SG Capital Research

Global Market Insights

Chart System

Date: 28st April 2015 (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	2108	Announced POM 14 @ 2090 4/20 via Alerted email	NONE	NEUTRAL	0%	NONE	Target to Re test 2125-2110 to *change required from Neutral Top to Bearish Top*	Larger 1-3-5 Pattern @ 2110 – 2125- Met & Exhausted	Pull back to PEC-D 2065 Bearish bottom Triple bottom to be tested	Target ABC down to 2020 Eventually 1990 has Heavy volume	*Holding long position in Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here*

ACTIONABLE IDEAS –

For Bears – Wait for rally to Trigger at POM 15 for Net short at / around CZ 2110-2125 for Bearish Top. **We wait for another test of this area or lower highs to put in Bearish Top from current Neutral Top to Trigger and take position.**

For Bulls – pull back Target 2065 triple bottom then rally to 2110-2125.

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TLT (BONDS)	129.2	On 1/28 @ 135 Exited ½ & on 3/12 – POM 14, @126 Exited balance	NONE	NEUTRAL	0%	NONE	Target CZ 132-134 Failed	Target 135 to double top	pull back to CZ 127-128 in progress, should hold & rally back	CZ 123-125 Neutral Bottom	Consolidation between Trading range 133-124

ACTIONABLE IDEAS -

For Bulls –Pull back to CZ 127-128 and Rally up to PEC-D 135 Double top.

Alternatively For Bears **–** Await to wait the bounce to CZ 132-134 to fail with Bearish top.

We shall take position only when we have a trigger.

Portfolio – Overview & Update

SPX- Overall Portfolio is at "**POM 14- Neutral** triggered @ 2090 on 4/20.

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 12 @ 1165 entry announced on 3/19** for uptrend that is in progress.

BONDS – POM 14 - Neutral triggered @ 126 on 3/12

Portfolio Holdings …
Bearish BIAS EQUITY- NON LEVERAGED(1:1) ………**Refer to Respective Reports for details**

- **LONG at POM 13** ………..**Total 58% Holding**
  Non- Equity (7.5%) - **USD/JPY (2.5%) , UNG (2%), AUD (5%)**
  Equity (20.5%) - **XLV (5%) ,XHB (5%), XLP(5%), JNJ (1%), FB (1%), NIKKE (3.5%)**
  GOLD(30.0%) – **GOLD (15%), GDX(15%)**

- **NET SHORT** ………..**Total 0% Holding**

Market Overview SPX

SPX's - **POM 14- Neutral** on 4/20 at 2090.

SPX rallied to double top the exhaustion point of CZ 2125-2110 and failed <u>BUT</u> still on Neutral Top. **<mark>We wait for another test of this area or lower highs to put in Bearish Top from current Neutral Top.</mark>** The final blow off is still lacking in this market with last gasp of the uptrend to confirm POM 15 – Net short. The final top in this bull market will know once we take out the lows of the week of March 11 with heavy volume.

The First downside target is to the Bearish bottom at 2060. This Gap down Selling Climax" lows will be tested.

Over all 3 drives to top is complete 1-2-5. The Trin and Tick reading turned Bearish. Volume on bounce is lightening up but not Bearish yet. The McClellan Oscillator readings below "0" suggest a weakness in trend. NYSE advance/NYSE decline ratio is bearish below 1.5, suggests the pullback should begin soon once Bearish top is in place. (Refer charts below)

Margin debt continues at record levels. Volatility index is near all-time lows showing that there is complacency for any correction coming in the market.

T termination point coincided with a projected Time Ratio High on last Friday. Ideal cycle low is in mid-May . Panic Cycle suggest it can go lower till June.This will be followed by another rally up.

 Bonds- TLT 's - **POM 14 Neutral status** on 3/12 at 126.

TLT (Bond) – CZ- PEC- D Analysis - Daily

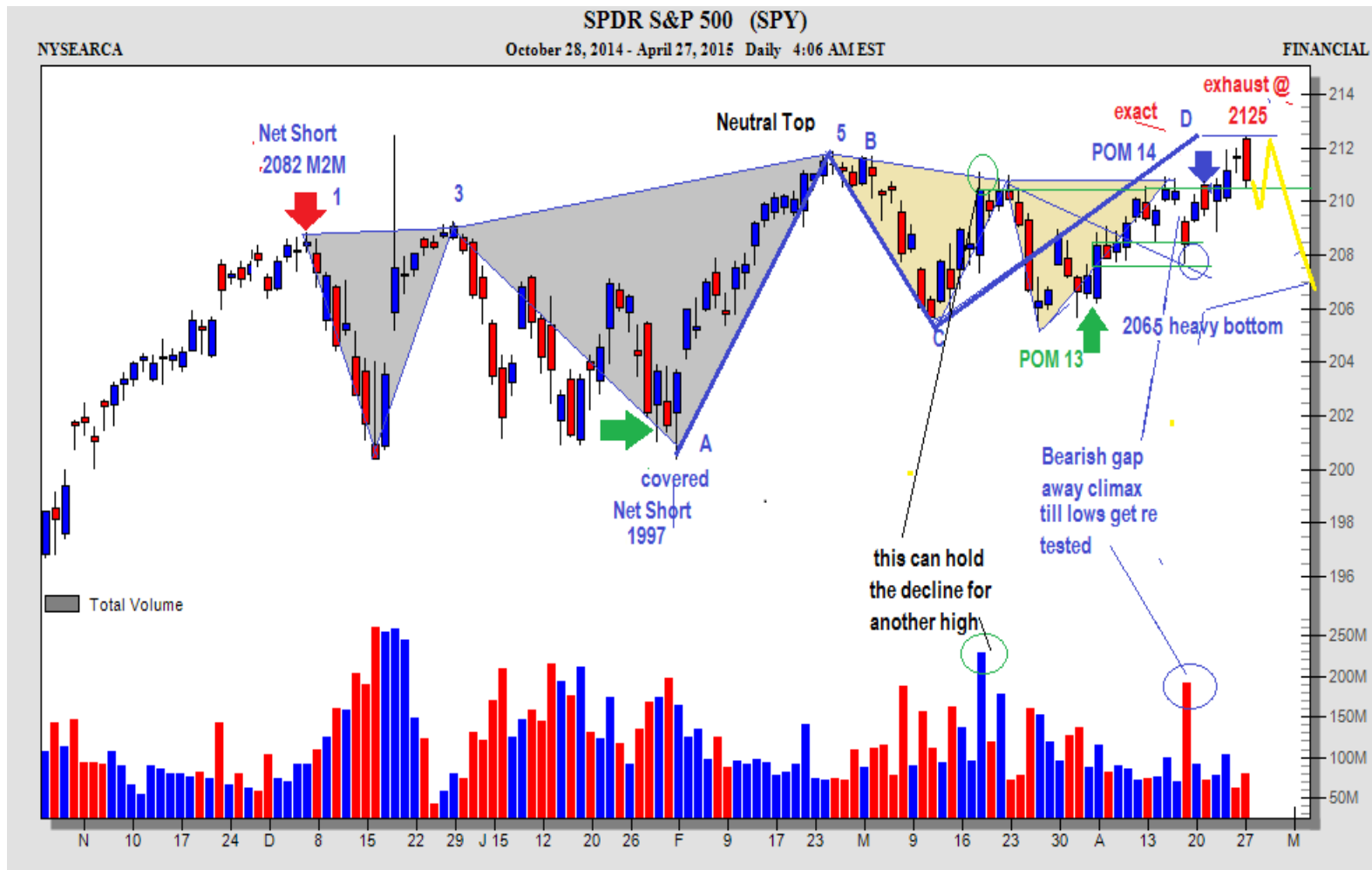**Downside –** Pull back CZ 127-128 in progress & rally up.

Upside – CZ 134-132 to fail but eventually Target 135 – Double top. .
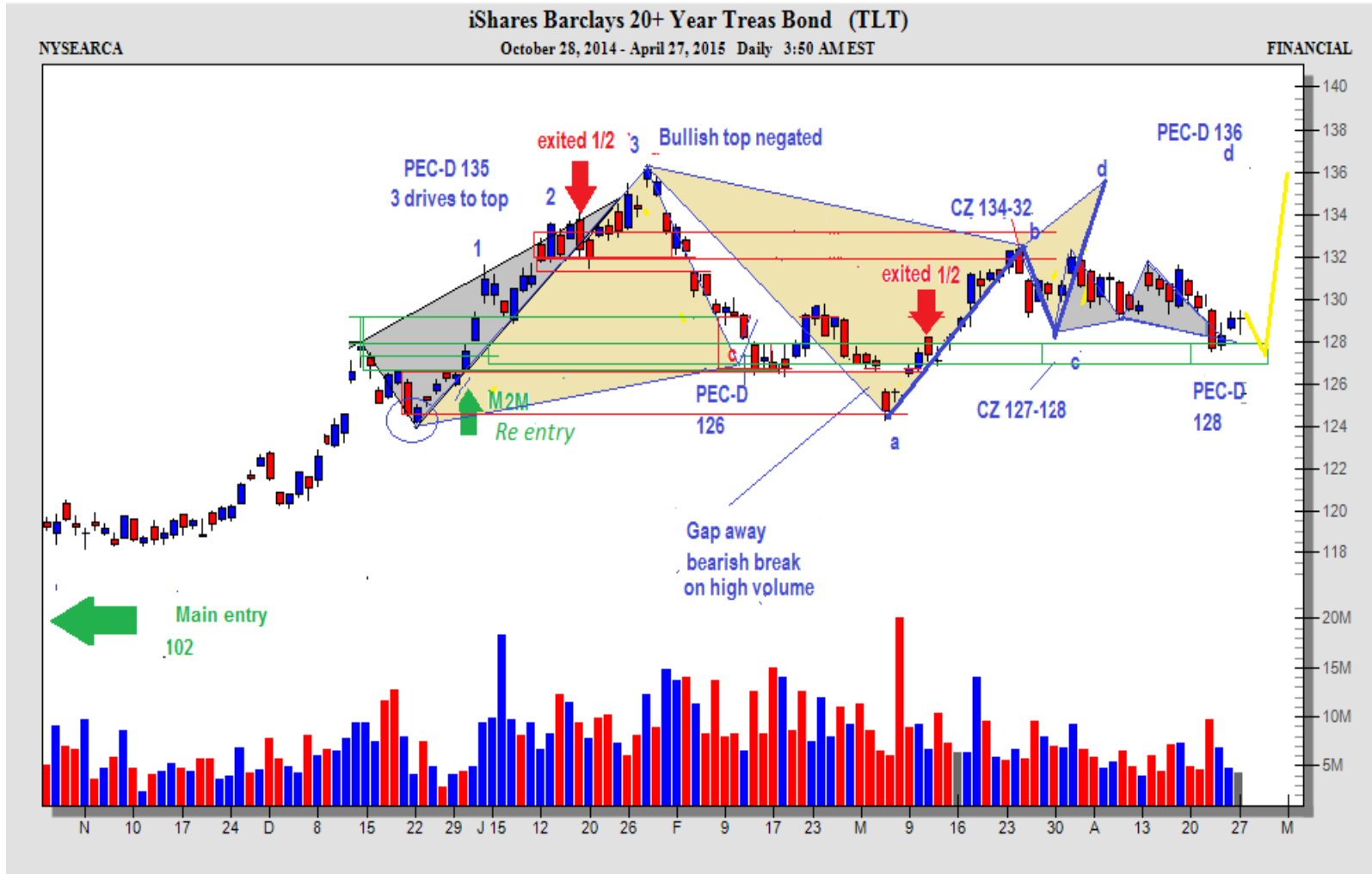
SPX- PEC- D Analysis - Daily

UPSIDE – Rally to target 2125-2110 met but should be re tested again.

Downside – Pull back to CZ 2065 for successful test and rally

SPX- NH- TICK Analysis - Daily

 "Three Drive to Top" pattern. The key for this pattern is that the decline off of the second top should be 1.61 or greater retracement of the previous leg up with an increase in volume. Both requirements where met on the current pattern. After the 0.618 retracement the market rallies to new highs creating a third high which is complete as well. New Highs are at where previous tops have taken place at 300 . TICK is in Bearish (Refer chart below)
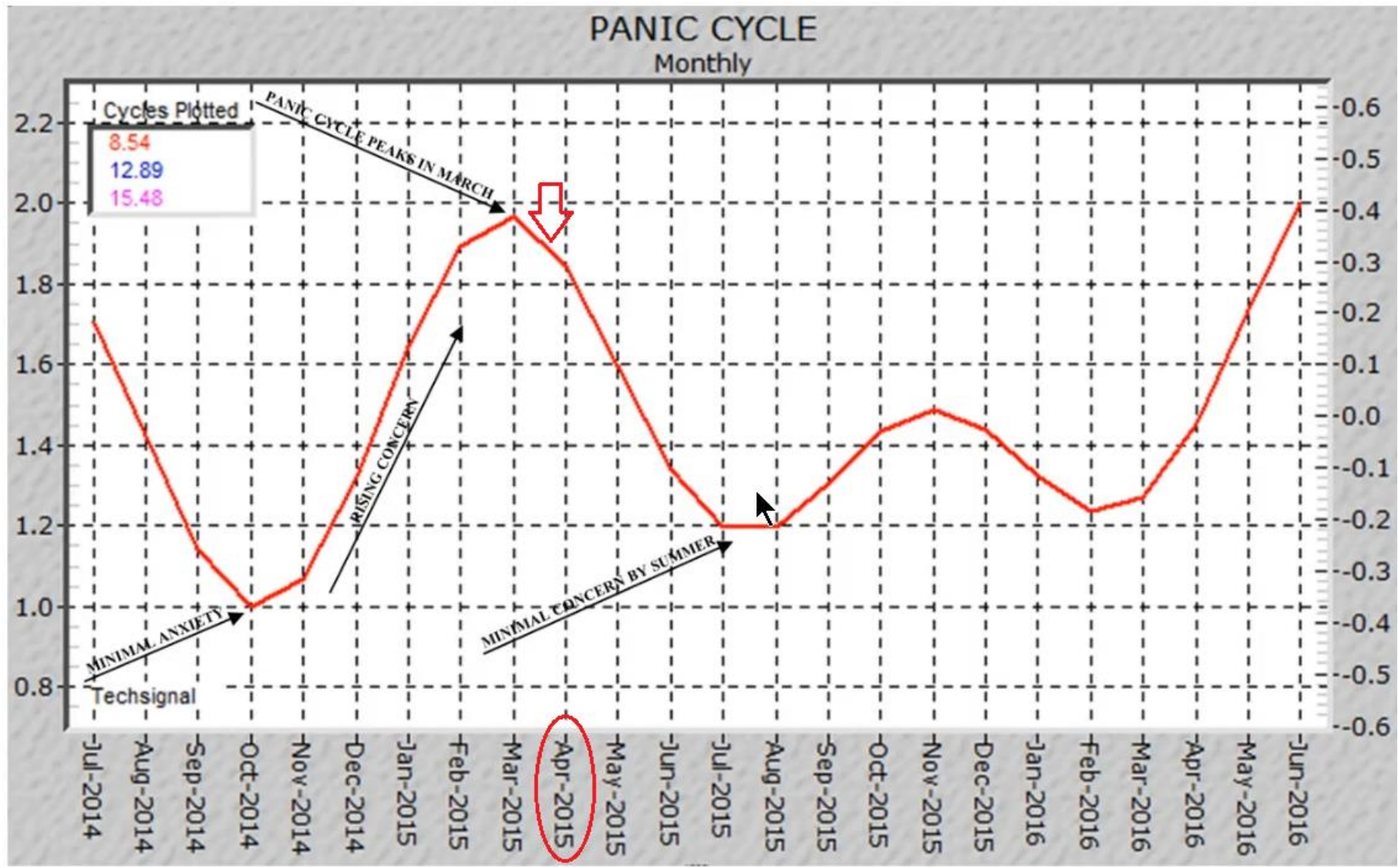
SPX- NH- TICK Analysis - <mark>Daily</mark>

The internals of the market are weakening. McClellan Oscillator which closed today at -14.44: readings below "0" are considered bearish. NYSE advance/NYSE decline below 1.45 are bearish, it came in at 1.32.

SPX- Cycle Analysis

Cycle highs in April and Cycle lows in June.

SPX – Cyclical Model

- **SPX - Seasonality -**

MAY EFFECT – Negative .

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

Bradley Model – Neutral

- **SPX - Sentiments Model**

AAII Weekly Sentiment Survey – NEUTRAL

SPX – Internals Model

Midterm - TICK / TRIN – NEUTRAL
AD Oscillator, Ratio's – BEARISH

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**

<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.*

(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
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
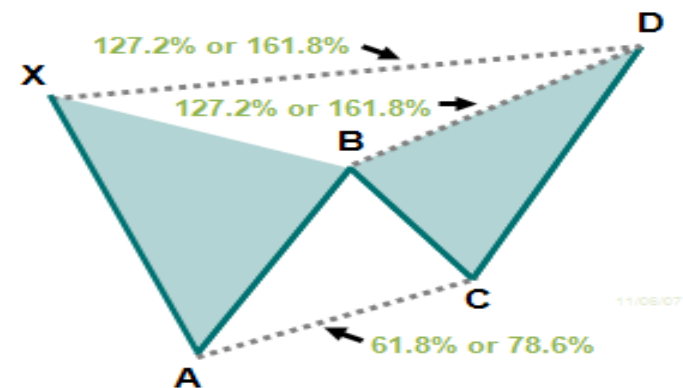
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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
61.8% or 78.6%
A