SG Capital Research
Global Market Insights
Chart System

Date: December 18, 2016 (Sunday) www.sgcr.us **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	2250	POM 13 Triggered @2035 On Election night @ 2035	None	BULLISH	Net Long 30%	None Stop at 2130	Our rally target to CZ 2280-2300 Should fail.	ABC target to 2300 Fell short by 13 points (hit highs 2283)	Pull back to 2240-2230	Target ABC down to 2100-2080	

- **SPX Net long Trade will end after the positive seasonality ends. Stop at 2130**
- **Our Current Profit in SPX is 10% since 11/8 Election night – Net Entry @ 2045**

	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 current drawdown is (-1.3%) (earlier realized loss of -3.7%)**

Market Overview SPX- BONDS

SPX: Our Objective remains "Investment by Trading Swings "
Last week, SPX continued to rally during the early part of the week towards our target of 2300 but it fell short by 13 points. Later it began its decline towards our pull back target of 2240-20.

Although the Seasonality is still positive, for the 1st time since election night (11/08), SPX showed signs of bearish crack. The volume expanded last week during the decline. If CZ 2240 - 20 is tested on higher volume then next bounce towards 2280 should fail.

We do not want to trigger Bearish signal just yet till positive seasonality ends but we are getting very stretched in the 5 week Trump rally. All the Trump Policies are getting priced into the market with perfection. This is the single most risk to the market on midterm basis. Second biggest risk is Inflation with commodity prices rising along with USD rising simultaneously.

The real market should begin after the 1st of the year. Yearend could experience some tax selling and re balancing of assets in 1st week if January.

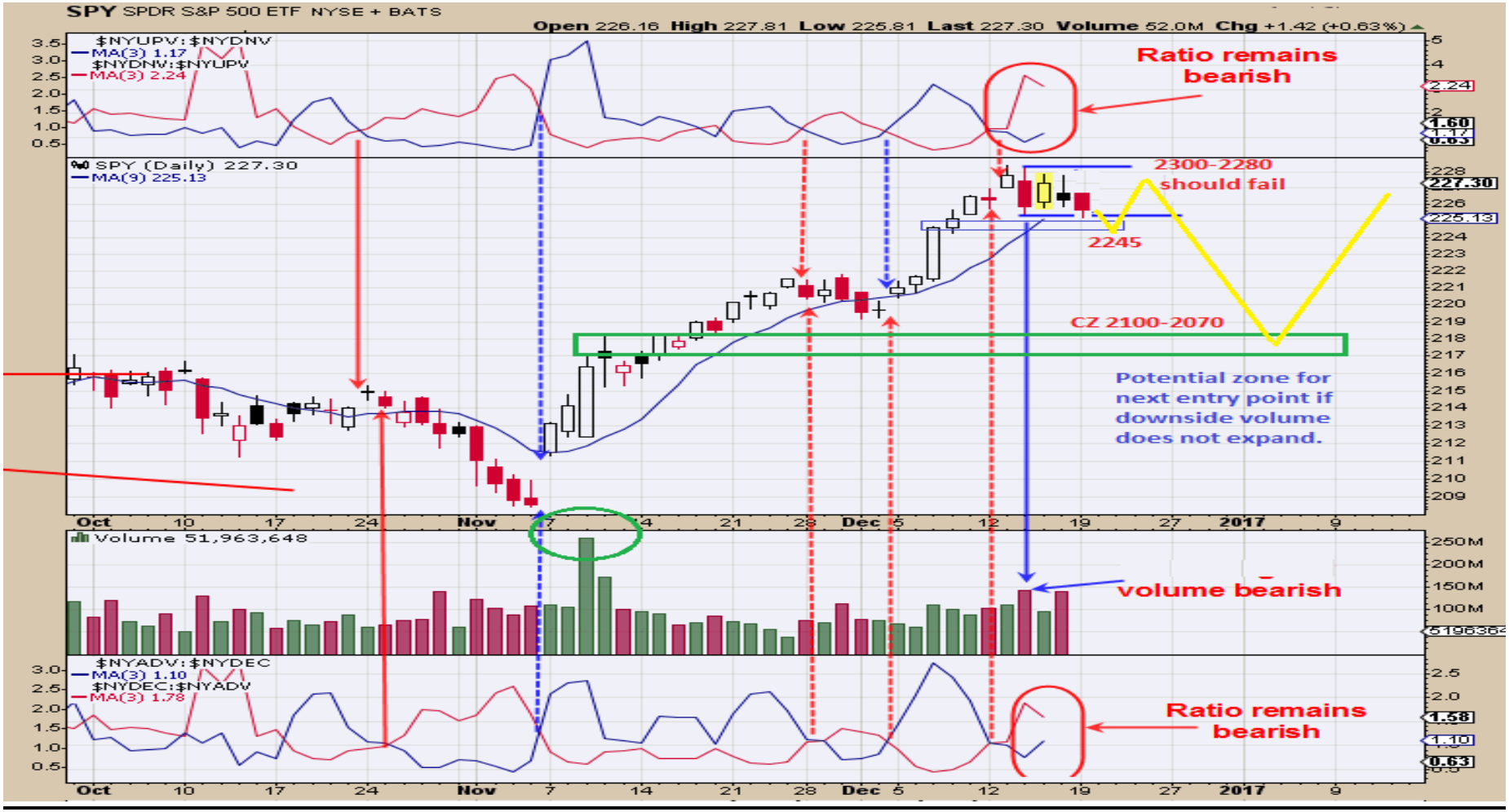
On midterm basis (4-6 weeks), Indicators shows signs of Cracks as well. The put/call ratios nearing extreme lows that imply traders are extremely bullish. When everyone is very bullish, that is generally when the market reverse.
The best Risk Reward for new equity purchases (Net long) would come around CZ 2100-2070.

TLT: Half of the 401K Capital is invested in Bonds. Since July peak, Bond market is down 18% (This is equivalent of 4000 Dow points) which is a nasty correction. This is far greater loss for the Balanced (50% / 50%) Portfolios to offset gains of 10% earned in Equity markets during the same time frame July to December.

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 much later next year once market fully prices-in , the Trump Trade policies and USD begins to sell off.

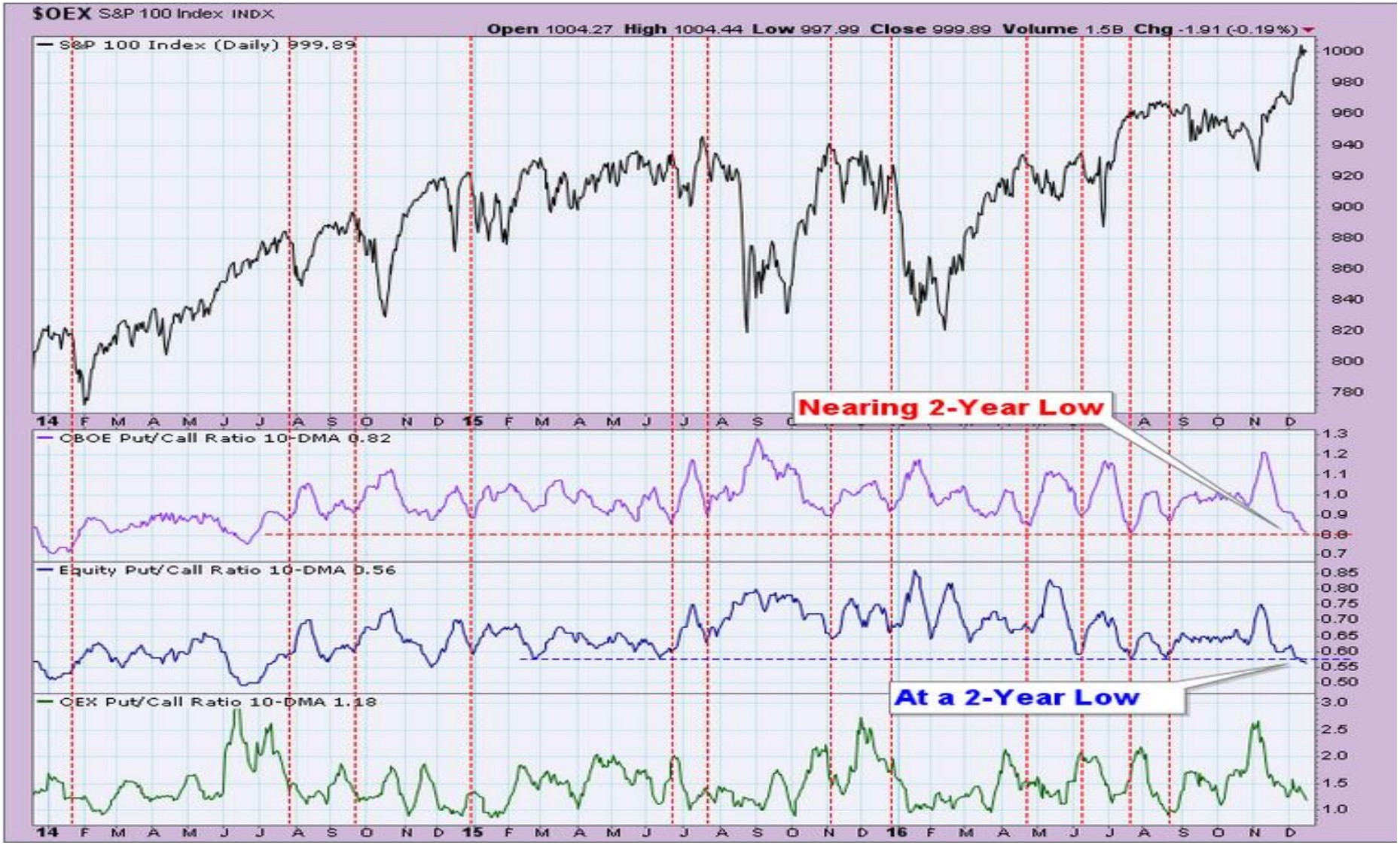
SPY / Volume Analysis – C Z- PEC- D Daily

Projected Target of 2300 fell short by 13 points. The volume expanded last week during the decline. If CZ 2240 - 20 is tested on higher volume then next bounce towards 2280 should fail. SPX showed signs of bearish crack.
Chart below, the Up volume/Down volume ratio had a bearish crossover and Advance/Decline this indicator is on a bearish crossover. **The best Risk Reward for new equity purchases (Net long) would come around CZ 2100-2070**.



SPX 100 (OEX) / Put / Call Analysis – C Z- PEC- D Daily

The put/call ratios nearing extreme lows, everyone is buying calls that imply traders are extremely bullish. This is good indicator for market top.

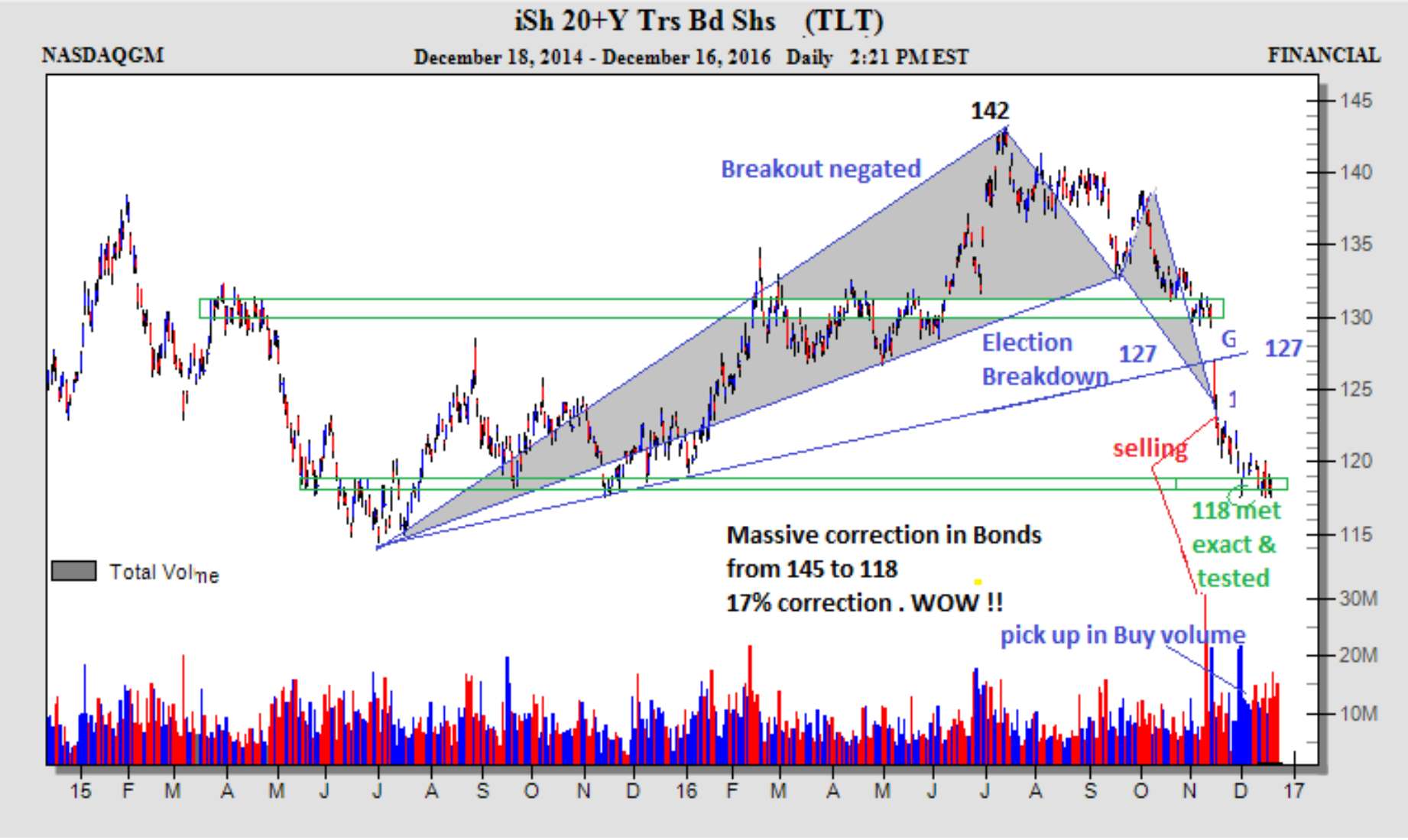


SPX / TLT Ratio Analysis – C Z- PEC- D Daily

STOCK/BOND RATIO IS EXTERME. - Ratio of the **SPX** by the **20+year Treasury Bond ETF** turning up in favor of bonds. The stock/bond ratio has soared to the highest level in nearly three years. The RSI has reached the 80 level which is the most overbought reading in years.

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.



SPX – Cyclical Model

- **SPX - Seasonality**

- **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

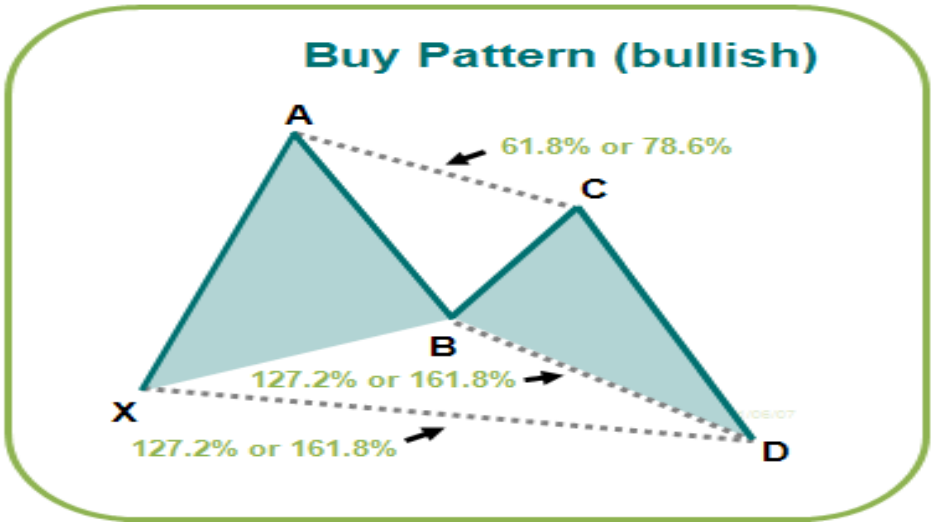
- ***POM is rated from 10 to 15***
- *POM 14 , 15 (is Sell Signal)* and *12 , 11 (is Buy Signal)* both are the Actionable Area whereas *POM 13* is A *Neutral Signal* for Risk management
- On way *UP* move, *POM 13* signifies to *STOP* executing additional 'New Buys" that was initiated at *POM 12 or POM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

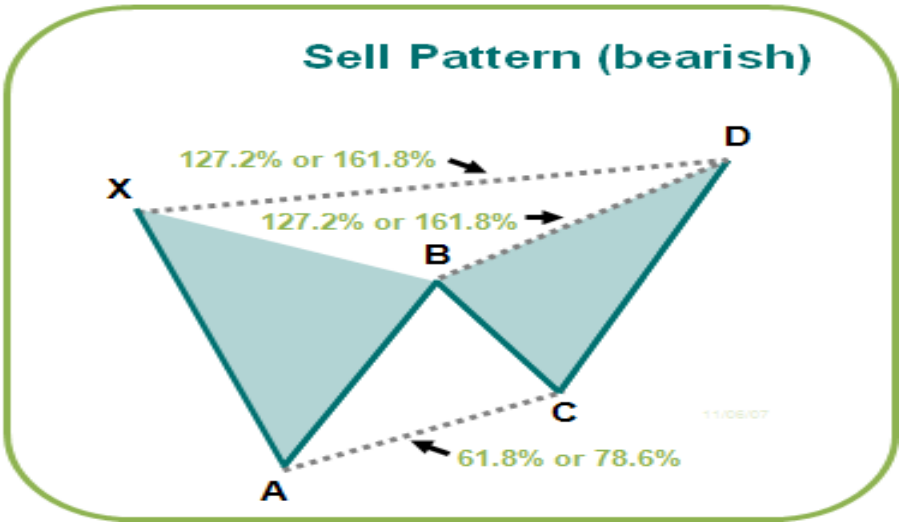
Pythagoras Expansion / Contraction – (PEC) Model

- 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





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