Date : 18th Nov 2013 (Monday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)
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• Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up Alert Update For ST Trend Reversal & RM	Progress Status	Existing Position / Exposure	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1799	POM 15 CZ 1687-1653- *Mean CZ At 1670* **Triggered 7/24**	*@ 1671 –SPX Reduced Net Short On 10/3*	BEARISH *ST bounce Is in progress*	Net Short Via IWM,QQQ Instrument	NONE	3 drives to top Target to 1780- **Met** *No sign of failure yet*	Momentum Thrust Target continues ST -ABC up To 1820	Pull back to PEC-D 1780	CZ 1735-1725 & one more rally up to double Top 1ST ABC down to 1710	**Close Under 1735 weekly with volume. It would Trigger Mid term Sell** **Refer Price path below**
TLT (BONDS)	104.73	POM 13 – Re Run CZ 107-115 *Mean CZ At 111* **Triggered 8/9**	NONE	BULLISH *Turn Neutral if close under 102.2*	Net Long	NONE	Target – PEC-D 108- met & failed	1ST ABC PEC-D 112 Bullish Top 2nd ABC CZ 124-125	Pull back to Crash PEC-D 104	CZ 104-105, *Should come into range above 105*	RM ½ @ 102.2

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GOLD	1286	POM 13 Re – Run CZ 1205-1190- Mean CZ At 1200 Triggered 6/28	@ 1280 Re entry ½ On 10/6 & @ 1319 Re entry ½ On 9/18	BULLISH ST pull back in progress	Net Long RM - ½ @ 1245	NONE	Target CZ 1350-1335 Neutral Top	ABC up CZ 1425- 1445 Bullish Top In tact .	PEC-D 1295 Retesting Bullish Bottom	False break below 1295 It Should reject soon Close above 1295	Last exited position @ 1428 on 8/28 for 250 pt Gains

Note 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.

Portfolio – Overview & Update

GOLD @ 1280 on 10/16, Announced to add GOLD & GDX each – Net Long exposure - <mark>increased @ 1280</mark>

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

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 <mark>NEUTRAL /SHORT BIAS EQUITY- NON LEVERAGED</mark> Refer to Respective Reports for details

- **LONG at POM 13 / in Main CZ : ………..**
  Non- Equity - GOLD , GDX , 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

- <mark>**OPEN ORDERS**</mark>
  Oil : Trigger for Net long within **CZ 91-90,**
  DBA: - Trigger for Net Long within **CZ 24.60-24.40 ,**

GOLD - Bullish- ST – pull back .

Downside - Retesting of PEC-D 1295 in progress. We should reject the lows soon with Bullish Bottom

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 , entered 1205 on 6/28.*

TLT (BONDS)– Bullish- Bottoming CZ

TLT - Pull back to Retest CZ 104-105   still in progress . We would like to see if it rejects lows, close above 105 . Stop RM - 102.2

Upside -   , Upward move to 108 – met but was left incomplete for test . Target to PEC-D 112

BACKDROP - Our drawdown of -5.5+% 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)*

GOLD – Daily – PEC –D / CZ   Analysis –

Downside – - Retesting of PEC-D 1295 in progress. We should reject the lows soon with Bullish Bottom . GOLD Triggered ½ Re entry on 10/16 @ 1280

Upside - 1st ABC up - Projected Cap 1350-1335 – Neutral Top .
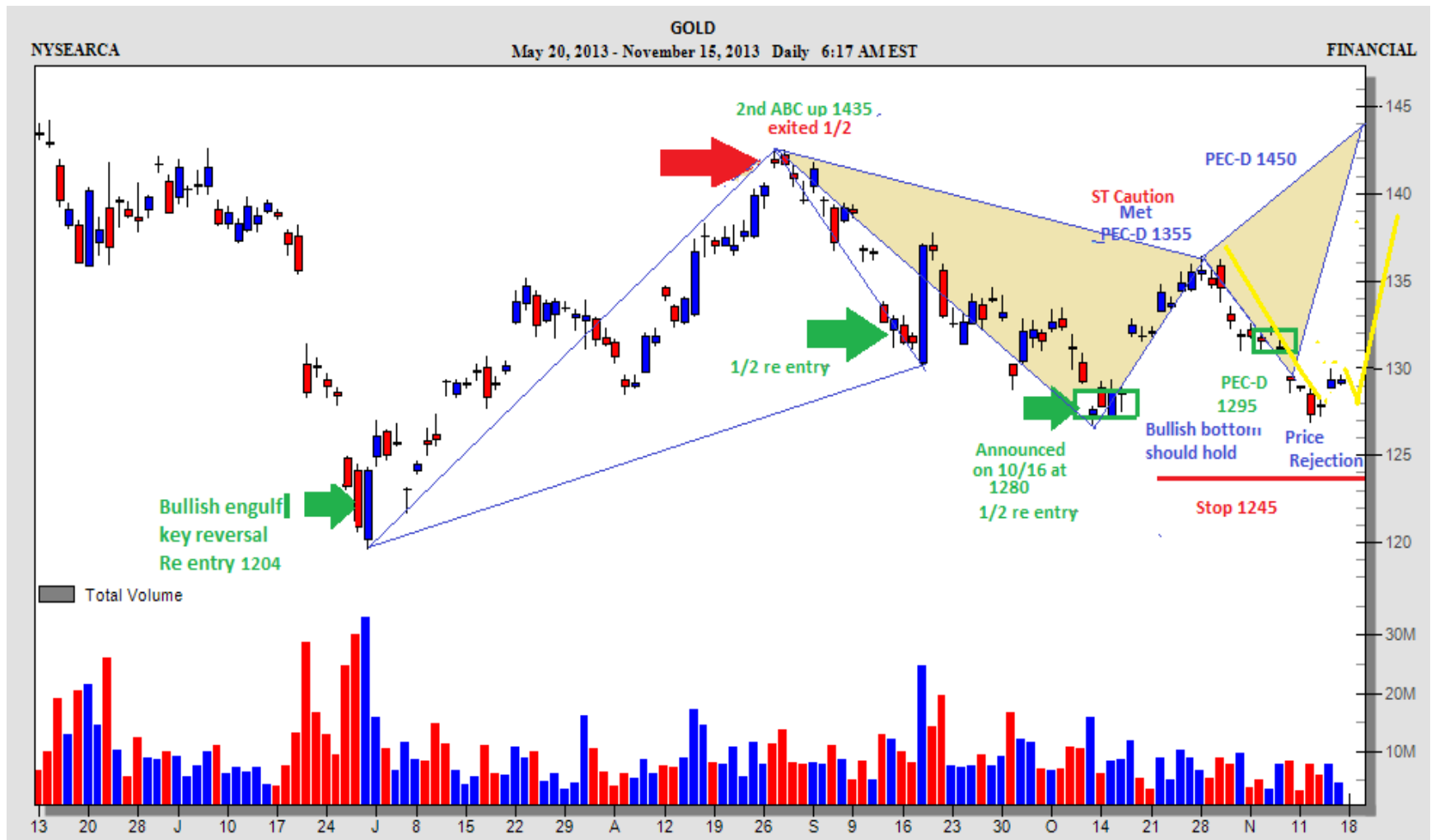
Market Overview SPX

Backdrop- On 10/3, SPX @ 1670- Announcement,   **Alerted** to close ½ of our Net Short exposure taken at avg price 1670 on 7/24 in Bearish Instruments. And indeed SPX Moved from 1670 to our projected target of PEC-D 1780 on way to 1799 avoiding the short squeeze.

Last week – .. The Momentum thrust rally targets continue to get past its **WAVE 5,** towards our Projected & validated **3 DRIVES to the Top to 1780 & beyond .**

This week -   Magic of round numbers in Major Indices . Based on last week's action , the revised "Thrust" Target is projected to 1820. The **Bradley Model highs is on 18th Nov,** this can initiate some pull back but after the pullback SPX needs **secondary failure** to define a the Top.

Sentiments are at extremes. The bull/bear ratios shows 55% bullish and only 15% bearish, in the danger zone. The Smart Money/Dumb Money Index is 71% dumb money bullish/ versus 29% smart money bullish, as well into its danger zone.

Based on internals, Signs of a short term top continues to build. It is Bubble like Top **BUT** downside volume is **NOT** picking up on decline . We are awaiting for the pull back to CZ 1735-1725 then rally back possibly to double top , this should diffuse the extra volume and then upon secondary top failure **begin 2nd** leg down to PEC-D 1710.

Seasonal going into Thanksgiving & late December is positive . It appears the larger decline may be Triggered in January 2014. Especially 17th Jan is Major turn date. Statistically next year is the 2nd year of the Four-Year Presidential Cycle. Historically It tends to be negative . When there is not a correction in the first year, the odds increase significantly for a correction in the second year. The second important point is a strong rally from whatever is the low in the second year.

The overall, the longer term – SPX - PEC-D is on completion (Refer LT chart below) . **but** the breadth A-D is positive **not** breaking down. We would like to see further –ve VTO . VIX – PEC-D Analysis is in chart below

Although we have been projecting higher and higher price targets post 1687 Momentum ride, Our Bearish calls in current environment is simply not worth the risk of holding overweight / adding Mid term Long positions during that time frame.

Russell (Small caps) continues to underperform v/s SPX , the volume on downside picked up and last week's rally has been on endemic volume. . This appears to be good candidate to add Net Short once SPX fails. Russell is showing more weakness.

 Within   POM 15 regime - We shall 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.

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

UPSIDE -— ST- ABC up to 1820 based on last week's action . 3 drives to the Top to PEC-D 1780 – met on Momentum Thrust Indicators.
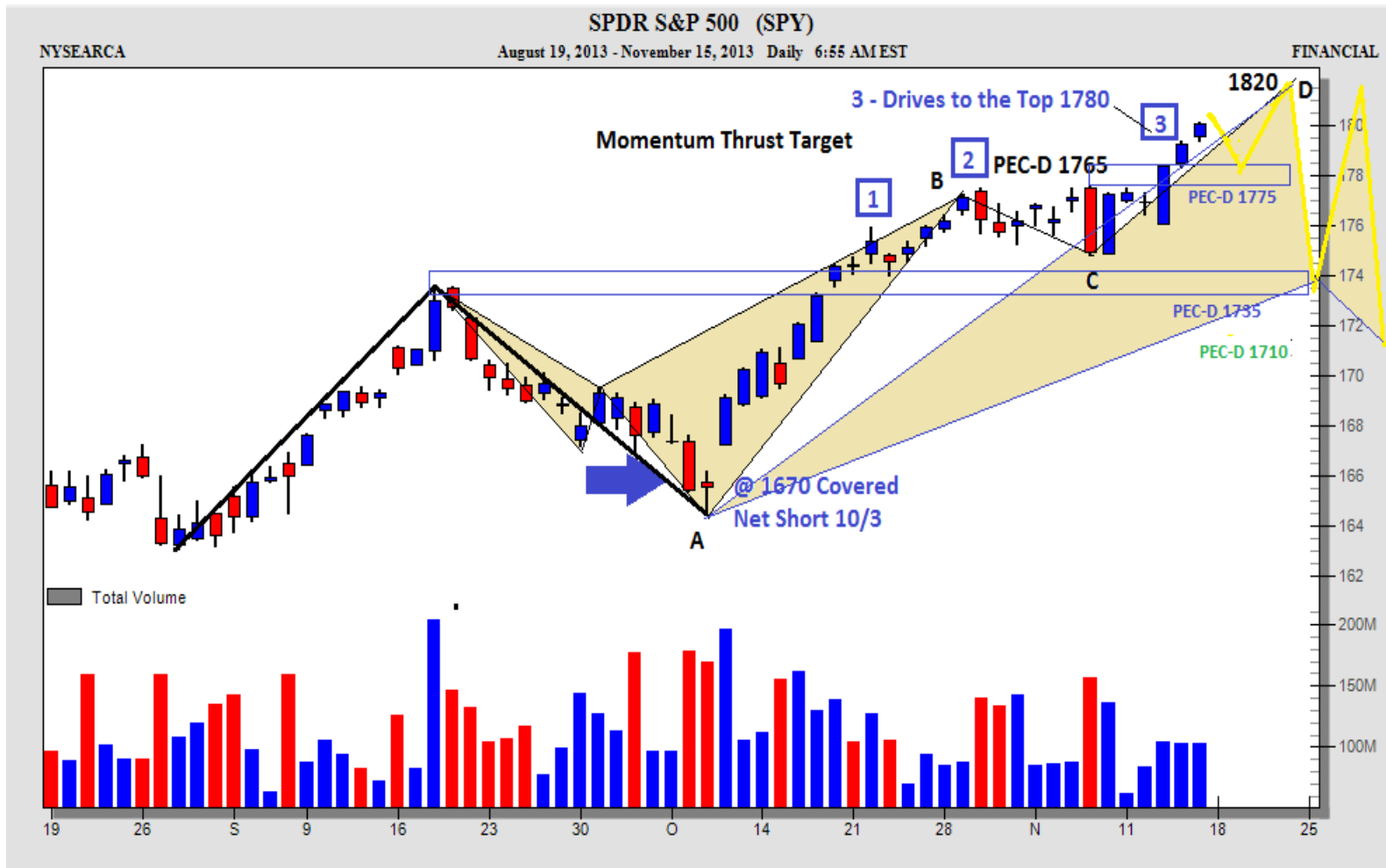
Bradley Model indicated below has high on 18th Nov .
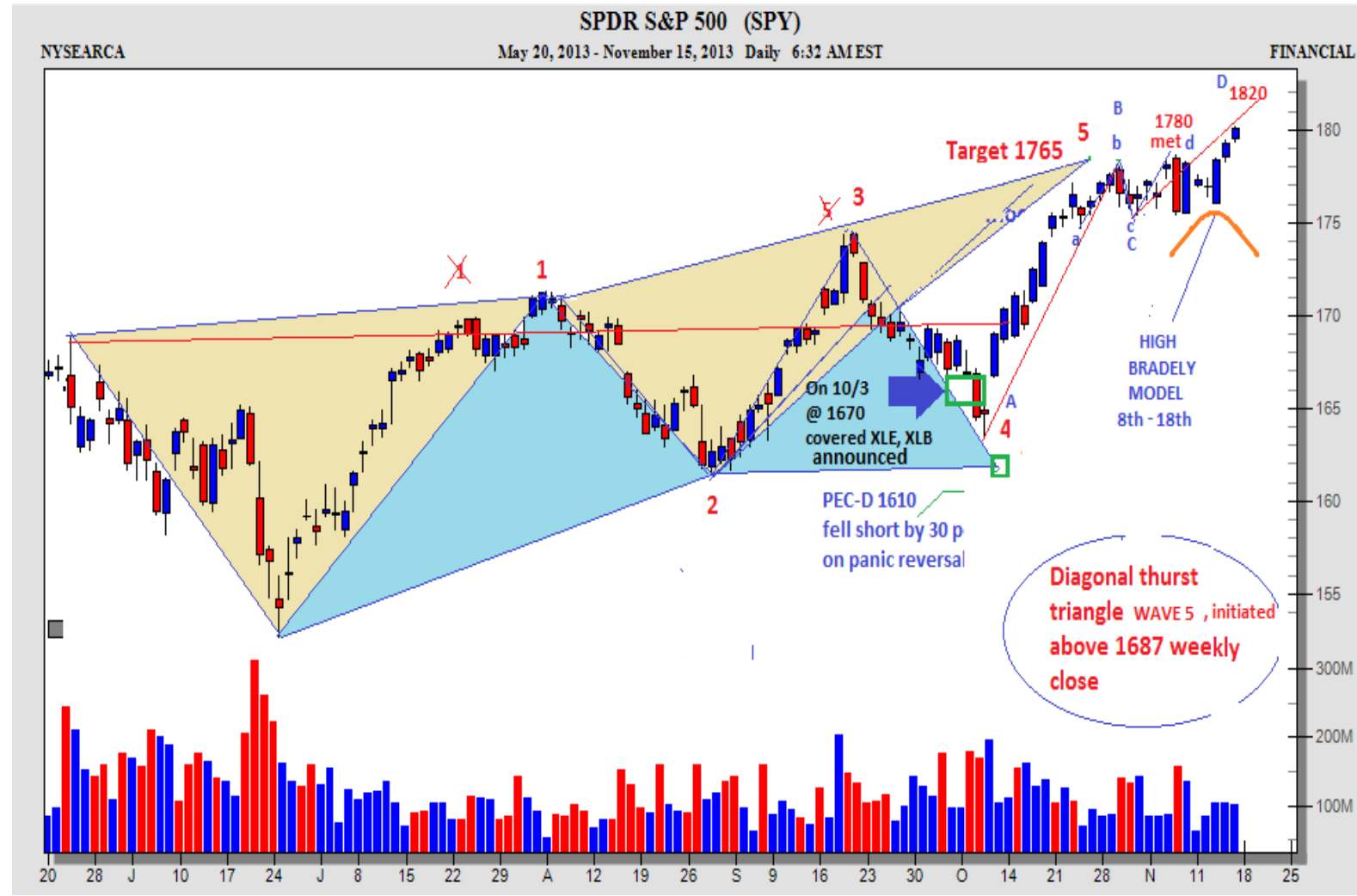
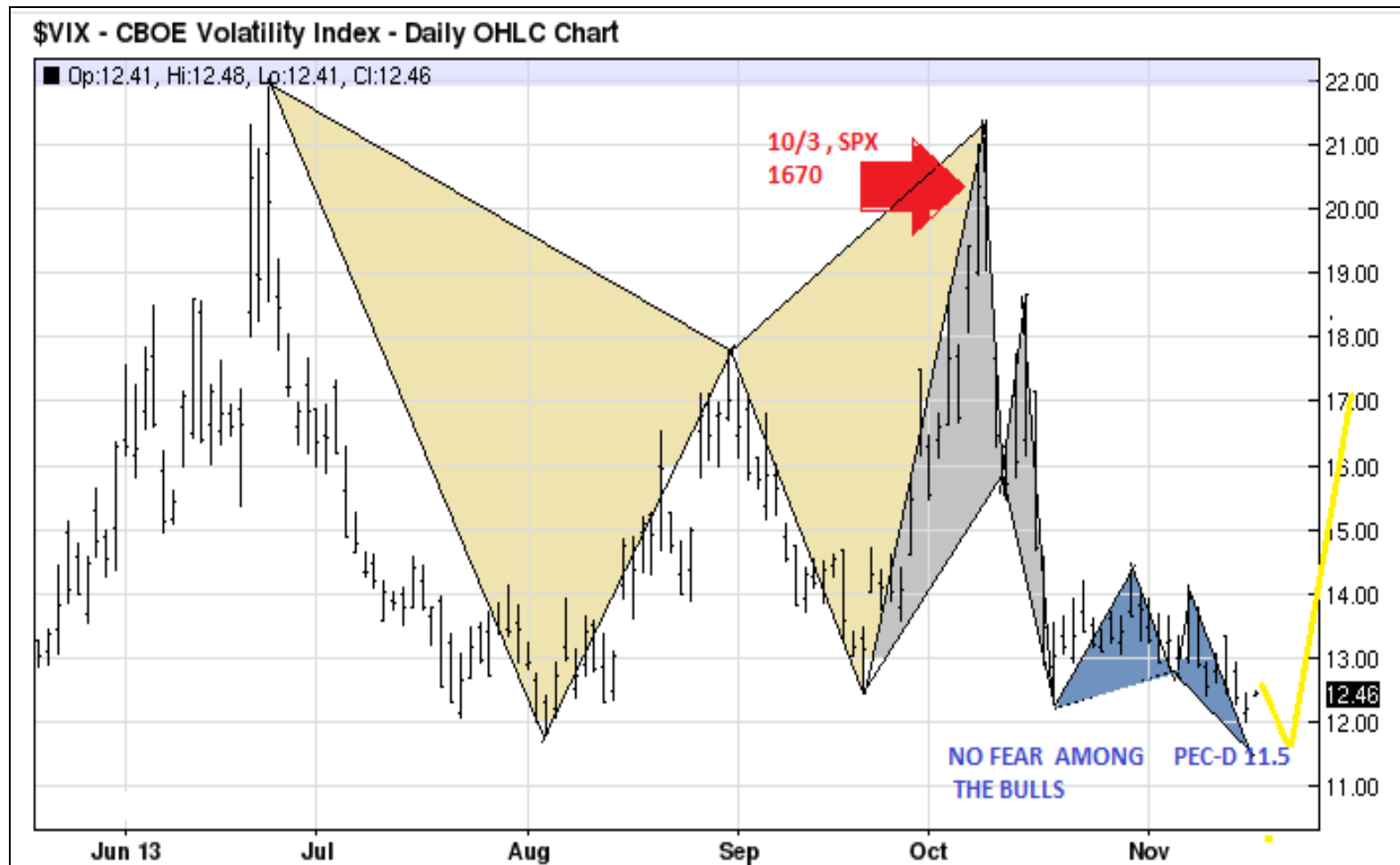# SPX- PEC- D / CZ Analysis POM 15 -   Daily chart – 3 Drives to Top

UPSIDE - ABC up to 1820 based on last week's action . 3 drives to the Top to PEC-D 1780 – met on Momentum Thrust Indicators.

Downside –— Shallow Pull back to PEC-D 1780 , but Solid floor is CZ 1735-1725 then rally back to double top , then decline to ABC down to PEC-D 1710 .

VIX - PEC- D / CZ Analysis

Downside — Pull back to PEC-D 11.5, Suggest there could be slight downside in VIX which corresponds to slight more upside in SPX . There is NO FEAR AMONG the bulls, but on completion of PEC-D 11.5, rally to PEC-D 17 should   coincide with SPX correction

$VIX - CBOE Volatility Index - Daily OHLC Chart

Op:12.41, Hi:12.48, Lo:12.41, Cl:12.46

10/3 , SPX 1670

NO FEAR AMONG THE BULLS

PEC-D 11.5

SPX – 6 year – LT – Weekly Chart- Mid term – No Change

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 Trust . 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 – <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

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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