



SG Capital Research

Global Market Insights

**Research Note – Strategy & Prop Analysis**

**MAEG- MS\_SPX\_MARKET STRATEGY REPORT \_SG 2012 # OCT\_15**

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

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## **MS . SPX – MARKET STRATEGY Report**

### ***1. Executive Summary***

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

### ***2. Market Overview Commentary***

### ***3. Chart Analysis***

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

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

Triggered POM 14, on 7/01 we initiated to raise cash ( or Hedge) within CZ 1410-1375, This signal completed POM 13 Triggered on 5/21 for Net Long within CZ 1280-1310. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

**NEW POSITION** – WATCH FOR TRIGGER , We will Announce the “ALERT”

The pull back in SPX into CZ 1425-1410 for successful test would Trigger POM 13 – Re run Signal.

**Triggered Action** - POM 14, triggered within CZ 1410-1375 is in progress till we announce next Signal

**Projected Target**

**NEAR TERM** – Downside Target CZ 1425-1410 . Existing positions should continue to remain in raised cash ( or hedged).

**UPSIDE** – Target is POM 15 - at around 1485-1500 to initiate Net- Short. If triggered the **MID TERM** – Downside is CZ 1310-1280.,

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

**HEADS UP** – Friday EMINI futures/ Cash market SPX traded lows of 1427. Internal Market Indicators are showing a great deal of positive divergence and appears no downside force to push in our CZ 1425-1410 . which is positive . We shall Monitor first 90 mints of trading and if today’s intraday weakness holds & if intraday volume don’t pick up on downside , we may trigger POM 13 – re run initiate first good position and then scale into 1435 to 1410 .

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

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.

### **NEW POSITION – NONE**

**Triggered Action** - POM 14 within **CZ 125-124** is in progress till we announce next trigger.

### **Projected Target**

**UPSIDE** – Capped into **CZ – 125-128** area . Rally towards **136** is POM 15 Target.

**NEAR TERM** –Downside Target **CZ 120-118**

**MID TERM** –. Downside to **CZ 116-114** is the Target for potential POM 13 to initiate Net- Long. Existing positions should continue to remain in raised cash ( or hedged).

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

TLT is stuck in trading range between (120-125) for sometime. Currently it is bouncing back towards our upside **CZ 125-128**. This has been 4<sup>th</sup> time failure. In order for rally to continue, volume needs to pick up in CZ to target POM 15.

10 Year Notes - The Commercials have ramped up their net short positions, with the Fed buying the Bonds this seem to be causing large consolidation trading range

Near term downside **CZ 118-120**, has heavy bottom, eventually it be broken. Mid Term Target of **CZ 116-114**. This is Target area for potential POM 13 to be triggered if PQV is validated.

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

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.

### **NEW POSITION - NONE**

**Triggered - Action** - POM 13 Triggered @ 1540 within **CZ 1540-1580** is in progress till we announce next trigger.

on 9/17, Exited ½ Position in GOLD @ 1770 as Risk Management move

### **Projected Target**

**NEAR TERM** – Downside pull back to **CZ 1720-1690 ( PEC-D @ 1720)**

**MID TERM** –Upside **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 on GOLD**

GOLD has been pulling back since our Short term CAUTION signal @ 1770. The suitable floor for pull back is **CZ 1720-1690 with PEC-D's @ 1720**. October seasonality is weak. The November has strong seasonality.

On upside, although GOLD hit highs of 1790, it did not enter POM 14 CZ 1790-1820 decisively to get a trigger. We would like to see a huge spike up to Trap all the “Bulls in buying late” for termination process and the move could reverse as quickly.

## **SPX – Market Overview Commentary**

- Weekly Change - SPX Close Price @ 1428 ( - 2.1%)
- YTD Change - SPX – Closed @ 1257 / 1428 ( + 13.6% gains)

We have been looking for the seasonal low to come in post 9<sup>th</sup> Oct and last week we came very close towards the **CZ 1425-1410** for test. This week, we have many Time Ratio Low projections are pointing to Monday / Tuesday as the low of this correction.

The New Moon coming in on Monday. We are going down into this day has tendency of turn. The interplanetary magnetic fields usually exceeds in October causing bottoms in Markets affecting Equity prices ( the Atlanta Fed's study proves it )

**Price Path** - SPX's successful test of **CZ 1425-1410** would trigger POM 13 Re run –back to Net Long position to redeploy or rebalance any hedges for continuation move higher to target **1485-1500**. This move higher should be final momentum run before the larger decline

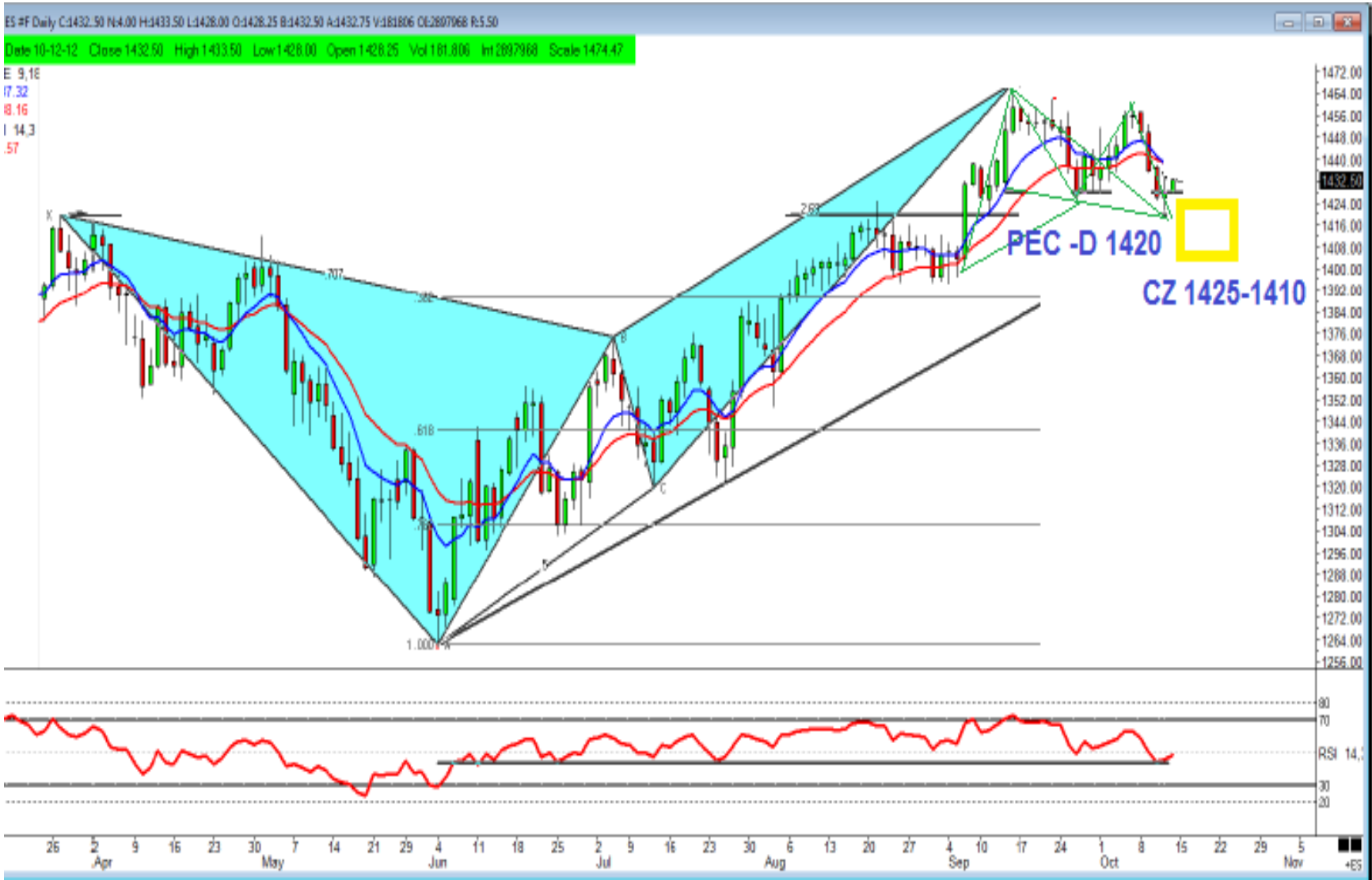
**CZ 1425-1410** , is the area of Price breakout @ 1425 and 1410 being the “ Thrust” Apex of triangulation should be tested successfully to build floor in anticipation of Momentum Indicator. This would kick off . WAVE 1-2-3-4-5- with 3x3x3 / 9 EMA process for POM 15 rounded top to move higher into positive seasonality / election rally and then result in larger correction.

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

**Strong IDX** - Midcap appears the strongest. Within all our Reports, Bullish Top IDX's should outperform on next rally **Weaker IDX** - , The weaker Instruments within all our Reports having corrected in the decline should begin its rally once POM 13 is triggered. However it should underperform on upside and still being suitable as Hedging instruments

# SPX- CZ / POM 15 Analysis – NEAR TERM

We hit lows of 1427. Pull back PEC-D is at 1420 - our Pull back CZ 1425-1410,



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

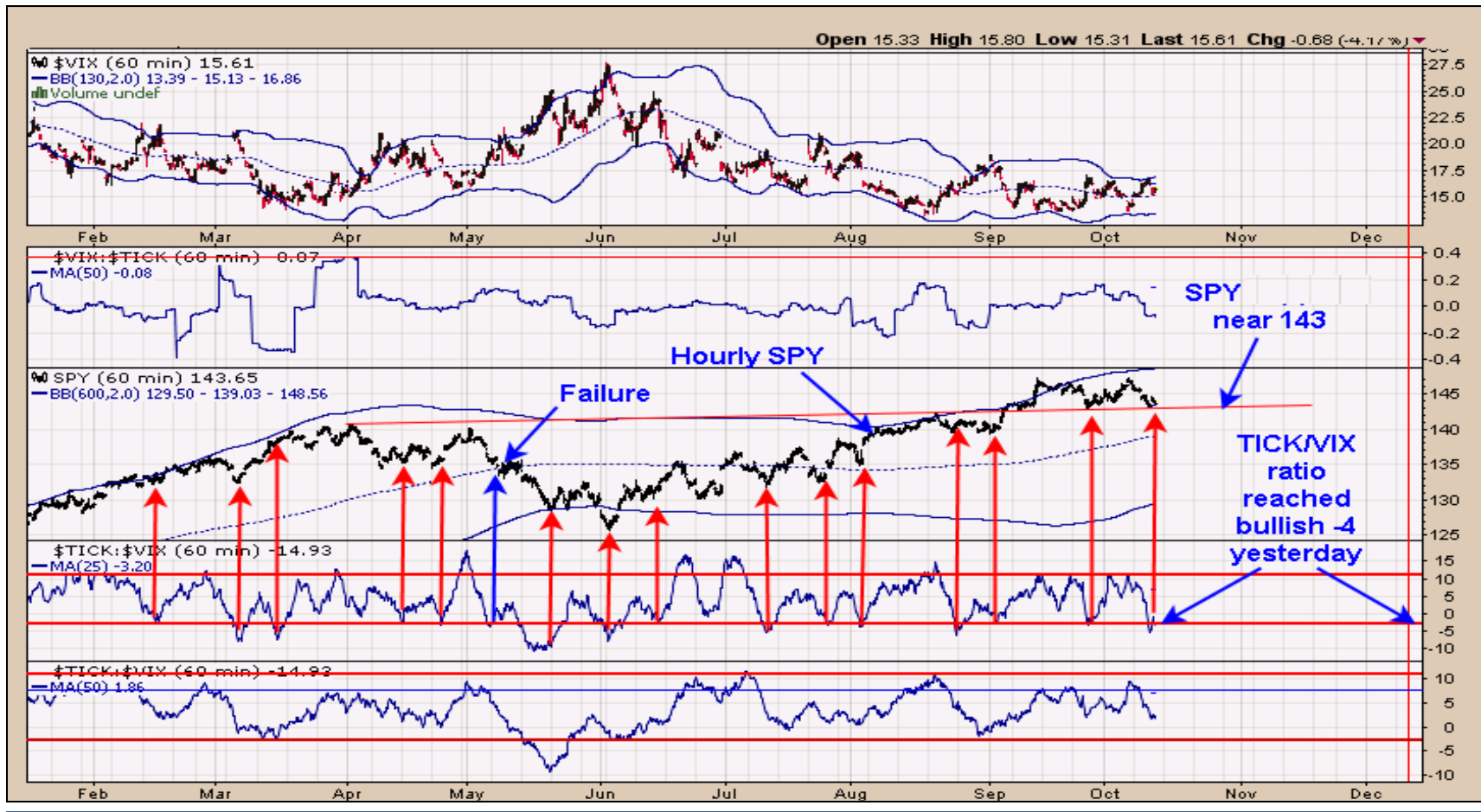
Near Term, this Model suggests, 15<sup>th</sup> is Time termination lows . The Momentum Indicators Wave 1-2-3-4-5 with 3x3x3/ 9EMA should kick in, after brief pull back. SPX could be at point 2 prices currently . The end of the Projection is to E 5 for 1485- 1500 to end the DIAGONAL TRIANGLE





# SPX- TICK / VIX Ratio Analysis.

TICK / VIX Ratio is below -4.0 on 60 mints basis . Market internals suggests the lows are in this market at SPY 1430.





# MID CAP – Volume Oscillator Analysis

Strength IDX bottoming out on Volume oscillator



# SMALL CAP – Volume Oscillator Analysis

*Weakness IDX bottoming out on Volume oscillator & Poly trend showing trajectory up*



## SPX- “ QE – Effect - QE-1 ,2, 3

*We are currently trading slightly above QE-3 prices and indicators turning bullish on pull back.  
QE indicated below, the areas mark the beginning & end. SPX of QE of program. SPX after each decline made higher high and subsequently advanced to new highs.*



## SPX – Cyclical Model

- SPX - Seasonality / Election Model -
- Lows & Reversal in October by 9<sup>TH</sup> .
- SPX - Geomagnetic / Lunar Cyclic Model

Lunar Model suggests turn on Oct 16<sup>th</sup> – New Moon Full Moon +/- 2 days. We may see bottom put in .

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is NEUTRAL

- The EURO – Future Model Forecast, -

By this Model, lows 11<sup>TH</sup> 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 – Internals Model

EXTREME READINGS – TRIN / VIX Ratio

NOT -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.*

## 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

## 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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