



SG Capital Research

Global Market Insights

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

MAEG- MARKET STRATEGY- MS Update # SG 2012 # MAY_21

For Immediate Release – Monday PM (EST)

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

- **Weekly - SPX – Closed @ 1295 (- 4.2%)**
- **YTD - SPX – Closed @ 1257 / 1295 (change + 3%)**
- **Last Trigger Signal - SPX POM 14 – Fully Hedged or Raised Cash**
- **Closed NET SHORT from @ (1415 & 1375) to CZ 1355-1345 (Drop 45-50 points)**

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• 1. Executive Summary

Current Signals

SPX – **POM 14** – (Fully Hedge or Raised Cash) Position. (**Awaiting for POM 13 Trigger**)

Closed - NET SHORT Position on decline from **CZ 1415 -1375 to CZ 1355-1345.** This is “**Trading Market**” **POM Rating**

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

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

BONDS – Triggered **5/21 - ALERT , POM 14 (Fully Hedged Position)** from **POM 13 (NET LONG** Position. **From 111 to 124 for for 11% Profit. Plus yield**
Leg up should be complete soon – This is “**Bull Market**” **POM Rating**

POM Corner / CZ Trade Corner

- 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

We have been pretty much on right side the Trade . World Markets have been lower past 3 weeks in severe correction. We have been protected very well in this decline with “Fully Hedged or Raised Cash position” (as case may be based on Portfolio Objectives) due to our POM 14, on 9th May Alert & POM 15 .

Our process taking advantage of initial downside decline with ” NET SHORT –SPX from POM 15 (1400) to (1350) with Profitable participation in BRODER / GLOBAL IDX with 8% to 10% decline . And thereafter protecting us further till 1295 – SPX with Fully Hedge or Cash in this correction.

PLAN A – SPX decline has gone to our 2nd Projected level CZ 1290-1310. This area is bottom heavy . Now Upon successful test, we shall cut back on our Fully hedge position from past (i.e instated at earlier dates in Feb @1325 for Profit) and may consider to go NET LONG – POM 13), when indicators line up . We shall wait for Trigger . This is Heads up

If CZ 1290-1310 fails the PQV Test , then Break below Target is CZ 1260-1240.

PLAN B - Conversely if Market begins its rally from here (this point on) without successful test at CZ 1290-1310 . We shall look for NET SHORT opportunity once again at higher prices in POM 15 area on failure to position (SHORTS back in) .

The First bounce may go & taper into CZ of our 1st Projection CZ 1345-1355. This Target area was Weekly Heavy bottom (although Neutral on Daily) , earlier did not hold during this correction . There is still PQV imbalance there which may act like magnet on bounce on way up to diffuse the volume (Note – Diffusion can take place either on way down or on way up)

Overall WEEKLY basis the force is still downtown which suggests this current CZ after the bounce should be eventually need to be tested to complete the move. We could very well Trigger POM 13/12 at that level (If PQV Validates) to begin Election rally

OUR POSITIONS

BACKDROP - On 5/09, - email Alert CZ 1345-1355. - We reached the point of Fully Hedge / Raise Cash POM 14 – Rating - Each Portfolio's Objective and rebalancing criteria.

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 of 4 % - 5% - This Profitable Position. 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

- For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report

US BONDS (TLT)

We have been pretty much on right side the Trade , Currently the Bonds are showing signs of ST Topping along with USD completing ABC up . Both these may pull back which should result in counter trend bounce in SPX.

ALERT – We Trigger POM 14 on TLT at 124 (Reached our price Target from POM 13 @ 111) for 11% Profit Yield . If it gets extended & fail , we may very well Trigger POM 15

We had a fantastic rally in both TLT & USD with European & the World taking the safety into these assets . This is the “risk-off” trade.

This was our Pre – Positioned bets, both rallying has paid off handsomely. Our Model warned of such upcoming move higher in USD & Bonds during time of our Entry signals POM 12 / 13 into these assets. @ 72 & 111 respectively. Now almost ready for pull back

The current Top is Bullish but ST seen money flow turn down and while bond prices have risen. This suggests to us that the bond market should pull back ST . .

Mid term basis, we think after the pull back we may have another run to the topside .towards CZ 124-125 to diffuse the BULLISH TOP .

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

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

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

GOLD

We have been pretty much on right side the Trade , Past 2 days – 60 point Rally in GOLD began just upon testing our CZ1540-1580 (EXACT) as expected. GOLD finally entered into it (which we have been awaiting for very long time from 1775 resulting in saving the damage of 200 points on decline & 40% decline on MINERS).

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

GOLD did its Primary test in Bullish Manner with PQV Validation , It should now have pull back and should move back / forth move to build a base and repair work after a big decline

However USD finishes its ABC up to 82. Once the pullback begins in USD , GOLD should rally further.

BACKDROP –

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

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

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

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

A # 1 - MS Report				
21-May	CURRENT STATUS	CZ - Trigger Confluence Zone	Target Reached	Comments
SPX				
POM 15 - Position closed	BEARISH	1375 & 1415	1345-1355	CZ Target Reached from NET SHORT
SHORT-TERM POM 14 (1355)	NEUTRAL	1310-290	1345-1355	BOUNCE EXPECTED
MID-TERM (Fully Hedge)			1260-1240	Fully Hedge or CASH
GOLD				
SHORT-TERM -POM 14 (closed)	BEARISH	1775-1750	1540-1580	Decline from 1775 to 1580 met - Cover Short
MID-TERM - POM 13 (1540-1580)	BULLISH	1540-1580	TBA	Nimble into LONGS (1540-1580)
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 (POM 14 - closed)	BEARISH	111	124	CZ Target Reached
MID-TERM (last) - POM 13 (110-112)	BULLISH	111	124	ABC up finhsed
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89		3rd ABC up in Progress
-				
-				
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		

SPX – Commentary – Important

During this correction, we witnessed a consistent pattern that supports the case that this is a correction for now and not the beginning of a big decline till after the election (unless something major happens in the next retest of lows)

Target met & Supports the bounce

Market is in within CZ 1290-1310, the price objective is met. This week, many charts showing SPX is in Time Ratio Lows due early this week and then Bounce should occur.

*Most indicators are completely oversold in this CZ 1290-1310 and we should be seeing a reversal to the upside. Charts below we have indicated various Price projections **PEC D, CZ in multiple time frames has been met**.
.No Trigger within CZ.*

*This past Saturday, we had the **Apogee Lunar phase & Solar Cycle** which tends can coincide with Market Turns. This is one of the most reliable patterns, be long the markets when price is above and short when price is below Fridays close if the market is Trading within the CZ.*

Additional Indicators line up “Bullishly”

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

*Short term AAI %, ST – Indicator score – Sentiments
McClellan – Oscillator High Yield rate of change*

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

Note – In order to take advantage of bounce, we have Triggered POM 14 ON BONDS (TLT) to Hedge or Raise cash , (BONDS & STOCKS INVESRSELY CORELATED) – We send Email out this AM – Trigger POM 14

No Trigger YET – POM 13

POM Triggers take place in direction of Trend and in direction of PQV validation.

Although several Indicators mentioned above line up for Bullish case. The approach toward CZ 1290-1310 appears to be with Bottom heavy (Weekly & Daily) and hard to get PQV Validation therefore we do not have Trigger for POM 13. There is also overhead supply with Weekly Heavy bottom towards CZ 1345-1355

Upon reaching CZ & PEC –D bounce should begin . The quality of bounce is important for another Top. possibly into CZ 1345-1355.. any rally lasting more than 3-5 days (week or so) & fail because the conditions look so ominous, especially when you look at the global stock indices and particularly those in Europe & Emerging. and then a move down to lows at least to test the lows of Heavy bottom. This would be ideal ABC down

The lack of an accumulation pattern on the volume oscillator strongly points toward a retest of last week's lows, or lower lows, before the month is over—note that a Time Ratio Low is projected for month-end. At that time of lower lows bullish setup, with prices dropping to a lower low while the volume oscillator makes a series of higher lows should show up . When this breaks out to the upside, it should be a very strong rally.

Other Model including , EDCOT Forecast Model expects bottom in end of May & early June and to be followed by a strong rally into the yearend seasonal period of strength. We'll be on watch for a very significant low in the next few weeks

For CZ to CZ Traders, these areas are low Risks for participation (with stops under) BUT POM to POM Risk Managers , we needs Trigger on PQV Validation .

On Cautionary note -

The panic hasn't gotten completely out of control, but it could happen to jump the Market to next level if European crisis reach a point of no return on headline news where everything that could be sold was sold to meet margin calls. In times like these, rationality surrenders to panic which may Trigger jump to Next level CZ 1260-1240. We shall see. The EUR/USD weekly chart on Friday closed below the CZ 1.27-1.28. . This continued weakness in the Euro . We shall see a confirmation to see if setting up further weakness in the market.

Road sign for such scenario would be a minor bounce in SPX to taper into 1320 . (Hrly PEG-D) Pattern. This would suggest the Market is much weaker on bounce and should fall short of our bounce target of 1345-1355

SPX - Election Cycle Model (ON TRACK)

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

SPX - Seasonality Model (ON TRACK)

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

The EDCOT Model Forecast, (ON TRACK)

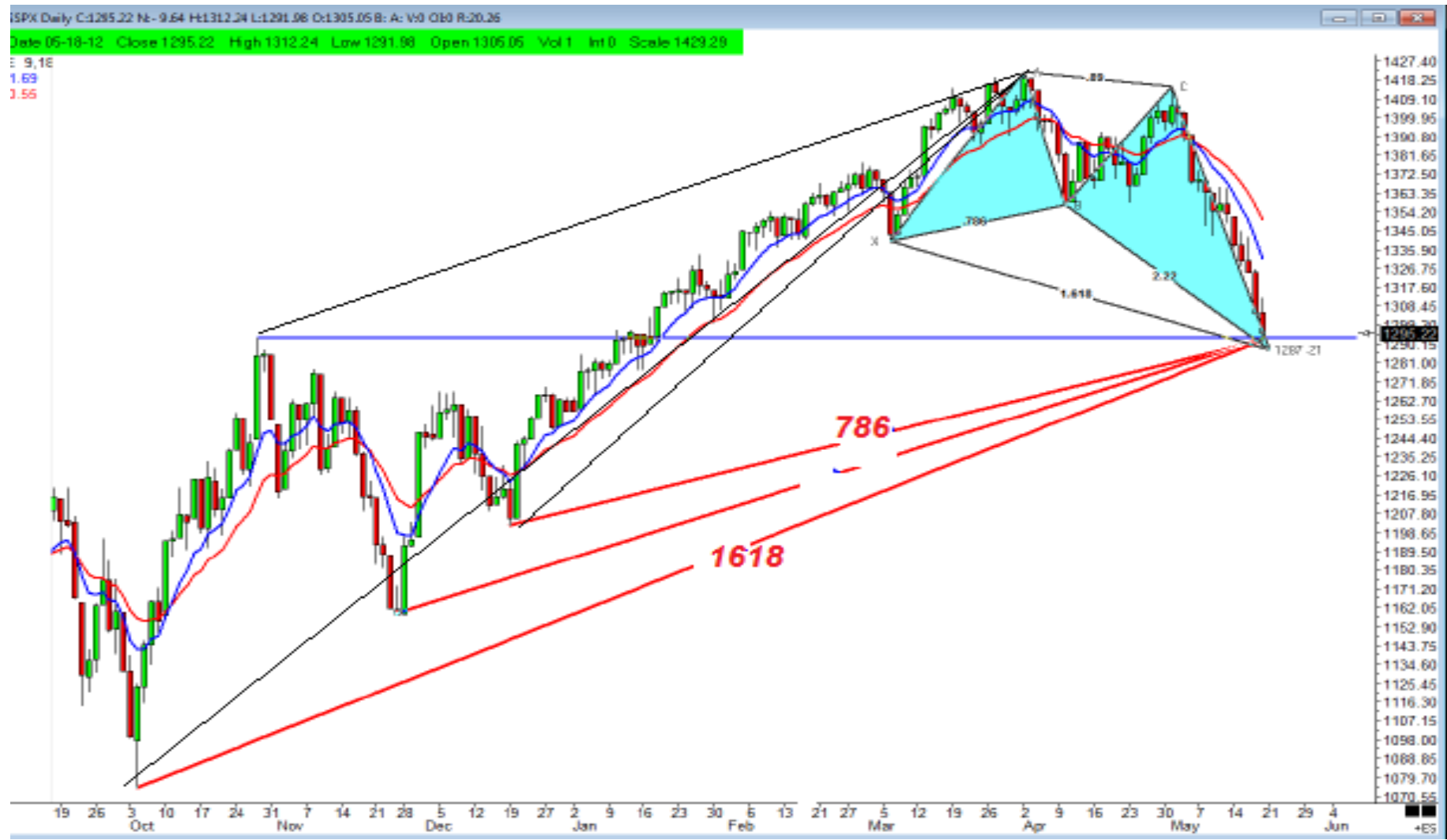
This Model called for the market to top out in February and correct into June before staging another leg up into the latter part of November. After that, we should get a much larger leg to the downside by EURO Future Model.

SPX - Geomagnetic / Cyclic Model (ON TRACK)

BRADLEY has put in a Top and suggest down for next quarter.

SPX – PEC-D Analysis– (Daily)

Reached the projection **PEC-D @ 1295** (Within our projected **CZ 1290-1310**) But Bottom heavy and No PQV validation .
Market ready for bounce.



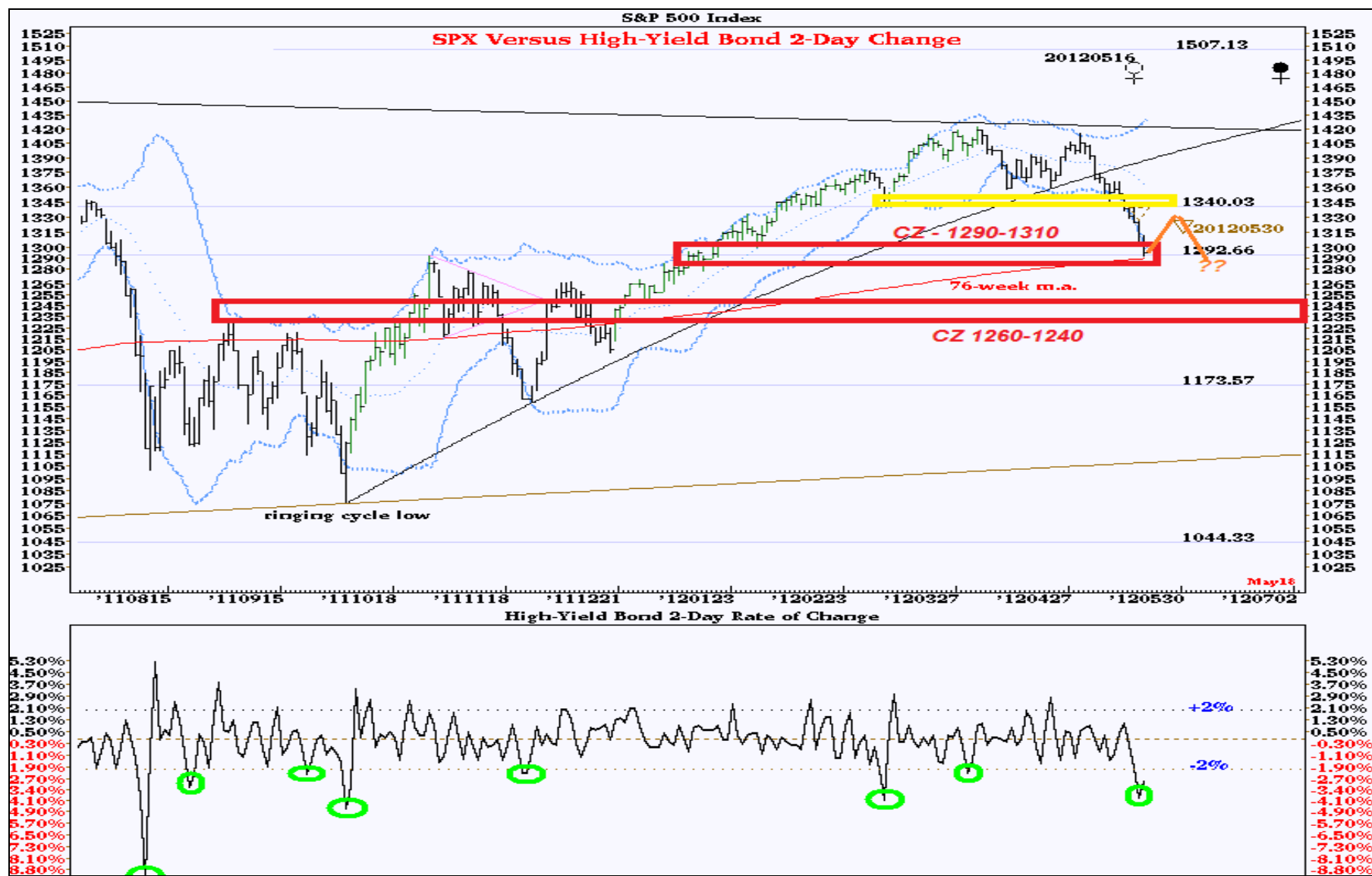
SPX – HRLY - SHORT TERM PEC-D Analysis,

On HOURLY - PEC-D - Projection is 1320 . If this market fails at this level, It would be very weak Market to go back and test the lows CZ 1290-1310 again .



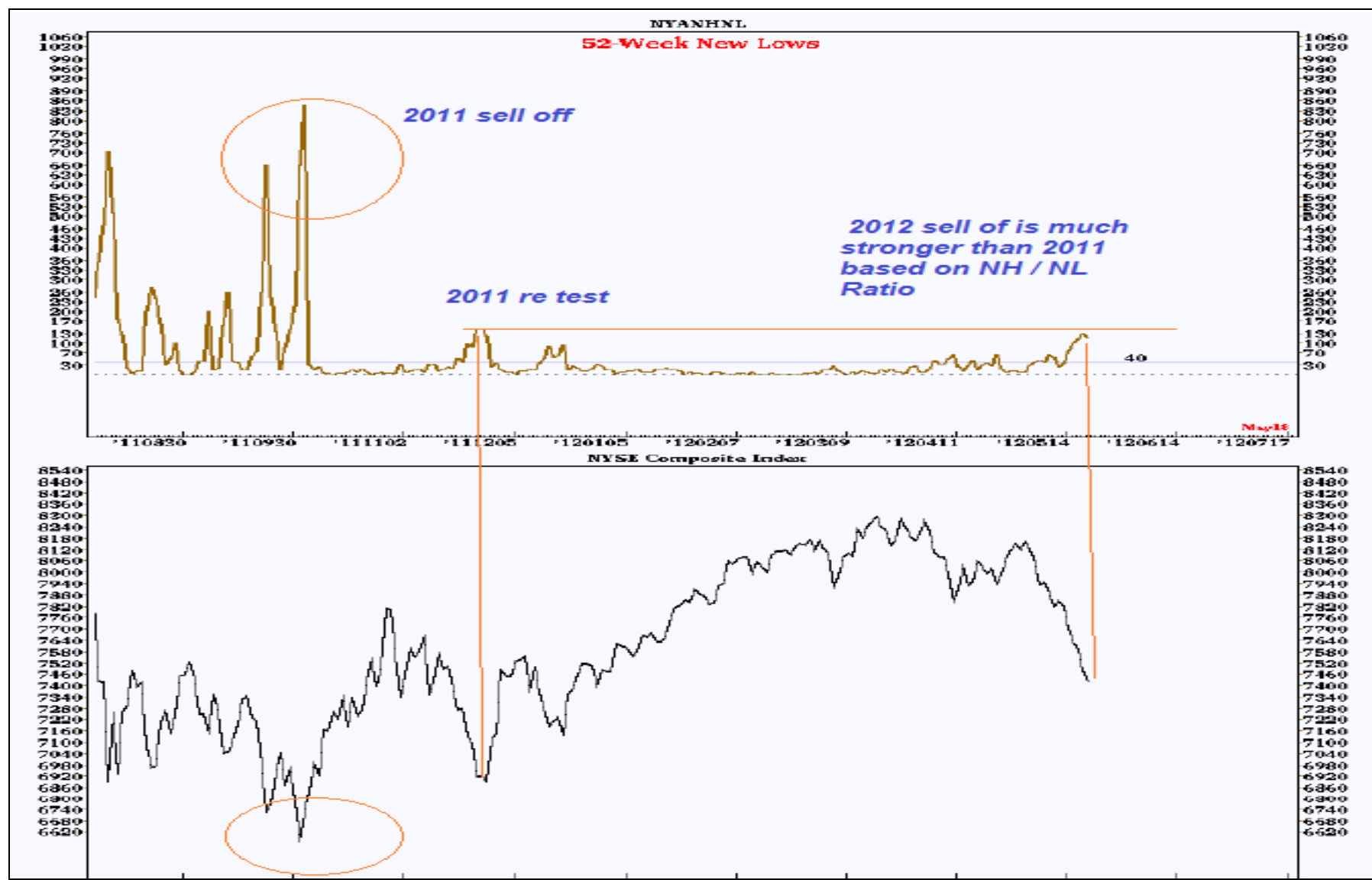
SPX – Mc- Clallan – HY / Oscillator Analysis

HY- Mc Clallan Rate of change calls for bottom but without PQV Test and Trigger , the bounce would be to CZ 1345-1355 (Yellow) and back to test the lows once again .



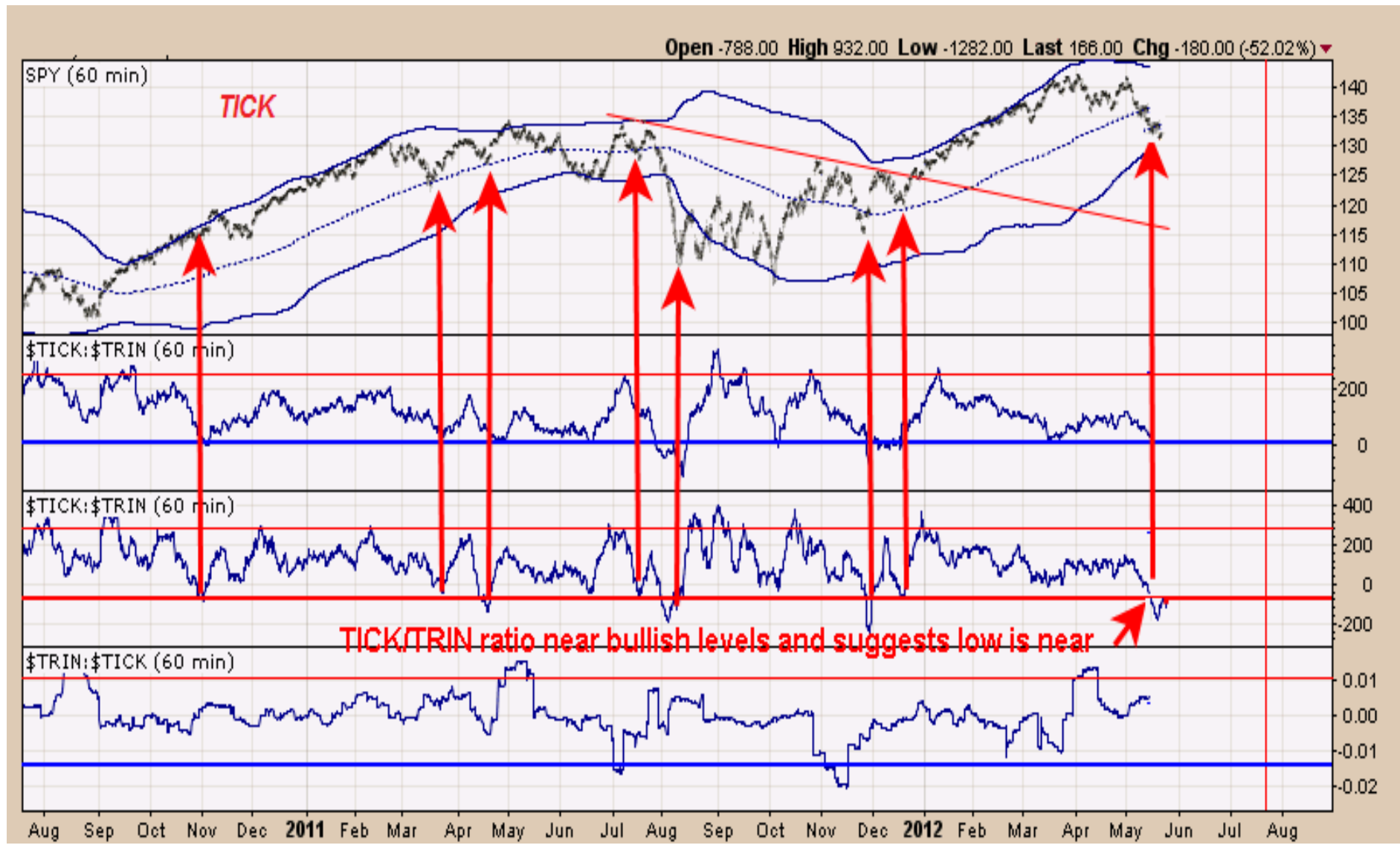
NH / NL – A/D Analysis

In some ways, this selloff is much more bullish than last years. This chart shows the number of new 52-week lows, which have stayed much lower than last year's. This supports the idea that the market is setting up an impressive rally from June- December. (see chart below)



TICK – TRIN Analysis

Chart below indicates *TICK – TRIN Ratio Reading is in area currently where ST Rally has begun (red arrows)*



TICK – VIX Analysis

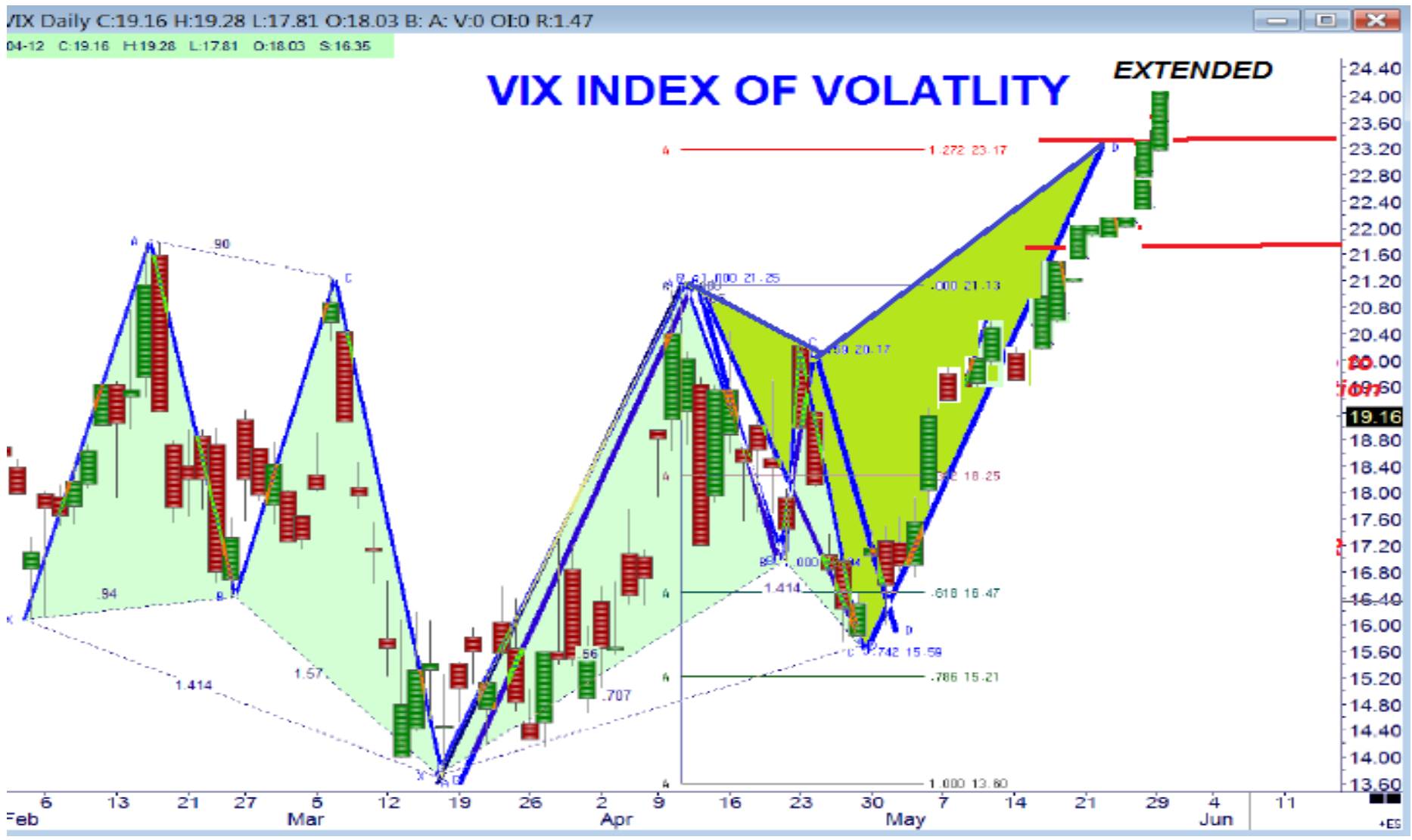
Chart below indicates TICK – VIX Ratio Reading is in area currently where ST Rally has begun (red arrows)



VIX – PEC-D Analysis

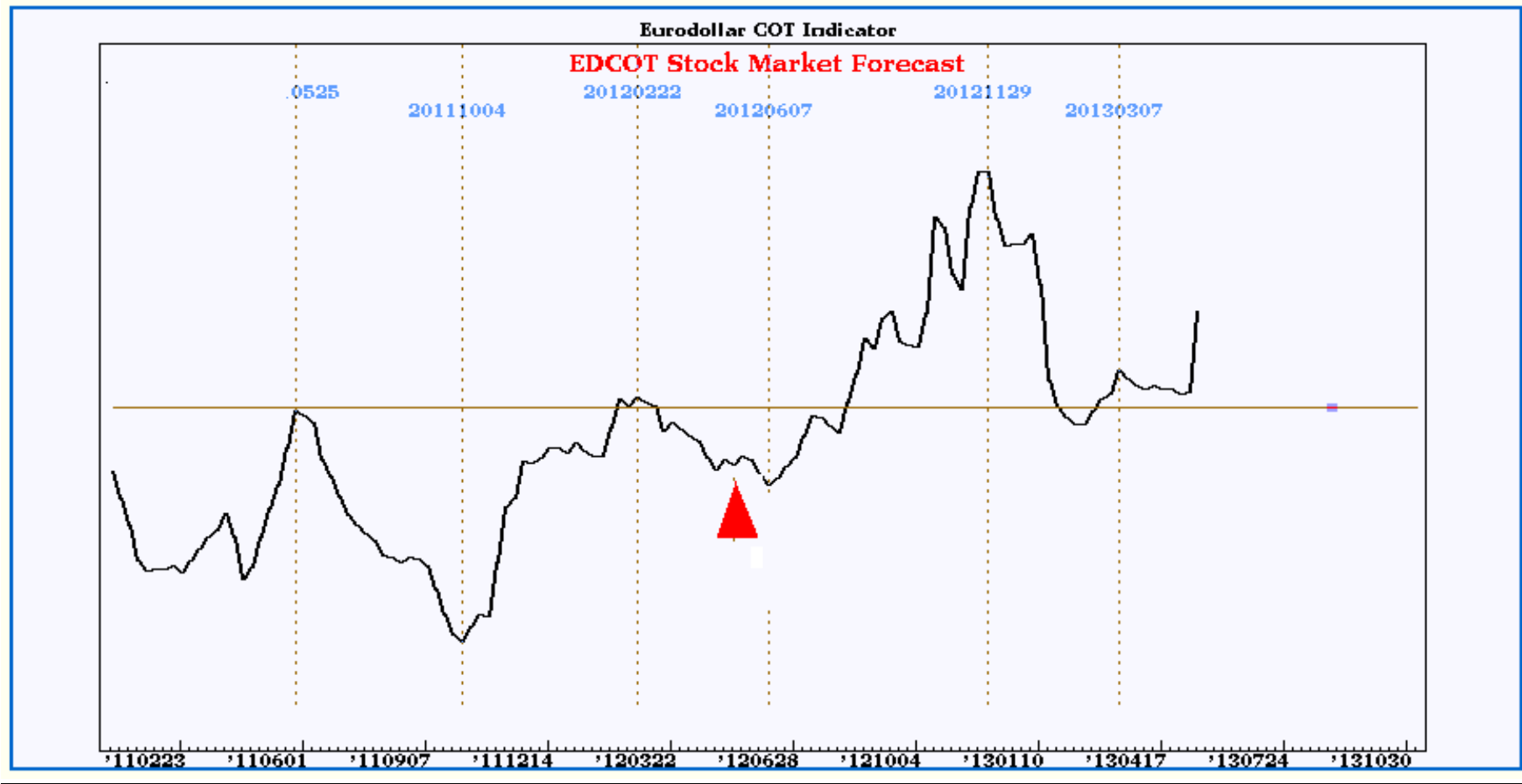
VIX with massive move upside. PEC-D projection on mid term basis is towards 24 is met and exceeded.

Certainly our Potential Energy converted to Kinetic proved its merit .



COT – EURO Analysis

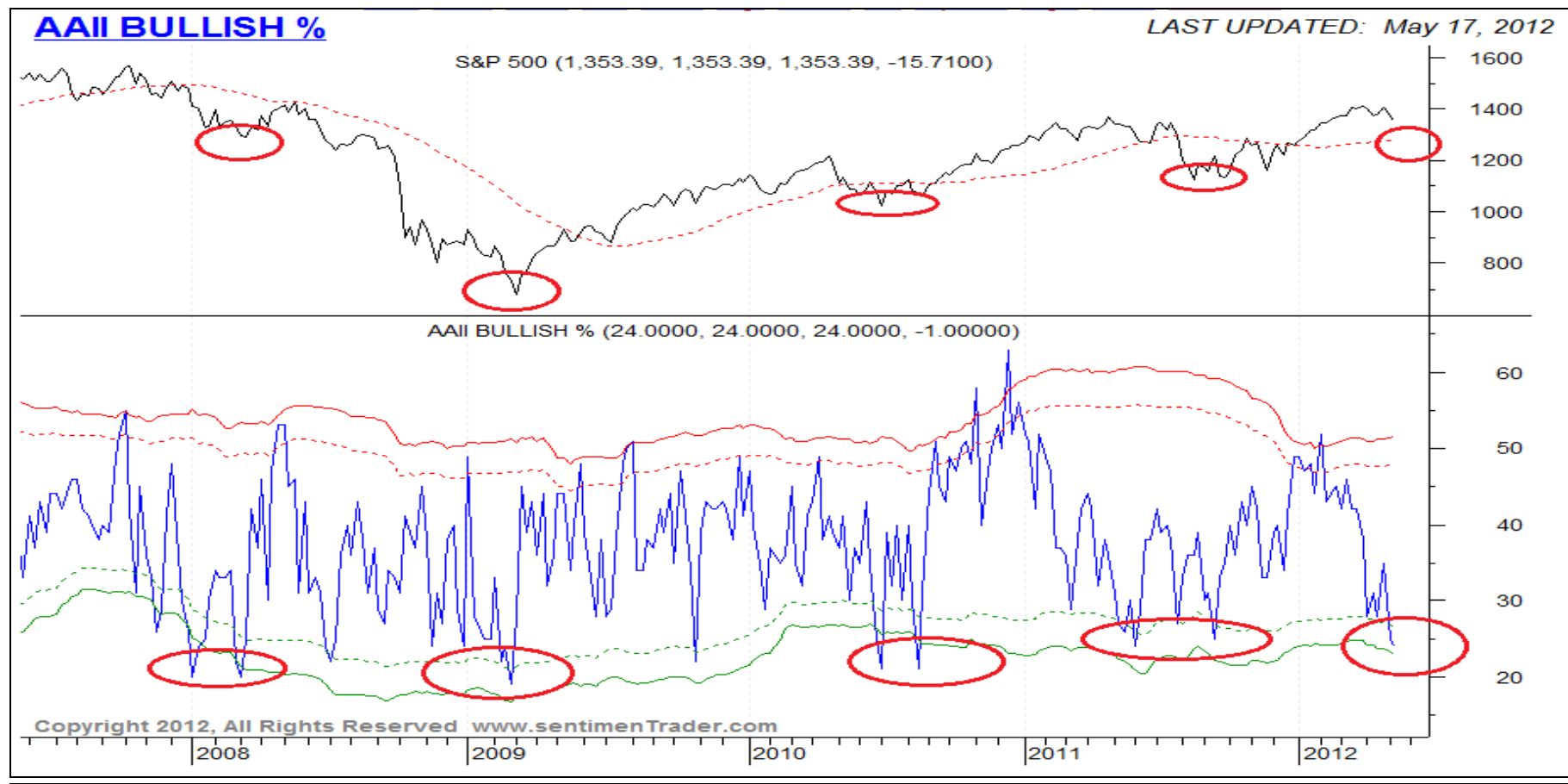
Chart below indicates by ERO – OT Indicator , another lows in June and rally thereafter .



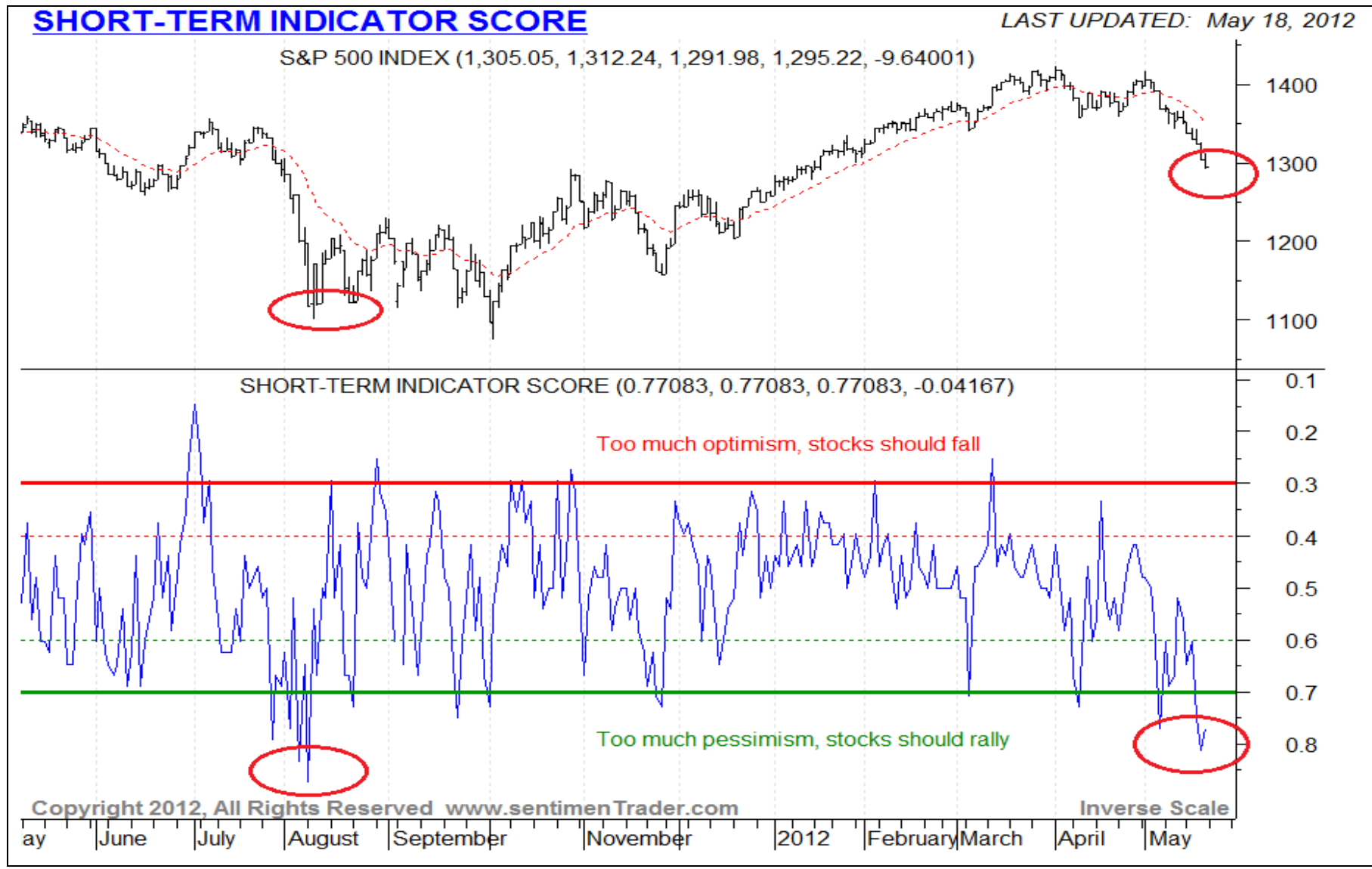
All – Bullish INDICATOR SCORE – Approaching **EXTREME**

(3rd Party) Courtesy : SENTIMENT TRADERS

Bullish sentiment is near a two-year low in the latest AAI Survey, while bearish sentiment has spiked by 17.5 percentage points over the past two weeks. Bullish sentiment, fell 1.8 percentage points to 23.6%. This is the lowest level of optimism recorded since August, 2010. This is also the seventh consecutive week that bullish sentiment has been below its historical average of 39%.

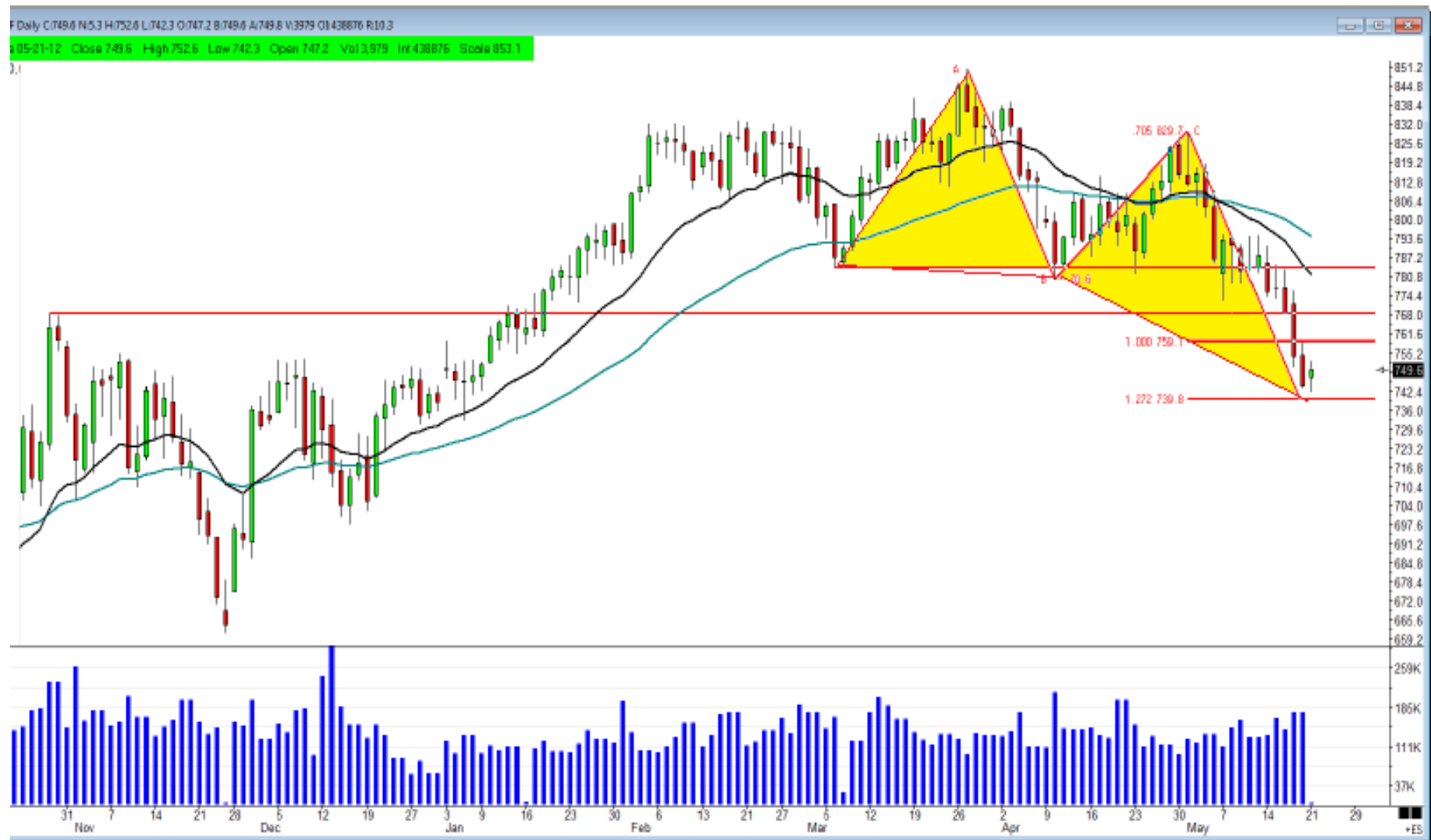


SHORT TERM INDICATOR SCORE – Approaching **EXTREME**



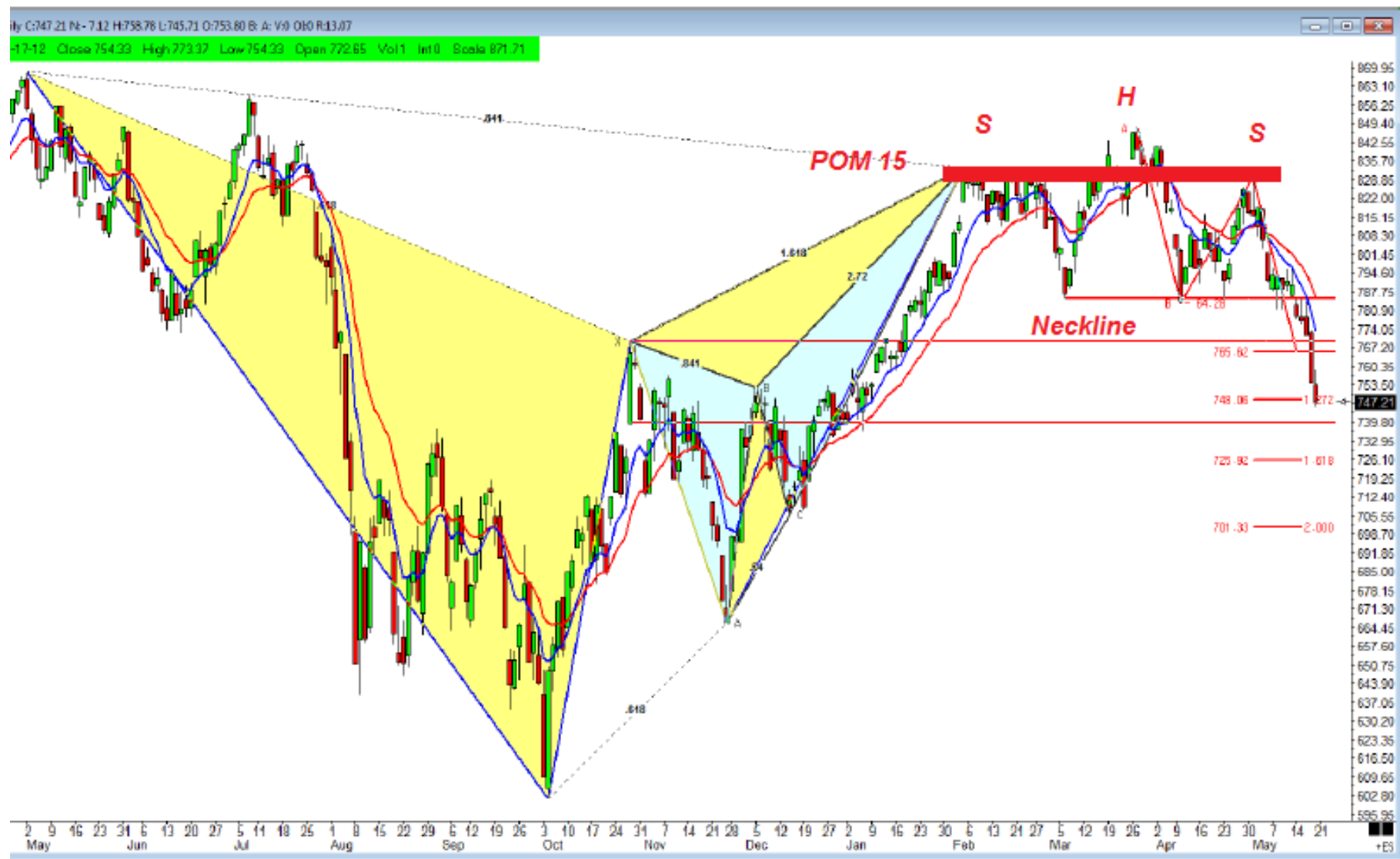
IWM – PEC-D Analysis– (Daily) – **SHORT TERM**

*Reached the projection **PEC-D @ 74** . But Bottom heavy and No PQV validation . Market ready for bounce.*



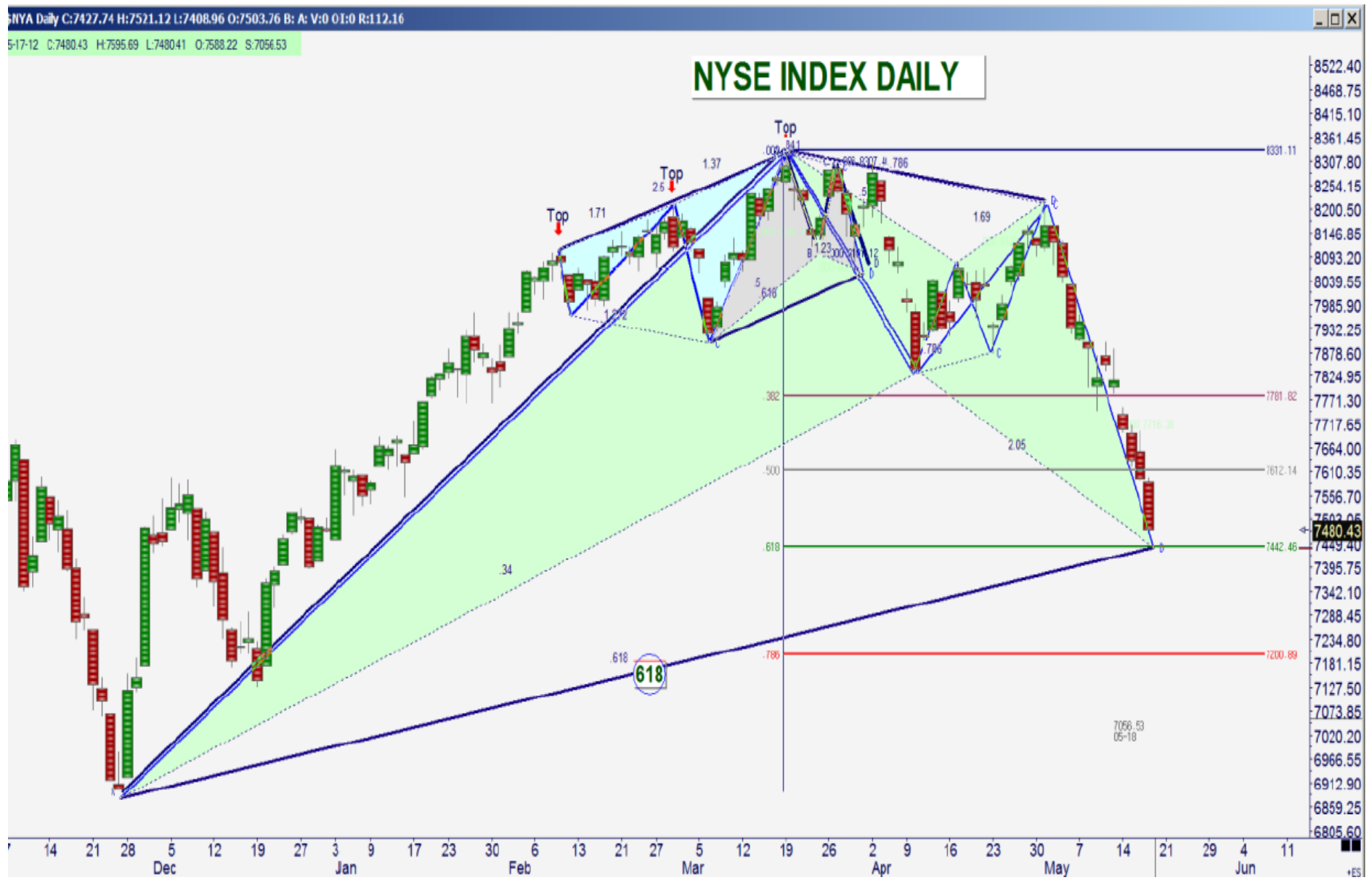
IWM – PEC-D Analysis– (Daily) – **MID TERM**

*PEC-D Projection met on Longer term with multiple count projections.
At POM 15, Massive Head & Shoulder Top is build with NECKLINE Broken.*



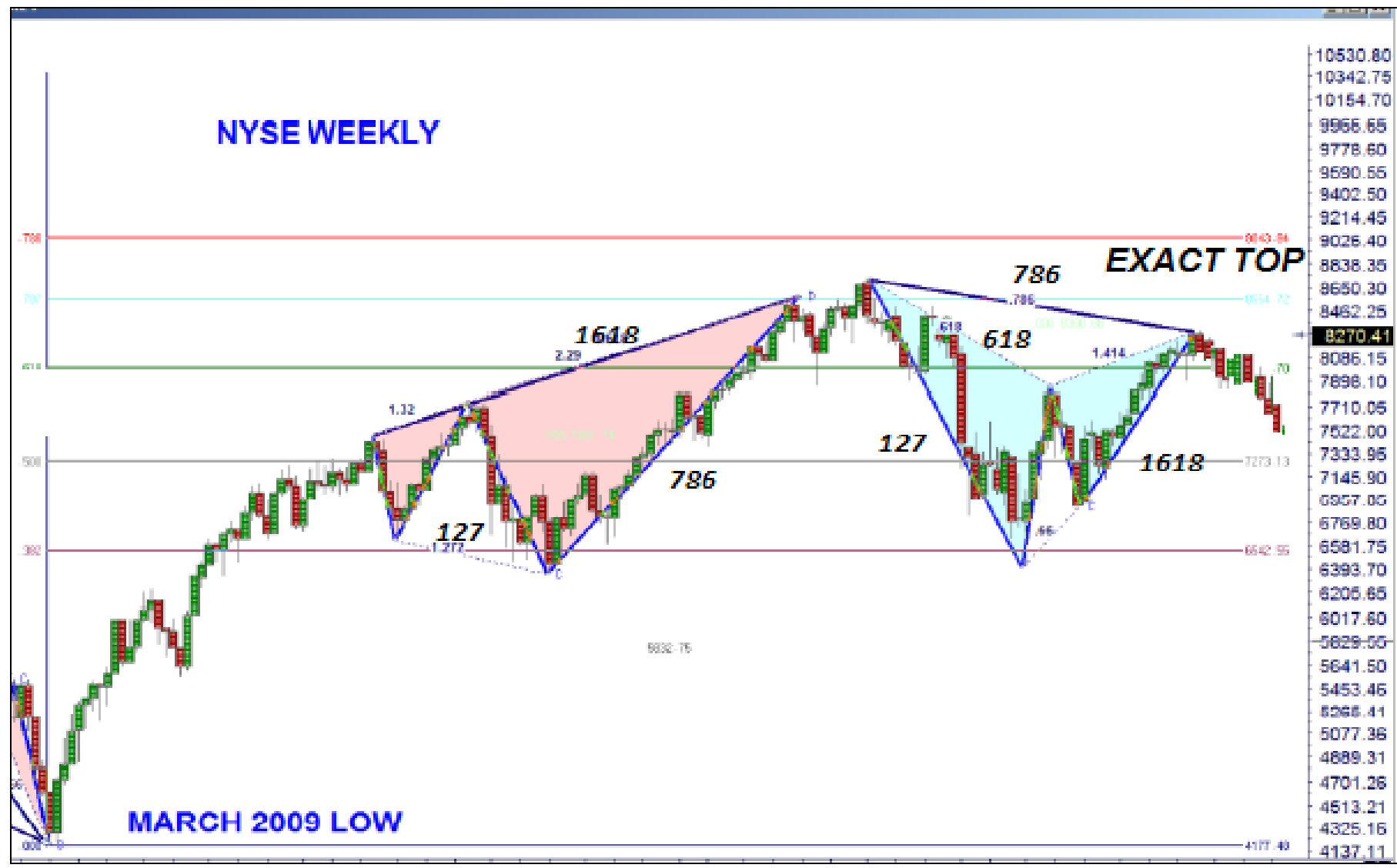
NYSE – (SHORT TERM) PEC –D Analysis .

NYSE – is finishing PEC-D Pattern completion at 7400 simultaneously . Should be ready for ST rally (7700 did not hold)



NYSE – (**LONG TERM**) PEC –D Analysis

*NYSE is much broader market and has not violated any upside pattern. This has completed larger pattern. PEC-D – Top from March 2009 lows. **3 drives to the Top Pattern** has proved its merit on NYSE on bigger scale & decline began .*



Bradley Model with DIA - PEC-D Analysis – Current – Bearish – On track

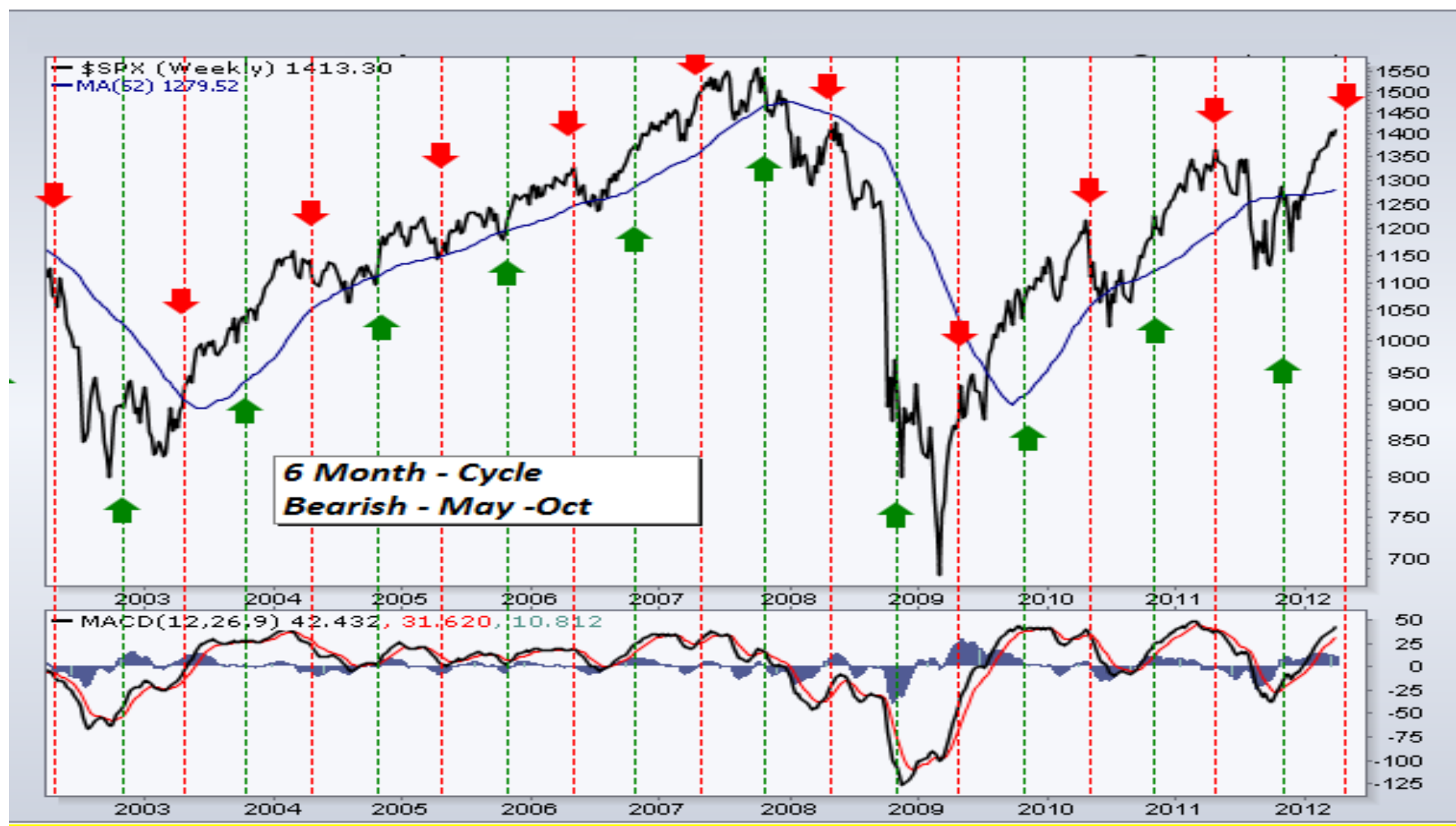
BRADLEY turned down - Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with POM 15 Triggered at 13000



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

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

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



SPX - Calendar Cycle - Cycle dates – Historically

SPX - Seasonality Model

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

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

From 2003 - 2006														
Bull Run														
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
	Average	-0.25%	0.36%	-0.40%	1.41%	1.55%	0.73%	0.57%	0.76%	0.72%	2.07%	2.43%	2.37%	13.00%
From 2007 - 2010														
ear / Side ways Run														
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Average	-4.24%	-3.45%	3.71%	4.99%	0.36%	-3.94%	2.53%	0.28%	1.71%	-3.44%	-1.60%	2.06%	0.32%
Average		-2.25%	-1.54%	1.65%	3.20%	0.95%	-1.60%	1.55%	0.52%	1.22%	-0.68%	0.42%	2.21%	6.66%

Appendix Content

- **Latest POM 12 to POM 15 Journey**
- **SPX – POM Signals History for 2011**
- **Trading & Investment Conclusion History 2011**
- **Objectives & POM /CZ Guidelines**
- **Guidelines for Full Utilization of “ SP” Report with Limitations**
- **SPX – 52 Weeks Chart with POM Signals**
- **SPX- POM – “ Price Oscillation Model “ Criteria**
- **SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria**
- **Definitions of Extreme Sentiment Indicators**

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

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

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

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

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

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

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

SPX – POM 12 to POM 15 Journey

POM 15 – 1375 – SPX triggered on 2/29 - ALERT . This completes our Full oscillation, that began at 1080 – 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 - 3^d 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- <u>Gains 257 Points</u> (4 Signals)	+ 25%
POM 13 - Risk Mangement savings - <u>280 points</u> (5 Signals)	+ 28%
POM 14 to 13 - Fully Hedged - <u>Gains 150 points</u> (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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