



Date : 6<sup>th</sup> Feb 2013 ( **Wednesday** )

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

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• **Executive Summary**

	Current Price	Triggered POM or CZ & Date	Triggered within CZ & Date	Progress Status	Current Position	<b>NEW ACTION</b> ( Trigger to Watch)	Upside CZ <u>Near Term</u>	Upside CZ <u>Mid term</u>	Downside CZ <u>Near term</u>	Downside CZ <u>Mid term</u>	Remark
<b>SMH (SEMI)</b>	35	<b>POM 14</b> On 12/26	CZ 33.5-32  <u>Alerted</u> @ 33.5 on 1/04	NEUTRAL	CASH  Exited for 9% profit. ( 30 to 32.7) In current rally	NONE	CZ 33.5-32 Met , <b>extended with Bullish top</b>	To follow SPX rally Till POM 15	CZ 33.25-32.75		<b>SMH is Extended Bullishly , wait for pull back to Buy .</b>  <u>Good candidate to be long in next pull back</u>
<b>MDY (MID CAP)</b>	199	<b>POM 14</b> On 12/26	CZ 191-185  <u>Alerted</u> @ 191 on 1/04	NEUTRAL	CASH  Exited for 6.5 % profit. ( 176.5 to 188avg In current rally	NONE	CZ 191-185- Met with Neutral Top	Ditto	TBA		1.MDY is Extended, <b>wait for pull back to Buy .</b>
<b>IYT (TRANS)</b>	104	<b>POM 14</b> In SPX On 1/04	CZ-97.5-95 On 1/04	NEUTRAL	NONE	NONE	CZ 97.5-93 Met with Neutral Top	Ditto	TBA		Ditto

Continued.....

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<b>IWM (SM CAP)</b>	89.66	POM 14 In SPX	CZ 89.75-88.25  <u>Announced</u> On 1/23	BEARISH	Net Short	Initiated to Scale in CZ 89.75-88.25	CZ 89.75-88.25 Met, with Bearish top	Final termination Wave POM 15	CZ 82.5-80.5		IWM is good instrument to Hedge existing longs
<b>QQQ (NASD)</b>	67.36	POM 14 In SPX	CZ 67.75-66.5  <u>Announced</u> On 1/16	BEARISH	Net Short	Initiated to "Scale in" CZ 67.75 -66.50	CZ 67.75-66.50 Met, Bearish Top	To follow SPX rally Till POM 15	CZ 64-63		Ditto
<b>TLT (BONDS)</b>	116.5	POM 13 – Re Run @ 118 On 0/7	CZ 118-115	BULLISH	Net Long	Initiated to "Scale in"  1/3 @ 118.5 1/3@ 115 -limit orders	CZ 125-124	CZ 135-136	CZ 115-118 Re-testing PQV – Validate CZ		If SPX Weakens, the Flight to safety should begin  <u>STOP RM @ 113</u>

- **SIGNALS. - Price Projection CZ , Trading / Investment Conclusion**

### **Broader Indices**

- **BULLISH INDICES** - TLT,
- **BEARISH INDICES**- QQQ, IWM .
- **NEUTRAL INDICES** - MDY, IYT, & SMH is **turning Bullish**

- **DOW TRANSPORT THEORY ( IMPROVISED - For Monitoring Purposes ONLY -**

**NEW SIGNAL** - No new Buy Signal by Our improvised Dow Methodology Signals

However based on conventional DOW theory , Buy Signal is Triggered @ 13850 on 1/29 – It is As often called as “Jonny be late Signal “

- **MODERN DOW THEORY with SEMI's & TECH - For Monitoring Purposes ONLY -**

**NEW SIGNAL** - No new Buy Signal

## Broader Indices Overview

- MDY, SMH, IYT - NEUTRAL with residual strength still active. SMH is setting up with Bullish Top

We Maintain our CASH Position in these NEUTRAL Indices. ( re iterated during our POM 14 – CZ ). These Instruments would provide good opportunities to go Long for next leg up . We would wait for next pull back. .

At current levels , there is no favorable Risk / Reward for adding any Long positions . These are NOT Short Candidates and should top out once SPX reaches POM 15.

- QQQ, IWM - Are setting up BEARISHLY,

BEARISH Indices (QQQ) underperformed & lagged SPX grossly in this rally as we had pre-warned & IWM- Bearish & extended.

QQQ & IWM Validated for Short position as an Suitable Hedge against existing long , but Not a POM 15 - NET SHORT, yet .  
ALERT - Special Report Announcement on 1 /15 on QQQ & 1/25 on IWM

- TLT - Setting up BULLISH ,

TLT is pulling back into CZ 115-118 after the first rally attempt off the bottom. We were expecting a the secondary test into this previously PQV validated CZ. Overall , the force on down side should reduce during secondary Test.

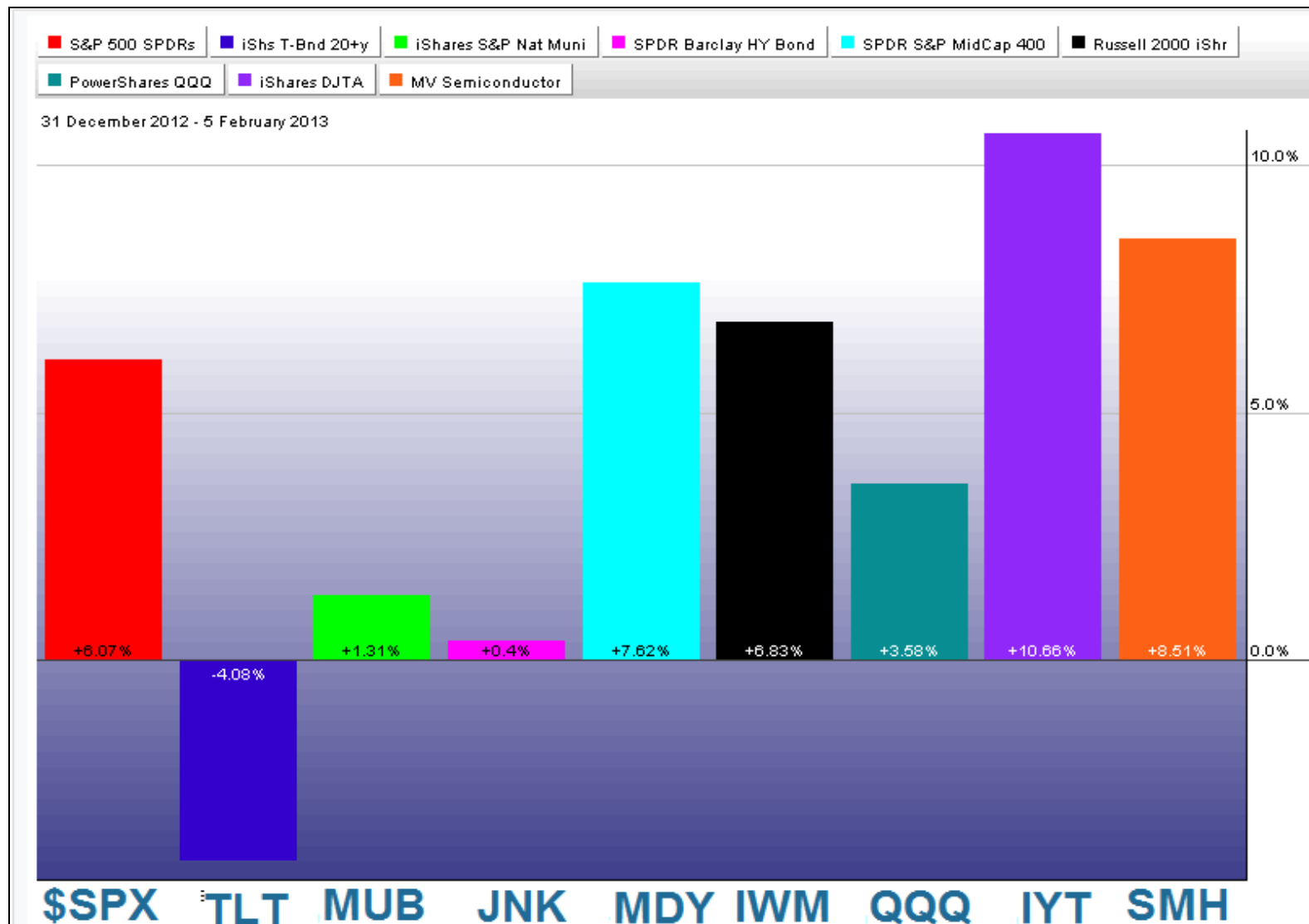
Commitment of Traders ( COT) indicated “ Net Short” Levels are very high which is Bullish for Bonds. Crowd is abandoning Bonds.

The Next rally in TLT could begin as “ Flight to Quality” once SPX begins it own correction. This is good Hedge against Long Equities. On 1/07 – ALERT , We trigger POM 13 Re run .- Net long , initiated position. We shall accumulate position into Secondary test in CZ 115-118,

# 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 .

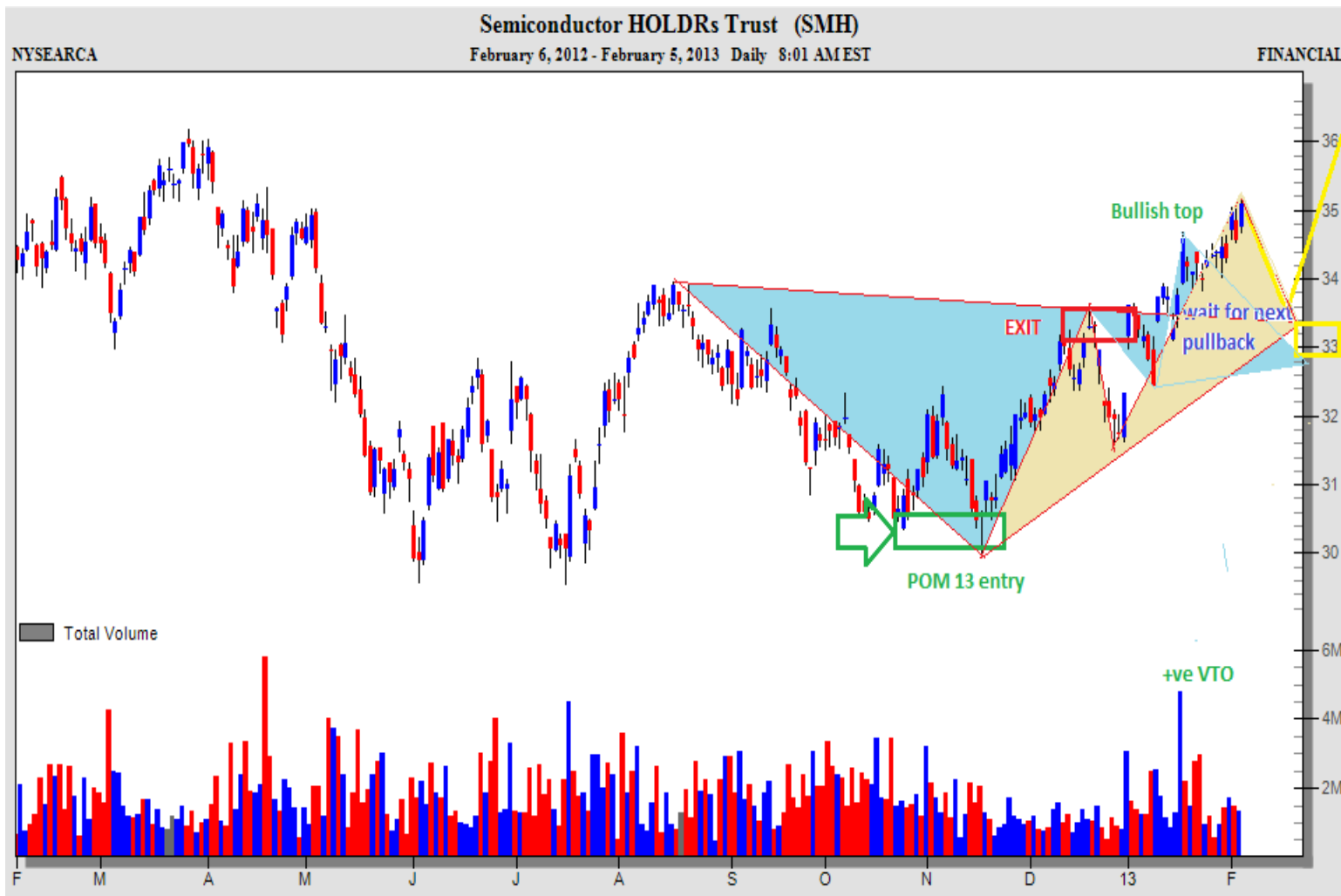


# SMH ( SEMI ) – CZ - PEC- D Analysis – Neutral ( with Bullish bias)

- Texture – BULLISH TOP & NEUTRAL BOTTOM

Upside - Bullish Top, We wait for pull back for next leg up

Downside – PEC-D 33.25, this is the area we exited our earlier position



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

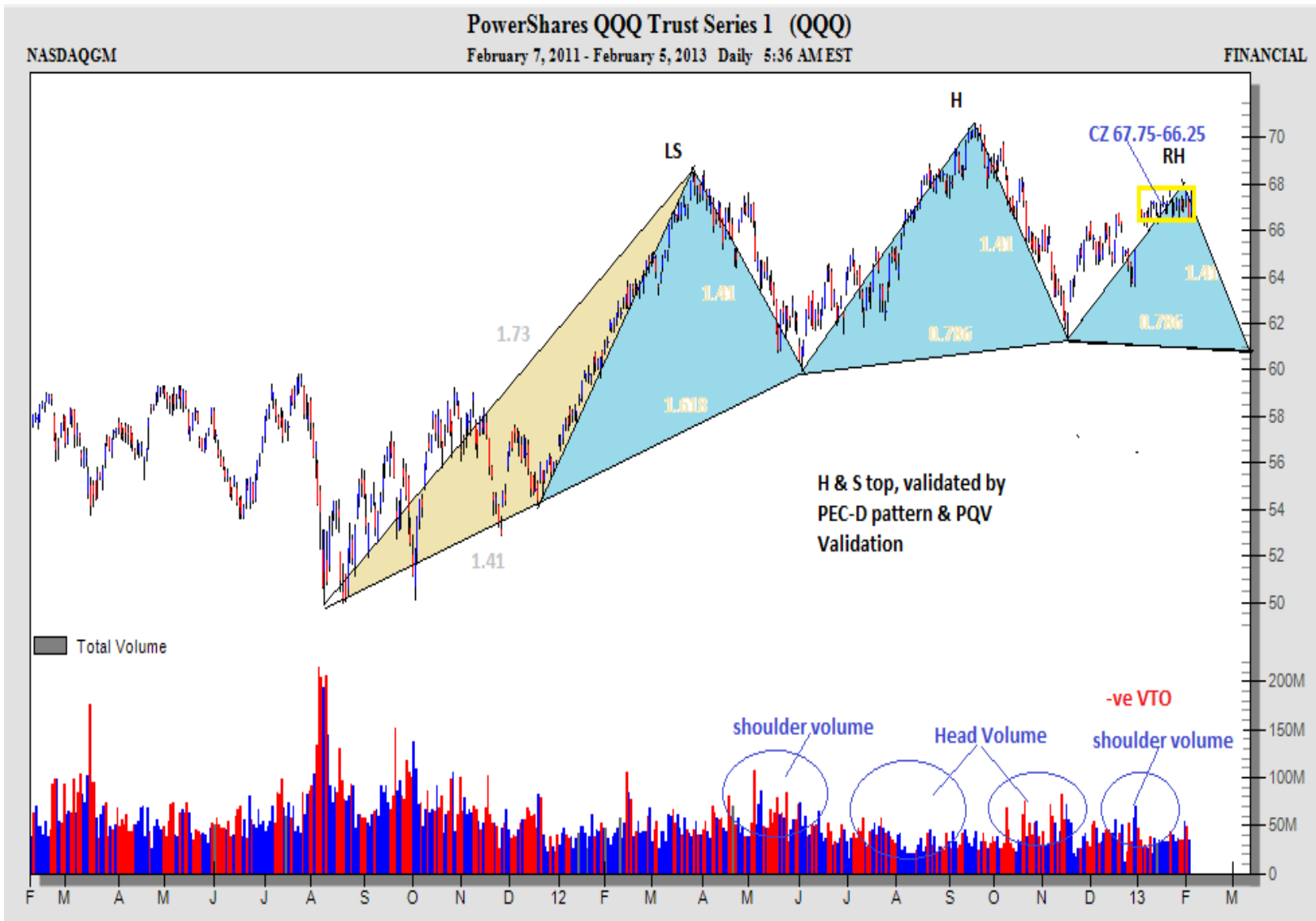
- Texture – Texture - TOP BEARISH CZ. & TOP BEARISH CZ

**Upside - CZ 67.75-66.25 met & Failing** with Bearish Top with PEC-D @ 1.618 & 1.27 at 67.5



# QQQ – ( NASD 100) - H & S – Top – PEC-D Analysis - **BEARISH**)

***H & S – Top is PEC-D Validated & PQV Validated within CZ - CZ 67.75-66.25 met & Failing***





# QQQ – ( NASD 100) - MC – Oscillator Analysis –

Summation Index is turning down below 500

Mc-Oscillator – Turning below 0 – suggest weakness



# IWM – ( RUSS 2000) - CZ – PEC-D Analysis - MID TERM “BEARISH)

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

Upside - Bearish , extended Top with Long term PEC-D @ 88.25 & 89.75 , CZ 89.75 -88 .25.



# IWM – ( RUSS 2000) - CZ – PEC-D Analysis - MID TERM **“BEARISH”**

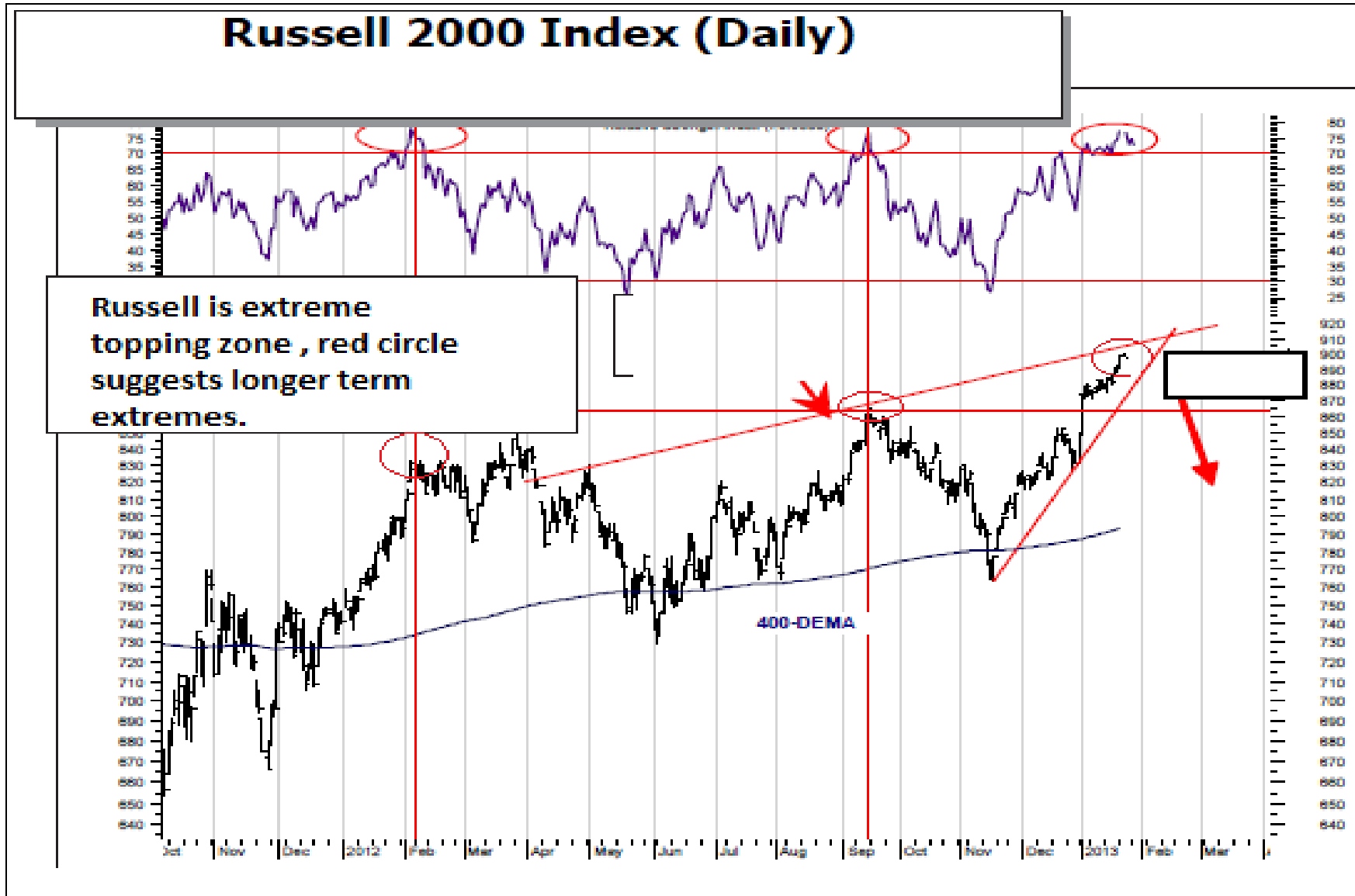
- **Texture - TOP BEARISH CZ. & TOP BEARISH CZ**

**Upside -** 5 YEAR long chart has Bearish Top with Long term PEC-D @ 88.25 & 89.75

**CZ 89.75 -88 .25** with -ve VTO



# IWM – ( RUSS 2000) - BLI - Oscillator Analysis - MID TERM ***“BEARISH”***

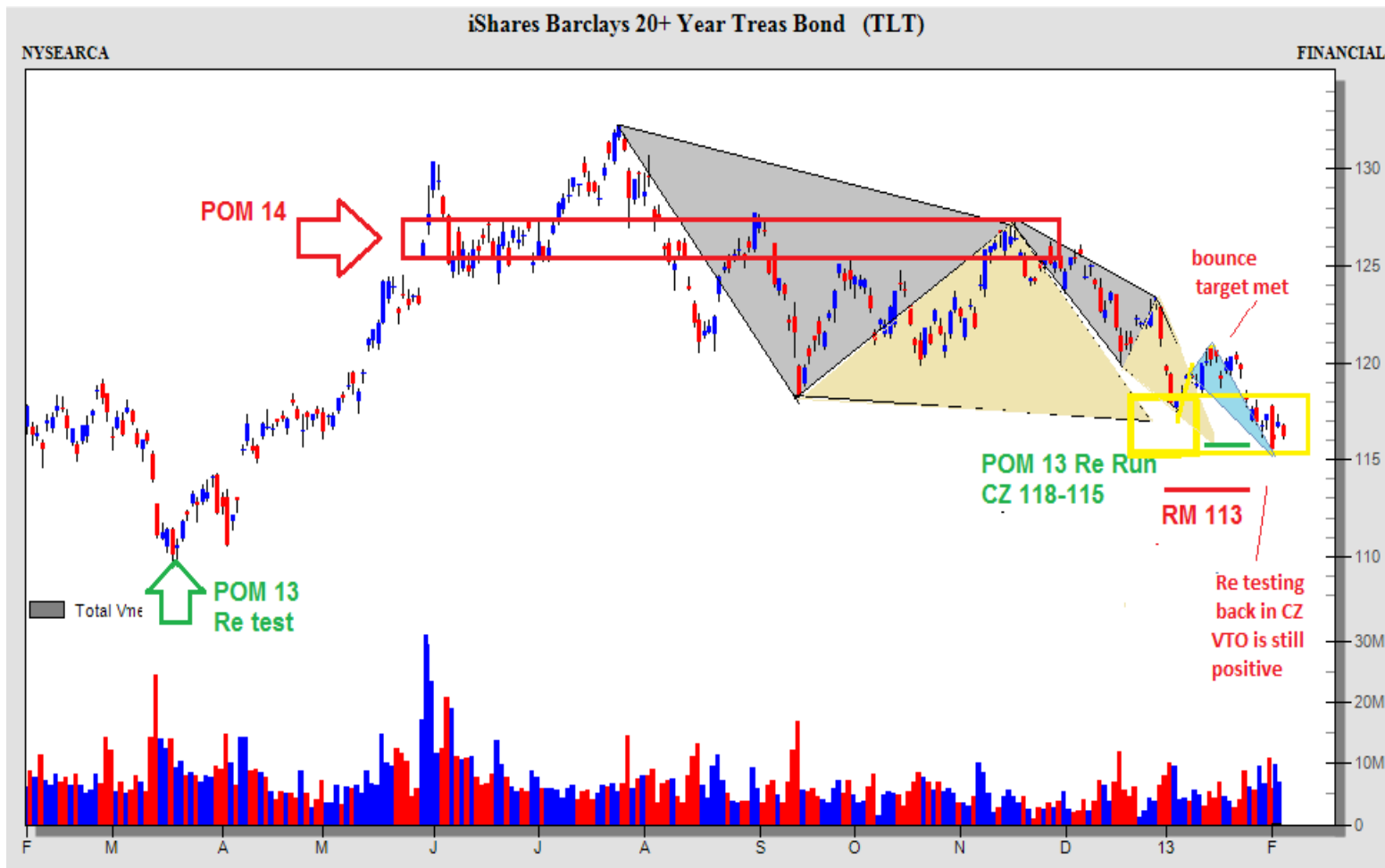


# TLT ( Bond ) – CZ- PEC- D Analysis – Daily Chart . - **Bullish**

- Texture - NEUTRAL TOP CZ. & BULLISH BOTTOM –

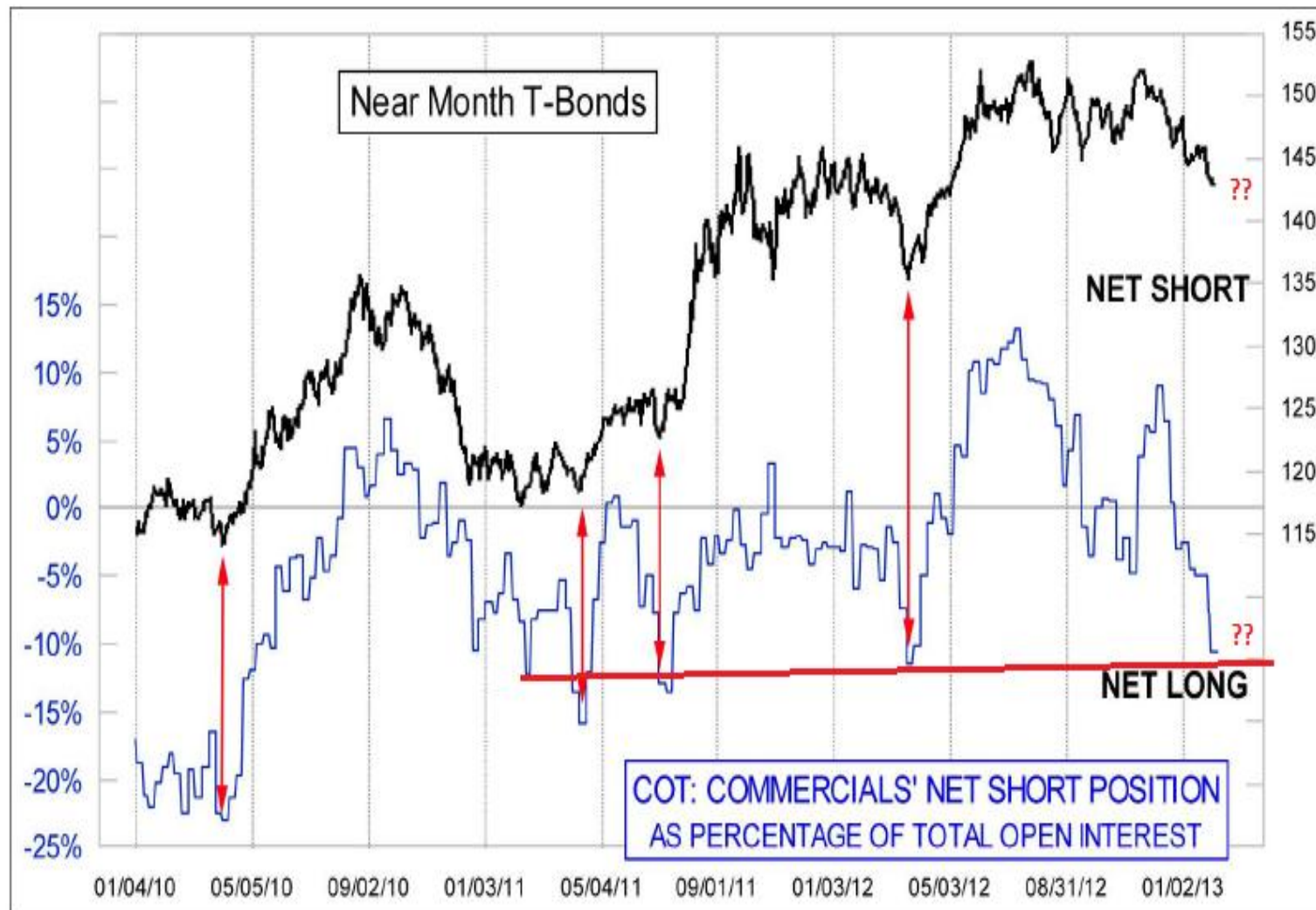
**Downside** - Multiple PEC-D's converge into CZ 115-118, after the first rally attempt off the bottom. We were expecting a the secondary test into CZ which was previously PQV validated.. ( RM – 113 )

**Upside** - CZ – 128-125, If it is broken Bullishly then to Target CZ 135-136. .



## TLT ( Bond ) – COT Analysis

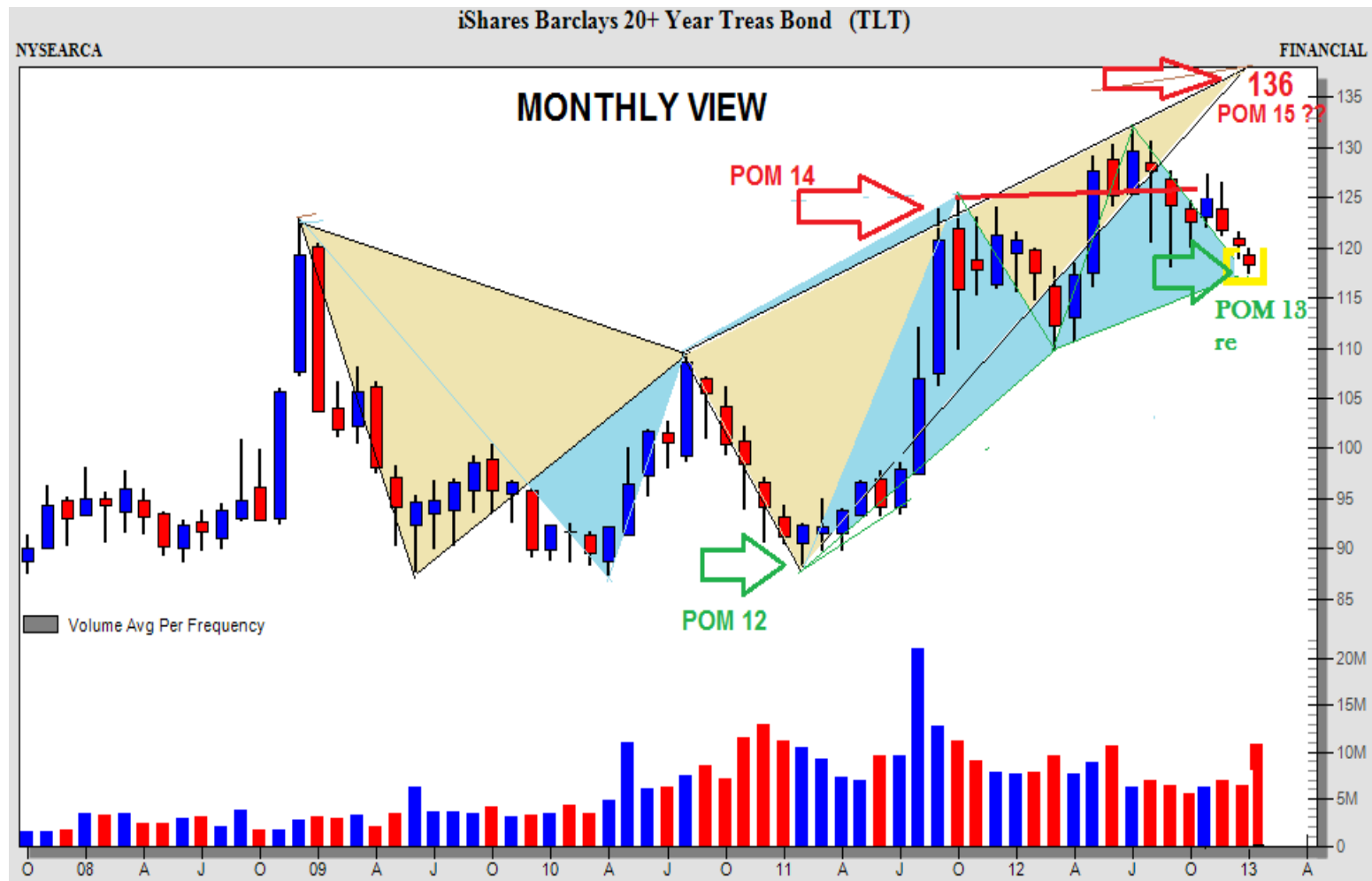
*Commercials have moved to largest Net long position.*



# TLT ( Bond ) – CZ- PEC- D Analysis – **BIG PICTURE** - *Bullish*

Monthly *PEC- D* projections is at 115 , On daily basis , TLT has Triggered POM 13 re in CZ 115-118.

30 yr Bull Market . LT Monthly *PEC- D* projections of *POM 15 to 136* with *PQV* Analysis is a possibility ,



**NOTE –** Due to Technical issues we do not have following charts, However nothing has changes in those Analysis since last Report

**IYT – ( Transport) - CZ / PEC –D Analysis - “NEUTRAL**

- Texture – NEUTRAL TOP & NEUTRAL BOTTOM

**Dow Transport Theory – FYI - No NEW Buy signal,** - last Sell signal at 12800

*By this Method – IYT ( Transport) is lagging DIA ( Dow Jones) - DIA Price cross over with IYT price and has not given Buy signal . The Ratio curve ....IYT / DIA has broken downtrend which +ve . PQV is still Invalidated*

**Modern - Tech – Semi Theory – FYI - No NEW Buy signal,**

*By this Method –SMH ( SEMI) is lagging QQQ ( Tech) - QQQ Price cross over with SEMI price and has not given Buy signal . The Ratio curve ....SEMI / QQQ has broken downtrend which +ve . PQV is still Invalidated*



### **IWM ( RUSSELL) -- BEARISH**

IWM - Trigger **POM 14, CAUTION & Short** within **CZ 89.75-88.25 on 1/24** , This signal completed **POM 13 – Re run on 10/15** within **CZ 82.5-80.5** & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **QQQ ( NASD 100) -- BEARISH**

QQQ - Trigger **POM 14, CAUTION & Short** within **CZ 67.75 -66.25, on 1/16** , This signal completed **POM 13 ( Original) on 5/21** within **CZ 61-62** & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **MDY ( MID CAP) - NEUTRAL**

MDY - Trigger **POM 14, CAUTION** within **CZ 185-191, on 12/26, & 1/04** , This signal completed **POM 13 – Re run on 10/15** within **CZ 175-178** & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **SMH ( SEMI) – NEUTRAL**

SMH - Trigger **POM 14, CAUTION** within **CZ 32-33.5, on 12/26, & 1/04** , This signal completed **POM 13 – Re run on 10/15** within **CZ 29.5-30.5** & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **IYT (TRANSPORT – NEUTRAL**

IYT - Trigger **POM 14, CAUTION** within **CZ 95-97.5, on 12/26, & 1/04** , This signal completed **POM 13 – Re run on 10/15** within **CZ 88-90** & false break below. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **TLT ( BONDS)– BULLISH”**

TLT - Triggered **POM 13 – Re run** on 1/07, we initiate to **Net Long**) within **CZ 115-118**, This signal completed **POM 14-** Triggered on 5/21 for **CAUTION** within **CZ 128-125**. All subsequent commentary refers to CZ to CZ moves are for Risk Management/ rebalancing overweight positions.

# 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*

## 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)

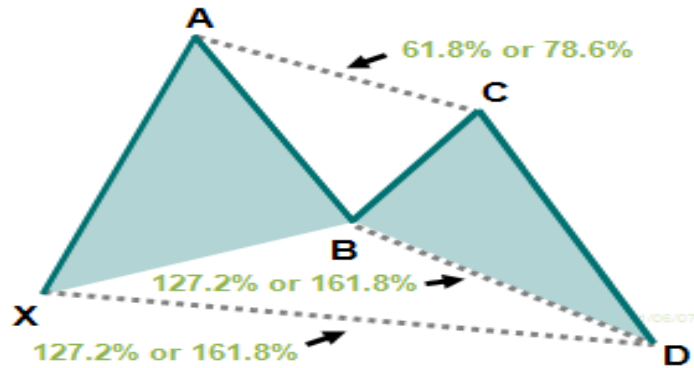
## Pythagoras Expansion / Contraction – (PEC) Model

- **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**

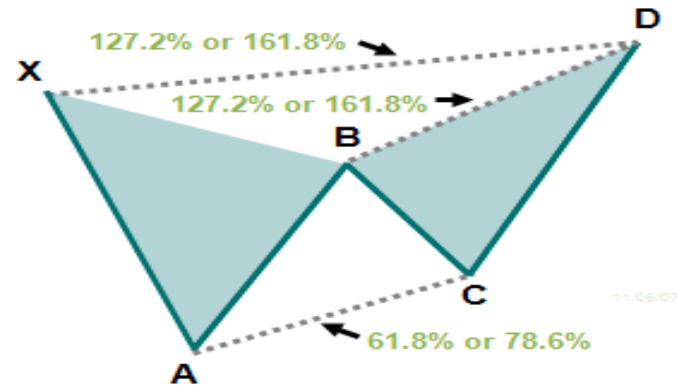
### **PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model**

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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