



Date: 9<sup>TH</sup> June 2015 (Tuesday)

**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 | <b>NEW ACTION</b> ( Trigger to Watch)                 | Upside CZ Near Term  | Upside CZ Mid term   | Downside CZ Near term  | Downside CZ Mid term                       | Remark   |
|--|---------------|--|---|-----------------|------------------------------|---|----------------------|--|--|--|--|
| <b>SPX- 500</b><br><b>Announcement</b> | 2080          | <u>Announced POM 14</u> @ 2080-2065 6/9 via <b>Alerted email</b> | Cover Net short position  | <b>NEUTRAL</b>  | Reduced from 15% to 0%       | Closed Net Short position @ 2080 <b>Alerted email</b> | Bounce to PEC-D 2110 | 2130- <b>failed Bearish Top</b><br><br>Larger 1-3-5 Pattern 2125 | Target ABC down to 2065 <b>Approaching Hit lows of 2075</b><br><br><b>Neutral Bottom</b> | Possible retest of CZ 2080-2065 & rally up | <b><u>Holding long</u></b> position in <i>Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here</i> |

**ACTIONABLE IDEAS –**

**For Bears – Triggered POM 14 – Neutral - CZ 2080-2065** to cover Net Short position – Neutral Bottom and wait for next bounce to Sell Short

**For Bulls – CZ 2080-2065** – Re- test would be good place to go Net Long.

|                    | Current Price | POM Triggered within CZ & Date             | Follow up <u>Announcement</u> - Update For ST Trend Reversal & RM | Progress Status | Existing Position / Exposure | <b>NEW ACTION</b> ( Trigger to Watch) | Upside CZ Near Term | Upside CZ Mid term | Downside CZ Near term | Downside CZ Mid term  | Remark |
|--------------------|---------------|--|---|-----------------|------------------------------|---------------------------------------|---------------------|--------------------|-----------------------|---|--------|
| <b>TLT (BONDS)</b> | 116.5         | Triggered POM 13 Within CZ 118-120 On 5/17 | NONE  | <b>BULLISH</b>  | 15% Net long                 | NONE                                  | Target CZ 128-127   | CZ 132-134         |                       | <b>Re test into CZ 118-120 Is extended To 117</b><br>On lighter volume<br><br>previously Rejected <b>Bullish Bottom</b> |        |

ACTIONABLE IDEAS -

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

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

## Portfolio – Overview & Update

SPX- Overall Portfolio is at “**POM 14- Neutral** triggered within **CZ 2080-2065 on 6/9**.”

**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 118-120** 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** .....Closed all for Profit

Total 25% Holding  
Equity (15%) - SPX (15%), QQQ (5%), IWM ( 5%).

## Market Overview SPX- BONDS

SPX's - POM 14 Triggered – Neutral on 6/9 within CZ 2080-2065.

SPX declined almost to our target 2065 . It hit lows of 2075 from our trigger POM 15 point 2108, a drop of 30 points. NYSE – T suggests the market could manage one last rally into the middle of June blow off.

With the market due for a countertrend rally and short term cycle lows due on Tuesday, next rally would give another opportunity to sell short. Especially we do not have positive divergence yet, it suggests that 2075 lows will be rested after a bounce but the current bottom is Neutral which made us cover the short positions near our 2065 ABC down projections.

Additionally, the market bottoms tend to form when the TRIN and TICKS readings above 1.30 and below -300 respectively if PEC-D Study and volume study lines up. TRIN closed above 1.30 and the SPY/TRIN ratio closed below the lower boundary line (See chart below) . We think we are very close enough for bottom for bounce. Market could bounce here but final low still lies ahead. The target would be to 2110.

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

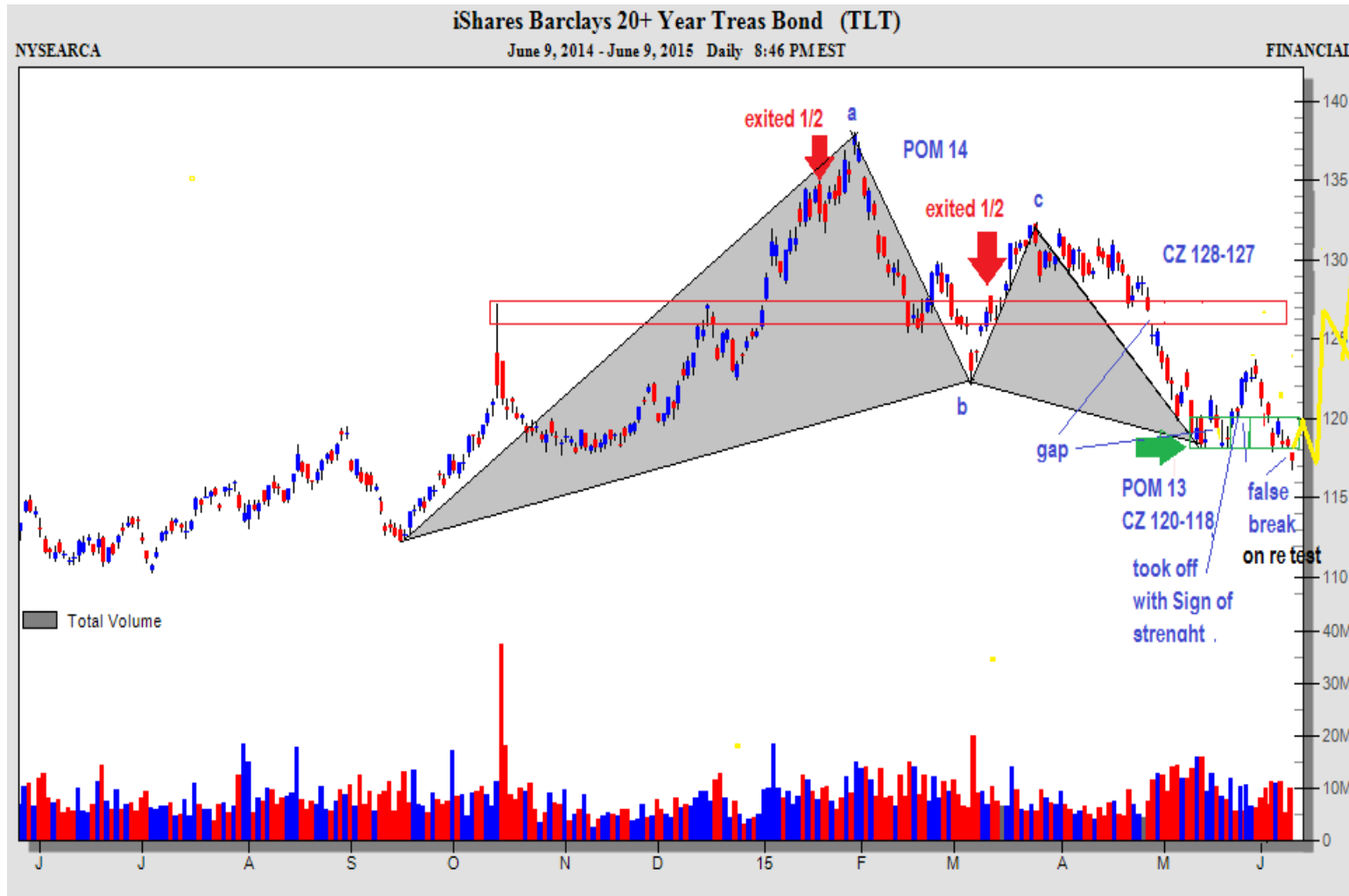
Bond market has extended a bit on its ABC correction to the downside, at the same time the yield is nearing the completion of an upward ABC correction with negative divergence. (Refer chart below).

The re test of weekly CZ of POM 13 is on lighter volume. TLT should come back in range

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

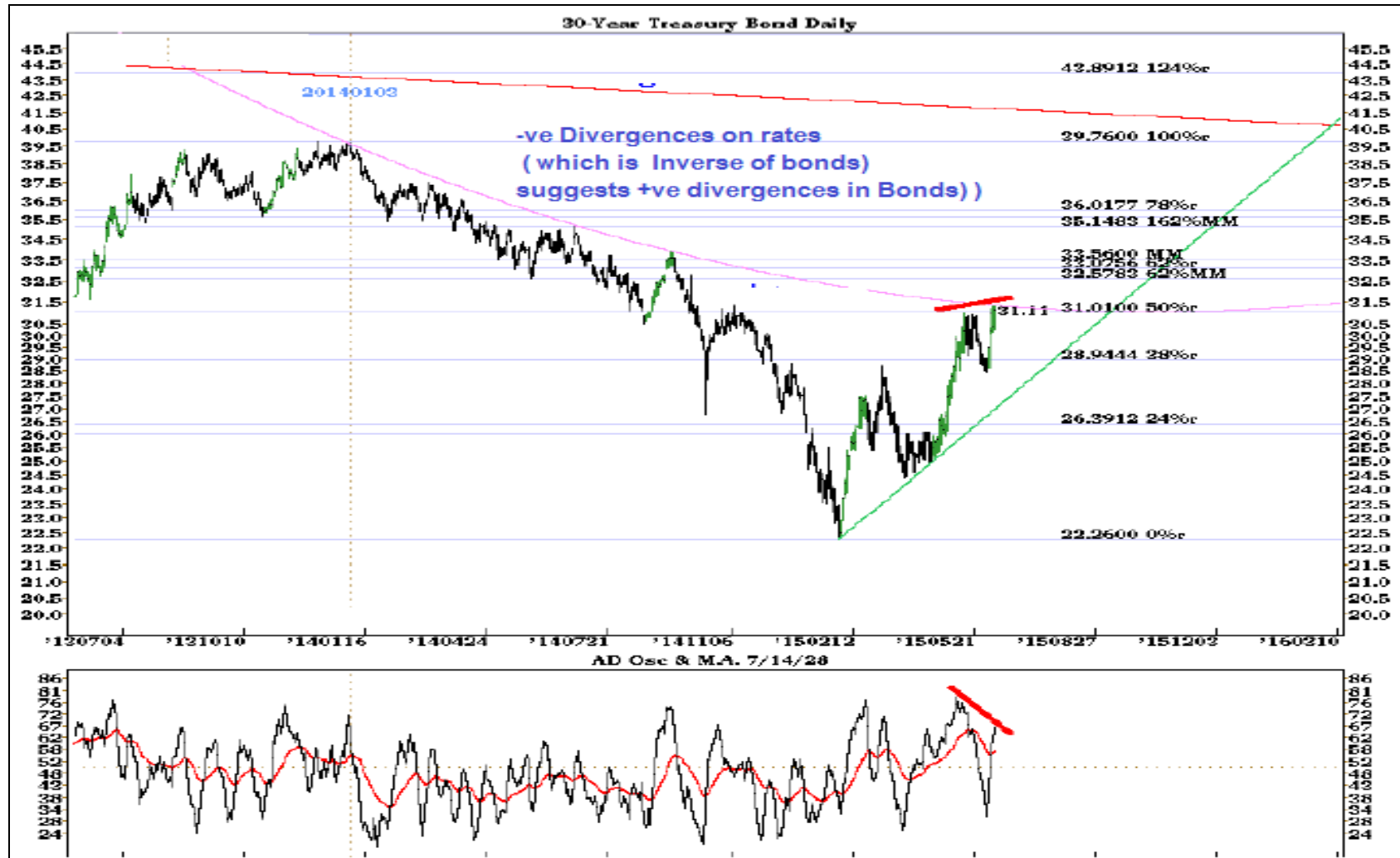
Downside –ABC down to CZ 118-120 is retested with false break below

Upside – Rally to 1<sup>st</sup> Target CZ 128-127



# Yield on Bonds

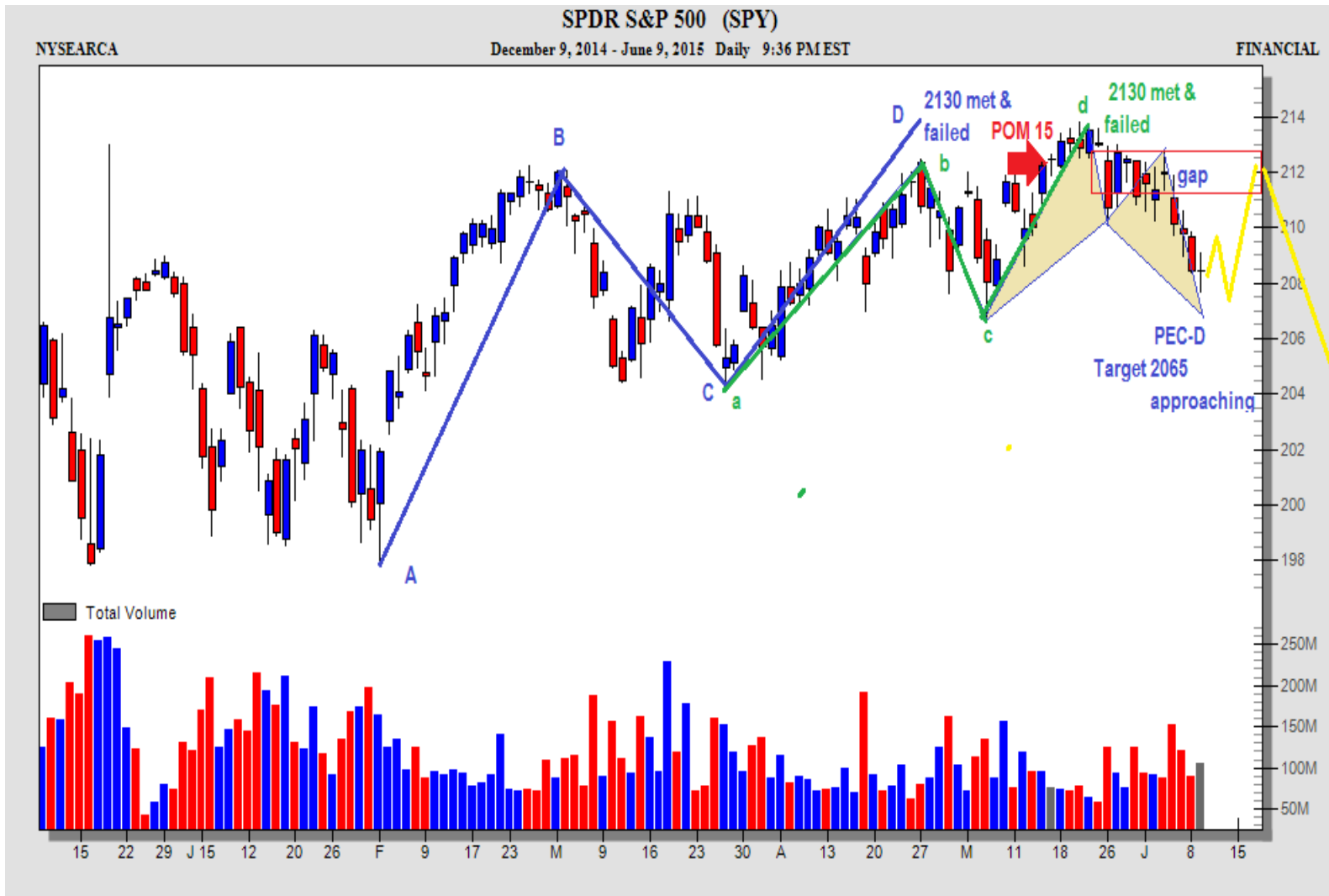
Bond market has extended a bit on its ABC correction to the downside. At the same time the yield is nearing the completion of an upward ABC correction with negative divergence. (Refer chart below).



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

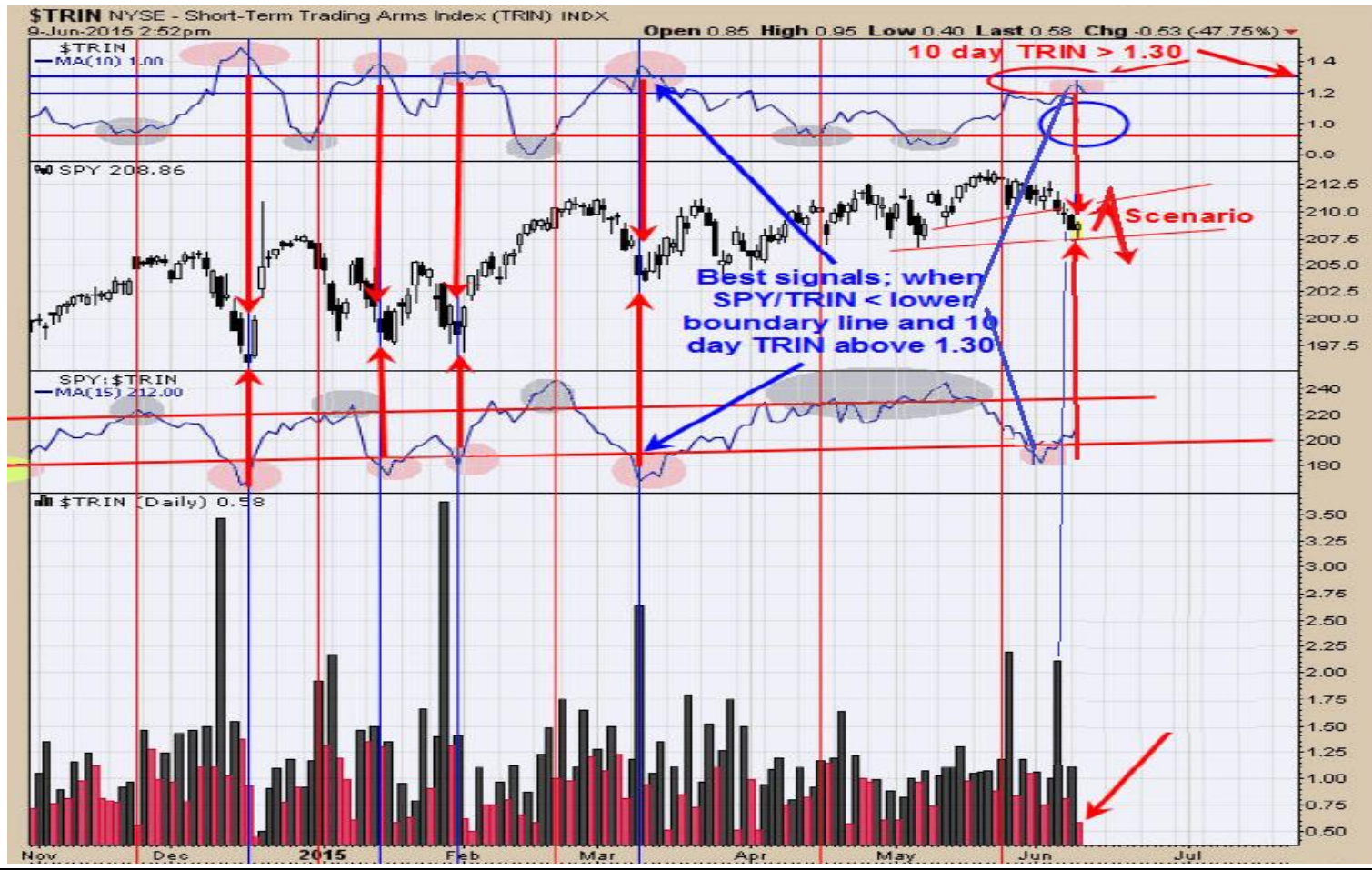
**Downside** – Downside target to 2065 approaching with Neutral bottom

**UPSIDE** – Bounce to Multiple gaps 2110-2115 to fail at upward PEC-D projection of 2112



## SPX- TRIN Analysis - Daily

Market bottoms tend to form when the TRIN and TICKS readings above 1.30 and below -300 respectively along with PEC-D Study and volume study. TRIN closed above 1.30 and the SPY/TRIN ratio below the lower boundary line (See chart below above). We think we are close enough for bottom for bounce. Market could bounce here but final low still lies ahead. A bounce to 2110 on the SPX.





## 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 – NEUTRAL

# 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)<br>Coverage in MS  | GR 2 ( 9 +4 )<br>Coverage in SECTORS  | GR 3 (8+1)<br>Coverage in COMMODITY  | GR 4 (5)<br>Coverage in CURRENCY   |
|--|---|--|--|
| <p><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> <li>• SPY ( SPX 500)</li> <li>• DIA ( DOW 30)</li> <li>• QQQ ( NASD100)</li> <li>• IWM (Small Cap)</li> <li>• IYT ( Transports)</li> <li>• NYA (NYSE)</li> </ul> <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> <li>• TLT ( Bonds)</li> <li>• MUB ( Muni). (SP)</li> </ul> <p><u>GLOBAL IDX</u></p> <ul style="list-style-type: none"> <li>• EEM (Emerg.)</li> <li>• EWJ (Japan)</li> <li>• FXI (China)</li> <li>• EWZ ( Brazil)</li> <li>• FTSE (Europe Proxy)</li> <li>• BSE (India)</li> <li>• EWA (Aust) SP</li> </ul> <p><b>SP - Special situation</b></p> | <p><u>SECTORS IDX</u></p> <ul style="list-style-type: none"> <li>• XLF ( Financials)</li> <li>• XLV ( Health )</li> <li>• XLB ( Materials)</li> <li>• XLE (Energy)</li> <li>• XLK (Tech) / QQQ - Proxy</li> <li>• XLI ( Industrial) –</li> <li>• XLP ( Staples)</li> <li>• XLY ( Discretionary)</li> <li>• XHB ( Home Builders)</li> <li>• XLU ( Utility) SP</li> <li>• RTH ( Retail) - SP)</li> <li>• SMH ( Sem.) SP</li> <li>• BBH ( Biotech) SP</li> </ul> | <p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> <li>• CRB /DBC</li> <li>• GLD (Gold)</li> <li>• SLV (Silver)</li> <li>• GDX (Miners)</li> <li>• OIL</li> <li>• Copper</li> <li>• DBA ( Agro)</li> <li>• UNG ( Natural Gas)</li> <li>• DBB ( Base M) SP</li> </ul> | <p><u>CURRENCY</u></p> <ul style="list-style-type: none"> <li>• USD / DXY</li> <li>• EUR/USD</li> <li>• AUD/ USD</li> <li>• USD/JPY</li> <li>• GBP/ USD</li> </ul> |

## 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)

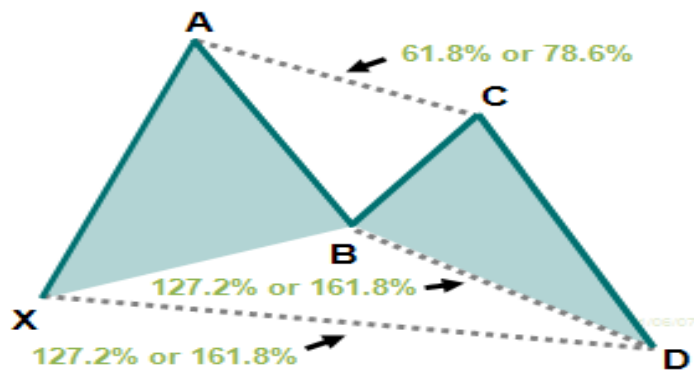
# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2<sup>th</sup> 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

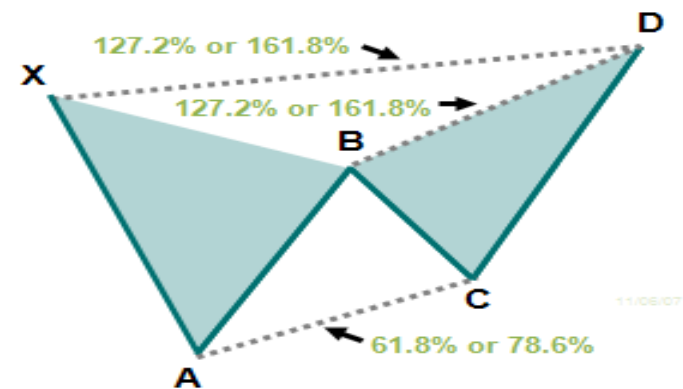
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)



**Disclaimer :** The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private use and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as financial investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.