



Date: 18th May 2015 (Monday)

SPX – BONDS - MARKET STRATEGY REPORT (SP)

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Annoucem ent-</u> 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	2123	<u>Announced</u> POM 15 @ 2100 -2115 5/1 via Alerted email	NONE	BEARISH	15% Net Short	NONE	Target to Re test 2125 Met exact Larger 1-3-5 Pattern	Extension @ 2130 to fail Bearish Top	Pull back to Gap 2100 Bearish bottom	Target ABC down to 2065 Heavy volume	<u>Holding long</u> position in Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here

ACTIONABLE IDEAS –

For Bears – Triggered POM 15 for Net short within CZ 2115-2100 Bearish Top. Extension to 2135 to fail

For Bulls – Awaiting pull back Target 2065 triple bottom then rally.

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TLT (BONDS) Announcement	121.6	On 1/28 @ 135 Exited ½ & on 3/12 – POM 14, @126 Exited balance	Triggered POM 13 @ 121 On 5/17	NEUTRAL To Bullish	0% to 15% Net long	Scale in CZ 120-118	Target CZ 128-127	CZ 132-134	ABC down to PEC-D -120- Met	Re test into CZ 120-118 and rally up Bullish Bottom	<i>Consolidation between Trading range 133-123</i>

ACTIONABLE IDEAS -

For Bulls –Pull back to **PEC-D 120- Met** – **Triggered POM 13- Net long** .

Alternatively For Bears – Await to wait the bounce to **CZ 127-128** to fail with Bearish top.

Portfolio – Overview & Update

SPX- Overall Portfolio is at “**POM 15- Bearish** triggered within **CZ 2115-2100 on 5/1**.”

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** – **Bullish** triggered @ **1165 on 3/19** . .

BONDS – **POM 13** – **Bullish** triggered @ **120 on 5/18**

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 15% Holding
 - Equity (15%) - SPX (15%)

Market Overview SPX

SPX's - POM 15 Triggered - Bearish on 5/1 with **CZ 2115-2100.**

SPX rallied above triple top exhaustion point of **CZ 2115-2100**. The move above **to 2135** may a trap followed by sharp decline. The First downside target is **2060 which is ABC down at Selling Climax**” lows (needs to be tested).

Over all 3 drives to top is complete 1-2-5. The Trin and Tick reading turned Bearish. Volume on bounce has lightened up and failing. The McClellan Oscillator readings below “0” suggest a weakness in trend. NYSE advance/NYSE decline ratio is bearish below 1.5.

TRIN Readings .90 and below suggests the market is near a high. The SPY/TRIN ratio is above the upper boundary line @ 240 where market highs usually form. TRIN and SPY/TRIN ratio are in bearish territory. Ticks reached an intra day high of +1394 last Friday which suggests high possibility of Top within 2 days. SPX is making new highs but VIX makes higher lows this suggests the market is near a high.

From the daily SPX Volume Oscillator, projective indicator, we have a T which expires right in that mid-May timeframe, along with a Time Ratio High projection. This scenario also fits the “Sell in May and go away” strategy. The market is clearly in a topping phase as the weakness in the broad market warns, most stocks have topped and are trending lower while the blue chip indices continue to new highs. This stage of the market always traps investors into buying dips and that could be the ultimate trap. This week, we expect that the blue chips will continue to advance while the broad market fails to set new highs. Tops are trying patience and this one is no exception. However divergences are present

TLT 's - POM 13 Triggered- Bullish on 5/18 with **CZ 120-118.**

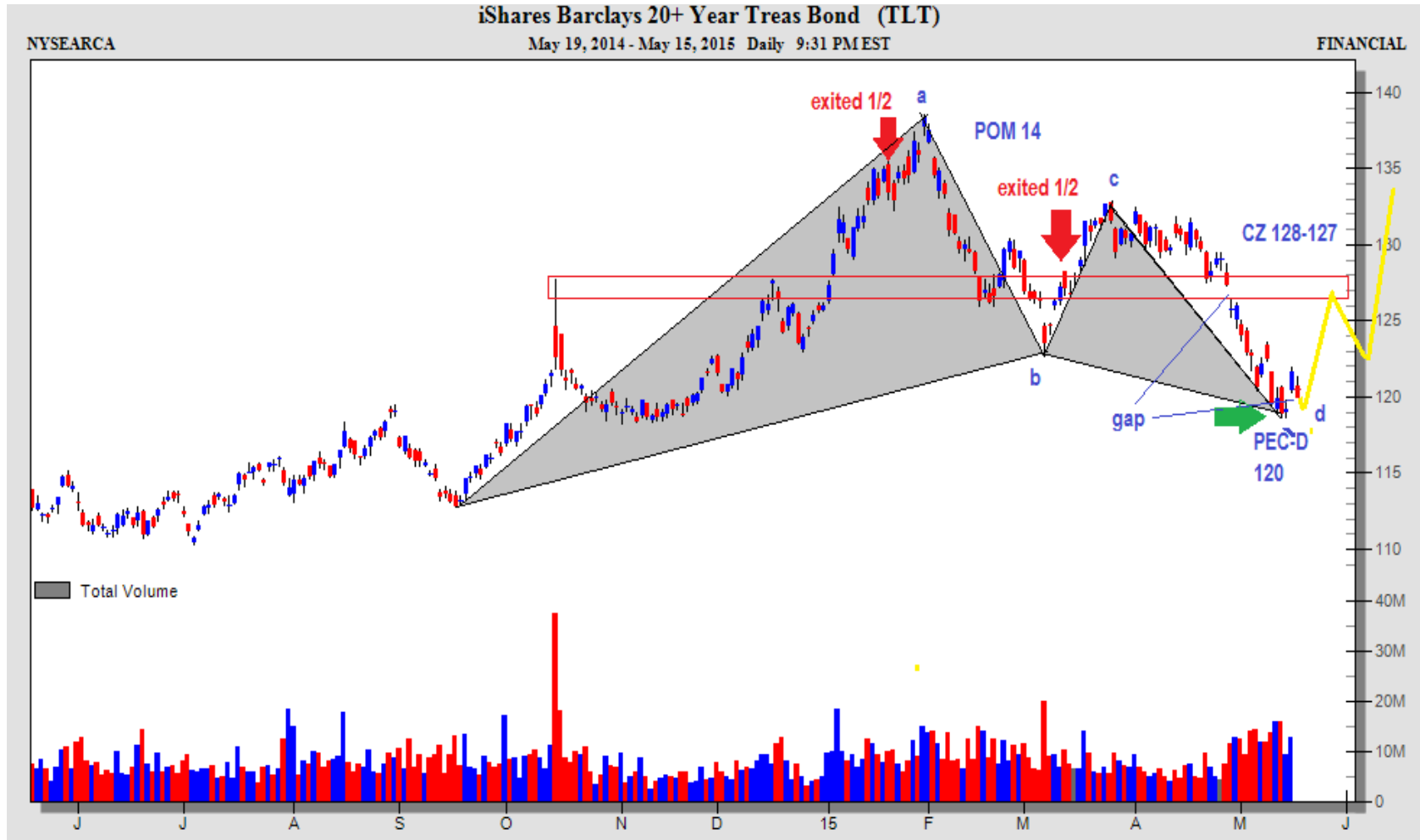
The bond market has been in relentless selling since our EXIT point **POM 14 in TLT @ 135**, currently at **120**. This has completed **ABC down to 120** and should bottom out with Bullish **CZ 120-118 re test** .

The coming Time Ratio Lows in mid-May should provide oversold rallies, but we suspect it is building base for next move higher. This makes the risk-reward ratio satisfactory.

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

Downside –ABC down to PEC-D 120 - Met , now re test into CZ 120-118

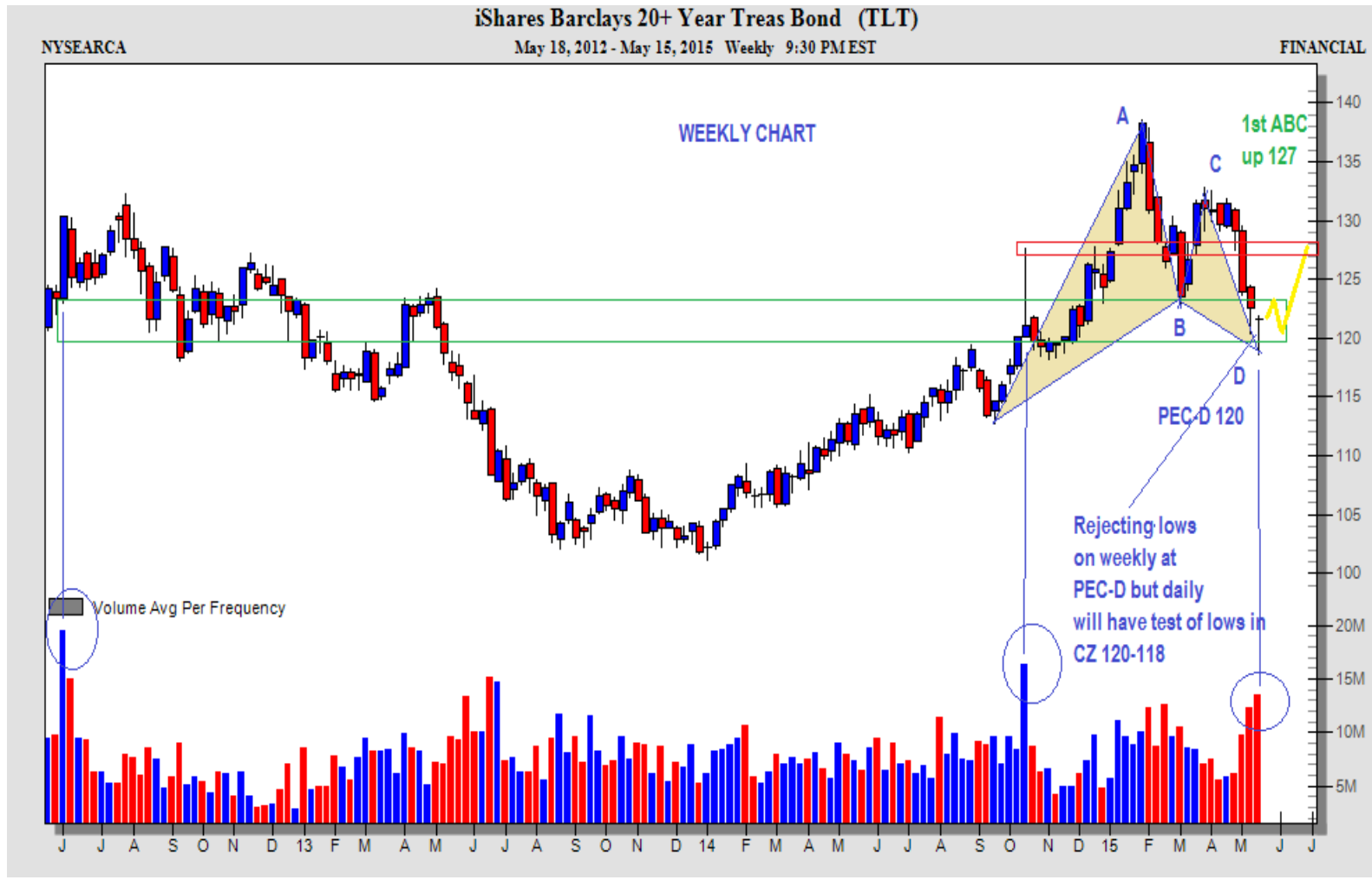
Upside – Rally to CZ 128-127



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

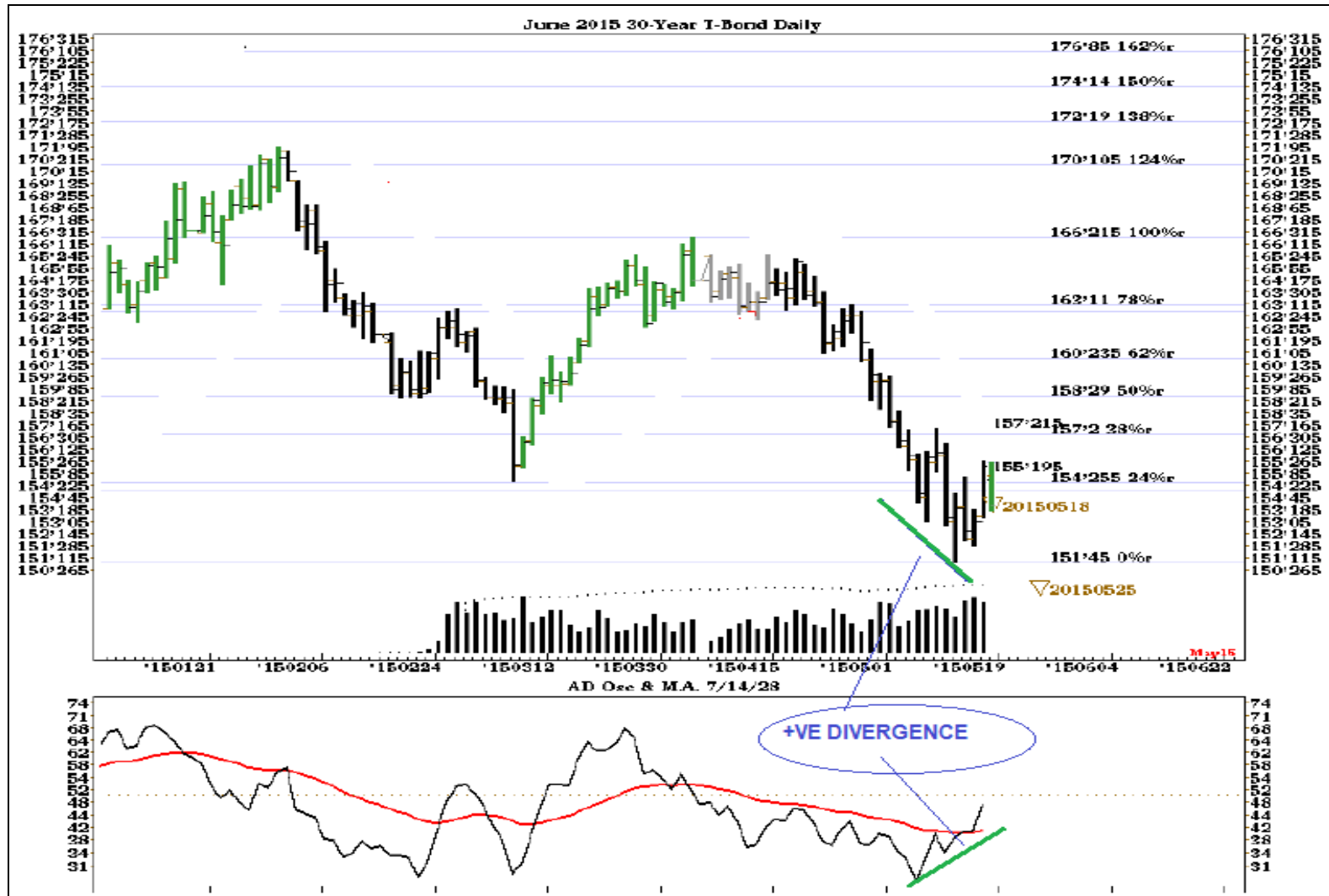
Downside – ABC down to PEC-D 120 - Met

Upside – Rally to CZ 128-127



Bonds – AD -OSC Analysis

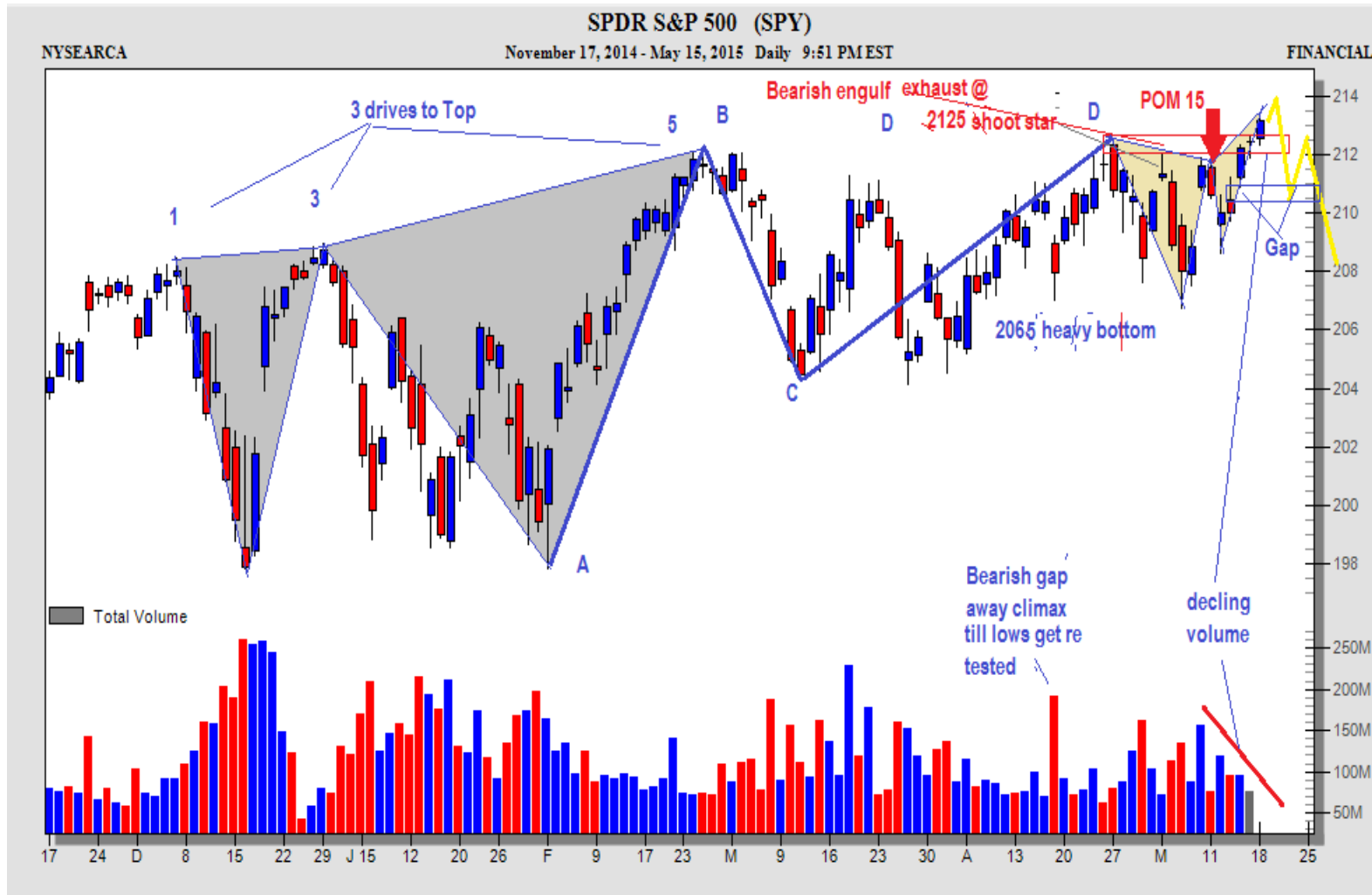
+VE divergences



SPX- PEC- D Analysis - **Daily**

UPSIDE – Target to 2125, - 3 drives to the top - 1-3-5 pattern, but extension 2135 to fail due to lighter volume test of the Shooting star and Bearish engulf.

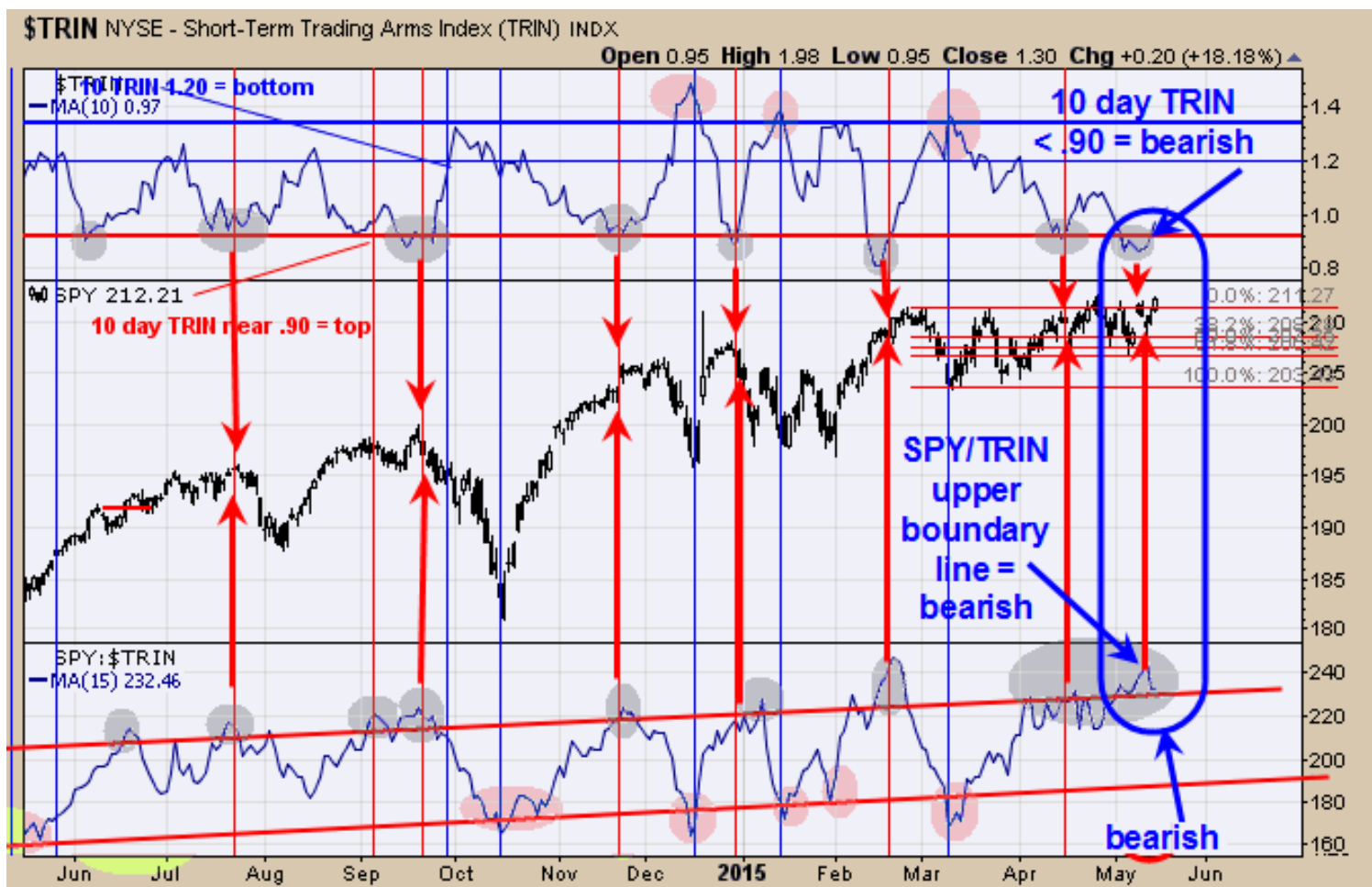
Downside – First Downside target to 2100 but ABC down to PEC-D 2065 to heavy bottom



SPX- Trin Analysis - Daily

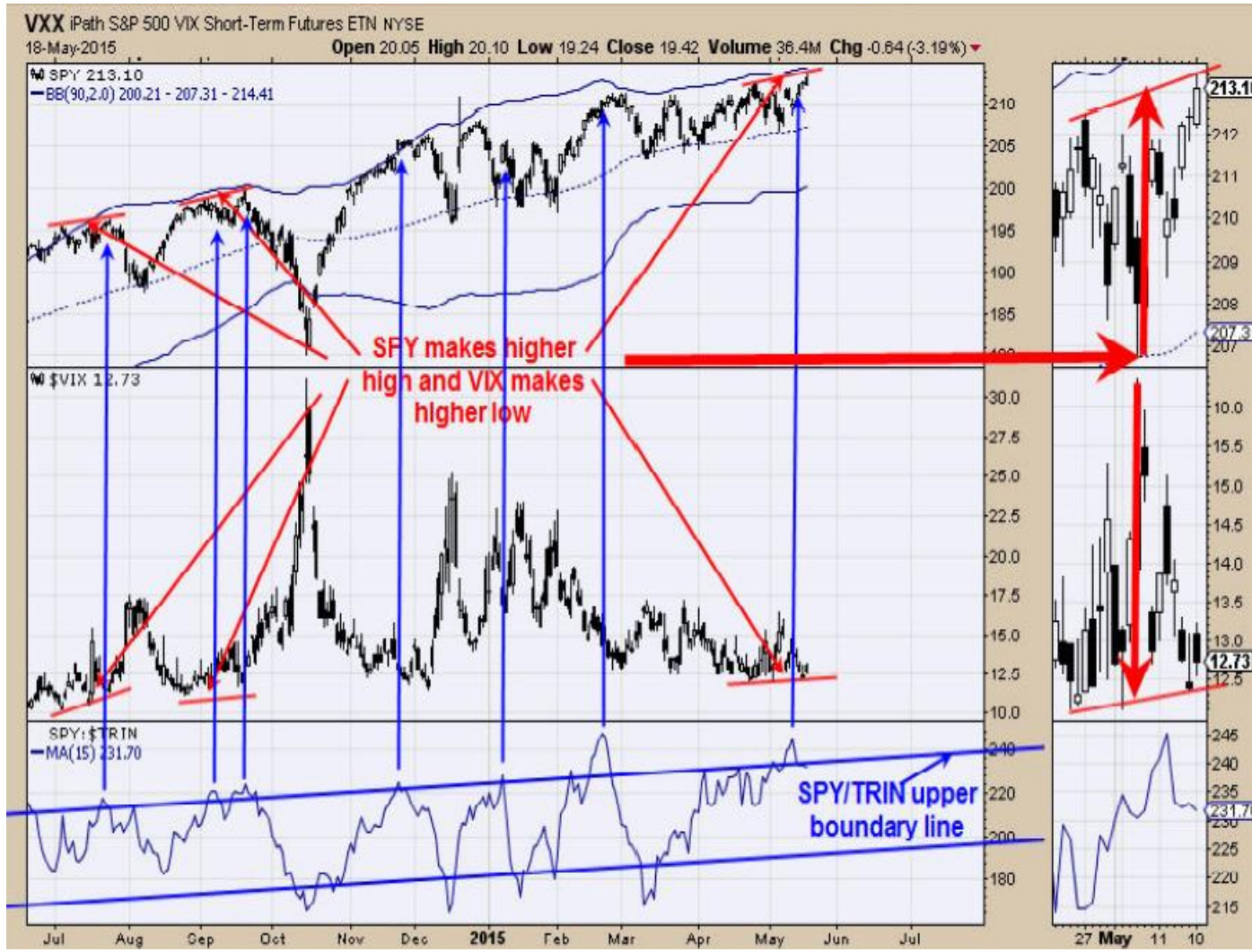
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Ticks reached an intraday high of +1394 last Friday which suggests high possibility of Top within 2 days.



SPX- VIX Analysis - Daily

When the SPY makes new highs and the VIX makes higher lows the market is near a high. That condition is present on the current market statistics.



SPX – Cyclical Model

- SPX - Seasonality -

MAY EFFECT – Negative .

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model – Neutral

- SPX - Sentiments Model

AAll 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 – 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

<p>GR 1 (13+2) Coverage in MS</p>	<p>GR 2 (9 +4) Coverage in SECTORS</p>	<p>GR 3 (8+1) Coverage in COMMODITY</p>	<p>GR 4 (5) Coverage in CURRENCY</p>
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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)
- GDV (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)

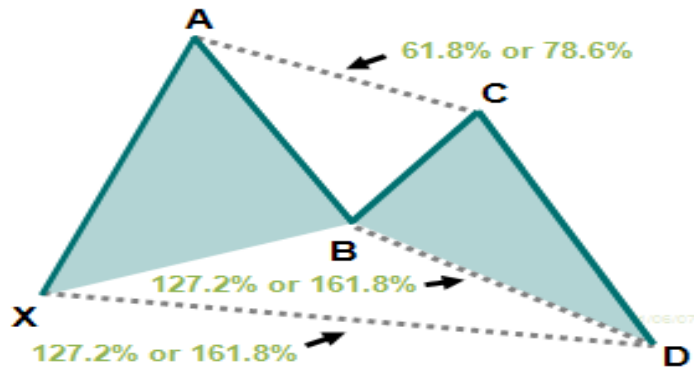
Pythagoras Expansion / Contraction – (PEC) Model

- 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 streams to achieve confluence point D coinciding with POM

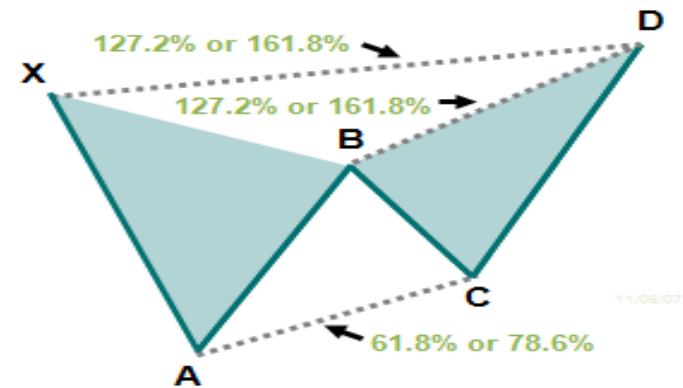
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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