



Date : 6th March 2014 (Thursday)

MS –SPX – POM - MARKET STRATEGY REPORT (SP)

By : Suneil R. Pavse, E : apavse@aol.com

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	1873	POM 14 Triggered on 2/3	Announced @ SPX 1735 to close all Short positions due to Upcoming rally in progress	NEUTRAL Bullish Bias	NONE	NONE SPX Should turn POM 15 on failure soon	Target CZ 1835-1825 Met & exceeded but No failure .	Extension ABC up To 1883 Approaching	Pull back to 1840-1825 & then rally up.	2 ND ABC down to 1785	@ 1735 , 2/3 closed all Net Short for 107 points profit 6%
TLT (BONDS)	107.39	POM 13 – Re Run Marked to Market On 1/01 start @102	Announced @ 108.28 on 2/3 to close ½ Net longs positions due to ST pull back	BULLISH ST pull back	Net Long	NONE	Target – PEC-D 108 Met with Bullish Top	2 nd ABC PEC-D 112 Bullish Top	Short term pull back to CZ106-105 & then next rally Higher highs	CZ 102-104 retested rejected on low volume Bullishly	@ 109.25 on 2/4, closed ½ Net long position for 7 pts profit 6.5%

Pre-announcement - We Shall announced once POM 15 is trigger for any failure.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement</u> Update For Trend Reversal	Progress Status	Current Position / Exposure	<u>NEW ACTION</u> (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GOLD	1346	POM 13 Re – Run Marked to Market on 1/01 start @1205	@ 1220 Re entry ½ <u>On 12/4</u> & <u>@ 1280</u> Re entry ½ <u>On 10/6</u>	BULLISH ST pull back	Net Long	NONE	2 nd ABC up CZ 1335-1325 Bullish Top Met & Exceeded No failure	Extended Top to 1355 to get retested one more time and then pull back	Pull back to CZ 1320-1310 <i>Should hold & then rally up</i>	PEC-D 1220 Rejected lows On lighter volume	Weekly 5 year CZ 1190-1220 Is solid floor Bullish floor

Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 14 exposure - **Closed all the Net Shorts @ 1735 – 2/3.** NET LONG exposure - 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 exposure – Marked to Market @ 1204 – 1st Jan 2014 .

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

Portfolio HoldingsNEUTRAL- Bullish BIAS EQUITY- NON LEVERAGED(1:1)Refer to Respective Reports for details

- LONG at POM 13 Holding
Non- Equity - GOLD , GDX, USD/JPY , CU , TLT, AUD, DXY.
Equity (20%) - XLV ,XHB , XLP, EWJ / NIKKE , UNG , DBA
- Hedges v/s Longs) / Triggered within CZ :Holding
Equity –(Hedges) - None ,
- NET SHORT -..... (-2.5%) - Mid term Holding
EUR/USD (-2.5%)

Market Overview SPX

Last Report on 2/10 -

To Re Cap .. We reported“ SPX @ 1785 , the rally to continue high in 3rd week /end February with Volume Oscillators registering bullish divergence Accumulation Low patterns and Up / Down volume ratio exceed 3 marks the bottom with VIX pulling back from its prior panic highs, it should bottom in the **12-13** range which should be resulting in upside in SPX . The T projected a trend rally into mid-March. The rise in the volume oscillator above the zero line confirms a new uptrend should continue till then. Target Price 1835 “.We have now reached and exceeded that point in price path.

This week - SPX having run up 100 points since our POM 14 – Trigger announced on 2/3 , should now very likely to represent the ideal point to be bearish again once it fails” To Trigger POM 15 . **NO FAILURE YET** , till such time move higher continues to our target 1883

The Mercury comes out of Retrograde and New Moon is on Friday which may signify turn (if Price fails with volume). The ideal rollover could occur on the close on Friday on early next week . Weakness in the broad market relative to the blue chips usually occurs when the spread is heading lower and indicates a weakening of the uptrend, or an outright downtrend. That rollover is projecting that the trend will be rolling over soon.

The rally to 1845 from 1735 has been real but last 25 points move , the rising volatility with the smart money selling equities and moving into the bonds. We are flirting with toping process here.

Thursday, March 6th is the five-year anniversary of the last major low, an M-cycle low in Laundry's terminology. We have a T expiring on Friday, March 7th and may get dragged out the high into early next week. We have long term M Cycle posted in chart below.

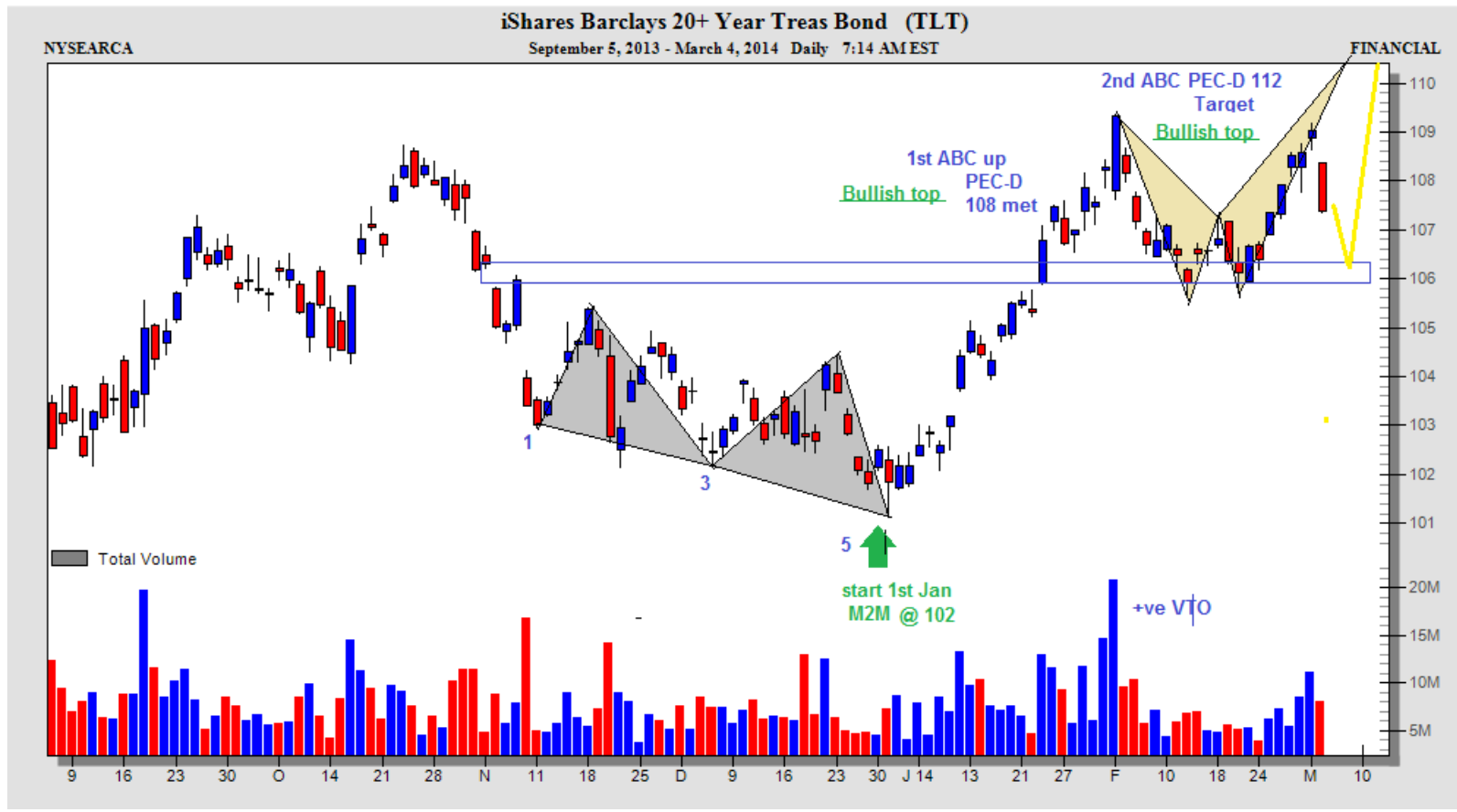
GOLD - We reported last Report“ GOLD @ 1285 , the rally to continue with Bullish Trend to 2nd ABC Bullish top to 1335. We have reached and exceeded that point in typical Bullish top and no failure. GOLD has run up 60 points since our last Bullish Report on 2/13. It has been great rally of 140 points since our entry point.

TLT Bond –Although Bonds have met 1st ABC up with Bullish top at 108 , after this shallow pull back , the rally should continue. The shallow pull back is coinciding with up move in SPX

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 .

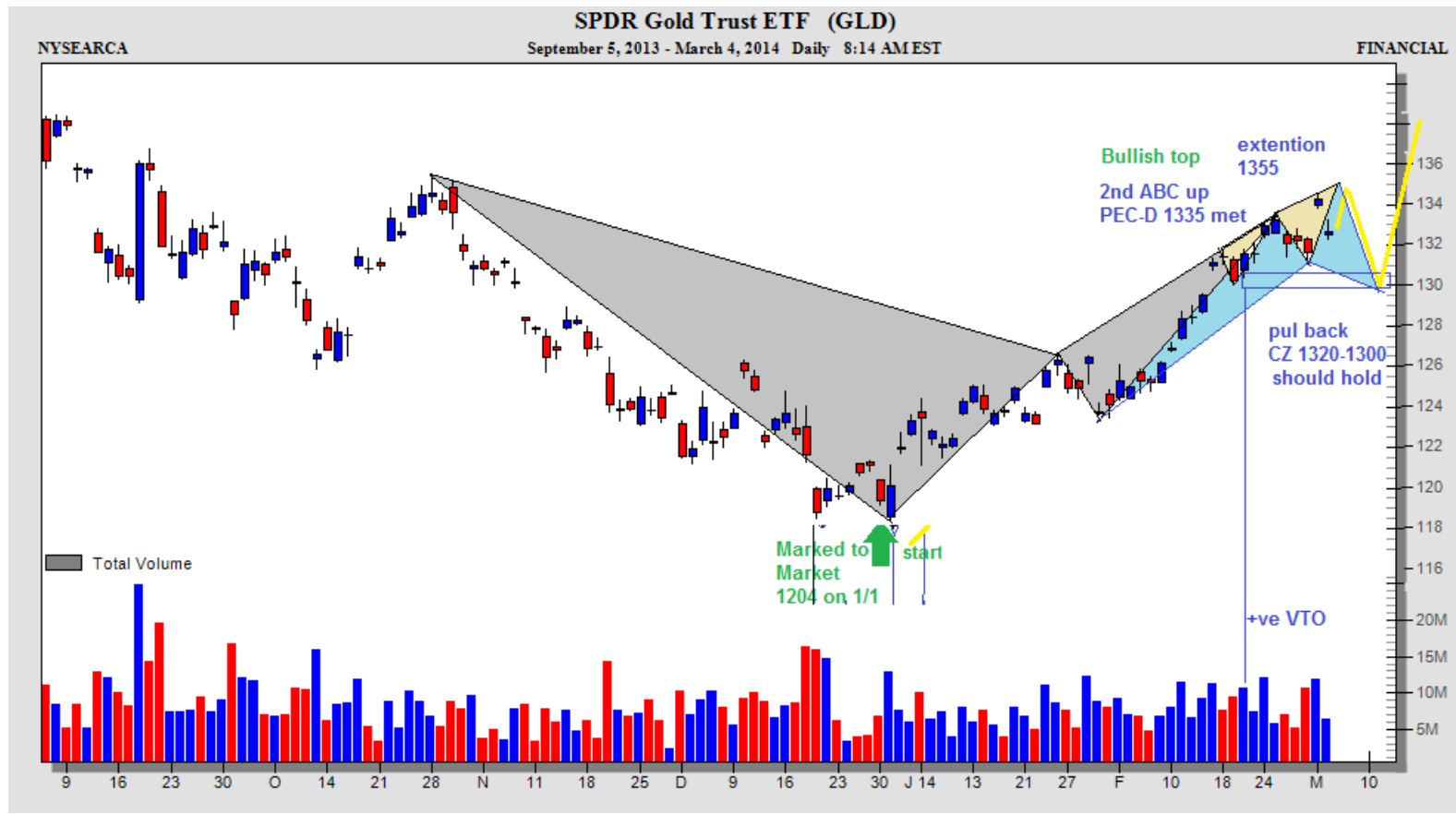
Downside – CZ 106-105 shallow re retracement & then higher . PEC-D 104 Rejected with low volume.



GOLD – Daily – PEC –D / CZ Analysis – Bullish- ST pull back

Upside - 2nd ABC up to 1335- met and extended to 1355 , It should have another retest of shooting star @ 1355 & then pull back .

Downside - Pull back to CZ 1320-1300, higher high should hold and rally back up. PEC-D 1220 – Rejected lows +ve VTO & Bullish Bottoming process . GOLD has seen a solid bottom on 5 year weekly chart within CZ 1190-1220.



SPX- PEC- D / CZ Analysis POM 14 - Daily chart – Mid Term

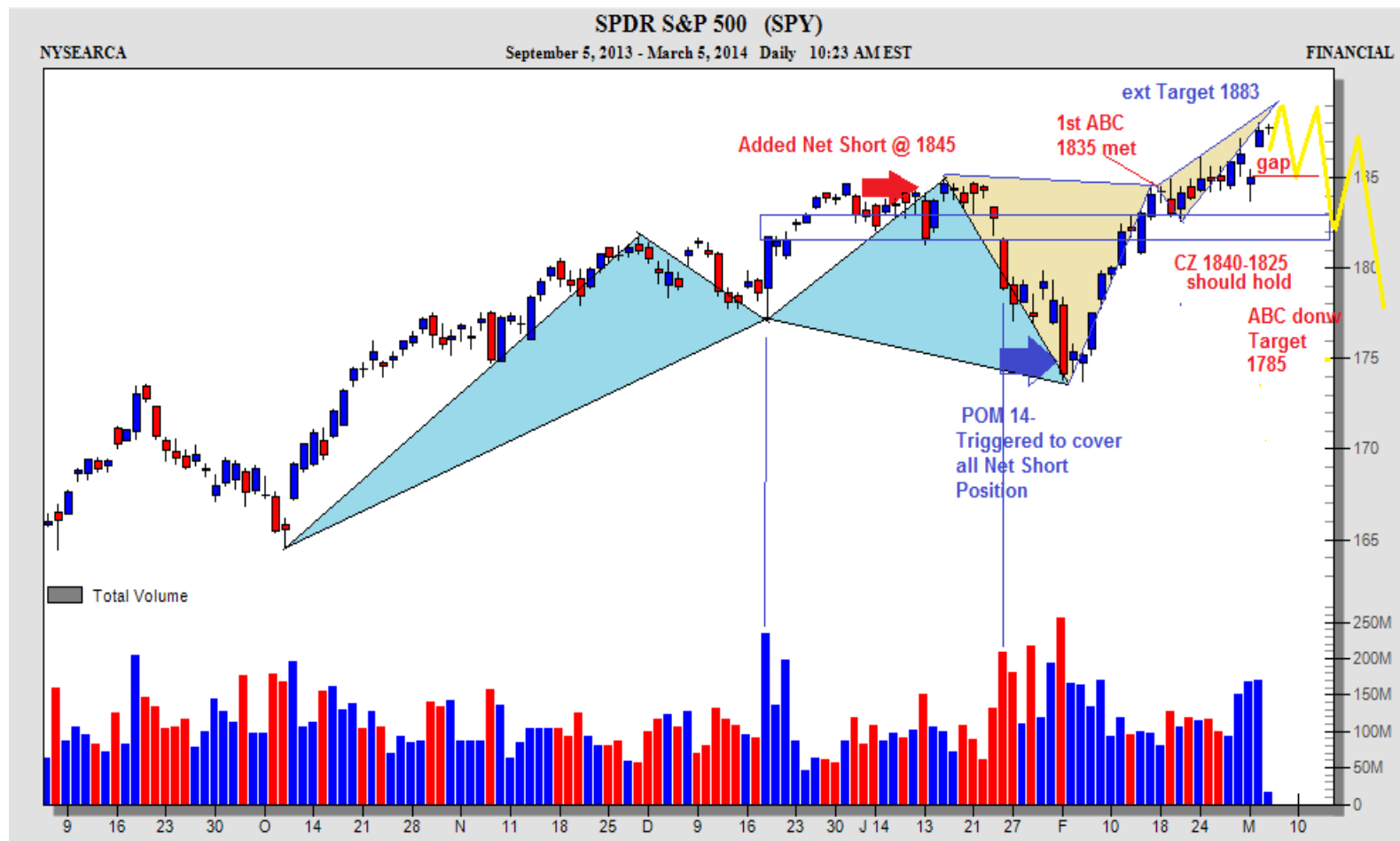
SPX touched a minor new high and was accompanied by a drop in volume near 50%. When a market hits a new high the volume should expand to at least equal or greater volume than the day before to confirm the market is going to move higher. Today's contraction in volume suggests market does not have strength to move higher and may reverse down by Monday or Tuesday Monday's trading produced a "Selling Climax" day and most "Selling Climax" days are tested. It appears short term that a pull back to test Monday's low near 1840. If the 1840 range is tested, it would need to have lighter volume on the test and a TRIN close above 1.50 and a Tick close below -300 for a bullish setup to occur for another rally up .



SPX- PEC- D / CZ Analysis POM 14 - Daily chart – Short term

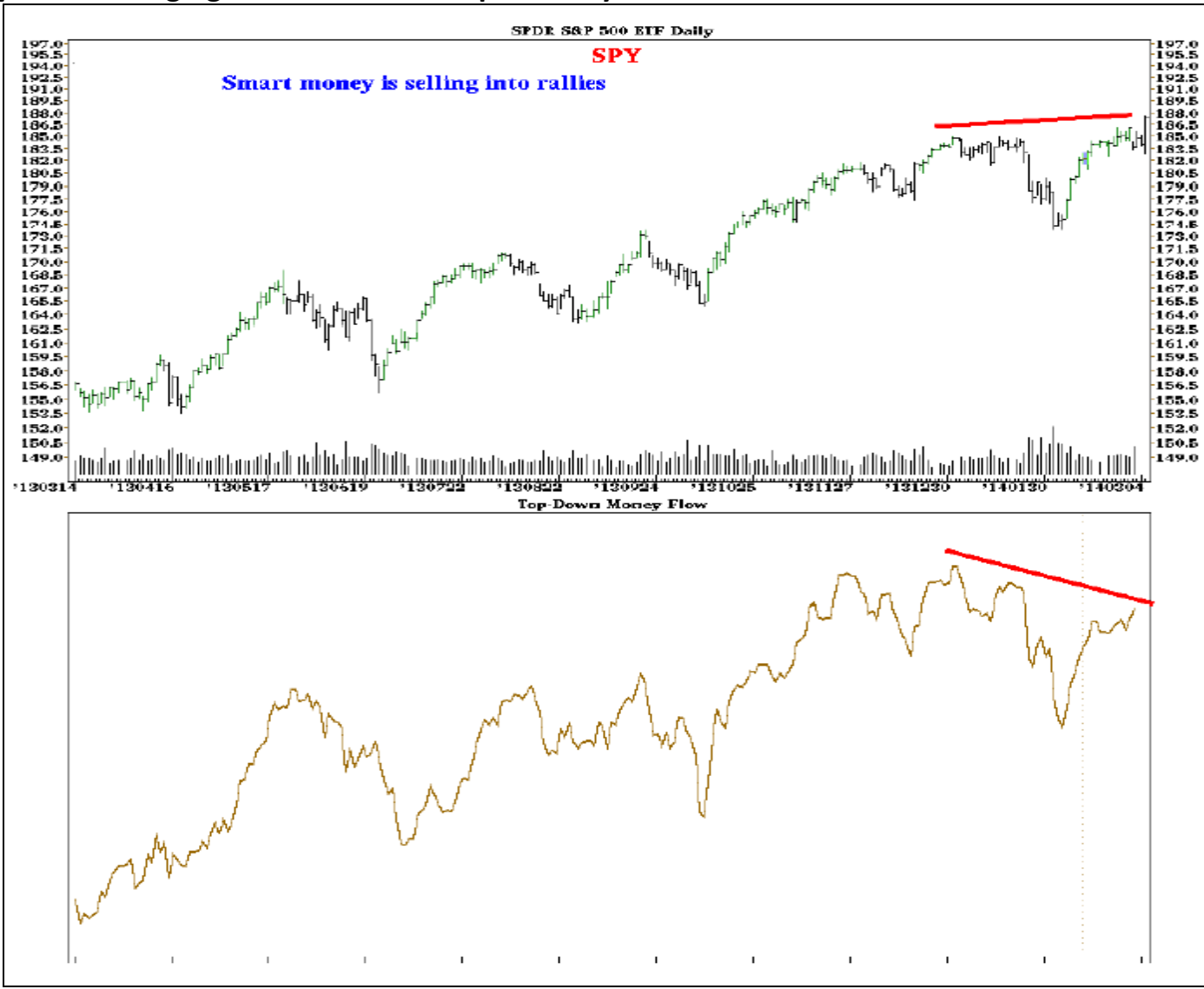
UPSIDE – Extended PEC-D @ 1883. Target to CZ 1835-1825 met and exceeded . **Awaiting for Trigger for failure, NO TRIGGER.** Till then Bullish bias continues although topping out

Downside – Short term pull back to gap 1850 and rally up – CZ 1840-1820 should hold and rally up to set ABC down to PEC-D 1785.



SPX – Money flow

Money flows diverging –ve in last 25 SPX point rally.



SPX – Skew Index

The top window is the SKEW option indicator reached extremes readings above 136. The last four readings above 136 stopped the advance in the SPY and two of the four produced a decent decline in the SPY and especially the January one. The short term consolidations needed .



SPX – Above 50D- MA stocks

\$SPXA50R COULD BE POINTING TO A SHORT TERM TOP...., the \$SPXA50R alert us that this is getting to a weak area. When less than 70% are able to stay above the 50 DMA, especially as we were testing market highs yesterday and these have failed to move back up. we can usually expect some sort of pull back



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)

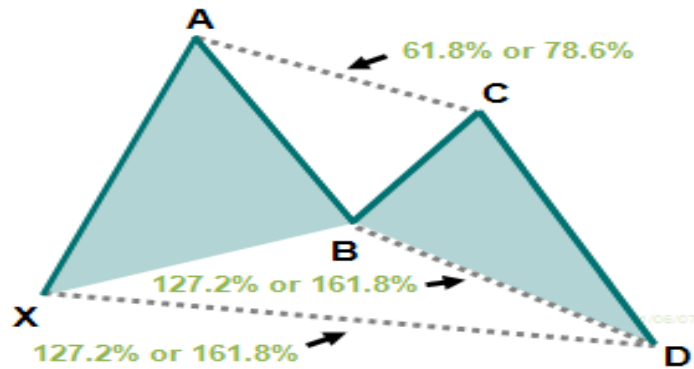
Pythagoras Expansion / Contraction – (PEC) Model

- 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

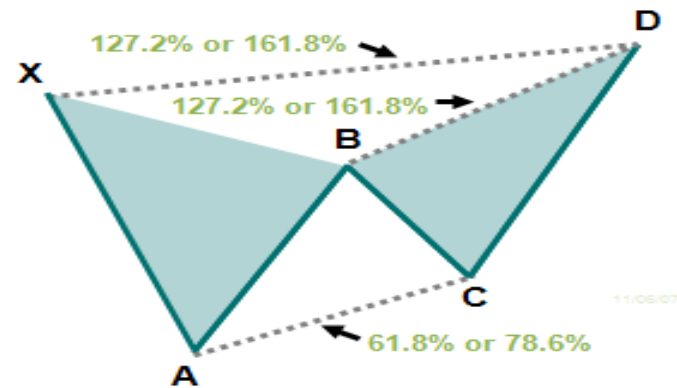
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.