



Date : 19TH Aug 2014 (Monday)

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

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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	1970	Re – Run POM 15 Triggered @ 1960 On 8/15 Email Alert	Scale in CZ 1960-1975	BEARISH	12% Net Short	Raise Stop to 1990	1 st Upside Target PEC-D 1960. Met & Failed	Re test of 1982 Would be False break .	Pull back to CZ 1920-1910 Heavy bottom Should be tested	Target PEC-D 1920 Covered All Net Short @ 1922 on 8/4 Close below 1935 with high Volume 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 – Scale in CZ 1960-1975 to re instate Net Short Position or Hedges on longs, that were closed @ 1922 Bearish Bottom before the bounce.

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TLT (BONDS)	116.5	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 Approaching @ 118.5 Bullish Top	Shallow Pull back to CZ 116-115 & rally back up	pull back to CZ 114-115 should Reject Bullish Bottom	Exited ½ position @ 115.5

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

For Bulls – Rally to **ABC up 119** Bullish Top **Approaching** . **ST pullback soon**

For Bears - Rally to **119 approaching** but **NOT failed** with lighter volume Bearish top . (**NOT A CANDIDATE FOR SHORT SELL**)

Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 15 – Re run Triggered 8/15 – Email Alert @ 1960, scale in CZ 1960-1975 .

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

Portfolio Holdings ...

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

- **LONG at POM 13Total 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%),
 - GOLD (12%) , GDV (12%)
- **NET SHORT** -..... (12%) - Scale in CZ 1960-1975 , (0%) IWM - Mid term Holding for Bears

Market Overview SPX

Last Report - 8/11 - Report, **SPX was @ 1930** . We indicated *“Our Trigger at 1922 to POM 14 – Cover Net Short on 8/4 due to TICK / TRIN Reading turn Bullish and positive divergence on RASI suggested , the rally has some legs to target at least to 1960.....”* This is exactly what happened as the market rallied.

We also had August options expiration and the market was set to close with most index calls and puts expiring worthless at SPX 1960, option writers tend to short the ES futures as a hedge against puts sold in the coming week

In Alert EMAIL 8/14 “ Indicated Trigger **POM 15 – Re run @ 1960** “ Scale in **CZ 1960-1975** to re instate the Net Short .

This week . Market is in process of counter rally and it could continue for a little bit longer. This would allow investors to sell out of their positions at more favorable prices. Moving on short covering the market does seem to want to make higher highs this week. A Time Ratio High in the spread is due to occur on the 22nd (Friday). However, this is B rally and risk is high since CD leg should start soon and carry the market down into September for panic lows and start a new up-cycle into 2015.

TICK / TRIN Reading turned Bearish and negative divergence on RASI suggests , the rally should taper in **CZ 1960-1975**. Move above should be false break above. Upon completion on upside, the Market would Re – test the lows **CZ 1920-1910** which is heavy bottom.

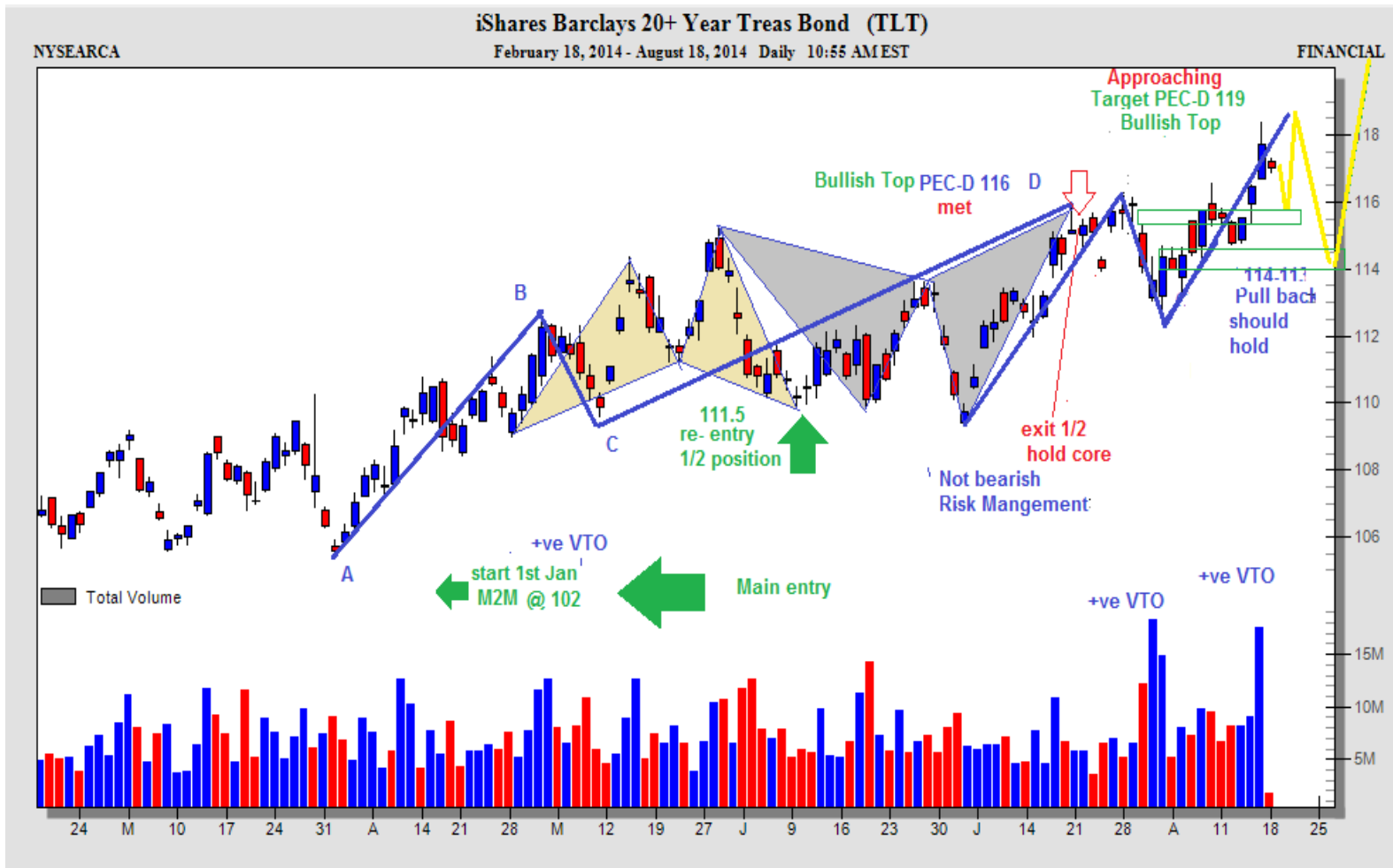
The volume oscillator neutralized its oversold condition last week, hitting the zero line on Thursday and falling on Friday. This has been a typical pattern in the oscillator during the establishment of corrections, then the second leg down produces a second bottom in the oscillator. The market strongly suggests that we will be getting an excellent buying opportunity coming up in September.

Seasonally - The 1st seasonal low hit exactly around 7th August, followed by this current rally into the 23th of August , a pullback into the 6th of September / 15th of September and rally . **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 – POM13 - Daily - Bullish Chart 1

Upside - Our Target to ABC up to PEC-D 119 Bullish Top , Approaching .

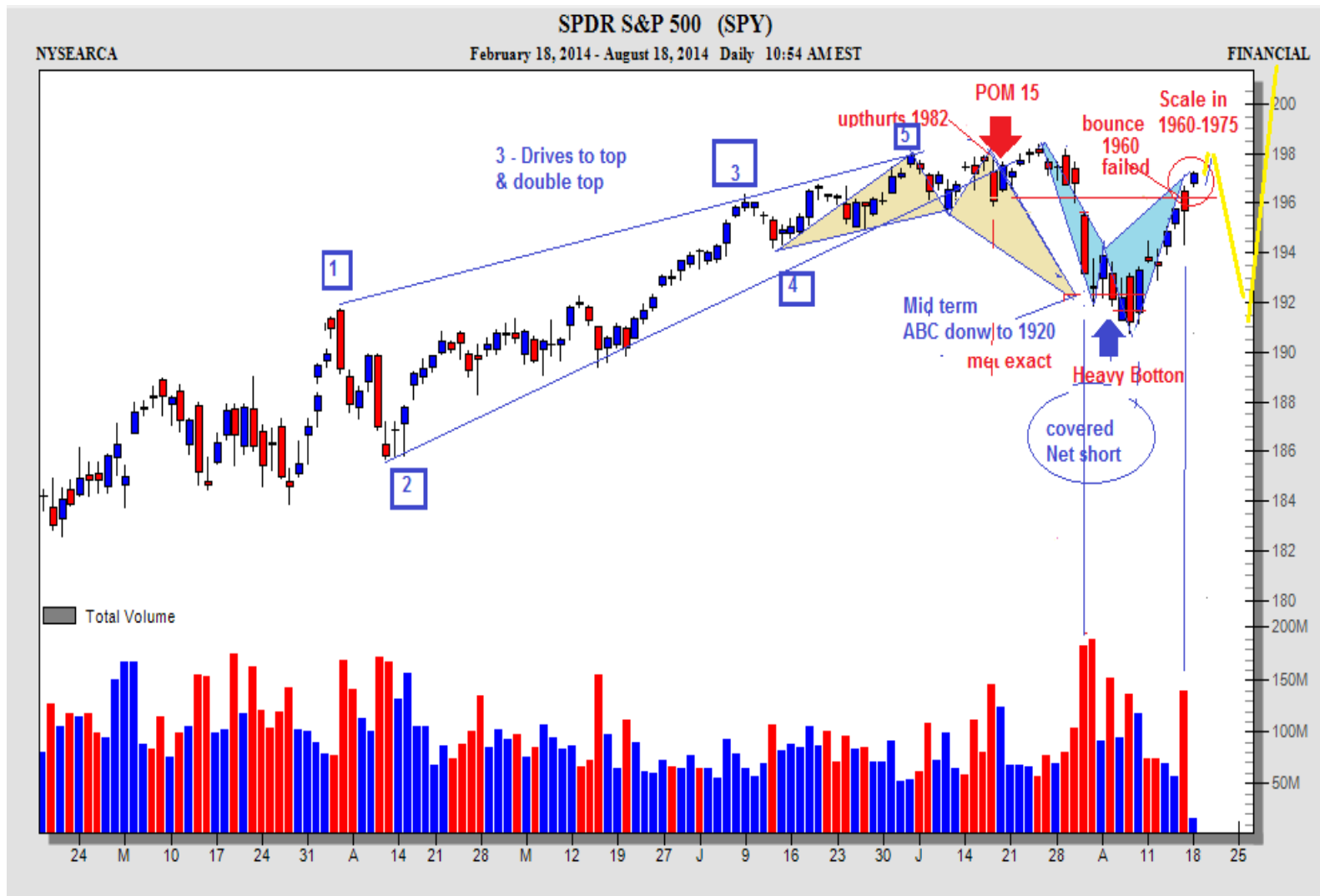
Downside – Shallow Pull back to 116-115 , should hold and rally back up . The CZ 114-115- Bullish Bottom should reject for next rally .



SPX- PEC- D Analysis POM 15 - Daily chart –Chart 2

UPSIDE – Bounce should fail in CZ 1960-1955 on low volume.

Downside — ABC down to 1910 - heavy bottom. Retest required in CZ 1920-1910



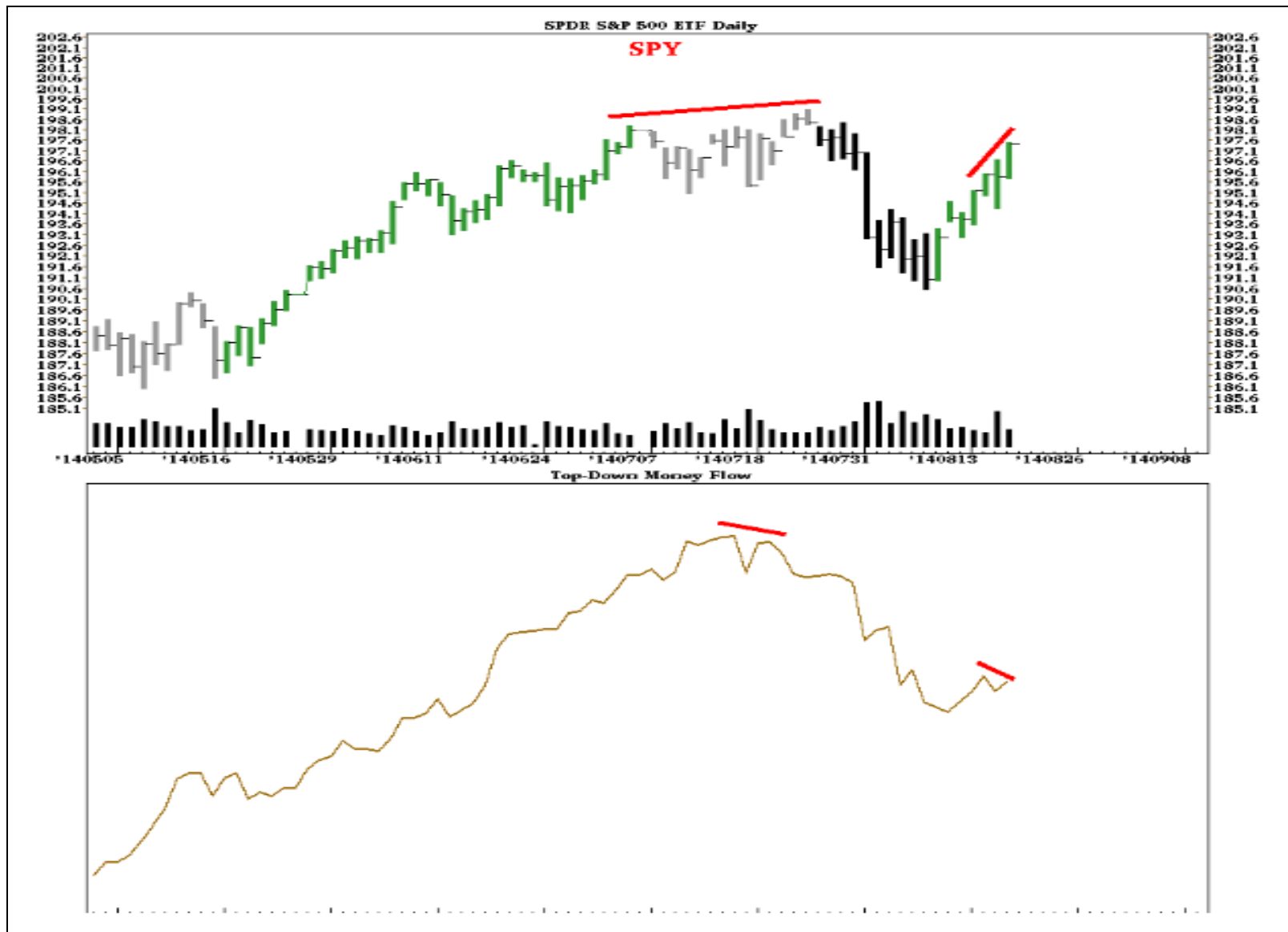
SPX – TICK Analysis POM 15 - Daily chart – Chart 3

If TICK reading closes greater than +700 twice in succession as volume drops on ABC completion, the pull back is evident within 2-4 days. Today's tick close came in at +850 . .



SPY – Money Flow Analysis - Chart 4

In spite of short covering rally , Money flow diverging negatively.



NYSE – RASI Analysis - Chart 5

In spite of short covering rally , RASI is below 0 .



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

AAll Weekly Sentiment Survey – Neutral

SPX – Internals Model

Bearish -, 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><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p><u>GLOBAL IDX</u></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><u>SECTORS IDX</u></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><u>COMMODITY IDX</u></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><u>CURRENCY</u></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)

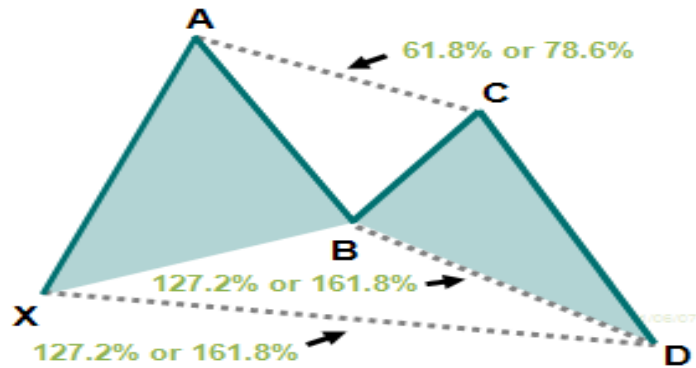
Pythagoras Expansion / Contraction – (PEC) Model

- 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

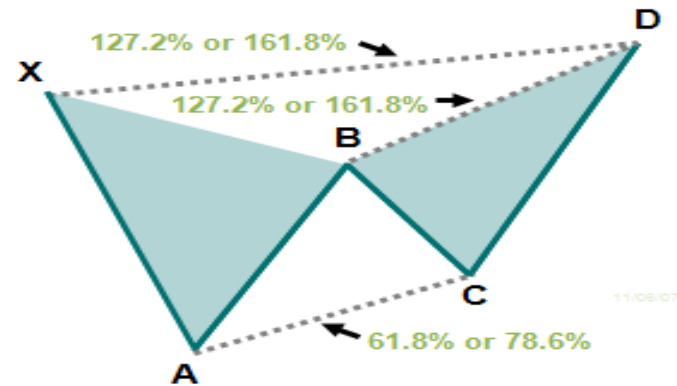
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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