SG Capital

Research Note - Weekly Market Commentary

SG WKLY # June 29

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SPX – Closed @ 1075

Market Insights

SPX – "Our Model Signals & Projections"

- ***On 21st June*** *it Triggered POM 14, as it reached out Target of 1130, and we suggested Long positions from POM 12 at 1050 dated 8th of June could be subject to pull back.*
- ***Since 21st June POM 14*** *, Market has pulled back to 1075, a drop of 55 points and we are reviewing the possibility of POM 13 risk management signal at current levels, we need a rejection here and close above 1080 which has not happned.*
- *Since overall, We have the weekly close below 1150, and market should remain below this on any rally bounces, 1150 remains a Bearish cross of 13W / 34W –MA. Secondly SPX 1130 remains Right side of H & S Top,*
- *On completion of the bounce, we should get a next leg down and looking for 960 SPX target,* We do expect to see a return to that secular bearish trend at some point.

POM 14, POM 15 are the points for actionable points on SPX and POM 13 is Risk management Neutral Signal. We had a high early in the week last week POM 14 @ 1130 and the trend was downward and very weak as money supply fell more than prices, The market probably made its high on the year in April, but could bounce around in a trading range for a few more weeks before plunging.

This morning the color of choice in world market is red globally and the Indicators leads to oversold with Cycle turn dates but No Rejection Yet !! for POM 13 , (Lets wait and see) SPX conformed POM 14 , SPX 1130 on 21st June

Friday we did not get close above 1080 for POM 13 as POM 14 still continues. We are watching oversold Indicators very carefully and more will show up today. We need to see reversal to have the Indicators below to show its bouncing powers.

This week and into the middle of July, seasonal point up and will be fighting against the downward pressure. **The Full Moon & Bradley date** which occurred on Saturday may provide the excuse for a rally here, but pay attention to the indicators. (See charts below) .

The ARMS/ TRIN is oversold and may provide the excuse for a rally very soon. If so, our expectations would be for a rally into the period centered on July 9th, which is a date which is appearing in many projections to be an important turning point. **(Time Termination T**)

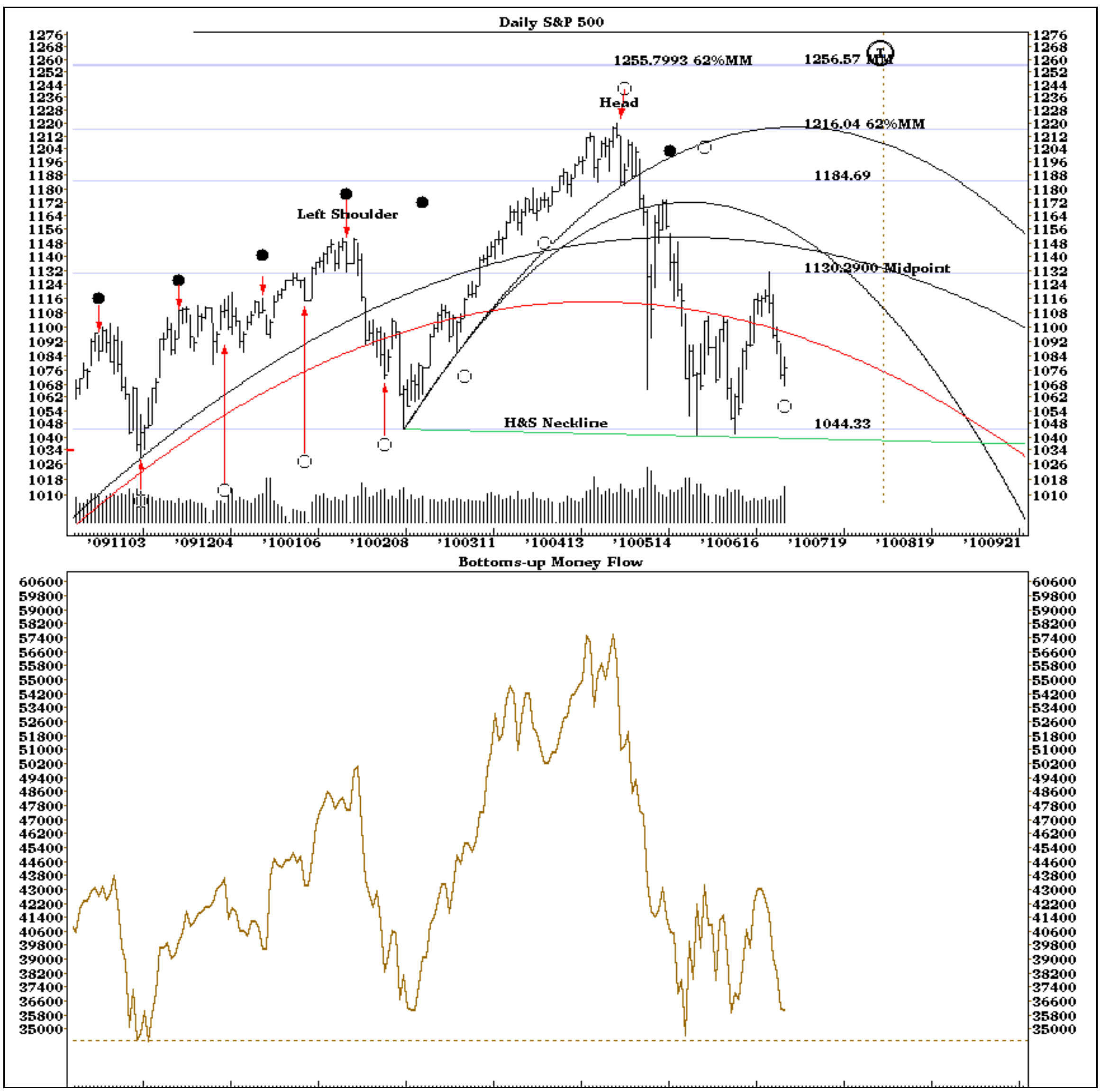
According to the seasonal, that timeframe often marks the end of the summer rally which starts in the last week of June. the summer peak should occur in the middle of July and we have multiple projections for an important change-in-trend occurring on July 9th. If the market is rising into the 9th, it should mark a significant peak. If the market is falling into that date, it should mark a significant trough which launches a rally. The Foundation For the Study of Cycles has that mid-

July period as a significant trough or peak. (Lets see how next 2 days look) with respect to Oversold Indicators and Cycle study.

One reason this time of year has an upward bias is that it's the end of the first half-year of trading. Winners are bought to dress the portfolio and make it pretty in order to make money managers look a bit better for the end of June portfolio snapshot. Not that it really makes much of a difference. The Russell Company rebalanced their indices as of Friday afternoon and were supposed to post the list of stocks in them today.

<u>Although the Indicators are oversold , these Indicators are good for bounce and not of the the Quality of POM 12 oversold Yet</u>

<u>SPX – With Poly trends and Full moon</u>



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SPX - An Wave Count

The following is one possibility according to Wave. The April high would be a major high, followed by a "flash crash" leading diagonal to the downside. We would be on the verge of a wave C of a second wave retracement if the count is correct. We think the likely high would come at the 50% retracement @ 1110 or but it could possibly go to the 62% retracement @ 1132 Under (We will wait for the energy to dry up on bounce to see the reversal . The July 9th turning point could correspond to the end of the rally, if that's what we get:

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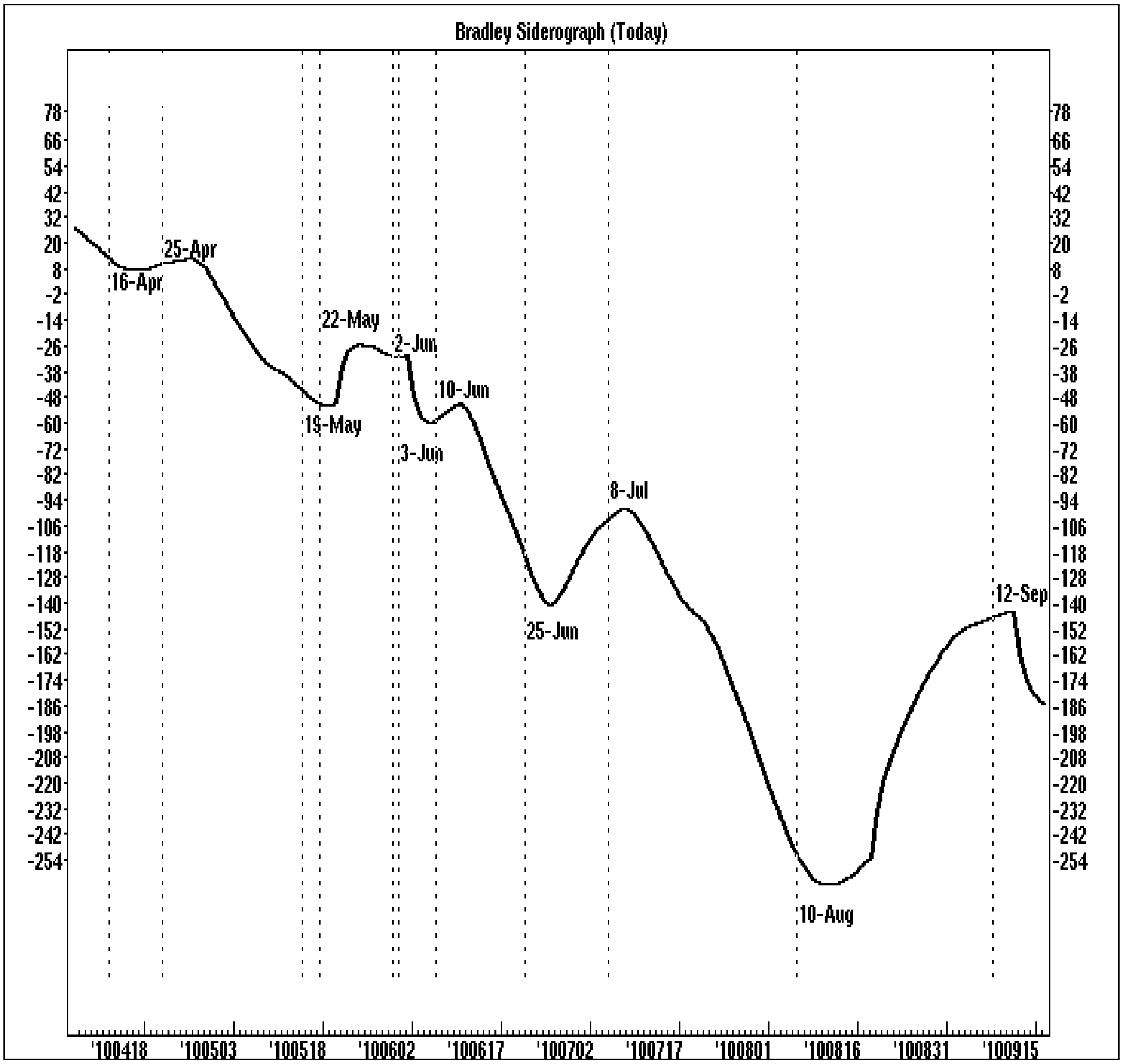
<u>The Bradley</u> continues to sink in absolute terms low due in August. We're now in the timeframe for a minor turn, which would be a low if it occurs. On short term lows on 25th June and Highs on 8th June does coincides approximately with other dates.



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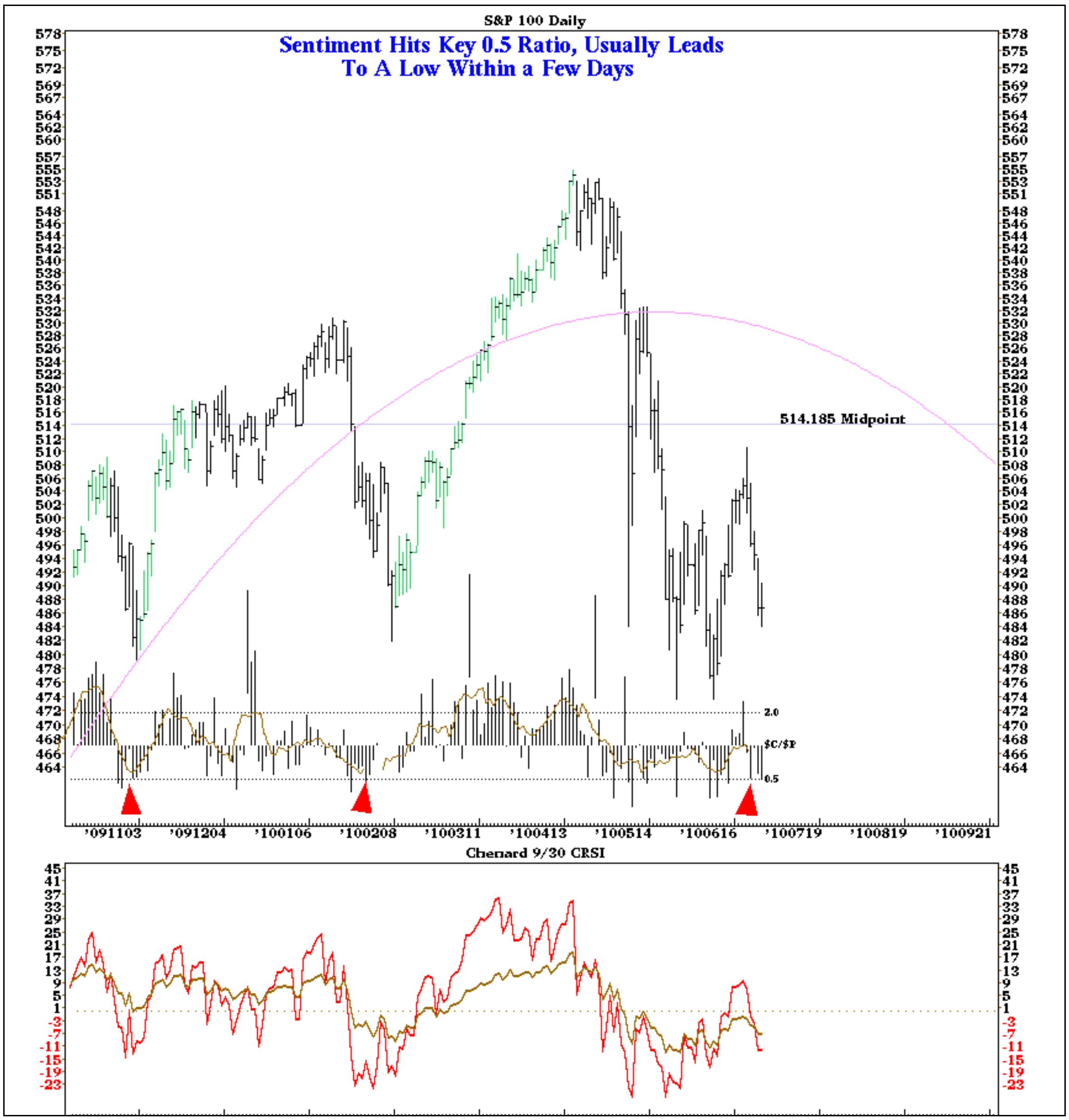
Sentiment Index -1

OEX – PUT/CALL

Sentiment is setup for a low in stocks here as well. Our dollar-weighted call-put ratio for the OEX hit the 0.5 level which signals a low is likely within the next few trading days (usually, 2 or 3 trading days). On Friday, the index made a low for the week, but the indicator showed less put buying, which constitutes bullish divergence and a sign that a trading low. While the short term should see the beginning of a rally, it could be another abortive rally.



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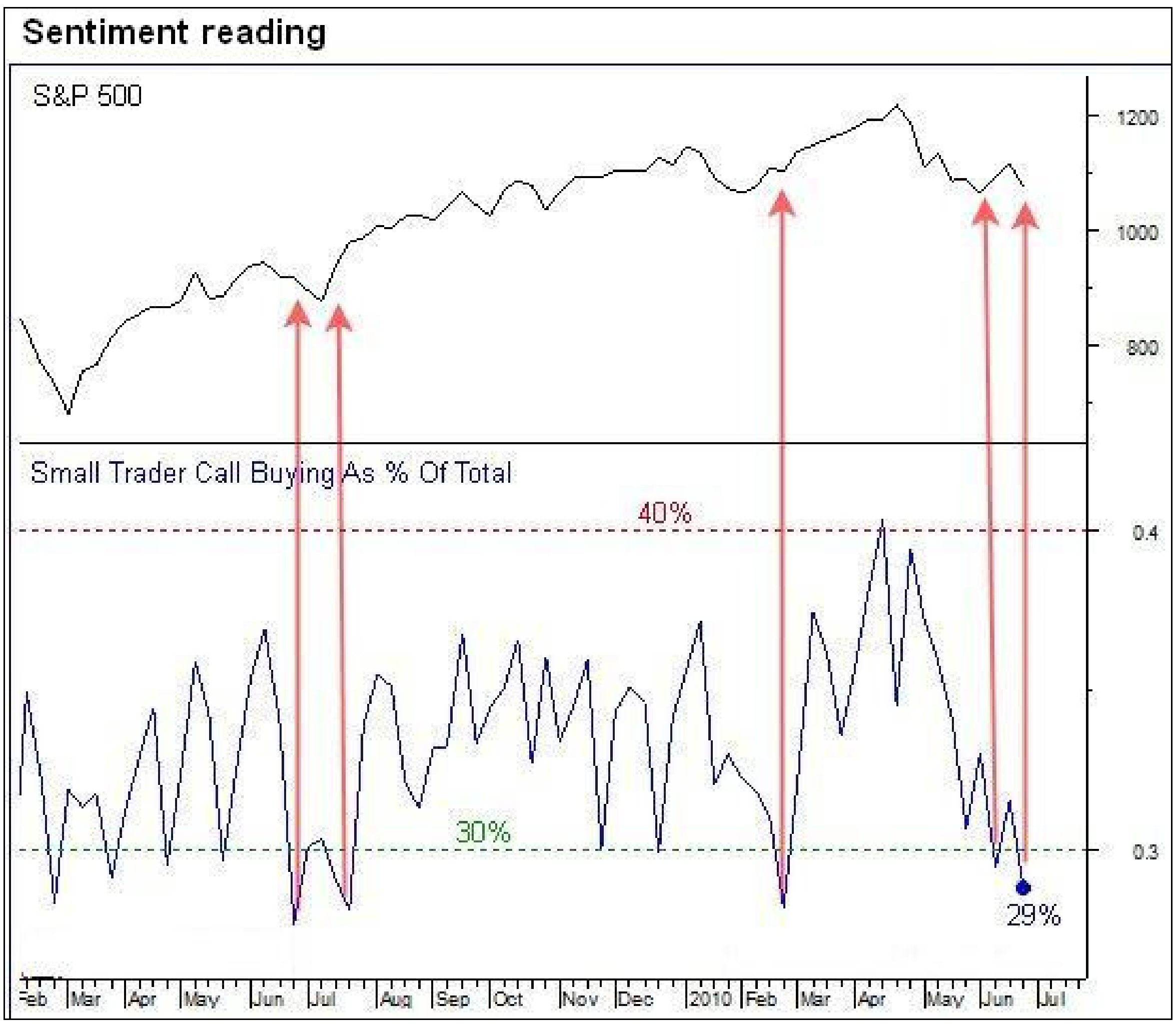
Sentiment Index - 2

SMALL LOT CALL BUYING

Chart below, small trader call buying as a percent of total option buying. The levels at present are in areas that previous short term lows have formed in the SPX. We have been looking for a modest bounce to test the previous highs near 1130 range on SPX and this sentiment gauge suggests that could materialize. It certainly appears the April 26 is the top for intermediate term and a downtrend has begun and would expect in general the market to work lower into the September October timeframe. Intermediate term a bottom may form in September or October near the 960 or below range on SPX. We remain bearish into the September October timeframe.



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SPX

The chart below is the daily SPY chart with the ARMS and Ticks index with the NYSE McClellan Summation index in the bottom window. Bullish signs are given when the ARMS index closes above 3.00 and suggest a bounce in the market will start normally in the next day or two. We have marked with blue arrows when the ARMS index closed over 3.00. Two days ago the ARMS index closed at 3.50 suggested a low should have formed soon. and therefore we are still expecting a bounce to start near current levels.

The 4th of July is next Sunday and we would expect the market to bounce into the 4th of July holiday. We think the previous high near 1130 is the best the market will do before it starts down again. Once the next bounce is completed we are looking for a bottom in the September October timeframe near 960 on the SPX.

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XLF- Intermediate – This was the best Chart & Signal on April 23rd TOP

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Above is a longer term view of XLF which is the weekly chart dating back to 2000. The rally from the March 09 low only retraced 38.2% of the previous decline that started back at the 2007 top and suggests the next decline could take out down and deep. The current MACD, Money Flow and Bullish Percent index have similar set ups that appeared at the 2007 top. Also notice that the March 09 low was a “Spike” low and most “Spike” lows are tested and implies the March 09 low will be visited again. Short term this market could bounce to the gap level but intermediate term the trend is down and would expect at some point the March 09 low will be tested

Should you have any questions regarding this Research note , you can reach me by email at apavse@aol.com or at 978- 662 3329.

Best Regards,

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