



SG Capital Research

Global Market Insights

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MS –SPX MARKET STRATEGY REPORT (SP)

By : Suneil R. Pavse, E : apavse@aol.com

● Executive Summary.

	Current Price	Triggered POM or Main CZ - PQV	Trigger Announcement date	Triggered within CZ	Progress Status	Current Position	Action - New Position (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX (S & P 500)	1360	POM 13 Re run	10/15	@ 1422 Avg. mean	BULLISH	Net Long	NONE	CZ 1405-1415	CZ 1485-1500	Extended to False break to CZ 1360-1340		1. close the week by 1405 should set up the bottom. 2. Bounce back to CZ 1405-1415 , an opportunity to rebalance cost basis if SPX false starts.
GOLD	1722	POM 13 @ 1540	05/15	CZ 1540-1580	BULLISH	Net Long	NONE		CZ 1790-1820	CZ 1705-1675 (could be re rested)		Recycling position lowered cost basis on core position by 65 points Fr 1770 to 1705 Avg)
GLD (GOLD COR)	166	POM 13	05/15	CZ 150-154	BULLISH				CZ 173-176	CZ 166-164		Refer Gold Overview note (Cautioned on 9/17 @ 1770 for decline)
TLT (Bonds)	126.5	POM 14	5/21	CZ 125-124	CAUTION	Raised cash (or fully Hedged) on position entered at 111 -112	NONE	CZ 125-124 Reached ready for pull back	CZ 135-136	CZ 120-118	CZ 116-114	Best Risk reward Net Short at 136 or Net Long in CZ 116-114, whichever comes first

Note – This table to be applied in reference with notes, commentary, charts, Appendix within the Report.

- **SIGNALS. - Price Projection CZ , Trading / Investment Conclusion**

SPX – NET LONG

Brief Overview -

The pull back target within POM 13 – CZ is extended due to abrupt news driven triggers. The extended Projection to 1.27 / 1.618 which equates to CZ 1360-1340 on +ve VTO. therefore still appears to be within the confines of false break & not new ABC down.

This has given us the opportunity to “Scale in” various Bullish IDX’s entering its own CZ’s during the false break of this correction with minimum drawdowns. .

The current false breaks reversal has minimum upside target of CZ 1405-1415 once trend reverses. If volume picks up at that time, it shall begin new ABC up and the price path should continue to Mid term Target of 1485-1500

More of SPX on page 6 of this Report .

SPX - Remains Triggered POM 13 on 10/15, NET LONG within CZ 1410-1425, This signal completed POM 14 – Caution Triggered on 7/01 within CZ 1410- 1375.

<u>All subsequent commentary refers to CZ to CZ moves are for Risk Management.</u>
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- Weekly Change - SPX Close Price @ 1360 (- 1.45%)
- YTD Change - SPX – Closed @ 1257 / 1360 (+ 8.1% gains)

TLT (BONDS)- “CAUTION”

Brief Overview -

Currently bouncing back towards our upside **CZ 125-128**, should be failing for 5th time failure in that CZ for near term Top. This put upward pressure in stocks.

TLT's trading range between (120-125) continues for 5 months with No Net effect on price building cause.. In order for rally to continue, volume needs to pick up in CZ to negate Bearish Top to target 136, **Ideal place to get “Net short”**, this has not happened.

The downside **CZ 118-120**, has heavy bottom, eventually it be broken. Mid Term downside Target is at **CZ 116-114**. This is Target area for potential POM 13 to be triggered if PQV is validated. **Ideal place to get “Net long”** for one last rally before the 30 yr old Bull Market ends.

More of TLT in our Scheduled – US Broader IDX Report on Wednesday.

TLT - Remains Triggered POM 14- on 5/21 we initiated to raise cash (or Hedge) within CZ 125-124 , This signal completed POM 13 Triggered on 10/27 for Net Long within CZ 111-112 . All subsequent commentary refers to CZ to CZ moves are for Risk Management/ rebalancing overweight positions.
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- Weekly Change - TLT Close Price @ 126.5 (Flat)
- YTD Change - TLT – Closed @ 121.5 / 126.5 (+ 4%) gains

GOLD – “NET LONG”

Brief Overview

With DXY topping short term and heading lower, Gold should get some tailwinds. Overall DXY is finishing its ABC up at 82. The strong November seasonally rally hasn't kicked in yet.

Any pull back, our downside target is CZ 1700-1675 could be tested . This is a “ shake out “ CZ and has the tendencies of getting re tested. This has been new floor under Gold Market. The Mid term Upside target is CZ 1790-1820, till POM 14 is Triggered.

On 9/17 we announced Cautionary note at 1770 for pull back to 1705 is still in effect. We have recycled the ½ position exited at 1770 @ 1705 avg price.

GOLD - Remains Triggered POM 13 @ 1540- on 5/15 we initiated NET LONG within CZ 1540-1580, This signal completed POM 14 Triggered . On 2/6 for HEDGING within CZ 1790-1765. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

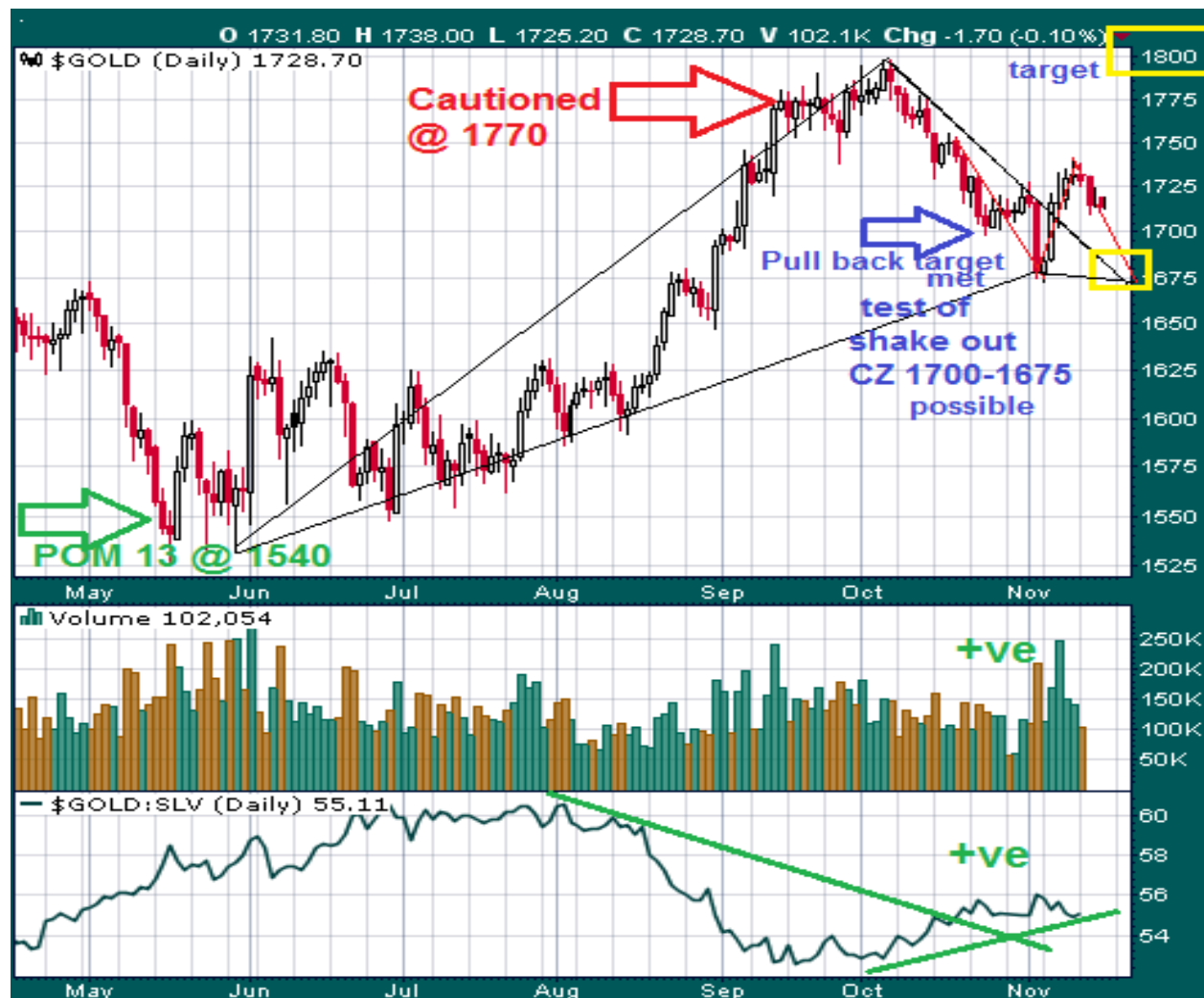
- Weekly Change – GOLD Close Price @ 1714 (-1.0%)
- YTD Change - GOLD – Closed @ 1554 / 1714 (+ 11%) gains

GOLD – CZ/ PEC- D Analysis – *Bullish* - with *ST Cautioned @ 1770*

- Texture - *BULLISH TOP & NEUTRAL BOTTOM*

Near Term Pull back – CZ – 1705-1675, the “shake out “ CZ area has tendencies of getting re tested.

UPSIDE – CZ 1790-1820



SPX – Market Overview

In our hourly work, on Friday, Several of our IDX key reversed and we got buy signals from our both E mini ABC Trend and Quarter-Hourly Line Break indicators 3x3 x9 EMA. Good sign the selling was getting exhausted. . Although some retesting of the lows is likely going into month-end (if we do not close the Month above 1405 on SPX) , the market appears to be poised for a strong rally into year-end. We are entering the Seasonally good time frame , although it could be different this time. The day after Thanks giving has 80% to be up day, rated as most profitable day in year.

The Fiscal Cliff “ tax selling to save on Capital gains “ having changed the price path in Short term. The cycle low due Tuesday +2 days , triggered on Thursday for lows. but bullish divergence against the various indices’ volume oscillators strongly points toward this market setting up a great buying opportunity. Everything is lining up for what could be a strong rally to from few extremes conditions based on POM 13 matrix. Some Mathematical Sentiment Indicators of Market Internals were at POM 12 level, heavily bearish last week.

The fact that we only retraced about 5/8ths of the rally from the June low. They are now the most bearish they have been since the bottom of Oct 2011 decline at SPX 1080. By overly-discounting the Fiscal Cliff, they could be setting themselves up for a huge reversal if and when Washington agree on averting that cliff.

On SPX , we see an extended period of bullish divergence as the price decline has not matched up with new lows in the Volume Oscillator. This strongly suggests that the smart money has been buying the dips.

For Investors with midterm timeframe and awaiting for this pull back , it is good opportunity for Net long at POM 13 (if not Fully Long at levels of POM 12) . If there is another false start in the next bounce, the professionals would use the opportunity to further lower cost basis on their core position.

We are overweight in Mid – Cap in particular, it has the best texture. On Friday, we got a reversal to the upside. showing great resiliency compared to the SPX.. This pattern usually has continuation upside. MidCaps have the Money flow show accumulation pattern which is a strong positive.

FEW OBSERVATIONS

In this correction , VIX did not rally as much as it should . This is very Bullish divergence.

Last weeks' lows has happened in face of Solar Eclipse and Lunar both coinciding along with PEC D's , Time & Price (see chart below in multiple indices) This is very very important lows . , We expect Market to rally into 28th November and perhaps go into New Month.

CONCLUSION

Several of our Bullish IDX are at pull back CZ Rejected the lows. DXY is finishing ABC up at 82 , its pull back should assist equity Market to rally. Internal Market Indicators continue to show positive divergence and extremes. We are more likely to be near a significant low here and we expect that the market will turn and trend upward

Our next step would be SPX Market close Monthly above 1405 to confirm weekly key reversal, . If not the bottoming process gets delayed with possibility of retest. All our Bullish IDX's are setting up very well in this correction.

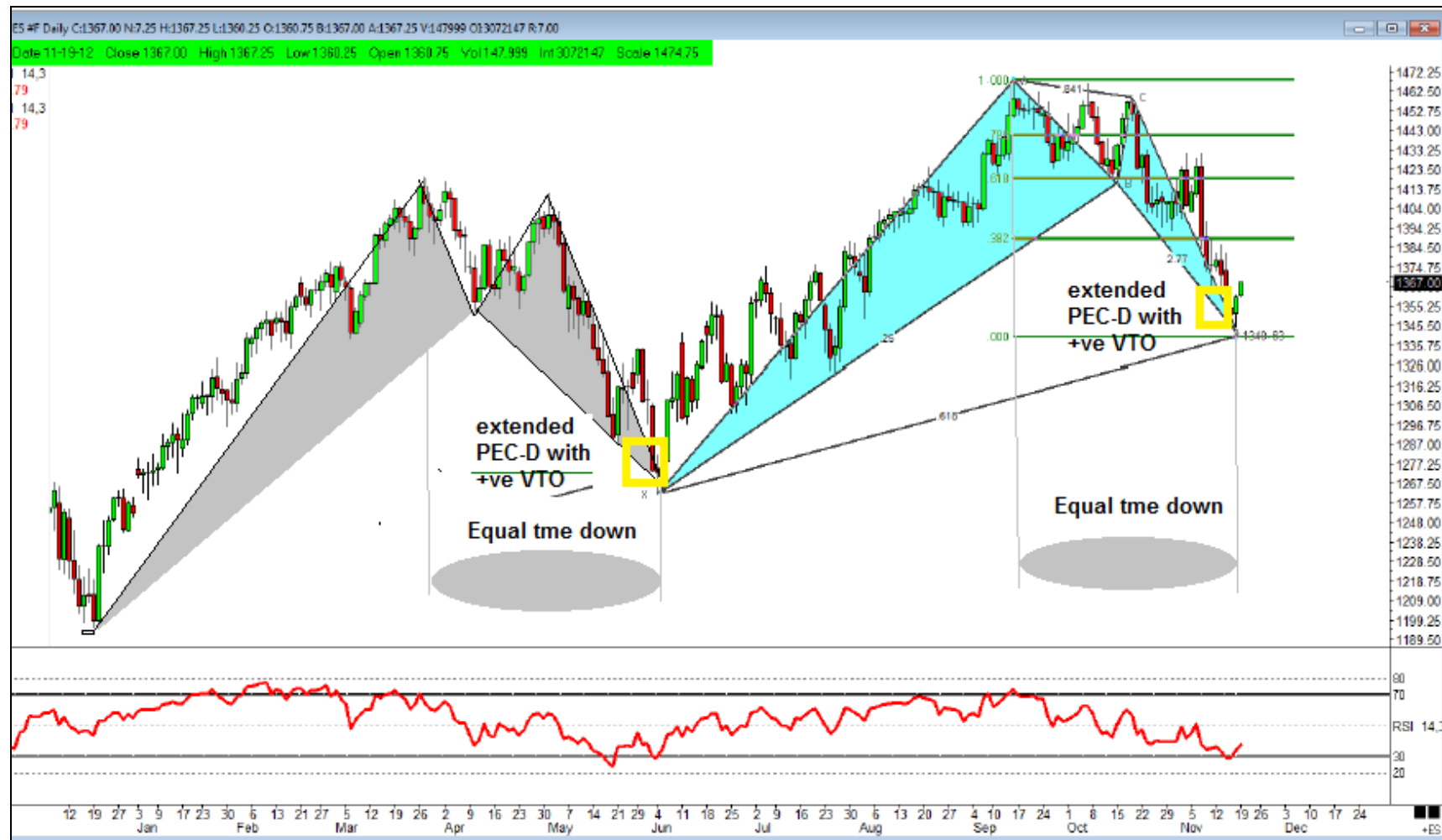
Bullish IDX's - Several High Quality stocks , XHB (Home builders) , MDY (Mid cap), SMH (Semi) , XLV (HLT), GOLD, FXI (CHINA), EWJ (JAPAN) , EWZ (BRAZIL), NGAS

ALERT - QQQQ is very oversold and should bounce substantially. XLF (Finn) Friday confirmed its test within the CZ . Copper **ALERTED** Last week in CZ for testing

SPX- PEC- D / CZ / POM 13 Analysis – NEAR TERM

On SPX , we see an extended bullish divergence as the price decline has not matched up with new lows in the Volume Oscillator. This strongly suggests that the smart money has been buying the dips. Price destruction beyond CZ is on increasing Money flow & accumulation.

There is Time / Price ratio on PEC-D . (Notes within the chart) .



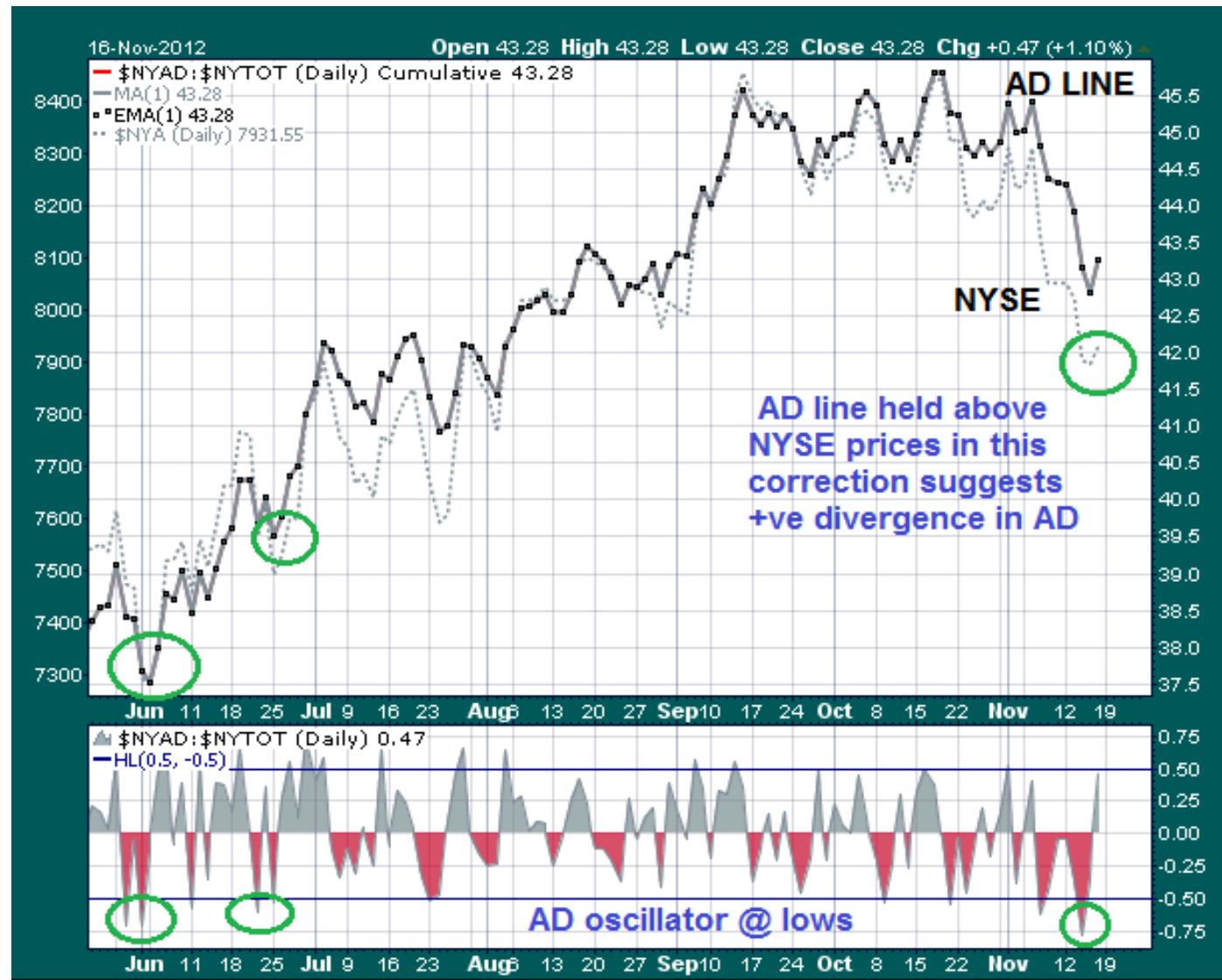
SPX- Market Internals – **NEAR TERM**

McClellan Oscillator at levels the market is near a short term low. 3D - TRIN & 5D – TICK to show Near term exhaustion.



NYSE / AD Oscillator Analysis

Notes within the chart on AD lines in this correction . . .



NYSE / PEC -D Analysis

NYSE – PEC-D Confirms with SPX & AD Lines . NYSE at significant point on Friday: we would see a rally here,



DXY – PEC-D / Wave Analysis - CRITICAL CHART

DXY – reached PEC-D with spike up Wave 5 , now the pull back should energize Risk on markets .

(Notes within chart)



SPX – Cyclical Model

- **SPX - Seasonality / Election Model -**
- Lows on October Month end on 29th
- **SPX - Geomagnetic / Lunar Cyclic Model**

Lunar Model suggests turn on Nov 13th – New Moon., turn delayed by +2 days .

- **SPX - Sentiments Model**

AAll Weekly Sentiment Survey is turning more BEARISH every week

- **The EURO – Future Model Forecast,-**

By this Model, lows by 30th Oct and then rally back year end . Then Correction in February then rally in May .
The larger decline post May 2014 by EURO Future Model.

SPX – Internals Model

EXTREME READINGS - PUT CALL, TICK, ARMS, AD Oscillator, Ratio's,

Appendix Content

- **2012 YTD – SPX - Position Summary**
- **Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure**
- **Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure**
- **POM – “ Price Oscillation Model “ Criteria**
- **PEC –D “ Pythagoras – Expansion & Contraction Criteria**
- **CZ- Confluence Zone Criteria**
- **TEXTURES – Bullish , Bearish , Neutral**

- **OUR SPX POSITIONS 2012 (FYI)**

- 1) Triggered - POM 14 – HEDGE(Raise Cash) in CZ (1410-1375) , initiated dated 7/19
- 2) CLOSED – NET LONG from POM 13 @ 1300 (6/19 & 6/20) to POM 14 – 1375 (CZ 1410-1375) , a 75 point rally
- 3) CLOSED - 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 Our Model in conservatively took profit on NET SHORT Positions in first half of decline.. 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
- 4) CLOSED - Thereafter since 5/09 – email Alert – SPX from CZ 1355-1345 till CZ 1290-1310 we have remained Fully hedged / Cash position with POM 14 Rating (using each portfolio Objectives for rebalancing) Till POM 13 was triggered.

(42) - INSTRUEMNTS COVERAGE SUMMARY

Re - STRATEGY & PROP ANALYSIS with – POM, CZ, PEC-D, PQV

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GR 1 (13+2) Coverage in MS	GR 2 (9 +4) Coverage in SECTORS	GR 3 (8+1) Coverage in COMMODITY	GR 4 (5) Coverage in CURRENCY
<u>US BROADER IDX</u> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <u>BOND IDX</u> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <u>GLOBAL IDX</u> <ul style="list-style-type: none"> • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP <p>SP - Special situation</p>	<u>SECTORS IDX</u> <ul style="list-style-type: none"> • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) • XLU (Utility) SP • RTH (Retail) - SP) • SMH (Sem.) SP • BBH (Biotech) SP 	<u>COMMODITY IDX</u> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDX (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP 	<u>CURRENCY</u> <ul style="list-style-type: none"> • USD / DXY • EUR/USD • AUD/ USD • USD/JPY • GBP/ USD

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)

Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci streams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D

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