



SG Capital Research

Global Market Insights

**Research Note – MS – SPX Market Strategy Report**

**MAEG- MS\_SPX\_MARKET STRATEGY REPORT A#1 SG 2012 # OCT\_01**

**For – Immediate Release – *Monday***

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**MS – SPX – Report - Coverage**

***1. Executive Summary***

- *SPX, GOLD, TLT, Signal.*
- *POM, Price Projection CZ , Summary – Trading / Investment Conclusion.*

***2. Market Overview Commentary***

***3. Chart Analysis***

# • 1- Executive Summary

## SIGNALS. - POM, Price Projection CZ , Trading / Investment Conclusion

SPX – Remains Triggered at POM 14 - within CZ 1410-1375 – ‘**CAUTION**’

Midterm- on 10/04/2010, at POM 12- CZ 1080-1100, we initiated FULLY LONG Signal .

All subsequent commentary refers to POM 13 to POM 14 moves within the NET LONG / HEDGING stance. CZ to CZ moves for Risk Management.

### NEW POSITION – WATCH FOR TRIGGER & ALERT ANNOUNCEMENT

The pull back in SPX into CZ 1425-1410 , for successful test.

### Triggered Action

Announced POM 14 on 7/19, when we advised commencement of HEDGING (or Raise Cash) within CZ 1375-1410 . POM 14 to continue till we advise otherwise. This signal completed the previous POM 13 that was triggered on 5/21 for Net long positions within CZ 1290-1310

POM 14 is sideways phase for Hedging (or raising cash) . We wait for POM 15 to initiate Net Short. Currently neither the “Momentum round Top” nor “Tertiary Triangulation Test” is complete. Upon completion of the pattern, **our Midterm expectation is break downwards.**

### Projected Target

UPSIDE – Target is POM 15 - at around 1485-1500 .

NEAR TERM – Existing positions should continue to remain Hedged ( or Cash). Downside Target CZ 1425-1410 . .

MID TERM – Expectation is Downside to CZ 1310-1280 . , provided the POM 15 is triggered at the top of the range

## **PLAN A** – **TRIGGER TO WATCH & ALERT ANNOUNCEMENT**

Successful test of **CZ 1425-1410** would trigger POM 13 Re run –back to Net Long position for continuation move higher to target **1485-1500**. **This move higher should be short term final momentum run before the larger decline**

### **Brief Commentary on Price path**

**CZ 1425-1410** , is the area of Price breakout @ 1425 and 1410 being the “ Thrust” Apex of triangulation should be tested successfully to build floor in anticipation of Momentum Indicator. This would kick off . WAVE 1-2-3-4-5- with 3x3x3 / 9 EMA process for rounded top to move higher into positive seasonality / election rally.

If CZ 1425-1410 triggers, we shall rebalance our previous POM 14 – Hedges to re position us Net Long - POM 13 Re Run.

## **PLAN B** – The “Post POM 14 is **CAUTIOUS** phase

**During the test of CZ 1425-1410, if volume expands or SPX jump the price Creek below 1400 with pattern failure, it would diminish the ability of Momentum Indicators to reignite. .**

The Terminal Process/ Tertiary Triangulation was left incomplete during post QE-3 price moves. POM 15 – NET SHORT Triggers tends to be a Significant Top and result in much larger correction. .

**More details in our - Market Commentary below**

## **GOLD – Remains Triggered at POM 13 @ 1540 within CZ 1540 -1580 – “NET LONG”**

Mid term - on 02/05/2010, at POM 12- CZ 1125-1075, we initiated FULLY LONG Signal for a Long term target of 2150

All subsequent commentary refers to POM 13 to POM 14 moves within the NET LONG stance. CZ to CZ moves for Risk Management.

### **NEW POSITION - NONE**

#### **Triggered - Action**

We advise POM 13 on remaining ½ Net long position to continue till we advise otherwise. POM 13 is rally up phase triggered 5/15 at 1540 for commencement of NET LONG position within CZ 1540-1580.

Announced ALERT - on 9/17, to Exit ½ Position in GOLD @ 1770 as Risk Management move. Hold the remaining ½ Net long position till POM 14 Target.

#### **Projected Target**

NEAR TERM – Our Target Downside pull back to CZ 1690-1675 ( PEC-D @ 1695)

MID TERM – Our **target is CZ 1790-1820** for POM 14. Existing ½ positions continue to remain NET LONG till next POM 14 is Triggered .

#### **Brief Commentary on Price path**

In the current GOLD rally, the price of 1770,( PEC-D) showed -ve divergence. We would not like to overweigh Gold. The multiple Bullish Tops at ABC's causes shallow Retracement . We'd continue to maintain with a core exposure to gold. The floor for pull back is CZ 1690 -1675 with PEC-D's @ 1695. October seasonality is weak followed by strongest Month November. .

**More details on Price path in our - Wednesday's Commodity Report.**

## **TLT ( BONDS)– Remains Triggered at POM 14 within CZ 125-124 – “CAUTION”**

Midterm - On 01/21/2011, at POM 12- CZ 89-91, we initiated FULLY LONG position for a Target to 136

All subsequent commentary refers to POM 13 to POM 14 moves within the NET LONG / HEDGING stance . CZ to CZ moves for Risk Management.

### **NEW POSITION – NONE**

#### **Triggered Action**

Announced POM 14 on 5/21, when we advised commencement of HEDGING (or raise Cash) in CZ 125-124 . POM 14 to continue till we advise otherwise. This signal completed the previous POM 13 that was triggered on 10/27 in - CZ 111-112 for Net long positions

POM 14 is sideways phase for Hedging ( raising Cash) . We wait for POM 15 to initiate Net Short. Currently the Tertiary Triangulation Test or Terminal Process are both incomplete. POM 14 can break either way, **our Mid term expectation is break downwards. .**

#### **Projected Target**

UPSIDE – Capped into CZ – 125-128 . .

NEAR TERM –Downside Target CZ 120-118

MID TERM – Existing positions continue to remain Hedged( or Cash). Downside to CZ 116-114.

#### **Brief Commentary on Price path**

TLT is bouncing back towards our upside CZ 125-128. This has been heavy top 4<sup>th</sup> time failure. Earlier it set up a heavy bottom at CZ 118-120, which eventually will be broken on downside. Our Mid Term Target of CZ 116-114 is intact. This is eventual Target area for POM 13 to be triggered if PQV is validated.



## **SPX – Market Overview Commentary**

- Weekly Change - SPX Closed @ 1440 ( -1.37% )
- YTD Change - SPX – Closed @ 1257 / 1440 ( + 14.5 % gains)

*Till SPX enters either CZ 1425-1410 successfully – OR - Conversely SPX moves towards POM 15, this market should be boring !! for any actionable ideas to get best Risk / Reward.*

***Last week** - SPX pulled back as expected in our price path from 1465 level to the lows of 1428. But did not quite test our CZ 1425-1410, therefore we did not trigger any signal.*

### **This week -**

*The key point is the PQV Validation in CZ 1425-1410. As per tentative Time line, we expect to see the index form a seasonal low within next 4-5 days and rally to begin towards previous highs 1480 going into late October. The acceleration upside may suggest the Market could enter into a blow off type advance if Momentum Indicators kicks in.*

### **EURO – COT**

*This Model has lows marked for 4<sup>th</sup> October. EURO – COT has price path of Momentum Indicator in WAVE 1-2-3-4-5 , SPX could move in sync with EURO – COT on that top.*

### **Investor Sentiment.**

*Continues to be at low levels of fear and high levels of complacency. Past week ,The Consensus- Sentiment Index (73% bullish), Market Vane Index (69% bullish). For the SHORT TERM, Most of the Momentum rally take place on high Bullish sentiments.*

**. MARKET INTERNALS in 2<sup>ND</sup> / 3<sup>rd</sup> derivative interpretations**

**EXTREME READINGS**

AD Oscillator, Ratio's, VIX, TRIN / VIX Ratio

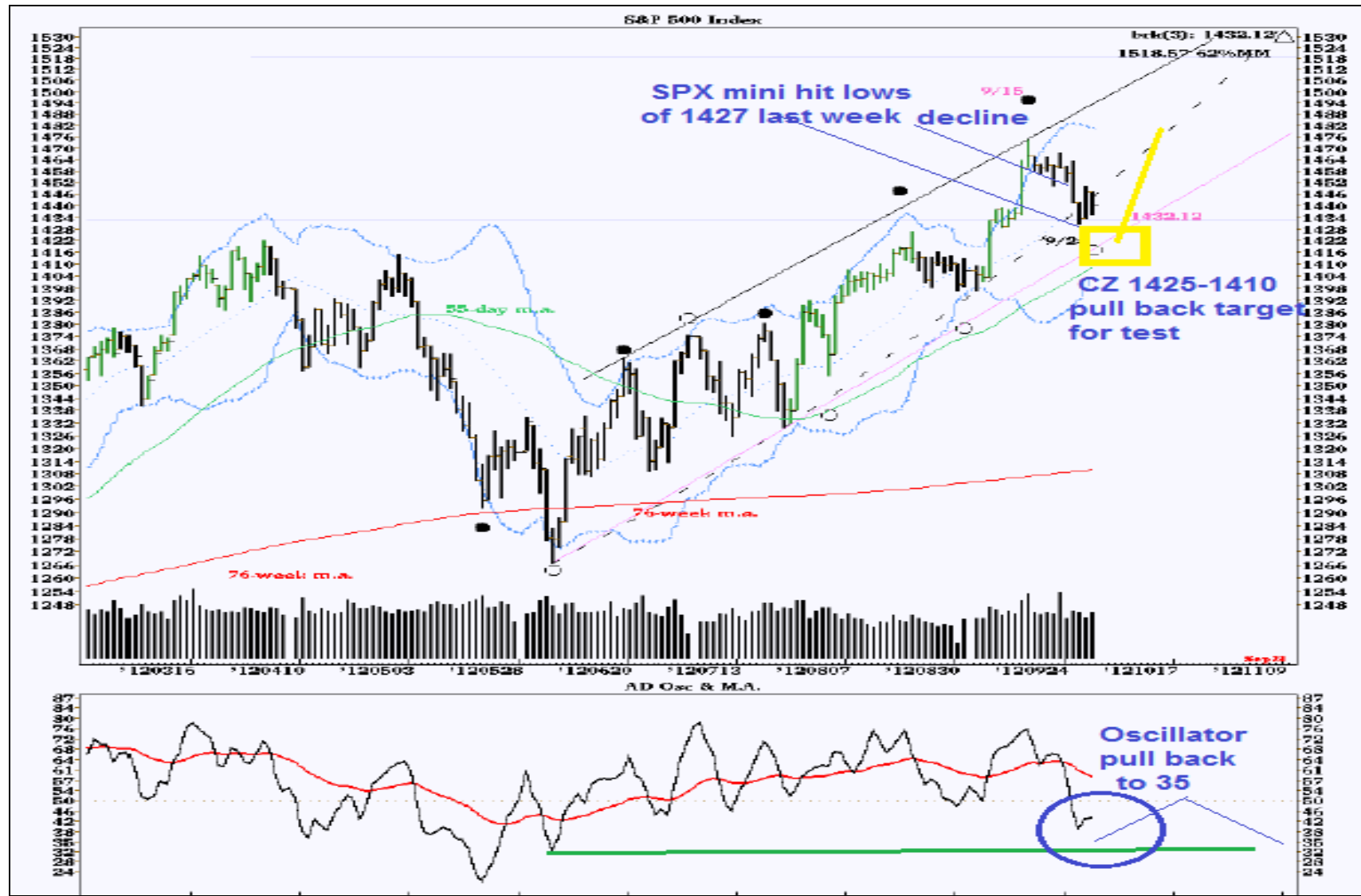
**NOT -EXTREME READINGS**

PUT CALL, TICK TRIN, ARMS



# SPX- CZ / POM 15 Analysis – NEAR TERM

. Last week's decline is approaching our Pull back CZ 1425-1410, Oscillator to approach 35 during PQV Validation. ( Notes within the chart.



# SPX- CZ / POM 15 Analysis – **NEAR TERM**

*Pull back PEC-D is at 1420*



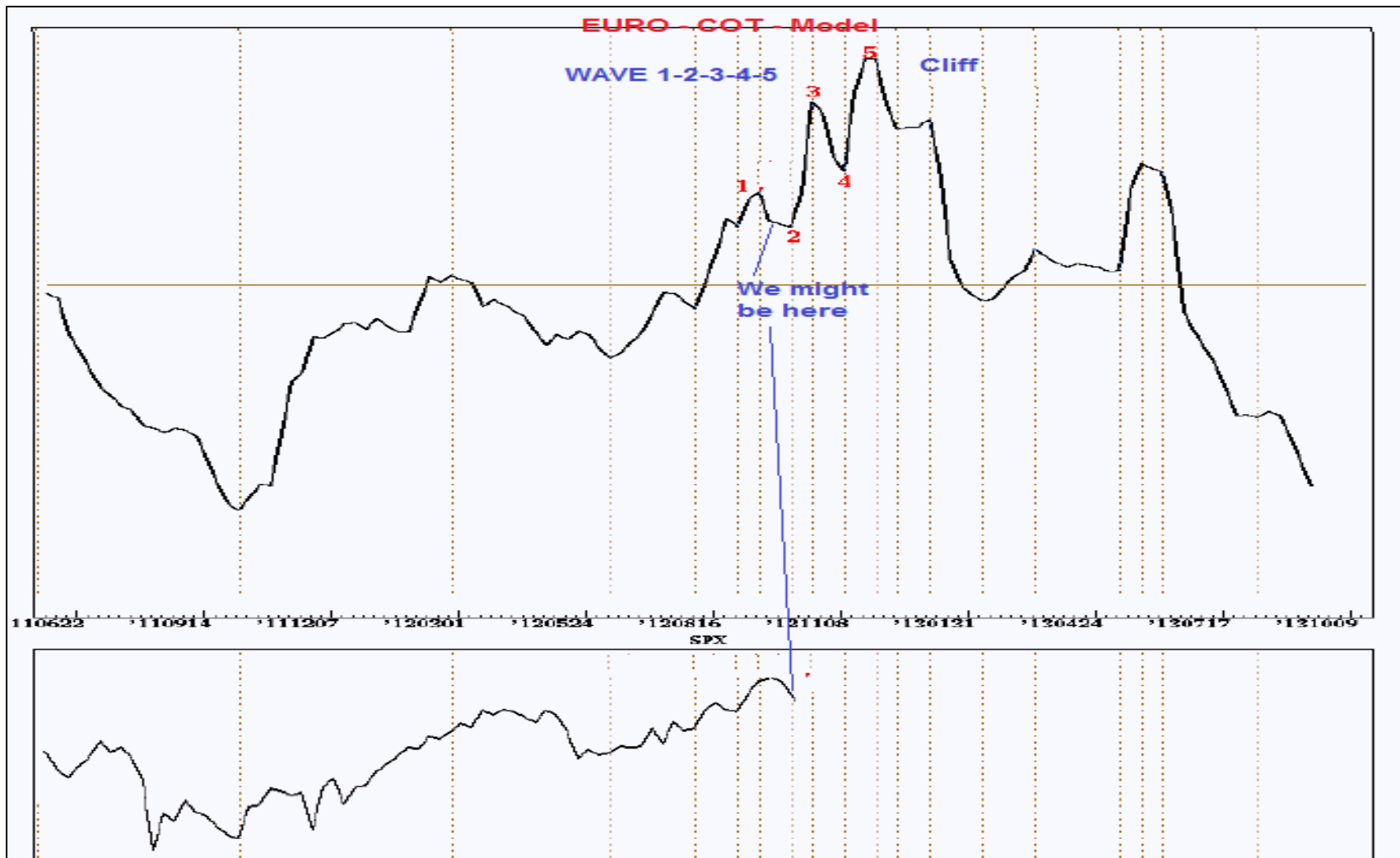
# SPX- Price path – Momentum Top - **NEAR TERM**

Near Term, this Model suggests, the Momentum Indicators Wave 1-2-3-4-5 with 3x3x3/ 9EMA should kick in, after brief pull back. SPX could be at point 2 prices currently . The end of the Projection to **E 5 for 1485- 1500**



# SPX- EURO – COT Model - **NEAR TERM**

Near Term, EURO – COT is tracking the Momentum Indicators Wave 1-2-3-4-5 price path ( notes within the chart) .



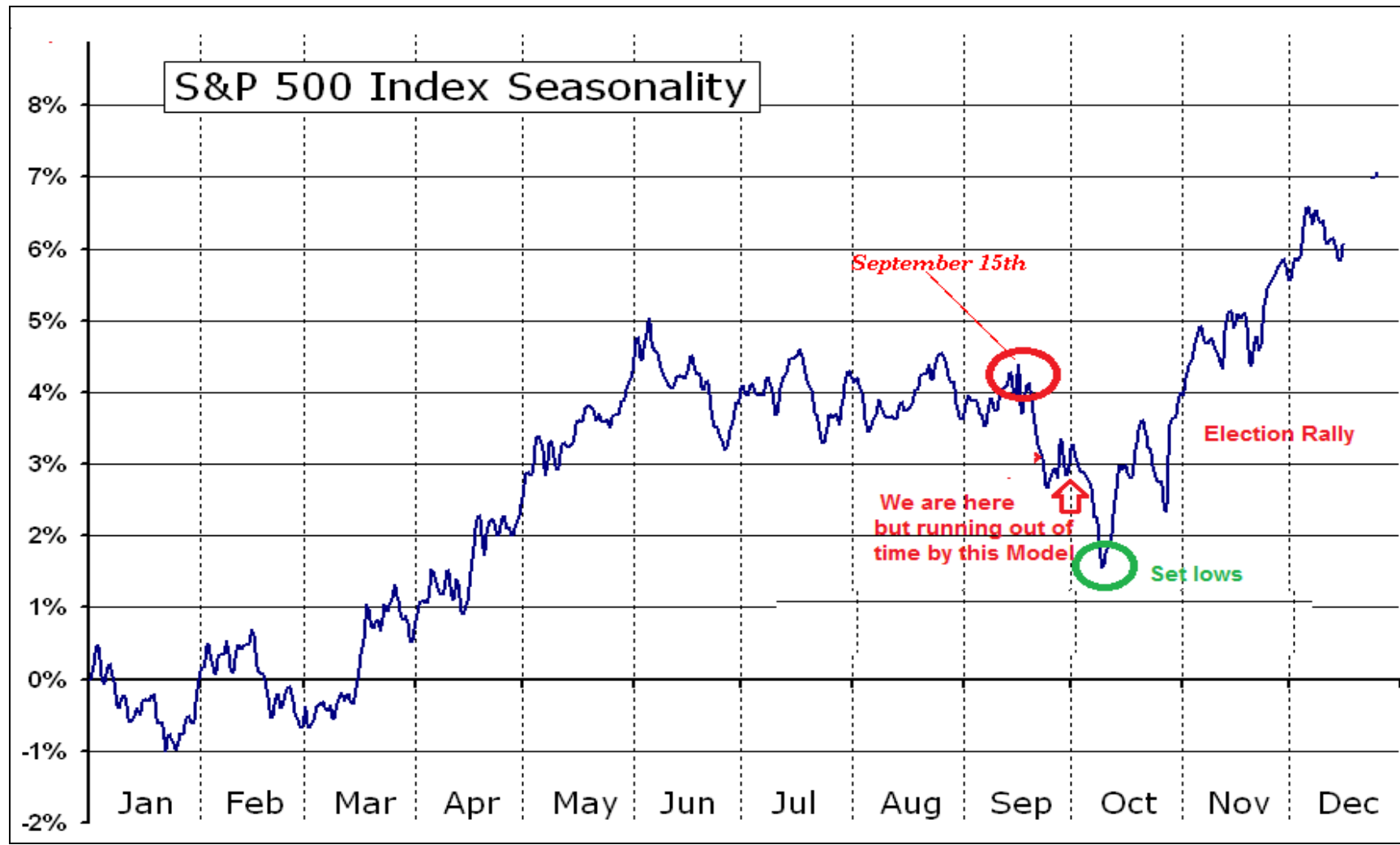
# TICK :VIX Ratio v/s SPX – Analysis - **NEAR TERM**

TICK / VIX Ratio is (– 3.0) where previous Short term Momentum lows have occurred. ( Refer notes in chart below)



# SPX- SEASONALITY Analysis – NEAR TERM

*Near Term, This Model pull back into 1<sup>st</sup> week of Oct and then rally back .*



## **SPX – Cyclical Model**

- **SPX - Seasonality Model -**

- *Lows & Reversal in October.*

- **SPX - Geomagnetic / Lunar Cyclic Model**

*Lunar Model suggests turn on SEPT 29<sup>th</sup> +/- 2 days. We may see bottom put in .*

- **SPX - Sentiments Model**

*AAll Weekly Sentiment Survey is **Turned more Bullish***

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

*By this Model, lows in October 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 - Election Cycle Model -**

*During Presidential Election Cycle, if a Democratic President is in office, the cycle lows are put in prior to the election in October)*

# 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.*

## 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 2<sup>th</sup> 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

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