SG Capital Research
Global Market Insights

Chart System

Date : 24th March 2014 (Monday)   **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	1866	POM 14 Triggered on 2/3	*Announced @ SPX 1735 to close all Short positions due to Upcoming rally in progress*	NEUTRAL Bullish Bias	*Our long position in Bullish top Instruments XLP, XLV, XLB, SMH (No Net Short positions)*	NONE SPX Should turn POM 15 on failure	Target Double to PEC-D 1883 Met & declined No failure	Retest of highs 1885 Is required. For final failure *NYSE hrly chart Is more clear*	Pull back CZ1840-1825 Heavy bottom Should hold & then rallied back	ABC down to 1785	*@ 1735 , 2/3 closed all Net Short for 107 points profit 6%*
TLT (BONDS)	108.23	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	Net Long	NONE	Target – PEC-D 108 Met with Bullish Top	2nd ABC PEC-D 112 Bullish Top	pull back to CZ106-105 Met exact, Held & then rallied back	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%*

Note- We Shall announced once POM 15 is trigger for any failure in SPX.
Gold has been moving in EXACT price path that we have been projecting.

	Current Price	POM Triggered within CZ & Date	Follow up Announcement Update For Trend Reversal	Progress Status	Current Position / Exposure	NEW ACTION (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GOLD	1312	POM 13 Re – Run *Marked to Market on 1/01 start* @1205	*@ 1220* *Re entry ½ On 12/4* & *@ 1280* *Re entry ½ On 10/6*	BULLISH pull back in progress	Net Long	NONE	2nd ABC to 1365 Met – EXACT & decline began	Target Weekly 2nd ABC up **to 1405.**	Pull back to CZ 1320-1330 – Approached EXACT *Once Rejected Should hold then begin leg up*	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 Holdings … .NEUTRAL- 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, SMH, 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**
  None

Market Overview SPX

Last week Report- Monday 3/18 **,** " We Reported (SPX 1872) – " *SPX as Neutral with Bullish bias. The projected price path Target to "Double Top" of 1883 on Triple witching option expiration week with highs Friday & then pull back " ....*
Our outlook for last week showed that a countertrend rally and that's exactly what we got and pullback.

This week -

"To get a failure the first step is Double top at 1883 with key reversal on lighter volume (weekly) at the end of projection". This has happened A/D breadth divergence (Refer chart below) **BUT** on Daily volume, 1883 has slightly higher volume suggests the highs should be tested with one more move higher to set up Bearish picture for final failure <u>OR</u> a swing low break below. Both hasn't happened, so we can't get Trigger.

Hence our Neutral with Bullish bias continues since 2/3 @ SPX 1735. The ES is showing the potential for a reversal to a downtrend by the end of this month. If we do get a downturn, it would probably setup a low from which yet another T is launched to come back again to set triple Top.   Remember, the long term T has expired. What's left is short term Ts which produce rallies, but they don't last. Our pull back target to PEC-D 1840 with heavy bottom remains . TRIN and Tick readings suggests at some point that low will be tested again.

Another good trigger for pull back to 1840 would be since 1885 reversal is very significant on last Friday. It wiped out most of the puts purchased . Those puts will need to be repurchased in order to protect against next decline which itself could trigger the decline as put option short-sellers hedge those short puts by selling short futures. Consequently, put buying over the next few sessions could trigger a downturn. It's a self-fulfilling prophecy to expect. It's a typical sign of a topping process

 As we expect the four-year cycle to create a reasonable pullback, so this is probably a concrete sign that that cycle is pulling down harder <u>MID TERM</u> into an expected bottom in the July-August timeframe before massive rally begins.

TLT – Daily – Analysis – Bullish-

While the dip buyers are likely to keep buying those dips in equities, the smart money is buying bonds
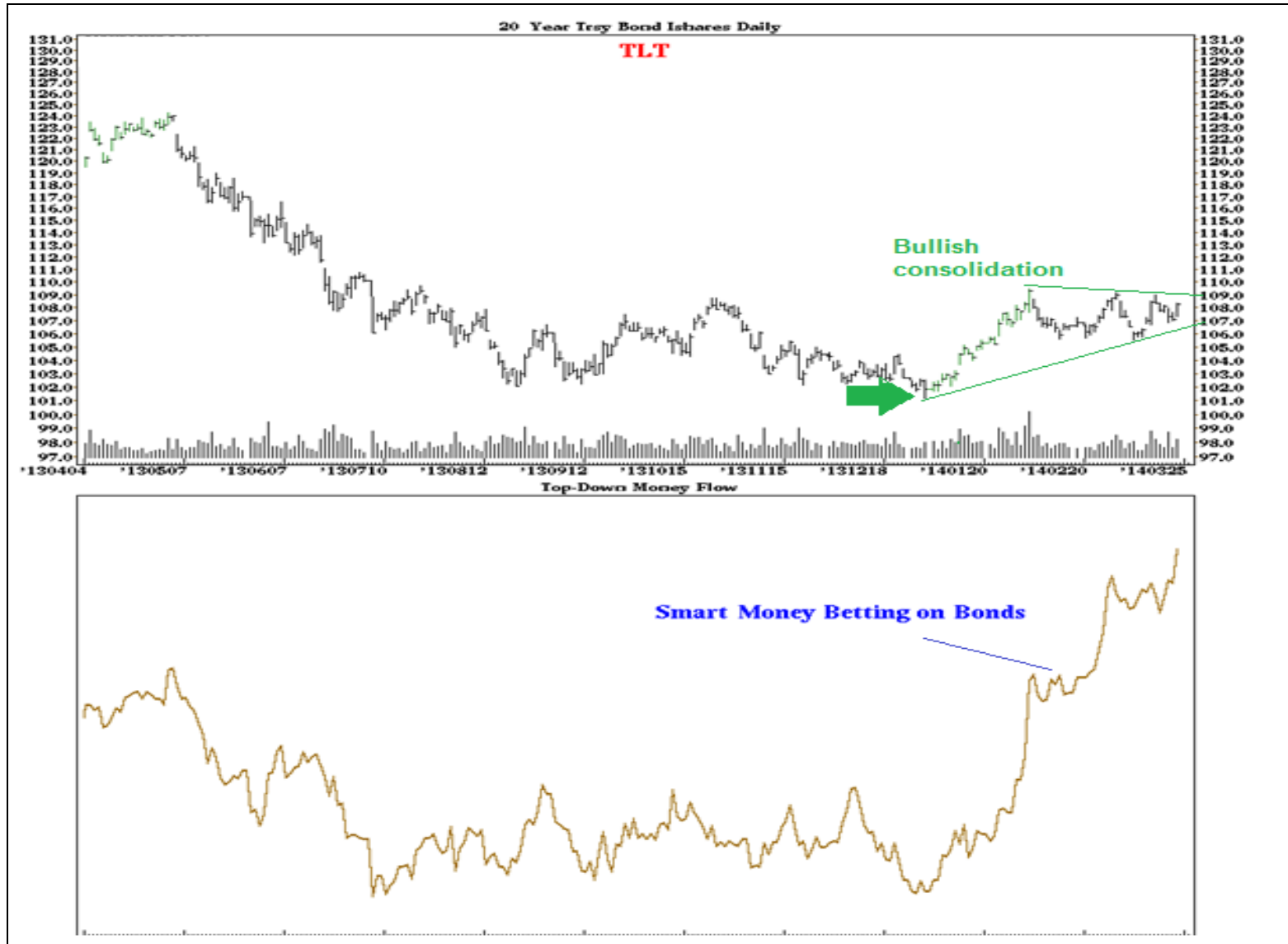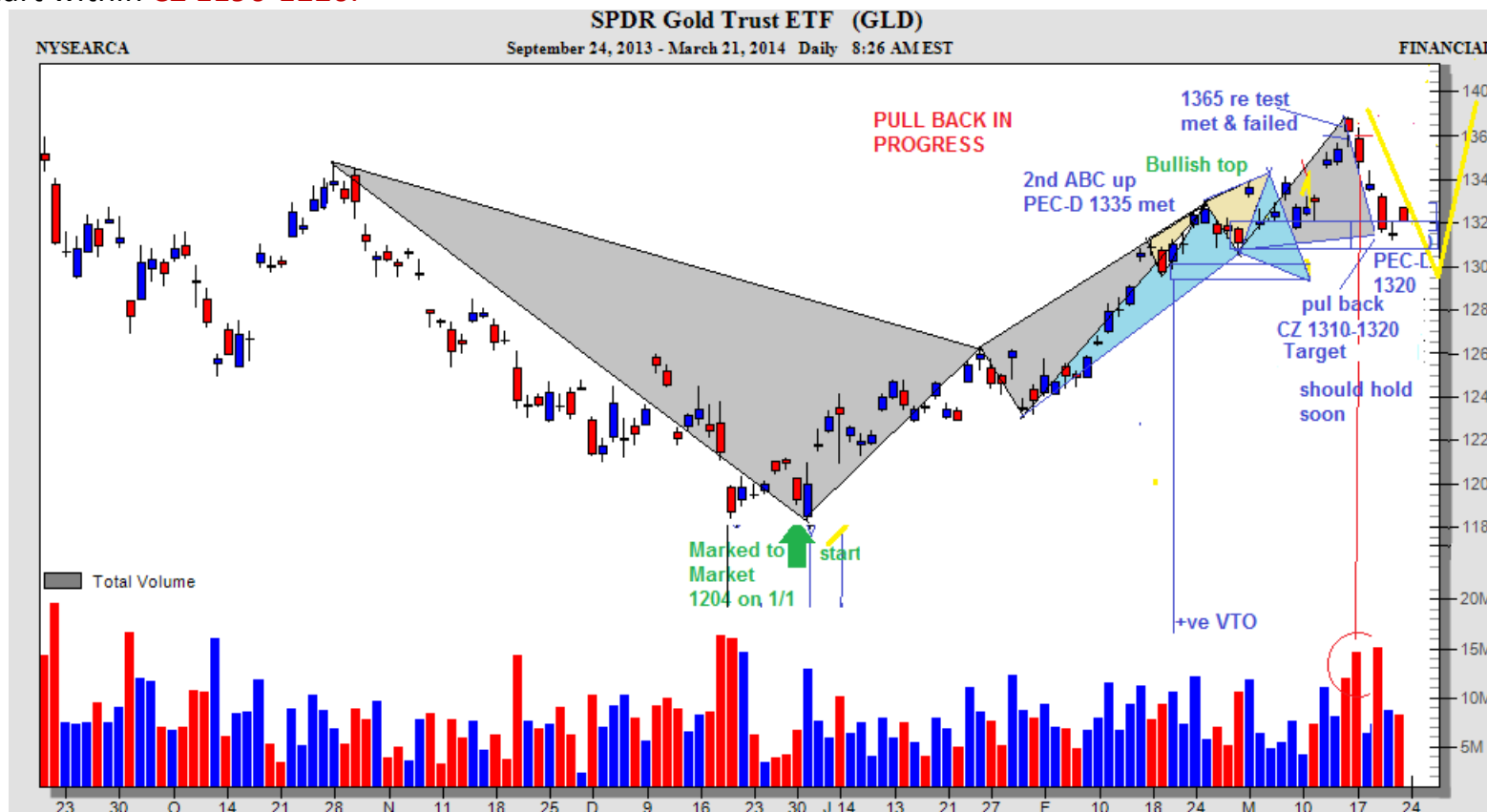
GOLD – Daily – PEC –D / CZ Analysis – Bullish- pull back in progress

**Downside -** Pull back to CZ 1320-1330 is approaching , once rejected should hold. and rally back up.

Upside - 2nd ABC up to 1365 met & then pull back in progress
Our weekly ABC up to 1405.

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.

SPDR Gold Trust ETF (GLD)
September 24, 2013 - March 21, 2014 Daily 8:26 AM EST
NYSEARCA   FINANCIAL

1365 re test met & failed
PULL BACK IN PROGRESS
Bullish top
2nd ABC up PEC-D 1335 met
PEC-L 1320
pul back CZ 1310-1320 Target
should hold soon
Marked to Market 1204 on 1/1
start
+ve VTO
Total Volume

NYSE – Hourly

This gives clear picture then SPX on hrly . One last rally up to PEC-D 10485 on hourly chart.
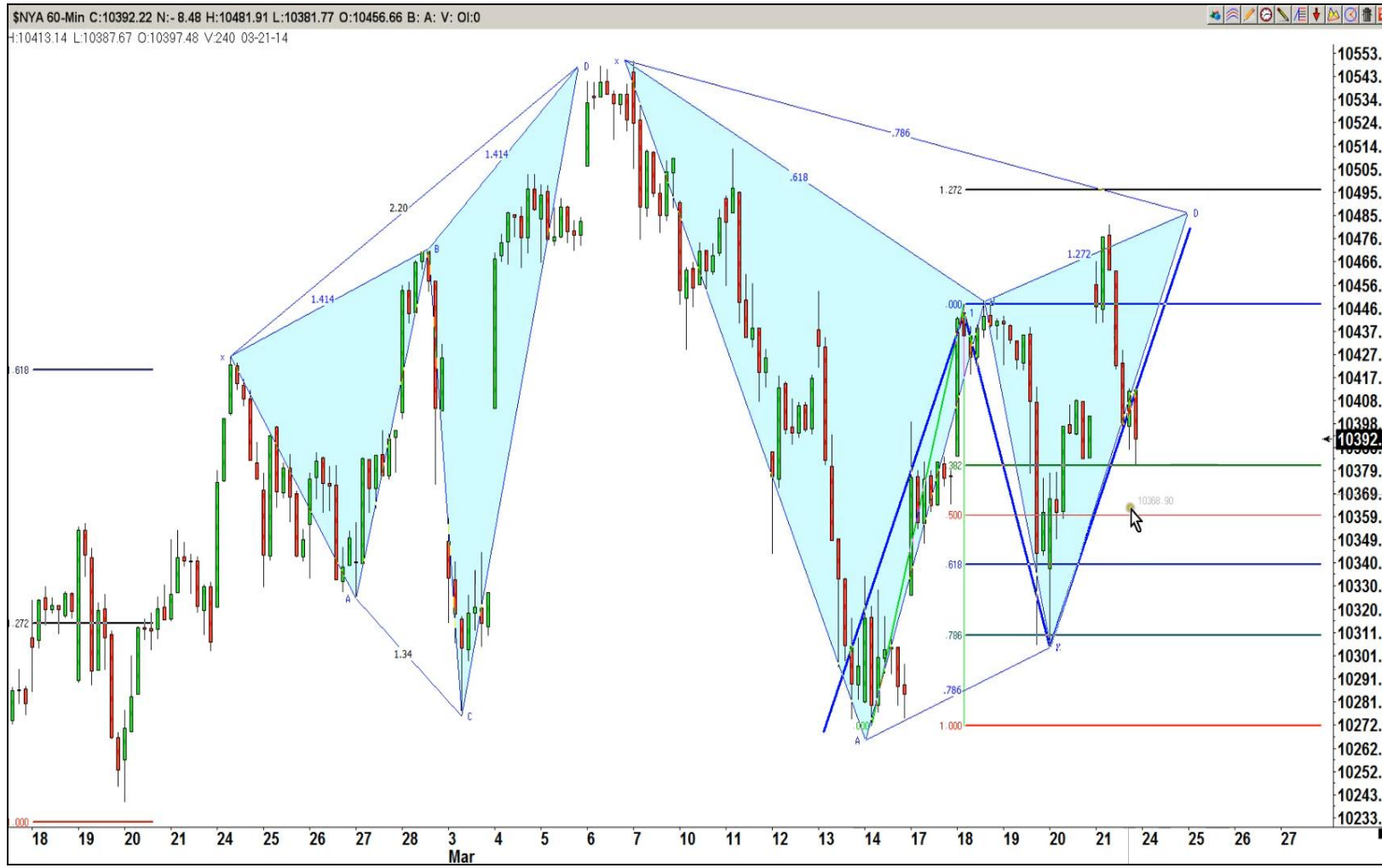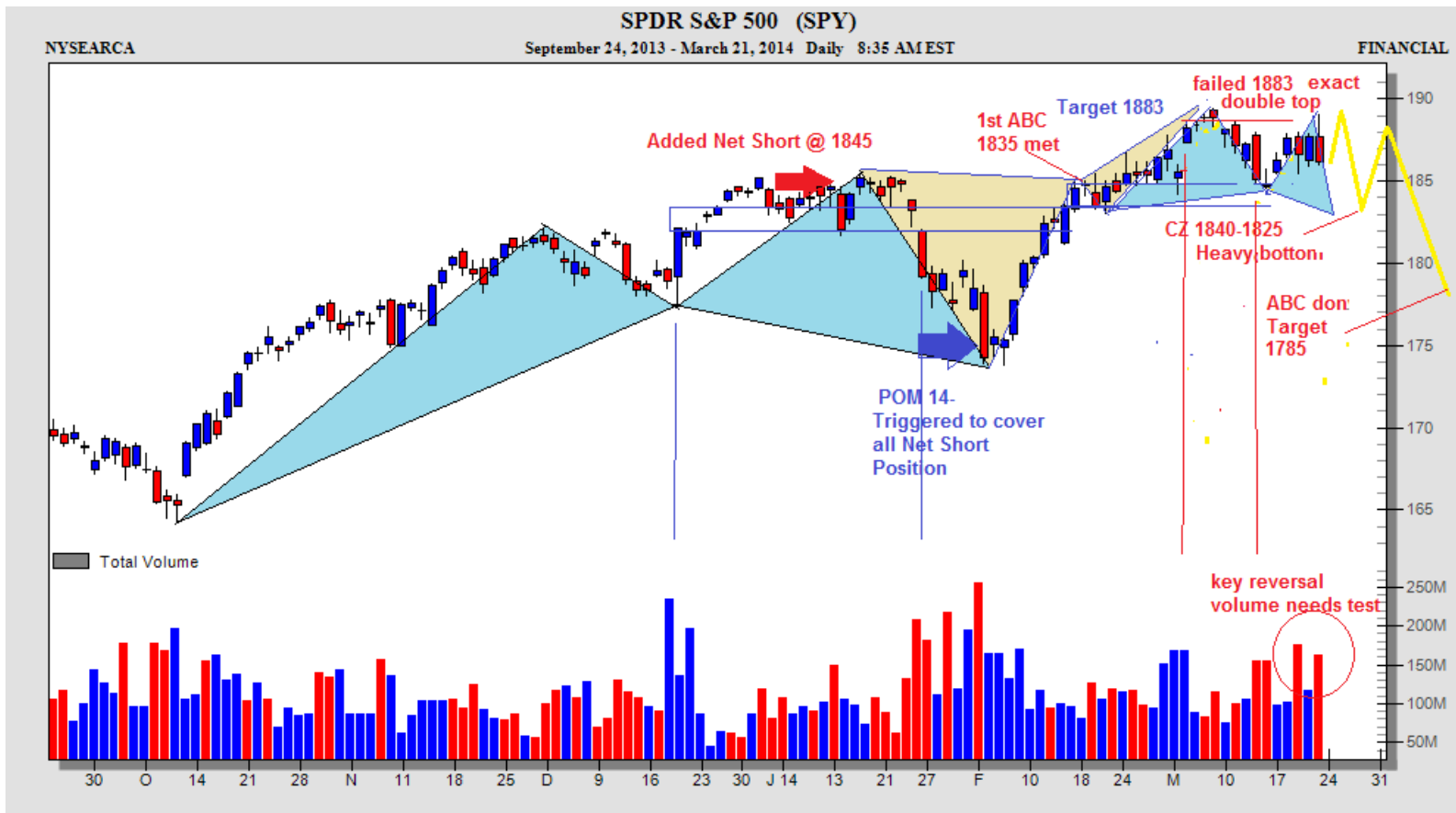
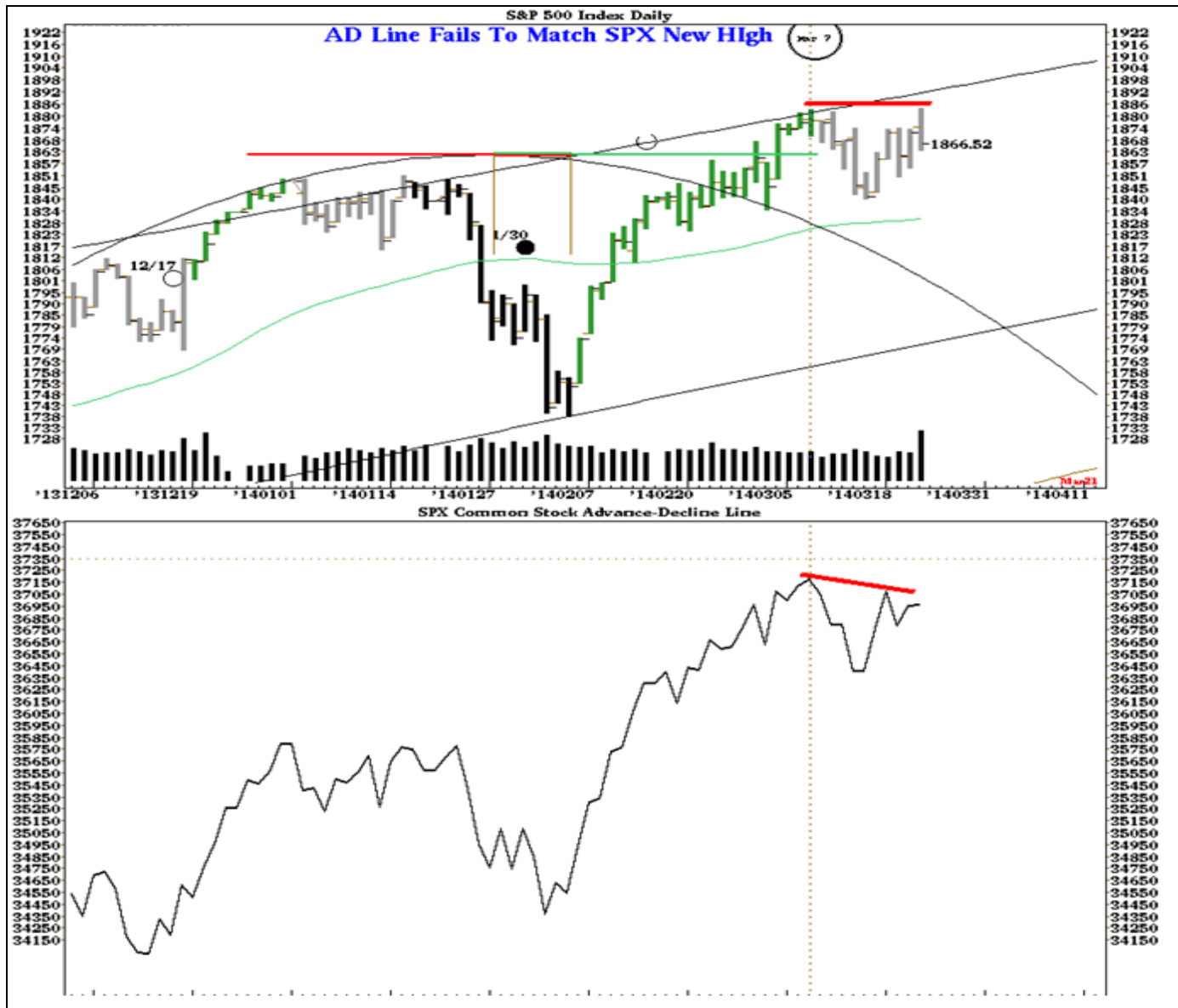# SPX- PEC- D / CZ Analysis POM 14 -   Daily chart – Short term

UPSIDE – PEC-D @ 1883. – To double top Met and still needs another re test

, NO TRIGGER. **ST . Bullish bias continues although topping out**

Downside – Short term pull back to CZ 1840-1820 Heavy bottom . This has Heavy bottom should be tested. ABC down to PEC-D 1785.

SPX- A/D Line ratio

SPX – Cyclical Model

- **SPX - Seasonality -**

NONE -

- **SPX - Election Model -**

Statistically next year is the 2nd year of the Four-Year Presidential Cycle. <mark>Historically It tends to be negative I.E 2014 .</mark> 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 <mark>@ 1800</mark>

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – <mark>Neutral</mark>

SPX – Internals Model

<mark>Neutral</mark> -, TICK / TRIN , AD Oscillator, Ratio's, -

Appendix Content

- **2012 YTD – SPX - Position Summary**

- **Objectives & POM /CZ / PEC –D Guidelines – <u>Refer to detail Annexure</u>**

- **Full Utilization of " SP" Report Guidelines & Limitations - <u>Refer to detail Annexure</u>**

- **POM – " Price Oscillation Model " Criteria**

- **PEC –D " Pythagoras – Expansion & Contraction Criteria**

- **CZ- Confluence Zone Criteria**

- **TEXTURES – Bullish , Bearish , Neutral**

<u>Critical backdrop Notes –</u>

- *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
US BROADER IDX • **SPY (SPX 500)** • **DIA (DOW 30** • **QQQ (NASD100)** • **IWM (Small Cap)** • **IYT (Transports)** • **NYA (NYSE)** **BOND IDX** • **TLT (Bonds)** • **MUB (Muni). (SP)** **GLOBAL IDX** • **EEM (Emerg.)** • **EWJ (Japan)** • **FXI (China)** • **EWZ (Brazil)** • **FTSE (Europe Proxy)** • **BSE (India)** • **EWA (Aust) SP** **SP - Special situation**	**SECTORS IDX** • **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**	**COMMODITY IDX** • **CRB /DBC** • **GLD (Gold)** • **SLV (Silver)** • **GDX (Miners)** • **OIL** • **Copper** • **DBA (Agro)** • **UNG (Natural Gas)** • **DBB (Base M) SP**	**CURRENCY** • **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 steams to achieve confluence point D coinciding with POM
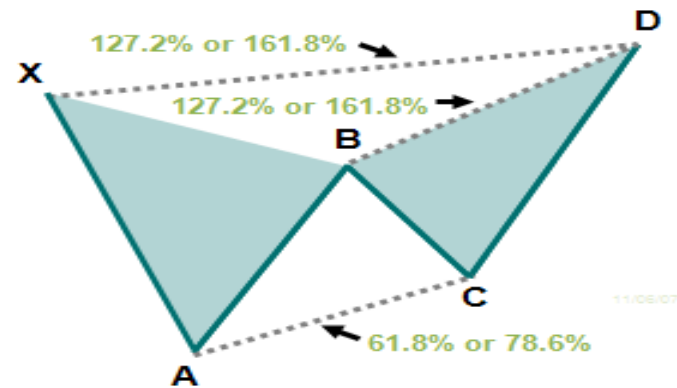
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

A

61.8% or 78.6%

C

B

127.2% or 161.8%

X

127.2% or 161.8%

D

Sell Pattern (bearish)

D

127.2% or 161.8%

X

127.2% or 161.8%

B

C

61.8% or 78.6%

A