



Date : 25th November 2014 (Tuesday)

SPX – BONDS - 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	2068	POM 14 Triggered @1933 CZ 1930-1920 on 10/2	NONE	NEUTRAL	0%	NONE	Target To 2080 To test high volume high Neutral Top No Signal to Sell yet	ABC up to 2110	Pullback to 2040 & rally back Neutral Bottom	1 st ABC down CZ 2000-2010 2 nd ABC down to CZ 1965-1955 Bullish bottom	 Holding long position in <i>Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here</i>

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.**

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcements</u> - Update For ST Trend Reversal & RM	Progress Status	Existing Position / Exposure	<u>NEW ACTION</u> (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
TLT (BONDS)	120.1	Triggered POM 13 On 11/04	NONE	BULLISH	10% Net long @118.75	NONE STOP 116	1 st ABC up PEC-D 123 <i>Bullish Top</i>	PEC-D -127 <i>Bullish double top</i>	Pull back to CZ 118.5-117.5 Met exact , now & rally back <i>Bullish Bottom</i>	CZ 114 – 113 rejected <i>Bullish Bottom</i>	Earlier Closed Net long For 20% profit

ACTIONABLE IDEAS - Entry POM 13- 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 121 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 - CASH – POM 13 Triggered - Net Long @ 118.7 on 11/04

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** -..... (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 – It is recoiling to build up strength for massive move up and showing sign of strength on pullback in spite of rally in SPX. Once equities tops out on short and midterm basis, the bonds should head higher when SPX declines. We have triggered POM 13 – re-run in Bonds

Last Report (SPX @ 2040) , Prior to our week off - We announced that SPX – upside target to 2040 and double top . This has been met with extended Neutral Top. Specifically last Friday, SPX gaped up above the highs with high volume and reversed intraday. However the highs of **2080 should be re tested.**

On Short term basis at current levels SPX 2060, If the pull back needs to come, it has to be in next 2 days to fill in Friday's Gap. Wednesday onwards SPX has positive Thanksgiving bias and the market can continue to go higher to **2080** to re test the Friday's high. At that point, the catalyst may need to come along to tip the market over. It's stretched to the upside here, we think the current uptrend has basically run out of gas and needs some reversion to the mean to re-energize itself. For now we are nearing the end of Advance-Decline Ts this week in most indices.

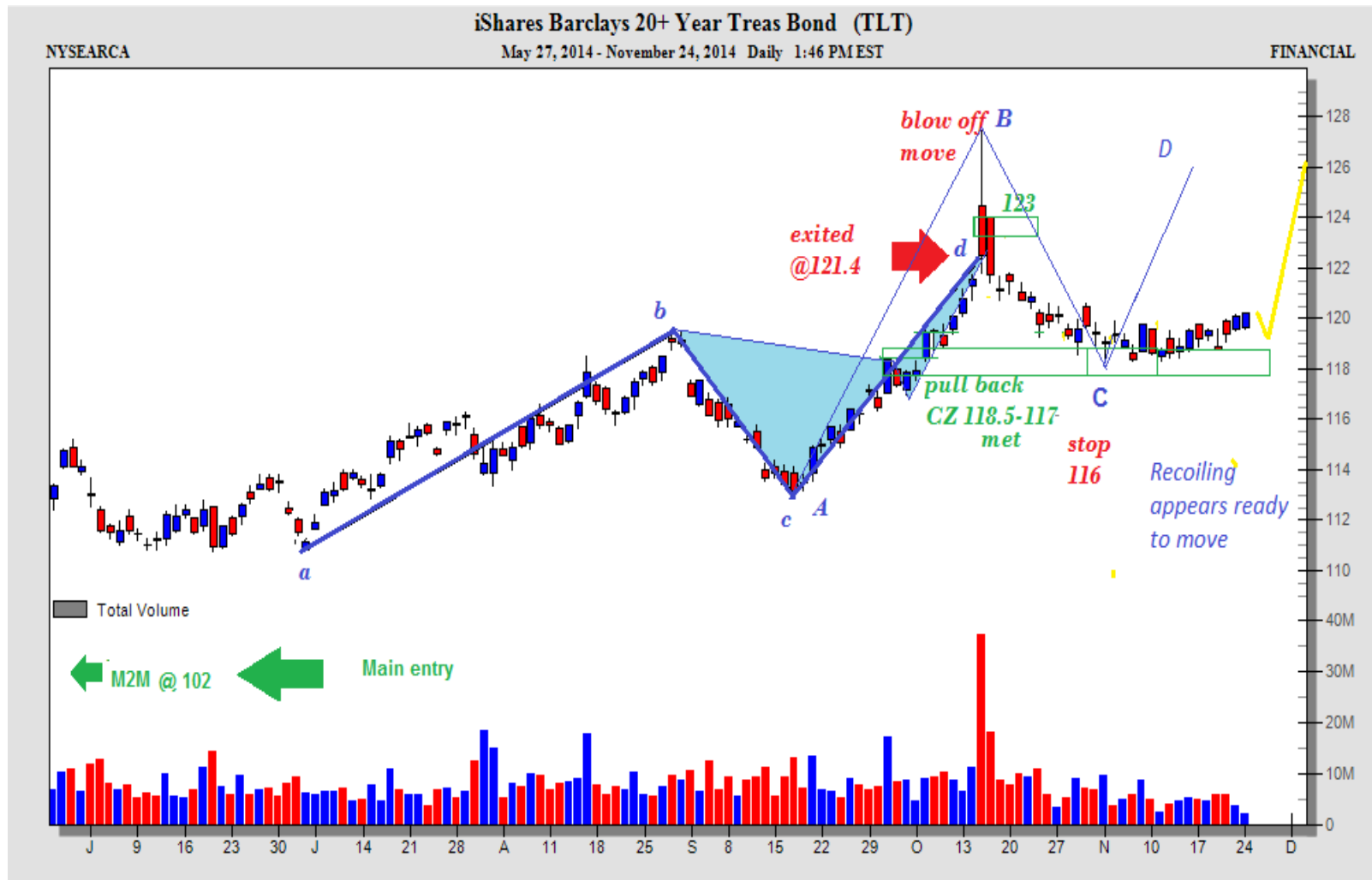
On Midterm basis , since the TICK, TRIN Reading, McClennan Osc, has not reached extremes and Neutral Top on daily basis. This combination suggests after the pullback SPX wants to go higher to target **2110 into year end for Final Top** . The cyclic model is calling for higher highs in December for Blue chip Indices only. 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. **RUSS** has topped out as Market is showing divergence (Refer charts below)

The target of first pull back is at the Exhaustion gap **2040**, a point of maximum volume rebalancing at **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.

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

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

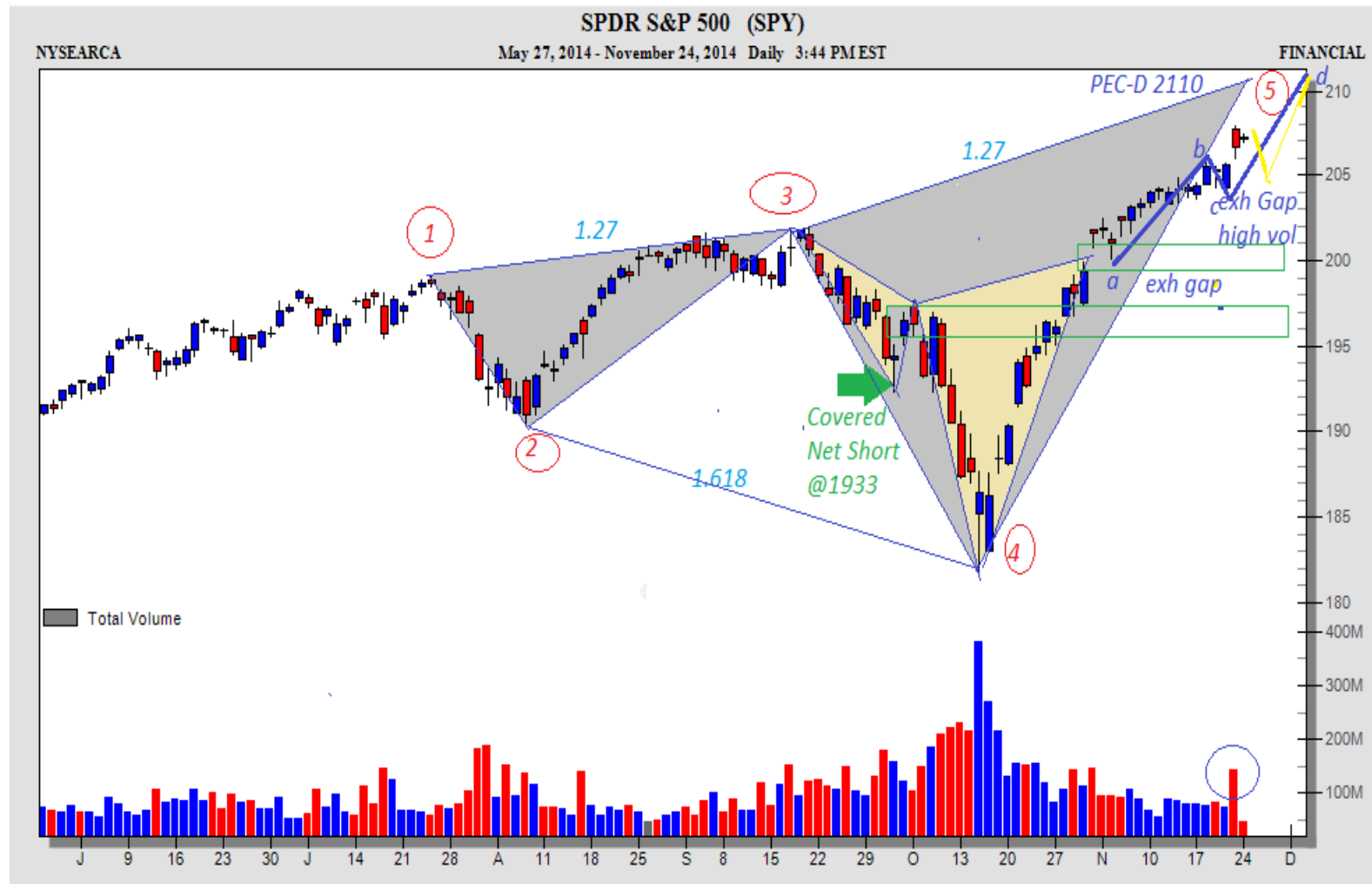
Upside - Target ABC up to PEC-D 123 Bullish top, and then to 127 double top testing .



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

UPSIDE – Rally to 2080 , then pull back 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

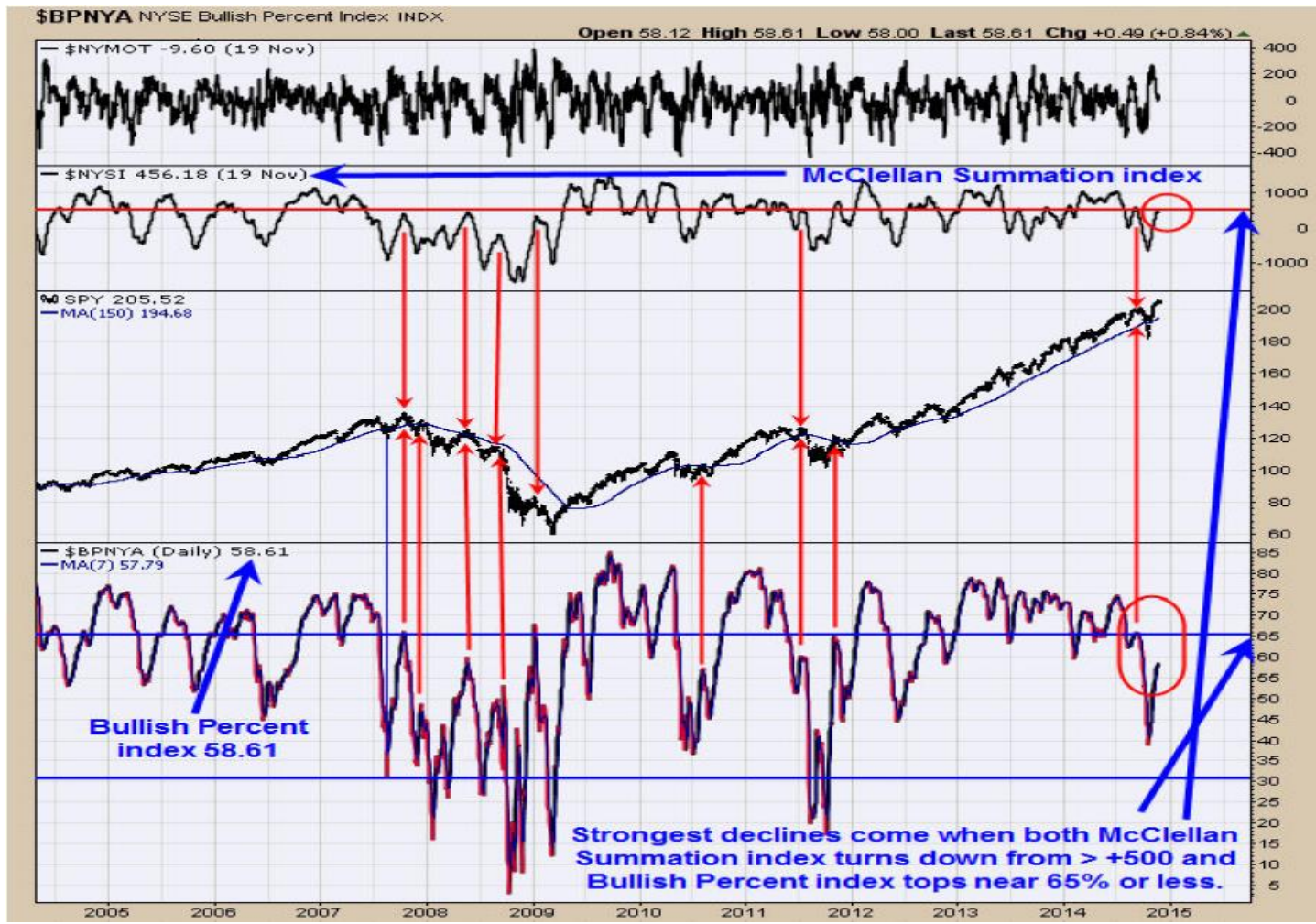
Downside – Pull back to Exhaustion Gap CZ 2040-2035 and then rally up . Next Pull back to ABC down to CZ 2000-2010.



SPX- PEC- D Analysis POM 14 - Neutral - Chart 3

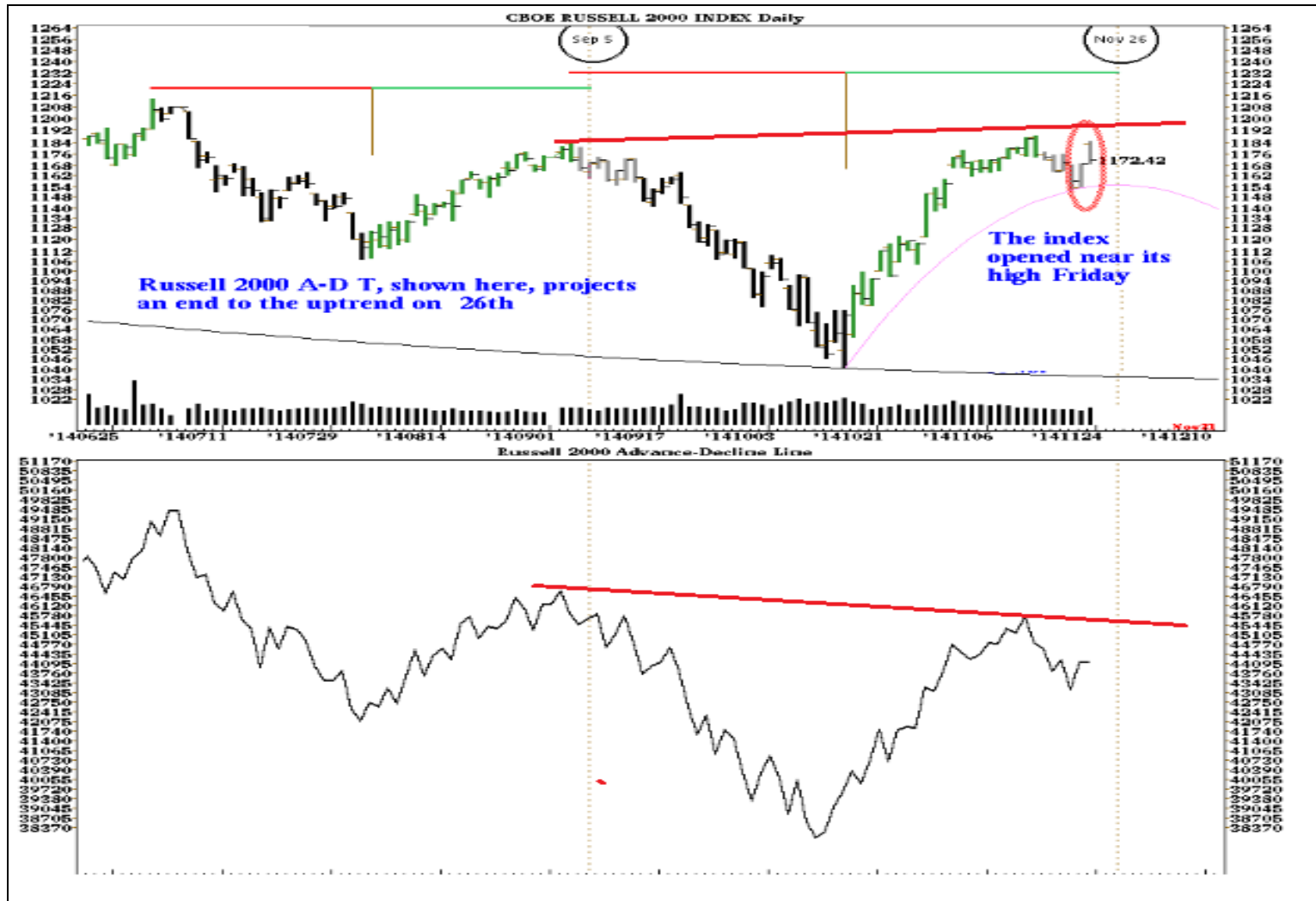
The bigger picture. The Major decline begins when

The McClellan Summation index turned down from below +500 (red arrows mark those instances) and when the Bullish percent index turned down from less than 65%. Currently the McClellan Summation index is setting at +456 and the Bullish Percent index stands at 58. The Market could rally form here till those points in positive seasonality before the decline begins.



RUSS-AD Analysis POM 14 - Neutral - Chart 4 - No Net Short Signal YET

One of the weakest indices has been the Russell 2000, which has shown a pattern of lower highs in price. All year long, we've seen a movement of weakness most evident in the small stocks.



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)

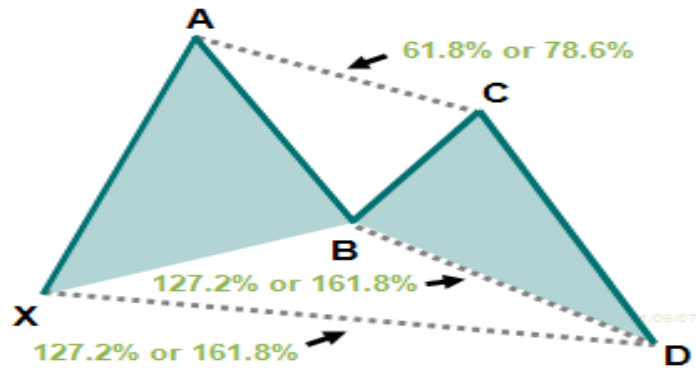
Pythagoras Expansion / Contraction – (PEC) Model

- 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 streams to achieve confluence point D coinciding with POM

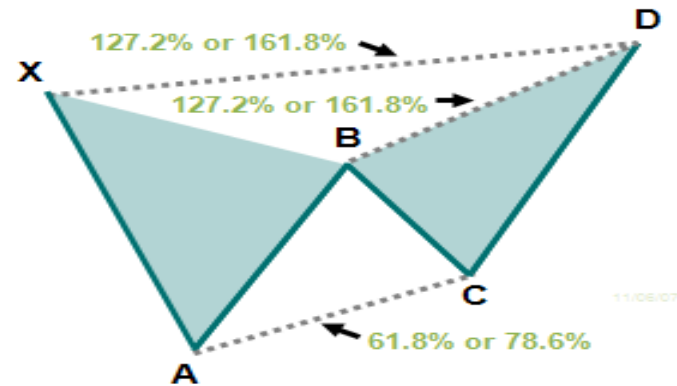
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.