



Date: 19TH October 2015 (Monday)

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SPX – BONDS – Institutional Report

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up Announcem ent - 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	2035	POM 14 Triggered 9/16	Exited within CZ 1985-2020 Via Alert Email 9/16	NEUTRAL	0%	NONE	High Volume Shooting star @ 2020 tested	Extended To 2035 On low volume (false break)	Pull back to CZ 1955-1940 <i>Quality of next pull back is Critical for new signal</i>	CZ 1910-1885- held and rallied from the zone	Last Trade timely Exited 33% Net longs for 105 points (5.3%) Profit

ACTIONABLE IDEAS – Best Risk / Reward

Triggered POM 14 @ in CZ 1985-2020. - **We are flat with No position, waiting for next signal and safer entry point.**

Bears – Test of 2020 Shooting star hasn't failed yet. Possible low volume blow off at 2035 – pop and drop to **trigger Sell Short (POM 15) .**

Bulls – Wait for SPX to pull back to some meaningful pull back within CZ 1955-40 Bullish bottom to trigger Net longs (POM 13)

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TLT (BONDS)	123.9	POM 14 Triggered 8/21	<u>Exited</u> @ 125 Via Alert Email 8/21	NEUTRAL	0%	NONE	PEC-D 126 Should be tested Bullish top	Target PEC-D 128	Pull back to CZ 122—120 Held as expected & rallied up	PEC-D 118 Rejected Bullish bottom	<i>Last Trade Timely Exited full position for 4.5% profit</i>

ACTIONABLE IDEAS - Best Risk / Reward

Triggered POM 14 @ 125 – Neutral. - We are flat with No position, waiting for next signal.

For Bulls – Price / volume rejection within CZ 122-120 / Bullish Bottom.

For Bears – Wait for bounce to PEC-D 128 with Bearish Top to fail and **Trigger Sell Short (POM 15)** .

Market Overview SPX- BONDS

Back drop - In our last Report SPX at 2010, we iterated” *the rally that began from 1910 would continue higher to test the highs of 2020 high volume shooting star with low volume and fail based on volume, projection completion and TICK/ TRIN Readings . Thereafter should begin decline towards the cycle lows into 10/18.* SPX continued to move higher beyond 2020 and did not fail in spite of Bearish readings and 2011 price path is now 1- week extended for pull back and 10/18 lows is negated .

Next - Currently on short term basis, the weekly TICK, TRIN is more in Bearish than last week. SPY / VIX have turned down. In spite of it the short term top , the pullback failed to materialize, most likely due to the ramp into options expiration and short hedged futures unwinding. Every month it seems that put option sellers have a field day selling puts from right after expiration until the first part of the expiration month. We saw those puts expire worthless on last Friday.

We expected to see a top last week and it turns out we did see a top in some parts of the stock market, but not the headline indices. Indeed, the NASDAQ, SPX, DOW held up and moved higher. But, in the sectors which really count NYSE, MID-CAP and RUSSEL market was unable to make higher highs. There may be a possible blow off.

The market is beginning to disintegrate internally. This should present a pullback towards PEC-D 1950 target. Although the quality of the pullback, volume is critical we think one more rally going to take place for another ABC up from 1950 price rejection. Risk control is key for us. We don't want to get caught in thinking long term in a bear market just yet. We think Major Cycle lows may come in a week before thanksgiving 11/20.

BONDS –

ABC up at 126 has been completed – MET exact with Bullish Top and pull back towards CZ 122-120 is approaching . Price path is on track. The decline was apparently due to the strength in equities. Since we think the equity market is breaking down, odds favor bonds forming a low soon within our pull back CZ 122-120 and rallying as stocks decline.

The seasonal tendency for yields after October is to fall significantly lower, which would translate into a rise in bond prices.

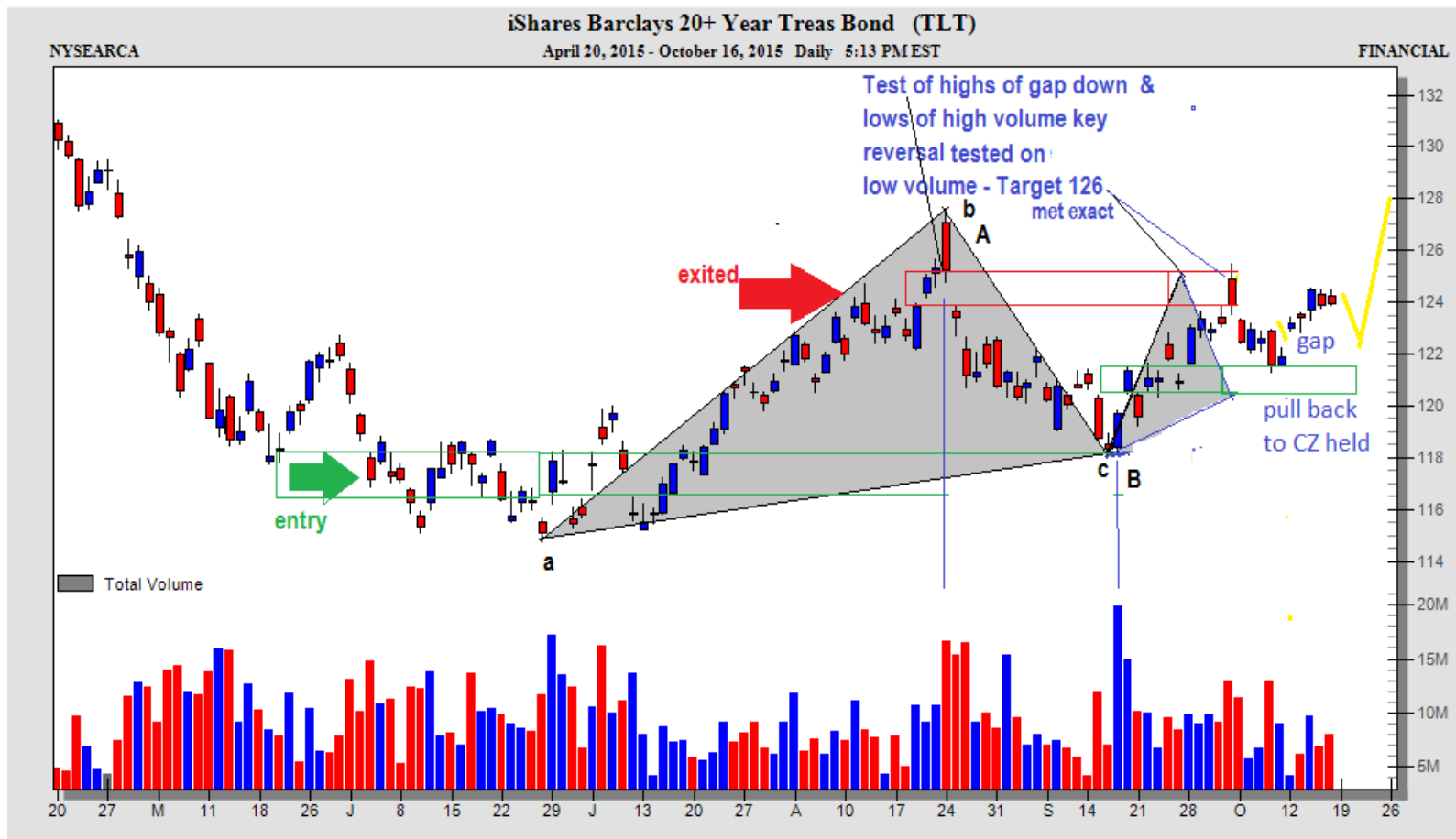
Note: seasonals denote a tendency and not a rule and should be considered as less important than Volume / PEC-D indicator. If stocks fall as we expect, bond prices would likely rise as flight-to-quality buying forces stock sellers to move into the safety of the government bond market.

TLT – CZ- PEC- D Analysis - Daily

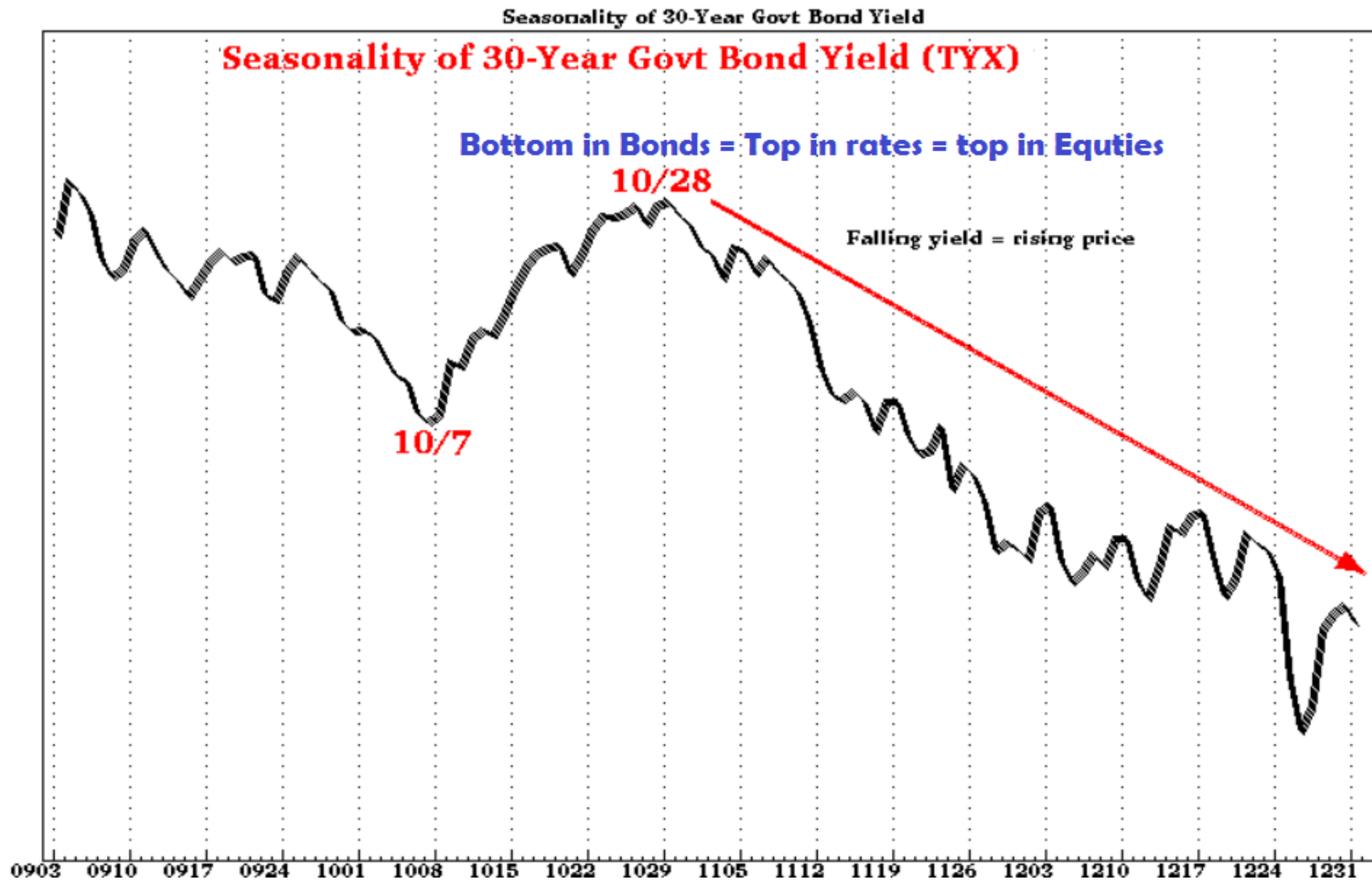
Notes within the chart –

Downside – CZ 122-120 – held as expected with Bullish Bottom for another rally .

Upside – PEC-D 126 – Bullish Top should be tested. TARGET PEC-D 128 .



TYX – Yield – Seasonality.



SPX- TRIN / TICK Analysis - Daily

The bottom window is the 10 day average of the TICK, it is extended to +400. The 10 day average of the TRIN, it is extended below 1.0. Both are in short term Bearish and near the Top. The volume is failing at the top. The Neckline of the Head and Shoulders top comes in near 2020 and Mid-Point Gap which is $\frac{1}{2}$ way move target to 2020 has been extended with false break above. Wave 5 could be a blow off move to end the move.

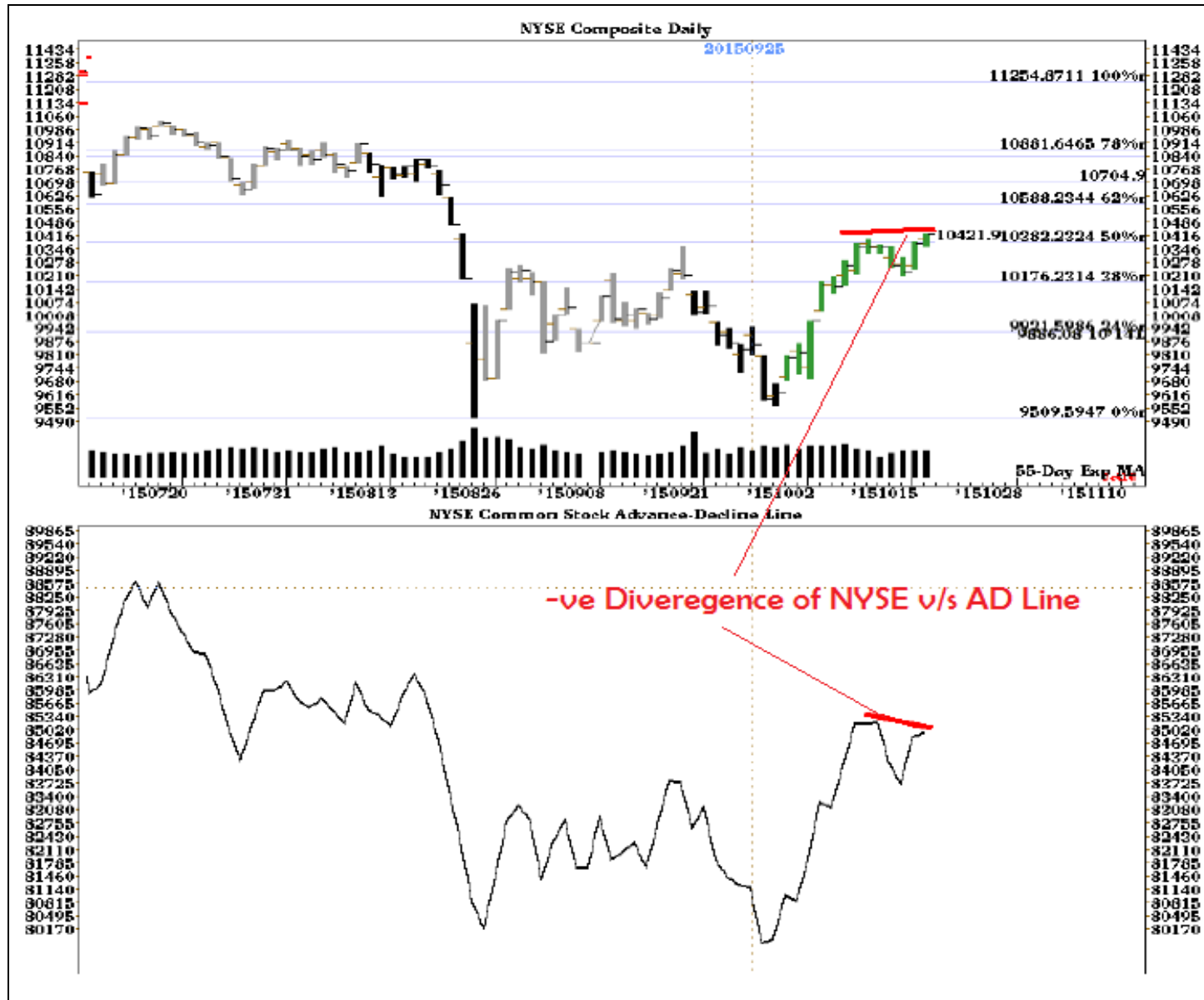


SPX / VIX Analysis - Daily

The SPY traded to a four day lower low and the VIX closed below the four day high and a short term divergence and therefore the VIX is not showing a bearish sign here. The VIX is not confirming the move up on the SPY.” The most logical place for the SPY to bottom next is the gap level near 1950 that formed on October 5.



NYSE – AD line Analysis - Daily



GDX- Analysis - Update

Friday GDX broke to a minor new high and reversed . The GDX/GLD ratio continues its negative divergence and suggests a pull back is coming. GDX new short term high produced a volume that dropped in half from previous test volume. This conditions shows the market on short term is exhausted to the upside and due for a pull back. The potential Head and Shoulders bottom pattern appears still in play. We have a minor cycle low , pull back could be CZ 15-14 and which would represent the Right Shoulder low for the potential developing Head and Shoulders bottom on GDX. This developing Head and Shoulders bottom has a measured target near 19.50. We are looking for a bullish setup in the 15 to 14.



Appendix Content

- Objectives & POM /CZ / PEC –D Guidelines – 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.*

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)

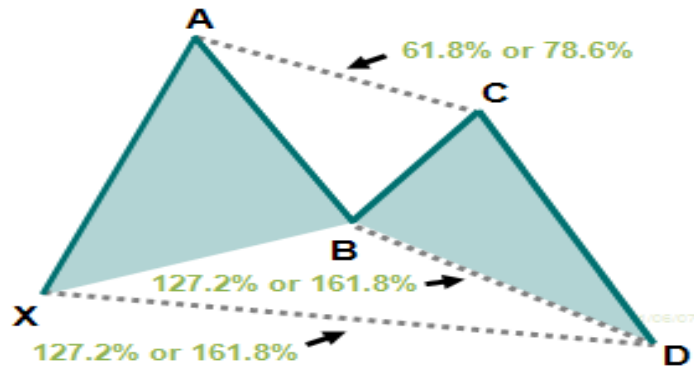
Pythagoras Expansion / Contraction – (PEC) Model

- 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

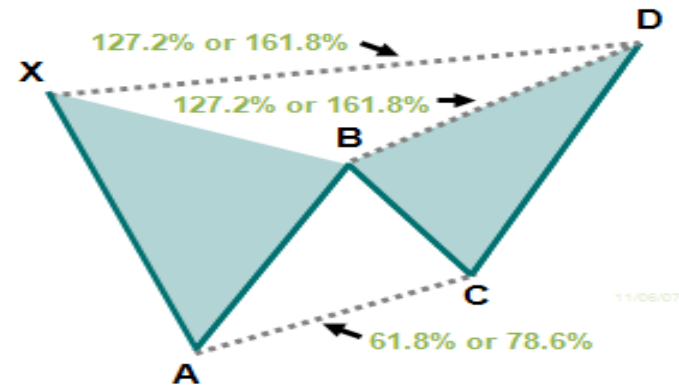
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



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