



Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # OCT 01

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Sector Analysis (D) - (Detail Coverage for sectors highlighted in yellow)

GR1	GR2	GR3
<ul style="list-style-type: none">• TLT• EEM• EEA• EWJ• FXI• IWM	<ul style="list-style-type: none">• XLF• XRT(RTH)• XLV• XLB• XLE• XLK (QQQQ Proxy)• XLI• XLU• XLP• XLY• XHB	<ul style="list-style-type: none">• SMH• BBH• IYT• GDX• DBC• USO• JJC

- **Objective**

Focus is to derive and compare the Relative performance of various Sectors via using POM – SPX Methodology as a PIVOT point for start then use with SECTOR / SPX Ratio chart for their Pattern Recognition and Technical Analysis

Step 1 – *Qualify the Sector based on Correlation Ratio Analysis with SPX to determine Standard Deviation (SD) @ 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 with respect to SPX*

Step 3 - . *Validate those ideas via technical Patterns of absolute Charts & SPX Ratio charts of these Sectors for Bullish and Bearish SETUPS via Pattern Recognition and Technical Analysis*

- 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. POM Analysis -Technical & Pattern & Price / SMA Analysis
 4. PEC Analysis (if applicable)
 5. Correlation Ratio Analysis with SPX by 365 days Basis
 6. Trend Reversion Analysis – Long Trend Chart
- Charts 3,4,5, (above) articulates special situation coverage for that specific SECTORS highlighted in the list below

- **SPX – “ POM Signal as PIVOT point”**

- On 26th Aug – POM 13 was triggered at 1045 SPX (we hit a low of 1039) and since then SPX rallied +5.6% during our signal **and now the 3.6% extension is in Process .**
- On 3rd Sept, Our Indicators conformed POM 14 – 3rd Re Run @ SPX 1104,(currently SPX at 1144 & extended)
On Intermediate term - POM 15 – Re Runs are difficult to achieve in BEAR market conditions, there we do not believe we would get POM 15 Re – Run . However POM 15 at SPX 1200 on 22nd April for which is still in effect.

- **Trading & Investment Conclusions**

POM 14 at SPX 1104 and extension is **ACTIONABLE ZONE** within the overlay of

- SPX - POM FRAMEWORK
- SECTOR - SD 1/2 ANALYSIS EXTREMES.
- SECTOR -TECHNICAL PATTERNS WITH VOLUMES”

ACTIONABLE ZONE (Inflection zone) is for scaled in entry for better Risk / Reward. (Only If the process is confirmed by RA /RI Matrix with Risk Management parameters and stops if required on other side of confluence factoring in the volatility and Risks)

CONCLUSIONS - PROCESS 1,2,3 SCANS & Validates BEST IDEAS:

Overvalued conformed– EEM, JJC, GDX, ,XLY, XRT(RTH),

Undervalued conformed – XLE, BBH, XLF

Non Conformance – XLI, XLK, USO, EWJ (See the Ratio charts below for justification)

Review process (1)- Sectors for Best & Worst on Extreme SD's @ 365D

- **NET EXPOSURE THIS WEEK – (-33%) ,(-35), (-27%) , (-52) % of past 4 weeks (SETUP # 2&4)**
- **POM 15 (initial) / POM 14 Re Run- 3**

Sector	Indicator	Distance in SD	Net Exposure	Total No. of stocks
Gr 1				
EEM	above +1SD	1.86		
EWJ	below -1SD	-1.07		
Gr 2				
XLE	below -1SD	-1.44	-100%	3
XLY	above +1SD	1.57	-100%	3
XLI	above +1SD	1.50	-45%	11
IYT	above +1SD	1.41		
XRT	above +1SD	1.66		
XLF	below -1SD	-1.04	-20%	15
XLK	above +1SD	1.67	0%	2
Gr 3				
GDX	above +1SD	1.72		
USO	below -1SD	-1.37		
JJC	above +1SD	1.12		
BBH	below -1SD	-1.04		
		Setup Index Net Exposure	-33%	
		POM 14 Re Run (3rd)		

- From (24) Sector list , (13) highlighted in Yellow (above) qualified for further review. Out of these except for (1), all are on track and new are added for its SD's extreme analysis & fits well with our expectancy of over / under valuation v/s SPX
- (+1/+2) SD's are overvalued (on Sell side v/s SPX) SD 's indicated in RED.
& (-1/-2) SD's are undervalued (on Buy side v/s SPX) SD's indicated in GREEN

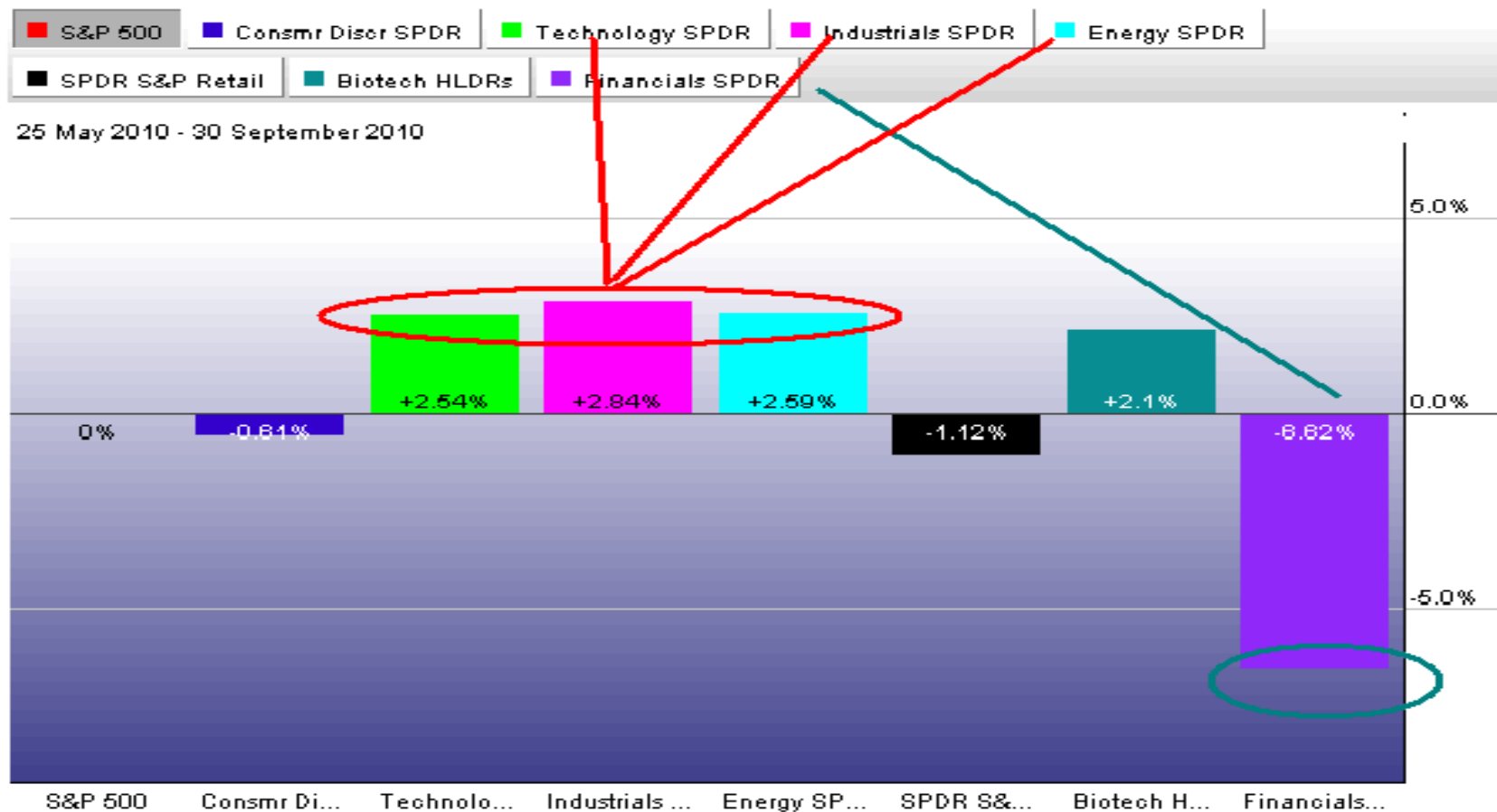
Ticker (Deleted from Previous week)	Comments
XLV	

Review Process (2) - Select Sector " Best & Worst " on TREND BASIS

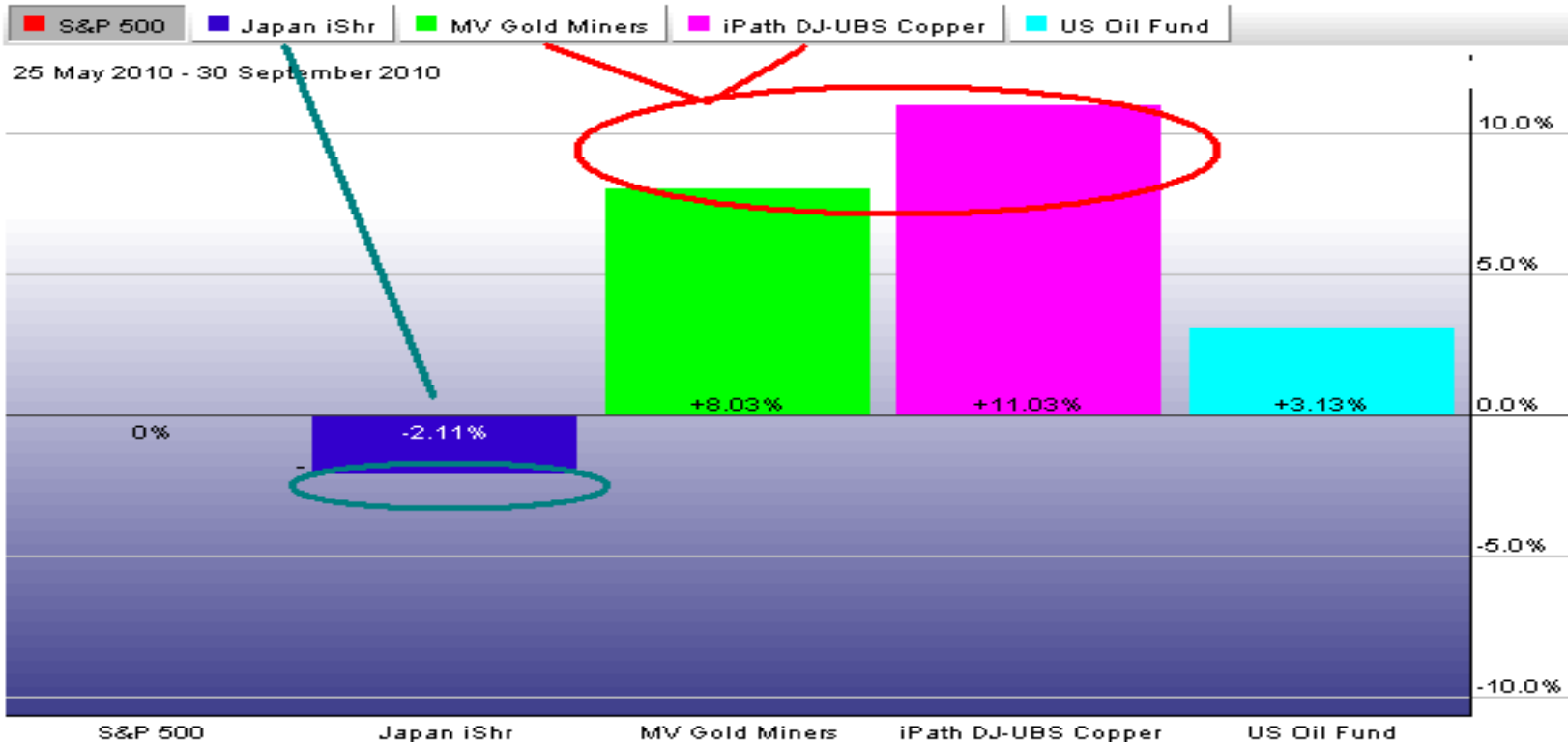
This weeks - Crirical point for PIVOT. – AUG BREAKDOWN DAY

- **Comparisons – From previous SPX breakdown at 1140 in AUG to current HIGHS**

\$SPX,XLY,XLK,XLI,XLE,XRT,BBH,XLF



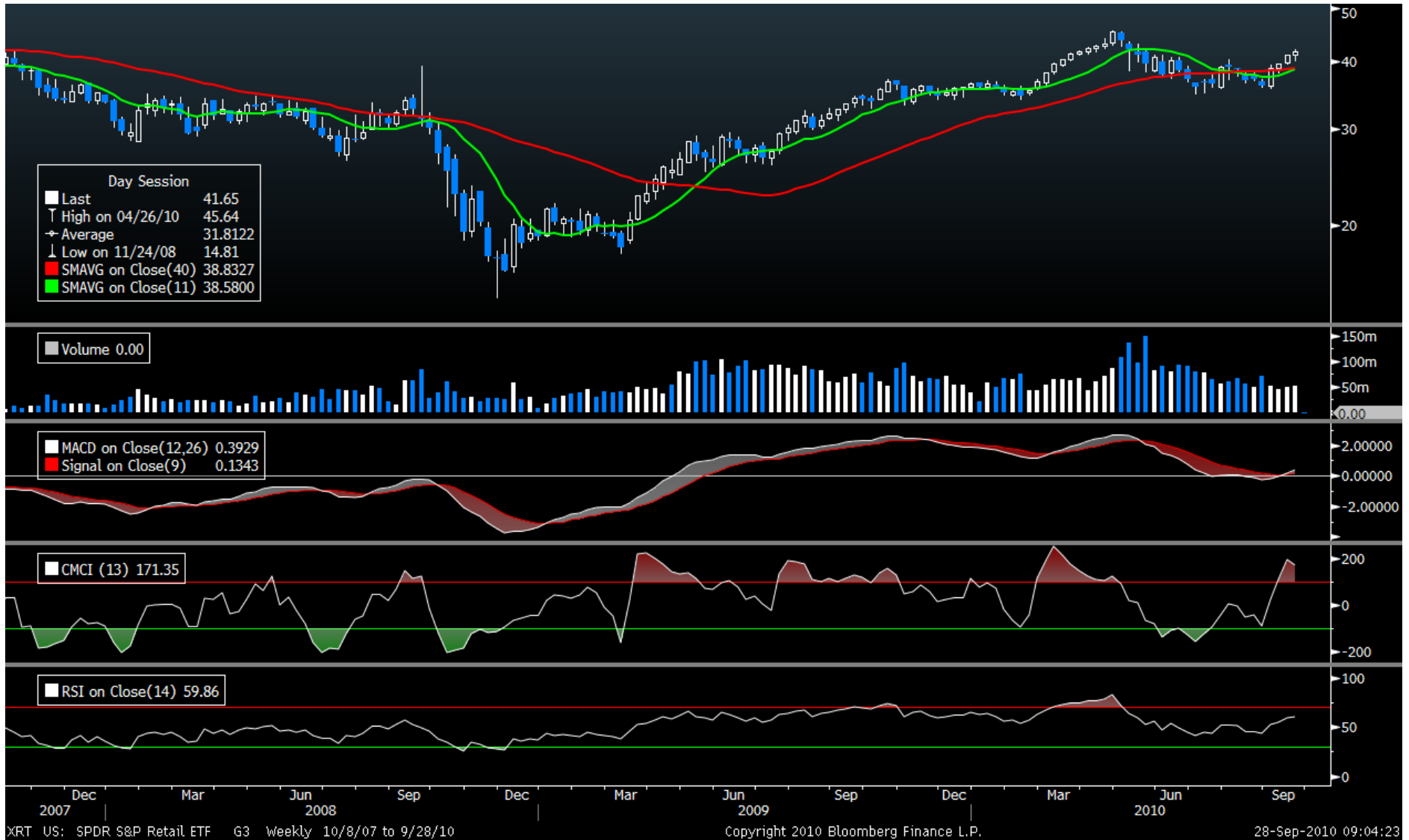
\$SPX,EWJ,GDX,JJC,USO



Conclusion by this process

- **Most Overvalued** indicated in RED - EEM, GDX, JJC
- **Most Undervalued** indicated in GREEN - XLF

- XRT - Weekly- 3 Year with RSI, CCI, MACD
(11 W / 40 W SMA)

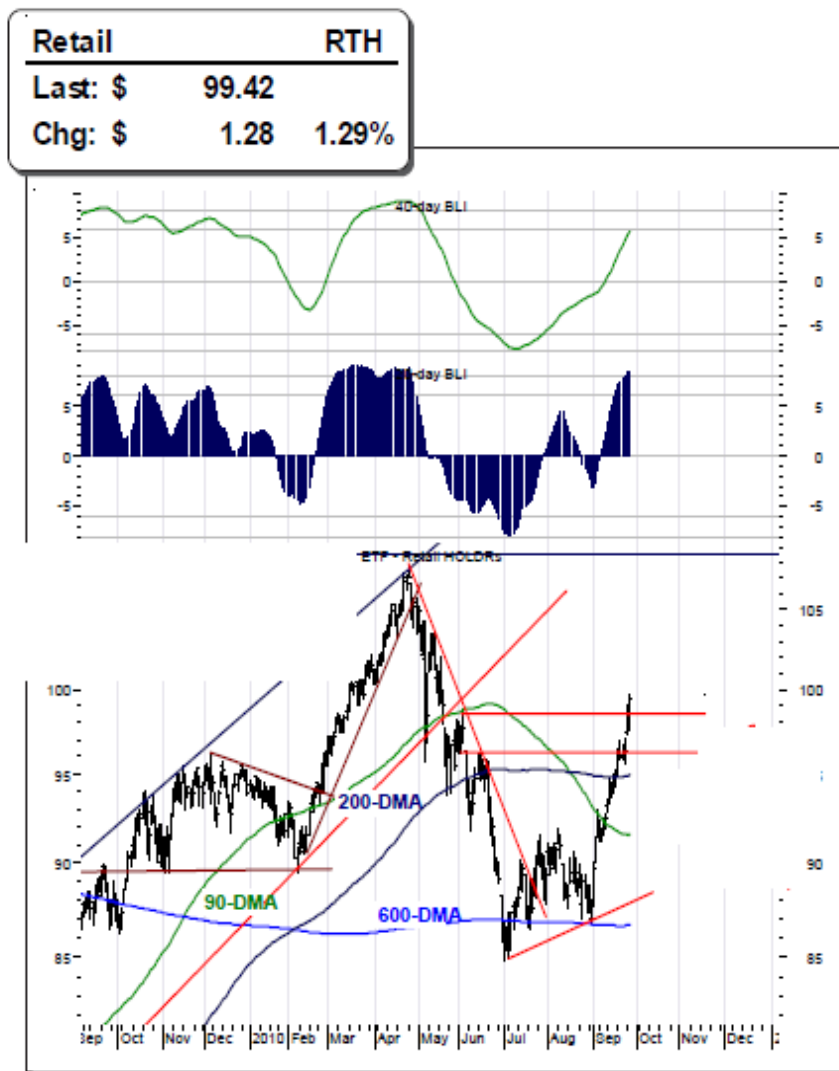


1 - XRT - Daily - 3 Year with RSI, CCI, MACD (11D / 55D)

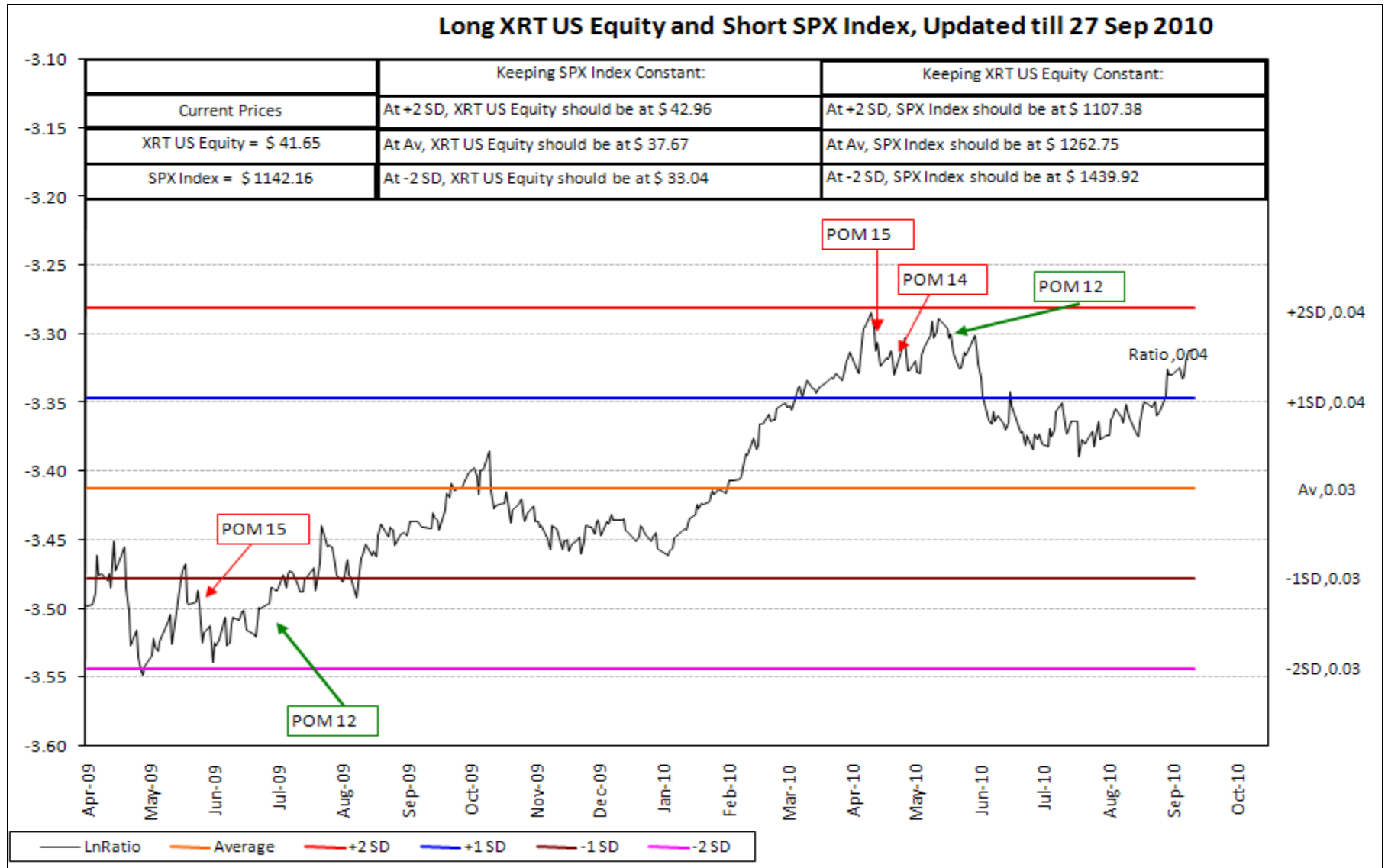


2 - XRT (RTH) - Technical & Pattern Analysis (Process 3)

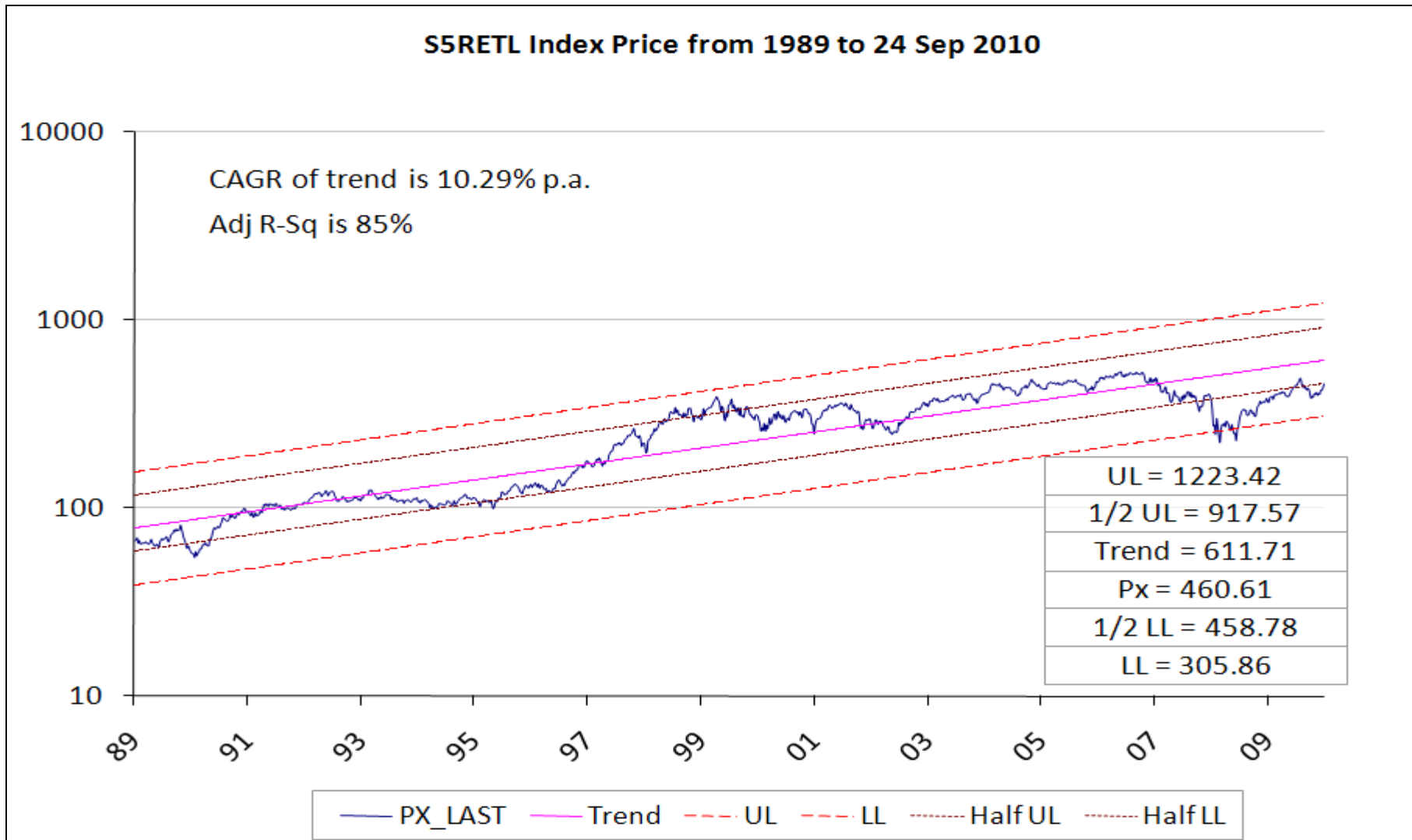
The RTH / SPX ratio chart hit a resistance, bearish and should trend down in RH side chart below, this confirms the relative drop **in RTH / SPX (hence overvalued)** by this matrix in sync with SD Analysis



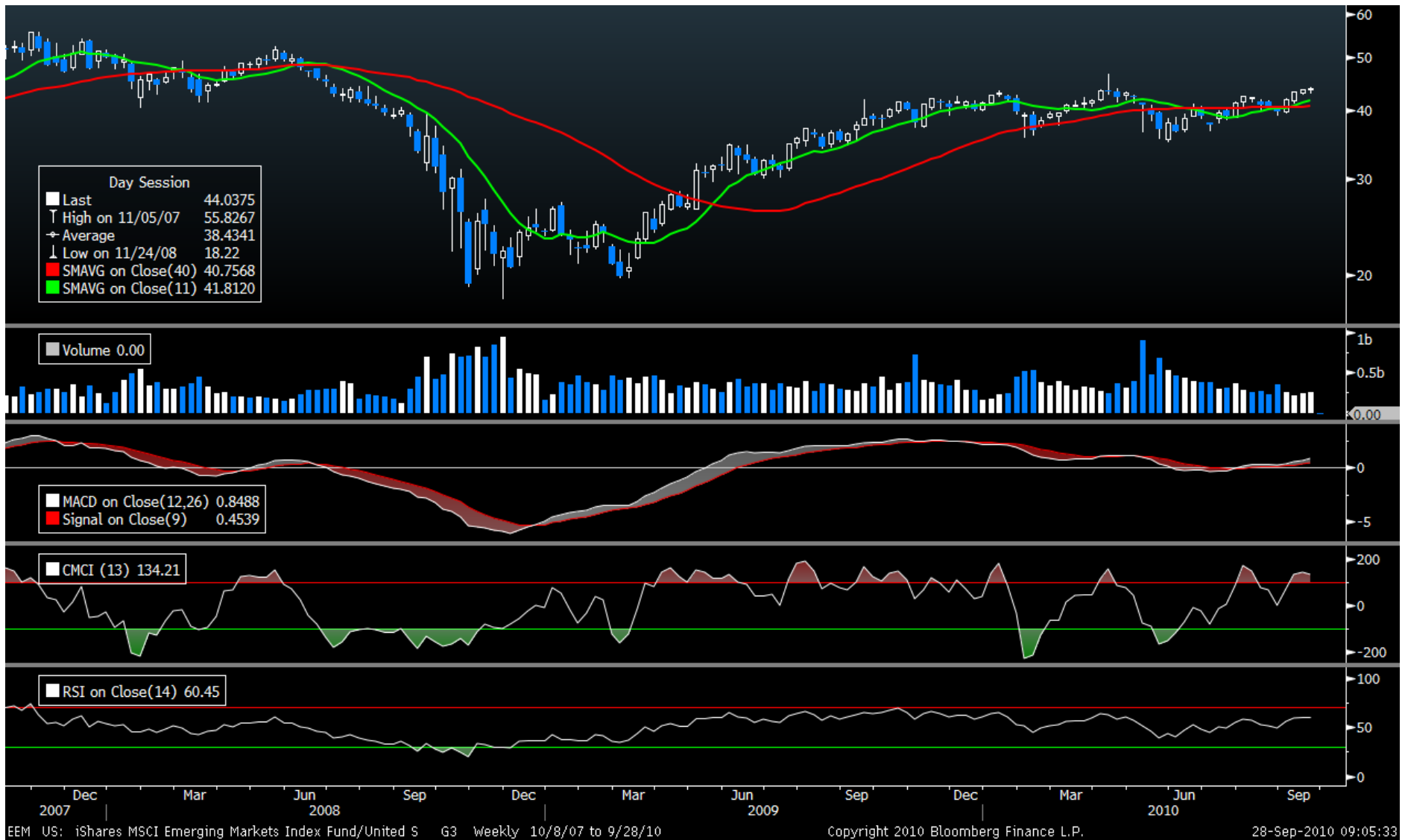
4- XRT – Correlation Ratio Analysis with SPX – 365 days Time basis



5- XRT – Trend Reversion Analysis – Long Term



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



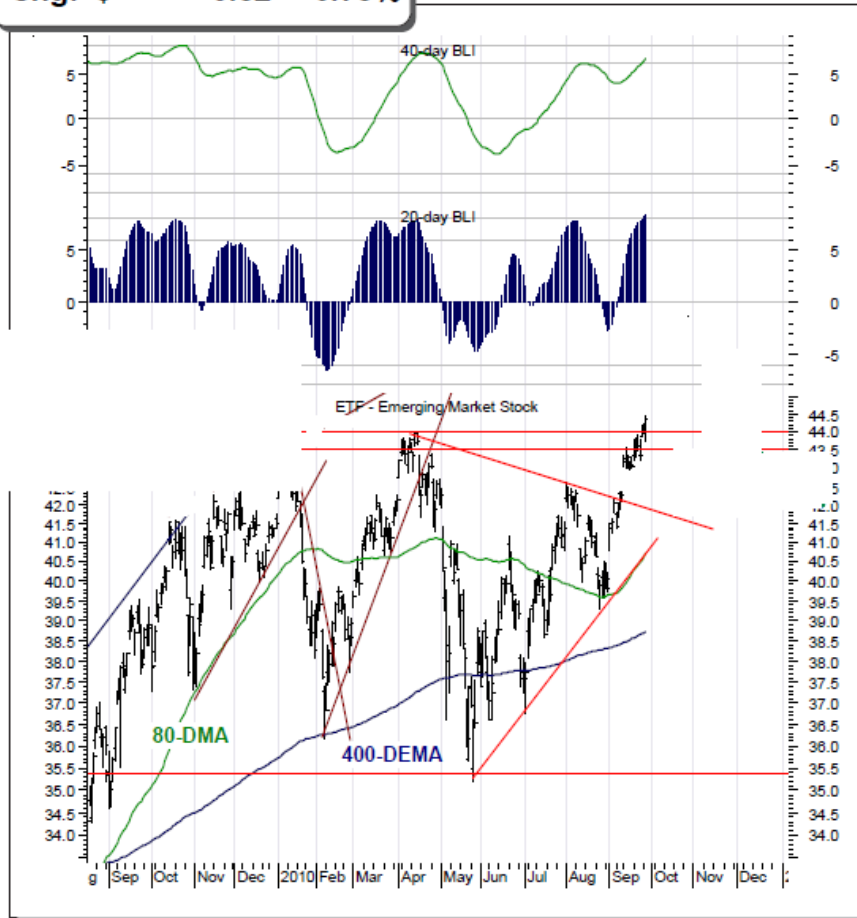
1- EEM - Daily – 3 Year with **11 W / 40 W SMA** with RSI, CCI, MACD



- EEM - Technical & Pattern Analysis (Process 3)

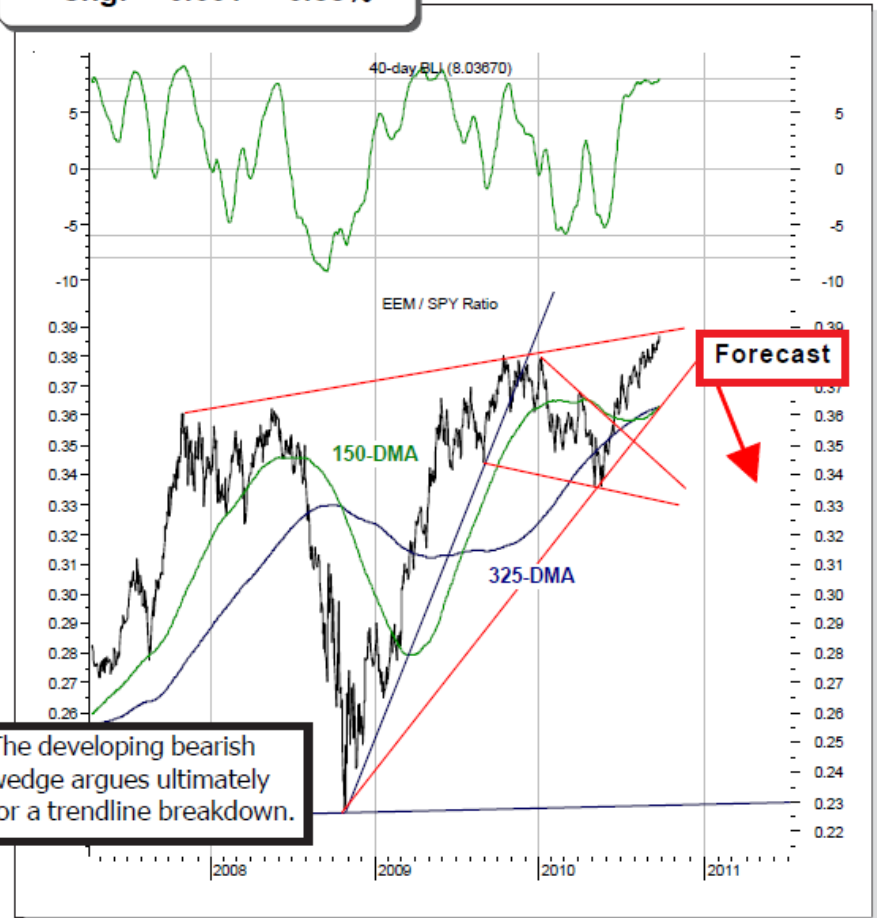
The EEM / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in EEM / SPX (hence overvalued) by this matrix in Sync with SD Analysis.

Emerging Market		EEM
Last: \$	44.36	
Chg: \$	0.32	0.73%



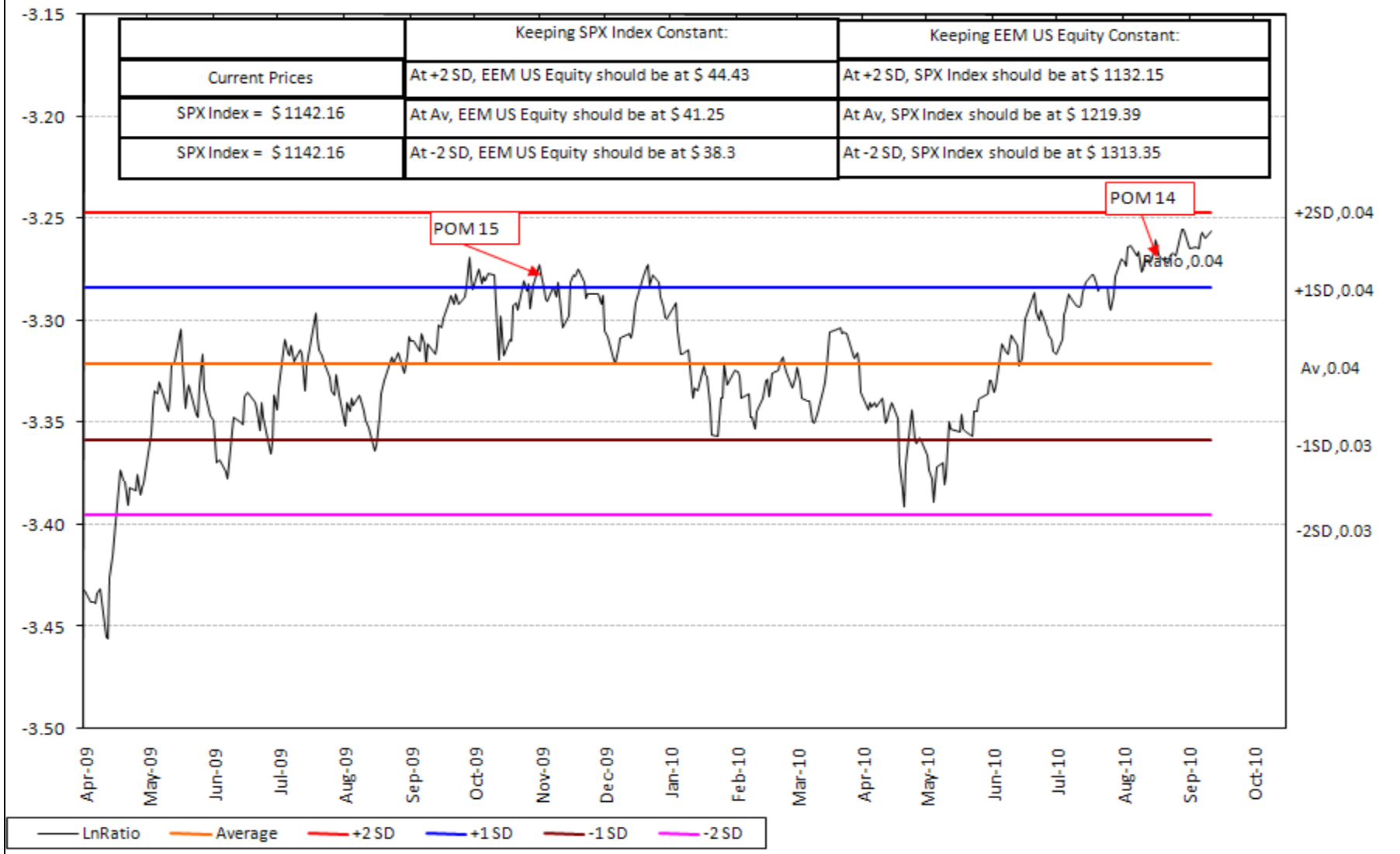
RATIO: EEM / SPY

Last:	0.387
Chg:	0.001 0.38%

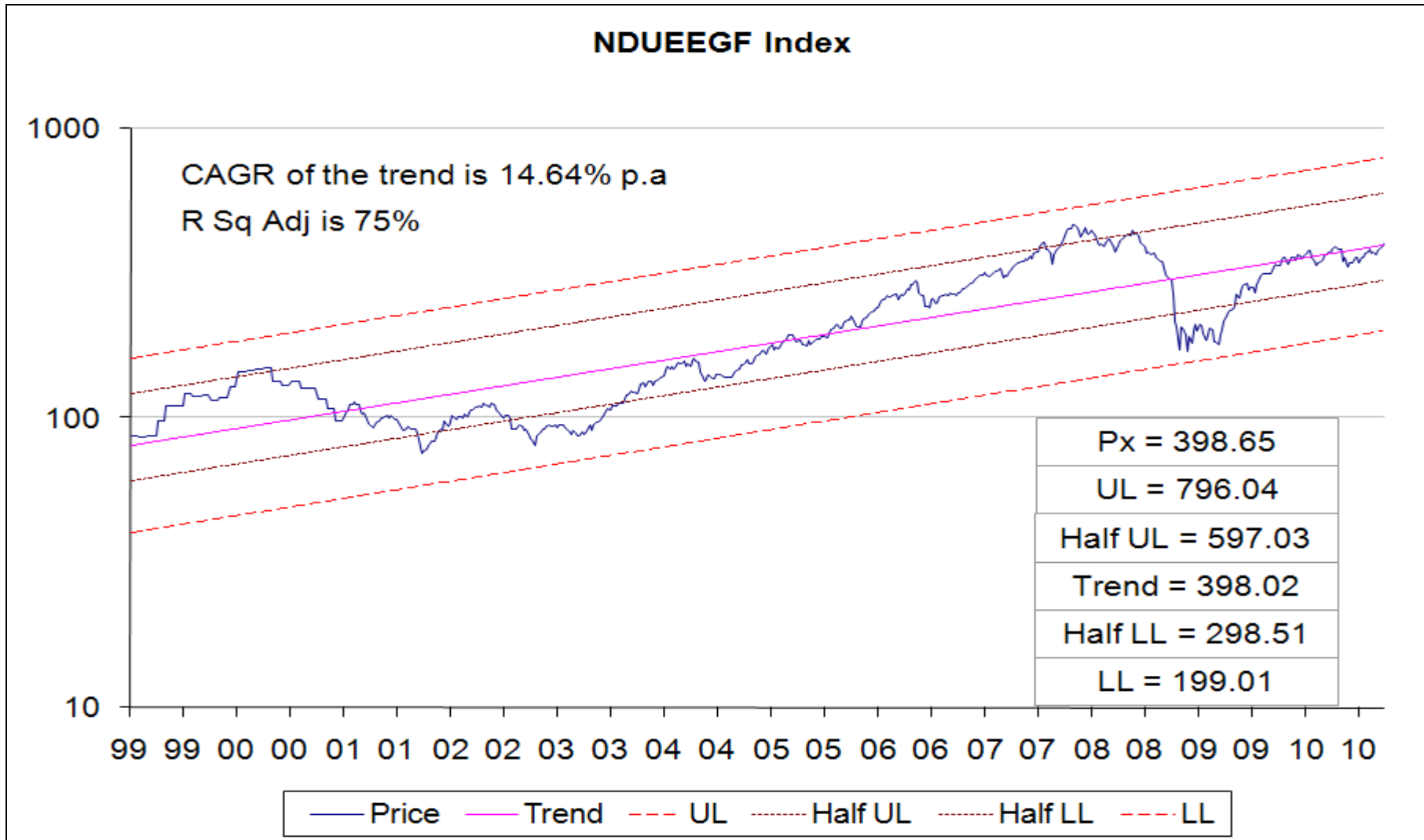


2- EEM – Correlation Ratio Analysis with SPX – 365 days Time basis

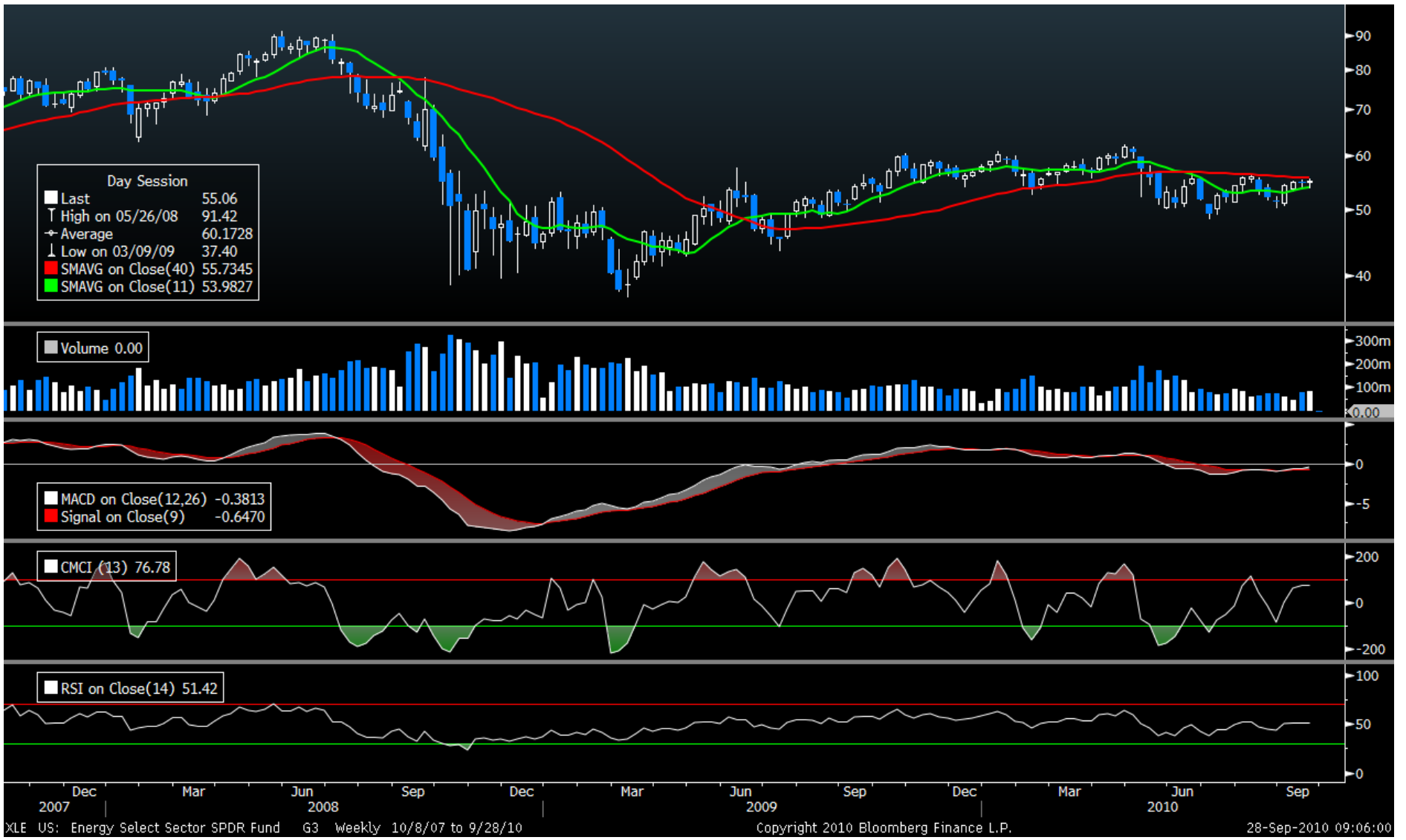
Long EEM US Equity and Short SPX Index, Updated till 27 Sep 2010



3- EEM – Trend Reversion Analysis – Long Term



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

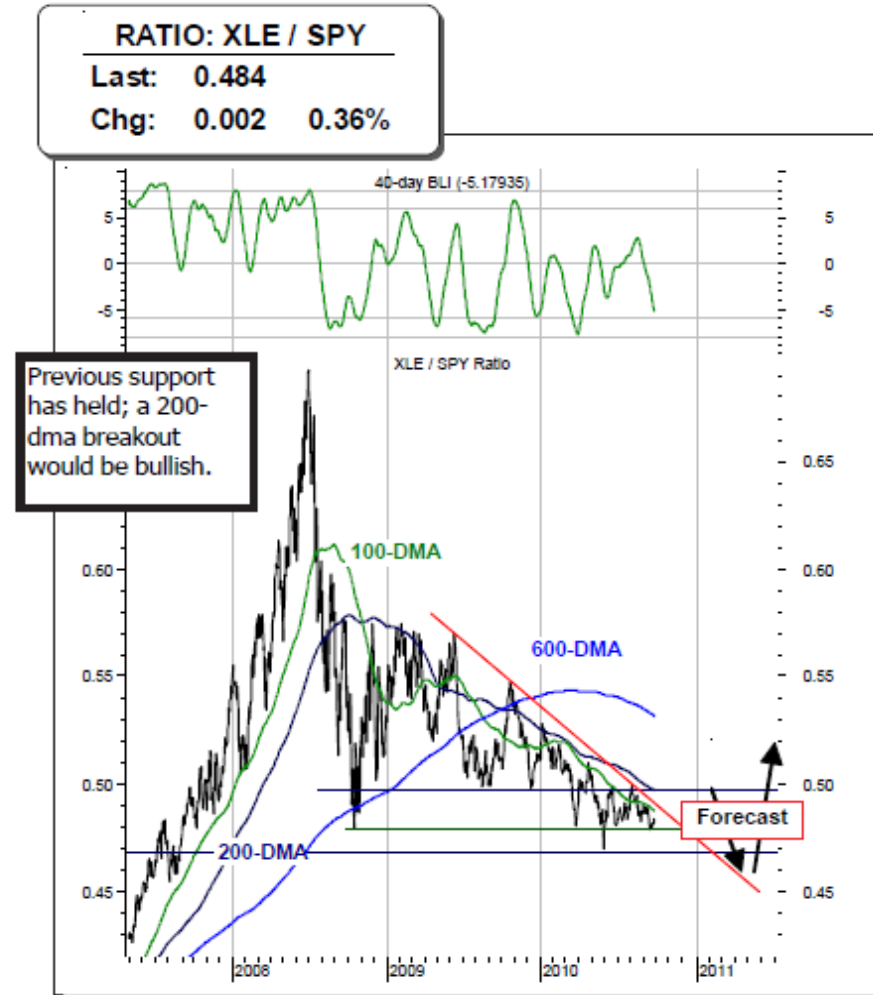
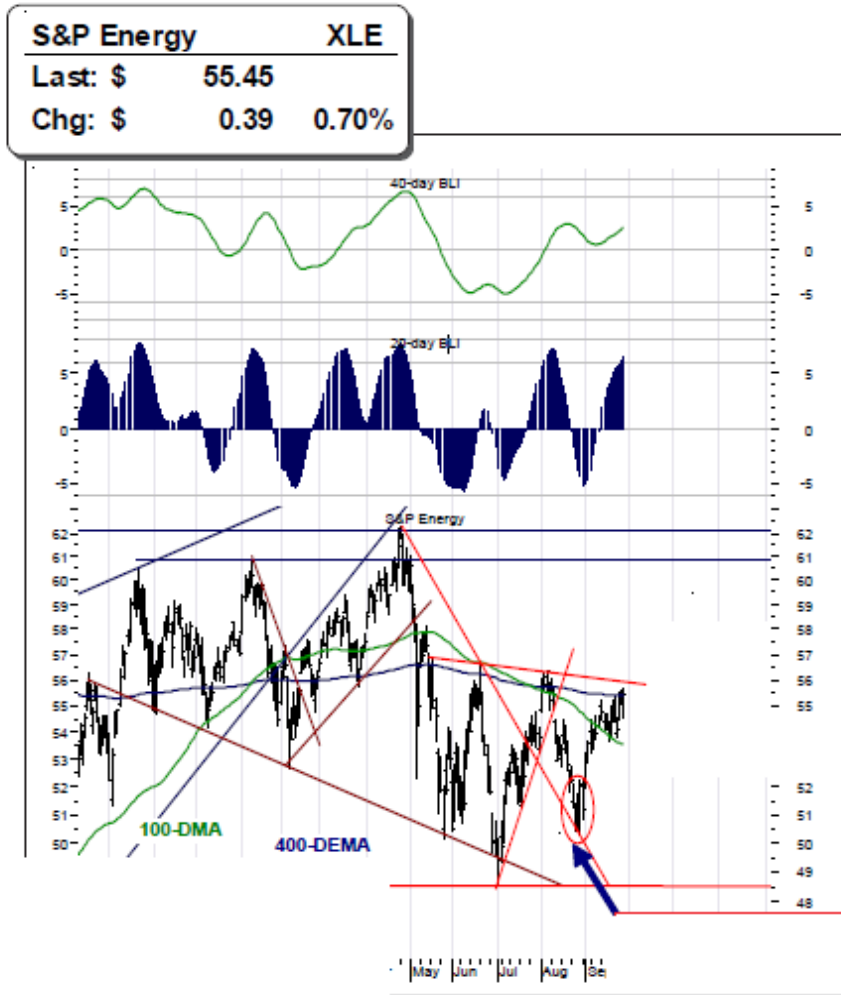


2. XLE - Daily - 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



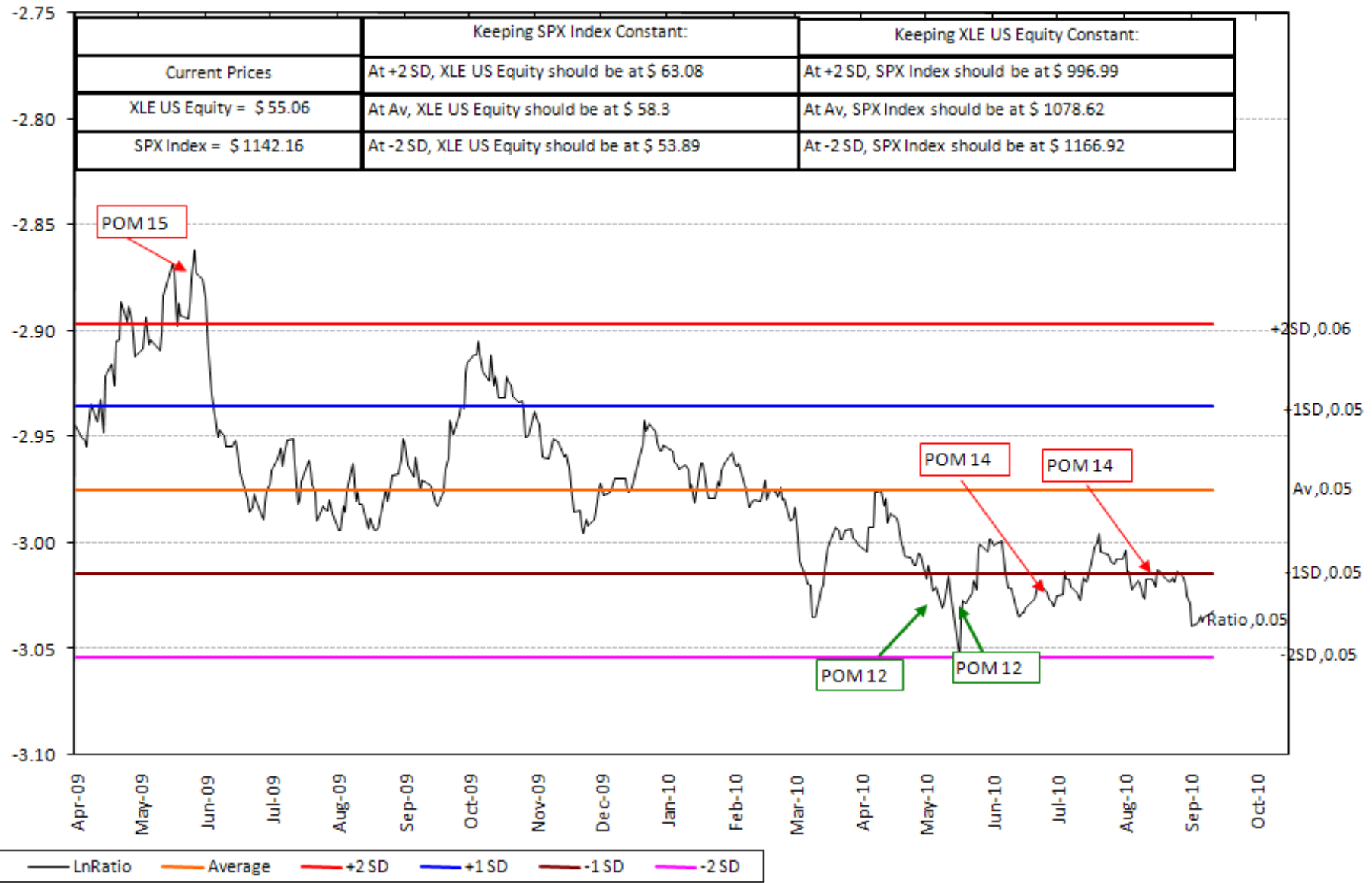
- XLE - Technical & Pattern Analysis - (Process 3)

The XLE / SPX ratio chart looks bullish and should trend up in RH side chart below to confirm the rise in XLE / SPX (hence undervalued) by this matrix in Sync with SD Analysis.

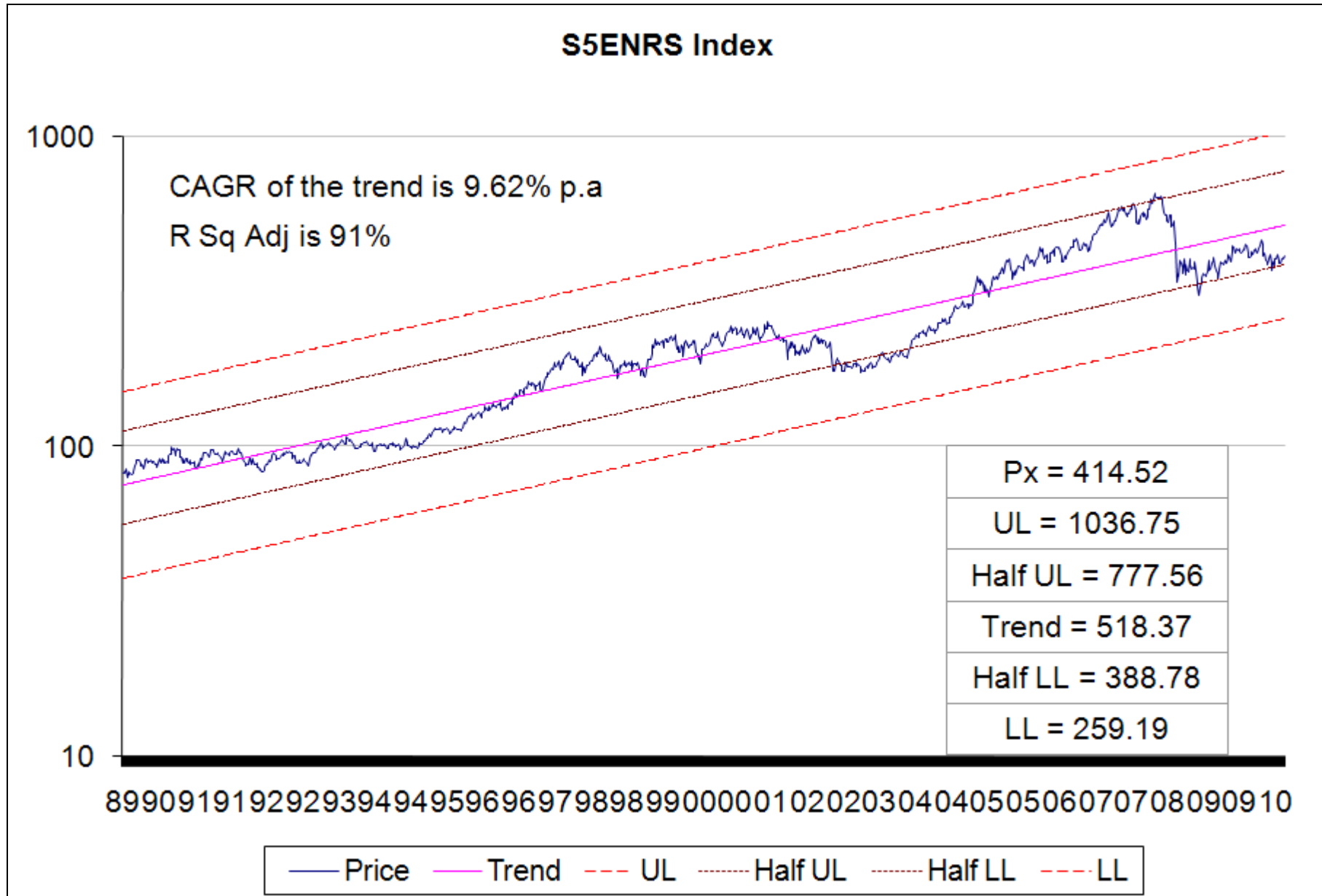


3- XLE – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLE US Equity and Short SPX Index, Updated till 27 Sep 2010



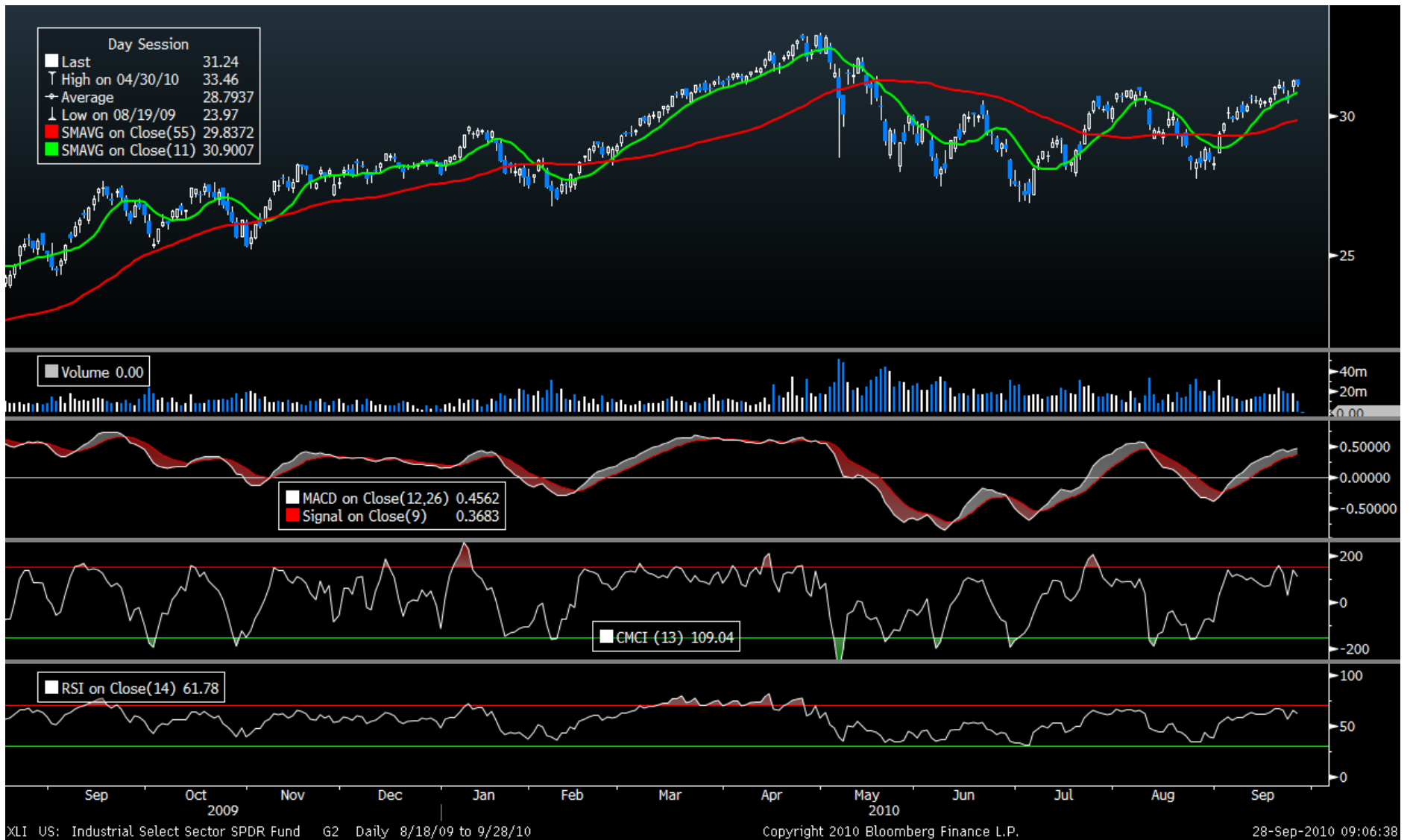
4- XLE – Trend Reversion Analysis – Long Term



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



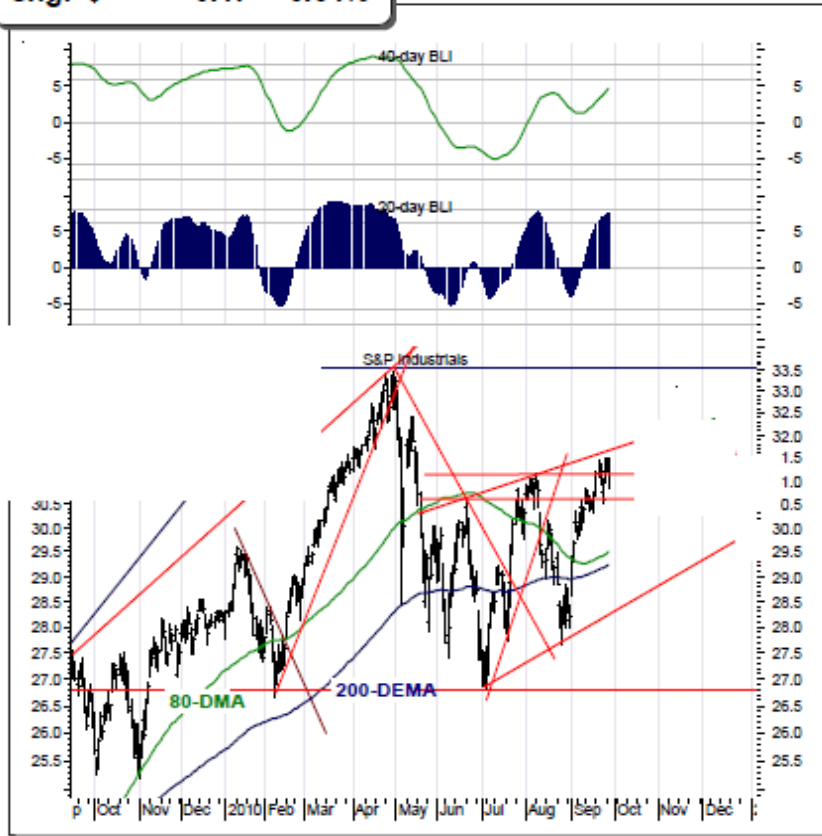
XLI - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



- XLI - Technical & Pattern Analysis - (Process 3)

The XLI / SPX ratio chart looks bullish and should still trend higher in RH side chart below, confirms the relative still rise in XLI / SPX (hence not ready yet) by this matrix **not in Sync with SD Analysis.**

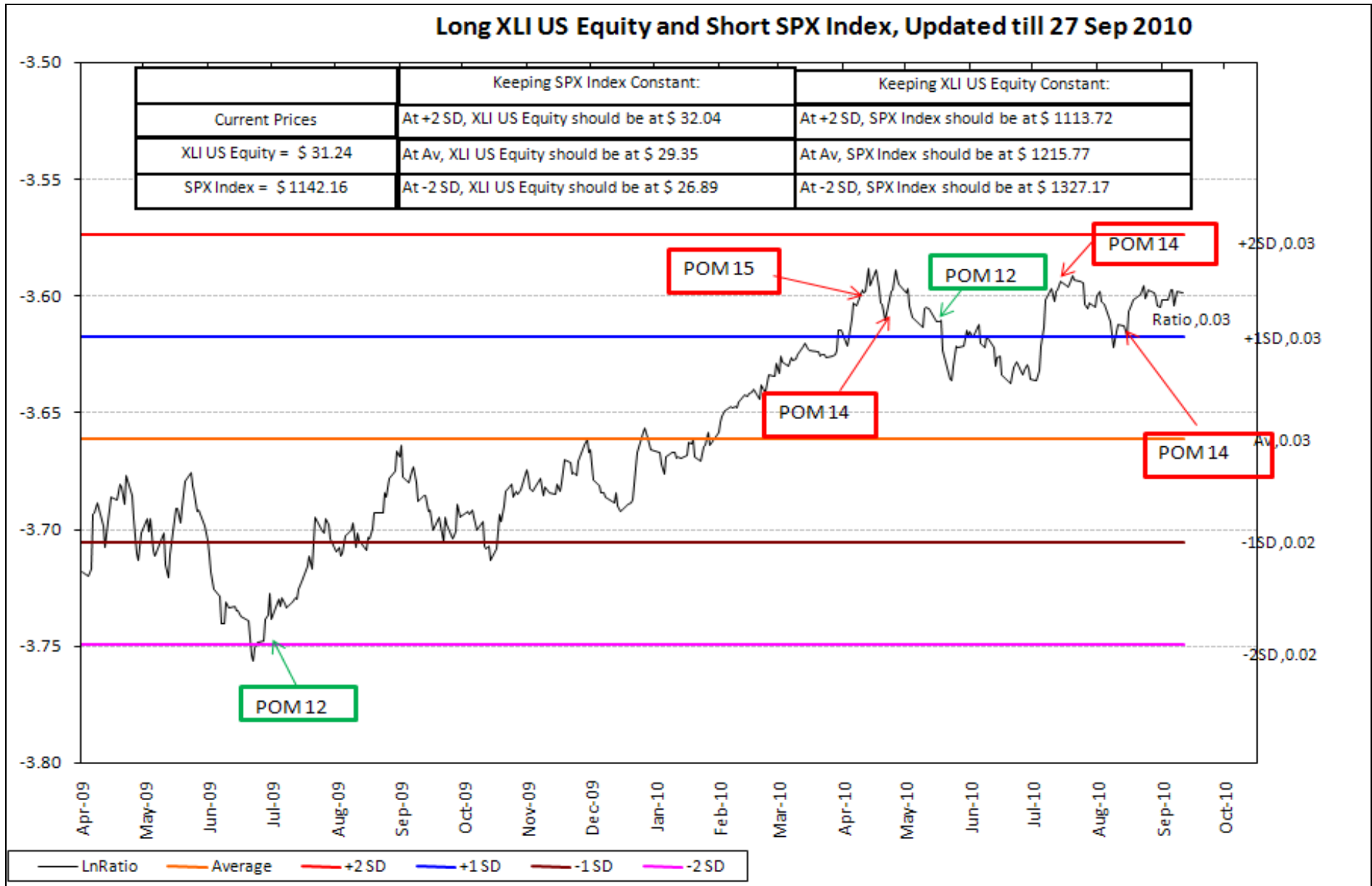
S&P Industrials		XLI
Last: \$	31.41	
Chg: \$	0.17	0.54%



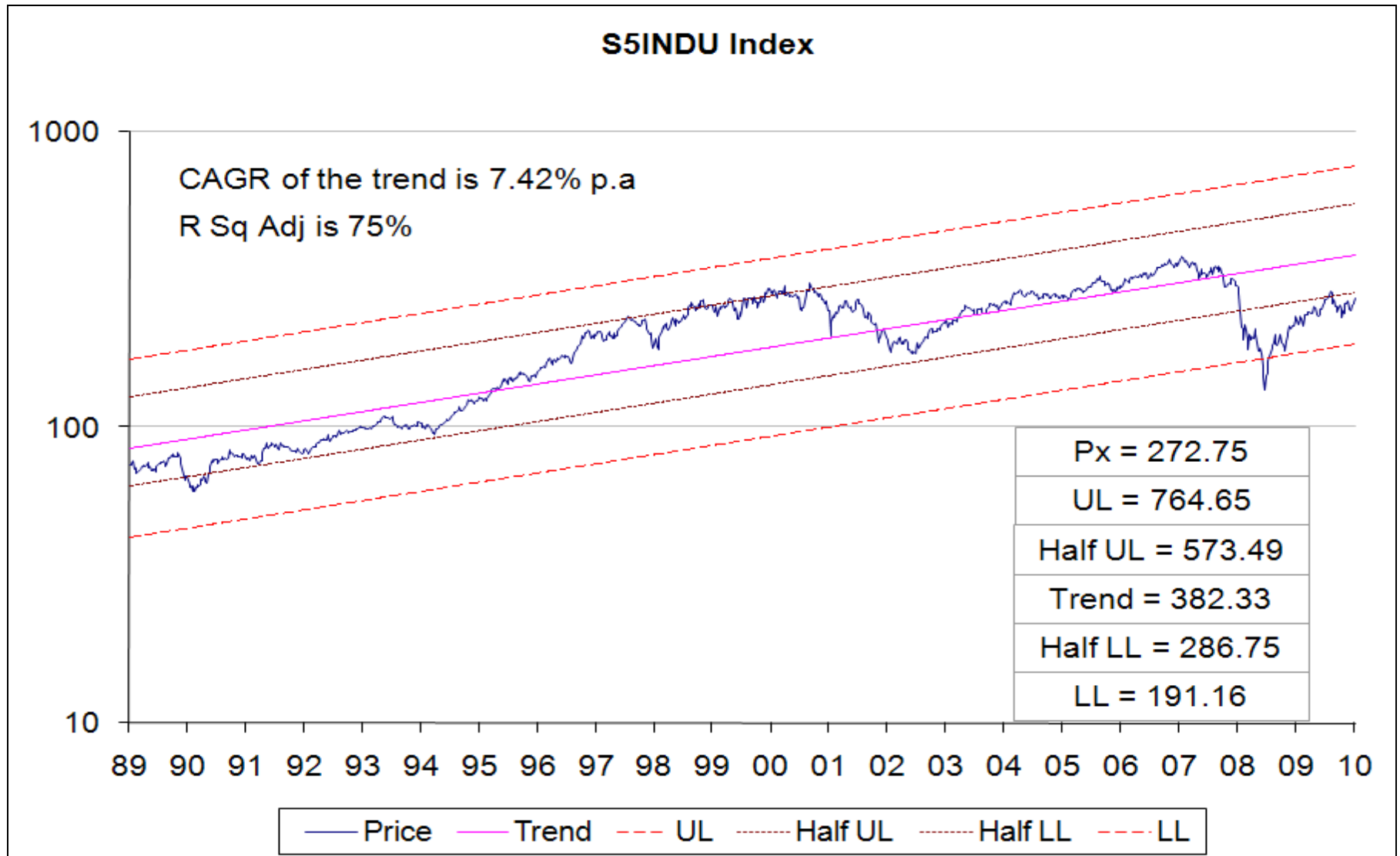
RATIO: XLI / SPY	
Last:	0.274
Chg:	0.001 0.19%



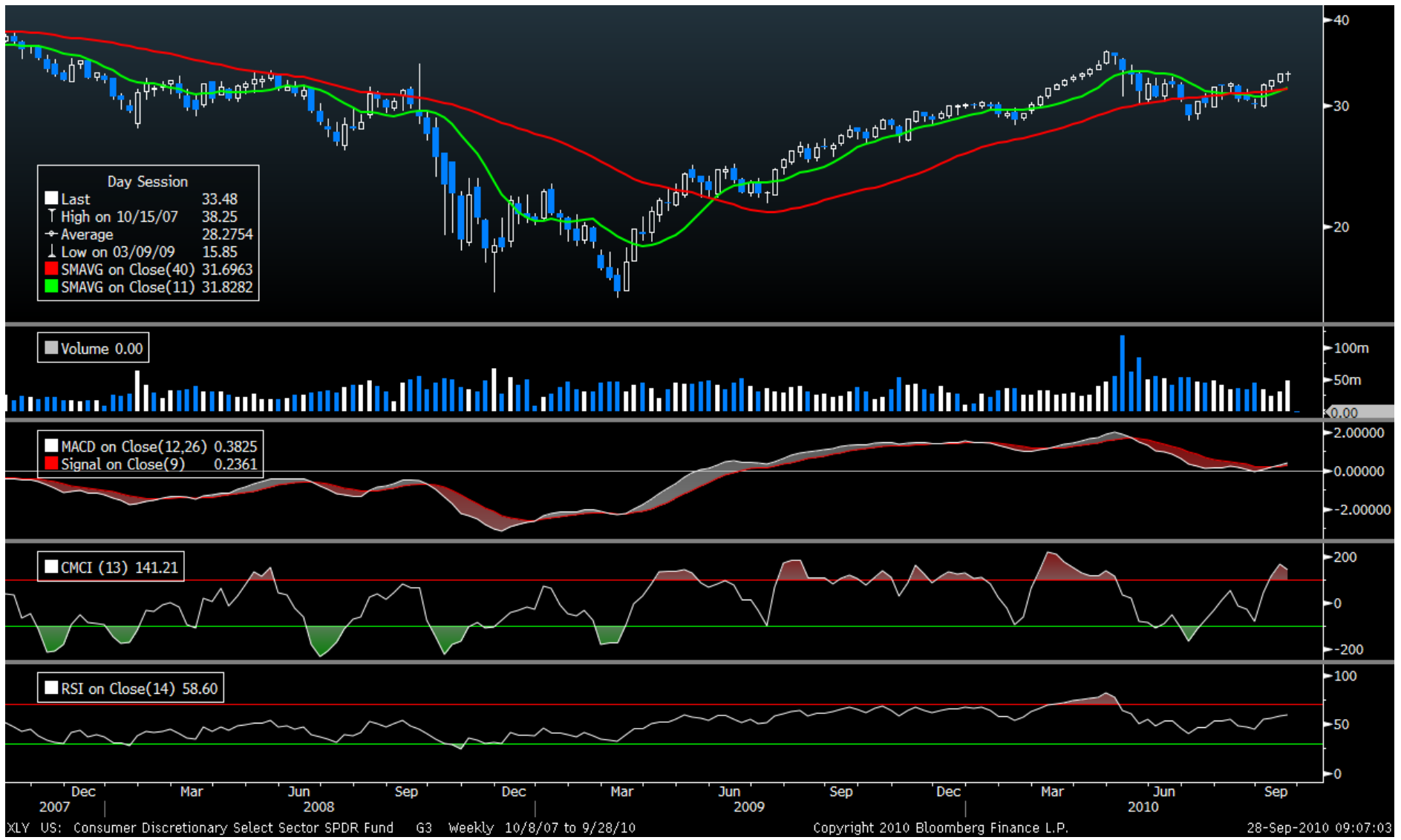
3- XLI – Correlation Ratio Analysis with SPX – 365 days Time basis



4- XLI – Trend Reversion Analysis – Long Term



1 - XLY Weekly – 3 Year with RSI, CCI, MACD
(11 W / 40 W SMA)



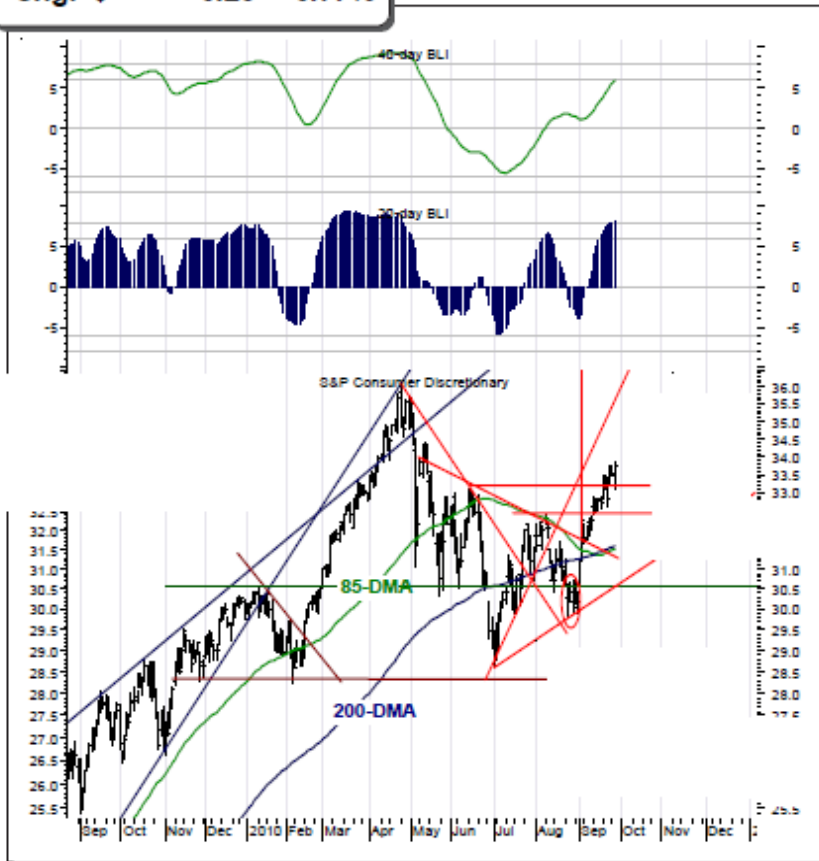
2 - XLY Daily – 3 Year with RSI, CCI, MACD (11D / 55D) SMA



- XLY - Technical & Pattern Analysis - (Process 3)

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

S&P Consumer Dis	XLY
Last: \$ 33.74	
Chg: \$ 0.26	0.77%



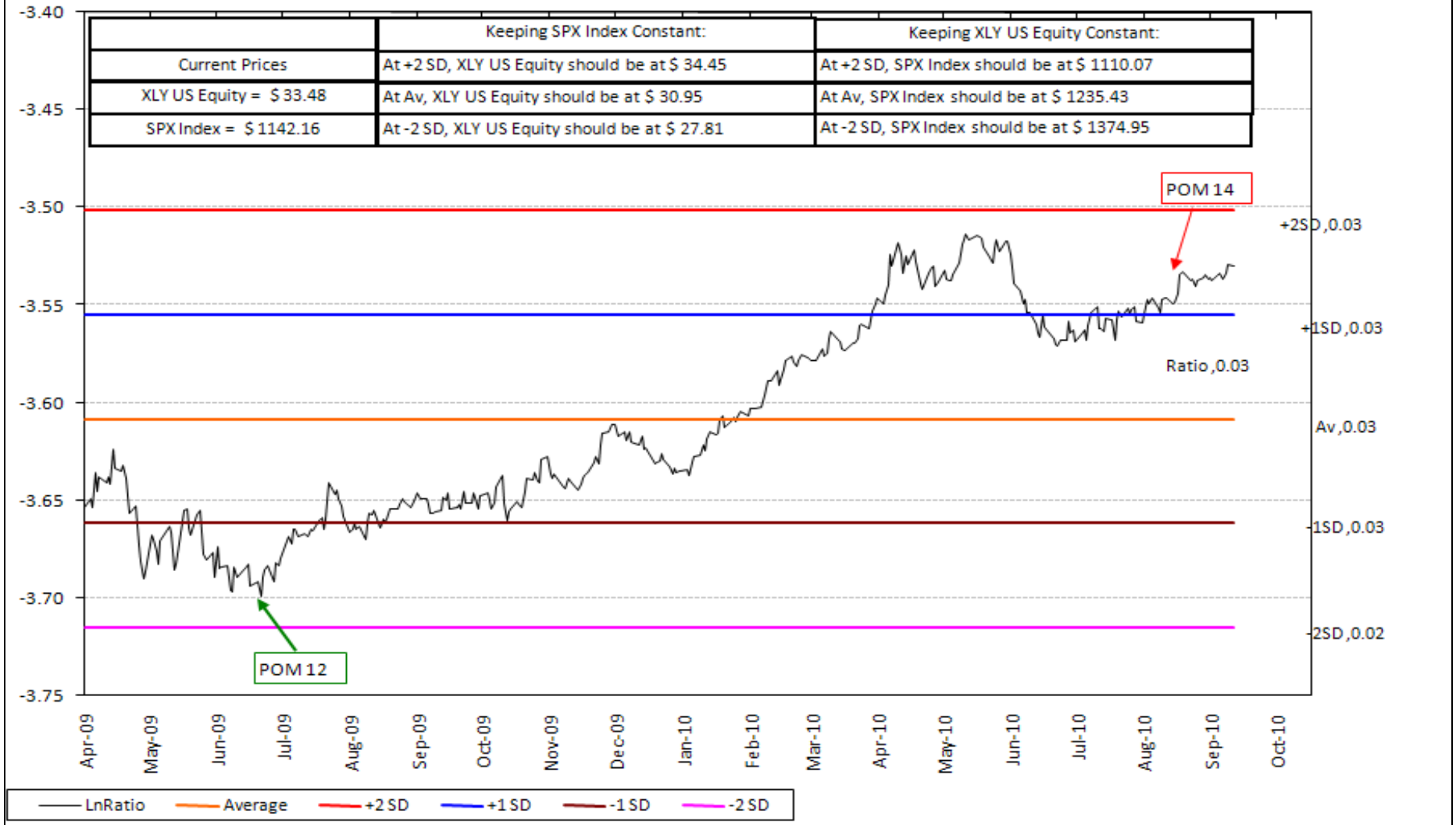
RATIO: XLY / SPY

Last: 0.294
Chg: 0.001 0.42%

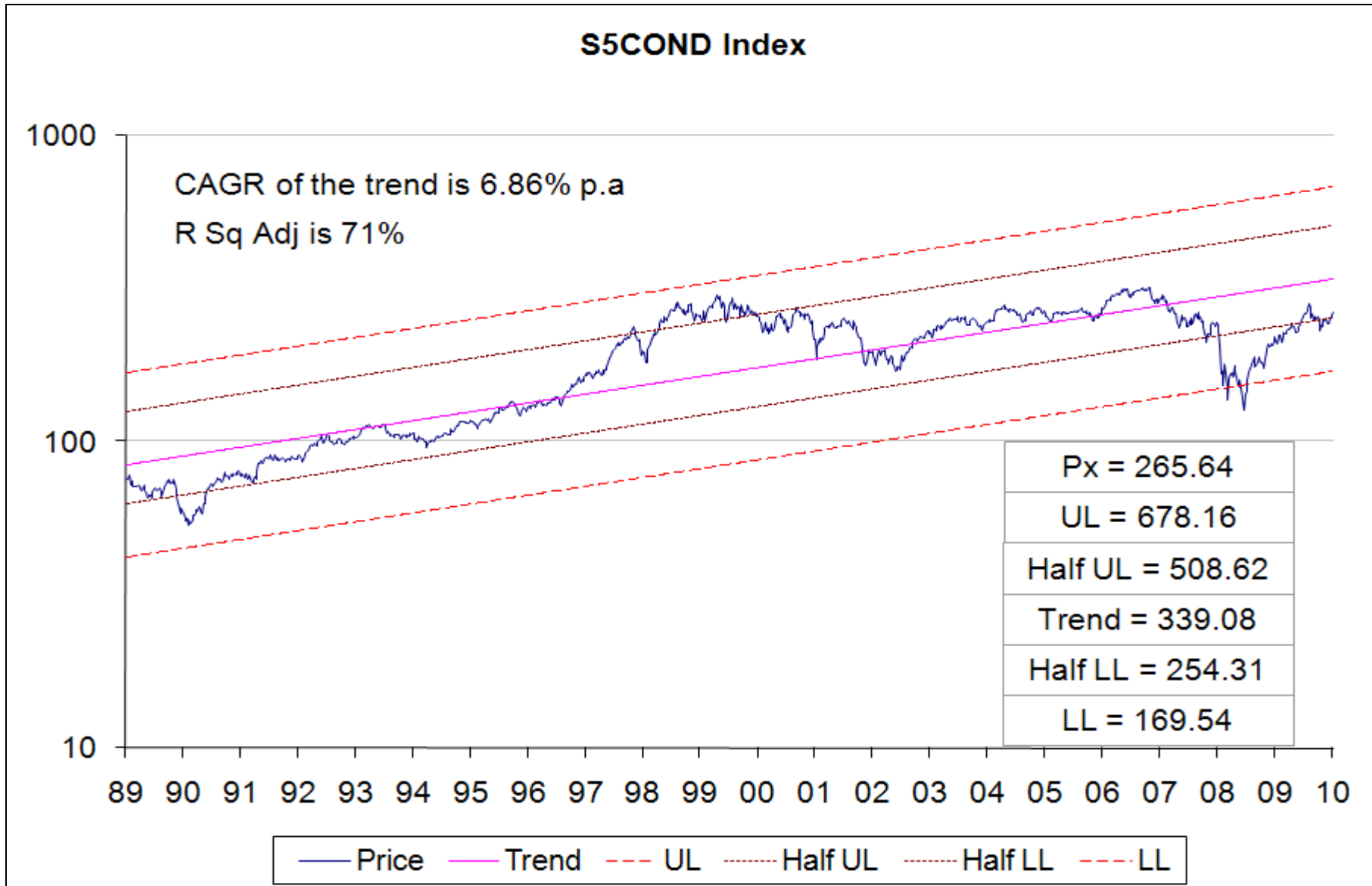


1- XLY – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLY US Equity and Short SPX Index, Updated till 27 Sep 2010



2- XLY – Trend Reversion Analysis – Long Term -



1 - BBH Weekly- 3 Year with RSI, CCI, MACD
(11 W / 40 W SMA)

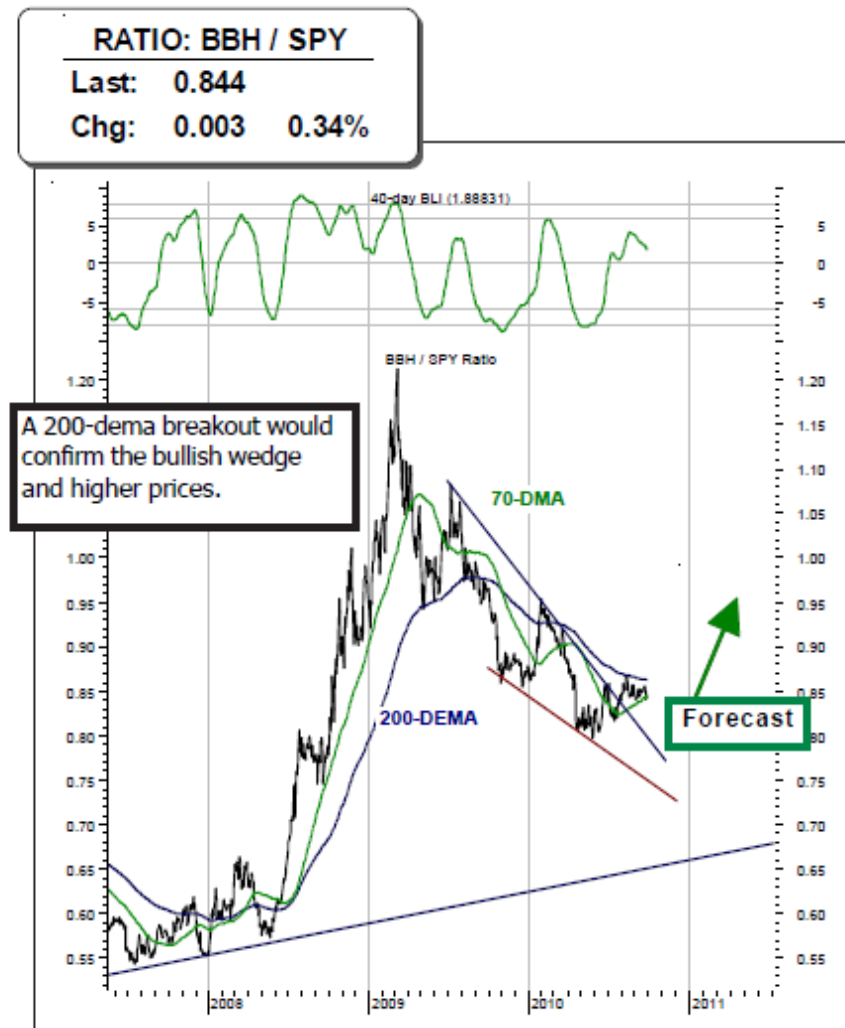
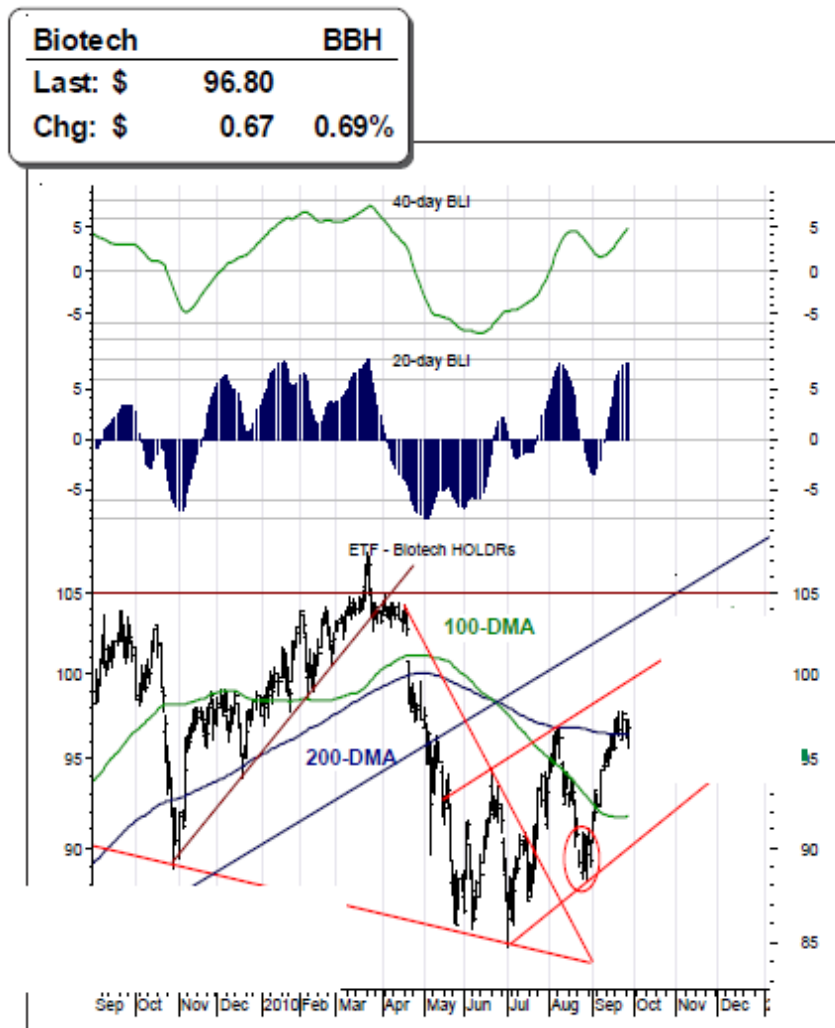


BBH Daily – 3 Year with RSI, CCI, MACD (11D / 55D)

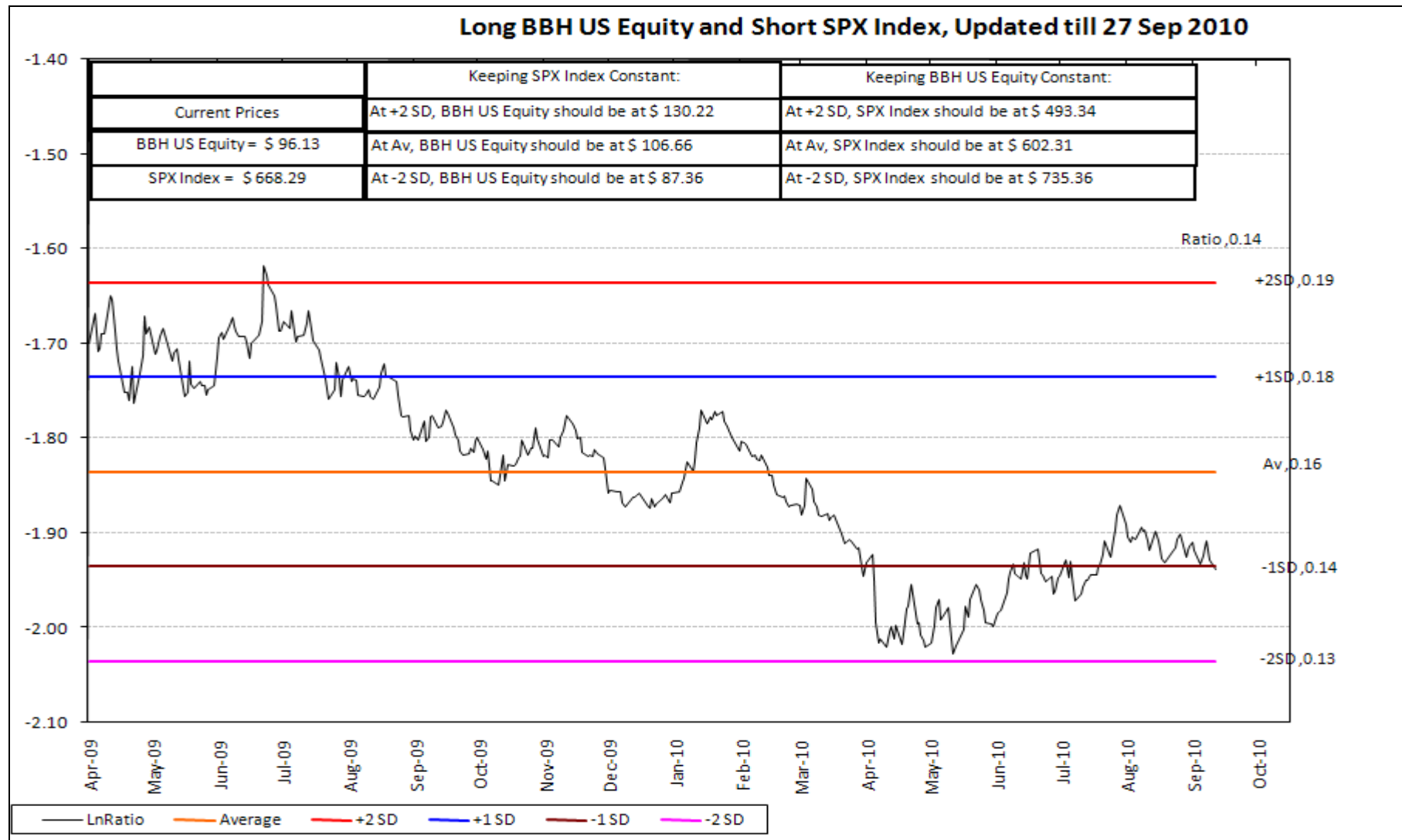


2 – BBH- Technical & Pattern Analysis - (Process 3)

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

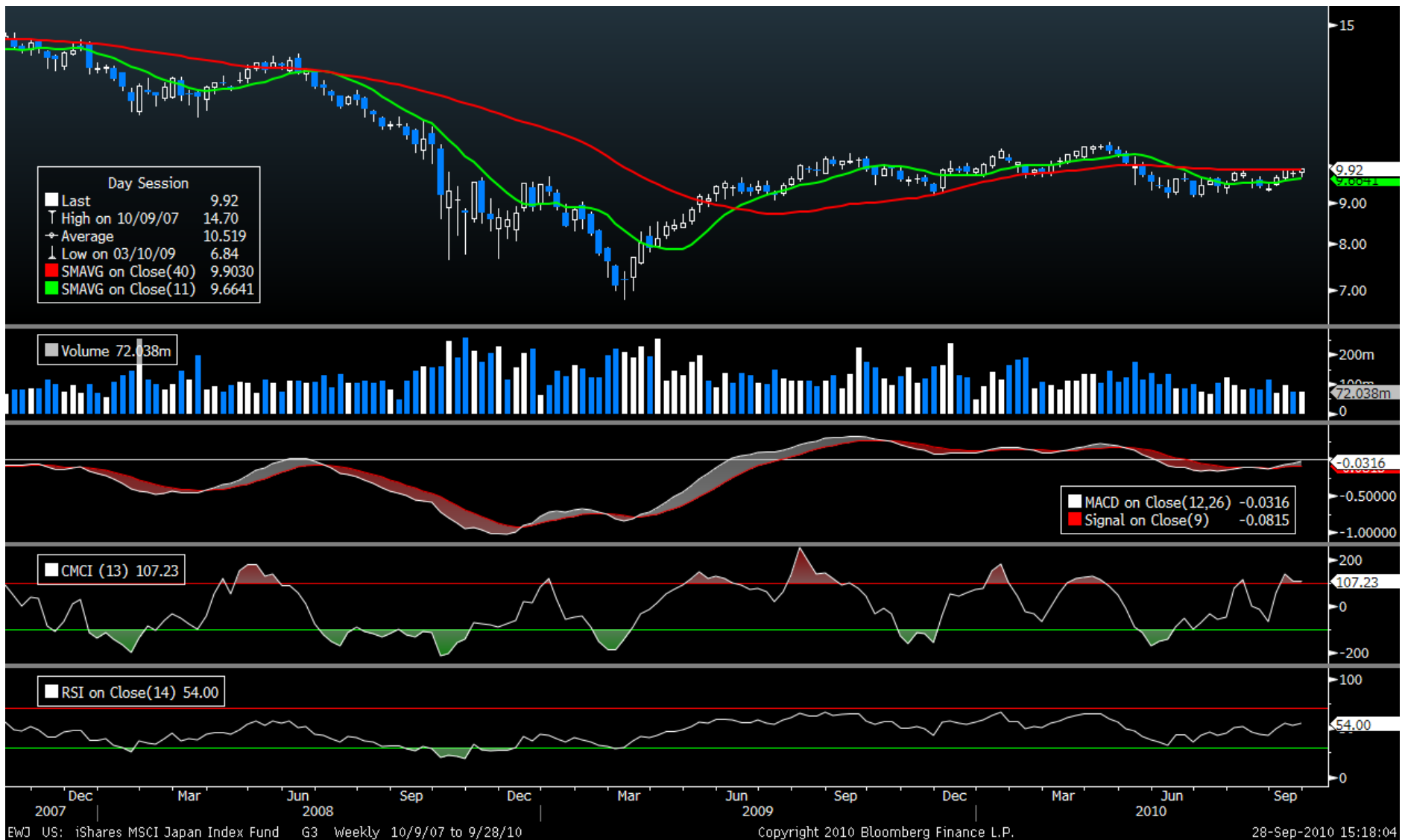


BBH – Correlation Ratio Analysis with SPX – 365 days Time basis



EWJ Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

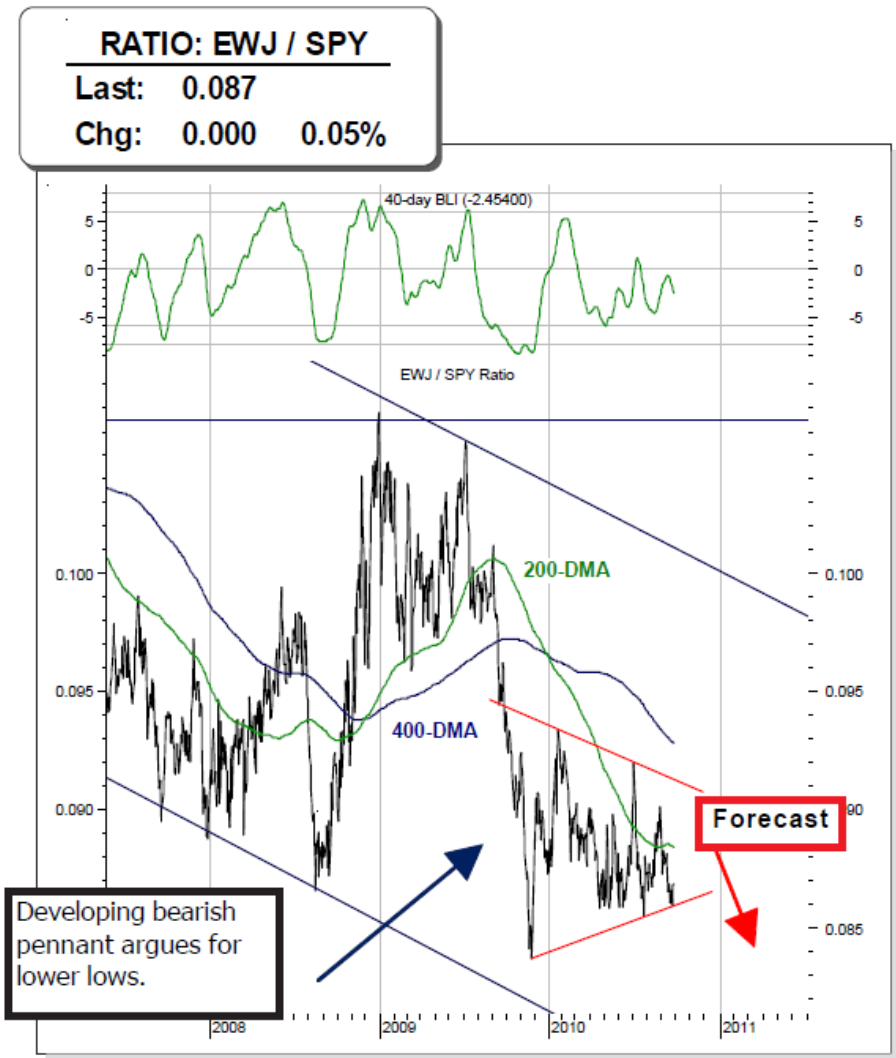
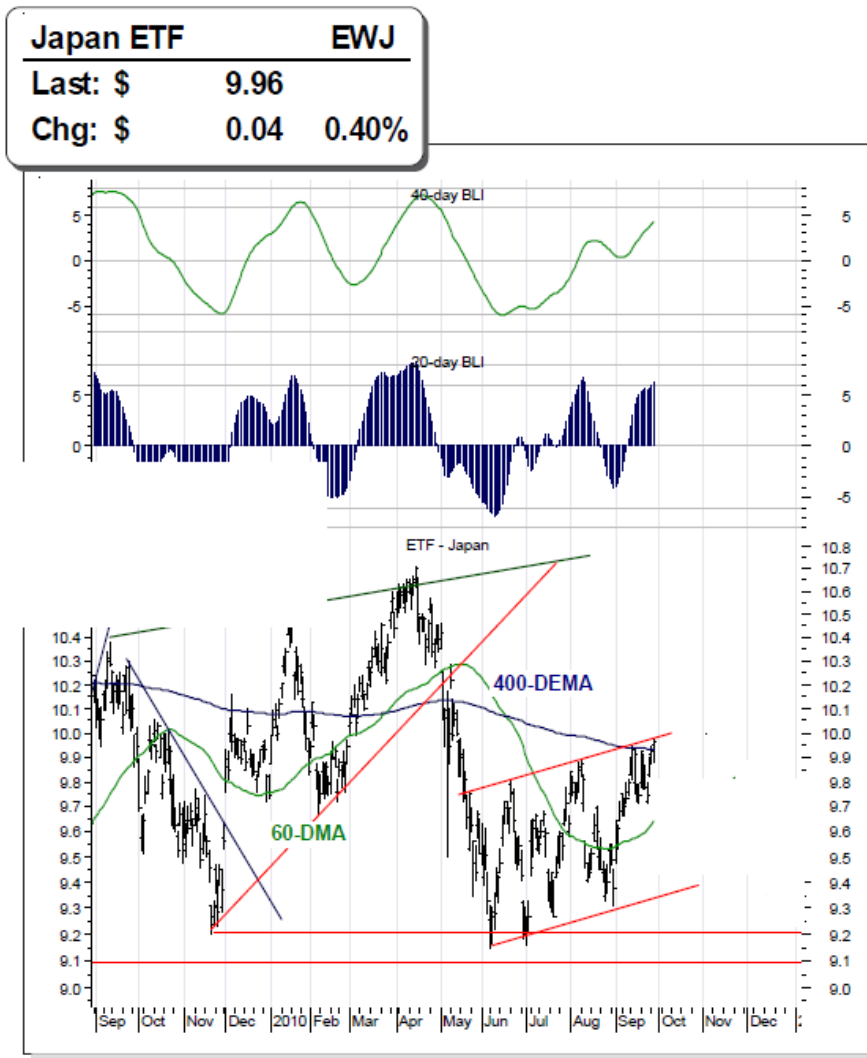


EWJ Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



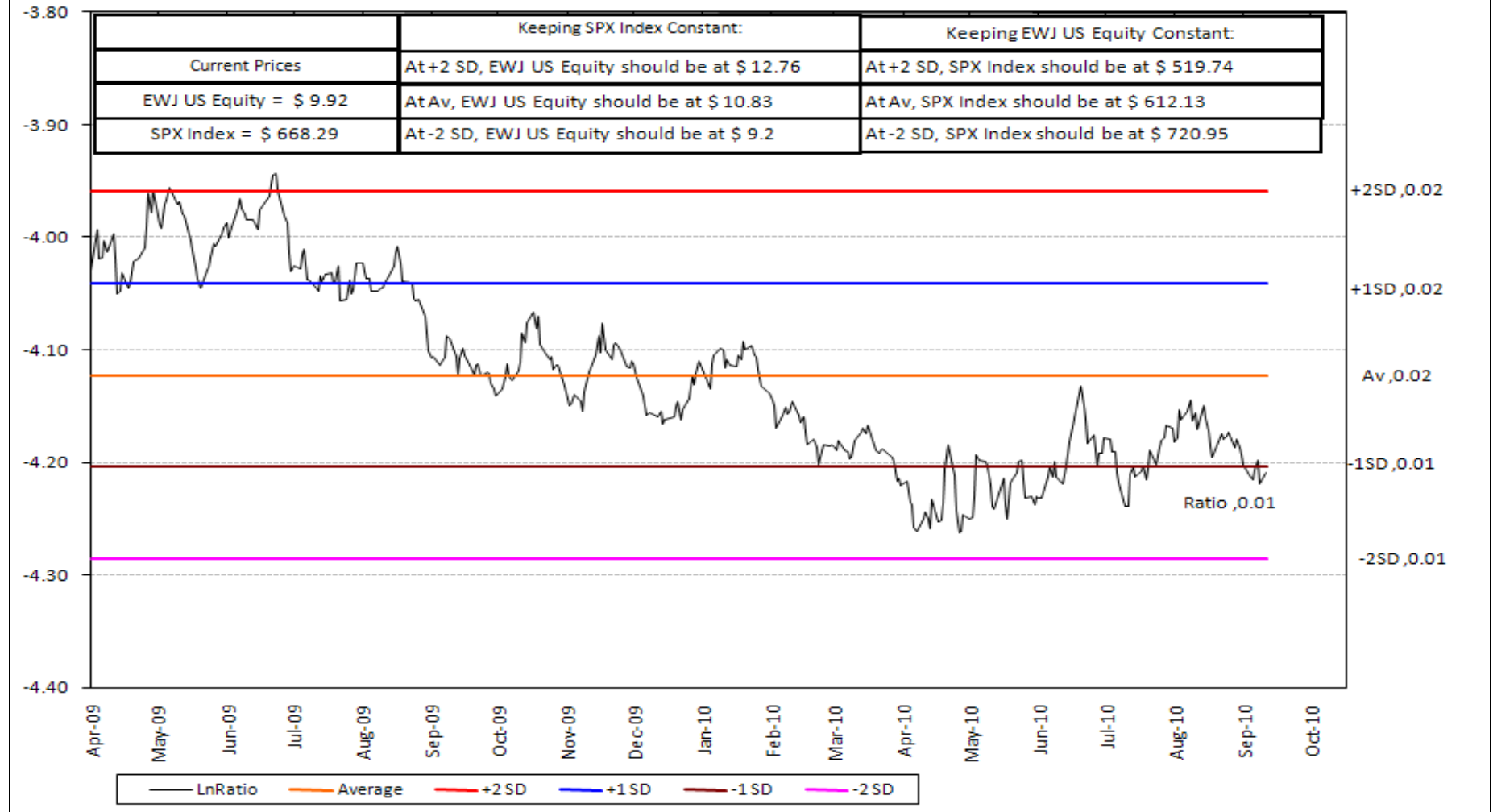
2 – EWJ- Technical & Pattern Analysis - (Process 3)

The EWJ / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall **in EWJ / SPX (hence still way to go)** by this matrix **NOT** in Sync with SD Analysis.



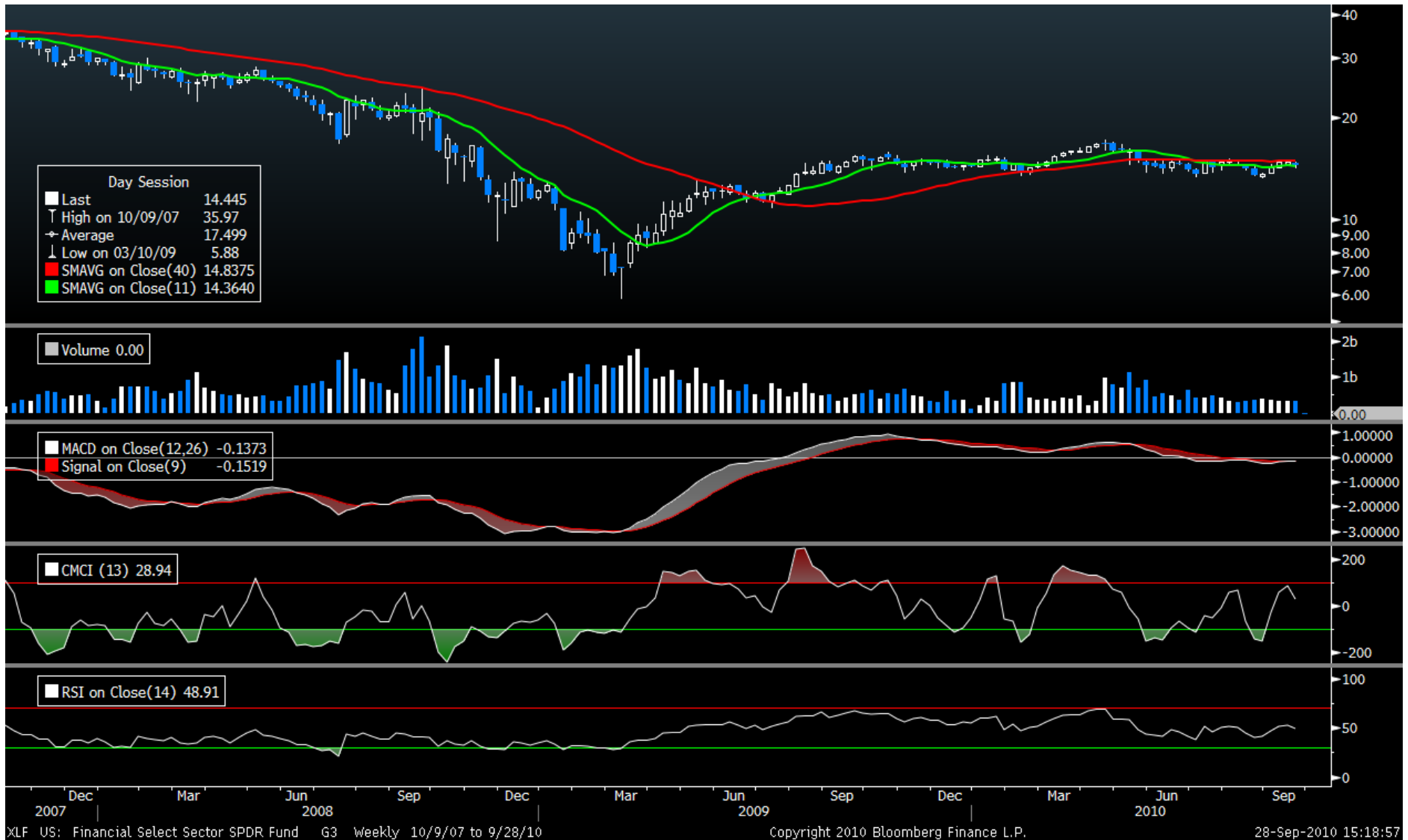
EWJ – Correlation Ratio Analysis with SPX – 365 days Time basis

Long EWJ US Equity and Short SPX Index, Updated till 27 Sep 2010



XLF Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

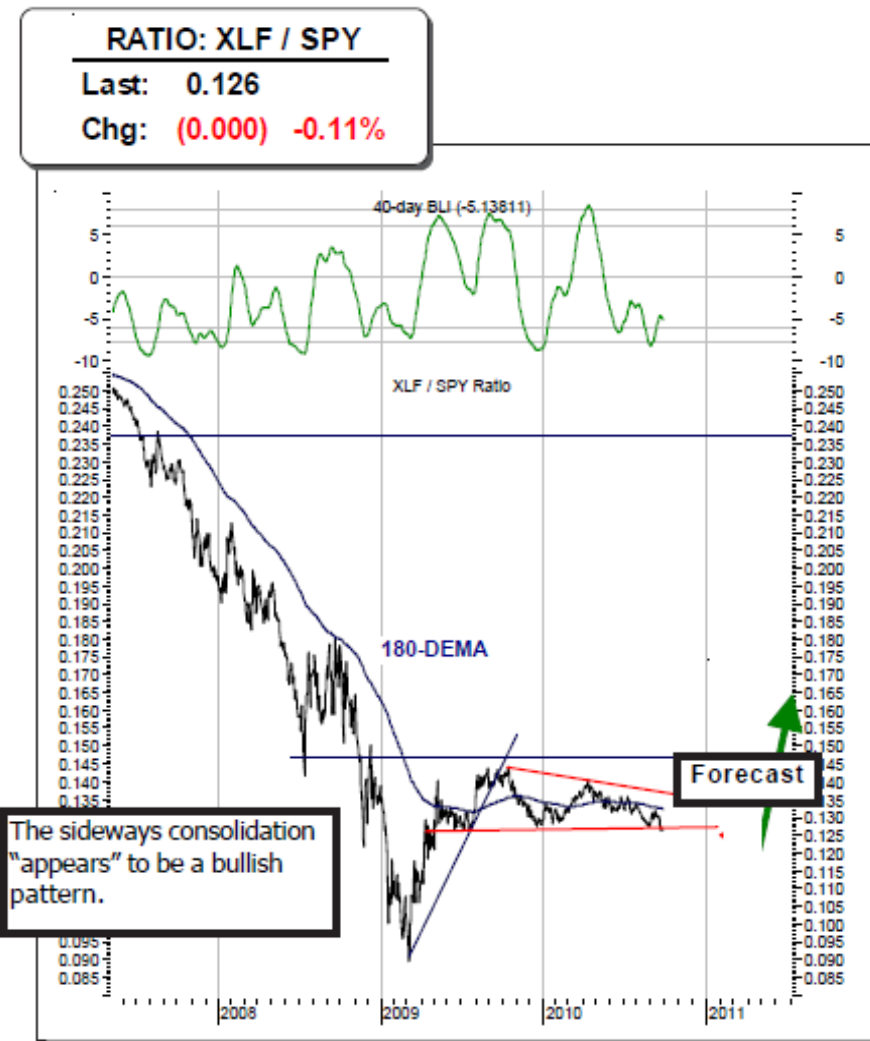
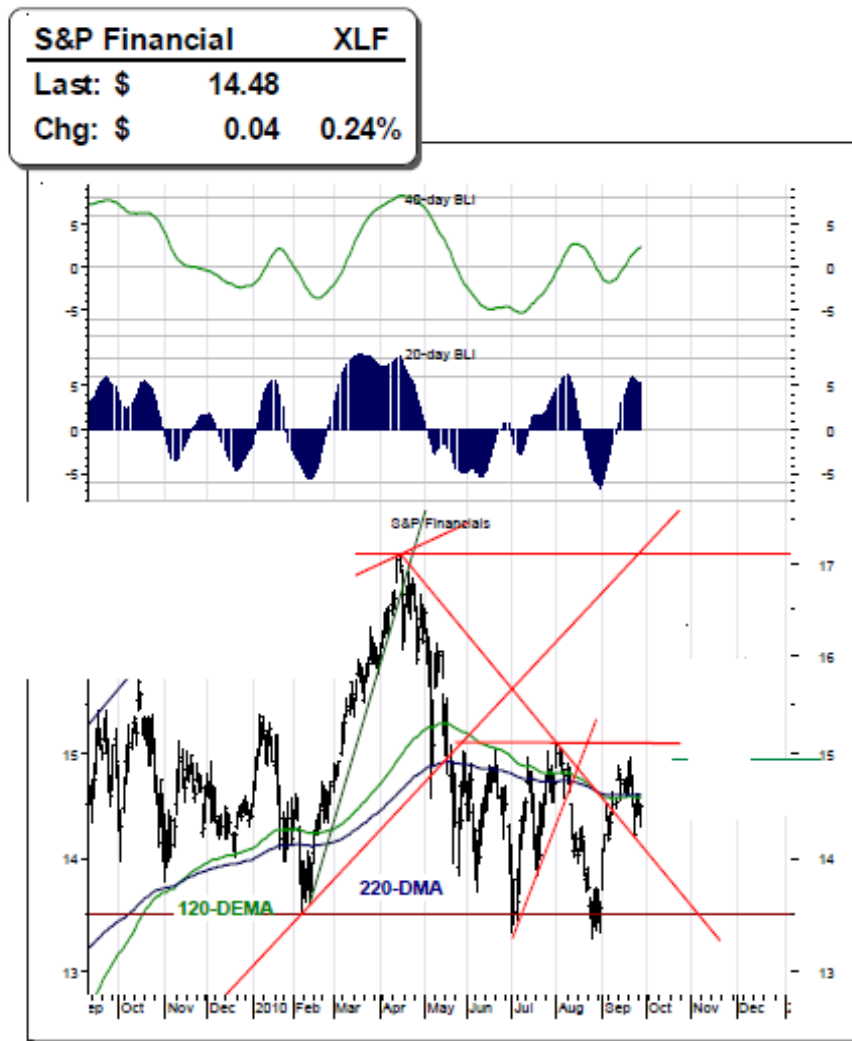


XLF Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



2 – XLF- Technical & Pattern Analysis - (Process 3)

The XLF / SPX ratio chart looks bullish and should trend up in RH side chart below to confirm the rise in XLF / SPX (hence undervalued) by this matrix in Sync with SD Analysis.

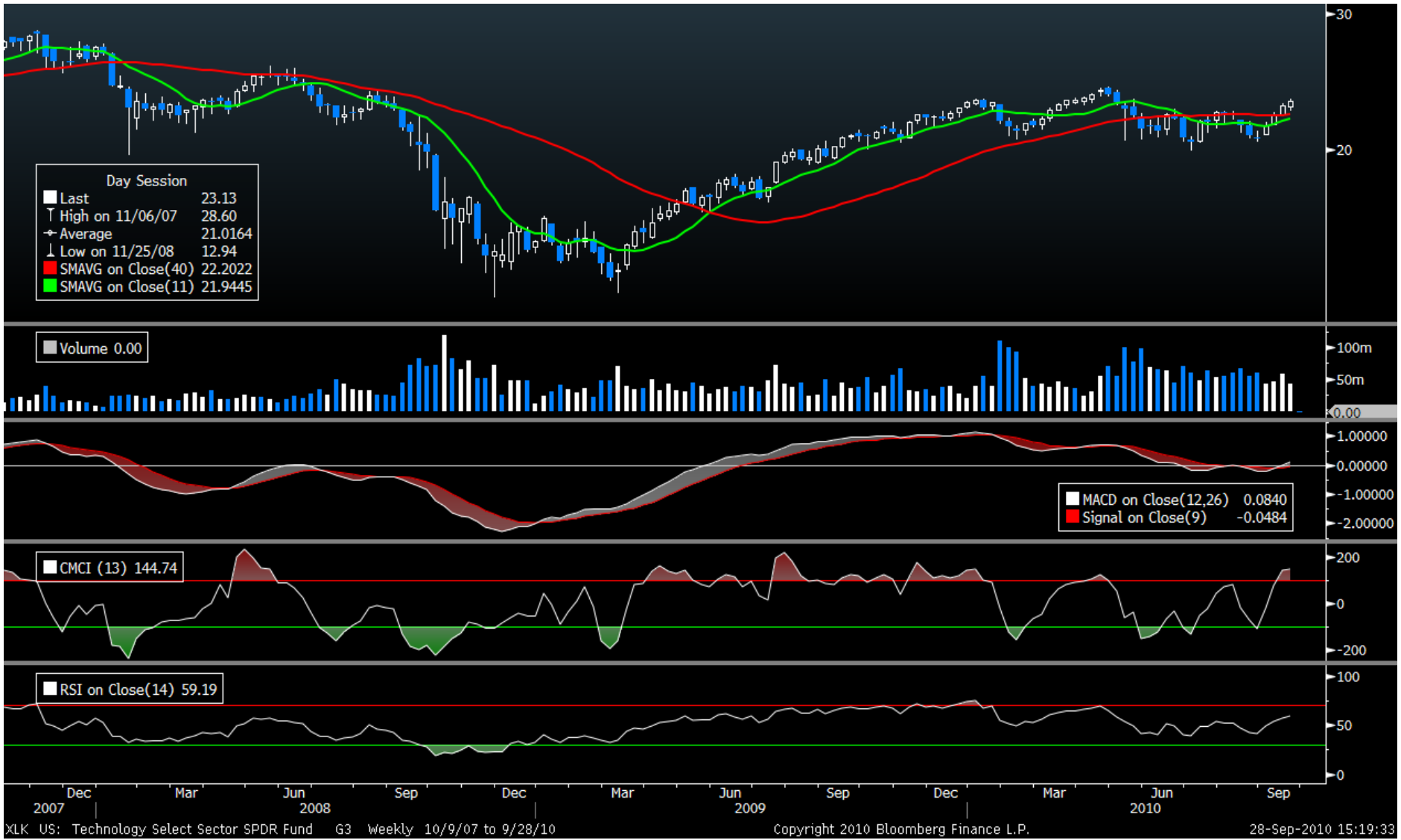


XLF – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLF US Equity and Short SPX Index, Updated till 27 Sep 2010



1 XLK Weekly- 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



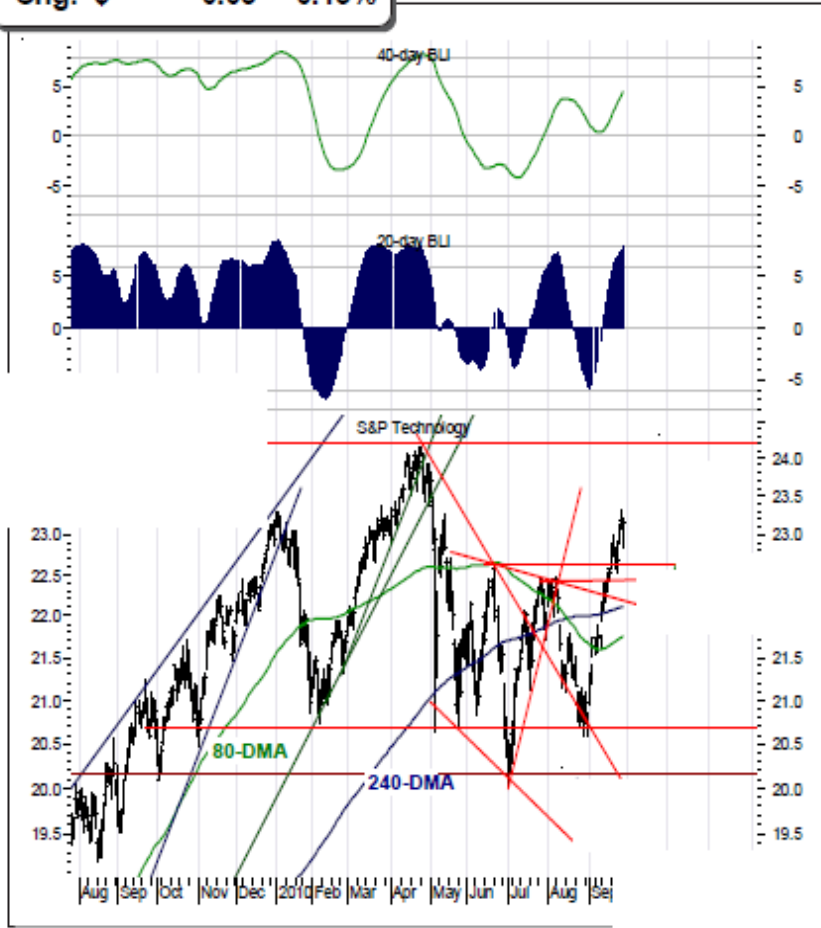
XLK Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



2 – XLK- Technical & Pattern Analysis - (Process 3)

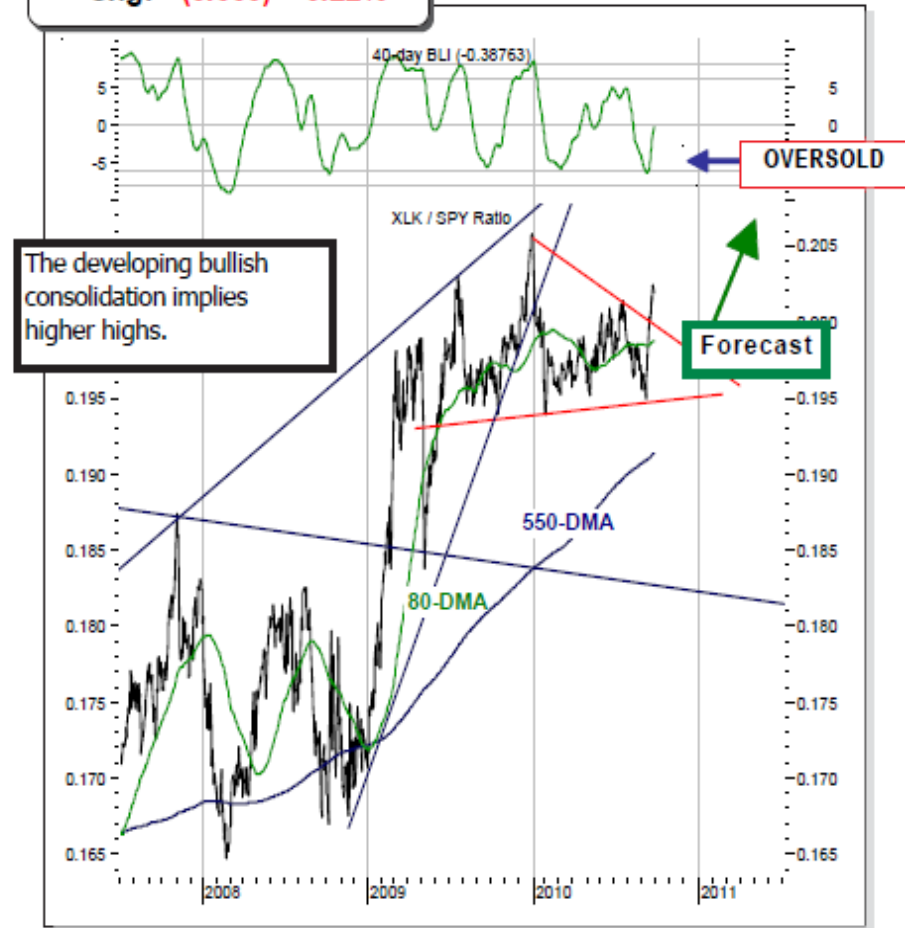
The XLK / SPX ratio chart looks bullish and should trend up in RH side chart below to confirm the rise in **XLK / SPX (hence undervalued)** by this matrix **NOT** in Sync with SD Analysis.

S&P Technology	XLK
Last: \$ 23.16	
Chg: \$ 0.03	0.13%



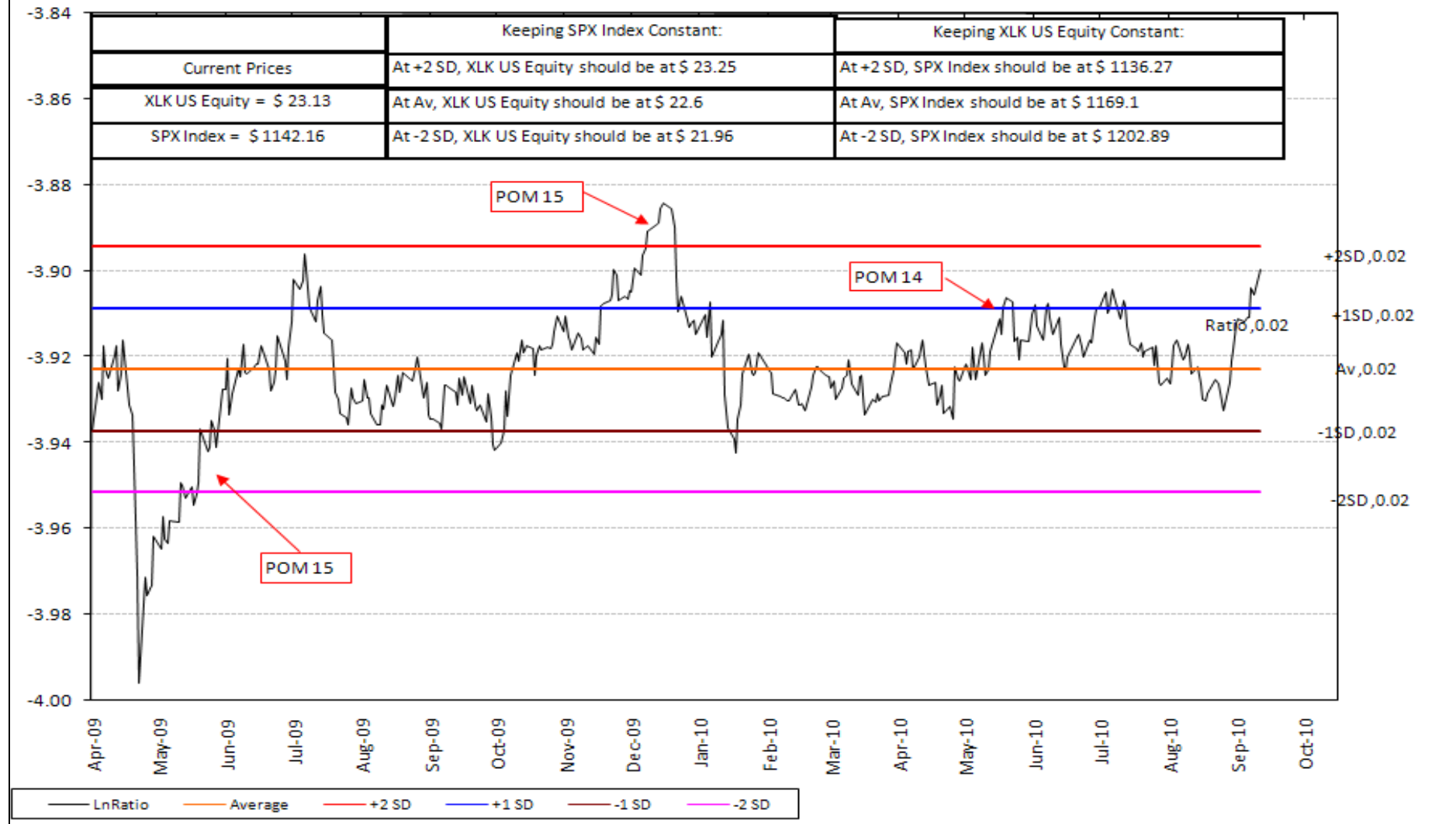
RATIO: XLK / SPY

Last: 0.202
Chg: (0.000) -0.22%

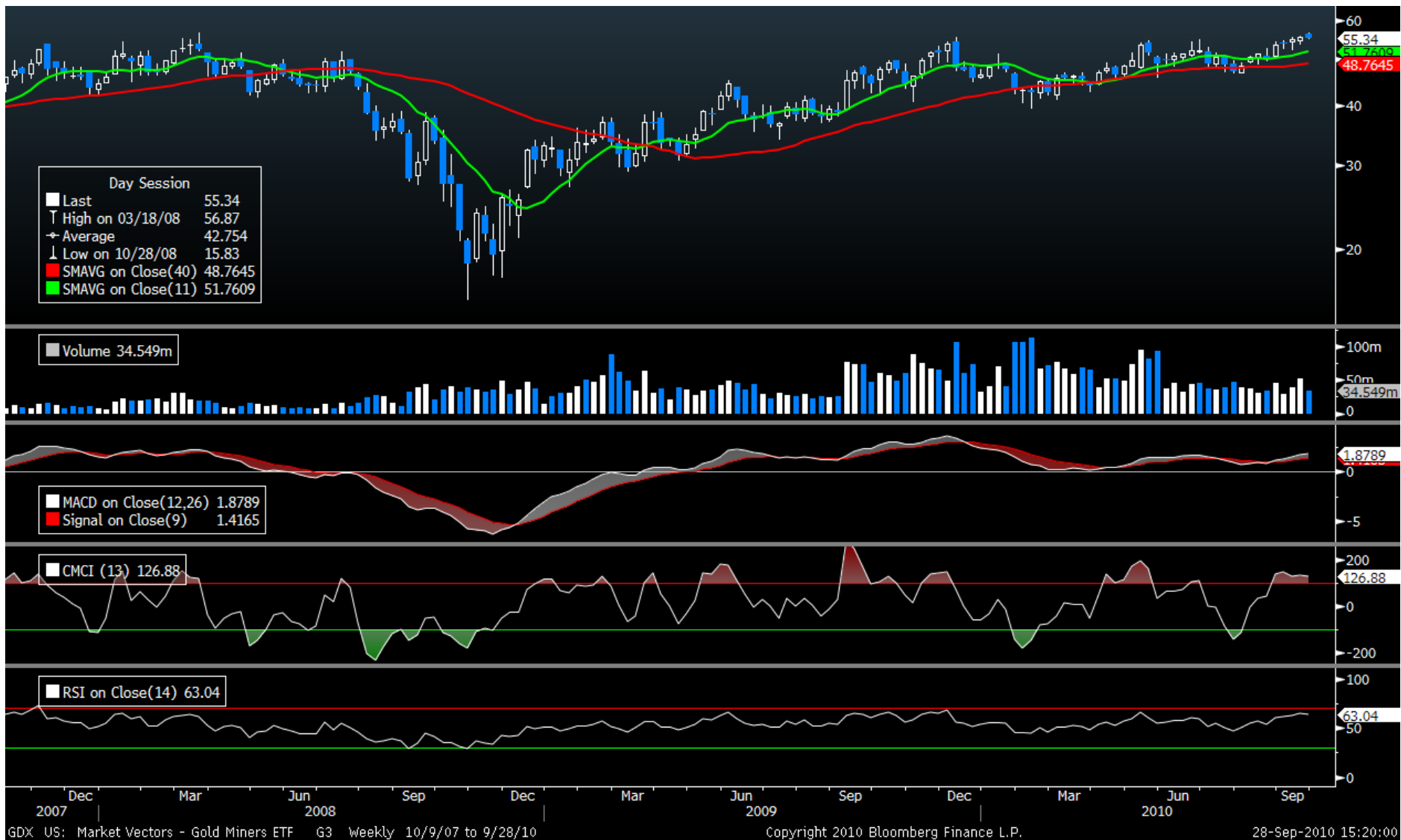


XLK – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLK US Equity and Short SPX Index, Updated till 27 Sep 2010



1 GDX Weekly- 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



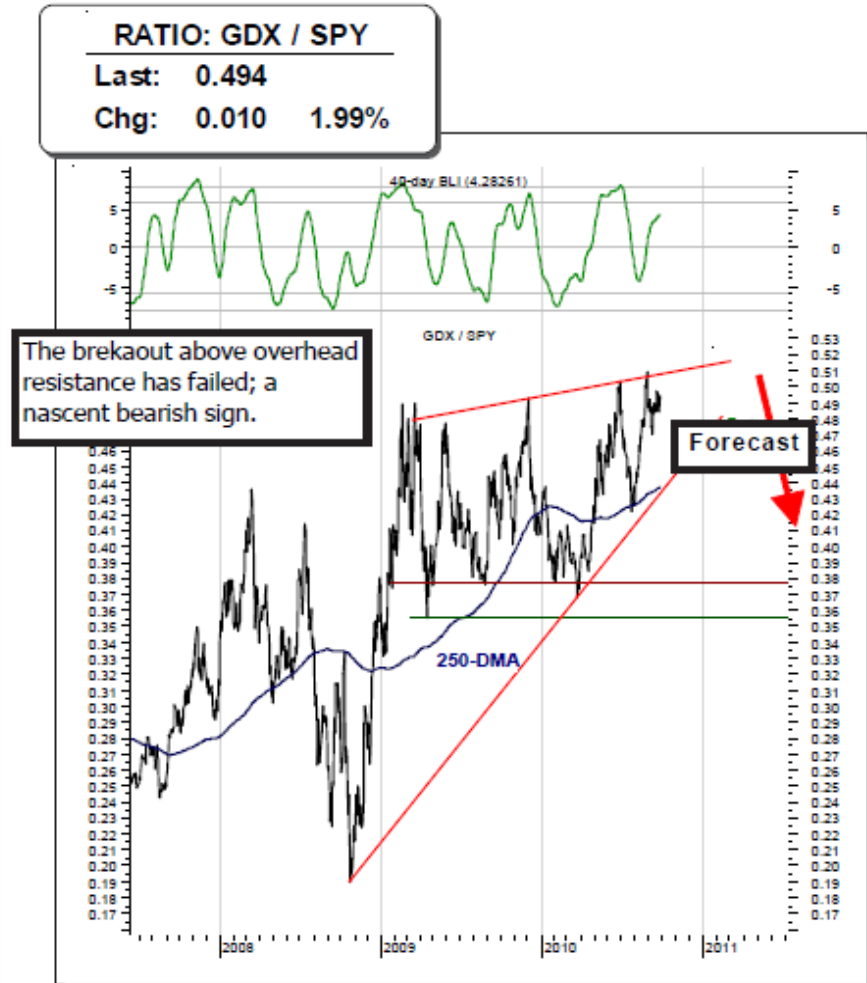
GD_X Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)

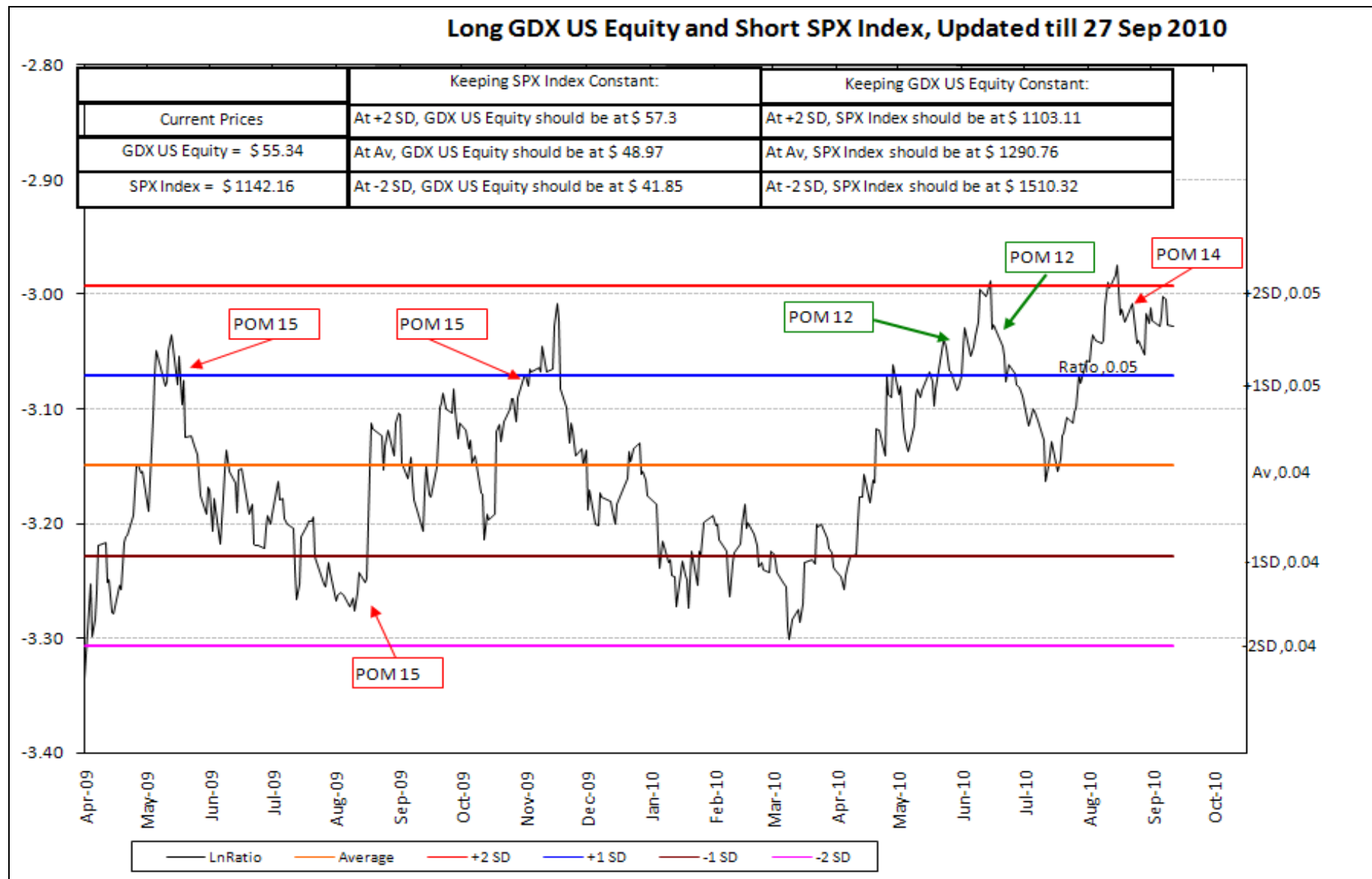


2 – GDX- Technical & Pattern Analysis - (Process 3)

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

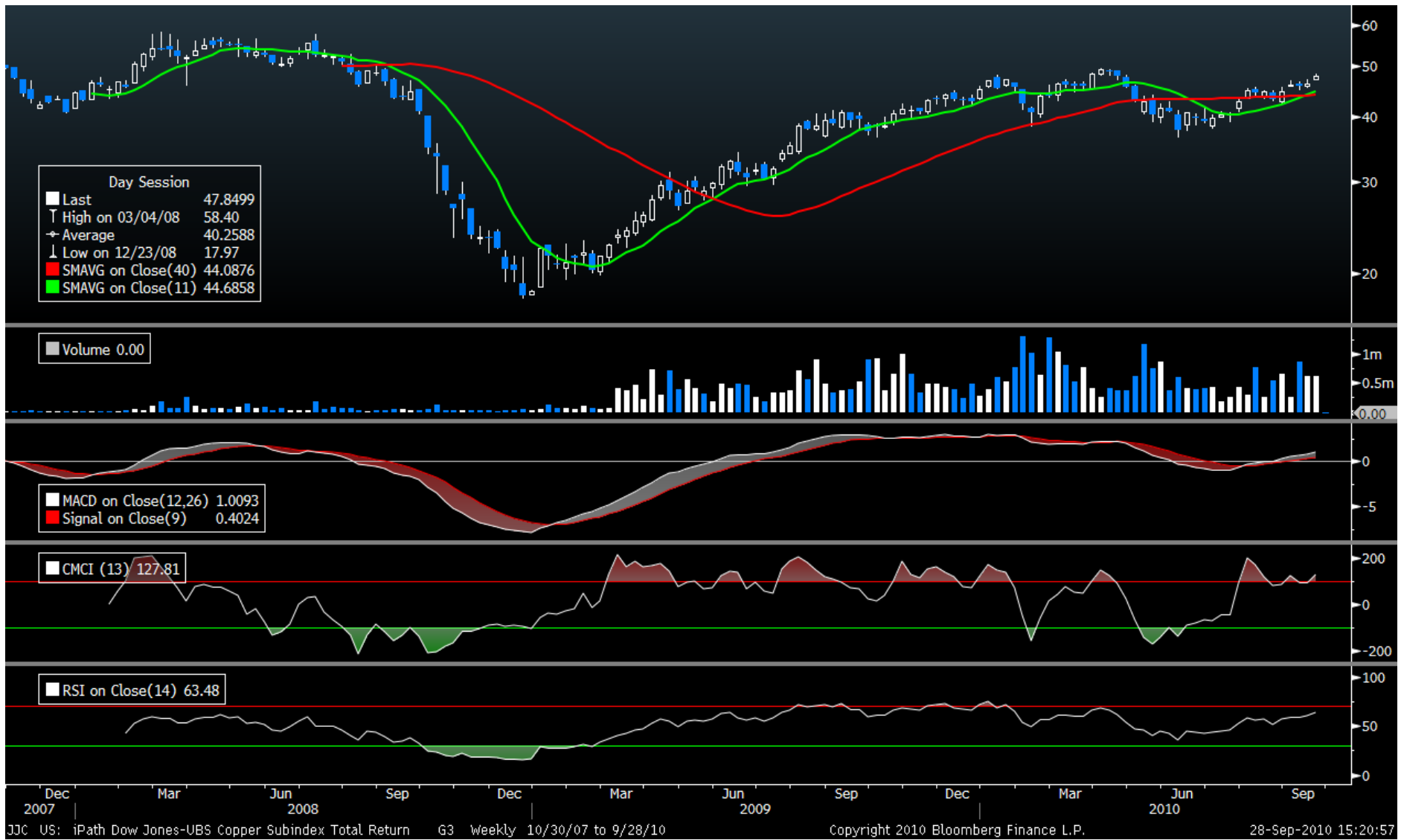


GDX – Correlation Ratio Analysis with SPX – 365 days Time basis



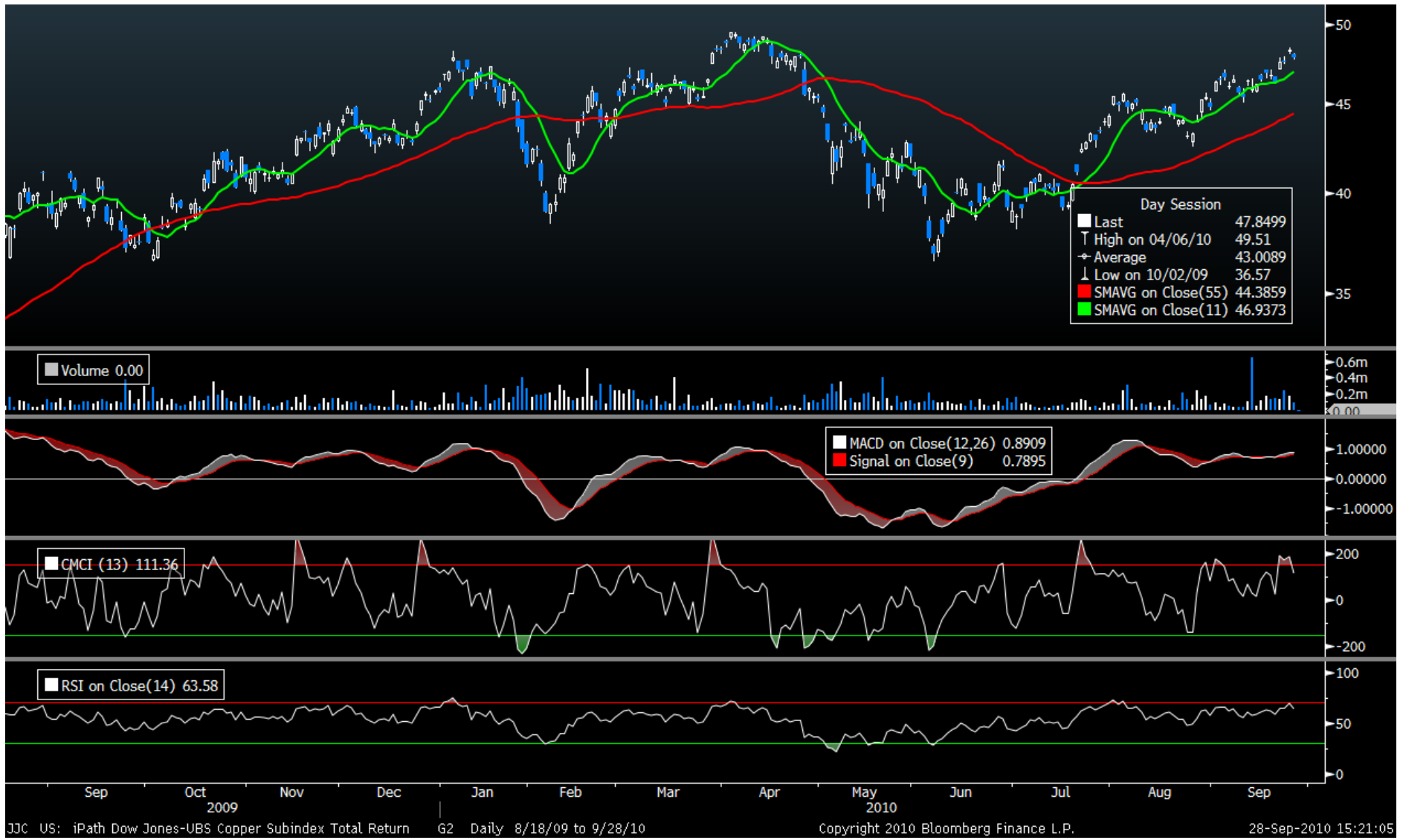
1-

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



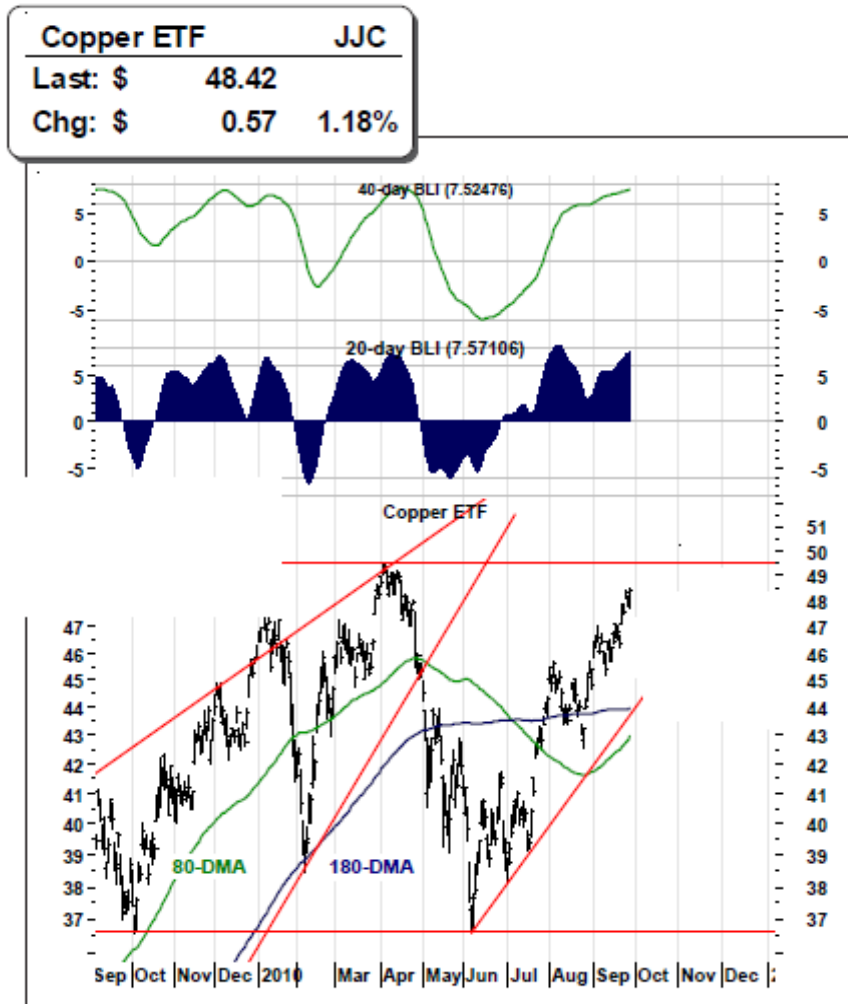
JJC - Daily - 3 Year with RSI, CCI, MACD

(11D / 55D)

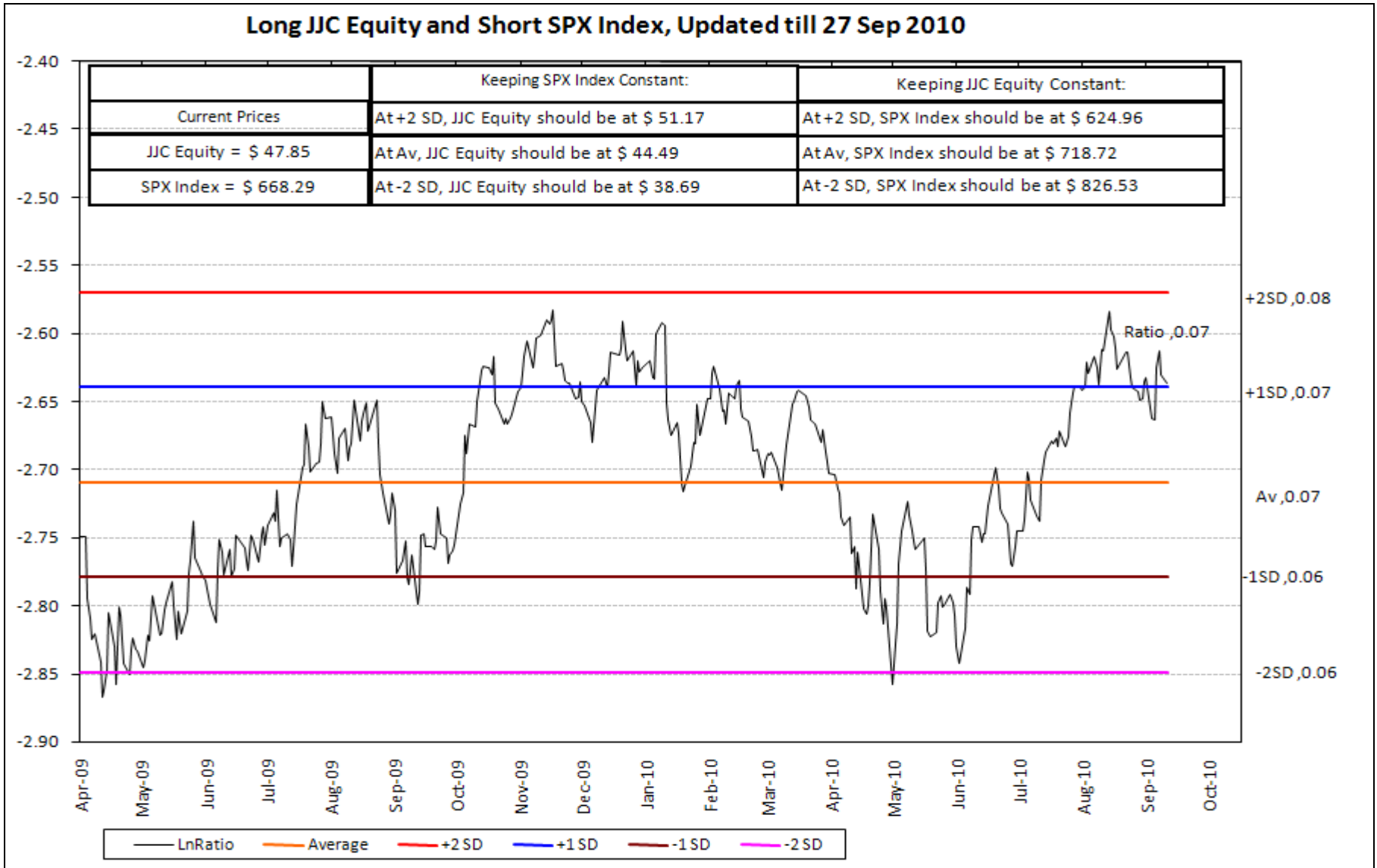


JJC– Technical & Pattern Analysis (Process 3)

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



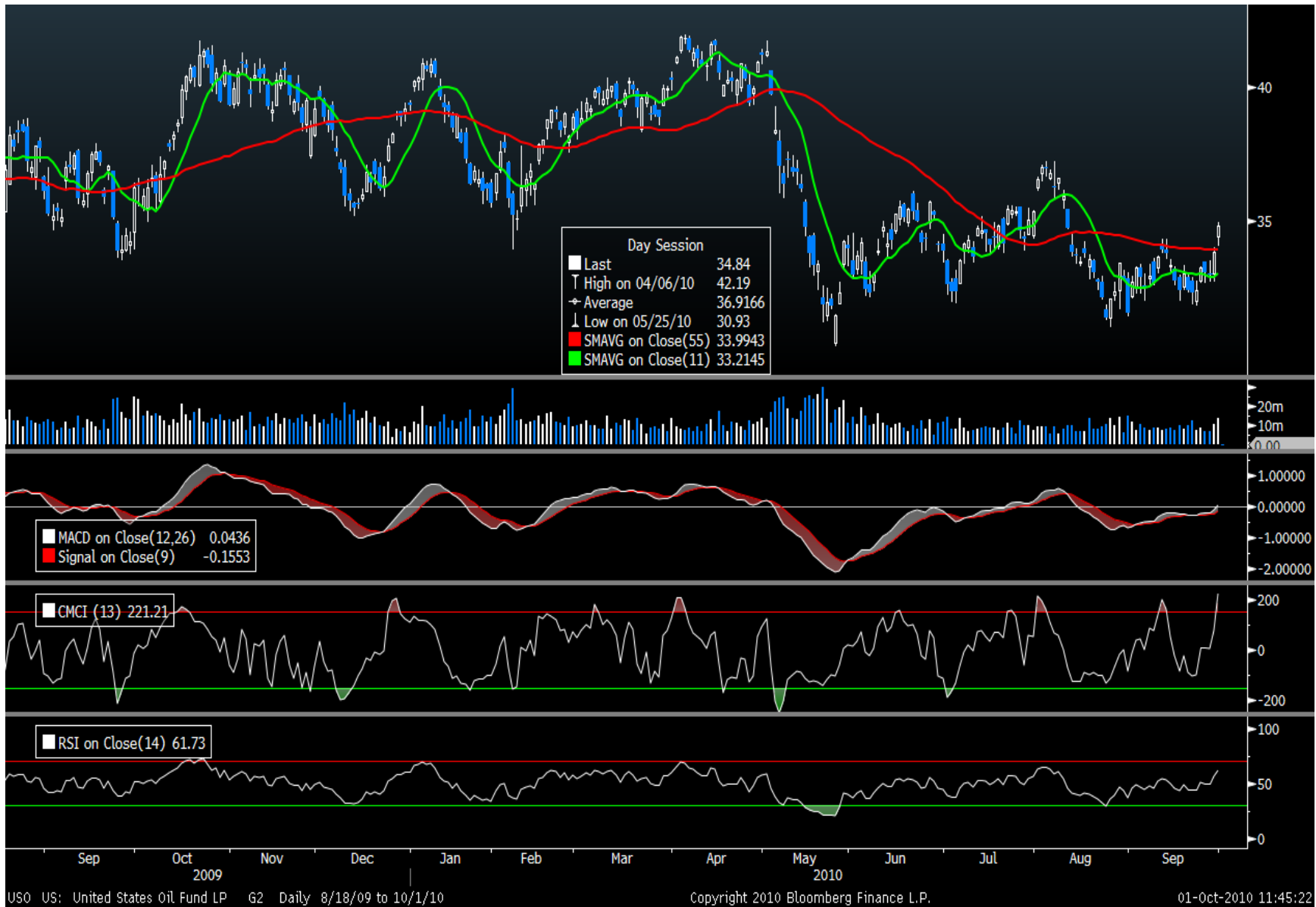
2- JJC – Correlation Ratio Analysis with SPX – 365 days Time basis



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

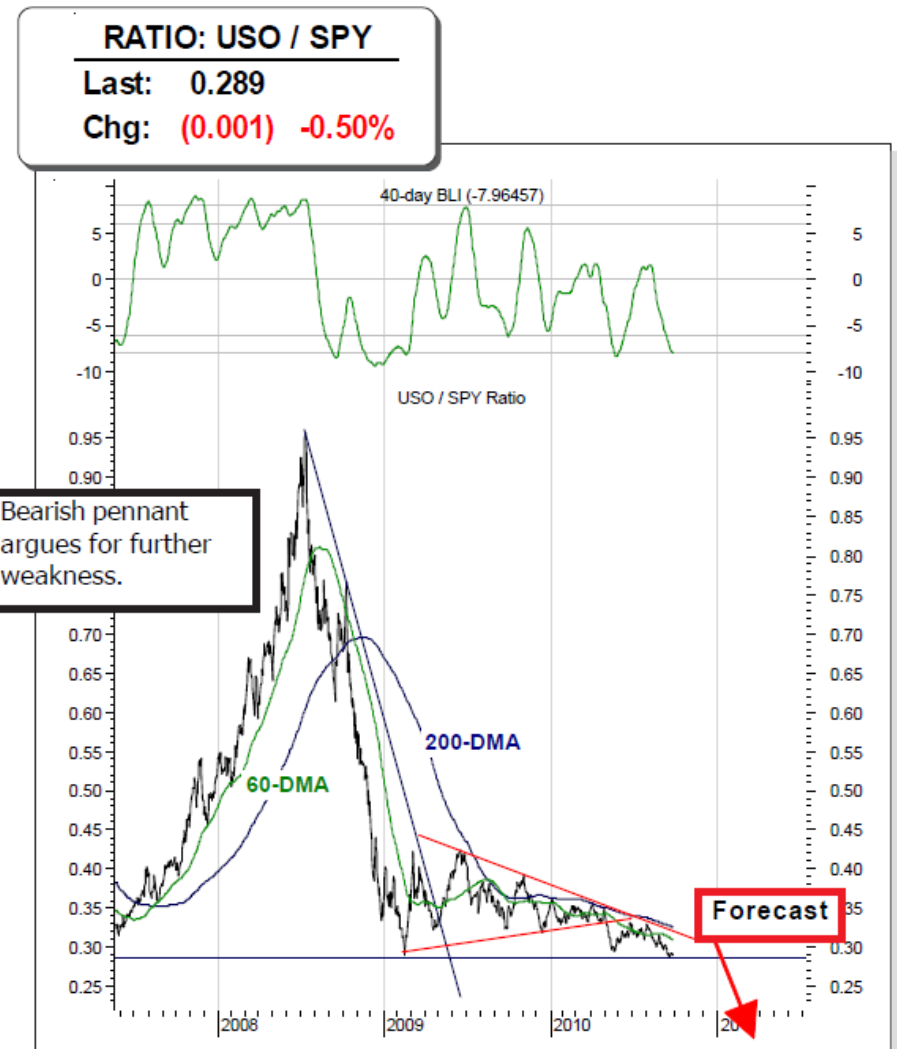
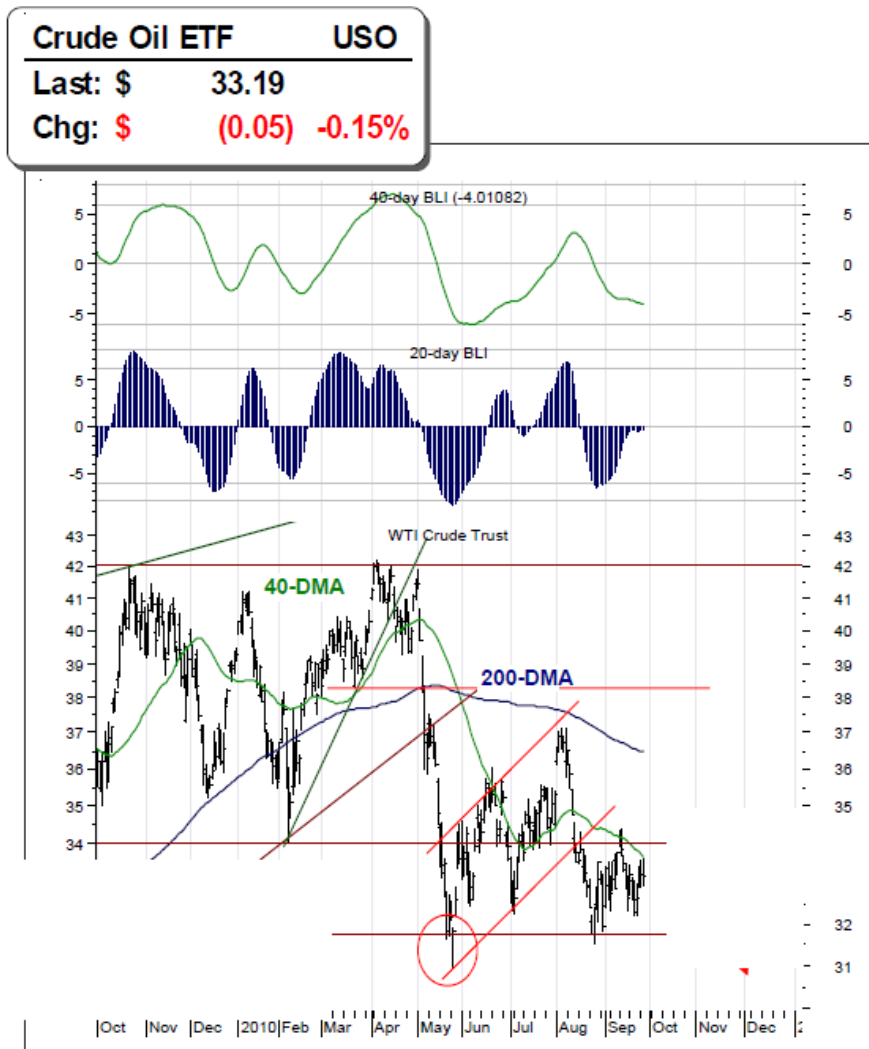


USO - Daily - 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



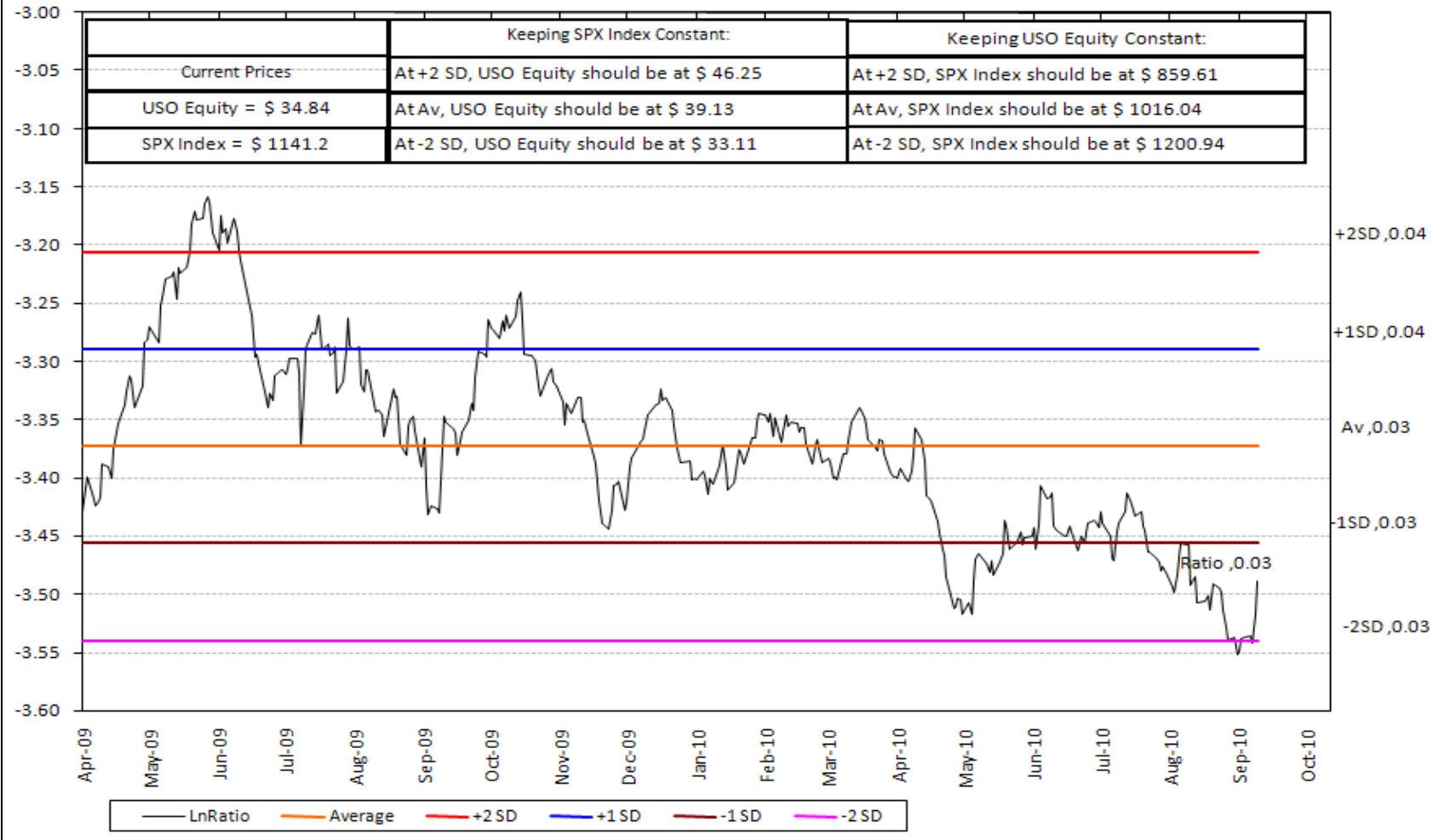
USO– Technical & Pattern Analysis (Process 3)

The USO / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall **in USO / SPX (hence still not ready)** by this matrix **NOT** in Sync with SD Analysis.

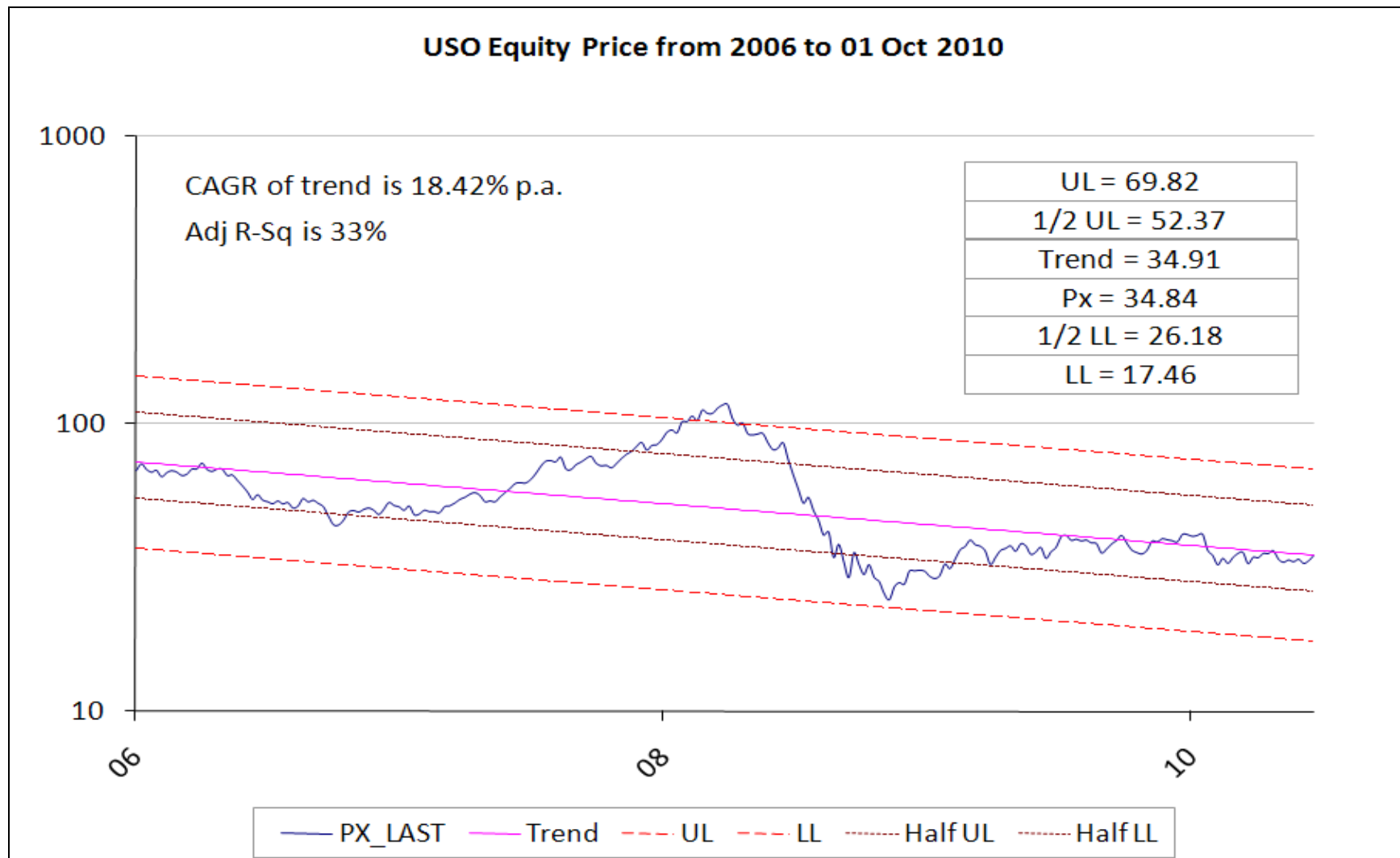


3- USO – Correlation Ratio Analysis with SPX – 365 days Time basis

Long USO Equity and Short SPX Index, Updated till 30 Sep 2010



USO – Trend Reversion Analysis – Long Term



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