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SPX – BONDS – Institutional Report

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcem ent</u> - 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	2079	POM 14 Triggered 9/16	Exited within CZ 2020-1985 Via Alert Email 9/16	BEARISH	0%	NONE	Extension To 2075 On low volume is false break above 2020	One more test is needed At 2090 To form Bearish Top	Pull back to 2020 and then rally up. <i>Quality of next pull back is Critical for new signal</i>	ABC down to CZ 1955-1940	<i>Last Trade Exited 33% Net longs for 105 points (5.3%) Profit</i>

ACTIONABLE IDEAS – Best Risk / Reward - We are flat with No position, waiting for next signal and safer entry point.

Bears – Low volume **“Pop”** to 2075 in progress but the **“Drop”** hasn’t happened yet. We wait to trigger **Sell Short (POM 15)** .

Bulls – Wait for SPX to pull back to 2020 with Bullish bottom, **trigger Net longs (POM 13)**

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TLT (BONDS)	122.5.	POM 13 Triggered 10/29	NONE	BULLISH	17% Net long <u>Stop 119</u>	NONE	PEC-D 126 Should be tested Bullish top	Target PEC-D 128.5	Pull back to CZ 122—120 Approached & should rally up.	PEC-D 118 Rejected Bullish bottom	<u>Last Trade</u> <u>Timely Exited</u> <u>full position</u> <u>for 4.5% profit</u>

ACTIONABLE IDEAS - Best Risk / Reward

For Bulls – Based on our Announcement in last Report, We Triggered POM 13 “Net Long” within CZ 122-120 Bullish Bottom.

For Bears – Wait for bounce to PEC-D 128 with Bearish Top to fail and Trigger Sell Short (POM 15) .

GOLD update

The seasonal top is behind us in gold now. The potential for a long term trend change in early 2016. Australian Market is setting up very well for 2016-17 rally. It is currently trading at 5200. AUD appears to be bottoming as well near 70-71.

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Market Overview SPX- BONDS

Since the Market bottomed on 8/24 with closing lows of 1880, SPX has rallied 195 points. We were able to capitalize locking in 104 points out 195 via POM 13 signal for our Net long positions at exit price of 1985 . It appears that we may be able to get back in on the long side after the upcoming pull back is complete. We are not comfortable shorting the market in November / December time frame which are seasonally strong months historically.

Back drop – Market closed flat for the week at 2075 in spite of a good rally in October. SPX is 50 point overextended above the target price of 2020. The extension scenario is a low volume false break above. The internal Bearish reading in TICK, TRIN, SPY/VIX Ratio continues to exist while broader indices NYSE, MID CAP, RUSSEL unable to make higher highs of past which is a major divergence.

Next – The big rally may have borrowed November gains, leaving the cupboard dry in November. In spite of the top formation, the pullback failed to materialize. NYSE Composite breadth is flagging badly with Bearish diagonal triangle pattern is usually a precursor to sell off. The NASDAQ- had been leading the charge to higher prices, but is now at a double top position. Friday is Monthly BLS employment Report which intrudes volatility in the market.

We are setting up for decline in November. The 1st pullback here should be towards 2020. The Major Cycle lows may come in a week before thanksgiving 11/20 followed by another rally and then decline towards PEC-D 1950 target.

If we do get a smash in equities into November, it would likely setup one more rally into December, at which time the prospect of a long term top becomes a likely event for 2016.

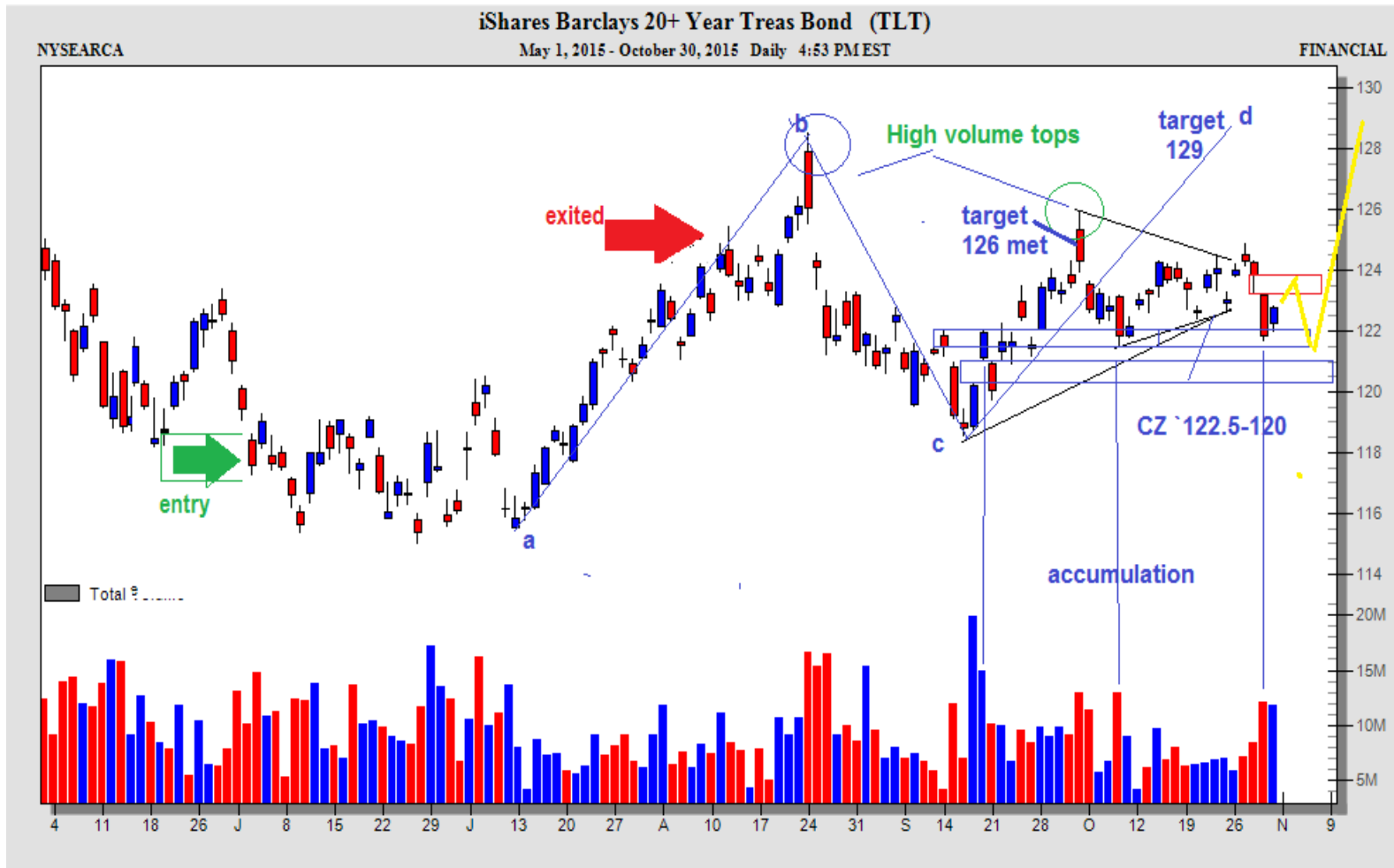
BONDS – Given the likelihood that 30-year government bonds are coming into a significant Bullish Bottom, the best risk-reward seems to be gravitating away from stocks and into bonds. The bond market, however, is giving us good clues about what might be coming. Bond prices move inversely to stock price. Given the poor technical condition in the stock market, the best risk-reward situation appears to be coming in the Bonds, which should have a tailwind from stocks' potential correction next year. Previous ABC ups on TLT ended at 129 and 126 with Bullish top. These levels should be tested at some point.

TLT – CZ- PEC- D Analysis - Daily

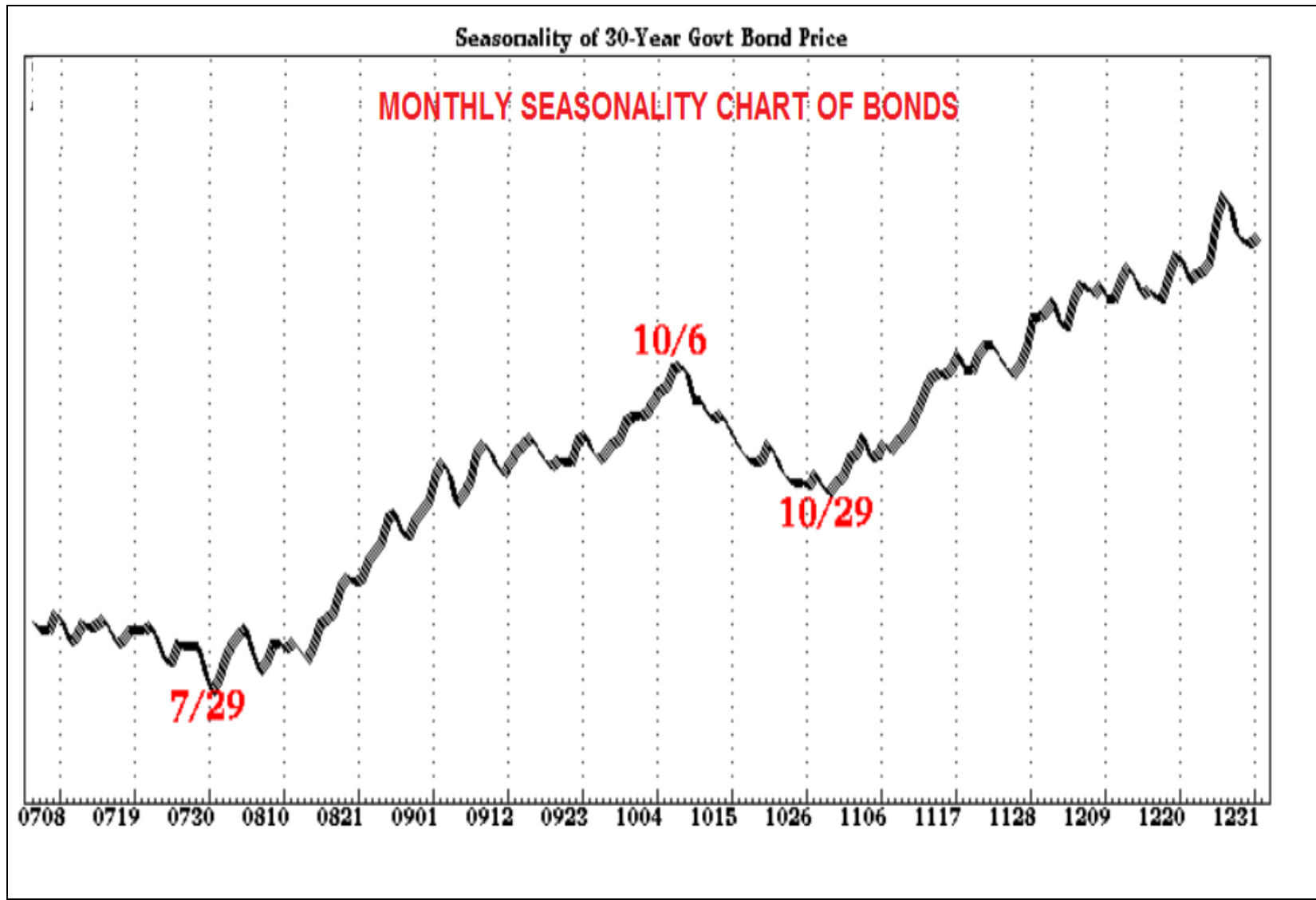
Notes within the chart –

Downside – CZ 122-120 – should trigger Bullish Bottom for another rally.

Upside – PEC-D 126 – Bullish Top should be tested. TARGET PEC-D 128.5.

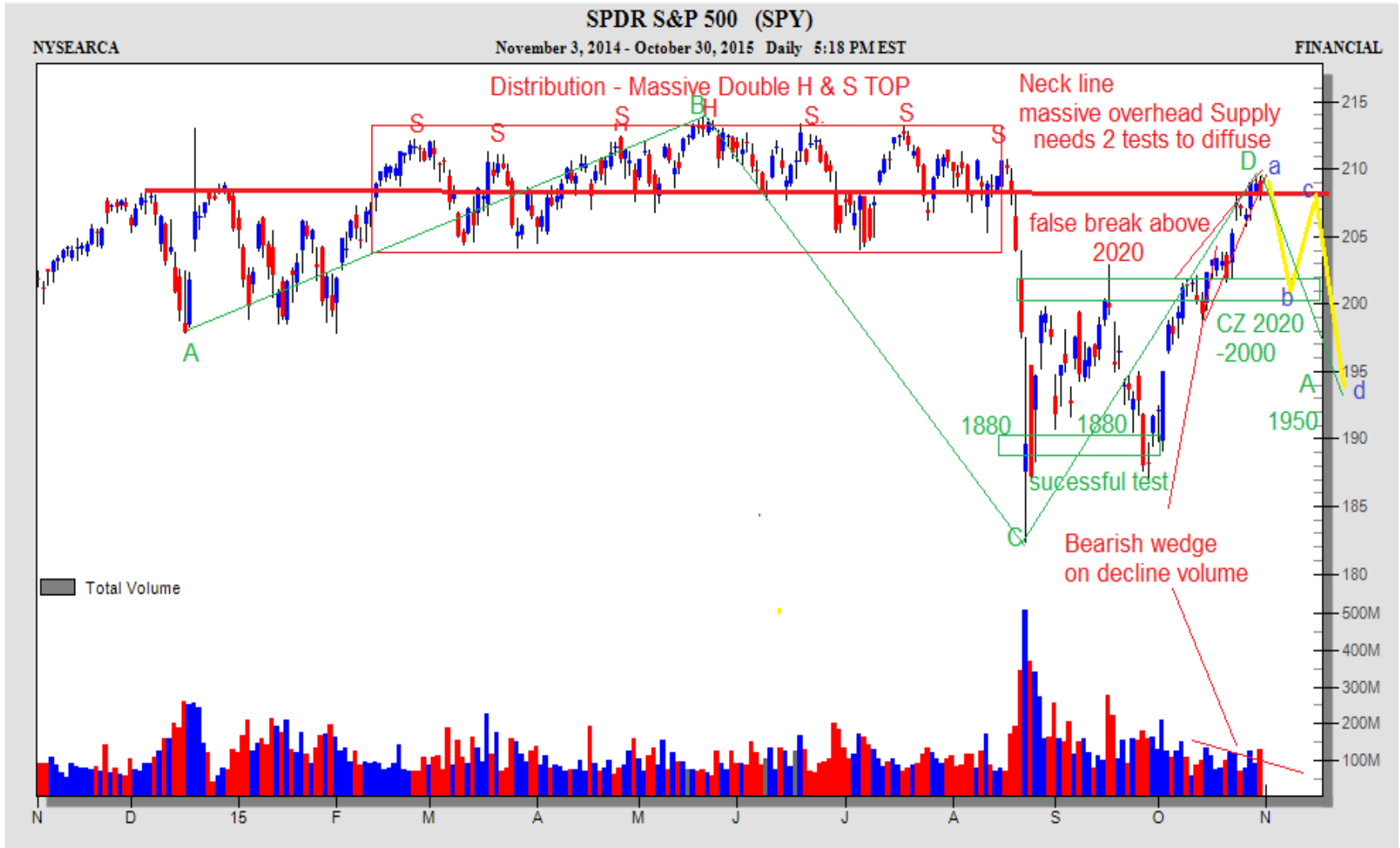


BONDS – SEASONALITY CHART



SPY - CZ- PEC- D Analysis - Daily

Notes within the chart



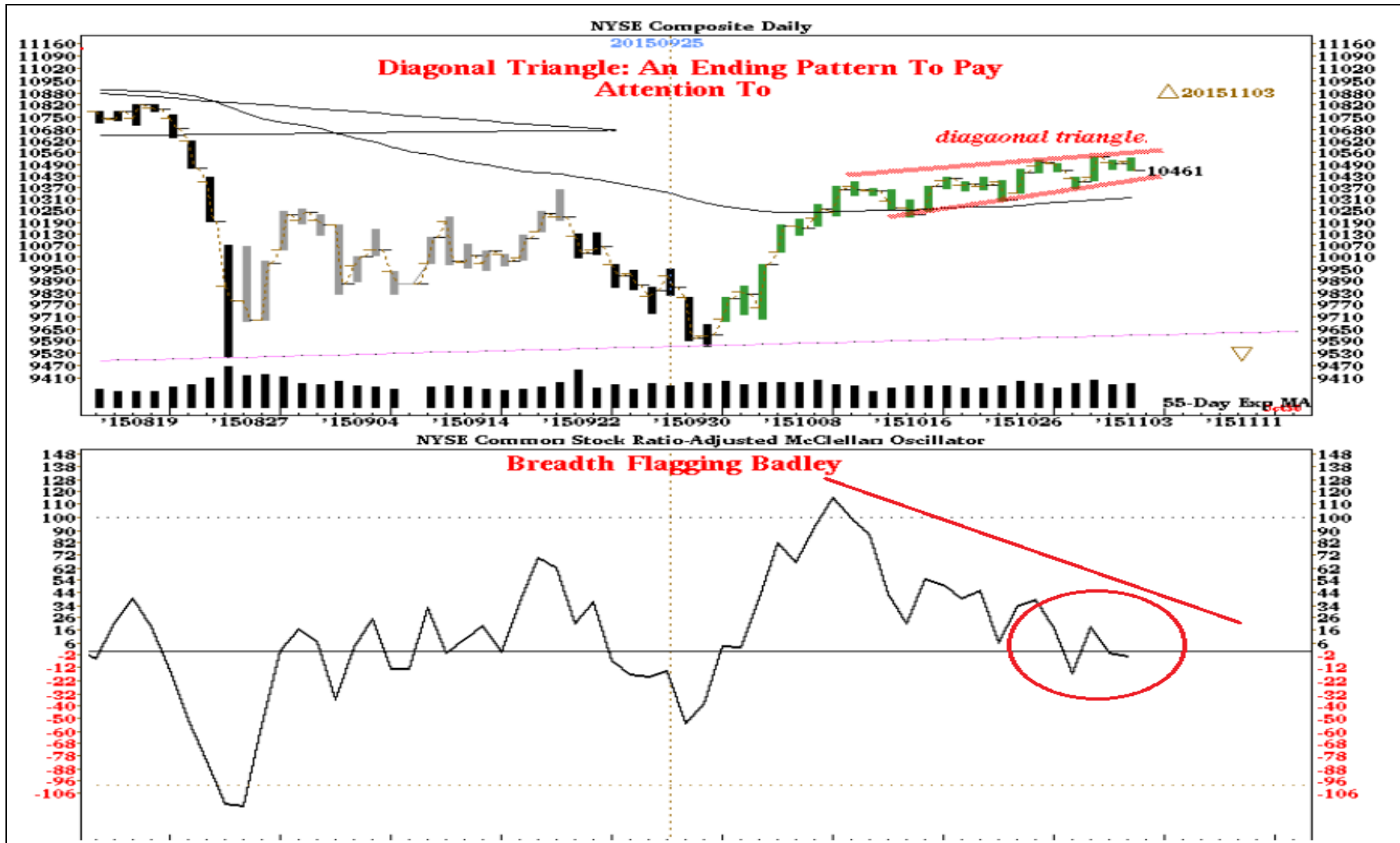
SPY / VXO Analysis - Daily

The VXO is the Original formula for the Volatility index which was replaced by the VIX. We still find it useful and divergences show up more readily. Recently the SPY has made higher highs and the VXO has made higher lows which is a divergence.



NYSE - Mc – Oscillator Analysis - Daily

Notes within the chart



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)

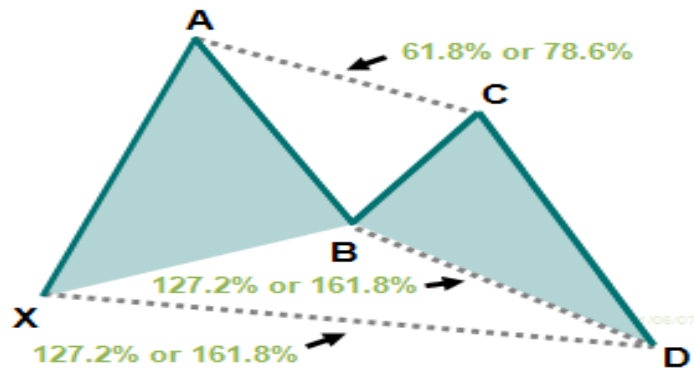
Pythagoras Expansion / Contraction – (PEC) Model

- 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

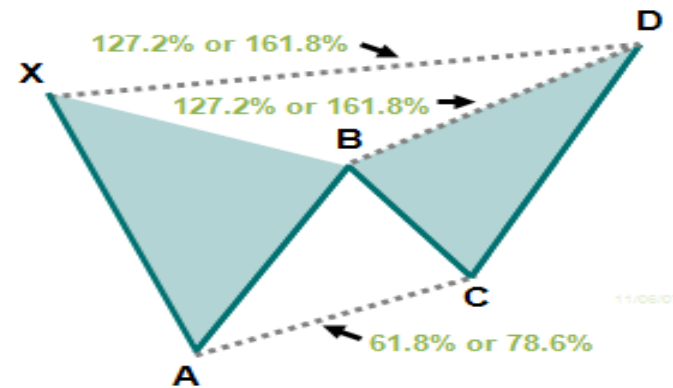
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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