Date : 14ᵗʰ 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	Current Exposure / Holding	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1703	POM 15 *Mean CZ At 1670*	CZ 1687-1653-7/24 & 7/10 Email *Alerted To scale in Net Short -6%*	BEARISH *Short term bounce in Progress*	CASH	0% Portfolio (-6%) Short bias Via QQQ IWM, *(Reduced – Net Short* Announced *XLE, XLB (- 6%) On 10/3 @ SPX 1670*)	**NONE**	Target 1687 Met & closed above it for Momentum Thrust rally	Target PEC-D 1735	Pull back to PEC-D 1680	Target PEC-D 1670 Met & exceeded *WA News Halted & Reversed SPX @ 1640 Inbetween 2 ABC Projections PEC-D 1670-PEC -D1610*	*weekly close below 1650 required to negate the uptrend).* This has not happened yet
TLT (BONDS)	105.5	POM 13 –Re Run On 01/7 **Core position**	CZ 115-107 Triggered @ 107 8/09 – 2ⁿᵈ -1/2 re entry	BULLISH Bottoming *Building cause for Leg up*	Net Long *Avg entry Price11 1*	10%	**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	1275	POM 13 @ 1540 For main entry **Core position**	CZ 1205 1190 Re – Run Entry Triggered @ 1205 6/28-	Bullish **ST pull back advised**	Net Long *Holding Core position to Target 1510*	9% *Alerted 9/18- email Re entry (3%) ½ @ 1319*	NONE	Target 1320-1340 Cap	ABC up CZ 1425-1445 Bullish Top In tact .	Target *PEC-D 1295 Met the Re test & below it No validation* *Await this week to verify if False break below*	CZ 1205 – 1180 PEC-D 1180 Bullish bottom	For Recycled 1/2 exposure **Exited (2)** on 8/26 @ 1429, Entry 1204, 1280 for Profits 224+148 **Earlier exited 4- Profits** 72 + 220 **5- stop Loss –-** (-15+ 0-3-9-2)

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

GOLD Chart in detail to be in Wednesday's Currency Report.

Portfolio – Overview & Update

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

Market Overview SPX

 Markets are being held as Hostage to what is going on in Washington

Last week - We certainly saw a relief rally based on government settlement to the current fiscal crises . It came from panic low **below** our projected 1670 – PEC-D & PEC-D 1610 Heavy bottom , right in between @ 1640 reversed 30 points short of 1610. Time termination T's were also projecting lows last week. The VIX finished its Projected PEC-D @ 20 exact during the panic and sold off , simultaneously SPX bottomed at 1645

SPX Close above 1687 initiates the Momentum Trust. How long it lasts is different story especially due to pending settlement to the current fiscal crises. *In this case news will drive the market and simply cannot be predicted. There is no Model (including technical indicators) can know or predict if and when a compromise will be reached. Market will react to whatever is the outcome in between PECD's*

Next week - 20th Nov is considered to be seasonal low , the low stretching into November. Positive seasonality for Investors reentering May exited positions. If pull back comes in , it would be considered as best time to go long.

We should certainly look for pull back after huge rally. Especially on Friday we had very high Tick reading and low Arms reading . downturn into Wednesday / Thursday, then a low and a rebound . The pull back should setup higher lows @ 1680 before market climbing the diagonal 5th wave in an ABC pattern target .

On 10/3 Announcement @ 1670 we closed ½ of our Net Short exposure taken at avg price 1670 – on 7/24-7/10 in XLE, XLB. Bearish Instruments to avoid any Momentum ride up as seasonality lows may come in next 2 weeks

Negative for Bulls is the RASI peaked below 500 . When the market isn't able to push RASI above 500 suggesting the advancing stocks are reducing in uptrends. The oscillator is below the zero line. **But –** Positive for Bulls is the breadth statistics are just **NOT** breaking down . We shall see how it reacts at 1680 !!!! pull back

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

UPSIDE is PEC-D 1705 . & pull back .

Downside -– PEC-D @ 1680 and then Close above 1687 (22nd May highs) initiates a momentum ride to 1735.
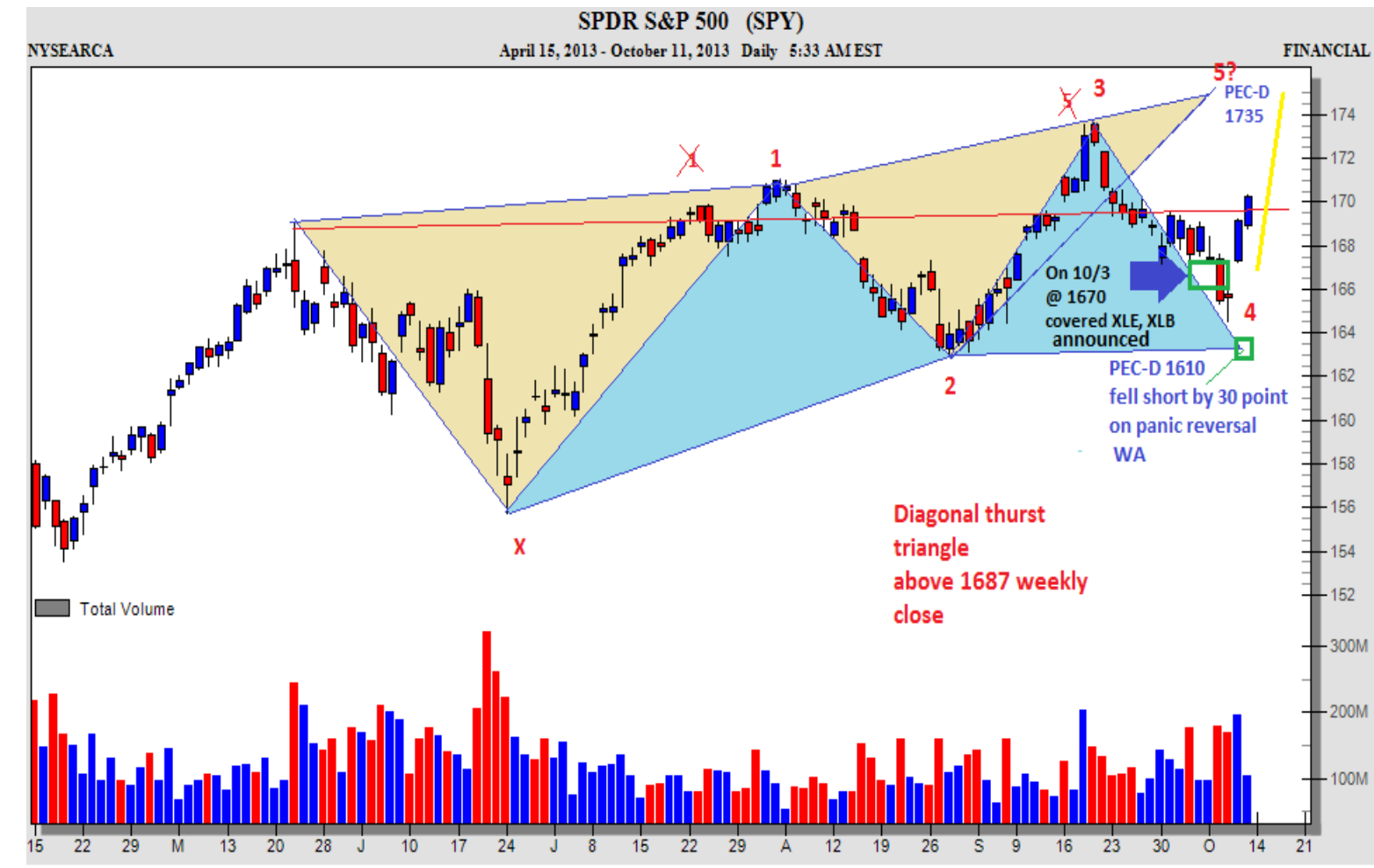
Notes within the chart.
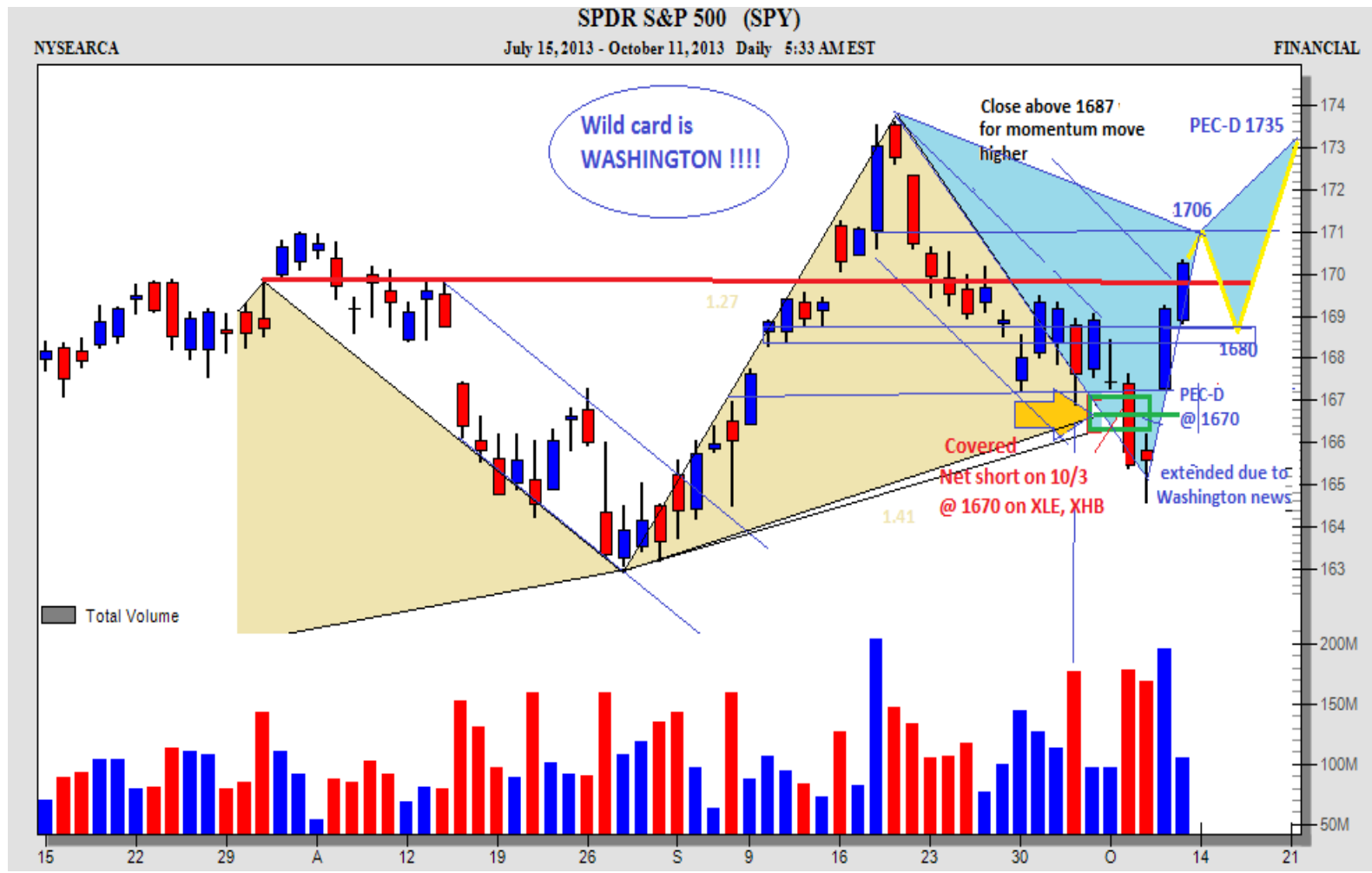
SPX- PEC- D / CZ Analysis POM 15 -   Mid term chart

Downside Projection PEC-D 1670- Met & Exceeded to 1640 but Projection PEC-D 1610 Fell Short by 30 points   Thanks to Washington for Panic reversal

UPSIDE ── The previous Diagonal Pattern was negated at 1 , we think wave 5 may have initiated for Momentum rally above 1687 to target 1735 – PEC-D .

SPDR S&P 500 (SPY)
April 15, 2013 - October 11, 2013 Daily 5:33 AM EST
NYSEARCA   FINANCIAL

On 10/3 @ 1670 covered XLE, XLB announced

PEC-D 1610 fell short by 30 point on panic reversal WA

Diagonal thurst triangle above 1687 weekly close

Total Volume

VIX - PEC- D / CZ Analysis   -

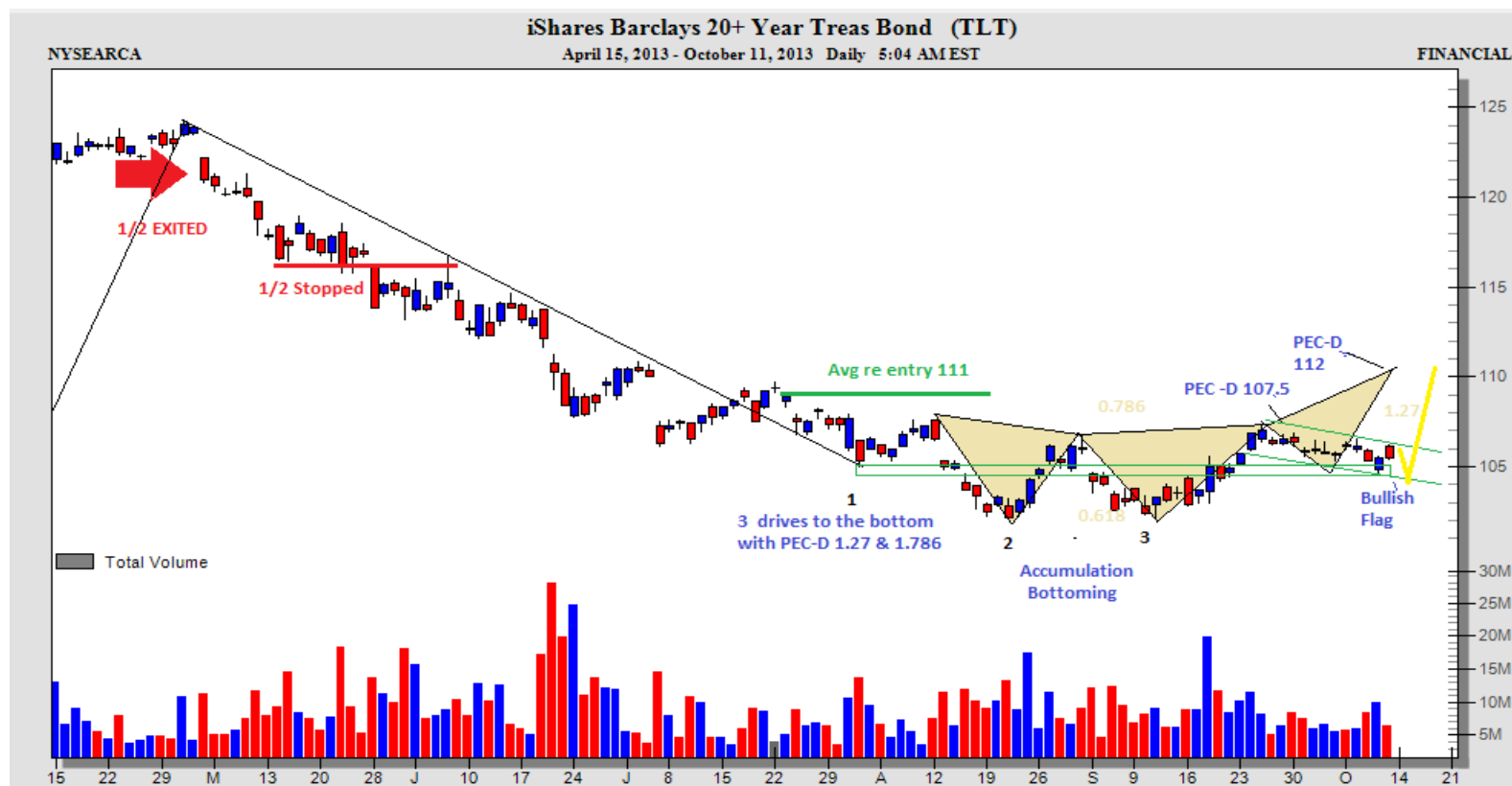The VIX finished its Projected PEC-D @ 20 exact during the panic and sold off simultaneously SPX bottomed at 1645

TLT (Bond) – CZ- PEC- D Analysis – Daily

TLT - has initiated leg up 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.

Upside -   Close above PEC-D 107, should rally to PEC-D 112 & then to CZ – 124-125 (Bullish top).

Downside – Bottoming process complete 105-104 ,   Rally has initiated Rejecting the Extended PEC-D 104 lows with , +ve vol reversal .

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)*

iShares Barclays 20+ Year Treas Bond   (TLT)
April 15, 2013 - October 11, 2013 Daily 5:04 AM EST

NYSEARCA

FINANCIAL

1/2 EXITED

1/2 Stopped

Avg re entry 111

PEC-D 112

PEC -D 107.5

0.786

1.27

Bullish Flag

1

3 drives to the bottom with PEC-D 1.27 & 1.786

0.618

2

3

Accumulation Bottoming

Total Volume

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**

AAII 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 – <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