



Date : 28th 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	1979	POM 15 Triggered @ 1958 On 6/24 Email Alert CZ 1975-1958	Raise the Stop @ 1997	Bearish	Hedge Longs For Neutral <u>OR</u> Net Short For Bears <u>Scaled in CZ 1975-1958</u>	NONE	Our Target Up thrust To 1982 Met & sold off	3rd time re test of 1987 is required Bearish Top Death By 9 cuts.	Pullback To 1960 Heavy bottom Close below 1935 with high Volume Should target 1905	1st ABC down to 1940- 2nd Target PEC-D 1920 Neutral Bottom	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 / Neutral – Add Net Short position or Hedge longs . Bearish top **Scale in CZ 1975-1958**

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TLT (BONDS)	115.6	POM 13 – Re Run Marked to Market On 1/01 start <u>@102</u>	<u>Announced @ 115.5</u> on 7/21 to <u>exit ½ Net longs Position entry @ 111</u>	BULLISH	Net Long	NONE	Target ABC PEC-D 116 MET Bullish Top	New ABC up Only after pull back	Pull back to <u>112- Not clear how deep</u>	pull back to CZ 111.5-109 Rejected twice Bullish Bottom	

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

For Bulls – Rally from CZ 111.5-109 Bullish bottom to ABC up to 116 Bullish Top – complete & exited ½

For Bears - Rally to 116 reached but NOT failed 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 in CZ 1975 -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
Exit that ½ position at 115.2 – Target met

Portfolio Holdings ...

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

- **LONG at POM 13**
Non- Equity - USD/JPY , DXY, TLT – Exited ½ ,
Equity - XLV ,XHB, XLP, NIKKE , UNG , DBA,
GOLD, GDG
- **Hedges v/s Longs) / Triggered within CZ :SPX, IWM .For Market Neutral .**

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

Market Overview SPX

Last Report - 7/21 Report – **SPX was @ 1973** – Although at POM 15 . We indicated - “ *SPX would touch 1982 -Up thrust Bearish Top and fail . Then pull back to our 1st downside target of 1960 (Heavy bottom) “*We rallied to 1982 and pull back began . However pull back to 1960 is not complete .

This week - Much of the same again . We think we should go for the 3rd time to Up thrust and fail the re test in Bearish Top . The slight move higher is NOT a breakout. For Breakout New ABC up , the market need SOS (Sign of strength) with volume expansion, Low ARMS & TICK reading. SPX is building a Top around **CZ 1975-1970**- Inverse Head and Shoulder target. The longer we meander at the Top with low volume, significant is distribution.

SPX has been virtually at NO CHANGE in price since 4th July @ 1977 & POM 15 CZ Target 1975-1970 . The two pull backs to the lows of **SPX -1960** has heavy Bearish bottom suggests it should be tested again . Time termination is 8th August can be that lows . However SPX eventually should break the heavy bottom once the correction breaks below 1960-1945.

IWM (Small caps) have proven it with underperformance, it failed at **PEC-D 118 – announced since then IWM has corrected 7%** . The volume on IWM picked up more on downside. The correction which started first week of July continues despite the bounce back .

NASD is holding up well with high momentum. NASD has diagonal triangle pattern, we should get another high before the decline. The SOX which usually leads NASD has topped out on 7th July with volume picking up on down side. The bounce will be low volume . SPX has **Ratio-Adjusted McClellan Summation Index**, failed to confirm a final peak below 500 within the uptrend.

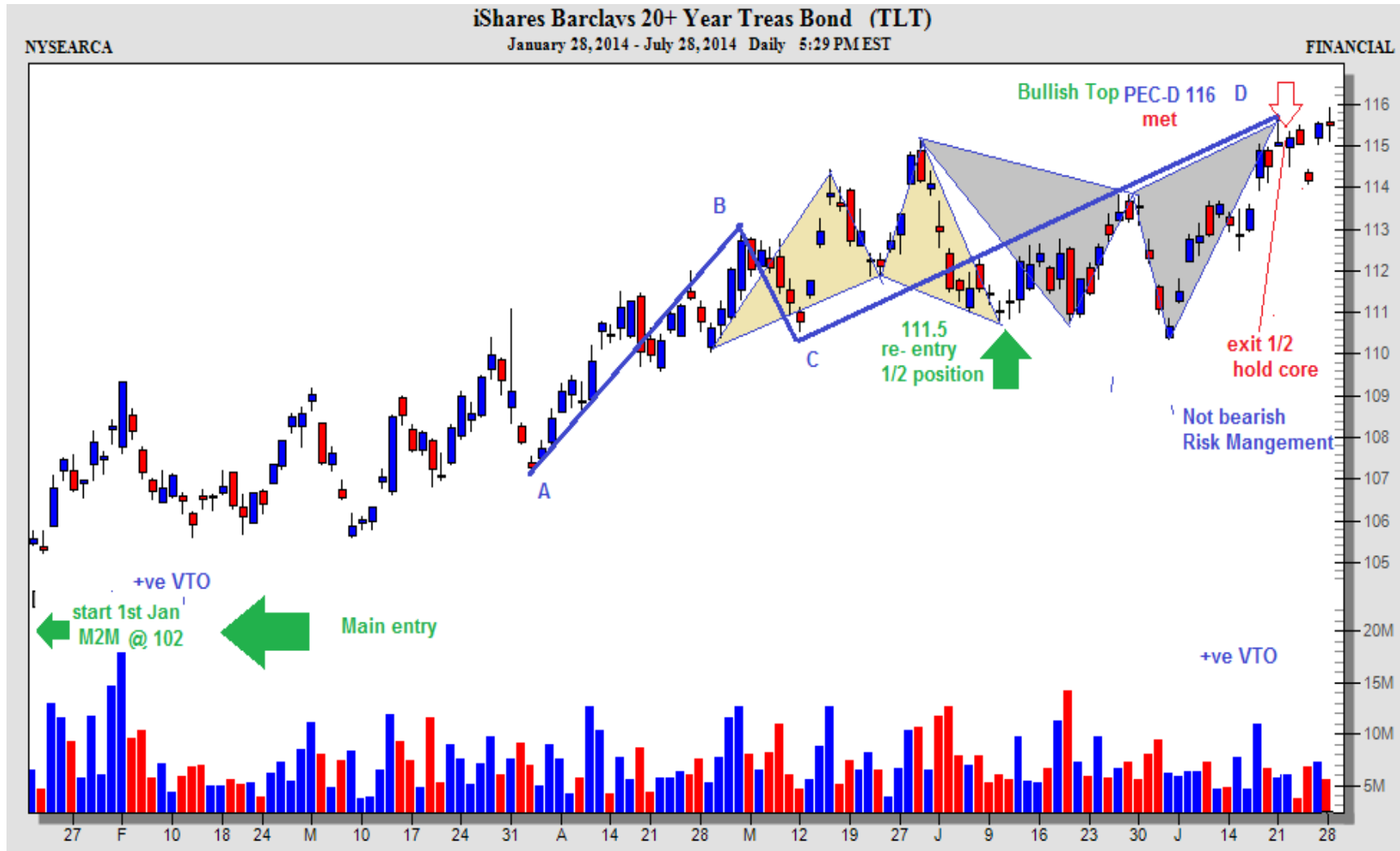
Since POM 15- Triggered, the progression of thinning markets as the top continues to build out. The majority of stocks have stopped going up and the remaining ones are gradually topping and starting to decline. The Volume Oscillator for SPX went negative. We are looking for a bottom in the August-September timeframe after which the market should give a phenomenal move higher on presidential cycle for several months into 2015.

Seasonally SPX tends to peak in Mid - late July and decline into mid-August.

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

Upside - 2nd Target to ABC up to PEC-D 116. Bullish Top – Met – Exited ½ position

Downside – Not clear yet – Pull back to 112 . The CZ 111-109 Rejected with low volume as expected

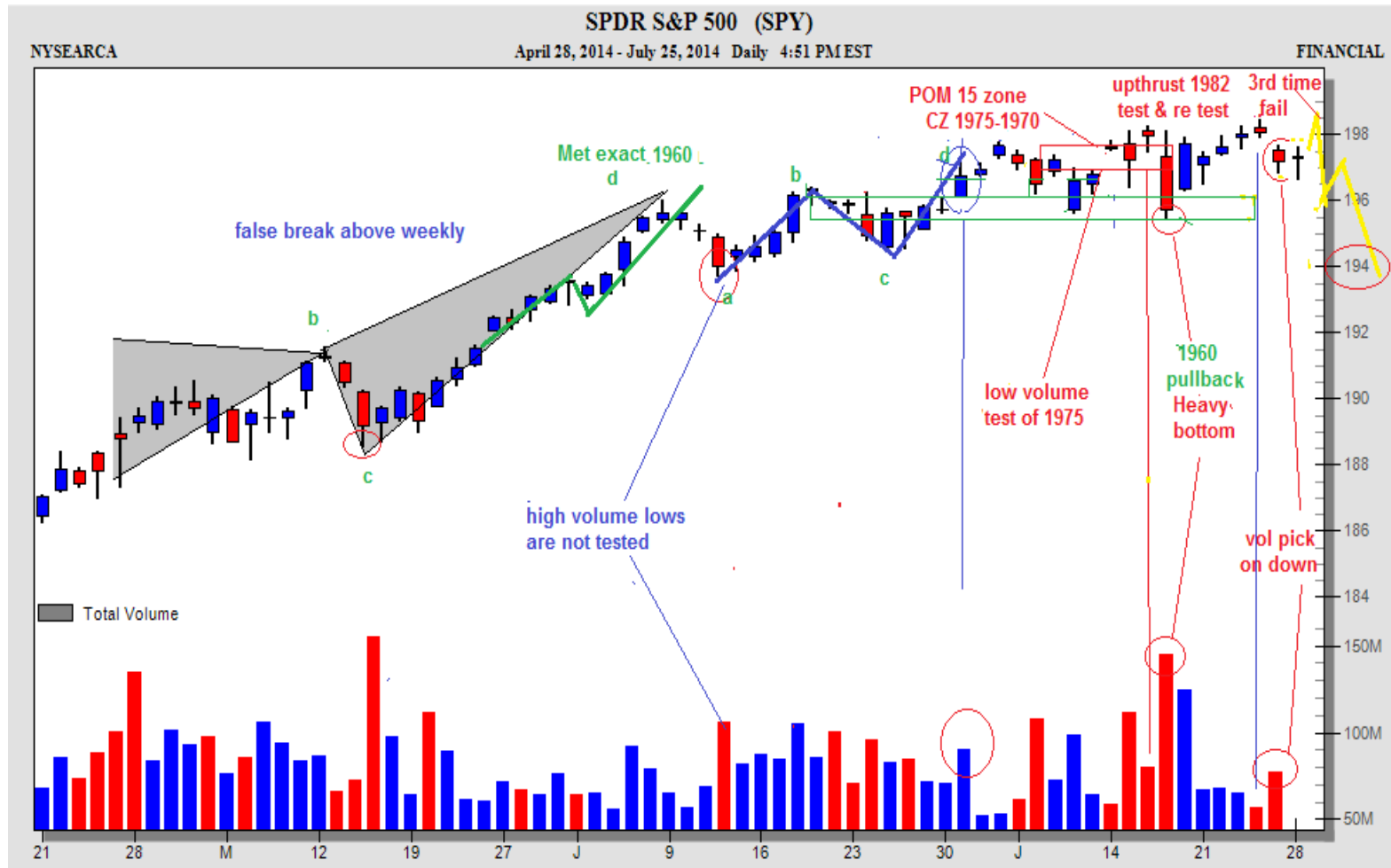


SPX- PEC- D Analysis POM 15 - Daily chart – Short term Chart 2

UPSIDE – Target of ABC up to 1982 should be re tested (**3rd time**) – 1982-1987 on low volume and fail.

Inverse H & S Bottom Target CZ 1975-1970- Met from our 1820 Trigge POM 14 – to cover point.

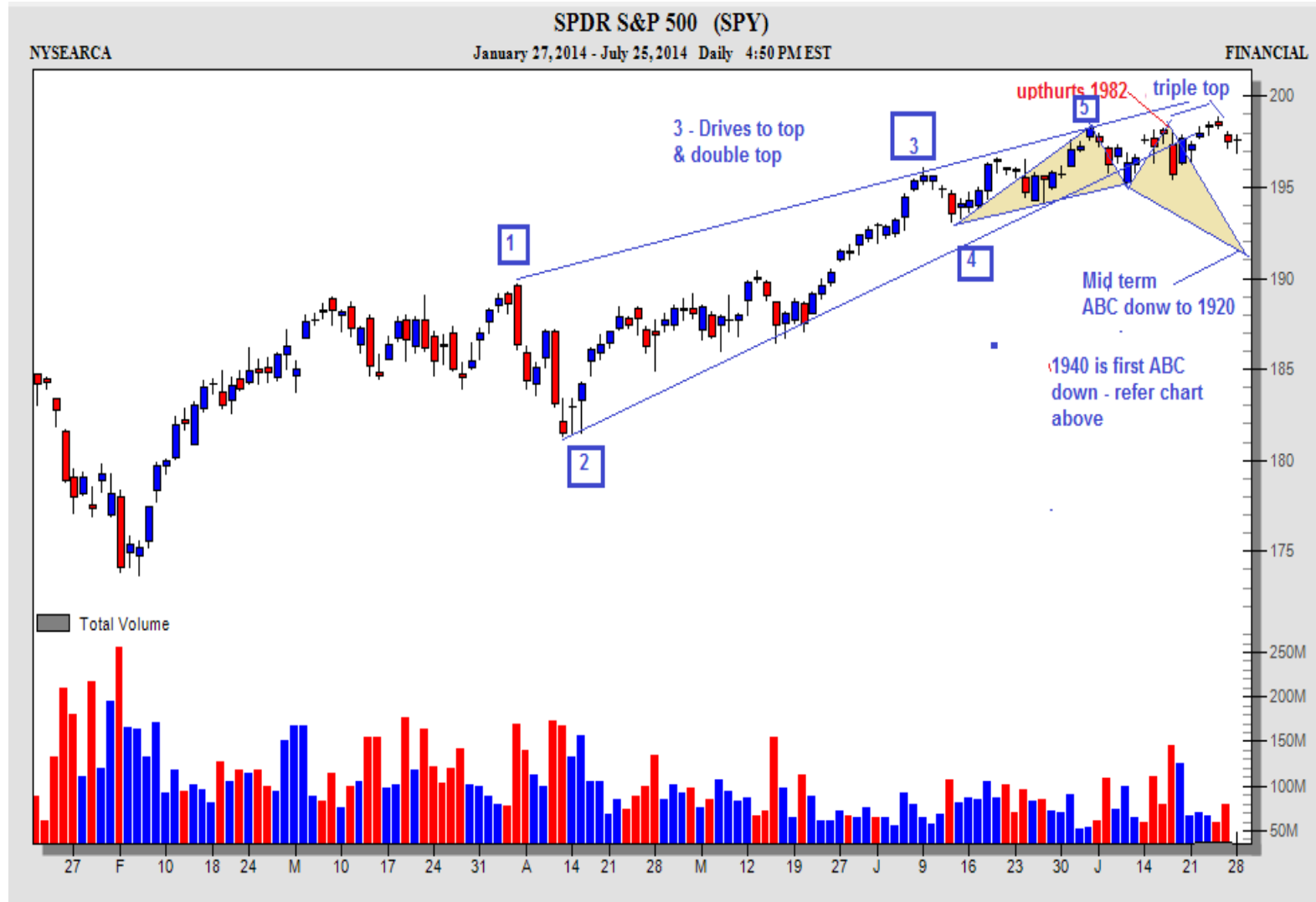
Downside — pull back to 1960 is Heavy Bottom, this setup for ABC down to CZ 1940-1935,



SPX – 1-3-5 Pattern Analysis POM 15 - **Daily chart** – Chart 3

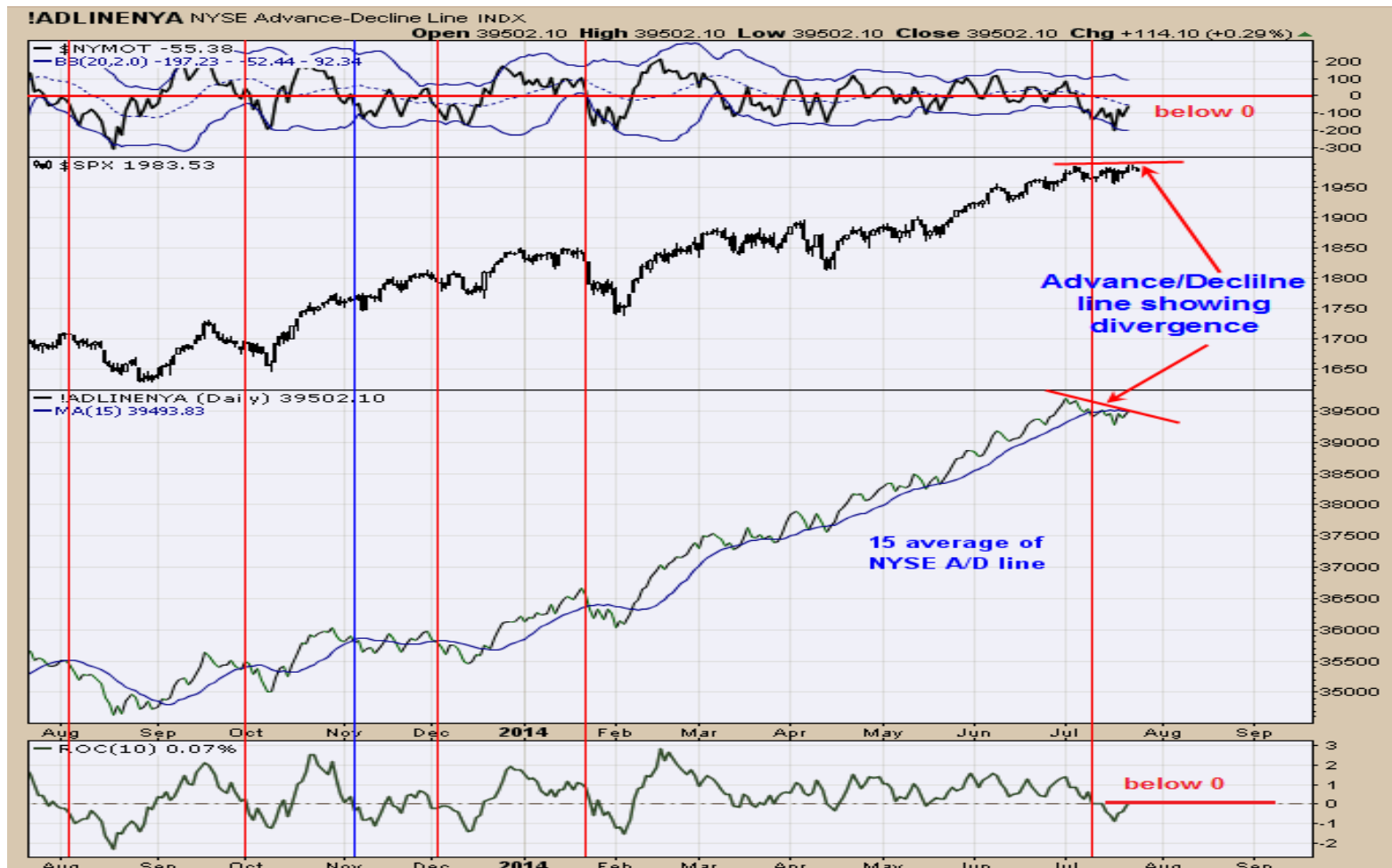
Upside Target has Triple top @ 1982, up thrust on 3 Drives to the top to 1975 completion

Downside — 2nd ABC down to 1920 on weekly basis



SPX – A/D Analysis POM 15 - Daily chart – Chart 4

The Advance/Decline line for the NYSE with a 15 period moving average. In early July the A/D line crossed below its 15 period MA and triggered a sell signal. However since then the market has moved sideways and has not declined. Last week SPY hit a high and the A/D line made a lower high and a negative divergence. The red vertical lines show where the A/D line had a bearish crossover and the blue vertical lines showed that even the A/D line was going down the SPX moved higher. We are still expecting the market to pull back here.

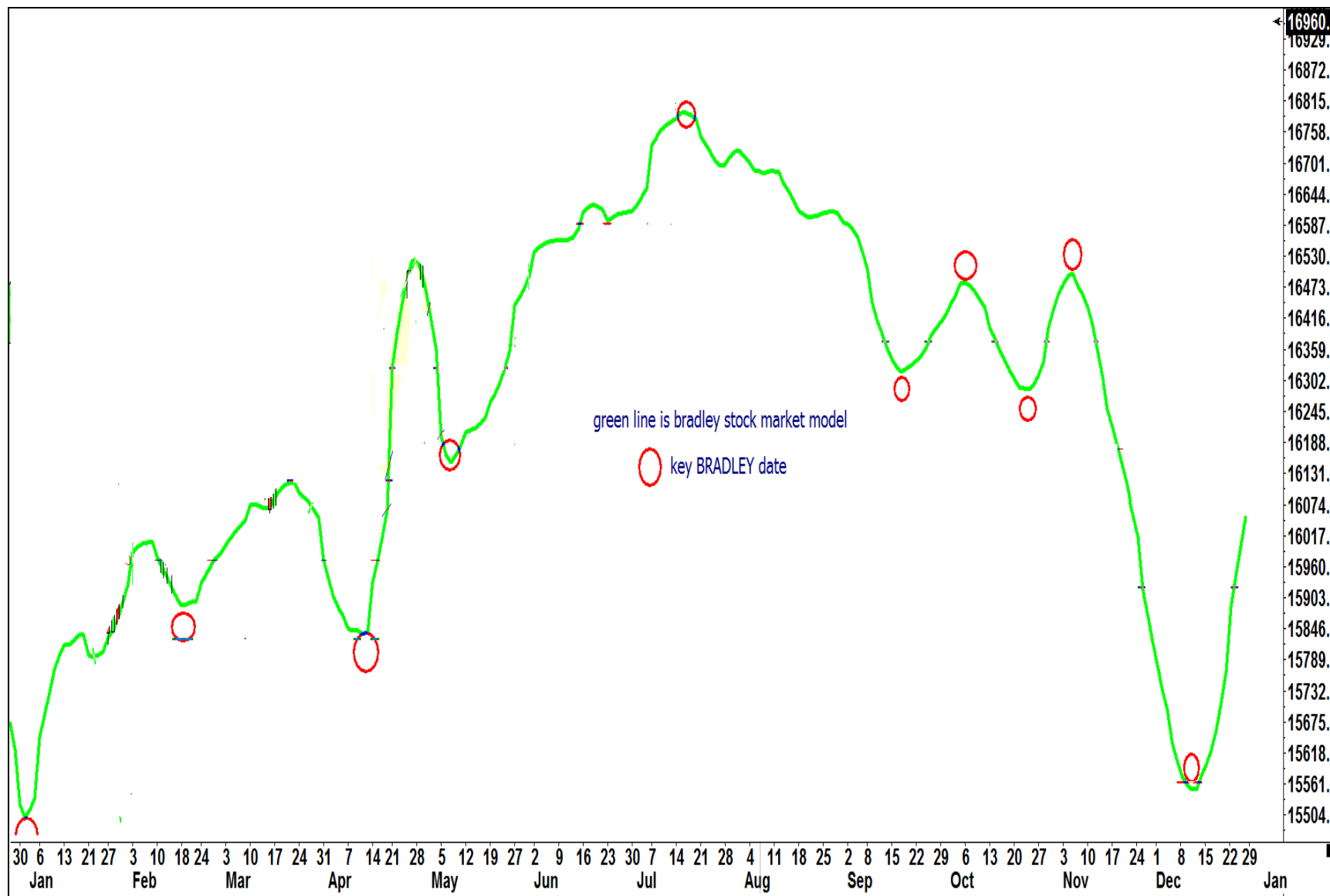


VIX Analysis - Daily chart – Chart 5

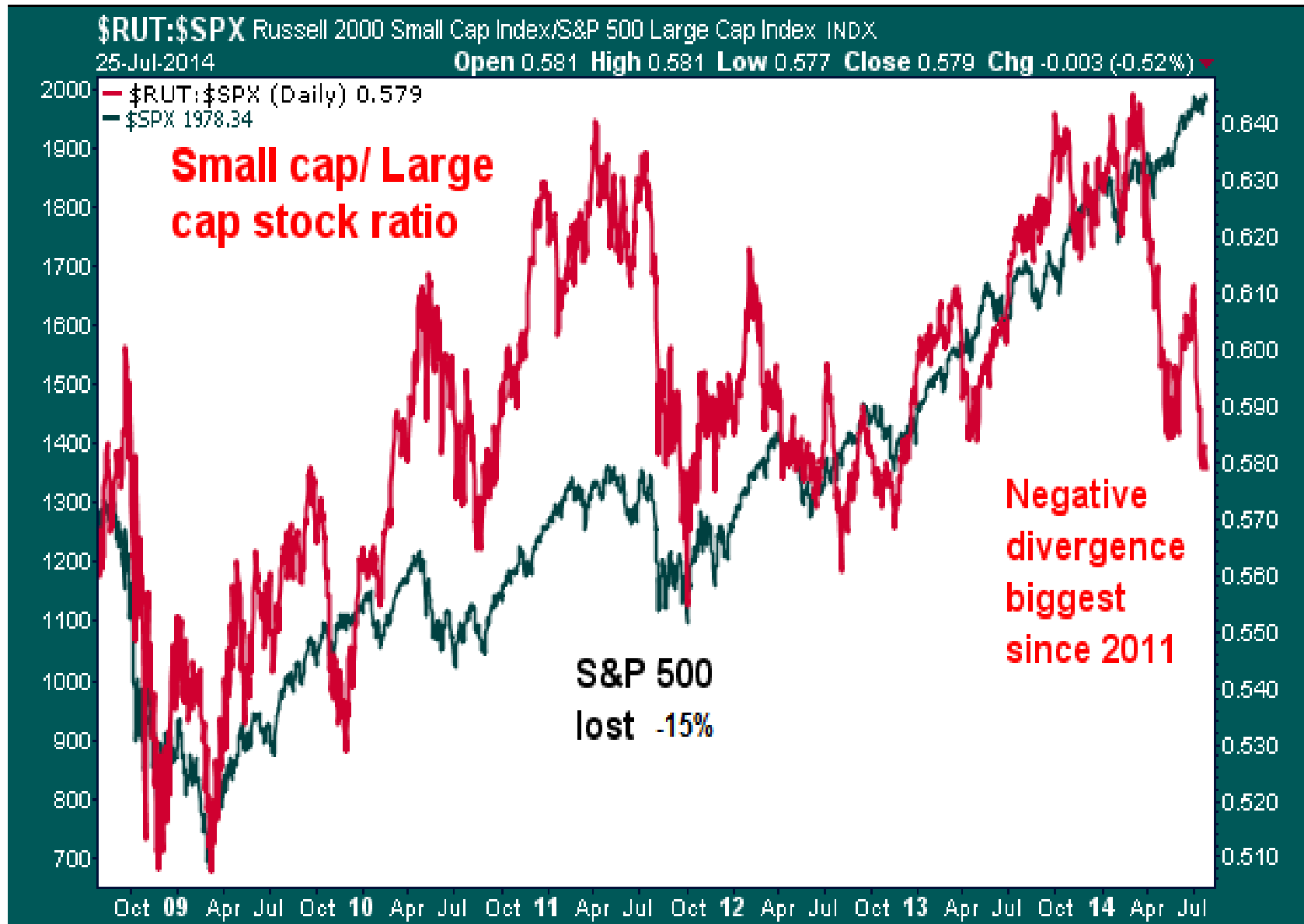
Notes within the chart – One more pull back in VIX should put in highs of 3rd re test in SPX . **Volume is Building up accumulation lows in TVIX – ETF**



Bradly Model – Path - Chart 6



Small Cap v/s Large Cap Analysis - Daily chart – Chart 7



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)

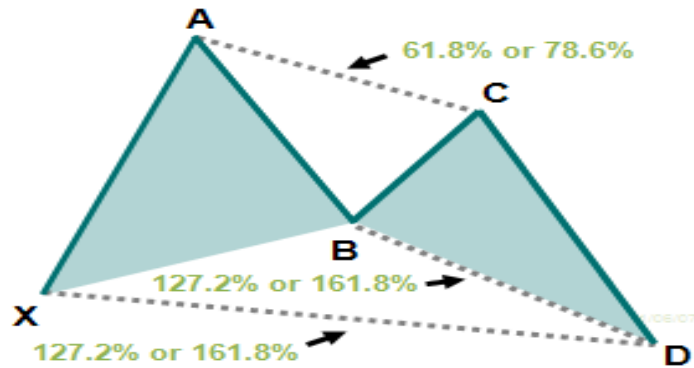
Pythagoras Expansion / Contraction – (PEC) Model

- 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

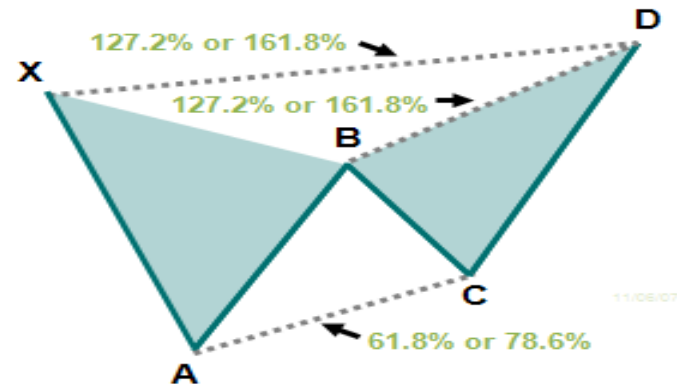
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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