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SPX – BONDS – Institutional Report

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	<u>Announcement</u> - 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	2128	POM 15 Re Run Triggered @2090 5/7	Avg entry price 2120	BEARISH	Net Short 30% Non Leveraged	NONE	Bounce to 2150 should fail.	Momentum drive to 2185 Target failed	1 st ABC down to 2110 Bearish Gap 1	2 nd ABC down to 2000 Bearish Gap 2	Projection to re test of lows CZ 1995-1985 Bearish Bottom

For Bears – Average entry price for Net Short: POM 15 Re Run is 2120

1st ABC down to 2110. Target to 2000.

	Current Price	POM Triggered within CZ & Date	Follow up <u>Announcement</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
TLT (BONDS)	135	POM 14 Triggered 1/8	NONE	NEUTRAL Bearish bias	0%	NONE	Target Momentum to 145 Bullish Top	TBA	Pull back to PEC-D 133 & rally UP	CZ 128-127 Rejected Bullish bottom	

ACTIONABLE IDEAS -

For Bulls – Wait for pull back to 133 for next buy signal. Next Rally target to 145

For Bears – Wait for heavy volume decline to 133 and Sell Short the next bounce to 145.

Market Overview SPX- BONDS

SPX

Friday's massive price decline with heavy volume is classic markdown phase after 6 weeks of distribution. The completion of 1-3-5 Pattern at 2185 was quite Bearish with OEX put call ratio at 0.9 for several days. The diffusion of false break out pattern above 2115 on low Volume is now in the process of being diffused to our 1st target of 2110.

Finally the market realized low bond yields around the world (and extremely loose monetary policies) have been a driving force behind the rally in stocks after the Brexit vote. The hint of bond yields starting to rise changed that.

If market bounces next week due to positive bias option expiration , the bounce should fail at 2150.

The fact that we've also entered the seasonally dangerous autumn period between September and October is also a concern. September may be living up to its reputation as one of the worst months of the year.

A lot more caution is warranted especially at the end of 8 year presidential term correction. (2000, 2008)

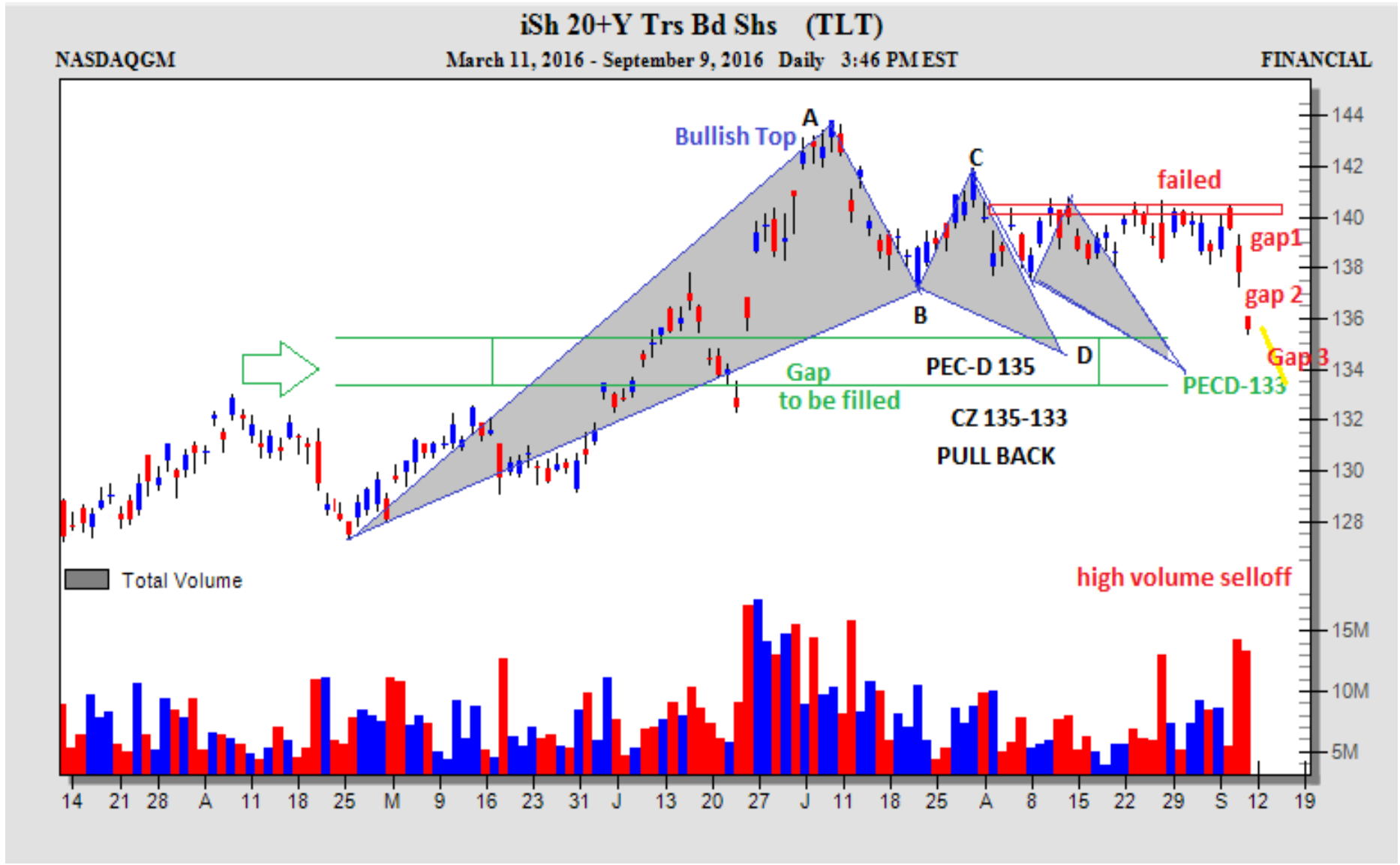
TLT

Short term pull back to ABC down to 133 is in progress and Midterm ABC up to 145.

On Friday, Stocks and Bonds both sold off. There was no flight to safety

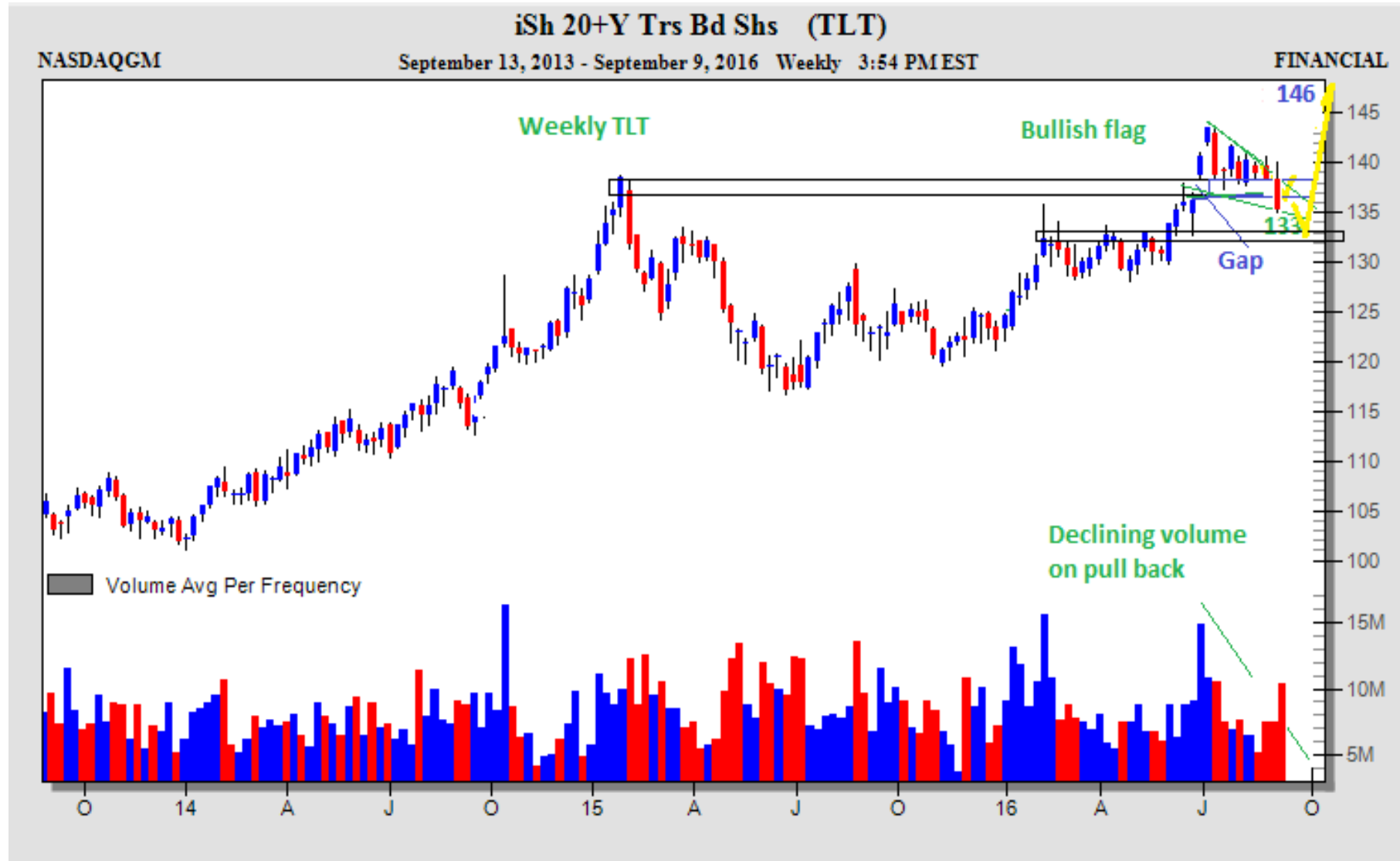
TLT – C Z- PEC- D Analysis – Daily

Short term pull back to ABC down to 133. TLT in process of 3rd Gap play on downside.



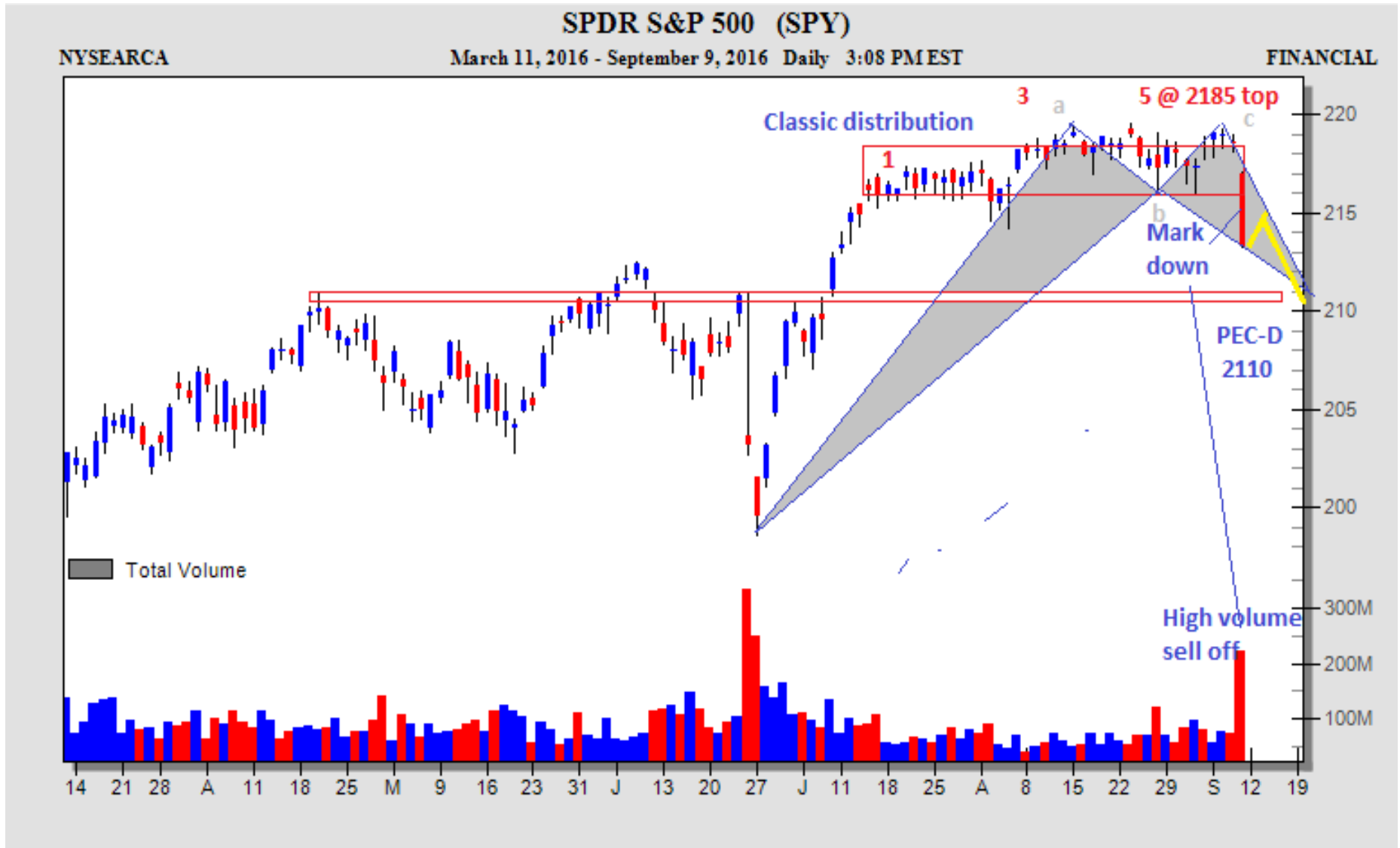
TLT – C Z- PEC- D Analysis – Weekly

Midterm ABC up to 146 after the pull back is complete to 133



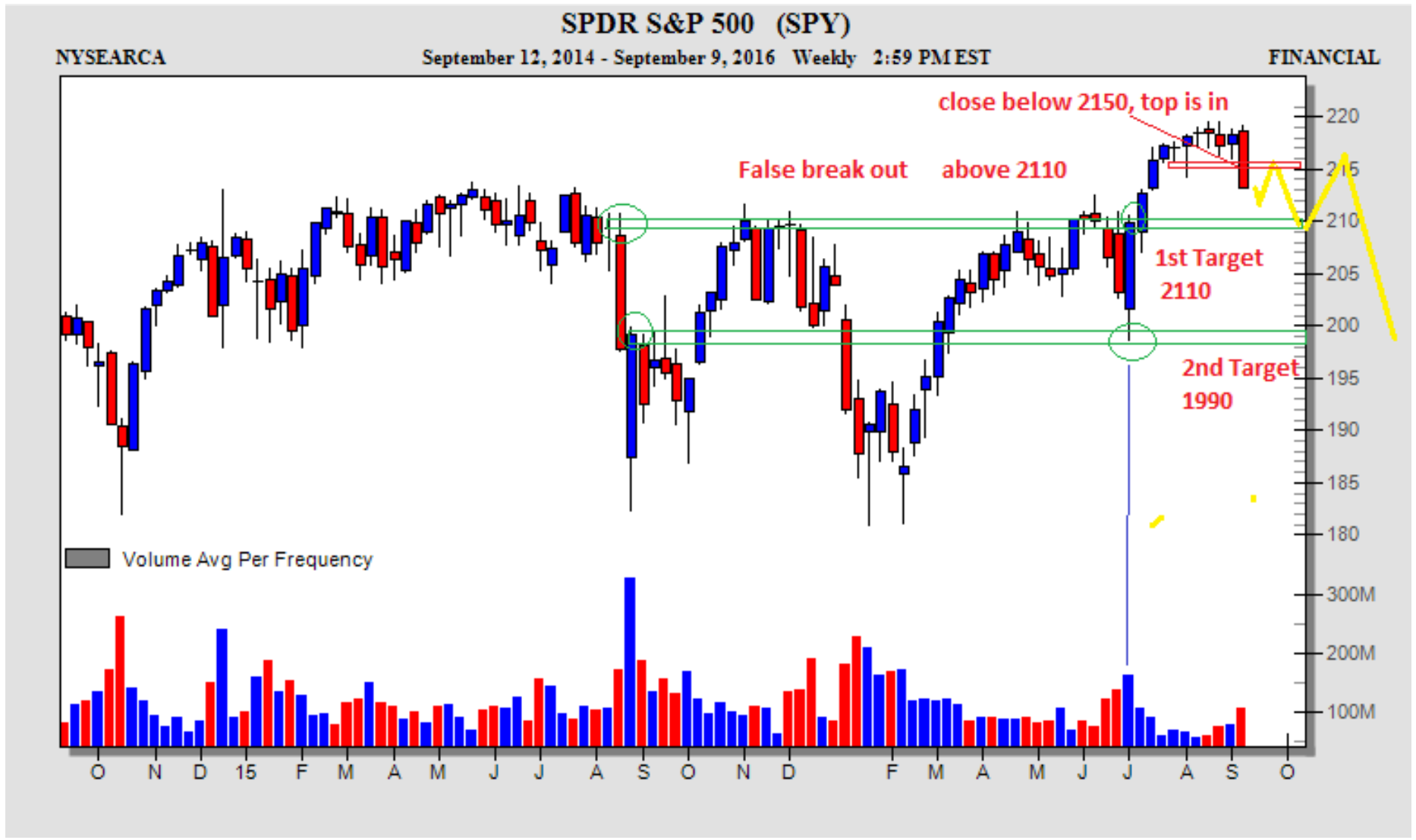
SPY / Volume Analysis – C Z- PEC- D Daily

The 1-3-5 Pattern is completed at 2185. 1st ABC down to 2110 diffusing the false break above 2115.



SPY / Volume Analysis – C Z- PEC- D Weekly

Weekly close below 2150 has price target of 1990 on weekly basis. This may very well be the lows for this year.



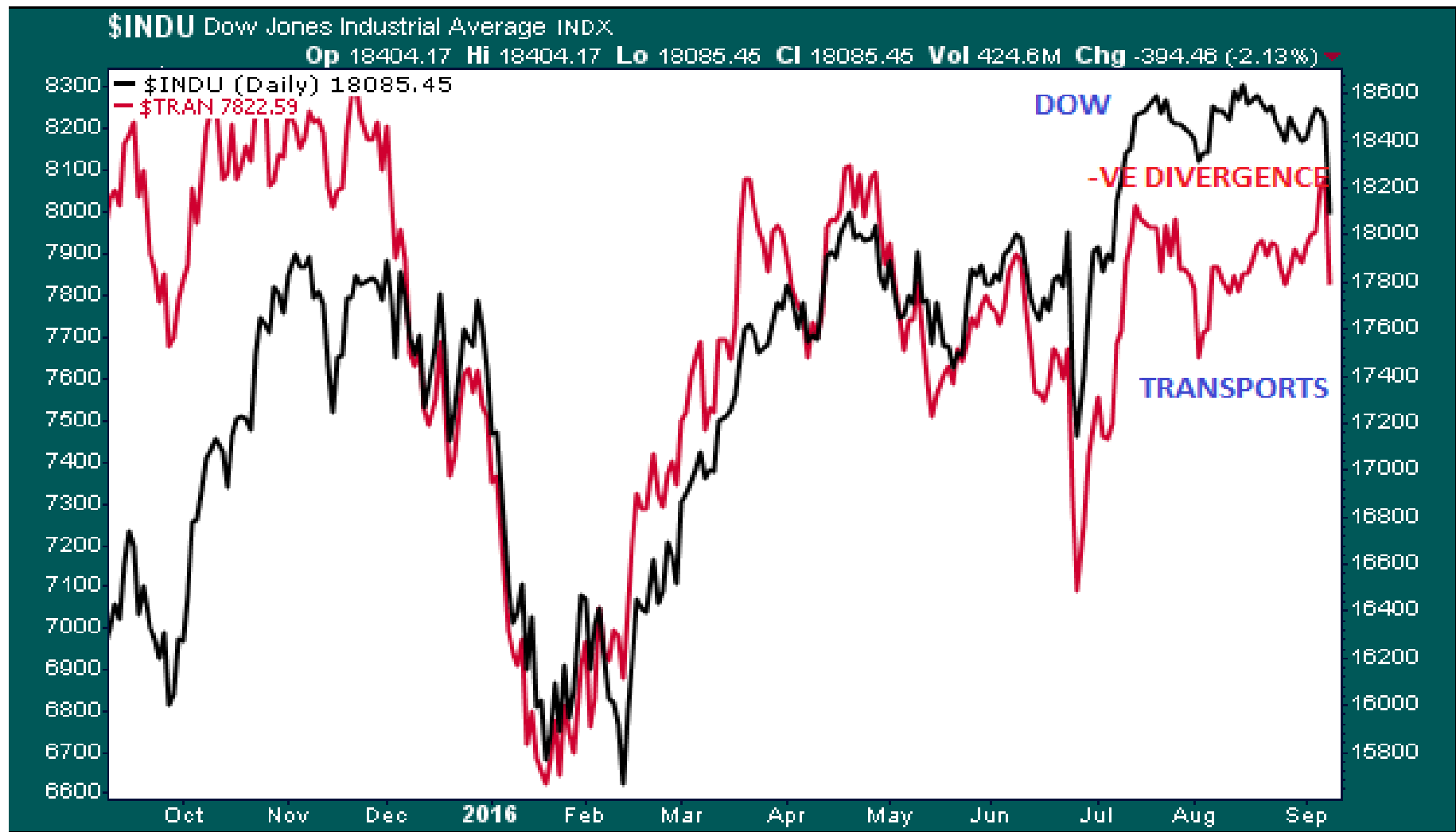
VIX Analysis – C Z- PEC- D

Volatility (VIX) Index jumping 40% on Friday to the highest level in two months. A rising VIX is associated with put buying. Historically, a move above 20 is usually required to signal a more serious stock selloff.



DOW Theory - DOW/ TRANS - Analysis – C Z- PEC- D Weekly

DOW THEORY DIVERGENCE... The negative divergence by the Dow Industrials and Transports. Dow Theory holds that an upside breakout by one of the Dow Averages must be confirmed by a similar breakout in the other. So far that hasn't happened. That negative divergence raises concerns about the vulnerability of the Dow Industrials to a downside correction.



SPX – Cyclical Model

- SPX - Seasonality

EFFECT – , MAY - OCT – NEGATIVE.

- SPX - Geomagnetic / Lunar Cyclic Model

None

- 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)

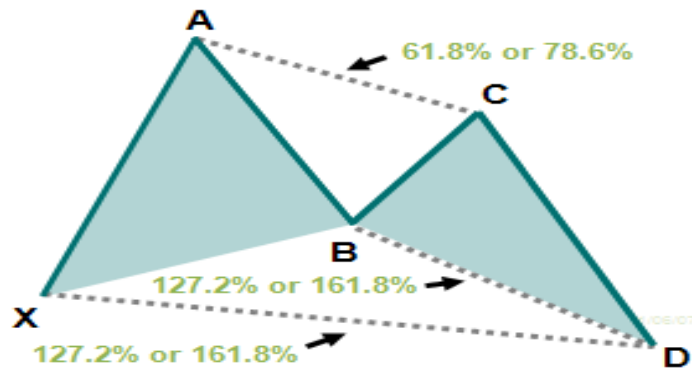
Pythagoras Expansion / Contraction – (PEC) Model

- 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

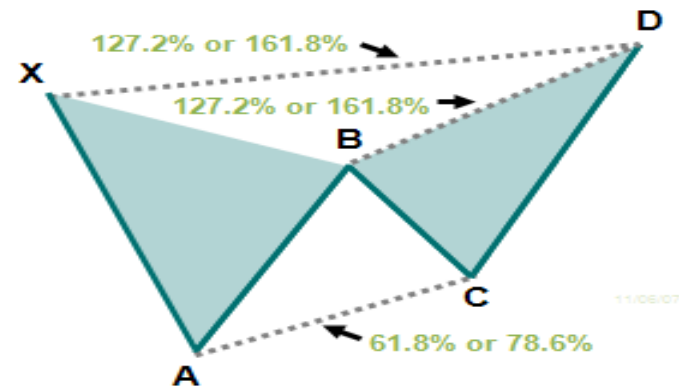
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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