



Date : 8th July 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	1641	POM 14 Re Run 6/24 – @ 1570	“ Melt up” 70deg - 1678 & key reversal - <u>Alerted on 5/20 -MS</u>	BEARISH Topping We Announced upcoming bounce on @ 1570 on 6/24 to Close I Net Short	CASH Market Neutral Portfolio	NONE	Target CZ 1647-1633 Approaching <i>No failure yet . We will Announce</i> <i>Weekly close below 1630 is required</i>	CZ 1654-1557 Slightly above CZ	ABC down To 1565 <u>lows</u> with heavy bottom	ABC down To 1535	<u>JULY</u> close below 1600 <i>Is required</i> as next step To project 1535 target <u>Wkly below 1630</u> w/ hvy volume to re inforce previous 1650 signal .
TLT (BONDS)	107.2	POM 13 – Re Run On 01/7 <u>Core position</u>	CZ 115-117	BULLISH Pull back Has extended beyond our pull back CZ	Net Long <u>½ Re Entry @ 116</u>	NONE	CZ 124-128 Bullish Top	CZ 135-136	Gap below 108 Is being filled <i>Close above 111 required</i>	LT Extended PEC-D @ 107 (Refer chart Below)	<u>Earlier we</u> closed TLT positions <u>For profit</u> 115 to 122- 7 points Round trip (<u>Lost all Previous Profits</u>)

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GOLD Update	1226	POM 13 @ 1540 For main entry <u>Core position</u>	CZ 1205 1190 Crash Zone 6/28	New Crash Zone	Net Long <i>Core Position. Only.</i> entry@ Special Report & Update 6/28. 1205, RM 1180	NONE	CZ 1280-1265 –	CZ 1340-1360 Flag post top	Update secondary low 1225 is in place for Higher highs <i>Past 2 days Rejected Highs of Key Reversal bar 1235-1190 On low Volume</i>	PEC-D @ 1180 - Possible retest, after a rally <i>Successful Rest of lows Would trigger POM 12 – Full exposure</i>	For Recycled 2/3 exposure <u>1.Re entry.</u> @ 1205 (6/28) @1575 (3/01) @ 1635 (1/5),) <u>Earlier exited Profit</u> @ 1429 = 72 @ 1770 = 220 <u>Loss - 22</u> (-15+ 0-3-9-2) <u>5-stopped out</u> Entry @ RM 1280 @ 1265 1365@ 1365 1555 @ 1552 1679 @ 1670 1705 @1703

GOLD - Detail Chart coverage in this week's Precious Metal Report.

Portfolio – Overview & Update

TLT Re- entry position is under our Buy point, whipping out all the Profit from the Previous gains . This Recycling Position to Protect core Capital. Our New EMB position Triggered at 100.2 should acted as Good Hedge against TLT in Last 2 days of decline. **On SPX** – Our ST – 2% Trade to nibble did NOT Trigger our indicated price points and no action was taken

Overall Portfolio is at “ **Market Neutral**” – We Alerted 6/24 – MS of upcoming rally and advised to “ **CLOSE-** Net short position (POM15 exposure) at Pre – open” @1568 SPX in IWM, QQQ, XLE, XLB “ at Profit.”

We continue own , the spread of “ Net Long – Bullish Top Instruments “ **v/s** Short – Bearish Top Instruments for Market Neutral Portfolio. 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 **XLB , XLE, IWM, QQQ** . in Bearish top Instruments.

Portfolio Holdings**MARKET NEUTRAL- Bullish Bias**Refer to Respective Reports for details

- **LONG at POM 13 / in Main CZ :**
Non- Equity - GOLD ½ position, GDX – ½ position , DXY , USD/JPY , CU, TLT , UNG .
Equity - XLV ,XHB , XLP, EWJ / NIKKE , FXI .
- **SHORT in CZ :**
Non- Equity- AUD (**Increased**)
Equity –(Hedges)- QQQ , IWM , EMB- **NEW**
- **NET SHORT** -..... **NONE**
- **OPEN ORDERS**
EEM - Net short -- **CZ 40.75-39.75,**
- **STOPPED OUT / or CLOSED**
Long - DBA @ 24.75 , Short \$ WTIC @ 99.4 , EURO @1.302

TLT (BONDS)– Pull back extended below CZ .

Bonds are a way ahead of itself on downside in FOMC Panic. TLT has extended the lows on false break below CZ 115-117 previously PQV Validated Bullish Bottom Zone on lighter volume. TLT Needs to get back in range above 111 first and then 115. .

Refer chart below Extended PEC-D's to 106 below 108 gap that has been testing currently. Upon completion of this Re test , next rally should begin. There exists the Bullish top at 128 or at 136.

Our Re - entry at 116 on ½ recycling Position is in tact. Upon rejection of lows @ and close above 115 , we may add the 2nd – ½ position back . Earlier - For same position we finished round trip on 10% exposure with profitable gains . 1/2 exposure 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out)

SPX - Bounce back Levels

- Our Projected Upside target to CZ 1647-1633 is approaching (But No Sign of Top Yet) . We shall announce if does. At @ 1568 – We Triggered POM 14 Re, Rating back to Market Neutral - Alert email today 6/24) to cover all Net Short exposure.
- On completion of Rally , if Volume contracts , Next ABC down to 1565 – Heavy Bottom. We shall re instate – Net Short.
- 1- Weekly close below 1630 , with Expanding downside volume is good confirmation of last 1650 Signal “in effect”
- 2- Monthly (July) – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom.

Market Overview SPX

July Rally & Thanks Giving Rally are the Most certain phenomena in the stock Market. We Closed our Net Short in Timely Manner on 6/24 @ 1560 for this very reasons we see now. Late Bears of 1550 & Pre- mature early Bears of past 5 days are scrabbling to cover position. We are Market Neutral POM 14 , since 6/24 – SPX 1570.

Ideally we would like to see **POM 15** Triggered in CZ 1647-1635, (as indicated in our Earlier MS Reports) Best Risk Reward – to re instate our Net Short position back in, especially after the 4th of July summer rally. As we move past the Fourth of July, we are moving into a seasonal top for the market, a secondary seasonal top following the May-June top we've already seen. **Just above the CZ there is PEC- 1655 very close to it.** We need to see how it reacts there.

CLUES - The first signal of that top should come in the MidCap & Double Top in IWM . The next correction when begins by Mid of July (No signal Yet) should bottom in early August.

The markets are either at an important inflection point either make the next huge point down move BUT If we see the following occur today , volume come into the market to the upside, wide market breadth in net advancing issues in the NYSE, a further move below in the VIX (without +ve divergence), we may give one last blow off to Double Top. We shall wait for the signal in either case before we pull the Trigger.

Among the Price & Volume , the Market internals should line up for Secondary Top. When the volume on the bounce dries up into 1650 with Tick / Trin reading at +200. VIX should show positive divergence on rally . Upon completion it would set up C point for next ABC down to 1565 .

- **Geomagnetic Cycle**

The Lunar **New Moon** - on Monday 8th July . This has tendency of Turn within 2 days, especially when all the technical Indicators line up. Past 2 Lunar Cycles worked very well on turns 23rd June (Bottom) and 28th May (Top) . Triple Combust date Venus, Mercury & Sun lines up. It too is powerful Cycle.

- **Seasonality**

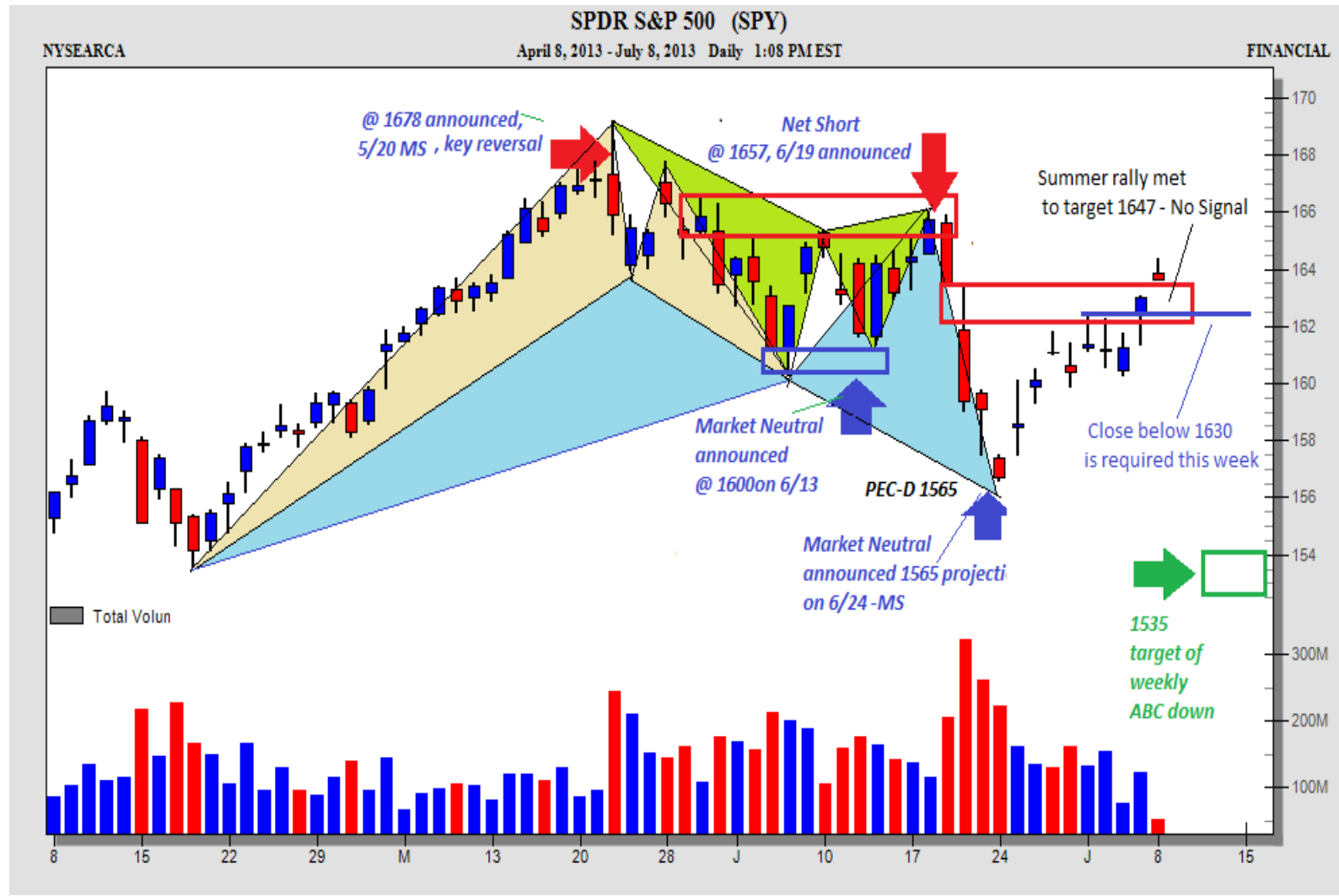
The mid-July period tends to bring yet another seasonal high which is followed by more substantial downside risk going into 1st week of Aug . That July high may prove to be very significant as a fifth and final wave up from last year's lows.

- **Valid Breakout remains selectively**

The valid breakout of Bullish Instruments above trading range 2000 & 2007 remains with **confirmed Bull Market in XLP, XLU, XLV, XHB & NIKKE in International Market** . The Bearish Instruments **IWM, QQQ, XLE, XLB has exceeded the Bearish CZ on very thin Volume** . These are better choices to Short in Market Neutral or Bearish bias environment with sudden Market decline .

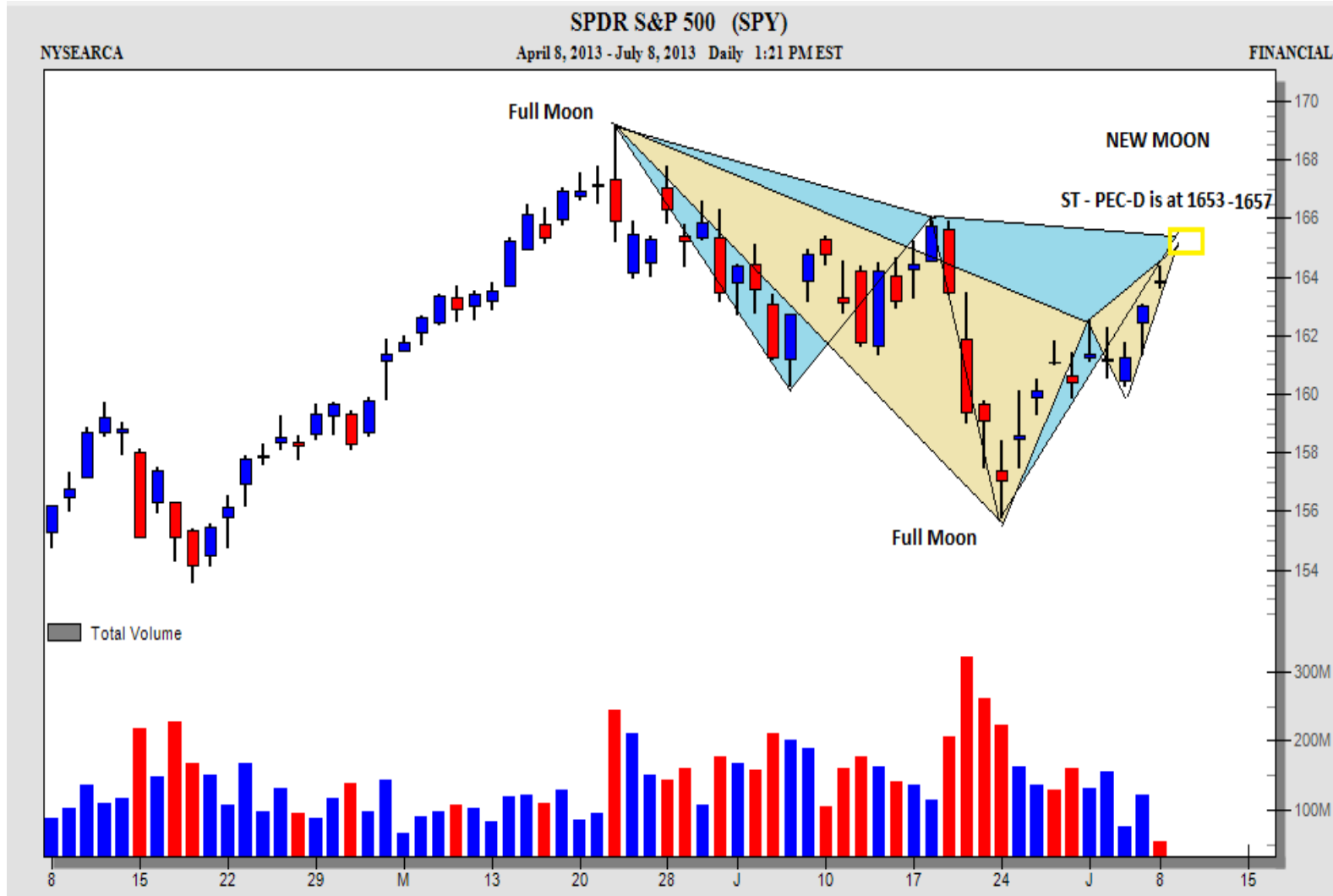
SPX- PEC- D / CZ Analysis POM 14 - Daily chart

UPSIDE - Approaching CZ 1647-1633-Target – Summer rally. Volume is contacting (No signal) .



SPX- CZ Analysis -

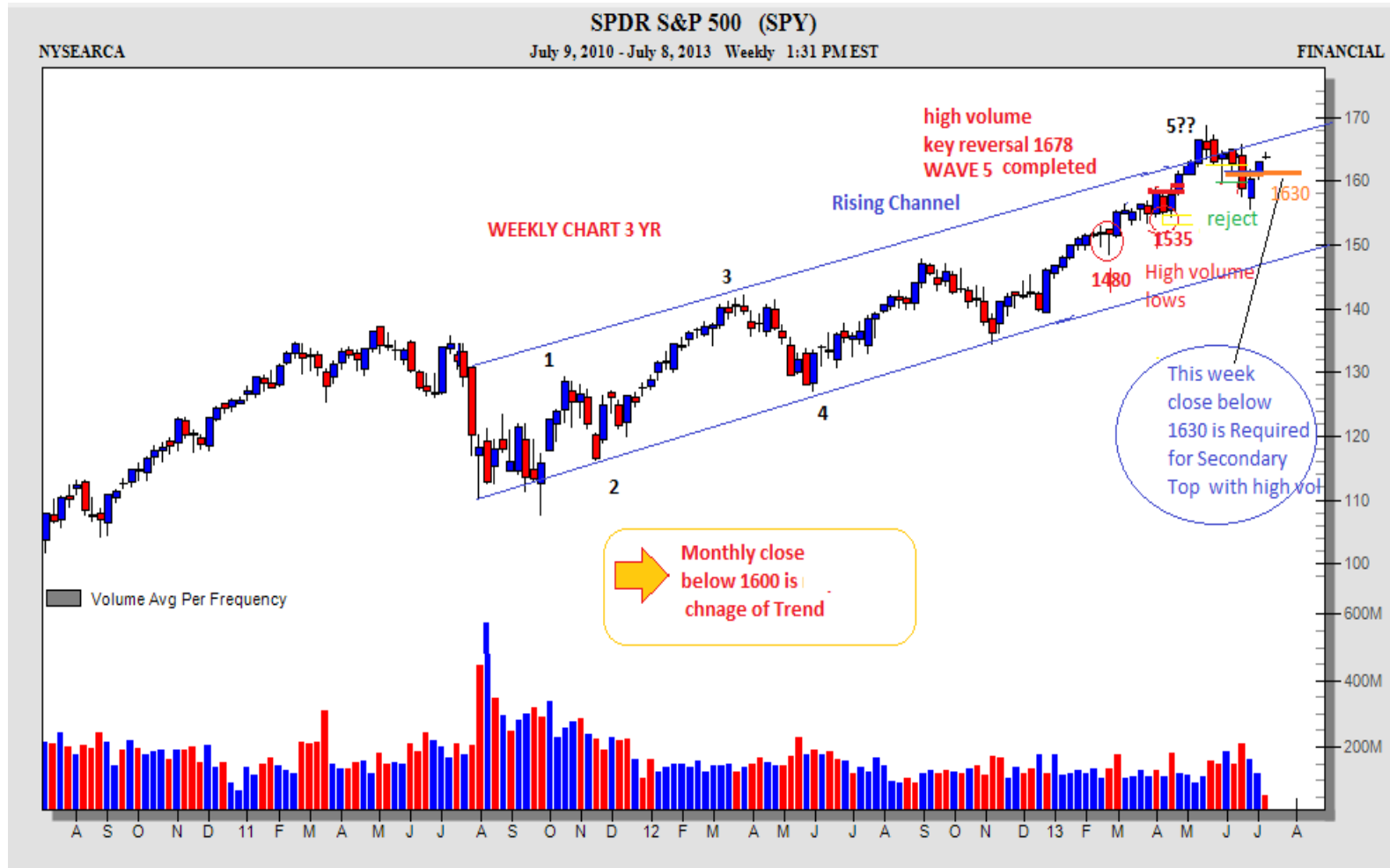
UPSIDE - **PEC-D Targets is slightly higher to 1655** . This coinciding with NEW MOON.



SPX- CHANNEL with WAVE Analysis - Weekly

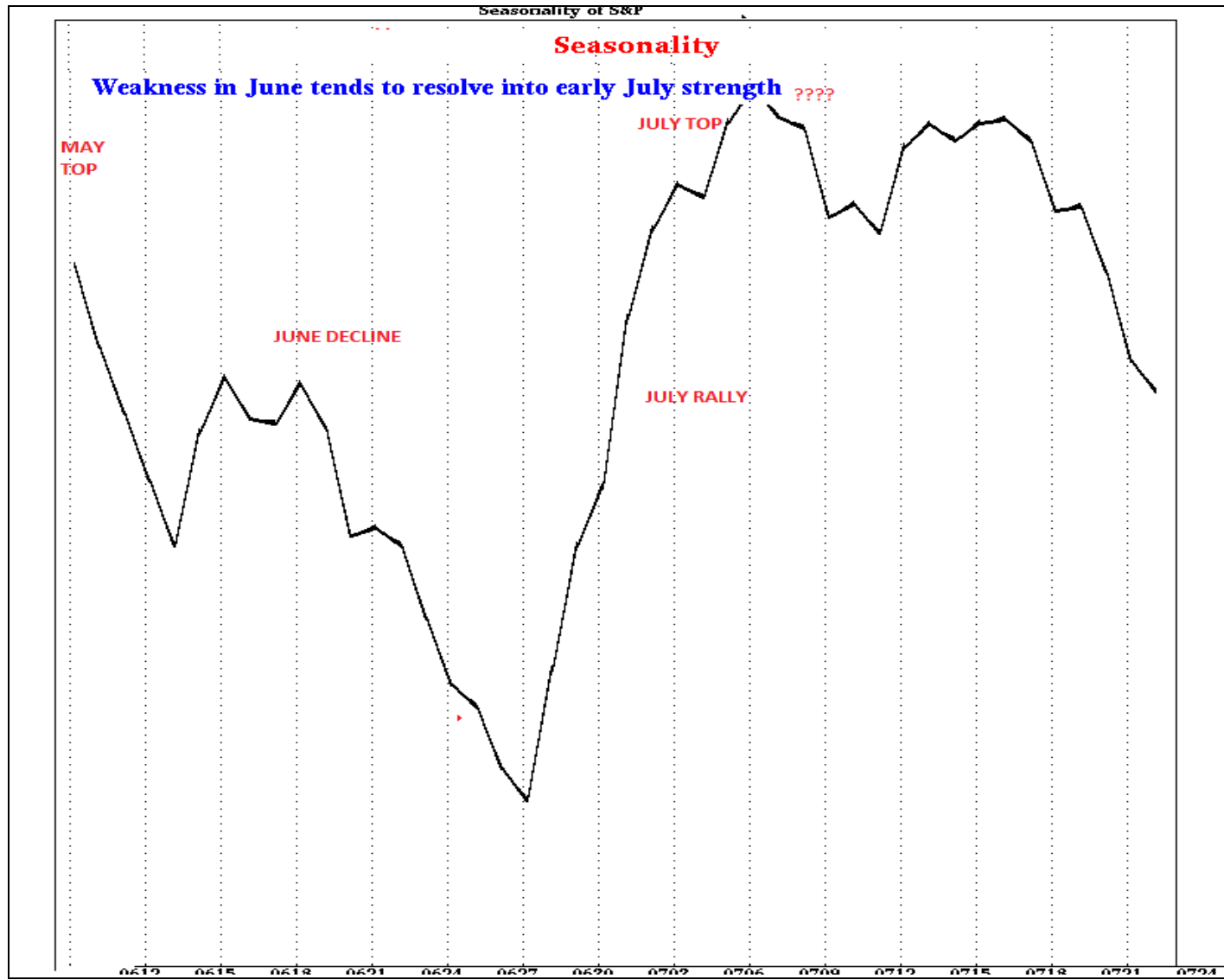
SPY HITS CHANNEL WITH FIFTH WAVE on Weekly SPX chart going back to 2010.

Weekly close – Below 1630 is required. **Notes within the charts**



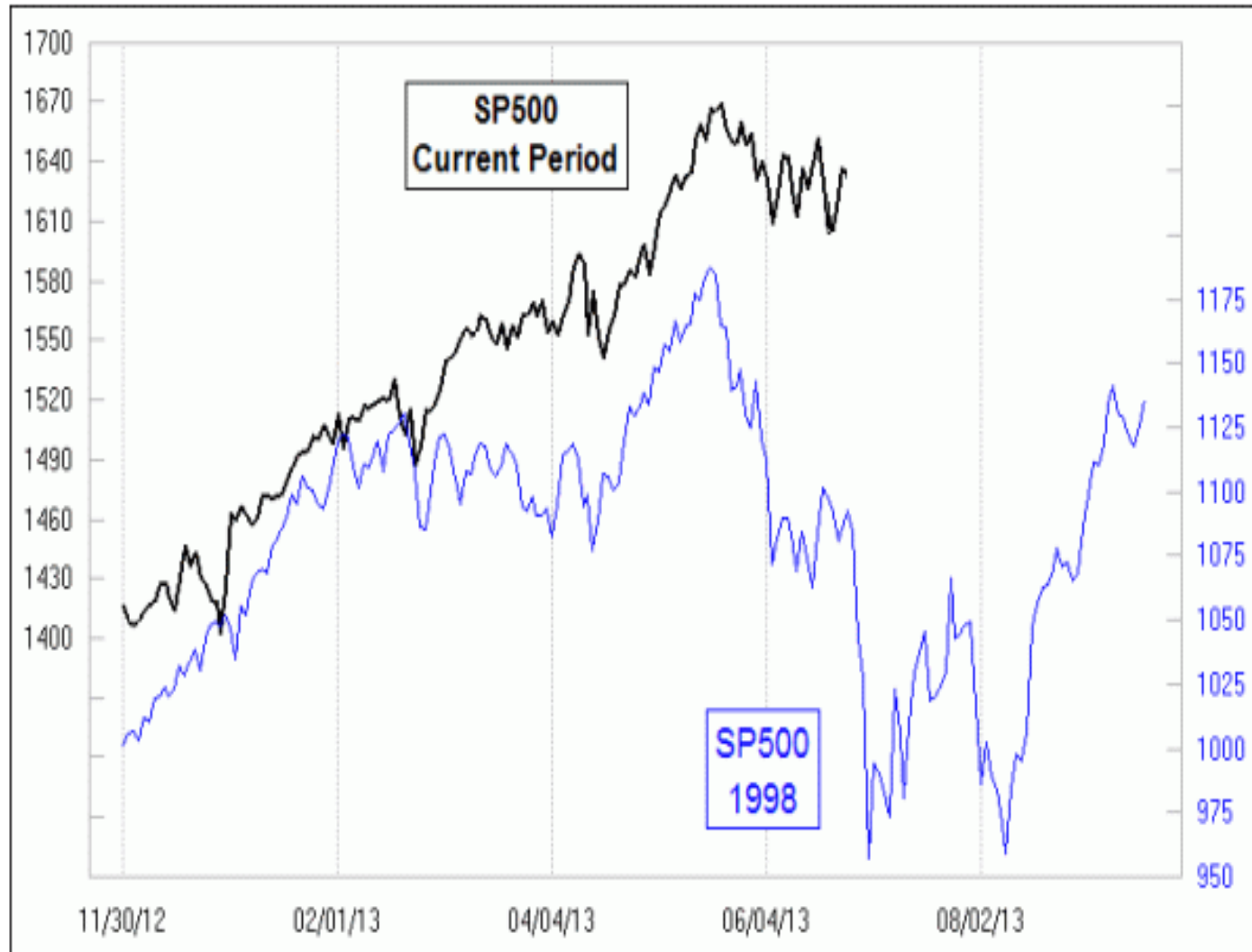
SPX- Seasonality Price Path Analysis

So far seasonal have been following well since May Top.



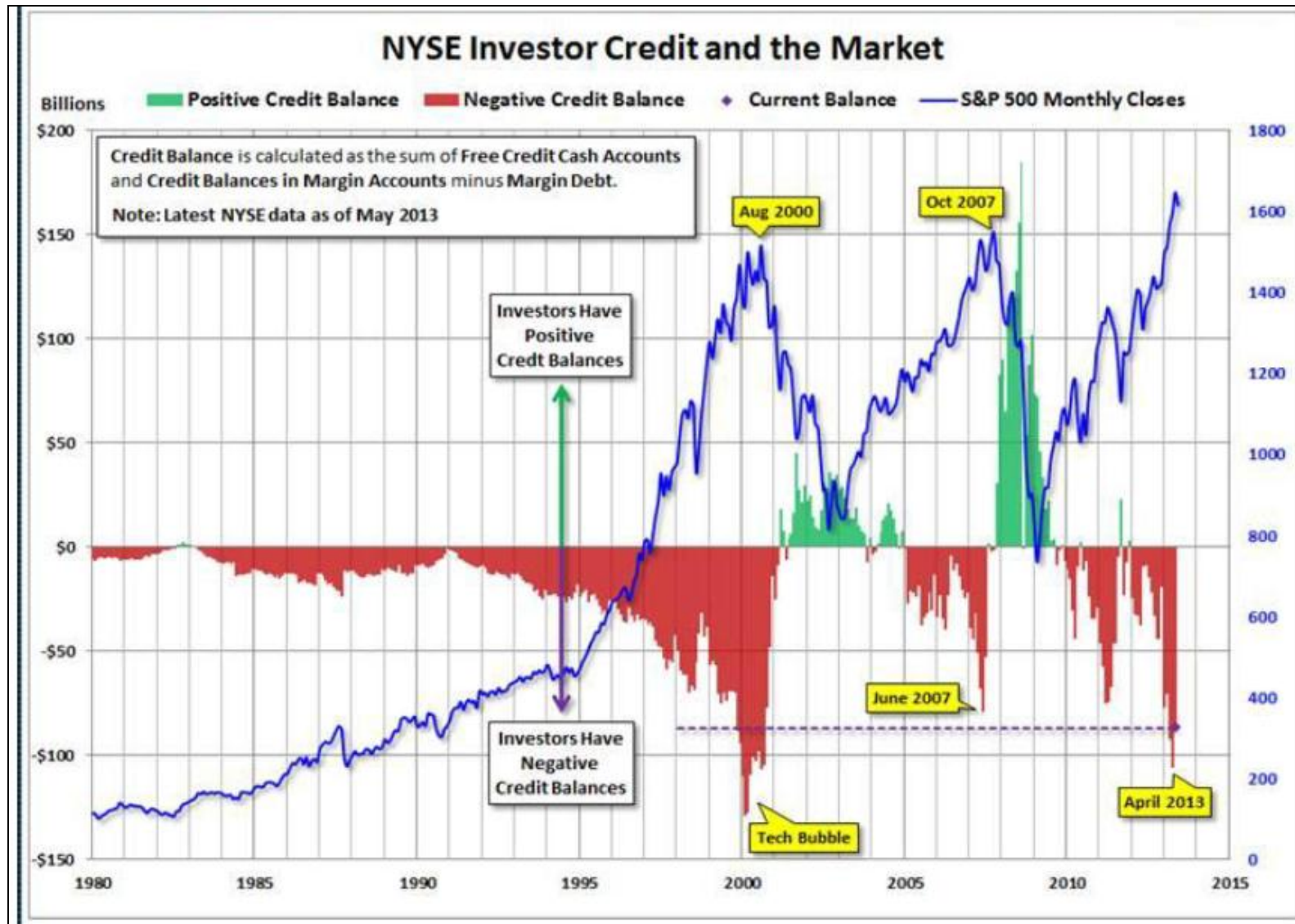
SPX -1998 v/s SPX 2013- Analysis - We are not this Bearish – Just displaying Bear's point of view

Curtsey - 3rd Party - Rich (old friend) – Send us this Chart.



NYSE v/s Investor's Credit.

Curtsey - 3rd Party - Rich (old friend) – Send us this Chart.

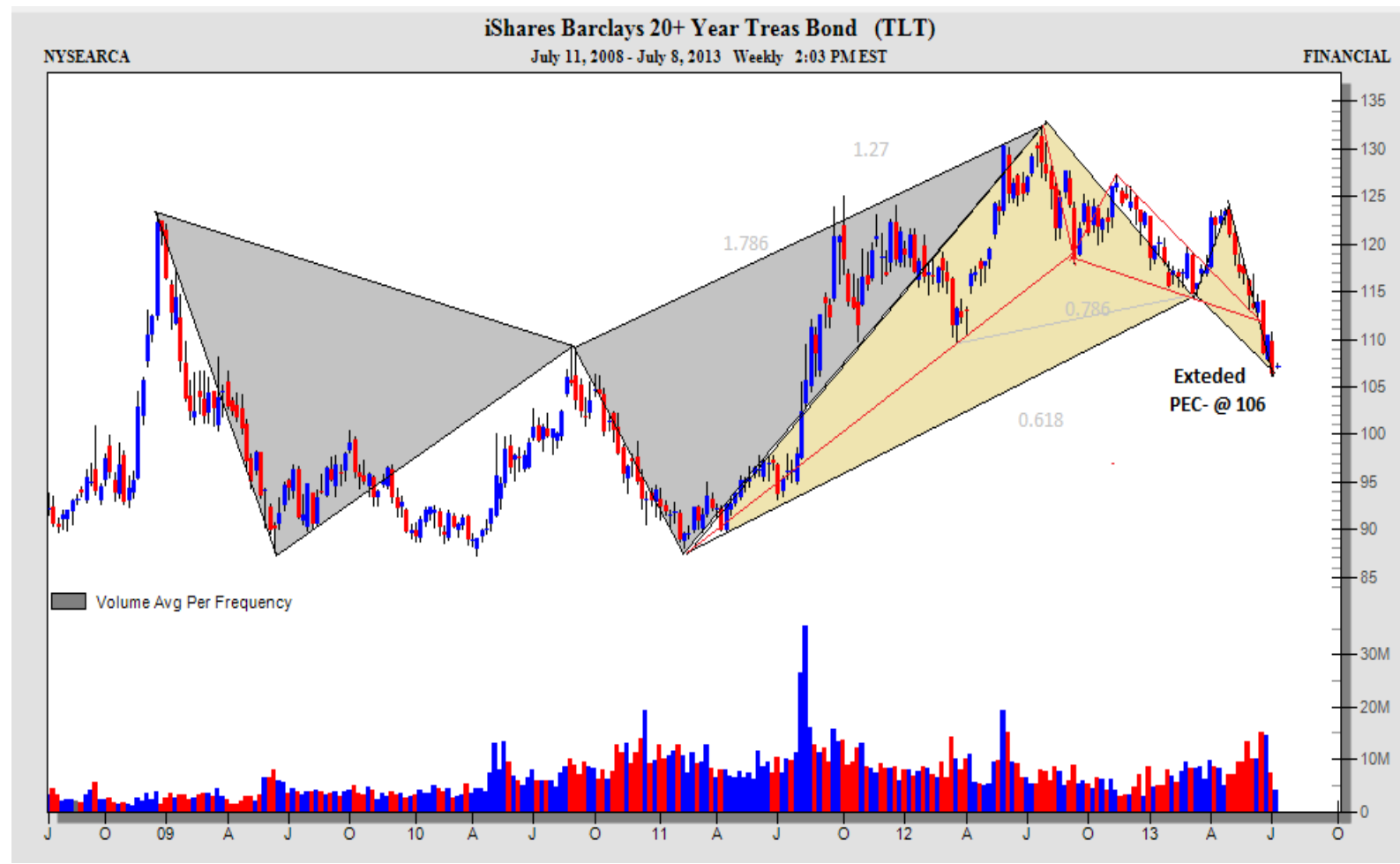


TLT (Bond) – CZ- **extended.** PEC- D Analysis – Weekly –

Downside - Targeted to Gap of 1.08. Extended PEC-D 1.06

Currently false broken extended downside below Pull back CZ 115-117. (Notes within chart)

Upside - Close above 111, TLT should rally to CZ – 124-128 (Bullish top).



SPX – Cyclical Model

- SPX - Seasonality / Election Model -

4TH Of July is in Progress. Sell in May & Go away – Has worked out as effectively as in past .

- SPX - Geomagnetic / Lunar Cyclic Model

New Moon on 8th July . Bradley Model topped on 1st June . .

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is **NEUTRAL**

- The EURO – Future Model Forecast, -

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

SPX – Internals Model

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

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.*

SPX- 2012 – TURNS REAL TIME – POM & CZ



SPX - YTD	130	points)	_____	+ 11%
POM 13 TO 14 - Gains	240	Points (3 Signals)	_____	+ 20%
POM 14 to 13 - Fully Hedged - Risk Mangement savings	130	points.(3 Signals)	_____	+ 11%
POM 15 to 14 - Net Short	55	points(1 Signals)	_____	+ 5%

(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 streams 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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