



Date : 28th 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	1759	POM 15	PEC-D 1687 7/24 <i>Scaled in Net Short For Short bias Port</i>	BEARISH Alerted On 10/3 Of ST bounce in Progress @ 1670 Reduced – Net Short	CASH	NONE	Target PEC-D 1765 Approaching Momentum Thrust Target	Extension Target could get To 1780	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 above 1687 initiated Momentum Thrust rally Refer Price path below
TLT (BONDS)	108.29	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 upmove	Net Long Avg entry Price111	NONE	Target – PEC-D 112	CZ 124-125 Bullish Top	Pull back to PEC-D 106 Should hold	Crash PEC-D 104, tested Bullish divergence	Current Drawdown - --2.5% 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	1350	POM 13 Re – Run @ 1205	CZ 1205 1190 @ 1205 6/28- Re entry <u>Triggered</u>	Bullish	Net Long Alerted 10/16- ½ Reentry @ 1280 & Earlier On 9/18- ½ Reentry @ 1319 RM @ ½ @ 1245	NONE	Target CZ 1350-1335 Met Exact Neutral Top	ABC up CZ 1425-1445 Bullish Top In tact	Pull back to CZ 1330-1315 Bullish Bottom	PEC-D 1295 Rejected With Bullish Bottom	For Recycled 1/2 exposure 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)

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 **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 , DXY , USD/JPY , CU , TLT , UNG , AUD .
Equity - XLV ,XHB , XLP, _EWJ / NIKKE , FXI

DXY **stopped out at 79.25 @ cost price 10/6/12,**
- 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- .

USD broke down below the 79.5 . On short term basis it is Bearish , We were stopped out at 79.25 @ cost . On Mid- term basis USD still has Bullish Top & Bullish bottom in place. FOMC meeting should put in some volatility this week in USD & GOLD. In strong markets usually the retracements are shallow

Upside - Projected **to Cap 1350-1325 – MET Exact** & the second leg up would be **PEC-D 1435-** Bullish top

Downside - Pull back to **CZ 1330-1315** – FOMC meeting may provide the excuse this week

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 continue to trend lower after breaking a key uptrend CZ .

TLT - Trading above **PEC-D 107**, it should get to **112 Target.** It has initiated leg up by building a base within **CZ 104-105** with Bullish divergence & +ve VTO . .

BACKDROP - Our drawdown of **-2.5+%** 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)**

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

Rising poly trend line is setting up higher prices . This very Bullish.

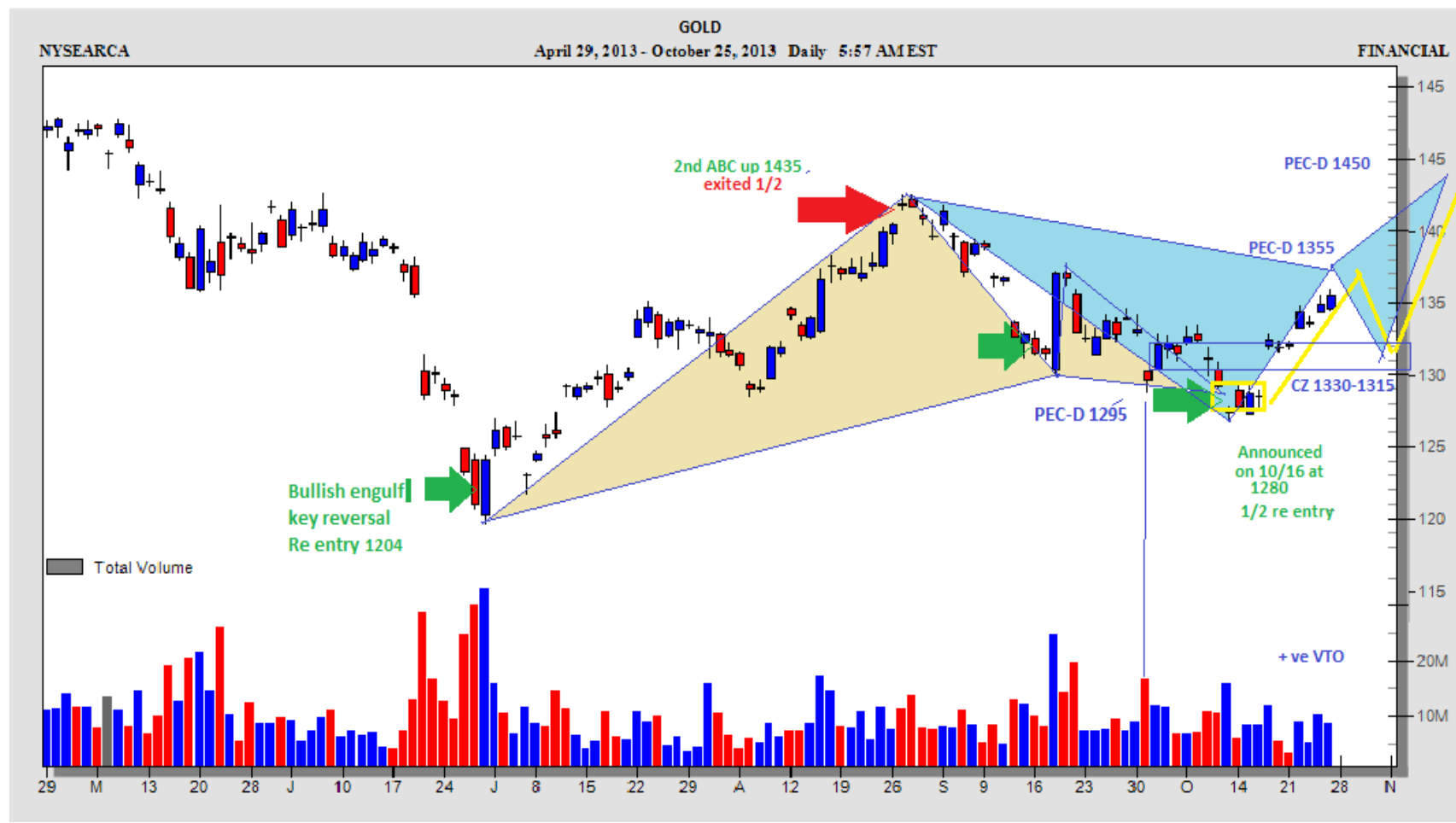


GOLD – Daily – PEC –D / CZ Analysis –

Upside - Projected to **Cap 1350-1335** - Met exact & the second leg up would be **PEC-D 1435**- Bullish top

Downside – Pull back to **CZ 1330-1315** – FOMC meeting may provide the excuse this week

Floor - PEC-D 1295 rejected with Bullish Bottom . Triggered ½ Re entry on **10/16 @ 1280**



Market Overview SPX

On 10/3- Announcement @ 1670- SPX, **Alerted** close our Net Short exposure taken at avg price 1670 – on 7/24-7/10 in XLE, XLB Bearish Instruments. This was purely to avoid the Momentum ride up from seasonality lows . And indeed SPX Moved from 1670 to 1755 avoided the squeeze .

Last week — Momentum thrust rally target continued towards our Projected PEC-D - 1765 without any retracement.

This week - FOMC meeting accompanied by volatility. Month end seasonality may have +ve bias early part of the week which may force SPX to complete the Momentum Target of PEC-D 1765 as projected last week. This is **diagonal 5th wave in an ABC pattern target** which is positive for Bulls . Time Termination Top is into Nov 12th . **The Bradley Model highs is on 18th Nov .**

The actual rollover dates do not often coincide with price highs exactly, but they do tend to fall within the timeframes around those highs (if it turns out to be a true high). At times those rollovers dates are associated with the bottoming of time cycles—rarely on inversion .

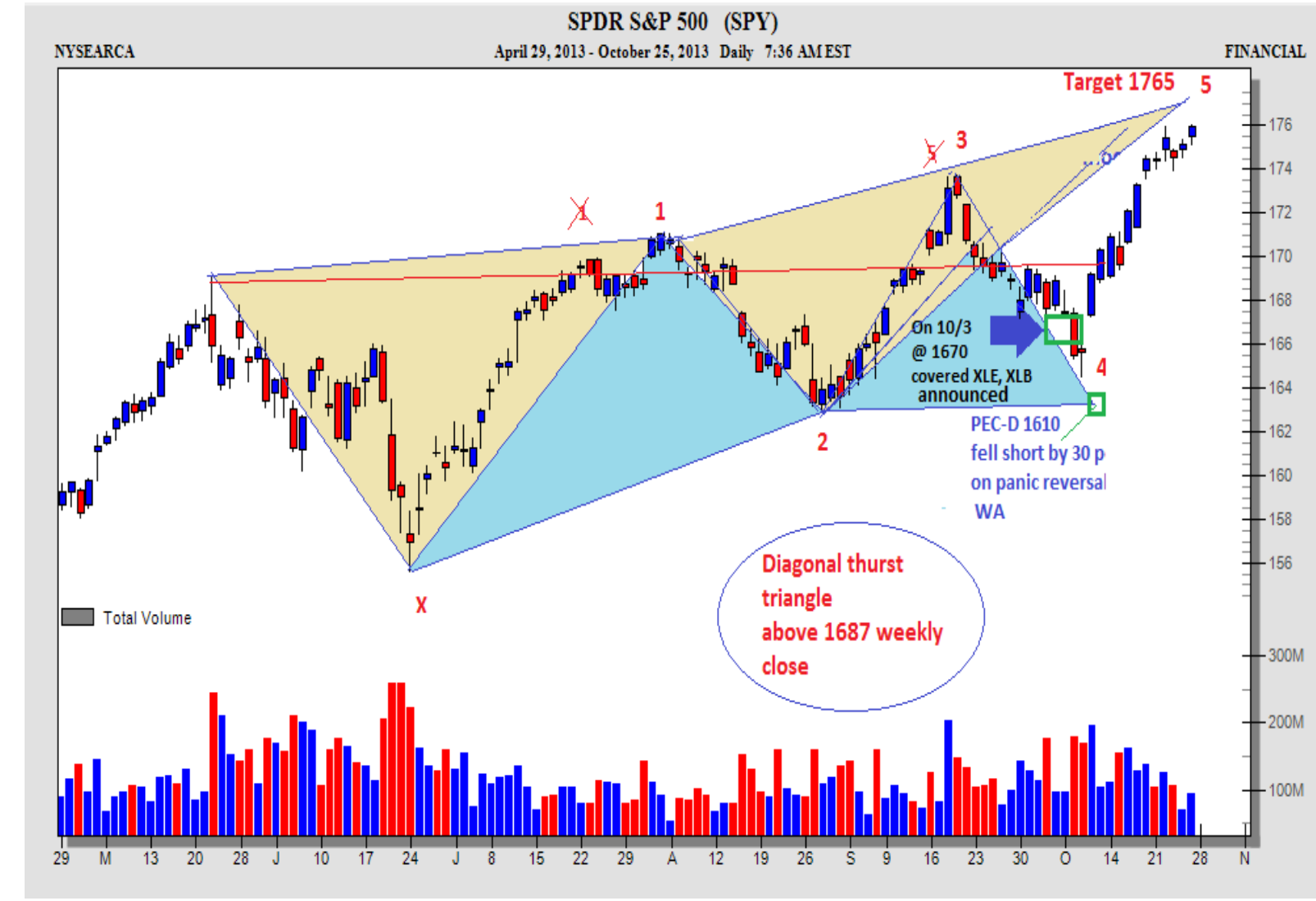
Signs of a short term top continue to build. Remember, short term tops can turn into intermediate tops. We see one pull back to CZ 1735-1725 then rally back and then leg down to PEC-D 1710. Annual seasonals argue that the market should be making a bottom in the October-November timeframe. But, the QE pumping action has overridden all seasonality.

The Negative still remains on SPX Ratio-Adjusted Summation Index (RAMI) has failed to rise back to the 500 level, the point where only large equity market is trending higher **but** Positive for Bulls is the breadth A-D is **not** breaking down , see chart below.

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.

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

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

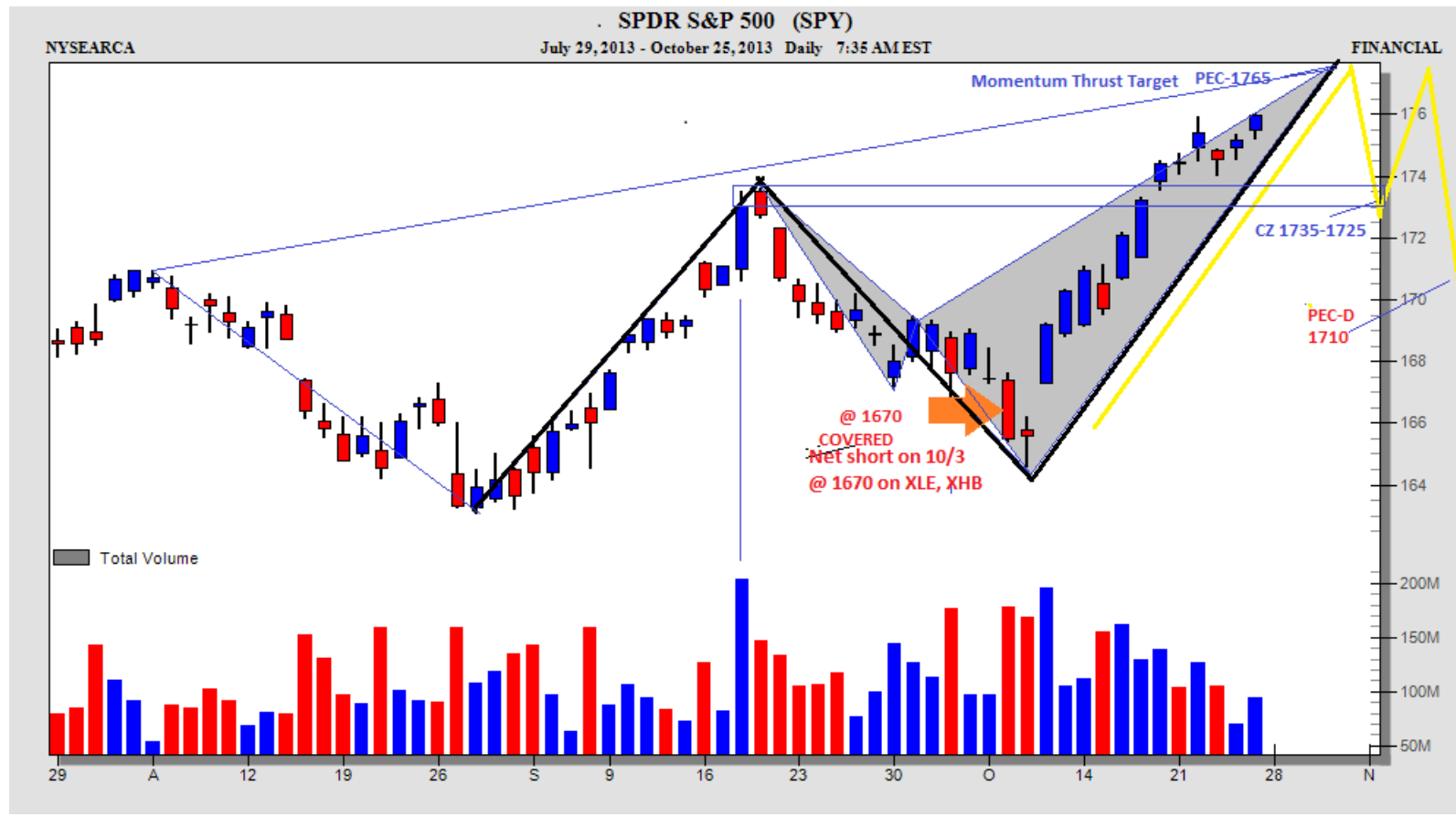


SPX- PEC- D / CZ Analysis POM 15 - Daily chart

Upside s- Momentum Thrust Rally . PEC-D @ 1765

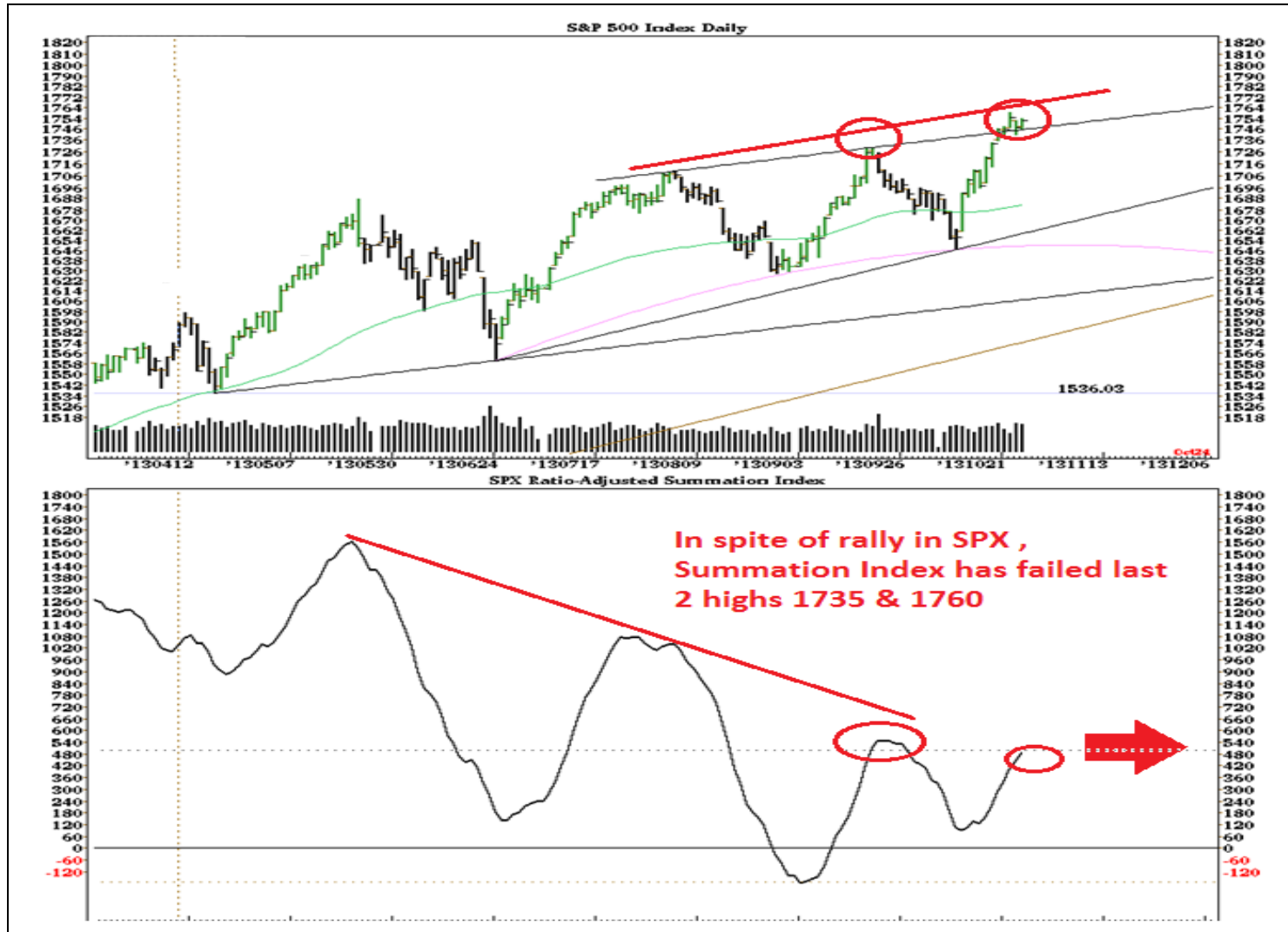
Downside --- . Pull back to CZ 1735-1725 then rally back to double top , then decline to ABC down to PEC-D 1710 .

Notes within the chart.



SPX – Summation Index. Analysis - Daily chart

Negative for Bulls - , Again this week SPX Ratio-Adjusted Summation Index (RASI) still fails to rise back to the 500 level, the point where large number of the equity market is trending higher. The Momentum Thrust move hasn't helped to move above 500 l.



SPX – A/D Cumulative Analysis - Daily chart

Positive for Bulls -, Breath has NOT broken down since our Trigger @ 1670 on 10/03. Momentum Thrust has carried A/D higher



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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