Date : 12th 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	1680	POM 15	CZ 1687-1653- 7/24 Alerted To scale in Net Short Only for Short bias Portfolios	BEARISH Topping QQQ IWM, XLE XLB, EEM Best Bearish instrument	CASH	NONE	Target at round No 1700+, Met last week & declined Above CZ 1687-1653 is false break. Failed on PQV	Close above 1687, would suggest WAVE 5 is still incomplete & small ABC up to 1715	Close under 1675 With heavy volume is required to end of uptrend)	ABC down To 1565 lows with heavy bottom	AUG close below 1600 Is required as next step To project 1535 target Wkly below 1650 w/ hvy volume to re required inforce previous signal
TLT (BONDS)	107.2	POM 13 – Re Run On 01/7 Core position	CZ 115-107 Triggered @ 107 8/09 – 2nd -1/2 re entry	BULLISH Bottoming	Net Long Avg entry Price111	NONE	CZ 124-128 Bullish Top	CZ 135-136	Gap below 108 Is being filled & re tested	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	1320	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Entry Triggered @ 1205 6/28-announced RM 1180	Bottoming out off Crash Zone –	Net Long	NONE	1st ABC up to 1365 In tact *Flag post Top 1375*	2nd ABC up 1475 Would be confirmed @ 1375 target	Pull back CZ 1305 – met rejecting lows of 1280 Decisively *Weekly Close above 1320 suggests continue higher*	secondary lows 1225, Bottom in place @ PEC-D 1180 *Critical Rejection- Key Reversal bar 1225-1190 On low Volume*	For Recycled 2/3 exposure **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

GOLD – Detail Charts to be included in Wednesday's Currency Report

Portfolio – Overview & Update

Overall Portfolio is at " **Neutral** " **to slightly Short bias** – Triggered to scale in Net short position <u>QQQ, XHB, XLE, IWM</u> Bearish Instruments. **POM 15 exposure @ 1687 to Scale 7/24 – Short bias Portfolio .** This is same Exposure that was short <u>covered on 6/28 @ 1570 lows</u>

<u>TLT</u> - We increased the Net Long exposure with Re- entry via 2nd half position .

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

- **LONG at POM 13 / in Main CZ :** ………..
  <u>Non- Equity</u> - **GOLD , GDX , DXY , USD/JPY , CU , TLT , UNG , AUD .**
  <u>Equity</u> - **XLV ,XHB , XLP, EWJ / NIKKE , FXI**

- **SHORT (Hedges v/s Longs) / in CZ :** …………..
  <u>Equity –(Hedges) -</u> **QQQ , IWM , EMB, EEM)**

- <u>**NET SHORT**</u> **-……Preferred Instruments**
  QQQ , IWM, XLE, XLB , EEM - (ONLY for Short bias Bearish Portfolio)

<u>**The spread**</u> of " <u>Net Long</u> – Bullish Top Instruments **" v/s** <u>Short</u> – 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 - **<u>fully hedged.</u>** (On Announcement of 1^{st-} POM 15, 2/25, 3/06)
<u>Short</u> exposure via **IWM, QQQ, XLB, XLE** in Bearish <u>top</u> Instruments

GOLD - Bottoming Crash Zone.

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

Upside -   1st ABC up to 1365 Flag post 1375., We think volume should pick up for next ABC up to 1475

Gold should be in process of a Short covering rally within positive seasonality Aug & September.

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.

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

Re test back into 106 – PEC-D – appears to have been completed. We think we may be close to a turn up in bonds . It should be final rally in BONDS towards 124 in TLT.

Bullish divergence in prices & the oscillator suggest the lows have been put in place. The money flow suggests accumulation for trading rally.
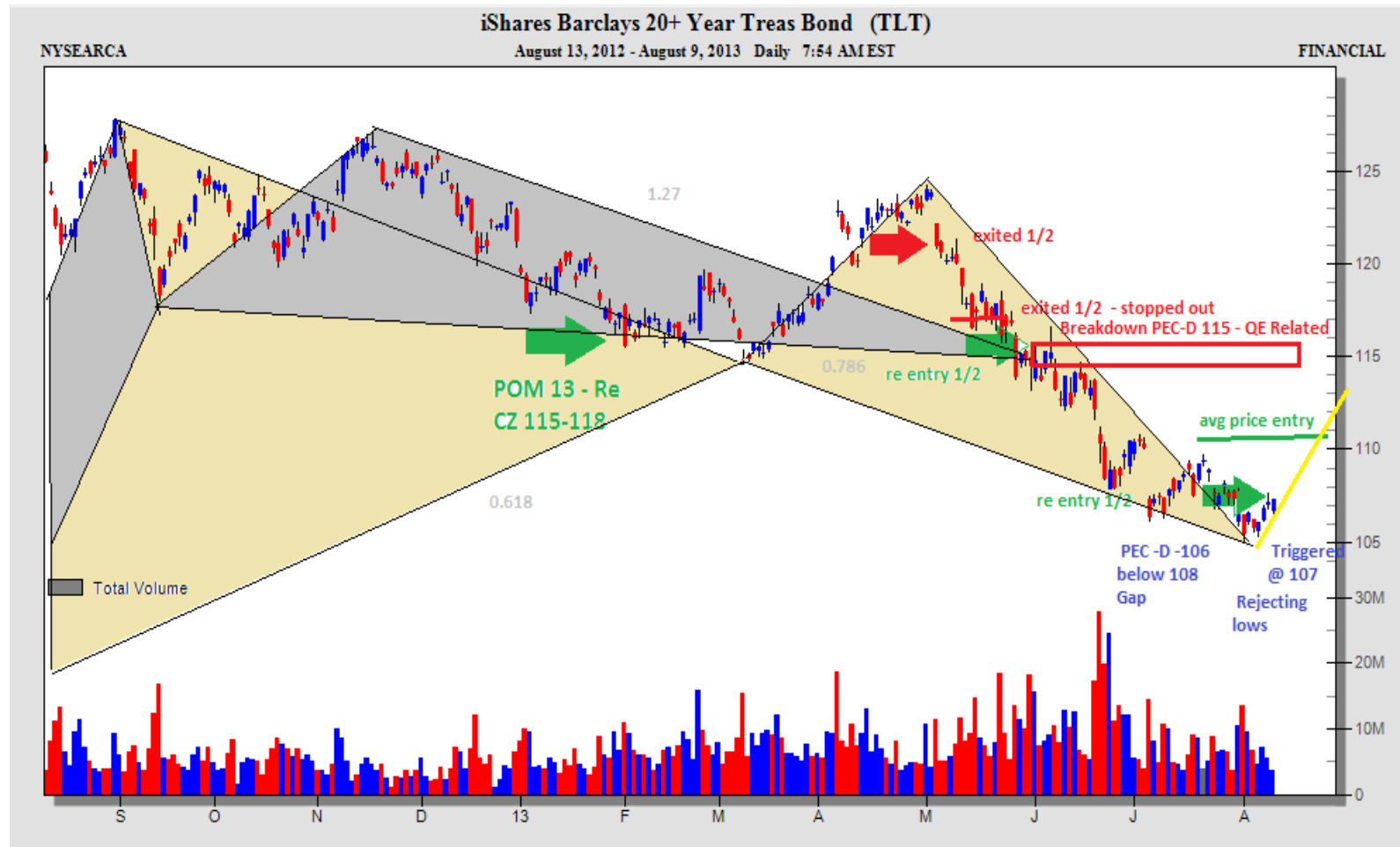
BACKDROP - Our Re - entry on 2nd half position on 8/09 @ 107 now have avg price of 111 on full position .
Earlier - we finished **round trip** on 10% exposure with profitable gains 1ST half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out)

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).

iShares Barclays 20+ Year Treas Bond (TLT)
August 13, 2012 - August 9, 2013 Daily 7:54 AM EST

NYSEARCA   FINANCIAL

1.27

exited 1/2

exited 1/2 - stopped out
Breakdown PEC-D 115 - QE Related

POM 13 - Re
CZ 115-118

0.786   re entry 1/2

avg price entry

0.618

re entry 1/2

PEC -D -106   Triggered
below 108   @ 107
Gap
                Rejecting
                lows

Total Volume

Market Overview SPX

Last week's correction from 1700 round number target is consistent with a distribution period or "topping process" as Market internals is showing weakness since our POM 15 Trigger 1687 . This week close above 1688 (May 22 highs) would suggest the WAVE 5 is still incomplete and would Target 1715. Trading this converging – Diagonal Triangle pattern of WAVE 5 can be very tricky for Mid Term view who (correctly) entered short sales at CZ Trigger. But close under 1675 with heavy volume is the first sign of decline is under way. The larger PEC-D patterns have been completed such as Expanding Triangle and Megaphone.

If high in SPX comes in between August 13th - 19^{th,} It would be 56 days rally from lows June 24th , this would be exactly same type of double top as 2007 top in both time and form. With most cycle models forecasting an August peak, and most of our polytrendlines confirming that outlook, we are likely to see the market stalling first for some time before rolling over into a correction . But, A correction starting this month could prelude to another leg up within the final months of bubble selling it short could simply prolong forcing one more short covering rallies later on in the year .

But for now , technically speaking, 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 in chart below . **McClellan Oscillator is below 0 .** These are Mid term Bearish signs to change the Trend after the Momentum is completed WAVE 5

 VIX has been trading around its PEC-D target of 12.7. – We would like to several +ve divergences . We have seen VIX Failed to make new lows which is +ve for Bears.   **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. .

- Round number 1700 met & decline began but struggling to complete **WAVE 5 on Daily & WAVE 5** on weekly.
- If we close higher 1487 , We should get another move higher towards 1715 on WAVE 5
- The 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 , This sets up 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 – Required with Heavy Volume is Critical
- 2- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of Signal is "in effect"
- 3- **Monthly (AUG)** – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom
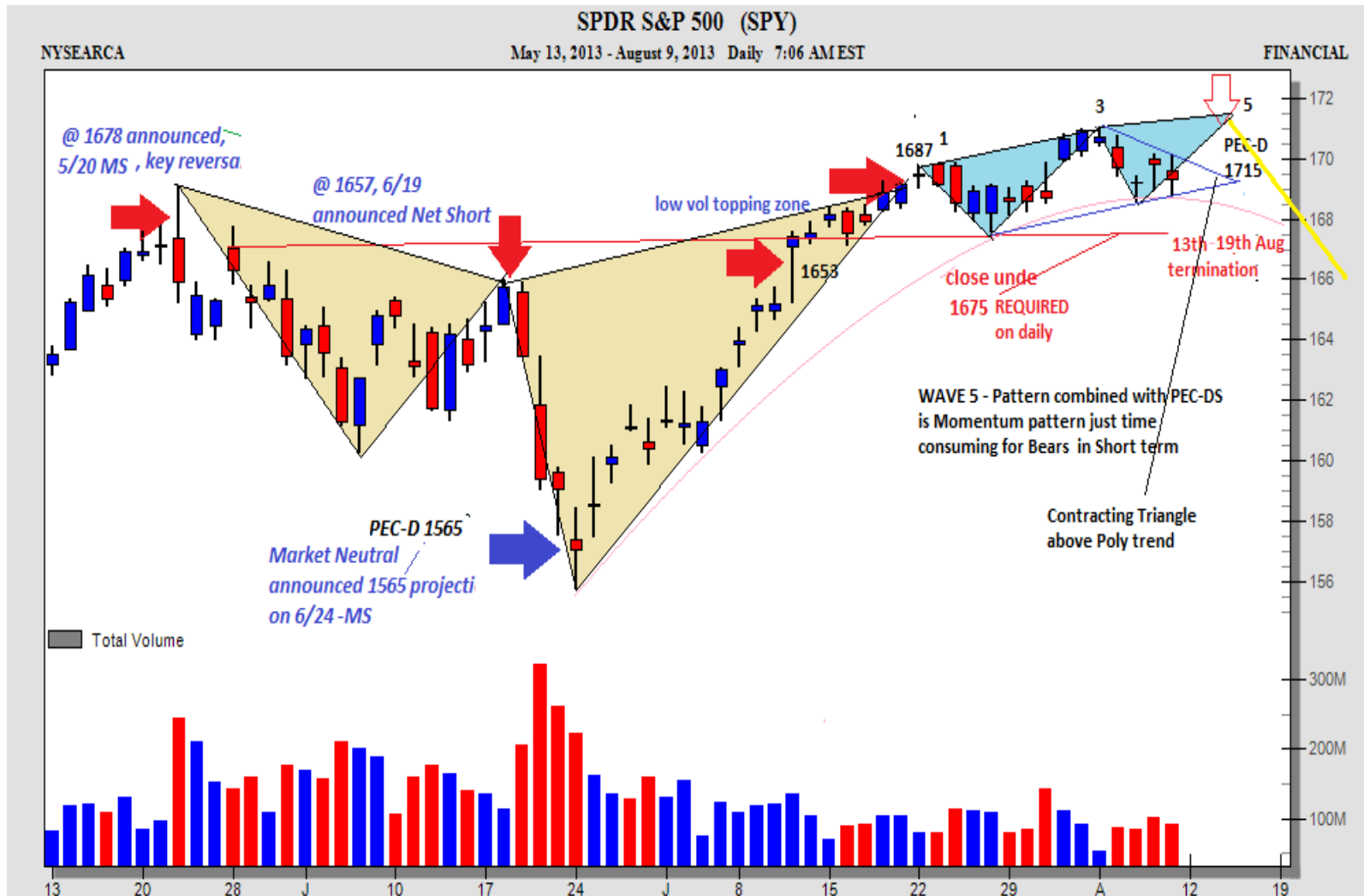
SPY – TERMINATION WAVE / PQV Analysis –

Daily basis WAVE 5 is not complete- It continues to work through a WAVE 4 consolidation pattern. <mark>**Close below 1675**</mark> (WAVE 4) is good signal to end the uptrend Short term. & Negate upside TO 1715
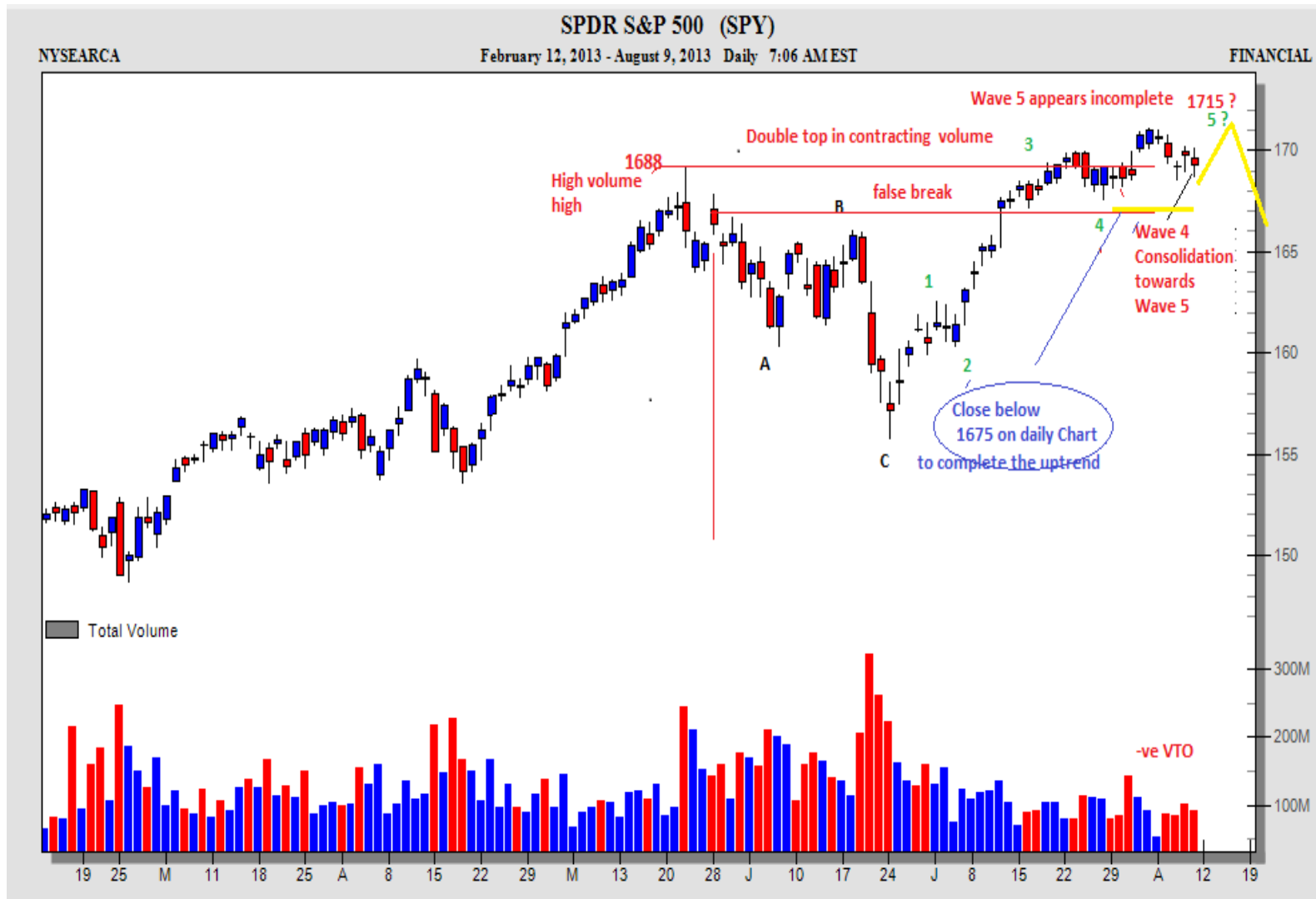
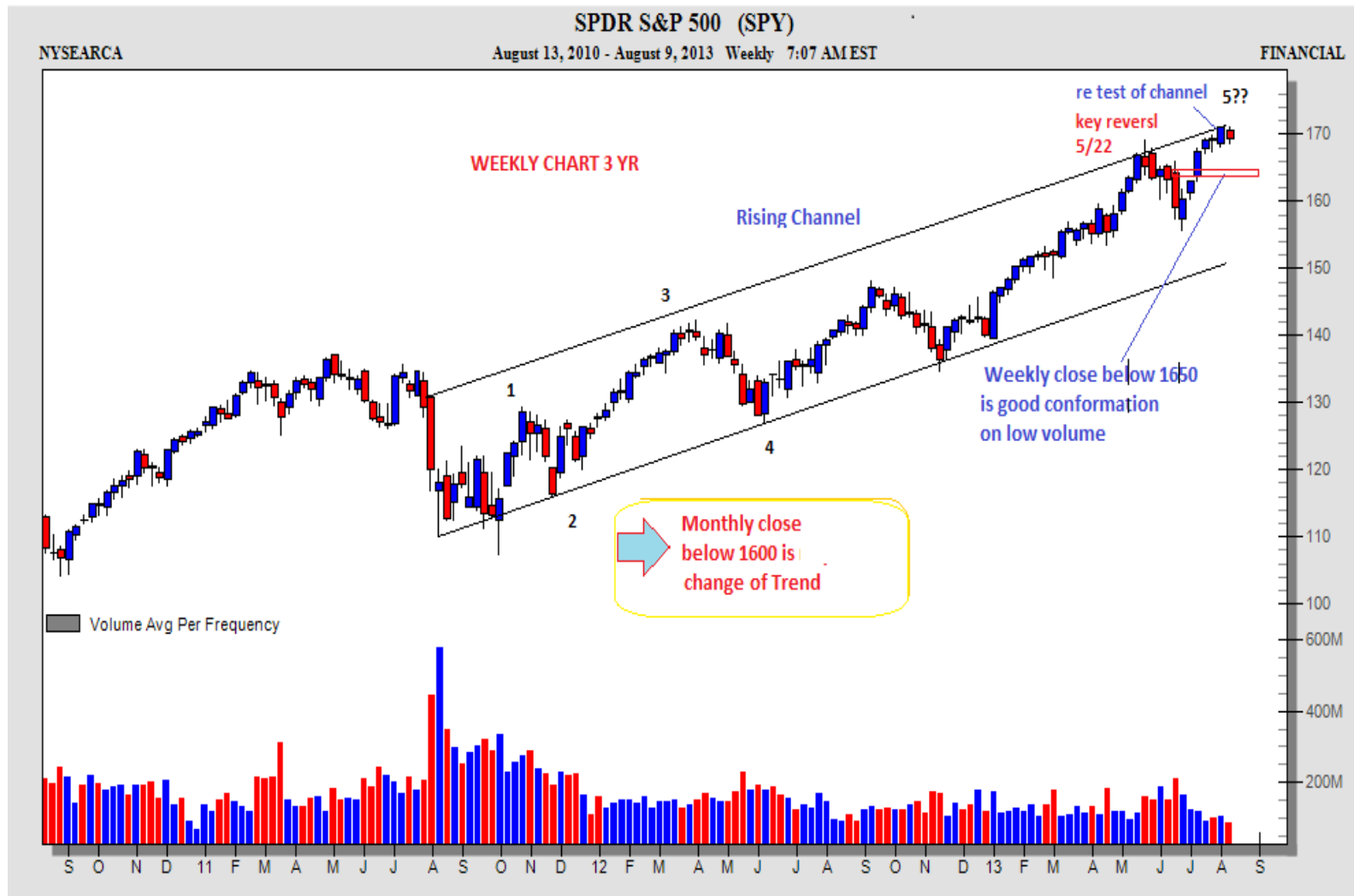# SPX- PEC- D / CZ Analysis POM 15 -   Daily chart

UPSIDE - Contacting volume above 1687 is false breakout . The T- Termination on Poly Trend is 13th -19th August. On Poly trend . PEC-D – 1-3-5 is also at play along with WAVE 5 to 1715 (Notes within the chart)

SPDR S&P 500 (SPY)

NYSEARCA   May 13, 2013 - August 9, 2013 Daily 7:06 AM EST   FINANCIAL

@ 1678 announced,
5/20 MS , key reversal

@ 1657, 6/19
announced Net Short

low vol topping zone

1687 1

3   5

PEC-D
1715

13th -19th Aug
termination

1653

close under
1675 REQUIRED
on daily

WAVE 5 - Pattern combined with PEC-DS
is Momentum pattern just time
consuming for Bears in Short term

PEC-D 1565
Market Neutral
announced 1565 projecti
on 6/24 -MS

Contracting Triangle
above Poly trend

Total Volume

13   20   28   J   10   17   24   J   8   15   22   29   A   12   19

# 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)

SPDR S&P 500 (SPY)

NYSEARCA   August 13, 2010 - August 9, 2013   Weekly   7:07 AM EST   FINANCIAL

re test of channel   5??

key reversl 5/22

WEEKLY CHART 3 YR

Rising Channel

Weekly close below 1650 is good conformation on low volume

Monthly close below 1600 is change of Trend

Volume Avg Per Frequency

SPX- Summation Index & Mc Oscillator Analysis – Mid term

NYSE Summation Index dipping into negative – the July rally failed to reach Summation Index to highs and not exceed 500. The lower high suggest that **breadth is not as strong. Mc Oscillator – is below 0 . Internals in Mid term are –ve**
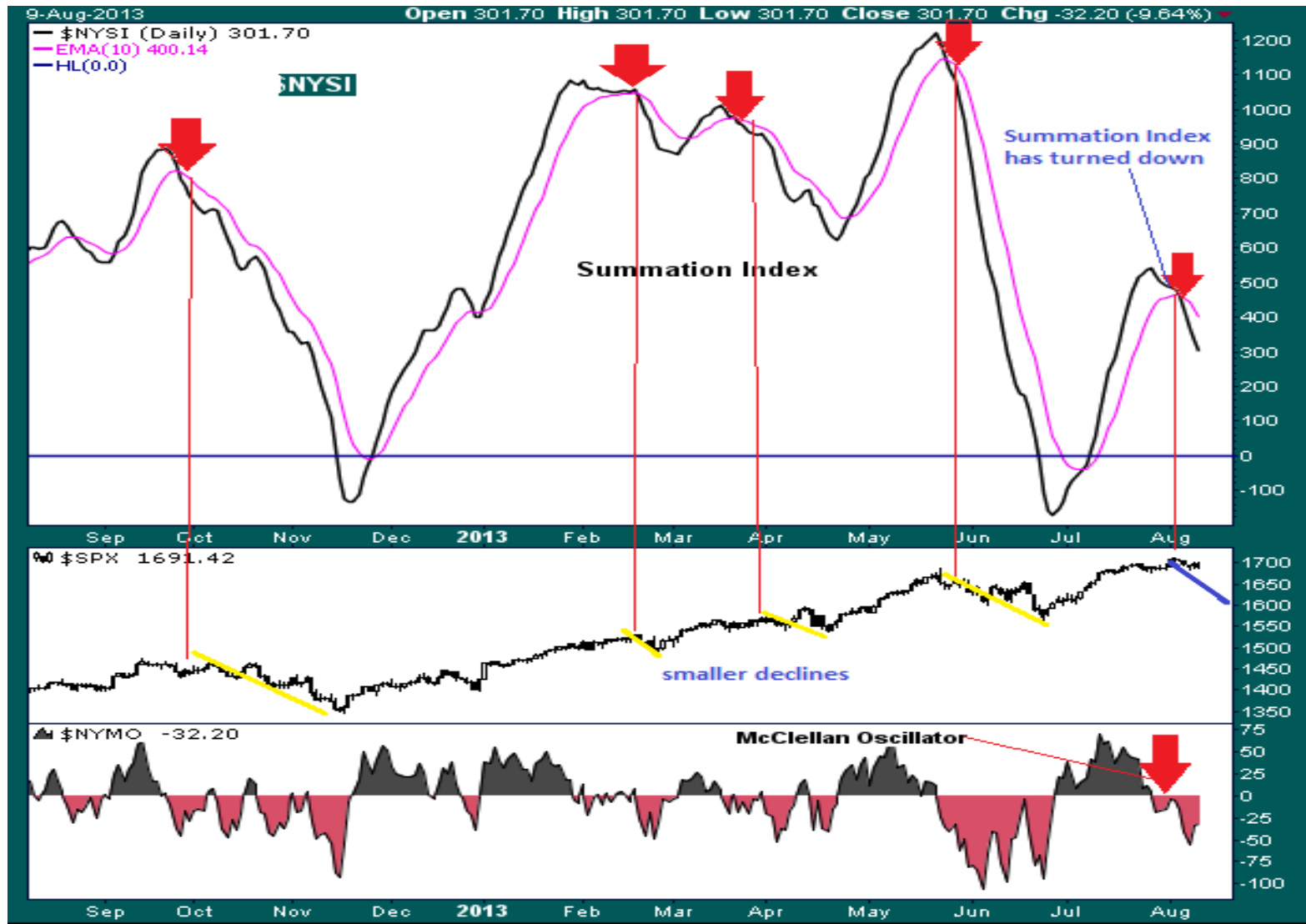
SPX – Cyclical Model

- **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**

AAII 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 – <u>Refer to detail Annexure</u>**

- **Full Utilization of " SP" Report Guidelines & Limitations - <u>Refer to detail Annexure</u>**

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

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

- **CZ- Confluence Zone Criteria**

- **TEXTURES – Bullish , Bearish , Neutral**

<u>Critical backdrop Notes –</u>

- *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

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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
US BROADER IDX • SPY (SPX 500) • DIA (DOW 30 • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) **BOND IDX** • TLT (Bonds) • MUB (Muni). (SP) **GLOBAL IDX** • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP **SP - Special situation**	**SECTORS IDX** • 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	**COMMODITY IDX** • CRB /DBC • GLD (Gold) • SLV (Silver) • GDX (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP	**CURRENCY** • 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 <u>UP</u> move, *POM 13* signifies to <u>STOP</u> executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

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

- **(Bear Markets)** **POM 15** is for - <u>**Net Short**</u> & **POM 14** is for - <u>**Hedge Longs**</u>

- **(Bull Markets)** **POM 15** is for -<u>**Hedge Longs**</u> & **POM 14** is for - <u>**Partial Hedge**</u>

- *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