



Date: May 07, 2017 (Sunday)

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	2399	POM 15 Triggered @2375 3/19	Stop loss at 2410	BEARISH	Ne Short 30% to Fully Hedge long positions	None	Bounce to 2397 , Double top Failed on volume	Target 2400 should be a Exhaustion Gap should fail	Pull back to 2320-10	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: To Hedge all Long position.**
- Core Holdings in Equity Portfolio MSFT, FB, and JNJ are all hedged at SPX 2375 on 3/19.
- 1ST 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
- FYI – Exited Long SPX at 2275 OM Jan 1, 2017

	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)	121.3	POM 13 Triggered 3/13 @ 118.25 Within CZ 117-118	Stop loss at 118.25	BULLISH	Net Long 30%	None	1 st 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 approaching and rejecting.	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 1st ABC up 123.5 met (EXACT)
- Pull back to CZ 121-122 in progress. Possible false break below short term due to French election
- Protect your position with Stop Loss

Market Overview SPX- BONDS

Past week's Report, we had suggested, 3rd 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 below the market towards **2300 levels**. This price path is intact. This Momentum Model past our POM 15 @ 2375 largely remains risky for investments.

Behaviorally: French election result today, may be just an excuse to Gap up towards the "Exhaustion Gap up" completing the 3 gap Play Pattern. Such gaps in future market at the end of the trend are danger signs. The best way to view these exhaustion gaps is, it represents late bull market cycle, fear of missing out and scared short positions. CAC-40 French market in Euro term has been on fire in anticipation of Macron victory.

Statistically: In past 3 decades, the larger corrections (25% and greater) have taken place in 1987, 1994, 2001 and 2008. These have been exactly 7 years apart. The current price expansion has been 9 years old; 2 years greater than historical move. This may be possibly due to the last bear market in 2009 lasted 1 year more than usual, resulting in 1 additional year of extra stretch in SPX.

Portfolio Impact: Technically recent 250 points in past 12 months (levels above SPX- 2150 to 2397) has been on borrowed time and borrowed money (high margin debt) . Although SPX is experiencing a momentum ride, Our Portfolio positions have participated in this rally twice; for total of 3 months long side exposure. (1) July 2016 entry to August 2016= 80 points and (2) November 8th entry to January 2017= 180 points for total of 270 points. In fact we have done better than "buy and hold" during this time with much lesser risk.

Cycle: This week **Mercury turns direct**. It has direct implication on the market based on historical cycle. Past week, **The "Hindenburg Omen,"** an obscure indicator that pops up every few years and gets Wall Street traders chattering about a possible market crash, was triggered. To be sure, the Hindenburg has missed the mark 70% of the time but certainly has signaled some kind of meaningful pull back. The "Hindenburg Omen" correctly called stock market crashes in 1987 and 2008 with its 30% probability rate.

Technically: There are three criteria for the Hindenburg signal to trigger, First, the number of issues in a specific exchange hitting 52-week highs and lows must both exceed 2.2 percent of the number of issues. Second, the McClellan Osc must be negative that day. Third, the benchmark index for the exchange must trade above its 50-day moving average.

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

The Upside to **2400** levels with Exhaustion Gap, then may be move sideways and possible decline going into June, filling up all the Gaps under the market towards **2300-2280 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.

Decline in open interest and decline in prices is bullish. The pull back towards CZ 121-122 target has been on lighter volume. Possible rejection within CZ only if French elections don’t not skew the short term pattern. Gap up in Equity may push Bonds lower temporarily.

We need secondary Sign of Strength with expanding upside volume out of **CZ 121-122** rejection to setup a retest to **ABC up target at 123.5**.

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 Exhaustion pattern may be in completion. The test of previous high of 2397 has been tested on lighter volume. Mc – oscillator has turned down. Good area to Hedge long positions.

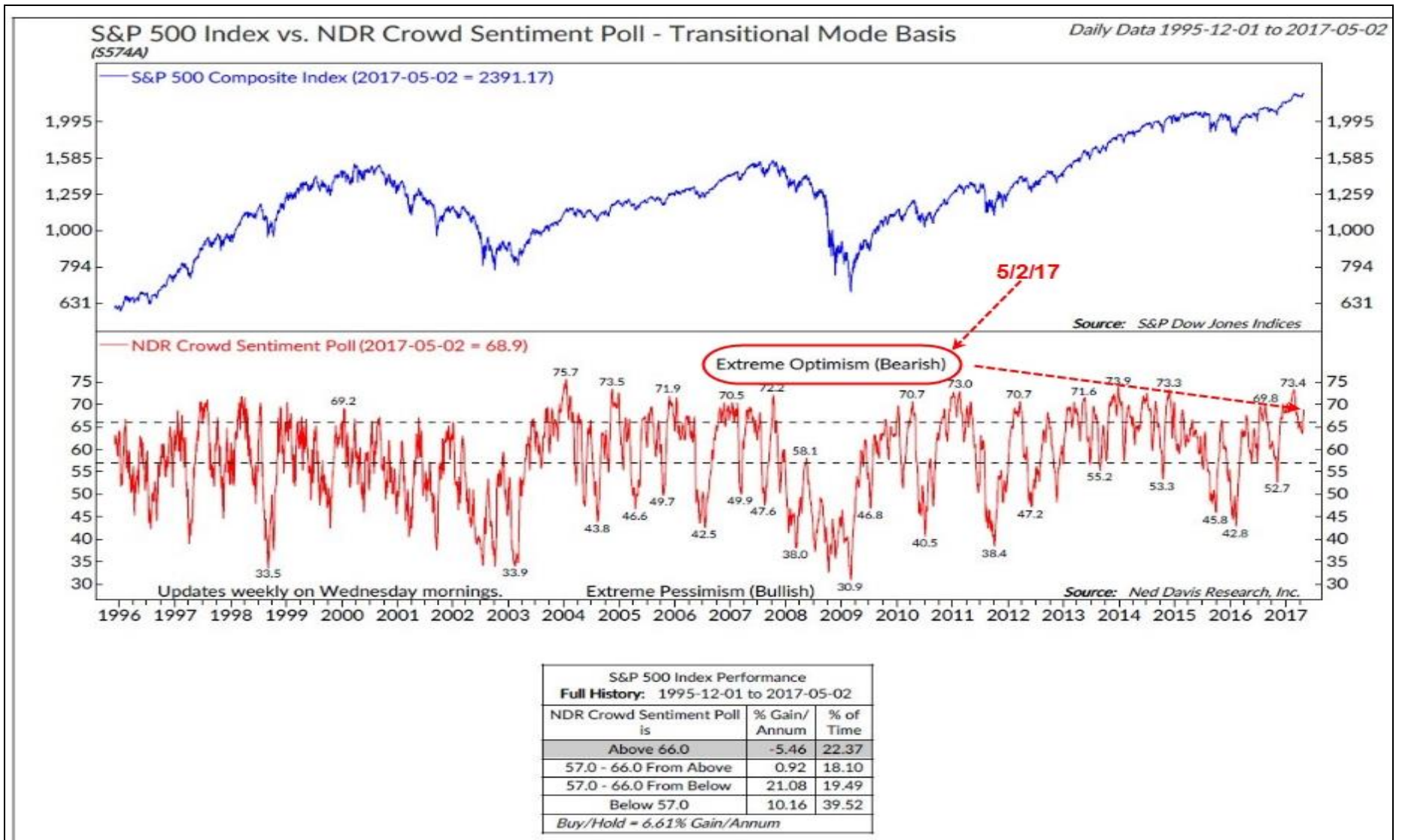


SPY / VIX Analysis – C Z- PEC- D Daily –

When the VIX gets below 12 (current reading is 10.66) the market usually has a hard time working higher. We are looking for a minor rally that may hit a new high in SPX, but not much more. In previous cases where the VIX hit below 12 the market was near a high and produced a decent pullback. Mc – oscillator has turned down.



SPY / Sentiment Chart



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

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. Possible rejection within CZ if French elections don't not skew the short term pattern.



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)

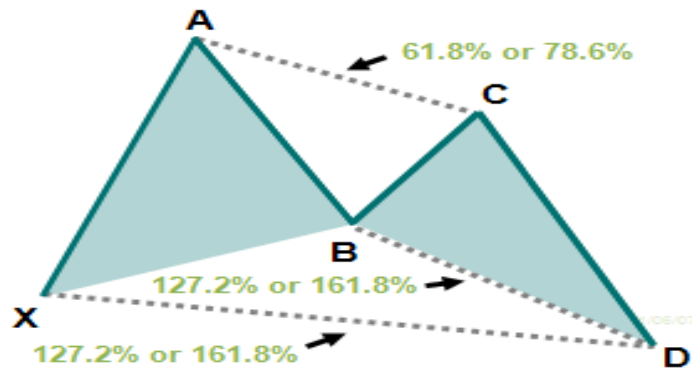
Pythagoras Expansion / Contraction – (PEC) Model

- 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 steams to achieve confluence point D coinciding with POM

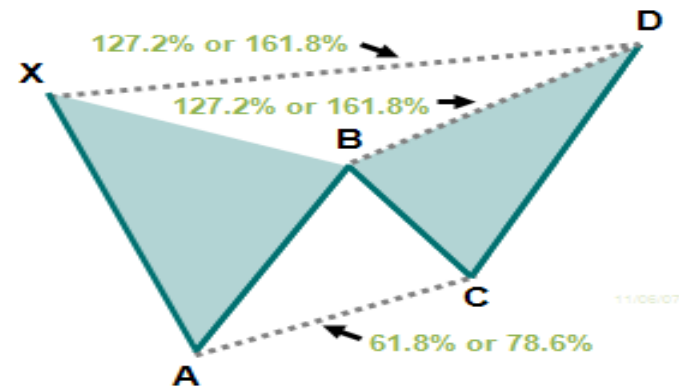
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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