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Immediate Release- SPX- BONDS – Institutional Report

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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Announcement- 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	2351	POM 14 Triggered @2258 On January 1 st 2017	None	NEUTRAL	0%	None	3 Gap play on upside Completed @ 2350	Target Exhaustion Gap @ 2380-2400	Pull back to 2300-2280 & bounce	1 st ABC down 2230-2210 & rally	2 nd ABC down to 2200-2180 <u>Best Risk/Reward for new longs</u>

- POM 15 Net Short Signal has NOT yet triggered .
- We stay on sidelines for now with Cash position. This is strictly “Cash Management” move. (Exited @ 10.1% profit)
- We plan to wait patiently for **Trading Net long** around CZ 2230-2210.
- The best Risk Reward for **Investment Net long equity** purchases would come around CZ 2200-2180.

	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
TLT (BONDS)	120.40	POM 13 Triggered 11/20 CZ 121-118	Fully scaled in @ 119.2 Average price M2M @ 119 Jan 1 st	BULLISH	Net Long 30%	NONE	Rally to Re test 123.5 With Bullish Top Met once @ 123.5	Target to PEC-D / Gap area 127	Pull back to 120- Rejected Lows	ABC down to 118 Net exact Bullish Bottom	Stop loss at 117

- We scaled into TLT Net long POM 13 position; avg price 119.2.
- On 1st Jan Marked to Market at 119 as cost basis
- Currently TLT is at 120.(almost at breakeven)

Keep stop losses based on risk appetite, volatility and asset allocations.

Market Overview SPX- BONDS

Thanks to the President!! ; Presidential election has worked out real great for our Portfolio in first 6 weeks in 2017. Our strategy is based on sorting out conflicting Fiscal and Monetary arguments and rationalizes the interpretation to predict the future market moves on Quantitative and Technical basis. We are quite optimistic about the volatility that will come in this market in 2017. This will be a Trader's paradise !!.

Out of Crisis, comes the opportunity"!!! . We are not emotionally tied up with policy decisions but we cherish the perception and its potential impact on the market in terms of optimism in General Equity SPX / Commodity Equity/ Technology Sector. The outcome of imbalances in Global currency i.e. USD, AUD, GOLD has benefited us immensely.

FOMC's semi-annual testimony to congress last week suggested "Hawkish stance'. This message should have send both USD and Yield to the Moon and simultaneous Sell off in Gold Market; Instead USD, Yield sold off quite nastily and GOLD, TLT rallied. This suggests the Currency market and Treasury market does not believe "Jennet Yellen's" Testimony. We have a contrarian view here to those policies against the conventional wisdom. Our Investment timings, over the years have served us well with such thought process. Eventually we think the Fundamental events will get attached in sync with these contrarian trades as rest of the smart guys on Wall Street will figure it out after the fact.

"Buy when they are "Crying and Sell when they are Yelling"; we saw that during the lows in Gold market at 1150 on Jan 01. There are various ways to build "Alpha" in the market. Risk, Beta and high available cash level are the most important factors for our Portfolio strategy. We are quite content with our Proprietary Methodology as long its Profit objective is met.

Lower yield may be required in Treasury markets for some time to come to take care of financing of the \$ 1Trillion infrastructure spending program. If Yield goes higher, Fiscal program can get very expensive putting pressure on inflation and Fiscal Debt ratio . Repatriation of USD back to US and Corporate tax cut should bring in foreign money flow within US but Border adjustment tax and Trade wars may trigger sell off in USD to dilute the effect with opposing flow.

In terms of SPX Portfolio prospective based on measured risk, **SPX Triggered POM 14- Neutral Signal at 2260. We are holding 30% Cash in the Portfolio from the proceeds sale & 10% Profit** [Trump Election Rally Trade entry at 2042]

SPX: Portfolio prospective based on measured risk, we remain Neutral. To turn outright Bearish, Our Mid-week **Intermediate Alert Blog 2/12** , has narrated the technical dynamics in SPX Market.

On Short term basis: We will wait for POM 15 Trigger. There are several indicators that need to line up to call it a Top. (Refer chart #3 below)

- **Completion:**

- *Formation of "3 Gap Play Pattern" in SPX at 2350 after "3 drives to the top pattern (PEC-D - 1.27/1.41/1.618) " completion at 2310 SPX level]*
- *Momentum Trust Triangulation pattern". With acute angle of inclination towards 70 deg advancing towards parabolic action.*

- **Pending**

- *Final Exhaustion Gap: With Climax Short covering price move followed up by "Last Bearish engulfing" with drop off in volume to complete the Ratio of 2.0 to 1.0 on price expansion. This will complete the pattern and constitute immediate change of trend.*
- *Contrarian sentiment indicator in SPX is at 81% Bullish..... Move to run higher to 90%.*
- *Internal Market Indicators: Ticks, TRIN are not giving clues for a top here.*
- *Mc Oscillator has to turn below 0*
- *SPX has not failed on secondary / tertiary price / volume test. For decline to begin, volume needs to expand on downside.*

On Midterm basis-

- *Put / call Ratio is at Bearish Level*
- *Advance / Decline line crossed over bearishly.*
- *Open Interest keeps dropping whiles prices are rising which is a fake Market till rebalancing point is reached on pull back.*
- *We plan to wait patiently to be Trading Net long around CZ 2230-2110 for the best risk / reward.*

TLT:

Triggered POM 13 - Net long at 119 on TLT.

On weekly basis, TLT is building a handle of a “Bullish cup formation” for fresh move higher towards the upside target of 123.5. TLT began its move higher with multiple “Signs of strength and escalated bullish volume by rejecting the lows at 120.

Our final target is PEC-D 127.

Although on mid tem basis, FOMC has hawkish tone suggesting higher rates, on short term basis Bond market wants to rally first. TLT Net long position may be a great way to have an equivalent exposure of Net Short SPX position. Once the market begins its decline, Bonds may begin counter trend move higher.

SPY / BONDS/ GOLD – Correlation Analysis

Looking at a chart of the SPY versus GOLD and BONDS, the latter two have been rallying since the start of the year. This, in turn, is not a good signal for the market rally given that GOLD and BONDS have an inverse relationship with SPX.



SPY / Tick- Osc Analysis – C Z- PEC- D Daily – Short Term

The Tick remains above “0” and remains a bullish sign for the market short term.

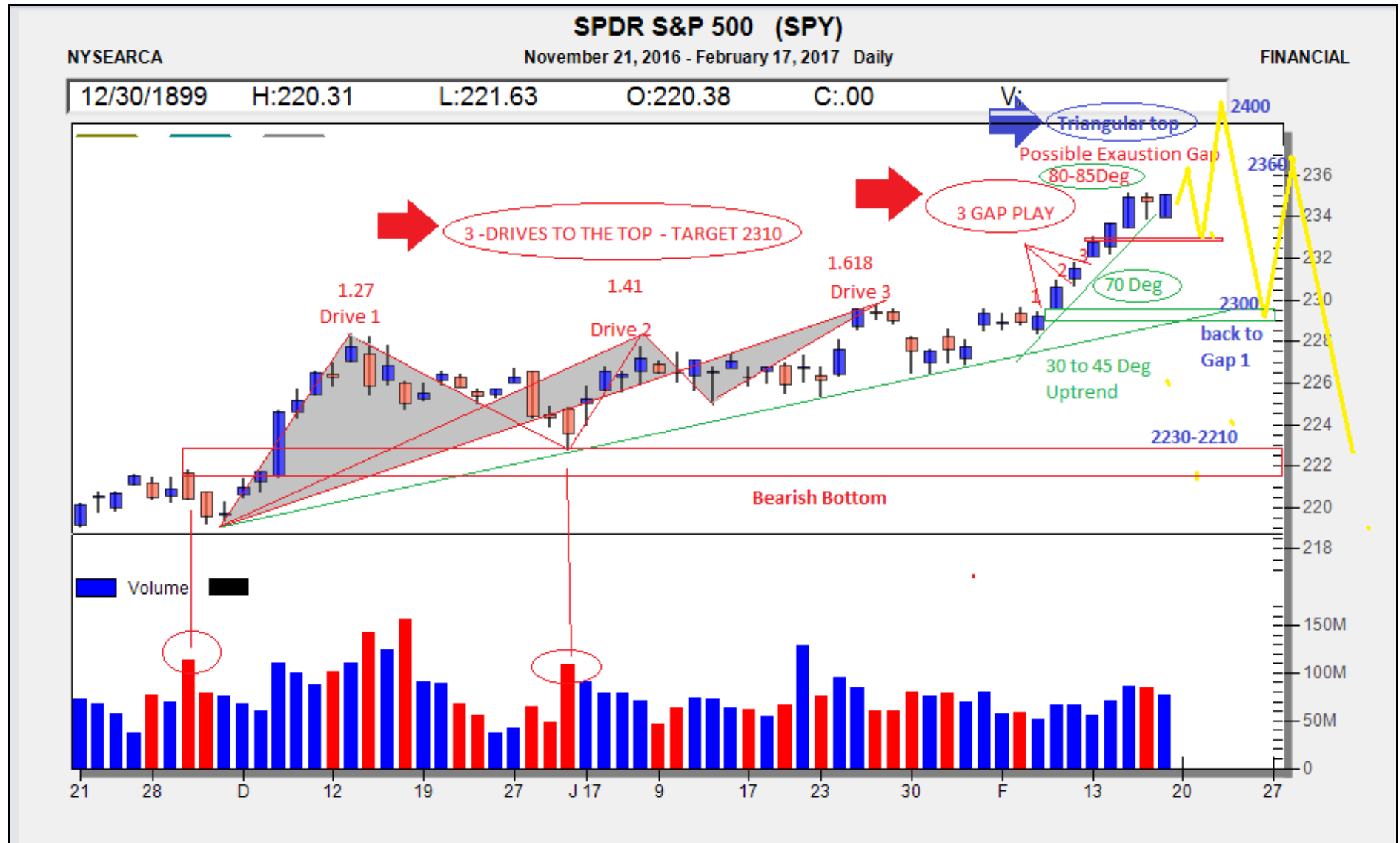
McClellan Oscillator closed still above “0” and remains a bullish sign for the market short term.

When both Indicator Drops below, decline begins (Refer red box)



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

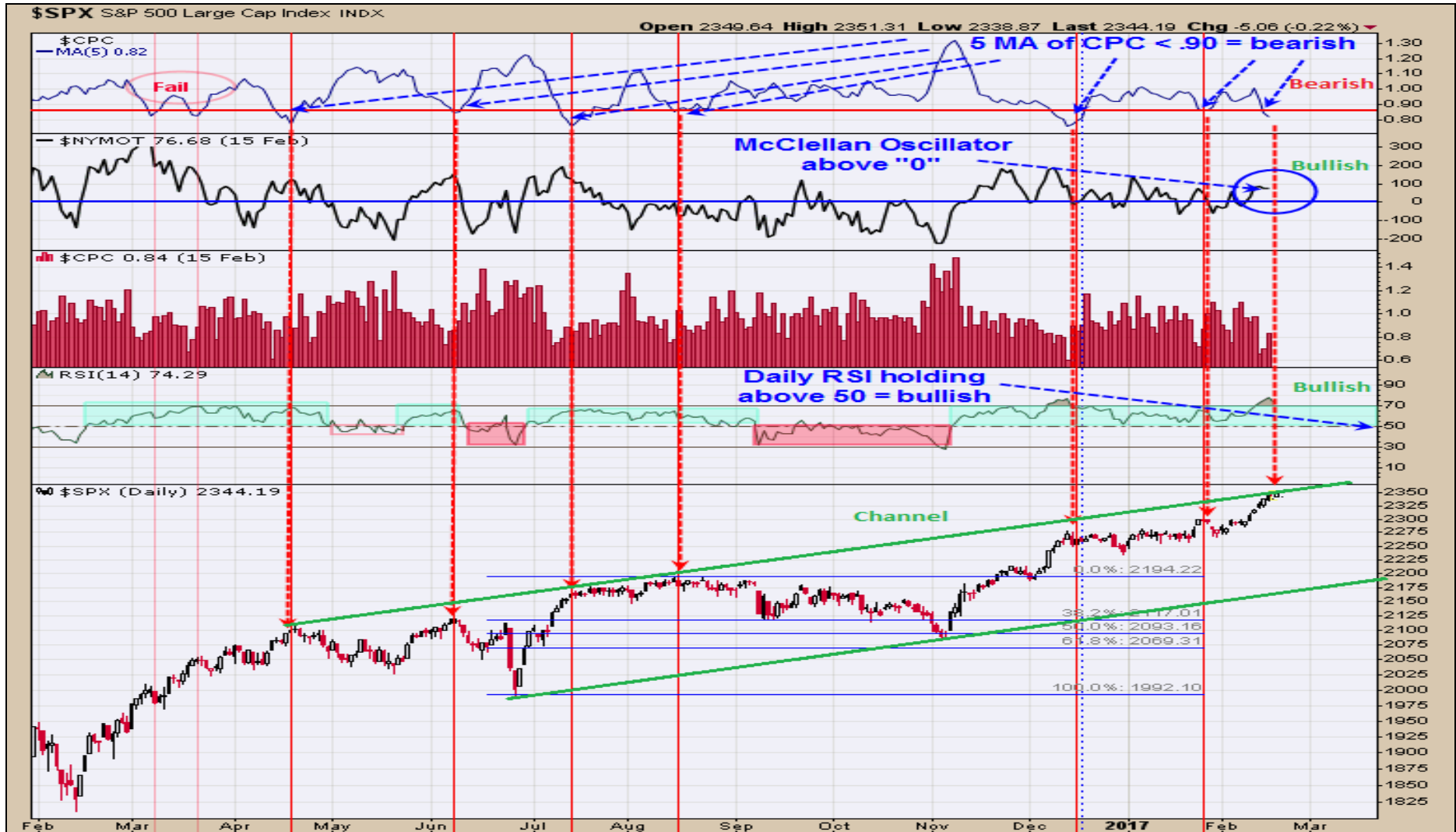
Refer notes inside the chart



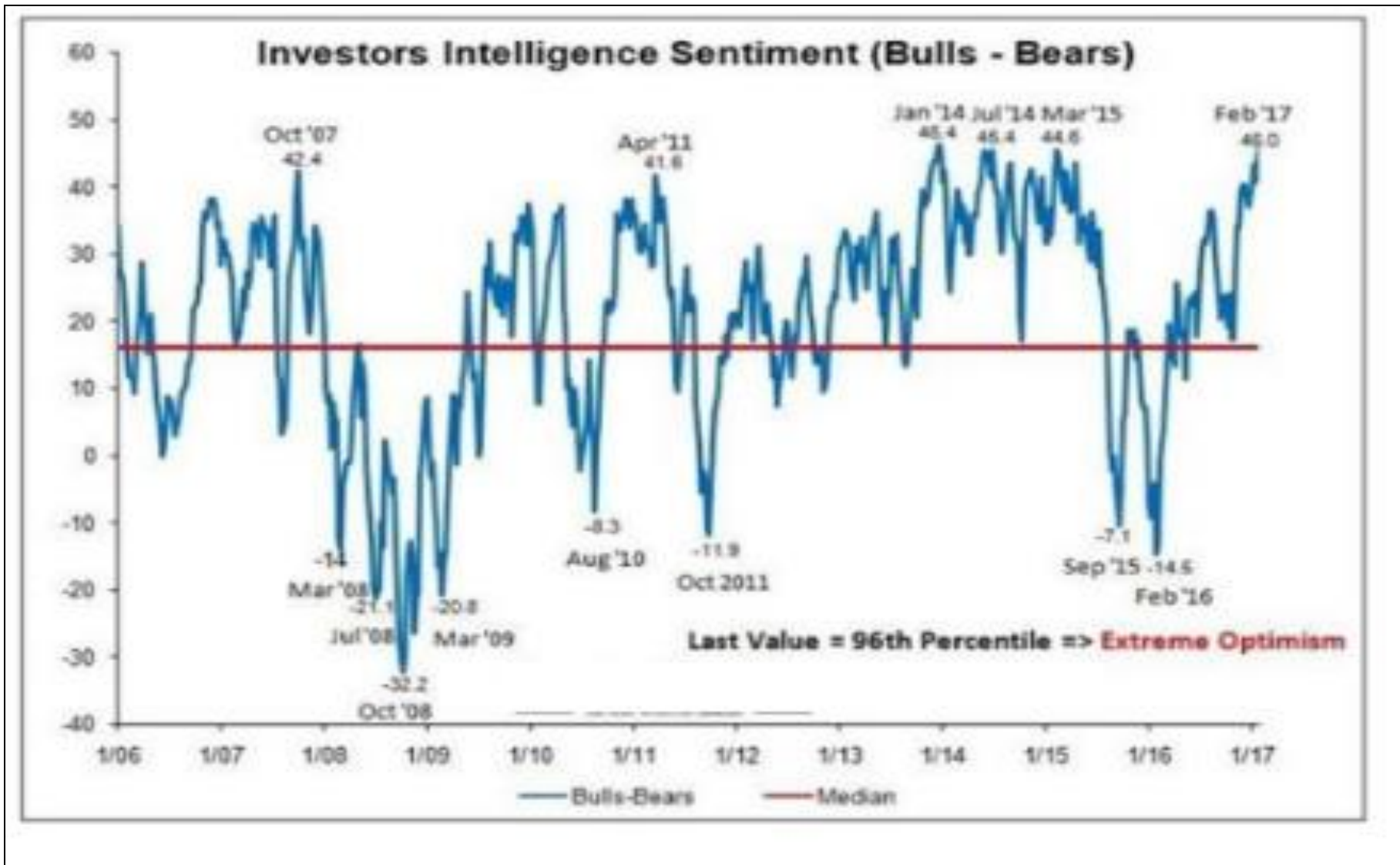
SPX / Volume Analysis – C Z- PEC- D Daily-

SPX is trading at the upper end of its Channel lines.

Total Put/call ratio (CPC) readings below .90 have appeared near market highs. NYSE McClellan Oscillator which will close near +32 and above "0" which is still bullish.

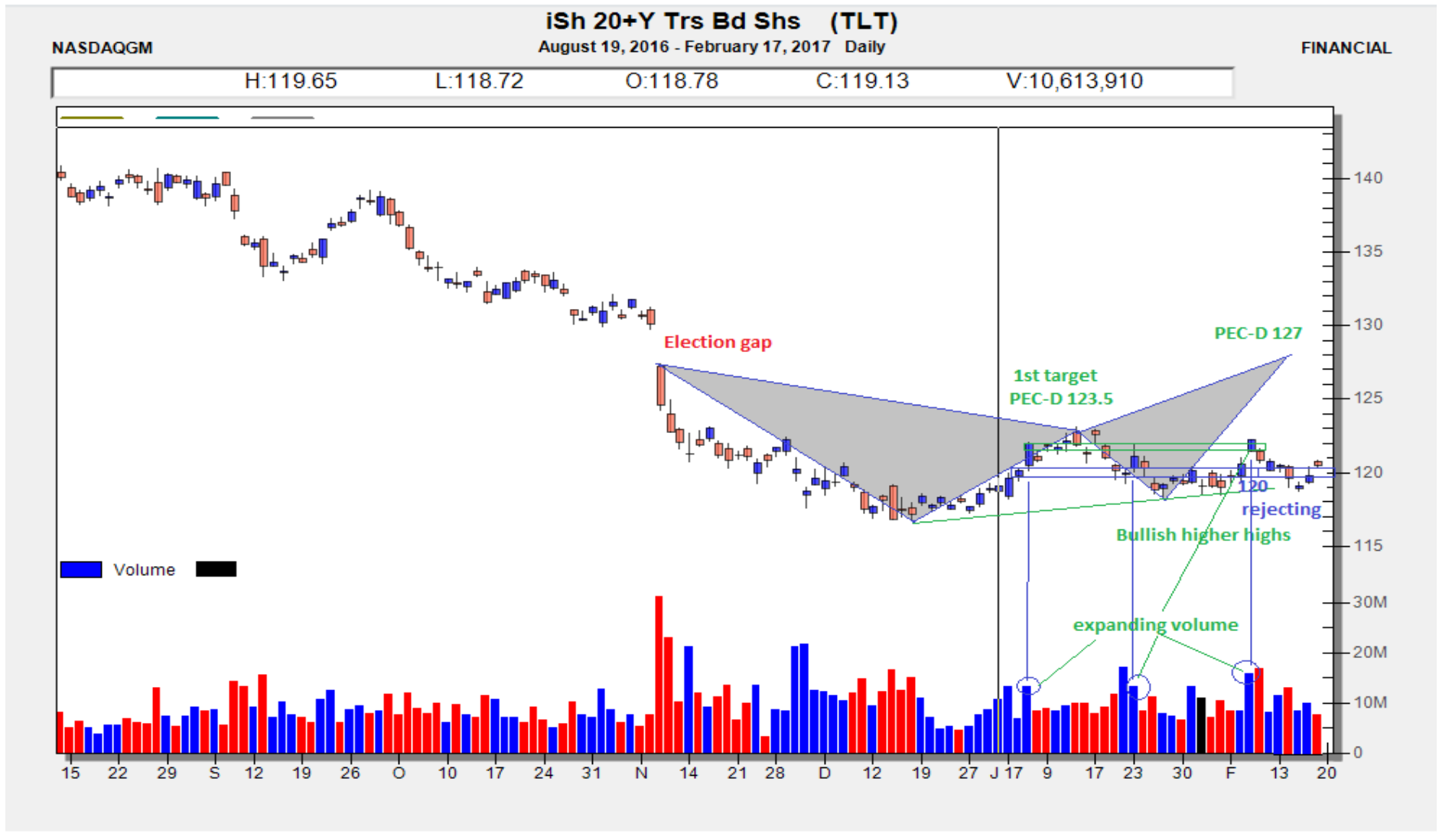


SPX / Sentiment Indicator Extreme



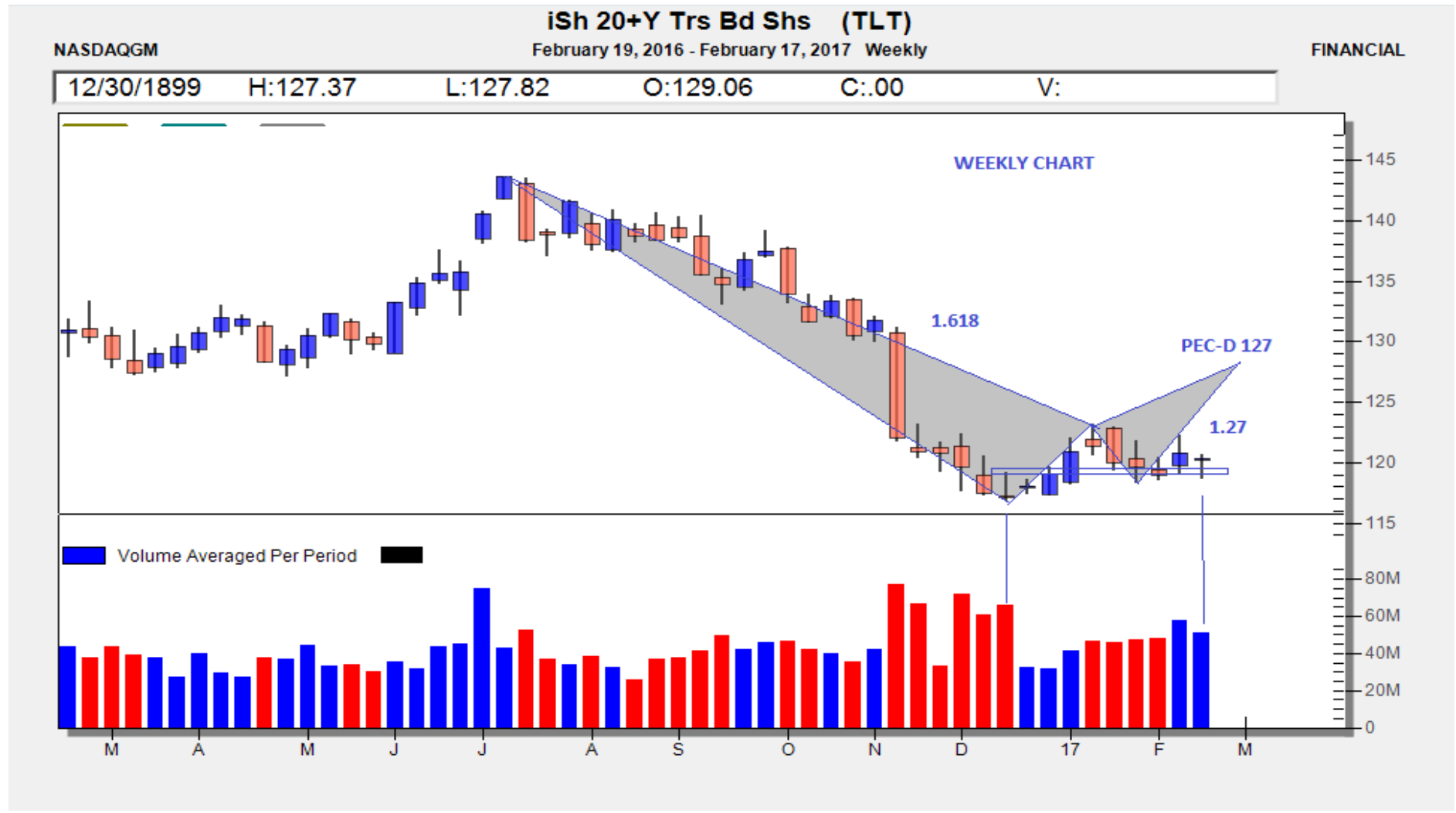
TLT / Volume Analysis – C Z- PEC- D Daily

TLT began its move higher with “Sign of strength and escalated bullish volume but pulled back to 120 levels several times to reject the lows. Now it should rally back towards upside target of 123.5 with Bullish top.



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

On weekly basis, TLT is building a handle of a “Bullish cup formation” for fresh move higher towards the upside target of 123.5. TLT began its move higher with multiple “Signs of strength and escalated bullish volume by rejecting the lows at 120. Our final target is PEC-D 127.



SPX – Cyclical Model

- SPX - Seasonality

Negative- Post Presidential Cycle .

- SPX - Geomagnetic / Lunar Cyclic Model

Negative

- SPX - Sentiments Model

AAII Weekly Sentiment Survey – Bullish

SPX – Internals Model

- Midterm - TICK / TRIN - Neutral
- AD Oscillator, Ratio's – Neutral

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)

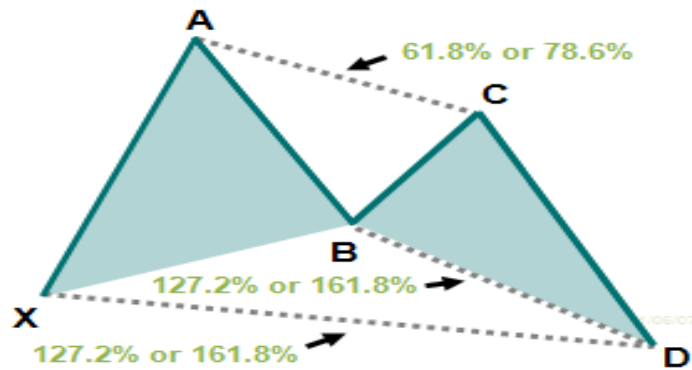
Pythagoras Expansion / Contraction – (PEC) Model

- 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

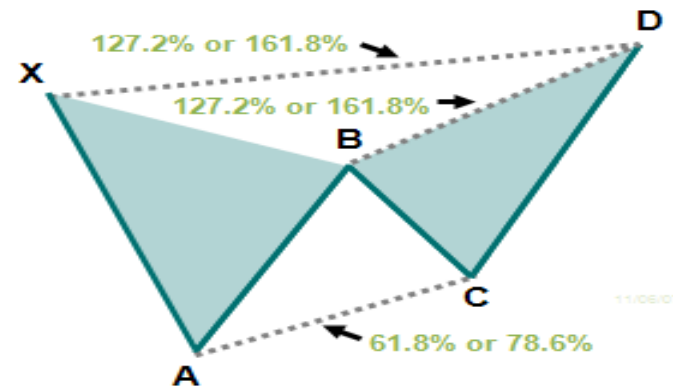
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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