



Date : 2nd Sept 2013 (Monday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

By : Suneil R. Pavse, E : apavse@aol.com

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	1645	POM 15	CZ 1687-1653-7/24 & 7/10 Email <i>Alerted To scale in Net Short</i> For short bias	BEARISH Topping Short bias via Via QQQ, IWM, XLE, XLB, EEM Best instrument	CASH	NONE	Hourly PEC- @ 1655 within CZ 1653-1660 for bounce should fail	secondary failed at 1675 – Poly trendline False break above CZ 1687-1653 Failed on PQV,	ABC down To 1610 lows Towards heavy bottom	Larger ABC down to 1580 Heavy bottom (If Monthly confirms)	SEPT_close below 1600 Is required as next step To project 1580 target Wkly below 1650 is inforce for previous signal
TLT (BONDS)	104.	POM 13 –Re Run On 01/7 Core position	CZ 115-107 Triggered @ 107 8/09 – 2nd -1/2 re entry	BULLISH Bottoming But still struggling Current Drawdown -6.5% is managed with EMB Hedge, up 3.5%	Net Long Avg entry Price111	NONE	Close above PEC-D - 107 is required Within the Chanel line	CZ 124-128 Bullish Top	Extended PEC-D 106 below to 104 @ Crash levels		Earlier closed TLT positions For profit 115 to 122, 7 points Round trip .

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GOLD	1389	POM 13 @ 1540 For main entry Core position	CZ 1205 1190 Entry Triggered @ 1205 6/28-announced Hold Core position Target 1510	Bullish ST pullback	Net Long Reduced from 12% To 6% Alerted to ½ exit as Money Management @ 1429 On 8/26 – announcement Profits 224+148 - pts Entry was @ 1205 On 6/28. & @ 1280 On 6/24.	NONE <i>We shall re enter exited 6% position back at later date</i>	2 nd ABC up 1425-1445 Met & failed	3 rd ABC up to 1510.	Pull back to CZ 1350 - 1365, Top of the Flag Post Bullish bottom	CZ 1325-1335 – Bullish bottom Bottom in place @ 1205, PEC-D 1180	For Recycled 1/2 exposure Exited 2 Profits 224+148 Earlier exited 4- Profits 72 + 220 5- stop Loss -- (-15+ 0-3-9-2)

GOLD - Detail Chart to be included in Thursday's Currency Report

Portfolio – Overview & Update

Overall Portfolio is at “ **Neutral** “ to **Short bias** – **Triggered** to scale in Net short position QQQ, XHB, XLE, IWM Bearish Instruments. **POM 15 exposure @ 1687 to Scale 7/24 – Short bias Portfolio** . This is same Exposure that was short covered on 6/28 @ 1570 lows

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, XLE, XLB , EEM - for Short bias Portfolios only
- **EXITED**
GOLD (1/2) , GDX (1/2), EMB

The +VE spread of “ Net Long – Bullish Top Instruments “ **v/s** Short – Bearish Top Instruments for Market Neutral Exposure. Our Holdings **XLV (Hlt care) , XHB (home blrs) , XLP(Staples), FXI (China), EWJ (Japan)**, as long term Bull Market. Equity Portfolio - **fully hedged**. (On Announcement of 1st- POM 15, 2/25, 3/06)
Short exposure via **IWM, QQQ, XLB, XLE** in Bearish top Instruments

GOLD - Bullish- ST Pullback .

Projection 2nd ABC up Met & exact and declined . We announced exit of ½ position for 224 & 148 points profits

Upside - Projected 2st within CZ 1425-1445 – Met & failed

Downside – Pull back to CZ 1350 -1365- A shallow retracement with Bullish bottom slightly above our Pullback CZ 1325-1335 .

At 1205 on 6/28 Triggered & volume rejection resulted in 224 point rally to 1428 Target - Met . We exited ½ exposure for Money Management . We shall re- enter the position back. And hold Core position for 3rd ABC up to 1510 .

TLT (BONDS)– Pull back extended below Bottoming CZ

TLT is struggling to come back in in range with Bullish volume reversal. We should trade above PEC-D 107 to get traction.

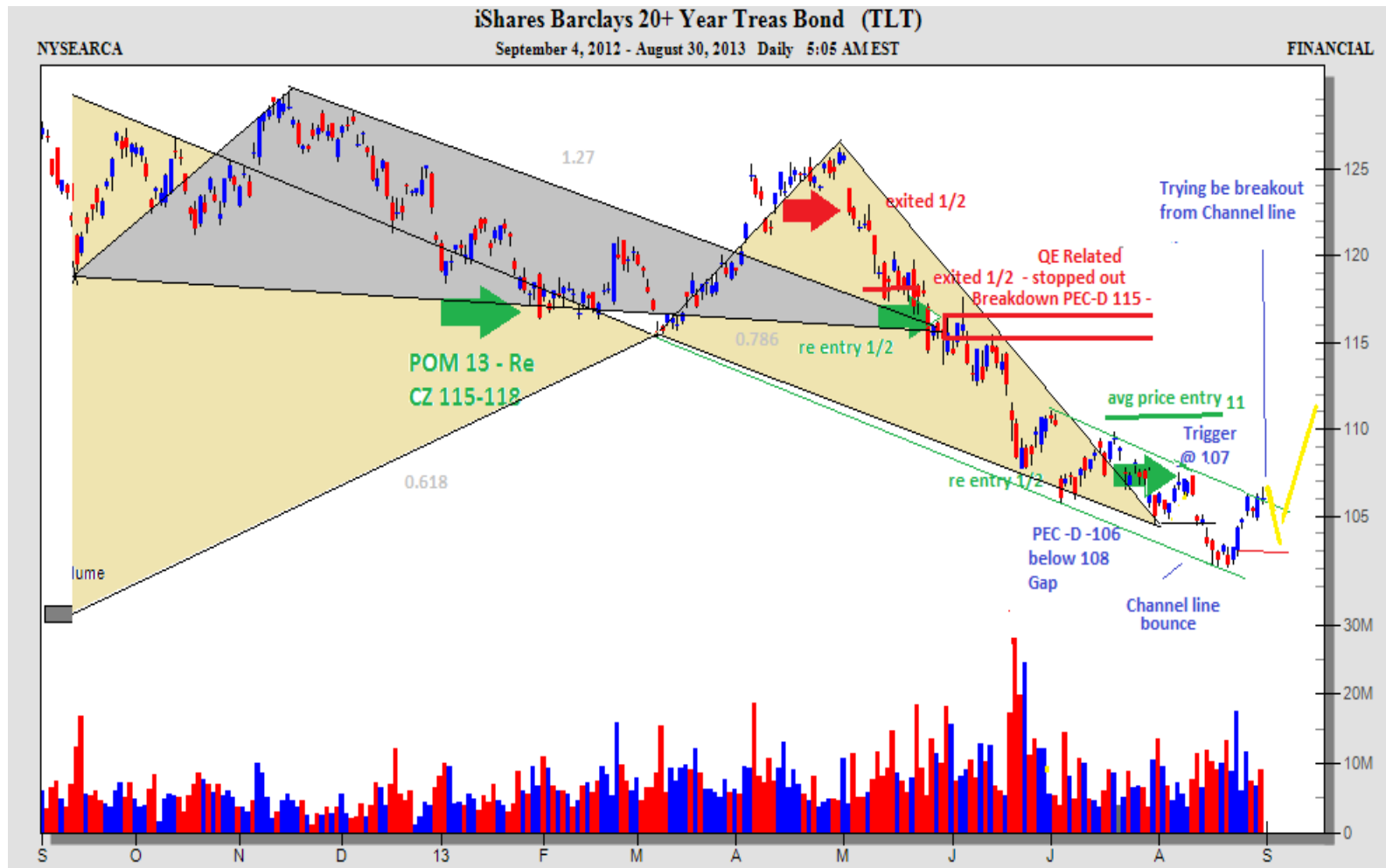
There is no volume in this down move as prices have moved down therefore we think we may be close to a turn up in bonds . The Bullish divergence still exists although the prices are down.

BACKDROP - Our Re - entry Avg price of 111 on full position & has drawdown of -3.6% & our Hedged by EMB up +3.5% was a protection. **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)

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

Downside – Bottoming process continues.

Upside - Close **above 107** TLT should rally to 111 & then to CZ – 124-128 (Bullish top).



Market Overview SPX

The market put in a three-day weak bounce with seasonal labor day weekend push up last week with Light volume this time of year . It is standard operating procedure and may continue a bit this week to set up smaller B point within larger B point for ABC down . The bounce **PEC-D would be 1657** within **CZ 1655-1660**. The Weekly close below 1650 on high volume is still intact

The Lunar favorable is until 5th September (New Moon on 5th) before we head lower towards out **1st ABC projection 1610** and **2nd ABC down to 1565 Heavy Bottom**.

Next week will conclude with the release of the August Employment Report, an event which Trigger wide price moves. From the 9th to the 23rd, the lunar unfavorable period is in effect and could help trigger some downside action. It might also coincide with a big rally in the bond market, which is building a big base to launch what could be a very big move:

The seasonal lows due in the next couple of months, very likely in September (could stretch into the traditional October-November seasonal low. We should consider that lows as Buy point. It's the unfavorable season for stocks right now. Looking SPX , we see that the top occurred in the rolling basis over of the rising / falling Poly Trend line.

POM 15 – CZ 1687-1653 is distribution period or “topping process” as Market internals is still showing weakness.

Internal Technical - the CBOE Equity Put/Call ratio. We use this ratio as a sentiment indicator. When the Equity P/C reaches above .95 than a bottom in the market is not far off (provided the other factors like PEC-D & VTO lines up) . We are at 0.71 which suggests there may be some down move to go.

The Ratio-Adjusted **McClellan Summation index** is still pointing downward and forming higher lows for the NYSE. With **McClellan Oscillator is below 0 & Peak @ 500**. The Volume oscillator is weak.

Summary

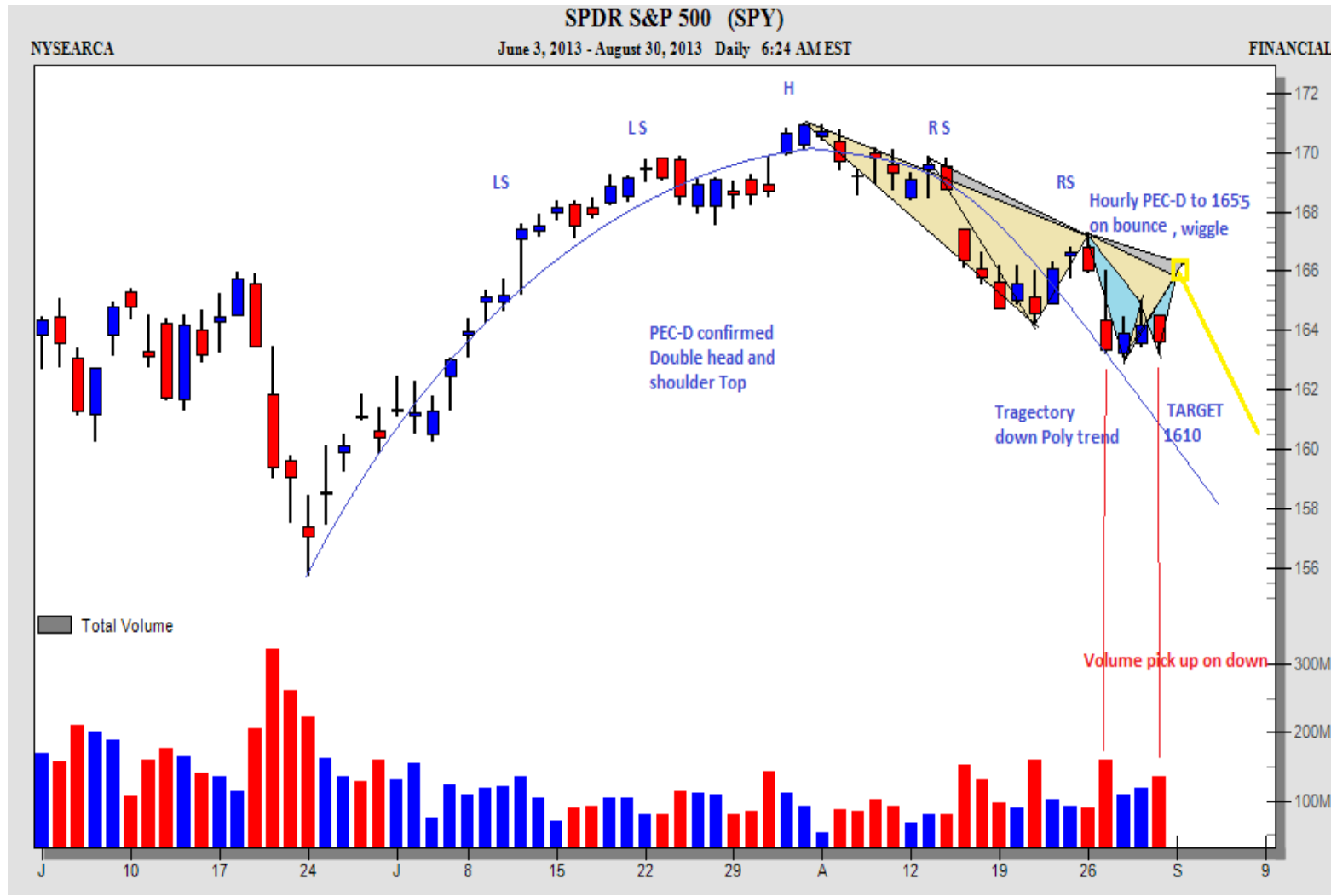
- Bounce to 1655 – Hourly PEC-D , within CZ 1653-1660 should fail.
- We initiated Net Short & Scale in CZ 1687-1653, Triggered 7/24 & 7/10 – POM 15 & 1675 Poly trend failed
- The move higher above 1688 is false break with Bearish topping . Contracting volume on this rally , This sets up ABC down to 1610 & then to 1580 – Heavy Bottom).
- 1- **Daily** - close below 1675 in action – with Heavy Volume
- 2- **Weekly** close below 1650 , with Expanding downside volume is good confirmation of continuation Signal
- 3- **Monthly (SEPT)** – Close below 1600 is required for Monthly Trend Reversal to decline to 1535- Heavy bottom.

On weekly basis since Oct 2011 lows of POM 12 , the 4 declines have lasted from 5 weeks to 9 weeks. The current decline has lasted 3 weeks so far. (Refer to chart below)

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

Double Head and Shoulders topping pattern PEC-D Validated that formed a the July August high was also a bearish “Upthrust” to the May 22

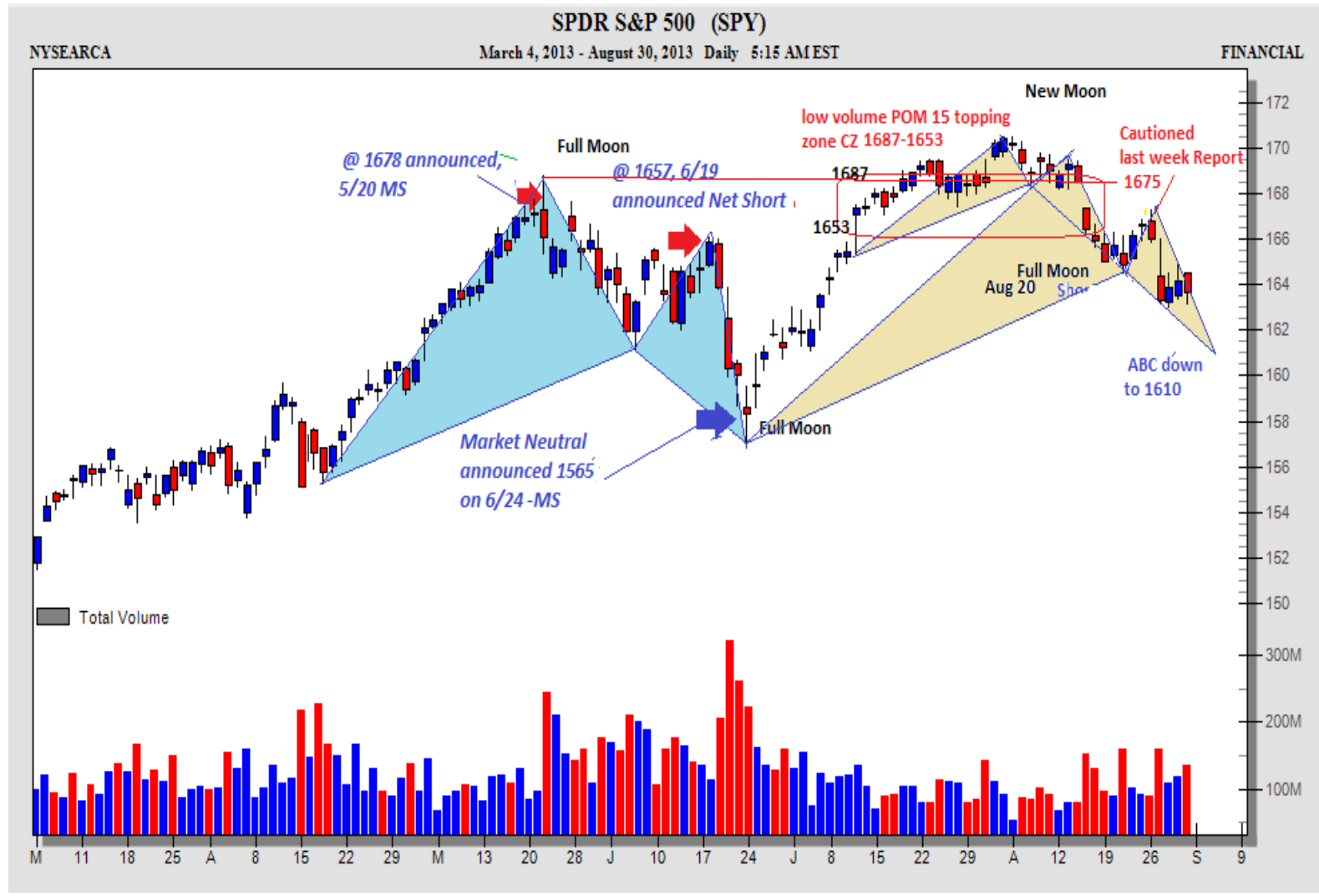
UPSIDE bounces - Hourly PEC-D @ 1655 , within CZ 1653-1660 should fail .



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

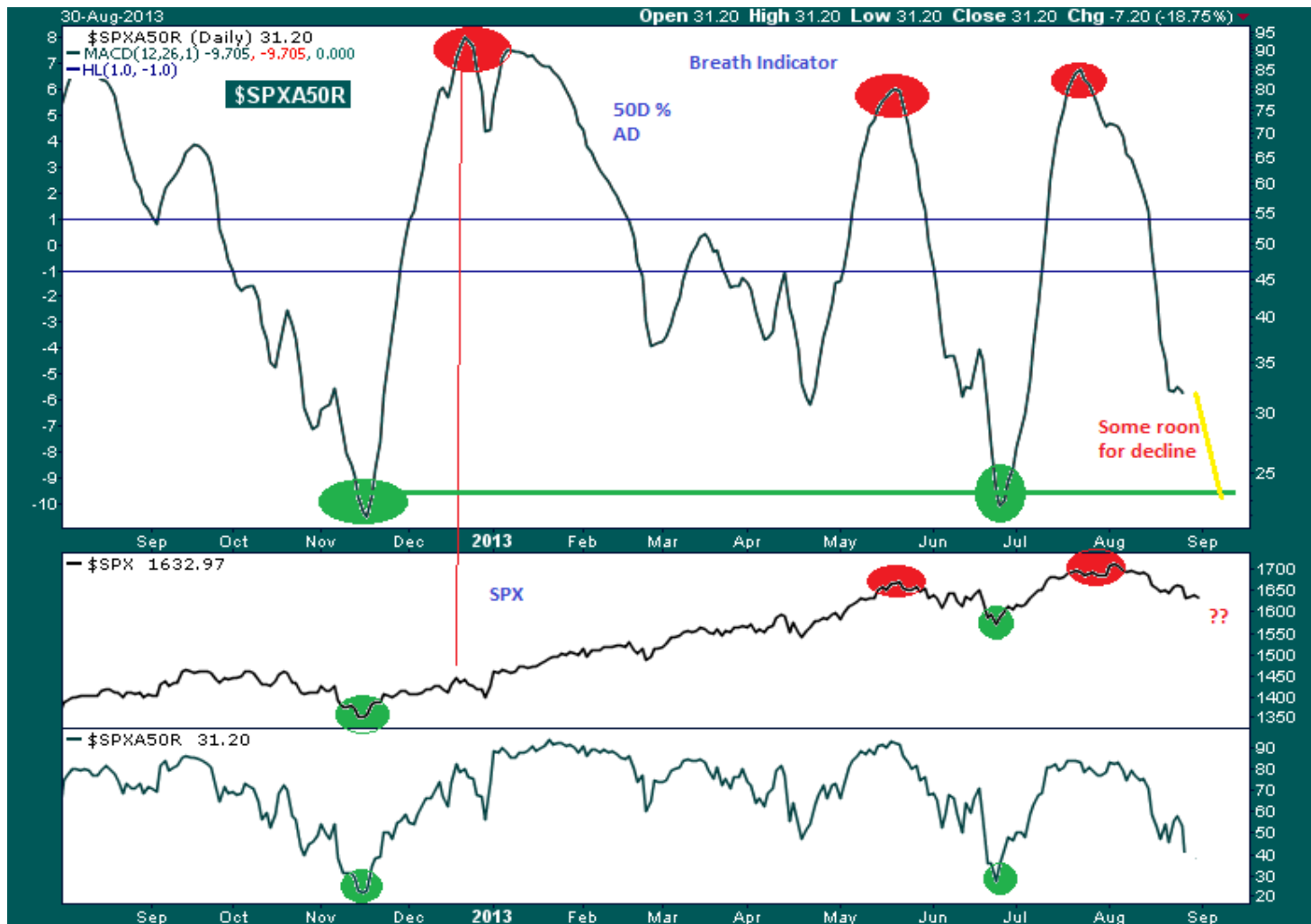
Downside Projection is **PEC-D 1610** heavy bottom .

UPSIDE -- POM 15 failed - CZ 1687 – 1653 and secondary Poly Trend Top 1675 failed



SPX- AD Breadth Indicator Analysis

BREADTH INDICATOR TURNED BEARISH - %Above 50-day SMA participation has a bullish bias when more than 50% stocks are higher . The momentum of this breadth indicator has turned down. I.



SPX – Cyclical Model

- SPX - Seasonality / Election Model -

Mid July Rally is in Progress

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model topped on 1st June. 22nd July is Lunar – Full Moon Cycle. Has failed .

- SPX - Sentiments Model

AAll Weekly Sentiment Survey is NEUTRAL

- The EURO – Future Model Forecast,-

By this Model, Correction Larger decline to Mid Aug 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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