



Date : 8<sup>th</sup> Nov 2012 ( *Thursday* )

**MS – SPECIAL REPORT**

## Market Observation – Update ( FYI )

Action – None

Status – POM 13 – Net long at avg. price of 1422 within CZ

Past 12 Trading days SPX Moved within + / - 15 points several times around our price of 1422, giving Short term Traders opportunity to take profits either way if desired. Also for slightly midterm position investors opportunity to lower the cost basis utilizing volatility spreads.

### Wednesday's Trading,

Our assessment on SPX in Monday's Report (11/5) was.....(# 1) low coming on Cycle turn / Election Day and the market is likely to rally no matter who may win" .....(# 2) " Forced 1393 Smash down lows. ( indicated - CASE 1& 2 as Typical price behavior at POM 13 ). No matter who wins, may be initial sell off and then rally into mid- December / year end. Big Money" expresses the displeasure against the incumbent to generate temporary Sell off.

Price action in SPX on Wednesday witnessed the two events stated above\_ "play out", First with huge rally of 150 in Dow followed by Smash down in SPX to 1395 that we were hoping for. The Drop of 350 is "pricing in" the fiscal cliff event ahead of time.

The market did its usual "Buy the rumor, sell the news" act. Smash to 1395 is turning a lot of short term traders bearish, which is definitely needed if we're going to get any kind of firepower on the buy side. Recently Gold was great example of Trapping Bulls & Bears around the CZ shake out and now SPX is demonstrating the same.

## **Market Projection ,**

*Major Indices – SPX, QQQ is finishing ABC down with extension outside CZ . This is certainly a complex ABC down. Among the other Indices MDY, IYT, DIA are still finishing our projected ABC's within the CZ.*

*Leading Indices – MidCaps, SMH, our favorite two continues to be very strong compared to SPX that's always a great indication that the market is gearing up for a run to the upside.*

## **Currency Projections for Correlation**

*EURO which has been moving in tandem with Equity market has some downside left to 1.265 target as pointed out in currency Report . DXY has almost reached upward 81 Target . Once these are all finished with Projections. Equity Market should react simultaneously to turn higher .*

## **Mathematical Sentiments**

*It appears to be Selling Climax on Wednesday. Volume at almost 2-3 times normal just prior to extended ABC completion . Such behavior take energy out of the market just prior to extended D point of ABC. Everyone heads to exit door at the same time. .*

*Simultaneously 2.3 reading on CBOE , \$\$ Wt Put/Call Ratio certainly indicates the Traders is getting bearish*

*The intraday day TICK of - 900 in 5 out of 8 days, with 5 day ARMs reaching 6. These indicators indicates fear among Traders trying to see at time same time. .*

**Opinion Sentiments** - *We will have the AAll figures released on Thursday and we expect to see the percentage of bears jump due to this week's action.*

*Last week AAll survey shows bears at 43%, bulls at 29% and neutral at 27%.*

## **CONCLUSION**

*Bears are proclaiming their day has finally arrived to Short the break below 1400 SPX and Bulls are scared to add new position , awaiting for Bell to ring that bottom TICK has arrived. Bears are going to be forced to buy to cover as prices rise.*

*The market appears to be setting up a substantial short-covering rally which should translate into a significant bottom, possibly as early as either Thursday or Friday. that could carry the SPX into the high 1500s.*

***In closing, since SPX 1395 has been reached with smash down with Market internal indicators all lining up, Next step would be Market close the week above 1405 to confirm weekly key reversal, if not it may get delayed by a week. .***

# SPX – Comparison - POM 13 on 5/23 v/s 10/15

Case (1) v/s Case (2) – Appears Typical Price path at POM 13

“ Shake out of Bulls and / or or Bear Trap”



# SPX – HRLY - PEC-D / CZ Analysis

News driven volatility measured extreme PEC-D @ 1395 with bullish divergence. Notes within the charts



# MID CAP - PEC-D / CZ Analysis (LEAD INDICATOR)

The MidCaps have shown great resiliency compared to the SPX. Wednesday's selloff in the MidCaps didn't come anywhere close to breaking the CZ shown in chart t:





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