



Date : 26<sup>th</sup> 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 <u>Announcement</u> - Update For ST Trend Reversal & RM	Progress Status	Existing Position / Exposure	<b>NEW ACTION</b> ( Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
SPX- 500	1997	Re – Run POM 15 Triggered <b>CZ 1960-1975</b> On 8/15 <i>Email Alert</i>	<b>Scaled in CZ 1960-1975</b>	BEARISH	12% Net Short	<b>Raise Stop to 2005</b>	Re test of 1987 Is extended (False break		Pull back to <b>CZ 1920-1910</b> Heavy bottom Should be tested	<u>Target</u> PEC-D 1920 <b>Covered</b> All Net Short @ 1922 on 8/4  <u>Close below</u> 1935 with high Volume <b>target 1905</b>	<b>Our long</b> position in Bullish top Instruments XLP, XLV, XLB. Remains for profit

**ACTIONABLE IDEAS** – POM 15 – re run ( 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 began.

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<b>TLT (BONDS)</b>	117.73	POM 13 – Re Run Marked to Market On 1/01 start <b>@102</b>	<b>Announced @ 115.5</b> on 7/21 to <b>exit ½ Net longs Position entry @ 111</b>	<b>BULLISH</b> ST pull back soon	5% Net Long	NONE	Target ABC PEC-D 116 <b>MET &amp; exceeded</b> Bullish Top	New ABC up To PEC-D 119 <b>Approaching</b> Bullish Top	<b>Shallow</b> Pull back to CZ 116-115 Held & rallied back	pull back to CZ 114-115 <b>should</b> Reject  <b>Bullish Bottom</b>	<b>Exited ½ position @ 115.5</b> 4% profit

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 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 – 1<sup>st</sup> Jan 2014 . Triggered announced 6/17 @ 1268- Re entry

**BONDS - NET LONG** – POM 13 Marked to Market @ 102 – 1<sup>st</sup> 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 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%),  
GOLD (12%) , GDV (12%)
- **NET SHORT** -..... (12%) - Scale in CZ 1960-1975 , (3%) IWM - CZ 115-117 Mid term Holding for Bears

## Market Overview SPX

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

Monday’s price rise was gasping for air on A/D line. We scaled in IWM on that bounce for Net short .

The bounce should be finished soon, the Time termination T on 25<sup>th</sup> August is extended. Next T is on 5<sup>th</sup> September. If this is correct we should witness ABC down to lows on the various indices coming up in September-October. Consequently, the coming decline should be considered to be setting up yet another buying opportunity for a run to the upside in Q4 and potentially into 2015 as well on presidential cycle.

From a cycle point of view Monday, August 25 is an extremely important day because of the full moon and the moon is also at apogee. This has high tendency to mark the turn. The momentum continues to play out but can come to abrupt end although the seasonal high extend up to 15<sup>th</sup> September. .

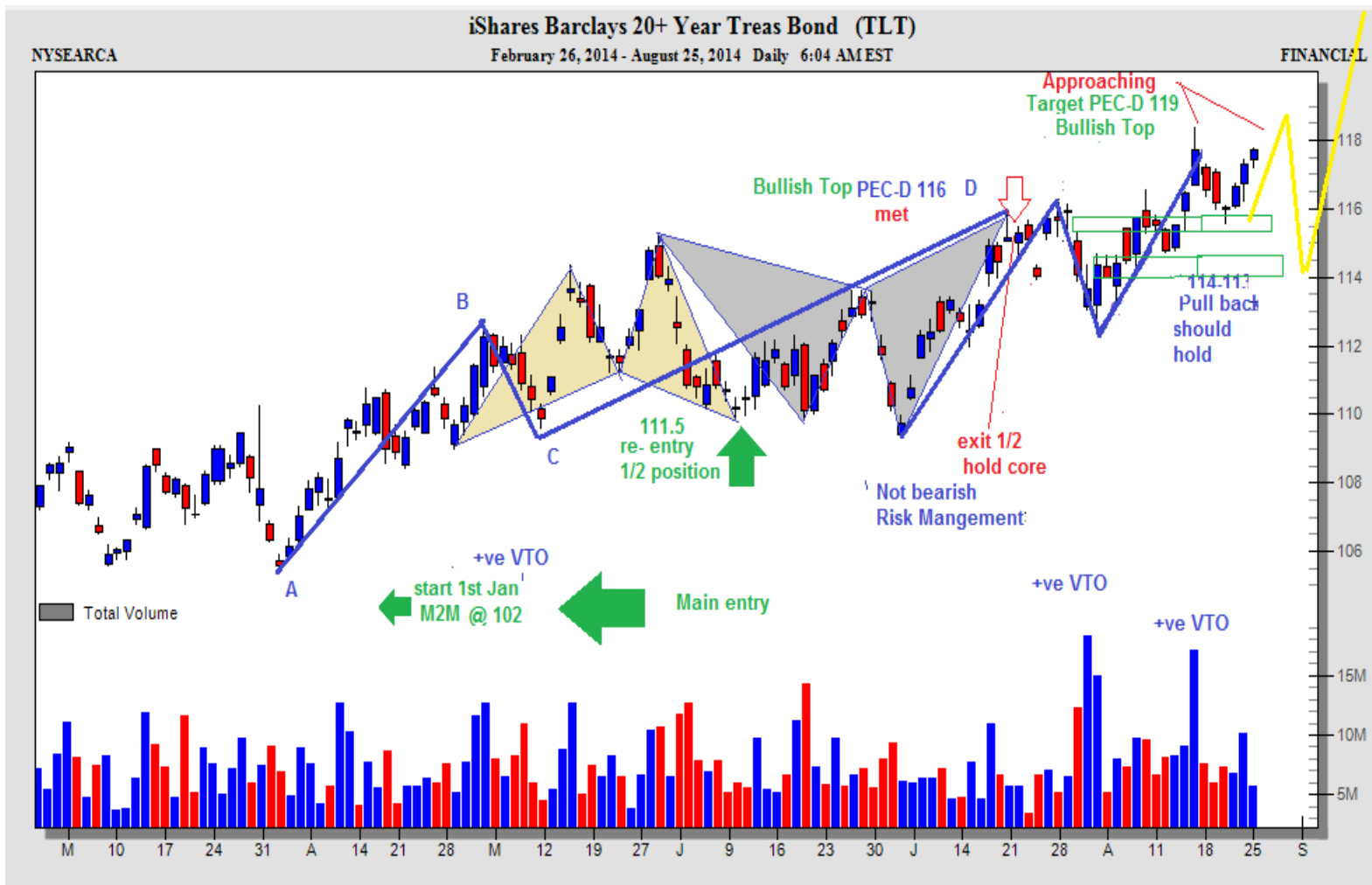
There is substantial weakness in money flow. The money flow line is not going to a new high and the bearish divergence continues. This is the strongest of warnings that the market is setting up a waterfall decline. The TICK above +700 and TRIN below .60 after a established rally the market is near exhaustion short term. The VIX below +12 . these indicators suggests little upside short term. ( Refer chart 3,4 below)

The current move above **CZ 1975-1960** should be false break above. Upon completion on upside, the Market would Re – test the lows **CZ 1920-1910** which is heavy bottom.

# TLT ( Bond ) – CZ- PEC- D Analysis – POM13 - Daily - Bullish Chart 1

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

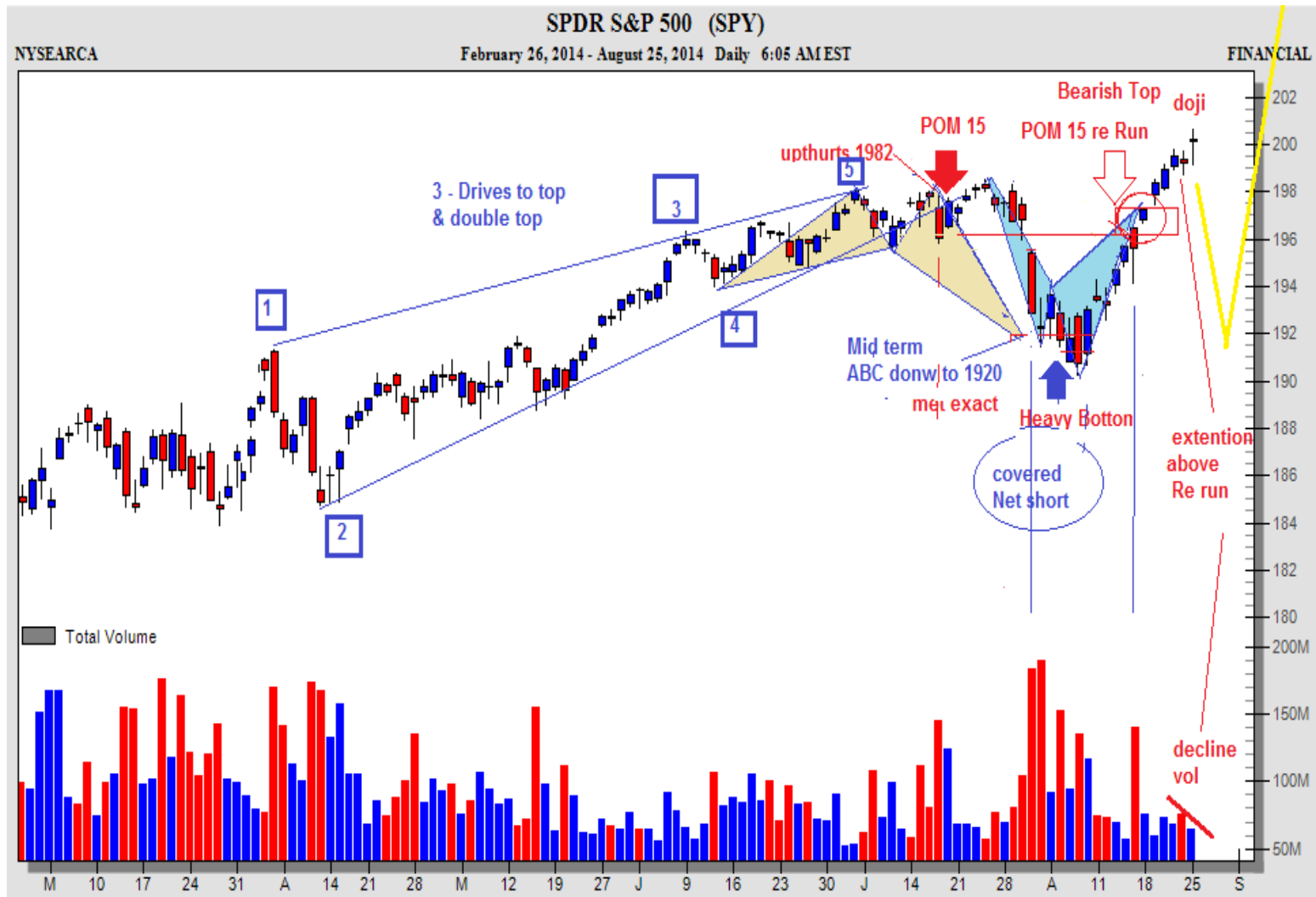
**Downside –** Shallow Pull back to 116-115- held exact & rallied. The CZ 114-115- Bullish Bottom should reject for next major rally .



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

**UPSIDE** – Bounce did not fail in CZ 1975-1960 on price BUT certainly failed on low volume.

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



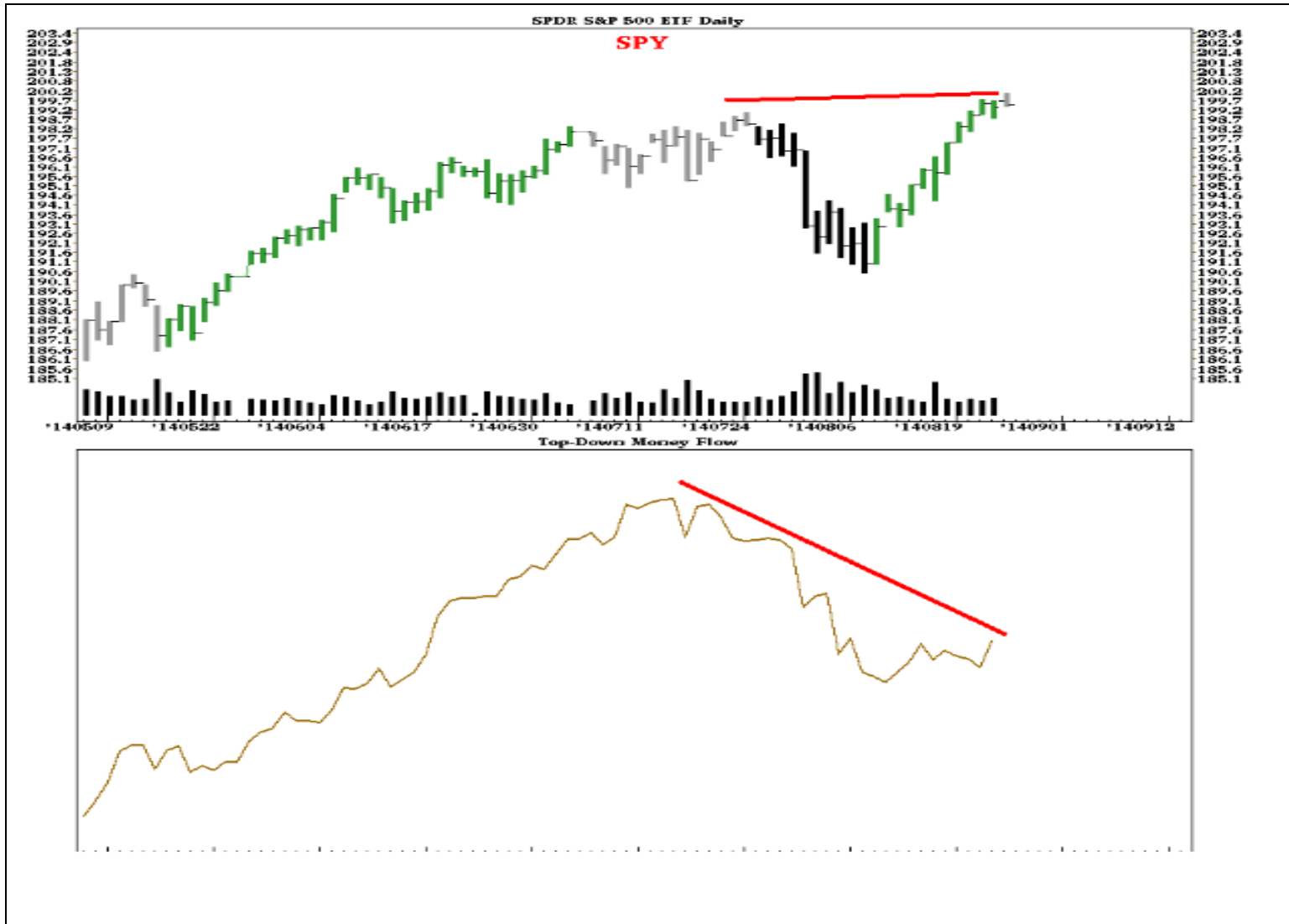
# SPX – TICK Analysis POM 15 - Daily chart – Chart 3

TICK above +700 and TRIN below .60 after a established rally the market is near exhaustion short term. The VIX below +12 . these indicators suggests little upside short term.



# SPY – Money Flow Analysis - Chart 4

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





## SPX – Cyclical Model

- SPX - Seasonality -

MAY to SEPTEMBER , 4<sup>th</sup> 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 4<sup>th</sup> 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) <b>Coverage in MS</b>	GR 2 ( 9 +4 ) <b>Coverage in SECTORS</b>	GR 3 (8+1) <b>Coverage in COMMODITY</b>	GR 4 (5) <b>Coverage in CURRENCY</b>
<p><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> <li>• SPY ( SPX 500)</li> <li>• DIA ( DOW 30)</li> <li>• QQQ ( NASD100)</li> <li>• IWM (Small Cap)</li> <li>• IYT ( Transports)</li> <li>• NYA (NYSE)</li> </ul> <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> <li>• TLT ( Bonds)</li> <li>• MUB ( Muni). (SP)</li> </ul> <p><u>GLOBAL IDX</u></p> <ul style="list-style-type: none"> <li>• EEM (Emerg.)</li> <li>• EWJ (Japan)</li> <li>• FXI (China)</li> <li>• EWZ ( Brazil)</li> <li>• FTSE (Europe Proxy)</li> <li>• BSE (India)</li> <li>• EWA (Aust) SP</li> </ul> <p><b>SP - Special situation</b></p>	<p><u>SECTORS IDX</u></p> <ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• XLE (Energy)</li> <li>• XLK (Tech) / QQQ - Proxy</li> <li>• XLI ( Industrial) –</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> <li>• XLU ( Utility) SP</li> <li>• RTH ( Retail) - SP)</li> <li>• SMH ( Sem.) SP</li> <li>• BBH ( Biotech) SP</li> </ul>	<p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> <li>• CRB /DBC</li> <li>• GLD (Gold)</li> <li>• SLV (Silver)</li> <li>• GDV (Miners)</li> <li>• OIL</li> <li>• Copper</li> <li>• DBA ( Agro)</li> <li>• UNG ( Natural Gas)</li> <li>• DBB ( Base M) SP</li> </ul>	<p><u>CURRENCY</u></p> <ul style="list-style-type: none"> <li>• USD / DXY</li> <li>• EUR/USD</li> <li>• AUD/ USD</li> <li>• USD/JPY</li> <li>• GBP/ USD</li> </ul>

## 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)

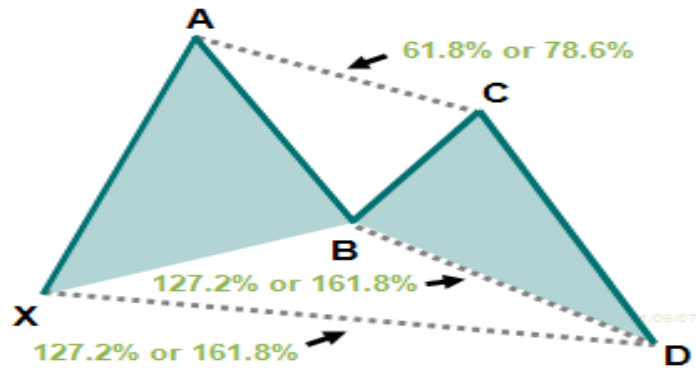
# Pythagoras Expansion / Contraction – (PEC) Model

- 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

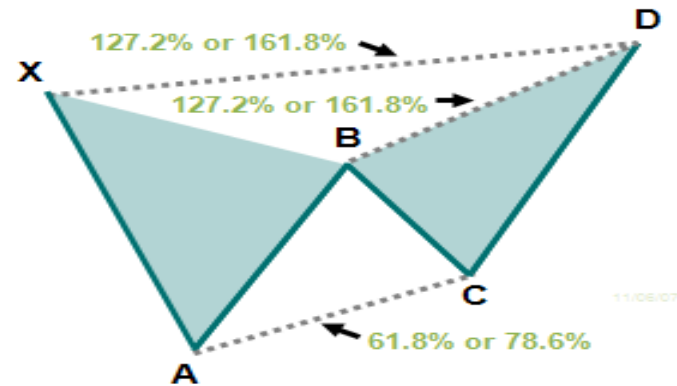
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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