



Date : 18<sup>th</sup> March 2014 ( Tuesday)

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

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**Executive Summary. -**

	Current Price	POM Triggered within CZ & Date	Follow up <b>Announcement- Update For ST Trend Reversal &amp; RM</b>	Progress Status	Existing Position / Exposure	<b>NEW ACTION</b> (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
<b>SPX- 500</b>	1872	<b>POM 14</b> Triggered on 2/3	Announced @ <b>SPX 1735</b> to close all Short positions <b>due to</b> Upcoming rally in progress	<b>NEUTRAL</b> Bullish Bias	Our long position in Bullish top Instruments XLP, XLV, XLB ( No Net Short positions)	<b>NONE</b>	Target Double to <b>PEC-D 1883</b>  <b>SPX Should turn POM 15 on failure</b>	Extension - 3 drives to the Top hrly to 1890 Met and declined	Pull back To Gap 1850 CZ1840-1825 <b>Met exact, Held with heavy bottom &amp; then rallied back</b>	<b>2<sup>ND</sup> ABC</b> down to 1785	<b>@ 1735</b> , 2/3 <b>closed all Net Short for 107 points profit 6%</b>
<b>TLT (BONDS)</b>	108.10	<b>POM 13 – Re Run</b> Marked to Market On 1/01 start <b>@102</b>	Announced @ <b>108.28</b> on 2/3 to close ½ Net longs positions <b>due to</b> ST pull back	<b>BULLISH</b>	Net Long	<b>NONE</b>	Target – <b>PEC-D 108</b> Met with Bullish Top	<b>2<sup>nd</sup> ABC</b> PEC-D 112 Bullish Top	<b>pull back to CZ106-105</b> Met exact, Held & then rallied back	CZ 102-104 retested rejected on low volume Bullishly	<b>@ 109.25</b> on 2/4, closed ½ <b>Net long</b> position for <b>7 pts profit 6.5%</b>

**Note-** We Shall announced once POM 15 is trigger for any failure in SPX. Detail charts on TLT on Thursday's Broader Indices Report.

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<b>GOLD</b>	1358	POM 13 Re – Run Marked to Market on 1/01 start <u>@1205</u>	<u>@ 1220</u> 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 <sup>nd</sup> ABC to 1365 re tested Shooting star with Bullish Top ST pull back	Target Weekly 2 <sup>nd</sup> ABC up to 1405.	Pull back to CZ 1330- 1320 <u>Should hold</u> & then begin leg up	PEC-D 1220 Rejected lows On lighter volume	<u>Weekly</u> <u>5 year</u> 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 – 1<sup>st</sup> Jan 2014 .**

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

**Portfolio Holdings ... .NEUTRAL- Bullish BIAS EQUITY- NON LEVERAGED(1:1) .....Refer to Respective Reports for details**

- **LONG at POM 13** ..... Holding  
Non- Equity - GOLD , GDV, USD/JPY , CU , TLT, AUD, DXY, UNG , DBA  
Equity - XLV ,XHB , XLP, EWJ / NIKKE ,
- **Hedges v/s Longs) / Triggered within CZ :** .....Holding  
Equity –( Hedges) - None ,
- **NET SHORT** -.....- Mid term Holding  
EUR/USD – **Stopped out 1.37**

## Market Overview SPX

Last week Report- Monday 3/10

*“ We Reported @ SPX 1778 – “ SPX as Neutral with Bullish bias and No failure at the top . The projected price path Target of 1893 on hrly “3 drives to the top” in time frame between 7<sup>th</sup> -10<sup>th</sup> March due to M-Cycle. Then a pull back due to –ve MF, CBOE 136, A/D osc 75% to CZ 1850 -1825 which should HOLD 1840 and then rally back into 18<sup>th</sup> March .” .....We have witnessed just that if our Report is tracked closely, these moves should not be so surprising. However the decline was conveniently blamed on Ukraine NOT the indicators.*

*SPX having run up 143 points since our POM 14 – Trigger announced on 2/3 @ 173 5to “CLOSE ALL SHORT POSITIONS”, we should now very likely see the ideal point to be bearish again once it fails” to Trigger POM 15 . **BUT NO FAILURE YET** ,*

**This week** - Friday March 21<sup>st</sup> is Option expiration. The rally which started as a short-covering rally at pull back PEC-D 1840 with heavy bottom last Friday. TRIN and Tick readings at last Friday's low and suggests at some point that low will be tested again. Although the rally / bounce has extended beyond its expected reach. It has retraced most of the decline from the record highs recorded @ 1890. Triple-Witching Expiration may have its influence on the extent of the move. In any case, most time targets for the next high have shifted to expiration Friday (even projects a high into early next week). For now No Trigger on SPX, still it is Neutral with Bullish bias.

This suggests that the normal pattern of steady prices going into expiration could levitate the market into Friday. Early Next week could see another quick decline. We've seen that many times a levitation rally into options expiration will turn south in a hurry once those options expire. Also overall the T – set up from lows of 2/3- Feb is expiring on 18<sup>th</sup> March. It does warn that there isn't a lot of uptrend left in this T. Since traders have done so much heavy lifting this week, we suspect they will be content to guide their positions for an expiration.

To get a failure either we should finish with Double top at 1883 with key reversal on lighter volume at the end of projection. Today's rally came near testing last Thursday's high but fell short by 8 ticks. If the market does test last Thursday's high and volume remains near current levels than that will produce a bearish setup in that "test of a Double top CZ on lighter volume". Tomorrow starts the two day FOMC meetings.

Conversely if we Gap down on heavy volume to negate up move. This Top should be in place when a rally fails and makes a lower top. The patterns and cycles are pointing to a correction but until we actually see a swing low broken we can't get Trigger.

Mid term Bearish Indicators prevails. **BUT No trigger for bears.** Hence our Neutral with Bullish bias continues since 2/3 @ SPX 1735. Most of the volume oscillators went negative on last week's decline . Today, many moved up, but did not reach the zero line. That zero line is important and is dividing line that separates bounce from another true leg up. Thus, the next day or three could have a great influence on the market.

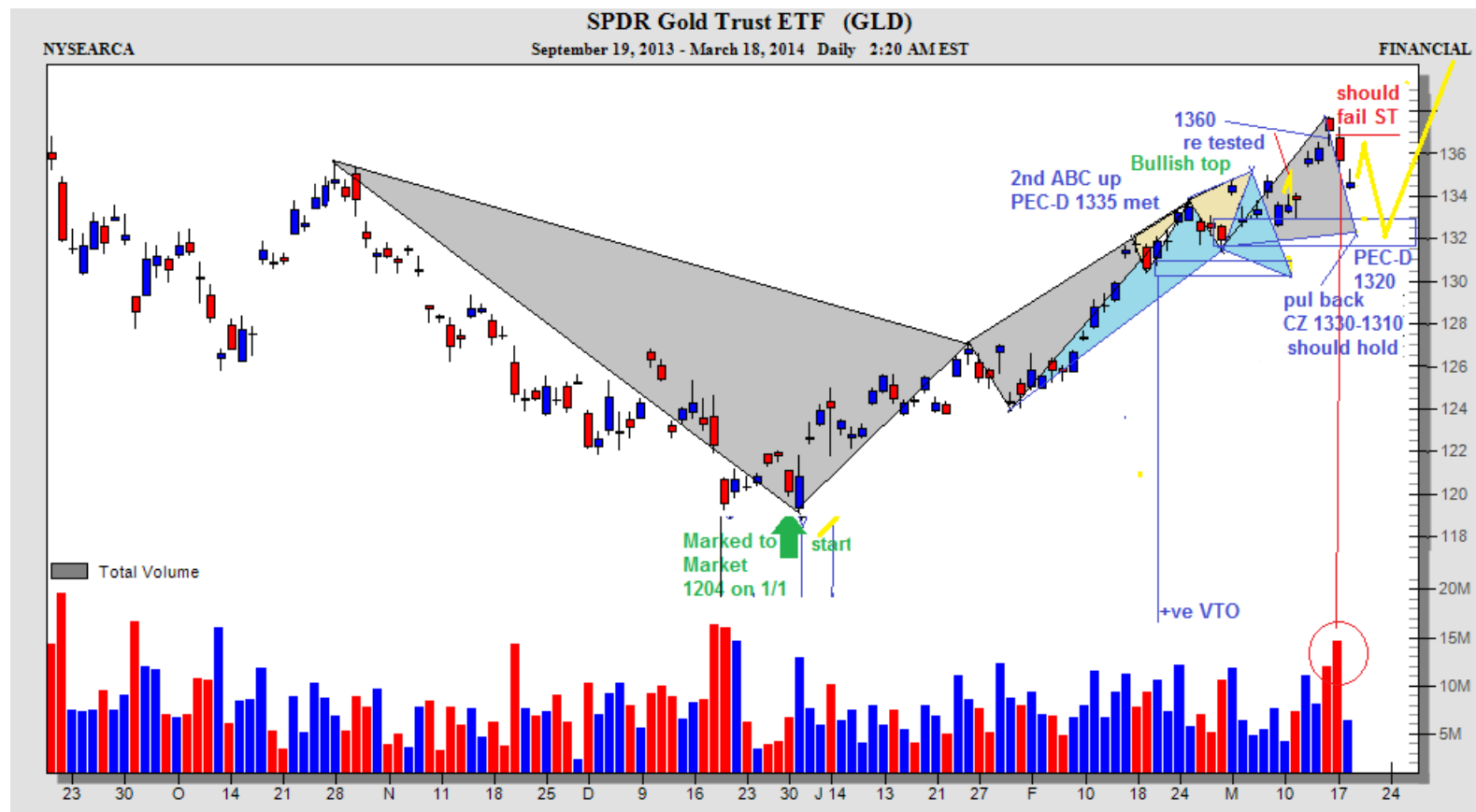
The 2nd year of the Four-Year Presidential Cycle, Past 75 years has seen an average decline of 20%. During that time that the average length of the 10 bull markets was 55 months. Only four lasted longer, including the current bull, which is now 60 months old.

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

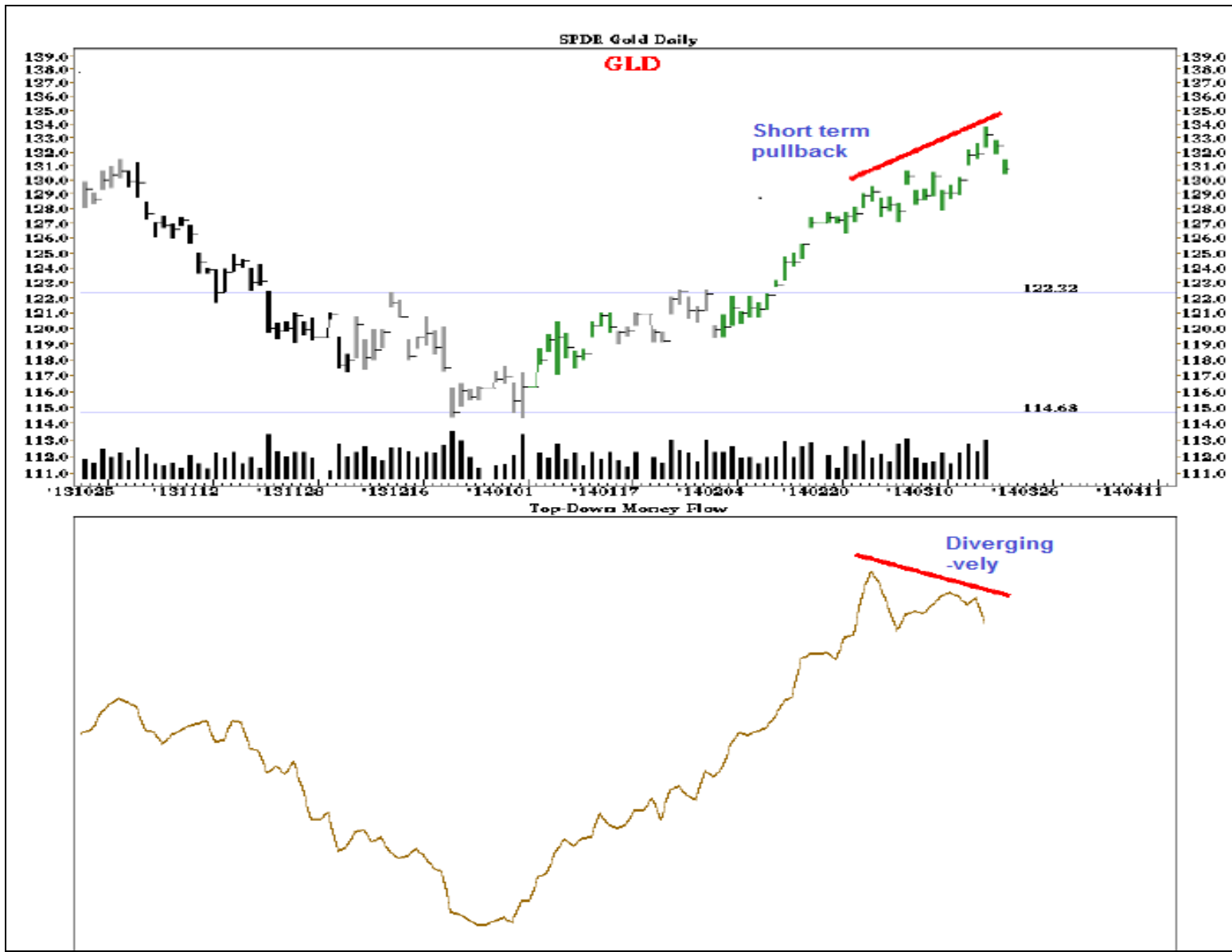
**Upside -** 2<sup>nd</sup> ABC up to 1365 met , retesting the shooting star @ 1365 & then pull back in progress  
Our weekly ABC up to 1405.

**Downside -** Pull back to CZ 1330-1320, 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.



# GOLD – Daily – MF Analysis – Bullish- ST pull back



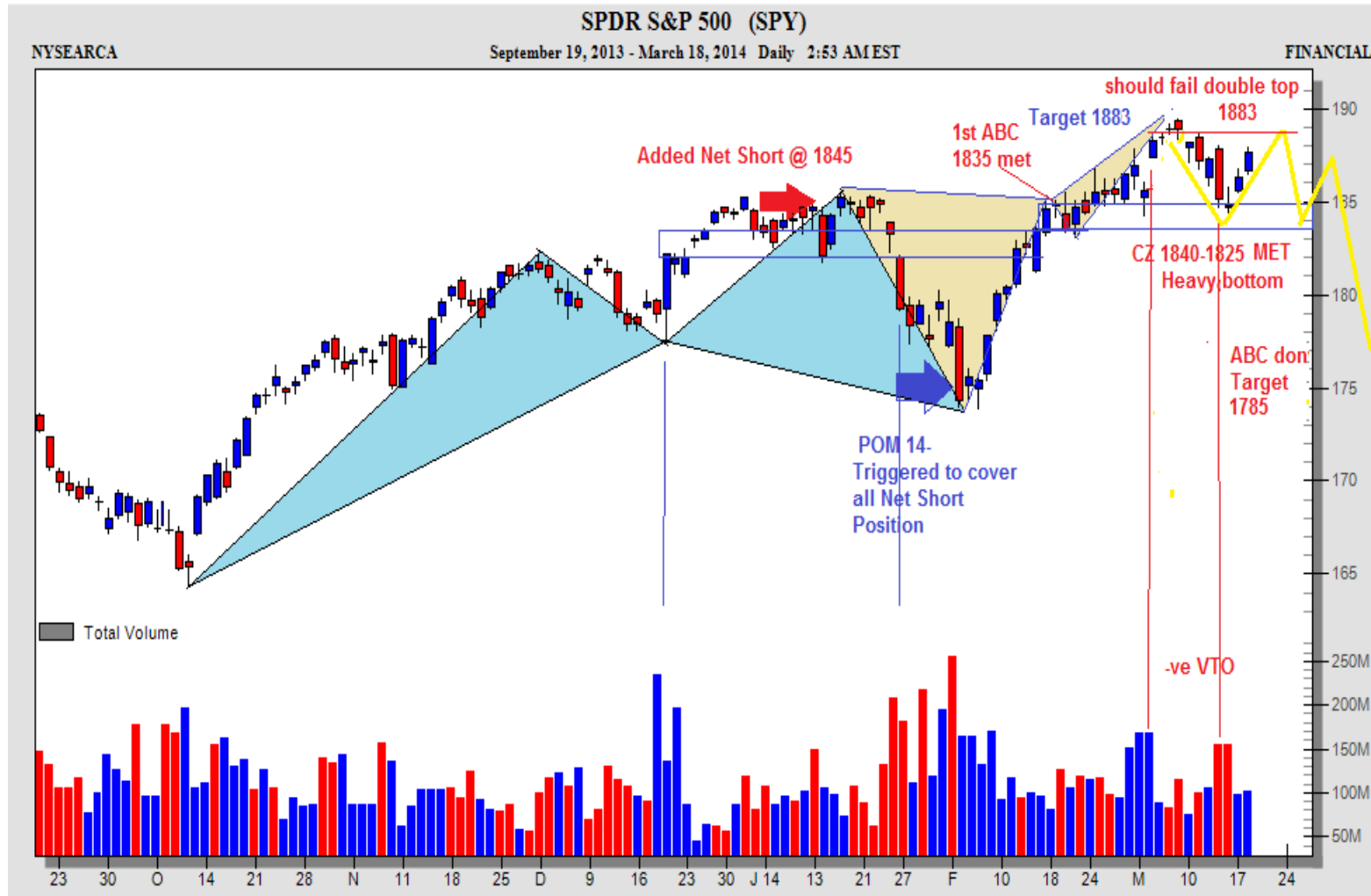




# SPX- PEC- D / CZ Analysis POM 14 - Daily chart – Short term

**UPSIDE** – PEC-D @ 1883. – To double top , **NO TRIGGER.** ST . Bullish bias continues although topping out

**Downside** – Short term pull back to gap 1850 – MET and rally up . This has Heavy bottom should be tested. ABC down to PEC-D 1785.



# SPX- up/down Volume ratio

In chart below –

**First window-** Volume oscillators went negative on last week's decline . Today, many moved up, but did not reach the zero line. That zero line is important and is dividing line that separates bounce from another true leg up.

**Second window** down from the top is the NYSE Up volume/ down volume ratio. If rally has to continue Up volume/Down Volume ratio will stay well above 1.50. The last two day rally in the market has ratio turned down this ratio below 1.46. Also the TRIN and Tick readings did not produce a short term Bullish signal at PEC-D lows at 1840 Market could be building a top – **NO FAILURE.**



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

SPX – Mid term WAVE – 1-3-5 Completed – Target 1883 – **NO FAILURE.**



## 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 18<sup>th</sup> 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><a href="#">US BROADER IDX</a></p> <ul style="list-style-type: none"> <li>• SPY ( SPX 500)</li> <li>• DIA ( DOW 30)</li> <li>• QQQ ( NASD100)</li> <li>• IWM (Small Cap)</li> <li>• IYT ( Transports)</li> <li>• NYA (NYSE)</li> </ul> <p><a href="#">BOND IDX</a></p> <ul style="list-style-type: none"> <li>• TLT ( Bonds)</li> <li>• MUB ( Muni). (SP)</li> </ul> <p><a href="#">GLOBAL IDX</a></p> <ul style="list-style-type: none"> <li>• EEM (Emerg.)</li> <li>• EWJ (Japan)</li> <li>• FXI (China)</li> <li>• EWZ ( Brazil)</li> <li>• FTSE (Europe Proxy)</li> <li>• BSE (India)</li> <li>• EWA (Aust) SP</li> </ul> <p>SP - Special situation</p>	<p><a href="#">SECTORS IDX</a></p> <ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• XLE (Energy)</li> <li>• XLK (Tech) / QQQ - Proxy</li> <li>• XLI ( Industrial) –</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> <li>• XLU ( Utility) SP</li> <li>• RTH ( Retail) - SP</li> <li>• SMH ( Sem.) SP</li> <li>• BBH ( Biotech) SP</li> </ul>	<p><a href="#">COMMODITY IDX</a></p> <ul style="list-style-type: none"> <li>• CRB /DBC</li> <li>• GLD (Gold)</li> <li>• SLV (Silver)</li> <li>• GDV (Miners)</li> <li>• OIL</li> <li>• Copper</li> <li>• DBA ( Agro)</li> <li>• UNG ( Natural Gas)</li> <li>• DBB ( Base M) SP</li> </ul>	<p><a href="#">CURRENCY</a></p> <ul style="list-style-type: none"> <li>• USD / DXY</li> <li>• EUR/USD</li> <li>• AUD/ USD</li> <li>• USD/JPY</li> <li>• GBP/ USD</li> </ul>

## 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

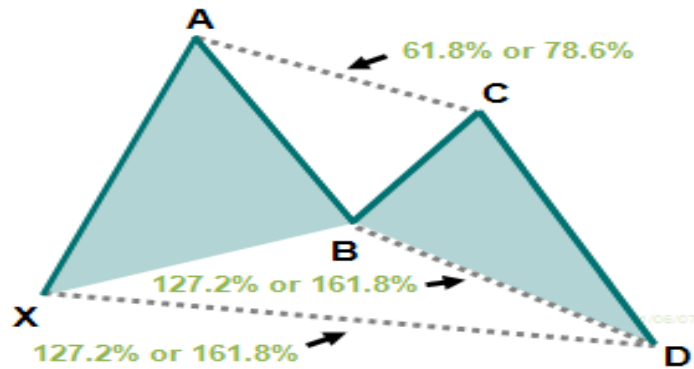
- PEC Model is a 2<sup>th</sup> Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion 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

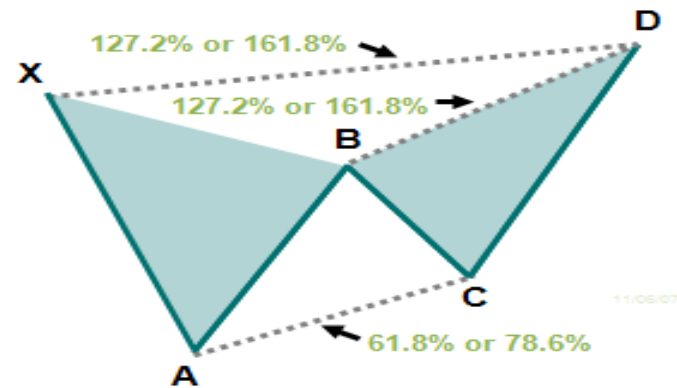
The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D



### Buy Pattern (bullish)



### Sell Pattern (bearish)



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