



SG Capital Research

Global Market Insights

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

MAEG- MARKET STRATEGY- MS Update # SG 2012 # MAY_14

For Immediate Release – Monday PM (EST)

By: Suneil R Pavse

Contact: apavse@aol.com

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

- **Weekly - SPX – Closed @ 1353 (- 1.16%)**
- **YTD - SPX – Closed @ 1257 / 1353 (change + 7.6%)**
- **Last Trigger Signal - SPX POM 14 – Fully Hedged or Raised Cash**
- **Closed NET SHORT from @ (1375 & 1415) 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.

Close - NET SHORT Position from CZ 1415 – 1375 to CZ 1355-1345. This is “Trading Market “POM Rating

GOLD – POM 14 (Partial Hedged LONG Position).

Open - Leg down reaching our CZ Target of 1580-1540 from 1775 is in Progress. This is “Bull Market” POM Rating

BONDS – POM 13 (NET LONG Position
Leg up in progress – 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 – Updated

World Markets have been lower past 2 weeks with European taking the safety of US bonds as Bond continues rally. . This is the “risk-off” trade that is once again as concerns about a Greek withdrawal from the Eurozone. Spanish and Italian bonds are surging higher with huge moves that suggest the market is starting to discount a Greece default and turn their sights to Spain and Italy resulting in Euro Sell off and USD Rallying.

Our Risk Adjusted Signal is downgraded to POM 14 from POM 15 on 9th May **Alert** - (within the test of **CZ 1345-1355**) **This is to cut back & scale out on Short term – SHORT position** instated at **POM 15** at **average 1400 –SPX** (**within CZ 1375-1415**).. which the market hit its early May target highs, failed and started falling towards resulting in drop of 45-50 points which is sell off of 4-5%.

SPX are re testing lower end of CZ of our Projected **CZ 1345-1355, & PEC –D 1345** Target. We had mentioned in our earlier Reports at the time of our Trigger & also in subsequent A # 2 G Report that such re-tests are common within 2 days of Primary test to Neutralize residual HORLY PQV Force within the CZ to balance the imbalances after the 1st primary test get hrly ZERO diffusion.

IDEALLY down days are good time to “scale out” of the **SHORT position within the CZ with pre planned limit orders IF** overweight POSITION need to be closed / rebalanced.

SPX is following Price path very closely with our Analysis since POM 15 – CZ till current CZ .Our Model (if verified by other Methodologies) as always suggest “scaling in or out” of position within the CZ rather than pick a point.

On DAILY basis the force is Neutralized by PQV / CZ / PEC-D Analysis suggesting a **Rally is coming towards the upward move to our POM 15 region on – We will look to put the SHORT back in upon failure** . On Downside, WEEKLY basis the force is still downtown which suggests this current CZ after the bounce should be eventually broken and head down toward to complete Weekly ABC DOWN to our Target of **CZ 1310-1290** to complete the move. We could very well Trigger POM 13 at that level (If PQV Validates) to begin Election rally

Impact of the above SPX – POM 15 signal on WEAKER Global Markets IDX, US Broader IDX, Commodity IDX (covered this Report (A # 2G & 2B, C #) has been quite brutal in the first leg **down 8 % to 10%** which has been our main participation. These instruments have been hit much more severe than 50 points in SPX, **Generating great profitable SHORT Positions on this decline.**

Federal Reserve - was successful holding the SPX market for just 50 points decline but could not hold up Broader (NYA), Global Markets . Federal Reserve has NO interest in Holding up Commodity Market which has declined the most since POM 15 Signal.

During this correction (1st leg down) 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

Our Next meaningful 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** . (This may very well be saved after the election) . Overall, The Price Oscillation SPX has the Natural Oscillation price target (certainly not in straight line) . **we should see POM 13 – Risk Management spots in between the decline**

Several Models including , EDCOT Forecast Model expects bottom in end of May & June and to be followed by a strong rally into the yearend seasonal period of strength.

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 POSITIONS-

- **Closed Position - NET SHORT** - On 2/29, Trigger & 4/2 & 5/1 - We scaled in partial core position into POM 15 – NET SHORT @ 1415-1375 to **CZ 1355-345**.
- 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)

This has been great Profitable position, Big RUN UP in TLT (BONDS) since our POM 13 Signal @ 111 followed by successful re test. The stocks went down into the current correction. & Bonds up. TLT is breaking out 120 this AM (as we expected last week) to continue the ABC up. The consolidated price action at the top of the ST trading range proved its merit from POM 13 price point.

We think if SPX reverses up for ST this week , TLT should pull back to get energy for next leg up later on.

ST seen money flow turn down and while bond prices have risen. This suggests to us that the bond market rally may just be pulling back ST and we'll see stocks soon rally instead

Mid term basis, CZ at POM 13 lows is very much in tact and showed the power of its successful test. On weekly close basis, this is Bullish on price rejections. We are currently at POM 13 (@ 111) with projection towards the test of previous POM 15 @ 124 Bullish Top highs that was set on 4th Oct 2011.

We raise our Stop to our POM 13 Price (111) and then subsequently raise STOP \$1 for every dollar move beyond 113 price point, Keeping \$2 differential on STOP. TLT should be in good shape for next leg up .

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 13,** since 10/27 (CZ – 110-112). It has initiated ABC up towards 124, we are in midst of this move . 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 111 – Re adjust the Trail** (or STOPS based on Portfolio's Objectives).

GOLD

Our Special Report on last Friday – We noted “ GOLD perfectly completed **PEC-D @ 1580 EXACT**, The projection that was created from 1775. Although we have scaled into it. We would feel more comfortable if **CZ 1580-1540** (heavy bottom) is tested successfully, Area where we would scale in for new position closer **to lower end of CZ 1540 for additional** . This should happen in GOLD going into CZ as final Gasp” **This is what seemed to have happened.**

Away from harm’s way quite sometimes in GOLD avoiding the losses since 1775 . We have awaited very patiently for the current **CZ 1580-1540** projections to arrive for adding Fresh positions from POM 14 Trigger **CZ 1775-1750** . Now that the prices are finally arriving to those levels as expected & articulated in our previous Reports for quite sometime.

GLD arrival came into CZ in Bullish Manner with PQV validation. We had **Pre -Alerted to** PLAN to “scale into” Position with price point for Longer term (If verified by other Methodologies) .

Earlier we insisted , PQV invalidated at CZ 1620-1640 was bottom heavy and would result into ABC down, the eventual downside projection **1560** with very fast price destruction as Next target completion of PEC-D. This is within the Projected **CZ 1580-1540**. This should set up great Risk reward **more closer to 1540 to scale in.**

USD has been great profitable position, On very short term USD is almost finishing the upward move ABC move towards to **81- 82 – Bullish Top** . This is pushing GOLD down as expected to finish the move . Expect pull back in USD (More of it on Tuesday’s Currency Report)

BACKDROP –

GOLD Price path has been following exact since our POM 14 re - Trigger at **CZ - 1775-1750** to **CZ -1650-1620** (bottom heavy) , a decline of 155 points & then to next level **CZ 1580-1540** , a decline of 200 points

For Floating position - On 3/06, - Last email Alert Our Action was to Cover Hedge Position Triggered at **CZ 1775-1750 failure , for decline towards 1668 to lock in gains & wait to add Longs at CZ 1580-1540** .

Currently GOLD remains, at **Bull Market POM Rating** - POM 14 which is Partially Hedged Long Positions Triggered within CZ area of POM 14 . Failure in this Zone provides best Risk Management opportunities during the ST GOLD declines within larger LT up move.

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

A # 1 - MS Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target Reached	Comments
14-May				
SPX				
POM 15	BEARISH	1375 & 1415	1345-1355	CZ Target Reached from NET SHORT
SHORT-TERM POM 14 (1355)	BULLISH	1345-1355	TBA	BOUNCE EXPECTED
MID-TERM	BEARISH	1345-1355	1310-290	Fully Hedge or CASH
GOLD				
SHORT-TERM -POM 14 - Last 1775	BEARISH	1775-1750	1580	Decline from 1775 to 1580 met - Cover Short
MID-TERM (last) - POM 13	BULLISH	1575-1550	TBA	Nimble into LONGS (1580-1540)
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
ILT				
SHORT-TERM	NEUTRAL		123	Consolidation (RISK Management below 111)
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
-				
-				
-				
LEGEND				
	<u>Bull Market Signals</u>	<u>Trading Range Signals</u>		
	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				
				<u>NOTE</u> 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

SPX - Election Cycle Model (ON TRACK)

Election year seasonal chart which point to a downturn and points to a seasonal low in late May, 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 (Began to work but slow)

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

SPX – (update)

This week, many charts showing Time Ratio Lows due Mid this week Tuesday / Wednesday (post 14th May) , a downtrend early this week and then rally into expiration week . Then a TOP out in next few weeks possibly into POM 15 – CZ area for Top then a more significant low is due in late May/ early June .

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 .

Charts below we have indicated various Price projections PEC D, CZ in multiple time frames. We have rationalized 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.

Oil prices has declined from 106 exact (ST – Sell Signal in out C # Commodity Report) to decline into current 94 price. Funds / Traders who play SPX v/s OIL – Inverse correlation program trading may add Money flow into the Markets to fuel rally.

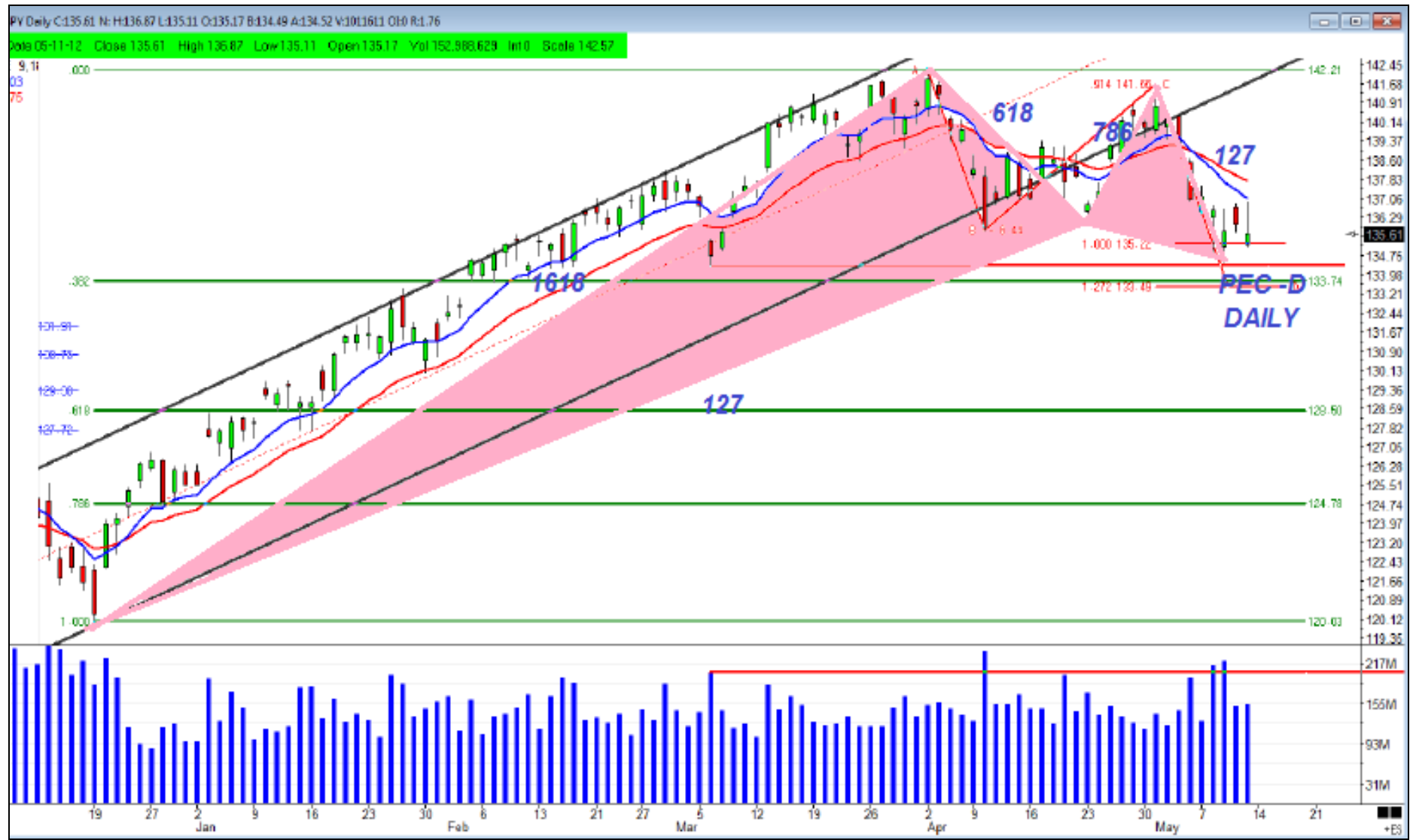
Archived from Last week A # 1 – 5/07 – Report -SPX – PEC-D

Slide below is from last week's A # 1 Report – “ **On daily our Projection PEC-D was towards 1345** - from 1415 Top , met almost exact (Refer notes within the charts).



SPX – PEC-D Analysis– (Daily)

Reached the projection PEC-D @ 1345 as expected target and Market bounced.



SPX – HRLY - SHORT TERM PEC-D Analysis,

On HOURLY - PEC-D met 1337 , fine tuning the Daily – PEC –D 1345 & then bounce . This price balancing is active with CZ at lower end of our downside CZ projection . (see notes within the chart) .

Quite simply,”Torque continues for little bit with idle even after brakes are applied & momentum stops”



SPX – PQV Pattern / Oscillator Analysis

The “Three Drives to Top” with double top to 1415 -1425 has Target back into the base of the Pattern which is CZ 1345-1355. (Notes within the charts).

This CZ of 1345-1355 has roots from past and is significant pattern to hold. It has T termination of 17th May



SPX – Mid Term PEC –D / Terminal Pattern Analysis

Currently Prices holding within CZ 1345 -1355.

MID TERM – Chart below indicates the completion of SPX - POM 15 – 1375 Trigger & 1415 – Key reversal CZ created by Terminal Top Pattern, from CZ in last May 2011 & Feb 2011. **Close below 1355 – 1345 on Weekly / CZ decisively with PQV invalidation should be a Bearish Trigger** to next level. **Target Projection 1310-1290 – via PEC-D Model**



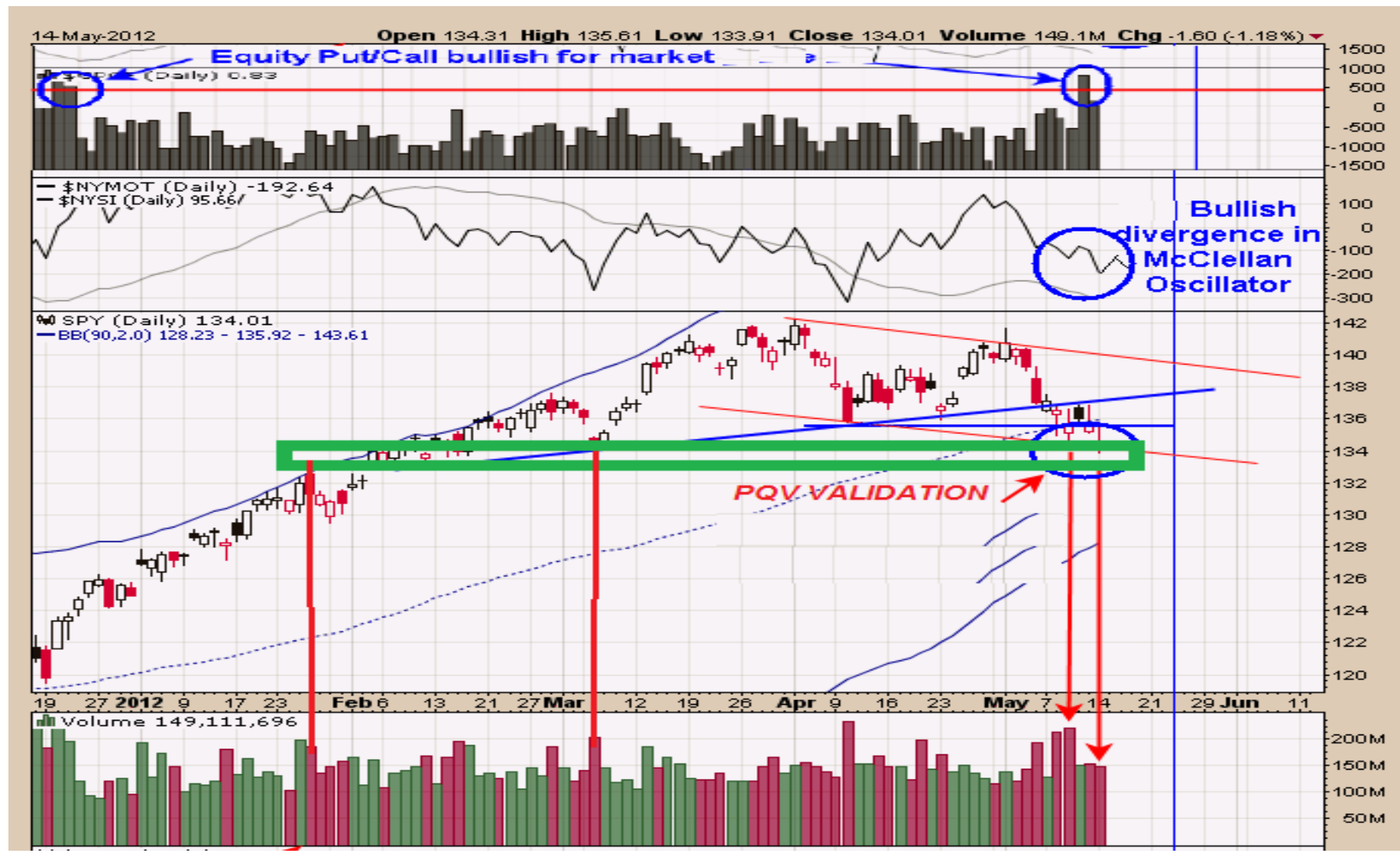
SPX – MARKET INTERNALS Analysis

As we approach the CZ with PQV Validation & PEC-D Pattern . The Market readings below are critical for EXHAUSTION of Energy within the CZ to justify the Rally. We are lining these indicators as well . Next 4 charts below explains it graphically

Daily Market Statistics	05/07/12	05/08/12	05/09/12	05/10/12	05/11/12	05/14/12
S&P 500 (SPX)	1369.58	1363.72	1354.58	1357.99	1353.39	1338.35
Futures Premium	-4.58	-10.72	-1.28	-10.69	-3.39	-0.75
Advancing Issues	1651.00	1192.00	975.00	1893.00	1207.00	481.00
Declining Issues	1380.00	1829.00	2067.00	1128.00	1829.00	2607.00
Total Issues	3157.00	3139.00	3143.00	3145.00	3137.00	3165.00
Up Volume	395123.88	241730.99	293155.42	474466.71	255939.61	95197.18
Down Volume	341514	640973	636005	298229	511822	699420
Total Volume	754282	902463	940128	784048	785644	803039
New Highs	59.00	58.00	60.00	79.00	61.00	33.00
New Lows	52.00	77.00	78.00	28.00	45.00	97.00
Arms (Trin)	1.03	1.73	1.02	1.05	1.32	1.36
Closing Tick	320.00	-104.00	-165.00	-17.00	361.00	-370.00
CBOE Put/Call Ratio	0.90	1.13	1.00	1.09	1.24	1.27
VIX	18.94	19.05	20.08	18.83	19.89	21.87
Odd Lot Purchases	2523902	3129532	3218410	2628478	2435671	
Odd Lot Sales	1390268	1406847	1657228	1451168	1335228	
Odd Lot Short Sales	1121048	1675380	1503577	1225357	1108158	

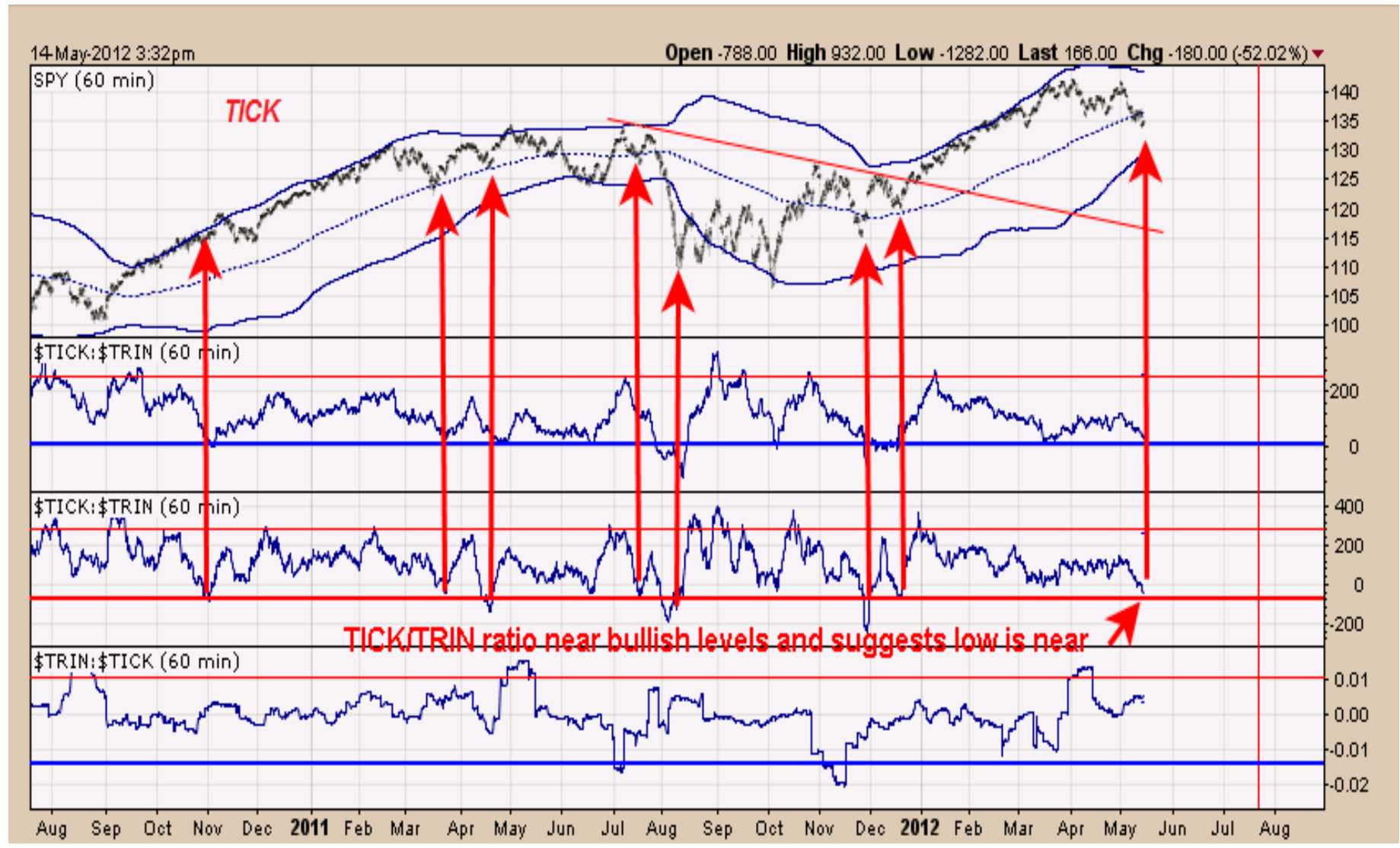
SPX – CZ / PQV - MC OSC- PUT / CALL Analysis

*PQV Validation within CZ is Bullish with ST – Bullish divergence on MC OSC .
PUT / CALL Ratio setting up for ST rally.*



TICK – TRIN Analysis

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



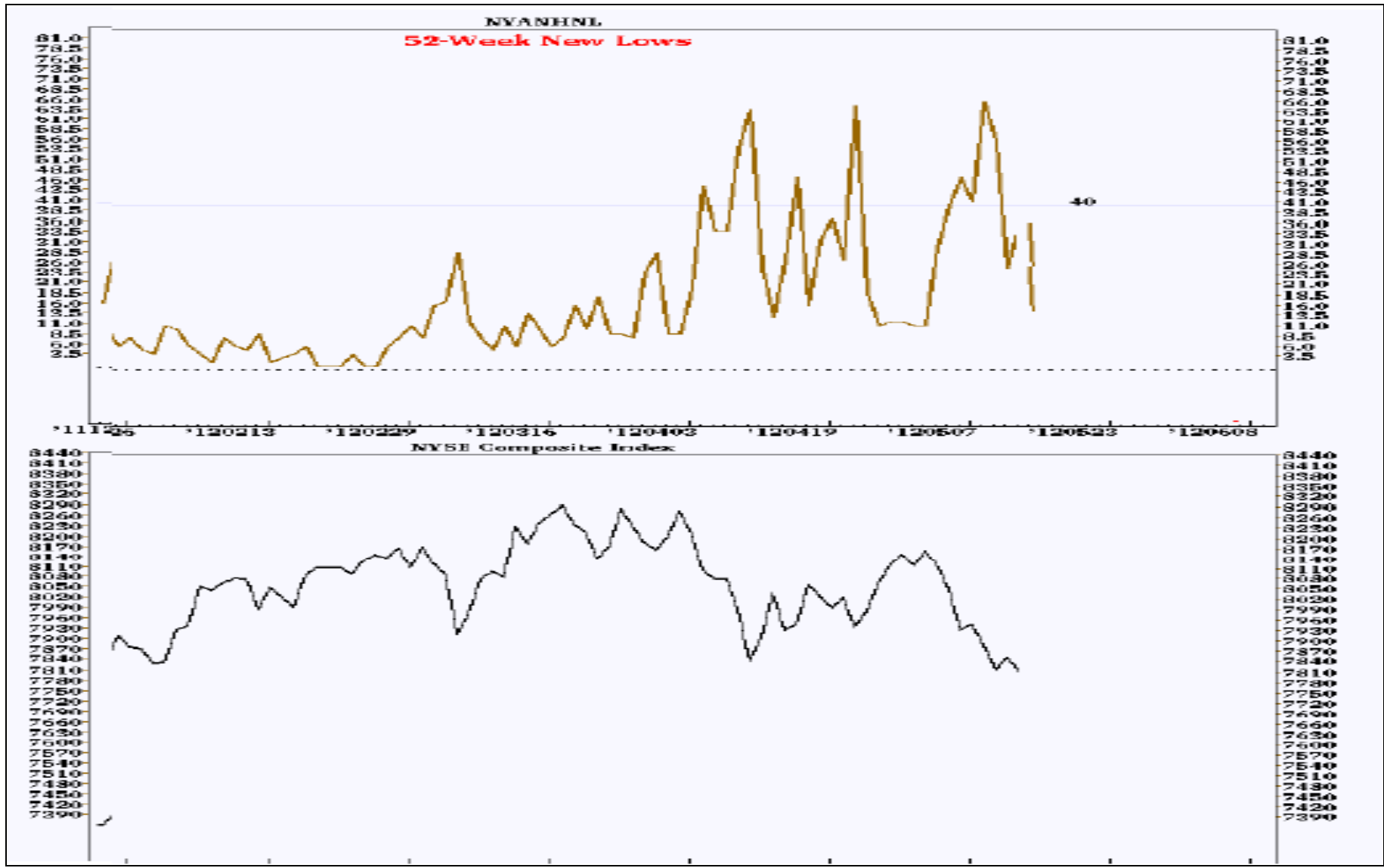
TICK – VIX Analysis

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



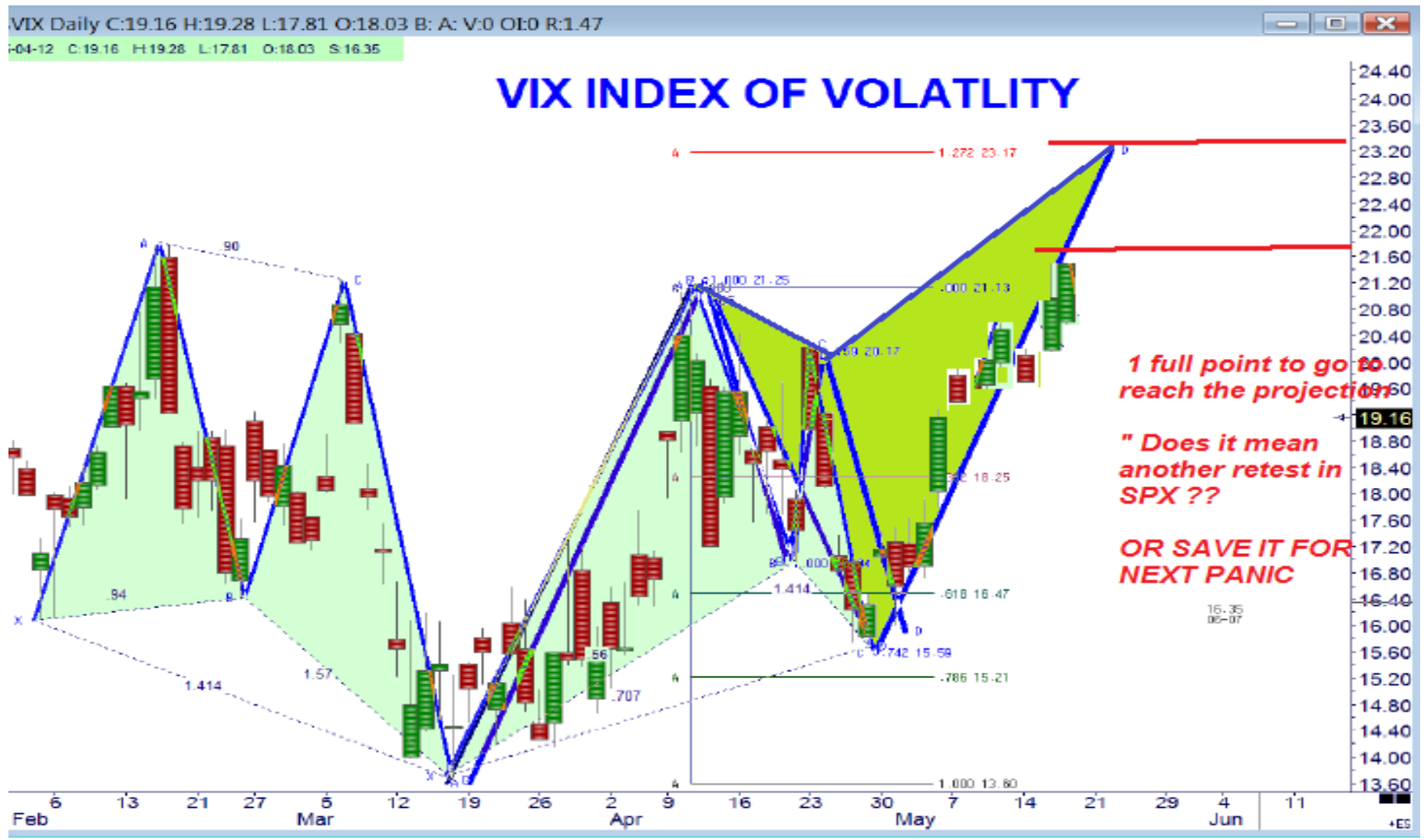
NH / NL – A/D Analysis

New lows Oscillator has dropped past 3 days below 20 - during the decline suggesting rally is due .



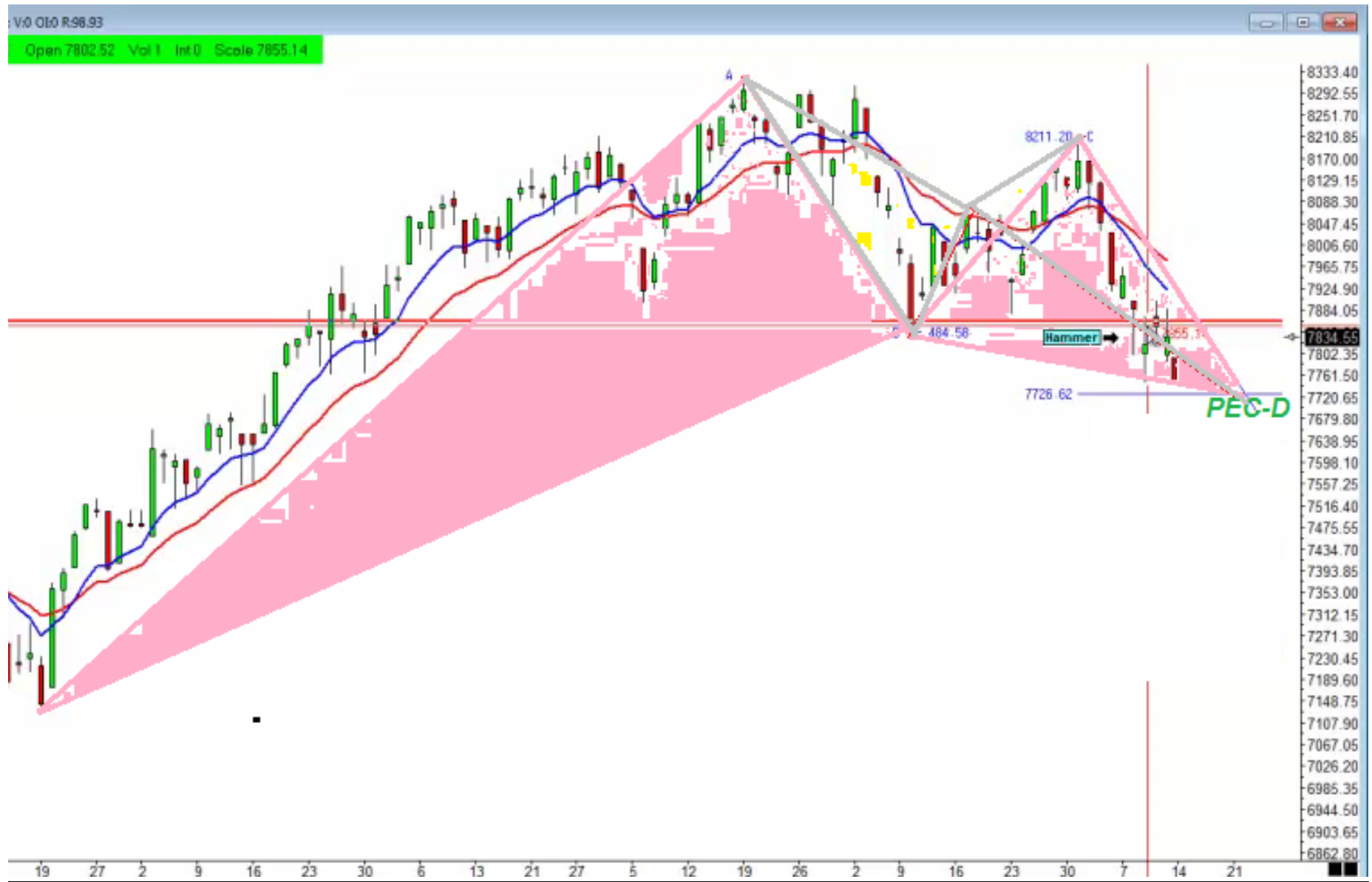
VIX – PEC-D Analysis

Certainly our Potential Energy converted to Kinetic proved its merit on VIX with massive move upside. PEC-D projection on mid term basis is towards 23. This pattern is not complete and therefore suggest target of 23 should meet after the pull back in next rally when SPX re tests the lows in next decline.



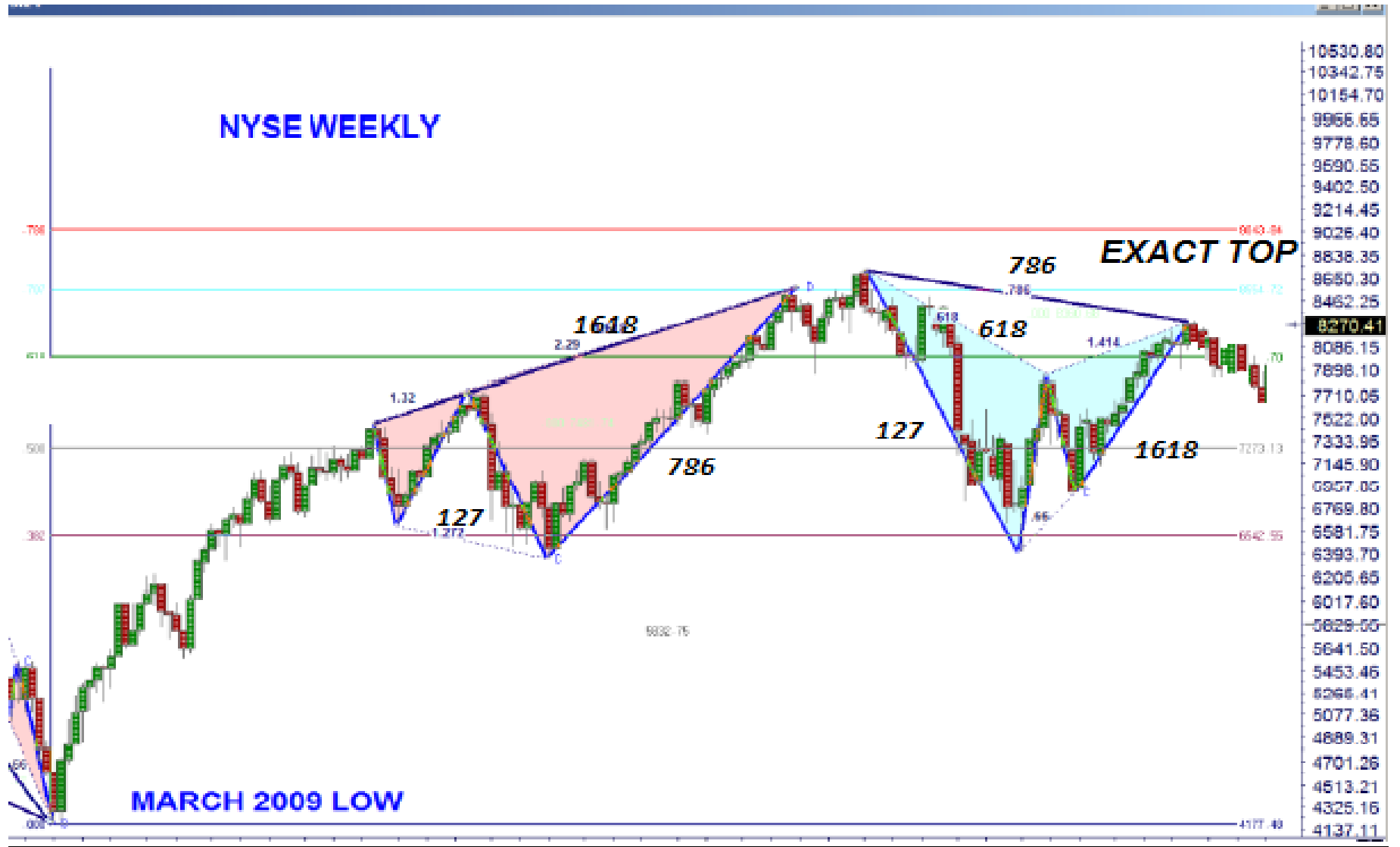
NYSE – (SHORT TERM) PEC –D Analysis .

NYSE – is finishing PEC-D Pattern completion at 7700 simultaneously . Should be ready for ST rally



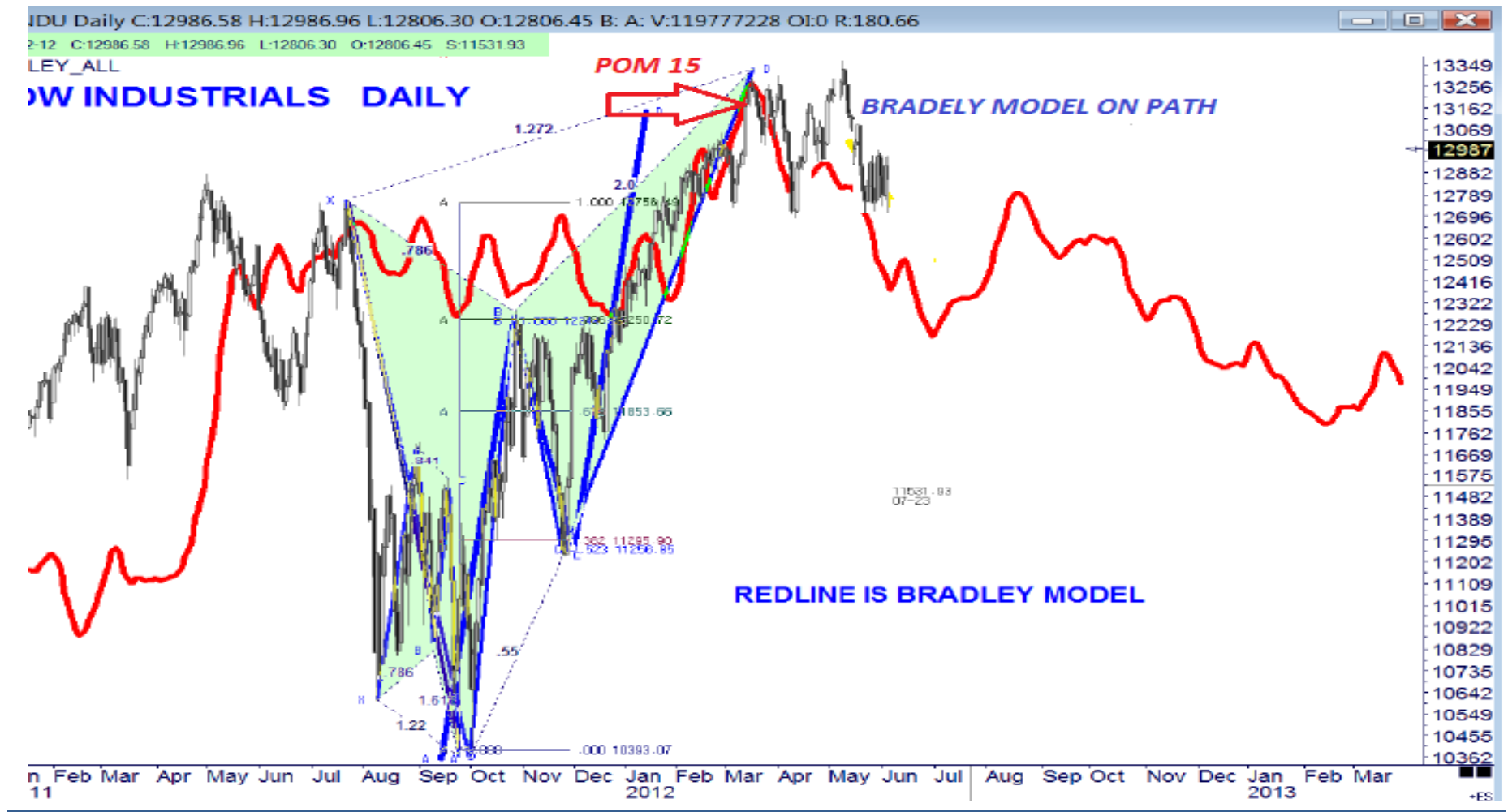
NYSE – (LONG TERM) PEC –D Analysis

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**

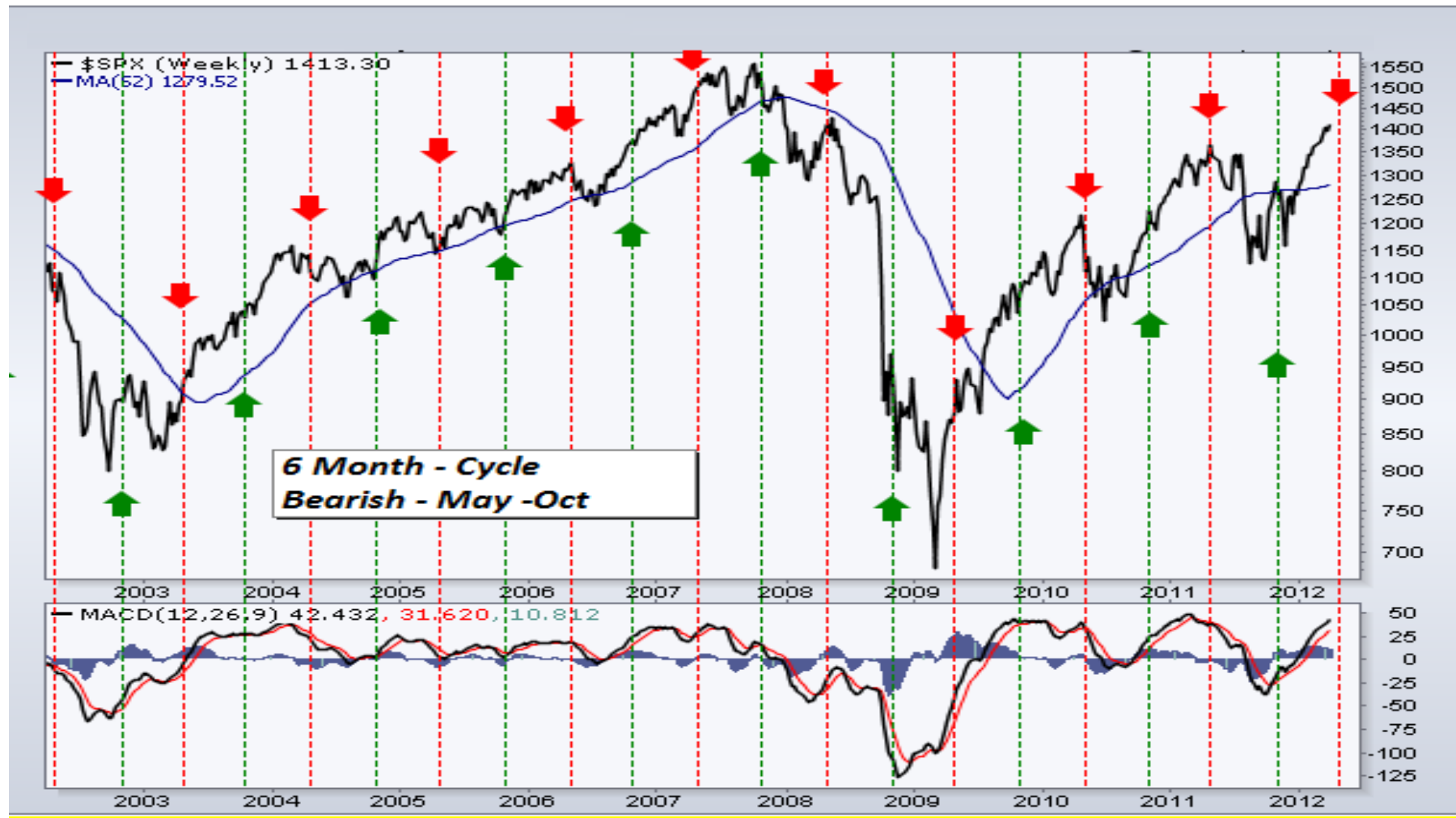
BRADLEY turned down - Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with POM 15 Triggered at 13000



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														
Year / 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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