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SPX – BONDS – Institutional Report

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Announcement- ST Trend reversal & Risk Management .	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	2265	POM 13 Triggered @2035 On Election night @ 2035	None	BULLISH	Net Long 30%	None	Our rally target to 2200 met & Broke out to next ABC up	ABC target to 2300	Pull back to 2240-2220	Target ABC down to 2150	ABC down to 2040-20 Met exact On election night

- Our Net Long entry at 2045 on election night, during the “Trump Sell off” (60 SPX points) as projected in our 11/6 Report, Triggered Bullish trade. SPX is now trading at 2265; Gains of 220 points (10.5% profit).
- If slow fingers entered into SPX, post-election at market open (2100), SPX has rallied 165 points (7.8%).
- Last week we continued to remain Bullish, the market has gone up 75 points (3.5%) during the week .
- We let our profits ride and monitor week by week.
- SPX Net long Trade will end after the positive seasonality ends. (Wait for the announcement) .

	Current Price	POM Triggered within CZ & Date	Follow up Announcement- 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
TLT (BONDS)	117.5	POM 13 Triggered 11/20 CZ 121-118	None	BULLISH	Net Long 30%	Scale in @ 121 below Within CZ 121-118	Rally to target 127	TBD	Building base Within CZ 118-121	ABC down to 118 Net exact Bullish Bottom	

- TLT Net long position within CZ 118-121. **Stop at 116 (Revised) . If stopped out, we will reevaluate new entry point**
- Our SPX Net Long position is fully hedged with Net long position in TLT / 20 yr Bonds to protect against sudden decline in SPX.
- Election night we were stopped out of this trade **with -3.7% loss**
- Our current **drawdown is (-1.3%)**
- **Note** : Market will be quite Holiday season. The Real market to begin when the New Year begins.
- The Market will undergo tremendous re adjustment in asset prices due to headwinds mentioned in last Report.

Market Overview SPX- BONDS

SPX: Last week, SPX met our expected target of 2220 (exactly) and broke out into New ABC up to 2300. We plan to hold / ride our Net Long position till next week or perhaps year end. This is positive seasonality should act as a buffer on major pull back. FOMC meeting Tuesday / Wednesday can bring some volatility in all the assets classes. Rate hike is baked in the cake.

On very short term basis (1-2 weeks) , the market can pull back to 2240-20 . Put / call ratio suggests over bought conditions but after the pullback, market should go back up towards the highs of 2300 before signaling any kind of failure for Bears. We will take Net short position only when SPX fails with Bearish volume.

We do not want to fight the seasonality; **the power play season is in full strength.**

On slightly midterm basis (4-6 weeks), The real market should begin after the 1st of the year when it starts worrying about consequences of Trump plan. Indicators within Midterm, shows signs of Cracks in TICK and TRIN analysis.

“ The cyclically adjusted P/E (CAPE), a valuation measure created by economist Robert Shiller now stands over 27 and has been exceeded only in the 1929 mania, the 2000 tech mania and the 2007 housing and stock bubble,” Schiller in his interview has called it Animal spirit “. We will just follow the market as and when it gives us the Sell signal.

TLT: The **10-Year Treasury Yield is hitting 2015 highs.** On midterm basis, the new era of rising rates is supporting inflation sensitive market sectors like base metals, energy and s economically-sensitive stocks.

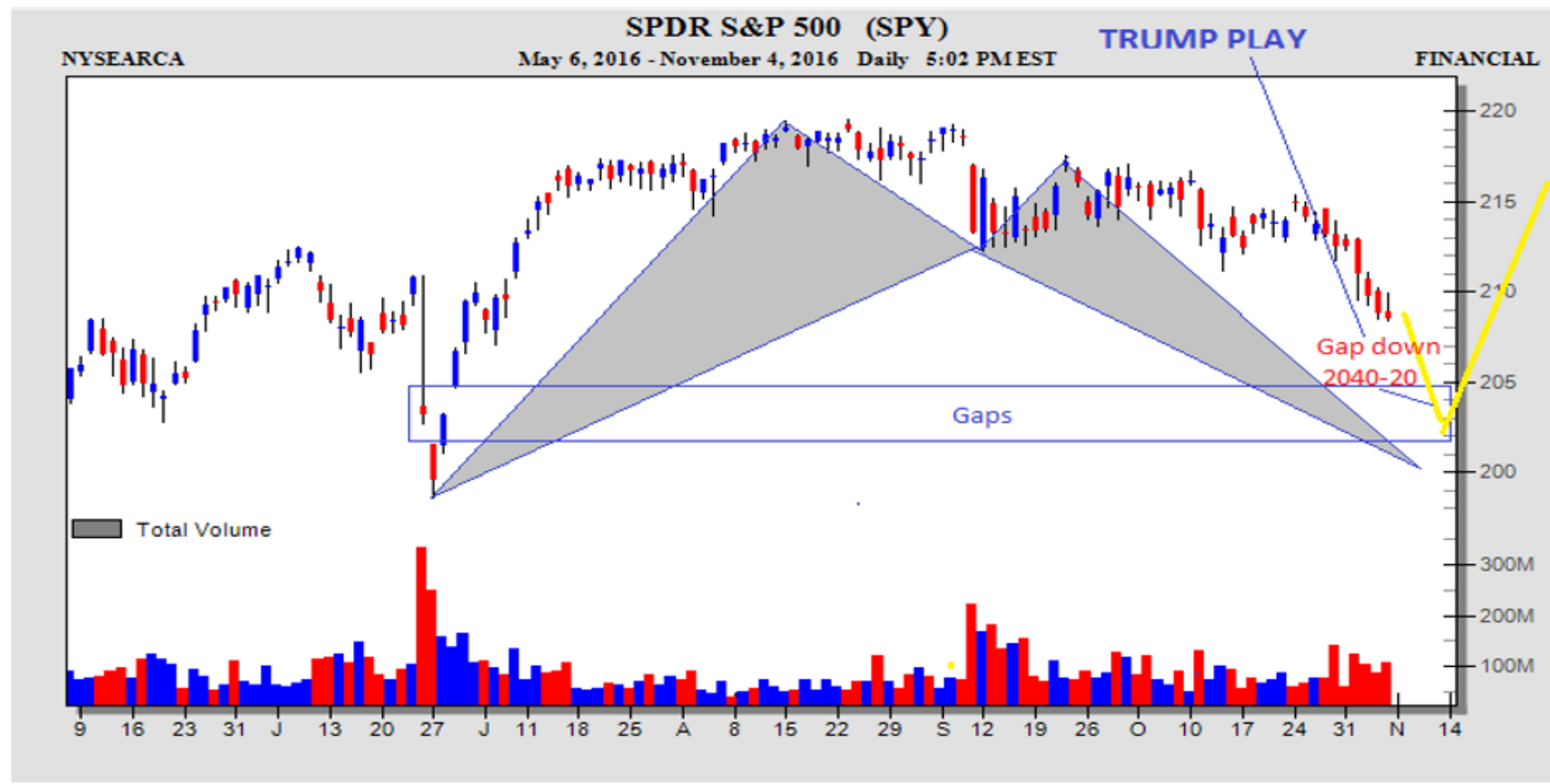
On short term basis, TXN is much overbought its daily RSI line is much overbought. This is short term time out and may slow down the advance temporarily.

Sentiments in US Treasury are extremely negative with Bearish ness. This is great contrarian Indicator. On Short term basis, Bond Market is completely oversold. PEC-D 118 Met exact and is re testing back again. The bounce target is 127. On midterm basis, it appears the yield is going higher and Bond Market could be in significant leg down once market fully prices-in , the Trump Trade policies and USD begins to sell off.

From Archival - Our Report 11/06 - 2 days before election night, we Announced “Trump Play” Signal . (see below slide from the referenced report)

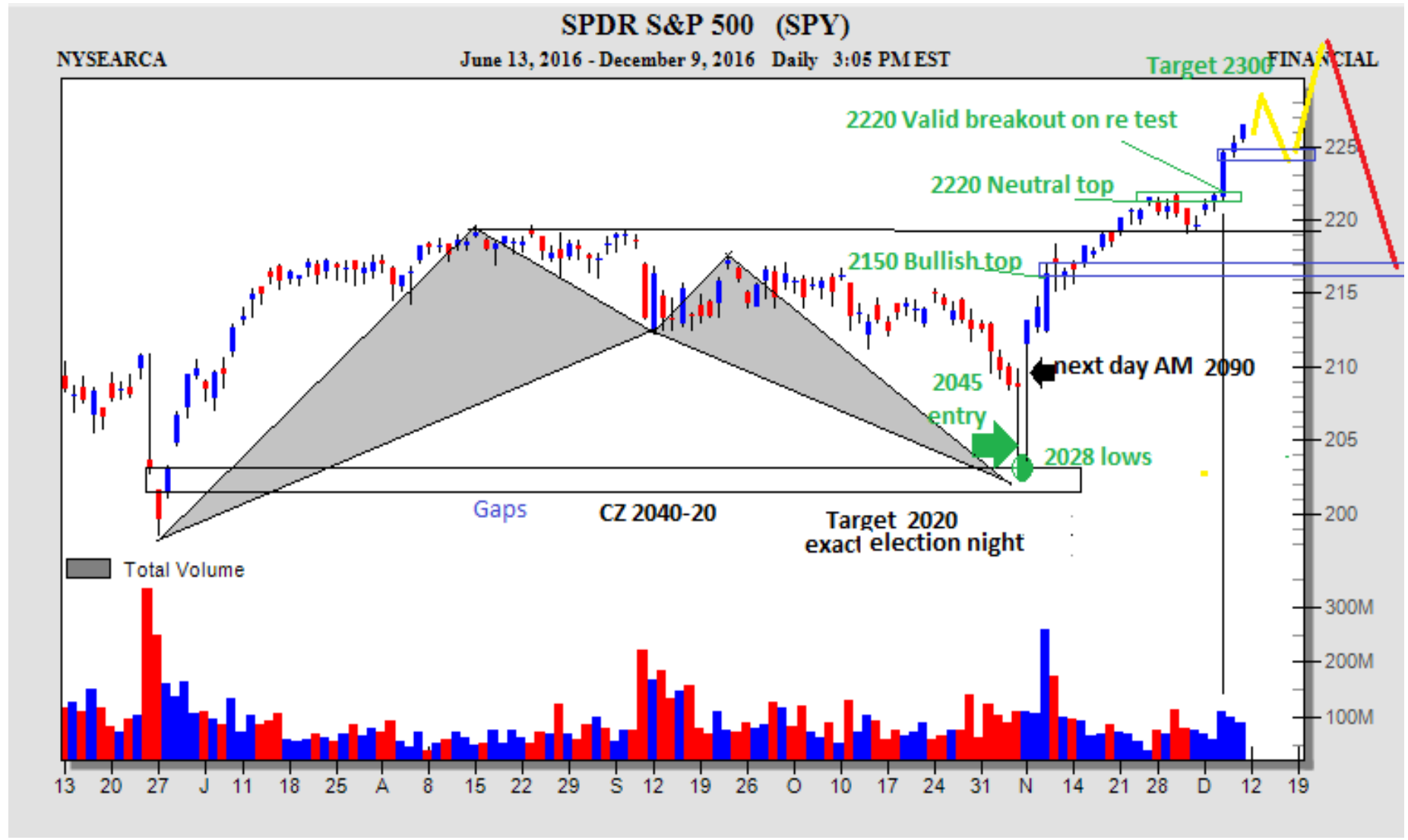
TRUMP PLAY : SPY / Volume Analysis – C Z- PEC- D Daily

- Any break below 2080 should be false break below to target 2040-20 with Gap down on Tuesday night or Wednesday AM for 2-4 days selloff . **This will set up great entry point for Net Long position** to target back up to 2150.



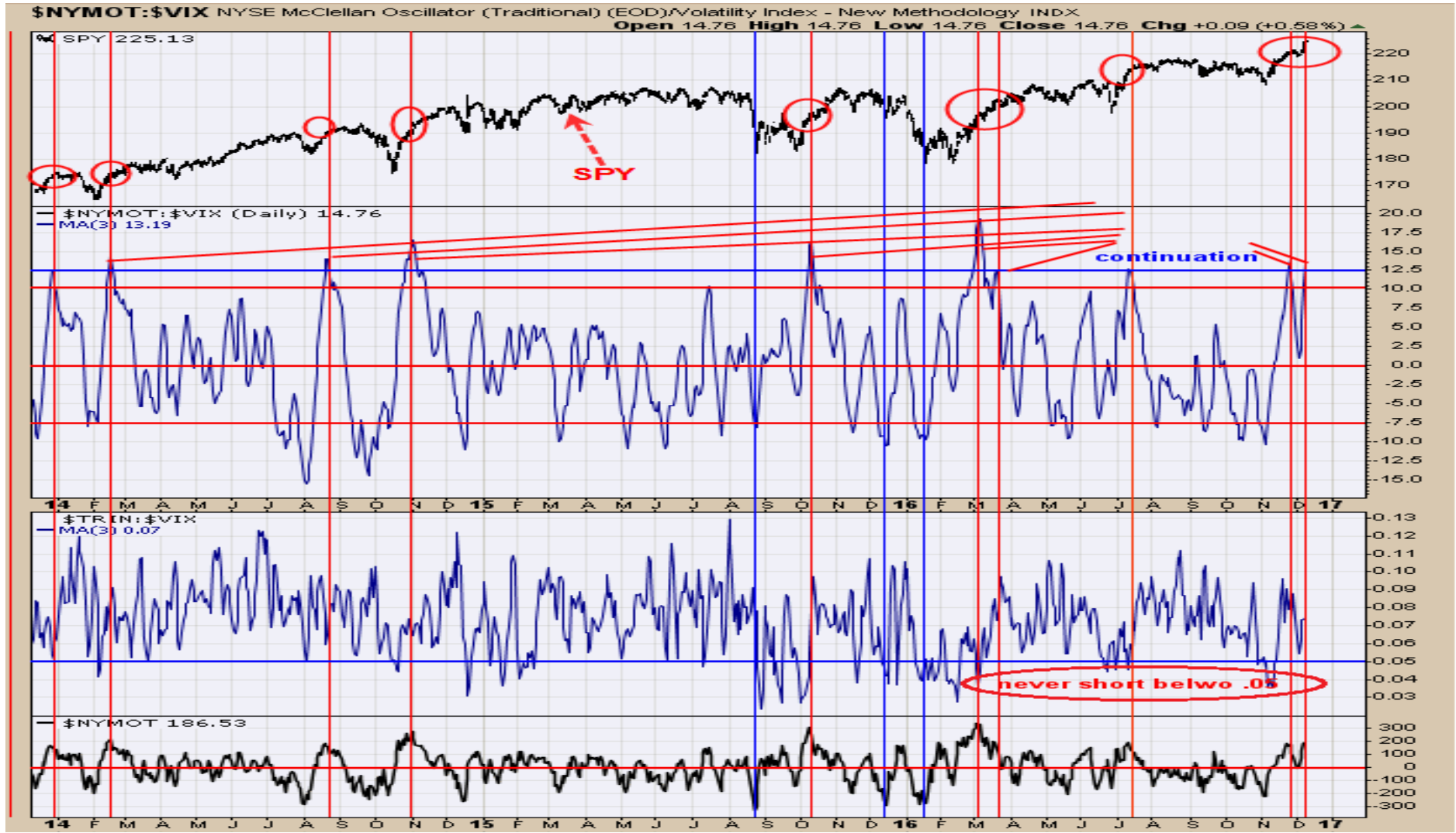
SPY / Volume Analysis – C Z- PEC- D Daily

Projected Target of 2220 met exactly and broke out to new ABC up 2300. **We remain Net long since 2045.**
 (SPX - When reached 2150 with Bullish top, next target to 2200, When reached 2220 Bullish top, next target to 2300,



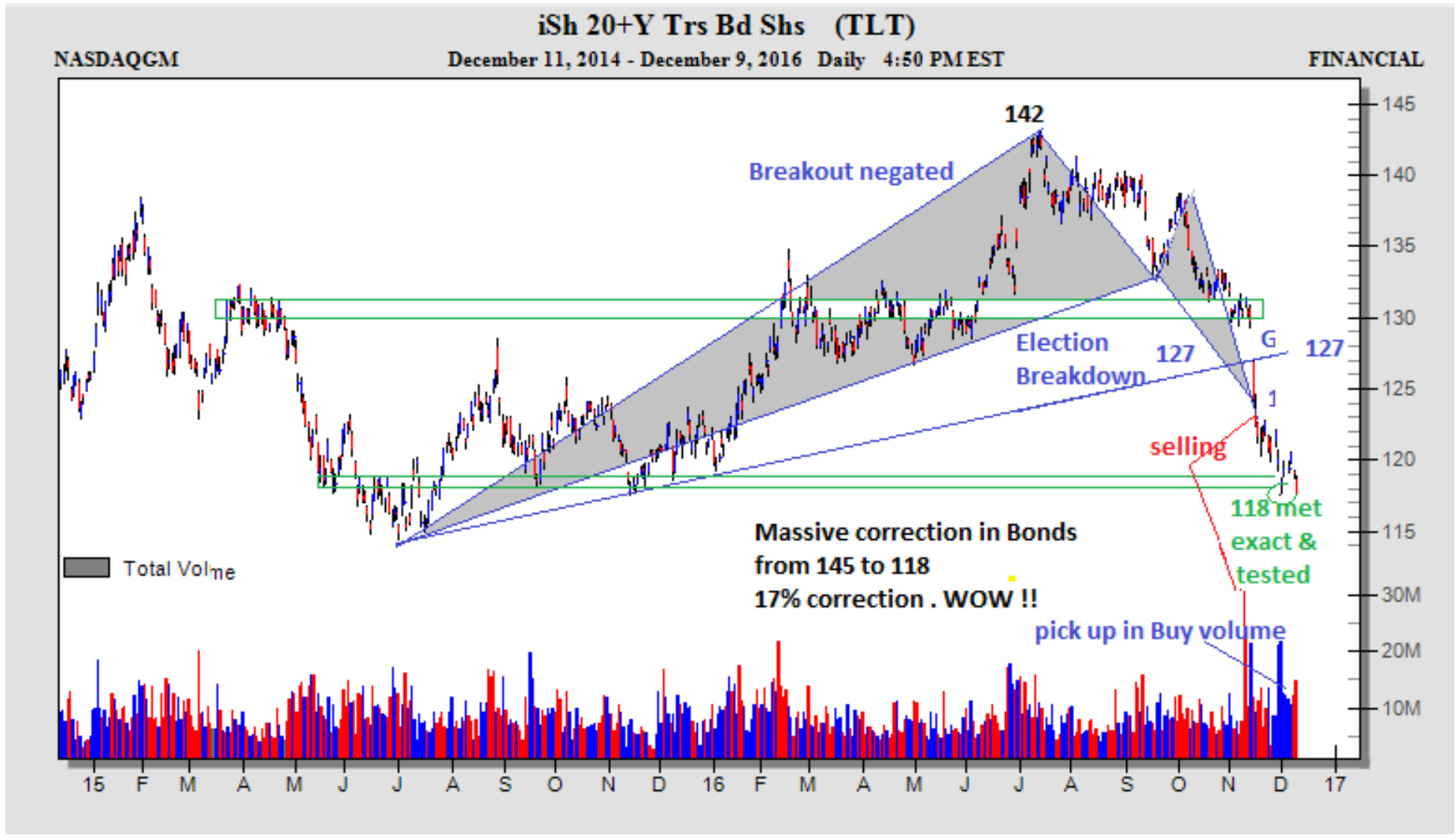
SPY / Put / Call Analysis – C Z- PEC- D Daily (1-3 weeks) Bullish

The second window down from the top is the McClellan Oscillator/VIX ratio. When this ratio gets above 12.50 (current reading is 13.19) the market usually continues higher short term (red vertical lines). However if the TRIN and TICKS reach over exuberance positive levels showing exhaustion, we may exit our long position. For now we will hold our SPX position.



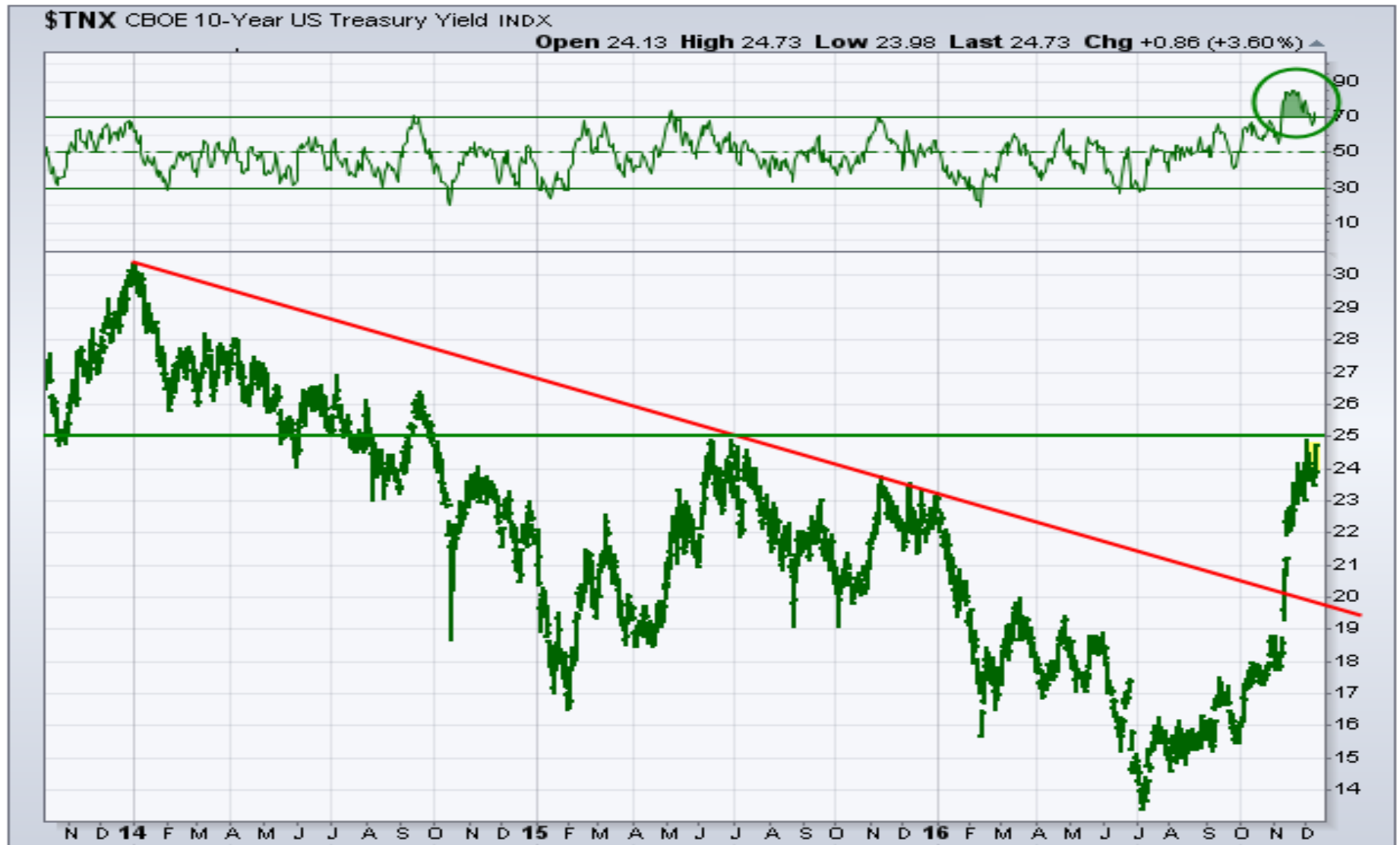
TLT / Volume Analysis – C Z- PEC- D Daily

Bond Market is completely oversold. Projection on downside to **PEC-D 118 met exactly** and is being re tested. . TLT is corrected 18% since the decline began. The next rally would target 127 at the breakdown area at the Gap.



TXN – Yield Analysis – C Z- PEC- D Daily

On short term basis, TXN is much overbought its daily RSI line is much overbought. This is short term time out and may serve to slow down the advance temporarily as it banging against 2015 highs. Pull back is due any time.



SPX – Cyclical Model

- SPX - Seasonality

Fourth Quarter “Power Periods”

Power Period 1 (4 Days)

Last 2 trading days of October

First 2 trading days of November

Power Period 2 (9 Days)

Last 6 trading days of November

First 3 trading days of December

Power Period 3 (7 Days)

Last 7 trading days of December

Total Trading Days: 20

- SPX - Geomagnetic / Lunar Cyclic Model

None

- SPX - Sentiments Model

AAII Weekly Sentiment Survey – Bullish

SPX – Internals Model

Midterm - TICK / TRIN - Bearish

AD Oscillator, Ratio's – Bullish

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)

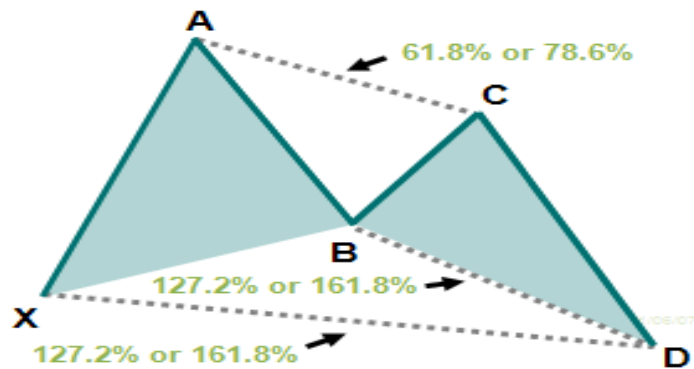
Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 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

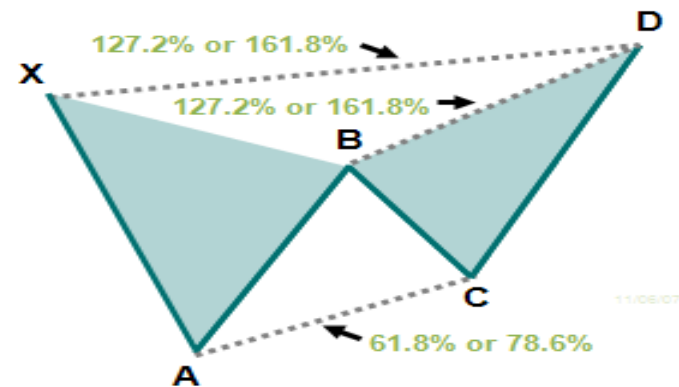
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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