



SG Capital Research

Global Market Insights

**Research Note – Market Strategy – MS Report (A# 3) – STRATEGY & PROP Analysis ( SP)**

**MAEG- MARKET STRATEGY- MS Update # SG 2012 # APRIL\_16**

***For Immediate Release – Monday PM (EST)***

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## **Market Strategy – MS Update (A # 3) - (SP)**

- **Weekly - SPX – Closed @ 1370 ( -2.0 % )**
- **YTD - SPX – Closed @ 1257 / 1370 ( change + 8.9% )**
- **Last Trigger Signal - SPX – POM 15 – NET SHORT @ 1375 / 1370 ( change Flat )**

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# ● 1. Executive Summary

## Current Signals

**SPX – POM 15 – ( NET SHORT Position @ 1375 Triggered with scale in at 1415 - **STOP 1425** ) **revised**)- “Trading Market “POM Rating**

**GOLD – POM 14 ( Partial Hedged LONG Position )- “Bull Market” POM Rating**

**BONDS – POM 13 ( NET LONG Position) - “Bull Market “ POM Rating**

## SPX

Past week SPX closed the week down (**- 2.0%**). All the underlined conditions of POM 15 still remains intact for “scaling in” based on Portfolio Objectives. **We are positioned with Core position at 1375 and scaled in position that was stopped out at 1400, targeted back into the Market on test of 1415 -1425 (Hly. PEC-D completion with key reversal at 1415) as a part and parcel of scaling in process plan defined in previous messages.** If NASD continues to fails further along with AAPL, it would provide better confirmation for the setup. If we get 30M and above on downside volume , then it should be clear of the weakness.

**Participation via weaker instruments** – POM 15 signal has been clearly working . EFA ( World Ex US) has been a Proxy for the world Markets and a leader on this decline post POM 15 Trigger along with several Counties DAX, FTSE, BZL, EEM. Moreover Bearish Segments NYA, IWM, DOW and Sub Sectors XLE, IYT, SMH, XLI, XLB, CRB, DBB etc. has shown weakness from suggested CZ Price targets & its corresponding prices at POM 15 . NASD & XLF has moved higher than our Projected Price Targets of its individual CZ of POM 14 / POM 15 corresponding prices . They were both late convertors from Bearish to Bullish setups and now appears risky

ABC down on this leg is to 1345-1355- in progress but Our First meaningful downside Price Target on this current Trigger is CZ 1310-1290 . If Breaks below with PQV, it would accelerate the decline to CZ 1260-1240 . Overall, The Price Oscillation SPX at @ POM 15 has the Natural Oscillation price target around 1125.

( certainly not in straight line) . we should see several POM 14 & POM 13 – Risk Management spots in between the decline

Currently , We might appear bearish for Net Short & rightfully so since POM 15 , but once our Indicators change to Bullish on Risk reward basis we would jump on Bullish case as we have done in past Trend changes.

**BACKDROP - On 2/29, - email Alert at 1375** – We reached the point of **NET SHORT - POM 15 – Rating to “scale in” based on each Portfolio’s Objective and rebalancing criteria.** Upon our trigger at 1375 SPX we began SHORT SELL Process to 1415 . Our Previous Trigger 1/26 - 1325 –SPX for Full Hedging / Raising CASH ( as case may be) was completed.

### **OUR POSITIONS-**

- **NET SHORT** - On 2/29, We scaled in partial core position into POM 15 – NET SHORT @ 1375 to 1415 as a part and parcel of scaling in process with Stop 1425.
- We remained fully Hedged Or / Raised Cash at POM 14 Re – Run ( with DELTA NEUTRAL) . ( 1/2 core position @ mean price 1300 – CZ and 2nd (1/2) recycled – Floating position @ 1325 - via – Alert 1/26 ( rebalanced thrice in market gyration from POM 14 to each POM 13 since Oct lows).
- The average 1290 price for Fully hedge or Exit for Cash in these positions , that were entered at POM 12 @ 1080 & recycled POM 13 @ 1165 , completed RA/ RI move for great Profit (captured 245 points( 22%) which included all the early gains in Oct, Nov, Dec and Partial Jan. v/s SPX has rallied 320 points ( 29%) from Oct 2011 lows. Overall Model captured 70% of the total gains specially early gains within this trend.

## **PLAN B – For Aggressive, New & Overweight Positions**

*For Aggressive New / overweight POM 15 Positions at POM 15, STOP at 1425 – Risk Management ). for Aggressive Positions,*

*We had first sign of weakness come out of this market with volume Under POM 15 Regime . At this Juncture since most of the Short Term , Mid Term Patterns, PQV Validation, Market Internal study projects the downside Risk. Our Focus is only VIX / VXO Analysis rallied quite a bit and final TICK & TRIN Numbers which are terminating.*

- For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report*

## US BONDS (TLT)

TLT has continued its rally from past week. POM 13 lows CZ really showed the power of its successful test. On weekly close performance it is Bullish on price rejections. We are currently at POM 13 (@ 111) with projection towards the test of previous POM 15 @ 124 Bullish Top highs that was set on 4<sup>th</sup> Oct 2011.

We raise our Stop to our POM 13 Price ( 111) and then subsequently raise STOP \$1 for every dollar move beyond 113 price point, Keeping \$2 differential on STOP. TLT should be in good shape for next leg up .

**Bigger picture - US Bonds.** have been in 30 yr Bull Run, In general when any Bull Market Triggers POM 15 ( which TLT did in Oct 2011) then it suggests the last stages of bull market . We have noticed such scenario in Bond Market. Now a typical Re test of previous POM 15 ( Bullish Top) is part and parcel of Price Path.

Once this POM 15 is re tested with secondary Bearish Top and invalidated with PQV, it would signal a beginning of Termination Process , Momentum, and the end of the Bull Market .

**Our Position - TLT is at POM 13,** since 10/27 (CZ – 110-112). It has initiated ABC up towards 124, we are in midst of this move . If this move higher occurs it could very well put pressure on SPX due to its inverse correlation & flight to quality. **ALERT – Risk Management below 111 – Re adjust the Trail** ( or STOPS based on Portfolio's Objectives).

# GOLD

GOLD upon reaching our suggested bounce target of 1660 reacted with selling as expected . Our Price Projections CZ 1650-1620 for Tertiary test is wide open , earlier it reacted Violently during its secondary test in Bearish manner still creating more bottom heaviness on PQV Validation suggest valid break downside. and likely hood to ABC down to break the lows of 1620.

We need a proper / methodical successful test of lows ( which has not happened yet ) .If it does then it would set up Bullish entry for next ABC up and not just a bounce.

Since PQV is invalidated at CZ 1650 -1620 TEST, the eventual downside projection is 1560 as Next target completion of PEC-D and near the next CZ 1560-1530. And should set up great Risk reward . It could very well be POM 13 at that time .

GOLD at current price is much closer to the Bottom Zone then to the Top as we were at 1775 – POM 14. After correcting 150 points., surely great place to cover hedges put in at CZ 1775. .

We think the downward move from 1610 to 1560 decline may be one of the fast price destruction move. In typical Bull Market move, Pull back tends to give fast Price destruction to finish the move. & does not stay down longer on Trigger

Current inter market Analysis theme , USD is on another ABC up from 78 –( key reversal ) from our pull back trigger. Now move is targeting towards to 82 – Bullish Top . This is pushing GOLD down as expected . Till this ABC up in DXY is finished, GOLD needs to be watched carefully.

**PLAN B - Chart below has been Analyzed based on some justification to our thinking. If on cross verification by other Methods, it warrants entry at current prices then Practice – Risk Management with STOP under 1610. Aggressive Funds with quick fingers may play this bounce as well or accept the DRAWDOWN till next CZ level before reversal**

## **BACKDROP –**

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 to CZ -1650-1620, a decline of 155 points

**For Floating position - On 3/06, - Last email Alert Our Action** was to Cover Hedge Position Triggered at CZ 1775-1750 failure , for decline towards 1668 to lock in gains & wait to add Longs .

Currently GOLD remains, at Bull Market POM Rating - POM 14 which is Partially Hedged Long Positions Triggered within CZ area of POM 14 . Failure in this Zone provides best Risk Management opportunities during the ST GOLD declines within larger LT up move.



# POM Signals , Trading Conclusions - Price / CZ Projection Summary.

A # 1 - MS Report	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
APRIL_16 -2012				
<b>SPX</b>				
NEW - POM 15 Target ( 1375)	BEARISH	1375 & 1415	1345-1355	TRIGGERED ( NET SHORT) - Scale in Partial (Fully Hedge or Cash)
POM 14 Target Reached (1290-1310)		1325	1310-1291	
MID-TERM (last) - POM 13 (1180-1165)		1290-1310	1260-1240	
LONG-TERM ( last) POM 12 ( 1080)		1290-1310	1125	
<b>GOLD</b>				
SHORT-TERM (last) -POM 14 - Last 1775	NEUTRAL	1668	TBA	Decline from 1775 to 1668 was met with 140 points decline
MID-TERM (last) - POM 13 (1575-1550)	BULLISH	1650-1625	TBA	Awaiting for PQV Test validation
LONG-TERM (last) POM 12 ( 1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs
<b>TLI</b>				
SHORT-TERM	BULLISH		123	Consolidation ( RISK Management below 111)
MID-TERM (last) - POM 13 (110-112)	BULLISH	110	123	ABC up in Progress
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89	123	3rd ABC up in Progress
-				
-				
<b>LEGEND</b>				
	<b>Bull Market Signals</b>	<b>Trading Range Signals</b>		
	<b>GOLD/ BONDS</b>	<b>SPX</b>		
POM 15	Full Hedge Status	NET SHORT Status		
POM 14	Partially Hedge Status	Full Hedge Status		
POM 13	NET Long Status	REBALANCE BETA		
POM 12	FULL Long Status	NET Long Status		
Yellow color	Zone Triggered			
Red Color	Zone Exceeded			
NEUTRAL	Trading Range			
				<b>NOTE</b> For Detail Price Path Chart Analysis Indicators, Justification for our Conclusions, refer to the full Report for cross varification USE STOPS AROUND CZ's Risk Protection based on Objective

## • SPX – Market Commentary

*First decline from 1420 to 1360 on heavy volume , then the bounce as expected to 1380 PEC-D in the down draft on lighter volume PQV failure. This is ABC down in progress to 1340. We may struggle little bit at 1355 but eventually should break below it . The extreme readings in TRIN , TICK & PUT / CALL Ratio readings suggests these areas will be tested and eventually broken..*

*VIX - We had the breakout we were looking for to provide the best fear Catalyst. There is tremendous buildup of Potential Energy which will roll over to Kinetic energy .*

*Close below 1355 on daily and on weekly basis below CZ – 1365-1370 would indicate the Market is back in the Trading Range from April 2010 & May 2011 highs and the move above 1375 was false break top side. Negating move above 1375. Target to 1310-1290.*

*All the weaker IDX's in other Related Reports have underperformed SPX on this bounce providing second opportunity to Sell the rallies.*

*We expect to see the market correct into the midyear period, then start a new leg up that carries into Election. ( It could follow the Price path of EURO – COT Model)*

*Post POM 15, Most of the IDX – BROADER & GLOBAL continues to correct downwards trading range pattern as the seasonal highs are approaching next month. Coming up in the first half of April, we often see the first major seasonal top occur and this year is moving in tune with those same seasonal tendencies in April 2010, 2012.*

*The current Risk remains high — but that hasn't stopped the momentum from progressing through a host of extreme conditions and negative technical divergences . And given this risk, the probabilities still favor a correction of -5% to - 10%; first in short term and then rally back for secondary top & then Major decline. Cash on the sidelines shall rule when the real decline comes in.*

### SPX - ST - Cyclic Model (**Began to work**)

Last Lunar Cycle on 4/05 was FINALLY the Market Top after failing consistently for 5 Astro cycles. Most stocks topped in early February along with previous Astro cycles.

### The EDCOT Model Forecast, (**Began to work**)

This Model called for the market to top out in February and correct into June before staging another leg up into the latter part of November. After that, we should get a much larger leg to the downside by EURO Future Model.

### SPX - Geomagnetic / Cyclic Model (**Began to work**)

BRADLEY has put in a Top and suggest down for next quarter. We would respect Bradley turn quite a bit when most of the indicators line up with it. We have some examples of its Major turn at Tops in 2011, 2007 , 2010, 2011. **Note that past - 5 – Regular cycles, the Cyclic Model has failed. It did not impact the Market turn.**

The Geomagnetic Model has great effect for Trend Changing. Last time when it failed 3 times in row was on 15<sup>th</sup> Aug 2007 and Market broke down decisively once prices reached there on reverse turn.

### SPX - Seasonality Model

SPX – Closed the Month of March with approximately 2% gains meeting the past seasonality Profile of 2007-2011. Historically April too has a tendency of positive gains.

Historically since 2007 to 2011. Avg gains in April are very strong after down Jan / Feb & Gains in March. We shall see if April can beat the + VE seasonality of past. .

### **The Projective Indicator Forecast, ( Mid term - No Change)**

*The leading Mathematical indicators are in Sync and lagging indicators are going to react later after 1<sup>st</sup> leg down as it has done in past . The leading indicators, are telling us that softness in market 2-3 months and then rally. It completely mirrors the EDCOT forecast.*

*Having completed so many Major patterns Domestically and Internationally in Multiple cross verifications, this is certainly a Inflection point. . To put a final touch VIX being the key focus along with Daily finish touch of Tick, Trin reading are critical . Second critical point is after another sell off, the new ABC down should not be violated .*

*Overall Summation Index on SPX has turned down , VIX/ TICK – Ratio has reached POM 15 levels. Equally weighed IDX in SPX ( RSP) v/s SPX ( Cap Wt) has shown clear divergence.*

*McClellan Oscillator - SPY failed at May highs with termination pattern. SPY has moved higher and the McClellan Oscillator, RSI, CCI have both been declining . VIX/TICK ratio gets out of balance which is above .4 or below -.6 extremes. It has been in that range for 8 weeks*

*Our bearishness remains intact, Meanwhile continue to focus on “ Price Termination Process and importantly VIX / VXO Analysis . Overall, Math sentiment Indicators such as TICK, TRIN, PUT CALLS and The behavior AAll Sentiment past week) suggests the Momentum has kicked in with RYDEX Beta index of leveraged showing at peak levels. A/D lines measure by Oscillator of NH/NL, 200D & 50 D – NH/NL Ratio at extremes. SPX liquidity premium, OTC volume showing extremes. The Insiders Selling Reported by TRIM Tab is at historical highs. The Market move above 1290-1310 continues to be “fake out move” failed on PQV with 25% lesser on Monthly , weekly and daily .*

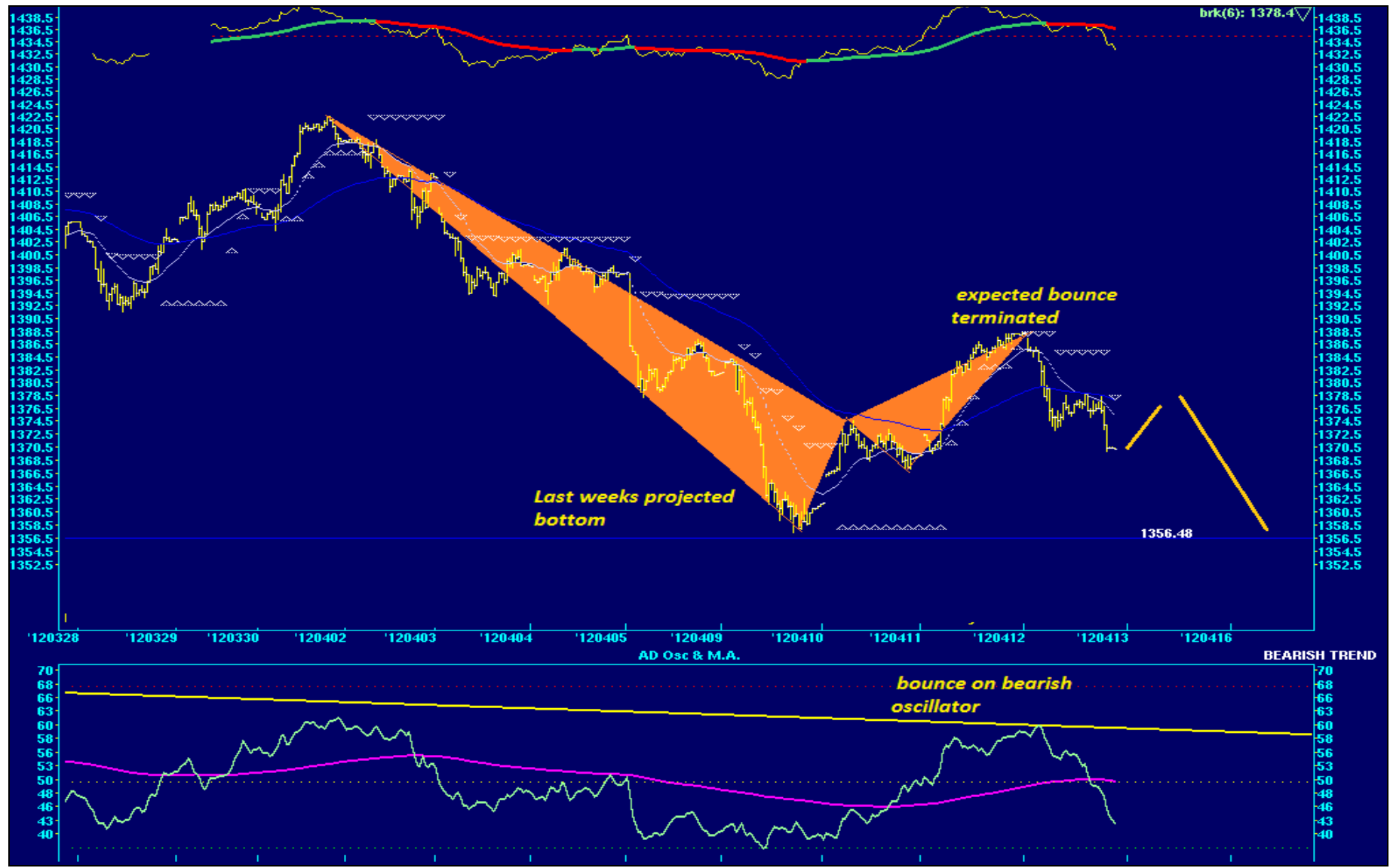
# ( Last week's Report 4/09) -SPX – SHORT TERM HRLY – PEC-D Analysis,

On Short term basis , Our First spot on this decline could be 1375-1365 , From the Top that was put in above chart at 1415-1425 . The counter trend bounce from that price point might be the opportunity for Bears to Short if PQV invalidates the bounce. – Towards 8050 in NYA corresponds to ( SPX) 1390



# SPX – **SHORT TERM** HRLY – PEC-D Analysis, (**Current**)

On hrly , a New ABC down to 1345-1355 ( see notes within the chart ) .



# SPX – SHORT TERM Pattern / Oscillator Analysis

The “Three Drives to Top” – proved its merit on decline and then bounce back up toward the first drive. Oscillator diverges –ve ly and , the Bears piled on as expected . . **TARGET 1345-1355**



# SPX – PEC –D / Terminal Pattern Analysis ( **POM 15** )

SPX is trading at CZ area of POM 15 – 1375 Trigger & 1415 – Key reversal CZ created by Terminal Top Pattern, set up by the bottom of the ascending tops from CZ in last May 2011 & Feb 2011. **Close below 1355 – 1345 on daily / CZ decisively with PQV invalidation should be a Bearish Trigger**

**Target - 1310-1290**



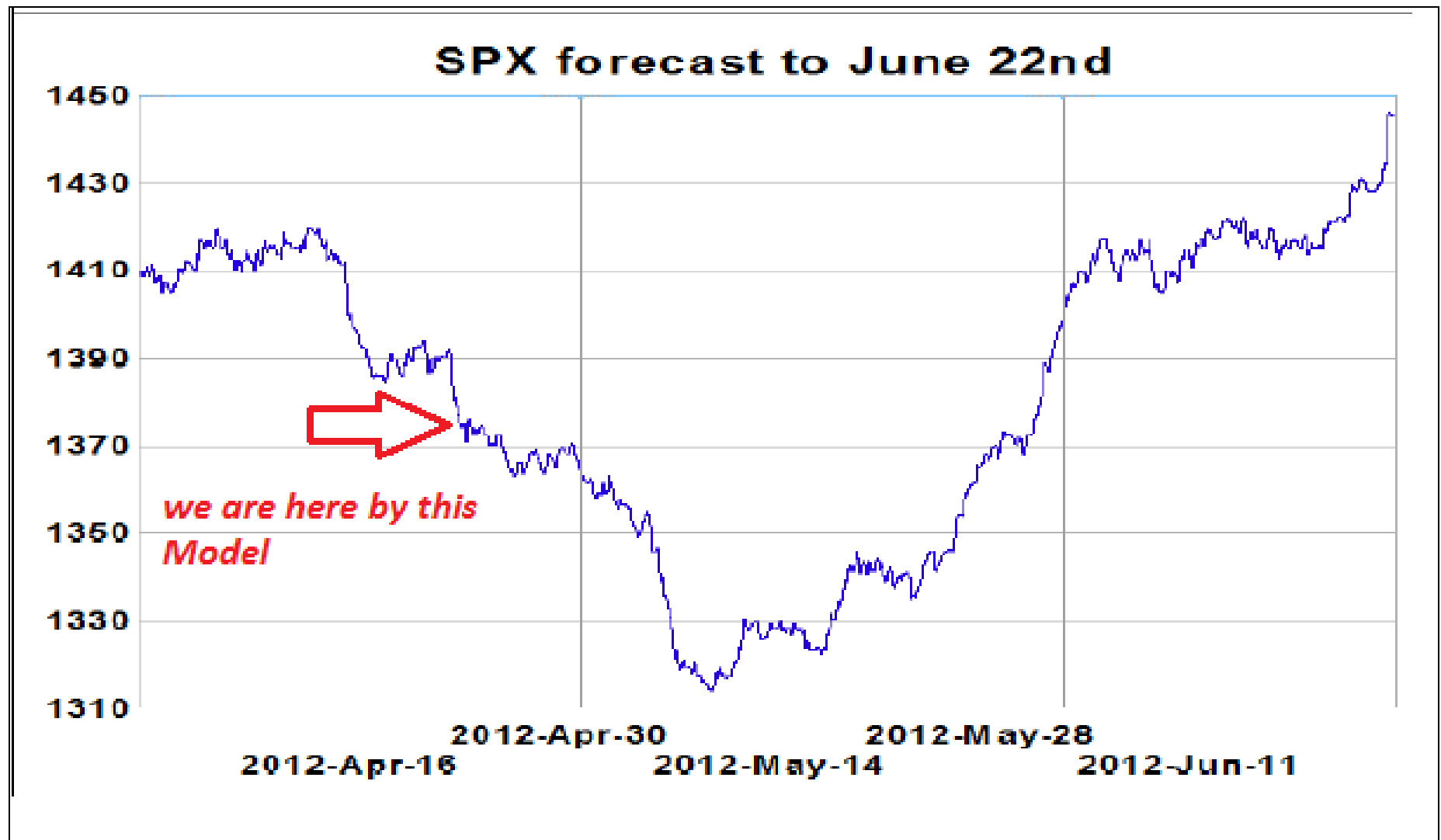


# SPX – Trend , RSI , MACD Analysis



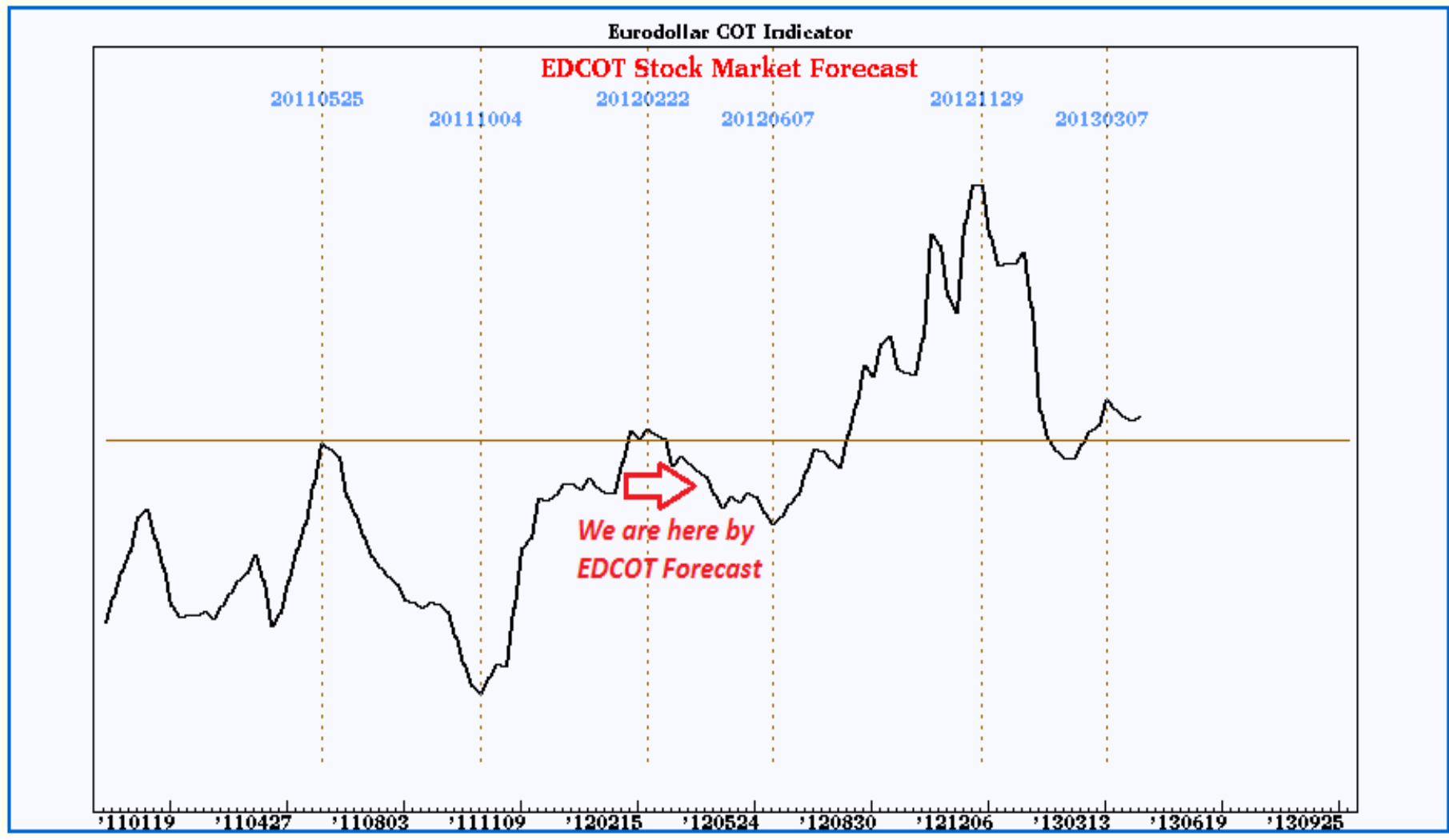
## SPX – Cycle path Analysis - **On track so far**

*Suggests Topping at current level and decline into May and then rally back .*



## SPX – EURO – DOLLAR COT MODEL - **On track so far**

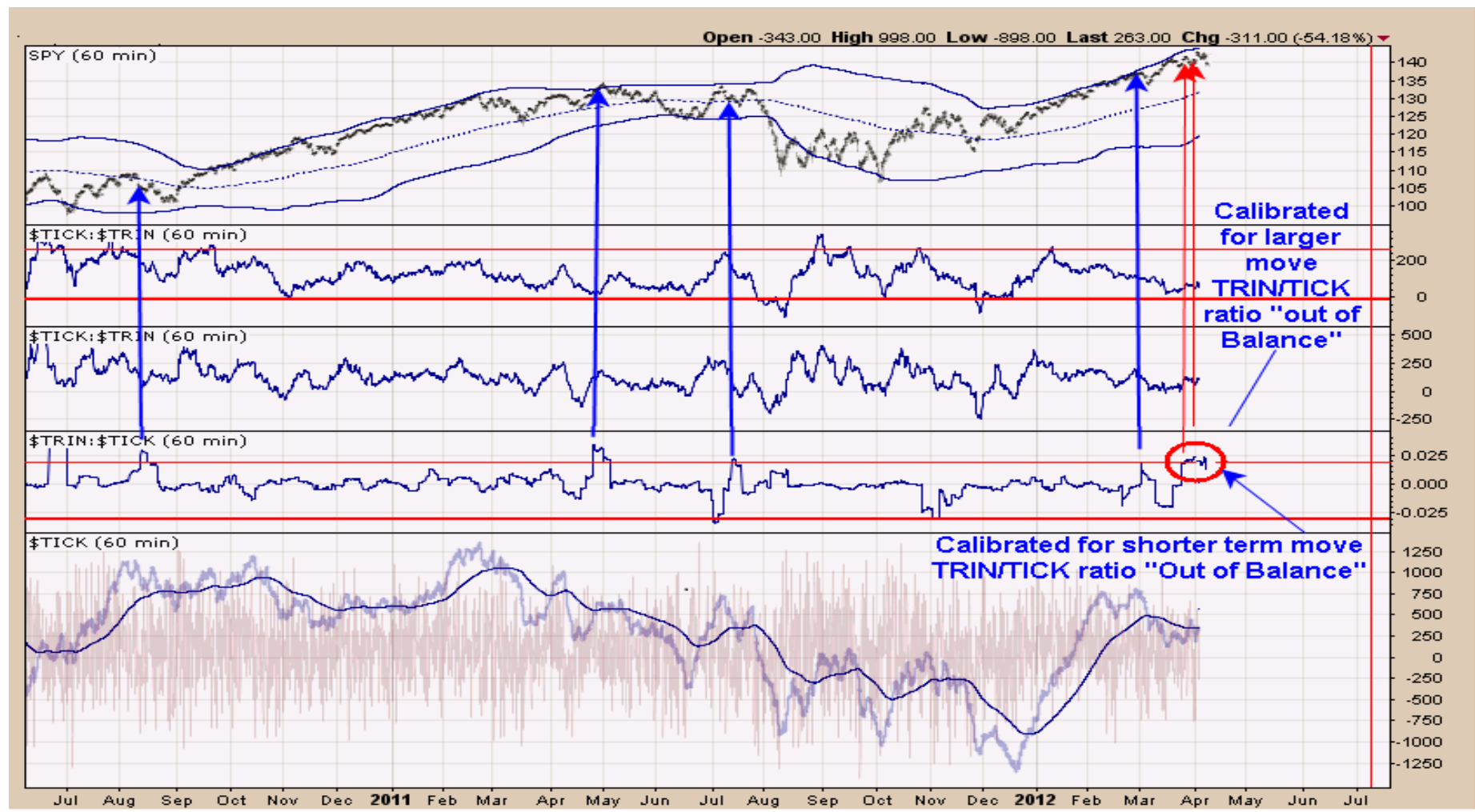
*This Model called for the market to top out in February and correct into June before staging another leg up into the latter part of November. After that, we should get a much larger leg to the downside by EURO Future Model.*



# SPX – TRIN / TICK Ratio Analysis

***In spite of recent decline, The TRIN/TICK ratio on 60 minutes on Longer Time frame chart REMAINS OUT OF BALANCE, which is still at the extreme bearish level .***

***This chart suggests that the pull back or decline could last a couple of weeks or so. Bearish signals have been created when the Tick/TRIN ratio have reached "0.02" which are identified by blue arrow. something we are watching for larger decline.***



# VIX – Poly Trend Analysis

*We broke out from the upper trend line of wedge after successful test of lows. . This is bullish sign for an upturn with oscillator in bullish divergence . VIX continues to unfold in a long descending wedge, which is ultimately bearish for stocks.*

*The descending wedge has considerable amount of potential energy being built-up for a rally with Kinetic energy release. With a recoil action. .*



# VIX – Cycle Analysis

*VIX has completed the 24 months cycle for lows , this coincides with successful test state din above chart . Net path is yellow line breakout*

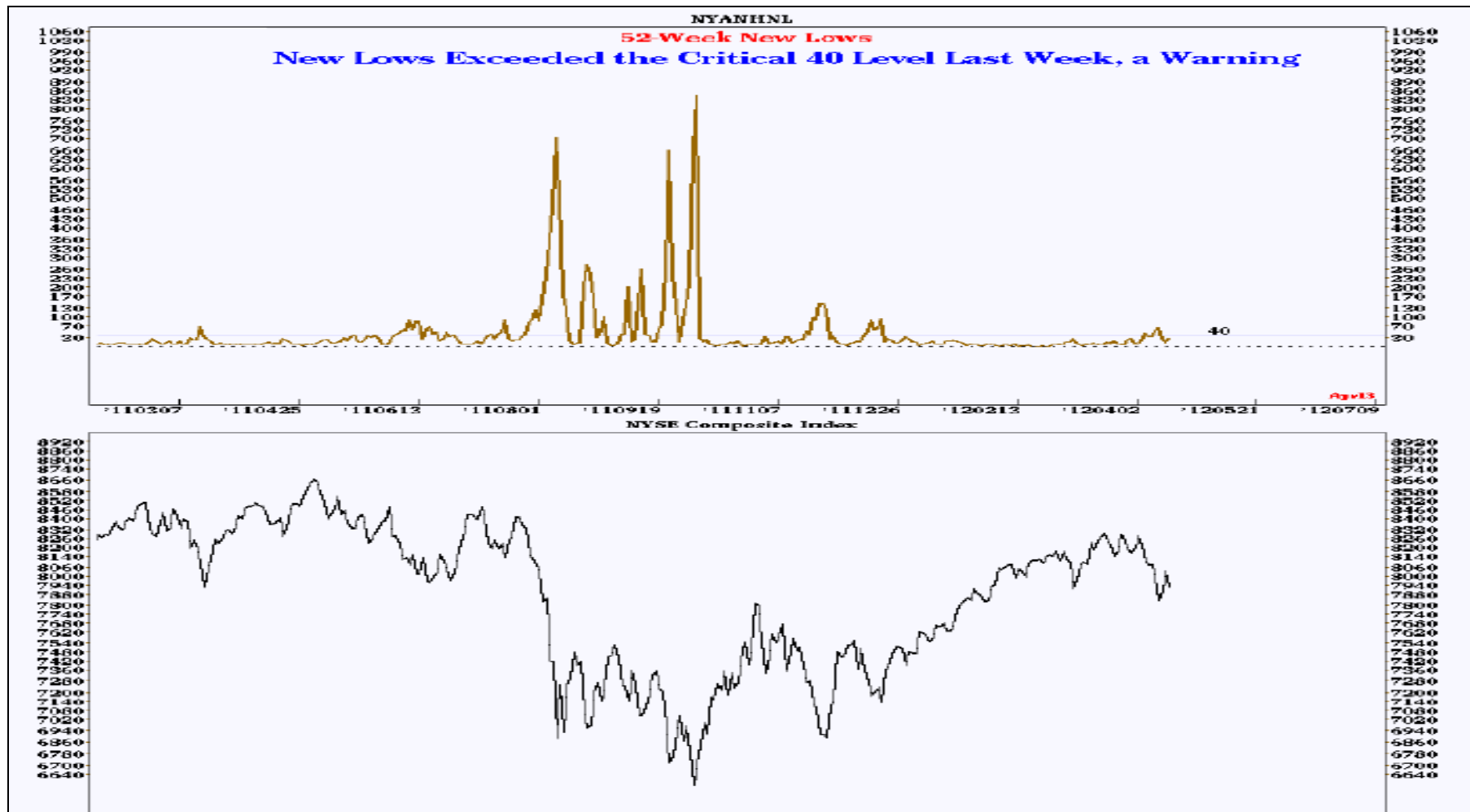


# SPX – A / D Oscillator – NH – NL - **Bearish**

*New 52-week lows on the NYSE hit 65 last week , suggest market is in correction mode . NYSE repeatedly exceeded the 40 level , which is a level which in the past has warned of a correction.*

*The lack of new highs on the rally continues to warn that the Feb 2012 -present uptrend is simply a countertrend rally and, therefore, that the main trend is to the downside.*

*The zero line on our New High - New Low Differential Indicator will put a damper to further potential sustainable rally. For a big rally to get started, we need to see new highs running well ahead of new lows.*



# AAPL v/s PIIGS

Fun chart 1 - Curtsey Bloomberg & Birinyi & Associate



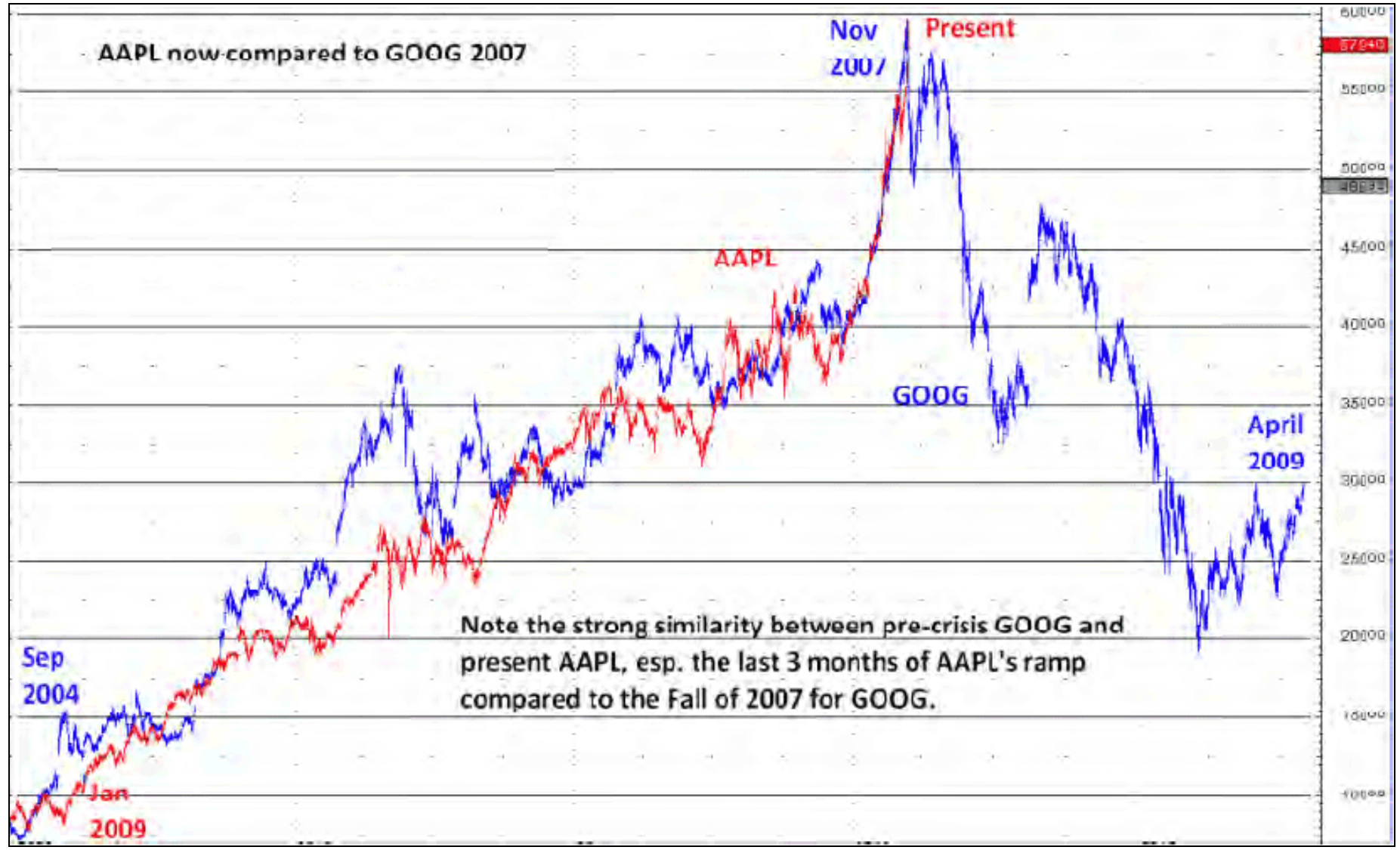
**Apple Is About To Be Worth More Than All The  
Companies In Spain, Portugal And Greece COMBINED**

Here's a fun chart produced by Bloomberg via our friends at Birinyi & Associates.



# AAPL v/s GOOG

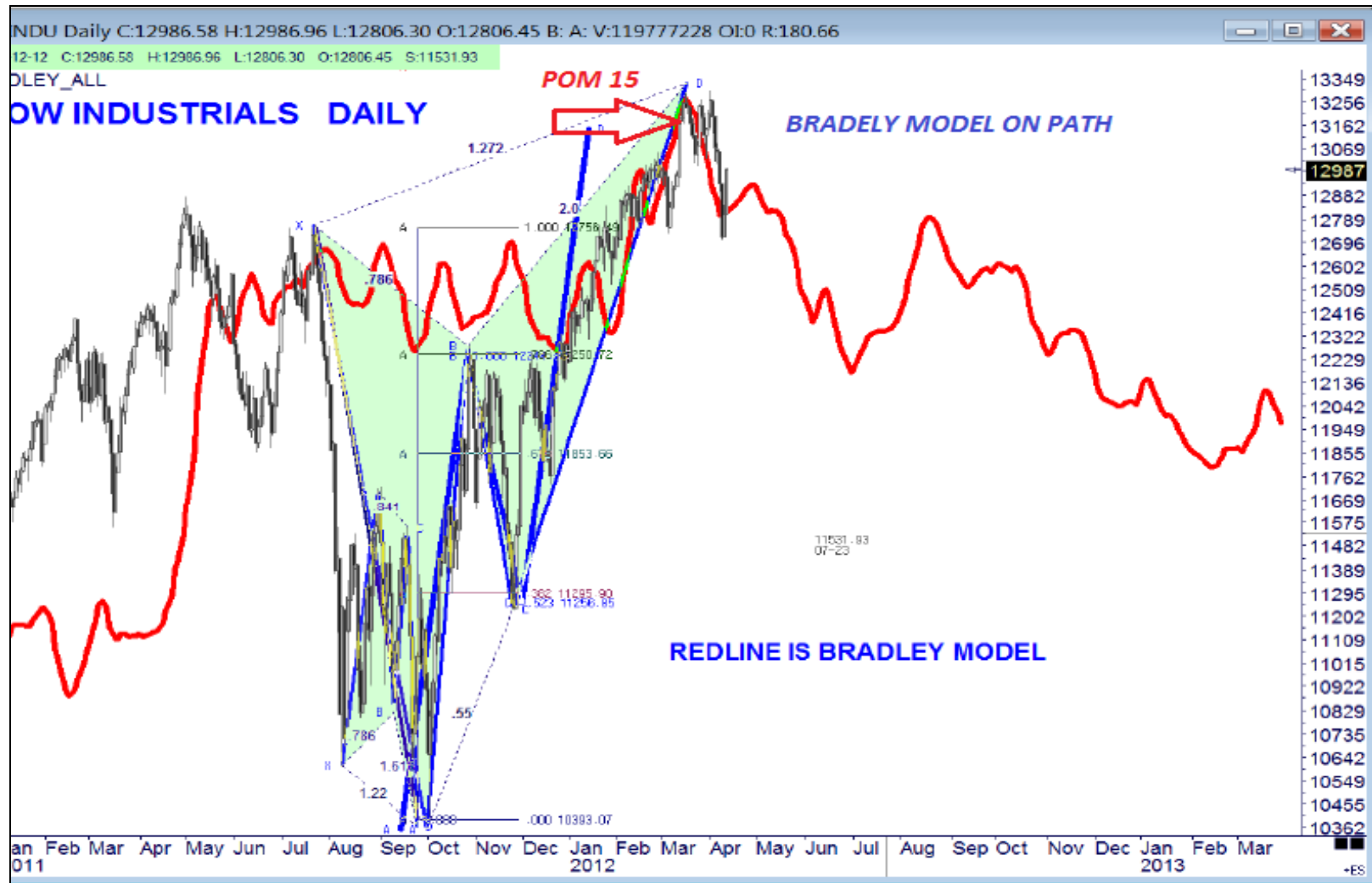
*Fun chart 2 - Curtsey ED - EX MF Trader*



# Bradley Model with DIA - PEC-D Analysis – Current - **Bearish**

**BRADLEY** turned down - Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with **POM 15 Triggered at 13000 – Net Short**

On 1/26 – SPX – 1325 Trigger – DOW was at 12800. ( Fully hedge/ Cash ) from entry at POM 12, POM 13 was completed .



# NYSE – (LONG TERM) PEC –D Analysis

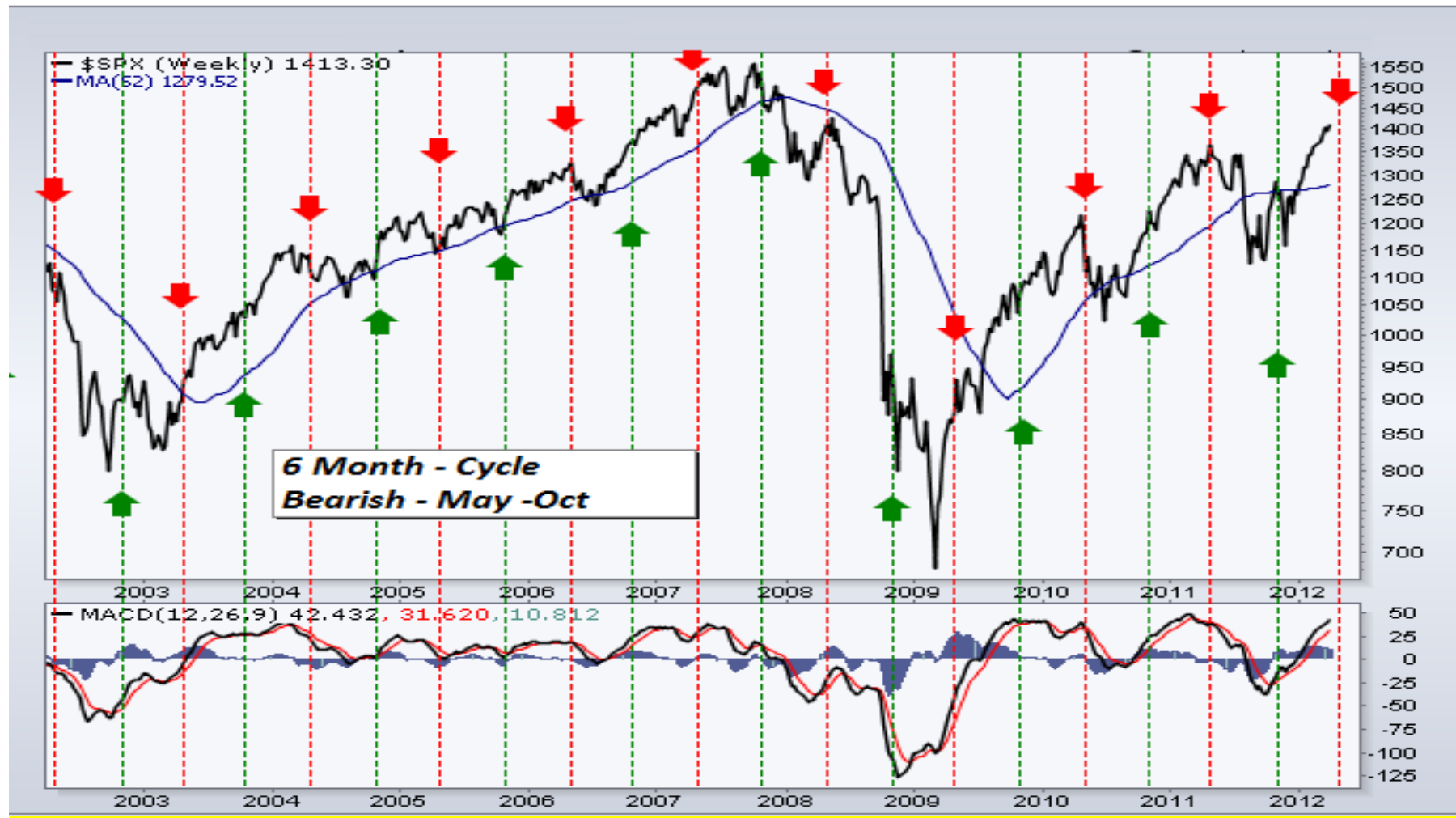
*NYSE is much broader market and has not violated any upside pattern. This has completed larger pattern. PEC-D from March 2009 lows. Last week we indicated 3 drives to the Top Pattern which proved its merit on NYSE.*



# SPX - Seasonality “ Sell in May & Go Away” – Chart - In Progress

We Report this chart Twice a year in our Commentary – April & Sept ( One Month ahead of Actual date)

Looking at the most recent cycle, there was a bullish bias from November to late March as the SPX advanced over 12%. This means two things – First, the bullish six month cycle is one track so far, which means we could see a subpar performance during the bearish cycle May to October. Second, a 12+ percent advance in 3 months is spectacular. Even though Market can go higher, the odds of a correction or pullback remain high after such an advance.





# SPX - Calendar Cycle - Cycle dates – Historically

## SPX - Seasonality Model

SPX – Closed the Month of March with approximately 2% gains meeting the past seasonality Profile of 2007-2011. Historically April too has a tendency of positive gains. We shall see

Historically since 2007 to 2011. Avg gains in April are very strong after down Jan / Feb & Gains in March. We shall see if April can beat the + VE seasonality of past. .

- 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%
<b>Average</b>		<b>-2.25%</b>	<b>-1.54%</b>	<b>1.65%</b>	<b>3.20%</b>	<b>0.95%</b>	<b>-1.60%</b>	<b>1.55%</b>	<b>0.52%</b>	<b>1.22%</b>	<b>-0.68%</b>	<b>0.42%</b>	<b>2.21%</b>	<b>6.66%</b>

# Appendix Content

- Latest POM 12 to POM 15 Journey
- 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

## Critical Guidelines Review. – for CZ / PEC – D-

*In our Commentary and Reports, Our focus remains on giving head up on price Targets via Price Paths Analysis via Projective CZ ( Confluence Zones)/ PEC ( Pythagoras EC) Methodologies . These allows to pre – plan action prior to price shifts ahead of time.*

*In our CZ & PEC D indication, the conclusion zone defined on charts within Reports are derived via integration of various Proprietary Methodologies and calculations on PQV, ABC's , Market internals & Oscillators etc. developed in our Analysis process.*

*Although we try to be graphical on charts to reflect our thinking (sufficiently to indicate the technical conditions supporting our signals / triggers) , at times due to time & space limitation , we cannot show all the backup calculation work . Therefore we show only colorful final conclusion, less complicated sets of indicators to keep it simple to make a Price path decisions and not to force unnecessary more complex detail. I shall continue to provide coverage on these Analysis with one Methodology at a given time via Presentations and Workshop in step wise format for academic exercises.*

STOP LOSS CALCULATOR – Around CZ – Outside the CZ, PQV validated STOP is recommended for Risk Management based on Portfolio Objectives. To avoid getting False stop outs, one recommendation would be to integrate Volatility and Momentum Oscillator within its calculations by taking Average Trading range of Highs and lows for 9 days X 1.618 and adjust the last traded price with that differential for the STOPS and Auto Trail it on daily basis once the position is “ in the Money”.

*POM implementation - Bigger Picture - Ideal participation of New money still remains entry at POM 12, POM 11, which has Highest Probability of building ALPHA. & Sell ( Fully Hedge at POM 14 ) . Weather one is a BULL or BEAR*

*We shall add these above Guideline note in the Appendix Sections and keep it for reference in our Future Report.*

# SPX – POM 12 to POM 15 Journey

**POM 15 – 1375 – SPX triggered on 2/29 - ALERT . This completes our Full oscillation, that began at 1080 – 4<sup>TH</sup> Oct – Trigger in our earlier Alerts and Reports. Due to Bullish Sentiment, We might not have much company now, but we dint have enough company at POM 12 and POM 13 as well when SPX put in Mid term and Trading bottom respectively.**

**Note – Pass area ( No Man’s land area) clearly suggest when pressed the brakes car did not stop immediately ( Just the Law of physics) .**





- 2. -2012 - SPX – POM Signals & Price Projections
- SPX -Trading & Investment Real Time Conclusions

**Current Signal – Triggered 1/26 - @ 1325 and in POM 14- Re – (CZ 1255-1270).**

- POM 14 / Re - Fully Hedged — ( Total points gain = OPEN POSITION )

Alert ( Open Oscillation)

Alert Email - - SPX – 1325 Trigger Friday (01/27)- Re Entry for previous stopped out and For Fresh New Hedges

SPX - POM 14 re – Triggered ( CZ – 1255-1270, for Fully Hedge Position ) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)

Our First downside Price Target on this current Trigger is CZ 1260-1250. Overall, The Price Oscillation SPX initiated at @ POM 14 in Oct. still has the Final price target around 1125. This should complete the end of Oscillation to POM 12 area.

- POM 15 - Net Short – **None** - ( Total points gains = 0 )
- POM 13 - Risk Management Hedges – **None**- ( Total decline saved ) = **0**  
( Proportion of Rebalancing Beta & Net Exposures to be based on individual Portfolio Objectives)
- POM 12, POM 11 - Net Long – **None** - ( Total points gains = 0 )

- **2011 - SPX – POM Signals & Price Projections History**
- **Trading & Investment Conclusions – Start point 1257 (1<sup>ST</sup> 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<sup>rd</sup> 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 - while 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 3<sup>rd</sup> No Signal)**
- **1<sup>st</sup> 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

- 2011- POM / CZ - SPX Signal

## SPX- 2011 – TURNS REAL TIME – POM & CZ



SPX - YTD - (-10 points)	_____	<b>(-0.1%)</b>
POM 12 to 13- <u>Gains 257 Points</u> ( 4 Signals)	_____	<b>+ 25%</b>
POM 13 - Risk Mangement savings - <u>280 points</u> ( 5 Signals)	_____	<b>+ 28%</b>
POM 14 to 13 - Fully Hedged - <u>Gains 150 points</u> ( 4 Signals)	_____	<b>+12%</b>

## 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 ( 3<sup>rd</sup> 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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