Volume #30 Issue #4

John Bollinger's

CAPITAL GROWTH LETTER

17 September 2016

"Respect for evidence compels me to incline toward the hypothesis that most portfolio decision makers should go out of business—take up plumbing, teach Greek, or help produce the annual GNP by serving as corporate executives. Even if this advice to drop dead is good advice, it obviously is not counsel that will be eagerly followed. Few people will commit suicide without a push." Paul Samuelson, Journal of Portfolio Management, 1974, Volume 1, Issue 1.

The Squeeze

Circa 1980, when I was committing to the markets full time, I became interested in options. It immediately became apparent that in order to trade options one had to have a handle on volatility. At that time volatility was thought to be constant, not variable. For example, a stock's volatility might change gradually over time, lessening as a company matured, but other than that a stock's volatility was thought to be stable. It was understood that different sectors had different volatilities, utilities were mostly low-volatility and growth stocks were mostly high-volatility. Half the prior six-month's range was considered to be a good guess for the next three-month's range, and many successful players never went farther than that. I had an early micro computer equipped with one of the first spreadsheet programs, SuperCalc. One day I copied the formula for volatility down a column of price data I had hand entered and saw that volatility was changing over time, a lot. I had been looking for a way to make trading bands adaptive and in that moment the idea for Bollinger Bands came to me.

The idea that volatility was dynamic, not static, was in the air and many others were making similar observations; some realizing important and powerful ideas, one of whom, Robert Engle, was subsequently honored with a Nobel Prize. Once I created Bollinger Bands I went on to create the first two BB-based indicators, %b and BandWidth. %b depicted the location of price within the bands and BandWidth depicted how wide the bands were. The core ideas weren't new, there were roughly equivalent statistical ideas, the coefficient of variation and the z score. It was the application to time series, specifically security price data, in a moving fashion that was new.

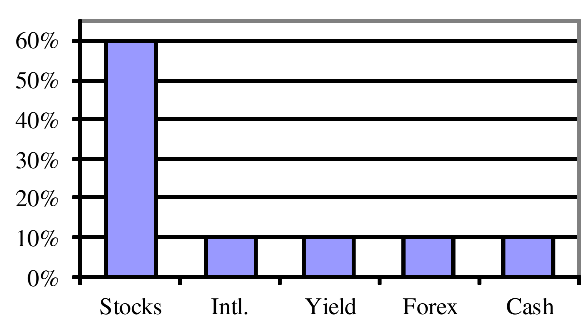
As the years rolled by we noted that extremes in Band-

The Investing Environment

Monetary	Model	Current
Fed Model	Neutral	
Yield Curve	Positive	1.20
Money Supply	Positive	7.4%
Sentiment	Model	Current
Net Bulls	Negative	26.4
Options	Positive	0.86
Valuation (S&P 500)	Last Signal	Current
Yield		2.15%
P/E Ratio		24.75
Current Trends	Short Term	Long Term
Stocks	Up	Up
Interest Rates	Up	Down
Energy	Down	Flat to Up
Gold	Down	Up
Commodities	Down	Up
Dollar	Down	Down

Monetary growth is still accelerating into the election.

Asset Allocations



Width generated actionable ideas and dubbed those extremes the Squeeze and the Bulge. Today the Squeeze is undoubtedly the most popular Bollinger Band signal and the basis of many trading systems. Trading the Squeeze has some synchronicity with the volatility breakout systems that became so popular in the '90s, but that wasn't my path. I only got interested in such later, my initial interest revolved around pattern trading: Wedges, ascending and descending triangles, pivots, and such.

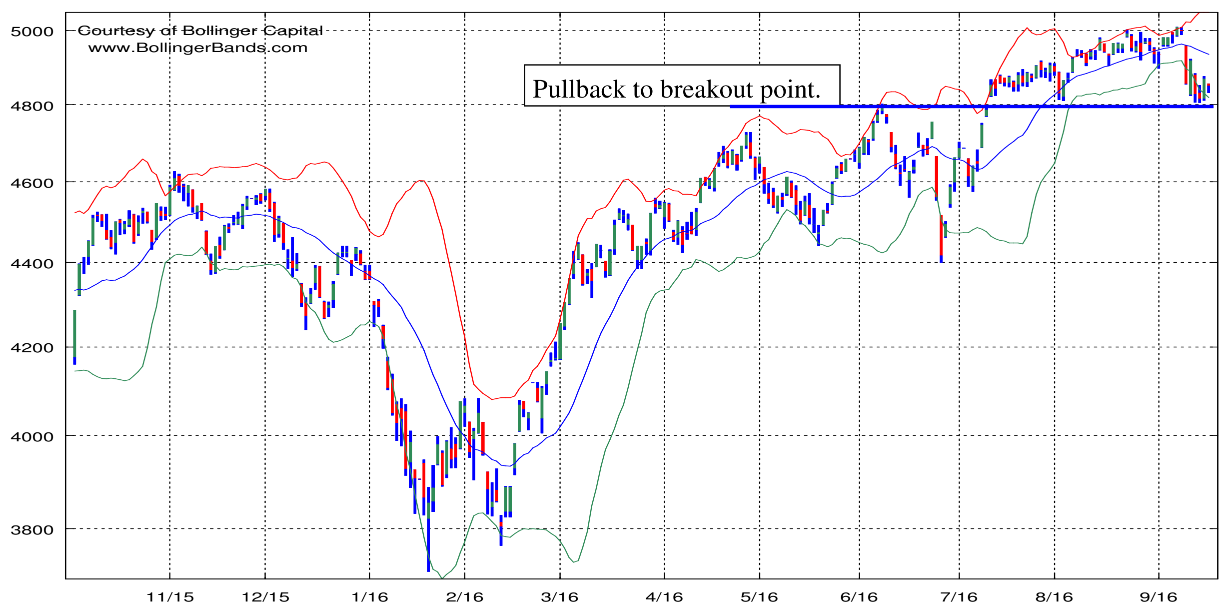
The big question was always: "Is it a Squeeze?" "Well the bands look tight…" But how to know. I did some cycles work on volatility using daily data and discovered that the most important cyclical components of stock-market volatility were all under six months in duration. So I hypothesized that a six-month (125 trading-day) window could be used to determine if a narrowing of the bands truly constituted a Squeeze or not. That was many years ago and I have never had reason to revisit that value, as it has continued to work as originally specified. A while back I wondered how robust 125 was and tested some other values around 125, from 100 through 150 in fives. There was little difference in the results of a couple of Squeeze systems suggesting that 125 is indeed a very robust number.

There is a reason that the Squeeze and Bulge continue to work so well; the mainstream understanding of volatility. The main statistical tools for modeling securities are the normal distribution and the mean, variance, and skewness, which are known as moments of the distribution. The volatility of security prices or returns does not follow a normal distribution, not by a very wide shot, so concepts like average volatility and return to the mean are simply undefined for volatility. Since almost all volatility models assume a normal or log-normal distribution and use the three moments of those distributions, anything that gets out in front of that will continue to work for as long as the crowd hews to theory rather than what is. Aside: Long Term Capital blew up with illuminati like Myron S. Scholes and Robert C. Merton aboard because they made the wrong assumptions about security price distributions, and theory did not match reality. For example, one near-universal assumption is that security prices follow a log-normal distribution. That assumption makes it much easier to create models like the Black Scholes (Merton) options model, as it eliminates the negative security prices a pure random walk infers, but when the foundation is rotten...

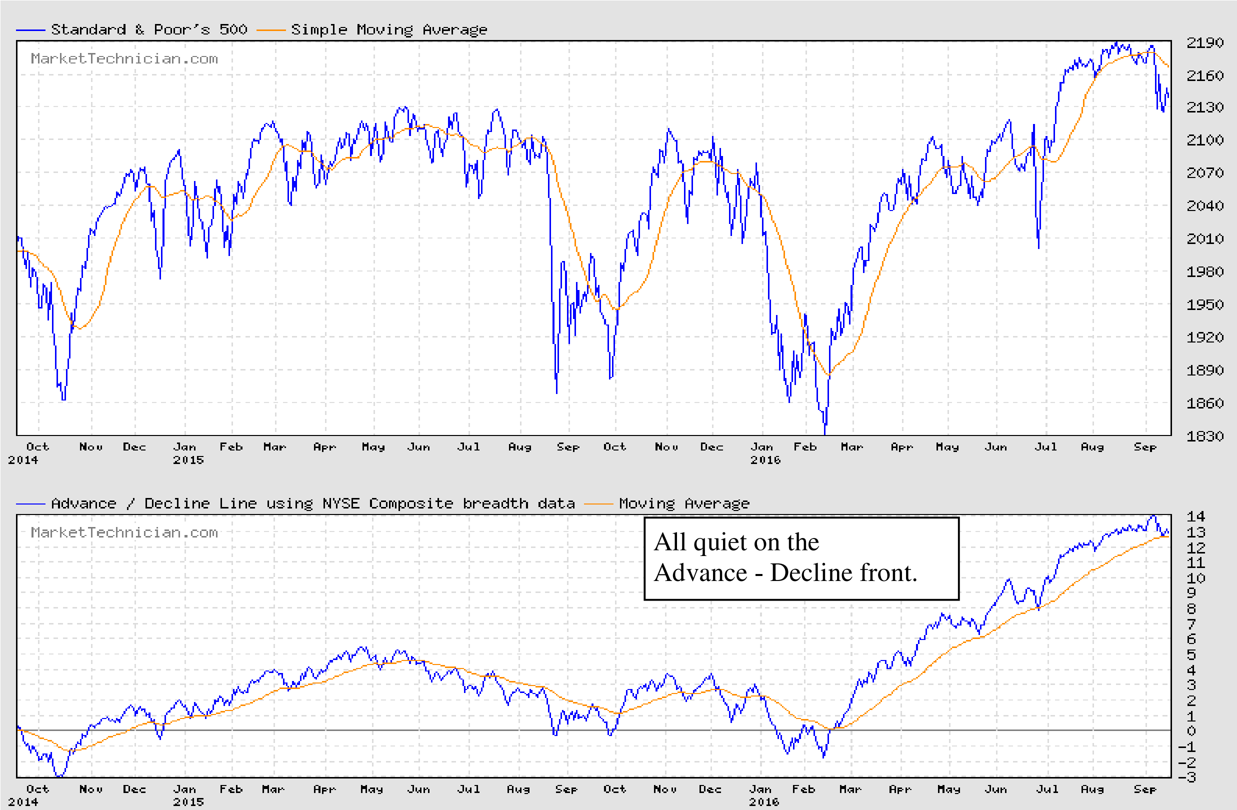
A couple of practical matters: A Squeeze marks the beginning of something, a Bulge marks the end. It really is that simple. Of course there is much more, but if you just get those two ideas firmly in hand you will be far ahead of the game. A couple corollaries: One, the longer a Squeeze persists the less forecasting power it has. Compression seems to dissipate over time, so a Squeeze should arrive and go Bang for the best results. Two, price often emerges from a Squeeze and quickly reverses direction, which is known as a Head Fake. I view the Head Fake as the bread and butter Squeeze trade. More below...

Stocks

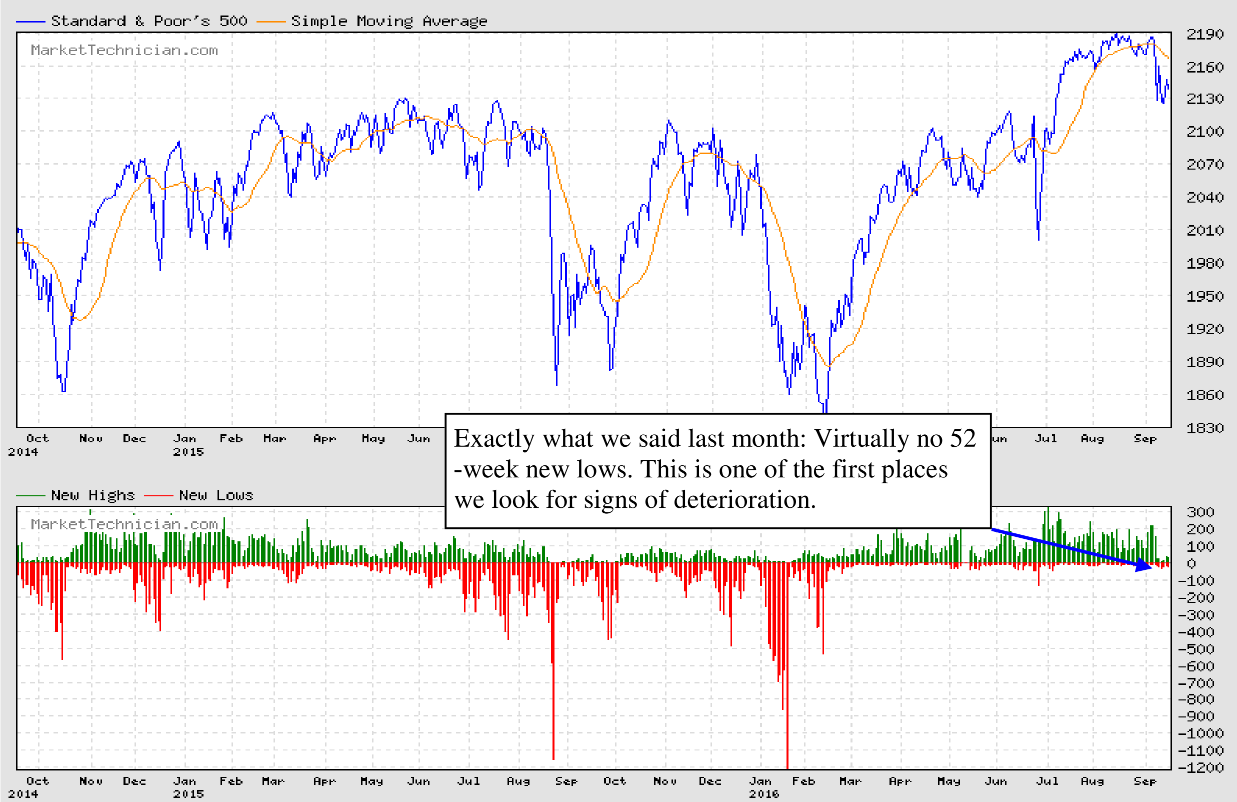
As has been widely observed, the US stock market was



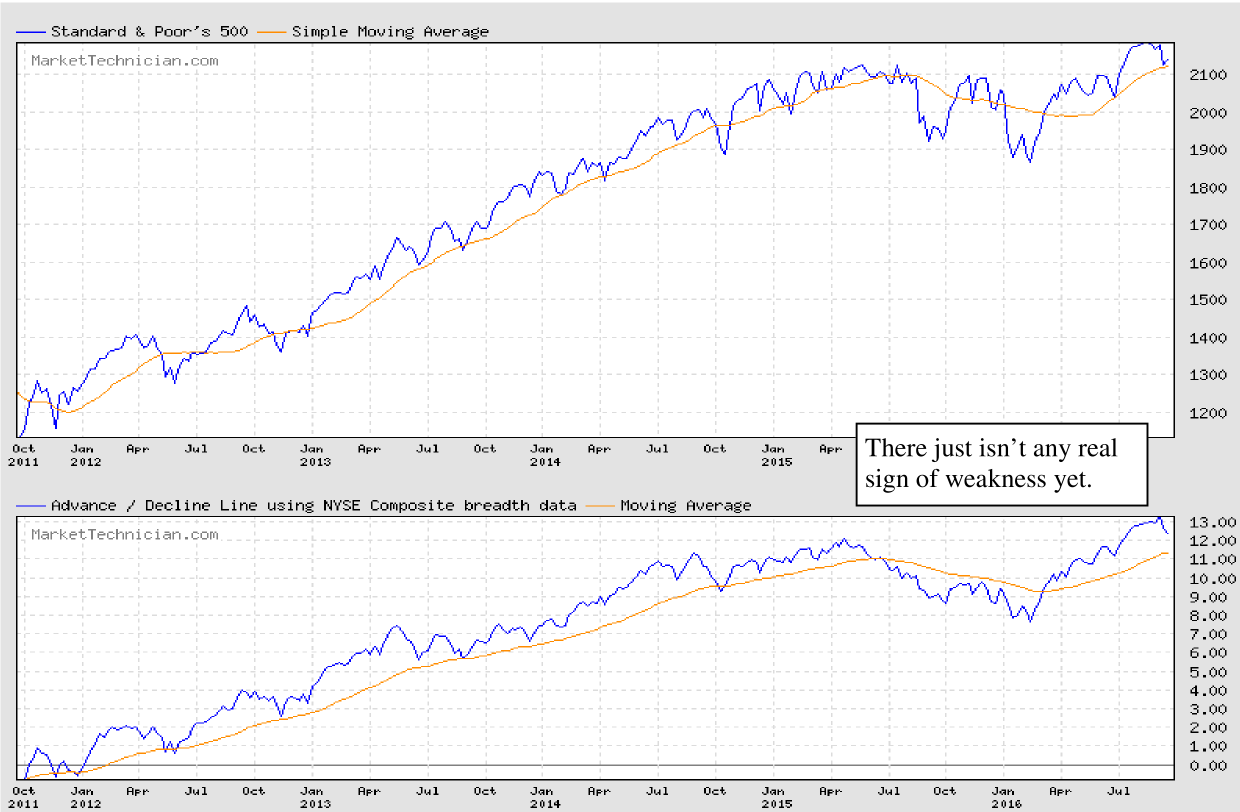
Value Line Arithmetic — One Year



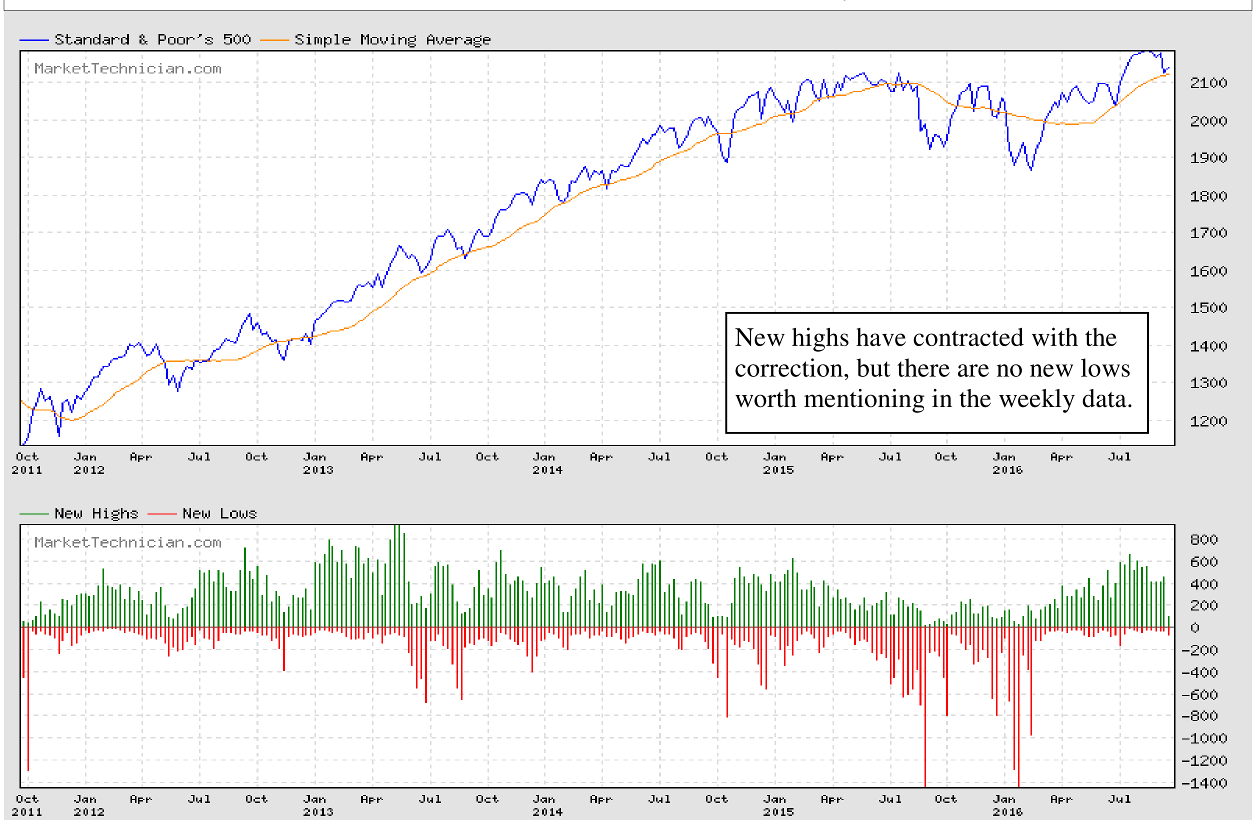
S&P 500 and NYSE Advance - Decline Line — Daily — Two Years



S&P 500 and NYSE New Highs / New Lows Histogram — Daily — Two Years



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

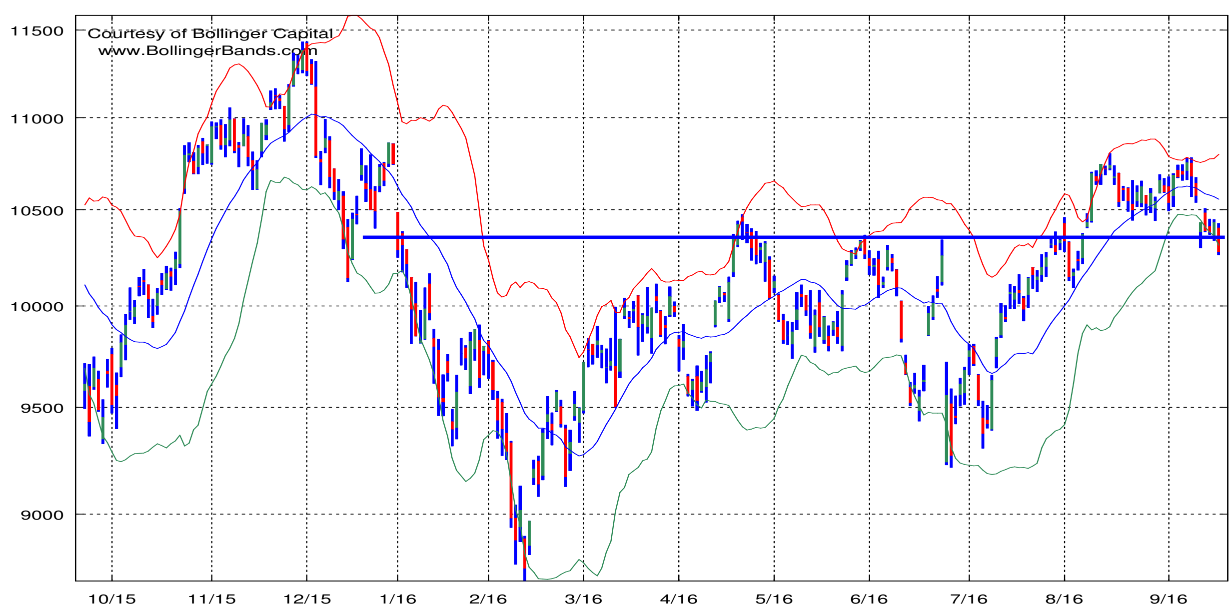


S&P 500 and NYSE New Highs / New Lows Histogram — Weekly — Five Years

Shanghai Composite — SHG — Daily

in a Squeeze through the end of last week. Depending on the pundit, it was the greatest squeeze of all time, or "the bands were at their second-narrowest configuration since the great secular bull market began in 1982" or something equally striking. While those sorts of pronouncements make for eye-catching, click-baity headlines, they don't actually mean anything. A Squeeze is a Squeeze, is a Squeeze, is a Squeeze… The level of a Squeeze in relation to the levels of past Squeezes may be interesting for any number of reasons, but it is not meaningful in terms of gauging the potential of the Squeeze. Why? Because the volatility regime is constantly changing and the only meaningful definition of a Squeeze is the one derived from the current volatility regime. In one market a Squeeze may occur at 5% BandWidth, while at another time it may take BandWidth of 3% to generate a Squeeze; they are both just Squeezes, and one is not more important or meaningful than the other.

The problem with the recent Squeeze in the US stock market is that it went on for too long. It started on August 4th when BandWidth fell to a six-month low and ended on September 9th when BandWidth turned up. It



German Stocks — DAX — Daily

is important to remember that the longer a Squeeze continues the less potential it has. This is true even when a series of new lows in BandWidth occurs. It is the first period of the Squeeze that counts; subsequent new lows in BandWidth do not reset the clock or equal new Squeezes. What we got in US Stocks was a breakdown that failed, then a Head Fake that went nowhere. The normal expectation after a Squeeze is for a big move, but for that you need to Squeeze and go. It is not that a long Squeeze can't produce a spectacular result, it is just that as time passes the odds of a well-defined move decrease.

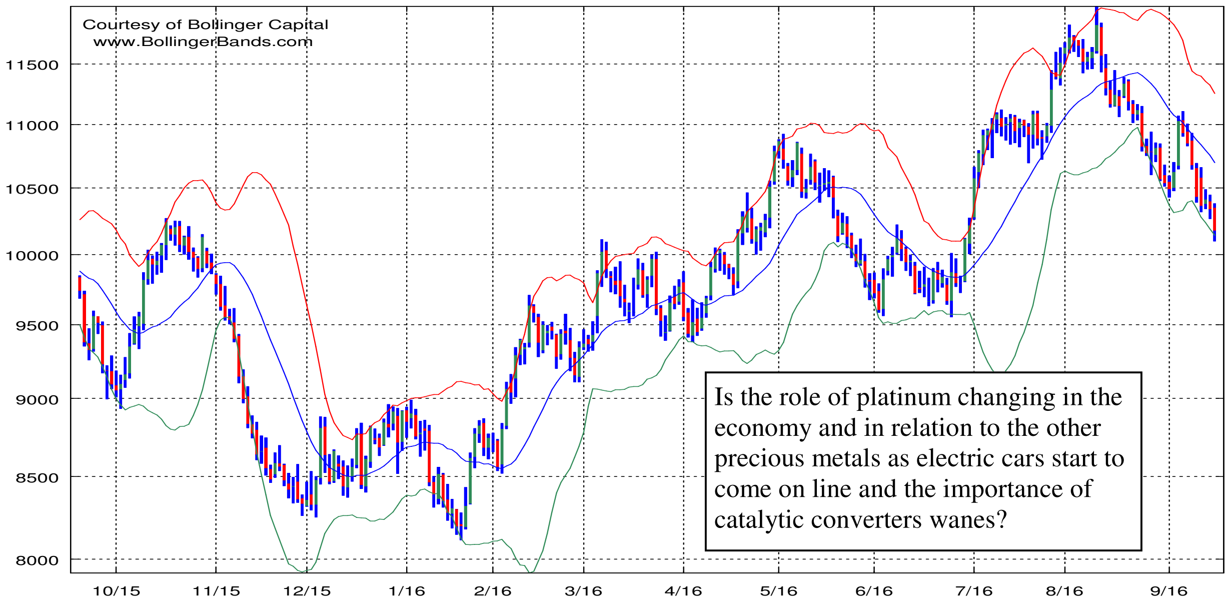
There has been and continues to be a lot of negativity about US stocks. One easy way to see this is in the surge of the CBOE Volatility Index, VIX, on any decline no matter how small. The VIX can be seen as the cost of portfolio insurance and the surge in the VIX as an indication of managers being willing to buy insurance at any cost. This willingness to buy expensive insurance when it was much cheaper just a day ago is an indication of just how deep the fear runs. They say that a bull market climbs a wall of worry and it seems to me that the behavior of the VIX is a perfect example of that idea.

Everyone seems to be looking for a top here, but with the Advance—Decline Line making a steady series of new highs and virtually no 52-weeks new lows in evidence it is hard to make the case for an important top. It is true that new 52-week highs have evaporated over the past week, but at a high we look to new lows for information, and at a low we look to new highs. A correction? Always a possibility.

From a group and sector perspective things still look good, not great, but good. HealthCare topped in April and hasn't been able to record a new high since. Transportation is another lagging sector. Just before the correction started IYT, the transportation ETF, broke out of a long trading range. Of course it got slapped right back into its trading range, but there wasn't a lot of damage done, so a new high, which would be a minor all-clear signal, could be in the cards soon. The Energy Sector has behaved better than crude oil, which is a good sign. The consumer sectors are stalled, which doesn't seem surprising given the aging population and the millennial's disinclination to acquire, but I will be a lot more comfortable with some strength in these sectors. But there is a bigger story in the GroupPower data that may not be evident to all, a story of a rotational correction.

The first sector to top out was Consumer Cyclicals in late April and early May, which is exactly what you'd expect in a big upswing since this sector is the most defensive of the sectors. Next came Energy, which is a bit of an outlier given the turmoil in the international energy markets. Next came Transportation, which seemed odd as we would have expected it to do well in an expansion, but the crushing of coal transport and reduced loading of oil trains seemed to overtake the expansion story. As noted before, IYT, the tradeable transport ETF, broke out just two weeks ago, so the expansion story may still be intact. Then, at the end of July, came a wave of tops starting with Health, then Media, Telecoms, Consumer Non-durables, Yield and finally Basic materials. Last came Tech, Finance, Business, ETFs and Industry, which all made minor tops this

30-Year Interest Rates



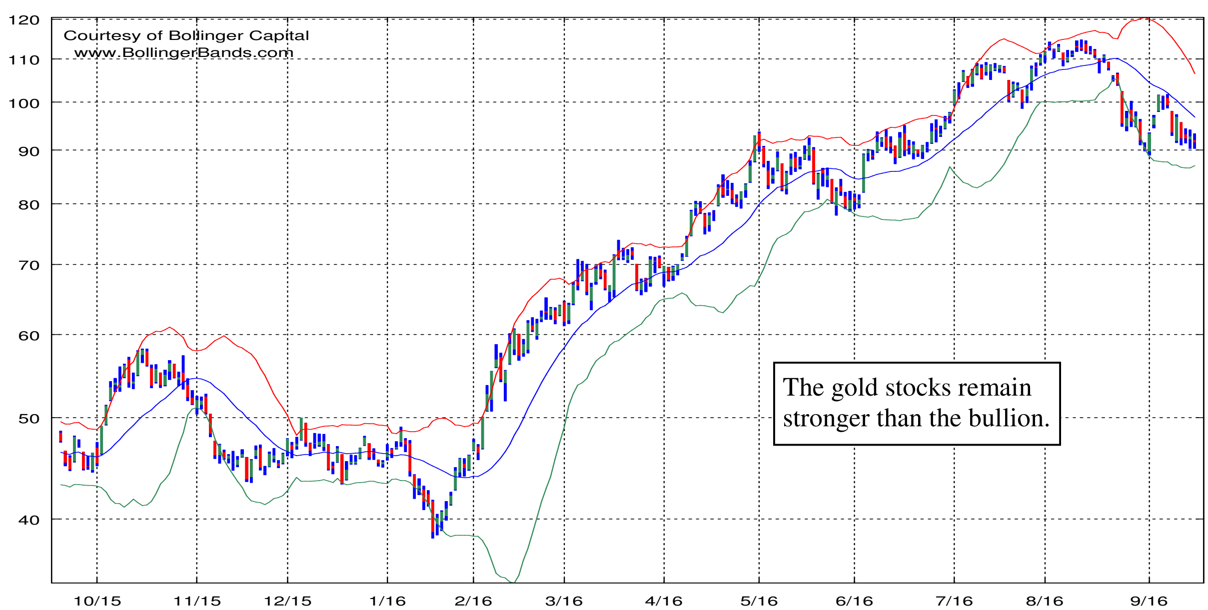
Platinum Futures — PL — One Year

month. Meanwhile stock prices in general moved modestly higher. All told, that is exactly the description of a classic rotational stock-market correction. The question is now whether we get a final washout to complete the pattern or whether the minor price correction we have seen over the past week or so is sufficient? I think so, but until we see some upside confirmation the possibility of a steeper price correction remains.

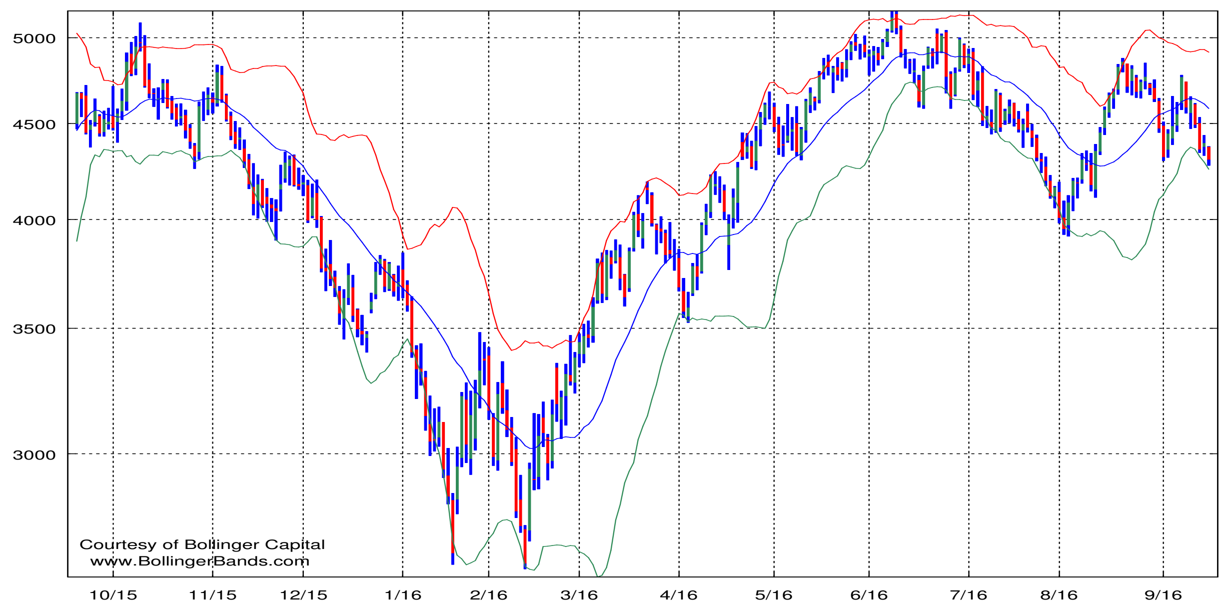
Portfolio Notes

The dollar is struggling to break down out of a trading range. I suspect that Trump's gain in the polls is part of that, plus disappointment that the Fed hasn't raised rates. We'll hold our UDN position as a long-term hedge against dollar devaluation and reevaluate as we go forward.

Bonds remain unattractive. If you must have money in fixed income investments I suggest the short-term bond



Gold Stock Index — XAU — One Year



Crude Oil Futures — CL — One Year

fund sector.

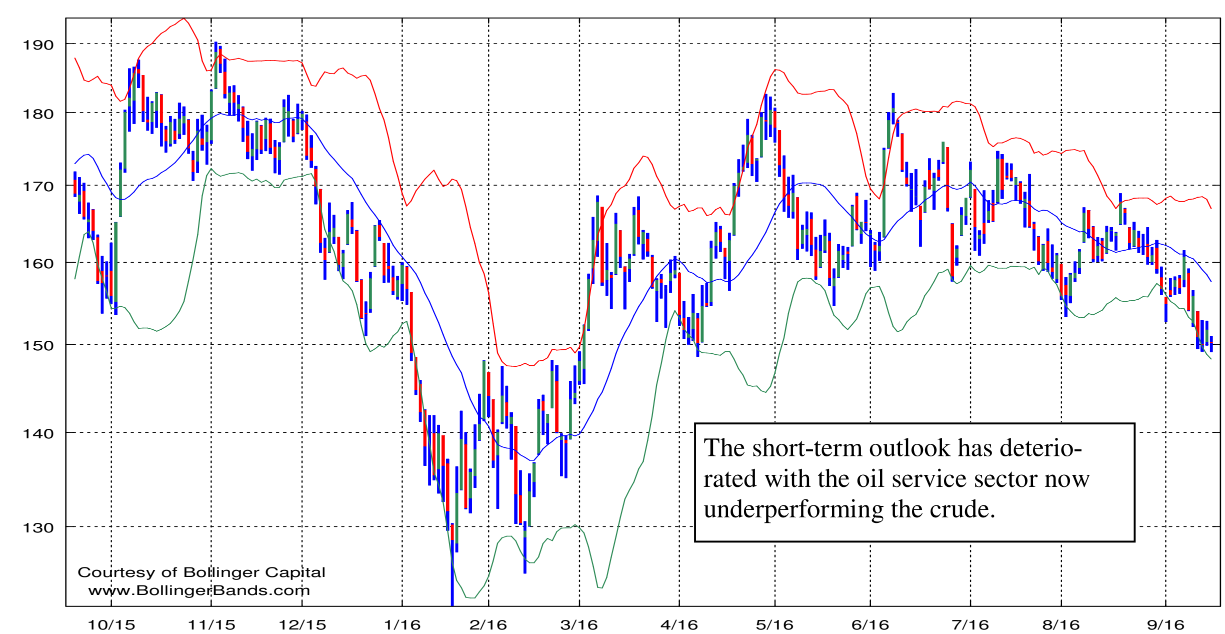
Energy remains attractive on a long-term basis, especially where there are dividends to support the positions.

Gold and the gold stocks are coming up on an interesting place. If they can hold support at the lower band and turn higher I think that there might be a good shot at new highs for the move.

I remain constructive on the market, while monitoring the rotational correction for any signs of deterioration. So far, so good. Key levels have held and the internal condition of the market remains solid.

There was one switch in the ETF portfolios this week, from mid-cap growth into small-cap Growth, IJK to IWO.

The sweet spot in the market seems to be moving from mid-cap to small-cap with a tiny emphasis on growth.



Oil Service Stock Index— OSX — One Year

The Value Line Plan remains out of the market for a second week.

We were early in our commitments to OII and OIH. We'll hold for now, but if things don't improve quickly we'll need to reconsider our commitment. I adjusted both mental stops a bit lower.

You can use this pullback to add to your XIV position.

Anchoring

It is funny how the mind can play games, even when one 'knows better'. Take stock symbol changes for example. UA is Under Armour to most these days, but it is still United Airlines to some, or maybe even United Artists to a few. That is called anchoring and that sort of remembrance is very hard to shed, which is one of the reasons support and resistance are such important features of technical analysis. The novice and the academic look at support and resistance in simplistic ways and are quick to point out that they don't work much of the time. The knowledgeable trader/analyst, takes a much more complex view. Rather than looking at support and resistance as magical levels, they look to support and resistance for information. Support that holds says one thing, and support that fails says another; the most interesting parts are the messages that price throws off when encountering support/resistance. There are a lot of these levels in play in the current market. New highs for many things recently defined by the correction, trading ranges for others, and support at prior breakout points are a few of the anchors in play in the current market.

I once averred that there was as much information or more in a failed signal, level, trend line, etc, as there was in a successful one. Of course that is contrarian information, but it is information nonetheless, and it can be actionable. That observation invariably brings disdain from those who live and breath to importune technical analysis. In its own way that very disdain is comforting, as it suggests that some things that I rely on will go on working.

The bottom line is that there are lots of levels to monitor here to help gauge the ultimate outcome.

The Election

I have no desire to comment on the soap opera that is this election cycle, other than to note that as expected the economic numbers are coming in to support a continuation of the current administration and the most recent report was a whopper. The Household Income Report showed the largest gains in the history of the report. Median American household income soared 5.2% to 57 thousand. Of course that is just a happy (or unhappy depending on which side you are on) coincidence. Isn't it?

We believe that the current administration will continue to do everything in its power of paint a rosy picture, just as every other administration has done before; that means easy monetary and fiscal policy through the elections and good economic reports. (Money supply is ripping along at a blistering 7.4% annual rate of gain.) Of course those reports may not turn out to be so spiffing

Commodity ETF — DBC — One Year

for stocks, as better economic numbers equal ever-greater fear of tightening and, boy, are we ever addicted to easy money. This easy money thing is going to take a long time to work through and the tightening, if only to get back to a neutral monetary policy, will lead to a long period of sub-par performance for stocks in general. In such an environment group and sector work will still do well, so in an odd sort of way we are actually looking forward to the challenge of it. I actually only know one other manager who understands the value of group/sector work, which is amazing to me. I know that it takes more effort than some other approaches, but still, it yields very nicely. If I only had my bands, a few indicators and my group/sector work I think I could still do quite well.

Regarding the Household Income Report: The questions Americans ought to be asking: Are we better off than we have been. Are we freer? Are we wealthier? Are we healthier? Are our children doing better than we did? Are we loved and respected as a people and a nation in world affairs?

Efficient Markets and Economics

An open reply to the efficient market mafia suggesting that *they* find useful employment.

This issue opened with a quote from Paul Samuelson, the economist who spent most of his career at the Massachusetts Institute of Technology, in which he suggests investment managers retire from the field and find some way contribute to GDP. Here is another quote from Mr. Samuelson: "There are very few people or organizations who have any presumptive edge over a low-cost, no-load set of indices, particularly on a risk corrected basis. People used to say that you're settling for mediocrity. Isn't it interesting that the best brains on Wall Street can't achieve mediocrity?" Which I paraphrase as: Isn't it interesting that the best brains in economics can't achieve GDP growth?

Perhaps Mr. Samuelson should have followed his own advice by applying the same inane/simplistic tests that he proposed for investment managers to himself and his fellow economists. For example, any economist who could not show that they had directly contributed to an increase in risk-adjusted GDP, lower unemployment, increased productivity, high personal income, etc. would be invited to commit professional suicide and take up economically useful work on infrastructure, ditch digging for example.

In order to understand how absurd the academy's advice that everyone index is, consider this thought experiment: What would happen if that advice were followed universally? One effect would be that any stock not in an approved index, the S&P 500 or the Wilshire 1,000 for example, would instantly go to zero as there would be no bid for the shares. Another casualty would be that our capital markets would cease to function since there would be no bid for new issues as they are by definition not in indices. Third, information about companies not in indices would vanish as there would be no research apparatus other than that necessary to maintain the indices. Why? If stock picking is no longer used, no one will

Dollar Index— DX — One Year

GroupPower

Sector Ranks

Name	Momentum Short	Momentum Inter.	Momentum Long	$$ Flow
NASDAQ Comp	0.27	0.62	0.81	N/A
Healthcare	0.20	0.16	0.37	60.0
Media	0.11	0.43	0.69	48.0
Technology	-0.02	0.68	1.13	80.8
Transportation	-0.17	0.24	0.36	29.6
Financial	-0.34	0.39	0.63	90.4
S&P 500	-0.44	-0.09	0.21	N/A
Consumer Cyclical	-0.44	-0.10	0.03	59.2
Telecommunications	-0.46	-0.05	0.28	80.8
International	-0.54	0.21	0.47	76.8
Business	-0.58	-0.14	0.14	72.0
Market ETFs	-0.67	-0.16	0.23	100.0
Yield	-0.92	-0.53	0.01	86.4
Consumer Noncyclical	-0.97	-0.61	-0.16	60.0
Industry	-0.98	-0.20	0.38	81.6
Basic Materials	-1.07	-0.21	0.69	58.4
Energy	-1.84	-1.21	-0.66	50.4

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	1.07
10-day Open Adv / Dec	0.97
High-Low Index	65.00
High Low Logic Index	0.49
Percent Above Average	
Percent above 10-day moving average	18.72
Percent above 50-day moving average	34.48
Percent above 200-day moving average	80.79
New Highs and Lows	
13-week new highs	0
13-week new lows	2
26-week new highs	1
26-week new lows	2
52-week new highs	1
52-week new lows	1

Early Warnings

Positive Warnings	Negative Warnings
Diverse Drugs	Mexico
	Oil Services
	Food Wholesalers
	Retail Autoparts

Strongest — GroupPower Ranking — Weakest

Group	Momentum			Money	In/Out	Group	Momentum			Money	In/Out
Name	Short	Inter	Long	Flow	Gear	Name	Short	Inter	Long	Flow	Gear
Gaming Equipment	3.58	3.43	3.38	77.6	0.53	Brazil	-1.15	0.69	2.02	79.2	0.88
Cable Television	2.97	2.90	2.54	70.4	0.33	Management Services	-1.15	-0.51	0.08	76.0	0.89
Diverse Drugs	2.57	1.76	1.10	20.8	0.67	Property Management	-1.16	-0.53	-0.29	70.4	0.89
Coal	2.23	3.33	3.59	56.8	0.72	Food General	-1.21	-0.87	-0.19	76.8	0.34
Oil Refining	1.91	1.09	0.32	60.0	-0.02	REIT Retail	-1.22	-0.56	0.06	87.2	0.74
Personal Computers	1.60	1.80	1.84	72.8	0.83	Automobile Mfg	-1.22	-0.08	0.12	72.0	0.77
Diagnostic Products	1.60	1.60	1.37	54.4	0.62	Household Durables	-1.24	-0.76	-0.14	70.4	0.84
Vehicle Other	1.50	2.83	3.38	62.4	0.61	ETF Real Estate	-1.31	-0.83	-0.28	85.6	0.58
Biotech	1.19	1.23	1.41	20.0	0.71	Chemicals Commodity	-1.31	-0.78	-0.20	80.8	0.79
China Mainland	1.13	1.97	1.96	57.6	0.65	ETF Basic Materials	-1.35	-0.56	0.28	47.2	0.93
Hong Kong	1.01	1.19	0.88	63.2	0.65	REIT Industrial	-1.36	-0.80	-0.14	93.6	0.48
Drug Delivery System	0.97	0.26	0.29	25.6	0.55	Korea	-1.37	-0.28	0.40	76.8	0.90
Russia	0.96	1.50	1.63	52.0	0.46	Alcoholic Beverages	-1.38	-0.74	-0.34	72.0	0.80
Retail Electronics	0.94	0.87	0.15	13.6	0.79	Energy Royalty Trusts	-1.40	-0.28	0.77	53.6	-0.07
Semiconductor	0.82	1.60	2.06	78.4	0.80	Industrial Prod Dist	-1.42	-0.39	0.18	91.2	0.80
Networking	0.81	2.11	2.56	78.4	0.66	Household Products	-1.44	-0.49	0.57	96.8	0.81
Casinos	0.79	1.05	1.19	80.8	0.70	Retail Autoparts	-1.44	-1.02	-0.46	83.2	0.45
Software Multimedia	0.78	1.31	1.71	94.4	0.82	Retail Discount	-1.47	-1.50	-0.85	80.8	0.21
Movies Studios	0.64	0.65	0.87	86.4	0.85	Publishing	-1.49	-0.66	0.10	85.6	0.95
Israel	0.56	1.07	1.18	43.2	0.80	REIT Office	-1.52	-0.71	0.16	94.4	0.79
Contract Elec Manu	0.55	1.21	1.63	92.0	0.83	REIT Health	-1.54	-0.74	0.06	93.6	0.72
eCommerce	0.42	1.38	1.85	64.0	0.71	Holland	-1.55	-0.89	-0.85	44.8	0.72
Recreation Products	0.41	0.83	0.79	72.8	0.87	Energy Market Dist	-1.57	-0.86	-0.13	53.6	0.70
Brokers	0.38	0.63	0.57	78.4	0.79	Metal Fabricators	-1.58	-0.68	0.04	69.6	0.93
Comps Parts	0.38	1.34	1.29	51.2	0.56	Construction	-1.58	-0.26	0.64	94.4	0.90
ETF Technology	0.35	0.97	1.29	84.8	0.84	Footwear	-1.61	-0.91	-0.44	43.2	0.66
Internet Info Prov	0.34	1.14	1.89	92.8	0.88	Clothing and Fabrics	-1.63	-1.16	-0.92	68.0	0.56
ETF Health	0.33	0.44	0.50	75.2	0.89	Elec Distributors	-1.63	-0.96	-0.37	63.2	0.84
Market Exchanges	0.31	0.89	1.24	92.0	0.80	Major Oil Companies	-1.67	-0.90	-0.31	86.4	0.37
IT Security	0.29	1.04	1.52	72.0	0.77	Mining Diversified	-1.69	-0.59	0.14	63.2	0.86
Hospitals	0.28	-1.35	-1.78	55.2	-0.29	Home Construction	-1.71	-0.76	-0.18	69.6	0.83
NASDAQ Comp	0.27	0.62	0.81	N/A	0.91	Fertilizer	-1.72	-0.91	-0.79	40.8	0.30
Elec Components	0.24	0.60	1.00	80.0	0.85	Industrial Diverse	-1.72	-0.95	-0.41	77.6	0.92
Health Care Plans	0.21	0.08	0.25	71.2	0.59	Retail Broadline	-1.73	-1.24	-1.15	40.8	0.69
Containers Packaging	0.19	0.88	1.25	100.0	0.79	Recreational Vehicles	-1.73	-0.83	-0.10	70.4	0.94
Switzerland	0.18	1.13	1.06	80.8	0.60	Toys Games	-1.78	-0.93	-0.20	80.0	0.90
Retail Transport	0.17	1.01	0.99	50.4	0.82	Comps Data Storage	-1.82	-0.79	-0.38	41.6	0.79
Asset Management	0.16	0.66	0.66	73.6	0.83	Building Materials	-1.83	-0.99	-0.21	96.0	0.91
Insurance Life	0.12	0.94	1.04	75.2	0.64	Food Retailers	-1.87	-1.60	-1.19	35.2	0.15
Internet Consumers	0.11	1.15	1.71	84.0	0.81	World Oil Companies	-1.89	-0.89	-0.10	82.4	0.56
Wireless Communications	0.11	0.81	1.47	86.4	0.83	Oil Services	-1.96	-1.72	-1.60	42.4	0.04
Spec Health Service	0.09	0.22	0.55	83.2	0.24	Industrial Services	-2.06	-0.60	0.40	81.6	0.93
Auto Parts	0.08	0.81	0.91	56.8	0.76	Precious Metals	-2.17	-1.11	0.75	74.4	0.50
Semiconductor Equip	0.07	1.18	1.87	87.2	0.79	Food Wholesalers	-2.24	-1.81	-1.14	53.6	0.02
Trucking	0.05	0.26	0.32	72.0	0.92	Educational Services	-2.29	-2.46	-1.81	39.2	0.32
Adv Medical Devices	0.04	1.23	1.91	85.6	0.79	REIT Lodging	-2.30	-0.97	-0.13	75.2	0.90
Prescript Benefit Mgt	0.02	-0.10	0.34	78.4	0.53	Cement	-2.50	-1.18	-0.17	87.2	0.92
Agricultures	0.02	-0.37	-0.24	52.8	-0.50	Mexico	-2.70	-1.84	-1.29	69.6	0.64
Software Business	0.00	0.85	1.44	98.4	0.85	Steel	-2.83	-1.83	-0.31	58.4	0.73
Electronics	0.00	0.48	0.86	97.6	0.91	Oil Drilling	-2.95	-2.85	-2.20	49.6	-0.41
Lab Research	-0.03	0.08	0.16	62.4	0.90	Solar Energy	-3.33	-3.20	-3.52	9.6	0.16
Consumer Services	-0.04	0.30	0.52	58.4	0.94						

Sector Selector ETF Portfolios (Experimental)

Exp. ETF Portfolios	Symbol	Date	Purchase	Current	Dividends	Return	Rank
		Selected	Price	Price			
Style							(# in 21)
Russell 200 Growth	IWO	9/16/2016	146.50	146.50	0.00	0.00%	3
Russell Mid-Cap Valu	IWS	4/11/2016	70.61	75.18	0.42	7.06%	1
S&P 500 Growth	IVW	8/15/2016	123.08	120.65	0.00	-1.97%	7
International							(# in 24)
Brazil	EWZ	6/24/2016	27.51	32.67	0.00	18.76%	5
Russia	RSX	4/8/2016	16.85	18.16	0.00	7.77%	8
Canada	EWC	5/16/2016	24.53	24.91	0.20	2.37%	11
Sector							(# in 27)
Technology	IGN	9/9/2016	39.22	39.62	0.00	1.03%	2
Software	PSJ	8/8/2016	45.47	47.34	0.00	4.11%	3
Gold	IAU	6/24/2016	12.77	12.64	0.00	-1.02%	6

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	3	Large Cap	2	10/19/15	203.20	213.37	3.34	6.7%	205.00	Hold
2	Russell 2000	IWM	1	Small Cap	1	11/02/15	118.21	121.86	1.44	4.3%	112.00	Hold
3	Russell 1000 Growth	IWF	2	Large Cap	1	11/12/15	98.76	103.28	1.14	5.7%	99.00	Hold
4	S&P 500 Value	IVE	2	Large Cap	1	03/21/16	90.09	94.00	1.08	5.5%	91.00	Hold
5	British Petroleum	BP	3	Oil Major	3	03/21/16	31.43	33.31	0.60	7.9%	32.00	Hold
6	Royal Dutch	RDS-A	3	Oil Major	3	03/21/16	48.91	47.50	1.54	0.3%	47.50	Stopped
7	S&P MidCap	MDY	2	MidCap	1	04/18/16	267.64	276.37	0.85	3.6%	266.00	Hold
8	Chevron	CVX	3	Oil Major	3	08/08/16	101.15	97.84	1.07	-2.2%	97.00	Hold
9	Oil Services HOLDRS	OIH	3	Oil Service	3	08/08/16	28.87	26.70	-	-7.5%	25.00	Hold
9	Oceanering	OII	4	Oil Service	3	08/22/16	28.03	25.26	0.27	-8.9%	24.50	Hold
Core Portfolio - International												
1	Japan	EWJ	2	Japan	2	12/14/12	9.45	12.09	0.48	33.1%		Hold
1	World	VEU	2	International ETF	1	10/19/15	45.53	44.17	0.87	-1.1%		Hold
Core Portfolio - Dollar Diversification												
1	Dollar Down ETF	UDN	2	Bear Yield	4	07/18/16	21.71	21.95	-	1.1%		Hold
Core Portfolio - Yield												
1	Barclays High Yield	JNK	2	High Yield	2	02/20/09	29.17	36.14	19.75	91.6%		Hold
2	iShares High Yield	HYG	2	High Yield	2	02/20/09	69.98	85.91	39.07	78.6%		Hold
3	PS Finan. Preferred	PGF	2	Yield	2	03/13/09	8.35	18.88	9.16	235.8%		Hold
Core Portfolio - Speculation												
1	VIX Inverse	XIV	2	Bull Market	1	10/06/15	27.29	33.40	-	22.4%		Add

Portfolio Notes: Portfolio notes are in the main body of the letter this month.

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pay for useless research. (Individual companies might research competitors, but that would be private information.) Next, the exchanges as we know them will go out of business, as trading will in effect cease. I could go on, but the point is clear; if everyone followed the academy's advice to index the result would be the destruction of our capital markets and our economy as we know it. I recently saw a film about the brilliant Indian mathematician, Srinivasa Ramanujan, that illustrates the core problem clearly, academic arrogance. Simply put, academicians tend to feel that they have the key to the highway and that others with non-mainstream opinions are simply wrong. History shows how absurd that idea is and suggests humility rather than arrogance is the better way forward. Paul Samuelson and the efficient market mafia have battered the opposition so relentlessly that they have had the effect of stifling research on, and the publication of, opposing ideas. (Many academics who could not swallow the efficient-markets pill simply opted out of the academy, migrating to Wall Street.) In short, they have terminated discourse other than on their terms. This can hardly be a desired result. One would hope that the academy would encourage the widest possible diversity of opinion and actively foment opposition to 'settled' theory. Instead we have the dean of economics at MIT asking the opposition to commit suicide, and in print nonetheless.

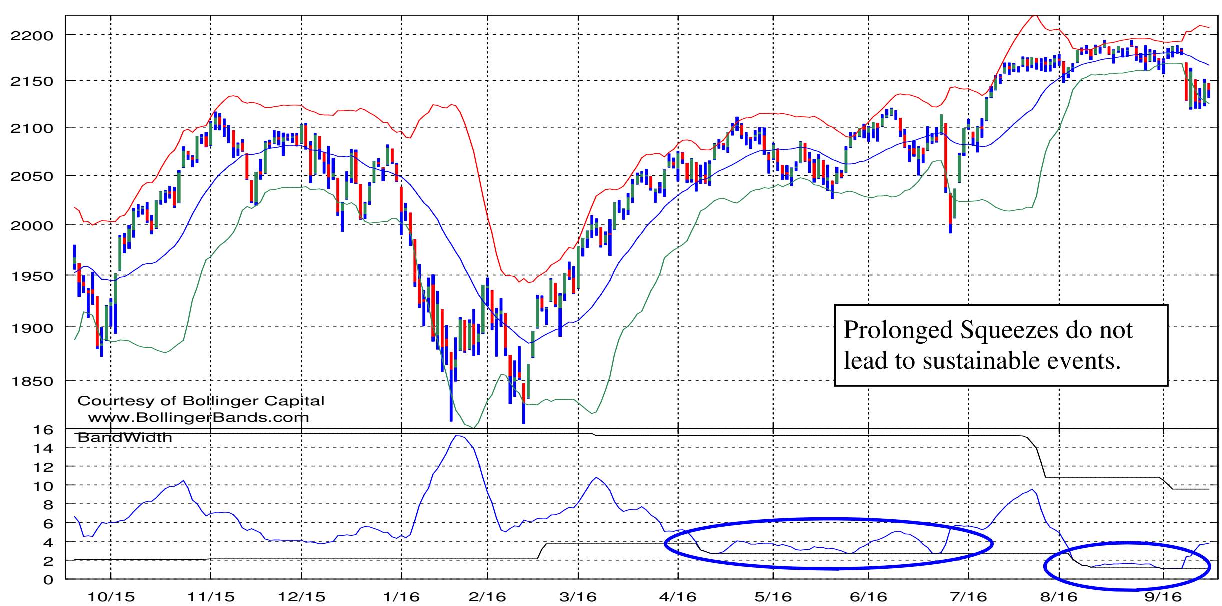
An interesting indication of this attitude is the idea presented in article after article stating that if academics can't get technical analysis to work then no one can. These articles usually test rules like moving average crossovers and conclude that because the authors were unable to extract value from the tested rules technical analyst is bankrupt. Who are they, with no experience in the markets, to be the arbiters of what is possible and what is not?

And finally, one last quote from the same source and one last paraphrase. "Any jury that reviews the evidence, and there is a great deal of relevant evidence, must at least come out with the Scottish verdict: Superior investment performance is unproved." Which I paraphrase as: Any jury that reviews the evidence, and there is a great deal of relevant evidence, must at least come out with the Scottish verdict: Superior economist performance is unproved.

Appearances

IFTA 2016,
October 21-23, 2016
Sydney, Australia
http://conference.ifta.org/2016/

TradersExpo
Nov 16-18, 2016
Las Vegas, Nevada
http://www.lasvegastradersexpo.com



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