



Date: April 30, 2017 (Sunday)

**Immediate Release- SPX- BONDS – Institutional Report**

By: Suneil R. Pavse, CMT

## 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	2385	POM 15 Triggered @2375 3/19	Stop loss at 2410	BEARISH	Ne Short 30% to Fully Hedge long positions	None	Bounce to 2397 should fail	Target 2400	Pull back to 2320-10	1 <sup>st</sup> ABC down 2300-2280-2300  <u>Best Risk/ Reward for new longs</u>	

- **POM 15 – Net Short Signal Triggered at 2375 on 3/19 Announcement:** To Hedge all Long position.
- Core Holdings in Equity Portfolio MSFT, FB, JNJ are all hedged.
- Since our Trigger @ 2375 , First projected pullback to CZ of 2320-10 met exact once and the Market bounced back to 2375 to double top.
- 1<sup>ST</sup> ABC down Target at **CZ 2280-2300.**
- For next Net long opportunity , we plan to wait patiently for best Risk / Reward.
- Protect your position with Stop Loss

	Current Price	POM Triggered within CZ & Date	Follow up Announcement- Update For ST Trend Reversal & RM	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
<b>TLT (BONDS)</b>	122.5	<b>POM 13 Triggered 3/13 @ 118.25 Within CZ 117-118</b>	Stop loss at 118.25	BULLISH	Net Long 30%	None	1 <sup>st</sup> ABC up Rally to Re test 123.5 MET EXACT	Target to PEC-D / Gap area 127	Pull back to CZ 121-122 in progress. .	Lows of 116.5 tested and held	

- **POM 13 – Net Long Signal Triggered at 118 on 3/13 Announcement:**
- Since our Trigger, projected Rally to 1<sup>st</sup> ABC up 123.5 met (EXACT )
- Pull back to CZ 121-122.
- Protect your position with Stop Loss

## Market Overview SPX- BONDS

Monitory: Coming week could be volatile with FOMC meeting / announcements on Tuesday / Wednesday. Hawkish announcement of last meeting has been contrary to the behavior of the 30 year yield and Bond Market. FOMC's minutes of the meeting suggesting further rate hikes may be challenging to reverse the course. Raising Fed Funds rates in face of falling yield can put in squeeze in the market.

The divergence between the fixed income and credit markets where flattening curve (10Y vs 30Y and even 10Y vs 2Y) and widening HY [high yield] spreads ... signal a more caution. With this back drop, in coming months, Fed's plan to unwind its balance sheet from \$ 4.5 Trillion in Bonds can be very challenging.

Seasonality / Cycle: Month end positive seasonality cycle is on till 3<sup>rd</sup> of May. "Sell in May and go away" Program Traders may kick in next week. As pointed in our earlier Reports, "Supermoons" / and Perigee ( April 24-26) had extreme reaction on Markets; 3 days of exuberance. Markets tend to react quite aggressively in such cycles.

Macro-Economic data: Market has been pricing in 3.5% GDP growth and the corporate Tax cut at these levels. Past week's GDP data at 0.7% ; worst in 3 years ( drop of 0.65% QoQ) and personal spending lowest in 8 years was completely ignored by the market. Retail stocks have been reacting downwards on such anticipation for past 2 months and could be a warning sign !!! . July data on next GDP Report will be very critical to the market to project the trend in the economy. We may get the revised number on April GDP as well to judge the situation. Friday's BLS number on Unemployment can move the Market as well.

The Risk Off trade, **healthcare sector** XLV is quietly moving higher. In fact, healthcare is the third strongest sector this year (behind technology XLK and Consumer Staples XLP) . And it's relatively cheap. The **XLV/SPX** shows the sector underperforming the market by a wide margin over the last two years.

Paul Tutor Jones study just released last week indicates the Ratio of Wilshire 5000 v/s GDP at historical extreme levels. This substantiates last month's study "Robert Shiller" CAPE Indicator; cyclically adjusted at 24.0 extreme levels .

Technically and Behaviorally: French primary election last week in overnight trading created “Short covering Gap up” resulting in 3 gap Play Pattern. Each overnight trades, resulting in imbalances with early morning “Gaps”. The overall pattern is still not completed yet. However the price move higher is NOT an initiation of new impulse wave. Market may back and fill in this region building a top with possible another high. There are few indicators (refer chart below; suggesting short term bullishness)

**SPX: Our POM 15 Trigger – Net Short Trigger @ 2375 on 3/19.**

If downside volume does not pick up, 3<sup>rd</sup> Gap / Exhaustion Gap higher may be completed within next 10 days around **2400-2380** and possible decline going into June, filling up all the Gaps towards **2300 levels**.

On weekly basis, **SPX** is building a distribution pattern to move lower with multiple “Signs of weakness and escalated bearish volume. **On Balance Volume** has fallen to the lowest level in more than two months. **SPY/VIX** ratio is falling is falling bearishly which is bearish condition for the market

**TLT: Triggered POM 13 - Net long. CZ 117-118**

Our “scale- in” entry on 3/13 at 118.25 initiated our Net long Trade.

Continued Sign of Strength with expanding upside volume out of **CZ 117-118** rejection, has been setting up towards our **1<sup>st</sup> ABC up target at 123.5-** Met and pulled back is in progress.

On weekly basis, TLT is building a cause to move higher. TLT began its move higher with multiple “Signs of strength and escalated bullish volume. **Our final target is PEC-D 127.**

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

The First Gap at 2370 and the 2<sup>nd</sup> Gap is huge at 2350. On Balance Volume has fallen to the lowest level in more than two months. The falling OBV line reflects the fact that downside volume over the last month has been heavier than upside volume. That usually suggests that prices will also fall further.



## SPY / ROC/ MC -OSC Analysis – C Z- PEC- D Daily –

McClellan Oscillator > "0" is short term Bullish. McClellan Oscillator made a lower high than previous day showing upside strength is weakening. SPY ran into the March 1 and did so on lighter volume and then closed below the March 1 high which is a failure.. The bottom window is the Rate of Change (ROC) which is Bearish below 2.0 . As long as McClellan Oscillator stays above "0", the market will not turn down.



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

Pull back to **CZ 121-122** in progress. The **On Balance Volume** has risen to the highest level in 3 months. The rising OBV line reflects the fact that upside volume over the last month has been heavier than downside volume. That usually suggests that prices will also rise further.



# BONDS - TLT / Volume Analysis – CZ- PEC- D Weekly

Refer notes inside the chart





## SPX – Cyclical Model

- SPX - Seasonality

Negative- Post Presidential Cycle.

- SPX - Geomagnetic / Lunar Cyclic Model

Negative

- 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)

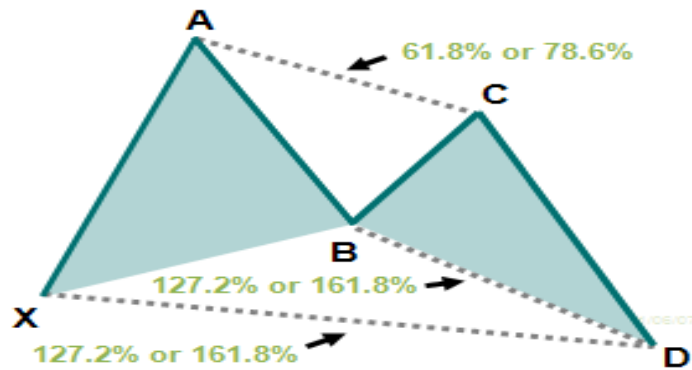
# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 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

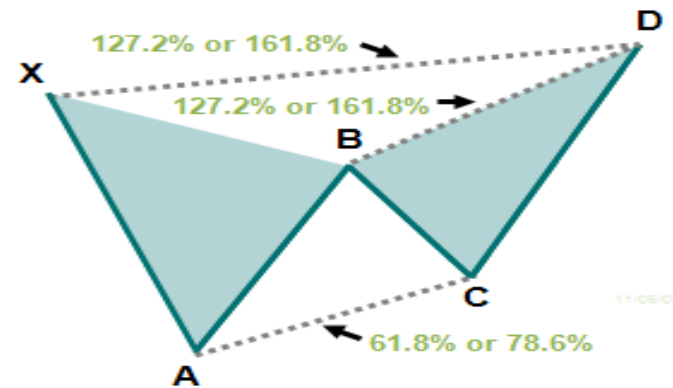
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

### Buy Pattern (bullish)



### Sell Pattern (bearish)



**Disclaimer :** The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.