SG Capital Research
Global Market Insights

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- ## Contents for Coverage within A # 3 – MS SPECIAL Report (SP)

  ### 1. Executive Summary (SPX, GOLD, TLT)

  ### 2. Market Overview Commentary

  ### 3. POM , Price Projection CZ – Summary

  ### 4. Chart Analysis

  ### 5. APPENDIX – Objectives, POM /CZ Guidelines, Limitation, Disclaimers

• 1- Executive Summary

Current Signals

SPX – @ **POM 13 – NET LONG**

- **Our Last Trigger** –POM 13 NET LONG Position within CZ 1290-1310. (On 5/23 – Alert via email).

OUR ACTION On 5/23, - We Closed Partial Hedges & advised NET LONG within CZ 1290-1310 prices. We had Great entry point in the CZ (We avoid chasing the run outside CZ)

OUR Projected 1st TARGET (indicated last week Report) -   Rally towards CZ 1340 – 1360 is fast approaching. We shall look for the reaction in this CZ for PQV validation & PEC-D completion to judge the next move if there is failure. We think it will fail

NEXT -

PLAN A - Move to **CZ 1340 -1360** (FAILS) , It will give us the opportunity to put back / recycle   Hedges back in at BETTER PRICE (for positions that were exited earlier at 1290-1310) , But this plan is not for fresh Position, we execute Fresh positions at POM's) .

PLAN B – If CZ 1340 -1360 , bounce target falls short of the bounce then- We should focus on T termination lows on 16th – 18th June , which suggest the market should try to retest of lower CZ. We still have Heavy bottom lower at **CZ 1290-1310** to be tested

NOTE – POM 13 position taken at 1290-1310 on 5/23 is in the Money and we always have option to lock in profits or put in STOP loss to protect the profit . Decision should be based on Individual Portfolio objective on Risk Management .

GOLD – @ POM 13 – NET LONG

- **Our Last Trigger –** POM 13 NET LONG Position at on 5/15, 5/14 – *Alert .* Within CZ 1540-1580.

OUR ACTION - We went LONG within CZ 1540-1580 prices. – Great entry point at the lows

OUR Projected 1st TARGET - Move up is in progress which began from our POM 13 to complete ABC up at 1620. We need some back filling into the Trigger Zone 1540-1580 to build base after such nasty correction . We shall look for another tertiary Bullish PQV validation to re verify the earlier Bullish PQV Validation & PEC-D completion as part of bottoming process.

PLAN B - For any Overweight Position (Partial) put STOP at Cost price / Breakeven as Risk Management. Our Process of Entry, Exit or Re- entry Position is more suitable / relevant for the Positions entered by our very own Previous Signals. This tends to give better Reward if round trip gets completed. .

NEXT   Certainly possibility of final shakeout move to scare all the Bulls below our **CZ 1540.**

TLT – @ POM 14 – FULLY HEDGE.

- **Our Last Trigger –** POM 14 FULLY HEDGE Position at on 5/21 – *Alert* Within CZ 124.

OUR ACTION On 5/21, - We Closed LONG & advised Fully Hedged within CZ 124 for position entered @ 111 - 11% Profit and yield.

OUR Projected 1st TARGET - Move is completed with BULLISH TOP, & extended.

NEXT   - We should get a pull back first and rally back up , If we build a Bearish Top during the test with Higher highs towards 130 whiles completing the Termination process Pattern, TLT could Trigger POM 15 – NET SHORT .(We shall wait and see) .

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

A # 1 - MS Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
11-Jun				
SPX				
SHORT-TERM (POM 13) -1300 Open	BULLISH	1290-1310	1345-1355	NET LONG / Closed Hedges @ 1300
MID-TERM	NEUTRAL	1260-1240	TBA	POM 15 - net short Position closed (1400 to 1350)
GOLD				
SHORT-TERM -	NEUTRAL			Covered Short -Decline from 1775 to 1580 met
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	Nimble into longs (1540 - 1580)
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825
				Building up floor to test the Highs
TLT				
SHORT-TERM (POM 14) 124 Open	BEARISH	111	124	Awaiting pull back / CZ Target Reached - fully hedge
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	125	3rd ABC up in Progress complete
-				NOTE
				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

US BONDS (TLT) - Commentary

US Bonds - TLT, which seems to be at a very long term high and poised for a long term decline once POM 15 is triggered. it suggests the last stages of bull market. In order to take it to those higher price of POM 15 levels, QE -3 should begin.

Bonds / Bubble to burst. This bubble is coming at a 60 year cycle low in interest rates makes it even more significant. The past 20 yrs interest rates and stock prices have moved together in correlation. Before that, interest rates and stock prices moved inversely to each other.

SPX & GLD – Correlation, If bond prices are peaking here, selling in the bond market will provide cash that will be forced to buy stocks. Note that one more new high is possible in TLT , but it could be on –ve divergence.

We are at POM 14 – Fully hedged at 124 . This has been very profitable position and has been following our price path closely. This Finished its ABC up from 111 for 11% profit Short term topping with Bearish divergence

Currently the Bonds are extended to 129 & backed off to 126 ., on way to POM 15 & showing signs of ST Topping. Now the sentiment is getting overly enthusiastic / frothy.

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

• *GOLD - Commentary*

SPX & GLD – Correlation - Gold seems to be leading the other risk-on markets, bottoming first, finishing up move first, and going into a corrective pullback first. If this relationship holds up, we should see Gold bottoming first and turning up once again. If Gold were to make a lower low this week, it would hint that equities could make a lower low before rejecting the lows.

GOLD Finished its first ABC up to 1620 from 1535 and is under retracement . Since our POM 13 – 1540 it has continued to move higher . It has come off the bottom in Bullish way. In month of May, it had the best monthly gains in 3 yrs. We were clearly the beneficiary of our signal. Re- testing our CZ1540-1580 several times would be part and parcel of bottoming in Bullish Manner with PQV Validation after huge decline. .

We stay in this trade for next move higher. 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

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

Our Position ((FYI) –

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

SPX – Commentary

- *Weekly - SPX Closed @ 1325 (+3.6% gains)*

- *YTD - SPX – Closed @ 1257 / 1325 (+ 5.4 % gains)*

- ***MARKETS***

Spanish Bank bailout this weekend caused world Markets to Gap up on Monday. For us it is more like prices moving towards our Projected CZ 1340 -1360 as expected in last week's message (whatever the cause may be from officials) .

From the Market open, the prices sold off . Market that sell off on good News always needs to be watched closely. SPX has rallied from past Mondays lows of 1262 to 1342 this AM for 80 points rally . Our POM 13 – NET LONG has been profitable position during this move . We let the profit ride.

As pointed out last week, the rally from the SPX lows began when EURO turned from 1.24 and simultaneous pull back in USD from 83. Also we had downside Price projection for 2nd ABC down to CZ 1260 -1240 & PEC-D @ 1260. SPX came to 1262 very close to meeting it & rallied from there as expected with our POM 13 – NET LONG positions of 5/21 .

Although there is certainly Re test work to be done on PQV Validation basis at 1260 area (Heavy bottom) . It can only be judged once current Market fails at current levels 1350 and decline begins.

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- ## *Indicators from last Report proved its merit*

Last week lows coincided with several Market Internal derivative extreme Indicators (we indicated in last week's Report) on   VIX /TRIN Ratio , PUT/ CALL Ratio, ARMS reading, A/D work as prices approach CZ / PEC-D patterns at 1270 lows . The volume oscillators turned with bullish divergence, it was   "cash build-up phase" and we immediately saw the bounce thereafter. We have not shown those charts in this week's Report.

- ## *Price path*

This is a complex ABC structure under formation. Time wise , past week SPX turn came in exact Monday / Tuesday on Time Ratio Lows. The mid- June timeframe 16th / 18th June also shows a potential retracement and bump along the bottom until we get into the seasonally strong period near the end of June "Summer Rally.

The months of July, August and Mid 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 – On Track*

*Past Monday's **Lunar phase Cycle** came in exact **6th June** , move is within the CZ & Market rallied 50 points from the lows last week.*

*BRADLEY had Short term low on **16th June.** Mid term BRADELEY is down this year after the Summer Rally .*

- ***SPX - Election Cycle Model - On Track***

*Election year seasonal chart which point to a downturn with seasonal low **in June** followed by a fairly steady uptrend into September then correction and then year end rally .*

- ***The EURO - 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 early Part of September , correction and then rally back year end . Then larger decline next year. by EURO Future Model.

- ***SPX - Seasonality Model- On Track***

MONTH OF JUNE HAS NEGATIVE BIAS. Historically " Sell in May away proved its merit" with Summer Rally in between the move

- ***OUR POSITIONS (FYI)***

  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 .*

- ## _Point to note_

 CZ & PEC-D Indicators are Projective. PQV – Validation with Market Internal extremes Indicators are Reactive which Triggers POM . This process of Price Projections are with Leading" Indicators measuring forward looking price path **v/s** Lagging Indicators which are back ward looking.

Backward looking Indicators has 80% tendencies of Whip Saw. Forward looking Indicators are usually Contrarian in nature which makes it more difficult to get convinced & react to it very quickly within the time window offered by the market at the Turning points.

Therefore Our Action Zone remains POM 's for core positions within CZ move & rebalancing of Portfolio's remains in CZ to CZ move if desired by any objectives.

- ## _We Repeat_

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. .

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- Wave Analysis

Simple ABC down from POM 15 area with WAVE 1-2-3-4-5 down and now corrective bounce A,BC, toward CZ 1340-1360 and then back down again .
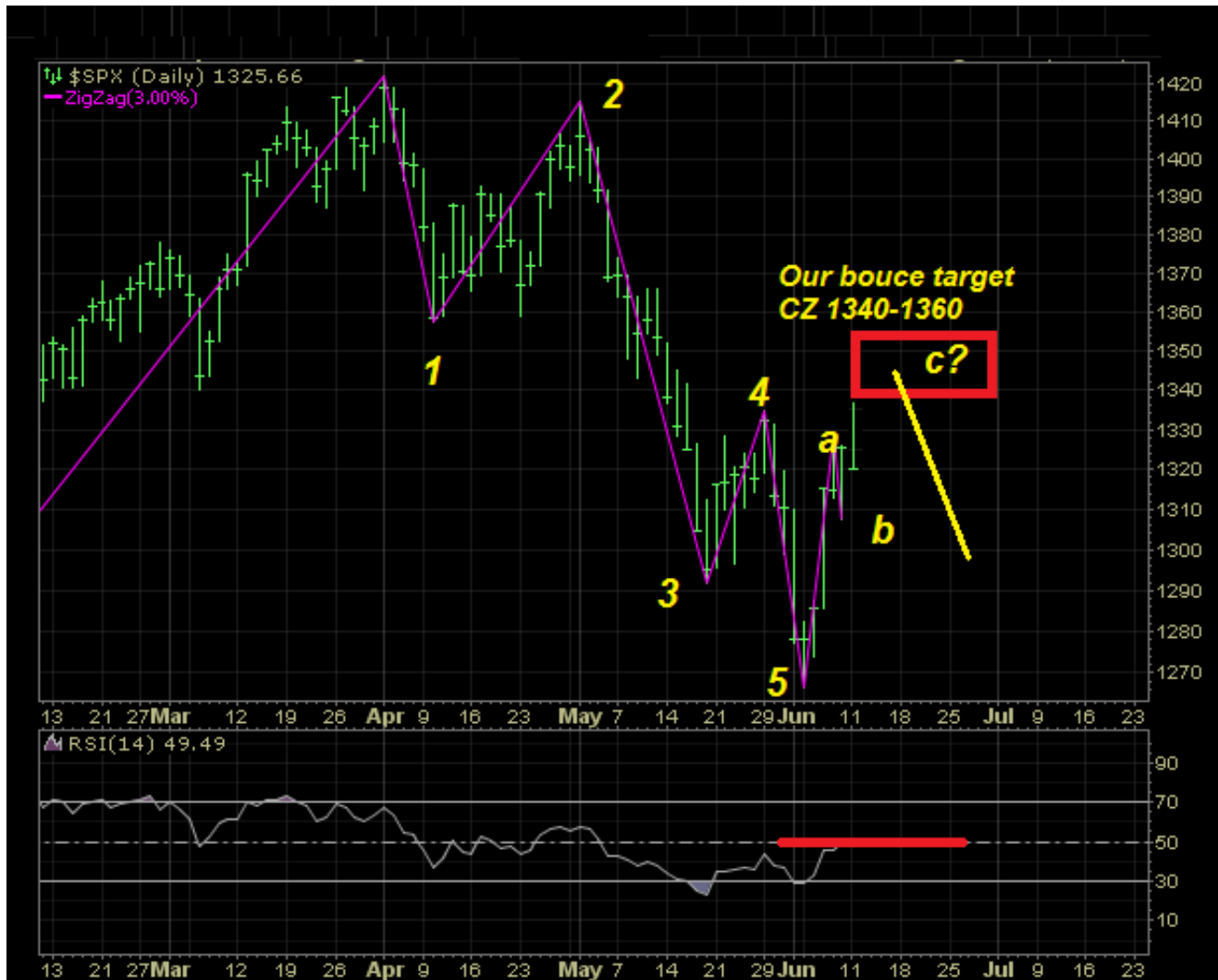
SPX- CZ Analysis

Last week Market rallied from around this <u>CZ 1260-1240</u> . Once the upside fails , the Decline could re test CZ 1260-1240. If decline stops in CZ 1290-1310 (with PQV dry up) then it would be Bullish Bottom. .

SPX- Oscillator Analysis

BULLISH Divergence on Oscillator and accumulation patterns suggest the re test on next decline should hold and then rally to begin .

Appendix Content

- **Objectives & POM /CZ Guidelines**

- **Guidelines for Full Utilization of " SP" Report with Limitations**

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

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 <u>especially</u> the POM Trigger points are the most important for Actions. Once the signal is Triggered, Scaling into CZ range <u>especially</u> on the Re test is more prudent thing to do whiles accumulating positions.

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.

<u>STOP LOSS CALCULATOR – Around CZ</u> – 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

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*