SG Capital Research
Global Market Insights

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• 1- Executive Summary

Current Signals.

SPX – @ POM 13 – NET LONG - No change

 Last POM Trigger – *We remain on* POM 13 *NET LONG Position within CZ 1290-1310. (5/23 – Alert via email). Advised to go NET LONG within those prices. Simultaneously Close   Hedges in timely manner to position for the current rally in progress for move from 1300 to 1375 .*

Projected Target   - From our Trigger point POM 13, Market moved towards our Projected Target (as indicated in previous week's Executive Summary) our target expectation is – the " previous May high POM 15 Area (CZ 1375-1410) and should most likely fail, if PQV invalidates with price rejection.

 It should then Trigger POM 14". We have approached this area for 4rd time in shorter 18 Month time frame and 6th time in longer time frame . The current PEC-D pattern completion is 1390 on multiple time frame is within Longer term CZ inherited from very long past.

Last week SPX reached on the ST Price path, pull back target to 1335 & rejected as anticipated and bounced 20 points (we send chart out prior to the move)   which suggests, the next bounce to 1380 would decide if we are going to continue move higher or begin leg down.. We would like a failure within CZ to next trigger.

This week - This week, we could expect a normal expiration week pattern of early weakness digesting Friday's gains, but a leveling off at midweek with positive bias and a slide into options expiration Friday is Typical. Not that it will repeat this time. LETS LOOK FOR SPX to close above 1365 this week to continue the up move, or else we may struggle for another week.

.

NEXT

*A short term price T on the SPX projects this current short term uptrend to last into the 19th (Lunar Cycle) That could actually spill over into the next day, Friday the 20th. Expiration day, so a retracement after that would setup an end-of-month rally into early **AUGUST 3RD** which to be the next likely topping zone*

PLAN A *– If we hit the Highs once again within* ***CZ 1375-1410*** *with valid PQV test to create another Bearish top, We should get opportunity to put HEDGDES back in (on positions that were EXITED @ POM 13 @ 1300* ***) . W****e execute Fresh positions only at POM Triggers), BEST RISK REWARD*

PLAN B *– If we prematurely fail on this rally prior to Target* *1375-1410* *mentioned above, then we shall monitor the pull back quality with heavy volume & look for next rally failure for Trigger announcement. We Maintain core position and cycle some at CZ as our process.*

In PLAN B. Since POM 13 NET LONG *We have profits build in and have the option to lock in or put in STOP LOSS to protect the profit . Overall based on Individual Portfolio objective on Risk Management .*

LAST ACTION – *POM 13 signal remained firm Actionable @ 1300 within CZ since 5/25, followed by " two" pre announced Risk Management ST gyration swings from 1300 to 1360 level and back to 1300 & rally back to 1375, prior to price shifts as point of rebalancing (if applicable) to get better price on earlier exited recycling positions. But Our core POM 13 is intact till NEXT POM announcement. .*

TLT – @ POM 14 – FULLY HEDGE. – No change

Right now, even if we do see a bit more rally in the bonds, the risk is just too high compared to the potential reward. ,

- ***Our Last Trigger** –POM 14 FULLY HEDGE Position on 5/21 – Alert Within CZ @ 124.*

LAST ACTION On 5/21, - *We Closed LONG & advised Fully Hedged within CZ 124 for position entered @ 111 - 11% Profit and yield.*

Projected TARGET *-*

TLT is moving higher towards the previous POM 15 area CZ 130-128 . as anticipated in previous Reports The ST, pullback into (124-123) came in twice close to it , which suggested force was on upside to 128.

NEXT *-*

Our Action point would be rally back up to double top (130-128) towards the POM 15 highs and perhaps break it building a Bearish Top during that test whiles completing the Termination process Pattern, TLT could Trigger POM 15 – NET SHORT . We shall wait to taper into 135

This will be the last leg up in 30 yr Bull Market and is going to end badly..

GOLD – @ POM 13 – NET LONG.

- **Last POM Trigger** –POM 13 NET LONG Position on 5/15, 5/14 – Alert @ 1540 . Within CZ 1540-1580.

LAST ACTION - We remain LONG within CZ 1540-1580 prices. – Entry point overweighed purchase concentrated at lows 1540 (This avoided the correction from CZ 1775 – POM 14 to POM 13- 1540)

Projected TARGET –
In our C # Commodity Report on 6/6 & follow up A # 1- MS , we had Reported the ST pullback to 1580 as Back filling process of the base formation of bottoming process was achieved after hitting 1625 – exact at lower end of CZ 1625-1635. It was a low volume pull back to 1580. This is building cause. On ST Price path , We may go back under 1580 to rest after another rally attempt

Overall , Trend wise we shall review how it approaches our re test on CZ 1625 -1635 in more methodical manner to complete the 2nd ABC up . We need Bullish top for continuation move higher in CZ (The first ABC up move was completed at 1620 which began from our POM 13 price point 1540) in great rally off the bottom with Bullish PQV Validation and tertiary Bullish test which is very much in tact for continuation move higher

NEXT
PLAN A - Decisive break above 1630, with Sign of strength and PQV validation should begin next impulse wave up that started from our POM 13 – 1540 point . The breakout have PEC-D to 1670 eventually, provided we break 1630 with PQV Validation.

PLAN B For any pull back or If 1630 -1620 fails on PQV validation, we might have to manage the Short Term pull back Risk on any Overweight / Short term Trading Position, with either Volatility based trailing STOPs to lock in PROFIT or at Cost price / Breakeven as Risk Management move. (Rule 1) -Our Model does not convert our Profit into loss. We can always enter back later with same partial capital at lower prices. Whiles maintain our core POM 13 position. We have more Graphical view on GOLD in our Tuesday's B# Currency Report with correlation with USD Overall , Trend wise we shall review how it approaches

. POM Signals , Trading Conclusions - Price / CZ Projection Summary.

A # 1 - MS Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target	Comments
16-Jul				
SPX				
SHORT-TERM	NEUTRAL	1310-1290	1375-1410	Bounce back to CZ 1375-1410 is in progress (move 1300 to 1360 to 1300 to 1375 to 1350)
MID -TERM (POM 13) -1300 Open	BULLISH	1295-1270	1390-1410	NET LONG @ 1300
				POM 15 - net short Position closed (1400 to 1350)
GOLD				
SHORT-TERM -	NEUTRAL / BULLISH	1540	1620-1630	pull back from 1620 TO 1540 met & Rally began
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	Projection once 1630 is broken with PQV validation / Nimble into longs (1540 - 1580)
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825
				Building up floor to test the Highs
				Covered Short -Decline from 1775 to 1580 met
TLT				
SHORT-TERM (POM 14) 124 Open	BEARISH	111	124	CZ Target Reached - fully hedge (Awaiting final rally to POM 15)
MID-TERM (last) - POM 12 (88-90)	NEUTRAL	89	130-128	ABC up to POM 15 in Progress to Terminal Process
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-				NOTE
				For Detail Price Path Chart Analysis
				Indicators, Justification for our
				Conclusions, refer to the full Report
				for cross varification
				USE STOPS AROUND CZ's Risk Protection
				based on Objective
LEGEND				

BACK UP SECTION

Commentary & Charts <u>below</u> are for Reference , backup & cross verification . It is required for in- depth understanding behind our Conviction, Logic & Risk disclosures / limitation

SPX – Commentary

- *<u>Weekly - SPX</u> Closed @ 1357 (- Flat)*

- *<u>YTD - SPX</u> – Closed @ 1257 / 1357 (+ 7.95% gains)*

- ***<u>MARKETS</u>***

Ongoing inverse relationship of the risk-on (equity/commodity) versus risk-off (bonds/dollar) markets continued to play out last week. The DXY pressured risk-on markets lower as it continued to strengthen for the first four days of the week in a technically-weak move to double top of previous Bullish top with –ve divergence & lagging oscillator

Our DXY price target was met at 83 from 78 and Natural retracement is needed to gain energy to eventually break the Bullish top Upside . The short term pull back in DXY is exactly what we saw on Friday morning rally as DXY and risk-off trades: EURO is awaiting for ST Rally (More in our Tuesday's B # Currency Report).

Effect of DXY resulted in 20 point rally in SPX from CZ test, although low volume but weekly it closed above 1355 level (we were looking for) for continuation higher. We think there is another push higher into CZ 1375-1410 to finish the up move. We let the Market decide with failures within the CZ to judge the next Actionable move.

Earlier Last week we projected our downside target was <u>CZ 1335-1345</u> which was met effective and rejected, from previous Top of 1377 overbought conditions(4th of July with Lunar turn date).

However the trend remains higher into August based on EDCOT Forecast & Election cycle. We have been Bullish on our Call since POM 13 with NET LONG position , with 2 times recycling opportunity within the CZ to CZ move. .

Looking at the charts, for full price completion , we point out that the rally should be running into strong headwinds into CZ of previous POM 15 – 1380-1415. Mostly in the areas of price taper, the relative strength should diverge bearishly with oscillator an. On Wave count, PEC-D, we shall let all price projection converge together before jumping the gun. We have to wait patiently for reaction in the CZ for any POM Triggers

CHARTS BELOW – Have price projection via various methodologies converging to same areas but ultimate failure should be decided Market internals, oscillators , PQV – Validation . If Market does not reach these projections to POM 14 from POM 13 , We have PLAN B mentioned above to manage the risk

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- ## MARKET INTERNALS - Our 3rd derivative Prop interpretations

NO EXTREME READINGS - VIX, TRIN, ARMS, TICKS, PUT CALL, AD Oscillator, Ratio's.

- ## SPX - Geomagnetic / Lunar Cyclic Model – On Track

NEW CYCLE THIS WEEK ON 19TH JULY. Earlier July 4th worked out good marked the Top and then SPX had 5 day sell off . .

BRADLEY has HIGHS in between JULY last week - AUG 3RD - 1st week and then down this year. We shall see as we progress.,

- ## SPX - Election Cycle Model - On Track -

We are following into Election year seasonal chart closely which point to a fairly steady uptrend into Aug / September then correction and then year end rally . We shall see. If the lows in June is indeed the lows .

- ### *The EURO - EDCOT Model Forecast, - On Track*

By this process staging another leg up into the early Part of August / September , then correction and then rally back year end . The larger decline next year. by EURO Future Model. Earlier put in lows in June and highs in February as expected

- ### *SPX - Seasonality Model- On Track*

MONTH OF JULY HAS POSITIVE BIAS. Historically " Sell in May away proved its merit" with Summer Rally in between the move

- ### *OUR POSITIONS (FYI)*

  1) *POM 13 - within CZ 1290-1310) – NET LONG is in effect. On 6/19 & 6/20 – Recycled partial Hedges within CZ 1360-1345 in anticipation of decline towards CZ 1310-1290 and NET LONG @ 1300 riding the up move.*

  2) *We were Net Short – POM 15 from the Top of the Market SPX 1415 – 1375 CZ into CZ 1345-1355 triggered @ PEC-D -1345 for decline , completing first leg down Our Model in conservatively took profit on NET SHORT Positions in first half of decline.. We Closed / Reduced the NET SHORT depending Portfolio Objective. In the Broader, NYA, IWM , Global weaker IDX, EFA (World) , EEM , Commodity IDX CRB, XHB DBB, XLE is where we are concentrated have declined more than 8 to 10%) at the time of covering Short Position*

  3) *Thereafter since 5/09 – email Alert – SPX from CZ 1355-1345 till CZ 1290-1310 we have remained Fully hedged / Cash position with POM 14 Rating (using each portfolio Objectives for rebalancing) Till POM 13 was triggered.*

SPX- Wave / Pattern / Oscillator Analysis

Simple rally mode to WAVE 5 towards 1395)

SPX- CZ / MC' Oscillator Analysis

POM 13 - @ 1300 has target to <u>CZ 1375 -1415.</u> (previous POM 15 area)

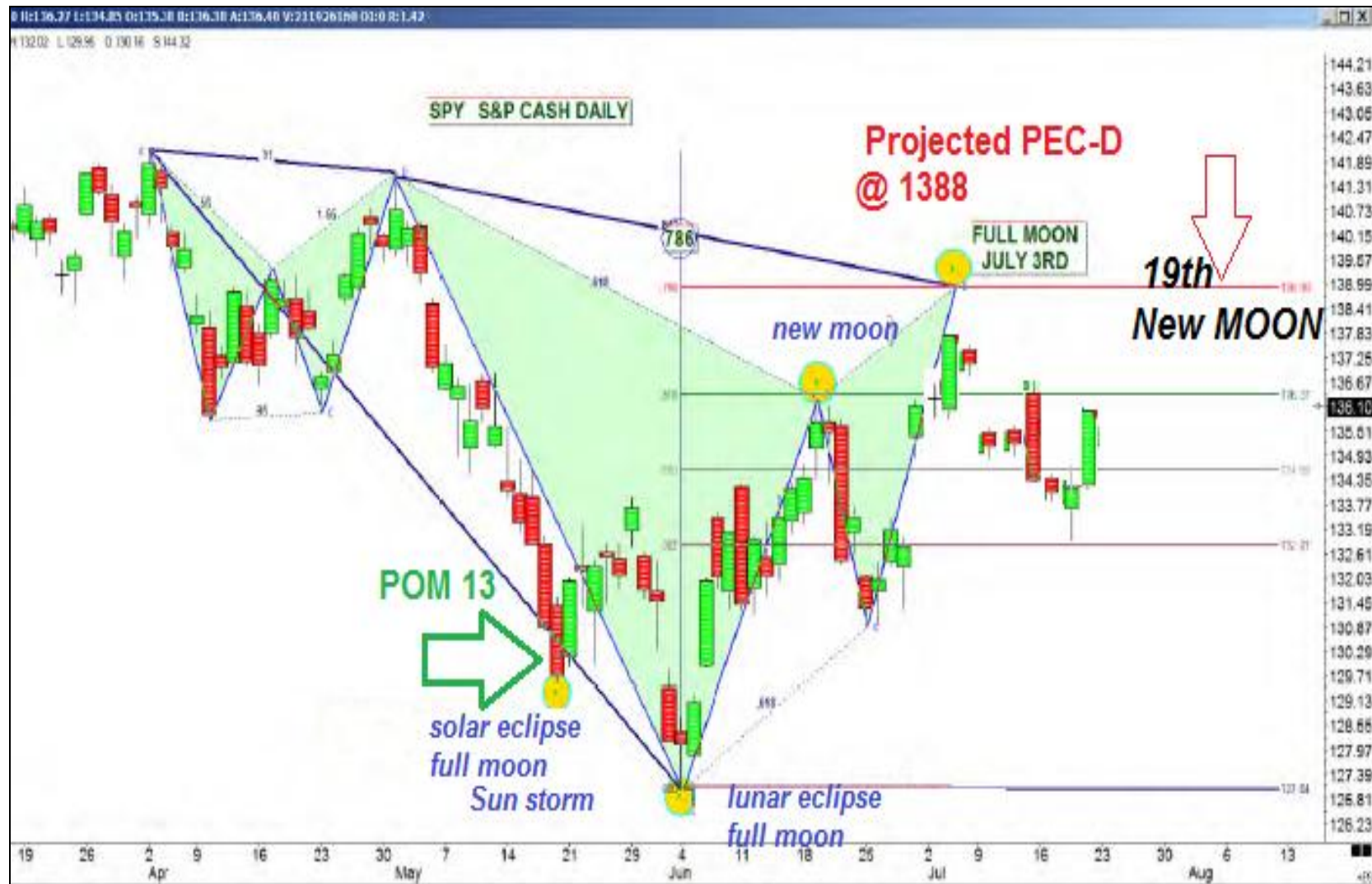*The recent pull back MC- Oscillator has pulled back to OCT lows with higher high on SPX*

SPX- H & S Bottom pattern with PQV & VTO Analysis

Inverse Head & Shoulder with PQV Validation resulted in rally – __Target 1385.__

SPX – PEC-D Analysis

PEC –D completion of 1388 is still in tact. Overlay of Geomagnetic cycles 19th July NEW MOON

SPX – A/D Oscillator Analysis

SPX – A/D Oscillators have some room to move for Topping .

Appendix Content

- **Objectives & POM /CZ Guidelines**

- **Guidelines for Full Utilization of " SP" Report with Limitations**

Critical Guidelines Review. – for CZ / PEC – D-

Bullish / Bearish indicators within the charts in our Reports is simply a Road Map on what to expect next !!! but CZ price Projections are more important for decision making <u>especially</u> the POM Trigger points are the most important for Actions. Once the signal is Triggered, Scaling into CZ range <u>especially</u> on the Re test is more prudent thing to do whiles accumulating positions.

In our Commentary and Reports, Our focus remains on giving head up on price Targets via Price Paths Analysis via Projective CZ (Confluence Zones)/ PEC (Pythagoras EC) Methodologies . These allows to pre – plan action prior to price shifts ahead of time.

In our CZ & PEC D indication, the conclusion zone defined on charts within Reports are derived via integration of various Proprietary Methodologies and calculations on PQV, ABC's , Market internals & Oscillators etc. developed in our Analysis process.

Although we try to be graphical on charts to reflect our thinking (sufficiently to indicate the technical conditions supporting our signals / triggers) , at times due to time & space limitation , we cannot show all the backup calculation work . Therefore we show only colorful final conclusion, less complicated sets of indicators to keep it simple to make a Price path decisions and not to force unnecessary more complex detail. I shall continue to provide coverage on these Analysis with one Methodology at a given time via Presentations and Workshop in step wise format for academic exercises.

<u>STOP LOSS CALCULATOR – Around CZ</u> – Outside the CZ, PQV validated STOP is recommended for Risk Management based on Portfolio Objectives. To avoid getting False stop outs, one recommendation would be to integrate Volatility and Momentum Oscillator within its calculations by taking Average Trading range of Highs and lows for 9 days X 1.618 and adjust the last traded price with that differential for the STOPS and Auto Trail it on daily basis once the position is " in the Money".

POM implementation - Bigger Picture - Ideal participation of New money still remains entry at POM 12, POM 11, which has Highest Probability of building ALPHA. & Sell (Fully Hedge at POM 14) . Weather one is a BULL or BEAR

- ***point to note***

 CZ & PEC-D Indicators are <u>Projective</u>. PQV – Validation with Market Internal extremes Indicators are <u>Reactive</u> which Triggers POM . This process of Price Projections are with Leading" Indicators measuring forward looking price path <u>v/s</u> Lagging Indicators which are back ward looking.

Backward looking Indicators has 80% tendencies of Whip Saw. Forward looking Indicators are usually Contrarian in nature which makes it more difficult to get convinced & react to it very quickly within the time window offered by the market at the Turning points.

Therefore Our Action Zone remains POM 's for core positions within CZ move & rebalancing of Portfolio's remains in CZ to CZ move if desired by any objectives.

Sometimes, the better part of trading is buying a secondary low where there is a successful retest rather than trying to catch the falling knife right at the point of impact. Or, perhaps best of all, scaling-in—buying is the best plan. .

<u>*POM Corner –*</u> *For Trend reversal / Swing Position*

<u>*CZ Corner –*</u> *For Risk Management positions within POM*

- *CZ to CZ - is Multi Day OR Multi Week Pattern*
- *POM to POM - is Multi Week OR Multi Month Pattern*
- *POM Ratings is for Position / Trend Swing whereas CZ to CZ is for Risk Management within POM or / CZ Traders. to generate ALFA on ongoing basis with no consideration to Bigger picture.*

Process to be used based on each Individual Objectives.
Our Process of Entry, Exit or Re- entry Position is more suitable / relevant for the Positions entered by our very own Previous Signals. This tends to give better Reward when round price trip gets completed. .

Objective & POM / CZ Guidelines

Focus is on the Short & Intermediate term turning point of the SPX via POM's Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is __Unidirectional__ Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

- *SPX acts as Risk Benchmark for all the other Markets (Key US Indices & Key Global) , these Markets gets priced off SPX- Risk (in different Proportion) . Therefore within A # 1 – MS Report, our critical component being SPX and its internal ingredients for timely POM & Bullish CZ calls . Our A # 2 – MS Report focuses on Broader Indices and Global Indices.*

- *All the Broader Indices tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger CZ – Validation for NET SHORT.*

- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*

- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*

- *Stops always on other side of CZ @ value based on Portfolio's Objectives and Risk tolerance*

- *POM Conclusions to be cross verified by other methods prior to final decision*

- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix below*

➢ *Key Points for Full utilization of SP- Reports*

- ***Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness***

➢ *At Top down Level – Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .*

➢ *Rebalancing Pre Planned procedure at Triggers – " Rebalancing % of Overall Position Sizing" , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.*

➢ *Key points for Risk Management*

➢ *Hard Stops around CZ's*
➢ *STOP SELL- " early warning Alerts" in fast moving markets, Over night Day / Night (IST) time delay Risks.*
➢ *Cross verification by Other Methods*
   Computerized Daily Monitoring, CZ Triggers, Timely PQV validations

➢ ***2. CZ – Tracking***

   ➢ *Programing - "Time/ Price Displacement, Supply / demand Activity Bar Analysis" –*

- *At "Institutional Grade - Price , Volume with Time Integration*
- *Supply / Demand Activity bar Analysis – Real time.*
- *Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers*