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Immediate Release- 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	2375	POM 14 Triggered @2258 On January 1 st 2017	None	NEUTRAL	0%	None	3 Gap play on upside Completed @ 2350	Target 2380-2400 With Exhaustion Gap In progress	Pull back to 2300-2280 & bounce up	1 st ABC down 2230-2210 & rally	2 nd ABC down to 2200-2180 <u>Best Risk/Reward for new longs</u>

- POM 15 Net Short Signal has NOT yet triggered.
- The Gap below 3/1 High volume Exhaustion is being filled and tested on light volume at 2360. FOMC meet this week has a good chance to trigger another move higher to test the highs at 2410. This may be the secondary test and possibly extend to 2420 to complete PEC-D , 2:1
- Conversely: Close below 2360 this week with expanded volume should negate the Exhaustion and **target 2300**
- We plan to wait patiently for **Trading Net long** around 1st ABC down **CZ 2230-2210.**

	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)	117.2	POM 13 Triggered 11/20	Fully scaled in @ 119.2 Average price M2M @ 119 Jan 1 st	BULLISH	Net Long 30% to 0%	Pre-positioned stop at 117		Rally to Re test 123.5 With Bullish Top	ABC down to 118	Lows of 117 is being tested and held	Target to PEC-D / Gap area 127

- TLT Net long POM 13 position; **avg price 119; Prepositioned stopped out at 117** for 2 points loss (-1.6% loss)
- **Pre announcement:** We will step back in after the Wednesdays FOMC meet with ½ the position if TLT holds 116.5 Level and close back above 118.25. Once the dust settled down.
- **Caution:** If entry points are closer to buy Confluence Zone (CZ) , the risk is smaller on stop out. We recommend not chasing prices much away from our entry CZ.

XLE: Pre- Announcement :

As suggested in last Report (XLE @ 71.5)*“ This sector may have another 2-3% to go on downside (CZ 70-69) but setting up attractively for Net long Hedge position for any Net Short Sector for **“ a Pair Trade with SPY Net Short”** . XLE has sold off 10% from its December highs.*

XLE in the following week just did that. It hit the CZ 70-69 and rallied, It may pull back once again towards 68.

Market Overview SPX- BONDS

- We stay on sidelines for now with Cash position. This is strictly “Cash Management” move. (Exited – Trump Trade SPY for 10.1% profit at 2260 on 1/1/2017). SPY has extended beyond our gains by 4.7%.
- Holding our Net long -Secondary **stocks FB, MSFT, JNJ** . Most of our non-market correlated stocks we owned in our Active Trading Portfolio have been stopped out. We need to protect our capital and stay on sidelines

FOMC meets on Tuesday / Wednesday. All the Global markets may be setup for new direction on Wednesday. March rate hike has been baked in the Cake. In fact BOND Market and GOLD has “priced in 1-2 more rate cuts with Hawkish tone. The Equity market is totally focused on corporate tax cut.

However, this month, the cloud over the market remains with EU – French elections and its potential divorce filing with EMU. US Debt ceiling issue still lingers in congress.

SPX:

The Exhaustion Gap (at 80 Deg price rise) on 3/1 with Climax volume is a part of “Momentum Thrust Triangulation Pattern”. It is still not completed. The Last Engulfing dark cloud pattern is yet to be completed.

Meanwhile the Gap below 3/1 is being filled and tested on light volume at 2360. **FOMC meet this week has a good chance to trigger another move higher to test the highs at 2410. This may be the secondary test and possibly extend to 2420 to complete PEC-D.**

- The TICK and TRIN are still Neutral.
- *Mc Oscillator still Neutral has to turn below 0*
- SPX has not failed on secondary / tertiary price / volume test.
- Unless these Indicators turn Bearish, the market will not turn down. For decline to begin, volume needs to expand on downside.

Portfolio prospective based on measured risk, we remain Neutral.

To turn outright Bearish, SPX needs to complete the technical dynamics. We remain patient and wait for our pull back targets to best risk / reward.

- The put / call ratio and Summation Index remained Bearish,
- *Advance / Decline line* crossed over bearishly.
- *VIX / SPY showing negative divergence*
- Open Interest keeps dropping while prices are rising which is a fake Market till rebalancing point is reached on pull back.

Conversely: Close below 2360 this week with expanding High volume should target 2300

TLT: Triggered POM 13 - Net long at 119 on TLT.

TLT is still trading within our entry point CZ 119-118. In terms of BONDS, we are still bullish but on trade perspective, as risk management, we were stopped out at 117 ; Just in case if during FOMC meeting, BONDS jumps over the range on false break below. Currently TLT is still holding above the range.

We will step back in after the Wednesdays FOMC meet with ½ the position if TLT holds 116.5 Level and close back above 118.25 with rejection.

Although on short term basis, the Bearish Gap down on 3/1 negated the Bullish Gap way on 2/24 and the volume turned Neutral, past several days the lows of Gap down is being tested on light volume.

On weekly basis, TLT is building a handle of a “Bullish cup formation” for fresh move higher towards the upside target of 123.5. TLT began its move higher with multiple “Signs of strength and escalated bullish. Our final target is PEC-D 127.

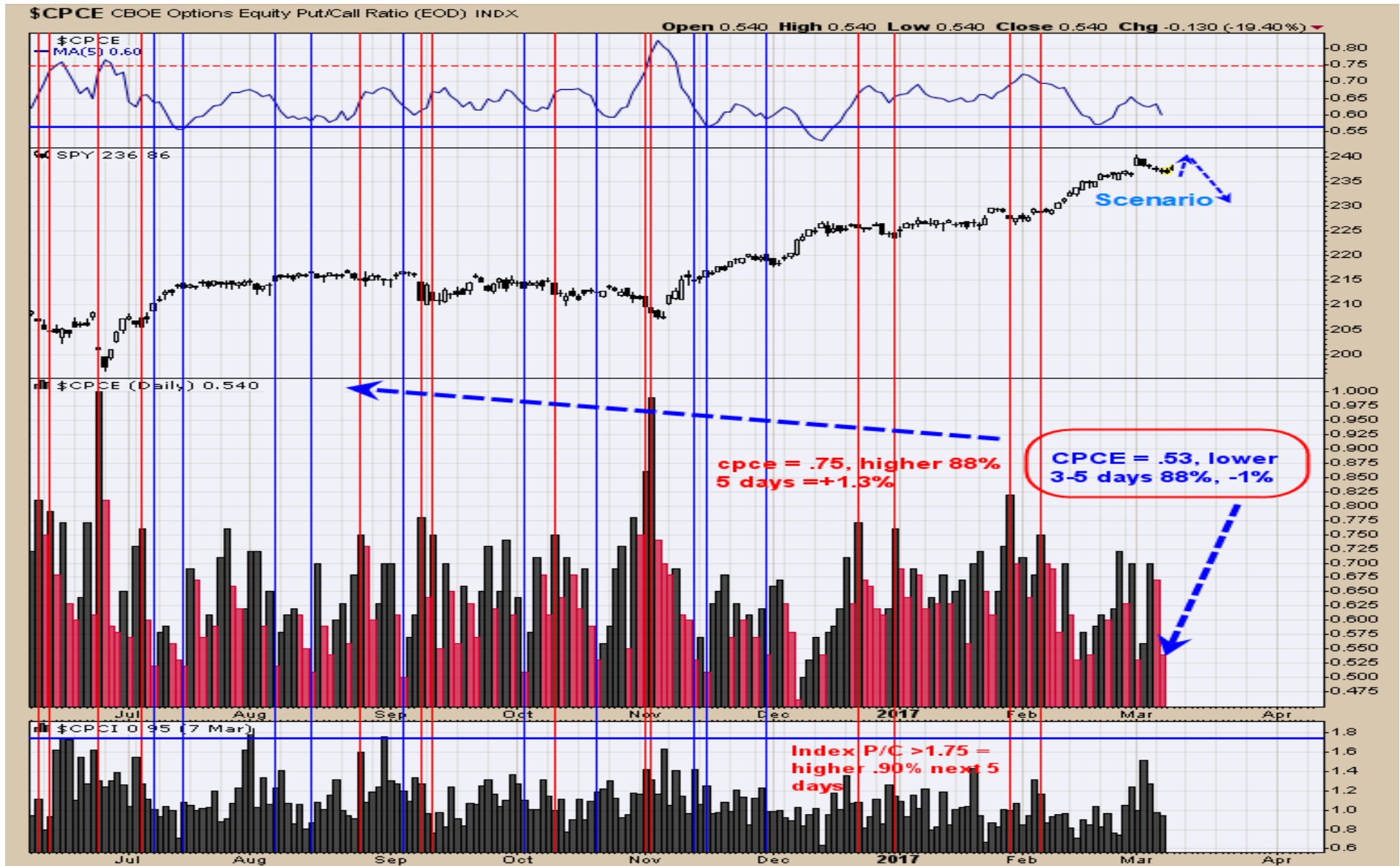
SPY / Volume Analysis – C Z- PEC- D Daily – Short Term

Refer notes inside the chart



SPX / Volume Analysis – C Z- PEC- D Daily- Short Term

Put/call ratio (CPC) readings below .90 have appeared near market highs. This is short term bearish sign.



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

Refer notes inside the chart



TLT / Volume Analysis – C Z- 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 - Neutral
- AD Oscillator, Ratio's – Neutral

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)

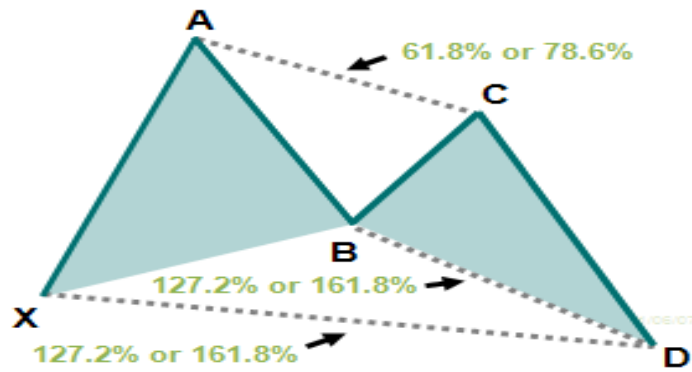
Pythagoras Expansion / Contraction – (PEC) Model

- 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

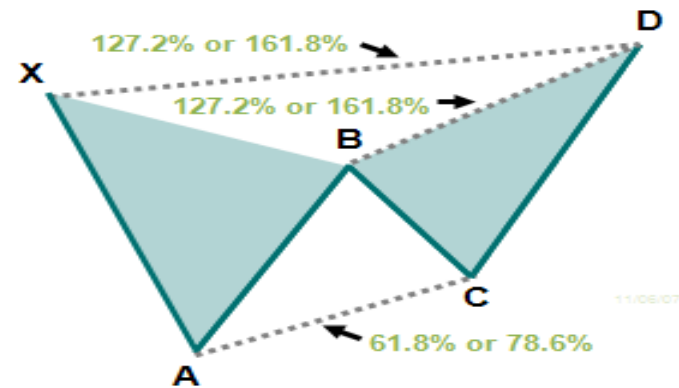
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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