SG Capital Research
Global Market Insights
Chart System

Date : 30TH 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	2085	POM 15 Triggered CZ 2040-2070 *on 12/11*	Announced Last Report 12/23 to Scale in Avg @2055	BEARISH **Cushioned** With 12% XLE Profit closed on 12/16 email	10% Net Short **Core 5% @** On 12/12 2032 **Bal 5% @** On 12/12 CZ2070-40	NONE	Target Double top to 2085 should fail	Seasonality Is holding up Till Jan effect to higher high We may just blow off and finish the move	Pull back to CZ 2040 – 2025 & rally back up	ABC down to CZ 1965-1955 To retest Neutral 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 with CZ 2070-2040 – Closed XLE Pair at 2082

For Bears – Initiated Net Short position, Target double Top 2085 met and should fail with Bearish top.

For Bulls – Wait for pullback to CZ 2040-2025, If Bullish bottom , then Participate in next rally to bounce zone.

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TLT (BONDS)	124.5	Main POM 13 @ 102 On 1/1 intact	Announced To Risk Management On 12/13 @ 126	BULLISH	5% Net long Exited 12/16 balanced 5% Trading position @ 126 for 6.7% profit.	NONE	Target PEC-D -127 To re test Bullish top	New ABC up to 131	Shallow pull back CZ 124.5-123.5- met Exact & rally up	CZ 118.5-117.5 Bullish Bottom	Our overall Bond position is up 28%

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

For Bulls –   Our Net long entry , rally ABC up to PEC-D 127 – met with Bullish Top , Pull back and rally up to New ABC up 131.

Alternatively For Bears –   PEC-D 127 met with Bullish Top (This is **NOT A CANDIDATE FOR SHORT SELL)**

Portfolio – Overview & Update

SPX- Overall Portfolio is at "**POM 15 Triggered - Net Short with CZ 2070-2040 @ 2040 on 12/11 , closed XLE Pair @ 2082**

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 Main Entry @ 102 on 1/2 - Exit ½ due to RM @ 126 FOR 6.7% profit

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%), AUD (5%)- New
  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% (Exited ½ - 5% for 6.7% profit

- **NET SHORT**
  Equity (-10%) … IWM (-5%) , SPY (-5%)_ -
  Hedged with (10%) long XLE – Exited for 12% profit

Market Overview SPX

Last Week (SPX @ 2077) - We announced to scale to continue building up POM 15 – Net short Position.
Simultaneously on 12/16 closing XLE – Long hedge @ SPX 2082 for 12% profit. .

On Short term basis
Market has reached the Double top target of 2085 with Bearish Top. Seasonal year end and Jan effect rally can take it
slightly higher and fail . We might meander around this or just blow off and finish the move. The first pull back to CZ 2040-
2025 and then rally back then head down. Expected negative trend into March. Bradley turn is on Monday.

On Midterm basis - We continue to see few reasons on midterm basis to confirm the top. Number of Bearish divergences
continues to show narrowing of A/D line, the Summation Index has turned down. 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

Upside - Target to 127- Met with Bullish Top. It set up New ABC up to 131. As Risk Management exited ½ @126.5

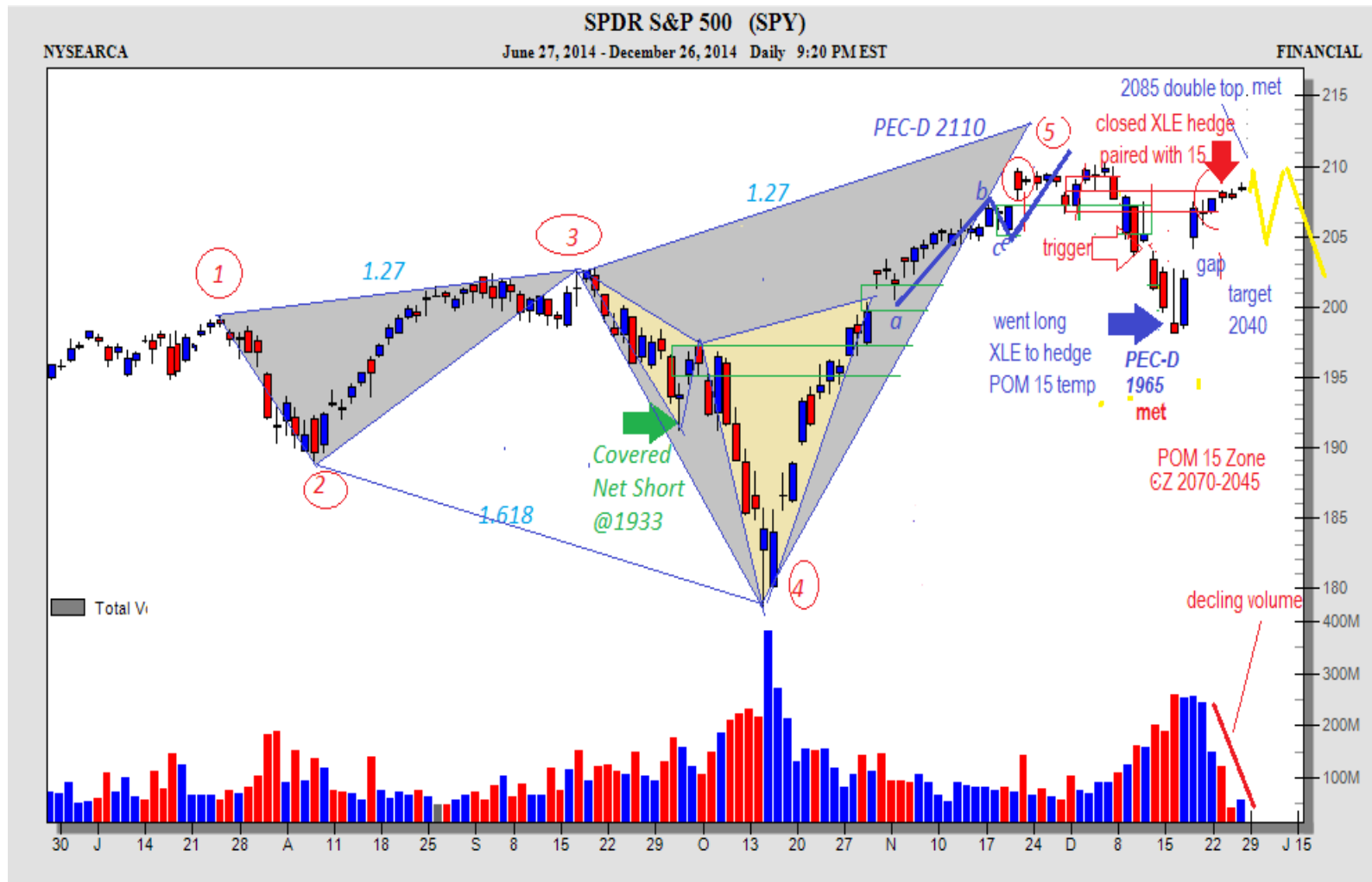**Downside –** Shallow pull back to CZ 125.5-123.5 - met and rejected ,

 Our 118.7 Triggered Net long entry , Main entry at 102.
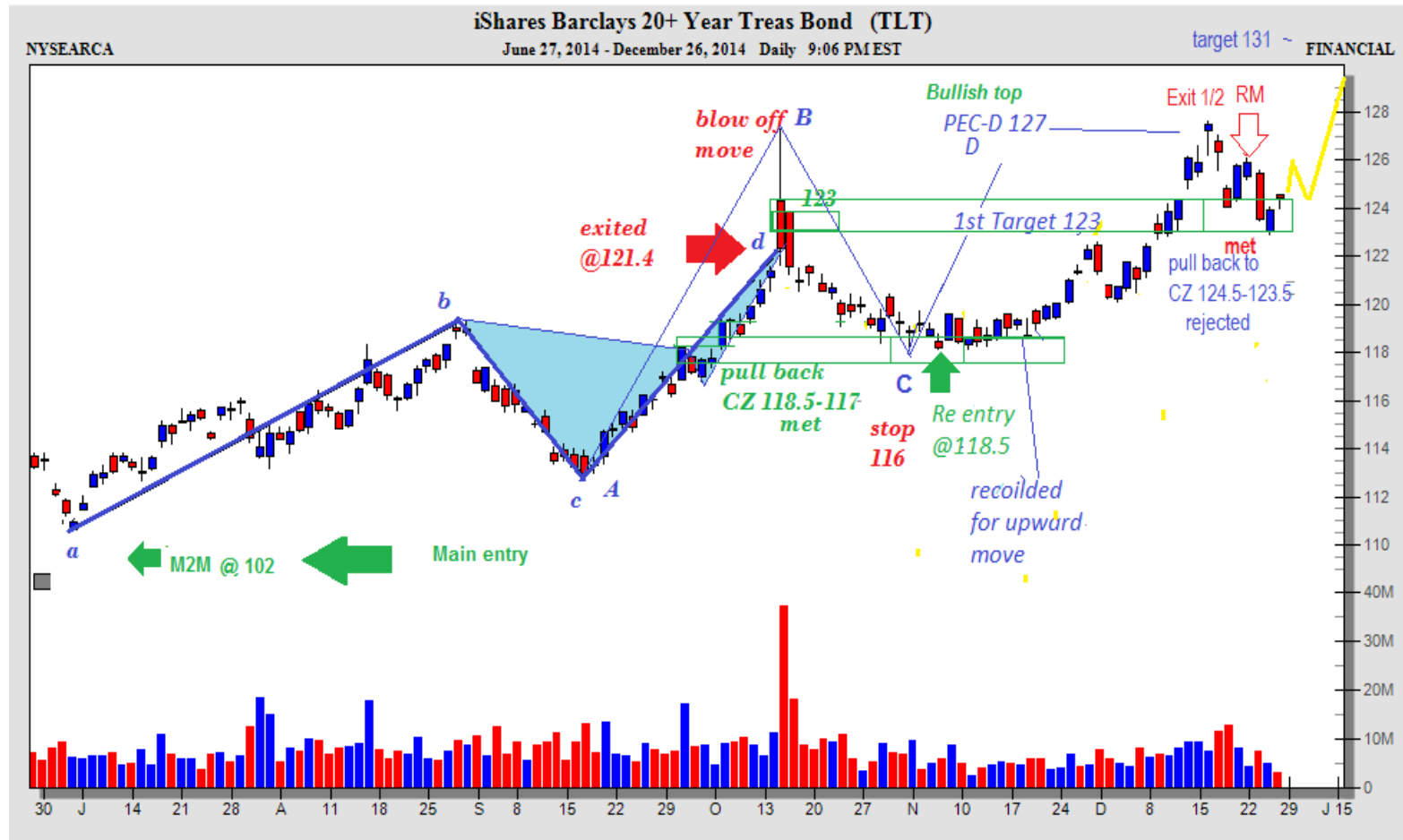
SPX- PEC- D Analysis POM 15 - Bearish - Chart 2

UPSIDE – Double top to 2085 Met . XLE long v/s POM 15 pair released @ 2082 SPX.

Downside – Pull back to CZ 2040-2025 gap area and rally back up for final Failure.

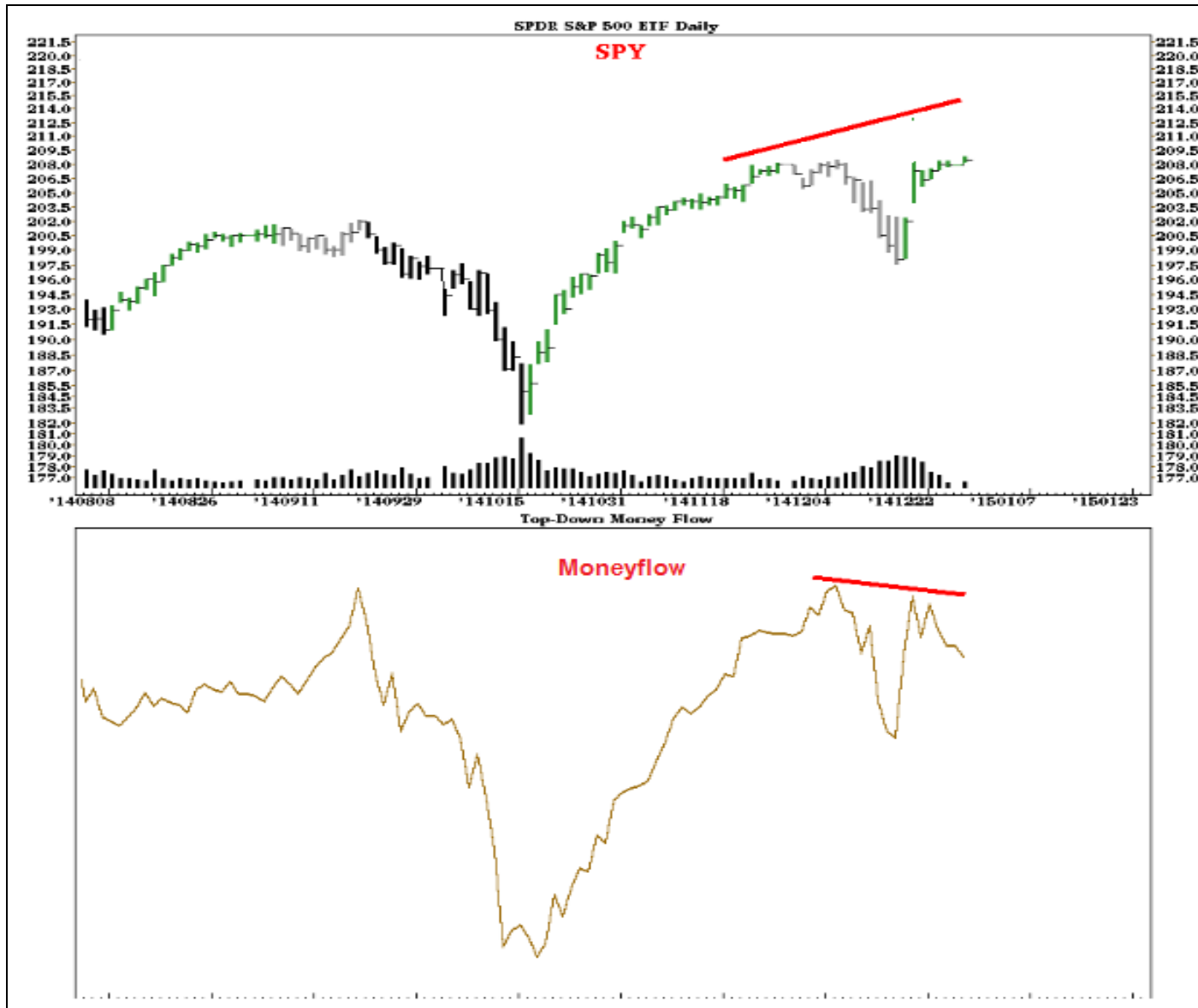# SPX- A/D Analysis – Mid Term POM 15 - Bearish   Chart 3

New highs when reach above 300 , there seem to be consistent short term pull back . The chart below indicates all previous occasions it happened. Summation Index is tuned down . SPX has double topped. First pull back to test the gap level.

SPY- Money flow – Mid Term POM 15 - Bearish   Chart 4

SPX – Cyclical Model

- **SPX - Seasonality -**

OCTOBER – DECEMBER – <mark>POSITIVE</mark>

- **SPX - Election Model -**

Statistically this 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 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 - <mark>15TH December</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**

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

<u>Re -</u> **STRATEGY & PROP ANALYSIS with – POM, CZ, PEC-D, PQV**

-

GR 1 (13+2)	GR 2 (9 +4)	GR 3 (8+1)	GR 4 (5)
Coverage in MS	Coverage in SECTORS	Coverage in COMMODITY	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
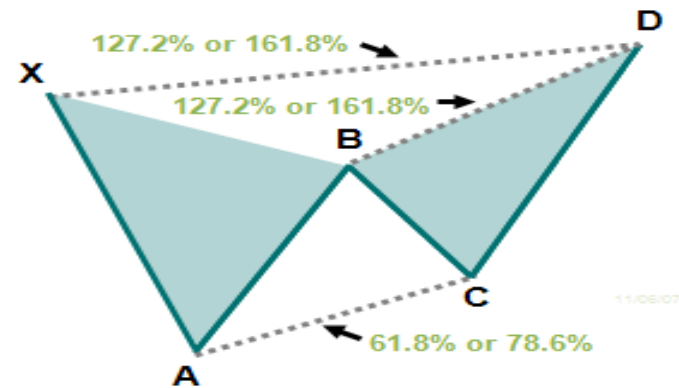
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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
A
61.8% or 78.6%