

CAPITAL GROWTH LETTER

"Everyone realizes that the amount of volume in a stock is a measure of interest in the stock on a particular day. It is further generally assumed that if the price of the stock is up on the day, it is being "bought" and if the price of a stock is down from the prior day, it is being "sold." Yet, for every buyer there must be a seller, and vice versa. So those who, at least, understand the above truism really mean that if the price is up on a given day, the people who do not own the stock and want to are more aggressive than the sellers who do own the stock and don't particularly want to let it go. In other words, buyers are placing orders to buy at-the-market and accepting the ask-price of the specialist and the sellers are simply placing limit sell offers and helping to make the market." Intraday Intensity Index, by David B. Bostian, Jr. 1967

Investing

I recall from many years ago one particularly vicious attack on technical analysis that was laced with ridicule. It had to do with the idea that the NYSE advance – decline line hadn't made a new all time high along with "the market", read S&P 500, for a number of years.

The time frame analyzed included the period of the "Nifty 50" stocks, also called "one-decision" stocks because the only decision you ever needed to make was to buy them. That was a very narrow market in the sense of the action being concentrated in just a few names. (We would see something like it again in 1999/2000.) As many technicians correctly forecast the "Go Go Years", to cite another moniker for the Nifty 50 era, ended badly with the 1973/4 bear market. Interestingly enough, many of those included analysis of advance and decline data.

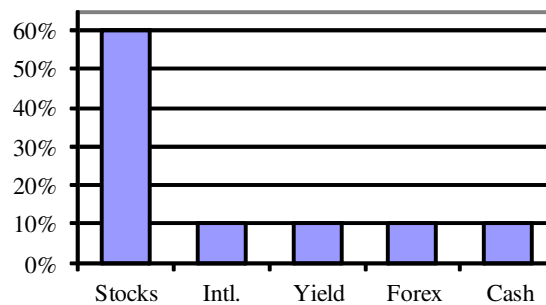
All of that occurred in the midst of the 1966 to 1982 "trek to nowhere" dominated by a roof on stock prices delineated by a milestone, Dow 1,000. More on milestones later. I came into the profession in 1980, just in time to learn the lessons of that era and prepare for a new era, the great 1982 to 1998 bull market. Looking back my timing was really very good; let's just say that I was lucky to enter the markets at a near perfect time. As Mikie was fond of saying, "I'd rather be lucky than smart.", though he was actually both.

The Investing Environment

Monetary	Model	Current
Fed Model	Neutral	
Yield Curve	Positive	1.88
Money Supply	Positive	7.5%
Sentiment	Model	Current
Net Bulls	Negative	40.3
Options	Positive	0.93
Valuation (S&P 500)	Last Signal	Current
Yield		2.07%
P/E Ratio		25.56
Current Trends	Short Term	Long Term
Stocks	Up	Up
Interest Rates	Up	Up
Energy	Up	Up
Gold	Down	Down
Commodities	Up	Up
Dollar	Up	Up

Monetary growth is still very strong!

Asset Allocations



Getting back to my point, the sort of simplistic technical analysis used in the study almost never works and is oft cited as "evidence" that technical analysis doesn't work, when just up the grade lies real value. Of course what is needed is a more sophisticated, often relativistic, approach. However, people capable of doing that almost always become practitioners rather than academics. And since the academy is rather insular, there is little constructive dialog within the academic community. Interestingly enough, over the past 20 years many academics have been turned to the dark side (active management). These conversions have come more from the ranks of mathematics, engineering, and other similarly quantitative disciplines rather than from economics, the folks who seem to be the most rabid about the market being "efficient".

For those with open minds, the broad-market data series like the advancing and declining stock numbers, the numbers of stocks making new 52-week high and lows, the relative action of industry groups and market sectors, the difference in performance between large stocks and small / growth and value, the performance of quality versus junk and many more related series, along with some of the indicators derived from them, can add substantial value to the portfolio management process.

One step in the right direction is to start focusing on absolute performance rather than relative performance. Who cares if you beat the market? Only a few economists at MIT. So what should we care about? Meeting goals. How much return is needed/wanted? How much risk can be accepted? What sorts of securities are appro-

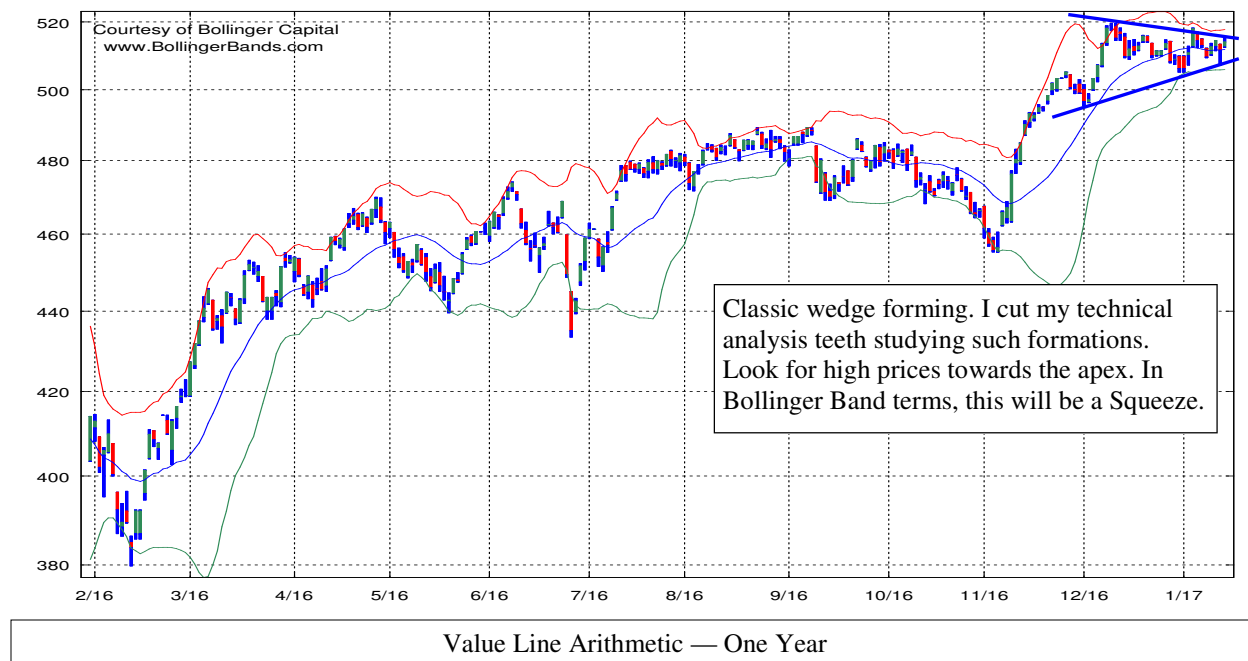
priate? Is taxation a factor? Is turnover a consideration? How much income is needed? Sleeping well? What are the horizons? In short, it is not about markets; it is about investors.

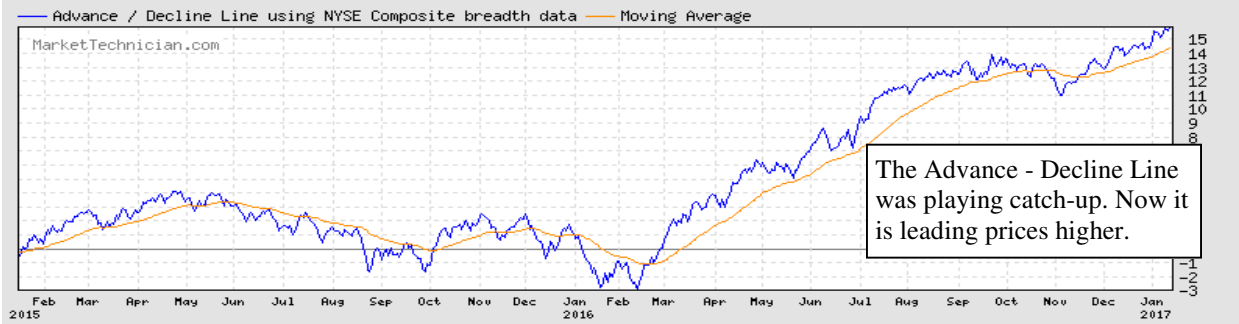
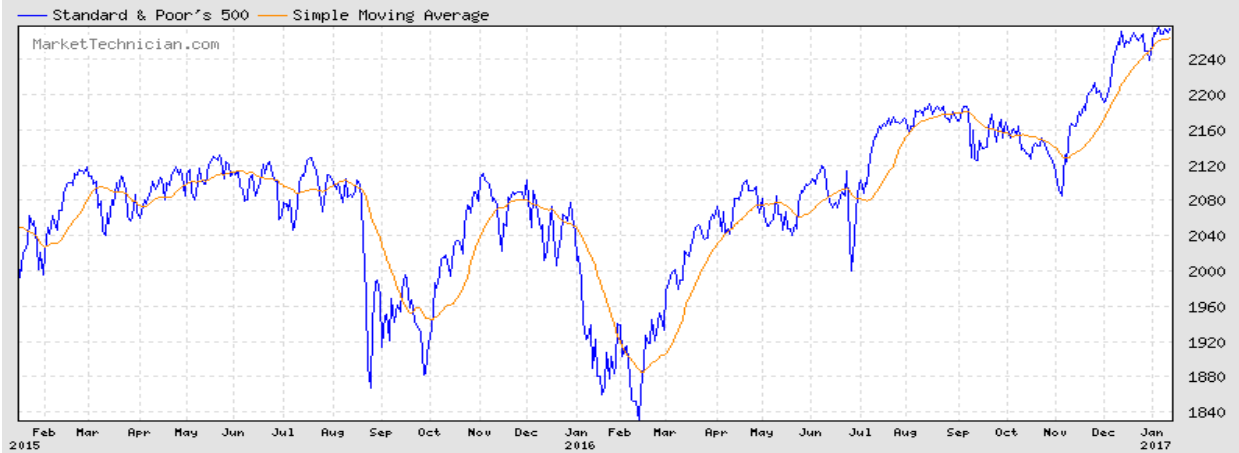
Today many 'investors' are facing these questions: Market gone sideways for years? Yields too low for assumptions? Volatility too high for comfort? Too much churning? Not earning enough to fund retirement? Market return more like 3% than 10% when minimum assumptions are more like 9%?

The whole approach is wrong. You can't just assume that you are going to earn $n\%$ over the long haul. Even if it is true, the long haul may be too long for your needs. As Keynes famously said: "In the long run we are all dead." The free lunch the economists promise simply isn't free and often isn't even lunch. What is needed is a rational approach that utilizes the tools at hand and the available materials (markets, securities...) to create a modern approach to earning returns. That is of course what this letter has been about for many years, and what it will continue to be about.

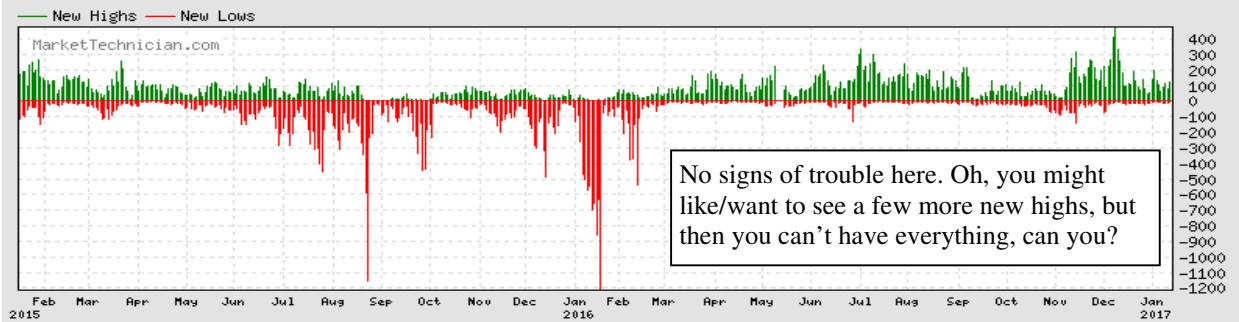
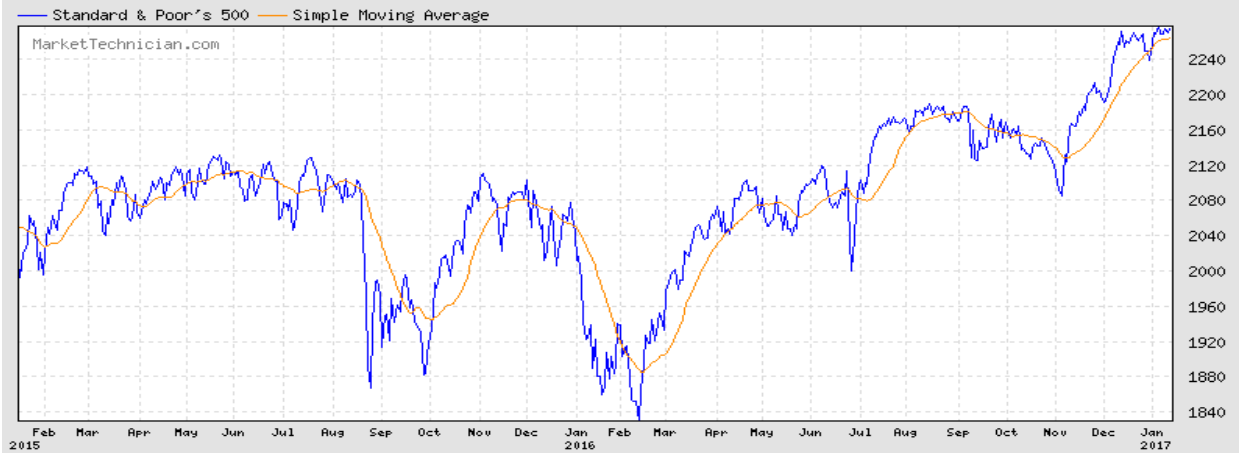
Stocks

Over the years this letter has mostly been about US stocks. Though we have strayed far afield from time-to-time in search of opportunity, US Stocks will likely continue to be our main focus and source of returns in the future. Why? US stocks are liquid, transparent and trade in large, decently regulated, reasonably fair markets and present lots of diverse opportunities. The only time a

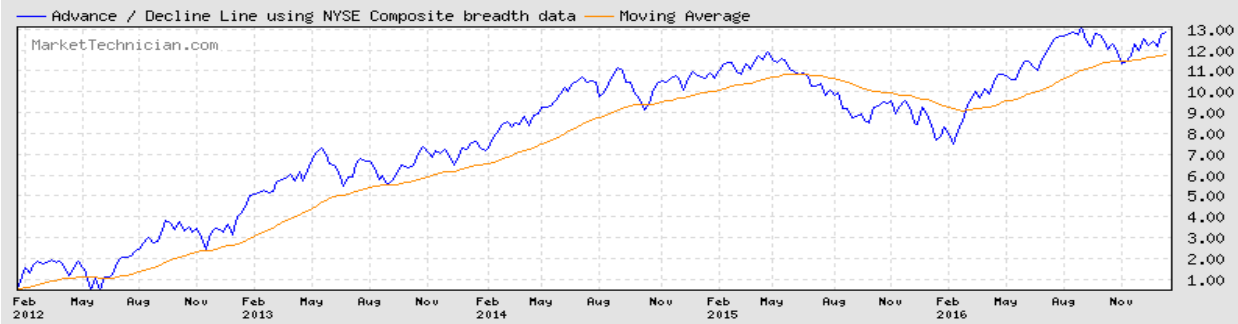
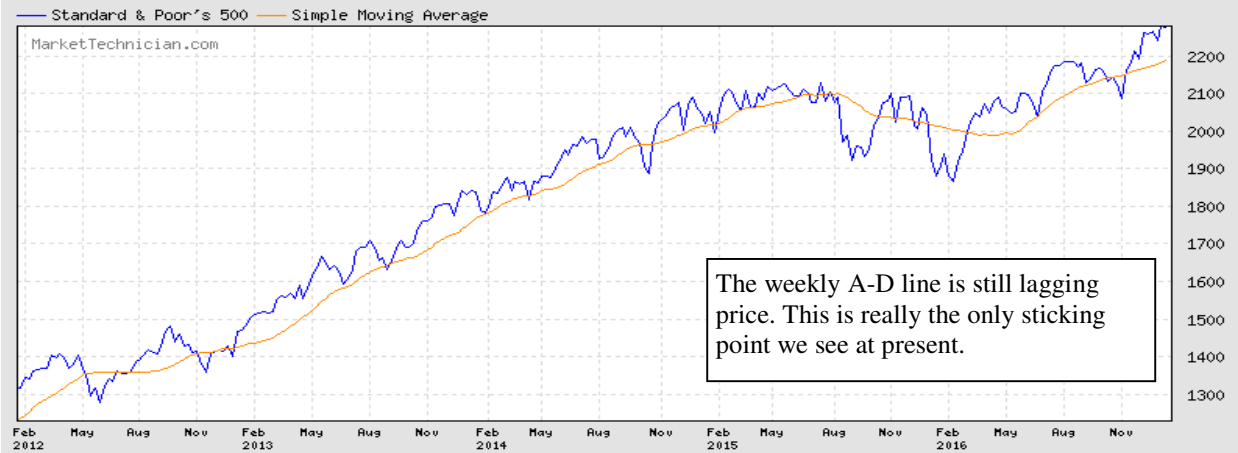




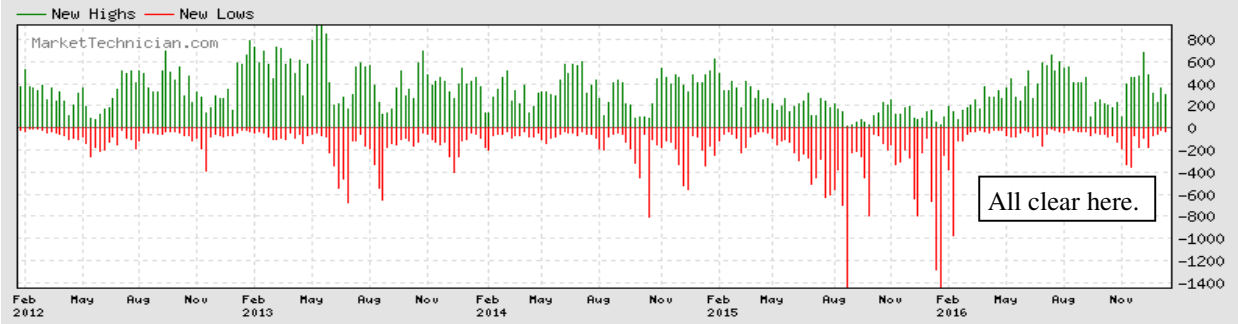
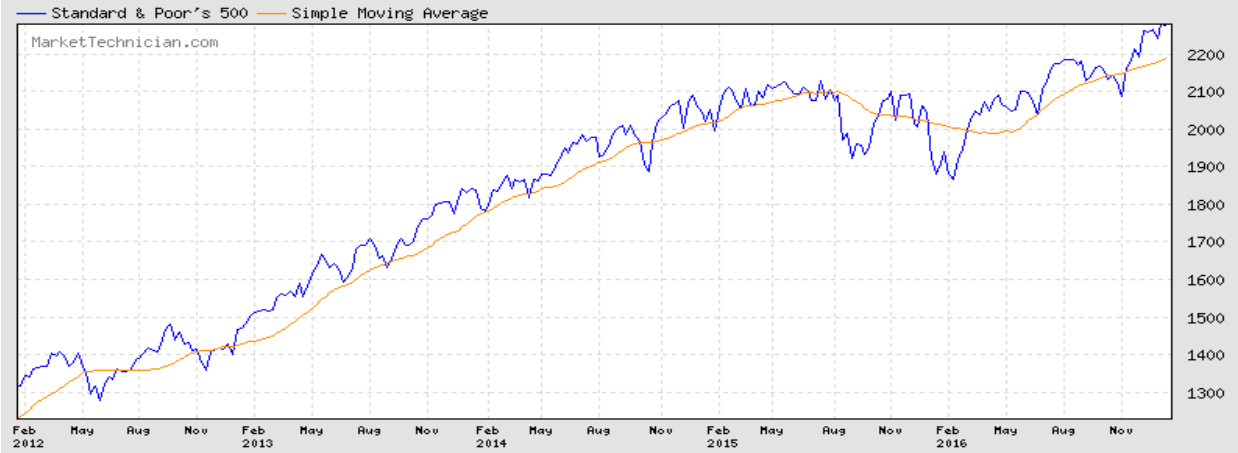
S&P 500 and NYSE Advance - Decline Line — Daily — Two Years



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



FTSE — Daily — One Year

focus on US stocks doesn't seem like a good idea in a bear market when most correlations approach one. Then the only solace is in cash or short positions, but even then there are opportunities for the clear-sighted. However, a bear market is clearly not the case at present; we are in midst of a bull swing, a swing that looks like it still has legs.

The sorts of things that we would expect to see if there was real danger simply aren't there. Breadth and participation are good, new lows are non-existent, and group and sector rotation is healthy. On the negative side,

valuations are troublingly high and interest rates are rising. One counter to those high valuation concerns is better growth prospects under a new administration. An important counter to rising interest rates is strong money supply growth that suggests that rates are being allowed to return to equilibrium rather than implementing a tightening of monetary policy. (M2 is currently growing at a scorching 7.5% annualized rate.) If we see prices start to take notice of negative factors we will consider fielding some defense, but until then we'd best be making some money while there is money to be made. (Reaction to news is a very important vector here, good



Nikkei 225 — NIK — Daily—One Year

news is being chatted up and bad news ignored at present. When that starts to change we'll have a reason to seriously consider fielding some defense.)

Scanning the Charts

Confirmation of the idea of a continuing bull market comes in part from the large number of stocks that we see that have corrected, based, and are turning higher. The primary way I observe that is by keeping the front page of BollingerOnBollingerBands.com (BBands.com) open on my desktop. When you first open the site, the default chart on the front page will be the S&P 500. If you let it sit for a minute or so the site gets bored and displays a stock at random from our database. Roughly once a minute it moves on to another random pick. Over the course of a typical work day the site will cycle through nearly 500 stocks.

I used to do this sort of scanning by leafing through the SRC chart books or DailyGraphs, but this approach is much better in my opinion. Why? Because the machine makes the picks without involving our cognitive biases. What you are getting is a true random sample, and once you have seen 30 or so charts you start to get a feeling for what is going on out there.

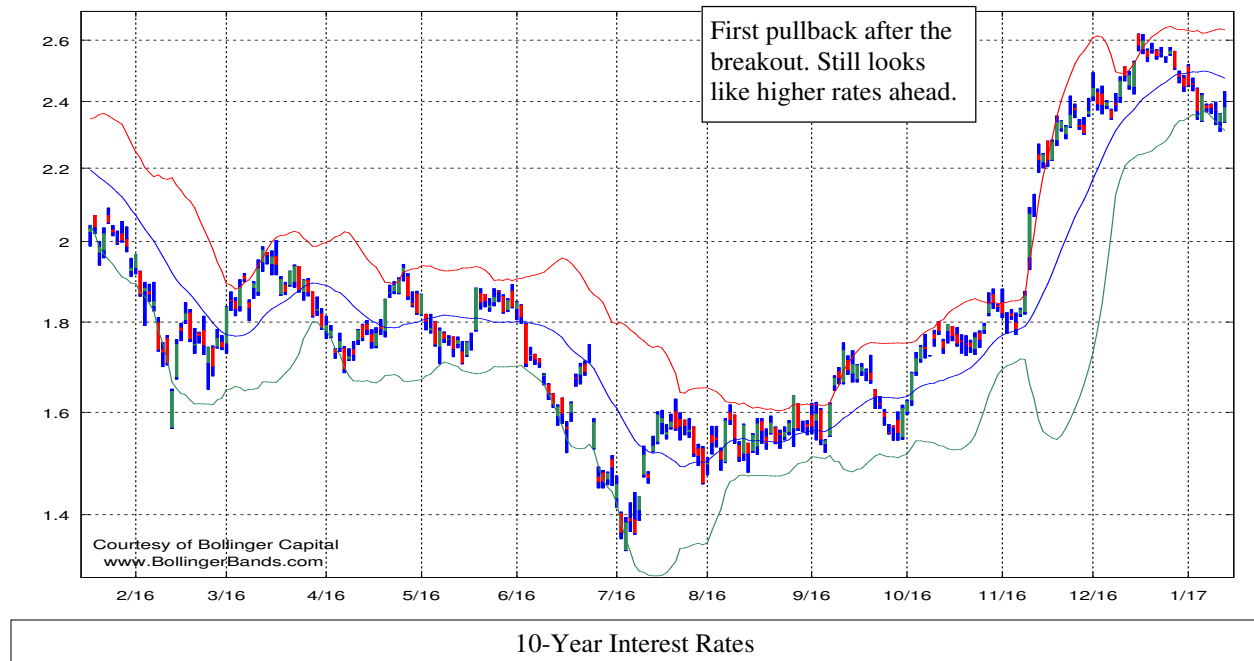
Another major benefit is that you see charts that you would never see otherwise, and often you will find yourself saying "Now that's interesting." For example, early last week I saw Revlon, REV, which sent me off to explore that unloved group and lagging sector.

Market Structure

Taking a look through the US stock market sectors several interesting trends stand out. First, Healthcare is starting to rotate upward after having been in the dog house for quite a while. That is really a contrarian play given all the uncertainty regarding the new administration and the potential changes in the national health system. However we have learned over the years that the markets are often smarter than we are, so we are going to put some money to work in this sector. For now we'll add IYH to the portfolio and perhaps something else later. The second sector that has improving momentum and an interesting pattern is another unloved sector, Telecomm. Here we will play with a twist; another improving sector is International, so rather than just buying one of the US Telecomm ETFs, we'll go for the combo and buy the Global Telecomm ETF, IXP. Both in the Core Portfolio.

Milestones – 20,000 Ho!

One of the favorite targets of the critics of technical analysis is the milestone, the round numbers that the market seems to have such a fascination with. Anyone who has ever traded actively knows that milestones are important and can be useful. For example, the milestone currently in play is 20,000 for the Dow Jones Industrial Average. Does this number have some special significance, something else going for it other than being round? No. Yet traders respect it, as in "Respect this!" For example, on the 6th of January the Dow got to a high of 19,999.63 on an intraday basis, turned back and





Healthcare ETF — IYH — One Year

has yet to make another approach. Some might argue that is a random event, but traders know better.

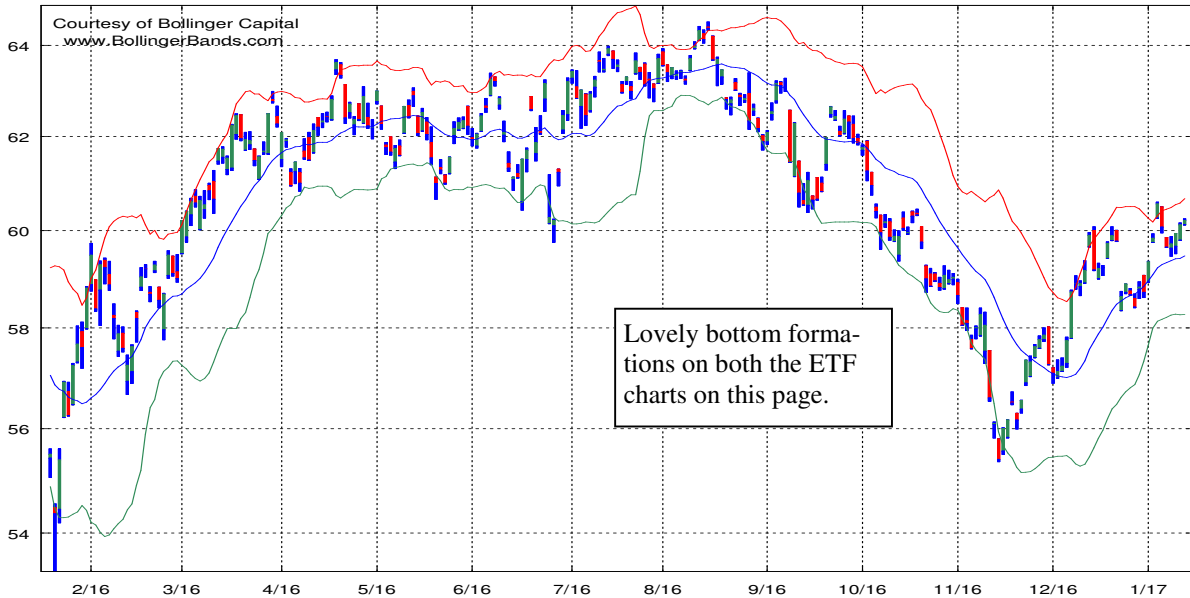
Our take; we are stalled beneath an important psychological level and each time we approach it selling will materialize until we have exhausted supply at that level. Only then will we be able to jump across it and continue to follow the typical key level pattern; hesitate below, jump across, rally, pullback, and then get on with business. The more important the milestone and the greater the run up to it, the longer it is likely to remain a factor. If you doubt that idea, just look back to Dow 1,000,

which ruled the market for 16 years after a massive run up, or Dow 100, which ruled in a different way for a similarly long time.

Our final take, don't expect these things to repeat exactly; they are more often like rhymes than quotes.

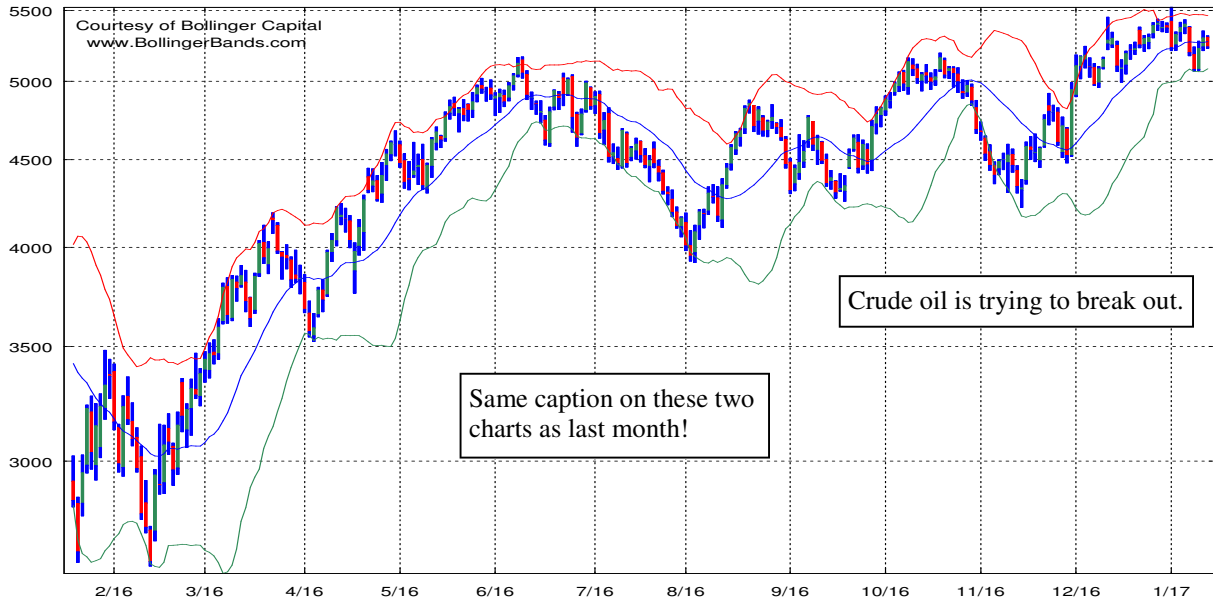
The Januaries

It is that time of the year again, time for the three Januaries, the two January Barometers and the January Ef-



Lovely bottom formations on both the ETF charts on this page.

International Telecomm ETF — IXP — One Year



Crude Oil Futures — CL — One Year

fect.

The Barometers say: As goes January so goes the year. There are two versions, the first five trading days of the month and the full month. In each case the sample period is used to forecast the performance for the balance of the year. There are vastly differing opinions on the worth of this method of forecasting, for example Mark Hulbert just did a hatchet job on Barometers in the *Wall Street Journal*. I take the Barometers to be psychological indicators of minor importance in that they set the tone of the market in some peoples' minds. Yale Hirsch

and his son Jeff are the chief exponents of this approach and John McGinley is the exponent of the five day version. I'll leave the actual provenance to those who think that they can sort it out. The record so far; the first five days of January were up so the forecast is for an up year.

The January Effect suggests that the month of January is a good time for smaller stocks. The Effect has its own book by Robert Haugen. I suspect a couple of things. First, that the Effect has been largely arbitrated away; it had worked well until the book hit the presses. Second, that the Effect is part of a more complex turn-of-the-



Oil Service Stock Index— OSX — One Year

year seasonal pattern including The Bounce. The record so far? Smaller stocks have been leading for quite a while but have actually lagged in January. Conclusion, we still like smaller stocks (see the portfolio section) but the January Effect may well be history. Could it make a comeback? Sure, but no sign of that yet.

Mirrors

Via the Hotline I noted a study that suggested an alternation; if the last week of the year were up then the first week of the new year would be down and vice versa. And so it turned out to be. The last week of 2016 was a loser and the first week of 2107 was a winner. There are lots of those types of relationships evident in the markets along with many other structural opportunities. Overnight versus day-session returns, days of the week, hours of the day, price action around holidays are just a few of them. This territory has been a mad feeding ground for the quantitative set for a long while.

The dean of the these sorts of calendar opportunities was a GE statistician turned market technician upon retirement, the late Arthur Merrill. His magnum opus, "The Behavior of Prices on Wall Street", a delightfully concise tome, now commands asking prices of \$500 or more, despite having had a very long run in print. Hedge funds have long sought to exploit those opportunities, and a lot of what we know today as quantitative analysis was first mooted by Arthur and his contemporaries, of which Martin Zweig stands out in my mind. Most of these anomalies, so named as it is said that they cannot exist in an efficient market, have been exploited, some

to extinction, but we are confident that others exist and still others will be created by changing market structures.

Our approach to these anomalies has always been to use them as background or support information. For example, if I want to buy a stock I check to see if there are any seasonals, as I call them, that might help me get a better price / execution. Or, if I see a troubling indication I check to see if there is a seasonal that might be driving it.

View from the Beach

At the turn of the year a firm that I have long used to provide my herbs and spices decided that they were in the political commentary business and injected politics into my kitchen. I promptly unsubscribed and have taken my business elsewhere. It seems that sort of thing has become a trend. Another recent data point was an actress at the Golden Globe awards dressing down our president elect. It has been a long run, almost a year-and-a-half since the campaigning began and I am frankly sick and tired of the entire process. I have been ambushed at international technical analysis meetings and at audio conferences. It is enough already. Leave me in peace. I want spices from my spice company, news from my newspapers, art from my artists, and entertainment from my entertainers. If I wanted political opinion, which I don't, I would turn to pundits whose job it is to the serve up that bile.



Reading Rack

The Market Technicians Association sponsors an interesting series of technical-analysis webcasts. The most recent one was on the work of W. D. Wyckoff. The presenters were Roman Bogomazov, an adjunct professor at Golden Gate University, and Bruce Fraser, an asset manager and teacher. You can see a replay of part I at www.mta.org. There are two more parts scheduled; one on January 18th and another on the 25th. Highly recommended.

At the end of the webcast they recommended a few Wyckoff books. The two that struck me as most interesting are Hank Pruden's "The Three Skills of Top Trading" (reviewed here in the past) and David Weiss's "Trades About to Happen". I know and like Hank's book and can recommend it. Roman recommended the case study that starts in chapter three and runs through chapter seven. Though I know of Davis Weiss, I wasn't aware of his book. I fully expect that it'll be quite interesting and have ordered a copy.

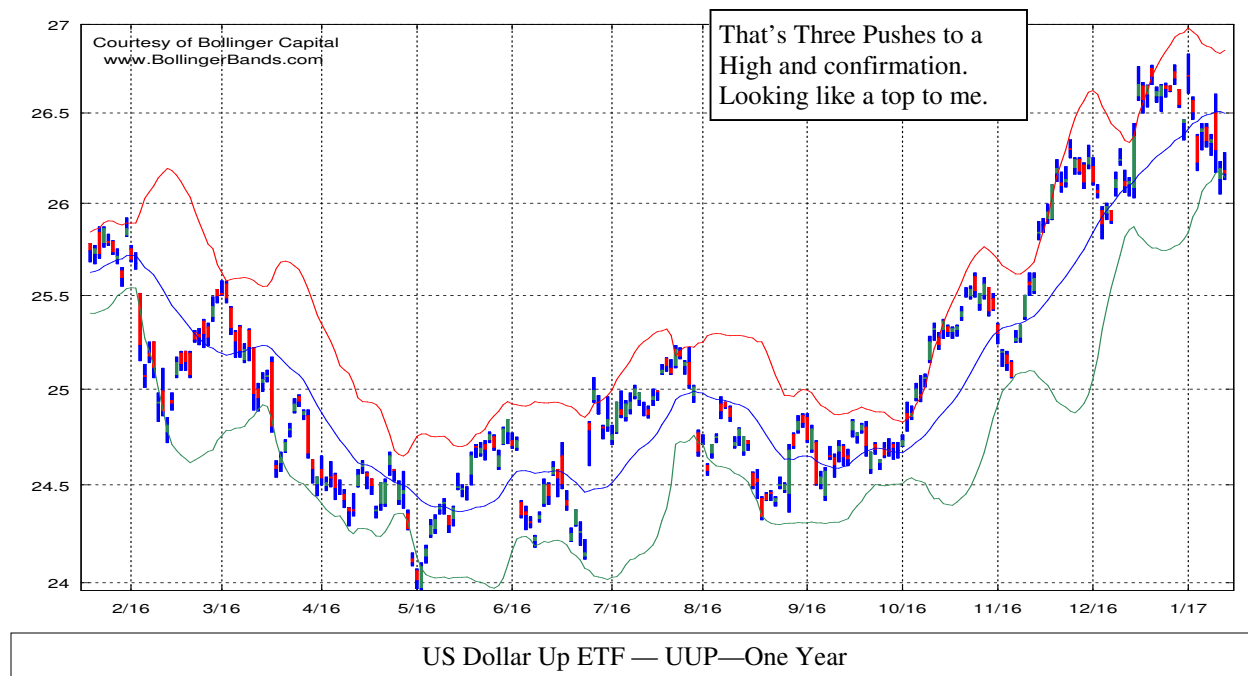
The quote at the head of this letter is from David Bostian's monograph on Intraday Intensity, which was published in "The Encyclopedia of Stock Market Techniques" by Investors Intelligence. That's the sister organization to ChartCraft, Abe Cohen's point and figure

charting service. I have the 1985 edition, which features 50 articles by a wide variety of top practitioners. In addition to the Bostian monograph, there are articles by Appel, Coppock, Lindsay, Merrill, LeDoux, and many more. The LeDoux is of special interest to me as Mr. LeDoux was one of the earliest practitioners of trading bands (TWIN-LINE charts). Probably best found in a library these days.

Here is another bit of Bostian's monograph: "The determining factor (independent variable) in allocating the total intensity (total volume times price range in the 8ths) for the day between buying and selling forces is the position of the closing price in relation to the high and low of the daily price range. The bullish or bearish significance of the fractions or percentages of the whole range established by the position of the closing price is determined by the volume of shares traded on the given day." Intraday Intensity Index, by David B. Bostian, Jr. 1967

Appearances

For detailed videos on how to use each section of BollingerOnBollingerBands, see my playlist here: <https://www.youtube.com/playlist?list=PLoQ3UFkEEe-022DOs-BdEQ0IIIbsPcgtU>



GroupPower

Sector Ranks

Statistics

Name	Momentum			\$\$ Flow	Breadth	
	Short	Inter.	Long			
Healthcare	1.84	1.48	1.09	35.2	10-day Open Arms Index	09.3
Basic Materials	1.40	1.88	2.35	45.6	10-day Open Adv / Dec	1.51
Transportation	1.18	1.74	2.12	33.6	High-Low Index	84.13
International	1.06	0.99	0.97	78.4	High Low Logic Index	0.49
NASDAQ Comp	0.78	0.94	1.04	N/A	Percent Above Average	
Technology	0.74	1.00	1.33	64.8	Percent above 10-day moving average	66.50
Energy	0.65	1.25	1.37	12.8	Percent above 50-day moving average	89.66
Telecommunications	0.63	1.32	1.45	59.2	Percent above 200-day moving average	87.51
Business	0.56	1.04	1.20	51.2	New Highs and Lows	
Market ETFs	0.37	0.74	0.91	68.0	13-week new highs	3
S&P 500	0.32	0.64	0.75	N/A	13-week new lows	0
Financial	0.27	1.39	1.98	81.6	26-week new highs	2
Industry	0.27	1.05	1.60	56.8	26-week new lows	0
Consumer Noncyclical	0.24	0.36	0.31	51.2	52-week new highs	12
Media	0.15	0.66	0.94	51.2	52-week new lows	1
Yield	0.06	0.32	0.34	58.4		
Consumer Cyclical	-0.55	0.04	0.39	40.0		

Early Warnings

Positive Warnings

Negative Warnings

Research Services
ETF Europe
Tobacco
Stock Funds
ETF International

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.

Strongest — GroupPower Ranking — Weakest

Group Name	Momentum			Money Flow	In/Out Gear	Group Name	Momentum			Money Flow	In/Out Gear
	Short	Inter	Long				Short	Inter	Long		
Lab Research	5.23	3.93	2.70	41.6	0.54	Home Construction	0.03	0.25	0.42	43.2	0.86
Prescript Benefit Mgt	4.98	1.37	-0.38	42.4	-0.71	Market Exchanges	0.02	0.40	0.69	69.6	0.88
Dry Bulk Shippers	3.88	3.22	2.80	2.4	0.48	REIT Residential	0.02	0.45	0.42	52.8	0.66
Metals Non Ferrous	3.83	4.28	4.60	53.6	0.92	Oil Services	0.00	1.75	2.11	44.0	0.95
Mining Diversified	3.61	3.53	4.00	62.4	0.74	REIT Retail	0.00	-0.21	-0.44	47.2	0.16
Hospitals	2.99	0.35	-1.47	46.4	-0.47	ETF Real Estate	-0.01	-0.01	-0.19	53.6	0.45
Brazil	2.98	2.26	2.32	56.0	-0.49	Gas Companies	-0.01	0.45	0.66	68.8	0.94
Precious Metals	2.64	0.63	-0.16	25.6	0.72	Telecom Infrastructure	-0.01	0.46	0.58	50.4	0.95
Software Health	2.23	0.44	-0.36	46.4	-0.61	Recreational Vehicles	-0.03	1.07	1.78	67.2	0.94
Adv Medical Devices	2.21	1.72	1.66	60.8	0.72	ETF Energy	-0.06	0.62	0.90	56.0	0.88
Energy Market Dist	2.01	1.33	0.45	20.8	0.21	Property Management	-0.07	0.16	0.14	44.0	0.85
IT Security	1.94	0.93	0.96	52.8	-0.45	Oil Producers	-0.09	1.65	2.95	4.8	0.77
Healthcare Providers	1.88	2.18	1.84	56.0	0.93	Food Retailers	-0.10	0.09	0.07	45.6	0.79
Switzerland	1.77	1.97	2.01	84.0	0.89	Financial Services	-0.11	0.98	1.59	54.4	0.95
Russia	1.76	3.17	4.05	68.8	0.95	ETC Consumer NonCyc	-0.11	-0.12	-0.18	44.0	0.10
Communication Service	1.64	2.82	2.97	78.4	0.95	Aerospace Defense	-0.15	0.54	1.03	57.6	0.84
Spec Health Service	1.64	1.03	0.78	44.8	0.45	Networking	-0.16	0.48	1.18	48.0	0.88
Software Business	1.62	1.08	1.10	71.2	0.35	Consumer Services	-0.18	0.20	0.35	45.6	0.80
Latin America	1.54	1.51	1.62	61.6	0.23	Construction	-0.23	0.85	1.66	73.6	0.90
Gaming Equipment	1.54	2.04	3.00	70.4	0.63	Insurance Prop Cas	-0.26	0.73	1.16	54.4	0.97
Biotech	1.50	1.35	1.11	27.2	0.68	Diverse Drugs	-0.27	-0.45	-0.55	24.0	-0.44
ETF Emerging Markets	1.31	0.78	0.66	68.0	-0.38	Machinery Heavy	-0.29	0.97	2.01	63.2	0.87
China Mainland	1.31	0.66	0.67	48.0	-0.31	Textiles	-0.30	0.17	0.38	50.4	0.85
Fertilizer	1.30	2.46	2.56	49.6	0.96	Soft Drinks	-0.32	-0.56	-0.75	48.8	-0.59
Israel	1.27	1.53	1.37	35.2	0.82	REIT Industrial	-0.32	-0.05	-0.14	61.6	0.58
Internet Info Prov	1.15	0.87	1.11	61.6	0.33	Retail Office Supplies	-0.33	0.80	0.69	48.0	0.88
Software Multimedia	1.13	0.66	0.79	51.2	-0.18	Footwear	-0.33	-0.33	-0.17	24.8	0.42
Payment Transactions	1.12	1.30	1.36	62.4	0.90	Household Products	-0.38	0.53	1.02	80.0	0.97
Health Care Plans	1.09	1.55	1.71	64.8	0.92	Banks Mid Atlantic	-0.44	1.01	1.86	85.6	0.92
Brokers	1.07	2.02	2.50	68.8	0.94	Diagnostic Products	-0.50	-0.07	0.18	40.8	0.84
Korea	1.04	0.43	0.34	82.4	-0.30	Mexico	-0.55	-1.17	-1.34	45.6	-0.77
Contract Elec Manu	1.01	1.82	2.47	74.4	0.95	Alcoholic Beverages	-0.61	-0.62	-0.63	46.4	-0.28
India	0.99	0.19	-0.05	45.6	-0.69	Gas Producers	-0.61	0.40	1.23	12.8	0.79
Medical Distributors	0.99	0.61	0.09	40.8	0.49	Clothing and Fabrics	-0.62	-0.92	-1.05	30.4	-0.03
Taiwan	0.97	0.40	0.35	57.6	-0.57	Industrial Services	-0.67	0.84	1.92	59.2	0.88
Spain	0.97	1.18	0.96	81.6	0.10	Business Equipment	-0.68	-0.13	0.09	60.0	0.87
Germany	0.96	1.33	1.31	80.8	0.90	France	-0.72	-1.01	-1.27	27.2	-0.72
Chemicals Specialty	0.96	1.65	2.09	74.4	0.97	Oil Refining	-0.75	1.01	1.56	40.8	0.96
Semiconductor	0.94	1.57	2.11	80.8	0.95	Steel	-0.84	1.23	2.86	62.4	0.85
Canada	0.94	1.19	1.20	48.8	0.96	Retail Specialty	-0.85	-0.40	0.10	32.8	0.68
Oil Tankers	0.94	1.07	0.58	3.2	0.78	Comps Data Storage	-0.89	-2.20	-2.58	4.0	-0.16
Instruments	0.94	1.42	1.91	64.0	0.92	Retail Discount	-0.91	-0.50	-0.33	43.2	0.74
Japan	0.92	0.89	0.96	96.0	0.75	Restaurants	-0.95	-0.16	0.17	24.0	0.87
Agricultures	0.92	0.41	0.14	52.8	-0.71	Broadcast TVs	-0.97	0.27	0.66	50.4	0.92
Australia NZ	0.92	0.50	0.41	48.0	-0.16	Water Companies	-1.05	-0.21	0.31	52.8	0.81
Software Dev Sys	0.92	0.71	0.93	67.2	0.64	Farm Products	-1.15	-0.14	0.53	77.6	0.69
Trucking	0.90	1.52	2.07	48.8	0.79	Home Furnishings	-1.33	-0.10	0.27	47.2	0.91
Major Oil Companies	0.89	1.45	1.61	64.0	0.82	Retail Jewelry	-1.36	-0.73	-0.12	44.8	0.52
Drug Delivery System	0.86	1.46	1.21	9.6	0.91	Retail Apparel	-2.16	-1.57	-0.96	43.2	0.48
Medical Supplies	0.85	0.92	0.90	70.4	0.88	Retail Electronics	-4.05	-2.06	-1.14	16.0	0.80
Retail Transport	0.85	1.93	2.35	69.6	0.97	Retail Broadline	-5.04	-4.48	-3.59	35.2	-0.19
Electronics	0.85	1.39	1.74	59.2	0.86						

Sector Selector ETF Portfolios (Experimental)

Exp. ETF Portfolios	Symbol	Date	Purchase Price	Current Price	Dividends	Return	Rank
		Selected	Price	Price			
Style							(# in 21)
Core Value	IUSV	10/14/2016	45.28	49.47	0.28	9.88%	2
MidCap Value	IJJ	10/14/2016	130.59	147.23	0.72	13.30%	4
Russell 2000 Value	IWN	9/2/2016	104.68	119.00	0.73	14.38%	8
International							(# in 24)
Canada	EWC	12/9/2016	27.06	27.13	0.26	1.25%	7
Russia	RSX	4/8/2016	16.85	21.45	0.01	27.33%	1
Italy	EWI	12/9/2016	24.42	24.55	0.00	0.53%	8
Sector							(# in 27)
Technology	IGN	9/9/2016	39.22	43.96	0.12	12.42%	5
Global Finance	IXG	12/16/2016	57.96	59.25	0.41	2.94%	7
Semiconductors	SOXX	10/7/2016	113.43	125.07	0.29	10.52%	3

Portfolio

Slot	Name	Symbol	ET Rating	Group	Power Group	ET Rating	Group	Entry Date	Entry Price	Current Price	Divid.	Total Return	Mental Stop	Action
Core Portfolio - US Equities														
1	S&P 500	SPY	3		Large Cap	2		10/19/15	203.20	227.05	5.75	14.6%	218.00	Hold
2	Russell 2000	IWM	2		Small Cap	2		11/02/15	118.21	136.26	2.35	17.3%	129.00	Add
3	Russell 1000 Growth	IWF	2		Large Cap	2		11/12/15	98.76	107.69	1.88	11.0%		Sell
4	S&P 500 Value	IVE	2		Large Cap	2		03/21/16	90.09	102.18	2.29	16.0%	100.50	Hold
5	British Petroleum	BP	2		Oil Major	1		03/21/16	31.43	37.66	1.20	23.7%	35.00	Hold
6	S&P MidCap	MDY	2		MidCap	2		04/18/16	267.64	306.65	3.13	15.7%	293.00	Add
7	Chevron	CVX	2		Oil Major	1		08/08/16	101.15	116.38	2.15	17.2%	107.00	Hold
8	Oil Services	HOLDRI	2		Oil Service	2		08/08/16	28.87	33.96	0.47	19.3%	29.00	Hold
9	Finance	XLF	2		ETF Finance	1		10/08/16	19.75	23.51	0.11	19.6%	22.00	Hold
10	National Oil Well	NOV	3		Oil Service	2		12/05/16	38.23	37.40	-	-2.2%	33.00	Hold
11	Russell 100 (Equal)	EQAL	2		Large Cap	2		12/05/16	26.81	27.46	0.17	3.1%	26.25	Add
12	Healthcare ETF	IYH	2		ETF Health	2		01/14/17	148.47	148.47	-	0.0%	139.00	Buy
13	Global Telecom ET	IXP	2		ETF Telecom	2		01/14/17	60.21	60.21	-	0.0%	56.50	Buy
Core Portfolio - International														
1	Japan	EWJ	2		Japan	2		12/14/12	44.99	50.89	1.07	15.5%		Hold/Add
1	World	VEU	2		International ETF	2		10/19/15	45.53	45.77	1.32	3.4%		Hold
Core Portfolio - Dollar Diversification														
1	Dollar Down ETF	UDN	3		Bear Yield	3		07/18/16	21.71	20.67	-	-4.8%		Hold
Core Portfolio - Yield														
1	Barclays High Yield	JNK	2		High Yield	3		02/20/09	29.17	36.78	20.48	96.3%		Hold
2	iShares High Yield	HYG	2		High Yield	3		02/20/09	69.98	87.32	40.51	82.7%		Hold
3	PS Finan. Preferred	PCF	3		Yield	3		03/13/09	8.35	18.33	9.51	233.4%		Hold
Core Portfolio - Speculation														
1	VIX Inverse	XIV	2		Bull Market	1		10/06/15	27.29	55.28	-	102.6%		Add

Portfolio Notes: I keep a series of relative strength measures for large-, medium- and small-cap stocks and the growth and value splits of those sections. I do it the proper way, normalized (indexed) to a start date. Small-caps have had a heck of a run and I think I can see the momentum and interest swinging more towards mid-caps. It is not that I think the small-caps are going to underperform, it is that I think the coming sweet spot will be mid-caps. In the other dimension growth is quickening but the trend looks better there for smaller stocks. So, the choices look like balanced mid-cap and small-cap growth and that's how I intend to play it, probably into the middle of the year unless we see meaningful technical deterioration, of which no sign yet. The Value Line Plan remains in the market, with the Value Line Geometric Average at 514.03, our Friday sell stop remains at 506.45. There are no changes to the ETF portfolios this week and only one change in the past month, sell Japan, EWJ, and buy Italy, EWI. We recommended IYH and IXP in the letter; we are selling IWF to raise money for them. We advanced most of the stops to protect profits.

John Bollinger's Capital Growth Letter is published monthly by Bollinger Capital Management, Inc., P.O. Box 3358, Manhattan Beach, CA 90266.; Phone: (310)798-8855 Website: www.BollingerBands.com E-mail: BBands@BollingerBands.com Subscription rates: \$300 a year, 3-issue trial subscription: \$50. This newsletter contains information obtained from sources we fully believe to be reliable; however we do not guarantee accuracy. Although opinions expressed herein are based on sound judgment and research, no warranty is given or implied as to their true reliability. The responsibility for decisions made from information contained in this newsletter lies solely with the individual making those decisions. It should not be assumed that recommendations made in the future will be as profitable or equal the performance of the securities in this list. Officers of Bollinger Capital Management, Inc. may at times have positions in securities mentioned. Entire contents copyright 2017, reproduction of any kind, including photocopying, reposting or redistributing without express prior permission from Bollinger Capital Management, Inc. is unlawful and strictly forbidden.