



# SG Capital Research

Global Market Insights

## Research Note – Sector – ETF Analysis (D )

**MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # OCT 15**

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

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

### SECTORS - ( 25 )

GR1 (6)	GR2 ( 11)	GR3 (7)
<ul style="list-style-type: none"><li>• TLT ( Bonds)</li><li>• EEM (Emerging)</li><li>• EEA (Europe)</li><li>• EWJ (Japan)</li><li>• FXI (China)</li><li>• IWM ( Small Cap)</li></ul>	<ul style="list-style-type: none"><li>• XLF ( Financials)</li><li>• XRT(RTH) ( Retail)</li><li>• XLV ( Health Care)</li><li>• XLB ( Materials)</li><li>• XLE (Energy)</li><li>• XLK (Tech)</li><li>• XLI ( Industrial)</li><li>• XLU ( Utility)</li><li>• XLP ( Staples)</li><li>• XLY ( Discretionary)</li><li>• XHB ( Home Builders)</li></ul>	<ul style="list-style-type: none"><li>• SMH ( Semis)</li><li>• BBH ( Biotech)</li><li>• IYT ( Transports)</li><li>• GDX ( Mining)</li><li>• DBC ( Commodity)</li><li>• USO (Oil)</li><li>• JJC (Copper)</li><li>• SLX ( Steel)</li></ul>

- **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 26<sup>th</sup> Aug – POM 13 was triggered at 1045 SPX ( we hit a low of 1039) and since then SPX rallied + 12 % and within POM Framework captured 5.7% during the signal. plus 6.7% is extension ( more than we would like)
- On 3<sup>rd</sup> 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 – 3<sup>rd</sup> Re -run.

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

## • Trading & Investment Conclusions

- Our Goal in the Model - Utilizing this current 3<sup>rd</sup> 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– IWM, EEM, JJC, GDX, ,XLY, XRT(RTH), ( To be utilized with PQV – Setup 2 , 4 Validation list @ POM 14)

Undervalued conformed – XLV, BBH, USO,

Non Conformance – XLI, 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 – ( 11), (-19), (-33%), (-35), % 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
<b>Gr 1</b>				
EEM	above +2SD	2.44		
EWJ	below -1SD	-1.02		
IWM	above +1SD	1.27		
<b>Gr 2</b>				
XLY	above +1SD	1.56	-50%	4
XLI	above +1SD	1.47	-20%	5
XLV	below -1SD	-1.24	-20%	5
XRT	above +1SD	1.99		
XLF	below -1SD	-1.55	-13%	16
XLK				
<b>Gr 3</b>				
IYT	above +1SD	1.30		
GDX	above +1SD	1.73		
JJC	above +1SD	1.93		
USO	below -1SD	-1.35		
BBH	below -1SD	-1.10		
<b>Primary Index Net Exposure</b>			<b>-11%</b>	
<b>POM 14 Re Run 3</b>				

- From (24) Sector list , highlighted in Yellow ( above) qualified for further review. New are added in Green, 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

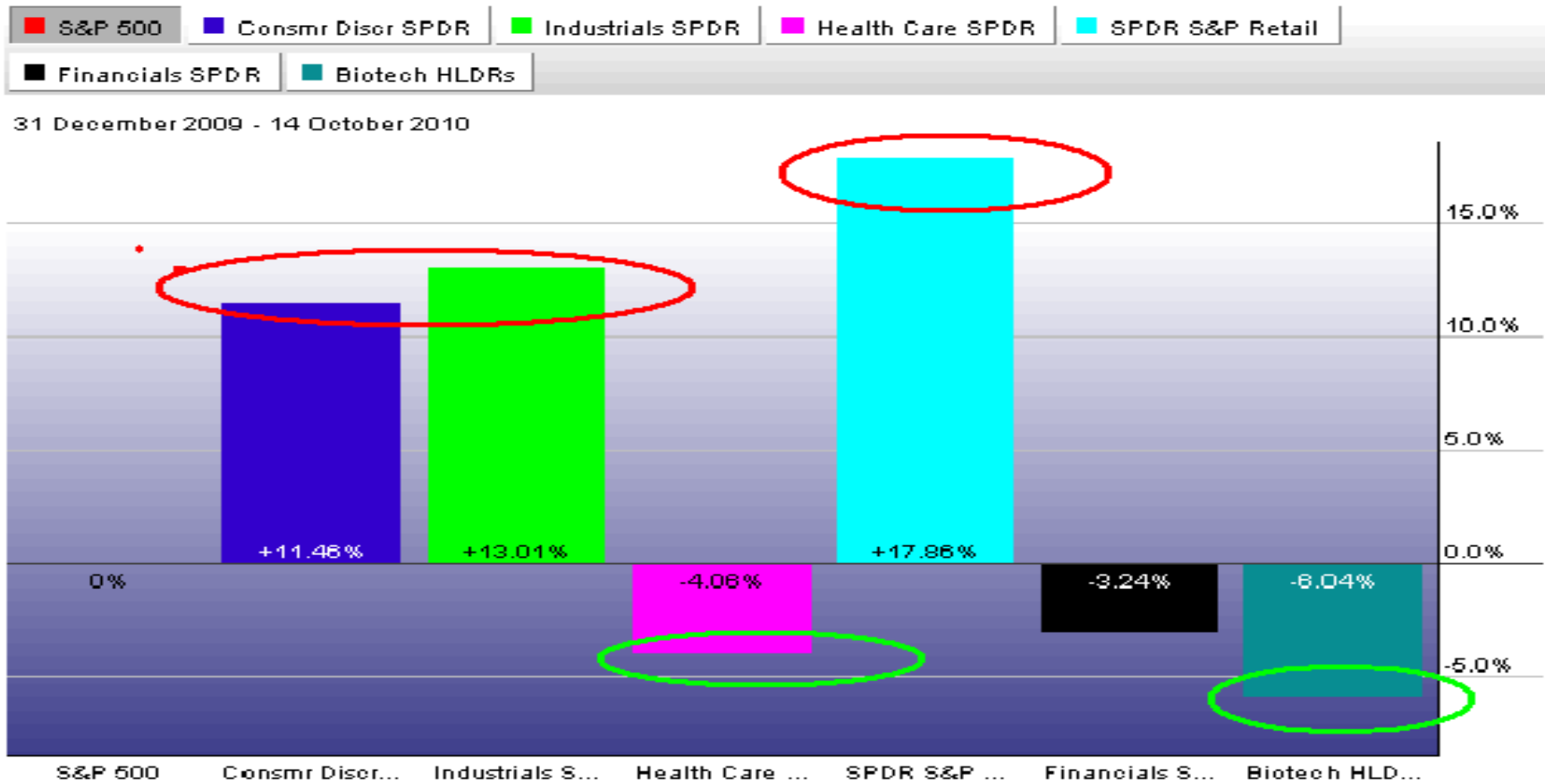
Ticker ( Deleted from Previous week )	Comments
<b>XLK</b>	

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

*This weeks - Crirical point for 1<sup>st</sup> Jan PIVOT. – YTD*

- **SPX Comparisons – From 1<sup>st</sup> Jan @ 1115 to current 1178**

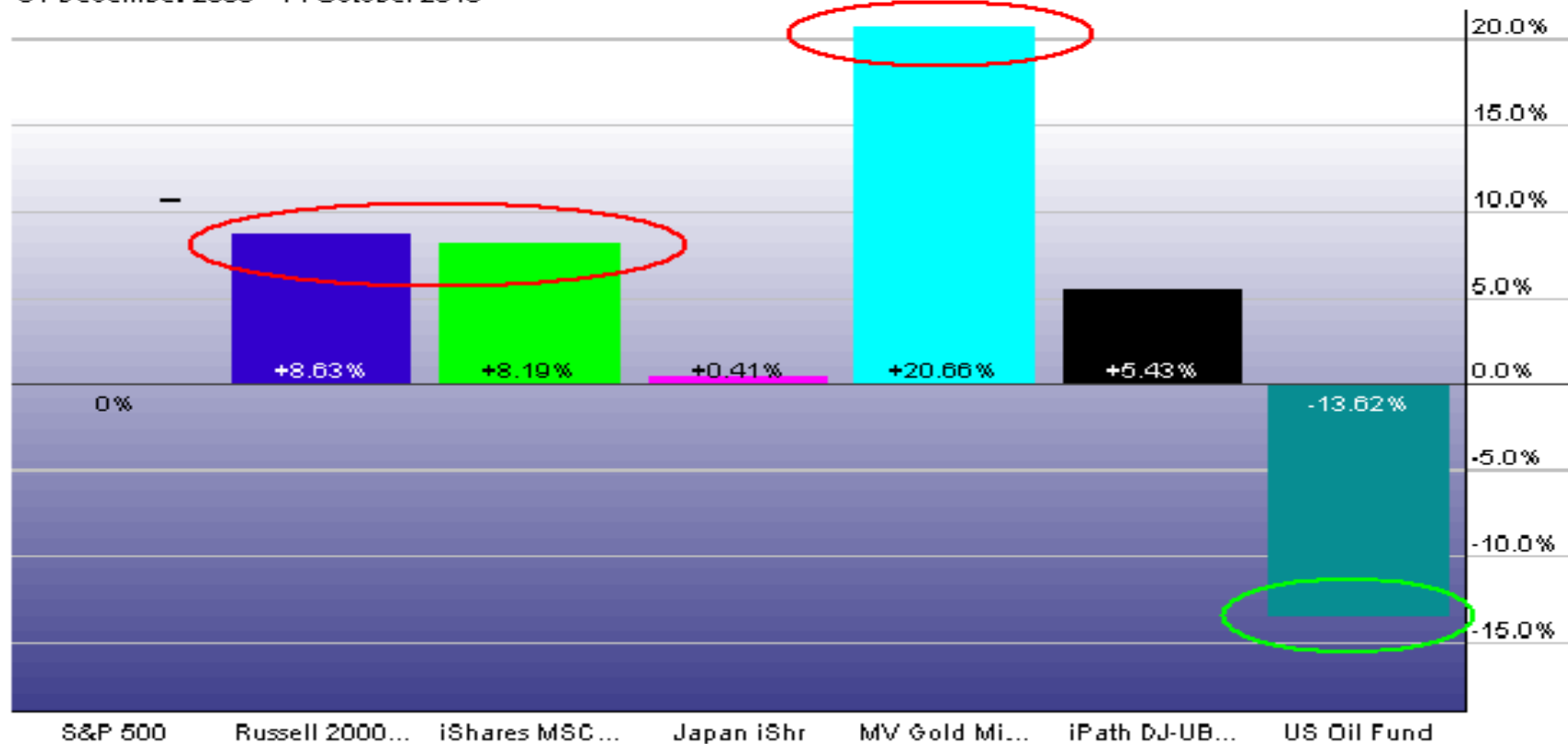
## PerfChart: \$SPX,XLY,XLI,XLV,XRT,XLF,BBH



# PerfChart: \$SPX,IWM,EEM,GDX,JJC,USO



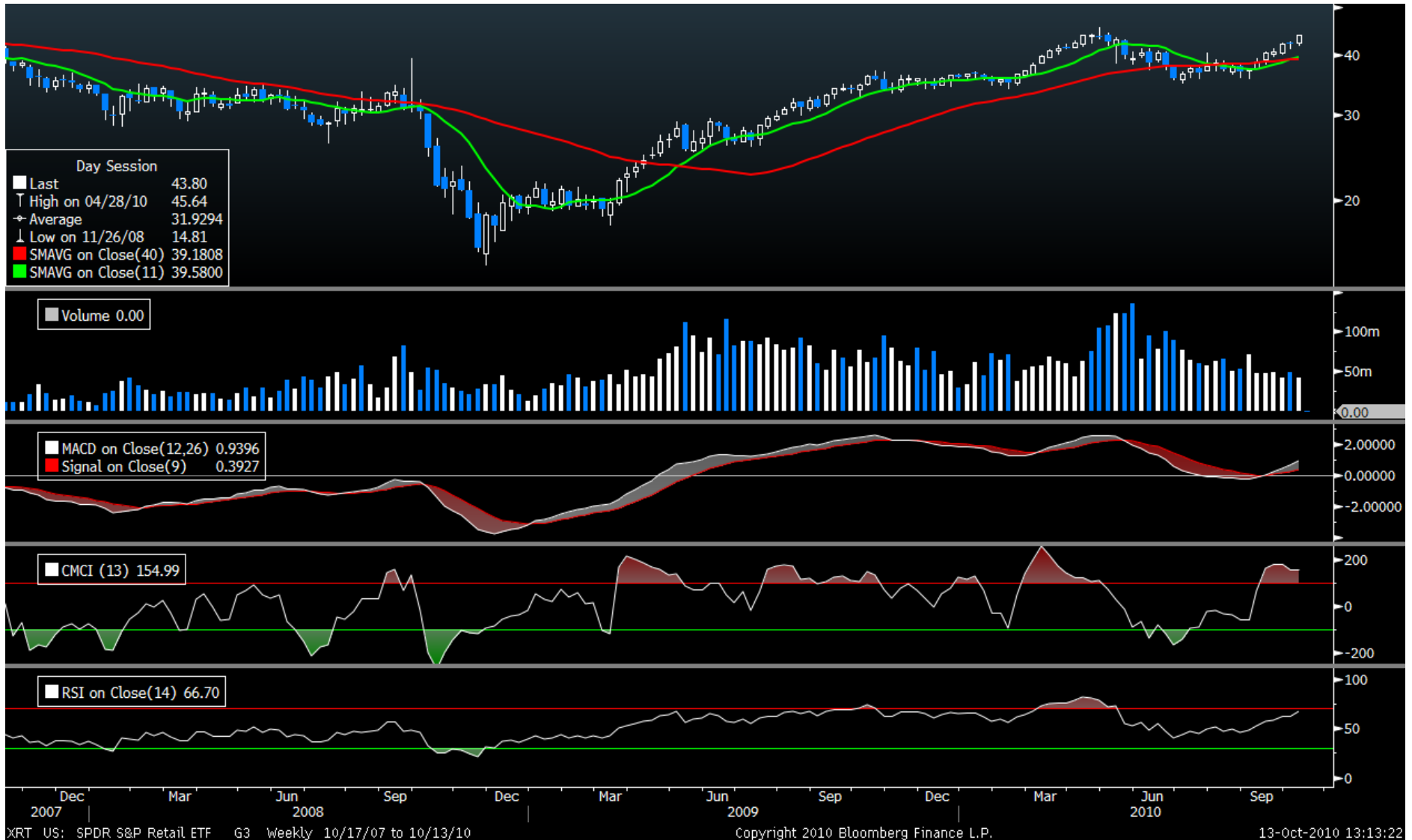
31 December 2009 - 14 October 2010



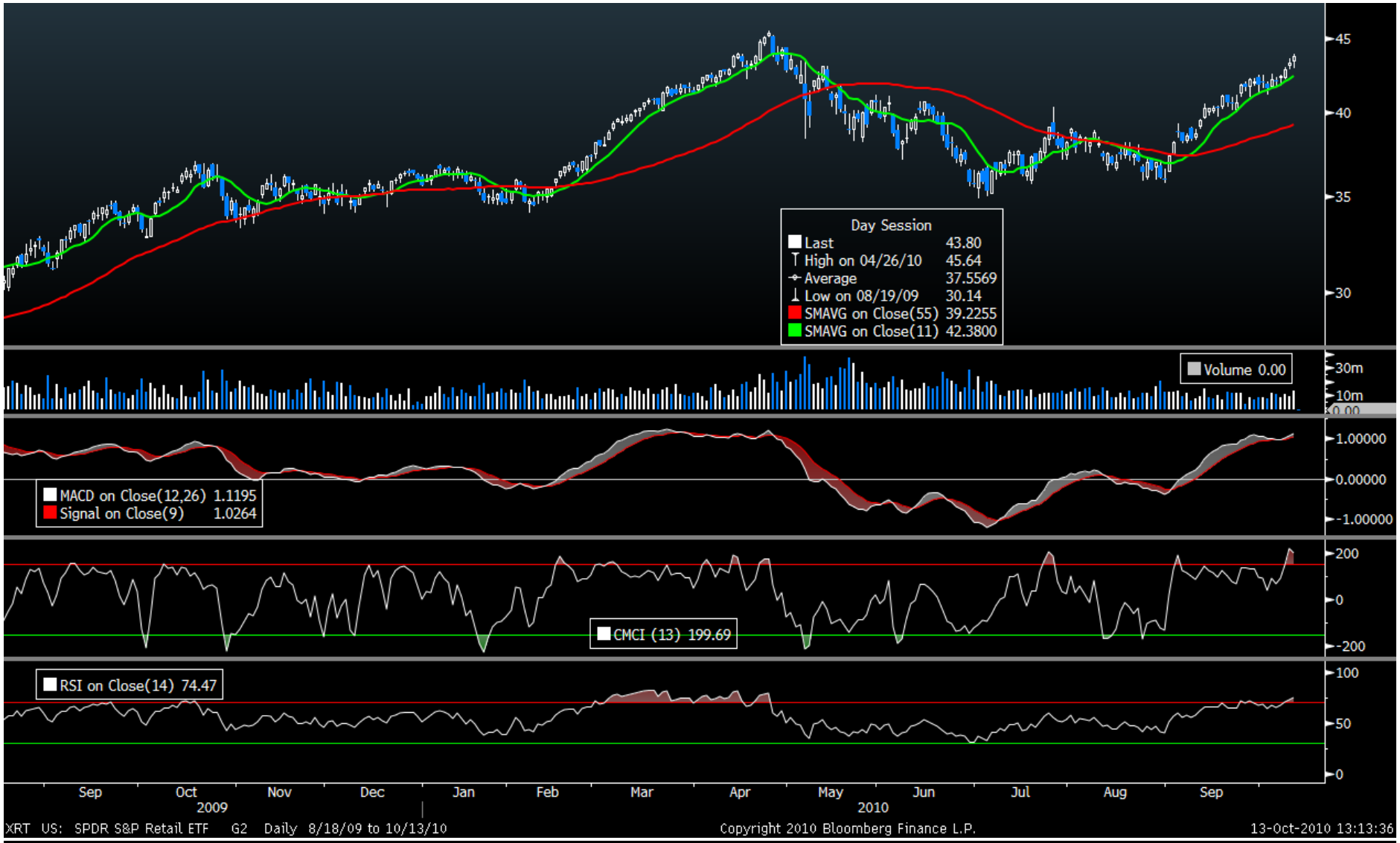
## Conclusion by this process

- **Most Overvalued** indicated in RED - IWM, EEM, GDX, JJC, XLY, XLI
- **Most Undervalued** indicated in GREEN - XLV, BBH, USO, XLF

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



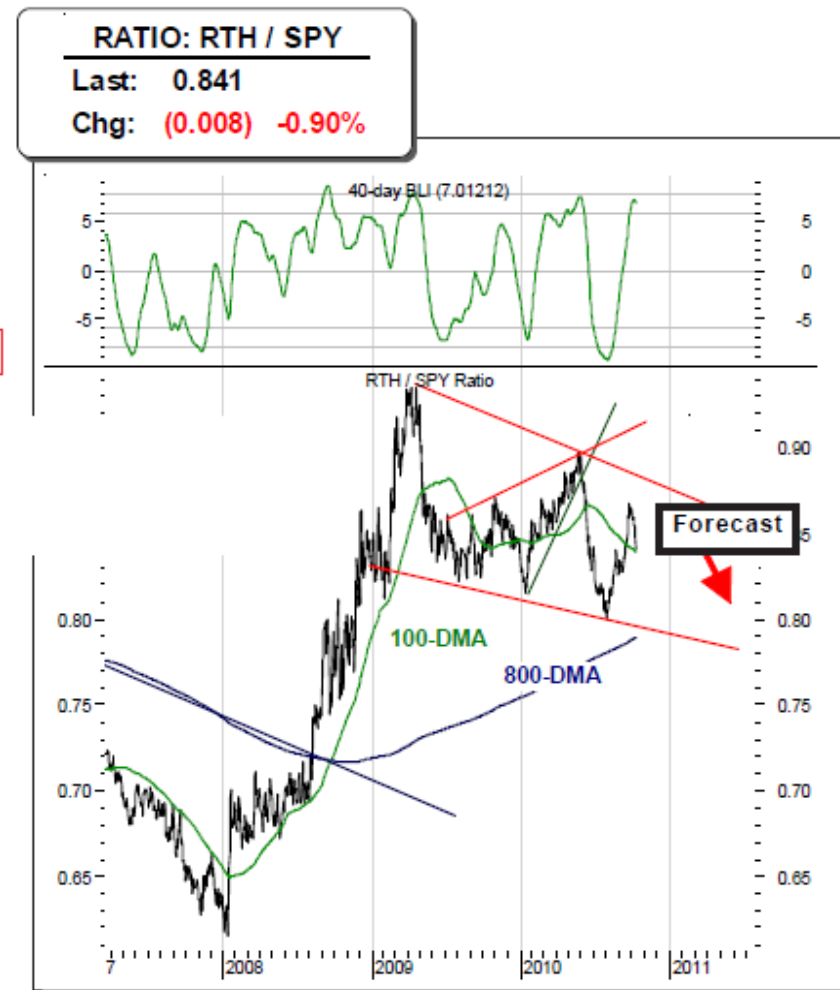
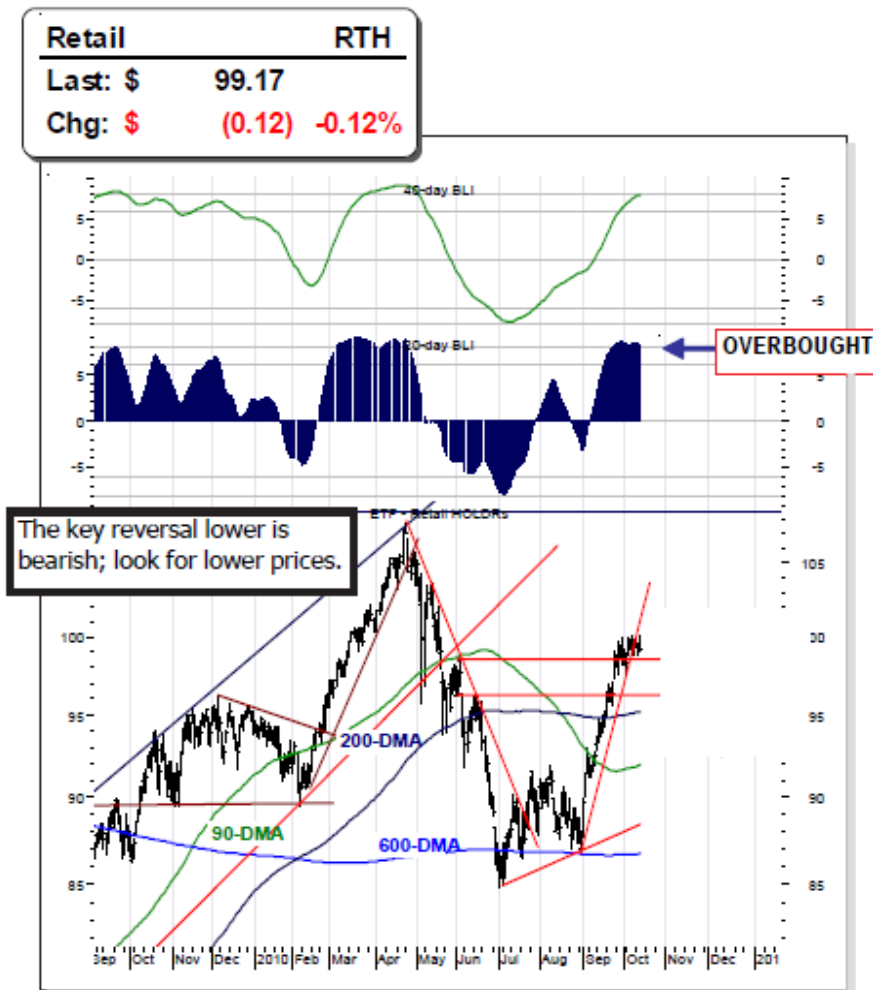
# 1 - XRT - Daily - 3 Year with RSI, CCI, MACD (11D / 55D)



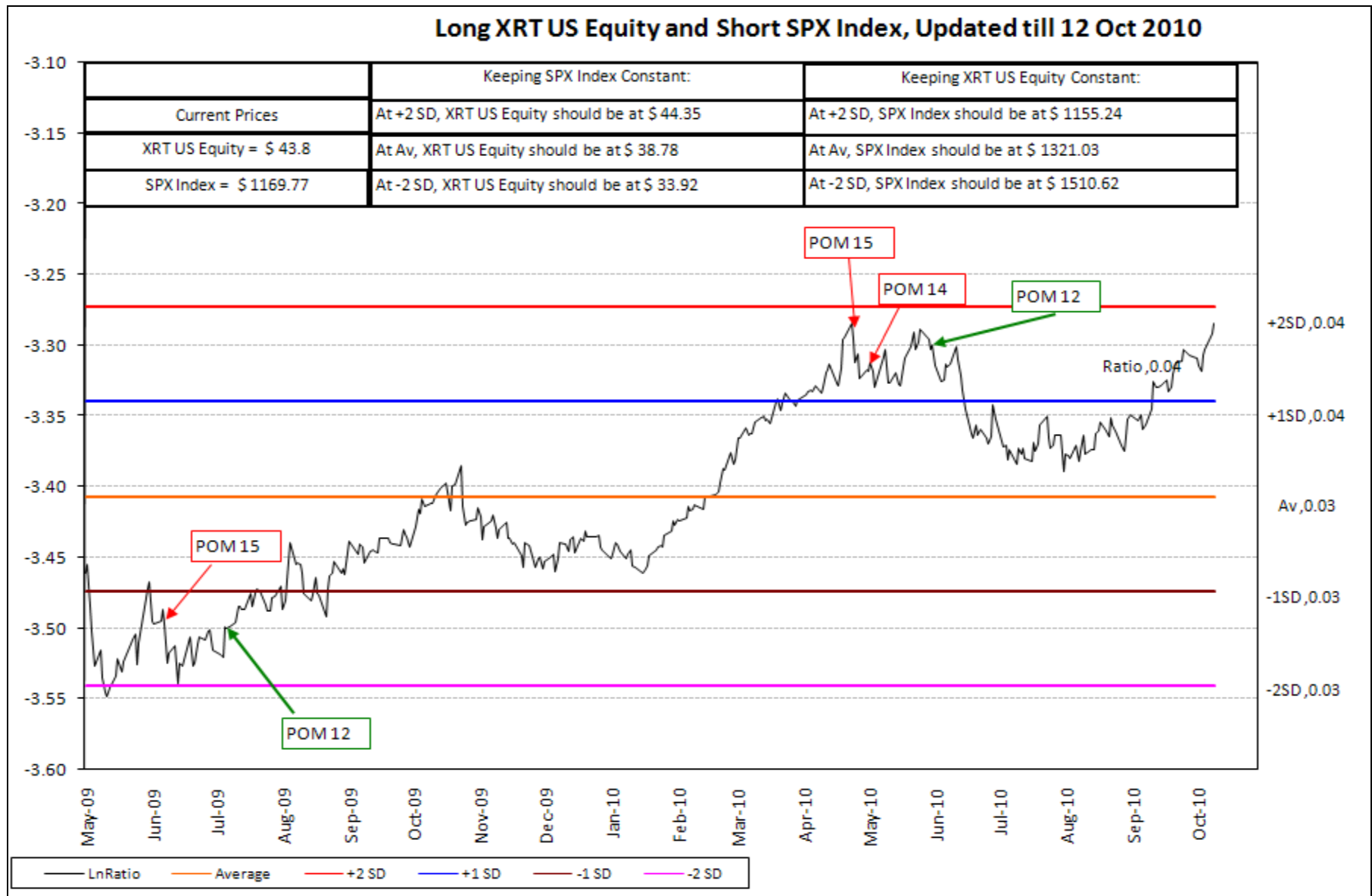


## 2 - XRT (RTH) - Technical & Pattern Analysis ( Process 3 )

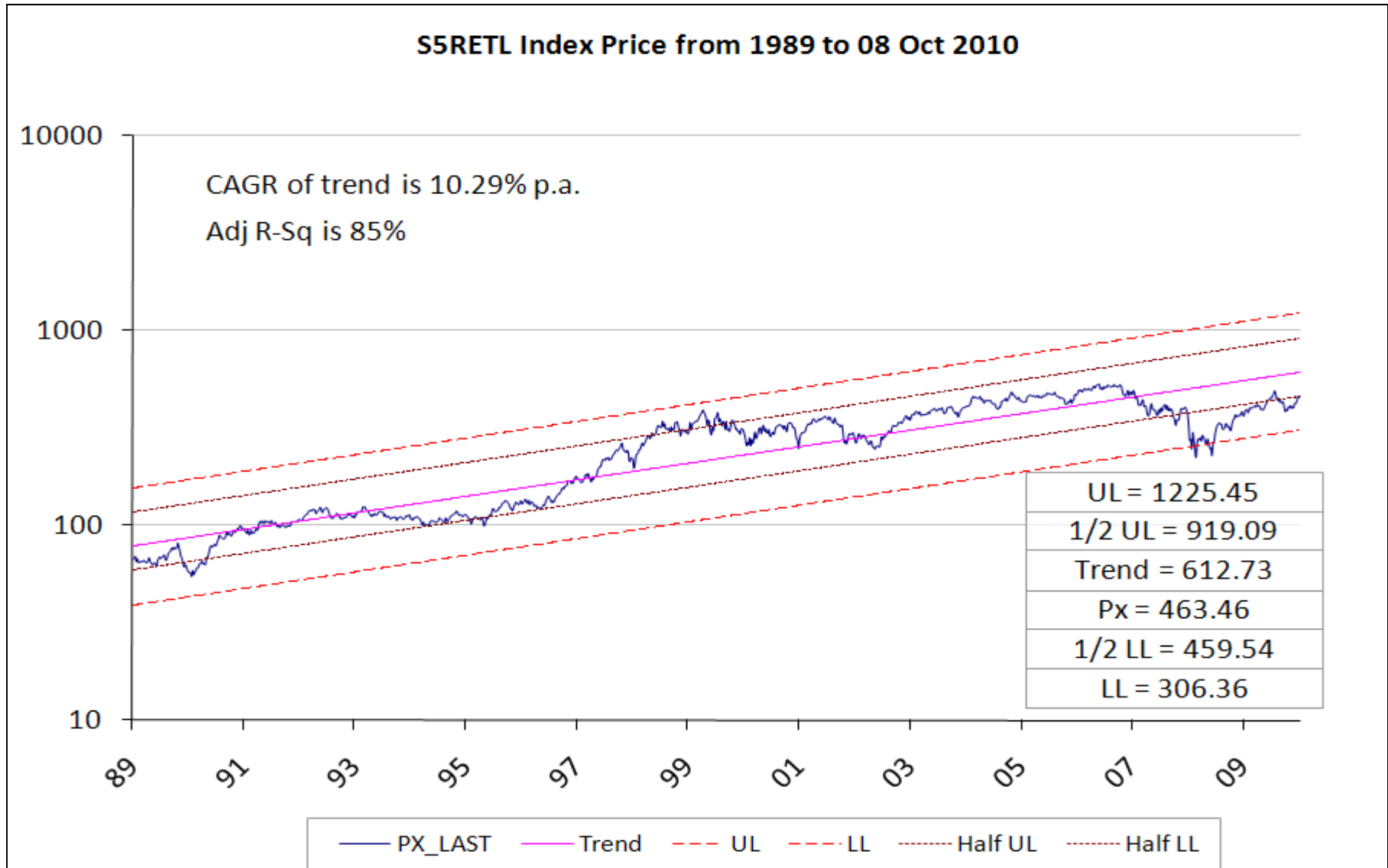
The RTH / SPX ratio chart hit a resistance, bearish and should trend down in RH side chart below, this confirms the relative drop **in RTH / SPX ( hence overvalued )** by this matrix in sync with SD Analysis



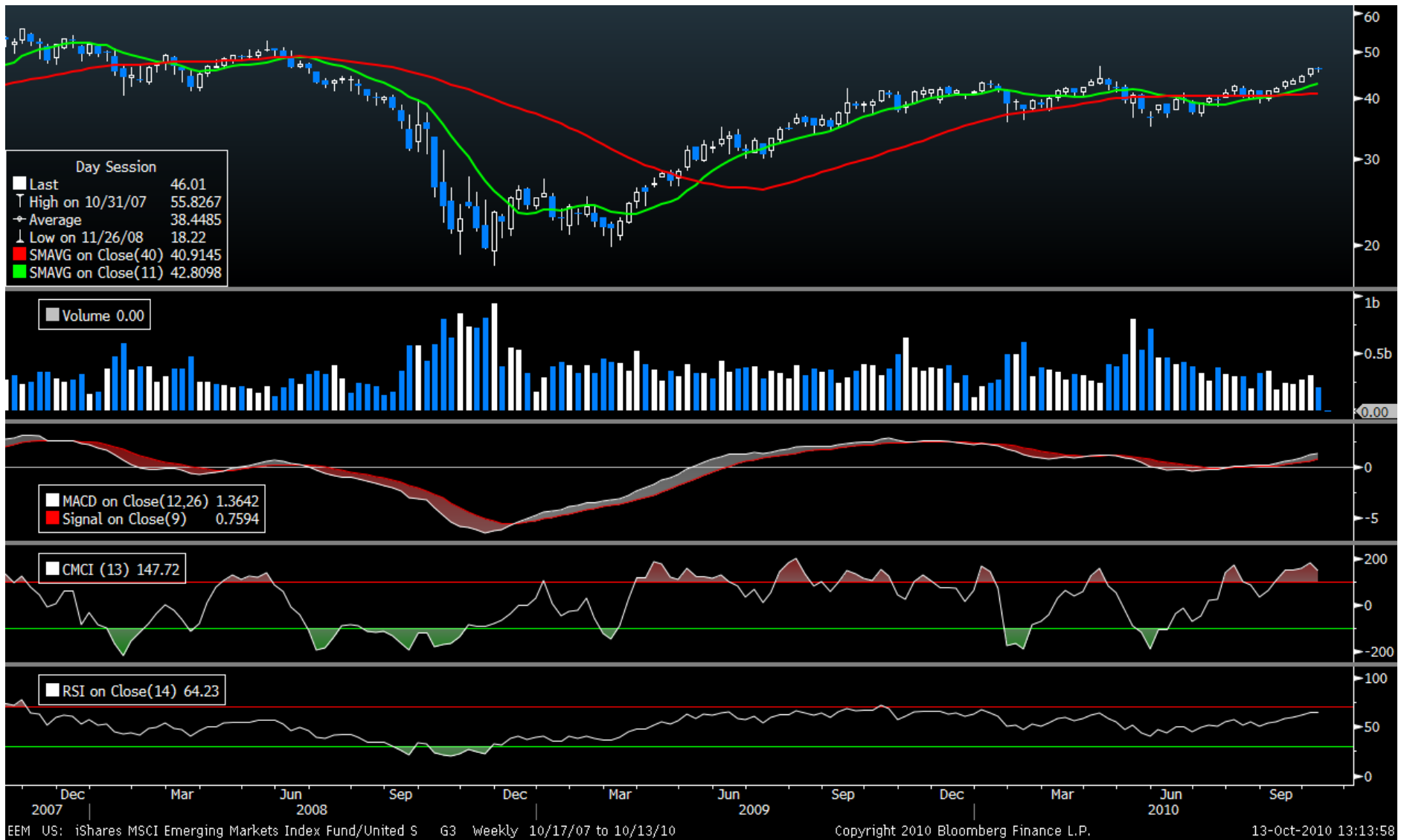
## 4- XRT – Correlation Ratio Analysis with SPX – 365 days Time basis



## 5- XRT – Trend Reversion Analysis – Long Term



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

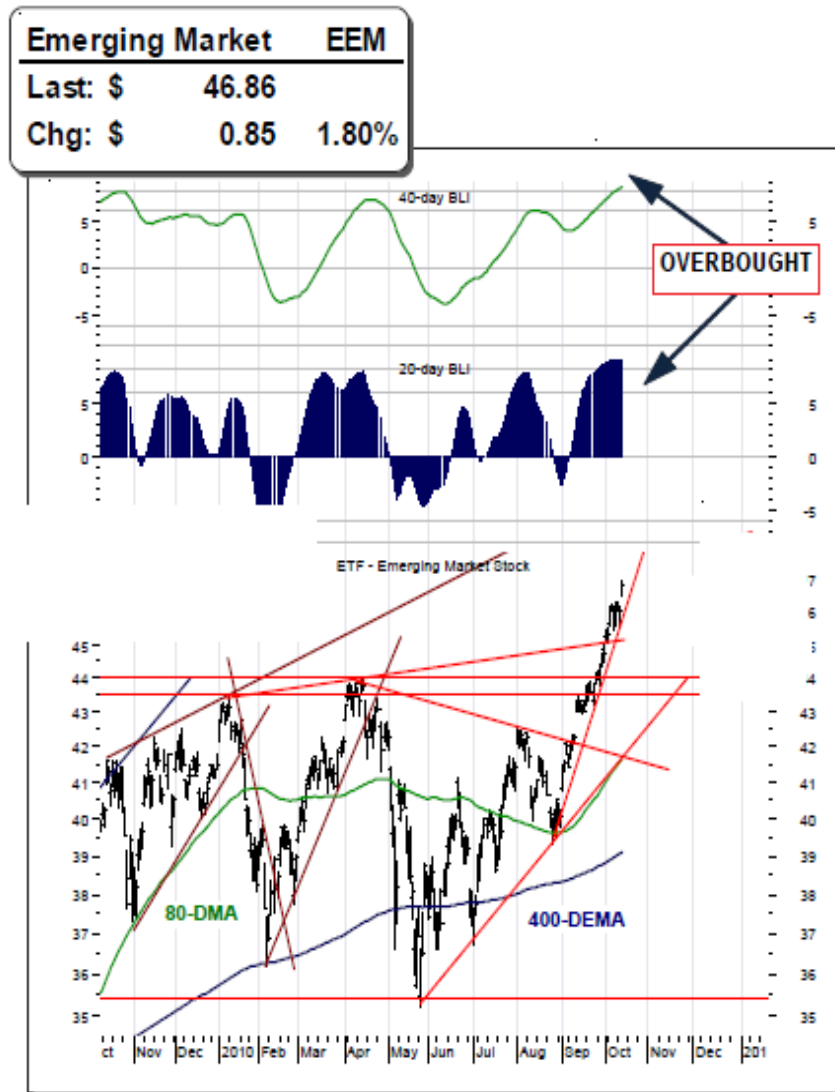


# 1- EEM - Daily - 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



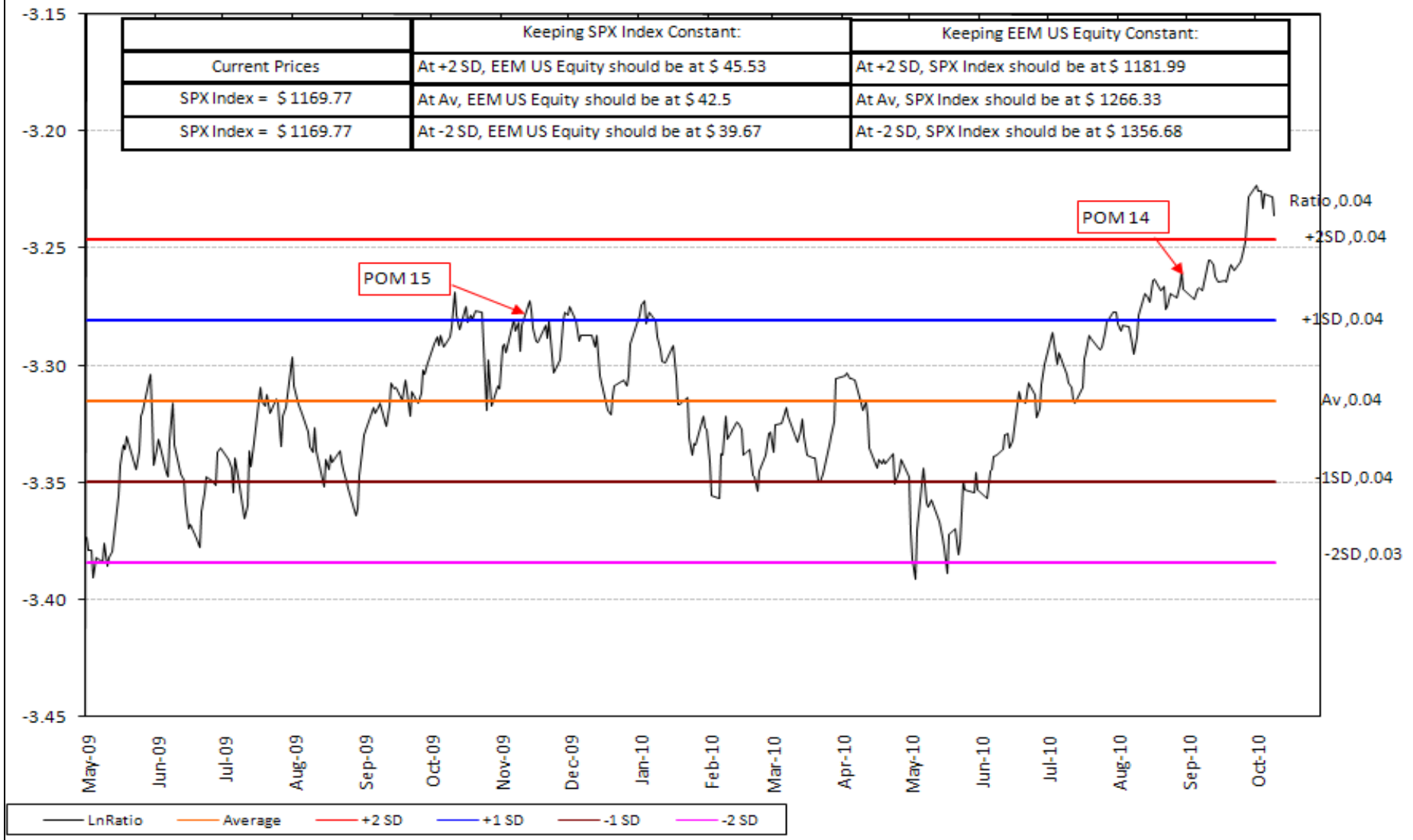
## - EEM - Technical & Pattern Analysis ( Process 3 )

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.

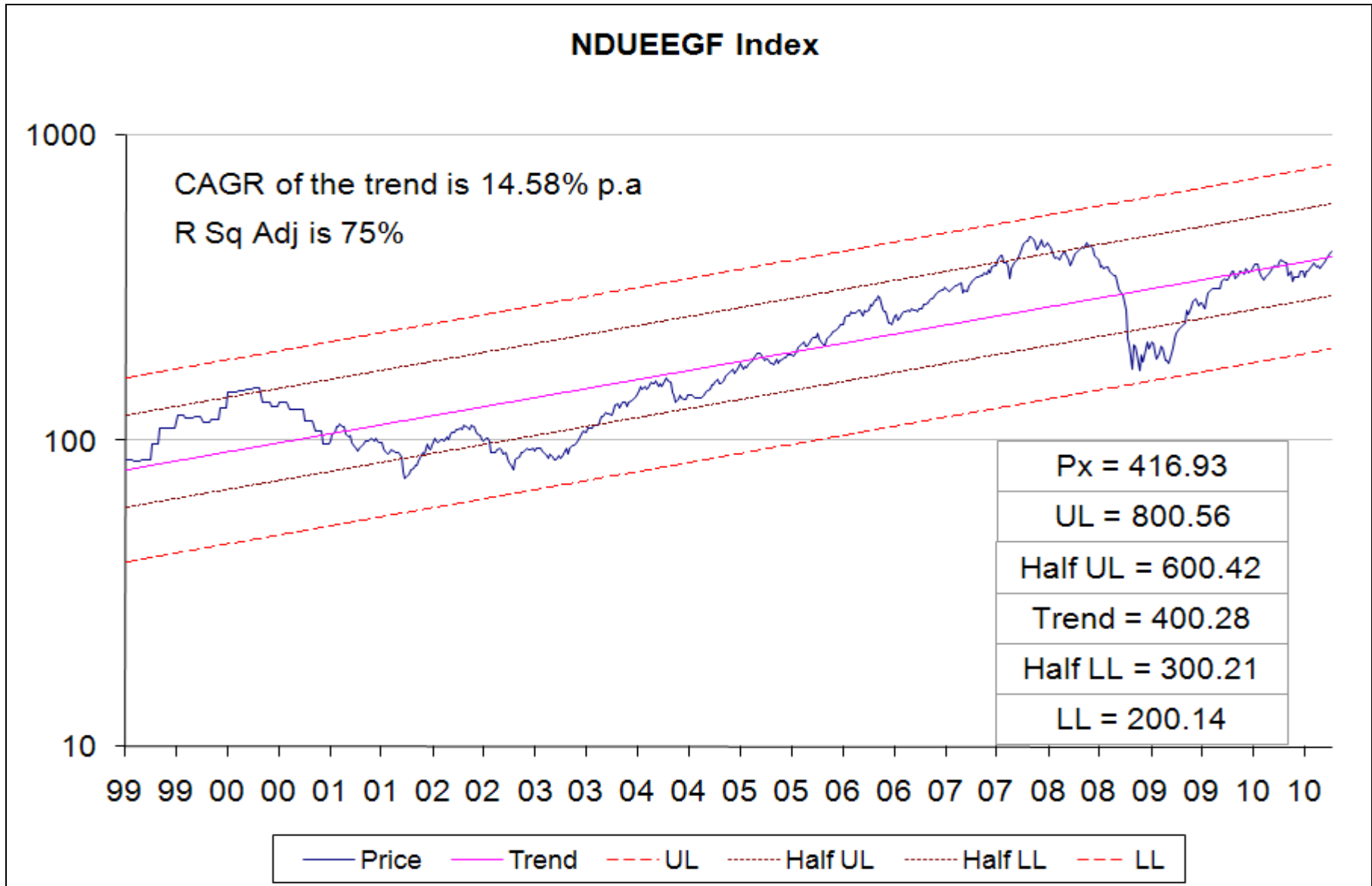


## 2- EEM – Correlation Ratio Analysis with SPX – 365 days Time basis

**Long EEM US Equity and Short SPX Index, Updated till 12 Oct 2010**

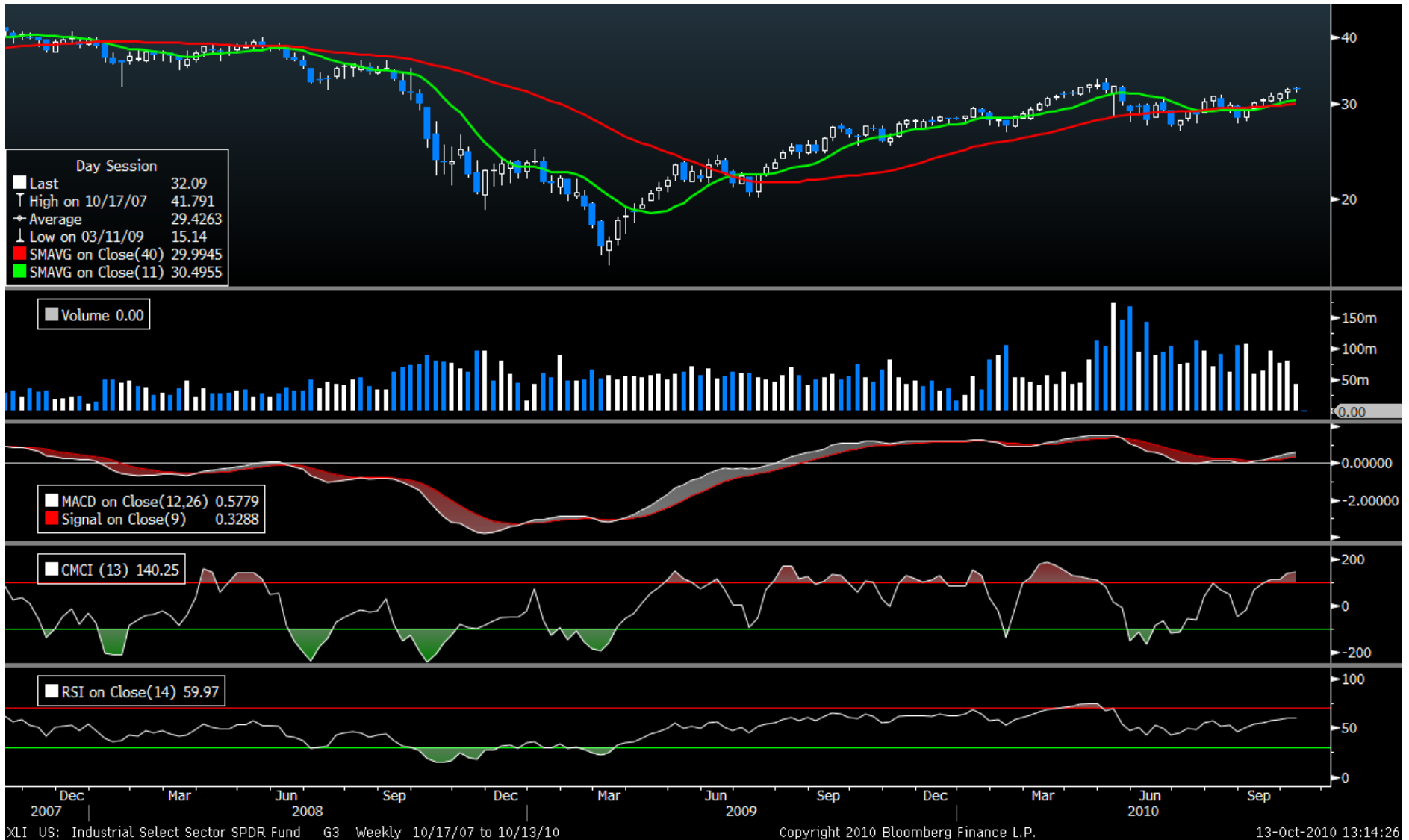


### 3- EEM – Trend Reversion Analysis – Long Term





# 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

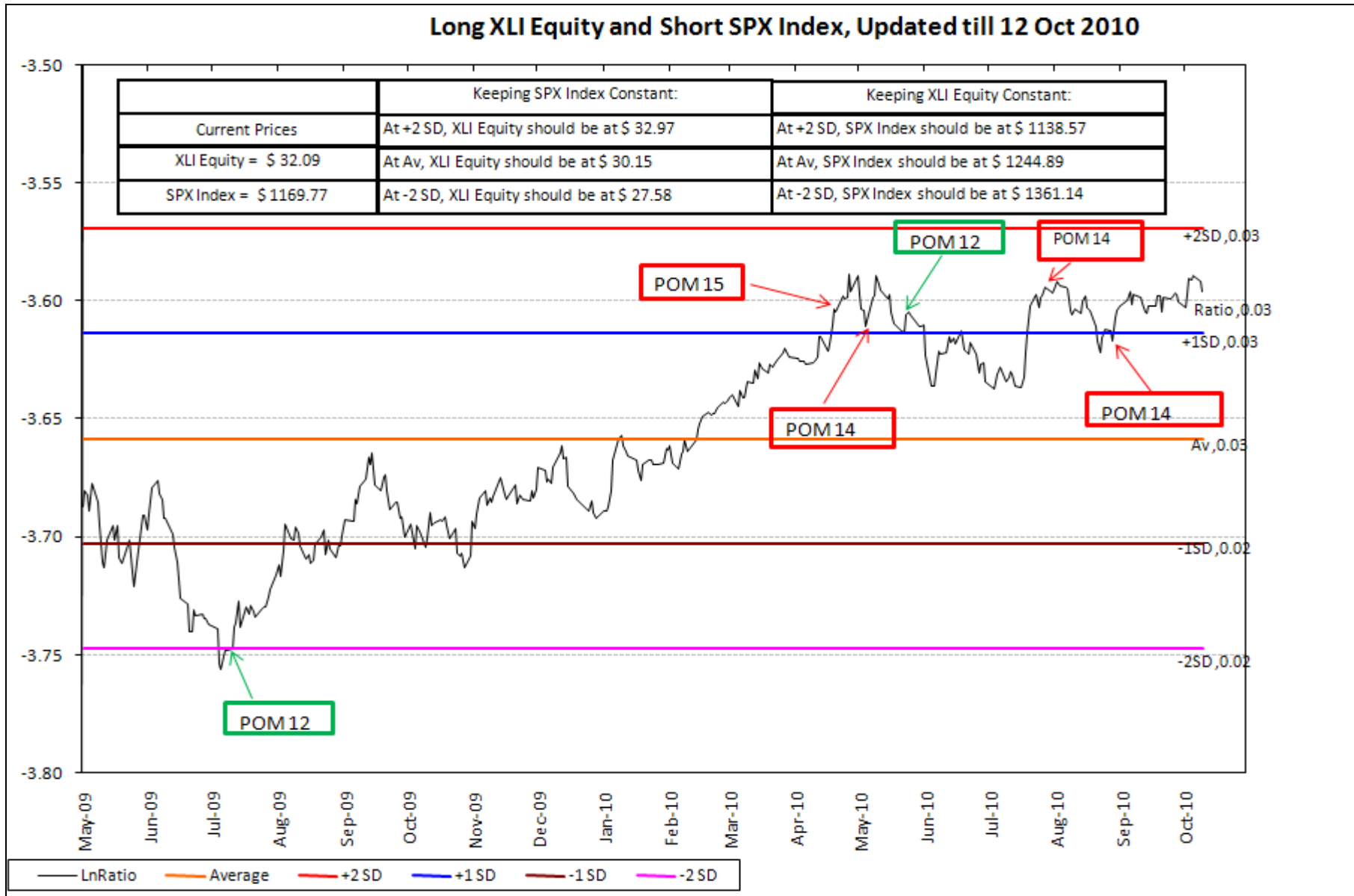


## - XLI - Technical & Pattern Analysis - ( Process 3 )

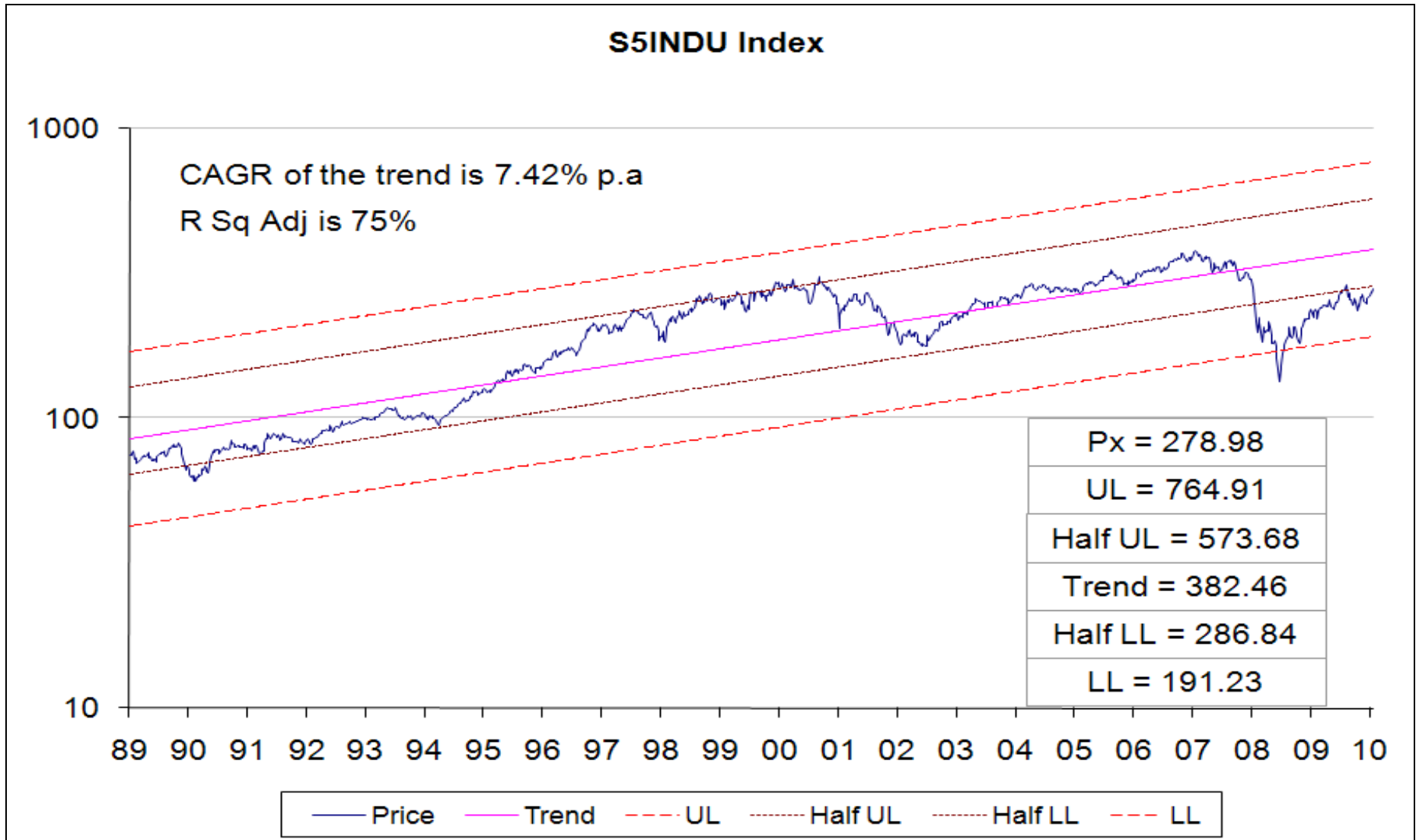
The XLI / SPX ratio chart looks bullish and should still trend higher in RH side chart below, confirms the relative still rise **in XLI / SPX ( hence not ready yet )** by this matrix **not in Sync with SD Analysis.**



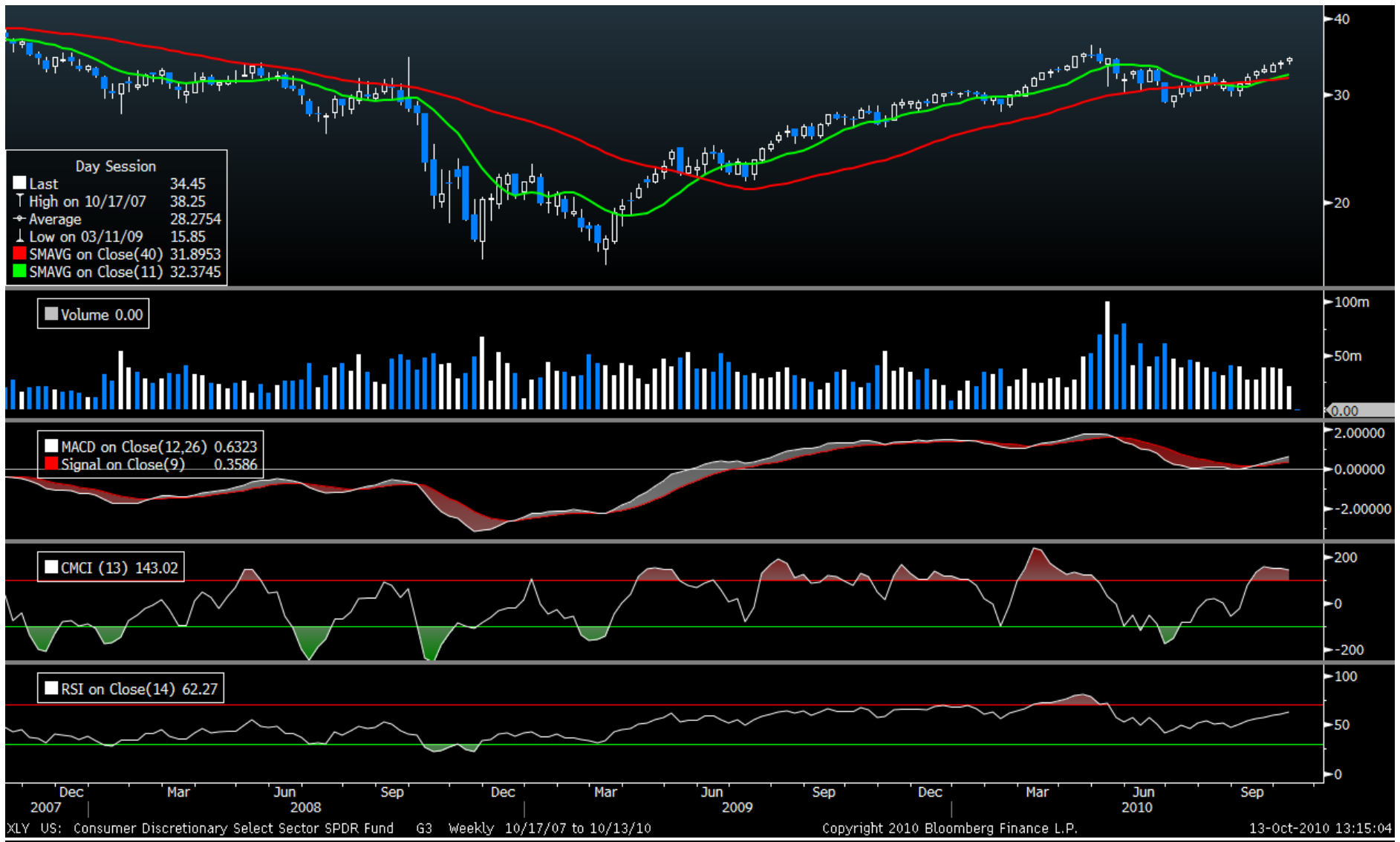
### 3- XLI – Correlation Ratio Analysis with SPX – 365 days Time basis



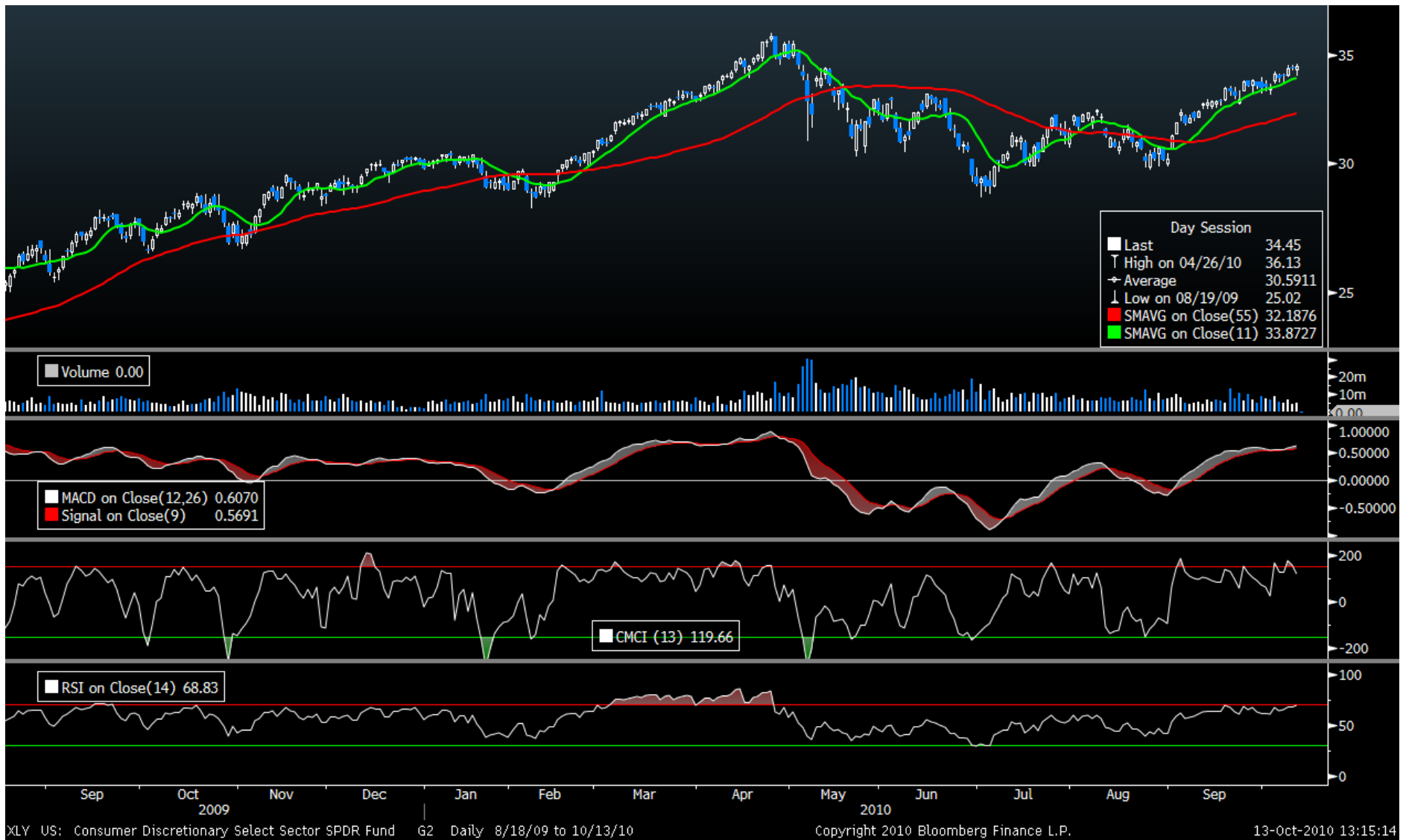
## 4- XLI – Trend Reversion Analysis – Long Term



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

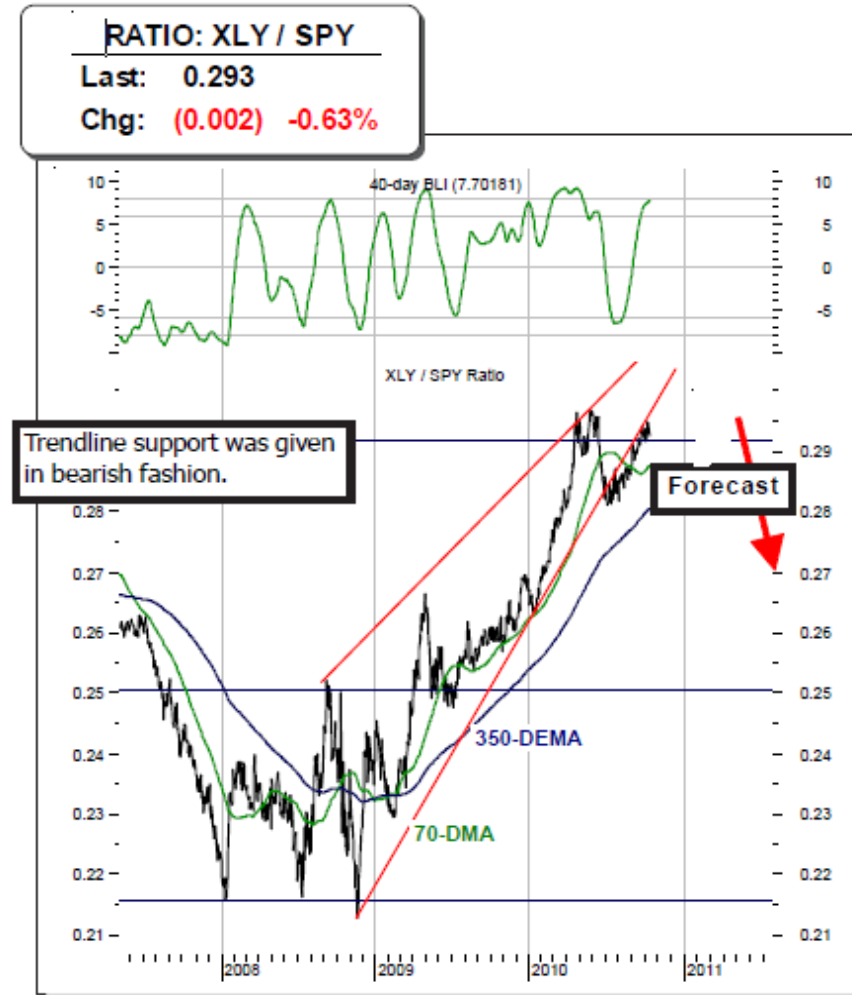
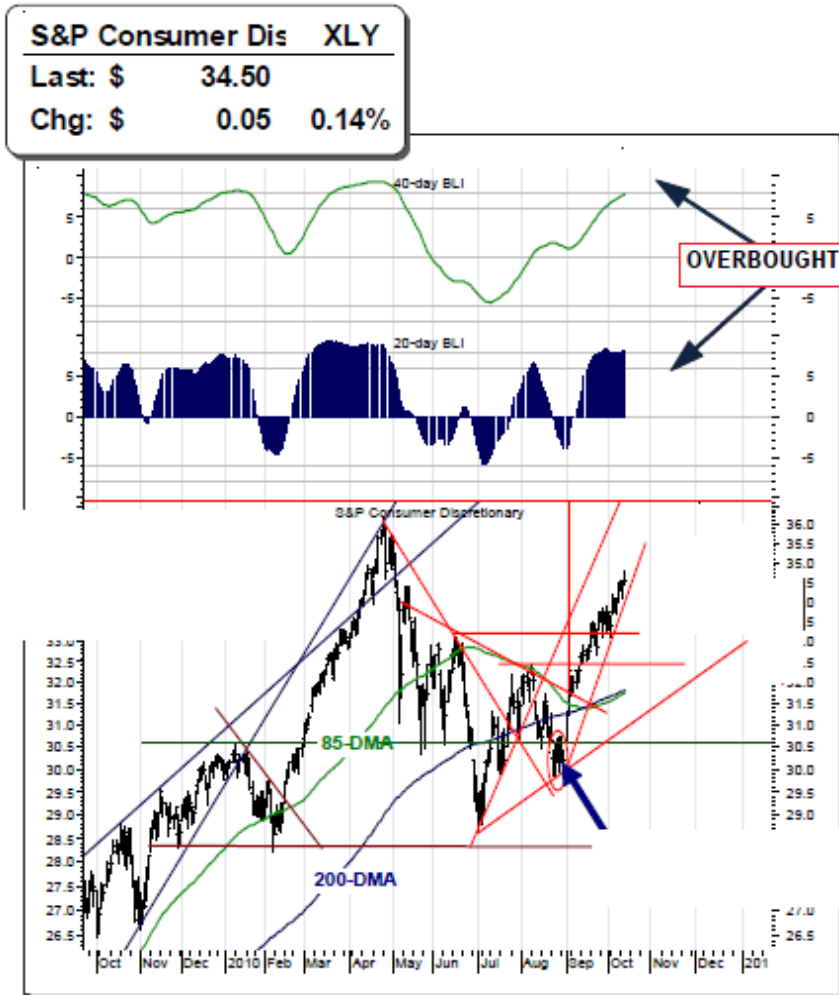


## 2 - XLY Daily – 3 Year with RSI, CCI, MACD (11D / 55D) SMA



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

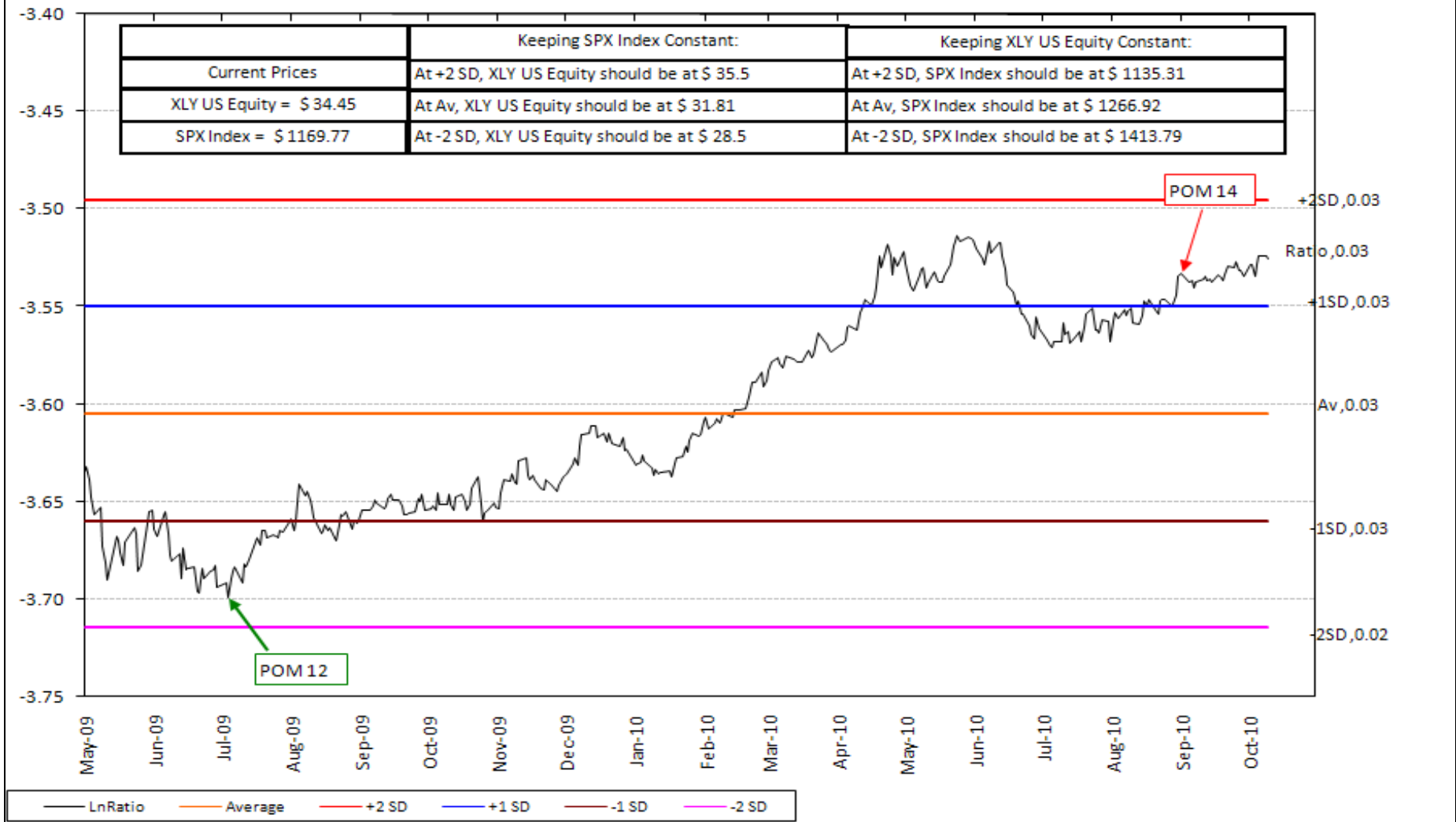
The XLY / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in XLY / SPX ( hence overvalued ) by this matrix in Sync with SD Analysis.



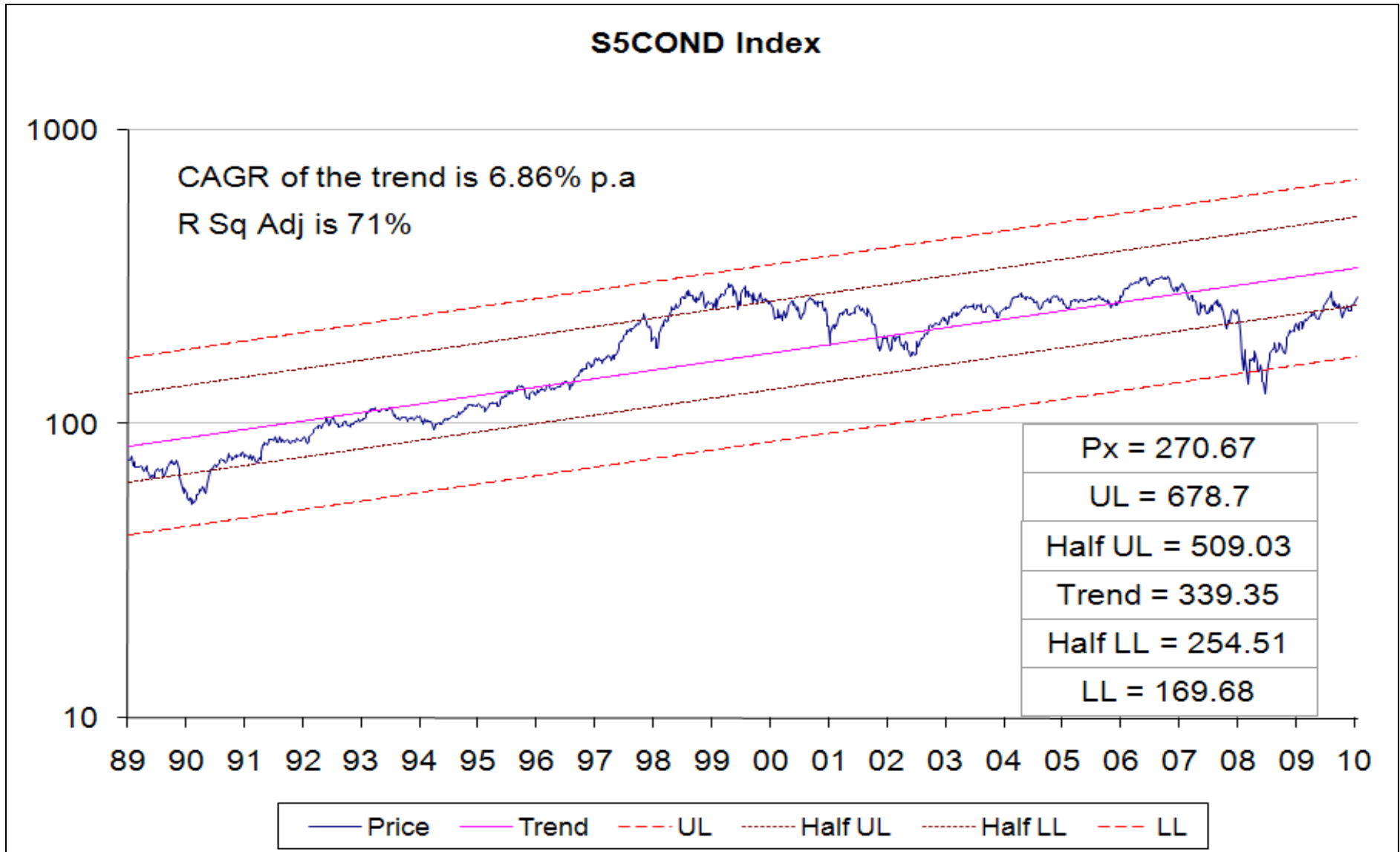


# 1- XLY – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLY US Equity and Short SPX Index, Updated till 12 Oct 2010

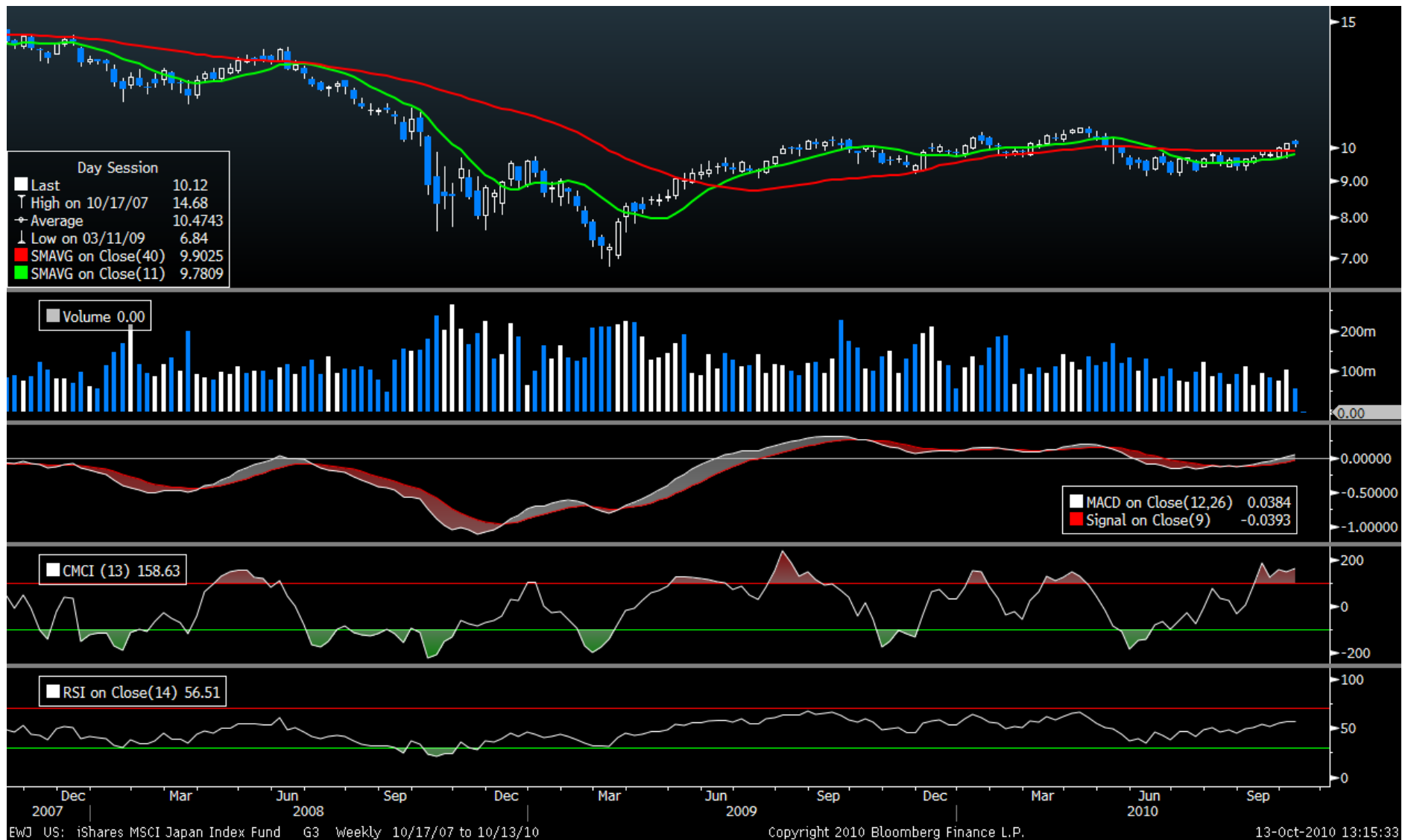


## 2- XLY – Trend Reversion Analysis – Long Term -

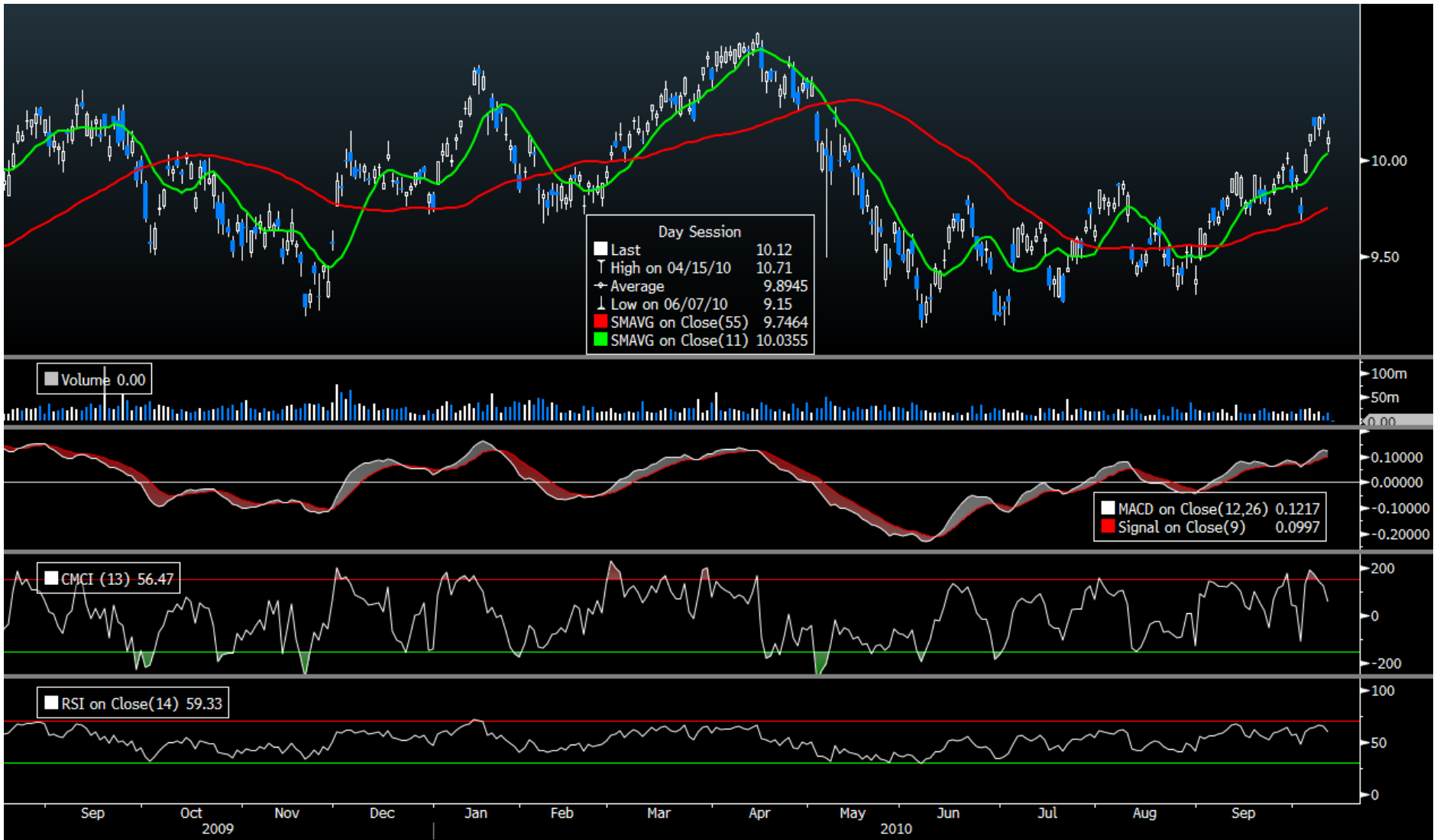


# EWJ Weekly- 3 Year with RSI, CCI, MACD

**(11 W / 40 W SMA)**

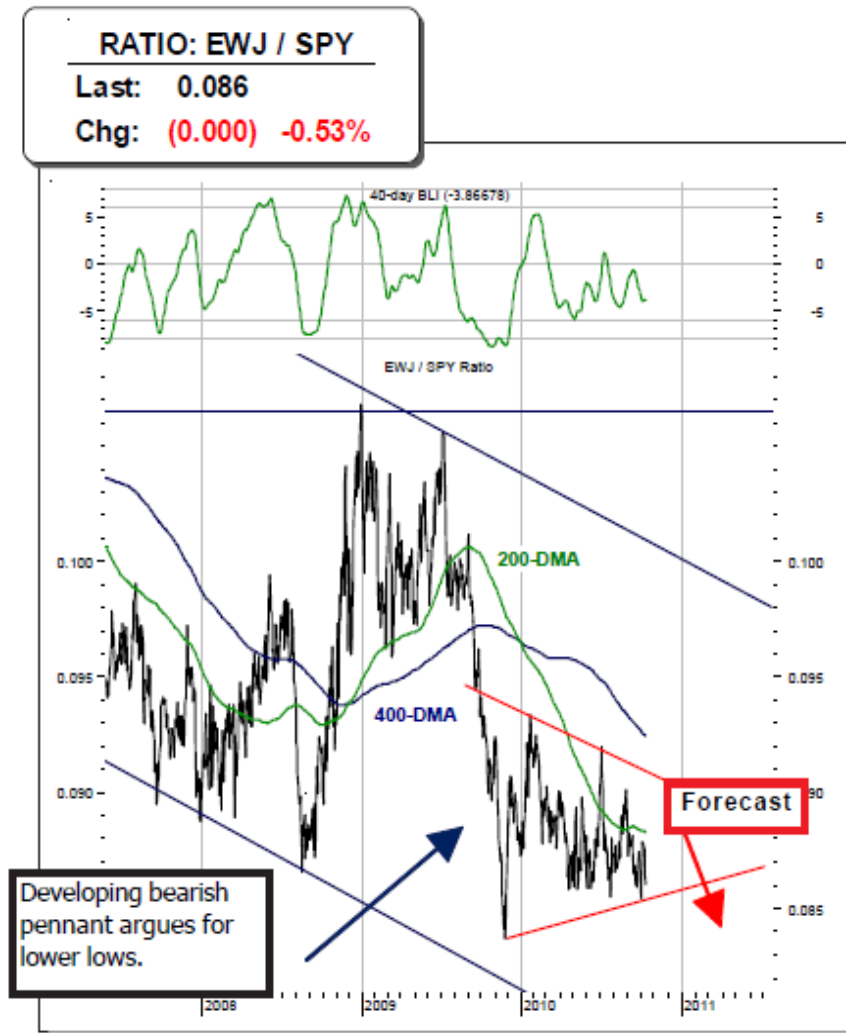
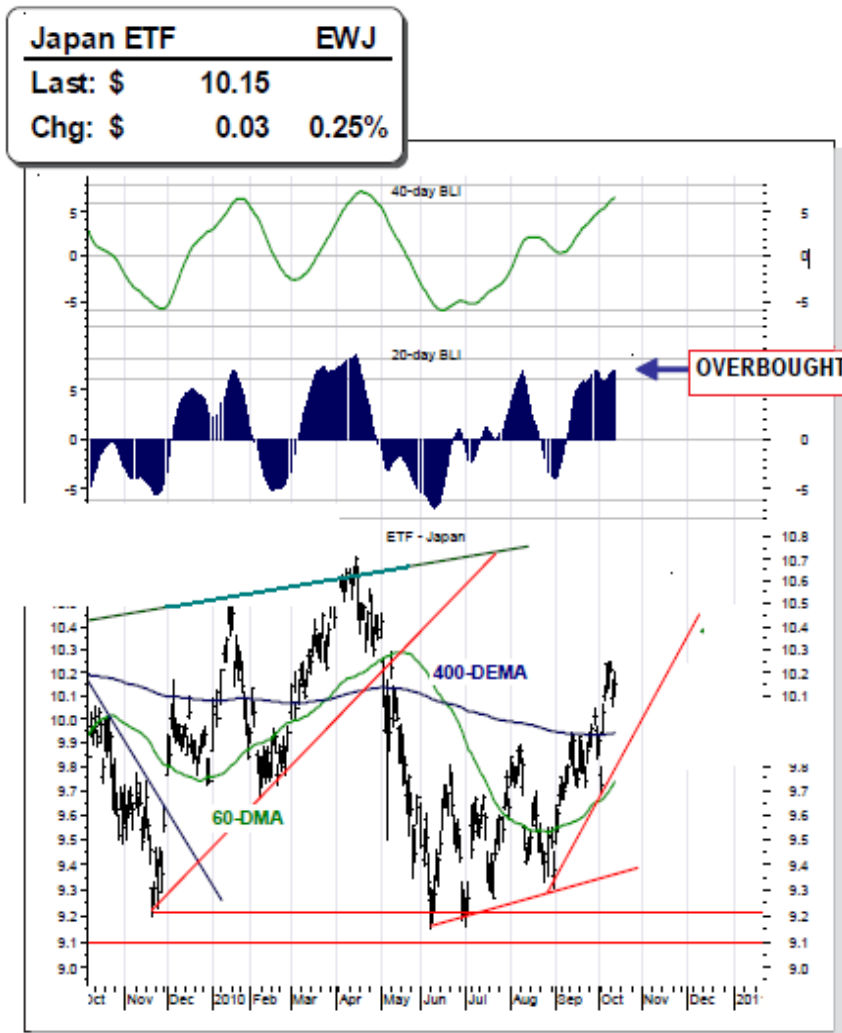


# EWJ Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



## 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.



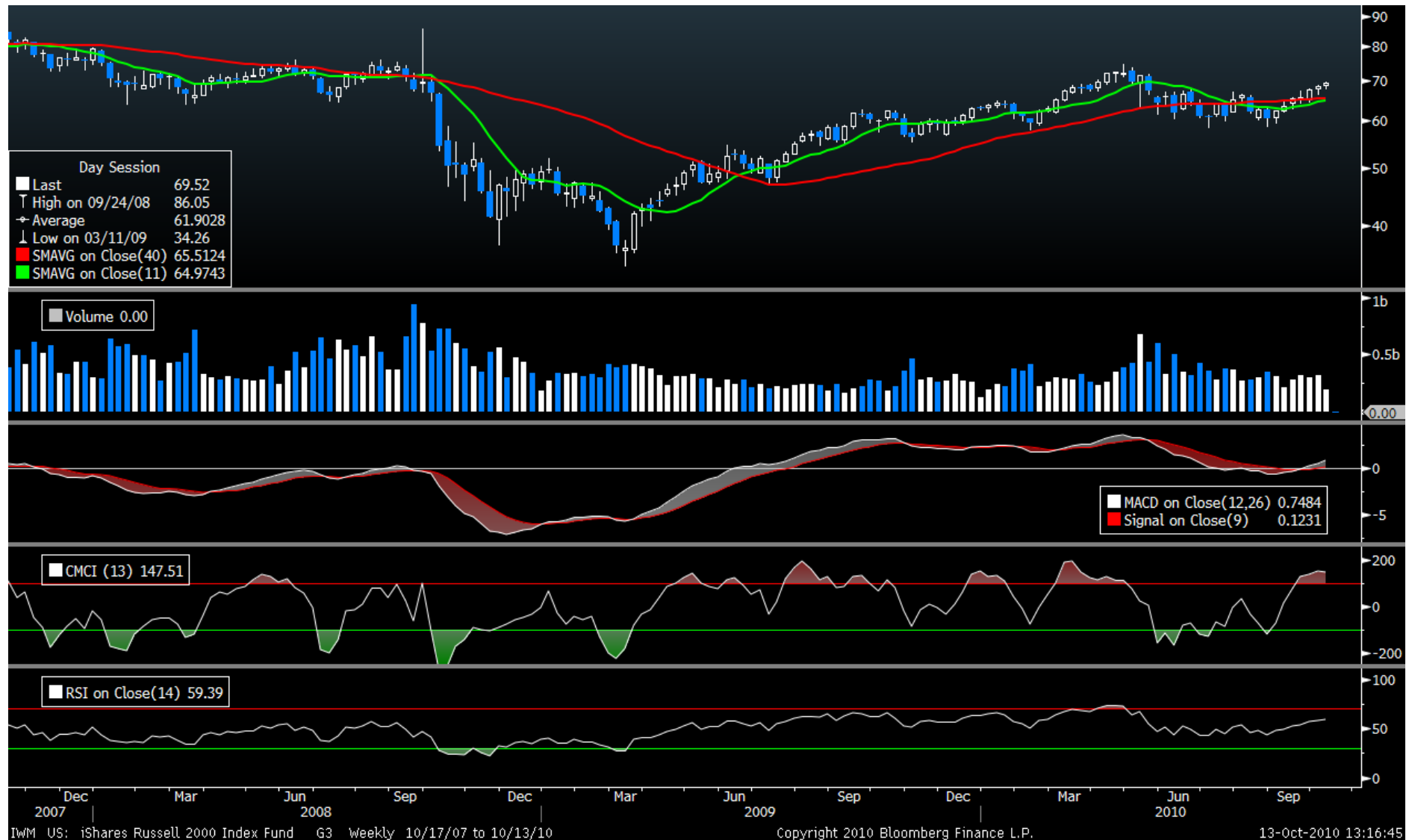
## EWJ – Correlation Ratio Analysis with SPX – 365 days Time basis

**Long EWJ Equity and Short SPX Index, Updated till 12 Oct 2010**



# IWM Weekly- 3 Year with RSI, CCI, MACD

**(11 W / 40 W SMA)**



# IWM Daily – 3 Year with RSI, CCI, MACD

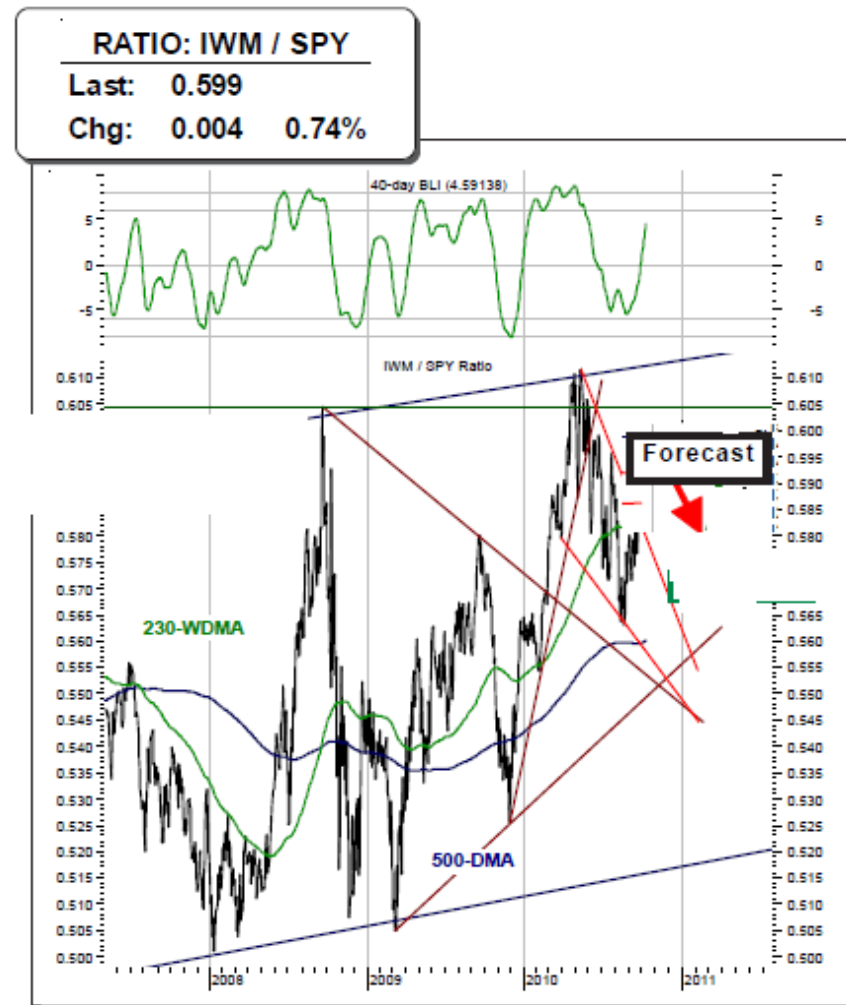
**(11D / 55D)**





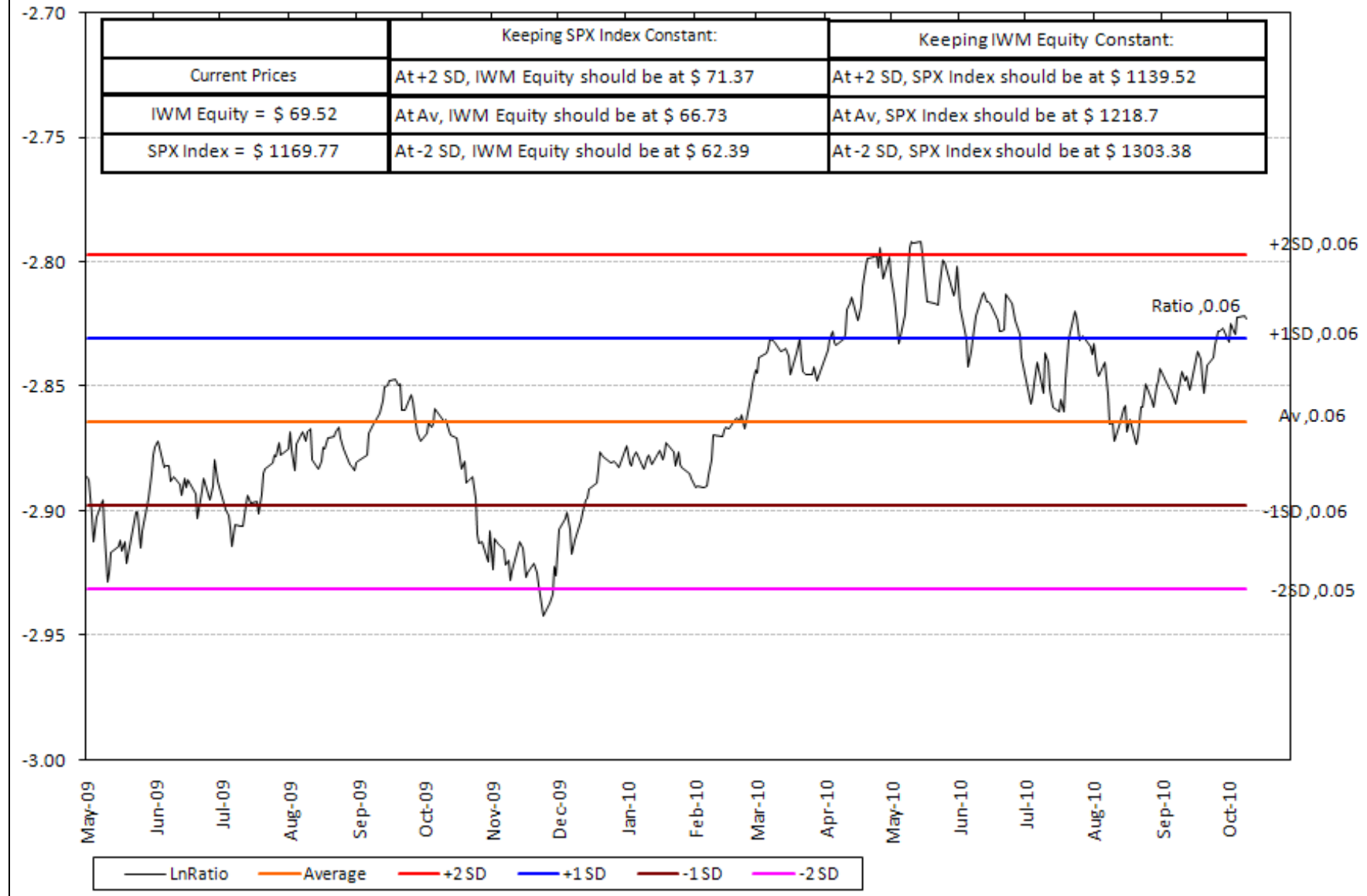
## 2 – IWM- Technical & Pattern Analysis - ( Process 3 )

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



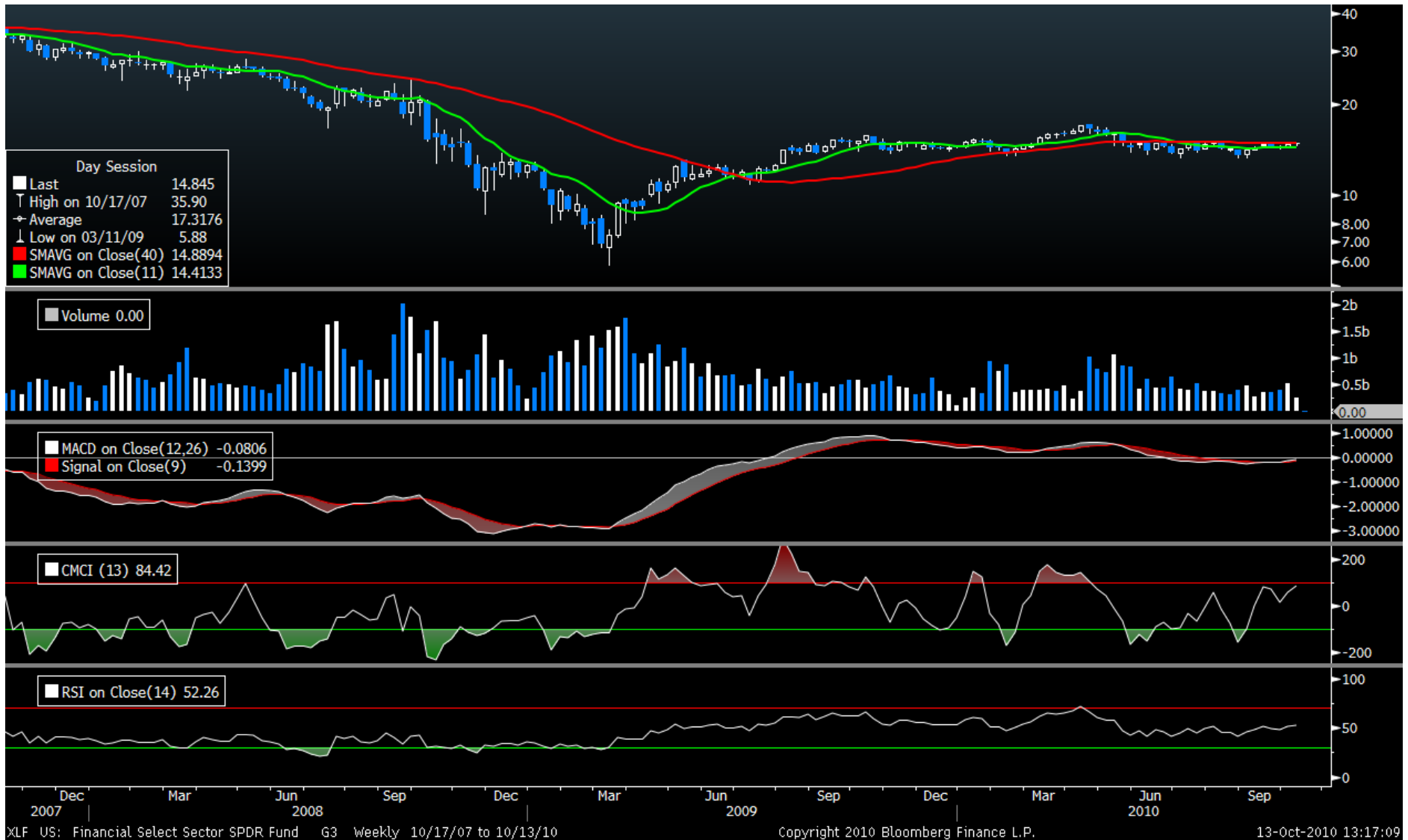
## IWM – Correlation Ratio Analysis with SPX – 365 days Time basis

**Long IWM Equity and Short SPX Index, Updated till 12 Oct 2010**



# XLF Weekly- 3 Year with RSI, CCI, MACD

**(11 W / 40 W SMA)**

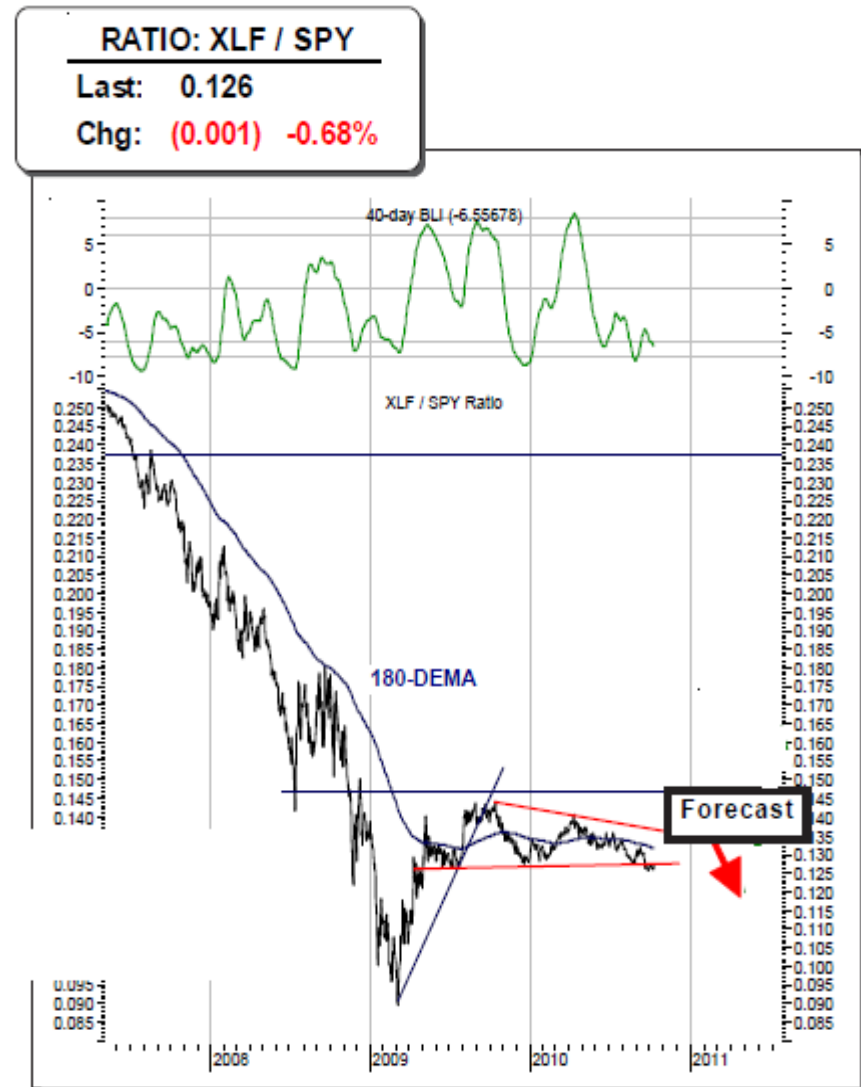
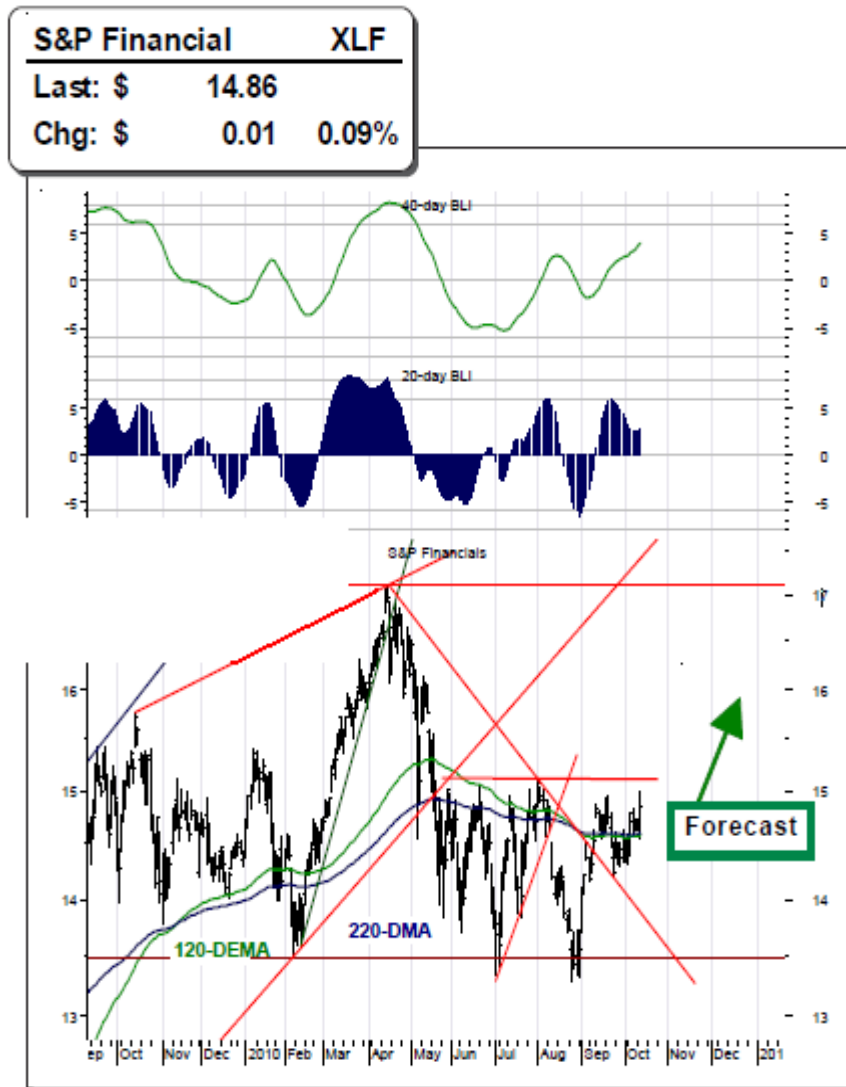


# XLF Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



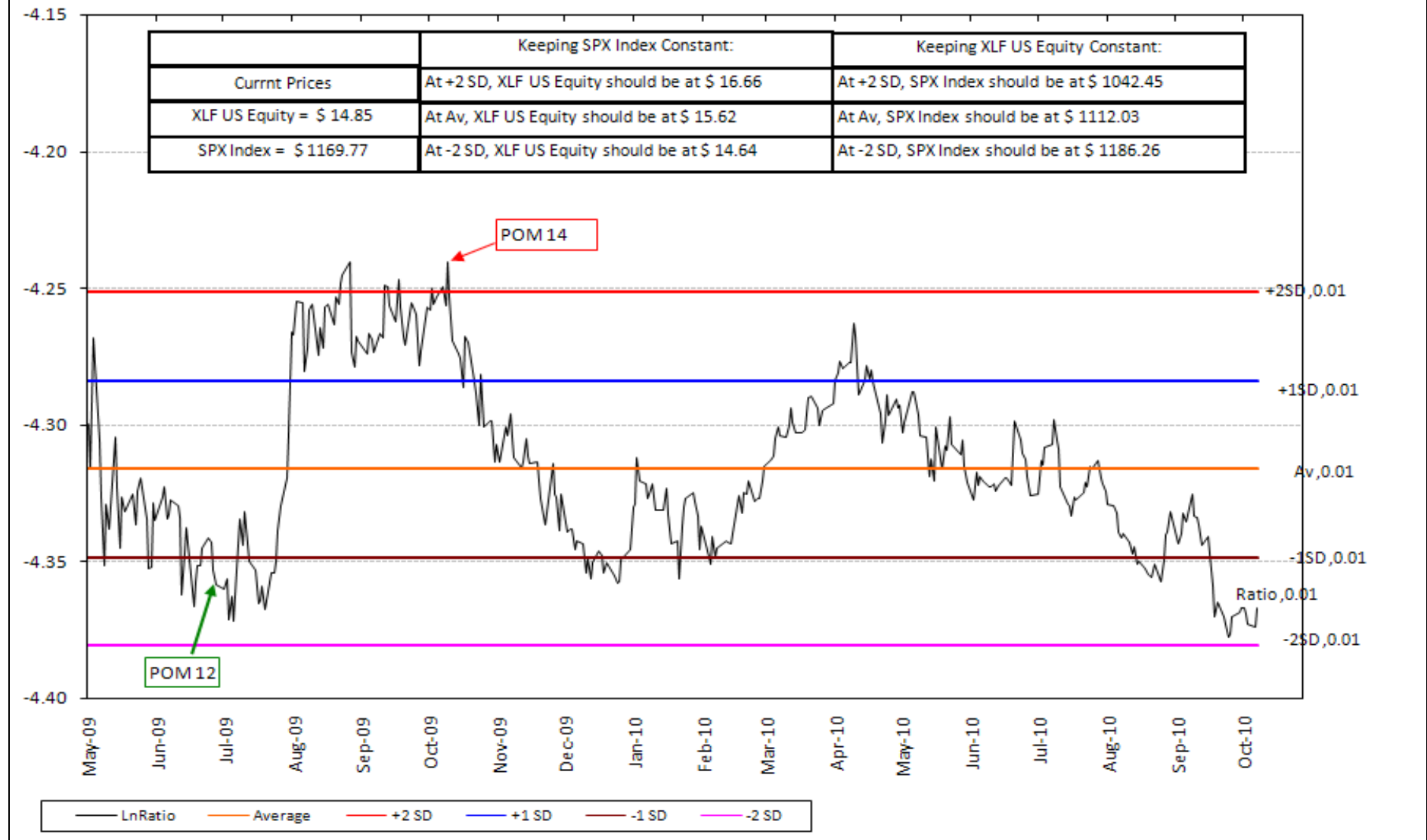
## 2 – XLF- Technical & Pattern Analysis - ( Process 3 )

The XLF / SPX ratio chart looks **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**.



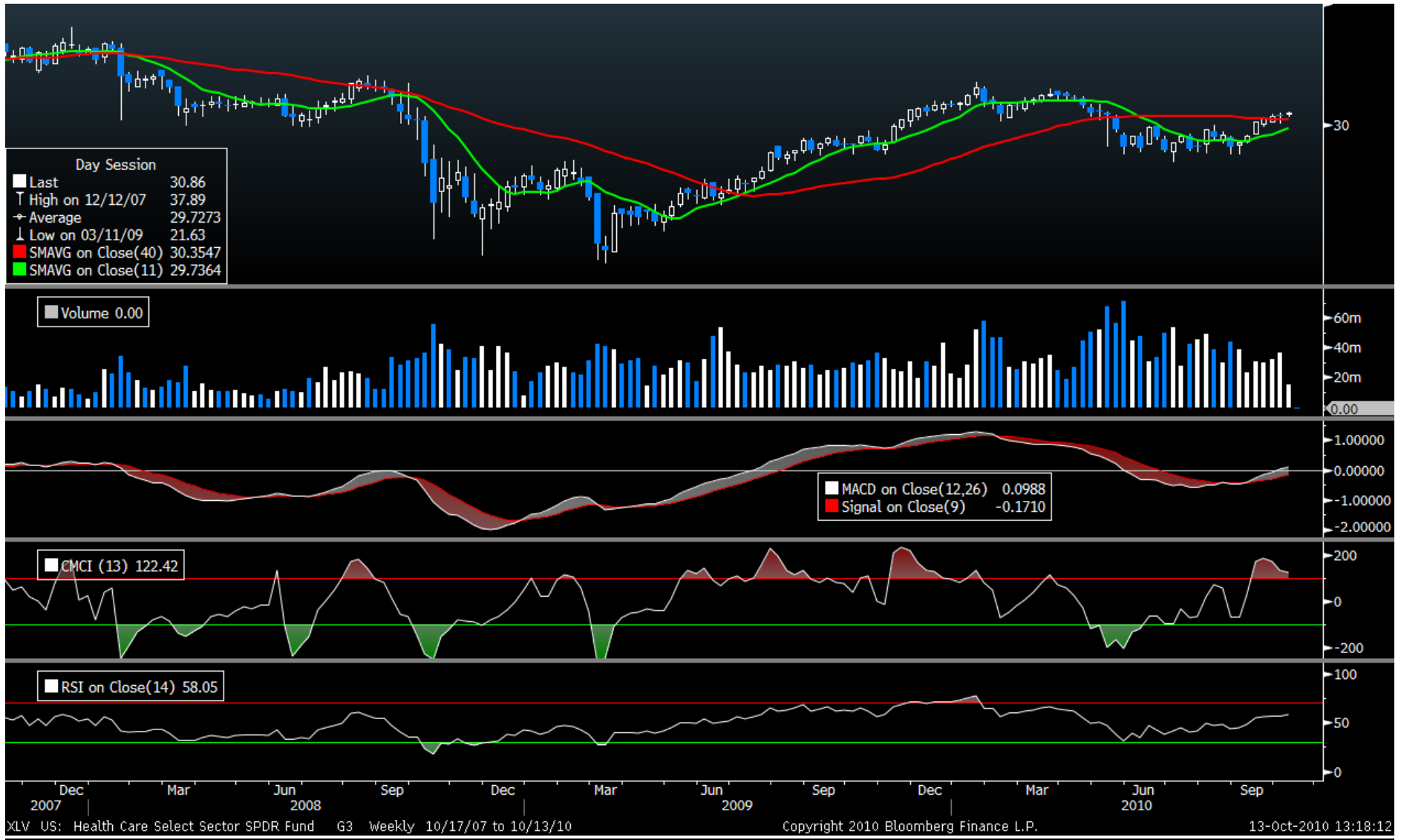
# XLF – Correlation Ratio Analysis with SPX – 365 days Time basis

**Long XLF US Equity and Short SPX Index, Updated till 12 Oct 2010**

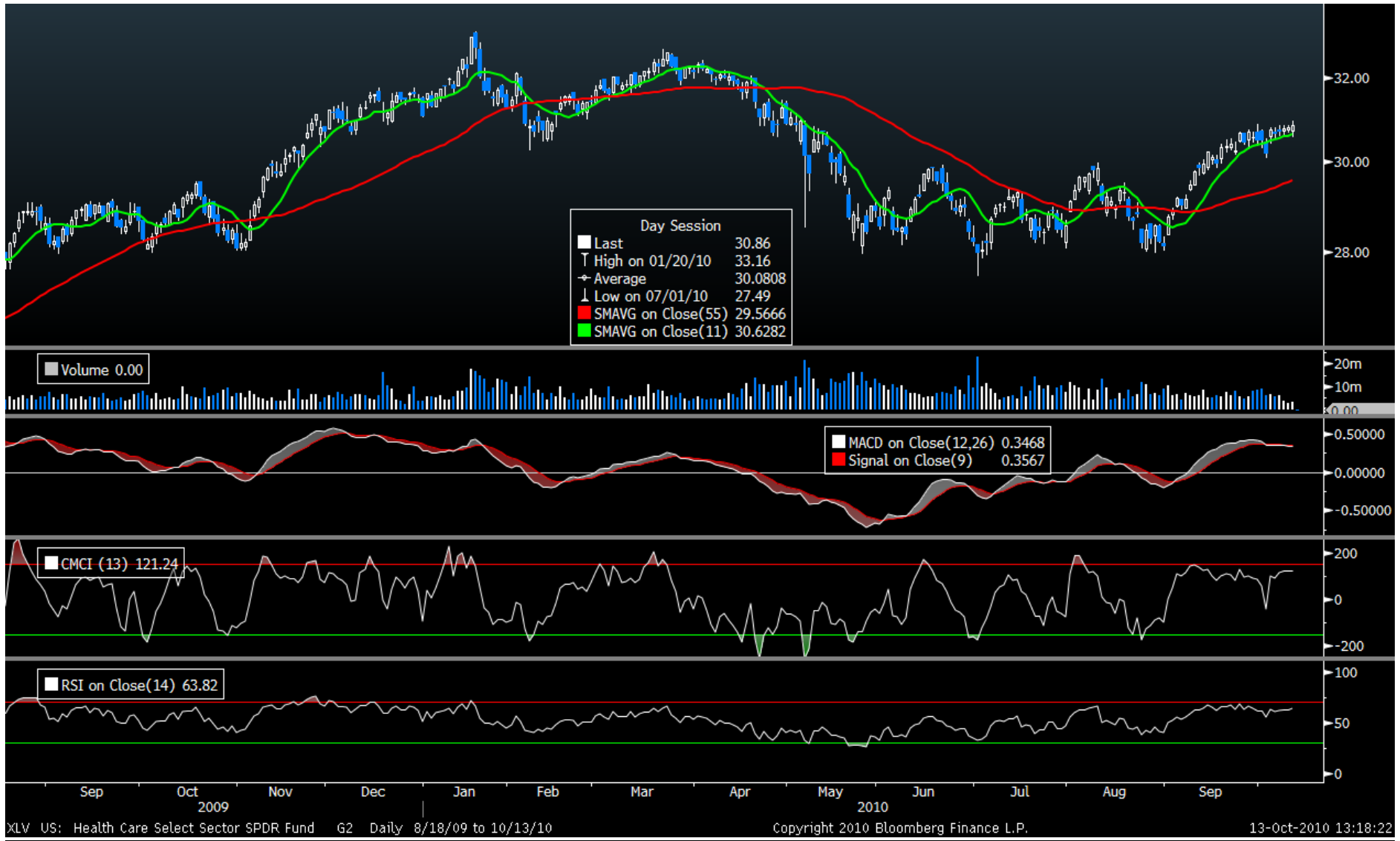


# 1-XLV- Weekly- 3 Year with RSI, CCI, MACD

## 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**.

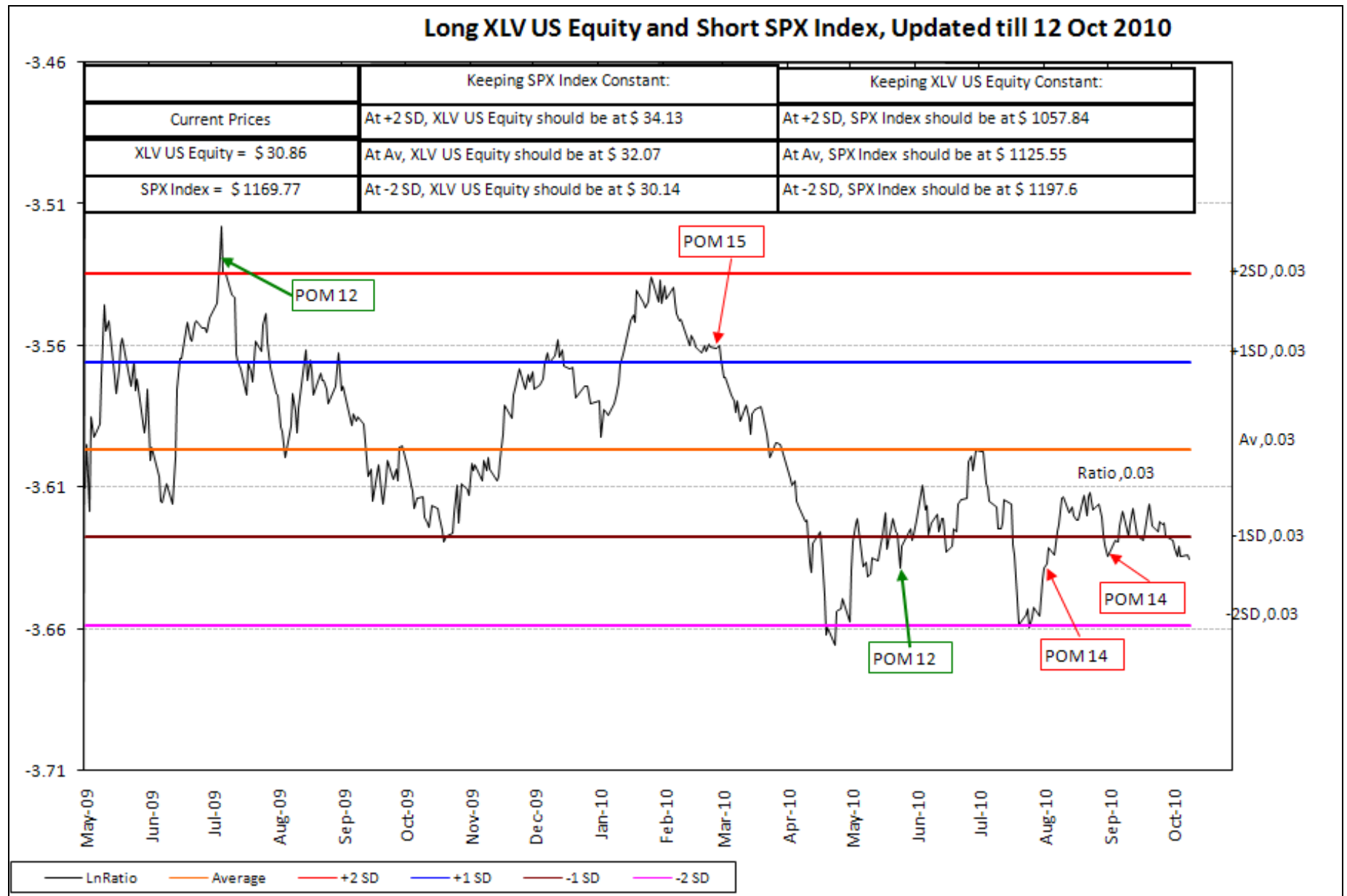
S&P Healthcare	XLV
Last: \$ 31.08	
Chg: \$ 0.22	0.71%



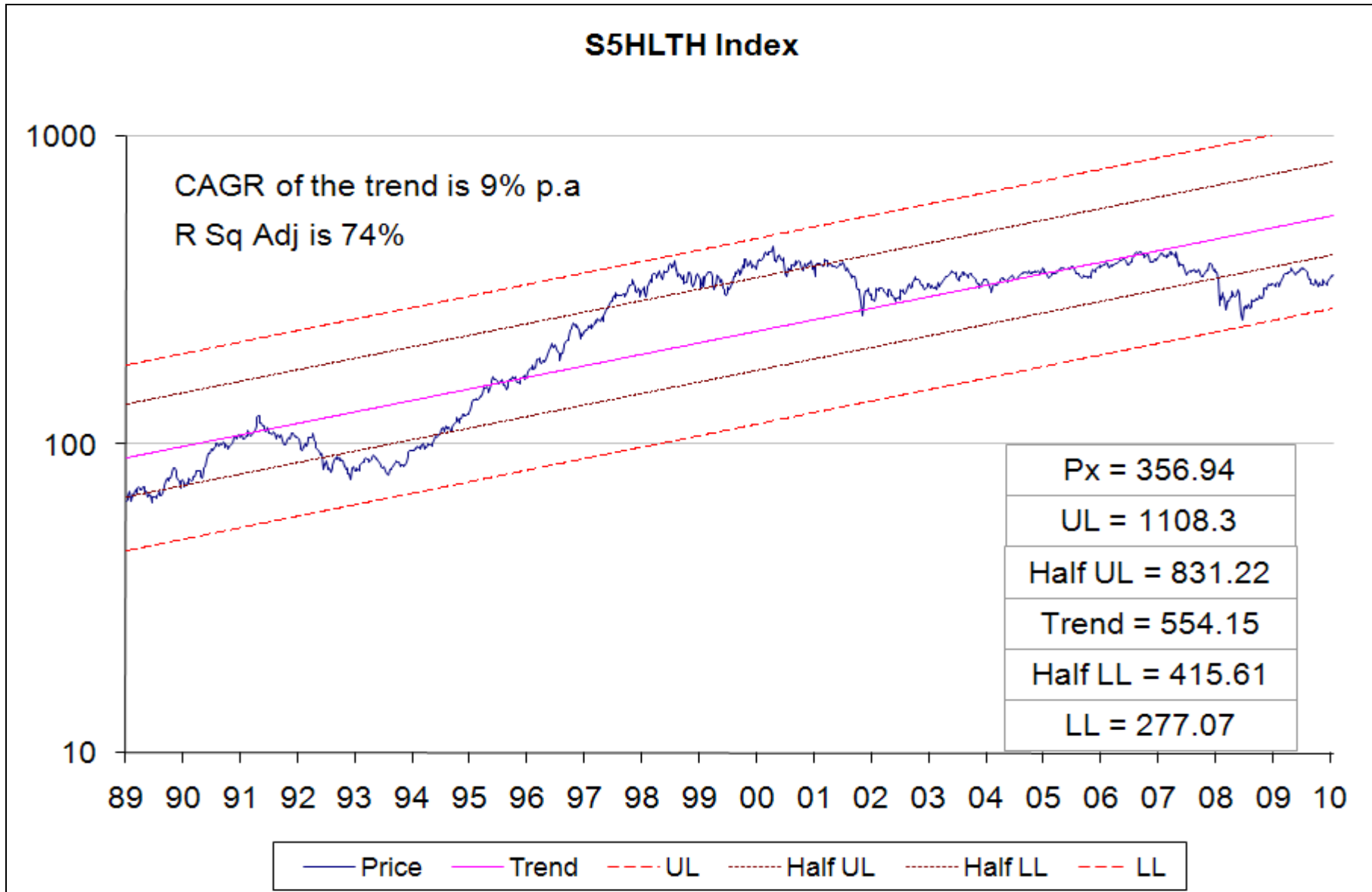
RATIO: XLV / SPY
Last: 0.264
Chg: (0.000) -0.06%



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

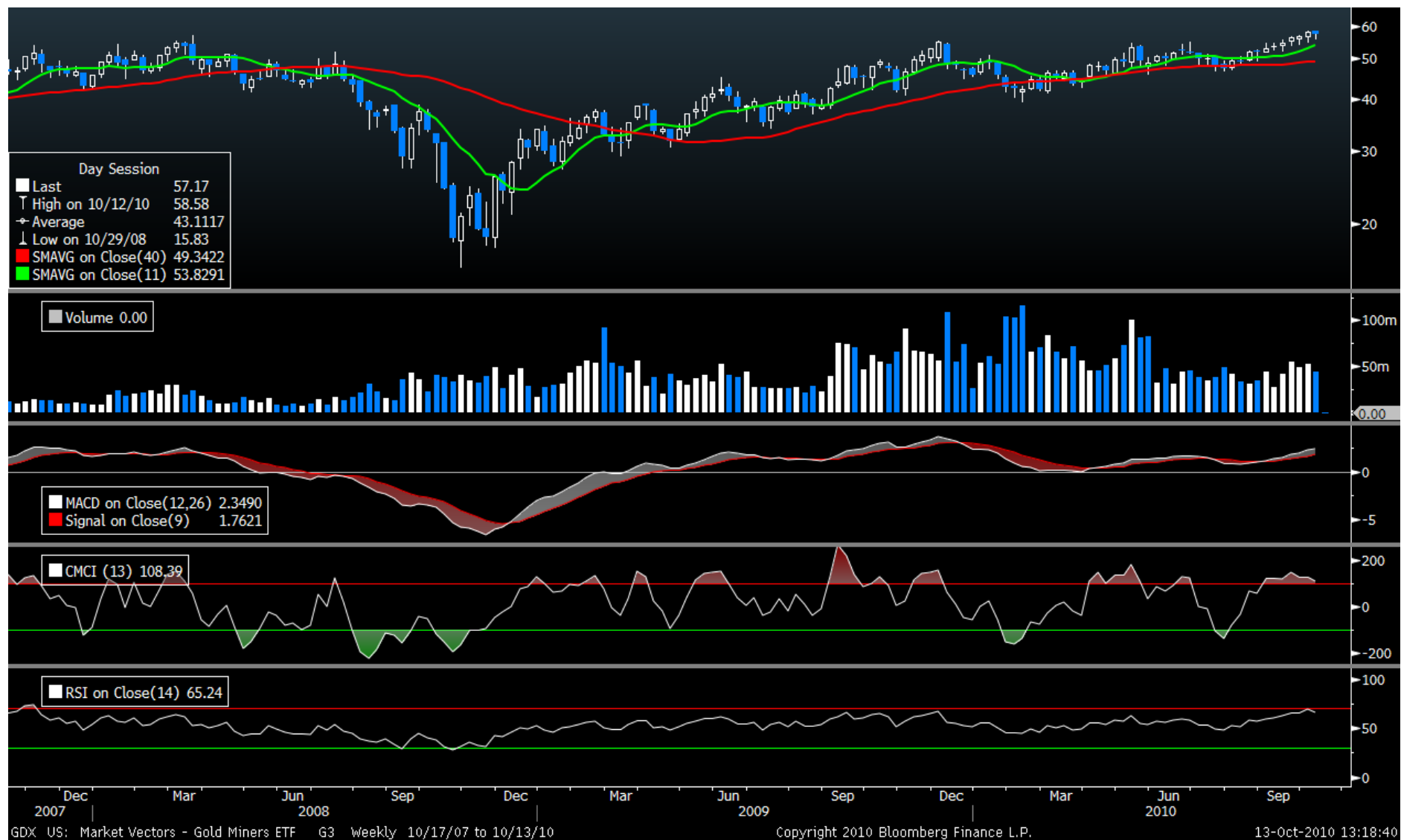


## XLV – Trend Reversion Analysis – Long Term



# GDX Weekly- 3 Year with RSI, CCI, MACD

**(11 W / 40 W SMA)**



# GDX Daily – 3 Year with RSI, CCI, MACD

**(11D / 55D)**



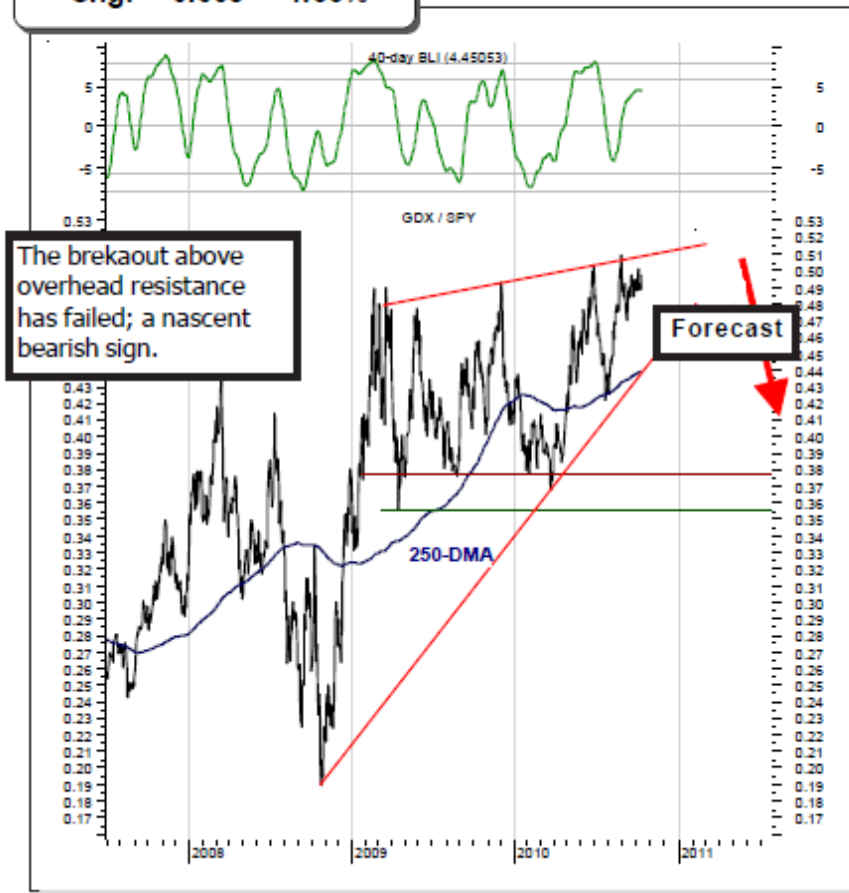
## 2 – GDX- Technical & Pattern Analysis - ( Process 3 )

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.

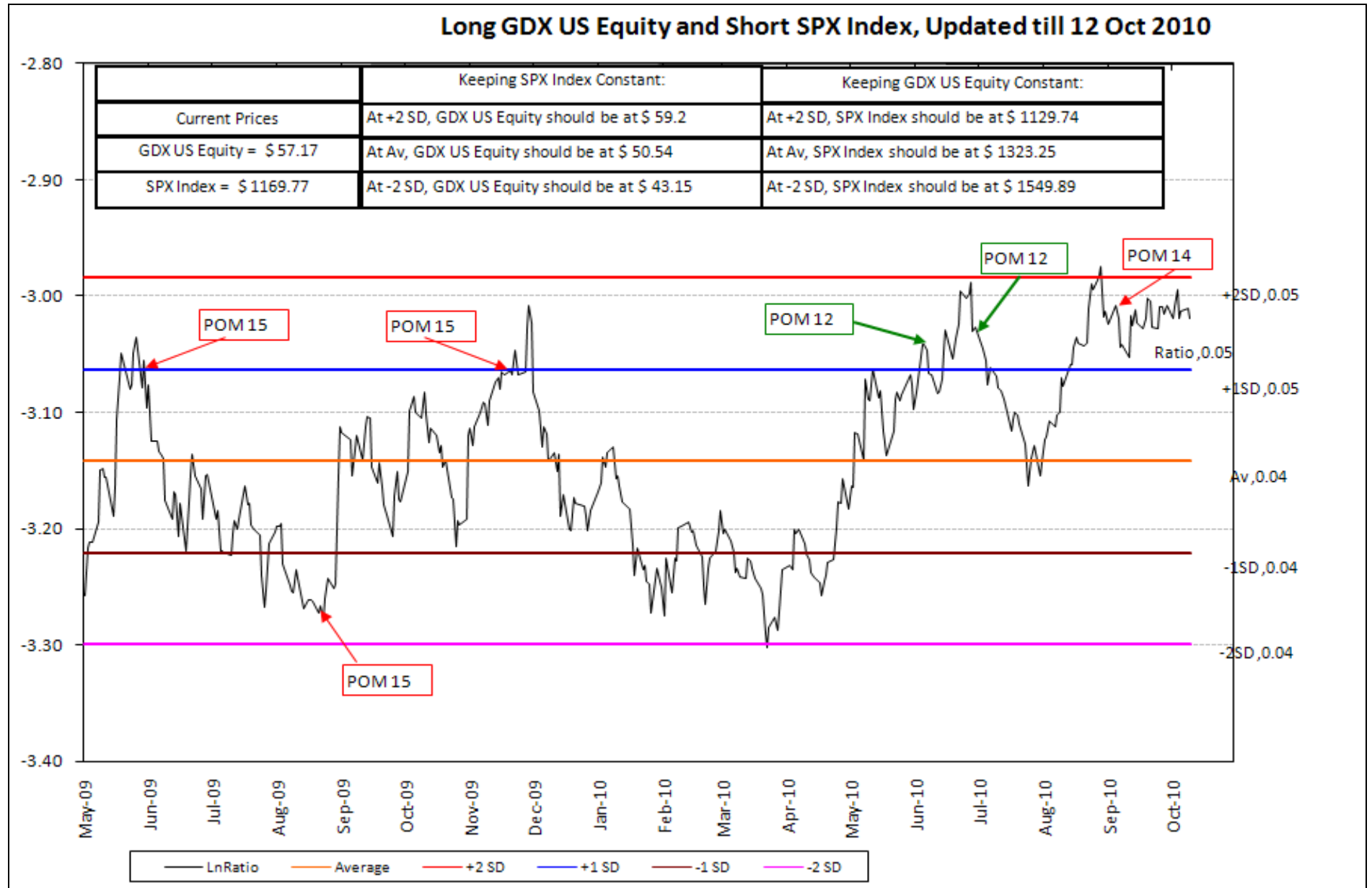
Gold Miners	GDX	
Last: \$	58.59	
Chg: \$	1.42	2.42%



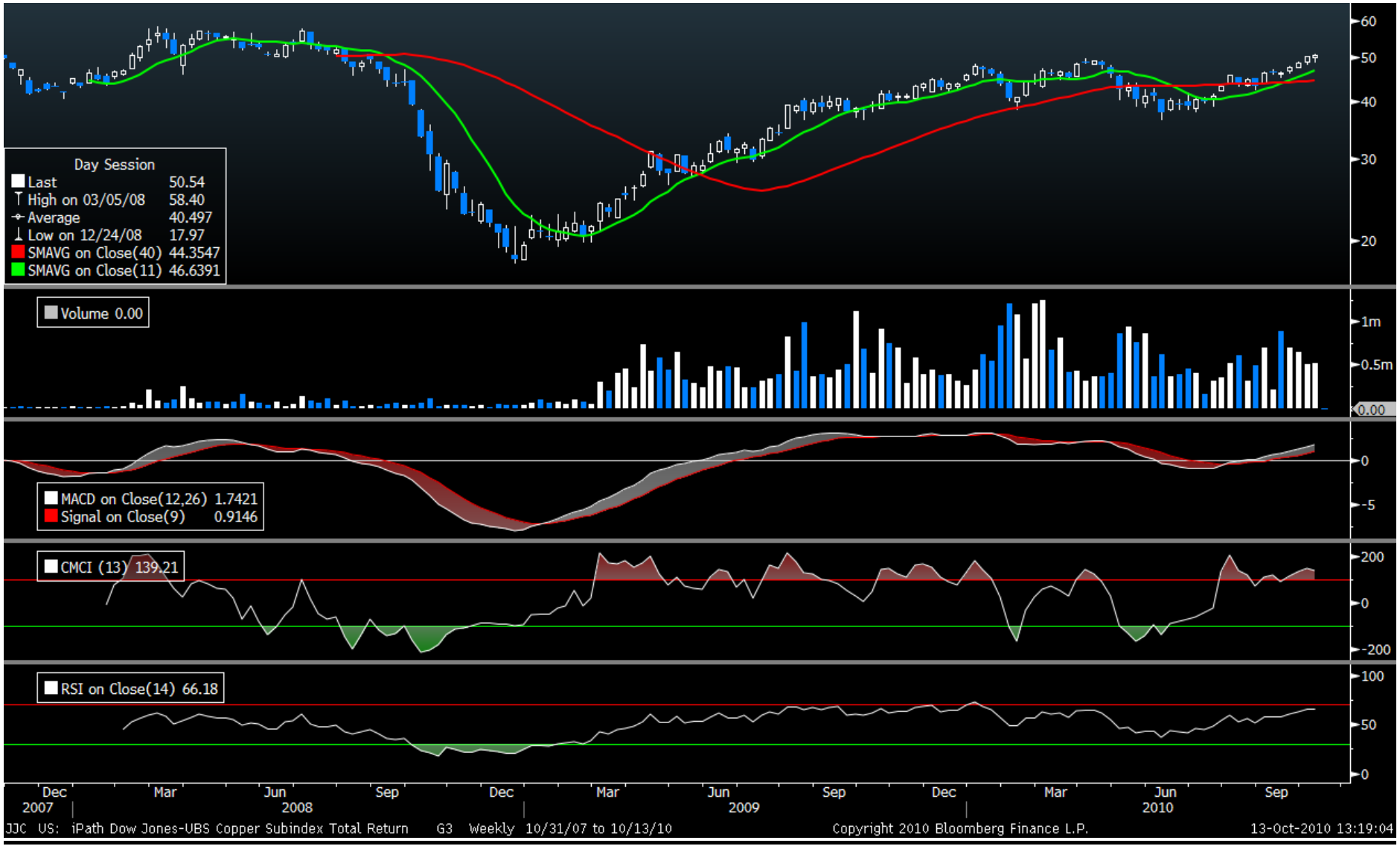
RATIO: GDX / SPY	
Last:	0.497
Chg:	0.008 1.66%



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



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



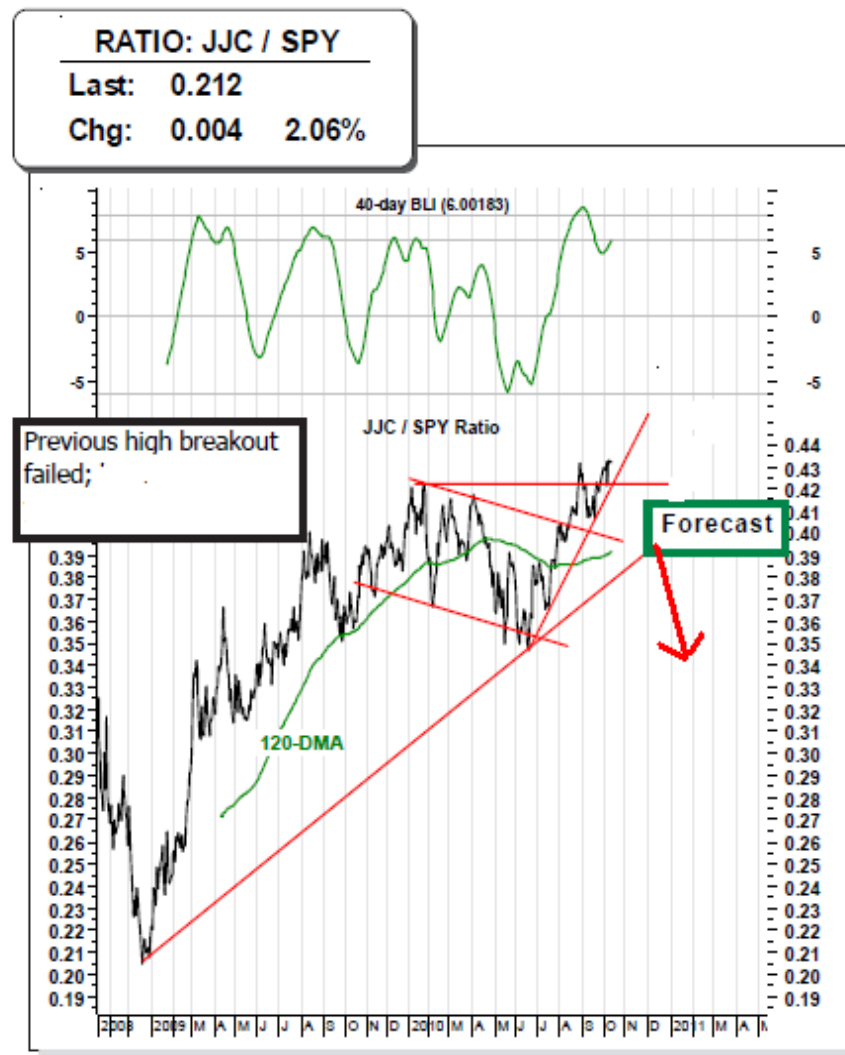
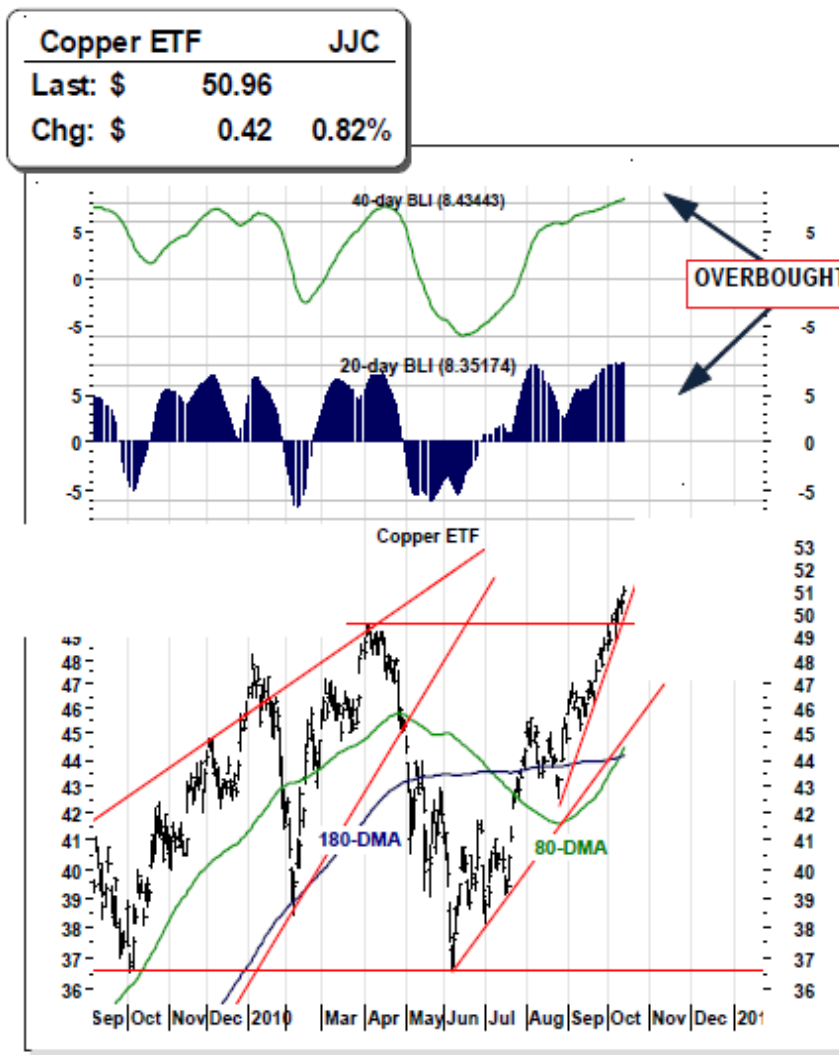


# JJC - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



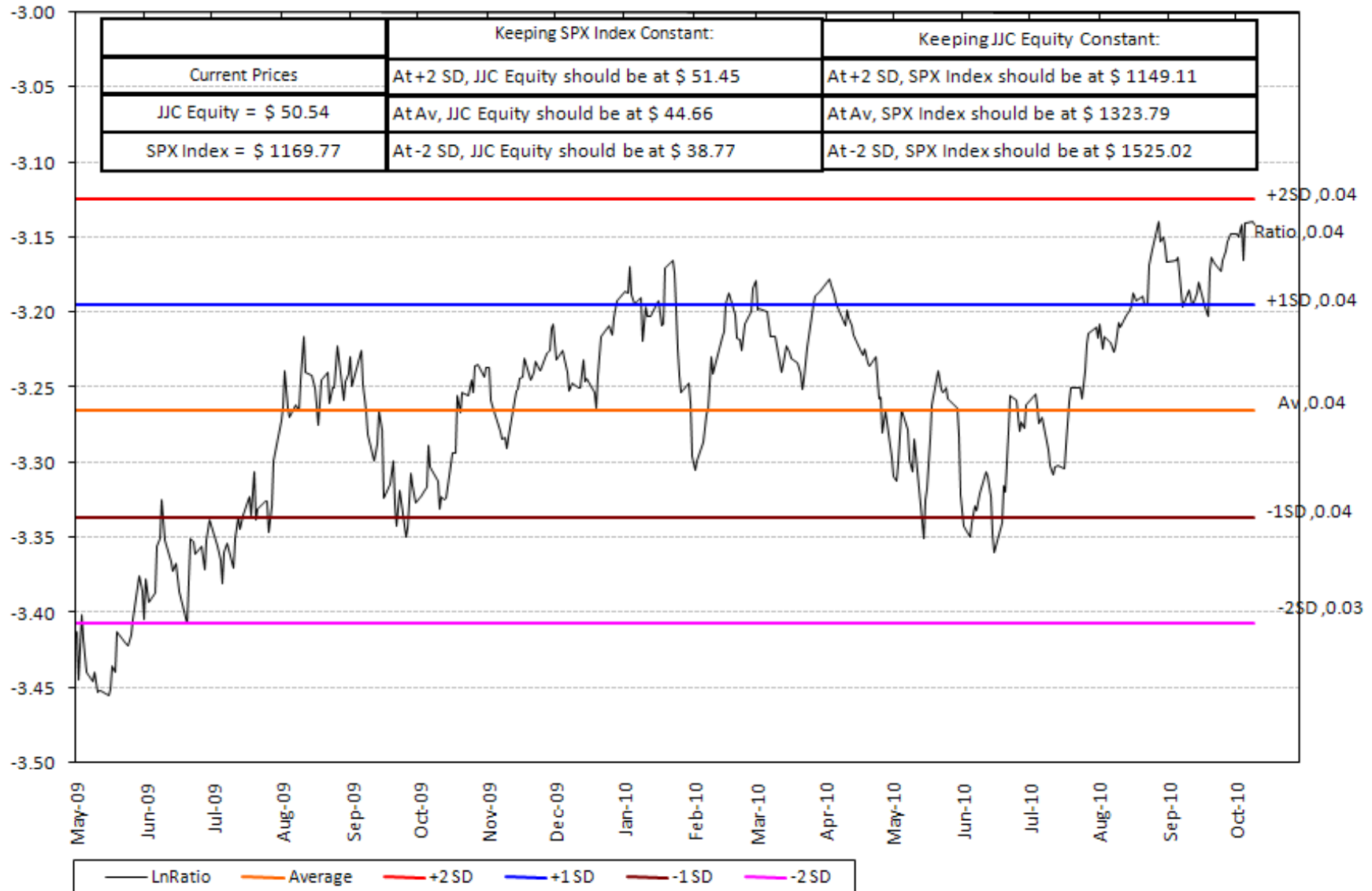
## JJC– Technical & Pattern Analysis ( Process 3)

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.

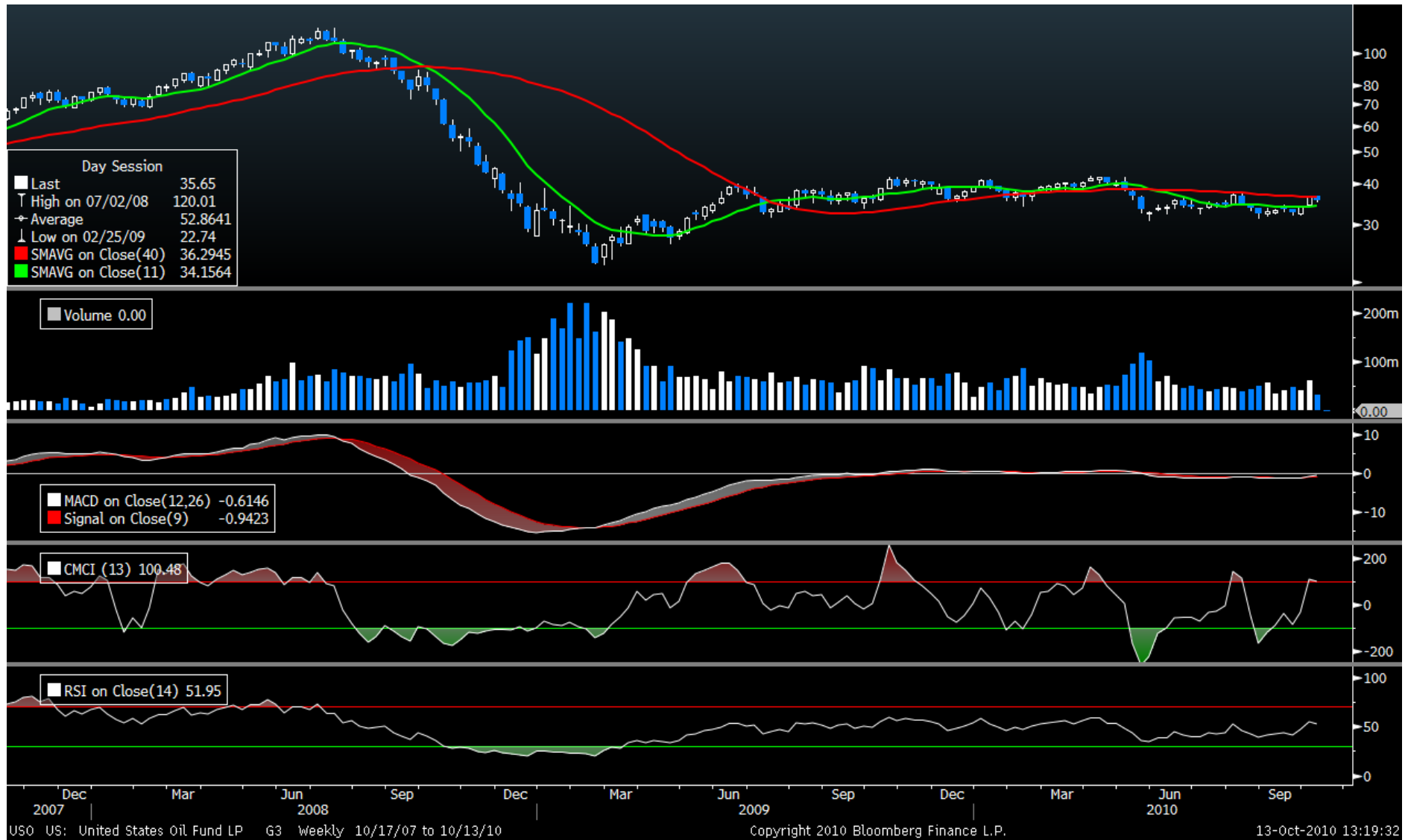


## 2- JJC – Correlation Ratio Analysis with SPX – 365 days Time basis

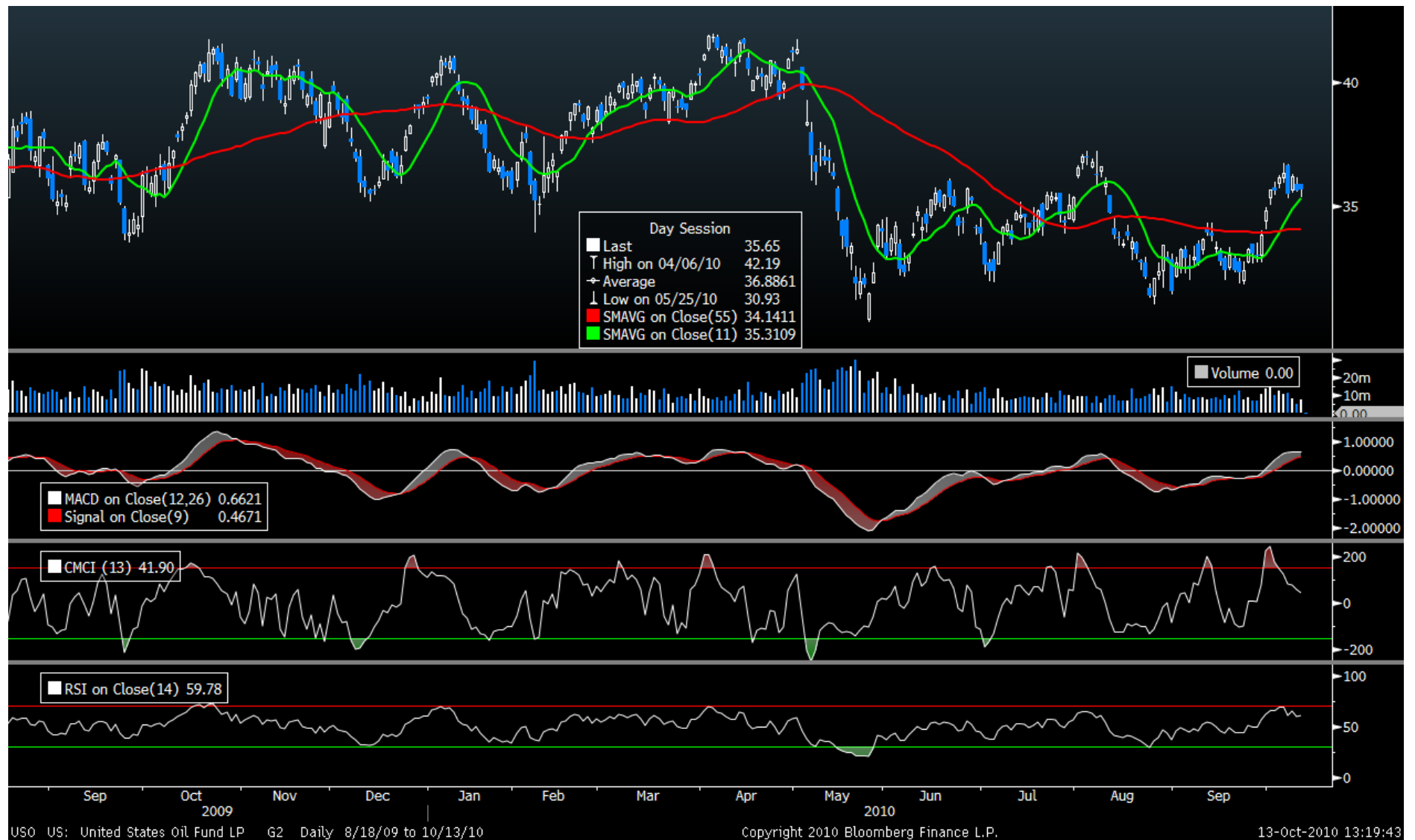
Long JJC Equity and Short SPX Index, Updated till 12 Oct 2010



# 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



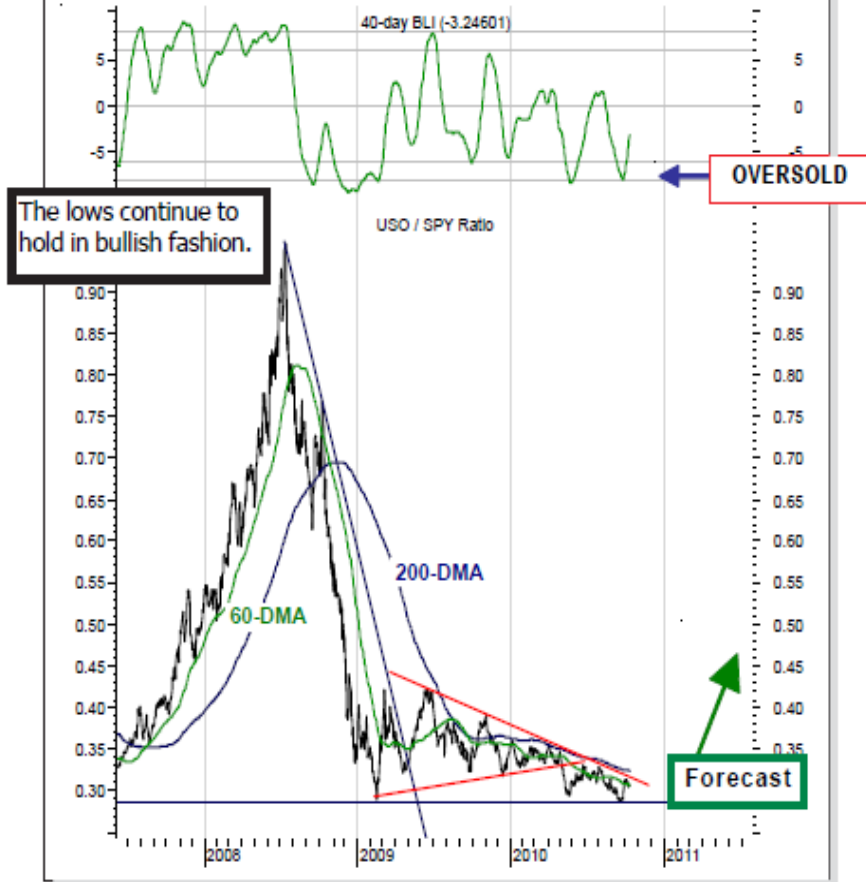
## USO- Technical & Pattern Analysis ( Process 3)

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**.

Crude Oil ETF	USO
Last: \$	36.16
Chg: \$	0.51 1.41%

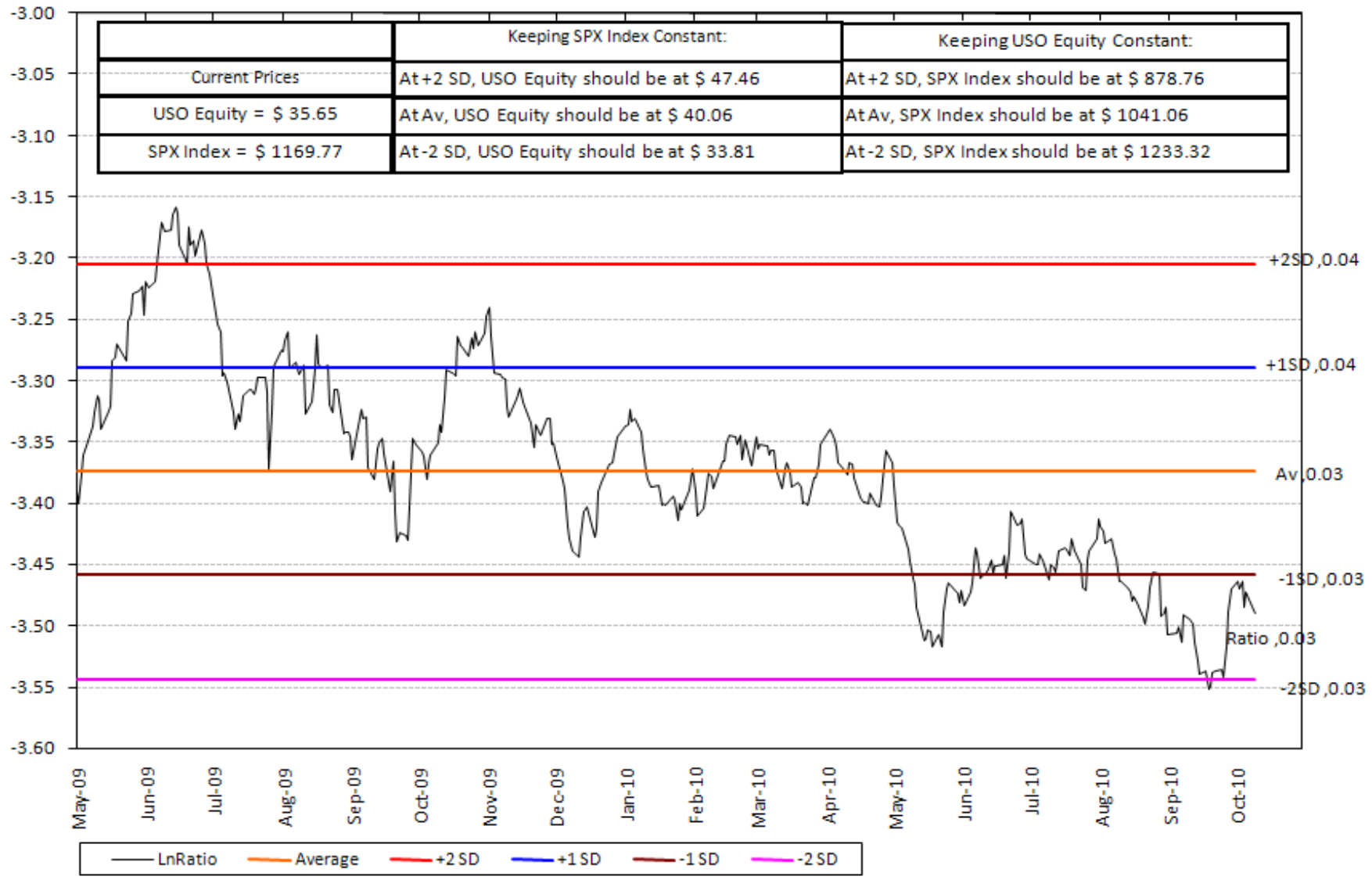


RATIO: USO / SPY
Last: 0.307
Chg: 0.002 0.64%

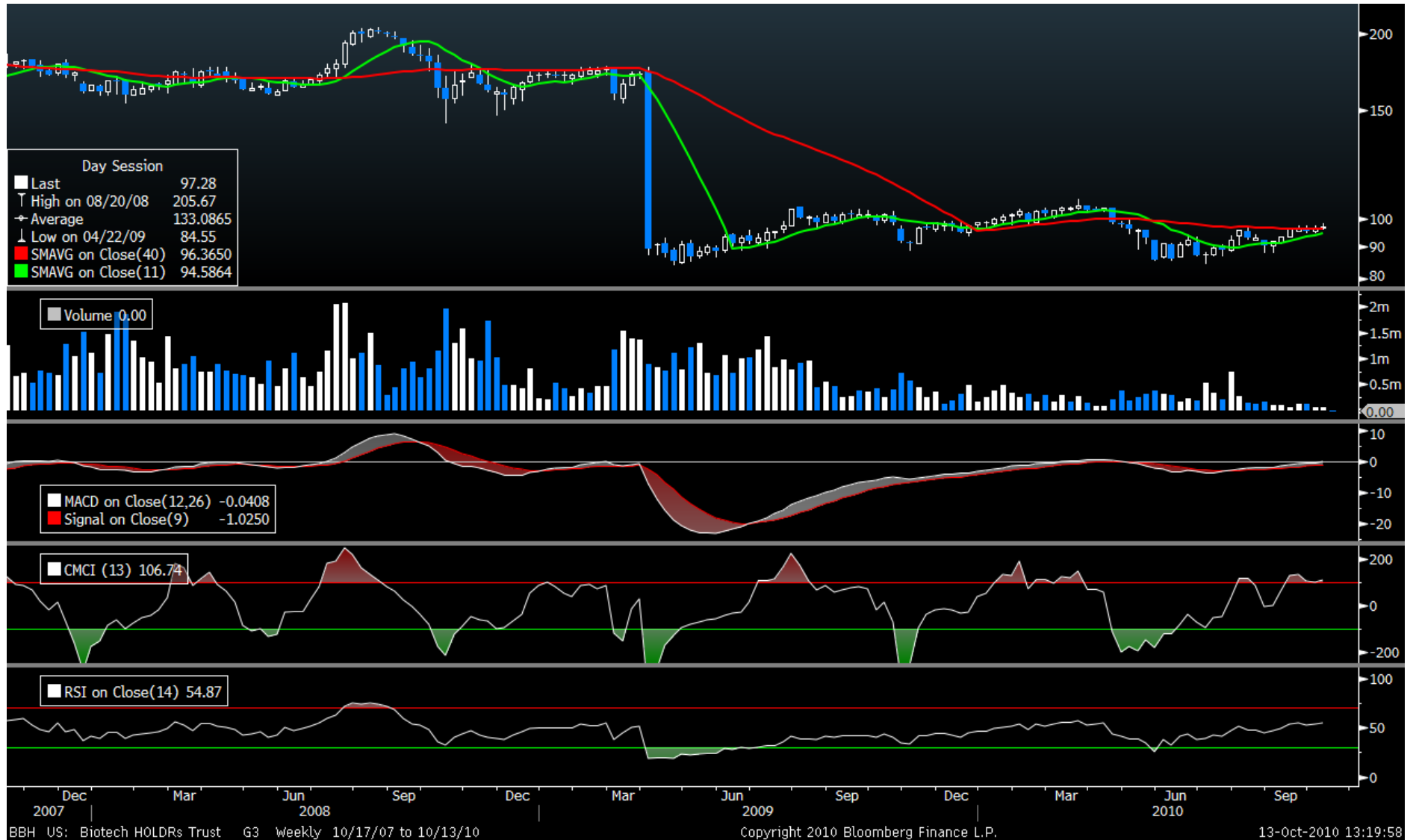


### 3- USO – Correlation Ratio Analysis with SPX – 365 days Time basis

**Long USO Equity and Short SPX Index, Updated till 12 Oct 2010**

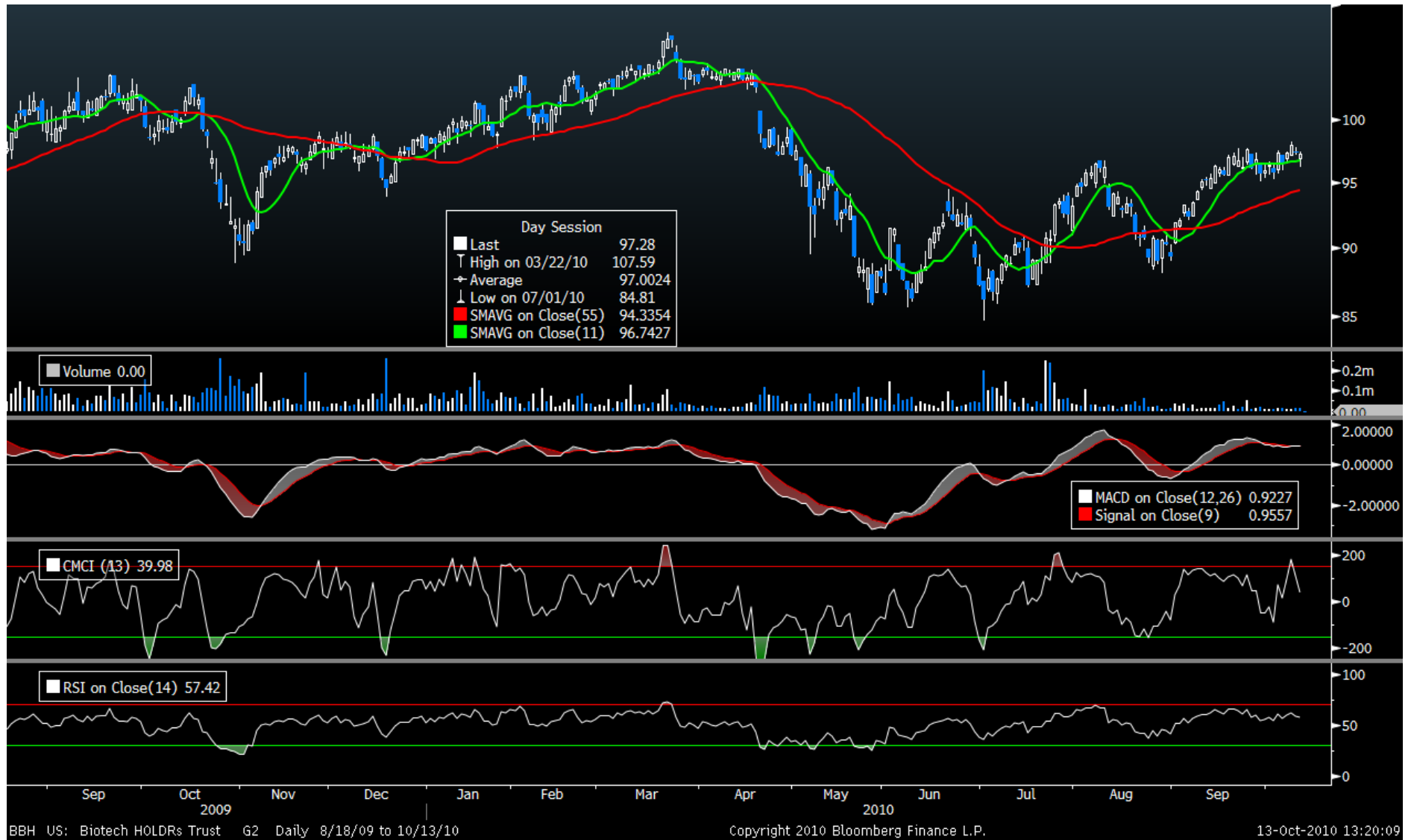


# BBH - Weekly- 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD





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



## 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.**

Biotech	BBH
Last: \$ 97.38	
Chg: \$ 0.10	0.10%



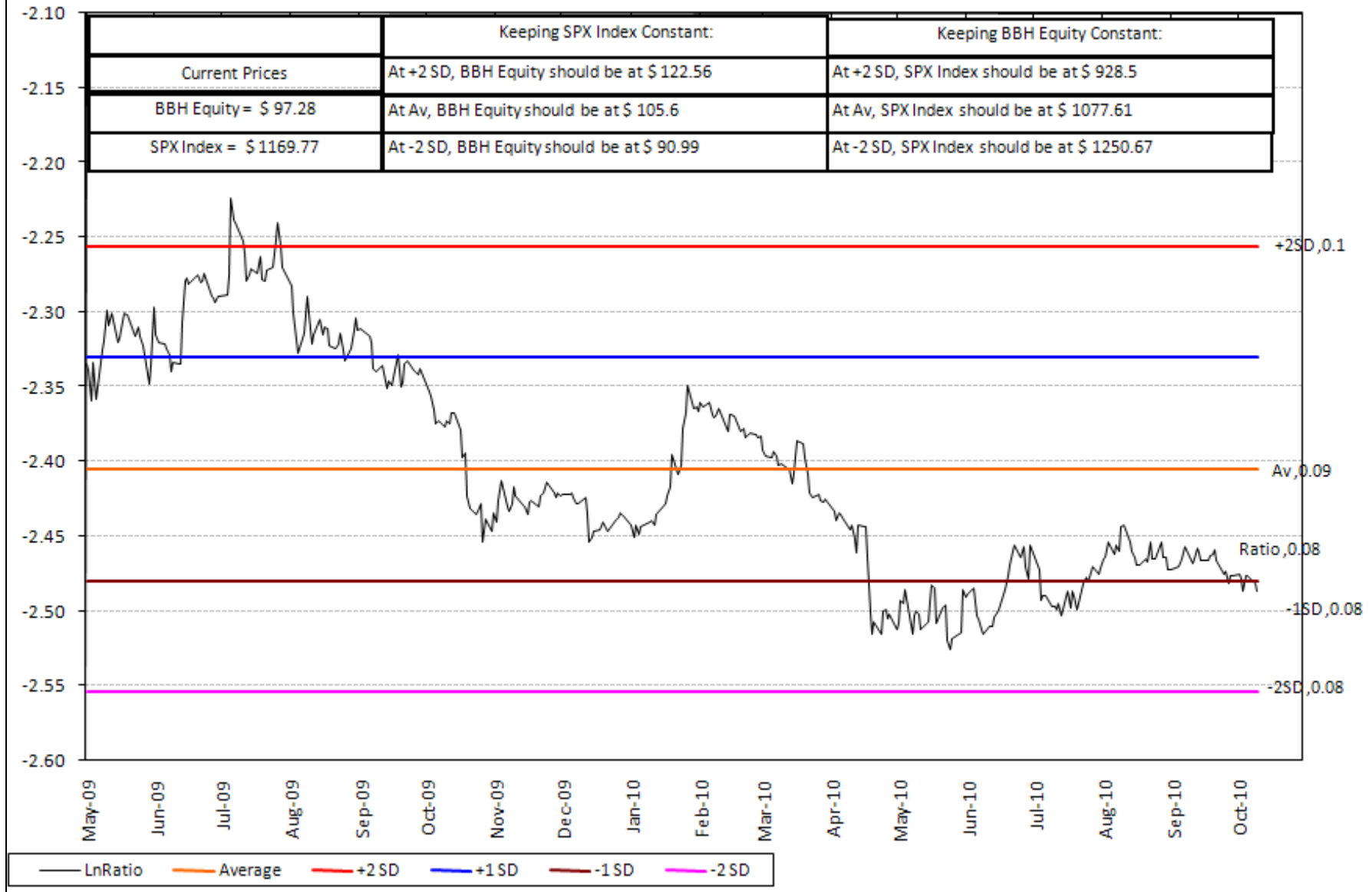
RATIO: BBH / SPY
Last: 0.826
Chg: (0.006) -0.67%



A 200-dema breakout would confirm the bullish wedge and higher prices.

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

Long BBH Equity and Short SPX Index, Updated till 12 Oct 2010



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