



SG Capital Research

Global Market Insights

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**MS – SPECIAL REPORT**

## **Market Observation – Update ( FYI )**

*Big money and larger forces in Washington continues to show post election displeasure with day today reactions, hence political strength is overriding fundamentals and technical of the Market..*

*SPX has corrected almost 100 points from highs of 1470, out of which we avoided first pull back of 55 points managing the downside Risk as we approached our Net long CZ but the next 45 points decline has been the political hostage. Wednesday's trading, the presidential press conference 2.30 PM added more tax selling from fiscal cliff anticipation. Once the noise is finished "pricing in" the fiscal cliff event , the Market would swing the other way.*

*Mathematically speaking , under normal Market, 1395 was at very high probability for upside reversal point , (exactly how the GOLD behaved 2 weeks ago from 1675 to 1720 flip.) based all the matrix we have used for POM 13. Those pending Program buy order area @ 1395 skipped the trading on way down due to post election force should re ignite once we reverse back in trend towards 1395 and put fire powers under the market, but for now the negative sentiments may ignore this. .*

## **PRICE PATH PROJECTONS ,**

**# 1.-** We had several main SPX components ended the Trend up towards **SPX -1470 with 1.27 & 1.618** expansions within the CZ with Bullish top, particularly the Mid cap Index where we are overweigh in Net Long participation. The price contraction in such cases contract to **0.618 & 0.718** which targets to **CZ 1410-1425**, with positive VTO and Neutral bottom on PQV validation therefore triggering POM 13 for continuation move higher towards the Bullish top which acts like magnet.

But due to abrupt news driven triggers, the Projection has now extended to **1.27 / 1.618** which equates to **CZ 1360-1340**, all this is happening with +ve VTO in spite of 2 days of “climax volume” on two specific days, therefore we still appears to be in confined of false break & not new ABC down.

The current false breaks reversal has minimum upside target of **CZ 1400-1420** on way up once trend reverses. If volume picks up at that time, it shall begin new ABC up

### **Schematic chart 1 below expresses the thought process**

**# 2-** Another positive is , during this decline whiles SPX has extended 45 points , Several High Quality stocks we closely monitor , XHB ( Home builders) , MDY ( Mid cap), strongest IDX are now approaching the pullback CZ , satisfying its own CZ criteria for “scaling in” Net long position. These are having very minimum negligible drawdown. We let the pre planned process take care of its own in these specific Instruments. SPX / DOW has been more extended among Bullish IDX may be due to dividend tax structure impact.

For Portfolio's with Mid term – time frame Objectives, we were awaiting for this corrections. Now it is setting in and sentiment seem to getting Bearish making it tough buy .

**POTENTIAL POSSIBILITY of POM 12 - This shall constitute us to get “ Fully Long” as per objective**

*No doubt it is much easier to get POM 12 reading when POM 13 is false broken deep down in price.*

*Wednesdays Tick reading had the First hallmark of POM 12. Within a week we need another panic TICK like Wednesday with blow off ARMS Reading , We would prefer a puke point @ 2.0 ABCD projection*

**POM 12 Criteria**

1. – POM 13 to POM 12, Price Projection should be extended with **1.732/2.0** that targets **SPX - 1320** rejection . This results in immediate change of Trend.

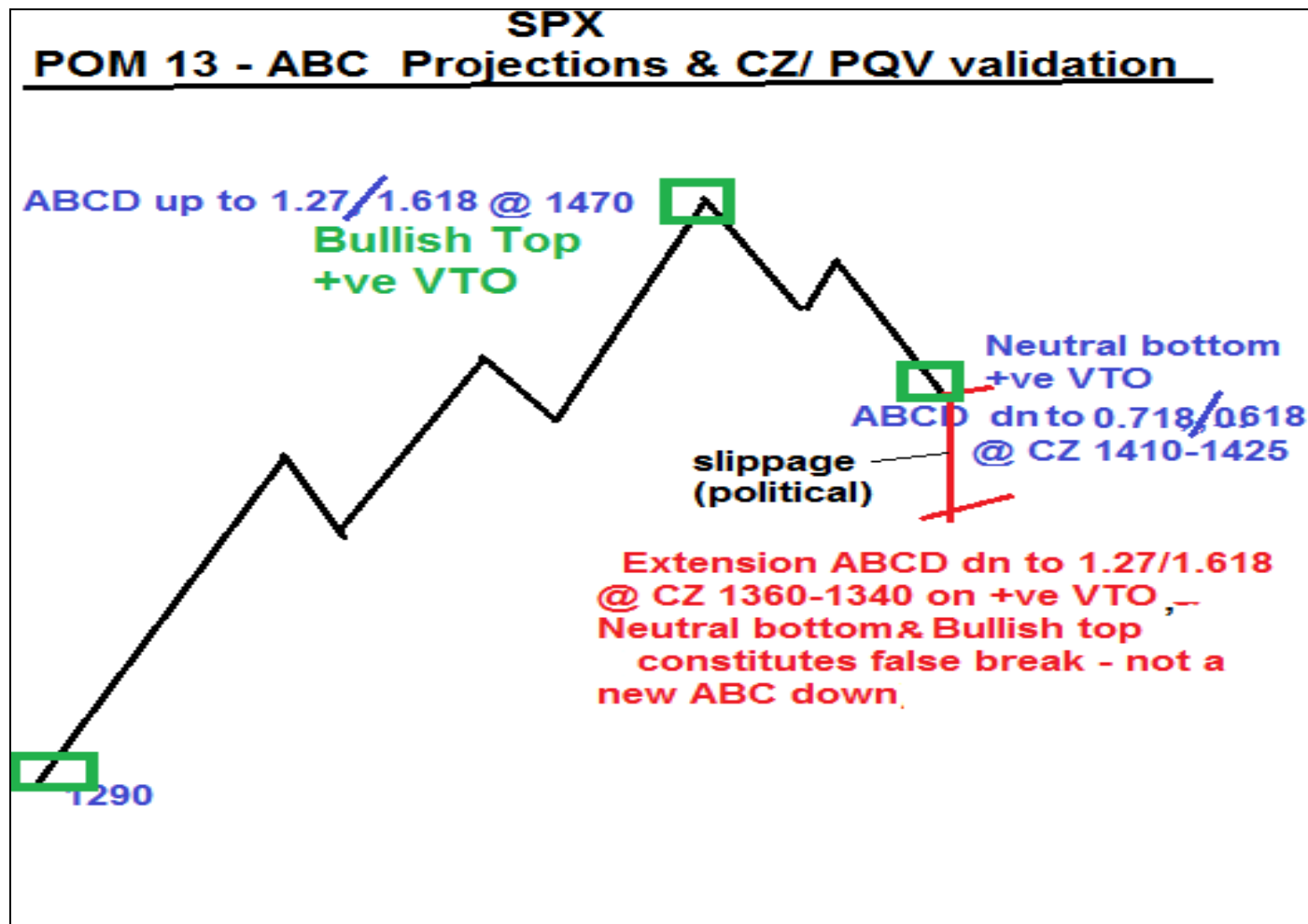
**Schematic chart 2 below expresses the thought process**

2. PQV – Validation should be on Bullish Bottom and +ve VTO , current volume numbers suggests we should retain the same texture on test of 1320
3. Put / Call Ratio – Should indicate extremes read – “ Buy when crying / Sell when yelling” Indicator”

## SPX – Current POM 13 - Criteria for Projection

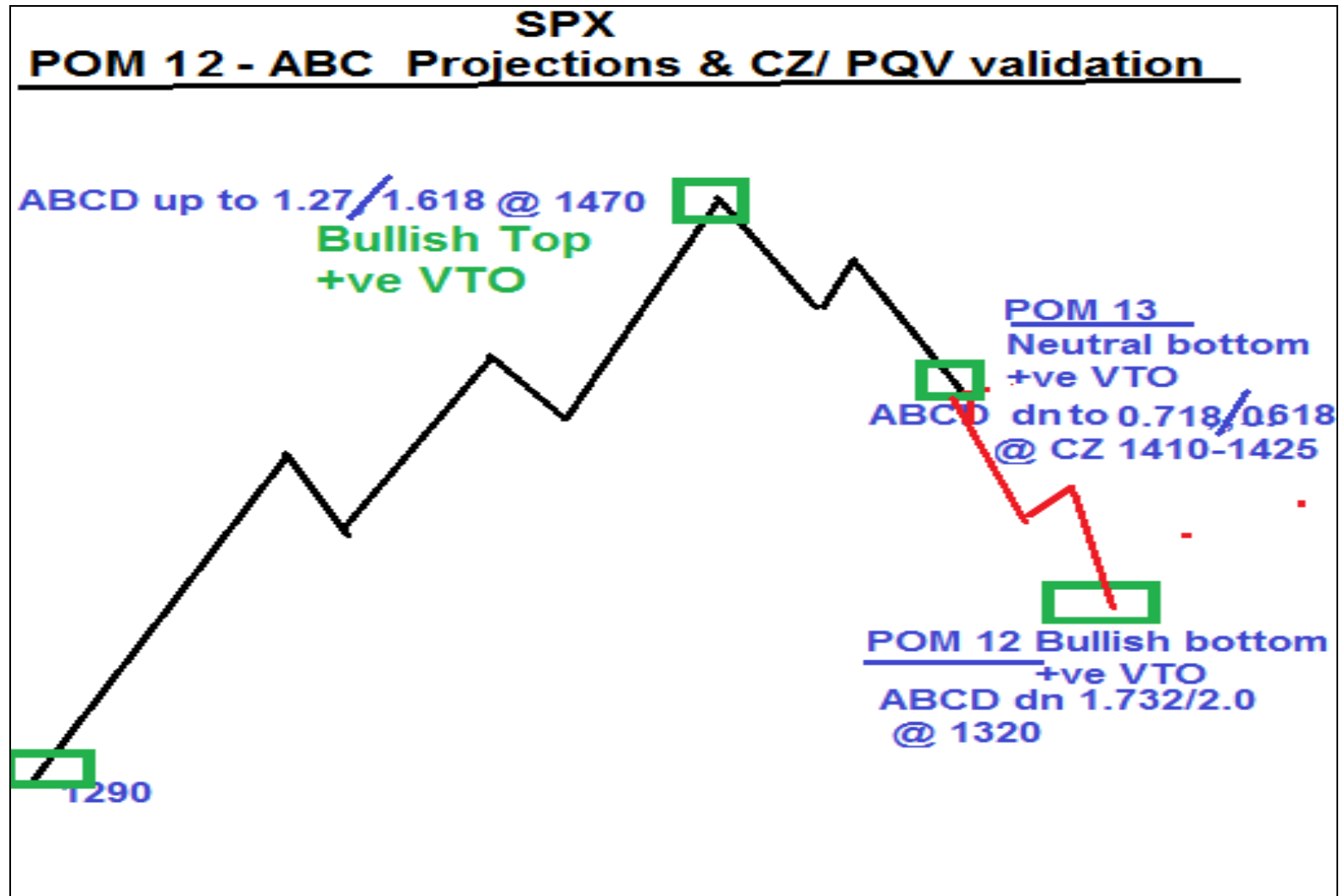
Review the price path ABCD/ CZ and PQV texture of current POM 13. & slippage.

**Academic Note** – Bullish top, with +ve VTO @ ABDC -1.27/1.618 Does not let us Net short this Market , we need Bearish top, -ve VTO , ABCD 1.41/ 2.0 Price expansion with Exhaustion pattern completion with PQV invalidation to get best reward. Therefore we hold cash to Buy the Pull back



## SPX – Potential POM 12 - Criteria for Projection

*Review the price path ABCD/ CZ and PQV texture of POM 12.*



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