Volume #30 Issue #9

John Bollinger's

CAPITAL GROWTH LETTER

11 February 2017

"The public is often right during the trends, but wrong at both ends." Humphrey B. Neill

Current Outlook

Our current outlook for US stocks is quite positive. We expect higher prices over the intermediate term. Market internals are strong, participation is wide and growth is attracting interest. New 52-week highs remain strong and new lows are non-existent. Opinion in the media is often negative, suggesting that our bullish opinion is nowhere near being universally accepted. A scan of the websites like CNBC, MarketWatch, and Yahoo! Finance confirms this. We understand that valuations are high, but this does not appear to be a negative factor yet. Another potential negative, increasing interest rates, does not seem to be able to gain any traction. The mid-cap sector is still the sweet spot and under-invested portfolios can easily add exposure via the mid-cap ETF MDY. Stock picking can add some value, as can group and sector rotation, and there has been quite a bit of the latter.

The ETF Portfolios

I recently received the following email from a satisfied ETF Portfolio user.

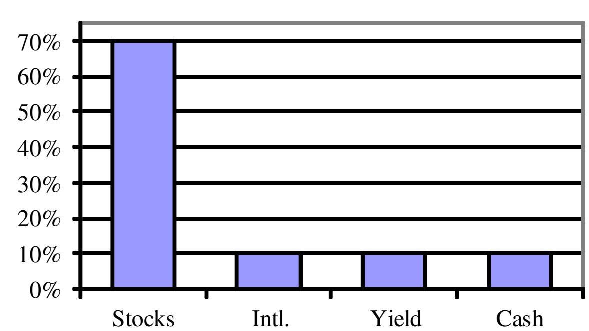
> Dear Colleagues,
>
> Just a quick note to thank you for continuing to put out high quality recommendations/views of the market. I've used your ETF portfolio (experimental) with success and appreciate your quantitative approach in an industry in which there is far too much qualitative bias. Thank you!
>
> Sincerely,
>
> Richard

Seeing the experimental notice quoted reminded me that it was time to mainstream the current system; from now on it will simply be the ETF Portfolio without the qualifier. (The current ETF Portfolio approach was dubbed 'experimental' to note a minor change in methodology when it was implemented some years ago.)

The Investing Environment

Monetary	Model	Current
Fed Model	Neutral	
Yield Curve	Positive	1.91
Money Supply	Positive	6.6%
Sentiment	Model	Current
Net Bulls	Negative	46.0
Options	Positive	0.97
Valuation (S&P 500)	Last Signal	Current
Yield		2.04%
P/E Ratio		26.00
Current Trends	Short Term	Long Term
Stocks	Up	Up
Interest Rates	Up	Up
Energy	Up	Up
Gold	Up	Down
Commodities	Up	Up
Dollar	Flat	Up

Asset Allocations



The ETF Portfolio's strengths have been well delineated, so no need to revisit those at this time. However, it has been ticking away quietly and doing well for years so its weaknesses may have faded from memory. Those weaknesses have been discussed here at length in the past. However, it is always better in my mind to examine risk more closely than reward, so this seems like a good time to take a look at the ETF Portfolio's weak points and discuss some of our methods of dealing with them.

In my mind the ETF Portfolio has two related problems. The first has to do with the welding together of the markets over the past years, which has resulted in a diminution of the independent market action that the ETF Portfolios rely on. This is more a problem for taxable accounts, as it increases portfolio rotation in certain circumstances. For example, in trending markets many of the components will be ranked similarly so quite small changes in ranks can result in unnecessary portfolio rotation. The second problem is related, but with more serious consequences. In market declines, when correlations rise towards one, there is very little relative rotation so the portfolios experience little change and participate in the decline unless other steps are taken.

The EFT Portfolios are relative-strength driven. There are two basic RS approaches. The first is known as upgrade, and the second is known as cast out. We use cast out. In cast out the components are ranked and the strongest n bought, we use three. Then each is held until it falls below a preselected rank, we use the median rank. When a component falls below the fiftieth percentile it is sold and replaced with the strongest component that is not already held. The upgrade method always holds the three strongest components, upgrading whenever a component falls out of the top tier. Upgrade generally outperforms cast out, but with more volatility and at a higher turnover rate. Perhaps taxable accounts might favor cast out while tax deferred accounts might favor upgrade?

The solutions are pretty straight forward. 1. Taxable accounts can require some minimum difference in rank before rotating, thus reducing turnover. 2. When in a decline one can refuse to reenter when the ranks are negative. (We added this rule several years ago. The program used to remain fully invested, but now we take cash positions rather than rotate into funds with negative rankings.) 3. The cast out system can be combined with a performance stop like a Chandelier to produce quite an elegant approach. 4. One could apply a percent stop, a la O'Neil's six percent stop, as a secondary rotation device. 5. By coupling 2 and 4 you would have another elegant approach that would be a sort of hybrid between cast out and upgrade.

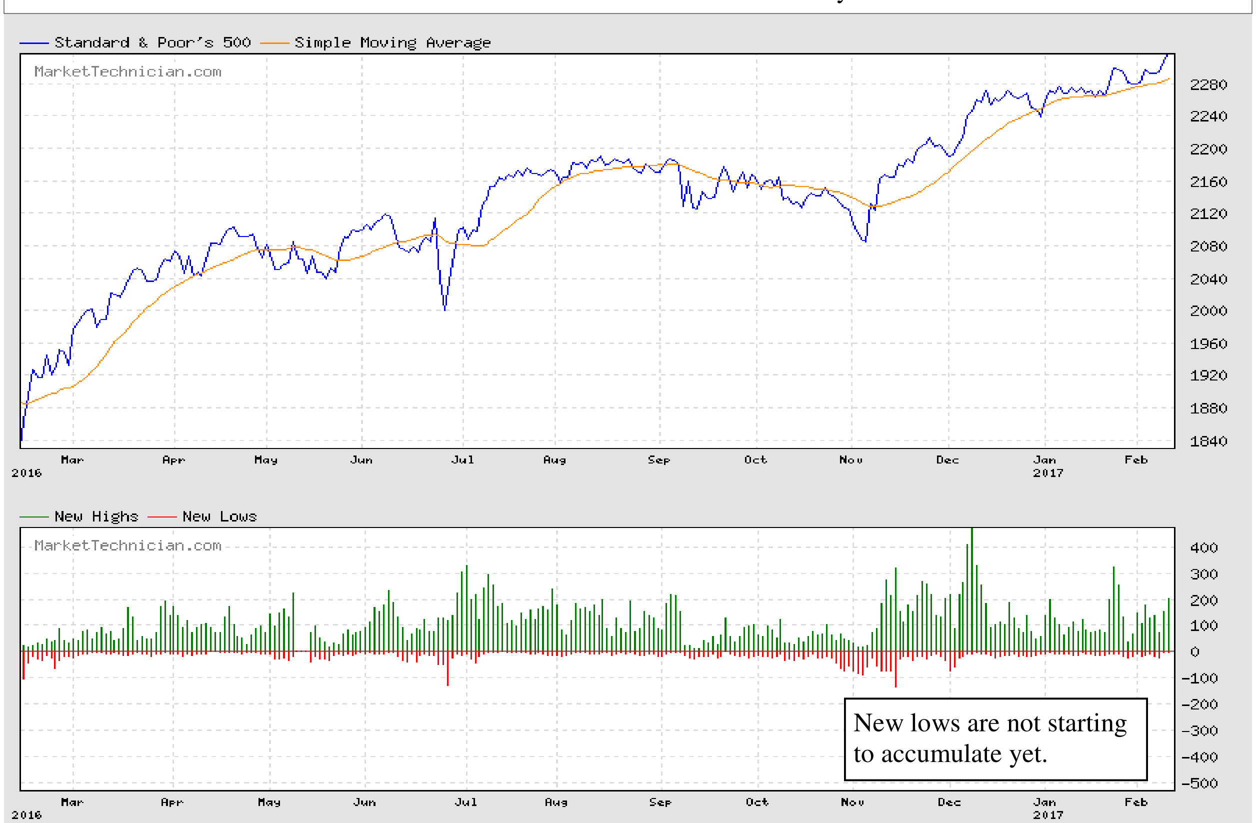
If you want to review the details of our ETF program, there is an ETF tab in the CGL Guide section http://www.bollingerbands.com/newsletter/cgl/

Sentiment

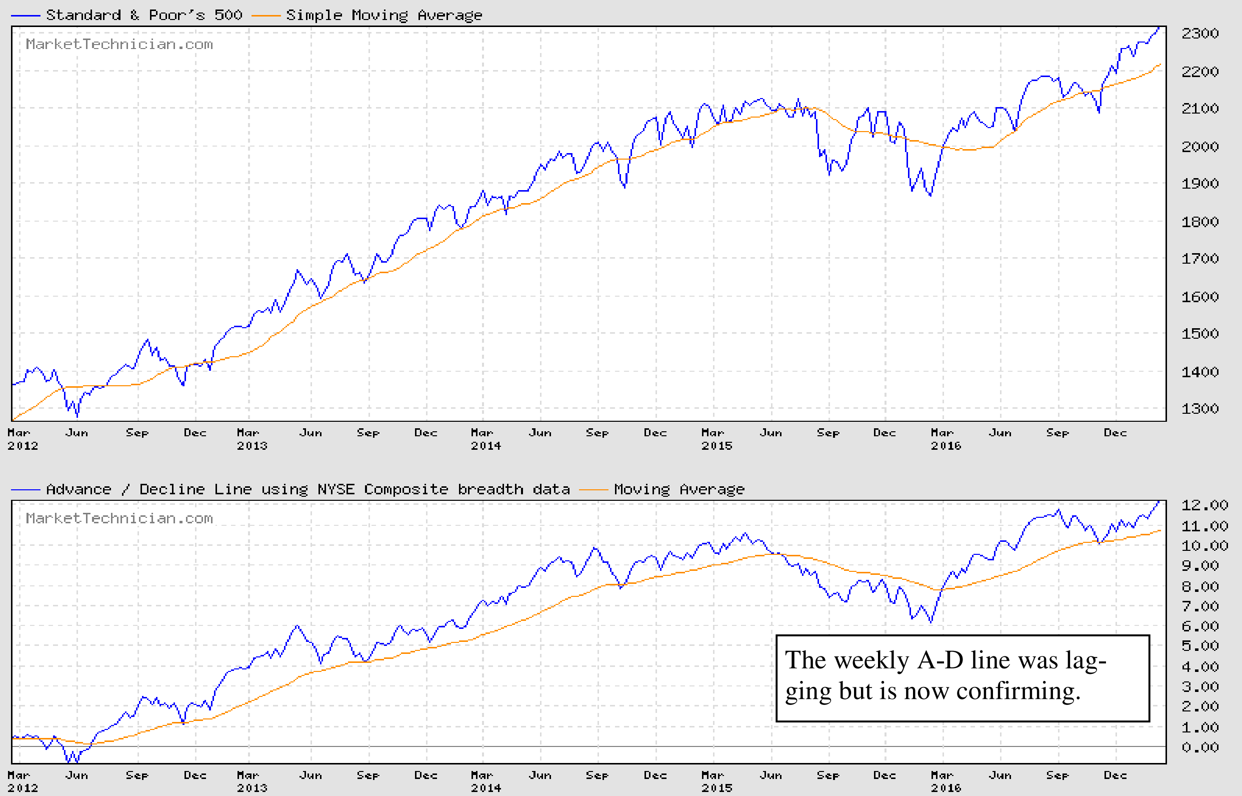
We are nearing that phase of the market cycle where getting sentiment right will be important. Sentiment analysis, now most often thought of as part of Behavioral Finance, has long been a core part of technical analysis. Richard Wyckoff was well aware of sentiment

Value Line Arithmetic — One Year

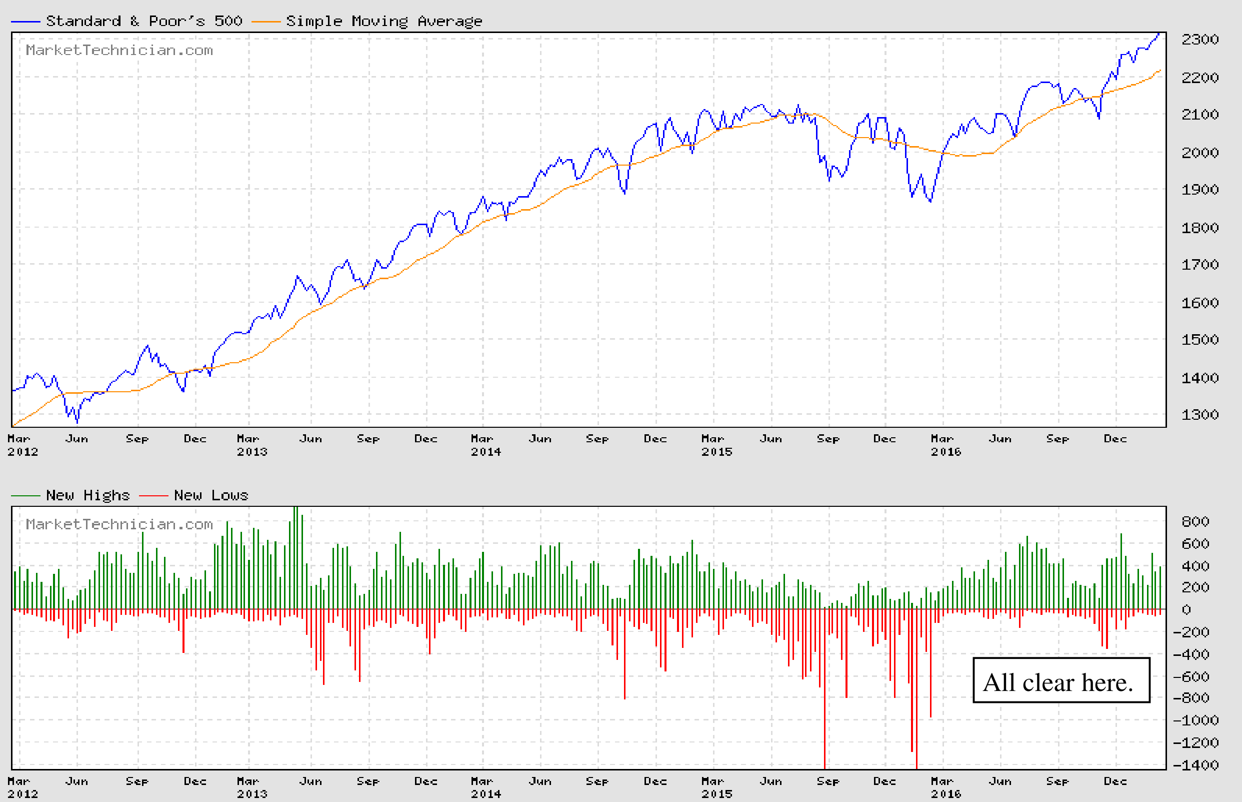
S&P 500 and NYSE Advance - Decline Line — Daily — One Year



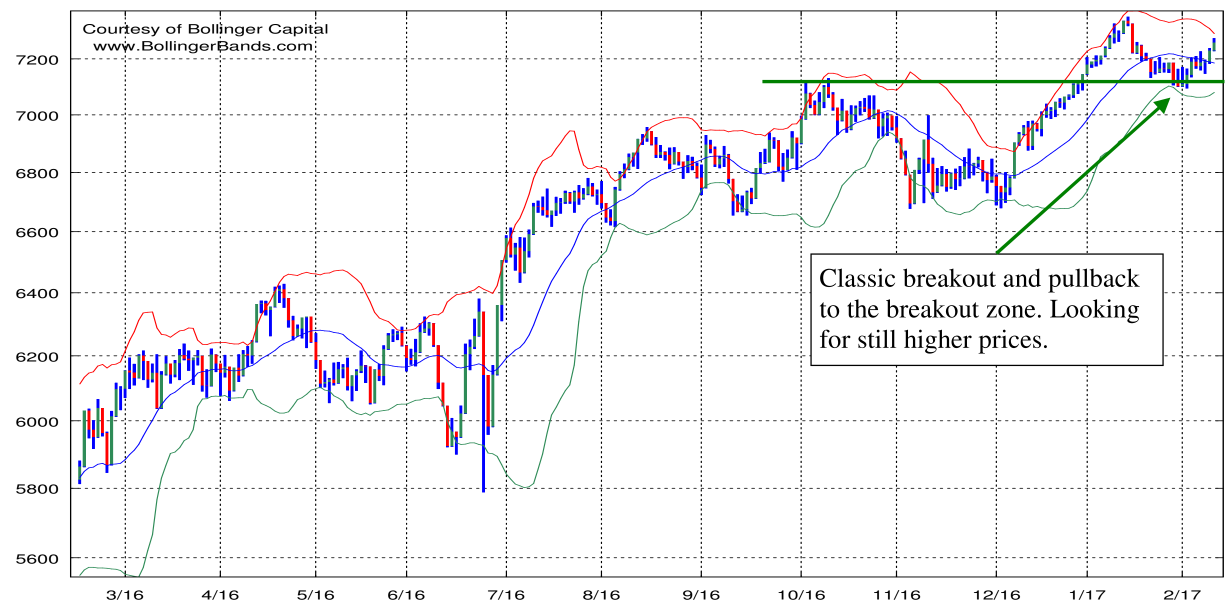
S&P 500 and NYSE New Highs / New Lows Histogram — Daily — One Year



S&P 500 and NYSE Advance - Decline Line — Weekly — Five Years



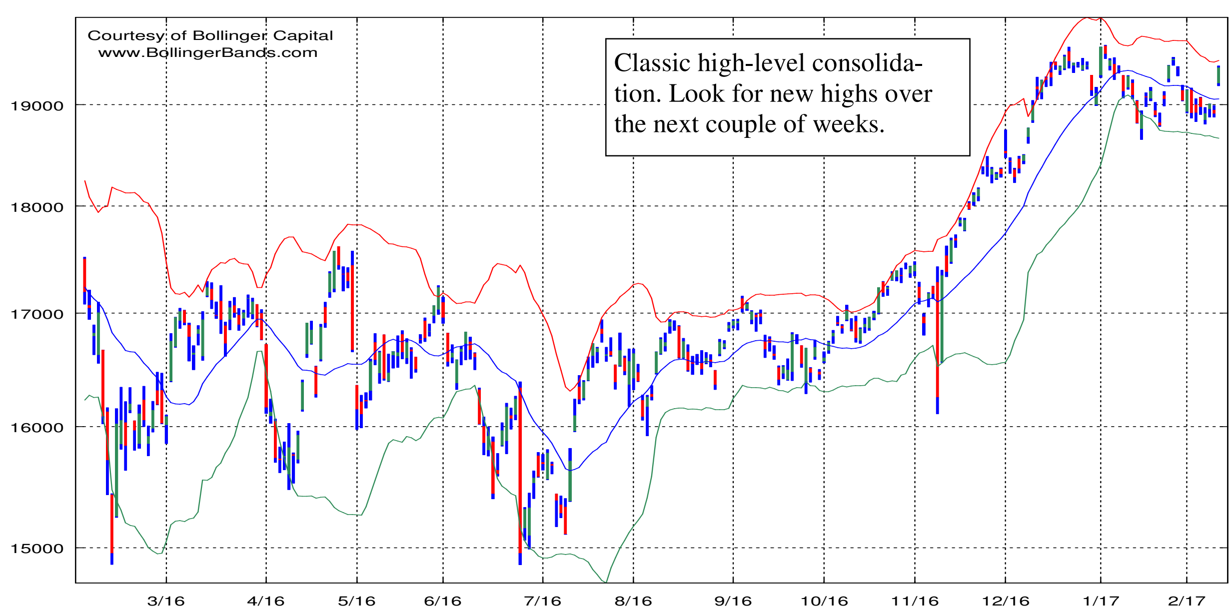
S&P 500 and NYSE New Highs / New Lows Histogram — Weekly — Five Years



FTSE — Daily — One Year

and wrote in terms of sentiment factors driving price, but the progenitor of the modern approach to sentiment work is undoubtedly Humphrey B. Neill, the Vermont Ruminator. Mr. Neill wrote an investment letter for many years and a number of books, all of which are well worth reading; they are all short and to the point. I've read all his books, some more than once. His focus was much wider than investing; politics, fads, bubbles, religion, sports and crowd behavior of all sorts were all subjects he pondered and wrote about. Today we call his central idea Contrary Opinion. At a friend's house many years back I was fortunate to read a number of his letters. From that study and watching the markets for many years I came up with the approach I use to implement Contrary Opinion.

First, you must look for a widely held meme, something like "the Internet stocks are going to the moon". Second, you must wait for that opinion to be wrong; for example, the failure of earnings to appear for many of the Internet stocks. Then you must look for a catalyst to turn the crowd. In our Internet example that would be 9/11. To abstract that a bit: Locate an emerging trend and watch (participate) as the crowd piles on. Then bide your time,



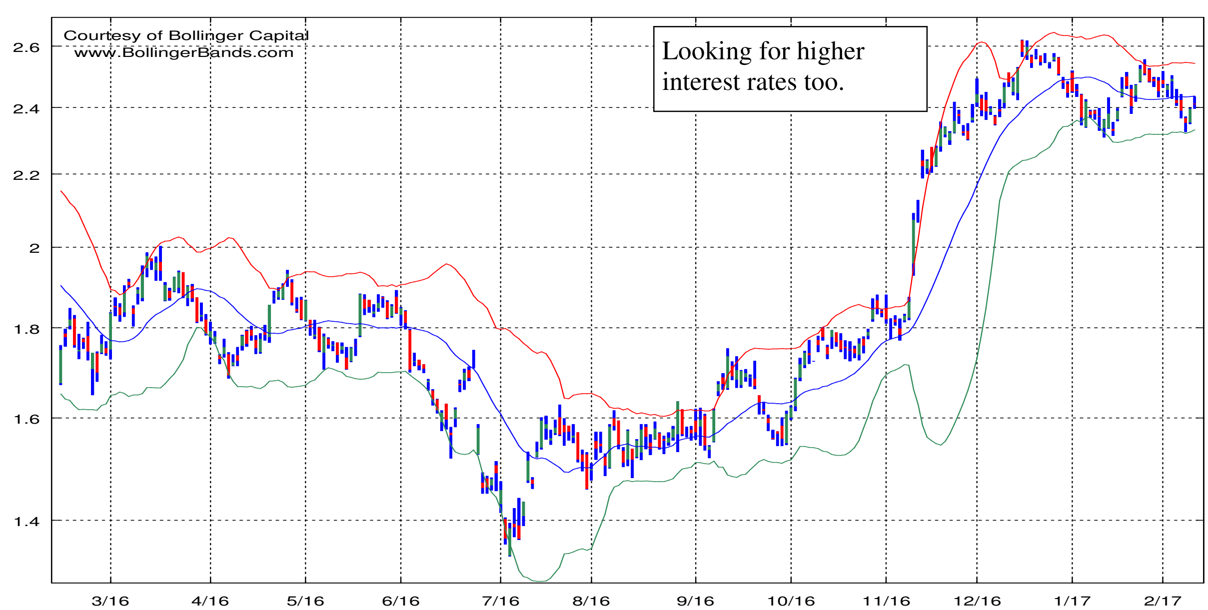
Nikkei 225 — NIK — Daily—One Year

these things can go on for longer than you'd imagine and during the bulk of the trend the crowd will be correct. Watch and wait for the widely-held opinion to no longer be valid. Now add some more patience and look for a catalyst to break the back of the trend. Finally, after price has confirmed your opinion, take a position opposite to the prior trend. If you've got all that right, yet a bit more patience is required to hold on for the big gain.

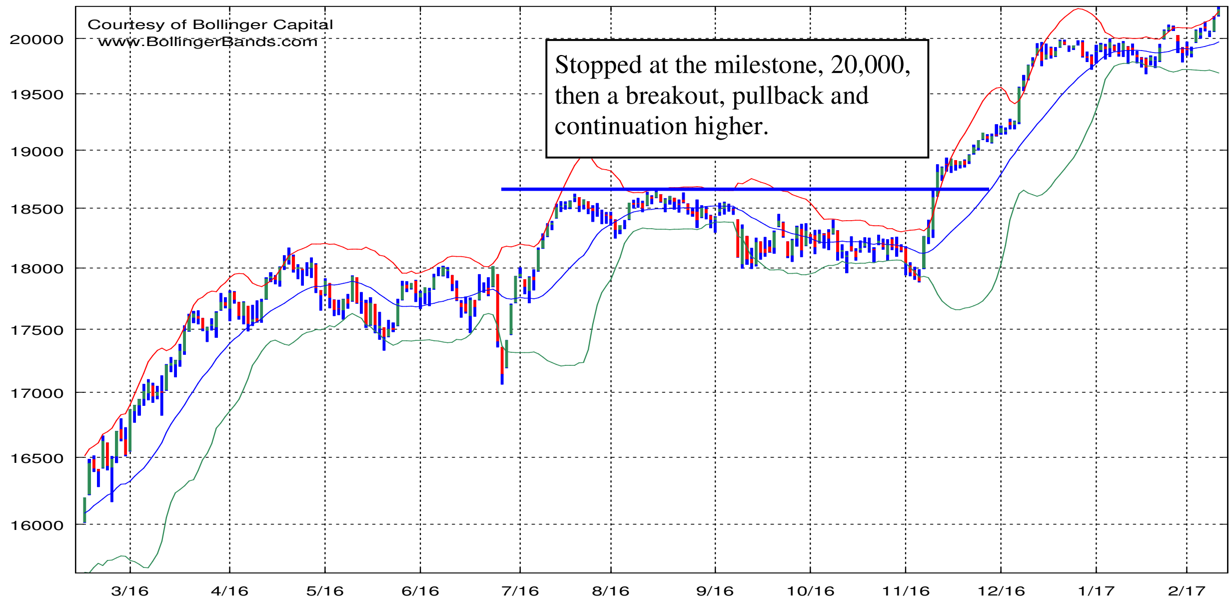
Reading the above you will note that the keys to successful contrarian investing are discipline and patience. But what about the short term you ask? Isn't contrarianism valid in the short term as well? Yes it is, the basic cycle is the same but in miniature. Contrary Opinion is all about emotion and emotions rule in the short term just as they do in the long term. Originally Contrary Opinion was meant for the very big trends, the tides that swept through society. However over the years it has been successfully adapted to ever shorter time frames. For example, the trading room noise has been used by firms to hedge their exposure.

For a while I followed the DSI, the Daily Sentiment Index, which at the extremes located some interesting opportunities in the futures markets. I noticed that those opportunities also usually involved extremes in momentum. Those extremes in momentum in the old days were known as over-bought and over-sold conditions; situations where all the demand or all the supply had been exhausted. The idea was that there was simply no business left to accommodate. These conditions typically marked the ends of bear and bull markets, either for stocks, groups, sectors, or for the market itself, and pointed to the beginnings of important new trends or sometimes long consolidations. As happened with sentiment, over the years traders tried to apply these classic exhaustion concepts to increasingly shorter time frames. I find it really helpful to understand the origins of these concepts when applying them in today's markets, especially when working in short time frames. The key to thinking about this is that these ideas are fractal, that is one can find self-similar smaller patterns nested within larger patterns.

And that brings us to the current market. One of the most important sources of sentiment data is the Investors Intelligence survey of investment advisors. This is a slow, intermediate- to long-term survey of the bullishness, or lack there of, of investment letter writers. It was founded by Abe Cohen of the three-box-reversal point and figure method and ChartCraft fame. For many decades it has been the most important sentiment survey though many upstarts have tried to supplant it. The survey releases three numbers, the percent of advisors bullish, bearish, and those expecting a correction. When I started following the survey, I focused exclusively on those bearish as I thought that was the firmest and most actionable opinion. However, I soon realized that I wasn't getting the full benefit of the survey and shifted my focus to my own calculation, net bulls, the bullish percent less the bearish percent, with the correction percent ignored. That turned out to be a very good idea, good enough that Arthur Merrill picked it up with full credit to me and included it in his service, Technical Trends, which was the most complete market timing service of its time. That was in the mid '80s.



10-Year Interest Rates



Dow Jones Industrial Average — One Year

I have a couple of pictures of net bulls on page 14, one of the current situation and a long-term one to lend some perspective. You can clearly see two things: One, that we are in the danger zone, the zone in which all important declines originate. Two, that the market can stay in the danger zone for a long time. Recall Neill's quote at the opening of this letter and remember that during the bulk of a rally the crowd is correctly bullish. It is only towards the end of a rally, as market internal conditions start to deteriorate, that Contrary Opinion comes into play. So, this is an alert, not a sell signal. We await deterioration of market internals, of which, no sign yet.

US Stocks

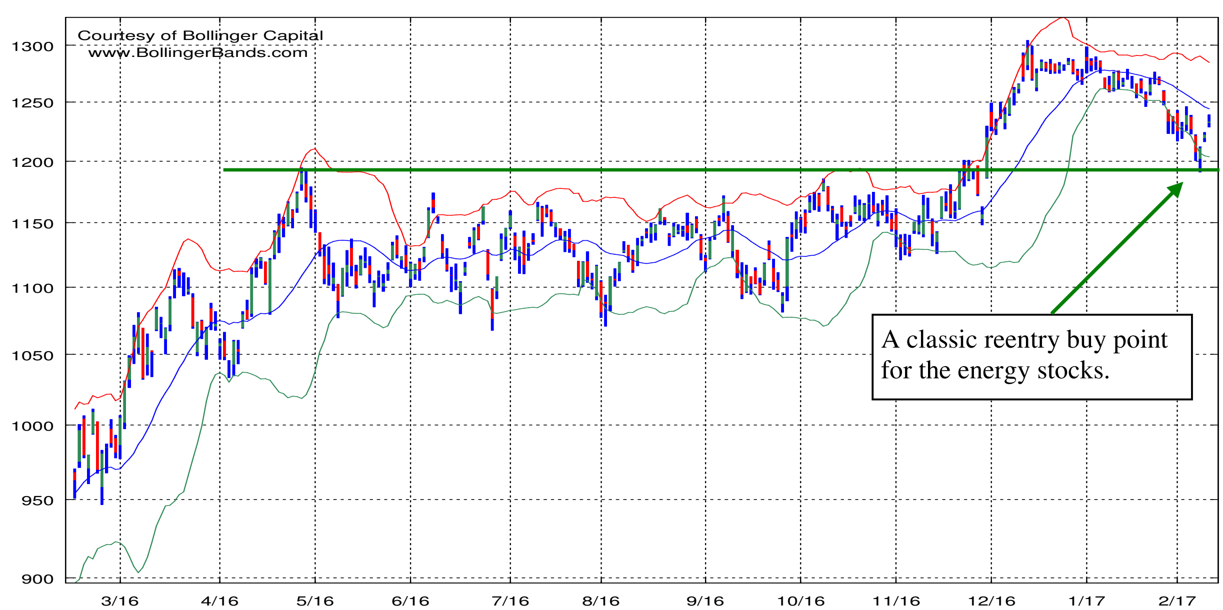
Recent US stock market performance is especially interesting to me because it has been delineated so clearly by many aspects of classic technical analysis. I used to try to convince doubters about the efficacy and usefulness of technical analysis, but no more. Why? Perhaps in the past it mattered to me what people thought, whereas I just don't care much any more. I am happy to share my knowledge and skills, but I haven't time for strife when all they want is to argue with me. Think TA is a crock?

Dow Jones Transportation Average — One Year

Gold Stocks — HUI — One Year

Fine, go your own way and spare me your vitriol; perhaps someday you'll find me on the other side of a trade. I no longer want to prove anything; doubters are going to remain doubters and I am happy to earn my returns and live a pleasant life. As George Herbert said, "Living well is the best revenge." I now actually enjoy reading academic papers of the "I couldn't make it work so no one else can." type as they are often unintended sources profitable ideas...Back to the markets.

One of the oldest and most important technical tools I use is the NYSE advance-decline line. Attribution usually goes to Leonard Ayers in the 1920s, but I suspect that the a-d line may have deeper roots than that. (Ayers' company is the 'Standard' portion of Standard & Poor's.) The calculation is easy, each day note the number of stocks rising on the day and the number falling. Subtract the declining from the advancing and accumulate the results over time. A more modern calculation is (advances – declines) / total issues traded, which normalizes the calculation and addresses comparability problems caused by the changing number of stocks traded on the exchange over the years. In either case the final product is the cumulative sum of the daily read-



Oil Stock Index— XOI — One Year

ings. (For some reason that has to do with the way markets are made, only the NYSE exchange data is really useful in this regard.)

In the current market the advance-decline line has done a remarkably good job of keeping you on the right side of the trade as in: In the market, making money. The a-d line has been advancing steadily, making new highs while the market corrected and engaged in group and sector rotation. I have annotated the a-d chart on page three to illustrate.

Over the years I have come to see breadth data as ever more important, not only for longer trends, but shorter-term analysis as well. In that regard there are many short -term indicators that can be derived from stock exchange breadth data, as the internal statistics are often categorized. The one I use most regularly is the 10-day advance-decline oscillator or ADO. It is also an easy calculation, a 10-day sum of advances minus declines, and a fine short-term market-timing tool. It's not that any of the other similar indicators aren't good or can't add value, it is just that the a-d line and oscillator serve my purposes well. (I sometimes use a 21-day version of ADO too.)

The second important TA idea we have seen recently was delineated by the early technicians such as Wyckoff: It is the recent sequence of a breakout, pullback, and continuation by the market, which can be seen nicely on the chart of the S&P 500 ETF, SPY, on page 15. This pattern is a basic market-action template that couldn't be simpler or easier to trade. To wit: Establish a trading range, break out from that trading range, pull back into the breakout zone, and then rally to a new high. The nadir of the pullback is a fine entry point. Exactly the same works in reverse: Establish a trading range, break down from that trading range, pull back into the break down area, and then sell off to a new low. In my mind the latter is one of the best risk/reward ratio short entries, especially in Bollinger Band terms. Make a top near or at the upper band, sell off and break the middle band, then rally back to the now-lower upper band and then sell off to a new low. Entry is a strong down day after the snap-back rally. In either case it is the psychology that drives the process; the alternation of greed and fear paints the picture that appears on the charts awaiting our attention. As I said, classic TA.

Some of these classic TA ideas can be quantified, some are more elusive. That's why I tend to combine qualitative and quantitative approaches; I don't want to leave much on the table by being rigid.

Exponential Bollinger Bands

I created Bollinger Bands in the days before the PC, back when you had to do a bit of coding if you wanted to use a computer. We called them micro computers, and most often built them ourselves. The operating system was CP/M, control program for microcomputers. I was lucky to start just as SuperCalc, the first spreadsheet for CP/M, arrived. I did my options work in that spreadsheet and Bollinger Bands were a product of my options volatility calculations and a technical trading system I was working on; I needed to make the system adaptive

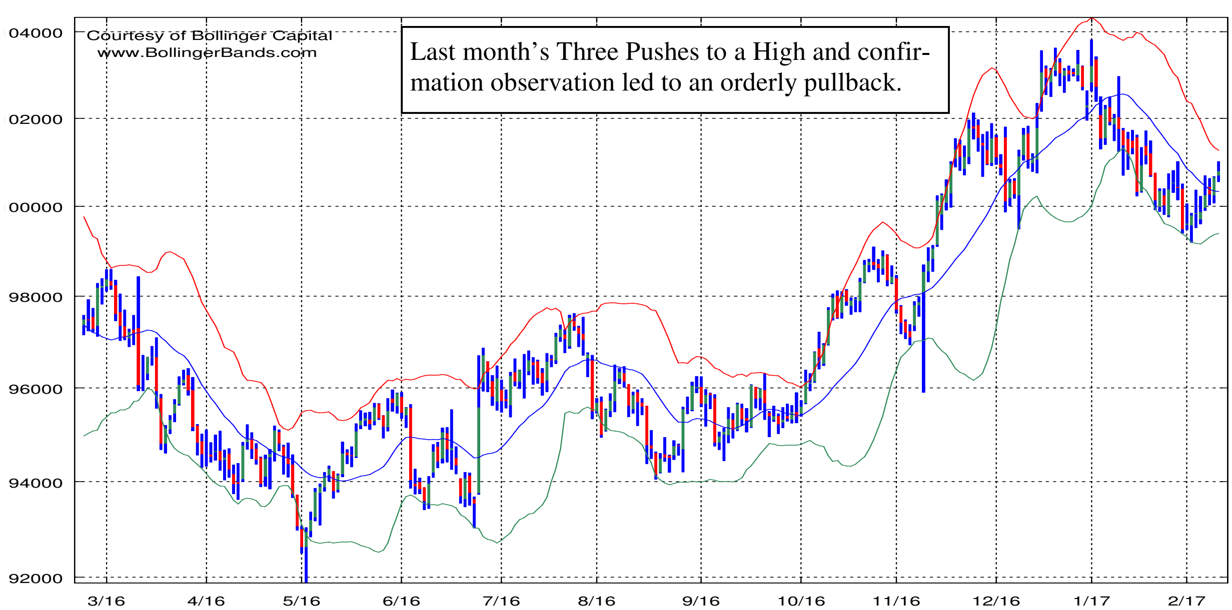
Commodity ETF — DBC — One Year

and saw that volatility was a good way to do so.

Even with a spreadsheet you still had to do everything by hand as there were no convenient functions like @stddev() to do the work for you. Since I was already doing it by hand, it was easy to try many variations. I settled on 20 periods, plus and minus two standard deviations and a simple, average--all using closing prices--for both the middle band and the volatility calculation. I tried exponential and front weighted averages as well as an average weighting scheme (a truncated pyramid) from a chemical engineer I knew that eased the data both in and out of the calculation. I also tried a variety of prices like variants of the typical price, (high + low + close) / 3, the midpoint of the range, etc. I settled on the defaults we still use today because they had the greatest applicability to what I was doing at the time, trading US stocks. I kept a couple of variants in my quiver as they were useful in some situations, most notable are exponential Bollinger Bands and Bollinger Envelopes. Exponential Bollinger Bands use an exponential average for both the middle band and the volatility calculation. (By accident I discovered a 'wrong' way to calculate standard deviation in a spreadsheet that lead to an interesting slow-moving version of Bollinger Bands that is rarely used today.) The other important variation I kept has become very useful in today's 24/7 markets, Bollinger Envelopes. These are Bollinger Bands calculated using only high and low data with no reference to the closes. (Unlike Bollinger Bands, BEs are not perfectly symmetrical.)

All of which brings me to my point. Vitali Apirine wrote an interesting article for the February 2017 issue of *Technical Analysis of Stock Stocks and Commodities*—You do read this don't you?—reinventing exponential Bollinger Bands. I dropped a note to the editor explaining the situation, which they asked to run in the next issue. (I've attached my note to TASC at the end of this letter.)

For many years I was active in various technical analysis organizations, ten years on the MTA board, five years on IFTA's board, and five years on the Educational Foundation board. I championed many causes, but one that was always near and dear to my heart was a central repository for indicator and strategy information that would clearly establish creation, formulation and provenance. Alas, interesting others in what looked to be a long, thankless and arduous task was beyond my ability. I was successful in getting a knowledge base going at the MTA, but it is not authoritative. Were such in place, Mr. Apirine could have written a nice article on the use of Exponential Bollinger Bands without having to receive a 'reinvented wheel' notice. Another related item I campaigned for but did not get was a dedicated librarian. Someone both deeply knowledgeable about technical analysis and possessing real library skills to master the library and make its contents easily available to all. Got a question about TA? Call the librarian, they'll know where the answer is buried!



US Dollar Up ETF — UUP—One Year

GroupPower

Sector Ranks

Name	Momentum Short	Momentum Inter.	Momentum Long	$$ Flow
Basic Materials	1.36	1.87	2.39	41.6
Technology	1.13	1.44	1.71	60.8
Healthcare	1.09	1.20	1.05	40.8
NASDAQ Comp	0.88	1.11	1.24	N/A
Market ETFs	0.80	0.92	1.06	68.0
Media	0.76	0.86	1.07	55.2
International	0.68	0.99	1.08	77.6
Industry	0.61	1.08	1.59	52.0
S&P 500	0.60	0.75	0.86	N/A
Consumer Noncyclical	0.58	0.69	0.82	39.2
Transportation	0.58	1.22	1.77	33.6
Financial	0.56	1.06	1.66	80.0
Yield	0.44	0.44	0.45	59.2
Consumer Cyclical	0.37	0.13	0.32	27.2
Business	0.25	0.57	0.88	54.4
Telecommunications	0.20	0.65	0.98	59.2
Energy	0.00	0.39	0.74	12.0

GroupPower

These tables derived from John Bollinger's GroupPower, a daily analytical service. There are 15 market sectors, 203 industry groups and 5,460 stocks in the GroupPower structure. 2,428 stocks are categorized into industry groups, 3,032 are currently out of groups. The sectors and groups are formed using Rational Analysis, a combination of technical and fundamental tools. In order for a stock to be in a group it must exhibit both a business fit and statistical fit.

www.GroupPower.com

GP is also available from eSignal (800-SMARKET).

A guide to using GroupPower and a listing of the GroupPower structure is available to subscribers.

Short = Short-Term Front-Weighted Momentum, 22-day horizon.
Int = Intermediate-Term Front-Weighted Momentum, 62-day horizon.
Long = Long-Term Front-Weighted Momentum, 125-day horizon
-5, -10, -20 = 5,10 and 20 days ago.
$$ Flow = Money Flow Persistency. A measure of money flow designed to look out six months.

Statistics

Breadth	
10-day Open Arms Index	0.93
10-day Open Adv / Dec	1.17
High-Low Index	83.50
High Low Logic Index	0.00
Percent Above Average	
Percent above 10-day moving average	86.76
Percent above 50-day moving average	80.39
Percent above 200-day moving average	85.29
New Highs and Lows	
13-week new highs	13
13-week new lows	0
26-week new highs	0
26-week new lows	0
52-week new highs	40
52-week new lows	0

Early Warnings

Positive Warnings	Negative Warnings
Taiwan	
Pacific	
Korea	
ETC Consumer NonCyc	
Australia NZ	
Hong Kong	
Personal Care	
Biotech	
Mexico	
India	
Food General	
Alcoholic Beverages	
Software Health	

Strongest — GroupPower Ranking — Weakest

Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear	Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear
Gaming Equipment	3.14	3.76	4.43	70.4	0.57	ETF Europe	0.19	0.54	0.57	81.6	0.93
Software Multimedia	2.98	2.28	2.00	52.0	0.51	Pipelines	0.18	0.70	1.07	53.6	0.84
Lab Research	2.88	3.05	2.55	44.0	0.75	Cement	0.18	0.94	1.51	54.4	0.64
Brazil	2.49	2.98	3.16	56.0	0.67	Diagnostic Products	0.17	-0.05	0.16	47.2	0.05
Precious Metals	2.47	2.24	1.39	25.6	0.45	Energy Royalty Trusts	0.17	0.75	1.35	18.4	0.89
Steel	2.40	2.09	3.09	50.4	-0.02	Brokers	0.15	0.88	1.59	68.8	0.85
Security Prod Svcs	2.37	2.16	2.47	54.4	0.76	Industrial Elec Equip	0.15	0.75	1.40	56.8	0.62
Instruments	2.24	2.31	2.59	60.8	0.83	Agricultures	0.15	0.20	0.10	63.2	0.28
Software Health	2.18	1.53	0.68	48.8	0.06	Banks Southeast	0.14	0.95	1.89	94.4	0.84
Mexico	2.14	1.16	0.38	43.2	0.35	Germany	0.13	0.87	1.13	87.2	0.95
Prescript Benefit Mgt	2.11	1.15	-0.21	39.2	0.24	Clothing and Fabrics	0.12	-0.63	-0.91	20.0	-0.76
Metals Non Ferrous	2.09	3.55	4.40	55.2	0.81	Healthcare Providers	0.12	0.93	1.13	58.4	0.90
Contract Elec Manu	2.09	2.47	3.03	75.2	0.92	World Oil Companies	0.11	0.21	0.62	24.8	0.55
Personal Computers	2.02	1.95	1.97	60.0	0.70	Containers Packaging	0.11	0.61	0.96	57.6	0.62
China Mainland	2.00	1.71	1.54	47.2	0.31	Automobile Mfg	0.10	0.46	0.71	84.8	0.94
Comps Services	1.88	1.93	2.25	73.6	0.84	Banks Midwest	0.10	0.85	1.80	87.2	0.75
Biotech	1.77	1.59	1.38	28.0	0.51	Casinos	0.09	0.53	0.84	53.6	0.71
Property Management	1.73	1.04	0.74	35.2	0.29	ETF Bonds	0.07	-0.06	-0.19	42.4	-0.12
Diverse Media	1.67	1.72	1.78	59.2	0.79	Coal	0.05	0.44	1.47	58.4	-0.22
Footwear	1.66	0.46	0.26	22.4	-0.68	Retail Transport	0.02	0.86	1.54	63.2	0.87
Chemicals Specialty	1.63	1.81	2.21	77.6	0.94	Movies Studios	-0.08	0.44	0.85	79.2	0.18
Semiconductor Equip	1.61	2.13	2.61	76.0	0.75	Communication Service	-0.09	0.95	1.63	77.6	0.91
Vehicle Other	1.56	2.35	3.30	59.2	0.83	Telecom Infrastructure	-0.10	0.12	0.31	42.4	0.75
Title Surety Insurance	1.52	2.45	3.14	78.4	0.96	Machinery Heavy	-0.13	0.57	1.44	52.8	0.36
Broadcast TVs	1.46	1.34	1.41	58.4	0.54	Recreation Products	-0.16	-0.37	-0.03	46.4	-0.30
Tobacco	1.44	1.93	1.80	53.6	0.90	ETF Telecom	-0.19	0.08	0.15	54.4	0.85
India	1.44	1.29	0.92	45.6	0.70	Oil Services	-0.21	0.76	1.38	45.6	0.84
Software Business	1.41	1.26	1.29	71.2	0.39	Business Equipment	-0.22	-0.29	0.00	58.4	-0.13
ETF Emerging Markets	1.39	1.38	1.24	68.0	0.70	Water Companies	-0.23	-0.24	0.12	52.0	-0.31
Internet Info Prov	1.38	1.23	1.24	52.8	0.58	Farm Products	-0.25	-0.46	0.01	84.8	-0.14
Comps Data Storage	1.38	0.35	-0.71	0.0	-0.49	Banks Mid Atlantic	-0.28	0.20	1.02	78.4	0.17
Recreational Vehicles	1.33	1.79	2.30	62.4	0.80	Major Oil Companies	-0.29	0.12	0.57	48.8	0.78
Food General	1.28	1.21	1.02	40.8	0.96	Small Tools	-0.31	0.53	1.23	55.2	0.76
Retail Apparel	1.28	-0.13	-0.26	32.0	-0.63	Educational Services	-0.31	0.60	1.35	44.8	0.75
Sftware Engineer Sci	1.28	1.69	2.12	65.6	0.75	France	-0.36	-0.94	-1.28	36.8	-0.20
Alcoholic Beverages	1.25	0.67	0.30	39.2	0.03	Oil Producers	-0.44	0.31	1.60	8.8	0.28
Mining Diversified	1.24	2.44	3.38	60.0	0.62	Oil Refining	-0.50	0.04	0.70	36.8	0.56
Latin America	1.22	1.52	1.74	62.4	0.88	Dry Bulk Shippers	-0.51	0.92	1.48	16.0	0.11
Aerospace Defense	1.20	1.11	1.36	52.8	0.17	Consumer Services	-0.53	-0.57	-0.33	34.4	-0.47
Industrial Tech	1.20	1.44	1.69	64.8	0.79	Telephone	-0.59	-0.31	-0.23	42.4	0.66
Restaurants	1.19	0.64	0.62	24.0	-0.21	Research Services	-0.63	0.00	0.12	54.4	0.87
Communication Tech	1.17	1.27	1.47	62.4	0.94	Commercial Services	-0.64	-0.18	0.23	54.4	0.68
Metal Fabricators	1.15	1.99	2.60	60.0	0.72	Energy Market Dist	-0.67	-0.12	-0.31	16.8	0.79
Drug Delivery System	1.15	1.40	1.31	20.8	0.74	Spain	-0.67	0.14	0.35	86.4	0.92
Personal Care	1.15	0.84	0.52	60.0	0.64	Oil Drilling	-0.68	0.26	1.31	28.0	0.66
Publishing	1.12	1.26	1.41	56.8	0.83	Home Furnishings	-1.02	-1.18	-0.78	37.6	-0.26
Retail Discount	1.11	0.38	0.18	28.0	-0.48	Gas Producers	-1.15	-0.75	0.11	12.8	0.26
Household Products	1.09	1.31	1.60	78.4	0.92	Retail Drug	-1.30	-1.90	-1.66	51.2	-0.26
Comps Parts	1.09	1.73	2.16	85.6	0.88	Retail Jewelry	-1.43	-1.38	-0.85	32.8	-0.75
Lodging	1.09	1.61	1.98	68.0	0.94	eCommerce	-1.71	-0.59	0.17	64.8	0.42
ETF Health	1.07	0.84	0.56	60.8	0.19	Retail Electronics	-2.42	-2.85	-2.21	16.0	-0.48
Travel	1.07	1.77	1.97	69.6	0.89						

Sector Selector ETF Portfolios

ETF Portfolios	Symbol	Date Selected	Purchase Price	Current Price	Dividends	Return	Rank
Style							(# in 21)
Core Value	IUSV	10/14/2016	45.28	50.23	0.28	11.56%	7
Russell 100 Growth	IWF	2/10/2017	110.58	110.58	0.00	0.00%	2
Russell 1000	IWB	1/27/2017	126.69	129.12	0.00	1.92%	1
International							(# in 24)
Austria	EWO	1/20/2017	17.26	17.65	0.00	2.23%	1
Russia	RSX	4/8/2016	16.85	21.73	0.01	28.99%	5
Taiwan	EWT	2/10/2017	32.28	32.28	0.00	0.00%	2
Sector							(# in 27)
Technology	IGN	9/9/2016	39.22	45.76	0.12	17.01%	3
Global Finance	IXG	12/16/2016	57.96	59.89	0.41	4.04%	1
Semiconductors	SOXX	10/7/2016	113.43	130.46	0.29	15.27%	4

Portfolio

Slot	Name	Symbol	ET Rating	GroupPower Group	ET Rating	Entry	Entry	Current	Divid.	Total	Mental	Action
			Stock		Group	Date	Price	Price		Return	Stop	
Core Portfolio - US Equities												
1	S&P 500	SPY	2	Large Cap	2	10/19/15	203.20	231.51	5.75	16.8%	224.00	Hold
2	Russell 2000	IWM	3	Small Cap	3	11/02/15	118.21	137.94	2.35	18.7%	132.00	Add
3	S&P 500 Value	IVE	3	Large Cap	2	03/21/16	90.09	103.50	2.29	17.4%	100.50	Hold
4	British Petroleum	BP	2	Oil Major	1	03/21/16	31.43	35.00	1.20	15.2%	35.00	Stopped
5	S&P MidCap	MDY	2	MidCap	2	04/18/16	267.64	312.80	3.13	18.0%	300.00	Add
6	Chevron	CVX	3	Oil Major	2	08/08/16	101.15	113.05	2.15	13.9%	109.00	Hold
7	Oil Services HOLDRS	OIH	3	Oil Service	3	08/08/16	28.87	33.07	0.47	16.2%	29.00	Hold
8	Finance	XLF	2	ETF Finance	1	10/08/16	19.75	23.78	0.11	20.9%	22.00	Hold
9	National Oil Well	NOV	3	Oil Service	3	12/05/16	38.23	39.42	-	3.1%	33.00	Hold
10	Russell 100 (Equal)	EQAL	2	Large Cap	2	12/05/16	26.81	28.07	0.17	5.3%	26.25	Add
11	Healthcare ETF	IYH	2	ETF Health	2	01/14/17	147.28	150.53	-	2.2%	139.00	Hold
12	Global Telecomm ETF	IXP	2	ETF Telecomm	3	01/14/17	60.09	59.13	-	-1.6%	56.50	Hold
Core Portfolio - International												
1	Japan	EWJ	2	Japan	2	12/14/12	44.99	51.38	1.07	16.6%		Hold/Add
1	World	VEU	2	International ETF	2	10/19/15	45.53	46.53	1.32	5.1%		Hold
Core Portfolio - Yield												
1	Barclays High Yield	JNK	2	High Yield	3	02/20/09	29.17	36.90	20.65	97.3%		Hold
2	iShares High Yield	HYG	2	High Yield	3	02/20/09	69.98	87.53	40.89	83.5%		Hold
3	PS Finan. Preferred	PGF	3	Yield	3	03/13/09	8.35	18.58	9.59	237.4%		Hold
Core Portfolio - Speculation												
1	VIX Inverse	XIV	2	Bull Market	2	10/06/15	27.29	64.64	-	136.9%		Add

Portfolio Notes: There were two changes to the ETF Portfolios this week. Sell IJJ and EWG, buy IWF and EWT. That's a switch toward large-cap growth from mid-cap value and from Euroland to Taiwan. The Value Line Program remains in the market. With the Value Line Geometric Average standing at 521.84, the program's sell stop is at 509.58. We are retiring our forex commitment and putting that part of our portfolio to work in the stock market. MDY or EQAL and/or XLE are all good choices to fill the additional stock allocation. We expect higher stock prices, so try to stay in the game even though altitude sickness may take hold.

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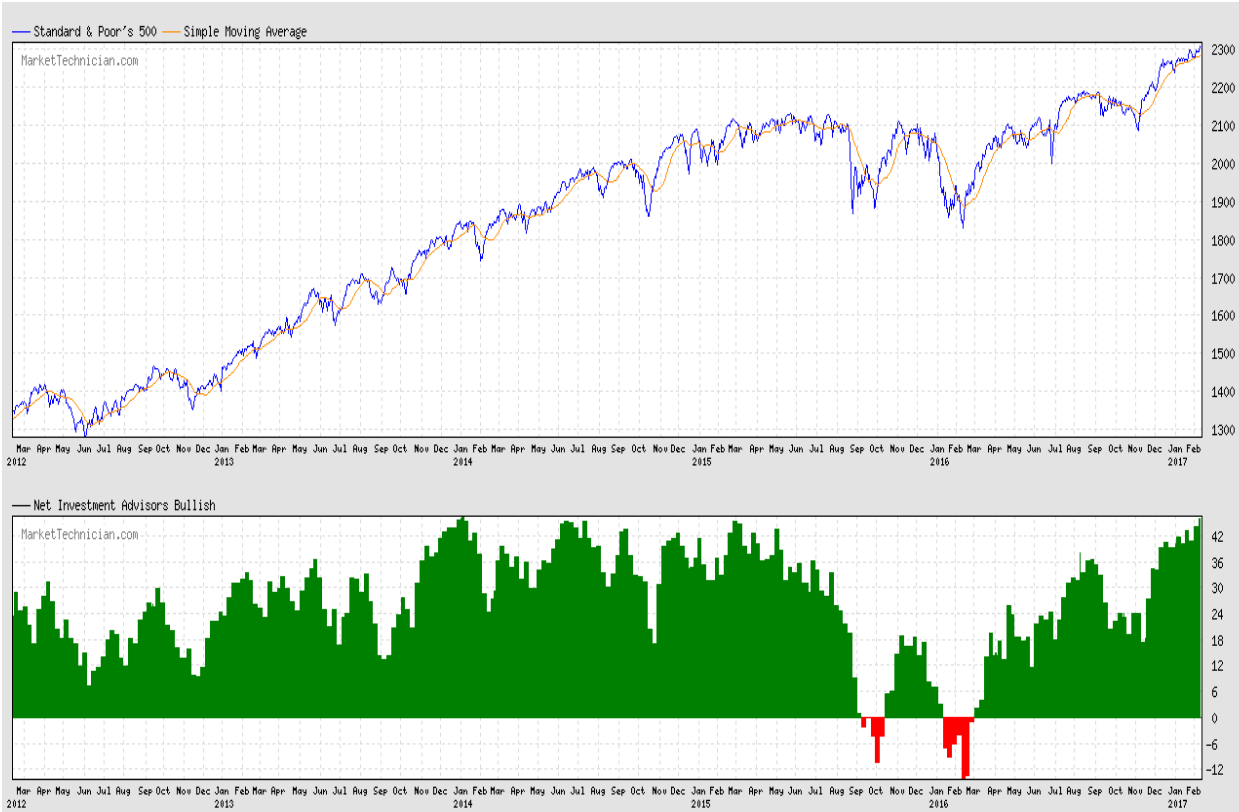
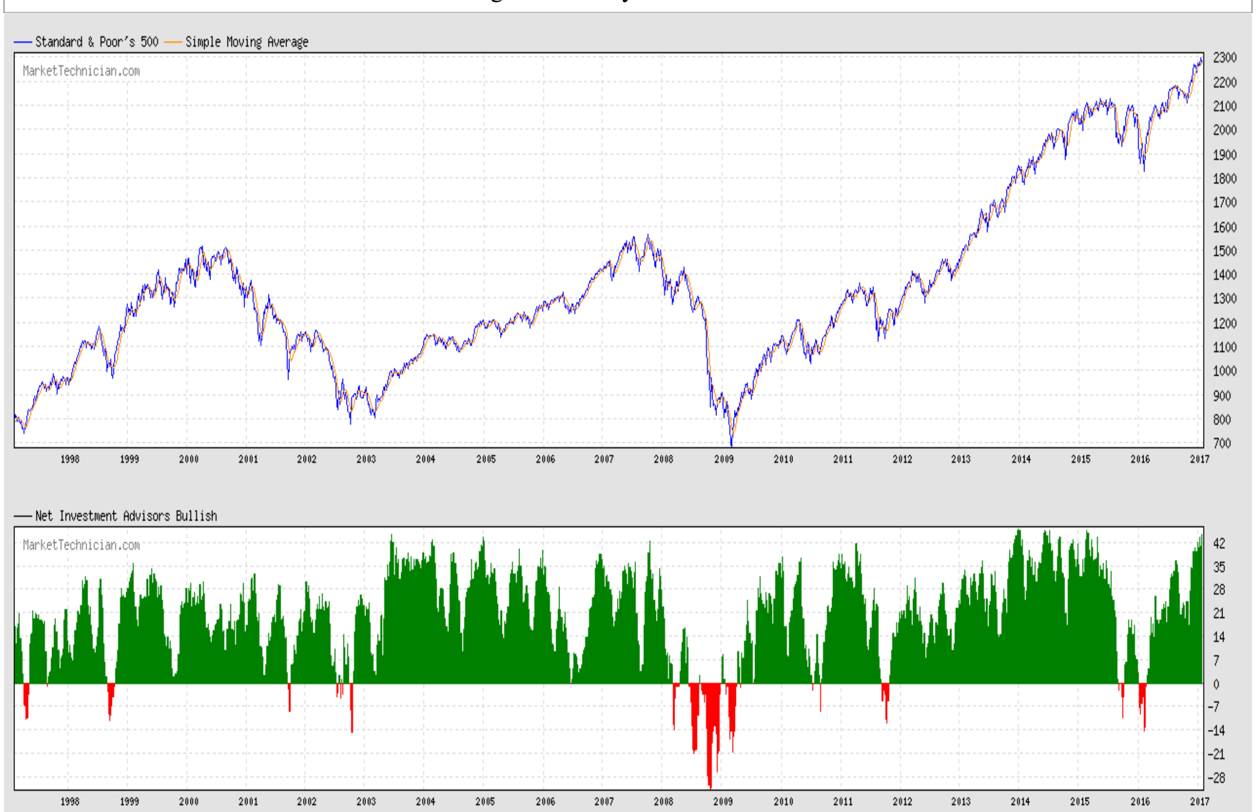
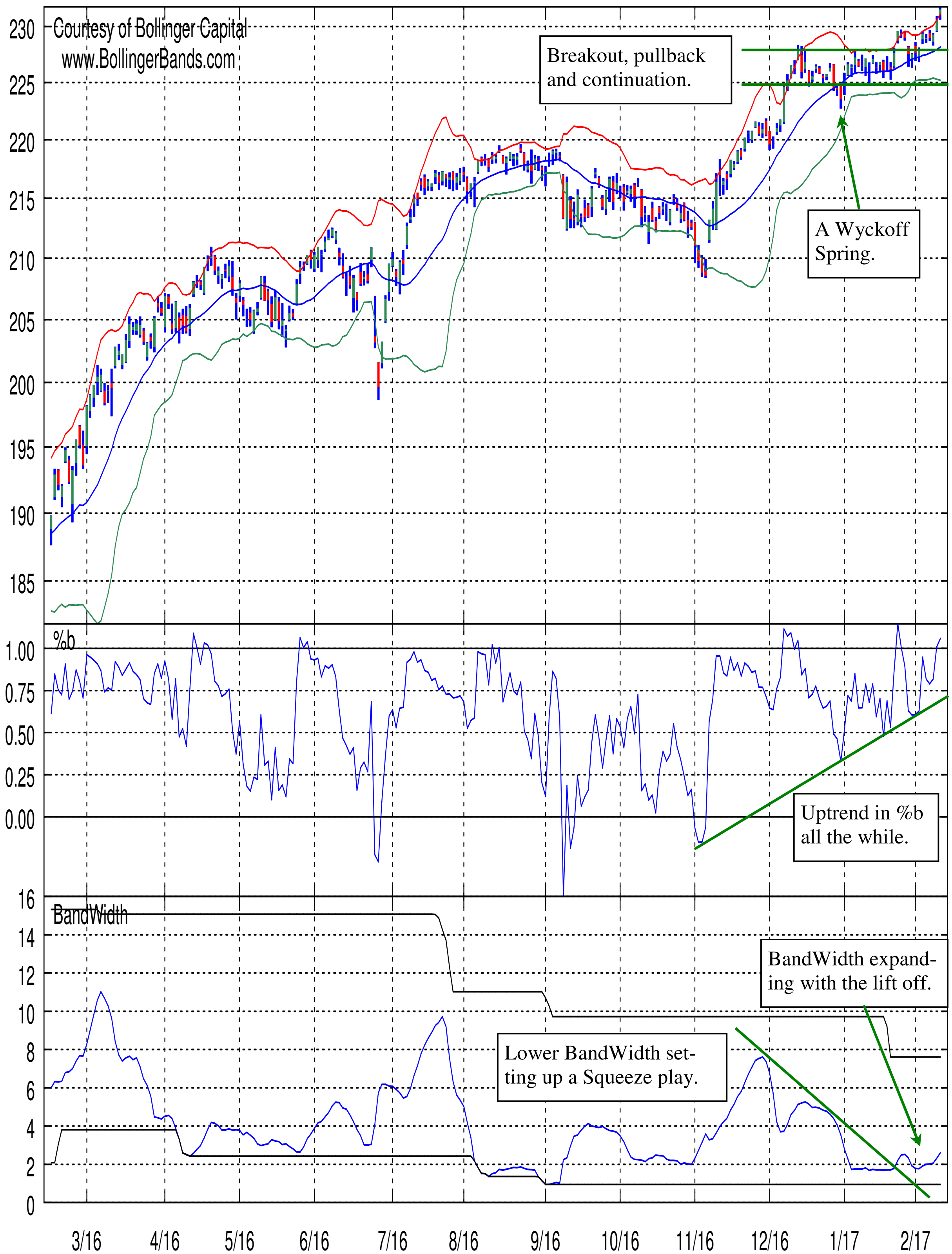


Investors Intelligence Survey — Net Bulls — Five Years



Investors Intelligence Survey — Net Bulls — Twenty Years



S&P 500 ETF — SPY — Daily — One Year

View from the Beach

I am bereft. All my life I have either read a newspaper, listened to radio news, watched the news on TV, or read news magazines. I am not a news junkie like some, but I have always wanted to be well-informed. Today most of the news, regardless of the vehicle, is about the same, a 24/7 Trump bash fest. Now I am no fan of Mr. Trump and I do not want to listen to another hour or even another minute of Trumpification. Thus, it has literally become nearly impossible for me to stay informed. I get in my car, a favorite spot to consume the news, and as soon as I turn on the radio out comes yet another Trump story and I instantly switch the dial to music; that switch isn't voluntary, it's outright Pavlovian.

In my view there is simply not an unbiased news source left, or at least none that I am aware of. In past days one could cobble together a reasonable picture by consuming a variety of sources, left, center, and right; today we have a bipolar distribution with a vacant sweet spot, the middle. Most news outlets have become hard left, a few are hard right, and there is very little else. I find this anathema and disheartening.

As Dragnet's Joe Friday used to say, "All we want are the facts Ma'am." What I want is to know what's actually going on. I don't want someone's opinion about what's going on; I want the facts, presented in a neutral manner, so I can make up my own mind. These days being well-informed has become nigh on impossible for most, and we are all the poorer for it.

There is an upside to this, I am listening to more to non-news / non-talk radio and enjoying a wide variety of programming, from classical to hip hop, rock to pop, jazz to whatever… So, though I may not be as informed as I once was, I am getting much more culturally tuned in than I have been for years.

There is another, perhaps counter intuitive, upside. It just may be that I will be a better trader/investor for the lack of being informed. When you don't know the 'facts' you really have to pay attention and the more you pay attention and work without excuses the better you will do.

It takes money to…

The old saw goes that it takes money to make money and I suppose it is true as far as it goes. The problem is that it's true in absolute terms, but not in relative terms. In the absolute the more money you have the more money you can make. To wit, if you have a million dollars making a hundred thousand is a ten percent return, but if you have a thousand making a hundred thousand is a 9,900% return whereas in relative terms making 10% is making 10%, period. I suppose that there may be problems at the extremes, either for very small accounts or for huge ones, but for most accounts 10% is just that, 10%. The problem as I see it is that the expression gives the impression of an unfair playing field in a world where smaller accounts may actually have an advantage.

My Letter to the Editor of TASC

7 February 2017

To the Editor:

I enjoyed the article by Vitali Apirine on "Exponential Standard Deviation Bands" and am sorry to be the bearer of sad tidings but he has reinvented the wheel. Exponential Bollinger Bands, as we call this work, are more than 20 years old and are included in our Bollinger Band Tool Kits for TradeStation, NinjaTrader and others. We have done similar work with various other weighted average methods, always using the weighted average as the middle Bollinger Band and in the calculation of standard deviation used to set the width of the bands.

We agree with Mr. Apirine about the utility of the approach he discusses and other alternative Bollinger Band formulations and strongly encourage traders to explore the pros and cons of the various trend and volatility calculations that can be used for Bollinger Bands.

We made Bollinger Bands open source from the beginning precisely to encourage research. Over the years we have had many inquires about alternative calculation methods and various derivatives such as Bollinger Envelopes. We have always tried to answer these in a timely manner and stand by to answer any questions researchers may have.

If you have questions about Bollinger Bands and the related tools, techniques and indicators please feel free to drop us a line at: BBands@BollingerBands.com

Good trading,

John Bollinger