



Date: July 17, 2016 (Monday)

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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 Announcement	2159	POM 15 Re Run Triggered @2090 5/7	Initiated Net Short within CZ 2090-85	BEARISH	Net Short 20% Increasing Position 20% to 30%	NONE	Target 2115 and failed On volume	Extended to 2159 False break above	1st ABC down to 2050 Bearish Gap 1	2 nd ABC down to 2020 -00 Bearish Gap 2	Projection to re test of lows CZ 1995-1985 Bearish Bottom

For Bears - Triggered Net Short: POM 15 Re Run with CZ 2090-85, Move above is false break . SPX failed on top side on low volume. **1st ABC** down to 2050 towards Bearish Gap 1.

For Bulls- Wait for the ABC down to 2020 To Bearish Gap 2 to add Net long position if it is rejected on price & lighter volume.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement</u> - 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)	139	POM 14 Triggered 1/8	NONE	NEUTRAL Bounce in Progress	0%	NONE	Momentum to 144 Bullish Top	TBA	Pull back to CZ 134-132 & rally UP	CZ 128-127 Rejected Bullish bottom	

ACTIONABLE IDEAS -

For Bulls – Rally extended past our target 136 to 144 with Bullish Top. Wait for pull back to 136 for next signal.

For Bears – Wait for heavy volume decline to 136 and Sell Short the next bounce to 144 with Bearish top.

Market Overview SPX- BONDS

Announcement: We are increasing our Net Short Position from 20% to 30% @ 2155-60 . SPX Triggered Bearish POM 15- Re run Signal within CZ 2090-85.

NIKK's central bank policies fueled the Global rally last week. Money has been flowing into US for safe havens. Therefore US Stocks, Bonds, Gold, USD has been rallying to gather. This is very rare event. We got the additional 150 rally in Dow that we were expecting. Timeline wise 7/18 top we been looking for is due this week.

However SPX has gone into dangerous momentum drive. Since our Trigger SPX has moved up 60 points. This has been our worst Drawdown on Net Short side since Bull Market began 2009. The move higher in SPX is NOT new ABC up. This is false break above 2100 with no expansion in volume. SPX should re- visit 2100 soon.

SPX Short term –

We're on watch for VIX to form a bottom and rally, which would imply a change in trend in equities to the downside. However seasonality wise Top should come in by 7/18 ; Historic probability and slide till 1st week of August. With options replenishment next week, put buyers could send stocks out of bed, in the second half of July on a seasonal basis.

In spite of good news from JPM, Financial XLF formed a low volume dark cloud and failed. Leading Indicators, NASD, IBB, Transports which were the leaders, are lagging big time. In world Market DAX, CAC looks extremely bearish in spite of bounce. In fact these Indices are closer to breaking last week's lows. We are watching QQQ as its giving better information than the SPY

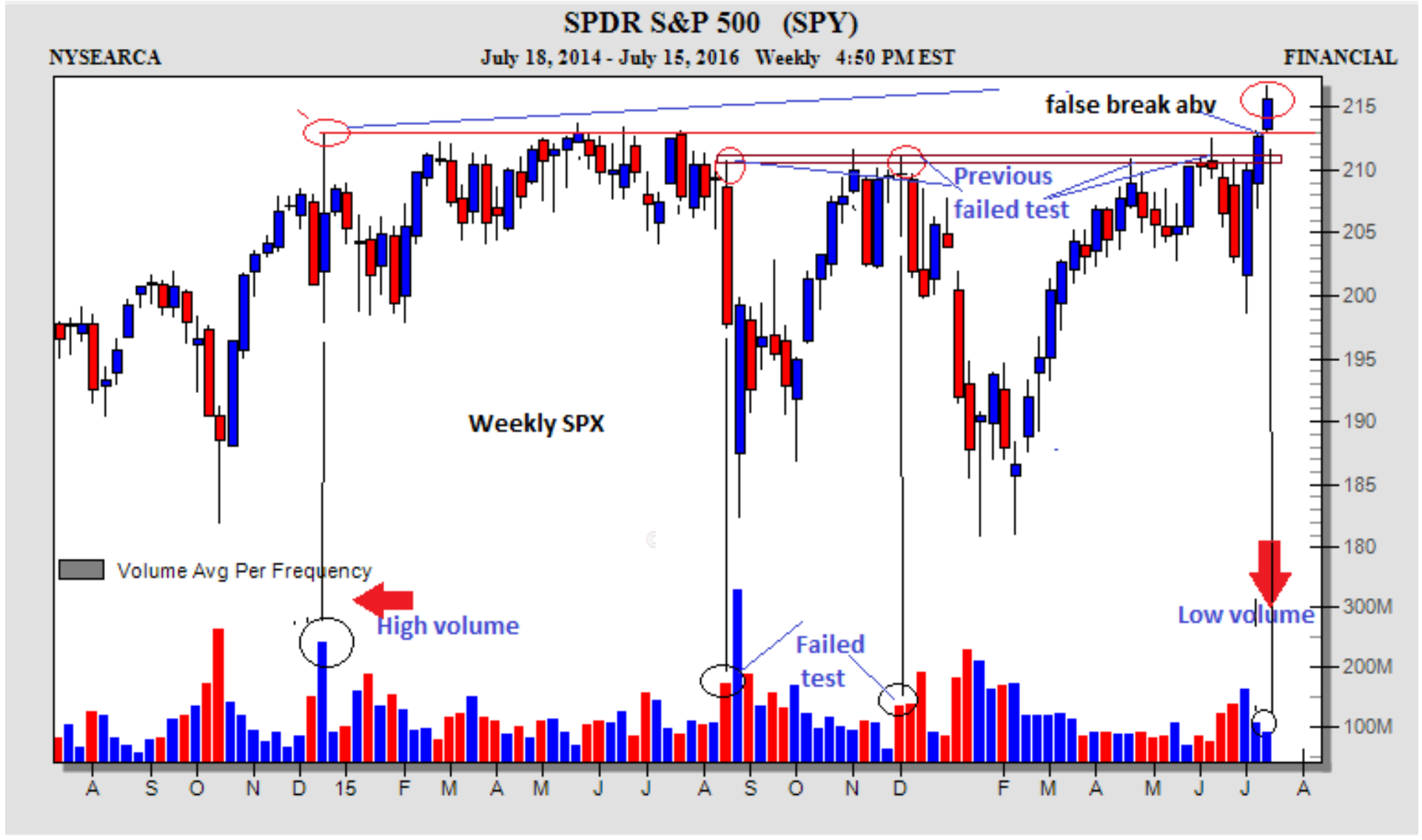
Mid Term –

Our pull back target is to GAP 1 @ 2050 and GAP 2 @ 2020. Those GAPS will be tested and our downside target. If SPY is tested 2020-00 on lighter volume will suggest another bounce.

Dow – Transport The averages are already signaling a bear market, with the transportation making lower lows and lower highs. As per Dow Theory itself we should see higher highs and higher lows from both averages. There is divergence on long term basis similar to 2000, 2007 . .

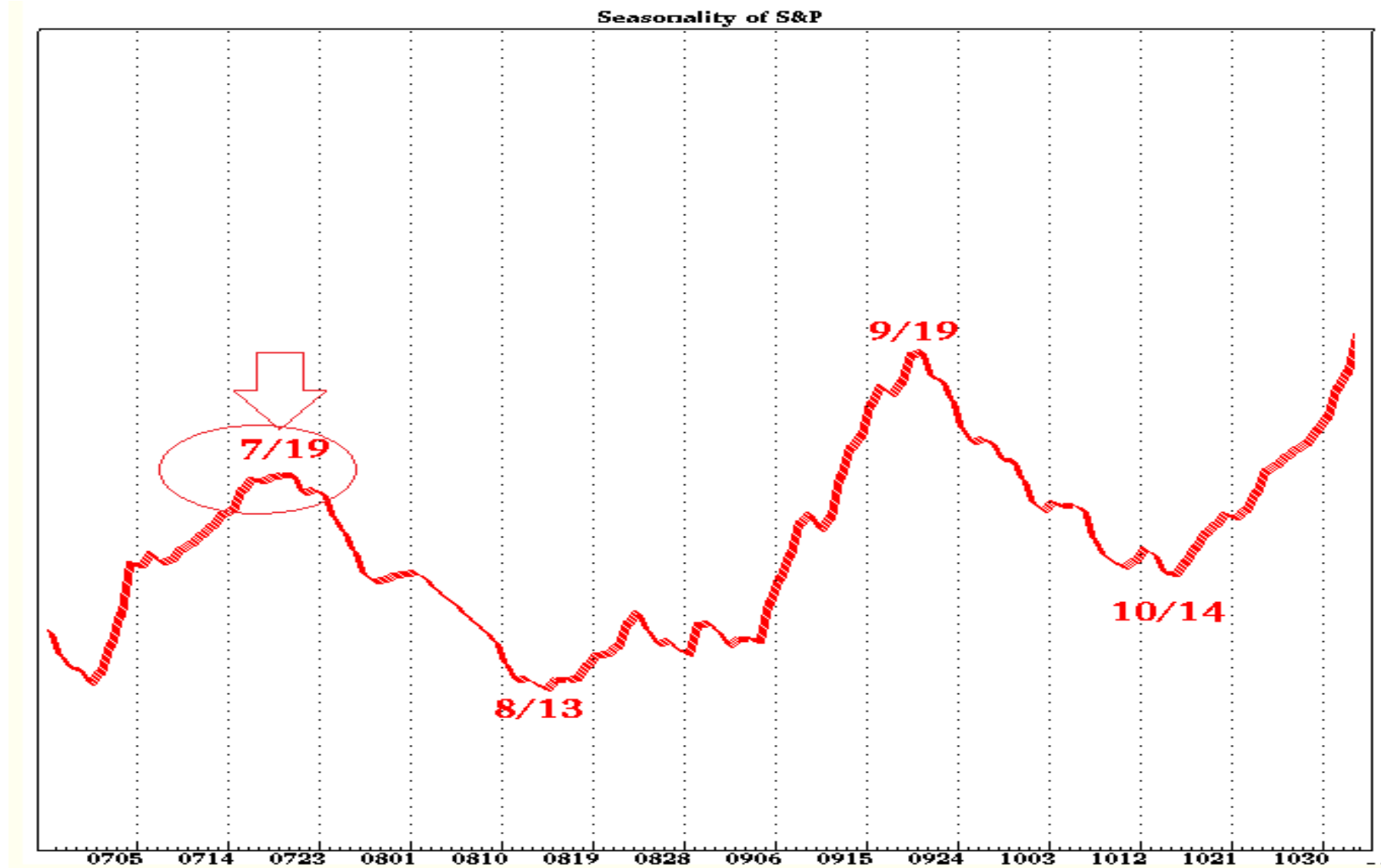
SPY – C Z- PEC- D Analysis – Weekly

Notes within the chart.



SPY – Seasonality

Seasonality wise ; Top should come in this week 7/18. Historic probability



QQQ – C Z- PEC- D Analysis – Daily

QQQ/TRINQ ratio with a 10 DMA is above 130 than market is considered extended (current reading is 136.39). Over the last couple of days the QQQ broke above its previous high of April and June and could be forming another “Up Thrust” similar to what appeared at the July high of last year. If QQQ falls back below its previous high (near 110) than downside is 101. The decline should begin when Nasdaq McClellan Summation index is below “0” (current reading is slightly above 0) We are watching QQQ as its giving better information than the SPY.



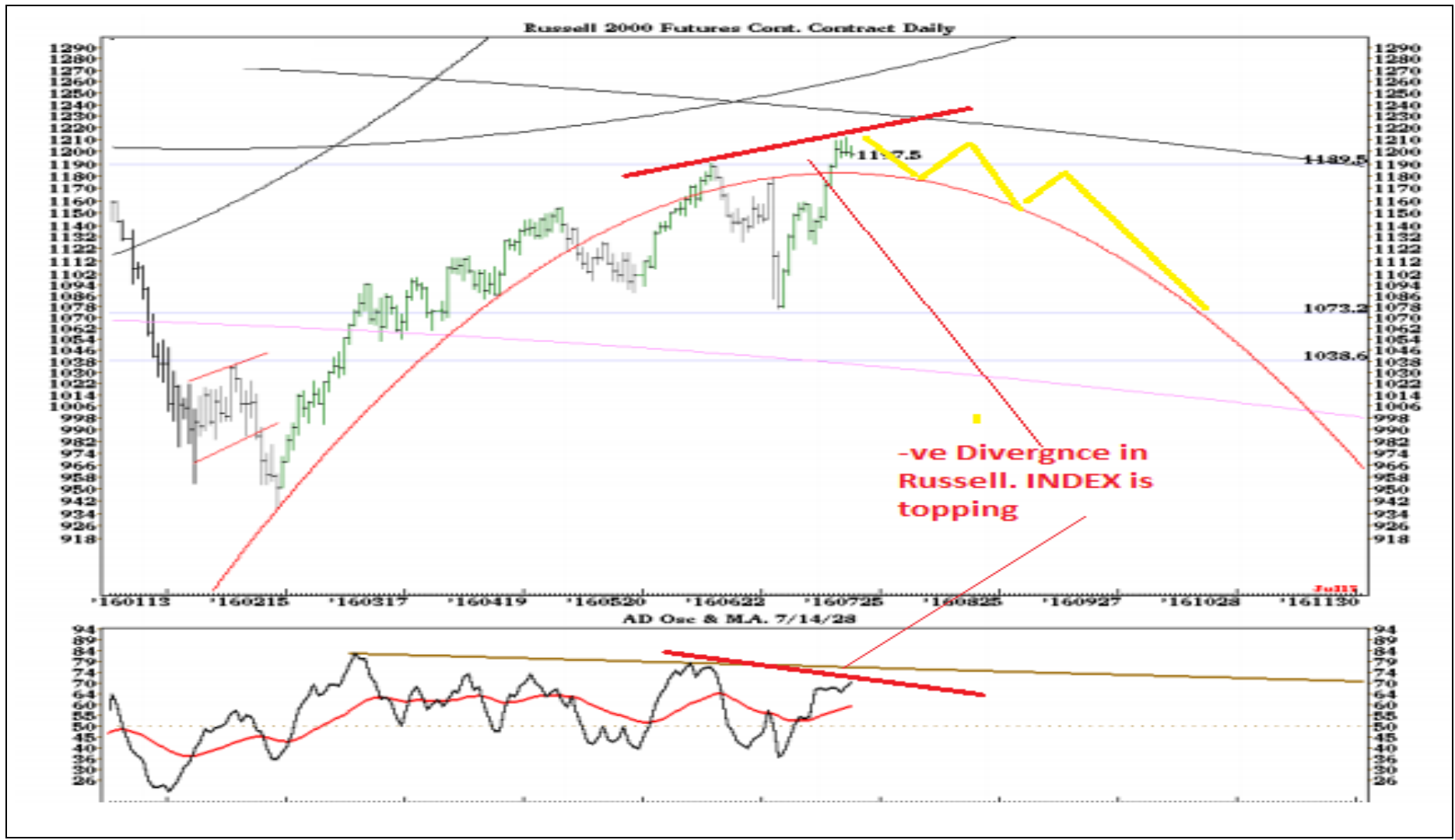
QQQ – TRIN Analysis

Longer term picture for the Nasdaq. The chart is the 70 and 200 DMA of the Nasdaq/TRINQ ratio. When the 70 DMA falls below the 200 DMA moving average a longer term sell signal is triggered. The red vertical lines shown when these sell signals were triggered and the last signal came in January of this year. Currently NASD is lagging



RUSSELL – C Z- PEC- D Analysis – Daily

Small cap are lagging and Oscillator is diverging negatively.



SPX – Cyclical Model

- SPX - Seasonality

EFFECT – , MAY - OCT – NEGATIVE.

- SPX - Geomagnetic / Lunar Cyclic Model

None

- SPX - Sentiments Model

AAll Weekly Sentiment Survey – Bullish

SPX – Internals Model

Midterm - TICK / TRIN - Bearish

AD Oscillator, Ratio's – Bearish

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)

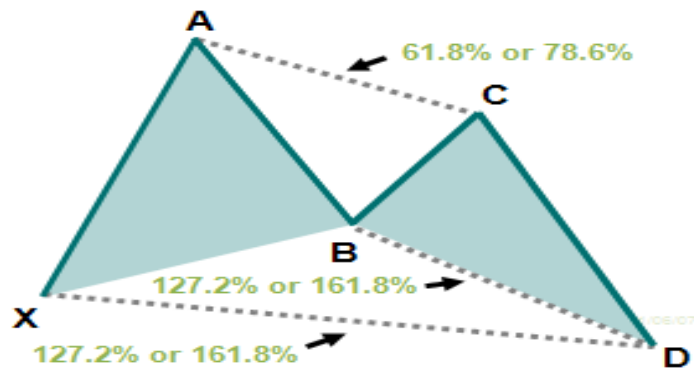
Pythagoras Expansion / Contraction – (PEC) Model

- 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 streams to achieve confluence point D coinciding with POM

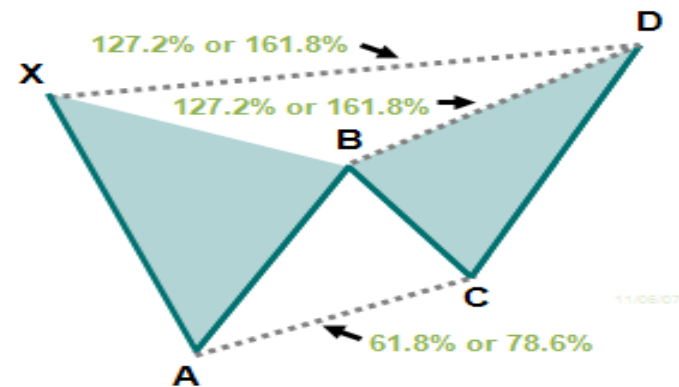
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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