



Date : 31<sup>st</sup> March 2014 ( Monday)

**MS –SPX – 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	<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>	1858	<b>POM 15</b> Triggered EMIAL Alert On 3/25 CZ 1865-1885	NONE	<b>BEARISH</b>	Initiated Hedges In CZ 1865-1885	Initiated Hedges In CZ 1865-1885	Gap up to 1875 failed To hold last week	Target to Triple Top PEC-D 1885 for Possible Re test	Pull back CZ1850-1825 <b>Heavy bottom</b> Should hold & then rally back	<u>ABC</u> down to 1785	<b>Weekly close Below 1845</b> Required for change of trend  <i>Our long position in Bullish top Instruments XLP, XLV, XLB. Closed SMH for 12% profit</i>
<b>TLT (BONDS)</b>	109.3	<b>POM 13 – Re Run</b> Marked to Market On 1/01 start @102	<u>Announced @ 108.28</u> on 2/3 to close ½ Net longs positions <b>due to</b> ST pull back	<b>BULLISH</b>	Net Long	<b>NONE</b>	PEC-D 108 Met with Bullish Top	<u>Target to 2<sup>nd</sup> ABC PEC-D 112</u> Bullish Top	<b>pull back to 107,</b> Triangulation & then rallied back	CZ105-106 <b>retested rejected on low volume Bullishly</b>	<b>@ 109.25</b> on 2/4, closed ½ <b>Net long</b> position for <b>7 pts profit 6.5%</b>

**Note-** Detail Charts on GOLD in Wednesday's Precious Metal Commodity Report

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<b>GOLD</b>	1295	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>	<b>BULLISH</b> pull back in progress	12% Net Long	<b>NONE</b>	2 <sup>nd</sup> ABC to 1365 Met – EXACT & decline began  We Cautioned of Pull back	Target Weekly 2 <sup>nd</sup> ABC up to <b>1405.</b>	Pull back to CZ 1320- 1330 – Approached Target but No Rejection Still.  Appears heavy Bottom	Target PEC-D 1280 Bullish floor On lighter volume	<b>Weekly</b> <b>5 year</b> CZ 1190-1220 Is solid floor Bullish floor

## Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 15 exposure Triggered 3/25 - Initiated the Hedges within CZ 1865-1885. Closed SMH long position . 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 , GDX, USD/JPY , CU , TLT, SMH, AUD, DXY, UNG , DBA  
Equity - XLV ,XHB , XLP, EWJ / NIKKE ,

SMH – closed long Position @ POM 15 triggered for 12.5% profit

- Hedges v/s Longs) / Triggered within CZ : .....Holding  
Equity –( Hedges) - SPY Hedges initiated in CZ 1865-1885
- NET SHORT -.....- Mid term Holding  
None

## Market Overview SPX

**Last week Report-** Monday 3/25 – **SPX @ 1865** \_“ We send out email” to announce POM 15 as Market failed to hold highs at our target price 1885. We suggested to Scale in Hedges within **CZ 1865-1885**” .....*Subsequently* Market Gaped up next day within our CZ t and sold off to our **PEC-D 1840** target as expected on first get go.

### **This week** -

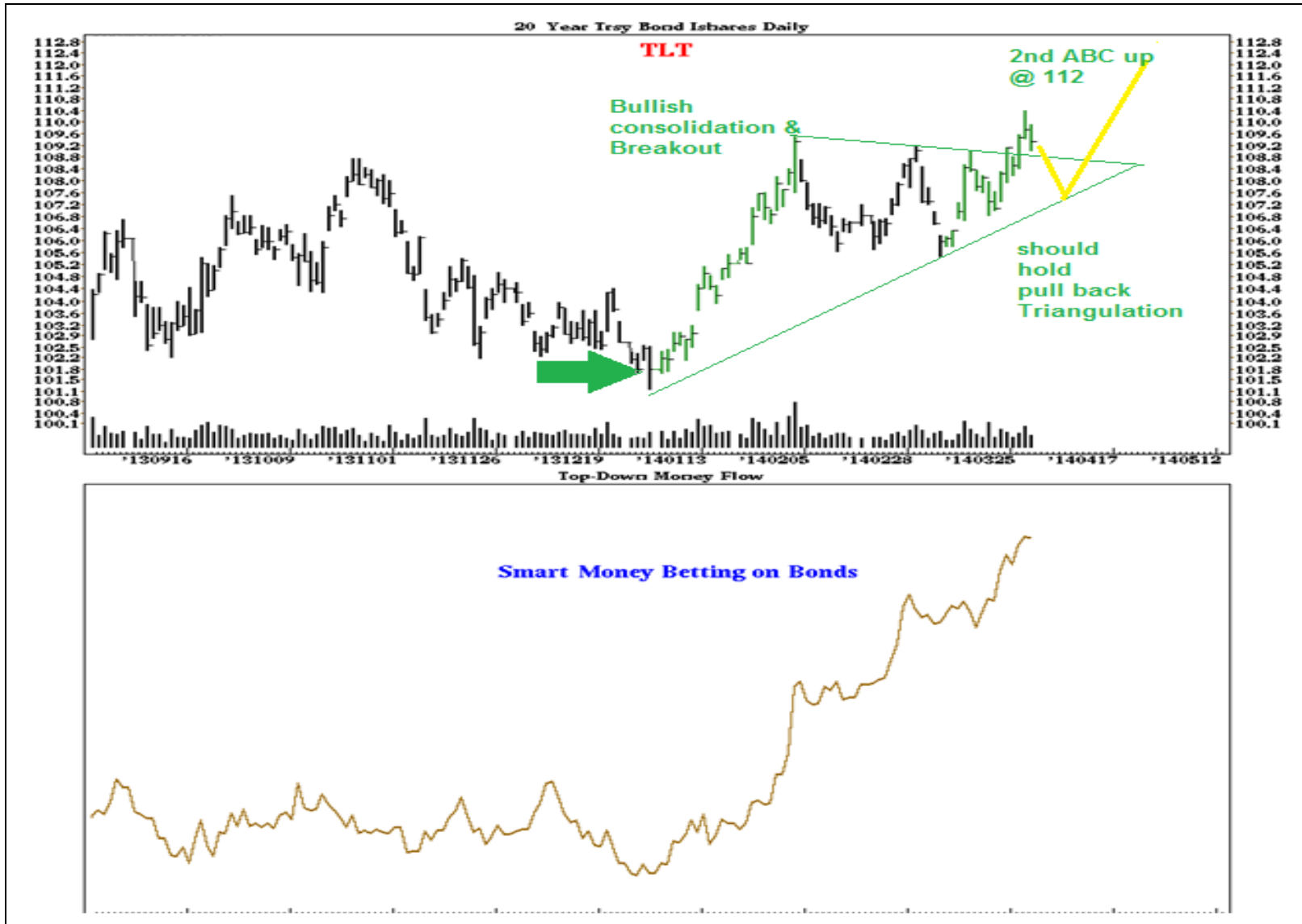
“Based on hourly chart , The Triple top at 1883 at the top of POM 15 CZ needs a re test of the key reversal day as pointed out in last Report. This is evident from hourly chart and short term positive divergence in Oscillator below . This is typical gyration around **POM 15 CZ** as we have seen in numerous occasion in past The A/D breadth divergence should be evident at that time ( Refer chart below). During the decline from POM 15 ,the swing lows in **CZ 1850-1825** has been broken with equal volume suggest this area will come back to after the top **1885** is re- tested. Give the opportunity to complete our scale in.

April 15<sup>th</sup> stands out as a likely final top in most sectors as Triangular Apex of T termination in SPX ends . The volume oscillator has declined precipitously from its last peak, the steepness of the decline in the VO suggests that it is going to be a very weak advance. European Indices remain bearish.

The bond market that's being a star performer. It seems like a long time, but Wall Street has been bearish on bonds for this entire year, a time during which bonds have done very well

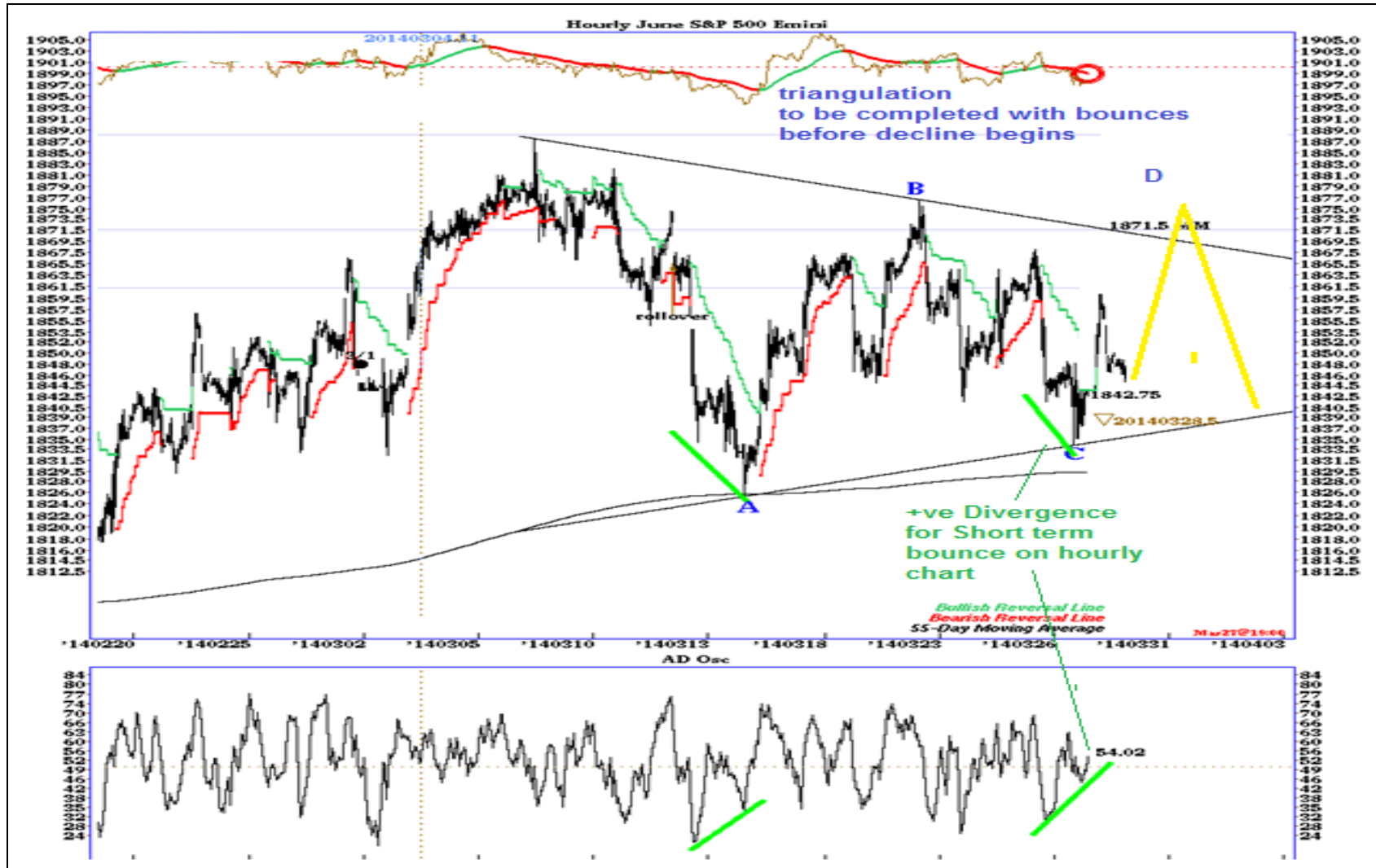
# TLT – Daily – Analysis – Bullish-

The smart money is buying bonds , pull back to 107 ( Notes within the chart)



# SPX – Hourly

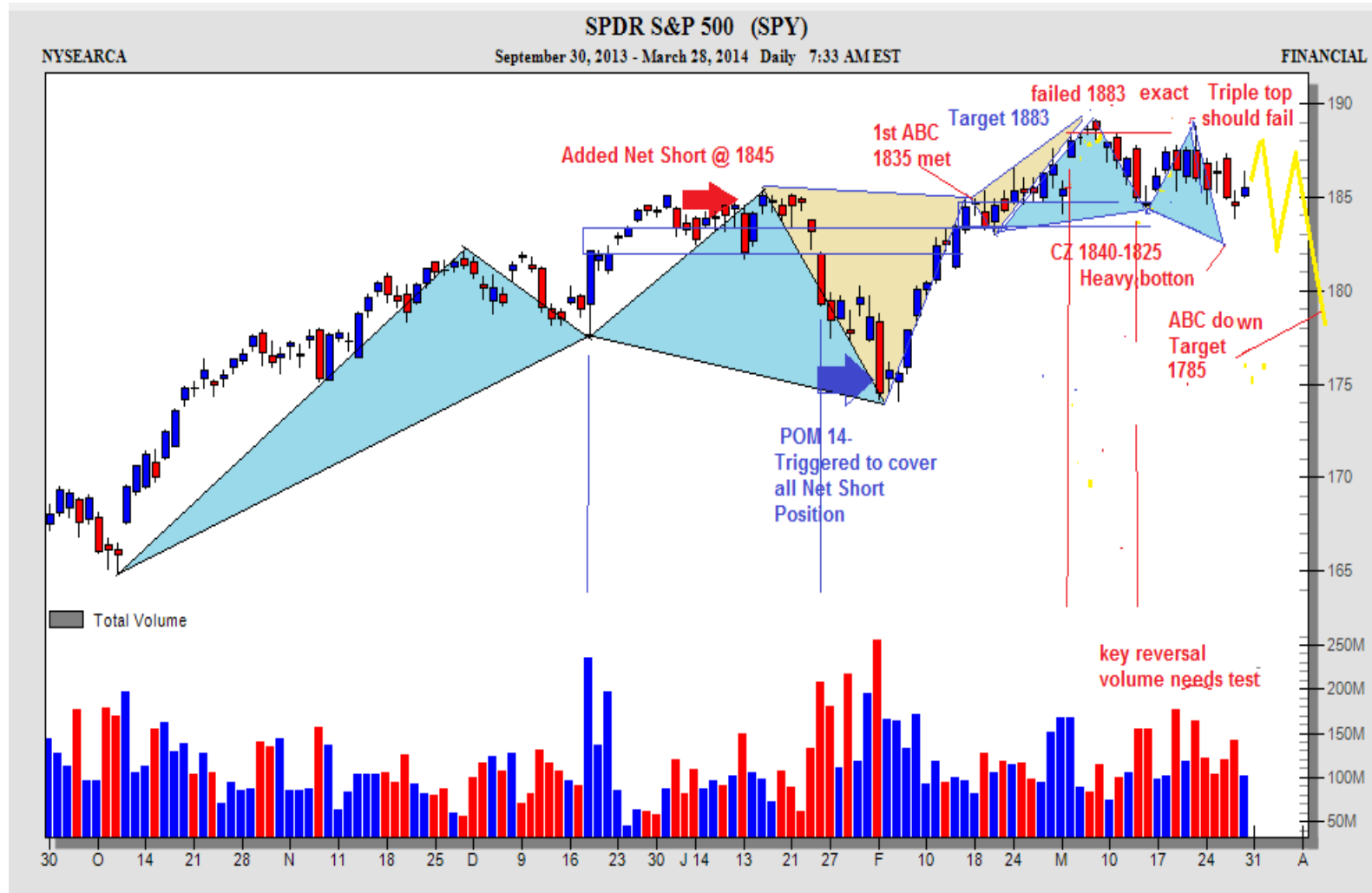
This gives clear picture . One last rally up to 1885 on hourly chart. ( Refer notes in chart )



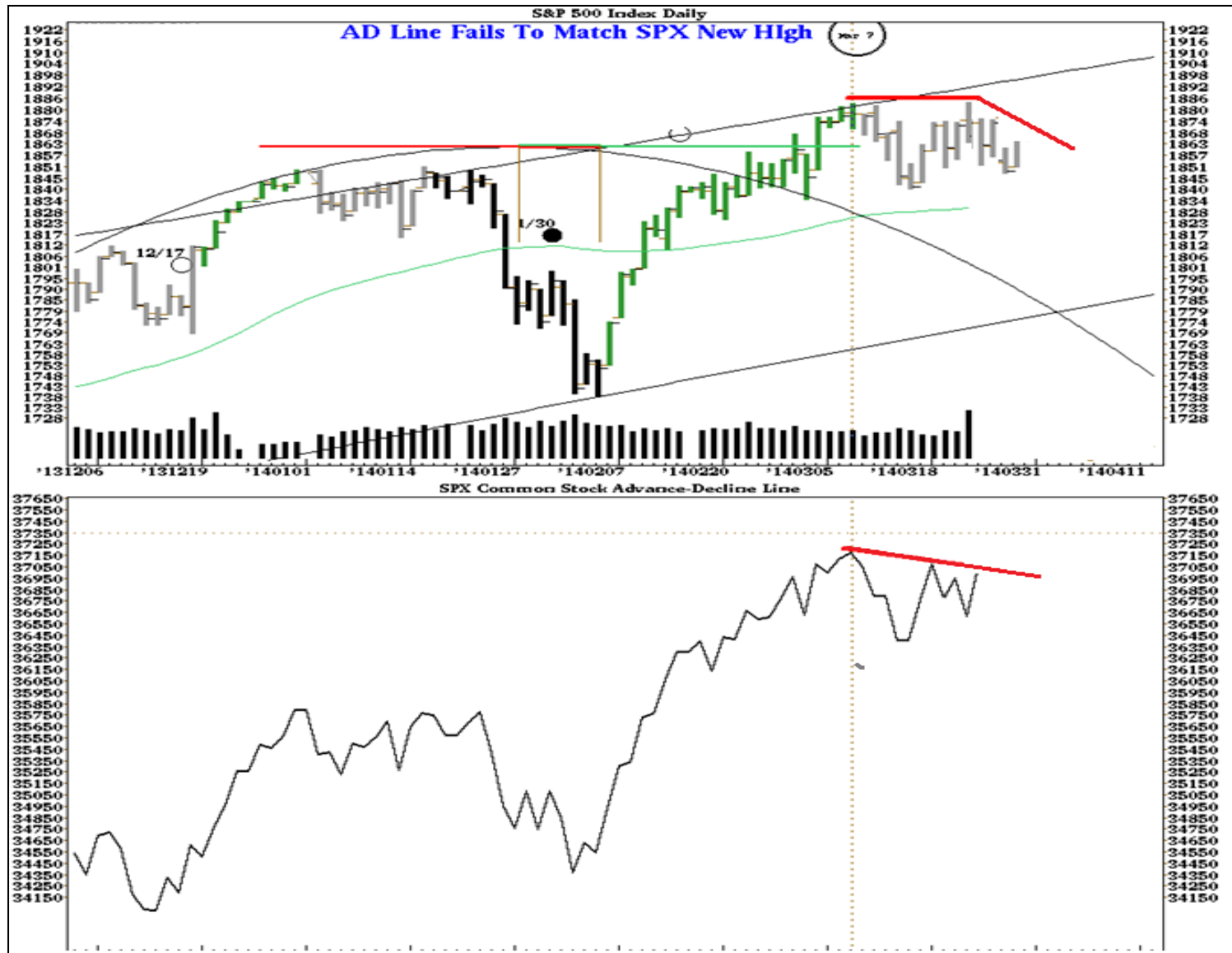
# SPX- PEC- D / CZ Analysis POM 15 - Daily chart – Short term

**Upside** – PEC-D @ 1883. – To Triple top still needs another re test . The double top failed on volume and Triggered POM15

**Downside** – Short term pull back to CZ 1850-1825 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. 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)

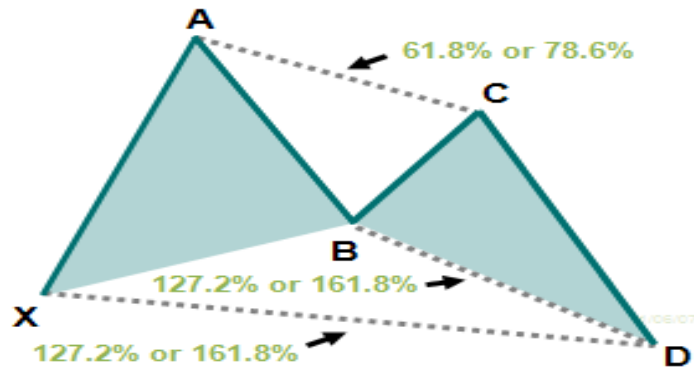
## Pythagoras Expansion / Contraction – (PEC) Model

- 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

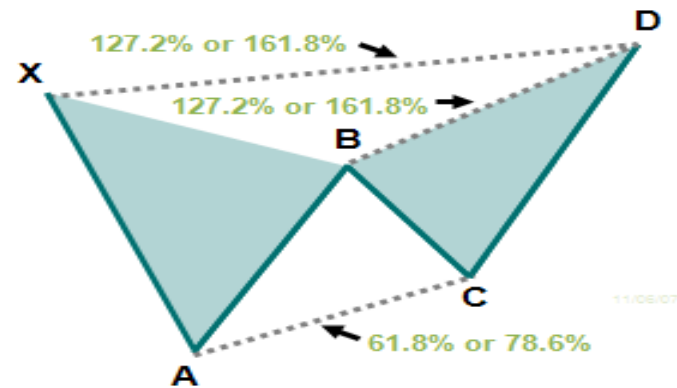
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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