



Date : 14TH 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 <u>Announcement</u> - 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	1976	POM 15 Triggered @ 1958 On 6/24 Email Alert CZ 1958-1975	Raise the Stop @ 1987	Bearish	Net Short OR Hedge Longs For Neutral <i>Scaled in CZ 1958-1975</i>	NONE	Our Target 1970-1975 Re testing Inverse H & S bottom	Top to 1982 should fail	Pullback To 1960 Met exact & rallied 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. <i>Remains for profit</i>

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 / Neutral – Net Short position or Hedge longs position . Bearish top **Scale in CZ 1970- 1975 Failure at 1958**

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TLT (BONDS)	113.1	POM 13 – Re Run Marked to Market On 1/01 start @102	<u>Announced @ 111.5</u> on 6/12 to Re enter ½ Net longs positions	BULLISH	Net Long	NONE	Target PEC-D 114 <u>Approaching once again</u>	ABC up PEC-D 116 <u>Bullish Top</u>	Shallow Pull back to <u>112</u>	pull back to CZ <u>111.5-109</u> Rejected twice <u>Bullish Bottom</u>	

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

For Bulls – pull back to **CZ 111.5-109** with Bullish bottom held 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**)

Note 2014 YTD - For Bears, we have turned Bearish trice with POM 15. Twice resulted in 5-6% correction with timely upside turn announced with POM 14 and 3rd POM 15 was during our absentee in May... we stopped out. On weekly Price path SPX has been moving in sync with our forecast.

Portfolio – Overview & Update

SPX- Overall Portfolio is at “**POM 15 -- Triggered 6/24 @ 1958 in CZ 1958-1975 – 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, GDZ
- Hedges v/s Longs) / Triggered within CZ :For Market Neutral .

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

Market Overview SPX

Last Report - 7/7 Report – **SPX was @ 1977** We indicated - *“Sell off after 7th July to CZ 1960-1965.. . But, whether it will morph into a significant downtrend is doubtful. The impetus for downside momentum lacking. On daily basis some volume at the highs 1975 needs to diffuse itself. A visit to the highs again , the 9th of July peak CZ 1975-1970.”*

.....This has exactly happened as expected drop of 20 points to 1960 and rally of 15 points to 1975.

This week - **CZ 1975-1970** which was Inverse Head and Shoulder target keeps getting tested but it is part of topping processes & fail even if it takes extra time . then SPX would enter a correction lasting about 1 month once heavy volume decline begins . It is still not quite clear if participants may take this Market to SPX 2000 in Momentum drive. I don't think anyone know it either with much certainty.

IWM (Small caps) was the weakest Indices - which we indicated in last Report as it closed below **PEC-D 118** , It was the worst in sell off last week and the worst bounce in past 2 trading sessions (Refer chart below) . The volume on IWM picked up on downside v/s SPX downside Volume . There really were two markets last week. The SPX , NASD and Dow, which fell, but rebounded nicely. The second market was the broad market, MidCaps and Russell SmallCaps fell hard. We suspect that rallies are going to be sold . SPX on weekly basis prices above 1905 has been on false break upside.

The Volume Oscillator for SPX went negative. That's pretty much what you expect to see at a top. Any rally here is probably setting up a secondary selling opportunity within the context of a month correction. We are looking for a bottom in the August-September timeframe after which the market should give a phenomenal move higher on presidential cycle for several months into 2015.

The Bradley stock market model! is not 100%. At best is about 75%. Is calling turn. Past two turns were shallow.

TICK & TRIN - Mondays highs and previous highs in ARMS reading at 1975 is setting up to re test with 860 & 1.8 which is in sync with SPX highs. But closed -600 Monday which is very strange.

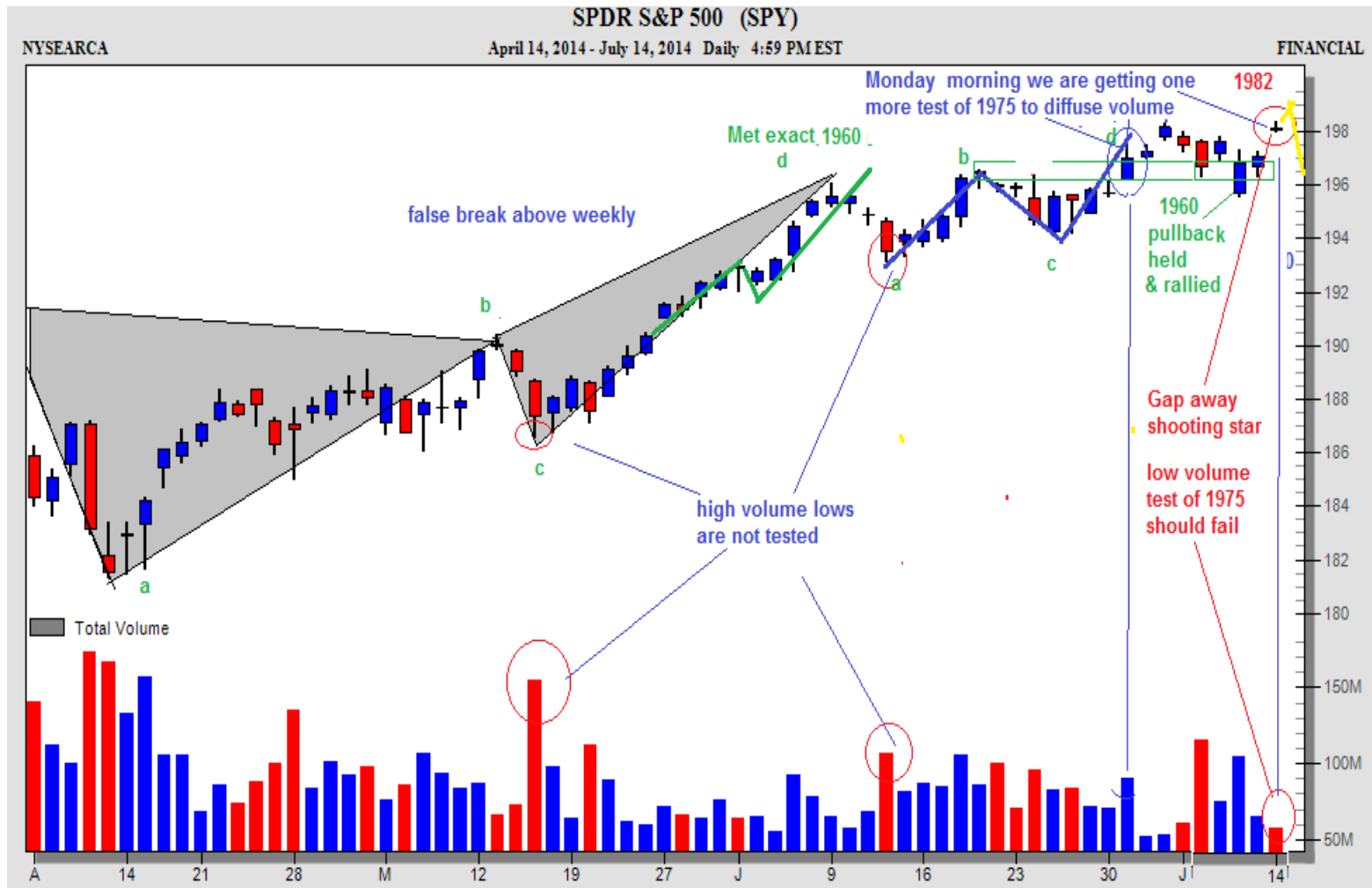
Treasury bonds. This pull back to **CZ 111.5-109 held** as expected last week with +ve Money flow divergence and rallied back up towards **PEC- 114. Target PEC- 116**

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

Upside – Target of ABC up to 1975 re test met to diffuse the volume 1982. & then fail on low volume .

Downside – pull back to 1960 met exact & rallied up

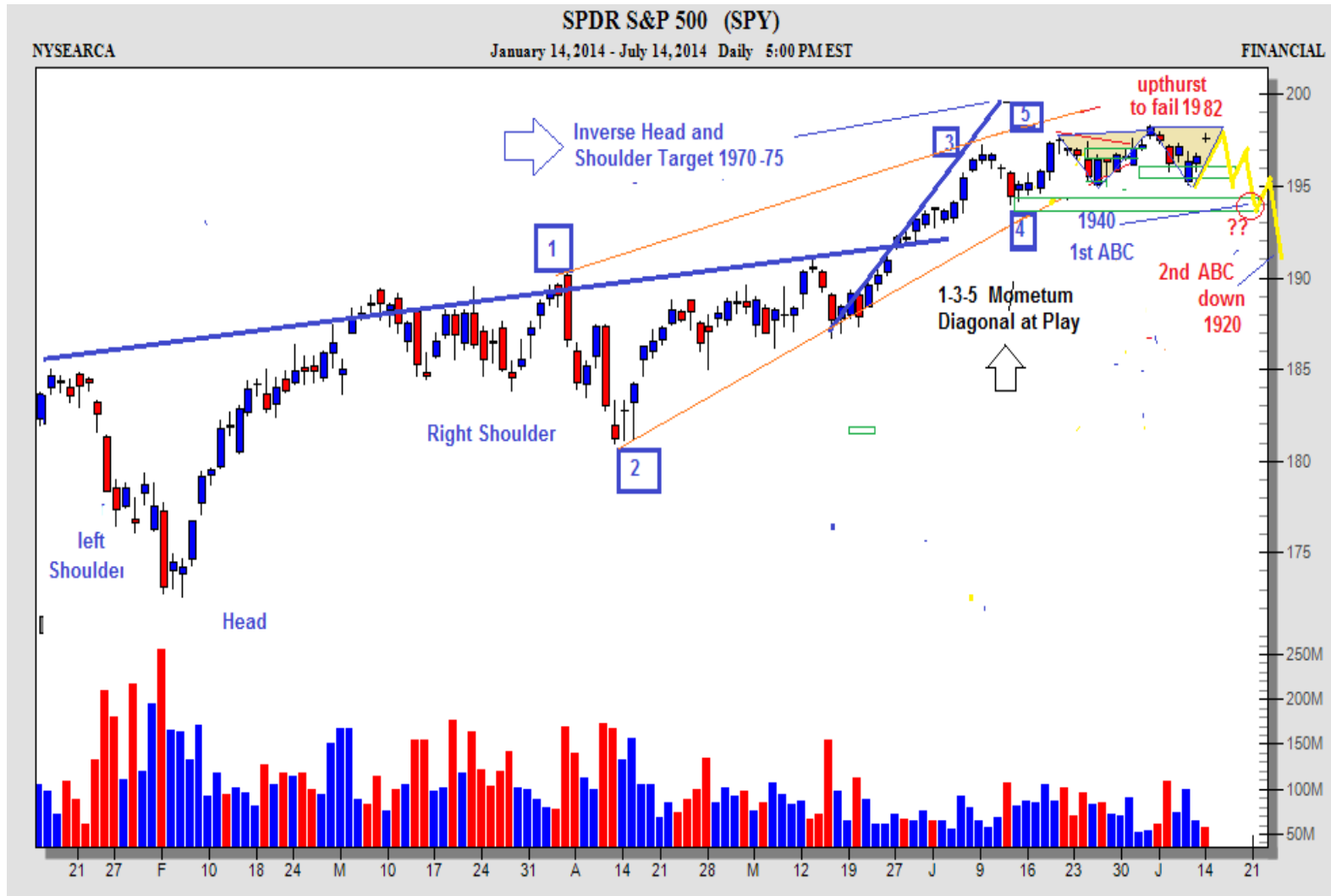
. ABC down to CZ 1940-1935,



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

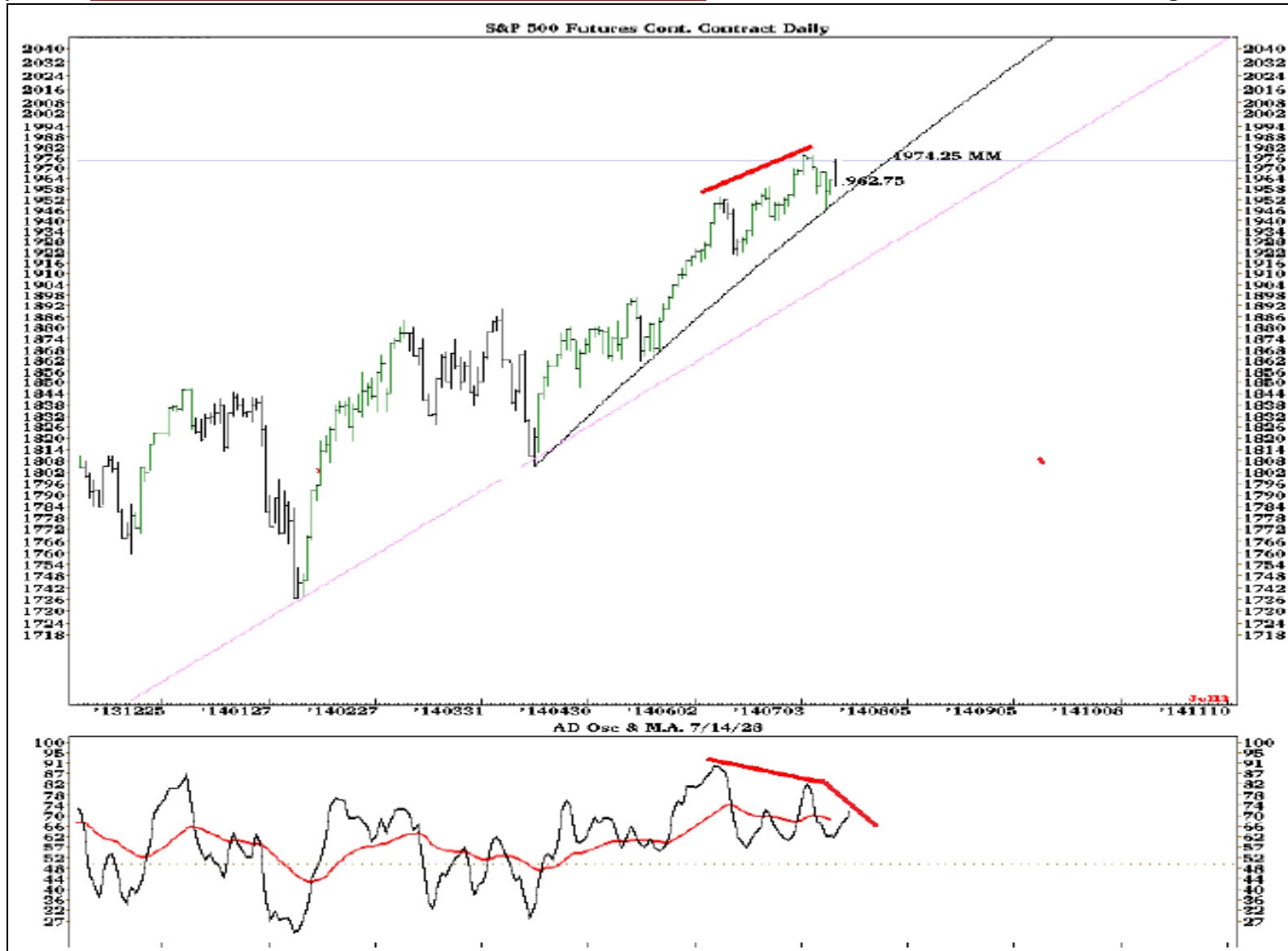
- 3 Drives to the top has **double top @ 1982** . This is in progress . The Projected **Inverse H & S Bottom** target of **1975-1970** is **Retesting** for **Diagonal Momentum move**. **Price path as below**

Downside — 2nd ABC down to 1920 on weekly basis BUT we need volume at 1940 on downside



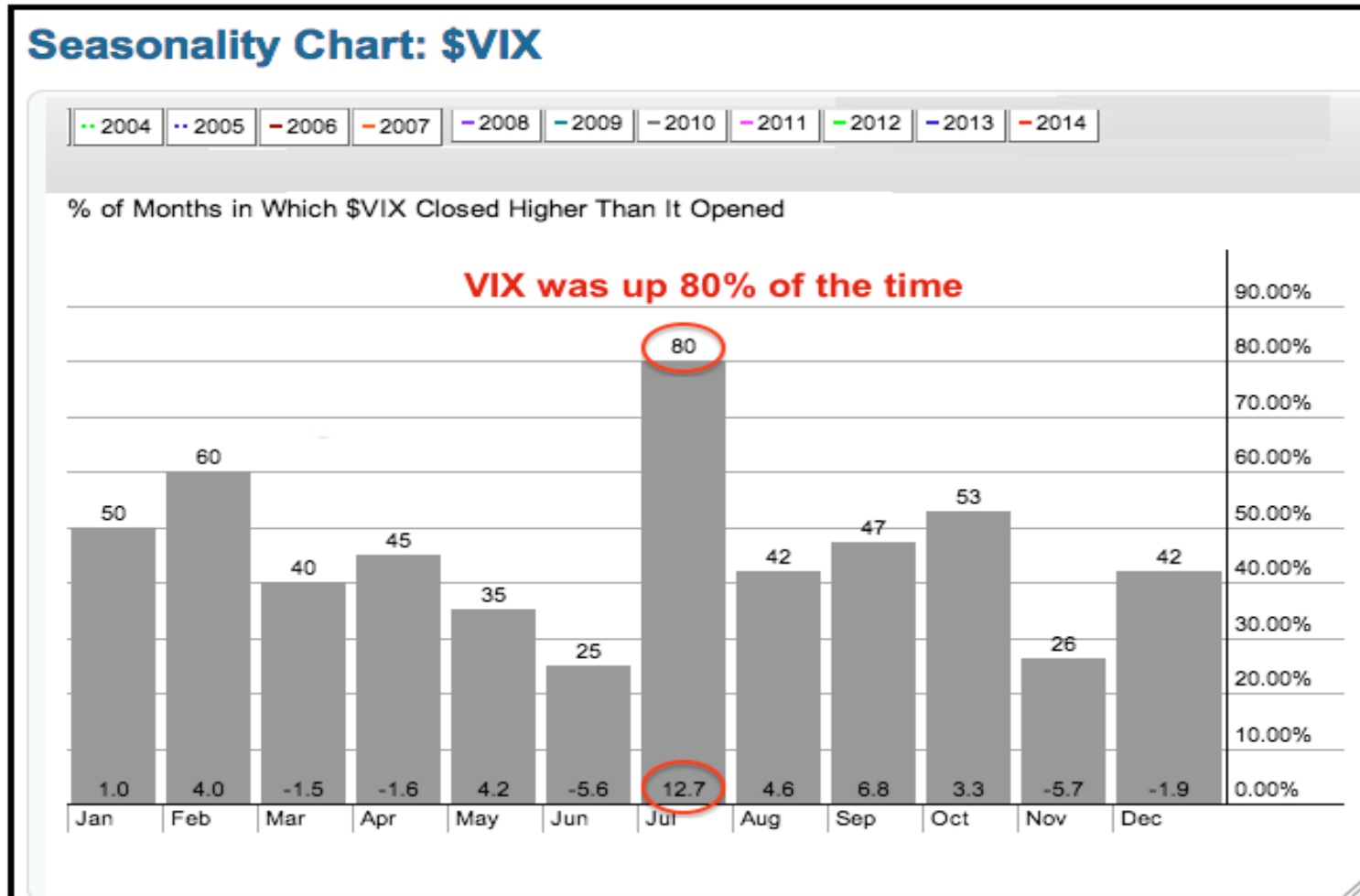
SPX – A/D Osc Analysis POM 15 - Daily chart – Chart 3

The rally from 1940-1975 & Secondary move from 1960 to 1975 , the AD Oscillator is on bearish divergences.



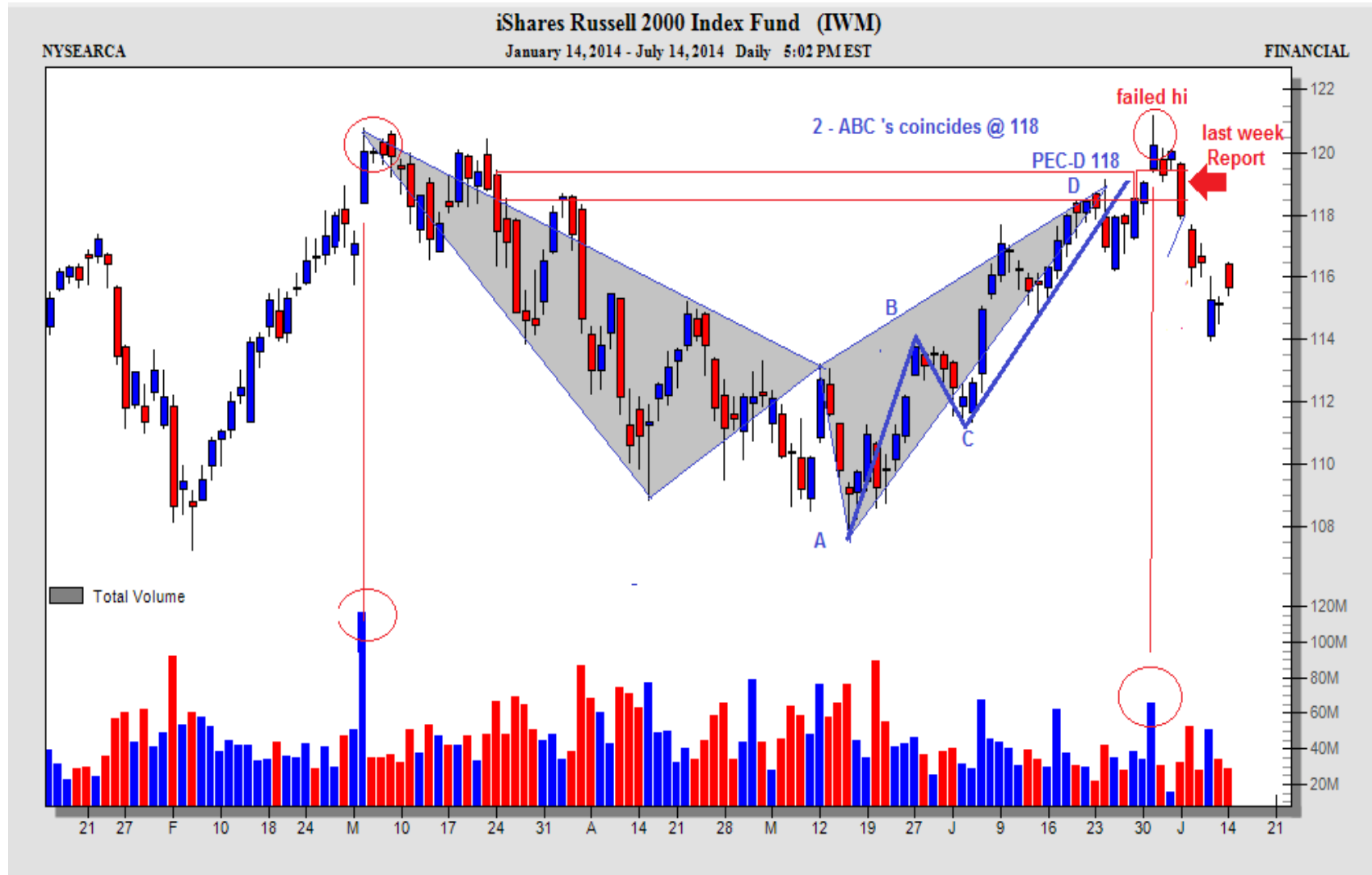
VIX – Seasonality - Daily chart – Chart 4

VIX was up 80% of the time in July and the average gain was 12.7%. SPX & VIX has negative correlation.



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

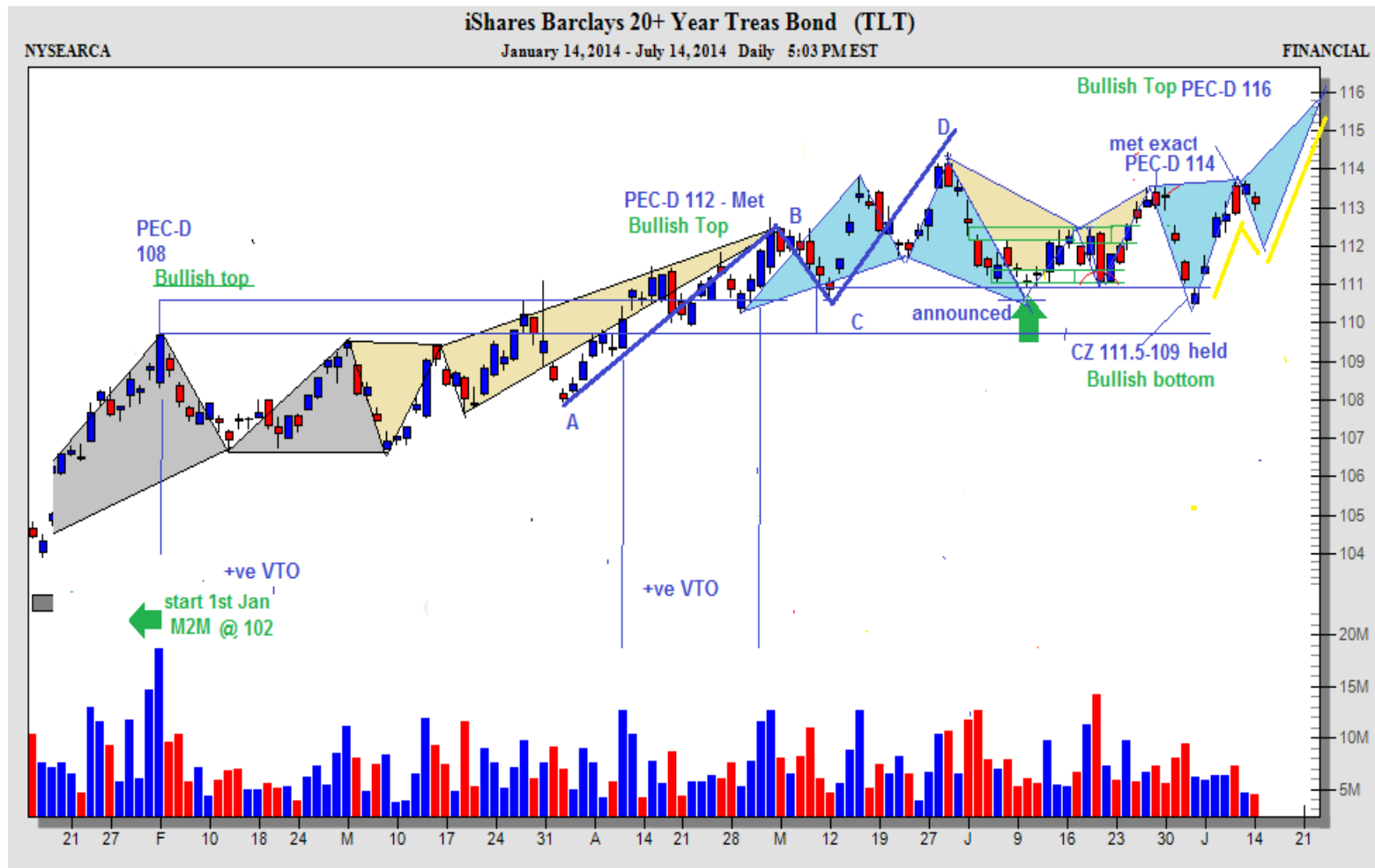
IWM (Small caps) gave anemic bounce. today , PEC-D 118 – proved it merit . Indicated last week Report.
(Notes within the charts)



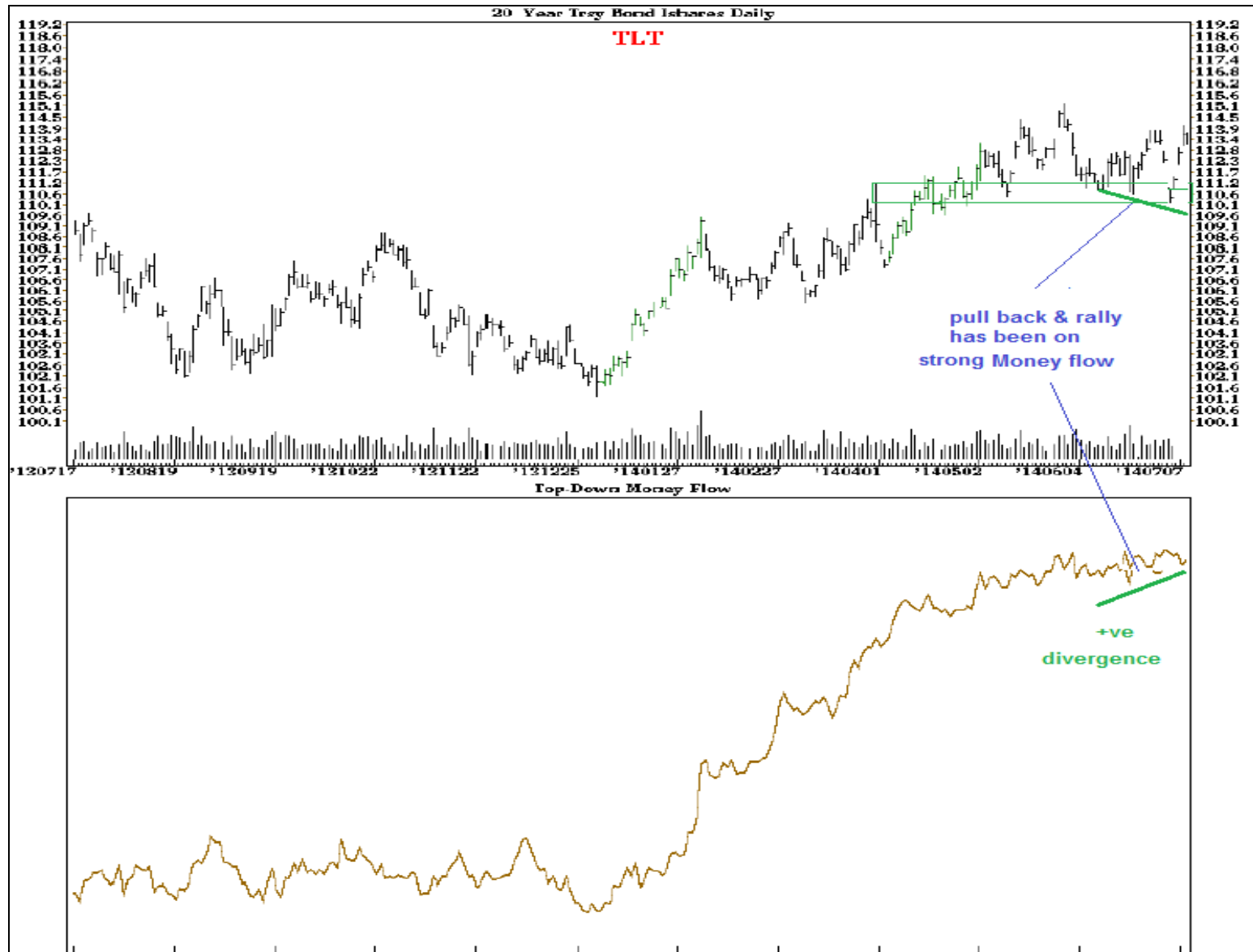
TLT (Bond) – CZ- PEC- D Analysis – Daily - Bullish Chart 7

Upside - 1st Target to PEC-D 114 approaching . 2nd Target to ABC up to PEC-D 116. Bullish Top

Downside – Shallow pullback to 112 . The CZ 111-109 Rejected with low volume as expected



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)

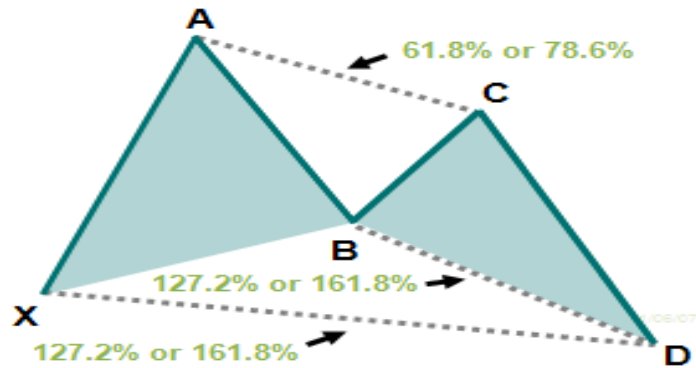
Pythagoras Expansion / Contraction – (PEC) Model

- 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

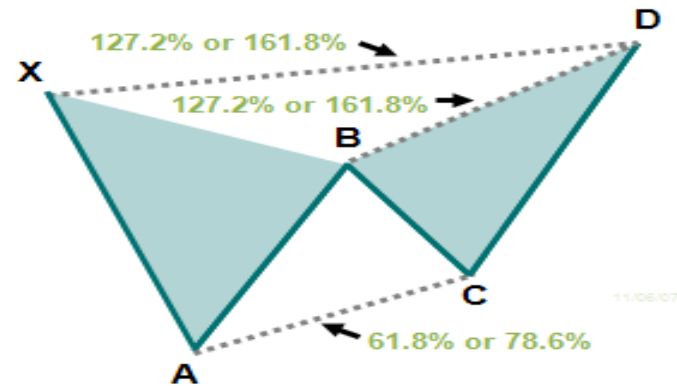
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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