Date : 11TH Aug 2014 (Monday)   MS –SPX – BONDS POM - MARKET STRATEGY REPORT (SP)

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

Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up Announcement- 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	1936	POM 14 Triggered @ 1922 On 8/24 Email Alert CZ 1920-1925	NONE	NEUTRAL Bounce in progress from 1922 trigger	0% Net Short Closed all Net short on decline SPX From 1967 To 1922 IWM declined 118 To 110	NONE	1st Upside Target PEC-D 1960 Within CZ 1960-1955 Should fail	3rd Drive up to re test of 1987 Met exact Correction began .	Pull back to Retest of CZ 1920-1910 Heavy bottom Is required	Target PEC-D 1920 Met exact Heavy bottom Close below 1935 with high Volume Met target 1905	Our long position in Bullish top Instruments XLP, XLV, XLB. Remains for profit

ACTIONABLE IDEAS – POM 14 (Refer Price paths in charts below)

For Bulls – Wait for pull back for successful retest of CZ 1920-1910 for new net long positions from Cash position

For Bears / Neutral –, Wait for Target CZ 1960-1955 to fail to re instate any Net Short Position or add Hedges on longs. Closed all Net Short position. Bearish Bottom CZ 1920-1910

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TLT (BONDS)	115.6	POM 13 – Re Run *Marked to Market On 1/01 start @102*	*Announced @ 115.5 on 7/21 to exit ½ Net longs Position entry @ 111*	BULLISH ST pull back soon	5% Net Long .	NONE	Target ABC PEC-D 116 *MET* *Bullish Top*	New ABC up To PEC-D 119	Pull back to CZ 114-113 & rally back up	pull back to CZ 111.5-109 Rejected twice *Bullish Bottom*	

ACTIONABLE IDEAS - POM 13 is intact. (Refer Price paths in charts below)

For Bulls – Rally from CZ 111.5-109   Bullish bottom to ABC up to 116 Bullish Top is complete & exited ½ . Hold ½ for next ABC up 119

For Bears - Rally to 116 achieved but NOT failed with lighter volume Bearish top . (**NOT A CANDIDATE FOR SHORT SELL)**

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Portfolio – Overview & Update

SPX- Overall Portfolio is at "**POM 14 -- Triggered 8/22 – Email Alert @ 1922 in CZ 1920-1925 .**

NET LONG - **XLV for Obama-Care**, **XHB for Housing recovery** and **XLP is for Consumer staple.** Bullish Top Instruments should continue to move higher +ve Spread.

GOLD- NET LONG – POM 13 - Marked to Market @ 1204 – 1st Jan 2014 . Triggered announced 6/17 @ 1268- Re entry

BONDS - NET LONG – POM 13 Marked to Market @ 102 – 1st Jan 2014 . Triggered announced 6/12 @ 111.5- Re entry   - Exited ½ position at 115.2 – Target met

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Portfolio Holdings …
 Bearish BIAS EQUITY- NON LEVERAGED(1:1)   ………Refer to Respective Reports for details

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- **LONG at POM 13   ………..Total 65% Holding**
 Non- Equity - USD/JPY (2.5%) , DXY(5%) , TLT (5%)
 Equity (26.5%) - XLV (5%) ,XHB (5%), XLP(5%), JNJ (1%), FB (1%), NIKKE (7.5%)
 UNG (2%), DBA (2%) Exited ,
 GOLD (12%) , GDX (12%)

- **NET SHORT -…… (0%) -SPX, (0%) IWM - Mid term Holding for Bears – Exited at 1922 on 8/22**

Note 2014 YTD - For Bears, we have turned Bearish 4 TIMES   with POM 15. Twice resulted in 5-6% correction, Once (recent) 3% correction with timely upside turn announced with POM 14 and In May, POM 15 during our absentee ... we stopped out

Market Overview SPX

Last Report -   8/4 – EMAIL Report, SPX was @ 1922 . We indicated   " *To Cover all Net Short Position in CZ 1920-1925* "
as SPX touched our downside Target of 1910 after failing @ 1982 -Up thrust Bearish Top. . 2nd Daily ABC down target at 1910 was accomplished . *The false break above 1910 upside the rally does not last such move tends to come back to re balancing point however high it goes in price.* ……………… " This is exactly what happened Since our Trigger 8/4 for POM 14, profitable move to cover Net Short , the market has rallied

SPX @ 1922 finished its wave down with Heavy bottom , we expected a rally from this trigger as Time Ratio low came in on 7th August simultaneously , still not clear if its bear market rally . We are looking at volume numbers to conclude it before Re shorting for the opportunity at higher price levels @ 1960 perhaps trigger POM 15 re run . Although the volume on recent leg down was high , there was no panic. VIX completed ABC up target with 10% move

This week . The TICK / TRIN Reading turned Bullish at 1922 (refer to chart # 3 below) and positive divergence on RASI (Chart # 4 below) suggests , the rally has some legs to target at least to 1960 from 1920. Then possibly fail. We would certainly see pull back to Re – test the lows CZ 1920-1910 which is heavy bottom (Refer to chart # 1for price path) . We continue to watch SOX which called the top and then called the bottom on 6th August as lead indicator.

Seasonally - The seasonal low was on 7th August as indicated in our previous Reports . That seasonal low is typically followed by a rally into the 25th of August, a pullback into the 6th of September, then a rally into the 15th of September.

Bradley Model - This appears to be in Sync with Bradley Model as well (Refer chart below)

Presidential Cycle - Post September – October timeframe, there would be Final low , we should witness a phenomenal move higher on presidential cycle for several months into 2015.

TLT (Bond) – CZ- PEC- D Analysis – pom 13 - Daily - Bullish Chart 1

Upside - Our Target to ABC up to PEC-D 116. Bullish Top – Met – Exited ½ position
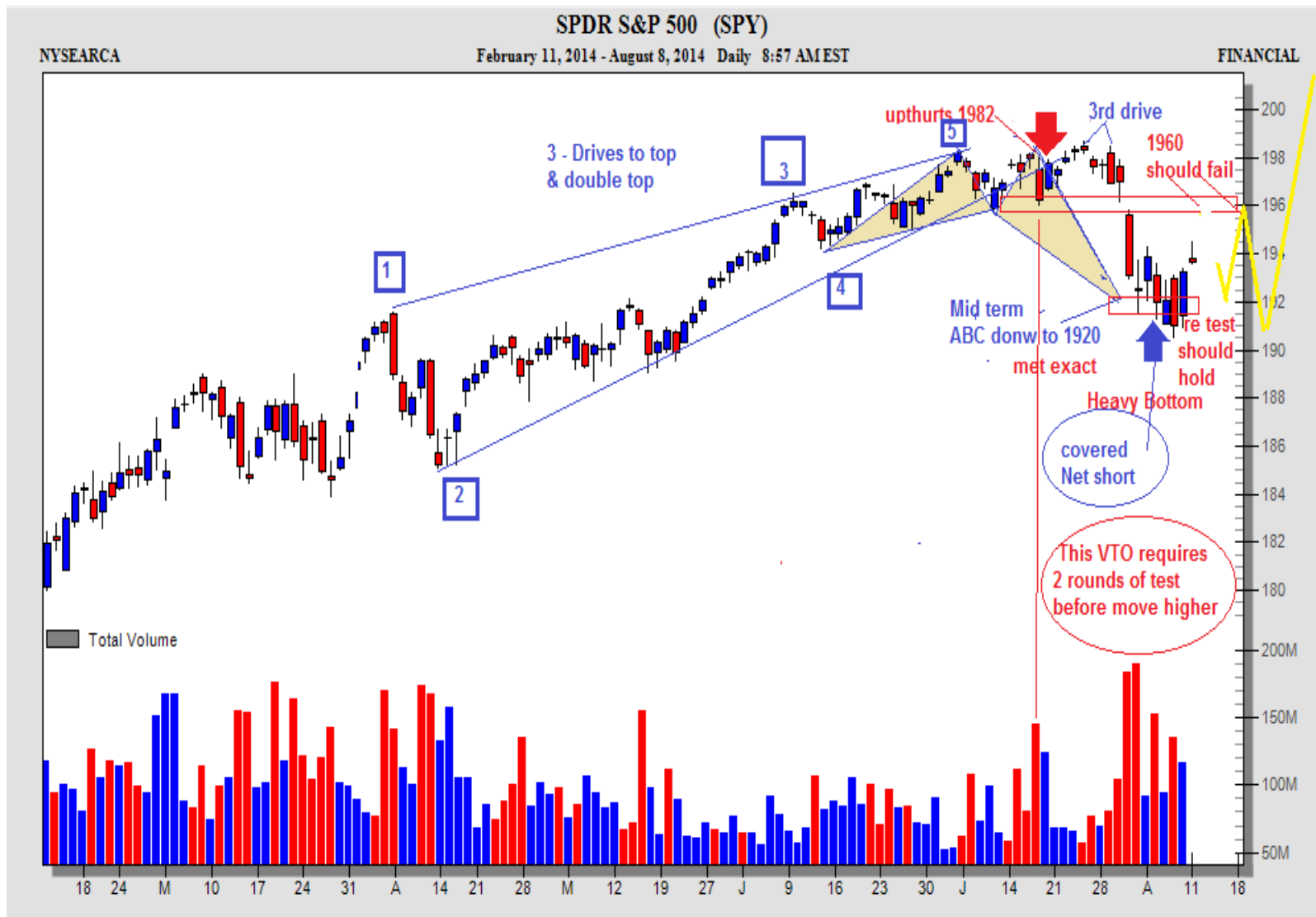**Weekly ABC up to PEC-D 119**

Downside – Pull back to 114-113 , should hold and rally back up . The CZ 111-109 Rejected with low volume as expected
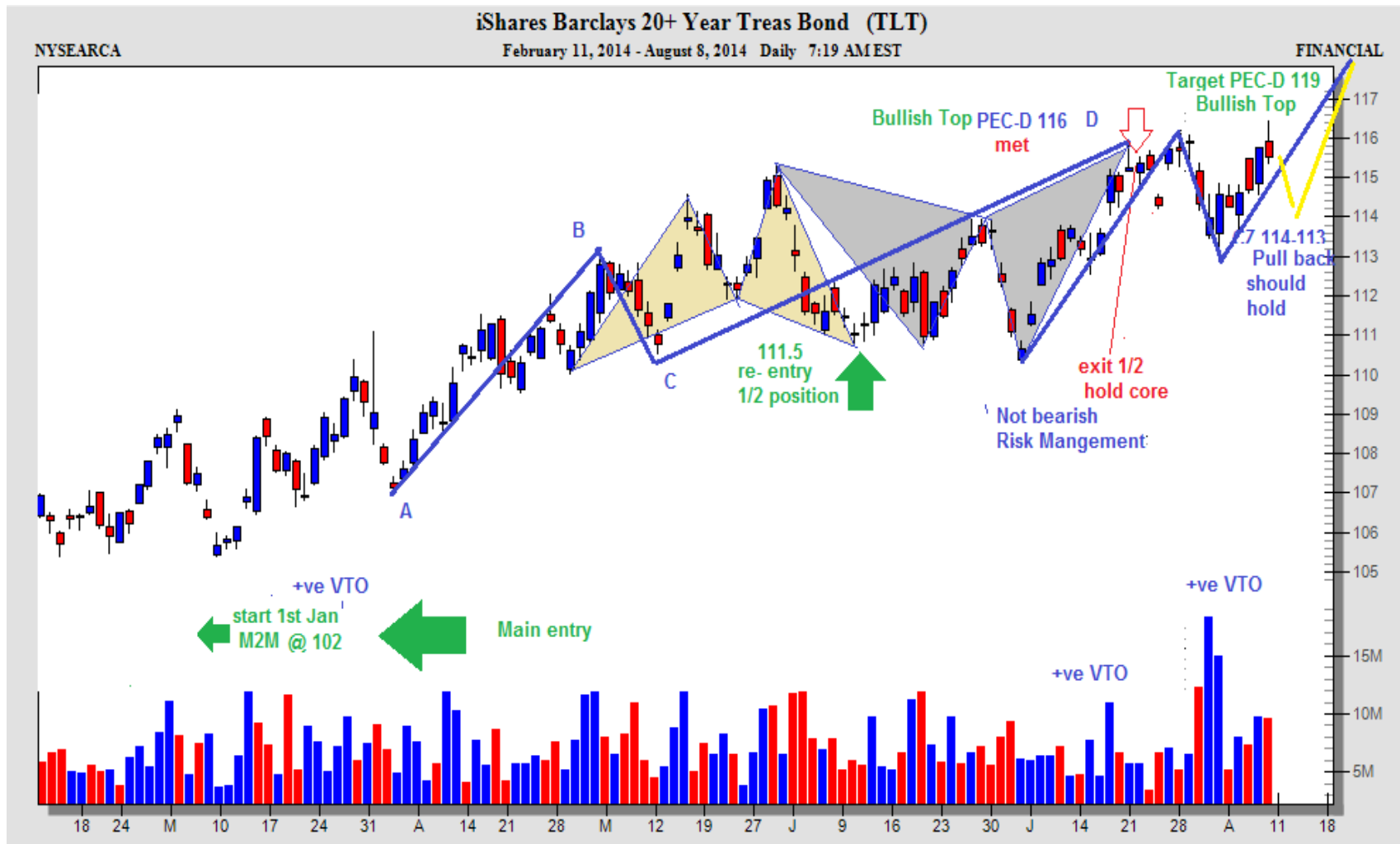
SPX- PEC- D Analysis POM 14 -   Daily chart –Chart 2

Downside -– ABC down to 1920   - Met exact with heavy bottom. Retest required in CZ 1920-1910

UPSIDE – Bounce should fail in CZ 1960-1955 *o*n low volume.

SPDR S&P 500 (SPY)

NYSEARCA   February 11, 2014 - August 8, 2014 Daily 8:57 AM EST   FINANCIAL

upthurts 1982   3rd drive
3 - Drives to top   1960
& double top   should fail
Mid term
ABC donw to 1920
met exact   re test
should
hold
Heavy Bottom
covered
Net short
This VTO requires
2 rounds of test
before move higher

Total Volume

SPX – Mc Osc/ TRIN   Analysis POM 14 -   Daily chart – Chart 3

The bottom window is the (ROC) of the VIX. Top window the Mc- Osc diverged positively at 1920.
Short term lows in the market have been found when the ROC of the VIX is over 10% . We are also near Neckline target level at 1920. To signal a low along with ABC projections and volume numbers we like to see TRIN and TICK closes. Tick readings with -900, -400, -522 and TRIN above 2.00 , 1.9, 1.8 is all converging . We need another such reading suggest , the bottom should be re tested along with heavy bottom numbers.
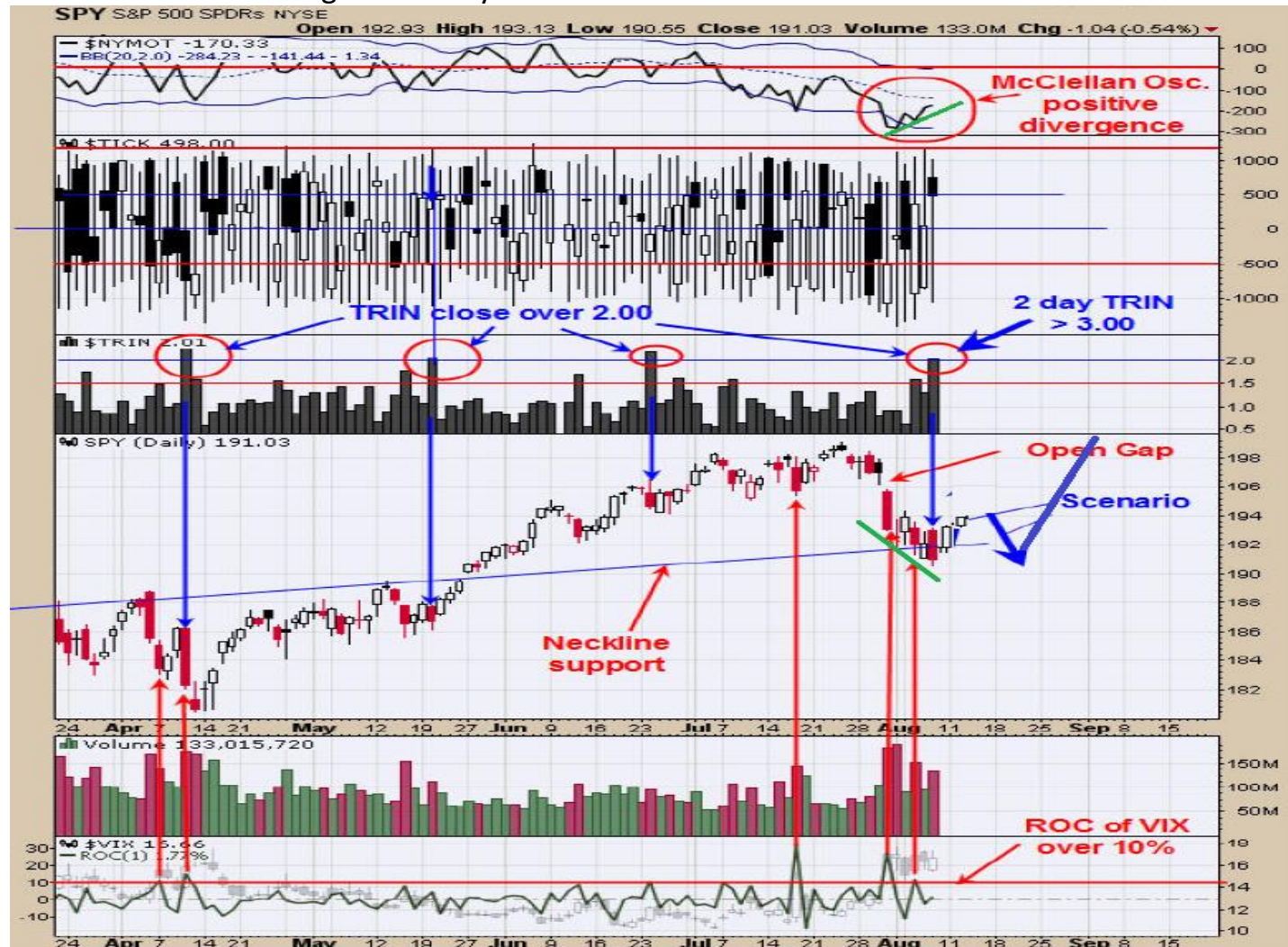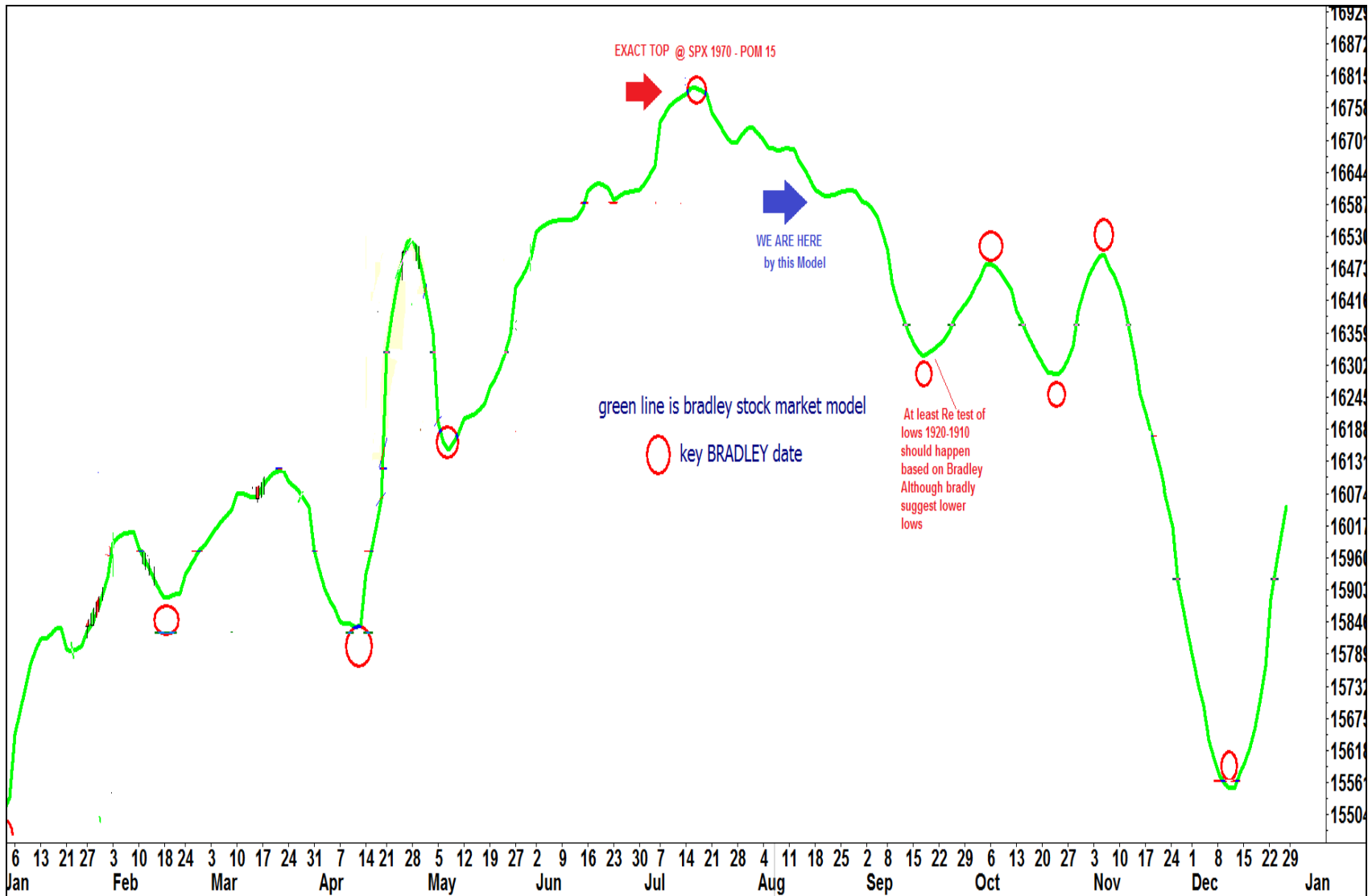
NYSE – RASI Analysis - Chart 4
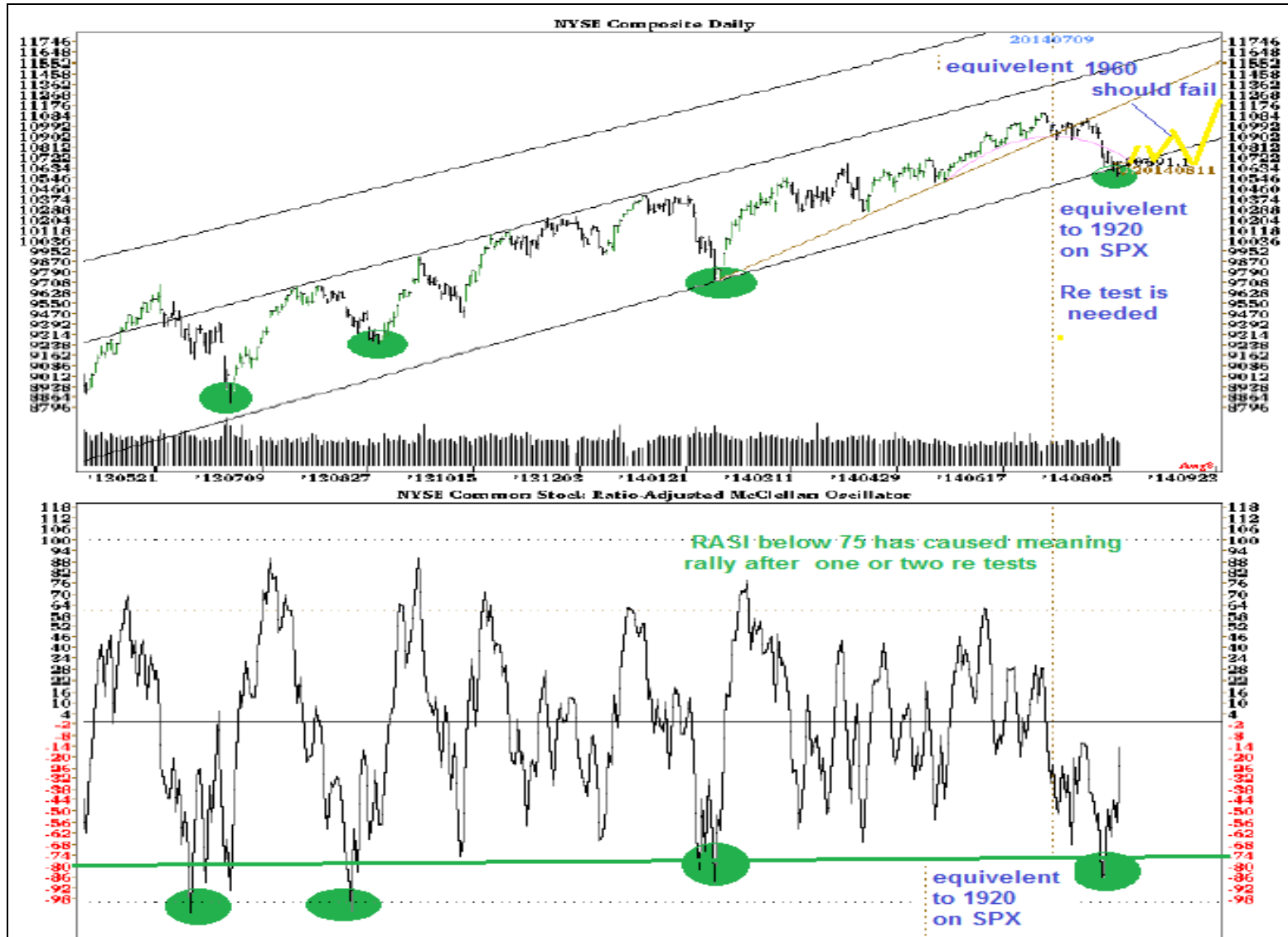
Bradly Model – Path - Chart 5

Notes within the charts.

SPX – Cyclical Model

- **SPX - Seasonality -**

<mark>MAY to SEPTEMBER</mark>

- **SPX - Election Model -**

Statistically this year is the 2nd year of the Four-Year Presidential Cycle. <mark>Historically It tends to be negative I.E 2014 .</mark> When there is not a correction in the first year, the odds increase significantly for a correction in the second half of 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 <mark>top 15TH July, - 1st Bottom 15th September.</mark>

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – <mark>NEUTRAL</mark>

SPX – Internals Model

<mark>NEUTRAL </mark>- TICK / TRIN , AD Oscillator, Ratio's, -

SPX – Cyclical Model

- **SPX - Seasonality -**

==MAY to SEPTEMBER== , 4th July - Positive

- **SPX - Election Model -**

Statistically this 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 half of 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 top 4th August

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – ==Bullish==

SPX – Internals Model

==Bearish== -, TICK / TRIN , AD Oscillator, Ratio's, -

Appendix Content

- **2012 YTD – SPX - Position Summary**

- **Objectives & POM /CZ / PEC –D Guidelines – <u>Refer to detail Annexure</u>**

- **Full Utilization of " SP" Report Guidelines & Limitations - <u>Refer to detail Annexure</u>**

- **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

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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

US BROADER IDX

- **SPY (SPX 500)**
- **DIA (DOW 30**
- **QQQ (NASD100)**
- **IWM (Small Cap)**
- **IYT (Transports)**
- **NYA (NYSE)**

BOND IDX

- **TLT (Bonds)**
- **MUB (Muni). (SP)**

GLOBAL IDX

- **EEM (Emerg.)**
- **EWJ (Japan)**
- **FXI (China)**
- **EWZ (Brazil)**
- **FTSE (Europe Proxy)**
- **BSE (India)**
- **EWA (Aust) SP**

SP - Special situation

SECTORS IDX

- **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**

COMMODITY IDX

- **CRB /DBC**
- **GLD (Gold)**
- **SLV (Silver)**
- **GDX (Miners)**
- **OIL**
- **Copper**
- **DBA (Agro)**
- **UNG (Natural Gas)**
- **DBB (Base M) SP**

CURRENCY

- **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 <u>UP</u> move, *POM 13* signifies to <u>STOP</u> executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

- On way <u>DOWN</u> move, *POM 13* signifies to <u>STOP</u> executing additional " New Short Sells" that was initiated at *POM 14 or POM 15 levels*

- <u>*(Bear Markets)*</u> **POM 15** is for - <u>**Net Short**</u> & **POM 14** is for - <u>**Hedge Longs**</u>

- <u>*(Bull Markets)*</u> **POM 15** is for - <u>**Hedge Longs**</u> & **POM 14** is for - <u>**Partial Hedge**</u>

- *POM 12 & 11* is for Net Long

- **POM 10** is Climatic Crash low *Buy Signal* to add to Net long position <u>**(Rear event)**</u>

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 steams to achieve confluence point D coinciding with POM
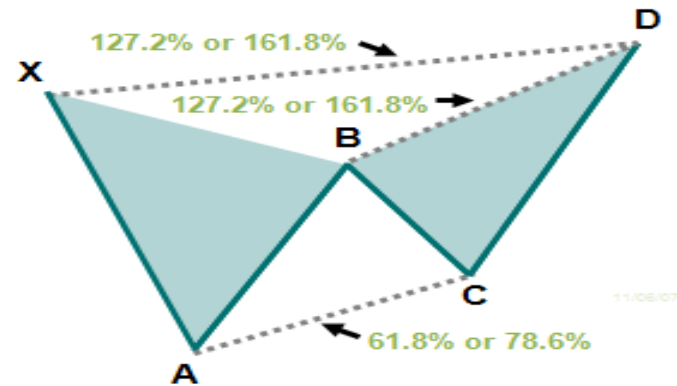
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)