



SG Capital Research

Global Market Insights

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

**MAEG – WKLY SECTOR ETF ANALYSIS SG 2010 # SEPT 23**

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

*By: Suneil R Pavse*

*Contact: apavse@aol.com*

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

- TLT
- EEM
- EEA
  
- XLF
- XRT(RTH)
- XLV
- XLB
- SMH
- XLE
- XLK
- XLI
- XLU
- XLP
- XLY
- BTK(BBH)
- IYT

- **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*

**Step 1** - *Correlation Ratio Analysis with SPX to determine Standard Deviation (SD) @ extremes level to define “Overvaluation and Undervaluation”.*

**Step 2** - *Overlay this Correlation input data on Sector Relative strengths based on the last Signal changes off SPX –POM as Pivot point to measure Maximum and Minimum strength*

**Step 3** - *. Validate those ideas via technical Patterns of absolute Charts & SPX Ratio charts for Bullish and Bearish setups Patterns on Price & critical SMA's*

- 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 +5.2% during our signal*
- *On 3<sup>rd</sup> Sept, Our Indicators conformed POM 14 – 3<sup>rd</sup> Re Run @ SPX 1104,( currently SPX at 1134 & 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 at 1130. However POM 15 at SPX 1200 on 22<sup>nd</sup> April for which is still in effect.*

- **Trading & Investment Conclusions**



POM 14 at SPX 1104 and extension to 1134 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

**PROCESS 1,2,3 SCAN & Validates BEST IDEAS:**

Overvalued – XRT, EEM, XLY, XLI

Undervalued – XLE

Non Conformance – XLV, BBH ( See the Ratio charts below for justification)

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

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

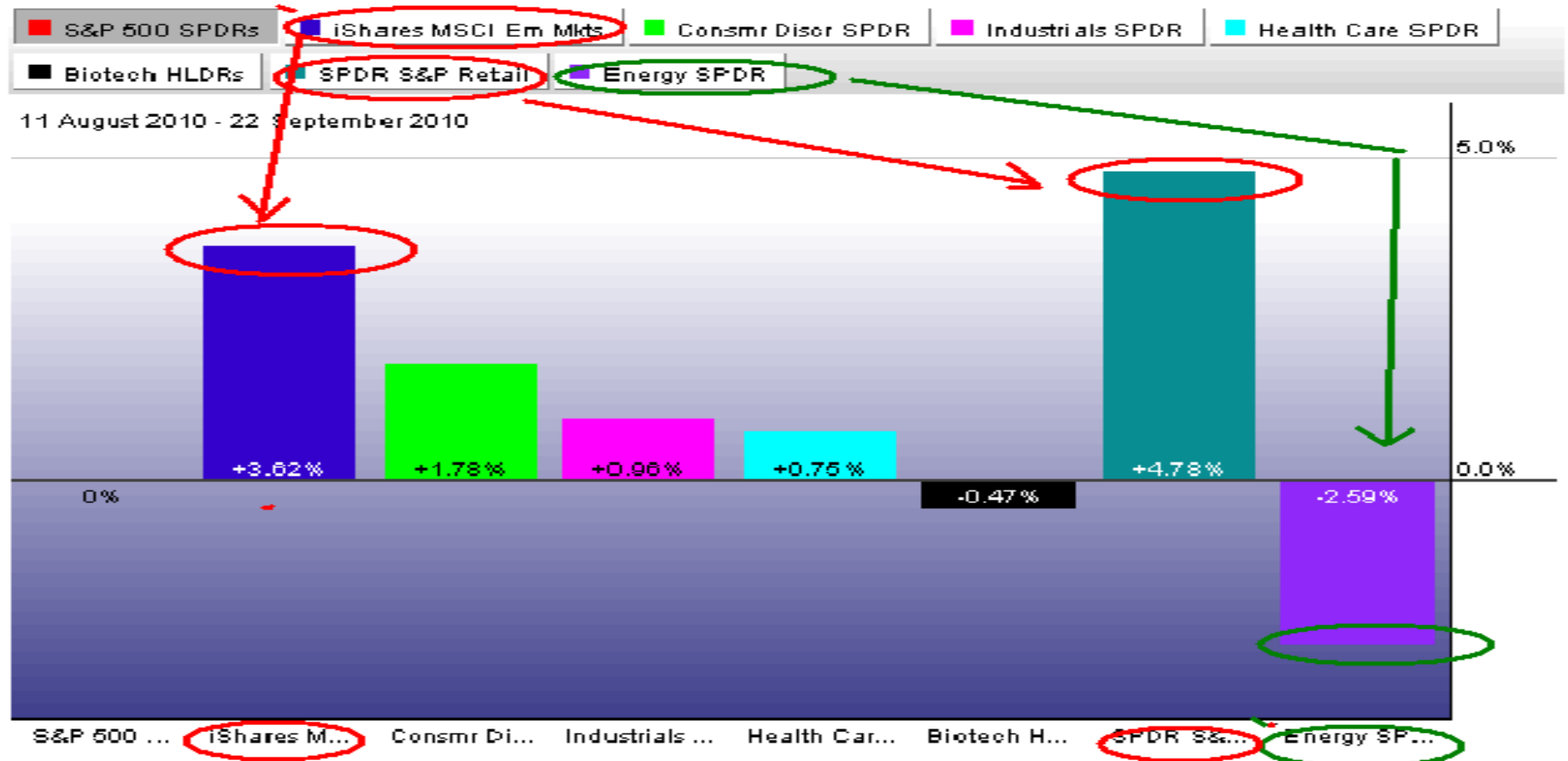
<u>Sector</u>	<u>Indicator</u>	<u>Distance in SD</u>	<u>Net Exposure</u>	<u>Total No. of stocks</u>
<b>Gr 1</b>				
EEM	above +1SD	1.97		
<b>Gr 2</b>				
XLE	below -1SD	-1.98	-100%	3
XLY	above +1SD	1.94	-67%	6
XLI	above +1SD	1.95	-54%	13
XLV	below -1SD	-1.94	-56%	9
IYT	above +1SD	1.94		
BTK	above +1SD	1.81		
XRT	above +1SD	1.91		
		<b>Primary Index Net Exposure</b>	<b>-35%</b>	

- From (16) Sector list , (7) highlighted in Yellow ( above) qualified for further review. These (7) Sectors are on track 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 ) selected **EEM,XLY,XLI,XLV,IYT,BTK(BBH),XRT(RTH)**  
& (-1/-2 ) SD's are undervalued (on Buy side v/s SPX) selected **XLE**

<u>Ticker ( Deleted from Previous week )</u>	<u>Comments</u>
None	None

## Review Process (2) - Select Sector or Best & Worst “ On last Trend basis”

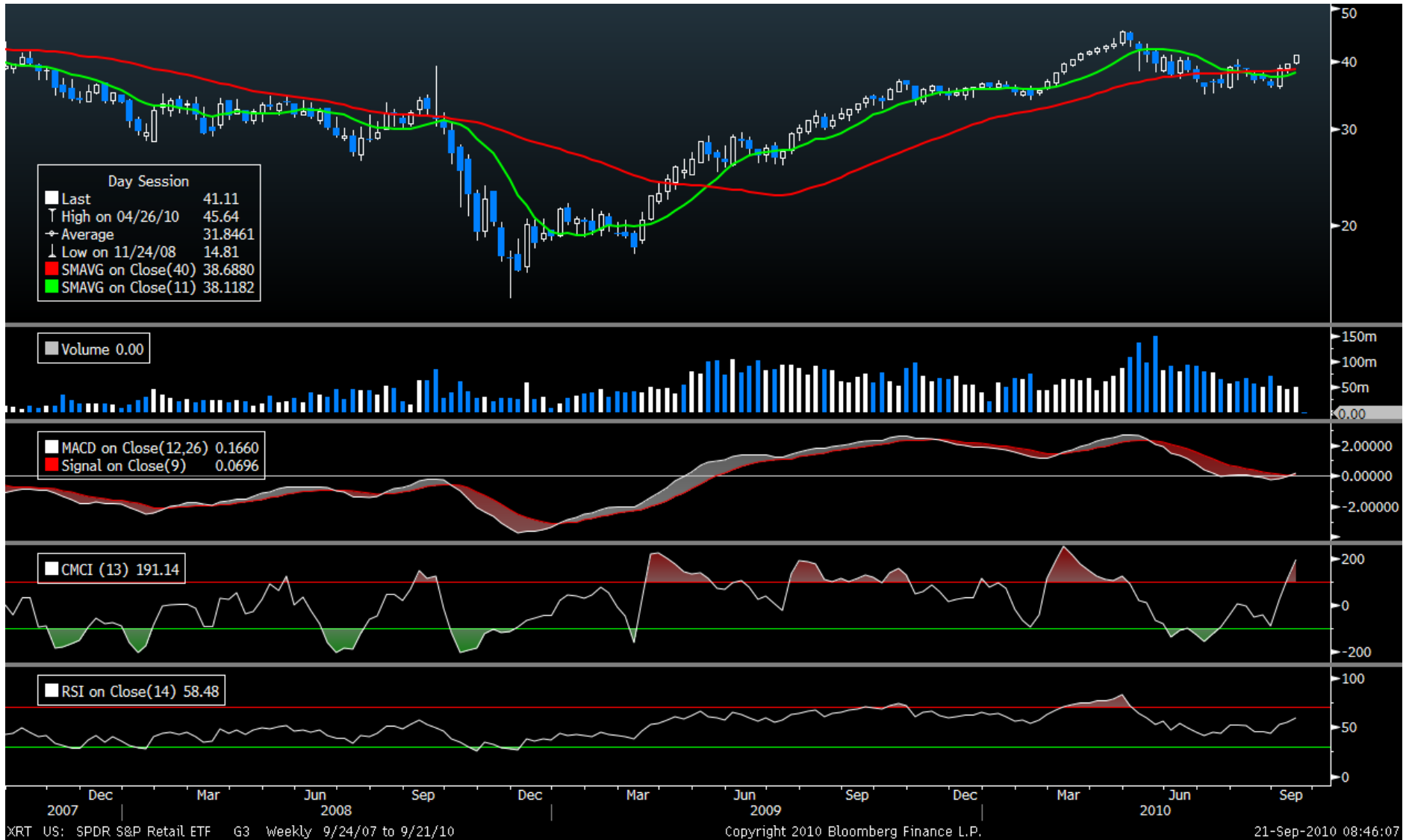
- **Sector comparisons – From previous SPX high 1125 to current high 1130**



### Conclusion

- **XLE** indicated in green is **most undervalued out of 7** in latest SPX rise & Fall
- **EEM / XRT** indicated in red are **2 most overvalued out of 7** in latest SPX rise & fall

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

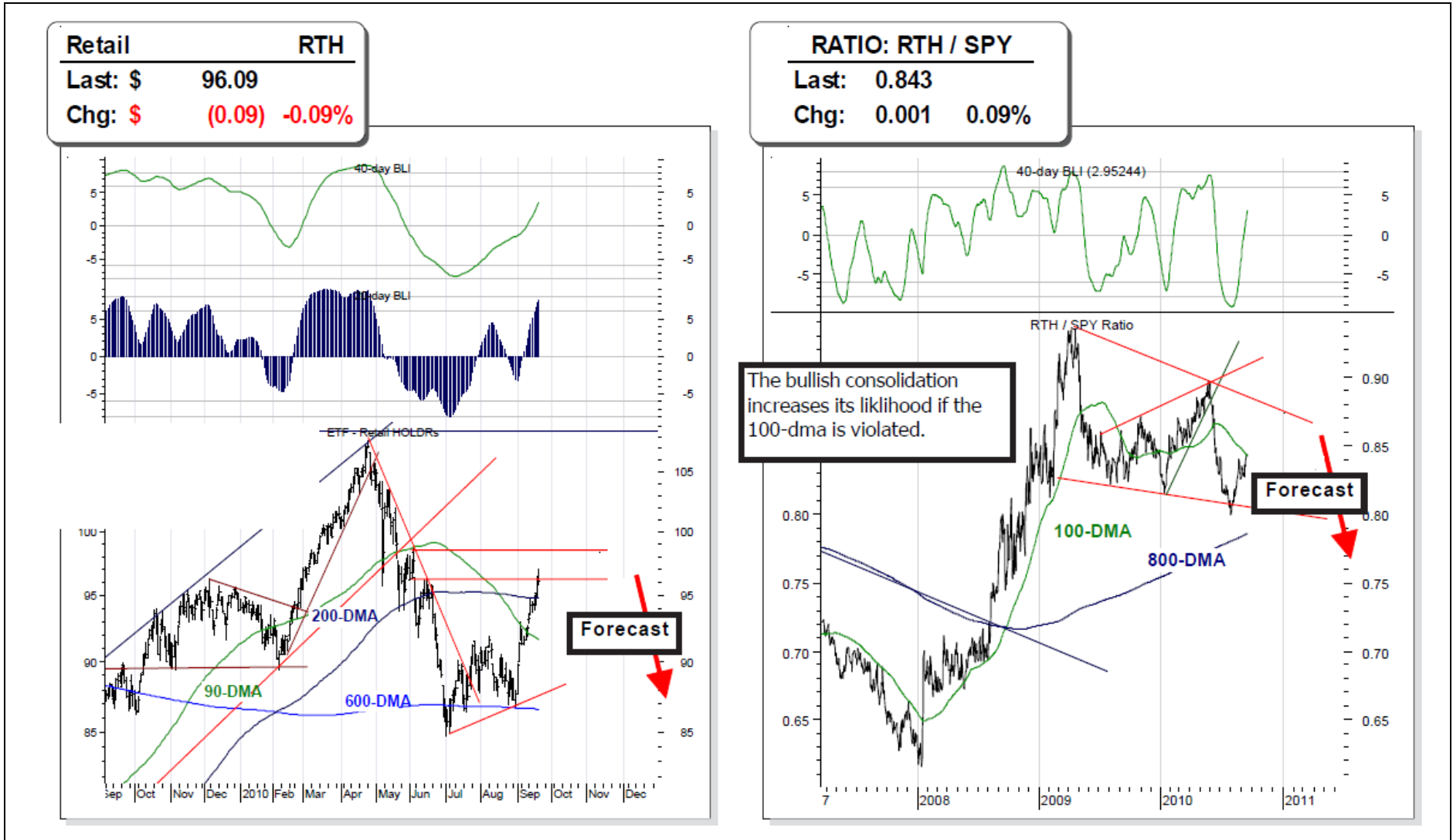


## 2 - XRT - Daily - 3 Year with RSI, CCI, MACD (11D / 55D)



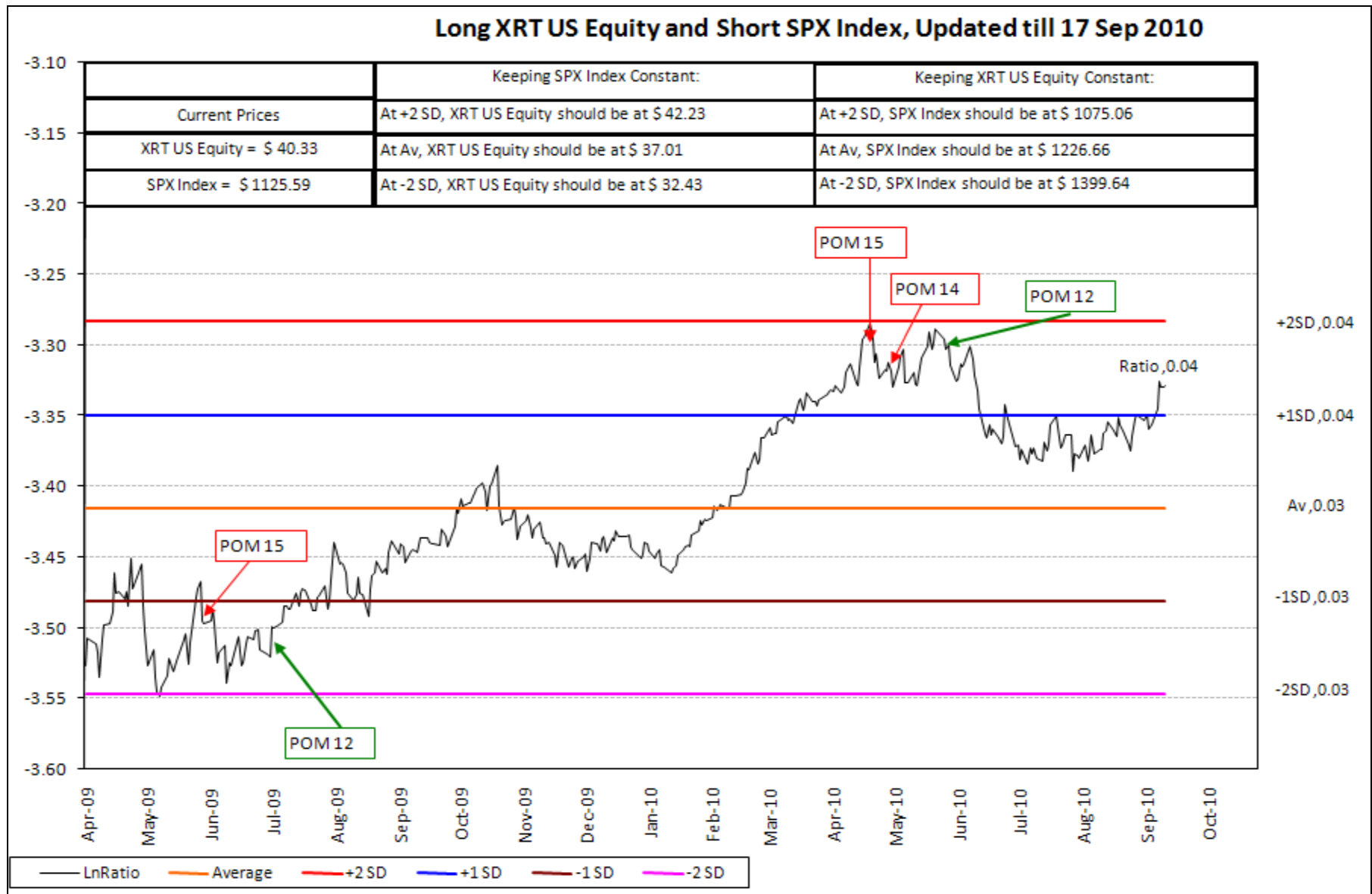
## 2 - XRT (RTH) - Technical & Pattern Analysis ( Process 3 )

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

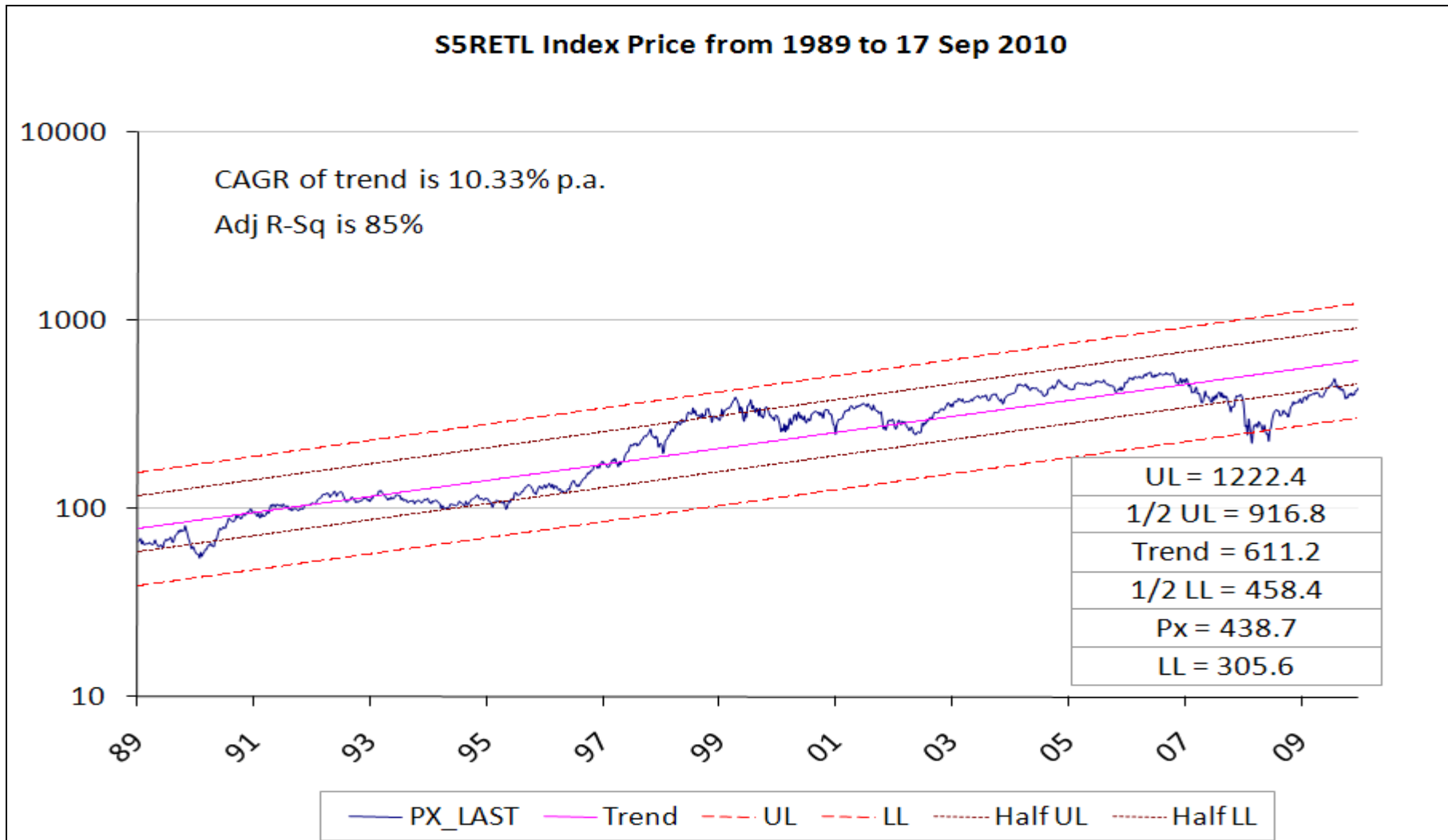




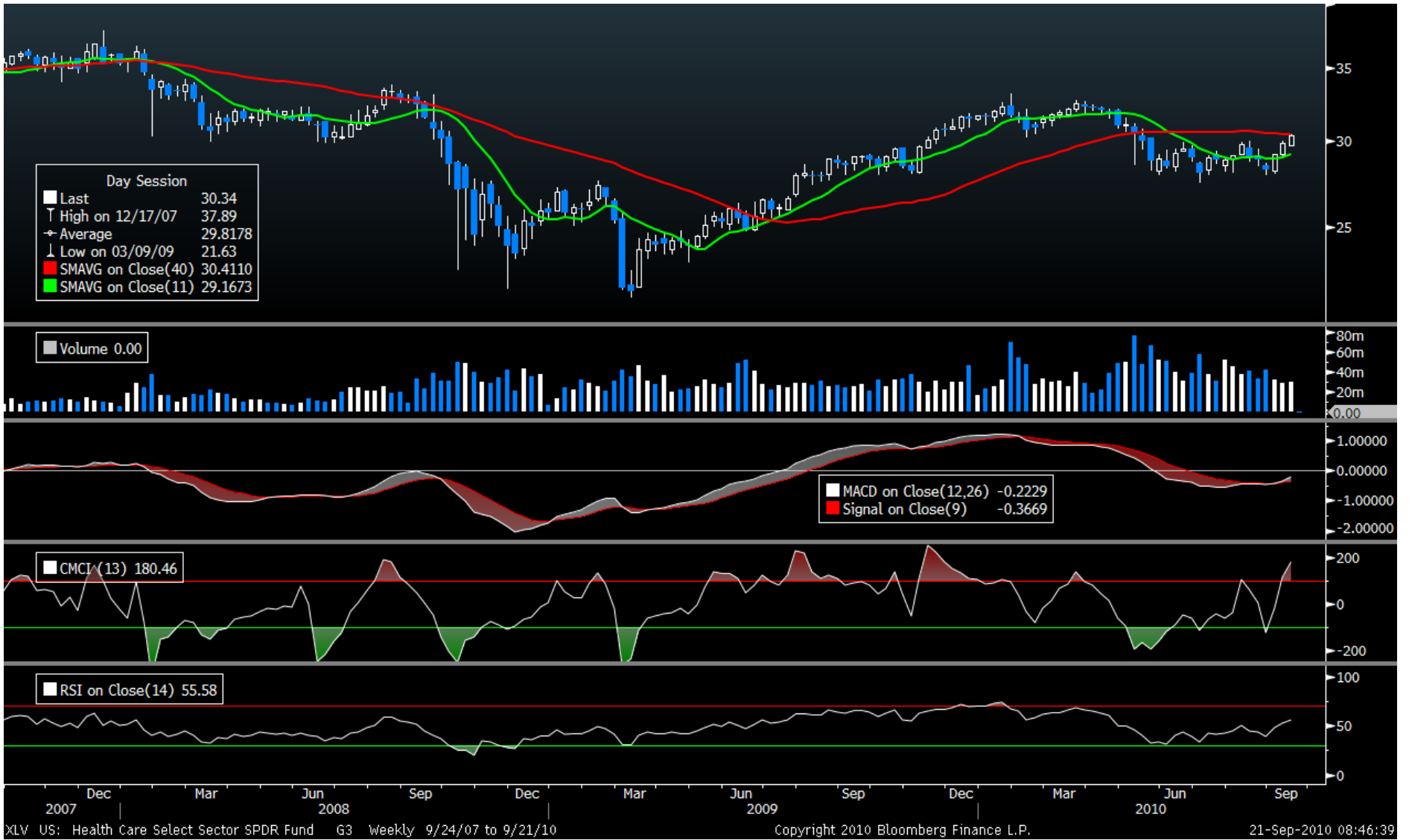
#### 4- XRT – Correlation Ratio Analysis with SPX – 365 days Time basis



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



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

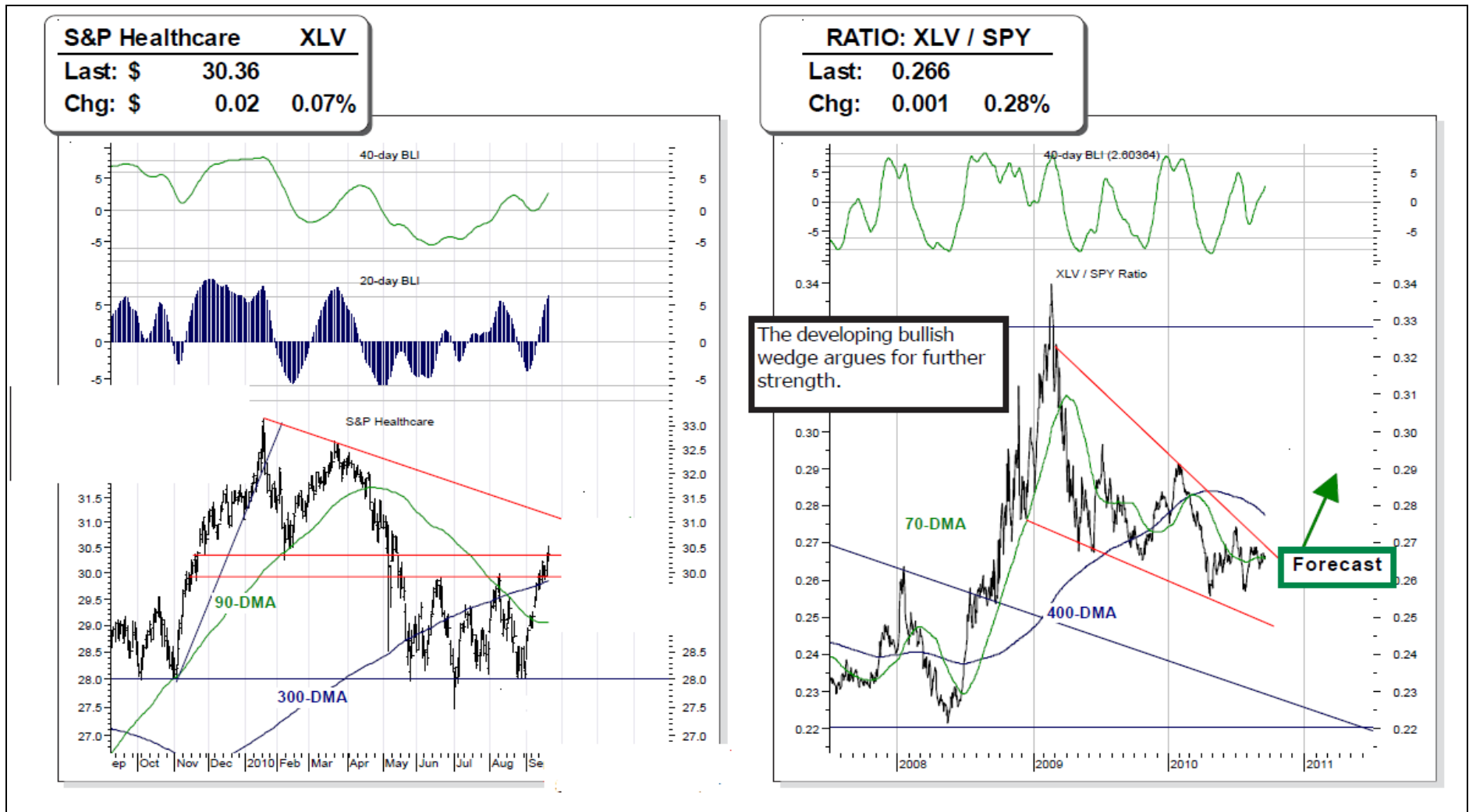


# XLV - Daily - 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

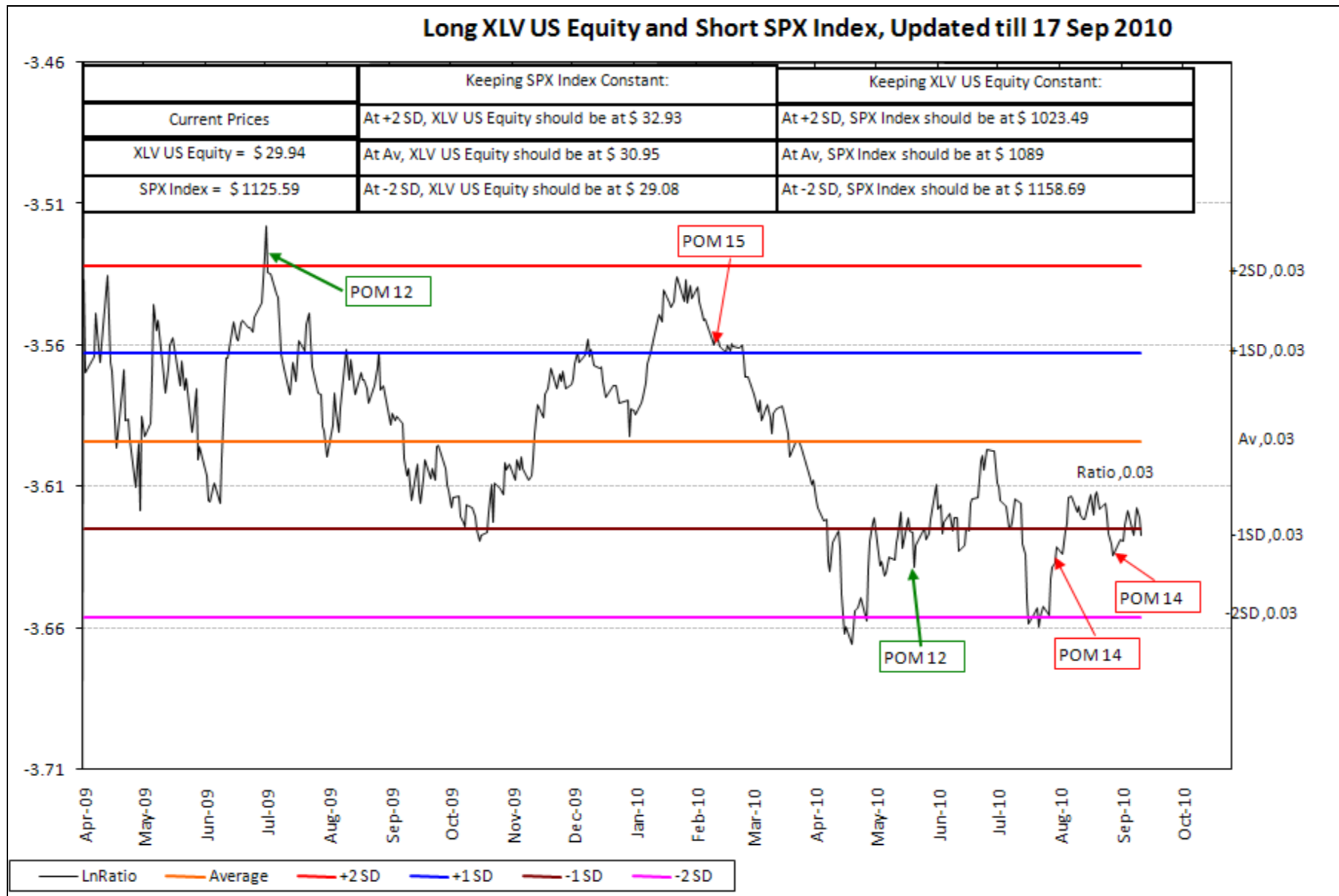


## 2 - XLV - Technical & Pattern Analysis ( Process 3 )

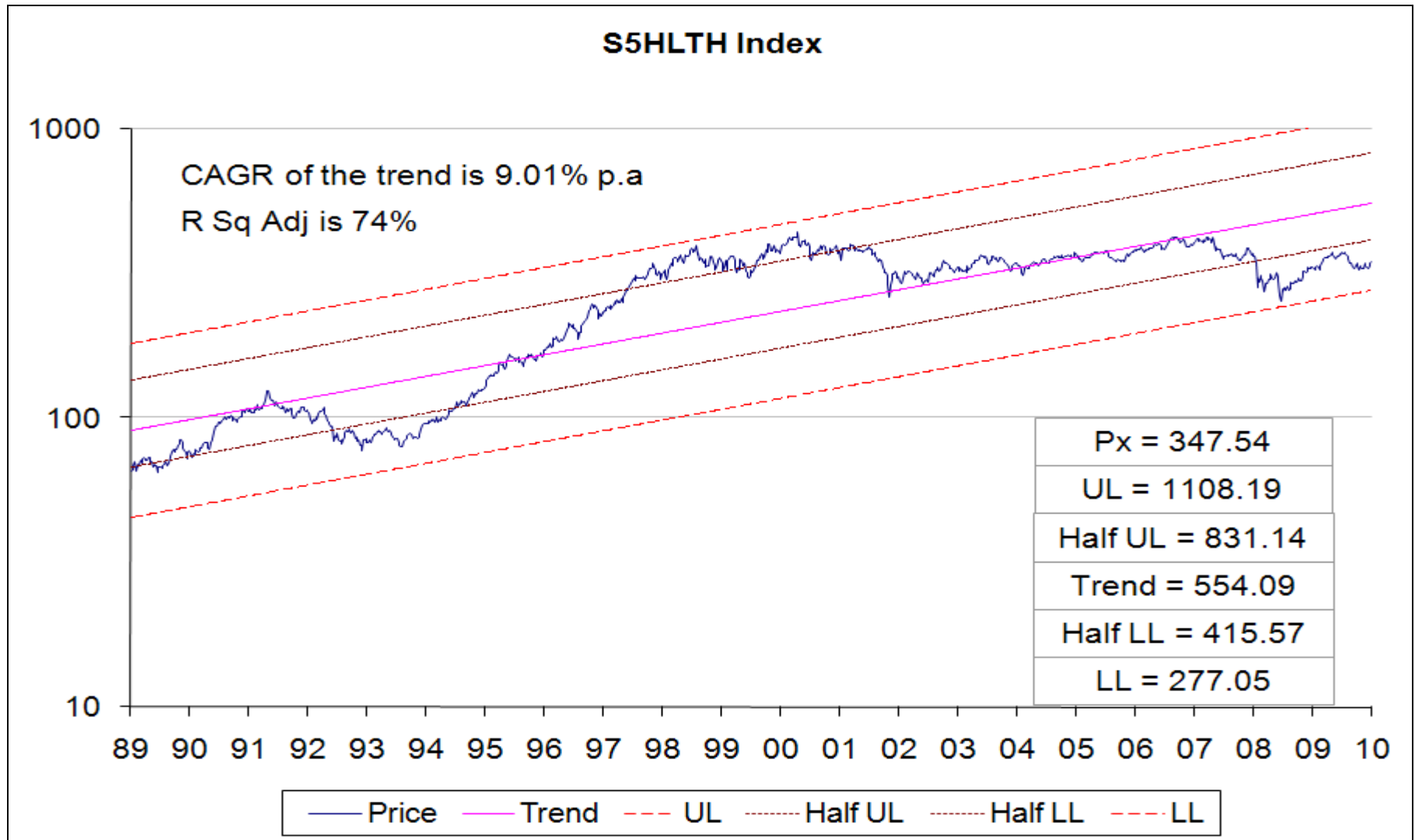
. The XLV / SPX ratio chart looks bullish and should trend up in RH side chart below, confirms the relative rise in XLV / SPX ( hence undervalued) by this matrix. Out of sync with SD Analysis ( non conformance)



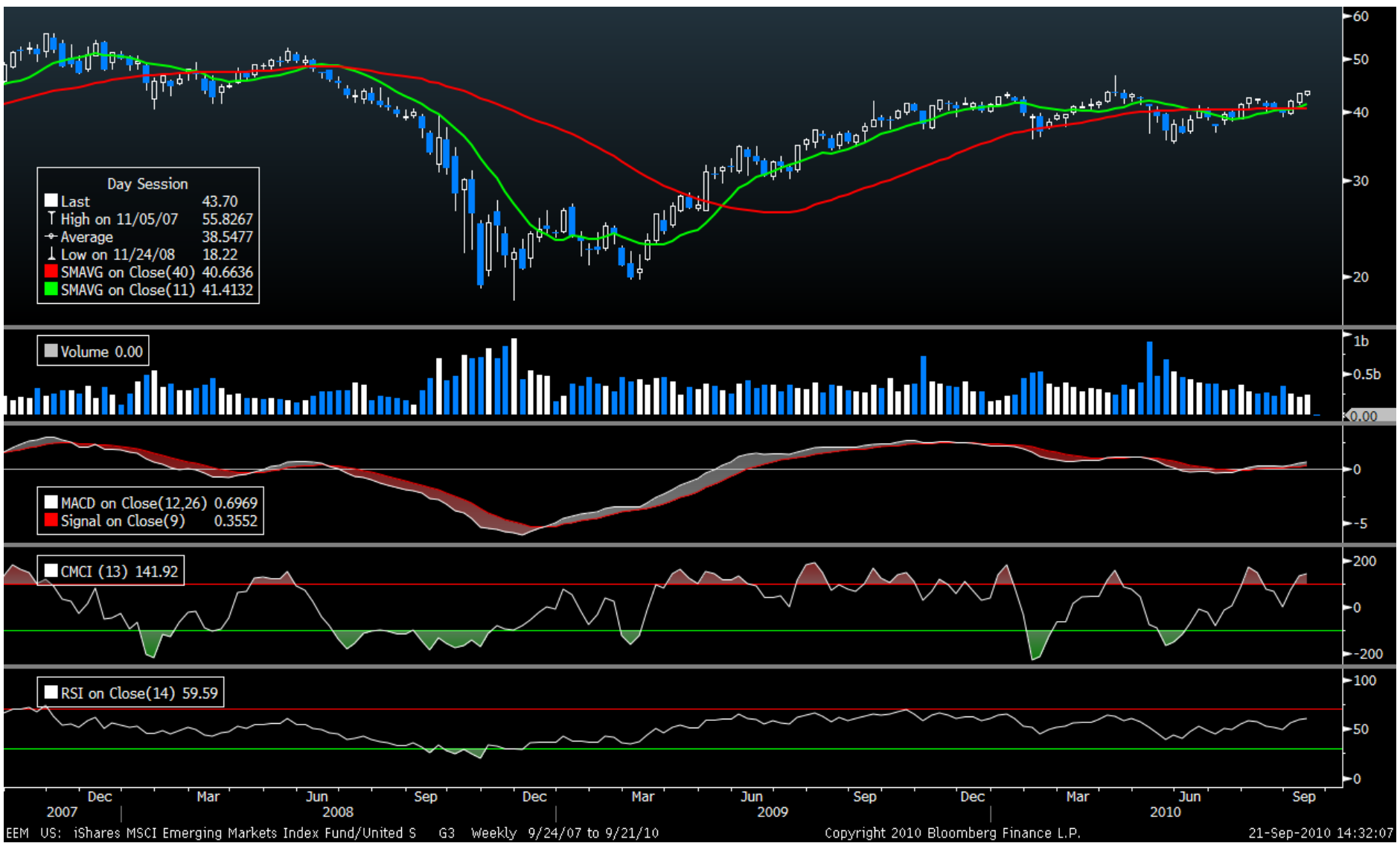
### 3- XLV – Correlation Ratio Analysis with SPX – 365 days Time basis



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

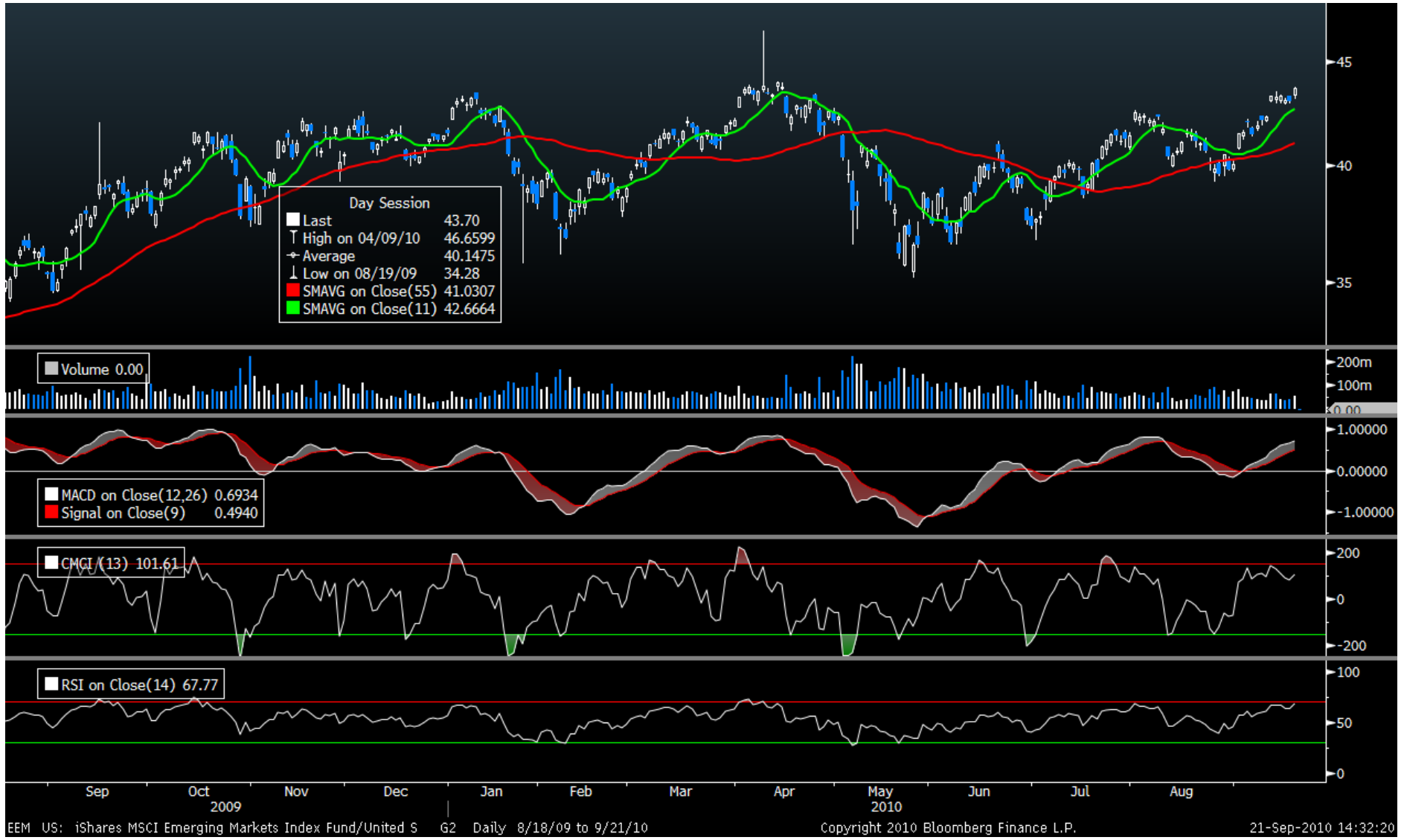


# 1- EEM - Weekly- 3 Year with **11 W / 40 W SMA** with RSI, CCI, MACD



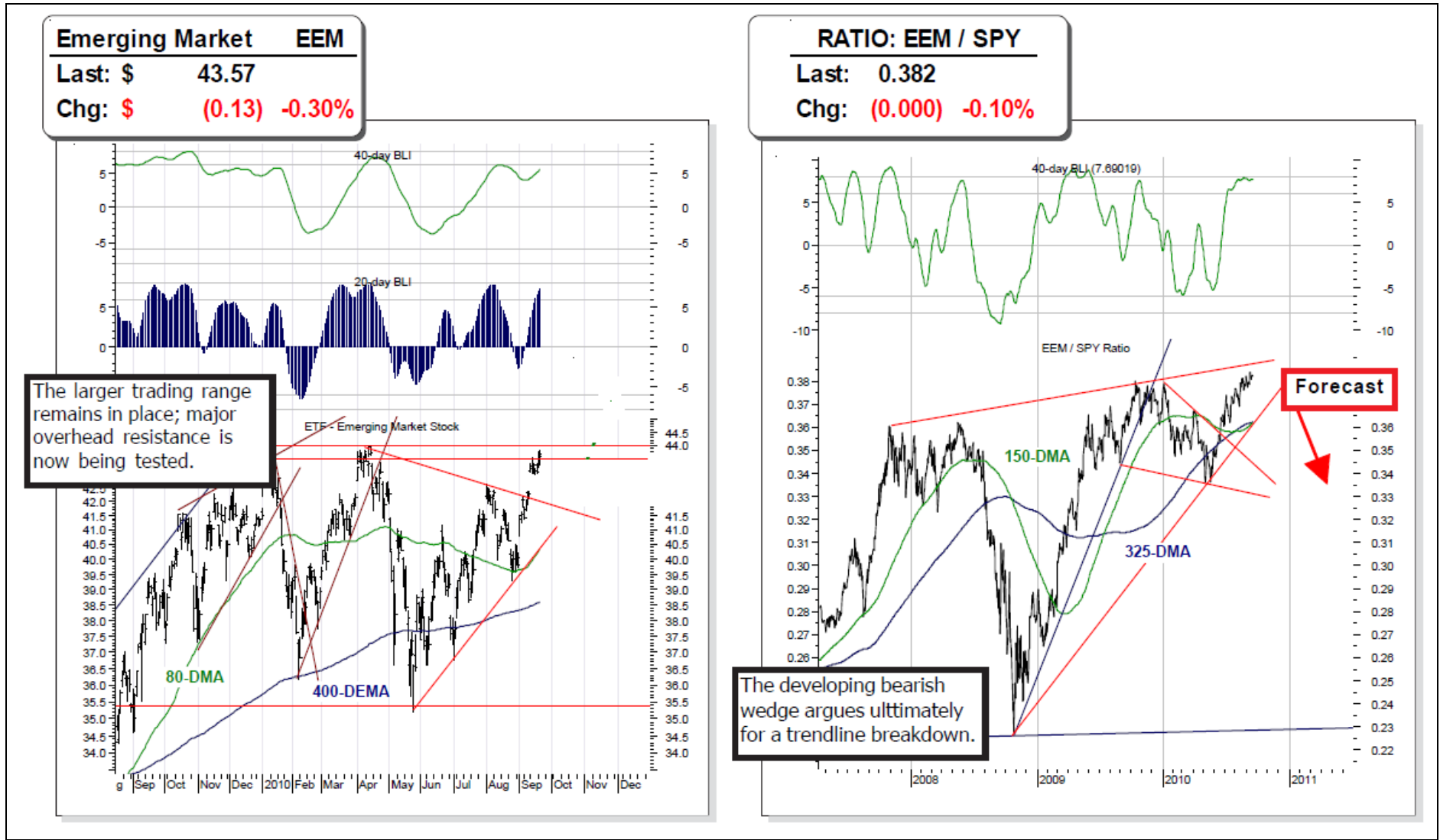


# 1- EEM - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD



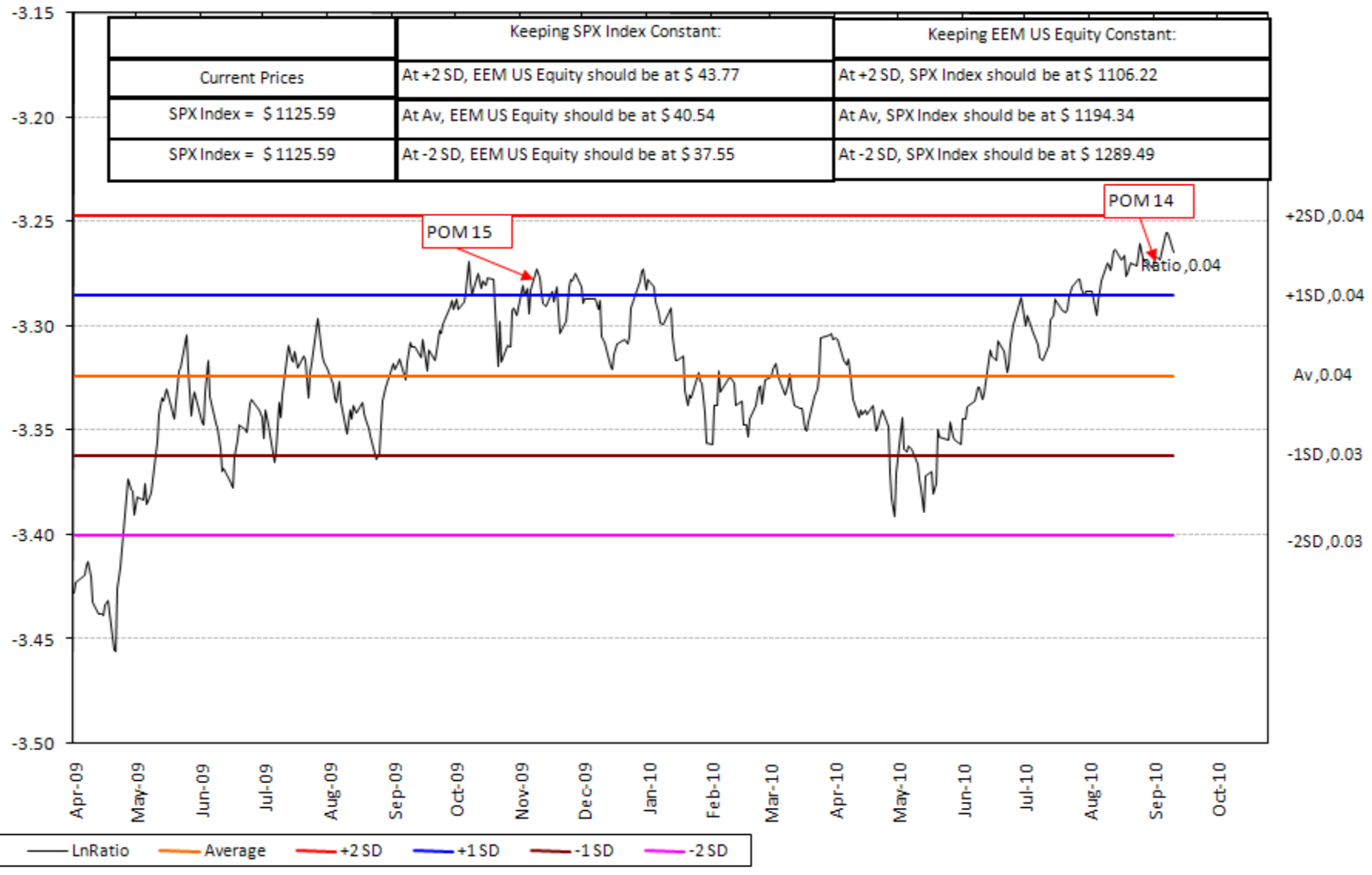
## - EEM - Technical & Pattern Analysis ( Process 3 )

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.

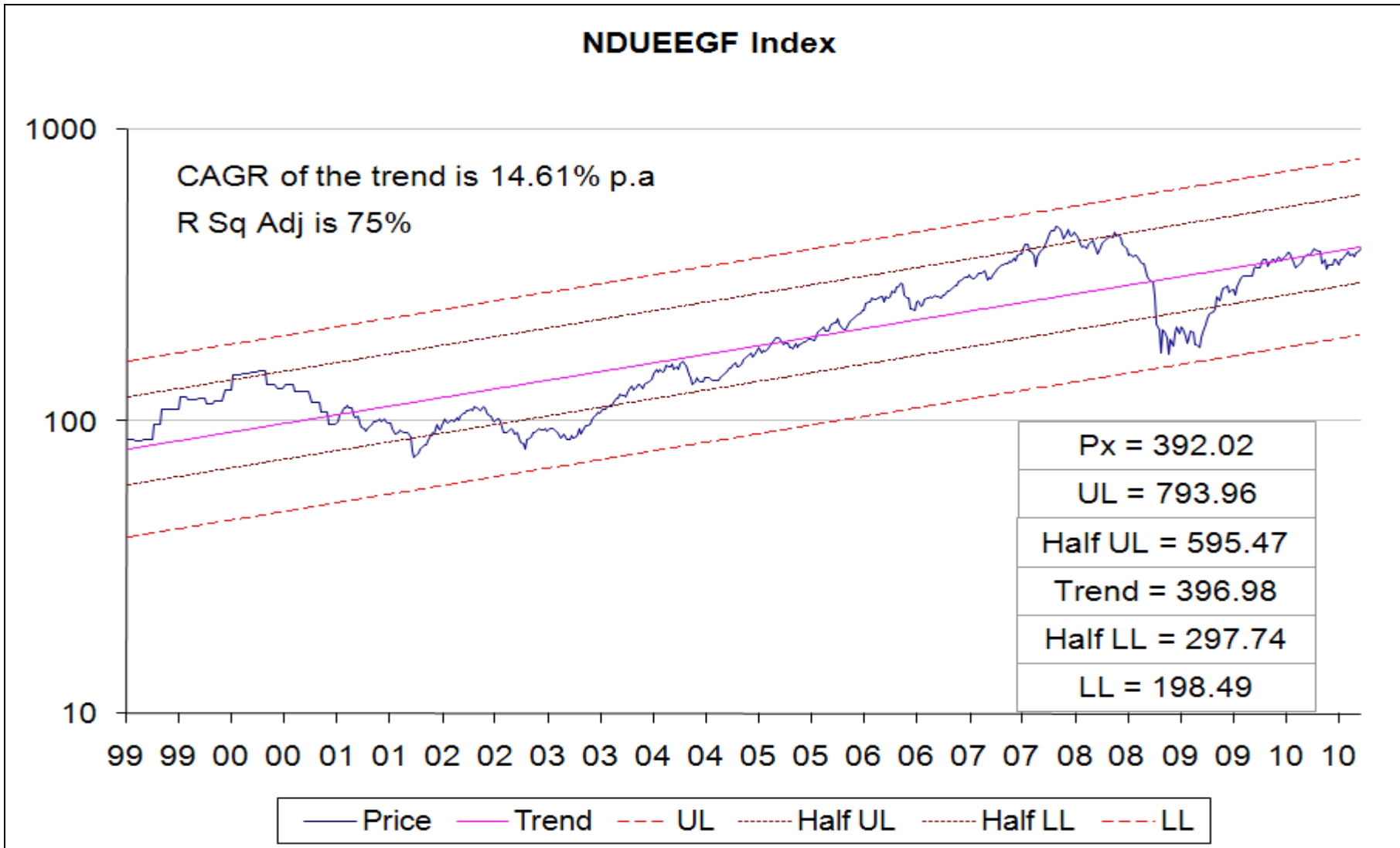


## 2- EEM – Correlation Ratio Analysis with SPX – 365 days Time basis

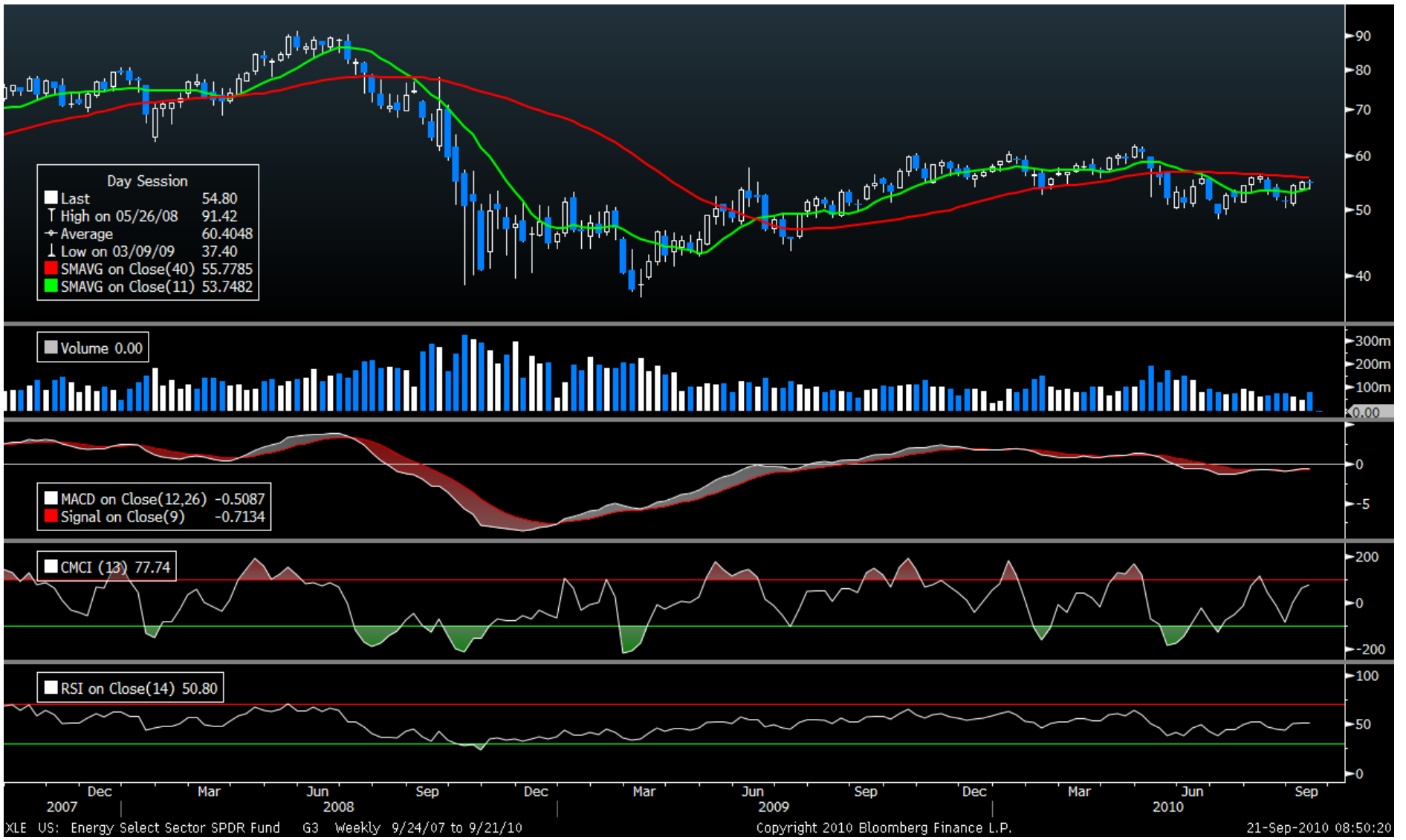
Long EEM US Equity and Short SPX Index, Updated till 17 Sep 2010



### 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



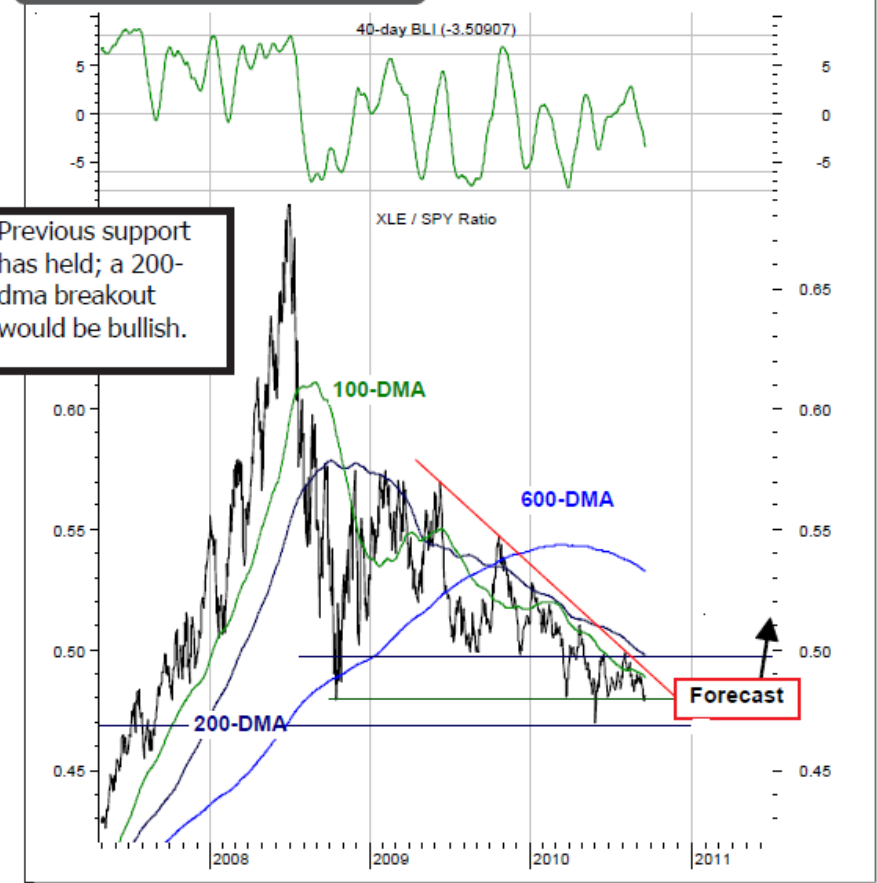
## - XLE – Technical & Pattern Analysis - ( Process 3 )

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.

S&P Energy	XLE	
Last: \$	54.84	
Chg: \$	0.04	0.07%



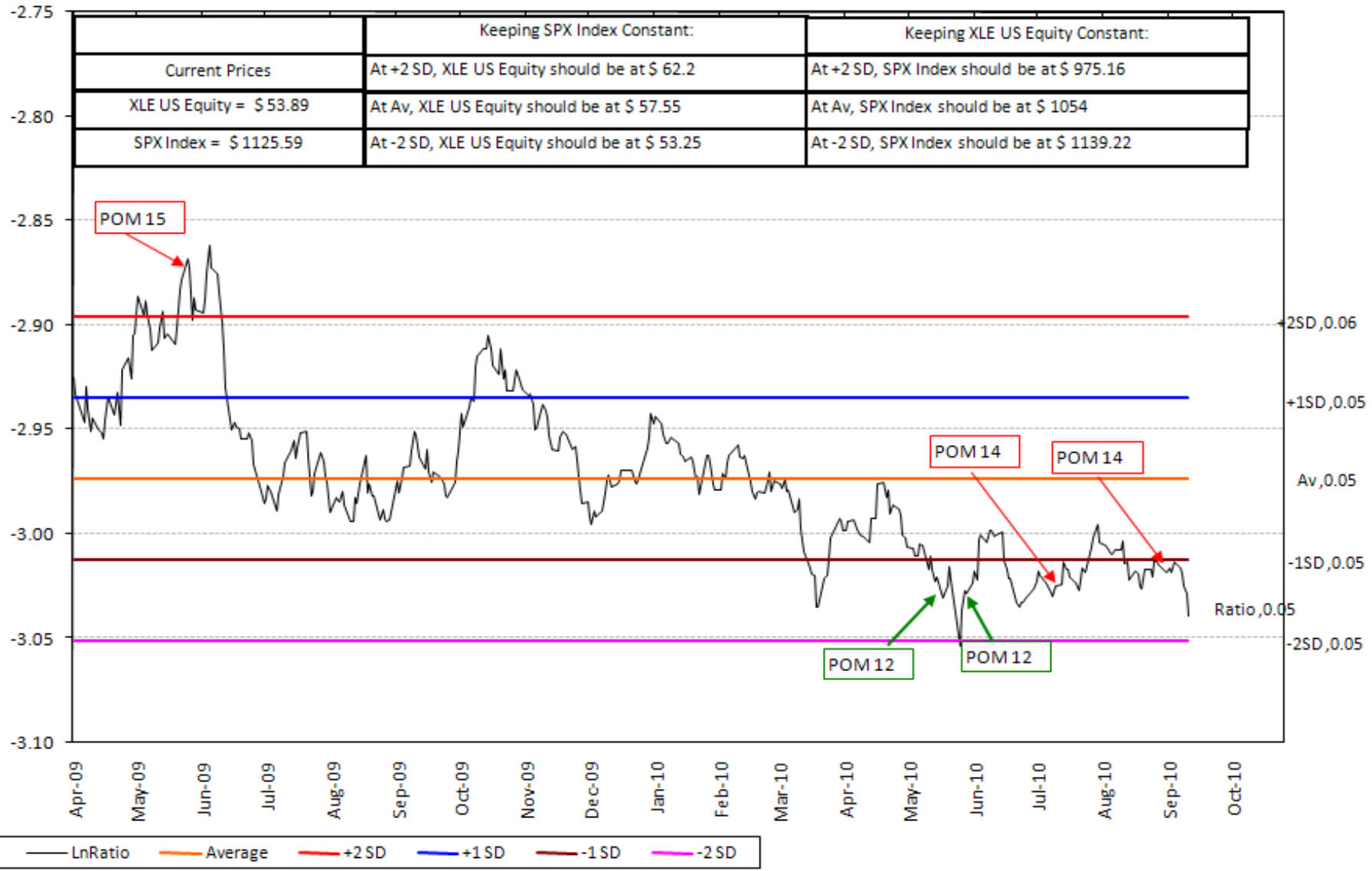
RATIO: XLE / SPY	
Last:	0.481
Chg:	0.001 0.27%



Previous support has held; a 200-dma breakout would be bullish.

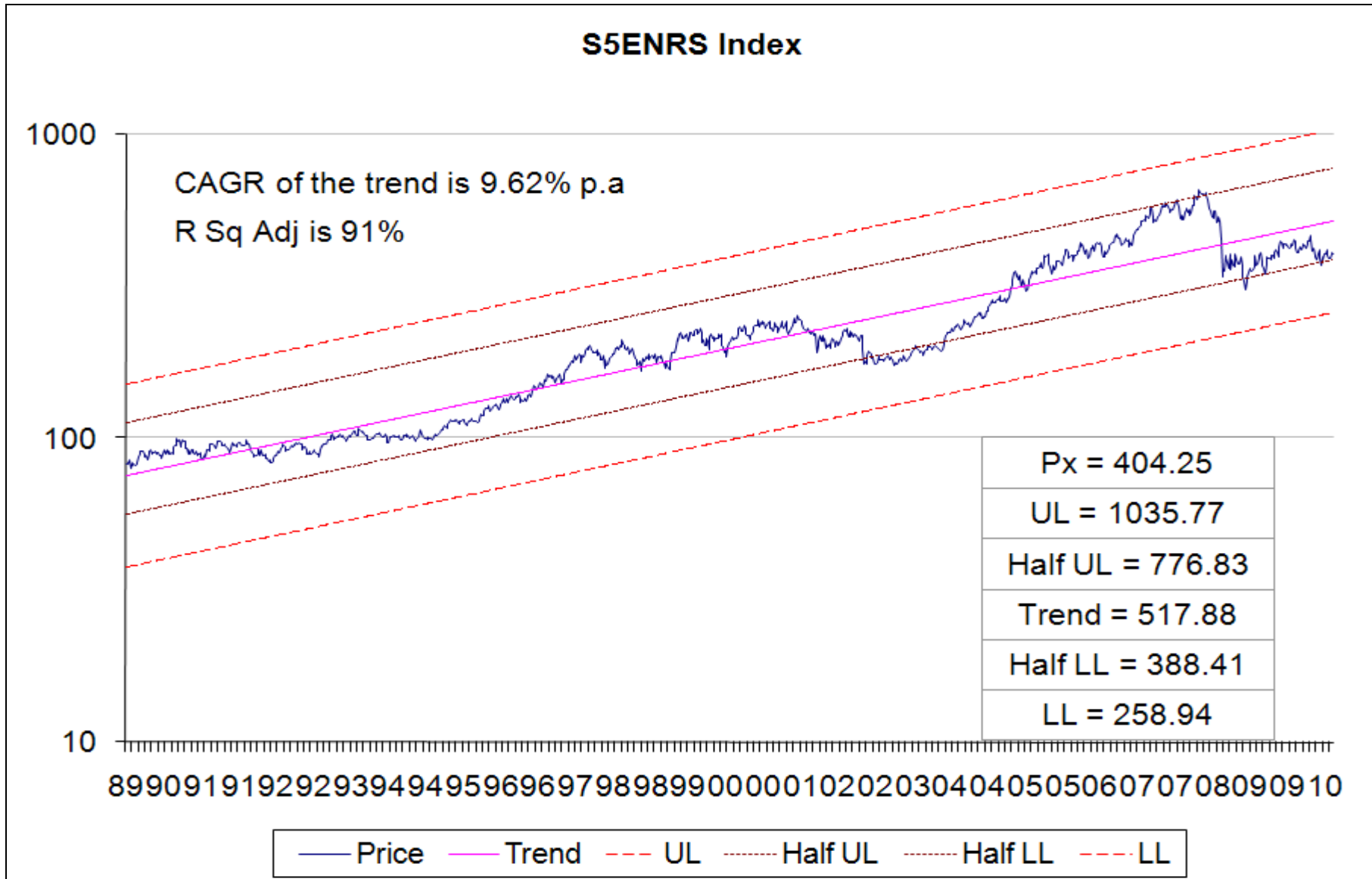
### 3- XLE – Correlation Ratio Analysis with SPX – 365 days Time basis

Long XLE US Equity and Short SPX Index, Updated till 17 Sep 2010

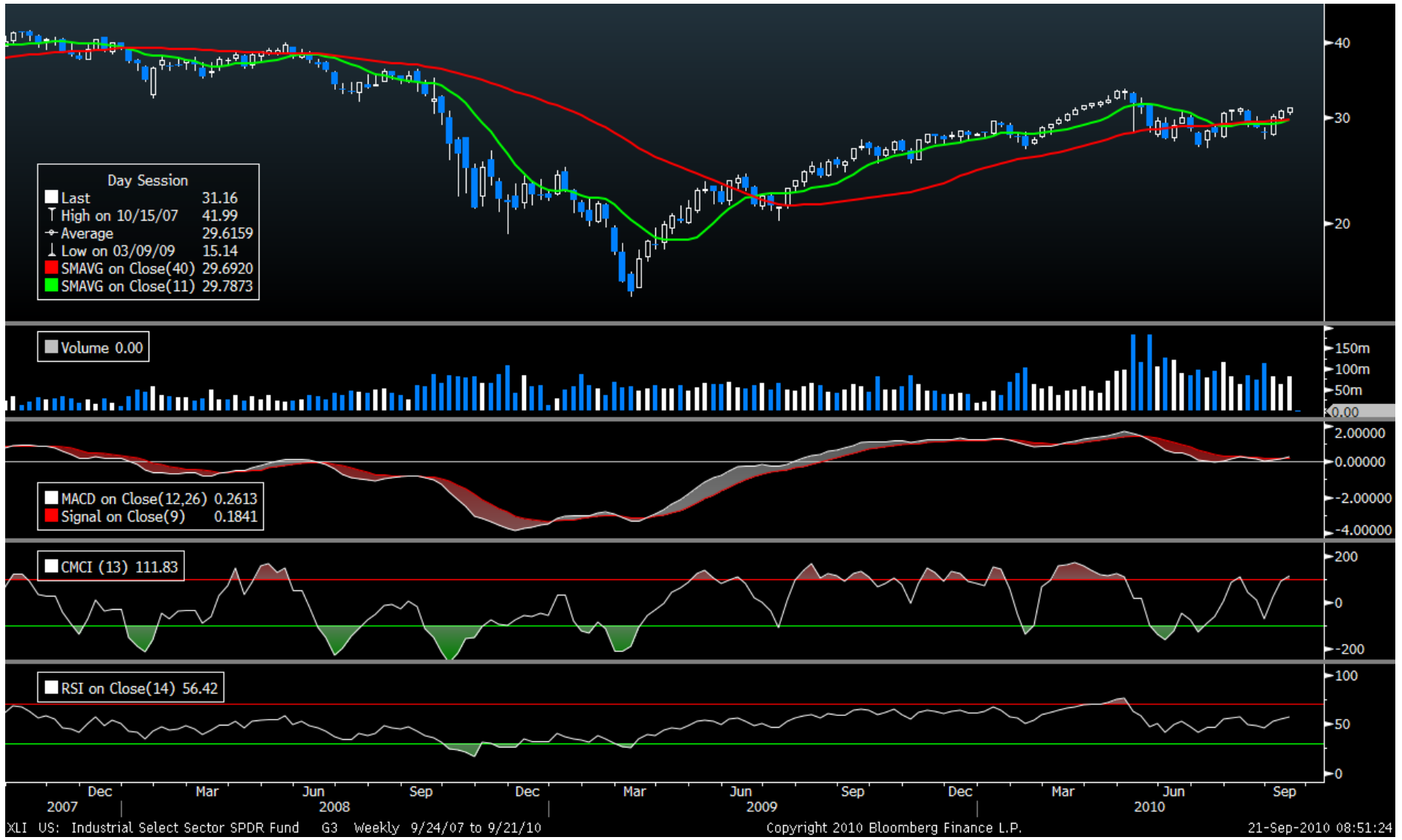




## 4- XLE – Trend Reversion Analysis – Long Term



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

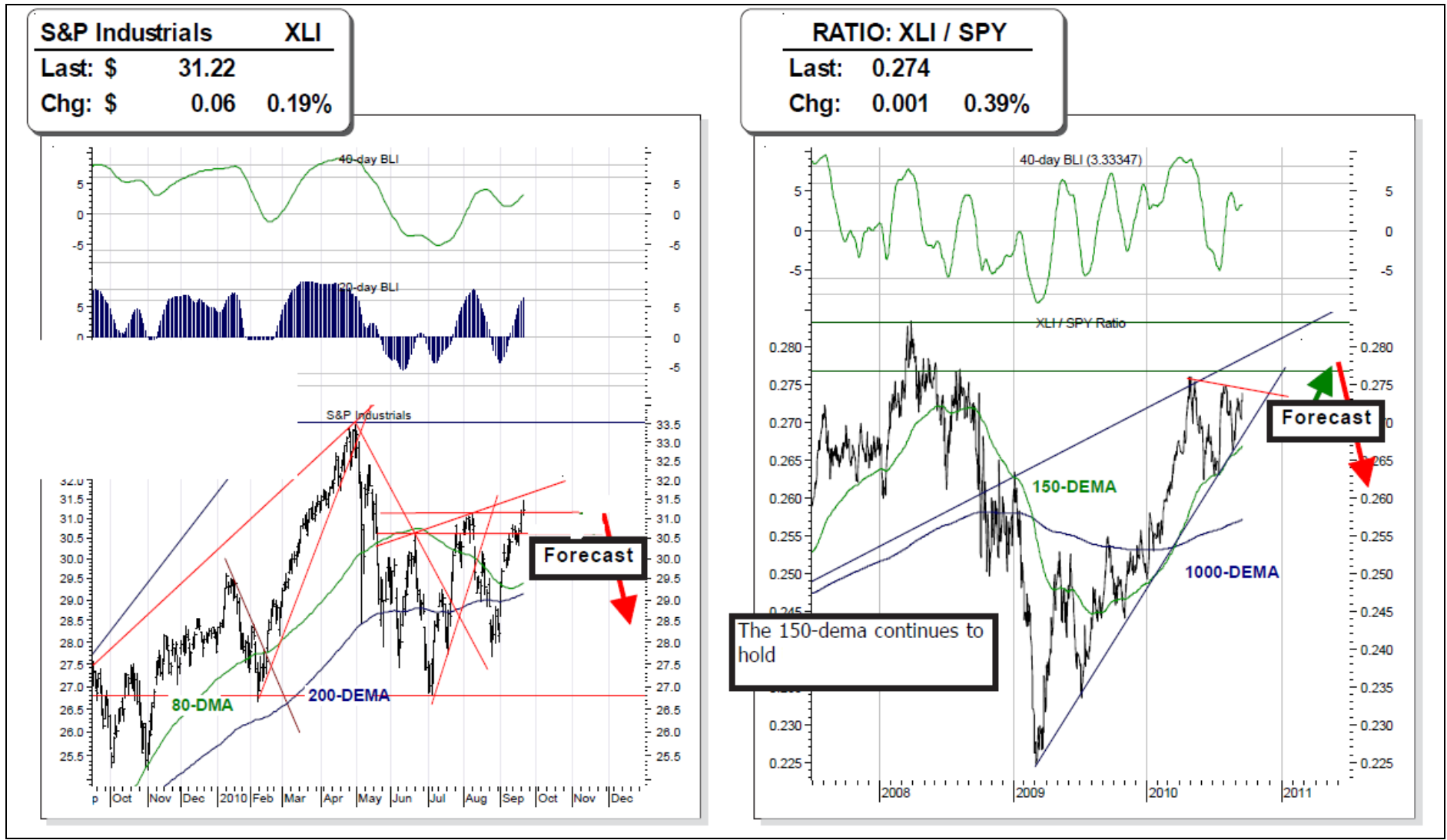


# XLI - Daily – 3 Year with 11 W / 40 W SMA with RSI, CCI, MACD

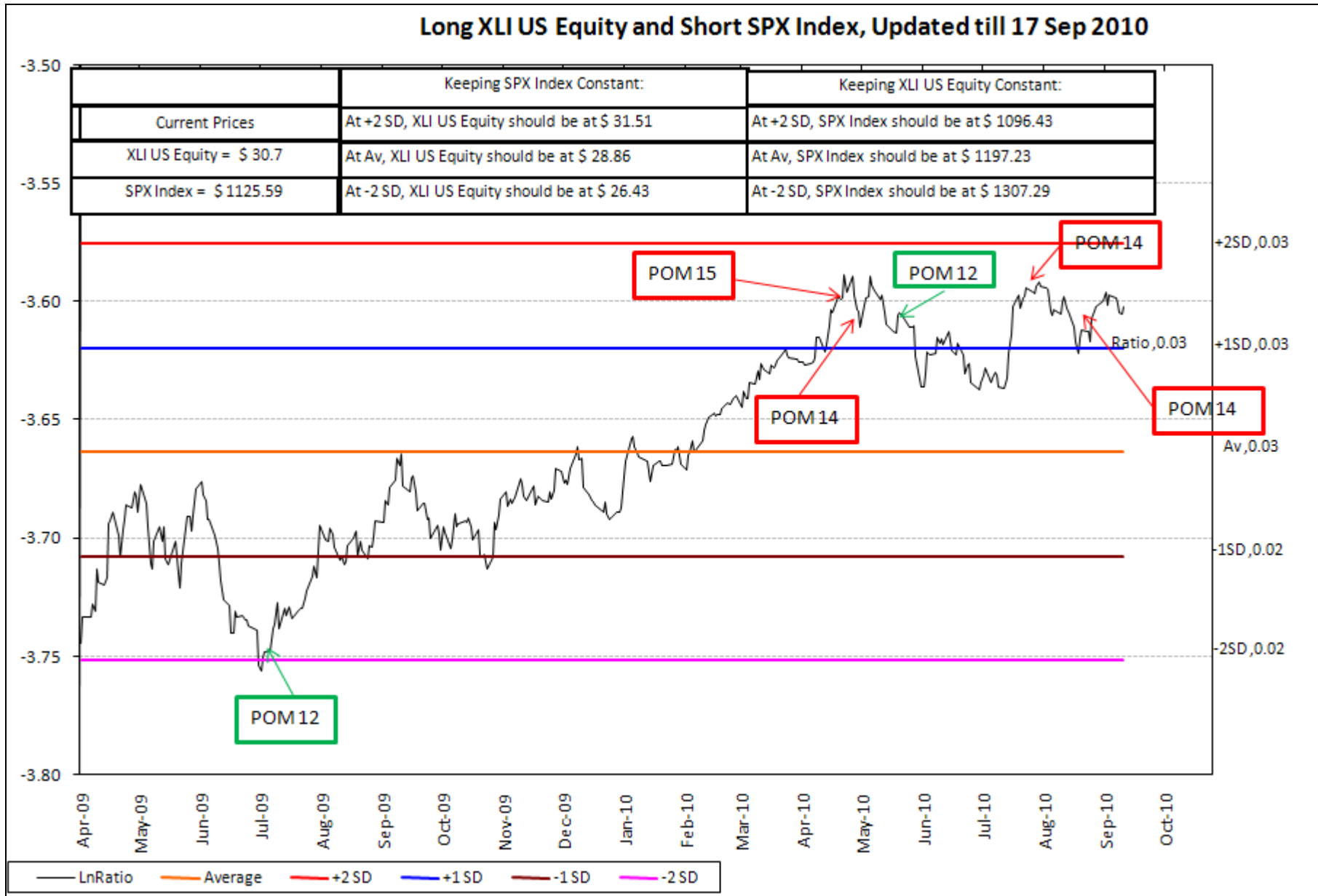


## - XLI - Technical & Pattern Analysis - ( Process 3 )

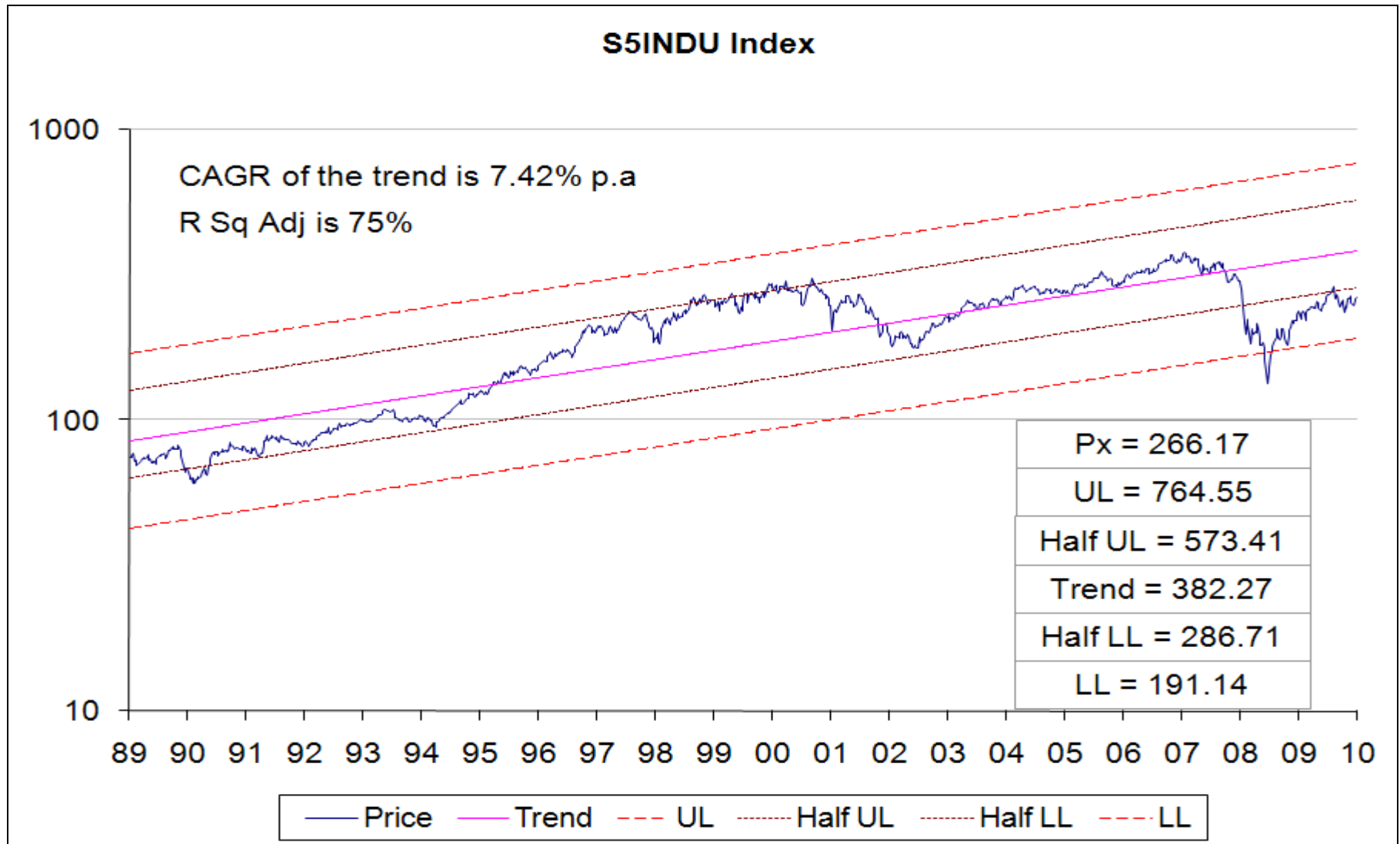
The XLI / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in XLI / SPX ( hence overvalued ) by this matrix in Sync with SD Analysis.



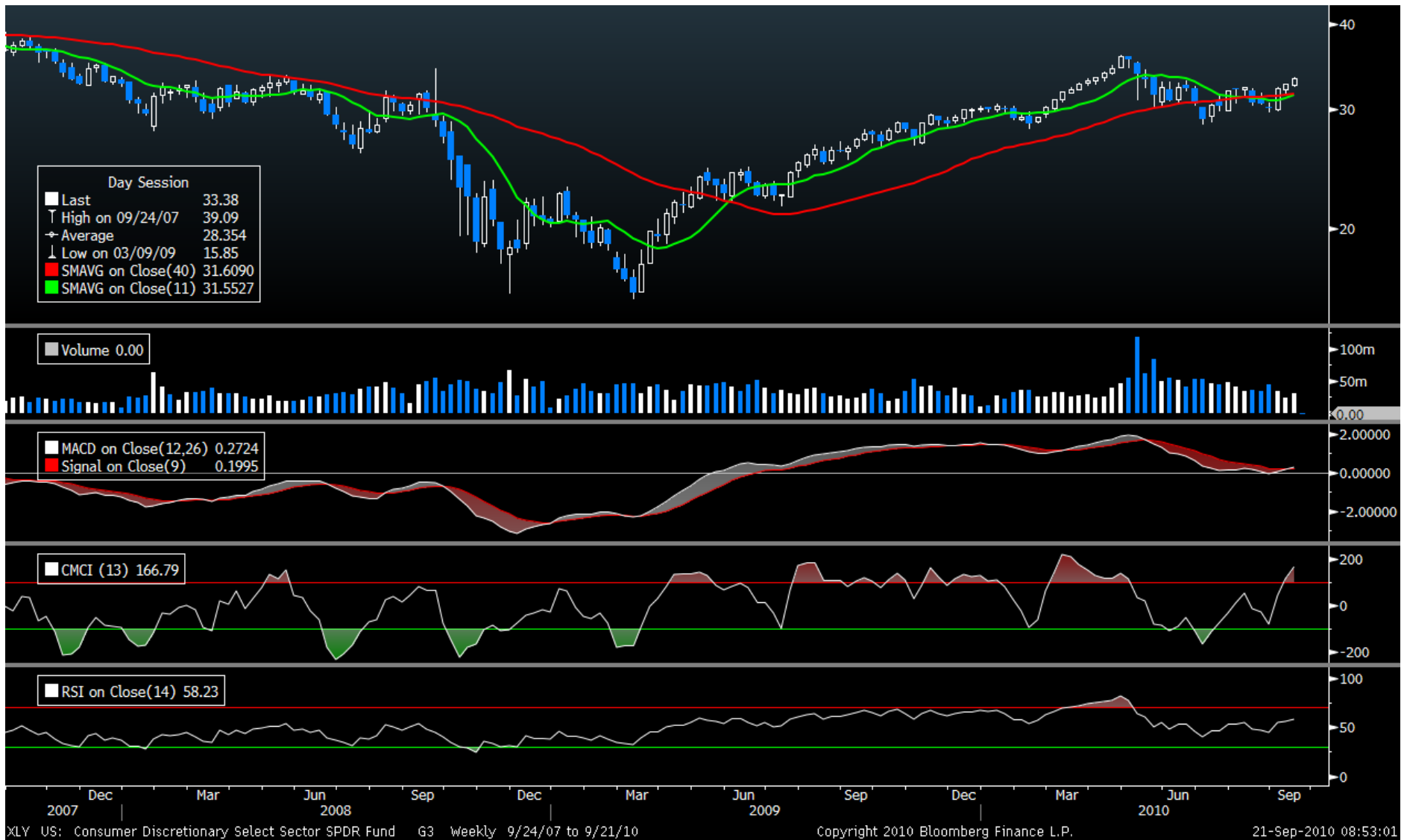
### 3- XLI – Correlation Ratio Analysis with SPX – 365 days Time basis



## 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

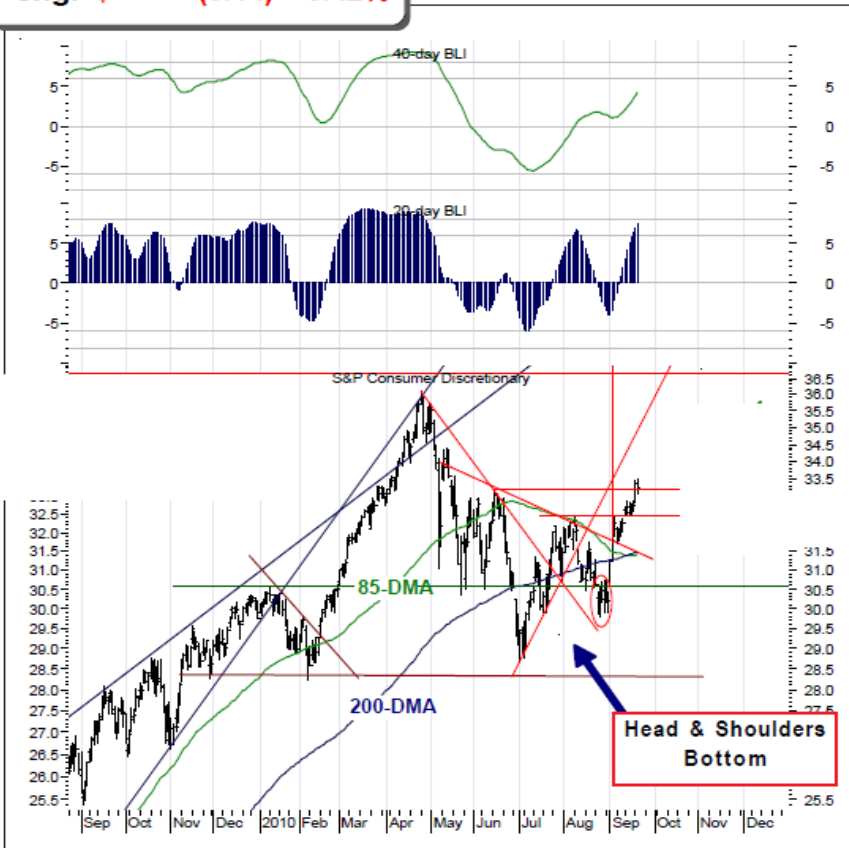




## - XLY - Technical & Pattern Analysis - ( Process 3 )

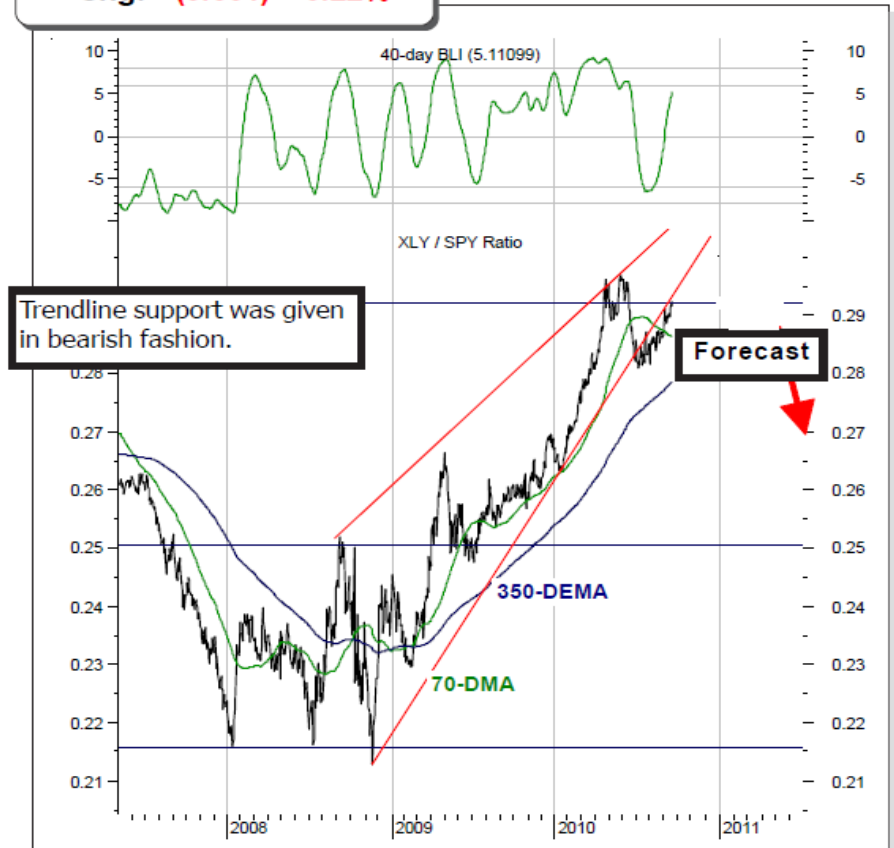
The XLY / SPX ratio chart looks bearish and should trend down in RH side chart below, confirms the relative fall in XLY / SPX ( hence overvalued ) by this matrix in Sync with SD Analysis.

S&P Consumer Dis	XLY
Last: \$ 33.24	
Chg: \$ (0.14) -0.42%	



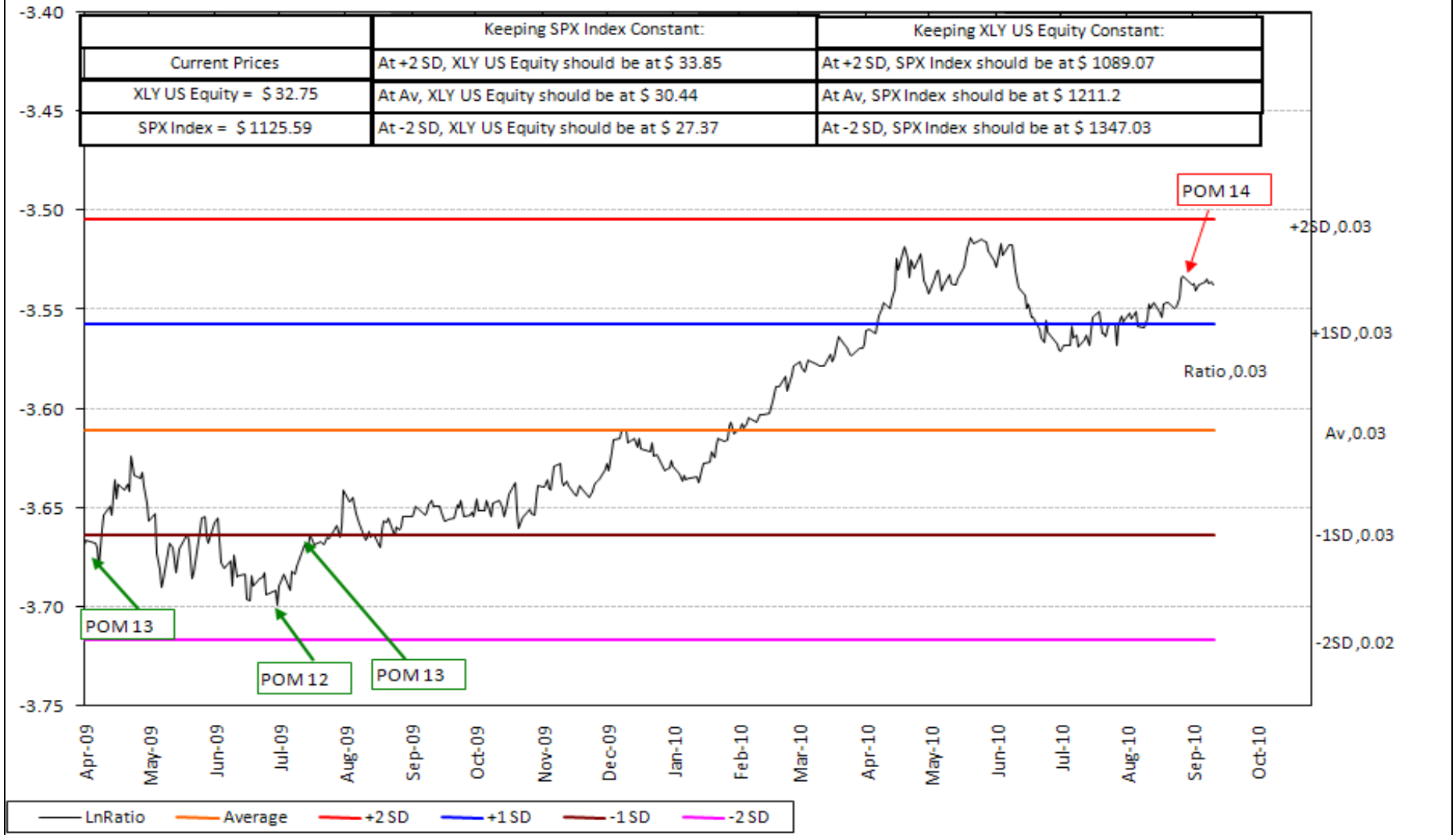
RATIO: XLY / SPY

Last: 0.292
Chg: (0.001) -0.22%

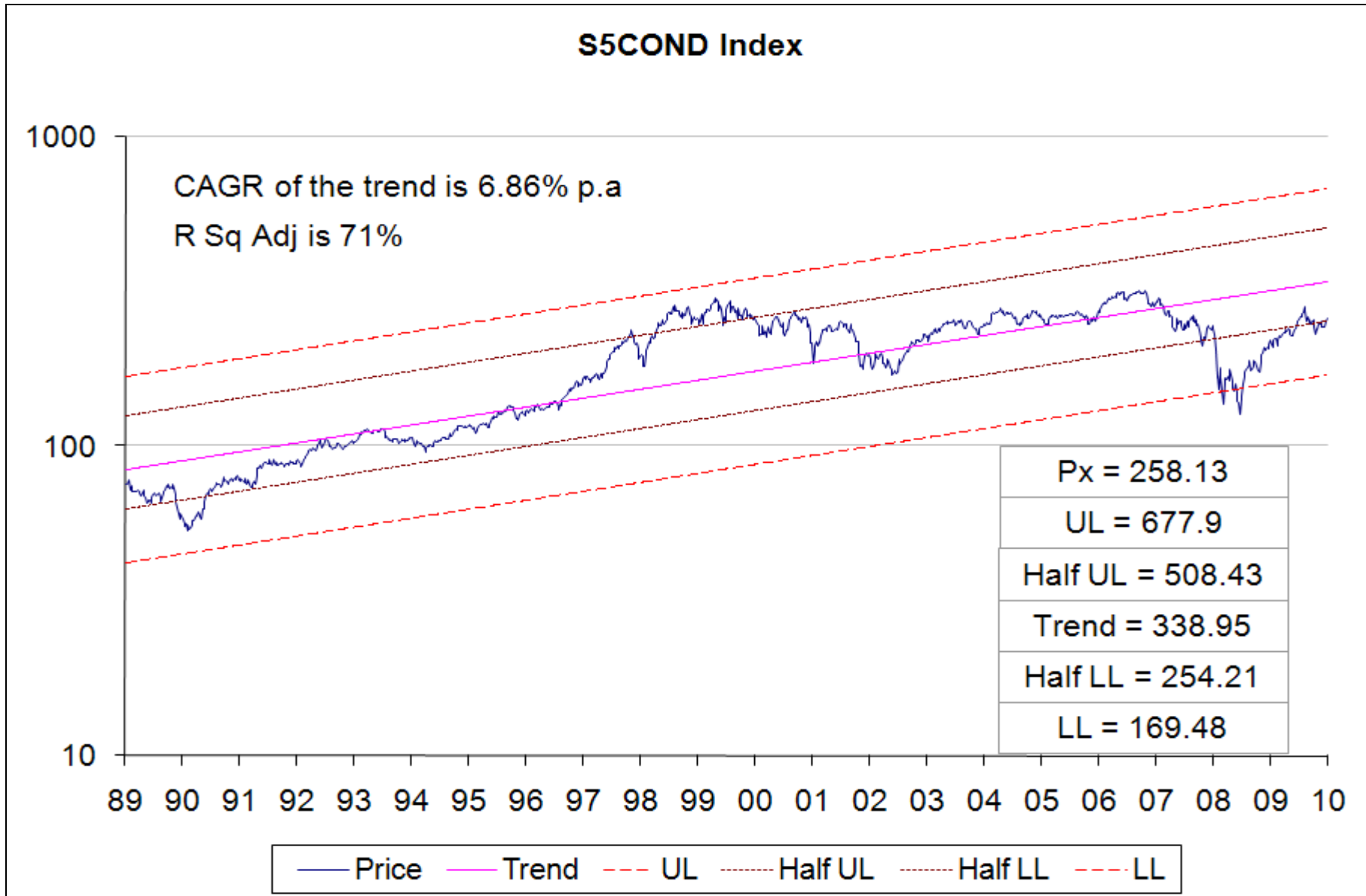


# 1- XLY – Correlation Ratio Analysis with SPX – 365 days Time basis

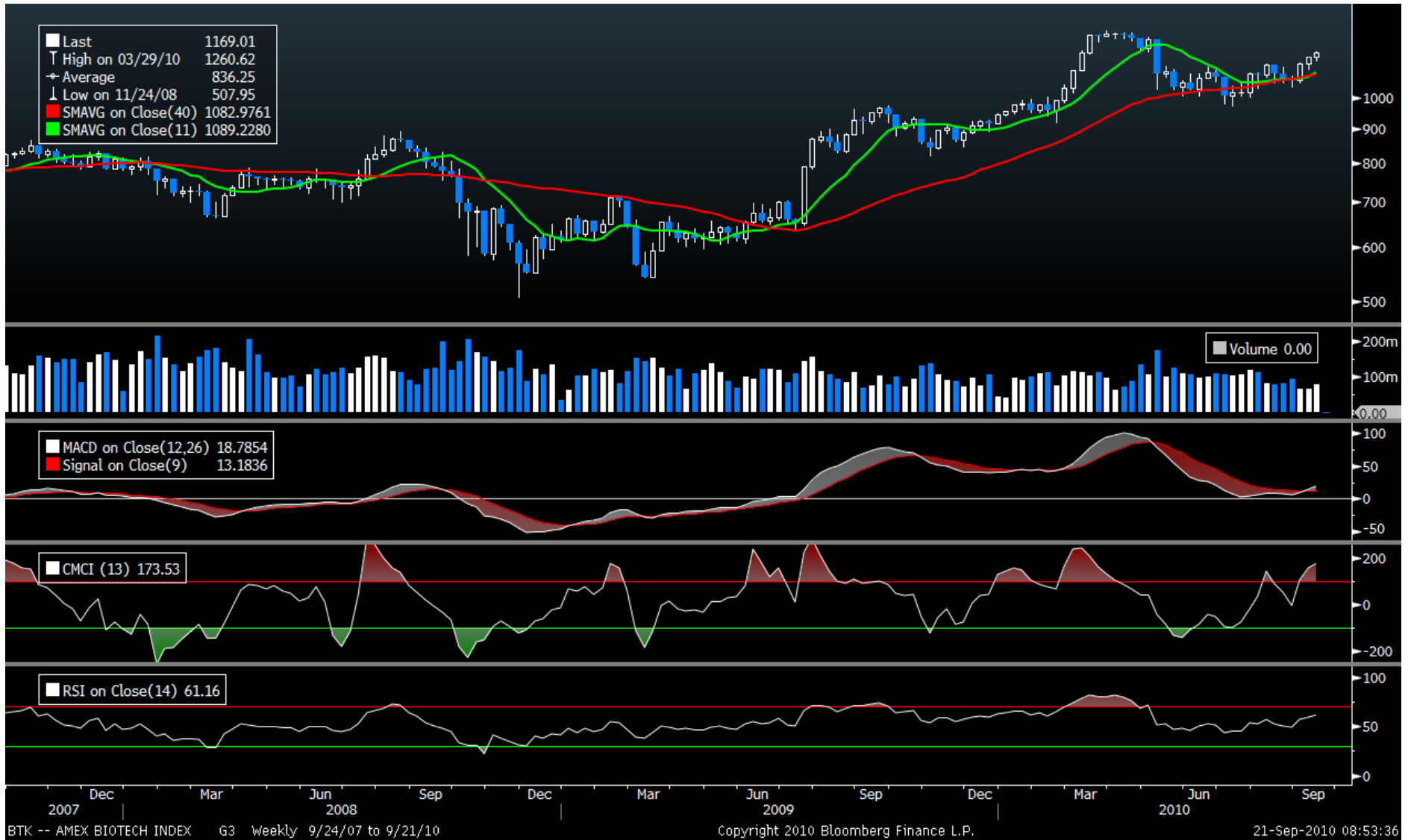
Long XLY US Equity and Short SPX Index, Updated till 17 Sep 2010



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



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



# BTK 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, confirms the relative rise in BBH / SPX ( hence undervalued ) by this matrix. Out of sync with SD Analysis ( non conformance )

Biotech	BBH
Last: \$ 97.08	
Chg: \$ 0.09	0.09%

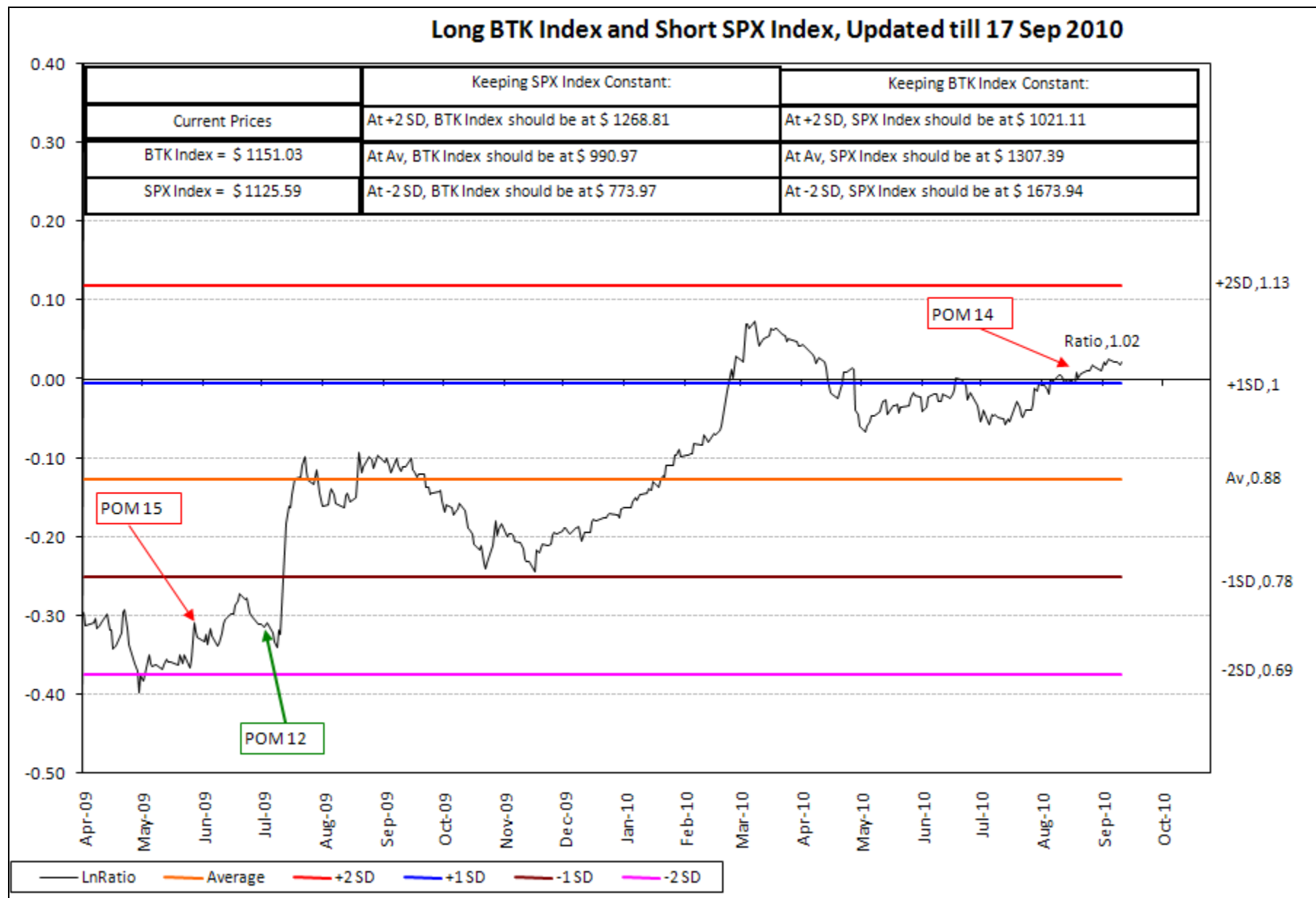


RATIO: BBH / SPY

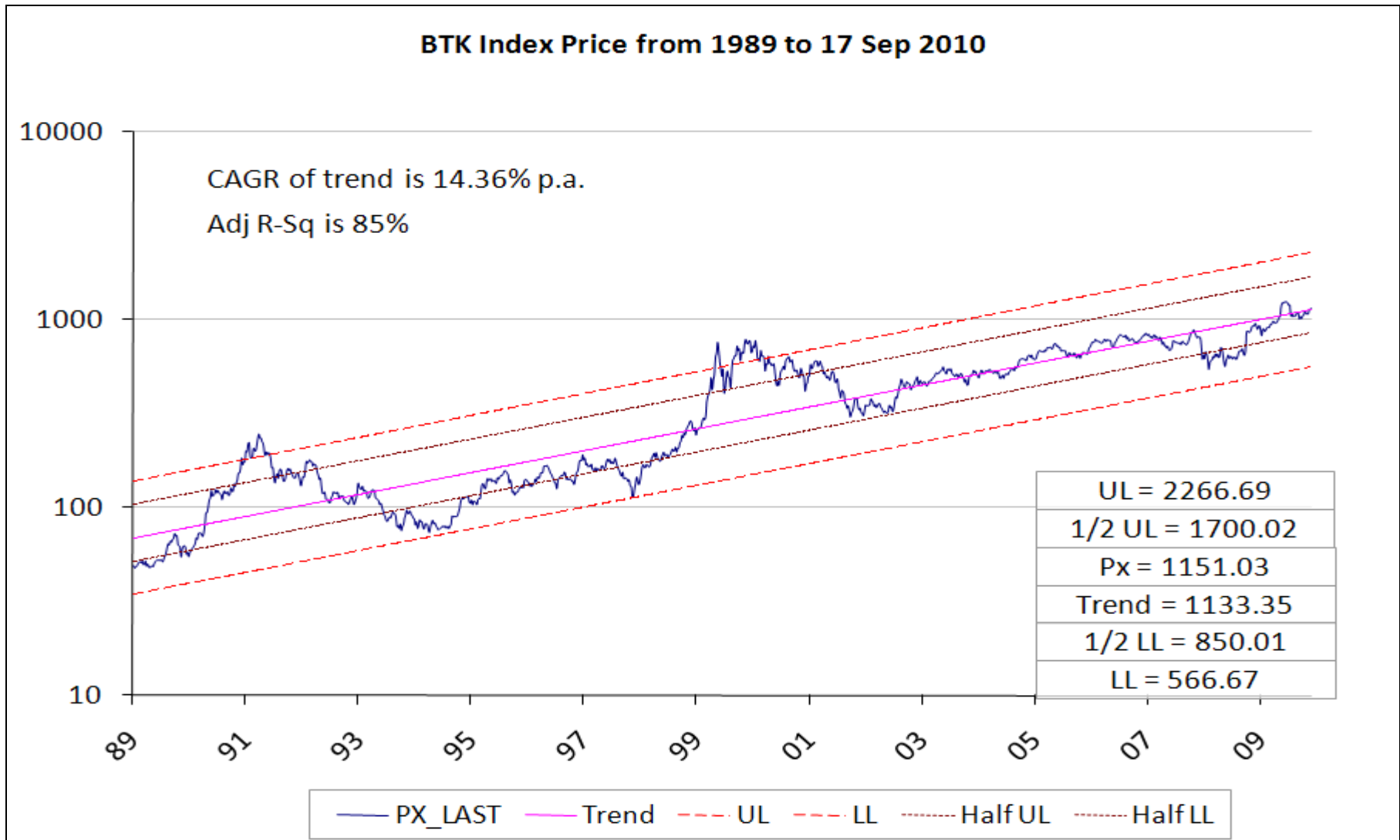
Last: 0.852
Chg: 0.002 0.29%



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



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





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