



Date : 6TH Aug 2013 (Monday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

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Executive Summary.

| | Current Price | Trigger POM or CZ & Date | Triggered Within CZ & Date | Progress Status | Current Position | NEW ACTION (Trigger to Watch) | Upside CZ Near Term | Upside CZ Mid term | Downside CZ Near term | Downside CZ Mid term | Remark |
|--|---------------|---|----------------------------|---------------------|--|--|--|---|---|--|--|
| SPX- 500 | 1707 | POM 15 @ 1687 | CZ 1687-1683 7/28 | BEARISH Topping | CASH <i>Portfolio Short bias Since 1687-1683 Via QQQ IWM, XLE XLB</i> | NONE | CZ 1687-1653 Failed on PQV Validation | Round No 1700 met , Move higher 1687 is false break (No upside target) Close under 1675 is required to end of uptrend) | ABC down To 1565 lows with heavy bottom | ABC down To 1535 | <u>JULY</u> close below 1600 Is required as next step To project 1535 target <u>Wkly</u> below 1650 w/ hvy volume to re required inforce previous signal . |
| TLT (BONDS) Announcement | 106.5 | POM 13 – Re Run On 01/7 Core position | CZ 115-117 | BULLISH Extended | Net Long ½ Re Entry @ 116 | Initiate 2nd ½ - close above 107 | CZ 124-128 Bullish Top | CZ 135-136 | Gap below 108 Is being filled & re tested <i>Close above 107 required</i> | LT Extended PEC-D @ 107 (Refer chart Below) | Earlier closed TLT positions For profit 115 to 122- 7 points Round trip (Lost all Previous Profits) |

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|-------------|---------------|--|---|--------------------------------|--|---|--|---------------------------|--|---|--|
| GOLD | 1305 | POM 13 @ 1540 For main entry <u>Core position</u> | CZ 1205 1190 <u>Entry Triggered @ 1205 6/28-announce d</u> | Bottoming out off Crash Zone – | Net Long Last entry-@ 1205 Special Report on 6/28. RM 1180 | NONE | ABC up to 1365 In tact <i>Flag post Top 1375</i> | | Pull back CZ 1305 – met rejecting lows of 1280 <i>Weekly Close above 1320 suggests continue higher</i> | secondary lows 1225, <u>Bottom in place @ PEC-D 1180</u> <i>Critical Rejection-Key Reversal bar 1225-1190 On low Volume</i> | For Recycled <u>2/3 exposure</u> 1.Re entry. @ 1205 (6/28) @1575 (3/01 @ 1635 (1/5),) Earlier exited Profit @ 1429 = 72 @ 1770 = 220 Loss - 22 (-15+ 0-3-9-2) 5-stopped out Entry @ RM 1280 @ 1265 1365@ 1365 1555 @ 1552 1679 @ 1670 1705 @1703 |

Portfolio – Overview & Update

Overall Portfolio is at “ Neutral “ to slightly Short bias – Triggered to scale in Net short position QQQ, XHB, XLE, IWM Bearish Instruments. **POM 15 exposure @ 1687 to Scale 7/28 – Short bias . It is day 5 since our Signal .** This is same Exposure that was short covered on 6/28 @ 1570 lows

TLT - We are increasing the Net Long exposure today with Re- entry via 2nd half position .

Portfolio Holdings **NEUTRAL /SHORT BIAS EQUITY- NON LEVERAGED** Refer to Respective Reports for details

- **LONG** at POM 13 / in Main CZ :
Non- Equity - GOLD , GDX , DXY , USD/JPY , CU , TLT , UNG , AUD .
Equity - XLV ,XHB , XLP, EWJ / NIKKE , FXI
- **SHORT (Hedges v/s Longs) / in CZ :**
Equity –(Hedges) - QQQ , IWM , EMB, EEM)
- **NET SHORT** -.....Preferred Instruments
QQQ , IWM, XLE, XLB , EEM - (**ONLY for Short bias Bearish Portfolio**)
- **OPEN ORDERS** - TLT – **increase – ½ exposure to full exposure.**
- **CLOSED** - NONE

The spread of “ Net Long – Bullish Top Instruments “ v/s Short – Bearish Top Instruments for Market Neutral Exposure. Our Holdings **XLV (Hlt care) , XHB (home blrs) , XLP(Staples), FXI (China), EWJ (Japan),** as long term Bull Market. Equity Portfolio - **fully hedged.** (On Announcement of 1st- POM 15, 2/25, 3/06)
Short exposure via **IWM, QQQ, XLB, XLE** in Bearish top Instruments

GOLD - Bottoming Crash Zone.

Downside – Pull back to **1305 held & rejected lows 1280 last week** . Weekly close above 1320 – required to suggest continuation move higher. Meaningful Secondary low of 1225 in Key Reversal bar 1225-1190 with low Volume is in place for good rally. .

Upside - ABC up to 1365 Flag post 1375.

Gold has still not seen a Short covering rally just yet considering historic net short position. Positive seasonality July, Aug & September is in progress. Most all sentiment indicators related to gold, are in extreme readings suggesting a longer term bottom is forming.

At **1205** on 6/28 Triggered entry. & volume rejection projected 200 point rally in Gold from lows of **1180** to 1st ABC up target **1365** –PEC-D.

SPX - Doble top Levels

- Round number **1700** met after all but struggling to complete WAVE 5 Daily & WAVE 5 weekly. This move higher above 1688 is false break with Bearish topping
- The Spike high of **1688 on 5/20** has high volume is tested on contracting volume on this rally , (ABC down to 1565 – Heavy Bottom).
- We initiated Net Short & Scale in CZ 1687-1653, Triggered 7/24 & 7/10 – POM 15
- 1- **Daily** - close below 1675
- 2- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of Signal is “in effect”
- 3- **Monthly (July)** – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom.

TLT (BONDS)– Pull back extended below CZ – Bottoming process

The bond market has had a correction. Re test back into **106 – PEC-D** is in progress. We think we may be close to a turn up in bond . It should be final rally in BONDS towards **124 in TLT**.

Chart below is TLT & TYX (Rates). Bullish divergence is showing up in prices & the oscillator. Time Ratio target is in next 2 days for lows. **Close above 107 would Trigger a rally**. The current leg down is indicating no significant force to the downside. This is the kind of pattern you like to see going into a low. The money flow suggest that lows to be in soon just lining up for a big technical bounce. They are showing signs of accumulation for at the very least, a trading rally.

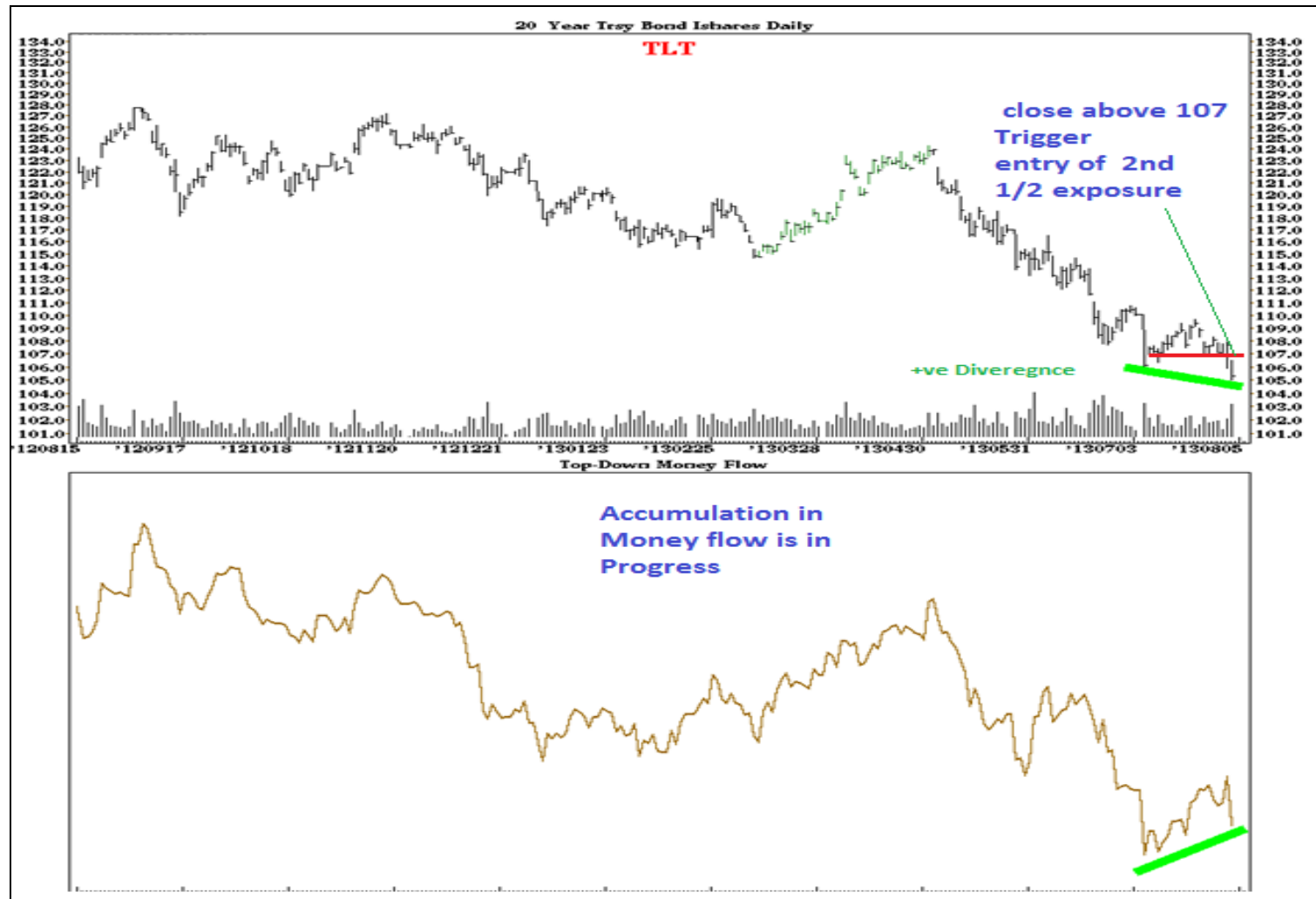
We plan to add the 2nd – ½ position back once it gets back in range 107. Extended PEC-D's to 106 (below 108 is gap). under false break below **CZ 115-117** PQV Validated Bullish Bottom on lighter volume. The next rally should begin to the Bullish top at **124**.

Our Re - entry at **116** on ½ recycling Position is in tact. . **Earlier -** For same position we finished **round trip** on 10% exposure with profitable gains 1ST half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out).

TLT (Bond) – CZ- **extended.** PEC- D Analysis –

Downside - Rally has initiated Rejecting the lows into the **Gap of 1.08.** & **Extended PEC-D 106** with , +ve vol reversal
It was false broken downside below Pull back **CZ 115-117.**

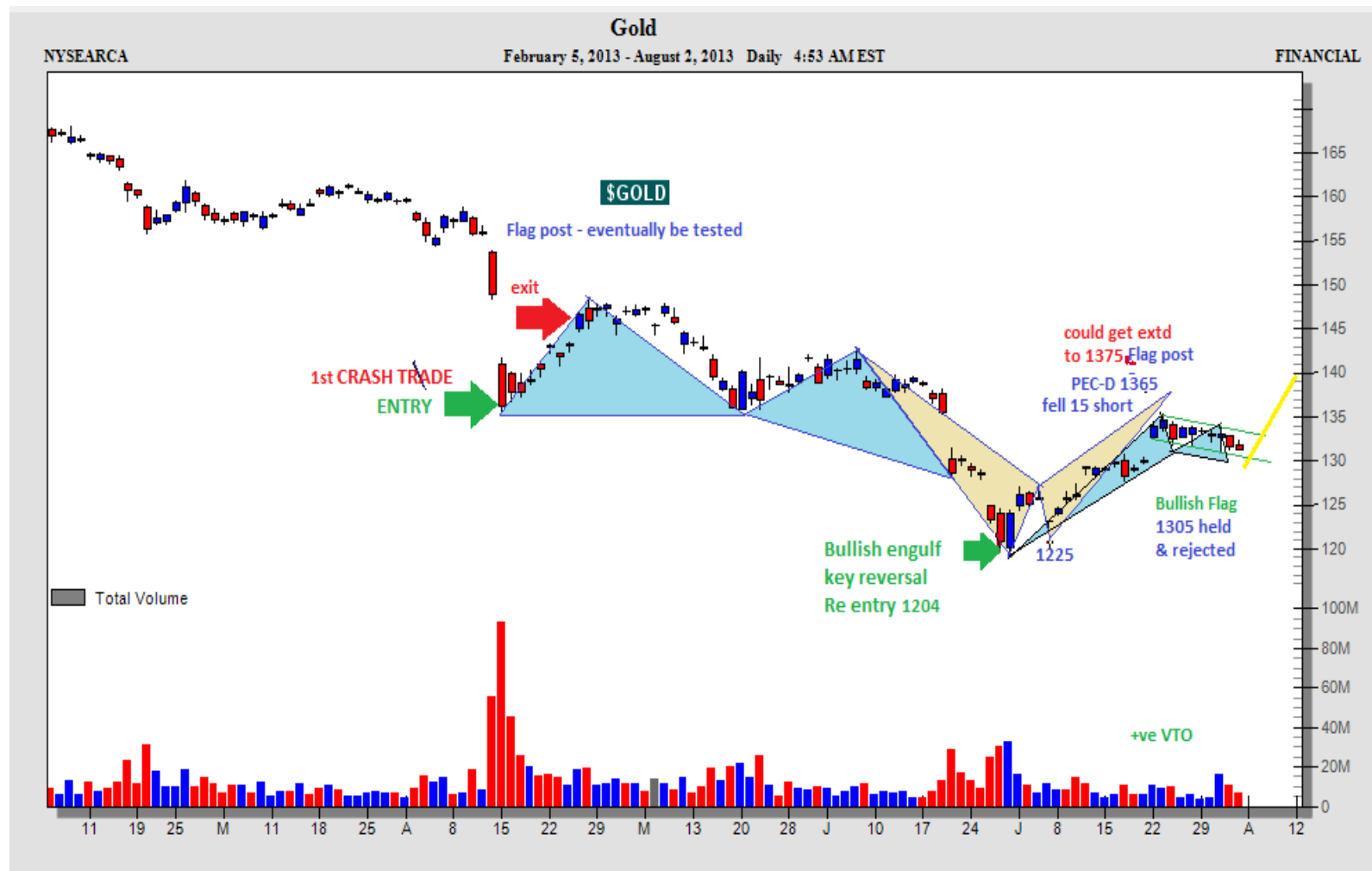
Upside - Close **above 107,**(Trigger) TLT should rally to **CZ – 124-128** (Bullish top).



GOLD – Daily – PEC –D / CZ Analysis

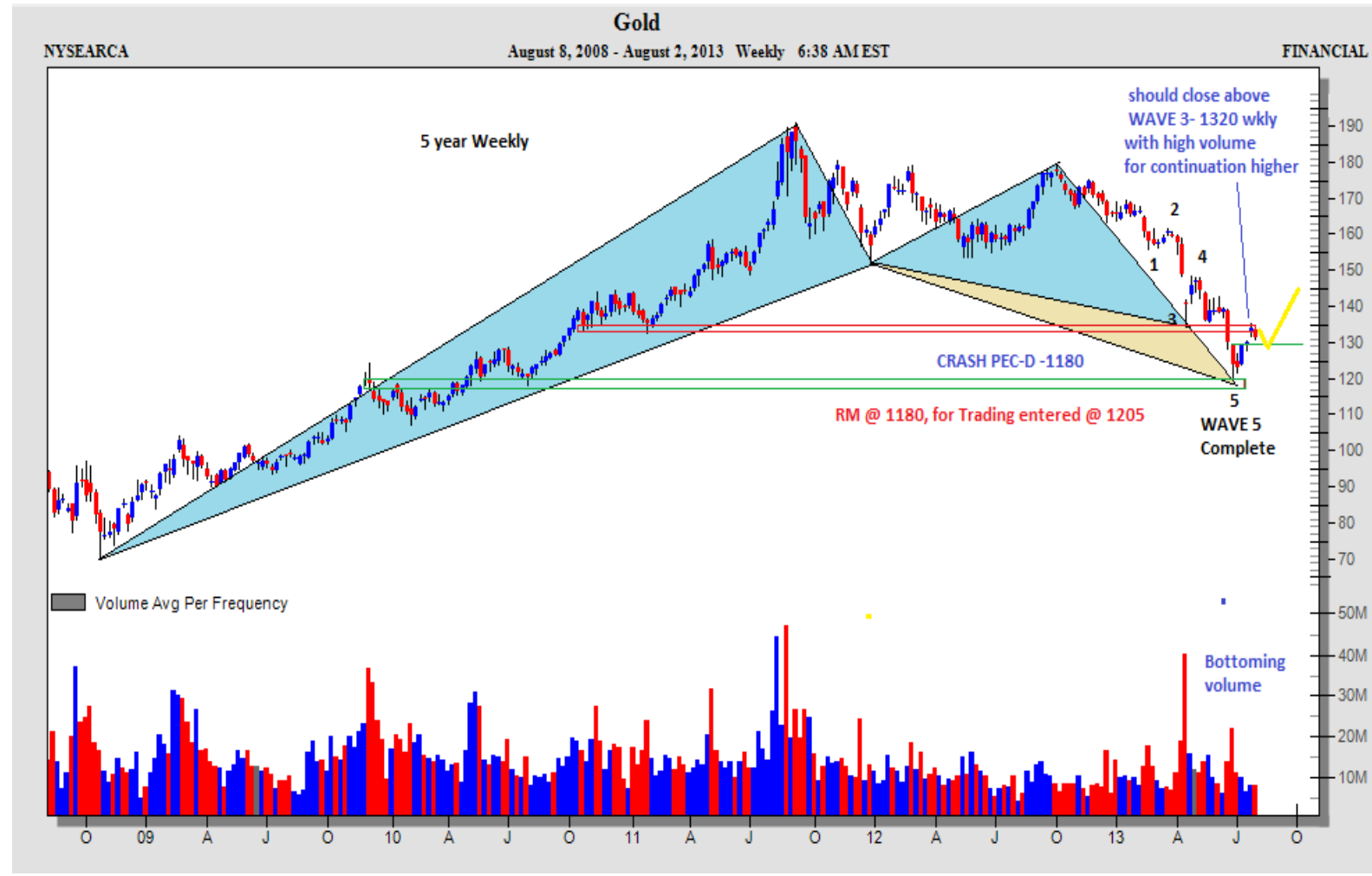
1st ABC Up to 1365 Flag post cap is in place 1370. – Bullish flag formation is in progress.

Downside- Weekly close above 1320 suggests continuation move higher. Pull back to 1305 held. At PEC-D 1280 last week, it rejected lows Bullishly.



GOLD – Weekly – PEC –D / CZ Analysis –

Weekly - WAVE 5 is complete and now should get back above point WAVE 3 (1320) – PEC-D on weekly to signal Mid term Bottom (Notes within the chart)



Market Overview SPX

Nothing has changed – we continue to view recent last week's action as Topping out for another correction since our Trigger 1687. **It is DAY 6** . The Market internals is showing weakness. The risk-reward is clearly skewed towards lower prices . Round number 1700 is met , but WAVE 5 doesn't seem to have been completed . We do not have any upside target . These prices will die on its Track sooner rather than later.

We think after a brief correction, there should be another rally . This all time high may not be that easy for Bulls & Bears . The final rally would be forcing shorts. We shall Monitor the Quality of First correction and Alert accordingly (& CLOSE OUR SHORT BIAS POSITION TAKEN AT 1687- SPX) .

Technically speaking for now (1687 – SPX) , the Ratio-Adjusted **McClellan Summation index** pointing downward for the NYSE. It will find its final peak below 500. We have yet to see a peak below 500 as indicated last week. VIX has been trading around its PEC-D target of 12.7. SPX v/s Utilities have been showing –ve divergences. Utility usually leads SPX on way down.

Past 4 Friday's have been Short covering rallies. The Advance-Decline Line failed to confirm the new, all-time highs on the NYSE. Other signs of weakness are beginning to appear, such as a diminished number of new 52-week highs. New 52-week lows. That higher path polytrendline peaks on August 13th (see chart below) .

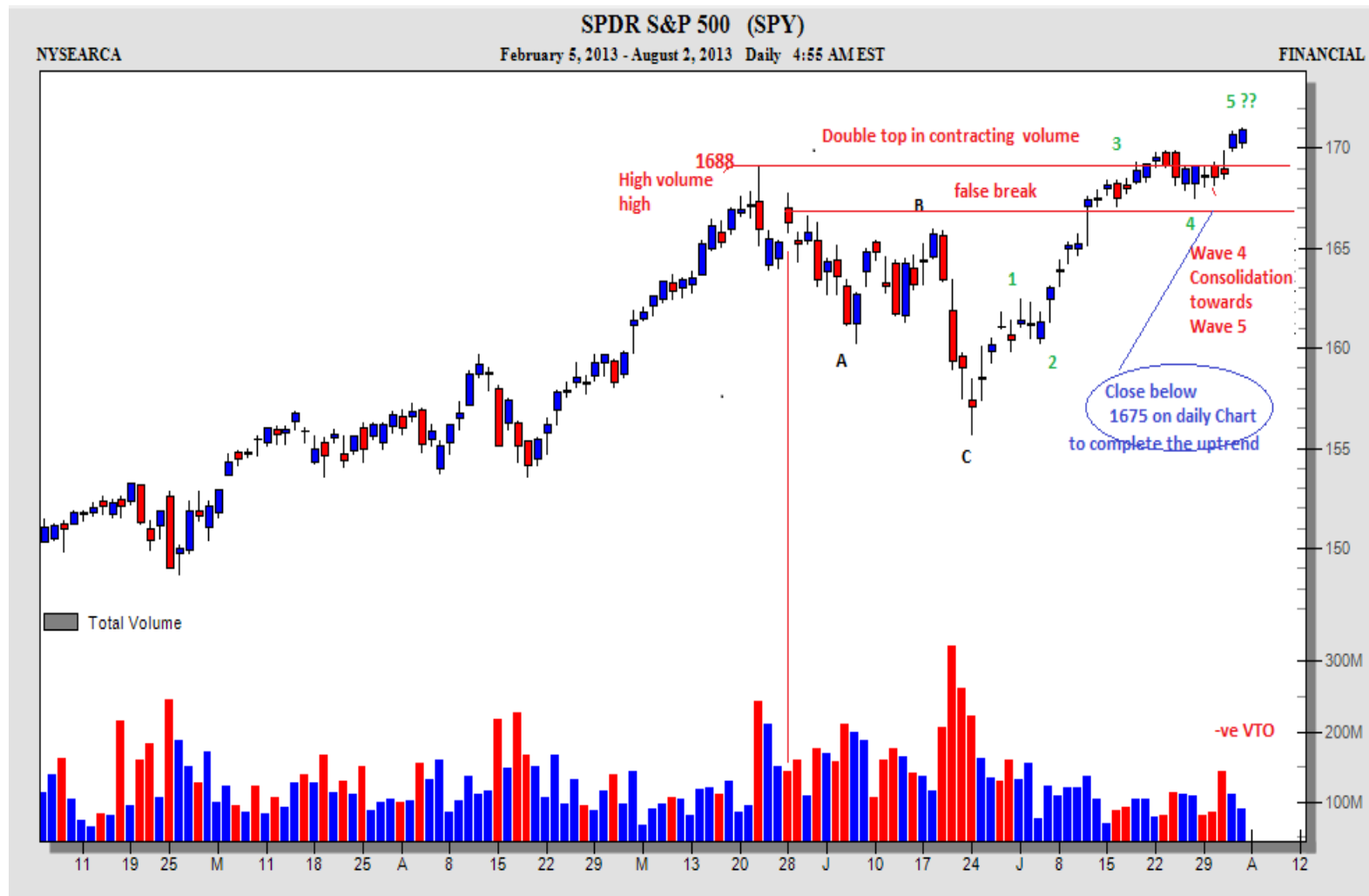
Currently Sentiment has become increasingly exuberant with the AAll showing 46% bullish and 20% bearish. Slightly lower from May highs.

TRIN / TICK / ARMS – Past week, 5 Day average Tick / Trin Ratio reading at +280 & Low ARMS reading 0.65 both are in Bearish reading. .

Geomagnetic Cycle - AUG 05/06 – New Moon .

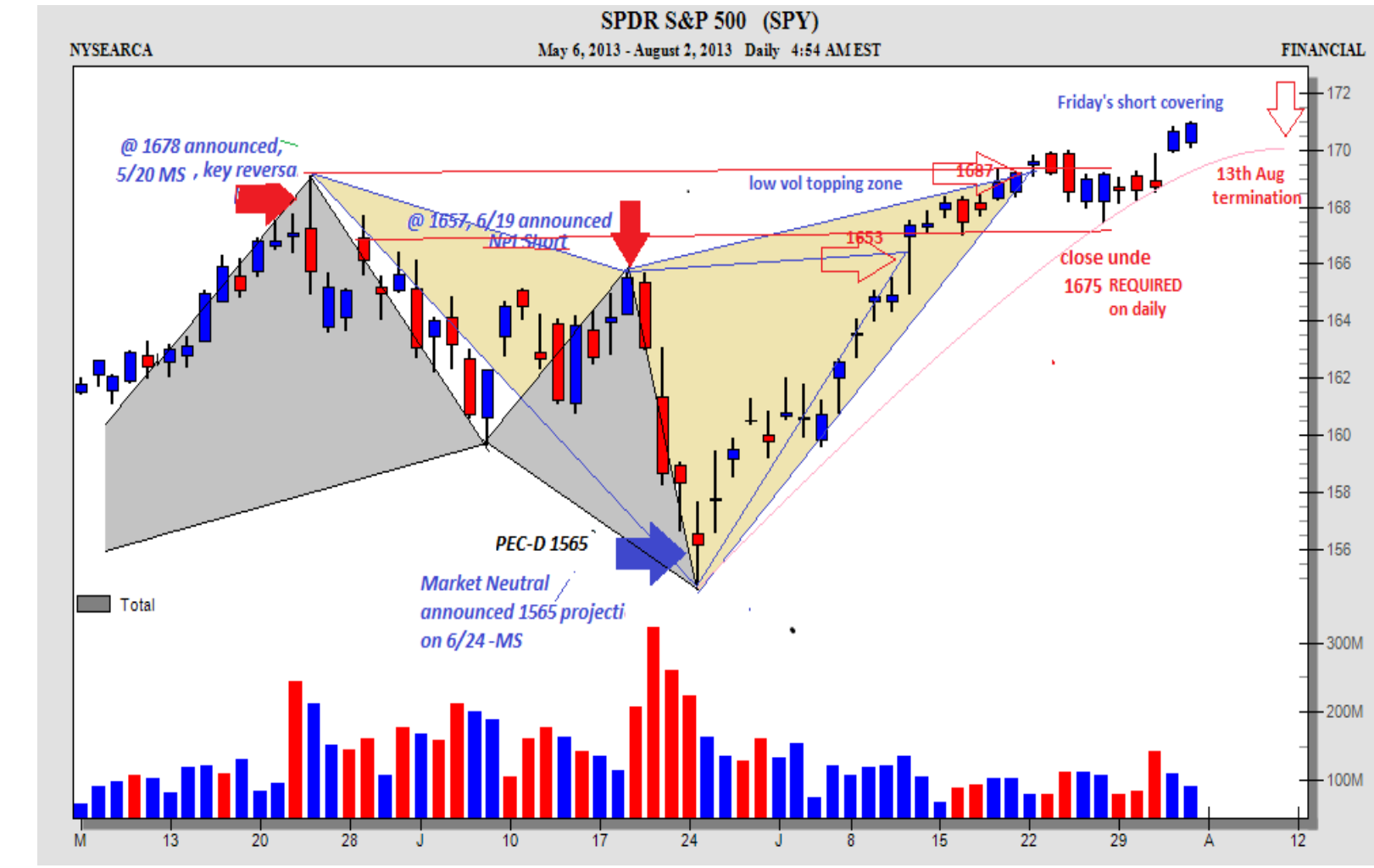
SPY – TERMINATION WAVE / PQV Analysis –

Daily basis WAVE 5 is not complete- It continues to work through a WAVE 4 consolidation pattern. **Close below 1675** (WAVE 4) is good signal to end the uptrend Short term.



SPX- PEC- D / CZ Analysis POM 15 - Daily chart

UPSIDE - Contacting volume above 1687 is false breakout . The T- Termination on Poly Trend is 13th August. . (Notes within the chart)



VIX – PEC-D Analysis

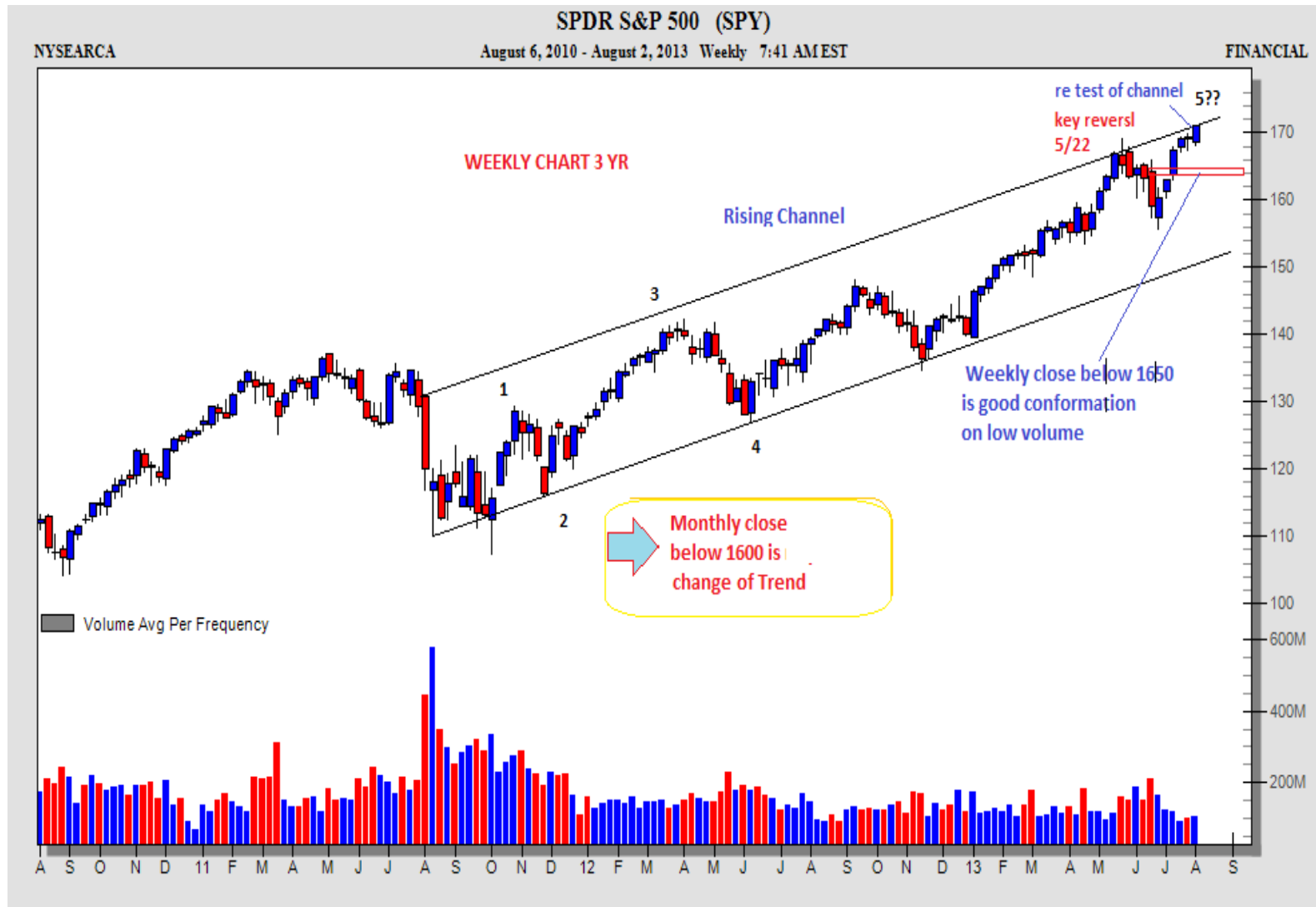
PEC-D @ 12.7 has approached. – VIX is re testing the CZ again. Lows in VIX ,Could mark the top in SPX Previous turn came in at PEC-D 20 @ SPX 1570 bottom.



SPX- CHANNEL with WAVE Analysis - Weekly

Weekly basis – Larger WAVE 5 in the CHANNEL Lines . Re testing the Channel line.

Weekly close – **Below 1650 is required.** (Notes within the charts)



SPX v/s UTILITIES Analysis

Divergences in SPX & UTILITY – Utilities have been historically leading the SPX Market. .



SPX – Cyclical Model

- SPX - Seasonality / Election Model -

Mid July Rally is in Progress

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model topped on 1st June. 22nd July is Lunar – Full Moon Cycle. Has failed .

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is NEUTRAL

- The EURO – Future Model Forecast,-

By this Model, Correction Larger decline to Mid Aug by EURO Future Model.

SPX – Internals Model

ST EXTREME READINGS -, TICK / TRIN , AD Oscillator, Ratio's, -

Appendix Content

- 2012 YTD – SPX - Position Summary
- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure
- POM – “ Price Oscillation Model “ Criteria
- PEC –D “ Pythagoras – Expansion & Contraction Criteria
- CZ- Confluence Zone Criteria
- TEXTURES – Bullish , Bearish , Neutral

Critical backdrop Notes –

- *Price path Analysis is running commentary of the Market’s price behavior , Not a Trade Signal.*
- *Intermittent CZ’s are Short time out / Risk management for overweight position / rebalancing spots. Unless your own Portfolio objective demands.*
- *POM’s are Action points. Also at times Action points is at Main CZ’s when specifically announced Triggers.*
- *Model does not encourage Buying in between unless its false break upside or false break downside soon after POM / Main CZ Trigger and is specifically announced . Model stays with Trend POM to POM Signal.*

(42) - INSTRUEMNTS COVERAGE SUMMARY

Re - STRATEGY & PROP ANALYSIS with – POM, CZ, PEC-D, PQV

| GR 1 (13+2) Coverage in MS | GR 2 (9 +4) Coverage in SECTORS | GR 3 (8+1) Coverage in COMMODITY | GR 4 (5) Coverage in CURRENCY |
|--|---|---|---|
| <p>US BROADER IDX</p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p>BOND IDX</p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p>GLOBAL IDX</p> <ul style="list-style-type: none"> • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP <p>SP - Special situation</p> | <p>SECTORS IDX</p> <ul style="list-style-type: none"> • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) • XLU (Utility) SP • RTH (Retail) - SP • SMH (Sem.) SP • BBH (Biotech) SP | <p>COMMODITY IDX</p> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDV (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP | <p>CURRENCY</p> <ul style="list-style-type: none"> • USD / DXY • EUR/USD • AUD/ USD • USD/JPY • GBP/ USD |

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)

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

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