



Date : 15TH December 2014 (Monday)

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	2000	POM 15 Triggered @2040 on 12/11	Email Alert 12/11 Announcement-for entry	BEARISH	5% Net Short	Scaled in @ mkt open 2032 On 12/12 Scale in Another 5% on Bounce in CZ 2040-2070	Bounce to CZ 2040-2070 should fail	Double top to 2085 should fail 3 drives to top 2110 negated	1 st ABC down CZ 2000-2010 Approached Bearish Bottom Close above 2010 should Initiate the bounce	2 nd 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 15 – Triggered on 12/11 @ 2040 (Added Net Short)

For Bears – Initial position taken @ 2032, Scale in on bounce to CZ 2040-2070 which should fail with Bearish top. Then next ABC down to 1965

For Bulls – Wait for pullback to CZ 2000-2010, If Bullish bottom (which we don't think so) , then Participate in next rally to bounce zone. (Close above 2010 today should initiate the bounce)

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TLT (BONDS)	126.3	Main POM 13 @ 102 On 1/1 intact	Triggered POM 13 Re run On 11/04	BULLISH	10% Net long	NONE	Target PEC-D -127 Approaching Bullish top		Shallow pull back & rally up	CZ 118.5-117.5 Bullish Bottom	Our overall Bond position is up 25%

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

For Bulls – Our Net long entry , rally ABC up to PEC-D 127 approaching.

Alternatively For Bears – Await for PEC-D_ 127 with lighter volume Bearish top . (This is **NOT A CANDIDATE FOR SHORT SELL**)

Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 15 Triggered - Net Short @ 2040 on 12/11 .

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- Main Entry @ 102 on 1/2

Portfolio Holdings ...

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

- LONG at POM 13Total 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 -**
 - Equity (-10%) ... IWM (-5%) , SPY (-5%)

Market Overview SPX

Last Week (SPX @ 2040) - We announced POM 15 – Net short signal on 12//11 as the volume on pull back to CZ 2045-2055 was heavy, this negating the upside rally and with once day bounce to 2060 began 1st ABC down to CZ 2000-2010.

The problem is much deeper in corporate high-yielding bonds. Collapse in oil prices has put junk bonds in danger of default. The spread between the 30 year US treasury junk bonds have gone through the roof. The second problem is liquidation by Russia to meet its margin calls due to Crash in Ruble and Oil which has affected the market quite a bit. This is compounded with pre – trigger of Tax selling caused due to panic in Oil selling.

On Short term basis

Market has reached 1st ABC down to CZ 2000-2010 with heavy volume, this should result in failure of the bounce into CZ 2045-2070. Trigger for bounce could very well be typical holiday season and Jan effect. FOMC meeting on Tuesday and Wednesday.

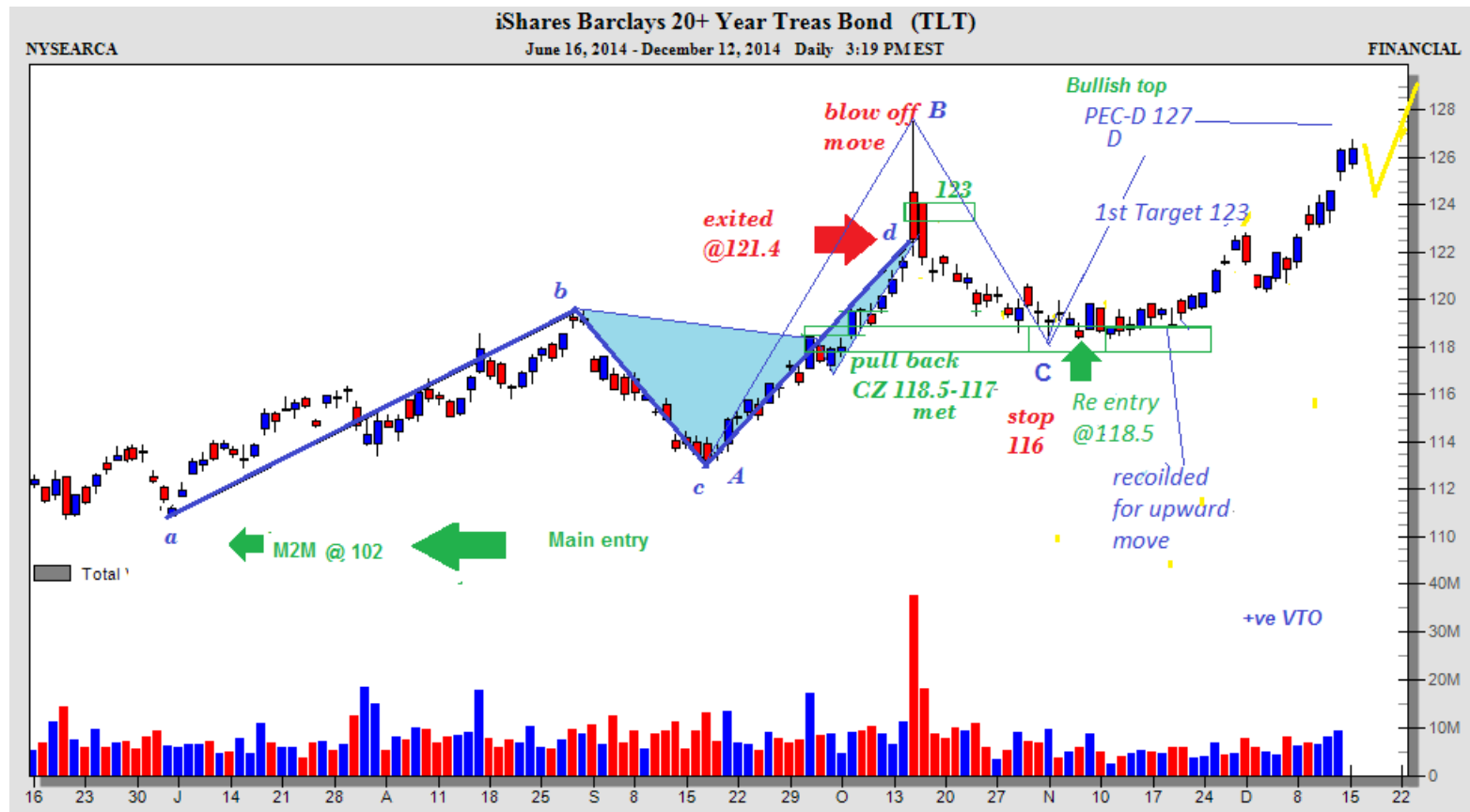
On Midterm basis, Once the upside one the bounce is finished the 2nd ABC down target is 1965. We have few reasons on midterm basis to confirm the top. Number of Bearish divergences showing up, narrowing of A/D line, the Summation Index is just beginning to turn down confirms an immediate reversal to the downside (**Refer chart 3**). This should be the last bounce before a huge plunge expected in early 2015.

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

The Bond market – Bonds have resolved on the upside. SPX decline fueled the upside move in Bonds. We have trigger POM 13 in Bonds.

Upside - Target to 127 is approaching with Bullish Top.

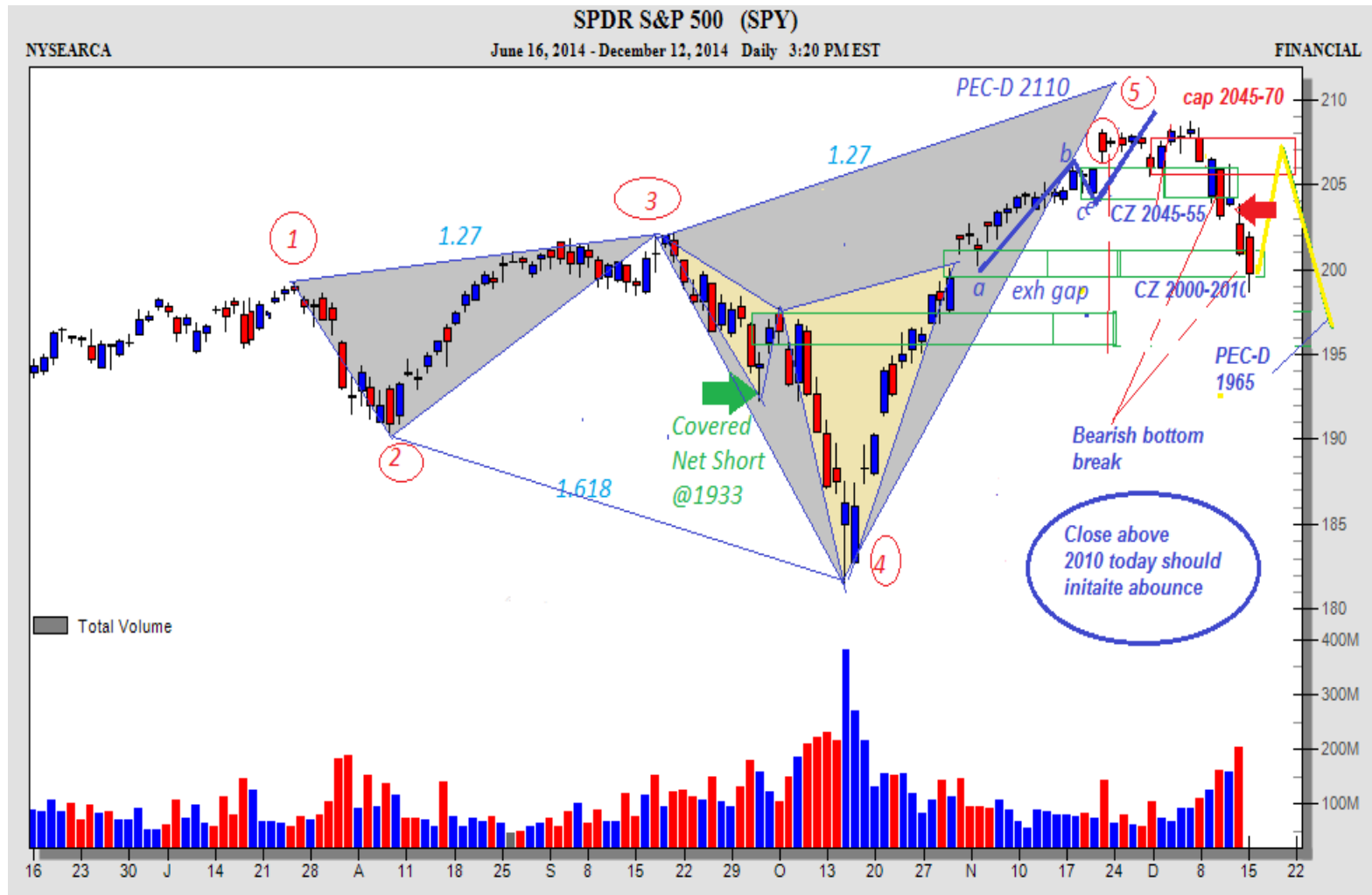
Downside – Shallow pull back , Our 118.7 Triggered Net long entry , Main entry at 102.



SPX- PEC- D Analysis POM 15 - Bearish - Chart 2

Downside — 1st ABC down to CZ 2000-2010 approached with Bearish bottom. After breaking down CZ 2055-2040 Bearishly broke down on volume. Close above 2010 should initiate bounce to target.

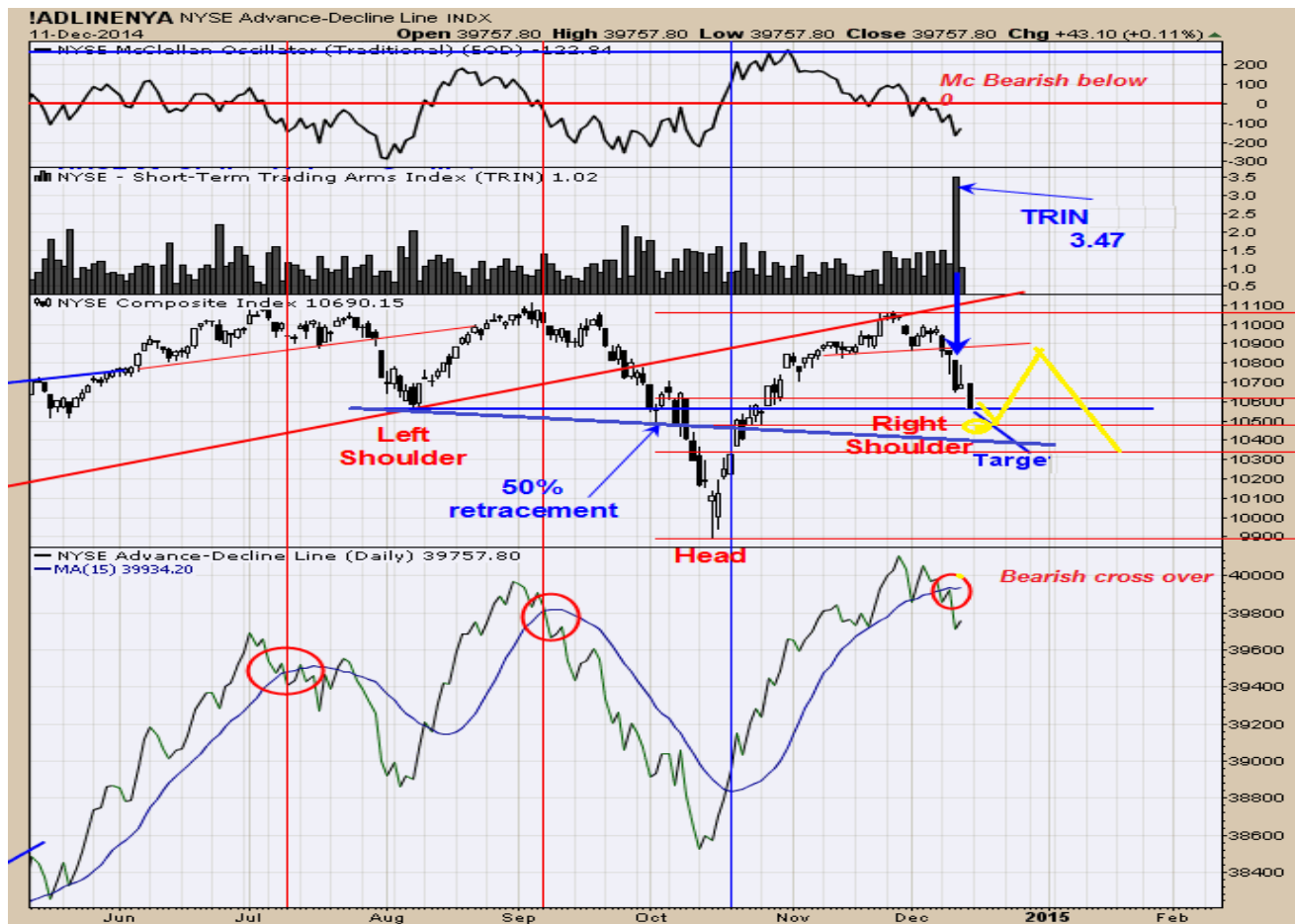
UPSIDE — Bounce to be capped in CZ 2045-2070.



SPX- A/D Analysis – Mid Term POM 15 - Bearish - Chart 3

On Mid Term basis – pull back is forming Right Shoulder of inverse head & shoulder before major decline begins

McClellan Oscillator and McClellan Volume Oscillator- Both are below “0” which implies a after the bounce decline should begin. On short term basis - TRIN closed at 3.5 and the Ticks closed at -700 and considered panic readings and suggests a short term bottom will form in next 2-3 days for a bounce. The Advance/Decline line (for Equity only) for the NYSE- Bearish cross over.



SPX v/s World Index (EX-US) - VEU – Mid Term POM 15 - **Bearish** - Chart 3

GLOBAL DIVERGENCES ..SPX v/s VEU. - Huge negative divergence.



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

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><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p><u>GLOBAL IDX</u></p> <ul style="list-style-type: none"> • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP <p>SP - Special situation</p>	<p><u>SECTORS IDX</u></p> <ul style="list-style-type: none"> • 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 	<p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDV (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP 	<p><u>CURRENCY</u></p> <ul style="list-style-type: none"> • 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)

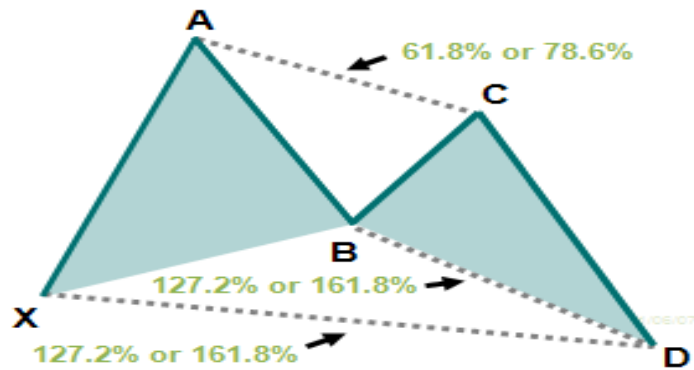
Pythagoras Expansion / Contraction – (PEC) Model

- 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

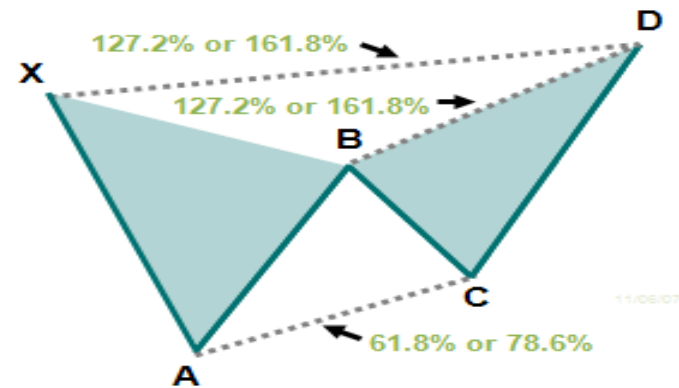
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



Sell Pattern (bearish)



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