



SG Capital Research

Global Market Insights

Research Note – Special Report Analysis (A # 3)

MAEG- MS_SPECIAL REPORT ANALYSIS_SPX_ SG 2012 # JULY_03

For – Immediate Release – *Monday*

By: Suneil R Pavse

Contact: apavse@aol.com

- **Contents for Coverage within A # 3 – MS SPECIAL Report (SP)**

1. Executive Summary (SPX, GOLD, TLT)

2. POM , Price Projection CZ – Summary

3. Market Overview Commentary

4. Chart Analysis

5. APPENDIX – Objectives, POM /CZ Guidelines, Limitation, Disclaimers

• 1- Executive Summary

Current Signals.

1. SPX – @ POM 13 – NET LONG

Last POM Trigger – We remain on POM 13 NET LONG Position within CZ 1290-1310. (5/23 – Alert via email). We advised to go NET LONG within those prices. to Close our Hedges in timely manner to position for the current rally .

Projected Target - From our Trigger point POM 13, SPX has rallied 65 points moving towards previous May high POM 15 Area (CZ 1375-1410) and should most likely fail, if PQV invalidates with price rejection. It should then Trigger POM 14. We are approaching this area for 3rd time in shorter 18 Month time frame and 5th time in longer time frame . The current PEC-D pattern completion is 1390 on multiple time frame within CZ .

LAST ACTION – Although our POM 13 signal remained firm Actionable @ 1300 within CZ since 5/25. We had two Risk Management ST gyration swings from 1300 to 1360 level and back to 1300 which we had pre announced in our earlier Reports on 6/18, 6,20 , 6/25 prior to price shifts as point of rebalancing (if applicable) for Risk Management or to get better price on earlier exited positions. But Our core POM 13 is intact till NEXT POM announcement. .

NEXT -

PLAN A – If we hit the Highs within CZ 1385-1410 with valid PQV test to create another Bearish top, We should get opportunity to put HEDGDES back in (on positions that were EXITED @ POM 13 @ 1300). We execute Fresh positions at POM Triggers only ,

Cont... -

PLAN B – If we prematurely fail on this rally prior to Target mentioned above, then we shall monitor the pull back quality with heavy volume & look for next rally failure for Trigger announcement. We Maintain core position and cycle some at CZ as our process.

In PLAN B We have the option to lock in profits of POM 13 – NET long or put in STOP LOSS to protect the profit playing close to vest. Overall Decision should be based on Individual Portfolio objective on Risk Management .

2. TLT – @ POM 14 – FULLY HEDGE.

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

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

Projected TARGET - Move is completed with BULLISH TOP to 125, & extended 128. On ST, on 6/20 Report in Executive Summary, we had pre- announced a pullback into (124-123). We think the pull back is still not complete in the CZ 124-123

NEXT -

We should back fill for sometimes in this Pull back and rally back up to double top (128-130) towards the POM 15 highs , If we build a Bearish Top during that test with Higher highs towards 130 whiles completing the Termination process Pattern, TLT could Trigger POM 15 – NET SHORT . We shall wait

This will be the last leg up in 30 yr Bull Market and the debt cycle is going to end badly..

3. GOLD – @ POM 13 – NET LONG

- **Last POM Trigger** – POM 13 NET LONG Position on 5/15, 5/14 – **Alert @ 1540** . Within **CZ 1540-1580**.

LAST ACTION - We went LONG within **CZ 1540-1580** prices. – Good entry point, overweight concentrated at lows 1540 (We patiently avoided the correction from CZ 1775 – POM 14 to POM 13- 1540)

Projected TARGET –

GOLD had great rally off the bottom from our POM 13 Trigger, which is very much in tact, for continuation move higher. We shall review how it approaches **CZ 1630-1620**. The first ABC up move was completed at 1620 which began from our POM 13 price point 1540. The Short term **PEC-D projection at @ 1630**.

We had suggested in last week in Executive Summary of the upcoming Shake out move to 1540 (to scare the Gold Bugs) and pull back into CZ due for some back filling back which materialized quite effectively and the rally began once again as expected. This test was another tertiary Bullish PQV validation of lows to re verify the earlier Bullish PQV Validation & PEC-D completion as part of bottoming process.

NEXT

PLAN A - Decisive break above 1630, with Sign of strength and PQV validation should begin next impulse wave up that started from our POM 13 – 1540 point

PLAN B - If 1630 -1620 fails on PQV validation, we might have to manage the Short Term pull back Risk on any Overweight / Short term Trading Position, with either Volatility based trailing STOPS to lock in PROFIT or at Cost price / Breakeven as Risk Management move. (Rule 1) -Our Model does not convert our Profit into loss. We can always enter back later with same partial capital at lower prices. Whiles maintain our core POM 13 position. (**Full Report in regular C# Commodity Report to be Released on Thursday**)

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

A # 1 - MS Report				
3-Jul	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
SPX				
SHORT-TERM	NEUTRAL	1310-1290	1390-1410	Reversal took place exact in CZ 1360 -1345 for decline (RECYCLED HEDGES) NET LONG @ 1300 POM 15 - net short Position closed (1400 to 1350)
MID -TERM (POM 13) -1300 Open	BULLISH	1295-1270	1390-1410	
GOLD				
SHORT-TERM -	NEUTRAL / BULLISH	1540	1620-1630	pull back MOVE FROM 1620 TO 1540 met & Rally began Nimble into longs (1540 - 1580) Consolidation in larger range 1450-1825 Building up floor to test the Highs Covered Short -Decline from 1775 to 1580 met
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	
ILI				
SHORT-TERM (POM 14) 124 Open	BEARISH	111	124	CZ Target Reached - fully hedge , awaiting rally to POM 15
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	125	3rd ABC up in Progress complete
-				
				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

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

KEY POINTS –

POM Corner – For Trend reversal / Swing Position

CZ Corner – For Risk Management positions within POM's

- 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. .

SPX – Commentary

- Weekly - SPX Closed @ 1362 (+2.0%)
- YTD - SPX – Closed @ 1257 / 1362 (+ 8.3% gains)

- **MARKETS**

Today is a shortened trading session with markets closing at 1 p.m. This week has Bullish bias on 4th July weekend with light volume today and this week.

Past week continuation rally from POM 13 had good price build in with wide price bar. We have been Bullish on our Call since POM 13 with NET LONG position which proved its merit in this rally with perfect H & S Bottom validated by PQV . We shall stay NET LONG in as long as indicators stay Bullish .

Whiles we enjoy the ride of up move from POM 13 , On caution ST , today is a Full moon. With the markets generally moving up into today's Full moon, the lunar trade would be Time out in 1-2 days, which is contrast to Holiday weekend Bullish cycle. However, lunar phases are best used as a tool when CZ and PEC-D patterns are completing.

We have the monthly Employment Report coming up on Friday (preceded on Thursday with the ADP Report), It should keep the Bulls & Bears on toes. We should get volatility after the Holiday and could very well get pull back . News driver price moves are always red flags

Looking at the charts, for full price completion , we point out that the rally should be running into strong headwinds into CZ of previous POM 15 – 1385-1415. We make no mistake it would be 90-100 point rally which one can take in any market Bull or Bear which we have no problems with. .

Mostly in the areas of price taper 1385-1415 , the relative strength should diverge bearishly with oscillator. New Time Ratio Low (based on 4th June lows) targets extend into the latter half of July.

On Wave count ABC up corrective count is in place but we shall let all price projection converge together before jumping the gun. We have to wait patiently for reaction in the CZ for any POM Triggers

Multiple up TICK reading with High TRIN & Low ARMS within a few days of each other at May highs with CZ / PQV validation and PEC-D completion would suggest Top formation to Trigger POM 14 (NO SIGNAL YET) . This is just heads up. We need Bullish sentiments to shake all the Bears & get Bulls excited to complete.

On June 4th lows, Mutual Fund real time data suggested Funds cut back purchases and Wall Street Analyst going Net Short , that incidentally marked a good bottom near our POM 13 area. We need reverse to be seen at POM 14

The recent correction served well for our Model , first allowing NET Short from March – April Top , then FULLY Hedge all the way down to POM 13 and then NET long at POM 13 profiting on all the moves.

CHARTS BELOW – Have price projection via various methodologies converging to same areas but ultimate failure should be decided Market internals, oscillators , PQV – Validation . If Market does not reach these projections from POM 13 , We have PLAN B mentioned above to manage the risk

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

Full Moon cycle is today 4th July. On 4th June – Lunar Eclipse we exactly bottomed.

BRADLEY has HIGHS in between JULY last week - AUG 1st week and then down this year. We shall see as we progress. Earlier it put in lows on 16th June instead of 4th June. ,

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

Election year seasonal chart which point to a fairly steady uptrend into September then correction and then year end rally . We shall see. It put in lows in June as expected by this process.

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

By this process staging another leg up into the early Part of 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 JULY HAS POSITIVE BIAS. Historically “ Sell in May away proved its merit” with Summer Rally in between the move

- **OUR POSITIONS (FYI)**

- 1) Our Model in conservatively took profit on NET SHORT Positions in first half of decline. 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 . 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
- 2) 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)
- 3) POM 13 - within CZ 1290-1310) – NET LONG is in effect. On 6/19 & 6/20 – Recycled partial Hedges within CZ 1360-1345 in anticipation of decline towards CZ 1310-1290 and NET LONG @ 1300 riding the up move.

SPX- Wave / CZ / Pattern / Oscillator Analysis

POM 13 - @ 1300 has target to CZ 1390 -1415. (previous POM 15 area)

Inverse Head & Shoulder with PQV Validation resulted in rally – Target 1400.

Simple corrective bounce to C point (with previous a point negated on volume) has A,BC, toward 1395.



SPX – CZ/ PEC-D Analysis

PEC-D – 1388 -

Overlay of Geomagnetic cycles



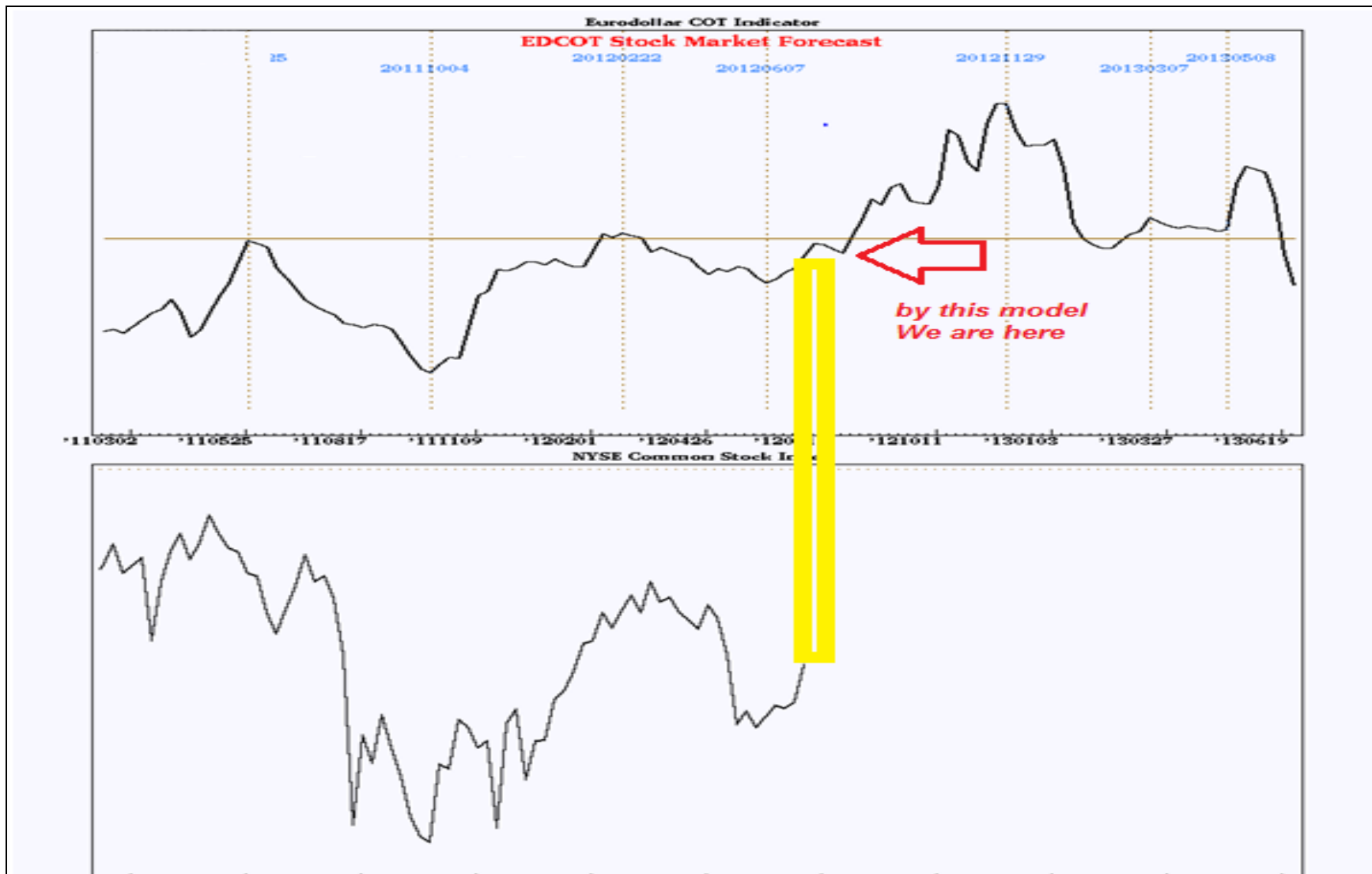
DOW – Bradley Analysis

BRADLEY has HIGHS in JULY last week - AUG 1st week and then down this year. We shall see as we progress. Earlier it put in lows on 16th June instead of 4th June. ,



EURO – EDCOT Analysis

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



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 Swing / Trend Position

CZ Trade Corner – For Risk Management 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.

● 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

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.