



SG Capital Research

Global Market Insights

Research Note – Special Report Analysis (A # 3)

MAEG- MS_SPECIAL REPORT ANALYSIS_SPX_SG 2012 # JUNE_25

For – Immediate Release – *Monday*

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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.

1. SPX – @ POM 13 – NET LONG

Our Last POM Trigger – POM 13 NET LONG Position within CZ 1290-1310. (On 5/23 – Alert via email). We advised to go NET LONG within CZ 1290-1310 prices. This was Good entry point within the CZ to Close our Hedges in timely manner.

LAST ACTION in CZ -On 6/18, 6/20 - (Pre announced in last week A # 1, (Monday) & A # 2 G (Wednesday) Report in Executive Summary). Rally towards CZ 1360-1345 was met last week with PQV failure & PEC-D completion @ 1367 EXACT & The decline began as expected, giving 2-3 day window of opportunity to act & put back or recycle Hedges back in at 1355. This is 50 – SPX points BETTER PRICE on positions that were exited earlier within 1290-1310 at POM 13. We avoid chasing the market outside our CZ, except if there is a retest.

Projected Pull back TARGET - Towards previous POM 13 Area (CZ 1295 -1270). The exact extend of decline can be better judged with – 2-3 days of data points for projection.

NEXT -

PLAN A – If we hit the lows of 1270 (near lower end), within CZ 1295 -1270 with valid PQV test , We should get opportunity to put back or recycle Hedges back in at PROFITS (on positions that were entered within 1360-1345) . But this plan is NOT for fresh Positions. As a rule, we execute Fresh positions at POM Triggers only), We Maintain core position and cycle some at CZ as our process.

Cont....

PLAN B – POM 13 NET Long position taken at 1290-1310 on 5/23) is in the Money with Profits. We have the option to lock in profits or put in STOP LOSS to protect the profit, playing close to vest. Overall Decision should be based on Individual Portfolio objective on Risk Management . This was ST Risks Management zone to unload unwanted baggage.

2. TLT – @ POM 14 – FULLY HEDGE.

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

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

Projected TARGET - Move is completed with BULLISH TOP to 125, & extended 128. On ST On 6/20 – A # 2B- MS – Wednesday’s Report in Executive Summary, we had pre- announced a pullback into (124-123). Last mid week, FOMC meeting notes fulfilled our desired price point towards 124 EXACT

NEXT -

We should back fill for sometimes and rally back up to double top (128-130) towards the POM 15 highs , If we build a Bearish Top during that test with Higher highs towards 130 whiles completing the Termination process Pattern, TLT could Trigger POM 15 – NET SHORT .(We shall wait and see) .

3. GOLD – @ POM 13 – NET LONG

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

LAST ACTION - We went LONG within CZ 1540-1580 prices. – Good entry point at the lows (after patient wait from CZ 1775 – POM 14, crashing down to POM 13)

Projected TARGET –

First ABC up move was completed 1620 which began from our POM 13 point.

We had suggested in last week A # 1- MS Report 6/18 in Executive Summary of pull back into CZ 1580 - 1540, due to some back filling back into the Trigger Zone which materialized quite effectively to build base after great rally of the bottom . 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.

NEXT

PLAN A - Final shakeout move back into **CZ 1580-1540** to scare all the Bulls below our **CZ 1540**.

PLAN B - For any Overweight / Short term Trading Position, we had recommend last week, a trailing STOP to lock in PROFIT or at Cost price / Breakeven as Risk Management move. (Rule 1) -Our Model does not convert our Profit into loss. 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. .

(Full Report in Wednesday's B # Currency Report)

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

A # 1 - MS Report				
25-Jun	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
SPX				
SHORT-TERM	NEUTRAL / BEARISH	1360-1345	1310-1290	Reversal took place exact in CZ 1360 -1345 for decline (RECYCLED HEDGES)
MID -TERM (POM 13) -1300 Open	BULLISH	1295-1270	TBA	NET LONG @ 1300 POM 15 - net short Position closed (1400 to 1350)
GOLD				
SHORT-TERM -	NEUTRAL	1620	1580-1540	pull back took place on ABC up 1620 completion
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 Covered Short -Decline from 1775 to 1580 met
ILI				
SHORT-TERM (POM 14) 124 Open	BEARISH	111	124	CZ Target Reached - fully hedge , awaiting rally to POM 15
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	125	3rd ABC up in Progress complete
-				
-				
-				
-				
-				
LEGEND				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

SPECIAL SECTION

Commentary & Charts below are for Reference , backup & cross verification . It is required for in- depth understanding behind our conviction Logic & on Risk disclosures / limitation.

KEY POINTS –

POM Corner – For Trend reversal / Swing Position

CZ Corner – For Risk Management positions within POM's

- 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 / Trend Swing whereas CZ to CZ is for Risk Management within POM or / CZ Traders. to generate ALFA on ongoing basis with no consideration to Bigger picture.

Process to be used based on each Individual Objectives.

SPX – Commentary

- Weekly - SPX Closed @ 1335 (-0.5%)
- YTD - SPX – Closed @ 1257 / 1335 (+ 6.2% gains)
- **MARKETS**

This week, Monday began with Global Market in red with Spain, Italy Bond yield soaring. Several Policy moves this week should act as Triggers, ECB Summit & Supreme court Health care ruling US. Based on Technical, we keep the news in the background and the charts in the foreground.

Decline is continuing from past week, last Thursday (6/21), Market had ugly day with wide price spread (down 30 points). SPX reacted exactly in the manner we were expecting after entering CZ . (For details, Refer to our Monday's A # 3, & Wednesday's A#2B in our Executive Summary & charts) . We had warned of occurrence prior to this price shift. Entering into CZ 1360-1345 for ST cautionary actions . PEC-D hit 1367 & closed below 1365 . SPX flirted around 1360 +/- for 2 days prior to down move gave enough chance for Bears to Hedge and Bulls to postpone the new purchases. .

World has been blaming the decline on China's PMI, Bank Rating Downgrades , FOMC etc. We think it is CZ & Mathematic internals that clearly gave the heads up & warning sign of upcoming move. This Market has kept Bulls & Bears on toes.

Looking at the short term chart, we pointed out that the rally was running into strong headwinds CZ last week as the relative strength diverged bearishly unconfirmed against the oscillator. It seems the market knew that Bernanke was going to disappoint ahead of time.

Although we expect the pull back target to 1310- 1290, ,we need more data points . But after the pull back & proper PQV Validation, the Market should move higher.

The broad market weakness we saw in May has moderated substantially and the recent rally saw our leading MidCap sector beginning to hold well . A healthy market should see the MidCap rising in strength against the SPX.

New Time Ratio Low (based on Thursday's high) targets extend into the latter half of July. The trend is gradually turning higher high from lows of August 2010, Oct 2010, May 2012 . Notice that the rally off the early October low was pretty similar to the current pattern. If this continues, we should see the market making a July low that's higher than its June low and then starting the upside.

We think, this pull back might be setting up re test of CZ or inverted head and shoulders, we will get a rally out of it equal to the size of the head portion . The downside would give another opportunity for Bulls to take advantage for next rally up. .

The market recovered some of its massive Thursday losses on Friday, but it's likely that we aren't quite finished the pull back just yet. We're in the period of time when, seasonally, the market forms a late June or early July low (4th of July long weekend) before a period of strength in July, so from that point of view we should see some base-building action. But, it appears that we should be looking forward to adding on the dips towards CZ 1310 - 1290 , once reversal is confirmed especially crowd gets more bearish and as the market internals improving.

Since 1360-1345 has failed, there is certainly Re test work to be done on PQV Validation basis at Heavy bottom . CZ 1290-1270 . However On previous lows , the Multiple down TICK reading with Low TRIN & Higher ARMS within a few days of each other at lows in June suggest Bullish bottom formation at POM 13 area . During the re test in CZ , We should see MC OSCILLATOR move to higher highs from -500 to -300 accompanied by Summation Index as we enter the CZ .

We need Bearish sentiments to shake all the Bulls & get Bears excited to complete the move. .

- **SPX - Geomagnetic / Lunar Cyclic Model**

Lunar cycle is on **19th June** (Wednesday) put in timely TOP & TURN as we had expected (of course in name of FOMC and CHINA PMI)

BRADLEY had Short term low date on **16th June.** , the Cycle was inverted . SPX put in highs.

After the summer rally , Mid term BRADELEY is down this year. (This is skewed from our Price / Volume Analysis) we shall see as we progress,

- **Price path**

After the pull back in CZ and successful test and then get the seasonally strong period. “Summer Rally .

The months of July, August and Mid of September are looking like 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. (*If things change on PQV invalidation into CZ's we shall change with it*)

- **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

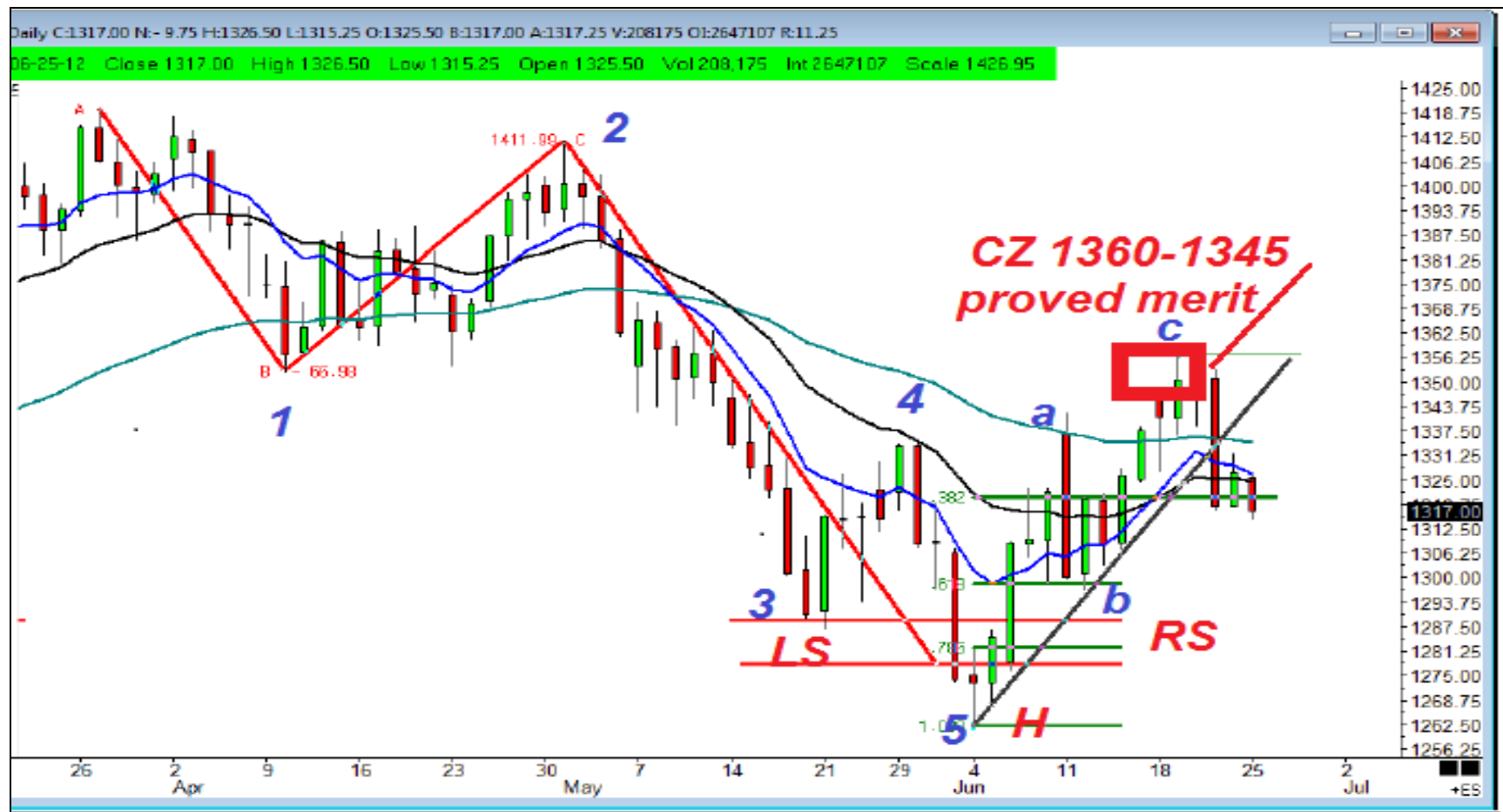
- **OUR POSITIONS (FYI)**

- 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. On 6/19 & 6/20 – Recycled partial Hedges within CZ 1360-1345 in anticipation of decline towards CZ 1310-1290

SPX- Wave / CZ / Oscillator Analysis

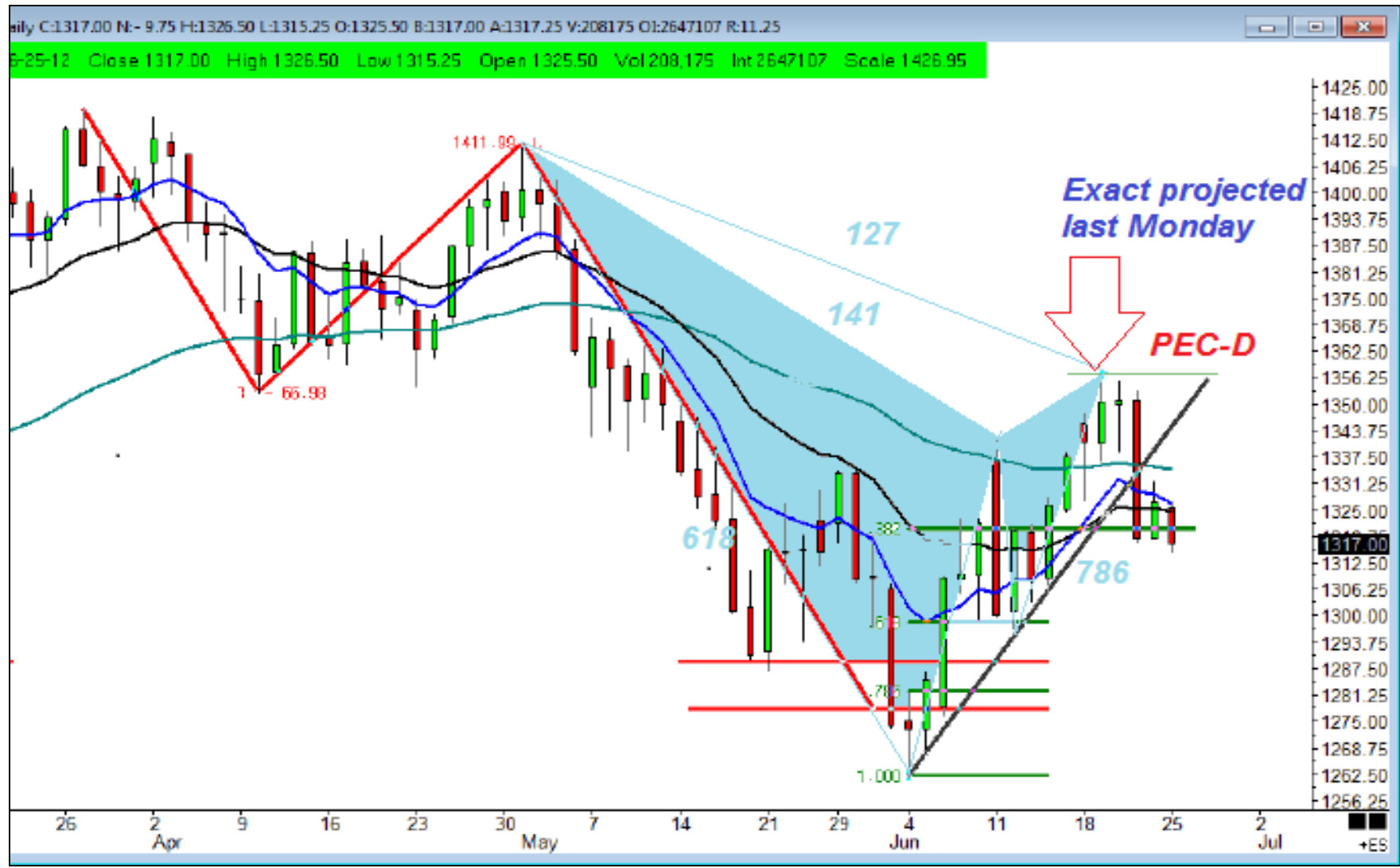
Simple corrective bounce to C point completed from A,BC, toward CZ 1360-1345- exact on upside for failure and then pull back.

Inverse Head & Shoulder appears to be under completion, with another pull back required. BULLISH Divergence on Oscillator and accumulation patterns suggest the re test on next decline should hold and then rally to begin



SPX – CZ/ PEC-D Analysis

PEC-D – 1366 – failed exact as Projection indicated in last Monday's Report



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 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.

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

- **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.

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 Swing / Trend Position

CZ Trade Corner – For Risk Management within POM

- 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 / Trend Swing whereas CZ to CZ is for Risk Management within POM or / CZ Traders. to generate ALFA on ongoing basis with no consideration to Bigger picture.

● 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

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