



Date : 26th Dec 2012 (**Wednesday**)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

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● **Executive Summary.**

	Current Price	Triggered POM or Main CZ - PQV	Trigger Announcement date	Trigger 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)	1425	POM 14 Pre - announcement	12/26	CZ 1425-1455 Re test could happen on Relief rally Fiscal cliff or if Jan effect.	CAUTION Risk Protection	Raise CASH / Hedge positions Recommended during the false break zone of Nov bottom.	Initiate to to Scale out / cut back within CZ 1425-1455	CZ 1415-1405 Met & broke out Bearishly towards our upside target 1480, SPX fell short at 1460	CZ 1455-1425 Bearish top	CZ 1390-1405 Heavy bottom Created last Friday in EMINI	CZ 1355-1330 ABC down (Refer price path & notes below)	1. – Important - close this week below 1420 & Dec Month below 1405 would be Bearish Mid term . 2 CAUTION Fiscal cliff deadline on 1 st Jan along with +ve Seasonality completion .
TLT (BONDS)	124	POM 14 @ 125	5/21	CZ 125-124	CAUTION	Raised CASH (on position entered at 111 -112 to 125 on 5/21)	NONE	CZ 125-124 Met exact, failed in CZ & initiated the decline ,	CZ 135-136	CZ 120-118 Met exact but heavy bottom should be broken down further to next ABC down	CZ 116-114	Best Risk reward Net Long in CZ 116-114, or Short at 136 whichever comes first. Stuck in trading range

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GOLD	1650	POM 13 @ 1540	05/15	CZ 1540-1580	BULLISH on Core But Caution Advised at 1770 to 1705 & to 1675 (1650) remains intact, The re entry at 1705 stopped out at 1703	½ Net Long ½ Cash - locked in gains from 1550 entry to 1770 exit 9/17	NONE	CZ 1690-1720 For bounce only. Volume needs to pick	CZ 1790-1820 Exit core position	ABC down to 1675 Met & extended to 1635 with heavy Bottom	CZ 1635-1620 ABC down For PQV Validation	On recycling position Avoided the decline completely) <u>Awaiting for</u> Inter market Analysis with DXY & SPX to line up with GOLD's PQV Validation
GLD (GOLD COR)	161	POM 13	05/15	CZ 150-154	BULLISH on Core	½ Net Long		CZ 165- 168	CZ 173-176			In light of Bull Market , working around Core position with RM.

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

SPX – CAUTION

Brief Overview -

Our Pre- Announcement for **POM 14, (CAUTION)**, Initiation to “scale out” / Hedge within **CZ 1425-1455 bearish top** came in slightly ahead of time schedule, due to Fiscal Cliff expiration date on 31st Dec and end of positive seasonality for protection profit generated on positions from November lows .

The Projected First upside target of **CZ 1415-1405 Met &** broke out bearishly to **1460 towards (2nd Upside target 1480)** . This is a potential spot to be **CAUTION** on Net Long positions taken in early /Mid November during our Screaming entry signal. **BUT POM 14 is NOT a Short Sell Signal.**

The current Market texture suggests, any rally towards 1460 could Trigger POM 15 (NET SHORT), if Pattern is completed and PQV is validated ,

We think the Near term pull back is towards **CZ 1390-1405 heavy bottom** created on last Friday’s EMINI , if volume dries up in the pull back in SPX & DAX , SPX should go up once again to test **CZ 1455-1425** before larger decline. Refer price path below.

Closing “this week” **below 1420** & December Month **below 1405** is Mid term Bearish for overall price path ABC down to **1355-1330** **More of SPX on page 6 of this Report .**

<p>SPX - Trigger POM 14, CAUTION within CZ 1425-1455, This signal completed POM 13 – Re run on 10/15 & false break below. <u>All subsequent commentary refers to CZ to CZ moves are for Risk Management.</u></p>

- Weekly Change - SPX Close Price @ 14 27 (+ Flat)
- YTD Change - SPX – Closed @ 1257 / 1427 (+ 13.5 % gains)

TLT (BONDS) - **“CAUTION”**

Brief Overview -

The decline approached towards **Heavy bottom CZ 120-118** target as expected after failing the Top heavy upside **CZ 128-125** target for 5th time.

The full downside projection decline to **CZ 120-118** is not complete. Eventually it should be broken to Mid Term downside Target **CZ 116-114**. This is our Target area for potential POM 13 if PQV is validated. Ideal place to get “ Net long “ for one last rally before the 30 yr old Bull Market ends.

Overall TLT's trading range between (115-125) 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 upside 136. Ideal place to get “ Net short” ,

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 @ 122 (-1.6%)
- YTD Change - TLT – Closed @ 121.5 / 122 (Flat) gains

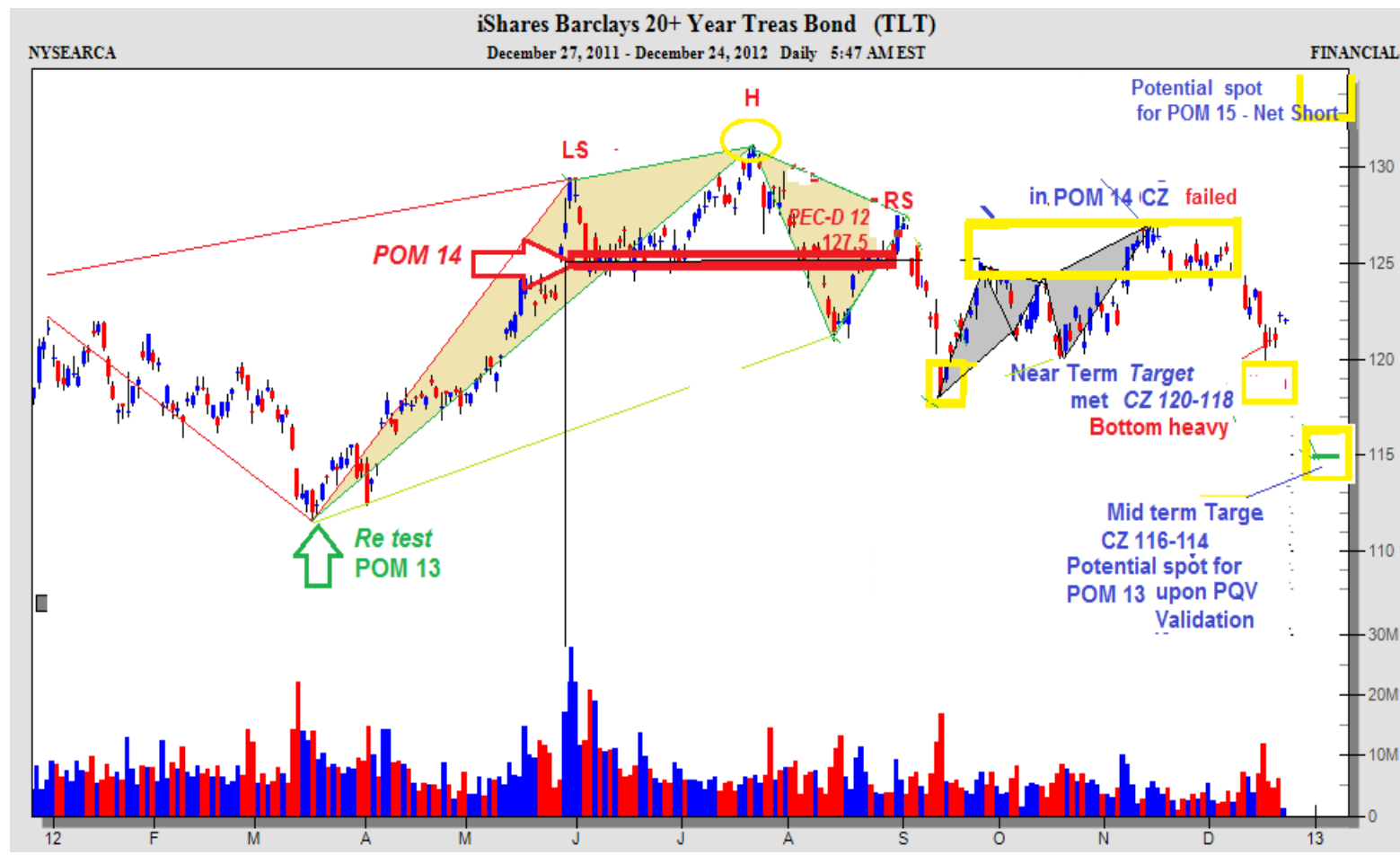
TLT (Bond) – CZ- PEC- D Analysis – Near Term . - “CAUTION”

- Texture - TOP BEARISH CZ. & BOTTOM BEARISH CZ -

Near Term Downside - CZ – 120-118 almost met with another has heavy bottom, It needs a PQV Validation.

Mid Term Downside - CZ – 116-114, Potentially may be good area to Trigger – Net Long POM 13, on PQV validation

Upside - CZ – 125-128, Entered CZ , 5th time & failed . Volume pick up is required to break upside to **target 136** which would be best area to Trigger – Net Short POM 15



GOLD – “NET LONG” for ½ Core position @ 1540 & CAUTION for ½ position since 1770 on 9/17

Brief Overview

In Our last Report 12/03 on GOLD coverage at price of 1720, we Alerted precautionary measure in our “ Action Summary” to Risk Manage the recycling position with Stop loss, in anticipation of ABC down to 1675. Last week, we touched the lows of 1635 with Bottom heavy. Heavy bottom has new ABC down to 1625. GOLD requires PQV Validation for sustainable move higher or Volume pick up on rise. If not, the bounces could be limited towards CZ 1690-1710. Bounce from 1635 to current 1660 price is on –ve VTO.

On other hand, DXY has initiated the Short term up move which should assist Gold to finish its full projection down to 1625. Simultaneously SPX appears to be on verge of pull back. We would prefer to wait till all the INTER MARKET CORRELATION settles within PEC-D projections” to get full clarity .

With our core entry GOLD (1548) and timely exit (1770) on ½ recycling position, We have made more than our share of Profits in GOLD in this move & avoiding the down move from 1770 to 1705 to 1675 to 1650.

We recommend ½ Core position intact, let the profit ride and in No rush !!! The POM 13 @ 1540 is in progress for Upside ABC to CZ1790-1820 (Exit) . Our cost basis on Core position is **now lowered by 120 points** due to recycled ½ position exited at 1770 @ re- entry 1705 avg & then Stopped @ 1705. . This gives better cushion to ride the Bull Market

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 @ 1650 (- 3.0%)
- YTD Change - GOLD – Closed @ 1554 / 1650 (+ 6%) gains

GOLD – CZ/ PEC- D Analysis – **Bullish** – **ST Caution @ 1770 on 9/17 till 1650**

Texture - **BULLISH TOP & NEUTRAL BOTTOM**

Downside – ABC down to **1675 met** with heavy force to setup New ABC down to **1625 in CZ 1635-1620**

Upside Near term – **CZ 1690-1720** – Volume needs to pick up for continuation move higher, if not we can come back to lows with false start .



SPX – Market Overview

Fiscal Cliff negotiations are the wildcard taking the tailwind out. It has skewed & conflicted with our Price Path especially, with the seasonal pattern for last 2 days in December / First 3 days in January. The retracement started mid- last week. This holiday-shortened week may represent a high-water mark for 2012 and trend change to the downside for a January

*SPX came in very close to the Projected 1480, with high set at 1460 with Bearish Top. **In our absence POM 14 actually Triggered for CAUTION @ 1442, (Mid last week) within CZ 1425-1455** area to “Scale out “. We have T- Time termination till 10th of January to top out under normal circumstances If it was without “Cliff.”*

*We could very well have Relief rally after the Cliff due date regardless of outcome to meet the T termination within **CZ 1425-1455**. The Topping could take longer with back & Forth action similar to what we saw early in the year Jan / Feb & then Market collapsed. .*

The S&P MidCaps which was our most favorite during November correction, rallied the most and set another all-time high compared to SPX.

This week , EMINI PEC-D pattern completion, volatility on SPX has spiked up above 19, peaking ugly head out for First sign of “Risks off” along with the TICK / TRIN Ratio reading suggests pull back. Our breadth indicators are turning red warning while the indices posted higher highs. This is a warning that we are coming into a retracement. The A/D line & breath has been weakening.

*DXY began the bounce last week which could fuel pull back in SPX from POM 14 – CZ area . The Volume & PEC-D pattern supports the pull back projection towards **CZ 1390-1405 (Bottom heavy)** . Last week we saw the markets crack sharply in overnight trading Friday to 1390 E-mini futures (**Bottom heavy**). Volume at these level is key on the test to suggest if we have another rally left to **CZ 1425-1455**. If Volume expands on decline , a New larger ABC down is at Play to **CZ 1355 -1330** .*

DAX , which has been lead Indicator appears to be giving up strength. The Strongest Market is showing –ve divergence. Its Reversal here is key Indicator on SPX.

*On Mid term basis, for more confirmation of Bearish Picture would be confirmed if **SPX Weekly close below 1420 and Month of December close below 1405.** That should be Intermediate Signal.*

Next year 2013, we suspect that the overall pattern will be substantially more volatile than the action we saw in 2012. We should see price Action more like 2011.

Bullish Instruments in our various Reports during the recent rally has done very well. These should have shallow pull backs.

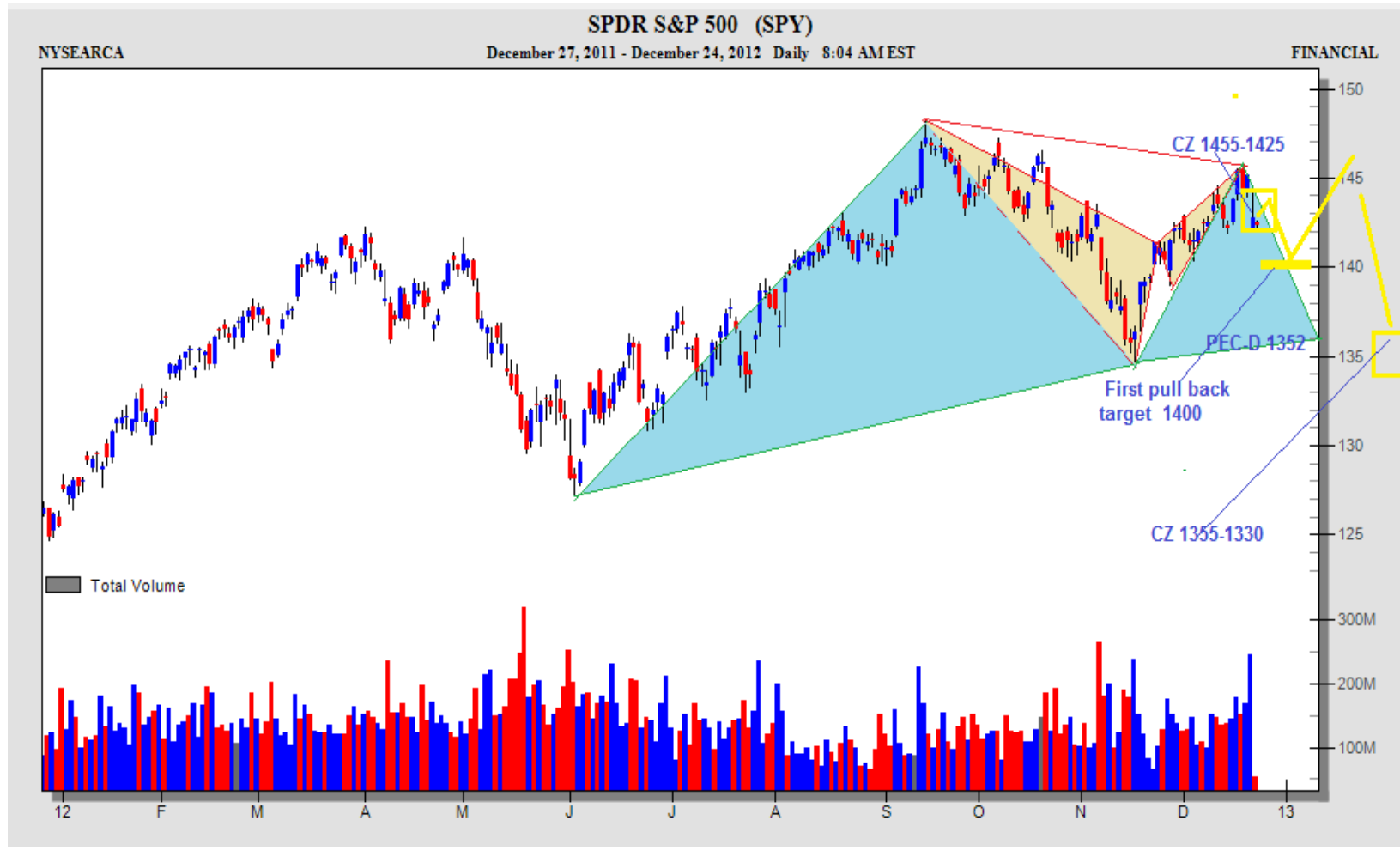
The Bearish textured or Neutral with Bearish bias , should be watched for larger Pull back.

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SPX- PEC- D / CZ / POM 14 Analysis

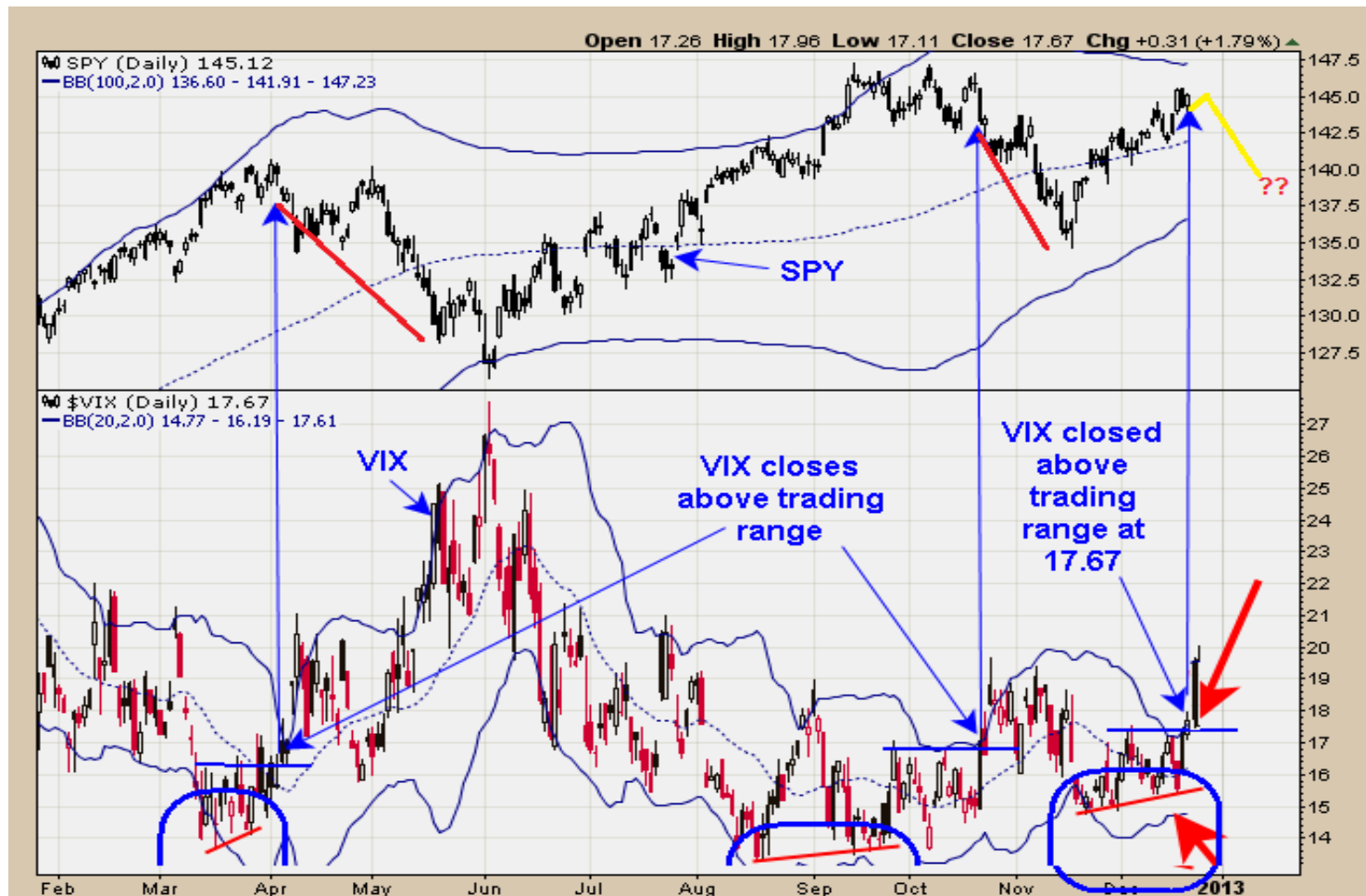
UPSIDE - **PEC-D @ 1455** is reached on upside target. In **CZ 1455-1425**, with **Bearish Top**. A relief rally on “Cliff” is possibility into CZ to fail with Time termination by 10th & Jan Correction.

Pull back DOWNSIDE - **CZ 1390-1405**, If volume dries up, Rally back to **CZ 1425-1455** & then larger decline.



SPX v/s VIX Analysis

SPX v/s VIX - (Refer chart below) SPY Trend reversal with VIX brake out off 17.5 range to highs of 20 (with VXN showing volume on breakout) suggest impulse wave up in VIX may have started. VIX is currently pulling back



SPX v/s Mc Oscillator Analysis

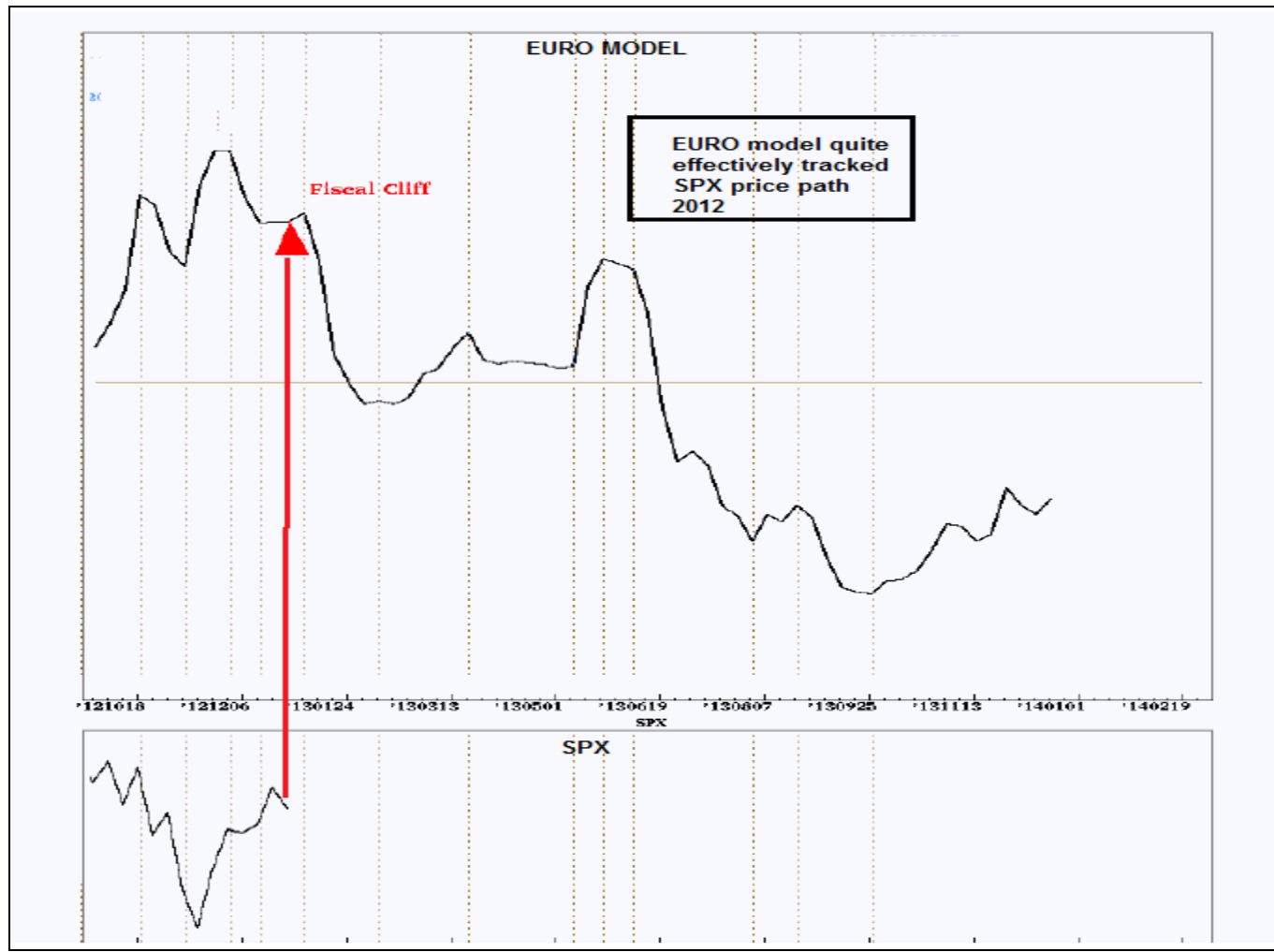
Last Friday & Monday NYSE created 600 net declining issues which took the Oscillator reading down below the zero line and began turning the Summation Index down. Each divergent patterns suggest a retracement.



SPX- EURO Model Analysis

The Long Term EURO Forecast is pointing toward a significant topping pattern which we should be seeing right now. By PQV Analysis , we should have back & forth within CZ and then sharp decline in January.

The EURO Forecast suggest 2013 to volatile decline in January, a rebound from a February low into a May high ("Sell in May and go away" once again), then another decline into an October low & Rally Year end



DAX – lead Indicator

The strongest Market in last Rally has reached Major WAVE E (Bigger picture) & running out of gas on Short Term basis, We think on pull back DAX should be monitored carefully when SPX reaches its first pull back target.

Price path is noted below in chart.



SPX – Cyclical Model

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

No New Cycle .

- **SPX - Sentiments Model**

All Weekly Sentiment Survey is Neutral bias

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

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

SPX – Internals Model

ST 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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