SG Capital Research
Global Market Insights

Research Note – Weekly Market Strategy Global (A)

MAEG- WKLY MKTSTR- GL- POM -SG 2010 # SEPT 07
For Immediate Release – Tuesday AM (EST)
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Market Strategy Global (A) - SPX – Closed @ 1104

Analysis of Broad Market that includes

- **Primary Market SPX & DOW as main market driver and**
- **Secondary Markets NYSE, NASD, RUSS .**

We have picked up charts (below) that has some distinct characteristics and values from last weeks observation at Inflection points based on our assessment:

- **SPX v/s POM**
- **SPX (ST/LT) , DOW, NDX, RUSS**
- **CYCLE-T-Termination, Bradley**
- **CHINA, EURO, HRB (Special Situation)**

SPX – "Our Current Signals & Projections"

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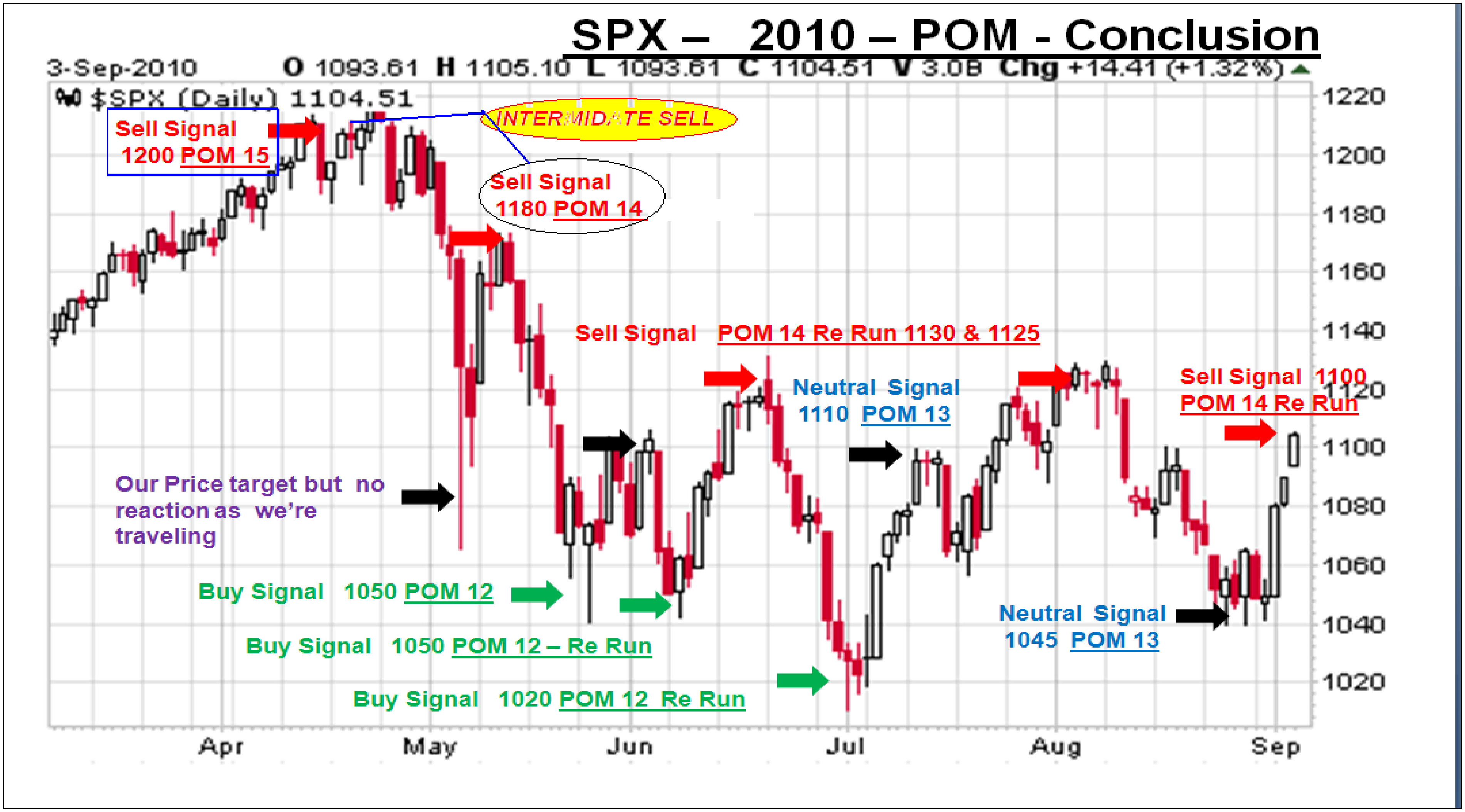
- ***On 26th Aug – POM 13 was triggered at 1045 SPX (we hit a low of 1039) and since then SPX rallied +5.2% during our signal***
- ***On 3rd Sept (Friday),*** *Our Indicators conformed* ***POM 14 – Re Run @ SPX 1100,*** *(currently SPX at 1104) – We announced this on INTERIM UPDATE on 3rd Sept.*
- ***All price actions on upside should remain between confluence Zone of 1085 to 1110 (34 W MA underneath and Fibonacci @ 50% and several others cross current creek areas. (As per the charts Indicated in earlier Reports). This would be actionable area.***

On larger picture – *Intermediate term basis, We initiated POM 15 @ 1200 on 22rd April and POM 14 @ 1180 on 12th May, This was a "Primary Sell Signal" and conformed ABC down to 960. (Price projections are just the guide lines to work within) and so far its on track. We have hit lows of 1010 in SPX.*

But within the larger ABC, we have smaller ABC which are Risk Management tools with POM 13 's and other Re – Runs (As you know the Model is not perfect but we just follow our indicators as best as we can to navigate us with higher probability. Every time we make a decision the caution always remain we could be completely wrong and that's the risk we face. Here is the conclusion in SPX CHART below since April Sell Signal.



POM criteria for Implementation on SPX & SETUPS

- ***POM 14 , 15 (is Sell Signal) & POM 15 is for Net Short & POM 14- Re Runs is for Hedge Long position***
- ***POM 13, Neutral Signal for Risk Management suggests, If Market on way DOWN move to STOP executing additional " New Short Sells" that was initiated at POM 14 or POM 15 levels.***

Upper End of Confluence Zone

The expected bounce from the bottom of SPX 1045 is in process and it has entered our CONFLUNECE PRICE ZONE of 1085 to 1110. We are at 1105 after confirming POM 13 @ 1045 SPX, a bounce of 5.2%. We are watching carefully now.

If we fail at around / under the upper end of confluence zone 1110 , (Although its hard to pin point the exact top within 1110 to 1130 regions there is lots of cross currents here) . The "price and time" confluence of 7th to 16th Sept is good benchmark . Things could happen +/- variations on price and days but one of these days very well could be the trigger. (We just doesn't know which one and when) Possibilities are when big boys come back from vacation, Turn around Tuesday or Cycle dates and T terminations.

On scaled entry basis , we could prepare for taking advantage of this scenario from Setup watch list if confirmed by potential SETUP 2's in Low Quality Equities at Higher valuation band for favorable risk reward basis.

At the upper end of confluences usually the volatility could increase either with false breaks, taking off the stops of short coverings with exhaustion moves. But certainly they will not ring the bell at the top and make it easy. We know that for a fact.

Market Insights

- **Double - 3 GAP PLAY** - We think the decline from 1130 (6th Aug) to 1040 (26th Aug) was a 3 gap play pattern on downside and now the Rise from 26th Aug to current level all the 3 gaps have been filled, this fulfills the pattern but what is important here is, the filling of 3 Gaps on this up leg has happened with complex pattern of another (double) , 3 Gap play . This is difficult to form and very rear but bearish in nature . Now at the end of this 3 rd gap there tends to be a Exhaustion Gap which may happen simultaneously soon completing 100% move of the move . This is the spot where the energy tends to run out of the market.

- **Secondly TICK & ARM -** Friday we had another Tick reading above + 1200 , and it happened with 0.37 ARMS (as we were expecting it) This is classic retest of what happened 2 days go (where we had a Tick reading of +1270 with an ARMS of .25) suggests this rally is a Short covering rally.

- **SPX & EURO** closely related, the strength in EURO has kept its own small ABC rally intact, EURO surely its approaching the Poly trend line from underneath @ 1.29 as we were expecting it . Once EURO tops out on retest from underneath then it will move down in the direction of the long term trend. Watch for SPX how it reacts.

That said, there's a reasonably good chance that the euro is going to reverse to the downside very soon. It's all one market now and where the dollar goes, stocks are the ultimate contrarians and will head the other way. Consequently, there's a good chance that the stock market top that should come this week could correspond to a dollar turn to the upside as well.

Recent rallies have slowed and topped just when things were looking healthier. We came from a deeply oversold position, the short term bearish sentiment (Indicated in the yesterdays report) has not yet been completely unwound. Such are the characteristics of bear market rallies. Usually, bear market rallies cover more ground, percentage-wise, in a shorter period of time.

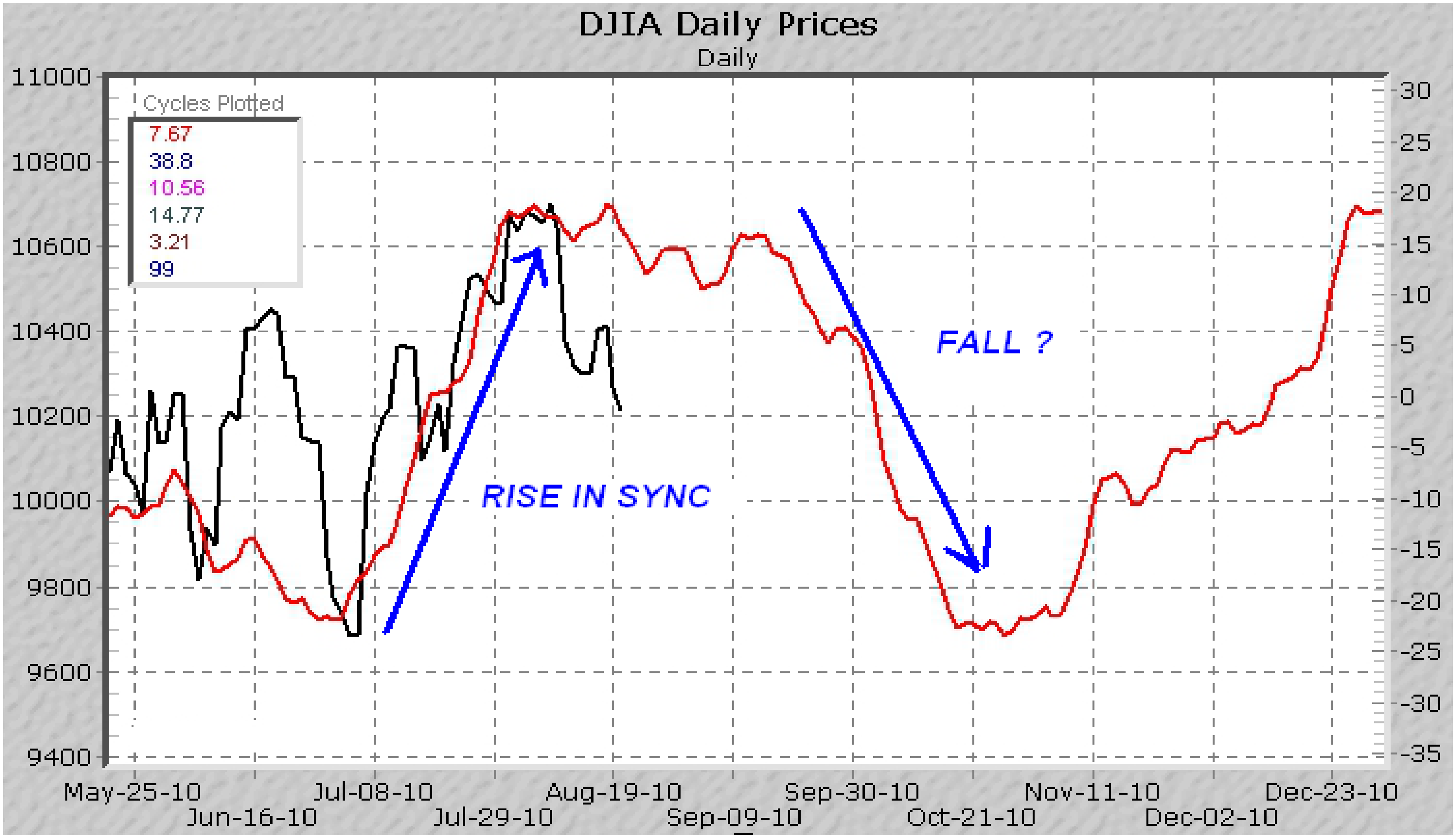
SPX – Short Term

A big test is coming this week (most likely, on Tuesday). If the SPX is able to punch through the overhead trendline, more potential for gains on the upside or false break . However, at this time, that seems less likely than a reversal lower off that trendline.

CYCLE & T - Terminations

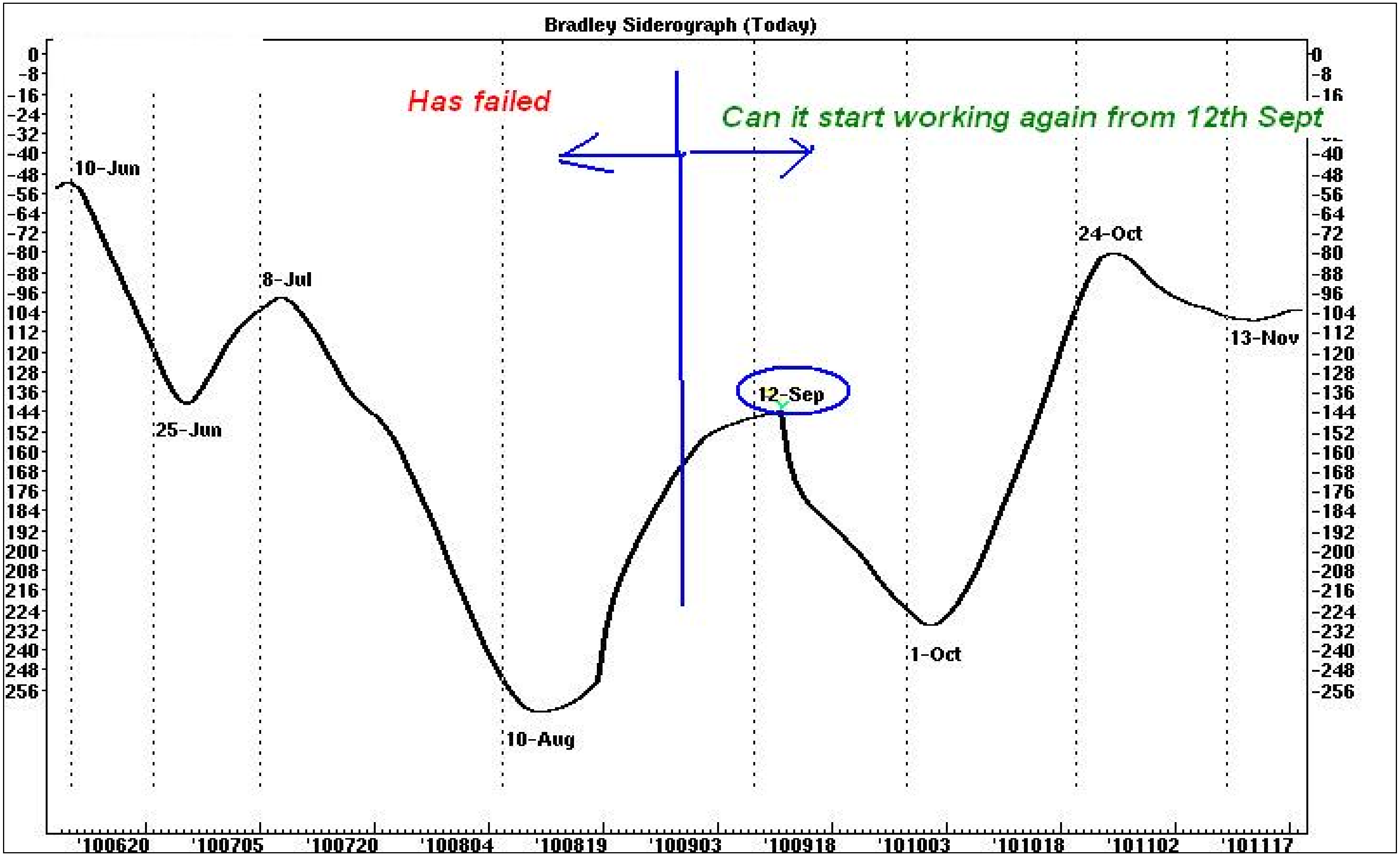
If the new T is placed, 7th to 16th Sept an estimate for when the uptrend will expire. In this case the key point is along with T – Termination we have Cycle Time, Bradley , New Moon harmonic, 911 Anniversary of Imbalanced order flow all converge in the same T ZONE. These Times tends to cause reversals. However, that's not the primary way to determine when to sell or POM's . **Tees are projective indicators and works better for actual signals only if coincide with other detail Indicators.**

Cycles chart below we showed you in July for rally was on track. Now for further projections suggest into the middle of September, then plunge sharply into a low in the October-November timeframe



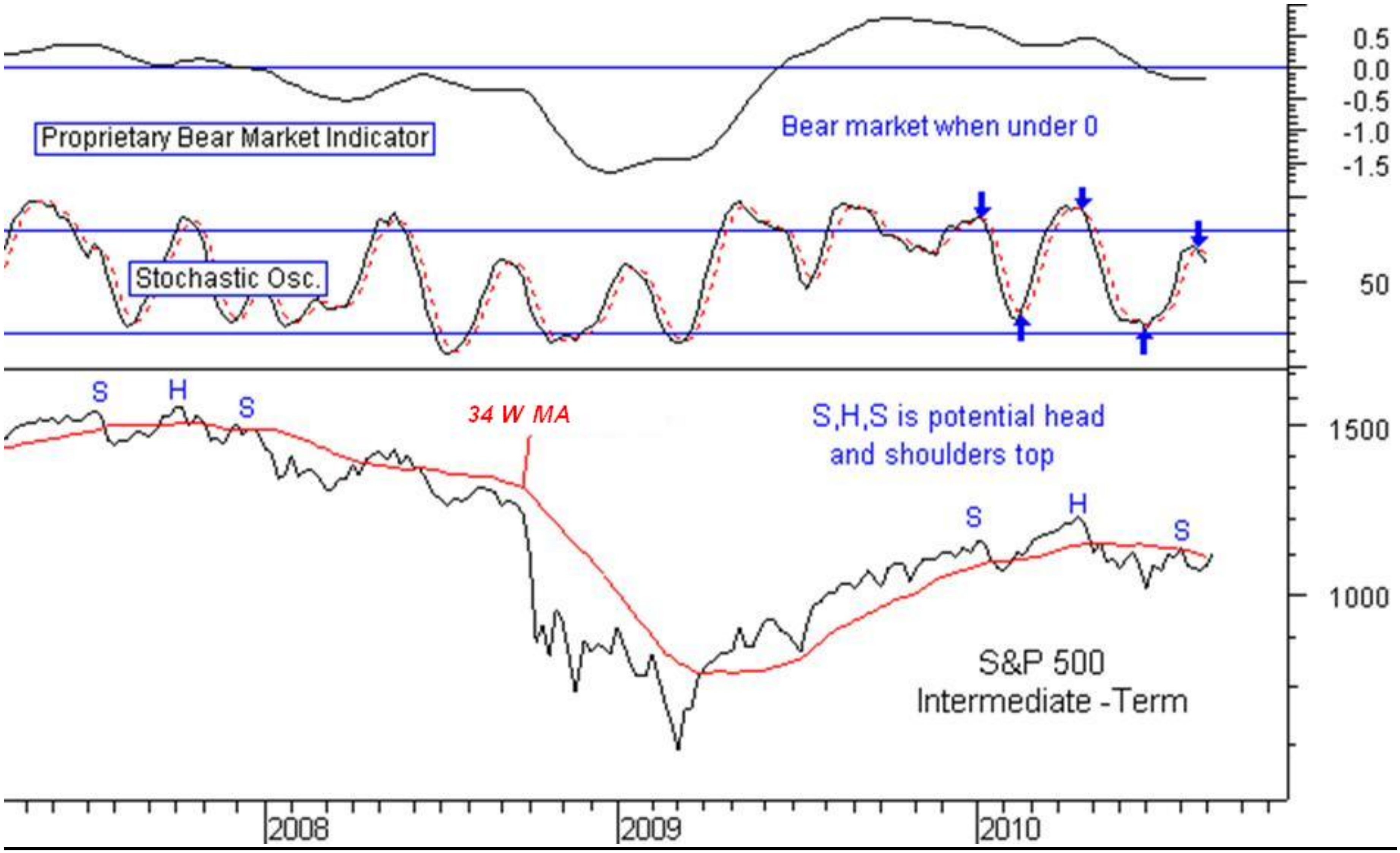
BRADLEY

The turn lower in mid-September (12TH Sept) but unlike cycle work Bradley has been wrong this year as indicated . We use this only in conformance with other Cycle and Harmonic work and it does match this time. Bradley shows lows on 1st Oct and then rally year end . .



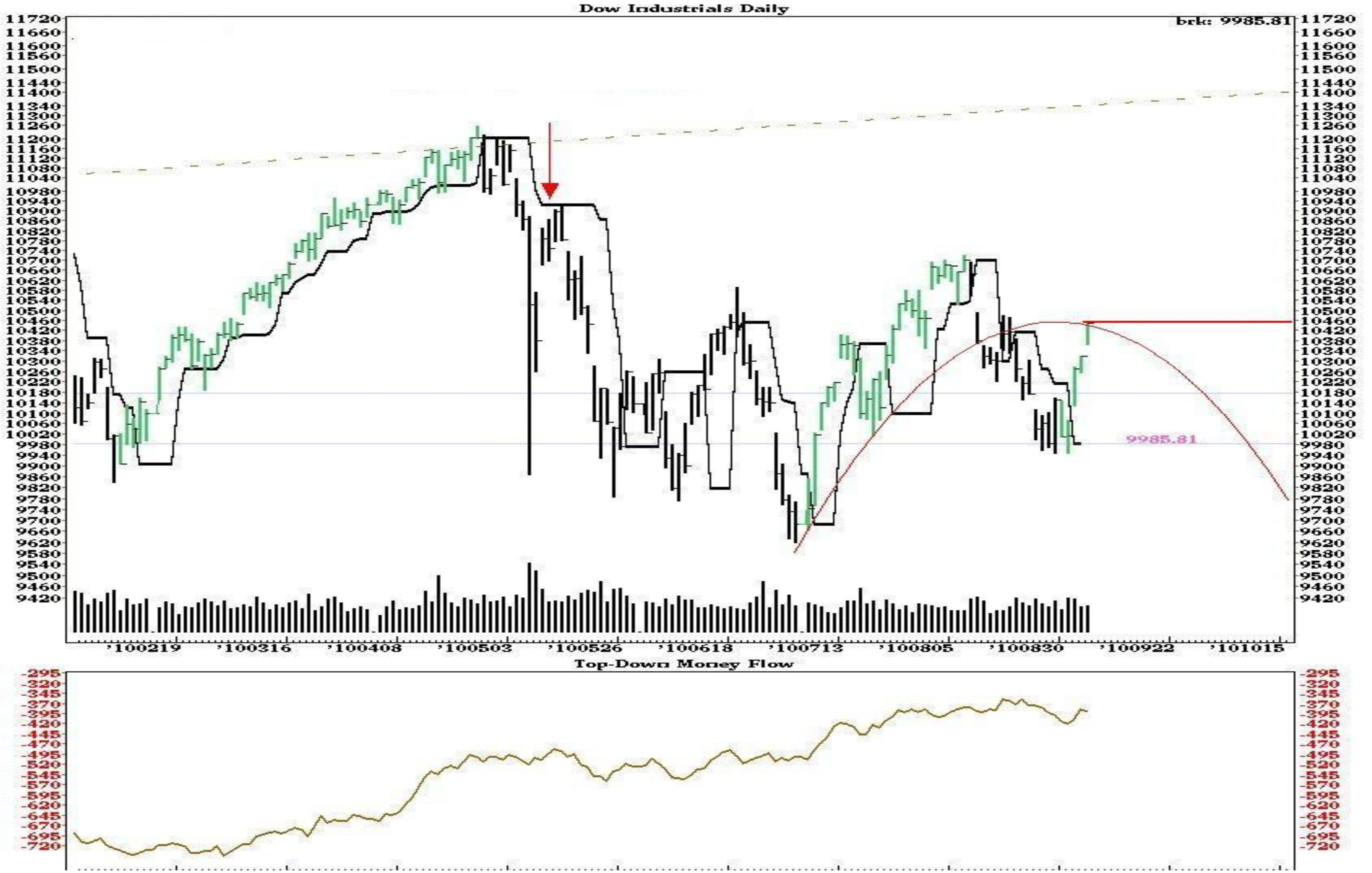
SPX – Intermediate term

The H & S Top is still in place under 34 W MA turn lower in mid-September with Stochastic cross over in overbought with lower highs



DOW – Short term

DOW Money flow was lacking on last week's expected rally. And, the average closed almost right on the short term polytrend resistance line. A breakout would be short term is possibility but a reversal to the downside is more of caution.



NDX – Short term

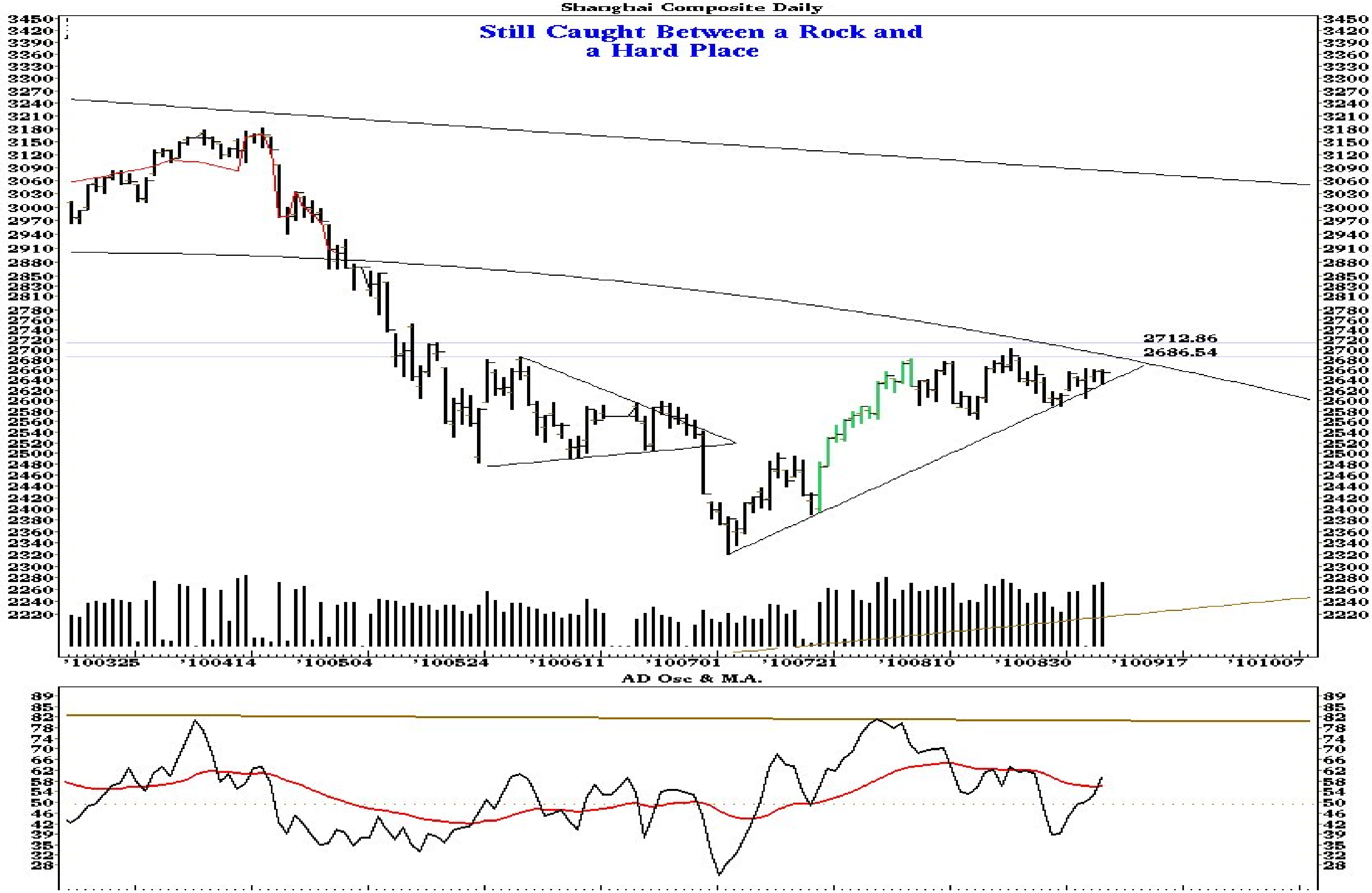
The rally last week should top out, at least temporarily, this week. How the index acts when it meets the overhead resistance line should tell us a lot about whether the market has the strength . **Money flow is not strong, which is a warning at this time Negative divergence in Money Flow in fall and rise**

RUSS – Short term

So far, there has been no real surge in money flow and thus caution on the rally is fully warranted. Short term traders should be looking for potential sell signals this week.

CHINA

The Shanghai market is still caught between a rock and a hard place and we suggest that a retest of the falling overhead resistance line might be the place where the market needs to reverse and trend lower. China has given good signal for SPX , with lead / lag . Now its setting up bearishly . The falling overhead resistance line will try to prevent any rally from making much progress



Currency Analysis (B) - Related Section – None

EURO

We've been expecting that retest to happen underneath the polytrend line , at which time the euro should resume its downward trend. As you can see, the euro is still fighting its way upstream (we say this because the larger trend is powerfully on the upside for USD and correspondingly strong on the downside for the EURO). SPX & EURO is completely correlated.