



SG Capital Research

Global Market Insights

Research Note – Weekly Market Strategy SPX - (A # 1) – STRATEGY & PROP ANALYSIS –(SP)

MAEG- MS – SPX – POM-SG 2011 # DEC_12

For Immediate Release – Monday AM (EST)

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Market Strategy SPX (A # 1) – (SP) - SPX – Closed @ 1255 (Past Weekly change + 0.8%)

Analysis of Broad Market that includes – Jan 1st 2011 – SPX 1257 (YTD change - 0.15%)

- Primary Market SPX (or SPY) as main market driver and
- Secondary Markets NYSE, DOW (DIA) .

Selected charts (below) that has some distinct characteristics from last weeks observation based on our assessment:

• **Contents for coverage within A # 1 MS**

- Daily Trend Adjusted Strategy - 3x3 / 9EMA – DOW, SPX (if change of Signal)
- Primary Market Analysis – SPX, MID, ST , LT
- Time / Cycle Analysis- Bradley Cycle, 4 yr Cycle, Astro- Harmonic Cycle, Seasonality Cycle, Oil / CU / TNX Cycles
- Advance / Decline Internal market behavior – A/D – SPX, % BULLISH, NH/NL, VOLUME, in 2nd & 3rd Derivatives
- Sentiment Analysis with Extreme character – TICK , TRIN, ARMS, PUT / CALL in 2nd & 3rd Derivatives, VIX , M. Flow,
- Secondary Market Analysis for SPX clues – NASD, RUSS, (if required on Lead/ Lag)
- Sector Analysis for SPX clues – BKX, SMH (if required on Lead/ Lag)
- Sector Analysis for SPX clues – CHINA, FTSE (if required on Lead / Lag)
- Appendix - Objective, POM Signals Summary , History Trading conclusion , POM /C Guidelines & Criteria.

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- 1. Executive Summary***
- 2. SPX – POM Signals, Price Projections & Conclusions.***
- 3. SPX – Market Commentary***
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- 5. SPX – Chart Analysis – MID TERM***
- 6. SPX – Charts Analysis – LONG TERM***
- 7. APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation , Disclaimers***

• 1. Executive Summary

PLAN A –

Re – Within POM's RA/ RI framework, the positions that has participated in our earlier and most importantly the latest Trend of Price Path - from start point POM 12 (1080) to.. POM 14 (1240) to ...POM 13 (1185) to ...POM 14 re (1251-1270) are now Fully hedged, it has great profit cushion to handle next POM within POM's RA/ RI & its current volatility. The next action plan for this PLAN A is designed as per following facts & projections

- Market has been on POM 14 re run since 1251 within CZ (1251-1270) - **12/02 ALERT**, ending its POM 13 signal (1188-1178) of 11/22. This had resulted in Risk Management **savings of 70 points** on counter Trend move to re balancing Hedges taken at POM 14 earlier.
- POM 14 has History of testing and re testing as a part of rolling top process . There could be another run upward possible to slightly **higher prices 1270** (although it doesn't have to) before "mark down " phase begins. –
- Broader Indices within A # 2 will test its own personal CZ during this process and allows to scale in position . POM 14 – CZ still remains Top heavy area.
- Our First downside Price Target on this current Trigger is CZ 1195-1210 (previous POM 13 area) on this ABC down.
- Move above 1300 we would look of that Price path to Taper to Trigger POM 15 “ **NET SHORT POSITION'** – similar to our past processes of termination
- Overall, The Price Oscillation SPX initiated at @ POM 14 still has the Final price target **to be around 1125.** which should complete the end of Oscillation. (certainly not in straight line) .

• **PLAN B - (extended Bear Case)** – **If QE-3 could extend the Market past 1300 SPX**

Re - Mostly applicable for New Positions which has not taken full advantage of **PLAN A** (above) might slightly be at short term disadvantage in holding power as there may” not” be enough profit cushion. Therefore **PLAN B** will highlight the best Risk / Reward measures for such situation within following Action plan

- **Failure case** - For such New positions (not a part of plan A). It might be worthwhile for Market to move past 1270 go to 1300 , fail and close under 1280 with –ve divergences . This would constitute a complete PQV failure. Then put a **STOP LOSS PROTECTION above 1300** based on Portfolio Objective.
- **Breakout case** - Close above 1300 on Daily (½ exit) and weekly (½ exit) . This will protect from any QE-3 extension rally if it begin from 1300 to (1350 – 1375).

• **PLAN C - (Bull Case)** – **If QE-3 could extend the Market past 1300 SPX to 1350-1375**

This **plan C** is suitable for the Managers who wants to chase the year end performance on Long side(high apples)- which is Wall street’s anxiety due to underperforming and having missed Good opportunity at POM 12 – 1080 rally earlier on.

In such Participation after **entering longs above 1300** . The Risk Management **STOP LOSS should be 1280.** and while market moves higher, the trailing **STOP LOSS** should be in place @ Price 3X3X3 / 9EMA interval to avoid giving up Profits . and let the Market take you out . (Or any other Stop Mechanism based on Portfolio Objective)

POM has its own predictable Risk / Reward Guild lines on its such aggressive participation. The Long position Post **POM 14**. Especially in efforts not to give away Profits made from 1080 in **PLAN A**. (However if it happens we may play CZ to CZ of 2nd drive of this 3 drive to the Top Pattern)

- **2. SPX – POM Signals & Price Projections**
- **SPX -Trading & Investment Real Time Conclusions**
- **Start point 1257 (1ST Jan) – YTD 1244 = (-0.8%)**

Current Signal – POM 14- Re – 1251 (CZ 1250-1270).

- **POM 15 - Net Short** -- **None Triggered in 2011 - (Total points gains = 0)**
- **POM 14 / Re - Fully Hedged** -- **(Total points gain = -88+ 85+ 97 = + 94**

Alert (Open Oscillation) - SPX - POM 14 re – Triggered (12/02) at 1251 (CZ – 1251-1270, for Fully Hedge Position) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)

- **POM 13 - Risk Management Hedges - (Total decline saved) = 71+140+70 = + 281**
(Proportion of Rebalancing Beta & Net Exposures to be based on individual Portfolio Objectives)
- **Risk Management Signal -SPX - POM 13 – Triggered (11/22) at 1188 . The following AM 11/23, the Market opened with Gap Down to 1178. Position Rebalanced at 1251 on 12/02 POM 14 re Run = 70 points**
- **POM 12, POM 11 - Net Long – - (Total points gains = 75-20+79+123 = + 257**
- **Breakdown of POM Summary points & Signals are sated in Appendix.**
- **Like any other Model, it is not perfect but Risk Management is the First objective (Generate Alpha @ 1/2 Market Risk from POM to POM – CZ 's).**
- **Focus - POM's are better actionable areas for us to produce Highest Reward for the Risk” then entering positions in between the moves of POM**

• 3. SPX – Market Commentary

Our comments should remain the same till we reach next POM Target in our Price Path Analysis. For contrarian views we have PLAN B & C designed .

*As pointed out last week , on 10th December we had the effect of Lunar Cycle along with double combust cycle which has followed Solar Eclipse of two weeks. This has some great significance. Bradley Model -. December is expected to **be down**.*

We could very well put in high as we get closer to 10th Dec and then Pull back . After the Pull back we think another rally towards the current area “ call it year-end rally and anxiety with “ Santa” to take the sidelines cash. This is the rally one would want to watch to fail on impact of QE -3. The initiation point of this will be closely monitored around 1195 -1205

On 13th December FOMC meeting we should learn more about QE-3 to initiate in 2012.

On texture of the market, Last week we finished the “3 gap play” on upside now the downside Target of the 3 gap play is where the 1st Gap initiated from in the direction of the move that is 1180 Target (See chart and Analysis below)

Last weekly gains of 10 points on SPX, there was no Buying power evident. Money flow shows no sign that new money has re-entered the market. The liquidity pumping needs to levitate the Market back away from this congestion zone.

Most of easy calls in the Market comes from when we don't have to overthink or second guess the Market indicators. Hidden Market Math is outstanding method to Identify the Fear and Greed which results in turns within the CZ. We have TABLE below of Math sequence to assist us in the process.

In our chart summary below we have charts in RUSS, NASD that supports our POM 14 re run view. Our granular A/D oscillator is priceless in sudden huge rally and conventional 50 D , 200 D Breath oscillator should be in harmony for confirmation .

IMPORTANT CHARTS - LT (Long term Chart section) we have our Feb 2009 chart from our Archived commentary v/s today SPX Projection 875 . This has some interesting conclusions.

Best Seasonality days in November – December – These historically produces 50% of the entire Seasonality gains

- **POM's impact within the Positive seasonality turns**
- **31st Oct – 4th Nov – Failed seasonality.** (On 31st Oct we were at POM 14 in contradiction with Season . POM 14 projected this failure was coming and it certainly did).
- **22st Nov – 2nd Dec – Gained Seasonality, SPX Began @ SPX 1191 to 1244 = +4.4% ,** (On 22nd Nov we were at POM 13, this call coincidentally was in line . It projected the bounce was coming and it certainly
- **Next to come –**
- **21st Dec to 23rd ,**
- **28th Dec – 30TH Dec**

(We will monitor these as they come)

- ***Much of our charts, Analysis, Indicators will change when POM changes till then we may sound like broken record but our focus continues to remain on Risk, Profits, Market turns.***
- ***For more Justification for our current Market Calls and Price Path Analysis , Refer the “ Detail Chart Section “ within this Report***

SPX v/s QE3 – Projection - CHART

- SPX – 2012 - QE – 3 v/s POM 14 – Analysis – **PLAN B, C**

SPX - SHORT TERM – Analysis

- SPX – Hrly Poly Trend & Wave Analysis
- SPX - Wave Projection Analysis
- SPX - DMA & Trend Analysis
- SPX – Internal Numerical sequence within POM 14 – CZ
- SPX – 3 Gap Play Analysis
- SPX- Lunar Cycle Projection
- IWM - Poly Trend Analysis (**January Correlation Lead Indicator**)
- QQQ – Poly Trend Analysis (**NASD – the lead dog**)

SPX - MID TERM – Analysis

- SPX – PEC –D
- VIX – SPX Ratio
- A/D Line - Oscillator NH / NL
- A/D Line – 50D – Bullish Bearish Ratio Breath
- SPX –Calendar Cycle
- SPX – Bradley Cycle
- SPX v/s OIL - **CORRELATION RATIO Analysis with other Markets**
- SPX – **EXTREME SENTIMENT indicator – NONE (3RD Party)**

SPX - LONG TERM – Analysis

- SPX – 2009 Bottom @ 680 Trigger Projection
- SPX – 2011 – Current – 875 Projection
- SPX – EMA Cross with PPO
- A/D Line – 200D – Bullish Bearish Ratio Breath

SPX – 2012 - QE – 3 v/s POM 14 – Analysis – **PLAN B, C**

QE3 v/s SPX Commentary

If QE-3 initiates the Price move extension we have Plan B and Plan C for any desired participation. The conclusions of past two QE's 1,2 v/s SPX are defined below.

Power of QE-1 in 2010 - POM 15 (Net Short) - in “Triangular Top” - Crashed the Market 1000 Point in 1 day.

Power of QE -2- in 2010 – POM 14 (Fully Hedge) - in“ 3 Drives to the Top” – extended 4 months - and then came in nasty decline towards the end of February to wipe all gains .

If on 13th December if we Trigger QE-3 , under current POM 14 Regime . The extension could be in the form of Pattern similar to QE-2 “ 3 Drive to the Top” & rolling top but we think it will NOT last for 4 Months as in case of QE-2 . It should have life of max 2 months in Time or less . Triangular Top requires complete different inertia. (We'll save this discussion for another day) . In Terms of Price Termination Cap . The Cap could be 1350 -1375 (Indicated in yellow below) unlike what we witnessed in QE-2. Market internals are much poor now then during time of QE-2.



SHORT TERM - Analysis

SPX – Hrly - Poly trend Analysis

- Indicates churning with CZ – 1251-1270 of POM 14 . We think on completion of this price move , We should have a leg down .
- Notes within the chart highlights the A/D Oscillator needs to breakout to justify move higher.
- **Close below 1235-1230 should Trigger Day Traders Sell Program**



SPX - Daily Internals for the week within the POM 14 – CZ

Market's internal numerical - Conclusion supports POM 14 re Run – **MOST IMPORTANT**

Once the Market is in its own CZ and POM is triggered. We are constantly lining up all (15) Matrix in proper realigning of numerical to achieve balanced Arithmetic Progression and Harmonic regression in the Proprietary way .

This proper summation results into for +ve and –ve force which results to initiate Market's Price displacement.

Daily Market Statistics	02/12/11	05/12/11	06/12/11	07/12/11	08/12/11	09/12/11
S&P 500 (SPX)	1244.28	1257.08	1258.47	1261.01	1234.35	1255.19
Futures Premium	-0.78	-2.08	-3.57	2.99	1.65	3.61
Advancing Issues	1859.00	2377.00	1537.00	1599.00	415.00	2609.00
Declining Issues	1188.00	685.00	1487.00	1408.00	2630.00	442.00
Total Issues	3138.00	3135.00	3124.00	3129.00	3113.00	3132.00
Up Volume	498122.88	761036.63	392725.27	561383.11	27318.50	744224.74
Down Volume	357138	127252	396818	389532	900023	65920
Total Volume	872705	892695	801869	968397	930435	819218
New Highs	115.00	120.00	79.00	88.00	83.00	86.00
New Lows	14.00	8.00	13.00	13.00	19.00	18.00
Arms (Trin)	1.12	0.58	1.04	0.79	5.20	0.52
Closing Tick	295.00	128.00	-240.00	23.00	44.00	541.00
CBOE Put/Call Ratio	0.98	0.97	0.85	0.89	0.96	1.20
VIX	27.52	27.84	28.13	28.67	30.59	26.38
Odd Lot Purchases	2657022	2809622	2657915	2915901	2915901	
Odd Lot Sales	1186739	1639973	1171427	1386066	1386066	
Odd Lot Short Sales	1484473	1299641	1498817	1533744	1533744	

SPX - Intra- day

Breadth & Volume

NYSE	NASD	Indicator
5.926	4.556	Adv:Dec
0.659	0.591	TRIN
41.695	52.648	BetterTRIN
8.992	7.712	Up:Dn Vol
89.990	88.520	%Up:Up+Dn Vol
91	44	New Highs
17	40	New Lows

SPX – “ 3 Gap Play on Upside ” Projection Analysis

The “ 3 Gap play began at 1180 & ended 1265. The Downside target of this Projection is where the pattern began 1180 (The key is we need 30% greater volume to justify VTO climax in between the trend) . as circled in red.

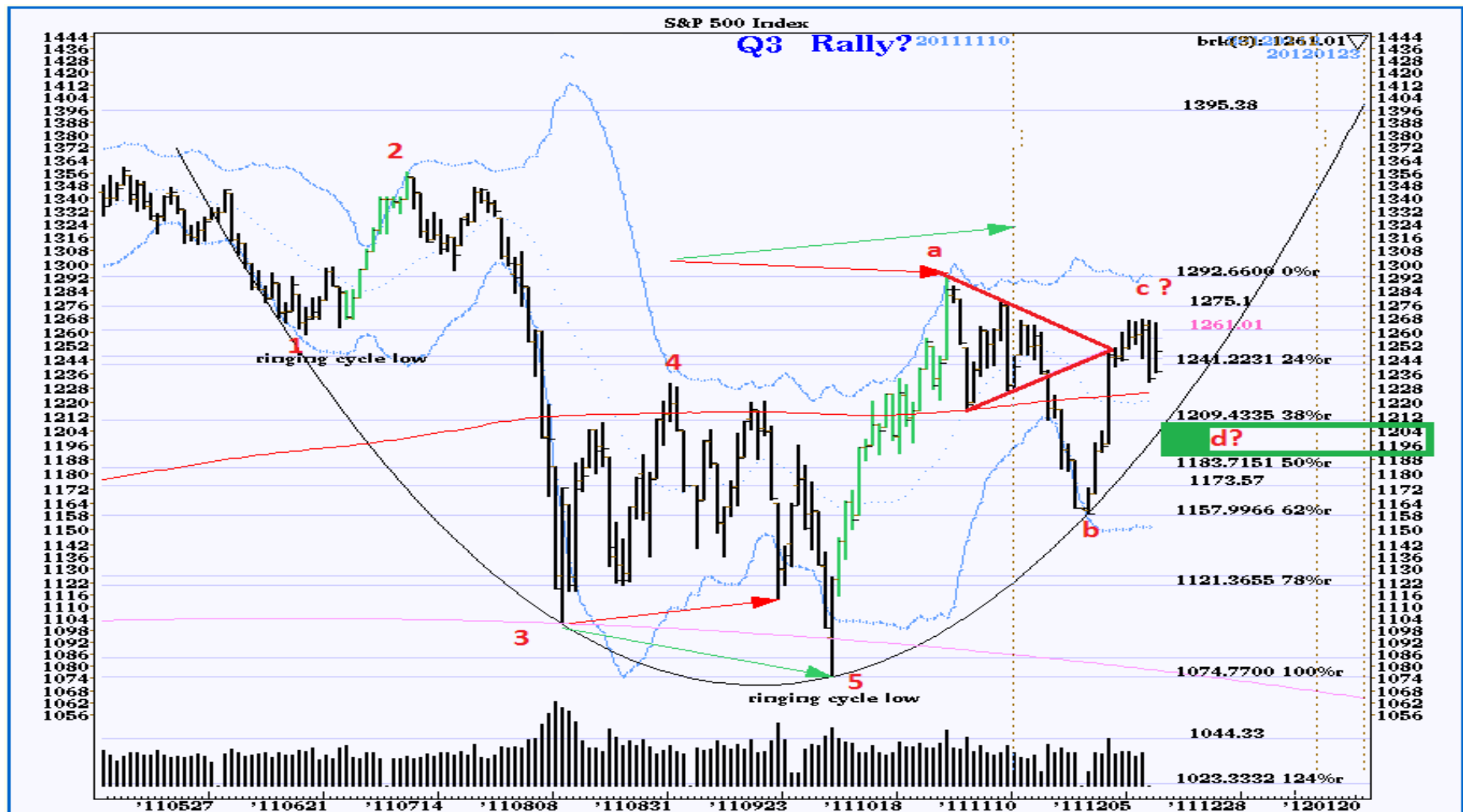
Earlier we had 3 Gap play on downside 1260 to 1160 which resulted back up again to 1260. Pattern work both ways



SPX – Wave Poly Trend Projection Analysis – QE – 3 Rally ??

Bear Case - So far Wave C has been Tacking well on bounce after (1 to 5) wave down . Now C is holding well at Triangulation breakdown with POM 14 – CZ .Wave D should be the next decline, to it should terminate around the CZ near Poly Trend Top 1100 in chart below.

Bull case - If Inverse Poly Trend (indicated) and D point – CZ 1205-1195 we could have go back to test 1270 (Poly Trend upward is plotted for QE-3 thesis.



SPX - Lunar Cycle Analysis

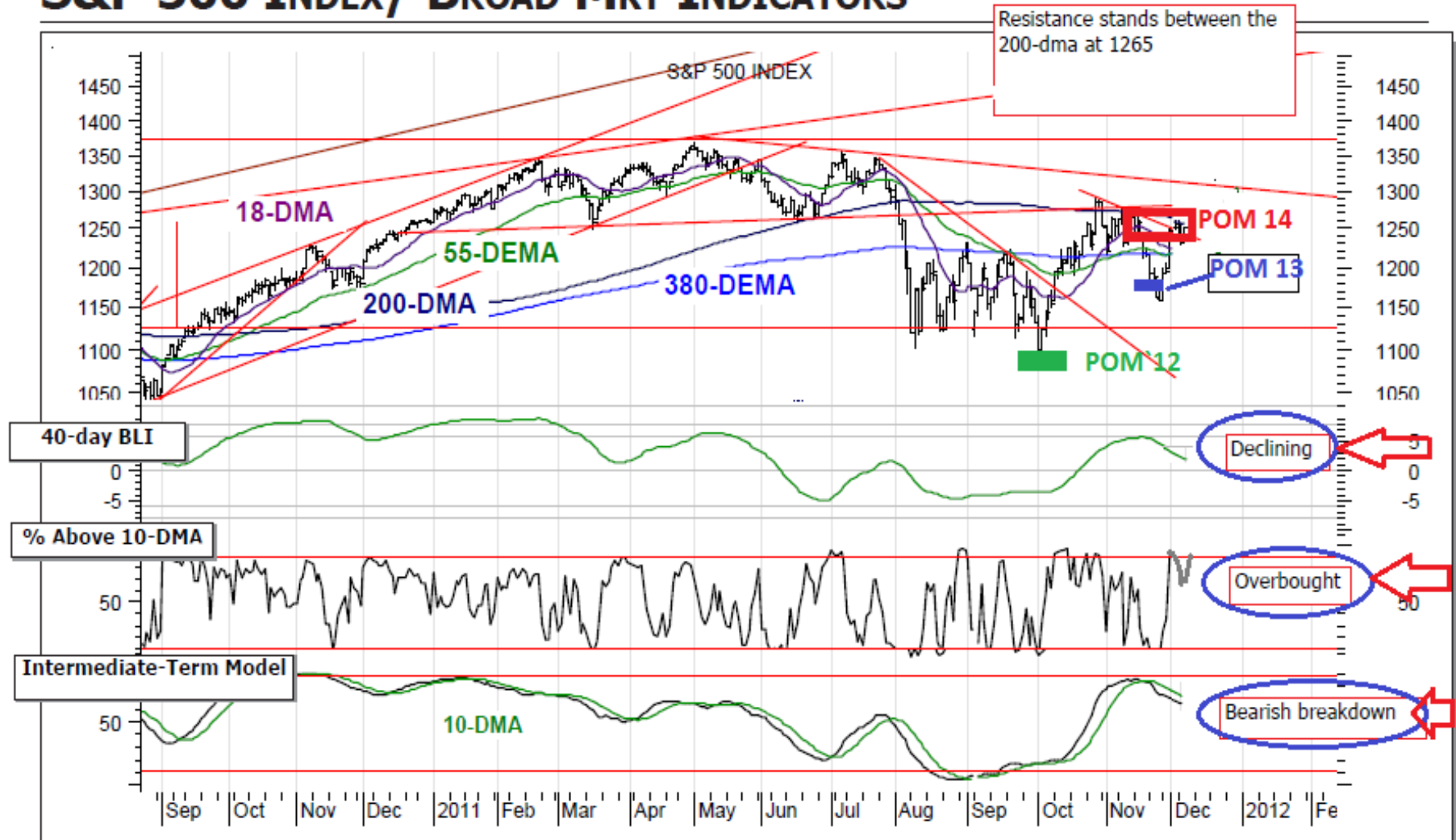
As indicated in our Commentary 10th December Astro dates. This has more value as we enter the CZ – POM's etc. Otherwise can be noisy.



SPX - DMA , Trend & Oscillator Analysis

As we stand now, On Trend and DMA analysis , the POM 14 is being tested from underneath - BLI is peaking and We see breakdown in Intermediate term indicators indicated with arrows in chart below.

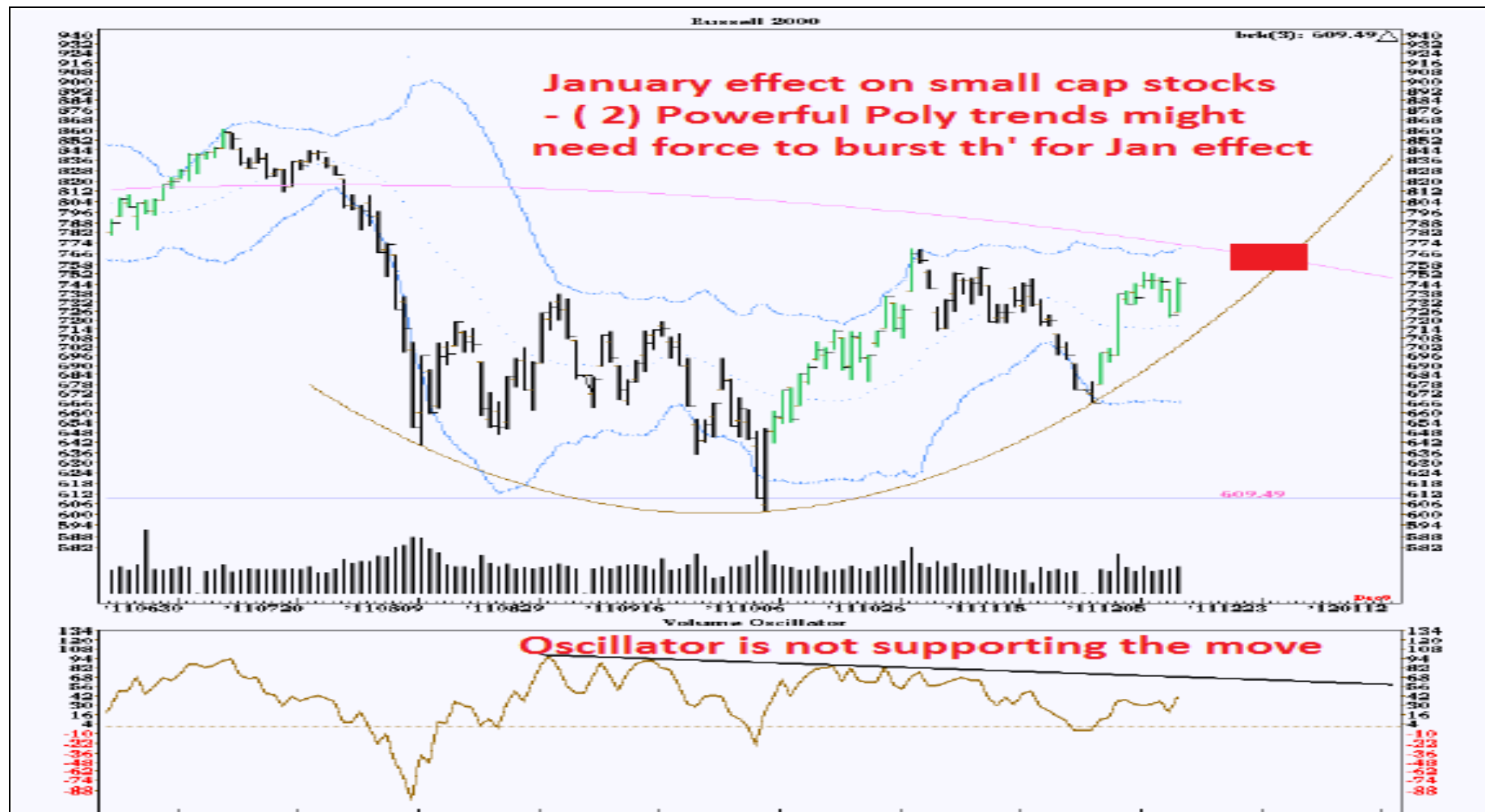
S&P 500 INDEX/ BROAD MKT INDICATORS



RUSSELL – Poly Trend – Pattern Analysis – Lead JANUARY Indicator

Small Caps has tendency of leading in January. *Important January barometer*

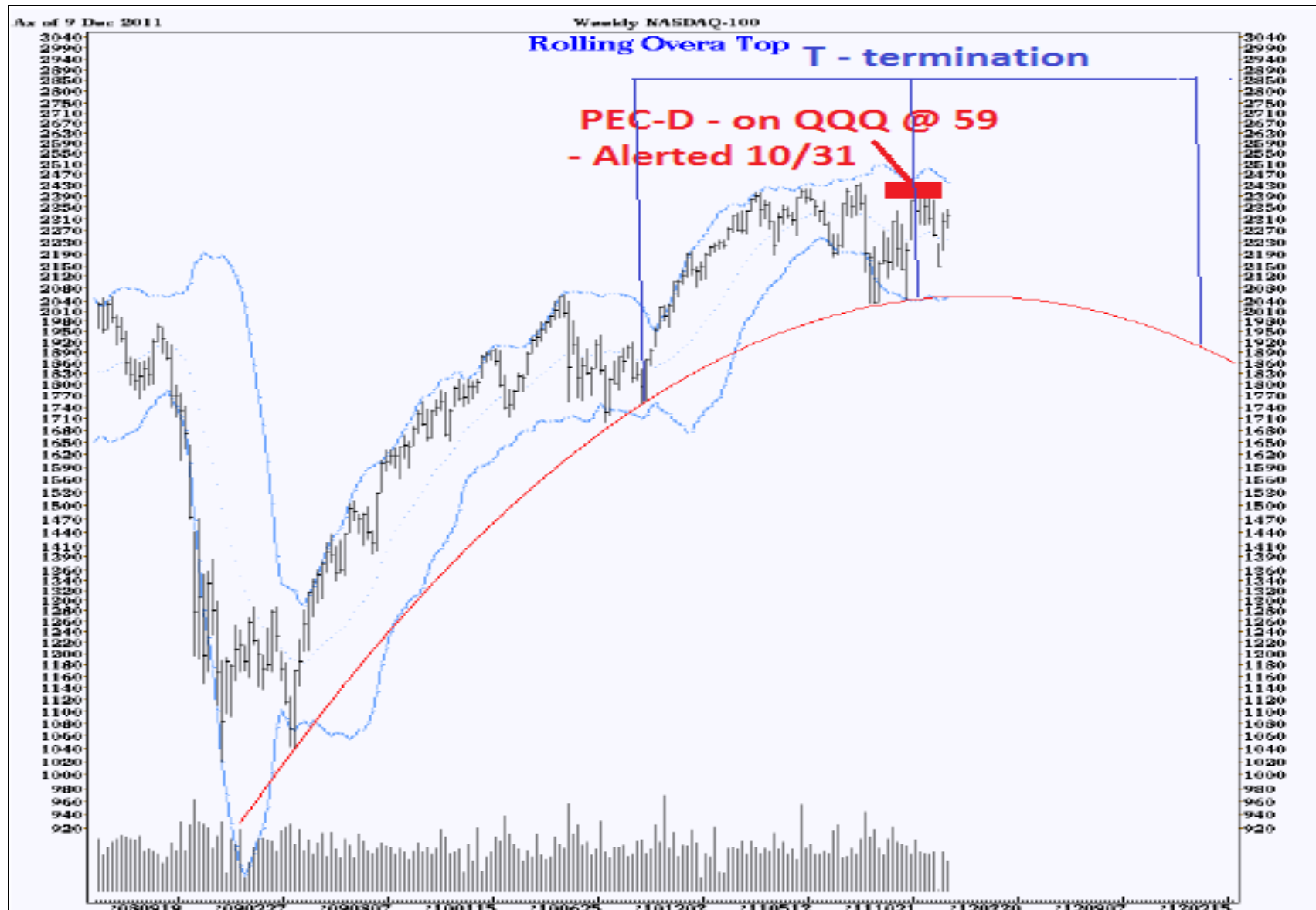
But we have 2 powerful Opposing Poly Trend (Wedging corner) in overhead Pricing within its CZ 75-77 . For any meaningful January effect, it needs to break through. The volume oscillator's attempted breakout was aborted . But, a pullback here could make another Run during year end up move .



NASD -100 (QQQ) – Poly Trend – Pattern Analysis – **Lead Dog Indicator**

Triggered top Alert 10/31 at 59 at POM 14 but on RERUN has lagged SPX considerably.

Most importantly, now Trading on Right side of Poly Trend with Time termination in effect on sloppy slippery.



- SPX – MID TERM

- Tiggered@ POM 14 Re - CZ 1252 - 1275

- **Our First downside Target is at 1205 -1195**

- **POM 14 oscillation ends at 1125 to end**

SPX – PEC D

PEC – D projection of 618/786 is converging towards 1270 we indicated in last weeks A # 1is in tact



VIX v/s SPY – CZ Analysis

CZ is around 26-27 and PEC- D Pattern is at 26. We think this area should hold on decline .

Completed Work could not be loaded – Tech prob

- Advance / Decline - Analysis
- Put / Call Ratio - Analysis

NOTE : Various derivatives of A/D lines is required for full assessment

Our A/D Analysis is based on 3rd derivative complex A/D Oscillator instead of conventional A/D Line , secondly it needs to be conformed by the % of stocks above critical SMA's divergences. Based on current market condition our observation points out the following condition

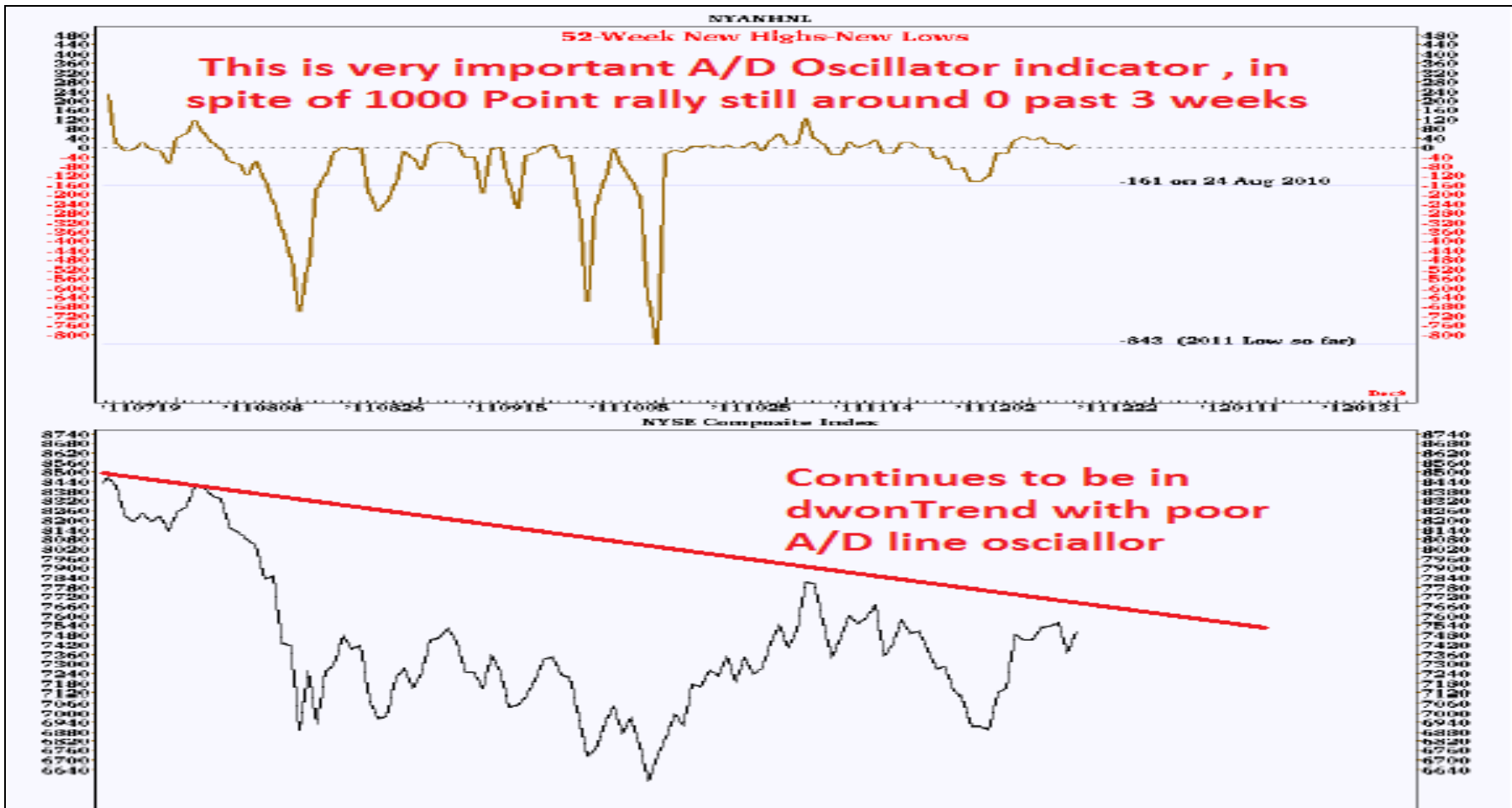
- A/D Line NH / NL Ratio v/s NYSE on Equities only - MID TERM - **NON CONCLUSIVE**
- A/D Oscillator Volume v/s NYSE on Equities only - MID TERM- (See below)
- A/D Line NH v/s NYSE on Equities only - MID TERM - **NON CONCLUSIVE**
- A/D line_% BULLISH Equity 200D / 50 D - in SPX BREADTH - MID TERM (See below)
- SPX v/s CBOE – PUT / CALL RATIO on Multiple Derivatives MID TERM **NON CONCLUSIVE**
- *PUT / CALL on 3rd derivatives . Put / call Quantity based v/s \$\$ based Ratio on 5 DMA rotated every 3 weeks @ 0.75 of the month on “Weird Wally Wednesday” prior to Expiration . It tends to work well to identify bottoms but not for ST Top . At the tops we prefer the \$\$ weighted Put / Calls ONLY it gives better signal by different method we use- which is not extreme yet).*

SPX – A / D Oscillator – NH – NL - **Very Short term - Bearish**

As we get to ground ZERO , this most important chart on A/D Lines / Oscillator process we monitor,

The zero line on our New High - New Low Differential Indicator has once again presented a brick wall to further potential rally. For a big rally to get started, we need to see new highs running well ahead of new lows.

The lack of leadership moving to new highs is indicative that NO new leg up appears to have gotten started, but just a large oversold bounce instead. A rally to the top of the range.



SPX – A / D - 50 D Bullish / Bearish Ratio – Equity Breath - **Bearish**

A/D Line of 50 D Equity ratio has reached 75 – 80 . This is critical area of topping in SPX . (See chart below)



- **SPX – LONGER TERM – (CAUTION)**

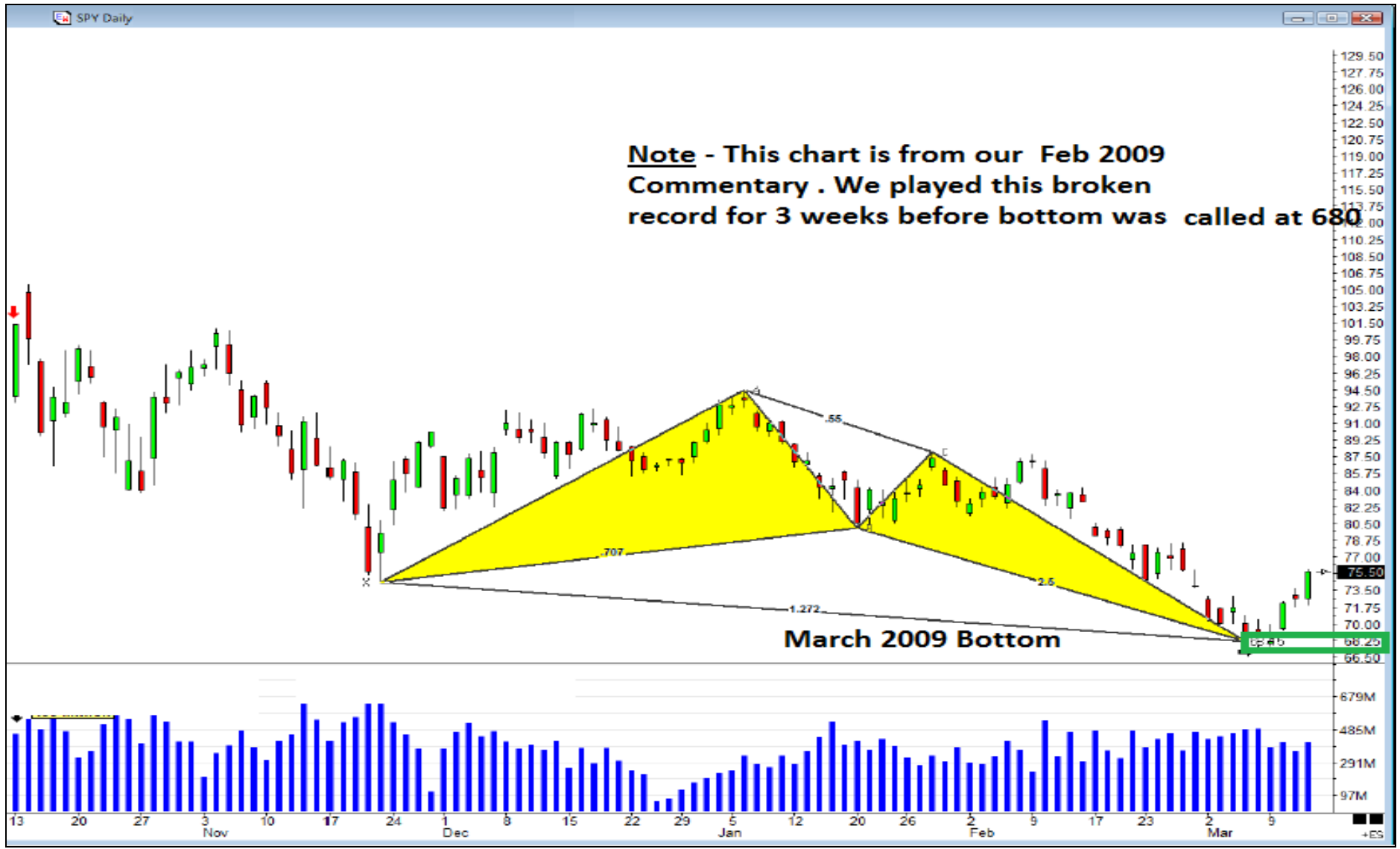
In spite of 1000 points rally - No Change from our Previous message & LT Charts

➤ ***Caution - we think the real decline would start initiated by 6 yr Cycle into 2014 based on the Charts and Indicators shown in Earlier message***

- ***SPX – 2009 FEB – Bottom @ 680***
- ***SPX – 2011 DEC – Projection to 875***
- ***SPX - EMA Cross with PPO***
- ***A/D Line -200D – Bullish / Bearish Ratio Breath***

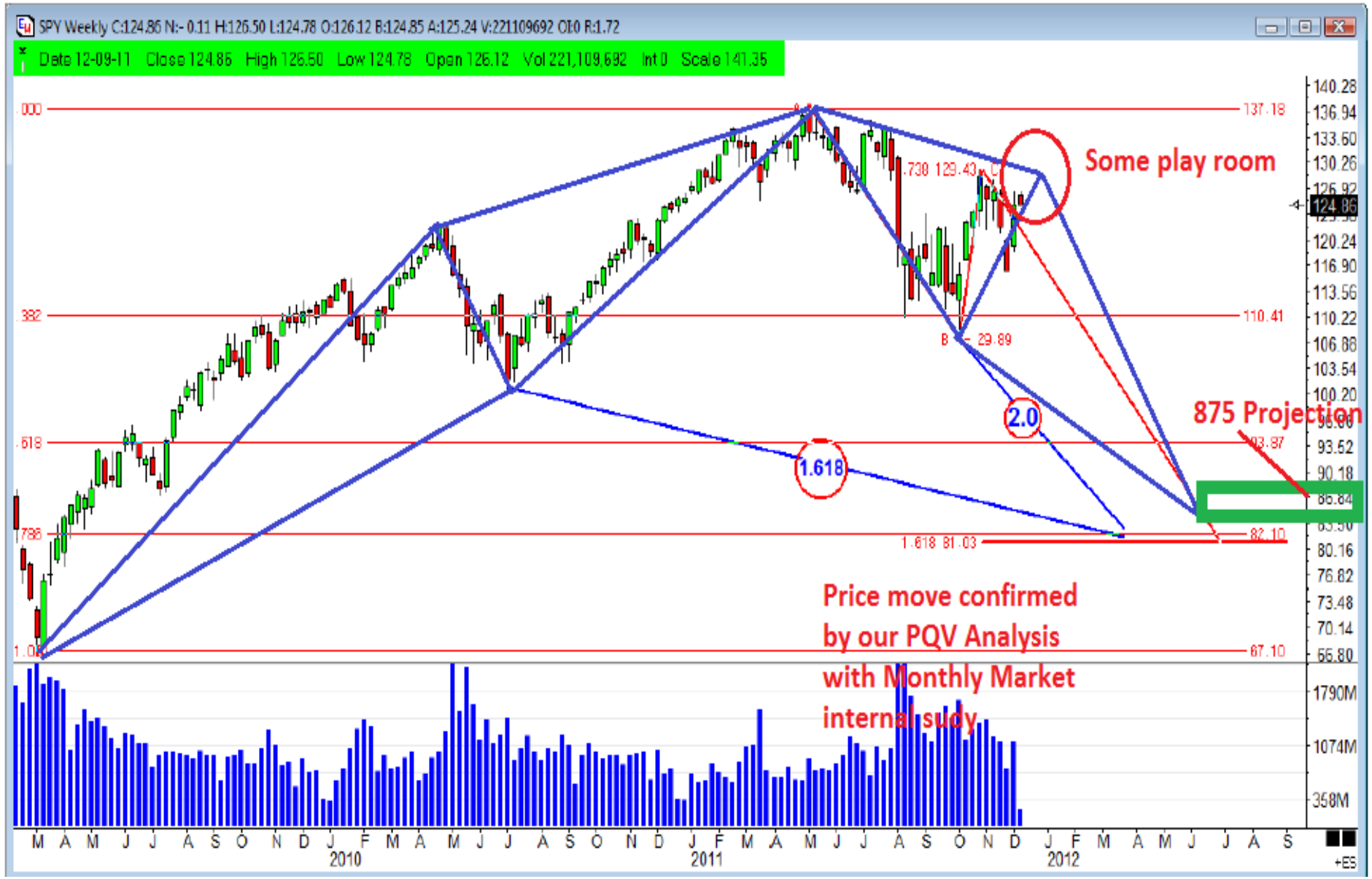
SPX – 2009 FEB -2009 – Archived

Notes within the charts.



SPX – 2011- DEC – Current

Our Projection remains at 875 confirmed by LT CZ- PQV and Market internals. (Refer notes within charts).



SPX – A / D - 200 D Bullish / Bearish Ratio – Equity Breath – **LT -Bearish**

A/D Line of 200D Equity ratio in spite of 1000 point rally past week, the Ratio is below 40. Since 2004 , We had 3 occurrence (indicated by arrow) This has resulted in massive decline in SPX . (See chart below) (**NO CHANGE BUT IMPORTANT CHART**)



SPX – WEEKLY – EMA – Cross – **LT - Caution** (Still valid Thesis)

In spite of 1000 point rally “ Bearish cross” is still intact , This suggest this market is very weak . Long term 2000 to 2011 - the Indicator suggests the Large decline in SPX has began



Cycles - Inter market Analysis

SPX v/s OIL (Still valid Thesis)- Oil prices above 95

Oil prices are back above 95 . Every time it exceeds 95 , the correction is due in SPX . We are currently in the similar situation .

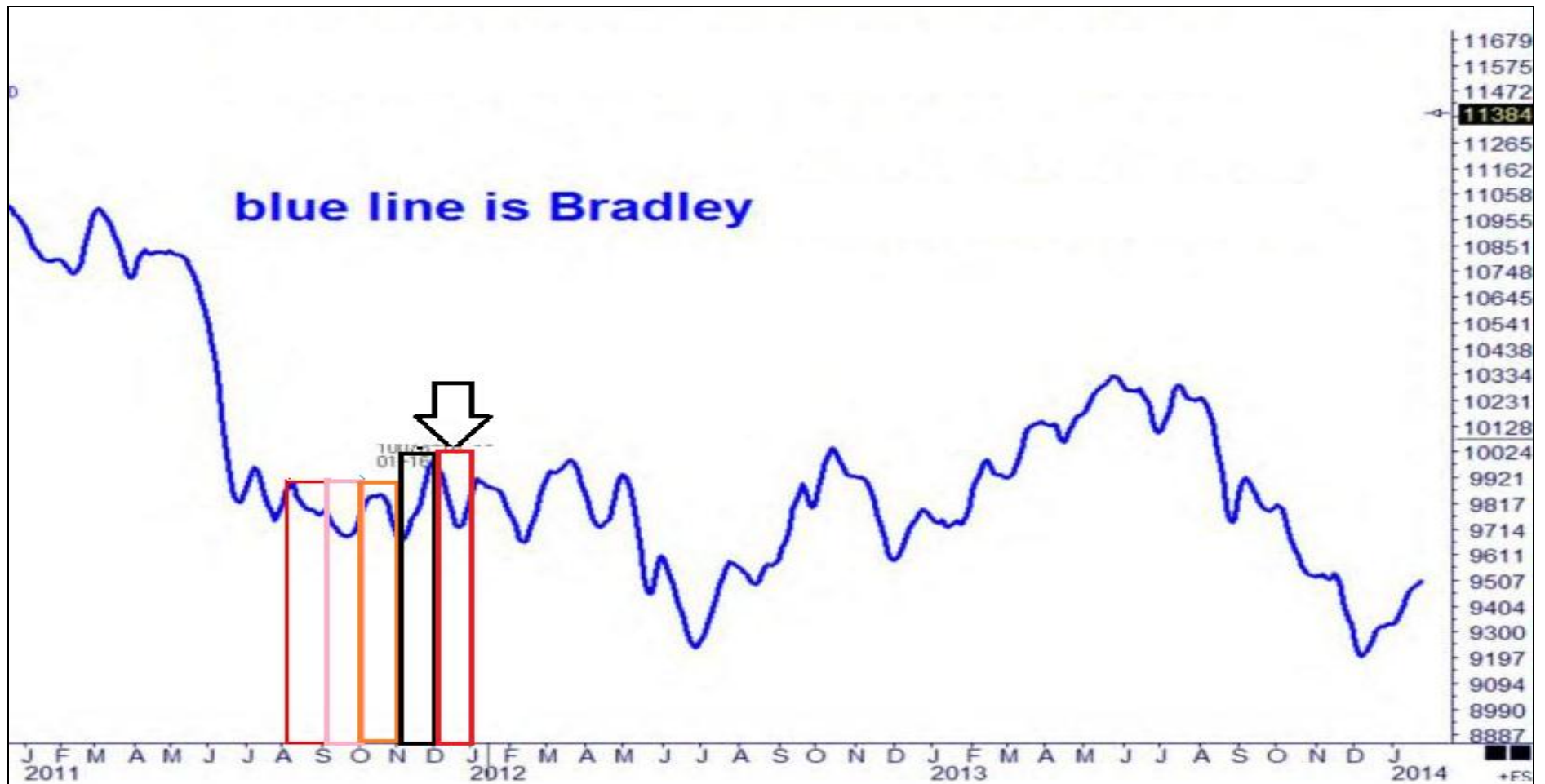


- **Time Cycle SPX**

Our Time - cycle Analysis is based Seasonality, Calendar events, Astros Harmonics, Geomagnetic (including Bradley Model) & T – Termination. Based on current market condition our observation points out the following condition

- **Bradleys - Cycle dates –**

DECEMBER is expected to be Down (wait and see)



- **Calendar Cycle - Cycle dates – Historically**

December is expected to be up (wait and see)

- **EVENT 1** - 8th Jan also coincides with CITI Group study for **Major market top 2011-2012**
- **EVENT 2** - 2011 is 3rd year of the presidential cycle and **historically has positive returns**
- **Our own Study for January in (2003 – 2006) Uptrend & (2007 – 2010) Sideways Market.**

From 2003 - 2006															
Bull Run															
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	
	Average	-0.25%	0.36%	-0.40%	1.41%	1.55%	0.73%	0.57%	0.76%	0.72%	2.07%	2.43%	2.37%	13.00%	
From 2007 - 2010															
Bear / Side ways Run															
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	Average	-4.24%	-3.45%	3.71%	4.99%	0.36%	-3.94%	2.53%	0.28%	1.71%	-3.44%	-1.60%	2.06%	0.32%	
Average		-2.25%	-1.54%	1.65%	3.20%	0.95%	-1.60%	1.55%	0.52%	1.22%	-0.68%	0.42%	2.21%	6.66%	

EXTREAME Sentiment Analysis (3rd Party Data) - Courtesy :

SENTIMENT TRADERS

NONE @ EXTREMES

- % Sector Extremes - **NON CONCLUSIVE**
- Rydex Bull / Bear – Leveraged Ratio - **NON CONCLUSIVE**
- Rydex / Money Ratio Indicator - **NON CONCLUSIVE**
- Smart / Dump Money Ratio Indicator - **NON CONCLUSIVE**
- Down Pressure on SPX Indicator - **NON CONCLUSIVE**
- ISE Sentiment Index – **NON CONCLUSIVE**
- Investors Intelligence Bull / Ratio - **NON CONCLUSIVE**

. Cycles - Inter market Analysis

- **SPX v/s \$ COPPER - Coverage in C # Commodity Report**
- **SPX v/s OIL - Coverage in C # Commodity Report**
- **CHINA v/s \$ COPPER - Coverage in C # Commodity Report**
- **SPX v/s USD - Coverage in B # Currency Report**

Appendix Content

- **SPX – POM Signals History for 2011**
- **Trading & Investment Conclusion History 2011**
- **Objectives & POM /CZ Guidelines**
- **Guidelines for Full Utilization of “ SP” Report with Limitations**
- **SPX – 52 Weeks Chart with POM Signals**
- **SPX- POM – “ Price Oscillation Model “ Criteria**
- **SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria**
- **Definitions of Extreme Sentiment Indicators**

- **SPX – POM Signals & Price Projections History 2011**
- **Trading & Investment Conclusions – Start point 1257 (1ST Jan) – YTD –Flat**

- **POM 15 - Net Short -- **None Triggered in 2011 - (Total points gains = 0)****
- **POM 14 / Re - Fully Hedged -- (Total points gain = -88+ 85+ 97 = + 94 = +7.4**

Last Alert (Open Position) - SPX - POM 14 re- Triggered (12/02) at 1251 (Fully Hedge Position) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)

- **Alert - 3^d May @ 1370 - POM 14 Re run to POM 12 – Alert 6/23 to 1273- POM 12 Trigger = 97 points gain**
- **During POM 14 regime - Recycle partial capital to Trade from Bullish CZ to CZ - whiles the bigger Trend kicks in**
- **POM 14 Re Run @ 1335 on 3/01 to 1250 on 3/16 = 85 points gain (from 1250 dt. 3/16 to 1370 dt 3rd No Signal)**
- **1st Jan @ 1257 to 2/17 @ 1345 = (-88 loss) on stretch extension**

- **POM 13 - Risk Management Hedges - (Total decline saved) = 71+140 +70 = + 281**
(Proportion of Rebalancing Beta & Net Exposures to be based on individual Portfolio Objectives)

- **Alert – 09/ 01 - POM 13 (@ 1220 to Trigger on 10/4 Price Projection of 1080 (POM 12) avoided decline of 140 points –**
- **Earlier- Alert – Triggered on 7/08 - POM 13 (@ 1346 & avoided decline_till CZ @ 1300- re-entry = 46 points & then (STOPPED OUT @ 1285) = (-20 points) & then avoided further decline to 1240 POM 12 Re Target = (45 points) = 46-20+45= 71 points**
- **Risk Management Signal -SPX - POM 13 – Triggered (11/22) at 1188 . The following AM 11/23, the Market opened with Gap Down to 1178. Position Rebalanced at 1251 on 12/02 POM 14 re Run = 70 points**

- **POM 12, POM 11 - Net Long – - (Total points gains = 75-20+79+123 = + 257**

- **NET LONG 4 - Alert – Triggered on 10/04 - POM 12 (@ 1080) NET LONG- Closed on 10/11 @ SPX 1192 (up 10.3% or gains of 112 (2/3 position) & Balance 1/3 @ POM 14 @ 1226 on 11/01 = Avg 123 gains points**
- **NET LONG 3- Alert - on 8/09 - POM 11 @ 1117 – for NET LONG for target to 1196 (where it Nullified POM 11 liquidation Signal) for = +79 points gains - Alert announced 8/11 for reversal**
- **NET LONG 2 - Alert - on 8/03 POM 12 re run @ 1240 – to POM 13 – Triggered @ 1220 Alert - 09/01= (-20 points loss)**
- **NET LONG 1 - Alert – on 6/23 POM 12 @ 1273 – for NET LONG for target to 1348 POM 13 Trigger on 7/08 Alert = 75 points gain**

• Objective & POM / CZ Guidelines

Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is Unidirectional Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

- *SPX acts as Risk Benchmark for all the other Markets (Key US Indices & Key Global) , these Markets gets priced off SPX- Risk (in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our A # 2 – MS Report focuses on Broader Indices and Global Indices.*
- *All the Broader Indices tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger CZ – Validation for NET SHORT.*
- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*
- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Objectives and Risk tolerance*
- *POM Conclusions to be cross verified by other methods prior to final decision*
- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix below*

➤ Key Points for Full utilization of SP- Reports

- Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness

- At Top down Level – Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .

- Rebalancing Pre Planned procedure at Triggers – “ Rebalancing % of Overall Position Sizing” , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.

- Key points for Risk Management

- Hard Stops around CZ's

- STOP SELL- “ early warning Alerts” in fast moving markets, Over night Day / Night (IST) time delay Risks.

- Cross verification by Other Methods

Computerized Daily Monitoring, CZ Triggers, Timely PQV validations

- 2. CZ – Tracking

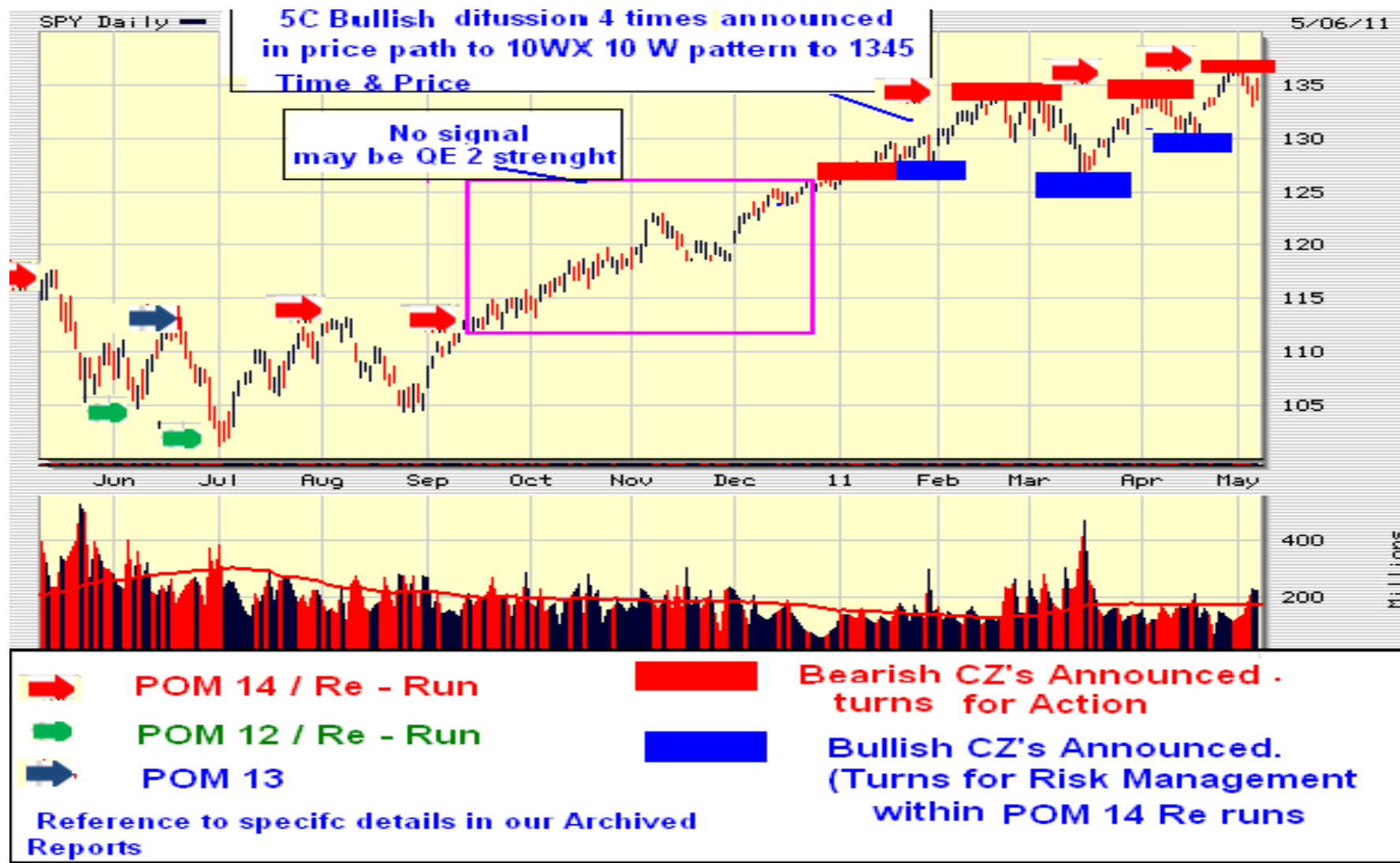
- Programing - “Time/ Price Displacement, Supply / demand Activity Bar Analysis” –

- At “Institutional Grade - Price , Volume with Time Integration

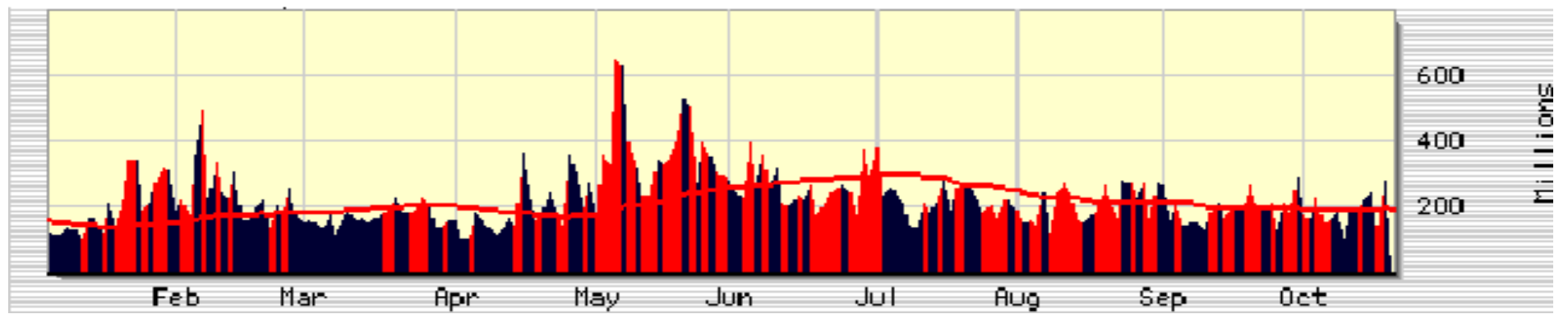
- Supply / Demand Activity bar Analysis – Real time.

- Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers

• Past 52 Week - POM / CZ - SPX Signal - updated 7th May 2011



• 2010 - POM - SPX Signal



POM criteria for Implementation on SPX

- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional ‘New Buys’ that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

• EXTREAME Sentiment Analysis (3rd Party Data)

Courtesy : SENTIMENT TRADERS

Our Sentiment Analysis has “Intermediate & Short term” composition. We evaluate (8- 9) Indicators for sentiments out of which some are working well for Short term and other for Intermediate terms These are either Numerical Indicators as the Investors sentiments is expressed through purchases of the market

Rydex flow, Insiders activity. The Emotional / Survey sentiments we track Investors Intelligence sentiment Advisors sentiments. etc. All these are Integral part of POM composition ,

Our Behavior Indicators Commercial Hedges , AAll etc Sentiment Indicators, Insiders activity, Speculation activity,

Based on current market condition and the probability of Indicators we point out the EXTERME INDICATOR ONLY as a observation points.

- **Daily SPX - “ Trend Adjusted Signal”**

- **3x3 /9EMA – Break Indicator**

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close

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