SG Capital Research
Global Market Insights
Chart System

Date : 21st July 2014 (Monday)

MS –SPX – BONDS POM - MARKET STRATEGY REPORT (SP)

By : Suneil R. Pavse, E : apavse@aol.com

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	1973	POM 15 Triggered @ 1958 *On 6/24 Email Alert* ***CZ 1975-1958***	Raise the Stop @ 1987	Bearish	Net Short **OR** Hedge Longs For Neutral ***Scaled in CZ 1975-1958***	NONE	Our Target 1975-1970 Met & sold off **Inverse H & S bottom**	Top to 1982 to fail once again	Pullback To 1960 Met & rallied up **Close below 1935 with high Volume Should target 1905**	1st ABC down to 1940- 2nd Target PEC-D 1920 *Neutral Bottom*	***Our long*** *position in Bullish top Instruments XLP, XLV, XLB. Remains for profit*

ACTIONABLE IDEAS – POM 15 intact (Refer Price paths in charts below)

For Bulls – Wait for pull back to CZ 1940-1930 for new net long positions, Hold Cash

For Bears / Neutral – Add Net Short position or Hedge longs . Bearish top Scale in CZ 1975-1970 Failure at 1958

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TLT (BONDS) **Announcement**	115.1	POM 13 – Re Run *Marked to Market On 1/01 start* **@102**	*Announced @* ***111.5*** *on 6/12 to Re enter ½ Net longs positions*	BULLISH	Reduce ½ Net Long **Hold core From 102.**	**Exit ½ position Move from 111 to 115.2**	PEC-D 114 – **met**	Target ABC PEC-D 116 ***Approaching Bullish Top***	Pull back to 112- Not clear how deep	pull back to CZ 111.5-109 Rejected twice ***Bullish Bottom***	

ACTIONABLE IDEAS - POM 13 is intact. (Refer Price paths in charts below)

For Bulls – Rally from CZ 111.5-109 Bullish bottom to ABC up to 116 – complete – exit ½

For Bears - Rally to 116 reached but NOT failed with lighter volume Bearish top . (**NOT A CANDIDATE FOR SHORT SELL)**

.

Portfolio – Overview & Update

SPX- Overall Portfolio is at "**POM 15 -- Triggered 6/24 @ 1958 in CZ 1975 -1958 Cautioned stop @ 1987 .**

NET LONG - 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 – POM 13 - Marked to Market @ 1204 – 1st Jan 2014 . Triggered announced 6/17 @ 1268- Re entry

BONDS - NET LONG – POM 13 Marked to Market @ 102 – 1st Jan 2014 . Triggered announced 6/12 @ 111.5- Re entry
Exit that ½ position at 115.2 – Target met

Portfolio Holdings …
NEUTRAL – Bearish Bias NON LEVERAGED(1:1) ……Refer to Respective Reports for details

- **LONG at POM 13 ……..**
  Non- Equity - USD/JPY , DXY, TLT – Exit ½ ,
  Equity - XLV ,XHB, XLP, NIKKE , UNG , DBA,
  GOLD, GDX

- **Hedges v/s Longs) / Triggered within CZ : ……..For Market Neutral .**

NET SHORT – POM 15 -…… - Mid term Holding for Bears

Market Overview SPX

Last Report - 7/14 Report – SPX was @ 1977 – Although on POM 15 . We indicated - *" SPX would touch 1982 and fail . Then pull back to our 1st downside target of 1960 and bounce before any meaningful correction would begin"* Additionally We Indicated " *The BONDS (TLT) would rally from 111 to 116"* ……On all counts , this is exactly what happened. On SPX- a drop of 20 points was with heavy volume to 1960 and rally of 20 points to 1975 was on lighter volume.

This week - It is much of the same as last week within range 1982-1960 . SPX is building a Top around CZ 1975-1970- Inverse Head and Shoulder target. SPX @ 1982 should be re tested once again for Bearish rounded top and then decline to the lows of SPX -1960 has heavy Bearish bottom suggests Bears just came out of closet . This eventually should break the heavy bottom once the correction breaks below 1960-1945 lasting for 1 month of so.

IWM (Small caps) have proven it with underperformance seen in last week's bounce. As we indicated in earlier Report , it failed at PEC-D 118 – announced since then IWM has corrected 7% . The volume on IWM picked up more on downside. We think any rallies will be sold. The correction which started first week of July continues despite the bounce back . Within the context of the correction, sharp up and down movements are likely to characterize the correction.

NASD is holding up well with high momentum. Historically-reliable indicators like the **Ratio-Adjusted McClellan Summation Index,** which typically forms its final peak below the 500 level, have failed to confirm a final peak in place within the uptrend. SPX on weekly basis prices above 1905 has been on false break upside.

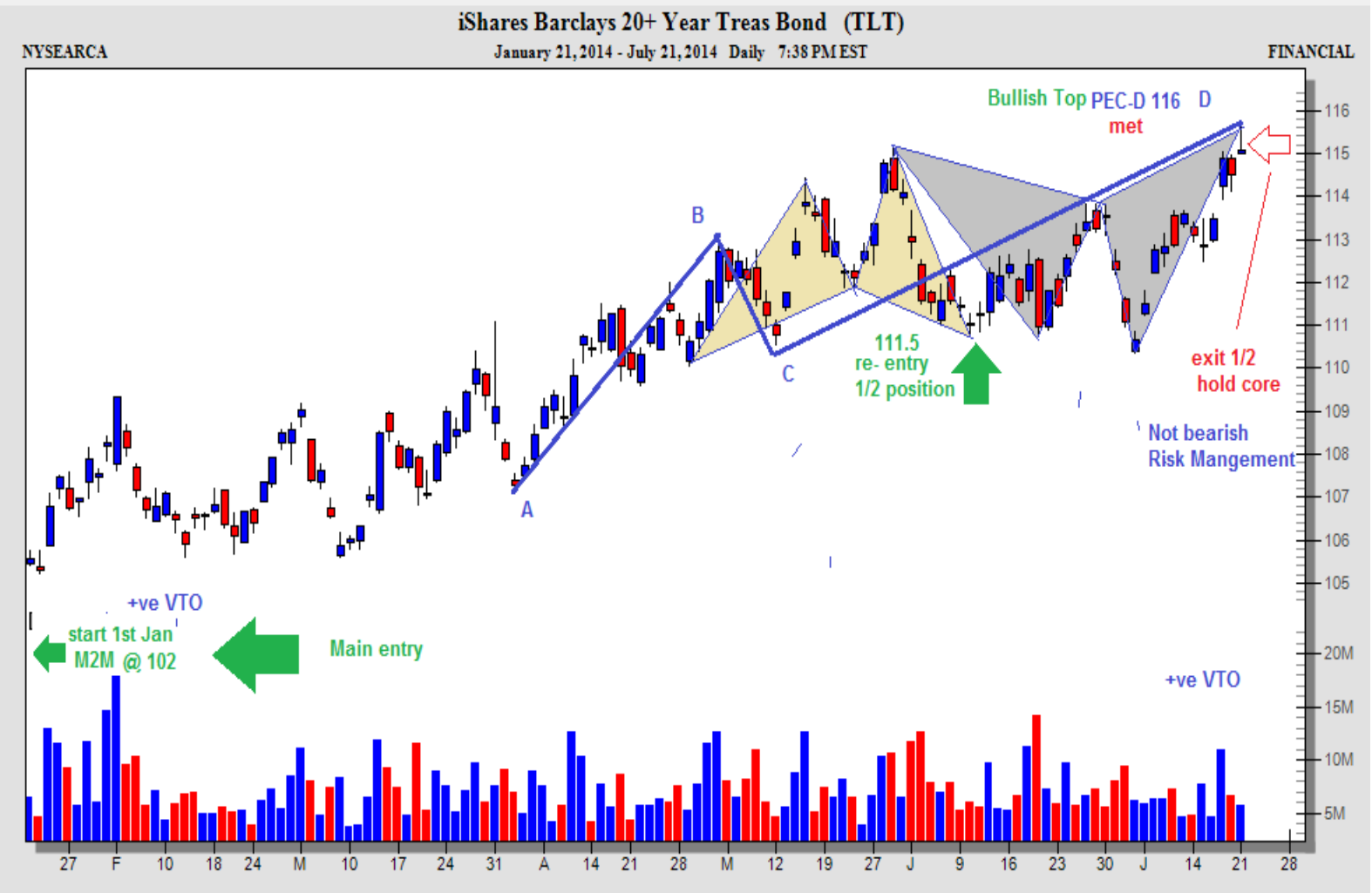
Since POM 15- Triggered , The Volume Oscillator for SPX went negative. That's pretty much what you expect to see at a top. We are looking for a bottom in the August-September timeframe after which the market should give a phenomenal move higher on presidential cycle for several months into 2015.

Seasonally – The broad market tends to peak in relative strength in the middle of July almost every year. Initial seasonal weakness tends to last for about ten calendar days, then a rebound tends to occur which lasts about a week. **(We appear to be in that phase)** . That's typically followed by a decline into low in the middle of August, at which time the broad market often starts a strong relative strength rally.

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

Upside - 2nd Target to ABC up to PEC-D 116. Bullish Top – Met – Exit ½ position

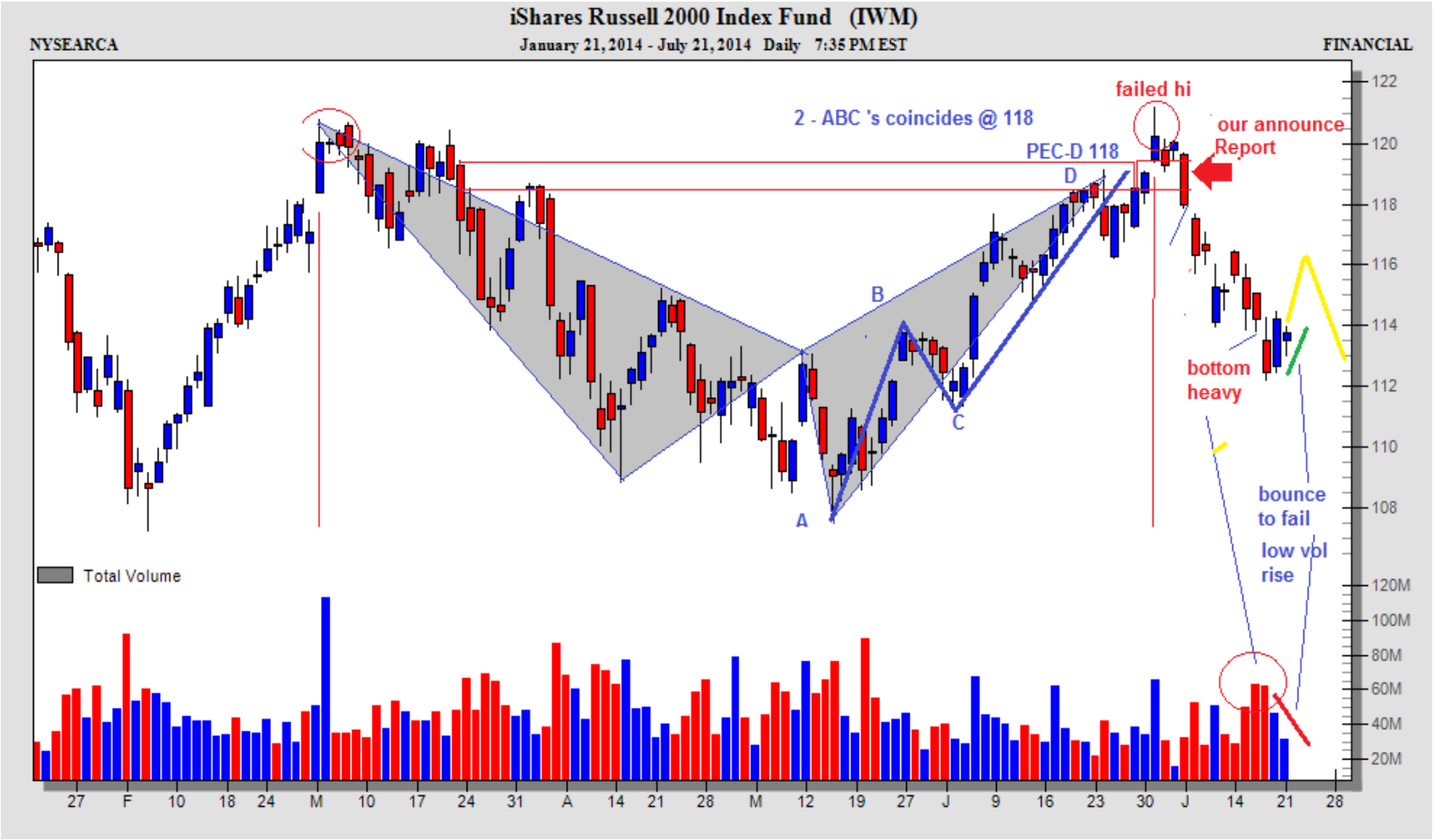
Downside – Not clear yet – Pull back to 112 . The CZ 111-109 Rejected with low volume as expected



SPX v/s IWM – PEC-D Analysis - Daily chart – Chart 2- Weakest Index

Downside - gave anemic bounce. After placing in heavy bottom at 112

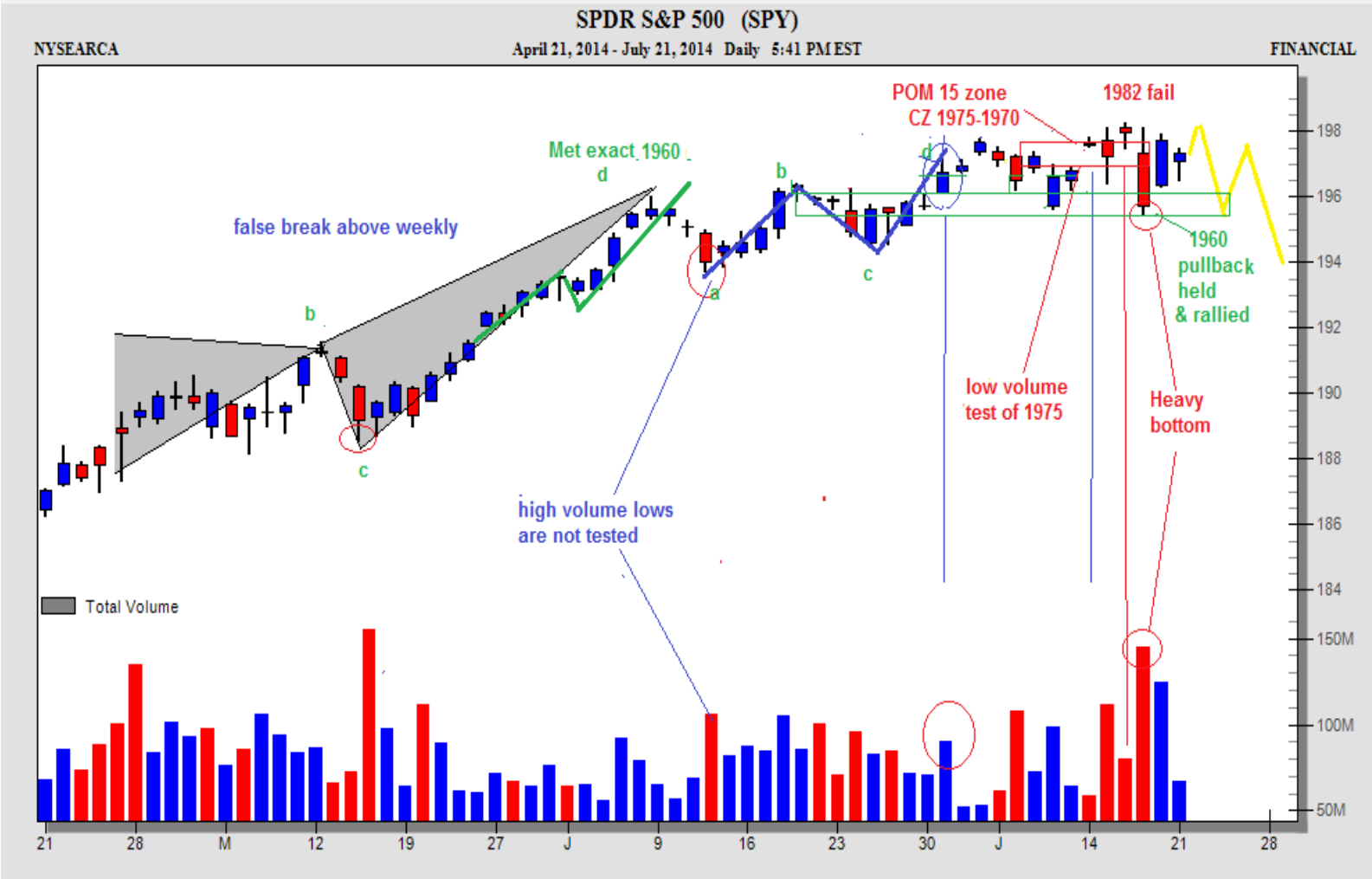
Upside - PEC-D 118 Bearish Top – proved it merit . (Notes within the charts)



SPX- PEC- D Analysis POM 15 - Daily chart – Short term Chart 3

Downside –– pull back to 1960 met exact & rallied up. However Heavy Bottom is setup for ABC down to CZ 1940-1935,

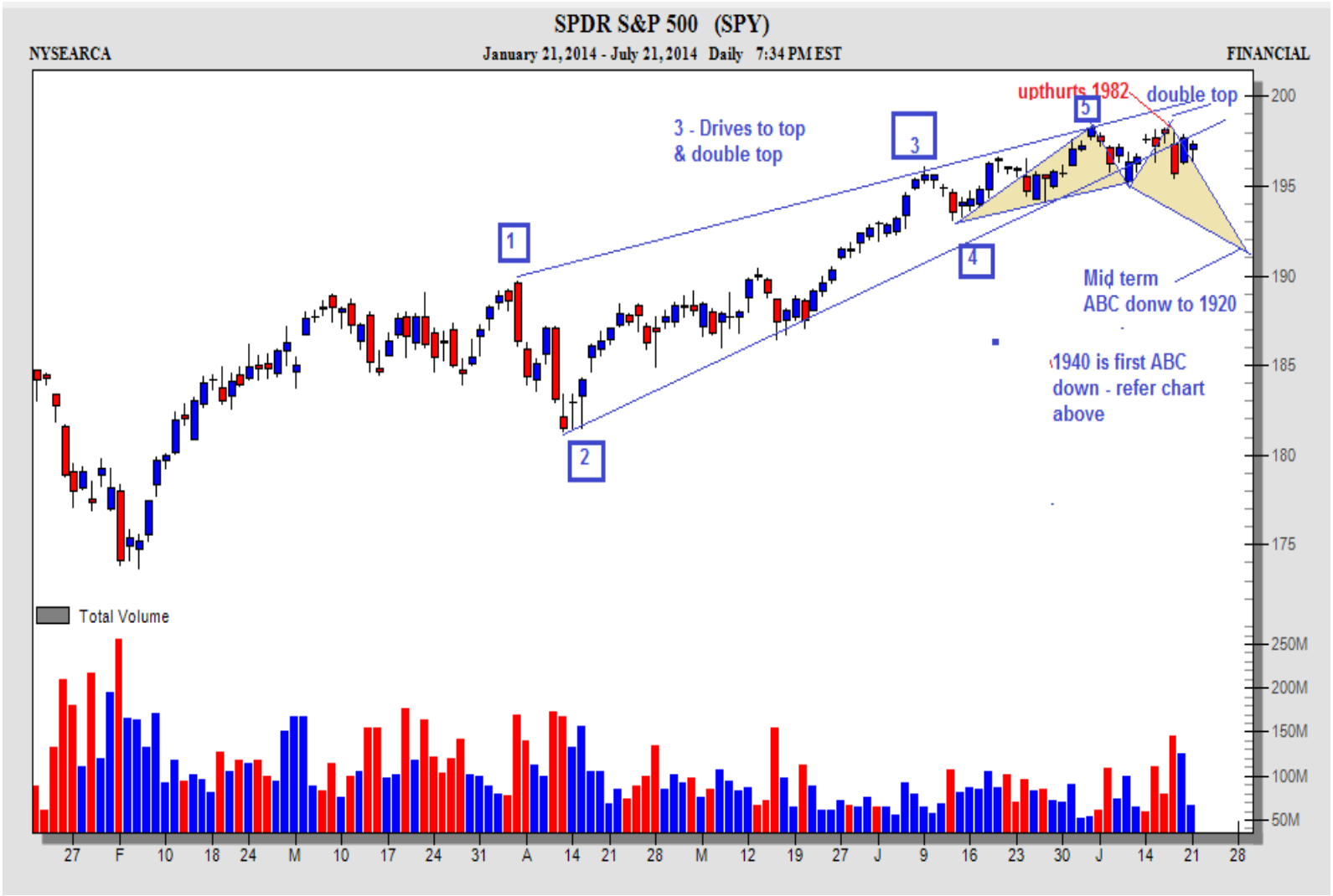
UPSIDE – Target of ABC up to 1982 *should be re tested within* CZ 1975-1970 on low volume and fail. **Inverse H & S Bottom Target** .



SPX – 1-3-5 Pattern Analysis POM 15 - Daily chart – Chart 4

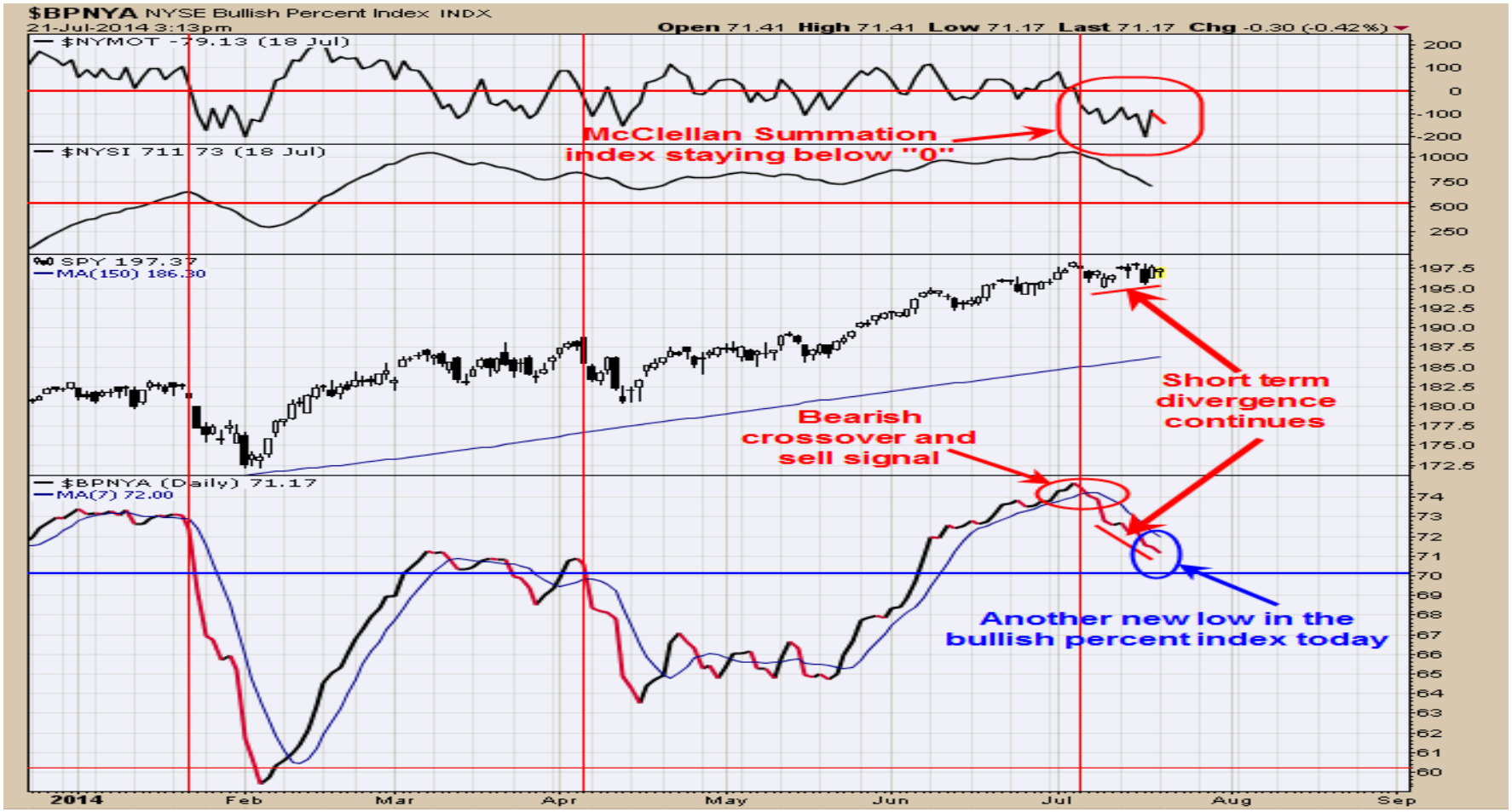
Upside Target - **3 Drives to the top to 1975 and has double top @ 1982**

Downside -– 2nd ABC down to 1920 on weekly basis



SPX – Mc Clellan Osc Analysis POM 15 - Daily chart – Chart 5

Since late June, the SPY has made higher highs from 1940 to 1975 and Secondary move from 1960 to 1975 while the Bullish Percent made lower lows and a bearish divergence as indicated in chart below . The current bearish crossover occurred on July 7 and is still on this sell signal. The top window is the McClellan Oscillator. Reading below "0" line on the McClellan Oscillator normally come at a time in the market that is either in consolidation phase or in a downtrend. Today's closing McClellan Oscillator reading will be near -100 and suggests the consolidation is on going between 1960-1982 with force building for downside.



SPX – Cyclical Model

- **SPX - Seasonality -**

MAY to SEPTEMBER , 4th July - 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 top 4th August

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – Bullish

SPX – Internals Model

Bearish -, 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

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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

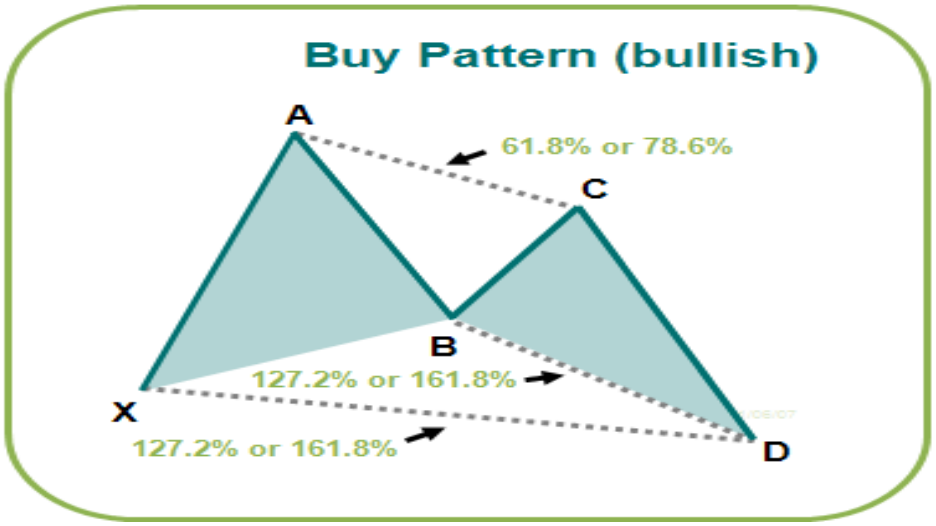
- ***POM is rated from 10 to 15***
- *POM 14 , 15 (is Sell Signal)* and *12 , 11 (is Buy Signal)* both are the Actionable Area whereas *POM 13* is A *Neutral Signal* for Risk management
- On way *UP* move, *POM 13* signifies to *STOP* executing additional 'New Buys" that was initiated at *POM 12 or POM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

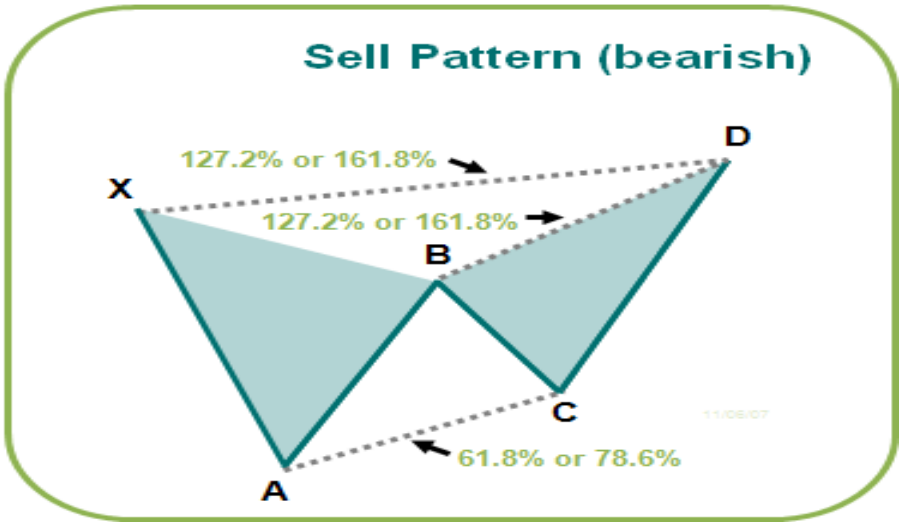
Pythagoras Expansion / Contraction – (PEC) Model

- 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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