SG Capital Research
Global Market Insights
Chart System

Date : 15th 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 Update	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500 Update	1680	POM 14	" Melt up" 70deg - 1678 & key reversal - Alerted on 5/20 -MS	BEARISH Topping	CASH Portfolio Market Neutral	NONE	CZ 1654-1657 – Met , Failed on PQV Validation	Test of peak 1688 Close under 1670 on low volume is failure) Update Watch for Trigger – POM 15 to scale in Short position via IWM, QQQ,XLE, XLB	ABC down To 1565 lows with heavy bottom	ABC down To 1535	JULY close below 1600 Is required as next step To project 1535 target Wkly below 1650 w/ hvy volume to re inforce previous signal .
TLT (BONDS)	107.7	POM 13 – Re Run On 01/7 Core position	CZ 115-117	BULLISH Pull back Has extended beyond our pull back CZ	Net Long ½ Re Entry @ 116	NONE	CZ 124-128 Bullish Top	CZ 135-136	Gap below 108 Is being filled & re tested Close above 111 required	LT Extended PEC-D @ 107 (Refer chart Below)	Earlier we closed TLT positions For profit 115 to 122- 7 points Round trip (Lost all Previous Profits)

TLT - - Detail Chart coverage in this week's US Broader Indices Report.

	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
GOLD	1283	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Crash Zone 6/28	Bottoming Volatility Crash Zone –	Net Long *Core Position. only* Last entry -@ 1205 Special Report on 6/28. RM 1180	NONE	CZ 1280-1265 – Met , slight pull back 1250 & rally. *Note- If volume picks up @ 1280 Next 2 days we should accelerate higher Quick*	ABC up to 1360 In tact CZ 1360-1340 Flag post Top	secondary lows 1225 & Bottom is in place for Higher highs *Critical Rejection-Highs of Key Reversal bar 1235-1190 On low Volume*	PEC-D @ 1180 - (Possible retest, after First rally) *Successful Rest of lows Would trigger POM 12 – Full exposure*	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

Portfolio – Overview & Update

Overall Portfolio is at " **Market Neutral** – We Alerted 6/27 to Close all Net short positions QQQ, XHB, XLE, IWM. , Market has rallied almost 100 points since . Once <mark>POM15 – Triggered @ 1688, it would be good Risk/ Reward to initiate to Scale into Short bias gradually</mark> in Bearish Top instruments to instate the Exposure that was covered on 6/24 @ 1570 lows

In this current rally , 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** . in Bearish top Instruments.

TLT - Re- entry position is trading under our Buy point, whipping out all the Profit from the Previous gains . This Recycling Position to Protect core Capital. Our **EMB-** Net Short Triggered at 100.2 should act as Good Hedge against TLT.

Portfolio Holdings … .<mark>MARKET NEUTRAL - NON LEVERAGED</mark> ……………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

- **OPEN ORDERS**
  EEM - Net short – **CZ 40.75-39.75,**

- **STOPPED OUT / or CLOSED - NONE**

GOLD -   Bottoming Process

The overall bearishness is such that a very strong rally in Gold to the tune of at least 250 points from lows 1180 is high probability. There are just too many bears in this market at this level. Since the recent bottom, GOLD has been acting very well for Bulls. We could very well see a Major change of Trend in GOLD. The Bottom should be in.

The best seasonality lows is in the middle of July. COT for Commercials report a net short position which was the lowest short position since 2004 & 2008 lows

Upside -   " **Flag Post Pattern'** target CZ 1280-1265 Met – PEC-D 1280. It is overhead ceiling of breakdown area. If volume picks up It may continue its ABC up to 1365 Flag post

Downside - Secondary low of 1225 is in place with Higher highs. It Rejected "Highs" of Key Reversal bar 1235-1190 on low Volume. Current pull back could be 1250-1245 if volume dries up and then rally up

There are remote chances that Liquidation PEC-D @ 1180 can get re tested after the first rally off bottom complete . Successful Rest of lows of this lows would trigger POM 12 for Full exposure

On 6/28 – Report , we announced Crash re- entry point for Trading Position only @ 1205. Is in effect. RM – 1180.

SPX -   Bounce back Levels

- The Spike high of 1688 on 5/20 has high volume, it should get tested on contracting volume on this rally , Close under 1670 would Trigger, to initiate Short bias to   ABC down Heavy Bottom.
- Our Projected Upside target to CZ 1657-1653- Met and failed.
- 1- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of Signal "in effect"
- 2- **Monthly (July)** – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom.

GOLD – Daily – PEC –D / CZ Analysis

Downside- Pull back to 1245 -1250 range and rally up. Secondary low 1225 tested & Bottom is in place for Higher highs.
It Rejected Highs of Key **Reversal bar 1235-1190** On low Volume

ST Upside - Target to 1280 – Met We should struggle at 1280 if Volume does not pick up

1st ABC Up CZ 1360-1340 – Flag post cap is in place.
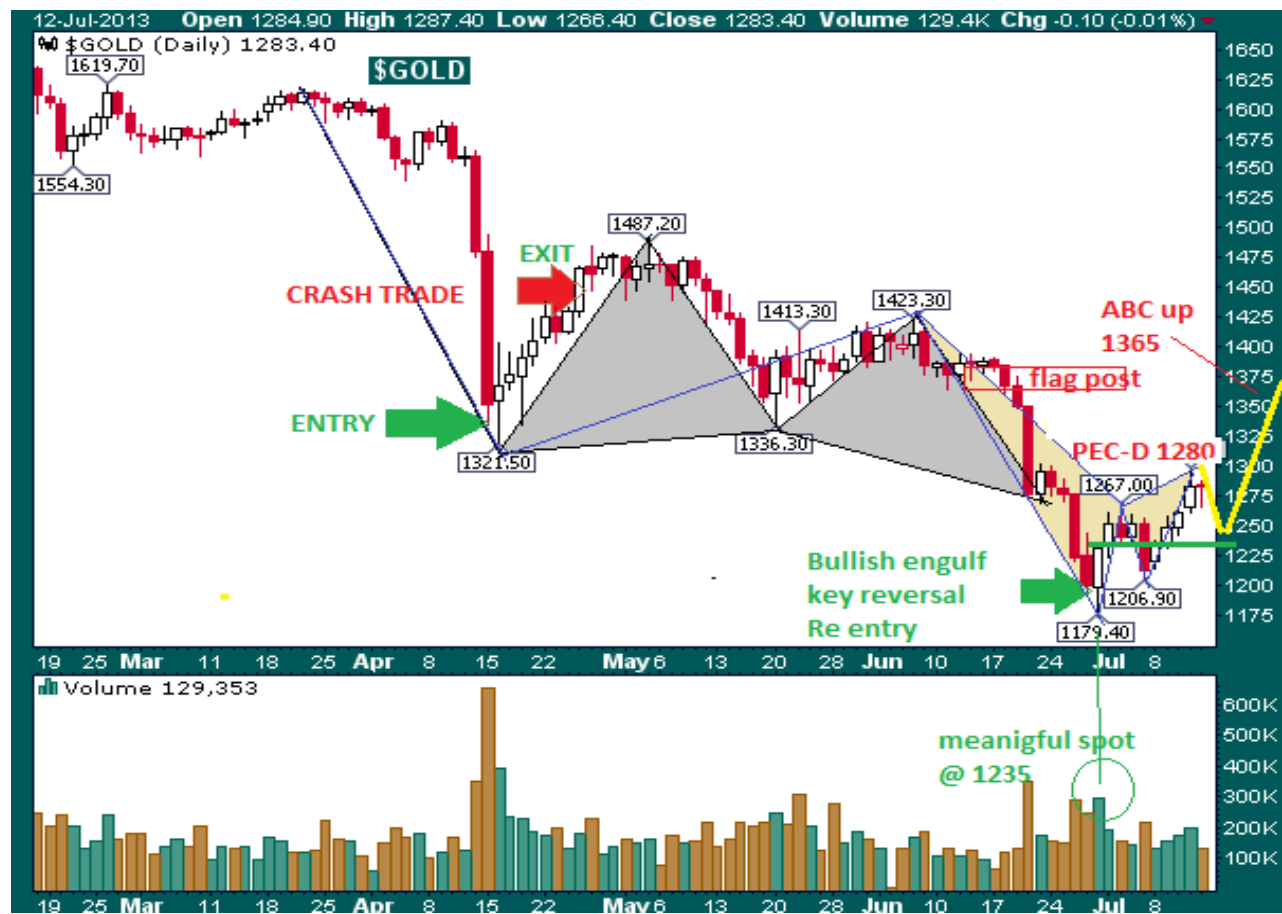
GOLD – Weekly – PEC –D / CZ   Analysis –

Weekly *WAVE 5* now should get back above point *WAVE 3* on weekly (1320) to signal Bottom (Notes within the chart).
Bullish percentile ratio is at 0 , levels seen in 2008 lows.

Market Overview SPX

The stock market consolidated Monday in what is one of the strongest seasonal down periods of the year after 8th July . That tells you just how much money is entering the US equity market.

 Since , 6/24 @ SPX 1570. We advised to close all Net Short position in anticipation of rally, SPX has rallied 100 points. This leg of rally most likely should come to an end on test of 1688 & close under 1670 to cause a failure, if volume is light.

The May 22nd highs 1688 which would complete a 100% move of a move and a normal spot for the markets to test and work off the overbought condition. NDX, Russell broke over the May 22nd high without a pause. If fails , the correction when begins could last into early August. This would be in line with seasonal.

Dr Ben to speak at tomorrow's Testimony at Capital Hill. This should act as great Trigger to get any Market direction.

At some point soon, the money that went into Equities will be coming out and entering the beaten-down commodity markets and go back into bonds on a trading basis. Money managers would prefer commodity stocks to benefit from next commodity rally.

There's a lot to be suspicious about when it comes to the stock market right now. The lack of an Accumulation Low at the last price low 1570 is the foremost reason for suspicion. The market broke its accelerated uptrend, then regained it. All of this is Fed being the prime mover in the equity markets. It will take a real move in commodities to start to pull money out of equities.

Technically, further move below in the VIX (with +ve divergence), has PEC-D @ 13 (slightly lower). If it is completed,   we may give one last blow off to Double Top in SPX . Among the Price & Volume , the Market internals should line up at these levels. The volume dries up into 1688 with Tick / Trin reading at +200. & Low ARMS reading 0.3 -0.5 for few days. .

- **Geomagnetic Cycle**

The Lunar - Next Monday, July 21/22 is the next combined moon conjunct Pluto and full moon combination.
The Previous 8th July did not work.

- **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 .
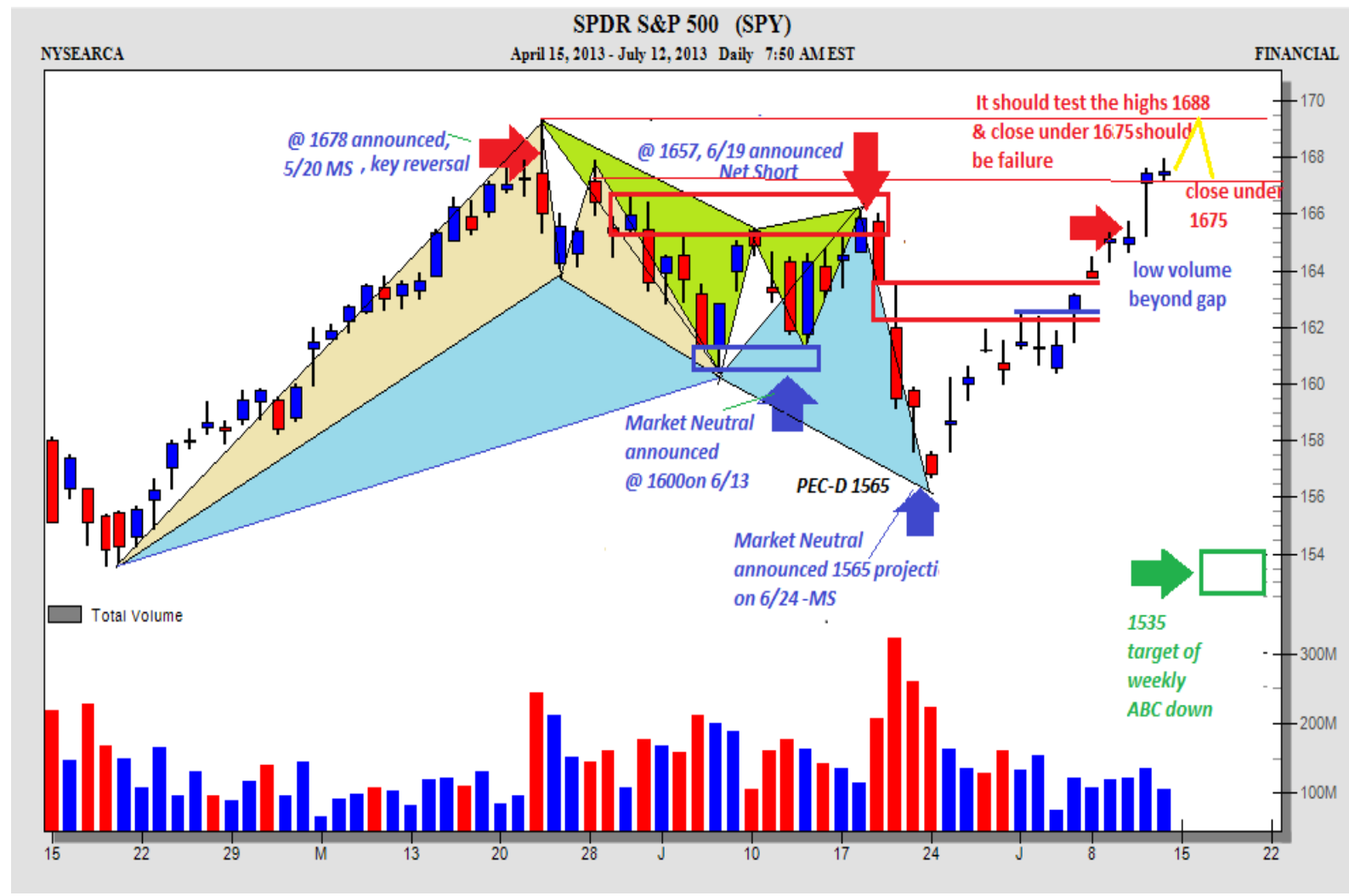
- **Valid Breakout with Bullish Tops remains in select Indices**

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 are at Bearish CZ on very thin Volume** . These are better choices to Short in Market Neutral or Bearish bias environment with sudden Market decline
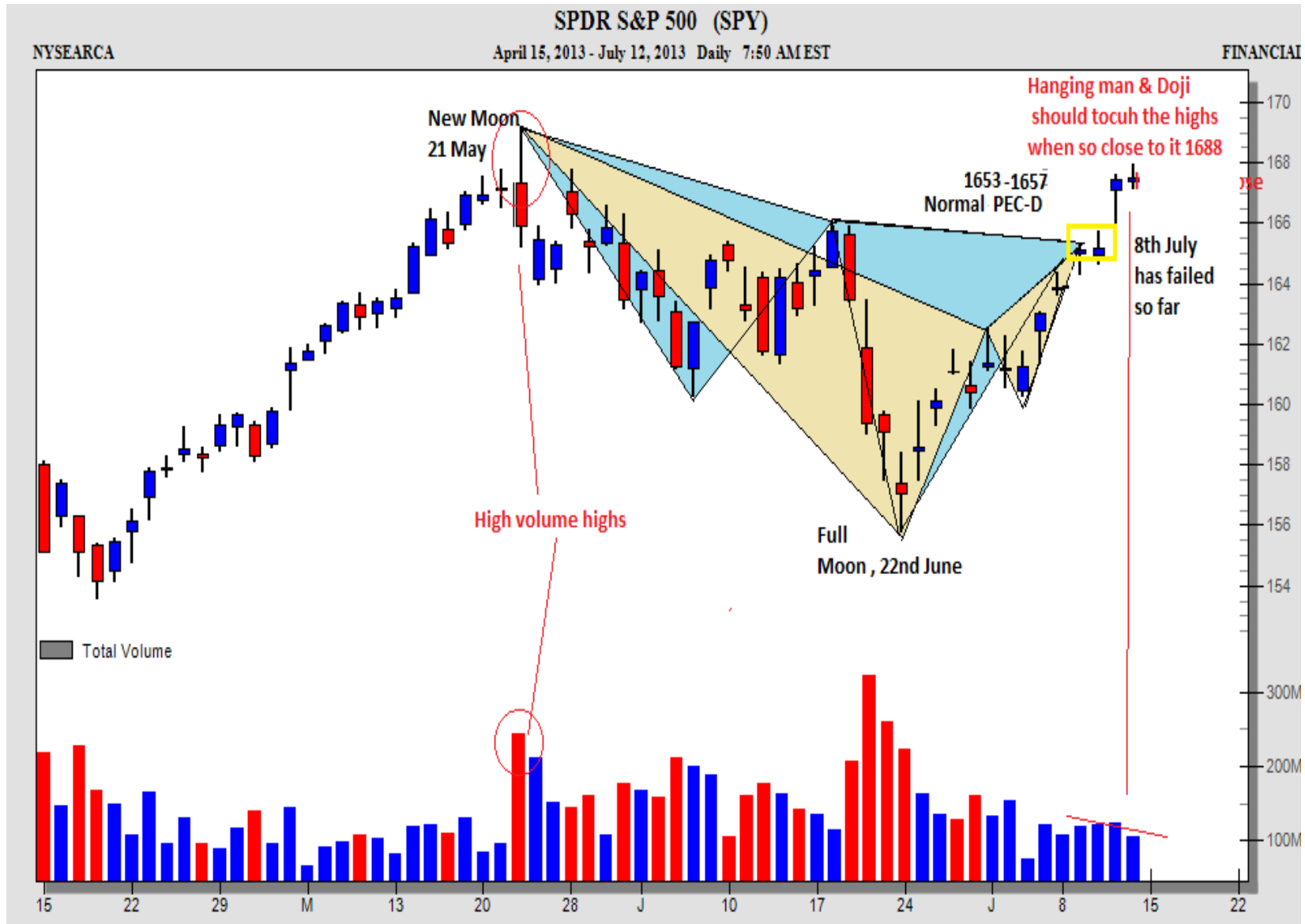
SPX- PEC- D / CZ Analysis POM 15 -   Daily chart

UPSIDE - Contacting volume. Possible test of 1688 highs, now being so close to it . (Notes within the chart)


SPDR S&P 500   (SPY)

NYSEARCA

April 15, 2013 - July 12, 2013 Daily 7:50 AM EST

FINANCIAL

@ 1678 announced,
5/20 MS , key reversal

@ 1657, 6/19 announced
Net Short

It should test the highs 1688
& close under 1675 should
be failure

close under
1675

low volume
beyond gap

Market Neutral
announced
@ 1600on 6/13

PEC-D 1565

Market Neutral
announced 1565 projecti
on 6/24 -MS

1535
target of
weekly
ABC down

Total Volume

SPX- CZ Analysis -

UPSIDE - PEC-D 1657 exceeded <u>by bit</u> , on contracting volume.

SPDR S&P 500 (SPY)

NYSEARCA

April 15, 2013 - July 12, 2013 Daily 7:50 AM EST

FINANCIAL

Hanging man & Doji
should tocuh the highs
when so close to it 1688

New Moon
21 May

1653 - 1657
Normal PEC-D

8th July
has failed
so far

High volume highs

Full
Moon , 22nd June

Total Volume

SPX- CHANNEL with WAVE Analysis - Weekly

SPY HITS CHANNEL WITH FIFTH WAVE on Weekly SPX chart. test in progress back to channel line and WAVE 5 .

Weekly close – Below 1650 is required. **(** Notes within the charts)
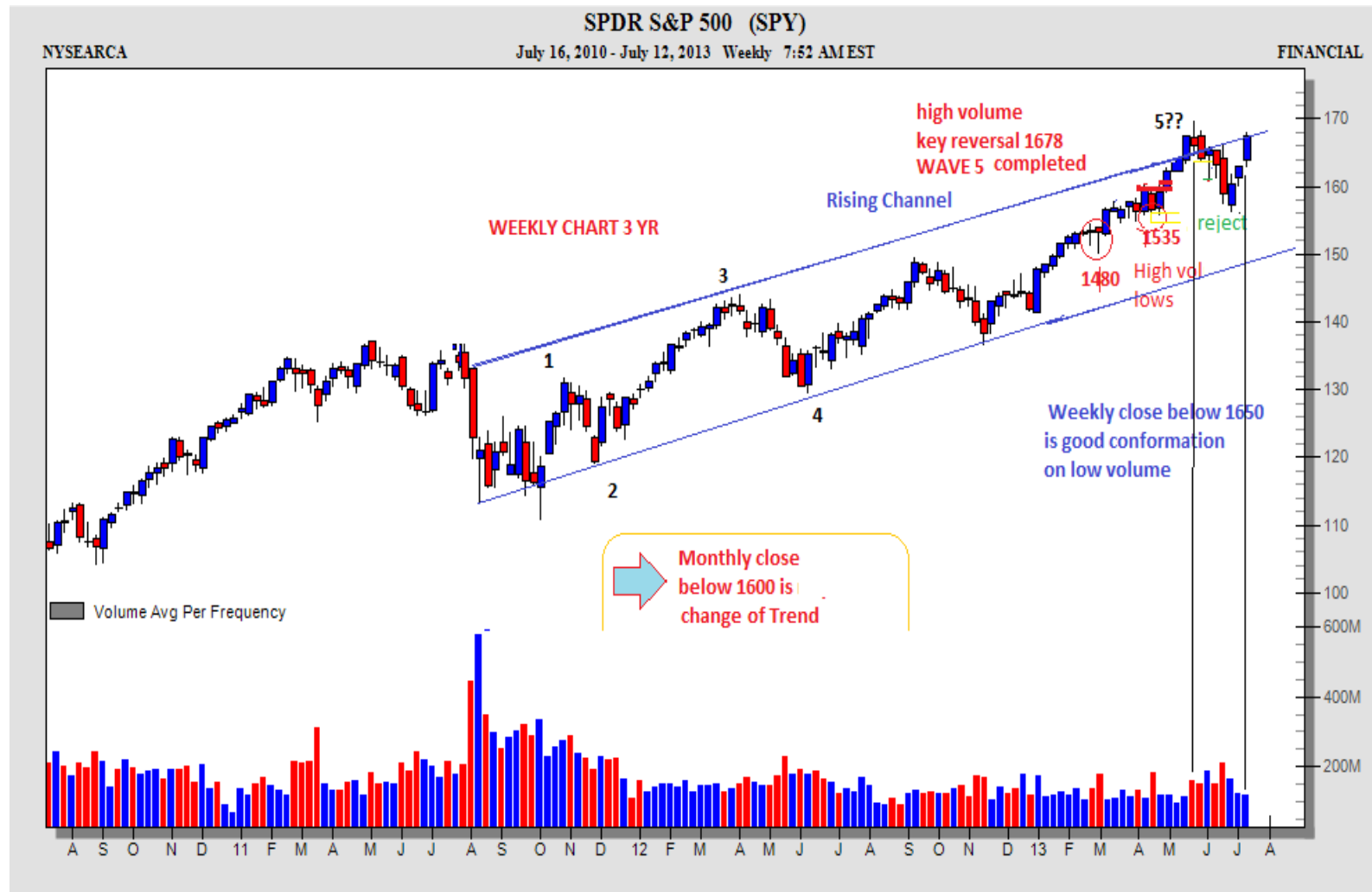
VIX – PEC-D Analysis

PEC- D @ 13 – Slight pull back in VIX ,Could mark the top in SPX @ 1688. Previous turn came in at PEC-D 20 @ SPX 1570 bottom . Renewed 1-3-5 Pattern is in place.

SPX- Seasonality Price Path Analysis

So far seasonal have been following well since <mark>May Top & July rally Top</mark> .

Seasonality of S&P

Seasonality

Weakness in June tends to resolve into early July strength

Mid July Top

JULY TOP

MAY TOP

Are we here??

JUNE DECLINE
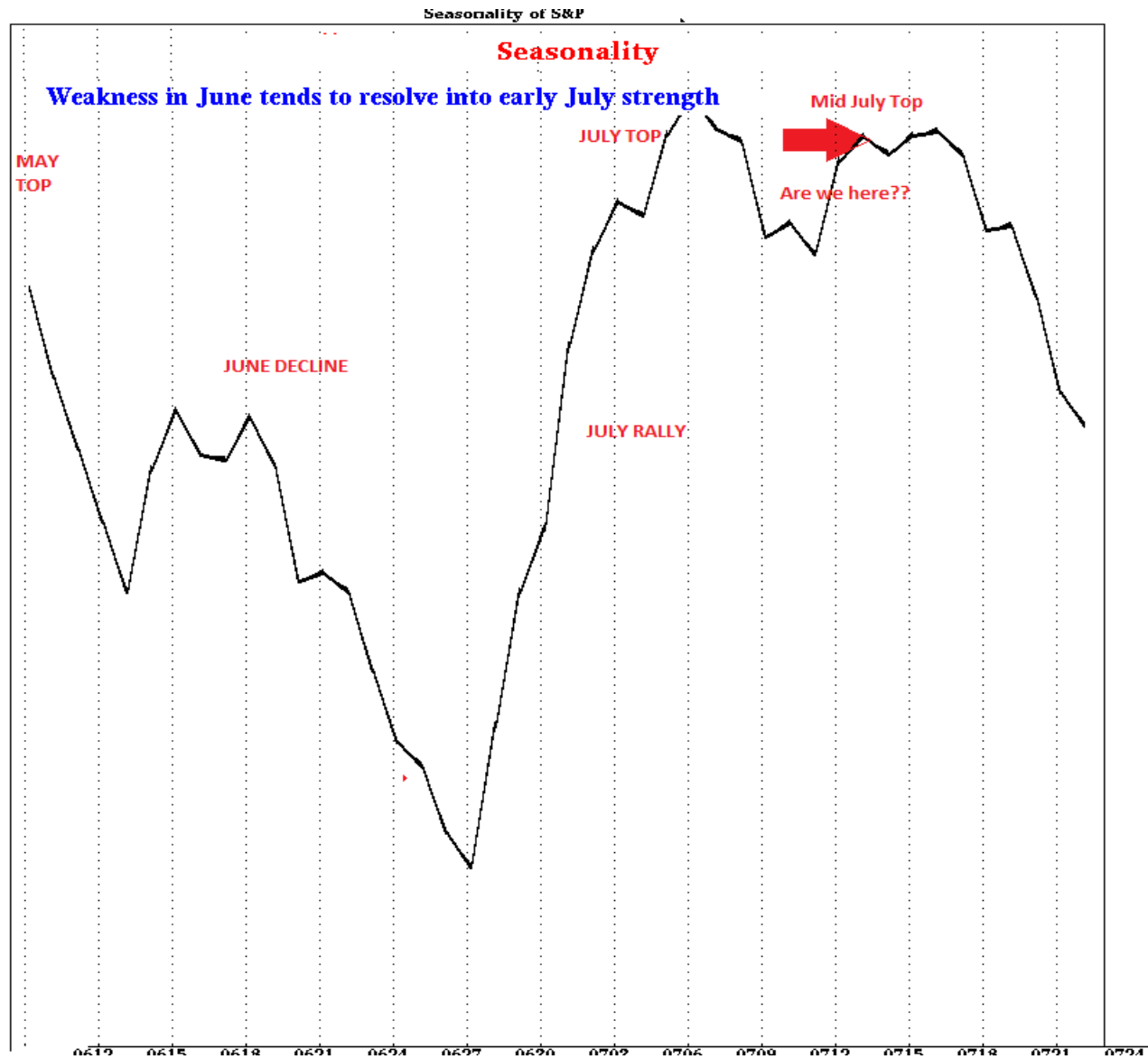
JULY RALLY

SPX – Cyclical Model

- **SPX - Seasonality / Election Model -**

Mid July Rally is in Progress. .

- **SPX - Geomagnetic / Lunar Cyclic Model**

New Moon on 8th July . Bradley Model topped on 1st June. On Next 22nd July is Lunar Cycle. .

- **SPX - Sentiments Model**

AAII 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 -, 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.*

SPX- 2012 – TURNS REAL TIME – POM & CZ

28-Dec-2012   O 1418.10   H 1418.10   L 1401.58   C 1402.43   V 1.7B   Chg -15.67 (-1.10%)

$SPX (Daily) 1402.43

False break FOMC

POM 15

POM 14

POM14

POM 14

false break Buy
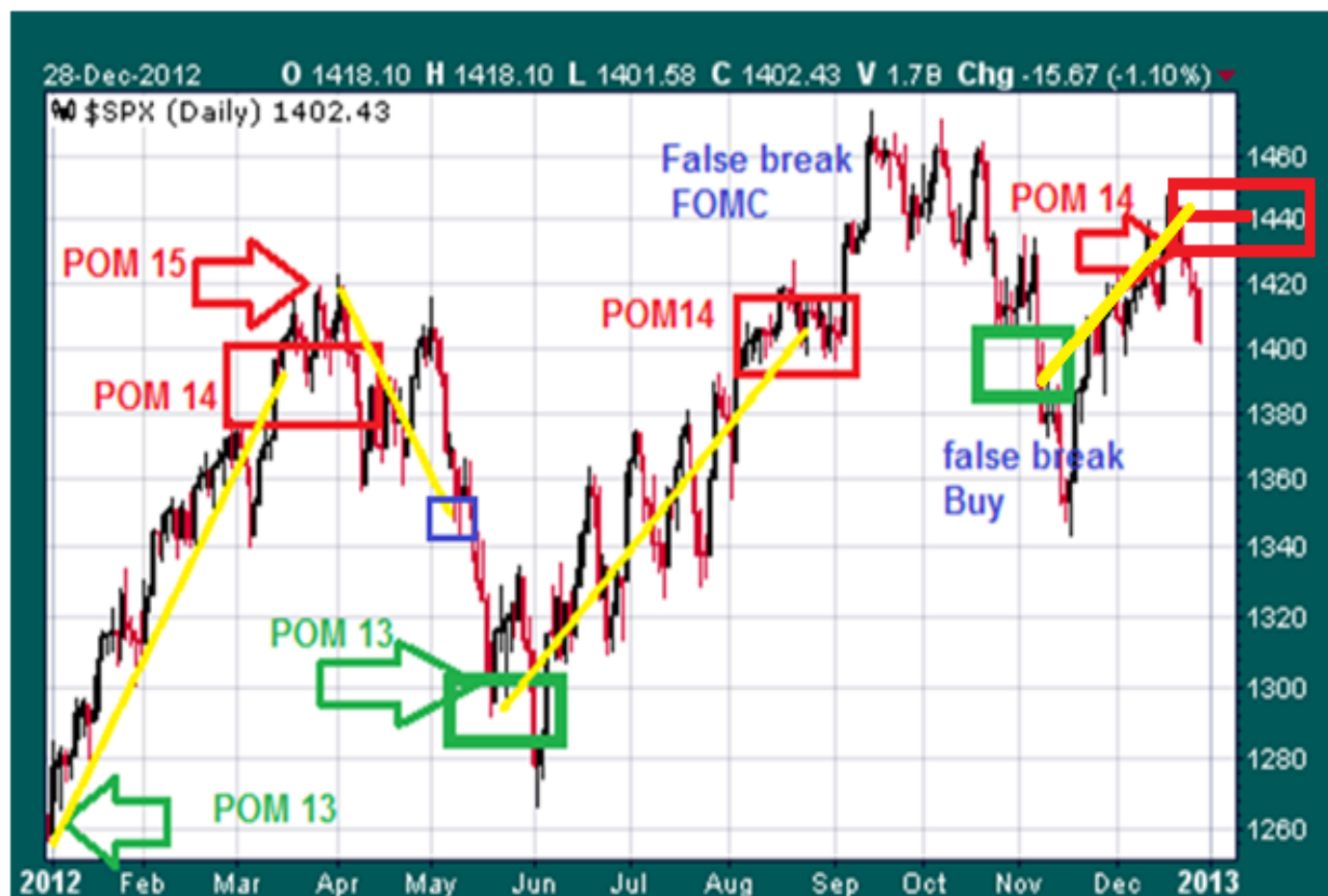
POM 13

POM 13

SPX - YTD	130	points)	+ 11%
POM 13 TO 14 - Gains	240	Points (3 Signals)	+ 20%
POM 14 to 13 - Fully Hedged -	130	points (3 Signals)	+ 11%
Risk Mangement savings			
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
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