



Date : 30th 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	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1675	POM 15 @1687	CZ 1687-1653- 7/24 <i>Alerted</i> To scale in Net Short Only For Short bias Portfolio	BEARISH	CASH	NONE	Target PEC-D 1735 <i>last week closed at / on 1687 with high volume-</i>	<i>Caution</i> If SPX closes above 1687 it could trigger one more Momentum To 1735	Our Short term Target PEC-D 1670 Approaching	ABC down To 1610 lows Towards heavy bottom	22 nd May 1687 above <i>Failed on PQV,</i> (weekly close below 1650 required)
TLT (BONDS)	106.5	POM 13 -Re Run On 01/7 Core position	CZ 115-107 Triggered @ 107 8/09 – 2 nd -1/2 re entry	BULLISH Bottoming	Net Long <i>Avg entry Price111</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 ---4.0% managed with EMB Hedged profit of 3.5%

SPX @ 1675 is below our POM 15. Price & 22nd May important high 1687.

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GOLD	1337	POM 13 @ 1540 For main entry Core position	CZ 1205 1190 <u>Re – Run Entry Triggered</u> @ 1205 6/28-	Bullish ST pull back 9/18- Re entry ½ @ 1319	Net Long Holding Core position to Target 1510	NONE	Target 1350 Should be Cap	ABC up CZ 1425-1445 Bullish Top In tact	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 1/2 exposure Exited (2) on 8/26 @ 1429, Entry 1204, 1280 for Profits <u>224+148</u> Earlier exited 4- Profits <u>72 + 220</u> 5- stop Loss -- <u>(-15+ 0-3-9-2)</u>

GOLD - Detail Chart to be included in Upcoming Commodity 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 .

GOLD is in consolidation between 1350 highs and -1295 lows , We should continue to move around these price to build cause , including one more possible test of PEC-D 1295 or perhaps higher high. .

Downside – A retest of 3rd ABC down to PEC-D 1295- should hold on Bullish bottom. **We shall re- enter the balance ½ of position back in upon secondary test . We shall announce it when it happens**

Earlier. We re entered ½ of our previously exited position @ 1319 (Refer Alert email 9/18). The position that was *exited at 1428 to book 250 point profit , entered at 1205 on 6/28. .*

TLT (BONDS)– Pull back extended below Bottoming CZ

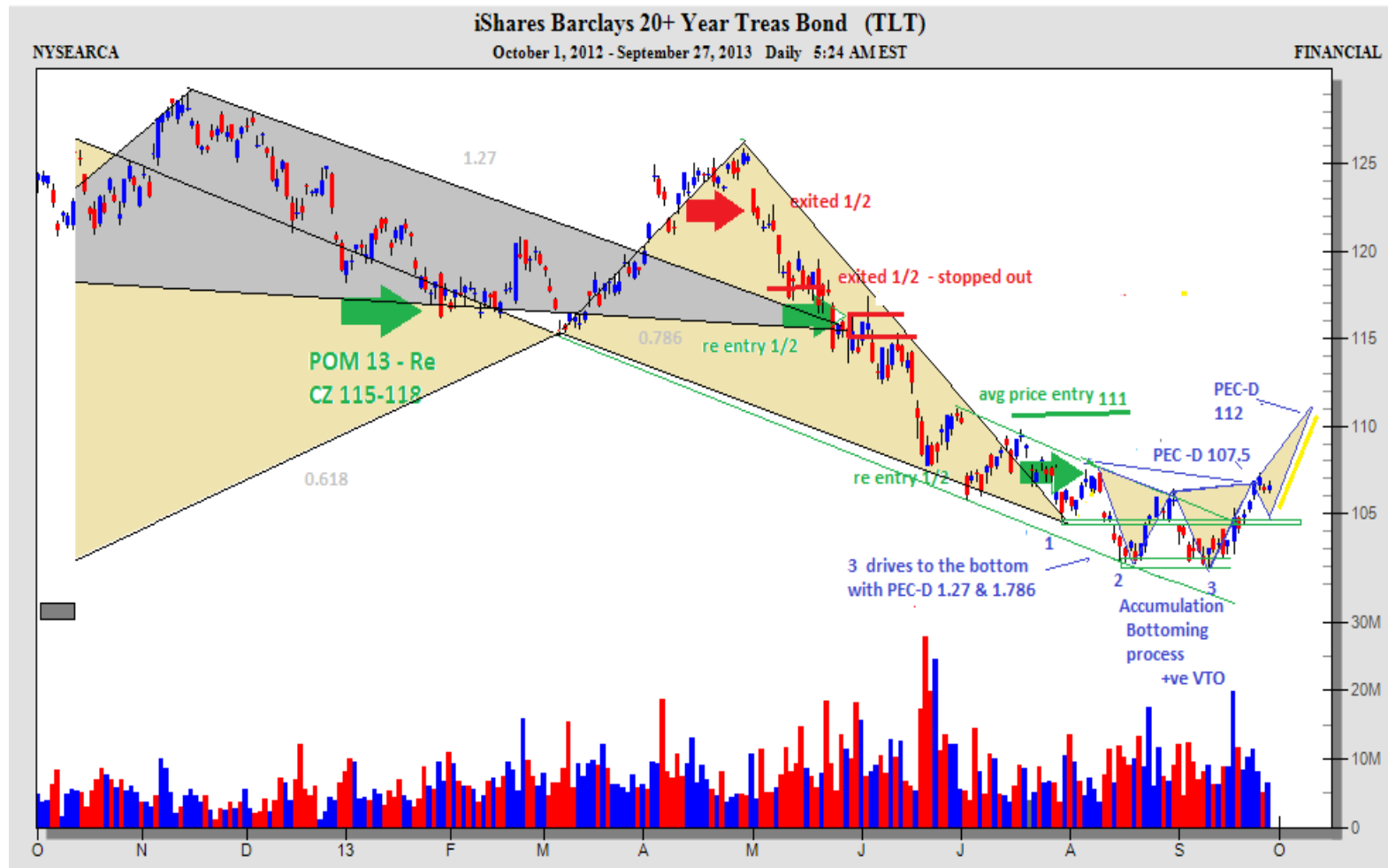
TLT - Rally has been initiated by building a big base within CZ 104-105 . It is attempting to come back in range **107** with Bullish volume reversal. Once it trades above PEC-D 107 to get traction to **112**. The Bullish divergence in VTO exists on price rejection.

BACKDROP - Our drawdown of -4.0% 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)**

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 **Extended PEC-D 104** lows with , +ve vol reversal .



Market Overview SPX

Monday SPX is gapping down 12 points on news of US Govt. budget impasse. Last week it closed @ 1687 at our 1687 “close under numerical” . The Volume on Friday had picked up on downside & the VIX broke upside even when SPX was almost flat. The momentum Top above POM 15 prices were on low volume such Markets tends to fall overnight of the bed in direction of heavy bottom as evident Monday.

Our First Projection down has been PEC-D 1670. Upon meeting the price projection , the Rejection & validation is required for reversal. Surprise action from Washington on Shut down can Trigger some rally from 1670 . Seasonal pressures still exits from September 16th to October 14th, on average. The Market lows averages the middle of October for time. Of course, there are many instances of the low stretching into November, but the average low is October.

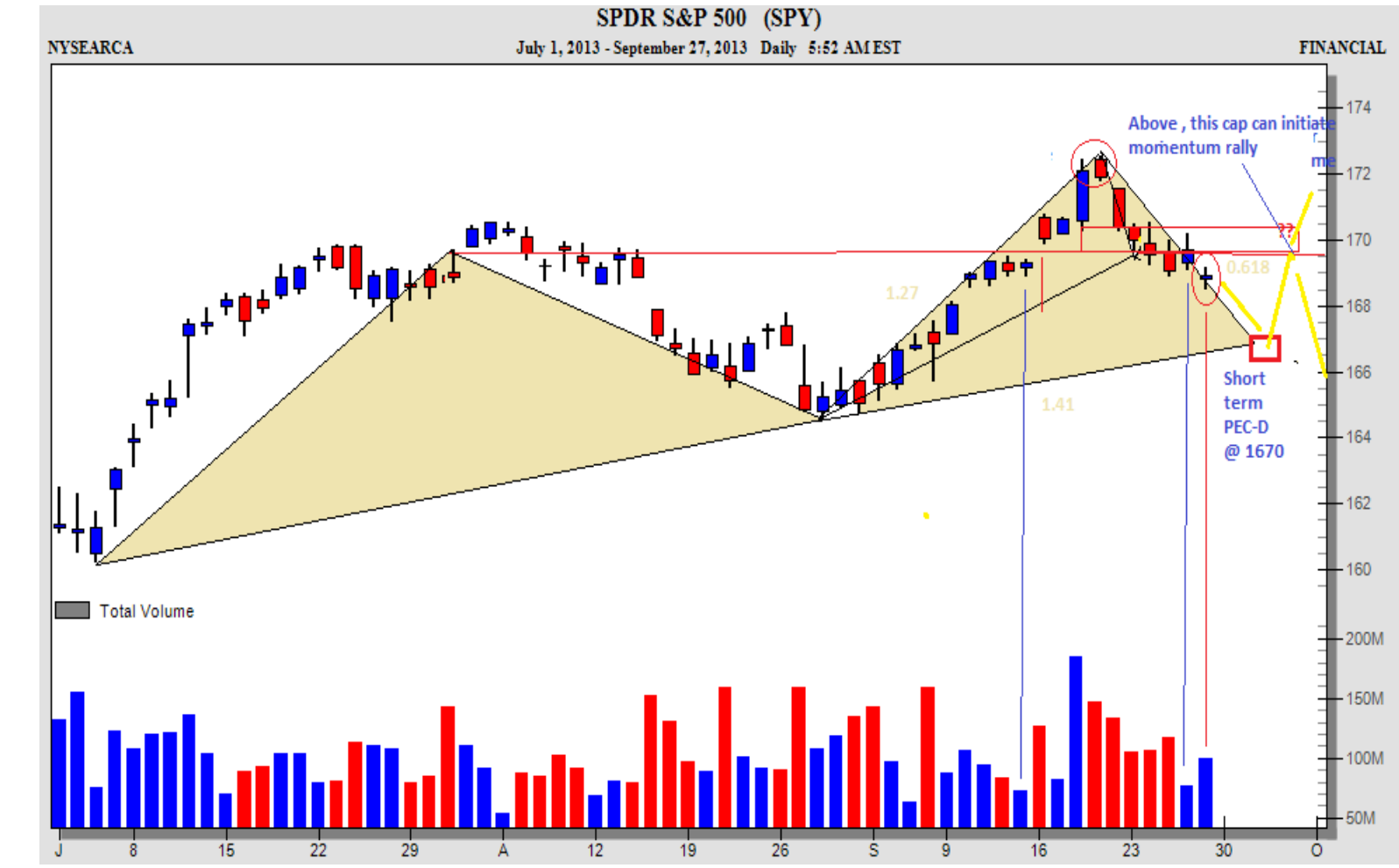
If the Fed maintains QE, The current trading range in the market is likely to resolve to the upside, but from lower levels. As long as the market internals are holding up. The rally should initiate from an Accumulation Low with Tick , TRIN & Volume should all line up. The best time to go long the market 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. (Unless one is trader can play the momentum ride with appropriate stops under CZ)

While prices are near their highs, the oscillator is closer to its lows below the zero line to about the level at the last low. The breadth statistics (advance-decline and new highs/lows) are just not breaking down. In addition to volume numbers , One warning sign is in place to show that POM 15 is in effect is due to the fact the NYSE McClellan Summation Index, Ratio-Adjusted (NYA- RASI) failed to move above the 500 level on the final high. So far, the highest it has reached since its late August low has been 450. This is the kind of weakness in the RASI which warns that we are getting close to the end of this uptrend. Another hint of topping action usually is new 52-week highs, which has fallen to 60. However the number of new 52-week lows should expand to 40 to call it real weakness. Currently it is running around 10 per day. (These are in operating companies ex- ETF's) .

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

UPSIDE — Close above 1687 (22nd May highs) can initiate **the Momentum up move** with QE effect.

First Downside Projection is PEC-D 1670- to fulfill the commitment of downside on 3 Gap play. **Surprise action from Washington on Shut down can Trigger some rally from 1670**

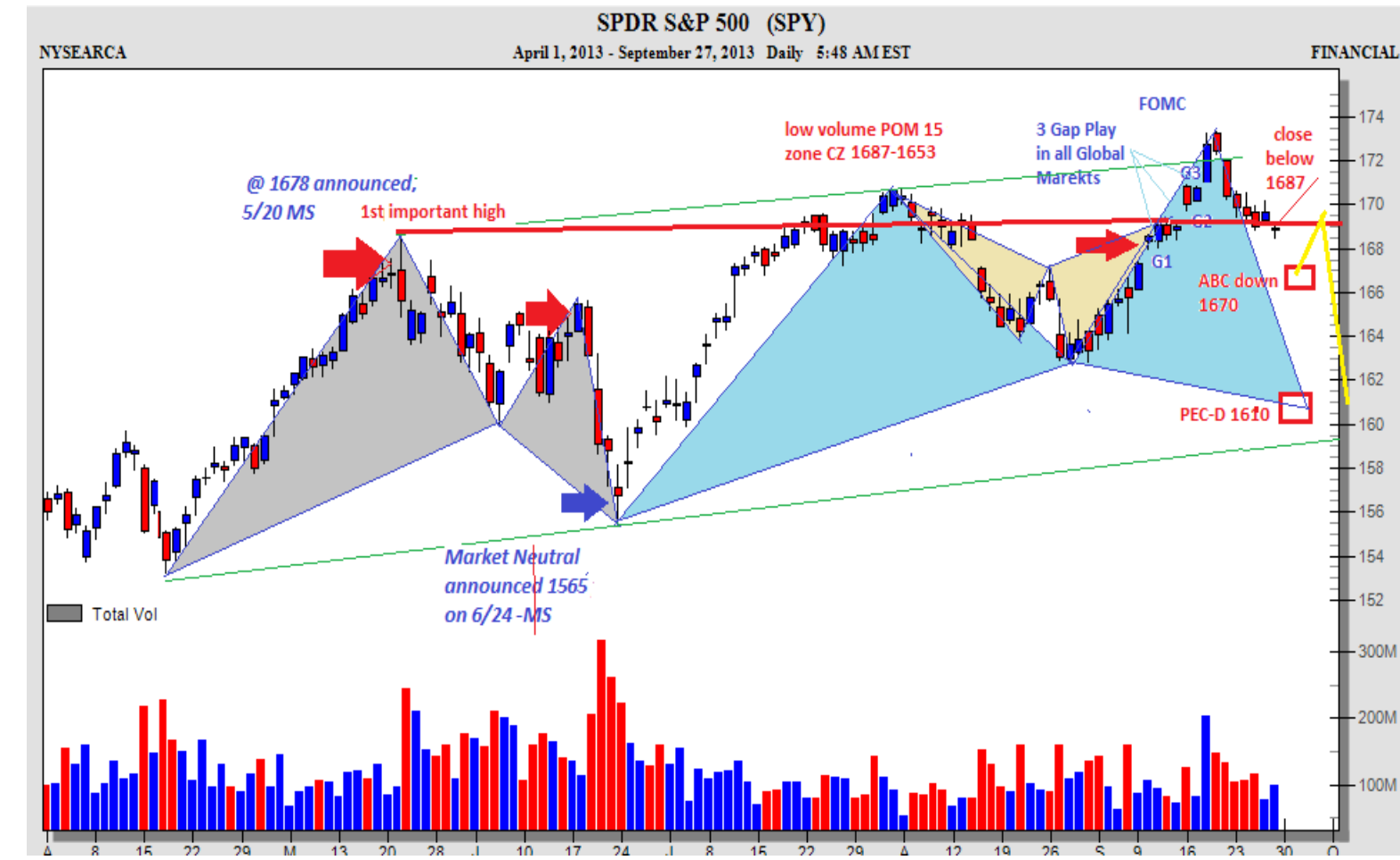


SPX- PEC- D / CZ Analysis POM 15 - Daily chart

3 gap play on upside completed the up move & in the process of reversing .

UPSIDE — POM 15 failed - CZ 1687 above .

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



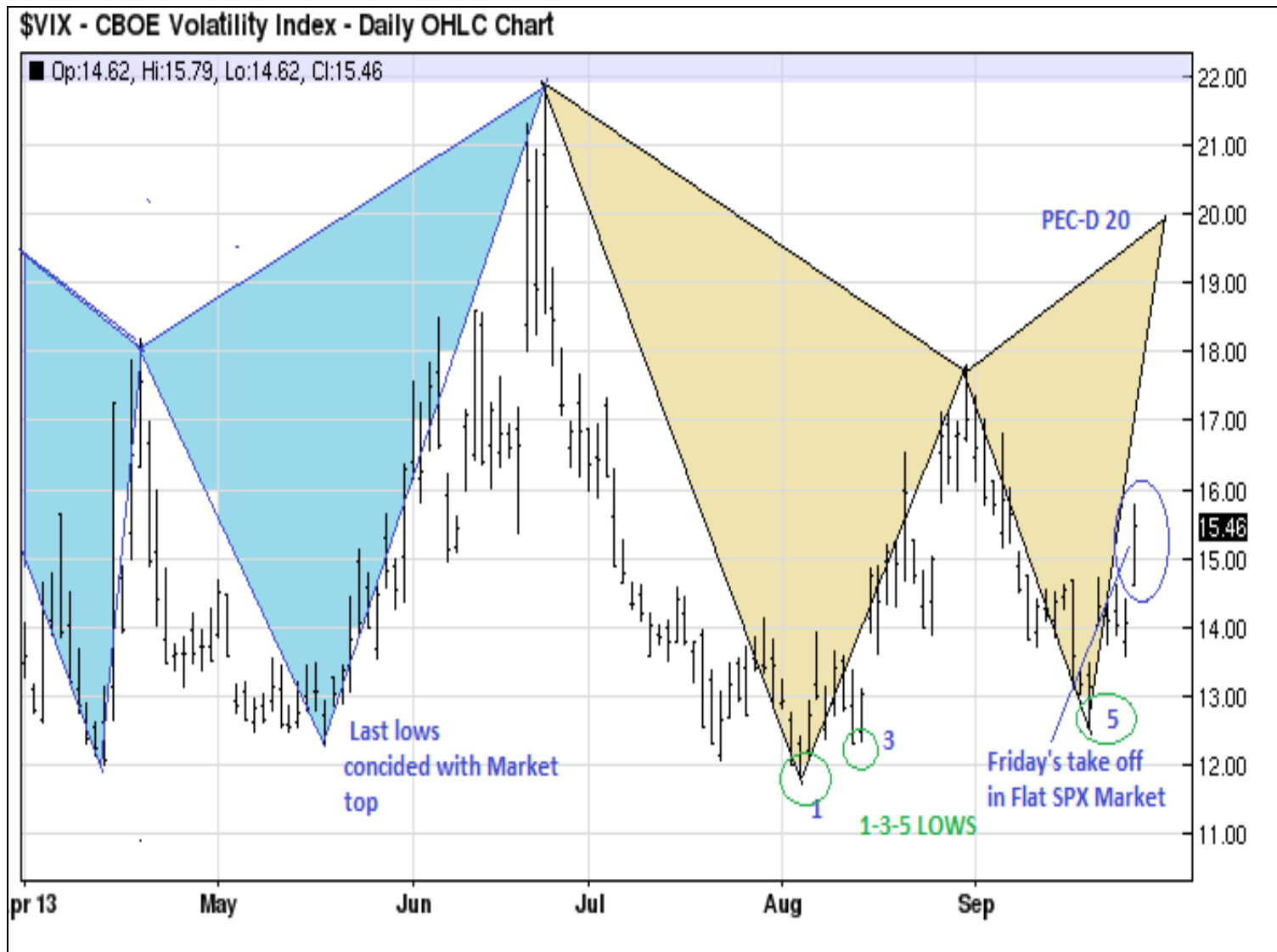
NYSE – RASI - Summation Index - Daily chart

NYSE McClellan Summation Index, Ratio-Adjusted (NYA- RASI) failed to move above the 500 level on the final high in a bull market. So far, the highest it has reached since its late August low has been 450.



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 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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