



SG Capital Research

Global Market Insights

**Research Note – Market Strategy – MS Report (A# 1) – STRATEGY & PROP Analysis ( SP)**

**MAEG- MARKET STRATEGY- MS Update # SG 2012 # JUNE\_05**

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

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## **Market Strategy – MS Update (A # 1) - (SP)**

- **Weekly - SPX – Closed @ 1278 (- 3.8%)**
- **YTD - SPX – Closed @ 1257 / 1278 (change + 1.67%)**

# **Index**

**1. Executive Summary – Strategy - (SPX, GOLD, BONDS)**

**2. SPX – Market Commentary**

**3. SPX – POM Signals, CZ/ Price Projections & Conclusions**

**4. Chart Analysis**

- **SPX – E Mini Hrly CZ / Pattern Analysis**
- **SPX – PEC-D & Terminal Pattern Analysis**
- **SPX – CZ PQV Analysis**
- **SPX – HIGH YIELD & MC Oscillator Analysis**
- **SPX – EURO – COT Model Analysis**
- **SPX – TXN , JUNK Bonds Analysis**
- **SPX - VIX – CZ / Poly Trend, Oscillator Analysis**
- **NYSE- PEC-D Analysis**
- **IWM – PEC-D Analysis**
- **SPX – Calendar Cycle Analysis**
- **BRADLY MODEL with DIA – PEC- D Analysis**
- **SPX – Lunar Cycle Analysis.**
- **SPX- Seasonality – “ Sell in May go Away “ Analysis.**

**5 APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation, Disclaimers**

# • 1. Executive Summary

## Current Signals

SPX – **POM 13** Within CZ 1290-1310) Trigger via alert - we **Closed** – Partial Hedges ( now Awaiting to cover Full hedges and go FULL – LONG – POM 12, CZ 1240-1260 – No signal yet)

**Closed** - NET SHORT Position on decline from CZ 1415 -1375 to CZ 1345-1355.  
**Closed** – Partial Hedges in CZ 1310-1290 .

GOLD – **POM 13** (NET LONG Position @ 1540 ). Move up in progress.  
( Note - On next Re- test , it may Trigger POM 12 for Fully Long)

Open - Reached our CZ Target of 1540-1580 from 1775 . **ALERT 5/15, 5/14.** – Triggered POM 13. NET Long. This is “Bull Market” POM Rating

BONDS – Triggered 5/21 - ALERT , POM 14 ( Fully Hedged Position) from **POM 13** (NET LONG Position at 111 to 124 for 11% Profit. Plus yield)

Leg up should be complete soon – This is “Bull Market” POM Rating

## POM Corner – For Risk Managers / CZ Trade Corner – Swing Position

- CZ to CZ - is Multi Day OR Multi Week Pattern
- POM to POM - is Multi Week OR Multi Month Pattern
- POM Ratings is for Position Trading whereas CZ to CZ is for Swing / Risk Managers/ CZ Traders. to generate ALFA on ongoing basis with no consideration to Bigger picture.

# SPX

## **IN OUR ABSENCE LAST WEEK –**

BACKDROP - Market bounced to 1340 , (falling slightly short of our projected bounce Target 1345-1355) from CZ 1290-1310 ( Triggered at 1305) & then decline began as expected back into BOTTOM HEAVY CZ 1290-1310 for re test.

**IMPORTANT** - Due our absentee week we did not capitalize on this 35 points up move from 1305 to 1340 to lock in profit **Nor** could capitalize on the decline of 40 points back to 1290 - 1310

On Friday 5/24, the day prior to our week off , we had send message out in E # 3 Report & also previously indicated in our last week's A # 1- MS ( in para. Cautionary note) , indicating if EURO goes below 1.25 , it could result in smash down in SPX back into our CZ 1290-1310 (which we are experiencing) .

Currently price SPX - is 1278 - JUMPING OVER the creek , our Price projection Target CZ 1290-1310 with heavy bottom break.

The re test has failed ( in our absence) at CZ 1290 -1310 and market sliced through the heavy bottom to our next ABC down projected target to CZ 1260 -1240. We shall see how it reacts on PQV Validation in this zone to consider next step of POM 12( FULL LONG ) at that time. We shall not chase this move till full price projection is complete and re test is successful.

## SUMMARY of price moves since correction began at 1415 for Our rebalancing

- SPX – 1400 to 1350 move – NET SHORT
- SPX – 1350 to 1300 move – Fully hedged / or CASH
- SPX – 1300 bounce to 1340 & decline back to 1300 move – **Missed both up & Down move due to absentee inspite of price projections being met as predicted.**
- SPX – 1290-1310 – Covered partial hedges for NET LONG
- SPX – Approaching our CZ – 1240-1260 Target ( Awaiting for FULL LONG- POM 12 – ON PQV Validation)

## OUR POSITIONS

- 1) Our Model in conservatively took profit on NET SHORT Positions in first half of decline. We were Net Short – POM 15 from the Top of the Market SPX 1415 – 1375 CZ into CZ 1345-1355 triggered @ PEC-D -1345 for decline , completing first leg down . We Closed / Reduced the NET SHORT depending Portfolio Objective. In the Broader, NYA, IWM , Global weaker IDX, EFA ( World ) , EEM , Commodity IDX CRB, XHB DBB, XLE is where we are concentrated have declined more than 8 to 10% at the time of covering Short Position
  - 2) Thereafter since 5/09 – email Alert – SPX from CZ 1355-1345 till CZ 1290-1310 we have remained Fully hedged / Cash position with POM 14 Rating ( using each portfolio Objectives for rebalancing)
  - 3) POM 13 - within CZ 1290-1310) – NET LONG is in effect – Covered partial hedges.
- For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report

## US BONDS (TLT)

Currently the Bonds are extended to 129 on way to POM 15 & showing signs of ST Topping along with USD completing ABC up at 82.5 with extension . Both these may pull back which should result in counter trend bounce in SPX.

**ALERT** – We Trigger POM 14 on TLT at 124 ( Reached our price Target which we have echoed for quite sometimes from POM 13 @ 111 entry ) **for 11% Profit plus Yield** . If TLT gets extended & fails , we may very well Trigger POM 15

We are tremendously benefited by a fantastic rally in both TLT & USD with European & the World taking the safety into these assets in “risk-off” trade.

We were Pre – Positioned in these bets, both rally’s have paid off handsomely. Our Model had warned of such upcoming move higher in USD & Bonds for quite sometimes during our Entry signals into these assets. @ 72 & 111 in TLT respectively. Now the sentiment is getting overly enthusiastic / frothy.

However, the current Top is Neutral & ST seen money flow turn down and while bond prices have risen. This suggests to us that the bond market should pull back ST which might very well turn out to be intermediate, if POM 15 is triggered first prior to decline. .

**Bigger picture - US Bonds**. have been in 30 yr Bull Run, In general when any Bull Market Triggers POM 15 ( which TLT did in Oct 2011) then it suggests the last stages of bull market . We have noticed such scenario in Bond Market. Now a typical Re test of previous POM 15 ( Bullish Top) is part and parcel of Price Path.

Once this POM 15 is re tested with secondary POM 15 with Bearish Top and invalidated PQV, it would signal a beginning of Termination Process , Momentum, and the end of the Bull Market .

**Our Position - TLT is at POM 14 ( Fully Hedge)** , Closing position **at 124** from 10/27 (**CZ – 110-112**) ABC up.

**Note – In order to take advantage of bounces in SPX , we have Triggered POM 14 ON BONDS ( TLT) to Hedge or Raise cash , ( BONDS & STOCKS INVERSELY CORELATED)**

## GOLD

GOLD had the best monthly gains in 3 yrs. We were clearly the beneficiary of our signal, especially last week GOLD just took off to upside with 90 point Rally to 1625 especially after Re testing our CZ1540-1580 as expected. in Bullish Manner with PQV Validation.

Our “Scale into” the CZ price was more concentrated closer to lower end of CZ 1540 .( for Longer term position If cross verified by other Methodologies based on Portfolio Objectives) . ALERT - 5/15, 5/14. – Triggered POM 13 at 1540

Gold’s move back / forth move to build a base and repair work after a big decline. It was base building process with Bullish ABC’s. We stay in this trade for next move higher.

USD finished its ABC up to 82 and extended . Once the pullback begins in USD , GOLD should rally further.

### BACKDROP –

Currently GOLD remains, at Bull Market POM Rating - POM 13 which is NET LONG Position triggered at 1540 within CZ – 1540-1580 area. ALERT - 5/15, 5/14.

Risk Management under the CZ Levels based on Portfolio Objectives. .

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 to CZ -1650-1620 ( to cover hedges On 3/06 – Alert ,) & then to next level CZ 1580-1540 to go LONG after decline of 200 points from 1775

# POM Signals , Trading Conclusions - Price / CZ Projection Summary.

A # 1 - MS Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target Reached	Comments
3-Jun				
<b>SPX</b>				
POM 15 - Position closed	BEARISH	1375 & 1415	1345-1355	CZ Target Reached from NET SHORT Fully Hedge or CASH
SHORT-TERM POM 14 ( 1355)	BEARISH	1355-1345 ( Bounce to 1340)	1290-1310	
MID-TERM	NEUTRAL	1260-1240	TBA	
<b>GOLD</b>				
POM 14 ( closed position)	BEARISH	1775-1750	1540-1580	Decline from 1775 to 1580 met - Cover Short
SHORT TERM - POM 13 ( 1540-1580)	BULLISH	1540-1580	TBA	Nimble into LONGS ( 1540-1580)
MID TERM (last) POM 12 ( 1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs
<b>ILTI</b>				
SHORT-TERM ( POM 14 - closed position)	BEARISH	111	124	Awaiting pull back / CZ Target Reached
MID-TERM (last) -	NEUTRAL	TBA	TBA	
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89	125	3rd ABC up in Progress complete
-				
-				
<b>LEGEND</b>				
	<b>Bull Market Signals</b>	<b>Trading Range Signals</b>		
	GOLD/ BONDS	SPX		
POM 15	Full Hedge Status	NET SHORT Status		
POM 14	Partially Hedge Status	Full Hedge Status		
POM 13	NET Long Status	REBALANCE BETA		
POM 12	FULL Long Status	NET Long Status		
Yellow color	Zone Triggered			
Red Color	Zone Exceeded			
NEUTRAL	Trading Range			
TBA	Target Achieved			
				<b>NOTE</b> For Detail Price Path Chart Analysis Indicators, Justification for our Conclusions, refer to the full Report for cross varification USE STOPS AROUND CZ's Risk Protection based on Objective



## **SPX – Commentary**

- **Point to note**

*Bullish / Bearish indicators within the charts in our Reports is simply a Road Map on what to expect next !!! but CZ price Projections are more important for decision making especially the POM Trigger points are the most important for Actions.*

*Once the signal is Triggered, Scaling into CZ range especially on the Re test is more prudent thing to do whiles accumulating positions.*

*Overall this corrections have been pretty nasty especially if Investors were not Hedged at POM 15 ( @1400) and at POM 14 Re areas ( @ 1350) . The Long only ( late comers) who build the position from 1<sup>st</sup> Jan till 31<sup>st</sup> March are all under water in past 4 weeks decline .*

- **Target**

*Our 2<sup>nd</sup> pull back Target on this correction has been to CZ 1240-1260, which is fast approaching. Especially since EURO sold off in panic below 1.25 extending our 1.27 price target ( highlighted in our Cautionary note on May 21<sup>st</sup> – A # 1 – Report) . During this correction, we witnessed a consistent pattern that supports the case that this is a correction and not the beginning of a big decline. The larger decline could happen after the election (unless something major happens in the next retest of lows)*

*This week, many charts showing SPX is in Time Ratio Lows due early this week and then Bounce should occur upon entering the CZ 1260-1240 . Most indicators are oversold and we should be seeing a reversal to the upside Charts below we have indicated various Market internals but .No Trigger.,*

*We think after the first bounce , the area CZ 1260-1240 should be rested, ( similar to what we witnessed at CZ 1300 to 1340 and back to 1300 which we could not capitalize on due to absentee)*

- **Price path**

*The market is still reacting to rallies in DXY as a negative, but that should eventually change . At some point, the market is going to start reacting positively to rallies in the dollar. With the bearish divergence*

*In order to confirm a bottom, situation needs to continue to hold. The EDCOT – EURO Forecast as well calls for a low this coming week and followed by re test , with an uptrend starting that will last for the next 4 months.*

*Initial lower low on Monday / Tuesday followed by a strong short-covering rally, with a pullback on Thursday / Friday , then a stronger rally starting. The mid- June timeframe also shows a potential retracement. ( the weak sectors might be falling behind)*

*Also this coming week, we have a couple of Time Ratio Low projections in different spans of time. Using the Time Ratio technique involves measuring the distance in time between those two highs. The rule on that, is that any rally from this position will fail below the CZ 1310 -1290 ( Heavy bottom) and the market will fall back to retest the lower band. A successful test would help confirm that the low is in. We also need some more FEAR in the Market to reach extremes.*

*Sometimes, the better part of trading is buying a secondary low where there is a successful retest rather than trying to catch the falling knife right at the point of impact. Or, perhaps best of all, scaling-in—buying is the best plan. .*

*The turn will not be quick , the market bumping along the bottom until we get into the seasonally strong period near the end of June “Summer Rally.*

*The months of July, August and most of September are looking like very good months to be long the Market. It looks like we'll see an acceleration over that entire period. After that, the corrections appear to be likely going into the Presidential Election in early November.*

## SPX - Geomagnetic / Lunar Cyclic Model

This Monday we have Lunar phase Cycle which tends can coincide with Market Turns within 1-2 days especially if the move is within the CZ. **On Wednesday we have another Cyclic – Moon conjunct Pluto, this might result in turn date 6<sup>th</sup> June Wednesday**

Past Lunar cycle on 18<sup>th</sup> May proved valid resulting in bounce although fizzled after 40 points rally.

BRADLEY has put in a Top and suggest down for next quarter **but on Short term basis the turn comes in Mid June. .**

- Indicators line up

Now, looking from a projection of time to indicators of volume, we note that we are beginning to see bullish divergence showing up on the volume oscillators. In fact, the volume oscillators are much closer to their recent highs while prices are making lower lows. That's bullish. And, you can see that we have a clear pattern of lower highs on the volume oscillator. This is “cash build-up phase” and it means that cash is building up which will return as buying power into the market after the next uptrend T is established. This is what should provide the Summer Rally.

There several group of Market internals & projection study suggesting Bullish Texture. This is requisite for “countertrend rally”. Trigger is more critical . We shall wait for Market to confirm in CZ .

Charts below, We have several Market Internals readings VIX, TRIN , PUT/ CALL Ratio, ARMS reading, A/D work indicating some ST extremes as prices approach CZ / PEC-D patterns.

One of the projective indicators which is providing good guidance, the decline in NYSE has already retraced almost half of its gains from last year's low. Right now, it calls for a significant low to be coming.

Although several Indicators mentioned above line up for Bullish case. The approach toward CZ 1260-1240 needs PQV Validation therefore we do not have Trigger for POM 12. There is also overhead supply with Weekly Heavy bottom towards CZ 1310-1290 . Upon reaching CZ bounce, the quality of bounce is important.

**SPX - Election Cycle Model (ON TRACK)**

*Election year seasonal chart which point to a downturn and points to a seasonal low in late May / early June followed by a fairly steady uptrend into the end of the year.*

**SPX - Seasonality Model (ON TRACK)**

*Historically “ Sell in May away proved its merit” with Summer Rally in between the move*

**MONTH OF JUNE HAS NEGATIVE BIAS**

**The EDCOT Model Forecast, ( ON TRACK)**

*This Model called for the market to top out in February and correct into June before staging another leg up into the latter part of November. After that, we should get a much larger leg to the downside by EURO Future Model.*

**We recap -** *Bullish / Bearish indicators within the charts in our Reports is simply a Road Map on what to expect next !!! but entry into CZ price Projections & PEC-D are more important for decision making especially the POM Trigger points are the most important for Actions.*

*Once the signal is Triggered, Scaling into CZ range especially on the Re test is more prudent thing to do whiles accumulating positions.*

# Lunar Model with SPX Analysis – Bearish - till 6<sup>th</sup> June for turn

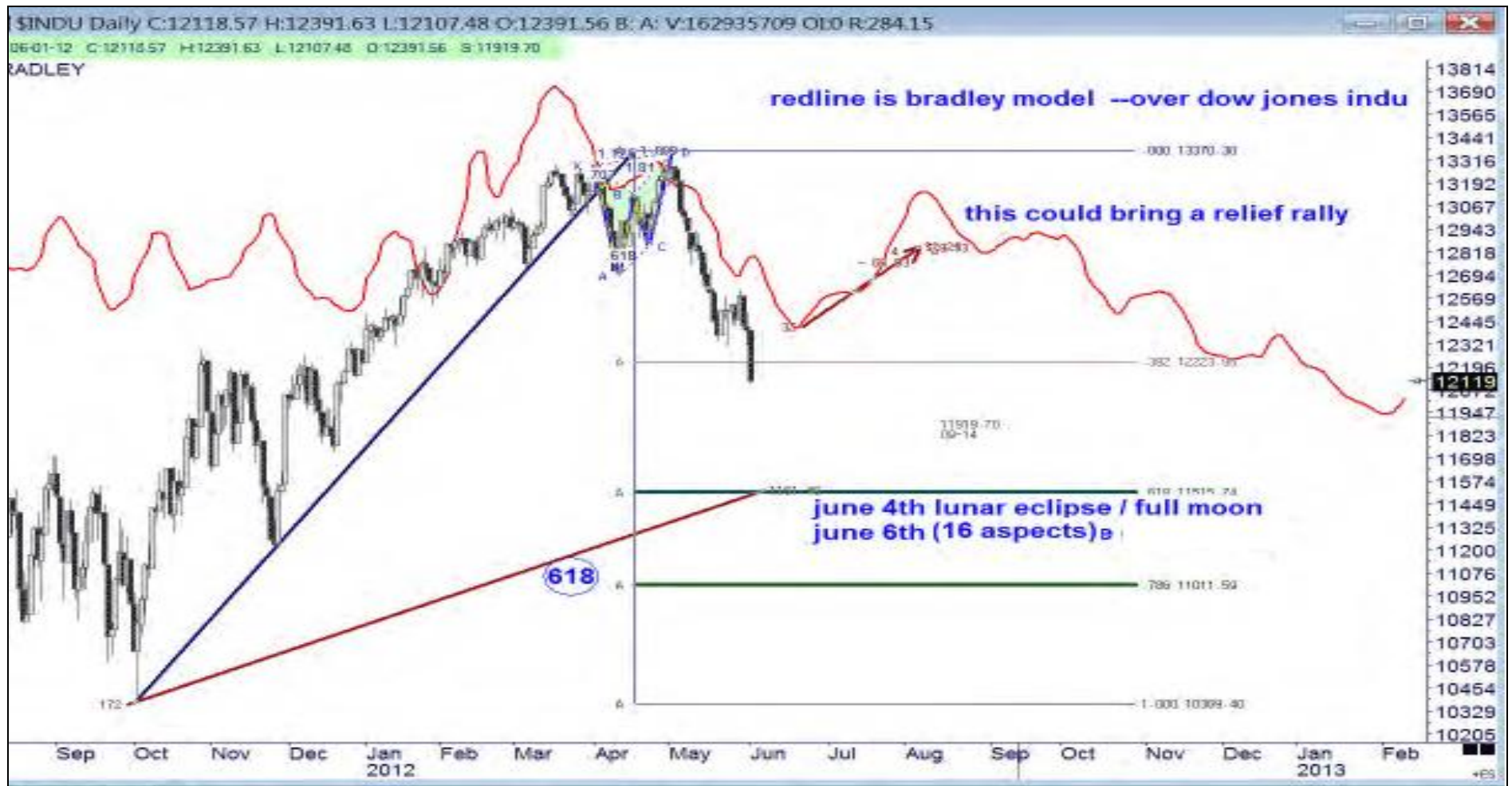
*On 6<sup>th</sup> June – Mercury conjunct Pluto.*



# Bradley Model with DIA Analysis – Bearish - till 15th June for turn

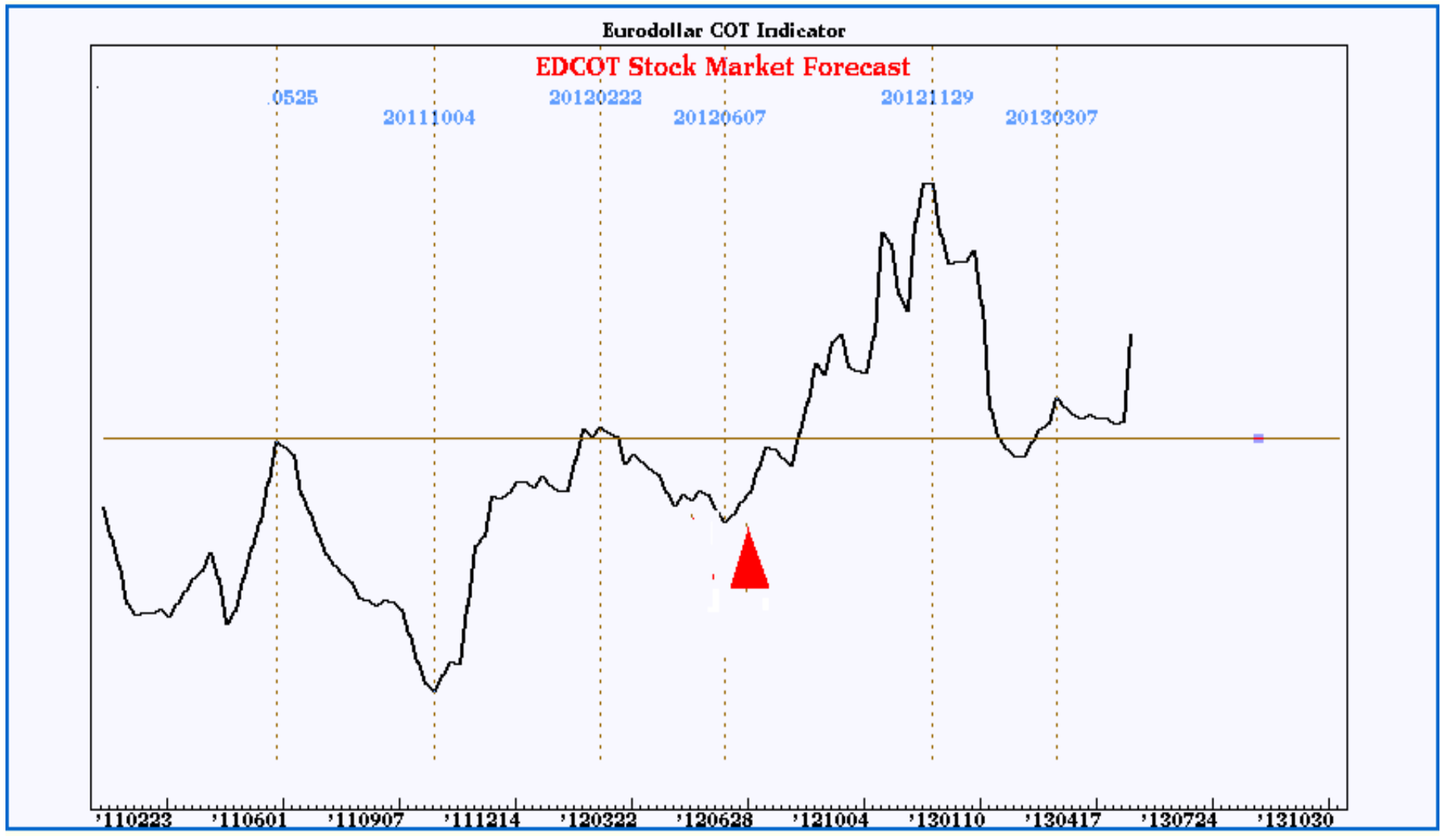
MID TERM - BRADLEY should turn positive for a short term bounce ( and thereafter decline which is skewed v/s EURO – COT Model)

MID TERM - BRADLEY turned down in APRIL - Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with POM 15 Triggered at 13000



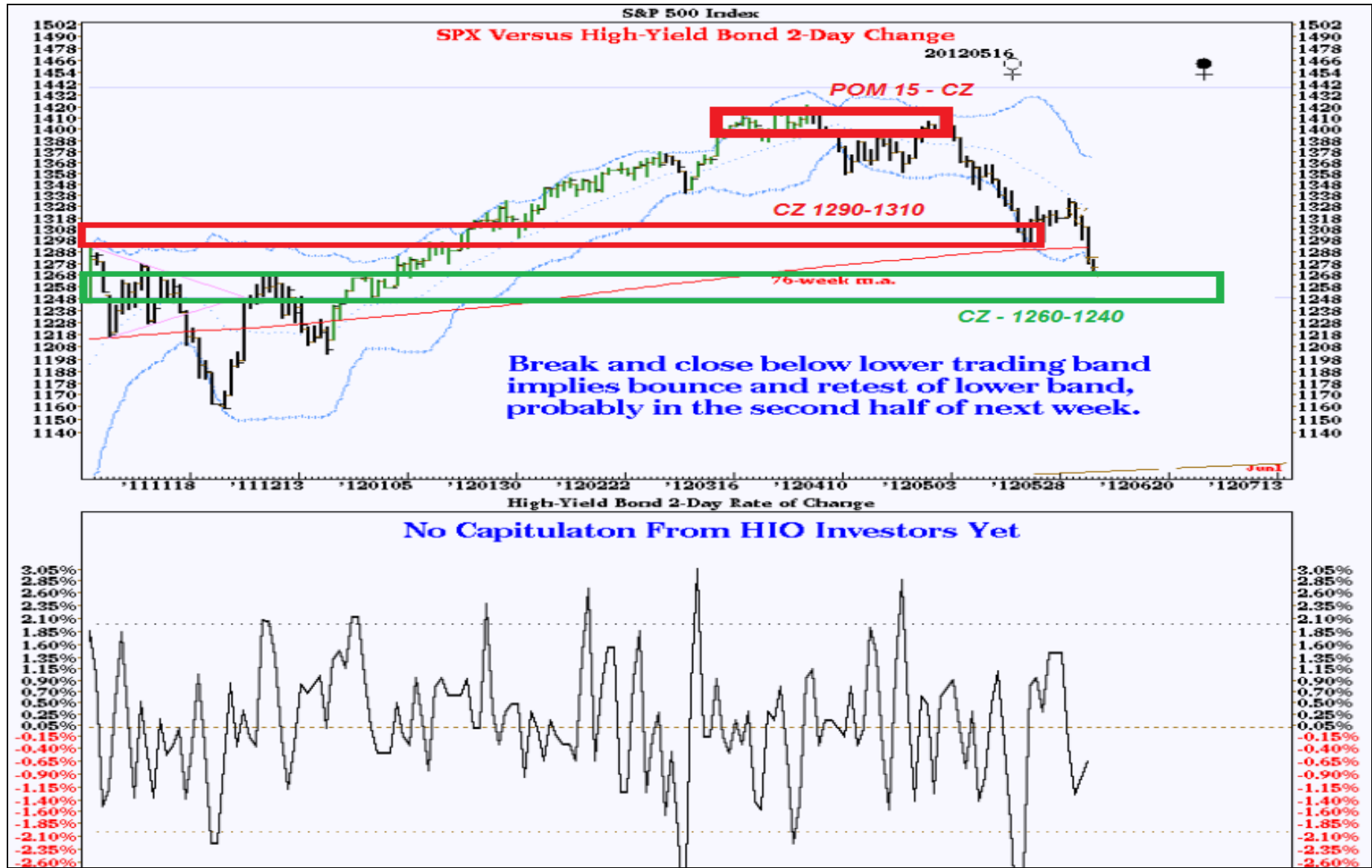
# COT – EURO Analysis

Chart below indicates by EURO – COT Indicator , another lows – 5<sup>th</sup> June and rally thereafter .



# SPX – Mc- Clallan – HIGH YIELD / Oscillator Analysis

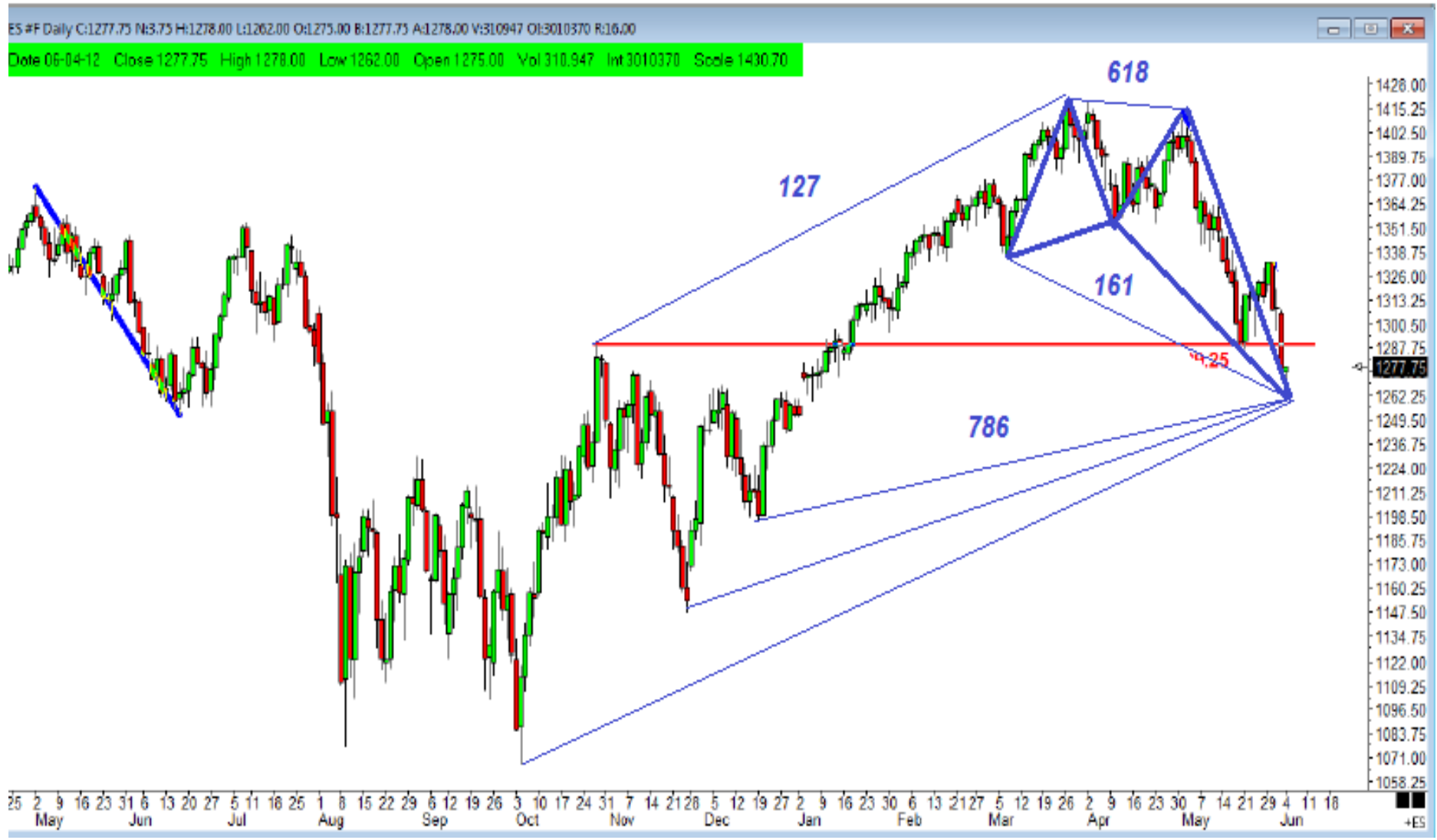
HIGH YILED Mc Clallan Rate of change calls for bottom but without PQV Test and Trigger in **CZ 1260-1240 ( GREEN )**, **THE VALIDATION VOLUME IS LIGHTER BUT NO TEST YET BUT** the bounce would be to **CZ 1310 -1290 ( RED )** & IF FAILS back down to complete the successful test. ( notes within the charts ).





# SPX – PEC-D Analysis– ( Daily)

Approaching the projection **PEC-D @ 1260** ( Within our projected **CZ 1260-1240**) But Bottom heavy and No PQV validation . **Market ready for bounce.**



# SPX – HRLY - SHORT TERM PEC-D Analysis,

On HOURLY – SPX put in low at 1260 right at the top end of CZ 1260-1240 , with perigee and Full moon back to back.



# SPX v/s TNX - Analysis – Risk on / Risk off

*Mid term view, tremendous divergence in Rates v/s SPX is in scary territory .*



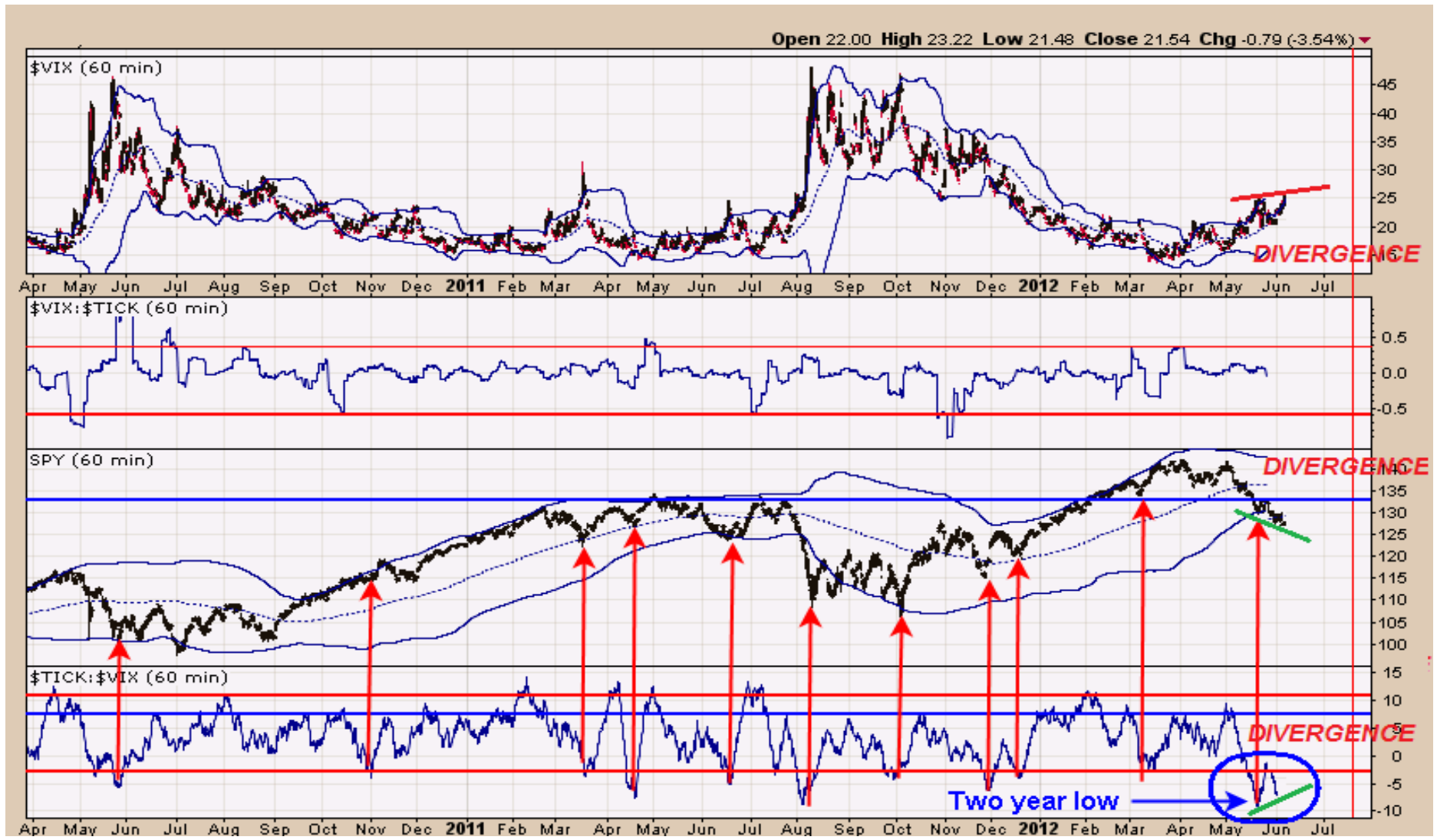
# JNK ( JUNK) v/s LQD ( INVEST GRADE) Analysis - Risk on / Risk off

Since Bond market is on tear , it is critical to measure the risk via Junk v/s Investment Grade Bonds .  
Chart below suggests after the correction in SPX , it is approaching extremes refer chart below.



# TICK – VIX Analysis

Chart below indicates TICK – VIX Ratio Reading is in area currently where Rally's has begun ( red arrows)  
There is Divergence in VIX, SPX & TICK v/s VIX Ratio.



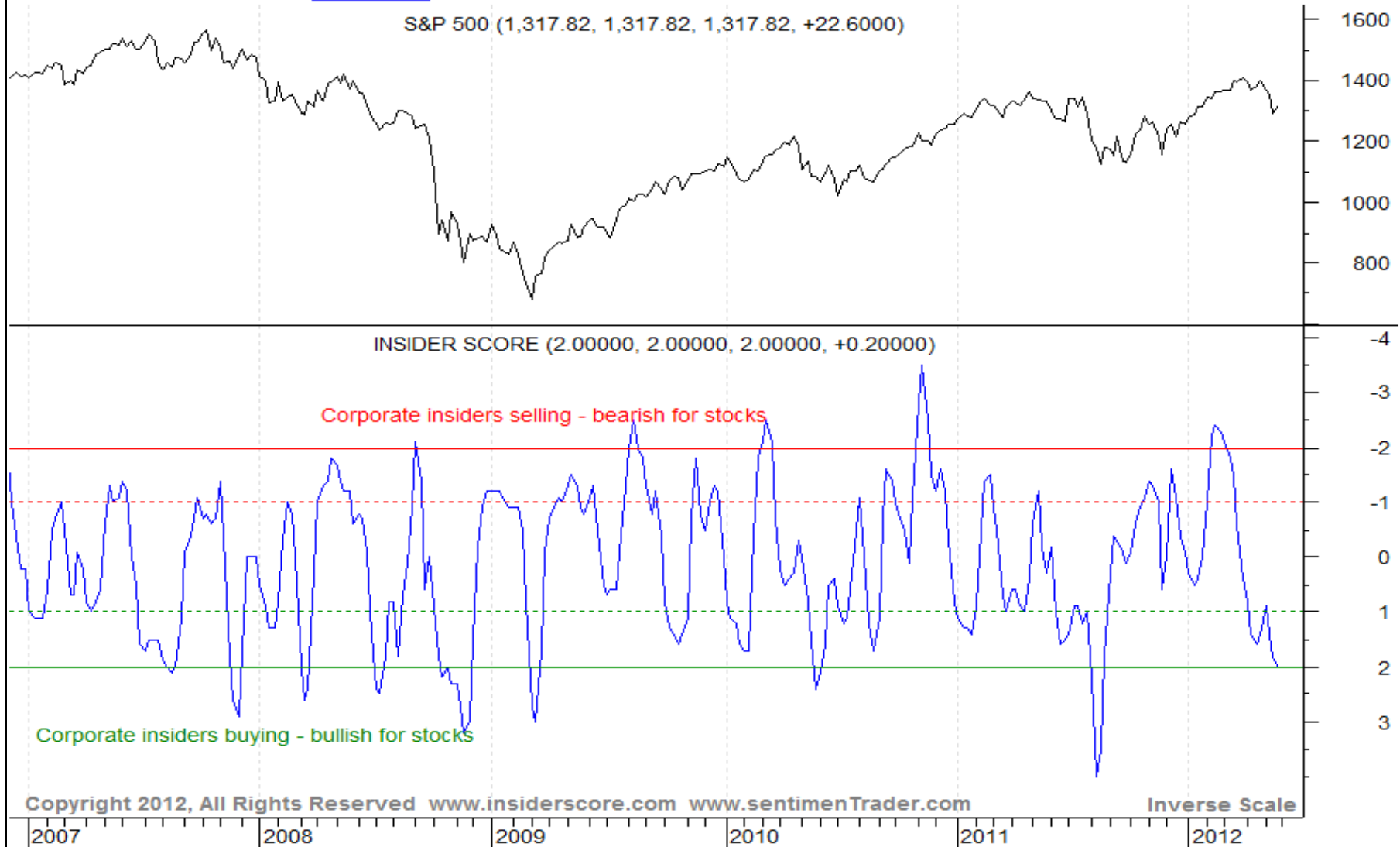
# INSIDERS SCORE – Approaching **EXTREME.** Curtsey - Sentiment Trader – 3<sup>rd</sup> Party

[InsiderScore.com](http://InsiderScore.com)<sup>TM</sup> **BUY / SELL RATIO**

LAST UPDATED: May 31, 2012

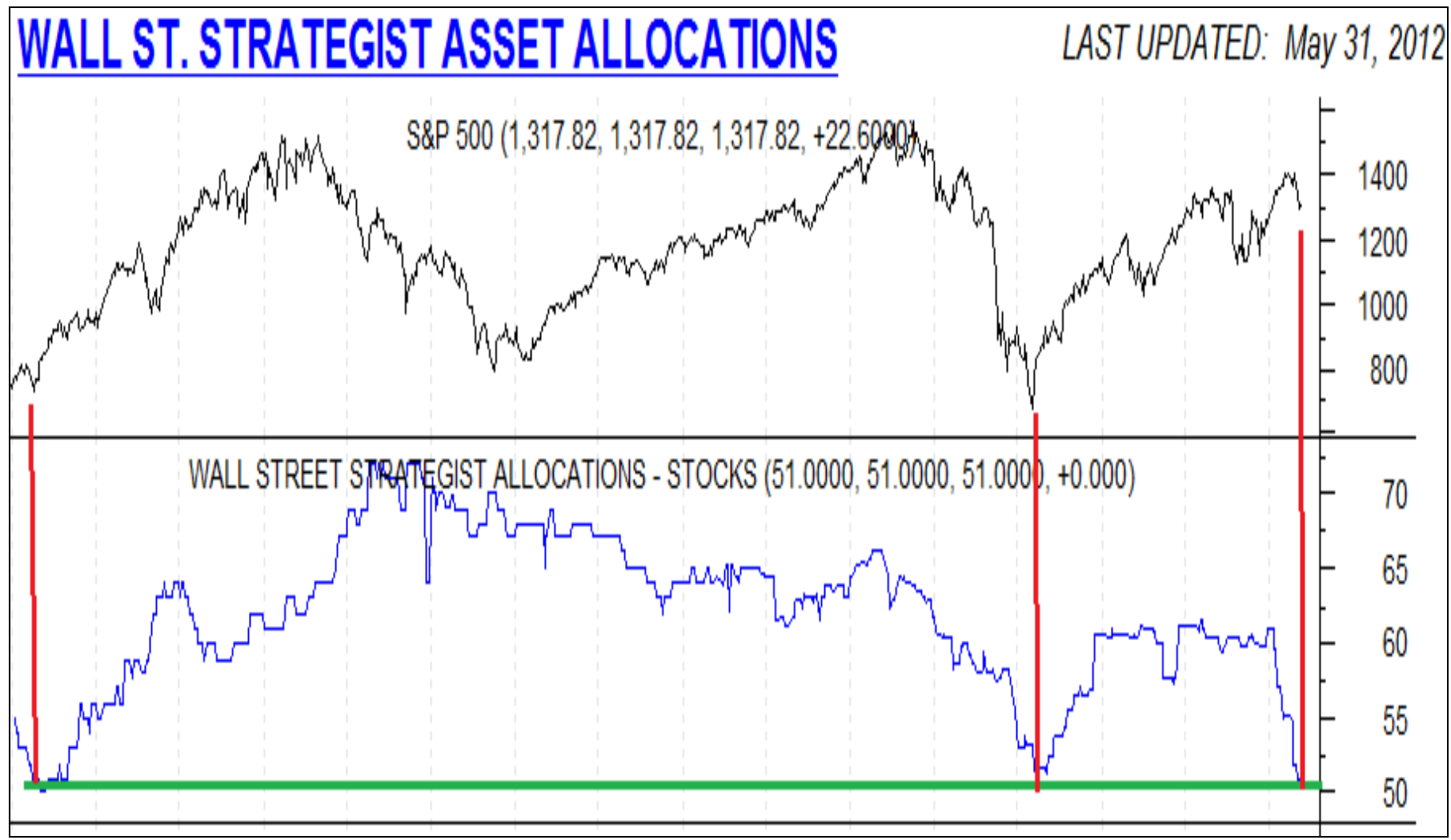
[Click here](#) for insider data on stocks and sectors from Insider Score

S&P 500 (1,317.82, 1,317.82, 1,317.82, +22.6000)



# WALL ST. STRATEGIST ASSET ALLOCATION – Approaching **EXTREME.** Curtsey - Sentiment Trader – 3<sup>rd</sup> Party

*This is a contra indicator . Currently the wall street strategist are recommending -25% net short exposure . That is 2<sup>ND</sup> lowest since March 2009. At Market Tops usually the Strategist are 50% NET long*



# IWM – PEC-D Analysis– ( Daily) – **SHORT TERM**

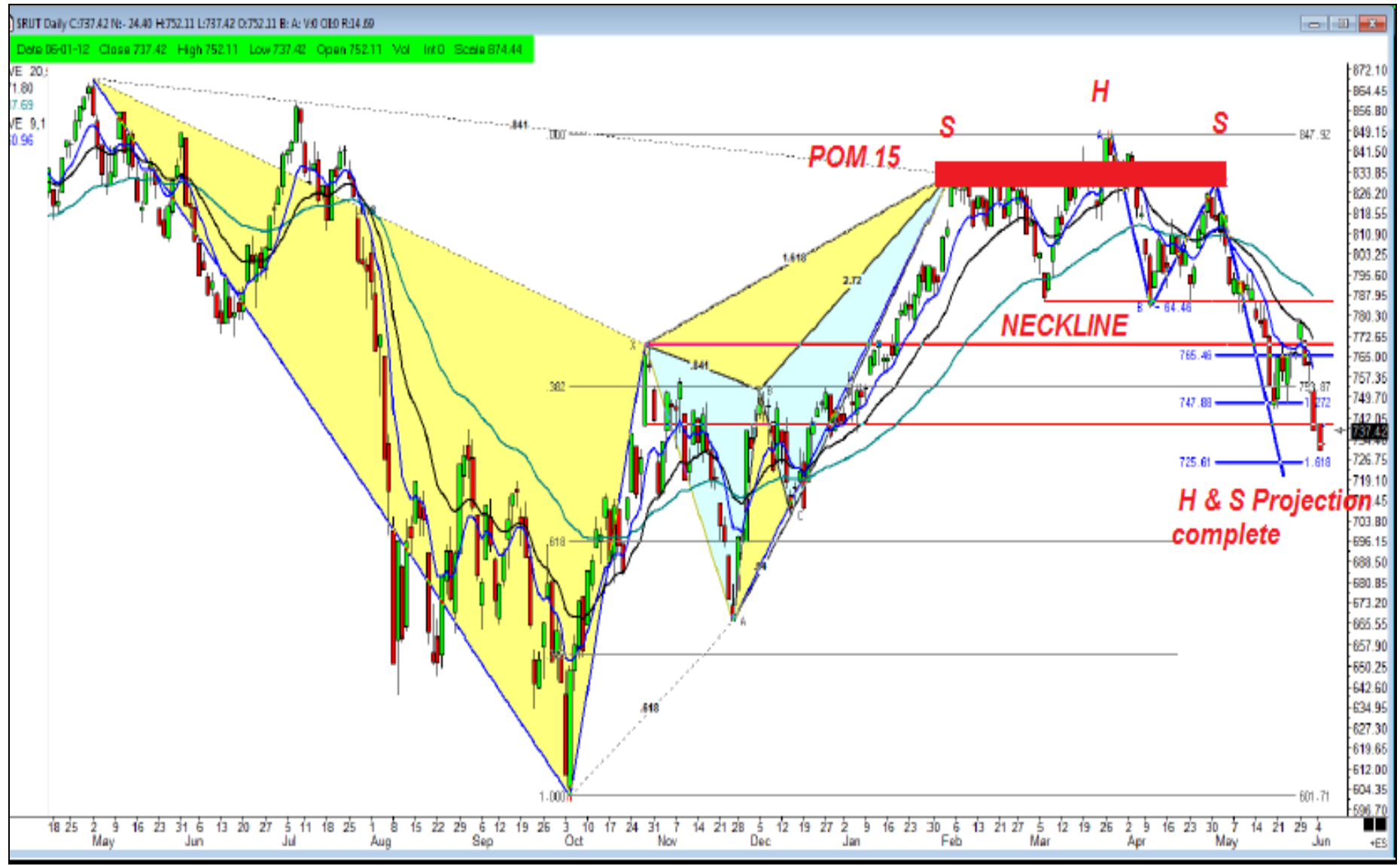
Reached the projection **PEC-D @ 72** . But Bottom heavy and No PQV validation . Market ready for bounce.





# IWM – PEC-D Analysis– ( Daily) – MID TERM

*H & S Projection is towards 720 once the Neckline was broken. We are approaching that area currently. .  
At POM 15, Massive Head & Shoulder Top is build with NECKLINE Broken.*



# NYSE – ( SHORT TERM) PEC –D Analysis .

*NYSE – PEC-D Pattern under completion at 7100 and then it Should be ready for ST rally*



# NYSE – Poly Trend Analysis

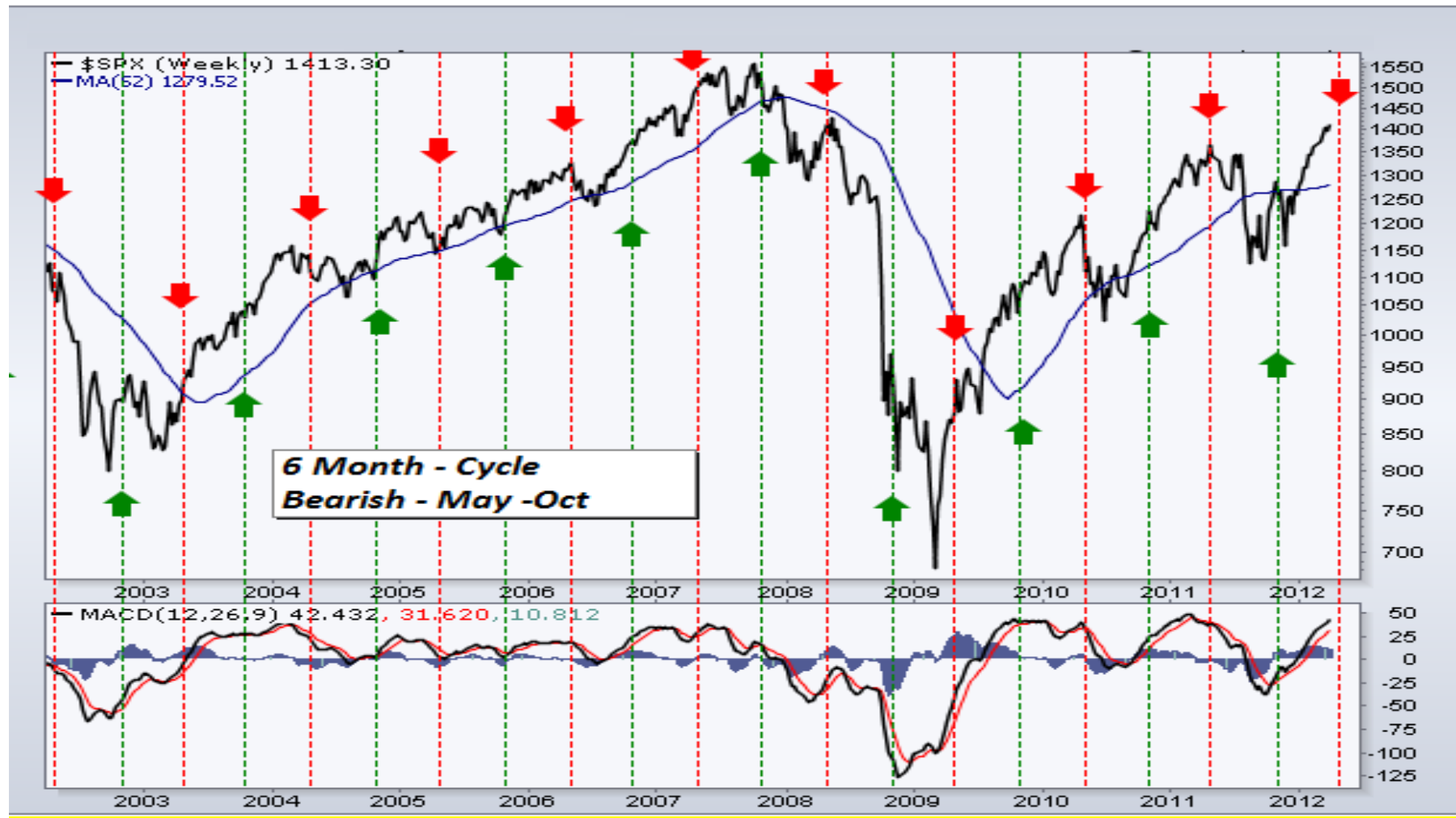
NYSE is diverging bullish is first sign on Volume Oscillator.



# SPX - Seasonality “ Sell in May & Go Away” – Chart - In Progress

*We Report this chart Twice a year in our Commentary – April & Sept ( One Month ahead of Actual date)*

*Looking at the most recent cycle, there was a bullish bias from November to late March as the SPX advanced over 12%. This means two things – First, the bullish six month cycle is one track so far, which means we could see a subpar performance during the bearish cycle May to October. Second, a 12+ percent advance in 3 months is spectacular. Even though Market can go higher, the odds of a correction or pullback remain high after such an advance.*






# SPX - Calendar Cycle - Cycle dates – Historically

## SPX - Seasonality Model

SPX – seasonality Profile of 2007-2011. Historically May has a tendency to be almost flat . We shall see

- Our own Study for January in (2003 – 2006) Uptrend & (2007 – 2010) Sideways Market.

From 2003 - 2006		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
Bull Run														
	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		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Bear / Side ways Run														
	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%
														

# Appendix Content

- Latest POM 12 to POM 15 Journey
- 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

## Critical Guidelines Review. – for CZ / PEC – D-

*In our Commentary and Reports, Our focus remains on giving head up on price Targets via Price Paths Analysis via Projective CZ ( Confluence Zones)/ PEC ( Pythagoras EC) Methodologies . These allows to pre – plan action prior to price shifts ahead of time.*

*In our CZ & PEC D indication, the conclusion zone defined on charts within Reports are derived via integration of various Proprietary Methodologies and calculations on PQV, ABC's , Market internals & Oscillators etc. developed in our Analysis process.*

*Although we try to be graphical on charts to reflect our thinking (sufficiently to indicate the technical conditions supporting our signals / triggers) , at times due to time & space limitation , we cannot show all the backup calculation work . Therefore we show only colorful final conclusion, less complicated sets of indicators to keep it simple to make a Price path decisions and not to force unnecessary more complex detail. I shall continue to provide coverage on these Analysis with one Methodology at a given time via Presentations and Workshop in step wise format for academic exercises.*

STOP LOSS CALCULATOR – Around CZ – Outside the CZ, PQV validated STOP is recommended for Risk Management based on Portfolio Objectives. To avoid getting False stop outs, one recommendation would be to integrate Volatility and Momentum Oscillator within its calculations by taking Average Trading range of Highs and lows for 9 days X 1.618 and adjust the last traded price with that differential for the STOPS and Auto Trail it on daily basis once the position is “ in the Money”.

*POM implementation - Bigger Picture - Ideal participation of New money still remains entry at POM 12, POM 11, which has Highest Probability of building ALPHA. & Sell ( Fully Hedge at POM 14 ) . Weather one is a BULL or BEAR*

*We shall add these above Guideline note in the Appendix Sections and keep it for reference in our Future Report.*

# SPX – POM 12 to POM 15 Journey

*POM 15 – 1375 – SPX triggered on 2/29 - ALERT . This completes our Full oscillation, that began at 1080 – 4<sup>TH</sup> Oct – Trigger in our earlier Alerts and Reports. Due to Bullish Sentiment, We might not have much company now, but we dint have enough company at POM 12 and POM 13 as well when SPX put in Mid term and Trading bottom respectively.*

*Note – Pass area ( No Man’s land area) clearly suggest when pressed the brakes car did not stop immediately ( Just the Law of physics) .*





- 2. -2012 - SPX – POM Signals & Price Projections
- SPX -Trading & Investment Real Time Conclusions

**Current Signal – Triggered 1/26 - @ 1325 and in POM 14- Re – (CZ 1255-1270).**

- 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 – 1255-1270, 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 )

- **2011 - SPX – POM Signals & Price Projections History**
- **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 - 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 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**

## • 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

- 2011- POM / CZ - SPX Signal

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



SPX - YTD - (-10 points)	_____	<b>(-0.1%)</b>
POM 12 to 13- <u>Gains 257 Points</u> ( 4 Signals)	_____	<b>+ 25%</b>
POM 13 - Risk Mangement savings - <u>280 points</u> ( 5 Signals)	_____	<b>+ 28%</b>
POM 14 to 13 - Fully Hedged - <u>Gains 150 points</u> ( 4 Signals)	_____	<b>+12%</b>

## 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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