



Date : 23TH December 2014 (Tuesday)

SPX – BONDS - MARKET STRATEGY REPORT (SP)

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Executive Summary.

	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
SPX- 500 Pre Announcement	2077	POM 15 Triggered @2040 on 12/11	Email Alert 12/16 Announced To Hedge SPX /IWM with Long XLE	BEARISH Short term bounce In progress	Increase 5% to 10% Net Short Current SPX +IWM hedged with XLE @ 72.6 Has 12% profit	Scale in 5% @ CZ 2070-2040 Core 5% @ 2032 On 12/12	CZ 2070-2040 should fail Seasonality Is holding up Till Jan effect	Target Double top to 2085 should fail	Pull back to CZ 2040 – 2025 & rally back up	2nd ABC down to CZ 1965-1955 Met & rally began Neutral Bottom	Holding long position in <i>Bullish top Instruments XLP, XLV, XLB. FB ,JNJ, Japan Remains for profit- Bull Market here</i>

ACTIONABLE IDEAS – POM 15 – Triggered on 12/11 @ 2040 (Added Net Short)- Hedged with Long XLE

For Bears – Initial position taken @ 2032, Scaling in on_bounce to CZ 2070-2040 which should fail with Bearish top and possible **double top 2085** . But meanwhile Net long XLE hedge entered at 72.65 (= to SPX 1983) due to bounce.

For Bulls – Wait for pullback to **CZ 2040-2025**, If Bullish bottom , then Participate in next rally to bounce zone.

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TLT (BONDS) Announcement	126.3	Main POM 13 @ 102 On 1/1 intact	Triggered POM 13 Re run On 11/04	BULLISH	Reduce 10% To 5% Net long	Exit ½ @ 126 Risk Management move	Target PEC-D -127 Met with Bullish top	New ABC up to 131	Shallow pull back CZ 124.5-123.5 & rally up	CZ 118.5-117.5 Bullish Bottom	Our overall Bond position is up 28

ACTIONABLE IDEAS - Entry POM 13- Re – Run on 11/04

For Bulls – Our Net long entry , rally ABC up to PEC-D 127 – met with Bullish Top , Pull back and rally up to New ABC up 131.

Alternatively For Bears – PEC-D_127 met with Bullish Top (This is **NOT A CANDIDATE FOR SHORT SELL**)

Portfolio – Overview & Update

SPX- Overall Portfolio is at “POM 15 Triggered - Net Short @ 2040 on 12/11 – Hedged with XLE on 12/16 @72.6”

NET LONG - XLV, XHB, FB, JNJ, Japan and XLP. Bullish Top Instruments remains in Bull Run. It should continue to move higher with +ve Spread relative to SPX .

GOLD- NET LONG – POM 13 - Marked to Market @ 1204 – 1st Jan 2014 . Reentry - Trigger announced 9/18 in CZ 1190-1220 .

BONDS – NET LONG POM 13 Re Run Triggered @ 118.7 on 11/04- Main Entry @ 102 on 1/2 - Exit ½ due to RM @ 126

Portfolio Holdings ...

Bearish BIAS EQUITY- NON LEVERAGED(1:1)Refer to Respective Reports for details

- LONG at POM 13Total 56.5% Holding
 - Non- Equity (7%) - USD/JPY (2.5%) , EUR (2.5%), UNG (2%)
 - Equity (24.5%) - XLV (5%) ,XHB (5%), XLP(5%), JNJ (1%), FB (1%), NIKKE (7.5%)
 - Entry GLD – 12% , GDX-12%
 - Entry Bonds TLT– 10%
- **NET SHORT - Hedged**
 - Equity (-10%) ... IWM (-5%) , SPY (-5%)_ - Hedged with (10%) XLE – Long

Market Overview SPX

Last Week (SPX @ 1883) - We announced in Email to Hedge POM 15 – Net short signal with XLE long at 72.6 as a temporary Hedge due to upcoming bounce. This has materialized with 11% profit as market bounced furiously .

We shall hold XLE till SPX fails. But meanwhile we are scaling in the balance 5% position within the CZ to complete our position .

On Short term basis

Market has reached the bounce area CZ 2070-2040, Seasonal year end and Jan effect rally in progress. There is high possibility market can double top to 2085. The first pull back to CZ 2040-2025 and then rally back then head down. Expected negative trend into March. Bradley is turning back down next week but it appears to turn 10 days ahead of SPX turn as witnessed on last 2 decline

On Midterm basis - We continue to see few reasons on midterm basis to confirm the top. Number of Bearish divergences continues to show narrowing of A/D line, the Summation Index has turned down. This should be the last bounce before a huge plunge expected in early 2015. The dips will be stronger and stronger, the best rallies occur in bear markets.

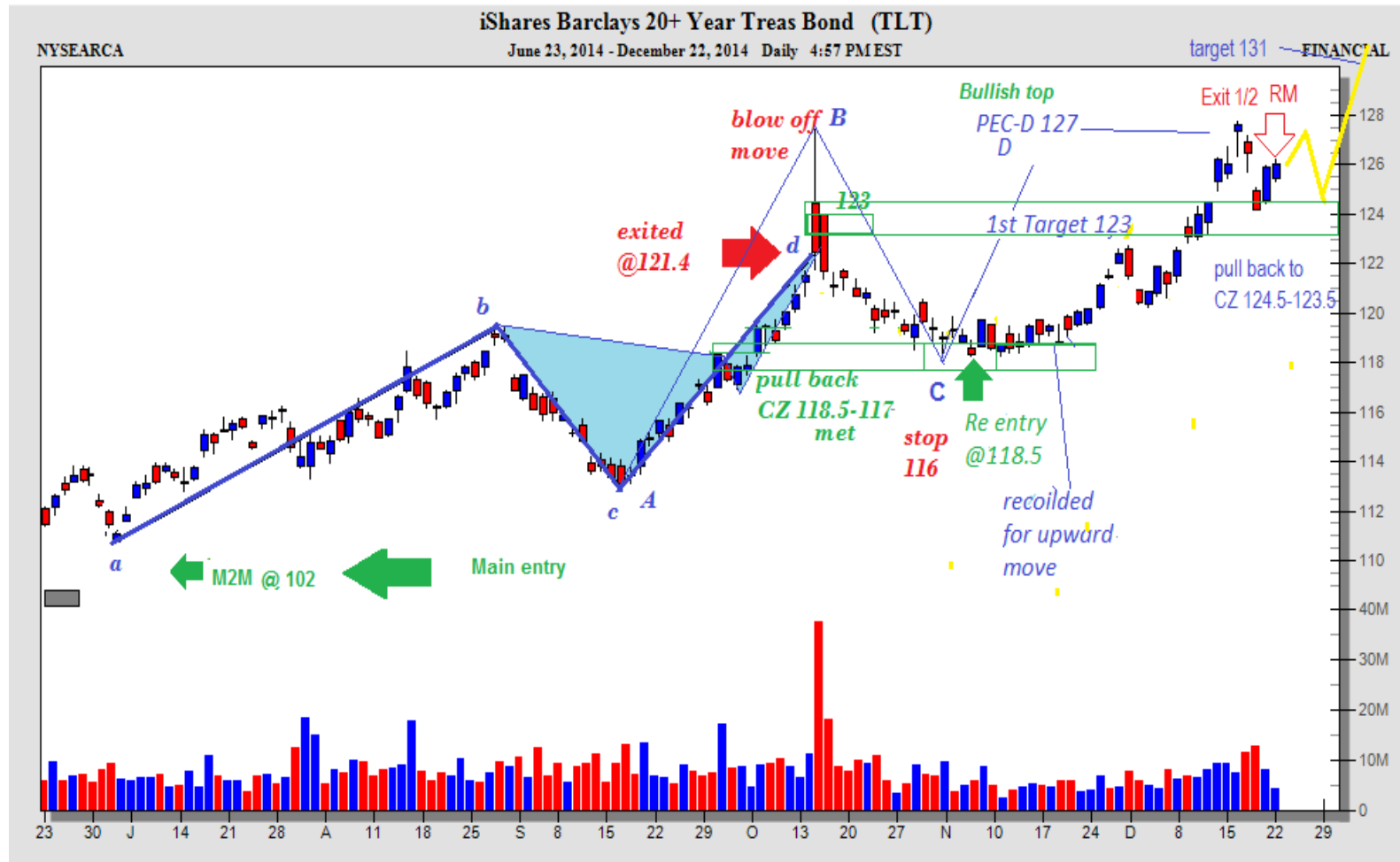
Both bonds and stocks rallied together. One of them is definitely right. SPX should fail along with XLE . All Global market could top out at the same time in Jan after the seasonality.

TLT (Bond) – CZ- PEC- D Analysis – POM 14 - Daily - Bullish Chart 1

Upside - Target to **127- Met** with Bullish Top. It set up **New ABC up to 131** . As Risk Management **exited ½**

Downside – Shallow pull back to **CZ 125.5-123.5** ,

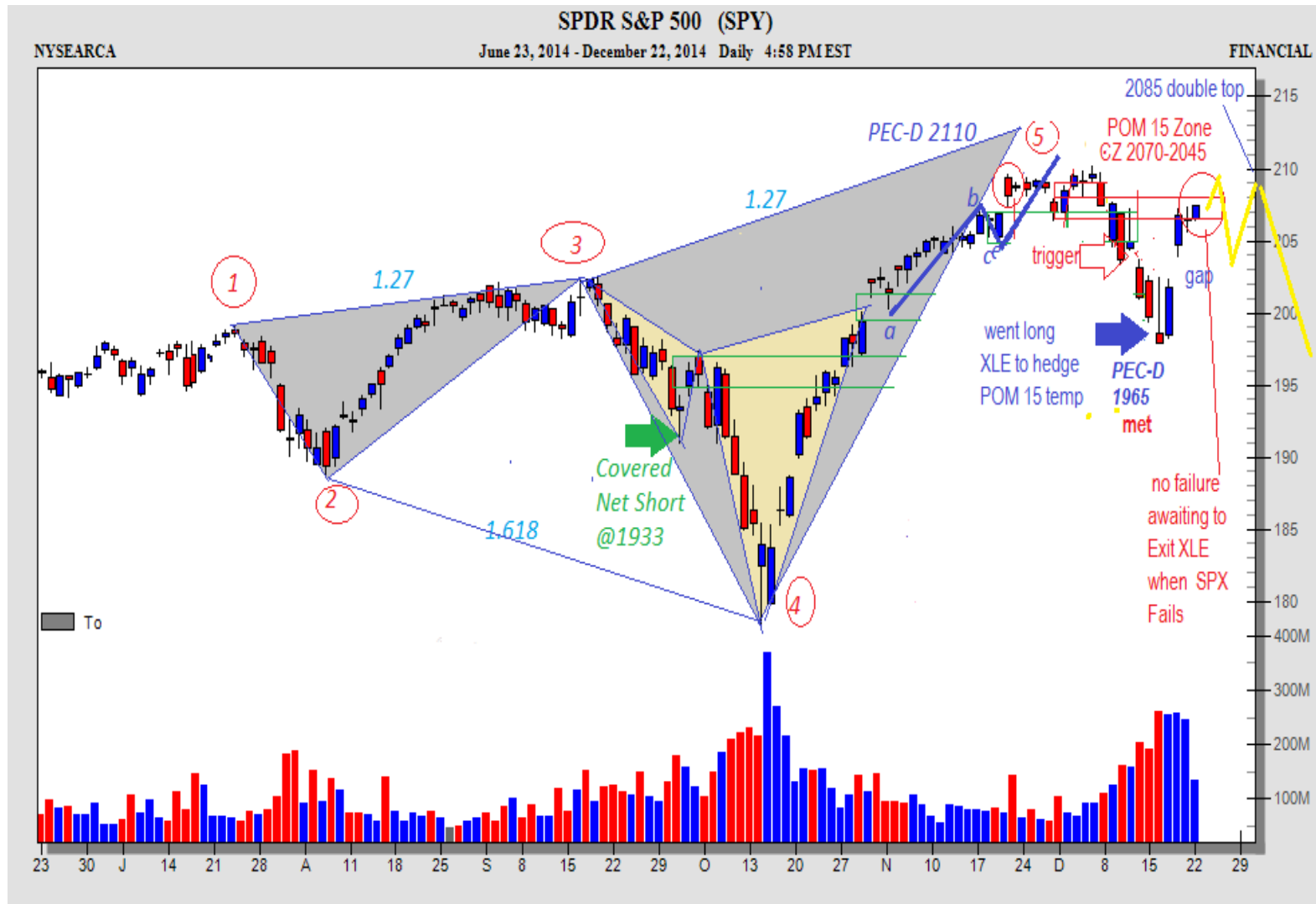
Our **118.7** Triggered Net long entry , Main entry at **102**.



SPX- PEC- D Analysis POM 15 - **Bearish** – **Bounce in progress** - Chart 2

UPSIDE – Bounce into CZ 2070-2045 - , Possible double top to 2085. .

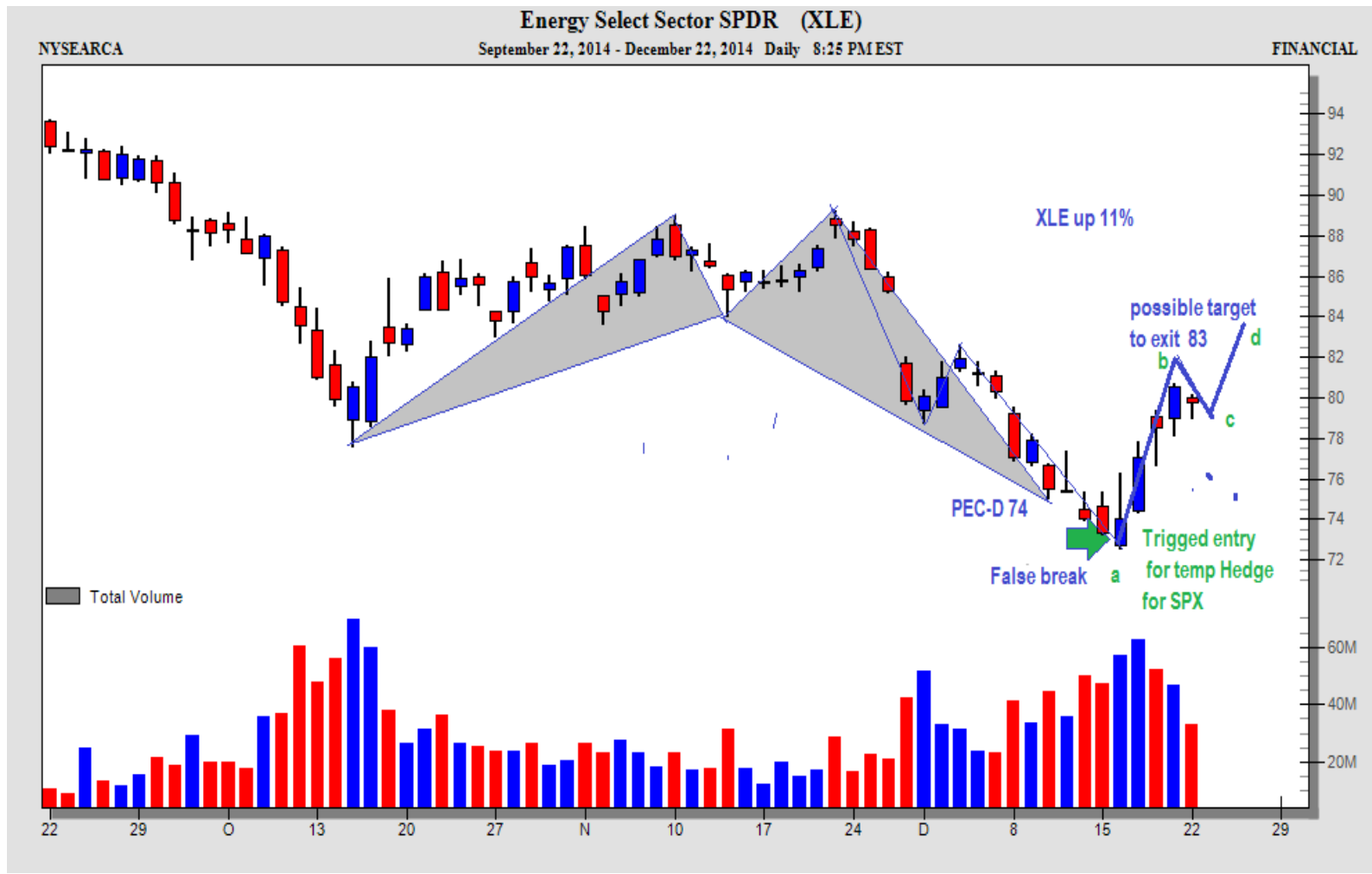
Downside – Pull back to CZ 2040-2025 gap area and rally back up for final Failure.



XLE- PEC- D Analysis Bounce in progress - Chart 3

UPSIDE – Bounce into PEC-D 83 possible target .

Downside – Triggered entry at 72.65 (SPX 1983) and bounced furiously.

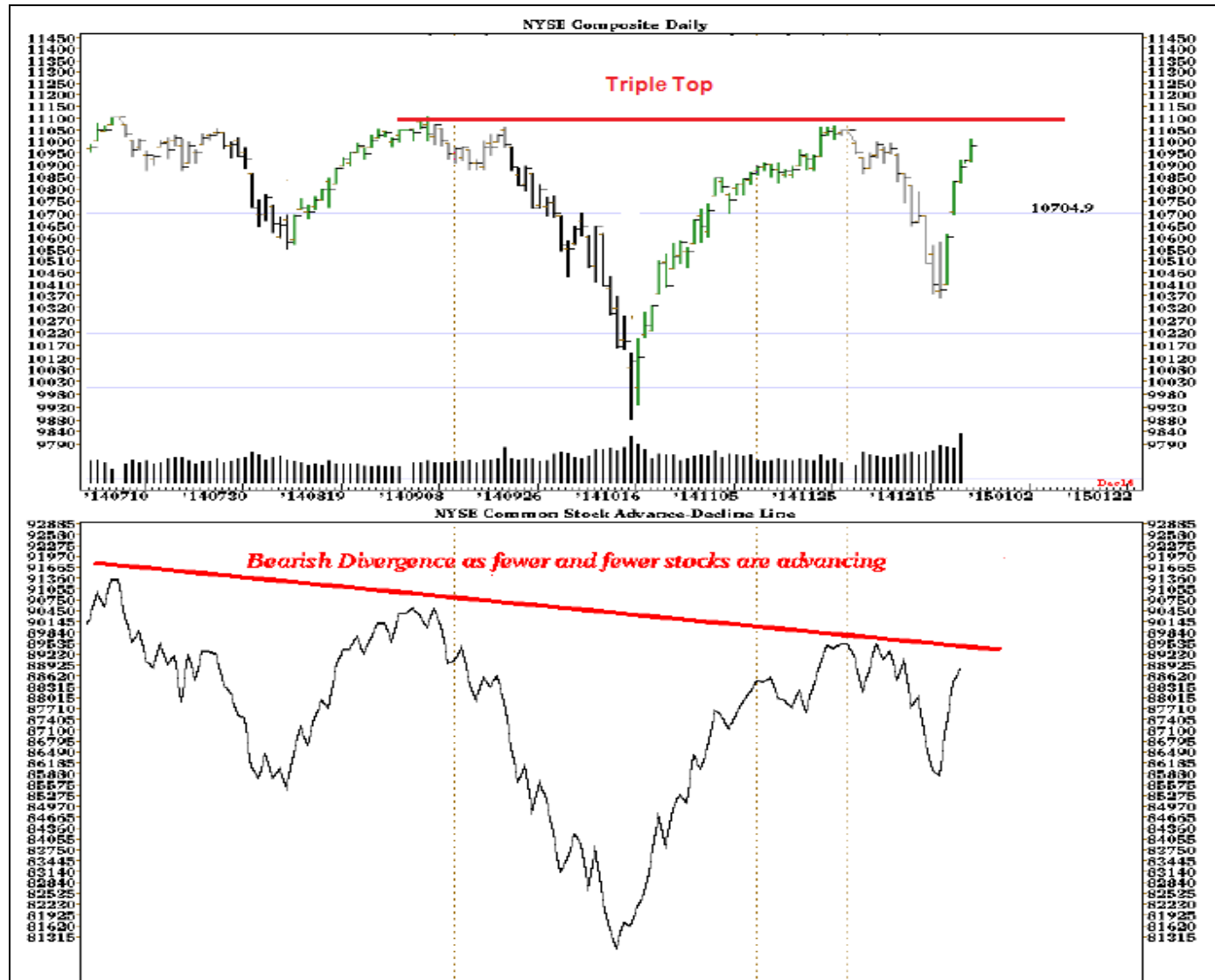


SPX- A/D Analysis – Mid Term POM 15 - **Bearish** - **Bounce in progress** Chart 3

New highs when reach above 300 , there seem to be consistent short term pull back . The chart below indicates all previous occasions it happened . However SPX could be on way to double top. First pull back to test the gap level.



NYSE- A/D Analysis – Mid Term POM 15 - **Bearish** - **Bounce in progress** Chart 3



SPX – Cyclical Model

- SPX - Seasonality -

OCTOBER – DECEMBER – POSITIVE

- SPX - Election Model -

Statistically this year is the 2nd year of the Four-Year Presidential Cycle. Historically It tends to be negative I.E 2014 . When there is not a correction in the first year, the odds increase significantly for a correction in the second half of second year. The second important point is a strong rally from whatever is the low in the second year

- SPX - Geomagnetic / Lunar Cyclic Model

Bradley Model 2ND Top - 15TH December

- SPX - Sentiments Model

AAll Weekly Sentiment Survey – NEUTRAL

SPX – Internals Model

NEUTRAL - TICK / TRIN , AD Oscillator, Ratio's, -

Appendix Content

- 2012 YTD – SPX - Position Summary
- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- Full Utilization of “ SP” Report Guidelines & Limitations - 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.*

(42) - INSTRUEMNTS COVERAGE SUMMARY

Re - STRATEGY & PROP ANALYSIS with – POM, CZ, PEC-D, PQV

GR 1 (13+2) Coverage in MS	GR 2 (9 +4) Coverage in SECTORS	GR 3 (8+1) Coverage in COMMODITY	GR 4 (5) Coverage in CURRENCY
<p><u>US BROADER IDX</u></p> <ul style="list-style-type: none"> • SPY (SPX 500) • DIA (DOW 30) • QQQ (NASD100) • IWM (Small Cap) • IYT (Transports) • NYA (NYSE) <p><u>BOND IDX</u></p> <ul style="list-style-type: none"> • TLT (Bonds) • MUB (Muni). (SP) <p><u>GLOBAL IDX</u></p> <ul style="list-style-type: none"> • EEM (Emerg.) • EWJ (Japan) • FXI (China) • EWZ (Brazil) • FTSE (Europe Proxy) • BSE (India) • EWA (Aust) SP <p>SP - Special situation</p>	<p><u>SECTORS IDX</u></p> <ul style="list-style-type: none"> • XLF (Financials) • XLV (Health) • XLB (Materials) • XLE (Energy) • XLK (Tech) / QQQ - Proxy • XLI (Industrial) – • XLP (Staples) • XLY (Discretionary) • XHB (Home Builders) • XLU (Utility) SP • RTH (Retail) - SP) • SMH (Sem.) SP • BBH (Biotech) SP 	<p><u>COMMODITY IDX</u></p> <ul style="list-style-type: none"> • CRB /DBC • GLD (Gold) • SLV (Silver) • GDV (Miners) • OIL • Copper • DBA (Agro) • UNG (Natural Gas) • DBB (Base M) SP 	<p><u>CURRENCY</u></p> <ul style="list-style-type: none"> • USD / DXY • EUR/USD • AUD/ USD • USD/JPY • GBP/ USD

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)

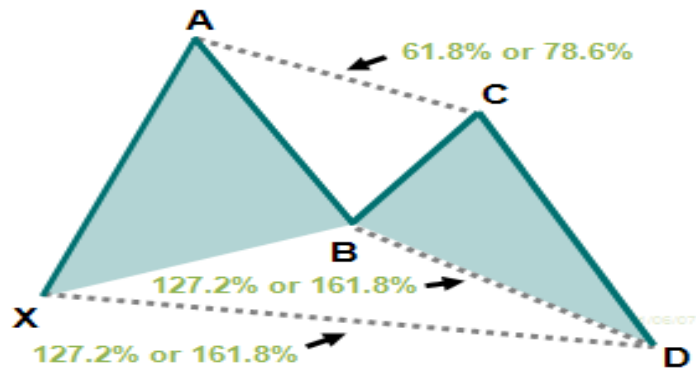
Pythagoras Expansion / Contraction – (PEC) Model

- 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

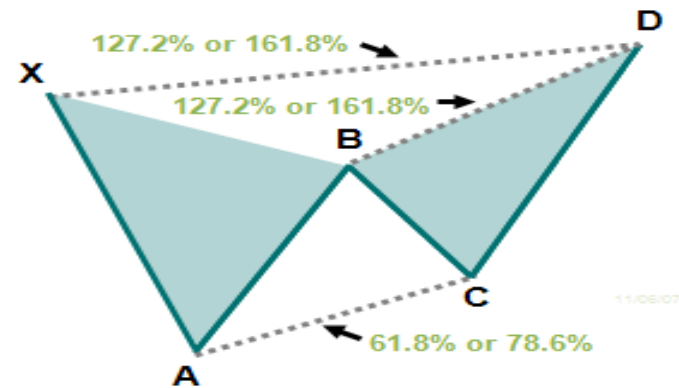
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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