



SG Capital Research

Global Market Insights

**Research Note – Market Strategy – MS Update (A# 3) – STRATEGY & PROP Analysis ( SP)**

**MAEG- MARKET STRATEGY- MS Update # SG 2012 # APRIL\_09**

***For Immediate Release – Monday PM (EST)***

*By: Suneil R Pavse*

*Contact: apavse@aol.com*

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## **Market Strategy – MS Update (A # 3) - (SP)-**

- **Weekly - SPX – Closed @ 1398 ( - 0.7 % )**
- **YTD - SPX – Closed @ 1257 / 1398 ( change + 11.2% )**
- **Last Trigger Signal - SPX – POM 15 – NET SHORT @ 1375 / 1398 ( change - 1.6 % )**

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# • 1. Executive Summary

## Current Signals

SPX – **POM 15** – ( NET SHORT Position @ 1375 Trigger **STOP 1400**- “Trading Market “POM Rating

GOLD – **POM 14** ( Partial Hedged / LONG Position )- “Bull Market” POM Rating

BONDS – **POM 13** (NET LONG Position) - “Bull Market “ POM Rating

## SPX

Past week SPX closed the week down (– 0.7%). All the underlined conditions of POM 15 still remains intact for “scaling in” based on Portfolio Objectives. **We are positioned with Core position at 1375 and for Aggressive position were stopped out at 1400, As stated in Last Report Target back into the Market on upside test of 1415 -1425 (Hly. PEC-D completion) & failure with key reversal at 1415.** as a part and parcel of scaling in process. If NASD fails simultaneously along with AAPL, it would provide better confirmation for the setup.

EFA ( World Ex US) has been a Proxy for the world Markets and a leader on this decline( post POM 15 Trigger). Moreover Bearish Segments NYA, IWM, DOW and Sub Sectors XLE, IYT, SMH, XLI etc. has shown weakness from suggested CZ Price targets & its corresponding prices at POM 15 . NASD & XLF has moved higher than our Projected Price Targets of its individual CZ of POM 14 / POM 15 corresponding prices . They were both late convertors from Bearish to Bullish setups and now appears risky

Based on Fridays BLS Report , SPX triggered Gap down, Market should gyrate within the ST moves ( refer ST Price path) . Our First meaningful downside Price Target on this current Trigger is CZ 1310-1290 . If Breaks below with PQV, it would accelerate the decline to CZ 1260-1240 . Overall, The Price Oscillation SPX at @ POM 15 has the Natural Oscillation price target around 1125. ( certainly not in straight line) . we should see several POM 14 & POM 13 – Risk Management spots in between the decline)

**BACKDROP - On 2/29, - email Alert at 1375** – We reached the point of **NET SHORT - POM 15 – Rating to “scale in” based on each Portfolio’s Objective and rebalancing criteria.** Upon our trigger at 1375 SPX we began SHORT SELL Process. Our Previous Trigger 1/26 - 1325 –SPX for Full Hedging / Raising CASH ( as case may be) was completed. We warned and patiently refrained for 6 weeks from NET SHORT participation till the Price Projection of 1375 was met .

As we continue to focus on Risk adjusted returns, Our Model did not confirm any Net Long Positions in last 75 points move in SPX except confirming Net long in NIKKE, E # 2 Top Growth Basket with SPX hedges to achieve the Momentum spread and Thirdly participation in select SECTORS which has continuous Bullish Top as specified in other related Reports.

### **OUR POSITIONS-**

- **NET SHORT** - On 2/29, We scaled in partial core position into POM 15 – NET SHORT @ 1375 with Stop 1400 for Aggressive Positions, if Stopped out at 1400 (Target it back in @ 1420 touch and key reversal 1415) as a part and parcel of scaling in process .
- We remain fully Hedged Or / Raised Cash at POM 14 Re – Run ( with DELTA NEUTRAL) . ( 1/2 core position @ mean price 1265 – CZ and 2nd (1/2) recycled – Floating position Triggered @ 1325 - via – Alert 1/26 ( rebalanced thrice in market gyration from POM 14 to each POM 13 since Oct lows). It had a ( one stopped out in between). Note - For Aggressive- Trigger was at 1350- SPX with 2 -stop outs
- The average 1290 price for Fully hedge or Exit for Cash in these positions , that were entered at POM 12 @ 1080 & recycled POM 13 @ 1165 , completed RA/ RI move for great Profit (captured 245 points( 22%) which included all the early gains in Oct, Nov, Dec and Partial Jan. v/s SPX has rallied 320 points ( 29%) from Oct 2011 lows. Overall Model captured 70% of the total gains specially early gains within this trend.

## **PLAN B – For Aggressive, New & Overweight Positions**

*For Aggressive New / overweight POM 15 Positions at POM 15, STOP at 1400 – Risk Management ). for Aggressive Positions,*

*At this Juncture since most of the Short Term , Mid Term Patterns, PQV Validation, Market Internal study projects the downside Risk. Our Focus is only VIX / VXO Analysis and final TICK & TRIN Numbers which are terminating. We are closely Monitoring VIX/ VXO Analysis for sudden fear to set in. We had first sign of weakness come out of it. Under POM 15 Regime – Gaped away Momentum Equities should bounce back & fail to set up next ABC downs are to be looked at as opportunity.*

- For Price Path and more Justification for the Market Calls, refer to conclusions and Detail Charts in the Trailing sections within the Report*

## US BONDS (TLT)

*This morning Bonds are up with huge gains. Last week , TLT pulled back as expected to re test & rejected the POM 13 lows area from two weeks ago . The bounce has turned to rally . POM 13 / CZ really showed the power of its successful test. On weekly close performance it is Bullish on price rejections. We are currently at POM 13 ( @ 111) with projection towards the test of previous POM 15 @ 124 Bullish Top highs that was set on 4<sup>th</sup> Oct 2011.*

*TLT Rally should continue. We will raise our Stop to our POM 13 Price ( 111) from 107 and then subsequently raise STOP \$1 for every dollar move beyond 113 price point, Keeping \$2 differential on STOP. TLT should be in good shape for next leg up .*

***Bigger picture - US Bonds.** have been in 30 yr Bull Run, In general when any Bull Market Triggers POM 15 ( which TLT did in Oct 2011) then it is in the last stages of their bull market . We have noticed such scenario in Bond Market. Now a typical Re test of previous POM 15 ( Bullish Top) is part and parcel of Price Path.*

*Once this POM 15 is re tested with secondary Bearish Top and invalidated with PQV, it would signal a beginning of Termination Process , Momentum, and the end of the Bull Market .*

***Our Position - TLT is at POM 13,** since 10/27 (CZ – 110-112). It has initiated ABC up towards 123, we are in midst of this move . If this move higher occurs it could very well put pressure on SPX due to its inverse correlation & flight to quality. **ALERT – Risk Management below 107 – Re adjust the Trail** ( or STOPs based on Portfolio's Objectives). Earlier we had closed the POM 15 Signal position from 123 trigger to Target 115 for a round trip. .*

# POM Signals , Trading Conclusions - Price / CZ Projection Summary.

A # 1 - MS Report APRIL_09 -2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
<b>SPX</b>				
NEW - POM 15 Target ( 1375)	BEARISH	1375	1310-1290	<b>TRIGGERED ( NET SHORT) - Scale in Partial</b> <b>(Fully Hedge or Cash)</b>
POM 14 Target Reached (1290-1310)		1325	1310-1291	
MID-TERM (last) - POM 13 (1180-1165)		1290-1310	1260-1240	
LONG-TERM ( last) POM 12 ( 1080)		1290-1310	1125	
<b>GOLD</b>				
SHORT-TERM (last) -POM 14 - Last 1775	NEUTRAL	1668	TBA	Decline from 1775 to 1668 was met with 140 points decline
MID-TERM (last) - POM 13 (1575-1550)	BULLISH	1650-1625	TBA	Awaiting for PQV Test validation
LONG-TERM (last) POM 12 ( 1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs
<b>ILT</b>				
SHORT-TERM	BULLISH		123	Consolidation ( RISK Management below 111)
MID-TERM (last) - POM 13 (110-112)	BULLISH	110	123	ABC up in Progress
LONG-TERM (last) - POM 12 (88-90)	BULLISH	89	123	3rd ABC up in Progress
-				
-				
<b>LEGEND</b>				<b>NOTE</b> For Detail Price Path Chart Analysis Indicators, Justification for our Conclusions, refer to the full Report for cross varification <b>USE STOPS AROUND CZ's Risk Protection</b> based on Objective
	<b>Bull Market Signals</b>	<b>Trading Range Signals</b>		
	GOLD, BONDS	SPX		
POM 15	Full Hedge Status	NET SHORT Status		
POM 14	Partially Hedge Status	Full Hedge Status		
POM 13	NET Long Status	REBALANCE BETA		
POM 12	FULL Long Status	NET Long Status		
Yellow color	Zone Triggered			
Red Color	Zone Exceeded			
NEUTRAL	Trading Range			
TBA	To be Advised			

## • SPX – Market Commentary

*Fridays BLS Report Triggered Gap down of 15 Points in SPX- E- mini while the Market was closed for Holidays. We expect volatility to be picking up substantially in April as the current trading triangle set up post POM 15 – 1375 is completed. Unlike last year, we expect to see the market correct into the midyear period, then start a new leg up that carries into Election. ( It could follow the Price path of EURO – COT Model)*

*Post POM 15, Most of the IDX – BROADER & GLOBAL continues to correct in a sideways / downwards trading range pattern as the seasonal highs are approaching next month. Coming up in the first half of April, we often see the first major seasonal top occur and this year is moving in tune with those same seasonal tendencies in April 2010, 2012.*

### SPX - ST - Cyclic Model

*Last week A # 1 – MS -we said “ According to the Time Cycle work , there are two seasonal peaks, one in the first week of April and a second on the middle of the month. High Probability , is the 8th April, exactly in the middle of those two peaks. This is often a turning point peak for the broad market. We are seeing some Time Ratio High projections pointing toward the 9<sup>th</sup> April “ . [This Cycle proved its merit](#)*

*Also last week A # 1- MS we said “ Price Cycles points toward a couple of days on the upside testing back the highs of 1415 or 1425 ( Hrly PEC D's ) , followed by a move back to the bottom of the trading range at week's end. [This Cycle proved its merit – Refer chart below](#)*

*Last Saturday was Lunar Cycle, it might have certainly contributed this decline today. We should know this for sure in passage of time if this marked the Top in the Market . Earlier 5 cycles have failed on Astro.*

*Mid term , the market continued going up on fumes and has no conviction on way up nor conviction on way down, suggests the break below 1365 is needed to energize the decline . Volatility Index VIX forms a bottom Wave 5 as indicated in chart below, something that should Trigger decline.*



*Today's Gap down could very well be beginning of Trend change . The current Risk remains high — but that hasn't stopped the momentum from progressing through a host of extreme conditions and negative technical divergences . And given this risk, the probabilities still favor a correction of -5% to - 10%; first in short term and then rally back for secondary top & then Major decline. Cash on the sidelines shall rule when the real decline comes in.*

**On SHORT TERM** , Futures being down significantly this morning and it is possible that the work to the downside around 1375 may be getting ready to take a slight breather. European markets are closed today which is one of the reasons the currency markets have been relatively flat. The patterns in the futures market suggest that a bounce may occur from 1370-1375 , in which case, Traders might be looking for a short entry when this bounce is complete. ( See chart below for ST – Price path PEC-D )

**VIX -** We are very close to breakout area , our focus for sudden fear to set in still remains . This market has entered a low volatility regime and that spells danger. We had Trigger POM 15 on SPX but have seen only One decline on downside in SPX and very little follow-through. Given the low volatility, there is tremendous buildup of Potential Energy which will roll over to Kinetic energy . ( We had explained the similar rationale last year on VIX in May 2011) . The Volatility Index VIX is running at very low levels historically.

**On MID TERM -** Most stocks topped in early February, and fewer stocks are going up. The indices are making relative new highs is a regular pattern in the final phases of a market cycle. Even as the majority of stocks have already seen their highs and are trending lower, the larger cap tend to hold up the longest and small minority of stocks are carrying the load.

*NYSE which is the Broader Market has finished and not exceeded the Longer term PEC-D Pattern and on Shorter Term classic 3 drives to the Top Pattern with PEC-D and should be on downward path*

### **The Projective Indicator Forecast, ( No Change)**

*The leading Mathematical indicators are in Sync and lagging indicators are going to react if it mimics the past. The leading indicators, are telling us that softness in market 2-3 months and then rally. It completely mirrors the EDCOT forecast.*

*Having completed so many Major patterns Domestically and Internationally in Multiple cross verifications, this is certainly a Inflection point. . To put a final touch VIX being the key focus along with Daily finish touch of Tick, Trin reading are critical . Second critical point is after another sell off, the new ABC down should not be violated as it done last week. This just delays the inevitable.*

*Overall Summation Index on SPX has turned down , Program trades should initiate in direction of summation Index once decline begins. VIX/ TICK – Ratio has reached POM 15 levels. Equally weighed IDX in SPX ( RSP) v/s SPX ( Cap Wt) has shown clear divergence ( see chart below)*

*McClellan Oscillator - SPY failed at May highs with termination pattern. Over the last week the SPY has moved higher and the McClellan Oscillator, RSI, CCI have both been declining . VIX/TICK ratio gets out of balance which is above .4 or below -.6 extremes. It has been in that range for 4 weeks*

*Our bearishness remains intact, and we are awaiting a suitable entrance into the expected reversal. Meanwhile continue to focus on “ Price Termination Process and importantly VIX / VXO Analysis . Overall, Math sentiment Indicators such as TICK, TRIN, PUT CALLS and The behavior AAll Sentiment past week) suggests the Momentum has kicked in with RYDEX Beta index of leveraged showing at peak levels. A/D lines measure by Oscillator of NH/NL, 200D & 50 D – NH/NL Ratio at extremes. SPX liquidity premium, OTC volume showing extremes. The Insiders Selling Reported by TRIM Tab is at historical highs. The Market move above 1290-1310 continues to be “fake out move” failed on PQV with 25% lesser on Monthly , weekly and daily .*

**The EDCOT Model Forecast, ( No Change)**

*This Model called for the market to top out in February and correct into June before staging another leg up into the latter part of November. After that, we should get a much larger leg to the downside by EURO Future Model.*

**SPX - Geomagnetic / Cyclic Model ( No Change)**

*BRADLEY has put in a Top and suggest down for next quarter. We would respect Bradley turn quite a bit when most of the indicators line up with it. We have some examples of its Major turn at Tops in 2011, 2007 , 2010, 2011. **Note that past - 5 – Regular cycles, the Cyclic Model has failed. It did not impact the Market turn.***

*The Geomagnetic Model has great effect for Trend Changing. Last time when it failed 3 times in row was on 15<sup>th</sup> Aug 2007 and Market broke down decisively once prices reached there on reverse turn.*

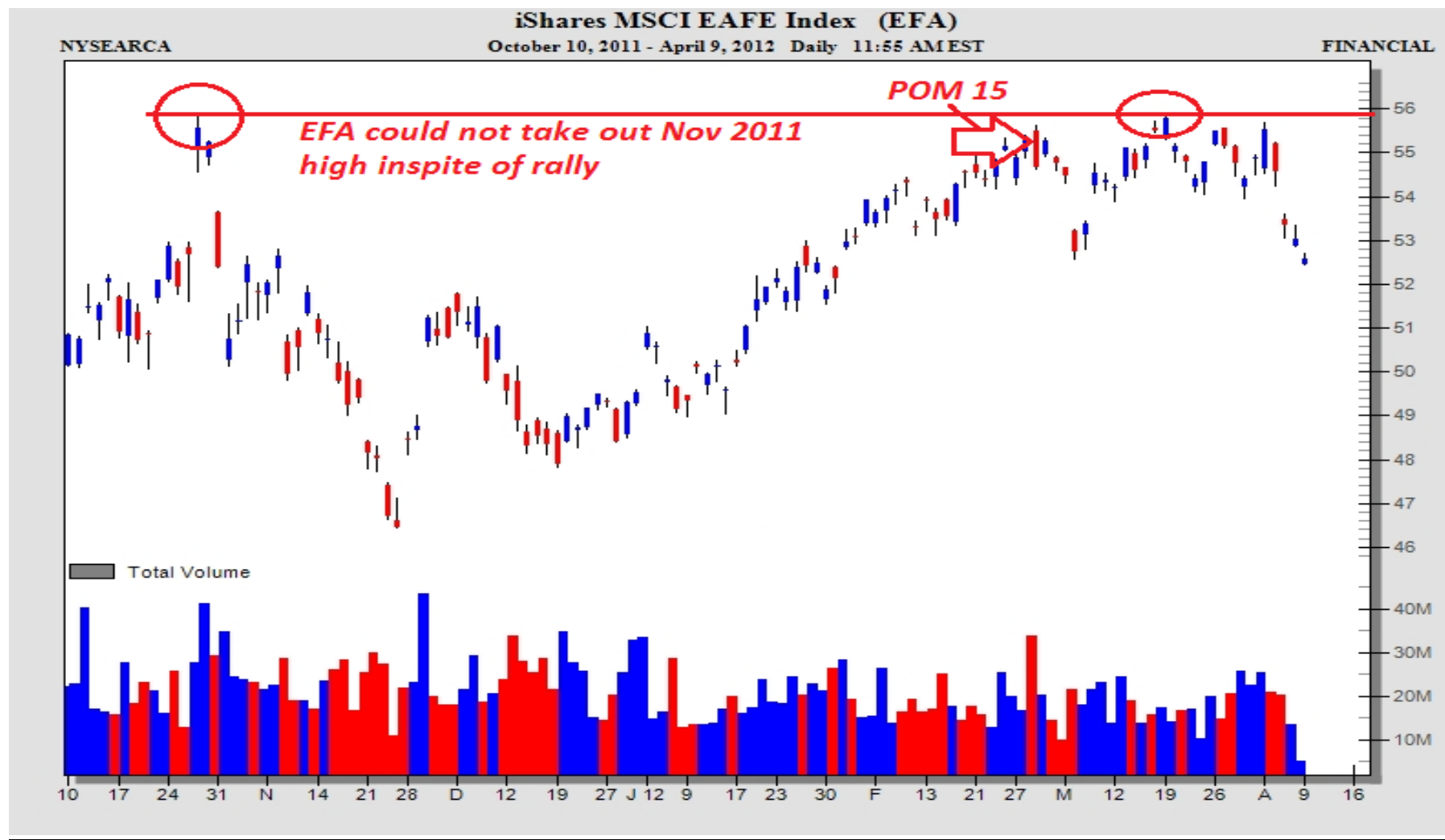
**SPX - Seasonality Model ( No Change)**

*SPX – Closed the Month of March with approximately 2% gains meeting the past seasonality Profile of 2007-2011. Historically April too has a tendency of positive gains.*

*Historically since 2007 to 2011. Avg gains in April are very strong after down Jan / Feb & Gains in March. We shall see if April can beat the + VE seasonality of past. .*

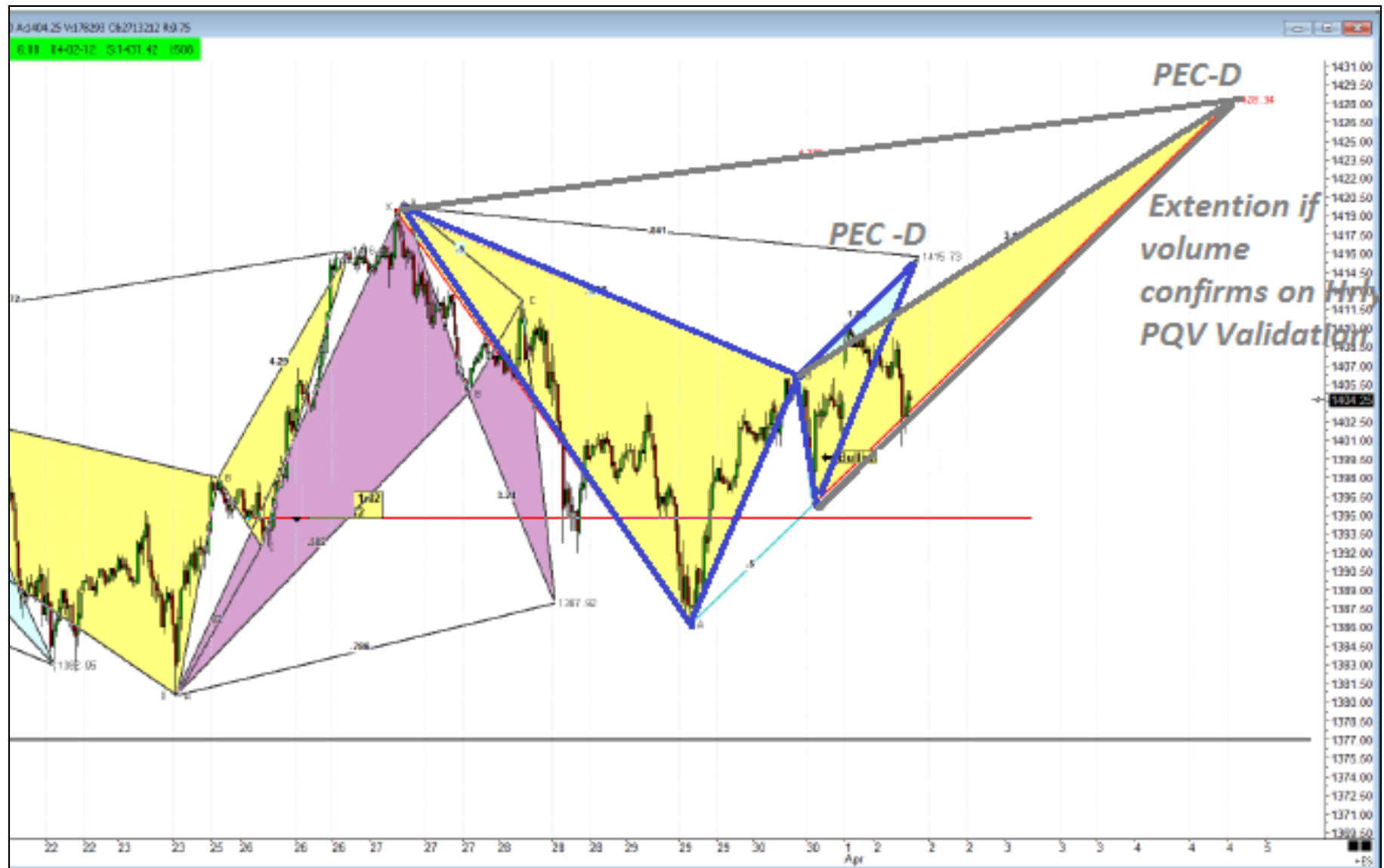
## EFA ( World Markets) – POM 15

We have covered this IDX in our A # 2 G – MS Report as one of the Bearish Setup , but it is important to note EFA has not exceed Nov 2011 highs in this rally & has been weakest . Since POM 15 –SPX Trigger it has declined 8% . This ETF is very liquid & diversified.



# SPX – SHORT TERM HRLY – PEC-D Analysis, ( Last week's Report 4/02)

On hrly basis this pull back measured move is Targeting 1415 as first PEC-D (indicated below ) If PQV validates PEC-D @ 1425 is wide open as continuation of this Gyration .



# SPX – **SHORT TERM** HRLY – PEC-D Analysis, ( **Current** )

On Short term basis , Our First spot on this decline could be 1375-1365 , From the Top that was put in above chart at 1415-1425 . The counter trend bounce from that price point might be the opportunity for Bears to Short if PQV invalidates the bounce. **If Volume picks up at yellow region , the decline should continue to next level.** **Bounces are just bounces**



# SPX – **SHORT TERM** Pattern / Oscillator Analysis

The “Three Drives to Top” scenario *I* in play. Three Drives to Top have a down side target to where the pattern began and in this case would have a target near 1375-1365 Also it’s common that “Three Drives to a Top” meet the downside target and turn around and go right back up toward the first drive. If Oscillator diverges –ve ly , the Bears may pile on.

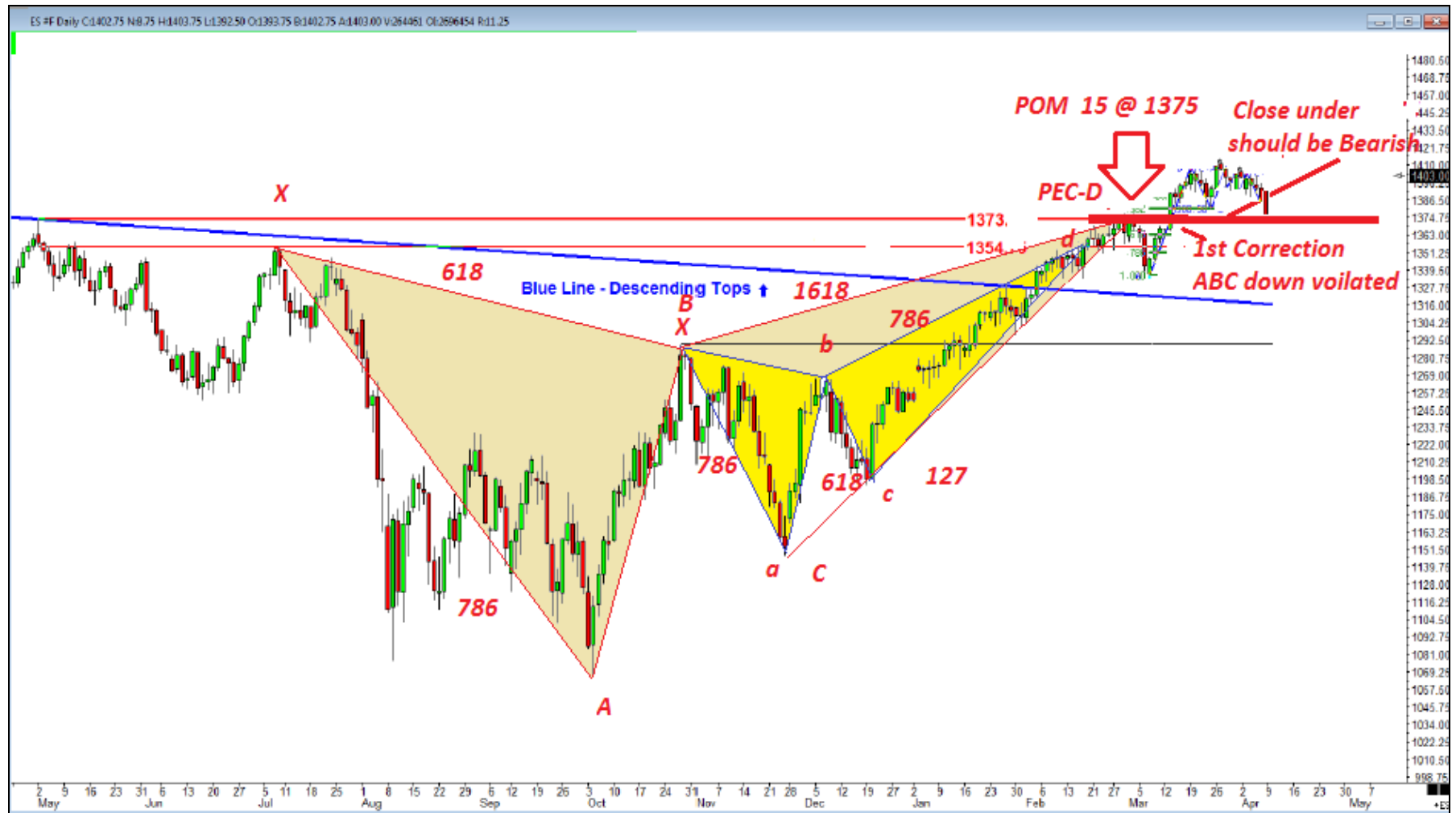




# SPX – PEC –D / Terminal Pattern Analysis ( **POM 15** )

SPX is trading at CZ area of POM 15 – 1375 Trigger. CZ created by Terminal Top Pattern, set up by the bottom of the ascending tops from CZ in last May 2011 & Feb 2011. **Close below 1370- 1365 / CZ decisively with PQV should be a Bearish Trigger**

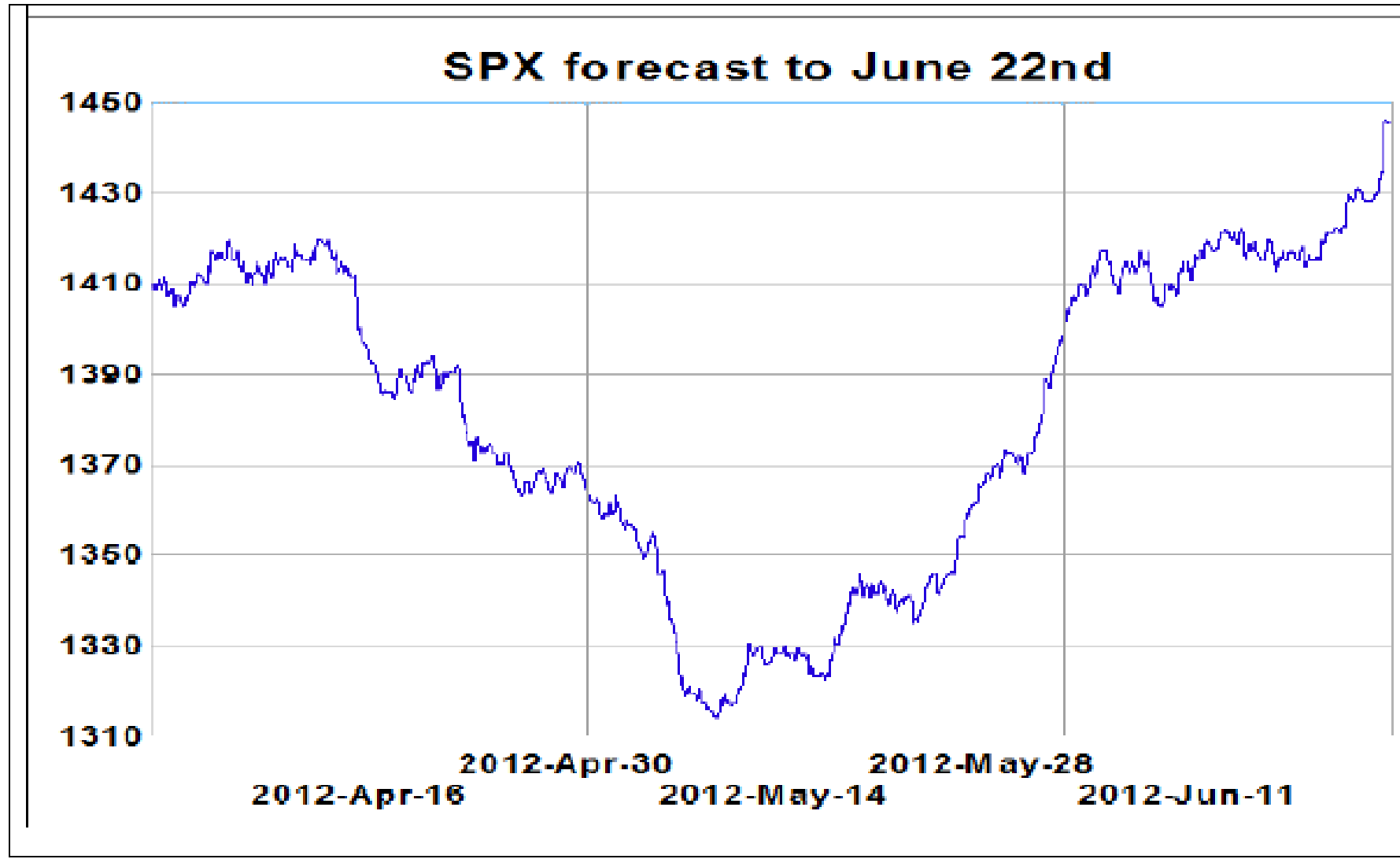
**Target - 1310-1290**





## SPX – Cycle path Analysis - **On track so far**

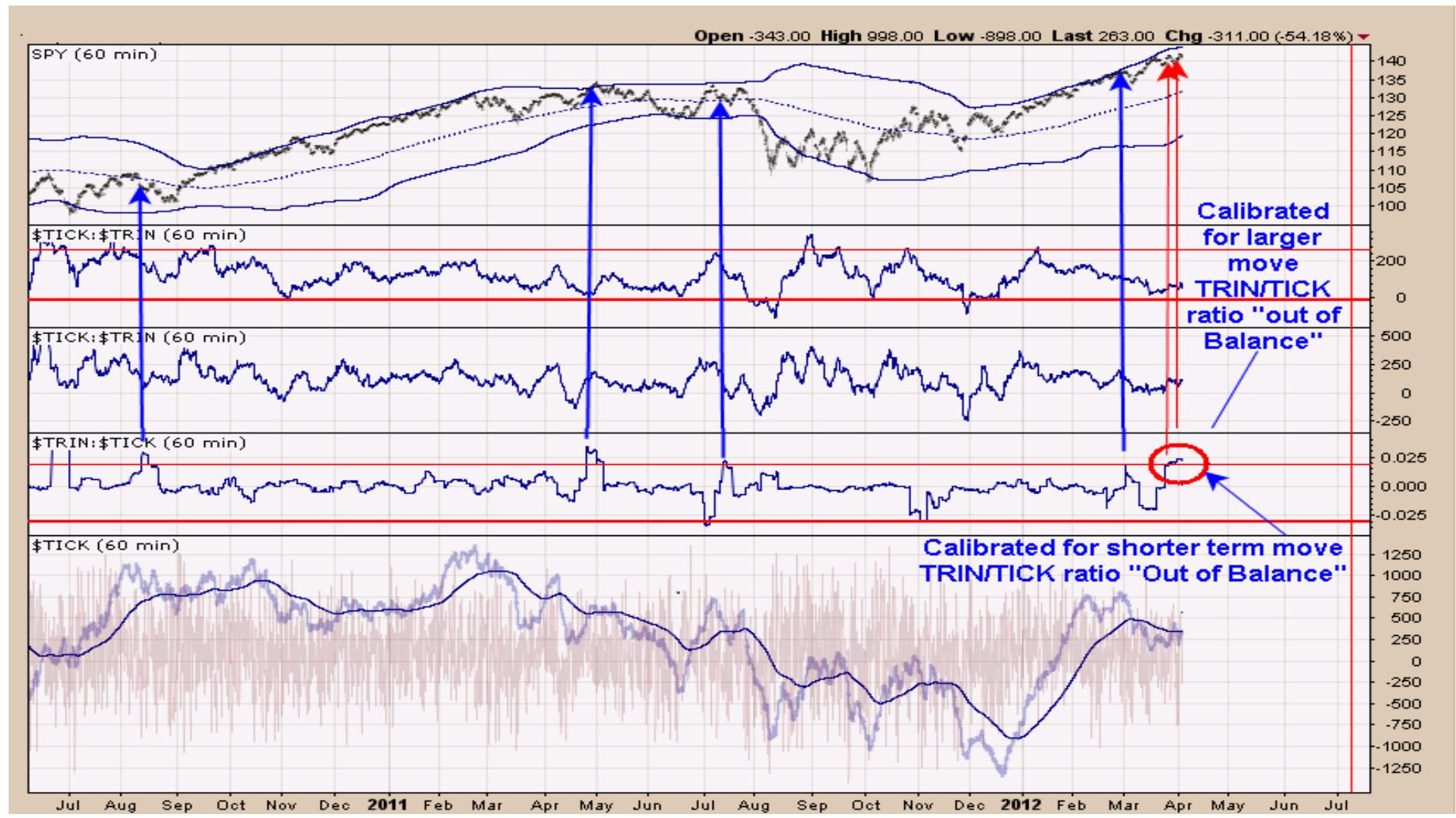
*Suggests Topping at current level and decline into May and then rally back*



# SPX – TRIN / TICK Ratio Analysis

**TRIN/TICK ratio on 60 minutes on Longer Time frame chart REMAINS OUT OF BALANCE. which is still at the extreme bearish level .**

***This chart suggests that the pull back or decline could last a couple of weeks or so. Bearish signals have been created when the Tick/TRIN ratio have reached "0.02" which are identified by blue arrow. something we are watching for larger decline.***



# VIX – Poly Trend Analysis

*We are testing the upper trend line of wedge after successful test of lows. . Any breakout is bullish sign for an upturn with oscillator in bullish divergence . VIX continues to unfold in a long descending wedge, which is ultimately bearish for stocks.*

*The descending wedge has considerable amount of potential energy being built-up for a rally with Kinetic energy release. With a recoil action. .*



# VIX – Cycle Analysis

VIX has completed the 24 months cycle for lows , this coincides with successful test state din above chart . Net path is yellow line breakout

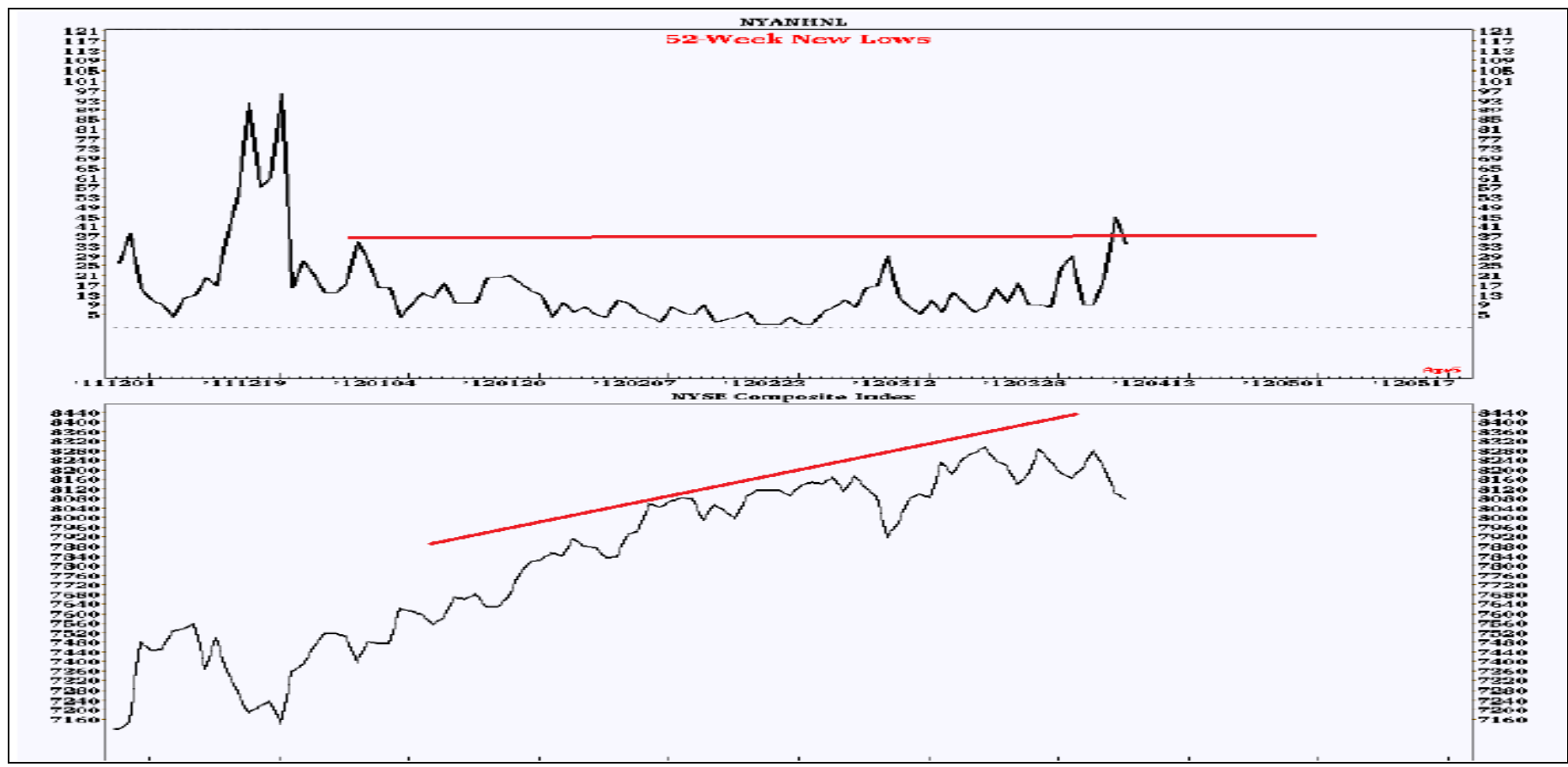


# SPX – A / D Oscillator – NH – NL - **Bearish**

*New 52-week lows on the NYSE exceeded the 40 level last week once again repeatedly , which is a level which in the past has warned of a correction.*

*The lack of new highs on the rally continues to warn that the Feb 2012 r-present uptrend is simply a countertrend rally and, therefore, that the main trend is to the downside.*

*The zero line on our New High - New Low Differential Indicator will put a damper to further potential sustainable rally. For a big rally to get started, we need to see new highs running well ahead of new lows.*



# NYSE – PEC –D Analysis

*NYSE is much broader market and has not violated any upside pattern. This has completed larger pattern. PEC-D from March 2009 lows.*





# NYSE – 3 – Drive to the Top with PEC –D Analysis

*NYSE is tracing 3 – Drive to the Top on NYSE with PEC-D Projections ( Price path target as indicated in yellow is very much on Track )*



# IWM - PEC -D Analysis

*At POM 15 in SPX trigger - IWM Broke down with Bearish engulfing and 3 back crows. Past 2 weeks rallied back on invalidated PQV . On each down move volume is picking up in flat base distribution pattern. Ratio is -vely diverging.*

*Two powerful - PEC-D patterns within PEC-D on Mid term and Short term basis met Price Targets from POM 12, POM 13 .*

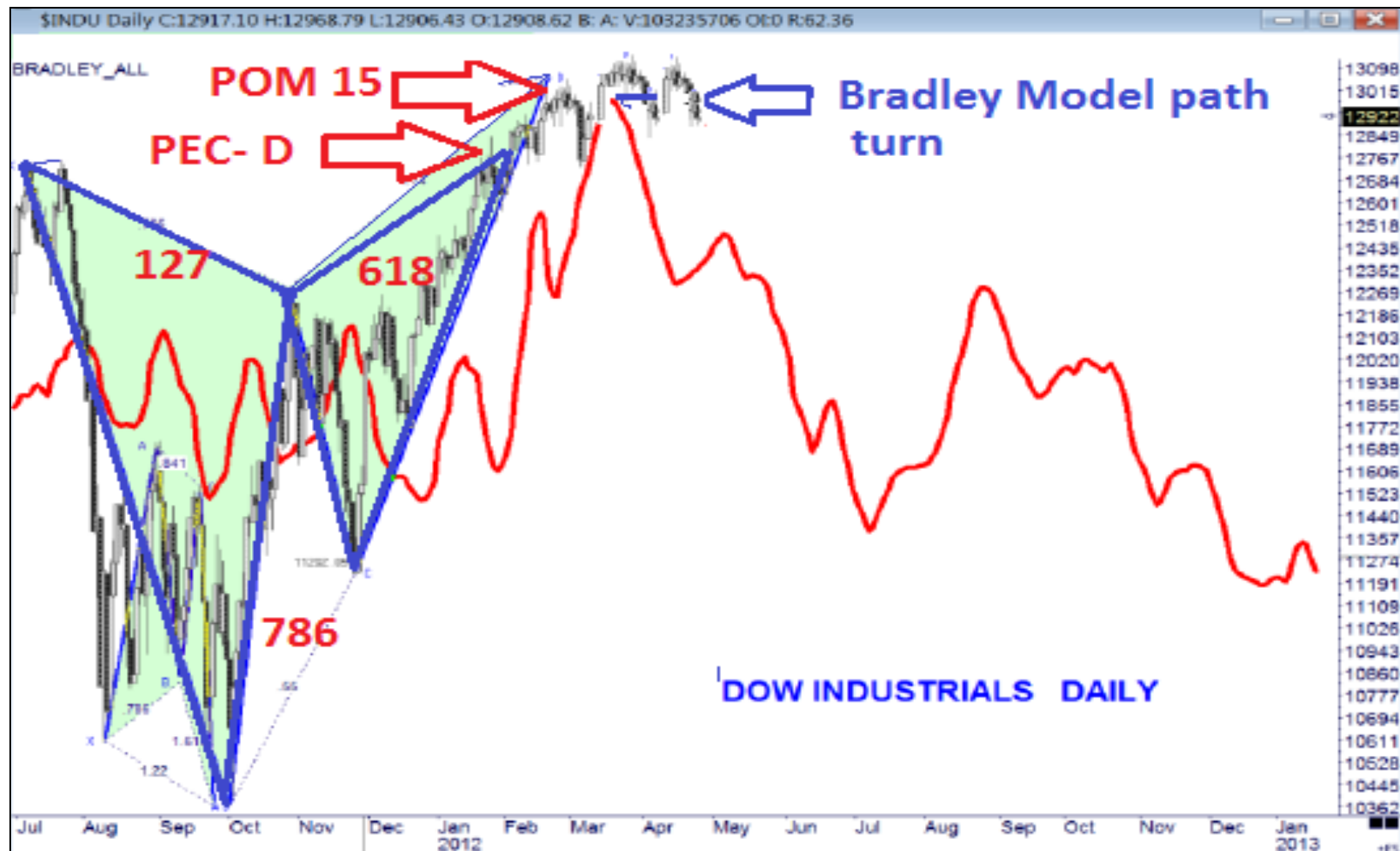




## Bradley Model with DIA - PEC-D Analysis – Current - **Bearish**

*BRADLEY turned down - Warning Sign - It has a very negative bias for the 2 Qtrs and coinciding with **POM 15 Triggered at 13000 – Net Short***

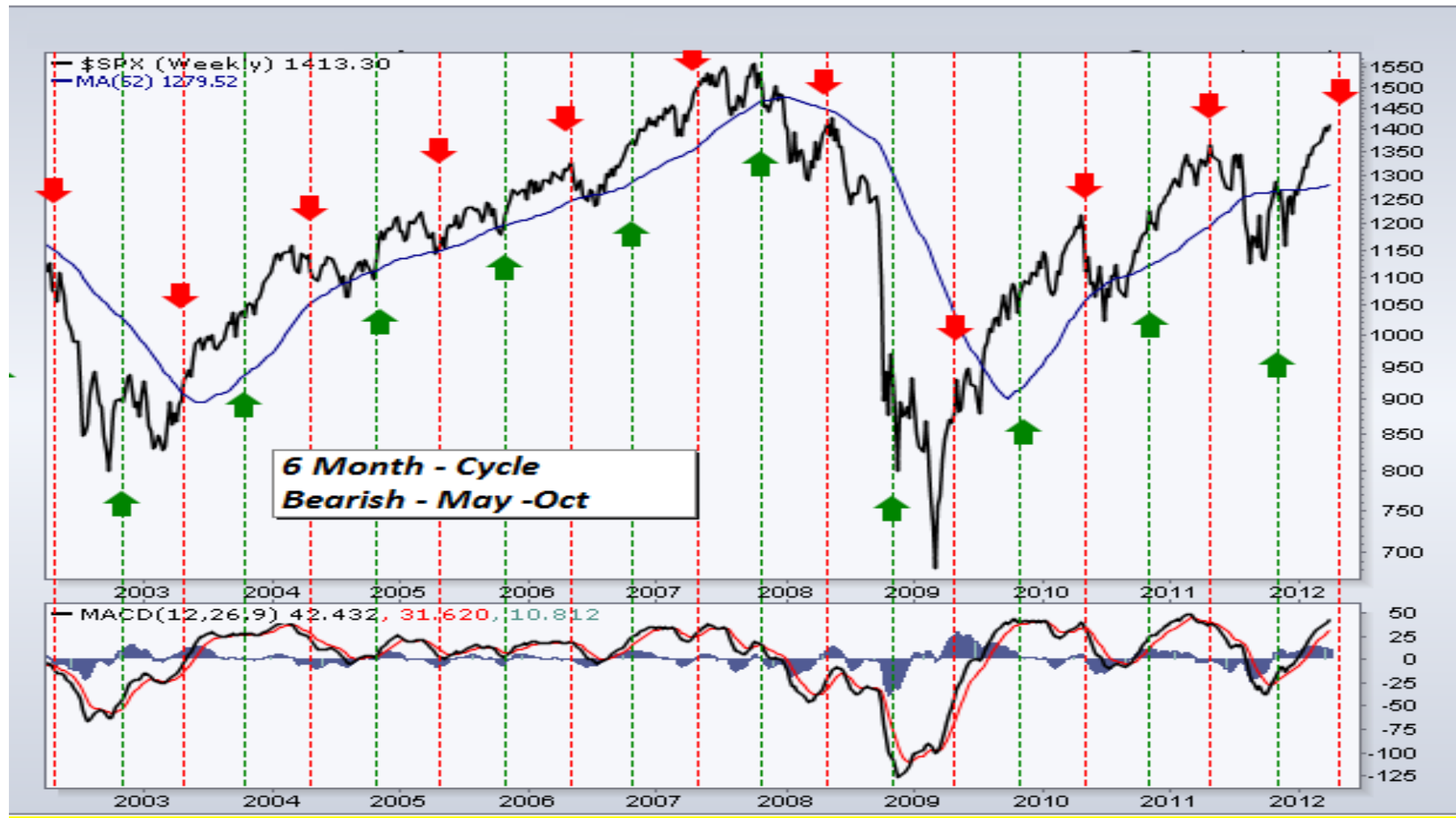
*On 1/26 – SPX – 1325 Trigger – DOW was at 12800. ( Fully hedge/ Cash ) from entry at POM 12, POM 13 was completed .*



# SPX - Seasonality “ Sell in May & Go Away” – Chart

*We Report this chart Twice a year in our Commentary – April & Sept ( One Month ahead of Actual date)*

*Looking at the most recent cycle, there was a bullish bias from November to late March as the SPX advanced over 12%. This means two things – First, the bullish six month cycle is one track so far, which means we could see a subpar performance during the bearish cycle May to October. Second, a 12+ percent advance in 3 months is spectacular. Even though Market can go higher , the odds of a correction or pullback remain high after such an advance.*





# SPX - Calendar Cycle - Cycle dates – Historically

## SPX - Seasonality Model

SPX – Closed the Month of March with approximately 2% gains meeting the past seasonality Profile of 2007-2011. Historically April too has a tendency of positive gains. We shall see

Historically since 2007 to 2011. Avg gains in April are very strong after down Jan / Feb & Gains in March. We shall see if April can beat the + VE seasonality of past. .

- Our own Study for January in (2003 – 2006) Uptrend & (2007 – 2010) Sideways Market.

From 2003 - 2006														
Bull Run														
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
	Average	-0.25%	0.36%	-0.40%	1.41%	1.55%	0.73%	0.57%	0.76%	0.72%	2.07%	2.43%	2.37%	13.00%
From 2007 - 2010														
Bear / Side ways Run		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
	Average	-4.24%	-3.45%	3.71%	4.99%	0.36%	-3.94%	2.53%	0.28%	1.71%	-3.44%	-1.60%	2.06%	0.32%
<b>Average</b>		<b>-2.25%</b>	<b>-1.54%</b>	<b>1.65%</b>	<b>3.20%</b>	<b>0.95%</b>	<b>-1.60%</b>	<b>1.55%</b>	<b>0.52%</b>	<b>1.22%</b>	<b>-0.68%</b>	<b>0.42%</b>	<b>2.21%</b>	<b>6.66%</b>

# Appendix Content

- Latest POM 12 to POM 15 Journey
- SPX – POM Signals History for 2011
- Trading & Investment Conclusion History 2011
- Objectives & POM /CZ Guidelines
- Guidelines for Full Utilization of “ SP” Report with Limitations
- SPX – 52 Weeks Chart with POM Signals
- SPX- POM – “ Price Oscillation Model “ Criteria
- SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria
- Definitions of Extreme Sentiment Indicators

## Critical Guidelines Review. – for CZ / PEC – D-

*In our Commentary and Reports, Our focus remains on giving head up on price Targets via Price Paths Analysis via Projective CZ ( Confluence Zones)/ PEC ( Pythagoras EC) Methodologies . These allows to pre – plan action prior to price shifts ahead of time.*

*In our CZ & PEC D indication, the conclusion zone defined on charts within Reports are derived via integration of various Proprietary Methodologies and calculations on PQV, ABC's , Market internals & Oscillators etc. developed in our Analysis process.*

*Although we try to be graphical on charts to reflect our thinking (sufficiently to indicate the technical conditions supporting our signals / triggers) , at times due to time & space limitation , we cannot show all the backup calculation work . Therefore we show only colorful final conclusion, less complicated sets of indicators to keep it simple to make a Price path decisions and not to force unnecessary more complex detail. I shall continue to provide coverage on these Analysis with one Methodology at a given time via Presentations and Workshop in step wise format for academic exercises.*

STOP LOSS CALCULATOR – Around CZ – Outside the CZ, PQV validated STOP is recommended for Risk Management based on Portfolio Objectives. To avoid getting False stop outs, one recommendation would be to integrate Volatility and Momentum Oscillator within its calculations by taking Average Trading range of Highs and lows for 9 days X 1.618 and adjust the last traded price with that differential for the STOPS and Auto Trail it on daily basis once the position is “in the Money”.

*POM implementation - Bigger Picture - Ideal participation of New money still remains entry at POM 12, POM 11, which has Highest Probability of building ALPHA. & Sell ( Fully Hedge at POM 14 ) . Weather one is a BULL or BEAR*

*We shall add these above Guideline note in the Appendix Sections and keep it for reference in our Future Report.*

# SPX – POM 12 to POM 15 Journey

**POM 15 – 1375 – SPX triggered on 2/29 - ALERT . This completes our Full oscillation, that began at 1080 – 4<sup>TH</sup> Oct – Trigger in our earlier Alerts and Reports. Due to Bullish Sentiment, We might not have much company now, but we dint have enough company at POM 12 and POM 13 as well when SPX put in Mid term and Trading bottom respectively.**

**Note – Pass area ( No Man’s land area) clearly suggest when pressed the brakes car did not stop immediately ( Just the Law of physics) .**



- 2. -2012 - SPX – POM Signals & Price Projections
- SPX -Trading & Investment Real Time Conclusions

**Current Signal – Triggered 1/26 - @ 1325 and in POM 14- Re – (CZ 1255-1270).**

- POM 14 / Re - Fully Hedged — ( Total points gain = OPEN POSITION )

Alert ( Open Oscillation)

Alert Email - - SPX – 1325 Trigger Friday (01/27)- Re Entry for previous stopped out and For Fresh New Hedges

SPX - POM 14 re – Triggered ( CZ – 1255-1270, for Fully Hedge Position ) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)

Our First downside Price Target on this current Trigger is CZ 1260-1250. Overall, The Price Oscillation SPX initiated at @ POM 14 in Oct. still has the Final price target around 1125. This should complete the end of Oscillation to POM 12 area.

- POM 15 - Net Short – **None** - ( Total points gains = 0 )
- POM 13 - Risk Management Hedges – **None**- ( Total decline saved ) = **0**  
( Proportion of Rebalancing Beta & Net Exposures to be based on individual Portfolio Objectives)
- POM 12, POM 11 - Net Long – **None** - ( Total points gains = 0 )

- **2011 - SPX – POM Signals & Price Projections History**
- **Trading & Investment Conclusions – Start point 1257 (1<sup>ST</sup> Jan) – YTD –Flat**

- **POM 15 - Net Short** -- **None Triggered in 2011 - ( Total points gains = 0 )**
- **POM 14 / Re - Fully Hedged** -- **( Total points gain = -88+ 85+ 97 = + 94 = +7.4**

**Last Alert ( Open Position) - SPX - POM 14 re- Triggered ( 12/02) at 1251 ( Fully Hedge Position ) & Alert note A# 3 – MS - QQQ Trigger was at 59 Monday (10/31)**

- **Alert - 3<sup>rd</sup> May @ 1370 - POM 14 Re run to POM 12 – Alert 6/23 to 1273- POM 12 Trigger = 97 points gain**
- **During POM 14 regime - Recycle partial capital to Trade from Bullish CZ to CZ - while the bigger Trend kicks in**
- **POM 14 Re Run @ 1335 on 3/01 to 1250 on 3/16 = 85 points gain ( from 1250 dt. 3/16 to 1370 dt 3<sup>rd</sup> No Signal)**
- **1<sup>st</sup> Jan @ 1257 to 2/17 @ 1345 = (-88 loss) on stretch extension**

- **POM 13 - Risk Management Hedges - (Total decline saved) = 71+140 +70 = + 281**  
( Proportion of Rebalancing Beta & Net Exposures to be based on individual Portfolio Objectives)

- **Alert – 09/ 01 - POM 13 ( @ 1220 to Trigger on 10/4 Price Projection of 1080 ( POM 12) avoided decline of 140 points –**
- **Earlier- Alert – Triggered on 7/08 - POM 13 ( @ 1346 & avoided decline till CZ @ 1300- re-entry = 46 points & then ( STOPPED OUT @ 1285) = (-20 points) & then avoided further decline to 1240 POM 12 Re Target = ( 45 points) = 46-20+45= 71 points**
- **Risk Management Signal -SPX - POM 13 – Triggered ( 11/22) at 1188 . The following AM 11/23, the Market opened with Gap Down to 1178. Position Rebalanced at 1251 on 12/02 POM 14 re Run = 70 points**

- **POM 12, POM 11 - Net Long – - ( Total points gains = 75-20+79+123 = + 257**

- **NET LONG 4 - Alert – Triggered on 10/04 - POM 12 ( @ 1080) NET LONG- Closed on 10/11 @ SPX 1192 ( up 10.3% or gains of 112 (2/3 position) & Balance 1/3 @ POM 14 @ 1226 on 11/01 = Avg 123 gains points**
- **NET LONG 3- Alert - on 8/09 - POM 11 @ 1117 – for NET LONG for target to 1196 (where it Nullified POM 11 liquidation Signal ) for = +79 points gains - Alert announced 8/11 for reversal**
- **NET LONG 2 - Alert - on 8/03 POM 12 re run @ 1240 – to POM 13 – Triggered @ 1220 Alert - 09/01= (-20 points loss)**
- **NET LONG 1 - Alert – on 6/23 POM 12 @ 1273 – for NET LONG for target to 1348 POM 13 Trigger on 7/08 Alert = 75 points gain**



## • Objective & POM / CZ Guidelines

*Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections and / or CZ ( Bullish & Bearish between the POM's) . POM is Unidirectional Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition ( PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.*

- *SPX acts as Risk Benchmark for all the other Markets ( Key US Indices & Key Global ) , these Markets gets priced off SPX- Risk ( in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our A # 2 – MS Report focuses on Broader Indices and Global Indices.*
- *All the Broader Indices tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger CZ – Validation for NET SHORT.*
- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*
- *All CZ / PEC D / POM's – Marked on charts ( in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Objectives and Risk tolerance*
- *POM Conclusions to be cross verified by other methods prior to final decision*
- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix below*

## ➤ Key Points for Full utilization of SP- Reports

- **Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness**
- At Top down Level– Triggers around POM's -Mid term & CZ's - Short term– ( CZ's happens in between the POM's ) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .
- Rebalancing Pre Planned procedure at Triggers – “ Rebalancing % of Overall Position Sizing” , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.
- Key points for Risk Management
- Hard Stops around CZ's
- STOP SELL- “ early warning Alerts” in fast moving markets, Over night Day / Night ( IST) time delay Risks.
- Cross verification by Other Methods  
**Computerized Daily Monitoring, CZ Triggers, Timely PQV validations**
- **2. CZ – Tracking**
- Programing - “Time/ Price Displacement, Supply / demand Activity Bar Analysis” –
- At “Institutional Grade - Price , Volume with Time Integration
- Supply / Demand Activity bar Analysis – Real time.
- Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers

- 2011- POM / CZ - SPX Signal

## SPX- 2011 – TURNS REAL TIME – POM & CZ



SPX - YTD - (-10 points)	_____	<b>(-0.1%)</b>
POM 12 to 13- <u>Gains 257 Points</u> ( 4 Signals)	_____	<b>+ 25%</b>
POM 13 - Risk Mangement savings - <u>280 points</u> ( 5 Signals)	_____	<b>+ 28%</b>
POM 14 to 13 - Fully Hedged - <u>Gains 150 points</u> ( 4 Signals)	_____	<b>+12%</b>

## 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)

## • EXTREAME Sentiment Analysis ( 3<sup>rd</sup> Party Data )

Courtesy : SENTIMENT TRADERS

*Our Sentiment Analysis has “Intermediate & Short term” composition. We evaluate ( 8- 9) Indicators for sentiments out of which some are working well for Short term and other for Intermediate terms These are either Numerical Indicators as the Investors sentiments is expressed through purchases of the market*

*Rydex flow, Insiders activity. The Emotional / Survey sentiments we track Investors Intelligence sentiment Advisors sentiments. etc. All these are Integral part of POM composition ,*

*Our Behavior Indicators Commercial Hedges , AAll etc Sentiment Indicators, Insiders activity, Speculation activity,*

*Based on current market condition and the probability of Indicators we point out the EXTERME INDICATOR ONLY as a observation points.*

## • Daily SPX - “ Trend Adjusted Signal”

### • 3x3 /9EMA – Break Indicator

*The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).*

*This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. ( it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).*

## **INTERNALS OF 3X3- 9EMA – Break Indicator.**

*The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.*

*Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.*

*As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close*

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