



Date : 11th Nov 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	1769	POM 15	CZ 1687-- 7/24 Scaled in Net Short For Short bias only	BEARISH <i>ST bounce Is in progress</i> Alerted On 10/3 @ 1670	CASH Reduced Net Short Announced On 10/3 @ SPX 1670)	NONE	Target PEC-D 1765 Met Momentum Thrust Target Was initiated on Close above 1687	3 drives to top Target to 1780 Approaching	Pull back to CZ 1735- 1725 & one more rally up to double Top	1 st ABC down to 1710 2 nd ABC down to PEC-D 1687	Close Under 1735 weekly (Did not happen yet) with volume. It would Trigger Mid term Sell Refer Price path below
TLT (BONDS)	103.29	POM 13 –Re Run On 01/7 Core position	CZ 115- 107 Triggered @ 107 8/09 – 2 nd -1/2 re entry	BULLISH Turned to Neutral	Net Long Avg entry Price111	Stop RM 102.2	Target – PEC-D 108- met & failed	1 st ABC PEC-D 112 Bullish Top 2 nd ABC CZ 124- 125	Pull back to Crash PEC- D 104 Did not hold	CZ 104- 105, Volume Picked up to Neutral Bottom	Current Drawdown- 6.8% managed with EMB Hedged profit of 3.5%

	Current Price	Trigger POM or Main 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	1286	POM 13 Re – Run @ 1205	CZ 1205 1190 @ 1205 6/28- Re entry <u>Triggered</u>	Bullish ST pull back in progress	Net Long RM @ ½ @ 1245	NONE <u>Alerted</u> <u>10/16-</u> <u>½ Reentry</u> <u>@ 1280 &</u> <u>Earlier On</u> <u>9/18- ½</u> <u>Reentry</u> <u>@ 1319</u>	Target CZ 1350- 1335 Neutral Top	ABC up CZ 1425- 1445 Bullish Top In tact	Pull back to CZ 1320-1315 <u>Met &</u> <u>exceeded</u>	<u>PEC-D 1295</u> <u>Retesting</u> Bullish Bottom	For Recycled 1/2 <u>exposure</u> <u>Exited (2)</u> on 8/26 @ 1429, Entry 1204, 1280 for Profits <u>224+148</u> <u>Earlier exited</u> <u>4- Profits</u> <u>72 + 220</u> <u>5- stop Loss --</u> <u>(-15+ 0-3-9-2)</u>

Note 1 – To Add Net Short exposure in SPX & related Instrument , let the Market exhaust itself on Bearish Momentum Top or let the volume pick up on downside with “close under price” as Trigger . One can short counter Trend rally upon 1st failure.

Note 2 – Detail chart on Gold to be Commodity Report Mid this week

Portfolio – Overview & Update

GOLD @ 1280 on 10/16, Announced to add GOLD & GDV each – Net Long exposure - **increased @ 1280**

SPX @1670 on 10/3, Announced to close XLB & XLE each – Short exposure - **Reduced @ 1670**

NET LONG exposure - XLV for Obama-Care, XHB for Housing recovery and XLP is for Consumer staple Inflation themes. Our Bullish Top Instrument theme are working well for +ve Spread.

For Short bias Portfolio ONLY **Since , 7/24** in Bearish Instruments QQQ, IWM equally – **POM 15 exposure @ 1687.**

Portfolio Holdings **NEUTRAL /SHORT BIAS EQUITY- NON LEVERAGED** Refer to Respective Reports for details

- **LONG at POM 13 / in Main CZ :**
Non- Equity - GOLD , GDV , USD/JPY , CU , TLT AUD .
Equity - XLV ,XHB , XLP, EWJ / NIKKE ,
- **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, for Short bias Portfolios only

GOLD - Bullish- ST – pull back .

Downside - Retesting of **PEC-D 1295** is in progress. **CZ 1320-1315** met & exceeded with lighter volume.

Upside - Projected **Cap 1350-1335** .

RM Stop below 1245 “

Triggered Re entry on 10/16 @ 1280. & ½ entry @ 1319 (Refer Alert 9/18). The position that was *exited at 1428 to book 250 point profit from 1205 on 6/28.*

TLT (BONDS)– Bullish- Bottoming CZ

Bond rates are reacting with no trend controlling this market at the moment with QE volatility .

TLT - Pull back to Retest **CZ 104-105 did not hold**. Volume picked up within CZ converting BULLISH to NEUTRAL texture . We would like to see if it rejects this price before the end of the week. **Stop RM -102.2**

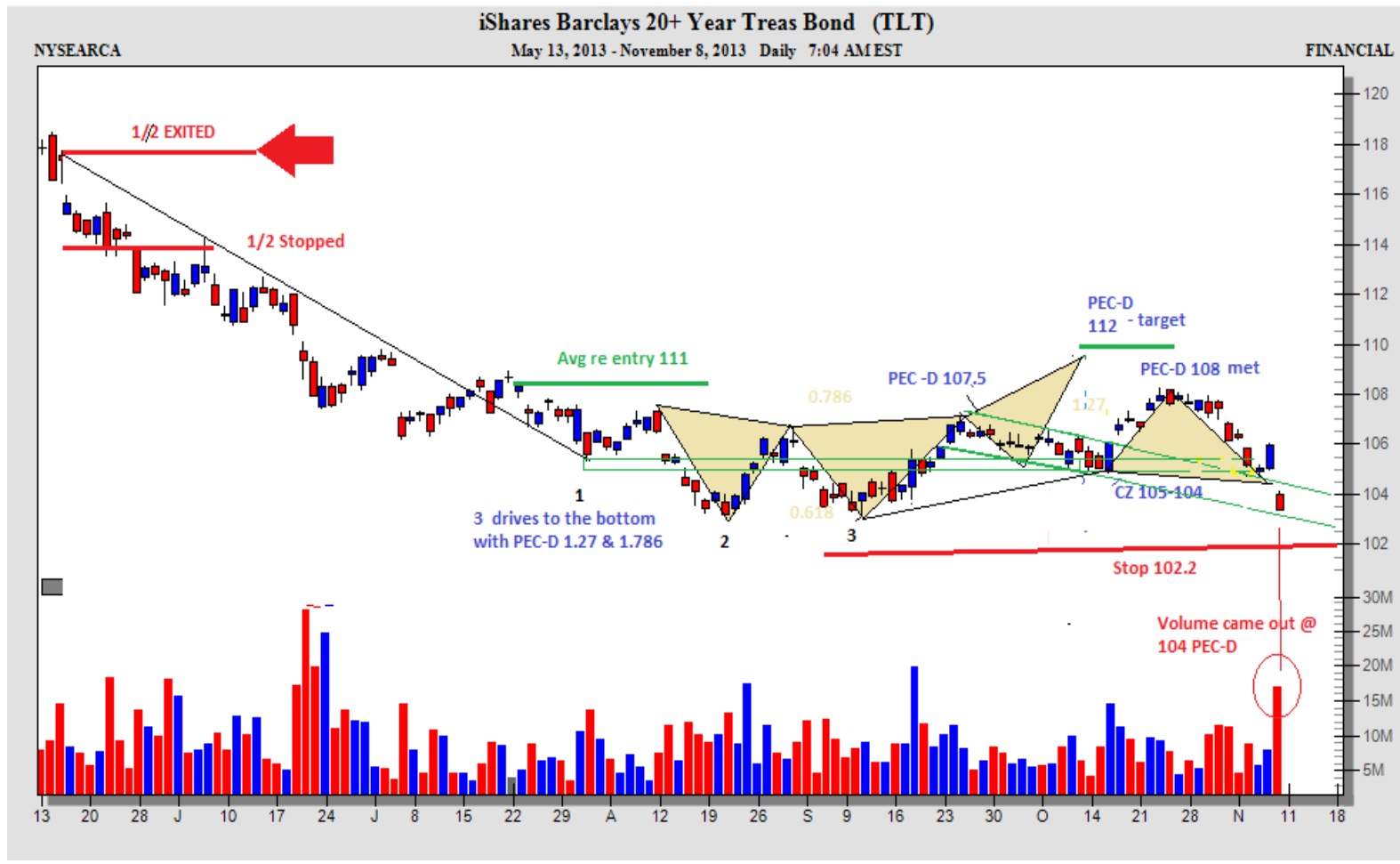
Upside - , Upward move **to 108 – met but was left incomplete for test** .

BACKDROP - Our drawdown of -6.5+% has been cushioned by EMB hedged profits +3.5% . **Earlier 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- PEC- D Analysis – Daily

Downside – Pull back to Retest CZ 104-105 **did not hold**. Volume picked up. **We would like to see if it rejects this price before the end of the week. Stop RM -102.2**

Upside - , Upward move to PEC-D 108 met but was left incomplete for test .



Market Overview SPX

Backdrop- On 10/3- Announcement , SPX @ 1670, **Alerted** to close ½ of our Net Short exposure taken at avg price 1670 on 7/24 in XLE, XLB Bearish Instruments. This was purely to avoid the Momentum ride up from seasonality lows . And indeed SPX Moved from 1670 to our projected target of PEC-D 1765 , on way to 1780 . **It avoided the short squeeze.**

Last week – *New Moon kicked in along with Bullish sentiments. The Market pulled back and put in lows as expected but not quite to the pull back CZONE 1735-1725. SPX made lows of 1647, the volume was lighter along with high Tick & TRIN reading. This resulted in huge rally back . It did not close below 1635 either. The Momentum thrust rally target continued towards our Projected & validated 3 DRIVES to the Top to 1780.*

This week - Continuation of the **diagonal 5th wave in an ABC pattern target** is in progress . Any correction or pull back is diagonal 4th Wave . **Time Termination Top is into Nov 12th . The Bradley Model highs is on 18th Nov .**

Signs of a short term top continue to build BUT downside volume is NOT picking up on decline . We are awaiting for the pull back to **CZ 1735-1725** then rally back , this should diffuse the extra volume and then 2nd leg down to **PEC-D 1710**. Seasonals going into Thanksgiving & late December is positive . It appears the larger decline may be Triggered in January 2014.

In Friday's rally , Russell Index underperformed v/s SPX , the volume on downside picked up. This appears to be good candidate to add Net Short once it fails. Russell is showing more weakness.

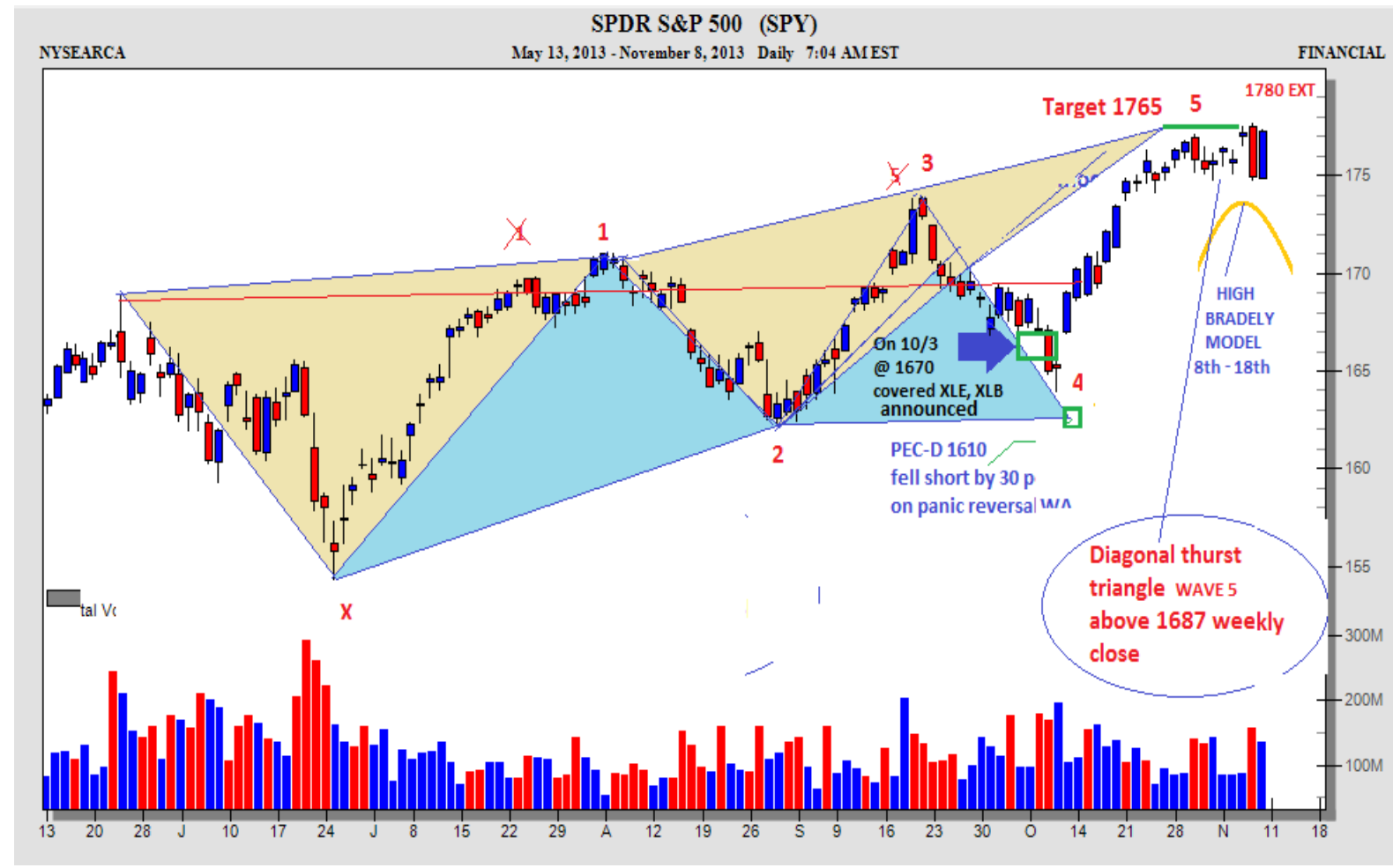
The overall warning signs remains with longer term – PEC-D completion on SPX (Refer chart below) . **but** the breadth A-D is positive **not** breaking down. We would like to see further –ve VTO . Given the overbought nature of the market and unsustainable bubble like tops, the risks are high and the rewards are simply not worth the risk of holding overweight Mid term Long positions.

Within POM 15 regime - We shall act to add Net – Short exposure ONLY when the Market fails on Volume to Re instate the exposure that were exited on 10/3 at 1670 prior to this current bounce.

SPX- PEC- D / CZ Analysis POM 15 - Mid term chart – WAVE 1-3-5

UPSIDE — The Diagonal Pattern Wave 5 is in progress to target 1780 – PEC-D – 3 drives to the Top.

Bradley Model indicated below has high on 18th Nov .

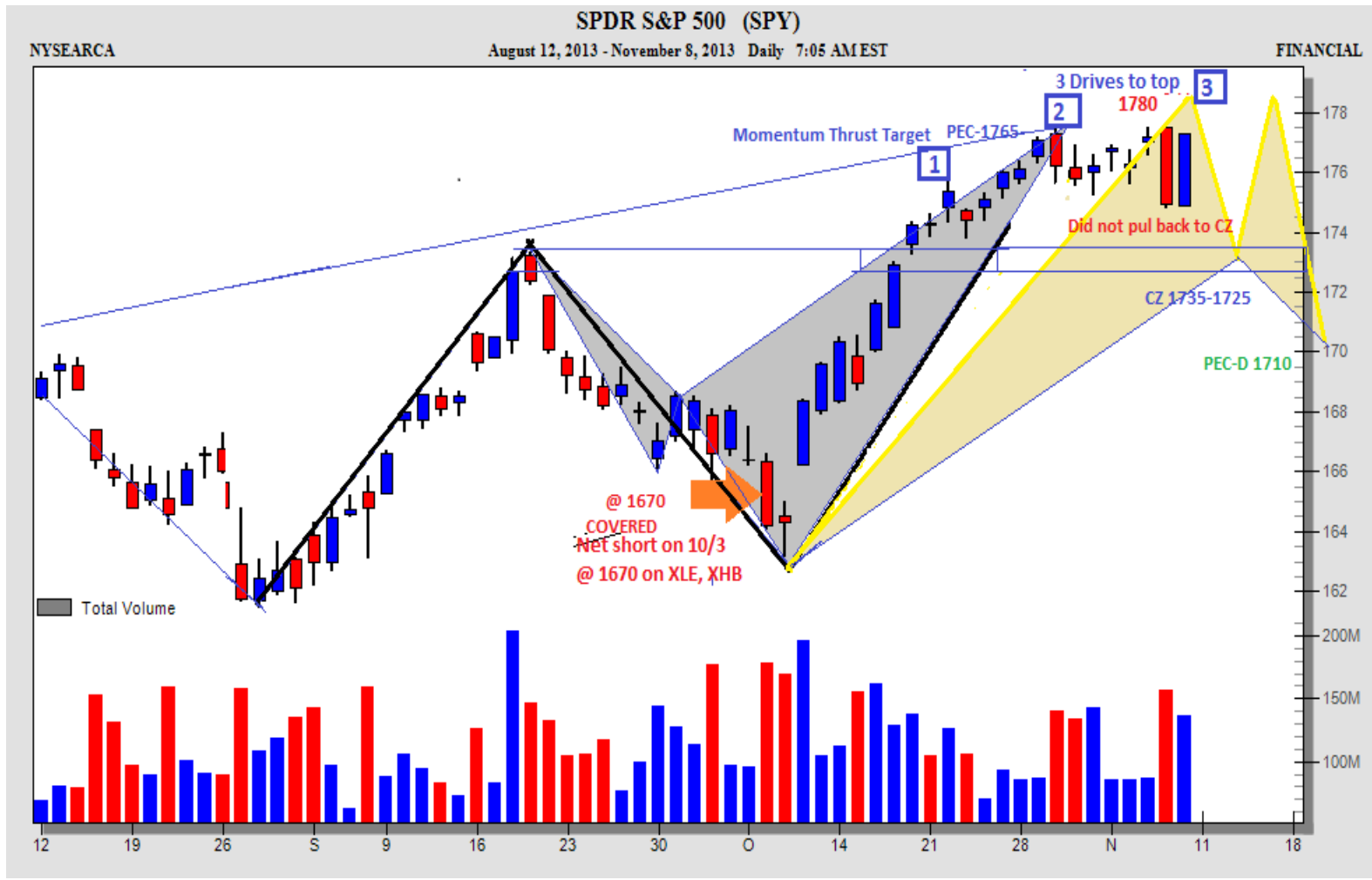


SPX- PEC- D / CZ Analysis POM 15 - Daily chart – 3 Drives to Top

Upside - Momentum Thrust Rally . PEC-D @ 1780 - 3 drives to the Top.

Downside -- . Pull back to CZ 1735-1725 then rally back to double top , then decline to ABC down to PEC-D 1710 .

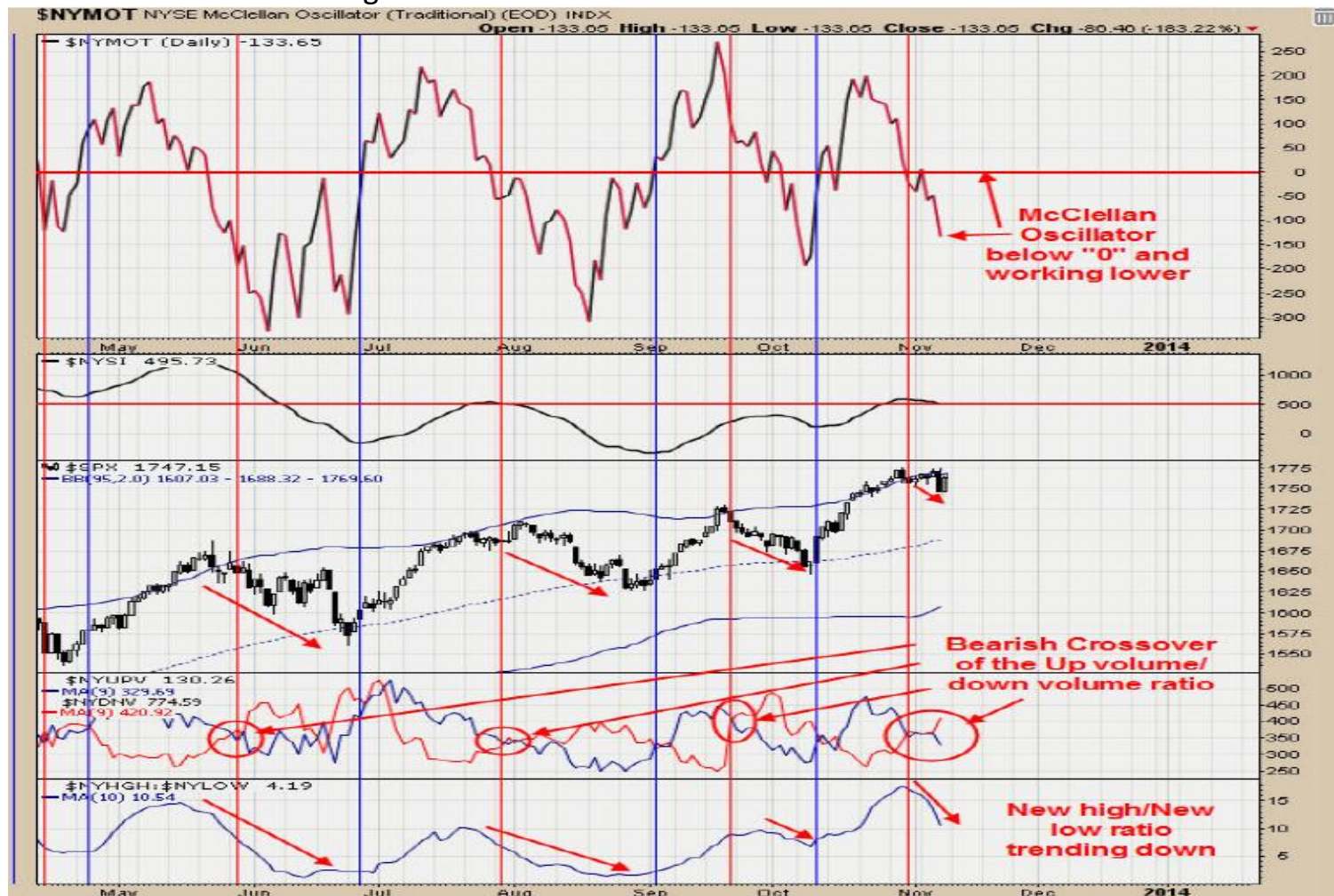
Notes within the chart. Earlier decline began to lows of 1647 on low volume but did not go into CZ 1635-1625



SPX- McClellan – Oscillator Analysis

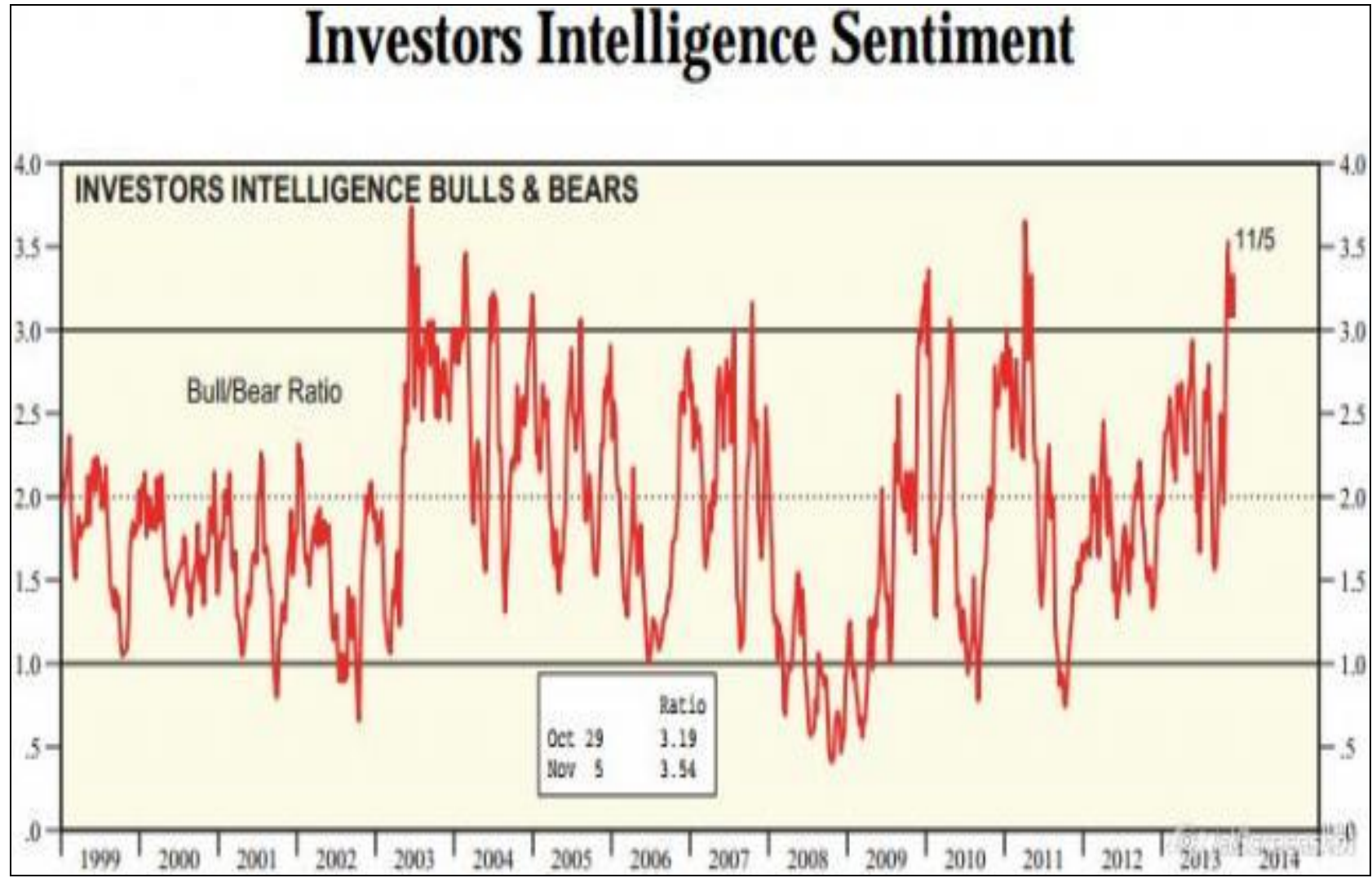
Warning signs - The McClellan Oscillator below 0 . NYSE New Highs/NYSE new lows ratio follows the direction of the market. Late October it turned down and remains in down.

The Up volume / Down Volume ration turned down. In general it has worked lower over the last several days and shows the internals of the market are weakening.



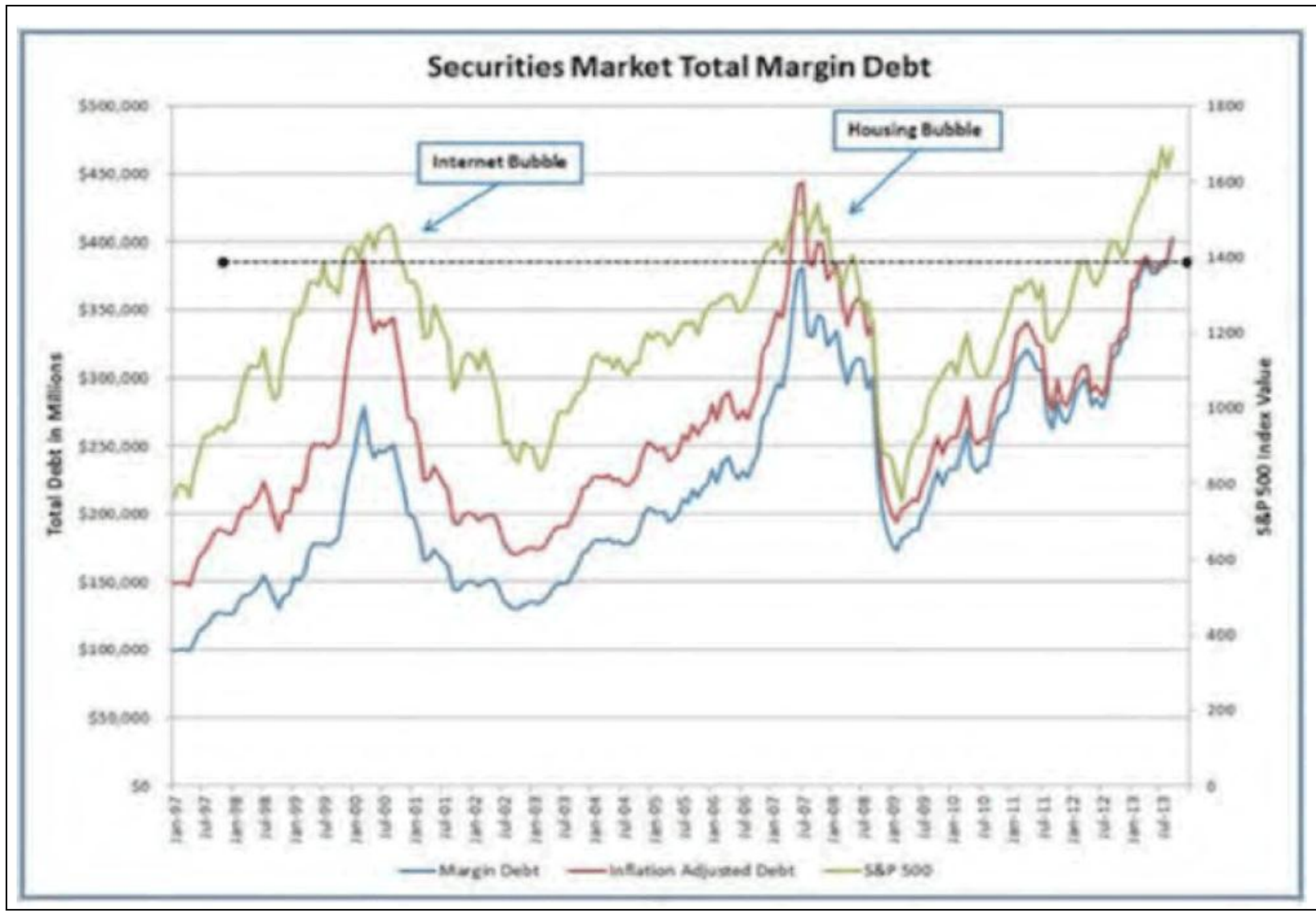
SPX – Sentiment Analysis - Daily chart

Refer chart below for previous peak in Bull / Bear Ratio



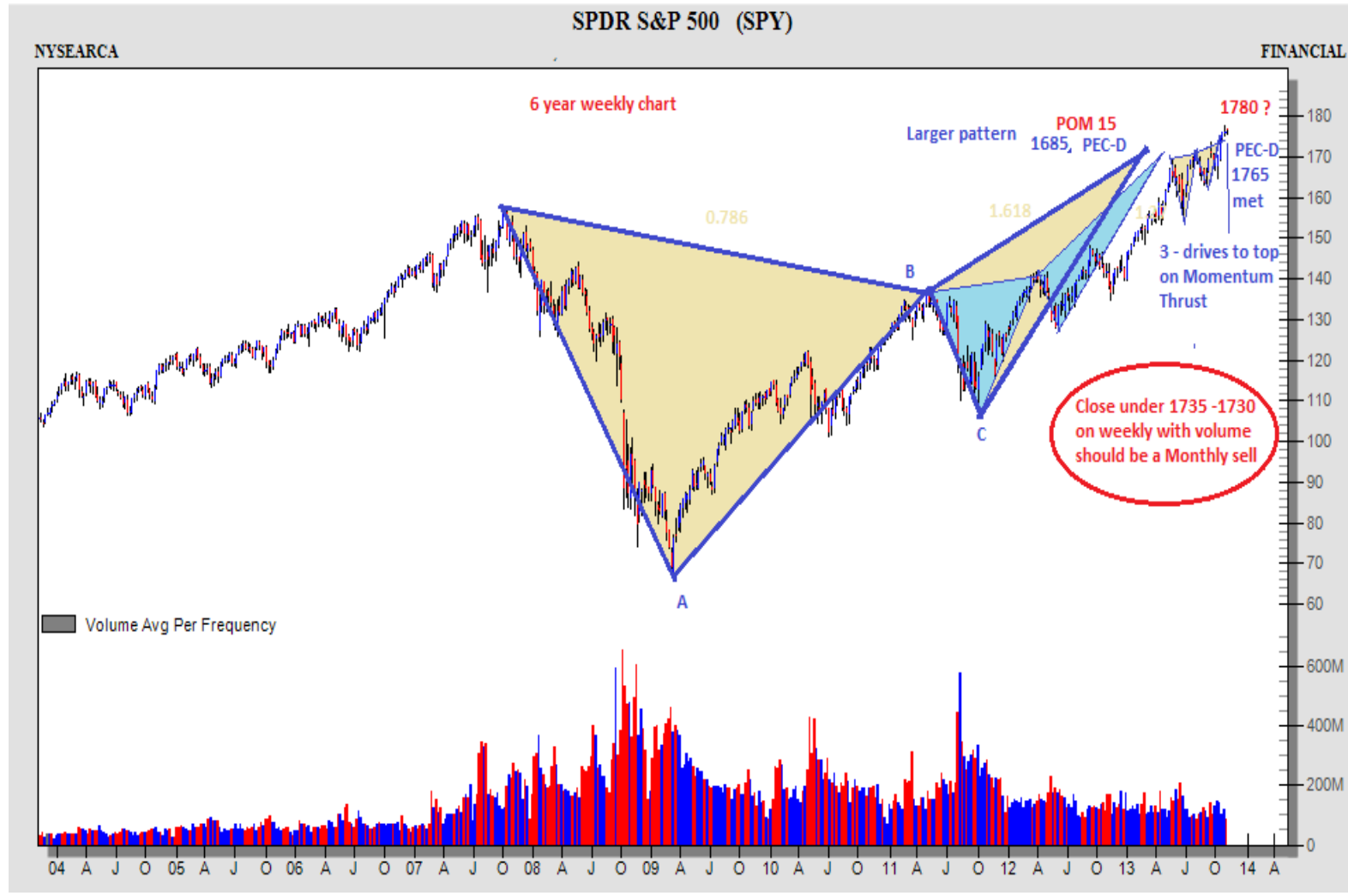
SPX v/s Margin debt Analysis - Daily chart

Refer chart below for previous peak in Margin debt during Internet era and housing bubble. From last week



SPX – 6 year – LT – Weekly Chart- Mid term

POM 15 was Triggered on completion of PEC-D 1685 on 7/24, it is still in effect on larger time frame. But on ST basis pull back to PEC-D 1670 , we Alerted on 10/3 to cut back to protect against the Momentum Thrust . This resulted in 3 drive to top with PEC-D @ 1780 . Let the Market fail



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.*

(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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