



ate: 7<sup>th</sup> September 2015 (Monday)

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**SPX – BONDS - MARKET STRATEGY REPORT**

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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 | 1925          | Announced POM 12 Triggered @ 1880 CZ 1860-1900 Via Alert Email 8/24 | Announced On 9/3 – AM Email to <b>EXIT of 1985 –SPX Position @1968</b> | BULLISH         | 33%- Net long @ 1880<br><br><b>33% position Exited for 17 points loss As Risk Management</b> | NONE                                 | Bounce to 2020 / 2 <sup>nd</sup> Gap of the black Crow | Rally target to 2050.<br><br><b>Neckline of 3 Black crows</b> | Pull back to CZ 1910-1940 Is in progress.<br><br><b>Should hold @1905 &amp; rally up</b> | Climax lows 1835 Should hold | <b>Holding 33% Cash</b> |

ACTIONABLE IDEAS –

For Bears – Wait for Next failure with CZ 2020-2060.

For Bulls – Triggered **POM 12 @ 1880 – STRONG BULLISH ENTRY .**

Our Core 33% entry position - @ 1880 is still profitable.

**On 9/3 – AM we send the announcement to EXIT – 33% Position @ 1968 as Risk Management for 17 points loss**

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|--------------------|---------------|---|---|-----------------|------------------------------|---------------------------------------|---------------------|--|-----------------------------|------------------------------|--|
| <b>TLT (BONDS)</b> | 122.5         | Announced POM 14 Triggered @ 125 Via Alert Email 8/21 | NONE  | NEUTRAL         | 0%                           | NONE                                  | Target PEC-D 126    | CZ 128-127<br><i>Possible but doubtful</i> | PEC-D 118<br>Bullish bottom | CZ 118-120<br>Bullish Bottom | <i>Timely Exited full position for 4.5% profit</i> |

CTIONABLE IDEAS -

For Bulls –**Triggered POM 14 @ 125 – Neutral**

Alternatively For Bears – Await to bounce to **CZ 126-128** to fail with Bearish top.

## Portfolio – Overview & Update

SPX- “POM 12- STRONG BULLISH Triggered @ 1880 on 8/24. – Announcement – Net Long

GOLD- POM 12 – BULLISH triggered @ 1165, ½ position on 3/19 & added 2<sup>nd</sup> ½ position @ 1120 on 8/15 .

BONDS – “POM 14- NEUTRAL triggered @ 125 on 8/21. – Announcement – Exited full Net Long - No position

## Market Overview SPX- BONDS

SPX's - POM 12 Triggered – STRONG BULLISH on 8/21 @ 1880

**Back drop** - In our last weekend Report SPX was at 1988. We had indicated we would trim back 33% Net long position bought at 1985 as Risk Management due to upcoming retracement which had a target of CZ 1910-1940. On 9/3, we send the Alert out **to EXIT** the position at 1968 for 17 points loss and hold the core position at 1880 which is profitable. **Currently market is at 1925 within our pullback zone .**

Global markets have been totally driven by China Markets. US and European markets have been taking their overnight cues from Shanghai. Thus, if we see China recovering, it would probably mean that US equities are also on the mend.

Breadth continues to confirm that this is a correction, not a new bear market. If this were a new bear market, the Ratio-Adjusted McClellan Oscillator line would be falling as prices rose. Instead, breadth is rising alongside prices. We think eventually there is another move higher is pending to at least to test the highs of 2110-2130 if not break them.

Currently on short term basis, the pull back is towards the **CZ 1910-1940** which we were expecting. However this could pull back little more to 1905 . The contracting triangle pattern was broken on Friday's trade. This suggests that the thrust decline which would normally be expected to test or even break below the low of August 24th is far less likely to happen. Looking at the hourly **ES** chart ( below ) , we see an overhead resistance polytrendline that could be bottoming very soon now. Advisory sentiment is in a bottoming area for the stock market comparable to tradable lows seen in the past.

Time cycles and ratios are pointing toward another low this coming week, most likely on Wednesday (which just happens to also be Weird Wolly Wednesday, or WWW, the day option sellers tend to lock in profits.

There's a monthly seasonal tendency for equities to rally from WWW toward OPEX (Options Expiration, which this month will be on the 18th). We'll be looking for secondary buy signals in the coming days ( to deploy our 33% capital back in ) . The correction, which can be counted as starting at the various highs in the indices in May or June, is now very long of tooth— 108 calendar days.

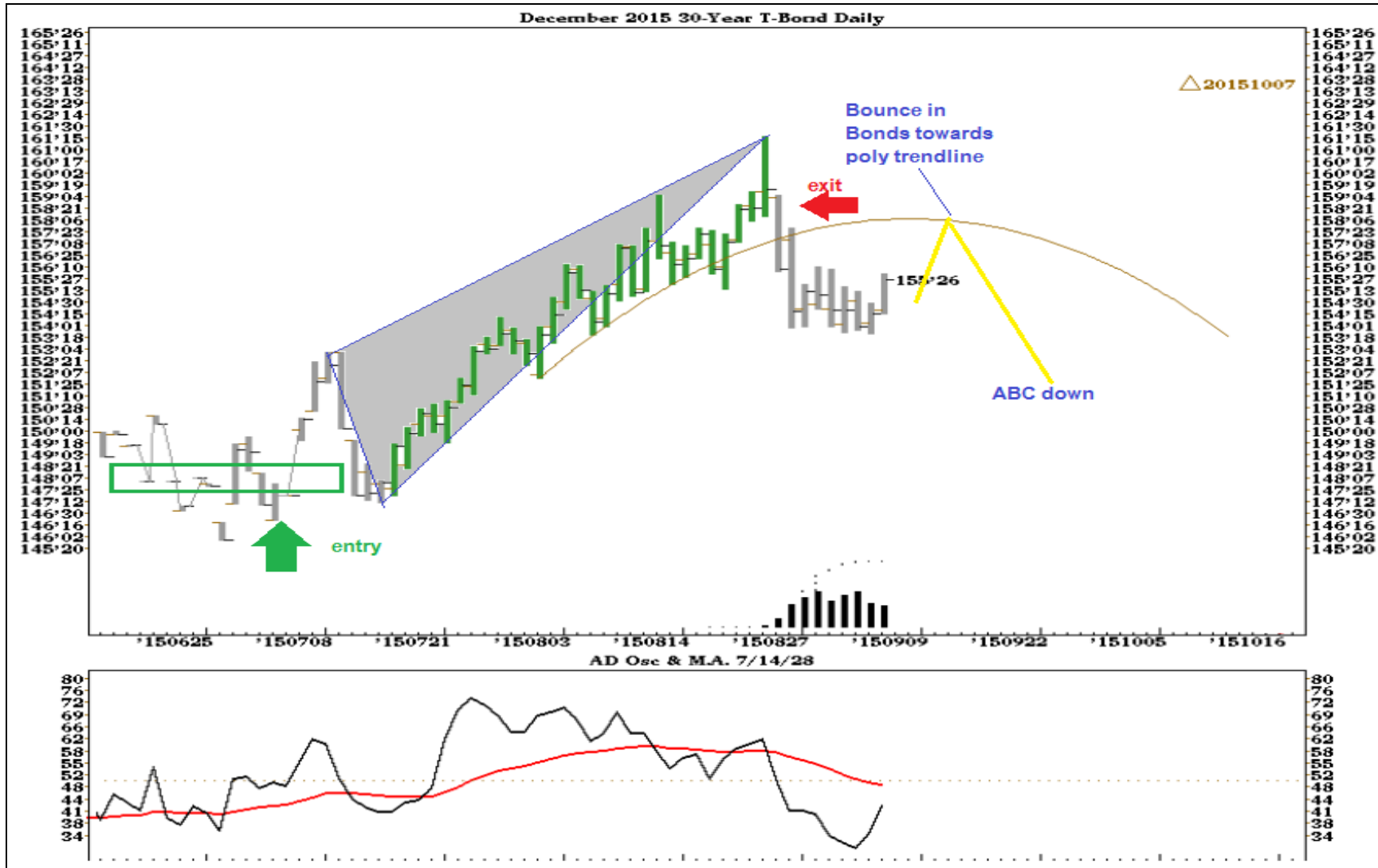
## BONDS

The bond and stock markets have been moving opposite one another for many years now. That hasn't always been the case, however, and we suspect that we are about to see bonds and stocks starting to move together. The bond market rally we profited from earlier peaked on 8/24 just as stocks bottomed on the same day. Since then, bonds have been weak. Now, it appears that bonds are putting in a short term low in price for a bounce . With stocks expected to also be putting in lows this coming week, we could have the unusual situation of having both bonds and stocks moving higher in tandem.

A rally back to retest the broken support line would be a minimal expectation, but if prices go through the now-resistance line, it would project much higher prices in bonds. We shall review the volume numbers at that point in time.

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

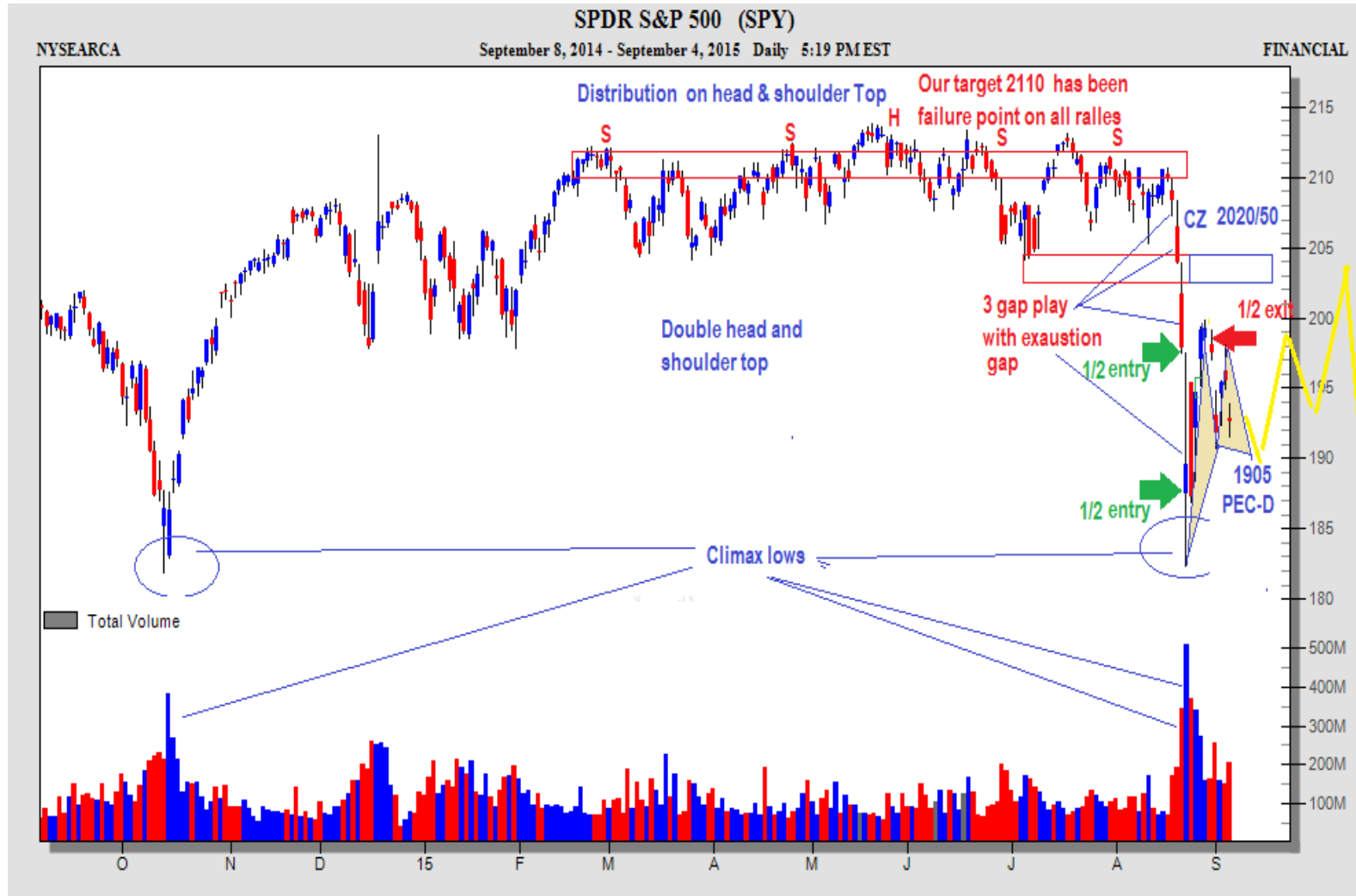
Upside – Rally to polytrend line ( Equated to PEC-D 126 on TLT) and then ABC down .



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

**Downside** – Pull back to CZ 1910-1940 is in progress . The thrust low is at PEC-D 1905 could get tested before the rally begins. Climax intraday lows 1830.

**UPSIDE** – Target to **neckline CZ 2020-2050** –



## SPX- PEC- D Analysis – McClellan Osc.

Breadth continues to confirm that this is a correction, not a new bear market. If this were a new bear market, the Ratio-Adjusted McClellan Oscillator line would be falling as prices rose. Instead, breadth is rising alongside prices.





# SPX- Internals TRIN/TICK - Daily

Notes within the chart.



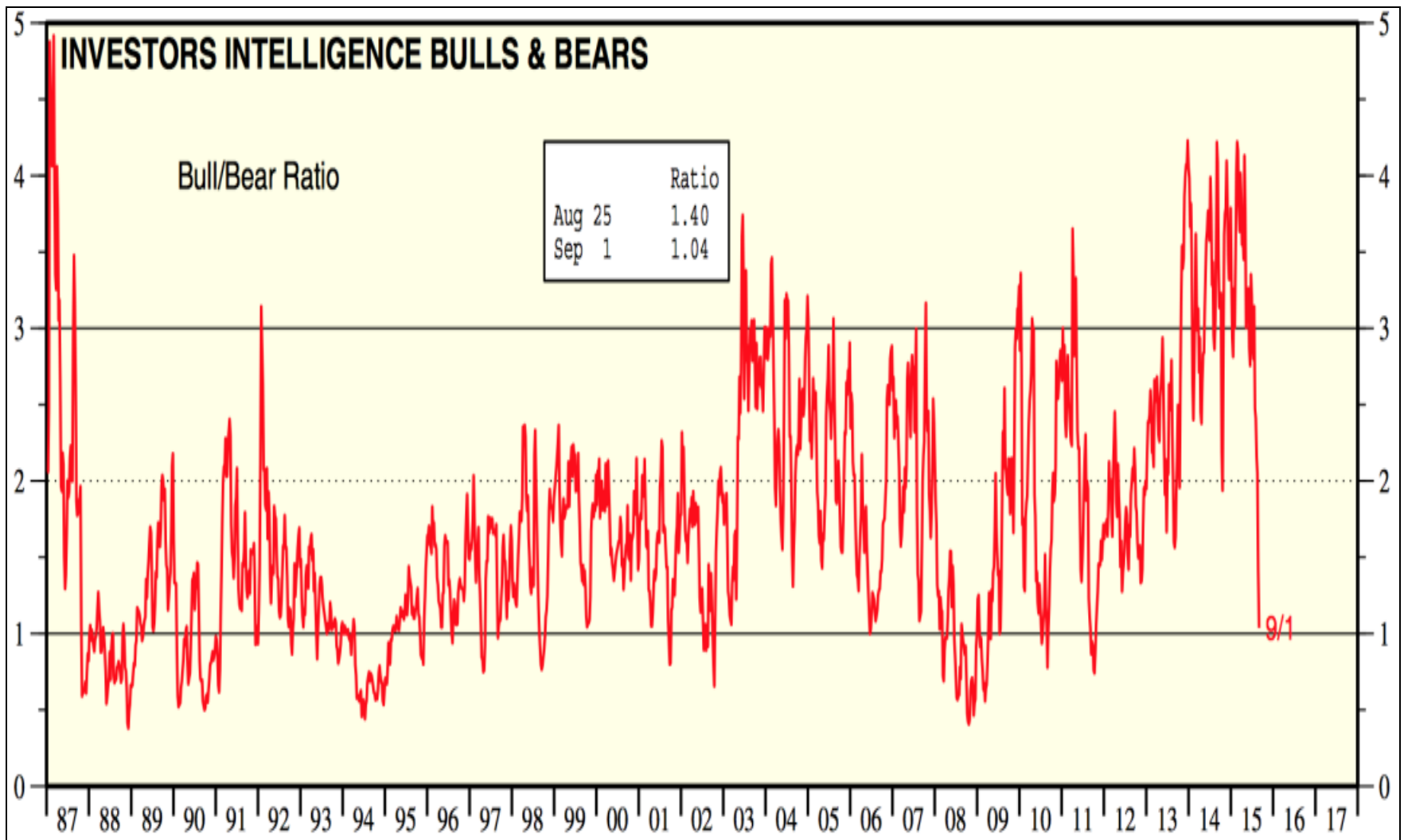
# SPX- Internals TRIN/TICK - Daily

**NYSE PERCENT OF STOCKS ABOVE 200-DAY AVERAGE STABILIZES....** The red line has fallen below 20% which puts it in a major oversold condition. This is a logical spot for it to attempt a bottom. The line is starting to stabilize (red circle). That's encouraging. But it needs to more back filling. The bottoming process has started.



## SPX- Sentiment from II

Advisory sentiment is in a bottoming area for the stock market comparable to tradable lows seen in the past.



# Appendix Content

- Objectives & POM /CZ / PEC –D Guidelines – 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.*

## POM criteria for Implementation on SPX

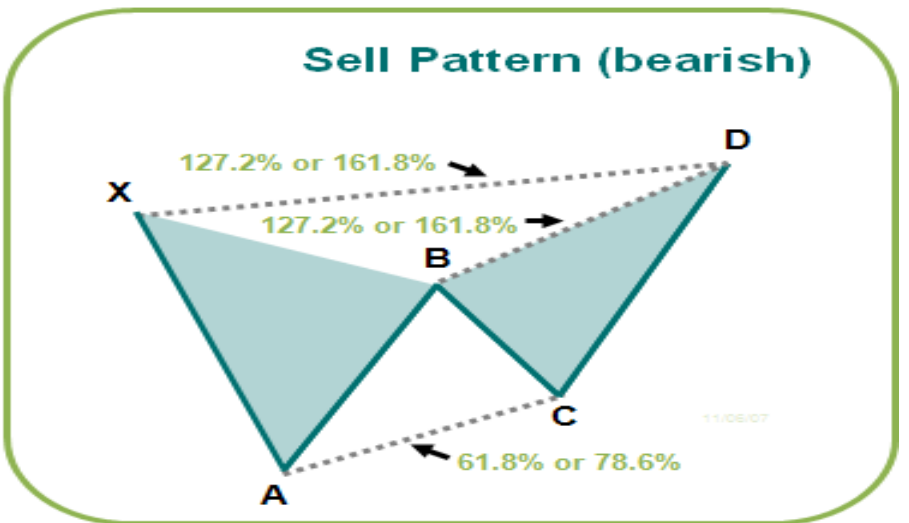
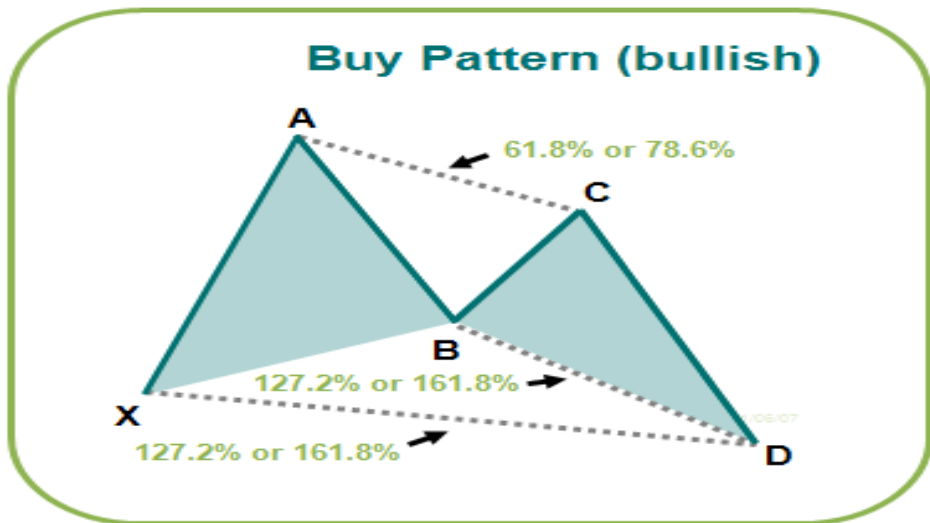
- POM is rated from 10 to 15
- POM 14 , 15 ( is Sell Signal) and 12 , 11 ( is Buy Signal ) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional “New Buys” that was initiated at POM 12 or POM 11 levels
- On 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



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