



Date : 7th Oct 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	1675	POM 15 Mean CZ At 1670	CZ 1687-7/24 <u>Alerted</u> For Short bias To scale	BEARISH But Short term bounce	CASH	NONE	Target 1687 Critical point If Volume picks up @ 1687 Momentum rally	Target PEC-D 1735	Target PEC-D 1670 Met on re test, should Hold for rally	ABC down To 1610 lows Towards heavy bottom	22 nd May 1687 above Failed on PQV, (weekly close below 1650 required to negate the uptrend)
TLT (BONDS)	106.	POM 13 –Re Run On 01/7 Core position	CZ 115-107 Triggered @ 107 8/09 – 2 nd -1/2 re entry	BULLISH Bottoming	Net Long Avg entry Price111	NONE	Target – PEC-D 112 Close above 107 is required Within the Chanel line	CZ 124-125 Bullish Top	Pull back CZ 104-105 Should hold	Crash PEC-D 104, tested Bullish divergence	No change from Previous Current Drawdown --- 4.0% managed with EMB Hedged profit of 3.5%

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GOLD	1323	POM 13 @ 1540 For main entry Core position	CZ 1205 1190 <u>Re – Run Entry Triggered @ 1205 6/28-</u>	Bullish ST pull back advised	Net Long <u>Alerted 9/18- Re entry ½ @ 1319</u>	NONE	Target 1350 Cap met & pull back began	ABC up CZ 1425-1445 Bullish Top In tact	PEC-D 1295 Met exact & Re test for secondary test is in progress	CZ 1205 – 1180 PEC-D 1180 Bullish bottom	For Recycled <u>1/2 exposure</u> Exited (2) on 8/26 @ 1429, Entry 1204, 1280 for Profits <u>224+148</u> Earlier exited 4- Profits 72 + 220 5- stop Loss -- (-15+ 0-3-9-2)

GOLD – Once the PQV validation process is complete at **PEC-D 1295- Retest. We** shall Announce & re- enter the balance ½ previously exited position back in.

Portfolio – Overview & Update

On 10/3 Announced to close XLB & XLE – Short exposure . It was a down day. This is a RM against sudden bounce on if Govt Reopen relief rally takes place.

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

For Short bias Portfolio **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 , 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, EEM), EMB (acting as Hedge against TLT decline)
- **NET SHORT** -.....Preferred Instruments
QQQ , IWM, for Short bias Portfolios only

GOLD - Bullish- ST Pullback .

Downside – A retest above **PEC-D 1295-** is in progress (**BUT**– Needs PQV validation) We shall re- enter the balance ½ position back in upon secondary test for validation, await for announcement.

GOLD is in consolidation between -1295 lows and 1350 highs .

Upside - Projected **to Cap 1350** , should fail on first get go

Earlier. We re entered ½ of our previously exited position **@ 1319** (Refer Alert 9/18). The position that was *exited at 1428 to book 250 point profit , entered at 1205 on 6/28. .*

TLT (BONDS)– Pull back extended below Bottoming CZ

TLT - Rally has been initiated by building a big base within **CZ 104-105** . It is attempting to come back in range **107** with Bullish volume reversal. Once it trades above **PEC-D 107** to get traction to **112**. The Bullish divergence in VTO exists on price rejection.

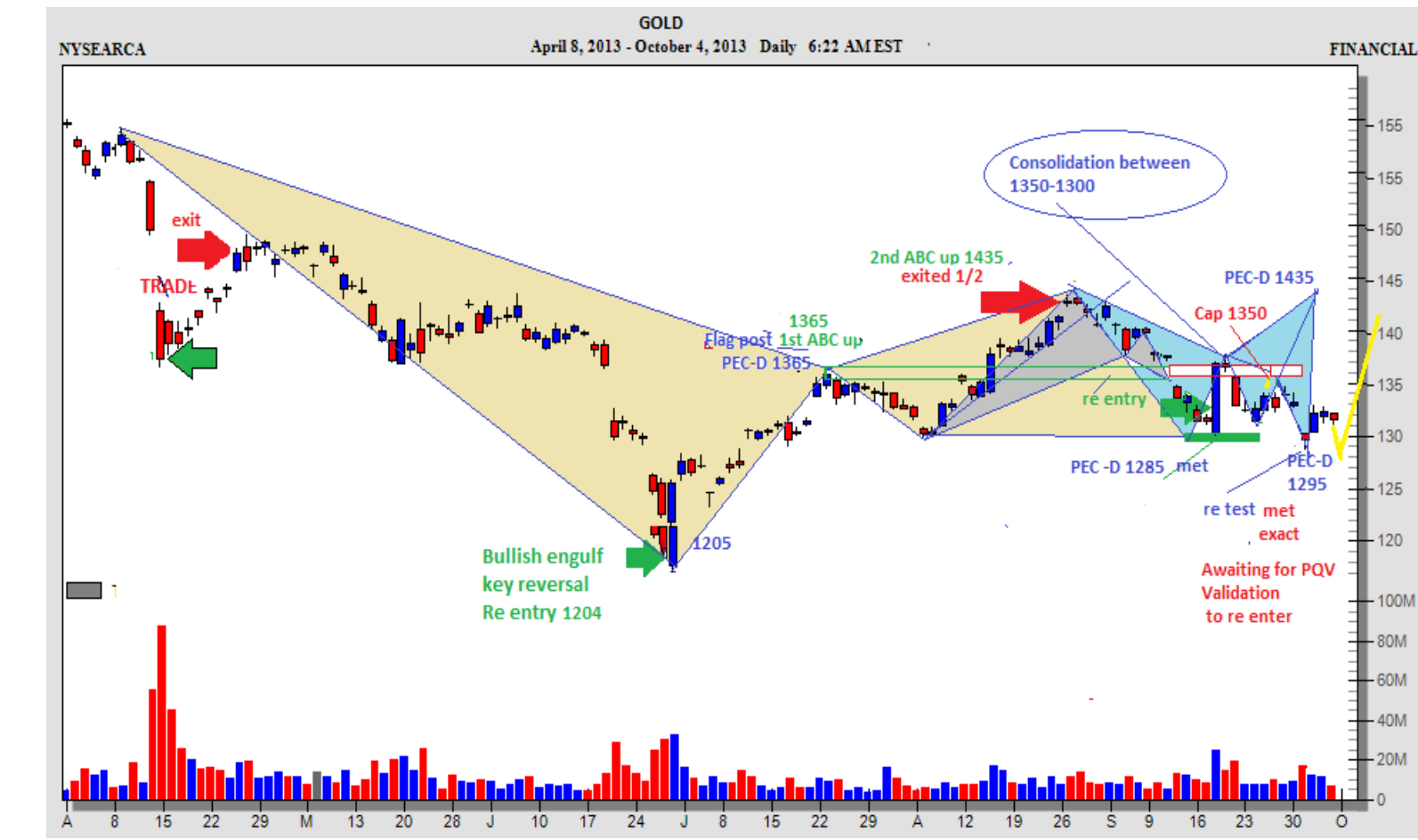
BACKDROP - Our drawdown of **-4.0%** has been cushioned by EMB hedged profits +3.5% . **Earlier round trip on 10% exposure with profitable gains - 1ST half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out)**

GOLD – Daily – PEC –D / CZ Analysis – ST pull back

Downside – A retest above **PEC-D 1295**- is in progress (**BUT**– Needs PQV validation) We shall re- enter the balance ½ of position back in upon secondary test for validation , await for announcement.

GOLD is in consolidation between -1295 lows and 1350 highs .

Upside - Projected to Cap 1350



Market Overview SPX

Last week, we had a bifurcated market with the broad market stronger than the blue chips. We have Time termination T's which expire this coming week on the broad market. Chances are that we are going to see a fairly neutral market until the news of a government settlement to the current fiscal crises are reached. In this case news will drive the market and simply cannot be predicted. We had New Moon past Saturday, the effect can rollover next 2 days. Especially Fridays move higher was on was on light volume, which is always dangerous as no conviction behind the move and the market breadth with 1000 net advancing issues was not enough to move the McClellan Oscillator reading above zero.

If the pattern is an up-tilted contracting triangle, we should see downside by mid week on uncertainty and a thrust rally. The ES has bottoming polytrend line at 1670 within the downside CZ which closely correlates with the lows of apex of a triangle. This suggests we should get a low in this general price area only if PQV is validated with low volume for a short-covering rally on Budget News settlement, as market always looks ahead of time pricing in the news. We'll wait and see.

Seasonally low due within the next two weeks. Of course, there are many instances of the low stretching into November, but the average low is October. This morning along with Global Markets, SPX is gapping down 12 points. This may be possible re test of 1670 due to high Volume on downside set 1 week ago.

Note - If today's Gap down does not close ¾ of the way by the end of trading, ABC down to 1610 is very much intact with first stop at 1670 as close under. If we close the Gap ¾ we should have another 'Thrust' Triangulation rally to 1687 and if volume picks up momentum ride should initiate to 1735. We are at critical point.

Healthy rally should initiate from an Accumulation Low with Tick, TRIN & PQV Validation. The best time to go long the market is right in the middle of October each year. We should consider that lows as Buy point for the Best Risk Reward.

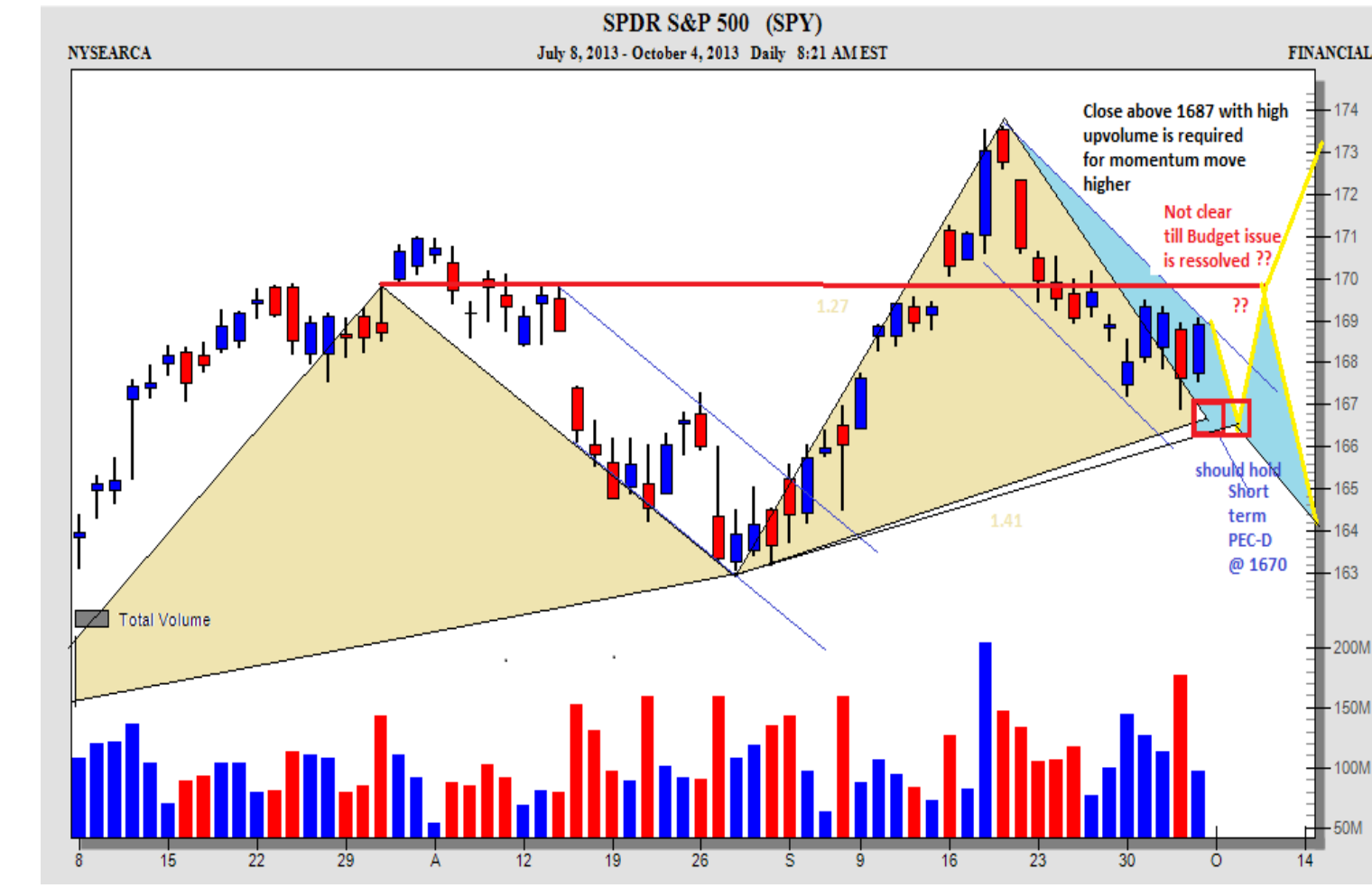
The oscillator is low is below the zero line. The breadth statistics are just **NOT** breaking down. This positive for Bulls. One warning sign Bears is POM 15 is in effect and McClellan Summation Index, Ratio-Adjusted (NYA- RASI) failed to move above the 500 level on the final high in a bull market. So far, the highest it has reached since last August lows has been 450. This may limit the extend of next rally

SPX- PEC- D / CZ Analysis POM 15 - Daily chart

Downside Projection is PEC-D 1670- for another rest should hold as a part of downside on 3 Gap play.

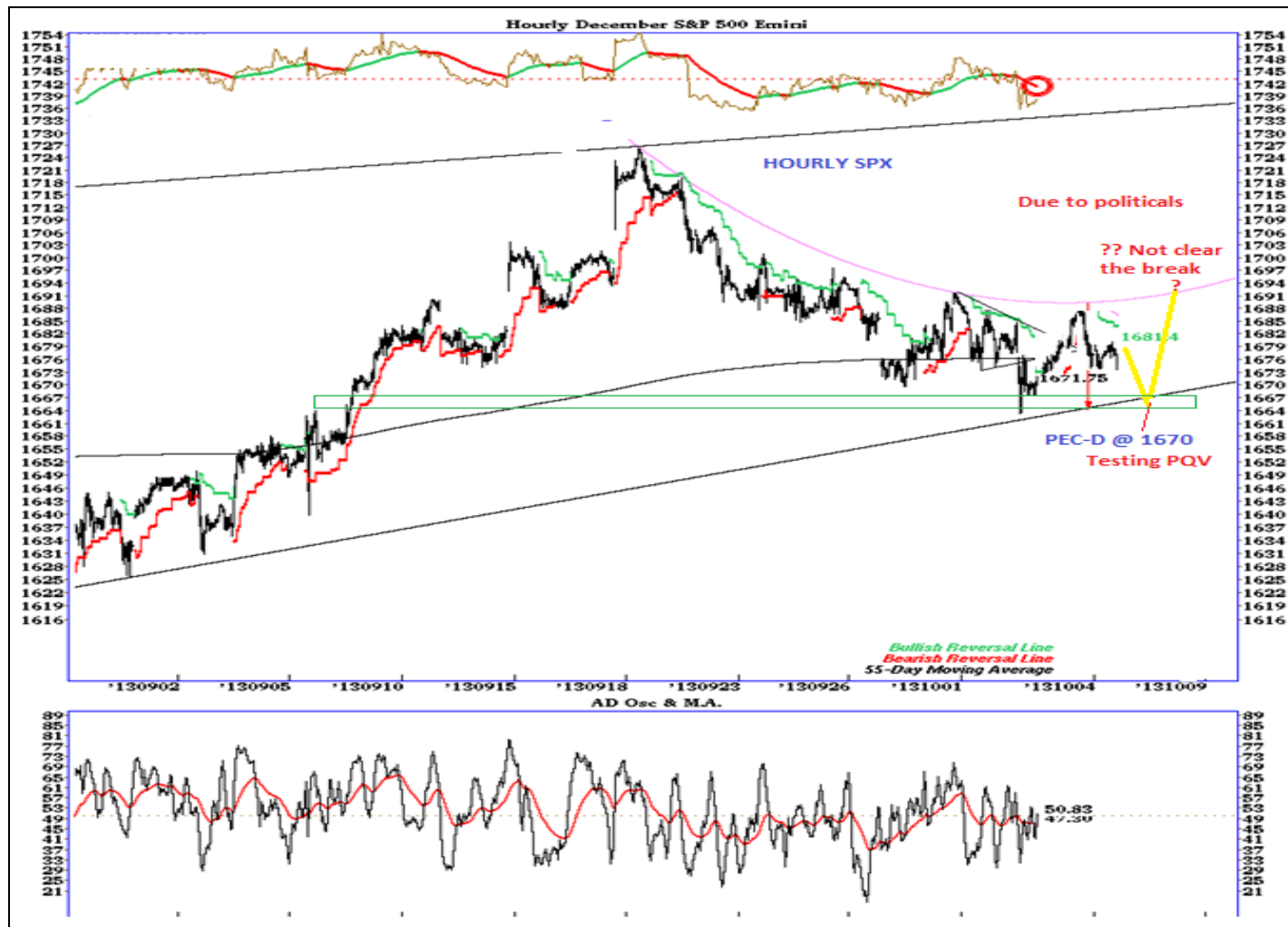
UPSIDE — Close above 1687 (22nd May highs) with heavy **volume should initiate a momentum ride to 1735**. IF NOT

ABC down to 1610 is at play – 1687 with volume is very critical point



SPX- Poly Trend – Hrly Analysis - Hourly chart

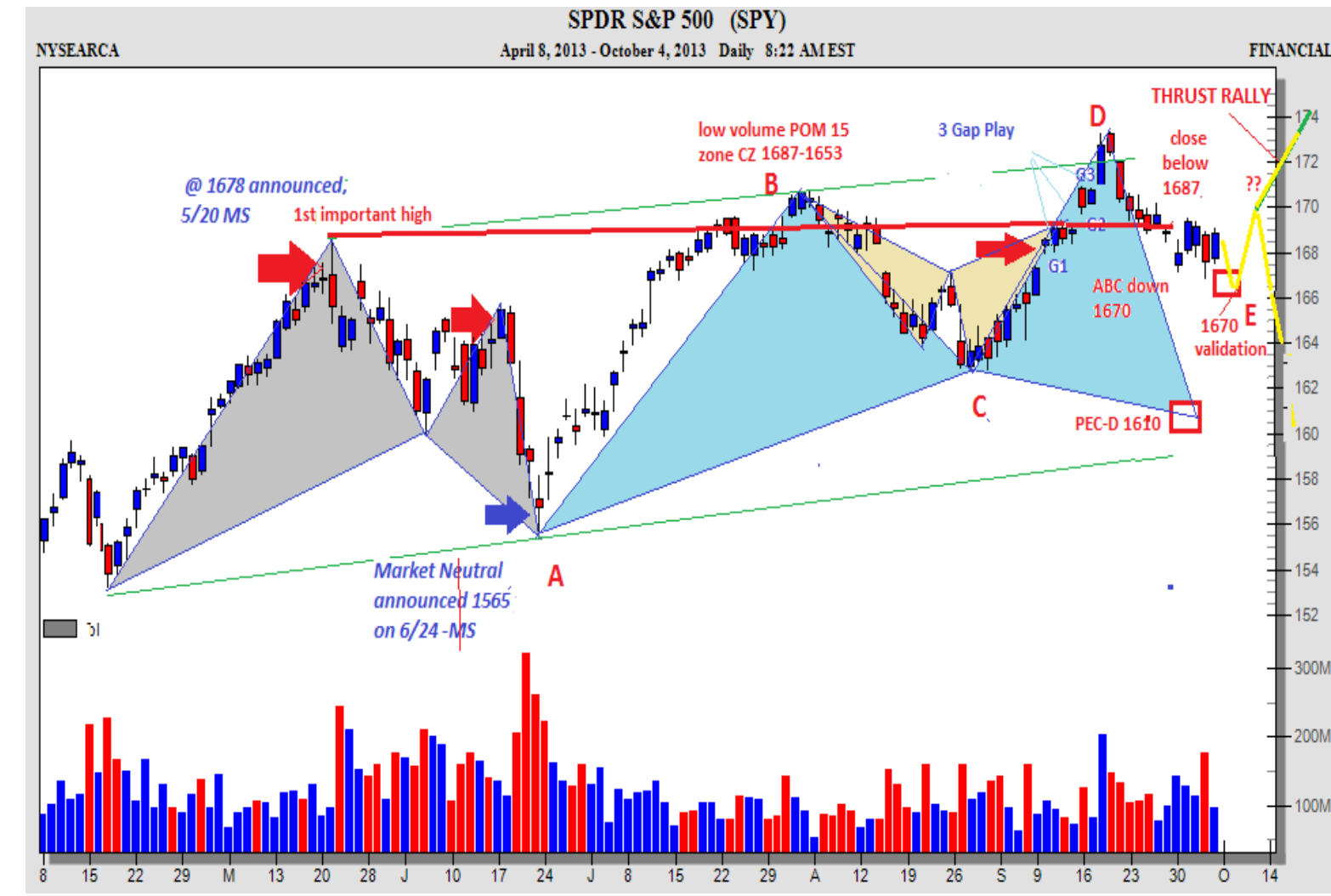
If the pattern is a Poly Trend up-tilted contracting triangle, we should see downside by mid week on uncertainty and a thrust rally . The ES has bottoming polytrend line at 1670 within the downside CZ which closely correlates with the lows of apex of a triangle.



SPX- PEC- D / CZ Analysis POM 15 - Mid term chart

UPSIDE — POM 15 failed - CZ 1687 – 1653.

Downside Projection is PEC-D 1610 heavy bottom .



SPX – Cyclical Model

- SPX - Seasonality / Election Model -

September & October is approaching – Market tend to put in lows

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model topped on 1st June @ 1650

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is BULLISH

- The EURO – Future Model Forecast,-

By this Model, Correction Larger decline to Mid Oct 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 – 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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