



Date : 7<sup>th</sup> Aug 2013 ( Wednesday)

**BROADER INDICES REPORT( Strategy & Prop Tech)**

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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>TLT (BONDS)</b> <b>Announcement</b>	106.5	POM 13 – Re Run On 01/7  <b>Core position</b>	CZ 115-117	<b>BULLISH</b> Extended below	Net Long  ½ Re Entry @ 116	<b>Initiate 2<sup>nd</sup> ½ close above 107</b>	CZ 124-128 Bullish Top	CZ 135-136	Gap below 108 Is being filled & retested <i>Close above 107 required</i>	<b>LT Extended PEC-D @ 107</b> ( Refer chart Below)	Earlier closed TLT positions <b>For profit</b> 115 to 122, 7 points Round trip ( <b>Lost all Previous Profits</b> )
<b>IWM (SM CAP)</b>	104.4	POM 15 ( SPX )	CZ 104.25-102.28 <i>Alerted</i> "Scale in" 7/24	<b>BEARISH</b> Topping	Net Short	<b>NONE</b>	PEC-D 102 met & failed  <i>Close below 101 Would be confirmation</i>	<b>104 extension Frothy</b> , failed & should play out itself  3 – Drives to the Top	1 <sup>st</sup> ABC down to 98	CZ 93-94 <b>heavy bottom</b>	Bearish Top Engulf @ 99 is intact on 5/22 .  <i>Hedge remains on XLP,XLV,XHB for Market Neutral Book 5/22</i>

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<b>QQQ (NASD)</b>	76.56	<b>POM 15 (SPX)</b>	CZ 74.75-73.51-  <i>Alerted Scale in" 7/24</i>	<b>BEARISH Topping</b>	Net Short	<b>NONE</b>	<b>PEC-D 76 met &amp; failed</b>  <i>Close below 74.5 Would be confirmation</i>		1 <sup>st</sup> ABC down to 72	CZ 69.5-70 <b>heavy bottom</b>	Bearish Top Engulf @ 75 is intact on 5/22  <i>Hedge remains on XLP,XLV,XHB for Market Neutral Book 5/22</i>
<b>SMH (SEMI)</b>	38.5	<b>POM 15 (SPX)</b>	NONE	<b>NEUTRAL</b>	CASH	NONE	ABC up to 40  <i>No signal</i>		<b>CZ 38-37.5 Met</b>	CZ 35-36	SMH - Good candidate to be long after the correction.
<b>MDY (MID CAP)</b>	225.58	<b>POM 15 (SPX)</b>	NONE	<b>NEUTRAL</b>	CASH	NONE	POM 15  <i>No signal</i>	TBA	TBA		Ditto
<b>IYT (TRANS)</b>	116.5	<b>POM 15 (SPX)</b>	NONE	<b>NEUTRAL</b>	NONE	NONE	POM 15  <i>No signal</i>	TBA	TBA		<b>DOW THEORY</b> " Triggerred <b>SELL SIGNAL</b> @ 14700 on 6/6

Continued.....

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EMB (EMG B.	109.1	N/A	CZ 110.7-109.7	BEARISH	Net Short	NONE	CZ 110.7-109.7 Bearish Top . <u>failed</u> <u>RM -112.5</u>	CZ 115-117 – no Possibility yet.	PEC-D 104, ABC down (Bullish key reversed)	Target CZ 103-101 for next retest Of next 1.786	Second leg down had high volume . Bounces are anemic to fail

Note - On 7/1 – Special Report on EMB – Announcement page there was a Typo on Trigger price, although within the charts it was designated correctly. Currently it is almost at the same Trigger Price CZ 109.7-110.7 so no damage done.

## SPX- Portfolio – Overview

- **Portfolio** - Turned Slightly Short Bias to scale in as on 7/28 @ POM 15 – from Market Neutral POM 14 @ SPX 1570 – 6/24. We closed our Net Short exposure **IWM, QQQ, XLB, XLE** for profit and avoided the Short Squeeze of 130 SPX points
- **We are Re instating – exposure** on SPX Failure in CZ 1688.
- **CAUTION** - For Bullish Bias Portfolios, It may be still Market Neutral and Protect against Short term Sell OFF
- **TLT** - We are increasing the Net Long exposure today with Re- entry via 2<sup>nd</sup> half position . Currently we **are Short EMB** due to Bearish Top & Bearish bottom which should act as suitable Hedge to TLT. discussions

### EQUITY Portfolio Holdings - Non Marginable

- **NET LONG** at POM 13 / in Main Bullish CZ : ..... Bullish Tops / Bullish Bottom  
XLV,XHB, FXI ,EWJ, XLP , TLT
- **SHORT -LEG** For Hedge Net long exposure ( at/ in Bearish CZ : ..... – Bearish Tops / Bearish Bottoms  
QQQ , IWM , EMB, EEM
- **NET SHORT** at POM 15

Initiated to “Scale in” on failure SPX post 1688 in Bearish Instrument QQQ, IWM, XLE, XLB for Short Bias

**The Positive spread** - **IWM, QQQ**, is also a Short leg in Bearish instrument to Hedge taken on 2/20, 2/25, 3/06 . against the Bullish Top Instruments – Net longs ( listed above),

## • SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

### Broader Indices Overview

- BULLISH INDICES - **TLT**- Pull back extended but bottoming .
- BEARISH INDICES- **EMB, QQQ, IWM – extended in nose bleed**
- NEUTRAL INDICES - **MDY, IYT, & SMH**

- QQQ, IWM - **BEARISH** with heavy Bottom

QQQ and IWM is acting frothy after our Projections have been met post POM 15.

- MDY, SMH, IYT NEUTRAL - Residual strength - **No SIGNAL**

SMH, MDY & IYT has Neutral Top & Neutral Bottom - These are NOT Short Candidates. We Maintain our CASH Position in NEUTRAL Indices. The “ Best opportunities to go Long would be after the pull back in Bullish zone. At current levels , there is no favorable Risk / Reward .

- EMB - **BEARISH** with heavy Bottom

1. For Bears – ST Trade - EMB bounce to **CZ 110.7-109.7** has failed to go Net Short - **RM 113**
2. For Mid Terms Bulls- The decline to RE TEST the 2<sup>nd</sup> ABC down **CZ 103-101** should produce best Risk reward **to go Net Long** . Once tested. The Next leg up will be very powerful from 102, Usually Capitulation Climax lows are strong

## TLT ( BONDS)– Pull back extended below CZ – Bottoming process

In spite of FOMC statement on cutting back purchases, Bonds held well past 2 days. Re test back into 106 – PEC-D is in progress. We think we may be close to a turn up in bond . It should be final rally in BONDS towards 124 in TLT.

On Monday's MS we reported TLT & TYX ( Rates) with Bullish divergence in prices & the oscillator. Time Ratio target is in next 2 days for lows. Close above 107 would Trigger a rally. The current leg down is indicating no significant force to the downside. The money flow suggest that lows to be in soon just lining up for trading rally with accumulation. trading rally.

We plan to add the 2<sup>nd</sup> – ½ position back once it gets back in range 107. Extended PEC-D's to 106 (below 108 is gap). under false break below CZ 115-117 PQV Validated Bullish Bottom on lighter volume.

**BACKDROP** - Our Re - entry at 116 on ½ recycling Position is in tact. . **Earlier** - For same position we finished **round trip** on 10% exposure with profitable gains 1<sup>ST</sup> half 117 to 121.5 and 2nd half from 115.5 to 118 (stopped out) .

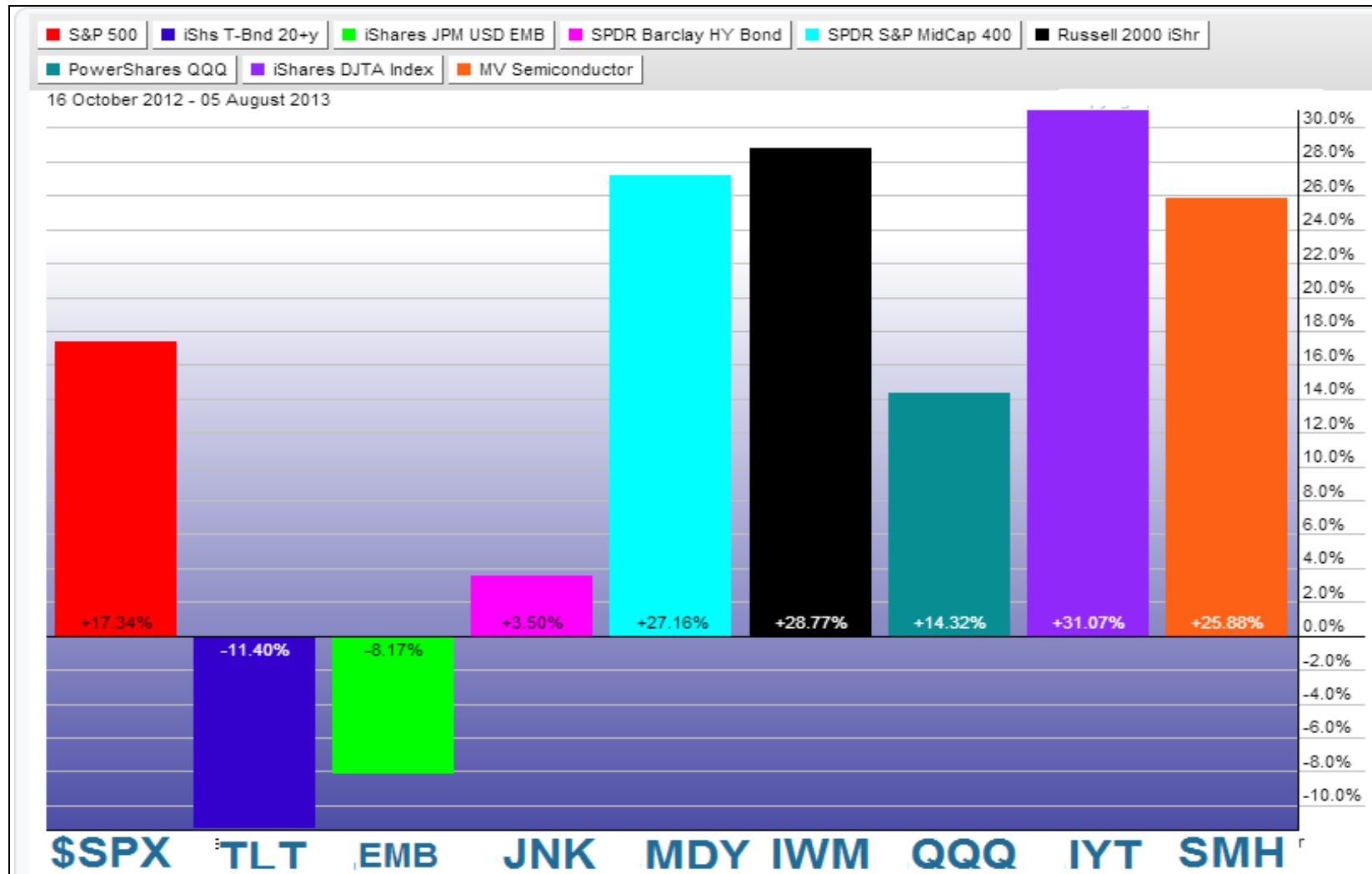
### • DOW TRANSPORT THEORY ( IMPROVISED - For Monitoring Purposes ONLY - Sell Signal 6/6

**SIGNAL** - Based on conventional DOW Theory - Triggered “ Sell Signal “ on 6/6 @ 14700 . Ending the previous Buy Signal Triggered @ 13850 on 1/29 – for 850 points gains.

# YTD – Broader Indices performance v/s SPX

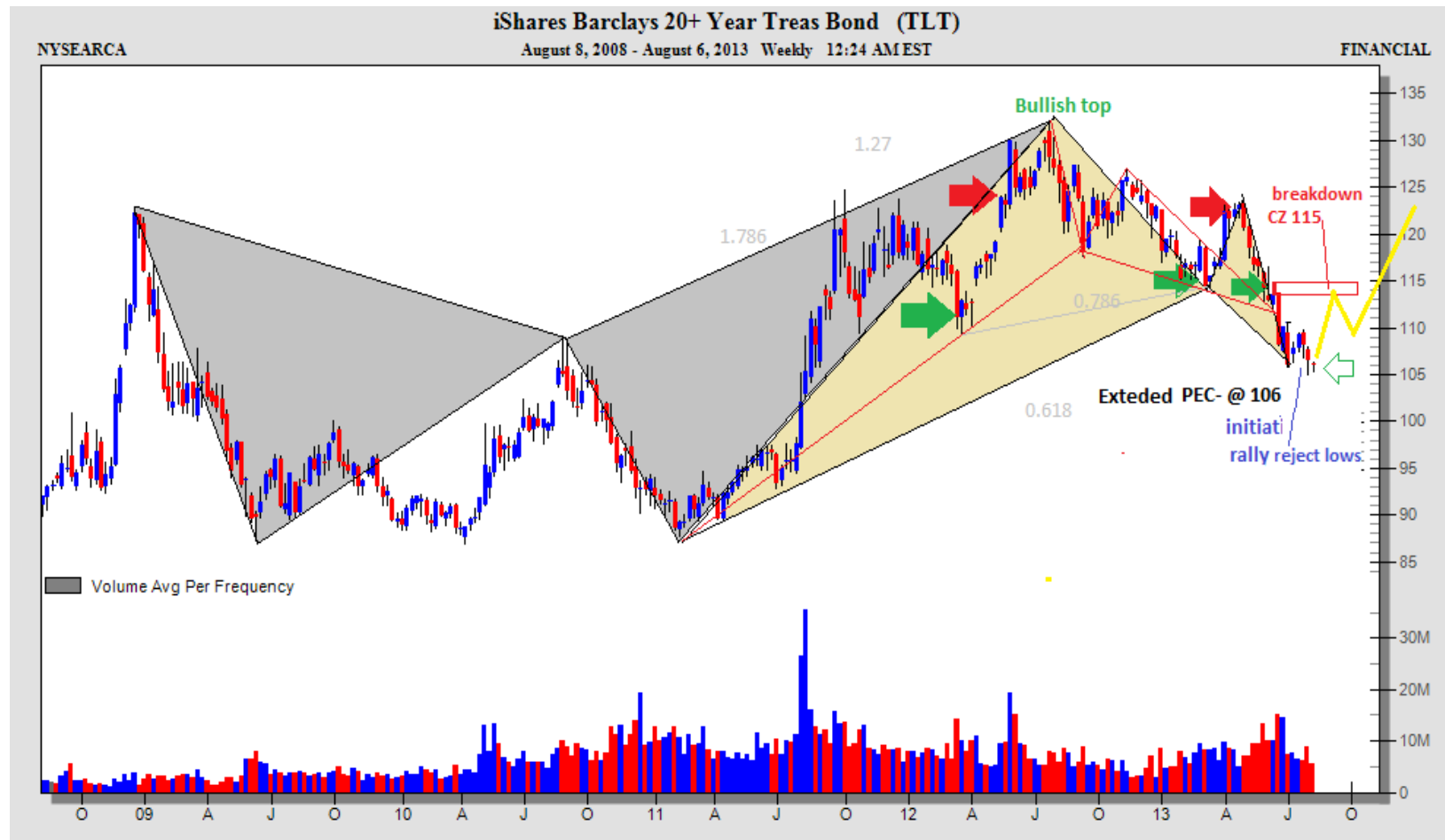
## Weakest and strongest Indices for PAIR TRADES

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



# TLT ( Bond ) – CZ- **extended.** PEC- D Analysis – Weekly

Downside - Rally has initiated Rejecting the lows into the **Gap of 1.08.** & **Extended PEC-D 106** with , +ve vol reversal  
It was false broken downside below \_Pull back **CZ 115-117.**

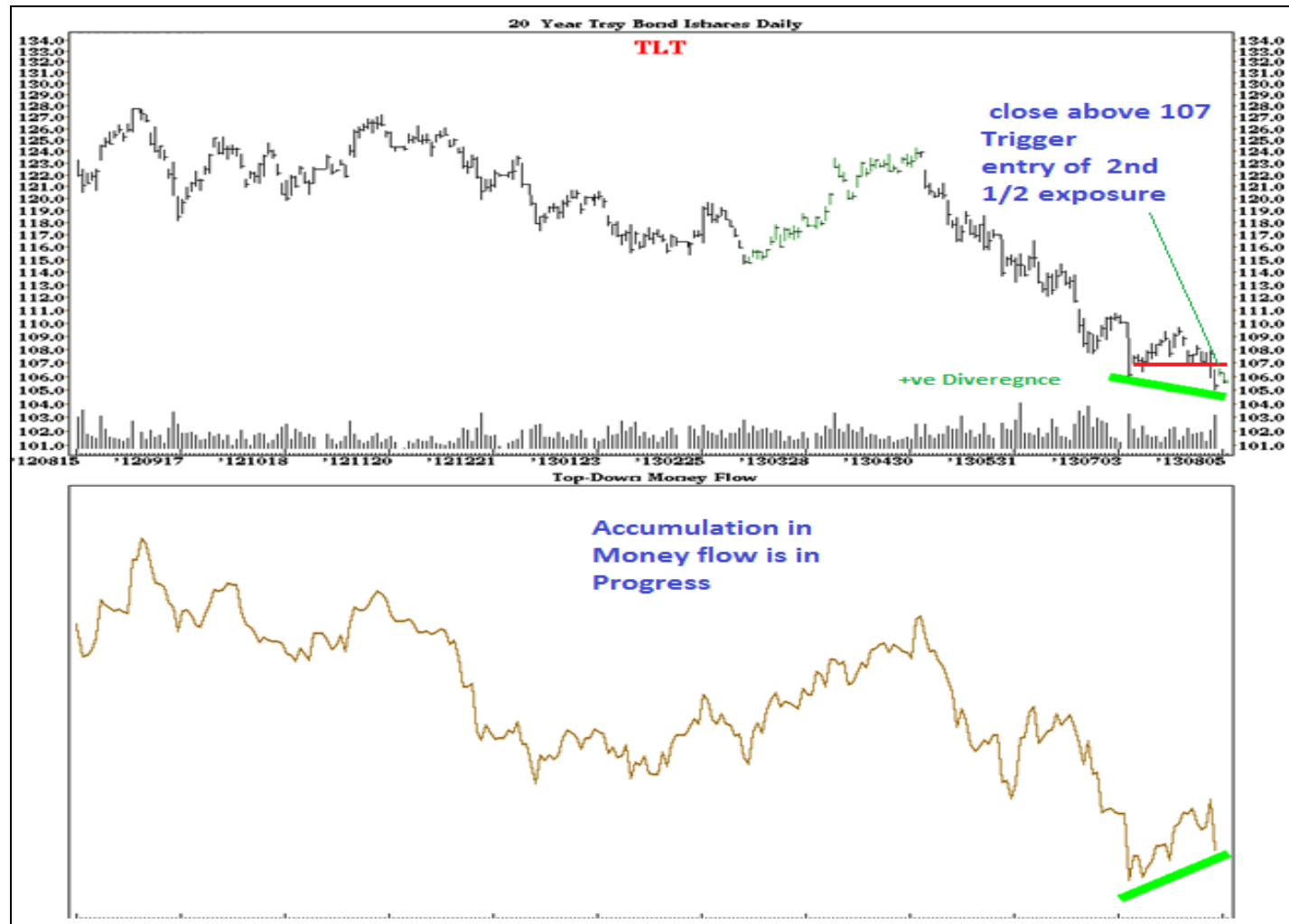




# TLT ( Bond ) – CZ- **extended.** PEC- D Analysis –

Upside - Close **above 107**, ( **Trigger** ) TLT should rally to **CZ – 124-128** ( Bullish top).

Downside - Rejecting the lows- Accumulation on +ve Money flow

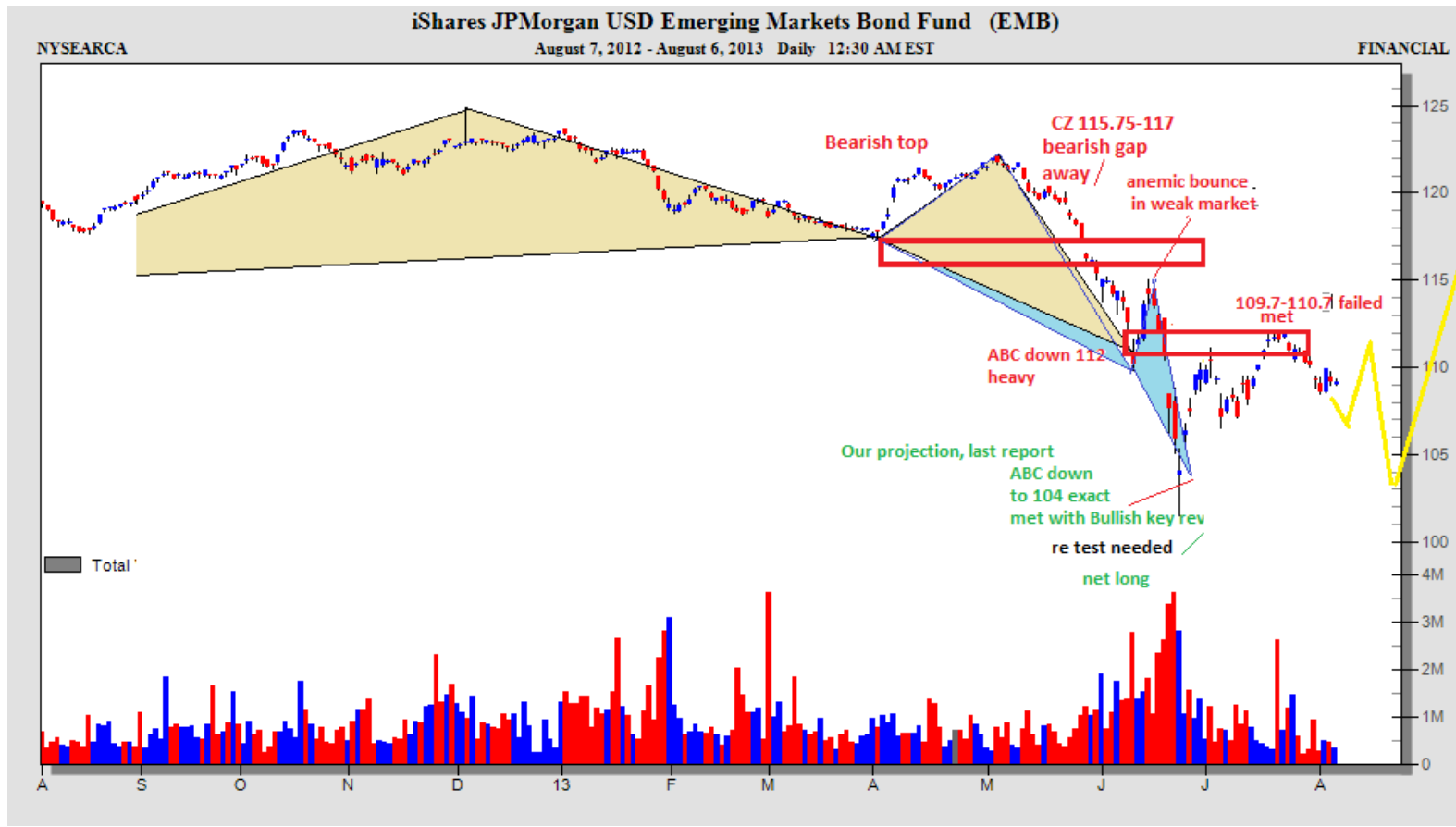


# EMB (EMG Bonds) – CZ / PEC-D / Ratio Analysis – Daily – Bearish

- Texture – **BEARISH TOP** & **BEARISH BOTTOM**

UPSIDE – CZ 110.7-109.7 failed & Triggered Net short- RM -112.5

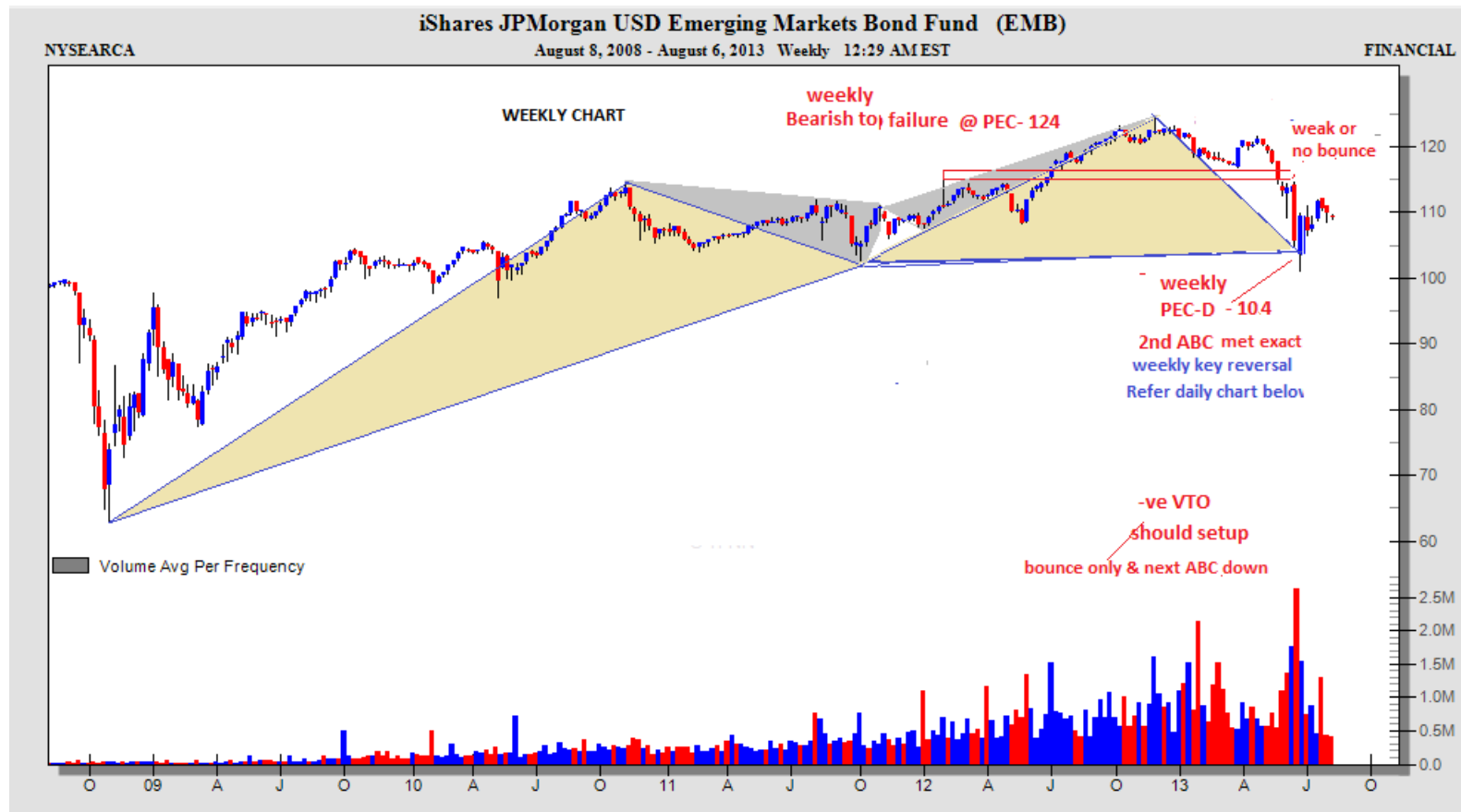
DOWNSIDE – Target PEC-D 104 –



# EMB (EMG Bonds)– CZ / PEC-D / Ratio Analysis – Weekly - Neutral

- Texture – **BEARISH TOP** & **NEUTRAL BOTTOM**

**DOWNSIDE** – PEC-D - 104 heavy bottom , It needs a PQV Validation which should hold. **Within CZ 103-101 - Trigger to watch for Net Long**



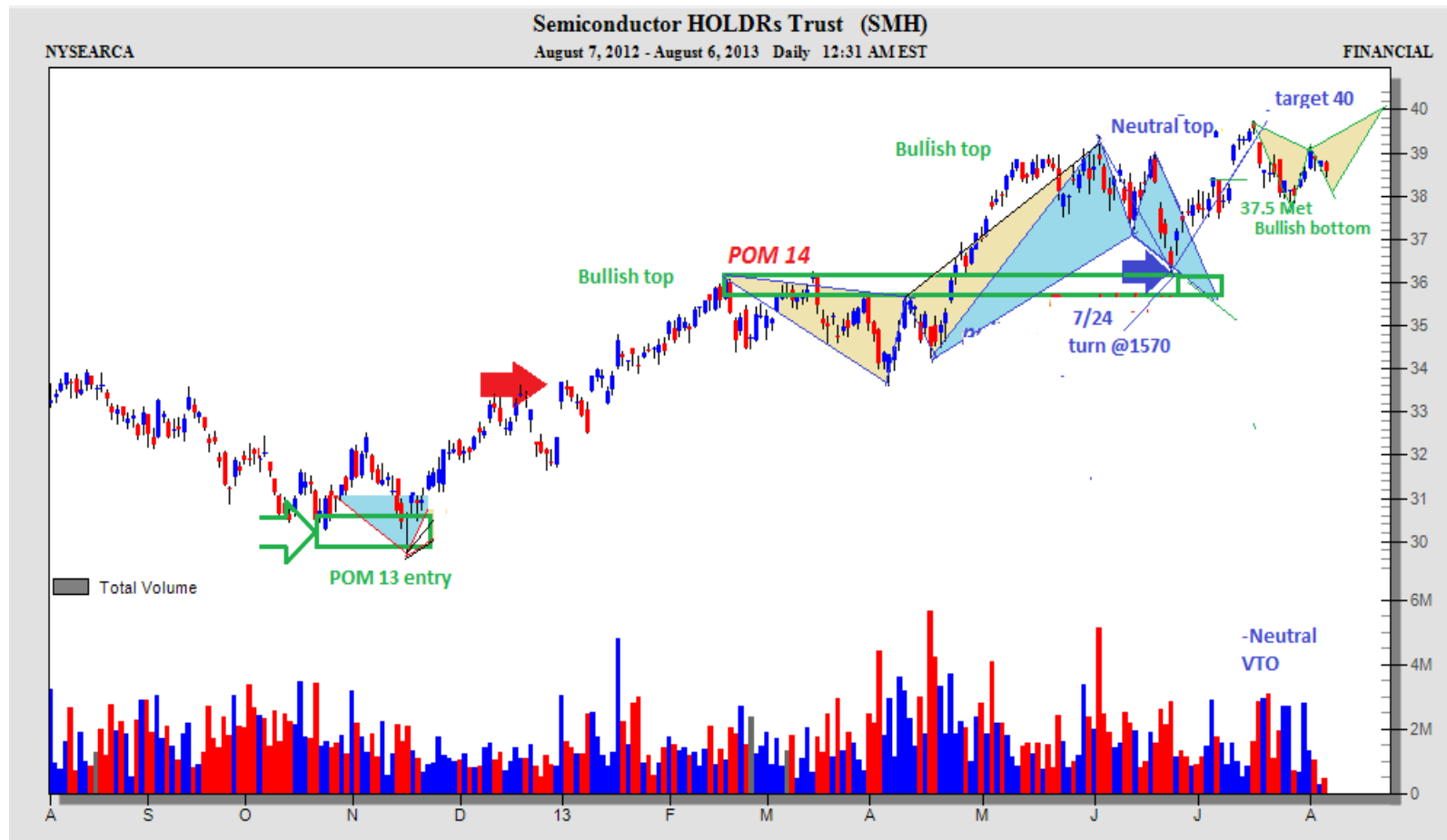
# SMH ( SEMI ) – CZ - PEC- D Analysis – Neutral

- Texture – NEUTRAL TOP & NEUTRAL BOTTOM

Pull back – PEC-D 37.5 Met.

Upside – Our Projected ABC up 40 with Neutral Top ,

Down side – CZ 35-36.

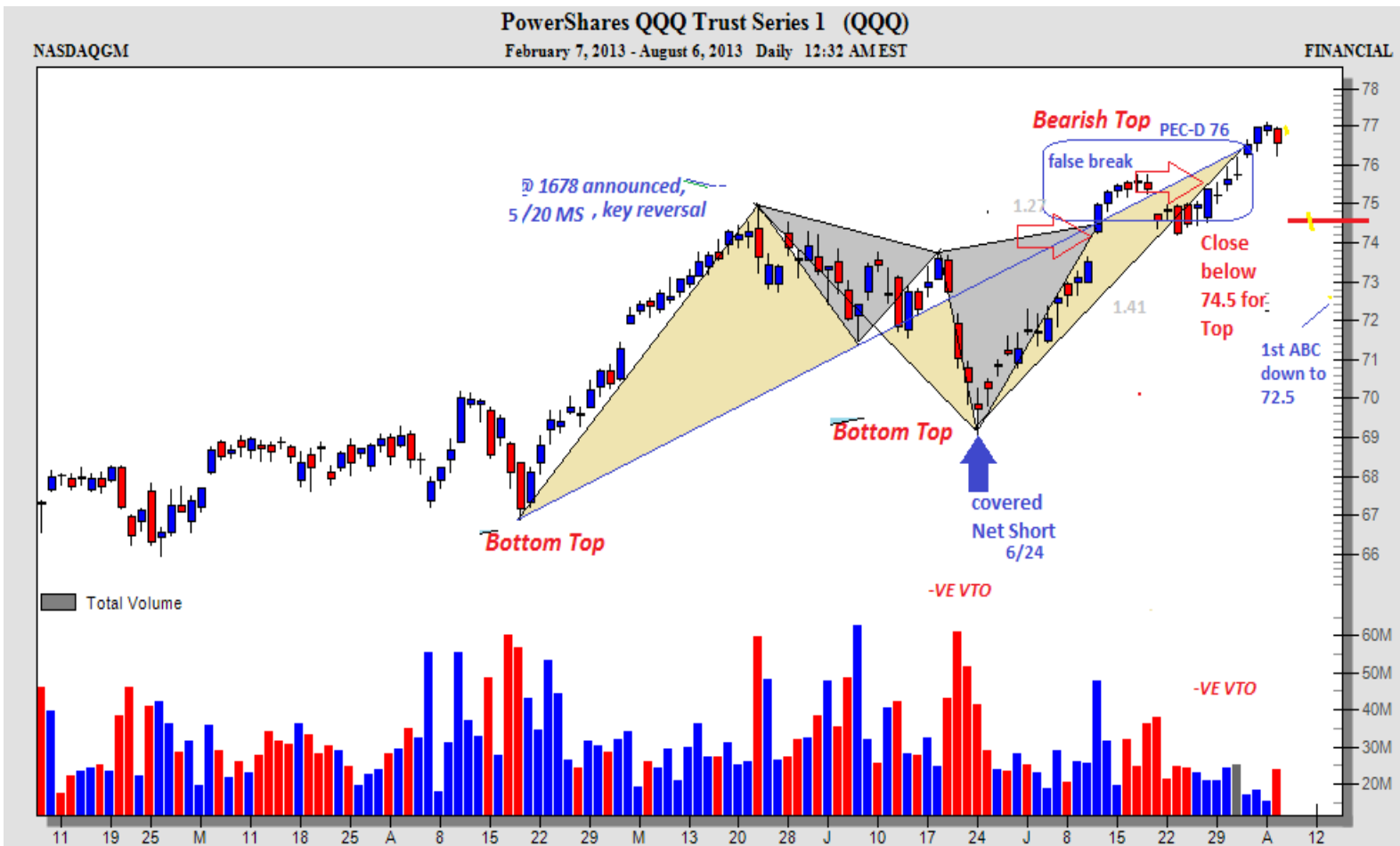


# QQQ – ( NASD 100) - CZ – PEC-D Analysis - **BEARISH**

- Texture – Texture - **TOP BEARISH CZ. & TOP BEARISH CZ. -**

**Upside -** Target to **PEC-D 76**. Bearish Top on FAILURE to Scale in Net Short exposure. **with –ve VTO,**

**Downside - 1<sup>st</sup> ABC down PEC-D @ 72**

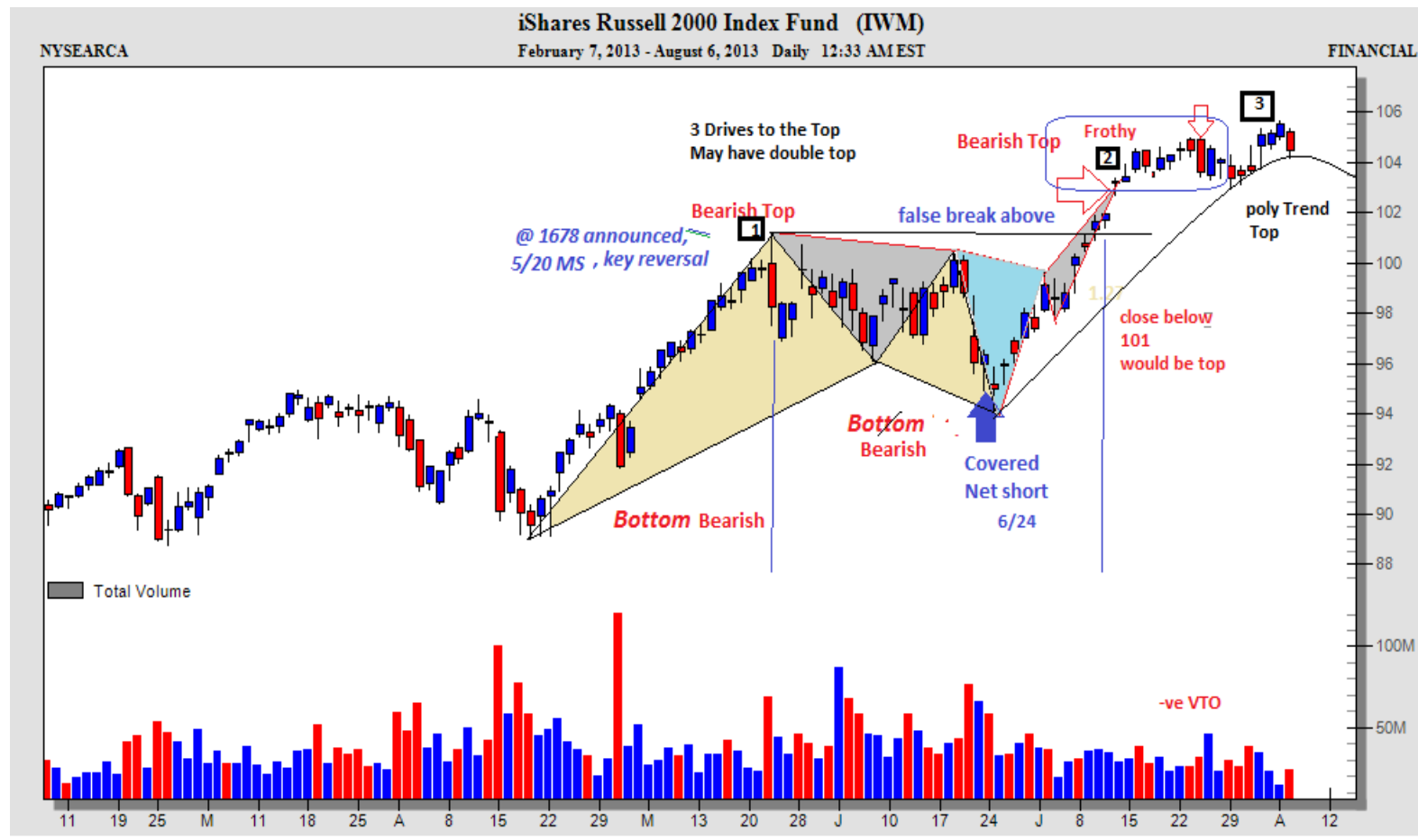


# IWM – CZ – PEC-D Analysis - “BEARISH”

- Texture - TOP BEARISH CZ. & TOP BEARISH CZ )

**Upside** - 3-Drives to Top to PEC-D 104 & PEC-D 102. Bearish Top on FAILURE to Scale in Net Short exposure. Let it play out with **-ve VTO & Money flow**,

**Downside** - 1<sup>st</sup> ABC down PEC-D @ 98



# 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.*
  - *Exterme Indicator Analysis*

## CORRELATION RATIO ANALYSIS

*Inter market Analysis – TNX ( Yield) v/s SPX*

- *Direct Correlation continues in Current Trend*

*Inter market Analysis – TLT v/s USD*

- *Inverse Correlation continues in Current Trend*

- **EXTREAME Sentiment Analysis**

- ( 3<sup>rd</sup> Party Data ) - Courtesy : SENTIMENT TRADERS

*None @ EXTREMES*



## 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)

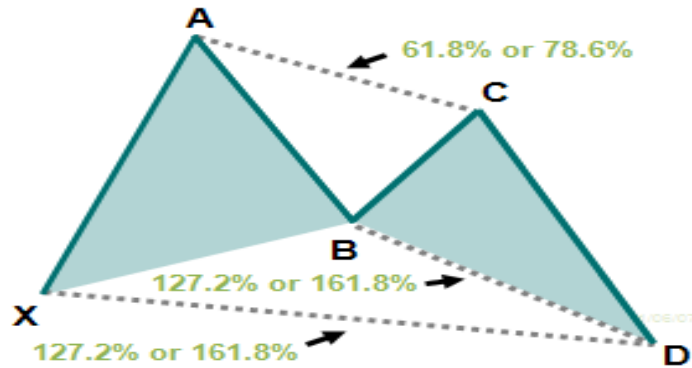
## Pythagoras Expansion / Contraction – (PEC) Model

- **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 streams to achieve confluence point D coinciding with POM**

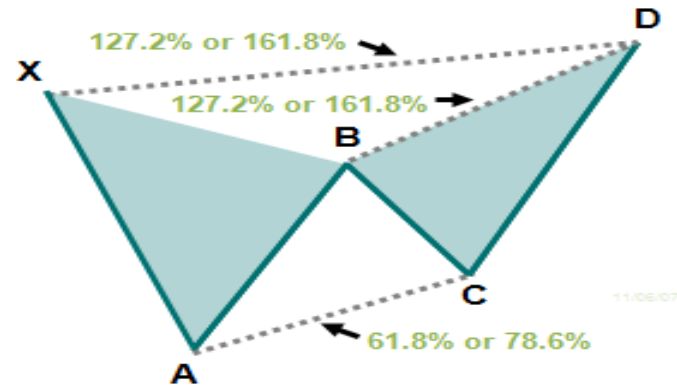
### **PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model**

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

### Buy Pattern (bullish)



### Sell Pattern (bearish)



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