



Date: 26TH May 2015 (Wednesday)

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 <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 | 2107 | <u>Announced</u> POM 15 @ 2100 -2115 5/1 via Alerted email | NONE | BEARISH | 15% Net Short | NONE | Bounce to Fail in POM 15 CZ | Target to Re test 2130- failed Bearish Top Larger 1-3-5 Pattern 2125 | 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 2130 failed.

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

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|--------------------|---------------|--|---|-----------------|------------------------------|--------------------------------------|--------------------------|--------------------|------------------------------|---|--|
| TLT (BONDS) | 122.5 | On 1/28 @ 135 Exited ½ & on 3/12 – POM 14, @126 Exited balance | Triggered POM 13 Within CZ 120-118 On 5/17 | BULLISH | 15% Net long | NONE | Target CZ 128-127 | CZ 132-134 | Shallow Pull back & rally up | Re test into CZ 120-118 Rejected Bullish Bottom | <i>Consolidation between Trading range 133-123</i> |

ACTIONABLE IDEAS -

For Bulls – **Triggered POM 13- Net long within CZ 120-118 .**

Alternatively For Bears – Await to 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 **POM 13 Net Long in CZ 120-118 on 5/18**

Portfolio Holdings ...

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

- **LONG at POM 13**Total 73% Holding
 - Non- Equity (7.5%) - TLT(15%), 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 25% Holding
 - Equity (15%) - SPX (15%), QQQ (5%), IWM (5%).

Market Overview SPX- BONDS

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

As the bond market nears completion of an ABC correction to the downside, stocks are setting up for a major top. A new high appears to be directly ahead for Equities, a rally which would completed Pattern 1-3-5 pattern. We suspect it is building base for next move higher. This makes the risk-reward ratio satisfactory.

When equities fall, some of the money in stocks is likely to move into bonds as a safe haven. That could send bonds soaring.

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

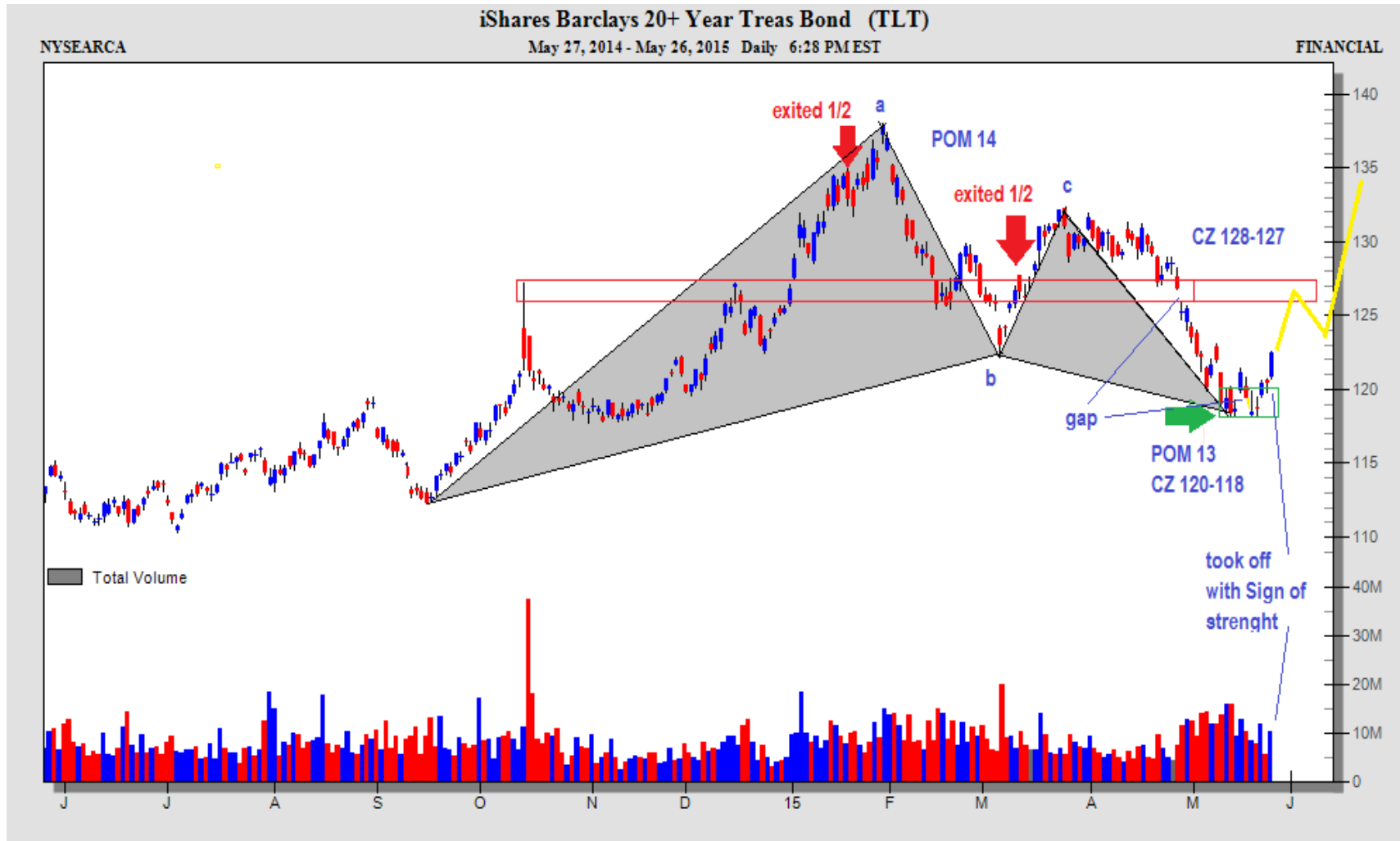
SPX rallied above triple top exhaustion point of CZ 2115-2100. The move above to 2135 may a trap completing 1-3-5 pattern followed by sharp decline. The First downside target is 2060 which is ABC down at Selling Climax" lows (needs to be tested).

The Trin and Tick reading turned Bearish at 0.9 & below . Volume on bounce has failed The McClellan Oscillator readings below "0" suggest a weakness in trend. NYSE advance/NYSE decline ratio is bearish below 1.5. 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.

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

Downside –ABC down to re test into CZ 120-118- rejected for POM 13

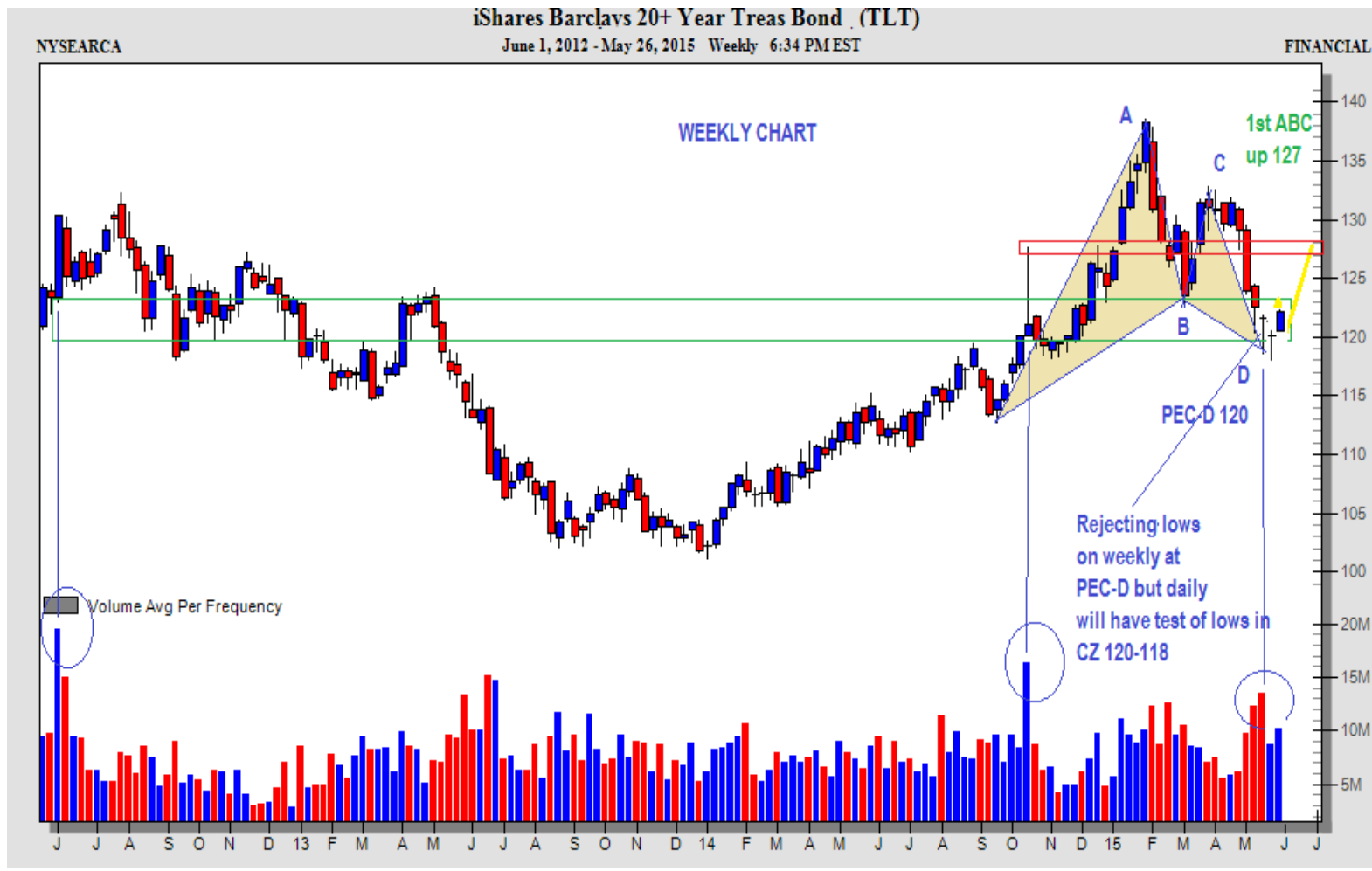
Upside – Rally to 1st Target CZ 128-127



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

Downside – ABC down to re test into CZ 120-118- rejected for POM 13

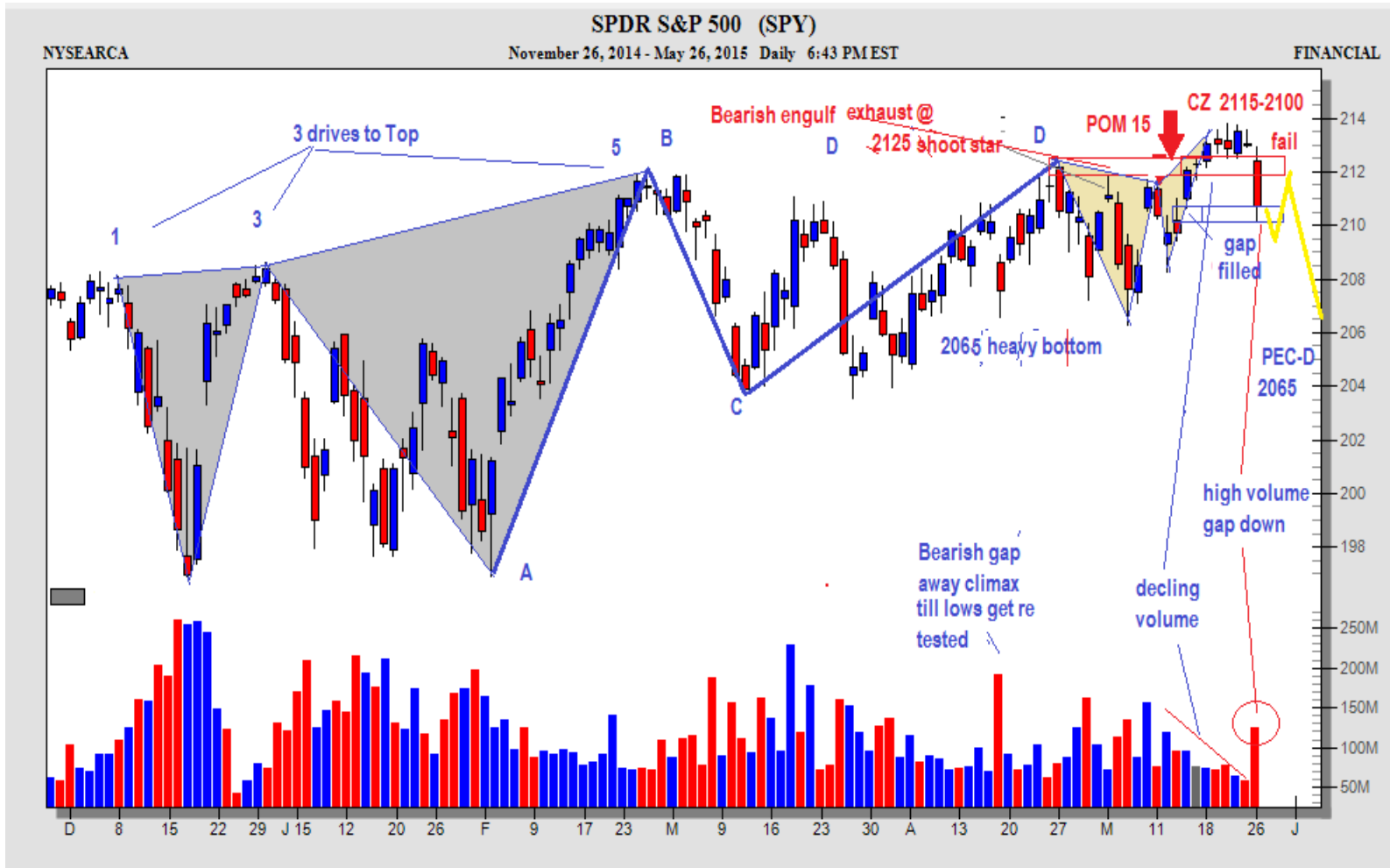
Upside – Rally to 1st Target CZ 128-127



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

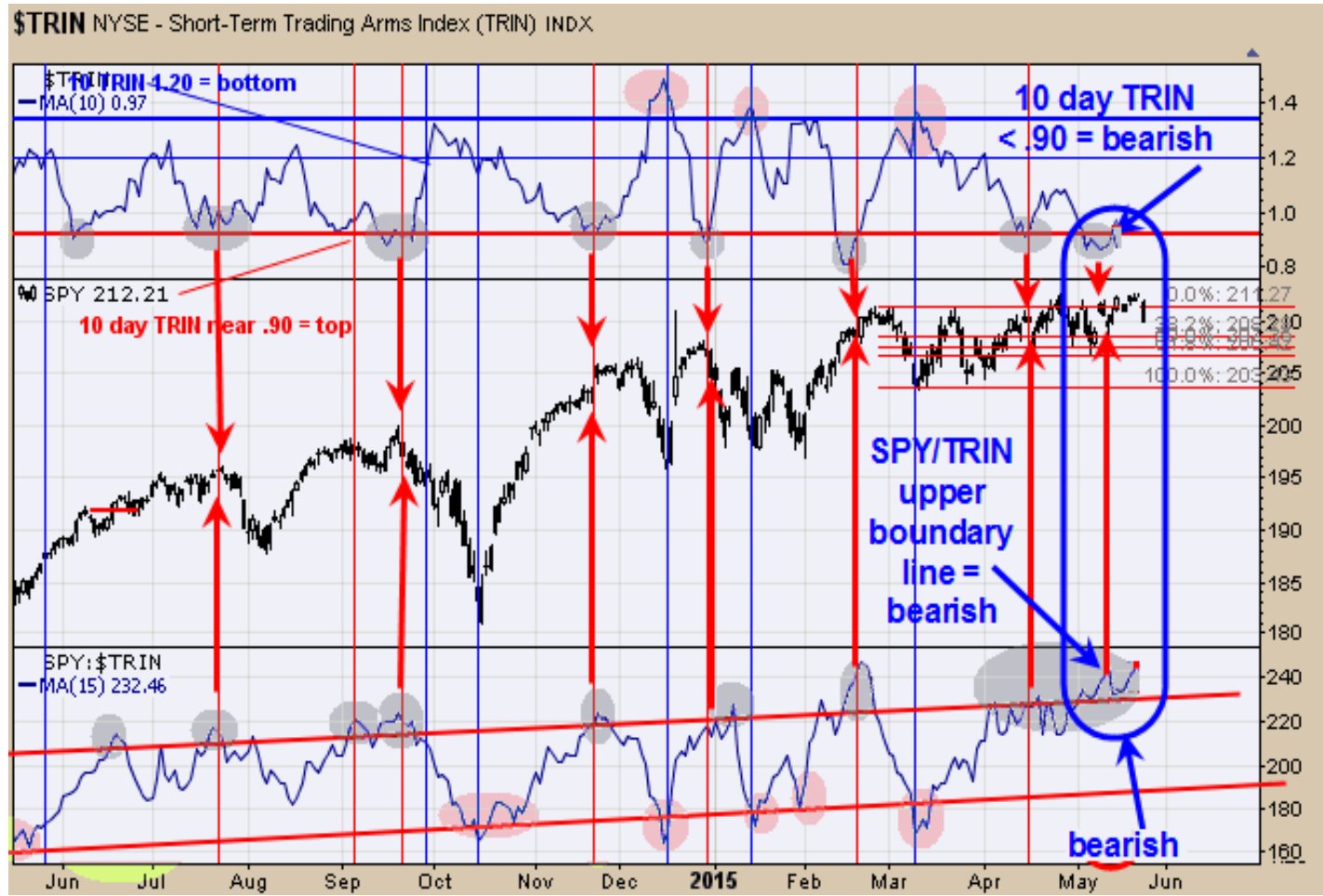
Downside – First Downside target to 2100 gap to be filled, but ABC down to PEC-D 2065 to heavy bottom

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.

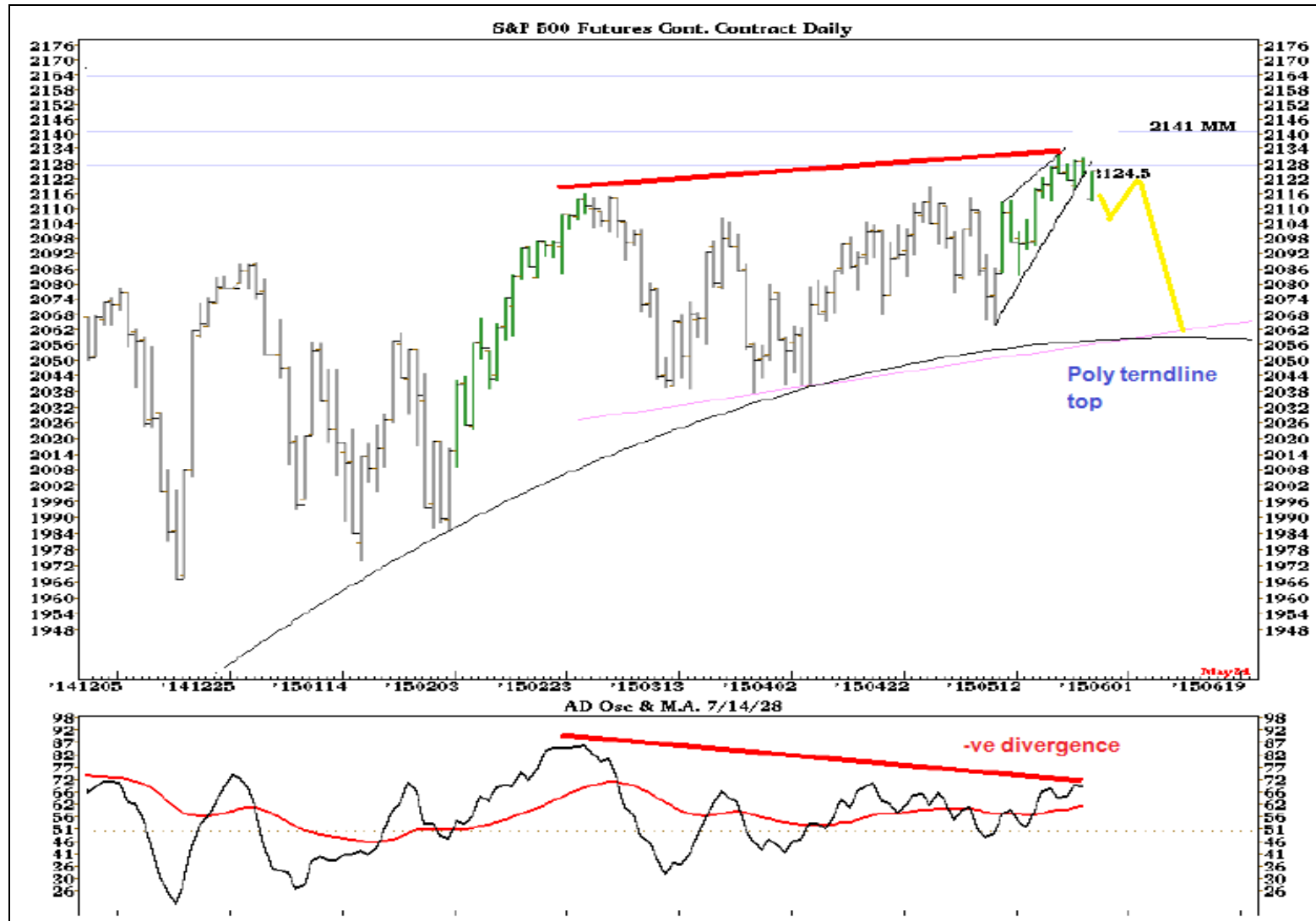


SPX- Trin Analysis - Daily

TRIN Readings touched below .90 and below suggests the market is near a high. The SPY/TRIN ratio is above the upper boundary line above 240 and where market highs usually form. TRIN and SPY/TRIN ratio are in bearish territory.



SPX- AD –Oscillator Analysis - Daily



SPX – Cyclical Model

- SPX - Seasonality -

MAY EFFECT – Negative .

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model – Neutral

- SPX - Sentiments Model

AII 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

| 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) • GDX (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)

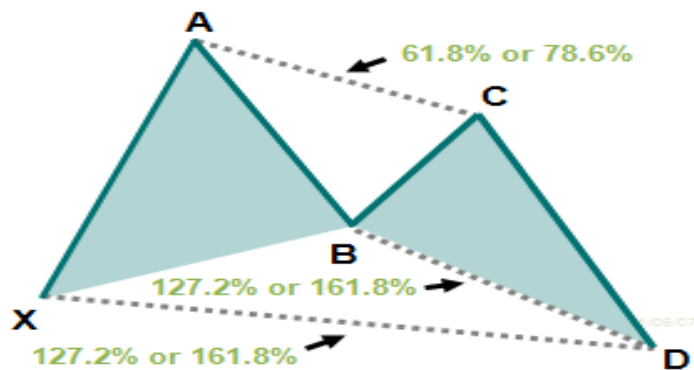
Pythagoras Expansion / Contraction – (PEC) Model

- 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 steams to achieve confluence point D coinciding with POM

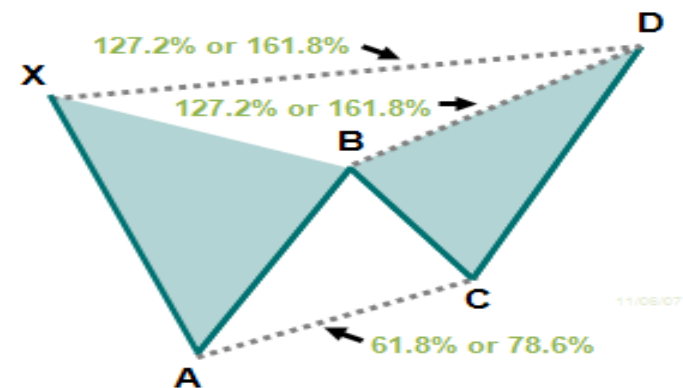
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



Sell Pattern (bearish)



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