



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_26

For Immediate Release – Monday PM (EST)

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

- **Weekly - SPX – Closed @ 1397 (Flat)**
- **YTD - SPX – Closed @ 1257 / 1397 (change + 11.3%)**
- **Last Trigger Signal - SPX – POM 15 – NET SHORT @ 1375 / 1397 (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

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. Our Previous Trigger 1/26 - 1325 –SPX for Full Hedging / Raising CASH (as case may be) was completed. We warned and patiently refrained for 6 weeks from NET SHORT participation till the Price Projection of 1375 was met .

Since last week nothing has changed in SPX . It closed the week flat. All the underlined conditions of POM 15 still remains intact for scaling in based on Portfolio Objectives. We are positioned with partial Core position and for Aggressive position were stopped out at 1400. This position will be targeted back into the Market on another upside test of 1415 & failure with key reversal OR conversely on break down below 1380 close with PQV violation (as indicated below). If NASD fails at the same time along with AAPL, it would provide better confirmation for the setup.

As we continue to focus on Risk adjusted returns, Our Model did not confirm Net Long Positions in last 75 points move in SPX except confirming Net long in NIKKE, 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 related Reports with only few good choices.

NASD & XLF has moved higher than our Projected Price Targets of its individual CZ of POM 14. They were both late convertors from Bearish to Bullish setups and now appears risky. However other Bearish Segments NYA, IWM, XLE, IYT, SMH, XLI etc hasn't moved much either way up or down from our suggested Price targets CZ

OUR POSITIONS-

- **NET SHORT** - On 2/29, We scaled in partial core position 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 Or / Raised Cash at POM 14 Re – Run (with DELTA NEUTRAL) . (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 (captured 245 points(22%) which included all the early gains in Oct, Nov, Dec and Partial Jan. v/s SPX has rallied 320 points (29%) from Oct 2011 lows. Overall Model captured 70% of the total gains specially early gains within this trend.

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 Short Term , Mid Term Patterns, PQV Validation, Market Internal study projects the downside Risk. Our Focus is only VIX / VXO Analysis and final TICK & TRIN Numbers which are terminating. 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, we rejected the lows of our Previous POM 13 area after nasty week down earlier. On weekly close performance still appears Bullish on price rejections. We should see the quality of bounce this week in Bonds to judge if the Heavy volume out of the Market two weeks ago was neutralized to counter act the the Bullish Top POM 15 (@ 124) . Currently we are at POM 13 (@ 111) with projection towards the test of previous POM 15 highs that was set on 4th Oct 2011.

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 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 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 for a round trip. .

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 GOLD declines within larger up move. .

GOLD last week entered into CZ -1650-1620 as expected target (we have been discussing for while for this secondary test) It still appeared heavy. The bounce from this area came out of it as expected as well **which might taper into 1700** . We need a proper / methodical successful test of lows (which **has not happened yet**) .If it does then it would set up Bullish entry for next ABC up and not just a bounce.

But If PQV invalidates & fails at 1650 -1625 TEST, due to its current heaviness 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. It could very well be POM 13 at that time . These CZ areas on GOLD have been indicated in our last week's Commodity Report C # SP

On 3/06, - Last email Alert GOLD at 1668 – For Floating position –Our Action was to Cover Hedge Position Triggered at CZ 1775-1750 failure. Gold then failed miserably in CZ - 1775-1750. The reaction was 140 points decline to 1660 to lock in gains. In typical Bull Market move, Pull back tends to give fast Price destruction & does not stay down longer on Trigger

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

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 6th 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

POM Signals , Trading Conclusions - Price / CZ Projection Summary

A # 1 - MS Report				
MARCH 26 -2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
SPX				
NEW - POM 15 (1375)	BEARISH	1375	1310-1290	TRIGGERED (NET SHORT)
SHORT-TERM (last) -POM 14 (1280-1260)	BEARISH	1325	1310-1290	Fully Hedge or CASH
MID-TERM (last) - POM 13 (1180-1165)	BEARISH	1280-1260	1260-1240	leg down to begin soon
LONG-TERM (last) POM 12 (1080)	BEARISH	1280-1261	1125	
GOLD				
SHORT-TERM -POM 14 - Last 1775	NEUTRAL	1668	TBA	Decline from 1775 to 1668 was met (140 points)
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
ILI				
SHORT-TERM	NEUTRAL		123	Consolidation (RISK Management below 107)
MID-TERM (last) - POM 13 (110-112)	BULLISH	111	123	ABC up in Progress
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89	123	3rd ABC up in Progress
-				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
LEGEND				
	Bull Market Signals	Trading Range Signals		
	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				

• SPX – Market Commentary

Memories of 2010, 2011 – QTR -1 comes to mind once again with market going up on fumes. We all know how that ended up for SPX in general and our Risk adjusted returns.

Currently this Market has no conviction on way up nor conviction on way down, suggests the market is likely to remain range bound for the coming week. We have Monthly Window dressing to begin with positive bias. . Cycles points toward a couple of days on the upside testing back the highs of 1415 , followed by a move back to the bottom of the trading range at week's end. Since we crossed over 1380 level with violation of ABC down , the gyration should continue little longer. It won't make either the bulls or the bears all that happy in slopping back and forth in a trading range, but that's the current reality we all have to live with.

This Equity market seems to be a dancing to the movements the bond market. While the Fed has been performing Operation Twist, stocks have been rising. When the Fed is buying longer term bonds (and selling shorter term ones), stocks have risen well. When the Fed stops buying those long term bonds, the stock market has been weak before bouncing back on the next Fed purchases.

This is no coincidence and it's something a lot of traders have picked up on. This coming week Fed buying.
http://www.newyorkfed.org/markets/tot_operation_schedule.html

When there is a correction it makes no difference. No one gets the frosting at the tops by getting the exact top, whether its just a short-term correction like last May 2010 or a major market top as in 2007, It is always going to be a bit early or a bit late. Those who get taken in by bullishness at tops are often a lot late, holding and hoping until the losses become serious. One who has Cash on sidelines will WIN.

SPX has moved 25 above our last Trigger – POM 15. It is Day 27 and counting. Till Trend changes nothing should change and We should sound redundant in our conclusions and Analysis. below

The current 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 & then Major decline.

The texture in the current Market is something we have seen before and capitalized on . Whiles the general myth could be “ It is different this time” . We shall see. Most stocks topped in early February, and fewer stocks are going up. The indices are making relative new highs is a regular pattern in the final phases of a market cycle.

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.

We are likely to see corrections against the uptrend becoming deeper , 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**, Called 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.

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.

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 AAll 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 Insiders Selling Reported by TRIM Tab is at historical highs. The Market move above 1290-1310 continues to be “fake out move” failed on PQV with 25% lesser on Monthly , weekly and daily .

VIX

Our focus for sudden fear to set in remains. This market has entered a low volatility regime and that spells danger. After the big volatility of a couple of weeks ago, the market was left with little to maintain the trend. We had Trigger POM 15 on SPX but have seen very little follow-through to the downside. Given the low volatility, there is tremendous buildup of Potential Energy which will roll over to Kinetic energy . (We had explained the similar rationale last year on VIX in May 2011) . The Volatility Index VIX is running at very low levels historically.

Several of ETN’s which were trading at premium to NAV has began to Crash like TVIX etc.

SPX - Geomagnetic / Cyclic Model

*BRADLEY has put in a Top 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 at Tops in 2011, 2007 , 2010, 2011. **Note that past - 5 – Regular cycles, the Cyclic Model has failed. It did not impact the Market turn.***

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

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. .

AAPL FACTOR– AD Oscillator Analysis – (Market focus)

One interesting thing on Friday. Apple fell from 600 to 542. & recovered quickly. But simply erased this “Flash Drop” from the Exchange . The 542 low price is significant. It's the first measured move target we had on the stock. The fact that Apple hit an First air pocket that large (almost 10%) should tell what to expect next . This stock is floating on air.

AAPL which is single handed carried NASD up in this momentum. Massive Key reversal when close below 575 negate the parabola. .



SPX – HRLY CZ / Trend line Analysis,

On hrly basis the pull back measured move is now Targeting 1410 indicated below . On trigger of POM 15 @ 1375 , The ABC down that was created to 1340 was violated on the bounce close above 1380 causing SPX to go through another ST gyration. .



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. .

Close below 1380 / CZ indicated in red should Bearish

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



SPX – Summation Index & Mc – Oscillator

MCCLELLAN OSCILLATORS CONTINUE TO SHOW BREADTH DETERIORATION indicating in -ve territory , the weakness since the second half of February. The Stocks were moving higher at the time, but breadth momentum was waning. Situation remains the same even now.

The **Summation Index** is running total of the **McClellan Oscillator** values, has turned down . There is a sizable divergence shows deterioration in breadth momentum that could lead to a correction in stocks.



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

We would like to retain this chart Analysis– as pattern / projection is violated. WAVE C – is extended but would not violate till 1447 count is in tact . POM 15 Price 1375 completed the TERMINAL PROCESS. This move has happened with diverging Oscillator on Daily as we are above 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 v/s GOLD -Analysis

Since 2003 – Gold has always led SPX in both direction.

Since end of Feb , Gold has been correcting while SPX still continues to go higher. This behavior is warning of Caution. (indicated on charts below in yellow)



SPX 100 (OEX) v/s RUT

SPX 100 / RUT Ratio peaked on 1st Feb and on serious decline. RUT has been forming a Bearish Broadening top to support the Ratio weakness.



SPX EW (EQUAL WEIGHT) v/s SPX 500

SPX – Equal weighted / SPX -500 – Cap weighted Ratio peaks 1.50 and above , the larger correction sets in . This Ratio suggests non participation of Broader market .



NYSE – PEC –D Analysis

NYSE has completed larger pattern. PEC-D from March 2009 lows.



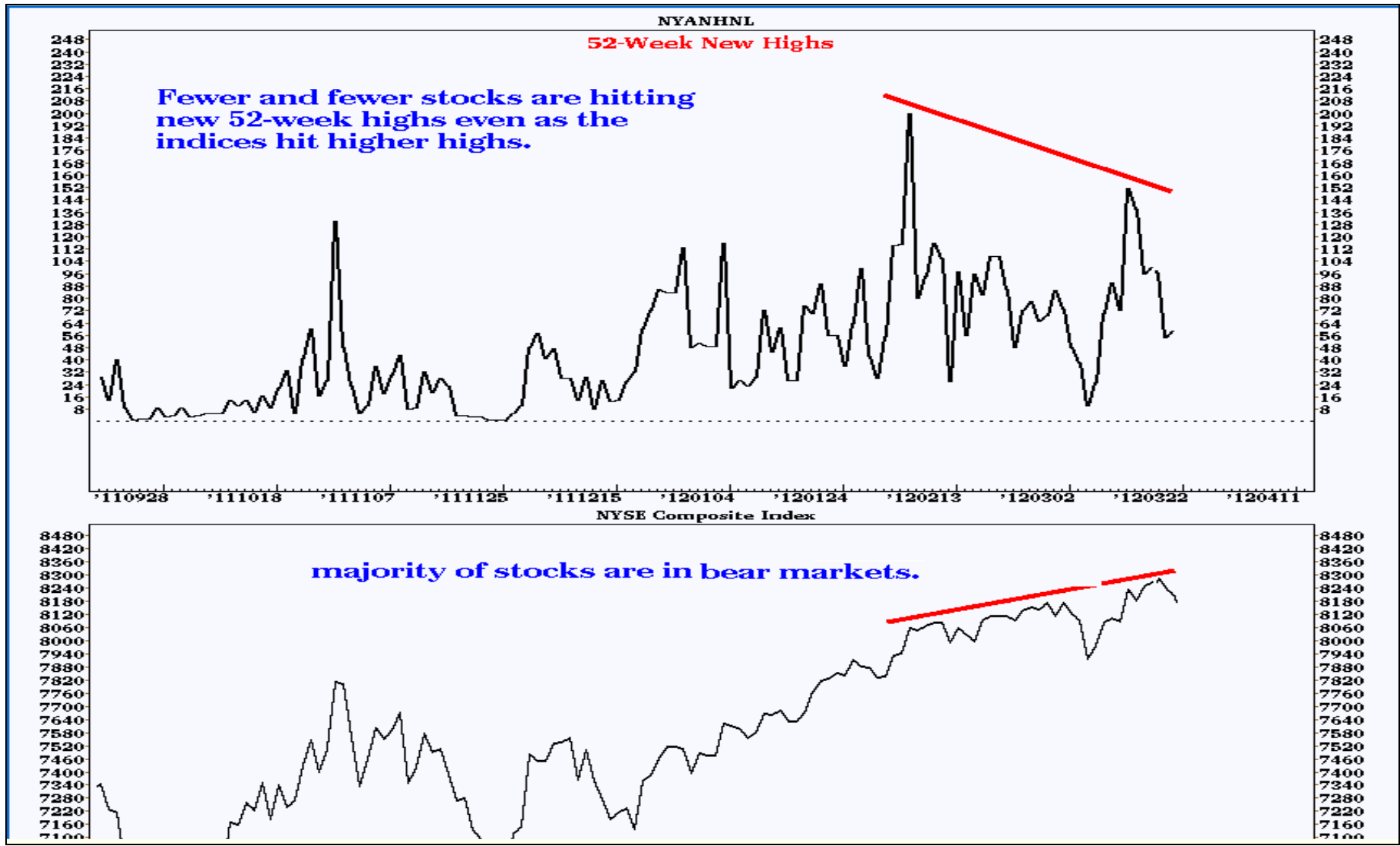
XLF - Lead Dog for Bull Market

To initiate a sustainable move higher we need to build a base.



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

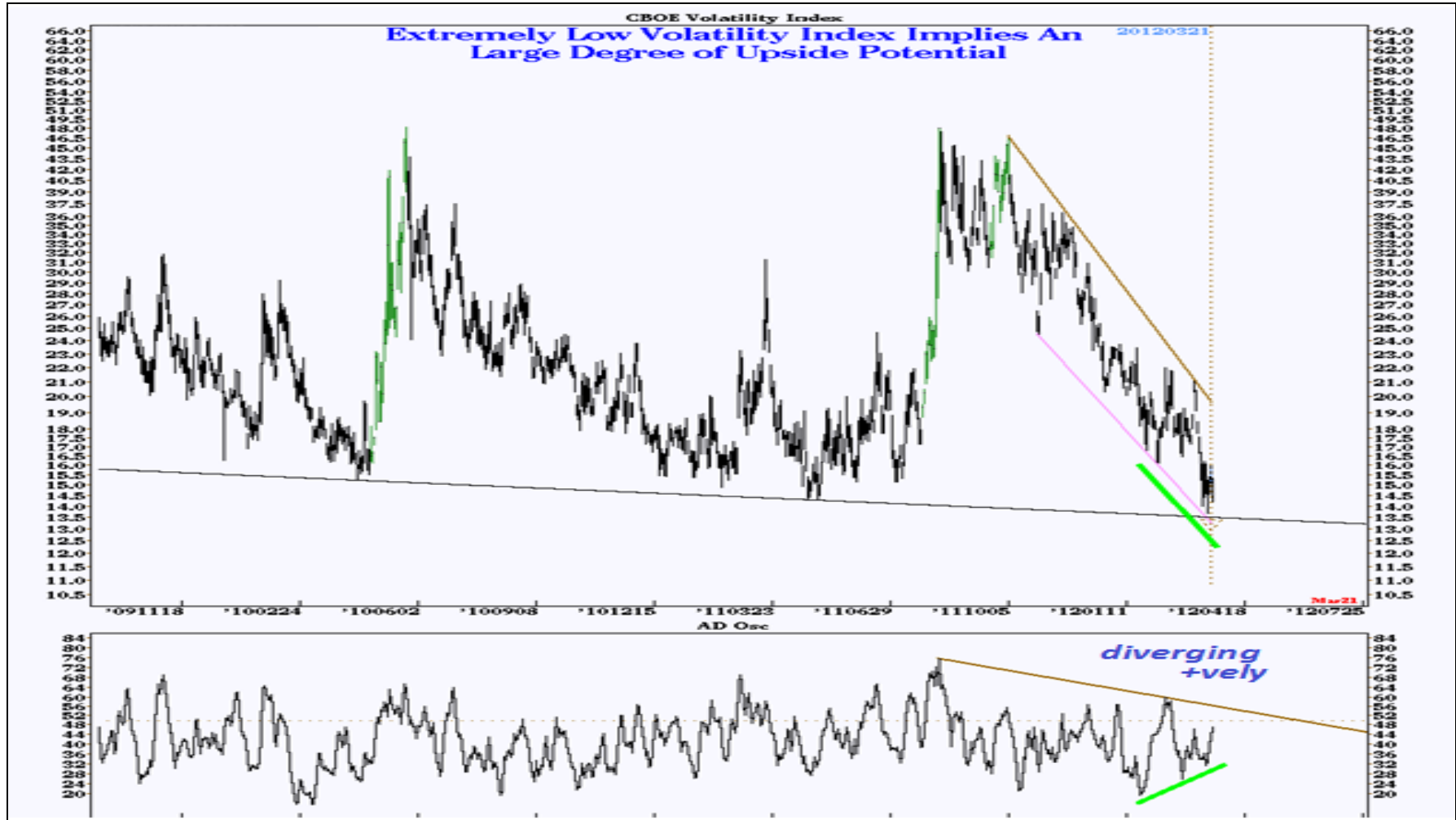
A/D Line of NH / NL ratio has dropped quite considerably from POM 14 area 7 more so post POM 15 . Broader Market has topping signal resulting in larger correction eventually . Fewer and fewer stocks are hitting new highs with –ve volume. . This is exactly the kind of pattern seen at significant tops.



VIX – Poly Trend Analysis

We are testing lower low as a bullish sign for an upturn with oscillator in bullish divergence . VIX continues to unfold in a long descending wedge, which is ultimately bearish for stocks.

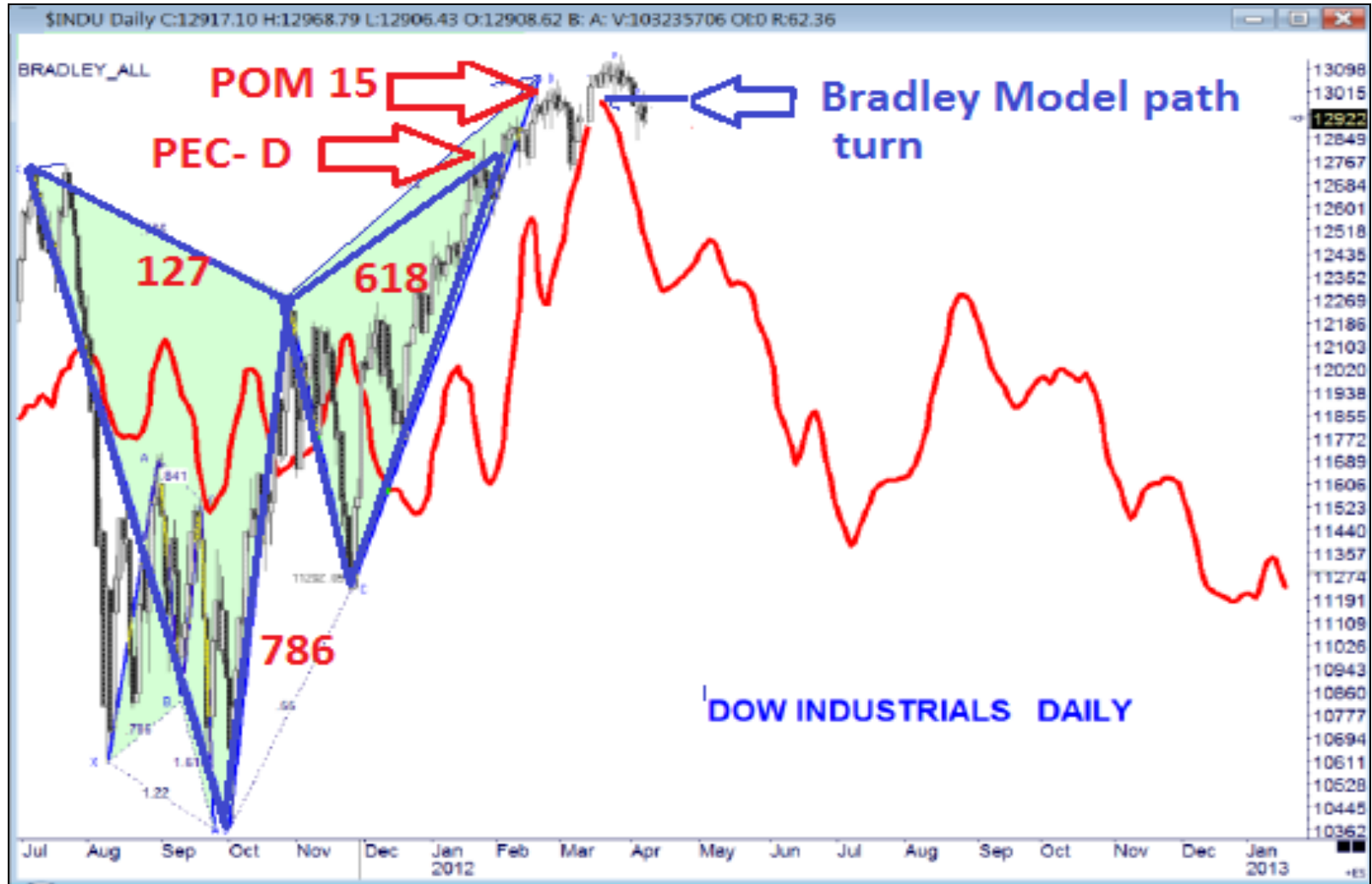
The descending wedge has considerable amount of potential energy being built-up for a rally with Kinetic energy release. With a recoil action. .



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

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

On 1/26 – SPX – 1325 Trigger – DOW was at 12800. (Fully hedge/ Cash) from entry at POM 12, POM 13 was completed .



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 – 4TH 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 (1ST 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 - 3rd 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 3rd No Signal)**
- **1st 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)	_____	(-0.1%)
POM 12 to 13- Gains 257 Points (4 Signals)	_____	+ 25%
POM 13 - Risk Mangement savings - 280 points (5 Signals)	_____	+ 28%
POM 14 to 13 - Fully Hedged - Gains 150 points (4 Signals)	_____	+12%

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 (3rd 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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