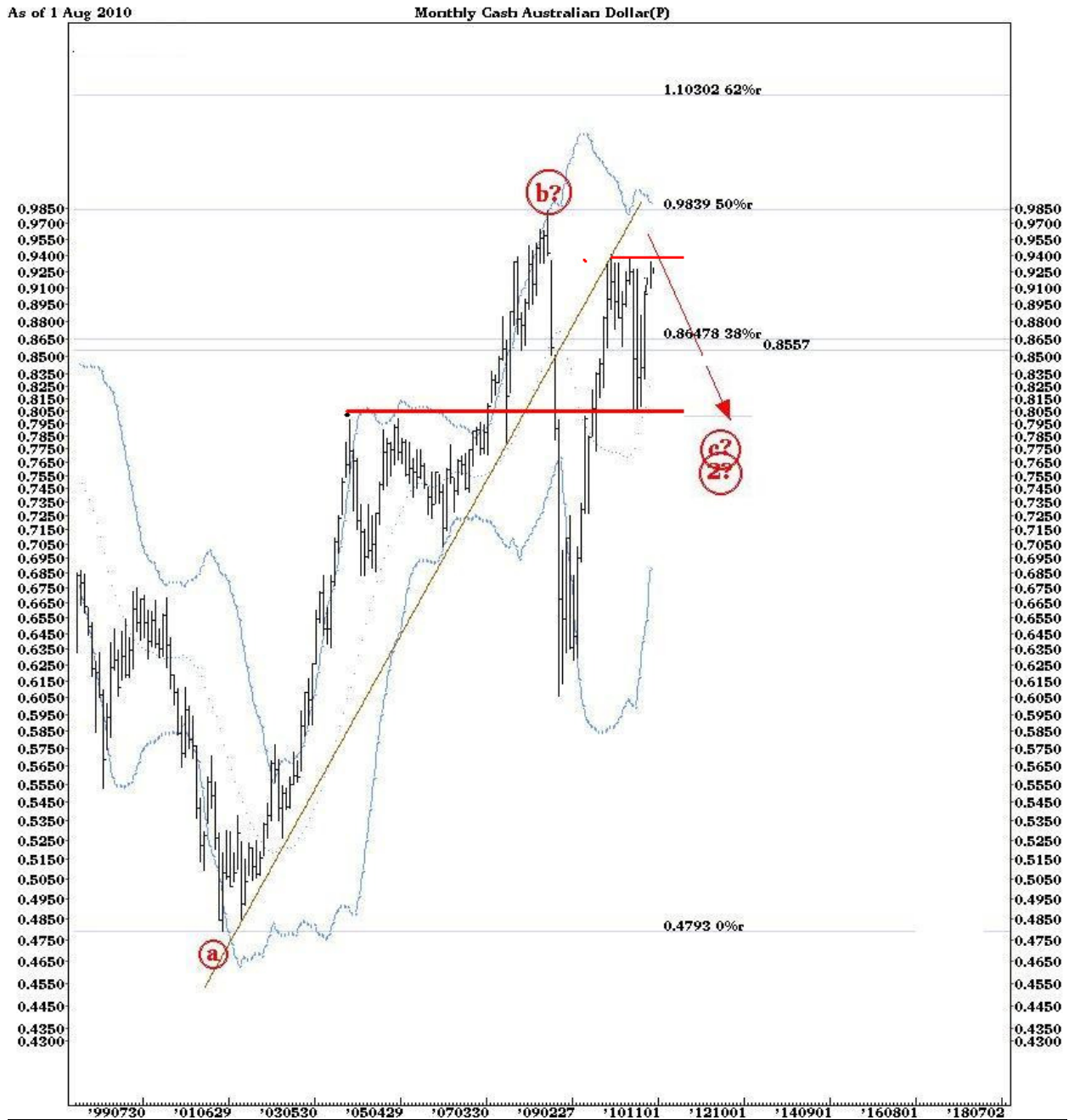
The path of least resistance is down in the intermediate term. The Top came in at Parity with US at Time termination at the TOP of the poly trend. Once on the Right side of the hump is more subject to decline.





AUD

This setting up little dangerously. .





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Global Market Insights

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