Date : 22nd 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	1692	POM 14	KEY reversal - 1678 *Alerted* on 5/20 –MS *Is in tact*	BEARISH Topping	CASH Portfolio Market Neutral	NONE	CZ 1657-1653 – met & failed on PQV Validation	Test of peak 1688-1690 Move higher is false break Update Close under 1675 is failure – No signal *Watch for Trigger POM 15 – Net Short via* QQQ, IWM, 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 required inforce previous signal .
TLT (BONDS)	108.6	POM 13 – Re Run On 01/7 **Core position**	CZ 115-117	BULLISH extended beyond pull back CZ 115	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 closed TLT positions *For profit* 115 to 122- 7 points Round trip *(Lost all Previous Profits)*

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GOLD	1317	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Entry Triggered @ 1105 6/28-announced	Bottoming Volatility Crash Zone –	Net Long Last entry -@ 1205 Special Report on 6/28. RM 1180	NONE	CZ 1280- Met , With *volume picks up to accelerate higher*	ABC up to 1360 In tact CZ 1360-1340 Flag post Top *This week Close above 1320 suggests continue higher*	secondary lows 1225, the Bottom came in place for Higher highs *Critical Rejection- Highs of Key Reversal bar 1235-1190 On low Volume*	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

SPX- Traders could very well take this to 1700 round number to bring to an end the uptrend but the close is more important for Action.

Portfolio – Overview & Update

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

The spread 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** . in Bearish <u>top</u> Instruments.

<u>TLT</u> - Re- entry position is trading under our Buy point (115.5) , whipping out all the Profit from the Previous gains . This Recycling Position to Protect core Capital. . <u>We plan to increase the 2nd half position upon full rejection</u> . Our **<u>EMB-</u>** Net Short due to Bearish Top & Bearish bottom Triggered at (100.2) should act as Good Hedge against TLT.

<u>Portfolio Holdings</u> … .MARKET NEUTRAL - 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>OPEN ORDERS PREFERED INSTRUMENTS FOR NET SHORT</u> -**……
  QQQ, IWM , XLE , XLB,

- **<u>STOPPED OUT / or CLOSED</u> - NONE**

SPX - Doble top Levels

- The Spike high of 1688 on 5/20 has high volume, it should get tested on contracting volume on this rally , This move higher is false break above 1688. Close under 1675 with Bearish Key Reversal would Trigger. It could happen anytime - (ABC down to 1565 – Heavy Bottom.
- Our Projected Upside target to CZ 1657-1653- Met & extended Bearishly
- 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.

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

TLT is showing bottoming process. Extended PEC-D's to 106 below 108 gap has been now tested successfully. Bonds are a way oversold.

The lows under 115 was a false break below CZ 115-117 previously PQV Validated Bullish Bottom on lighter volume. It needs to get back in range above 111 first and then 115. The next rally should begin to the Bullish top at 128 or at 136.
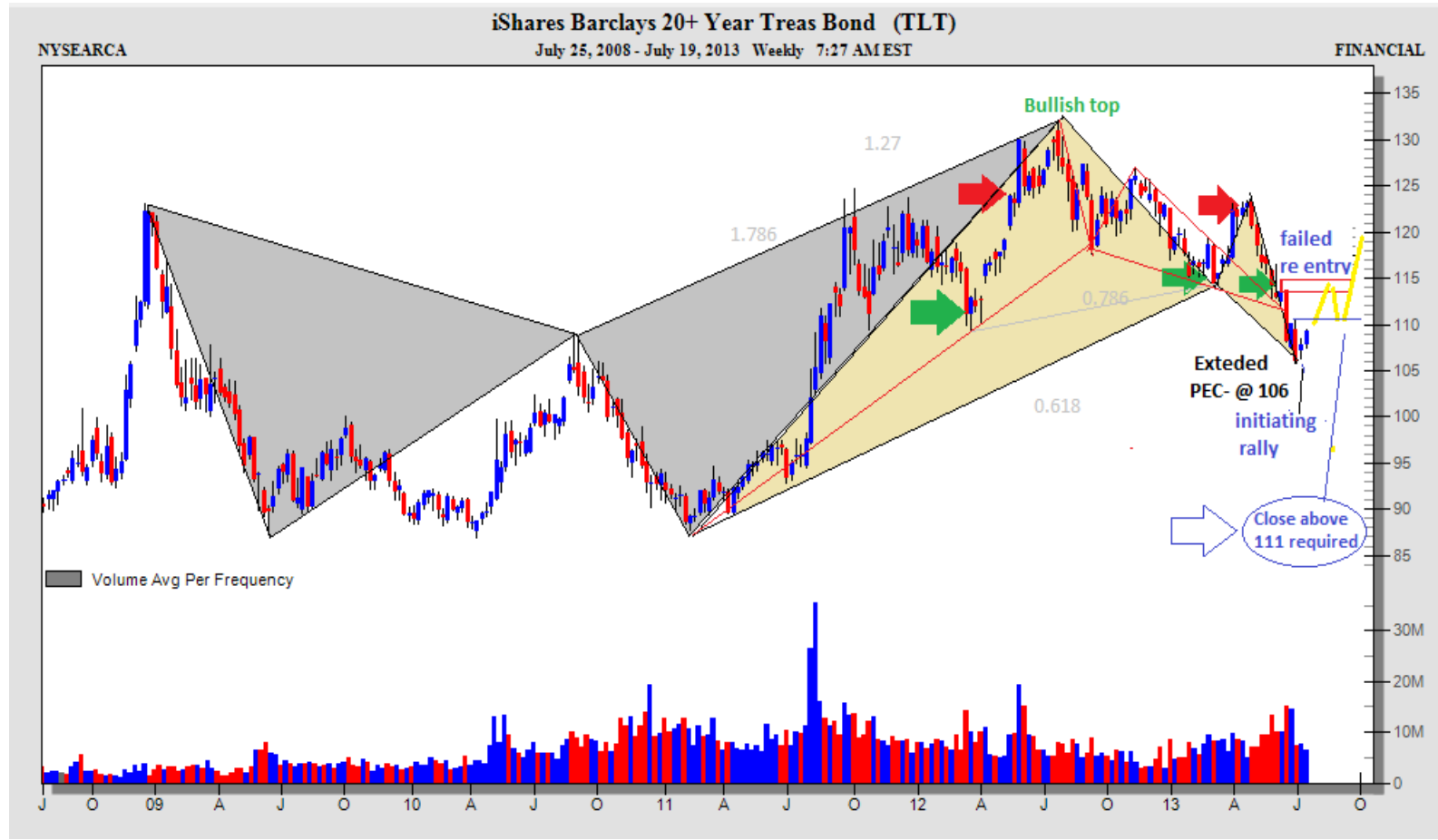
On Weekly & Monthly chart, In spite of decline there is no Bearish bottom .

Our Re - entry at 116 on ½ recycling Position is in tact. We plan to add the 2nd – ½ position back once it gets back in range 111 . **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 – Weekly

Downside - Rally has initiated Rejecting the lows into the Gap of 1.08. & Extended PEC-D 1.06 with , +ve vol reversal
It was false broken downside below Pull back CZ 115-117.

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

iShares Barclays 20+ Year Treas Bond (TLT)
NYSEARCA   July 25, 2008 - July 19, 2013 Weekly 7:27 AM EST   FINANCIAL

GOLD – Weekly – PEC –D / CZ Analysis –

1st ABC Up CZ 1360-1345 – Flag post cap is in place. ST Target 1280 was approached with high volume and Broke out. Confirming ABC up

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.

Downside- Secondary low 1225 tested suggested the Bottom is in place for Higher highs. It Rejected Highs of Key **Reversal bar 1235-1190** On low Volume

Market Overview SPX

All early / premature Net Shorts are getting squeezed. We are Market Neutral since 1570 and SPX has rallied 120 points. SPX- approached the May 22nd highs 1688 -1690 with contracting volume and the price move has been complete a 100% move of a move and a normal spot for the markets to test and work off the overbought condition. Traders could very well take this to 1700 round number to bring to an end the uptrend. The downside risks are rising rapidly for an August-September swoon.

 NDX, Russell broke over the May 22nd high. Both are on verge of failing, QQQ has already got dislocated , the correction when begins could last into August.

VIX – PEC-D's have been great indicator . It has been testing the PEC-D lows of 13 with +ve divergence. Refer chart below). It suggests the WAVE 5 in SPX completion is still in process slightly above the Double Top in SPX . Among the Price & Volume , the Market internals should line up at these levels. The volume dries up into 1688 with

TRIN / TICK / ARMS – Has been in nose bleed past 4 Trading days. Tick / Trin Ratio reading at +200. & Low ARMS reading 0.3 to-0.5 for few days.

- **Geomagnetic Cycle**

The Lunar - Monday, July 21/22 is Lunar cycle - moon conjunct Pluto and full moon combination. It has tendencies to catch the turns. Previous 8th July Failed

- **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
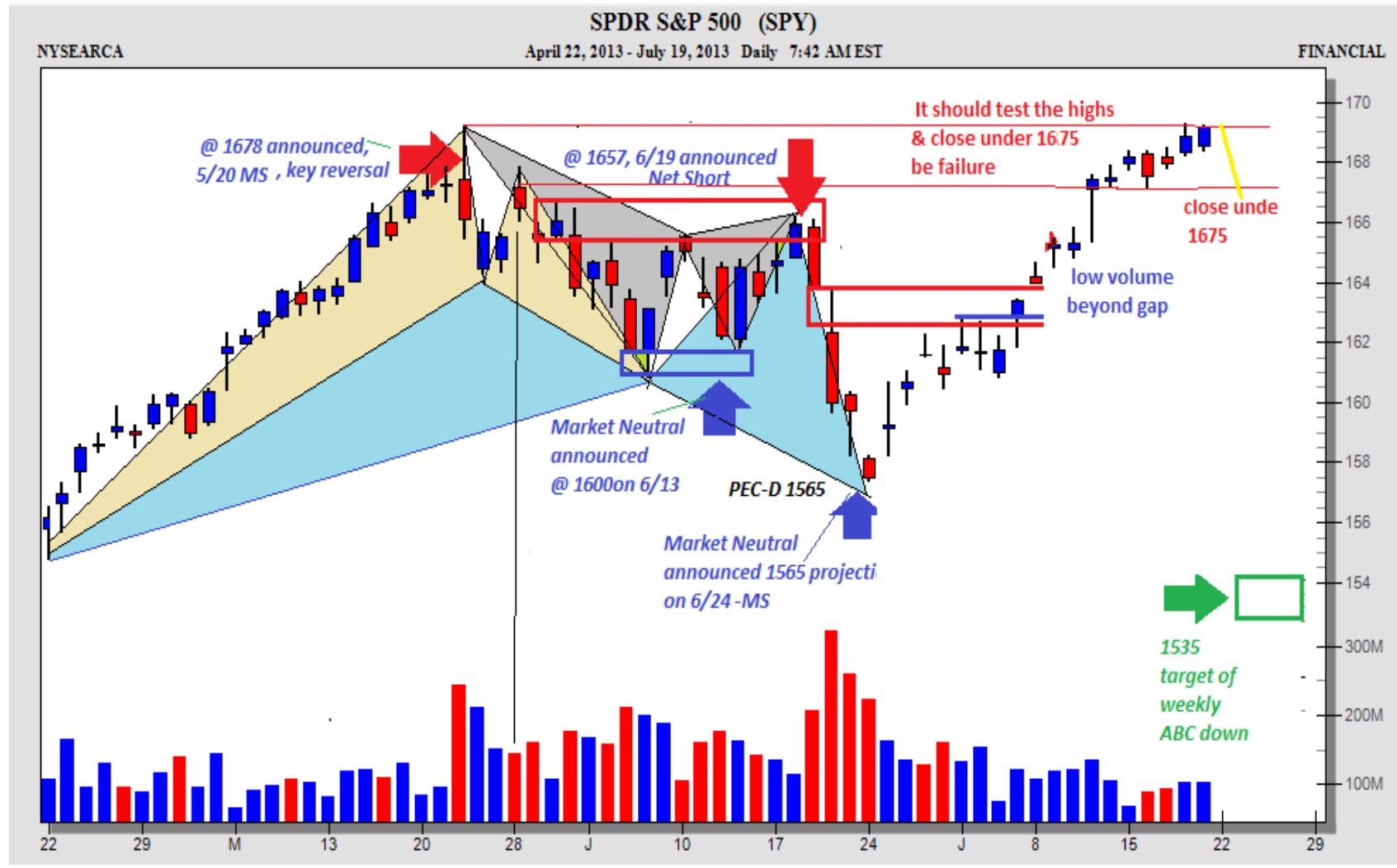
SPY – TERMINATION WAVE / PQV Analysis –

Slowly but surely stretching towards <u>WAVE 5</u>. It continued to work through a WAVE 4 consolidation pattern. Target 1688-1690 (Bit higher) to prove the point. Once failure happens. we would look to add our exposure . Refer Option below
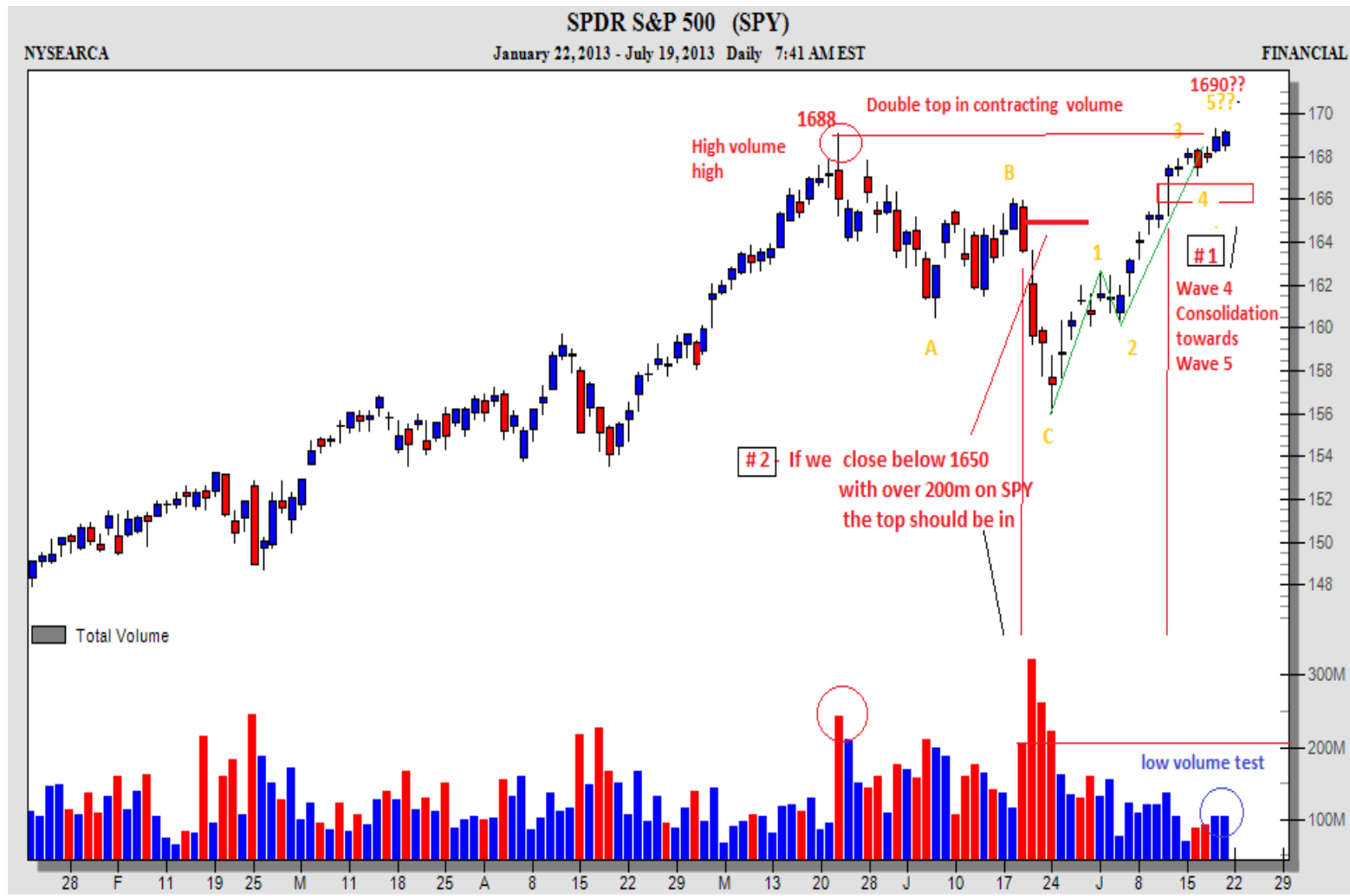
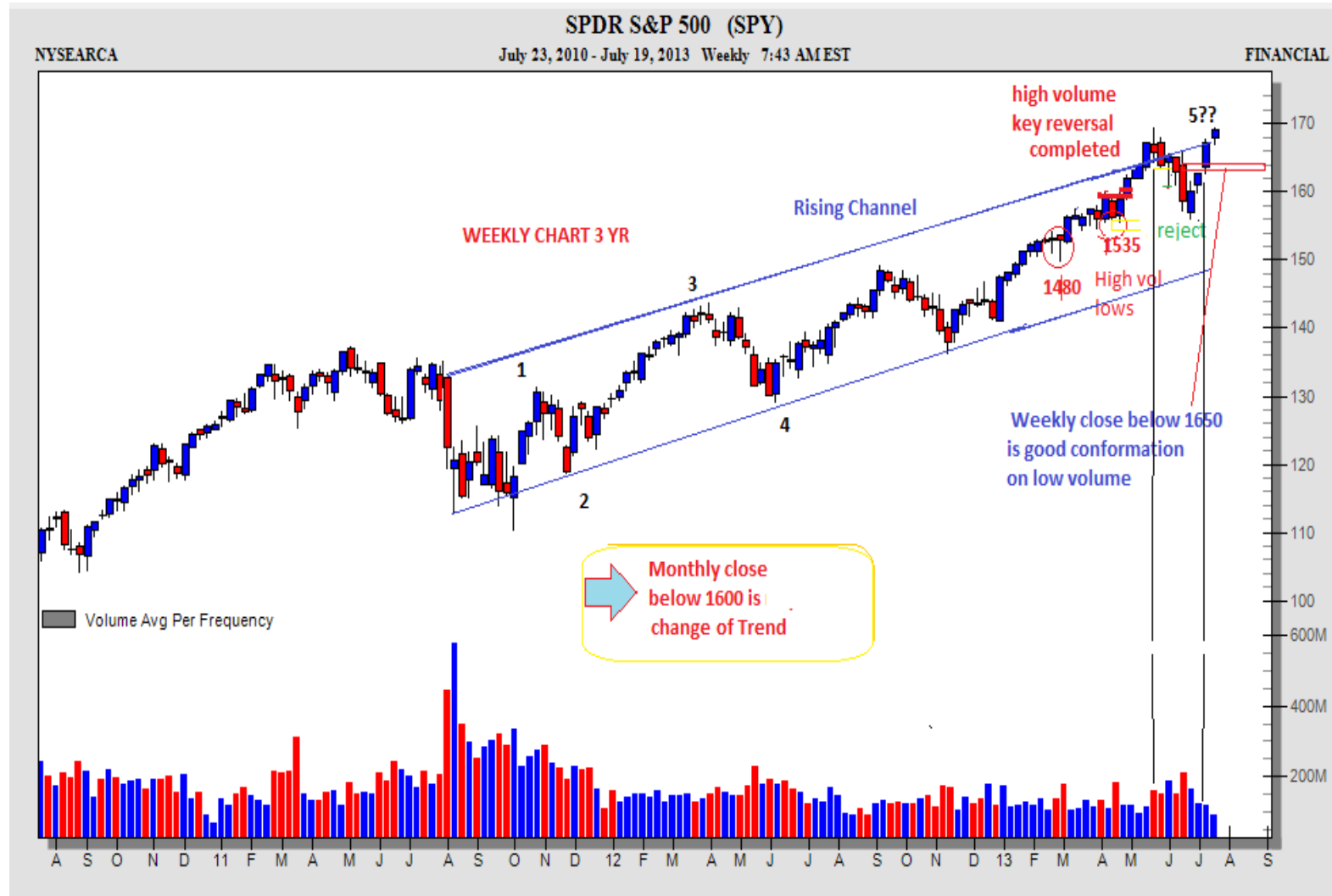# SPX- PEC- D / CZ Analysis POM 15 -   Daily chart

UPSIDE - Contacting volume. Test of 1688 highs, now being so close to it . Close under 1675 (Notes within the chart)

SPDR S&P 500 (SPY)

NYSEARCA   April 22, 2013 - July 19, 2013 Daily 7:42 AM EST   FINANCIAL

@ 1678 announced,
5/20 MS , key reversal

@ 1657, 6/19 announced
Net Short

It should test the highs
& close under 1675
be failure

close unde
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

SPX- CHANNEL with WAVE Analysis - Weekly

WAVE 5 on weekly & Daily is in progress in the CHANNEL Lines .

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

SPDR S&P 500 (SPY)

NYSEARCA

July 23, 2010 - July 19, 2013 Weekly 7:43 AM EST

FINANCIAL

high volume
key reversal
completed

5??

Rising Channel

WEEKLY CHART 3 YR

3

1480 1535

High vol
lows

1

4

Weekly close below 1650
is good conformation
on low volume

reject

2

Monthly close
below 1600 is
change of Trend

Volume Avg Per Frequency

VIX – PEC-D Analysis

Last week indicated PEC- D @ 13 has approached. – Today is diverging . Slight pull back in VIX ,Could mark the top in SPX
Previous turn came in at PEC-D 20 @ SPX 1570 bottom . Renewed 1-3-5 Pattern is in place.
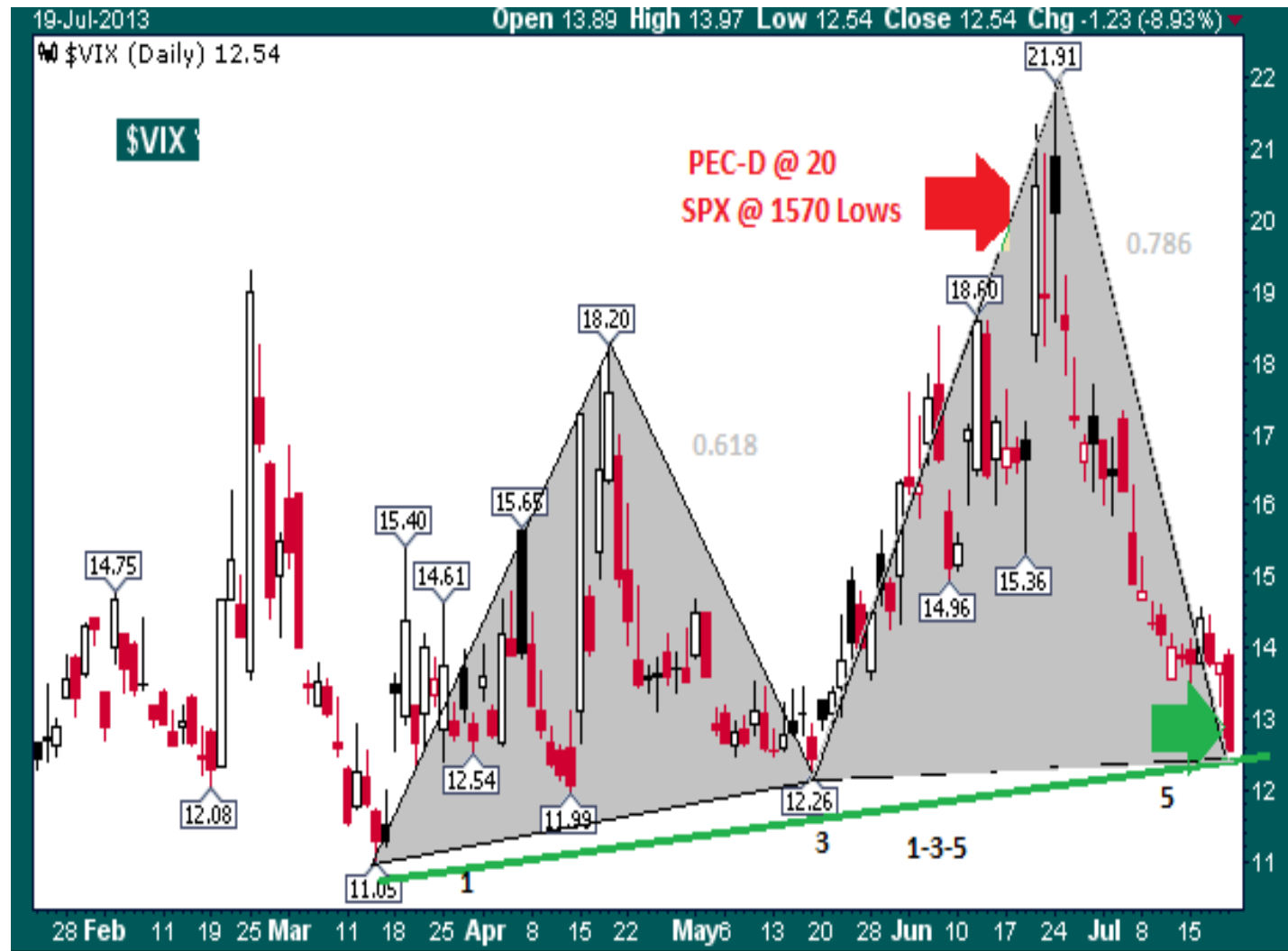
SPX – Cyclical Model

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

<mark>Mid July Rally is in Progress</mark>

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

Bradley Model topped on 1st June. <mark>On 22nd July is Lunar – Full Moon Cycle. .</mark>

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey is <mark>NEUTRAL</mark>

- **The EURO – Future Model Forecast,-**

By this Model, Correction Larger <mark>decline Mid July</mark> to Mid Aug by EURO Future Model.

SPX – Internals Model

<mark>ST EXTREME READINGS</mark> -, 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.*
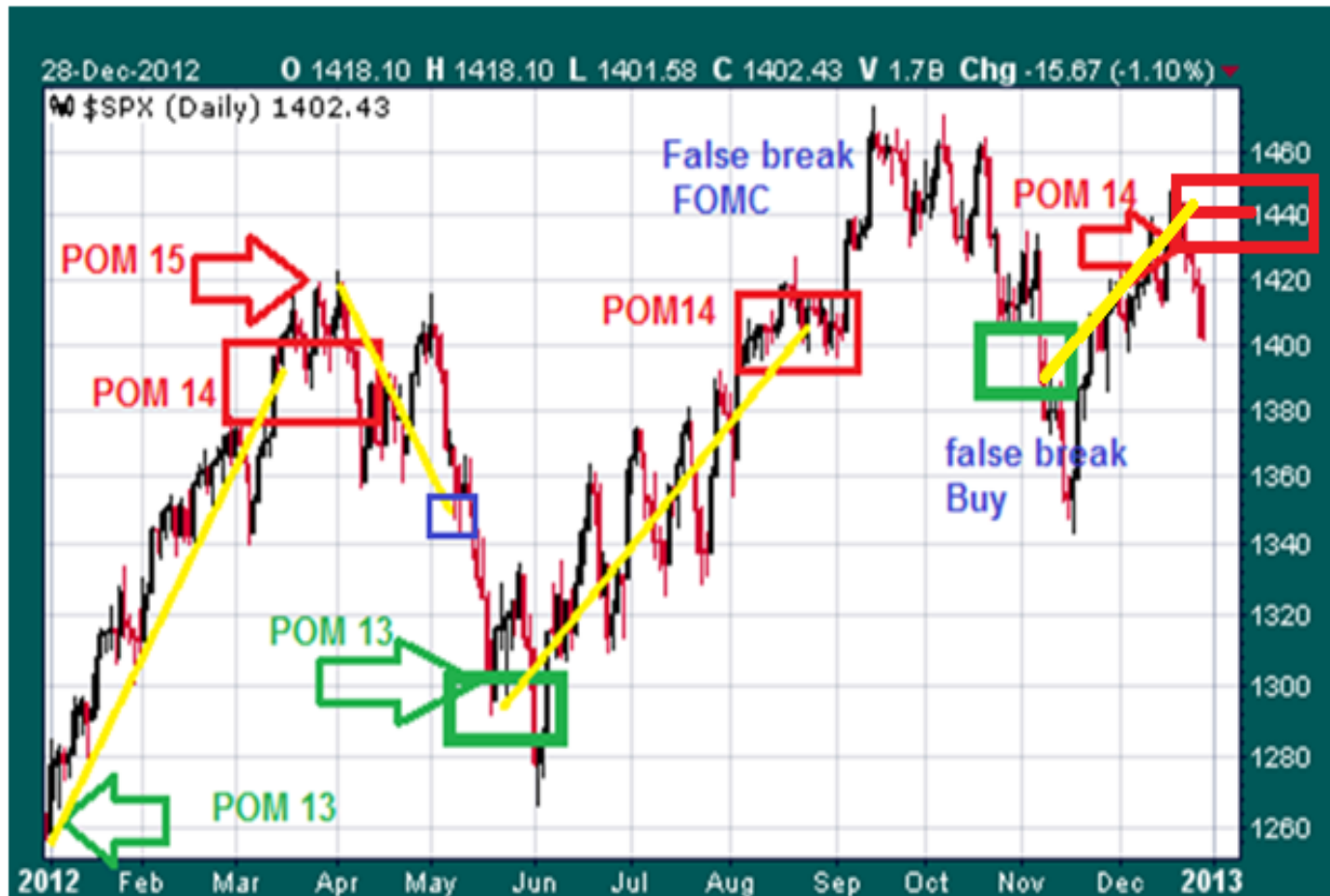
(42) - INSTRUEMNTS COVERAGE SUMMARY

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

-

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