



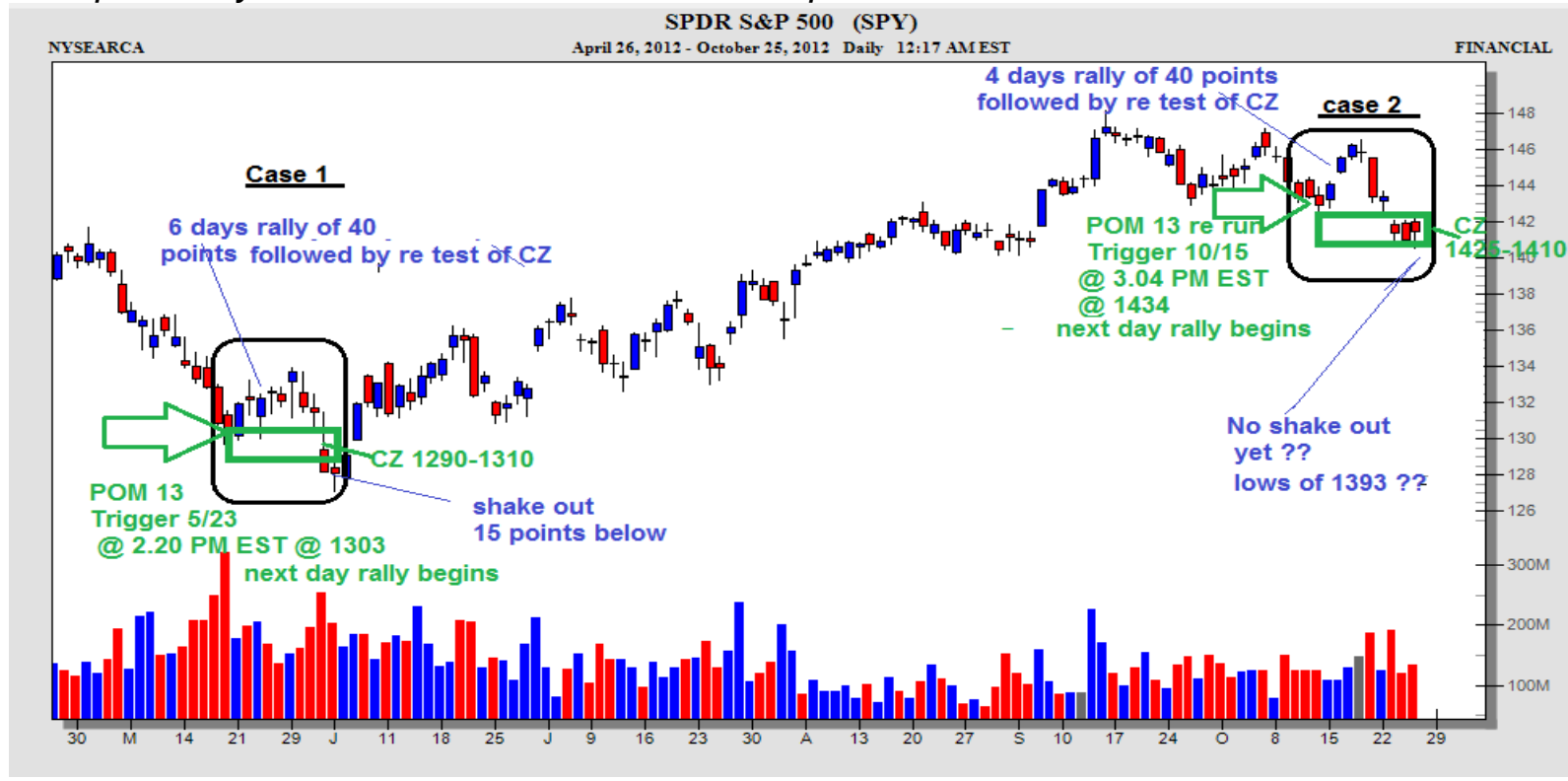
Date : 24<sup>nd</sup> Oct 2012 ( *Wednesday* )

**MS – SPECIAL REPORT**

## SPX – Comparison - POM 13 on 5/23 v/s 10/15

### Case (1) v/s Case (2) – Typical Price path at POM 13

POM 13 Re run Triggered at 1435 SPX on 10/15 @ 3.04 PM , post lunch EST for initial entry, followed by 4 days of profitable rally for “ Traders ” then Re- test into CZ for balance position to “ scaling in ” within CZ 1425-1410. with possibility of Shake out of Bulls or Bear Trap.



## Market Observation – Update ( FYI)

### Status –

We are operating with cost basis of 1422 SPX Handle ( mean price) with our strategy\_. SPX Currently at 1413. As indicated in above chart we waited patiently for Re tests and refrained from “chasing” any upside based on historic price behavior pattern at POM 13

Like wise on Gold we witnessed – CZ 1720-1690 Re testing, smash into CZ lows 1695 then rally to 1718 and back down to 1703 this AM in Asia)

### Thursday's Trading,

Volume imbalances in CZ continues to increase. Certainly Earning Season and Elections is unsettling it. But the MidCaps continues to be very strong compared to SPX that's always a great indication that the market is gearing up for a run to the upside.

The Full Moon on Monday , Cycle low is Tuesday these are usually good dates for market turn. Once the low is in — and assuming we are right within 15 points of it . The rally could cover some serious ground once it does break loose

One thing is clear: the market is trying its best to base . Once it does, there are going to be a lot of bears who are going to be forced to buy as prices rise. Bears are proclaiming their day has finally arrived and short the break below 1400 SPX and Bulls are waiting for Bells to ring that bottom tick has arrived which they will find out & Buy at when SPX is above 1480 SPX

**Opinion Sentiments** - The sentiment surveys are showing about as many bears now as at the June lows and the market exploded higher off that low this is great plus. Opinion Sentiments - this week's AAll survey shows bears at 43%, bulls at 29% and neutral at 27%.

## **Mathematical Sentiments –**

1. CBOE index options traders \$\$ weighted PUT / CALL are turning bullish 70 %. The latter tend to be more in tune with Institutional behavior in underlying trend than the individual investors, who tend to over react the negative price drop and turn bearish just before big rallies.
2. The second Math based Sentiment Indicator is VIX – PUT / CALL Ratio which has been Neutral .
3. The Third Math based Sentiment Indicator is TRIN & TICK derivative reading.

## **Can Expect next ?**

We are looking for intraday day shake out of CZ 1425 – 1410 similar to Case 2, Remain at Mean Buy Price of 1422 –SPX,

Shake out would be followed by a rejection in price followed by some back filling which should continue till the end of the Month to complete the bottoming process once we Close **above 1425 this week** .

It's not likely that the market will have put in a V-bottom ( although a possibility) . It's more likely that we are going to see a few days of sideways trade before the launch of the next trend higher. But, we are definitely seeing Indicators of a bottom forming.

Anything can happen in the Market, especially when Big Money Election can move the market both way, the POM 13 Re run is never as strong as POM 12 or POM 13 signal which we had the opportunity to capitalize earlier in the year. We just make best efforts to read the indicators

## **FOMC meeting Notes this week**

FOMC – QE-3 remains in place through mid-2015 to support housing and housing related Equity through 2015. The following Charts Indicates Junk Bond & 10 yr ( JNK & TLT) / SPY Ratios divergence on Market turns since QE has began. ( Refer chart below)

# SPX – TRIN & PUT CALL RATIO Analysis (Market Internals)

## Mathematical Sentiments

TRIN Oscillator - On 4 day basis is at Bullish 7.00

\$ Based PUT CALL - On 4 day basis is at Bullish 0.82 & Mc Clellan Oscillator - (-200 diverging Bullishly)



# BOND v/s SPX Analysis

Notes within the charts



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