



SG Capital Research

Global Market Insights

Date : 10th Dec 2012 (**Monday**)

MS –SPX – POM - 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)	1418	POM 13 Re run	10/15	CZ 1410-1425 Recommended strongly to accumulate position during the false break zone	BULLISH	Net Long But now ST Caution	CZ 1415-1405 Rebalance Overweight / excess position	CZ 1415-1405 - Met Due to residual strength , SPX could get extended to re test the spike at 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 in current CZ Can lower cost basis on Core position.
TLT (Bonds)	124.5	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.

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GOLD	1712	POM 13 @ 1540	05/15	CZ 1540-1580	BULLISH But Caution Advised at 1770 to 1705 & to 1675 remains intact (avoided the decline on ½ recycling	½ Net Long ½ Cash - locked in gains from 1550 entry to 1770 exit	NONE	CZ 1730-1720 For bounce only. Volume needs to pick up on FOMC Tuesday	CZ 1790-1820 Exit core position	ABC down to 1675, reached lows of 1685 but appears to require full projection		The re entry at 1705 stopped out at 1703 Risk Management.. Awaiting for Inter market Analysis with DXY & SPX to line up with its own PQV Validation
GLD (GOLD COR)	165	POM 13	05/15	CZ 150-154	BULLISH				CZ 173-176	ABC down to 163		In light of Bull Market , working around Core position with RM.

- **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 re test 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. Especially if we witness the Momentum Trust Indicator which is picking up at this CZ continue

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 @ 1418 (+ Flat)
- YTD Change - SPX – Closed @ 1257 / 1418 (+ 12.1% gains)

GOLD – “NET LONG”

Brief Overview

In last Mondays 12/03 -MS – Report, GOLD at price of 1722, we Alerted precautionary measure in our “ Action Summary” to Risk Manage the recycling position due to potential for ABC down to 1675. We are at 1712 and requires PQV Validation for sustainable move higher. Although GOLD reached the lows 1685 last week and the Volume on the down move is drying up, It has not quite finished the projection. We could see the bounce towards CZ 1730-1720.

On other hand, DXY has initiated the Short term up move from the point we indicated in last Mondays Report which assisted the pull back in Gold. DXY has not fully finished its up move. Simultaneously SPX appears to be on verge of pull back. We would prefer to wait till all the INTER MARKET CORRELATION dust settles within PEC-D projections” to get full clarity. Especially ahead of FOMC meet & QE-4 potential announcement volatility

With our core entry GOLD / GDV (1548 / 41) and timely exit (1770/53.5) on ½ recycling position, We have made more than our share of Profits in GOLD & GDV in this Up move & avoiding the down move (1705 / 46) except 2.5 points gave up on stop loss . Avoiding losses in any position is our number one goal, even if that means missing a profitable trade from time to time till we get the odds in our favor..defined by CZ/ PEC-D/ Oscillator/ PQV Validation

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 65 points due to recycled ½ position exited at 1770 @ re- entry 1705 avg. This gives better cushion to ride the Bull Market

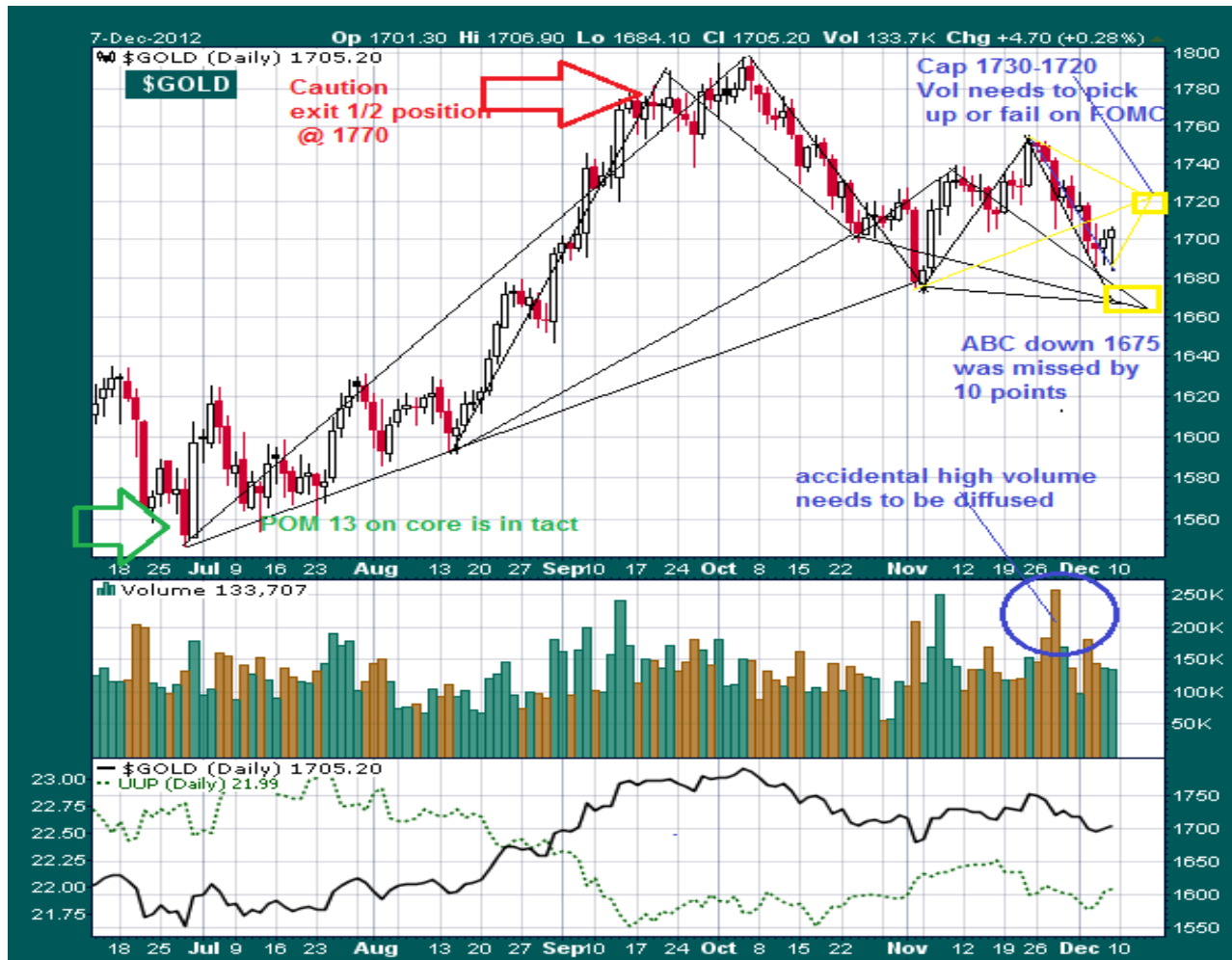
GOLD - Remains Triggered POM 13 @ 1540- on 5/15 we initiated NET LONG within CZ 1540-1580, This signal completed POM 14 Triggered . On 2/6 for HEDGING within CZ 1790-1765. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- Weekly Change – GOLD Close Price @ 1705 (-1%)
- YTD Change - GOLD – Closed @ 1554 / 1705 (+ 10%) gains

GOLD – CZ/ PEC- D Analysis – **Bullish** – **ST Caution @ 1770 on 9/17 till 1705** Texture - **BULLISH TOP & NEUTRAL BOTTOM**

Downside – **ABC** down to 1675, We hit lows of 1685

Near term – **CZ 1730-1720** – Volume needs to pick up on FOMC day for continuation move higher, if not we can come back to lows with false start .



GOLD – CZ/ PEC- D Analysis – *Bullish* –

Texture - *BULLISH TOP & NEUTRAL BOTTOM*

Target – CZ 1790-1820 for POM 14 on Core position



SPX – Market Overview

Last week SPX was flat & refused to pull back. It has met the Projected CZ 1415-1405 target , The residual PQV energy is building up to generate the Momentum Trust Indicator in CZ. The rally off the bottom has been very powerful for the Bulls towards early November highs

This week , We have FOMC meeting and talk of QE-4. SPX could retest last week's 1425 spike high, Intraday EMINI PEC-D . On Short term basis , 20-day volatility on SPX has dropped below 20 along with the TICK / TRIN Ratio reading suggests pull back. Our Short term breadth indicators are turning red warning while the indices are posting higher highs. This is a warning that we are coming into a retracement.

DXY began the short term bounce last week as predicted which could fuel pull back in SPX . The Volume & PEC-D pattern supports the projection towards CZ 1390-1375 followed by a reversal from our E- mini Trend indicator

The seasonal pattern for December has been good start, it makes a high in the first week of trading, then fades into a mid-month low, then rises for the remainder of the month (second half) during the positive seasonality Rally". We have T- Time termination till 10th of January. The market is due to top out in January. December has 75% of probability of closing higher. Although it could be different this time. We have Mayan Calendar end date coincidentally !!!!

Last week's strength in the World Market has been primarily driven by the DAX. When any Major Market is much closer to Major breakout areas (see the chart of DAX below) , other Markets around the world would not give up till that market gives up. DAX will start pulling back before the US markets, so it's a good one to monitor. US traders like to trade the DAX in the 6 hours before going to work each day. This often happens in a final blow-off rally as the bull trend reverses course after sucking in the last of the sideline cash prior to larger decline.

CAUTION –

1. FOMC can certainly put fire powers under these Market this week.
- 2 The News on “ Fiscal cliff” negotiation can peak its ugly head and cause some volatility.

These news can Skew / extend Short term CZ Projection 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 .

Given the fact that Fiscal Cliff would not allow putting faith in the current T's uptrend to last all the way into the middle of January can be a be a mistake. But, trying to play the market as being in a downtrend right now in the strongest seasonal period of the entire year would be a error as well.

On Mid term basis, the rally of the bottom appears good especially Monthly close above 1405 in November with A/D Oscillator is strong . Mc – Oscillator has more room to rally. This puts a high probability of a continued rally into year-end.

Bullish Instruments Triggered Buy in CZ depicted in our various Reports during the recent correction & Subsequent rally has done very well.

We stayed away from Neutral / Bearish textured Instruments in this rally. These Bearish Instruments, I would be careful in next pull back.

In Individual Bearish Equities, I would be careful about yearend dividend payout if I am Short the Equity.

DAX – Indicator 1- NEAR TERM

When any Major Market is much closer to Major breakout areas , other Markets around the world would not give up till that underline market gives up. DAX will start pulling back before the US markets, so it's a good one to monitor for clue . .



DAX – Indicator 1- MID TERM

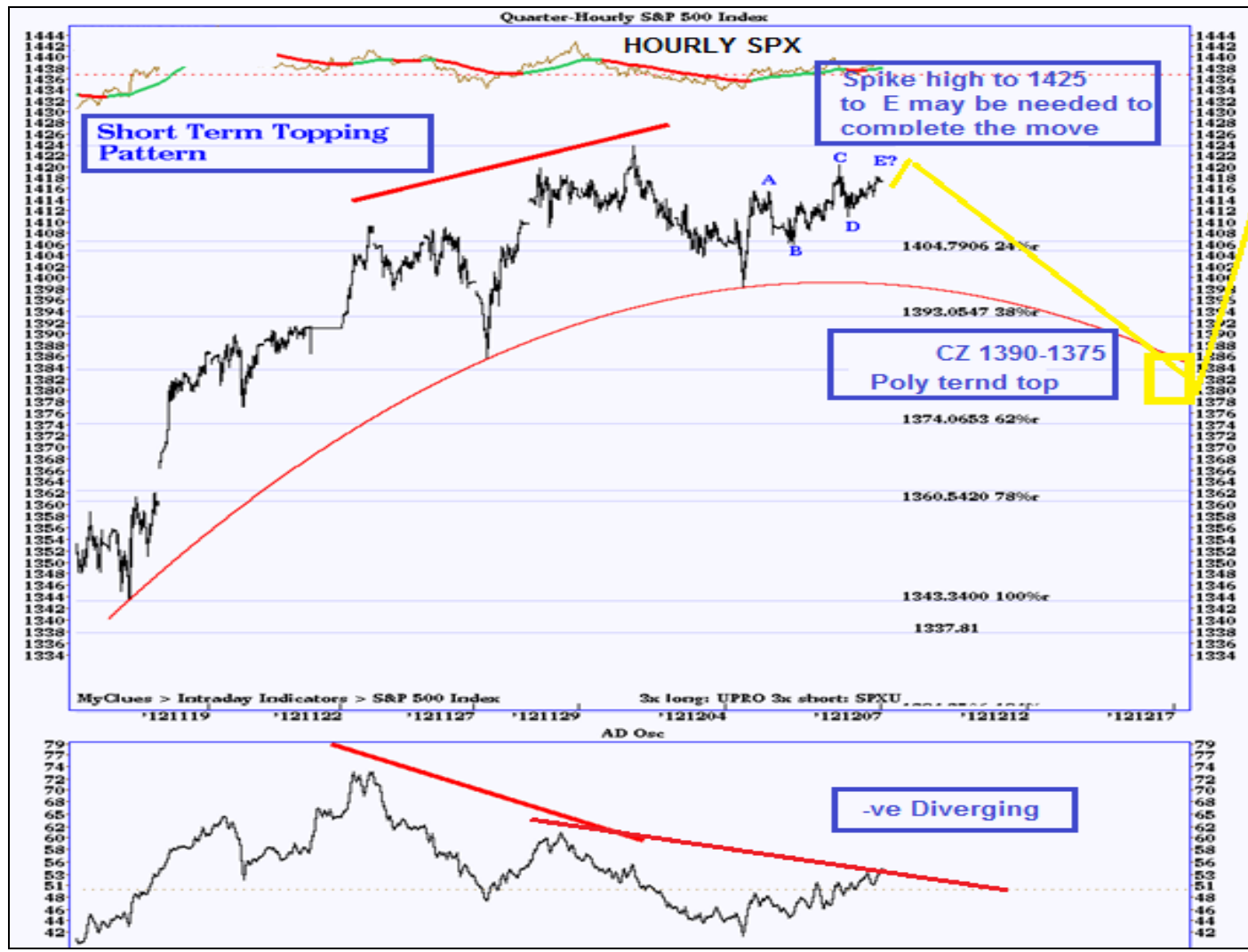
On bigger picture WAVE E tends to get completed via – Momentum Thrust process leading to POM 15 – we might enter this scenario early next year . We are monitoring it closely. Notes within the charts,



SPX- Poly trend CZ / Momentum Wave Analysis – HOURLY

HOURLY UPSIDE - WAVE 5 has spike high to 1425 which appears to need retest (notes within the charts)

DAILY DOWNSIDE – CZ 1390-1375



SPX- PEC- D Analysis – HOURLY

PEC-D is reached at 1419



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

DXY – Short term the bounce in DXY should continue, Inter market analysis supports the pull back in Equities till DXY reaches the upside target .

Upside - ABC up in DXY at CZ – 80.90-81.10.



SPX- VIX / TICK – Ratio Analysis – **NEAR TERM**

***SPX v/s VIX / TICK** Ratio on HRLY basis have hit Short term extreme lows for ST energy running out at the CZ of SPX .- Suggests Market internals at CZ .**TRIN / TICK** simultaneously suggest ST extremes as well.*



MID TERM -

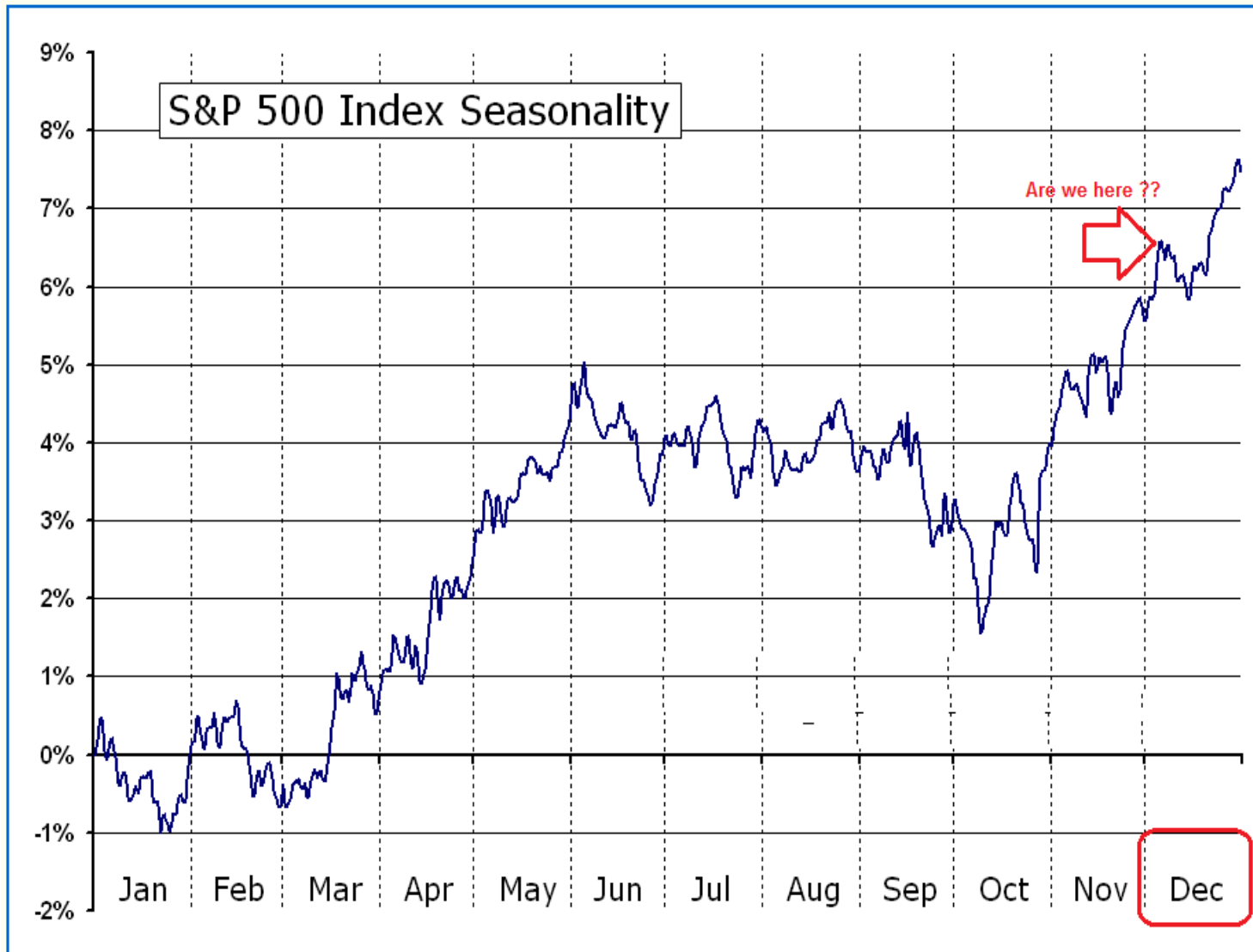
SPX- PEC- D / CZ / POM 13 Analysis

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

Pull back DOWNSIDE - CZ 1390-1375, CCI has more room to move higher with +ve VTO & strength off the bottom before larger top



SPX- Seasonality Cycle.



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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