



SG Capital Research

Global Market Insights

**Research Note – Special Report Analysis (A # 3 )**

**MAEG- MS\_SPECIAL REPORT ANALYSIS\_SPX\_ SG 2012 # JULY\_23**

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

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# • 1- Executive Summary

## Current Signals.

SPX – @ POM 14 – HEDGED - **Changed @ 1377 – (New)**

Last POM Trigger – **We announced POM 14 – Alert Email – Timely on 19<sup>th</sup> July at 1377** . SPX put in Primary highs to initiate Fully hedge position in **CZ 1375-1410**. This closes the previously triggered POM 13 NET LONG Position at 1300 for rally of 75 points.

Last week- As suggested in last week's A # 1- MS, SPX price projections towards 1375 were met and failed ( Alert send out 7/19 email) . We had suggested, If close under 1365 then SPX would struggle for another week or two seem to have played in.

Projected Target - From our POM 14 Trigger, Market declined 14 points & continuing this Morning.

This week - We should see weakness early part of the week Tuesday / Wednesday towards **1340-1330** on ST Projection basis and followed by another rally attempt ( if Market internal validates based on Monthly strength cycle for another rally attempt towards **CZ 1375-1410** into Aug 3<sup>d</sup> for secondary highs or lower highs.

## NEXT

The rally into early **AUGUST 3<sup>RD</sup>** which to be the next likely topping zone, We have Bradley High turn date.

**PLAN A** – **Having failed the Top** , Since POM 14 trigger , the decline is in progress towards **CZ 1340-1330** . **If the secondary Bounce fails the top** – approach towards **CZ 1375-1410** with valid PQV test to create another Bearish top and very well could Trigger POM 15 .

**PLAN B** – *If breaks out the top – If the Market bounces back beyond the CZ 1375-1410 and Breaks upside ( which we do not think so ) then we Maintain some core position and Exit ½ as CZ process validates.*

**In PLAN B.** *Have the option of lock in Profits of POM 14 position @ 1375 with Trailing STOP \_or put in STOP LOSS at Cost . Overall based on Individual Portfolio objective on Risk Management .*

### **LAST ACTION –**

*POM 14 signal remained firm Actionable @ 1373 within CZ since 7/19 for Hedging pre announced prior to price shifts as point of rebalancing ( if applicable ).*

*Locked in Profits of POM 13 – Net long @ 1300 to 1375 for 75 points rally.*

### **Sector Analysis -**

*In our Fridays D # Sector Analysis , we identified the Strongest and Weakest Sectors during the run from POM 13 to POM 14 signal to correlate SPX study with Sectors*

### **Growth Equity Analysis -**

*In our Weekend E # 3 – Growth Equity Report, Identified the Equities Exiting Growth Model for decline on potential behavior at POM 14 / POM 15.*

**TLT – @ POM 14 – FULLY HEDGE. – No change**

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

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

**Projected TARGET -**

TLT is moving higher towards the previous POM 15 area CZ 130-128 as anticipated in previous Reports The ST, pullback into ( 124-123) came in twice but bounced right back suggested force was on upside to 128.

**NEXT -**

Our Action point would be rally back up above double top ( 130-128) towards the POM 15 highs and break it above building a Bearish Top during that test whiles completing the Termination process Pattern, TLT could Trigger POM 15 – NET SHORT . taper into 135 that we have been indicting for while.

This will be the last leg up in 30 yr Bull Market.

## **GOLD – @ POM 13 – NET LONG.- No change**

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

**LAST ACTION** - We remain LONG , Entry point overweighed purchase concentrated at lows 1540, within **CZ 1540-1580 prices**. ( Completing\_ correction from CZ 1775 – POM 14 to POM 13- 1540)

### **Projected TARGET –**

In our earlier Reports, we had indicated the pullback to **1580 -1540** as **Back filling** process of the base formation of bottoming process after hitting highs of **1625 – exact ( Twice) at lower end of CZ 1625-1635** . It is a low volume pull back in consolidation.

On downside, ST Price path , We have been articulating for some time, we may go back under within **CZ1540 -1580** to re- test before 3<sup>rd</sup> rally attempt.

On upside, Trend wise, we shall review how it approaches our **CZ 1625 -1635 ( 3<sup>rd</sup> time since bottom was put in )** in more methodical manner to complete the 2<sup>nd</sup> ABC up . We need Bullish top for continuation move higher in CZ (The first ABC up move was completed NEUTRAL VTO at 1620 which began from our POM 13 price point 1540) great rally off the bottom with Bullish PQV Validation and tertiary Bullish test.

### **NEXT**

**PLAN A** Pull back from 1630 -1620 towards **1540-1580 is continuing** . Risk Management Advised on the Short Term pull back 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. We can always enter back later with same partial capital at lower prices. Whiles maintain our core POM 13 position. It gave ( 2) opportunity at 1620 to do so to re deploy the capital if 1520 is broken down.

**PLAN B** - 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

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

A # 1 - MS Report				
23-Jul	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
SPX				
SHORT-TERM ( POM 14 - 1375 Open)	BEARISH	1375-1410	1340-1335	SPX failed in CZ 1375 and Triggered POM 14, Pull back to 1340-1335
MID-TERM	NEUTRAL	1270-1295	1390-1410	POM 13 - NET LONG Position closed ( 1300-1375) No POM 15 Yet for any NET SHORT
GOLD				
SHORT-TERM -	NEUTRAL	1620-1630	1540	pull back to 1540- 1580 from 1620
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
ILI				
SHORT-TERM ( POM 14) 124 Open	BEARISH	111	124	CZ Target Reached - fully hedge ( Awaiting final rally to POM 15)
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	130-128	ABC up to POM 15 in Progress to Terminal Process
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LEGEND				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***

## SPX – Commentary

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

*All EUROPEAN markets are down this morning, the focus is on Greece down 7% .*

*Our Trigger POM 14 to Hedge the POM 13 positions is intact since 7/19 , 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*

*Regardless, once the projections were met at SPX - 1375 with failure, the correction began , Of course, the financial channels always have to come up with a news item rationale to “explain” market action as if they knew all of it ahead of time. This is no exception.*

*On Friday & this AM , the DXY pressured risk-on markets lower as it continued to strengthen towards the prior Bullish Top in counter Trend move. Ongoing inverse relationship of the risk-on (equity/commodity) versus risk-off (bonds/dollar) markets continues.*

*Effect of DXY resulted in 15 points Gap down in addition to Fridays 15 point drop in SPX from CZ test @ 1375 Trigger POM 14.*

*However once the current pull back is completed 1340-1330 ( if Market internals validates) from 1375 , we should get another counter trend move into early August based on EDCOT Forecast, Election cycle & Bradley Model. We were Bullish on our Call since POM 13 NET LONG position @ 1300 & for Risk Management Hedging at 1375 to lock in gains.*



- **MARKET INTERNALS - Our 3<sup>rd</sup> derivative Prop interpretations**

**NO EXTREME READINGS** - VIX, TRIN, ARMS, TICKS, PUT CALL, AD Oscillator, Ratio's.  
VIX – Completed the PEC-D @ 15 BOTTOM & took off

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

**BRADLEY has HIGHS is - AUG 3<sup>RD</sup>** and then down this year. We shall see as we progress.,

Earlier July 19<sup>th</sup> worked out good marked the Top and then SPX had 2 day sell off . .

- **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. 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 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 JULY 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 7/19

2) CLOSED – At POM 14 @ 1375 for 75 point rally, from POM 13 @ 1300 NET LONG ( 6/19 & 6/20)

3) 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) 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 7-10 points via various Methodologies projected in last week converging to same areas of conclusion and ultimate failure was 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 – **1375 -1415**. Mostly in the areas of price taper, the relative strength should diverge bearishly with oscillator to consider NET SHORT. For terminal process.

# SPX- CZ / Wave Oscillator Analysis

POM 14 – Triggered in CZ 1375 ,  
WAVE 5 ended 1377. - Oscillator diverged –vely



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

3 Drive to the Top was completed at 1377 t. Overlay of Geomagnetic cycles 19<sup>th</sup> July NEW MOON with PQV Validation

The inverse Head & Shoulder with PQV Validation – Target completed at POM 14 .



# VIX – PEC-D Analysis

*PEC-D in VIX @ 15 Bottom, Marked the Top in SPX – POM 14 , The decline SPX puts VIX up 33%*



# 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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