



SG Capital Research

Global Market Insights

Research Note – Special Report Analysis (A # 3)

MAEG- MS_SPECIAL REPORT ANALYSIS_SPX_ SG 2012 # AUG_13

For – Immediate Release – *Monday*

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• 1- Executive Summary

Current Signals.

SPX – @ POM 14 – HEDGED - Trigger @ 1377 within CZ 1410-1375 - Signal No change

We turned Bullish at SPX 1300 -1290 on 23rd May with POM 13 NET long and now at 1410-1375 Turn cautious with POM 14..... BUT No NET Short till we trigger POM 15 & Completion of Terminal process at SPX 1420

Last POM Trigger – We announced POM 14 – Alert Email on 19th July at 1377 . SPX put in Primary highs to initiate – scaling in to Hedge position in CZ 1410-1375. This closes the previously triggered POM 13 NET LONG Position at 1300 for profitable rally of 75 – 85 points.

Since then Market has pulled back twice on ST basis and then began secondary rally to re- test in CZ 1410-1375 of POM 14 to scale in which is in process. .

Projected Target - We have been calling for this current Target in SPX for very long time (as articulated in our earlier messages) since POM 13 – 1300 Triggered on 5/23 for NET LONG and we are now almost there to this price Projection.

Momentum Market taking over for Terminal process. Market internals although fading but NOT reached the terminal process yet to achieve POM 15 for NET SHORT Signal. The breakout from here would be false breakout on PVQ / VTO . For POM 15 to Trigger , We need Terminal process gyration event. It could even be tertiary top process going into 1420 higher for key reversal and Terminal price process. , similar to April Trigger POM 15 @ 1400 .completing all price & volume patterns. This lets the Market prove itself.

(On Monthly and Weekly PQV / VTO , Bearish Top has been established but on Daily PQV / VTO is still slightly Neutral . Make no mistake we have Bearish Heavy bottom at CZ 1310- 1280 – at POM 13 area which at some point needs to get tested for sustainable move higher to begin)

We shall watch this week how the Tip of Terminal process gets completed to either in continuation move higher or after the first pull back . If POM 15 is not triggered, we shall remain on POM 14 / CZ 1410-1375 scale in to protect our risk on downside on NET Long positions taken at POM 13 @1300 trigger.

NEXT

This week - We should see speed bumps with weakness Tuesday / Wednesday on ST Projection basis into CZ & PEC –D and followed by another rally attempt (if Market internal validates based on Option expiration strength for Tertiary Highs). We do have time T termination on **13th AUGUST.**

The rally into **AUGUST 16th / 17th** which to be the next likely topping zone, We have Lunar Cycle with Venus and Uranus square, ideal for turn date. If we get into it with High prices, the retracement would be much larger and If we get into 17th with pull back lows, we should get another rally attempt for Tertiary highs. By 3rd week of August the high should be put in for correction going into September followed by Election rally.

PLAN A – For NEUTRAL / BEARISH BIAS MODEL - Having failed the secondary Top , Since POM 14 trigger , the Hedging continues within CZ 1410-1375 to position for first decline towards Target CZ 1370-1360. If the Tertiary top fails on Terminal process towards 1410 with PQV test to create another Bearish top and very well could Trigger POM 15 (We shall announce- ALERT) .

PLAN B – For BULLISH BIAS MODEL - If breaks out the top beyond the CZ 1410 -1375 with PQV / VTO (which we do not think so !!!) then for those NET Longs of POM 13 @ 1300, Maintain ½ core position and Exit ½ as CZ process validates the breakout.

In PLAN B. – We have the option of lock in Profits of POM 14 position @ 1375 with Trailing STOP LOSS whiles playing the Momentum ride. Overall based on Individual Portfolio objective on Risk Management .

More details in our - Market Commentary below

TLT – @ POM 14 – FULLY HEDGE. – @ 125 - Signal No change

- **Our Last Trigger** – POM 14 FULLY HEDGE Position on 5/21 – Alert Within CZ @ 125-124

LAST ACTION On 5/21, - We Closed LONG & advised Fully Hedged within CZ 125-124 for position entered @ 111 - 11% Up move.

Projected TARGET -

TLT has ested higher towards the previous POM 15 area CZ 130-128 as anticipated in previous Reports, with Highs of 132 but could not Trigger POM 15 – NET SHORT taper into 135 . & sold off to CZ 124-125, the current levels

NEXT -

Our Action point would be rally back up for 3rd Test towards (130-128) highs building a Bearish Top during that test whiles completing the Termination process Pattern.

We are not ruling out, TLT could Trigger POM 15 – NET SHORT. This will be the last leg up in 30 yr Bull Market.

More detail in our Next – A # 2 B – BROADER IDX Report.

GOLD – @ POM 13 – NET LONG.- @ 1540 - Signal -No change

- **Last POM Trigger** –POM 13 NET LONG Position on 5/15 – Alert @ 1540.

LAST ACTION - We remain LONG , Entry point overweighed purchase concentrated at lows (1540) , within CZ 1540-1580 prices. (Avoiding_ nasty correction from CZ 1775 – POM 14 to POM 13- 1540, A 240 point drop)

Projected TARGET

Our anticipated back filling process to **1540-1580** for base formation of bottoming process without breaking the lows (with shake out move) appears to be very Bullish consolidation

On upside, After hitting highs of **1625 – exact (Thrice) at lower end of CZ 1625-1635) on 3rd rally attempt..**

We need Bullish top continuation move higher in CZ (The ABC up move completed NEUTRAL VTO at 1625 which began from our POM 13 price point 1540). This is a great rally off the bottom with Bullish PQV Validation and tertiary Bullish test.

Overall Gold has finally broken out of the triangle that we have been watching for several weeks. Gold needs to get above 1,640 in order to catch the attention of the gold bulls and to scare any gold shorts. To target 1670.

Any pull back should keep making efforts to break the top side. Last week GDX & GOLD demonstrated Bullish price projection formation. Any overweight positions from 1540 , Trailing stops for Risk Management.

NEXT

PLAN A –

*Decisive break **above 1640**, with Sign of strength and PQV validation should begin next impulse wave up that started from our POM 13 – 1540 point . The breakout have **PEC-D to 1670** eventually, provided we break 1630 with PQV Validation*

PLAN B

*If it Pulls back from **1630 -1620** , the target of **1580- 1560** should hold in Bullish manner. Risk Management Advised on the Overweight / Short term Trading Position, with either Volatility based trailing STOPS to lock in PROFIT or at Cost price / Breakeven as Risk Management move. We can always enter back later with same partial capital at lower prices. Whiles maintain our core POM 13 position.*

GOLD has given (3) opportunity at 1620 to do so to re deploy the capital if 1520 is broken down.

More detail in our Next – B # Currency Report on Wednesday Release

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

A # 1 - MS Report				
13-Aug	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
SPX				
POM 15 (Bearish)	TBA		1420	(Awaiting final rally to POM 15). No POM 15 Yet for any NET SHORT
SHORT-TERM (POM 14 - CZ 1410-1375 Open)	BEARISH	1410-1375	1370-1360	SPX in CZ 1410-1375 and Triggered POM 14, Pull back to 1370-1360 , CZ Target Reached - hedge
MID -TERM	NEUTRAL	1270-1295	1390-1410	POM 13 - NET LONG Position closed (1300 into CZ 1375 - 1410)
GOLD				
SHORT-TERM -	NEUTRAL	1630-1620	1580	Close above 1640 would validate breakout or pull back to 1580 if 1630 fails
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	Projection once 1630 is broken with PQV validation / Nimble into longs (1540 - 1580)
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs Covered Short -Decline from 1775 to 1580 met
ILT				
POM 15 (Bearish)	TBA		130-128	(Awaiting final rally to POM 15)
SHORT-TERM (POM 14) 124 Open	BEARISH	111	125-124	CZ Target Reached - fully hedge
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	130-128	ABC up to POM 15 in Progress to Terminal Process
-				NOTE
-				For Detail Price Path Chart Analysis
-				Indicators, Justification for our
-				Conclusions, refer to the full Report
-				for cross varification
-				USE STOPS AROUND CZ's Risk Protection
-				based on Objective
LEGEND				

BACK UP SECTION

Commentary & Charts below are for Reference , backup & cross verification . It is required for in- depth understanding behind our Conviction, Logic & Risk disclosures / limitation

Due to our absence last week , This week's Report we have additional charts to justify our Analytical views.

SPX – Commentary

- Weekly - SPX Closed @ 1405 (up 1%)
- YTD - SPX – Closed @ 1257 / 1405 (+ 11.7% gains)
- MARKETS

Last week was typical light volume summer advance. This week we are coming up on a potential pothole in the market. Our lead dog SOX (which put in first bottom at POM 13) continues to push higher while the broad market & lags badly. (Refer A/D Oscillator chart below). The short term T- Termination in SOX expires on Monday but T – Termination in broader Market expiration date moves to August 17th.

With the 17th also a New Moon, Venus & Uranus Square, it now becomes the most likely Change-In-Trend date, joining a long list of previous New and Full Moons which have corresponded to significant turns in the past few months. If the market is falling into Friday, it should be a low for another rally towards POM 15 with Momentum Indicators kicking in BUT If the market is rising into Friday, it should be a high & could very well finish termination process. We shall see.

There are technical risks for the market in the near term. Short interest is declining from the kind of last few SPX highs, when short covering drove the Market higher to POM 15. even though there are technical speed bumps overhead.

Our POM 14 Trigger to Scale in Hedges On positions taken at POM 13 is intact , Our process goes stepwise, very seldom would go from NET LONG to NET SHORT at the same time. We HEDGE in between as inter- mid-term. We were Bullish on our Call since POM 13 NET LONG position @ 1300 & for Risk Management Hedging CZ 1410-1375 to lock in gains.

SHORT TERM - Price path Analysis

Right now it's all about the short-term. And, in spite of the market now having been up for three straight days again, which has again extended the summer rally, and has at least the Dow and SPX back close to their levels at the April top, we are still expecting a meaning lows this year until the October time-frame.

However once the current pull back is completed 1370- 1360 (if Market internals validates) from 1410 , we should get another counter trend move & then decline in September followed by rally into Election based on EDCOT Forecast, Election cycle. .

MID TERM – Price path Analysis

The current bull market has now been underway for 3 ½ years. It will be 4 ½ years old in next year's unfavorable season, which will also be the beginning of the often negative first two years of the next Four-Year Presidential Cycle.

Krall's Cycle kicks in June 2013, We would recommend caution at that time. Next years . “Sell in May” should be more important than previous years. .

Sector Analysis – wrt Current POM -

In our last D # Sector Analysis , we had identified the Strongest and Weakest Sectors during the run from POM 13 to POM 14 signal to correlate SPX study with Sectors, POM 14 action is suitable for Weak sectors within its own CZ

Equity Analysis – wrt Current POM impact -

Due to such expectation of counter trend bounce in SPX towards POM 14 / POM 15 area , In our last E # 1 (PQV / CZ - EQUITY Report, E # 3 (15 HQ) & E # 3 – Growth Equity Report, We Identified Strength and weakness with CZ / PQV Analysis to hold on for its turn on price move for best risk reward

- **MARKET INTERNALS - Our 2ND / 3rd derivative interpretations**

- *Relative Strength of RUT v/s Versus SPX shows underperformance in the small stocks. This is not bullish, despite the overall bull trend in DOW & SOX.*
- *The CBOE - VIX - is trading just below 15, a level from which it has popped several times during the past two years. VIX – Completed the PEC-D @ 15 BOTTOM & took off*
- *Summation Index is at 0 line in spite of rally , this is –ve divergence.*

EXTREME READINGS

TRIN, ARMS, TICKS, AD Oscillator, Ratio's.,

NOT -EXTREME READINGS

PUT CALL

- **SPX - Sentiments Model**

Longest streak of bearish readings in the AAll Weekly Sentiment Survey. Turning bearish short term is suggestive of contrary sentiment indicator! This is welcome if one is looking for POM 15

- **SPX - Geomagnetic / Lunar Cyclic Model – On Track**

*Lunar Model suggests turn on AUG 17th . We shall see as we progress.,
August 16th is the next Venus/Uranus major aspect when the two planets square*

- **SPX - Election Cycle Model - On Track** -

We are following into Election year seasonal chart closely which point to a fairly steady uptrend into Aug then September correction and then year end rally . We shall see.

- **The EURO - EDCOT Model Forecast, - On Track**

By this process staging leg up into the early Part of August / September , then correction and then rally back year end . The larger decline next year. by EURO Future Model. Earlier put in lows in June and highs in February as expected

- **SPX - Seasonality Model- On Track**

MONTH OF AUG HAS POSITIVE BIAS.

Historically “ Sell in May away proved its merit” with Summer Rally in between the move

- **OUR POSITIONS 2012 (FYI)**

1) **Triggered - POM 14 – HEDGE @ 1375 in CZ (1410-1375) , 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.**

CHARTS BELOW

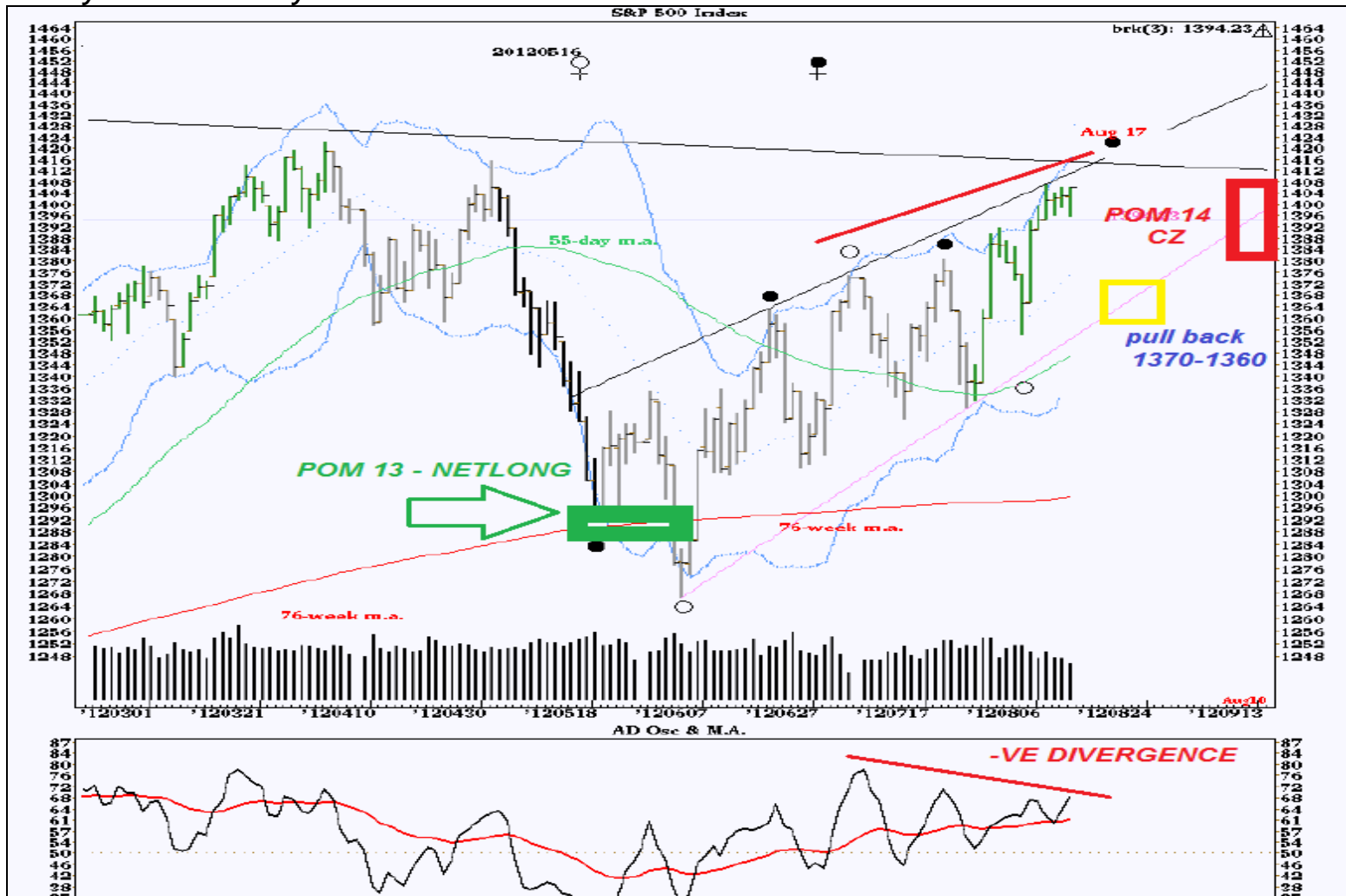
Most of the projections came in within 10 points via various Methodologies projected in earlier Reports converging to same areas of conclusion and ultimate failure to be decided by Market internals, oscillators , PQV – Validation for POM 14

Looking at the charts, In next rally if we get POM 15 for full price completion , we point out that the rally should be running into strong headwinds into CZ of previous POM 15 – 1410-1375. Mostly in the areas of price taper, the relative strength should diverge bearishly with oscillator to consider NET SHORT. Via completion of terminal process.

SPX- CZ / Pattern Oscillator Analysis

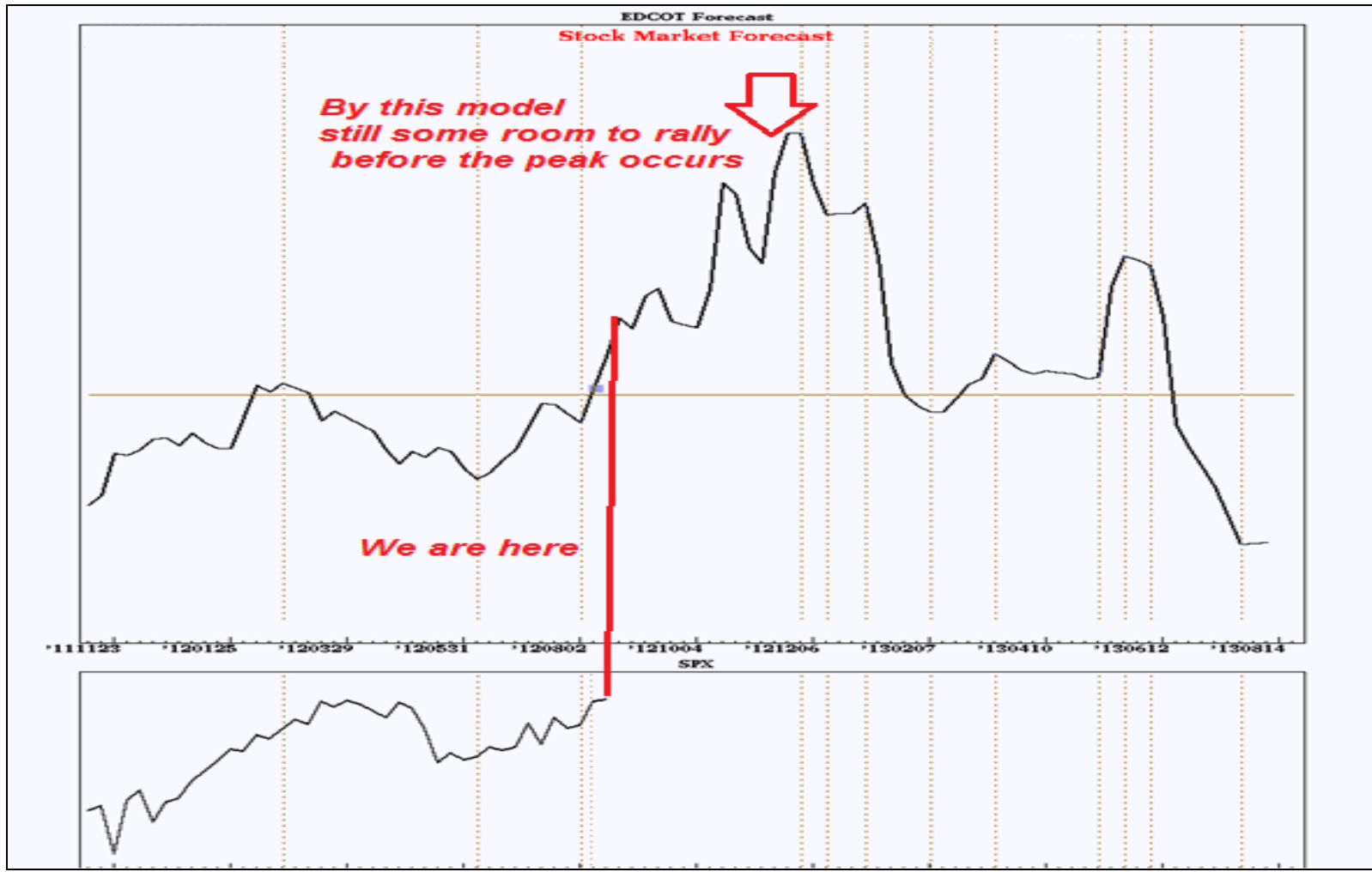
POM 14 – Triggered in CZ 1410-1375, Oscillator diverged –vely
First Pull back target CZ 1370-1360

The SPX continues to advance toward a trend change on August 17th. New and Full Moons have marked many trend changes this year and Friday is a New Moon.



SPX- EURO Model Analysis

In chart below EURO suggests after the pull back, there is some room for rally in SPX (this could very well be rally to POM 15). This Model has tracked the market very effectively in 2012



SPX- PEC-D & Pattern Analysis with PQV – Validation

Convergence of (2) PEC-D patterns to 1410 & 1415 . with PQV Validation



SPX- TICK / VIX Analysis

In chart below when TICK/VIX ratio gets above 10 (the blue line) than a pull back is likely in SPX as identified previous times with red arrows when the TICK/VIX ratio closed above the blue line. The lack of volume over the last few days suggests at least a pull back to 1370-1360 may be where the next low will form.

The CBOE - VIX - is trading just below 15 (green zone) , a level from which it has popped several times during the past two years



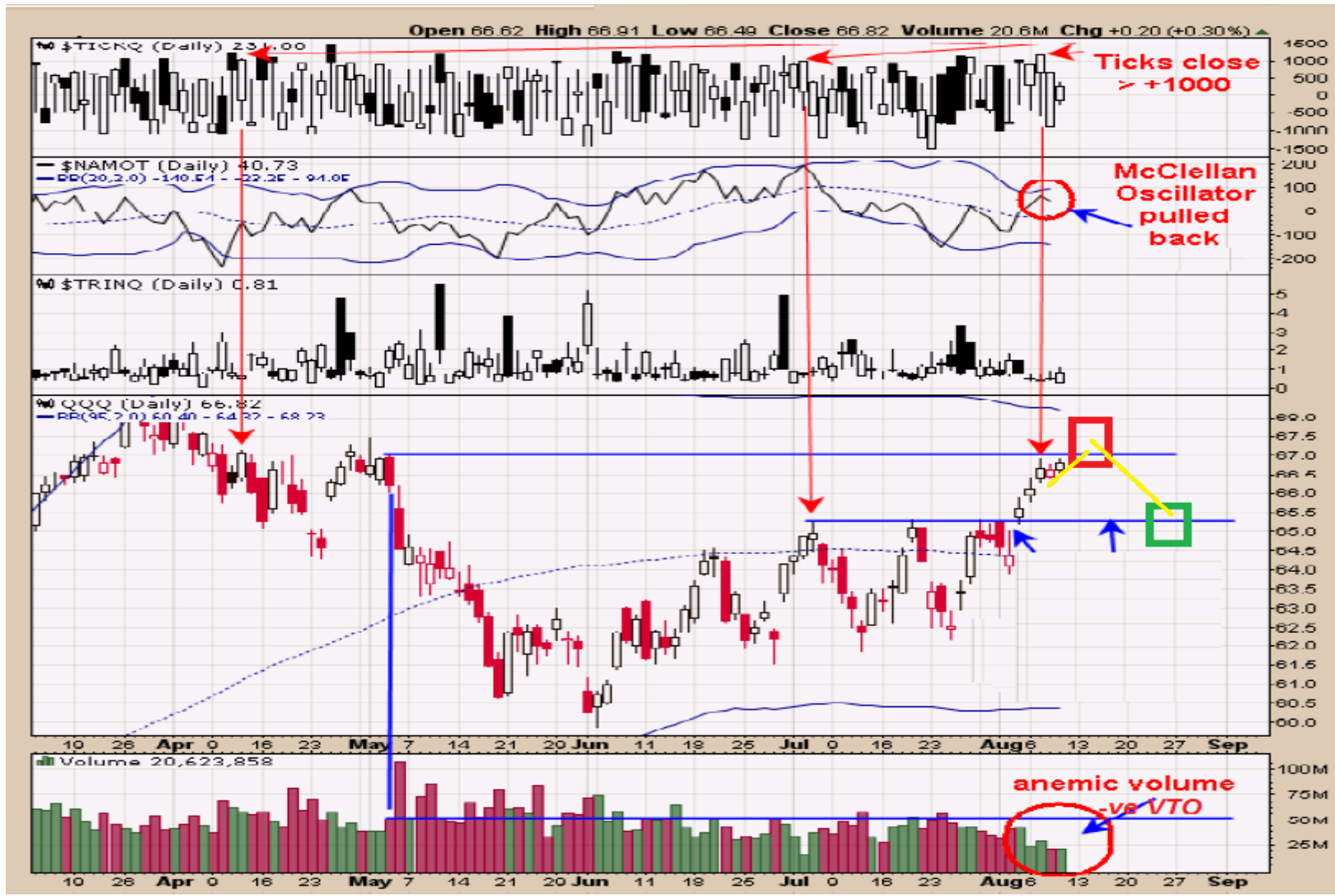
SPX- A/D Oscillator Analysis

In chart below A/D Oscillator in yellow is not confirming the current high in SPX , -VE divergence



QQQ- CZ Oscillator Analysis (Special situation)

POM 14 – Triggered in CZ 68-67, MC Oscillator diverged –vely, -VE VTO, Tick reading showing ST exhaustion . First Pull back target CZ 65.5-64.5.



Appendix Content

- **Objectives & POM /CZ Guidelines**
- **Guidelines for Full Utilization of “ SP” Report with Limitations**

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

Bullish / Bearish indicators within the charts in our Reports is simply a Road Map on what to expect next !!! but CZ price Projections are more important for decision making especially the POM Trigger points are the most important for Actions. Once the signal is Triggered, Scaling into CZ range especially on the Re test is more prudent thing to do whiles accumulating positions.

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

- **point to note**

CZ & PEC-D Indicators are Projective. PQV – Validation with Market Internal extremes Indicators are Reactive which Triggers POM . This process of Price Projections are with “Leading” Indicators measuring forward looking price path v/s Lagging Indicators which are back ward looking.

Backward looking Indicators has 80% tendencies of Whip Saw. Forward looking Indicators are usually Contrarian in nature which makes it more difficult to get convinced & react to it very quickly within the time window offered by the market at the Turning points.

Therefore Our Action Zone remains POM ‘s for core positions within CZ move & rebalancing of Portfolio’s remains in CZ to CZ move if desired by any objectives.

Sometimes, the better part of trading is buying a secondary low where there is a successful retest rather than trying to catch the falling knife right at the point of impact. Or, perhaps best of all, scaling-in—buying is the best plan. .

POM Corner – For Trend reversal / Swing Position

CZ Corner – For Risk Management positions within POM

- CZ to CZ - is Multi Day OR Multi Week Pattern
- POM to POM - is Multi Week OR Multi Month Pattern
- POM Ratings is for Position / Trend Swing whereas CZ to CZ is for Risk Management within POM or / CZ Traders. to generate ALFA on ongoing basis with no consideration to Bigger picture.

Process to be used based on each Individual Objectives.

Our Process of Entry, Exit or Re- entry Position is more suitable / relevant for the Positions entered by our very own Previous Signals. This tends to give better Reward when round price trip gets completed. .

• 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

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