



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # DEC 24

For Immediate Release – *Friday AM (EST) or Saturday*

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• **Daily SPX - “ Trend Adjusted Signal” - UPDATED**

3x3 /9EMA – Momentum Break Indicator – Long @ 1228 SPX

- For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%
- For Bear case - SS from last Sell Signal at 1193 to 1225 = - 2.6%

Currently “ Trend Adjusted Signal “ has Reversal stop @ 1244 (Revised) SPX & DOW 11433(Revised) .

Sector Analysis (D) -

- Detail Coverage for sectors with **extremes SD # + 2.0** or **Special situation (SP)** , highlighted in yellow
- **For Commodity based** ETF's the Extremes **SD # 2.0** should be qualified v/s **both CRB and SPX**

SECTORS - (39)

GR1 (15)	GR2 (11)	GR3 (13)
<ul style="list-style-type: none"> • SPY • QQQQ • TLT (Bonds) • MUB (Municipal Bond) (SP) • IWM (Small Cap) (in MS A# 2) • EEM (Emerging) • EEA (Europe) • EWJ (Japan) • FXI (China) • RSX (Russia) • IFN (India) • EWP (SP) (in CZ PQV watch list) • EWH(SP) (in CZ PQV watch list) • JOF (SP) (in CZ PQV watch list) • EWA(SP) (in CZ PQV watch list) <p><u>SP – Special Situation</u></p>	<ul style="list-style-type: none"> • XLF (Financials) • XRT (RTH) (Retail) • XLV (Health Care) • XLB (Materials) • XLE (Energy) • XLK / QQQQ (Tech) • XLI (Industrial) • XLU (Utility) • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) 	<ul style="list-style-type: none"> • SMH (Semis) • BBH (Biotech) • IYT (Transports) • IYR (Real Estate) • DBA (Agro) • DBB (Base metal) • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDX (Gold Miners) • USO (Oil) • JJC (Copper) • SLX (Steel)

MUB - Special Situation

- **Objective**

The Weekly Validated Sector selection is to Setup “ Global Long / Short – Market Neutral ETF Index” –(Equally Weighted) Utilizing SD, POMs & SETUP INDEX within RA / RI framework with composition of ETF's with SD # 1.5 to 2 Overvalued and Undervalued characteristics. Additional direction bias is given via doubling on ETF's with extremes SD # 2 & POM conditions.

The Focus is to derive and compare the Relative performance of various Sector ETFs via using Standard Deviation (SD) Criteria, POM – SPX Methodology as a PIVOT point for start then use with SECTOR / SPX Ratio chart for their “Pattern Recognition and Technical Analysis” for OVERVALUATION AND UNDERVALUATION of Sectors.

Step 1 – Qualify the Sector based on Correlation Ratio Analysis with SPX to determine Standard Deviation (SD # 1.5 to 2) @ extremes level to define “Overvaluation and Undervaluation” of the SECTOR

Step 2 - Overlay this Correlation input data on Sector's Relative strengths based on the SPX –POM latest STATUS as Pivot point to measure Maximum and Minimum strength of the Sector. Validate those ideas via technical Patterns of absolute Charts & SPX Ratio charts of these Sectors for Bullish and Bearish SETUPS via Pattern Recognition, Technical Analysis via second derivative DMA's

Overlay Criteria

- SD # 1.5 /2 ANALYSIS EXTREMES by 365 D Correlation.
- SPX - POM FRAMEWORK as PIVOT by Trend Correlation
- TECHNICAL PATTERNS, 2nd Derivative DMA's & VOLUMES”
- Attached, the Chart list & specific Charts (below). We have selected the charts that has some distinct characteristics and values as the pattern gets completed based on our assessment:
- Selected Sector may have (1) up to (6) Analytic Charts as Titled below
 1. SETUP charts Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W) SMA
 2. SETUP charts Daily – 3 Year with RSI, CCI, MACD (11D / 55D) SMA
 3. Correlation Ratio Analysis with SPX by 365 days Basis
 4. POM Analysis -Technical & Pattern & Price / SMA Analysis
 5. Trend Reversion Analysis – Long Trend Chart (if applicable if R2 is above 75%)
- Charts 4,5, (above) articulates special situation coverage for that specific SECTORS highlighted in the list below

- **SPX – “ POM Signal**

- **At POM 14 & 15, Focus is on +1.5 / +2.0 SD , Currently SPX is at POM 14**
- **At POM 12 & 11 Focus is on -1.5 / -2.0 SD.**

- **Trading & Investment Conclusions**

ACTIONABLE ZONE :

“ Global Long / Short – Market Neutral ETF Index”(Equally Weighted)

- **With composition of ETF's with entry at SD # 1.5 - Overvalued and Undervalued characteristics &**
- **For Direction bias to capitalize on extremes via doubling on ETF's at SD # 2 at appropriate POM conditions.**

WEEKLY SD & TECH PATTERN VALIDATED CONCLUSIONS by – Processes 1,2 - for BEST IDEAS:

- **Overvalued confirmed– SLV, IWM,**
- **Undervalued confirmed – MUB, XLV,XLU**
- **Non Conformance – JJC**
- **This conclusion to be Utilized with PQV Validation Test for MAEG – E Section**

SD # 1.5 / 2.0 - Tracker for Sectors

3X3/9EMA – Momentum break Prices indicated for each SD # 1.5 /2.0 Sector listed below

Sector	Indicator	Distance in SD	Target Exit & Reversion to mean	Last Price	3X3 / 9EMA	Net Exposure	Comments
Gr 1							
SPY	Above +1.5SD	1.71	0.09	125.78	\$ 124.06		New
QQQQ	Above +1.5SD	1.62	0.04	54.89	\$ 54.35		New
EEM		0.19	0.04	46.66	\$ 45.99		
IWM	Above +2SD	2.14	0.06	78.82	\$ 77.41		
TLT	Below -1.5SD	-1.92	0.09	93.12	\$ 92.31		
EWJ		-1.07	0.01	10.76	\$ 10.61		
FXI	Below -1.5SD	-1.68	0.038	43.15	\$ 42.80		New
Gr 2							
XLY		1.36	0.03	37.79	\$ 37.29	100%	
XLV	Below -2SD	-2.17	0.03	31.67	\$ 31.44	100%	
XRT (RTH)	Above +1.5SD	1.62	0.03	106.61	\$ 105.50		
XLF		-1.07	0.01	15.99	\$ 15.55	82%	
XLK		0.42	0.02	25.22	\$ 25.04	50%	
XLU	Below -2SD	-2.02	0.03	31.34	\$ 30.92		New
XLI		1.32	0.03	34.89	\$ 34.41	33%	
XLE	Above +1.5SD	1.67	0.05	67.22	\$ 65.82	-100%	
Gr 3							
IYT		1.37	0.07	92.05	\$ 91.15		
JJC	Above +2SD	2.25	0.04	57.03	\$ 55.31		
SLV	Above +2SD	2.43	0.02	28.57	\$ 28.17		
GLD		0.66	0.10	135.05	\$ 134.28		
SMH	Above +1.5SD	1.56	0.02	32.51	\$ 32.48		
IFN		1.10	0.03	38.90	\$ 37.22		
GDX		0.87	0.04	59.84	\$ 60.23		
MUB sp	Below -2SD	-2.82	0.09	99.27	\$ 98.60		special situation
USO		-1.03	0.03	38.64	\$ 37.80		
BBH		-1.36	0.09	101.17	\$ 100.92		
Primary Index Net Exposure							
POM 14 Re Run 3							40%

- From (34) Sector list , The green highlights are Newly added and the ETF's with SD # 2 is qualified for further review for extremes of over (Sell) / under (Buy) valuation v/s SPX & CRB (if applicable)– within our Expectancy Model

Ticker (Exited from Previous weeks)	Comments

Long / Short -- ETF Index - Market Neutral (with positions taken at SD # 1.5 & 2.0)

SD - TECH VALIDATED MARKET NEUTRAL ETF INDEX (Directional Bias only at Exterme POM's)

Ticker	Entry date	Last Price	Validated Test price	P/L Since the Test	Comments
SHORTS					
EEM	12-Nov-10	46.66	47.20	1.14%	
EEM	12-Nov-10	46.66	47.20	1.14%	
IWM	25-Nov-10	78.82	73.73	-6.90%	
IWM	10-Dec-10	78.82	76.79	-2.64%	
XLY	15-Oct-10	37.79	34.71	-8.87%	
RTH	15-Oct-10	106.61	99.54	-7.10%	
RTH	25-Nov-10	106.61	103.47	-3.03%	
XLK	20-Oct-10	25.22	24.00	-5.08%	
XLK	25-Nov-10	25.22	24.49	-2.98%	
IFN	12-Nov-10	38.90	39.11	0.54%	
IFN	7-Nov-10	38.90	36.02	-8.00%	
SMH	12-Nov-10	32.51	30.87	-5.31%	
SMH	25-Nov-10	32.51	31.68	-2.62%	
IYT	15-Oct-10	92.05	84.90	-8.42%	
JJC	2-Dec-10	57.03	52.39	-8.86%	
JJC	10-Dec-10	57.03	54.08	-5.45%	
SLV	10-Nov-10	28.57	27.00	-5.81%	
SLV	15-Oct-10	28.57	23.75	-20.29%	
GDX	15-Oct-10	59.84	58.19	-2.84%	
GDX	25-Nov-10	59.84	59.67	-0.28%	
XLI	15-Oct-10	34.89	32.43	-7.59%	
GLD	15-Oct-10	135.05	133.68	-1.02%	
XLE	16-Dec-10	67.22	65.79	-2.17%	
SPY	23-Dec-10	125.78	125.78	0.00%	New
QQQQ	23-Dec-10	54.89	54.89	0.00%	New
CLOSED SHORT POSITIONS				15.26%	
				EQ WT SHORT P/L	-3.89%
LONGS					
XLV	15-Oct-10	31.67	31.15	1.66%	
XLV	10-Dec-10	31.67	30.99	2.19%	
XLU	12-Nov-10	31.34	31.50	-0.51%	
XLU	23-Dec-10	31.34	31.34	0.00%	New
XLF	12-Nov-10	15.99	15.15	5.51%	
XLF	25-Nov-10	15.99	14.63	9.26%	
TLT	12-Nov-10	93.12	96.38	-3.38%	
MUB	19-Nov-10	99.27	100.98	-1.69%	
MUB	10-Dec-10	99.27	99.48	-0.21%	
BBH	15-Oct-10	101.17	96.76	4.56%	
EWJ	15-Oct-10	10.76	10.22	5.26%	
USO	15-Oct-10	38.64	35.47	8.94%	
FXI	23-Dec-10	43.15	43.15	0.00%	New
CLOSED LONG POSITIONS				10.61%	
				EQWT LONG P/L	3.25%
15th OCT 2010 INCEPTION					
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX				EQWT AGG P/L Short Bi	-0.32%
INCEPTION @ SPX 1180 to Current 1258.84				SPX CHANGE	-6.68%

• **SECTOR SETUP INDEX +85, +87, +63, +78 (past 4 weeks)**

(Currently for monitoring purposes only, we will establish . correlation as we go forward with POM 13)

• **EQUITY SETUP INDEX : +40, +39, +19%, 21% (past 4 weeks)**

• **POM – 14 re run**

(ETF's highlighted below are CZ – PQV Qualified Sector watch list with SD # 2 or just turned down)

<u>SETUP # 1</u> <u>(33 of 39)</u>	<u>% away from</u> <u>Gold .Cross</u>	<u>SETUP # 2</u> <u>(2 of 39)</u>	<u>% away from</u> <u>Dead. Cross</u>	<u>SETUP # 3</u> <u>(0 of 39)</u>	<u>% away from</u> <u>40wk</u>	<u>SETUP # 4</u> <u>(1 of 39)</u>	<u>% away from</u> <u>40wk</u>
SPY	13.45%	TLT	-3.00%			SLV	40.75%
QQQQ	18.80%	MUB	-4.99%				
IWM	20.02%						
EEM	15.62%						
EWJ	8.77%						
FXI	6.62%						
RSX	18.62%						
IFN	26.63%						
EWI	24.70%						
EWA	15.89%						
XLF	8.82%						
XRT	23.50%						
XLV	4.55%						
XLB	18.39%						
XLE	20.70%						
XLK	13.55%						
XLI	17.59%						
XLU	4.36%						
XLP	8.84%						
XLY	19.78%						
XHB	10.74%						
SMH	20.68%						
BBH	5.02%						
IYT	19.55%						
IYR	69.13%						
DBA	27.23%						
DBB	15.90%						
DBC	17.42%						
GLD	61.06%						
GDX	32.10%						
USO	7.84%						
JJC	29.73%						
SLX	20.40%						

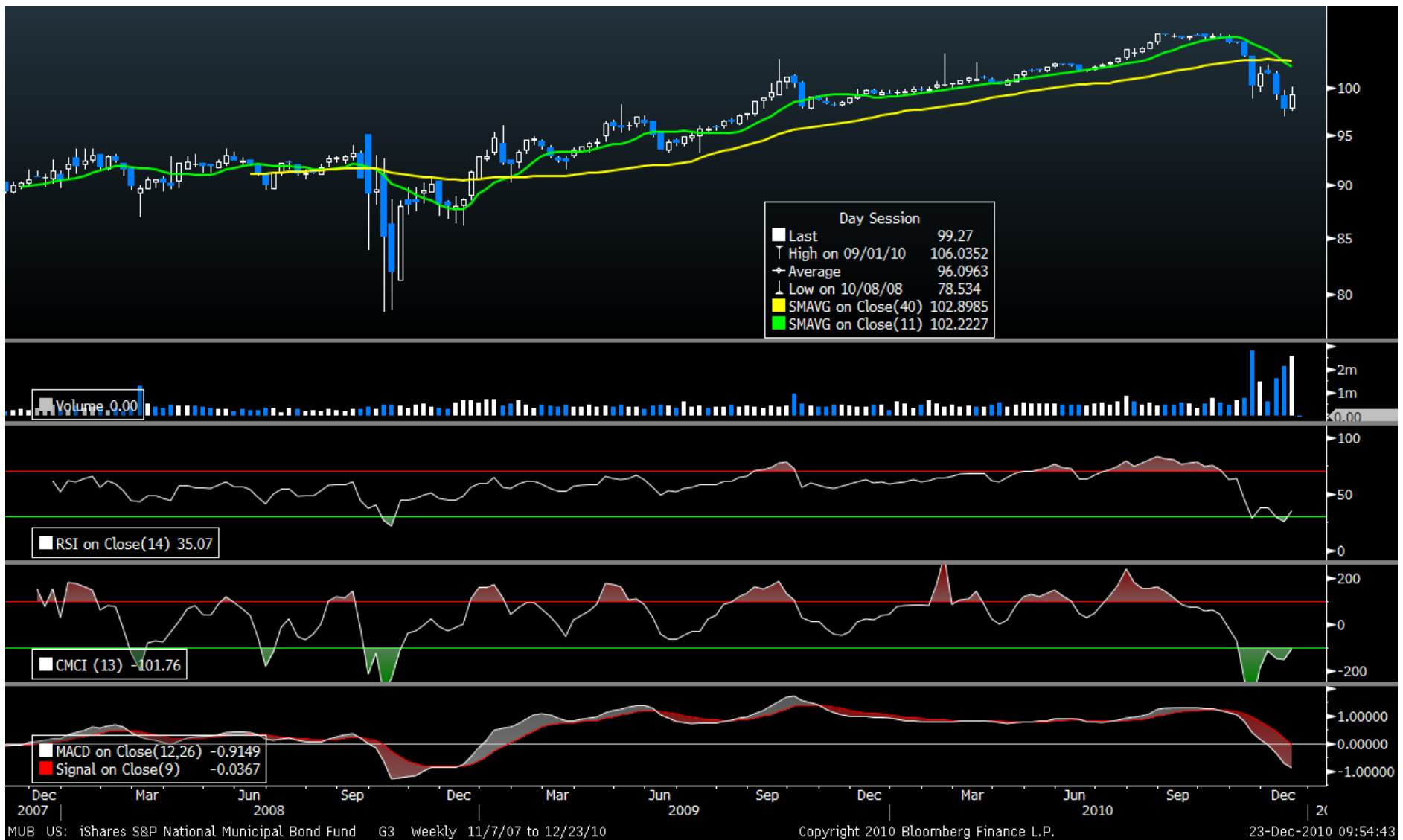
CZ – PQV – Validation Tracker

Ticker	Trade Type	Last Price	Mean Confluence	LL confluence	UL confluence	Volume MM on Test	Actual Volume MM on Test	% Away from Test price UL	40wk MA	% Away from 40 MA	Stoploss	3X3 / 9EMA	SETUP Qualify Price	Drawdown minimisation	SD # 1.5	SI
TRIGGERED																
EWP	Short	36.69	42.75	41.5	44	0.4	0.4	-17%	37.20	-1.38%	46.20	36.68	40.1	-6.6%	(1.71)	64.1%
GLD (under 136.5)	Short	134.66	137	136	138	20	17.0	-2%	122.62	9.82%	144.90	134.64	134.7	-1.7%	0.66	4.7%
EEM (under \$47)	Short	46.61	47.5	47	48	50	45.0	-3%	42.09	10.73%	50.40	46.16	46.2	-2.8%	0.19	4.2%
EWH (under \$19.25)	Short	18.83	19.5	19.25	19.75	4.5	4.0	-5%	16.64	13.15%	20.74	18.78	19.1	-2.1%	0.57	21.0%
GDX (under \$61.5) (New)	Short	59.89	63.5	62.25	64.75	11	10.2	-8%	52.53	14.02%	67.99	59.94	61.0	-4.1%	0.87	15.0%
SLV	Short	28.61	27	27	27	50	32.0	6%	20.43	40.03%	28.35	28.40	24.8	-8.9%	2.43	3.4%
JOF (above \$8.55)	Long	8.71	8.475	8.4	8.55	0.06	0.06	2%	8.35	4.36%	7.93	8.56			(0.90)	0.3%
WATCHLIST																
TLT	Long	92.93	89.5	89	90	40	weekly	3%	96.58	-3.78%	84.55	92.67	95.0	-5.8%	(1.92)	56.1%
MUB (above \$99)	Long	99.12	98.625	98.5	98.75	0.3	0.6	0%	102.94	-3.71%	93.58	98.81	100.0	-1.4%	(2.82)	0.9%
EWH (under \$21.5)	Short	18.83	21.5	21	22	5		-14%	16.64	13.15%	23.10	18.78	19.1	-12.6%	0.57	21.0%
EEM (under \$48)	Short	46.61	49	48	50	40		-7%	42.09	10.73%	52.50	46.16	46.2	-6.1%	0.19	4.2%
IWM (under \$75.5)	Short	78.72	78.25	76.5	80	175	weekly	-2%	67.49	16.64%	84.00	77.72	73.0	-7.2%	2.14	82.2%
SMH (under \$34)	Short	32.5	35	34	36	8		-10%	28.17	15.38%	37.80	32.50	32.0	-9.4%	1.56	119.5%
SLV (under \$28)	Short	28.61	28.5	27	30	50	32.0	-5%	20.43	40.03%	31.50	28.40	25.0	-14.0%	2.43	3.4%
QQQQ (under \$54)	Short	54.742	54.5	54	55	53	59.0	0%	48.20	13.57%	57.75	54.46	53.0	-2.8%	1.62	19.1%
QQQQ (under \$54)	Short	54.742	55	54.5	55.5	100	59.0	-1%	48.20	13.57%	58.28	54.46	53.0	-3.8%	1.62	19.1%
EWA (under \$25.75)	Short	25.2	26.5	26	27	16	weekly	-7%	22.15	13.79%	28.35	24.77			0.81	4.0%
EWA (under \$25.5)	Short	25.2	26.25	26	26.5	3.5		-5%	22.15	13.79%	27.83	24.77			0.81	4.0%
XLV	Long	31.65	30.75	30.5	31	3		2%	29.91	5.81%	32.55	31.51			(2.17)	23.4%
														PQV Drawdown Minimisation factor		-5.9%
							PQV Test validated within 5 to 7% of asking									
							Criteria has temporarily exceeded									
							volume still higher than the test volume no result									

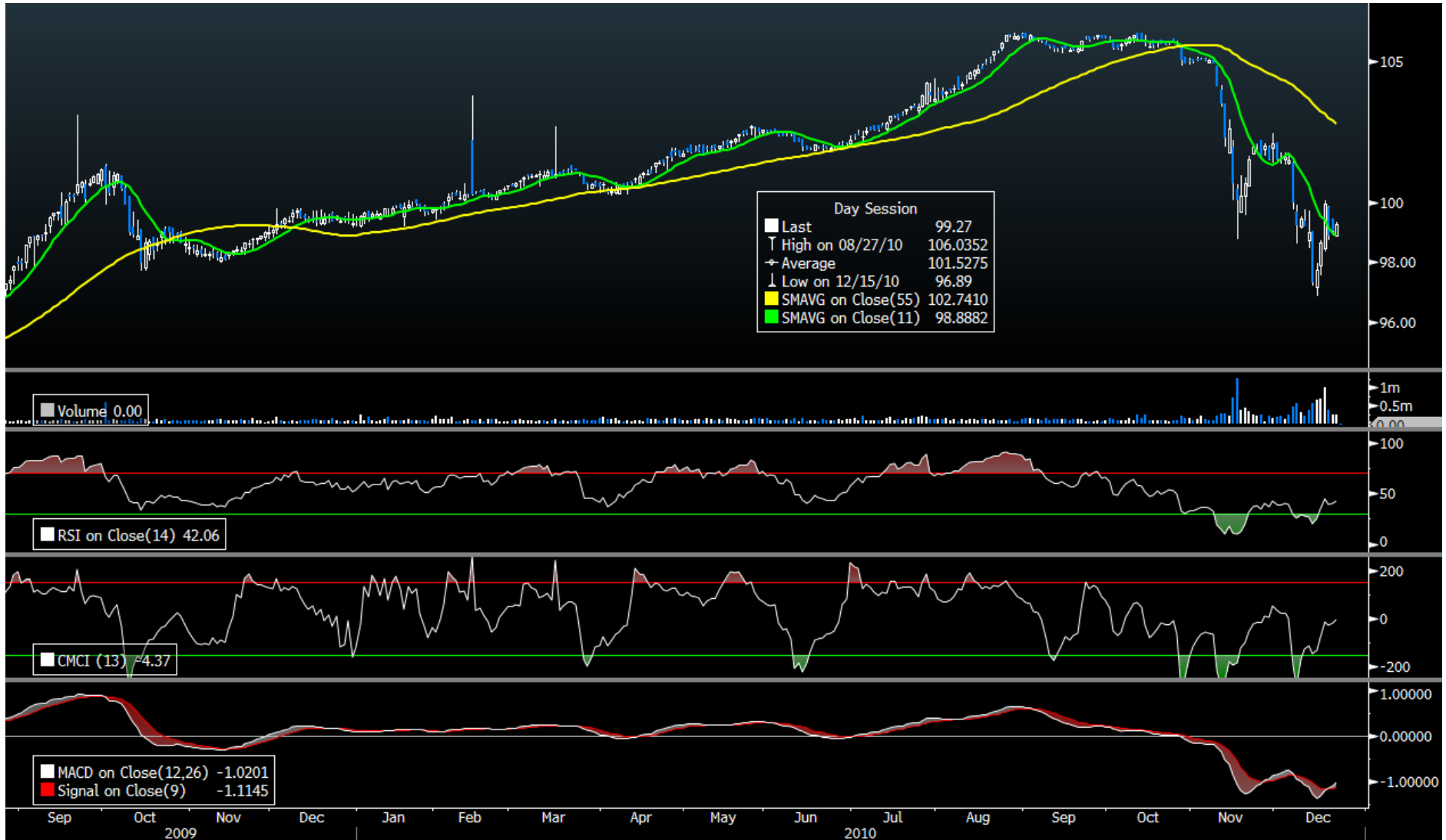
ETF's Qualified for SD # 2 - Over / Under valuation by POM Methodology.

Special situation

1- MUB - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

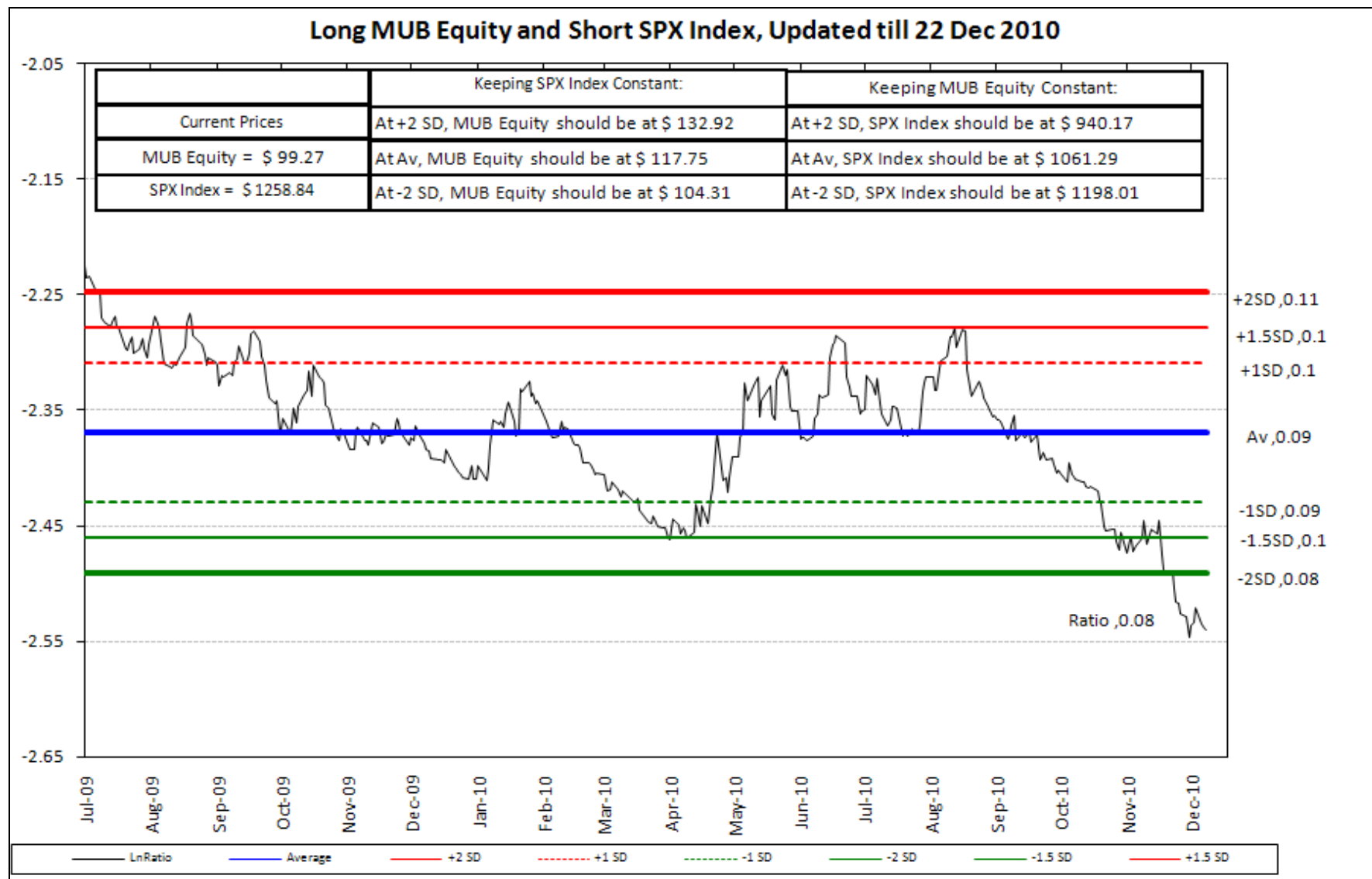


1- MUB - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



MUB – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2.0 has just reached extremes



MUB – 3 Yrs - Technical & Pattern Analysis –

It came into the CZ right on the nose 97-98 but the volume is heavy, we should get the test of the lows again which might be the secondary test. (Possibility we may not get to tick lows) however we had a climax volume at the first lows

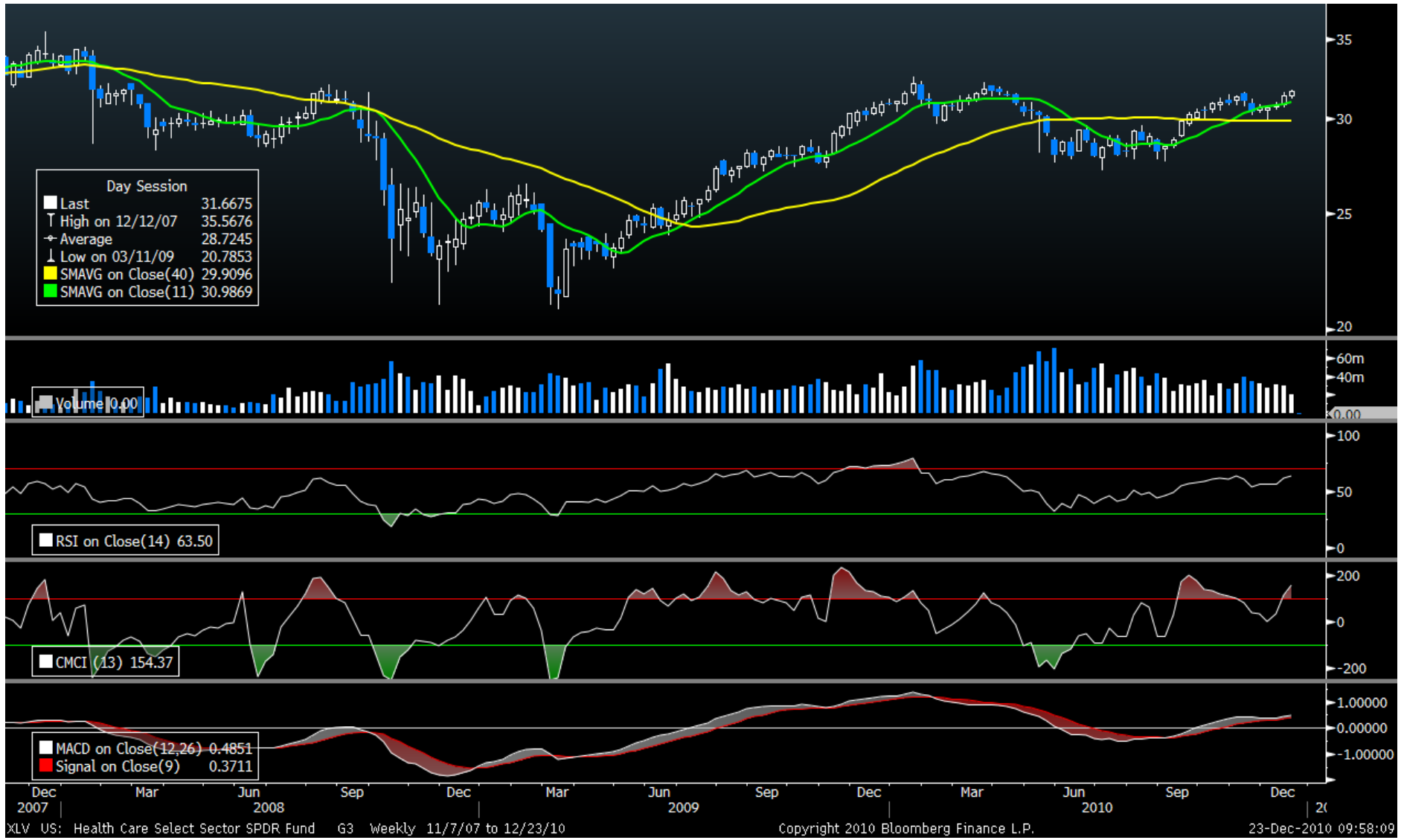


MUB – Technical & Pattern Analysis –

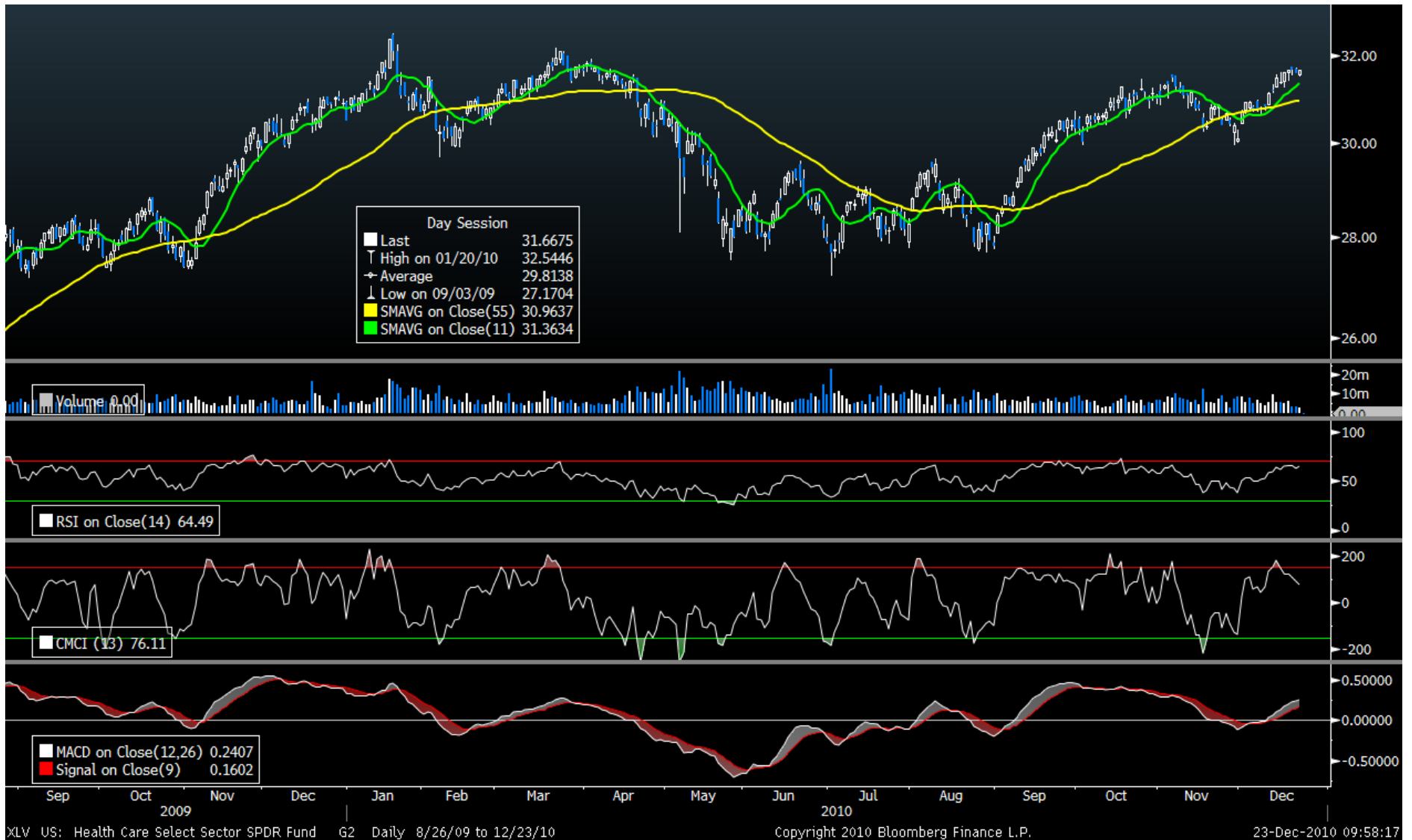
On Daily , Rejected the lows in CZ on the nose SD is at - 2.0 undervalued. This is classic example of CZ test and Healthy rally began with SIGN of STRENGTH . this is Bullish. Possibility we get to 98.5 – 98.75 on pull back and if it comes in 300k shares , this should be rejection and give a bullish signal . RSI has diverged bullishly on the 2nd re test , this is bullish as well we will move this in our PQV report with CZ in the PQV Validated watch list , this is slow moving but may get some Yield with it (Stop outside CZ)



XLV - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

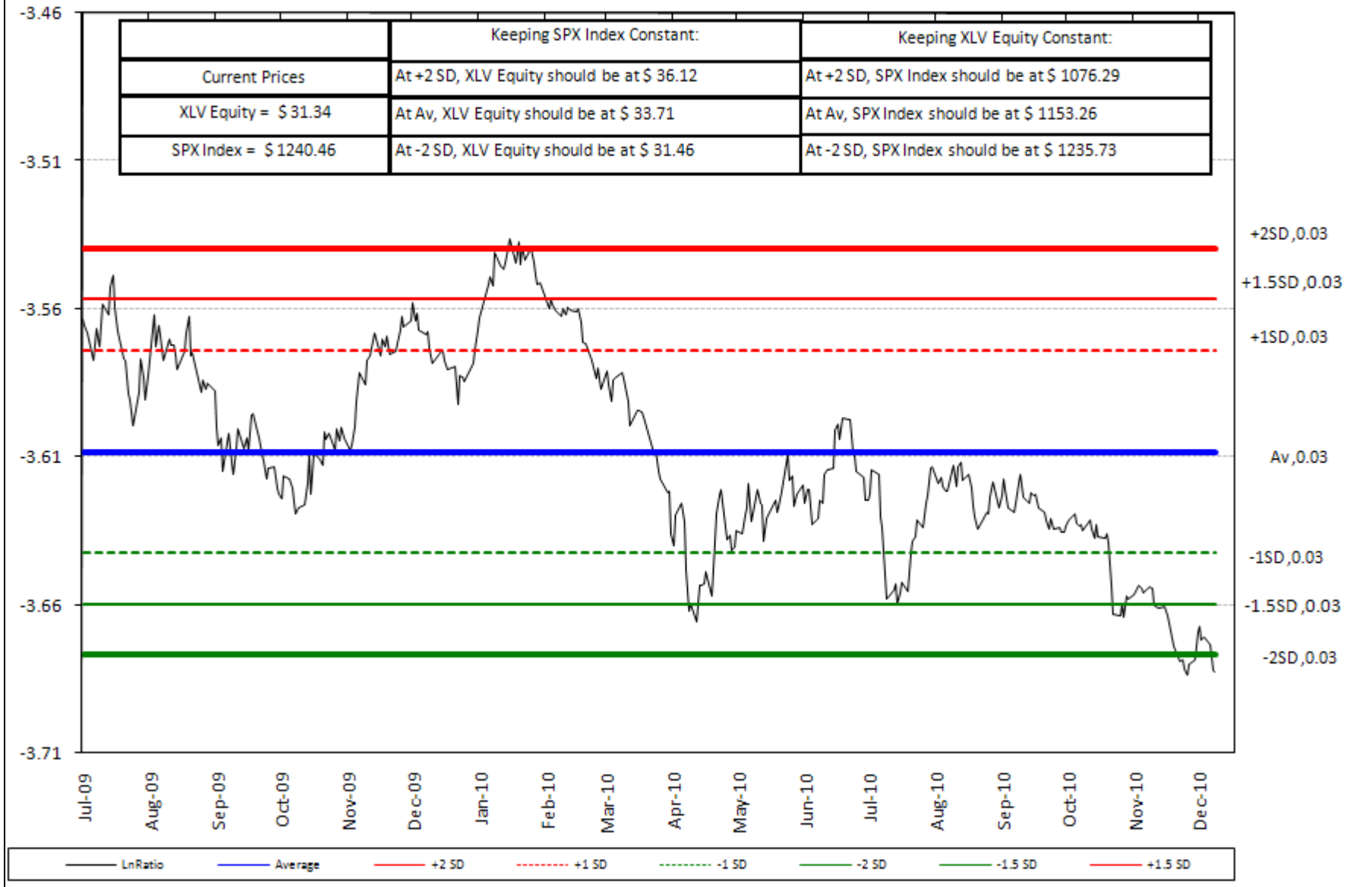


XLV- Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



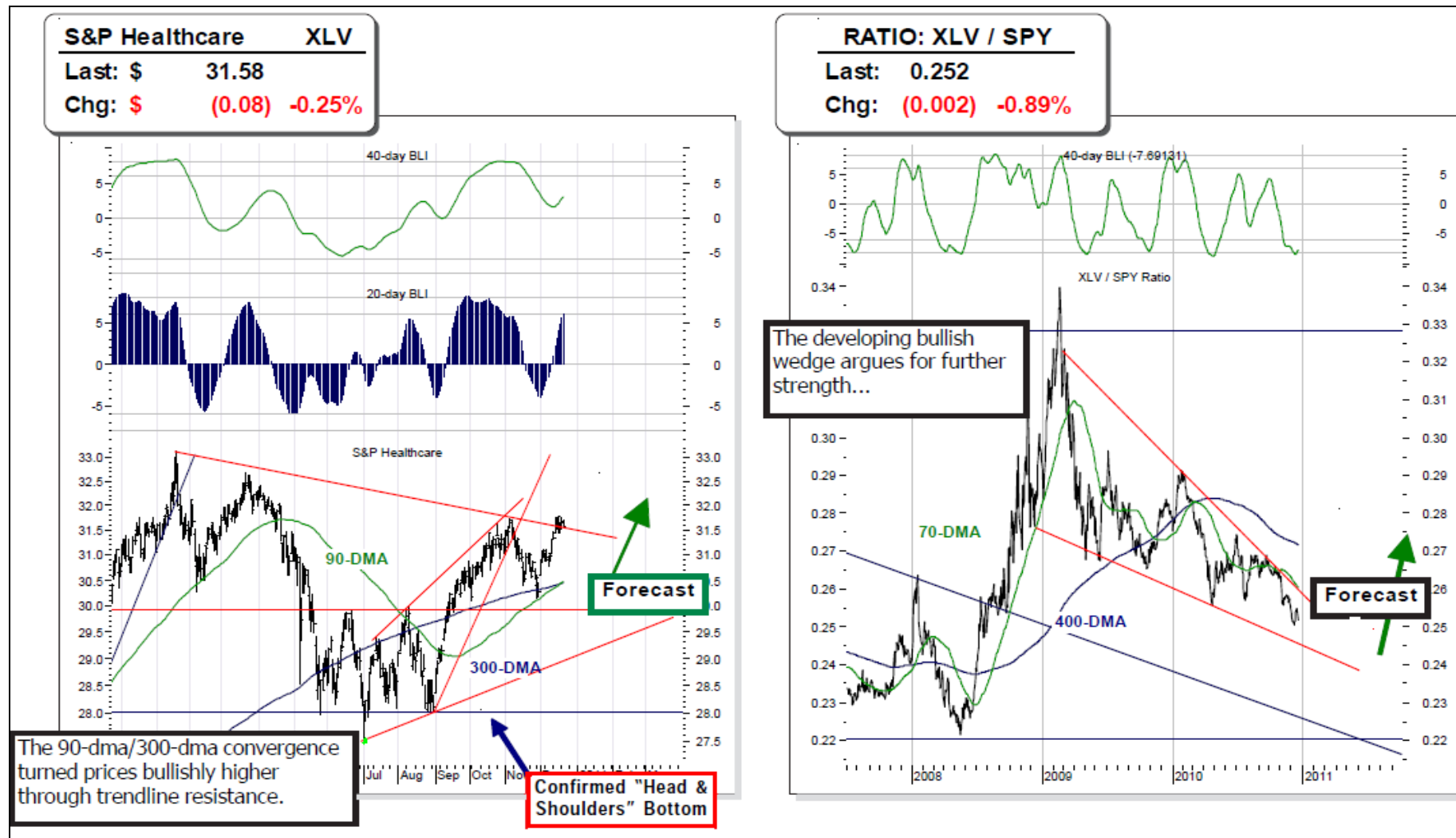
XLV – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLV Equity and Short SPX Index, Updated till 22 Dec 2010



XLV – Technical & Pattern Analysis & Price / Volume

The XLV / SPX ratio chart looks bullish and should trend up in RH side chart below, confirms the relative rise in **XLV / SPX (hence undervalued)** by this matrix **in Sync with SD Analysis**.



XLV – Technical & Pattern Analysis & Price / Volume

The larger H & S Bottom should hold on pull back along with Trend line , RSI should pull back to 50

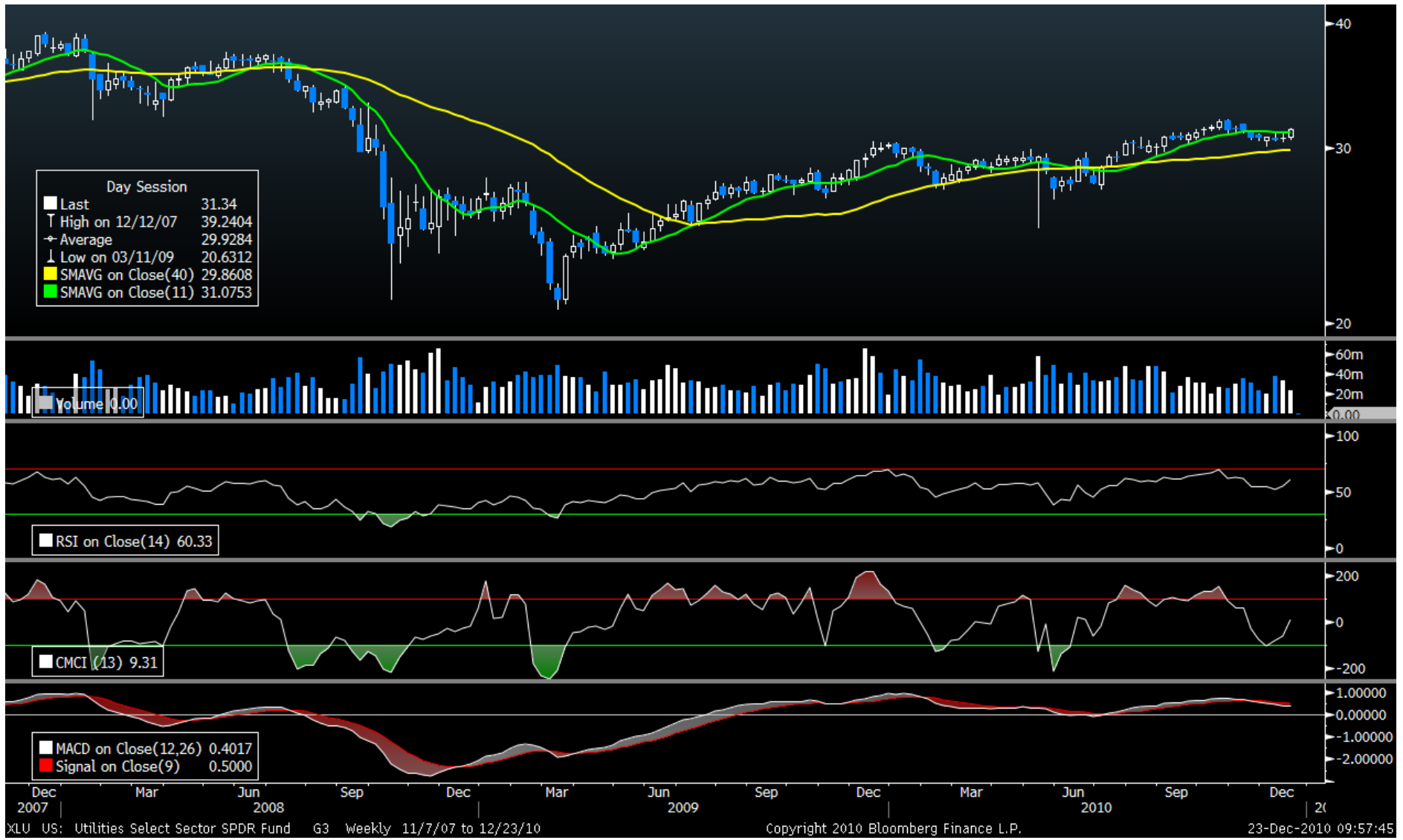


XLV – Technical & Pattern Analysis & Price / Volume

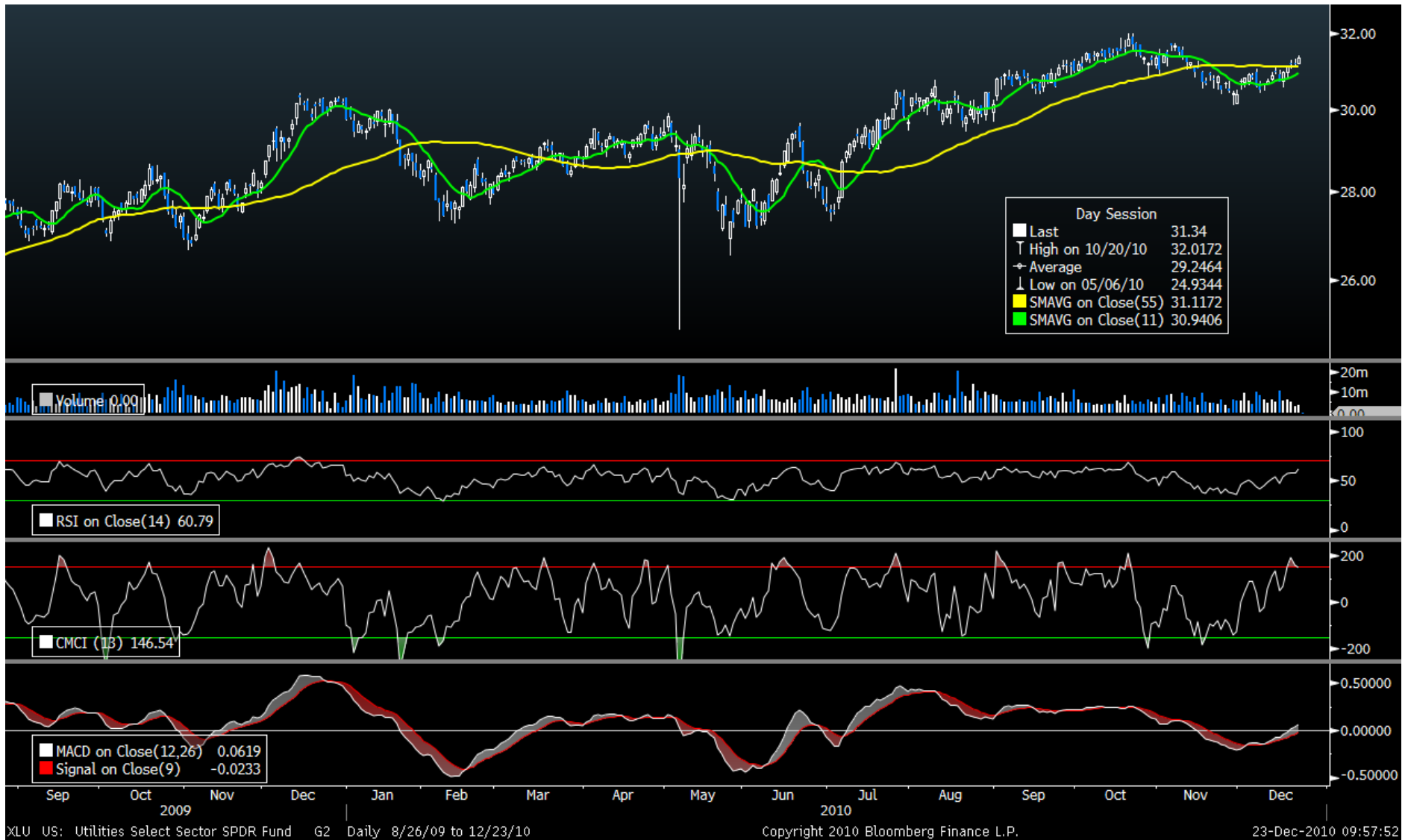
The CZ on bullish side 30.5 to 31 , the smaller head and shoulder within larger head and shoulder could stop the pull back, Volume on test should be 3.0 M to reject the test. Stops always on other side of CZ,



XLU - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

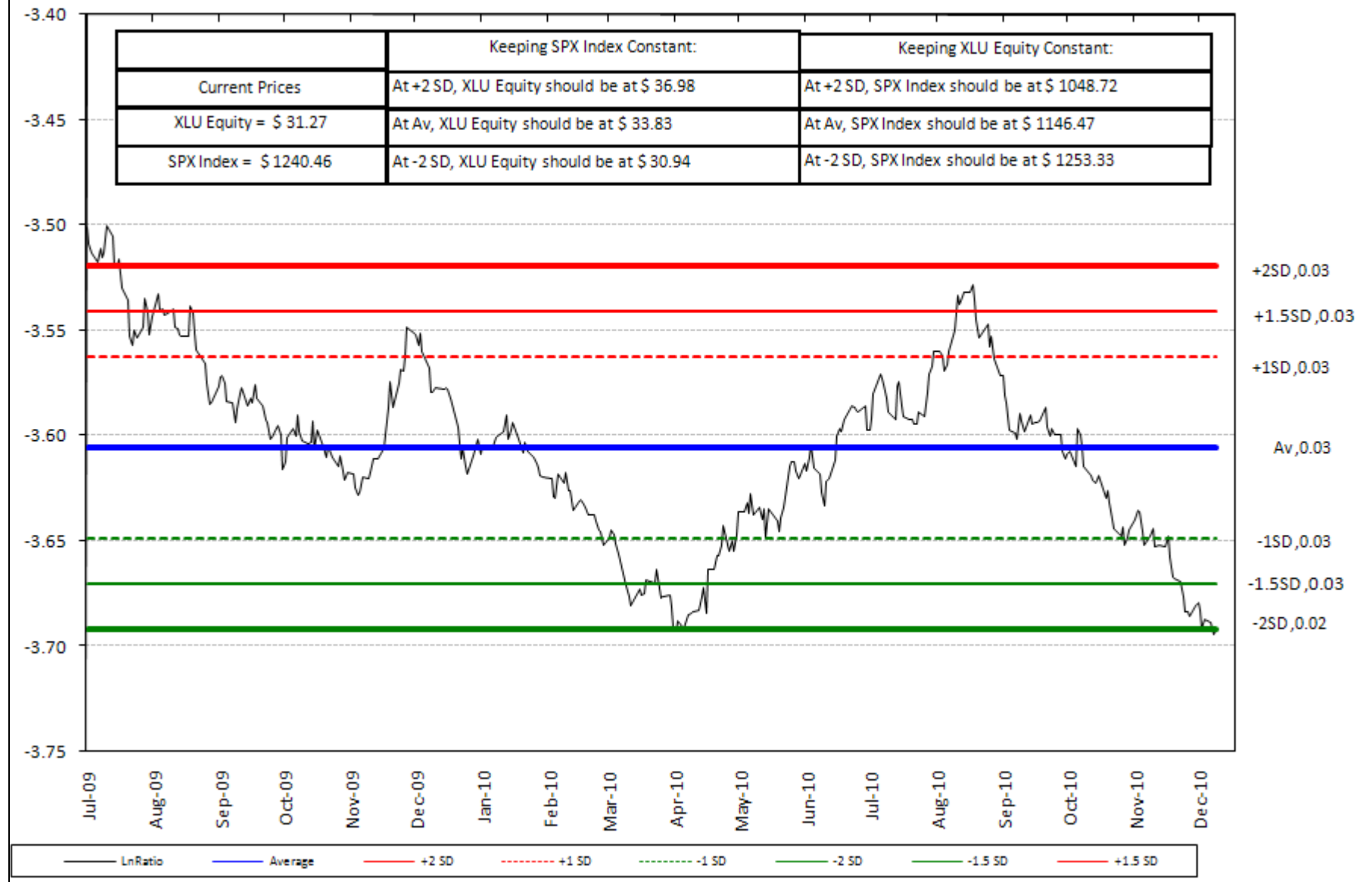


XLU- Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



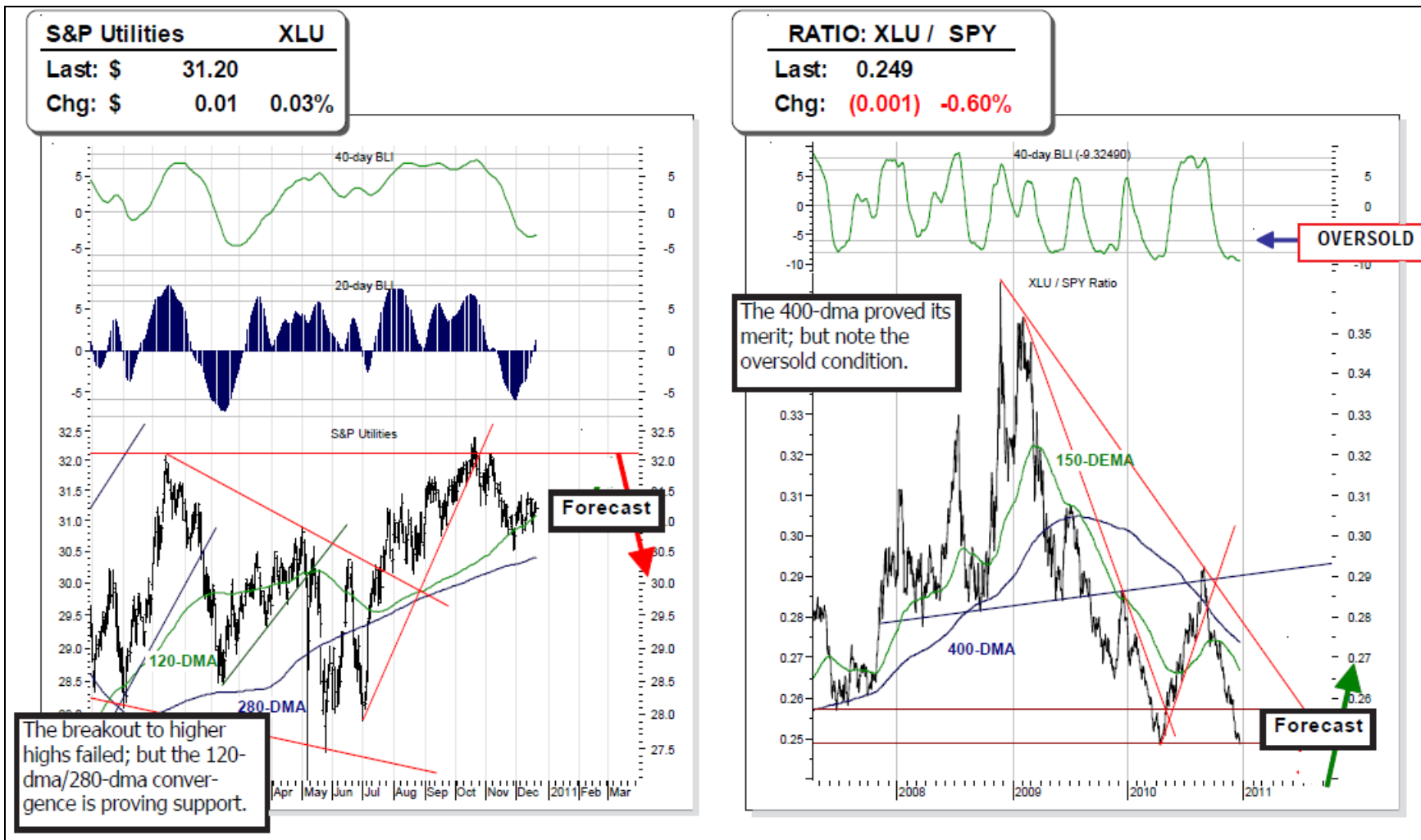
XLU – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLU Equity and Short SPX Index, Updated till 22 Dec 2010



XLU – Technical & Pattern Analysis & Price / Volume

The XLU / SPX ratio chart looks bullish and should trend up in RH side chart below, confirms the relative rise in **XLU / SPX (hence undervalued)** by this matrix in Sync with SD Analysis.



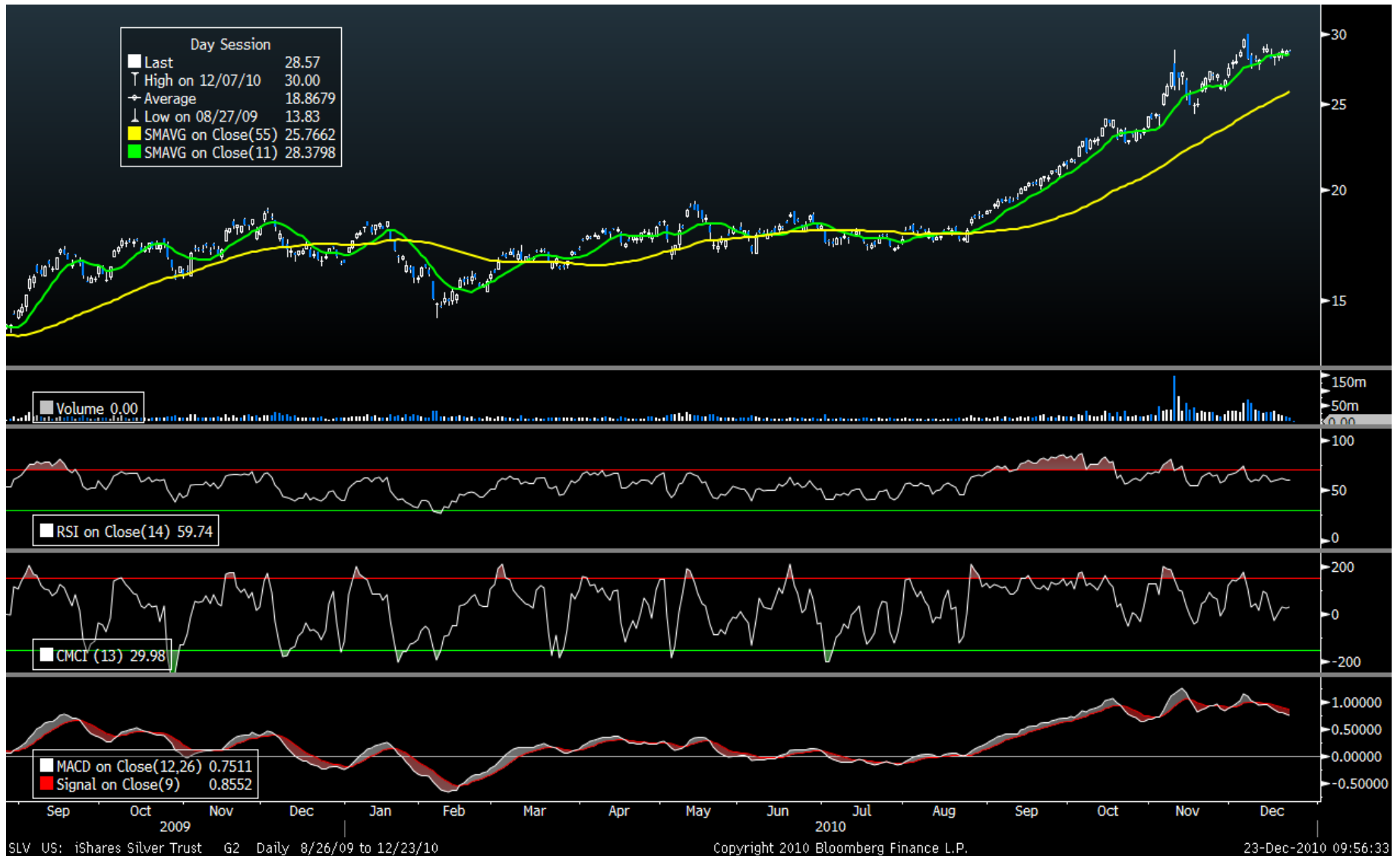
SLV - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



SLV - Daily – 3 Year with RSI, CCI, MACD

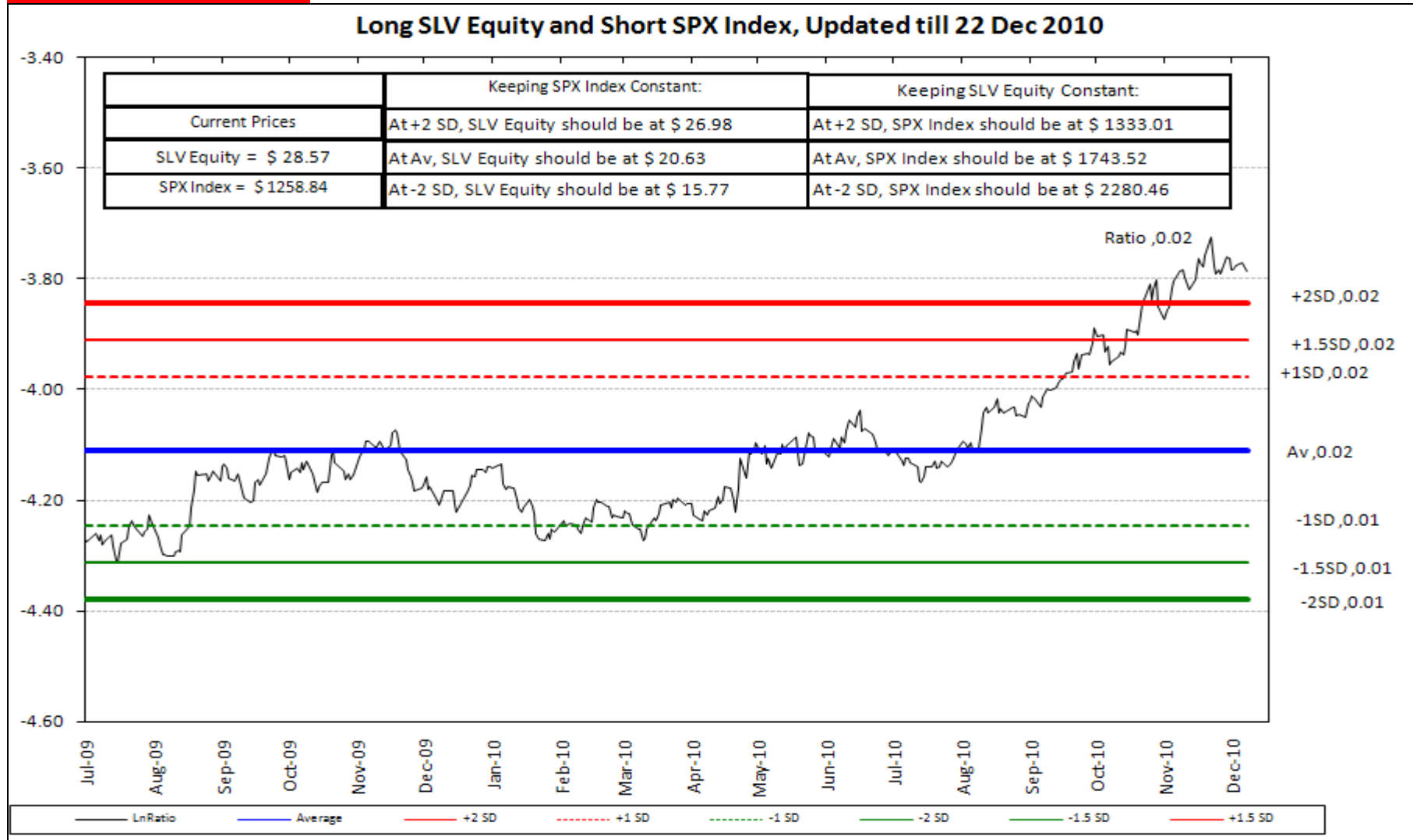
(11D / 55D)



SLV – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2.0 has just reached extremes

WE HAVE COVERED THIS IN DETAIL IN SPECIAL SITUATION & IN COMMODITY # C – Yesterday's Report

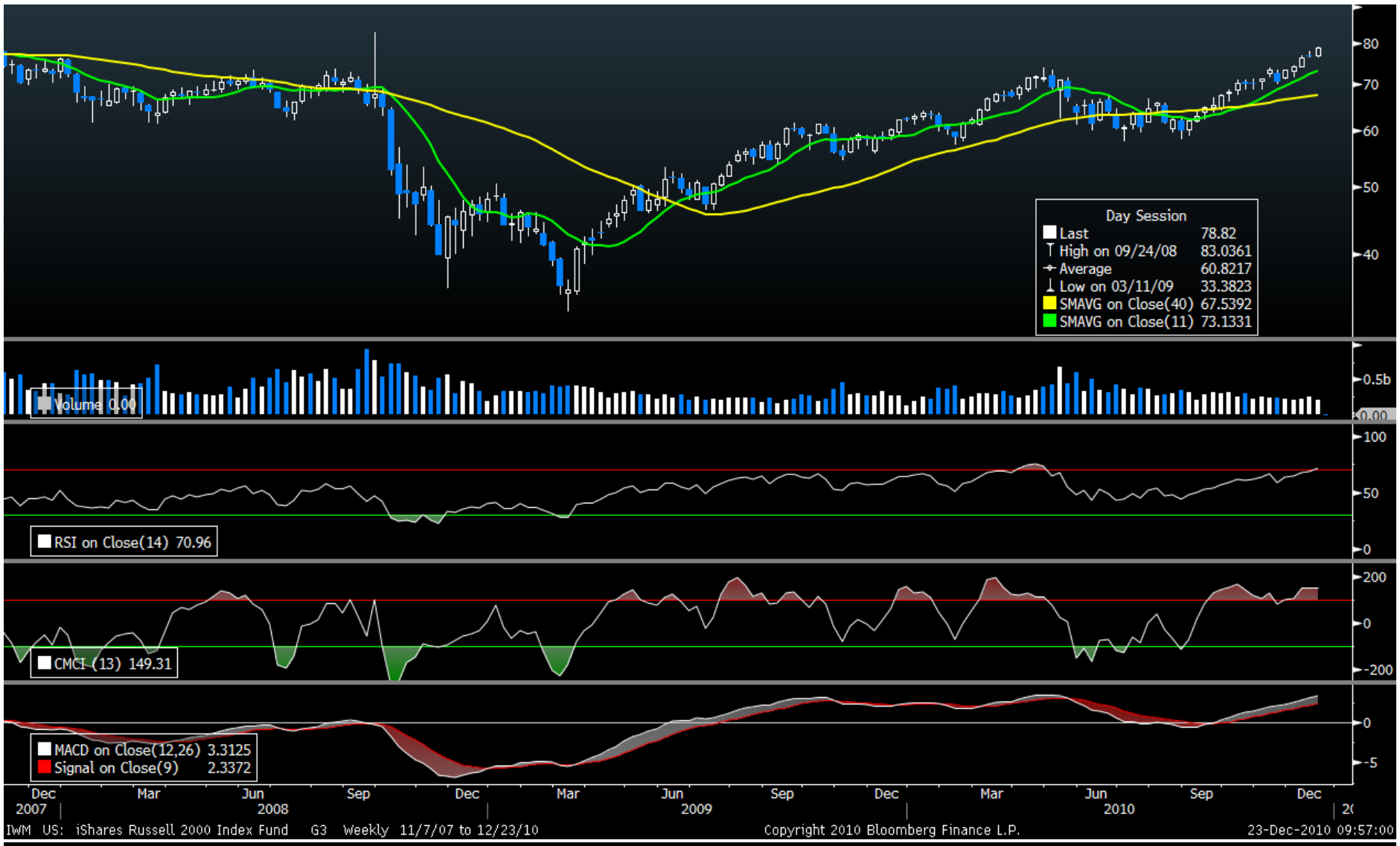


1 – SLV- Pattern & Trend line Analysis

The SLV / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in SLV / SPX (hence overvalued) by this matrix in Sync with SD Analysis.



IWM - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



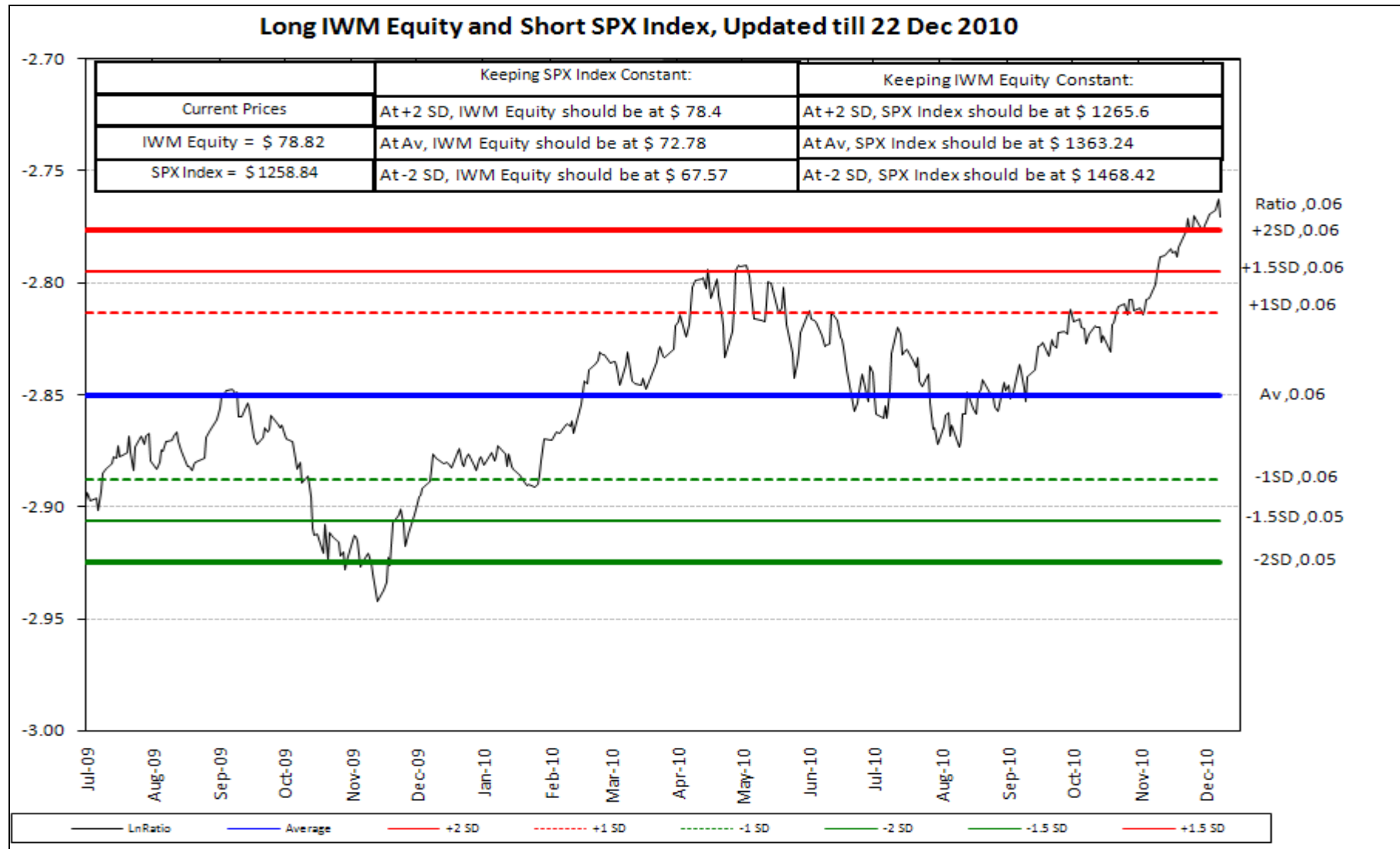
IWM - Daily - 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



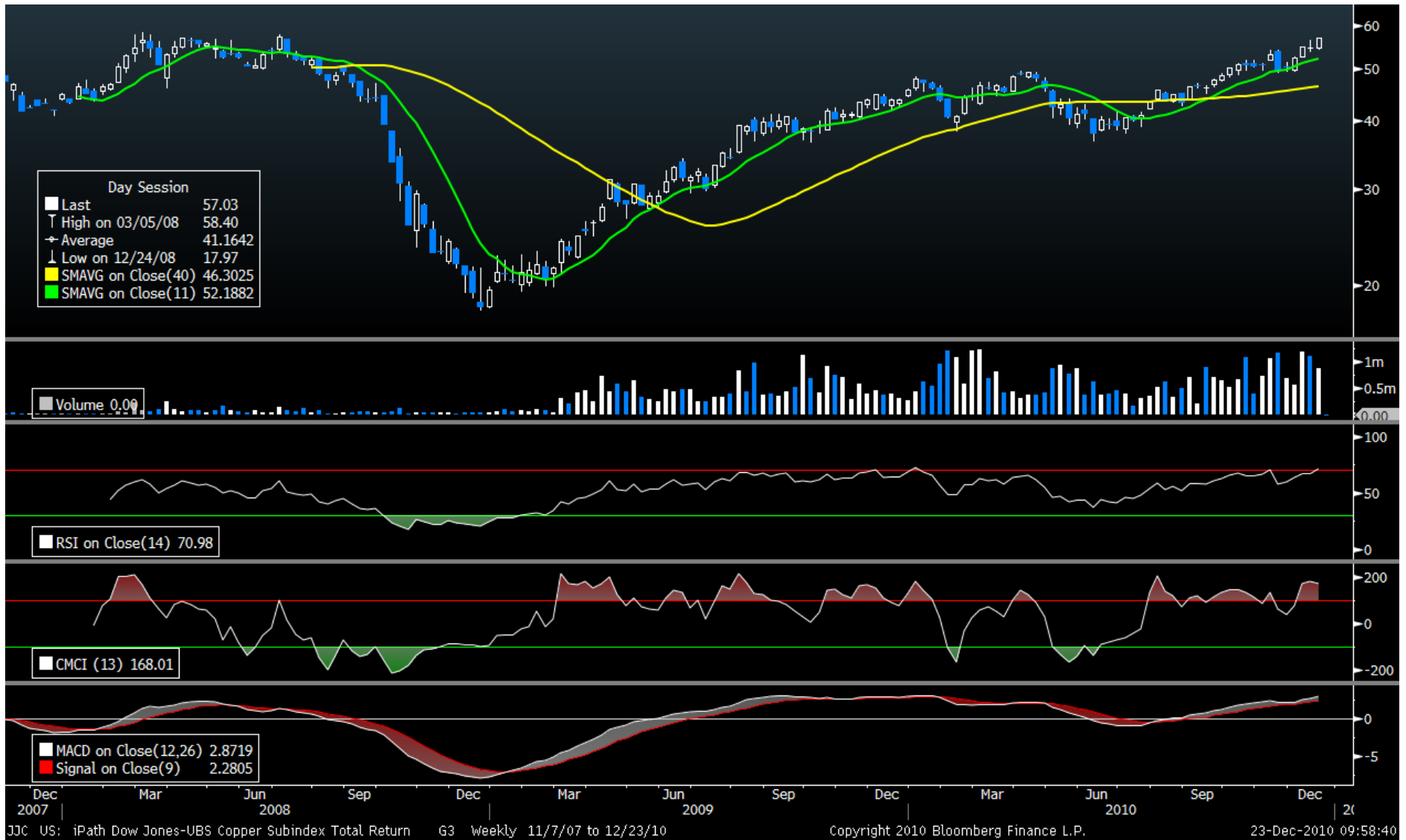
IWM – Correlation Ratio Analysis with SPX – 365 days Time basis

SD # 2.0 has just reached extremes

WE HAVE COVERED THIS IN DETAIL IN MS A # 2 – Yesterdays Report



JJC- Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



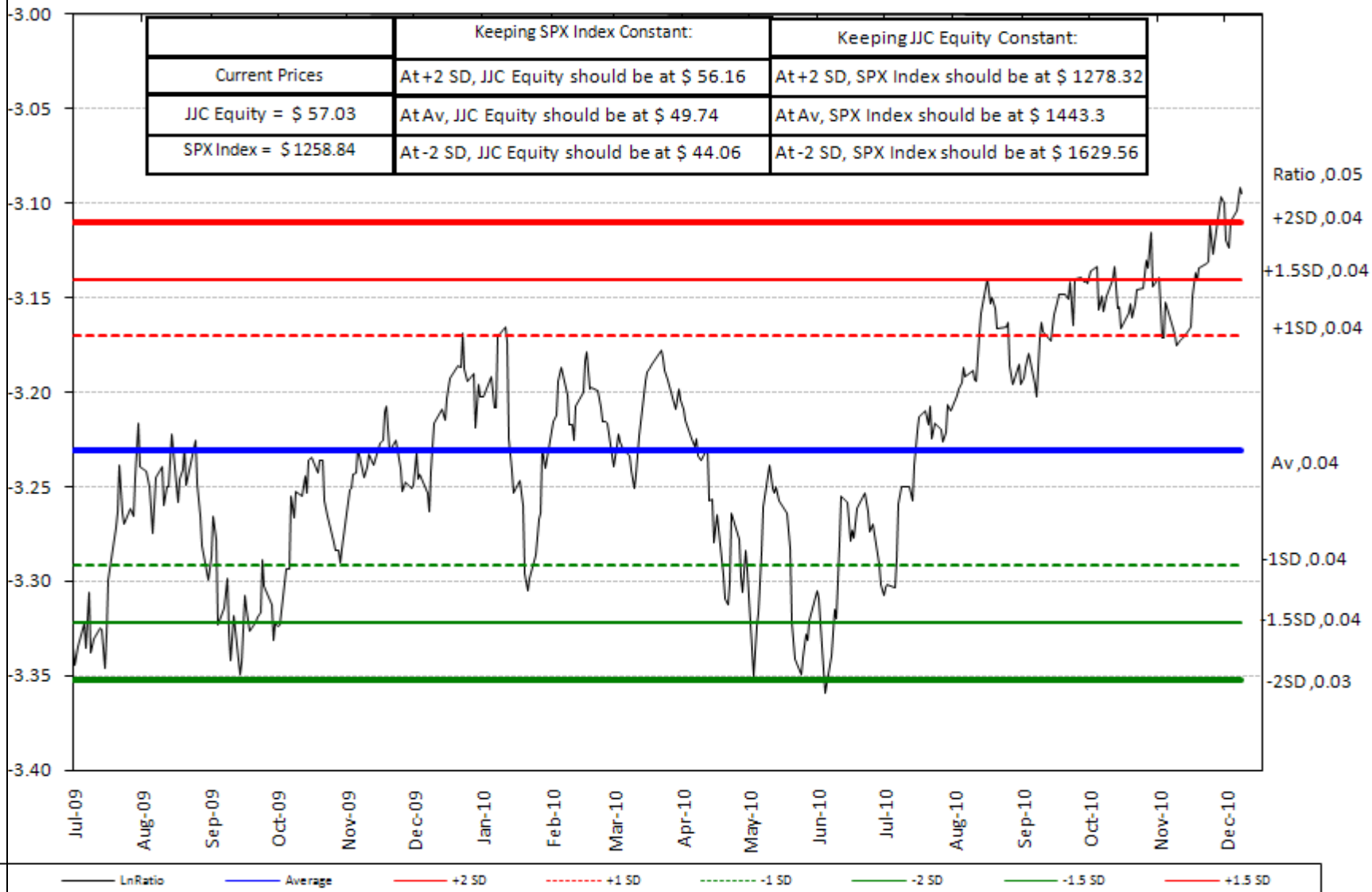
JJC- Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



JJC – Correlation Ratio Analysis with SPX – 365 days Time basis

Although SD # 2.0 v/s SPX has reached extremes but not with CRB (to get qualified)

Long JJC Equity and Short SPX Index, Updated till 22 Dec 2010



REFERENCE MATERIAL – Part II (Separate Attachment)

CZ- PQV Validation list – ETF –Sectors (Non SD #2)

- **QQQQ**
- **EEM**
- **EWP**
- **EWH**
- **JOF**
- **SMH**
- **EWA**

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