Research Note – Market Strategy – US BROADER IDX (A# 2B) – STRATEGY & PROP Analysis (SP)

MAEG- MARKET STRATEGY _US_BROADER IDX # SG 2011 # MAR_07

For Immediate Release – Wednesday AM (EST)

By: Suneil R Pavse
Contact: apavse@aol.com

Market Strategy US Broader IDX (A # 2 B) - (SP)-

Contents for coverage within A # 2B –SP

- US BONDS -TLT
- QQQ – NASD 100
- IWM - RUSSELL 2000
- IYT / DIA – DOW TRANSPORT Theory
- IYT – TRANSPORTS
- DIA – DOW 30
- NYA - NYSE (As required)

Today's Quote –

" Return of the Money is more critical than Return on the Money"- Our goal as Risk Manager.

<u>Index</u>

1. *Executive Summary.*

US BRODER IDX

Primary Risk Market SPX – *On 2/29 at 1375, <u>ALERT -</u> We triggered <u>POM 15 – Net Short</u> Position for Portfolio Rebalancing based on its Objective. On 1/26, our 1325 Trigger, We completed a fully Hedge positions, Locking in our Profits from POM 12 and POM 13 (within our RA/ RI process).*

All indicators we track seem to show the extremes seen in May 2011,Bin Laden was the Catalyst. Everything is set up for this market to break mid term. All it needed was one really bad day (say, the Dow 200 lower) & subsequent rally to fail. This would then indicate that these patterns have finally turned. Note that the major patterns have been completed and extended in NASD (Thanks to AAPL) .

As witnessed in Yesterday's trading we broke down major Indices with some conviction. This happened whiles AAPL did not participate in decline. The quarterly line break indicator is showing that an oversold bounce is likely to happen here to setup another ABC down . If one is Bearish, we would like to bounce into 7th March Full Moon to get Cycle inverted. .

Secondary Markets – *Post POM 14 on SPX **-** Each US Broader IDX – QQQ, IWM, DIA, IYT have approached its own Individual CZ's & Price Projections (indicated in our previous messages as price targets) completing its own validation via PQV's & Pattern completion. At the Trigger of POM 15 in SPX @ 1375, the secondary market is Qualified for adding into NET SHORT, especially the instruments which has crossed the CZ with lighter PQV.*

When we have markets that are sharply diverging , it can be very telling. We have NASD going up and XLU, IYT,IWM, SMH going down. This is imbalanced market for rally continuation higher all should rally.
With respect to AAPL
In 24 yrs of our Market involvement, we have not seen any Mega large cap Equity(above 200B) being loved by everyone so much , that includes " Your Truly" as well (reason being we own it in our E # 2 Growth Model-surely hedged) . The only thing I can remember was back in late nighties it was AOL during Steve Case regime , QCOM on CDMA invention during Sr Jacob's regime moving from 200 to 1000. This was the Largest ABC up we

have ever seen in Market history . Both stocks jumping 5% everyday . Even successful MSFT , LU and CSCO had some sanity left post 200B move. YHOO , AMZN, EBAY where Mid cap companies in 2000. .

US BONDS (TLT)

US Bonds *have been in 30 yr Bull Run. Currently we are at POM 13 with projection towards the test of previous POM 15 highs or Higher set on 4th Oct 2011 (This was a Bullish Top) .*

In general when any Bull Market Triggers POM 15 (which it did) then it is in the last stages of their bull market . We have noticed this scenario in Bond Market in Oct. A typical Re test of previous POM 15 (Bullish Top) is part and parcel of Price Path.

Once this POM 15 is re tested with secondary Bearish Top and invalidated with PQV it would signal a beginning of Termination Process , Momentum, and the end of the Bull Market. This might be sometime away. We just wanted to give heads up.

***TLT is at POM 13 ,** since 10/27 (CZ – 110-112). It has initiated ABC up towards 123, we are in midst of this move . We are seeing signs of Bullish Top. If this move higher occurs it could very well put pressure on SPX due to its inverse correlation & flight to quality. ALERT – Risk Management below 107 (or STOPs based on Portfolio's Objectives). Earlier we had closed the POM 15 Signal position from 123 trigger to Target 115.*

- *For Price Path and more Justification for the Market Calls, refer   to conclusions and Detail Charts in the Trailing sections within the Report*
- *All the Broader Indices tends to follows the Price path of POM's in general but for POM14, 15 regime various Instruments IWM, IYT, QQQ, DIA, NYA might Top out at different time to Trigger CZ – Validation for SELL. We have CZ – PQV validation indicated in charts below (For Risk Management – STOPS always on other side of CZ based on Portfolio Objectives. For POM 12,11,13 , All broader market will move in concert with SPX*

2- *Trading & Invest Conclusions -* Price / CZ Projection Summary

A # 2B - US Broader IDX Report 7th March 2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
SPX				
NEW - POM 15 (1375)	BEARISH	1375	1310-1290	TRIGGERED (NET SHORT)
SHORT-TERM -(1325) - Fully Hedge - Triggered	BEARISH	1325	1260-1240	leg down to begin soon
MID -TERM -POM 14 - 1280-1310	BEARISH			
TLT				
SHORT-TERM	NEUTRAL		123-124	Consolidation (RISK Management below 107)
MID-TERM (last) - POM 13 (110-112) - Triggered	BULLISH	111	123-125	ABC up in Progress
LONG-TERM (last) - POM 12 (88-90) - Triggerd	BULLISH	89	123-126	3rd ABC up in Progress
QQQ (NDX)				
SHORT-TERM	BEARISH	60.5	TBA	@ ALERT SPX - 1325 on 1/26
MID-TERM (10/31 & 01/17)	BEARISH	60-59		@ ALERTED - 1/17 & 10/31
IWM (Small Cap)				
SHORT-TERM	BEARISH	79.5	TBA	@ ALERT SPX - 1325 on 1/26
MID-TERM (01 /17)	BEARISH	77		@ ALERTED - 1/17
DIA (DOW)				
SHORT-TERM	BEARISH	12800	TBA	@ ALERT SPX - 1325 on 1/26
MID-TERM (01/17)	BEARISH	12600		@ ALERTED - 1/17
IYT (Transports)				
SHORT-TERM	BEARISH	94.5	TBA	@ ALERT SPX - 1325 on 1/26
MID-TERM (01 /17)	BEARISH	91		@ ALERTED - 1/17 (False Bursted)
				NOTE
				For Detail Price Path Chart Analysis
LEGEND	Bull Market Signals BONDS	Trading Range Signals SPX		Indicators, Justification for our
				Conclusions, refer to the full Report
				for cross varification
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 Bursted			

CHART ANALYSIS – US Broader ID v/s SPX

- *YTD – Broader IDX Relative performance v/s SPX - Chart Analysis.*

US BOND – TLT - Chart Analysis

- *BOND -TLT - Trend & Oscillator Analysis*
- *BOND -TLT - RUSSEL -IWM - PEC –D Analysis*
- *BOND -TLT - CZ – Price & Volume Analysis*
- *CORRELATION RATIO Analysis TLT – with SPX*

- *EXTREAME Sentiment Analysis (3rd Party Data)*

NASD - QQQ – Chart Analysis

- *NASD - QQQ, Trend & Oscillator Analysis*
- *NASD –QQQ - PEC –D Analysis*
- *NASD –QQQ, Poly- Trend Analysis*
- *NASD – QQQ – CZ – Price & Volume Analysis*
- *CORRELATION RATIO Analysis QQQ– with SPX*

RUSSEL – IWM – Chart Analysis

- *RUSSEL -IWM, Trend & Oscillator Analysis*
- *RUSSEL -IWM - PEC –D Analysis*
- *RUSSEL -IWM Poly- Trend Analysis*
- *RUSSEL -IWM – CZ – Price & Volume Analysis*
- *CORRELATION RATIO Analysis IWM – with SPX*

DOW, TRANSPORT, – Chart Analysis

- *DOW , TRANSPORT Theory Analysis*
- *DOW, Trend & Oscillator Analysis*
- *IYT – MA, Trend & Oscillator Analysis*
- *IYT – CZ – Price & Volume Analysis*
- *CORRELATION RATIO Analysis IYT– with SPX*

YTD – US Broader IDX performance v/s SPX

Weakest and strongest Indices for PAIR TRADES

Since is beginning of the year 2012 , it is very critical to keep close eye on this chart for Strength / weakness pick up in these market . (Chart below is our Inter market Analysis Model with Ratio Relative performance v/s SPX)
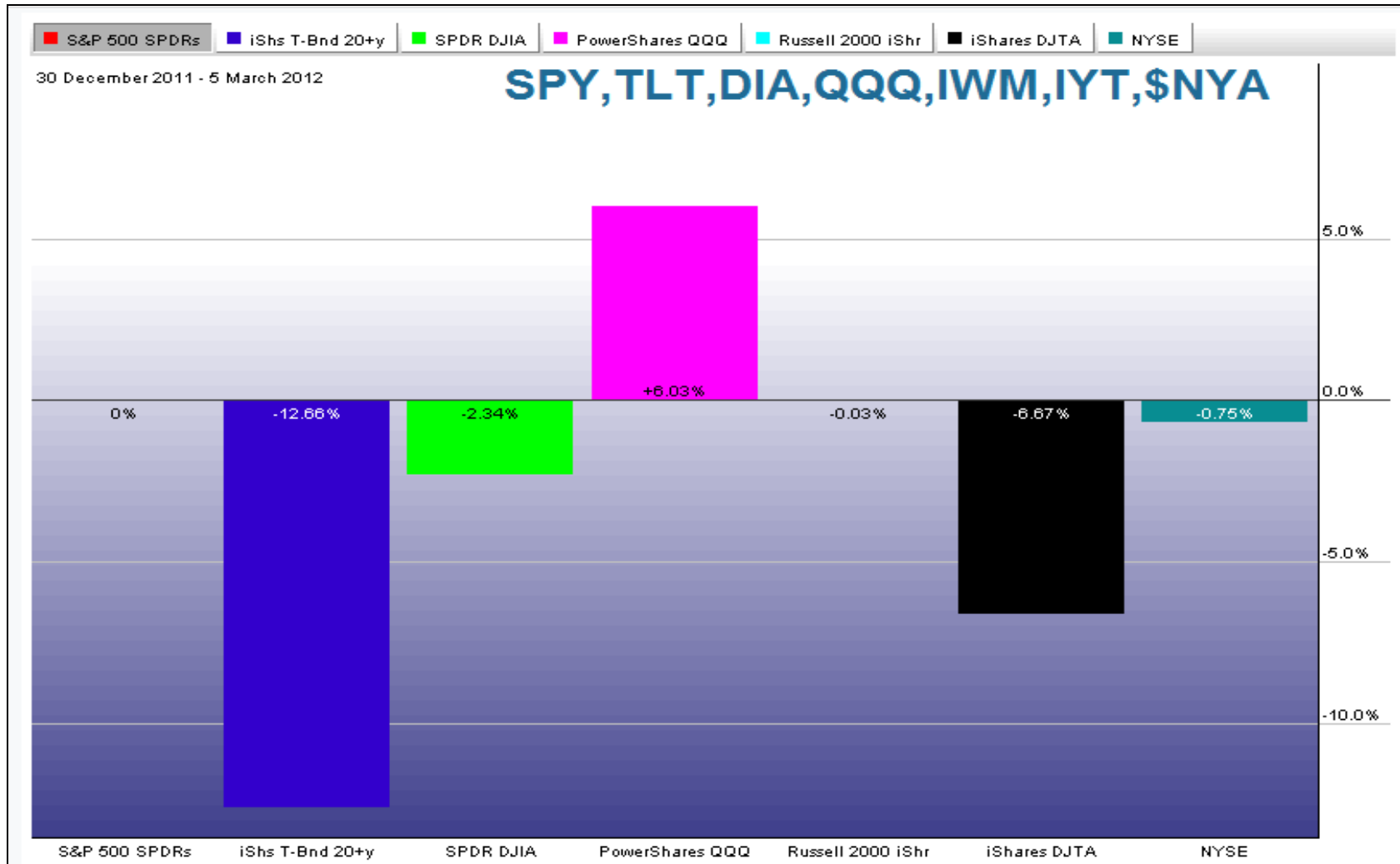
TLT – CZ / Ratio Analysis

Price & Volume with Pattern action suggests, TLT is building cause towards its higher price target 123 from POM 13 initiation price of 111. (Refer notes within the chart) . TLT is heading towards the BULLISH TOP which is previous POM 15 area. At the end of the run TLT can get volatile with " Terminal PRICE PATH Process" .

TLT – PEC- D Analysis

By this cross verification PEC –D to TAREGT 124 with 786/ 127 Projection.

TLT – MA / Trend Pattern and Oscillator Analysis

TLT/ SPY Ratio pattern acting very Bullish , Oscillators are in Buy Area
This is TLT 's   Last leg UP of this BULL Market , It began @ 88 – POM 12 went all the way to POM 15 to 123 target

The latest POM 13 triggered @ 111 is building a LEG UP,

MUB (MUNI) – CZ / Ratio Analysis (ARCHIVED REPORT – 01/2011)

MUB had Crashed in DEC 2010-JAN 2011. We had the most controversial <u>BUY Signal on MUB in Jan 2011</u> (in midst of down grades) . After the CRASH upon Successful PQV Validation @ CZ 95-96. Now we are revisiting MUB due to our Correlation Analysis with TLT (US Bonds)

13-Jan-2011 O 98.25 H 98.27 L 97.23 C 97.31 V 472.7K Chg -1.13 (-1.15%)

RSI(14) 31.43

MUB (Daily) 97.31
MA(50) 100.30
MA(200) 102.47

CZ - 96-97 from past

MUB (MUNI) – CZ / Ratio Analysis - SPECIAL SITUATION

Last chart was " Then " and this is " now" ….25% later (Refer notes within the charts). Currently, MUB has gone to Terminal Process and Cracked. Analyst community which had SELL at 95 are upgrading to BUY .

We think this market is Topping out but is not short candidate . The re test of Highs and its failure on PQV should be good Signal to take the opposite side.

- ## *CORRELATION RATIO ANALYSIS*

- ## *TNX (Yield)   v/s SPX -*

BOND YIELD DIVERGES FROM SPX. Inter market divergences are showing downturns in the bond yield suggests pull back in SPX should be coming soon. .

- ## *TLT v/s USD - Inter market Analysis*

Inverse Correlation continues in Current Trend

- ## *EXTREAME Sentiment Analysis (3rd Party Data) - Courtesy : SENTIMENT TRADERS*

None Indicators are at Extremes

IWM - PEC –D Analysis

PEC –D Pattern on IWM is completed 127/618 which equates <mark>to 77 – Alerted on 1/17.</mark> On the day 1/26 of <mark>1325 SPX Trigger Alert – IWM was at 79.5</mark> – PEC –D

IWM Broken down in yesterdays Trading . Past 2 weeks Flat prices with distribution pattern. (refer chart below) On each down move volume is picking up .. It has several Bearish engulfing in flat base pattern. Ratio is –vely diverging.

IWM – MA / Trend Pattern and Oscillator Analysis

By this Analysis , IWM - Bearish divergence on the McClellan Oscillator continues to remain. Ratio – IWM / SPY continues to show bearish pattern. ==Trigger PQV CZ - 77- 79.5 signal as Alerted .== (NOTE - CZ 74-77 was entered into but prices did not close under 75.5 as required - Hence was never validated for Trigger

The natural pull ==back target 75 -74 indicated in yellow== .
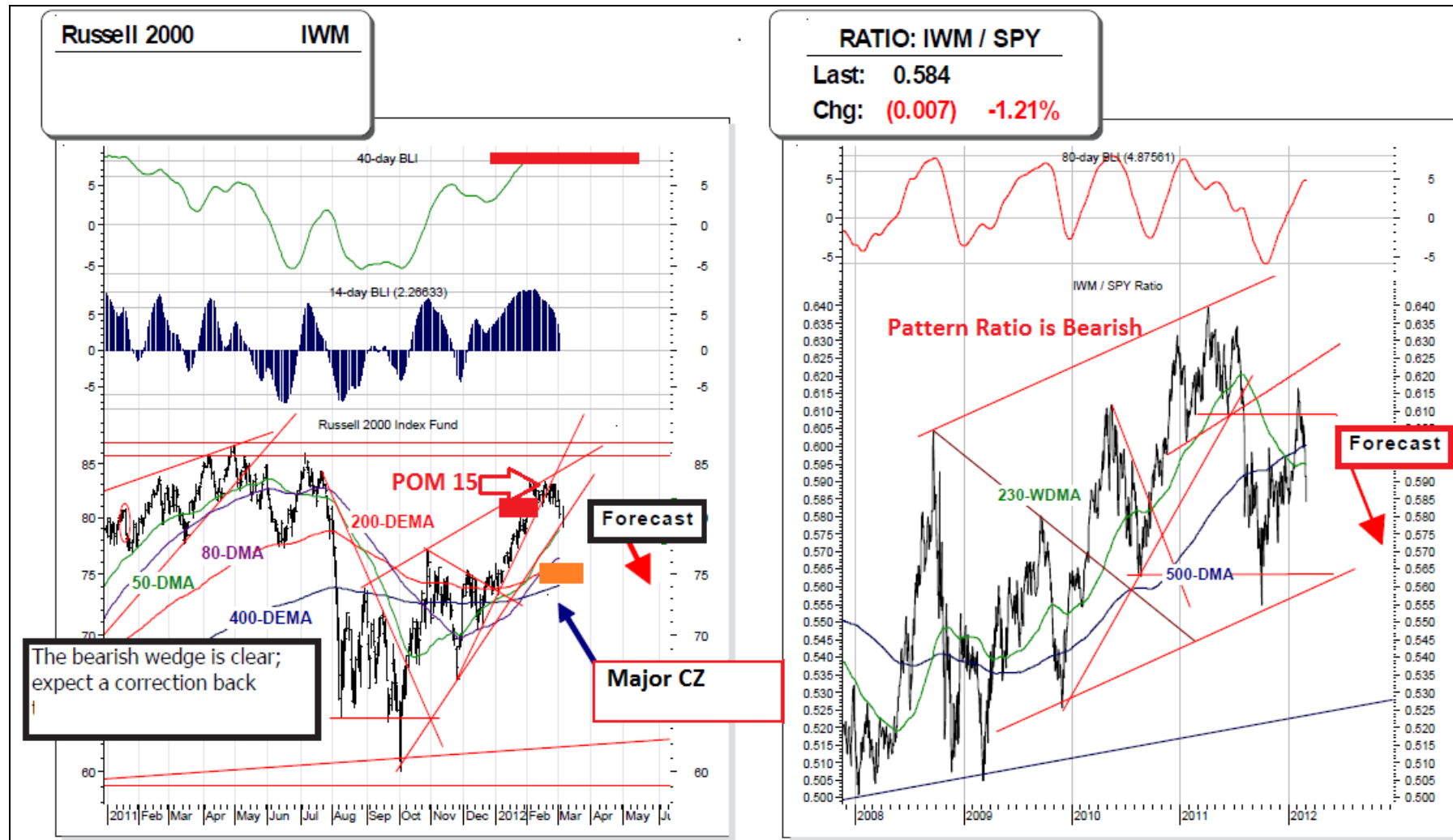
QQEW – PEC- D Analysis v/s QQQ

QQEW chart below is Equally weighted Index on QQQ, , _AAPL is only 2% in this IDX and not 18%._

QQEW reached PEC-D point and it did not extend much like QQQ did , QQEW Weakness is similar to IWM since 1st Feb (Refer chart below)

QQQ - PEC –D Analysis

Currently QQQ broke the Bearish wedge in yesterdays Trading with conviction.

PEC –D Pattern on QQQ is completed 127/618 which equates to 60 on QQQ – Alerted on 1/17.
*Thanks to AAPL for extension. On the day of 1325 SPX Trigger Alert – QQQ was at 60.5*
On the Day of POM 15 – 64.80 . Now trading at 63 but should bounce back towards breakout area to setup another ABC down

QQQ – MA / Trend Pattern and Oscillator Analysis -

By this Analysis , QQQ got parabolic due to AAPL's composition within and extended But Bearish divergence on the McClellan Oscillator continues to remain. Ratio – QQQ / SPY continues to show bearish pattern.

The natural pull back target CZ 59- 58 indicated in yellow .
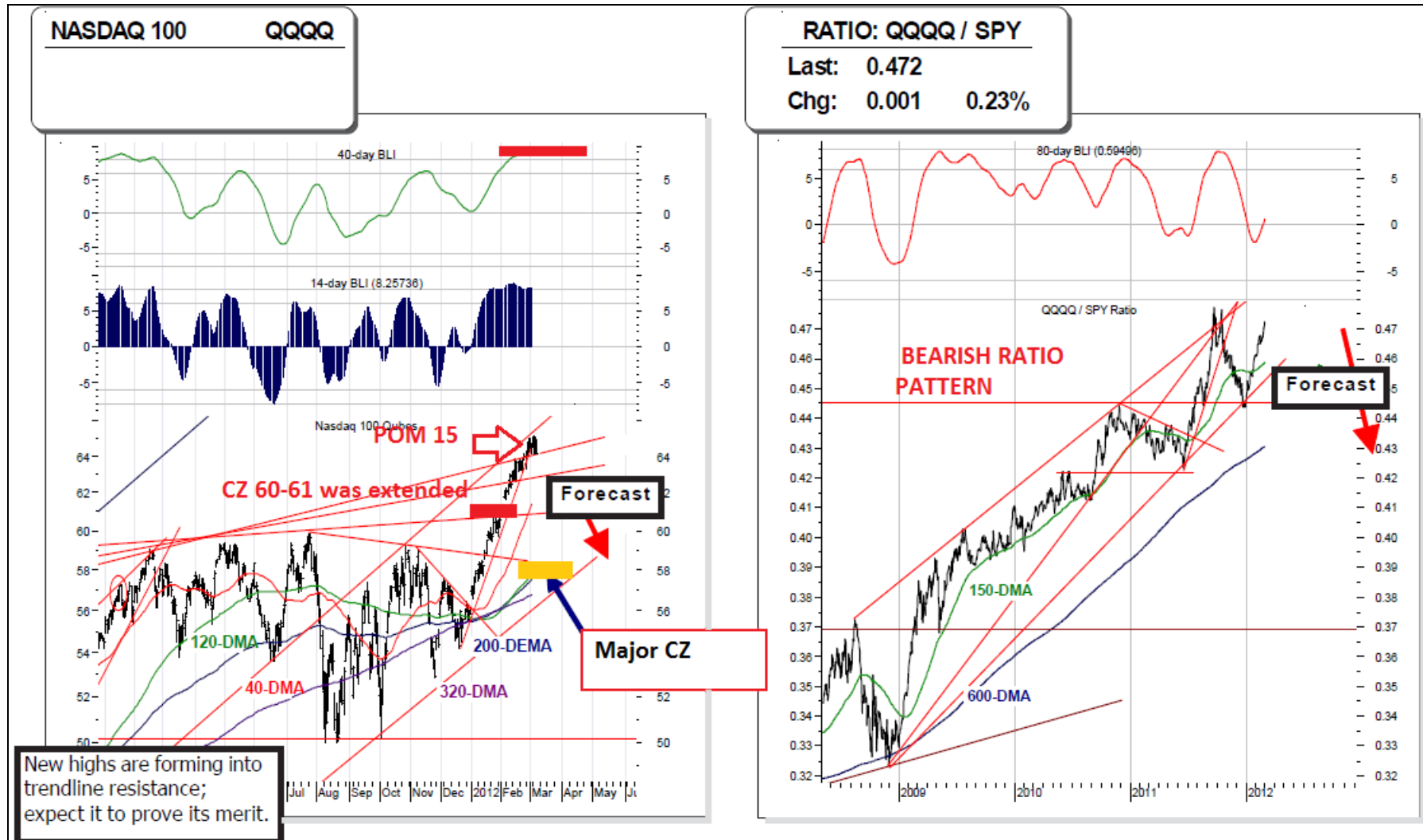
Dow Transport Theory – " No Buy signal "- Still on SELL SIGNAL

Since our Trigger at SPX 1325 on 1/26 , IYT has lagged considerably (see chart below)

More over IYT cross with DIA on price strength has not given signal. The Ratio line ….IYT / DIA is has not broken downtrend (Trigger Buy comes in if Cross the down trend line) . PQV has not validated - NO SIGNAL

RULE - We follow Dow theory for Tracking purpose only – with 4 criteria for Buy Trigger / Sell Trigger (See Appendix below) . Dow Theory usually is late comer to the party & Gets Whipsawed in Trading Range Market . Conventional DOW THEORY BUY SIGNAL triggered @ POM 14 failed 4 times in 2011 – But Our Modified DOW THEORY did not Trigger Buy.
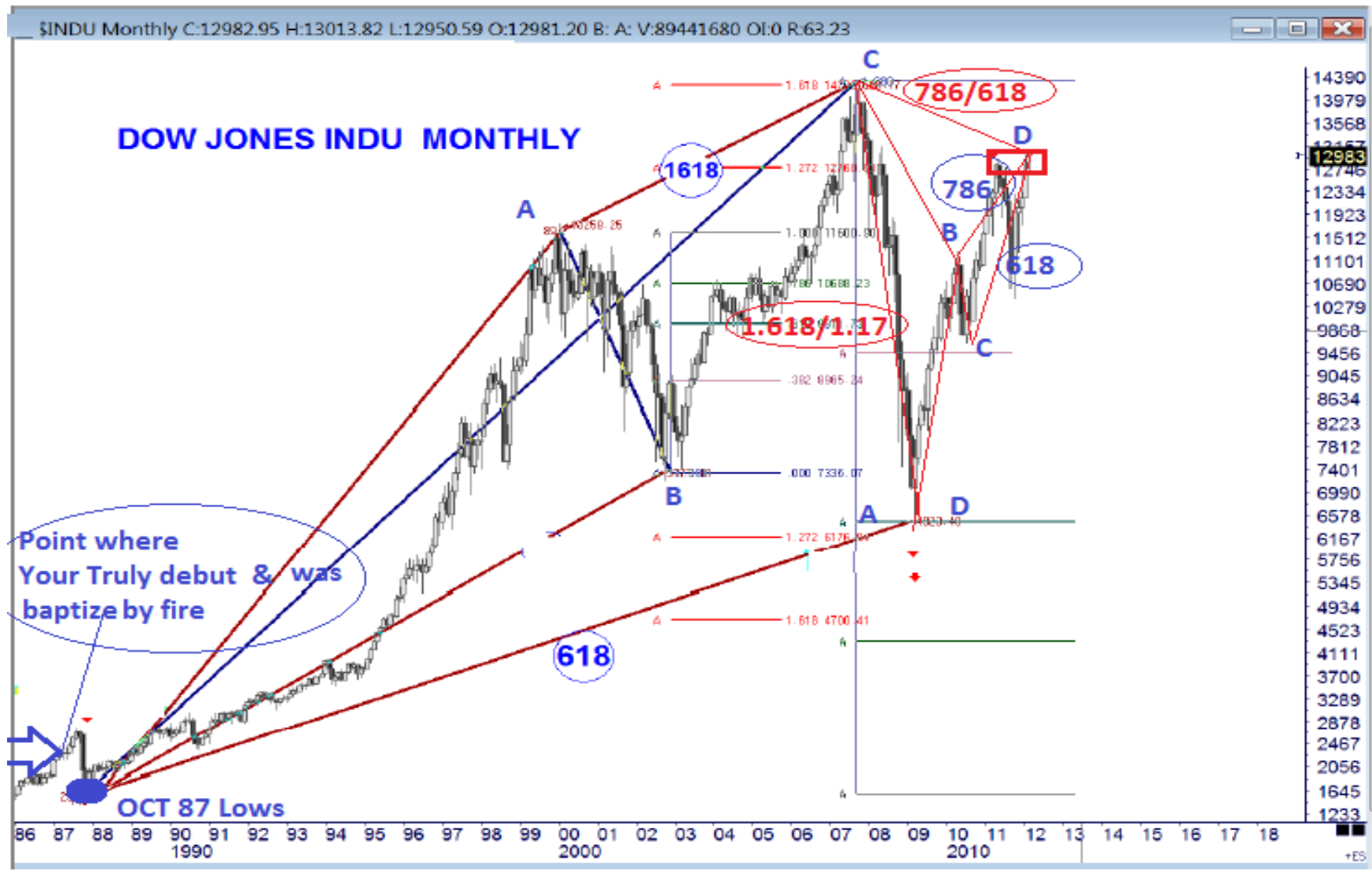
DIA – PEC D- Analysis

By PEC –D Method projections (618 / 1.27) to 12600 – ALERTED 1/17 indicated in red , On 1/26 – SPX – 1325 Trigger – DOW was at 12800.

DIA – PEC D- Analysis (Bigger Picture)

Similar to SPX (Bigger picture we previewed in our A # 3 MS on Monday, via PEC-D pattern, SPX pattern was taken from 1994 lows)

Currently, DIA 's PEC-D pattern from 1987 Lows . PEC-D projection is 12900 (Refer notes in chart)
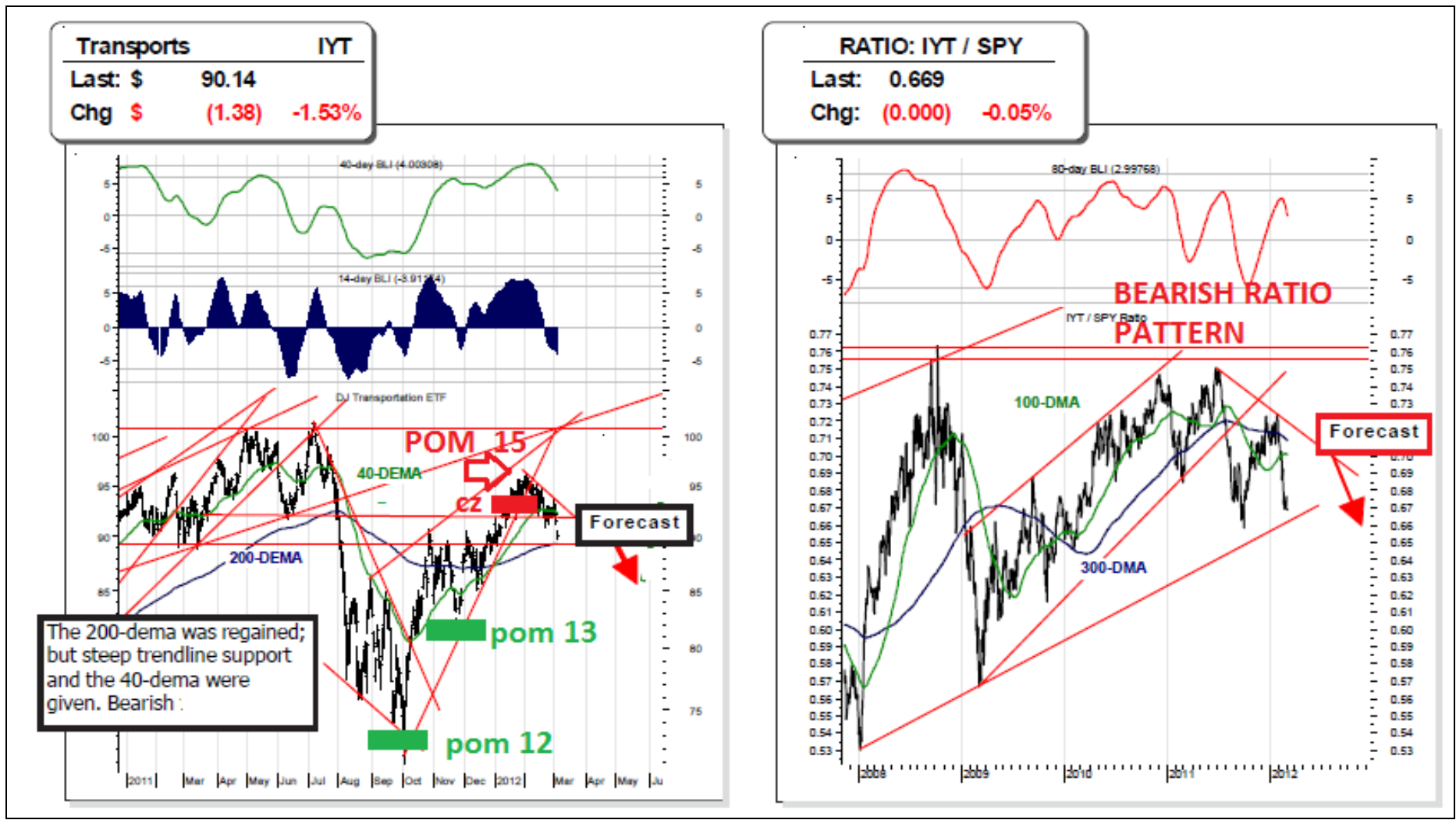
IYT – PEC –D Analysis

By PEC –D Method   projections (618 / 1.27) to 91-   ALERT 1/17 indicated in red , IYT has shown the most divergence.
As indicated Volume expanded on downside.(see notes in chart)   On 1/26 – SPX – 1325 Trigger – IYT was at 94.75.

IYT - MA / Pattern and Oscillator Analysis –

*IYT Met and **exceeded CZ with** (false break) (in red) , **NOW BACK below** CZ after yesterday's decline .*

By this Analysis , in spite of rally extension Bearish divergence on the McClellan Oscillator continues to remain. Ratio – IYT   / SPY continues to show bearish pattern.

Left chart box:

Transports		IYT
Last: $	90.14	
Chg $	(1.38)	-1.53%

Left chart labels: 40-day BLI (4.00308), 14-day BLI (-3.91 84), DJ Transportation ETF, POM 15, 40-DEMA, cz, 200-DEMA, Forecast, pom 13, pom 12

The 200-dema was regained; but steep trendline support and the 40-dema were given. Bearish :

Right chart box:

RATIO: IYT / SPY	
Last:	0.669
Chg:	(0.000) -0.05%

Right chart labels: 80-day BLI (2.99768), BEARISH RATIO PATTERN, IYT / SPY Ratio, 100-DMA, 300-DMA, Forecast

SD - OVERVALUED v/s SPX   ETF (SD +2)

- **NONE**

SD - UNDERVALUED v/s SPX ETF (SD - 2)

- **NYSE**
- **IYT**

Appendix Content

- **Objectives & POM /CZ Guidelines**

- **Guidelines for Full Utilization of " SP" Report with Limitations**

- **Trading & Investment CZ - Conclusion History 2011**

- **SPX- POM – " Price Oscillation Model " Criteria**

- **DOW TRASPORT THEORY – Criteria.**

- **PEC –D " Pythagoras – Expansion & Contraction Criteria**

- **SPX – TAS 3x3x3 / 9EMA - " Trend Adjusted Signal " Criteria.**

- **Definitions of Extreme Sentiment Indicators**

- **2011 – TLT – POM Signals & Price Projections – Wrap Up**
- **Trading & Investment Concl – Start point 88 (1ST Jan) – 121 (31 Dec)**

TLT- US BONDS- 2011– TURNS REAL TIME–POM & CZ

- **TLT – POM Signals & Price Projections -**

  - **TLT - Trading & Investment Conclusion**

  - **Start point 94- 1ST Jan**

- ***Net Short – POM 15 - (Total points gains = +6.5)***

  TLT – Short position closed @ 115 from 123.5 via Trailing stop for 8 points gains

  - ➢ *Alert 4 - POM 15 –, TLT – Triggered Alert – 10/4 @ 123.25 closed @ 115 = (+ 8.5 Points gains)*
  - ➢ *Alert 3- POM 15 –, TLT – Triggered Alert – 9/30 @ 119.25 / closed @ 117.25 = (+2. Points gain)*
  - ➢ *Alert 2 - POM 15 –, TLT – Triggered Alert – 9/26 @ 120 / Stopped @ 122 = (-2. Points loss)*
  - ➢ *Alert 1 - POM 15 –, TLT – Triggered Alert – 9/6 @ 113.65 / Stopped @ 115.5 = (-2. Points loss)*

- ***Net Long – POM 12,13 (Total point gains = + 9) + Yield of 6 months***
  (POM 12 for Full Fresh capital to go long)

  - *Alert – 8/35 - POM 14 Triggered @ 102 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/ (1/2) for average price @ 89.5 = +12.5 points gains*
  - *Alert – 5/5 - POM 13 Triggered @ 95 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/08 (1/2) for average price @ 89.5 = +5.5 points gains*

- ***Hedge Longs / Risk Management for corrections - NONE***

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 # 2B,G – 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.*

- *POM's are more favorable Areas to act for better Reward / Risks.*

- *Stops always on other side of CZ @ value based on Portfolio's 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*

Trading & Investment CZ - Conclusion History 2011

CHARTS UPDATED 16TH AUG - FOR ABOVE IDX IN AREAS OF " CZ STOPS"
ANNOUNCED - REALTIME

Read notes within the chart . ………

Quick Summary of Turning points - "Price path Reported " from Previous Reports - UPDATE dt – 7/21

Previous Signals

SELL SIDE - Triggered at Qualified CZ on "time & price"

- *IWM (83-85)….with 40 M or less test - qualified at CZ Sell – 31st March @ 84*
- *QQQ (56- 58) … with 75 M or less test - qualified at CZ Sell – 21st April @ 58*
- *EEM (49.5 – 52.5)… with 55 M or less test - qualified at CZ Sell – 21st April @ 50.19*
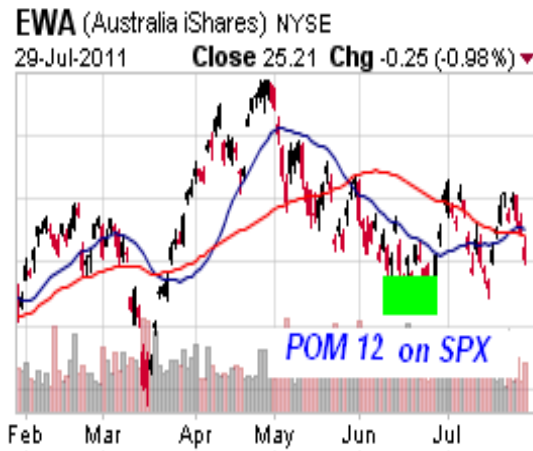- *EZU ….No Validation*

BULLISH CZ - Triggers at Qualified CZ

- *Alert - SPX has reached our Bullish CZ 1315 - 1295 , this will be 4th counter trend rally in 2011 within the regime of POM 14 re runs, All the above broader indices will follow the same price path in different proportion based on its own Relative Strength (see details of ech below)*

Cont.......QQQ, IWM, EEM, EWA, EZU, EWH " Price path" update - From A # 2 MS Global

≈Short term Risk mangement zone announced for POM 13 on 7/08 & on A # 2 - MS - 7/06

Bullish CZ on Pull back *but* in Case of IWM violated at 81

QQQ Nasdaq GM
29-Jul-2011 **Close 58.00 Chg -0.19 (-0.33%)** ▼

POM 12 on SPX

IWM (Russell 2000 iShr) NYSE
29-Jul-2011 **Close 70.74 Chg -0.10 (-0.13%)** ▼

POM 12 on SPX

EEM (iShares MS...) NYSE
29-Jul-2011 **Close 47.11 Chg +0.20 (+0.43%)** ▲

POM 12 on SPX

EWA (Australia iShares) NYSE
29-Jul-2011 **Close 25.21 Chg -0.25 (-0.98%)** ▼

POM 12 on SPX

EZU (EMU Index iShares) NYSE
29-Jul-2011 **Close 35.90 Chg +0.01 (+0.03%)** ▲

POM 12 on SPX

POM criteria for Implementation on SPX

- **POM is rated from 10 to 15**

- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management

- On way UP move, POM 13 signifies to STOP executing additional 'New Buys" that was initiated at POM 12 or POM 11 levels

- On way DOWN move, POM 13 signifies to STOP executing additional " New Short Sells" that was initiated at POM 14 or POM 15 levels

- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs

- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge

- POM 12 & 11 is for Net Long

- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

Past 52 Week DOW THEORY Signal - updated 20th April

In chart below – top most window - when __IYT prices Trades above DIA prices (– green arrow) & , Confirmed by the break of blue line on IYT / DIA Ratio (window 2 below) Triggers a Buy Signal. As long as both remains in same trading overlap pattern. ………As soon as IYT breaks below (red arrow) confirmed by breakdown in ratio on IYT / DIA " Sell is signal" is trigger till next time it repeats itself as indicated in Blue bar (which we are awaiting for Triggers) .

point – In spite of Sell Signal by this DOW Theory end Jan (which we used as PRE – Qualification) The real sell by our Method came on 19th Feb) , by the time IYT moved up 7% towards the CZ – Validation to finally get Trigger in PQV and then fell apart (Refer sector Report, Feb Edition)
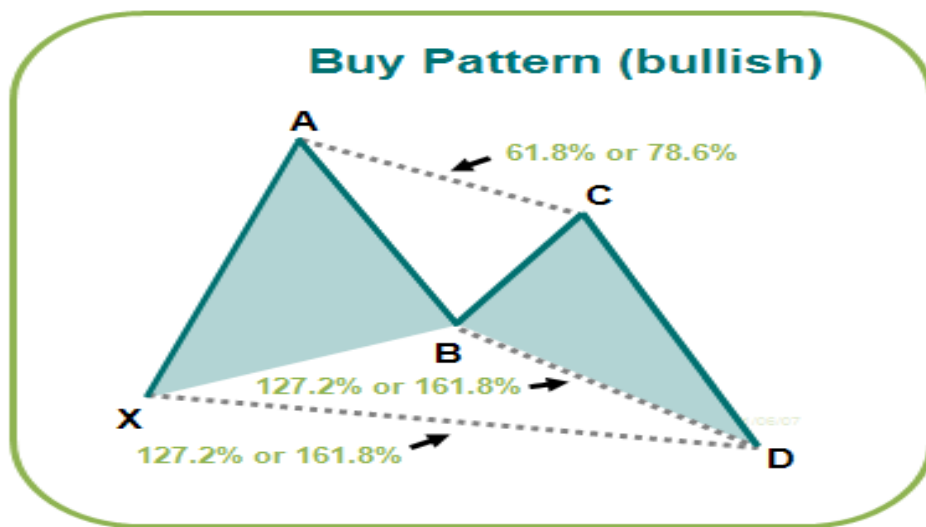
Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on "Short & Intermediate term" Trend in the currency market.

- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM). This has a high probability for greater accuracy on Price projections at confluence when Integrated together.

- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.

- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci steams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D

Buy Pattern (bullish)

- A
- 61.8% or 78.6%
- C
- B
- 127.2% or 161.8%
- X
- 127.2% or 161.8%
- D

Sell Pattern (bearish)

- D
- X
- 127.2% or 161.8%
- 127.2% or 161.8%
- B
- A
- C
- 61.8% or 78.6%
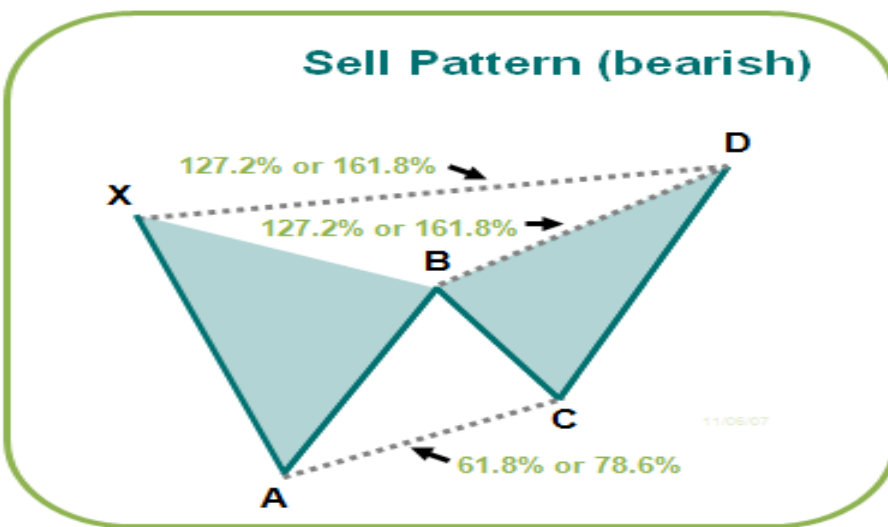
- ## Daily SPX - " Trend Adjusted Signal"

- ## 3x3 /9EMA – Break Indicator

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close