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SECTOR REPORT (Strategy & Prop Tech)

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

● Executive Summary

Sector & % of SPX	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
XLB (MATL 3%)	44.11	POM 15 (SPX) <i>bounce in Progress since 1670</i> Alerted On 10/3	CZ - 40.17-39.53 Triggered 7/24	BEARISH bounce In progress	NONE <i>Alerted on 10/3 to close</i>	NONE	POM 15 target Met @ PEC-D 40 Failed, , false Break above	Secondary bounce to 44.5 Bearish top	ABC down CZ 38-37 Heavy bottom		<u>Close below 43.5</u> weekly Would be the Top
XLE (ENGY 10%)	86.08	POM 15 (SPX) <i>bounce in Progress since 1670</i> Alerted On 10/3	CZ 81.82-81.60 Triggered 7/24	BEARISH Bounce In progress	NONE <i>Alerted on 10/3 to close</i>	NONE	POM 15 target @ PEC-D 81.75 Failed, false Break above	Secondary bounce to 85 Bearish top	1 st ABC down PEC-D 80	2 nd ABC down PEC-D 77 Heavy bottom	<u>Close below 83.2</u> Weekly Would be the Top

On 10/3 , We Closed the Net Short Hedge Positions in XLB at 42.30 , Entry at 40 for loss of 2.30 . & XLE @ 83.6 for 1.7 point loss. Once SPX – met PEC-D @ 1670 target on decline , it Triggered a call for rally announced , currently SPX @ 1750 , 80 points higher avoided the short squeeze in both positions

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XLV (HLT CR 13%) <u>Long term Bull – 5/21 OBAMACAR</u>	52.67	POM 13 On 5/21 @ 35.25	Secondary Re entry CZ 38.75-39.25	BULLISH	Net Long To Neutral On 7/24	NONE	POM 15 target Met @ PEC-D 50.5	PEC-D 54 ABC up In Progress Bullishly	CZ 48-47 Met exact	Best Risk / reward For next entry longs	On Bullish Sectors - we remain long Higher highs with Volume
XHB (HM BDR 2%) <u>Long term Bull announced 17th March 2012 – 1st Anniversary</u>	31.25	POM 13 On 5/21 @19.5	Secondary Re entry CZ 25-25.5	BULLISH	Net Long To Neutral On 7/24	NONE	POM 15 target Met @ PEC- 31.75	CZ 33.5-34.5 ABC up In progress Bullishly	CZ 28-28.75 – Met exact	Best Risk / reward For next entry longs	Ditto
XLP (CONS STPL 10%) <u>Long term Bull – 5/21 INFLATION Story</u>	41.92	POM 13 On 5/21 @ 33.25	Secondary Re entry CZ - 34.75-34	BULLISH	Net Long To Neutral On 7/24	NONE	POM 15 target Met @ PEC-D 41.75	PEC-D 43.5 ABC up In progress Bullishly	CZ 39.25-40 Met exact	Best Risk / reward For next entry longs	Ditto

1. XLK(TECH - QQQ) 21% of SPX - In US Broader Indices Report,
2. XLU (UTY)-3%, X LI(INDT)-10%, XLF(FIN)-16%, XLY(DISC)-12% of SPX

SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

Sectors

- BULLISH INDICES - **XLV, XLP, XHB**, - Turned Neutral on 7/24 @ POM 15
- BEARISH INDICES- **XLE, XLK (QQQ – Proxy) , XLB**
- NEUTRAL INDICES - **(XLF) – Bearish Bias**

Sector Overview

On 10/3, Alert - we advised to cut the Net Short positions in XLB, XLE when SPX @ 1670 in anticipation of ST bounce and to avoid the Short Squeeze. Currently SPX is trading towards our final price Projection of 1765. We are on POM 15 , 7/24 , @ avg. 1670

XLV , XLP, XHB - We maintain our **Net long** Position in Bullish Top Sectors . They have been on several ABC ups with higher highs with high volume . Bullish Tops tend Top continues to go higher after ABC up completed . These Bullish Sector gave opportunity on 6/28 @ SPX 1570 for entry within CZ

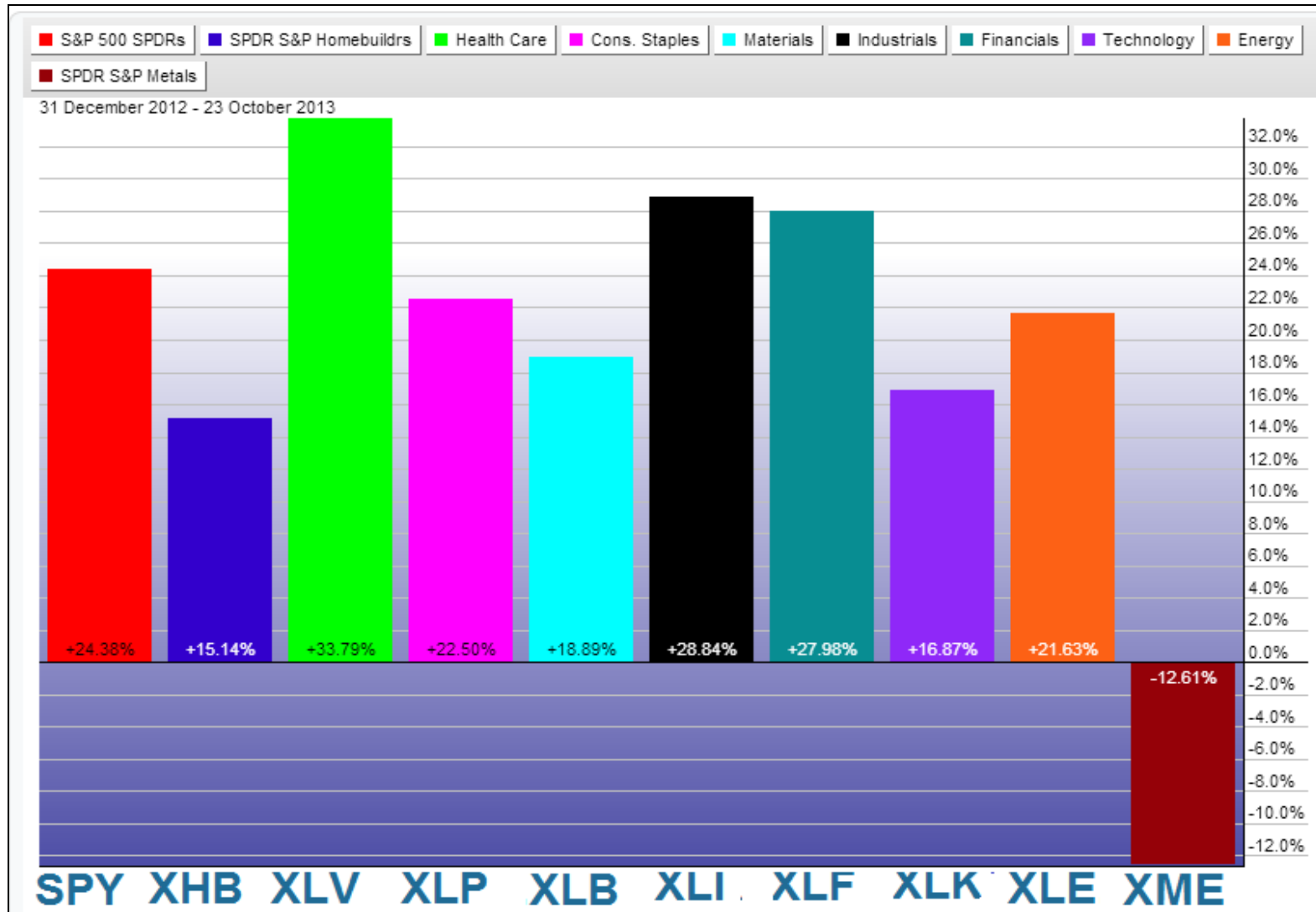
XLF, - We Remains NEUTRAL with Bearish Bias , **No Position**

XLB, XLE XLK - We Remain BEARISH and failed in CZ - **No Position**

YTD - SECTOR Performance v/s SPX

For Pair – Weakest and strongest Indices –

2013 - Strength / weakness in these market . Chart below is our Inter market Analysis Model with Ratio Relative performance v/s SPX .



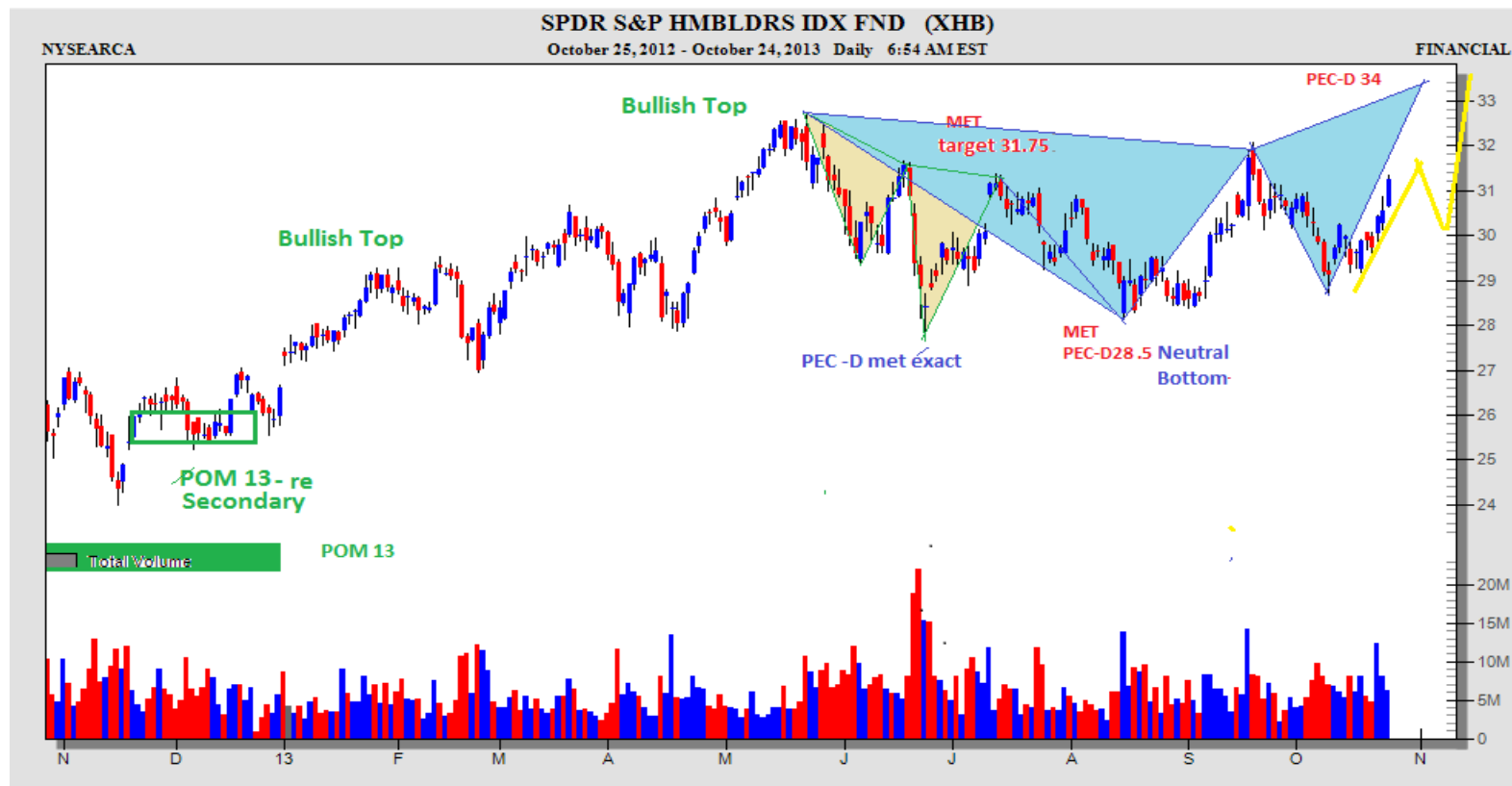
XHB (HOME BULDERS) - CZ – PEC-D / Ratio Analysis - BULLISH – Turned Neutral 7/24

- -Texture - **BULLISH TOP & NEUTRAL BOTTOM** - Trigger at POM 13 at 19.5 on 5/21 still remains.

Midterm UPSIDE – CZ 33.5-34.5, **ABC up in progress**, ST pull back. & then higher.

DOWNSIDE- CZ -28-28.75 MET exact & rallied continuation to move higher.

Net long in this Sector since **ALERTED - March 17th**. (around \$ 19) **as beginning of New Bull Market on Long term PQV Validation.**

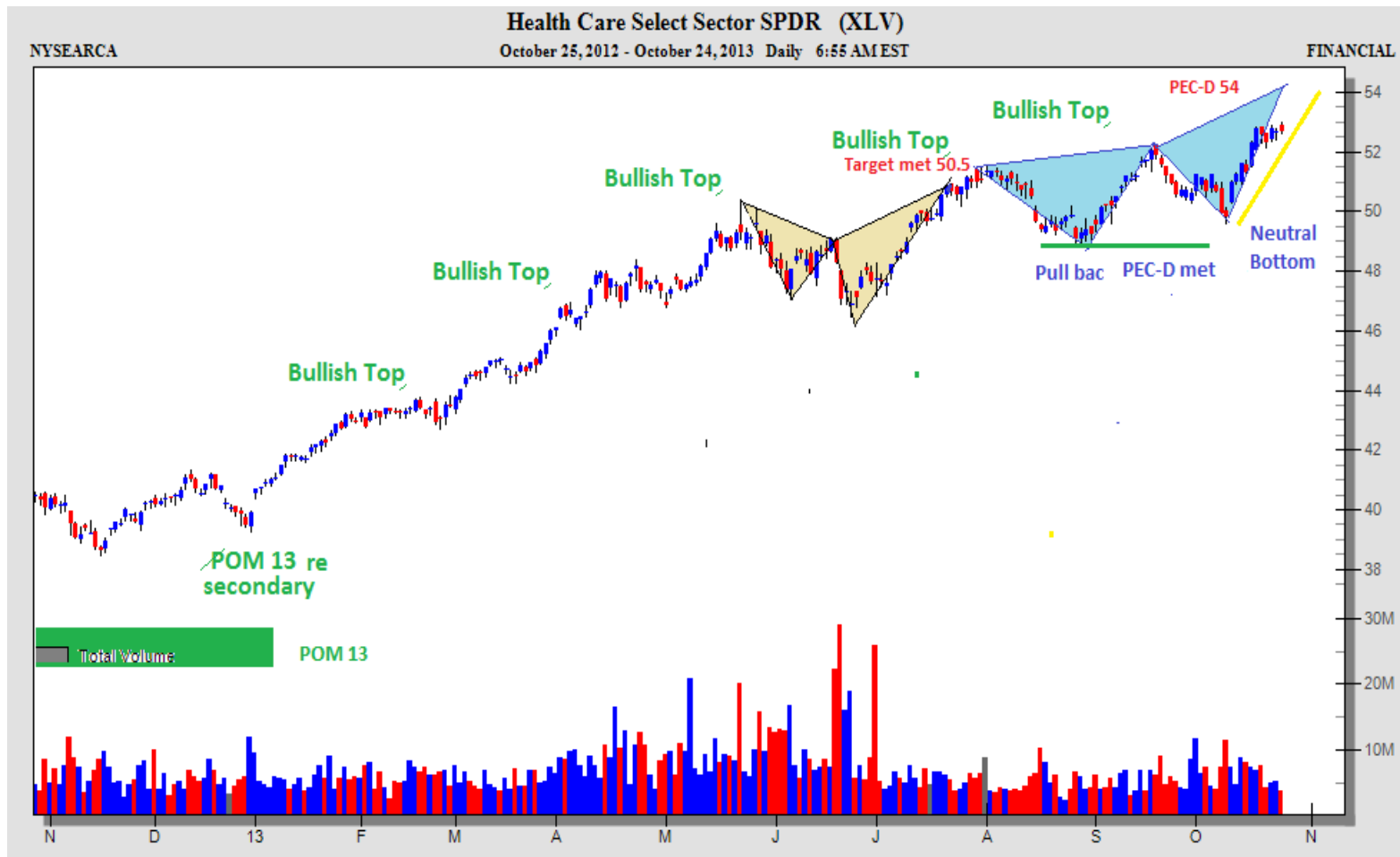


XLV (HEALTH)- CZ – PEC-D / Ratio Analysis - BULLISH - Turned Neutral 7/24

- **Texture - BULLISH TOP & NEUTRAL BOTTOM . - Trigger at POM 13 at 35.5 on 5/21- still remains**

Midterm UPSIDE – CZ 54, **ABC up in progress** , ST pull back. & then higher.

DOWNSIDE- CZ -48-47 MET & rallied -Continuation to move higher.

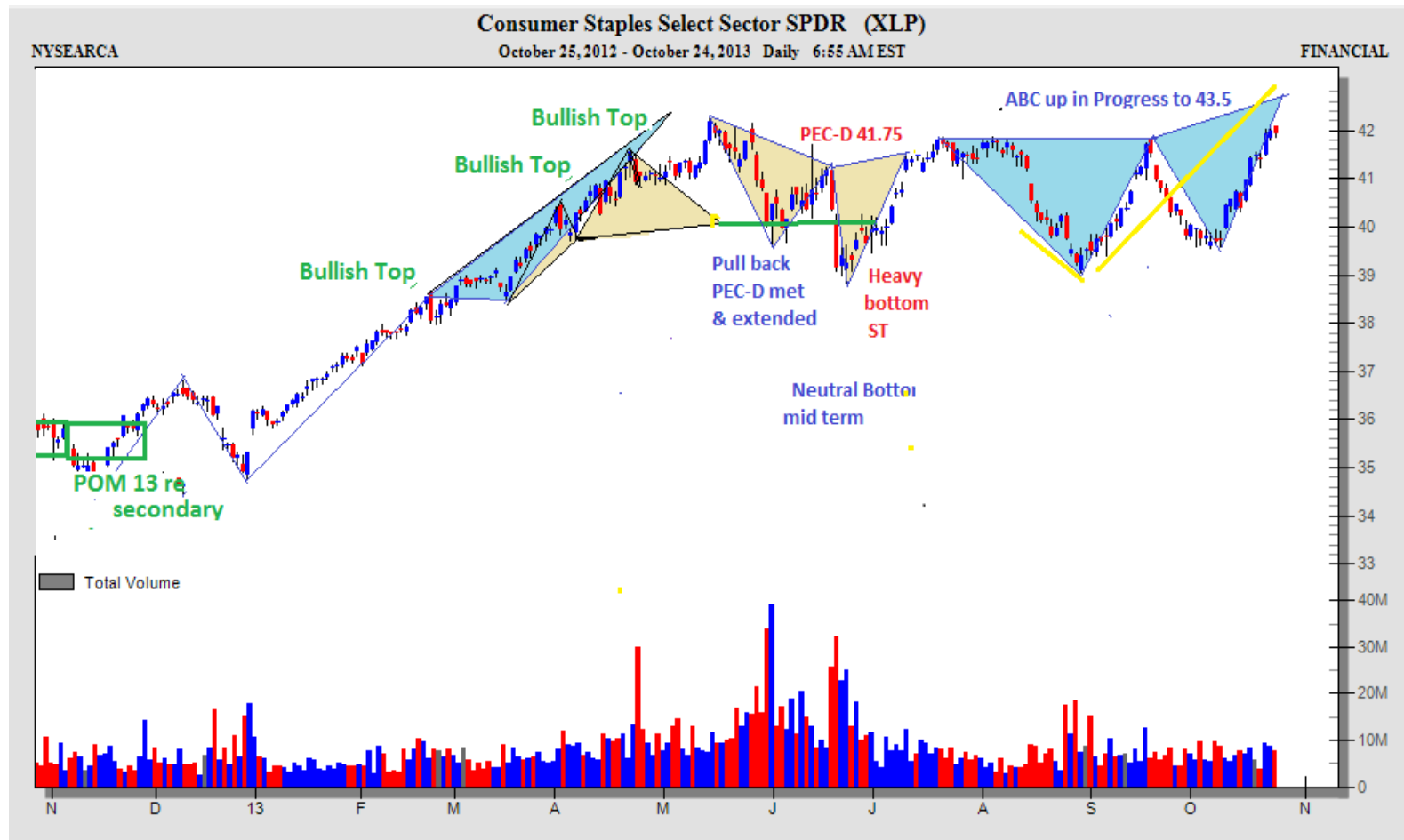


XLP (CONSUMER) - CZ – PEC-D / Ratio Analysis - **BULLISH** - Turned Neutral 7/24

- -Texture - **BULLISH TOP & NEUTRAL BOTTOM** - Trigger at POM 13 at 35.25 on 5/21- still remains

Midterm UPSIDE – CZ 43.5, **ABC up in progress**, ST pull back. & then higher.

DOWNSIDE- CZ -39.25-40.0 MET (tested heavy bottom) & rallied continuation to move higher.

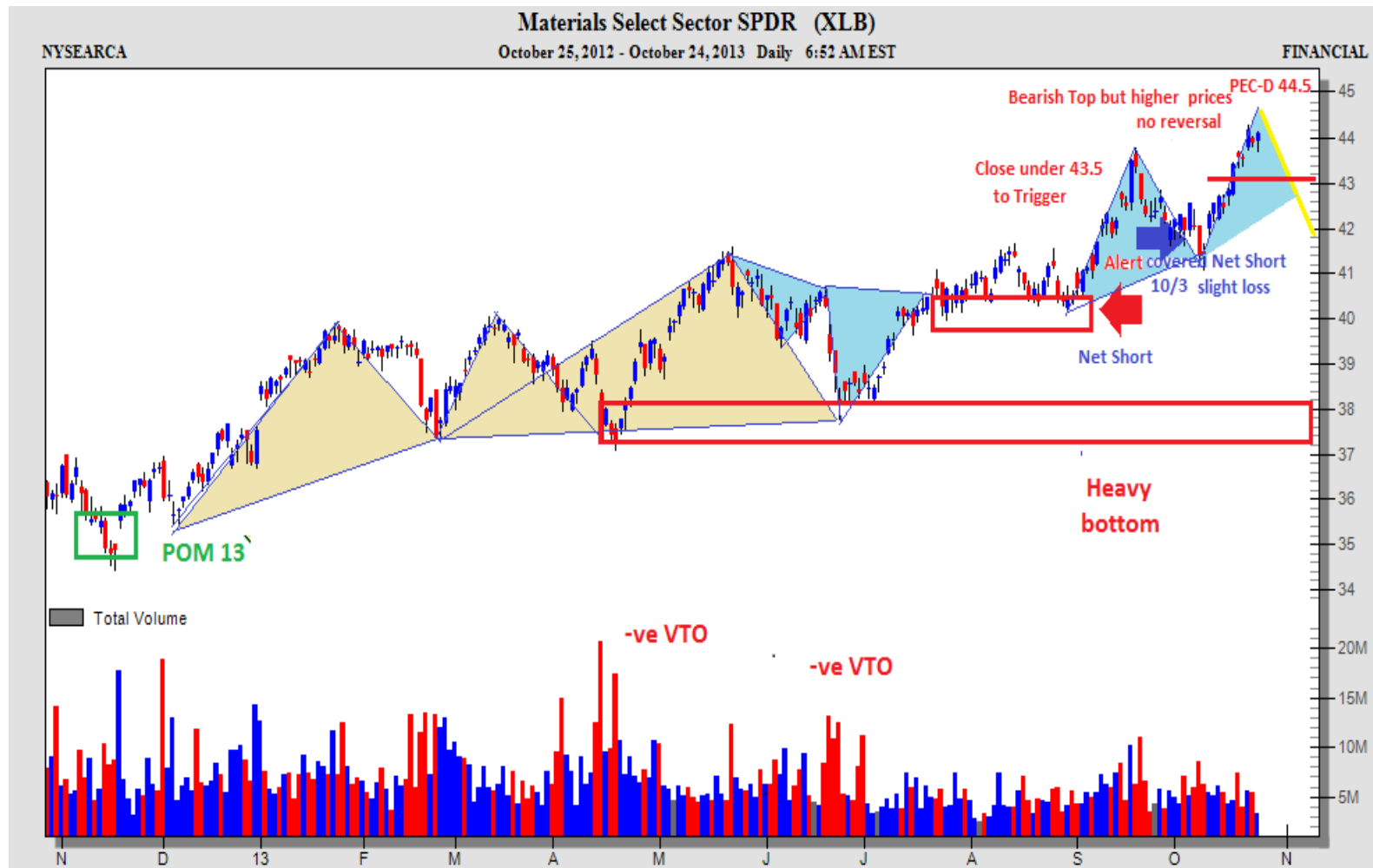


XLB (MATERIALS) - CZ -PEC-D / Ratio Analysis - BEARISH - POM 15 - 7/24

- -Texture - BEARISH TOP & BEARISH BOTTOM

UPSIDE - _PEC-D 44.5 - Bearish Top . It should fail . Close below 43.5 weekly to trigger decline . **No Position**

DOWNSIDE - ^t ABC down to CZ 38-37 heavy bottom .



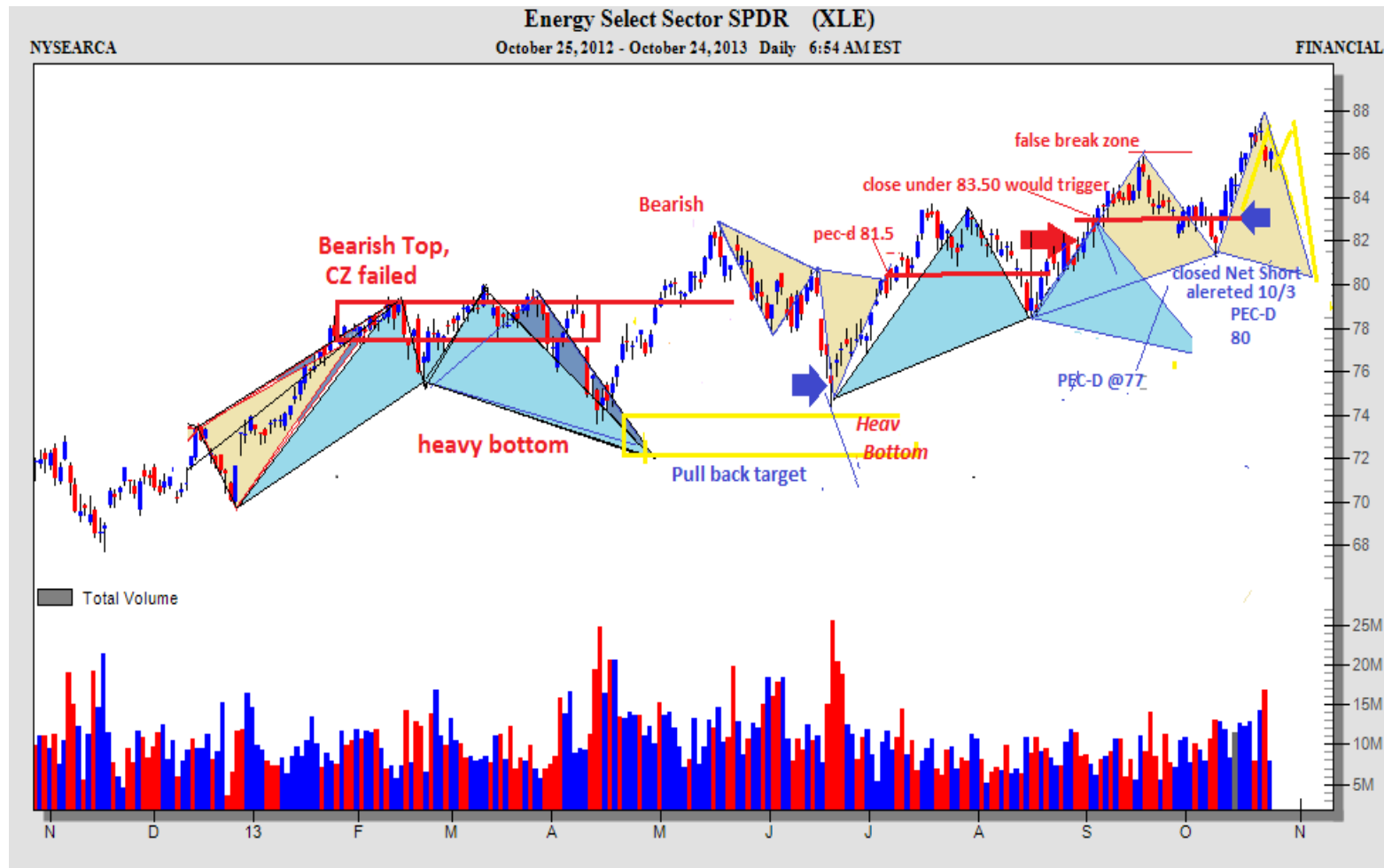
XLE - CZ -PEC-D / Ratio Analysis - BEARISH POM 15 - 7/24

- Texture - BEARISH TOP & BEARISH TOP

UPSIDE - PEC-D 85 - Bearish top - Close below 83.5 weekly to trigger decline . **No Position**

DOWNSIDE - 1st ABC down to 80

2nd ABC down to PEC-D 77 heavy bottom.



Appendix Content

- 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
- Chart Analysis
 - *Trend & Oscillator Analysis,*
 - *PEC –D Analysis,*
 - *Poly- Trend Analysis,*
 - *Pattern / CZ – Price & Volume Analysis.*
 - *Externe Indicator Analysis*

40- INDICES SUMMARY

GR1 (16) Coverage in A #1, A# 2 (B, G) MS	GR2 (14) Coverage in D # SECTOR	GR3 (10) Coverage in C # COMMODITY
<p><u>US BROADER IDX (A # 2B)</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX (A # 2B)</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). • JNK (Junk) <p><u>GLOBAL IDX (A # 2G)</u></p> <ul style="list-style-type: none"> • EEM (Emerg.) • EZU (Europe) • EWH (HK) • EWA (Aust) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • IFN (India) 	<p><u>SECTORS IDX (D #)</u></p> <ul style="list-style-type: none"> • RTH (Retail) - • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLU (Utility) • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) • SMH (Sem.) • BBH (Biotech) • IYR (Real Estate) <p>Highlighted above are covered in Today's Report</p>	<p><u>COMMODITY IDX (C #)</u></p> <ul style="list-style-type: none"> • DBC (Commodity) • GLD (Gold) • SLV (Silver) • GDV (Miners) • USO (Oil) • JJC (Copper) • DBA (Agro) • DBB (Base metal) • UNG (Natural Gas)

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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