



SG Capital Research

Global Market Insights

Research Note – SPX – MS SPECIAL REPORT

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For – Immediate Release – *Wednesday*

By: Suneil R Pavse

Contact: apavse@aol.com

- **Content Coverage within– *Special Report***

1. ***Market Overview Commentary (FYI) – *Observation update****

2. ***CZ Analysis & Triggers***

Market Overview Commentary

Special message on SPX is Observation on pull back towards CZ 1425-1410 based on Tuesday's Market Action.

SPX

The market sold off Tuesday with low volume and looks to be heading for a low late this week into Yom Kippur holiday or early next week into Lunar cycle . Historically last week of September having –ve bias combined weakness, in post option expiration week is at play.

We have been awaiting patiently for this price path-pull back target CZ 1425 -1410. In fact, as lead dog, the SOX, IWM, IYT IDX and their Relative Strength compared to SPX was near term weak market condition as pointed out on Monday. SPX has been on –ve bias 5 out of 7 days . If market successfully validates CZ 1425-1410, we still favor the weekend Full Moon as being the reversal force. Please note, the last lunar reversal for decline was on 17th September (New Full Moon) at highs SPX 1465.

CZ 1425-1410 - is the area of Price breakout @ 1425 and 1410 being the “ Thrust” Apex of triangulation should be tested successfully. Upon Trigger, SPX can kick start the Momentum Indicators WAVE 1-2-3-4-5- with 3x3x3 / 9 EMA process for rounded top once October rally begins. This scenario should be good Bulls.

Typically, we will get hints of a short term bottom developing in TICK & ARMS indicators during validation Until then, there's no need to take unnecessary chances at CZ 1425 -1410. Patience is a virtue.

Conversely, if PQV is not validated at 1425- 1410 via either volume picks up or pattern deformation then Momentum Indicators can be at risk. This should be good for Bears. Either way we let the market prove itself..

POM 15 – Requirements-

*For POM 15, We let this Market finish” **Momentum rounded Top**” or “ **Triangular / Tertiary Exhaustion process**” to complete. None has happened yet. We just let the market tell us based on its probability.*

As we have echoed previously, this Market has not been ready for NET SHORT. Price move since our Mean POM 14 – price of 1390 , the market has moved up only 45 to current 1435 levels. Our IDX/ Sectors with Bullish tops have far outperformed the IDX / Sectors with Bearish Top which has almost died within its tracks around CZ targets.

We think based on our RA/ RI model, the 45 points move being at mercy of FOMC. On Trigger of POM 15 it is far easier to make up for 45 points on way down then to chase 45 point up from POM 14. This profit equation is valid since our NET LONG positions were at SPX 1300 and has no anxiety to chase 45 points or FOMC.

IMPACT OF TUESDAY’S MOVE ON OTHER INSTRUMENTS

BROADER IDX-

IWM which was our most weakest IDX was clearly “false break top side” beyond its own CZ in recent FOMC / ECB driven rally. Past 4 days action concludes VTO is turning downside.

Similarly non participation of IYT in FOMC / ECB rally and its failure in CZ y suggests we have bifurcated market.

Heavy bottom in IWM, IYT instruments should under perform in any rally.

COMMODITY IDX-

*Similar story is in Commodities **CRB, DBB** for weakness & **GLD, GDX, UNG** for Bullish Tops. **GOLD** offered enough 240 points move upside since POM 13 @ 1540. **OIL-** Hit our Trigger price of 96 (stated in commodity Report a Trigger to watch in CZ for decline and had no mercy on selling decline. It went straight to 91.5*

SECTOR IDX-

On Sector, Weaknesses in XLE, XLI, XLB v/s Strength in XHB, XLP, XLV continues, Triggers to watch on PQV
Validation for each instrument is stated in respective releases.

In conclusion - Our theme continues to stay with Weakness in BEARISH TOP Instruments for hedging & with Strength in BULLISH TOP Instruments for Momentum ride when it happens.

Actionable points –

Let us keep it simple. Action on successful test of CZ 1425-1410 to rebalance our POM 14 – Hedges (either minimize it closer to our cost price) in anticipation of Momentum rally

OR Wait for SPX to complete POM 15 for Net short.

SPX- CZ / POM 15 Analysis – **NEAR TERM**

• **First Pull back target 1425-1410, Oscillator to approach 35 during PQV Validation**
Notes within the chart.



SPX- TICK / TRIN Analysis – NEAR TERM

.As we approach the CZ **Pull back target 1425-1410.- Qualifying Market internals**
The current reading on TICK & TRIN along with MC- Clellan Oscillator during Tuesday's drop Suggests, the decline should be limited. Such reading in past has suggested a rally in 2-3 days (Provided its near CZ & PQV Validated)



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