



SG Capital Research

Global Market Insights

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

MAEG- MS – SPX – POM-SG 2011 # JAN_09

For Immediate Release – *Monday AM (EST)*

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Market Strategy SPX (A # 1) – (SP) - SPX – Closed @ 1277 (**Past Weekly change +1.6%**)

Analysis of Broad Market that includes – Jan 1st 2012 – SPX 1257 (**YTD change +1.6%**)

- 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 – **SPX, MID, ST , LT (CZ Analysis, Trend & Pattern Oscillator Analysis, PEC-D, Waves Analysis)**
- 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,**
- Time / Cycle Analysis- **Bradley Cycle, 4 yr Cycle, Astro- Harmonic Cycle, Seasonality Cycle, Oil / CU / TNX Cycles**
- 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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- 2. SPX – POM Signals, Price Projections & Conclusions.***
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Today's Quote-

“ Although Market is like a Fishing Rod which gives one Fish at a Time”....The Option can be like a Fish longer we hold it starts smelling.

- **1. Executive Summary**

SPX

Currently SPX is at POM 14 Re Run, 1st week of Jan was positive as the market bounced back into CZ 1251-1270 (Announced **12/02 ALERT . **!** for Fully Hedge Position). Nothing has changed in the market & in terms of Indicators from last week. More indicators (below) shows sign of Topping. Patience is the name of the game till Short term blow off get completed.**

In currents conditions of POM 14 re run - (½ of the Hedge Position being the Core & other ½ being rebalanced TWICE within the market's swinging gyration from POM 14 to POM 13 & back in past 2 months)

Our expectation (as stated before) has been that the market extends past our POM 14 – CZ towards 1290 and above 1300 & Fails . But if it does not fail . We will practice **PLAN B for at least ½ rebalancing position (Refer Commentary & **PLAN B- below**)**

POM 14 – CZ still remains very critical Top heavy area. It has History of testing and re testing as a part of rolling top process . Time is of essence. Tops takes more time to build. There could be another run upward to slightly higher prices (although it doesn't have to) before “mark down “ phase begins. **- Close below 1250 could negate the upward move.**

Move above SPX - 1300 we would look for that Price path to Taper to Trigger POM 15 “ **NET SHORT POSITION' – similar to our past processes of termination**

Our First downside Price Target on this current Trigger is CZ 1195-1210 (previous POM 13 area, still has unfinished business) on this ABC down.

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. (certainly not in straight line) .

• **PLAN B (January effect for Extended Bear move w/ or w/o fuel from QE -3)**

Plan B is applicable for New fresh Positions (which has not taken full advantage of previous market gyrations in PLAN A (above).

PLAN B will highlight the best Risk / Reward measures for such situation within Action plan below.....

- **If Failure (case 1)** - For such New positions in PLAN B. It might be worthwhile to wait for Market to move past 1290 go towards 1300 then 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.
- **If Breakout (case 2)** - Close above 1300 on Daily (may exit partial) and on weekly close (exit partial) . This will protect from any QE-3 extension rally if it begin from 1300 to (1350 – 1375). Just in case

• **PLAN C - (Bull case past 1300 SPX to 1350-1375)**

In PLAN C - Managers participating on Long side via POM's Non RA / RI process.

*In such Participation after **entering longs above 1300 level** . 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 if any. 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 for its aggressive participation especially, The Long position Post POM 14. If it happens more predictable (ST) is to play CZ to CZ of 2nd drive of this 3 drive to the Top Pattern post POM 14) and at the end of the Pattern look for **POM 15 – NET SHORT** to Trigger.*

GOLD

GOLD is bouncing back from the **CZ 1535-1560 downside target achieved to (1620-1650).**

We were very close to area of POM 13 for Trigger, but there could be one more move down as shake out . We think better Risk / reward should be set up on **SUCCESSFUL Retesting of CZ back down to (1535-1490) dip below.** Till such time our Model would not Trigger POM 13 for sustainable up move. We plan to wait patiently

Since 1720, GOLD is at POM 14. reached our Price Target **CZ 1535-1560 - Actionable point - announced via 12/14 Alert** , resulted in 160 point hard down . This was Risk Management call based on Individual Portfolio Objectives of rebalancing).

Point to monitor - If the two dips in December into our **CZ – 1560-1535** was really a successful retest of CZ testing bottom, then on current bounce the volume should pick up on Gold as it approaches the bounce target **1620-1650** for rally to continue. .

BONDS (TLT)

Currently TLT is at POM 13 , since 10/27 (**CZ – 110-112**). Although announced in Report, We did not take this Trade intentionally due to our absentee. Since then TLT has initiated ABC up towards 121 .

We will look for the other side of trade i.e POM 14 or 15 depending on how the price path gets setup on PRICE termination. (If and when that happens and fails). We will wait patiently.

Earlier we had closed the POM 15 Signal position from 123 trigger to Target 115.

Detail coverage in our upcoming A # 2B – US Broader IDX (SP) Report.

- For more Justification for our current Market Calls and Price Path Analysis , Refer the “ Detail Chart Section “ within this Report. POM's and CZ's has highest Risk / Rewards for Actionable ideas as compared to in between the moves

- 2. -2012 - NEW - SPX – POM Signals & Price Projections
- SPX -Trading & Investment Real Time Conclusions
- Start point 1257 (1ST Jan) – YTD 1277 = +1.6%

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

- POM 15 - Net Short – None - (Total points gains = 0)
- POM 14 / Re - Fully Hedged - None – (Total points gain = 0

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 – 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

• SPX – Market Commentary

*Our expectation of Market towards 1290 still remains. Last week , we indicated in **ALERT** - SPX has been dull and moving sideways, such dull market can do one of the most devious thing to tease until it gets the sideline money into buying extended Market in blow off. This is exactly what the market is supposed to do assure participant It is just fine creating a feeling of being left out.*

Although Short term the projections are higher (till it fails) , the internals in the market does not support the theme but the stocks bought in these extended prices has high probability of to generate losses over the next few months.

When you look back at slightly mid term , it's easy to see that the market is in the final stages of rolling over and signs of heading lower were evident. The risk is rising as the year end rally is pushing the market to the limits of the bear market rally which started in October. Although the potential exists for further surge, the risk on the downside is for a trip back to the bottom of the trading and a test of the October lows

Bradley turn date on 28th Dec had SPX put in highs at 1259 on lighter volume. Bradley has Positive January forecast.(See chart below) December Forecast was negative but SPX was FLAT in Dec. On 8th Jan was Full Moon (+/- 2 day) if correction sets in we could be down 2 weeks. Such cycles also tends to get inverted if it does it will result in blow off move. The fore we use the Cycle has to be used in conjunction with POM's and CZ's

The AAll Sentiment Poll Chart (see chart below) is beginning to show some extreme reading last week. AAll bullish percentage was 49%, the highest reading since Feb 10, 2011. the bearish percentage came in at 17%, the lowest since Dec 23, 2010. Overall, the average AAll bearish sentiment is 30%,v/s 49% . This is Sentiment clue.

Month of January, “ Jan 1st week goes, so goes rest of January” hasn't worked out since 2007-2011. Past 5 Yrs average Jan has been down month.

In Charts below, We have indicated SPX projections into CZ with ABC Wave on Hrly and daily basis towards 1290 confirmed by PEC-D . Also Indicated TICK / TRIN, PUT/ Call Ratio Analysis in extremes. A/D lines measure by Oscillator of NH/NL, 200D & 50 D – NH/NL Ratio at extremes.

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 - PEC-D Analysis
- SPX- TICK Analysis
- SPX- - TRIN Analysis
- IWM - Poly Trend Analysis (**January Correlation Lead Indicator**)
- QQQ – Poly Trend Analysis (**NASD – the lead dog**)

SPX - MID TERM – Analysis

- AAll- SPX – **EXTREME SENTIMENT indicator – (3RD Party)**
- PUT / CALL Ratio Analysis
- VIX – SPX Ratio
- A/D Line - Oscillator NH / NL
- A/D Line – 50D – Bullish Bearish Ratio Breath
- SPX –Calendar Cycle
- SPX – Bradley Cycle

SPX - LONG TERM – Analysis

- 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 into the extended Price move past 1300 then we have Plan B (Case 1& 2) in Place . We are not enthusiastic of PLAN C- for any desired participation. We will look for POM 15 Top on completion of Pattern - 3 drives to the Top. If such extension takes place then it would not last as much as past QE-2 since the Peak seasonality is behind us and Market internals are poorer then it was during QE-2. Pumping the markets on QE does not have good History of sustainability. On both previous occasions Investors got creamed.

QE -2- Nov 2010 effect Resulted in “ 3 Drives to the Top” – extended 4 months - and then came in nasty decline towards the end of February 2011 to wipe all gains .

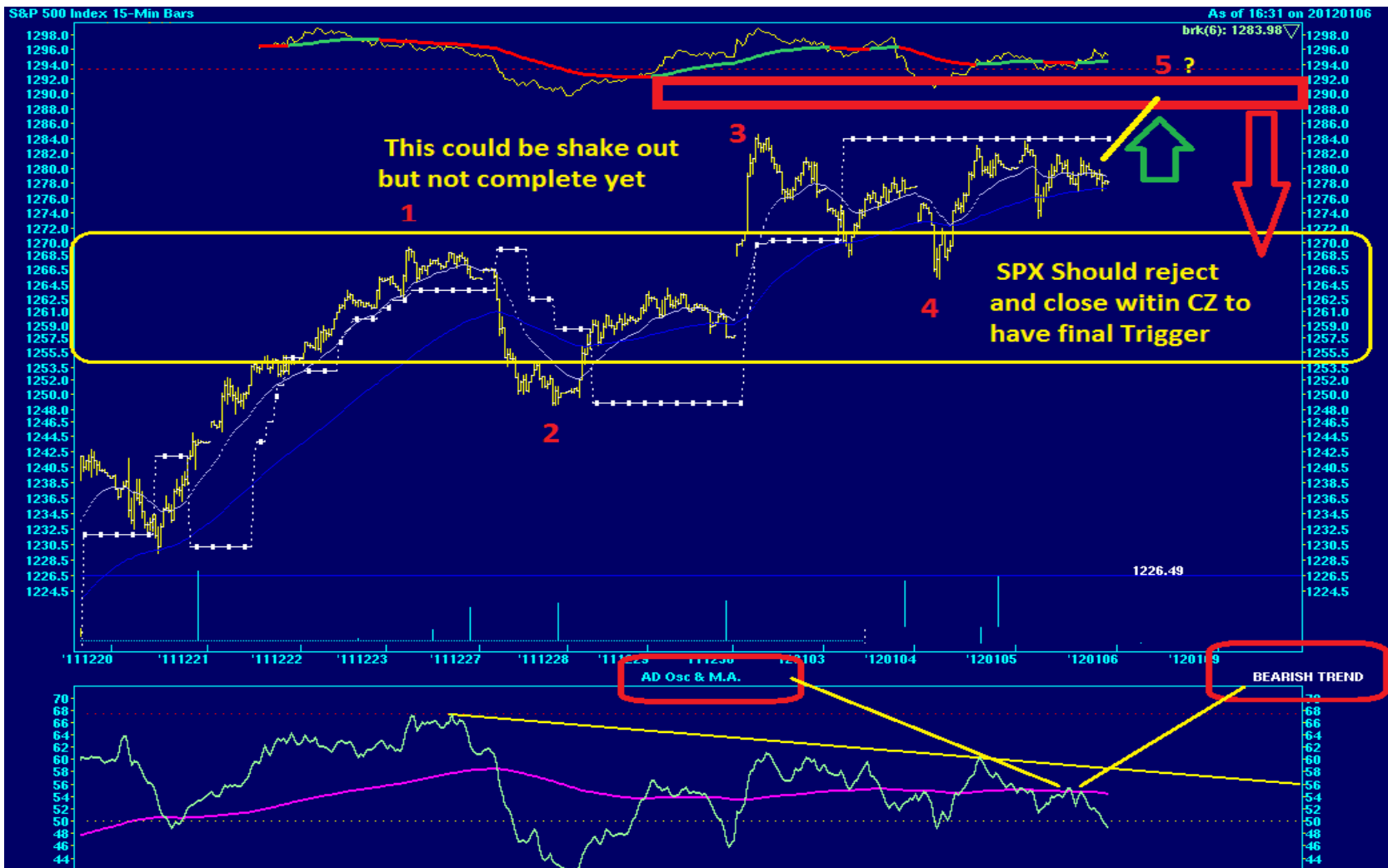
QE-1 - April 2010 effect resulted in POM 15 (Net Short) - in “Triangular Top” - Crashed the Market 1000 Point in 1 day.



• SHORT TERM - Analysis

SPX – Hrly - Poly trend – Wave Analysis

- On hrly, SPX is moving towards WAVE 5 -1295 . SPX is slightly above CZ – 1251-1270 of POM 14 . – Yellow box as churning process. We think on completion of this price move with upward surge and then, We should have a leg down .
- Notes within the chart highlights the A/D Oscillator is Bearish, It needs to breakout to justify move higher.
- Close below into CZ should Trigger Sell Program (red arrow)

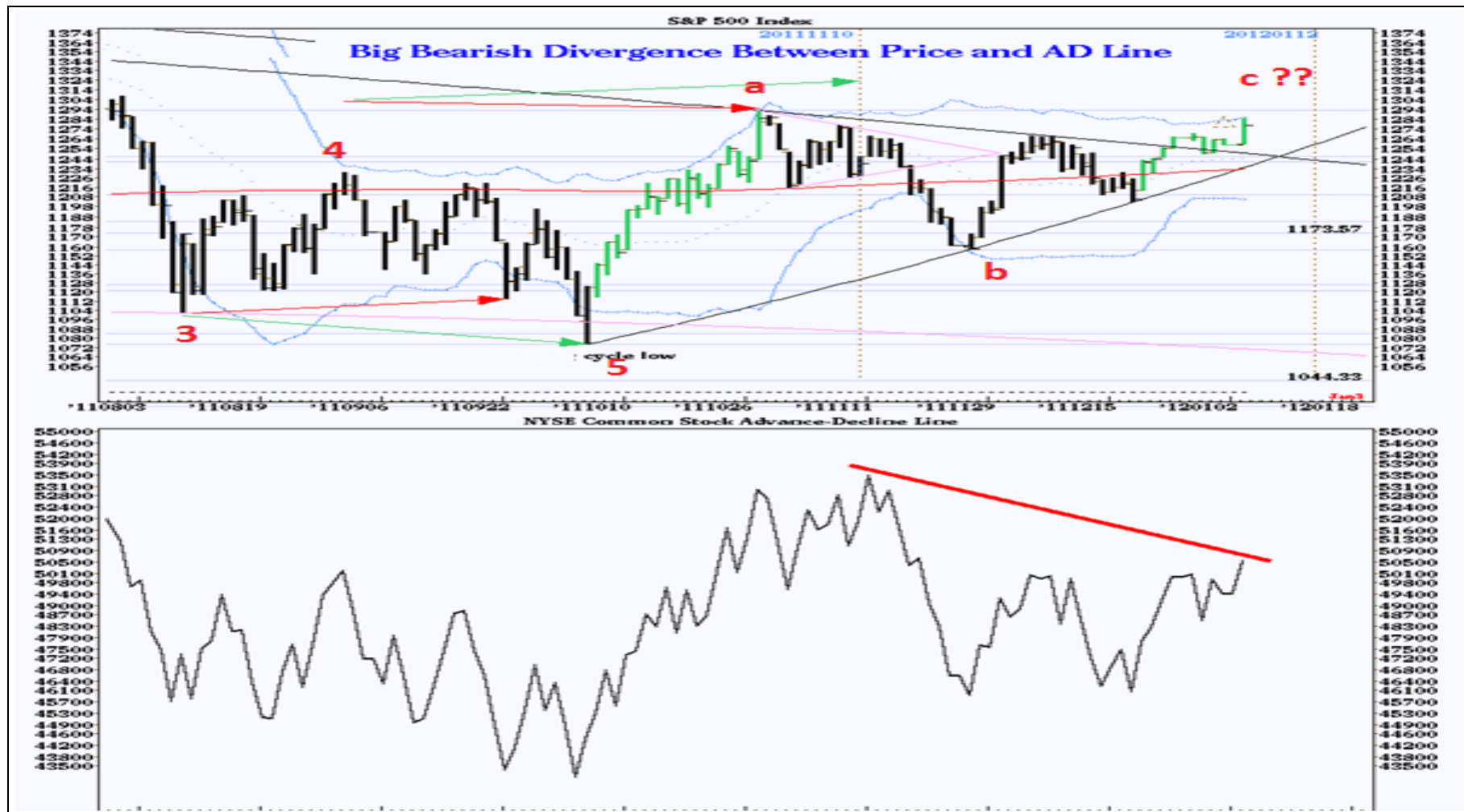


SPX – Daily - Waves & Poly Trend Projection Analysis –

On Daily Charts- After WAVE 5 down completion , we have 3 WAVE up terminating into C – Towards 1295. This move higher is happening on diverging A/D line on NYSE (2ND WINDOW), this suggest move higher will not last. Although the 2nd Triangulation failed.

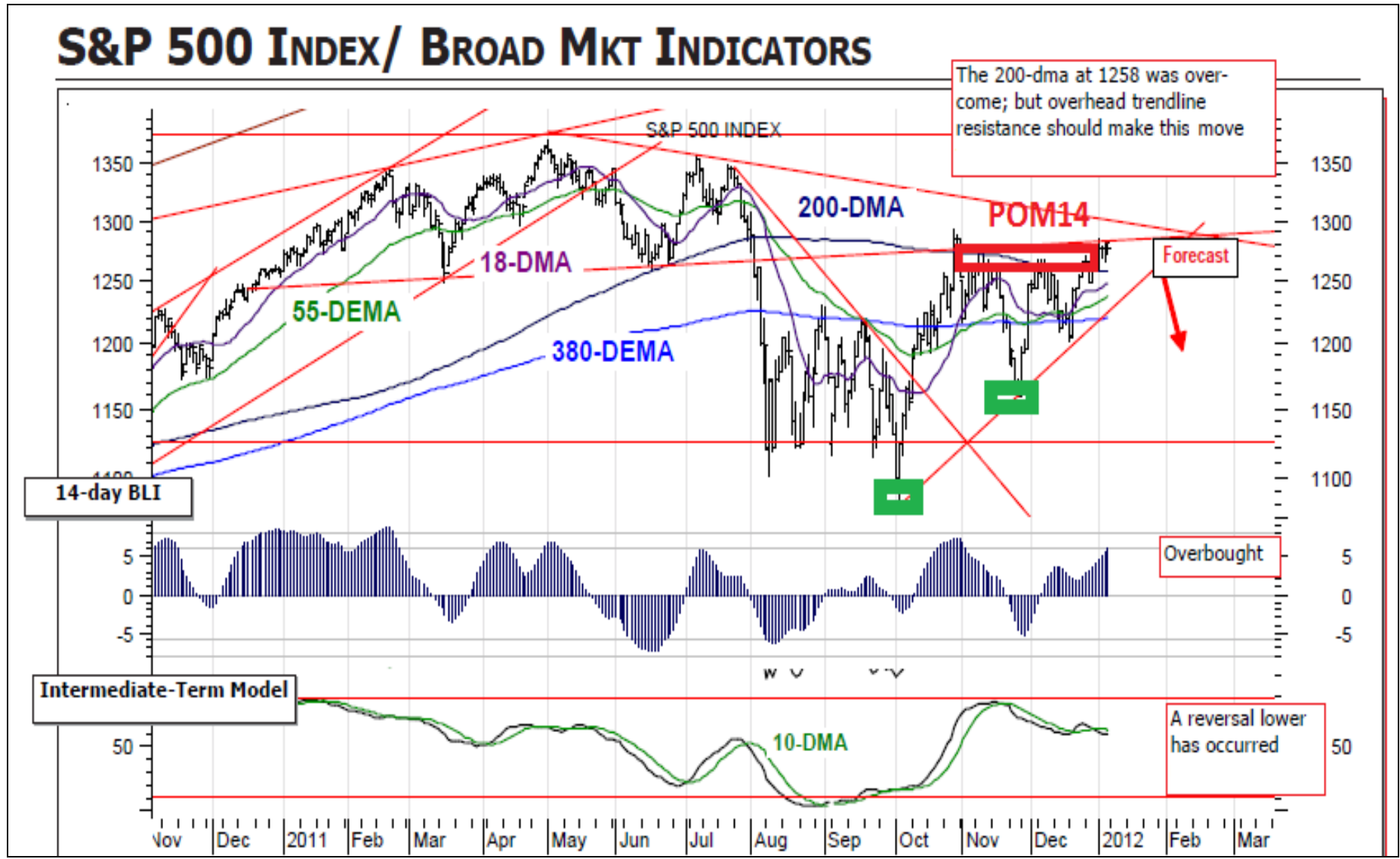
Time termination has expiration in 1st / 2nd week of Jan (refer chart below)

Earlier - (1 to 5) wave down was completed / ABCD pattern .



SPX - DMA , Trend & Oscillator Analysis

Based 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.



SPX - TICK Analysis (Important chart on Market Internals)

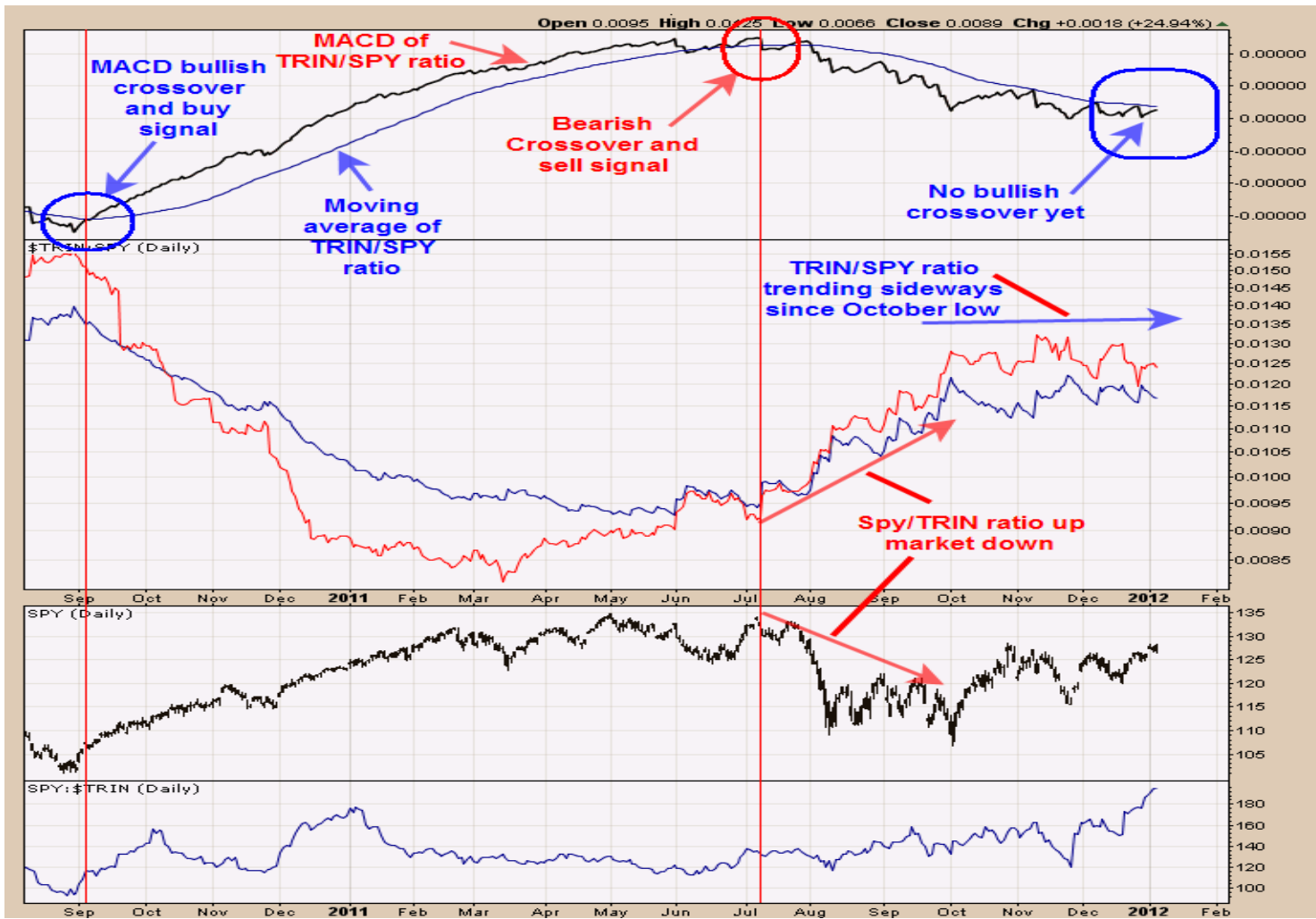
Tick indicator does better picking lows than highs in SPX as marked in chart below market. There has been times when the tick where overbought and the market still pushed higher short term (circled in red). The Ticks circled in blue did mark short term highs and we have reached that level in the ticks now. The hourly volume (bottom window) is not ideal for the rally to continue either. The evidence at the moment suggests a pull back.



SPX - TRIN Analysis - (Important chart on Market Internals)

. In general when the TRIN/SPY ratio is trending down then market is trending up and vice versa. At turns in the market the Red and Blue line of the TRIN/SPY ratio separate and suggests a reversal is coming in the market. The top window is the MACD of the TRIN/SPY ratio. Back in September 2010 a bullish signal was created (QE-2). In July 2011 a bear signal was triggered (POM14).

Currently the TRIN/SPY ratio in spite of Rally has not Triggered BULLISH suggests any sell off TRIN will move down and drag SPX with it .



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 below 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	29/12/11	30/12/11	03/01/12	04/01/12	05/01/12	06/01/12
S&P 500 (SPX)	1263.02	1257.60	1277.06	1277.30	1281.06	1277.81
Futures Premium	-6.62	-5.00	-6.66	-5.80	-11.26	-3.61
Advancing Issues	2395.00	1440.00	2370.00	1509.00	1839.00	1398.00
Declining Issues	652.00	1584.00	715.00	1555.00	1199.00	1628.00
Total Issues	3136.00	3131.00	3151.00	3133.00	3124.00	3127.00
Up Volume	484241.32	228874.47	678706.51	386130.98	473200.76	260702.56
Down Volume	43486	347113	160994	369453	346223	434084
Total Volume	531678	587747	851778	759432	828719	710492
New Highs	111.00	149.00	202.00	80.00	98.00	95.00
New Lows	35.00	18.00	5.00	11.00	14.00	13.00
Arms (Trin)	0.33	1.38	0.79	0.93	1.12	1.43
Closing Tick	572.00	348.00	681.00	-95.00	641.00	264.00
CBOE Put/Call Ratio	1.10	0.87	0.76	0.96	0.83	0.96
VIX	22.65	23.40	22.97	22.22	21.48	20.63
Odd Lot Purchases	1917636	2682721	2682721	2408545	2408545	
Odd Lot Sales	829027	1520718	1520718	1082680	1082680	
Odd Lot Short Sales	1072331	1137877	1137877	1347760	1347760	

RUSSELL – Poly Trend – Pattern Analysis – Lead JANUARY Indicator

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

Jan rally has met - 2 powerful Opposing Poly Trend (Wedging corner) in overhead Pricing within its CZ 74-77. For any meaningful January effect, it needs to break through. The volume oscillator's attempted breakout was aborted . .

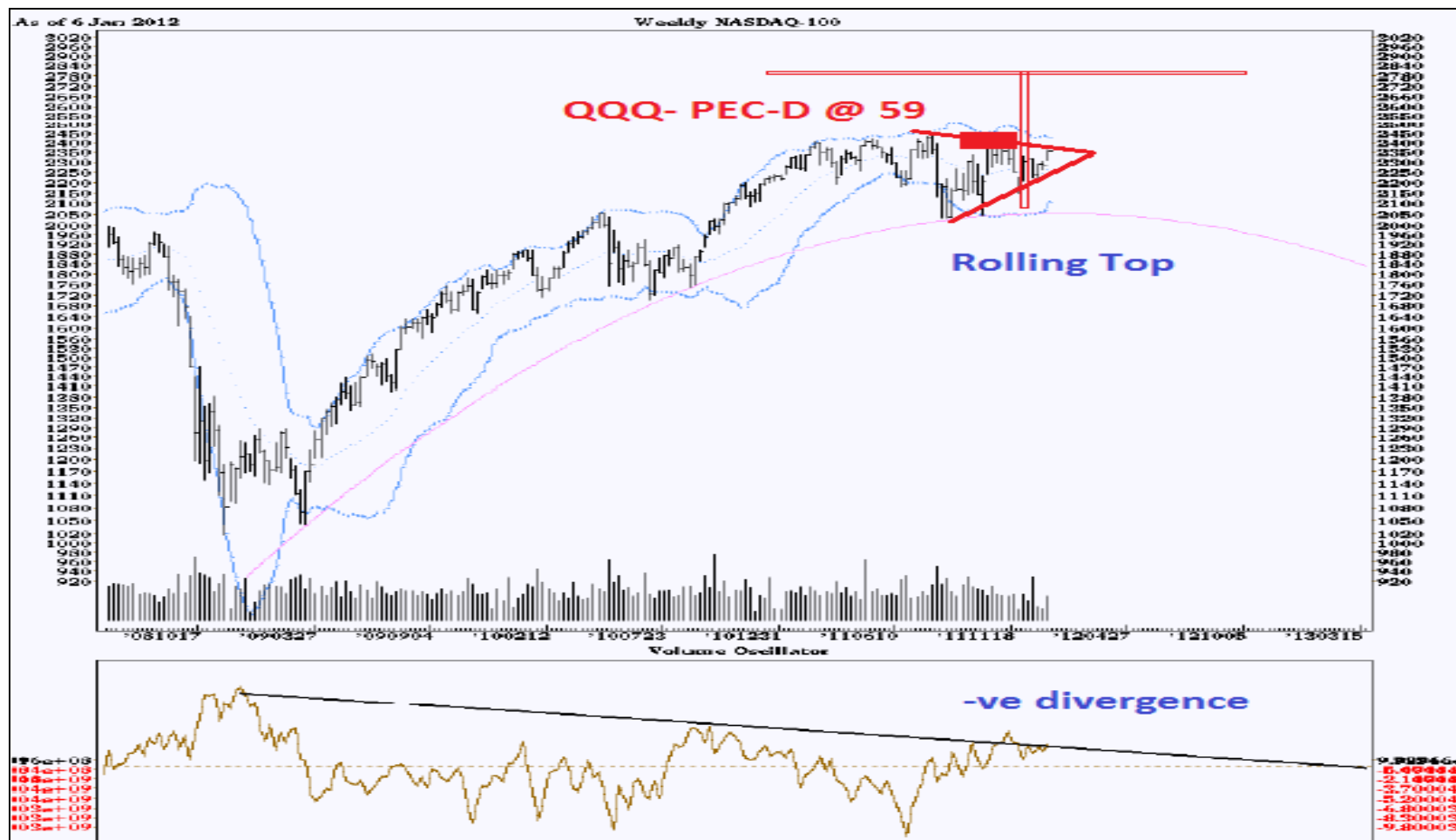


NASD -100 (QQQ) – Poly Trend – Pattern Analysis – **Lead Dog Indicator**

Triggered top Alert 10/31 at 59 at POM 14 (First to top). Still in tact.

On Re – Run to POM 14, NASD has lagged SPX considerably and remains well off the highs. absence of an accumulation pattern (higher low on oscillator accompanied by lower low on price) is an additional negative warning that a breakdown is more likely than a break to the upside.

Most importantly, now Trading on Right side of Poly Trend with Time termination in effect on sloppy slippery which should be a warning that this "Lead Dog" index is in poor shape on rolling Top.



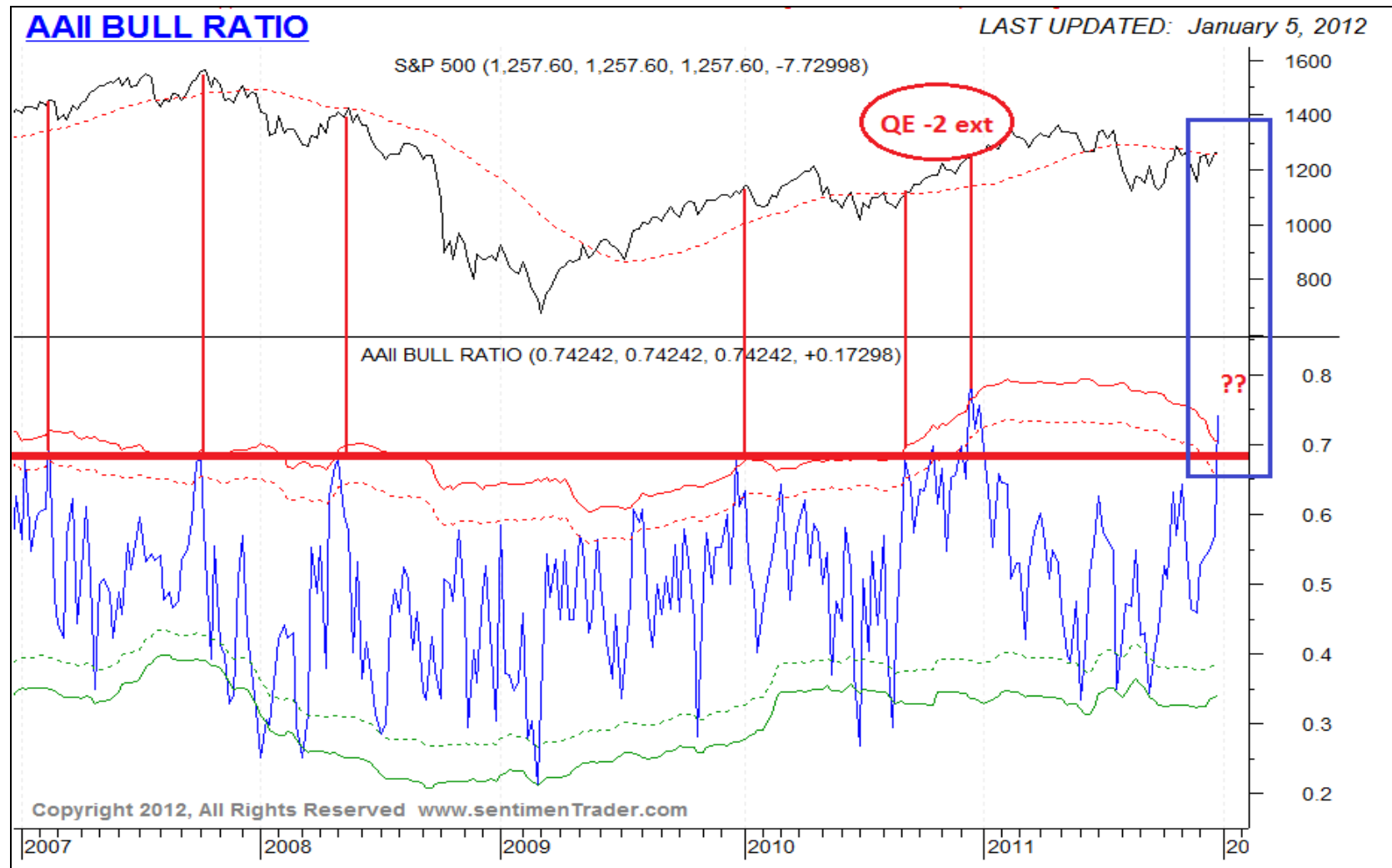
SPX – Weekly - EMA Cross Analysis

In spite of rally EMA hasn't crossed over to BULLISH to negate the BEARISH Cross in June.



AAll -Investors Intelligence Bull / Ratio – Approaching **EXTREME** (3rd Party) Courtesy : SENTIMENT TRADERS

Mathematical sentiments are covered in TICK, TRIN, VIX, PUT/CALL Ratio, but Survey Sentiments AAll is now beginning to show slight extremes under POM 14 condition. .



Put / Call Ratio - Analysis

SPX v/s CBOE – PUT / CALL RATIO on Multiple Derivatives

Option expiration is 2 weeks away and PUT/ CALL Ratio. Approaching towards 0.85 levels which tends to coincides with Tops especially if SPX- on POM 14.



VIX v/s SPY – Projection Analysis

VIX has completed Bearish wedge and it has tendency to move in Triangular Projection as might have witnessed in our previous charts for pattern completion. VXX volume seem to be lining up .



• Advance / Decline - 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 - **NON CONCLUSIVE**
- A/D Oscillator Volume v/s NYSE on Equities only - **(See below)**
- A/D Line NH v/s NYSE on Equities only - **NON CONCLUSIVE**
- A/D line_% BULLISH Equity 200D / 50 D - in SPX BREADTH - **(See below)**

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

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.

The lack of new highs on the rally continues to warn that the October-present uptrend is simply a countertrend rally and, therefore, that the main trend is to the downside. One more new high would be ideal from a wave perspective.



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

A/D Line of 200 D Equity ratio has reached 7 exceeded 72k-74k . This is critical area of topping in SPX . (See chart below)

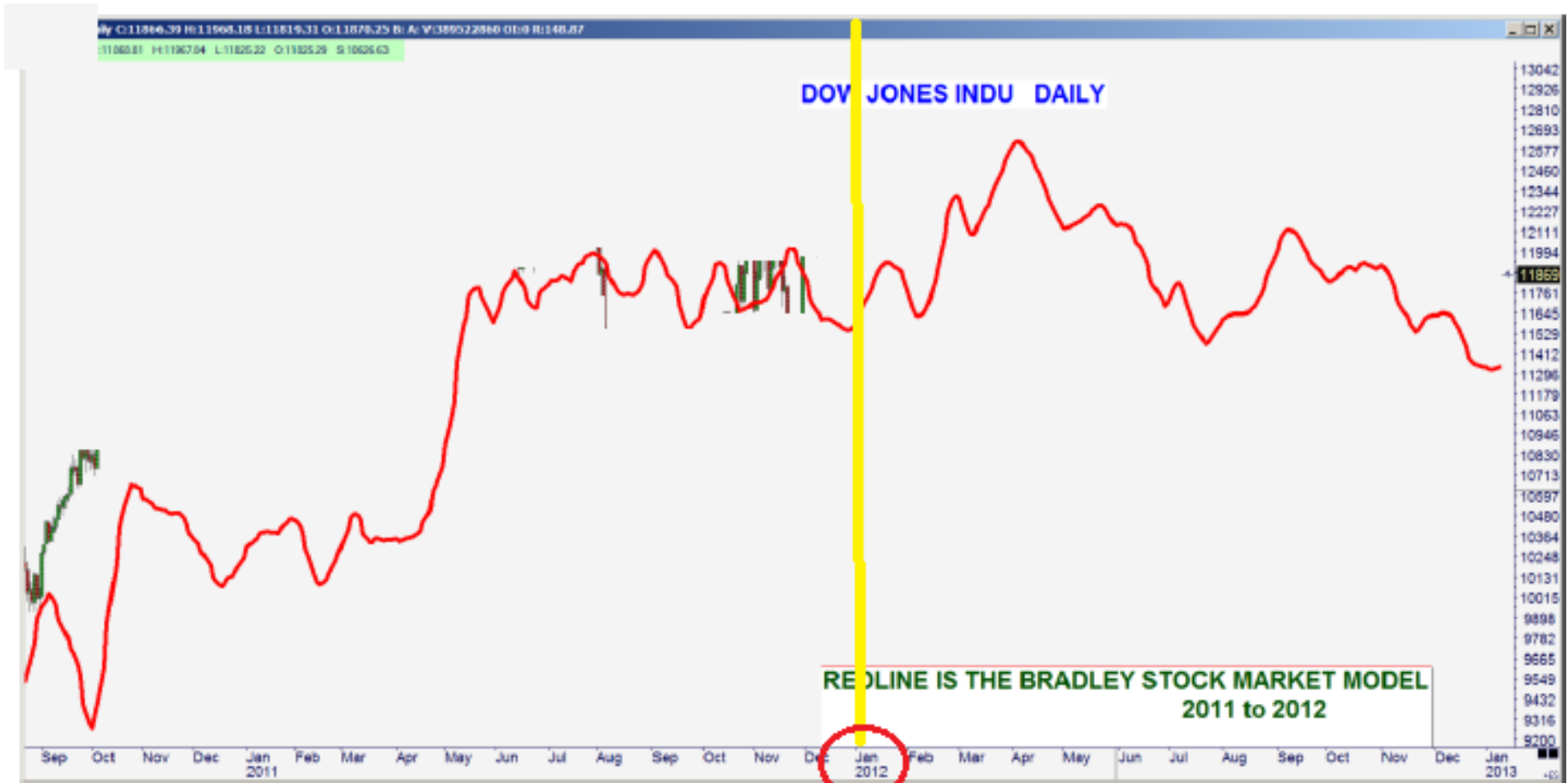


- **Time Cycle SPX**

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

- **Bradley's - Cycle dates –**


JANUARY is expected to be up



- Calendar Cycle - Cycle dates – Historically

JANUARY is expected to be DOWN

- 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%

. 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**

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

SENTIMENT TRADERS

@ 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 - **EXTREME**

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**

- **2011 - CLOSED FINAL -SPX – POM Signals & Price Projections –**
- **Trading & Investment Concl – Start point 1257 (1ST Jan) – 1257 (31 Dec)**

SPX- 2011 – TURNS REAL TIME – POM & CZ



Total SIGNALS

(6) POM 14 (3 Re)
 (4) POM 12
 (0) POM 15

SPX - YTD - (-1. point) _____
 POM 12 to 13- Gains 257 Points (4 Signals) _____
 POM 13 - Risk Mangement savings - 280 points (5 Signals) _____
 POM 14 to 13 - Fully Hedged - Gains 150 points (4 Signals) _____

(-0.1%)
 + 25%
 + 28%
 +12%

- 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 - 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 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**

• 2010 - POM - SPX Signal



• 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

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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