SG Capital

**Research Note - Weekly Market Commentary**

SG WKLY # June 22

*By: Suneil R Pavse - Chief Investment Officer*
*Contact: 978- 6623329 or apavse@aol.com*

## SPX – Closed @ 1113

## Market Insights

## SPX – "Our Model Signals & Projections"

- ***On 8th June*** *SPX at 1050, we signaled the Re – Run of POM 12 for another bounce / Rally just few points from the lows. .*
- ***On 15TH June*** *it Triggered POM 13, a 40 points move higher from our POM 12 that is the real gravy of the trend and then the first failure came it at 1105 ( POM 13 is "reversion to mean", "Neutral signal" and its risk management signal for any fresh buys)*.

- ***On 21st June ( Yesterday)*** *it Triggered POM 14, as it reached out Target of 1130, Now the Long positions from POM 12 could be subject to pull back.*
- *Since overall, We have the weekly close below 1150, and market should remain below this on any rally bounces.*
- *On completion of the bounce, we should get a next leg down and looking for 960 SPX target,* We do expect to see a return to that secular bearish trend at some point.

POM 14, POM 15 are the points for actionable points on SPX.

### SPX– Intermediate term 20WMA & H & S Top ( Right side)

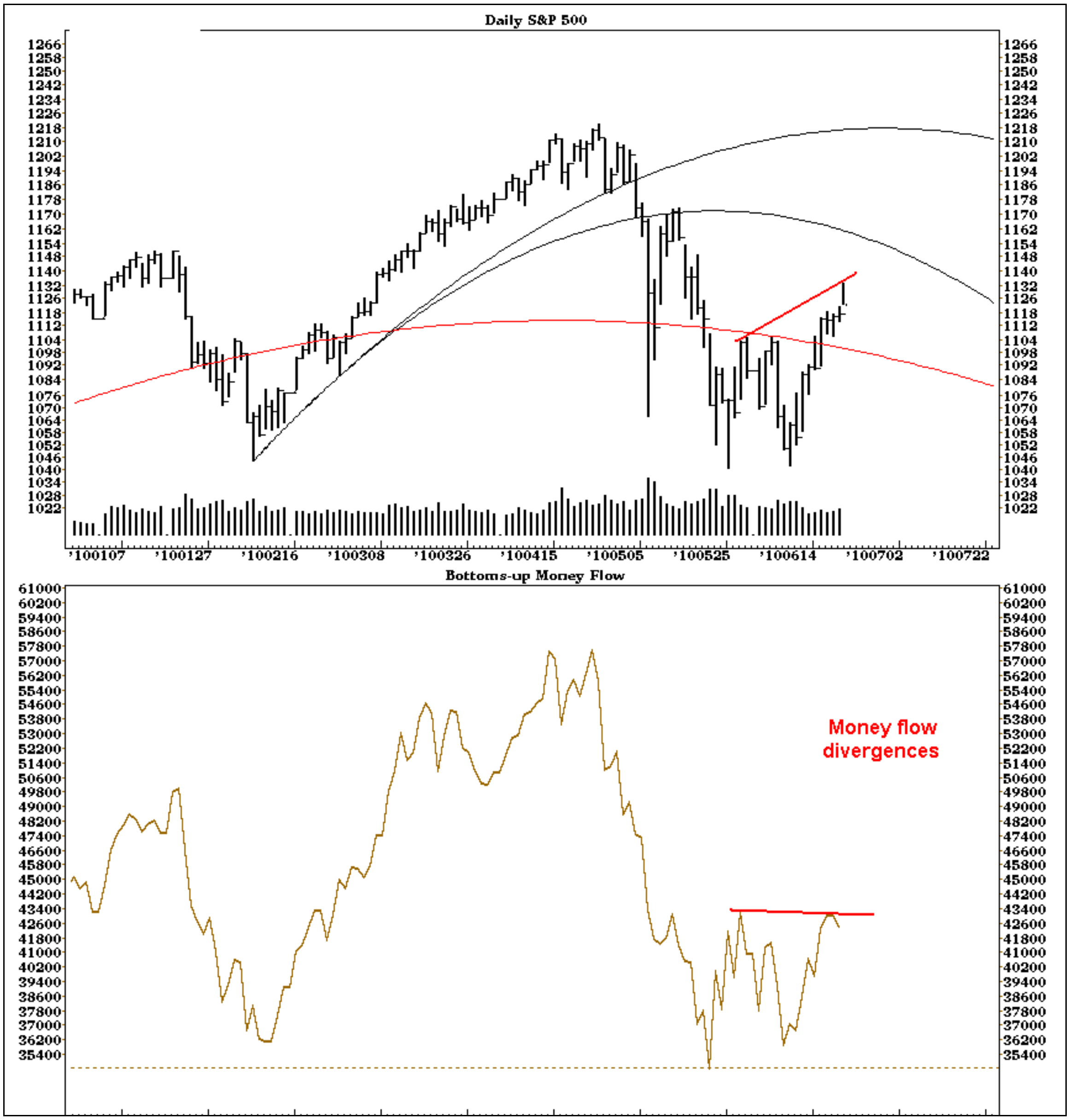
- The major indexes broke below their intermediate-term 20-week moving averages several weeks ago and remain below that potential resistance of 1140, Yesterday SPX hit highs of 1131
- The SPY rally to the 1140 gap level it could represent the Right Shoulder of a Head and Shoulders top. .

**THE WORLD LOVED THE CHINESE DECISION** to increase the Yuan's flexibility, and they put the risk trade yesterday morning. The market rallied at open, Bearish divergence in money flow suggests we've started a period of summer doldrums. The opening rally allowed the SPX to reach the 50% retracement level 1135. and that turned out to be the reversal price:

On the pull back watch for close below 1085 Polytrend line in Chart below

SG Capital

## SPX



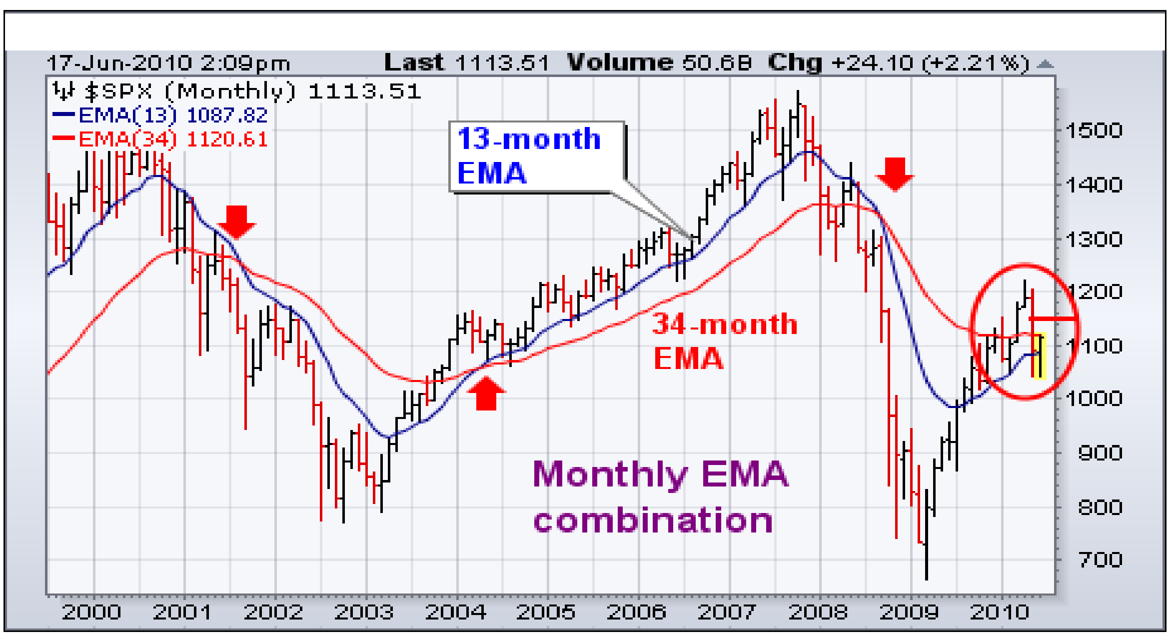

SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

## SPX – BIGGER PICTURE (A) - Weekly & Monthly 13-34 EMA

**WEEKLY EMA LINES ARE STILL NEGATIVE ...** Chart shows that the 13-34 W- EMA combination turned negative. The monthly EMA lines are also negative.


**MONTHLY**



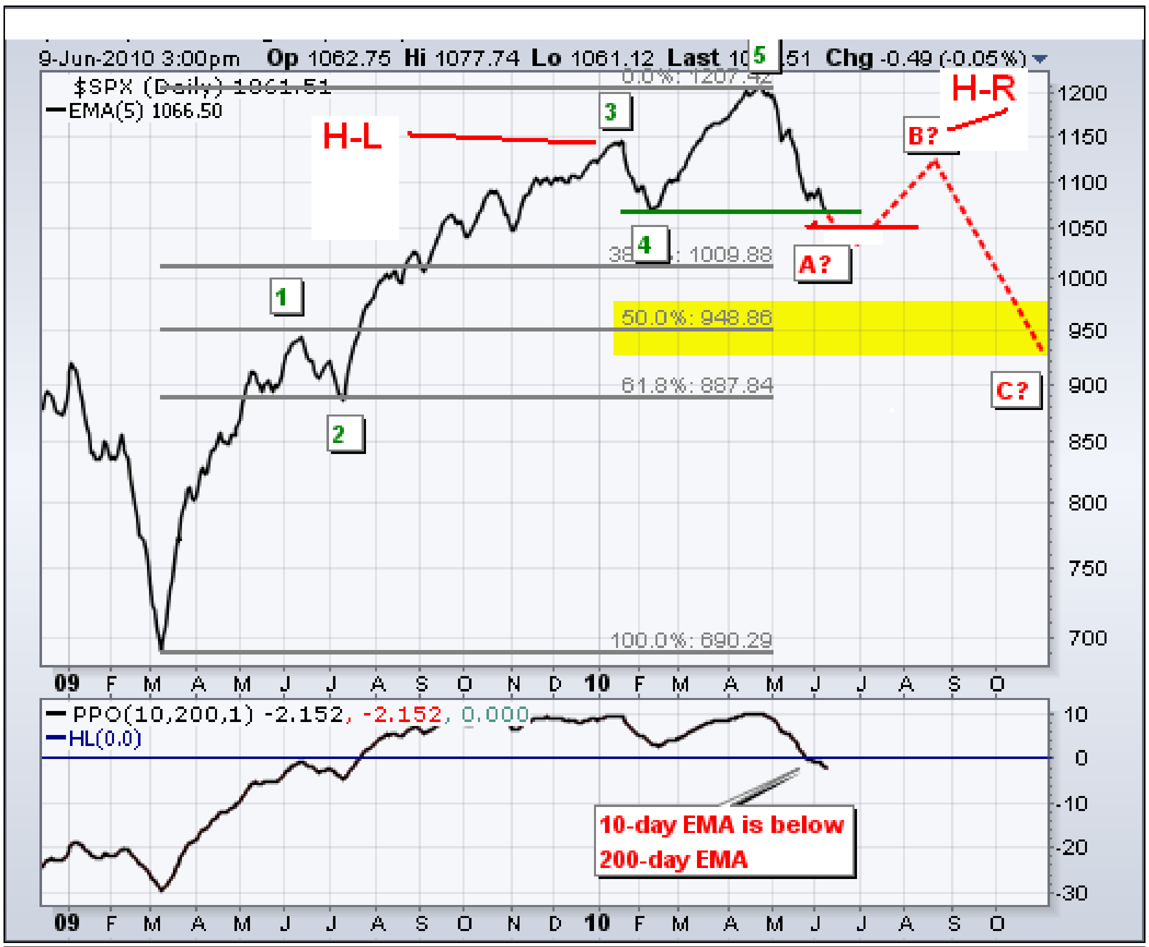

SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

## SPX – BIGGER PICTURE ( B) – WAVE COUNTS

The Elliott Wave count for the SPX on chart looks like a five wave advance. The peak around 1200 marks the end of Wave 5 and could now move into a corrective pattern. The first step is a break below the February lows AT 1040. Such a break would provide the perfect setup for a Wave B advance. A Wave B advance towards the 1150 area and form a lower high. Wave C could begin just in time for a September-October**.** The complete ABC pattern could end up retracing 50-62% of the prior five wave advance 950.

Also the wave count coincides with H & S TOP with Neckline break target at 950




SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

## LEAD AND LAG - SECTORS

## SMH

The trend rolls over a long term top. This has been great Indicator on 25th May to Signal the bottom in SPX at 1050. Now the Polytrend on top just rejected the price yesterday. Substantiated by lack of money flow


SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

**XRT**

**RETAIL STOCKS THE WEAKEST IN LAST BOUNCE IN SPX 1050 TO 1130. R**elative weakness in the (XRT). This means the close was down on the day and below the open four days in a row. Four days of selling pressure. The overall trend remains down as XRT failed to reach resistance swing peak and down trendline from the late May and early June highs. Failure to reach these levels shows relative weakness and this does not bode for the consumer discretionary sector and the market overall. Will probably be the first to break the lows

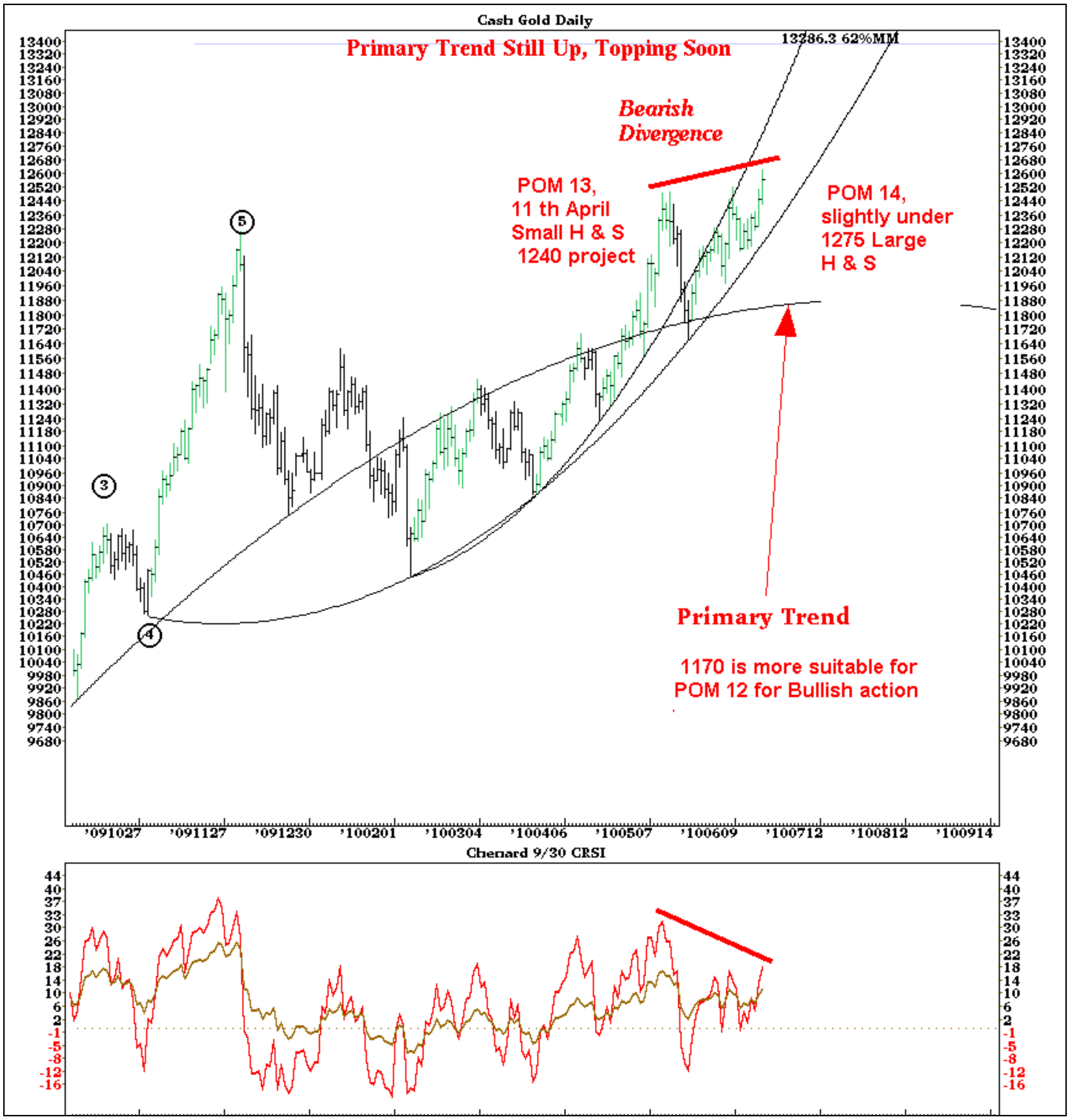
SG Capital

## GOLD – SHORT TERM

**GOLD ... GLD** broke above resistance from its May-June highs last week, On May high Signaled POM 13 after completing the smaller Head and Shoulder pattern price target of 1240 and now almost completed the Price target of Larger Head and Shoulder pattern of price target of 1280 ( We hit a high of 1270) POM 14 and but fell back with a sharp decline yesterday. While yesterdays long red candlestick negates last week's breakout, it is not reversed the overall uptrend yet . The reaction lows of the prior two weeks mark first support at 1190. This level has not even been tested yet. Major support remains around 1150 from the mid May reaction low.

SG Capital

## GOLD – MID TERM



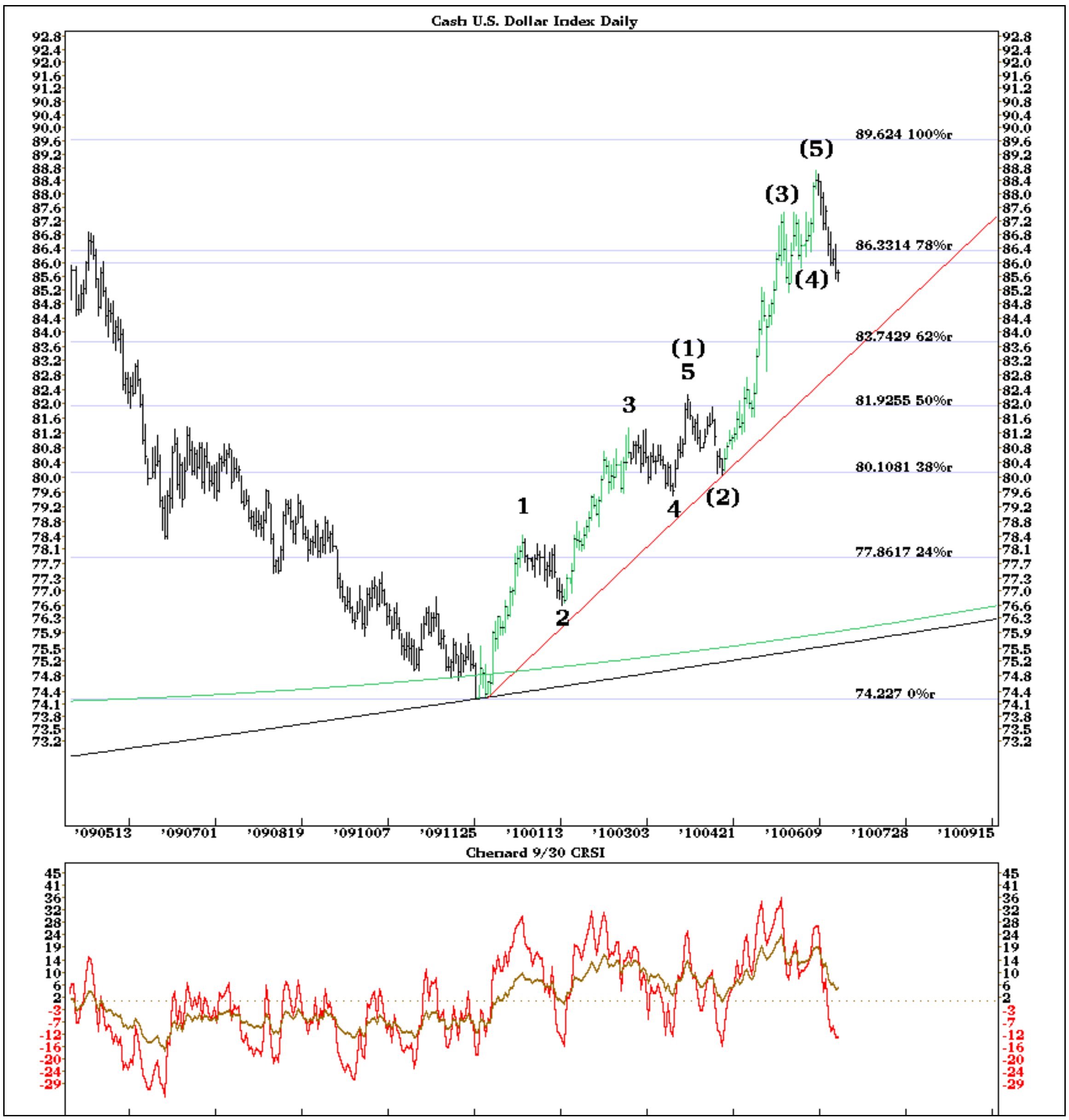

SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

## DXY

Recent pullback to 85 in the dollar a sign of temporary strength in everything else in the market. With the relief in an overbought condition. The dollar is setting up for another run to the upside here: ( See the count below). The Dollar Index should be close to a low here and since the rally to follow which is in tune with the trend on higher timeframes.

If the recent high could be labeled as a third wave **(3)** and not a fifth **(5)**. In that case, the rally we expect to be starting here could have substantial potential to the upside. If the count is as shown, we might only get a marginal new high before another pullback, lets see when the rally begins. In any case, we should see dollar strength return to the upward trend in next impulsewave.




SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

## FXE

The bear market rally in the euro is overbought (with no bearish divergence yet). This suggests we should see a top in the euro at some point at or below the trendline, with a trend move lower.


SG Capital , 9 Bartlet Street # 254 , Andover, MA 01810-2845.
Phone: 978.6623329

SG Capital

**Should you have any questions regarding this Research note , you can reach me by email at apavse@aol.com or at 978- 662 3329.**

**Best Regards,**

**Suneil R Pavse**
**Chief Investment Officer**