Date: December 18, 2016 (Sunday)   **www.sgcr.us**   **GOLD – GDX   STRATEGY REPORT**

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• Executive Summary

	Current Price	POM Triggered within CZ & Date	Follow up Announcement Update For Trend Reversal	Progress Status	Current Position / Exposure	NEW ACTION (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GOLD	1136	**POM 12** Bullish @ 1070 Triggered	Triggered POM 13 @1200-1220	BULLISH	Net long Increasing 8.5% to 17.5%	Scaling in below 1210 In progress	First upside to 1210	Rally to breakdown area 1280	Decline to 1180 –1165 Exceeded	FOMC cracked open climax selling	Target 2ND Weekly ABC up to 1400 Bullish top

- **We scaled into GOLD position ; avg price 1186 (1210, 1185, 1164) with ¼ cash remaining (keeping powder dry to minimize the drawdown) . Manage the position sizing and the risk**
- **GOLD needs to close above 1150 to be back within the range.**
- **Currently we have a drawdown of -4.5% . Earlier on "Trump Trade" on 11/8 we exited this position for 5.5% profit which is a buffer to this drawdown.**

Our Core entry Net long since POM 12 trigger: at 1070. Holding initial 17.5% position.

	Current Price	POM Triggered within CZ & Date	Follow up Announcement Update For Trend Reversal	Progress Status	Current Position / Exposure	NEW ACTION (Trigger to Watch))	Upside CZ Near Term	Upside CZ Mid term	Downside CZ Near term	Downside CZ Mid term	Remark
GDX (XAU /HUI MINERS COR)	19.08	POM 12 Bullish @13.0 Triggered	Triggered POM 13 @1220-1200 (GDX 21-20)	BULLISH	Net long Increasing 8.5% to 17%	Scaling in below 23.5 In progress	Rally to breakdown area 24	Rally to breakdown area 26	Potential for decline to 19.5 Cracked on FOMC climax		Target 2ND Weekly ABC up to 32 Bullish top

- **We scaled into GDX position ; avg price 21.8 (PEC-D 23.7, 21.8, 20.1) with ¼ cash remaining (keeping powder dry to minimize the drawdown) . Manage the position sizing and the risk**
- **GDX needs to close above 20 to be back within the range.**
- **Currently we have a drawdown of – 12.5% . Earlier on "Trump Trade" on 11/8 we hedged this position with GOLD for 5.5% profit which is a buffer to this drawdown.**

- **Core entry Net long since POM 12 trigger: at 13.0. Holding initial 17.5% position**

NOTE- By historic measurement ,we are very highly overweight in GOLD with very large positions . Under normal circumstances this is not advisable . Maximum to be limited to 5%to 7% of the asset allocation

Market Overview GOLD

USD : Strength US Dollar into 13 years high has pushed other Global currencies in frenzy especially weakening EURO and Yuan. This scenario is enough to initiate a trade war. USD rally is completely overbought with very high Bullish sentiments.

The continued strengthening of the dollar with higher rates has moved Yields in china higher. This will effect Chinese economy negatively and force the Chinese Central Bank to sell more dollars and purchase the yuan. It has also taken measures to stem capital flight as the yuan has weakened, including placing more restrictions on overseas investment by Chinese companies that were tempted to buy more dollars.

GOLD: **This is high Beta, High Volatility market. Caution needed in scaling to manage drawdowns.** FOMC threw our 1185-1165 gap area over the cliff towards 1130 on low volume, pushing it into extreme climax. GOLD has declined 35 points more than we would have liked to levels 1165-1210 (pull back range).

Close above 1150 should signal GOLD is within the range. GOLD Market could be the best turn around candidate for significant up moves in 2017. There is complete Bearish sentiment in Gold Market. From previous statistical data, after down December, GOLD has very high probability to rally in Q1.

Here are three reasons why gold at the current price of 1,150 has great value.

Short term:
1. Last week, Mercury Retro gate on planetary alignments . High probability of bad decisions making during the week.
2. FULL Moon and Bradly Turn date was on last Thursday. This can initiate Change of Trend.
3. Short Gold / Long SPX PAIR trades will initiate to unwind soon. Traders who chased final few days of SPX rally will be in loosing position soon..

Midterm :
1. Beginning of the year 2017 can initiate demand back in oversold / capitulated assets like GOLD and BONDS.
2. Systemic Risk in Financial market still remains due Debt and GOLD has intrinsic value as the safe currency.
3. Inflation situation due to Chinese policies. Commodity prices have rallied long side of USD which is very unusual.
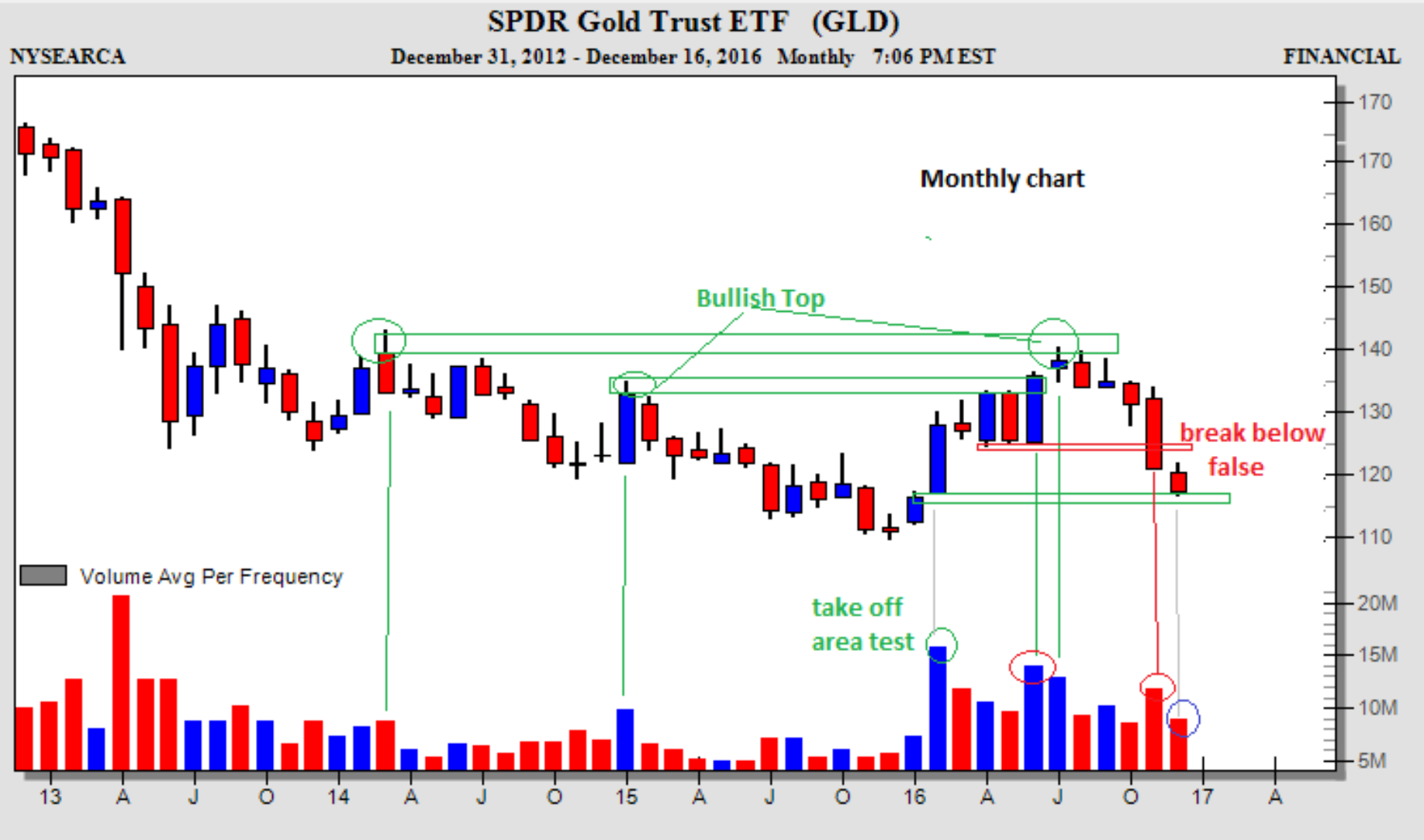
GOLD – Weekly chart   Analysis

Notes within the chart.

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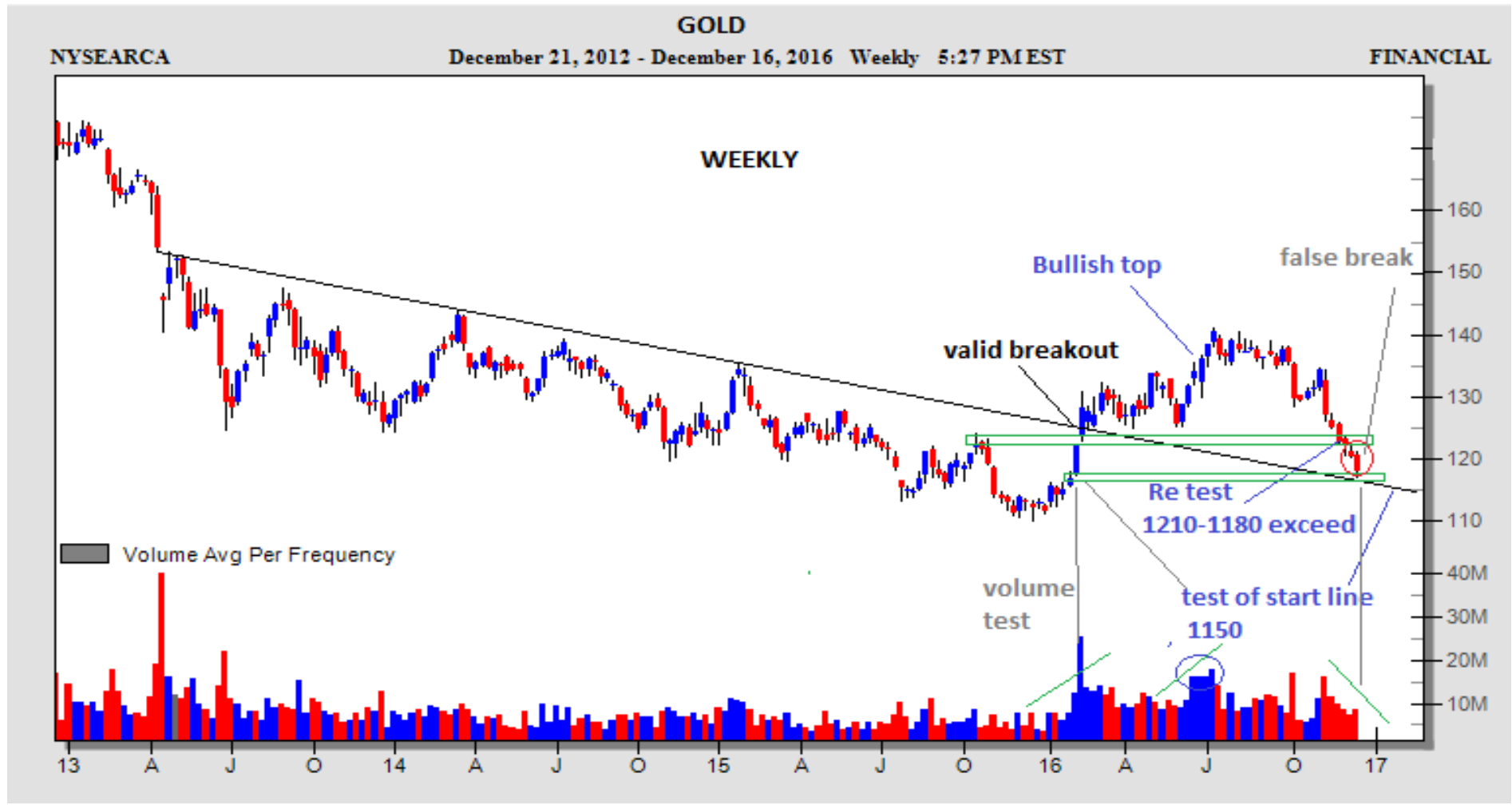
GOLD – Monthly Chart   Analysis

Notes within the chart

GDX Analysis   - Long term chart

Since October the Advance/Decline percent and the Up down Volume percent have been making higher lows and a bullish sign for GDX. This same setup occurred back at the January low. To get all clear lights both need to close above "0". Sentiment for gold and gold stocks are very negative (bullish for both). This may be the final decline to setup.

Appendix Content

- **Objectives & POM /CZ / PEC –D Guidelines – <u>Refer to detail Annexure</u>**

- **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 <u>UP</u> move, *POM 13* signifies to <u>STOP</u> executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

- On way <u>DOWN</u> move, *POM 13* signifies to <u>STOP</u> executing additional " New Short Sells" that was initiated at *POM 14 or POM 15 levels*

- <u>**(Bear Markets)**</u> **POM 15** is for - <u>**Net Short**</u> & **POM 14** is for - <u>**Hedge Longs**</u>

- <u>**(Bull Markets)**</u> **POM 15** is for - <u>**Hedge Longs**</u> & **POM 14** is for - <u>**Partial Hedge**</u>

- *POM 12 & 11* is for Net Long

- *POM 10* is Climatic Crash low *Buy Signal* to add to Net long position <u>**(Rear event)**</u>
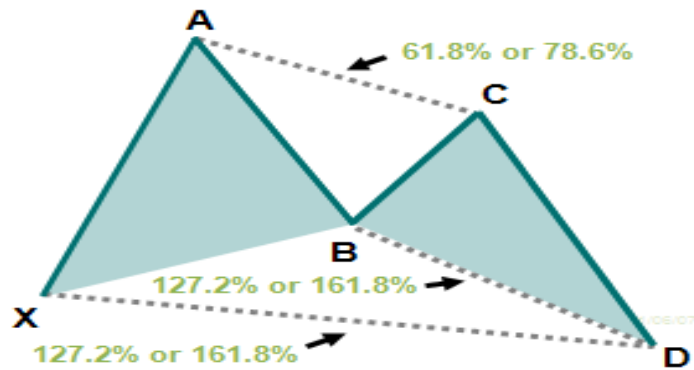
Pythagoras Expansion / Contraction – (PEC) Model

- 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
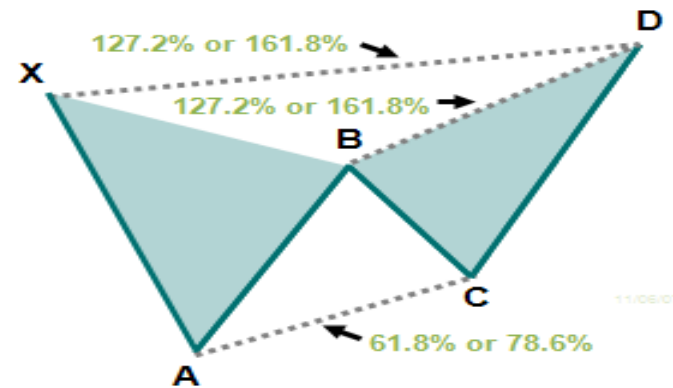
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

A
61.8% or 78.6%
C
B
127.2% or 161.8%
X
127.2% or 161.8%
D

Sell Pattern (bearish)

D
127.2% or 161.8%
X
127.2% or 161.8%
B
C
A
61.8% or 78.6%