SG Capital Research
Global Market Insights
Chart System

Date : 19th 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	Current Exposure / Holding	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1652	POM 15	CZ 1687-1653- 7/24 & 7/10 Email *Alerted To scale in Net Short 0% to -6% to -12%*	BEARISH Topping	CASH	0% Portfolio (-12%) Short bias Via QQQ IWM, XLE XLB, EEM Best instruments	NONE	Poly Trend Top **1675**	Since last week did not close above 1687, it negated up WAVE 5 False break above CZ 1687-1653 Failed on PQV	Our first ABC down to **1647-1645 Hourly PEC-D** Close below 1650 weekly Would negate the bounce	ABC down To 1565 lows with heavy bottom Closed under 1675 With heavy volume	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)	103.37	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*	10%	NONE	Close above PEC-D - 107 is required Within the Chanel line	CZ 124-128 Bullish Top	LT Extended PEC-D @ 107 below to 104		Earlier closed TLT positions *For profit* 115 to 122, 7 points Round trip (*Lost all Previous Profits)*

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GOLD	1370	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Entry Triggered @ 1205 6/28-announced	Bullish	Net Long	12% Last entry 3% -@ 1205 Special Report on 6/28. RM 1180 .	NONE	1st ABC up to 1365 Met exact With Bullish Top **It should back off** *Flag post Top 1375*	2nd ABC up 1475 confirmed @ 1375	Pull back to CZ 1335 – 1320. Bullish bottom *Weekly Close above 1320 confirmed Higher*	CZ 1305 – 1280 Bullish bottom Bottom in place @ 1205, PEC-D 1180	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 Commodity Report

Portfolio – Overview & Update

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

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, EEM), EMB (acting as Hedge against TLT decline)

- **NET SHORT -……Preferred Instruments**
  QQQ , IWM, XLE, XLB , EEM - for Short bias Portfolios only

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 - Bullish .

Upside - Projected 1st ABC up to 1365 Flag post 1375 – Met Bullishly, Now slight retracement and then volume should pick up for next ABC up to 1475

Downside –   . Weekly close above 1320 – should be new floor. This weekly close confirmed continuation move higher.

Positive seasonality is in progress. 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- Met .

TLT (BONDS)– Pull back extended below Bottoming CZ

TLT has exceeded the original measured move target on the downside PEC-D 107, much more than our average entry point of 111. We think having confirmed the Channel , it may bounce within the channel. (Refer chart below)

There is no volume in this down move therefore we think we may be close to a turn up in bonds . The Bullish divergence still exists although the prices are down.   Clearly, the bond market has not put in a good bottom yet solely based on Price

BACKDROP - Our Re - entry Avg price of 111 on full position & has drawdown of -6.5% . We have been Bullish and hasn't worked out for time being. This -6.5% has taken back all the gains made in Previous round Trip & some more . Currently EMB Short exposure is in the Money + 3.3% which is acting good hedge against TLT

Earlier round trip TLT on 10% exposure has profitable gains - 1ST half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out)

Market Overview SPX

Last week inability to close above 1687 resulted in 40 point Sell off within distribution period or "topping process" as Market internals is showing weakness. The daily close below 1675 with heavy volume is the first sign of decline is under way. The larger PEC-D patterns on upside has been completed such as Expanding Triangle.

This week we are looking for a low @ 1647- 1645 PEC-D'S   to occur for another attempt to final high a rebound is likely into 1675 according to seasonal and then down. This is Short term moves within the larger projection. (Weekly close below 1650 on high volume would negate the bounce)

Short term Breadth indicators continued to be prematurely bullish for the most part. The low anticipated this week is likely to come near the end of the lunar unfavorable period, which ends on Friday

Looking at the lunar cycle, we have a Full Moon due on Tuesday evening. This could have +ve effect should give bounce. The lunar negative phase which Triggered the decline 10 days ago . The absolute low of the decline could take several more weeks to complete.

Technically speaking, the Ratio-Adjusted **McClellan Summation index** pointing downward for the NYSE. It found final peak below 500. **McClellan Oscillator is below 0 .**

 VIX PEC-D target of 12.7 with +ve divergences marked the Top in SPX once again. PEC-D 12.7 marked the bottom @ SPX 1687.

The Advance-Decline- We have had 40 news lows and 10 new highs - 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.

The Hindenburg Omen -   Chart below we have demonstrated the " Trigger of this event as seen in past .

Summary

- 1st ABC projection is 1647-1645 from 1687. Bounce from lows of 1650 should be 1675 – Poly Trend Top.
- We initiated Net Short & Scale in CZ 1687-1653, Triggered 7/24 & 7/10 – POM 15
- The move higher above 1688 is false break with Bearish topping . on contracting volume on this rally , This sets up ABC down to 1565 – Heavy Bottom).
- 1- **Daily** - close below 1675 acted – with Heavy Volume
- 2- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of Signal this week
- 3- **Monthly (AUG)** – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom.

-SPX - PEC- D / CZ - Hourly chart

DOWNSIDE - Hourly PEC-D Projection is at 1647- 1645. This is and should approach with +ve Divergence (Refer notes within the chart)
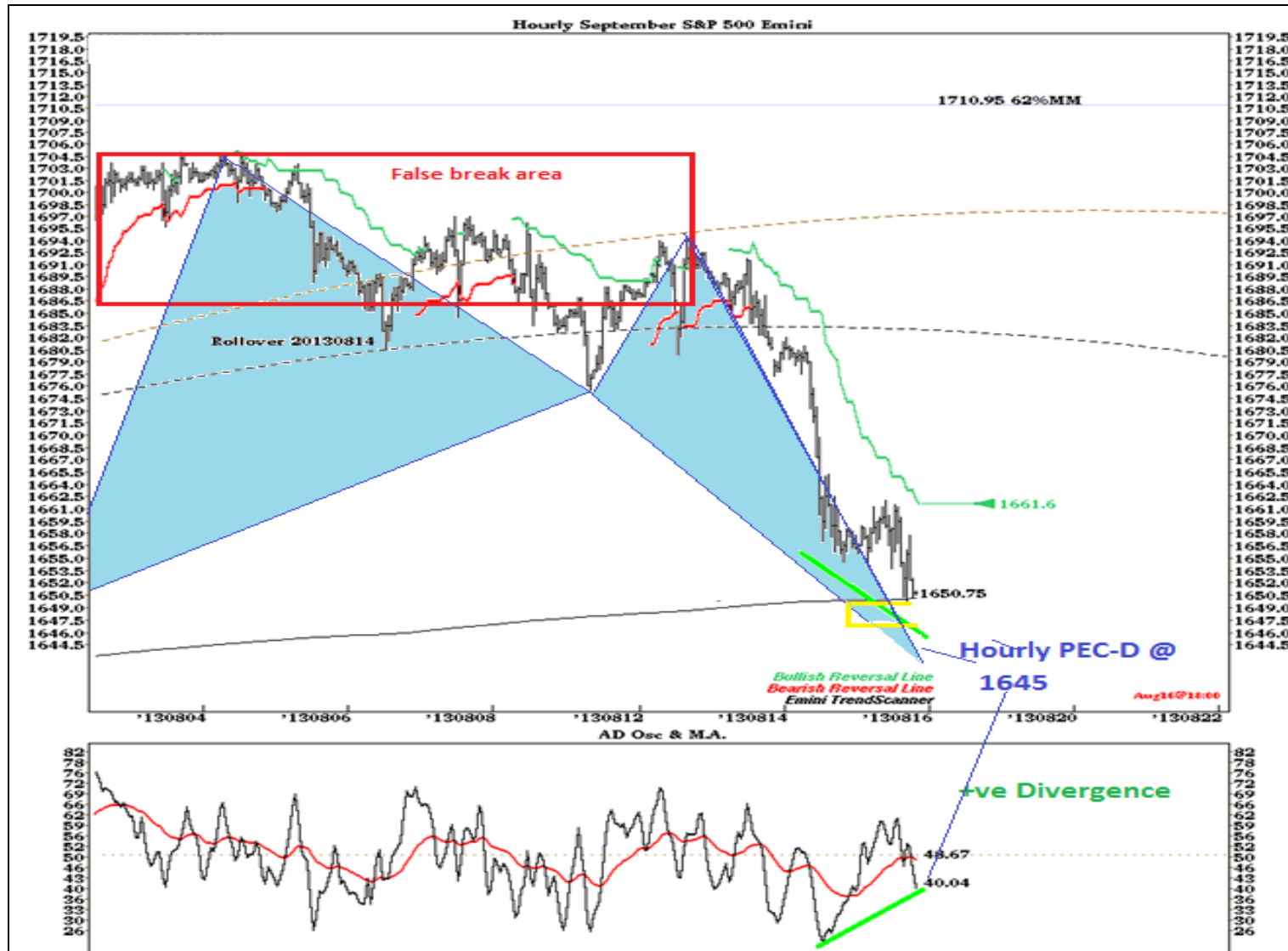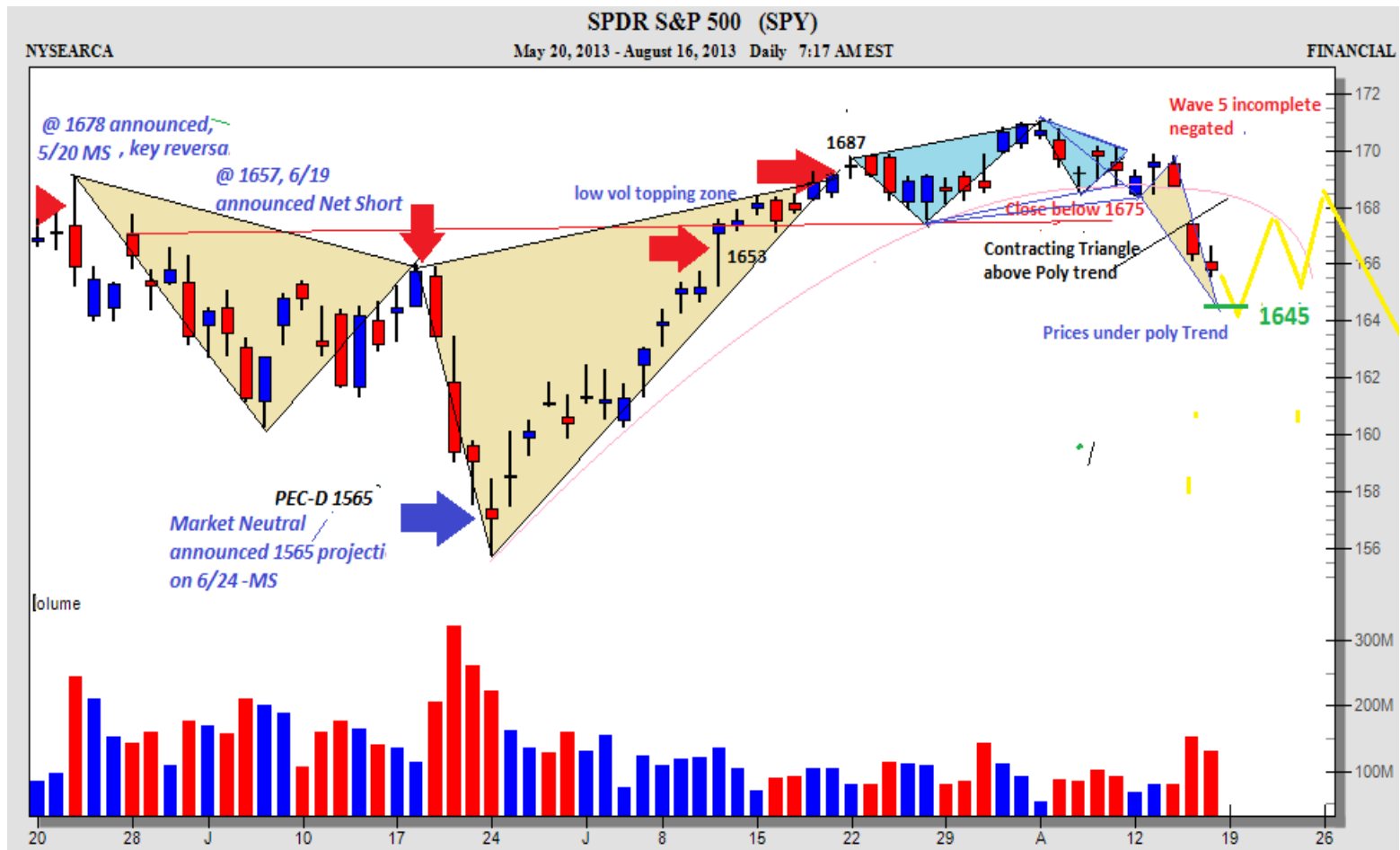
SPX- PEC- D / CZ Analysis POM 15 -   Daily chart

Contracting Triangle above Poly Trend lines resoled on downside – Close Under 1675.

The downside Projection is PEC-D 1647- 1645 on hourly – Close below 1650 with heavy volume would negate the Bounce
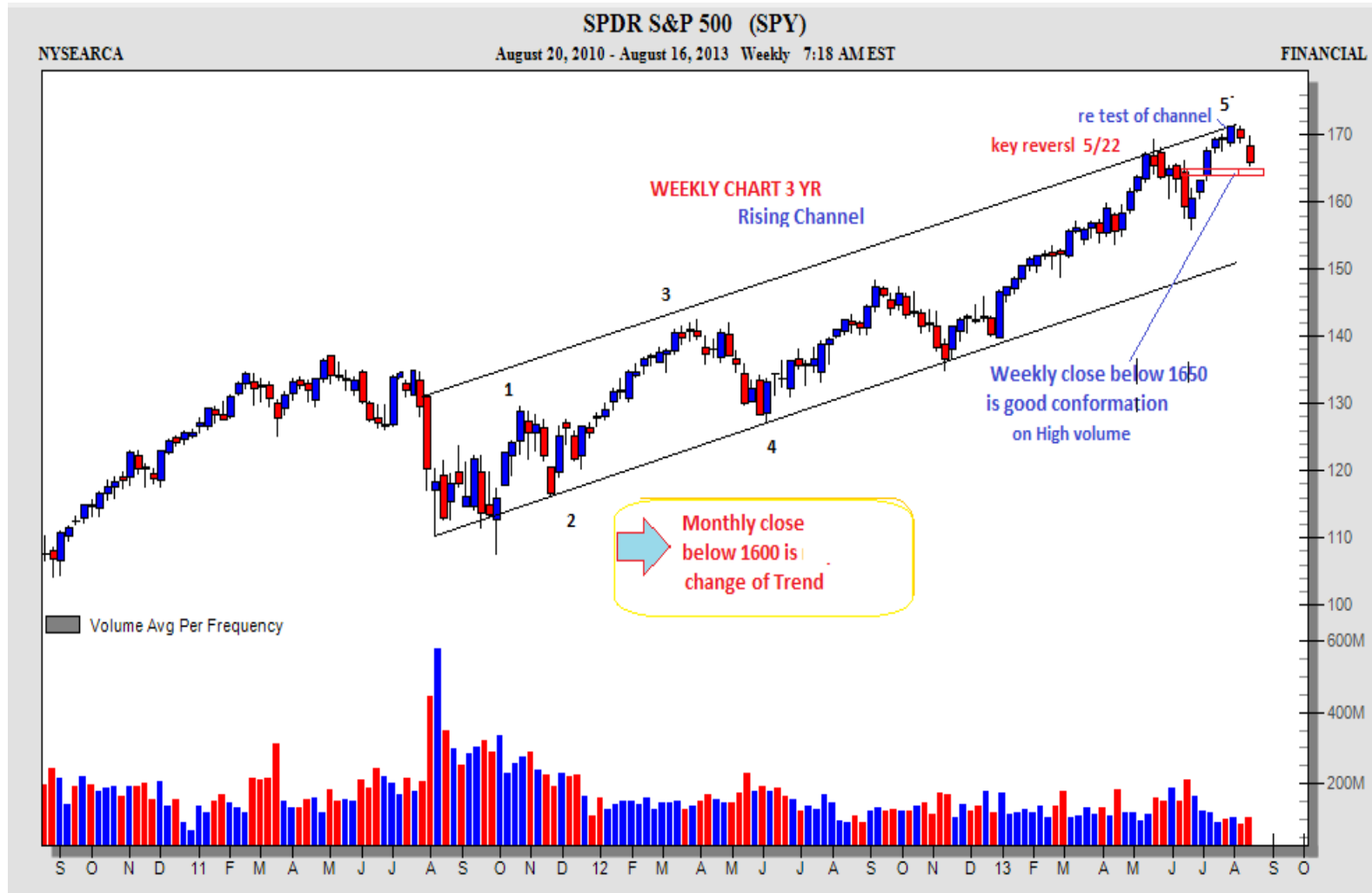
UPSIDE bounces - Poly Trend Top 1675 (Notes within the chart) .

SPX- CHANNEL with WAVE Analysis -   Weekly

Mid term SPX may remain within its upward-trending channel with a test of the lower channel boundary coming within the next six weeks**. Weekly basis – Larger WAVE 5 in the CHANNEL Lines appears to be complete.**

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

SPX- Summation Index & Mc Oscillator Analysis – <mark>Mid term</mark>

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** The Bullish percent index produced a bearish crossover.
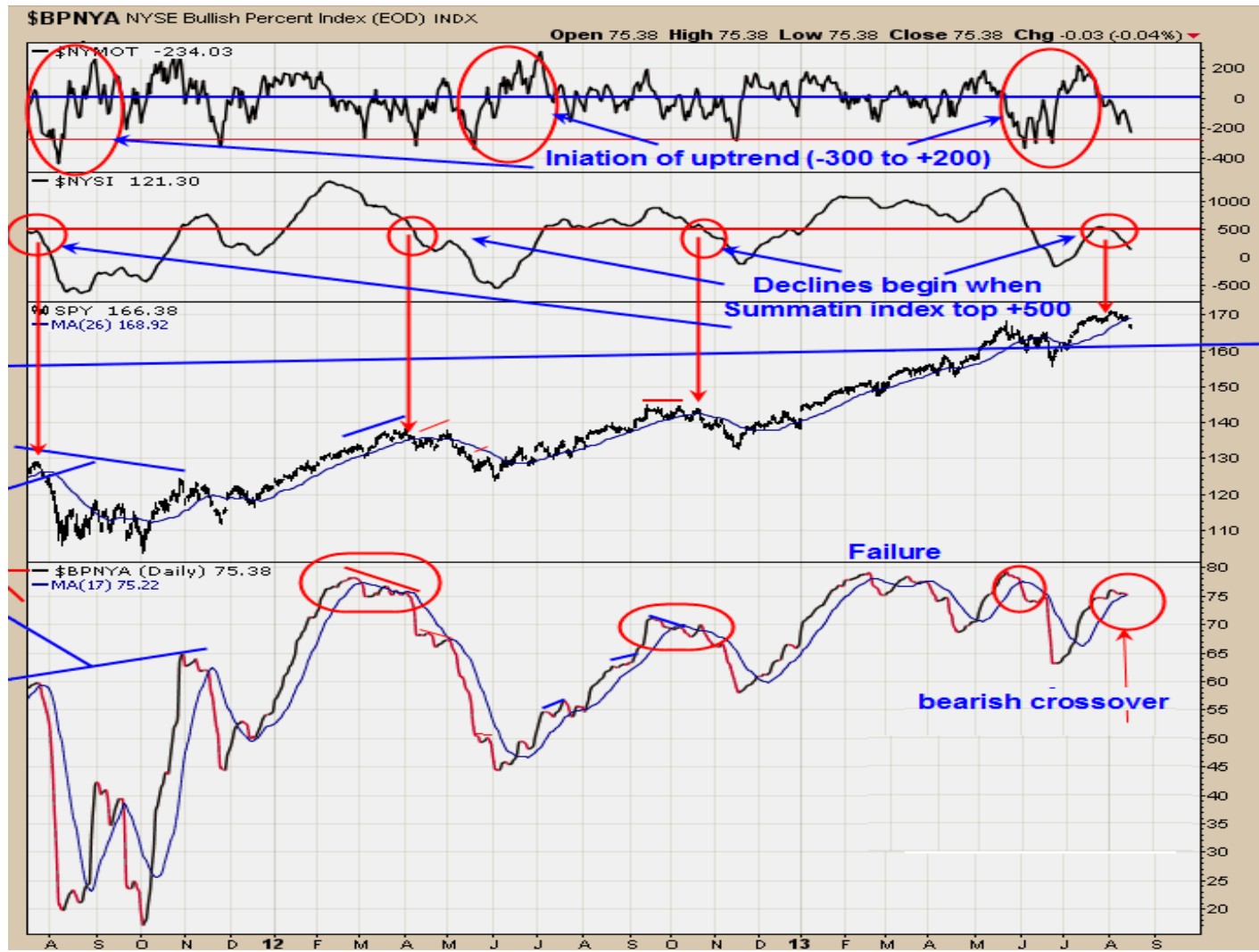
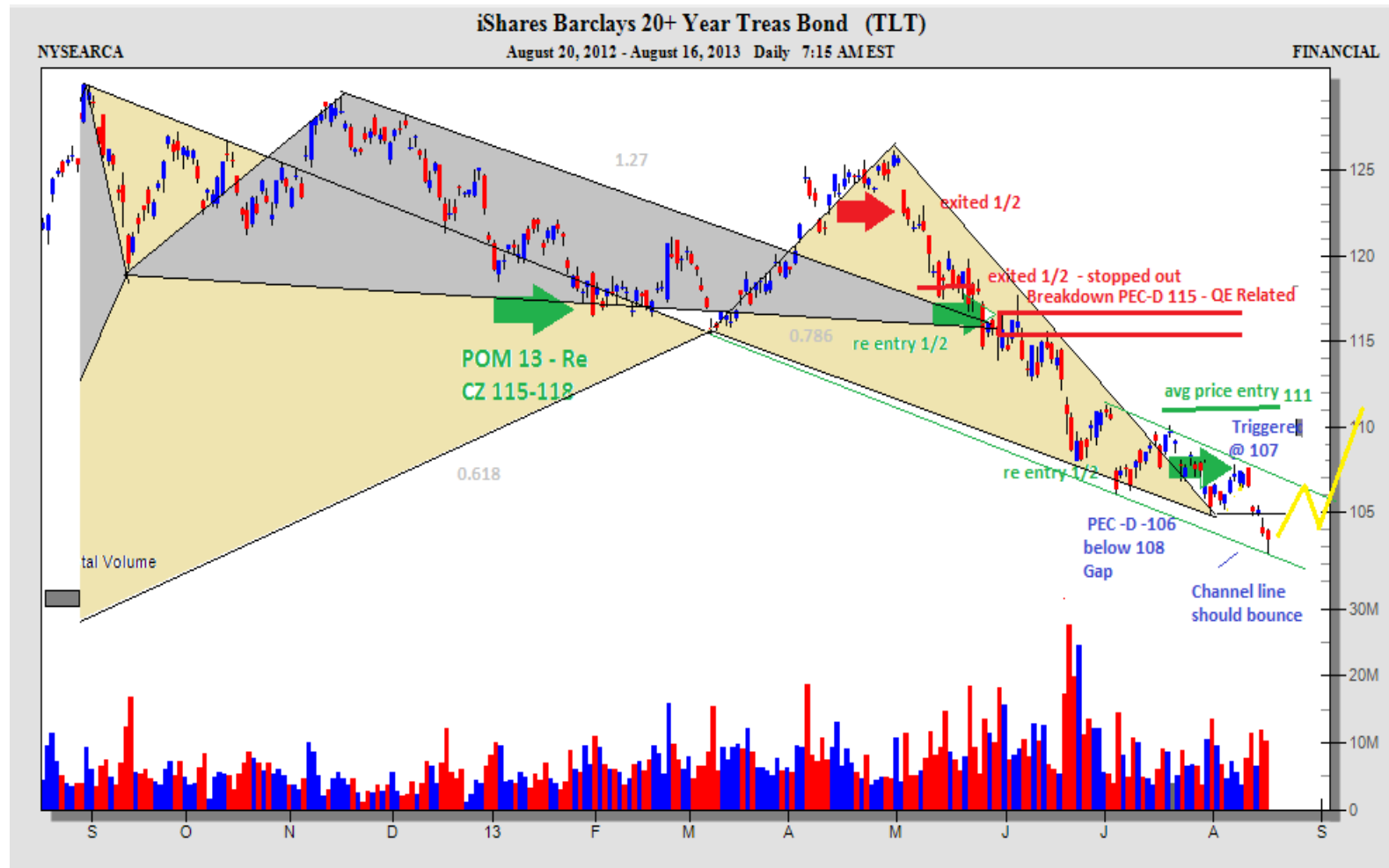# SPX- Hindenburg Omen- Analysis – <mark>Mid term</mark>

Criteria's - Last few weeks <u>First</u>, **NYSE new highs and new lows must both be more than 2.8% of advances plus declines**. <u>Second</u>, the NYSE above the level it was 50 days ago. <u>Third</u>, the number of new highs cannot be more than double the number of new lows. The activation period is good for 30 days. Once active, a sell signal triggers when the McClellan Oscillator moves below zero and negated when the McClellan Oscillator moves back above zero.
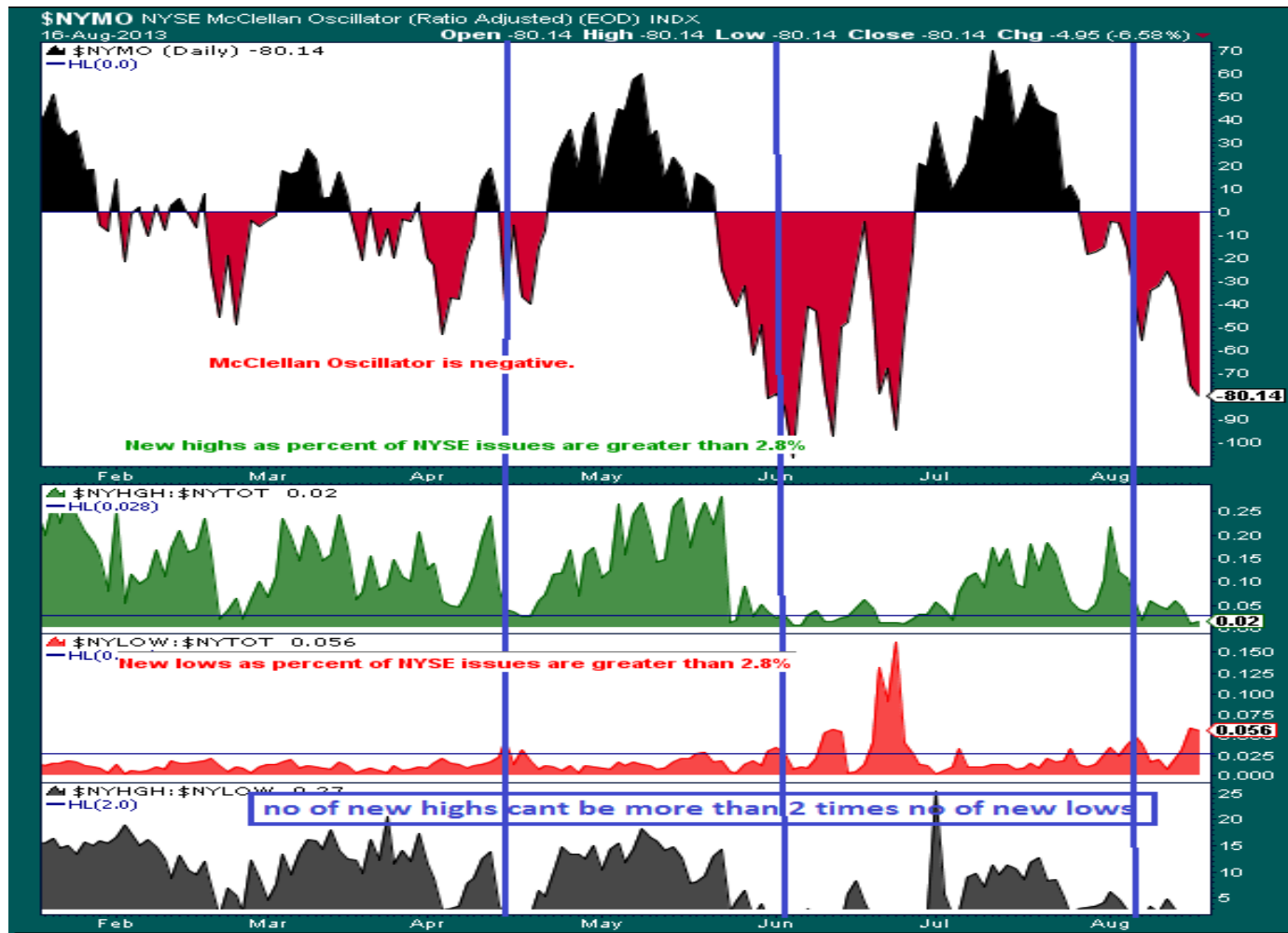
TLT (Bond) – CZ- extended. PEC- D Analysis –

Downside - Decline has followed Channel lines beyond PEC-D 106 – Below our entry point avg 111 . But it is still with low volume. We need it close above 107 to get Traction. So far This hasn't worked out.

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

iShares Barclays 20+ Year Treas Bond (TLT)
NYSEARCA
August 20, 2012 - August 16, 2013 Daily 7:15 AM EST
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 111

Triggered
@ 107

0.618

re entry 1/2

PEC -D -106
below 108
Gap

tal Volume

Channel line
should bounce

TNX (Rates) – CZ- extended.   PEC- D Analysis

30-Year Treasury Bond Daily
Bond Rates Continue to Soar

AD Osc & M.A.

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 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