SG Capital Research

Global Market Insights

Chart System

Date : 2nd December 2014 (Tuesday)

SPX – BONDS - MARKET STRATEGY REPORT (SP)

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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	2057	POM 14 Triggered @1933 *CZ 1930-1920 on 10/2*	NONE	NEUTRAL Bullish bias	0%	NONE	Target To 2080 To test high volume high Neutral Top **No Signal to Sell yet**	ABC up to 2110	Pullback to CZ 2055-2040 & rally back Neutral Bottom	1st ABC down CZ 2000-2010 2nd ABC down to CZ 1965-1955 Bullish bottom	***Holding long*** *position in Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here*

ACTIONABLE IDEAS – POM 14 – Triggered on 10/2 @ 1933 **(Closed all Net Short for Profit)**

For Bears – Full upside price projection to PEC-D 2110 **BUT**. No Signal to Net Short yet.

Alternatively For Bulls – Wait for pull back to CZ 2000-2010 to add new net long positions. **October monthly close above 1965 is Bullish for continuation higher.**

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TLT (BONDS)	121.5	Main POM 13 @ 102 On 1/1 intact	Triggered POM 13 Re run @ 118.7 On 11/04	BULLISH	10% Net long @118.75 .	NONE **STOP 116**	1st ABC up PEC-D 123 Almost met *Bullish Top*	PEC-D -127 Bullish double top	CZ 118.5-117.5 *Bullish Bottom*	CZ 114 – 113 rejected *Bullish Bottom*	**Earlier Closed Net long For 20% profit**

ACTIONABLE IDEAS - Entry POM 13- Re – Run on 11/04 @ 118.75

For Bulls – Net long entry @ 118.75 for previously exited position for next rally ABC up to double top PEC-D 127.

Alternatively For Bears – PEC-D 123 did NOT fail with lighter volume Bearish top . (This is **NOT A CANDIDATE FOR SHORT SELL)**

Portfolio – Overview & Update

SPX- Overall Portfolio is at "**POM 14 Triggered - closed all Net Short @ 1933 on 10/2 .**

NET LONG - XLV, XHB, FB, JNJ , Japan and **XLP.** Bullish Top Instruments remains in Bull Run. It should continue to move higher with +ve Spread relative to SPX .

GOLD- NET LONG – POM 13 - Marked to Market @ 1204 – 1st Jan 2014 . Reentry - Trigger announced 9/18 in CZ 1190-1220 .

BONDS – NET LONG POM 13 Re Run Triggered @ 118.7 on 11/04

Portfolio Holdings …

Bearish BIAS EQUITY- NON LEVERAGED(1:1) ……Refer to Respective Reports for details

- **LONG at POM 13 ……Total 56.5% Holding**
  Non- Equity (7%) - USD/JPY (2.5%) , EUR (2.5%), UNG (2%)
  Equity (24.5%) - XLV (5%) ,XHB (5%), XLP(5%), JNJ (1%), FB (1%), NIKKE (7.5%)
  Entry GLD – 12% , GDX-12%
  Entry Bonds TLT– 10%

- **NET SHORT -…… (0)**

Market Overview SPX

POM 14 Status – We closed our Net Short position on 10/2- Alert at 1933 for Profit. No Net Short Signal YET

The Bond market – After recoiling last week, Bonds have resolved on the upside. This is ready for up move. Once equities tops out on short and midterm basis, the bonds head higher when SPX declines. We have triggered POM 13 – re-run in Bonds @ 118.5

Last Report (SPX @ 2068) , We announced that SPX – upside target to 2080 and double top . This has been met with Neutral Top but NOT Bearish Top . Nothing much has changed from last week.

On Short term basis at current levels SPX 2057, The Advance – Decline "T "has been met. The pull back is to fill in the exhaustion gap CZ 2055 -2045 and the market can continue to go higher to 2080 to re test as December seasonality should get in progress.

On Midterm basis , since the McClennan Osc hasn't dropped below (**Refer Chart 3 below**), the TICK, TRIN Reading has not reached extremes and daily PEC-D chart still has Neutral Top, the combination suggests after the pullback SPX wants to go higher to target 2110 into year end for Final Top . The cyclic model is calling for higher highs in December for Blue chip Indices only (Not Russell) . Especially the Advance-Decline Line on daily basis hasn't turned down, arguing that we aren't as likely to see an immediate reversal to the downside when the uptrend ends. We may likely see dips which are bought by seasonal traders until the uptrends end in the other indices. Russell is where we are setting our eyes on for weakness. Volume came out of this market on downside on Monday.

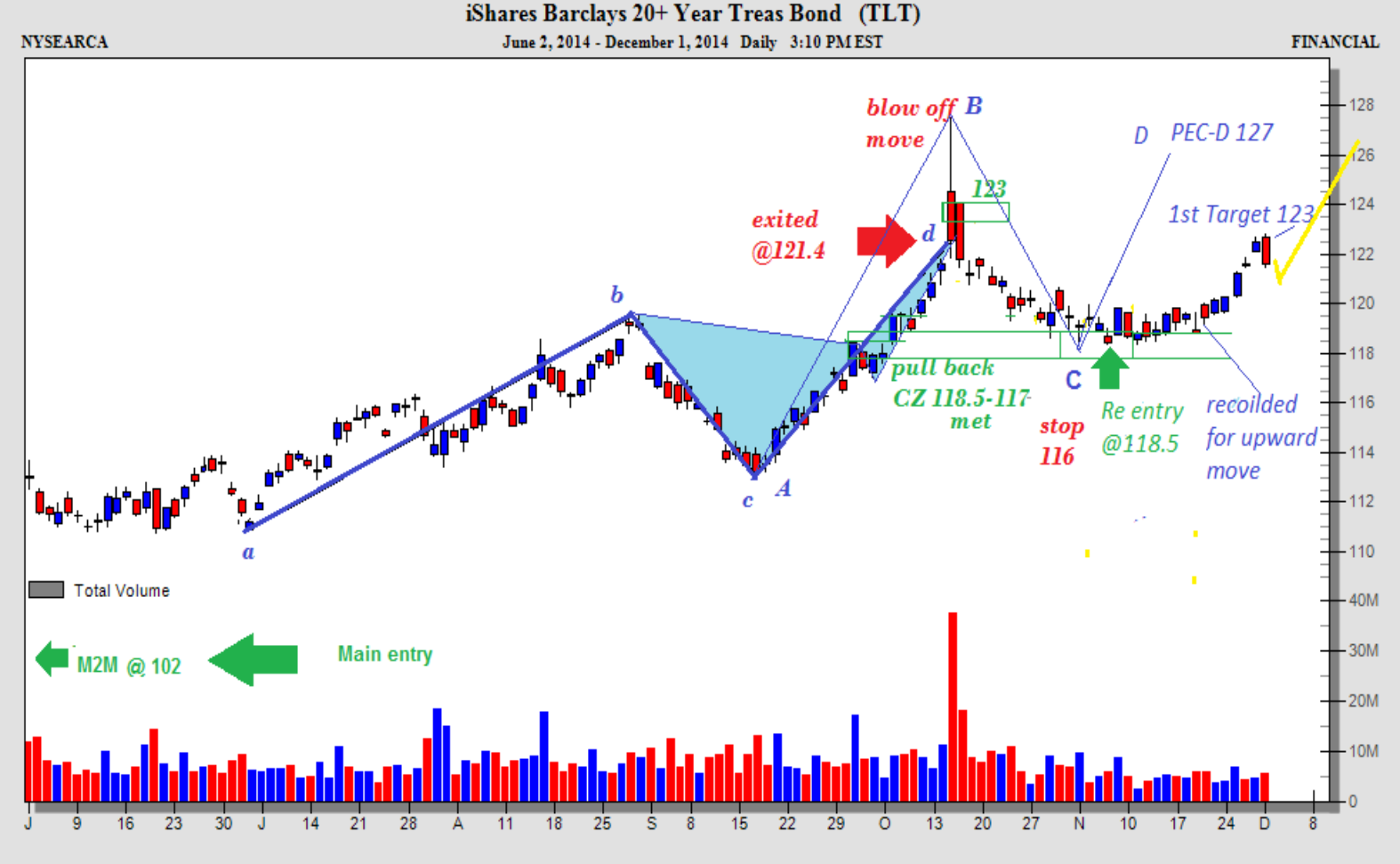
The target of first pull back is at the Exhaustion gap CZ 2055-2040, a point of maximum volume rebalancing is within CZ 2010-2000. The ABC down CZ is at 1960. After the pull back the trend remains on the upside into December. This is the last rally before a huge plunge expected in early 2015. **On Seasonality** – The Seasonality low came in mid-October for yearend rally. Any pull back to be followed by continuation of rally higher into December 17th on a trend basis.

The Bradley Model is topping out in 1st week of December in the background.

TLT (Bond) – CZ- PEC- D Analysis – POM 14 - Daily - Bullish Chart 1

Upside - 1st ABC up to PEC-D 123 – almost met with Bullish top. Target to 127 for double top testing .

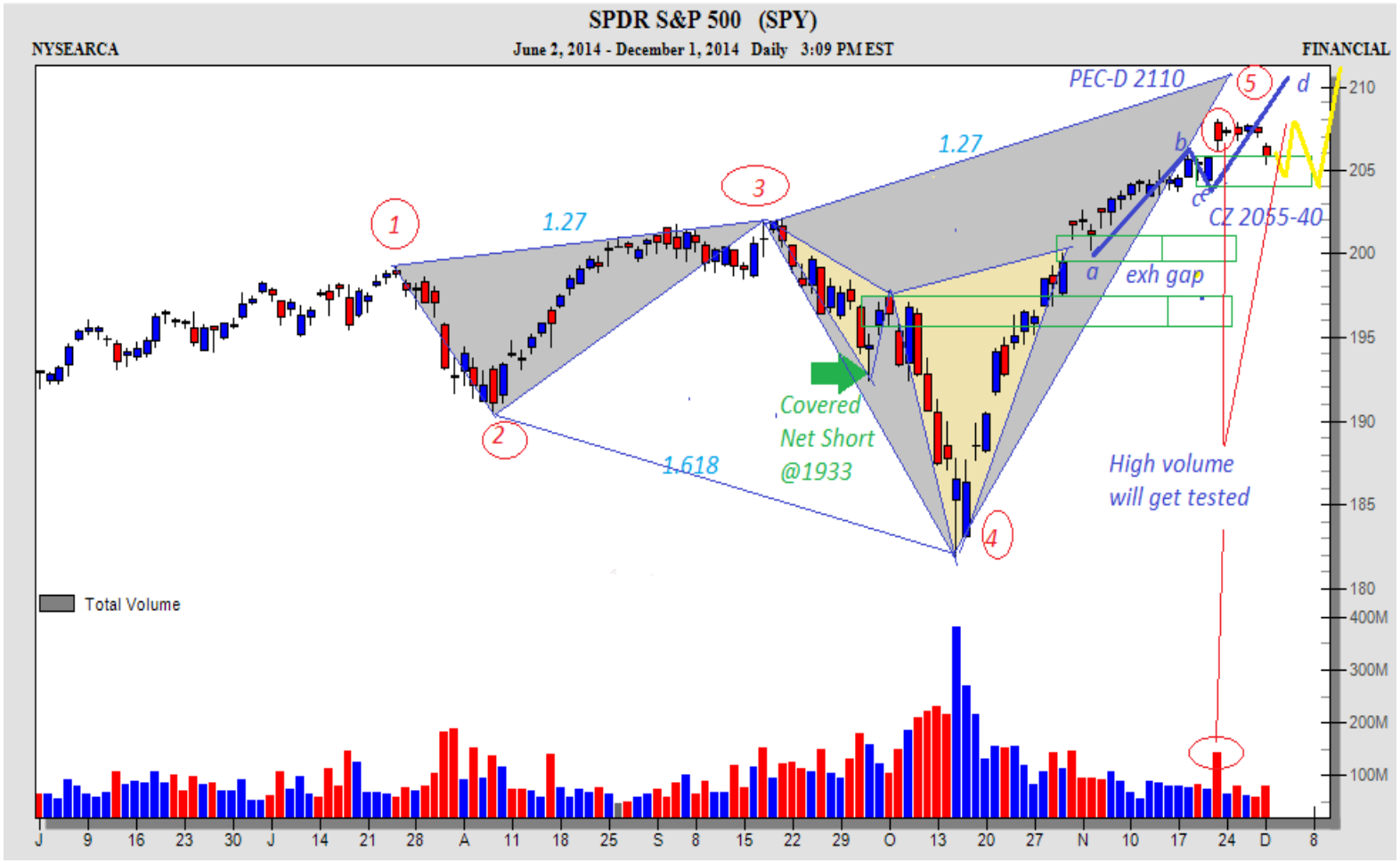
Downside – pull back to 118.7 Triggered Net long entry , rejecting in CZ for next leg up. TLT is recoiling for next move higher.



SPX- PEC- D Analysis POM 14 - Neutral - Chart 2

UPSIDE – Once again Rally to 2080 BUT ABC up to PEC-D 2110 , Due to volume condition at 2080 and the Completion of 1-3-5 Pattern to 2110 would be 3rd exhaustion gap

Downside –Pull back to Exhaustion Gap CZ 2055-2040 and then rally up . Next Pull back to ABC down to CZ 2000-2010.



SPX- A/D Analysis – Mid Term POM 14 - Neutral - Chart 3

On Mid Term basis – We are looking for a pull back here but do not appear it will be significant. Chart below Indicates another run to the Final Top

The MC – Oscillator - is still above 0, it needs to be below it for sustainable decline to begin.

The Advance/Decline line (for Equity only) for the NYSE, Circle in red is the current A/D line made a higher high but the NYSE did not, suggests at some point the NYSE will go on and hit a new high before the Final Top is made.

SPX – Cyclical Model

- **SPX - Seasonality -**

OCTOBER – DECEMBER – POSITIVE

- **SPX - Election Model -**

Statistically this 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 half of 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 2ND Top - 15TH December

- **SPX - Sentiments Model**

AAII 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
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

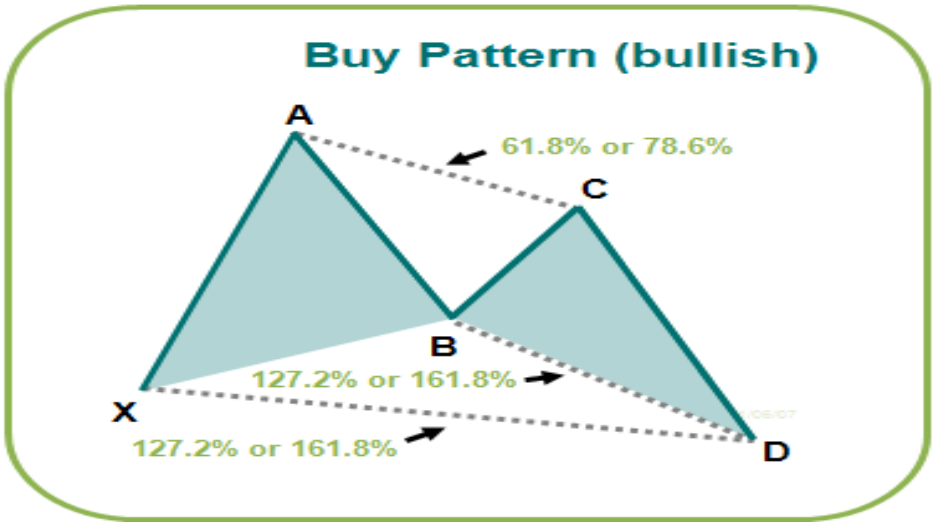
- ***POM is rated from 10 to 15***
- *POM 14 , 15 (is Sell Signal)* and *12 , 11 (is Buy Signal)* both are the Actionable Area whereas *POM 13* is A *Neutral Signal* for Risk management
- On way *UP* move, *POM 13* signifies to *STOP* executing additional 'New Buys" that was initiated at *POM 12 or POM 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)***

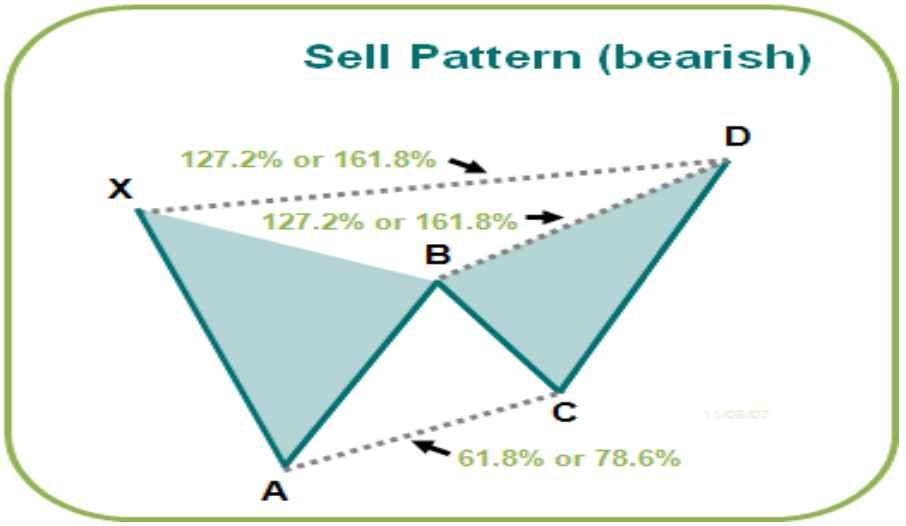
Pythagoras Expansion / Contraction – (PEC) Model

- 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





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