Date: February 25, 2017 (Sunday)   *Immediate Release*- SPX- BONDS – Institutional Report
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Executive Summary.

	Current Price	POM Triggered within CZ & Date	Announcem ent- ST Trend reversal & Risk Managemen t .	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	2368	POM 14 Triggered @2258 On January 1st 2017	None	NEUTRAL	0%	None	3 Gap play on upside Completed @ 2350 .	Target 2380-2400 With Exhaustion Gap In progress	Pull back to 2300-2280 & bounce	1st ABC down 2230-2210 & rally	2nd ABC down to 2200-2180 *Best Risk/ Reward for new longs*

- 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 for 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.**
- Holding our Net long -Secondary **stocks FB,MSFT,JNJ**

	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)	122.0	POM 13 Triggered 11/20 CZ 121-118	Fully scaled in @ 119.2 Average price M2M @ 119 Jan 1st	BULLISH	Net Long 30%	NONE	Rally to Re test 123.5 With Bullish Top In progress 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.**
- On 1st Jan Marked to Market at 119 as cost basis

Market Overview SPX- BONDS

TLT: **Triggered POM 13 - Net long at 119 on TLT.**

As expected in last week's report, Bond market had a very nice price move with Bullish gap away. Higher high bottom is under formation.

The Bond Market in prospective; July peak to December lows, Bond Market has dropped 20%. This correction is equivalent of DOW dropping 4000 points 6 months. Lots of 401K money has been lost here, along with some Sovereign nations holding US Bonds.

Nothing goes down forever or up forever. Rally off the bottom has been 4%, this is equivalent of 800 DOW points. Practically it is going on with very less visibility.

June- July price move on chart in Bonds appears to be very similar to today's SPX chart. At that time Bonds looked untouchable. We had forecasted the Top in TLT at 136 on PEC-D and then ultimate Target of 144 on Momentum Trust Indicator. TLT hit 145 and never looked back.

 Story is different now. 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.

 TLT Net long position may be an effective counter exposure of Net Short SPX position.

SPX:

Price path predicted in last week's Report for continuation move higher materialized. SPX was up 20 points past week moving towards our Target of 2380-2400.

Dow is up 13 days in row, it is an outlier event. Last time such move happened was in 1987. The market is now priced for perfection.

Wild card still remains in Execution of Fiscal policies, Confusion in Monitory policies and uncertainty in European Election scheduled in 2Q (France and Germany).

Sunday was "Solar Annular Eclipse", this is a very rear event creating Ring of fire.. Solar storms tend to have impact on Markets.

In terms of SPX Portfolio prospective, **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].

XLE:

We are watching the Energy sector very closely. XLE has sold off 10% from its December highs.
Why? May be Rex Tillerson's   (Ex – Exxon CEO) Departure to head State Department. Technically this should be very beneficial to the Oil Sector to send them to the Moon!! But it has done exactly opposite !!.

Announcement XLE : **This sector may have another 2-3% to go on downside but setting up attractively for Net long Hedge position for any Net Short Sector for " a Pair Trade" .**

SPX:

Portfolio prospective based on measured risk, we remain <u>Neutral</u>. To turn outright Bearish, SPX needs to complete the technical dynamics.

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.
- **Completed:**
- *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 80 deg 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.
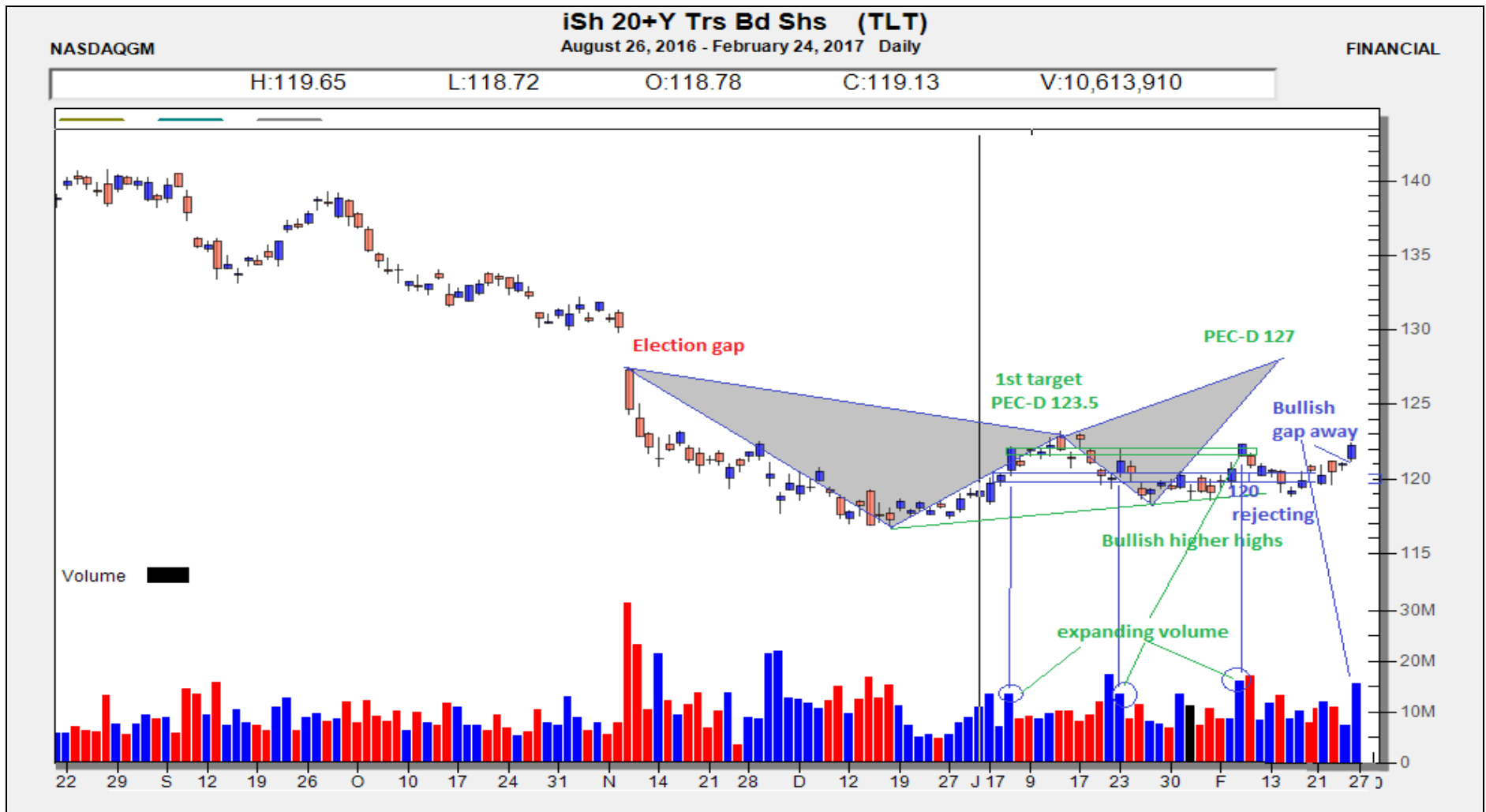
On Midterm basis-
- *Put / call Ratio is at Bearish Level*
- *Advance / Decline line* crossed over bearishly.
- *VIX / SPY showing negative diveregence*
- Open Interest keeps dropping whiles prices are rising which is a fake Market till rebalancing point is reached on pull back.
- We plan to wait patiently to be <u>Trading Net long around</u> **CZ 2230-2110 for** the best risk / reward.
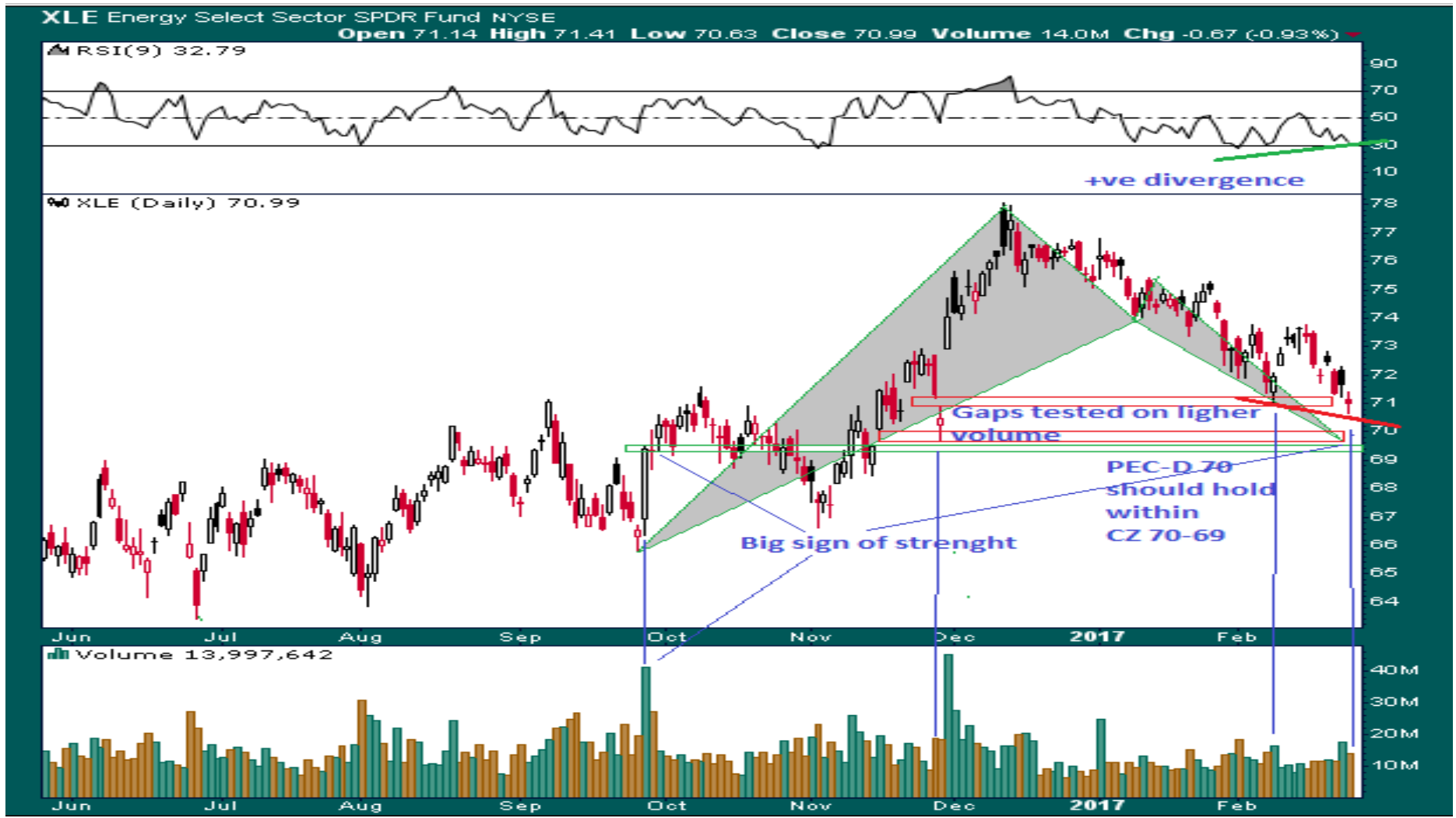
TLT / Volume Analysis – C Z- PEC- D Daily

Bond market had a very nice price move with Bullish gap away. Higher high bottom is under formation.

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.

iSh 20+Y Trs Bd Shs (TLT)
August 26, 2016 - February 24, 2017 Daily

NASDAQGM   FINANCIAL

H:119.65   L:118.72   O:118.78   C:119.13   V:10,613,910

Election gap

PEC-D 127

1st target
PEC-D 123.5

Bullish
gap away

120
rejecting

Bullish higher highs

Volume

expanding volume

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

Pre-Announcement : sector may have another 2-3% to go on downside (CZ 70-69) and setting up attractively for Net long Hedge position for any Net Short Sector for " a pair Trade" .

SPY / Tick- Trin Analysis – C Z- PEC- D Daily – <mark>Short Term</mark>

The TICK remains above "0" and is short term Bullish sign.
The TRIN remains above "1" and is short term Bullish sign.
When both Indicator Drops below, the decline begins

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

Put/call ratio (CPC) readings below .90 have appeared near market highs. This is short term bearish sign.
VIX which has been making higher lows the last six days as the SPX has made higher highs and a bearish divergence

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

Refer notes inside the chart
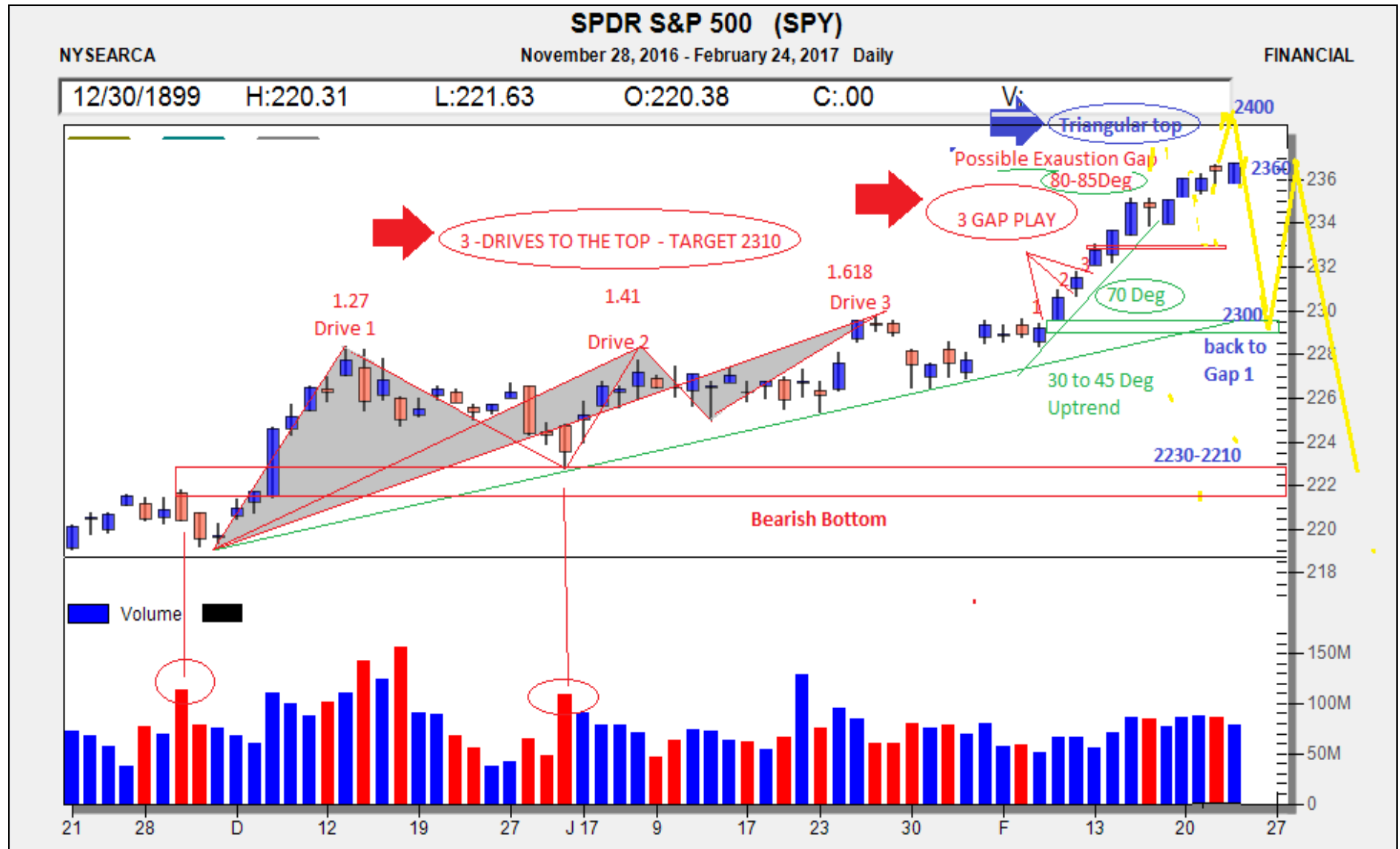
SPX – Cyclical Model

- **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 – <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**

<u>Critical backdrop Notes –</u>

- *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
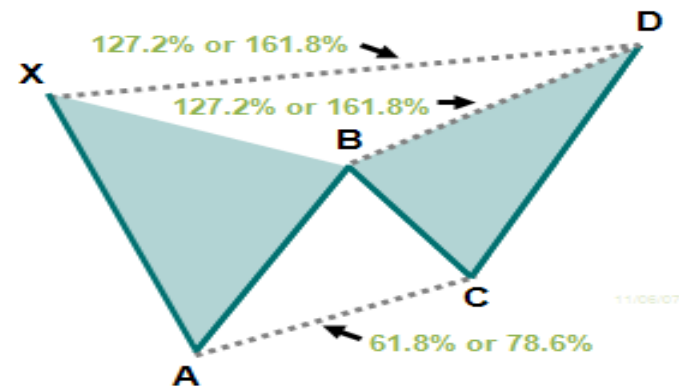
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

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%

15