



SG Capital Research

Global Market Insights

**Research Note – Market Strategy – MS Update (A# 3) – STRATEGY & PROP Analysis ( SP)**

**MAEG- MARKET STRATEGY- MS Update # SG 2012 # MAR\_19**

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

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## **Market Strategy – MS Update (A # 3) - (SP)-**

- Weekly - SPX – Closed @ 1404 ( + 2.4% )
- YTD - SPX – Closed @ 1257 / 1404 ( change + 11.6% )
- Last Trigger Signal - SPX – POM 15 – NET SHORT @ 1375 / 1404 ( change -2.0% )

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# • 1. Executive Summary

## Current Signals

**SPX – POM 15 – ( NET SHORT Position @ 1375 Trigger STOP 1400) - “Trading Market” POM Rating**

**GOLD – POM 14 ( Partial Hedged LONG Position )- “Bull Market” POM Rating**

**BONDS – POM 13 (NET LONG Position) - “Bull Market” POM Rating**

## SPX

*SPX has rallied 320 points ( 29%) from Oct 2011 lows. During the same time frame POM 12 (@ 1080) to POM 14 ( 1300-1325) has captured 280 points( 24%) which included all the early gains in Oct, Nov, Dec, ( and with Partial recycling opportunities offered from POM 13 ( 1165) to POM 14 – Twice .) Overall this captured 85% of the total gains earlier on in the Trend . Based on Rational Risk / Reward perspective, Model did not confirm Net Long Positions in last 60 points move in SPX except confirming Net long in NIKK, E # 2 Top Growth Basket for with SPX hedges to achieve the Momentum spread and / or participation in any SECTORS which has continuous Bullish Top as specified in Other Reports.*

*Non Participation in 60 points of SPX on Upside. Can be lost in one nasty decline.*

*Our Projective Indicators ( Model) with Coincided Triggers allows to capture the early gains whereas Momentum Indicators allows to Capture later Gains post 1260. Only difference with later Model is when Market reverses , only then the Indicators picks up the change of Trend 5 to 7% too late to exit . With Former Model, We have cushion of Cash in Hand to explore in that correction , as well as it gives the opportunity to participate in coming declining move.*

**On 2/29, - email Alert at 1375** – We reached the point of **NET SHORT - POM 15 – Rating to “scale in”** based on each Portfolio's Objective and rebalancing criteria.

Upon our trigger at 1375 SPX we began SHORT SELL Process, market immediately declined to 1340 and rallied back towards 1400 in last week's Option expiration which has positive bias. Week after option expiration tends to be negative bias. We shall see.

Our Previous Trigger 1/26 - 1325 –SPX , Our Full Hedging / Raising CASH ( as case may be) , was completed. We warned and patiently refrained from NET SHORT till the Price Projection of 1375 was met .

### **OUR POSITIONS-**

- **NET SHORT** - On 2/29, We scaled in into POM 15 – NET SHORT @ 1375 with Stop 1400 for Aggressive Positions, Target it back in – with close under 1380 if Stopped out.
- We remain fully Hedged at POM 14 Re – Run ( with DELTA NEUTRAL or raise CASH as case may be ). ( 1/2 core position @ mean price 1265 – CZ and 2nd (1/2) recycled – Floating position Triggered @ 1325 - via – Alert 1/26 ( rebalanced thrice in market gyration from POM 14 to each POM 13 since Oct lows). It had a ( one stopped out in between). Note - For Aggressive- Trigger was at 1350- SPX with 2 -stop outs
- The average 1290 price for Fully hedge or Exit for Cash in these positions , that were entered at POM 12 @ 1080 & recycled POM 13 @ 1165 , completed RA/ RI move for great Profit .

**Our First downside Price Target** on this current Trigger is CZ 1310-1290 . If Breaks below with PQV, it would accelerate the decline to CZ 1260-1240 . Overall, The Price Oscillation SPX at @ POM 15 has the Natural Oscillation price target around 1125. ( certainly not in straight line) . we should see several POM 14 & POM 13 – Risk Management spots in between the decline .

### **PLAN B – For Aggressive, New & Overweight Positions**

For Aggressive New / overweight POM 15 Positions at POM 15, STOP at 1400 – Risk Management ). for Aggressive Positions, Target it back in – with close under 1380 if Stopped out.

At this Juncture since most of the Patterns, PQV Validation, Market Internal study projects the downside Risk. Our Focus is only VIX / VXO Analysis and final TICK & TRIN Numbers. We are closely Monitoring VIX/ VXO

Analysis for sudden fear to set in. We had first sign come out of it now pull back is on track ( Except simultaneous ABC down in SPX was violated with B point exceeding 1380)

Under POM 15 Regime – Gaped away Momentum Equities should bounce back & fail to set up next ABC downs are to be looked at as opportunity.

## US BONDS (TLT)

Last week action was slightly troubling for Bulls . Heavy volume coming out of the Market Neutralized the Bullish Top POM 15 ( @ 124) . Currently we are at POM 13 ( @ 111) with projection towards the test of previous POM 15 highs or Higher that was set on 4<sup>th</sup> Oct 2011 (This was a Bullish Top).

The Fed continued to force money into risky assets and out of so-called “safe” investments via “Operation Twist”. Last week we saw decline in Bonds as the Fed reduced its purchases forcing Investors to sell those bonds in order to move into stocks .

Our Action Plan is to Monitor Next bounce on TLT and PQV Validation to take any action for rally to continue or fail prematurely on the Positions taken at POM 13 @ 111. **Once the Market rallies from current levels we will raise our Stop to cost price and then subsequently raise it \$1 for every dollar move beyond 113 price point trigger. Keeping \$2 differential on stop. If the volume picks up on this rally up, TLT should be in good shape. We shall see.**

**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 is in the last stages of their bull market . We have noticed this scenario in Bond Market. Now a typical Re test of previous POM 15 ( Bullish Top) is part and parcel of Price Path . We are looking for it to happen. .

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

**TLT is at POM 13**, since 10/27 (**CZ – 110-112**). It has initiated ABC up **towards 123**, we are in midst of this move . We are seeing signs of Bullish Top. If this move higher occurs it could very well put pressure on SPX due to its inverse correlation & flight to quality. **ALERT – Risk Management below 107** ( or STOPs based on Portfolio’s Objectives). Earlier we had closed the POM 15 Signal position from 123 trigger to Target 115.

# GOLD

Currently remains, at Bull Market POM Rating - POM 14 which is Partially Hedged Long Positions within CZ area of POM 14 . This Zone failure provides best Risk Management opportunities during decline.

**On 3/06, - Last email Alert GOLD at 1668 – For Floating position**

**For Action 1)** – Our recommendation in email “Alert” was to Cover Hedge Position Triggered at **CZ 1775-1750 - failure.** As expected, we witnessed Gold failed miserably in that CZ - 1775-1750, upon its entry into it , the reaction was 130 points decline to 1660 to lock in

**For Action 2)** –,Once GOLD settles down it could give a second opportunity to target back in within CZ 1650-1625 ONLY upon for better price on successful CZ re test as our NEXT STEP) . We made one partial attempt to add **at 1668 turn** , subsequently rally did not last & Risk Management ALERT STOP at 1668 was Triggered 1668 - 3/14 trading at COST PRICE & plan to target again once dust settles down.

Currently it entered , CZ -1650-1620 as expected for secondary test and it appears heavy. This is the area where we broke out with “Sign of Strength with validated PQV. on FOMC day 1/25)\_ - and was critical area to re visit . Now this area should hold on the pull back for bounce only . With proper / methodical successful test. **( It has not happened yet)** .If it does then it would set up Bullish entry for next ABC up.

**But** If PQV invalidates at 1650 -1625 TEST then downside would open **up continue to 1560 as Next target.** We are Bullish on USD that might push GOLD down . **We shall announce via Trigger point at that Level. It could very well be POM 13 at that time** . These CZ areas on GOLD have been indicated in our last week’s Currency Report B # SP

**LONG TERM BULLS** - remain Long with ( ½ ) Core position from POM 12. The 2<sup>nd</sup> ( ½ ) floating HEDGE position at POM 14 CZ to capitalize on Market gyrations.

In typical Bull Market move, Pull back tends to give fast Price destruction & does not stay down longer on Trigger

## **OUR POSITIONS**

*The Core Long Position* has been in tact from our last POM 12 @ 1250 which we plan to hold long term towards 1900 to test the BULLISH TOP target and to 2400 our 6<sup>th</sup> Wave LT Price Target .

*The Floating Hedge Position* being rebalanced with Hedges several times\_ for Profits within the GOLD's swinging gyration from POM 14 to POM 13 or when the Sell off target is reached). Currently awaiting for next step

### **UNG – ( Special Situation)- Commodity Report**

**Earlier , We were stopped out on Risk Management & violation of lows but today it appears to be doing key reversal. This is volatile Market critical to have STOP @ 17.50 , NGAS is oversold by historical measures. Every morning this ETF- UNG appears to have Rolling effect loosing value at open and has tendency of gaping down and recovering intraday. ( Just point to note) . Associated Equities for UNG's beneficiaries looks very Bullish . More of NGAS in this weeks Commodity Report**



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

A # 1 - MS Report MAR 19-2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
<b>SPX</b>				
NEW - POM 15 Target ( 1375)	BEARISH	1375	1310-1290	TRIGGERED ( NET SHORT)
SHORT-TERM -POM 14 Target (1290-1310)	BEARISH	1325	1310-1291	(Fully Hedge or Cash)
MID-TERM (last) - POM 13 (1180-1165)	BEARISH	1290-1310	1260-1240	leg down to begin soon
LONG-TERM ( last) POM 12 ( 1080)	BEARISH	1290-1310	1125	
<b>GOLD</b>				
SHORT-TERM (last) -POM 14 - Last 1775	NEUTRAL	1668	TBA	Decline from 1775 to 1668 was met with 140 points decline
MID-TERM (last) - POM 13 (1575-1550)	BULLISH	1650-1625	TBA	Awaiting for PQV Test validation
LONG-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	NEUTRAL		123	Consolidation ( RISK Management below 107)
MID-TERM (last) - POM 13 (110-112)	BULLISH	110	123	ABC up in Progress
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89	123	3rd ABC up in Progress
-				<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
<b>LEGEND</b>				
	<b>Bull Market Signals</b>	<b>Trading Range Signals</b>		
	<b>GOLD/BONDS</b>	<b>SPX</b>		
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	To be Advised			



## • SPX – Market Commentary

*SPX has moved 20 above our last Trigger – POM 15. It certainly appears like groundhog day, 20 days and counting. Till Trend changes we should sound redundant. In our conclusions and Analysis.*

*The risk remains high — but that hasn't stopped the momentum from progressing through a host of extreme conditions and negative technical divergences . And given this risk, the probabilities still favor a correction of -5% to -9%; first in short term and then rally back for secondary top*

*Currently this market may look sick and dizzy, but momentum stagger higher. Nothing that we have never seen before. Most stocks topped in early February, and fewer stocks are going up. That the indices are making relative new highs is a regular pattern in the final phases of a market cycle (this Cycle started in March 2009 and 3 year old).*

*Even as the majority of stocks have already seen their highs and are trending lower, the larger cap tend to hold up the longest . The fact that most indices are capitalization-weighted causes them to hit new highs even if only a small minority of stocks are carrying the load. AAPL has been clear example now.*

*As this Fed-induced rally continues higher, we are likely to see corrections against the uptrend becoming deeper , but only after the Volatility Index VIX forms a bottom Wave 5 as indicated in our previous Report and chart below something that could happen sooner than later.*

***The EDCOT Forecast**, which we've described here 2 weeks ago calls for the market to top out in February (Coincident - the majority of stocks already topped by early February) and correct into June before staging another leg up into the latter part of November during election season. After that, we should get a much larger leg to the downside by EURO Future Model. .*

*The leading Mathematical indicators are in Sync and lagging indicators are going to react if it mimics the past. The leading indicators, are telling us that softness in market 2-3 months and then rally. It completely mirrors the EDCOT forecast.*

**Insiders Selling** has picked up – Reported by TRIM TAB. selling their shares into the rally. It was a classic case of the smart money distributing shares while they could, leaving the retail investors and mutual fund and pension funds holding the bag with stocks

Upon POM 15 Trigger at ( 1375 - NET SHORT), SPX market immediately declined 30 points at its low point , then rallied back to recover most of the losses. SPX violated 1380 on upside and negated ABC down setup. PQV has not validated the move. In this kind of Market , the initial corrections are not Respected. .

Having completed so many Major patterns Domestically and Internationally in Multiple cross verifications, this is certainly a Inflection point. . To put a final touch VIX being the key focus along with Daily finish touch of Tick, Trin reading are critical . Second critical point is after another sell off, the new ABC down should not be violated as it done last week. This just delays the inevitable.

**AIA Sentiments** – 48% Bulls and 26% Bears, these are extremes numbers seen Oct 2007, April 2010, May 2011. We shall if it makes sense this time around.

Overall Summation Index on SPX has turned down , Program trades should initiate in direction of summation Index once decline begins. VIX/ TICK – Ratio has reached POM 15 levels. Equally weighed IDX in SPX ( RSP) v/s SPX ( Cap Wt) has shown clear divergence ( see chart below)

McClellan Oscillator - SPY failed at May highs with termination pattern. Over the last week the SPY has moved higher and the McClellan Oscillator, RSI, CCI have both been declining . VIX/TICK ratio gets out of balance which is above .4 or below -.6 extremes. It has been in that range for 4 weeks

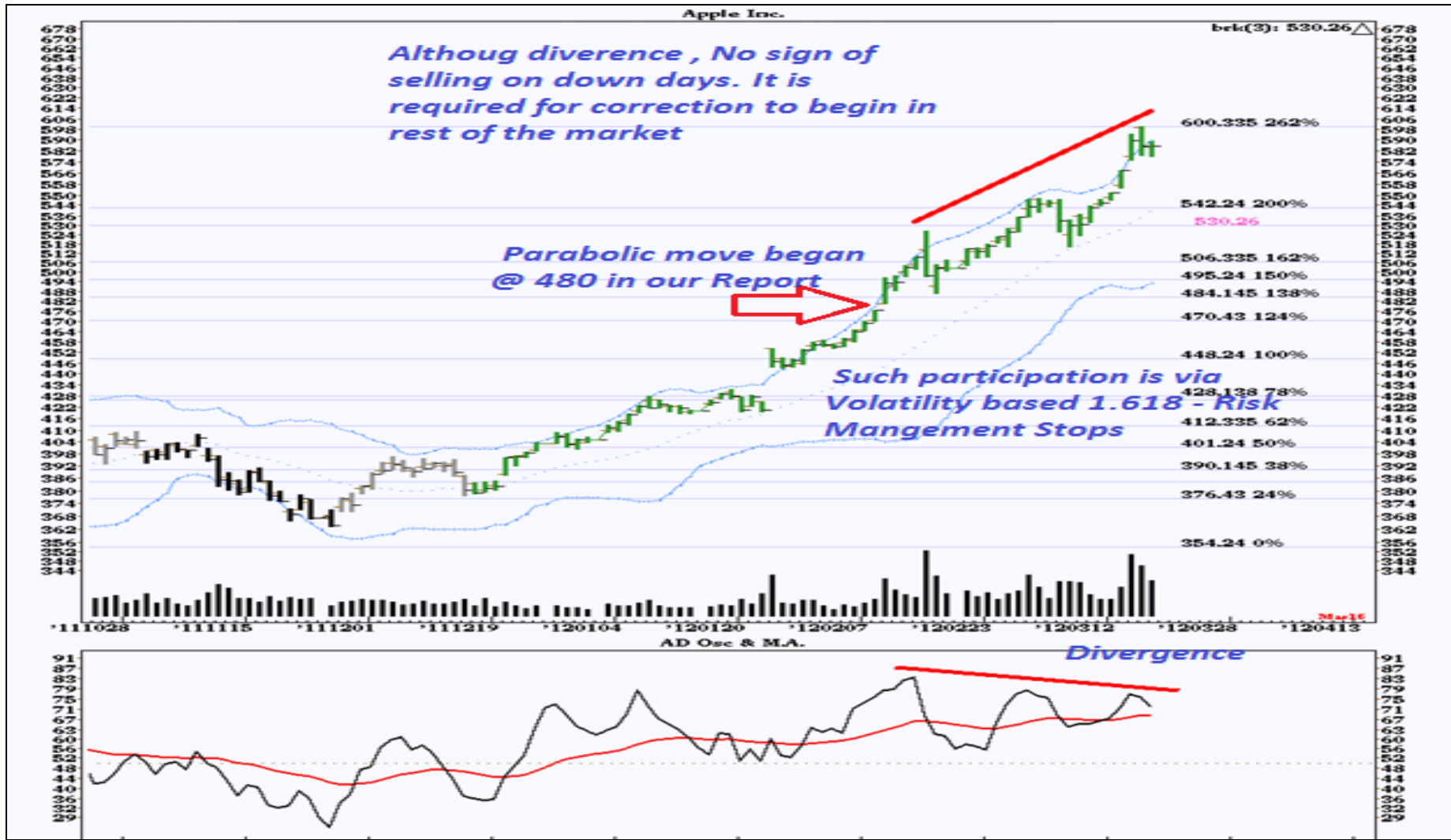
Our bearishness remains intact, and we are awaiting a suitable entrance into the expected reversal. Meanwhile continue to focus on “ Price Termination Process and importantly VIX / VXO Analysis .

Overall, Math sentiment Indicators such as TICK, TRIN, PUT CALLS and The behavior AAI ( Sentiment past week) suggests the Momentum has kicked in with RYDEX Beta index of leveraged showing at peak levels. 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 Market move above 1290-1310 continues to be “fake out move” failed on PQV with 25% lesser on Monthly , weekly and daily .

In our Current – MS Report , We have not displayed more of the Market internal charts. **Our overall Chart Analysis and the message remains Bearish. It will all change once POM rating changes.**

# AAPL – AD Oscillator Analysis – ( Today's Market focus )

AAPL which is single handed carried NASD up in this momentum has reached psychological 600 . Today's good News announcement, such as Buy Back, Dividends pay outs etc . We would like to see if stock Rallies or Sells off on Good news. If it does then it would be Classic Buy the rumor Sell the News . Massive Key reversal when close below 575 negate the parabola. ( Refer notes within the charts ) .



### **SPX - Seasonality Model**

*Historically since 2007 to 2011. Avg gains in March & April are very strong after down Jan & Feb. However in 2012, Jan 4.6% and Feb 3.6%. has been up months unlike historical, We shall see if March & April can beat the + VE seasonality of past. .*

### **SPX - Geomagnetic / Cyclic Model**

*BRADLEY has put in a Top last week and suggest down for next quarter. We would respect Bradley turn quite a bit when most of the indicators line up with it. We have some examples of its Major turn.*

*This week is packed we several Cycle dates . We have Spring Equinox tomorrow ( 3/20). Mercury Combust 3/21 and New Moon on 3/22*

*Note that past - 4 – Regular cycles, the Cyclic Model it has failed. It did not impact the Market turn.*

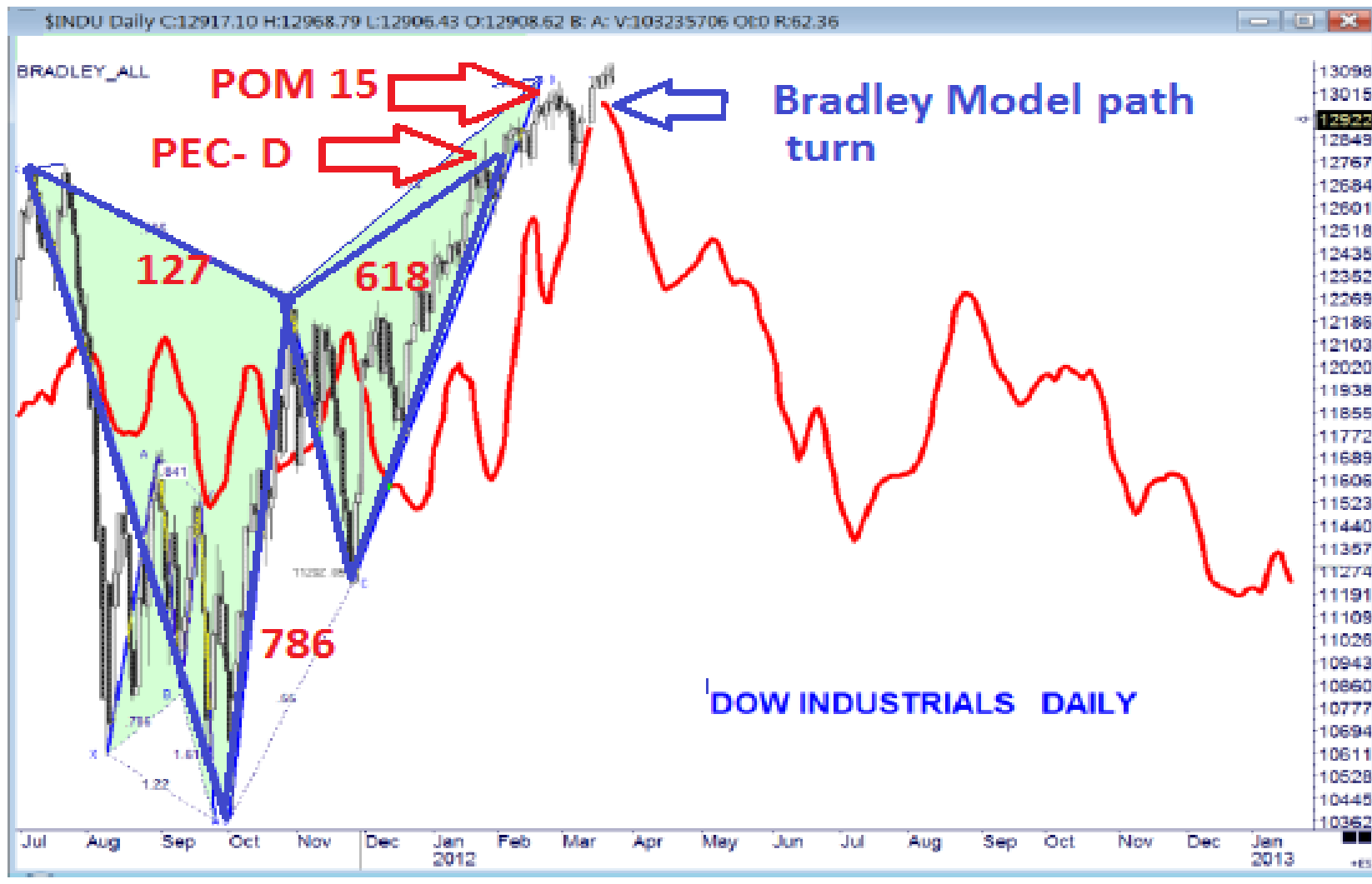
*The Geomagnetic Model has great effect for Trend Changing. Last time such failed 3 times in row was on 15<sup>th</sup> Aug 2007 and Market broke down decisively once prices reached there on reverse turn.*

*We have some examples ( below ) of its Major turn in Bradley with Market Turn dates, when PEC-D of larger magnitude coincides .*

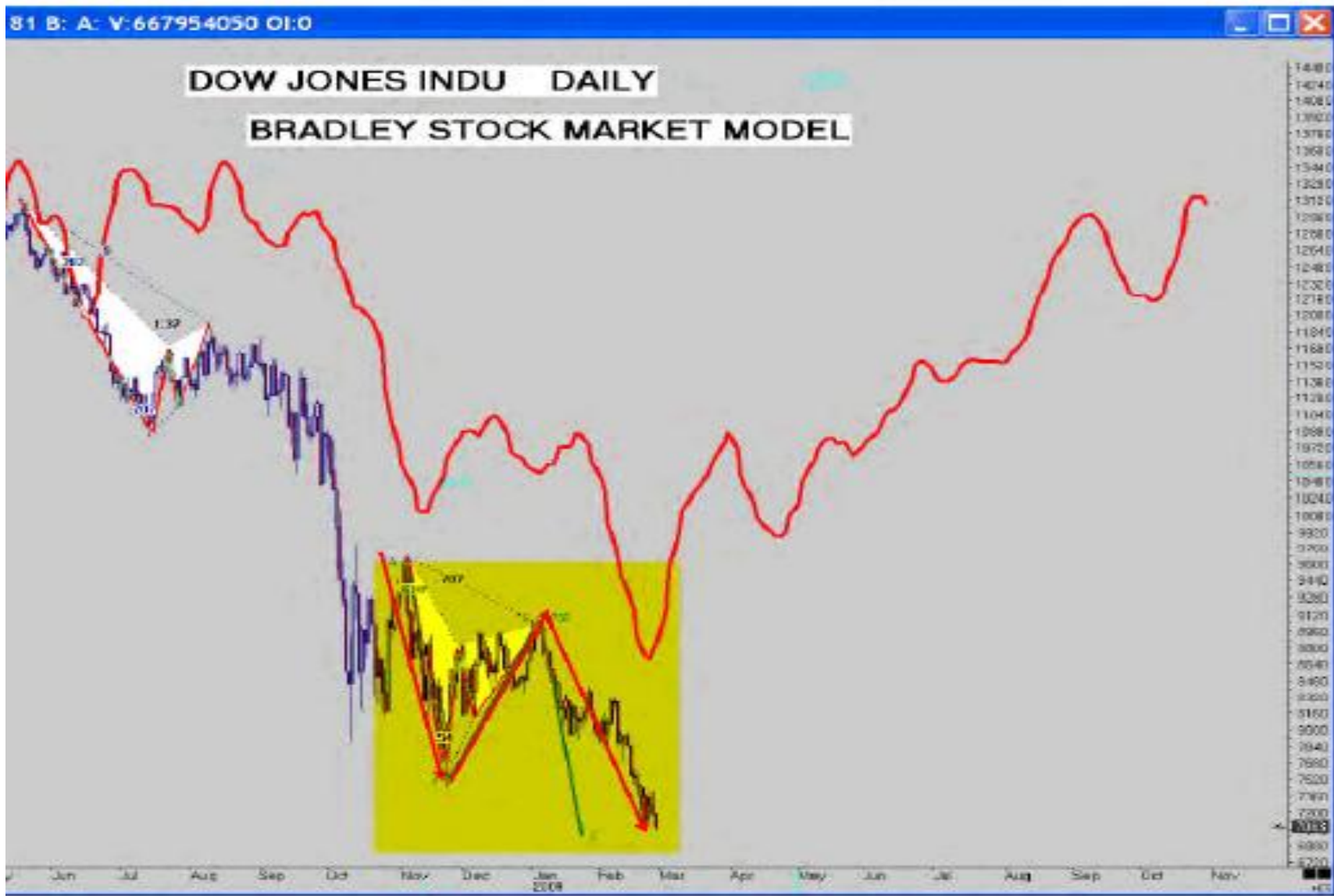
# Bradley Model with DIA - PEC-D Analysis – Current **Bearish**

**BRADLEY** turned down last week. Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with **POM 15** Triggered at 13000 – Net Short

By PEC-D Method projections - (618 / 1.27) to 12600 – ALERTED 1/17 indicated in red , On 1/26 – SPX – 1325 Trigger – DOW was at 12800. ( Fully hedge/ Cash ) from entry at POM 12, POM 13.



# Bradley Model Turn date in 2009 – March Bottom – Confirmed by PEC-D





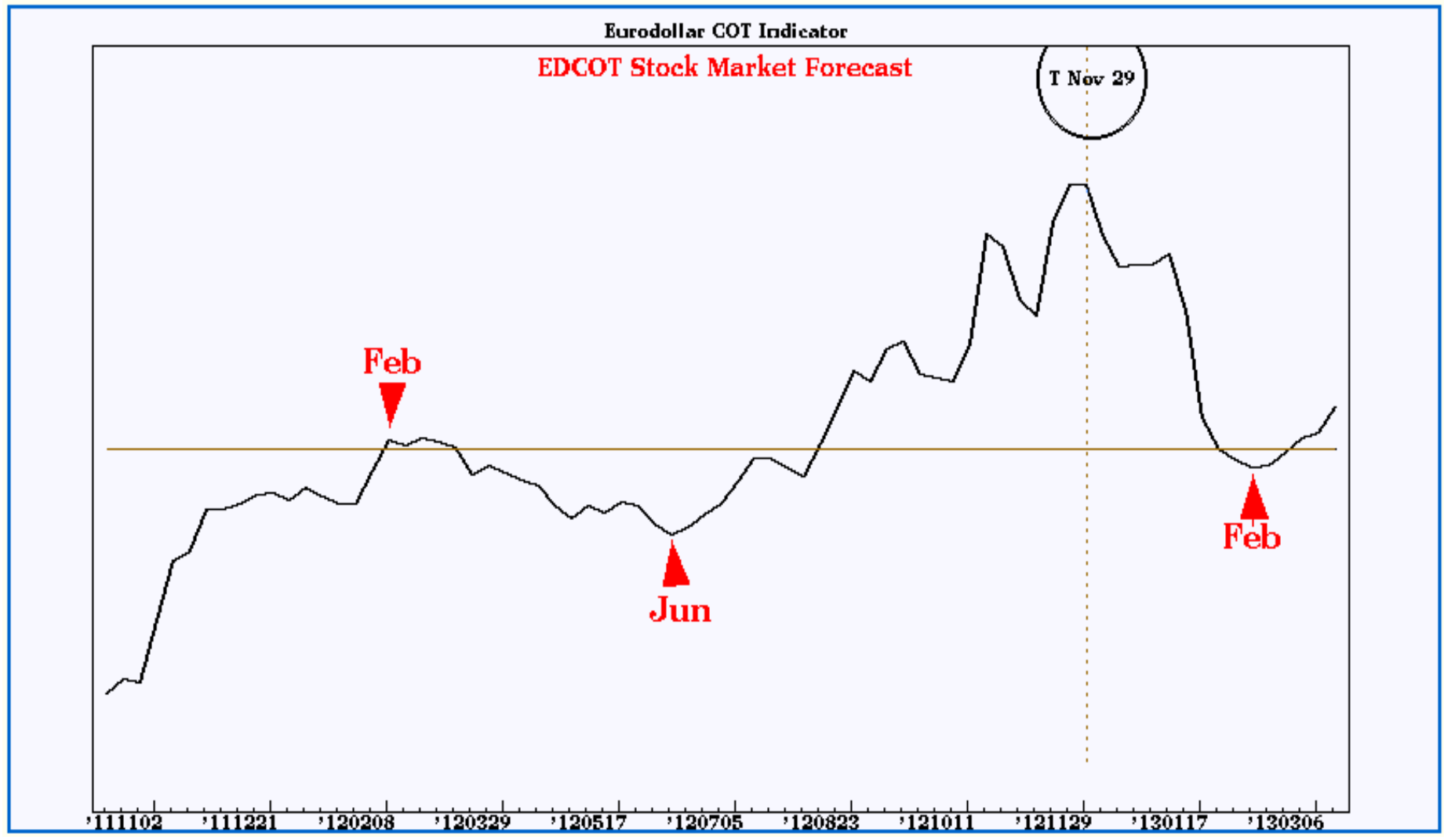
# Bradley Model Turn date in 2007 – Oct Top - Confirmed by PEC-D.





## EURODOLLAR – COT Model Analysis - **Bearish**

*The **EDCOT Forecast**, called for the market to top out in February and correct into June before staging another leg up into the later part of November – Time termination during election season. SPX has history of following EURO DOLLAR – COT – with 6 months Lag.*



# SPX – HRLY CZ / Trend line Analysis,

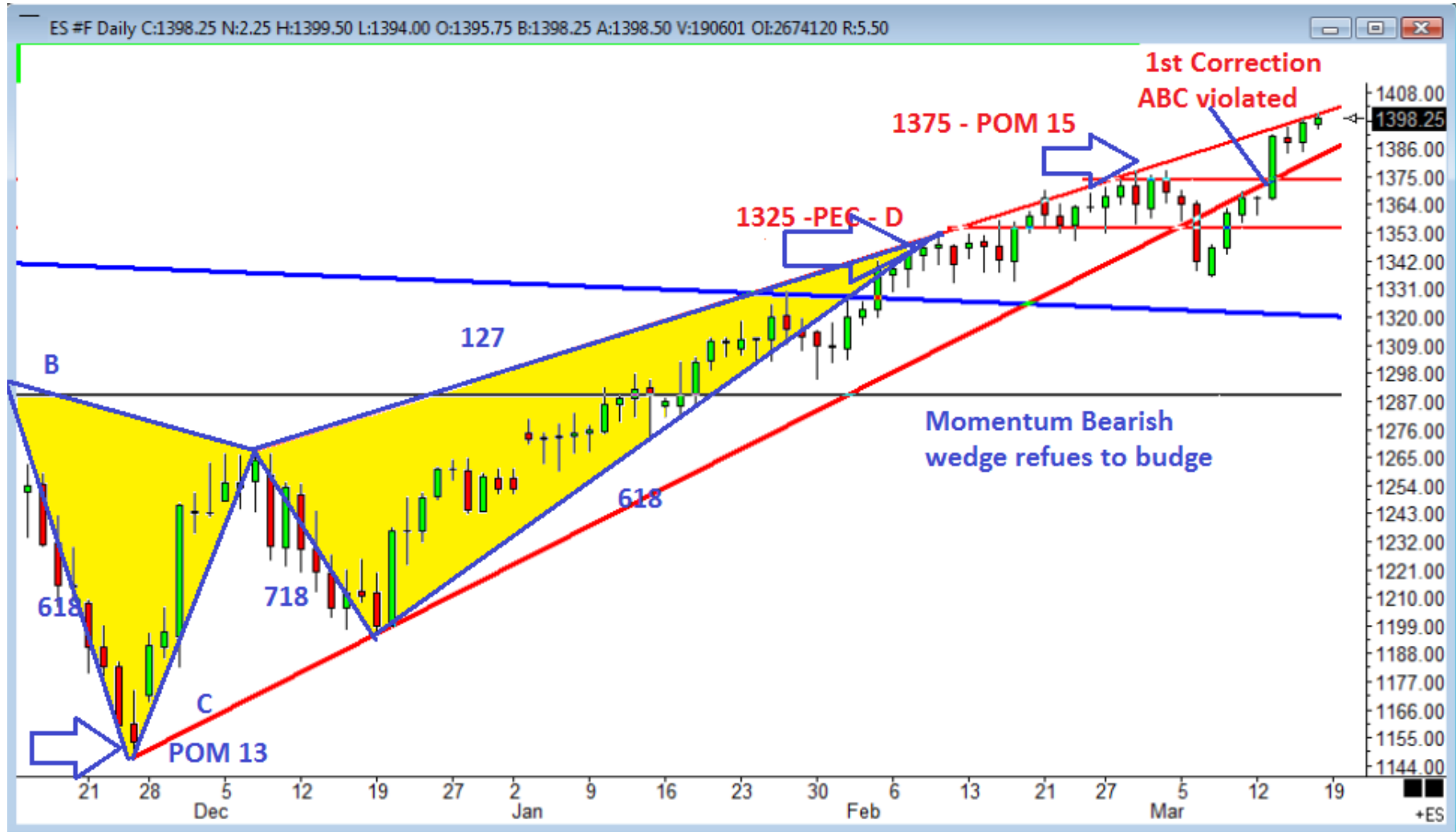
*ABC down that was created on trigger of POM 15 was violated on close above 1380 causing SPX to go through another ST gyration. Close below 1380 / CZ indicated in green should Bearish*



# SPX – PEC –D / Terminal Pattern Analysis ( **POM 15** )

*Momentum based Bearish Wedge refuses to budge. SPX is trading above CZ area of POM 15 – 1375 Trigger. CZ created by Terminal Top Pattern, set up by the bottom of the ascending tops from CZ in last May 2011 & Feb 2011. .*

*Patterns completion PEC-D Trigger at 1325 , a move to **SHORT SELL POM 15 TARGET 1375***



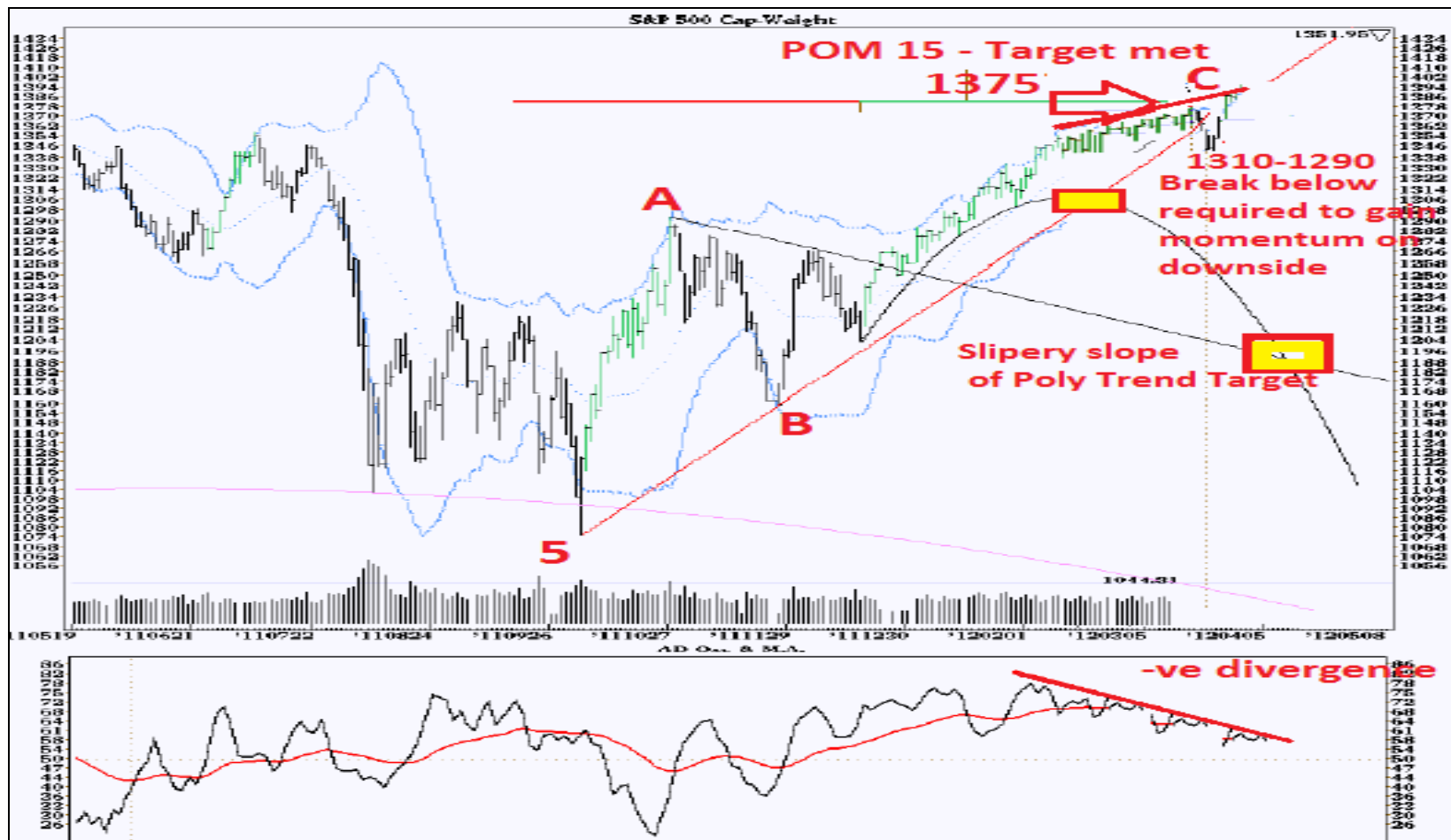
# SPX – Waves & Poly Trend Projection Analysis – **No change**

WAVE C – is extended but its not violated till 1447 count . POM 15 Price 1375 completed **TERMINAL PROCESS**. This move has happened with diverging Oscillator on Daily as we approach on right side of Poly Trend on slippery slope down.

At C – Decline broke the trend line & now re testing it back from under

**Target - Break below 1310-1290 should accelerate downside. Our First Price Target is 1260-1240**

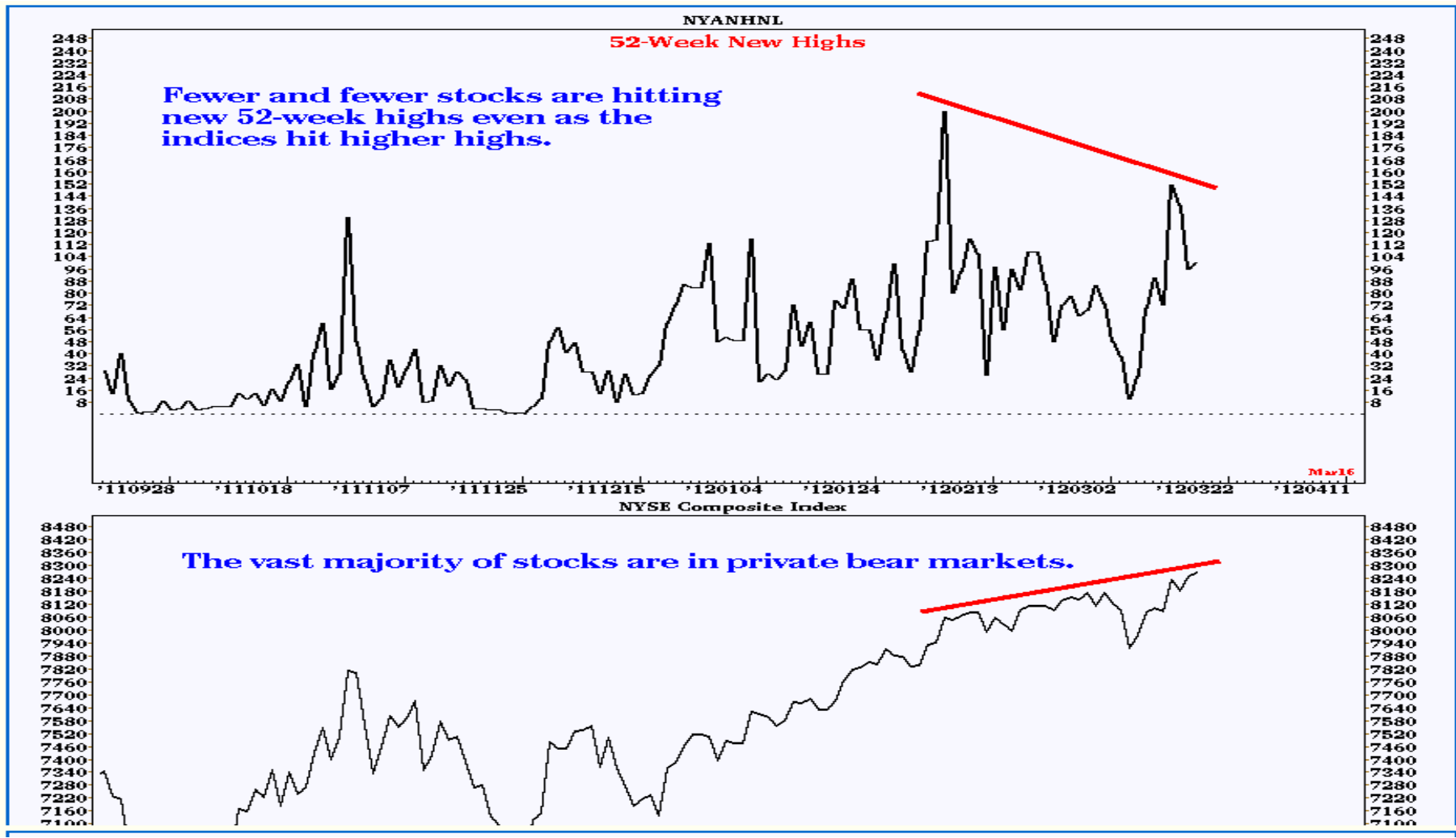
Earlier - (1 to 5) wave down was completed / ABCD pattern .



# SPX – A / D - NH / NL Ratio – Equity Breath - **Bearish**

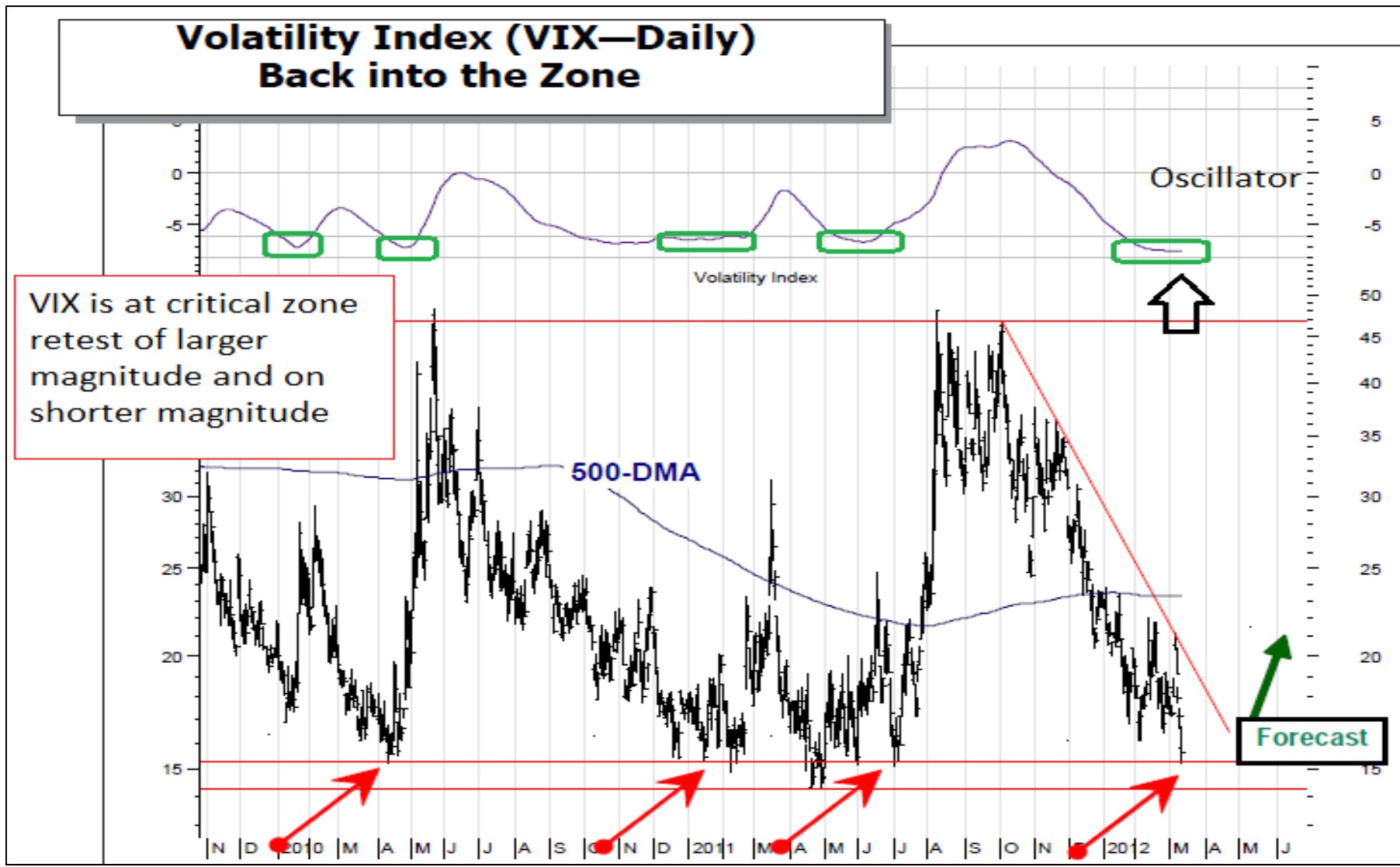
*A/D Line of NH / NL ratio has dropped quite considerably from POM 14 area . Broader Market has begun its own Private BEAR Market . This is a topping signal resulting in larger correction eventually . ( See chart below)*

*Fewer and fewer stocks are hitting new highs with –ve volume. . This is exactly the kind of pattern seen at significant tops.*



# VIX – Pattern / Oscillator Analysis - Long Term

VIX is very critical at present juncture , we are testing ist very extreme complacency zones with Oscillator at – 8 .



# VIX – Poly Trend Analysis – **Short Term**

From above chart VIX having reached key areas also indicates ( short term) a completion of pattern. This should initiate a up move anytime. The Fear move can come up from “ No where .

Past 2 weeks we are expecting WAVE 5 to be completed. It appears it is completing now with bullish divergence. We are testing lower low probably be a more bullish sign for an upturn in the indicator than the bullish divergence we saw on the last rally:

VIX continues to unfold in a long descending wedge, which is ultimately bearish for stocks. Right now, we're in the fifth and final wave down for VIX. Earlier broke out of its bullish wedge pattern ( WAVE 4) & Poly Trend after testing the previous CZ ( @ WAVE 3) . A successful retest of the broken CZ & bit lower ( WAVE 5) would confirm the significant of the breakout. The descending wedge has considerable amount of potential energy is being built-up for a rally.





# IWM - PEC -D Analysis

Two powerful – PEC-D patterns within PEC-D Pattern on Mid term and Short term basis .

PEC -D on IWM is completed 127/618 which equates to 77 – Alerted on 1/17. On the day 1/26 of 1325 SPX Trigger Alert – IWM was at 79.5 – PEC -D – This signaled end of rally began from POM 12 and POM 13

At POM 15 in SPX - IWM Broken down with Bearish engulfing and 3 back crows. Past 2 weeks rallied back on invalidated PQV . On each down move volume is picking up in flat base distribution pattern. Ratio is –vely diverging.

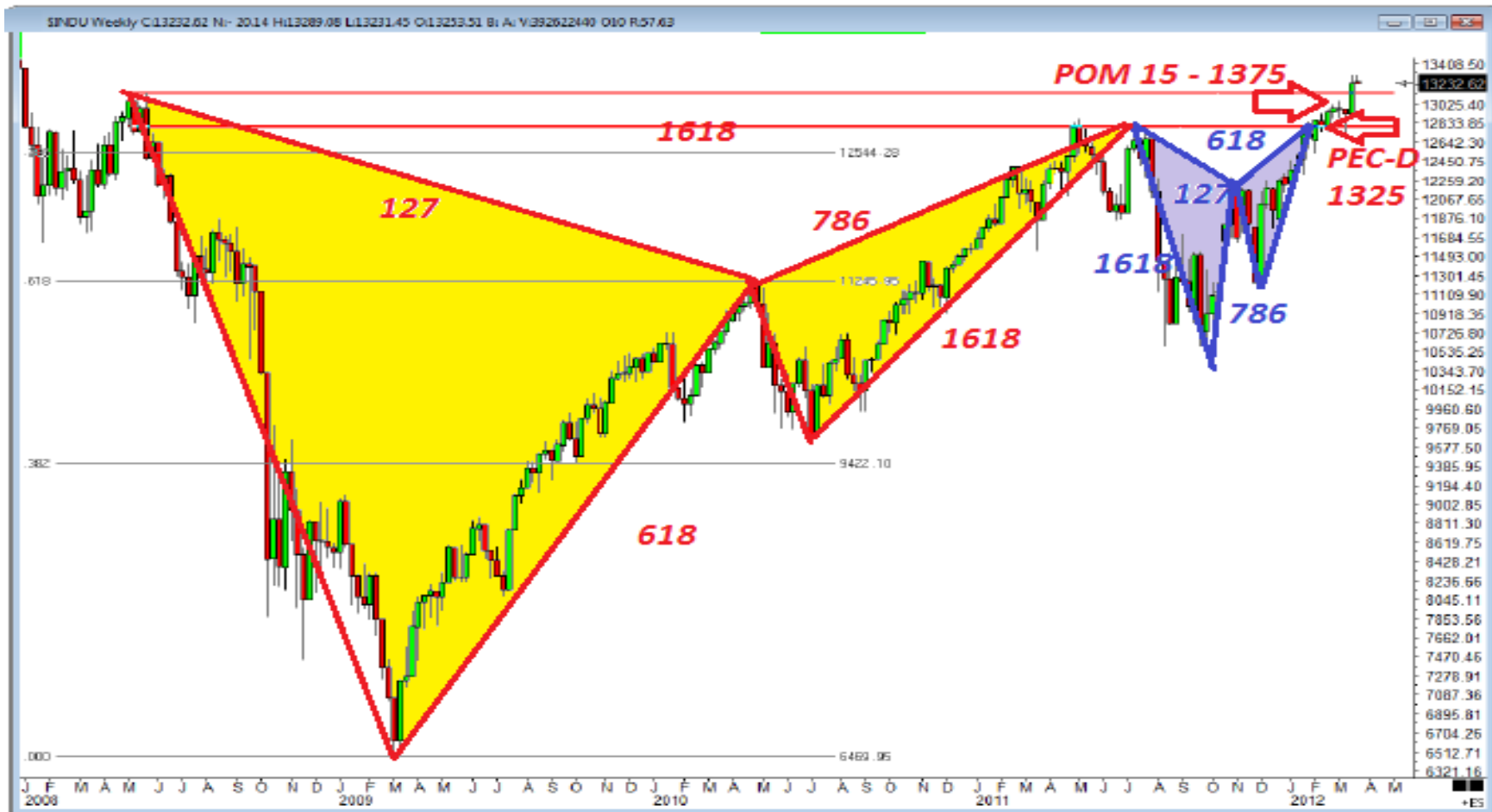
IWM - start of underperformance on February 3<sup>rd</sup>



# DIA – PEC D- Analysis

*DIA similar to IWM has Two powerful – PEC-D patterns within PEC-D Pattern on Mid term and Short term basis .*

**By PEC –D Method projections (618 / 1.27) to 12600 – ALERTED 1/17 indicated in red , On 1/26 – SPX – 1325 Trigger – DOW was at 12800. This signaled end of rally began from POM 12 and POM 13**



# 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>rd</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



(6) POM 14 ( 3 Re)  
 (4) POM 12  
 (0) POM 15

→  
 POM 13

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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