



Date : 7TH July 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	1977	POM 15 Triggered @ 1958 On 6/24 Email Alert	Raise the Stop @ 1987	Bearish	Net Short OR Hedge Longs	NONE	Our Target 1970-1975 Met Inverse H & S bottom	Exceeded to 1982 re test & fail	Pullback To 1960 & rally up Close below 1935 with high Volume Should target 1905	1 st ABC down to 1940- 2 nd Target PEC-D 1920 <i>Neutral Bottom</i>	Our long position in Bullish top Instruments XLP, XLV, XLB. Remains for profit

ACTIONABLE IDEAS – POM 15 intact (Refer Price paths in charts below)

For Bulls – Wait for pull back to **CZ 1940-1930** for new net long positions, Hold Cash

For Bears – Add Net Short position or Hedge longs . Bearish top **CZ 1970- 1975 Failure at 1958**

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TLT (BONDS)	111.5	POM 13 – Re Run Marked to Market On 1/01 start <u>@102</u>	<u>Announced @ 111.5</u> on 6/12 to Re enter ½ Net longs positions	BULLISH	Net Long	NONE	Target PEC-D 114 <u>Met exact</u>	ABC up <u>PEC-D 116 Bullish Top</u>	pull back to CZ 111-109 should hold & rally up <u>consolidation</u>		

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

For Bulls – pull back to CZ 111-109 with Bullish bottom to Participate in next ABC up to 116

For Bears - Wait for rally to 116 and fail with lighter volume Bearish top . (**NOT A CANDIDATE FOR SHORT SELL**)

Portfolio – Overview & Update

SPX- Overall Portfolio is at “**POM 15 -- Triggered 6/24 @ 1958 – Cautioned stop @ 1987 .**

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

Portfolio Holdings ...

NEUTRAL – Bearish Bias NON LEVERAGED(1:1)Refer to Respective Reports for details

- **LONG at POM 13**
Non- Equity - USD/JPY , TLT , DXY.
Equity - XLV ,XHB, XLP, NIKKE , UNG , DBA,
GOLD, GDx
- **Hedges v/s Longs) / Triggered within CZ :For Market Neutral .**

NET SHORT – POM 15 -..... - Mid term Holding for Bears

Market Overview SPX

Last Report - 6/30 Report – *SPX was @ 1962 “ We indicated - Historically Market tends to put in short term lows on 30th June for Bullish 4th of July rally. But on light volume holiday weekend on Bearish divergence on daily charts and is set to re test 1968 and fail in 1970-1975 which was Inverse Head and Shoulder target.*

It has been much of the same last week- Past 5 trading sessions , the Market was up 15 points- Our Target for quite sometime has been 1975. We have tuned Cautious in CZ 1975-1970 Triggered at 1960-

This week - The anticipated sell off after 7th July got underway today. But, whether it will morph into a significant downtrend is doubtful. The impetus for downside momentum will be lacking. On daily basis some volume at the highs needs to diffuse itself. There is possible visit to the highs again by around the 9th of July peak, BOUNCE BACK and then enter a correction lasting about 1 months. It is not quite clear if participants may take this Market to SPX 2000 historical number.

IWM (Small caps) sold off today , It has closed below its PEC-D range but volume hasn't picked up on downside yet.(Refer chart below) SPX on weekly basis prices above 1905 has been on false break upside.

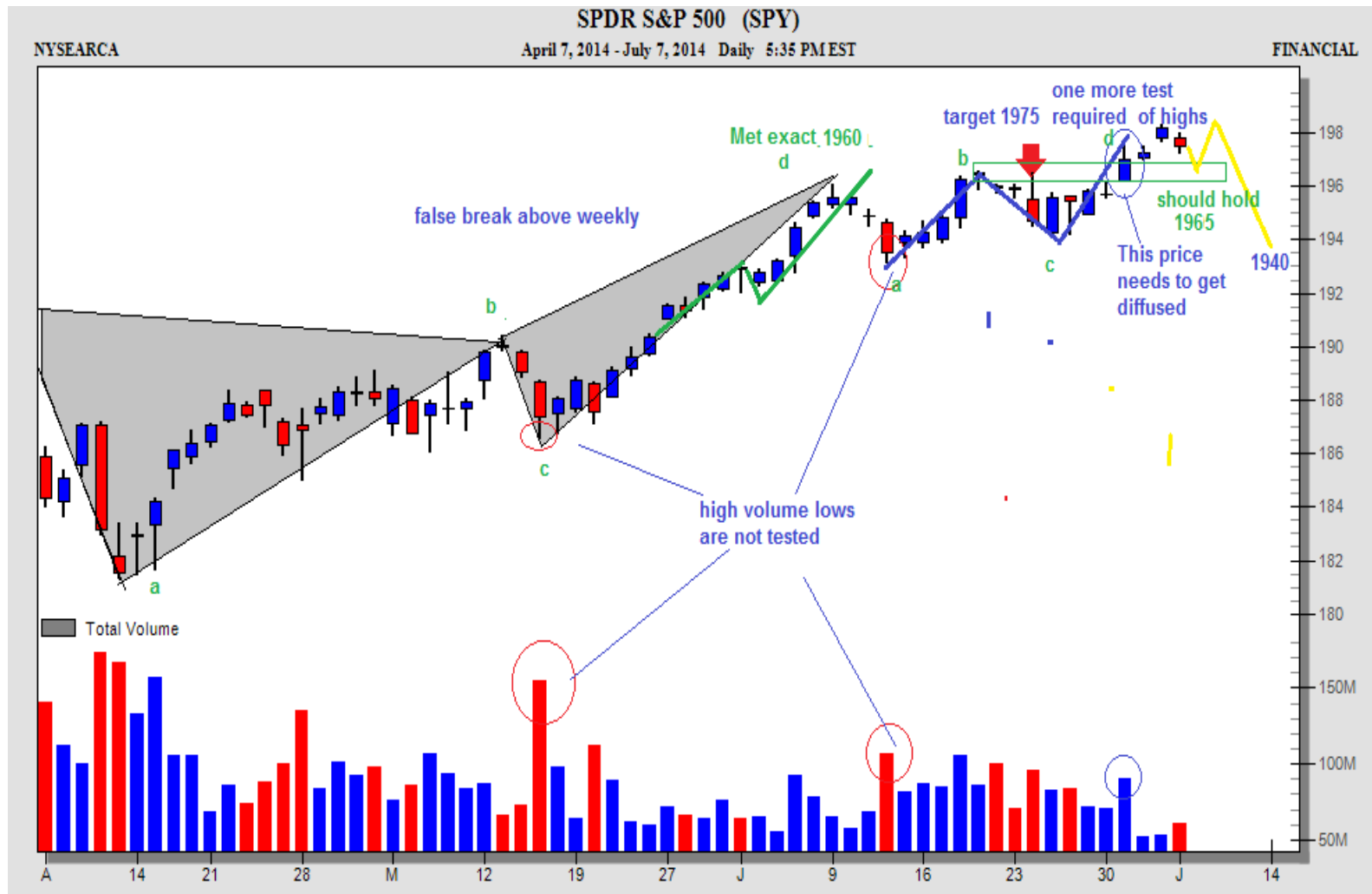
TICK & TRIN - As expected we had another set of reading last week to re test highs with 800 & 1.6 mid last week which was in sync with SPX highs

Treasury bonds. This pull back as expected last week has been on +ve Money flow divergence . should rally strongly after consolidation in CZ 111-109

SPX- PEC- D Analysis POM 15 - Daily chart – Short term Chart1

UPSIDE – Target of ABC up to 1975 – met – But re test required to diffuse the volume. & then decline.

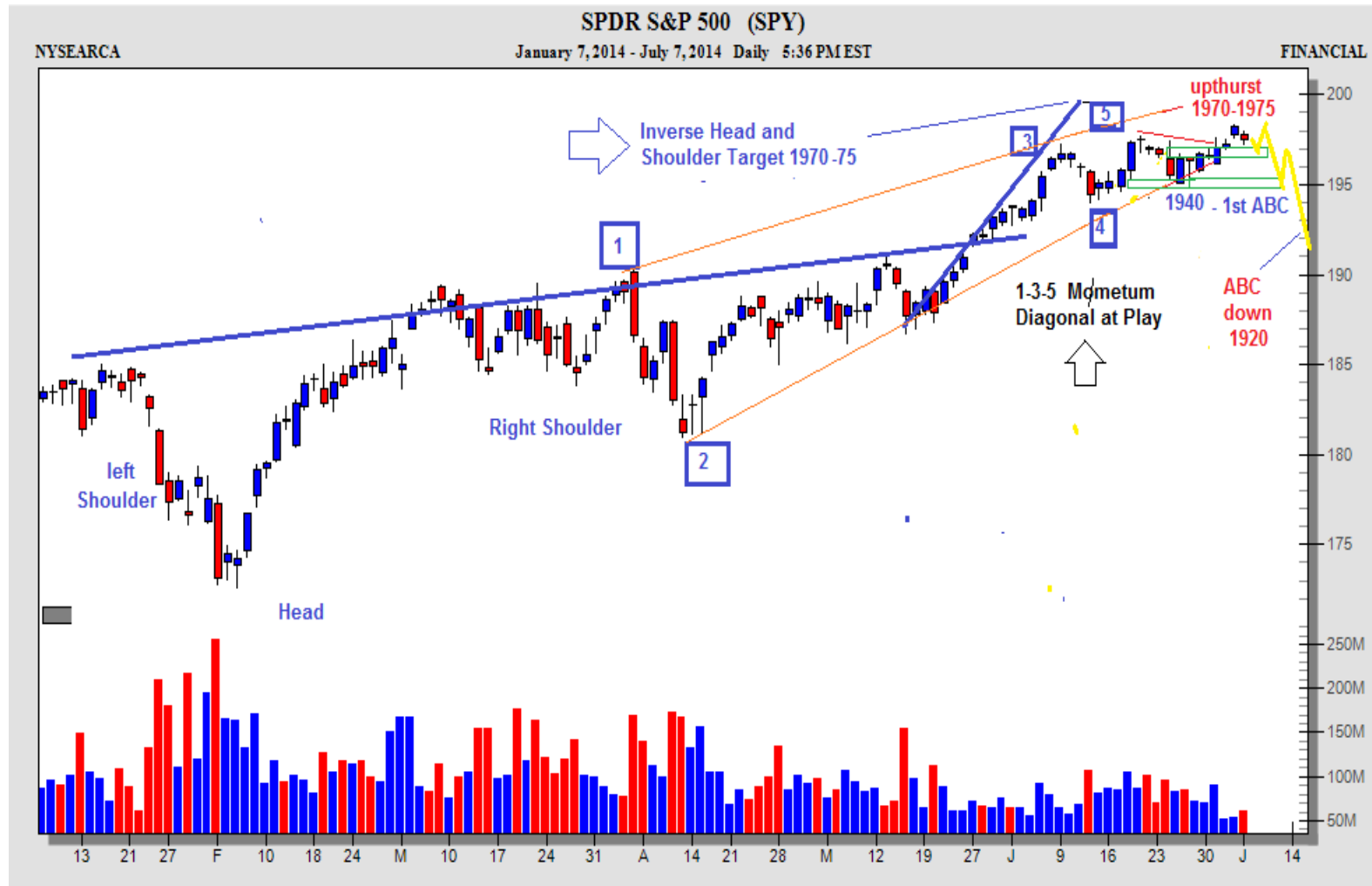
Downside – pull back to 1960 , rally back . ABC down to CZ 1940-1935,



SPX – 1-3-5 Pattern / H & S Inverse Analysis POM 15 - Daily chart – Chart 2

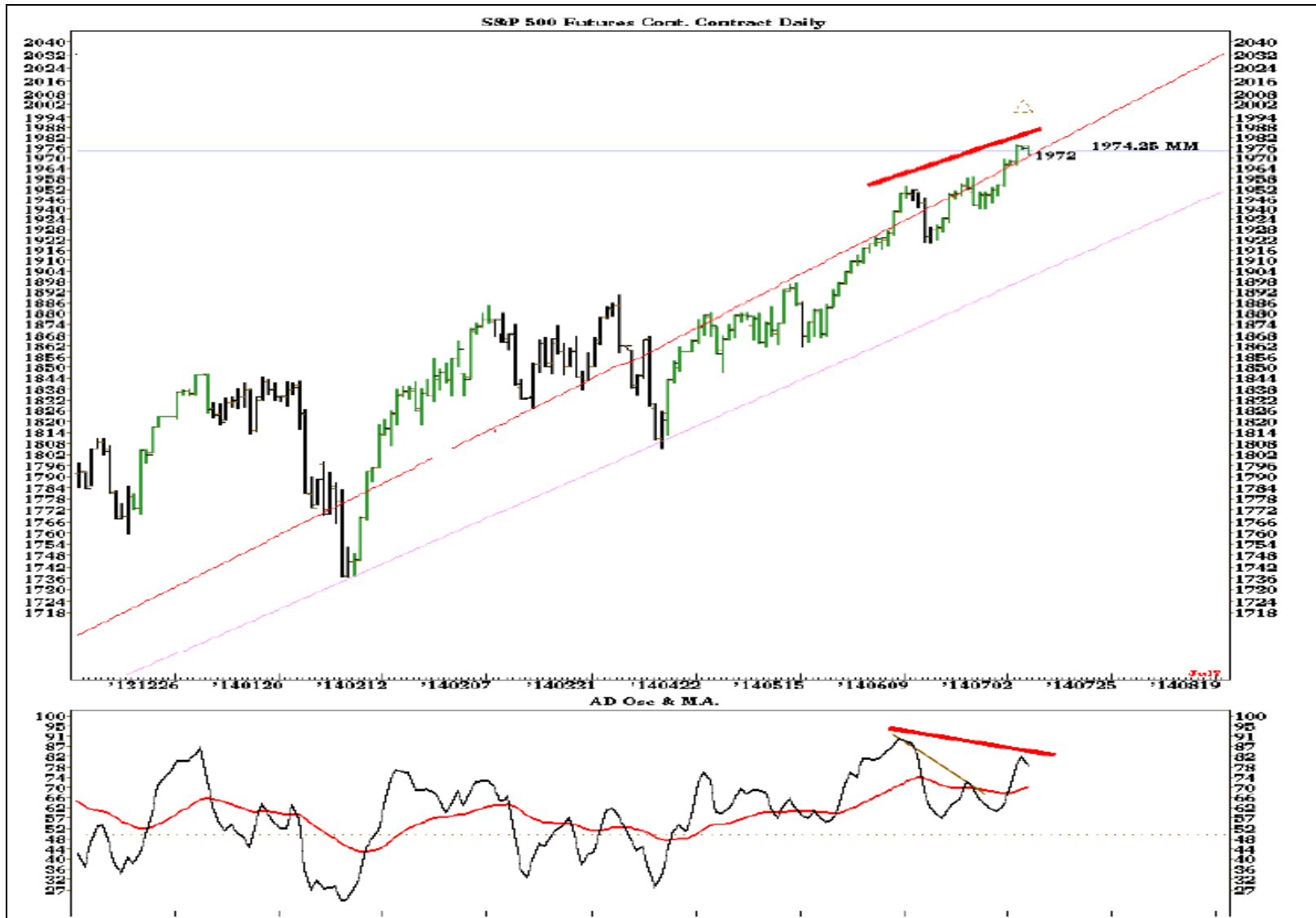
One more test of thrust may be in progress. The Projected Inverse H & S Bottom target of **1975-1970 met** . 1-3-5 is projecting to **1975** for Diagonal Momentum move. Price path as below

Downside — 2nd ABC down to 1920 on weekly basis



SPX – A/D Osc Analysis POM 15 - Daily chart – Chart 3

This last rally from 1940-1975 , the AD Oscillator is on bearish divergences.

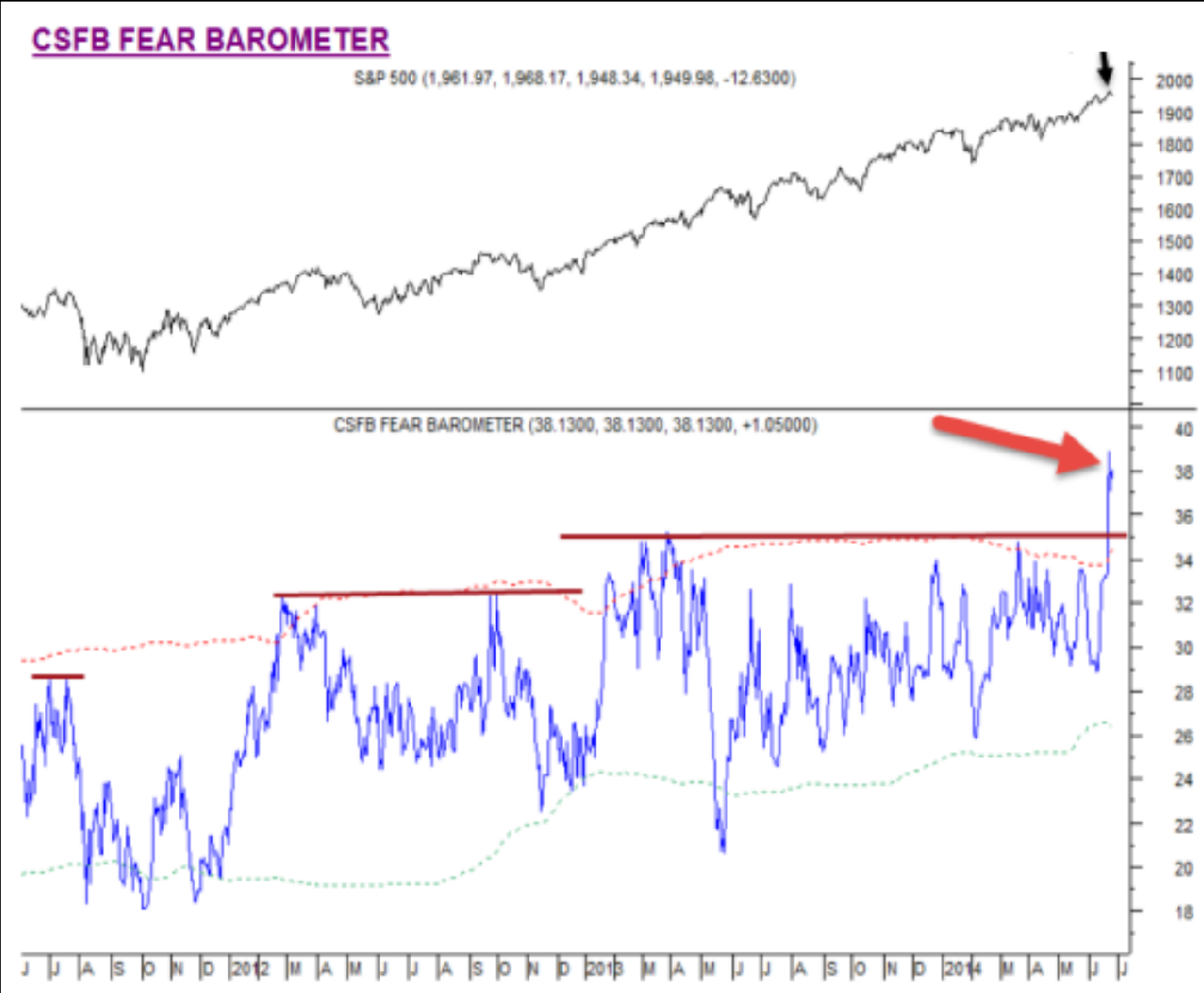


SPX – MC –Clellan - Daily chart – Chart 4

The NYSE McClellan Oscillator is down trending when below the "0" line. Today the Oscillator closed near -60 and a bearish condition for the market. The NYSE Up volume/NYSE down Volume ratio is below 1.6 and it stands at 1.25. This suggest the rally phase in the SPY may be stalling out.

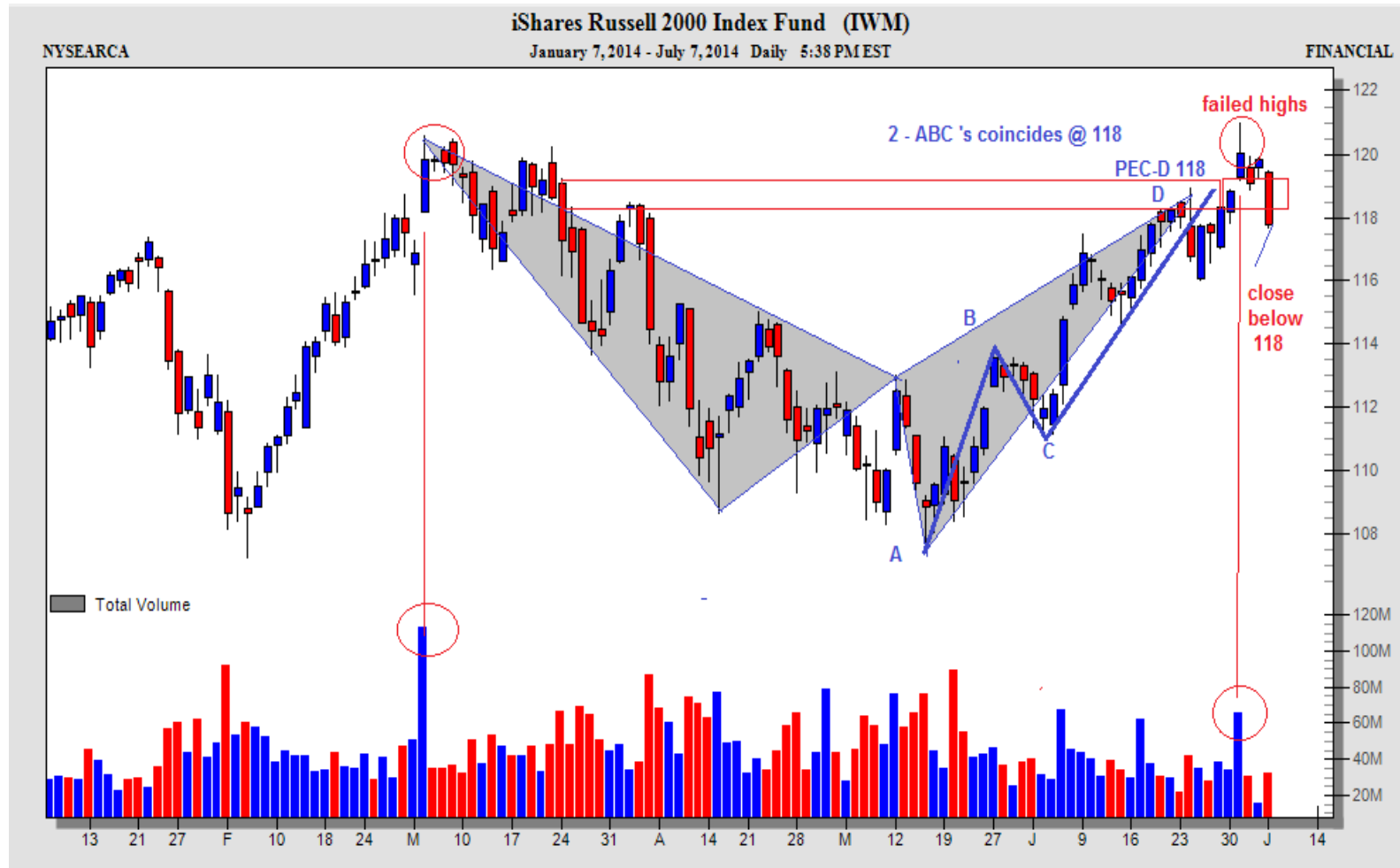


SPX – Sentiments Analysis POM 15 - Daily chart – Chart 5



IWM – PEC-D Analysis - Daily chart – Chart 6

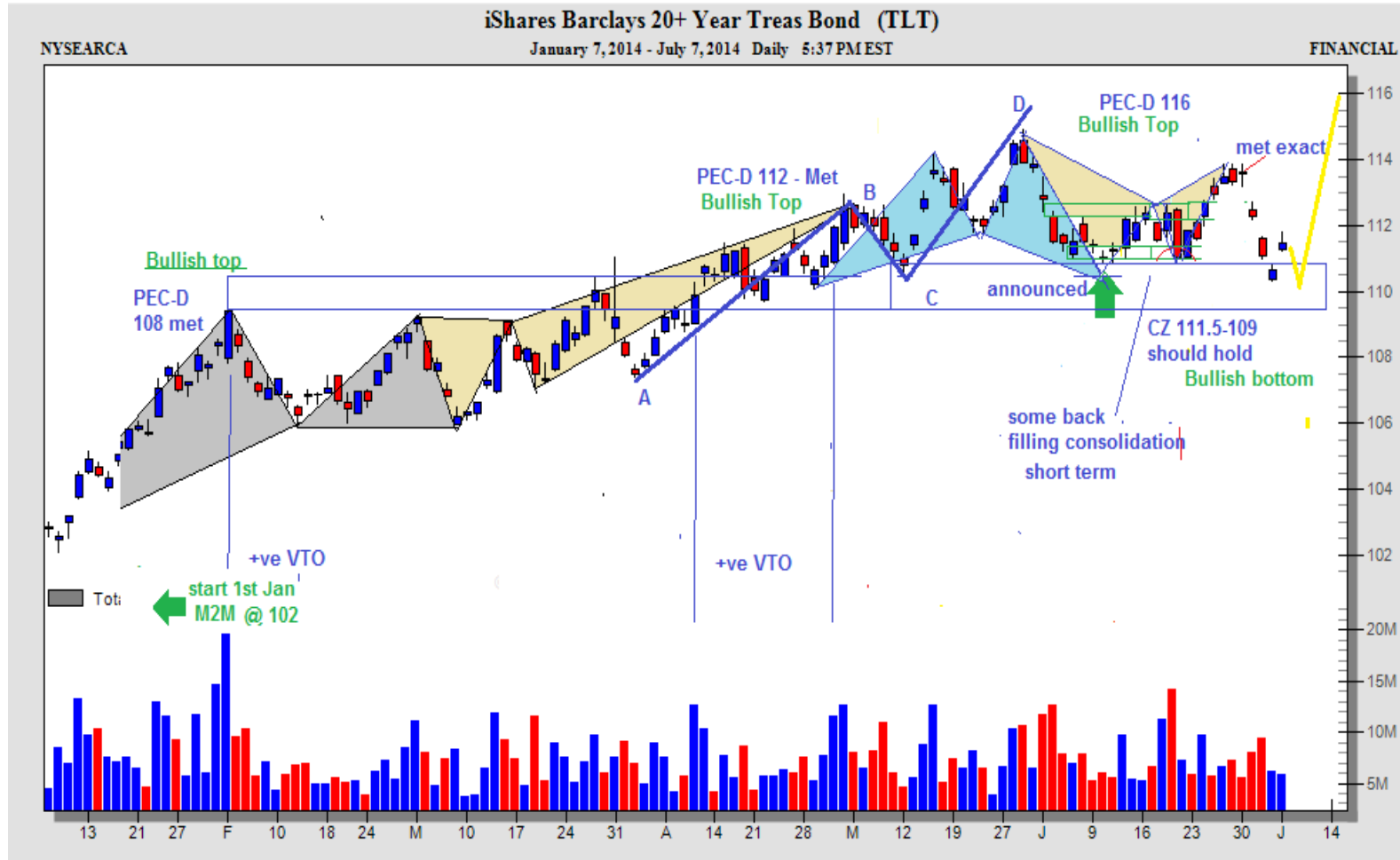
IWM (Small caps) sold off today , It has closed below its PEC-D 118 range but volume hasn't picked up on downside yet (Notes within the charts)



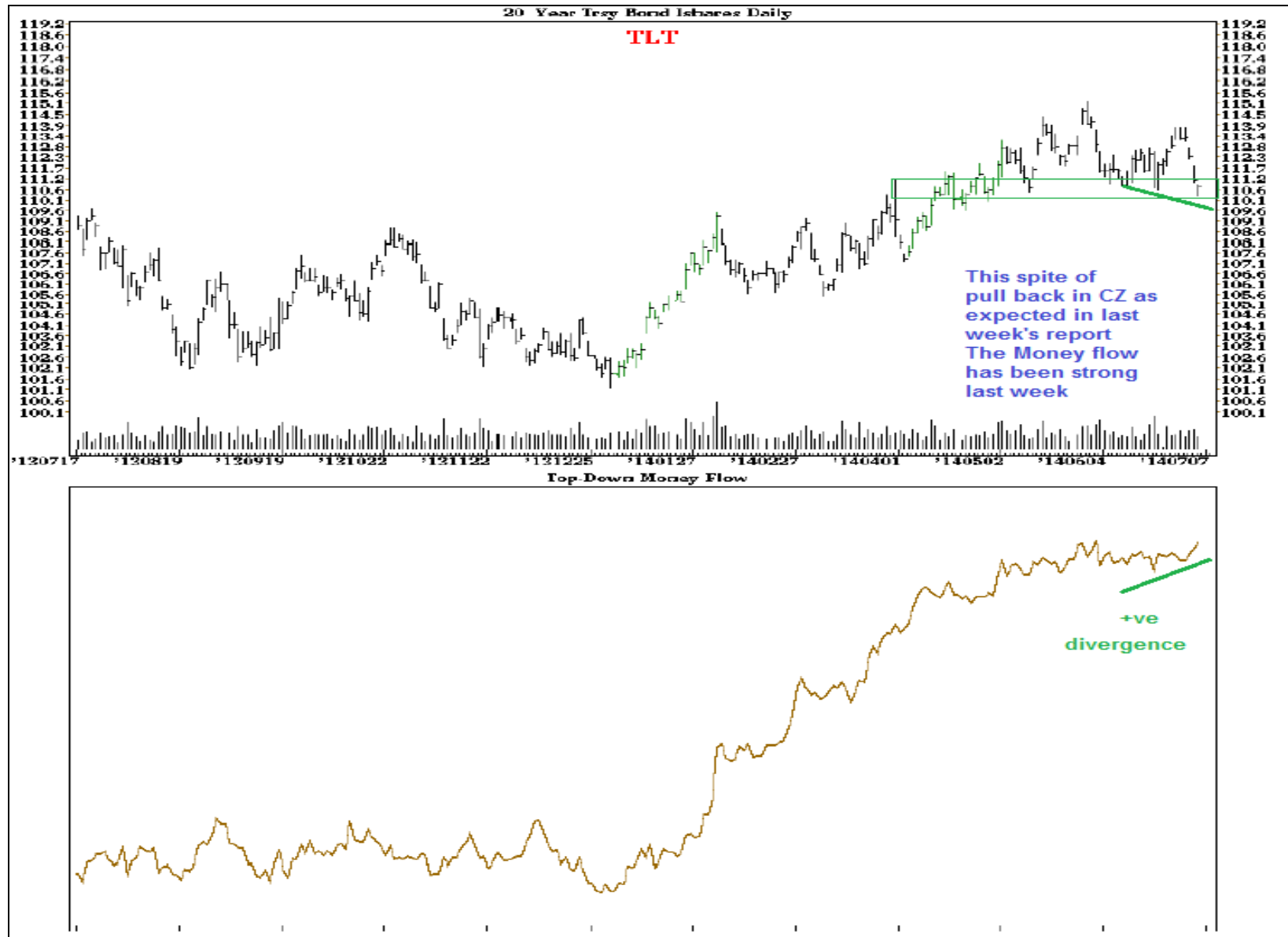
TLT (Bond) – CZ- PEC- D Analysis – Daily - Bullish Chart 7

Downside – Consolidation in Pull back CZ 111-109 , should Reject with low volume.

Upside - Target to ABC up to PEC-D 116. TLT has pulled back from Bullish Top @ 114 Met exact .



TLT (Bond) – Money flow Analysis – Daily - Bullish Chart 8



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 – Bullish

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)

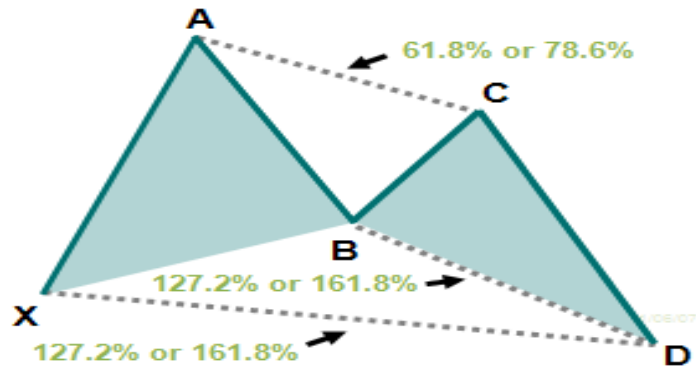
Pythagoras Expansion / Contraction – (PEC) Model

- 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

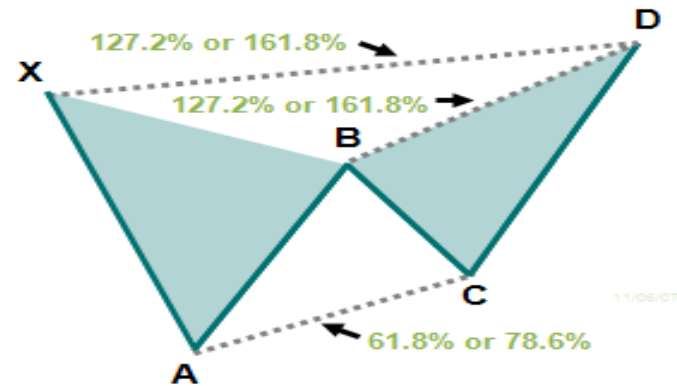
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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