



Date : 7th April 2014 (Monday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

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

Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement</u> - Update For ST Trend Reversal & RM	Progress Status	Existing Position / Exposure	NEW ACTION (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1865	POM 15 Triggered EMIAL Alert On 3/25 Avg 1875 CZ 1865-1885	NONE	BEARISH	Fully hedged Triggered for balance @ 1885 Net Short For Bearish bias Portfolio	NONE	Bounce to 1878 should fail	Target to Triple Top PEC-D 1885 for Met exact & Declined massive on Friday	Pull back CZ1850-1825 Heavy bottom Should hold & then rally back	Target ABC down to 1785	Weekly close Below 1845 Required for change of trend <i>Our long position in Bullish top Instruments XLP, XLV, XLB. Closed SMH for 125 profit</i>
TLT (BONDS)	108.5	POM 13 – Re Run Marked to Market On 1/01 start @102	<u>Announced @ 108.28</u> on 2/3 to close ½ Net longs positions <u>due to</u> ST pull back	BULLISH	5% Net Long	NONE	PEC-D 108 Met with Bullish Top	Target to 2 nd ABC PEC-D 112 Bullish Top	pull back to 107, Triangulation & then rallied back	CZ105-106 retested rejected on low volume Bullishly	@ 109.25 on 2/4, closed ½ Net long position for 7 pts profit 6.5%

Note- Detail Charts on TLT in Wednesday's Broader Indices Report

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GOLD	1285	POM 13 Re – Run Marked to Market on 1/01 start @1205	Announced pull back On 3/13 ABC completion 1360	BULLISH pull back in progress	12% Net Long	NONE	CZ 1320-1330 CAP Neck area Of breakdown	2 nd ABC to 1365 Met – EXACT & decline began We Cautioned of Pull back	Close above 1293 last week rejected lows	PEC-D 1260 Bullish floor On lighter volume	Weekly 5 year CZ 1190-1220 Is solid floor Bullish floor

Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 15 exposure Triggered 3/25 - Initiated the Hedges within CZ 1885-1865. Closed SMH long position . NET LONG exposure - XLV for Obama-Care, XHB for Housing recovery and XLP is for Consumer staple. Bullish Top Instruments should continue to move higher +ve Spread. Net Short for Bearish bias Portfolios

GOLD- NET LONG exposure – Marked to Market @ 1204 – 1st Jan 2014 .

BONDS - NET LONG exposure – Marked to Market @ 102 – 1st Jan 2014 . Reduced ½ @ 109.25 – 2/4

Portfolio Holdings ... NEUTRAL- Bullish BIAS EQUITY- NON LEVERAGED(1:1)Refer to Respective Reports for details

- **LONG at POM 13** Holding
Non- Equity - GOLD , GDV, USD/JPY , CU , TLT, SMH, AUD, DXY, UNG , DBA
Equity - XLV ,XHB , XLP, EWJ / NIKKE ,
- **Hedges v/s Longs) / Triggered within CZ :**Holding
Equity –(Hedges) - SPY Hedges initiated in CZ 1865-1885
- **NET SHORT** -.....- Mid term Holding
None

Market Overview SPX

Last week Report- Monday 3/31 – **SPX @ 1858** _“ We said , The Triple top at **1883** at the top of POM 15 CZ should be tested and fail on key reversal and would set up great opportunity to scale in at **1885**.

This week - The volume oscillator has declined precipitously from its last peak, the steepness of the decline in the VO suggests that it is going to be a very weak bounces. The weakness which was evident in POM 15 CZ was manifested by a severe intraday selloff in equities on Friday. This time unable to mount a significant amount of dip-buyers. The lack of buying at new highs is a sign that determined sellers are dominating action.

Any bounces should taper into 1878 , The Time termination is still on 14th April . On mid term basis the Larger PEC-D weekly is at 1885 with 1-3-5 weekly and daily time frame . (Refer chart below) . Friday was Bradley high day.

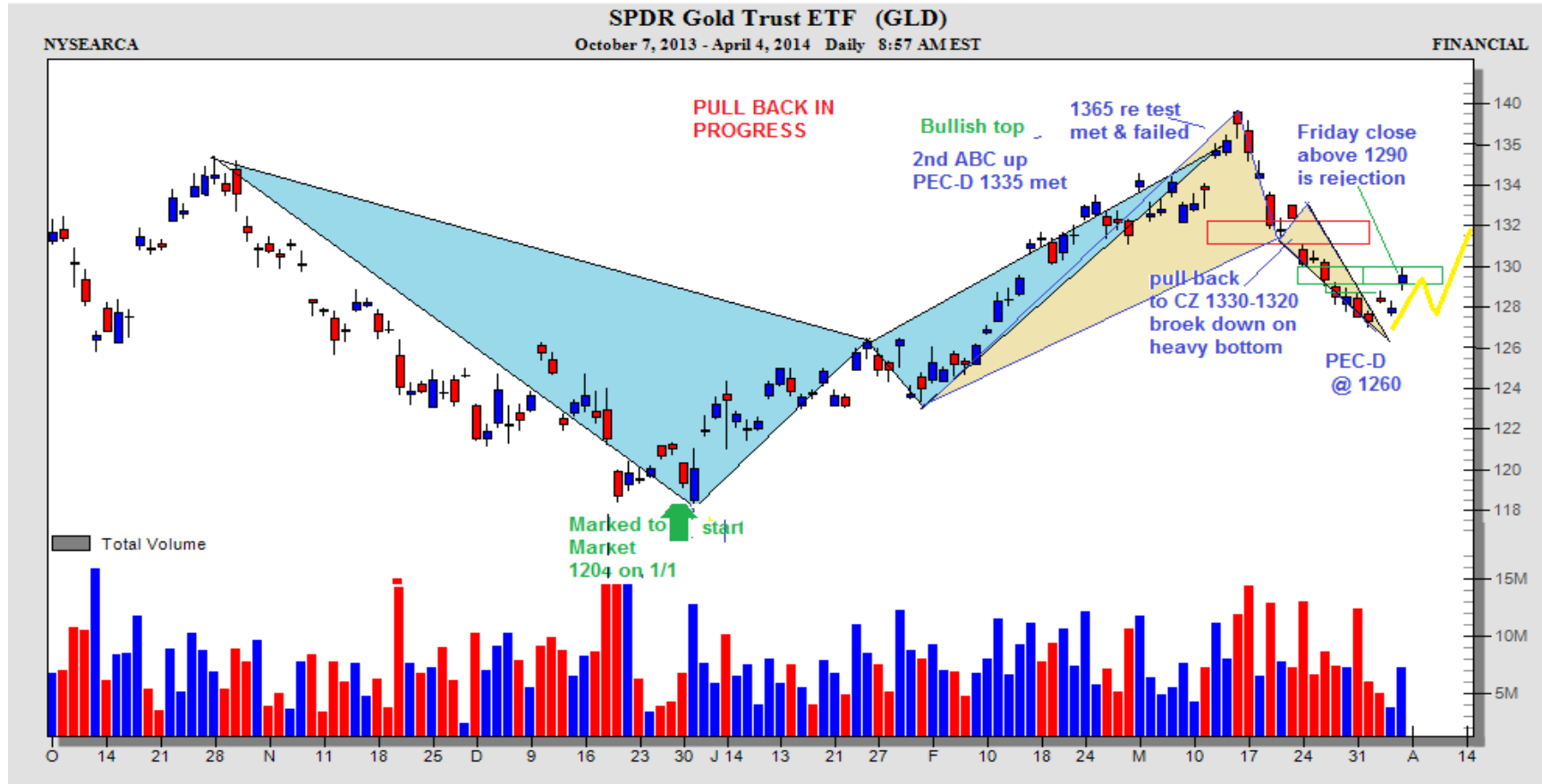
Bonds have been under heavy accumulation by the smart money,

GOLD – Daily – PEC –D / CZ Analysis – Bullish- pull back in progress

Downside - ABC down to PEC-D 1260, came in pretty close . Weekly close above 1293 is weekly rejection .

Upside - to CZ 1320-1330 is cap target (Break down neck) . Earlier 2nd ABC up to 1365 met & then pull back began

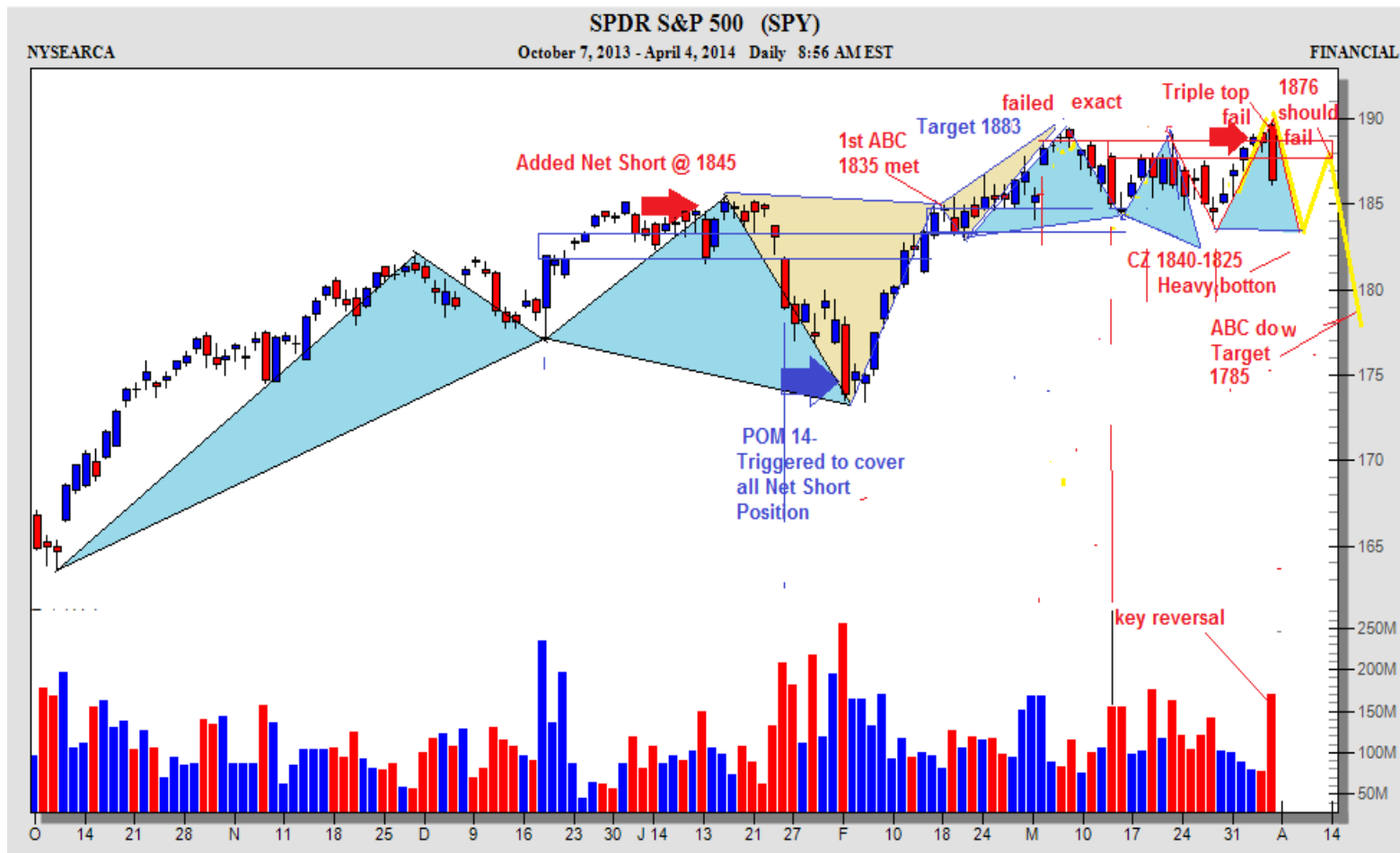
PEC-D 1220 – Rejected lows +ve VTO & Bullish Bottoming process . GOLD has seen a solid bottom on 5 year weekly chart within CZ 1190-1220.



SPX- PEC- D / CZ Analysis POM 15 - Daily chart – Short term

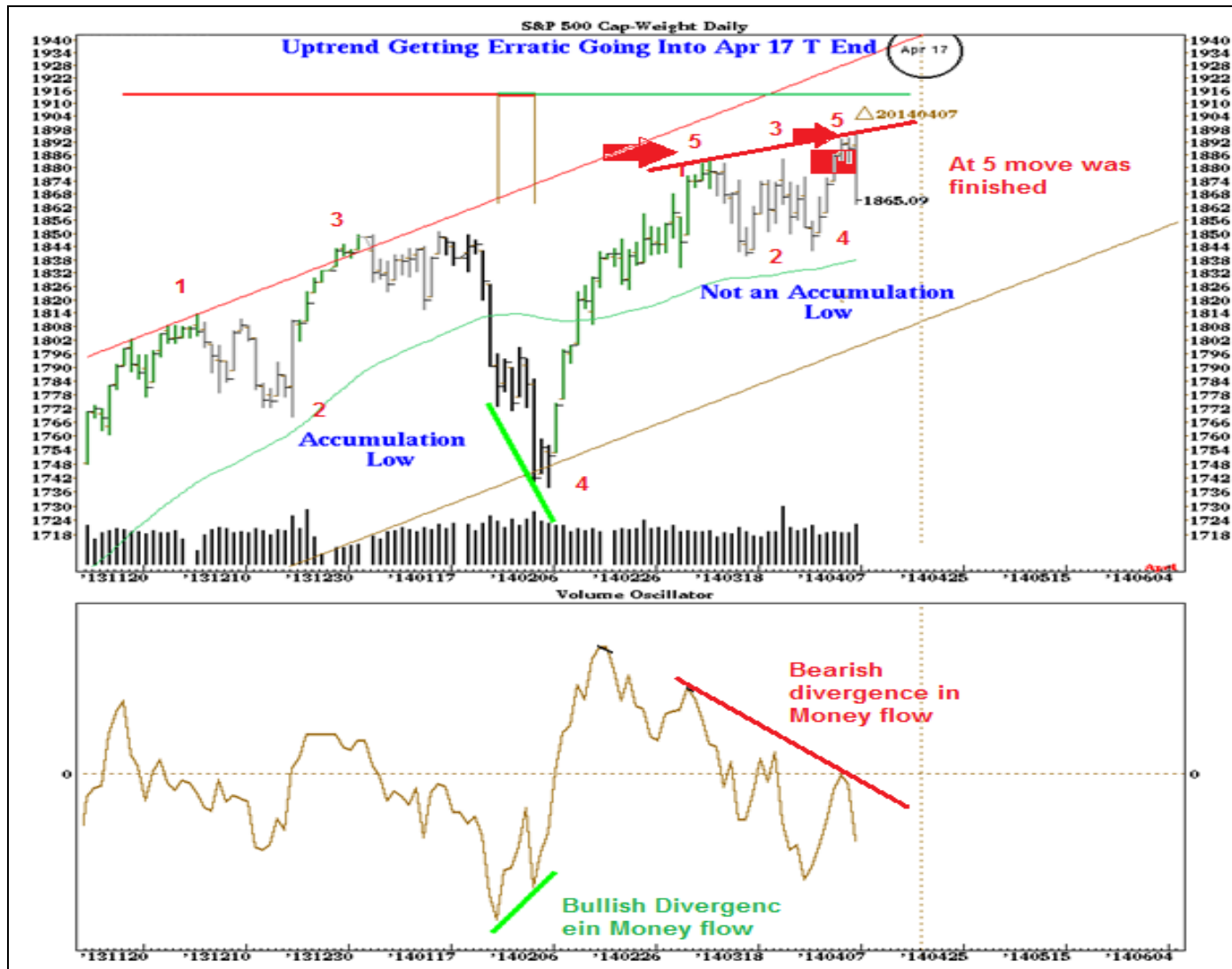
Upside – PEC-D @ 1885. – Triple top tested and failed exact in POM15 – CZ . Any bounces to 1878 should fail.

Downside – Short term pull back to CZ 1850-1825 Heavy bottom . This has Heavy bottom should be tested. ABC down to PEC-D 1785.



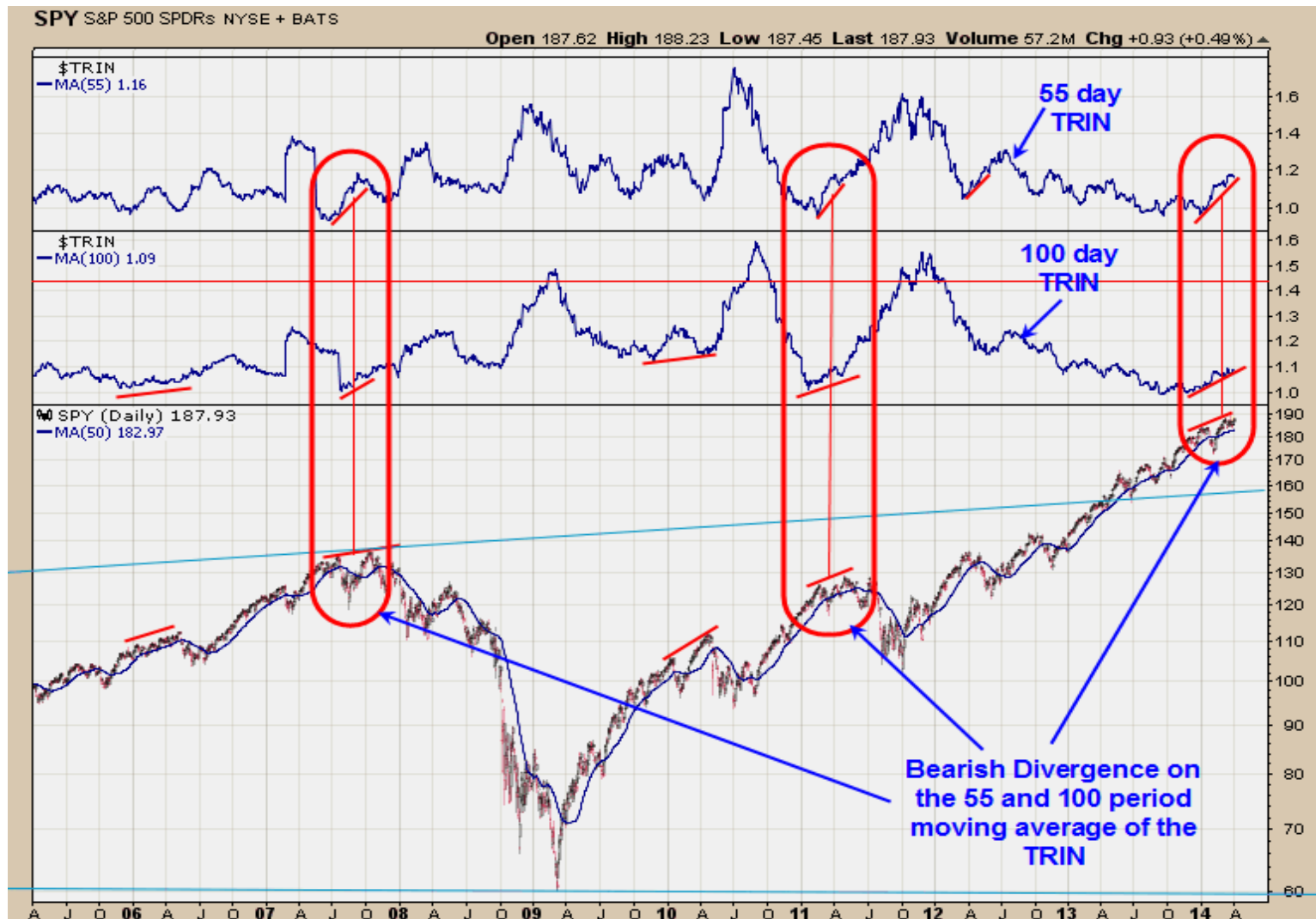
SPX- 1-3-5 Analysis POM 15 - Daily chart –

UPSIDE – 1-3-5 weekly failed and 1-3-5 on daily failed (Refer divergence within the chart on accumulation lows/ highs and Time termination



SPX- 1-3-5 Analysis POM 15 - Daily chart –

The TRIN is in bearish trends for the market. The chart going back to mid 2005. We have circled in red the times where both the 55 period and 100 periods TRIN moved higher before the market topped out. Since January the 55 period and 100 period TRIN has moved higher and a bearish sign for the market for the intermediate term.



SPX- Rydex Ratio

The Rydex trader v/s SPX. SPX chart goes back to three years and is a good sentiment reading on the Rydex trader. When this ratio reaches "All in" when reaches .30 or less. The Rydex ratio has never been lower over the last three years than it has been over the last five months and suggests the Rydex traders are bullish and holding their long positions. We view this chart as a negative for the market.



SPX – Cyclical Model

- SPX - Seasonality -

NONE -

- SPX - Election Model -

Statistically next year is the 2nd year of the Four-Year Presidential Cycle. Historically It tends to be negative I.E 2014 . When there is not a correction in the first year, the odds increase significantly for a correction in the second year. The second important point is a strong rally from whatever is the low in the second year

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model topped on 18th Nov @ 1800

- SPX - Sentiments Model

AAll Weekly Sentiment Survey – Neutral

SPX – Internals Model

Neutral -, 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)

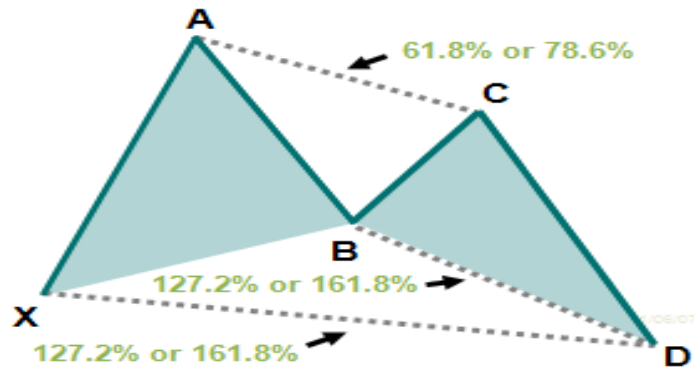
Pythagoras Expansion / Contraction – (PEC) Model

- 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

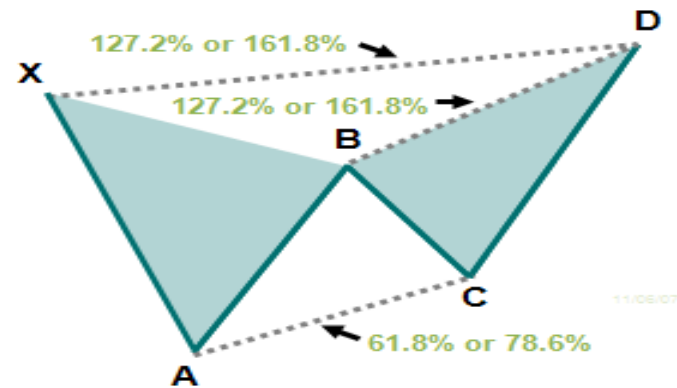
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

Buy Pattern (bullish)



Sell Pattern (bearish)



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