SG Capital Research
Global Market Insights
Chart System

Date : 27th January 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	1790	POM 15 *Marked to Market on 1/01 start @ 1848*	*@ 1842 , on 1/9, announced to add Net Short to re instate position exited On 10/3 at 1670*	BEARISH	Net Short Via IWM,QQQ Instrument	NONE *Stop loss At 1860 On 1842 exposure*	Bounce should Cap into CZ 1825-1835 for Next down *Any bounces without full Price projection Wont last*	Momentum Thrust Target to *1848- Met & failed*	1ST ABC down to 1775- Approaching With heavy bottom CZ 1810-1820- broke down with volume	2ND ABC down to 1735, at later date	**Close Under** 1770 weekly with *high volume* would Trigger Mid term Sell
TLT (BONDS)	107.48	POM 13 – Re Run *Marked to Market On 1/01 start @102*	NONE	BULLISH	Net Long	NONE	Target – PEC-D 108 Approaching Bullish Top	1ST ABC PEC-D 112 Bullish Top	Short term pull back to 106 Higher highs	CZ 102-104 retested rejected on low volume Bullishly	

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GOLD	1267	POM 13 Re – Run *Marked to Market on 1/01 start* @1205	@ 1220 *Re entry ½ On 12/4* & @ 1280 *Re entry ½ On 10/6*	BULLISH	Net Long	NONE	Target PEC-D 1265 – 1st ABC up Met exact Should pull back ST	2nd ABC up CZ 1335-1325 Bullish Top In tact .	PEC-D 1220 Rejected lows On lighter volume Bullish Bottom	Weekly 5 year CZ 1190-1220 Is solid floor Bullish floor	*Best Risk / Reward to go long below 1220 as announced*

Notes

1. Detail Charts **on GOLD** in Wednesday's Prec. M Commodity Report .
2. Since last week's Report SPX , GOLD & BONDS have been following our price path EXACTLY. Therefore not much to show in terms of extra charts other than we stay with the course. . GOLD & BONDS have begun its rally from its bottom as expected & So did SPX began decline from Top .

Portfolio – Overview & Update

SPX- NET SHORT exposure - For " **Short Bias Portfolios -** ==Marked to Market @ 1848 – 1 st Jan 2014 .== –
in Bearish Instruments QQQ, IWM . **POM 15 exposure**

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 .==

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**
  Equity - **XLV ,XHB , XLP, EWJ / NIKKE ,**

- **SHORT (Hedges v/s Longs) / in CZ :** …………..
  Equity –(Hedges) - **QQQ , IWM,**

- **NET SHORT -……Preferred Instruments**
  QQQ , IWM, for Short bias Portfolios only
  EURO/USD

Market Overview SPX

Past week -

In our last MS Report 1/21, we had pointed out one more push to 1848 to diffuse volume within –ve biased option expiration week. With predication that the rally should fail with Rolling top that began on 1st January.

 SPX subsequently put in a highs of 1845 and began strong move downside to our projection 1st ABC down 1775. This price path has been tracked EXACTLY.

 This week -   FOMC Meeting can place volatility under these markets. Last week's approach into CZ 1810-1820 was with heavy volume break , It suggests that decline should continue to our projected target PEC-D 1775. From that point we expect to see short term bottom and a rebound rally that could be quite impressive. The NYA Volume Oscillator is quite oversold in the short term that would allow for what appears to be a countertrend bounce before a lower low.

The mania is breaking down, but we are likely to see quite a bit of dip-buying before the market trend moves firmly bearish after the bounce. As market plunged, It was evident that buying the dips—the CBOE index put/call ratio has been showing index calls preference, as opposed to puts. This is only to play the bounce, a sure sign of a topping.

This week, we have the New Moon on the 30th, normally a high, but current action suggests it could be a low instead. (But not final low) . Venus turns direct on 1st February . Deeply-oversold, but probably continuing lower into the New Moon/end of- month turn period of the 29th-31st. The rally out of this low is likely to add bullish mood even if it fails to form a higher high. The series of breakdowns, followed by rallies to set lower lows and lower highs should be better opportunities to sell the rallies.

 We have Time Ratio Lows in the NYSE Index due February 7th— it could just be a retest/ secondary low, or a pullback from a rally that goes from the 29th to the first 2-5 trading days of February.

On midterm basis , based on VTO numbers, the volume pick up on downside resulting in correction for decline into next 2 months from January 1st to our 2nd leg down to PEC-D 1735. The final low could come in much ahead in February.   If we get successful volume test with +ve divergence we should have plenty of time to go long to get the Best Risk / Reward.
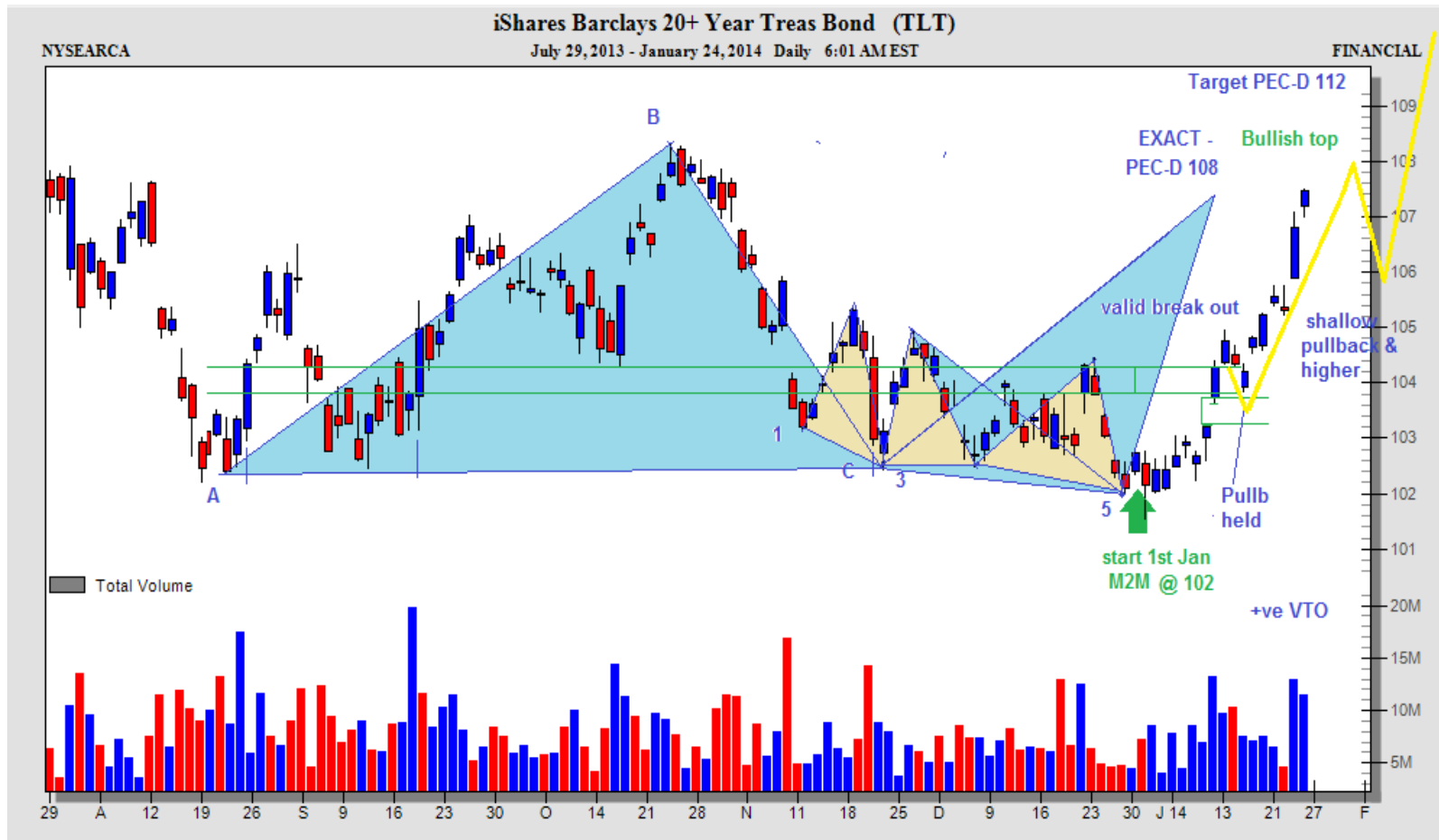
Bond Rates/Yields

Bond yields have been dropping to the downside . This is helping draw money out of stocks into bonds . The bonds are heading up since our price 102 (TLT) . TLT on short term basis is approaching our projection at PEC-D 108 but showing no divergence yet. Any short term pull back in Bonds should correspond to a reversal in the stock market to the upside.

- SPX peaked 1st January and start of "correction" for the first leg down from top 1848 on way to PEC-D 1775 target.
- Bond prices found the bottom at TLT- 102 for rally on way to PEC-D 108 target.
- GOLD has put in bottom in CZ 1190-1220 for rally on way to PEC-D 1265 target .

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

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

**Downside –** CZ 102 -104 Rejected with low volume, successfully tested to begin leg up.

iShares Barclays 20+ Year Treas Bond (TLT)
NYSEARCA   July 29, 2013 - January 24, 2014 Daily 6:01 AM EST   FINANCIAL

Target PEC-D 112

B

EXACT -   Bullish top
PEC-D 108

valid break out

shallow
pullback &
higher

1

A

C   3

Pullb
held

5

start 1st Jan
M2M @ 102

+ve VTO

Total Volume

SPX- PEC- D / CZ Analysis POM 15 -   Daily chart – SHORT TERM

Downside – Approaching - 1st ABC down PEC-D 1775 within CZ 1770-1780, This appears to be 3 back crow . Should hold for rally for bounce.   Any bounces without full price projection will not last
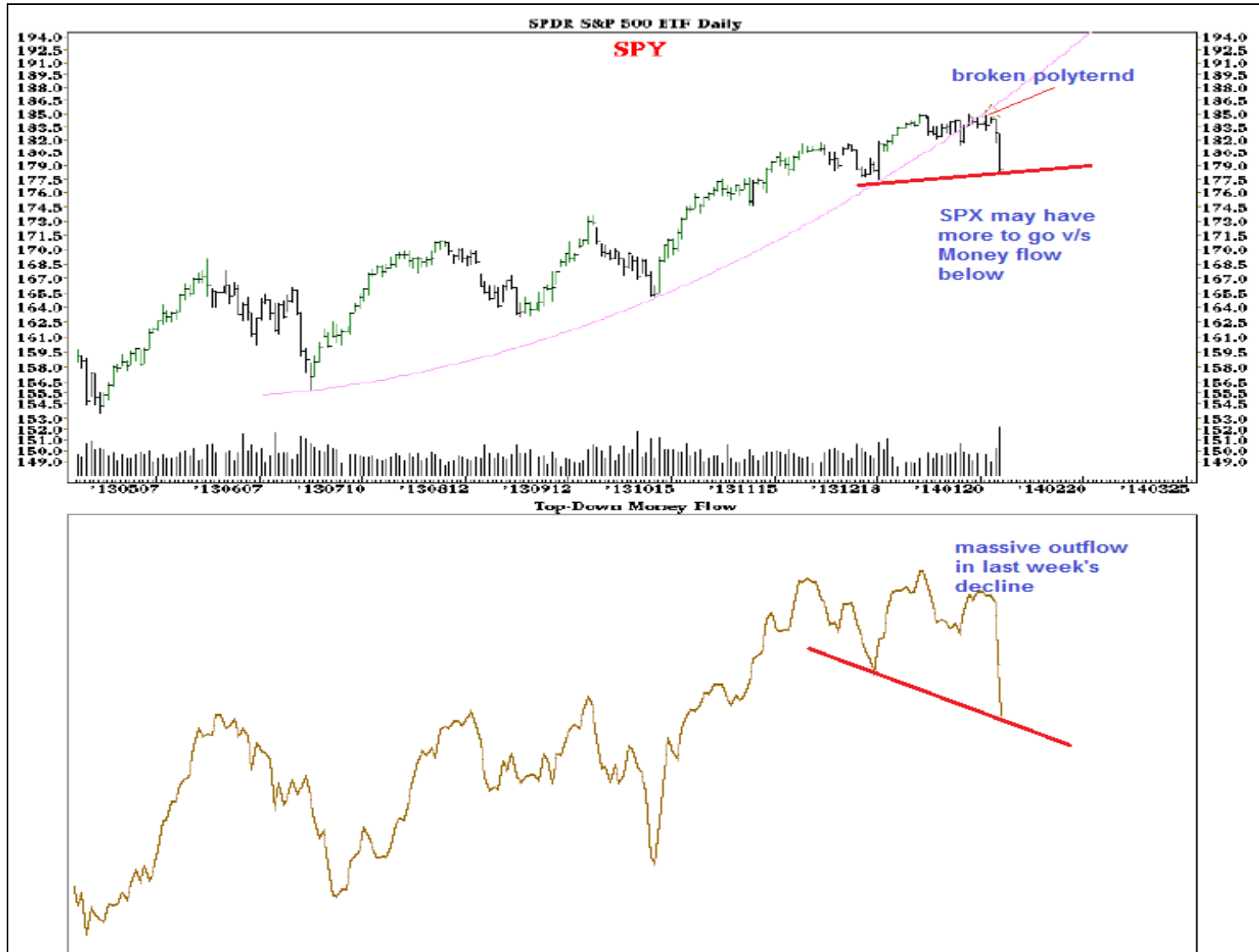
UPSIDE – Cap within CZ 1825-1835 , within high volume Gap away

Last to push to the upside target 1850 met & failed where decline was initiated.
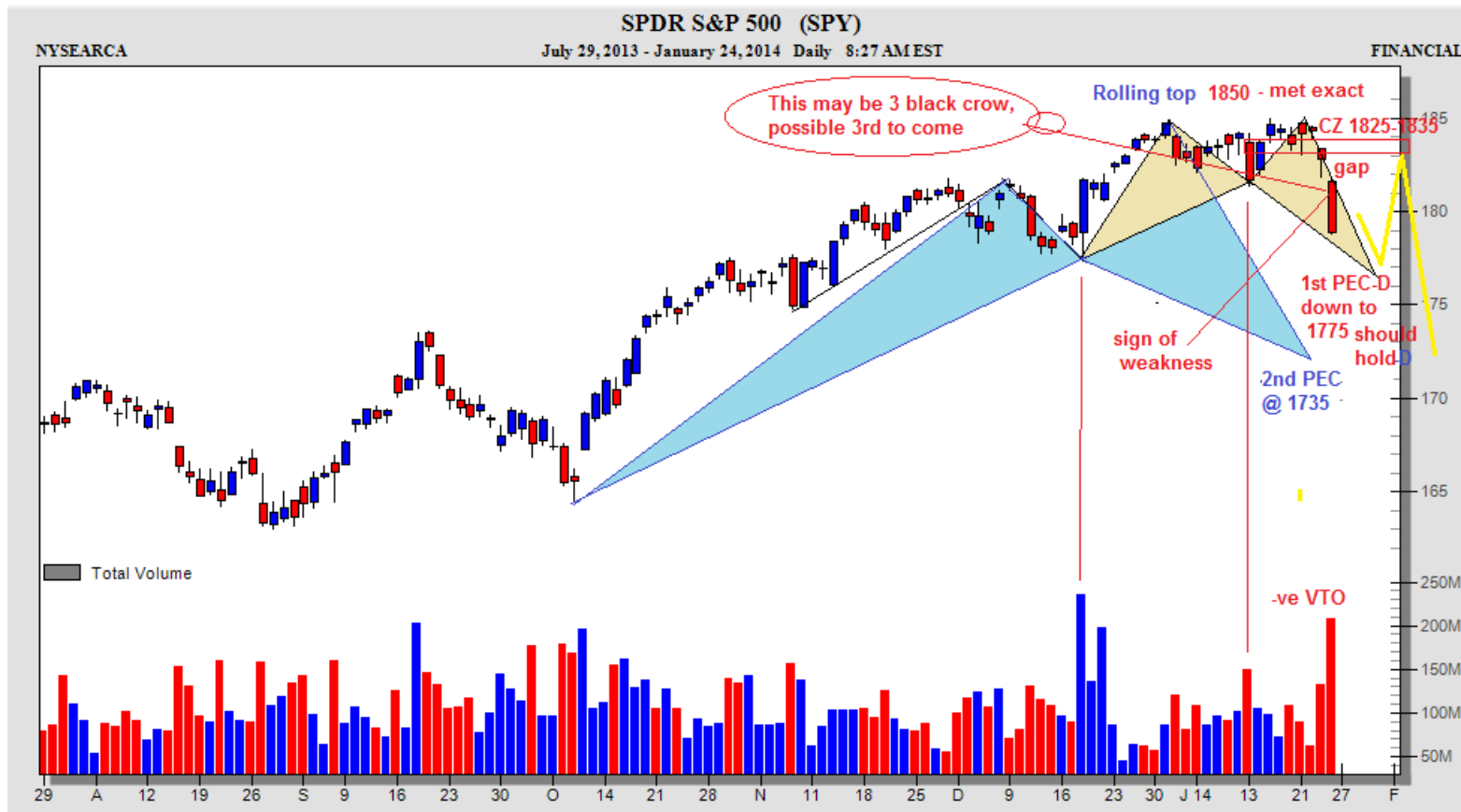
SPX- Poly trend -   Daily chart – Mid term

Rolling Top –   Money flow exit is leading the down move with poly trend line break.

SPX – Cyclical Model

- **SPX - Seasonality -**

NONE -

- **SPX - Election Model -**

Statistically next 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 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 <mark>@ 1800</mark>

- **SPX - Sentiments Model**

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

SPX – Internals Model

<mark>Neutral</mark> -, 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**

<u>Critical backdrop Notes –</u>

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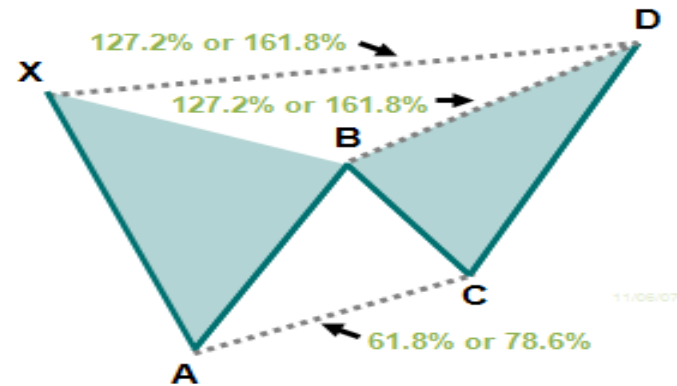
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

A
61.8% or 78.6%
C
B
127.2% or 161.8%
X
127.2% or 161.8%
D

Sell Pattern (bearish)

D
127.2% or 161.8%
X
127.2% or 161.8%
B
C
A
61.8% or 78.6%