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MS –SPX MARKET STRATEGY REPORT (SP)

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● **Executive Summary.**

	Current Price	Triggered POM or Main CZ - PQV	Trigger Announcement date	Triggered within CZ	Progress Status	Current Position	Action - New Position (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX (S & P 500)	1416	POM 13 Re run	10/15	CZ 1410-1425 accumulate below in false break	BULLISH	Net Long But ST Caution	CZ 1415-1405 Potential CZ to rebalance Overweight / excess position	CZ 1415-1405 – Met , but due to residual strength , it could get extended to 1425 & initiate ST Pull back	CZ 1485-1500	CZ 1390-1375		1. close the Nov Month above 1405 is Bullish Mid term . 2. Recycling the overweight position Can lower cost basis on Core position.
GOLD	1720	POM 13 @ 1540	05/15	CZ 1540-1580	BULLISH	Net Long	On ½ recycling position re entered @ 1705, Place stop at cost 1705 as Risk Management		CZ 1790-1820	CZ 1705-1675 (is in process of testing)		Recycling position lowered cost basis on core position by 65 points Fr 1770 to 1705 Avg) .
GLD (GOLD COR)	166	POM 13	05/15	CZ 150-154	BULLISH				CZ 173-176	CZ 166-163 (is in process of testing)		Refer Gold Overview note (Re – entered @ 1705 avg , avoiding decline)
TLT (Bonds)	125	POM 14	5/21	CZ 125-124	CAUTION	Raised cash (or fully Hedged) on position entered at 111-112	NONE	CZ 125-124 Met , Stuck in trading range	CZ 135-136	CZ 120-118	CZ 116-114	Best Risk reward Net Short at 136 or Net Long in CZ 116-114, whichever comes first

Special Situation –

	Current Price	Triggered POM or Main CZ - PQV	Trigger Announcement date	Triggered within CZ	Progress Status	Current Position	Action - New Position (Trigger to Watch)	Upside CZ Near Term	Downside CZ Near term	Downside CZ Mid term	Remark
GDX (XAU /HUI MINERS COR)	47.5	POM 13 @41	05/15	CZ 41-43	NEUTRAL Bearish bias	Net Long	On ½ recycling position re - entered @ 49.5, Place stop at 47. As Risk Management	CZ 50.5-48.5, should be a cap for bounce	CZ 50.5-48.5 Broken with conviction For ABC down	CZ 45.5-43.5 is ABC down	Recycling position lowered cost basis on core position by 4 pts Fr 53.5 to 49.5 Avg) & Avoiding partial decline. . Maintain Core position LT

More on GDX in our Wednesday's Commodity Report.

- **SIGNALS. - Price Projection CZ , Trading / Investment Conclusion**

SPX – NET LONG

Brief Overview -

The Projected First upside target of CZ 1415-1405 is Met. There is great residual volume strength left in the market to take it to 1425 intraday spike up. Currently it is testing the CZ, This is a potential spot to rebalance excess overweight position. We think the Near term pull back is towards CZ 1390-1375, if volume dries up in the pull back, SPX should continue to move higher after the pull back.

Closing the November Month above 1405 is Mid term Bullish for overall price path ABC up to 1485-1500 ,

More of SPX on page 6 of this Report .

SPX - Remains Triggered POM 13 on 10/15, NET LONG within @ 1422, This signal completed POM 14 – Caution Triggered on 7/01 within CZ 1410- 1375.

All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- Weekly Change - SPX Close Price @ 1416 (+ Flat)
- YTD Change - SPX – Closed @ 1257 / 1416 (+ 12.1% gains)

TLT (BONDS) - “CAUTION”

Brief Overview -

The upside CZ 128-125 . This is heavy Top. failed in CZ for 5th time.

This has been boring market for some time. Overall TLT's trading range between (120-125) continues for 5 months with No Net effect on price building cause.. In order for rally to continue, volume needs to pick up in CZ to negate Bearish Top to target 136, Ideal place to get “ Net short” , this has not happened.

The downside CZ 118-120, has heavy bottom, eventually it be broken. Mid Term downside Target is at CZ 116-114 . This is Target area for potential POM 13 to be triggered if PQV is validated. Ideal place to get “ Net long “ for one last rally before the 30 yr old Bull Market ends.

TLT - Remains Triggered POM 14- on 5/21 we initiated to raise cash (or Hedge) within CZ 125-124, This signal completed POM 13 Triggered on 10/27 for Net Long within CZ 111-112. All subsequent commentary refers to CZ to CZ moves are for Risk Management/ rebalancing overweight positions.

- Weekly Change - TLT Close Price @ 124 (-2.0%)
- YTD Change - TLT – Closed @ 121.5 / 124 (+ 2%) gains

GOLD – “NET LONG”

Brief Overview

Slight glitch last week on Sell order caused sudden selloff. GOLD pulled back straight into our Projected pull back zone . Although we were expecting this pullback “ BUT “ not in this accidental manner. The glitch has created “ Heavy bottom” at CZ 1705 -1675. , This appears to need a PQV Validation for sustainable move higher. If Volume picks up during the pull back , GOLD could setup ABC down to 1675. We have taken precautionary measure in our “ Action Summary” against such event. If we move above 1750 , it should negate the downward move.

We have demonstrated DXY ready to bounce Short term, this may cause the required pull back in Gold.

OVERALL , POM 13 @ 1540 is in progress for Upside ABC to CZ1790-1820. Our cost basis on Core position is lowered by 65 points due to recycled ½ position exited at 1770 @ re- entry 1705 avg.

More of GOLD in our Scheduled – Commodity Report on Wednesday.

GOLD - Remains Triggered POM 13 @ 1540- on 5/15 we initiated NET LONG within CZ 1540-1580, This signal completed POM 14 Triggered . On 2/6 for HEDGING within CZ 1790-1765. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- Weekly Change – GOLD Close Price @ 1720 (-2.0%)
- YTD Change - GOLD – Closed @ 1554 / 1720 (+ 11%) gains

SPX – Market Overview

SPX met the Projected CZ 1415-1405, Market could get extended to 1425 with spike up . After all the false break area during the correction mode had enough energy to flip it on the opposite direction once the rally began. The rally retraced 3/4 of the early November highs. This week we are looking for a pullback. The Volume & PEC-D pattern at this CZ suggests, the ST pull back is towards CZ 1390-1375 followed by a reversal from our E- mini Trend indicator.”

The seasonal pattern for December is that it starts strong, makes a high in the first week of trading, then fades into a mid-month low, then rises for the remainder of the month. That second half of December rise is referred to as the “Santa Claus Rally”. Cycle wise looking for a high on Monday / Tuesday, followed by a decline. That would follow the seasonal pattern.

On Short term basis , the TICK / TRIN suggests pull back. The Cycle turn on 28th has + - 3 days to turn is in effect.

CAUTION - The News on “ Fiscal cliff” negotiation should cause some volatility. This is too tricky to try and trade around this News & Short term CZ Projections can be extended (up or down) easily disturbing our normal price path temporarily. But if there is side lines cash in hand and we have a sell-off because Congress fails to bridge this fiscal cliff, we think it will be an great opportunity to take advantage of that. Brief Memory of “ TARP” we had lost quite a bit on that day .

Decline in DXY, is beginning to get ready for Short term countertrend bounce that would trigger a pullback in equities. But, that would be setting up another reversal within the overall uptrend in Equities.

On Mid term basis, the rally of the bottom appears to Kick start well, with A/D Oscillator is strong . Mc – Oscillator has more room to rally. Month of November has closed above 1405 which puts a high probability of a continued rally into year-end. We have T- Time termination till 10th of January. December has 75% of probability of closing higher. Although it could be different this time.

We are overweight in Mid – Cap, it had the most powerful rally of the bottom & shows continued strength BUT NEAR TERM is approaching the CZ for pull back .

SPX- PEC- D / CZ / POM 13 Analysis – NEAR TERM

PEC-D is reached on upside target. In CZ 1415-1405 near term, take off from bottom has been strong (notes within the charts)



DXY – PEC-D / Wave Analysis - NEAR TERM CRITICAL CHART

DXY – Short term getting ready for bounce, this should pull back Equities. At WAVE 5 , we had warned of CAUTION in DXY , since then it has pulled back energizing current rally in Equities. .



MID CAP- CZ / POM 13 – Analysis – NEAR TERM – LEAD INDICATOR

MidCaps , approaching Short Term CZ 184-182 as well , MDY has continued to lead the market higher as it comes off a bullish accumulation pattern at the last low. And, the extremely strong bullish divergence on the volume oscillator.



SPX- TRIN / TICK – Ratio Analysis – NEAR TERM

TRIN / TICK Ratio on HRLY basis have hit Short term extremes for ST energy running out at the CZ of SPX .- Suggests Market internals at CZ



MID TERM -

After the pull back as referred in chart indicators above, SPX should have energy left to proceed higher, Refer charts below.

SPY – % BULLISH EQUITIES Analysis

This called in Bottom at 25 during last month correction, For top formation, we need to reach levels of 85.



SPY – MONTHLY Analysis (IMPORTANT CHART)

Close November above 1405, keeps the continuation higher intact. Monthly RS should reach at levels of previous important peaks.



SPX – Cyclical Model

- **SPX - Seasonality / Election Model -**
 - December , Positive Month.
- **SPX - Geomagnetic / Lunar Cyclic Model**

Lunar Model suggests turn on Nov 28th – Full Moon., +2 days , Today is last day of the effect. .

- **SPX - Sentiments Model**

AAll Weekly Sentiment Survey is Neutral bias

- **The EURO – Future Model Forecast,-**

By this Model, Rally back year end . Then Correction in January end then rally in May . The larger decline post May 2014 by EURO Future Model.

SPX – Internals Model

EXTREME READINGS -, TICK / TRIN , AD Oscillator, Ratio's,

Appendix Content

- **2012 YTD – SPX - Position Summary**
- **Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure**
- **Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure**
- **POM – “ Price Oscillation Model “ Criteria**
- **PEC –D “ Pythagoras – Expansion & Contraction Criteria**
- **CZ- Confluence Zone Criteria**
- **TEXTURES – Bullish , Bearish , Neutral**

- **OUR SPX POSITIONS 2012 (FYI)**

- 1) *Triggered - POM 14 – HEDGE(Raise Cash) in CZ (1410-1375) , initiated dated 7/19*
- 2) *CLOSED – NET LONG from POM 13 @ 1300 (6/19 & 6/20) to POM 14 – 1375 (CZ 1410-1375) , a 75 point rally*
- 3) *CLOSED - We were Net Short – POM 15 from the Top of the Market SPX 1415 – 1375 CZ into CZ 1345-1355 triggered @ PEC-D -1345 for decline , completing first leg down Our Model in conservatively took profit on NET SHORT Positions in first half of decline.. We Closed / Reduced the NET SHORT depending Portfolio Objective. In the Broader, NYA, IWM , Global weaker IDX, EFA (World) , EEM , Commodity IDX CRB, XHB DBB, XLE is where we are concentrated have declined more than 8 to 10%) at the time of covering Short Position*
- 4) *CLOSED - Thereafter since 5/09 – email Alert – SPX from CZ 1355-1345 till CZ 1290-1310 we have remained Fully hedged / Cash position with POM 14 Rating (using each portfolio Objectives for rebalancing) Till POM 13 was triggered.*

(42) - INSTRUMENTS COVERAGE SUMMARY

Re - STRATEGY & PROP ANALYSIS with – POM, CZ, PEC-D, PQV

GR 1 (13+2) Coverage in MS	GR 2 (9 +4) Coverage in SECTORS	GR 3 (8+1) Coverage in COMMODITY	GR 4 (5) Coverage in CURRENCY
<p><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p><u>GLOBAL IDX</u></p> <ul style="list-style-type: none"> • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP <p>SP - Special situation</p>	<p><u>SECTORS IDX</u></p> <ul style="list-style-type: none"> • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) • XLU (Utility) SP • RTH (Retail) - SP) • SMH (Sem.) SP • BBH (Biotech) SP 	<p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDV (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP 	<p><u>CURRENCY</u></p> <ul style="list-style-type: none"> • USD / DXY • EUR/USD • AUD/ USD • USD/JPY • GBP/ USD

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)

Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci steams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D

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