Date : 29th July 2013 (Monday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

By : Suneil R. Pavse, E : apavse@aol.com

• 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 **Update**	1692	POM 15	CZ 1687-1683-7/24	BEARISH Topping	CASH Alert – if Portfolio Is Short bias , QQQ IWM, XLE XLB are bearish	NONE	CZ 1687-1653 met & Failed on PQV Validation	Test of peak 1688-1690 Move higher is false break 2nd Trigger Close under 1675 is end of uptrend) RM Stop 1705	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)	108.1	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)*

	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	1330	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Entry Triggered @ 1205 6/28-announced	Bottoming out off 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 1365 In tact *Flag post Top 1375*	Pull back CZ 1305 - 1320 *Weekly Close above 1320 suggests continue higher*	secondary lows 1225, the Bottom came in place- PEC- D 1180 *Critical Rejection- Highs of Key Reversal bar 1225-1190 On low Volum*	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

- **ANNOUNCEMENT** - NIKKE – exit ½ Recycling exposure @ 13920 , ENTRY AT 12500 , Hold ½ core position @ 8500

  USD/YEN exit ½ Recycling exposure @ 98.01 @ ENTRY AT 95, Hold ½ core position @ 76-

Portfolio – Overview & Update

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

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.

TLT - Re- entry position is trading under our Buy point (115.5). It has wiped out all the Profit from the Previous gains . We plan to increase the 2nd half position upon full rejection . **EMB-** Net Short Bearish position is Triggered at (100.2) should act as Good Hedge against TLT.

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 , EMB, EEM)

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

- **OPEN ORDERS** - NONE

- **CLOSE** - NIKKE – **exit ½ RECYCLING EXPOSURE** @ 13920 , ENTRY AT 12500 , Hold ½ core position @ 8500

     USD/YEN exit ½ RECYCLING EXPOSURE @ 98.01 @ ENTRY AT 95, Hold ½ core position @ 76-

GOLD -   Bottoming Crash Zone.

Weekly gold shows that the "Non-Reportable" group still maintains historic net short position. This means that gold has still not seen a short covering rally.

 At 1205 on 6/28 Triggered entry. At 1225 Price & volume rejection projected 200 point rally in Gold from lows of 1180. So far we have rallied 150 points. Our 1st ABC up has been 1365 –PEC-D.

Seasonally we are in the three-month period of July, August, and September, which *tend* to be the most positive 3-month period for gold. Most all sentiment indicators related to gold, are in extreme readings suggesting a longer term bottom is forming. The Bullish percent index for the Gold miners. COT for Commercials report a net short position is still lowest. since 2004 & 2008 lows

Upside -   " **Flag Post Pattern'** ABC up to 1365 Flag post 1375. At   PEC-D 1280, the volume picked up Bullishly with breakout.

Downside –   Weekly close above 1320 suggests continuation move higher. Pull back to 1305 should hold

 Secondary low of 1225 & Rejection of Key Reversal bar 1235-1190 on low Volume was very meaningful for this rally.

In terms of overall Portfolio Position , we are getting very near to our **"breakeven point"** *1360 . The first powerful rally off the bottom is in progress. GOLD having gone th' nasty correction 30% from 1800 Top*

SPX - Doble top Levels

- The Spike high of 1688 on 5/20 has high volume is being tested on contracting volume on this rally , This move higher above 1688 is false break with Bearish topping (ABC down to 1565 – Heavy Bottom.
- Our Projected Upside target to initiate Net Short & Scale in 1687- Met and Triggered – POM 15
- 1- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of Signal is "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 Bullish bottoming process. Extended PEC-D's to 106 (below 108 is gap) . It has been now tested successfully. Bonds are a way oversold.

Prices under 115 is under false break below CZ 115-117 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.
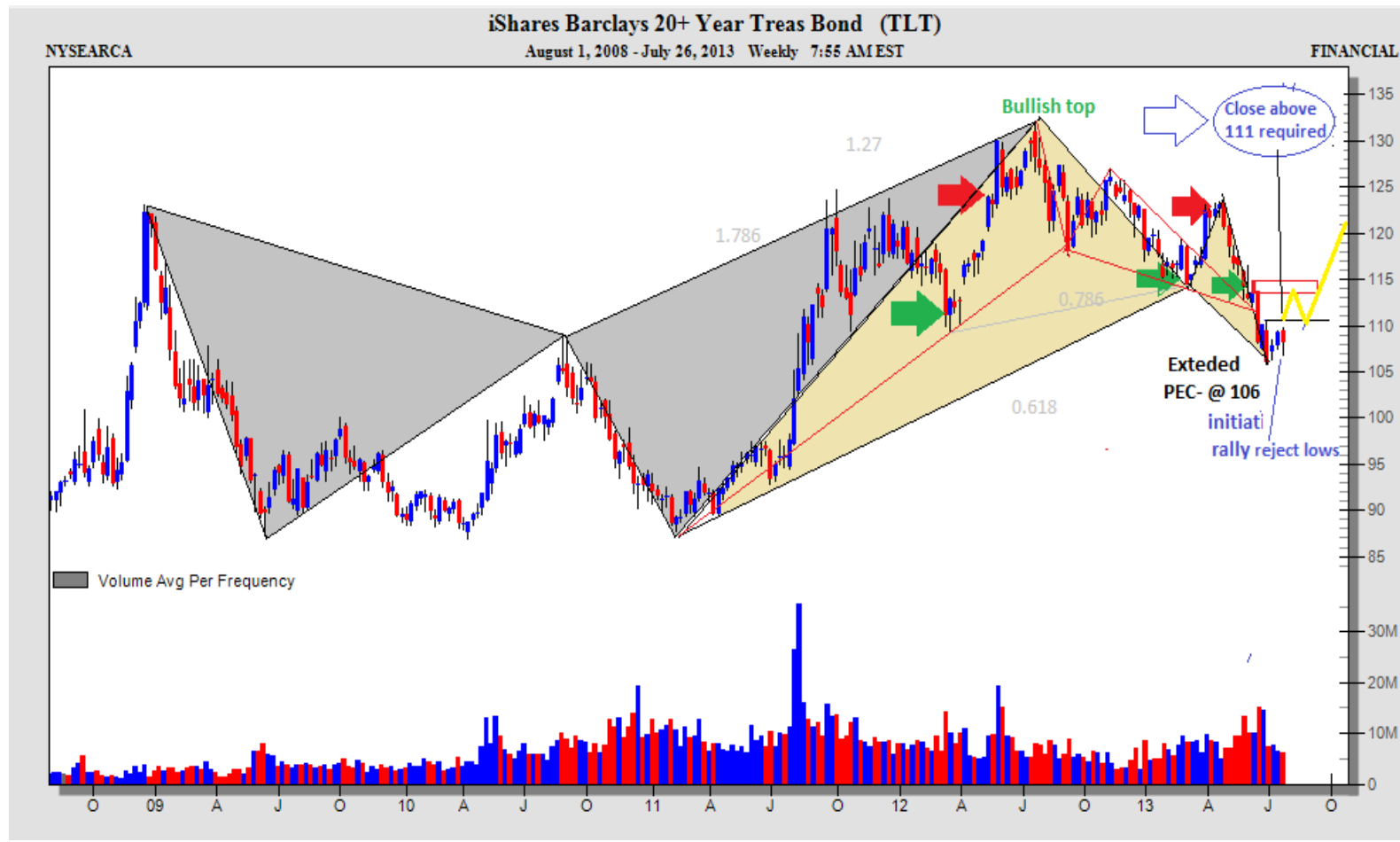
 On Weekly & Monthly chart, In spite of decline there is no Bearish bottom .

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 106 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)
August 1, 2008 - July 26, 2013 Weekly 7:55 AM EST

NYSEARCA   FINANCIAL

Bullish top

Close above
111 required

1.27

1.786

0.786

0.618

Exteded
PEC- @ 106

initiati
rally reject lows

Volume Avg Per Frequency

GOLD – Daily – PEC –D / CZ Analysis

1st ABC Up to 1365 Flag post cap is in place 1370.. At PEC-D 1280, the volume picked up Bullishly with breakout. ABC up

Downside- Weekly close above 1320 suggests continuation move higher. Pull back to 1305 should hold

Market Overview SPX

The extended period of churning over several months or even quarters. Market can go higher on Momentum but we think beyond our Trigger point 1687 – POM 15 the upside is limited .

Last week's sentiments numbers AAII showing 48% bullish and 21% bearish. June Month poured the 7th highest monthly total amount of money into Equities.
 SPX- is flirting around the May 22nd High volume 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 .

There appears to be one more high to round number 1700 to bring to an end the uptrend. The downside risks are rising rapidly for an August-September.

 NDX, Russell broke over the May 22nd high & IWM is in nose bleed unhealthy territory. QQQ has already got dislocated due to tech earnings. The correction when begins could last into August. (Special Situation in IWM below)

McClellan Oscillator – when Trades below "0" line & **Summation index** – below +500 creating . Big decline comes in arket
 Currently the Summation index has rallied back to touching the +500 and if the McClellan Oscillator falls below "0" line will push the summation back below the +500 where a stronger decline could develop. (See chart below)
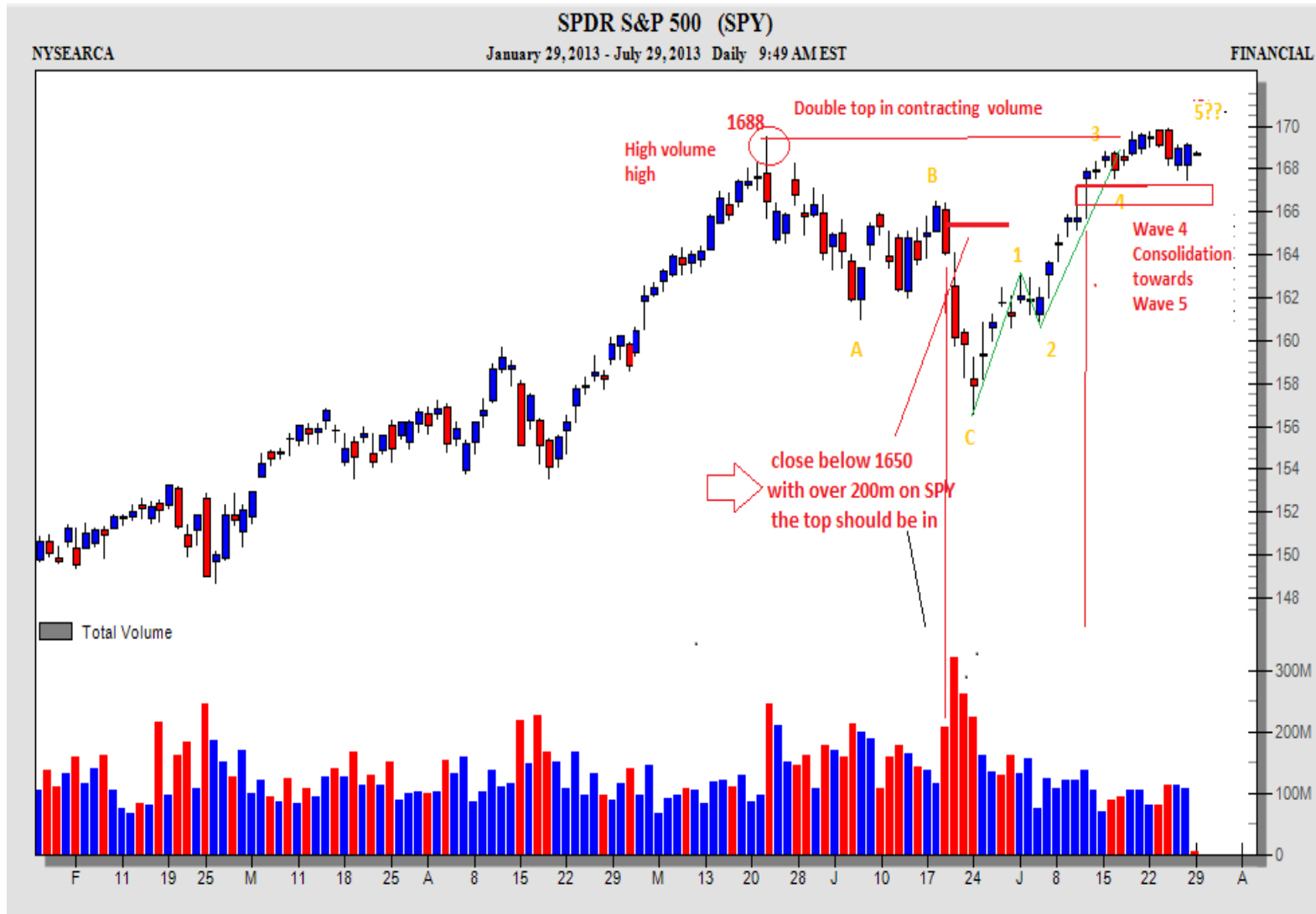
TRIN / TICK / ARMS – Past 2 weeks . Tick / Trin Ratio reading at +200 to +300. & Low ARMS reading 0.3 to-0.5 for 10 days .

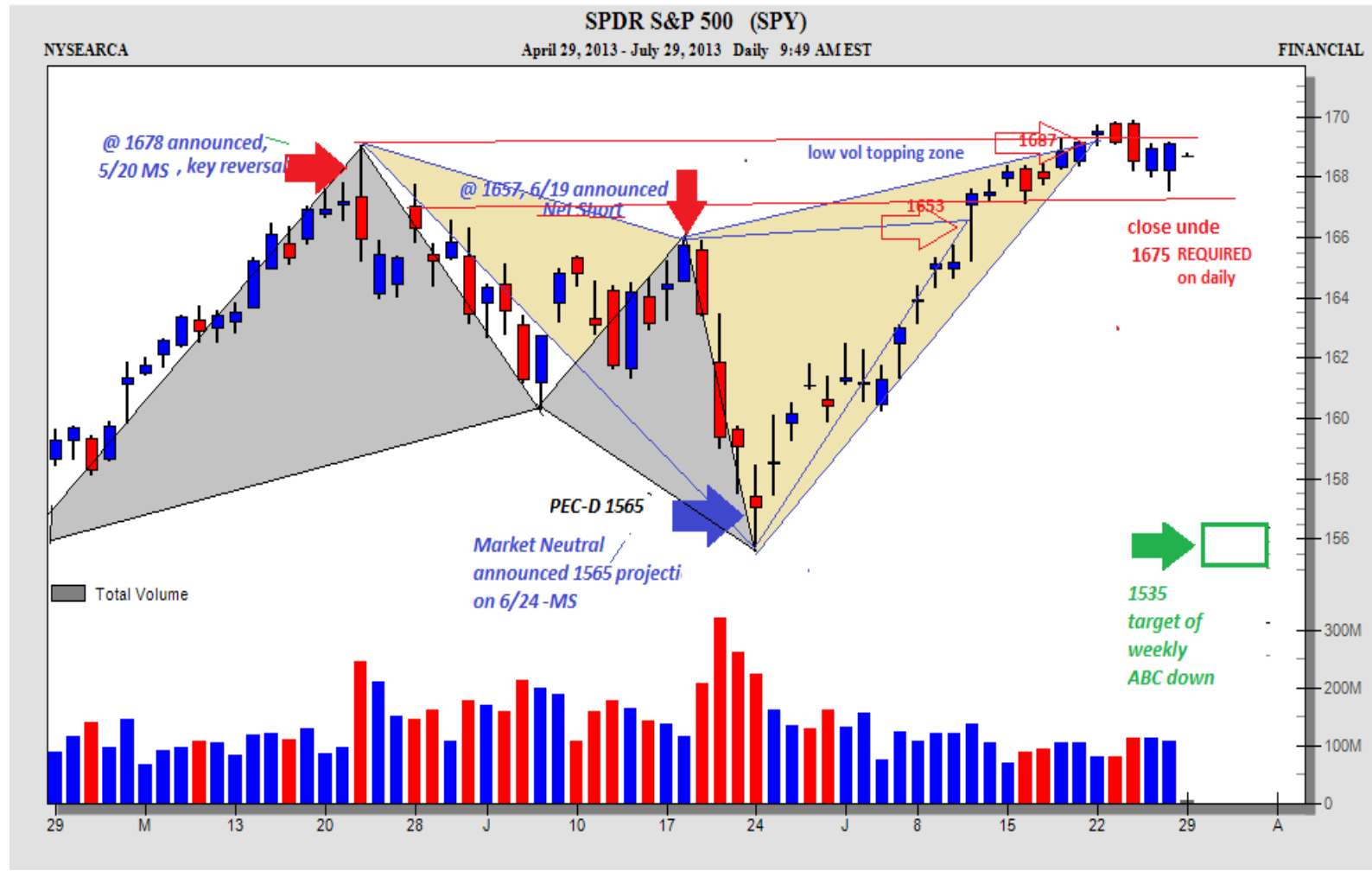**Geomagnetic Cycle -**   The Lunar - last Monday, July 21/22 is Lunar cycle has failed.

SPY – TERMINATION WAVE / PQV Analysis –

Daily basis WAVE 5 . It continues to work through a WAVE 4 consolidation pattern. Target 1688-1690. **Close below 1675** (WAVE 4) is good signal hasn't happened.

SPDR S&P 500 (SPY)

NYSEARCA   January 29, 2013 - July 29, 2013 Daily 9:49 AM EST   FINANCIAL

Double top in contracting volume

1688 High volume high

close below 1650 with over 200m on SPY the top should be in

Wave 4 Consolidation towards Wave 5

Total Volume

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)

Figure: SPDR S&P 500 (SPY) — NYSEARCA — FINANCIAL — April 29, 2013 - July 29, 2013 Daily 9:49 AM EST

Chart annotations:
- @ 1678 announced, 5/20 MS , key reversal
- @ 1657, 6/19 announced NP1 Short
- low vol topping zone
- 1687
- close unde 1675 REQUIRED on daily
- 1653
- PEC-D 1565
- Market Neutral announced 1565 projecti on 6/24 -MS
- Total Volume
- 1535 target of weekly ABC down

SPX – Summation Index & MC – Oscillator. (important)

McClellan Oscillator – when Trades below "0" line
 Summation index – below +500 creating . Big decline comes in Market .
 Currently the Summation index has rallied back to touching the +500 and if the McClellan Oscillator falls below "0" line will push the summation back below the +500 where a stronger decline could develop. If not we could Gyrate for while on top
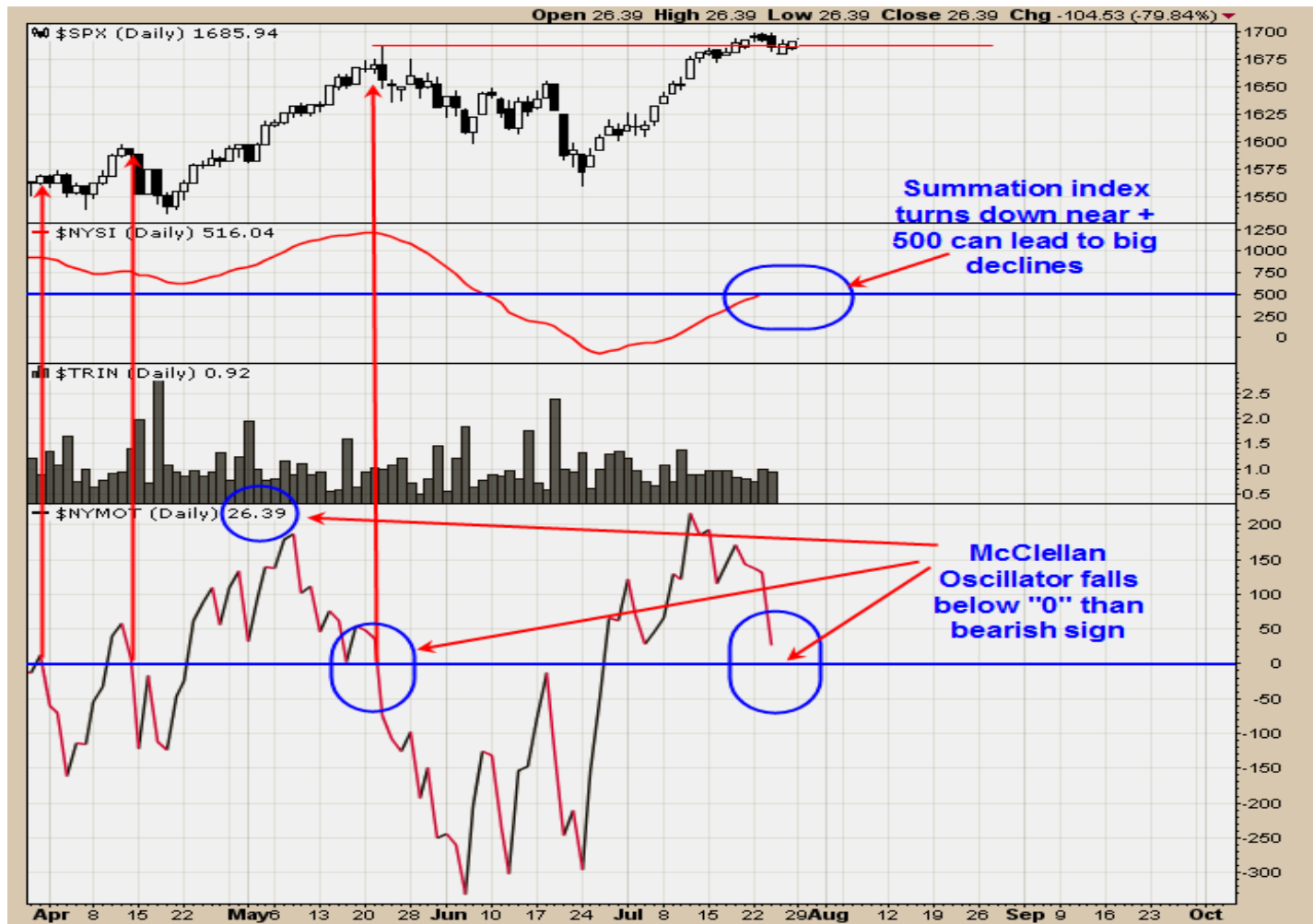
IWM – (RUSS 2000) - CZ – PEC-D Analysis - "BEARISH) - SPECIAL SITUATION
 Texture - TOP BEARISH CZ. & TOP BEARISH CZ   )

Upside -   3 rives to Top to PEC-D 104 & PEC-D 102.
Bearish Top on FAILURE to Scale in Net Short exposure.   Let it play out with –ve VTO & Money flow ,

Downside - 1st ABC down PEC-D @ 98
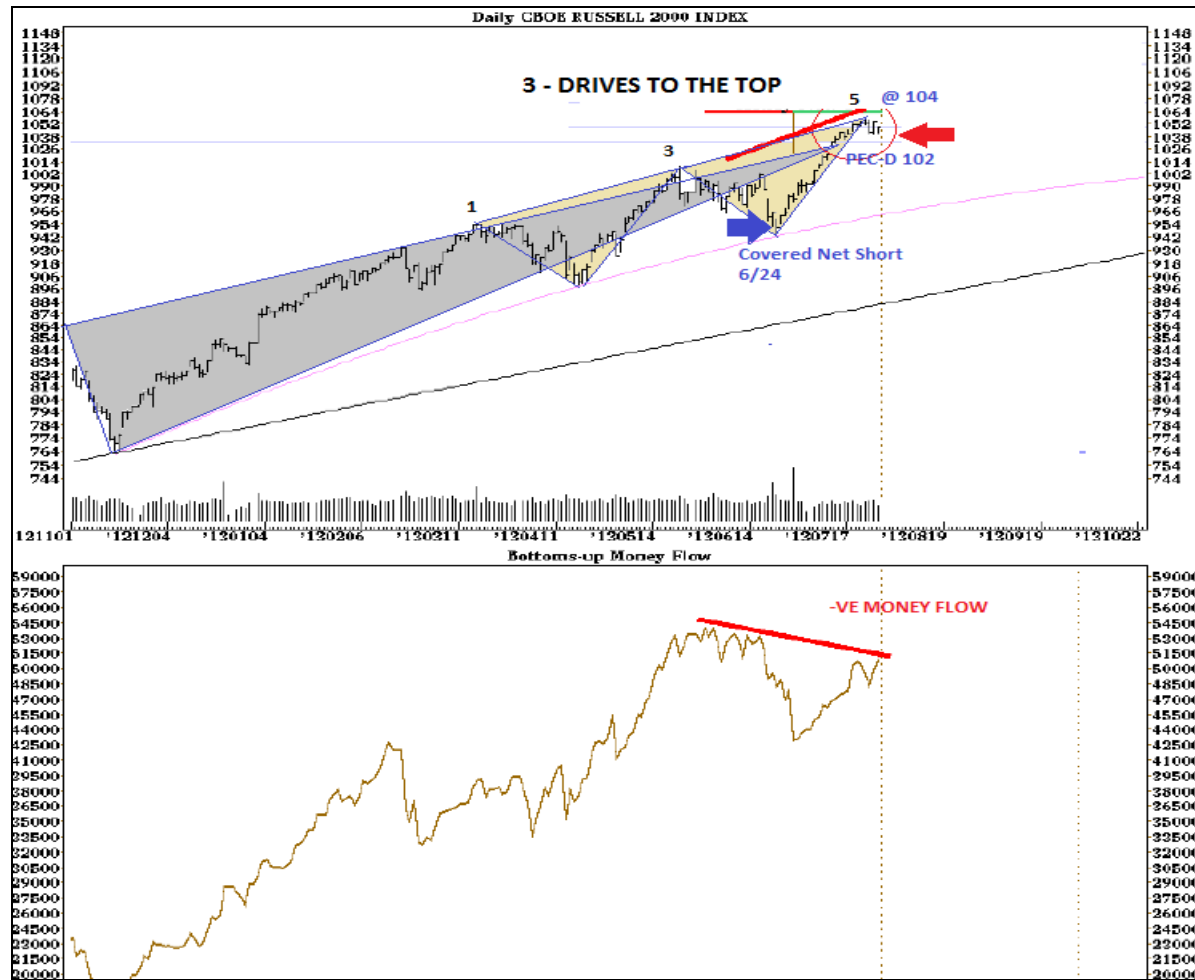
SPX- CHANNEL with WAVE Analysis - Weekly

Weekly basis – Larger WAVE 5 in the CHANNEL Lines . **Weekly close** – Below 1650 is required. **(** Notes within the charts)

Change of Trend
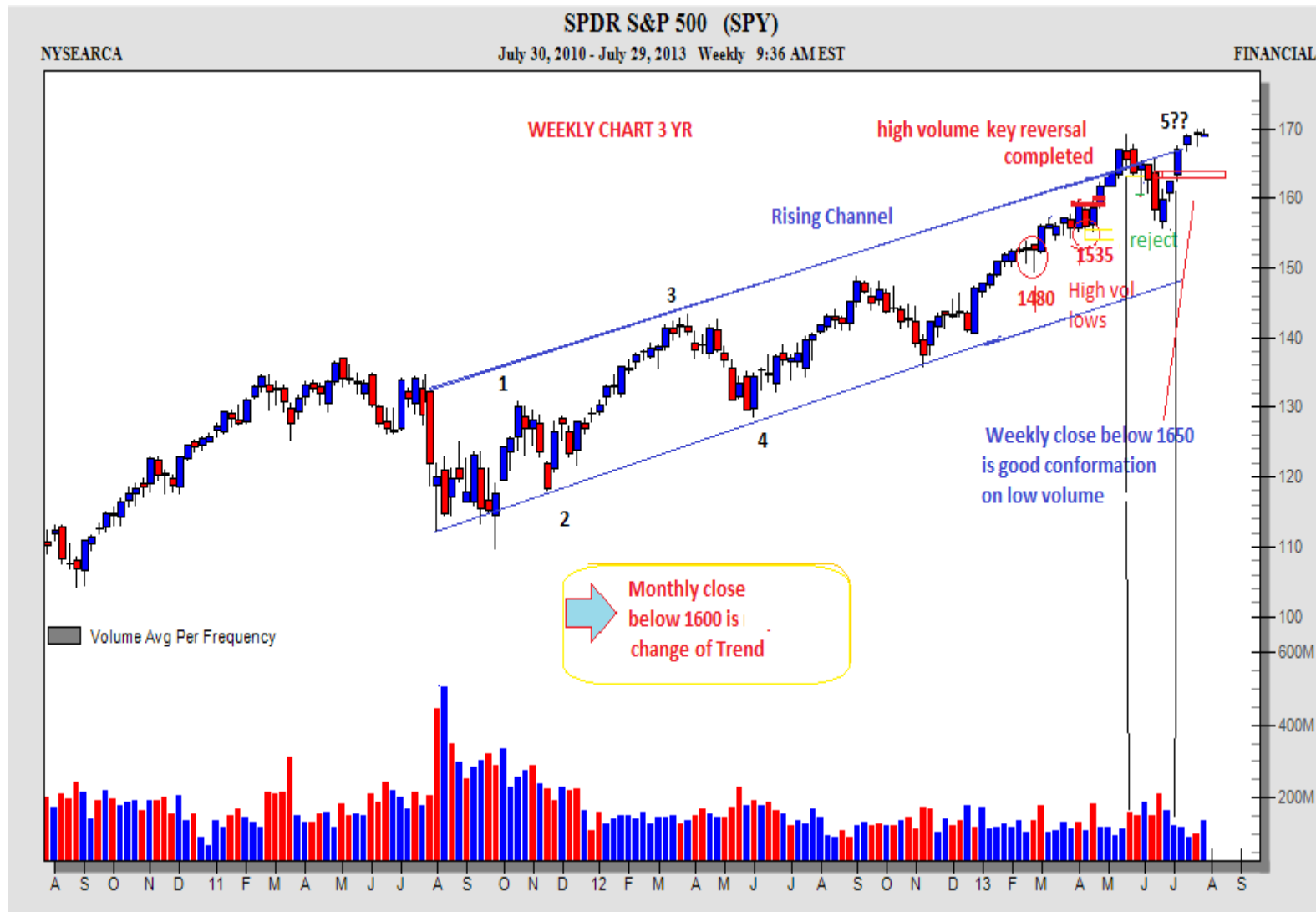
SPX – Cyclical Model

- **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

-

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