



SG Capital Research

Global Market Insights

Research Note – Special Report Analysis (A # 3)

MAEG- MS_SPECIAL REPORT ANALYSIS_SPX_ SG 2012 # JULY_09

For – Immediate Release – *Monday*

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• 1- Executive Summary

Current Signals.

1. SPX – @ POM 13 – NET LONG - No change

Last POM Trigger – We remain on POM 13 NET LONG Position within CZ 1290-1310. (5/23 – Alert via email). Advised to go NET LONG within those prices. & to Close Hedges in timely manner to position for the current rally in progress with move from 1300 to 1375.

Projected Target - From our Trigger point POM 13, Market moved towards our Projected Target (as indicated in Last week's Executive Summary) our target expectation was / is – the “ 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 approached this area for 4th time in shorter 18 Month time frame and 6th time in longer time frame . The current PEG-D pattern completion is 1390 on multiple time frame within CZ .

Last week SPX reached within striking distance with highs of 1377 in lower end of our CZ with “ Short term extreme overbought reading as pointed out and sold off due to Trigger from Friday BLS Report. On the ST Price path, ST pull back target to 1335 under current prices , is happening on lighter volume which suggests, next bounce to 1380 would decide if we are going to continue move higher or begin leg down. (As they say Market gives 2 chances most of the time, on test and rested of the CZ). We like a failure within CZ to next trigger.

LAST ACTION – POM 13 signal remained firm Actionable @ 1300 within CZ since 5/25, followed by “ two” pre announced Risk Management ST gyration swings from 1300 to 1360 level and back to 1300 & rally back to 1375, prior to price shifts as point of rebalancing (if applicable) to get better price on earlier exited recycling positions. But Our core POM 13 is intact till NEXT POM announcement. .

NEXT -

PLAN A – If we hit the Highs once again within CZ 1375-1410 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 only at POM Triggers), **BEST RISK REWARD**

PLAN B – If we prematurely fail on this rally prior to Target 1375-1410 mentioned above, (such as this current pullback from 1375 to 1350 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. – No change

- **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 - completed with BULLISH TOP to 125, & extended 128. On ST, pullback into (124-123) is not quite happening and twice came close to it , this suggests we could move higher first towards the 128 if pull back to 124-123 does not happen sooner.

NEXT -

Our Action point would be 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 is going to end badly..

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 - Went LONG within CZ 1540-1580 prices. – Good entry point, overweight purchase concentrated at lows 1540 (avoided the correction from CZ 1775 – POM 14 to POM 13- 1540)

Projected TARGET –

In our C # Commodity Report on 6/6 , we had Reported the ST pullback to 1580 as Back filling process of the base formation of bottoming process was achieved after hitting 1625 – exact at lower end of CZ 1625-1635. It was a low volume pull back to 1580. This is building cause. On ST Price path , We may go back under 1580 to rest after another rally attempt

Overall , Trend wise we shall review how it approaches our re test on CZ 1625 -1635 in more methodical manner to complete the 2nd ABC up . We need Bullish top continuation move higher in CZ (The first ABC up move was completed at 1620 which began from our POM 13 price point 1540) in great rally off the bottom with Bullish PQV Validation and tertiary Bullish test which is very much in tact for continuation move higher

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 . The breakout have PEC-D to 1670 eventually provided we break 1630 , with PQV Validation.

PLAN B For any pull back or 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

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

A # 1 - MS Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
SPX				
SHORT-TERM	NEUTRAL	1310-1290	1375-1410	Bounce back to CZ 1375-1410 is in progress (move 1300 to 1360 to 1300 to 1375 to 1350)
MID -TERM (POM 13) - 1300 Open	BULLISH	1295-1270	1390-1410	NET LONG @ 1300 POM 15 - net short Position closed (1400 to 1350)
GOLD				
SHORT-TERM -	NEUTRAL / BULLISH	1540	1620-1630	pull back MOVE FROM 1620 TO 1540 met & Rally began
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	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				
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
-				
LEGEND				
	<u>Bull Market Signals</u> GOLD BONDS	<u>Trading Range Signals</u> 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			

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

SPX – Commentary

- Weekly - SPX Closed @ 1354 (- Flat)
- YTD - SPX – Closed @ 1257 / 1354 (+ 7.7% gains)
- MARKETS

US MARKETS ARE LOWER THIS MORNING after Friday's tepid BLS Report. Asian lower, European are trading "flat" in lieu of the start of today's Brussels conference of finance ministers.

The overbought conditions going into 4th of July with Lunar turn date, we cautioned, would cause the sell off , We came in 1377 very close to our CZ and PEC-D pattern and now pulling back trying to look for filling gap under 1340 . We think there is another push higher into CZ 1375-1410 to finish the move & price projection of H & S Bottom validated by PQV h before another correction. We let the Market decide with failures within the CZ to judge the next Actionable move.

However the trend remains higher into August based on EDCOT Forecast & Election cycle

We have been Bullish on our Call since POM 13 with NET LONG position , with 2 times recycling opportunity within the CZ to CZ move. .

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 – 1380-1415. Mostly in the areas of price taper, the relative strength should diverge bearishly with oscillator an. On Wave count, PEC-D, 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) . We need Bullish sentiments to shake all the Bears & get Bulls excited to complete.

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 to POM 14 from POM 13 , We have PLAN B mentioned above to manage the risk

This week we have A#2 – US Broader IDX – Report, we will monitor how SPX reacts at 1345-1335 to see the testing process.

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

NO NEW CYCLE THIS WEEK , the earlier cycle 4th July marked the Top. .

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 Aug / September then correction and then year end rally . We shall see. If the lows in June is indeed the lows .

- **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 1380 -1415. (previous POM 15 area)

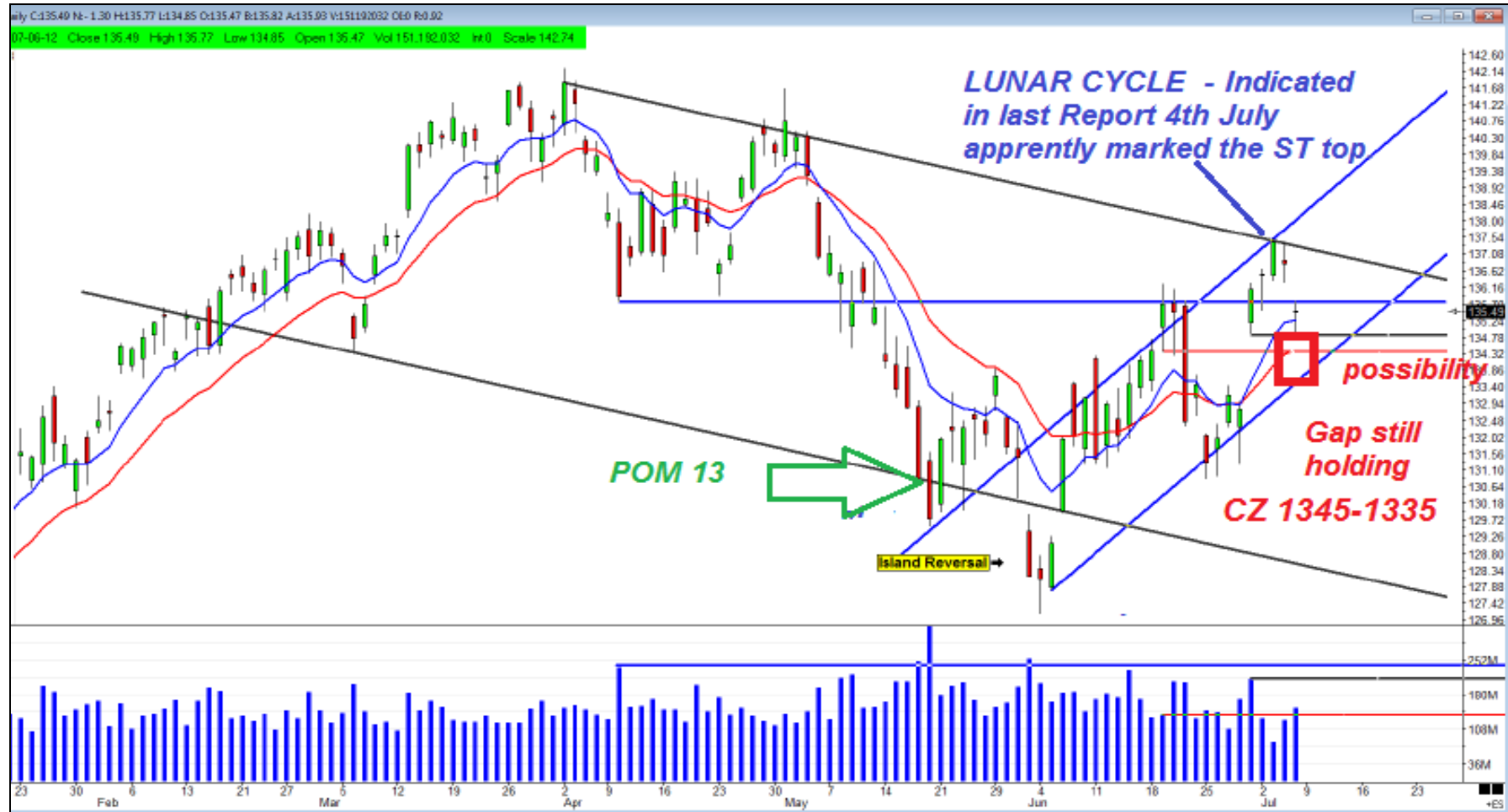
Inverse Head & Shoulder with PQV Validation resulted in rally – Target 1400.

Simple corrective pull back to 4 to 1345-1335 and the rally towards 1380. (Last week we reached 1377 and sold off)



SPX – CZ/ PEC-D Analysis

Pull back into CZ 1345-1335



SPX – PEC-D Analysis

Last week , we came 10 points shy of PEC –D completion of 1388 and pulled back -

Overlay of Geomagnetic cycles



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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