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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	2438	POM 15 Triggered @2375 3/19	None	BEARISH	Net Short Fully Hedged long positions	None	Momentum 3 <sup>rd</sup> drive to the Top complete at 2445	Double Top completed At 2445 met exact  Rally into Triple Top 2445 Gap and fail	Pull back To 2430 rejected the lows	1 <sup>st</sup> ABC Target to 2390-60 and rally up	2 <sup>st</sup> ABC down -2280-2300

- **SPX should rally into 2445 level** to Triple Top test and fail.
- Weekly close **below 2425** to trigger decline; SPX hit lows of 2430 and rejected the lows.
- 1<sup>ST</sup> ABC target to **CZ 2390-60** and rally up
- 2<sup>ST</sup> 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)**

	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)	127.78	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	Net Long	None	Target to PEC-D / 127 Bullish Top met	New ABC up Target To be Announced (TBA)	Pull back to CZ 124.5-123.5 On lighter volume	Pull back to CZ 121-122 Rejected lows – Exact. Bullish Bottom	Lows of 116.5 tested and Rejected Bullish Bottom

- Projected Rally to **PEC-D 127.0 – Met.**
- ***TLT profit objective Met : Equivalent to 1600 DOW points in 3.0 Months***
- We plan to Re – enter TLT back in on pull back at the appropriate time to play the New ABC UP.
- **POM 13 – Net Long Signal Triggered at 118 on 3/13 Announcement:**
- **Exited ½ position on 6/19 9or 7.2 % Profit.**
-

## Market Overview SPX- BONDS

### TLT:

**Triggered POM 13 – Bullish within CZ 117-118: on 3/13. We exited ½ of our Net Long position for 7.2% Profit on 6/19.**

**Our target to PEC-D 127 met with Bullish top.**

**Next: Pull back to CZ 123.5-124 and rally up. We plan to reenter TLT at appropriate time.**

Money continues to flow in Bond Market as witnessed in the Bullish Top. The Spread on 2 year and 10 year has been widening. It appears that the inflation data is telling us an inconsistent story here. The yield curve has been falling and the rally in Bond Market suggests, next 2-3 quarters, the GDP growth rate may be slowing.

The biggest fear is if FOMC wants to catch up with sudden rise in Inflation by forcing central banks to tighten policy further more than expected, it will be dangerous.

Fed's new program to begin implementing a balance sheet normalization program this year may be one more reason for the Bond market to rally. Decline in USD may be suggesting this potential unwinding process in Bond Market.

**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.

**Past week:** In our last week's Report, we indicated that *“the Highs of 2445 (Double 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” . .....SPX tested the highs of 2445 exactly and failed then declined began to 2430 level.*

**Next:** The lows of 2430 were tested and rejected the Gap under it on reduced volume. SPX once again will make another attempt to test Triple Top Gap at 2445. TRIN and TICK readings suggest short term bullish reading for another bounce. (Refer chart below) . June Cycle has been negated this year for meaningful decline.

**Monitory:** Past one year, 2 trillion dollars has been pumped into the financial system by central banks. If it weren't for liquidity, the market rally could be ripping apart. The Market levels above 2280 is a momentum ride creating false sense of security among the traders and speculators.

**Bank Sector :** The normalization of Interest rates presents great challenges to the Federal Reserve given the yield at current levels and high debt levels. A number of banks internationally pushed interest rates into negative territory effectively charging banks who park cash at a central bank. Therefore the Bank stocks have not been acting well. They are also suffering from continued regulatory uncertainty.

**Crude Oil ( \$ WTIC) is** down 20% in 2017, the worst first half in at least 20 years. The oil prices have the history of suggesting weakening economy in subsequent quarters. Several Banks hold the debt of Oil exploration companies on their balance sheet. A lot may be riding on the direction of foreign currencies and stocks in countries that export the commodity

The first ABC down target is at 41. The bounce from CZ 40-42 levels is possible towards 45 -46. But the next move down can reach 36 levels on 2<sup>nd</sup> ABC down in next several months.

**Mid Term Technical:** The larger picture suggests an intermediate top is forming. All Major (5) Indices are showing negative Indices. MC – Oscillator below 0 which is bearish and VIX diverging negatively vs SPX. On weekly basis, **SPX is building a distribution pattern with multiple “Signs of weakness and escalated bearish volume. If SPX close below 2425 on weekly basis, the downside target is projected at CZ 2360-90.**

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

Our target to PEC-D 127 Met with Bullish top. Pull back to CZ 123.5-124 and rally up.



# Crude Oil ( \$WTIC) / Volume Analysis – C Z- PEC- D

Crude Oil ( \$ WTIC) is down 20% in 2017. The worst first half in at least 20 years. The oil prices historically have the history of suggesting weakening economy in subsequent quarters. **The first ABC down is at 41.** The bounce from CZ 40-42 levels is possible **towards 45 -46.** But the next move down can reach 36 levels on **2<sup>nd</sup> ABC down** in next several months.



## Crude Oil ( \$WTIC ) / Volume Analysis – C Z- PEC- D Weekly

Drop in Oil Prices decline coincided with TLT (20 years Bonds) and IEF (10 year) . The spread between Bonds / Notes v/s falling Oil prices suggests future economic activity softening as defined by Bond Market and Yield.



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

The lows of 2430 were tested and rejected the Gap under on reduced volume. SPX once again will make another attempt to test Triple Top; up Gap at 2445. The Ticks closed at -650 and the TRIN at 1.25 which is a short term bullish combination and suggests a short term bounce. The test of Gap at 2445 on lighter volume would imply another failure. If **SPX close below 2425 on weekly**, the downside projected target **1<sup>st</sup> ABC CZ 2360-90.** ( This is apparently the downside target of 3 Drives).





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

VIX is rising and SPX falling is bearish sign for the market. There is negative divergence in the Market. The Summation Index closed below 0 is bearish. “3 Drive to the Top is completed” on larger and smaller scale. The downside target 1<sup>st</sup> ABC CZ 2390-60 ( This is apparently the downside target of 3 Drives ).



## SPX – Cyclical Model

- SPX - Seasonality

Negative- Post Presidential Cycle.

- SPX - Geomagnetic / Lunar Cyclic Model

Negative

- 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)

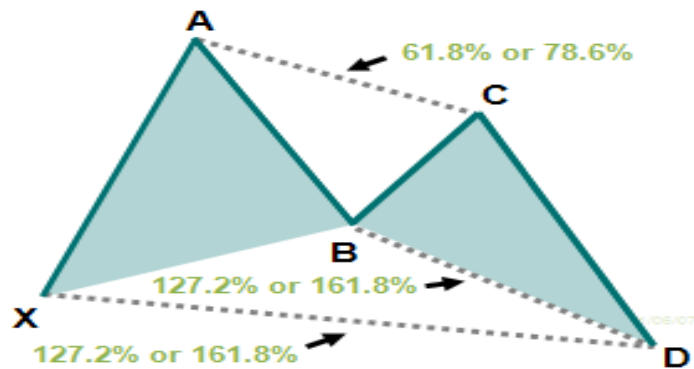
## Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2<sup>th</sup> 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

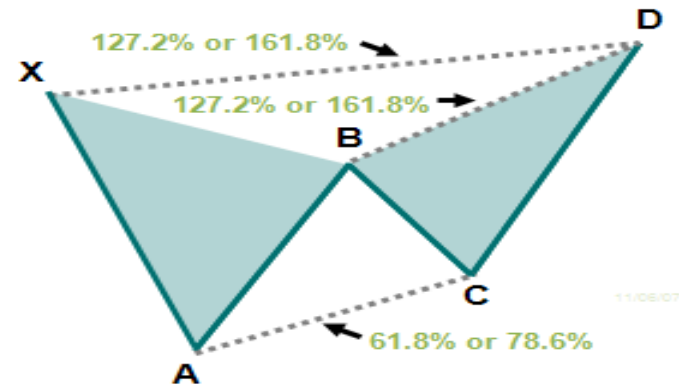
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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