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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	2424	POM 15 Triggered @2375 3/19	None	BEARISH	Net Short Fully Hedged long positions	None	Bounce into the breakdown area 2440 Should fail	Our Target Rally into 2445 – Met Exact with Bearish top	Pull back To 2405 rejected with Heavy volume.	1 st ABC Target to 2390-60 and rally up	2 st ABC down -2280-2300

- SPX met the Target at 2445 exact, failed and sold off.
- First pull back to 2405 rejected on heavy volume, it should be retested.
- Secondary bounce into 2440 (breakdown area) should fail.
- 1ST ABC target to **CZ 2390-60**.
- 2ST ABC downside Target at **CZ 2280-2300**. (Next Net long opportunity for best Risk / Reward).
- **POM 15 – Net Short Signal Triggered at 2375 on 3/19 Announcement:** Hedge all Net Long positions (FB,MSFT,JNJ). SPX is higher by 47 points since our Bearish trigger.

	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)	122.5	POM 13 Triggered 3/13 @ 118.25 Within CZ 117-118	Exited ½ Position at 126.90 on 6/18	BULLISH Short term Pull back In progress	Net Long	None	Target met at PEC-D / 127 – Bullish Top and sold off	New ABC up Target To be Announced (TBA)	Pull back to CZ 123.5-123 Met. No price rejection.	Lows of CZ 117-118 tested and Rejected Bullish Bottom	

- Projected Rally to PEC-D 127.0 – Met- Exact with Neutral top and sold off.
- **Exited ½ position on 6/19 for 7.2 % Profit. Bonds have corrected 4% since our trigger**
- We plan to Re – enter TLT back in on pull back at the appropriate time to play the New ABC UP.
- Pull back target to CZ 123.5-123 Met but no price rejection
- **POM 13 – Net Long Signal Triggered at 118 on 3/13 Announcement:**

Market Overview SPX- BONDS

SPX: **POM 15 Triggered – Net Short @ 2375 on 3/19.** Our Net long positions in **FB, MSFT and JNJ** are fully hedged with protective downside decline. We remain bearish on SPX since 2375. Price move above 2380 is not a validated ABC up.

Our objective is to outperform SPX with 50% market risk. YTD we are on target in accomplishing our goal by effectively participating in SPX equity, TLT, USD, GOLD, and GDV with core and ½ trading position.

Past week: In our last Report 6/25, we indicated that “the Highs of 2445 (Triple top) will be tested and the short term “3 drives to the top Pattern “within larger 3 drives to the top at 2445 to be completed” and the decline will begin to test 2430 heavy bottom.SPX tested the highs of 2445 exactly and failed then declined past the 2430 level to 2405. .

Next: This weekend is Full Moon. The Bradley turn date is Monday. Both cycles have the history of Market turn. The SPX bounce may continue a bit into its breakdown area 2440 to test on low volume. The quality of the rally from here is very critical. Upon failure, the decline would target to test the heavy bottom lows at 2405.

Monitory: FOMC’s beige book report spooked the market. Global bond yields have been rising as the world's central banks look set to move away from extremely easy monitory policies. FOMC is leading the way with another rate hike and a plan to reduce its \$ 4.5 T balance sheet, possibly starting in September. Removal of easy monitory policies is clearly not good for Equities. Feds is worried; its loose monitory policy is now causing financial stability and Inflation. As per the minutes, some FOMC members are now worried about high Equity prices and low market volatility could lead to market risks. Higher rates are required for Fed’s as ammunition in its back pocket against next economic surprises.

Seasonality: Historically July tends to be positive after negative June. This year June cycle was negated with positive gains. This is a conflict. However, most powerful seasonality during the 1st year of presidential is in August especially year ending with “7”. (Stay tuned for next weekend report). We think Equity markets will have its biggest challenge from Aug to Oct.

Mid Term Technical: SPX on weekly basis, has closed below 2425. The larger picture suggests an intermediate top is forming. All Major (4) Indices are showing negative Indices. MC – Oscillator below 0 which is bearish and VIX diverging negatively vs SPX. **SPX** is building a rounded distribution pattern with multiple “Signs of weakness and escalated bearish volume. The Summation Index closed below 0 is bearish. “3 Drive to the Top is completed” on larger and smaller scale **The downside target is projected at CZ 2360-90.**

It is quite ironical that we have not triggered any meaningful Net long signal in SPX since we exited our “trump trade” at SPX -2250. Our previous such display was in 2007.

Sectors: Out of 11 Sectors, 6 sectors are Bearish. This is a split bifurcated market with sectorial rotation. NASD which led the market higher is showing cracks. Refer chart of VIX / VXN of NASD.

Crude Oil (\$ WTIC): In our last Report, Oil at 41, we predicted,” *a rally towards the price target of CZ 46-45 and the decline to begin back towards 41 and then towards 36”* \$ WTIC had big rally to meet our target exactly to 46.88 and sold off to 44 (current level) fulfilling the first part of the projection. We will re – evaluate our \$36 target when \$WTIC tests 41 level.

Commodity: (Refer chart below) since 1970, commodities have never been cheaper relative to equities than they are right now.

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

Pull back target to CZ 123.5-123 Met. No price rejection yet. Earlier TLT met our upside target of PEC-D 127 with Bullish top.



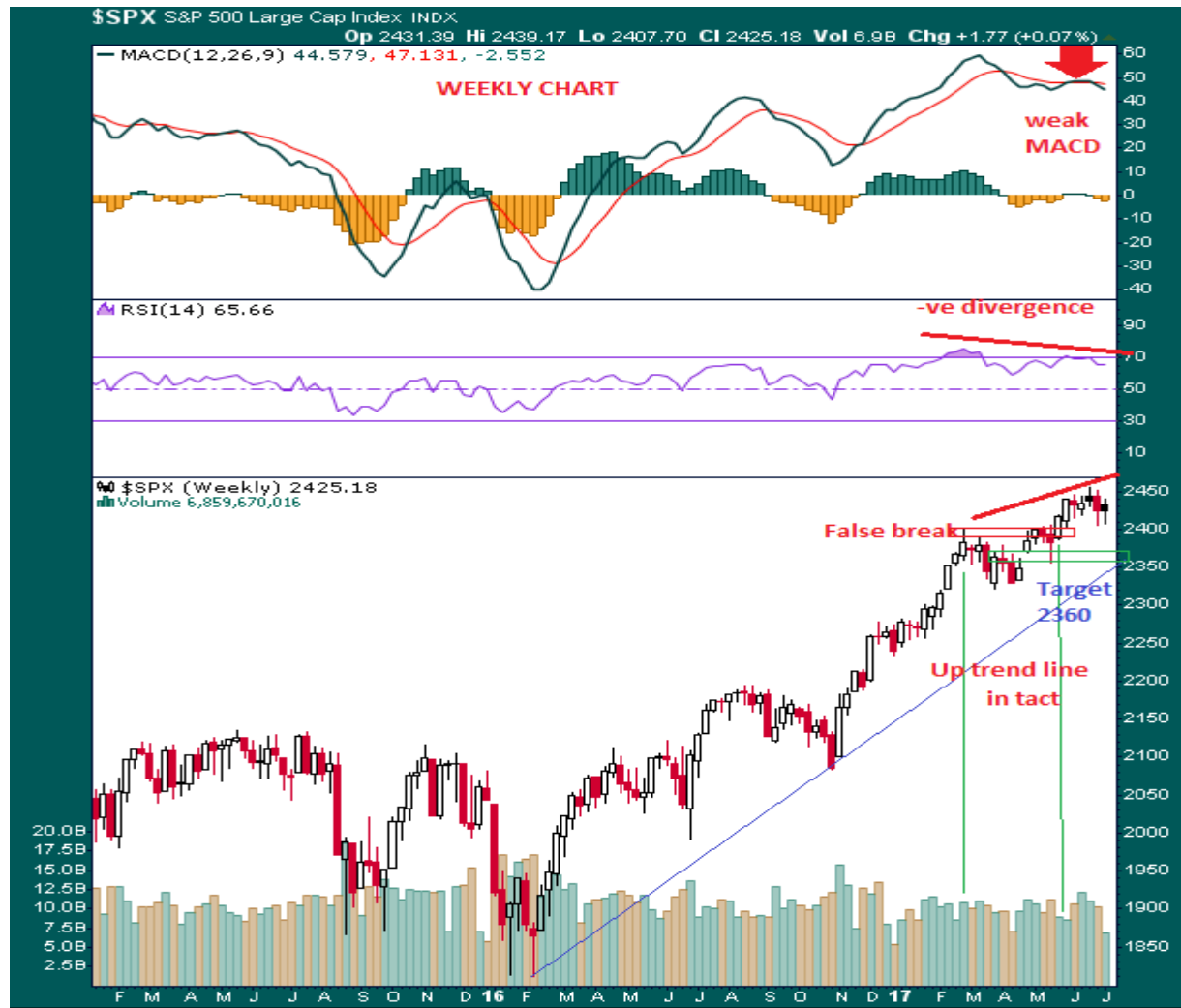
SPY / Volume Analysis – C Z- PEC- D Daily –

The lows of 2405 were tested and rejected on heavy volume. SPX once again will make another attempt to test 2440. The test of Gap at 2440 on lighter volume would imply another failure. **projected target 1st ABC CZ 2360-90.** This is apparently the downside target of 3 Drives. RSI is weakening below , MACD nearing the lowest levels of the year. Both are negative.



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

Notes within the chart. RSI is diverging, MACD nearing the lowest levels of the year. Both are negative.



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

Monthly signals are difficult to get. Chart 2009-2017. The monthly show its upper 20-month **Bollinger Band** in extreme territory. The Monthly **RSI** reached extreme territory over 70 for the first time in three years. SPX appears to be in the **fifth wave** of its eight-year bull market. Time may be running out on this eight-year bull market.



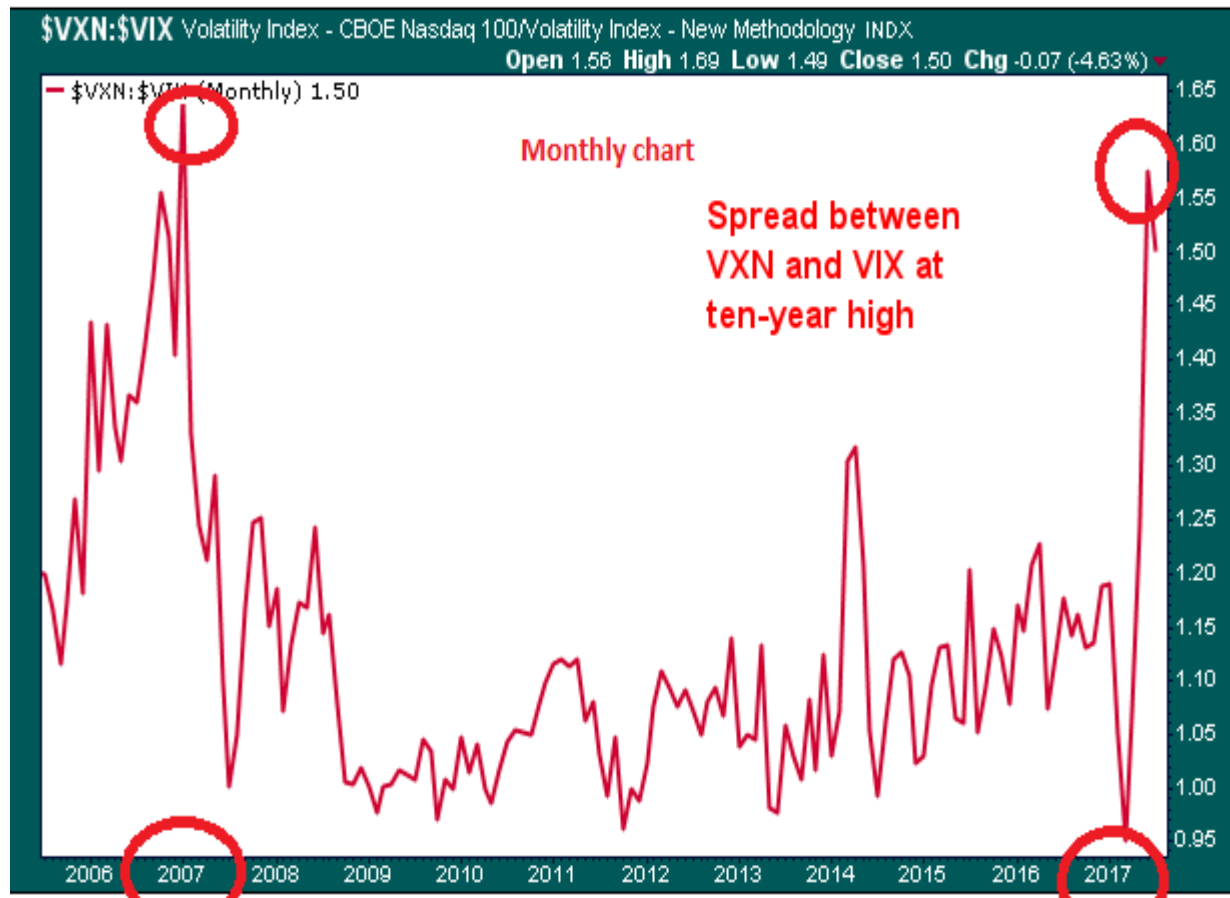
NASD / VXN Volume Analysis – C Z- PEC- D

NASD VOLATILITY INDEX VXN IS FLASHING WARNING. This is a better indicator; it is surging to the highest level since last November. It is well above the VIX. That's very unusual.



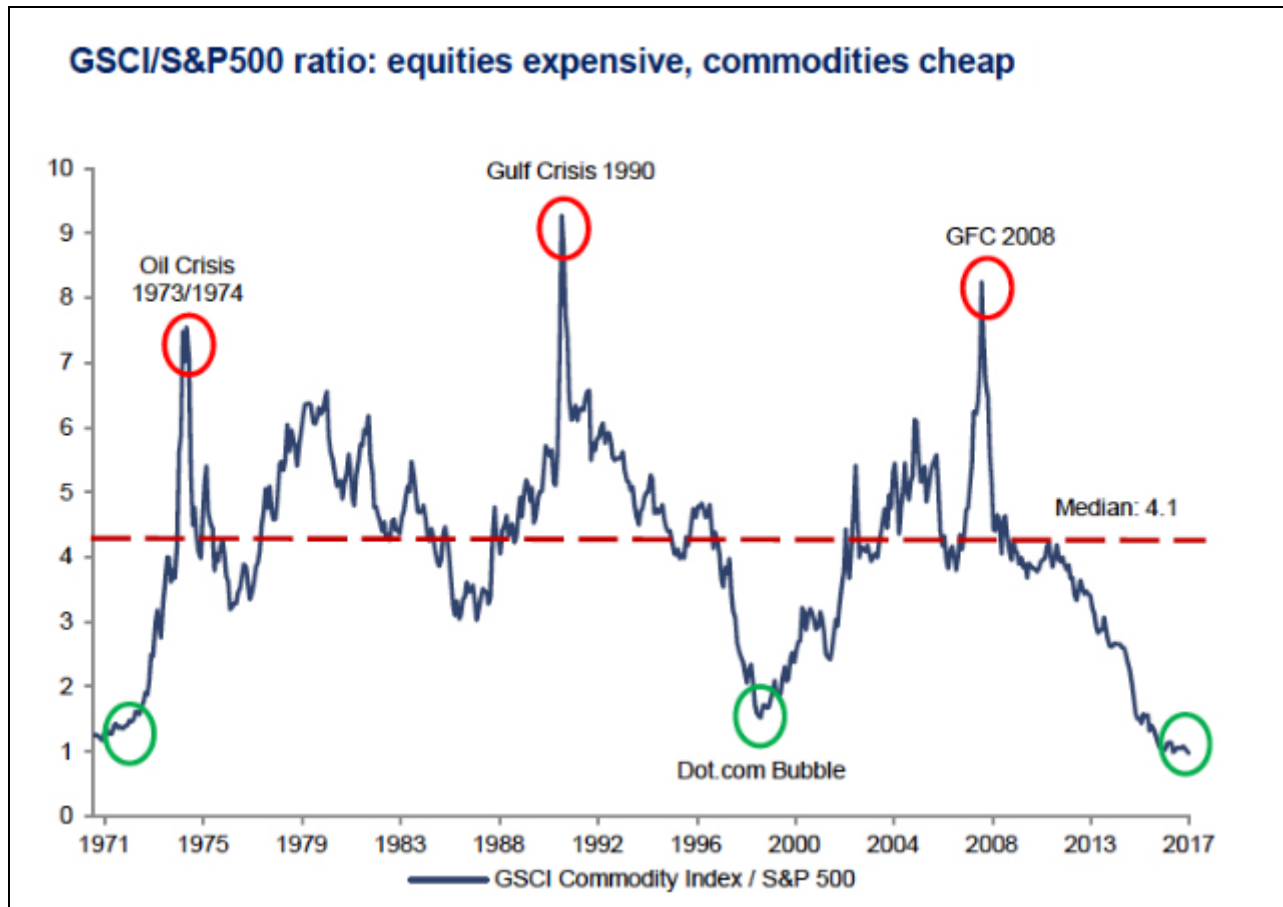
VXN / VIX - Spread Analysis – C Z- PEC- D- Monthly

Monthly spread between the VXN and the VIX is the highest since 2007 top. That could start putting upward pressure on the VIX, and may be a warning that the period of unusually low volatility may be coming to an end.



SPX / COMMODITY - Spread Analysis – C Z- PEC- D- Monthly

Since 1970, commodities have never been cheaper relative to equities than they are right now.



USD / GLOBAL YIELD - Spread Analysis – C Z- PEC- D

U.S. Dollar has been in decline since our trigger at 102 for past 5 months. Narrowing spread between Global yields has hurt USD. The difference between the **10-Year US Treasury yield, 10-Year German yield, 10-Year UK yield** is bad for the dollar. If foreign central bankers start moving toward normalization of interest rates which they are initiating to lift global rates, that's bad for the dollar.



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 - 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)

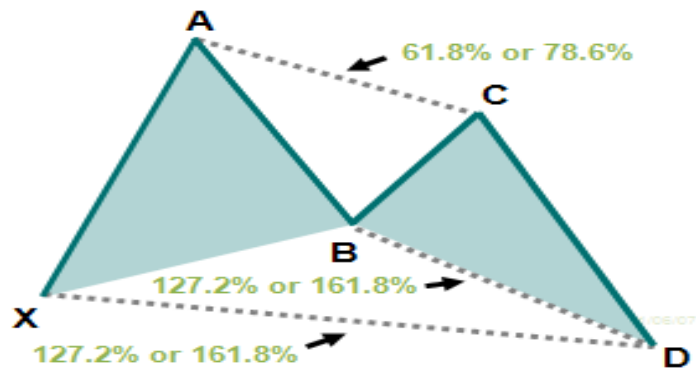
Pythagoras Expansion / Contraction – (PEC) Model

- 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 streams to achieve confluence point D coinciding with POM

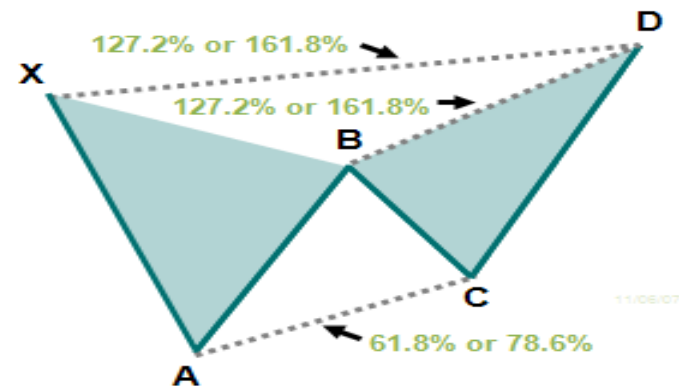
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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