



Date : 16th Sept 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
<b>SPX- 500</b>	1687	<b>POM 15</b>	CZ 1687-1653-7/24 <i>Alerted To scale in Net Short @1687</i>	<b>BEARISH Topping</b>	CASH	<b>NONE</b>	Gap into 1675 (the Poly trendline) – met & Extended on low volume	<b>Double top 1705 &amp; fail</b> On spike high Possibly on FOMC  22 <sup>nd</sup> May 1687 above <b>Failed on PQV,</b>	1 <sup>ST</sup> ABC down To 1610 <b>lows</b> Towards <b>heavy bottom</b>	2 <sup>ND</sup> ABC down to 1580 <b>Heavy bottom</b> (if weekly close below 1650 re initiates)	<b>It appears to be 3 gap play We had 2 gaps , possibly 3<sup>rd</sup> one may be coming</b>
<b>TLT (BONDS)</b>	103.5.	<b>POM 13 –Re Run On 01/7</b>  <b>Core position</b>	CZ 115-107  <b>Triggered @ 107 8/09 – 2<sup>nd</sup> -1/2 re entry</b>	<b>BULLISH Bottoming</b>	<b>Net Long</b>  <b>Avg entry Price 111</b>	<b>NONE</b>	Target - Close above PEC-D - 107 is required Within the Chanel line	CZ 124-128 <b>Bullish Top</b>	Extended PEC-D 106 below to 104 @ Crash levels, Bullish divergence		<b>No change from Previous</b> <b>Current Drawdown</b> -6.5% managed with EMB Hedge which is up 3.5%

**TLT - Detail Chart to be included in Wednesday's Broader Indices Report**

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<b>GOLD</b>	1315	POM 13 @ 1540 For main entry  <b>Core position</b>	CZ 1205 1190  <u>Re – Run Entry Triggered @ 1205 6/28-</u>	Bullish ST pullback In progress	Net Long  <b><u>Holding Core position to Target 1510</u></b>	NONE  No Signal for Re-entry	2 <sup>nd</sup> ABC up 1425- 1445 <b>Met &amp; failed –</b>  <b>Alerted</b>  Timely exited ½ on 8/26 within CZ	3 <sup>rd</sup> ABC up to 1510. In next rally up	<b>Pull back to</b> CZ 1325- 1335 –  <b>Breached with heavy volume.</b>  <b>No Signal for Re- entry</b>	CZ 1285- 1300 –  PEC-D 1295  Bullish bottom  <u>Bottom in place @ 1205, PEC-D 1180</u>	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>

**Note** - We shall **Re enter** exited position back at later date once we get PQQ Validation on this pull back ", We shall announce it

## 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

**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 1<sup>st</sup> POM 15, 2/25, 3/06 )  
**Short exposure** via IWM, QQQ, XLB, XLE in Bearish top Instruments

## GOLD - Bullish- ST Pullback .

Gold is smashed down 100 points since our Exit signal at 1428, last week sudden drop of 60 points came in when apparently single trader placed a huge sell order on December gold future contracts, no attempt to use limit orders or spread such a huge sale over several hours or days. It caused CME trading to automatically shut down until its computers could find enough buyers to take the contracts

### Correlation GLD, GDX,

Although GLD is approaching its pull back CZ and looks Bullish to re enter , we would like to see how GDX reacts at its pull back PEC-D. We would like the volume to dry up and both GOLD and GDX should be in sync with its Bullish PQV Validation. Let it prove itself !!.

Currently GOLD is in in process of pullback. It failed to hold 2<sup>ND</sup> ABC down to CZ 1335-1325 on heavy volume. We did not have any Trigger to re entry at those level ( Refer our Alert email 9/13)

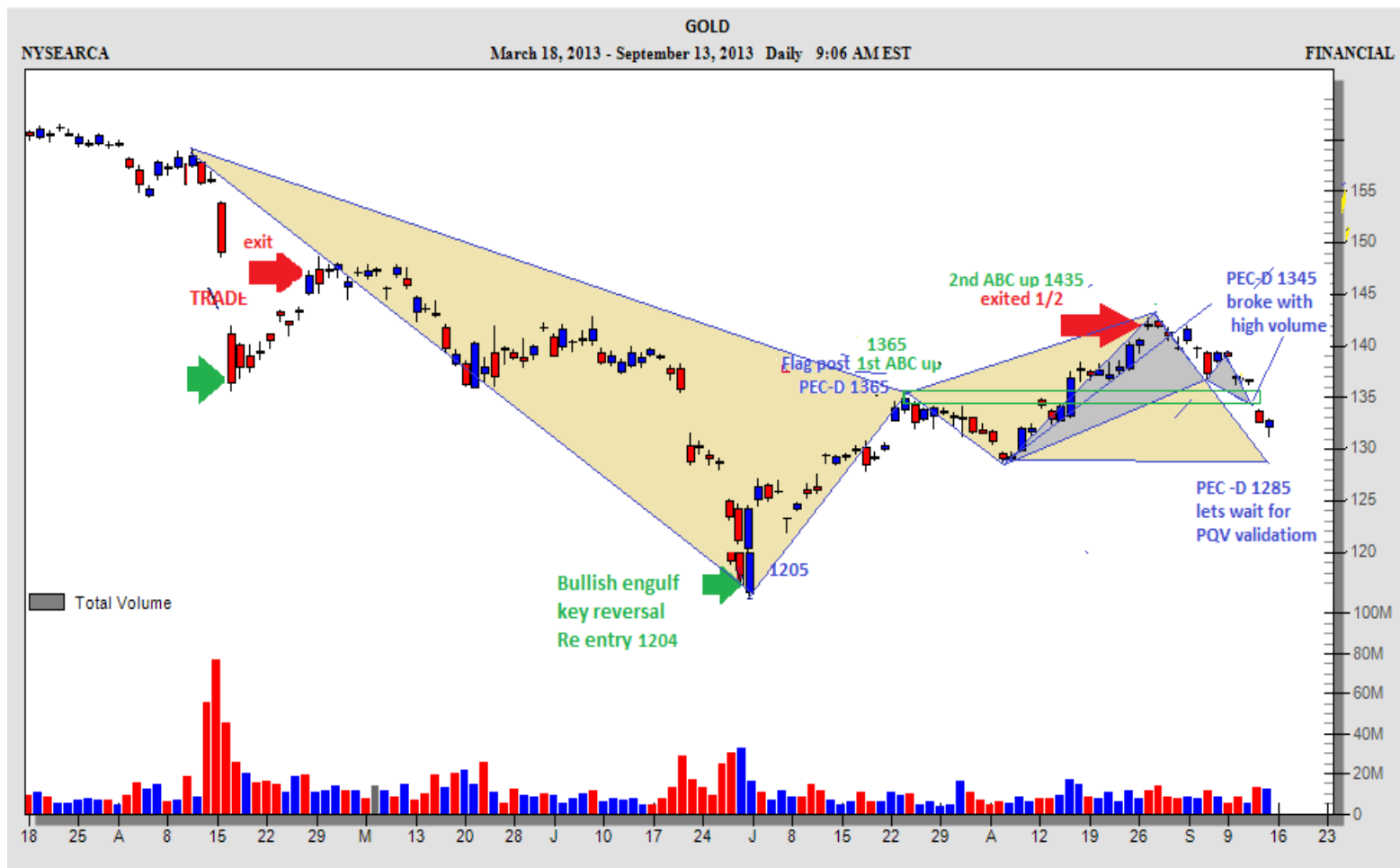
**Downside –** 3<sup>rd</sup> ABC down to PEC-D 1290 is in progress. This should hold on Bullish bottom. We shall re- enter the position back upon PQV Validation. No Signal at the movement.

At 1205 on 6/28, GOLD Triggered volume rejection resulting in 250 point rally . We exited ½ position at 1428 .. We hold Core position for 3<sup>rd</sup> ABC up to target 1510 .

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

**Downside-** Pull back to 1365-1350 – Flag post Top, Approaching PEC-D @ 1345 with Bullish bottom, slightly above our Pullback CZ 1325-1335. ( Refer chart)

**Upside -** Projected 2<sup>st</sup> ABC up – met & failed within CZ 1425-1445 & decline began



## Market Overview SPX

QE or not to QE !! is the order of the week. Volatility is in as Market is pricing in Presidents choice for FOMC chairman. Futures are indicating higher 12 points as Market is celebrating Larry Summer's decision to drop out as emotional burst. We believe once SPX double tops at 1705 it will not hold. FOMC has minutes of the meeting out on Wednesday. It may Trigger spike high.

Last week – A peace initiative on Syria Triggered the rally to 1687 going past our Projected Gap 1675 – Poly trend line exceeded this AM . Our Target on this move has been to 1658 . We are surprised us from 1660 to 1695 . The volume is 40% lighter volume into the Gap but Geo- politically things can get skewed on short term basis. There doesn't seem to be failure yet till double tops . Although the Net Short bias Triggered above 1687 is under pressure,. However the Bullish Instruments- Net long XLV, XLP, XHB , FXI & NIKKE is providing enough +ve spread.

POM 15 Trigger has been at 1687 , 7/24 . In spite of the Gyration, the market is trading only 13 points ( i.e 1700) above the Trigger point . The move higher above 1688 is false break

This week, on daily we have may have 3 gap Play in progress. We have already played 2<sup>nd</sup> Gap this AM possibly third one may come before reversal on FOMC spike high then we should get the beginning of decline delayed from last week. Full Moon on 19<sup>th</sup> September. The failure may come from 1705 double top from Triggers of FOMC, Appointment of Chairman or Syria News.

For any New action of Short side it is better to wait for the failure and let the Market close below last weeks lows of 1675

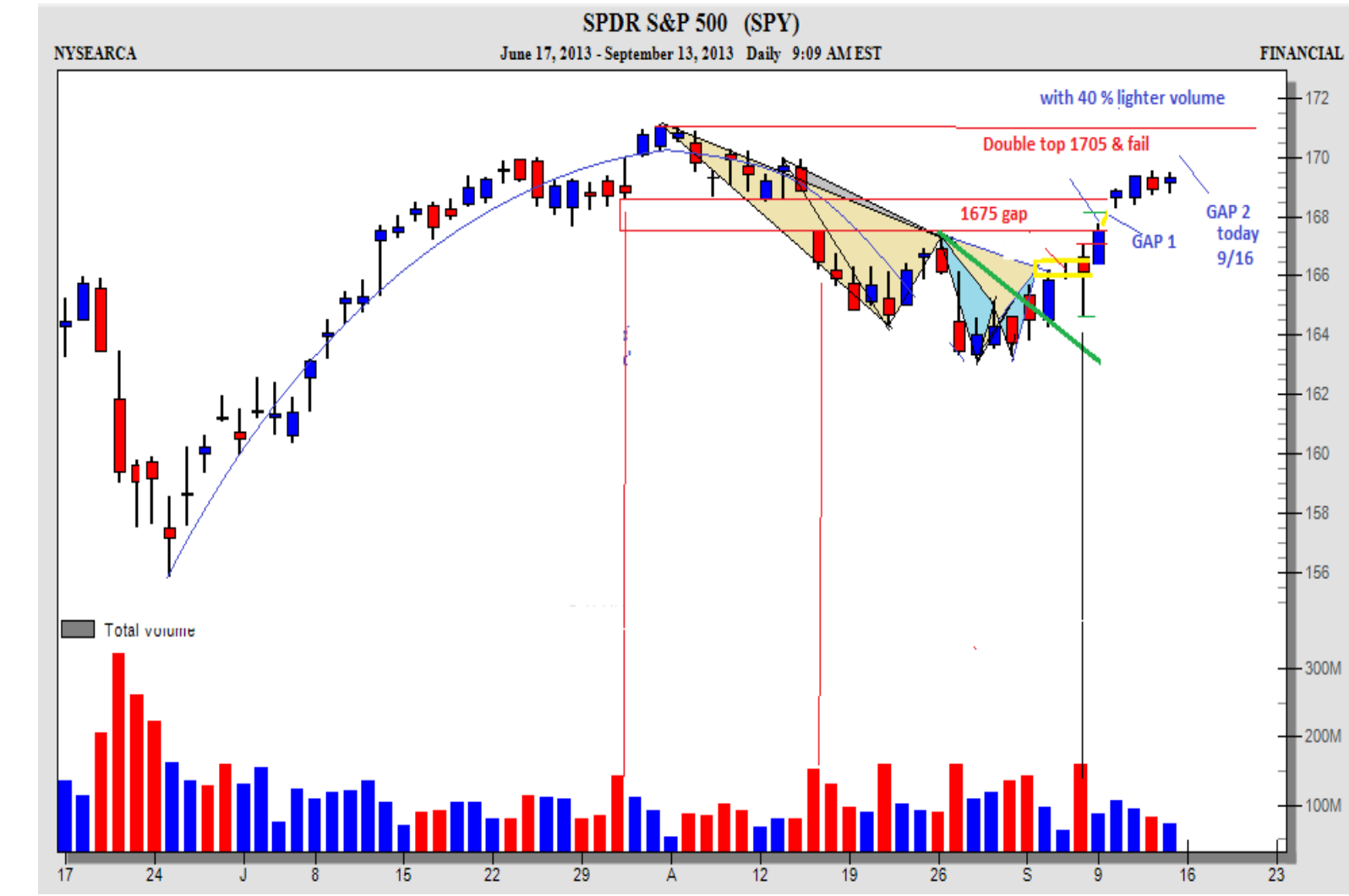
Therefore we still expect lower prices in October or November. We should consider that lows as Buy point for the Best Risk Reward. Technically, on weekly basis ( chart below ) we are approaching the Channel line.

Market Correlation - NASD has been weak, in today's s Gap up due to APPL acting weak.

VIX -- PEC-D – 20 is projected target . 1-3-5 Pattern is under formation in VIX ( Refer chart below)

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

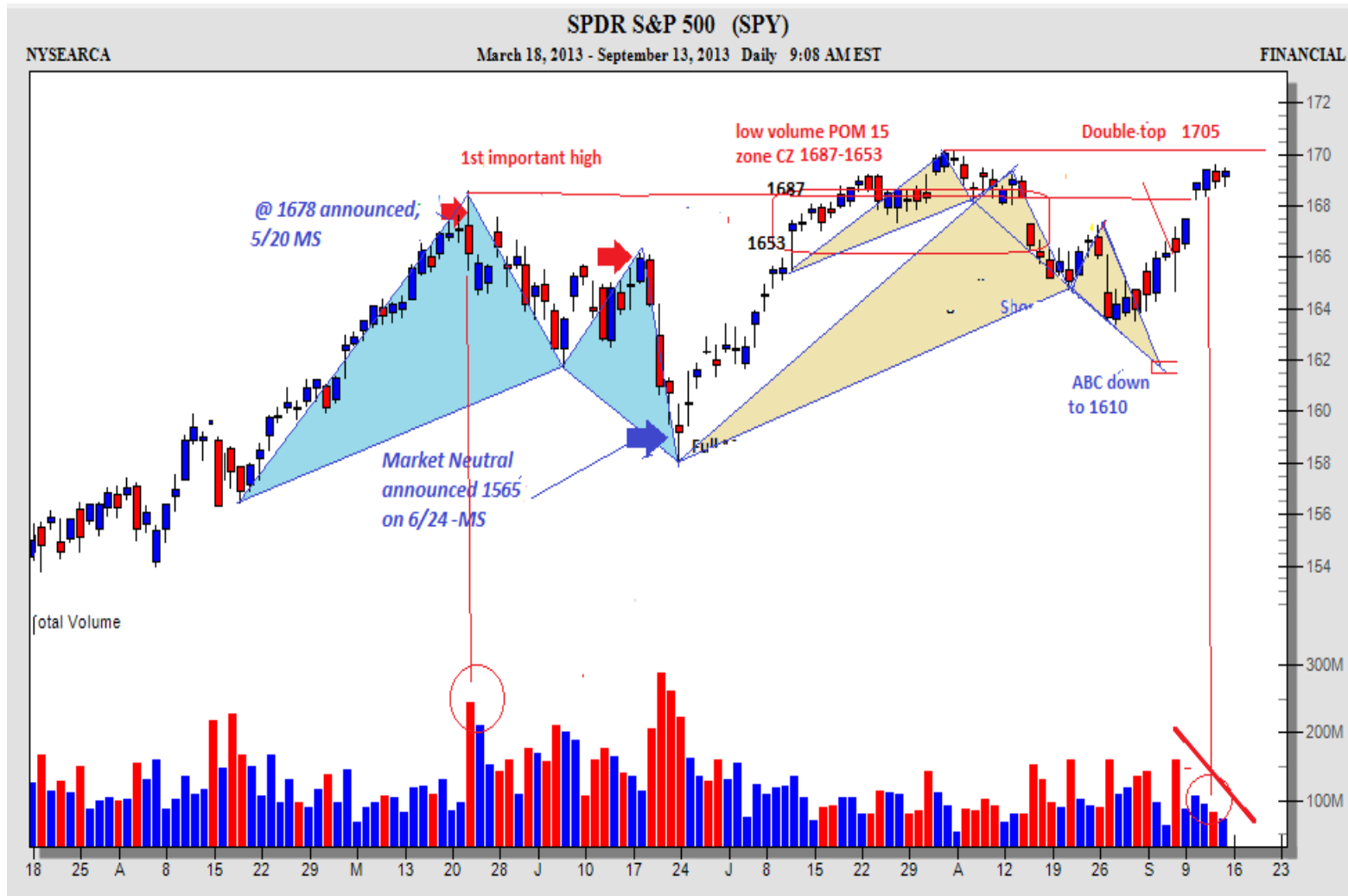
**UPSIDE** - .3 gap play on upside- we already had 2 Gap including today Gap up , the 3<sup>rd</sup> one may be coming at Double top  
We have Poly trend 1675 Gap breached on 40% lighter volume.



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

**UPSIDE** -- POM 15 failed - CZ 1687 – 1653 and secondary Poly Trend Top 1675 failed earlier , declining volume

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



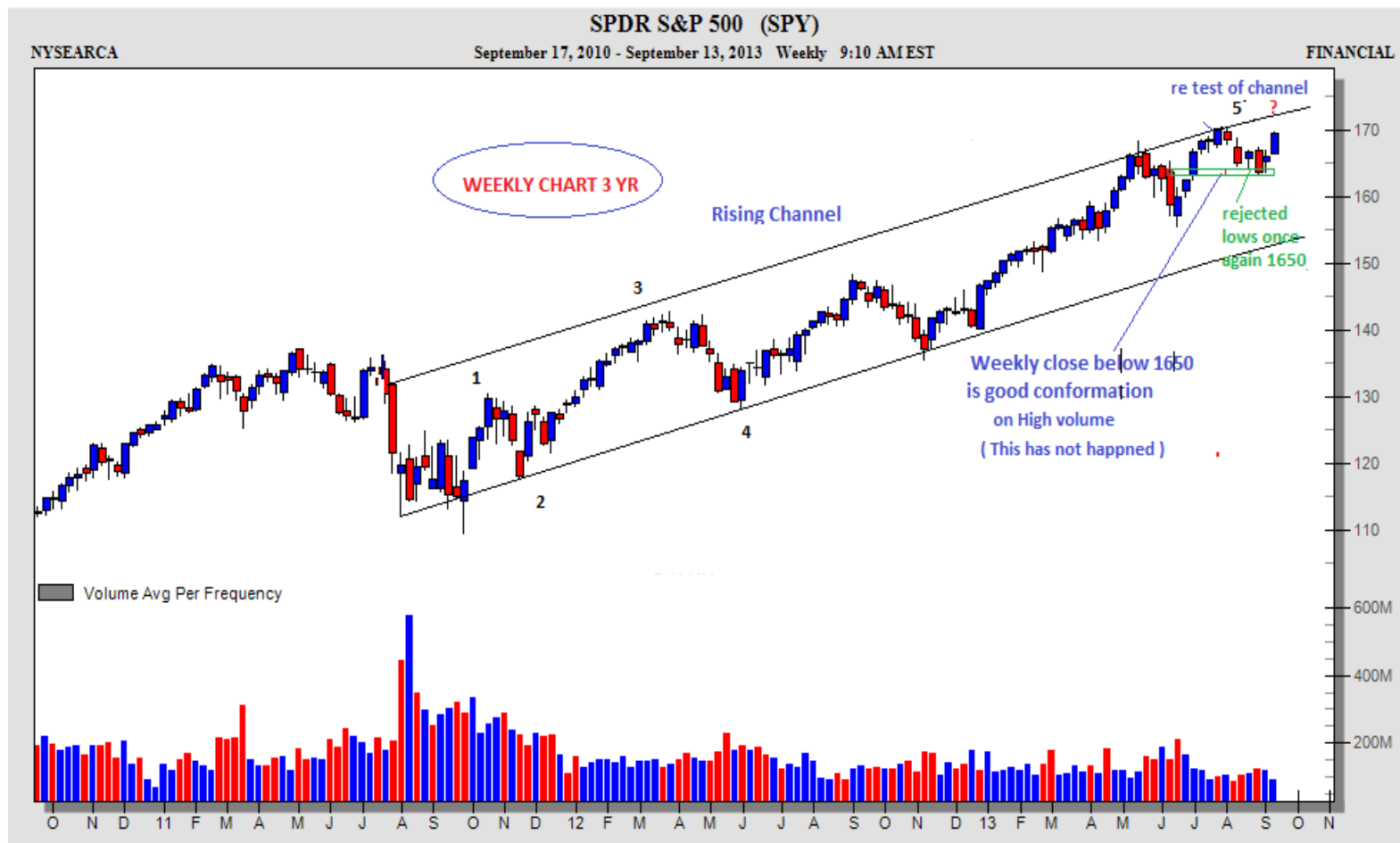


# SPX- CHANNEL with WAVE Analysis - Weekly

Rejected the lows on weekly - CHANNEL LINES , WAVE still at play is our road Map

Mid term SPX may remain within its upward-trending channel with a test of the lower channel boundary coming by October . Weekly basis – Larger WAVE 5 in the CHANNEL Lines.

Weekly close – Below 1650 is required. This has not cracked yet



## VIX - PEC- D / CZ Analysis

UPSIDE -- PEC-D - 20 is projected target . 1-3-5 Pattern is under formation in VIX



## 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

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<b>GR 1 (13+2)</b> <b>Coverage in MS</b>	<b>GR 2 ( 9 +4 )</b> <b>Coverage in SECTORS</b>	<b>GR 3 (8+1)</b> <b>Coverage in COMMODITY</b>	<b>GR 4 (5)</b> <b>Coverage in CURRENCY</b>
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### US BROADER IDX

- SPY ( SPX 500)
- DIA ( DOW 30)
- QQQ ( NASD100)
- IWM (Small Cap)
- IYT ( Transport)
- 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)
- GDV (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 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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