SG Capital Research

Global Market Insights

Chart System

Date: 21th December 2015 (Monday)   www.sgcr.us   **SPX – BONDS – Institutional Report**

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Announcement- ST Trend reversal & Risk management	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 14 Triggered 9/16	Pre warned short term bottom @ 2020 On 12/14 for rally to Target 2070	NEUTRAL	0%	NONE	Seasonality bounce to 2055 should fail	Fed Rally to 2060 -65 Met exact & then declined	Pull back To 2000- on heavy volume	Target ABC down to CZ 1955-1940	*Momentum* Top to 2100 – fell short 8 points & failed

ACTIONABLE IDEAS – Best Risk / Reward -

Bulls – for Traders- SPX from 2000 or under levels, if rejected & close above 2010 this week , should rally into year end and perhaps early part of Jan 2016 . The bounce should limit itself to 2055-65 – The momentum thrust to 2150 is negated

Bears – For Investors, - Pull back to 2020 levels is on heavy volume suggests that our price projection to 1950 should be achieved in spite of all the bounces and volatility. SPX 1950 would be great place to go long. The distribution pattern on low volume under 2100 is complete. The current phase is markdown.

	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
TLT (BONDS)	123.8	POM 13 Triggered 10/29 @ 121	NONE	BULLISH	17% Net long	NONE	PEC-D 126 Should be tested Bullish top	Target PEC-D 128.5	Pull back to CZ 120-122 Held & rally up.	PEC-D 118 Rejected Bullish bottom	

ACTIONABLE IDEAS - Best Risk / Reward

 For Bulls – **Triggered POM 13 "Net Long"** within CZ 120-121 Bullish Bottom.

 For Bears – Wait for bounce to PEC-D 128 with Bearish Top to fail .

Market Overview SPX- BONDS

Back drop – We are Neutral with 100% Cash in SPX portfolio. In our last Report 12/14 SPX @ 2020, we had indicated " market would go under 2020 (TRIN 2.0/ TICK-700) with turn around Tuesday prior to FOMC and rally to 2060 to the breakdown area of momentum thrust and should fail. The decline down to 2020 levels should be retested due to heavy bottom" ………….This is exactly what happened.

This continues to be short term traders' markets—very profitable but with little long term trends.

Next – **For Bullish short term Traders**, ES- EW Spread indicator has seasonality bias, it should start a bounce but should limit to 2055-65 CZ Levels. For Short term, the Thursday / Friday's, 2 day TRIN is at 5.00 which suggests, the bounce can initiate withi 1-2 days. But this will just be a bounce for traders and that too "Do or Die" for seasonality rally. Primarily due to heavy bottom at SPX-2000 where the force is on downside. Traders don't fall in love with either the upside or the downside. Trade this market with tight stops, don't buy-and-hold it.

For Investors, 2100 was a distribution area due to various Bearish indicators in NASD, RUSS, NYA and Foreign market, resulting in pull back target to 2020 with final target to 1950 in current decline. AD line is still Bearish on 200 EMA stocks. MACD is still negative during the FOMC rally last week. Stocks have likely entered in 12-month bear market while bonds have the potential to rally sharply higher over that span of time.

While bonds are soaring and predicting a recession in the US—stocks are seeing headwinds in the economy. Bonds have the potential to rally if the pattern is a thrust rally. Bonds were the go-to market last week as they rallied on the Fed rate hike while stocks took gas.

  BONDS –   Bonds have been doing better than stocks since the summer. The rising ratio of the long-dated Treasury (TLT) / (SPY) outperforming stocks during December. Part of the reason for the bond buying is due to fear of global deflation, which usually favors bonds over stocks. Treasury yields are also higher than other developed markets, which makes U.S. long-dated bonds more attractive to foreign buyers.
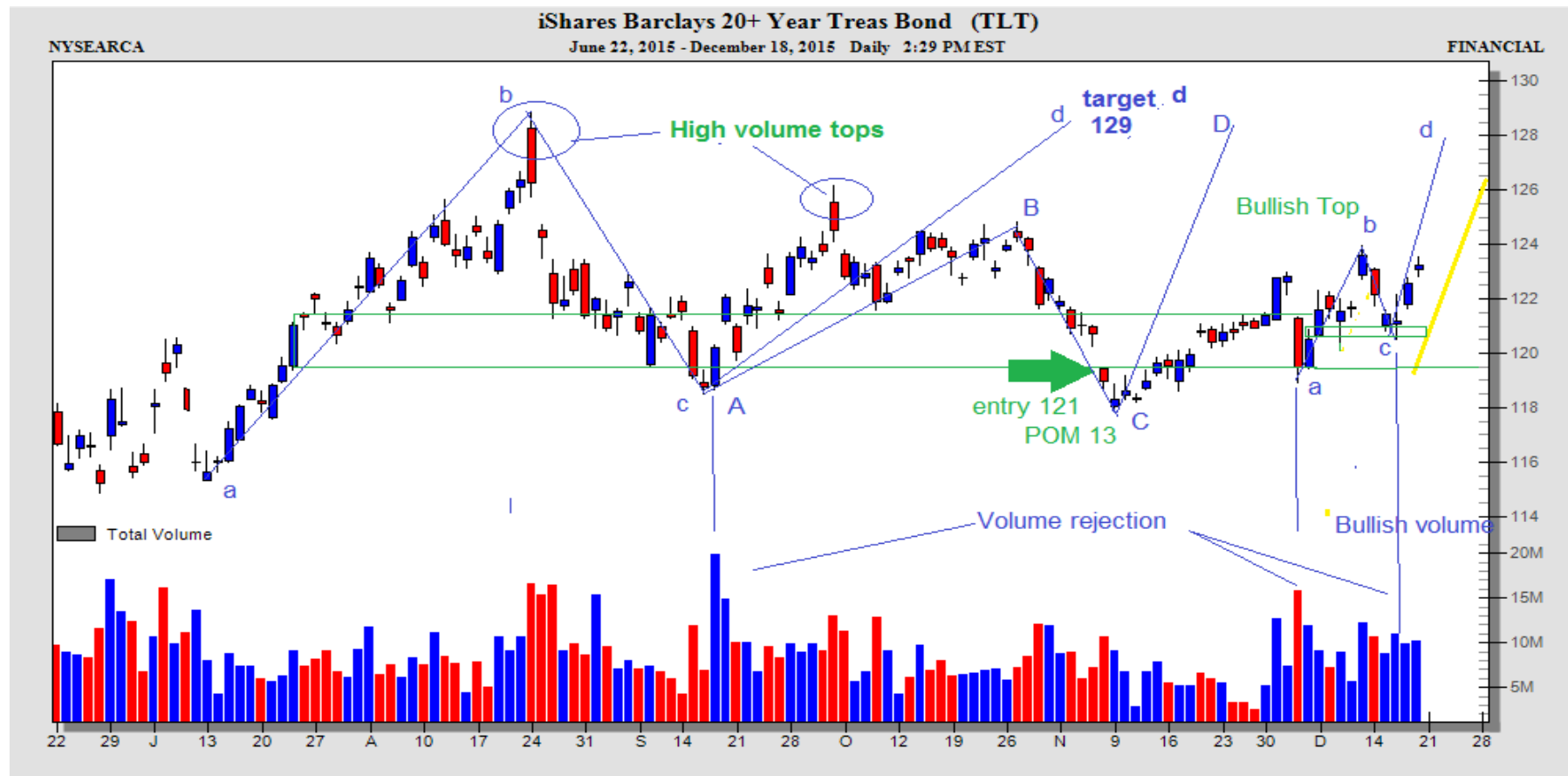
Bonds seem to continue to want to go to higher prices. Previous ABC ups on TLT ended at 129 and 126 with Bullish top. These levels should be tested at some point.

TLT – CZ- PEC- D Analysis - Daily

Notes within the chart –

Upside – PEC-D 126 – Bullish Top should be tested. TARGET PEC-D 128.5.

**Downside** –CZ 120-122 – has approached with Bullish Bottom for another rally

iShares Barclays 20+ Year Treas Bond (TLT)
June 22, 2015 - December 18, 2015 Daily 2:29 PM EST

NYSEARCA   FINANCIAL

TLT / SPY – Ratio Analysis <mark>- Daily</mark>

The rising ratio of the long-dated Treasury (TLT) / (SPY) outperforming stocks during December.

SPX – Hourly Analysis - Short- term

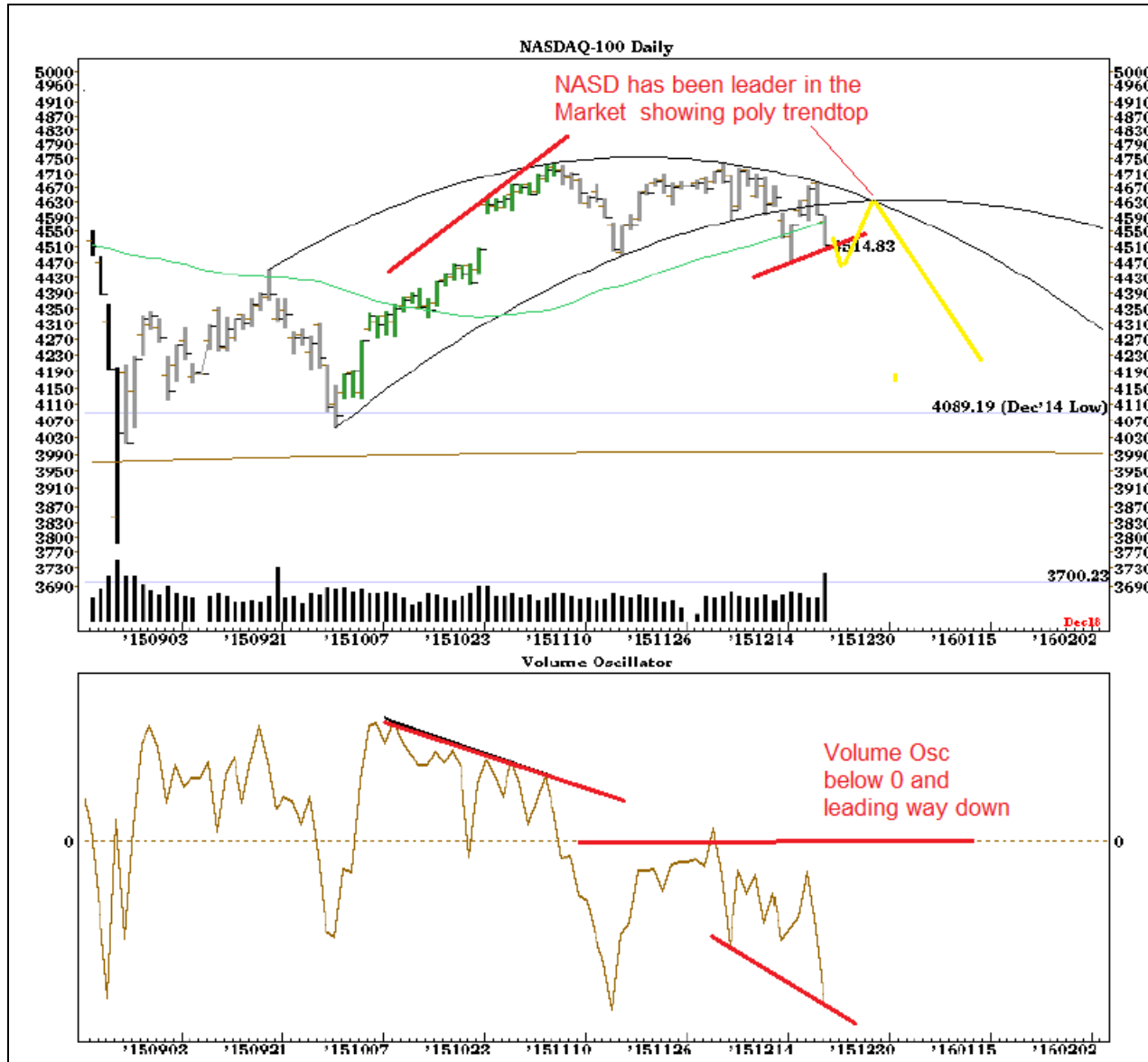Diverging bullishly with AD-OSC on hourly for bounce only.
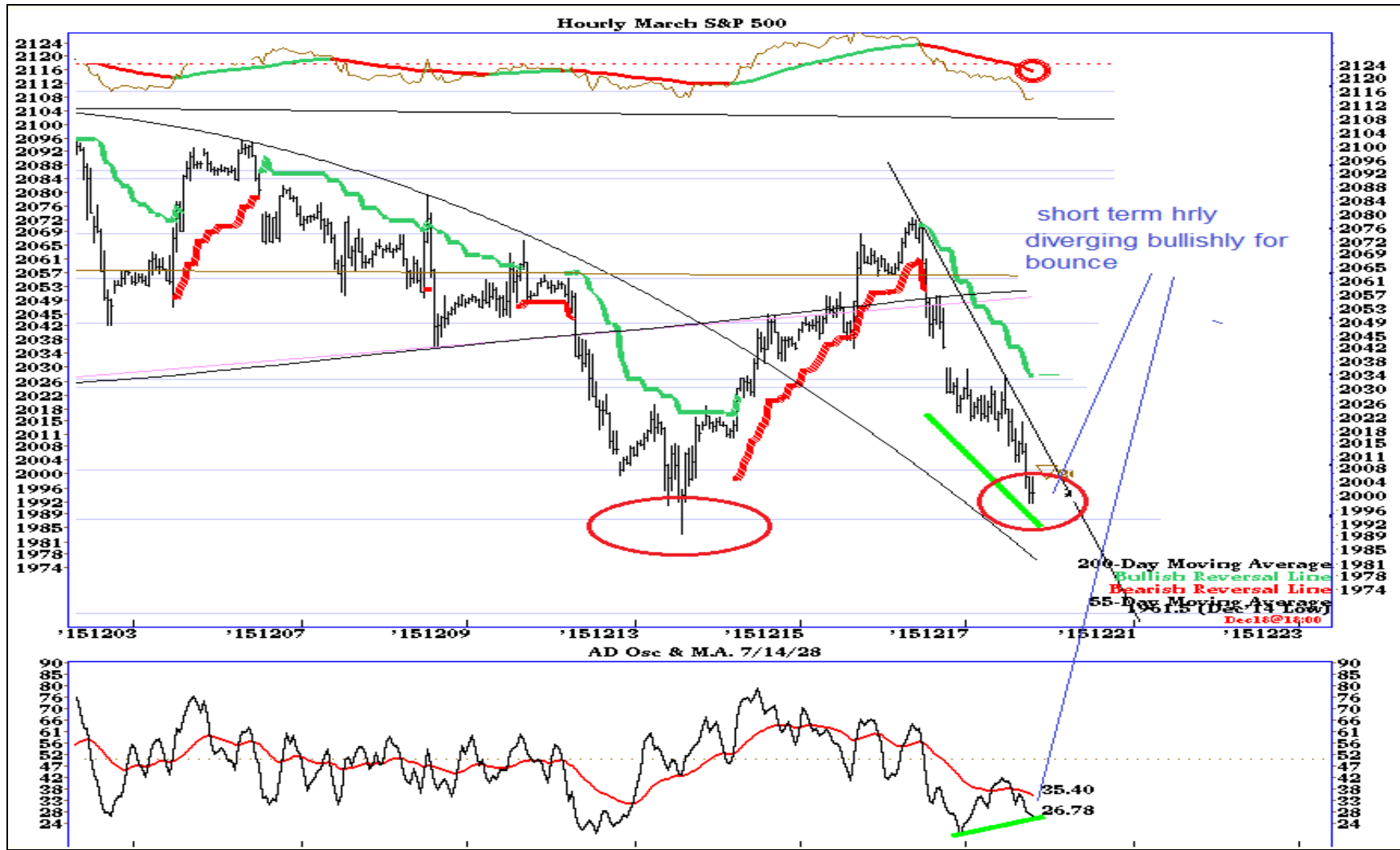
SPY - CZ- PEC- D Analysis - Daily

Notes within the chart
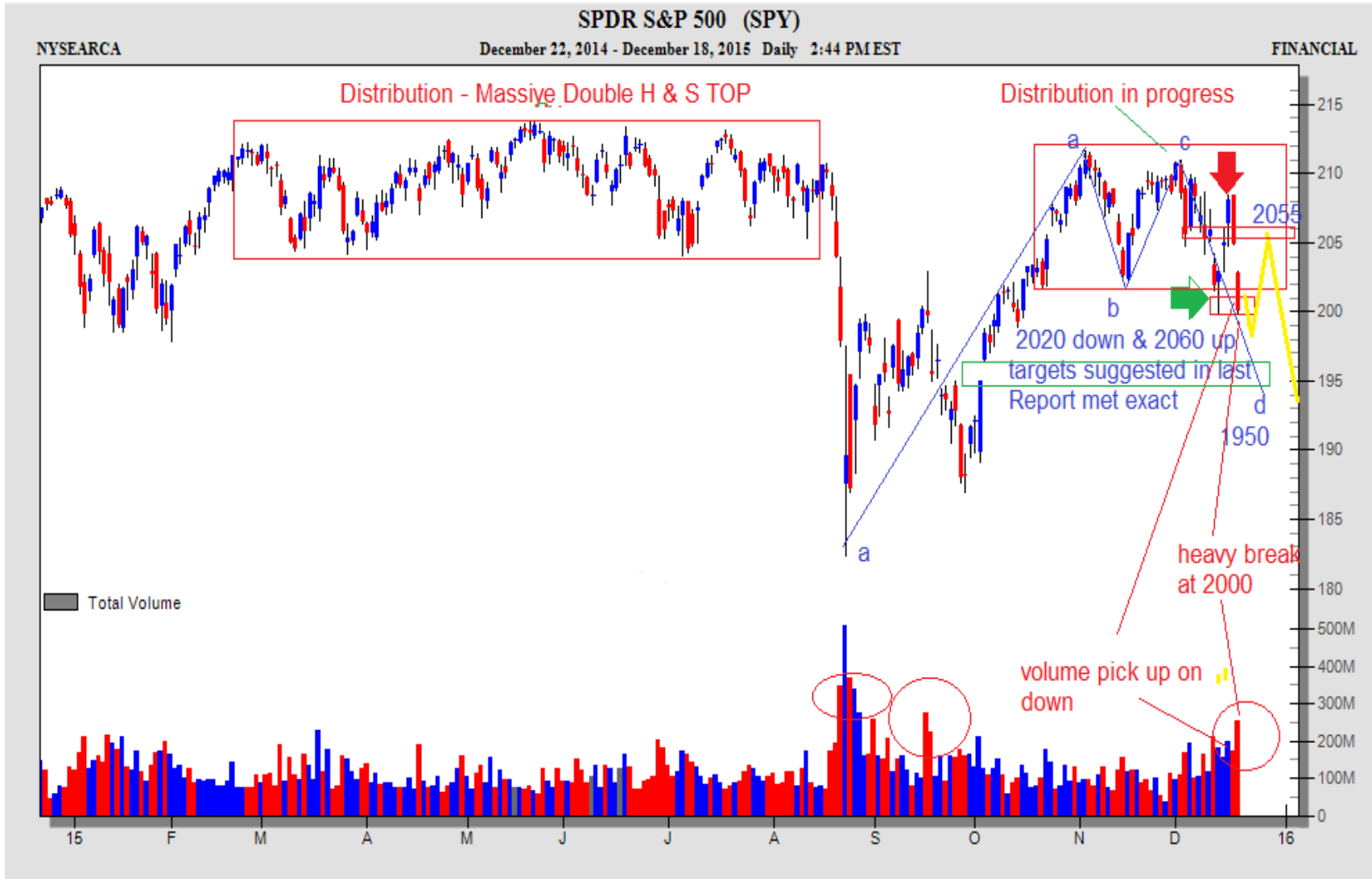
NASD – VOL-OSC – Poly-trend   Analysis – Daily (mid term)

NASD – lead dog is diverging bearishly under poly-trend zones.

SPX – Cyclical Model

- **SPX - Seasonality**

EFFECT – , NOV – APRIL - POSITIVE .

- **SPX - Geomagnetic / Lunar Cyclic Model**

Bradley Model – Turn 8th October.

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – NEUTRAL

SPX – Internals Model

Midterm - TICK / TRIN Bearish – Short term Bullish.
AD Oscillator, Ratio's – Short term Bullish.

Appendix Content

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

<u>Critical backdrop Notes</u> –

- *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 steams to achieve confluence point D coinciding with POM
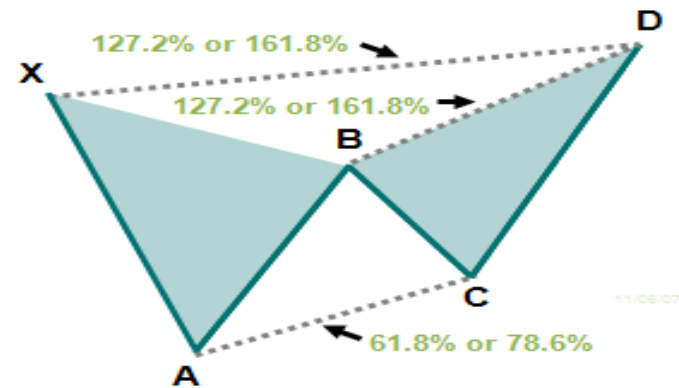
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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
61.8% or 78.6%
A