



Date : 21<sup>st</sup> 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	<b>NEW ACTION</b> ( Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1744	POM 15	CZ 1687-7/24 Scaled in Net Short Bias Portfolio Via QQQ IWM,	BEARISH  <i>ST bounce in Progress since 1670</i> <b>Alerted On 10/3</b>	CASH  <b>[ Reduced – Net Short XLE, XLB On 10/3 @ SPX 1670)</b>	NONE	Target PEC-D 1735 <b>Met &amp; exceeded</b>  Close above 1687 initiated Momentum Thrust rally	PEC-D 1765 Momentum Thrust Target	<b>Pull back to PEC-D 1710 &amp; rally up</b>	PEC-D 1687	WA –DC News <b>Reversed SPX down move</b> @ 1640 abruptly In between <u>2 ABC Projections</u> PEC-D 1670- PEC -D1610 & rally began .
TLT (BONDS)	107.04	POM 13 –Re Run On 01/7  <b>Core position</b>	CZ 115-107  <b>Triggered @ 107 8/09 – 2<sup>nd</sup> -1/2 re entry</b>	BULLISH Bottoming  <i>Building cause for upmove</i>	Net Long  Avg entry Price111	NONE	<b>Target – PEC-D 112</b>  <b>Close above 107</b> 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	<b>No change from Previous</b> <b>Current Drawdown --- 3.5%</b> managed with EMB Hedged profit of 3.5%

	Current Price	Trigger POM or Main CZ & Date	Triggered Within CZ & Date	Progress Status	Current Position	Current Exposure	<b>NEW ACTION</b> (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	<b>Downside CZ Near term</b>	Downside CZ Mid term	Remark
<b>GOLD</b>	1320	POM 13 Re – Run @ 1205	CZ 1205 1190 @ 1205 6/28- Re entry Triggered	Bullish	Net Long  RM @ ½ @ 1245	<b>Alerted 10/16- Report –½ Reentry @ 1280</b>  & <b>Earlier On 9/18- ½ Reentry @ 1319</b>	NONE	Target 1350-1335 Cap	ABC up CZ 1425-1445 Bullish Top In tact	<b>PEC-D 1295 Met &amp; below it was False break &amp; Rejection</b>	CZ 1205 – 1180 PEC-D 1180 Bullish bottom	For Recycled 1/2 exposure  <b>Exited (2)</b> on 8/26 @ 1429, Entry 1204, 1280 for Profits 224+148  <b>Earlier exited 4- Profits 72 + 220</b>  <b>5- stop Loss -- (-15+ 0-3-9-2)</b>

**GOLD** Chart in detail to be in **Wednesday's Commodity Report.**

Triggered Re entry on 10/16 @ 1280. Our Target PEC-D 1295 met on retest and exceeded on false break below it & rejected.

**In Currency Report 10/16,** “ We had indicated **Alerted** – announcement indicating rejection of lows @ 1280 and / or fast move down to 1255 would exhaust / shake out & hold the lows for Bullish reversal rally. In either situation of two above situation it would validate to re - enter the balance ½ of previously exited position back in. **RM Stop below 1245 “**

**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.

## Portfolio – Overview & Update

At SPX 1670 on 10/3, **Announced to close 3% XLB & XLE each – 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 **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**

## Market Overview SPX

On 10/3- Announcement @ 1670- SPX, **we Alerted** close / Reduce Net Short exposure taken at avg price 1687 – 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 1735 – PEC-D Target price avoided the squeeze

**Last week** – Last Monday we saw the pull back first towards 1687 SPX on seasonal low and rally began to our projected **PEC-D - 1735 – Momentum thrust rally target**, This got initiated once closed above 1687 . It resulted into 50 points rally towards the target meeting our last week's projection

Federal Reserve has convinced the market that it will continue pushing stock prices up. As each dip is bought quicker and quicker, the corrections are getting shorter and shorter in both time and price. While in the past corrections took days to play out, these days they are doing so in just hours. This morning, there are rumors out that the Fed may begin to taper in December.

**This week** - Markets should move sideways with downward bias for a few days, especially after 8 up days in row . On Friday we had very high Tick reading and low Arms readings which results in pull back just like the Friday before.

**The Full Moon occurred last Saturday , can cause turn** . If Market does not pull back this week to **PEC-D 1710** , it would suggest the “ Momentum Thrust Indicator that **kicked in at 1687 to target 1735 is still in progress for full completion PEC-D 1765 without much pull back** . But on other hand the pull back to **PEC-D 1710** should also have another opportunity to rally going back to **PEC-D 1765** climbing the **diagonal 5th wave in an ABC pattern target** . This is positive for Bulls . Time Termination Top is into Nov 12<sup>th</sup> .

**The Bradley Model highs is on 18<sup>th</sup> Nov is within the Time Termination frame.**

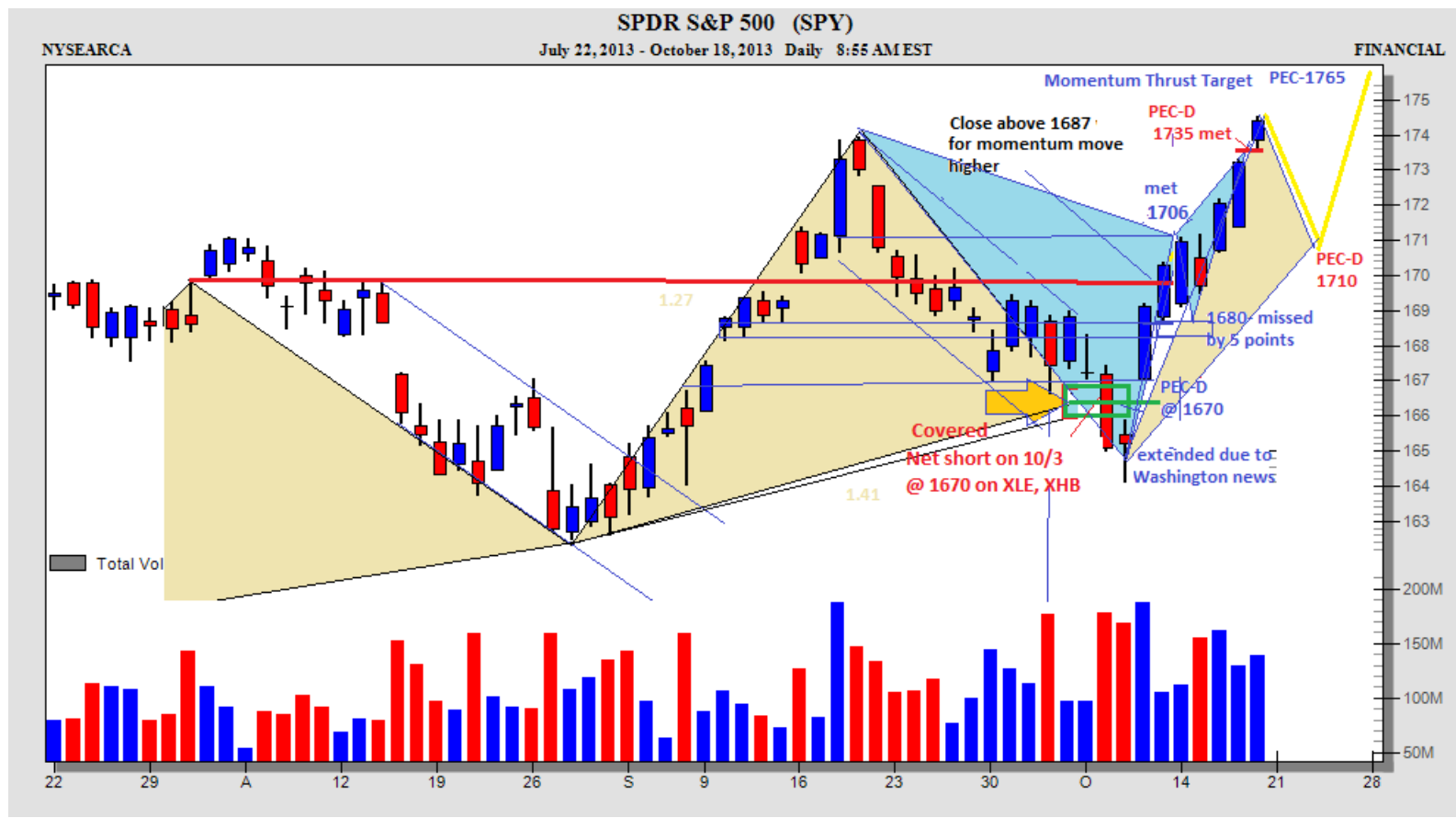
At present the Negative for Bulls is , the NYA Ratio-Adjusted Summation Index has failed to rise back to the 500 level, the point where half of the equity market is trending higher. Since we are in Momentum Thrust Rally that statistic could reach 500 still. . **But** – Positive for Bulls is the breadth statistics are just **NOT** breaking down ( which is why we announced to Reduce the Short Position ) . We shall see how it reacts on any pull back to 1710 . The Positive seasonality for Investors reentering “May exited positions ” may be causing this . If pull back comes in , it would be best time to go long for Traders.

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

**Upside** PEC-D @ 1735 – Met as Part of Momentum Thrust Rally .

**Downside** PEC-D 1710 . & pull back .

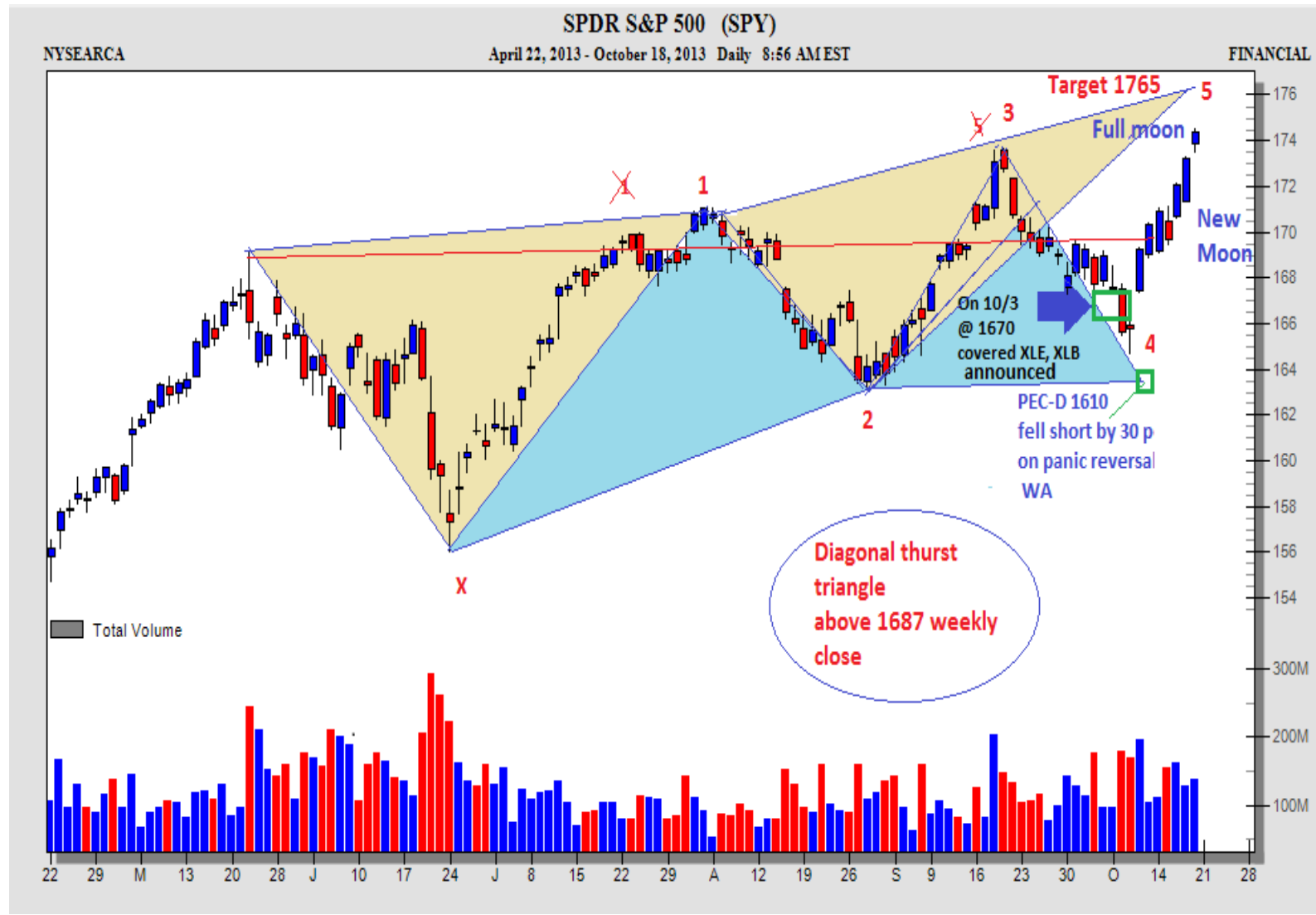
Notes within the chart.



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

**UPSIDE** — The Diagonal Pattern Wave 5 is in progress to target 1765 – PEC-D .

Full Moon on last Saturday



## NYSE – Summation Index. Analysis - Daily chart

At present the Negative for Bulls is , the NYA Ratio-Adjusted Summation Index has failed to rise back to the 500 level, the point where half of the equity market is trending higher. Since we are in Momentum Thrust Rally that statistic could reach 500 still.



## TLT ( BONDS)– Bullish- Pull back extended below Bottoming CZ

**TLT** - It is attempting to come back in range **107** with Bullish volume reversal. Above **PEC-D 107**, it should get to **112**. The Bullish divergence in VTO exists on price rejection. It has initiated leg up by building a big base within **CZ 104-105** .

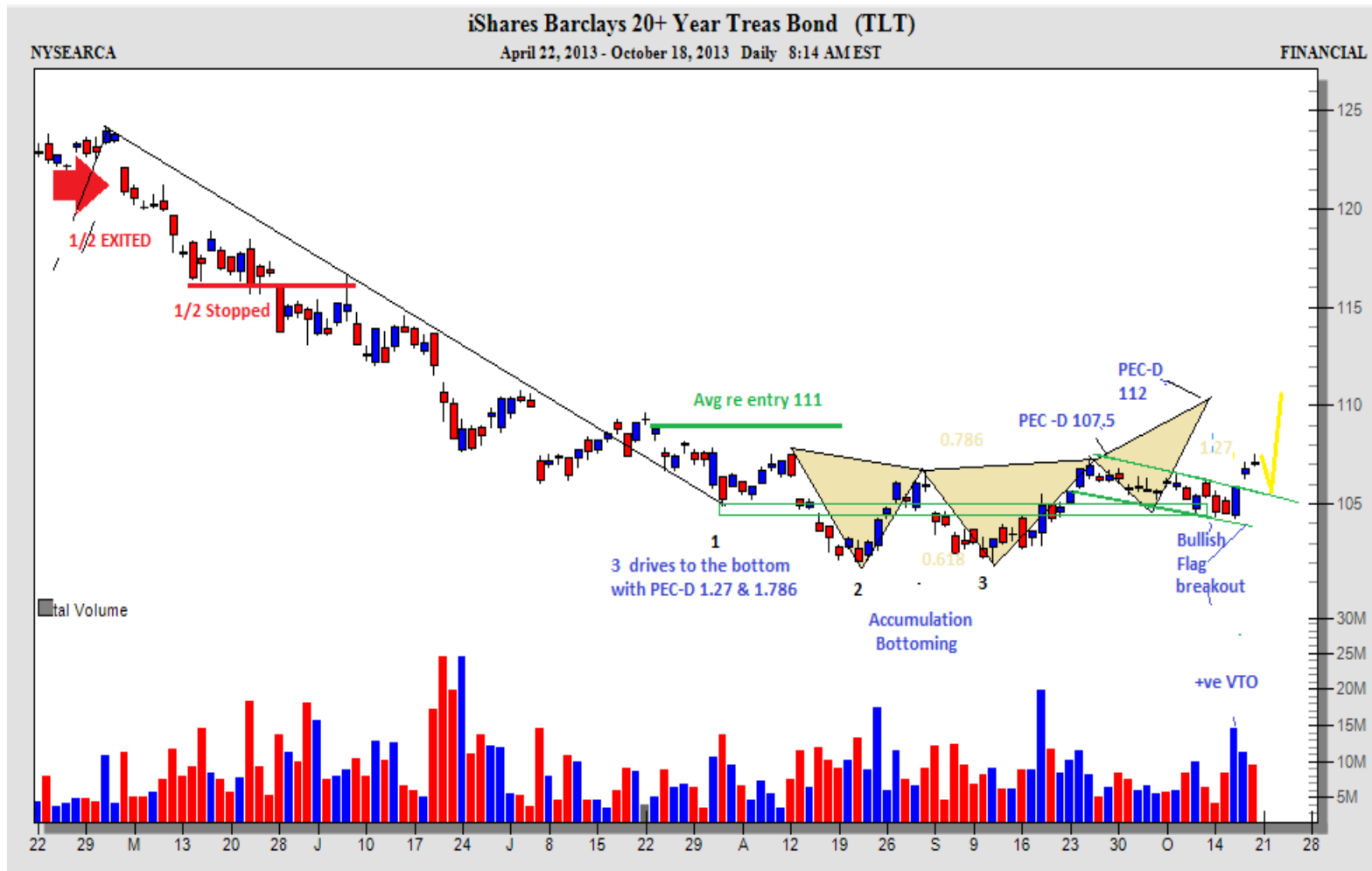
**BACKDROP** - Our drawdown of **-3.5+%** has been cushioned by EMB hedged profits **+3.5%** . **Earlier round trip** on 10% exposure with profitable gains - *1<sup>ST</sup> half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out)*



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

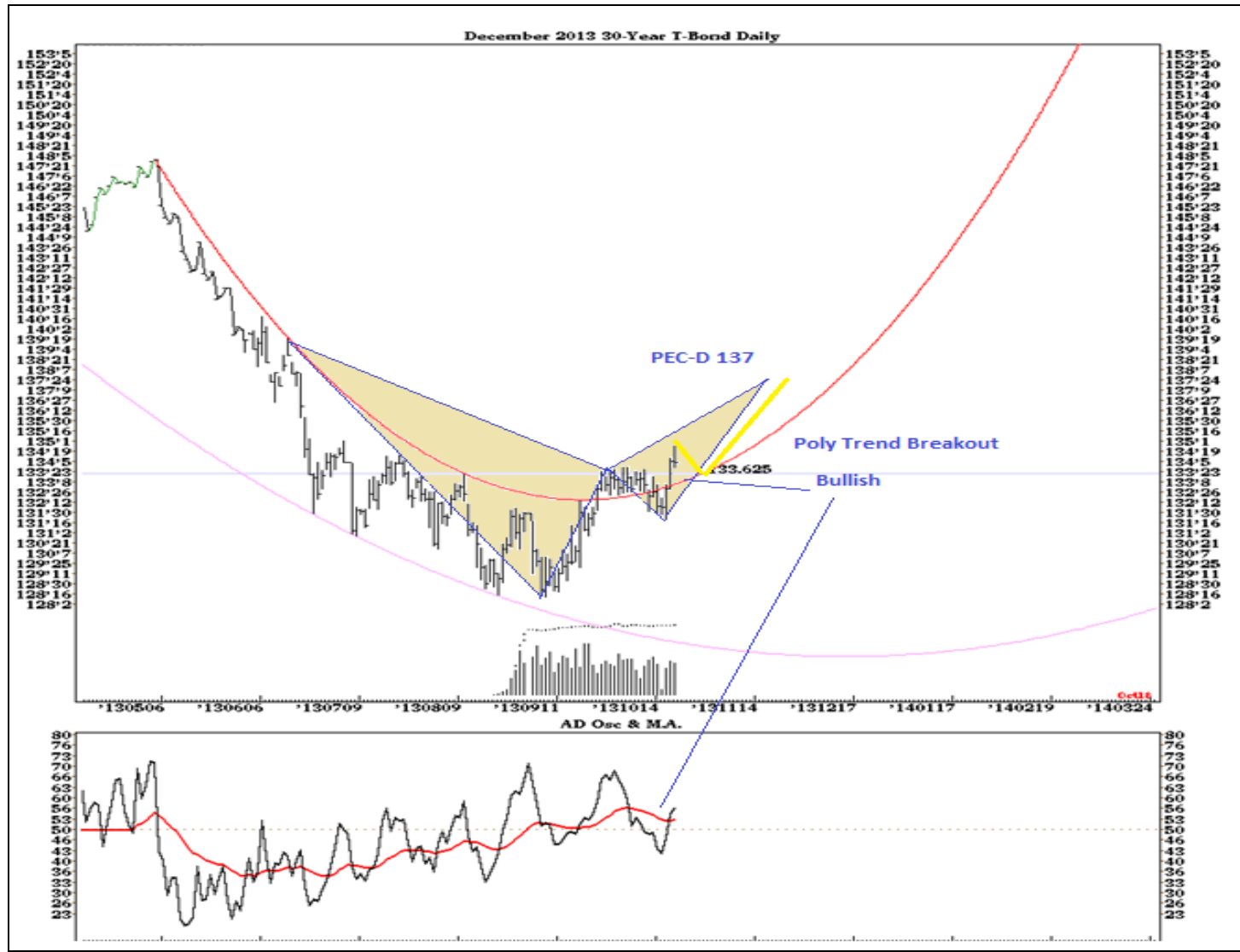
**Upside -** Close above PEC-D 107, should rally to PEC-D 112 & then to CZ – 124-125 ( Bullish top).

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



# ( Bond ) – PEC- D / Poly Trend Analysis – Daily

A vibration around the rising trendline seems to be setting up higher prices in the Treasury. This very Bullish Poly trendline



## 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 1<sup>st</sup> 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><a href="#">US BROADER IDX</a></p> <ul style="list-style-type: none"> <li>• SPY ( SPX 500)</li> <li>• DIA ( DOW 30)</li> <li>• QQQ ( NASD100)</li> <li>• IWM (Small Cap)</li> <li>• IYT ( Transports)</li> <li>• NYA (NYSE)</li> </ul> <p><a href="#">BOND IDX</a></p> <ul style="list-style-type: none"> <li>• TLT ( Bonds)</li> <li>• MUB ( Muni). (SP)</li> </ul> <p><a href="#">GLOBAL IDX</a></p> <ul style="list-style-type: none"> <li>• EEM (Emerg.)</li> <li>• EWJ (Japan)</li> <li>• FXI (China)</li> <li>• EWZ ( Brazil)</li> <li>• FTSE (Europe Proxy)</li> <li>• BSE (India)</li> <li>• EWA (Aust) SP</li> </ul> <p>SP - Special situation</p>	<p><a href="#">SECTORS IDX</a></p> <ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• XLE (Energy)</li> <li>• XLK (Tech) / QQQ - Proxy</li> <li>• XLI ( Industrial) –</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> <li>• XLU ( Utility) SP</li> <li>• RTH ( Retail) - SP</li> <li>• SMH ( Sem.) SP</li> <li>• BBH ( Biotech) SP</li> </ul>	<p><a href="#">COMMODITY IDX</a></p> <ul style="list-style-type: none"> <li>• CRB /DBC</li> <li>• GLD (Gold)</li> <li>• SLV (Silver)</li> <li>• GDV (Miners)</li> <li>• OIL</li> <li>• Copper</li> <li>• DBA ( Agro)</li> <li>• UNG ( Natural Gas)</li> <li>• DBB ( Base M) SP</li> </ul>	<p><a href="#">CURRENCY</a></p> <ul style="list-style-type: none"> <li>• USD / DXY</li> <li>• EUR/USD</li> <li>• AUD/ USD</li> <li>• USD/JPY</li> <li>• GBP/ USD</li> </ul>

## 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 2<sup>th</sup> 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

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