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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	2412	POM 15 Triggered @2375 3/19	Stop loss at 2415 Lifted	BEARISH	Net Short to Fully Hedge long positions	Stop loss at 2415 lifted	Target 2405- Extended in price and Failed on volume	Momentum move 2425-15 Possible 3 rd drive	Slight pull back to 2400-2380 and rally up	Pull back to Gap Area 2350-60	1 st ABC down - 2280-2300 <u>Best Risk/ Reward for new longs</u>

- **POM 15 – Net Short Signal Triggered at 2375 on 3/19 Announcement:** Hedge all Net Long positions.
- Core Net Long Holdings in Equity Portfolio MSFT, FB, and JNJ are all hedged at SPX 2375 on 3/19.
- 1st ABC downside Target at **CZ 2280-2300.**
- For next Net long opportunity, we plan to wait patiently for best Risk / Reward.
- FYR – Exited “Trump Trade: Net Long SPX at 2275 (for 10.5% gains) on Jan 1, 2017 (Entry @ 2050 on November 8)

Note: Quick fingers can certainly trade the passes from CZ to CZ projection before the meaning decline kicks in.

	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)	123.50	POM 13 Triggered 3/13 @ 118.25 Within CZ 117-118	Stop loss at 118.25	BULLISH	Net Long	None	1 st ABC up Rally to Retest 124.0 Approaching	Target to PEC-D / Gap area 127	Pull back to CZ 121-122 Rejected lows – Exact. Bullish Bottom	Lows of 116.5 tested and Rejected Bullish Bottom	

- **POM 13 – Net Long Signal Triggered at 118 on 3/13 Announcement:**
- Since our Trigger, projected Rally to 1st **ABC up 124.0 Approaching**
- Pull back to CZ 121-122 Rejected with Bullish Bottom.
- Protect your position with Stop Loss

Market Overview SPX- BONDS

SPX: POM 15 Triggered – Net Short @ 2375 on 3/19. Currently SPX is trading at 2412, 35 points above the Trigger point. During this time frame, our **Net long positions** in **FB, MSFT and JNJ** have outperformed extremely well during this time vs SPX. We are quite comfortable protecting our long positions. Technology sector has been a shining star in this move.

Our Overall Portfolio with Short USD, Longs in Technology (Hedged) , Bonds, Gold and Miners are outperforming SPX very handsomely. When opportunities are presented during larger correction at the prices relative to the Risk, we need access to capital therefore operating with high Cash levels.

Banking, Retail, Transports, Small Caps have been the Weak Sectors. Staples, Health Care, Technology, Utility, have been Strong Sectors.

In the last week Report 5/21, our expectation for SPX to retest the **Exhaustion Gap at 2400** was met **BUT** it extended further in Price to 2415 with Bearish Gaps. SPX has continuously failed on weekly volume since 2380 trigger on 3/19. Past 3-4 days, the SPX move higher has been with Mc – Oscillator dropping lower and VIX diverging negatively.

Like in previous cases, market can easily give up 35 points gains within 1-2 days of decline. Next week is Monthly window dressing which may have positive bias. IWM (Small cap Index) has not shown any upside progress since our Trigger on 3/19.

On Short term basis, the TICK is slightly bullish, possible one higher with 3 Drive to the Top. The test of CZ 2390-80 / Exhaustion Gap test with Neutral Daily volume suggests, SPX may build some sideways in 2 passes within Trading Range **CZ 2400-2350**, and diffusing some Bearish volume before next decline begins towards our target of **2280-2300**. Close below 2350 will initiate unwinding of Stop Sells. On weekly basis, **SPX** is building a distribution pattern to move lower with multiple “Signs of weakness and escalated bearish volume. **On Balance Volume** has fallen to the lowest level in more than three months.

Bigger Issue: We think the trigger for the decline in the Equity Market will come from Currencies. Although **USD** has reached our 1st downside projection of 96, a sudden dislocation and jump off the creek below 96 can easily and quickly move to 92. Fast move in currency markets can destroy Equity Markets. Several Policy and Monetary issues have substantiated this issue on currency imbalances since our Bearish Trigger in USD at 103. These issues require unwinding which are directly reflected in prices of US Treasury, Yield and Gold Prices.

Margin Debt is at \$700 billion, Highest in percentage terms as well. **Sentiment Indicators** are extremely bullish with extreme level of complacency. The "**Hindenburg**" **Cycle and Dow Theory** Triggers are in effect. **Seasonality wise**, June is historically a weak month. **The Bull Market Cycle is 98 months** old which is very late in economic expansion. Assets prices are not reflecting this equilibrium point.

TLT: Triggered POM 13 - Net long. CZ 117-118: Our "scale-in" entry on 3/13 at 118.25 initiated our Net long Trade.

We had suggested rejection of lows with lighter volume at the pullback target of **CZ 121-122**. TLT held within this CZ and rally began to **124.0 – PEC-D** which is approaching. Bond Market rally has been huge.

POM13 Trigger – Net Long within **CZ 117-118**, on weekly basis TLT began its move higher with multiple "Signs of strength and increased bullish volume. **Our final target is PEC-D 127.**

FOMC meeting notes out past week suggested further rate hike in June however the Bond Market is not convinced by their assessment. Bond refused to sell off, on the contrary the rates dropped and Bond Market rallied.

Foreign central banks continue to buy U.S. government bonds after paring their holdings in 2016. China continued to buy past 2 months which explains the rally in Bonds. The Fed detailed plans past week on how to unwind its \$4.5 trillion balance sheet is still not clear.

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

The snap back rally back to the Gap away highs **2400-2380** with Neutral volume suggests, SPX may build some cause sideways within **CZ 2400-50** trading range diffusing some Bearish volume in 2 passes before next decline begins towards our target of **2280-2300**. The test of **CZ 2380-90** is being tested on lighter volume. Mc – oscillator, OBV, RSI has turned down which is Bearish. The first pull back will not be the one to short



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

So far it looks like the “**Three Drives to Top**” pattern 1-2-3 . The Short term higher highs is possible since the 50DMA Tick suggests short term Bullish but not much more then completing the 3rd Drive to the Top . NYSE McClellan Oscillator which lost 11 points past 2 days while SPX rallied is showing a negative divergence. The upside appears limited.



SPX v/s NYSE 200 D Stock Analysis

% OF NYSE STOCKS ABOVE 200-DAY AVERAGE IS DOWN. This is extremely good Breadth measurement.



Small Cap Sector (IWM) Analysis

IWM usually tends to rally ahead in Bull Market. IWM is lagging. Especially in past week's move higher.



BONDS - TLT / Volume Analysis – CZ- PEC- D Weekly

1st PEC-D 124 approaching. The **On Balance Volume** is rising which is substantiating the price move higher. Pull back to CZ 121-122 – Held EXACT with Bullish rejection.



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

POM13 Trigger – Net Long within CZ 117-118, on weekly basis TLT began its move higher with multiple “Signs of strength and escalated bullish volume. **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 - 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)

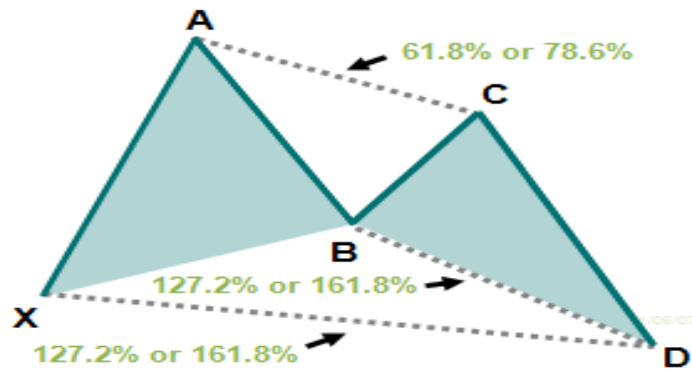
Pythagoras Expansion / Contraction – (PEC) Model

- 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

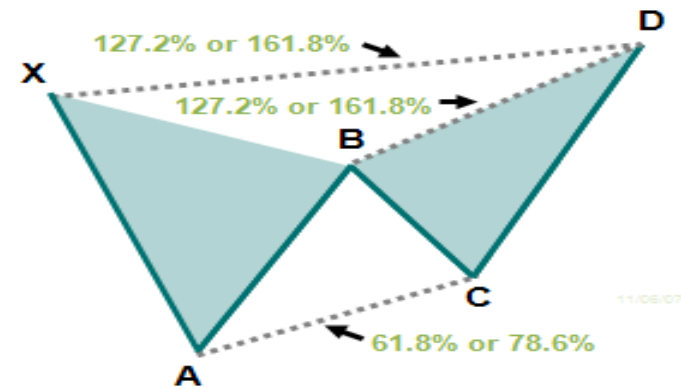
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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