



Date: 27<sup>th</sup> July 2015 (Monday)

**SPX – BONDS - MARKET STRATEGY REPORT (SP)**

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**Executive Summary.**

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement- Update For ST Trend Reversal &amp; RM</u>	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
SPX- 500	2080	POM 14 Triggered @ 2061 Via Alert Email 7/6	NONE	NEUTRAL	0%	NONE	Rally to 2110 Neckline area	PEC-D 2120 Bearish Top Failed and Decline began	ABC down to PEC-D 2065 Testing gap @ 2075	2 <sup>nd</sup> ABC down to 2035 <b>Not currently</b>	<b><u>Holding long</u></b> position in Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here

**ACTIONABLE IDEAS –**

For Bears – Look for market to bounce to 2110 and consider next opportunity to Sell Short.

For Bulls – Target PEC-D\_2065 . Market should rally for Bulls.

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<b>TLT (BONDS)</b>	121.5	Triggered POM 13 Within CZ 118-120 On 5/17	NONE	<b>BULLISH</b>	15% Net long	NONE	Target CZ 128-126 PEC-D 126.5	CZ 132-134	PEC-D 118 Rejected On lighter volume  Bullish bottom	previously Rejected Bullish Bottom	

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.

**Note** - For those who don't sell stock indices short, we advised to buy government bonds in previous reports.

## Portfolio – Overview & Update

**SPX-** Overall Portfolio is at “**POM 14- NEUTRAL** triggered within **CZ 2060-2065 on 7/6**.”

**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** . – **Stopped out ½ position @ 1150**

**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 (17.5%) - TLT(15%), USD/JPY (2.5%)  
Equity (20.5%) - XLV (5%) ,XHB (5%), XLP(5%), JNJ (1%), FB (1%), NIKKE ( 3.5%)  
GOLD(30.0%) – GOLD (7.5%), GDX(7.5%)
- **NET SHORT** - .Total 0% Holding

## Market Overview SPX- BONDS

SPX's - POM 14 Triggered – NEUTRAL on 7/6 within CZ 2060-2065

In our last Report we had upside target of 2120 in SPX with Bearish top which we re iterated in our follow up email on 7/20 last week . **Due to our travel last week we could not announce POM 15 @ 2120 trigger point.** But we shall make up for the lost opportunity soon. Perhaps we did in a way with being long in Bond Market.

SPX Upon reaching **2120** , the collapse started in the broad market and continued into the blue chips last week towards our 1<sup>st</sup> target of **2065**. We are near 2075 filling up the gap with lower volume. This week, we should see the market circle its wagons and put in a low around **CZ 2065-2075**, starting a rally into mid-August. This will be the final rally before the larger leg down begins to 2035. .

We have charts indicating the short term bounce is coming especially the New lows have been expanding where previous short term bottom has taken place and On Mid term charts indicating the larger decline would begin after this final rally is completed . The final rally should offer great chance to Sell short.

The bigger picture is still Bearish. The equal weighted index remains well below the large cap. That's a sign of weaker market breadth. The **RSP/SPY ratio** in Chart below shows the negative divergence between the cap weighted and equal weighted at the weakest in two and half years. That's certainly a caution sign for the market.

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

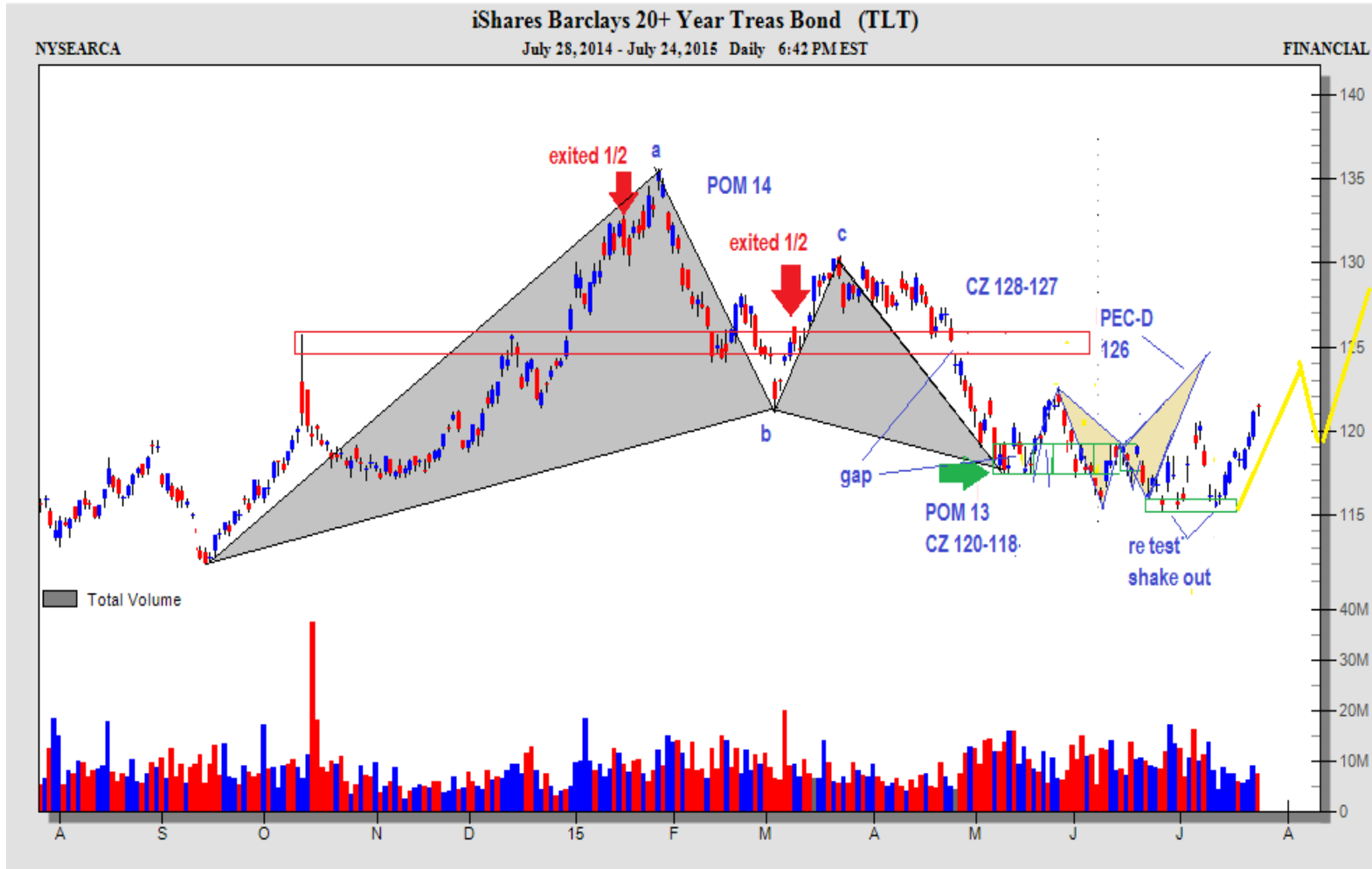
TLT began the rally as expected. No change here, a major cycle low in bonds is due. The money is flowing into the 20-year government bond fund **TLT**.

The re test of weekly **CZ of POM 13** is on lighter volume. **For those who don't sell stock indices short, we advised to buy government bonds in previous reports.**

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

Upside – Rally to 1<sup>st</sup> Target CZ 128-126 –PEC-D 126.5

Downside – Bottom building process-ABC down to PEC-D 118 put in bottom.

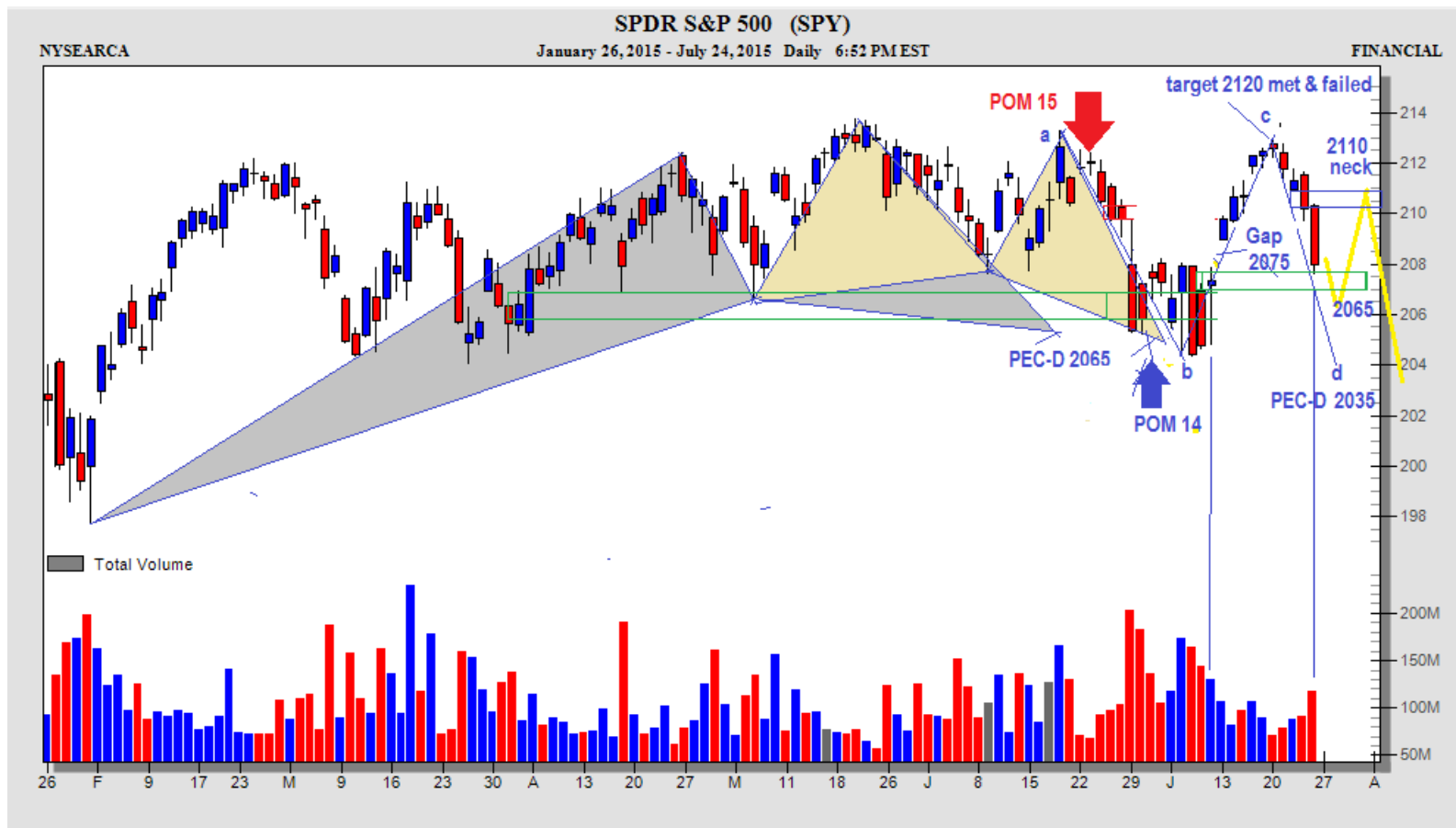


## SPX- PEC- D Analysis - **Daily**

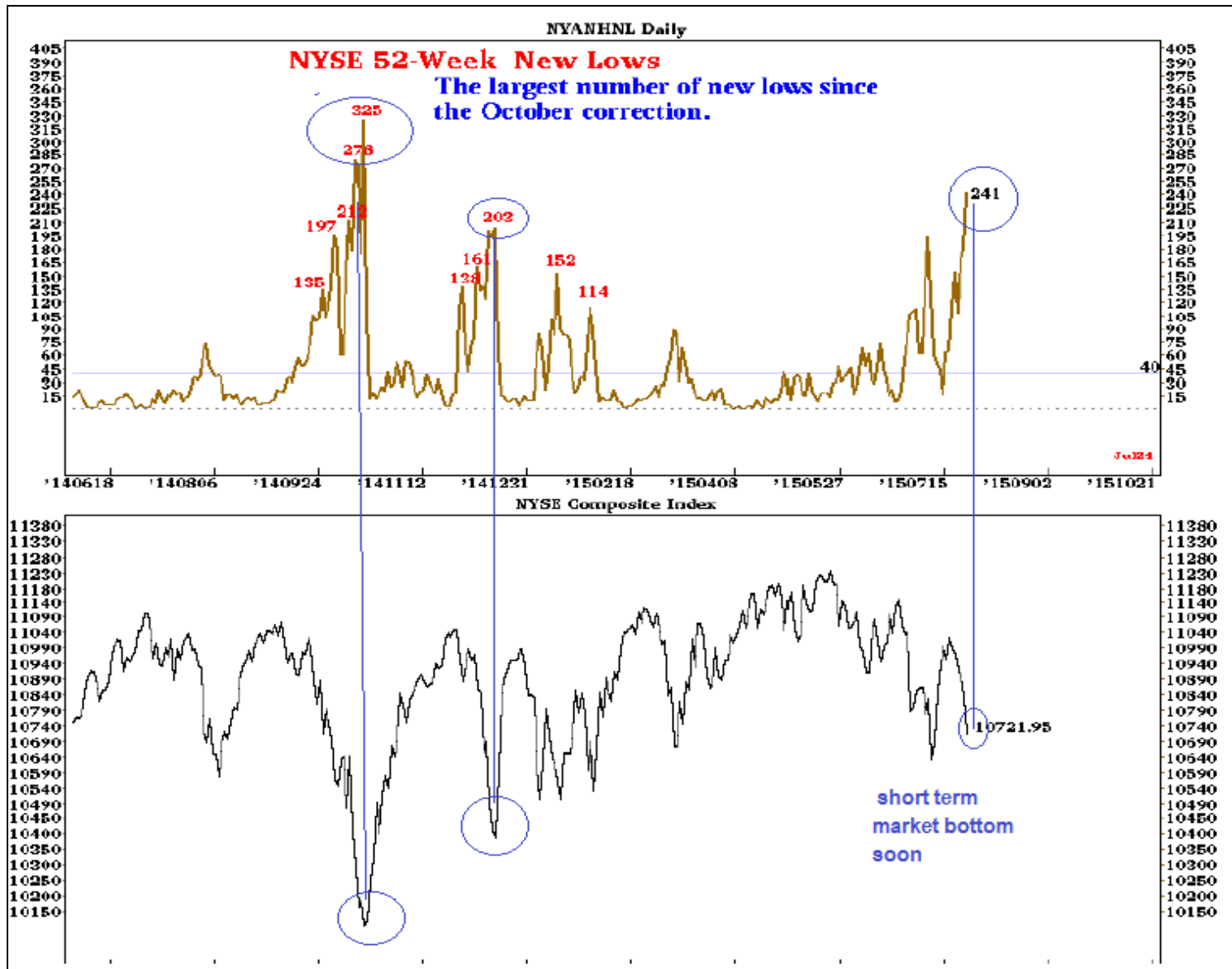
**Downside** – Downside target to PEC-D 2065 is approaching . At 2075 it is testing the Gap area . It should rally up.  
Bottoming process in progress for short term

2<sup>nd</sup> ABC down to 2035 at later date.

**UPSIDE** – Another rally upside to 2110 to neckline.



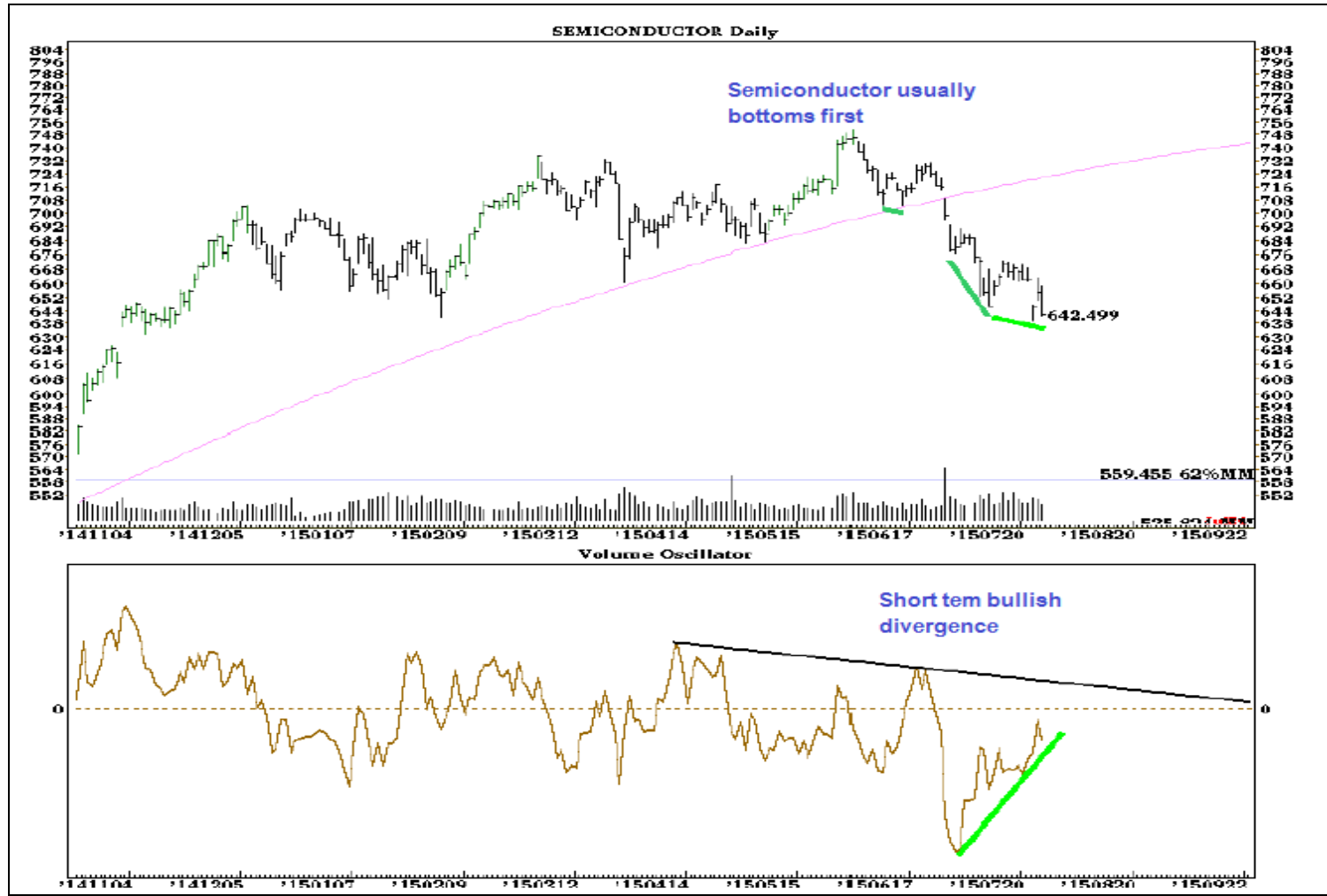
# NYSE - NL Analysis - Short term



# SMH - A-D Oscillator Analysis | Short term

Semi conductor Index usually bottoms first

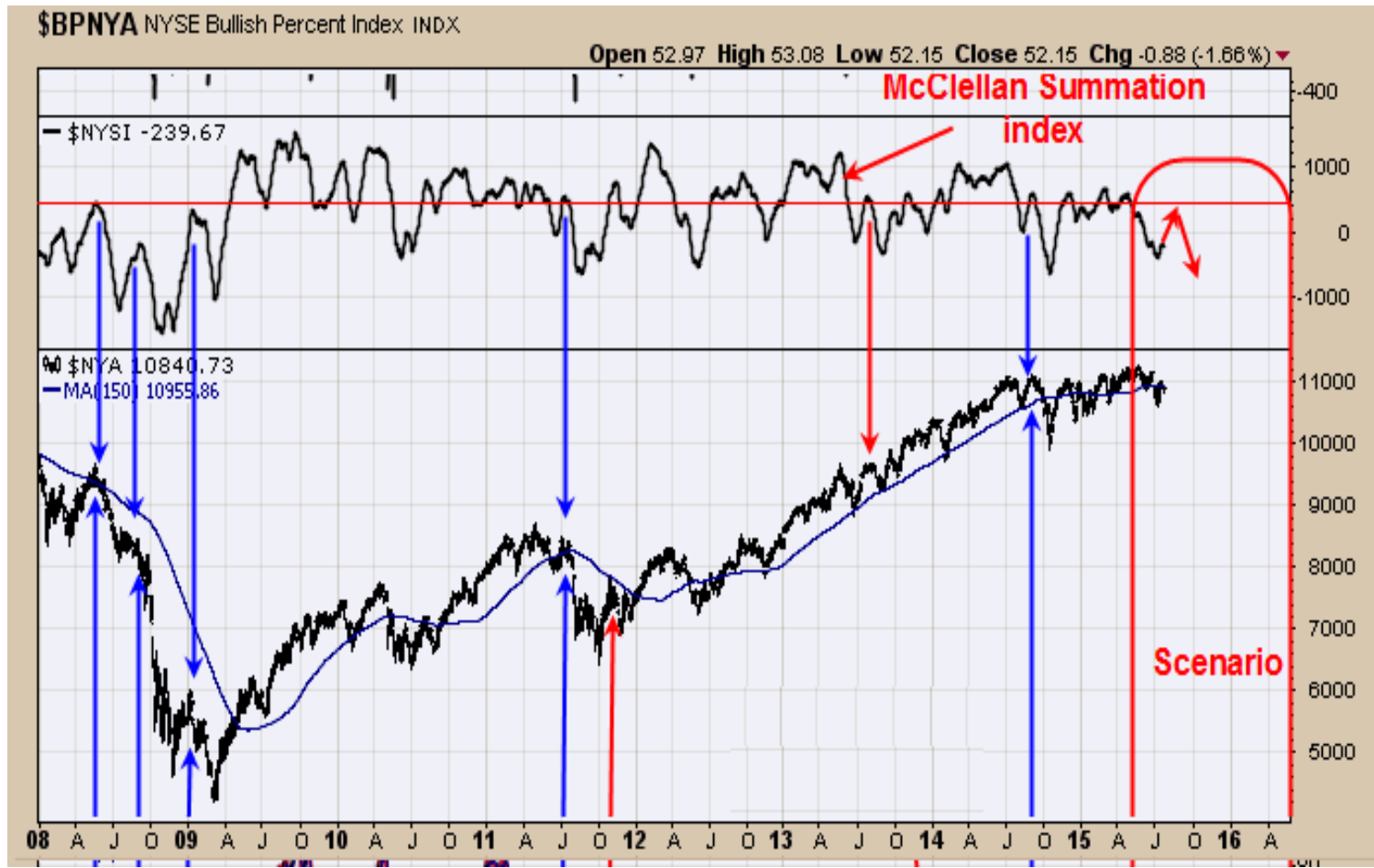
Downside – SPX Downside target to PEC-D 2065 . It should rally up as AD- oscillator shows positive divergence.





## SPY – Mc – Osc. Analysis | Mid Term

Big declines can begin when the NYSE Summation index turns down before its get to +500 . The McClellan Oscillator did reach above +150 . The current rally needs to continue for the Summation index to get above +500 . After the bounce a decline is coming. TRIN closed Friday at 1.90 and a short term bullish sign.



## 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 – BEARISH

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

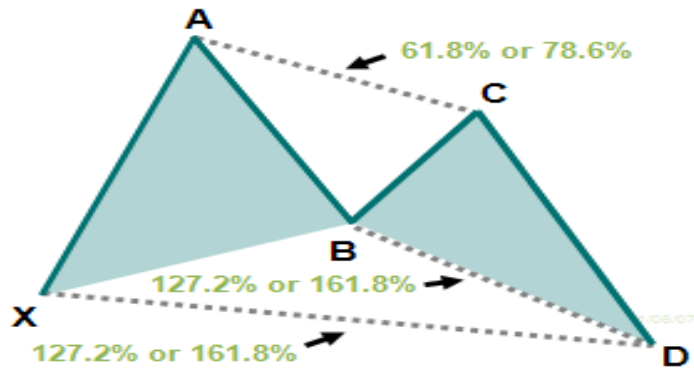
# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 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 streams to achieve confluence point D coinciding with POM

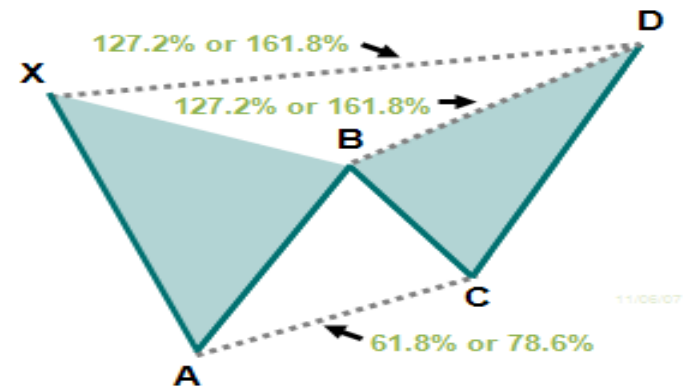
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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