



Date : 26th Nov 2012 (**Monday**)

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)	1410	POM 13 Re run	10/15	@ 1422 Avg. mean	BULLISH	Net Long	CZ 1405-1415 Pre announced, Potential CZ to rebalance Overweight / excess position	CZ 1405-1415 – Met on Friday , close under 1405 should initiate ST Pull back	CZ 1485-1500	CZ 1360-1340 Possible test of lows if Nov Month does not close above 1405		1. close the Month above 1405 should set up good bottom. 2. Recycling the overweight position Can lower cost basis on Core position.
GOLD	1752	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 (Re – entered @ 1705 avg , avoiding 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 Met , the pull back is in progress	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

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

SPX – NET LONG

Brief Overview -

The rally off the Bottom from extended false break @1.27 / 1.618 = CZ 1360-1340 (with non- validated PQV & +ve VTO, proved it merit as anticipated in last week's Monday Report. This offered great opportunity for accumulated smart money for rally.

The Projected pre announced upside target of CZ 1405-1415 is Met. Currently it is testing the CZ, If volume drops and SPX closes below 1405, we should initiate a Short term pullback. If pre positioned in CZ , it could be potential spot to rebalance excess overweight position. For pull back projection on ST, Analytics on this Monday's volume is critical

Closing the November Month above 1405 , would be great indication of the price path to continue to Mid term Target of 1485-1500 , ABC up

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.

All subsequent commentary refers to CZ to CZ moves are for Risk Management.

- Weekly Change - SPX Close Price @ 1410 (+3.6%)
- YTD Change - SPX – Closed @ 1257 / 1410 (+ 12.1% gains)

TLT (BONDS) - **“CAUTION”**

Brief Overview -

As anticipated in last week, the upside **CZ 128-125 failed in CZ for 5th time**. The pull back initiated and has put upward pressure in stock rally last week .

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.

- Weekly Change - TLT Close Price @ 124 (-2.0%)
- YTD Change - TLT – Closed @ 121.5 / 124 (+ 2%) gains

GOLD – “NET LONG”

Brief Overview

GOLD had great rally last week. In last Monday Report , we demonstrated DXY topping short term finishing its ABC up at 82. and heading lower which put in tailwinds in GOLD. It was a meaning full legup in Gold

Secondly, the lows on 2nd November @ 1700 has resulted in great seasonally rally in November . On any pull back, the downside floor is the “ shake out “ CZ 1705-1675 could be tested.

POM 13 @ 1540 is in progress for Upside ABC to CZ1790-1820. .

We have recycled the ½ position exited at 1770 @ re- entry 1705 avg has enabled us to reduce cost basis further on core position from 1540 price. .

More of GOLD in our Scheduled – Currency Report on Wednesday.

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 @ 1752 (+2.0%)
- YTD Change - GOLD – Closed @ 1554 / 1752 (+ 13%) gains

SPX – Market Overview

SPX met , the Projected CZ 1405 – 1415 (our initial price target), the Volume at CZ is critical for measuring the ST pull back. A brief pullback here is needed to reset for the next push upward. This week we are looking for it , followed by trend reversal on EMINI short term Trend indicator. Trigger could very well be “ Fiscal cliff”

However, Decline in DXY, which we recognized last week as topping a diagonal triangle has more to go on the downside but a countertrend bounce would trigger a pullback in equities. But, that would be setting up another reversal within the overall uptrend in Equities.

Thus far, the rally, 5 days old, has been impressive. Day 2 of the rally saw A/D oscillator ratio of 8 to 1. The last time it experienced more than 6 to 1 was back on June 6th which came only 3- trading sessions off of the June lows marking the kickoff of an impressive rally that lasted until mid-September. This time certainly would not surprise us to see an rally to take hold after the pull back.

The internals within the market have greatly improved over the course of the last week. Breadth had been diverging bullishly and kept pace with the rally in price last week, an indication that the underlying trend remains bullish for now

If we close the Month of November above 1405 on SPX , the market would set up a continued rally into year-end. We are entering the Seasonally good time frame , First, the positive Month end and Second , December has 75% of probability of closing higher. Although it could be different this time.

The Full Moon is due on the 28th (Wednesday). While the last Lunar change was in effect within + 2 days, this year the series of changes-in-trend on moon phase has been when SPX is at CZ triggers, so if the market is retracing its gains going into the Full Moon, it may reverse course back into rally mode. Hopefully, we could get a sharp retracement which allows “ INVERSION Cycle” for repositioning if required. .

Taking the position in the direction of Trend is certainly less stressful. The Countertrend moves can be very profitable, but constant monitoring and concentrated quick fingers can be good for professional desks. For Mid term Investors, the surprise moves could be in the direction of the trend.

At the lows of next retracement, SPX would allow bears to re-sell and get short just in time for the next big leg up. The Goal of the market can be surely to cleaned up early Bears before the next larger bear decline can get underway, tempting them to Sell the rallies for now. .

We are overweight in Mid – Cap, it had the most powerful rally of the bottom without going much below the pull back CZ in the correction, while SPX got the headline attention during false break. .

Featuring MID Caps being the best proxy with MC – Oscillator, We have 3 extra chart below for extra information indicates the 2007 and 2011 market tops.

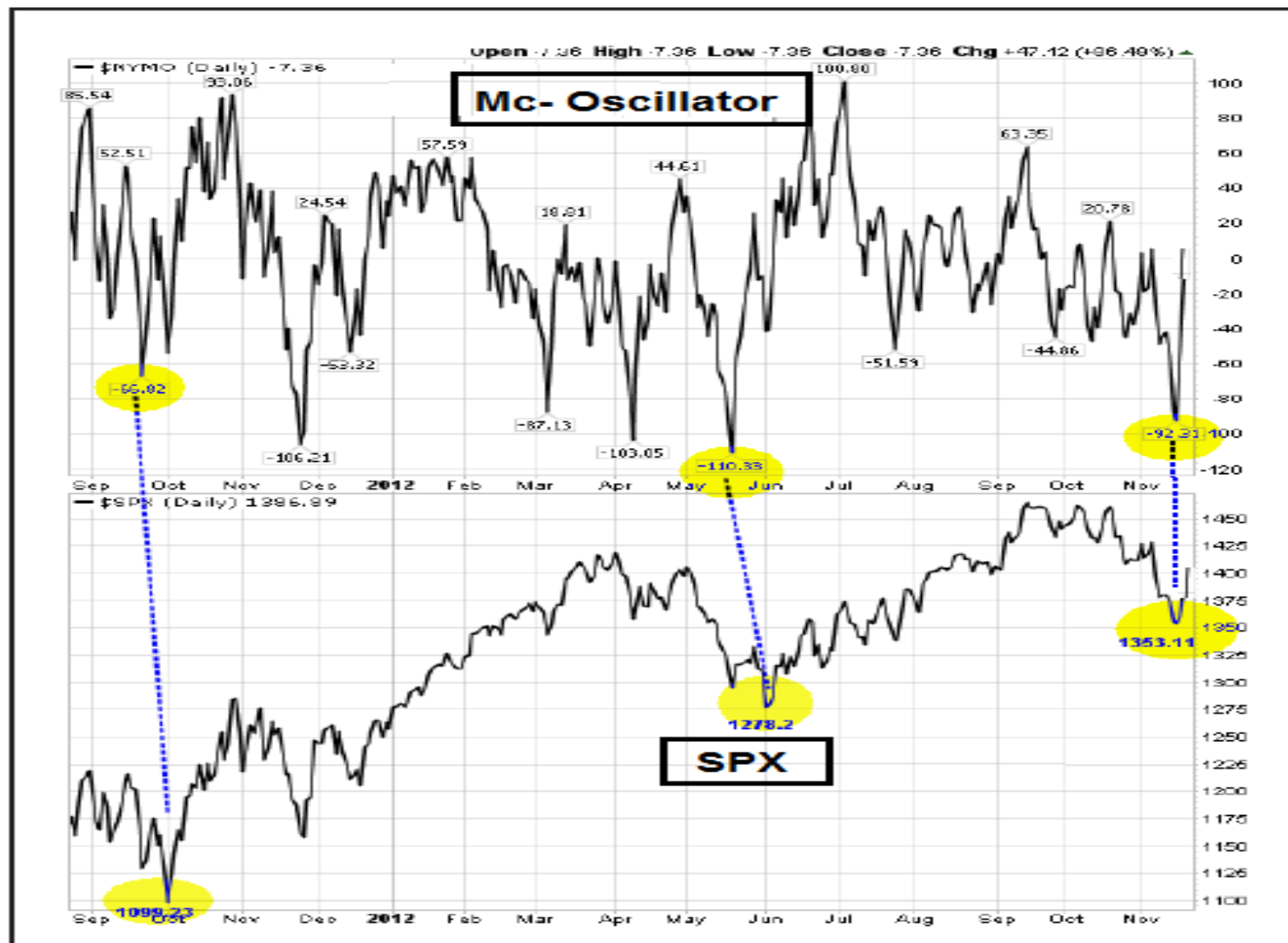
SPX- CZ / POM 13 – Mc Oscillator Analysis – **NEAR TERM**

NEAR TERM - The big rally pushed the Ratio-Adjusted McClellan Oscillator- RAMO for the SPX to levels of Short term extremes which have marked short term peaks, ESPECIALLY Market is at CZ – Target reached.



SPX- CZ / POM 13 – Mc Oscillator Analysis – **MID TERM**

MID TERM - *The NYMO jumped from -92 to the current reading of -7 almost into positive territory. This strong surge provides clue that the rally can continue. The previous extreme reading at lows at -110 in May 2012 and at -66.82 in September 2011.*



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

PEC-D @ 1407 & 1412 is reached on upside target. .



DXY – PEC-D / Wave Analysis - CRITICAL CHART

DXY – reached WAVE 5 & Sold off with spike. Any bounce should result in Short term pull back in Equities followed by decline in DXY to the bottom of the WAVE 2, that could initiate next rally in Equity



NYSE / WAVE – A-B-C-D-E Analysis

As seen in the chart, we need one more leg up to finish a diagonal triangle pattern in the NYSE. WAVE-E, could be the final wave up within a rising diagonal triangle. New highs are likely, followed by a collapse to the base of the pattern at the 2011 lows.



MID CAP- CZ / POM 13 – Mc Oscillator Analysis – **NEAR TERM**

MidCaps continue to lead the market higher as it comes off a bullish accumulation pattern at the last low. And, the extremely strong bullish divergence on the volume oscillator nailed the entry.



MID CAP- CZ / POM 13 – Money flow – HOURLY

MidCaps Money flow hit new highs during the rally, (indicated in chart below)



MID CAP- Mc Oscillator Analysis – 2007 – TOP

2007 Tops - McClellan RASI (Ratio-Adjusted Summation Index) tends to form a divergent peak below the 500 level at tops. We took a look at the 2007 and 2011 tops for the MidCaps and that's exactly what we did see at those tops **BELOW**.



MID CAP- Mc Oscillator Analysis – 2011 – TOP

2011 Top - (Ratio-Adjusted Summation Index, divergent peak below the 500 level at tops.



MID CAP- Mc Oscillator Analysis – **CURRENT – TOP**

With the RASI for the MidCaps having formed its last peak above 750, this indicator says it's too early for the Bears.



SPX – Cyclical Model

- SPX - Seasonality / Election Model -

- Lows on October Month end on 29th , End of the Month November positive cycle and December , Positive Month.

- SPX - Geomagnetic / Lunar Cyclic Model

Lunar Model suggests turn on Nov 28th – Full Moon., +2 days .

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is BEARISH but turning towards Neutral bias 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

NON - 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) - INSTRUMENTS COVERAGE SUMMARY

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

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
<p><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p><u>GLOBAL IDX</u></p> <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>	<p><u>SECTORS IDX</u></p> <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 	<p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDV (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP 	<p><u>CURRENCY</u></p> <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 steams 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

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.