



SG Capital Research

Global Market Insights

Research Note – Sector – ETF Analysis (D)

MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # OCT 22

For Immediate Release – *Friday AM (EST)*

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

SECTORS - (29)

GR1 (6)	GR2 (11)	GR3 (12)
<ul style="list-style-type: none">• TLT (Bonds)• IWM (Small Cap)• EEM (Emerging)• EEA (Europe)• EWJ (Japan)• FXI (China)	<ul style="list-style-type: none">• XLF (Financials)• XRT(RTH) (Retail)• XLV (Health Care)• XLB (Materials)• XLE (Energy)• XLK (Tech)• XLI (Industrial)• XLU (Utility)• XLP (Staples)• XLY (Discretionary)• XHB (Home Builders)	<ul style="list-style-type: none">• SMH (Semis)• BBH (Biotech)• IYT (Transports)• DBA (Agro)• DBB (Base metal)• DBC (Commodity)• GLD (Gold)• SLV (Silver)• GDV (Gold Miners)• USO (Oil)• JJC (Copper)• SLX (Steel)

- **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 + 12 % and within POM Framework captured 5.7% during the signal. plus 6.7% 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– IWM, EEM, JJC, ,XLY, XRT(RTH), XLI, GLD, SLV, IYT, XLK, (To be utilized with PQV – Setup 2 , 4 Validation list @ POM 14)

Undervalued conformed – XLV, USO,

Non Conformance – XHB, DBB, XLF (See the Ratio charts below for justification)

GLOBAL LONG / SHORT - MARKET NEUTRAL ETF INDEX (SD -TECH SETUP)

Ticker	Entry date	Last Price	Validated Test price	P/L Since the Test	Comments
SHORTS					
EEM	15-Oct-10	46.0	46.8	1.70%	
IWM	15-Oct-10	69.9	70.5	0.94%	
XLY	15-Oct-10	34.8	34.7	-0.17%	
XLI	15-Oct-10	32.5	32.4	-0.19%	
RTH	15-Oct-10	99.9	99.5	-0.39%	
XLK (New)	20-Oct-10	24.0	24.0	0.00%	
IYT	15-Oct-10	85.5	84.9	-0.72%	
JJC	15-Oct-10	50.2	51.1	1.72%	
SLV	15-Oct-10	22.6	23.8	4.88%	
GLD	15-Oct-10	129.5	133.7	3.15%	
DBB (New)	20-Oct-10	22.8	22.8	0.00%	
CLOSED (Deleted) POSITIONS	GDX	+6.7%,		6.70%	
			EQ WT SHORT P/L	1.47%	
LONGS					
XLV	15-Oct-10	31.2	31.2	0.22%	
USO	15-Oct-10	34.9	35.5	-1.75%	
CLOSED (Deleted) POSITIONS	BBH, EWJ	+0%, -0.5%		-0.50%	
			EQWT LONG P/L	-0.51%	
15th OCT 2010 INCEPTION					
SD - TECH SETUP EQUAL WEIGHTED LONG SHORT INDEX			EQWT AGG P/L	0.48%	
INCEPTION @ SPX 1180 to Current 1180			SPX CHANGE	0%	

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

- **NET EXPOSURE THIS WEEK – (-12%), (-11), (-19), (-33%)** % 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	1.93		
IWM	above +1SD	1.32		
Gr 2				
XLY	above +1SD	1.39	-67%	6
XLI	above +1SD	1.27	-33%	6
XLV	below -1SD	-1.12	-20%	5
XRT (RTH)	above +1SD	1.61		
XLF	below -2SD	-2.13	-17%	12
XHB	below -1SD	-1.01		
XLK	above +2SD	2.26	-100%	1
Gr 3				
IYT	above +1SD	1.47		
JJC	above +1SD	1.65		
SLV	above +2SD	3.88		
USO	below -1SD	-1.60		
GLD	above +1SD	1.30		
DBB	above +1SD	1.14		
			Primary Index Net Exposure	-12%
			POM 14 Re Run 3	

- From (29) Sector list , the above list is qualified for further review. The green highlights are Newly added. The Analysis is for SD's extremes for over / under valuation v/s SPX – within Expectancy Model
- (+1/+2) SD's are overvalued (on Sell side v/s SPX) SD 's Indicator in RED.
& (-1/-2) SD's are undervalued (on Buy side v/s SPX) SD's Indicator in GREEN

Ticker (Deleted from Previous week)	Comments
EWJ GDJ BBH	

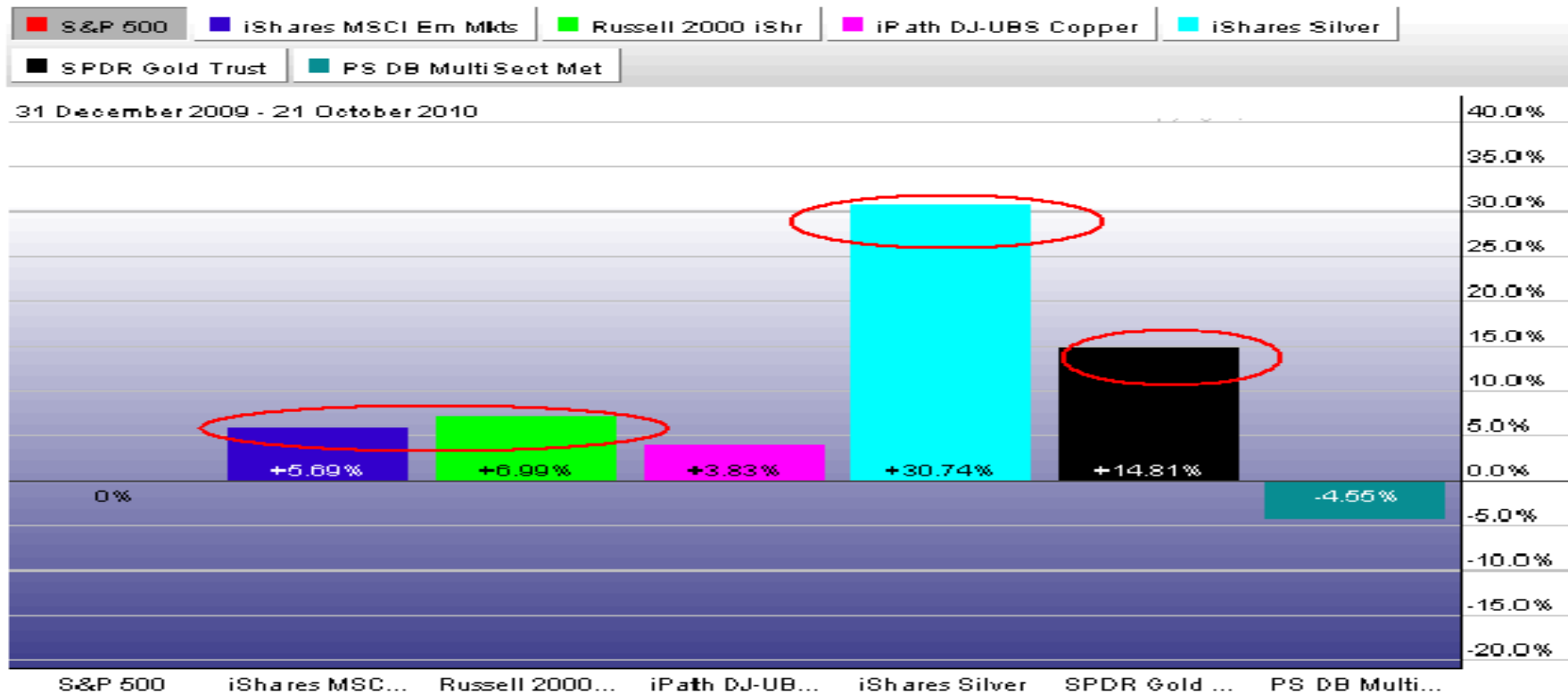
Review Process (2) - Select Sector “ Best & Worst “ on TREND BASIS

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

- **SPX Comparisons – From 1st Jan @ 1115 to current 1178**

Overvalued

PerfChart: \$SPX,EEM,IWM,JJC,SLV,GLD,DBB

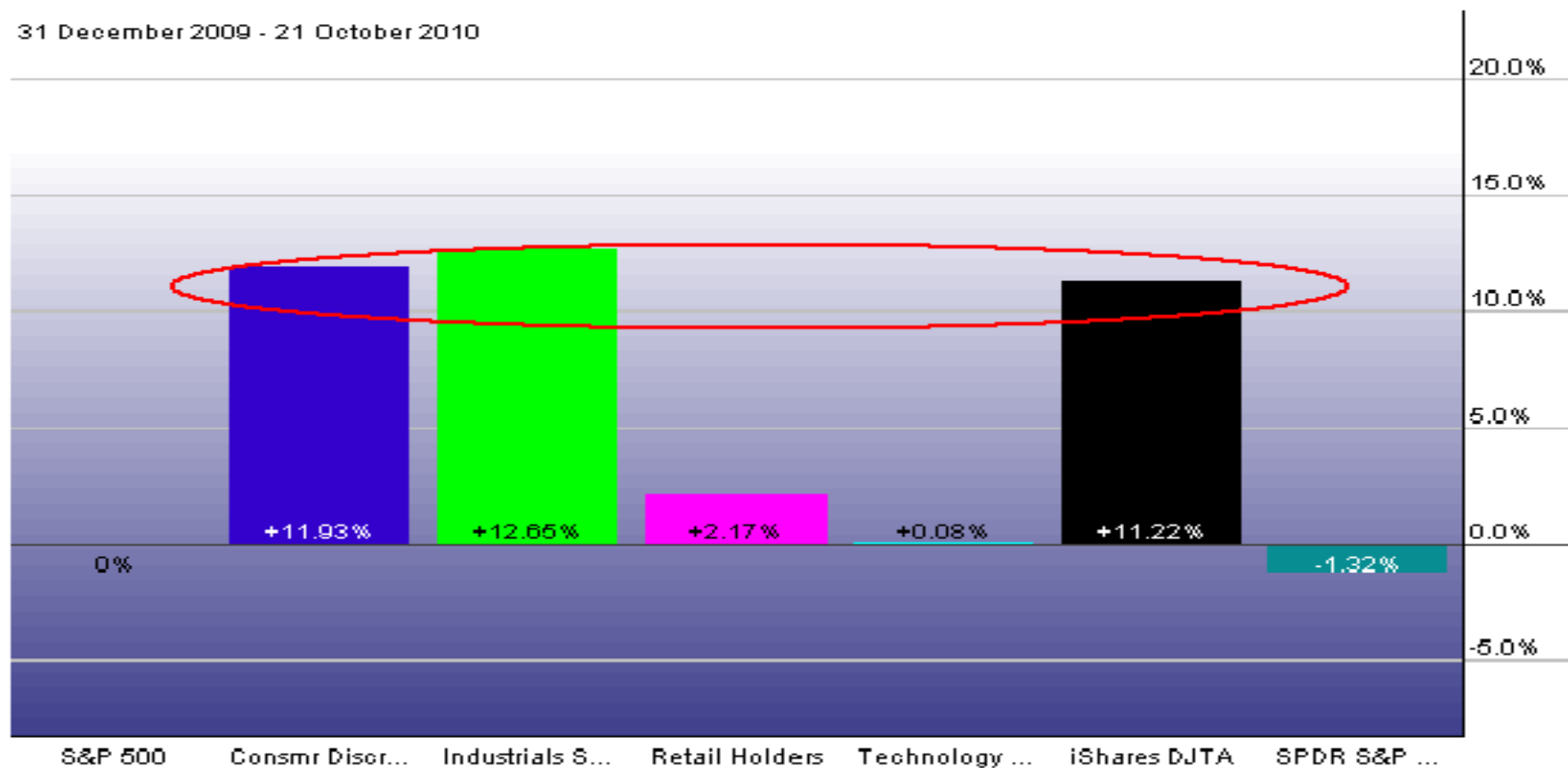


Overvalued

PerfChart: \$SPX,XLY,XLI,RTH,XLK,IYT,XHB

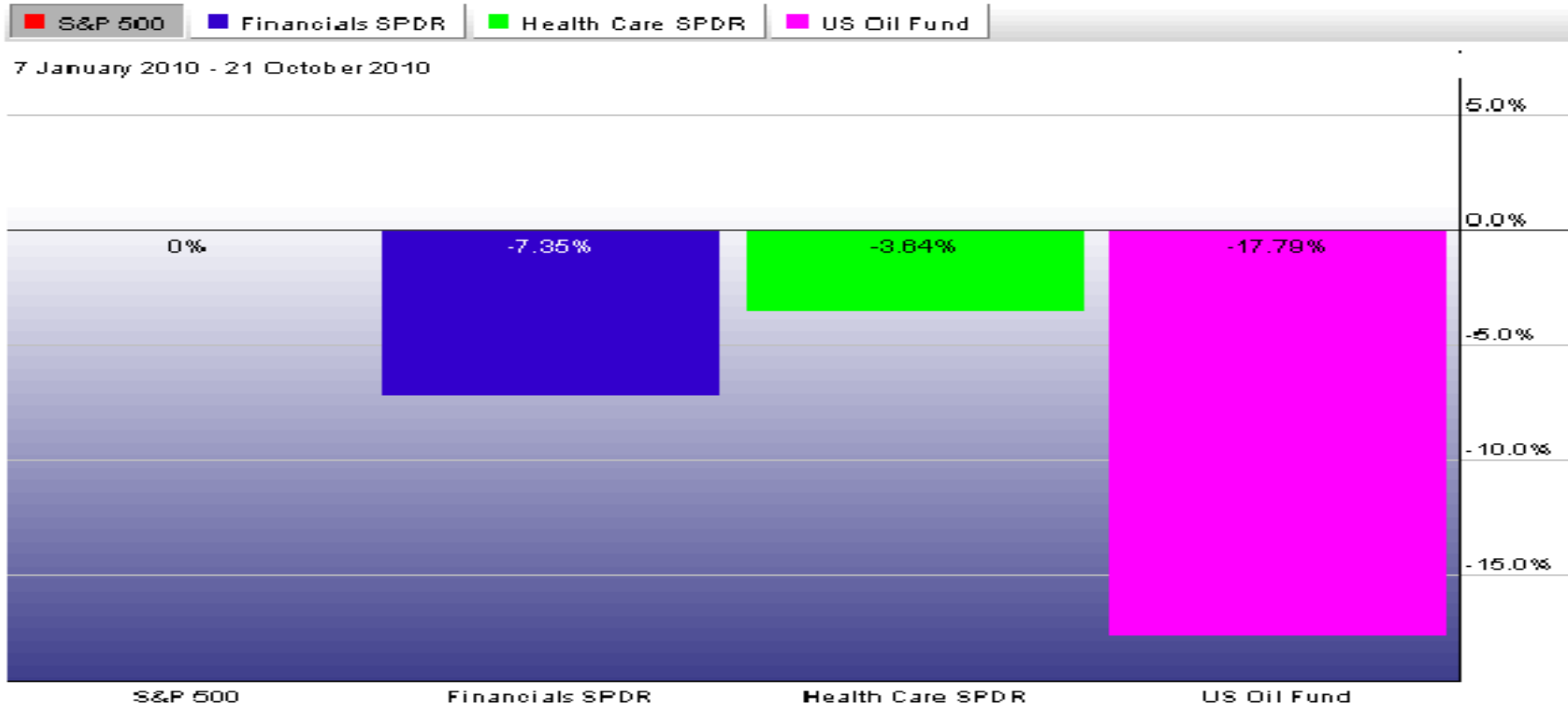


31 December 2009 - 21 October 2010



Undervalued

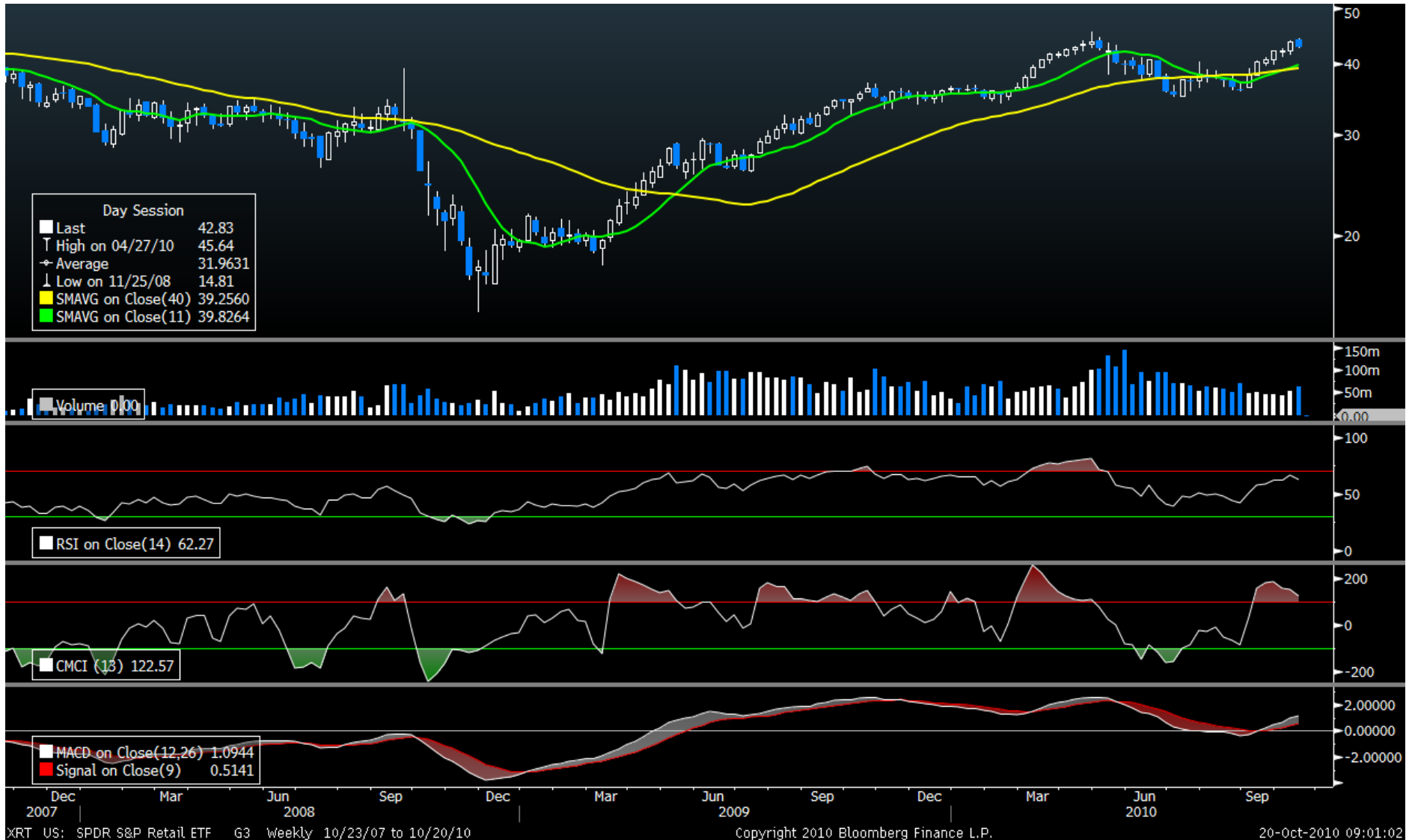
PerfChart: \$SPX,XLF,XLV,USO



Conclusion by this process

- **Most Overvalued** indicated in RED - SLV, GLD, XLY, XLI, IYI, IWM, EEM
- **Most Undervalued** indicated in GREEN - XLF, XLV, USO
- **Neutral** - DBB, XHB

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



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



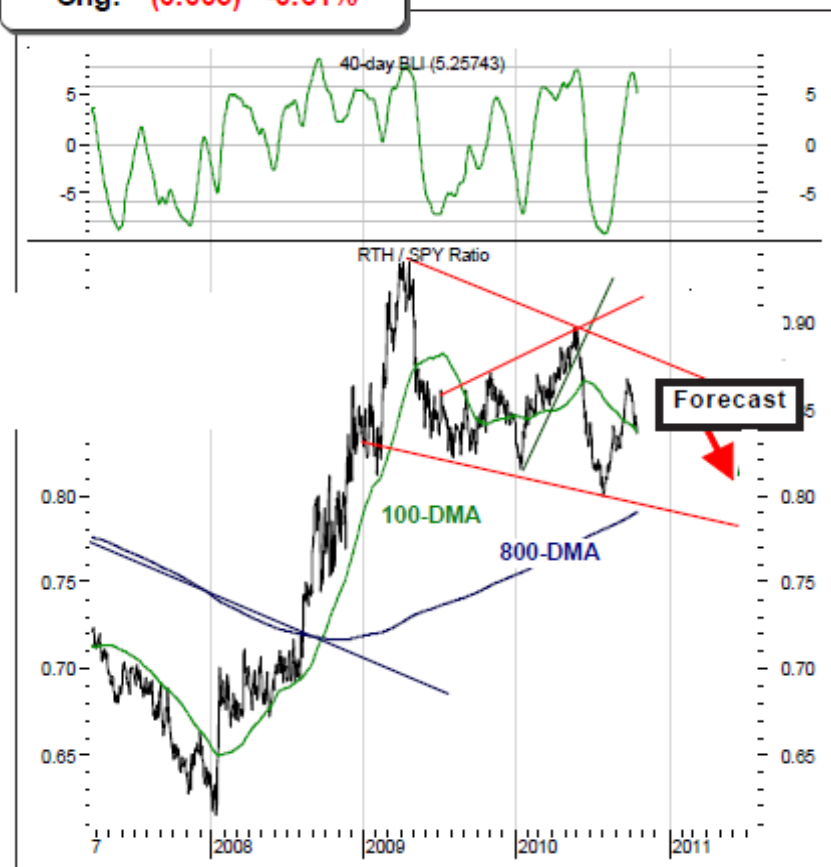
2 - XRT (RTH) - Technical & Pattern Analysis (Process 3)

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

Retail	RTH
Last: \$ 98.58	
Chg: \$ 0.61	0.62%

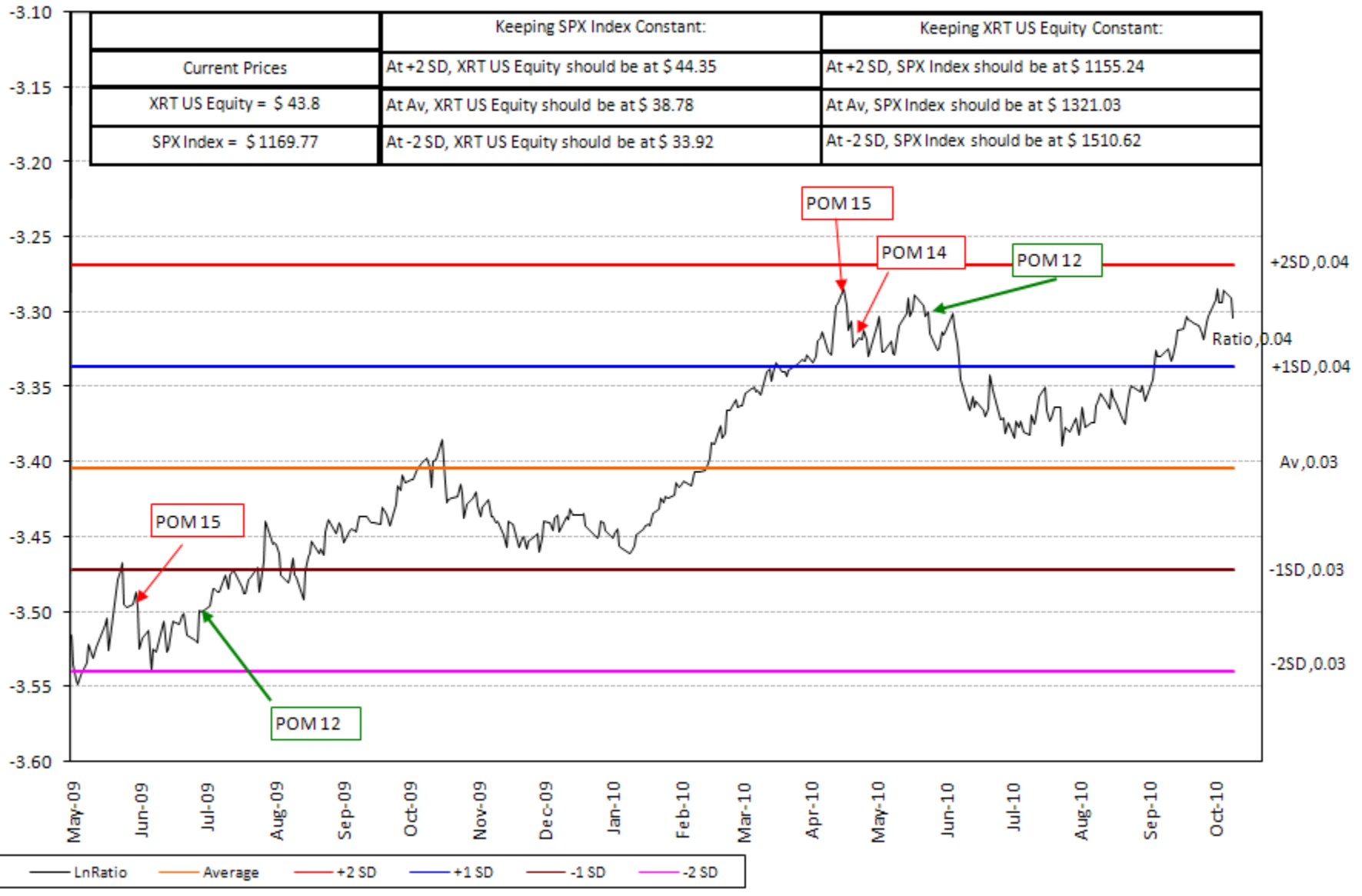


RATIO: RTH / SPY
Last: 0.836
Chg: (0.005) -0.61%

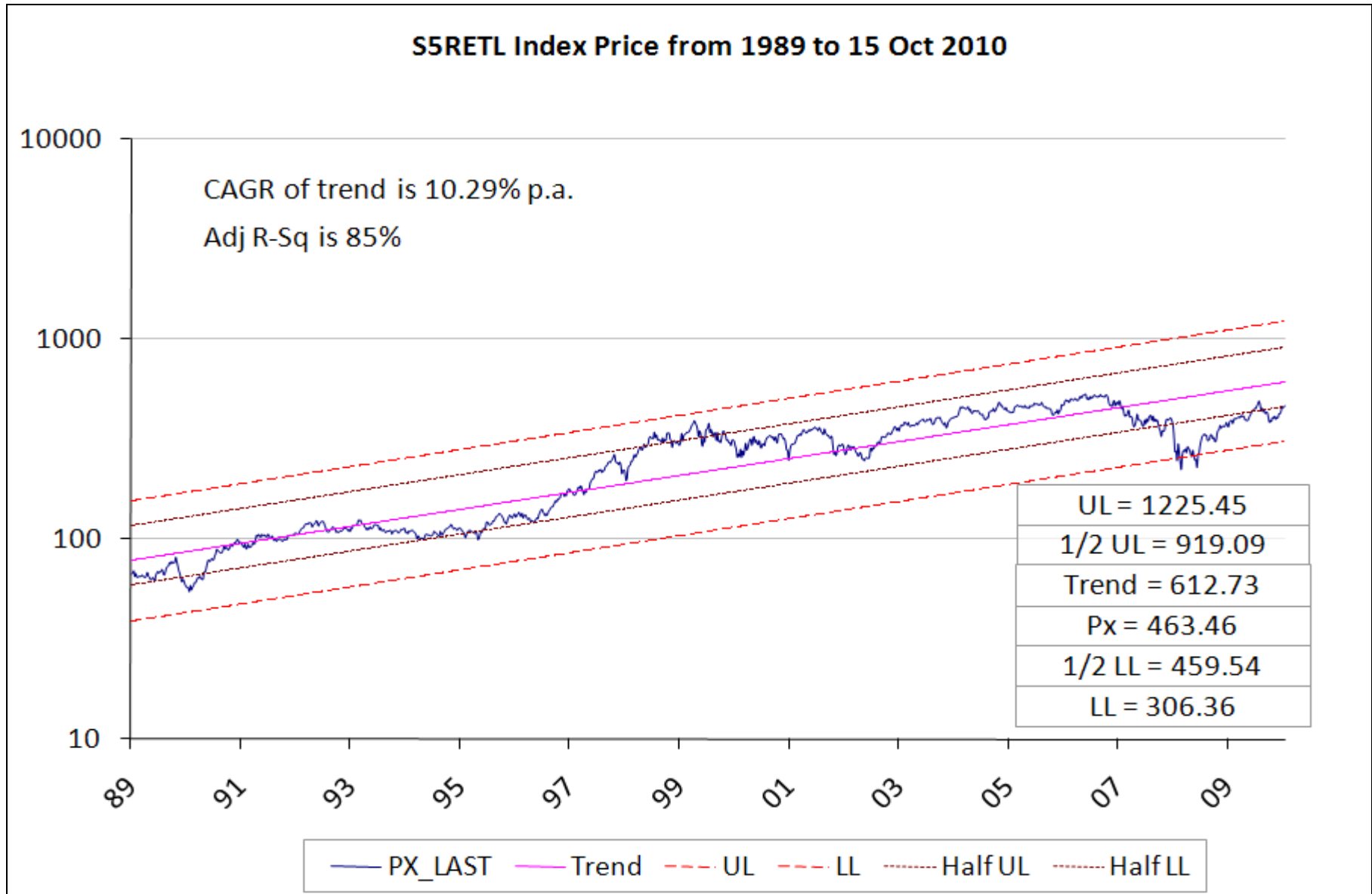


4- XRT - Correlation Ratio Analysis with SPX - 365 days Time basis

Long XRT US Equity and Short SPX Index, Updated till 19 Oct 2010



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

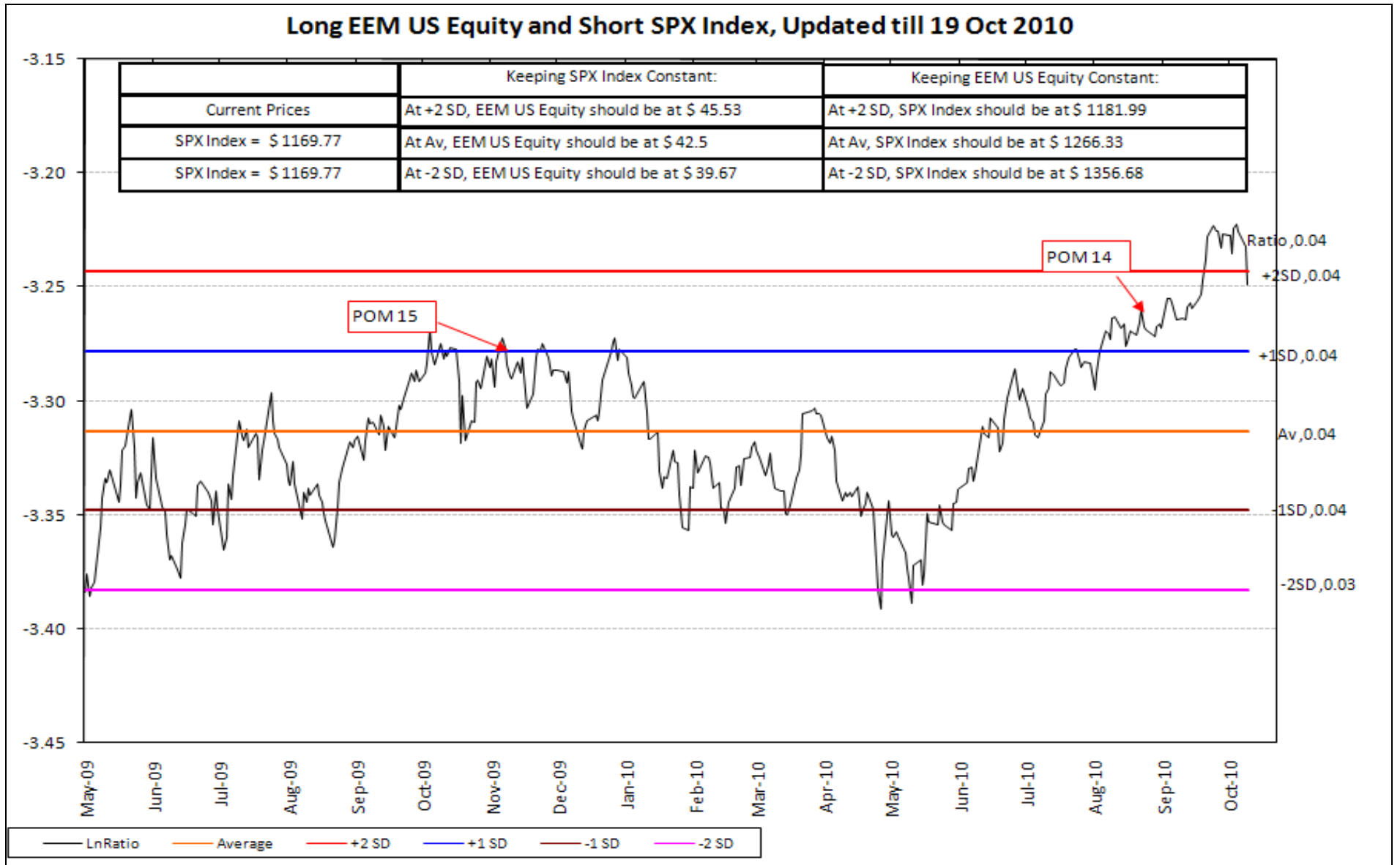


- EEM - Technical & Pattern Analysis (Process 3)

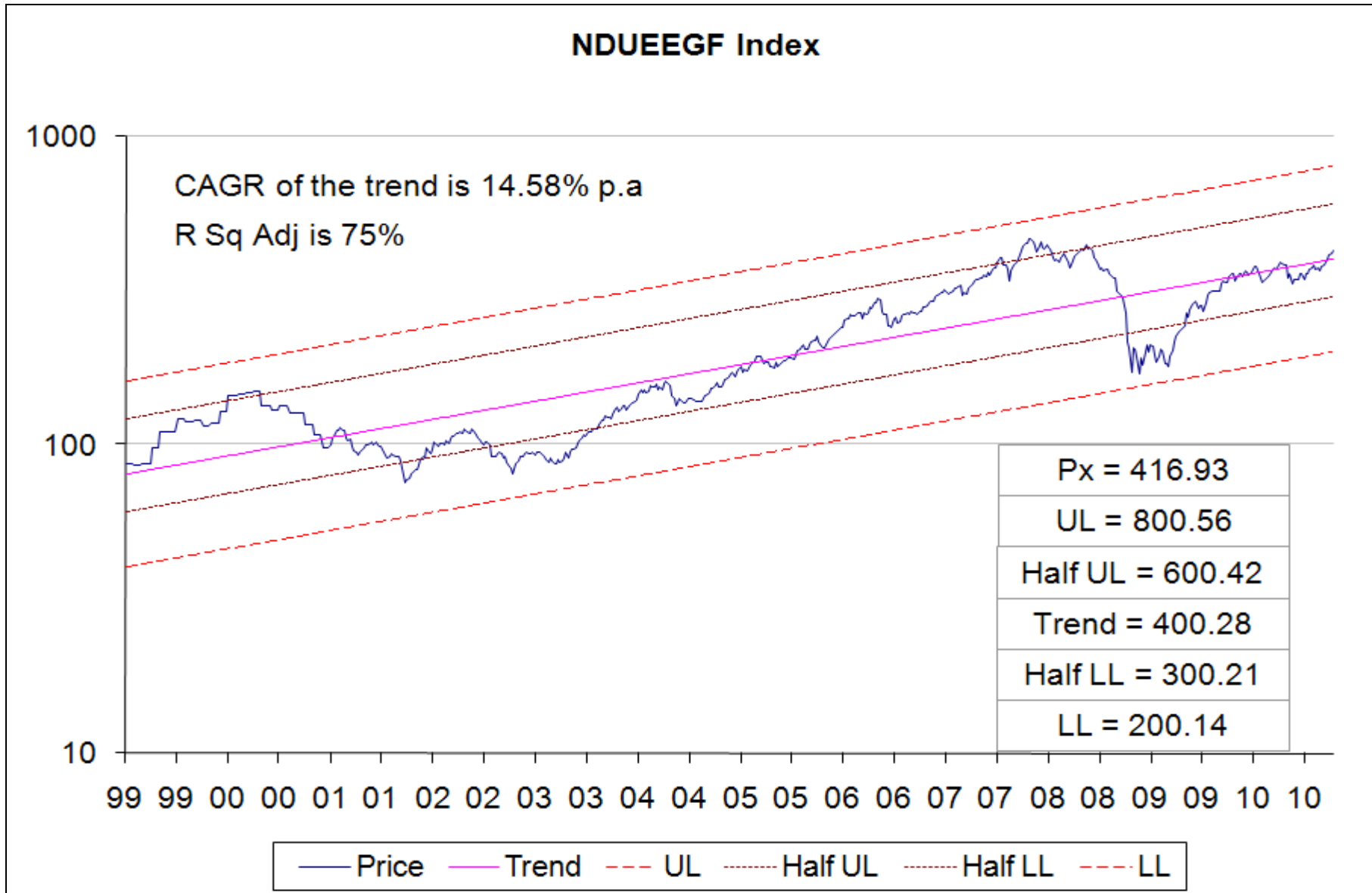
The EEM / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in EEM / SPX (hence overvalued) by this matrix in Sync with SD Analysis.



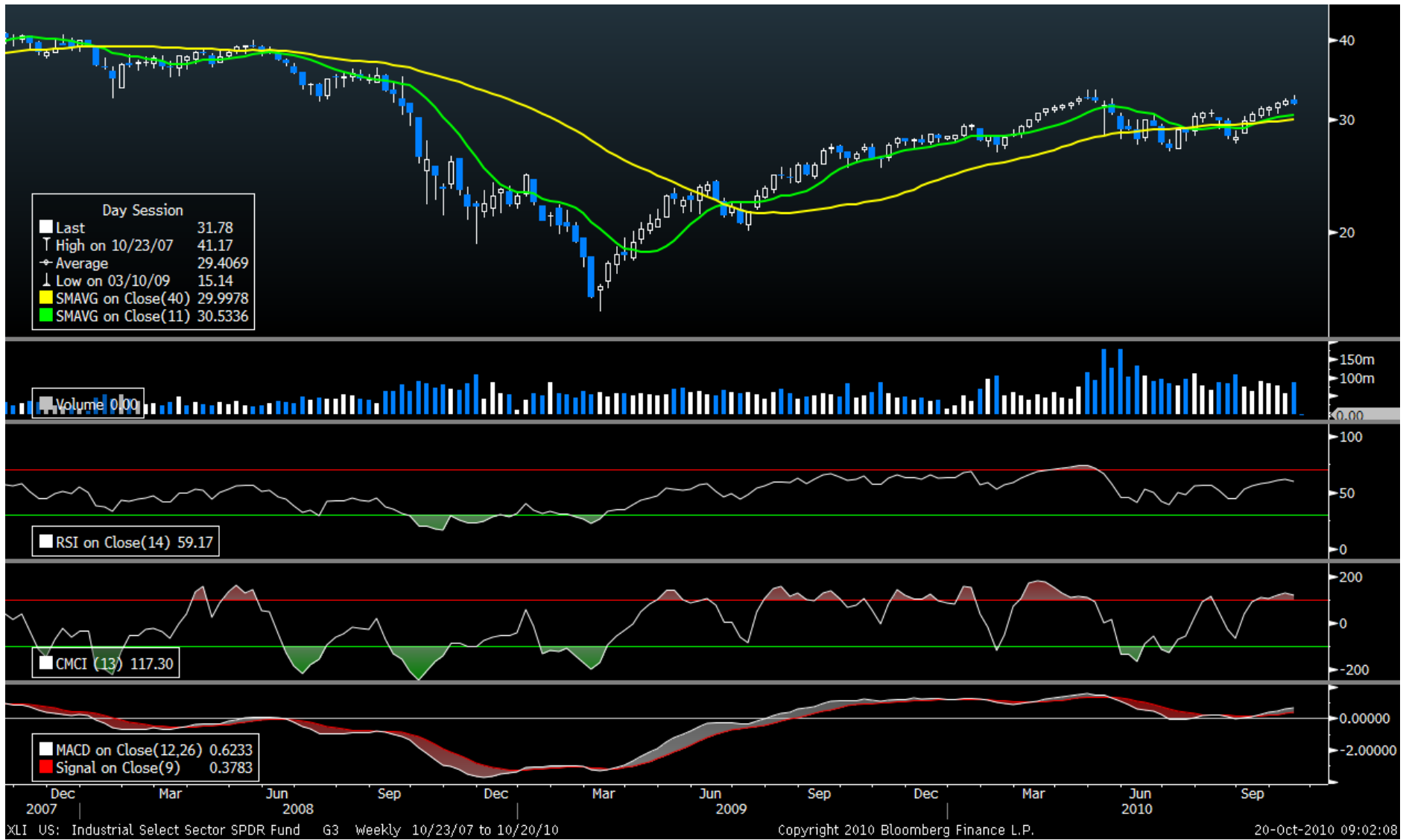
2- EEM – Correlation Ratio Analysis with SPX – 365 days Time basis



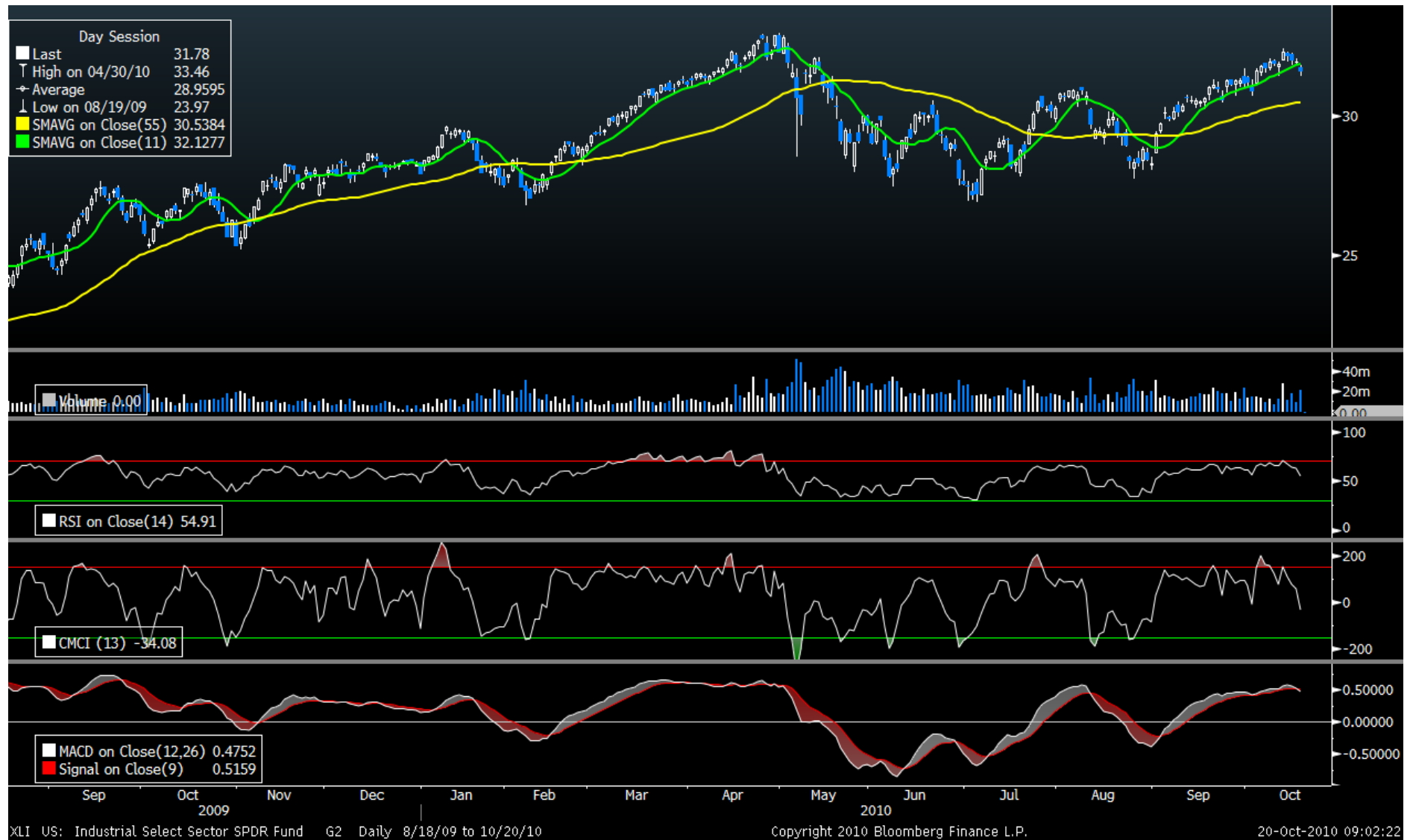
3- EEM – Trend Reversion Analysis – Long Term



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

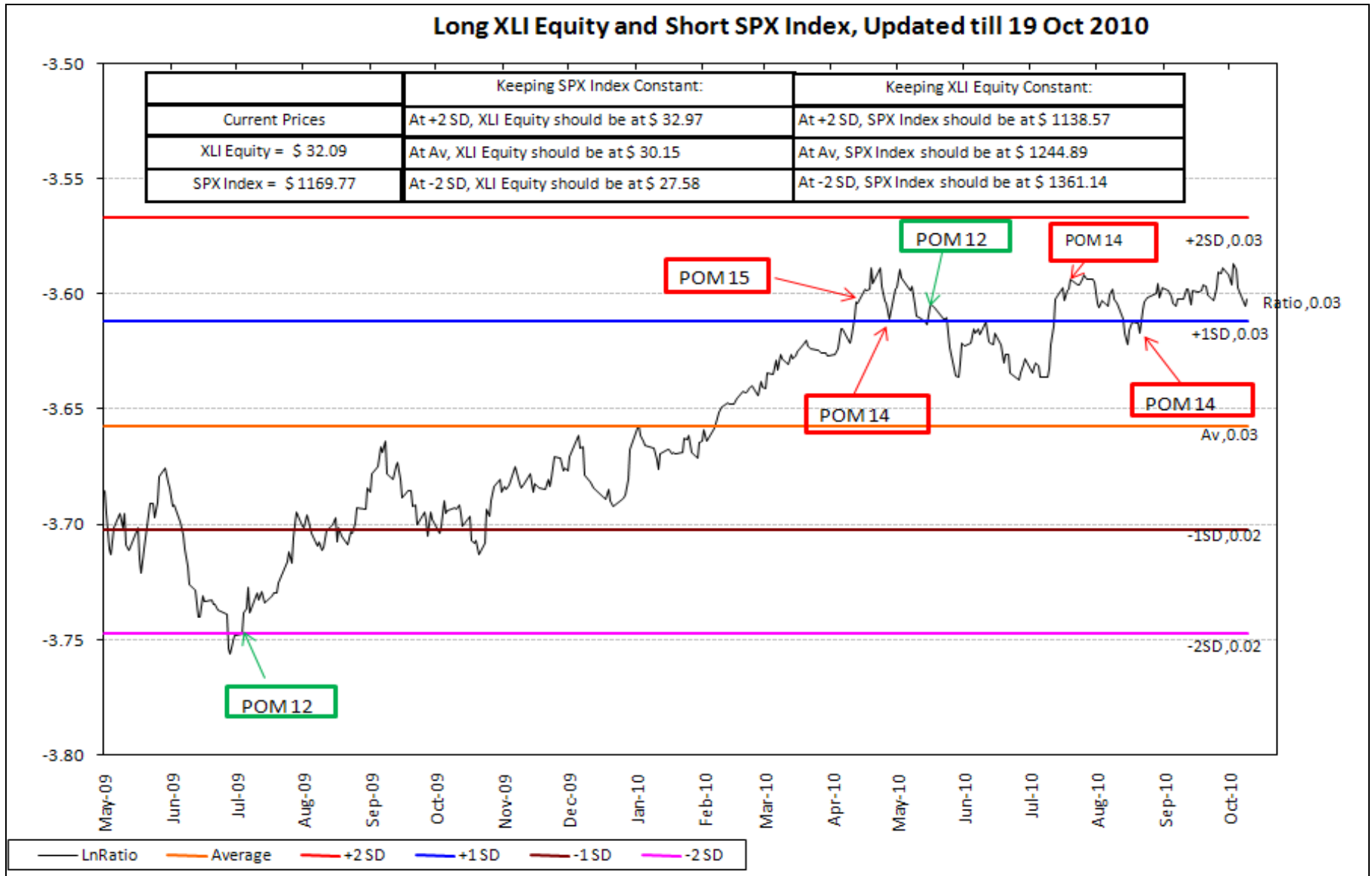


- XLI - Technical & Pattern Analysis - (Process 3)

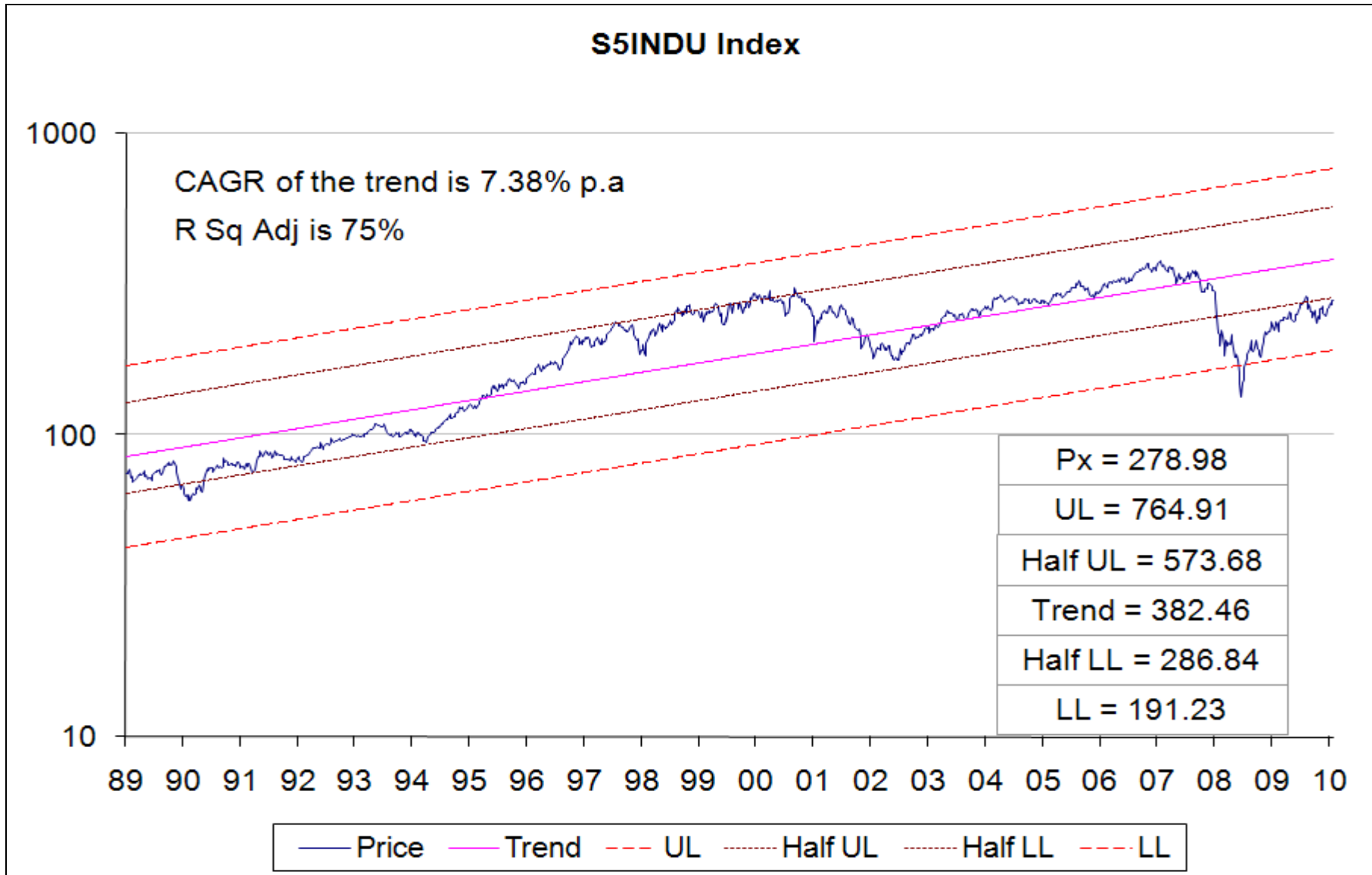
The XLI / SPX ratio chart looks BEARISH and trend lower in RH side chart below, confirms the relative still fall **in XLI / SPX (hence overvalued)** by this matrix **Sync with SD Analysis**.



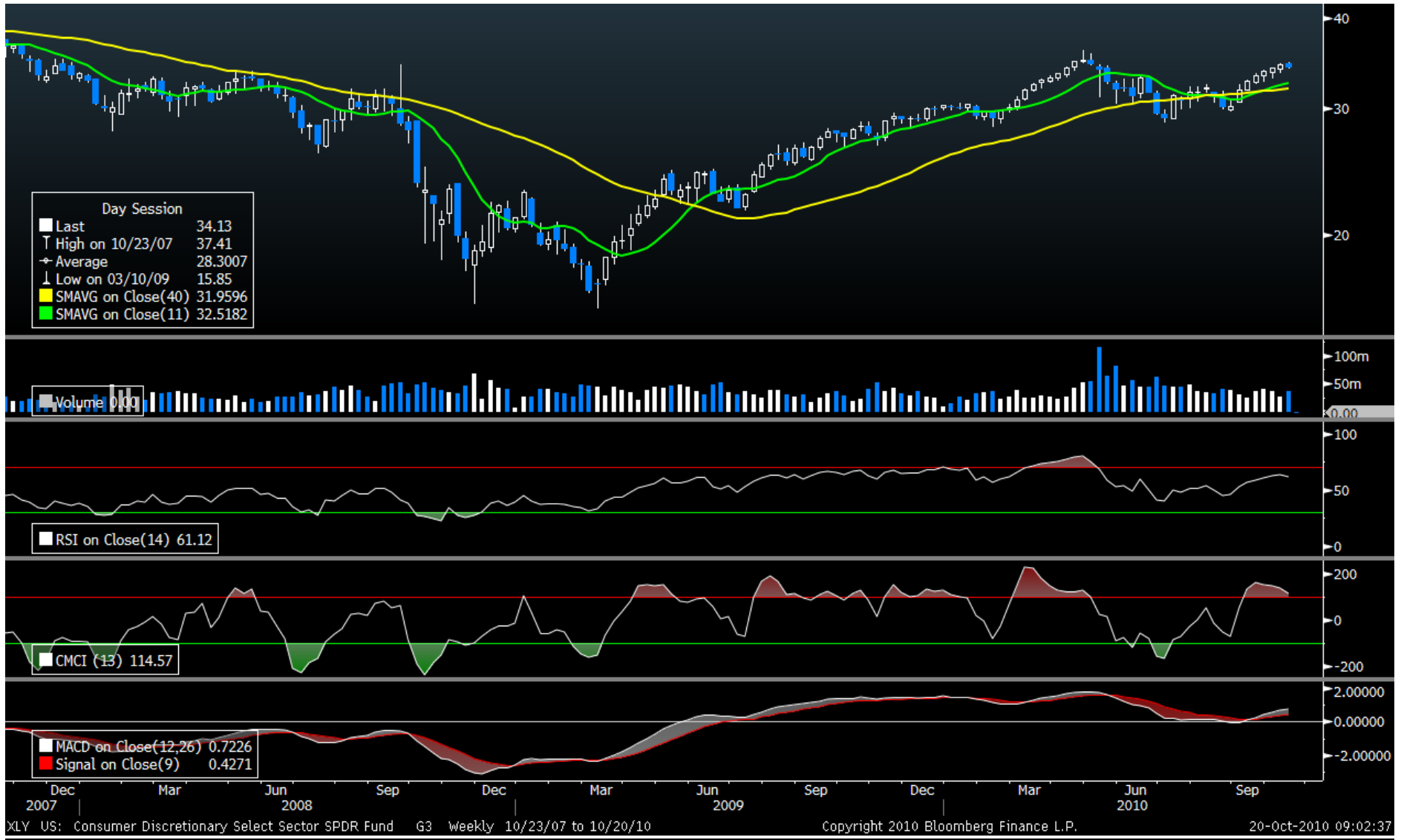
3- XLI – Correlation Ratio Analysis with SPX – 365 days Time basis



4- XLI – Trend Reversion Analysis – Long Term



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

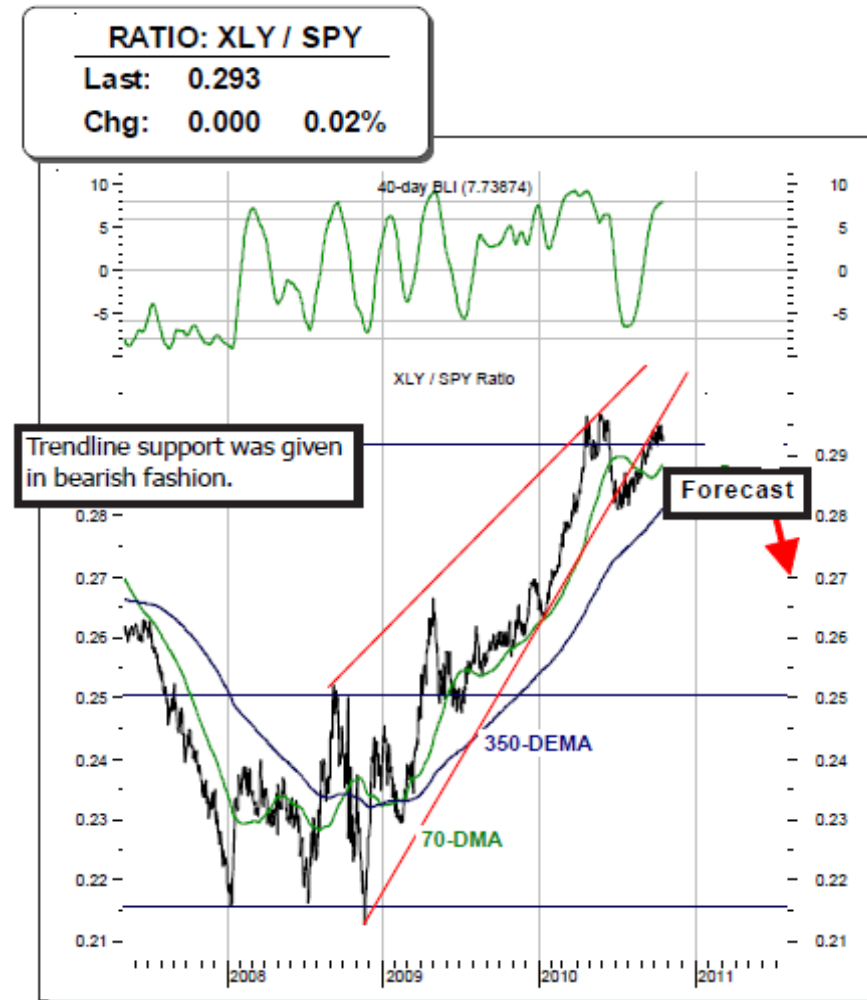


2 - XLY Daily – 3 Year with RSI, CCI, MACD (11D / 55D) SMA



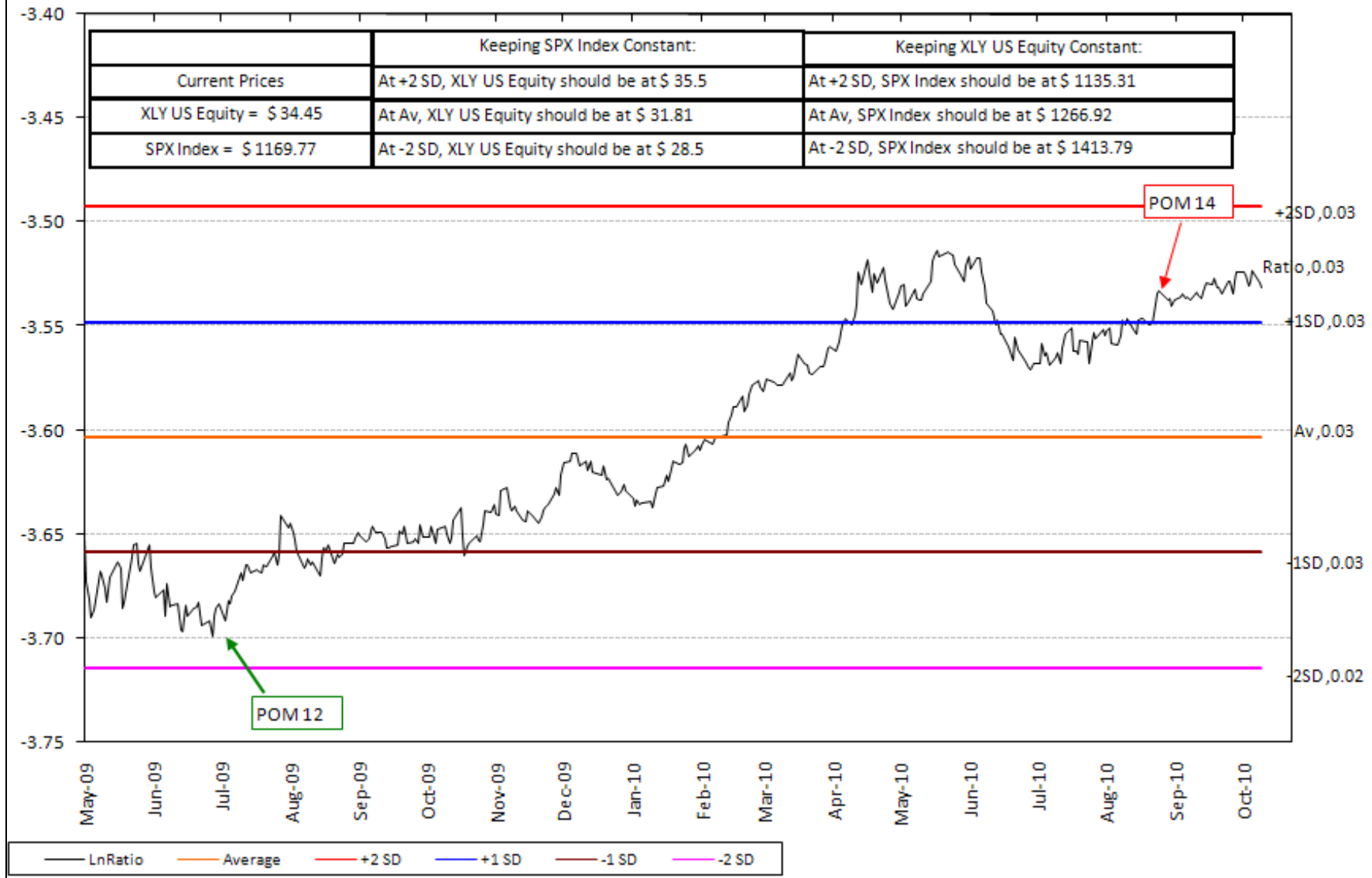
- XLY - Technical & Pattern Analysis - (Process 3)

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.

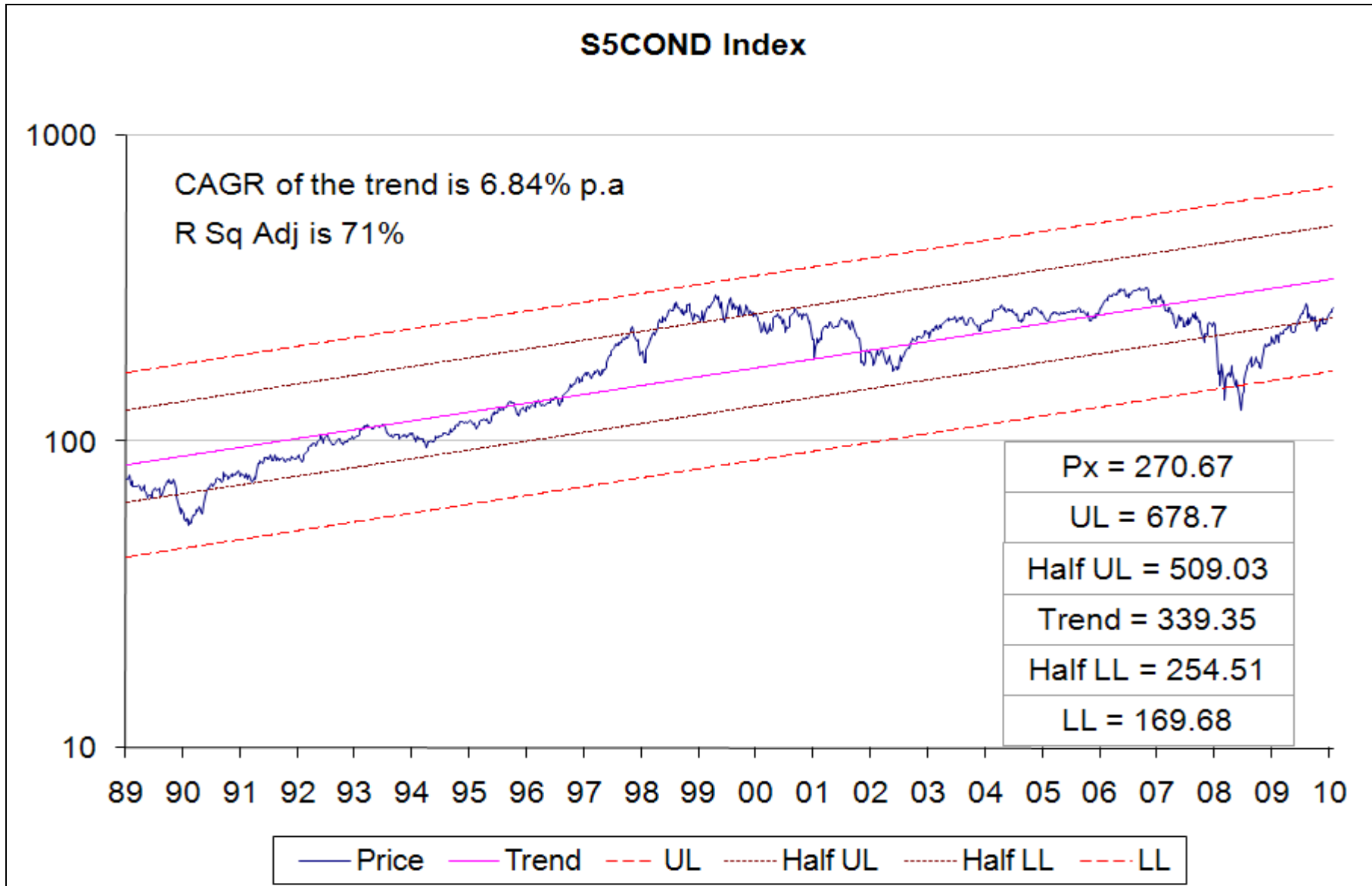


1- XLY – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLY US Equity and Short SPX Index, Updated till 19 Oct 2010

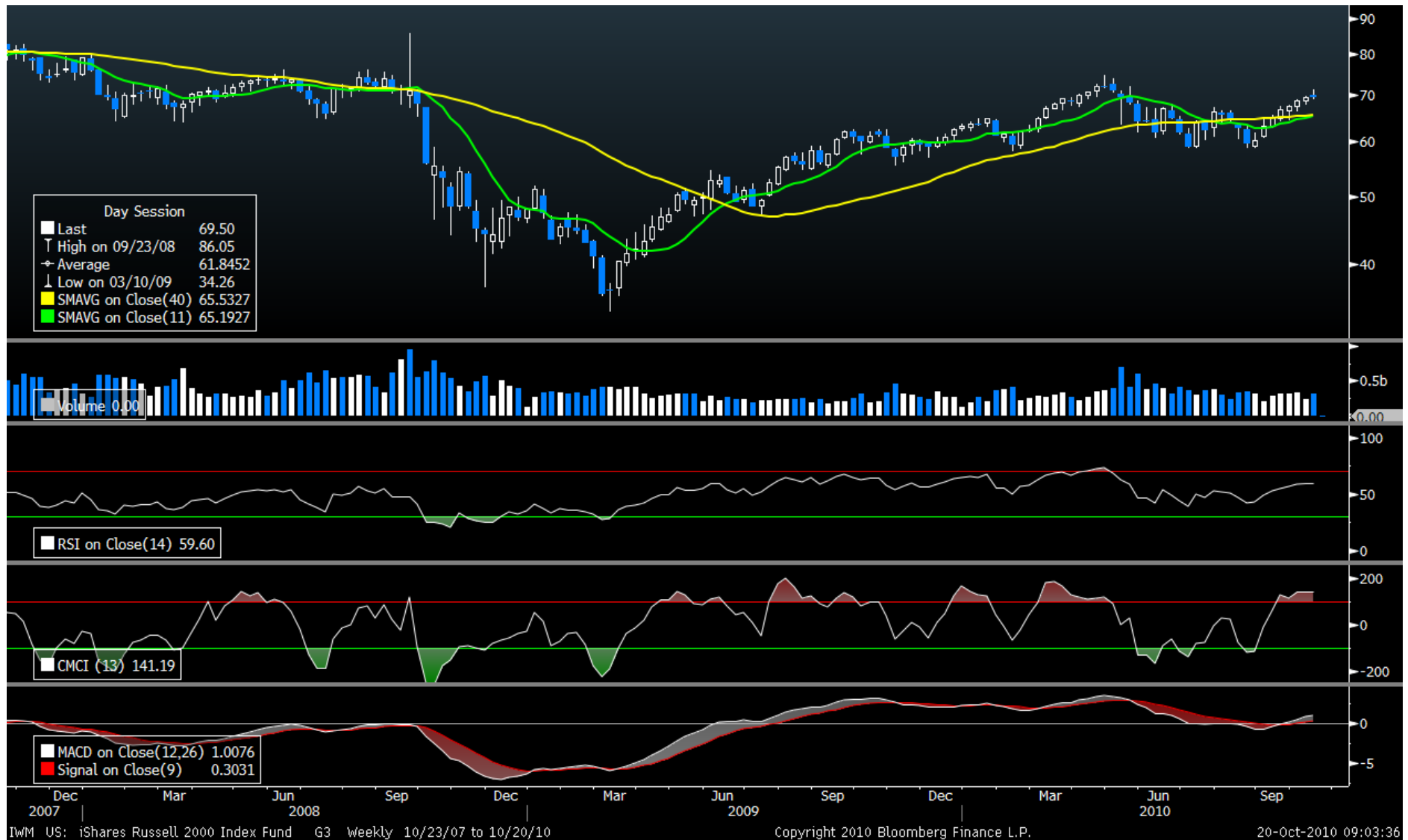


2- XLY – Trend Reversion Analysis – Long Term -



IWM Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



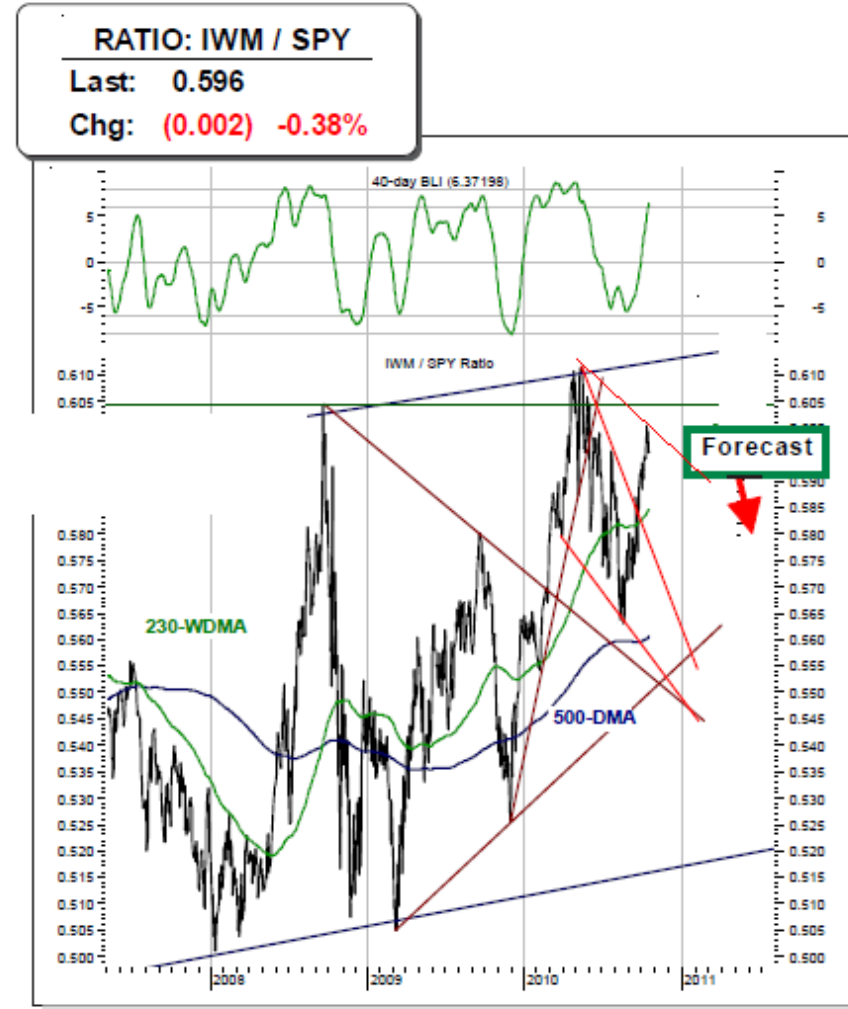
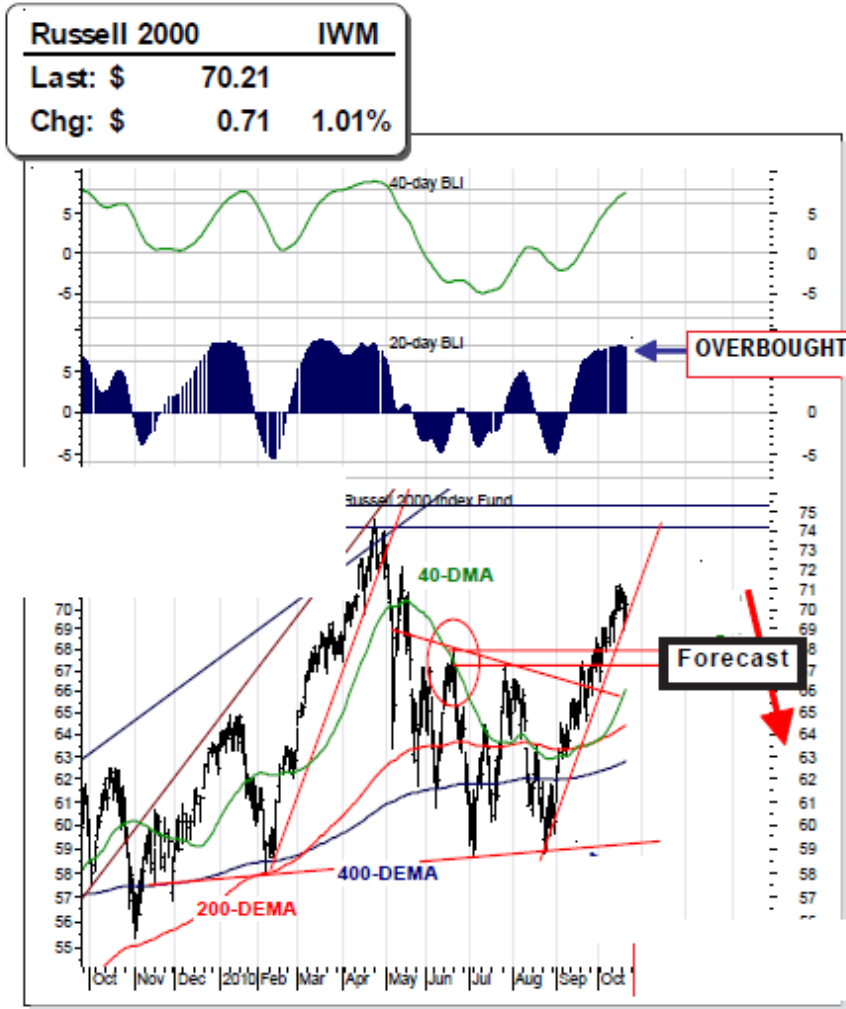
IWM Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



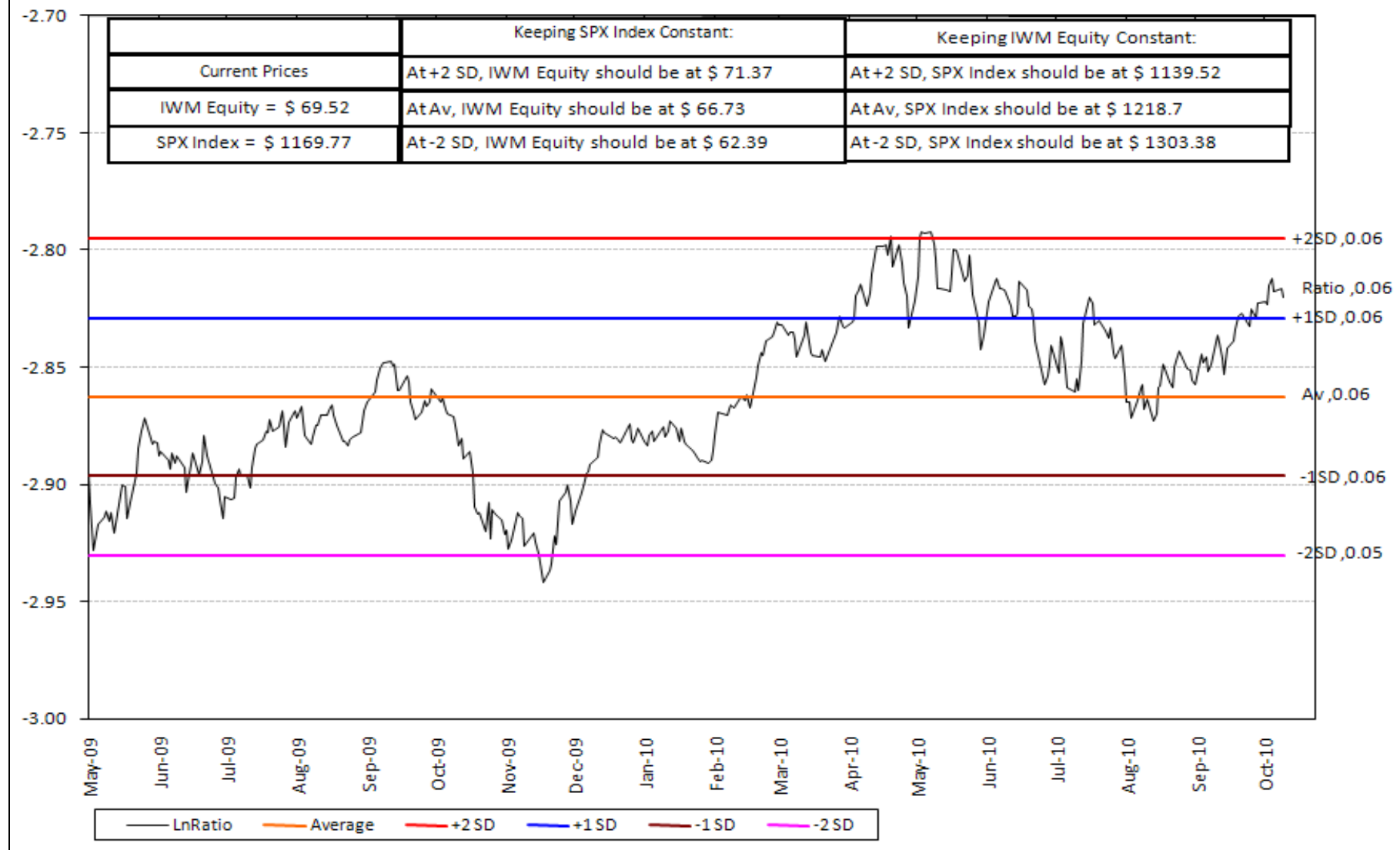
2 – IWM- Technical & Pattern Analysis - (Process 3)

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.



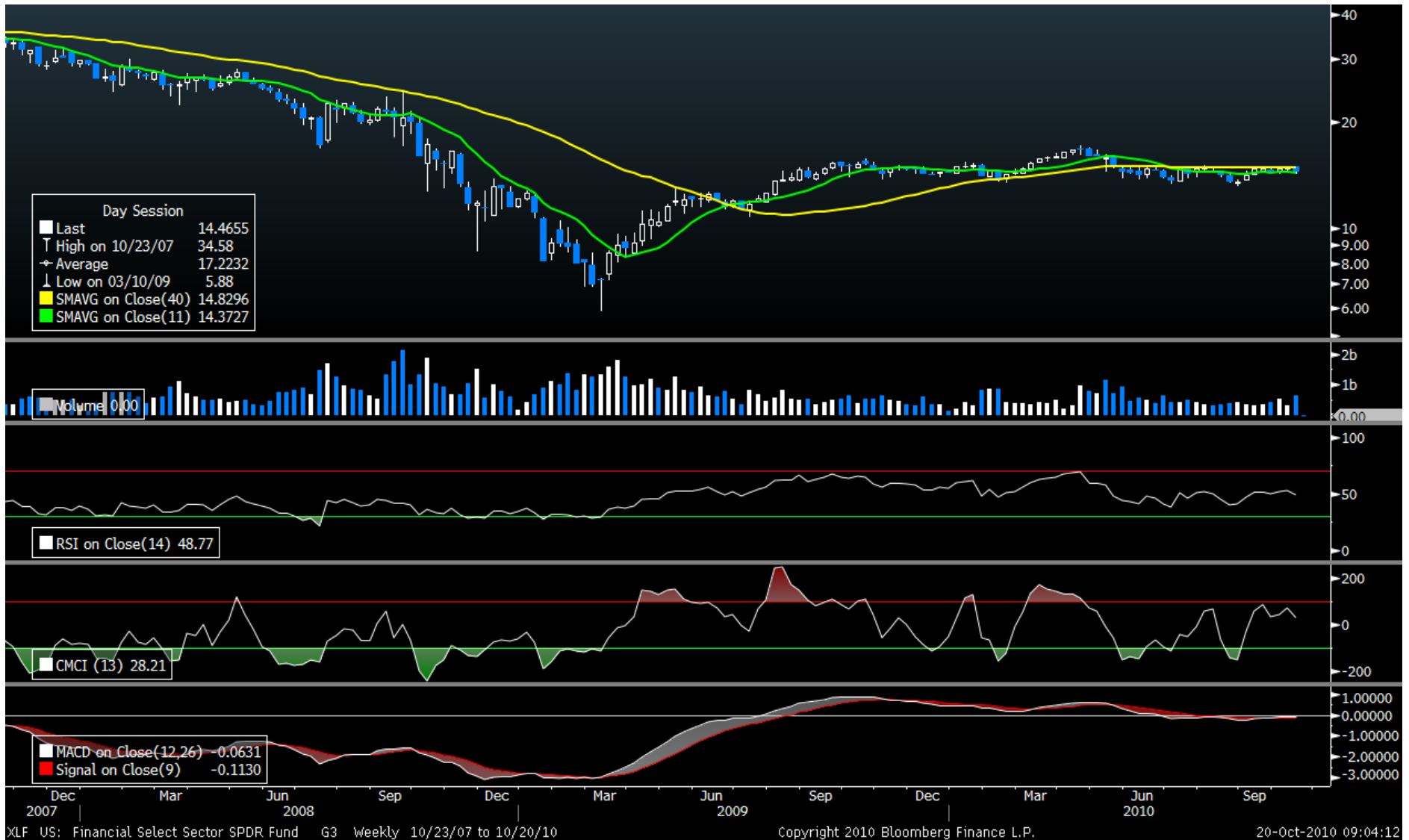
IWM – Correlation Ratio Analysis with SPX – 365 days Time basis

Long IWM Equity and Short SPX Index, Updated till 19 Oct 2010



XLF Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)

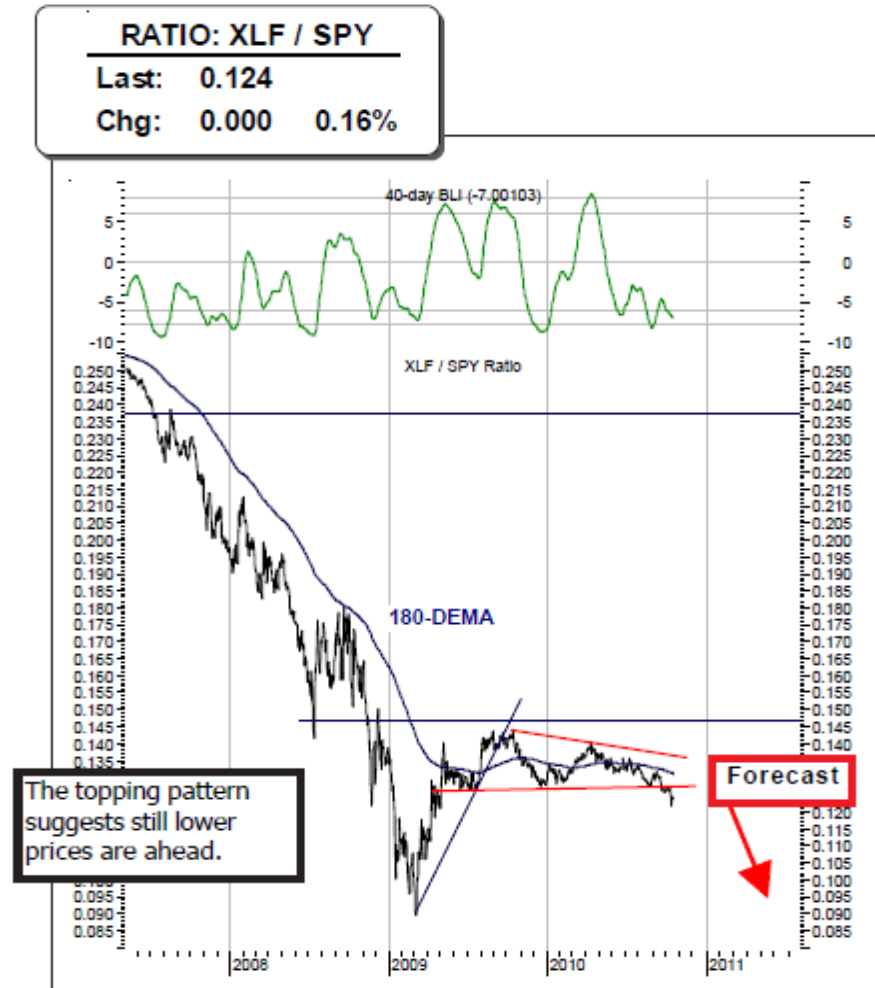
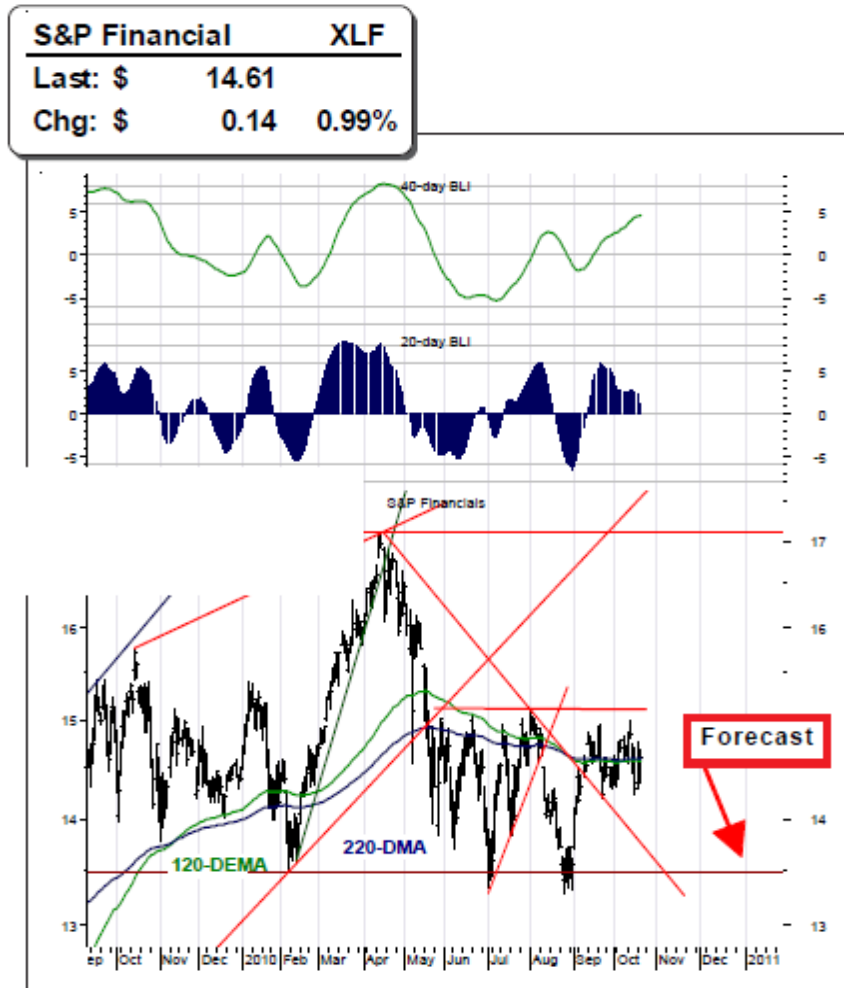


XLF Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



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.



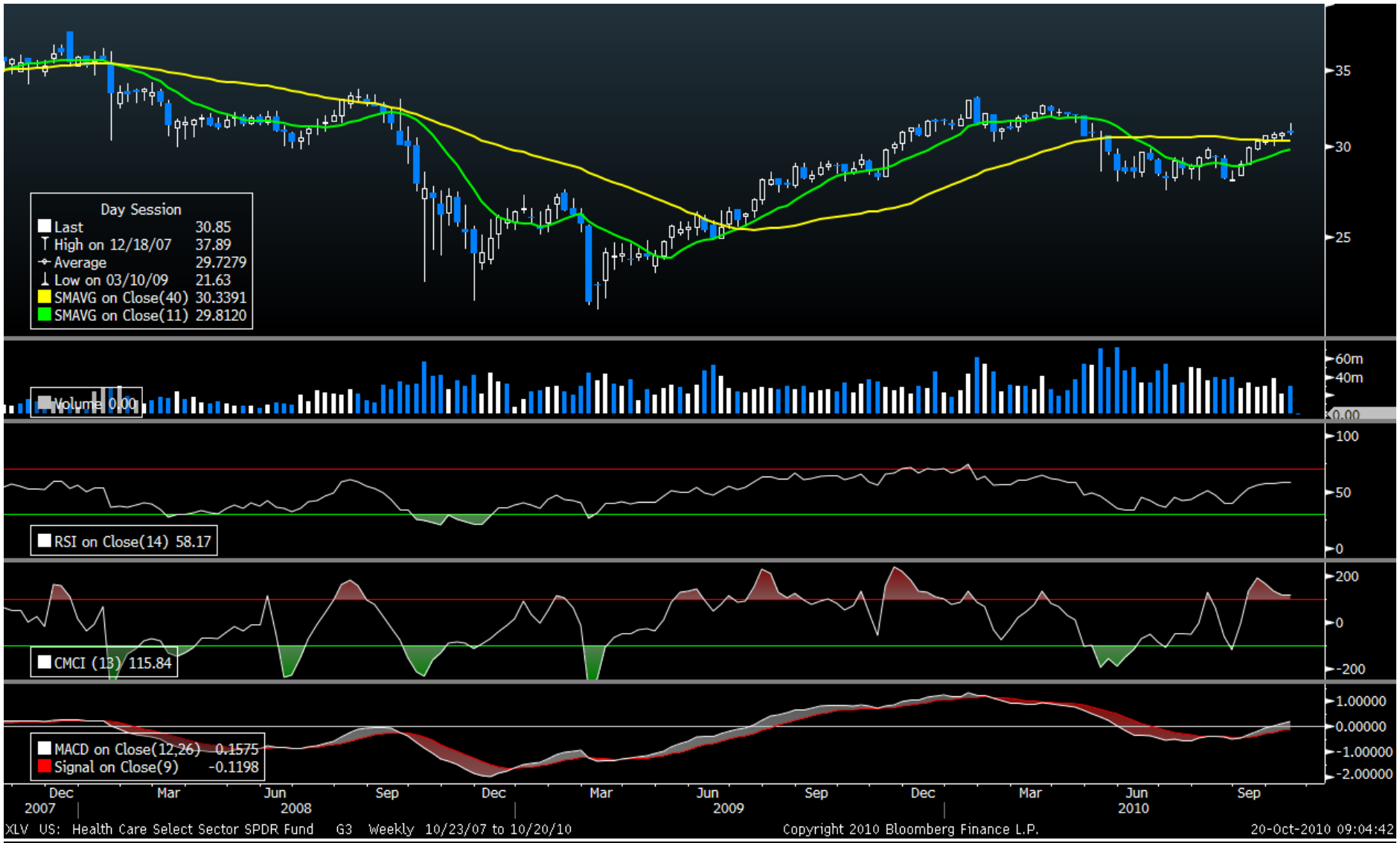
XLF – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLF US Equity and Short SPX Index, Updated till 19 Oct 2010

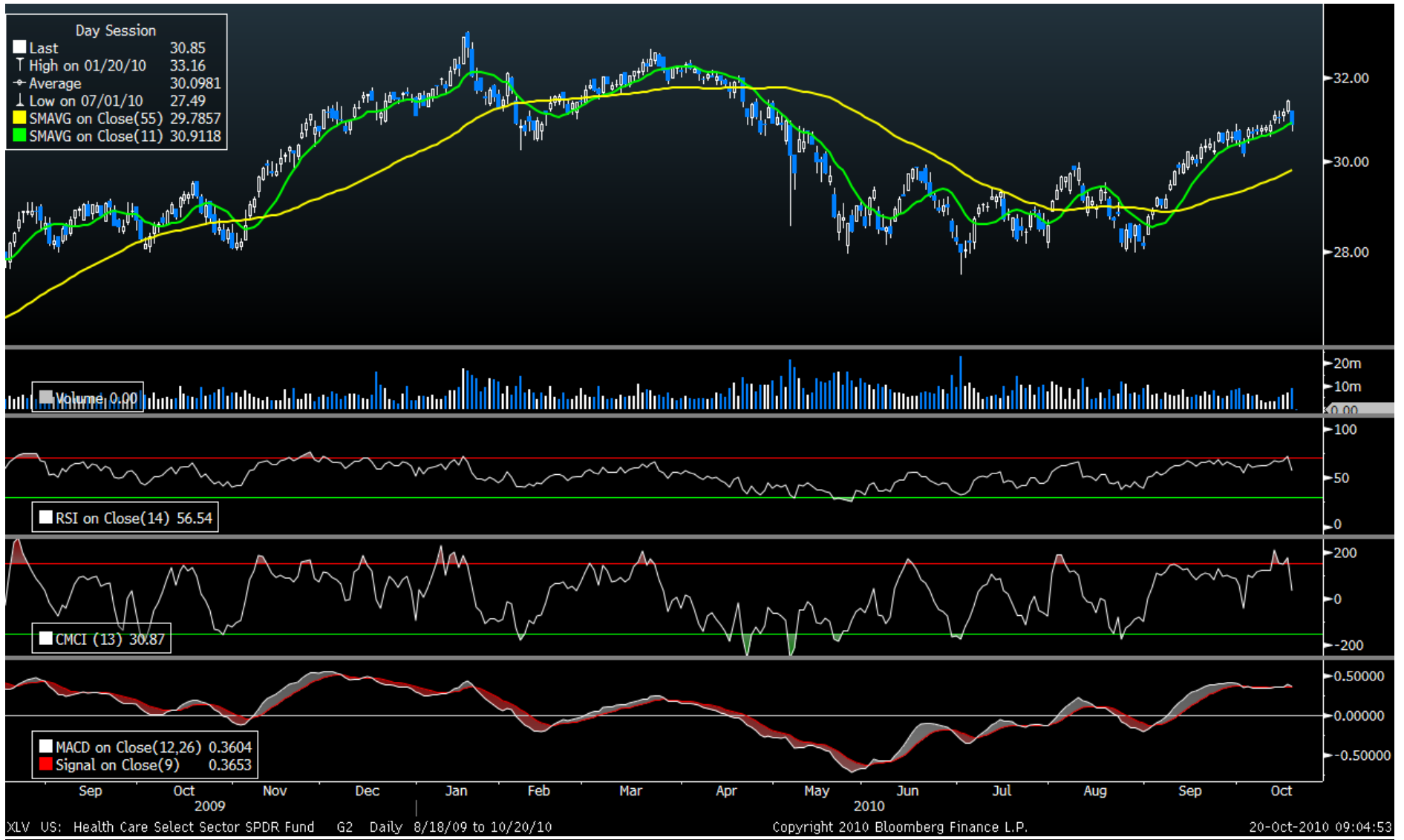


1-XLV- Weekly- 3 Year with RSI, CCI, MACD

a. / 40 W SMA)



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



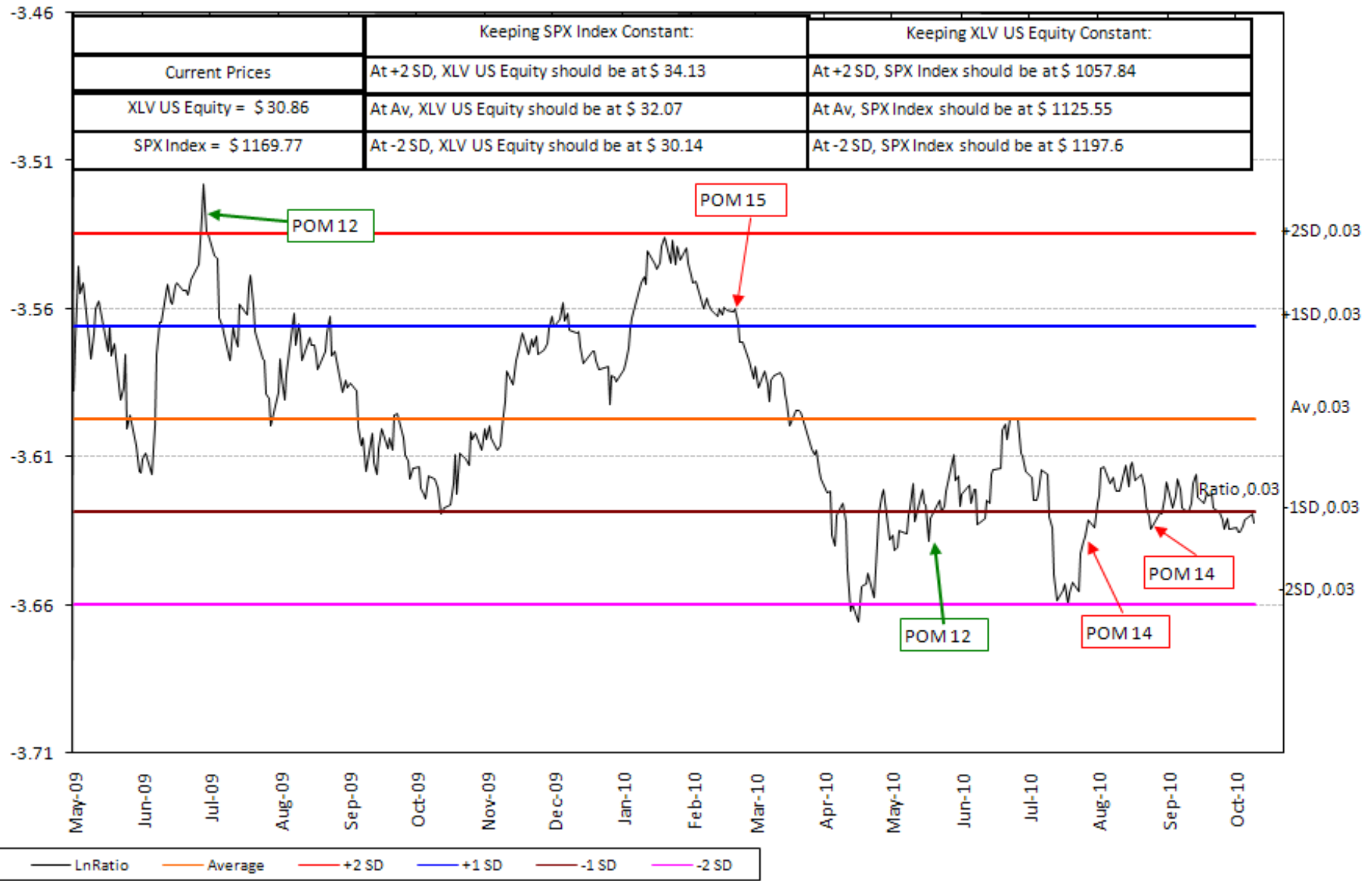
XLV - Technical & Pattern Analysis (Process 3)

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**.

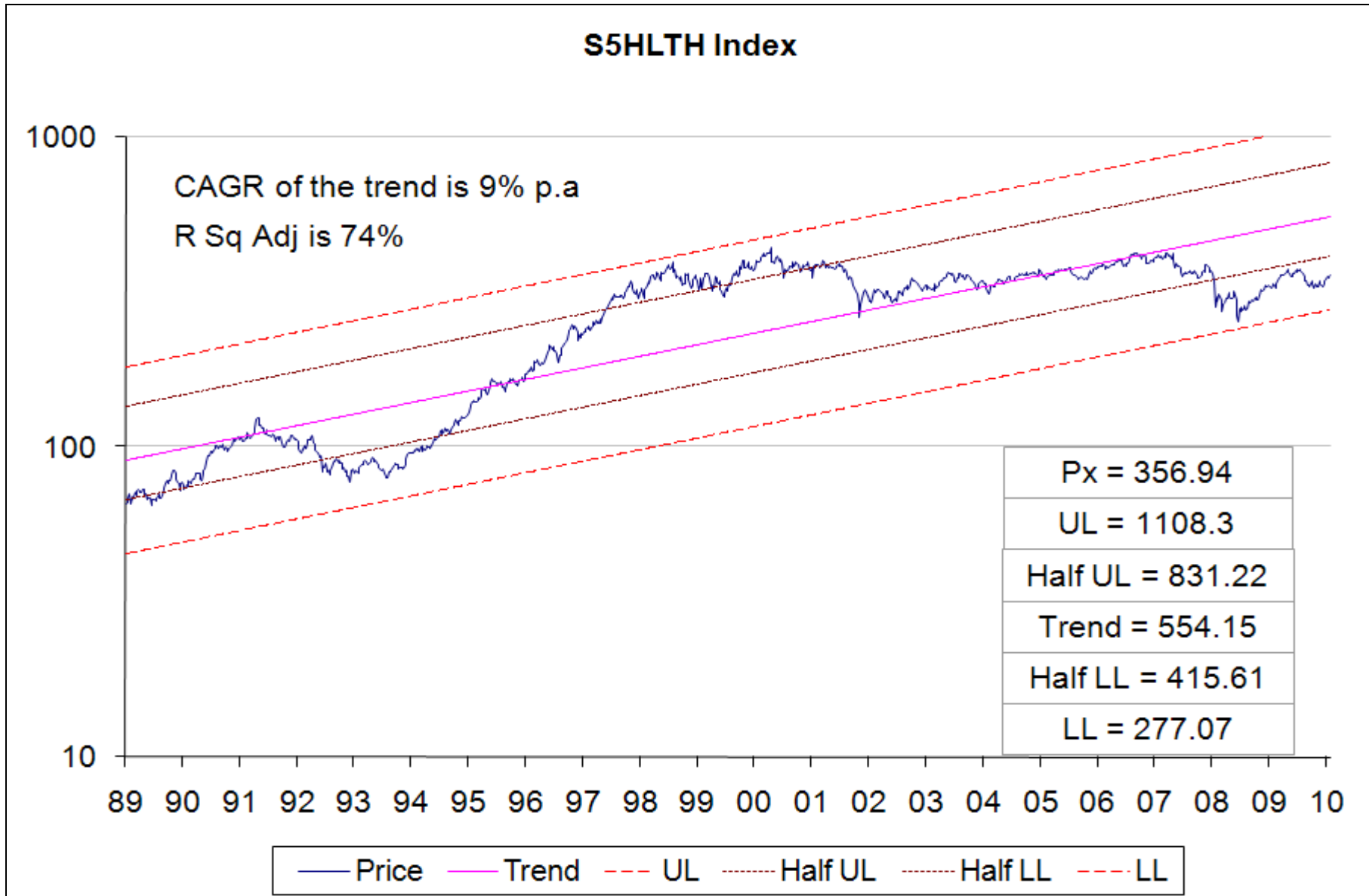


XLV – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLV US Equity and Short SPX Index, Updated till 19 Oct 2010

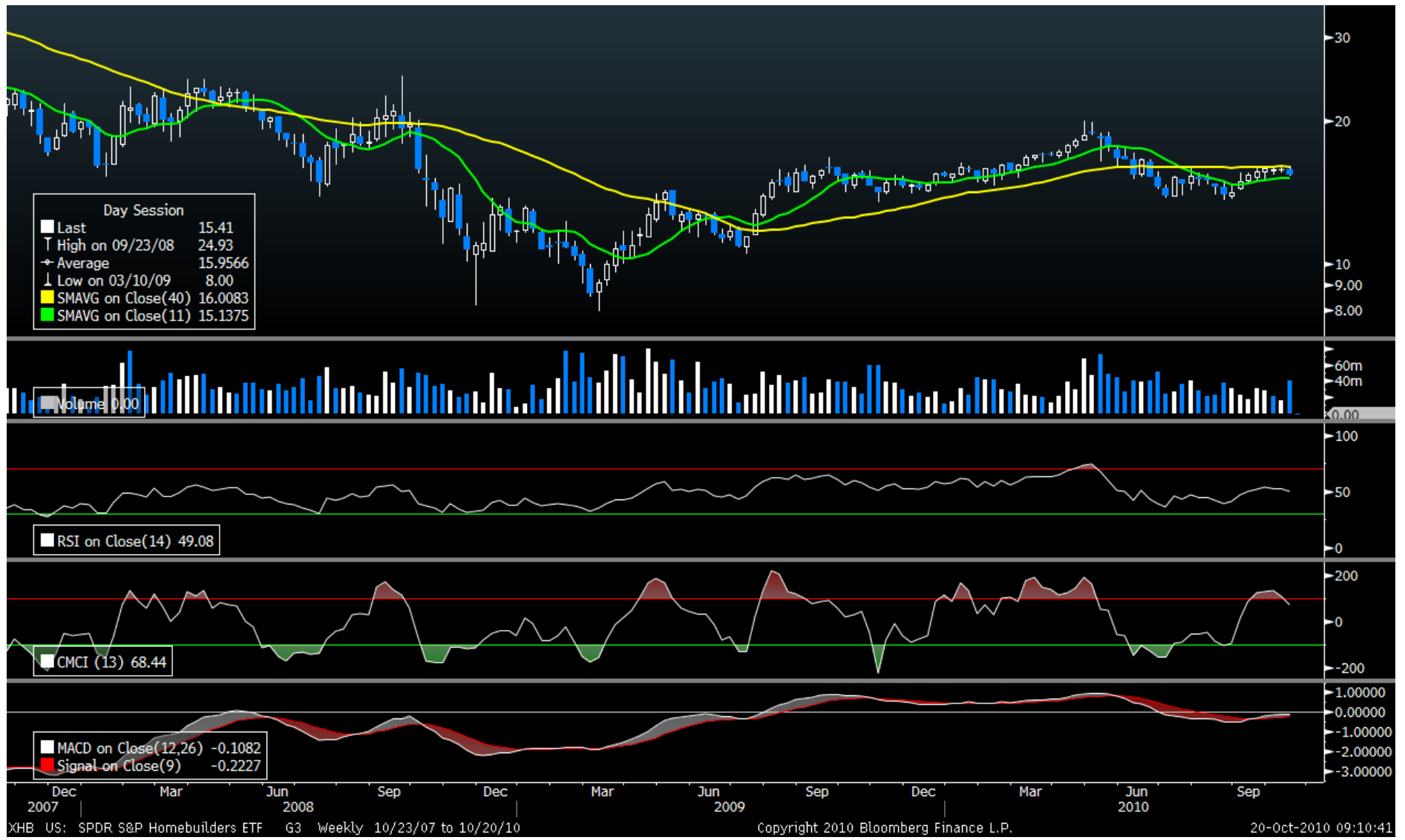


XLV – Trend Reversion Analysis – Long Term

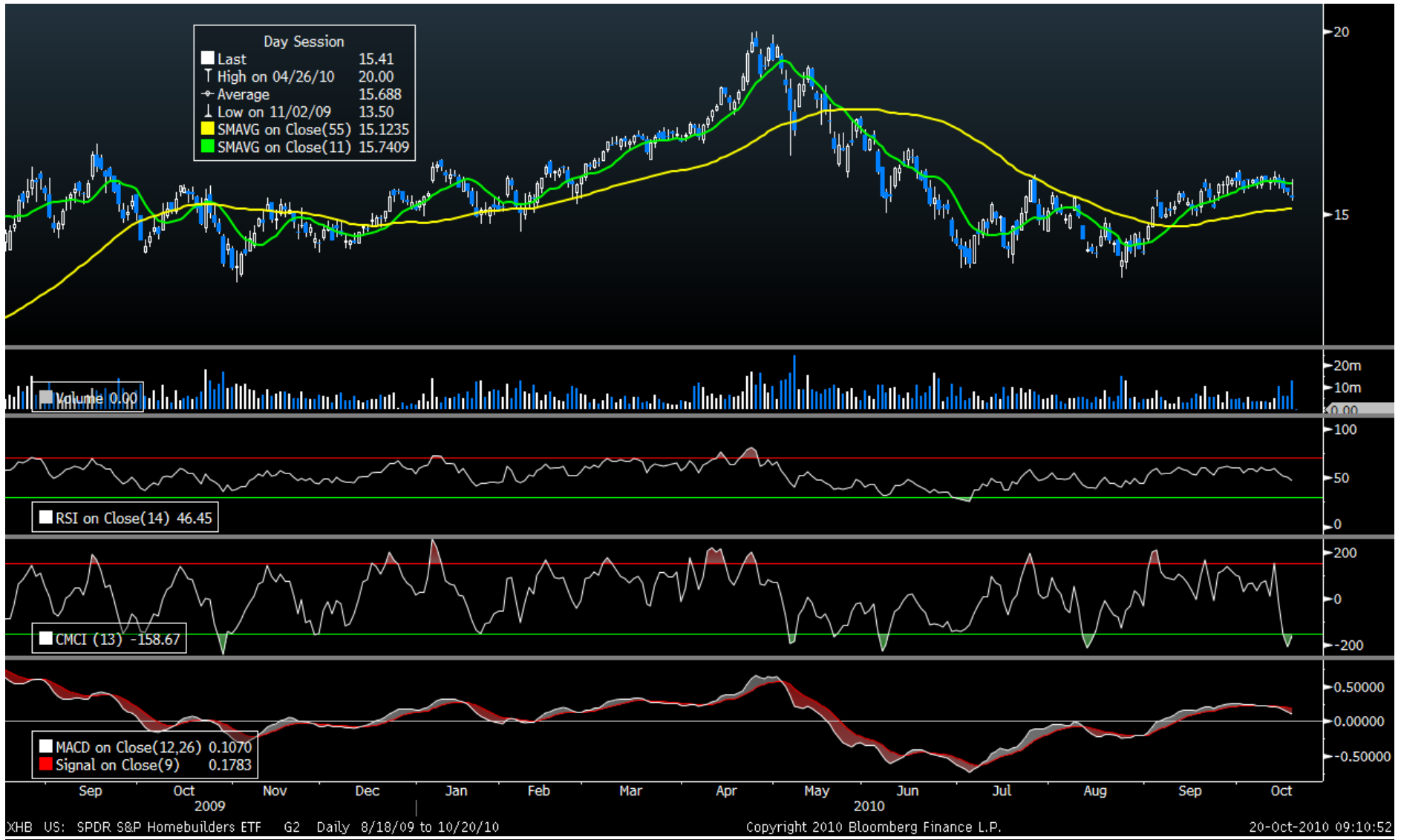


1-XHB- Weekly- 3 Year with RSI, CCI, MACD

b. / 40 W SMA)

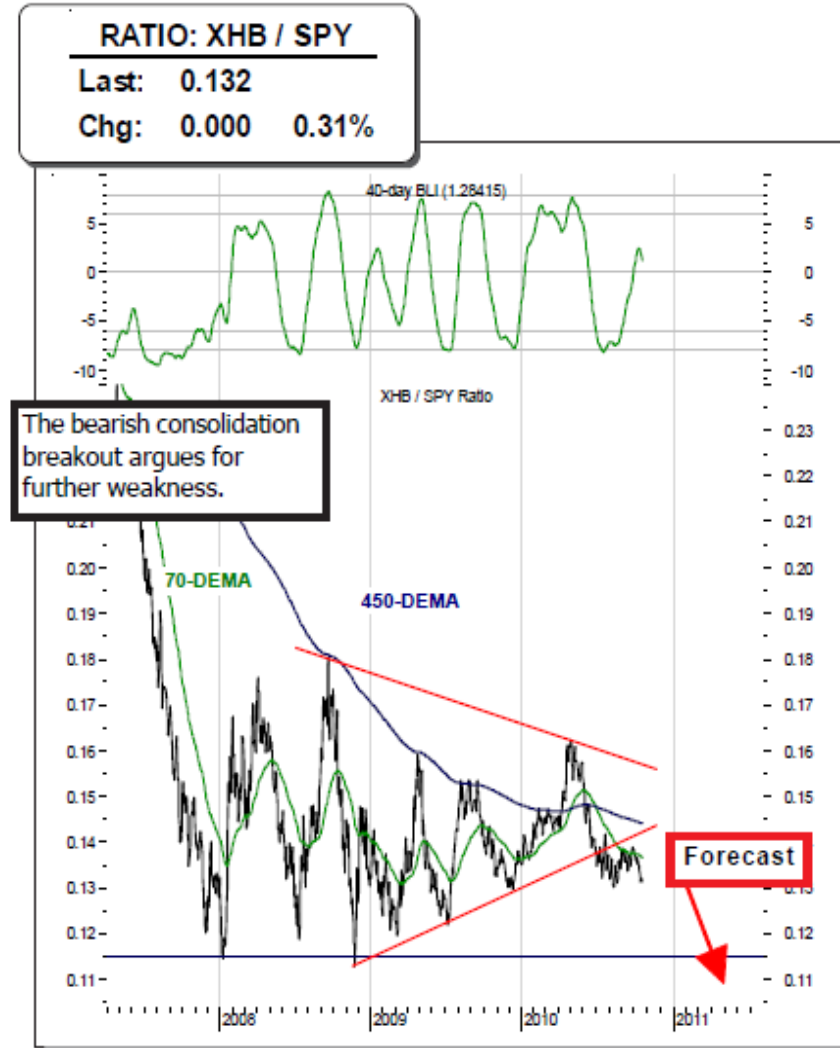
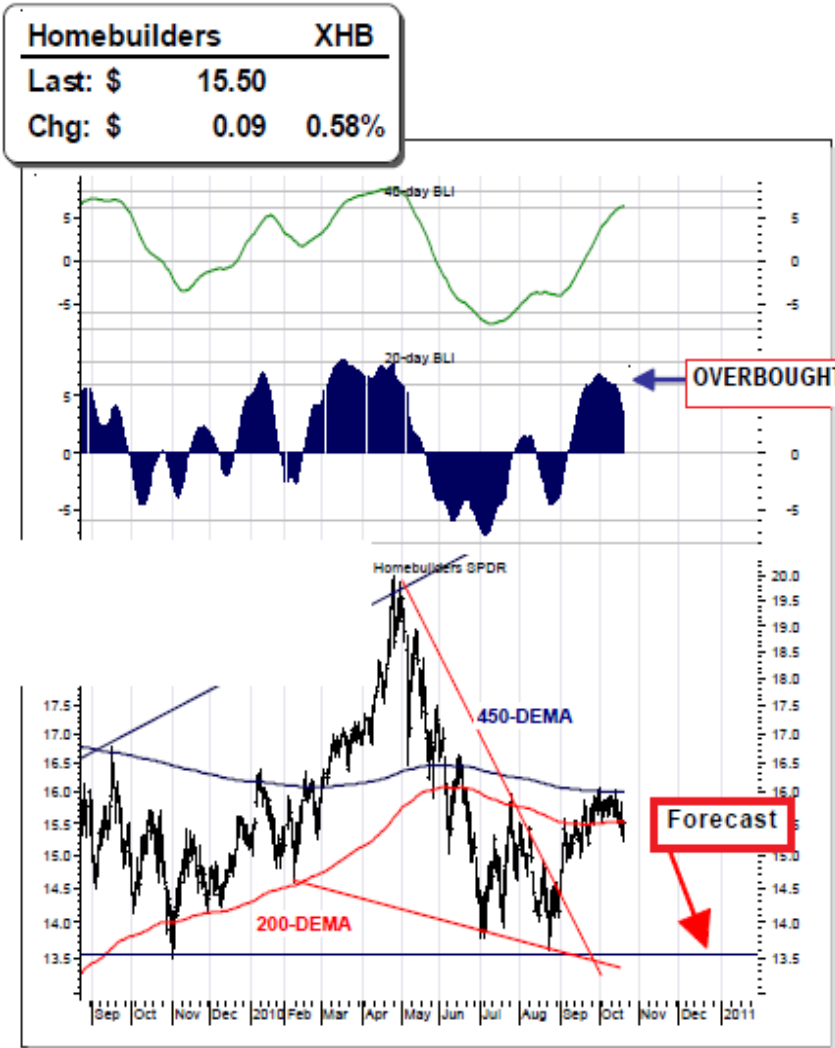


- XHB - Daily - 3 Year with RSI, CCI, MACD
(11D / 55D)



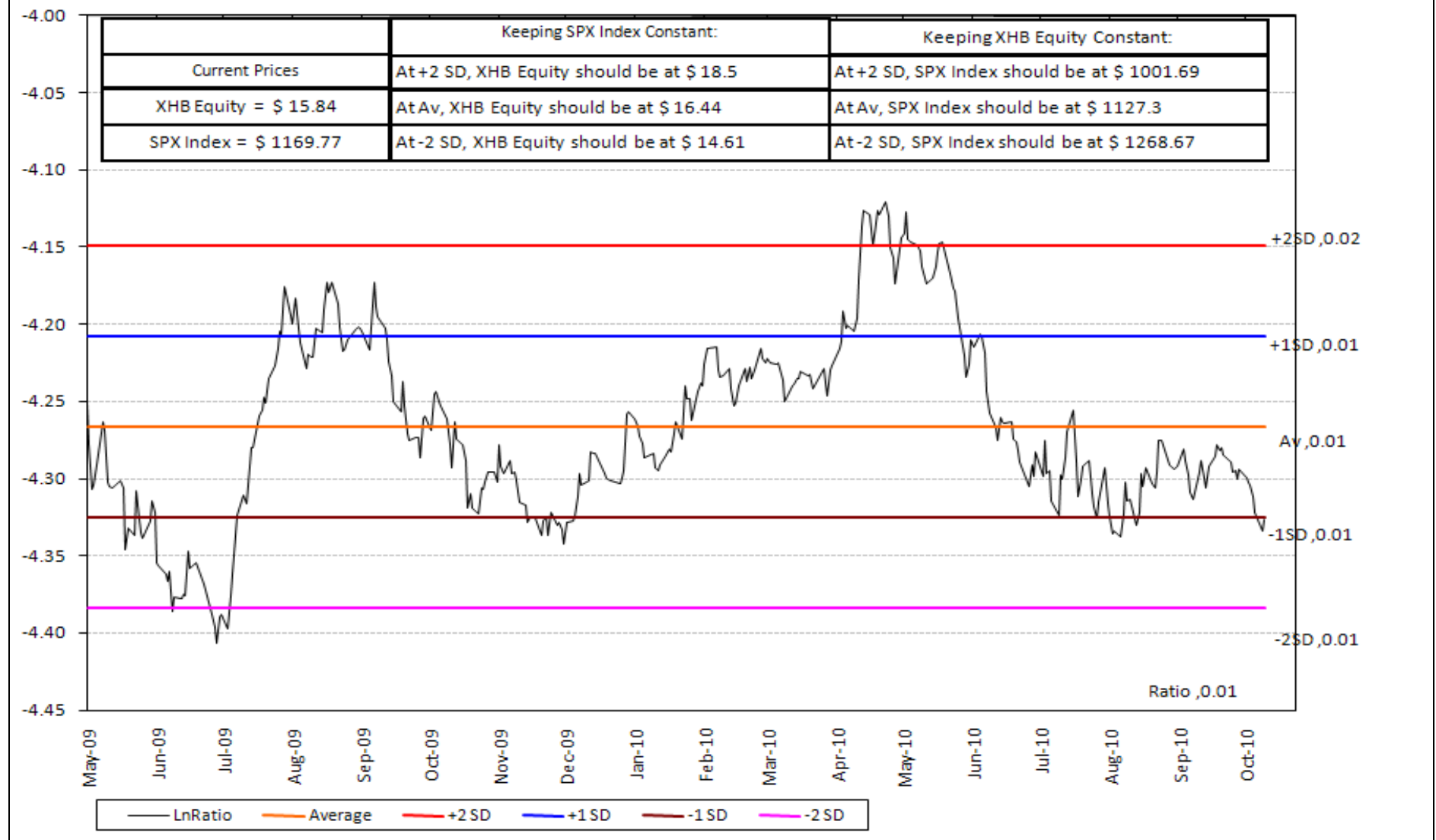
XHB - Technical & Pattern Analysis (Process 3)

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



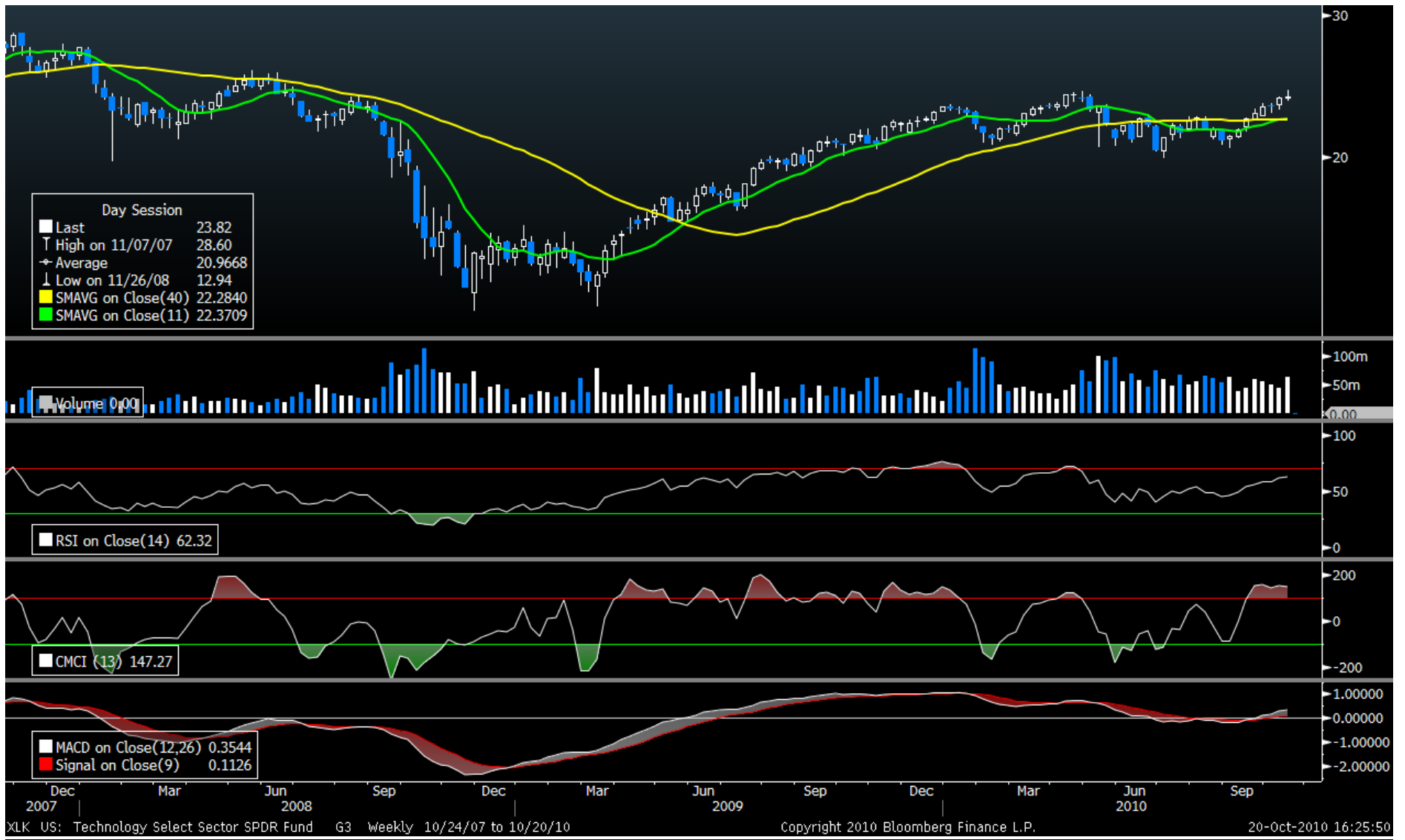
XHB – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XHB Equity and Short SPX Index, Updated till 19 Oct 2010

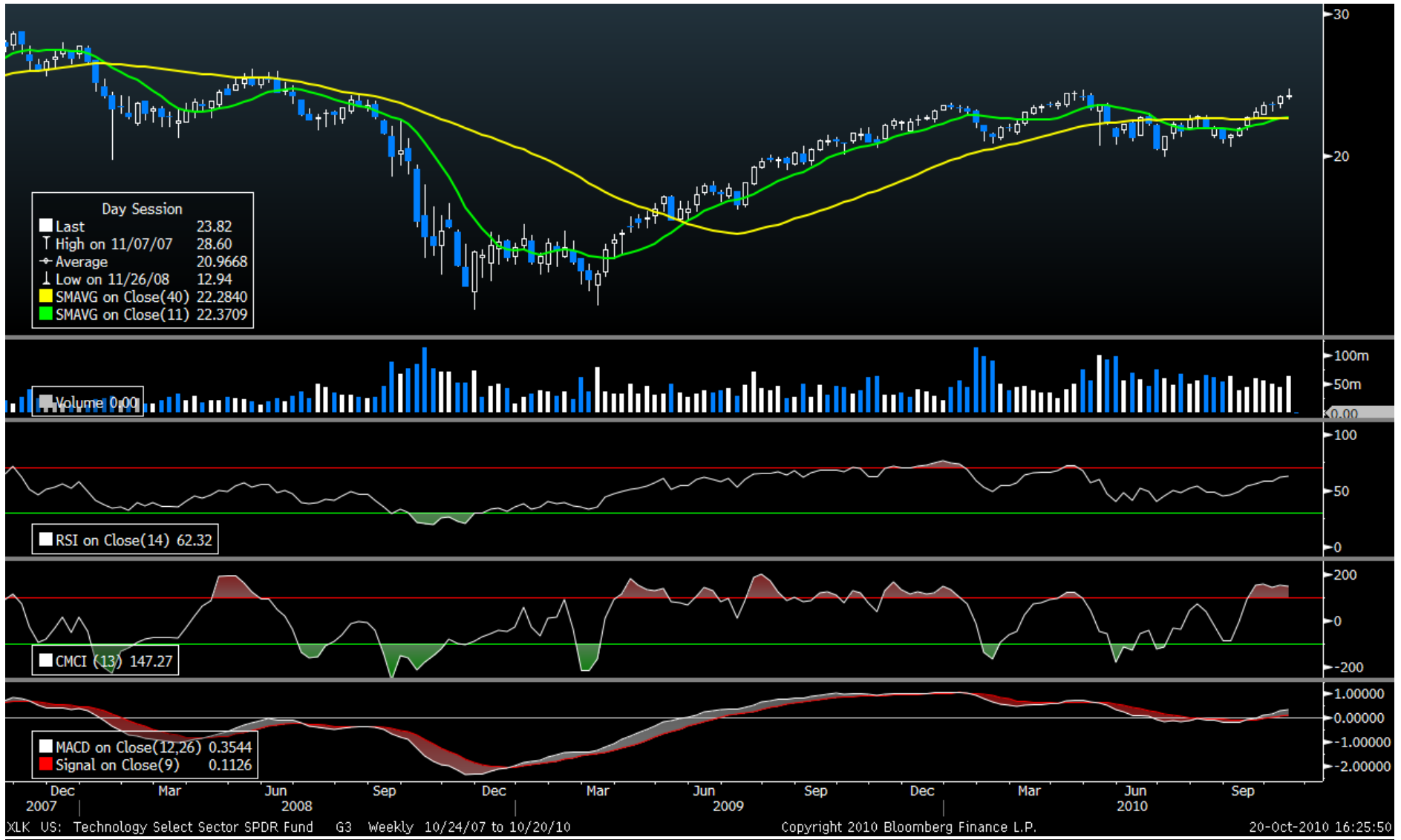


1-XLK- Weekly- 3 Year with RSI, CCI, MACD

C. / 40 W SMA

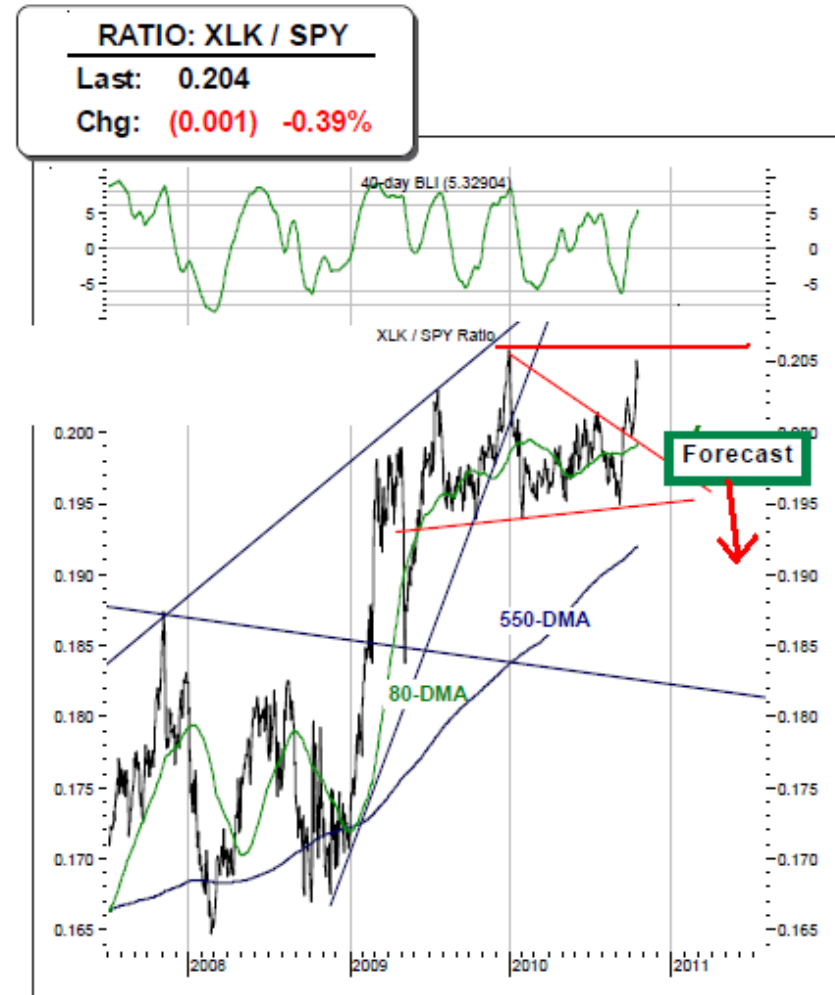
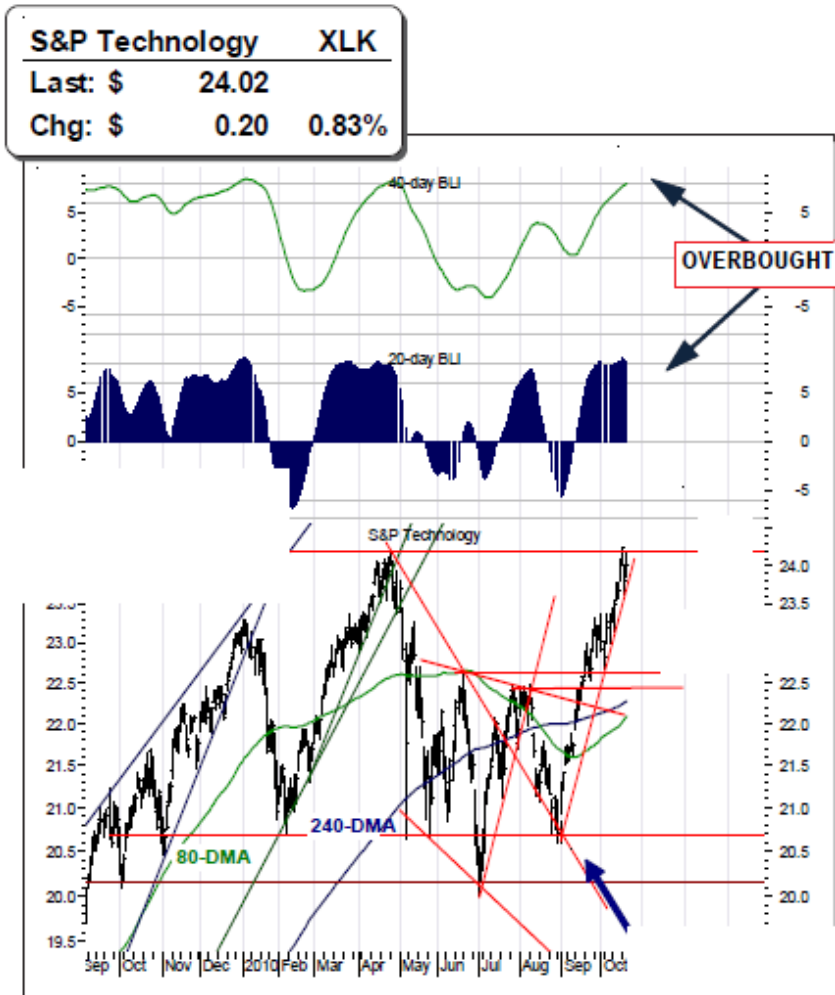


- XLK - Daily – 3 Year with RSI, CCI, MACD
(11D / 55D)



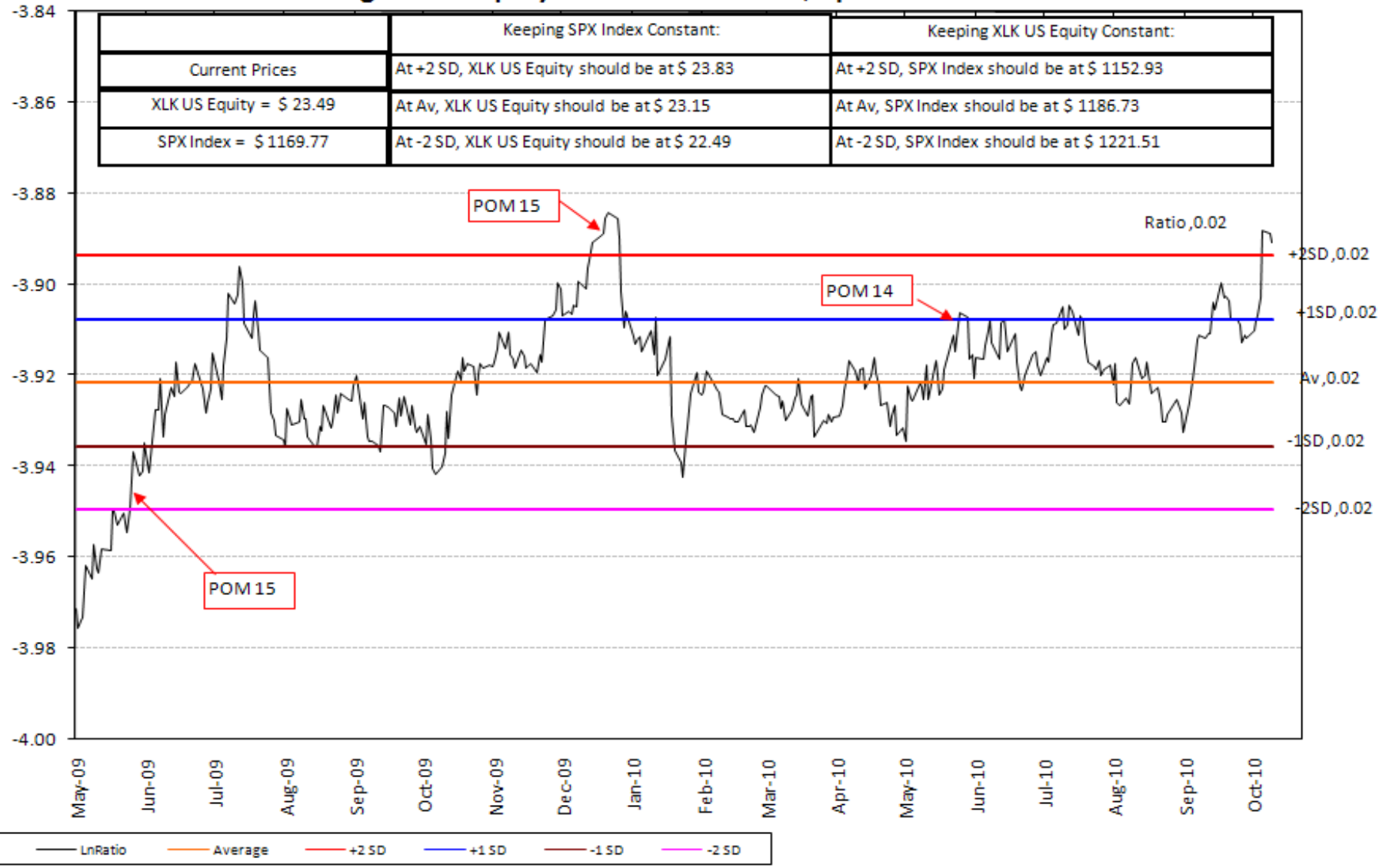
XLK - Technical & Pattern Analysis (Process 3)

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



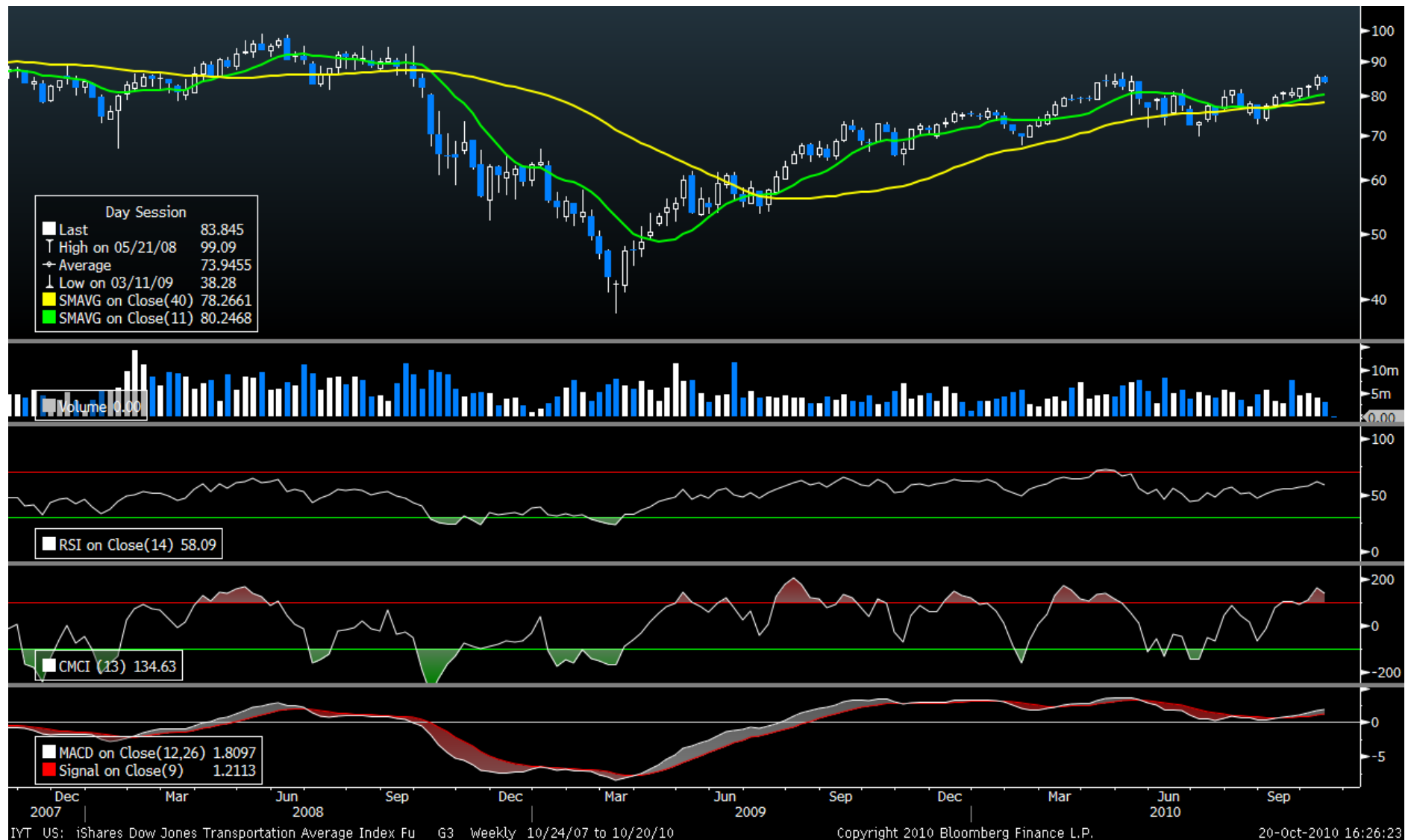
XLK – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLK US Equity and Short SPX Index, Updated till 19 Oct 2010



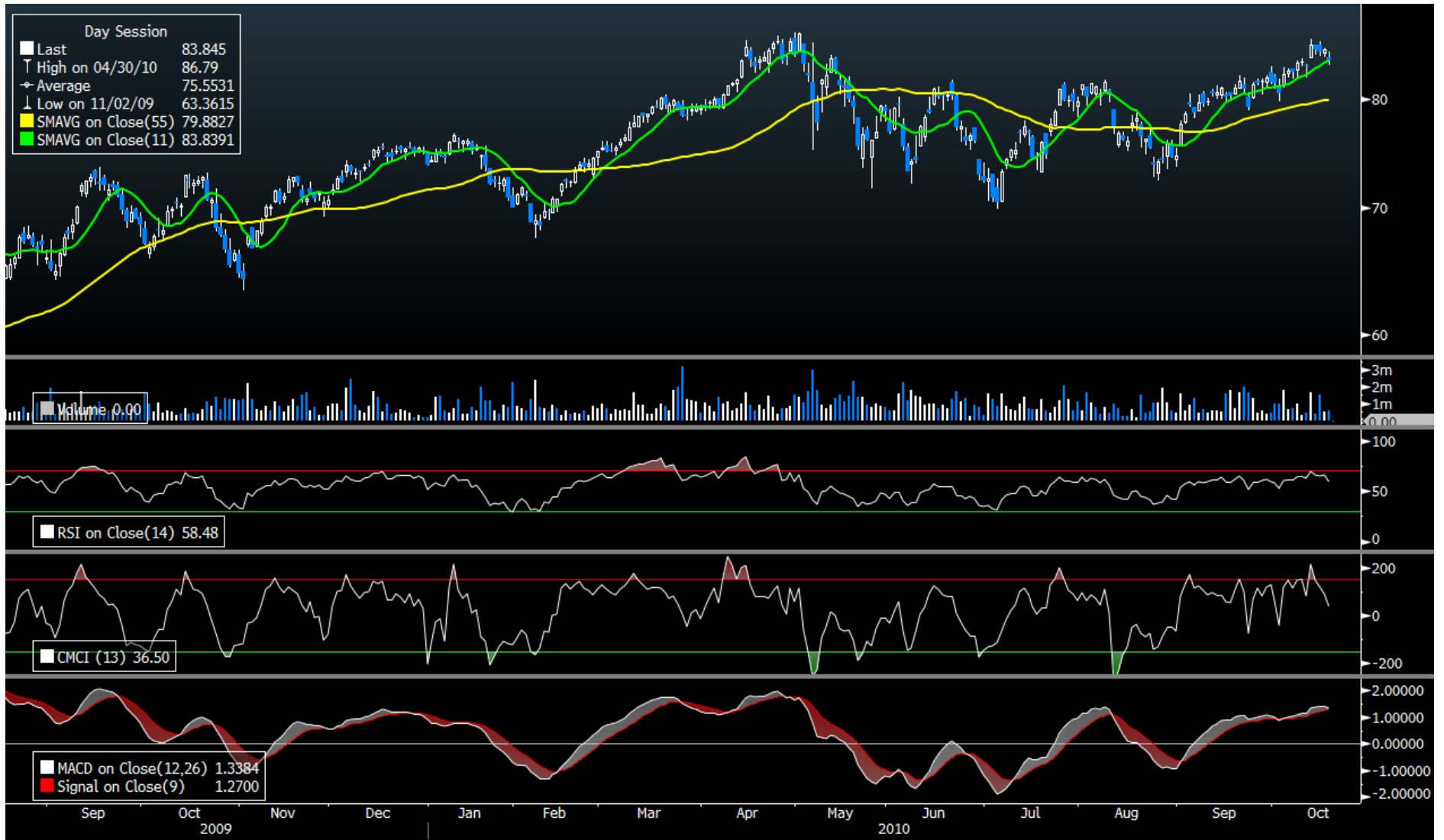
IYT Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



IYT Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



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

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

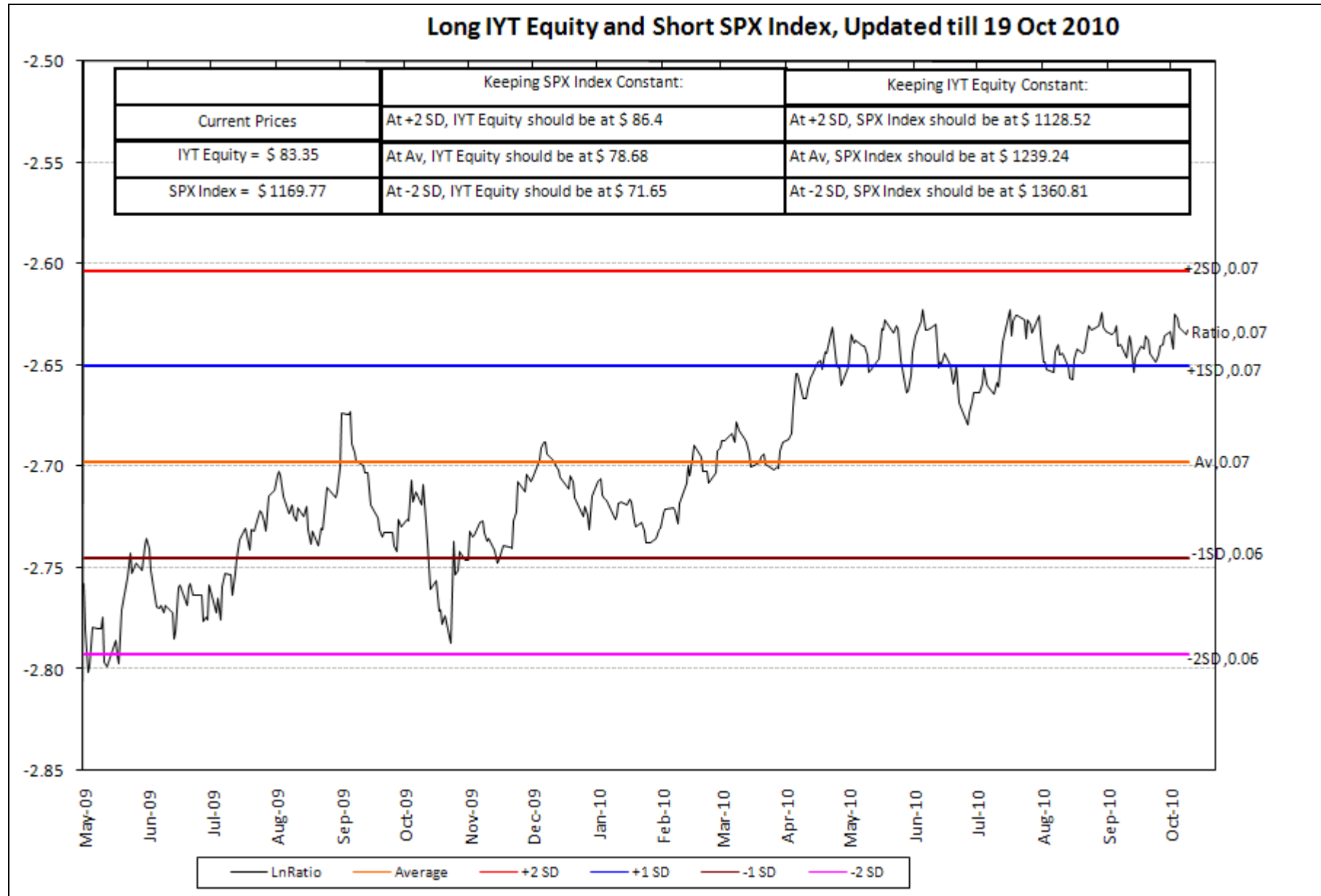
Transports		IYT
Last: \$	85.69	
Chg \$	1.85	2.15%



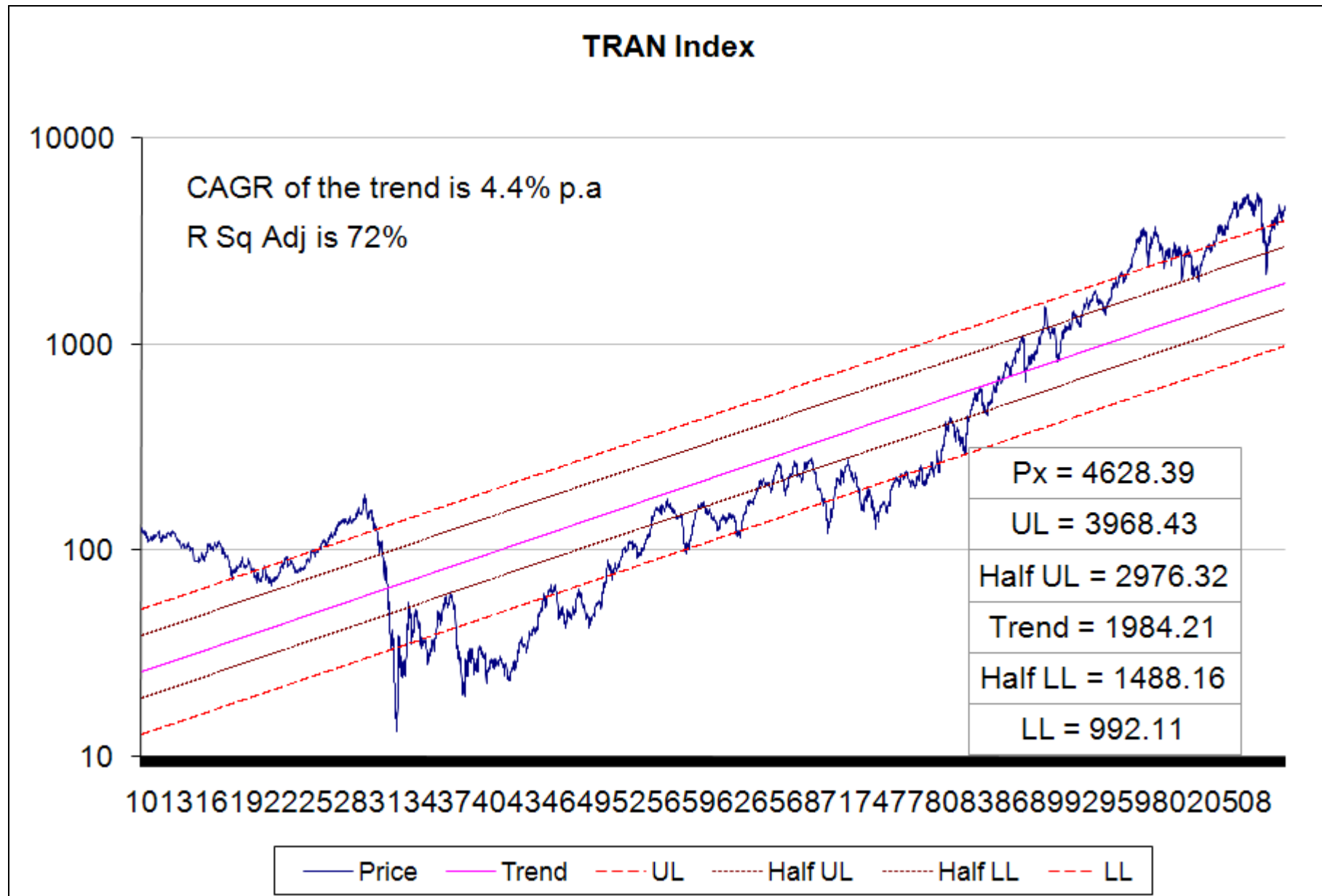
RATIO: IYT / SPY	
Last:	0.727
Chg:	0.010 1.39%



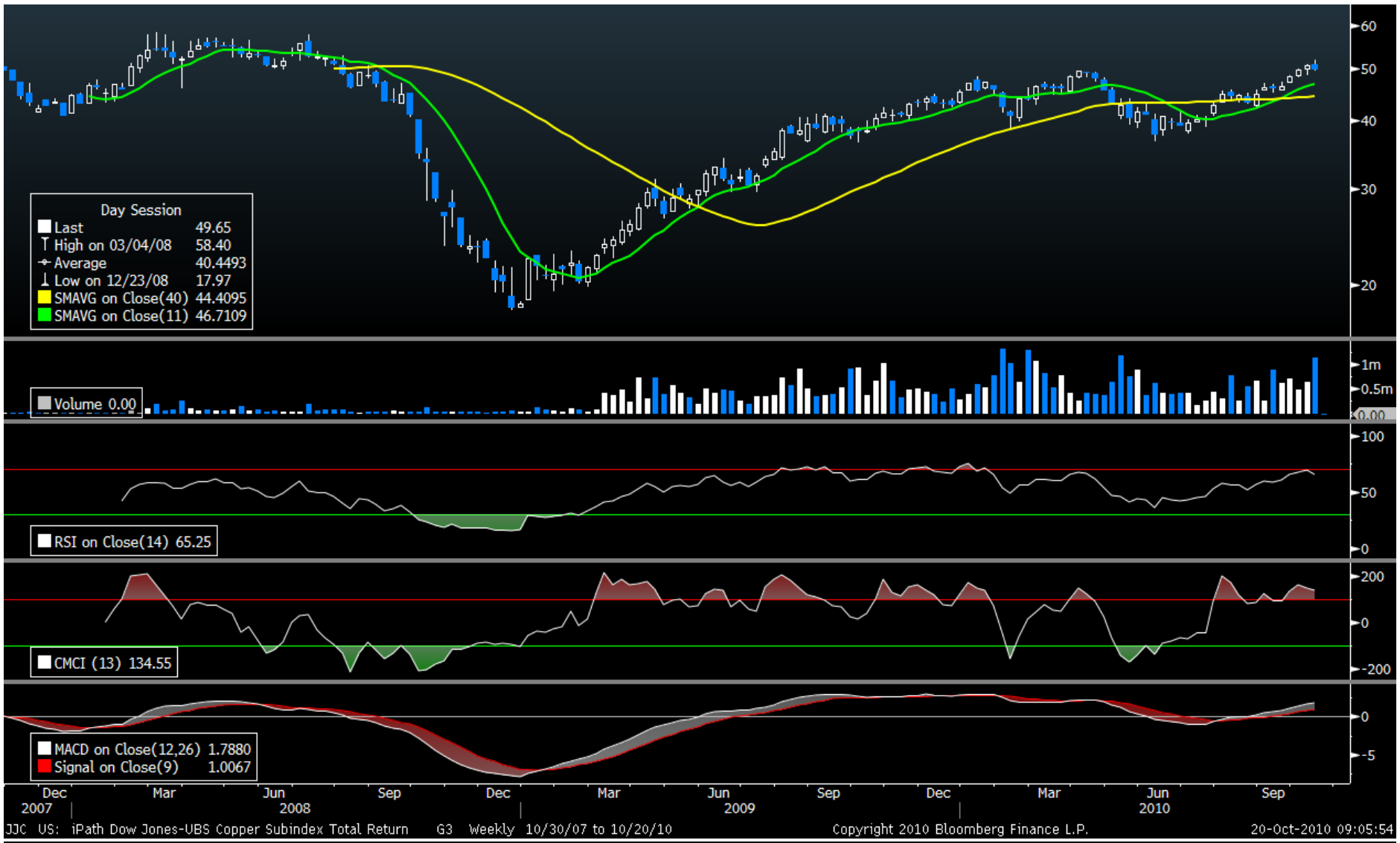
IYT – Correlation Ratio Analysis with SPX – 365 days Time basis



IYT – Trend Reversion Analysis – Long Term



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



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

(11D / 55D)

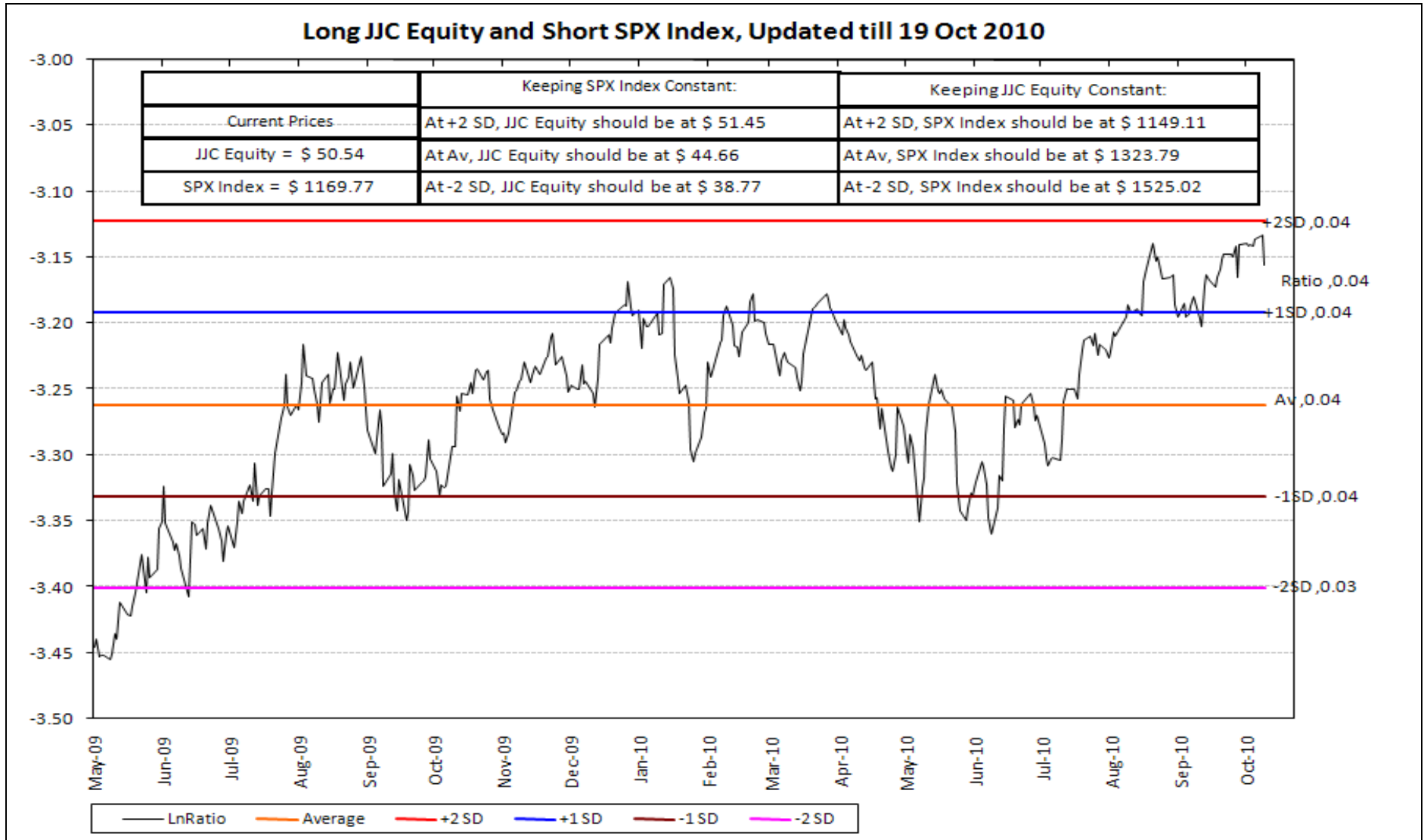


JJC- Technical & Pattern Analysis (Process 3)

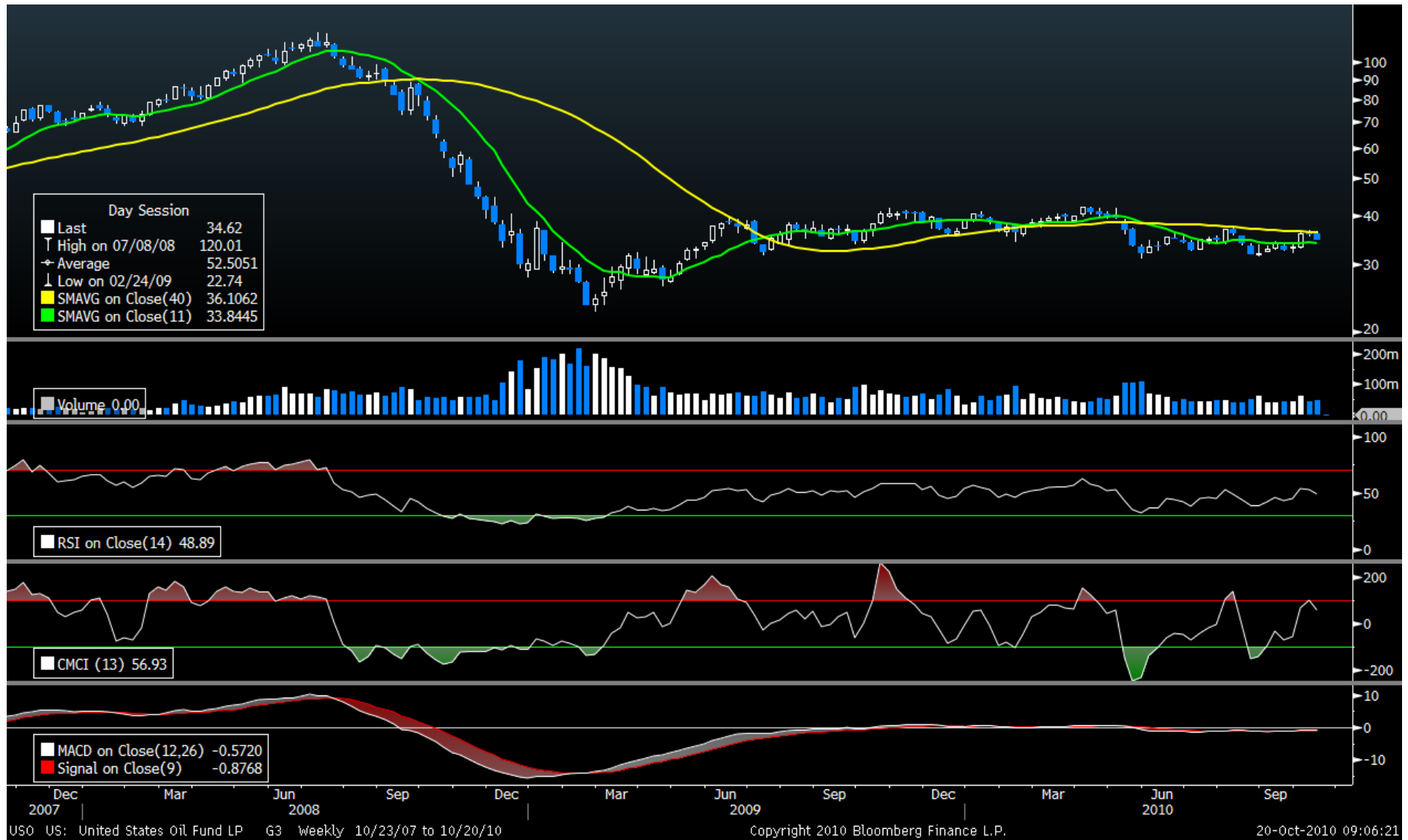
The JJC / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in JJC / SPX (hence overvalued) by this matrix in Sync with SD Analysis.



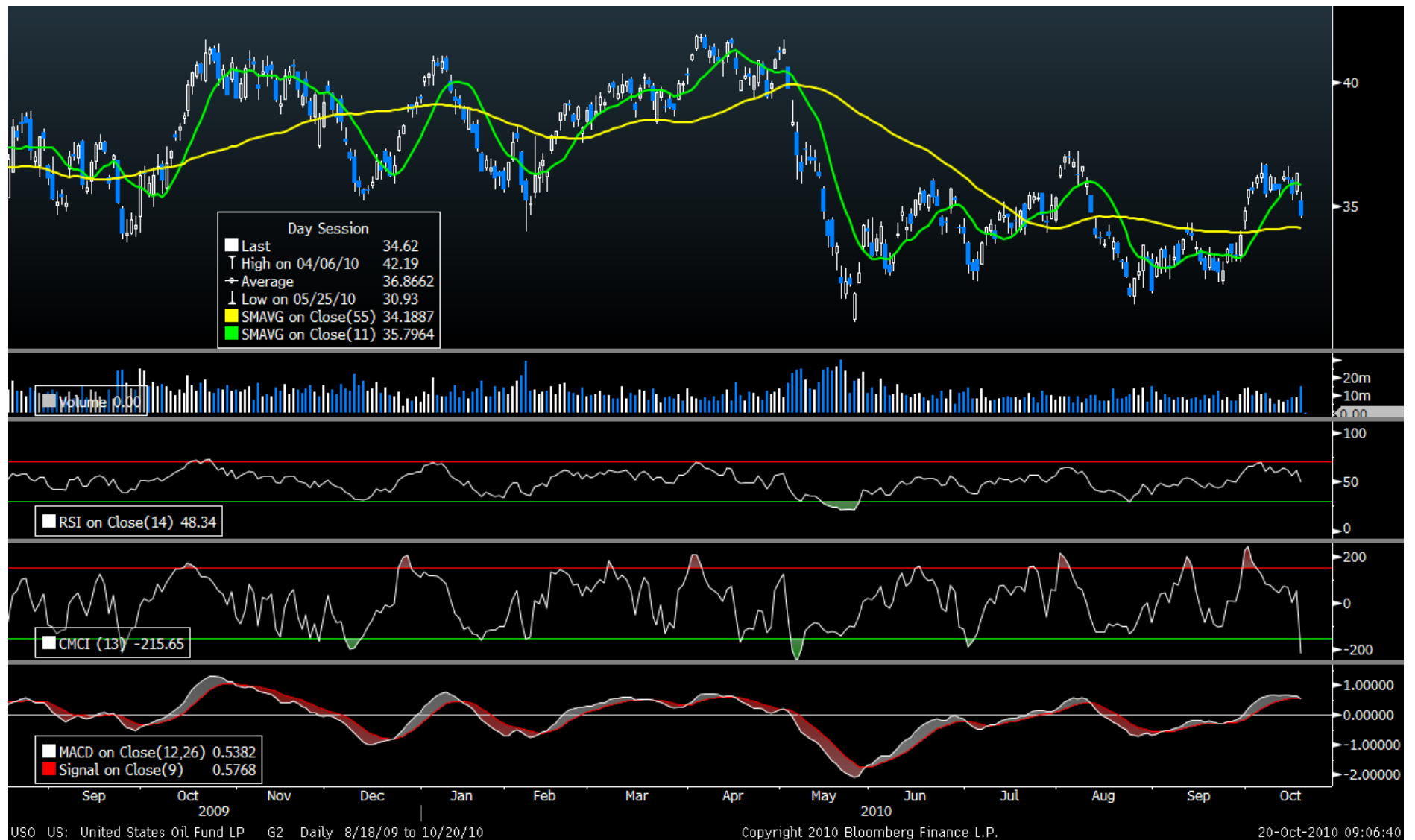
2- JJC – Correlation Ratio Analysis with SPX – 365 days Time basis



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

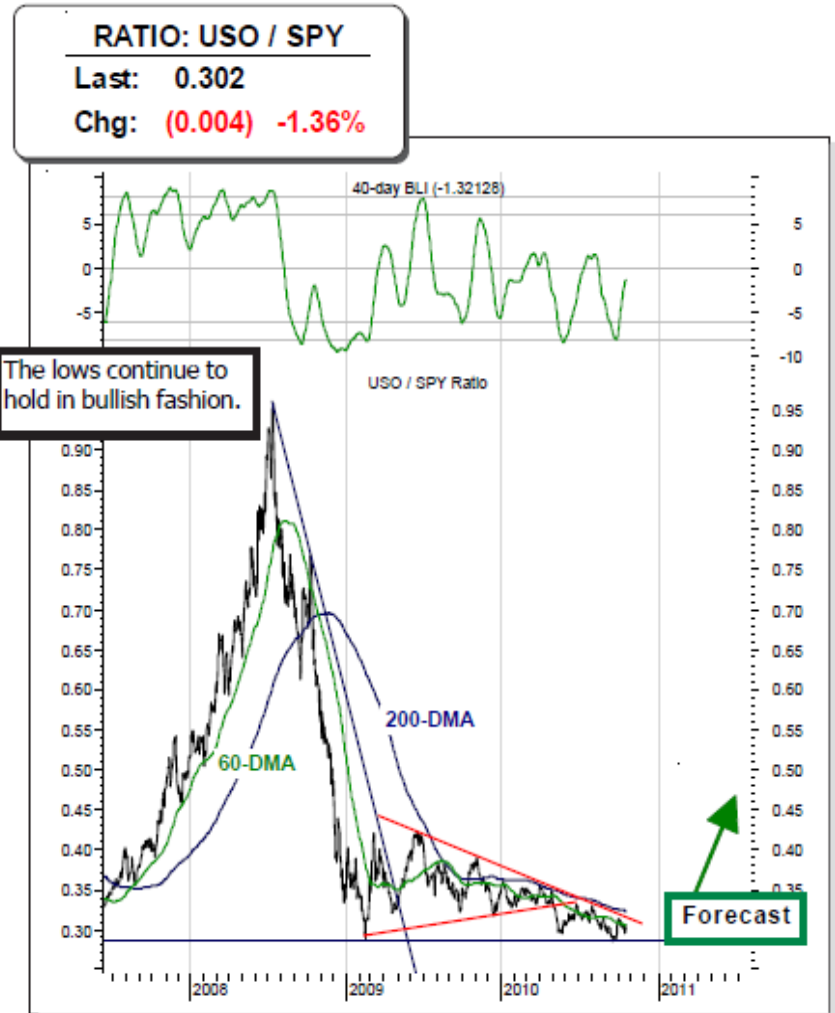
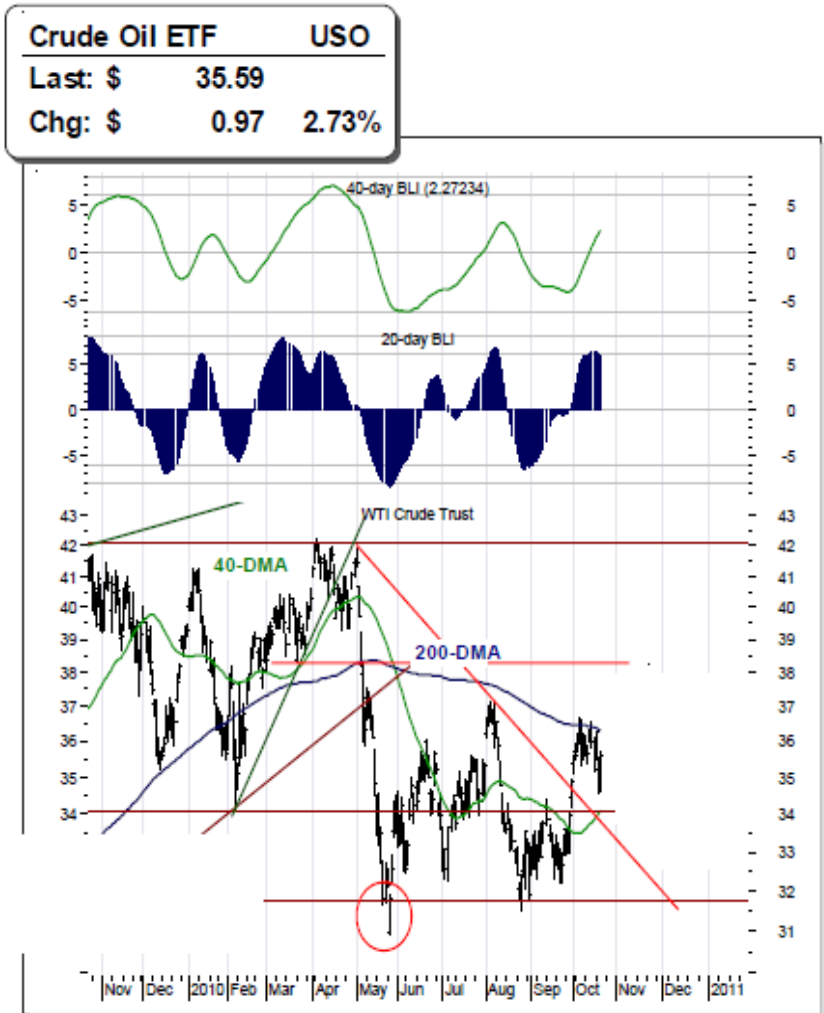


USO - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

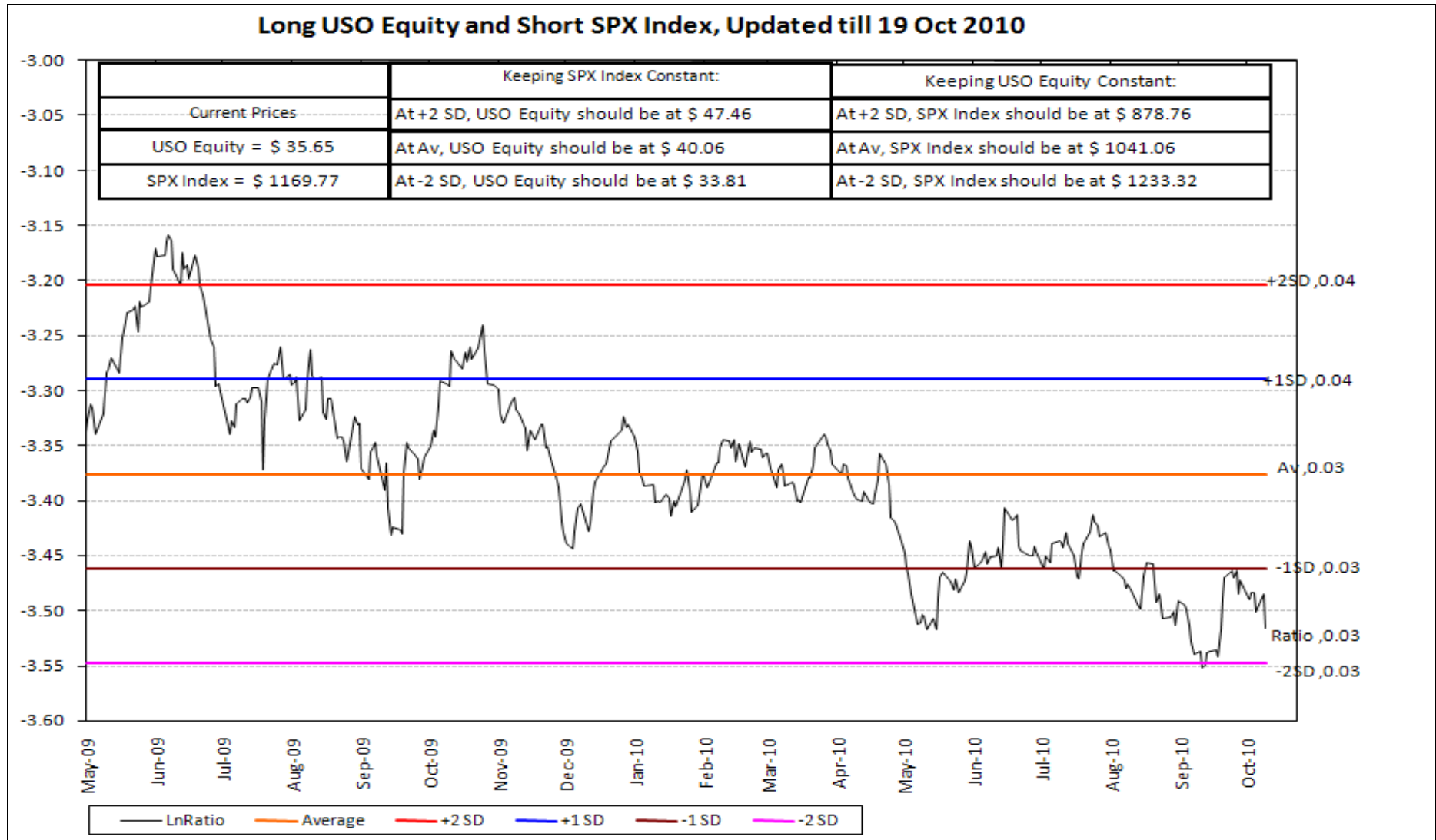


USO– Technical & Pattern Analysis (Process 3)

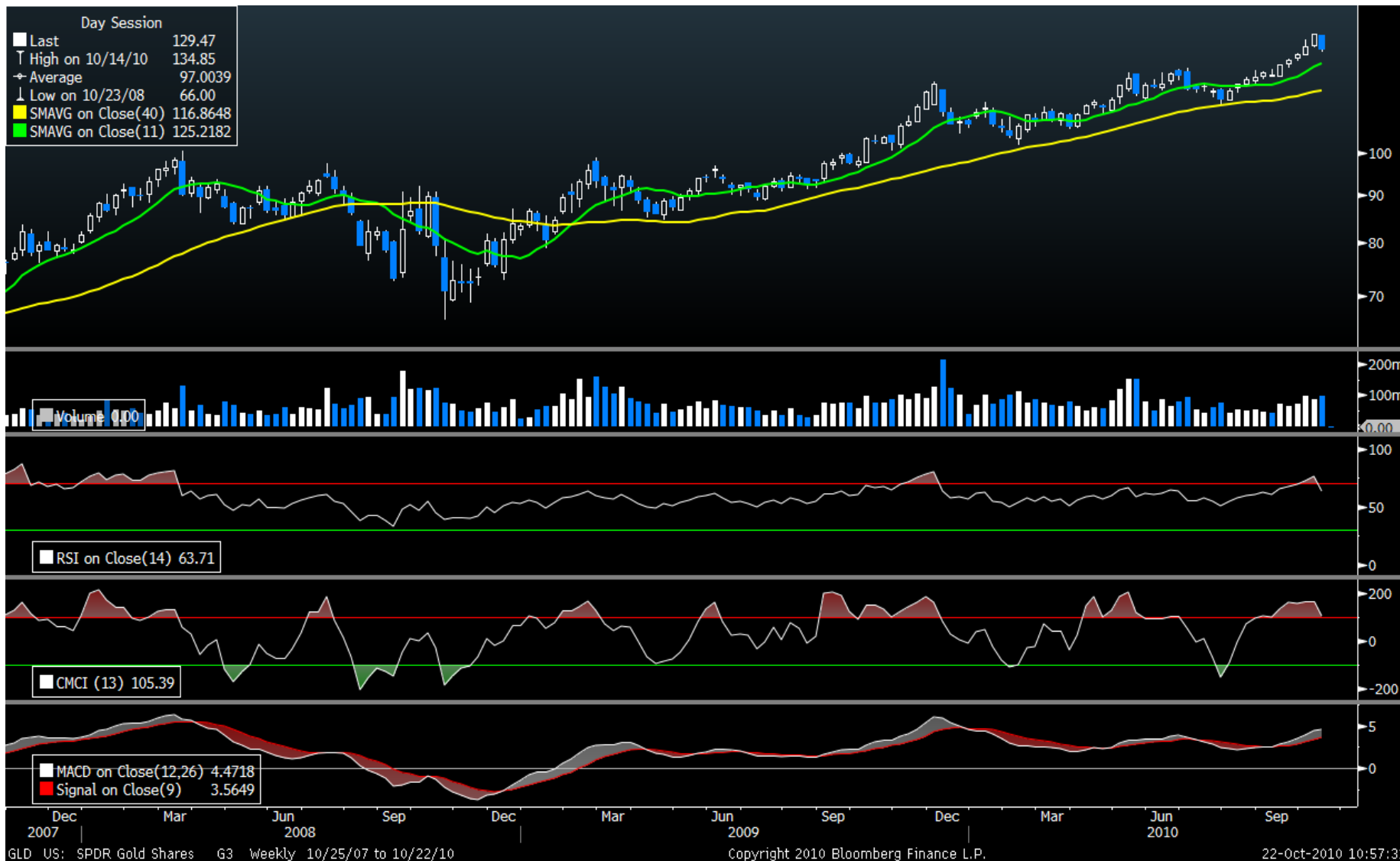
The USO / SPX ratio chart looks **BULLISH** and should trend higher in RH side chart below, confirms the relative rise in **USO / SPX (is undervalued)** by this matrix in Sync with SD Analysis.



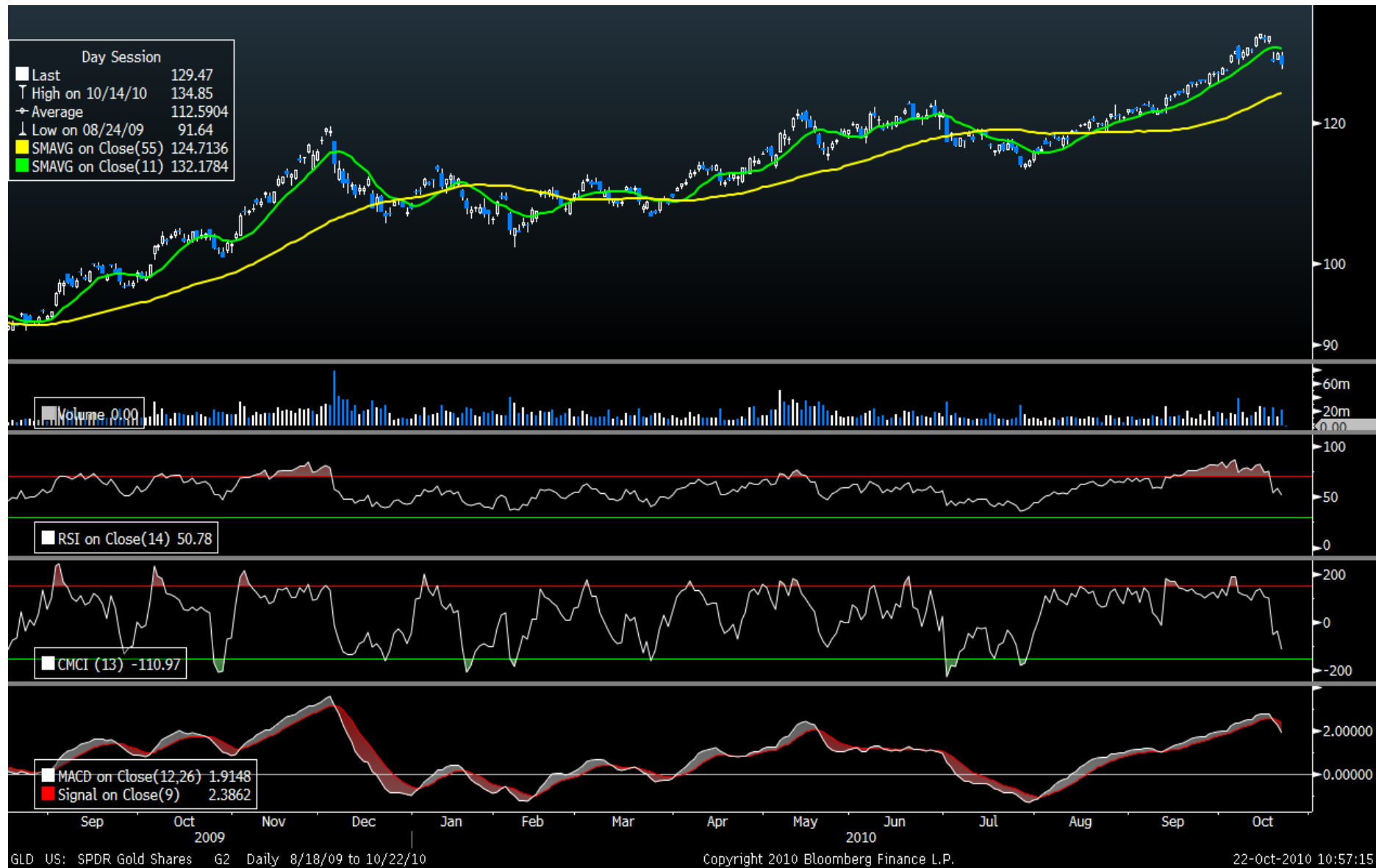
3- USO – Correlation Ratio Analysis with SPX – 365 days Time basis



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



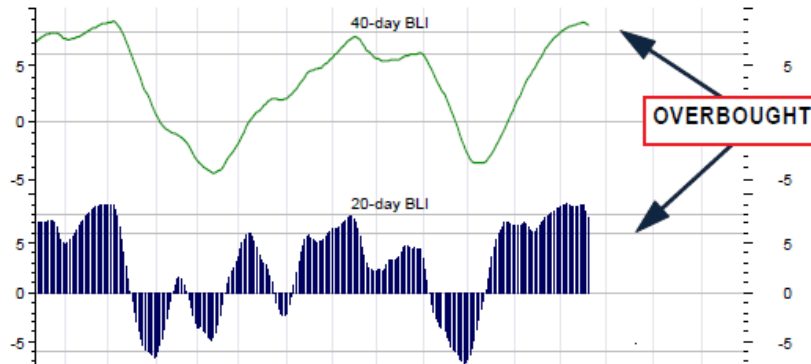
GLD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



GLD- Technical & Pattern Analysis

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 ETF		GLD	
Last: \$	131.32		
Chg: \$	1.21	0.92%	



The key reversal lower calls the rally higher into question.

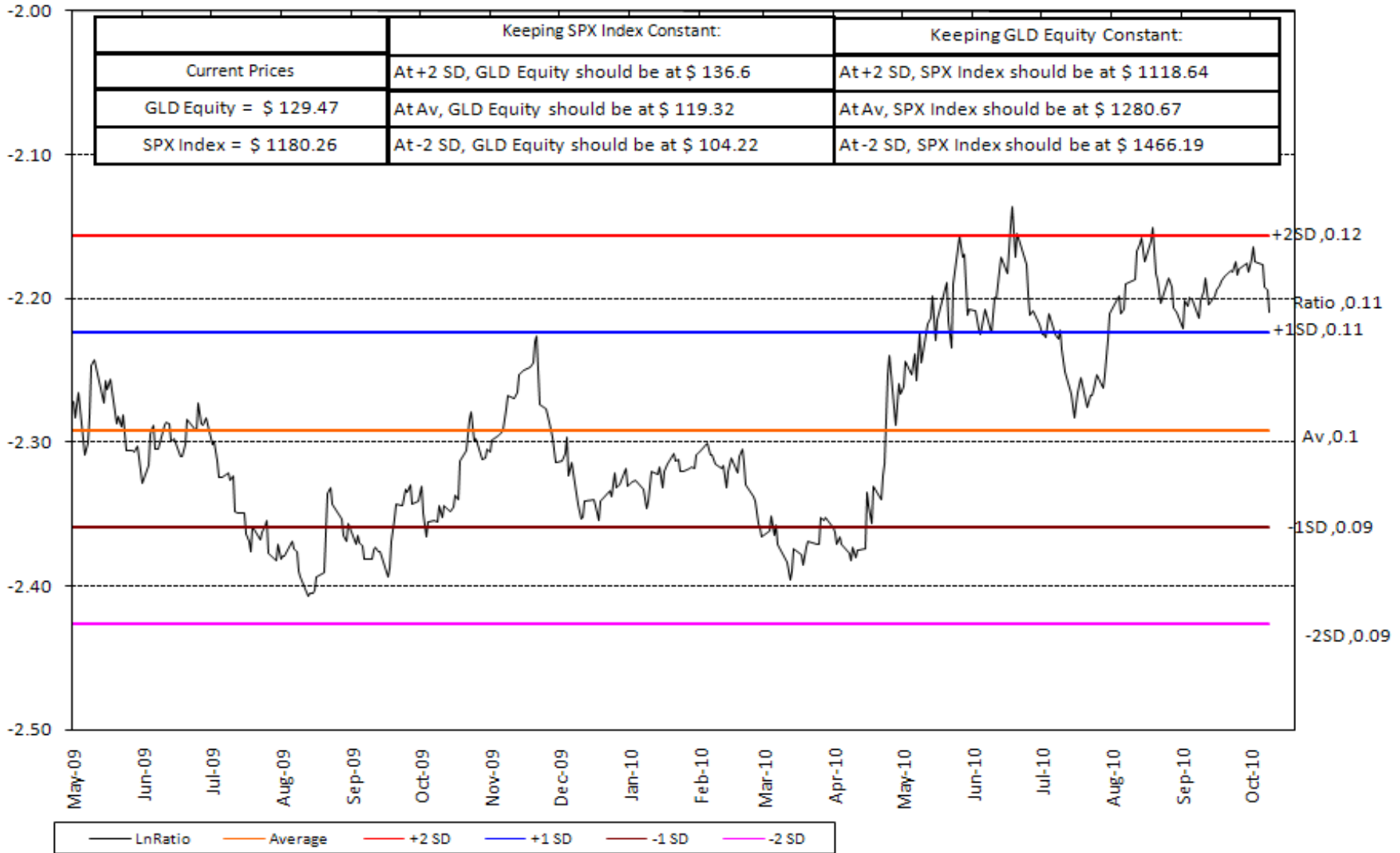


RATIO: GLD / SPY	
Last:	1.114
Chg:	(0.019) -1.68%



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

Long GLD Equity and Short SPX Index, Updated till 21 Oct 2010



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



Day Session

■ Last	23.33
↑ High on 10/14/10	24.06
→ Average	15.5725
↓ Low on 10/30/08	8.45
■ SMAVG on Close(40)	18.1360
■ SMAVG on Close(11)	20.4089

Volume 81.412m

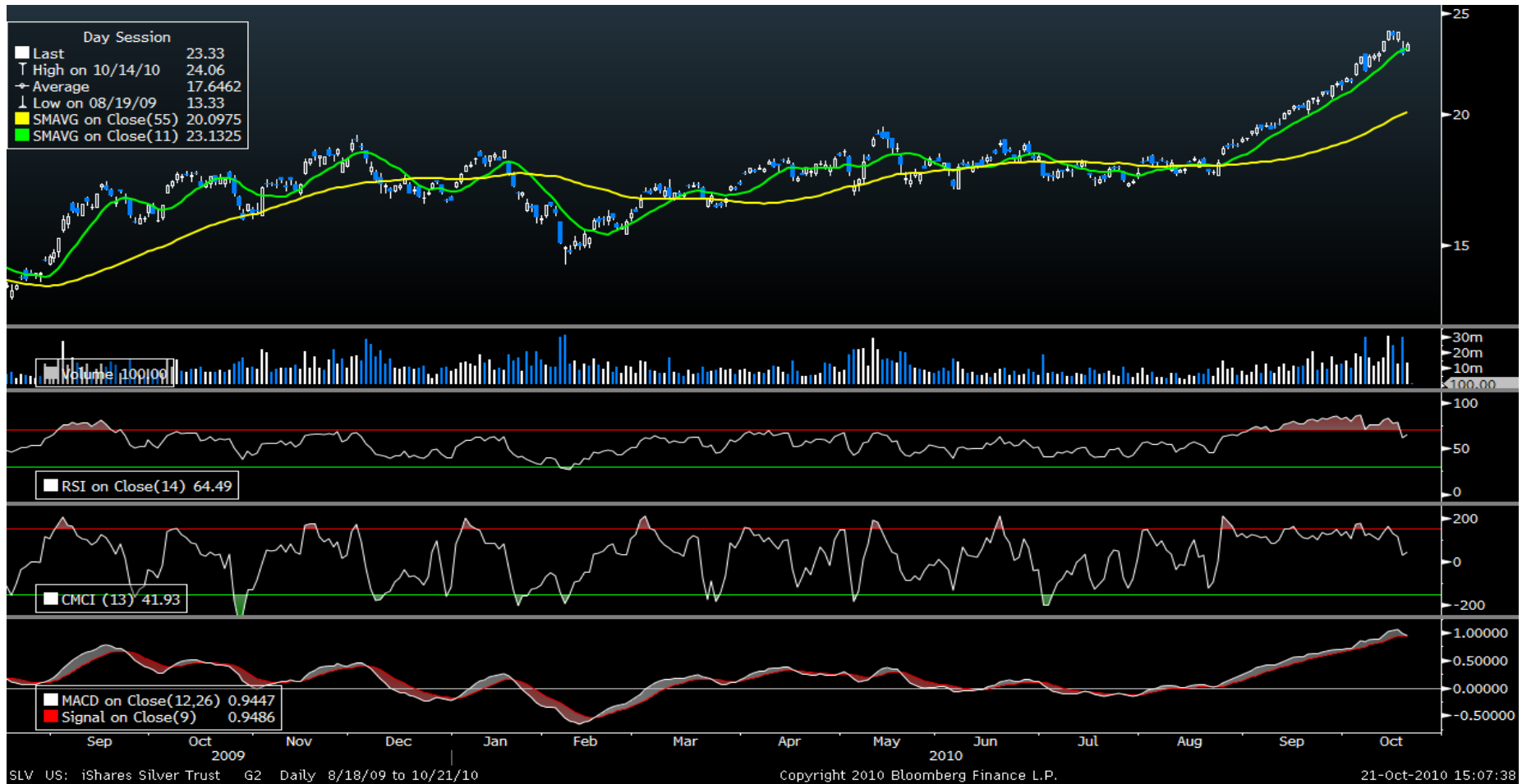
■ RSI on Close(14) 73.11

■ CCI (13) 132.45

■ MACD on Close(12,26)	1.4011
■ Signal on Close(9)	0.8735

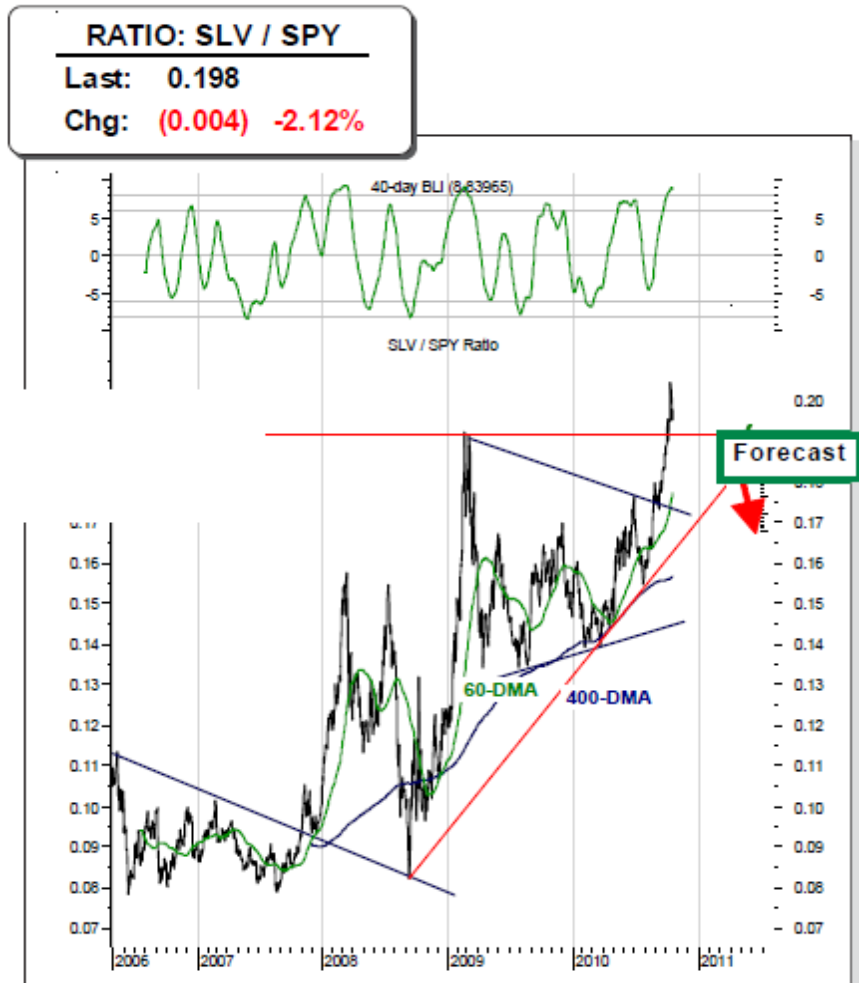
SLV - Daily - 3 Year with RSI, CCI, MACD

(11D / 55D)

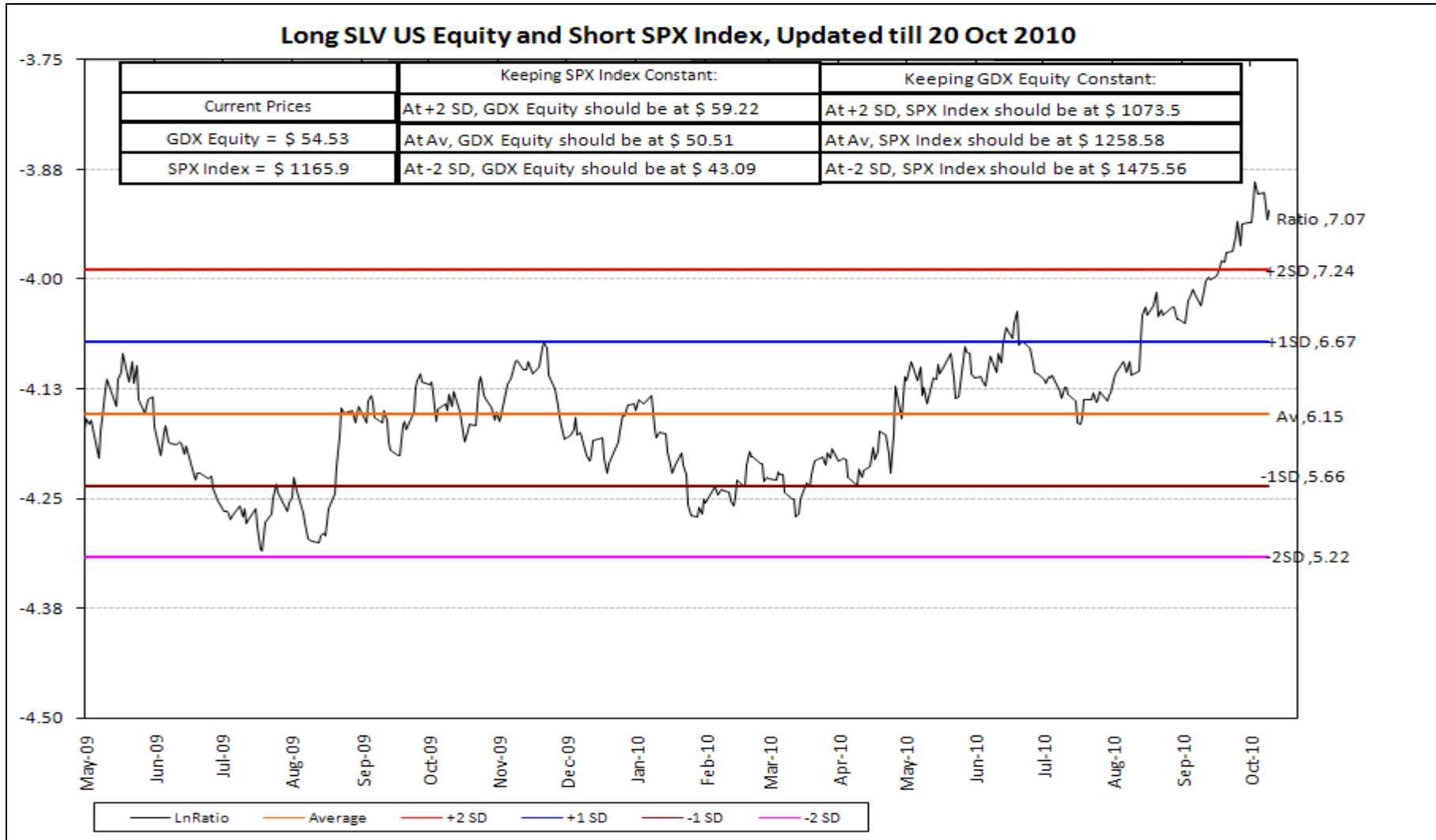


3 – SLV- Technical & Pattern Analysis

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.



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



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

(11 W / 40 W SMA)



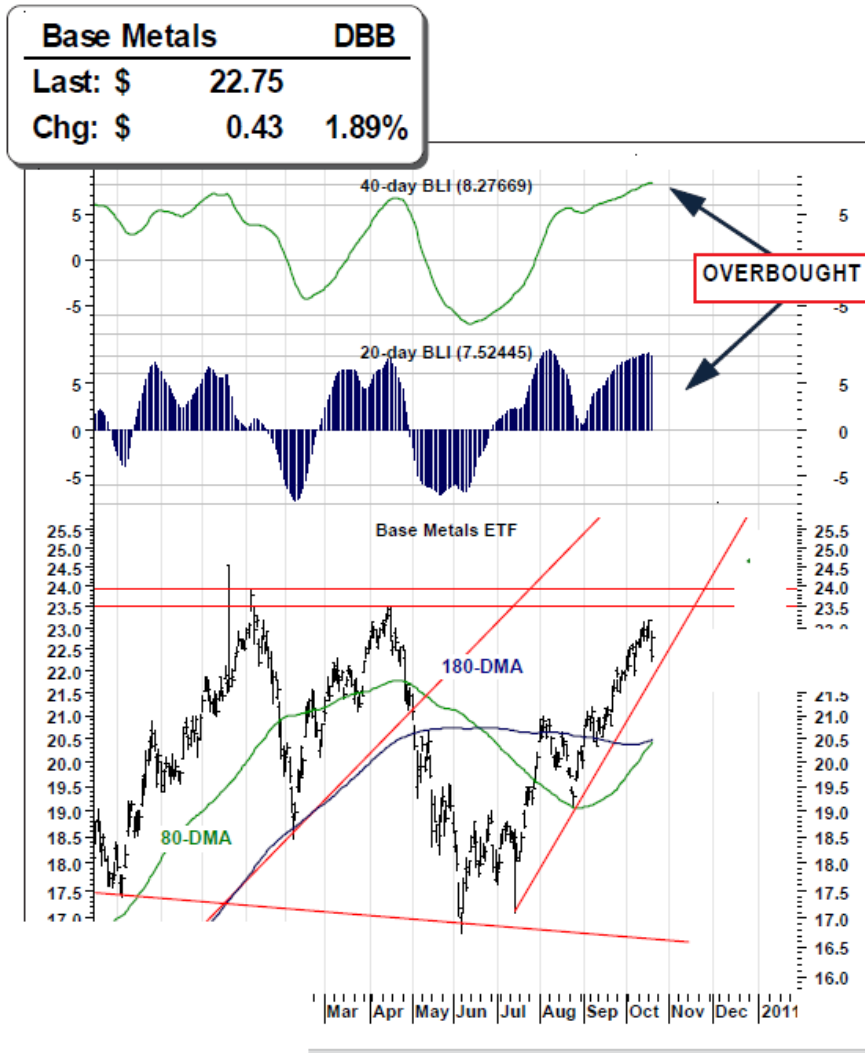
DBB - Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



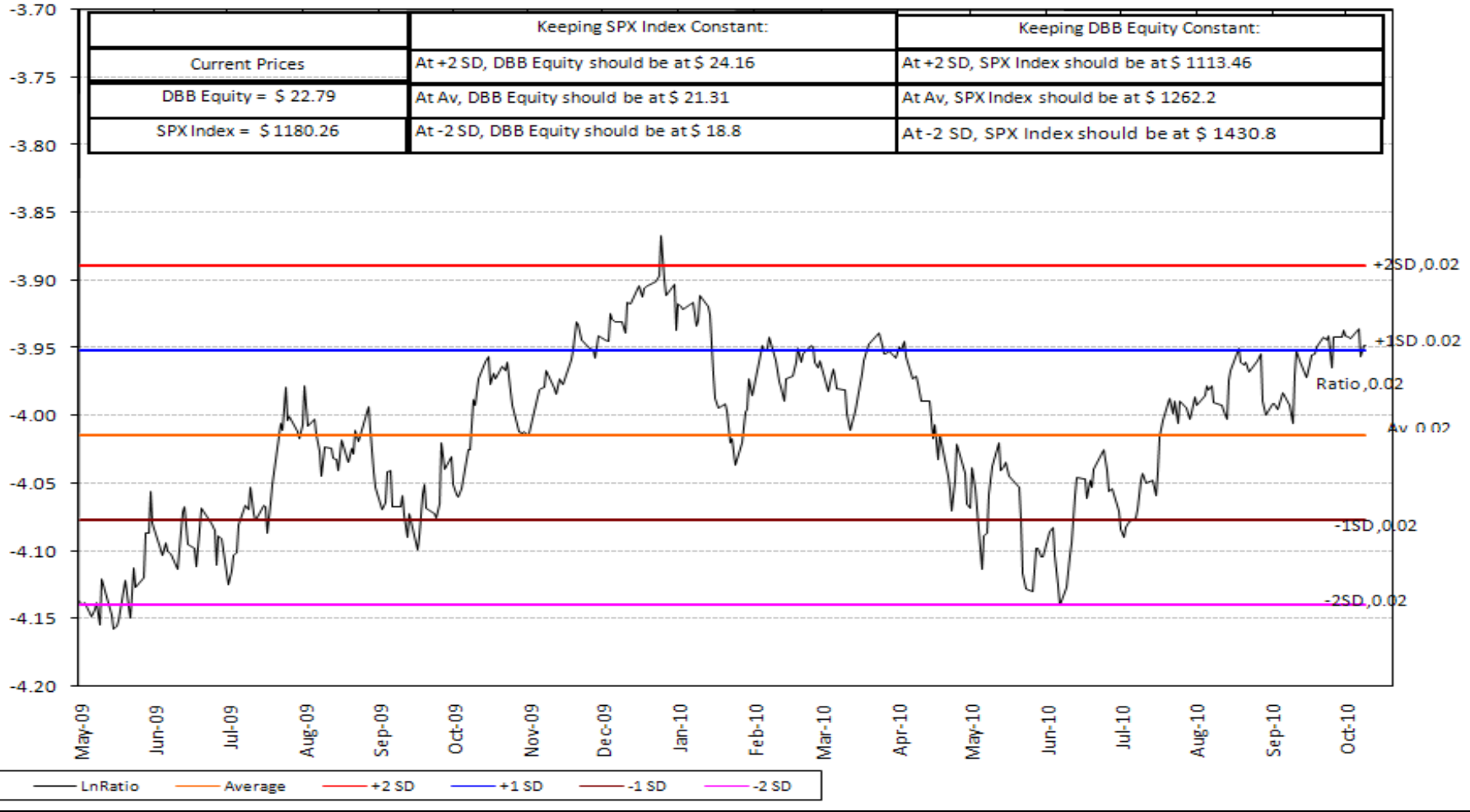
DBB- Technical & Pattern Analysis

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



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

Long DBB Equity and Short SPX Index, Updated till 21 Oct 2010



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