



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # OCT 08

For Immediate Release – *Friday AM (EST)*

By: Suneil R Pavse

Contact: *apavse@aol.com*

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

SECTORS - (24)

GR1 (6)	GR2 (11)	GR3 (7)
<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 reference point via best of (3) Trends out of (5) Trend Selection.*

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 + 11 % and within POM Framework captured 5.7% during the signal. plus 5% is extension (more than we would like)*
- On 3rd Sept, Our Indicators conformed POM 14 – Re Run @ SPX 1104,(currently SPX at 1160) *while the market has extended from our signal and no sign of POM 15 Re run since we are on PO 14 – 3rd Re -run.*

Our Intermediate Primary Signals of - POM 15 @ 1200 on 22rd April and POM 14 @ 1180 on 12th May, is still in tact.
Then we have hit POM 12 @ 1020 on 1ST July (with lows of 1010 in SPX)

• Trading & Investment Conclusions

- Our Goal in the Model - Utilizing this current 3rd Re run - POM 14- @ 1104 as a PIVOT point to find the Best OVERVALUED & UNDERVALUED SECTORS VIA overlays with
- SECTOR - SD 1/2 ANALYSIS EXTREMES.
- SECTOR - SPX - POM FRAMEWORK as PIVOT
- SECTOR -TECHNICAL PATTERNS, SMA's WITH VOLUMES”

ACTIONABLE ZONE – The Validated Sector selections to leverage the “ PQV – SETUP EQUITY VALIDATION LIST “ within POM & SETUP INDEX FRAMEWORK. (RA/RI)discipline with scaled in entry for better Risk / Reward & Risk Management parameters and stops if required on other side of confluence factoring in the volatility and Risks)

VALIDATED CONCLUSIONS by – Processes 1,2,3 - for BEST IDEAS:

Overvalued conformed– EEM, JJC, GDX, ,XLY, XRT(RTH), (To be utilized with PQV – Setup 2 , 4 Validation list @ POM 14)

Undervalued conformed – XLV, USO,

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

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

- **NET EXPOSURE THIS WEEK – (-19), (-33%), (-35), (-27%)**, % of past 4 weeks (SETUP # 2&4)
- **POM 15 (initial) / POM 14 Re Run- 3**

<u>Sector</u>	<u>Indicator</u>	<u>Distance in SD</u>	<u>Net Exposure</u>	<u>Total No. of stocks</u>
Gr 1				
EEM	above +2SD	2.84		
EWJ	below -1SD	-1.24		
Gr 2				
XLY	above +1SD	1.55	-100%	4
XLI	above +1SD	1.36	0%	8
XLV	below -1SD	-1.07	-50%	4
XRT	above +1SD	1.65		
XLF	below -1SD	-1.56	-11%	18
XLK	above +1SD	1.05		
Gr 3				
IYT	above +1SD	1.19		
GDX	above +1SD	1.79		
JJC	above +1SD	1.87		
USO	below -1SD	-1.08		
		Primary Index Net Exposure	-19%	
		POM 14 Re Run 3		

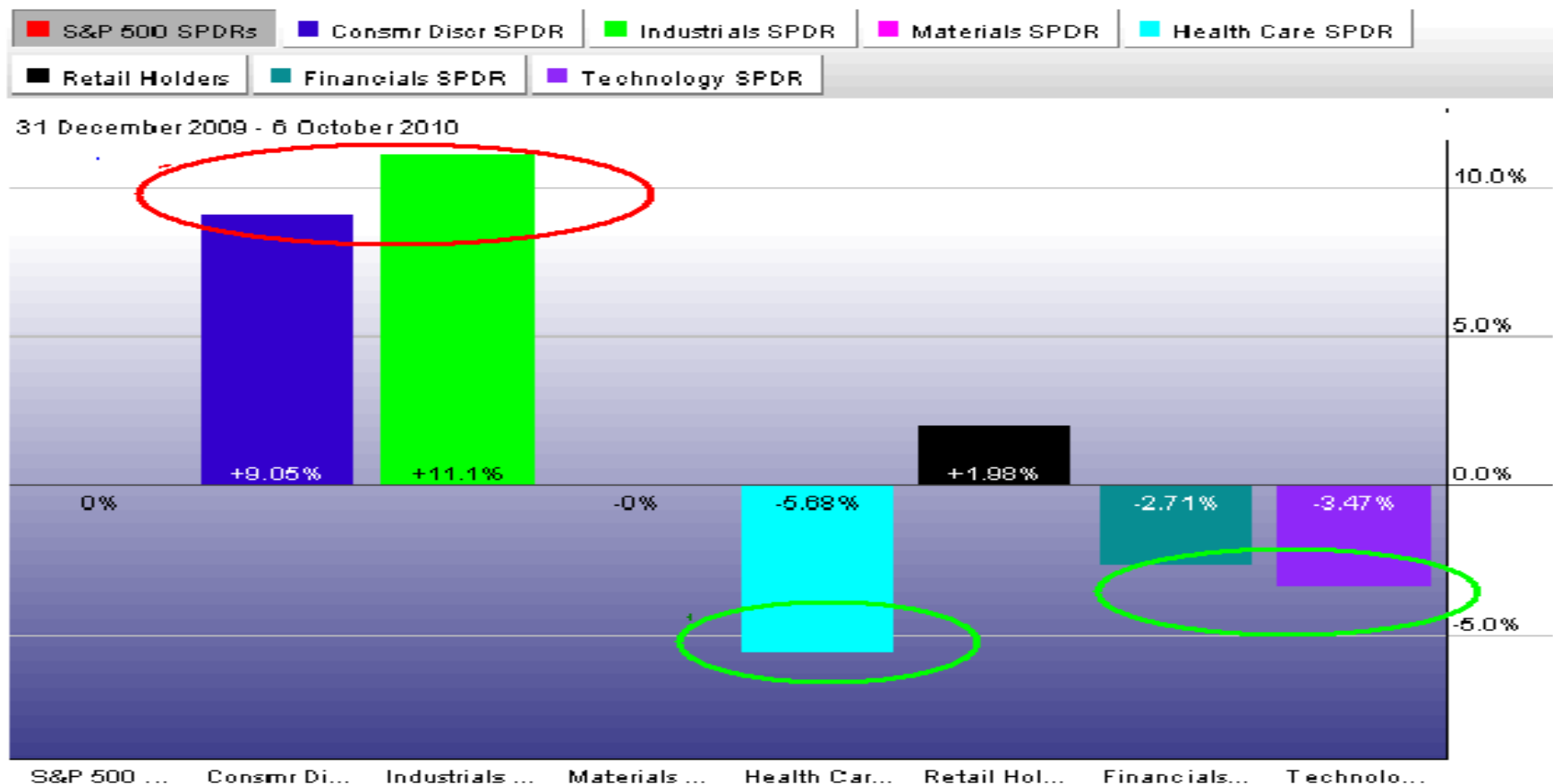
- From (24) Sector list , highlighted in Yellow (above) qualified for further review. New are added in Blue, all are for its SD's extreme analysis & fits well with our expectancy of over / under valuation v/s SPX
- (+1/+2) SD's are overvalued (on Sell side v/s SPX) SD 's indicated in RED.
& (-1/-2) SD's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

Ticker (Deleted from Previous week)	Comments
XLE BBH	Replaced by XLV

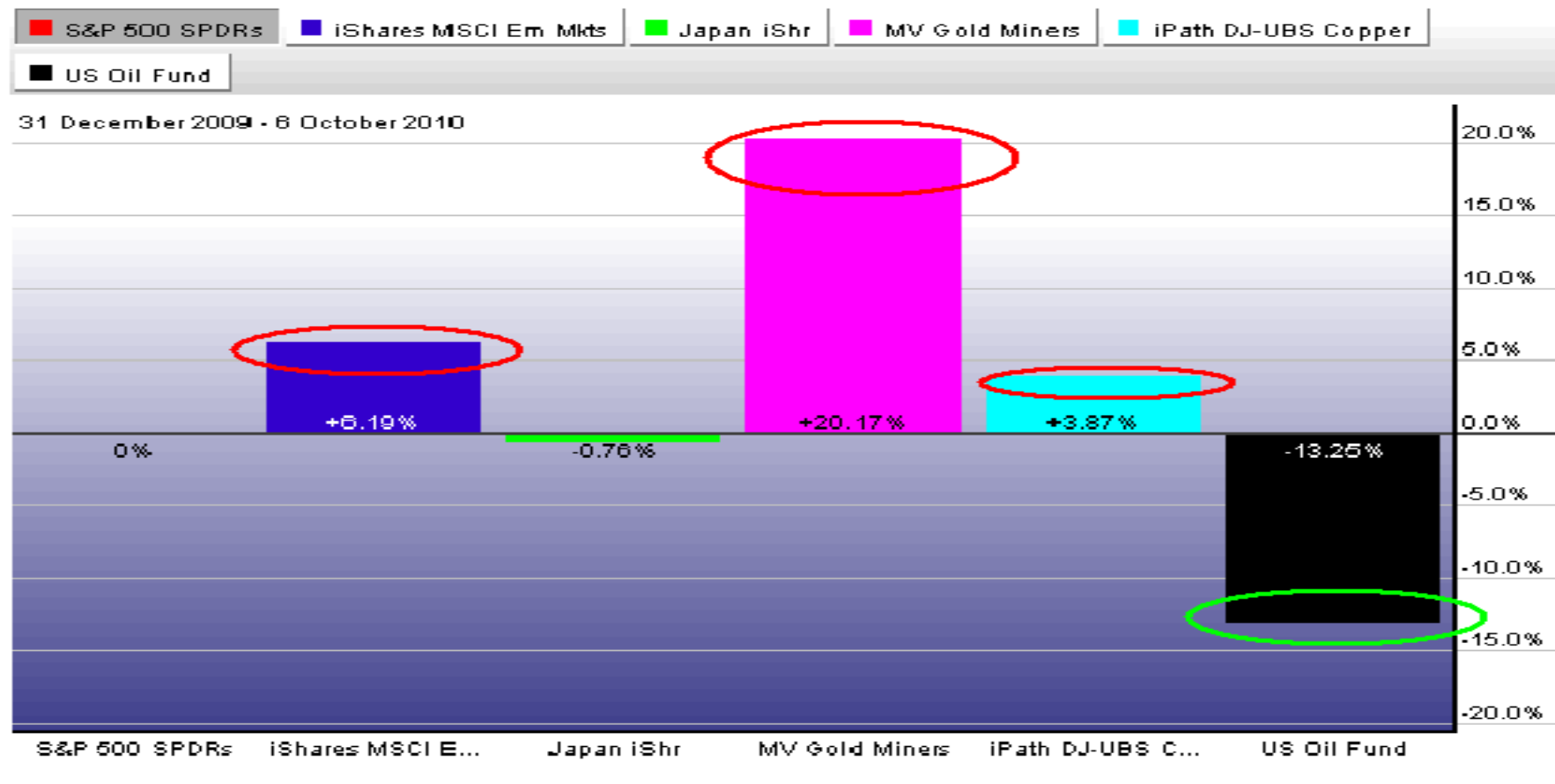
Review Process (2) - Select Sector “ Best & Worst “ on TREND BASIS

This weeks - Crirical point for 1st Jan PIVOT. – YTD

- SPX Comparisons – From 1st Jan @ 1115 to current 1158
- SPX, XLY, XLI, XLV, XRT, XLF, XLK



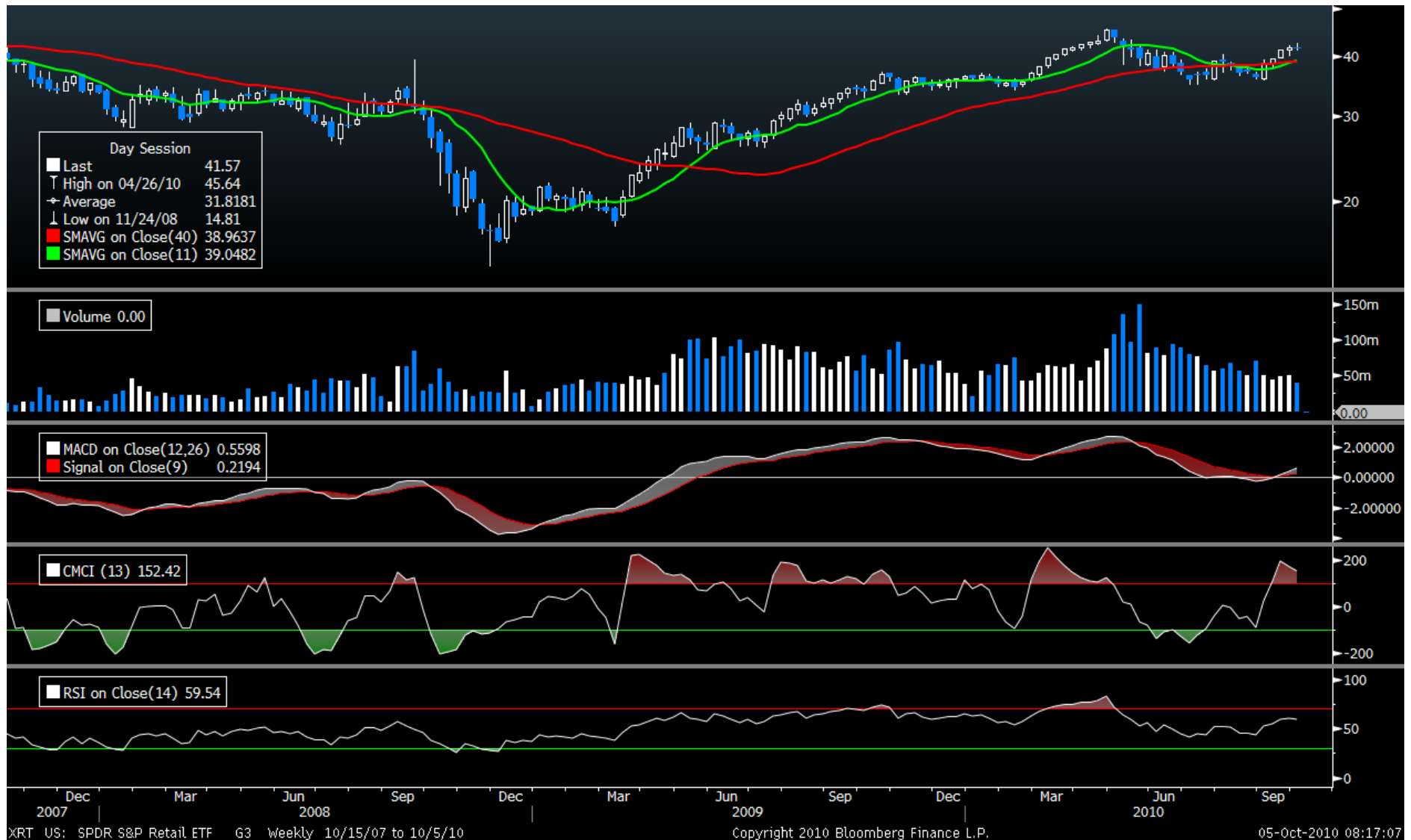
- **SPX, EEM, EWJ, GDX, JJC, USO**



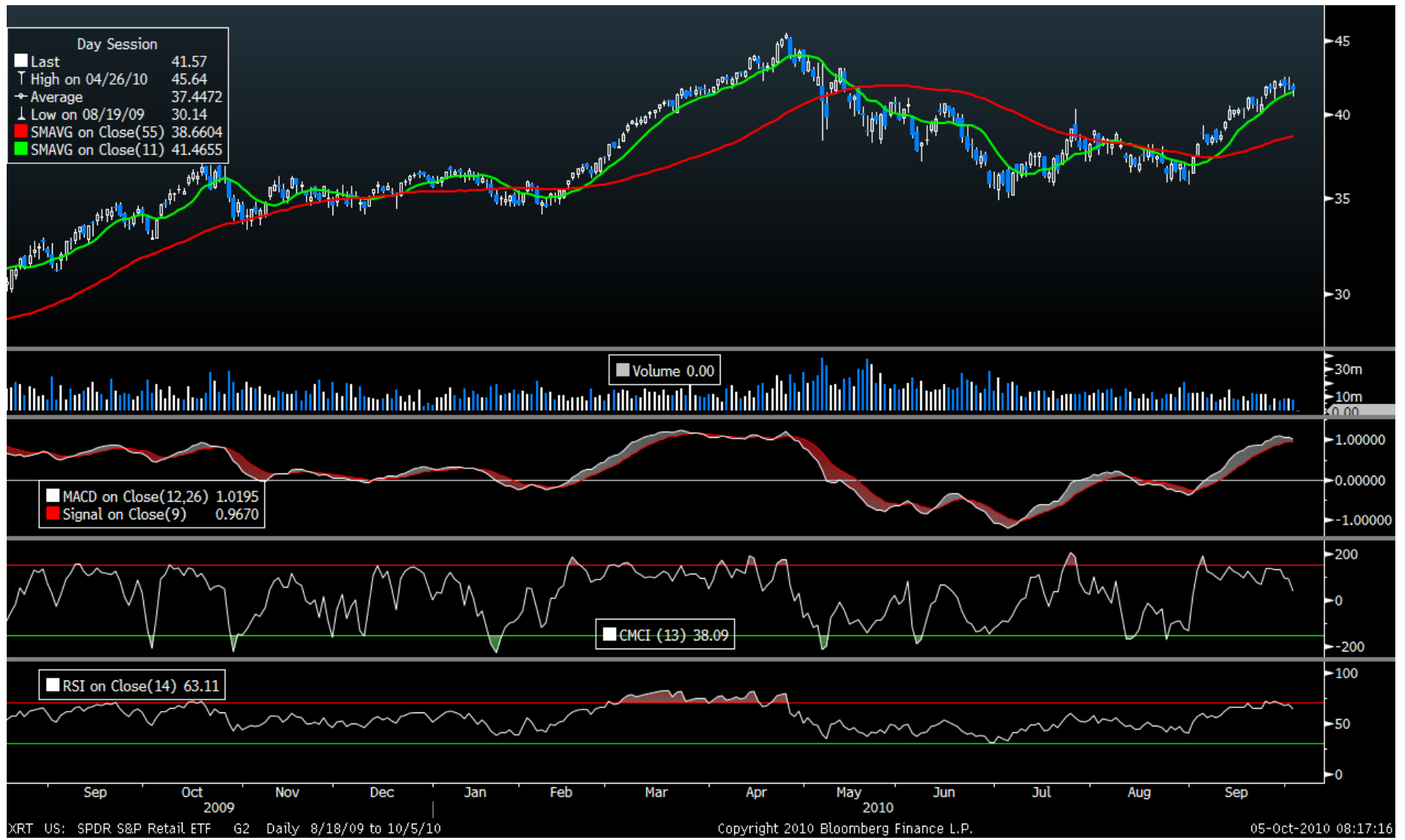
Conclusion by this process

- **Most Overvalued** indicated in RED – **EEM, GDX, JJC, XLY, XLI**
- **Most Undervalued** indicated in GREEN - **XLV, EWJ, USO**

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

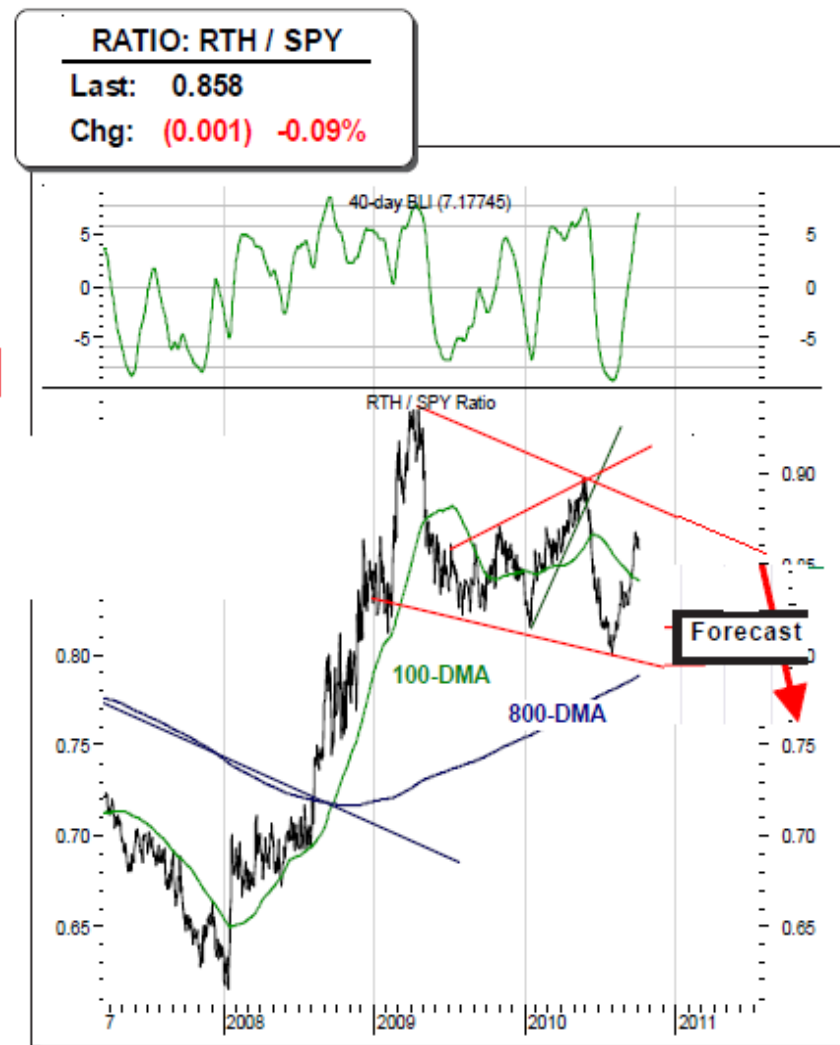
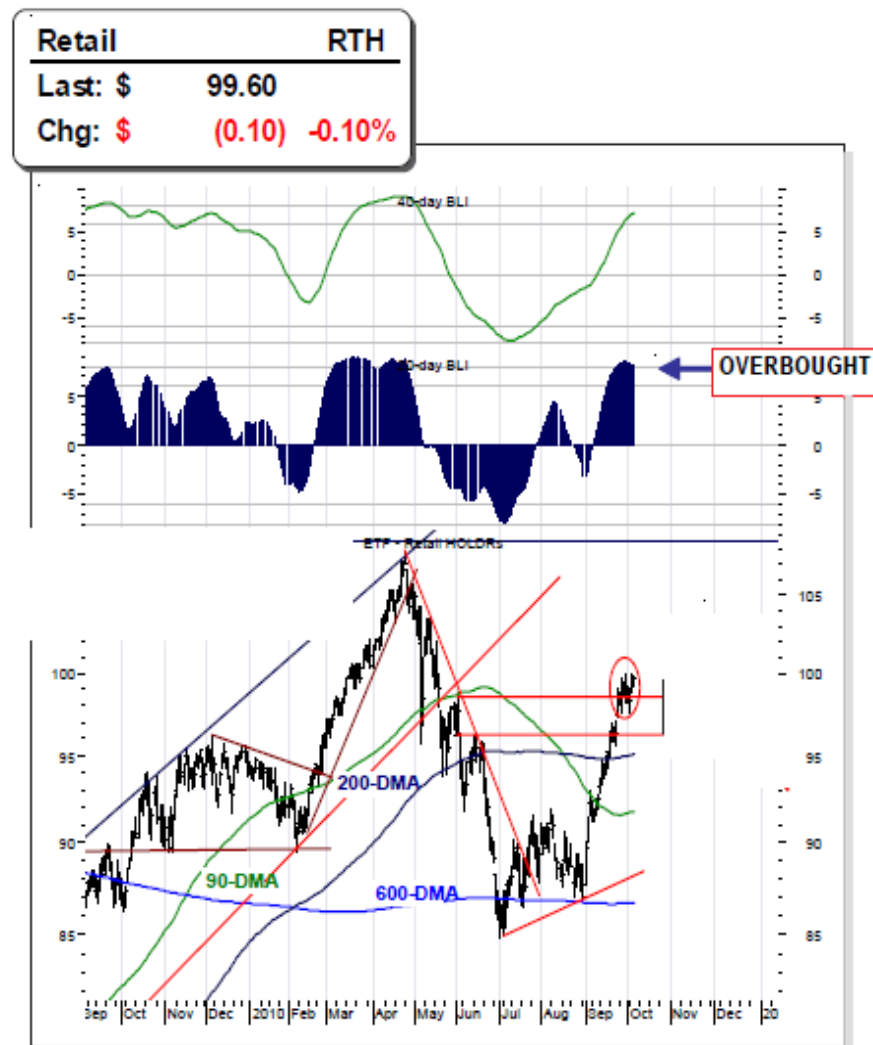


1 - XRT - Daily - 3 Year with RSI, CCI, MACD (11D / 55D)

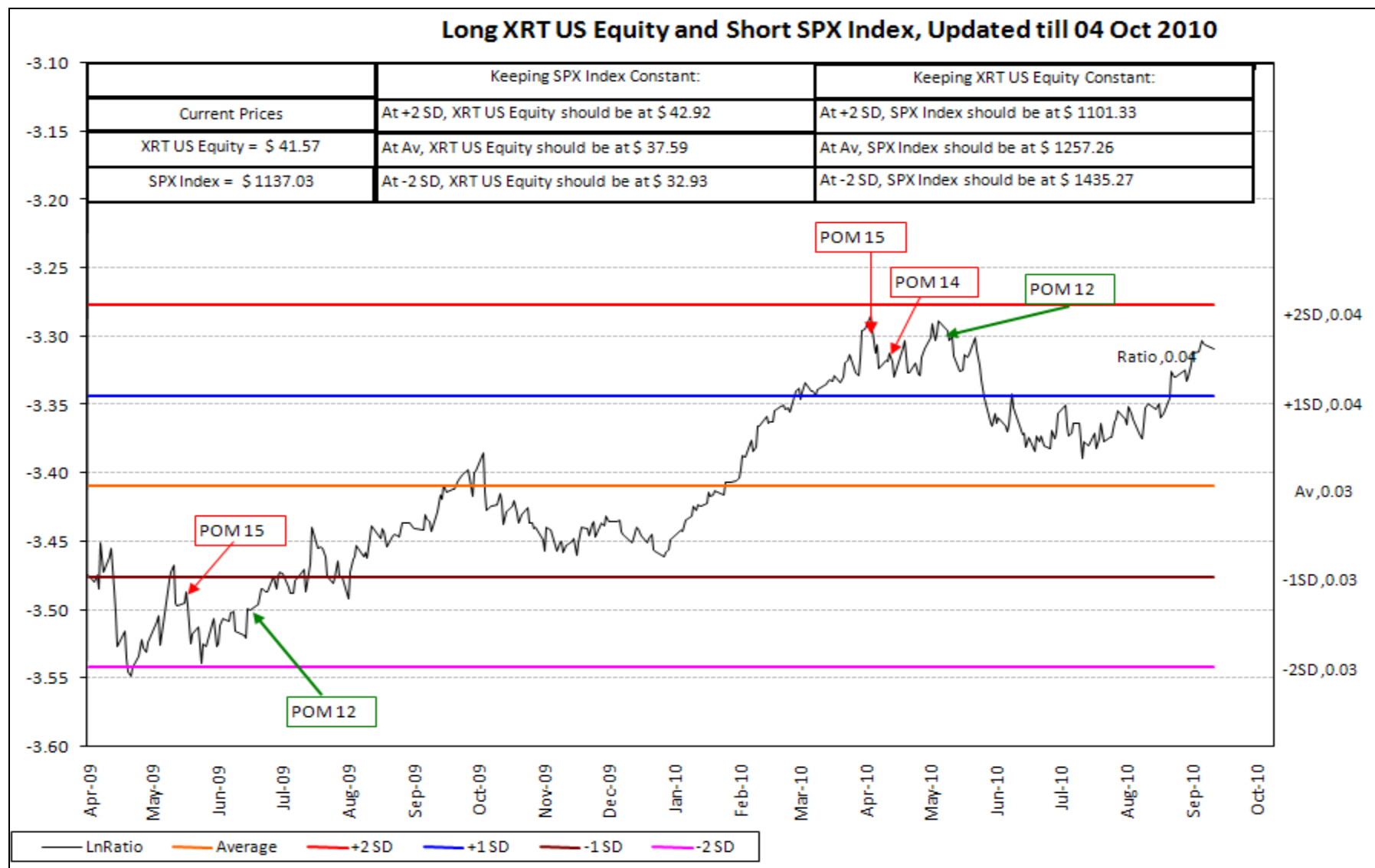


2 - XRT (RTH) – Technical & Pattern Analysis (Process 3)

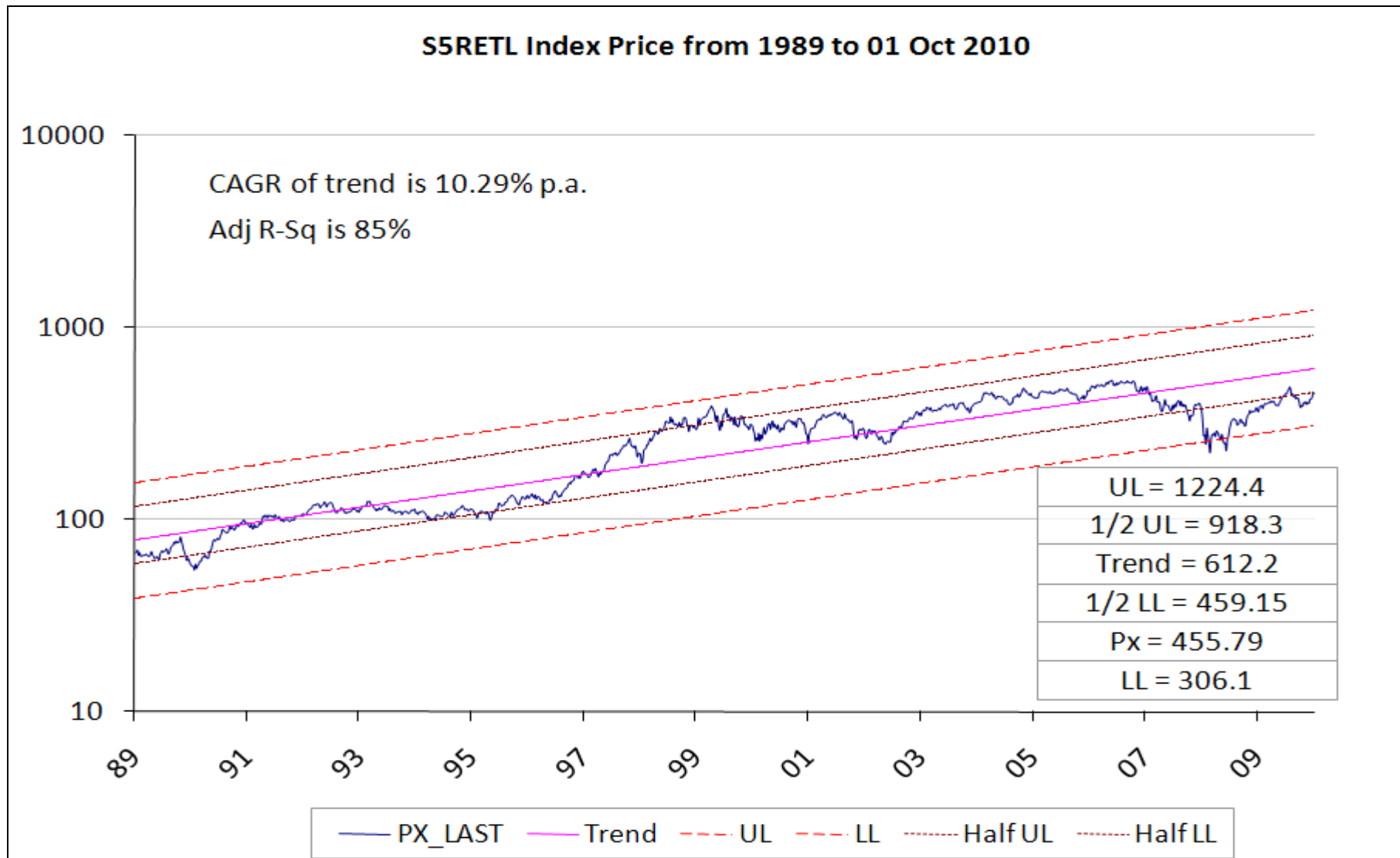
The RTH / SPX ratio chart hit a resistance, bearish and should trend down in RH side chart below, this confirms the relative drop **in RTH / SPX (hence overvalued)** by this matrix in sync with SD Analysis



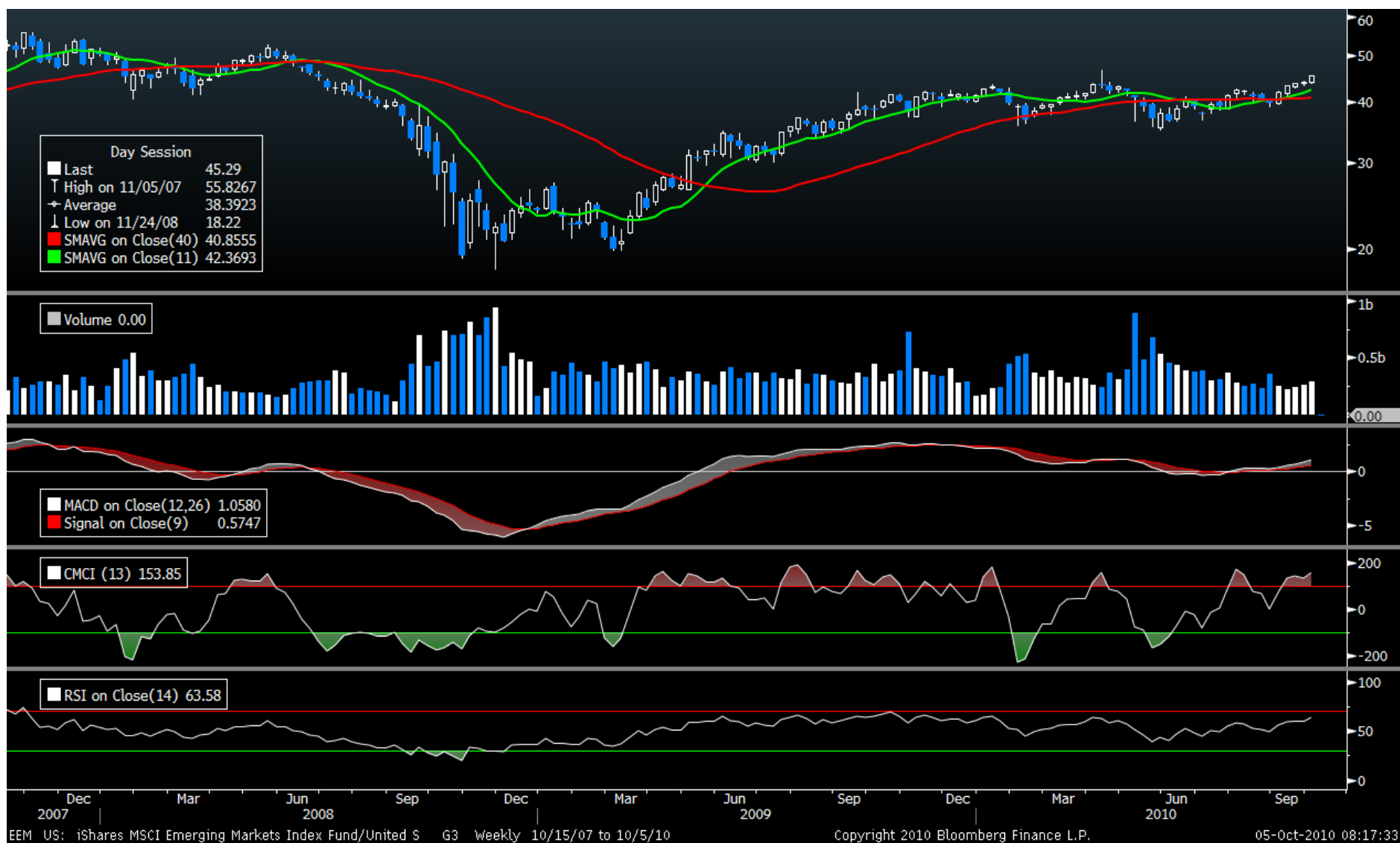
4- XRT – Correlation Ratio Analysis with SPX – 365 days Time basis



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

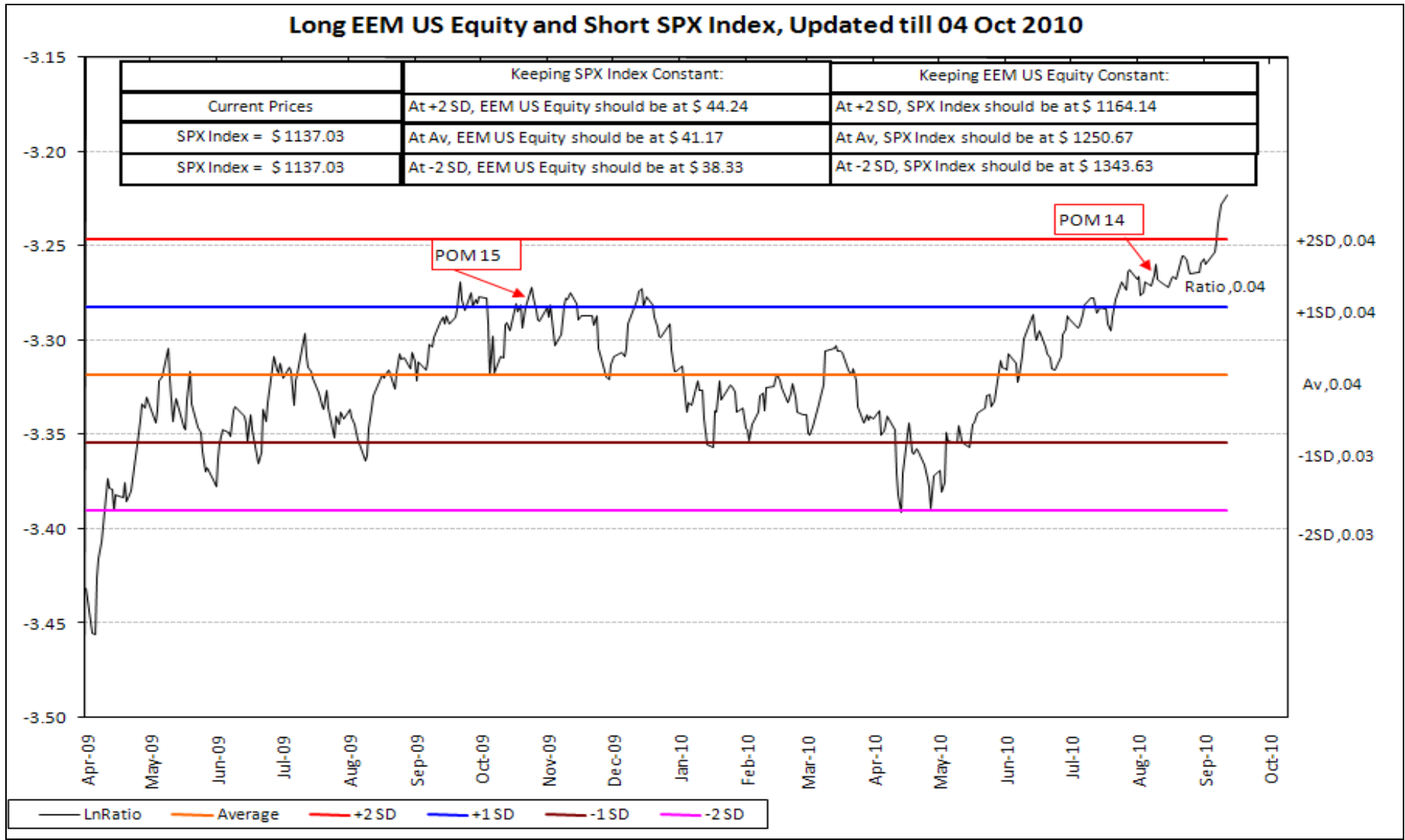


- EEM - Technical & Pattern Analysis (Process 3)

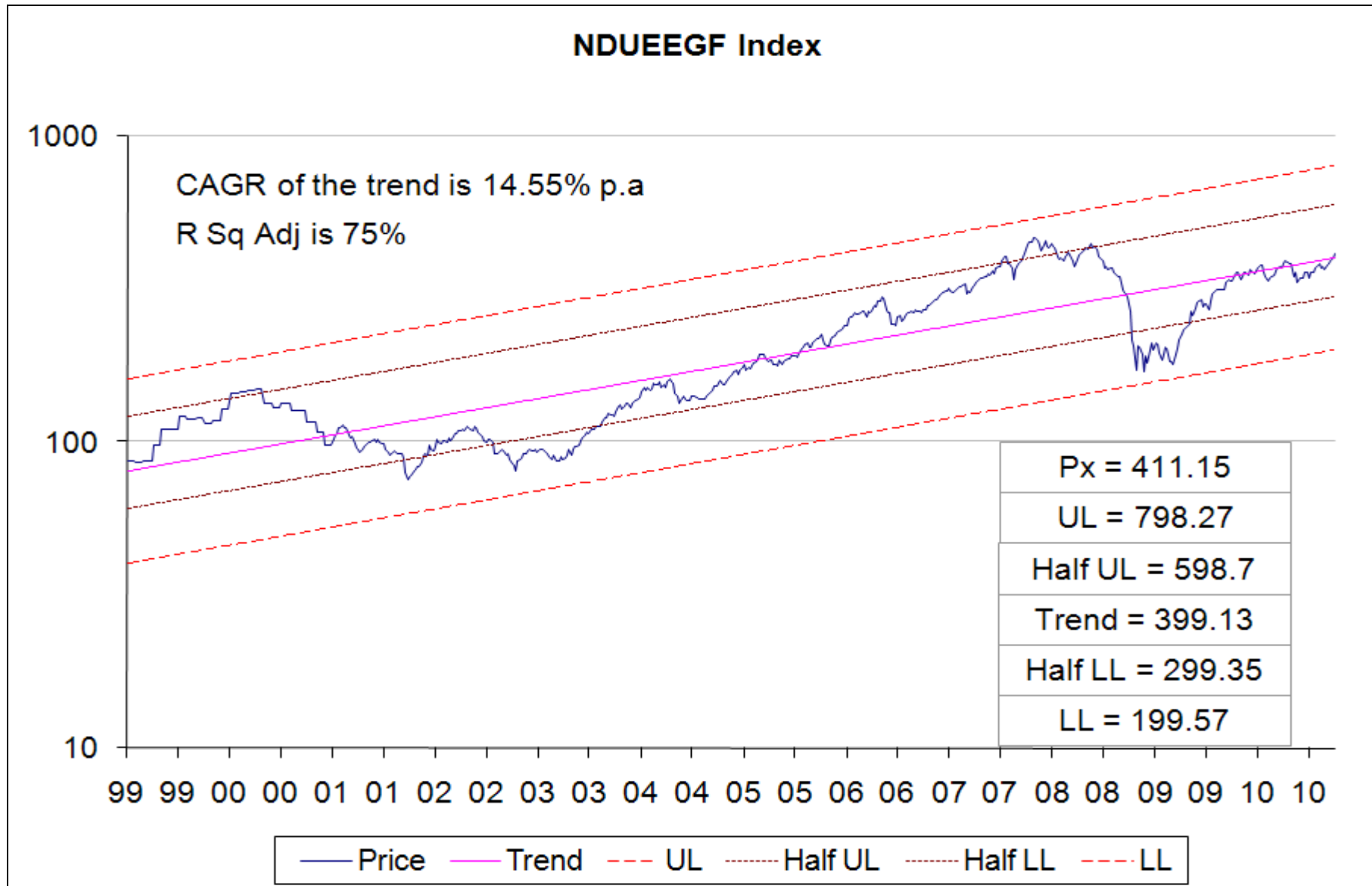
The EEM / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall **in EEM / SPX (hence overvalued)** by this matrix **in Sync with SD Analysis**.



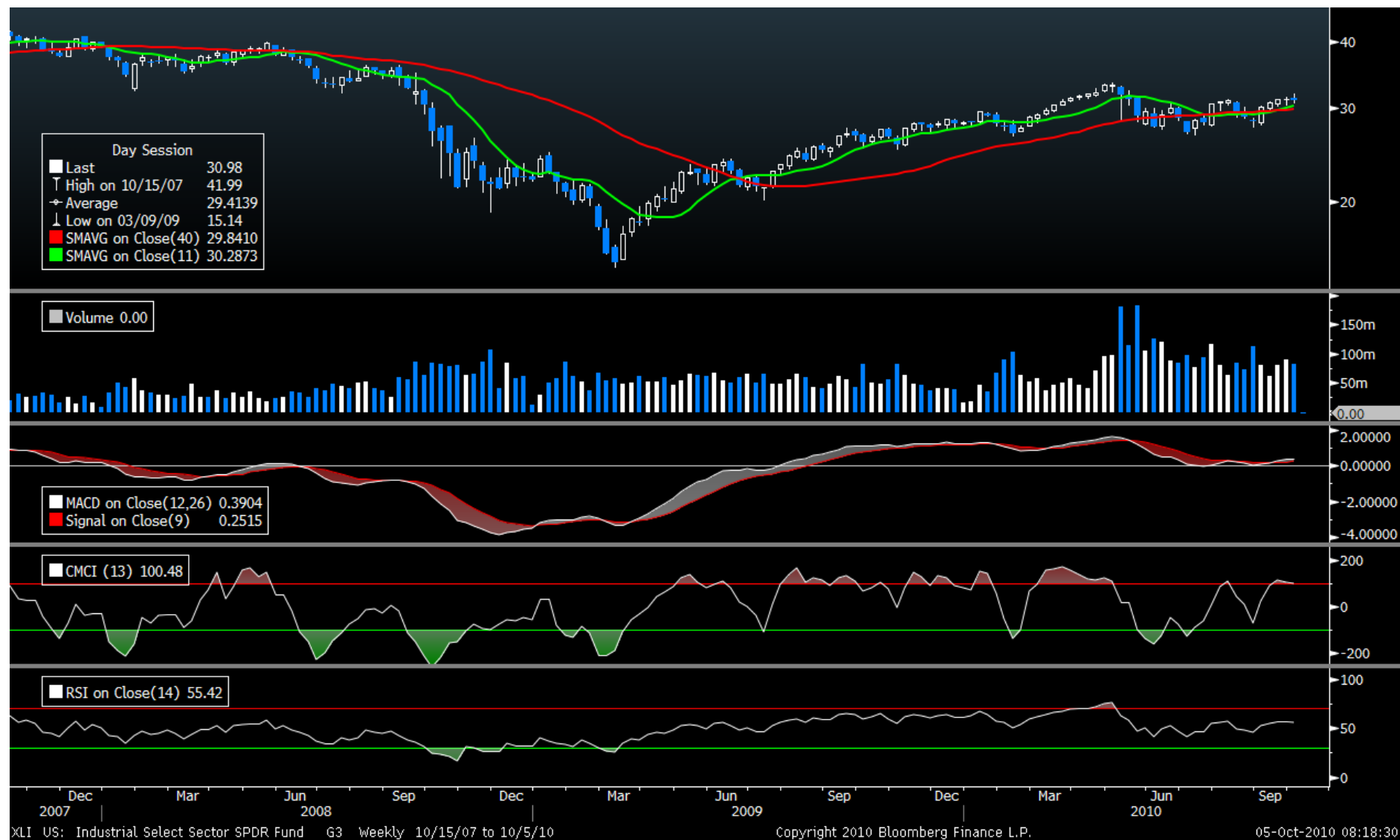
2- EEM – Correlation Ratio Analysis with SPX – 365 days Time basis



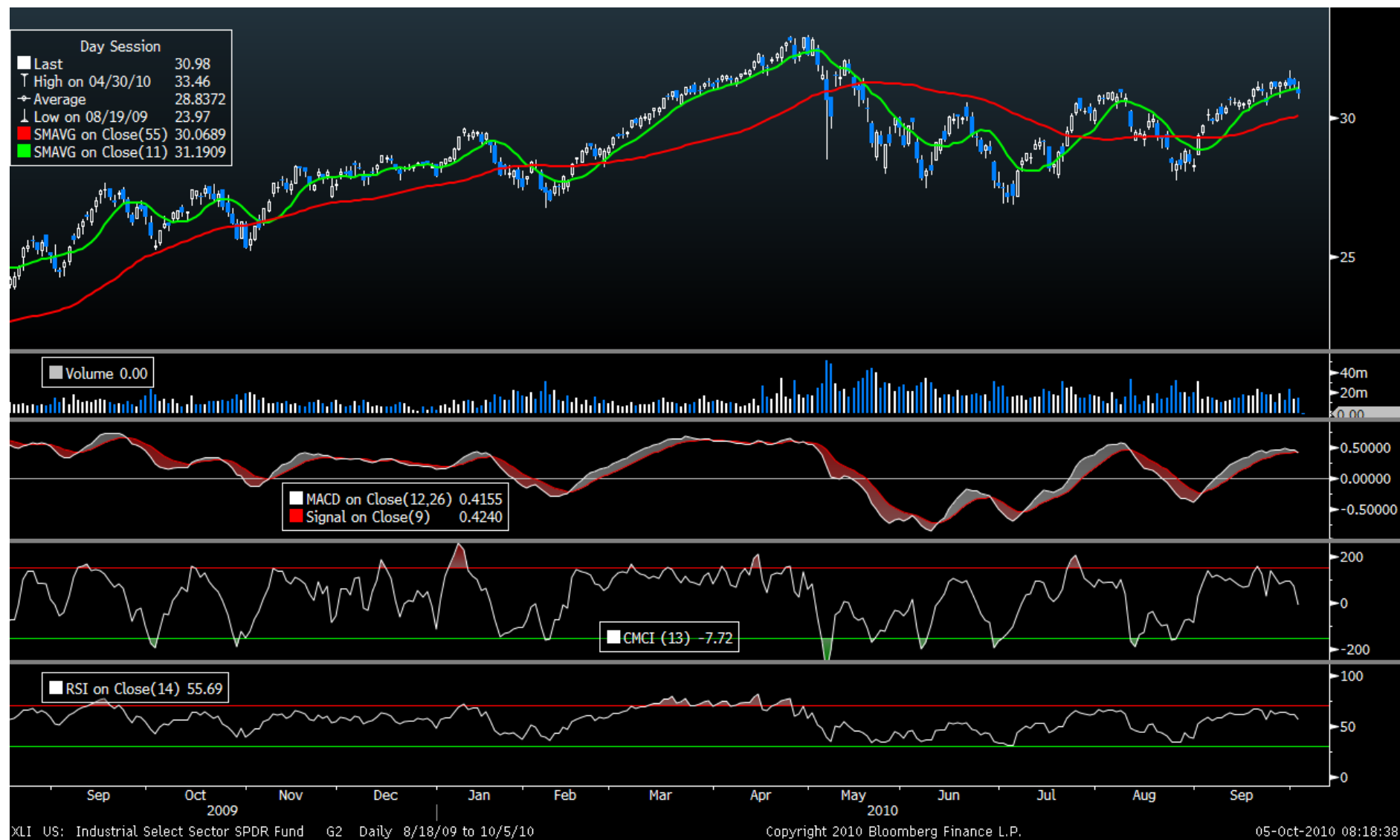
3- EEM – Trend Reversion Analysis – Long Term



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

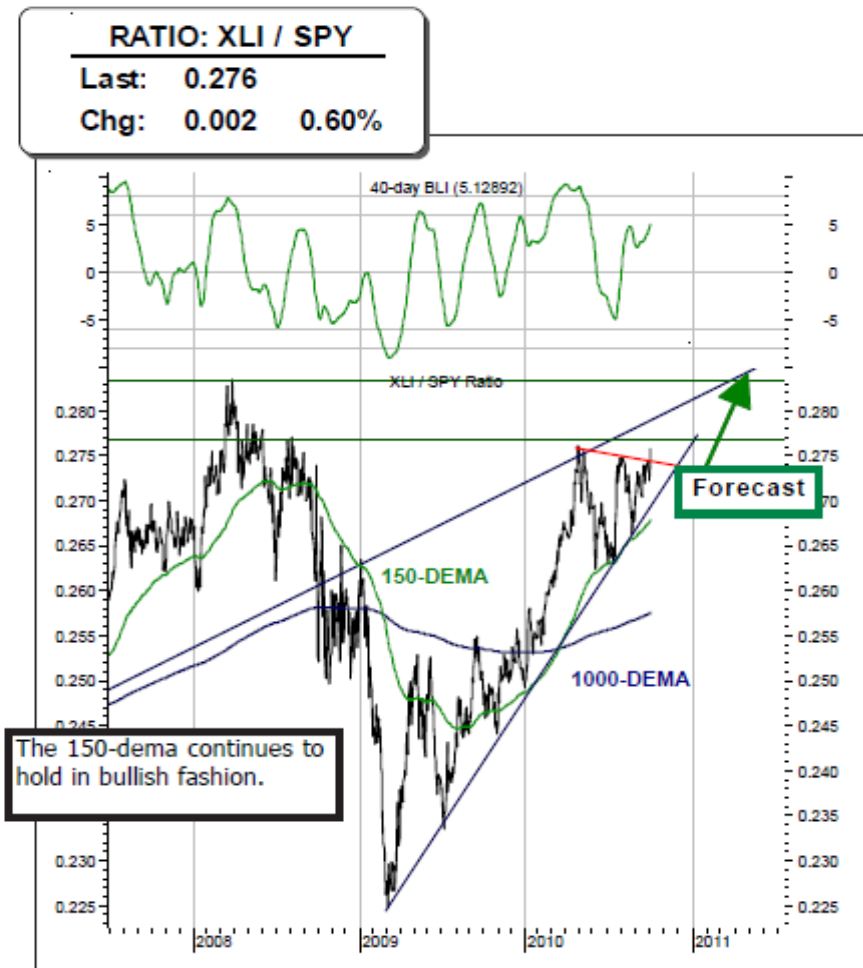


XLI - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

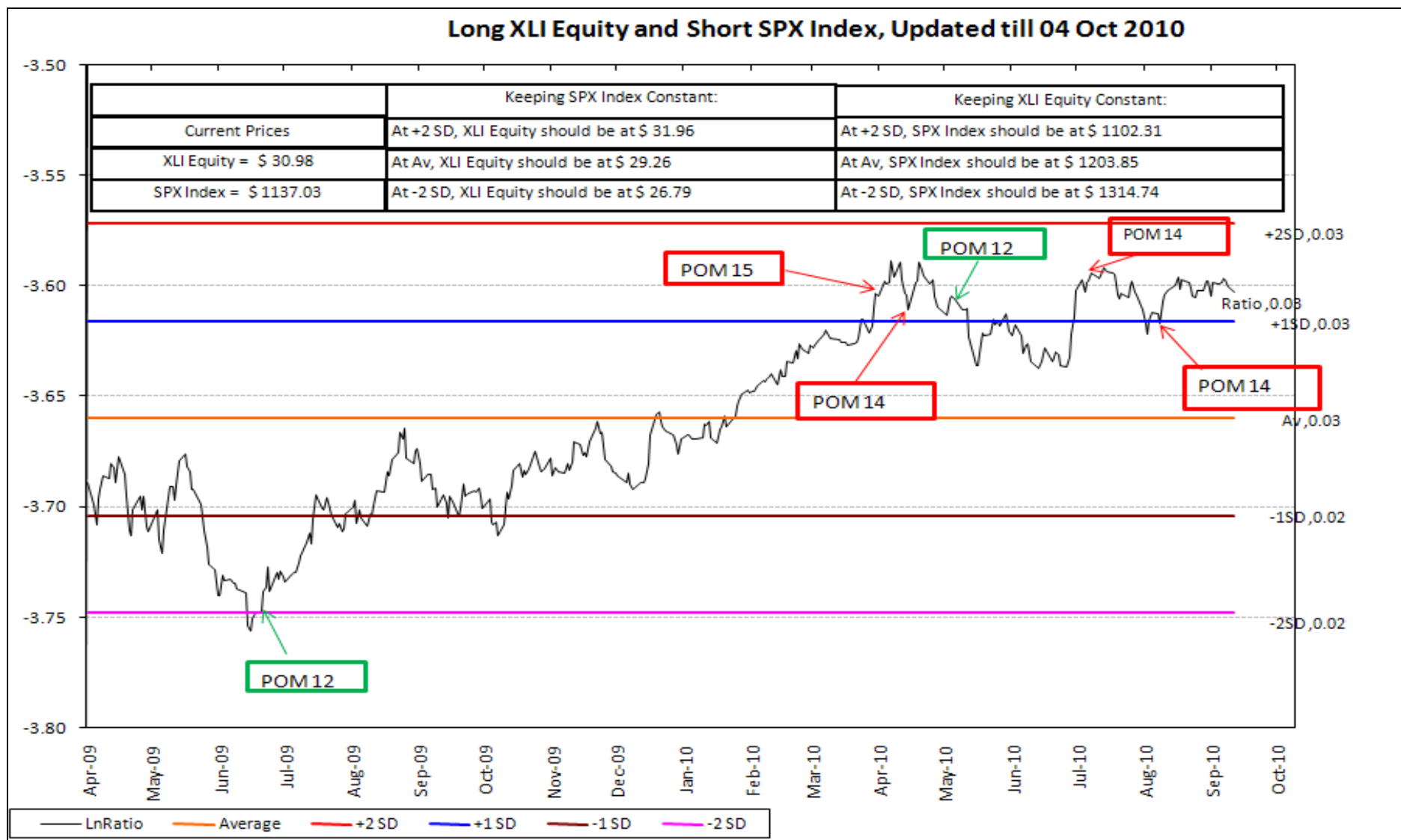


- XLI - Technical & Pattern Analysis - (Process 3)

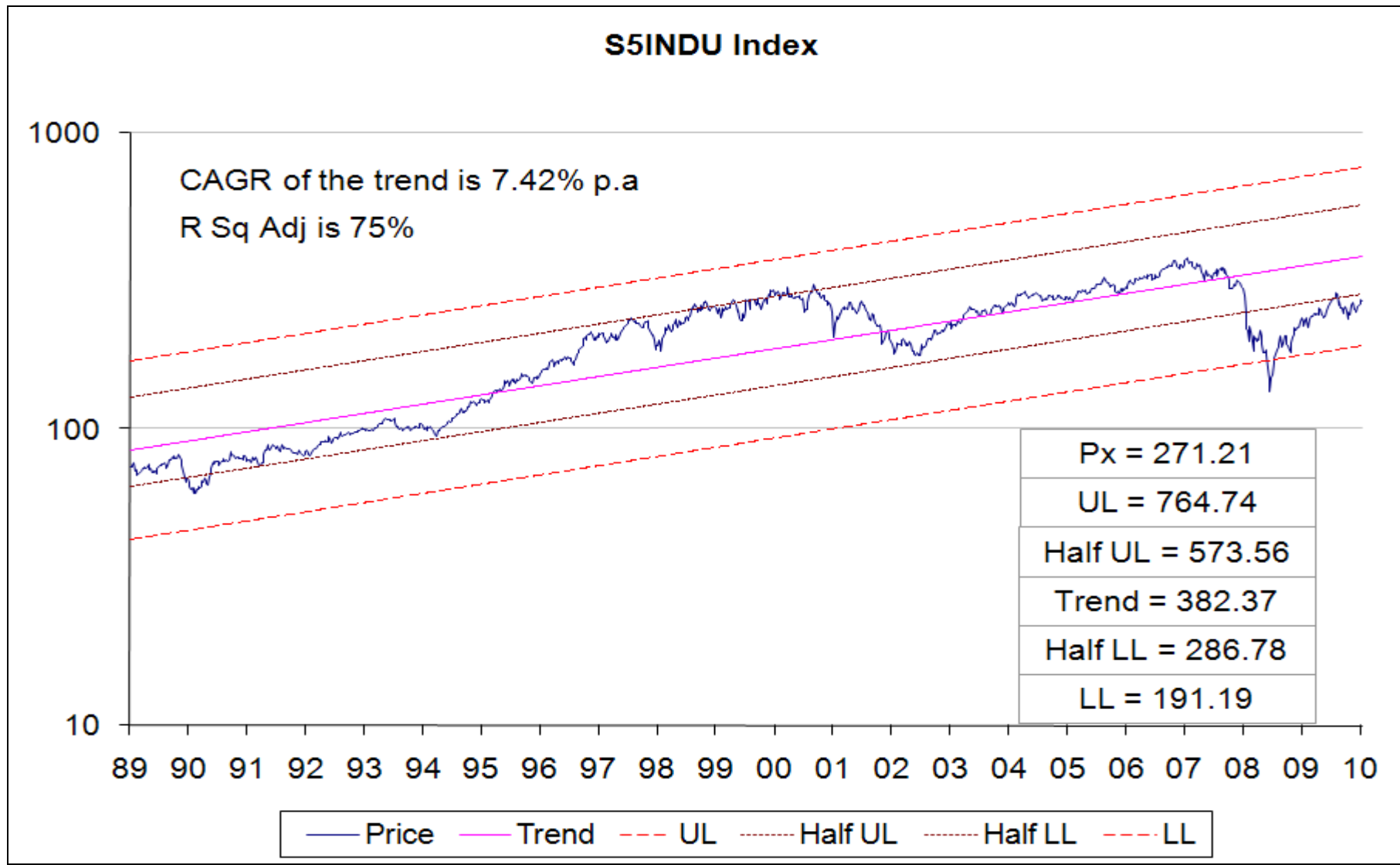
The XLI / SPX ratio chart looks bullish and should still trend higher in RH side chart below, confirms the relative still rise **in XLI / SPX (hence not ready yet)** by this matrix **not in Sync with SD Analysis**.



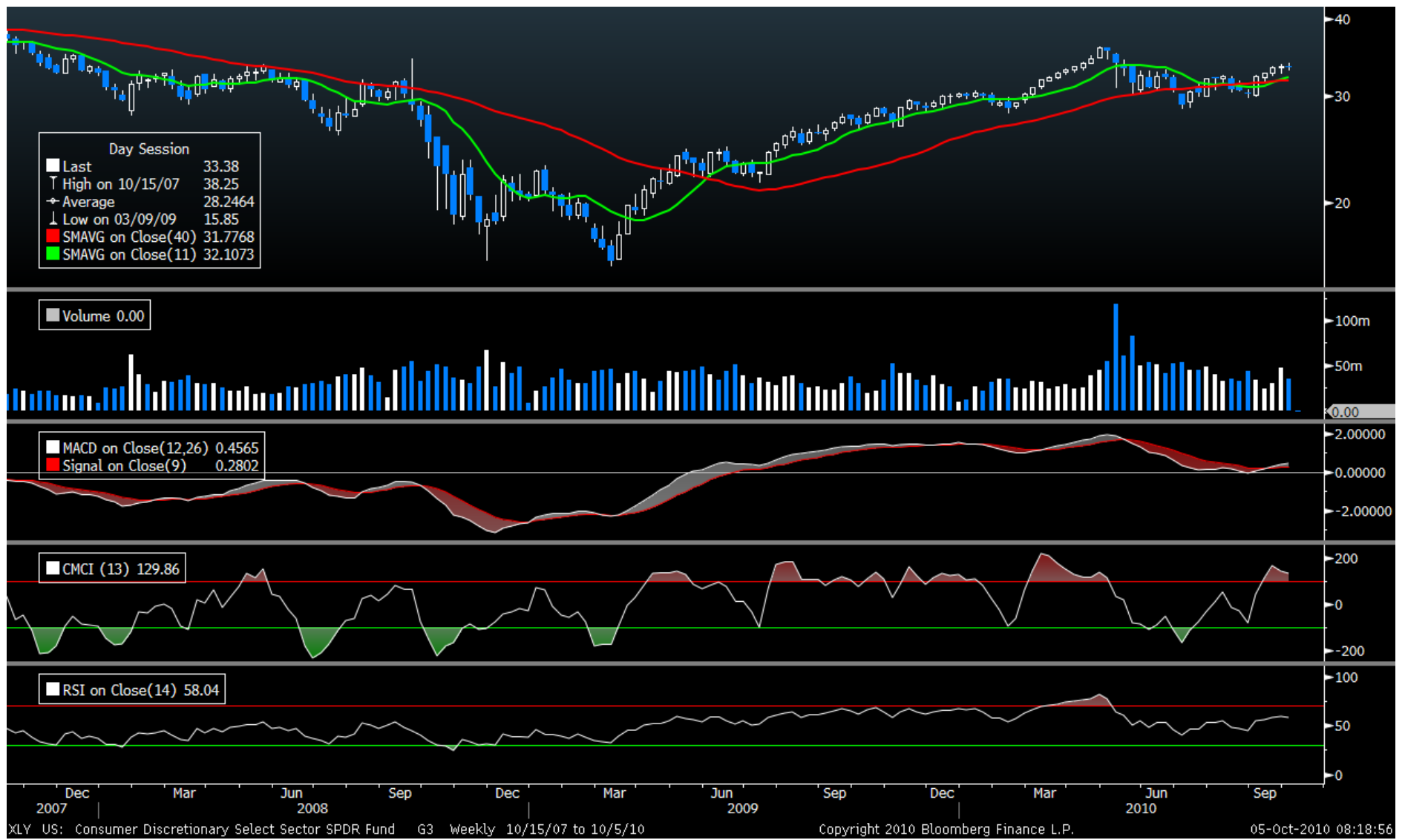
3- XLI – Correlation Ratio Analysis with SPX – 365 days Time basis



4- XLI – Trend Reversion Analysis – Long Term



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

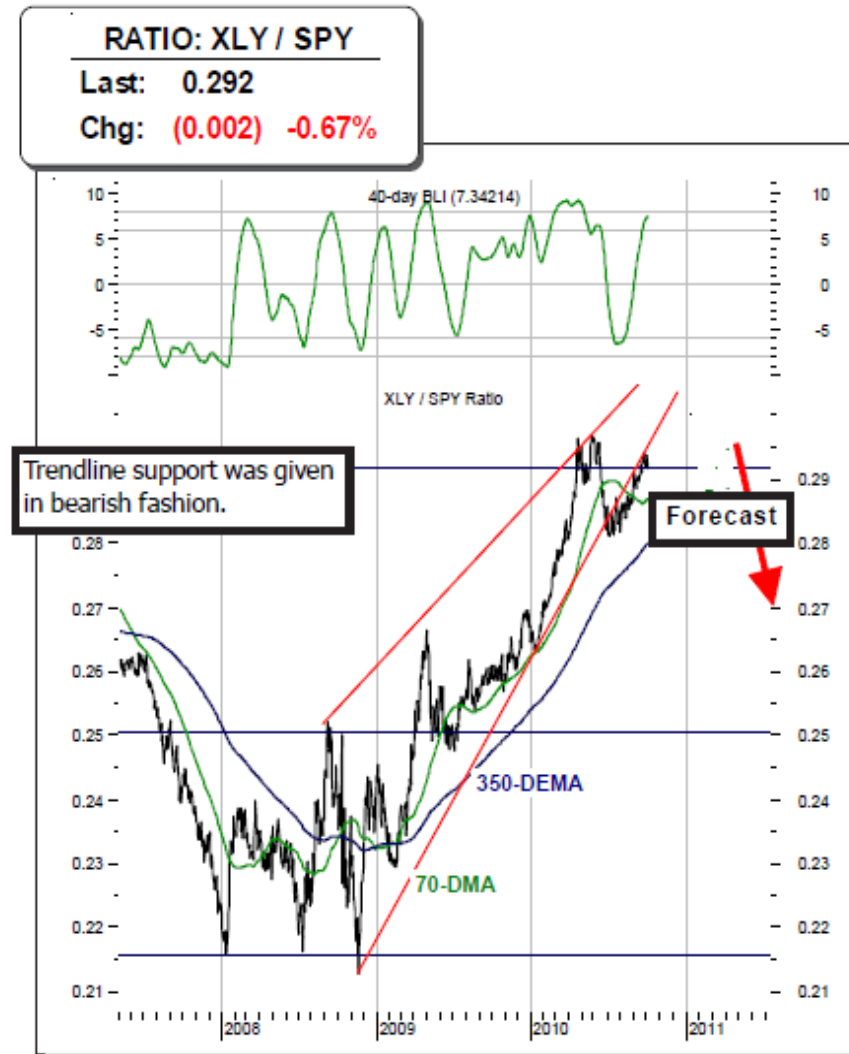
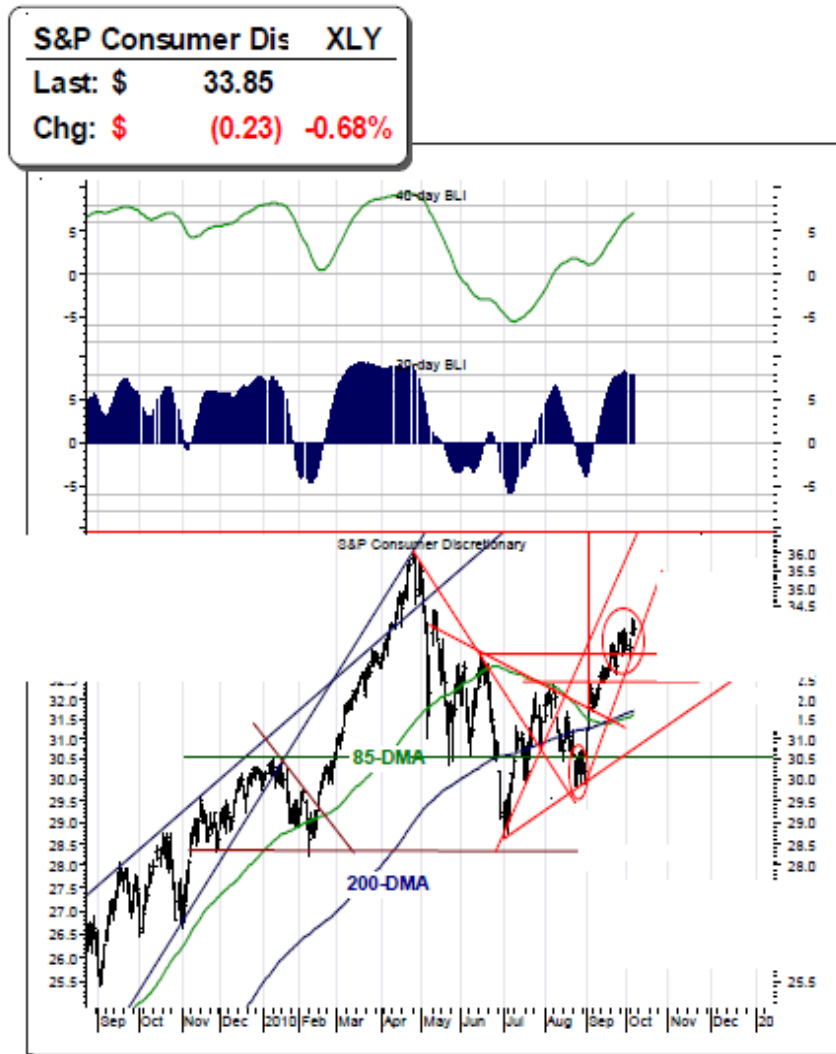


2 - XLY Daily – 3 Year with RSI, CCI, MACD (11D / 55D) SMA



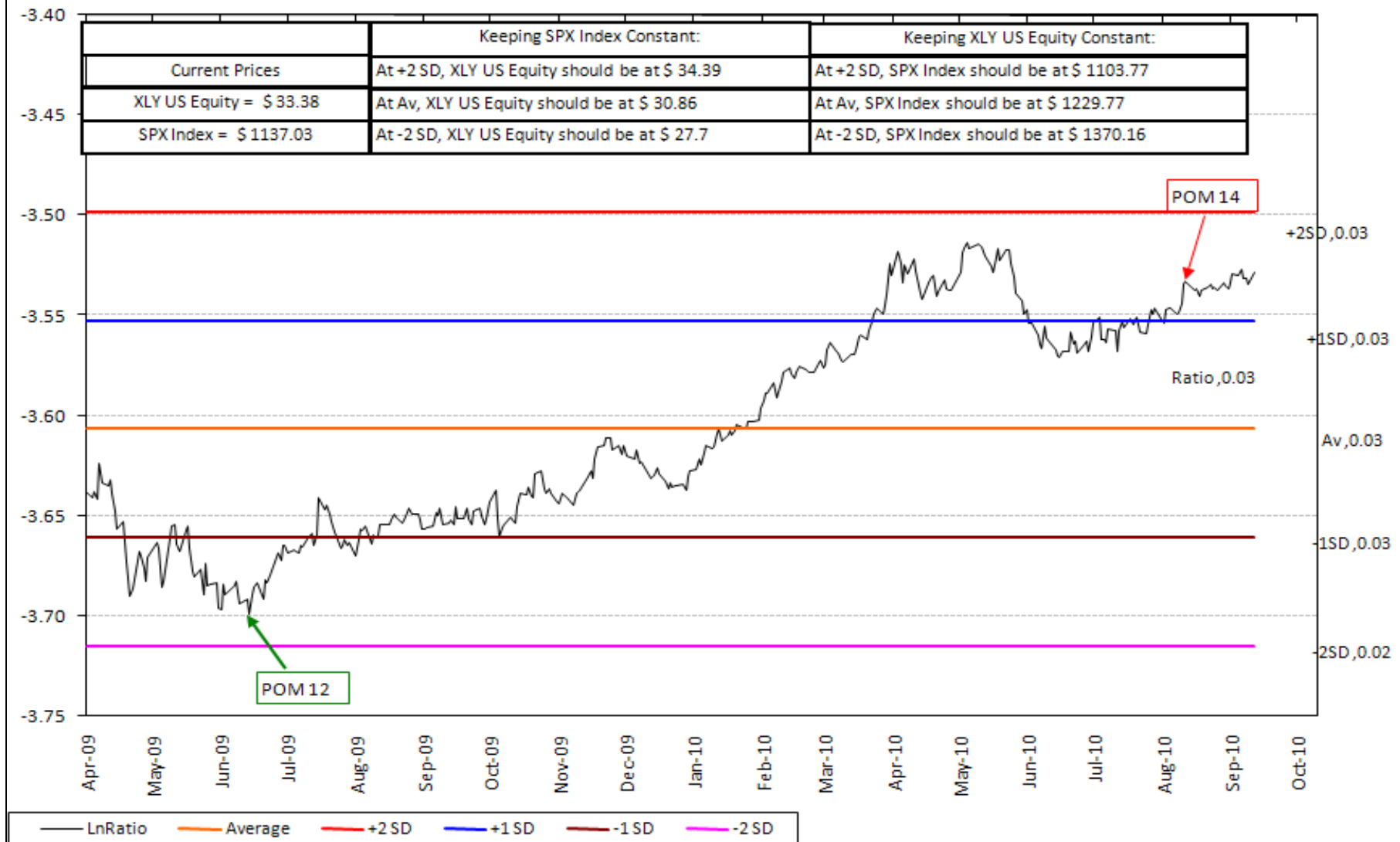
- XLY - Technical & Pattern Analysis - (Process 3)

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.

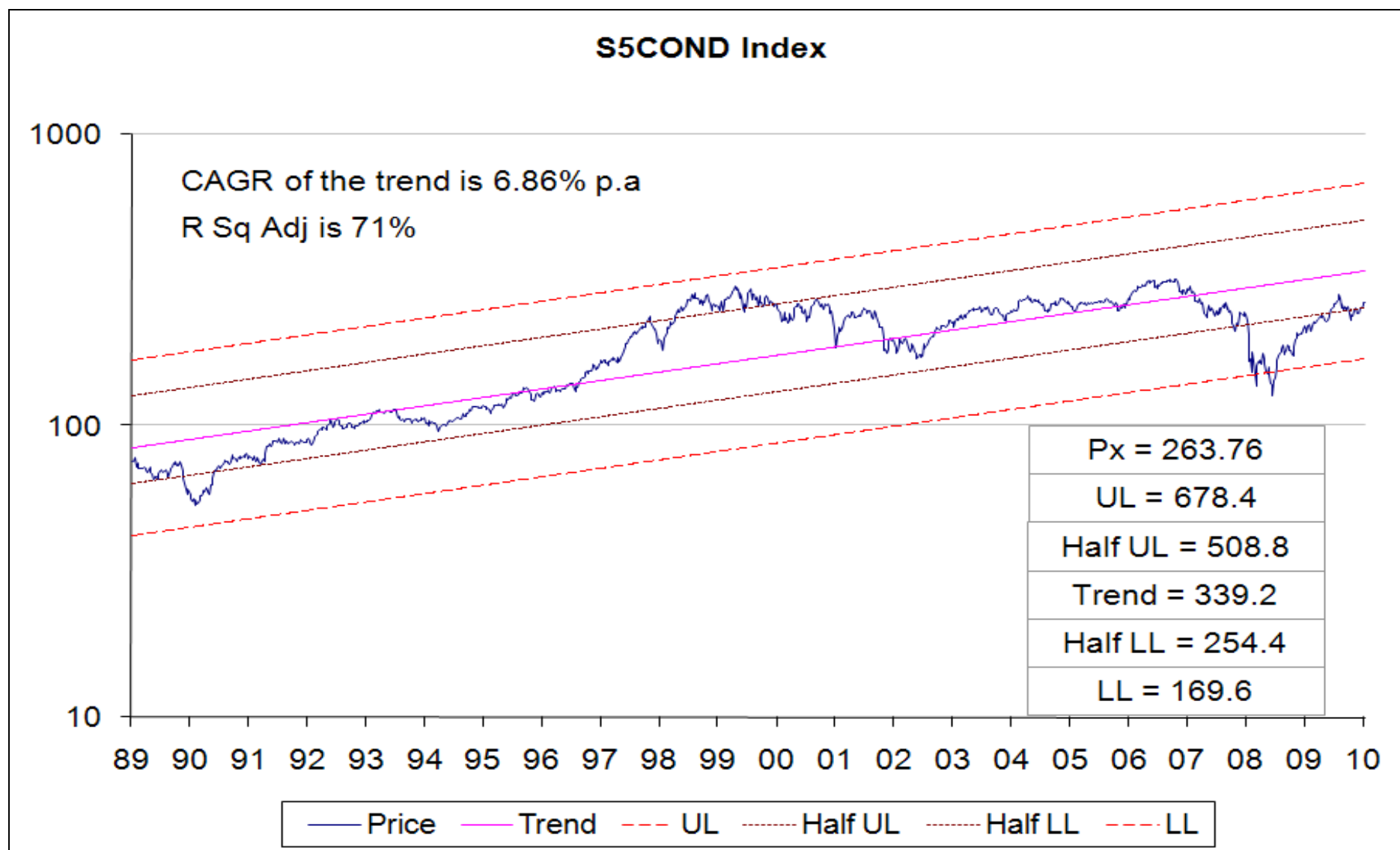


1- XLY – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLY US Equity and Short SPX Index, Updated till 04 Oct 2010

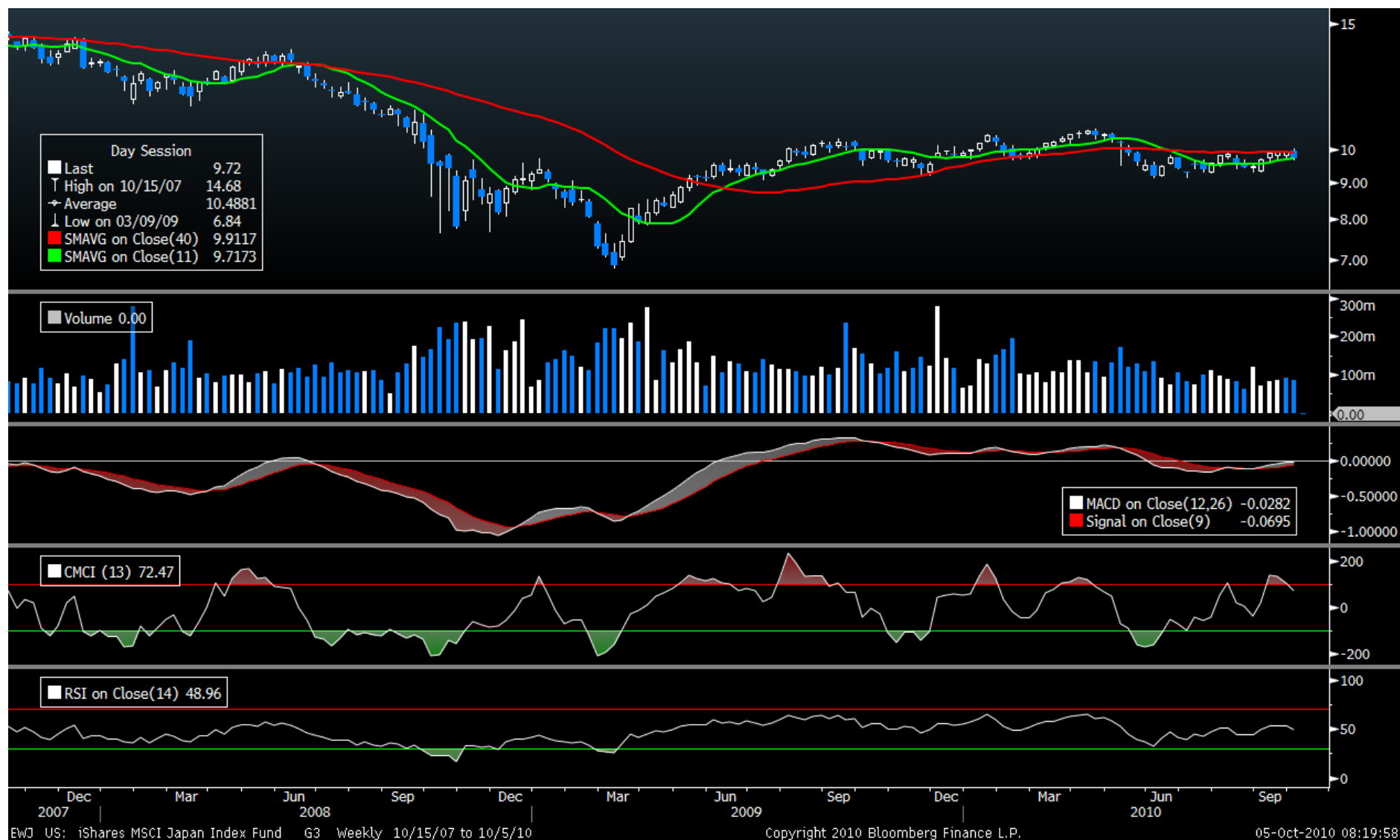


2- XLY – Trend Reversion Analysis – Long Term -



EWJ Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

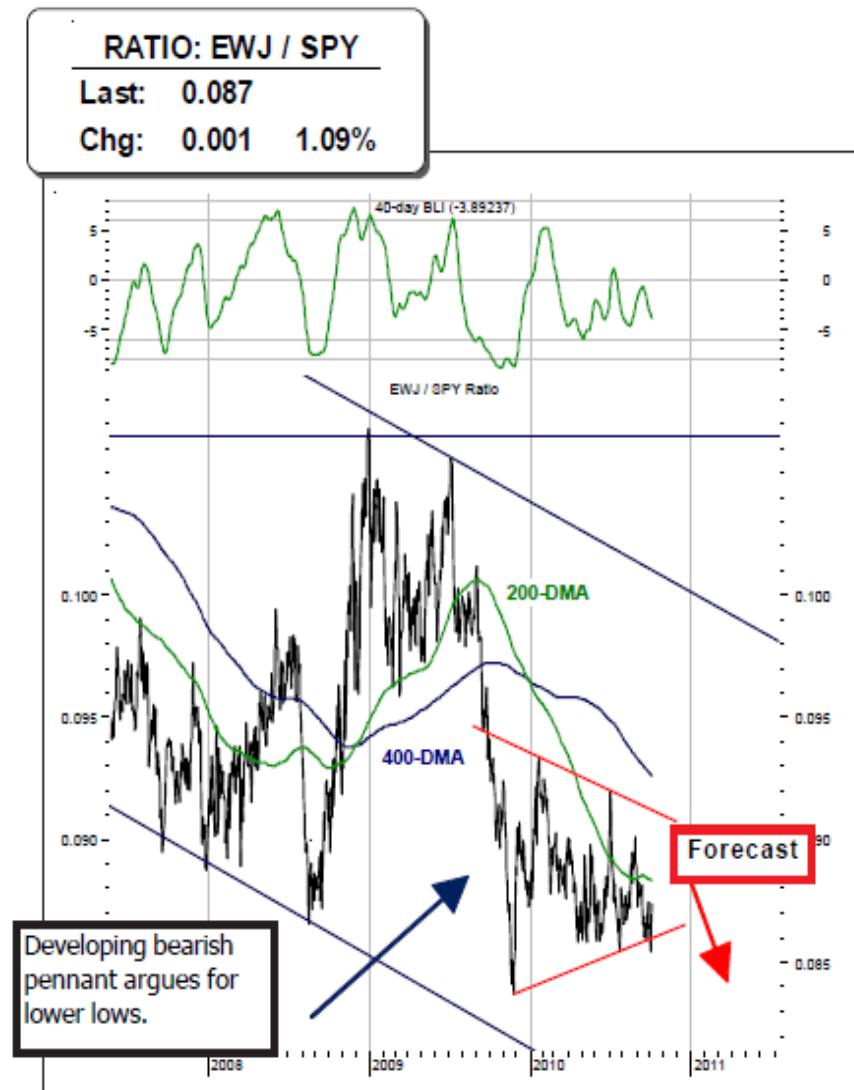


EWJ Daily – 3 Year with RSI, CCI, MACD (11D / 55D)

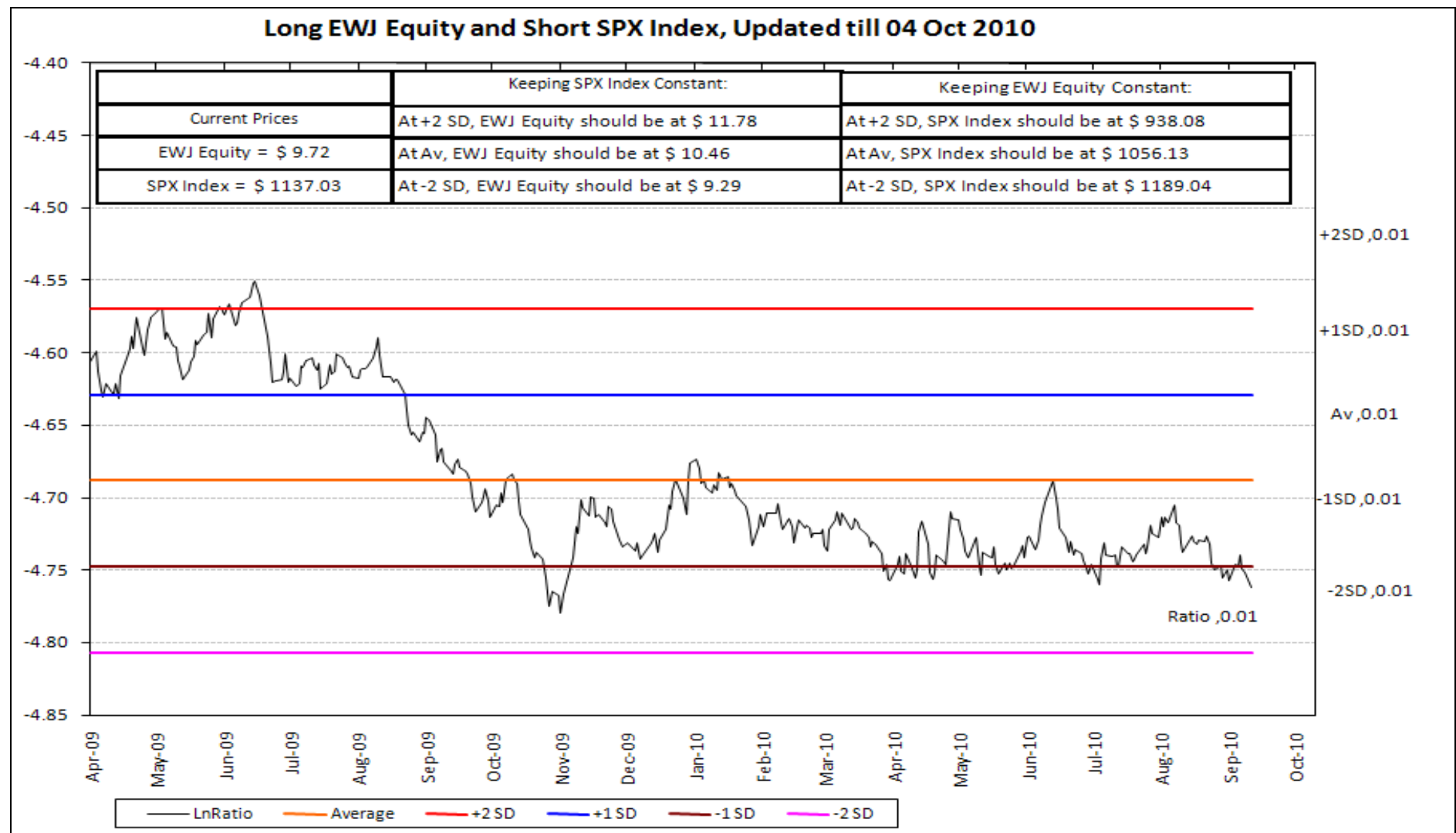


2 – EWJ- Technical & Pattern Analysis - (Process 3)

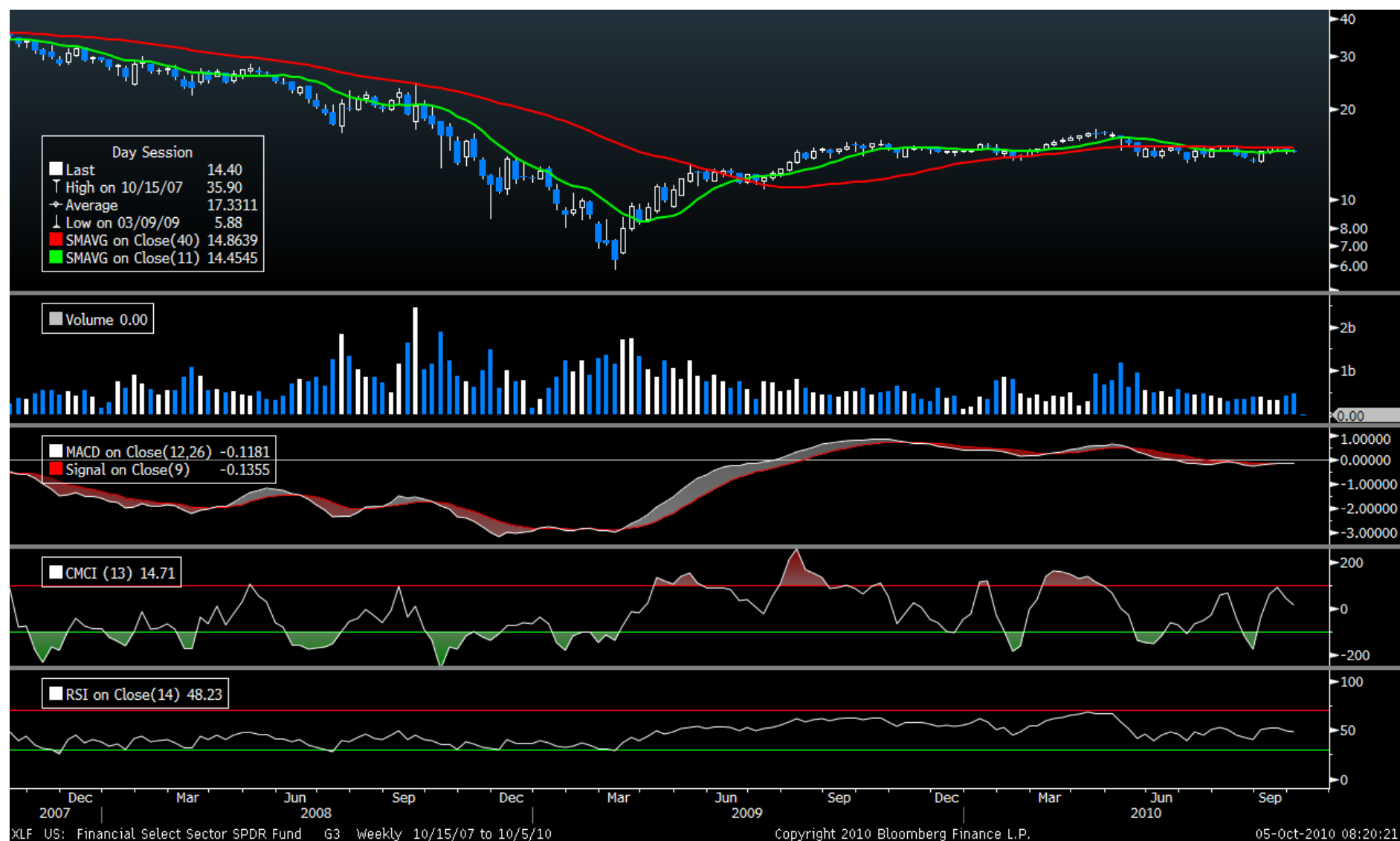
The EWJ / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall **in EWJ / SPX (hence still way to go)** by this matrix **NOT** in Sync with SD Analysis.



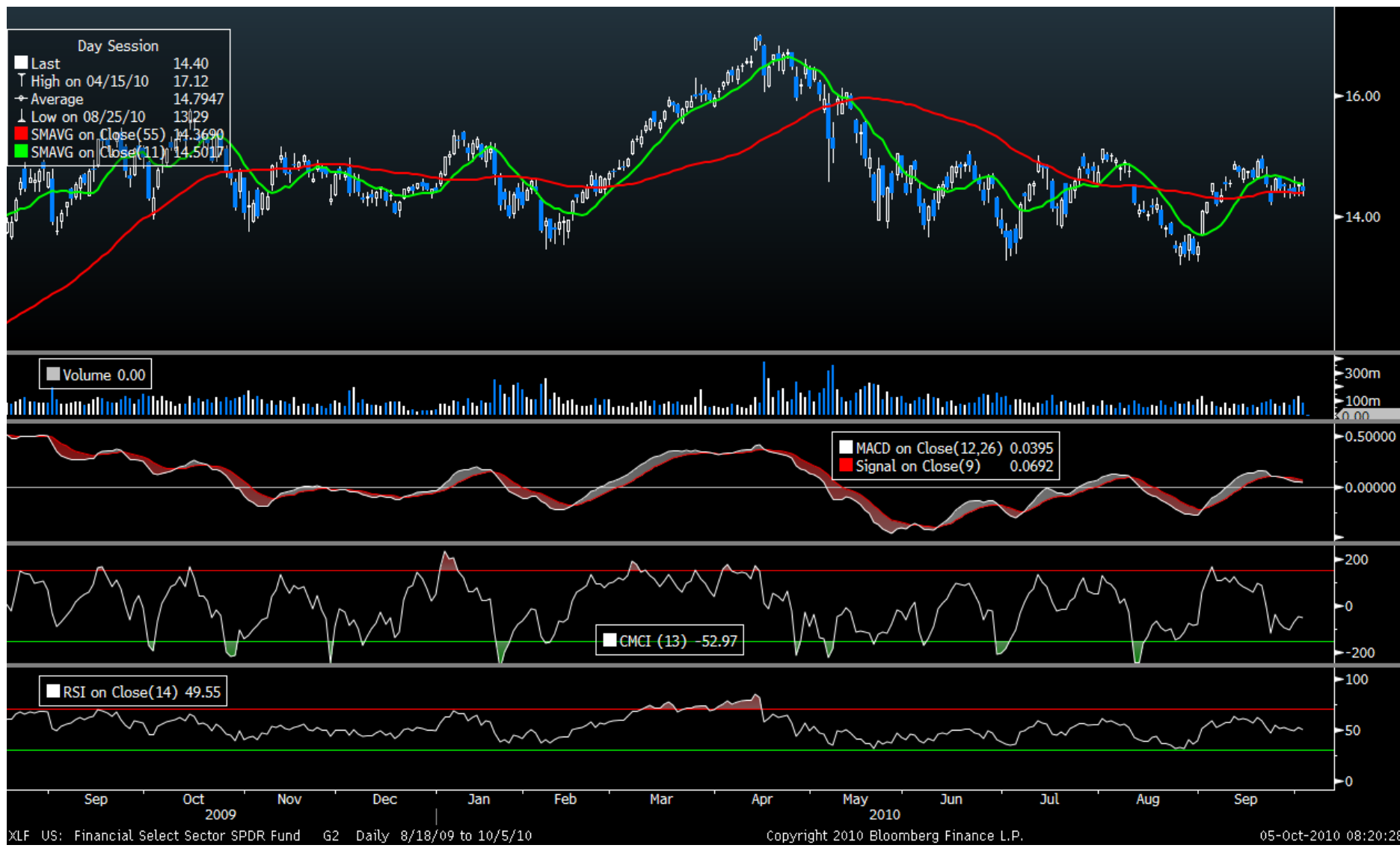
EWJ – Correlation Ratio Analysis with SPX – 365 days Time basis



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

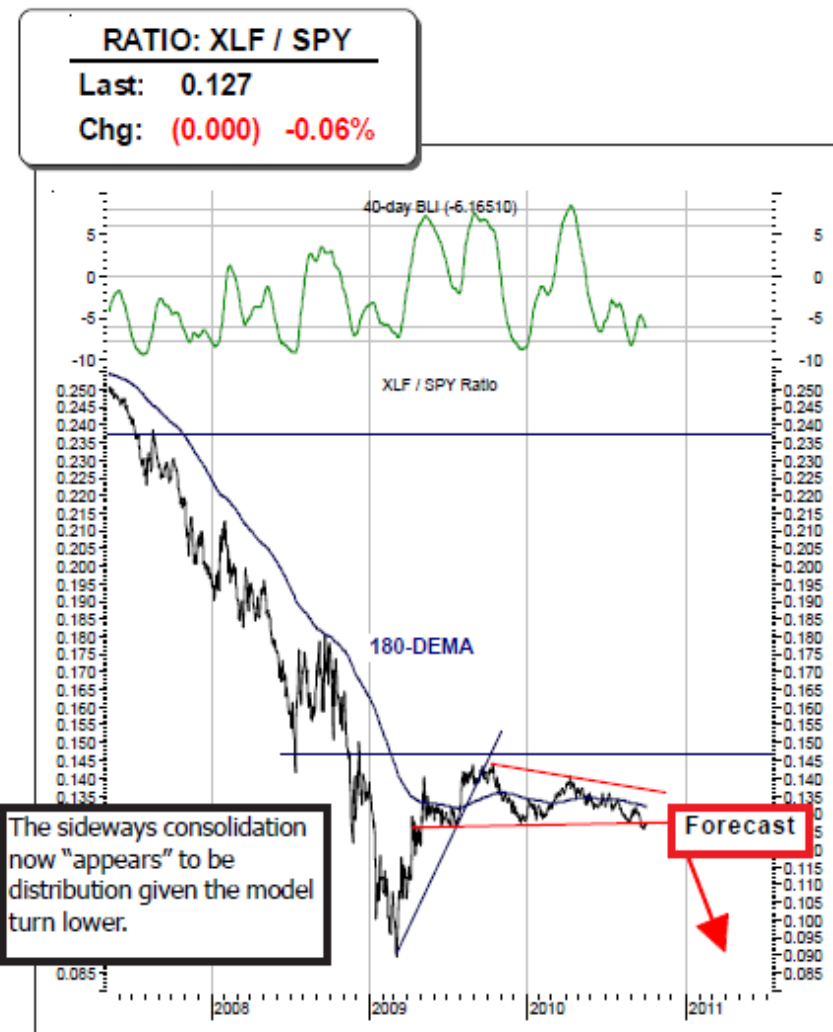
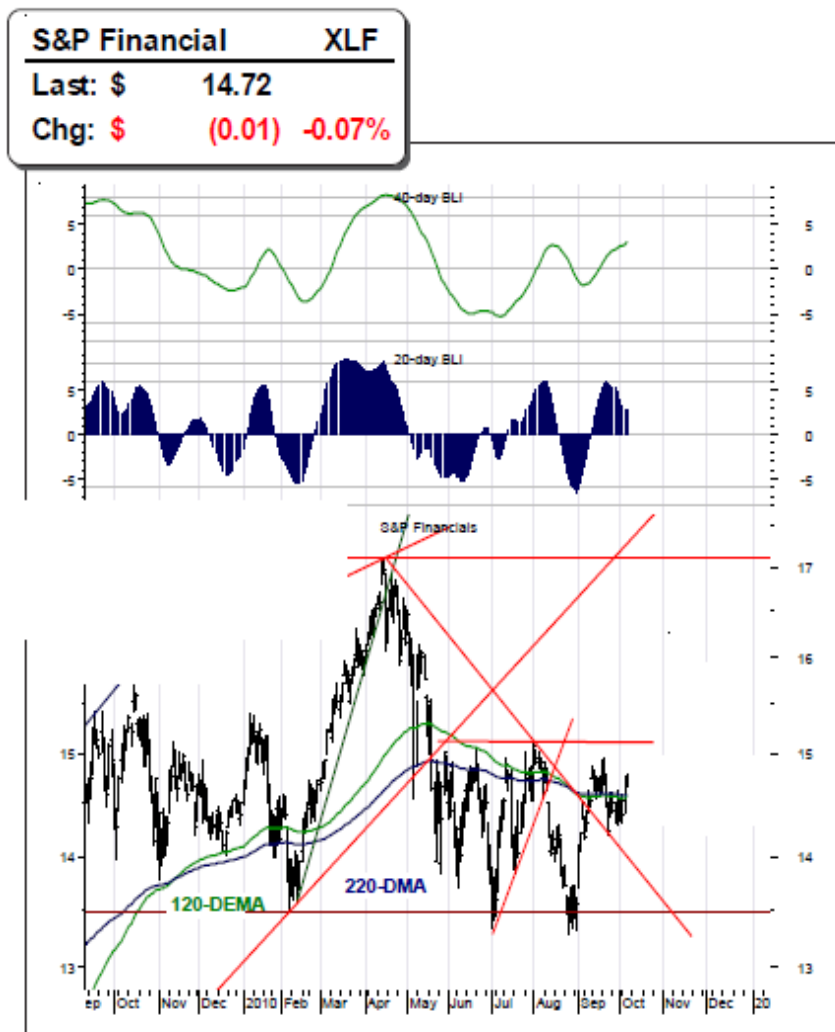


XLF Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



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

The XLF / SPX ratio chart looks BEARISH and should trend down in RH side chart below to confirm the rise in XLF / SPX (hence overvalued) by this matrix in NOT Sync with SD Analysis.



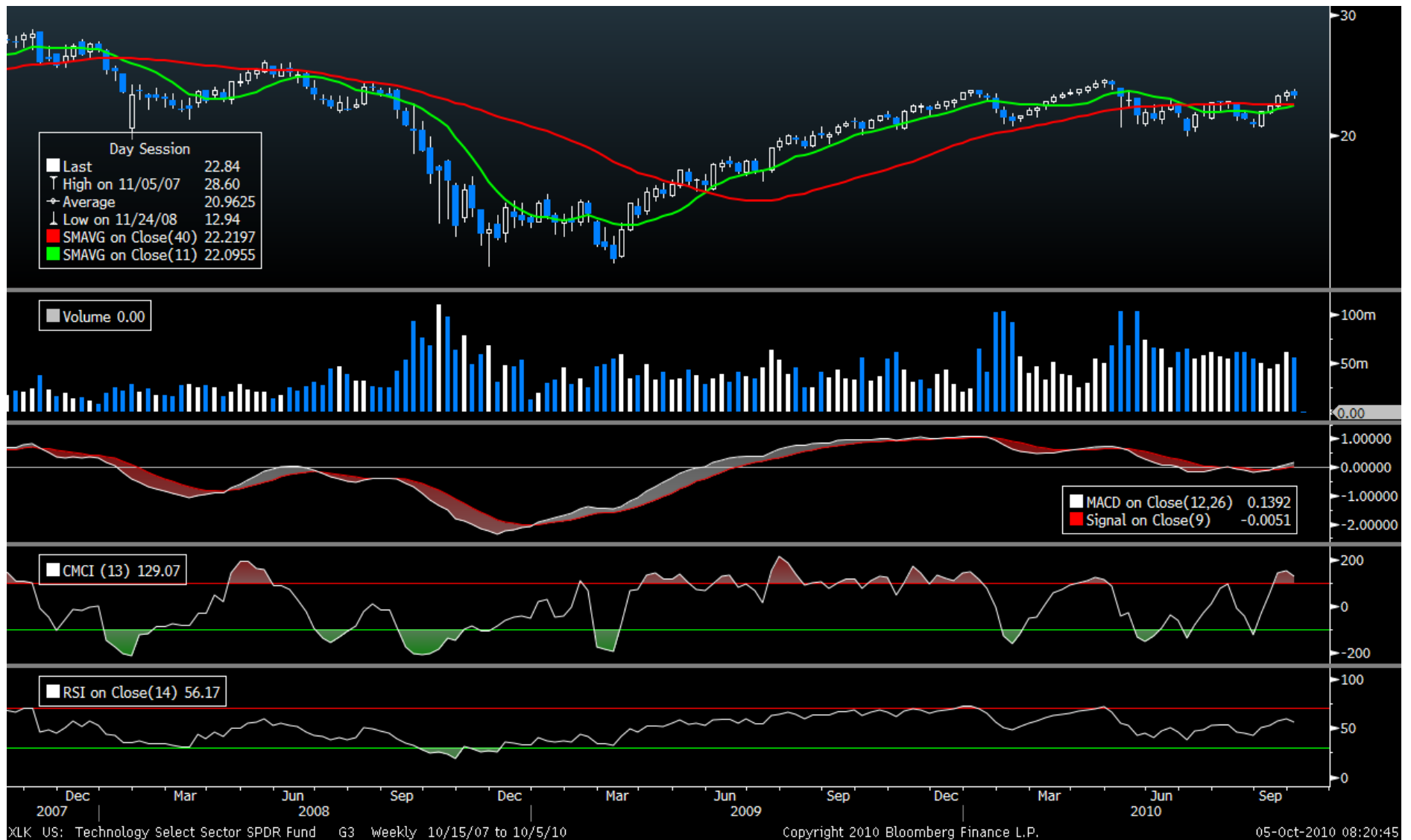
XLF – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLF US Equity and Short SPX Index, Updated till 04 Oct 2010

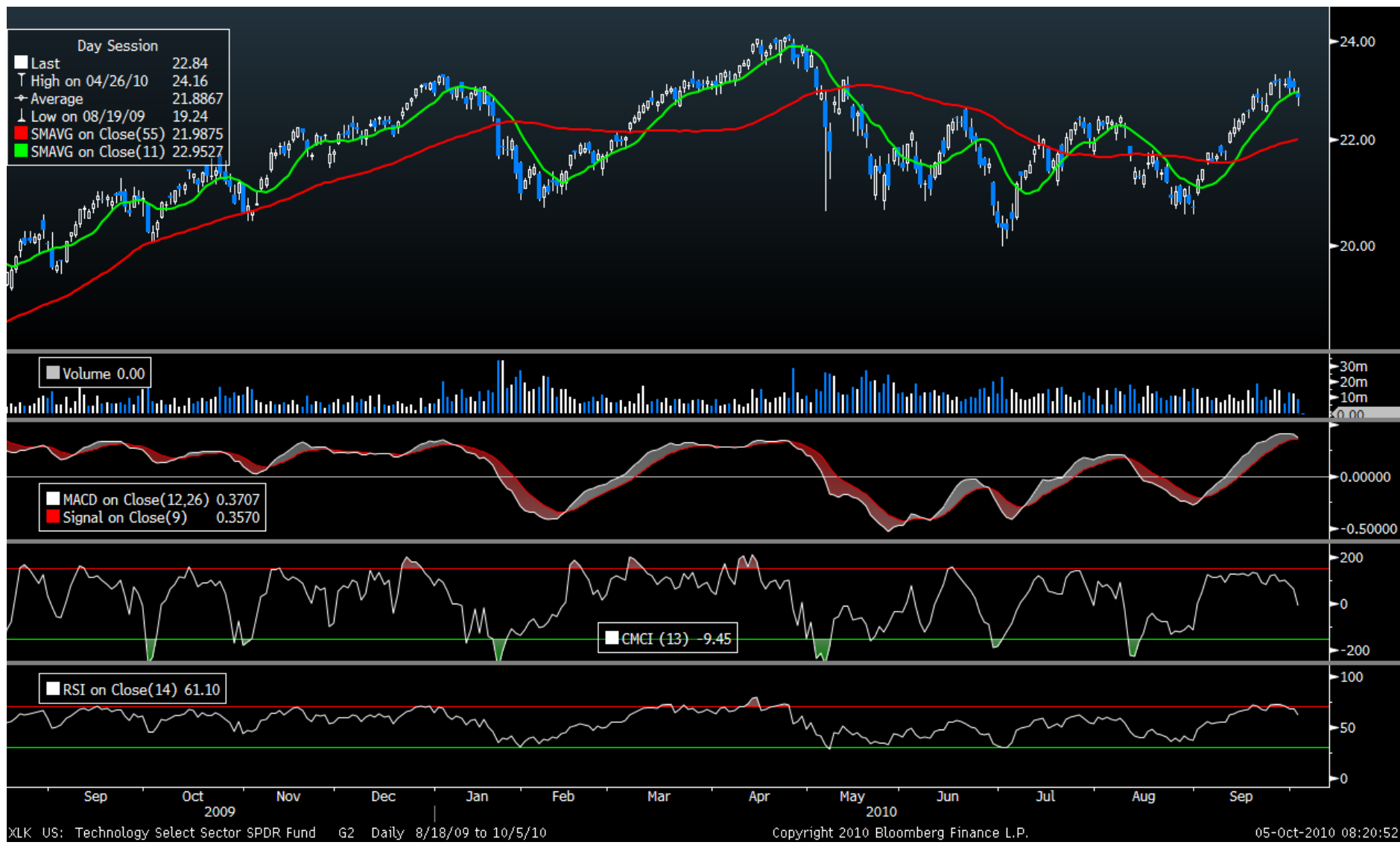


1 XLK Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

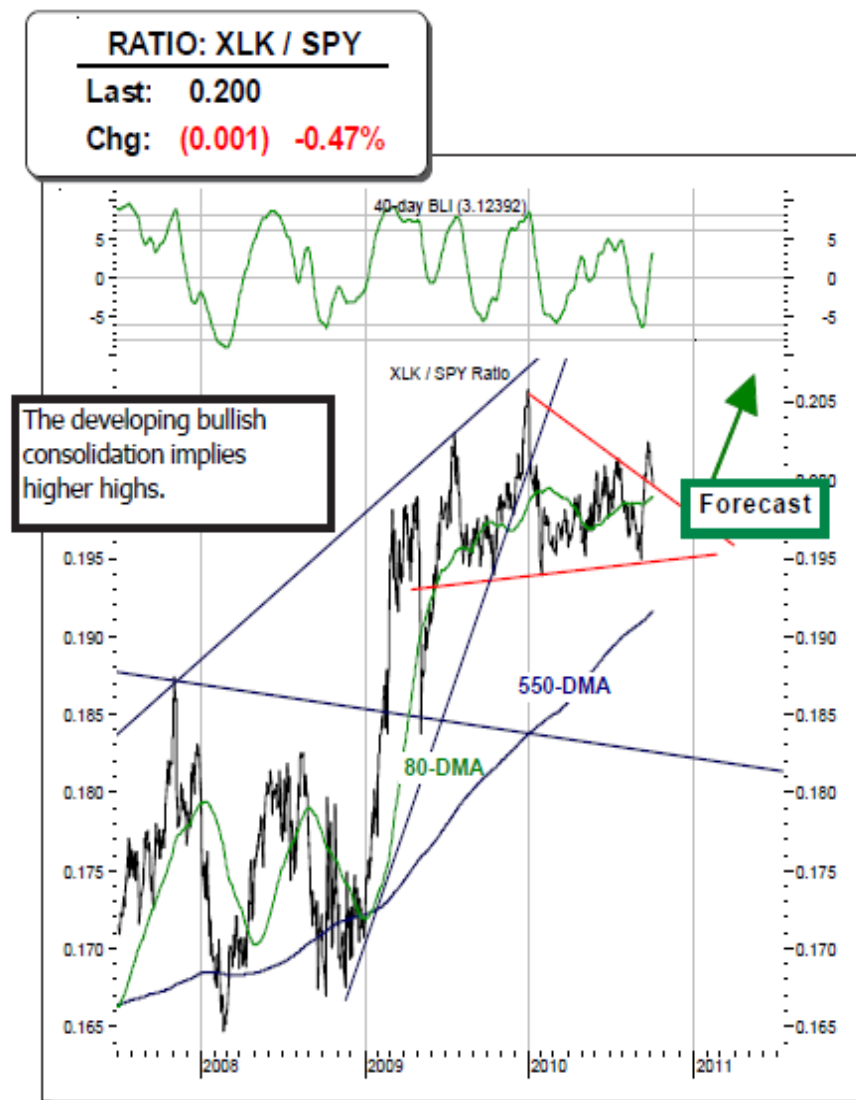
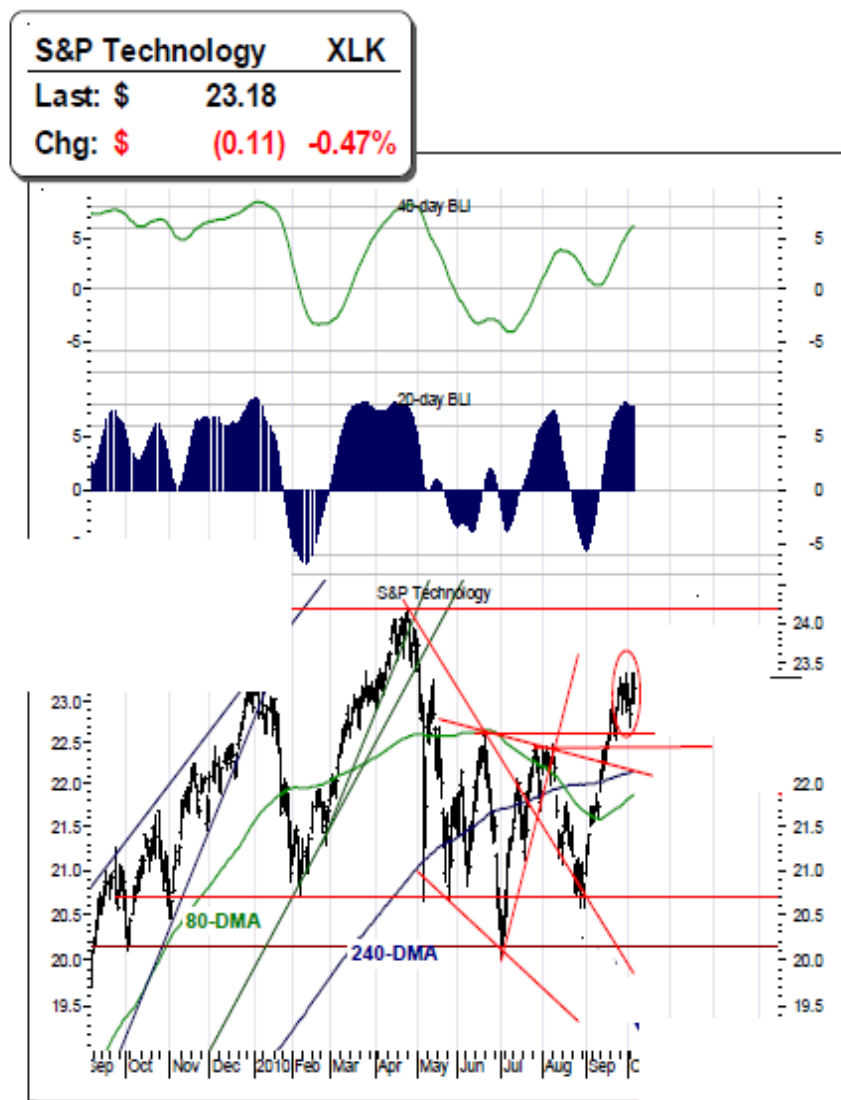


XLK Daily – 3 Year with RSI, CCI, MACD **(11D / 55D)**

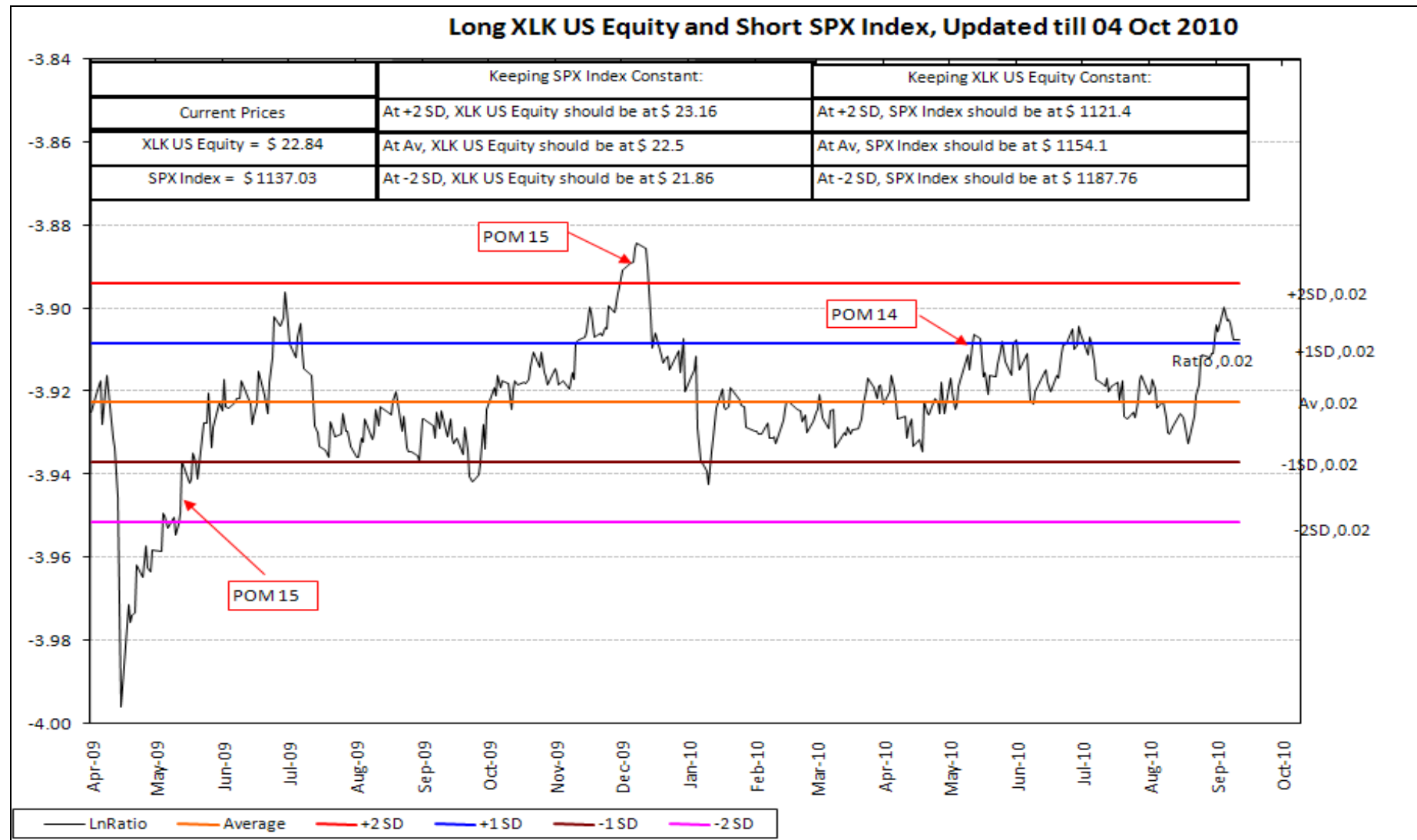


2 – XLK- Technical & Pattern Analysis - (Process 3)

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.

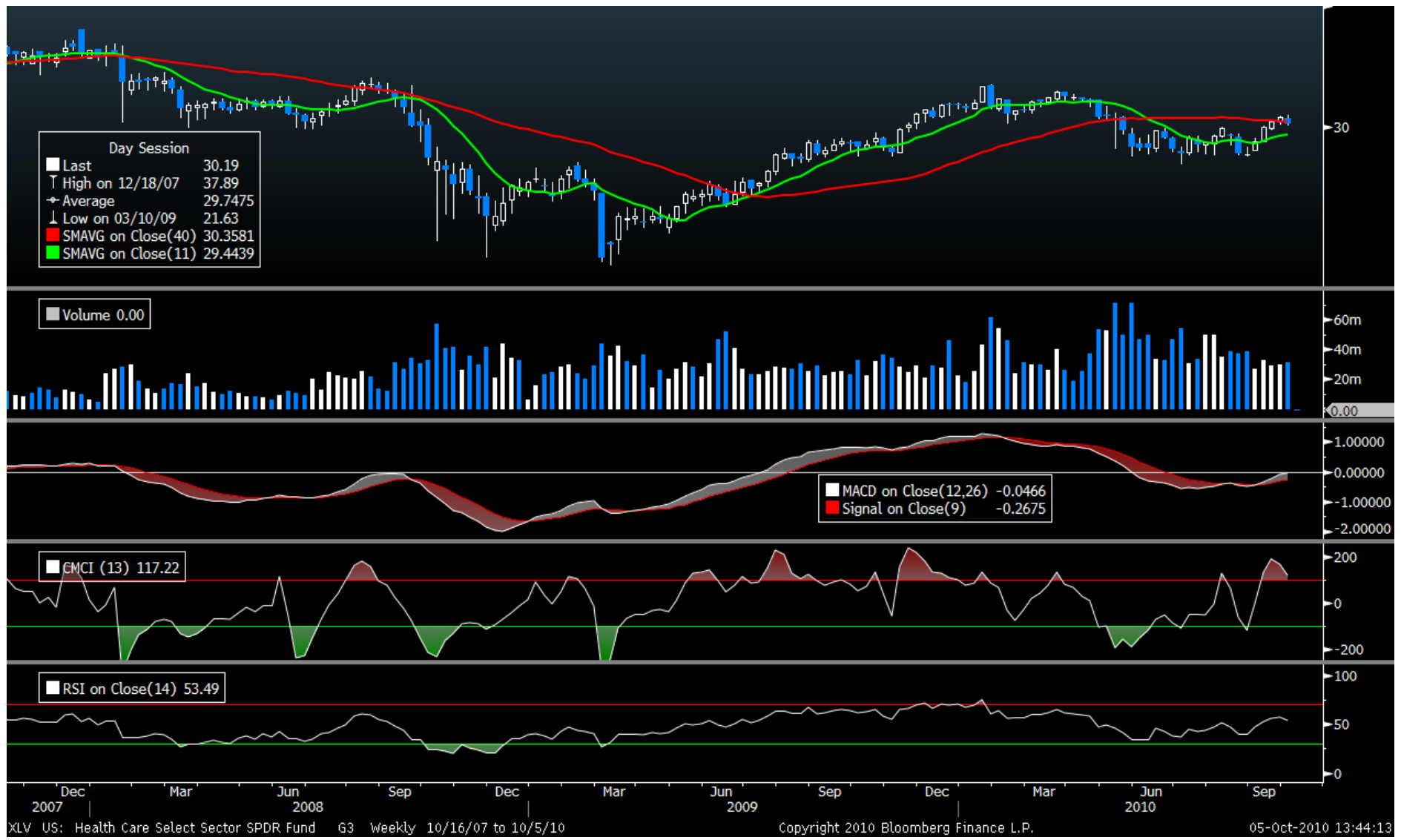


XLK – Correlation Ratio Analysis with SPX – 365 days Time basis

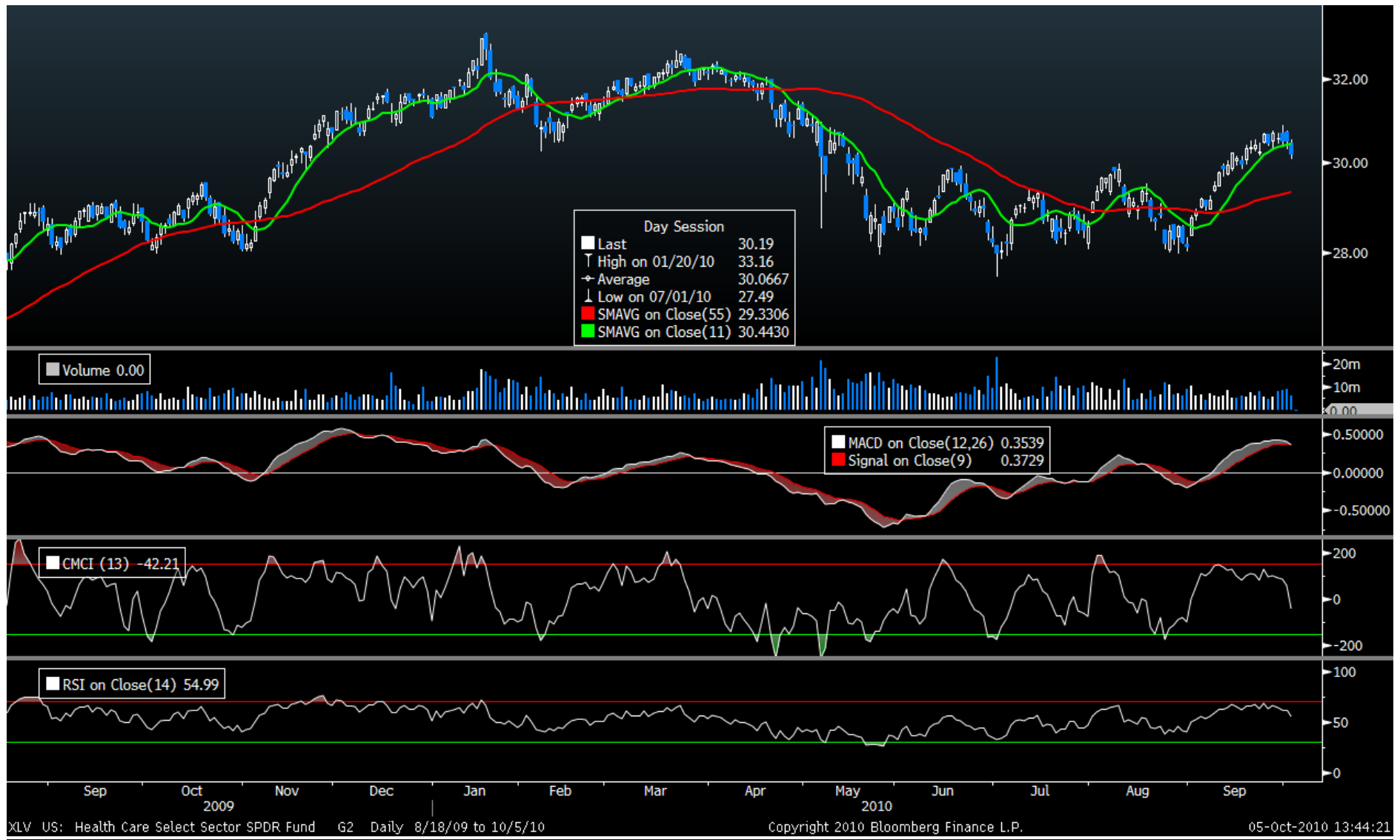


1-XLV- Weekly- 3 Year with RSI, CCI, MACD

a. / 40 W SMA

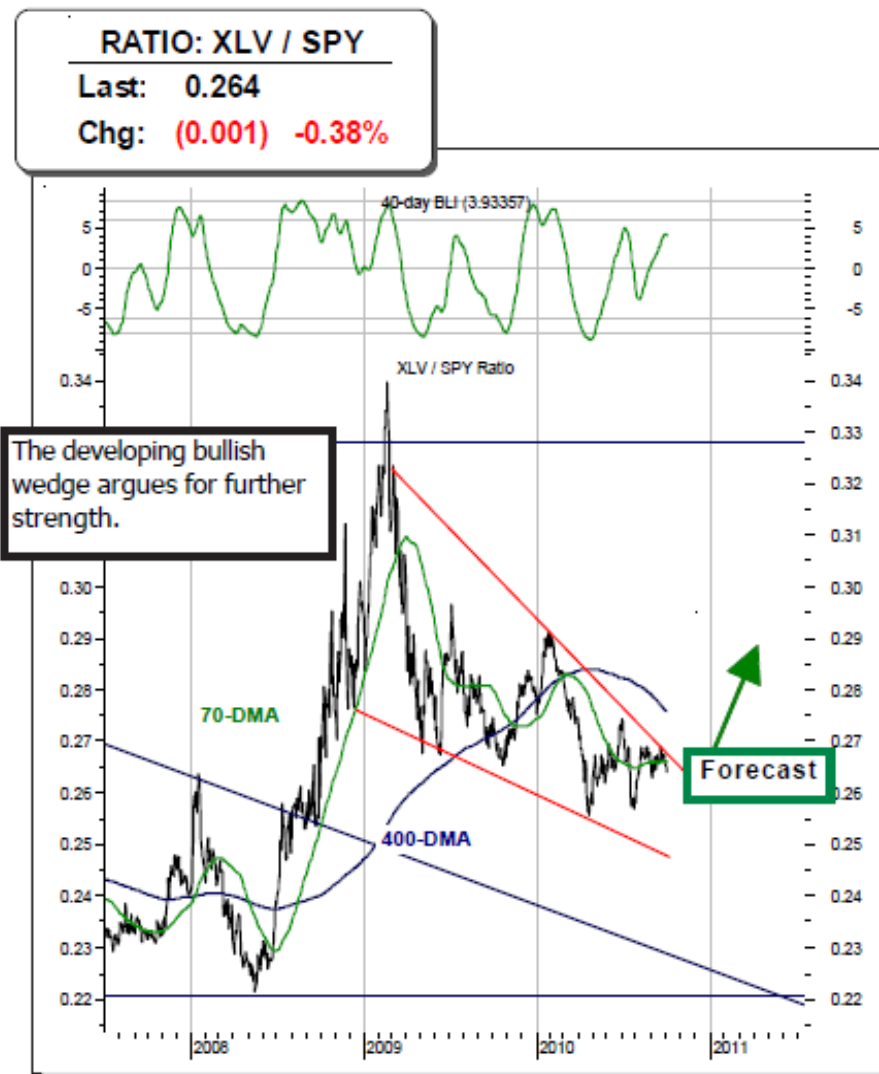
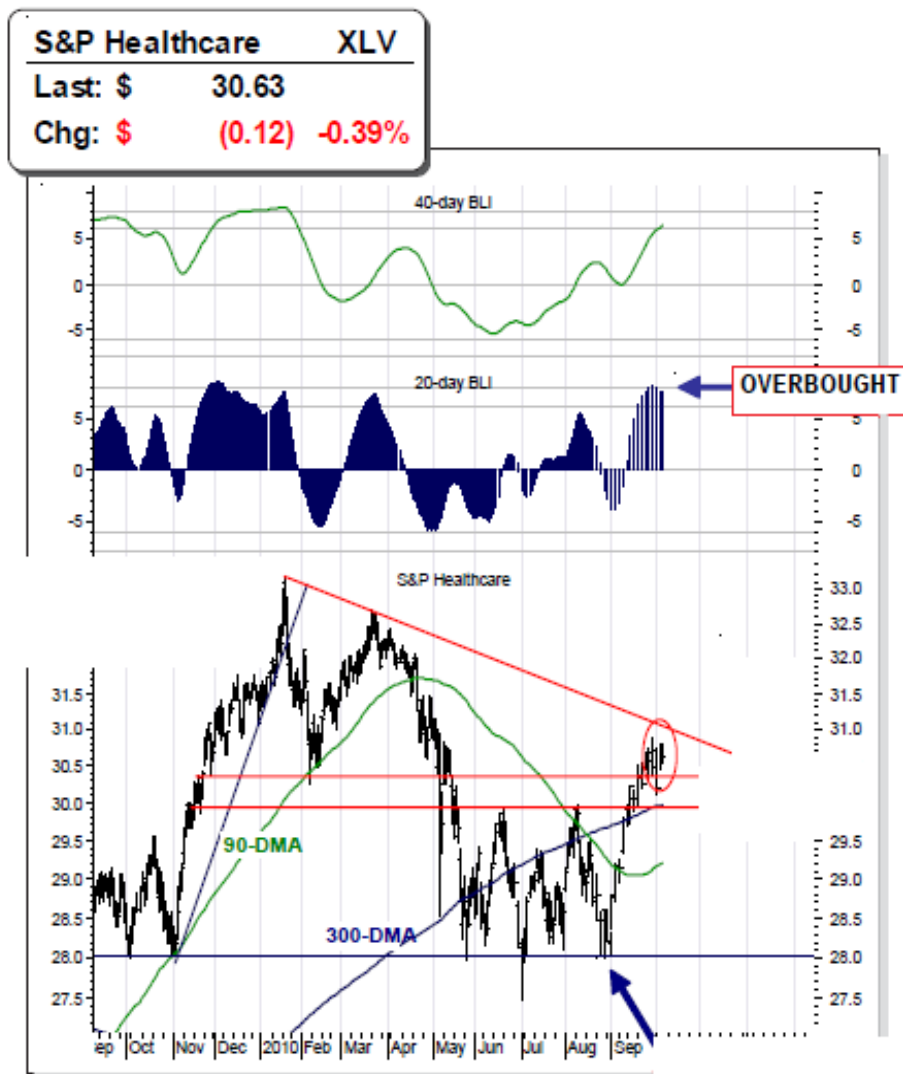


- XLV - Daily - 3 Year with RSI, CCI, MACD
(11D / 55D)

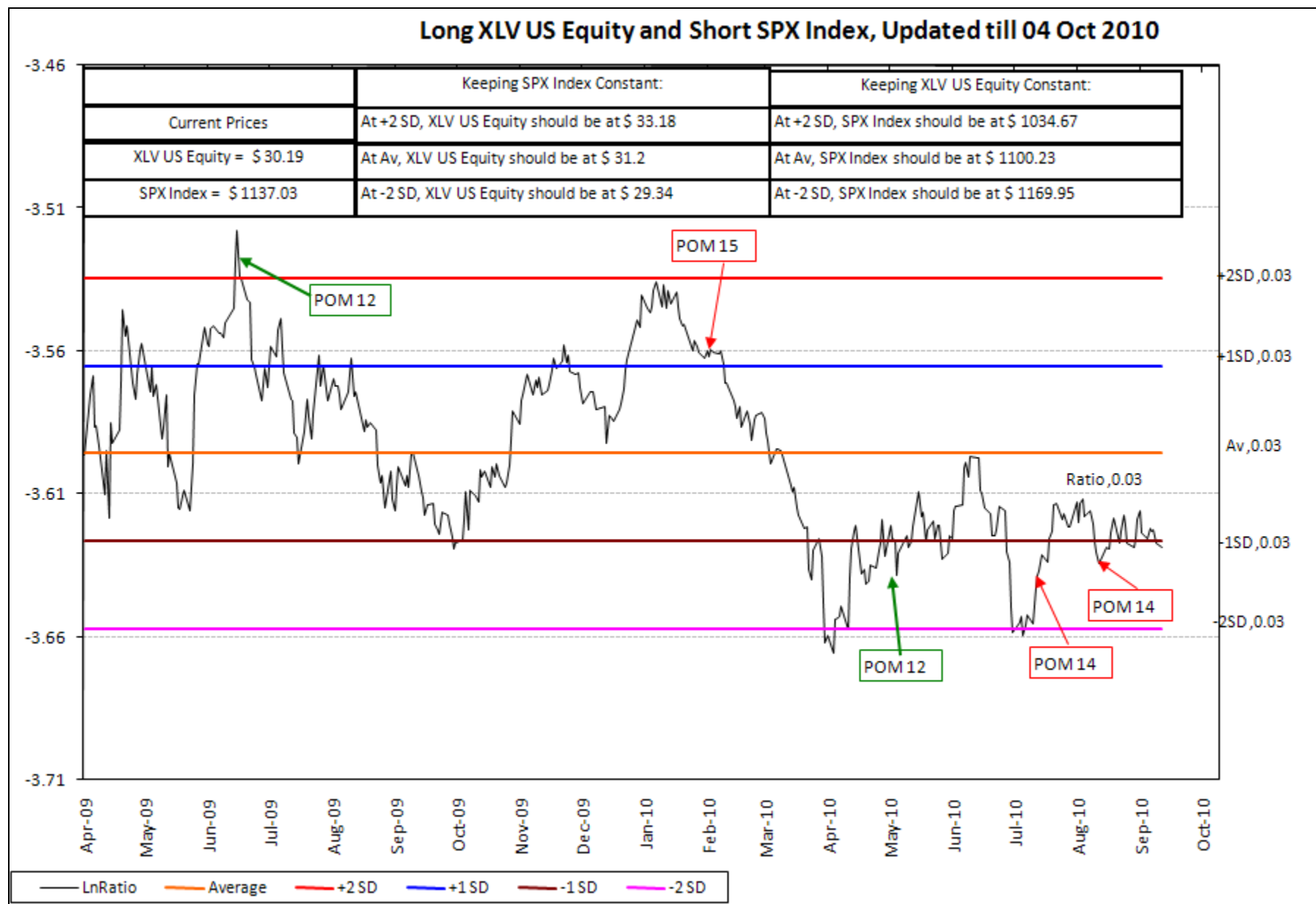


XLV – Technical & Pattern Analysis (Process 3)

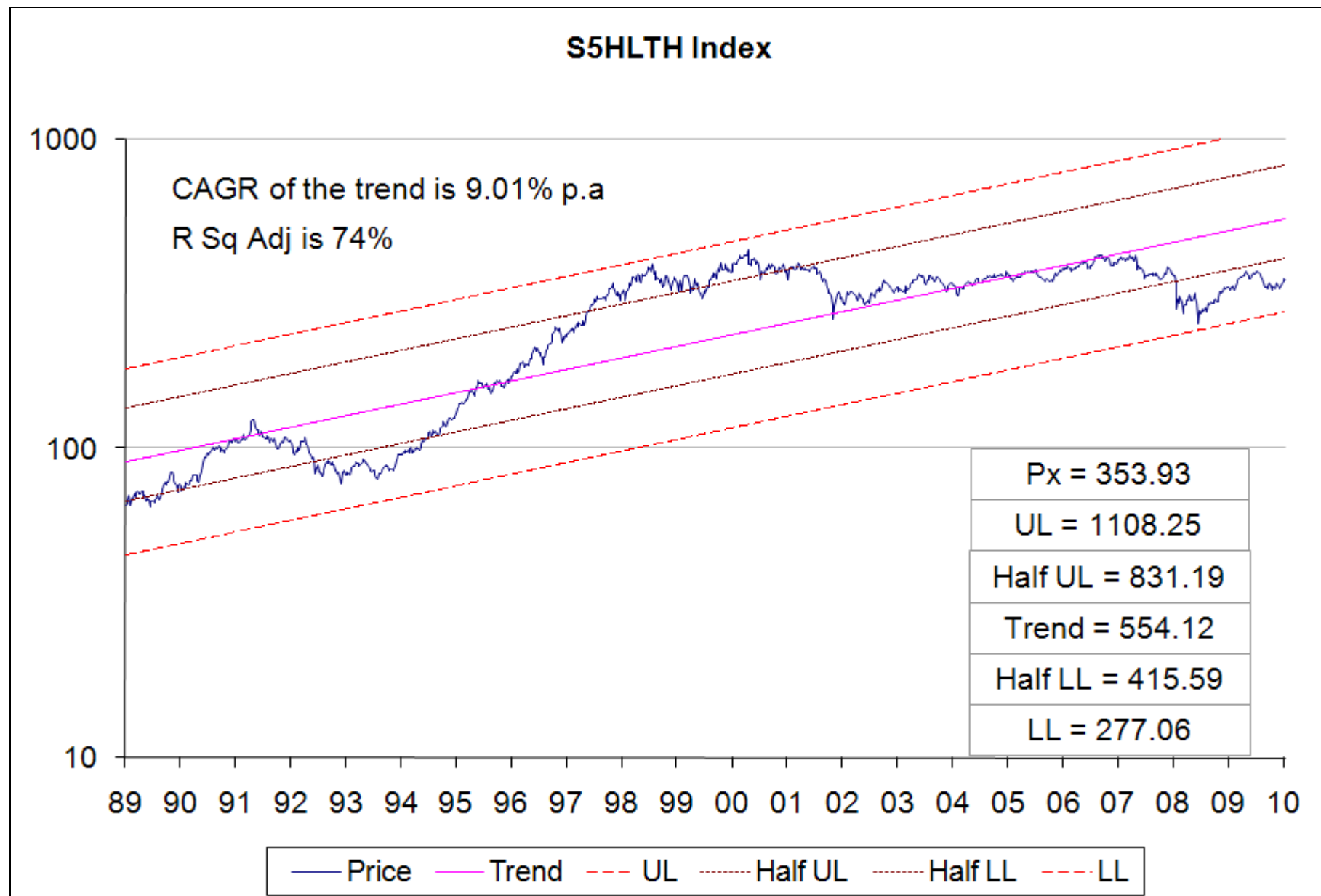
The XLV / SPX ratio chart looks bullish and should trend up in RH side chart below to confirm the rise in **XLV / SPX (hence undervalued)** by this matrix **in Sync with SD Analysis**.



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

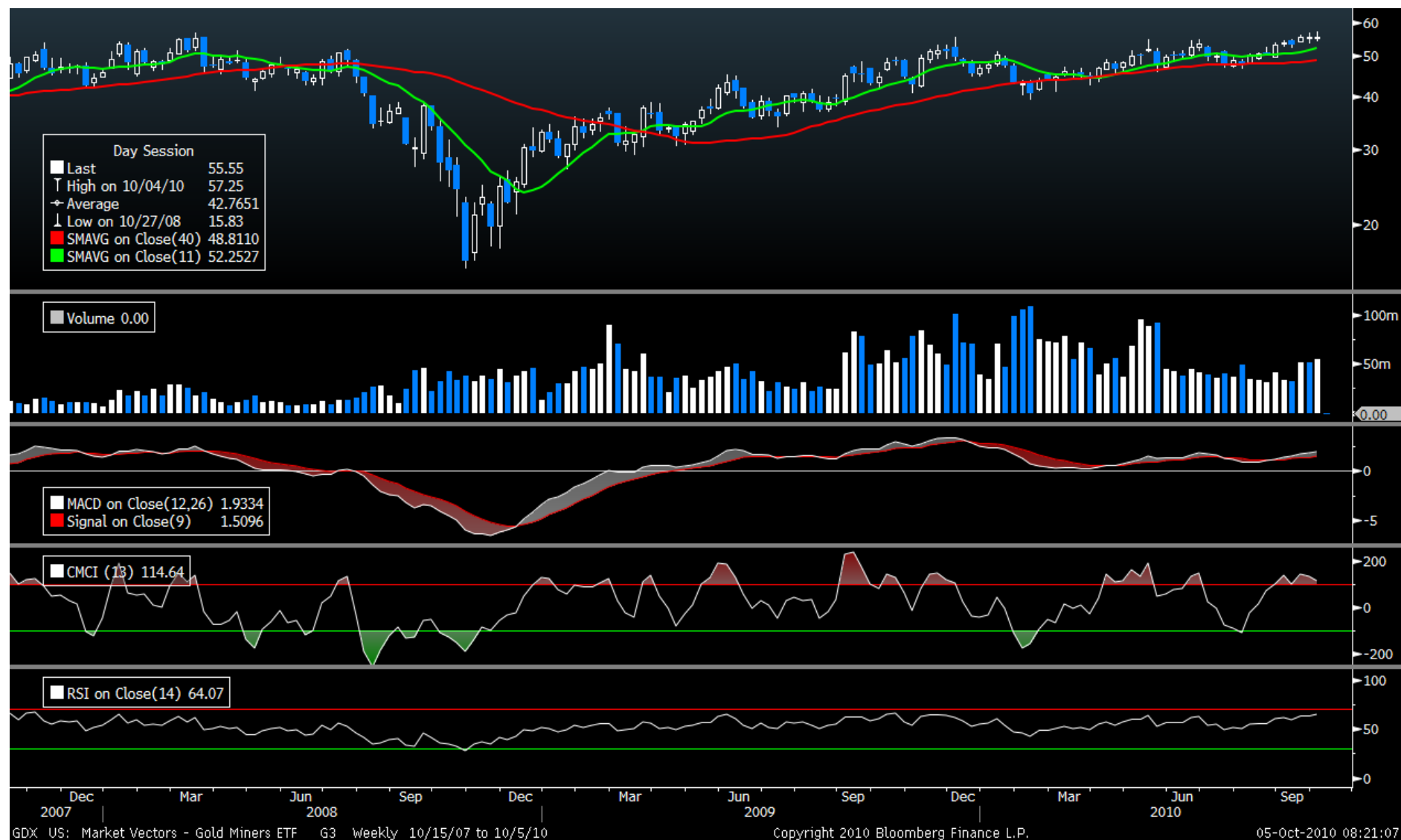


XLV – Trend Reversion Analysis – Long Term

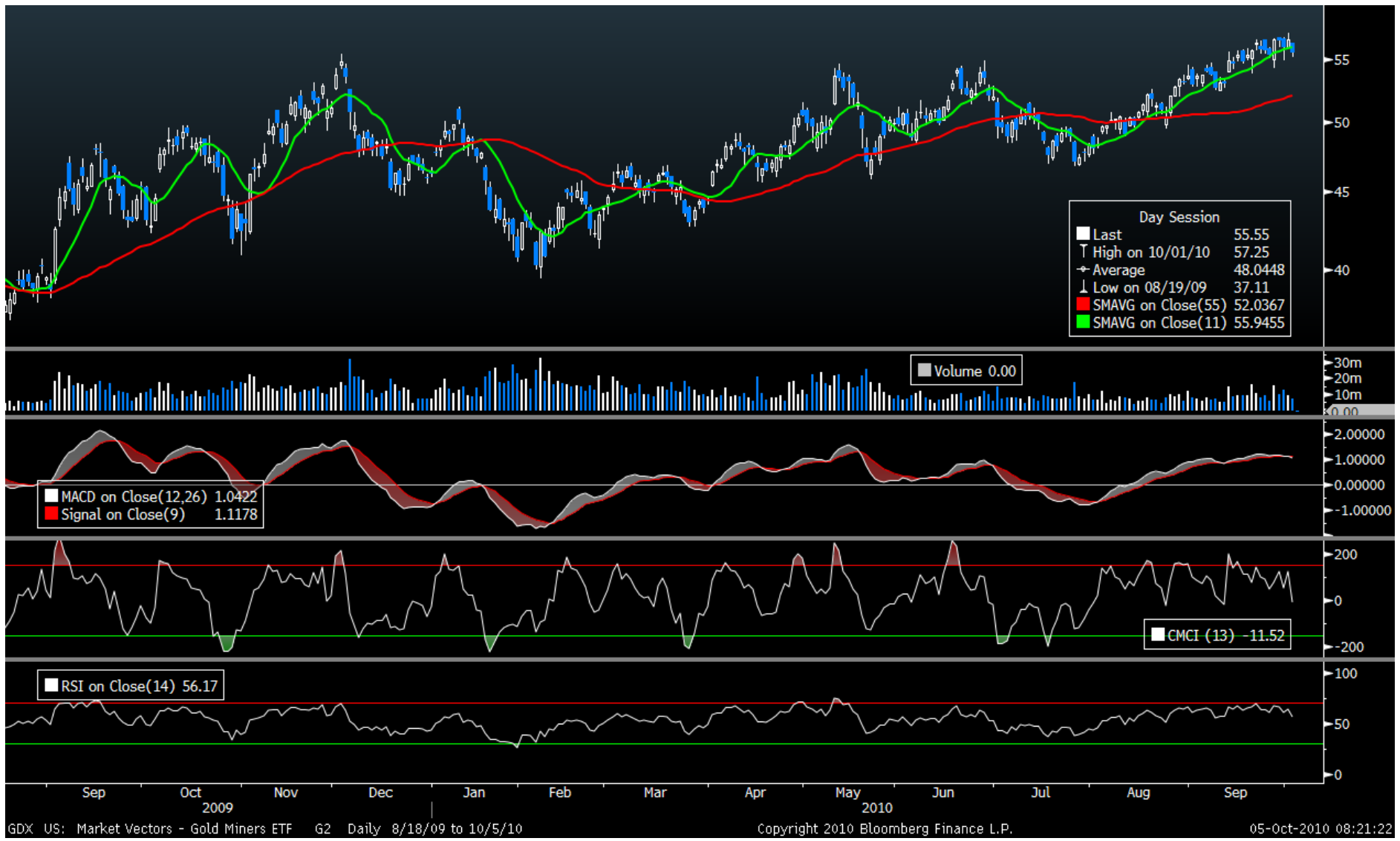


GDX Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

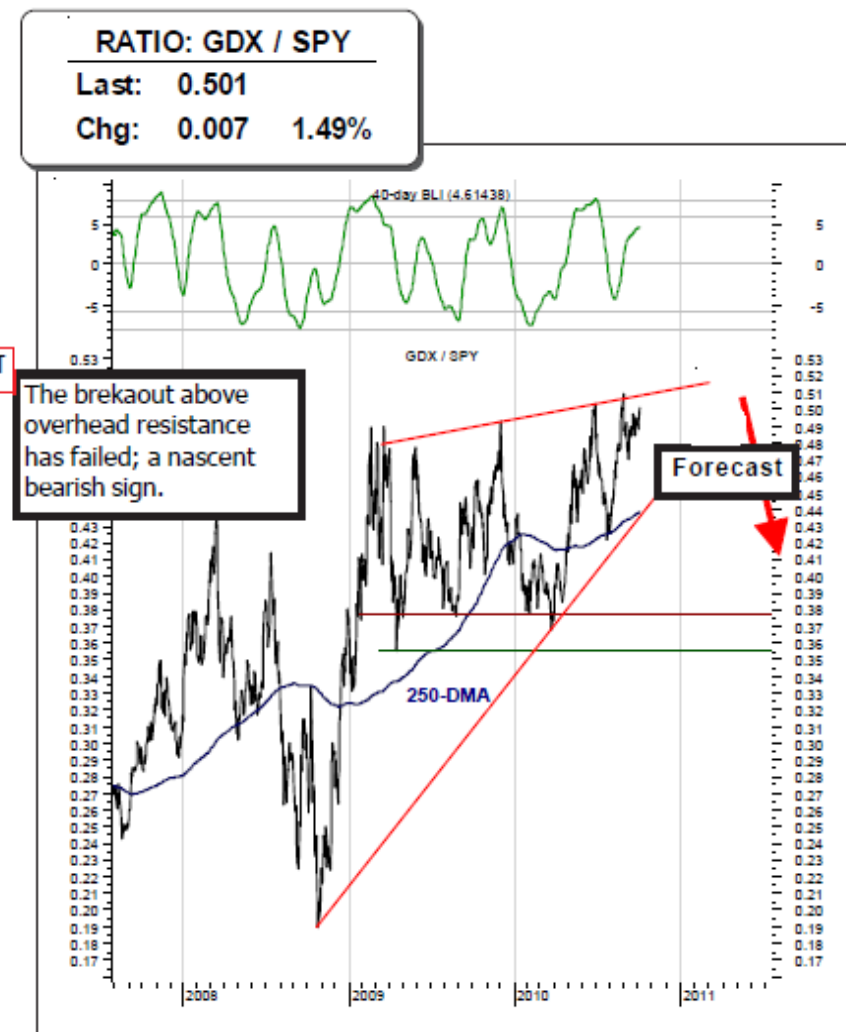
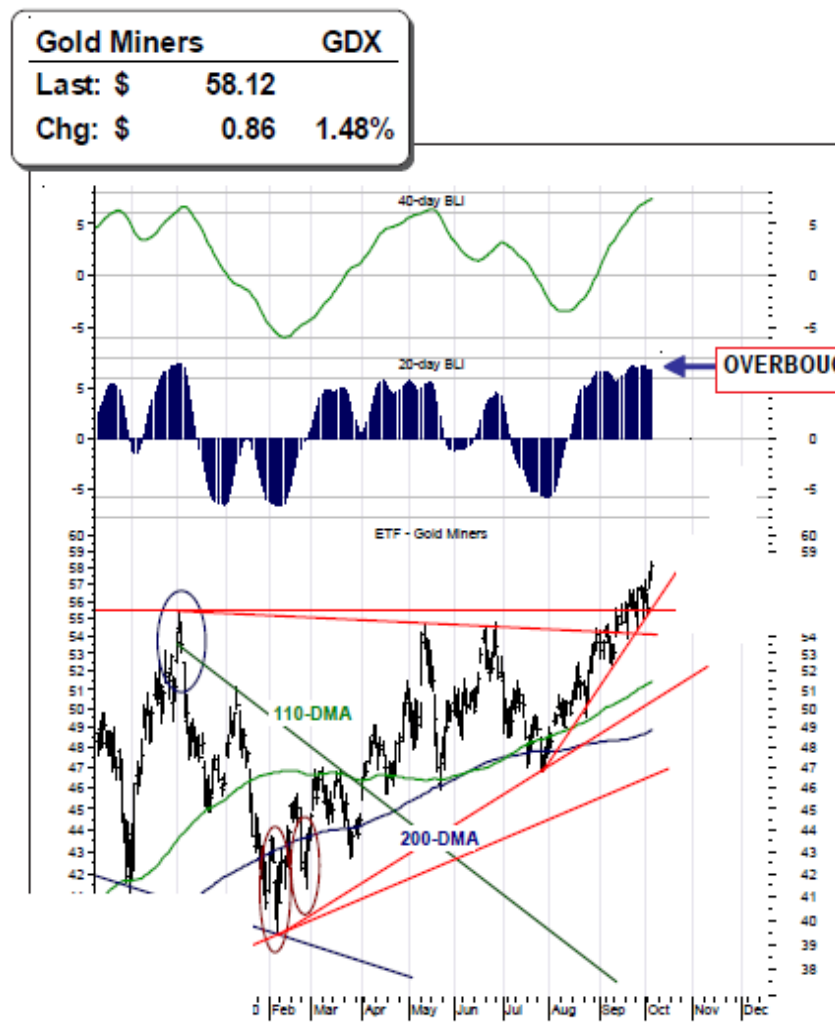


GDX Daily – 3 Year with RSI, CCI, MACD **(11D / 55D)**

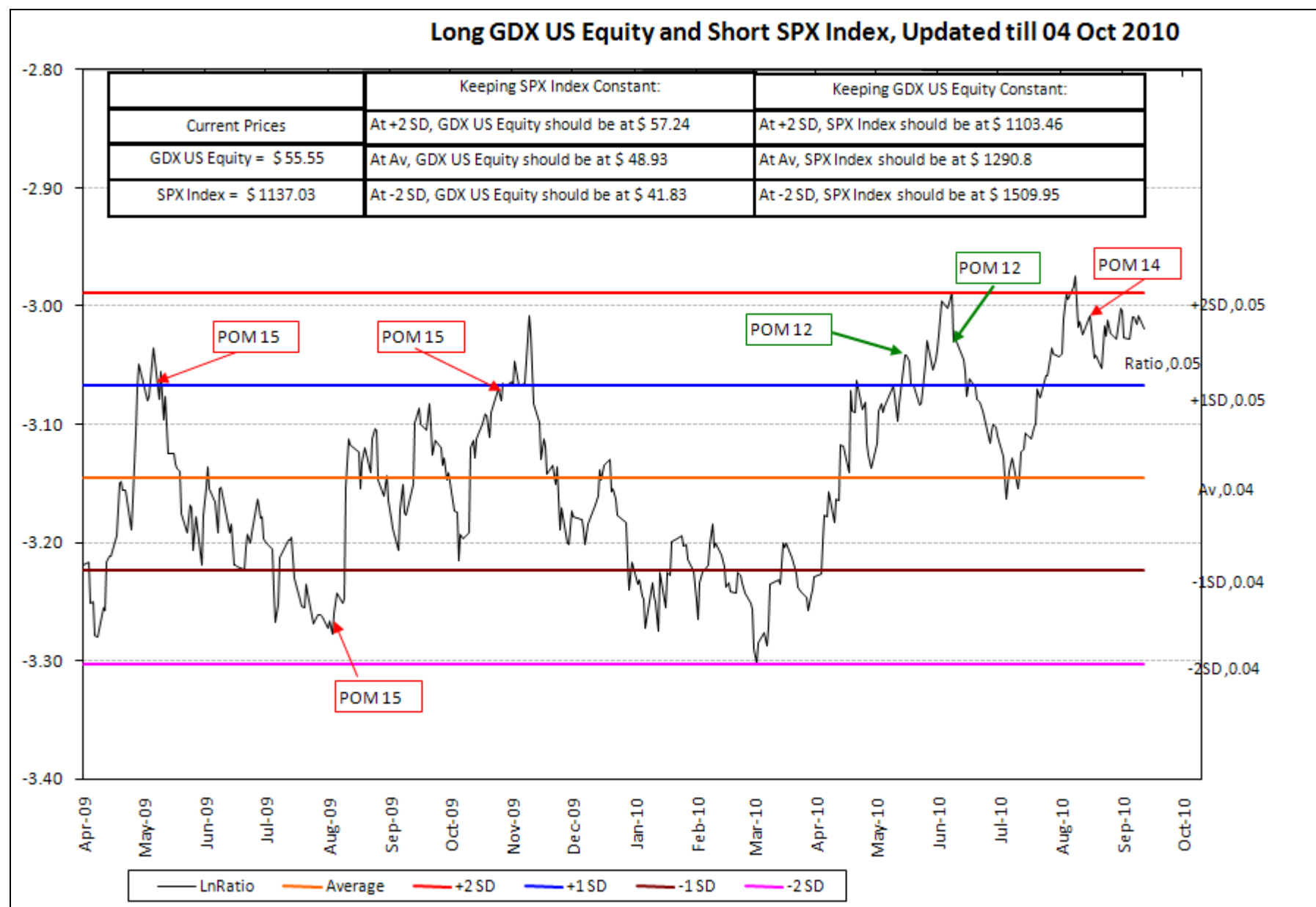


2 – GDX- Technical & Pattern Analysis - (Process 3)

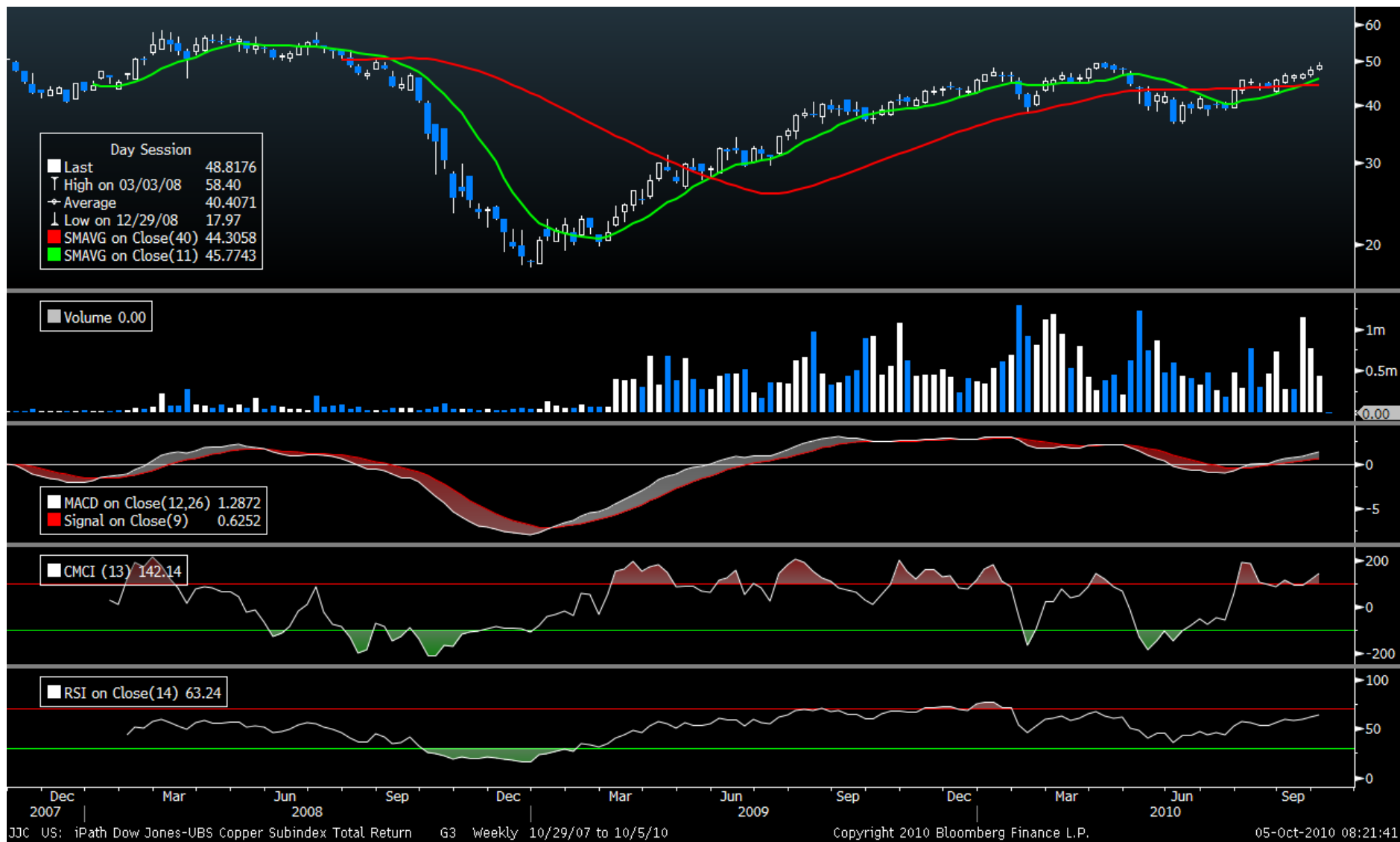
The GDX / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in GDX / SPX (**hence overvalued**) by this matrix in Sync with SD Analysis.



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

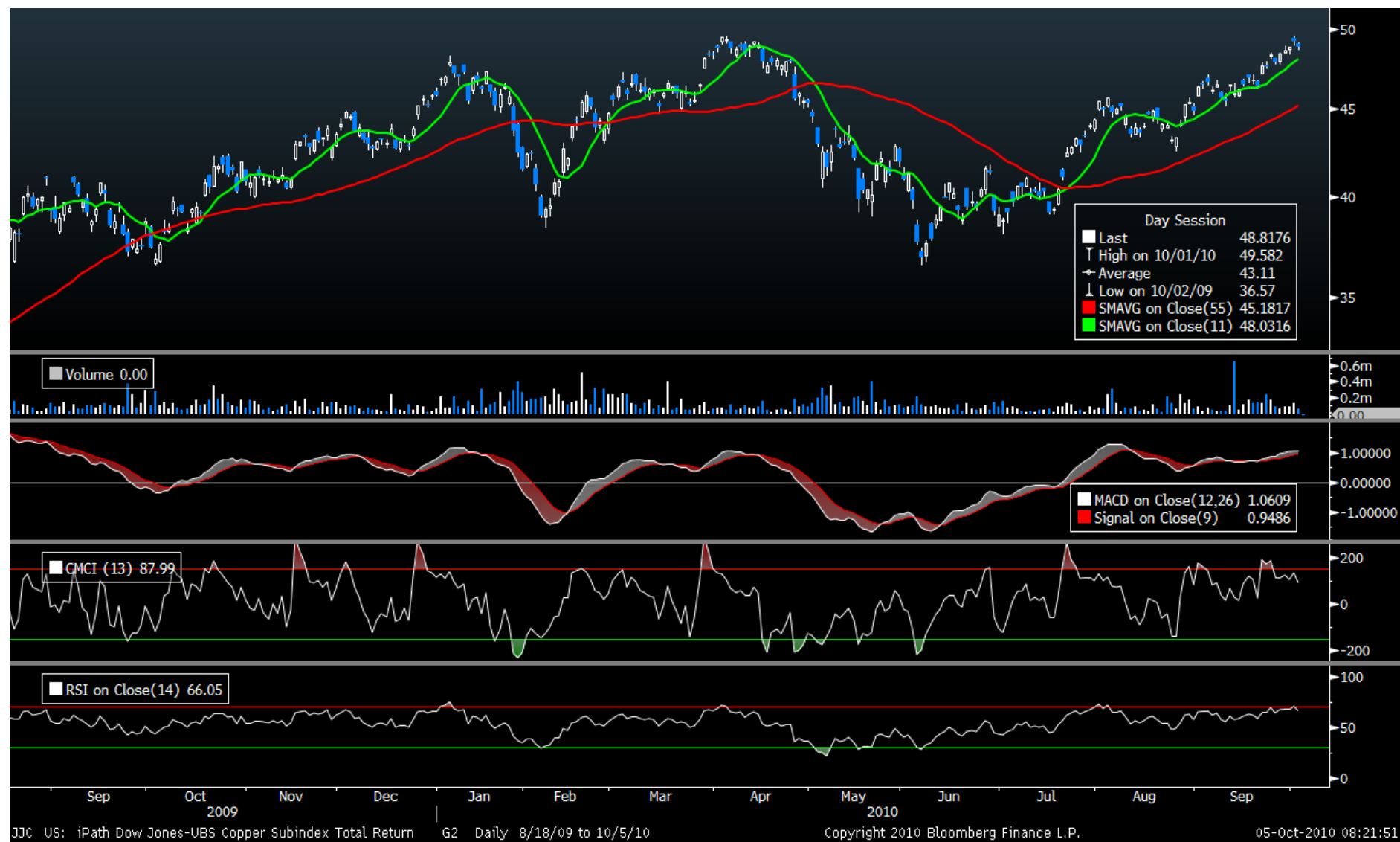


1- JJC - Weekly- 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



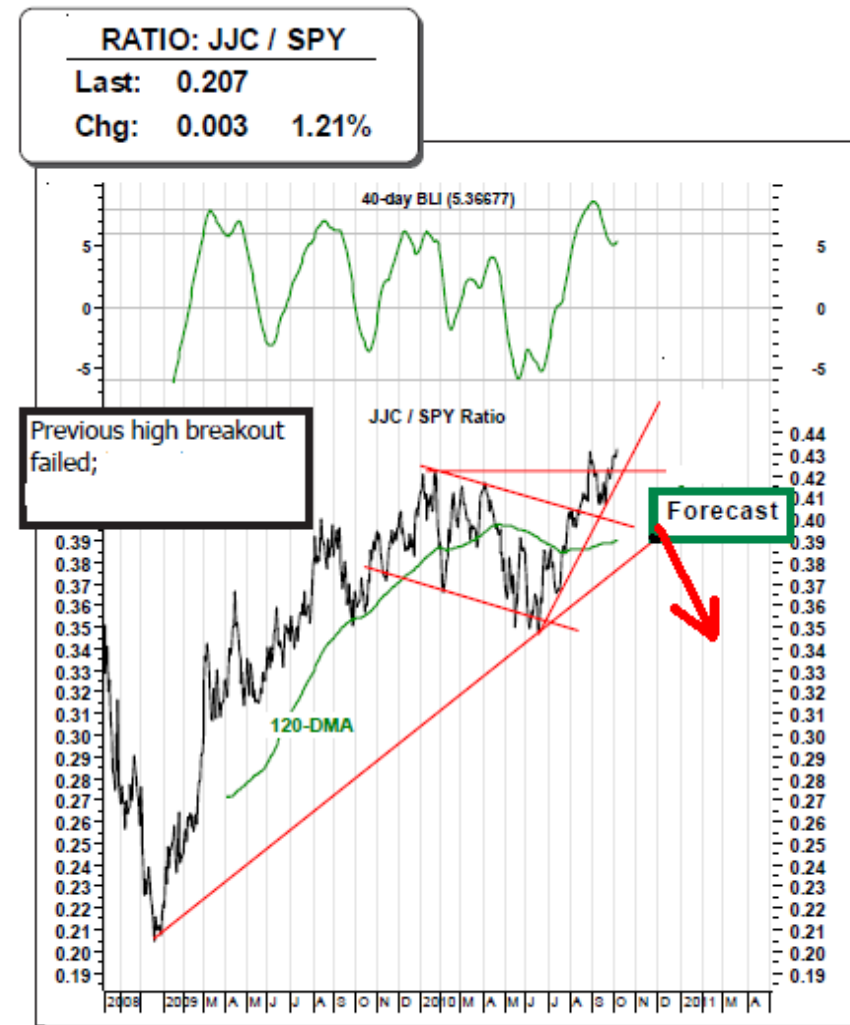
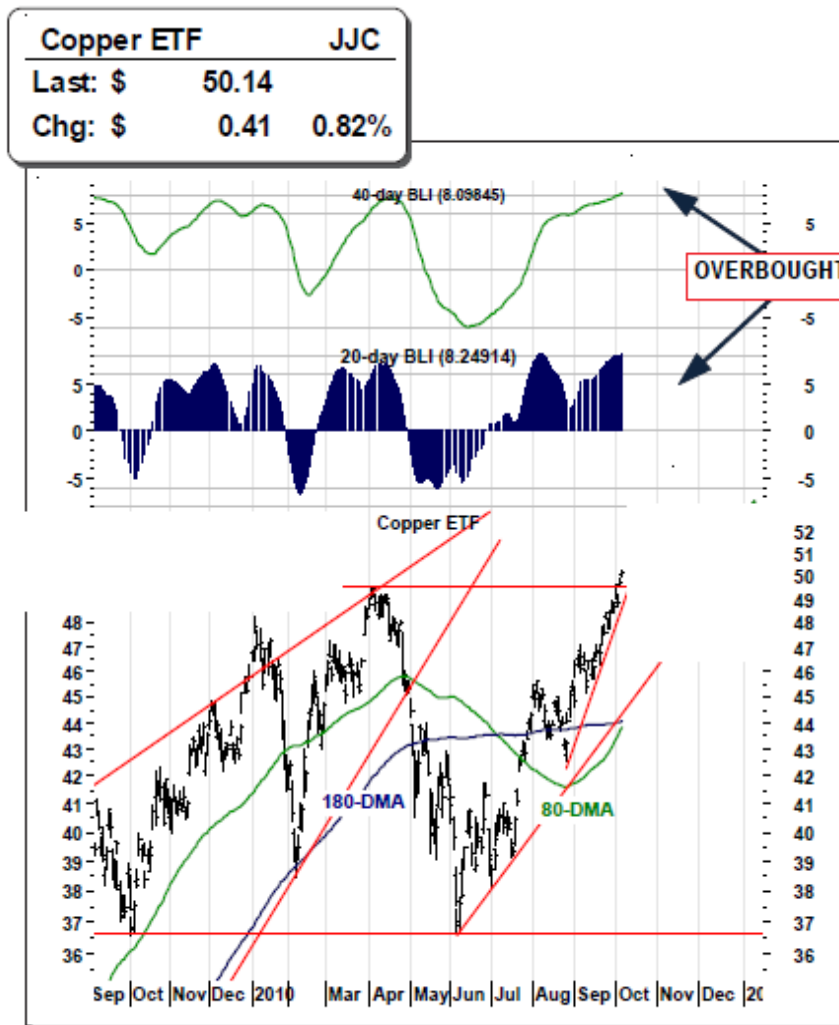
JJC - Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)

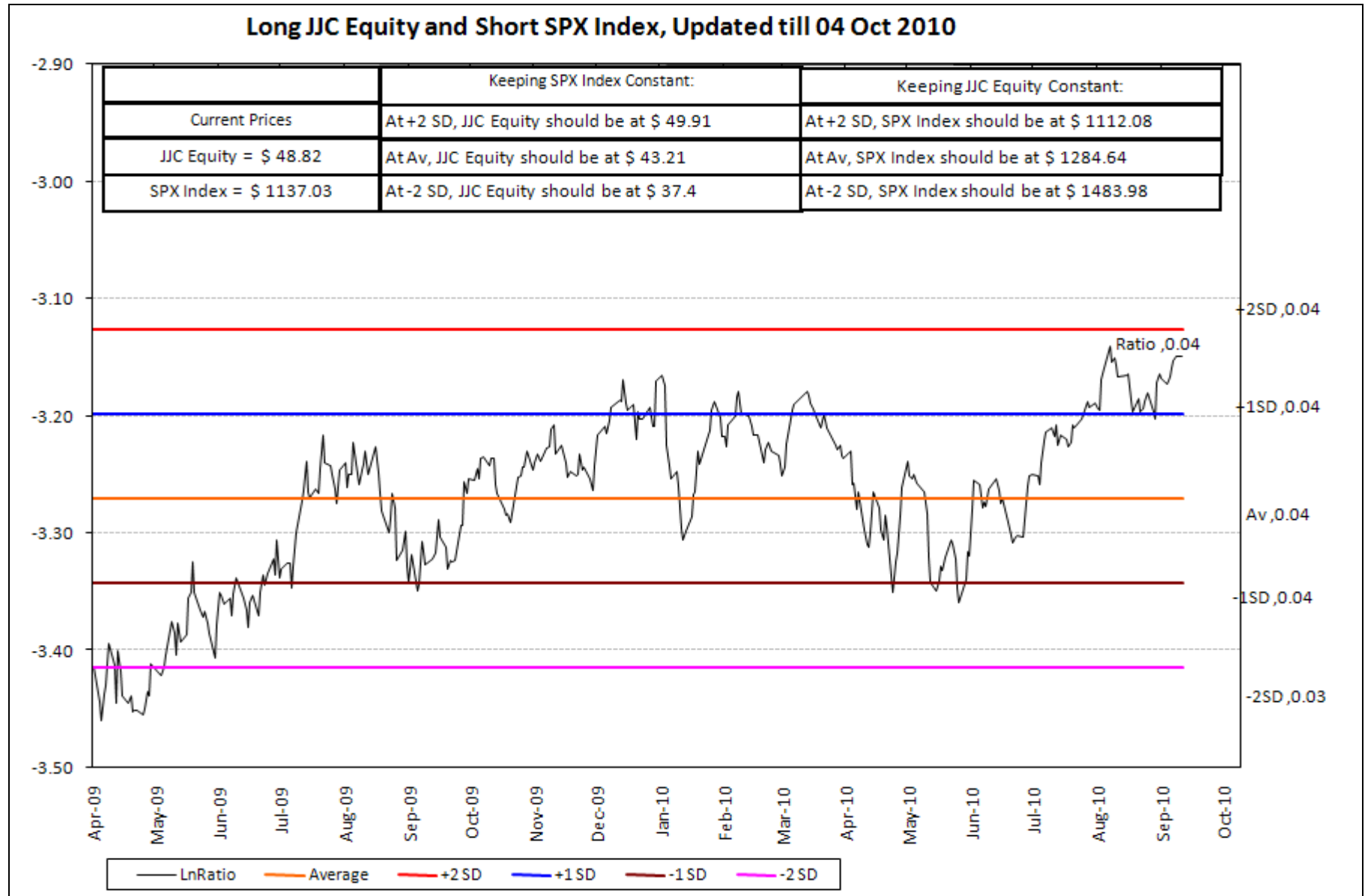


JJC– Technical & Pattern Analysis (Process 3)

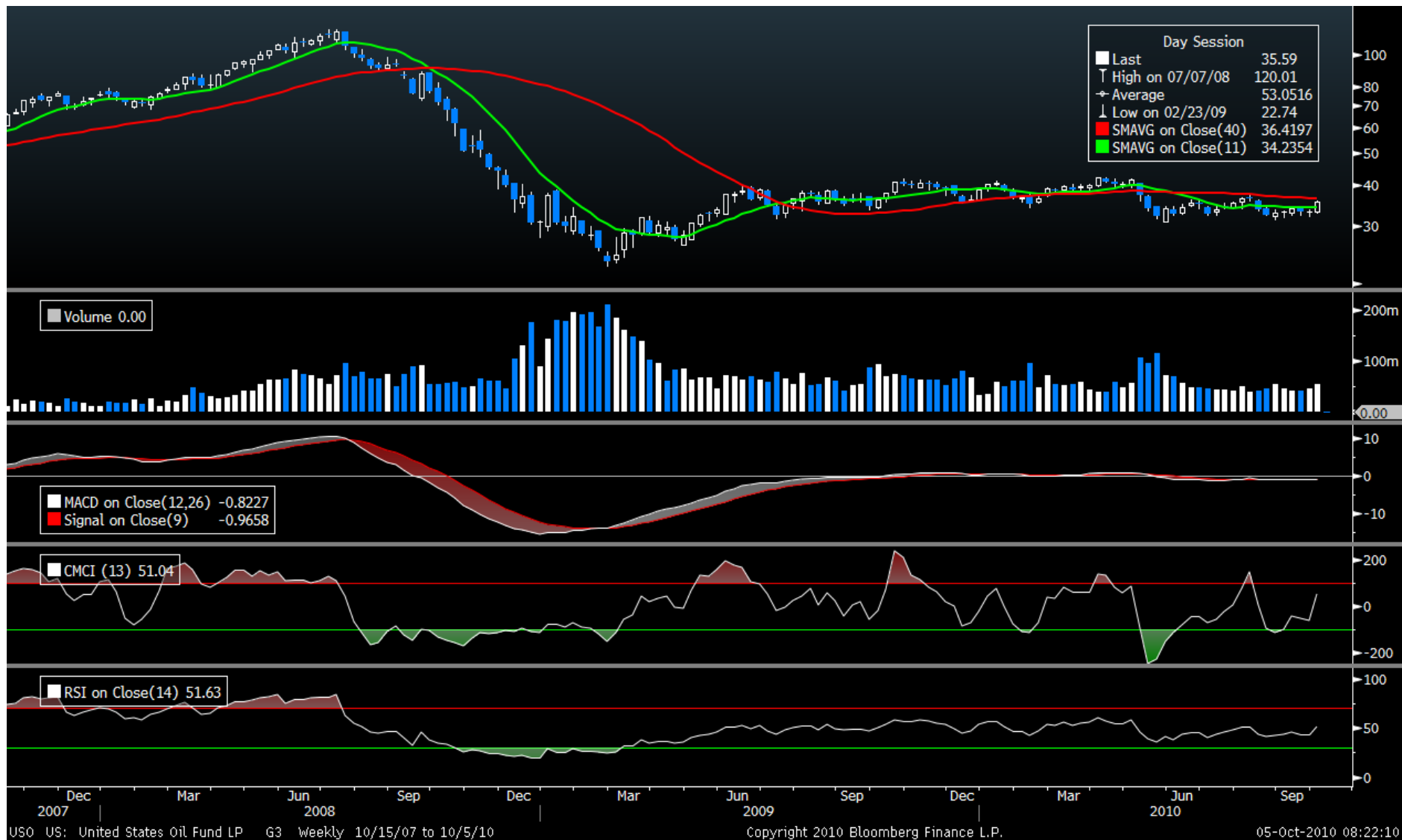
The JJC / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in JJC / SPX (**hence overvalued**) by this matrix in Sync with SD Analysis.



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

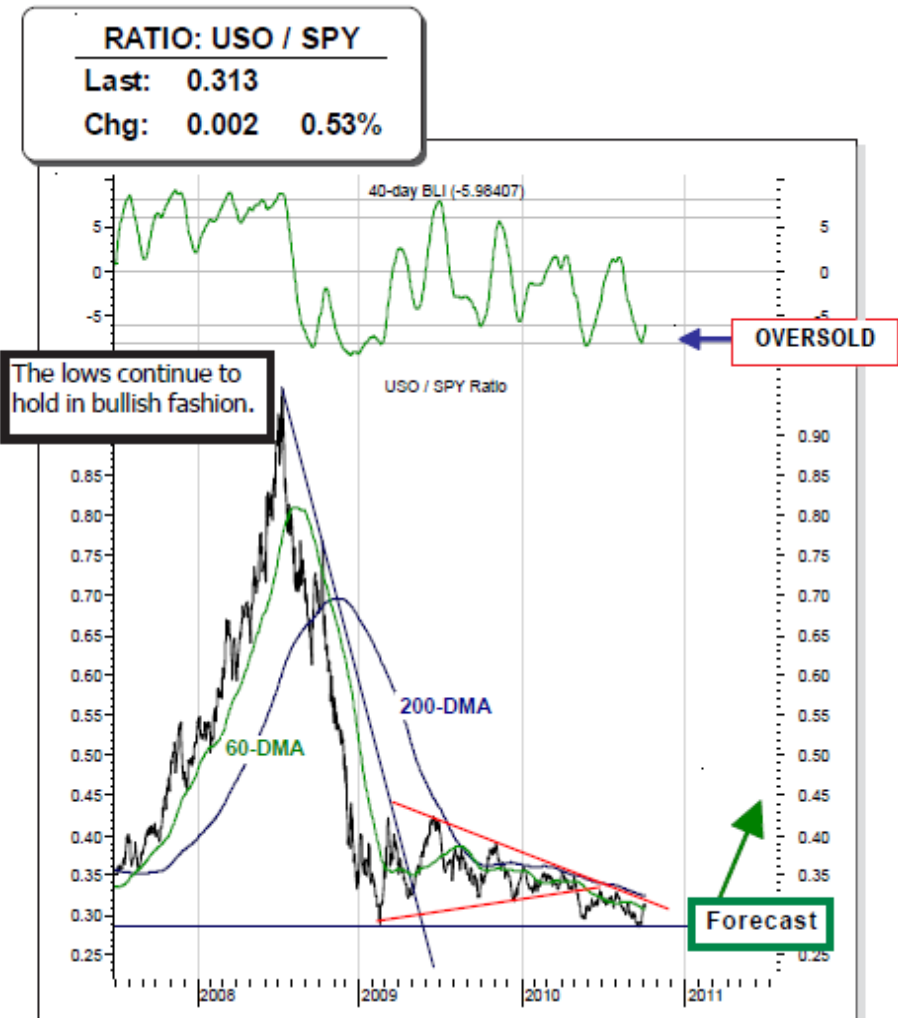


USO - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



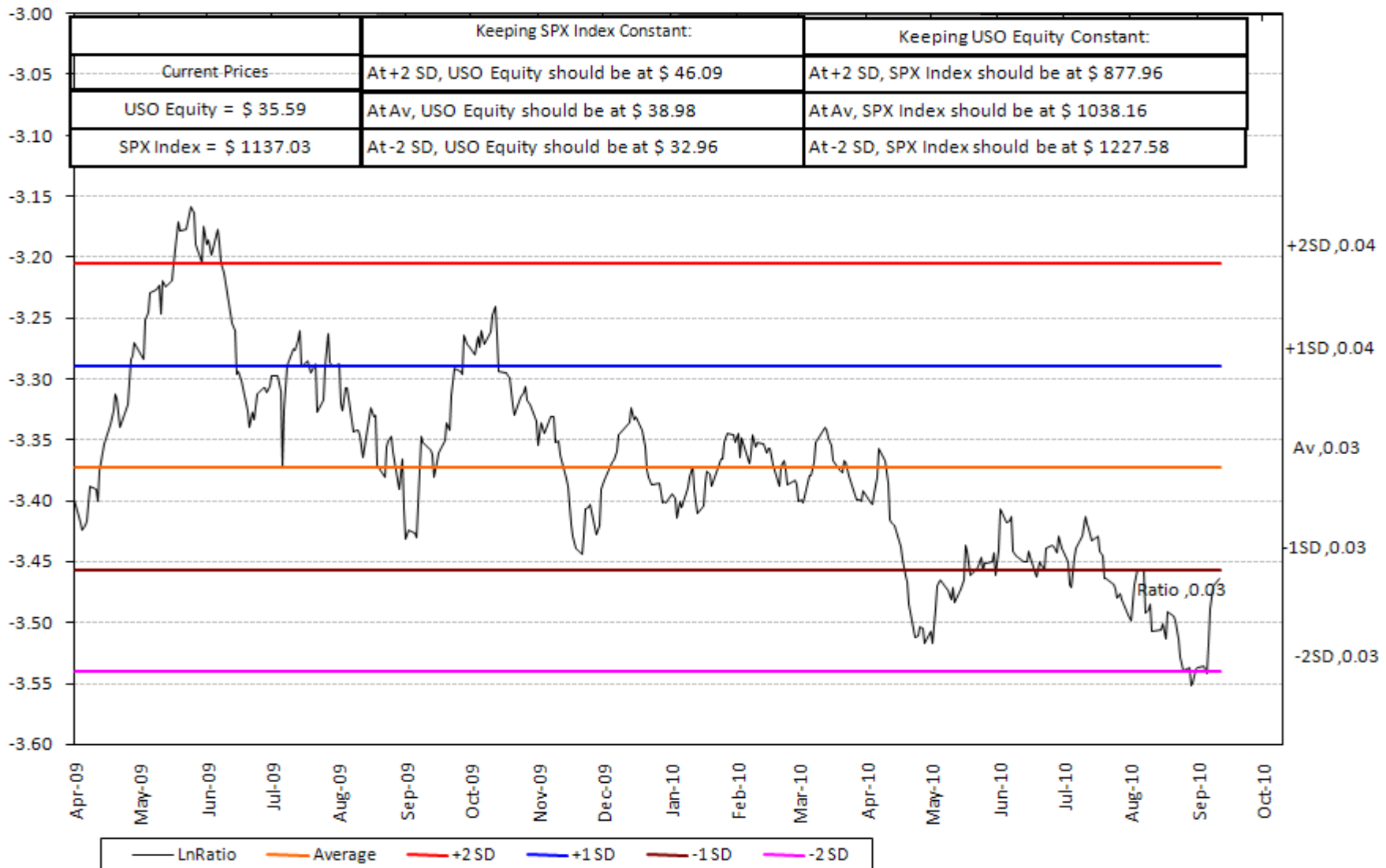
USO– Technical & Pattern Analysis (Process 3)

The USO / SPX ratio chart looks **BULLISH** and should trend higher in RH side chart below, confirms the relative rise in **USO / SPX (is undervalued)** by this matrix 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 04 Oct 2010



Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.