



SG Capital Research

Global Market Insights

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

MAEG- MS – SPX – POM-SG 2012 # JAN_17

For Immediate Release – *Tuesday AM (EST)*

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Market Strategy SPX (A # 1) – (SP) - SPX – Closed @ 1289 (**Past Weekly change + 0.9%**)

Analysis of Broad Market that includes – Jan 1st 2012 – SPX 1257 (**YTD change + 2.5%**)

- 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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- 1. Executive Summary (SPX, GOLD, BONDS)*
- 2. SPX – POM Signals, Price Projections & Conclusions.*
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- 7. APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation , Disclaimers*

Today's Quote-

“ In order to know where & how far we are going, we need to know where we are coming from !! This applies well for our CZ move from one CZ to next CZ.

● 1. Executive Summary

Past week, all (3) Major Markets SPX, GLD, BONDS, the weekly Price change has been about +/- 1% positive. We have “ No changes to our POM’s or our Indicators” . In fact some indicators are gone more extremes then previous week in the direction of the move.

At the cost of sounding redundant, (until the Trend changes) “ Our Message of observation remains the same within our Reports. Our charts reflect further extremes of last week’s action. We repeat few themes to remind us of “clear and present danger”.

Sounding redundant is a common experience when market is Trading sideways around POM 14 – CZ. We remain patient till the Risk / Rewards present better opportunity & Decision Point.

SPX

Currently SPX remains at POM 14 Re Run, as the market bounced back into CZ 1251-1270 (Announced 12/02 ALERT for Fully Hedge Position). More indicators shows sign of Topping. As indicated in our previous Reports, the Potential for Short term blow off remains. (Refer charts below)

In current conditions of POM 14- re run - (½ of the Hedge Position being our Core position, which we plan to hold till POM 12 is achieved & other ½ floating position being rebalanced TWICE within the market’s swinging gyration from POM 14 to POM 13 since Oct lows)

Our expectation (as stated before) has been that the market extends past our POM 14 – CZ towards 1290 and above 1305 & Fails, it showed first sign last week.

For any “New positions” It might be worthwhile to wait for Market to move past 1290 go towards 1310 then fail and close under 1280 with –ve divergences . This would constitute a complete PQV failure. Then put a STOP LOSS PROTECTION above 1310 based on Portfolio Objective.

But if it does not fail (& causes extension) . We will practice PLAN B for at least ½ floating position for rebalancing (Refer Commentary PLAN B- below) and Re- utilize the corpus at POM 15 when triggers.

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. .

There could be another run upward to slightly higher prices (See the details below in SPX Commentary section) before “mark down “ phase begins. – Close below 1250 in our CZ, could negate the upward move.

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 – (Extended BEAR CASE w/ or w/o fuel from QE -3)***

PLAN B will highlight the best Risk / Reward Action plan for such situation

- ***If Fake out extension (case 2) - Close above 1310 on Daily's close (may exit partial) and on weekly's close (exit partial) . This may protect from any QE-3 extension rally if it begin from 1300 to (1350 – 1375). Just in case***

Move above SPX – 1310 we would look for that Price path to Taper to Trigger POM 15 “ NET SHORT POSITION' – similar to our past processes of termination.

Current POM 14 by no means is NET SHORT within Risk Management Model unless Individual Portfolio Mandate

• **PLAN C - (BULL CASE - past 1310 SPX to 1350-1375)**

In PLAN C - participating on Long side via POM's Non RA / RI process. Our Risk Management Model does not endorse NET LONG. Our Model tend to get Bullish at POM 12, POM 13 as we witnessed in Aug, Oct, Nov. during last bottom and not at POM 14.

*If participating in such moves , **CAUTION GUIDLINES***

After entering longs above 1310 level . The Risk Management STOP LOSS should be 1285. 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).

This scenario (if it does materialize it) should be “ 3 Drives to Top” We do not believe it will be high slope “A Triangular Top”. In both situations, it would end up to towards POM 15 Trigger .

POM has its own predictable Risk / Reward Guild lines for its aggressive participation

“ FOR VALID BREAKOUT” - to initiate another ABC up

Prices should pierce through current congestion with “ Sign of strength”, heavy volume with VTO, PPO reversals. Simultaneously the internal Math readings should be re configured different from those indicated in our “ Table” indicated in A # 1 –MS. Below.

- *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*

GOLD

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

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 (1560 - 1535) dip below.** Till such time our Model would not Trigger POM 13 for sustainable up move. We plan to wait patiently

GOLD, since 1720, is at POM 14. It 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. **We have not witnessed any PQV pick up as of yet.**

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 trend position 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.

• SPX – Market Commentary

Currently we see several of lagging line indicators turning Bullish, these are the same indicators which turned Bearish near the August and October lows. Our effort continues to focus on combination of Projective indicators of 2nd and 3rd derivatives cross verified by several process for same conclusions v/s Coincident line indicators which tends to be lagging in base Technical.

Our expectation of Market move towards 1290 was met last week. This Shorter term Price path phenomena was completed on HOURLY chart WAVE- 5 (Test in process) & on Daily Chart WAVE- C (it Failed PQV) & completed the pattern (indicated in our earlier A # 1/ A # 3 commentary).

From weekly / Monthly charts Projections, the Price path over the POM 14 – CZ 1251-1270 area (Failed PQV) have occurred with weak internals and –ve divergences.

Granular snapshot –

However, the WAVE 5 on HRLY has some unfinished business, there is a high probability of another test of the highs with blow off move once again. Wave “ e” to complete towards 1300 with increased volatility (refer chart below) forming a clear diagonal triangle that has only one more small rally to finish. This should all coincide with All other BROADER Indices to Re Test its own CZ . This will to be in Harmony with among QQQ, IWM, IYT etc. At that point, the expectation is, the SPX will retrace at minimum to the base of the pattern.

Diagonal triangles tend to occur at the end of large waves. "This can set up stage to commence a slide. This week, we could see that final high , followed by sharp decline. Looking at the short term, we can see that the markets are wedging. Wedges are unstable patterns which imply lessening volatility in the short term, but high volatility in the Mid term.

By this test we may achieve some balance required readings on TRIN, TICK PUT/ CALL ratio to seal it on upside (This is Mathematical sentiment readings we look for from Traders behavior).

Usually at the Tops especially at POM 14 - 3rd re run, Price extensions above Weekly , daily, and Hrly with poor internals is common till it gets the majority participants excited. We sit tight with our fully hedge position past current 2% of up move.

For rejection from current levels , a Heavy down volume pick up back in 1280 –SPX & close into CZ 1260 should put in a top to negate the Granular snap shot of hrly test of the TOP.

Our next cycle date New Moon is on 22nd Jan, On 8th Jan Full Moon was inverted at Highs , If we put in another high into 22nd Jan It could be very Bearish with double effect . We use the Cycle has to be used in conjunction with POM's and CZ's. Bradley's January positive effect still remains in tact.

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

If Fed goes ahead with QE3, the benefits will be small compared to the risks. Patiently waiting for correction from current levels should offer opportunity to deploy CASH when good assets trade at very cheap prices.

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. Higher it goes from false break, larger the decline 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

Optimism continues, The AAll Sentiment Poll Chart (see chart below) is beginning to show some extreme reading last week. AAll bullish percentage was 51%, the highest reading since Feb 10, 2011. the bearish percentage came in at 16%, the lowest since Dec 23, 2010. Overall, the average AAll bearish sentiment is 30%,v/s 50% . This is Sentiment clue.

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 liquidity premium, OTC volume showing extremes

If SPX fails today or weakens considerably, we would look at IWM, SMH , IYT carefully for clues on failure. Considering various Models showing divergences and Ratio charts are not making higher highs in all 3 leading indices if new leg has to begin. Internationally DAX should be watched for failure. HK might be the last one to give. It is still showing strength. Each of these should line up in Sync for final Top.

XLU – Utility has been the leader of last year. Past 10 days its been down. .

In summary, We have Turn around Tuesday (01/16), Time termination on (1/17) and New Moon on Monday (01/23). Turn may come within these dates.

- 2. -2012 - SPX – POM Signals & Price Projections
- SPX -Trading & Investment Real Time Conclusions
- Start point 1257 (1ST Jan) – YTD 1289 = +2.5%

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 v/s Cycle - CHART

- SPX v/s USD
- SPX v/s GOLD
- SPX v/s QE – 3 , 2 v/s POM 14 – Analysis – **PLAN B , PLAN - C**

SPX - SHORT TERM – Analysis

- SPX – Hourly Poly Trend & Wave Analysis
- SPX - Daily Wave & Poly Trend Projection Analysis
- SPX – DMA & Trend Analysis
- SPX – Internal Numerical Table
- SPX – MC-Clellan Oscillator
- SPX - PEC-D Analysis
- SPX- TICK / TRIN Analysis

SPX - MID TERM – Analysis

- AAll & IT Score v/s SPX – **EXTREME SENTIMENT indicator – (3RD Party)**
- PUT / CALL Ratio Analysis
- VIX – SPX Ratio – PEC-D (Weekly & Daily)
- 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 – H & S – Top – Poly Trend Analysis
- SPX – Poly Trend – Wave Pattern Analysis
- SPX – EMA Cross with PPO.
- A/D Line – 200D – Bullish Bearish Ratio Breath

• SPX v/s GOLD – Cycle – Analysis

In order to have sustainable move higher in SPX, the GOLD Market should lead SPX. Any rally with GOLD / SPX Ratio in down trend (redlines) or SPX leading rally v/s GOLD (indicated Arrows), the SPX rally should fizzle as it happened in past several years. (Notes indicated in chart below)



• SPX v/s USD – Cycle - Analysis

Past 2 weeks, (since 1st Jan) SPX & USD has been rallying together contra to previous inverse relation. We need to watch this if this is in early stages of some market dynamic changes within our Inter Market Analysis Model. (Notes indicated in chart below)

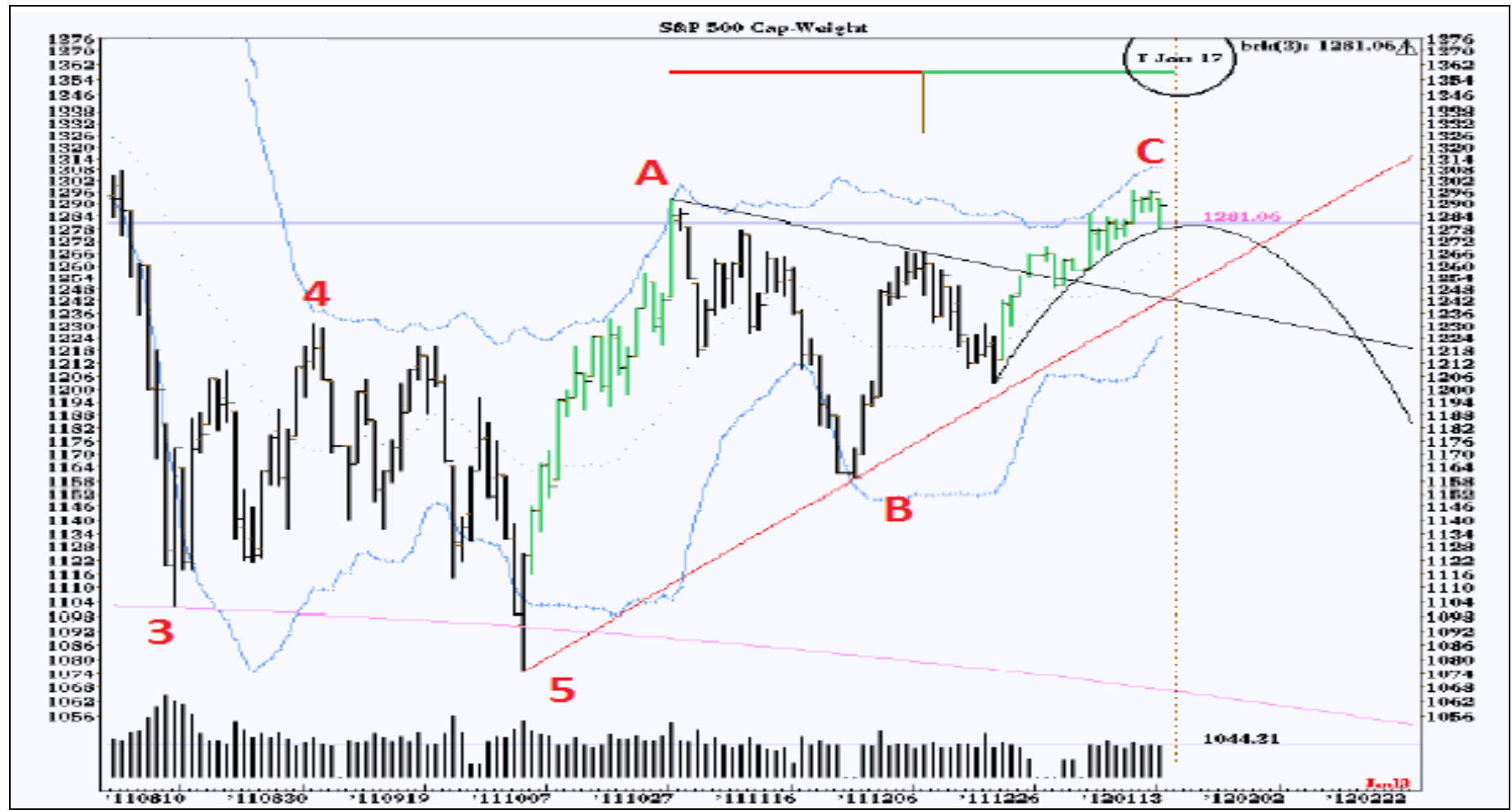


SPX – Daily - Waves & Poly Trend Projection Analysis –

On Daily Charts- We have Three Waves up terminating into WAVE - C – Towards 1295 - 1300. This move higher is happening as we approach on right side of Poly Trend. This suggest move higher may be on slippery slope .

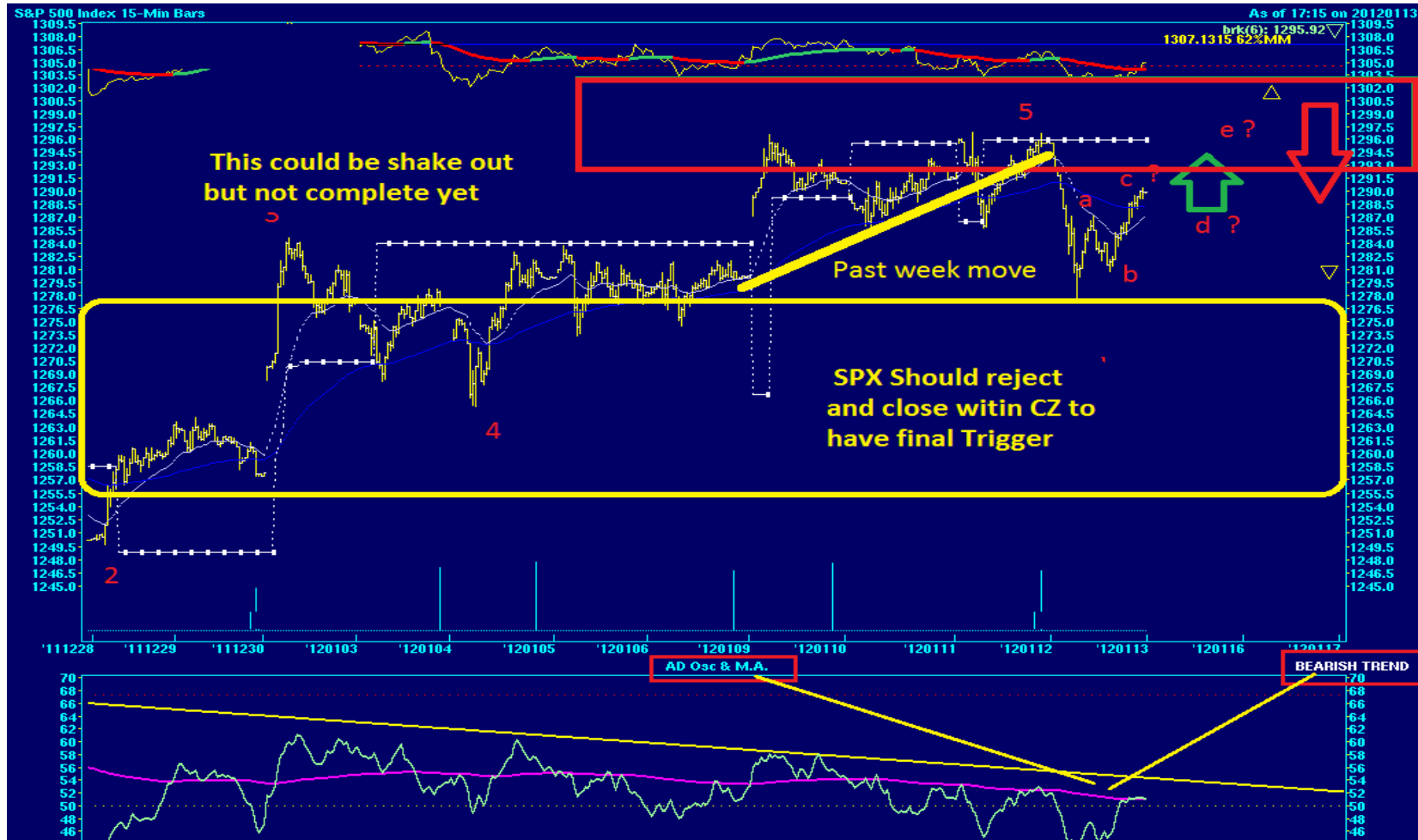
Time termination has expiration in 1st / 2nd week of Jan (Approximately 17th Jan - refer chart below)

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



SPX – Hourly - Poly trend – Wave Analysis- Granular snapshot

- Since HOURLY, SPX - WAVE 5 -1295 needs another test . We have initiated a,b,c,d,e pattern . This Bearish wedge pattern will be completed to “ e” – 1310 with decline back to “ b”
- SPX is prices above **CZ – 1251-1270** of POM 14 .(Yellow box) appears to be shake out move . We think on completion of this price move with upward surge and then, We should have a leg down .
- A/D Oscillator is Bearish, It needs to breakout to justify move higher.
- Close below “ 4” into CZ should Trigger Sell Program.



SPX-Daily Internals for the week within the POM14-CZ (Granular)

Market's internal numerical - Conclusion supports POM 14 re Run –
MOST CRITICAL towards the end of the Trend

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	06/01/12	09/01/12	10/01/12	11/01/12	12/01/12	13/01/12
S&P 500 (SPX)	1277.81	1280.70	1292.08	1292.48	1295.50	1289.09
Futures Premium	-3.61	1.30	✧-8.58	-5.58	-5.20	-0.19
Advancing Issues	✧1398.00	1924.00	2333.00	1697.00	1857.00	✧1062.00
Declining Issues	1628.00	1109.00	704.00	✧1353.00	1174.00	✧1972.00
Total Issues	3127.00	3130.00	3140.00	3147.00	3135.00	3147.00
Up Volume	260702.56	465920.91	✧650971.68	✧464896.19	456918.83	204035.90
Down Volume	434084	241264	166007	285849	300216	595192
Total Volume	710492	721566	840821	759105	770299	827857
New Highs	✧95.00	114.00	150.00	✧68.00	103.00	100.00
New Lows	13.00	19.00	14.00	14.00	15.00	✧25.00
Arms (Trin)	1.43	0.90	0.85	✧0.77	1.04	1.57
Closing Tick	264.00	532.00	685.00	✧52.00	419.00	✧126.00
CBOE Put/Call Ratio	0.96	0.93	✧0.81	✧0.79	0.85	✧0.74
VIX	20.63	21.07	20.69	21.05	20.47	20.91
Odd Lot Purchases	2287029	2311012	2737739	2403534	2403534	
Odd Lot Sales	✧1265301	✧1234599	1517348	1363575	1363575	
Odd Lot Short Sales	✧1021609	1074098	1260640	✧1040684	✧1040684	

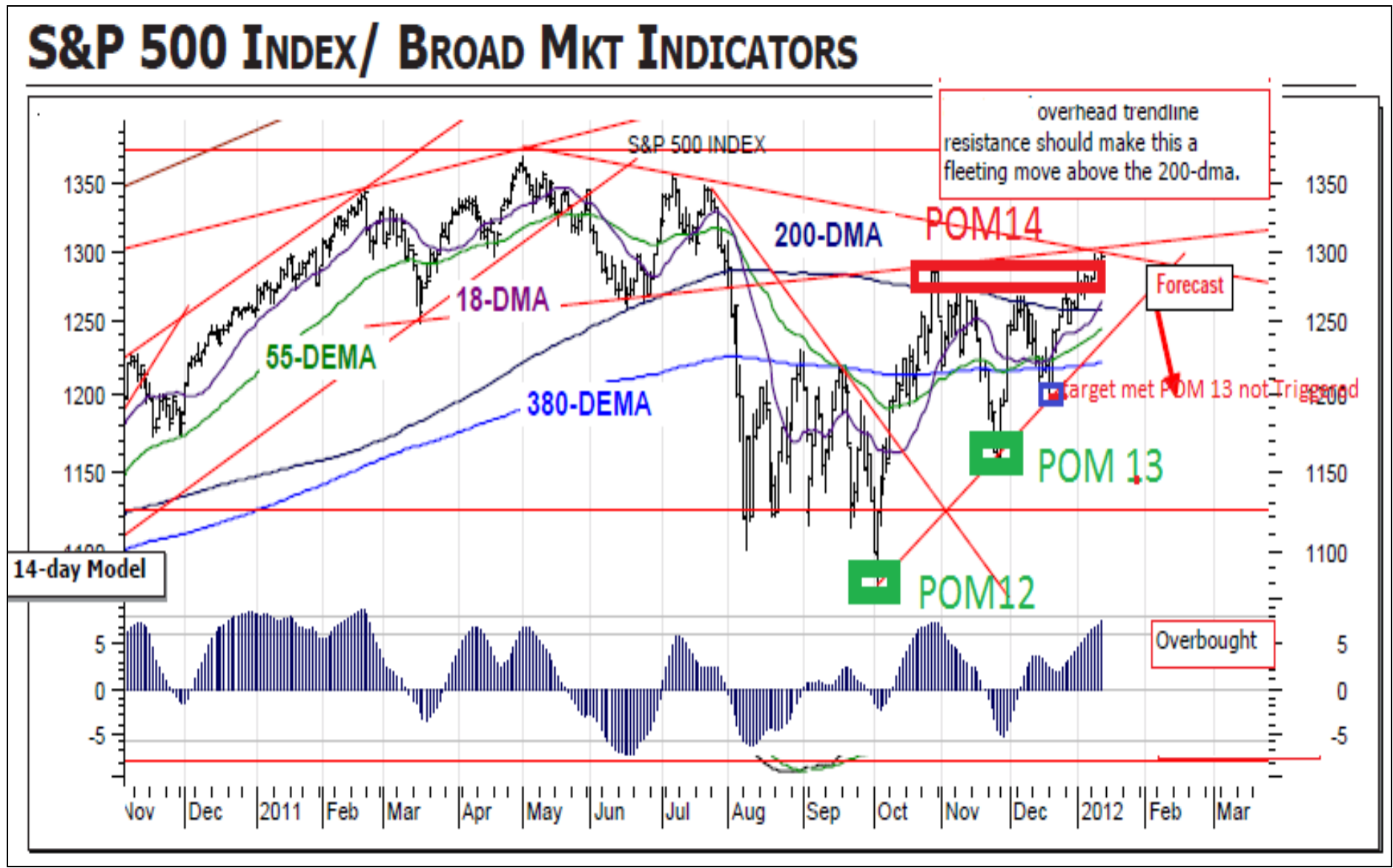
SPX v/s MC- Clellan Oscillator

SPX with its McClellan Oscillator (Window2) . A bearish divergence shows up when the SPX makes higher highs and its McClellan Oscillator makes lower highs (see chart above). CCI is negatively diverging as well (window 3) . This usually results in nasty decline when POM 14 is triggered.



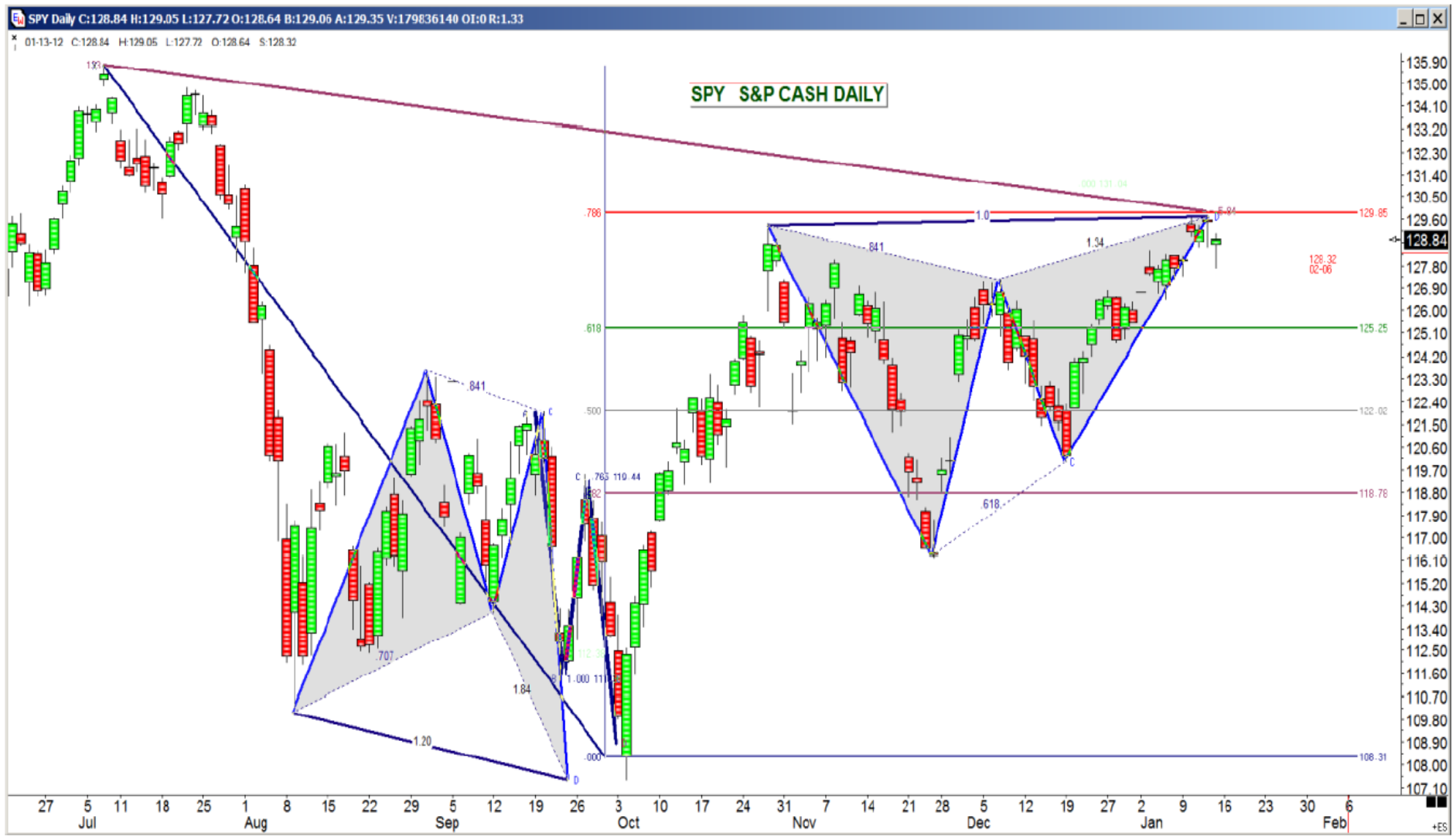
SPX - DMA , Trend & Oscillator Analysis

Based on Trend and DMA analysis , the POM 14 is being tested from underneath - BLI is peaking. Suggestive of Tops by this method



SPX - PEC -D Analysis

From May highs SPX has finished 786/ 618 . This is quite close to our target price of 1295



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

The TICK circled in blue if simultaneously is met with The TRIN- circled in Blue, this combination tends to mark highs in SPX and we have reached that level now. The hourly volume (bottom window) is not ideal for the rally to continue. Top in SPX should be very close.



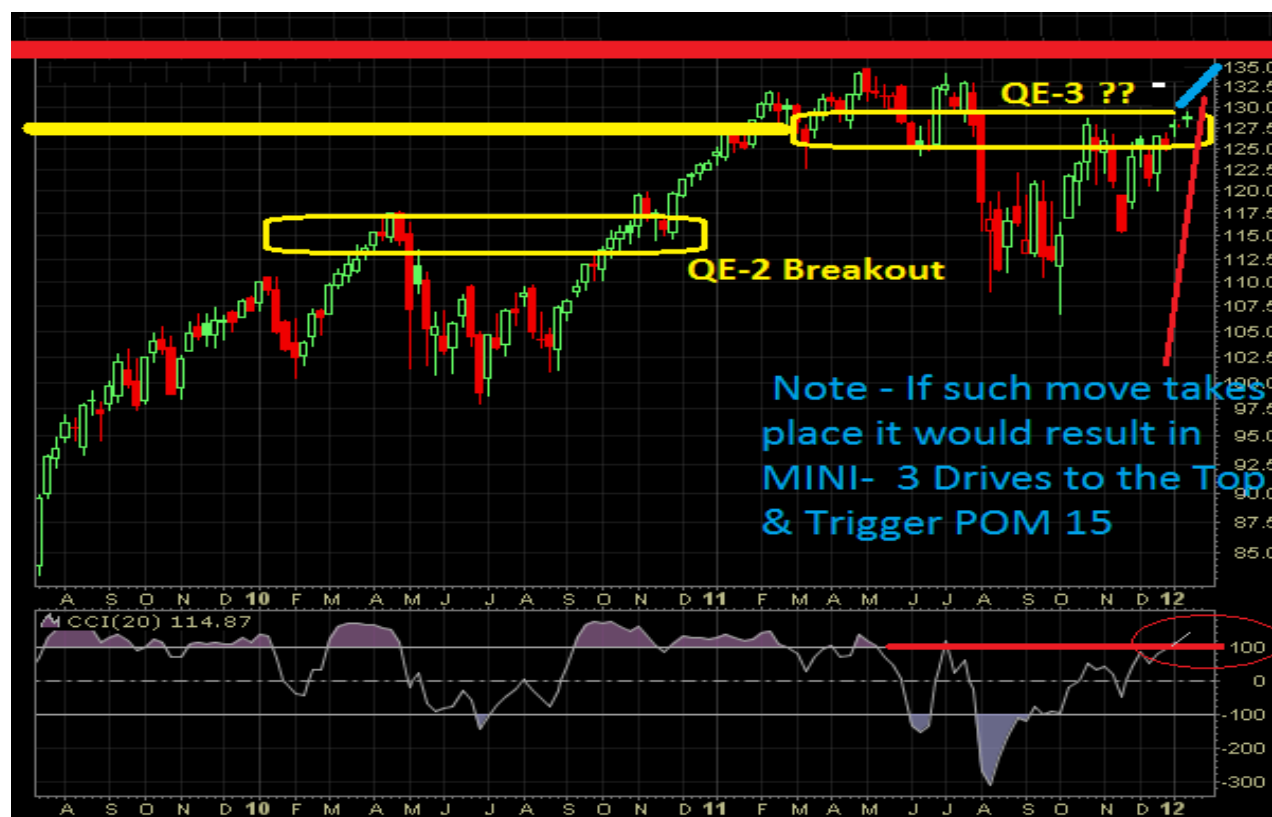
SPX - QE – 3 v/s POM 14 – Analysis – **PLAN B** or **PLAN C**

IF - QE3 – EXTENSION v/s SPX

If QE-3 initiates into the extended Price move past 1300 then **we have Plan B (Case 2) – Fake out extension in Place, (Blue line move indicated)** . 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 resulted in nasty declines.

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.



SPX – Poly Trend / H & S Top – **MT** - **Caution**

Our PQV, VTO, PPO validates the H & S top pattern . It makes it more interesting since price action is on Right side of Poly Trend.



SPX – Poly Trend – **LT** - **Caution**

In the chart below Bigger Picture – POM 12 was at the Top of larger Poly Trend and on Right side of Poly Trend. – **Caution**

Since the major March 09 low. In August it has already peaked (top of Poly trend) and is heading lower. (marked in Blue). On Right side of Poly trend, the slope of the descent is modest now . As time goes on, that Poly Trend rolls more steeply to the downside by 2014.

Looking back after the 2007 top in the chart, the market formed a 5 Wave pattern to the downside . It's Wave 1 was a double test 1280 rallied back to 2 before crashing in 2008. (Left circled in Blue) . In the preset decline, Wave 1 bottomed and re tested again the Poly trend at 1080.setting point 1 , Now the market is on rally mode wave 2 up. At the end of which this will start decline downside for wave 3. (On Right side of Poly) .



SPX – Monthly - EMA Cross Analysis – **Caution**

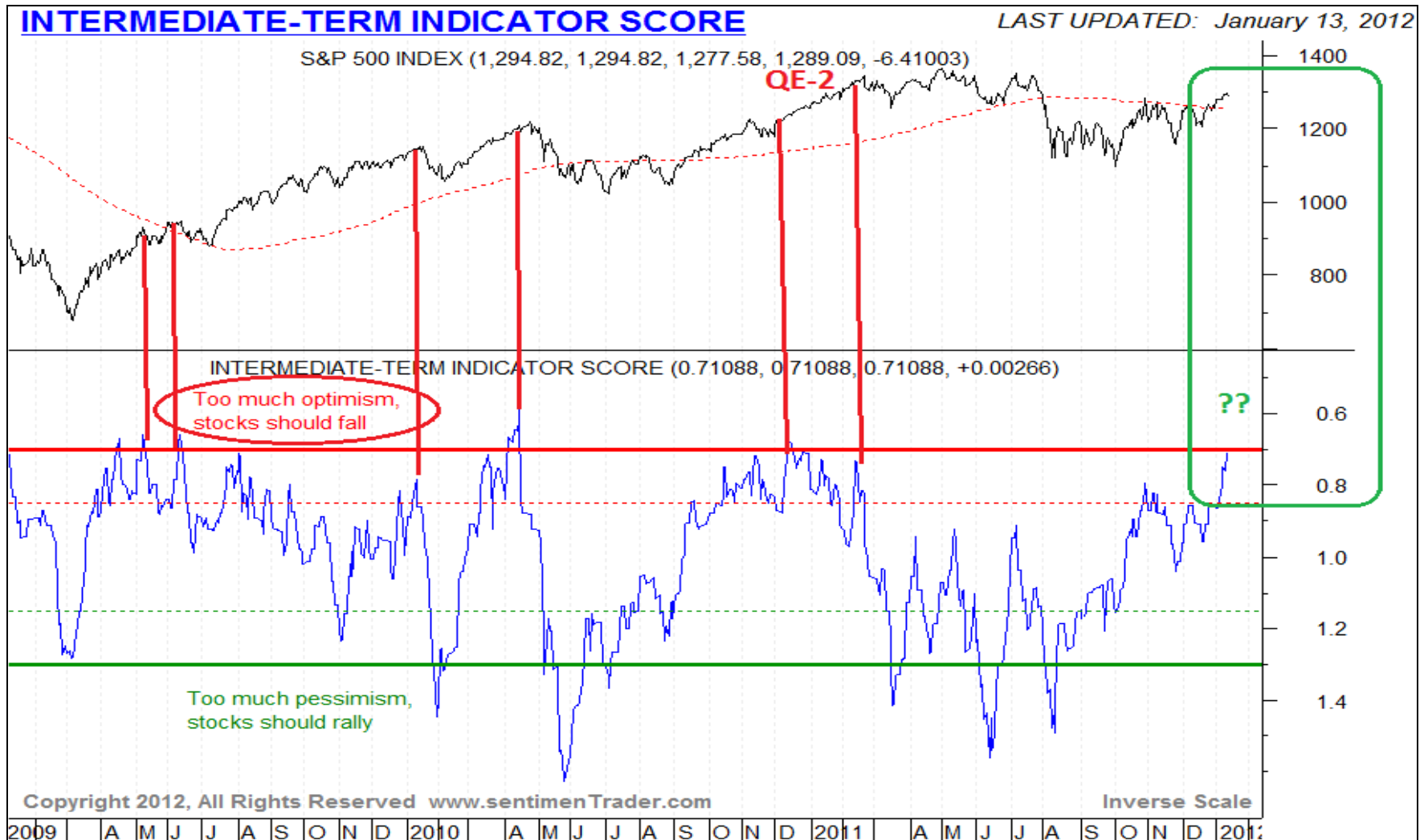
In spite of this rally EMA hasn't crossed over to BULLISH to negate the BEARISH Cross in August.



INTERMEDIATE INDICATOR SCORE – Approaching **EXTREME**

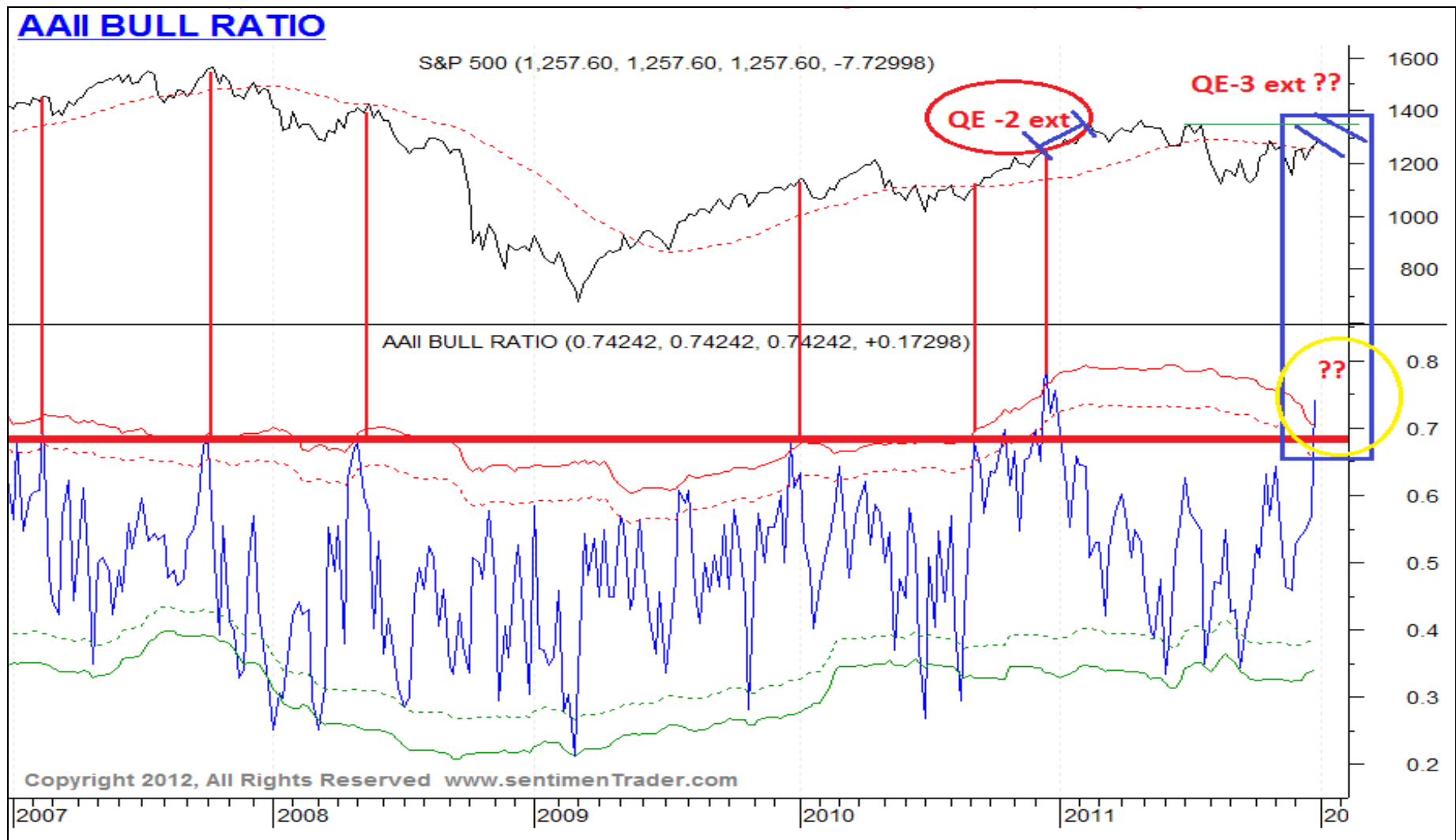
(3rd Party) Courtesy : SENTIMENT TRADERS

This is collective scores of various Indicators Tracked by Sentiment Traders approaching extremes in sentiments.



AII -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 AII 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 - Bearish

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 PEC –D weekly and it has tendency to move in Triangular Projection pattern completion. VXX volume seem to be lining up . On moving sideways testing breakout areas , next move should be higher.



VIX v/s SPY – Daily Projection Analysis

VIX has completed PEC –D daily as well . At the completion of pattern there is NO FEAR in the Market.



• 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 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.

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.



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 & exceeded 72k-74k . This is critical area of topping in SPX . (See chart below)

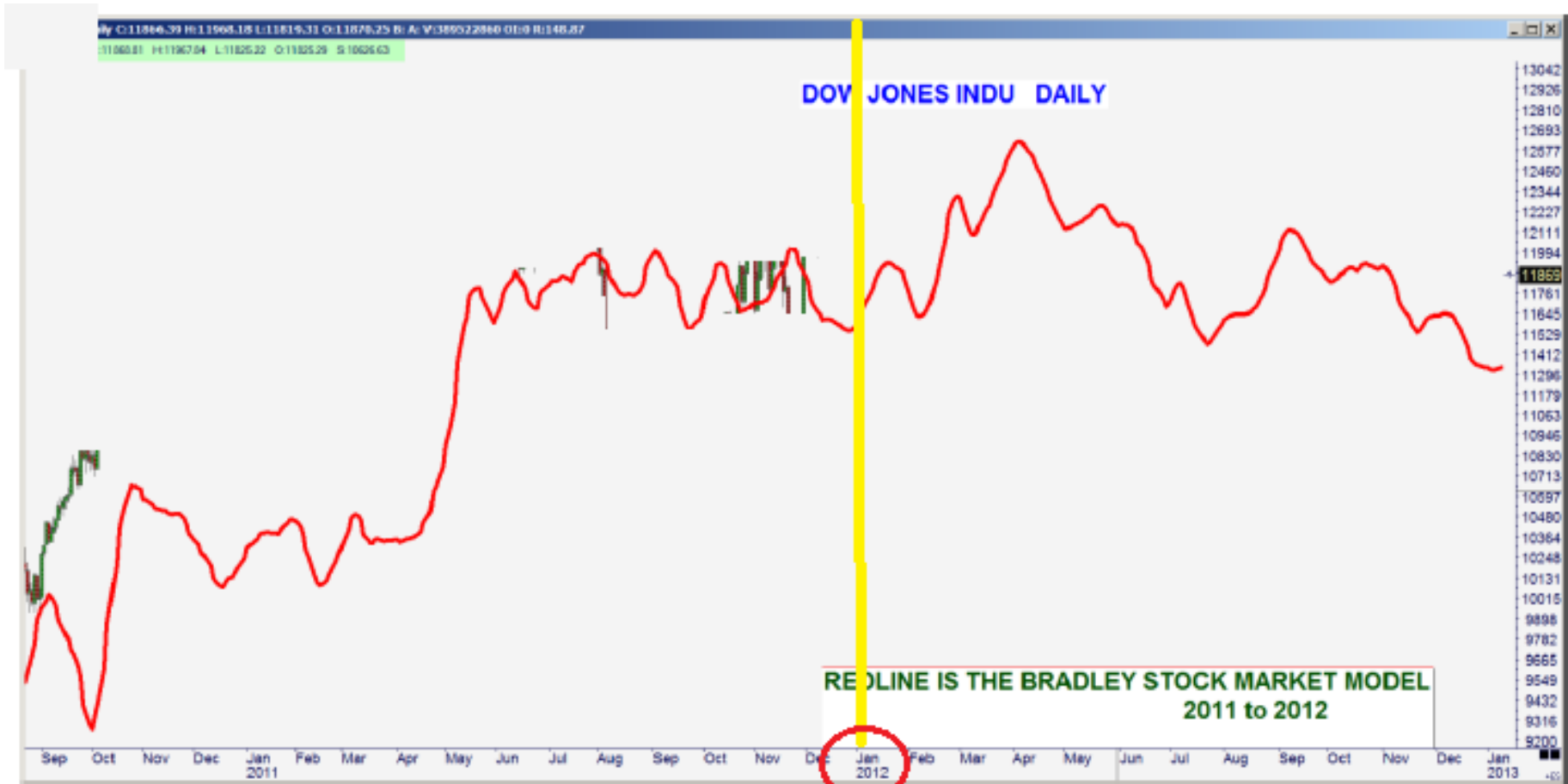


- **Time Cycle SPX**

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 - whiles 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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