



Date : 17th Sept 2013 (Tuesday)

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 | 1701 | POM 15 <i>Mean CZ At 1670</i> | CZ 1687-7/24 <i>Alerted To scale in Net Short Only on Short bias Portfolios</i> | BEARISH | CASH | NONE | Target Double top 1705 met & Exceeded On FOMC day with 3 rd Gap play Of 3 Gap play | Target PEC-D 1735 To test the weekly shooting star <i>Provided SPX don't close below 1687 This week</i> | Short term Target PEC-D 1670 | ABC down To 1610 lows Towards heavy bottom | 22 nd May 1687 above Failed on PQV, (weekly close below 1650 required) |
| TLT (BONDS) | 105.7 | POM 13 –Re Run On 01/7 Core position | CZ 115-107 Triggered @ 107 8/09 – 2nd -1/2 re entry | BULLISH Bottoming | Net Long <i>Avg entry Price 111</i> | 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 -4.5% managed with EMB Hedge profit of 3.5% |

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|--|---------------|---|--|---------------------------------|---|---|-------------------------------------|--------------------|---|--|---|
| GOLD See Note Below | 1321 | POM 13 @ 1540 For main entry Core position | CZ 1205 1190 <u>Re – Run Entry Triggered @ 1205 6/28-</u> | Bullish ST pullback In progress | Net Long Added only ½ position 9/18- Re entry @ 1350 <u>This was Exited @ 1428 On 8/26</u> | NONE | ABC up CZ 1425- 1445 Bullish Top | ABC up to 1510. | PEC-D 1295 Met exact & rallied Bullish bottom PEC-D 1295 Could get re tested for secondary test | CZ 1205 – 1180 PEC-D 1180 Bullish bottom | For Recycled <u>1/2 exposure</u> 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) |

Note –We could see a re test Of PEC-D 1295 on secondary test. We shall enter ½ balance position attain our full position within **CZ 1295-1315 if rejected and PQV Validated** . The reversal can materialize in very volatile manner within 1295-1315, if volume dries up . GOLD market reacts violently after lunch CME

GOLD - Detail Chart to be included in Upcoming 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

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 .

FOMC news triggered GOLD to rally 70 points from our projected PEC-D lows 1295 & reversed upside. We re entered ½ of our previously exited position @ 1350.

Following this up move, the next 2 days GOLD has given back 50 points of its gains.

Downside – 3rd ABC down to PEC-D 1295- May get rested once again . This should hold on Bullish bottom. We shall re-enter the balance ½ of position back in upon secondary test .

Earlier. We exited position at 1428 , entered at 1205 on 6/28 resulting in 250 point rally.

TLT (BONDS)– Pull back extended below Bottoming CZ

Sentiments in Bonds still remains negative. TLT - is building a big base within CZ 104-105 to launch big move. It has completed 3 drives to the bottom and rejected lows on weekly. It is attempting to come back in range 107 with Bullish volume reversal. We should trade above PEC-D 107 to get traction to 112.

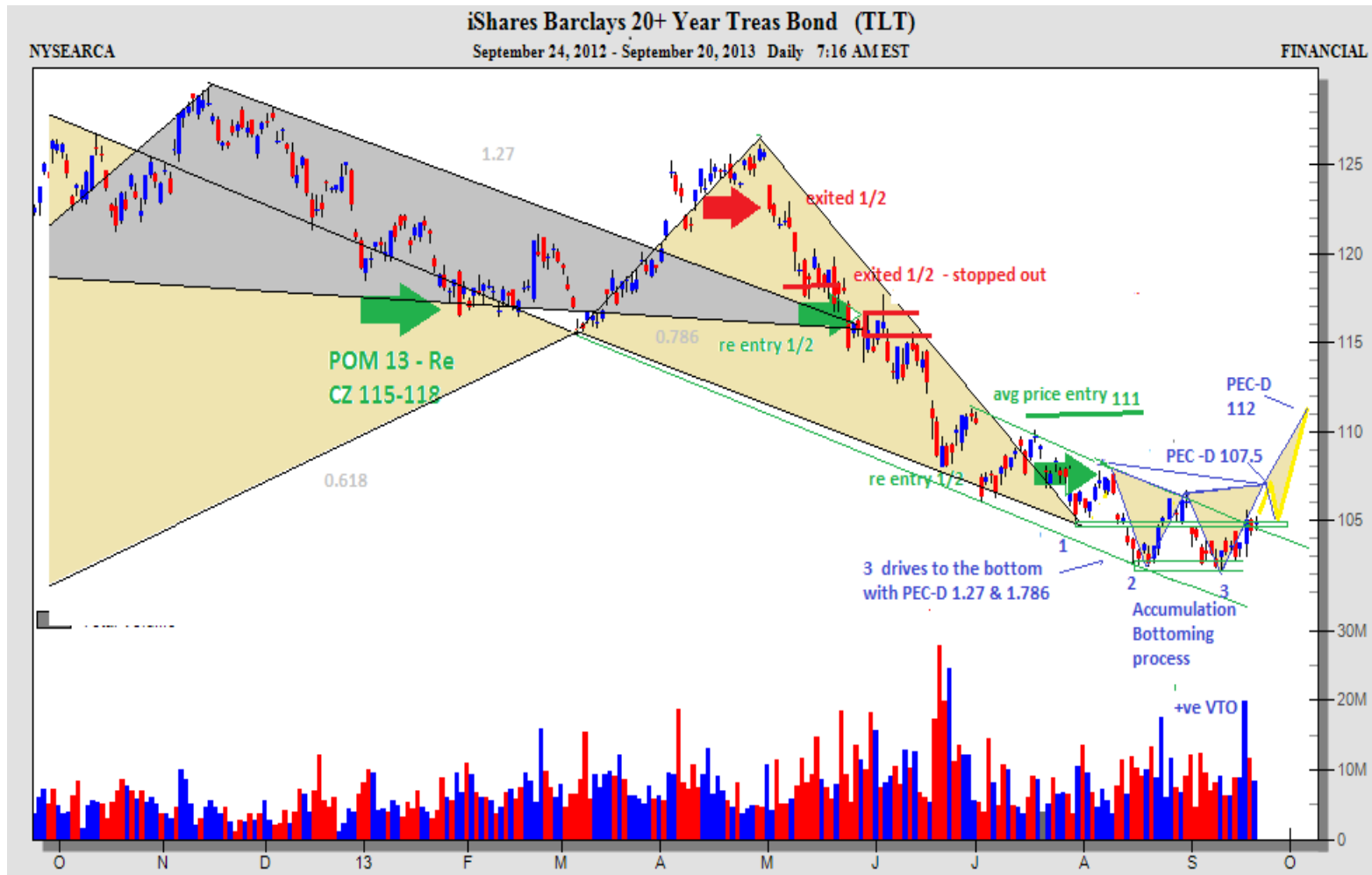
The continues to be low on down days . We think we may be close to a turn up in bonds . The Bullish divergence still exists.

BACKDROP - Our drawdown of -4.5% cushioned by EMB hedge 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)

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

Upside - **PEC-D 107.5** Close above 107, TLT should rally to **112 & then to CZ – 124-125** (Bullish top).

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



Market Overview SPX

This Morning Ms Yellen named as FOMC Chairperson to continue the policies of Dr. Ben. i.e QE –infinity in full flow (On again off again) . For us technically, this is volatility.

Last week – FOMC put in fire power under the Market , our expectation in Market was spike high to double top 1705 to complete the 3rd Gap of 3 Gap Play , this phenomena has happened in all the Global Market in sync along with 1-3-5 , PEC-D 1.27 / 1.786 driven PEC-D Pattern. .

The 3rd Gap of FOMC day was much larger than our expectation to high of 1722 but gave it all back in next 2 days back to the 2nd Gap 1695. **Currently SPX @ 1700 is 13 points above our POM 15 – 1687 & above 22nd May high .**

FOMC , 19th Sept coincided with LUNAR FULL moon Cycle which Market the ST Top and pull back

This week, On short term basis. There doesn't seem to be failure yet although the market continued to slip on Monday, it wasn't a full-fledge selling like Friday. There are apparently enough dip buyers as volume dried up to cushion the fall. Especially Russell held the best. This suggests we should see another secondary highs to **PEC-D @ 1735.**

Once we fulfill that move we should move back to complete the 3rd Gap down towards 1675. With **PEC-D @ 1670**

Seasonal Model of weak September has been wrong this year. Historically September 16th to October 14th is the weakest which hasn't happened. NDX historic weak period is the 22nd of September and bottom around the 8th of October.

The best time to go long the market is right in the middle of October each year. That seasonal low is the beginning of a long period of advancing prices for the next 6 months. We should consider that lows as Buy point for the Best Risk Reward.

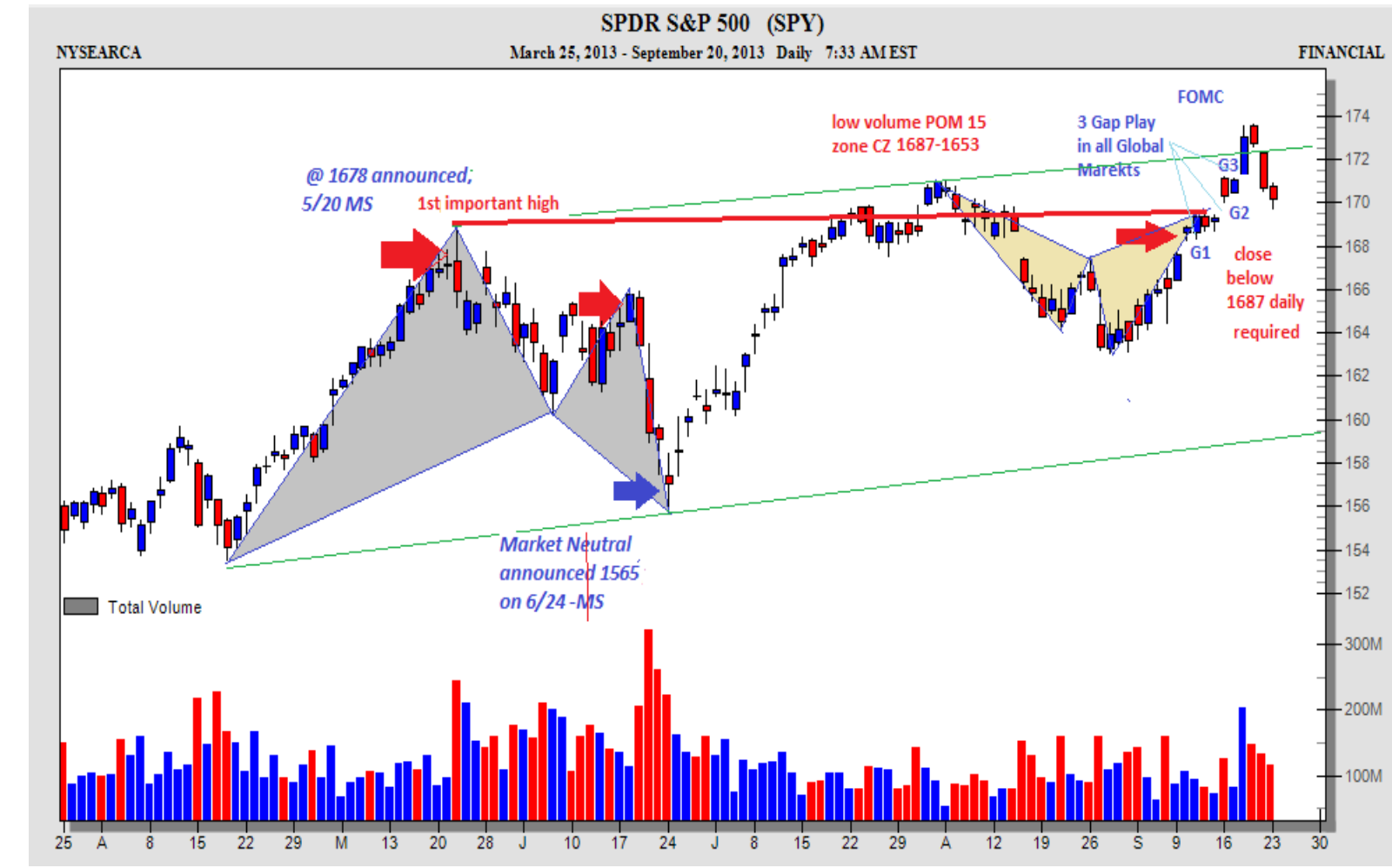
Currently our Net Short exposure Triggered above 1687 is under pressure, however the Bullish Instruments- Net long XLV, XLP, XHB , FXI & NIKKE is providing enough +ve spread to dampen the (-15 points) move in IWM, QQQ)

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

FOMC – 3 gap play (see chart below for notes) , close below important high of 1687 on daily is required.

UPSIDE — POM 15 failed - CZ 1687 and secondary on declining volume

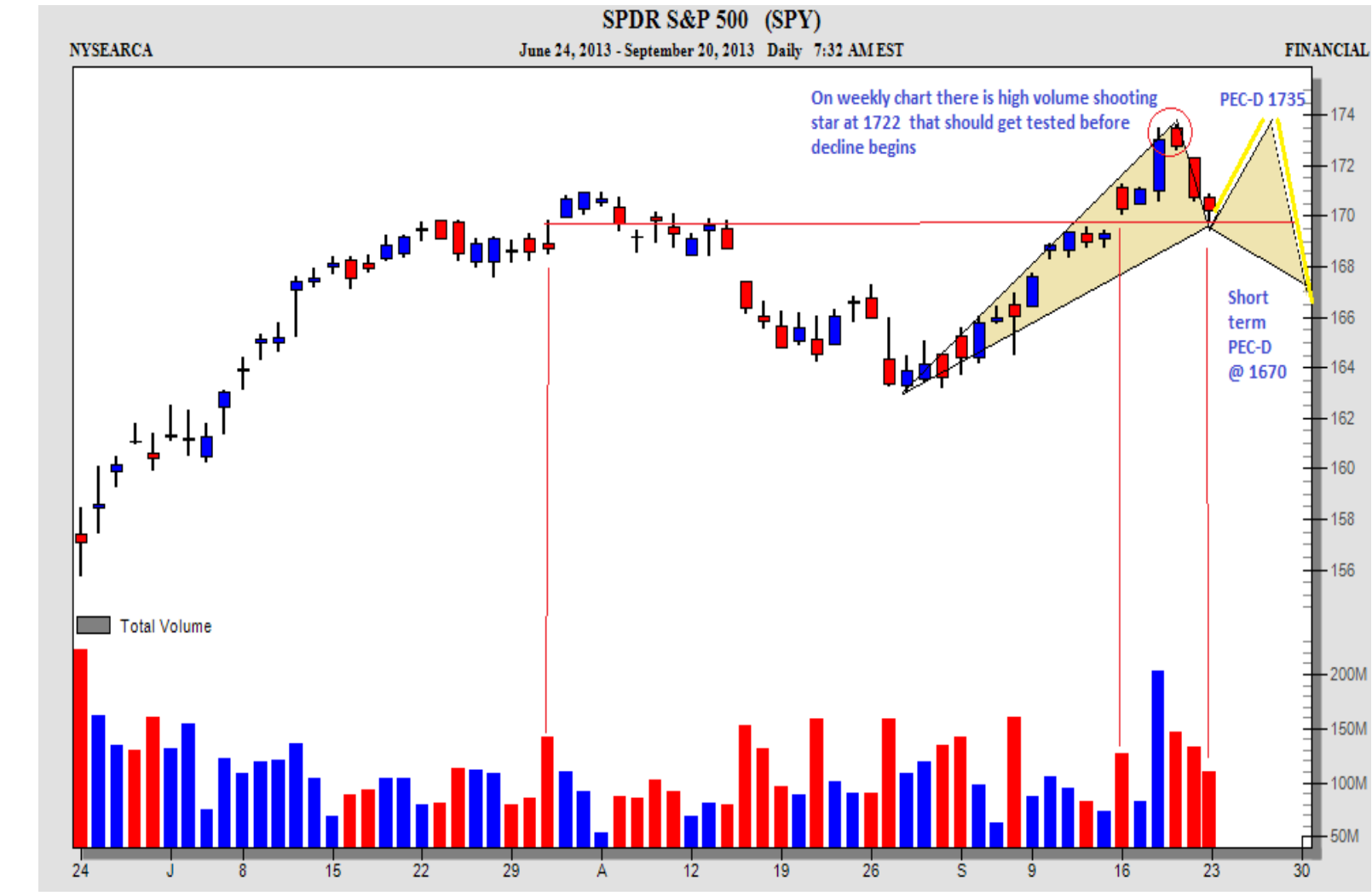
Downside Projection is PEC-D 1610 heavy bottom .



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

UPSIDE — PEC-D 1735 to test the high volume shooting start on weekly chart , currently rejecting the lows for another run

Downside Projection is PEC-D 1670- to fulfill the commitment of downside on 3 Gap play

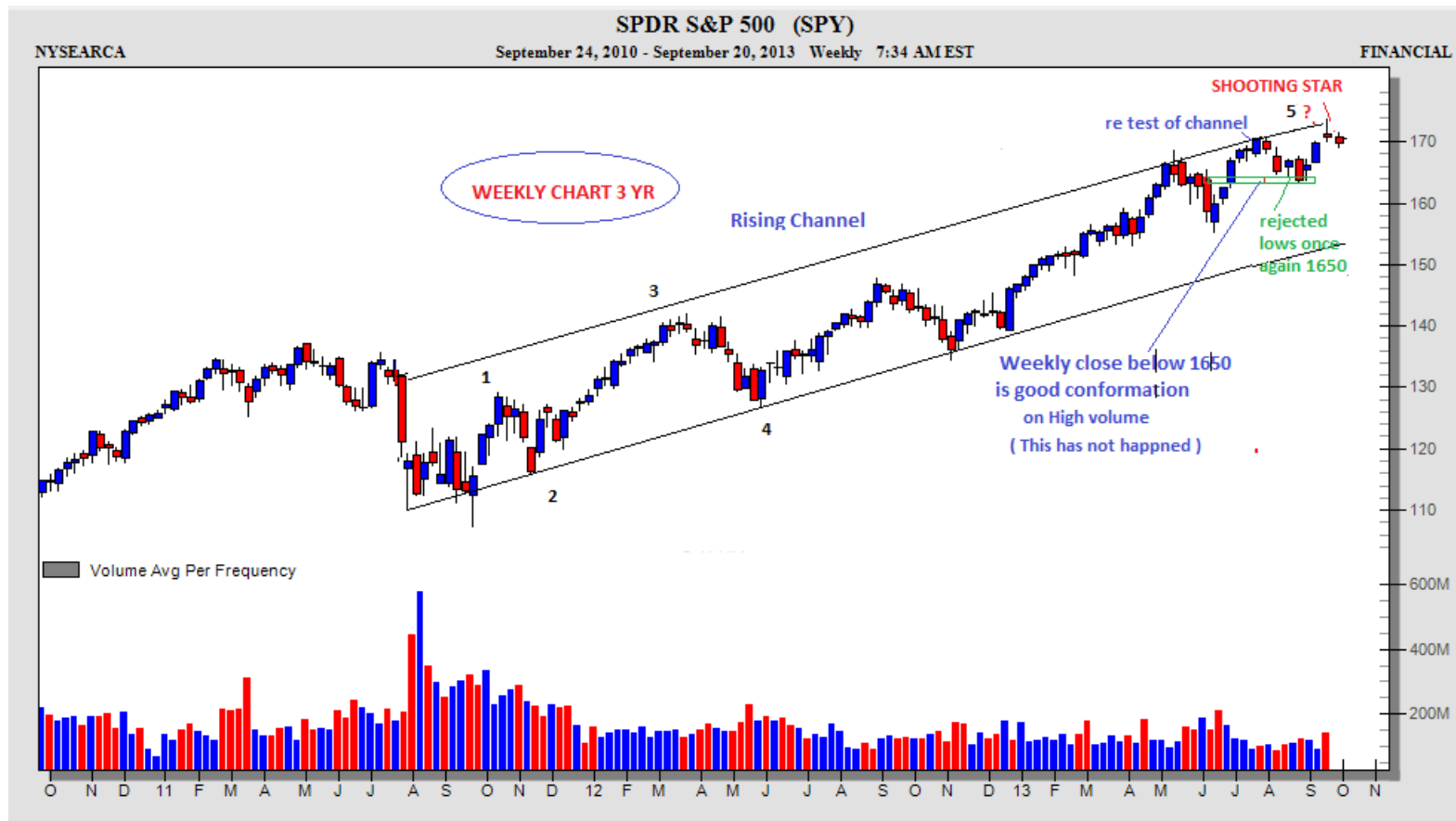


SPX- CHANNEL with WAVE Analysis - Weekly

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. (Refer the weekly shooting star at 1725 needs a test)

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



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 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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