



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\_30**

**For Immediate Release – *Monday AM (EST)***

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**Market Strategy SPX (A # 1) – (SP)** - SPX – Closed @ 1316 ( **Past Weekly change - FLAT**)

Analysis of Broad Market that includes – Jan 1<sup>st</sup> 2012 – SPX 1257 ( **YTD change + 4.6%**)

- 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**

- 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 2<sup>nd</sup> & 3<sup>rd</sup> Derivatives**
- Sentiment Analysis with Extreme character – **TICK , TRIN, ARMS, PUT / CALL in 2<sup>nd</sup> & 3<sup>rd</sup> 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)**
- Country 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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- 7. APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation , Disclaimers***

# • 1. Executive Summary

## Current Signals

SPX – POM 14 – Re Run ( Fully Hedged Long Position) – Trading Market POM Signal Rating

GOLD – POM 14 ( Partially Hedged Long Position ) – Bull Market POM Signal Rating

BONDS – POM 13 (Long Position) – Bull Market POM Signal Rating

## SPX

I sent out **Alert email on Mid -Thursday 1/26 at SPX 1325** - Our Action point to put in ( Fully Hedge position back on all Long positions taken **at POM 12 @ 1080 4<sup>TH</sup> Oct and / or POM 13 @ 1158 on 23<sup>rd</sup> Nov** ) Beta rebalancing based on Individual Portfolio Objectives .

We waited patiently for this Price point “blow off “ Target to complete the extension as graphically indicated in our previous chart messages. The move above 1290 SPX extension has been under –ve divergence and PQV failure. SPX did not Trigger POM 15 for Net Short .

SPX remains at POM 14 Re Run, as the market bounced back into **Bearish CZ 1270- 1290**. More indicators shows sign of Mid term Topping. (Refer charts below). This area still remains very critical Top heavy. It has History of testing and re testing as a part of rolling top process . Time is of essence before “mark down “ phase begins.

OUR POSITION HOLDING- Current conditions of POM 14- re run ( ½ of the Hedge Position being our Core position, which we plan to hold till decline to next POM 12 is achieved & other ½ floating position has been rebalanced Thrice for Profits within the market’s swinging gyration from POM 14 to POM 13 since Oct lows).

**Our First downside Price Target on this current Trigger is CZ 1260-1250. Overall, The Price Oscillation SPX initiated at @ POM 14 in October 2011. still has the Final price target around 1125. This should complete the end of Oscillation to POM 12 area. ( certainly not in straight line, we should see several POM 13 – Risk Management spots in between the decline).**

- **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 the Fake out extension continues from current levels which is a Lesser Probability events - We shall practice STOP - Close above 1340 on Daily's for ( ½ Hedge Position entered on Thursday 1/27)**
- **However the move above SPX – 1340 we would look for that Price path to Taper to Trigger POM 15 “ NET SHORT POSITION’ – similar to our past processes of termination to re instate that position back in**

**“ OBSERVATION - FOR ANY VALID BREAKOUT” - to initiate New 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

**On 12/14 – Gold at price of 1535-1560 – Our last Alert was sent out to Rebalance & cover the Hedges put in at 1720 Average price. This call was in anticipation of the bounce back to levels CZ -1650-1620, which it materialized last week and exceeded the price on the day of FOMC meeting 1/25 and simultaneously approaching PEC-D Pattern on upside towards 1750**

**Reaction at CZ 1650-1620. - We broke out from this CZ with “Sign of Strength and validated PQV. Now we would like to see the quality of the pull back to judge the next step.**

**For Next decision point for ( ½ Floating Position)**

**On Short term - Since the Risk to upside and downside is evenly balanced. This week is very critical. We would look for following clues in addition to behavior of DXY**

**Bullish Case - If last week’s move is real then the Pull back retracement from current level 1735 and decline to 1650 to test the break out area on Lighter volume should hold which could set up a continued move higher. This should invalidate prices below 1600 as shake out move**

**Bearish Case - If Pull back from current levels 1735 and decline to 1650 is on Heavy volume then it will penetrate the break out CZ 1650 -1625 and continue to move lower back to test the 1560-1530 area.**

**We will wait and see to look for triggers at those prices to setup better Risk / Reward. .**

**OUR POSITION HOLDINGS - ( ½ of the Core Long Position ) has been entered from our last POM 12 @ 1250 which we plan to hold long term. The ½ floating position being rebalanced several times for Profits within the market’s swinging gyration from POM 14 to POM 13)**

**Currently - GOLD remains at POM 14 as it bounces back into CZ 1760 - 1725 for partially Hedge Position**

**Detail coverage in our upcoming B # Currency ( SP) Report.**

## **BONDS (TLT)**

**Currently TLT is at POM 13 – Long Position, since 10/27 (CZ – 110-112). TLT has initiated ABC up towards 123 target .**

**We will look for the price path to setup termination.**

**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

***Contrary to our thinking , currently we see several of lagging line indicators turning Bullish, these are the same indicators which turned Bearish near the August and October lows when we Triggered POM 12 for Net Long in SPX . Our effort continues to focus on combination of Projective indicators of 2<sup>nd</sup> and 3<sup>rd</sup> derivatives cross verified by several process for same conclusions v/s Coincident line indicators which tends to be lagging within base Technical indicators.***

***Our expectation as articulated in previous A # 1 MS Reports. The Market move towards 1310 would validate Short term “fake out move” continuation to Projected target 1340 and failed on PQV ( which was met last week.) . We re entered the Hedges back in at 1325 ( Via Alert Friday 1/27) .***

***The market has reached a blow off phase where the bears are capitulating to the uptrend. At the same time this uptrend is getting very long in the tooth and approaching a probable reversal to the downside. With almost all players on the same long side of the market, the downturn could get heavy very quickly.***

***For over weighed Long Position it is best to have using trailing stops. The trailing stop would protect paper profits on quick reversals. At this point, we have to repeat that the best quality is patience to wait for the major trend change to the downside that every indication now says is inevitable. The long side is simply too risky at this point.***

***Waking up to find that the SPX has lost 20-25 points overnight is not a pleasant experience if you're long the SPX. Markets tend to move up a leisurely pace on way up , then give it all up in one swoop.***

***From weekly / Monthly charts Projections, the Price path over the POM 14 – CZ 1270-1290 area ( Failed PQV) have occurred with weak internals and –ve divergences. Usually at the Tops especially on POM 14 - 3<sup>rd</sup> re run, Price extensions above Weekly , daily, and Hrly with poor internals is not uncommon till it gets the majority participants excited. We sit tight with our fully hedge position.***

***Bradley’s Model which had correctly forecasted positive January. The Turn is on 30<sup>th</sup> Jan , it is showing –ve 1<sup>st</sup> 2-3 weeks of February especially when majority of patterns in various markets are under Mid term completion. Our cycle date New Moon on 23<sup>rd</sup> Jan for turn is still intact, We use the Cycle in conjunction with POM’s and CZ’s.***

***Seasonality wise since 2007 -2011- February has the weak / –ve performance in calendar cycle ( see chart below)***

*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.*

*The entry bought in these extended prices has very high probability of to generate losses over the next few months. 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.*

*Optimism continues, The AAll Sentiment Poll Chart ( see chart below) is beginning to show some extreme reading last week. AAll bullish percentage was 52%, the highest reading since Feb 10, 2011. the bearish percentage came in at 15%, the lowest since Dec 23, 2010. Overall, the average AAll bearish sentiment is 30%,v/s 52% . This is Sentiment clue.*

*In Charts below, We have indicated SPX projections into CZ with ABC Wave on Hrly and daily basis towards 1340 confirmed by PEC-D . Also Indicated A/D lines measure by Oscillator of NH/NL, 200D & 50 D – NH/NL Ratio at extremes. SPX liquidity premium, OTC volume showing extremes*

*The readings on TRIN, TICK PUT/ CALL ratio on upside failed ( This is Mathematical sentiment readings we look for from Traders extremes). For rejection from current levels , a Heavy down volume pick up back in 1310-1290 –SPX close into CZ should put in a top if not another test of highs temporarily could not be ruled out. Till energy dries up .*

### Note –

*Our overall Chart Analysis and the message remains Bearish @ POM 14 ( 1325) . However our tone was equally Bullish in early October lows at POM 12 ( 1080) and Late November @ POM 13 ( 1158) August and It will change when POM changes*



- **-2012 - SPX – POM Signals & Price Projections**
- **SPX -Trading & Investment Real Time Conclusions**
- **Start point 1257 (1<sup>ST</sup> Jan) – YTD 1316 = + 4.6%%**

**Current Signal – POM 14- Re – ( CZ 1270-1290).**  
**- Termination at 1325**

- **POM 14 / Re - Fully Hedged –** ( Total points gain = **OPEN POSITION** )

**Alert ( Open Oscillation)**

**Alert Email - - SPX – 1325 Trigger Friday (01/27)- Re Entry for previous stopped out and For Fresh New Hedges**

**SPX - POM 14 re – Triggered ( CZ – 1270-1270, for Fully Hedge Position ) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)**

**Our First downside Price Target on this current Trigger is CZ 1260-1250. 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.**

- **POM 15 - Net Short – None - ( Total points gains = 0 )**
- **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 QE Cycle – CHART

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

## 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
- RUSS- PEC-D ( January Indicator)
- RUSS – DMA, Trend , Oscillator Analysis
- NASD – PEC-D Analysis ( lead Indicator)
- NASD – DMA, Trend , Oscillator Analysis

## SPX - MID TERM – Analysis

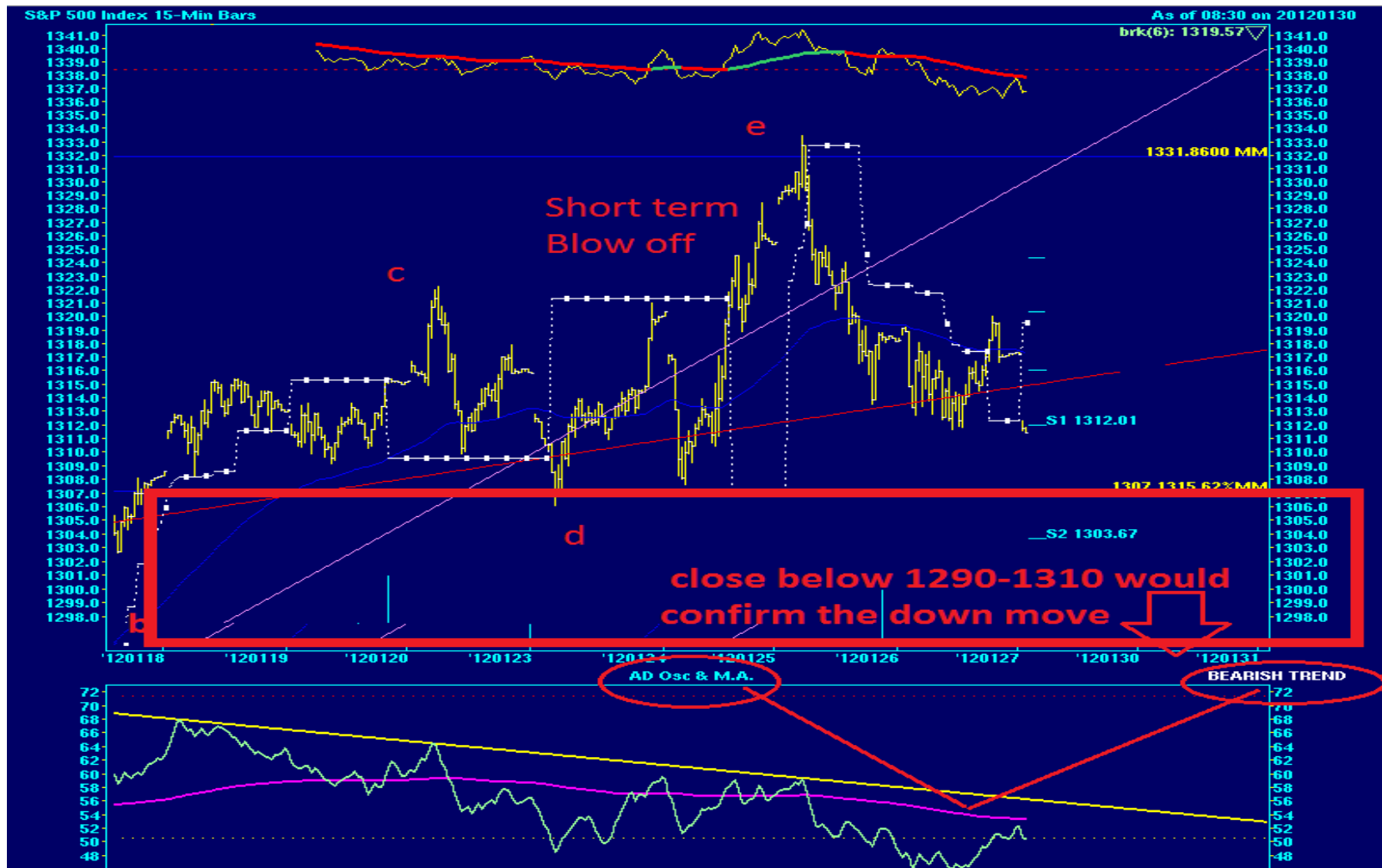
- PUT / CALL Ratio Analysis
- VIX – SPX Ratio – PEC-D ( Weekly & Daily)
- A/D Line - Oscillator NH / NL
- A/D Line – 50D – Bullish Bearish Ratio Breath
- SPX –Calendar Cycle
- SPX – Bradley Cycle

## SPX - LONG TERM – Analysis

- SPX – H & S – Top – Poly Trend Analysis
- A/D Line – 200D – Bullish Bearish Ratio Breath

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

- Last Report A #1 – We pointed HOURLY, SPX - needed another test . We initiated and completed a,b,c,d,e pattern thereafter . This Bearish wedge pattern completed to “ e” @ 1340 – with decline back to “ b” as Projection
- We think on completion of this price move , We should see a leg down .
- A/D Oscillator is Bearish, It needs to breakout to justify move higher in SPX .
- Close below into CZ 1290 -1310 should confirm down move on Sell Program.



# SPX – Waves & Poly Trend Projection Analysis

On Daily Charts- We have Three Waves up terminating into WAVE - C – with HRLY move Wave a,b,c,d,e – Projections ended at 1340. . This move higher is happening with diverging Oscillator ON Daily as we approach on right side of Poly Trend. This suggest move higher may be on slippery slope down.

Time termination expiration 17<sup>th</sup> Jan - is extended ) . We have indicated possible price path in Blue . **Our First Price Target is 1250-1240**

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



## 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	20/01/12	23/01/12	24/01/12	25/01/12	26/01/12	27/01/12
S&P 500 (SPX)	1315.38	1316.00	1314.65	1326.06	1318.43	1316.33
Futures Premium	-4.58	-9.10	0.95	-6.26	-5.53	-3.83
Advancing Issues	1745.00	1762.00	★1634.00	2325.00	★1493.00	1947.00
Declining Issues	1261.00	1268.00	1383.00	721.00	1545.00	1061.00
Total Issues	3124.00	3124.00	3120.00	3143.00	3129.00	3117.00
Up Volume	503011.16	409455.92	377520.39	643819.62	291592.12	420869.16
Down Volume	393536	306148	343016	176643	565084	413534
Total Volume	927226	723054	742618	830284	866422	850393
New Highs	126.00	147.00	★85.00	145.00	233.00	174.00
New Lows	14.00	2.00	10.00	9.00	6.00	9.00
Arms (Trin)	★1.08	★1.04	★1.07	★0.88	1.87	1.80
Closing Tick	★726.00	230.00	465.00	★740.00	-283.00	311.00
CBOE Put/Call Ratio	★0.80	1.10	1.05	★0.77	0.98	★0.88
VIX	18.28	18.67	18.91	18.31	18.57	18.53
Odd Lot Purchases	2422389	2339547	2784113	2645175	2645175	
Odd Lot Sales	1473371	1360229	1656430	1600619	1600619	
Odd Lot Short Sales	1054173	970947	1138716	1079917	1079917	

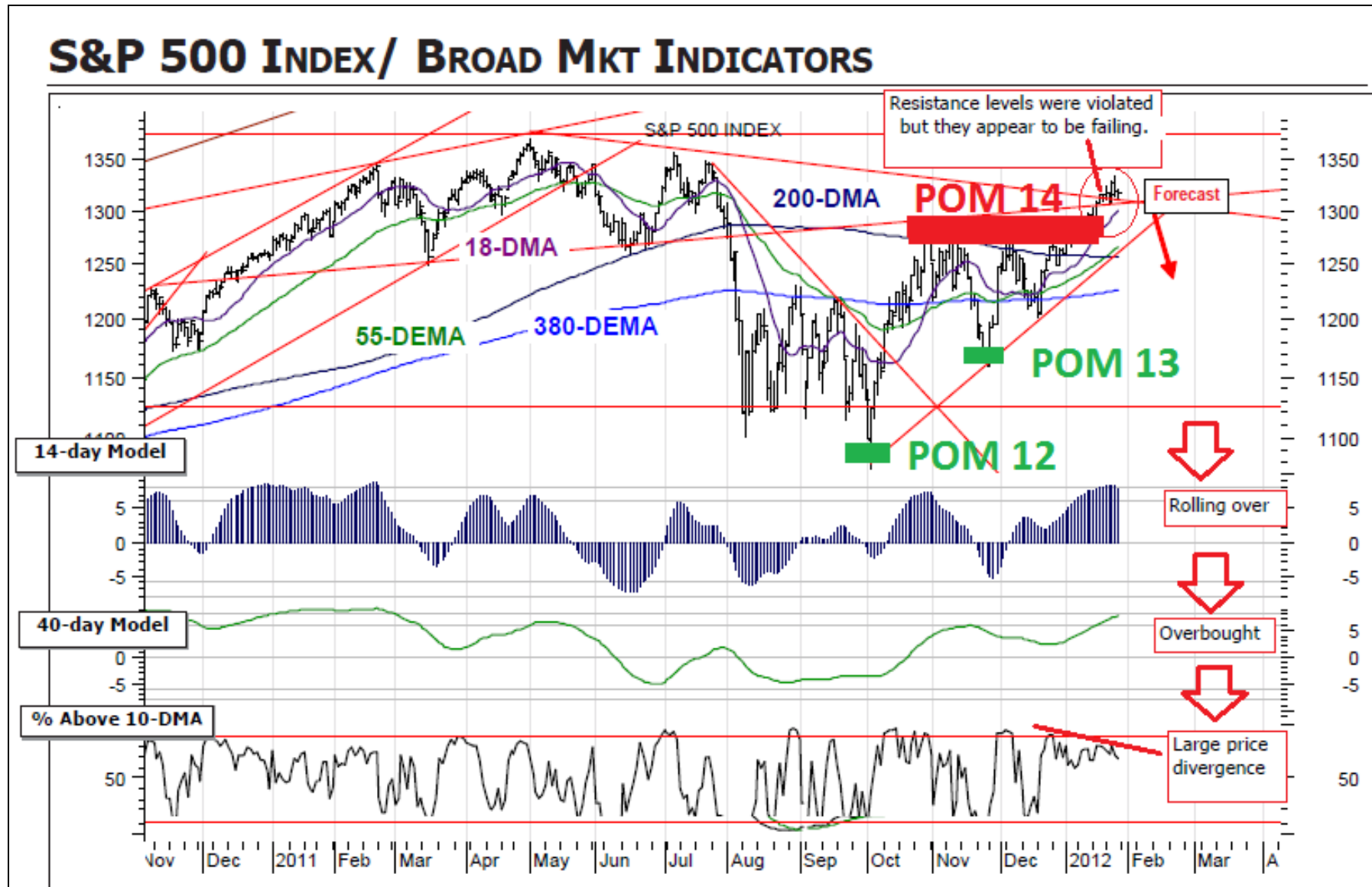
# SPX - PEC -D Analysis

From May highs SPX has finished 127/ 618 projection on PEC-D . to 1325



# SPX - DMA , Trend & Oscillator Analysis

*Based on Trend and DMA analysis , the POM 14 is being tested and extended - BLI is peaking, Rolling over, with price divergence . Suggestive of Tops by this method*



# SPX - Money FLOW Analysis - Bearish

Based on Money flow analysis , the POM 14 area is being tested with declining money flow , opposite of what we had pointed out at Oct lows ( see notes within the charts )





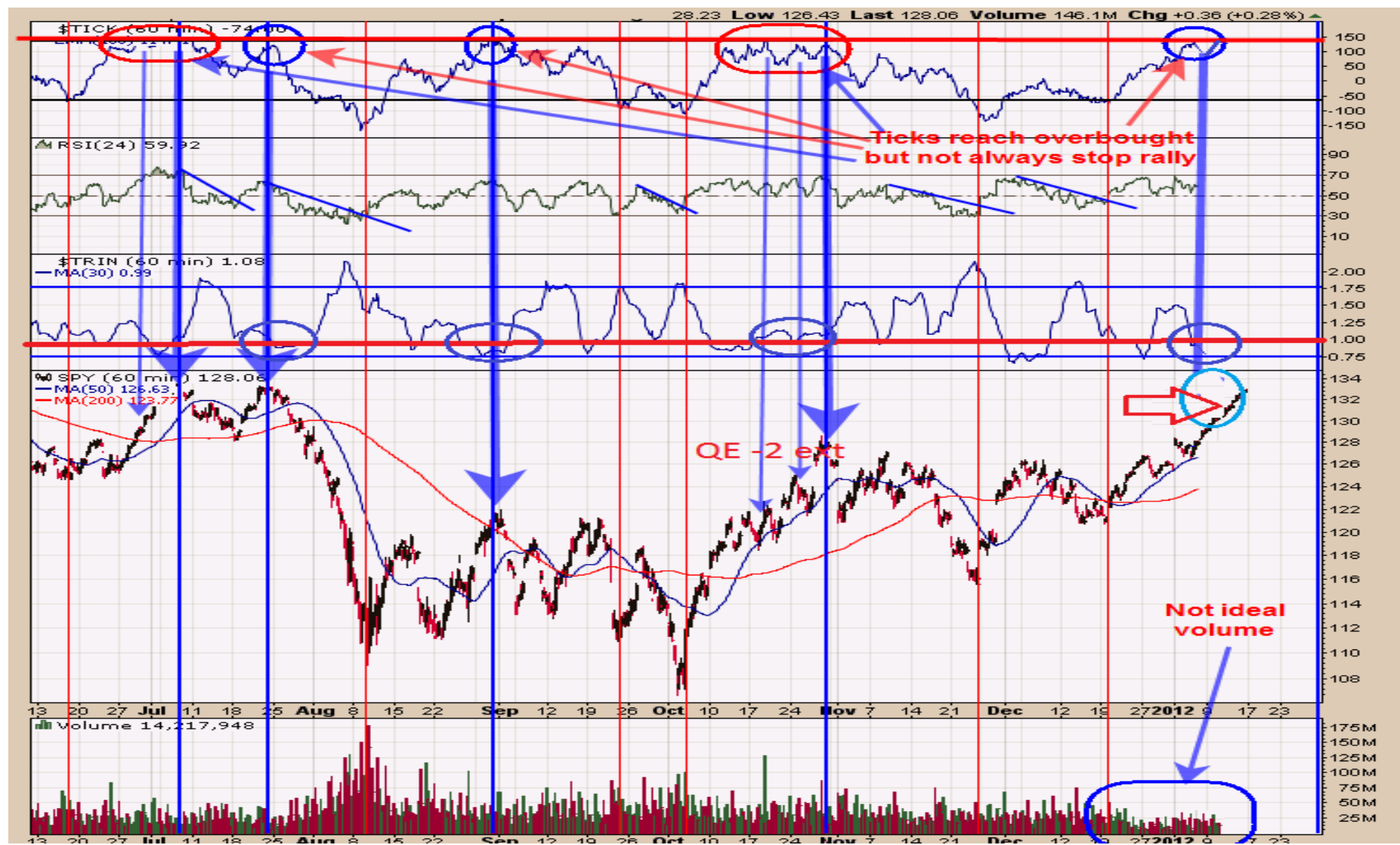
## SPX v/s MC- Clellan Oscillator

*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 - 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.*

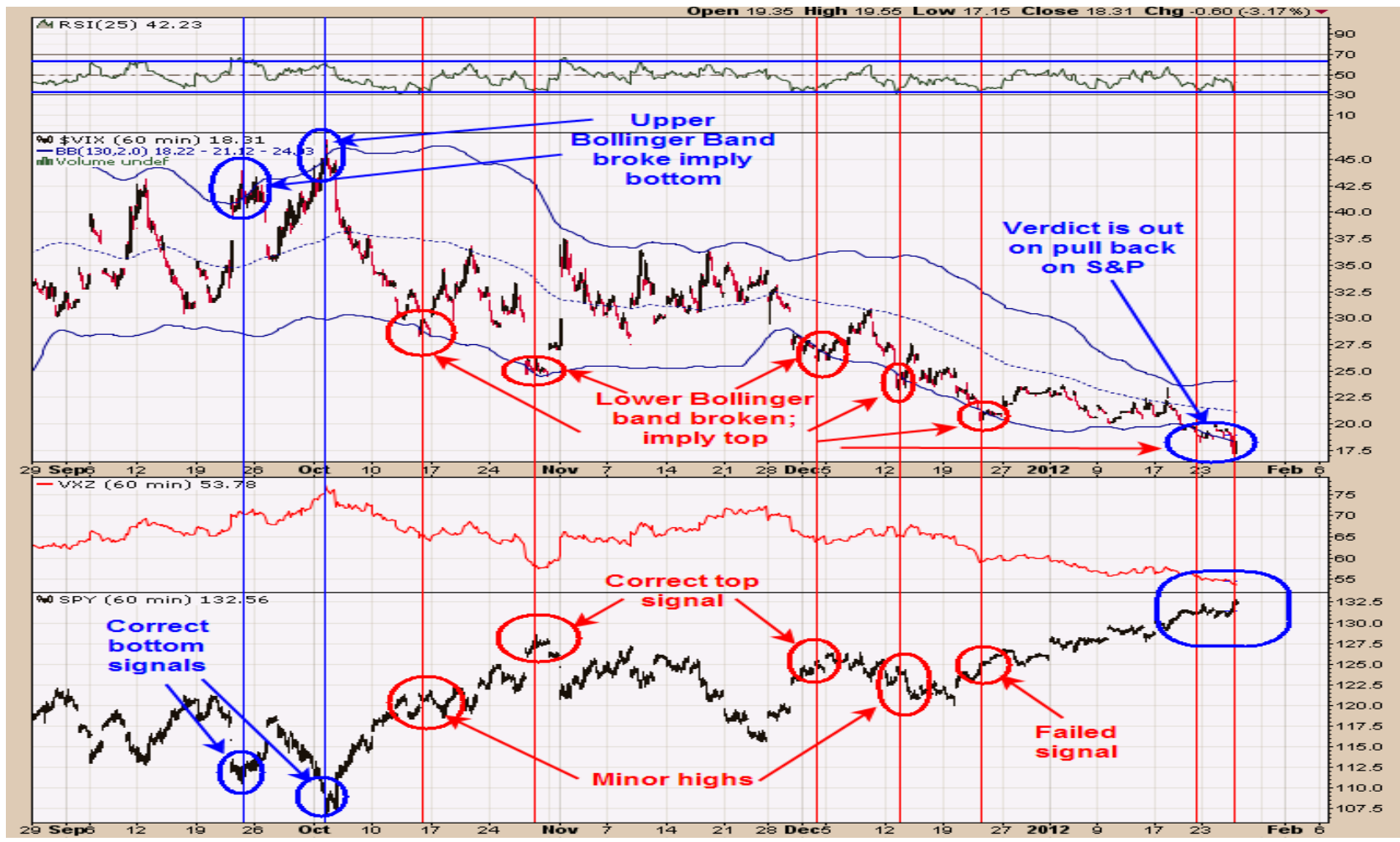


# VIX v/s SPY – Daily Projection Analysis

VIX Chart below – in window 1- is VIX with the Bollinger band . We are still getting warning signs from the VIX. When the VIX trades at 30 and at the same time breaks the lower boundary line of its Bollinger Band then a warning sign for the market. ( see the notes within charts )

Over last 4 days the lower Bollinger bands have been broken and suggests a pull back in the market soon .

**NOTE**– The time it fails to Trigger is when Volume criteria remains Bullish. Currently PQV is bearish which makes the signal valid



# VIX - PEC-D Analysis

*The Fear gauge Index is showing "No Fear" but , The PEC-D Projection is complete at 17.00*



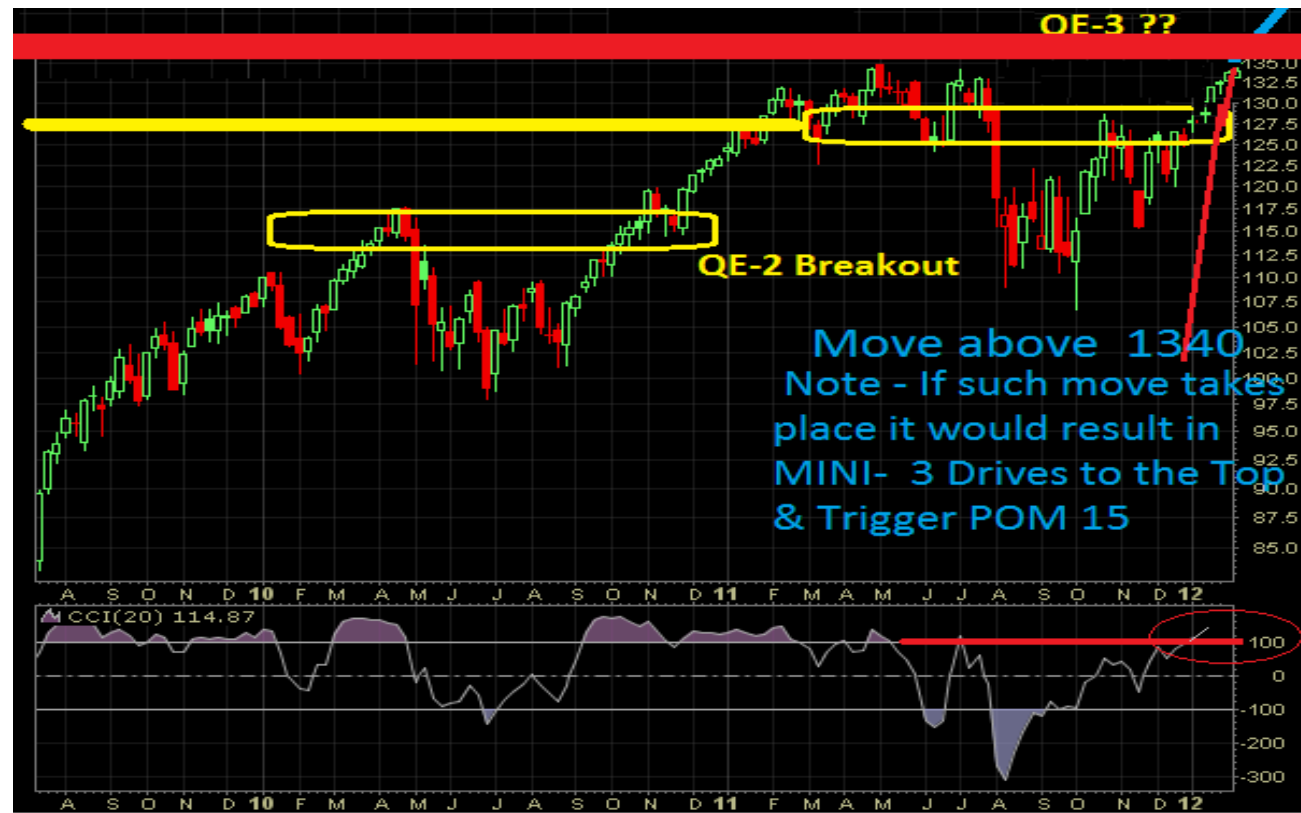
# PLAN B - SPX - QE – 3 v/s POM 14 – Analysis — Risk Management

## IF - QE3 – EXTENSION v/s SPX - Result in POM 15 for Net Short

If QE-3 initiates into the extended Price move past 1340 then **we have Plan B – Fake out extension in Place, (Blue line move indicated)** . 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.



# NASD - PEC -D Analysis

*PEC-D Pattern on NASD is completed 127/618 which equates to 60 on QQQQ)*

*Earlier - On 10/31 A # 3 MS - Alert - PEC-D Pattern on NASD for TOP was completed ( QQQ @ (59) still in tact.*



# QQQ – MA / Trend Pattern and Oscillator Analysis - **Lead Dog Indicator**

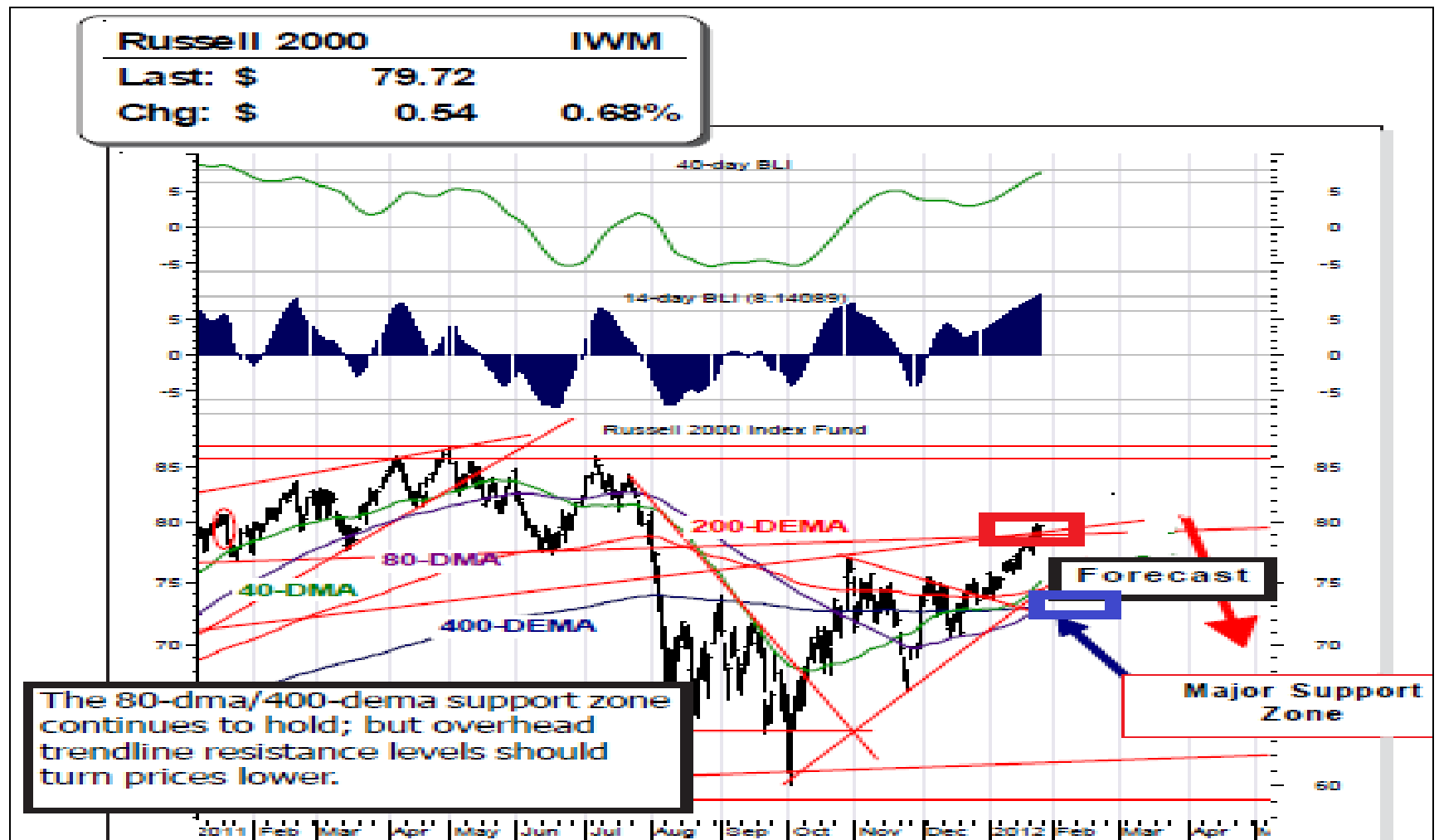
Triggered top Alert 10/31 at 59 at POM 14 ( First to top out at POM 14). Still in tact.

By this Analysis , QQQ indicating Topping process and pull **back target 55 indicated in Blue** . On this Current bounce, back in CZ, there is still Bearish divergence on the McClellan Oscillator. NASDAQ traditionally leads the rest of the market , MACD, Signaled SELL & Ratio – QQQ / SPY continues to Trigger weakness . unable to breakout the prices. **QQQ - Main Triggered @ 59 , CLOSE UNDER 59 .**



# IWM – MA / Trend Pattern and Oscillator Analysis - **JANUARY Indicator**

By this Method we are looking for IWM to fail on Re run. Small Caps has not lived up to its leading January barometer. IWM indicating Topping process, IWM - Wedging corner in overhead & extended little bit on diverging. Pricing within its CZ. The volume oscillator's attempted breakout CZ & would fail if closed under 78.





# IWM - PEC -D Analysis

By PEC -D Method we had projections ( 127/ 618 ) @ ( 79 ), extended slightly indicated in red is still valid



# 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.*

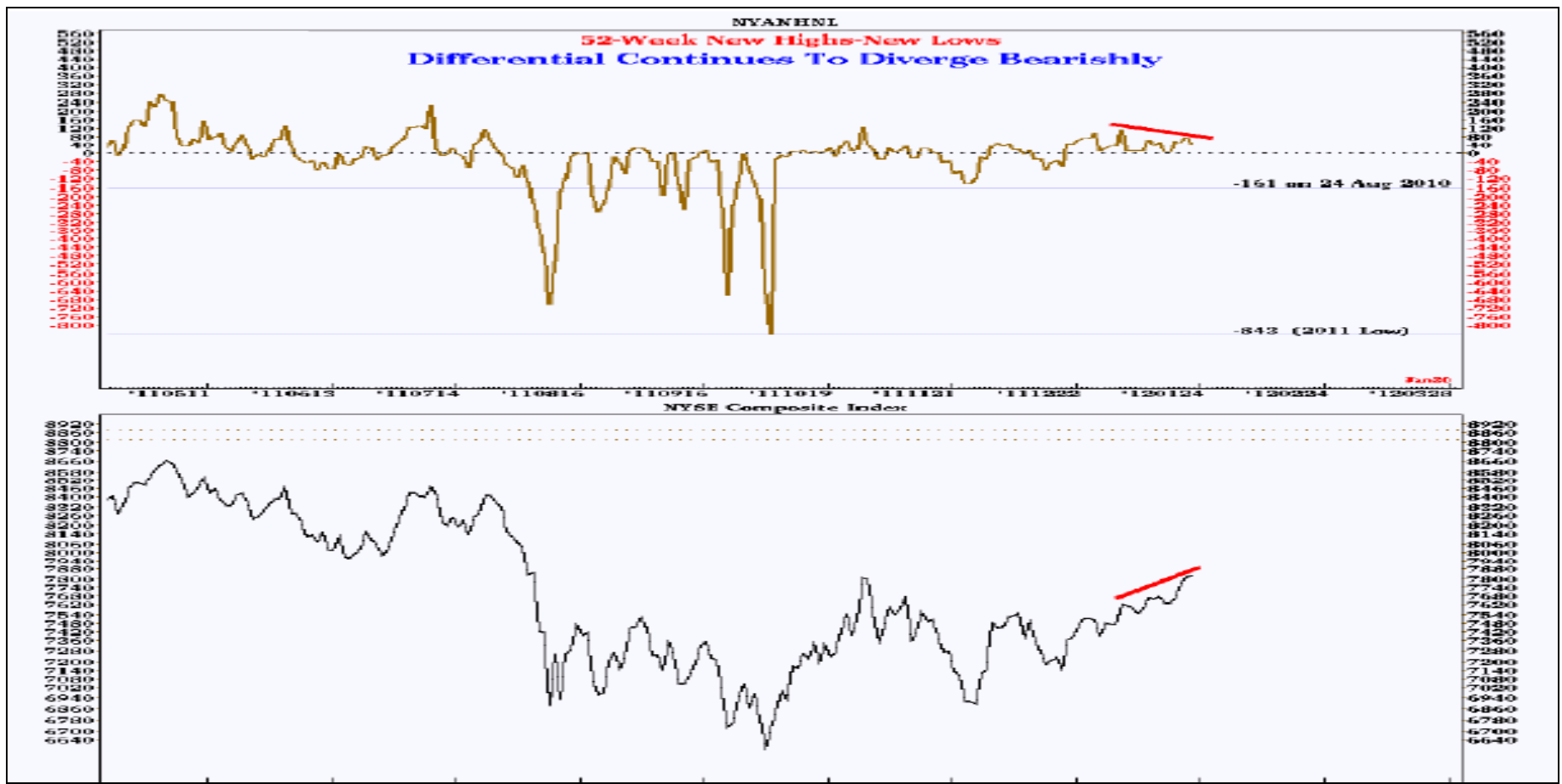


# • Advance / Decline - Analysis

## 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. ( especially post 1280 SPX price Levels)*

*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 )*

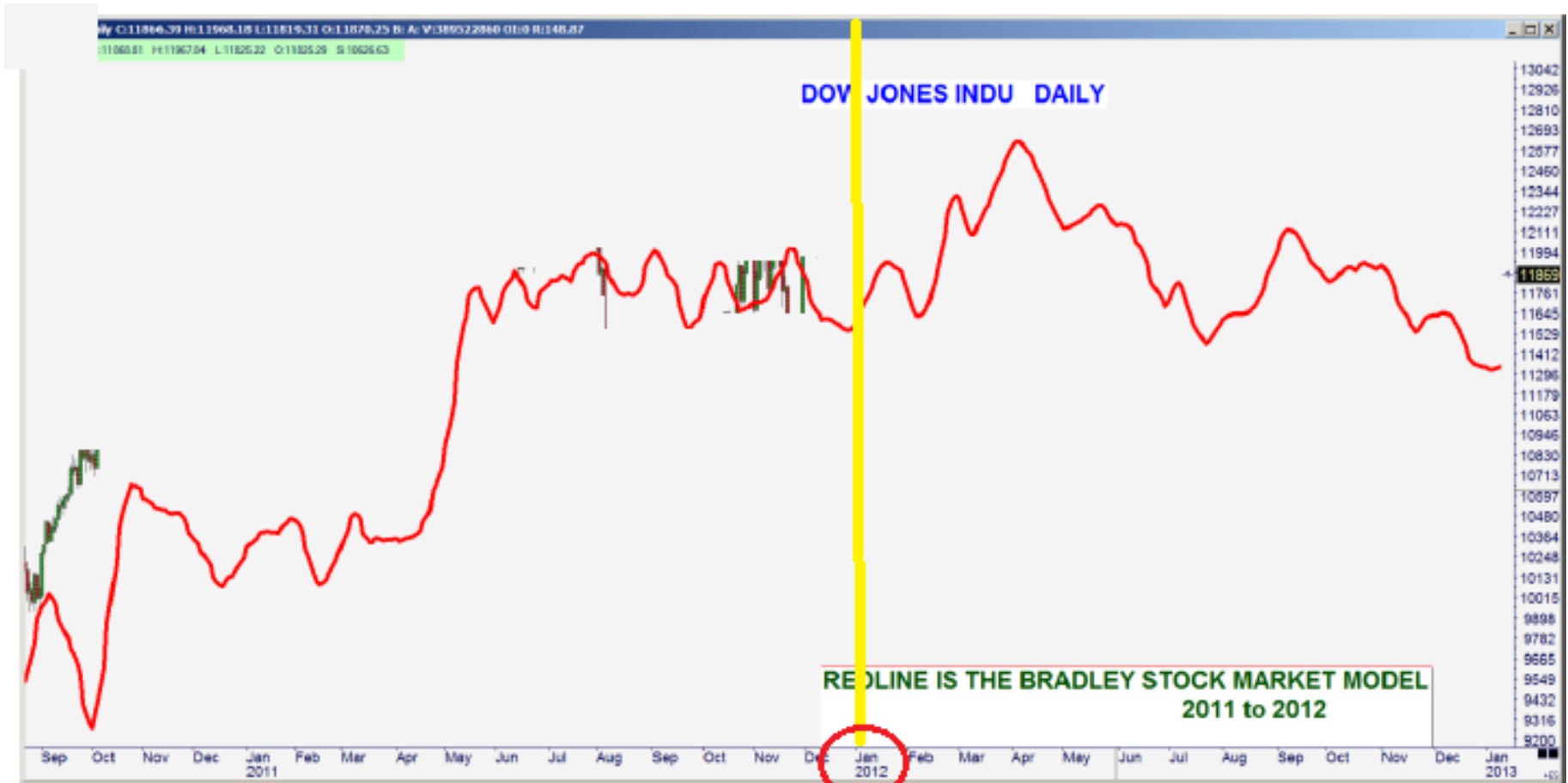


- **Time Cycle SPX**

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 –**



**FEBRUARY is expected to be DOWN ( FIRST HALF)**



- Calendar Cycle - Cycle dates – Historically

**FEBRUARY is expected to be DOWN**

- EVENT 1 - 8<sup>th</sup> Jan also coincides with CITI Group study for Major market top 2011-2012
- 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														
Year / 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%
<b>Average</b>		<b>-2.25%</b>	<b>-1.54%</b>	<b>1.65%</b>	<b>3.20%</b>	<b>0.95%</b>	<b>-1.60%</b>	<b>1.55%</b>	<b>0.52%</b>	<b>1.22%</b>	<b>-0.68%</b>	<b>0.42%</b>	<b>2.21%</b>	<b>6.66%</b>

# SPX – Poly Trend / H & S Top – **Mid Term** - **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. We would target 1125 First for pattern completion*





## . 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**

# 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 (1<sup>ST</sup> Jan) – 1257 ( 31 Dec)**

## SPX- 2011 – TURNS REAL TIME – POM & CZ



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 (1<sup>ST</sup> 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<sup>d</sup> 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 3<sup>rd</sup> No Signal)**
- **1<sup>st</sup> 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 ( 3<sup>rd</sup> 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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