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Immediate Release- SPX- BONDS – Institutional Report

By: Suneil R. Pavse, CMT

Portfolio Summary: 2017 YTD

Our Core Portfolio in 2017 has been heavily weighted towards the Asset Classes such as **US BONDS, USD, GOLD and Gold Miners**. In terms of Equity, our holdings are Net long in **Facebook, Microsoft and JNJ**. This has been the sweet spot where the larger capital deployment has built us serious profits in the Portfolio for 2017.

The lightly weighted non – core active trading ideas such as small stocks /or short term TVIX etc. are for active capital with Risk managed ‘Quick Fingers’ to generate supplementary gains.

Ironically, this is the first time since 2007; **SPX** has not Triggered Net Long position for 5 long months, since we “Exited” the “Trump Trade” on Jan 01, for 10% profit. We have remained on sidelines for core Net long SPX positions.

As of Friday’s close_6/02/2017, we have built serious alpha, outperforming the **SPX (7% Gains)** by wide margin without being in the limelight of Equity Market

1. US BONDS: 6.1 % Profit (adjusted for [1] 1.05 cents stop loss); **Net long Entry 118 / currently at 125.6**

2. USD: 5.9% Profit; Net Short Entry 102 / currently at 96.2

3. GOLD: 12.5% Profit; Net long Entry 1150 / currently at 1280. Adjusted for (2) risk management profit taking / reentry (1243/ 1200) and (1285 / 1245). **The Net total Profit of 16% Profit**

4. GOLD Miners: 5.7% Profit; Net long Entry 21.5 / currently at 22.7. Adjusted for (2) risk management profit taking / reentry (25.5/ 21.7) and (24.5 / 21.5). **The Net total Profit of 21% Profit**

5. FB, MSFT, JNJ : The Net total Profit of (3 Equites) 24% Profit. Adjusted for (1) Hedging drawdown in SPX (-2.4%)

We rather focus on Assets classes which are moving up under the mainstream radar than headline DOW JONES. US Bonds have performed very well with far lesser risk vs DOW with 6.5 % gains. Collectively, with profits from GOLD, GDX and NDX Tech, our portfolio gains are way ahead of DOW and SPX.

Our Technical Risk parameter does not trigger us to chase the Momentum price moves in any market.

The biggest story of last week has been the massive breakout in Bonds and the Equities have been rallying long side of Bonds. This has been pushing the benchmark 10-year Treasury note yield to last December's level. This has been puzzling dynamic on Wall Street. We had predicted the move in US Bonds and Low Yield. **This is not the time to add fresh capital**

May's weak Job data may be in conflict with the Fed's forecast of two more rate hikes this year. The market doubts the central bank can now hike more than one more time in June, as they expected. The weak jobs number raises the question of whether soft job growth is a sign of an economic slowdown or labor market tightness.

In any event, based on Portfolio prospective, a simultaneous move higher in Equities and Government paper seemingly happens rarely. We rather prefer assets coming of the bottom with force than assets moving higher past CZ on momentum. One of them will be wrong and we will know sooner than later.

It's been a great year for big tech stocks, and a pretty pathetic one for the small caps; the Nasdaq 100 index is up 25 percent this year (includes FB, MSFT) , while the Russell 2000 has risen by less than 5 percent. If that pace continues, 2017 will witness the greatest outperformance for the Nasdaq 100 as compared to the Russell 2000 since 1999. In 2000, Nasdaq 100 beat the Russell by 40.

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	2439	POM 15 Triggered @2375 3/19	None	BEARISH	Net Short to Fully Hedge long positions	None	Momentum move 2425-3 rd drive to the Top – met Failed on volume	Momentum Top has double top Weekly close Below 2425 Is required	Pull back to 2390-60 and rally up	1 st ABC down -2280-2300	<u>Best Risk/ Reward for new longs</u>

- **POM 15 – Net Short Signal Triggered at 2375 on 3/19 Announcement:** Hedge all Net Long positions.
- Weekly close **below 2425** to Trigger decline
- Pull back target to **CZ 2390-60** and rally up
- 1ST ABC downside Target at **CZ 2280-2300**.
- For next Net long opportunity, we plan to wait patiently for best Risk / Reward.

• **Note:** We failed to get us out from Limit stop at 2415. In hind side we should have taken it to avoid 25 points squeeze. Certainly FB, MSFT has outperformed this squeeze dramatically

	Current Price	POM Triggered within CZ & Date	Follow up Announcement- Update For ST Trend Reversal & RM	Progress Status	Existing Position / Exposure	<u>NEW ACTION</u> (Trigger to Watch)	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
TLT (BONDS)	125.65	POM 13 Triggered 3/13 @ 118.25 Within CZ 117-118	Stop loss at 118.25	BULLISH	Net Long	None		Target to PEC-D / 127 Approaching		Pull back to CZ 121-122 Rejected lows – Exact. Bullish Bottom	Lows of 116.5 tested and Rejected Bullish Bottom

- **POM 13 – Net Long Signal Triggered at 118 on 3/13 Announcement:**
- Since our Trigger, projected Rally to 2nd t **ABC up 127.0 approaching cautiously.**
- Pull back to CZ 121-122 Rejected with Bullish Bottom.
- Protect your position with Stop Loss
- **TLT up 6.5% Profit. Not the time to add fresh capital**

Market Overview SPX- BONDS

SPX: POM 15 Triggered – Net Short @ 2375 on 3/19. Our Net long positions in FB, MSFT and JNJ are fully hedged with protective downside decline.

Our Report last week, we had highlighted the Bullish TICK reading in face of negative market internals to result in Momentum ride to target price of 2410-2415 and complete **short term 3 drives to the Top Pattern within larger 3 drives to the Top**. SPX moved beyond 2415 to 2435 more than our expectation. Additionally, We had expected the decline in SPX to begin from 3rd week of May till 3rd week of July. This has not materialized yet.

Back drop: On 3/19, immediately after our Trigger at 2375, SPX dropped to the lows of 2330 as expected and the counter trend bounce back to 2390 as expected. Both targets were met. Quick fingers may have capitalized on some trades within these price points. **Very soon we may another splash like it, if SPX close below 2425 on weekly to target CZ 2390-60 .**

Next: We still remain bearish on SPX since 2375. Price move above 2380 is not a real validated ABC up. It appears to be Bull trap. MC – Oscillator below 0 which is bearish and VIX diverging negatively vs SPX. On weekly basis, **SPX** is building a distribution pattern to move lower with multiple “Signs of weakness and escalated bearish volume.

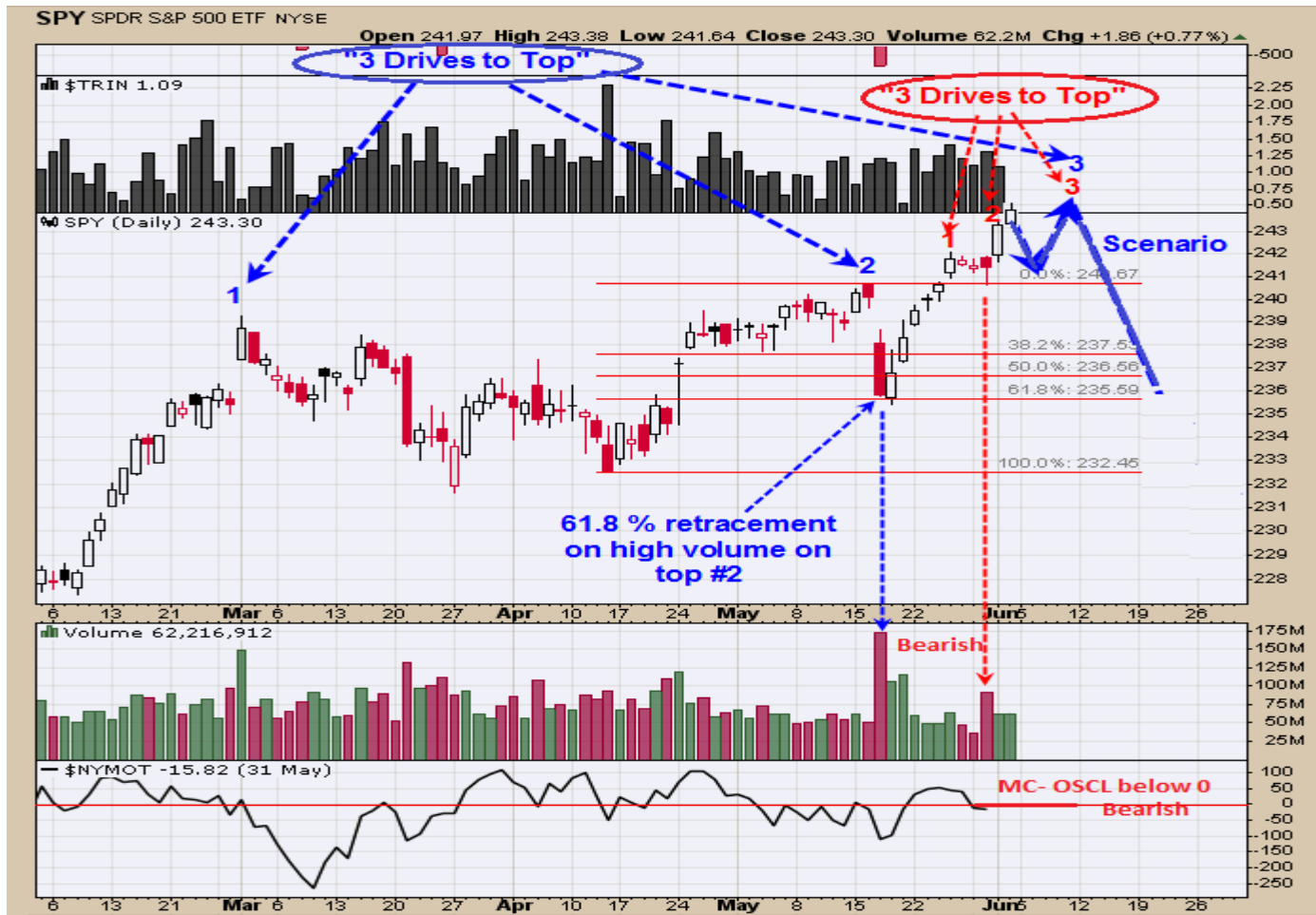
TLT: Triggered POM 13 - Net long. CZ 117-118: on 3/13 at 118.25.

We are now cautiously approaching our Target price PEC-D 127.0

Net Long within **CZ 117-118**, on weekly basis TLT began its move higher with multiple “Signs of strength and increased bullish volume. **Our final target is PEC-D 127.**

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

Momentum Trend has identified Short term 3 drives to the Top to merge with larger Double top of major 3 drives to the Top. Bearish volume has come out of the market during the decline. Mc – oscillator has turned down which is Bearish. **If SPX close below 2425 on weekly to target CZ 2390-60 .**



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

SPY hit a new short term high and the VIX made a higher low and not confirming the rally in the SPY. The same divergence showed up a mid-May higher where SPY made a new short term high and the VIX made a higher low. This divergence also shows up on the SPY/VIX ratio which made lower highs as SPY made higher highs. Once this large potential “Three Drives to top” is completed a pull back to 2360 SPX range is possible.”



BONDS - TLT / Volume Analysis – C Z- PEC- D Weekly

POM13 Trigger – Net Long within CZ 117-118, on weekly basis TLT began its move higher with multiple “Signs of strength and escalated bullish volume. **Our final target is PEC-D 127.**



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)

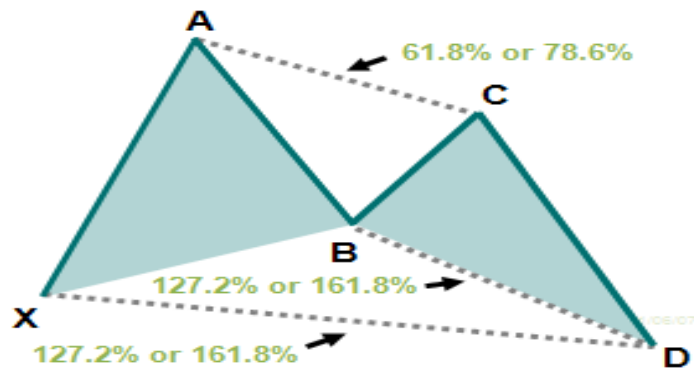
Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 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

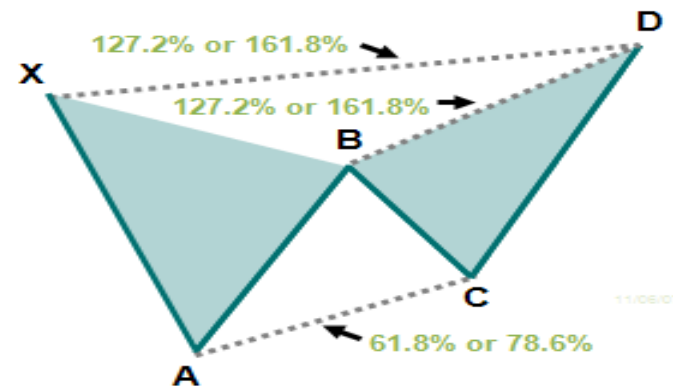
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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