



Date : 10th February 2014 (Monday)

MS –SPX – 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	1797	POM 14 Triggered on 2/3 Report Pre - announced @ SPX 1735	@ 1735, to closed 2 ND half Net Short , instated position on 1/9 at 1842 for 107 points profit 6%	NEUTRAL Bullish bias Rally in progress	Reduced to (-0%) Net Short	NONE	1ts ABC up into CZ 1790-1780 Met No sign of failure.	Target Cap into CZ 1825-1835 should fail	Pull back To 1775-1765 & move higher	2 ND ABC down to 1735, Met Exact & rally began	
TLT (BONDS)	106.79	POM 13 – Re Run Marked to Market On 1/01 start @102	@ 108.28 on 2/3, closed ½ Net long position M2M on 1/1 at 102 for 7 pts profit 6.5%	BULLISH ST pull back in progress	Reduced by ½ Net Long	NONE	Target – PEC-D 108 Met with Bullish Top now ST pull back	2 nd ABC PEC-D 112 Bullish Top	Short term pull back to CZ105-106 & then next rally Higher highs	CZ 102-104 retested rejected on low volume Bullishly	Best Risk / Reward to go long below 104 as announced

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GOLD	1275	POM 13 Re – Run Marked to Market on 1/01 start <u>@1205</u>	<u>@ 1220</u> Re entry ½ On 12/4 & <u>@ 1280</u> Re entry ½ On 10/6	BULLISH	Net Long	NONE	<u>Target</u> PEC-D 1265 – 1 st ABC up Bullish Top <u>Met exact</u>	2 nd ABC up CZ 1335- 1325 Bullish Top In tact .	<u>Pull back</u> to CZ 1255- 1245 Should hold & <u>then rally</u> up	PEC-D 1220 Rejected lows On lighter volume <u>Weekly</u> <u>5 year</u> CZ <u>1190-1220</u> Is solid floor Bullish floor	Best Risk / Reward to go long below 1220 as announced

Notes

1. Since 1st Jan 2014, SPX , GOLD & BONDS have been following our price path EXACTLY. It has been very Profitable, 5% in SPX – Net short , 6% in BONDS – Net Long , 6% in GOLD – Net long .
2. Detail Charts on GOLD in Wednesday's Broader Indices Report .

Portfolio – Overview & Update

SPX- NET SHORT exposure - Overall Portfolio is at “POM 14 exposure - **Reduced all Net Short @ 1735 – 2/3 & ½ @ 1777 on 1/28**

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

GOLD entry @ 1220 on 12/4, Announced to add ½ exposure GOLD & GDX and @ 1280 on 10/6, Announced to add ½ exposure in GOLD & GDX.

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

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

Portfolio Holdings **NEUTRAL /SHORT BIAS EQUITY- NON LEVERAGED** Refer to Respective Reports for details

- **LONG at POM 13 / in Main CZ :**
Non- Equity - GOLD , GDX , USD/JPY , CU , TLT AUD , UNG, DBA, DXY, FXI
Equity - XLV ,XHB , XLP, EWJ / NIKKE ,
- **SHORT (Hedges v/s Longs) / in CZ :**
Equity –(Hedges) - None ,
- **NET SHORT** -.....**Preferred Instruments**
EURO/USD

Market Overview SPX

Past week -

As pre announced, upon meeting 2nd ABC down projection to **PEC-D 1735**, SPX triggered **POM 14 in** expectation of rally . The indicators such as ARMS, TICK, Money flow, Oscillator, suggested 1735 would reject for bottom for impressive rally and it did. The equity market formed a low and at the same time, the 30-year Treasury Bond Yield Indicator TYX formed a false breakdown below and then rallied out of its downtrend channel. It is interesting to note that Venus went direct on the exact day of the bottom.

This week

Slight pull back and then the rally should continue high in 3rd week February by one set of numbers. With Volume Oscillators registering bullish divergence Accumulation Low patterns, the market has formed a T which projects a trend rally into mid-March with another set of numbers. March 14th, is the Friday before Triple Witching Expiration week.

The rise in the volume oscillator above the zero line confirms a new uptrend can continue till then. This would likely represent the ideal point to be bearish once again if it fails.

The VIX high also topped out and is pulling back to reversing from it last week confirms its validity. If the VIX follows the same pattern it traced out following its prior panic highs, it should bottom in about three months in the **12-13** range which may be resulting in some upside.

GOLD

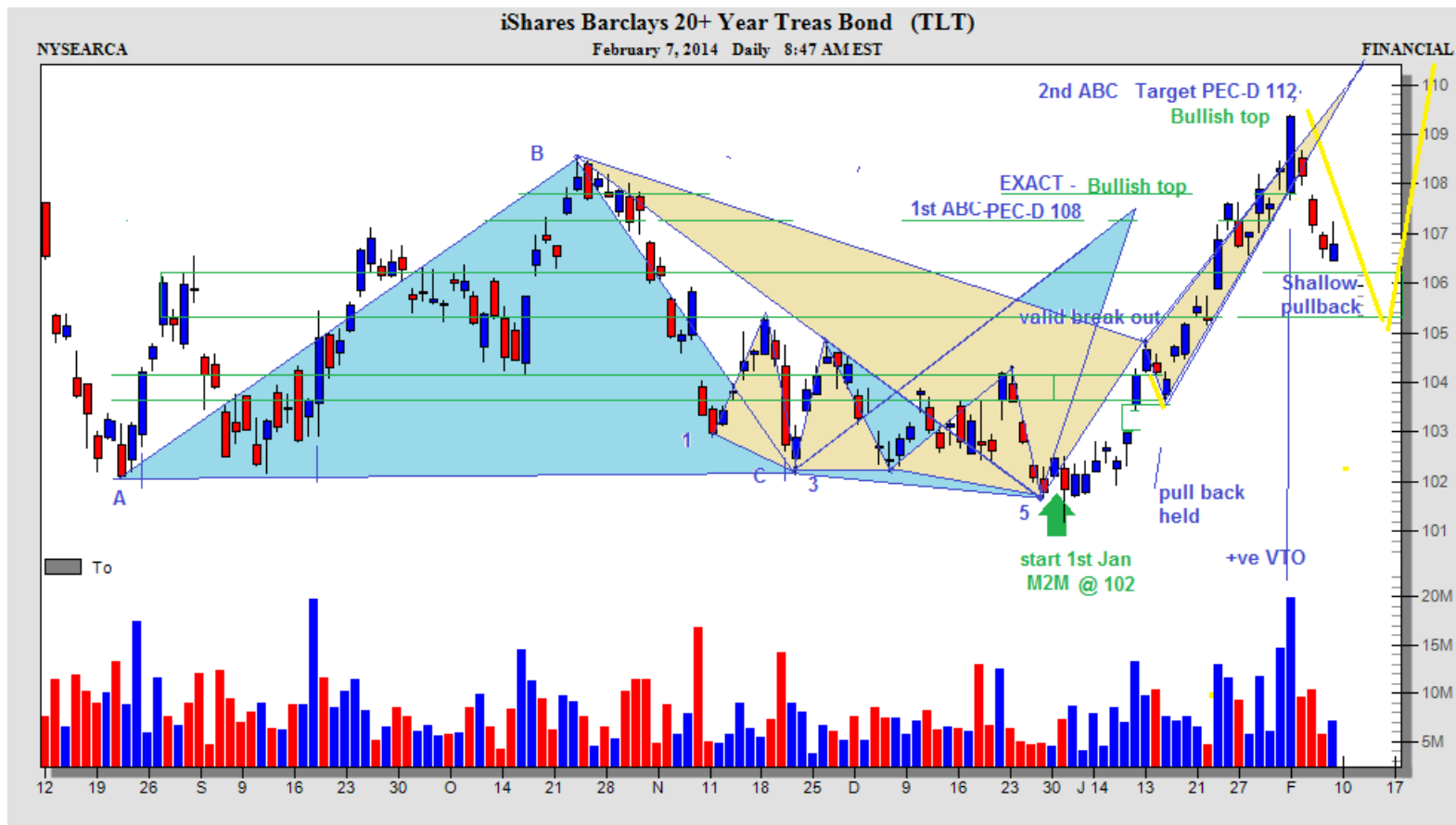
Rally as expected with accumulation . This is a bullish trend, but must be maintained in order to declare the bear market has finished. Early signs of a bottom are appearing.

TLT Bond – Last week sold off after finding Short term top with Bullish Top. The action in Treasury implies a bottom in stocks as well. Although Bonds have met 1st ABC up with Bullish top, after the pull back , the rally should continue.

TLT (Bond) – CZ- PEC- D Analysis – Daily - Bullish – ST pull back

Upside - Target to PEC-D 108 - Met with Bullish Top suggests shallow pull back and then head higher to 2nd ABC up to PEC-D 112 in progress .

Downside – CZ 106-105 shallow re retracement & higher . PEC-D 104 Rejected with low volume.

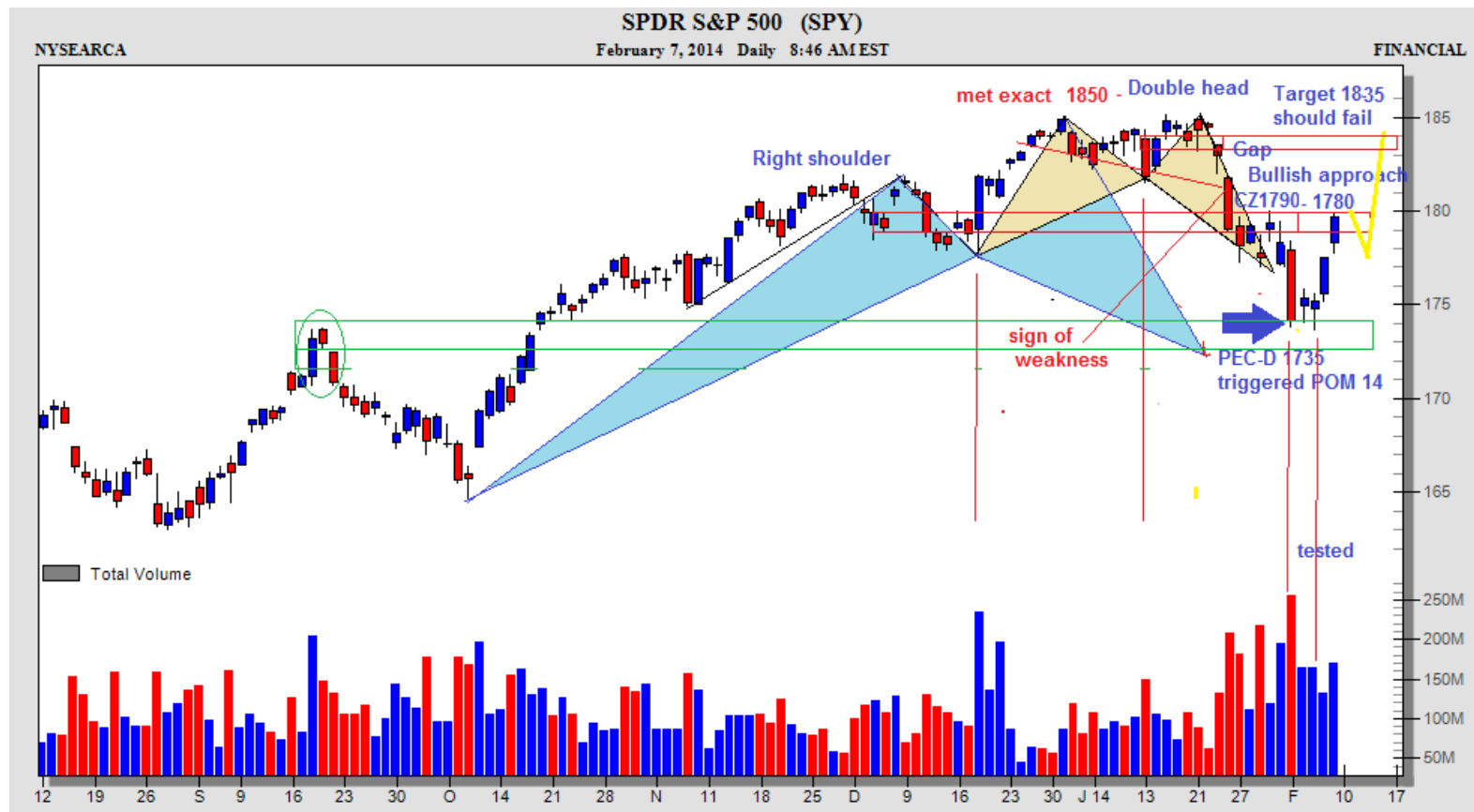


SPX- PEC- D / CZ Analysis POM 14 - Daily chart – SHORT TERM

Downside — 2nd ABC down to PEC-D 1735 met exact and rejected .

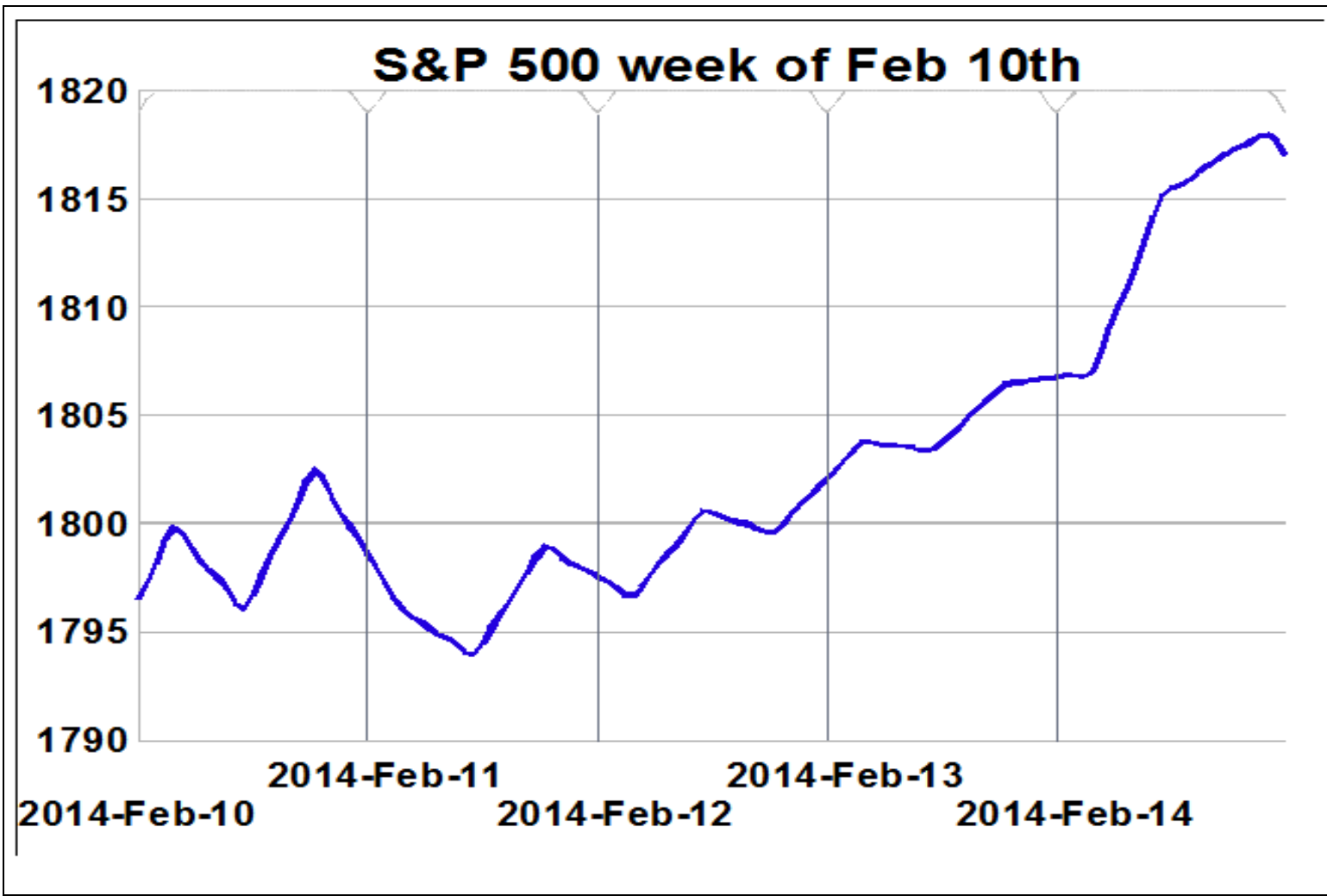
This appears to be 3 back crow & forming right shoulder of H & S Top .

UPSIDE – First bounce to CZ 1790-1780 met but No failure . It should continue to Cap within CZ 1825-1835 , within high volume Gap away, should fail.



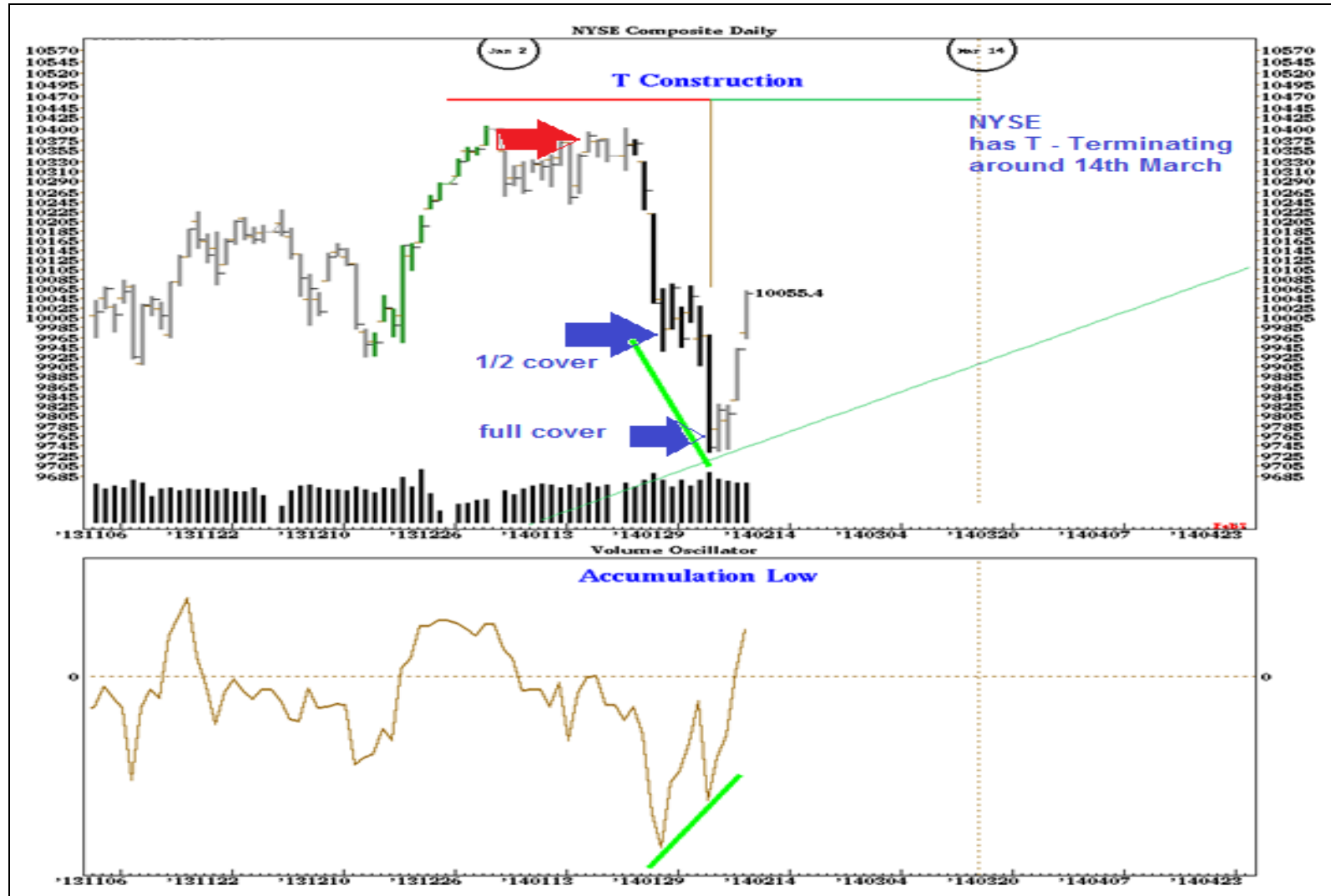
SPX- Cycle Analysis

By Cycle work projection , this week appears to have Bullish bias after pull back mid week.



NYSE Poly trend - Daily chart

Volume oscillator diverged positively at lows . This T is terminating on 14th March . No sure how this play out



SPY v/s VIX - Daily chart

VIX TESTS 2013 HIGHS - the inverse correlation between the VIX and the SPX . A spike in the VIX over 40 during 2011 coincided with a 20% correction in the SPX. A pattern of "lower highs" in the VIX between 2011 and 2013 coincided with rising prices. The VIX failed two previous attempts during 2013 to close decisively over the 21 level that should trigger larger correction in SPX .



SPY v/s VIX - Daily chart

The Up volume/Down Volume and Down Volume/Up volume ratios. Short term lows have been found over the last two years when the Down volume/Up volume ratio jumps over +3 .



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)

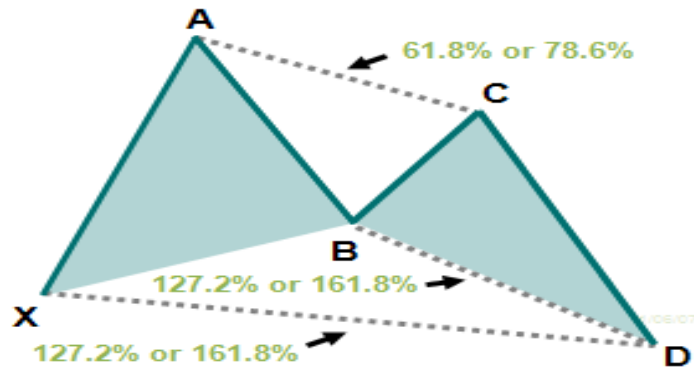
Pythagoras Expansion / Contraction – (PEC) Model

- 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

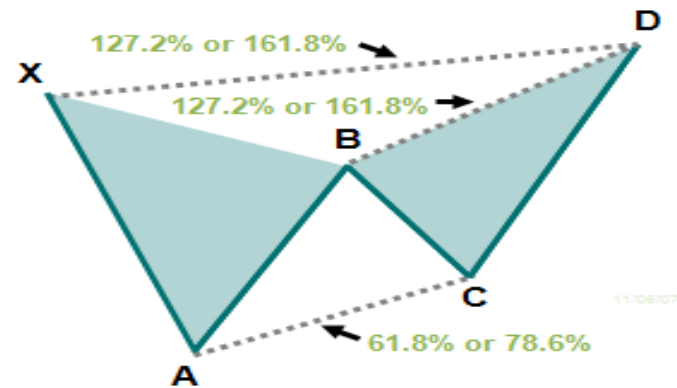
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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