Volume #30 Issue #5

8 October 2016

John Bollinger's CAPITAL GROWTH LETTER

"The secret to being successful from a trading perspective is to have an indefatigable and an undying and unquenchable thirst for information and knowledge." Paul Tudor Jones

Trading (for a Living)

When I learned to trade commissions were high, spreads were wide, taxes were onerous and quotes were hard to come by and expensive. That meant that short-term and very active trading were pretty much off the table unless you set yourself up as a broker dealer. There were some opportunities trading options and futures, but there were obstacles there too. The circumstances were such that if you wanted to trade, swing trading was the name of the game. At that time the definition of swing trading was somewhat different than it is today. We were after the major swings on the daily and weekly charts. A move from 25 to 40 that lasted weeks or months was typical of what we were looking for, or a move from 100 to 80 that lasted a few weeks. There was also a focus on acquiring longer-term core positions, especially in terms of relative-strength plays. Today swing trading is measured in minutes or hours, and the swings traded are much, much smaller.

In what follows I use the terms trade and traders, but that could be invest and investors as well, it is just a matter of perspective and semantics. The nature of this topic is also generic as far as time goes; minute, hours, days, weeks, months…, for the purposes of this discussion time is fungible. So replace the terms trader / investor in this discussion with whatever terms suit you and your style, and think in the time frames that come naturally to you.

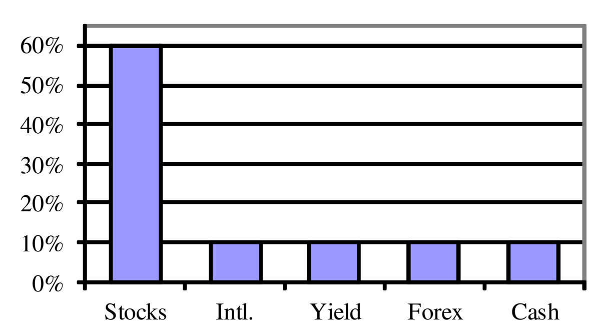
I had an interesting meeting the other day with a local trader. He had a very successful career in corporate America, but heard the call of the markets, started trading and became hooked. He has a nice office set up by the beach and is living the life that many strive for, though it is not without problems. Trading is tough and he is still learning, as the quote above suggests we all must. Like many traders he is easily distracted by news and 'opportunities'. My advice to him was to learn to do one thing really well, execute that for a while and then expand to include other trading techniques only if they really added value. I think he will do well, but there is

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	Up	Up
Gold	Down	Up
Commodities	Down	Up
Dollar	Down to Up	Down

Monetary growth is still accelerating into the election.

Asset Allocations



still a fair piece of road between where he is and where he wants to be. (Isn't that the truth for all of us?!)

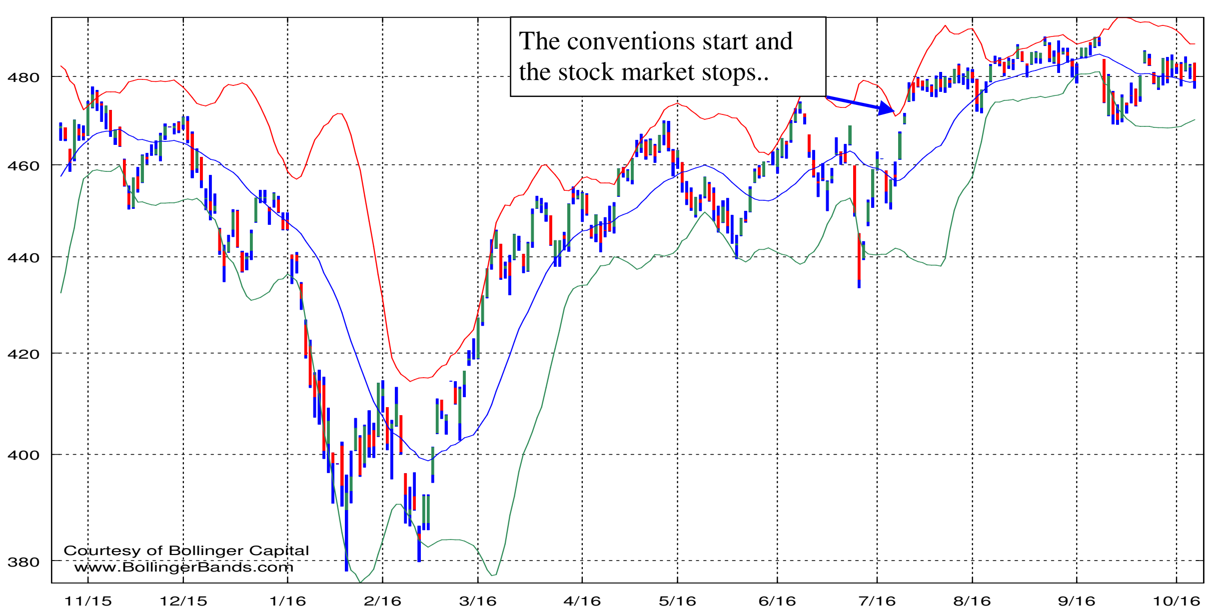
He asked about my process, what I trade, how I trade and so on. My answers were far enough away from his reality that he couldn't really hear them, though I imagine that one day he will be able to, but that too is a ways down the road.

In my view there are certain truths about the trading process that are unavoidable; this month I take up the two I think are the most important, focus and discipline. Note that these have nothing to do with entries or exits, stops or profit targets, what to trade or position size; those are different for everyone, but focus and discipline are the same for all.

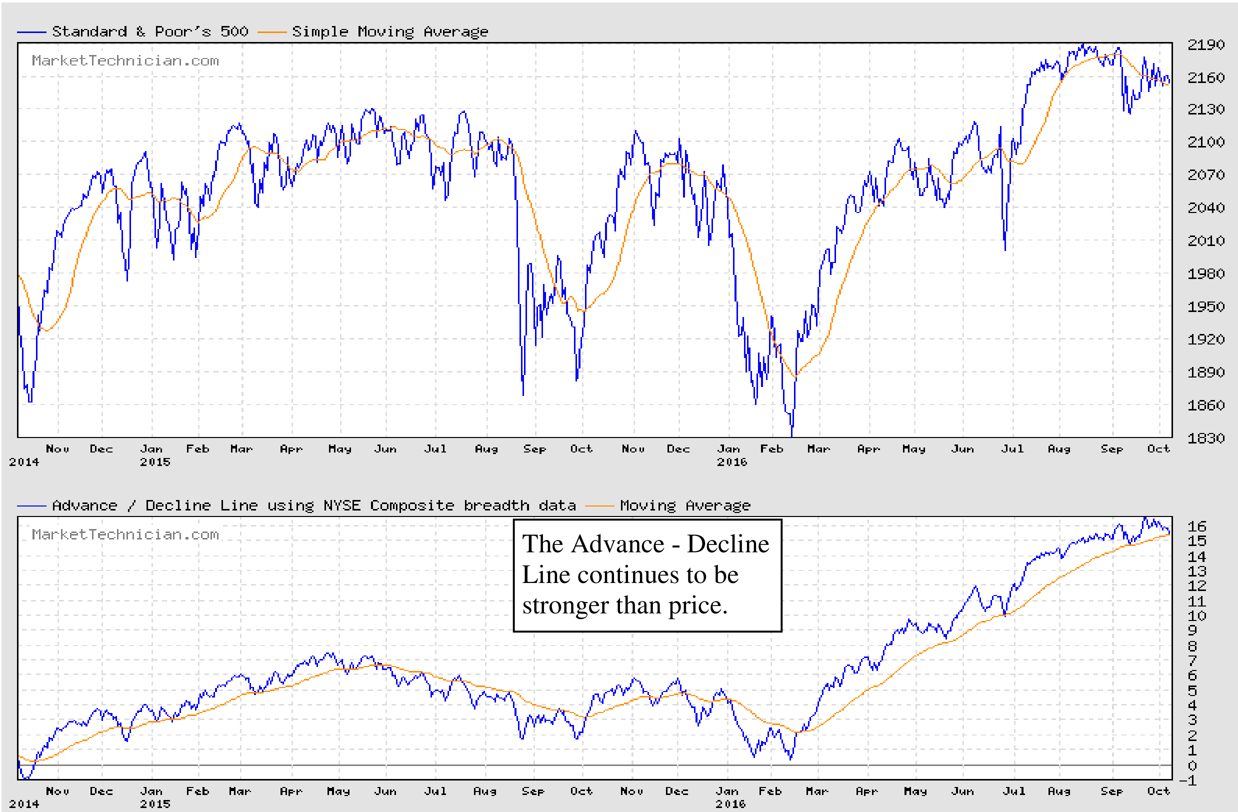
Let's start with focus. To me focus means being able to execute the trading process without being distracted. Distractions are a major problem and a prodigious source of under-performance. Most people focus on the obvious distractions, the nagging mate, the urgent text, the ringing phone, the needy child, CNBC's clarion call or some other pressing news source, and so on. Those are easily dealt with, but there are other sources of distraction that are not so easy to deal with. For me the best way to avoid distraction is through knowledge. If you know as much as you can about your trading approach, the markets you are trading, and how you relate to the process, focus is easy to maintain and distractions are easy to ignore. Insufficient knowledge is a primary source of distractions that become problems. Uncertainty increases the distraction level and undermines performance. Properly developing a trading approach from first principles ideas, including rigorous testing and evaluation, is vitally important. Understanding the markets you are trading is also vital. I am talking about a deep understanding so there will not be any surprises. For example, in the futures markets margin changes must be expected and in the stock market trading restrictions including limits on the ability to short must be factored in. Armed with deep knowledge, the trader is hard to distract and can and will execute the trading plan successfully no matter what. Surprises to everyone else will not be surprises to the prepared trader, who will take them in stride because they were anticipated.

In my opinion a lack of discipline has brought down more traders that any other factor. The old saw goes "Plan the trade and trade the plan." and doing that takes discipline. Discipline is the thing that separates blown up traders from successful traders. A famous trader I know blew up his fund three times. (How he got a second, never mind third, chance is beyond me, but he did.) Each time he caused devastation, not just to those investing with him but to his staff, family, loved ones, suppliers and other stake holders. The really sad part is that he is smart, and would have continued to do well had he simply been disciplined. With discipline, today he would be renowned as a success rather than the laughing-stock/pariah he was become. The fact that he blew up three times and is nearly as smart as he wants you to think he is, suggests just how tough an issue discipline is.

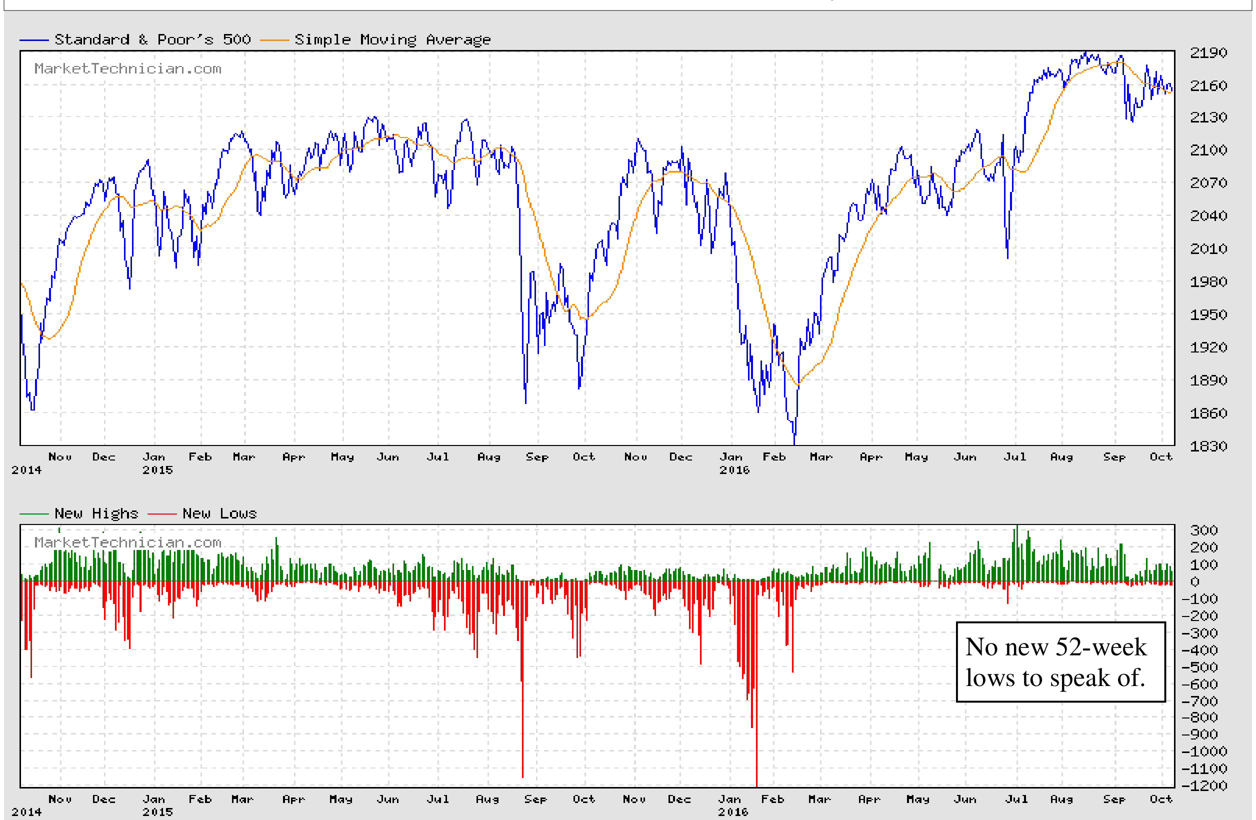
Discipline in the trading process is different from disci-



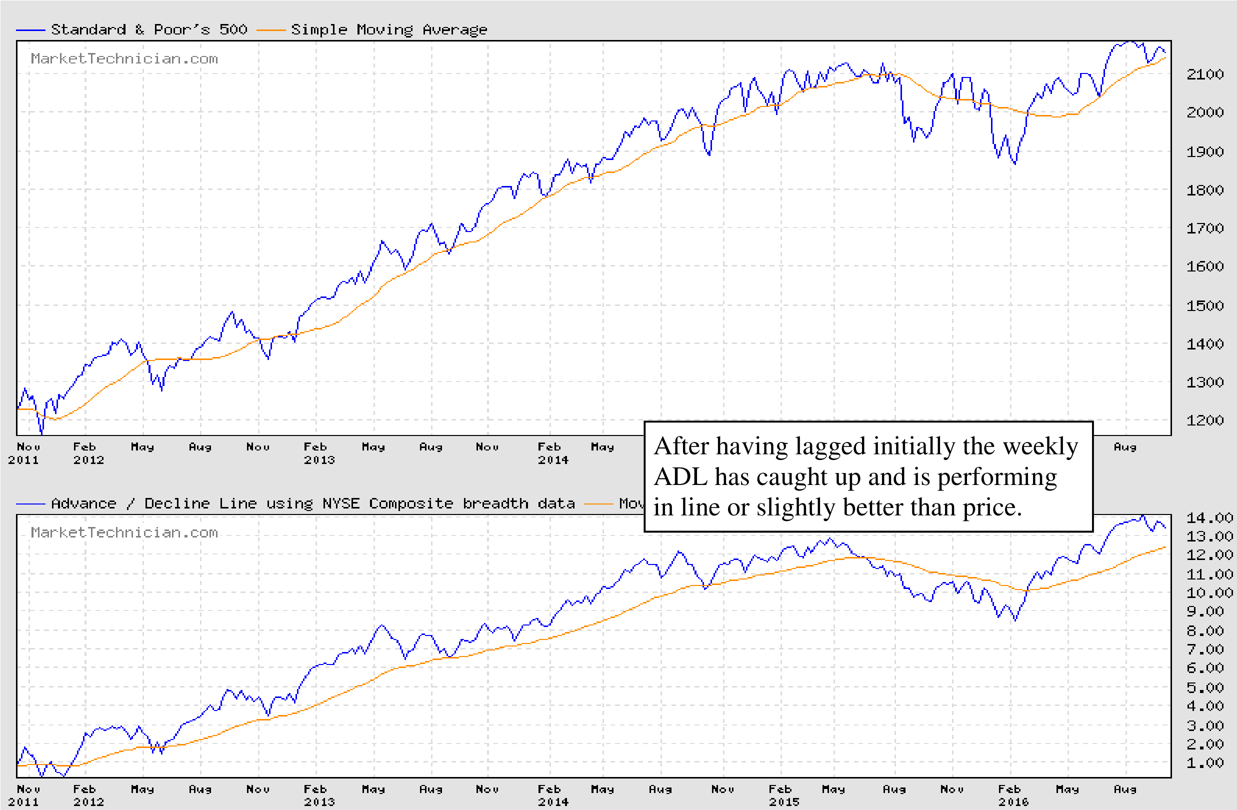
Value Line Arithmetic — One Year



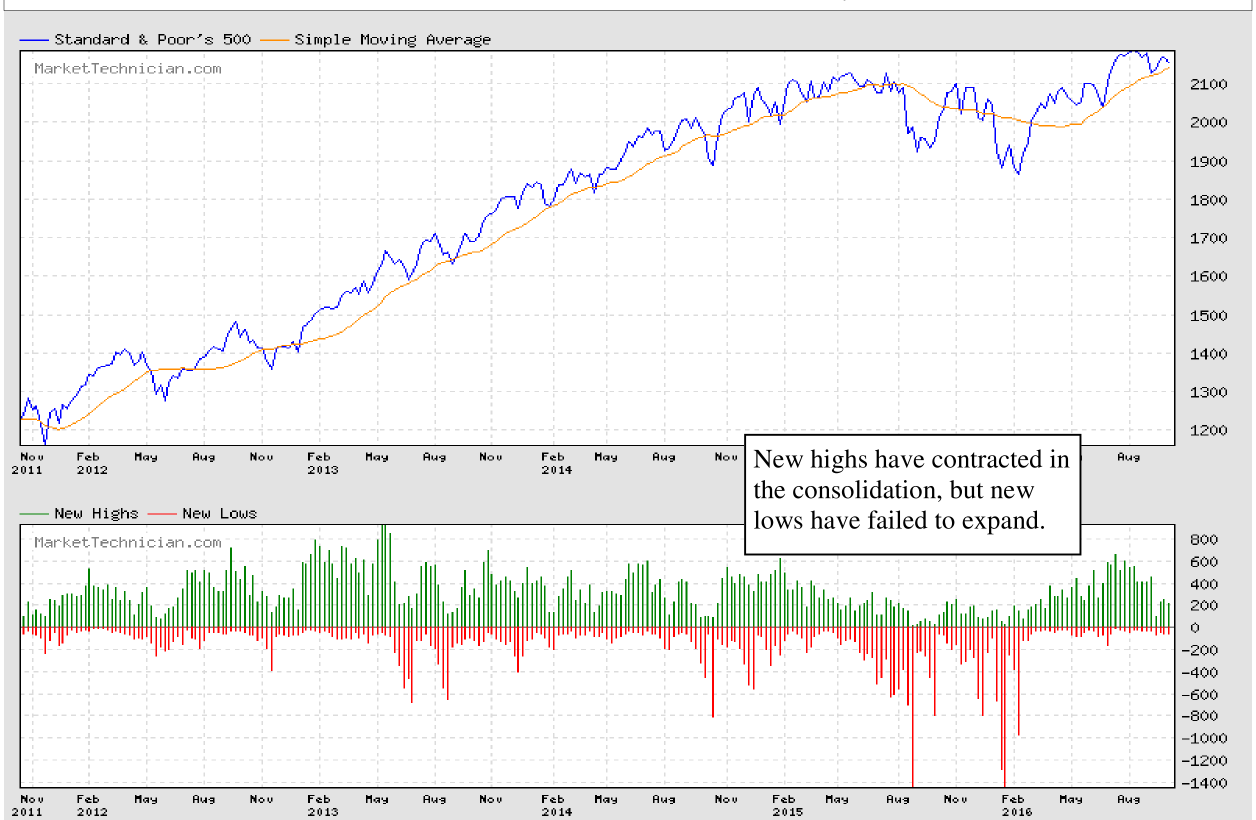
S&P 500 and NYSE Advance - Decline Line — Daily — Two Years



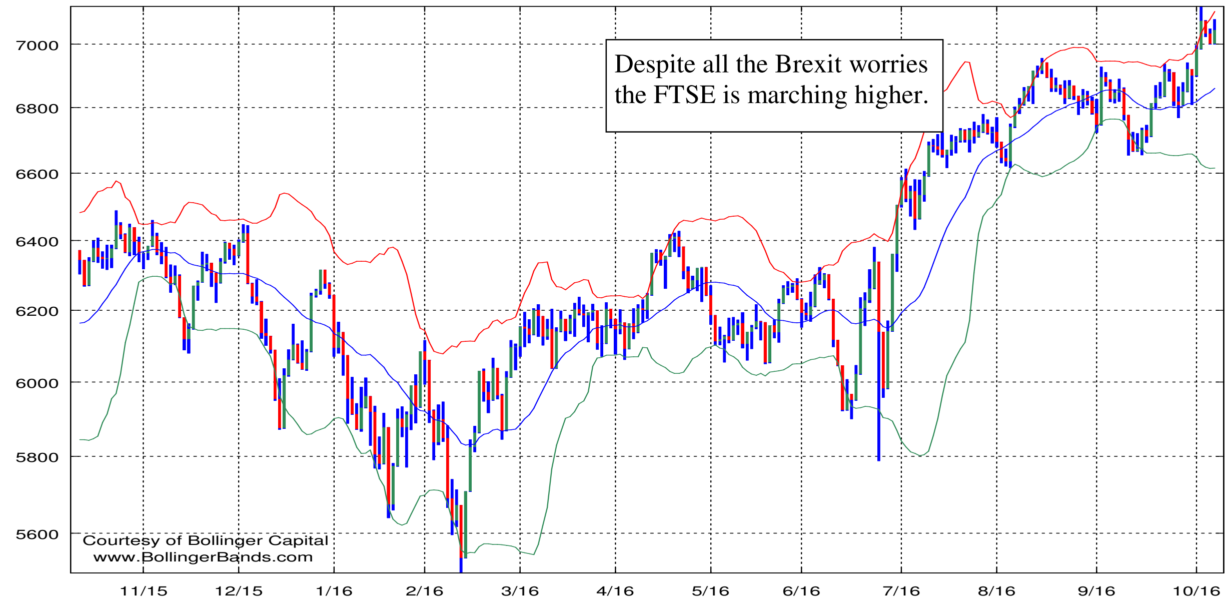
S&P 500 and NYSE New Highs / New Lows Histogram — Daily — Two Years



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

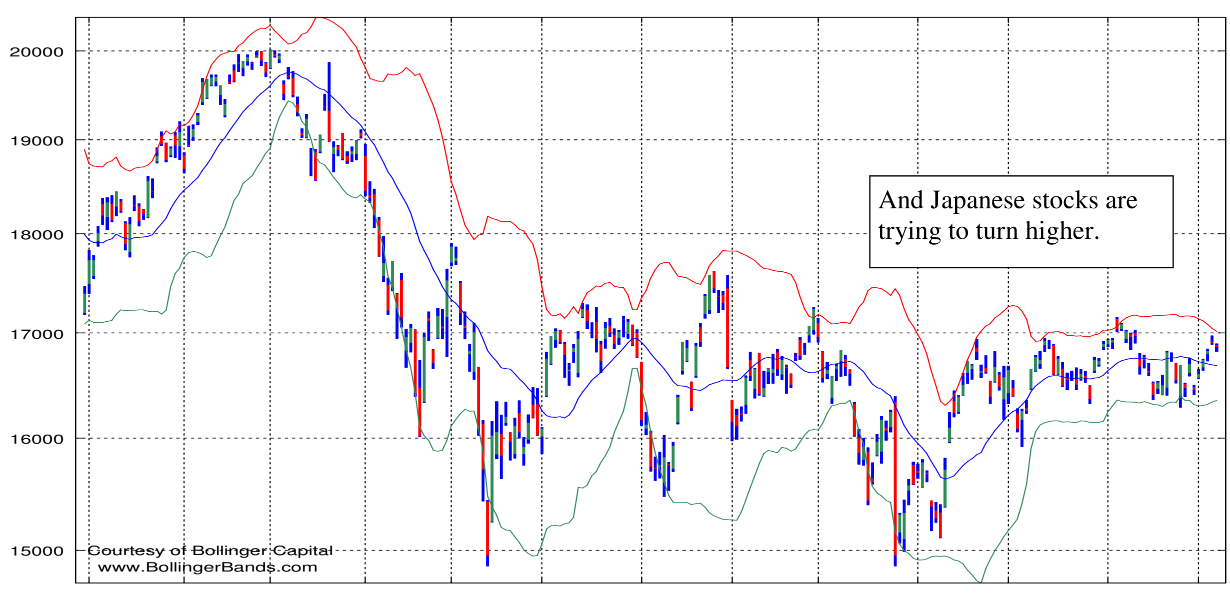


S&P 500 and NYSE New Highs / New Lows Histogram — Weekly — Five Years



FTSE 100 — FTSE — Daily

pline in life. I have known very disciplined traders whose lives were a mess and vice versa. One would appear to have little to do with the other. A litmus test is if you have ever made a decision about an investment or trade and then changed your mind as the circumstances changed. For example, saying about a losing trade, "Oh, I'll give it a little more room/time to work out." That is rather different than putting on a trade with a profit target and then raising the target and stop as the trade progresses and supports the adjustments. The first is letting the market push you around, while the second is adapting to changes in the marketplace. Each person has to work this out for themselves. I am reminded of my late friend Mike Epstein, a professional trader for most of his life. He was completely intolerant of a lack of discipline. This wasn't some sort of bloody mindedness or cruelty, rather it was a kindness, though he would not have admitted that. He had seen the damage a lack of discipline could do and would suggest that you stop trading and get your act together before you hurt yourself and those around you. If you asked him about stops, all you'd get was a harrumph; he thought that if you didn't know how to, or for some reason could not, control your inventory you should not be trading.



Nikkei 225 — NIK — Daily

Mike's last point was the most telling. He understood on a gut level that trading was a business and had to be dealt with as one. If you weren't on the same page, he didn't have time for you as a trader because he firmly believed that you were on your way to perdition. This idea was so fundamental to him that he could simply not imagine an alternative. I once tried to engage him in a discussion of the mechanics of stops. It was completely useless, as stops were such an ingrained/innate part of his process that he couldn't imagine that there was anything worth discussing. You managed your inventory and took care of things before they hurt you, period. In a word, discipline.

The Stock Market

This market is all about the election, more specifically it is all about election revulsion. Wind the clock back to the day before the Republican convention, which is the day the SPY, the S&P 500 Index ETF, arrived at its current level. The Democrat's convention a couple of weeks later found SPY at a similar level and cemented the market's distaste for politics. Since then we have covered a good deal of ground, but gone nowhere in terms of a net gain or loss in price. In such a consolidation we turn to stock-market internals to gauge the potential outcomes.

Market internals can be broken up into five or six major categories. I am sure that there are differing views of this, but this is the taxonomy that makes sense to me:

1. Literally internal data, like the number of issues advancing and declining on the New York Stock Exchange, or the number of stocks making new 52-week highs and lows.

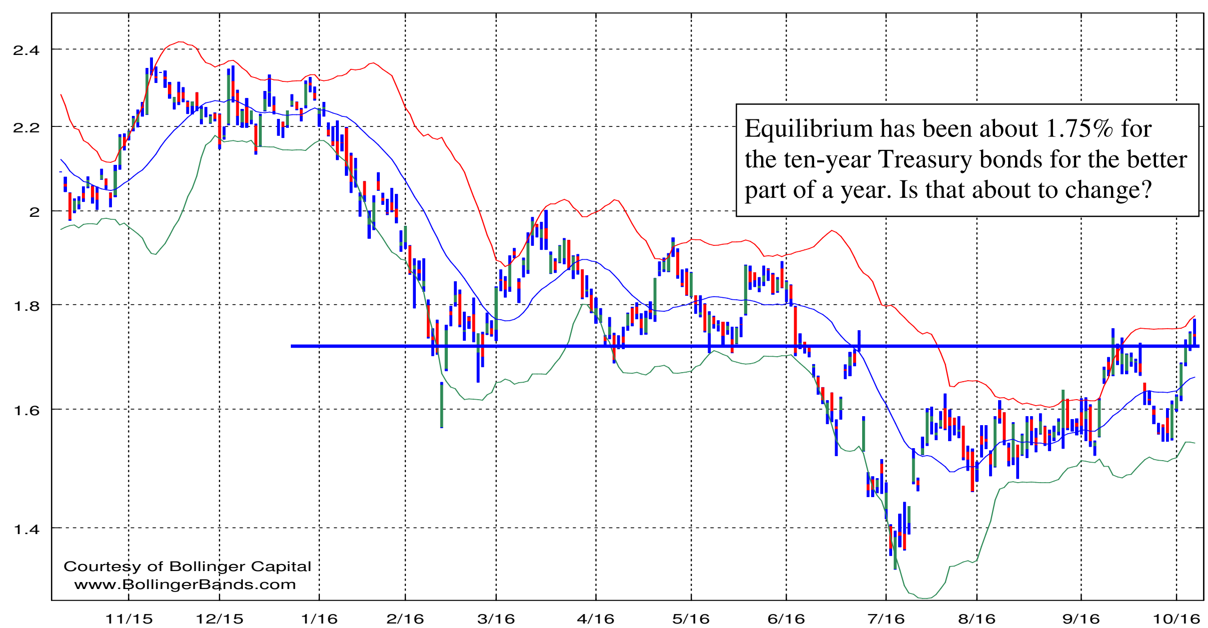
2. Style is the term I use to cover the difference in price action between large companies and smaller concerns, between growth stocks and value stocks and, in the old days, between high priced issues and low priced. The latter is still an interesting concept, but the indices needed to monitor it easily are no longer maintained.

3. Stocks can be parsed into industry groups by common business and trading factors, and then those groups can be agglomerated into economic sectors.

4. Next there is leadership, one of the more amorphous of these concepts. This is the price action of the 'important' stocks, the stocks that are in the news and are the focus of the public eye. The hard part here is that this list changes all the time; sometimes it is long while other times it shortens, as attention gets focused on a few key issues at crucial times.

5. Sentiment is one of the softer and therefore harder to quantify factors that is really an external factor more than a market internal. It is how people feel about the markets, ranging from bonds to stocks and reaching into alternative investments like commodities and real estate. Mass psychology is the name of this game.

6. Of increasing importance over the last couple of decades is the interrelationship of the international markets. I know it is hard to call the FTSE 100, the most impor-



10-Year Interest Rates

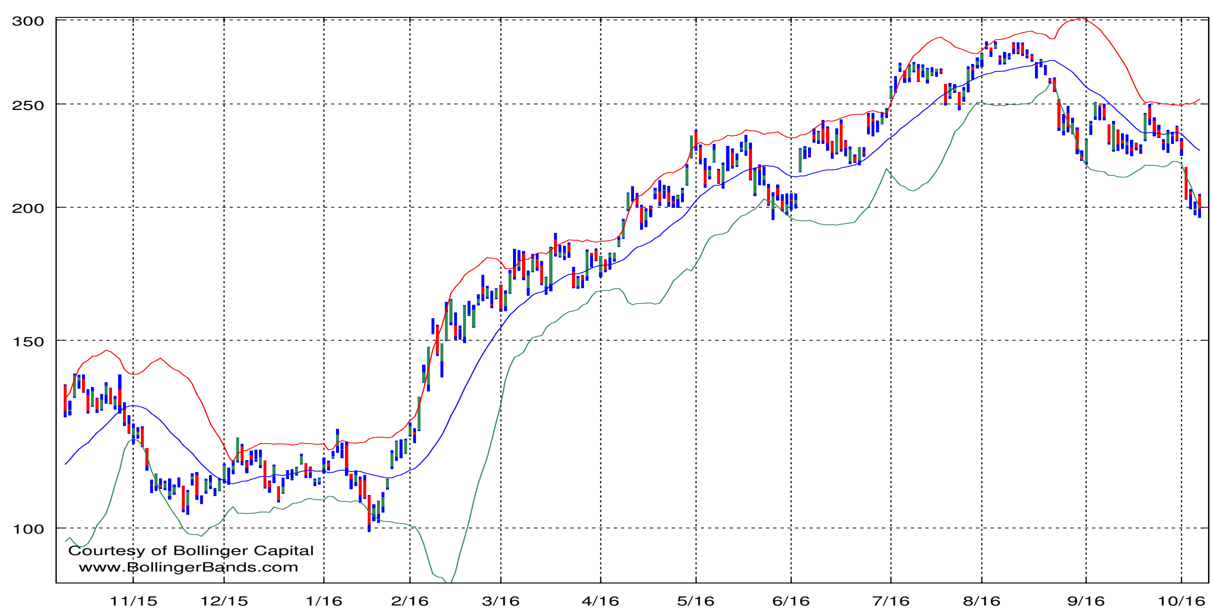
Silver Futures — PL — One Year

tant British stock index, a US stock-market internal, but analytically I treat it as one, as it has demonstrated very useful leading characteristics.

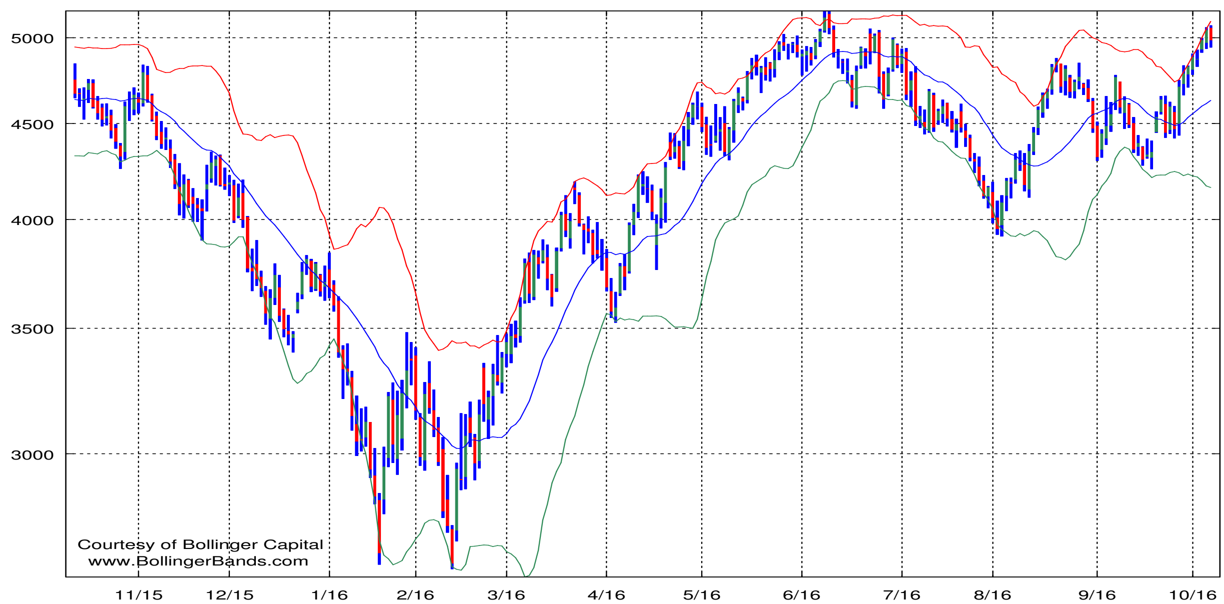
7. Lastly, there are other internal factors like earnings, dividends, valuation measures such as the price earnings ratio, factors I have found harder to interpret and generally less useful. One reason that they are less useful is that the information they carry is most often already impounded in price.

That is my short list of the internal factors I follow. What follows is a bit of narrative on each followed by analysis of the market's current state and some final conclusions.

1. If I had to chose a single market timing tool it would be the NYSE Advance – Decline Line, ADL. I have been tracking it actively since 1980 and it throws off a lot of vital market-timing information, perhaps more than any other broad-market indicator. Years ago an academic wrote a paper that concluded that since the ADL hadn't made a new all-time high in many years while the market had been making a series of new highs,



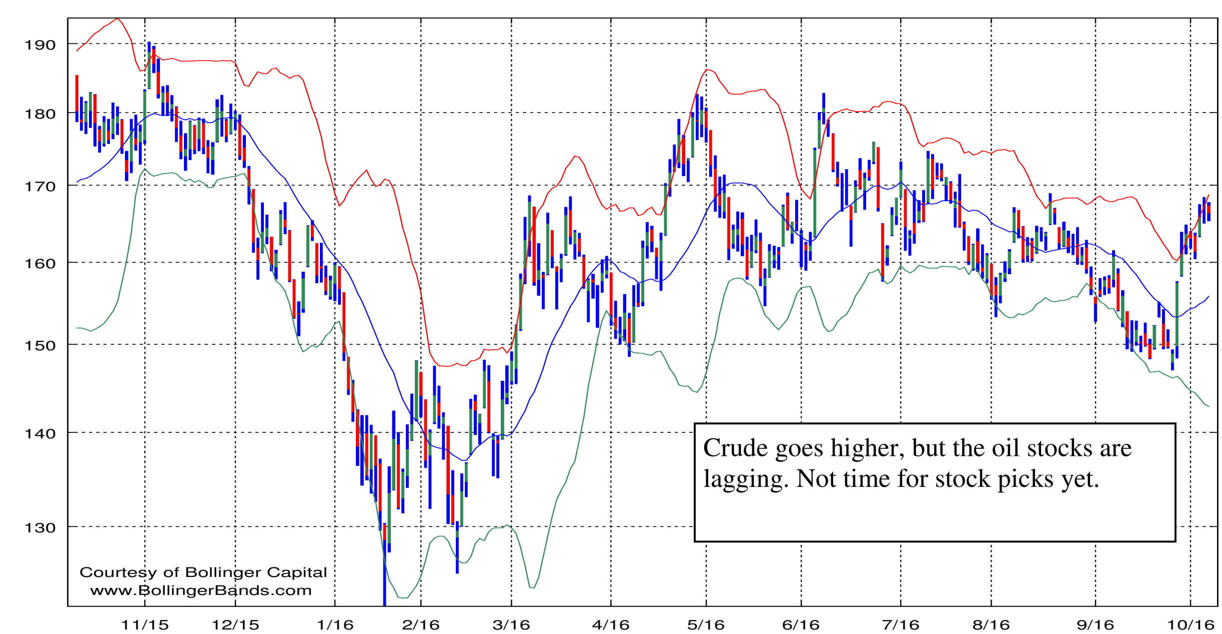
Gold Stock Index — HUI — One Year



Crude Oil Futures — CL — One Year

the ADL was worthless. I loved that paper because I knew it would put so many off using one of the best timing-indicators going. The ADL is the cumulative sum of the number of stocks on the NYSE advancing each day less the number declining. I keep it as a ratio: (advances – declines) / (advances + declines) There are several versions of the AD stats, NYSE and NASDAQ are the big cuts, and there are sub-series, the most interesting being the Operating Companies Only series that Lowry's Reports keeps which excludes ancillary issues like preferreds, closed-end bond funds and ETFs. My default choice is the all-issue version of the NYSE data.

The ADL is best analyzed on a relative basis, comparing the peaks and troughs of the past couple of years to the peaks and troughs of a broad-market index like the NYSE Composite or the Standards & Poor's 500. For shorter term timing information I like the A – D Oscillator, ADO. The version I prefer is a 21-day total of A – D divided by the 21-day of advances + declines: sum (advances – declines, 21) / sum(advances + declines, 21) For a more comparable result over time unchanged is-



Oil Service Stock Index— OSX — One Year

sues can be added to the divisor. The same approach to the advance – decline data can be taken with up and down volume data, the volume in shares rising on the day versus the volume in those falling, producing an Up – Down Line, UDL, and oscillator, UDO.

The first broad-market timing system that I followed used 21-day ADO and UDO to identify non-confirmed tags of 21-day, 4.5% trading bands on the Dow Jones Industrial Average. For example, when price tagged the upper band with either oscillator negative a sell signal was issued and vice versa for a buy signal. With modern modifications, this is actually still a good tool.

2. Early in my career I came across the work of Smilen and Safian. They were pioneers in the institutional advisory service and their main focus was on what I call style. They considered the price action of large companies versus small companies, of growth versus value, and a sort of macro sector approach that focused on economically leading versus lagging sectors. They were pioneers in the area and I learned a great deal from a glimpse at their work at an investment management firm I was visiting. It was actually good that I didn't have full access to their research, as I had to think things out for myself while taking some inspiration from them. Over the years I have found small versus large to be a wellspring of returns and a good source of market-timing data that has helped diagnose several tops.

3. The price action of industry groups and market sectors can often be very informative. I first learned about the power of industry group analysis through the late E.S.C. Coppock's Trendex service and Elaine Garzerelli's Sector work while she was at A. G. Becker. Those were two totally different approaches, but they aimed to get at the same thing, improving stock picking by detecting and exploiting industry group trends. There is a lot of useful data here, some groups act defensively, some are cyclical and some are leading. Just browsing the group list ranked by an appropriate momentum measure can be very telling.

4. I went to work for the Financial News Network in 1984 primarily because a financial broadcaster I greatly admired, Ed Hart, had gone to work there. If FNN was good enough for Ed, it was good enough for me. In his daily report Ed would frequently cite his speculative indicators, often with spectacular effect. The audience always wanted to know what they were, but Ed was never forthcoming. Actually if you listened carefully to his commentary he ticked them off, his trick was to know what to look at and when. There were many reasons for his reluctance, but I have always thought that he harbored a kind streak behind that curmudgeonly exterior and didn't want folks to fixate on what might prove to be fleeting indicators. So what were those indicators? They were primarily the stocks that the market was fixated on at the time; the hero stocks of the moment, whether they were heroic or not. These are the stocks that are in the columns of *Barron's*, featured on CNBC and on the front pages of web sites like Maket-Watch.com and Yahoo!

5. Finally we come to one of the most valuable areas of market analysis, sentiment. Humphrey B. Neill got the

Commodity ETF — DBC — One Year

ball rolling in the 1930's and Abe Cohen of ChartCraft fame picked it up to create the Investors Intelligence Survey of Investment Advisors, basically a condensation of the market opinion of the market letter writers of the day. Then Martin Zweig and others pioneered the counting of put and call option contracts as a method of gauging sentiment. Today the academy is trying to subsume sentiment into a discipline they have labeled as Behavioral Finance, but it doesn't truly fit as BF is primarily concerned with the mistakes investors make, not sentiment analysis, which is primarily concerned with crowd behavior. In my view, today the major market-analysis disciplines are technical, fundamental, quantitative, sentiment and behavioral finance.

6. We live in an increasingly globalized economy, and even though there is substantial push-back against that idea at present, it is nonetheless a fact of life. That means that we cannot stick our heads in the sand and mind just the NYSE and NASDAQ. We must increasingly look abroad for clues as to what is happening in the financial markets. In Europe we look to the FTSE-100 and in Germany to the DAX. In Asia the Nikkei 225 for Japan and the Shanghai Composite are our major focus. In North American we look to the TSX Composite in Canada. As for the others, we focus on them in a rotating manner as they wax and wane in importance, using the headlines to tell us where to look.

There is one more dimension, a dimension that spans all of the above points, time. For this work that is mostly daily versus weekly, though hourlies and monthlies figure in my work too. When I started that was the *Wall Street Journal* versus *Barron's* and we kept separate databases, columnar pads actually, which jibed nicely with the Securities Research Corp. chart books that we used; the dailies, known as the bible, and the weeklies, the old testament. I also kept an hourly sheet of a dozen items or so off the Quotron and a few easy indicators for short-term timing purposes. I still keep daily and weekly market-timing databases, though I use MySQL these days rather than pads and pencils. The basic idea is that you want the dailies and weeklies to confirm. Early in a move the dailies will lead and that is fine, but in an established move if you start to see divergences it is time to pay attention.

That's a good survey of what the term 'market internals' means to me, now let's focus on what those internal indicators are currently saying. The ADL remains stronger than price with no signs of divergence and that is true for both the daily and weekly series. In a top area the first thing I look for is an expansion of new lows as an alert, but we just aren't seeing that from either the daily or weekly stats. On the sector front virtually all sectors with the exception of Health and Consumer Non-Cyclicals, both defensive sectors, are participating to the upside, with some economically sensitive sectors like Media actually breaking out. So, no signs of trouble from the group / sector perspective. Value versus growth is a push, we'd like to see some leadership from growth but a push is not a negative. Smaller stocks are doing relatively well, which is a positive. Most of the hero stocks are doing well or better. Starting with Alibaba, BABA, Alphabet, GOOG, and moving on to hardware, Cisco, CSCO, and Intel, INTC, the big stocks are doing

British Pound versus the Euro— GBPEUR — One Year

GroupPower

Sector Ranks

Name	Momentum Short	Momentum Inter.	Momentum Long	$$ Flow
Energy	1.28	0.78	0.71	40.0
Technology	0.60	1.11	1.48	80.8
Financial	0.51	0.72	0.88	90.4
Transportation	0.51	0.77	0.80	18.4
Media	0.45	0.72	0.92	52.0
International	0.16	0.52	0.71	73.6
NASDAQ Comp	0.14	0.53	0.77	N/A
Industry	0.11	0.42	0.79	72.0
Consumer Cyclical	0.05	0.08	0.14	48.8
Basic Materials	-0.07	0.41	1.07	51.2
S&P 500	-0.10	0.03	0.25	N/A
Market ETFs	-0.34	-0.09	0.23	96.8
Healthcare	-0.36	-0.17	0.09	54.4
Telecommunications	-0.39	-0.05	0.25	78.4
Consumer Noncyclical	-0.48	-0.46	-0.17	49.6
Business	-0.71	-0.39	-0.10	60.0
Yield	-1.50	-1.06	-0.49	83.2

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	0.87
10-day Open Adv / Dec	0.87
High-Low Index	90.50
High Low Logic Index	0.49
Percent Above Average	
Percent above 10-day moving average	45.81
Percent above 50-day moving average	51.23
Percent above 200-day moving average	77.83
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

None

Negative Warnings

REIT Health
ETF Real Estate
Business Equipment
Meat and Dairy
Pollution Waste Mgt
Retail Drug
REIT Residential
Electric Utilities
Restaurants
Research Services
Property Management
Home Furnishings
ETF Telecom
ETF Basic Materials
Commercial Services
Lodging
Consumer Services
United Kingdom
Toys Games
Tobacco
Industrial Diverse
Gas Companies
ETC Consumer NonCyc

Strongest — GroupPower Ranking — Weakest

Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear
Gaming Equipment	4.08	4.60	4.64	77.6	-0.52
Coal	3.47	4.84	5.19	62.4	-0.37
Oil Drilling	2.98	1.43	0.77	43.2	0.45
Comps Parts	2.50	2.75	2.52	51.2	-0.13
Oil Services	2.47	1.15	0.37	34.4	0.54
Oil Producers	2.37	1.59	0.64	0.0	-0.08
Reinsurance	2.09	1.77	1.62	91.2	-0.07
Solar Energy	2.05	0.21	-1.25	10.4	0.47
World Oil Companies	2.03	1.58	1.64	70.4	0.45
Mining Diversified	1.93	2.16	2.27	55.2	0.27
Oil Tankers	1.86	1.08	0.19	21.6	0.08
Industrial Services	1.80	1.55	1.86	76.0	0.71
Brazil	1.78	2.24	3.10	73.6	0.31
Brokers	1.72	1.82	1.59	78.4	-0.27
Energy Royalty Trusts	1.66	1.89	2.37	53.6	0.14
Major Oil Companies	1.65	1.10	1.05	74.4	0.40
Prescript Benefit Mgt	1.64	1.49	1.53	80.0	0.27
IT Security	1.55	2.11	2.43	68.0	-0.22
Semiconductor Equip	1.44	2.00	2.52	87.2	-0.05
Banks Southwest	1.26	1.45	1.67	80.8	-0.06
Casinos	1.22	1.42	1.52	80.0	-0.13
Cable Television	1.11	2.40	2.56	70.4	-0.57
ETF Energy	1.10	0.97	0.90	79.2	0.21
Travel	1.09	0.59	-0.15	16.0	0.19
Personal Computers	1.07	1.74	1.96	71.2	-0.19
Vehicle Other	1.03	2.78	3.59	56.0	-0.27
Banks Pacific	1.01	1.10	1.11	88.0	-0.06
Contract Elec Manu	1.01	1.59	1.98	92.0	-0.14
Banks Southeast	0.97	1.17	1.36	92.8	-0.12
Retail Broadline	0.96	0.04	-0.36	37.6	0.67
Holland	0.94	0.44	0.07	33.6	0.55
Retail Specialty	0.93	0.73	0.86	52.0	0.75
Insurance Life	0.90	1.28	1.38	75.2	-0.29
Semiconductor	0.89	1.62	2.13	77.6	-0.11
Railroads	0.88	1.11	1.24	68.8	0.19
Networking	0.82	1.96	2.56	71.2	-0.18
Elec Distributors	0.82	0.87	0.99	51.2	0.57
Hong Kong	0.79	1.23	1.09	68.0	-0.31
Movies Studios	0.79	0.71	0.87	91.2	0.21
Sftware Engineer Sci	0.78	1.33	1.65	98.4	-0.12
Oil Refining	0.77	0.90	0.39	54.4	-0.16
Russia	0.75	1.60	1.87	52.0	-0.37
Retail Jewelry	0.73	0.61	0.16	56.0	0.29
Insurance Prop Cas	0.72	0.58	0.59	68.8	0.47
Internet Consumers	0.72	1.51	2.03	84.0	-0.07
Construction	0.71	1.08	1.57	92.8	0.43
Banks Major	0.71	0.63	0.52	50.4	0.01
France	0.71	0.54	0.00	35.2	0.00
Machinery Heavy	0.66	1.22	1.74	74.4	0.11
Electronics	0.66	1.14	1.42	97.6	0.17
Metal Fabricators	0.64	0.98	1.27	65.6	0.40
Airlines	0.61	0.68	0.65	40.0	-0.07

Group Name	Momentum Short	Momentum Inter	Momentum Long	Money Flow	In/Out Gear
ETC Consumer NonCyc	-0.63	-0.58	-0.31	68.0	0.73
Software Health	-0.63	-0.96	-1.03	73.6	0.18
Hospitals	-0.67	-1.28	-1.73	52.8	0.15
Cement	-0.70	-0.35	0.27	76.0	0.83
Soft Drinks	-0.70	-0.70	-0.50	58.4	0.69
Comps Services	-0.71	-0.18	0.55	73.6	0.49
Containers Packaging	-0.72	0.16	0.72	96.8	-0.06
Medical Distributors	-0.72	-0.95	-0.80	58.4	0.51
Germany	-0.72	-0.24	-0.10	61.6	0.27
Fertilizer	-0.74	-0.84	-0.84	28.8	0.41
Lodging	-0.78	-0.59	-0.29	69.6	0.72
Israel	-0.82	-0.21	0.22	31.2	-0.08
Retail Discount	-0.85	-1.41	-1.05	70.4	0.55
Management Services	-0.90	-0.40	0.09	64.0	0.64
Market Exchanges	-0.91	-0.38	0.20	85.6	0.09
Commercial Services	-0.92	-0.50	0.03	86.4	0.41
Comps Data Storage	-0.92	-0.61	-0.34	29.6	0.69
ETF Basic Materials	-0.94	-0.58	0.10	38.4	0.77
Wireless Communications	-0.99	-0.17	0.63	78.4	0.28
Healthcare Providers	-1.01	-1.31	-1.22	53.6	0.24
Pollution Waste Mgt	-1.04	-1.07	-0.78	64.0	0.37
Dry Bulk Shippers	-1.05	-1.81	-2.72	3.2	0.49
REIT Lodging	-1.07	-0.88	-0.28	63.2	0.79
ETF Telecom	-1.13	-0.85	-0.50	65.6	0.55
Consumer Services	-1.18	-0.72	-0.30	51.2	0.57
Retail Office Supplies	-1.27	-1.59	-2.32	36.8	0.16
Retail Drug	-1.29	-0.95	-0.78	44.0	0.12
United Kingdom	-1.30	-0.82	-0.75	70.4	0.13
Research Services	-1.33	-1.40	-1.32	80.8	0.40
Gas Companies	-1.35	-0.90	-0.32	91.2	0.49
Industrial Diverse	-1.36	-0.95	-0.52	65.6	0.78
Tobacco	-1.37	-1.11	-0.68	74.4	0.63
Toys Games	-1.38	-1.11	-0.52	68.8	0.73
Biotech	-1.39	-0.15	0.49	26.4	-0.13
Restaurants	-1.39	-1.23	-0.92	32.8	0.67
Home Furnishings	-1.52	-1.32	-1.08	40.8	0.66
Property Management	-1.63	-1.08	-0.73	58.4	0.81
Electric Utilities	-1.66	-1.27	-0.79	81.6	0.33
Water Companies	-1.68	-1.34	-0.73	72.8	0.34
Meat and Dairy	-1.70	-0.89	-0.37	41.6	0.55
REIT Office	-1.76	-1.22	-0.40	89.6	0.68
REIT Industrial	-1.82	-1.29	-0.63	91.2	0.53
REIT Mortgage	-1.84	-1.28	-0.68	78.4	0.60
Business Equipment	-1.94	-1.70	-1.09	64.8	0.46
ETF Real Estate	-1.97	-1.47	-0.88	80.8	0.61
REIT Retail	-2.11	-1.48	-0.76	84.8	0.56
REIT Health	-2.17	-1.40	-0.57	89.6	0.74
REIT Residential	-2.38	-1.60	-0.97	79.2	0.45
Energy Market Dist	-2.91	-2.43	-1.54	50.4	0.49
Drug Delivery System	-4.00	-3.44	-2.61	17.6	0.37
Precious Metals	-4.67	-3.31	-1.40	69.6	0.51

Sector Selector ETF Portfolios (Experimental)

Exp. ETF Portfolios	Symbol	Date Selected	Purchase Price	Current Price	Dividends	Return	Rank
Style							(# in 21)
Russell 2000 Growth	IWO	9/16/2016	147.65	147.28	0.25	-0.08%	5
S&P 600 Growth	IJT	9/2/2016	137.92	136.21	0.00	-1.24%	1
Russell 2000 Value	IWN	9/2/2016	104.68	103.50	0.00	-1.13%	2
International							(# in 24)
Brazil	EWZ	6/24/2016	27.51	35.46	0.00	28.90%	6
Russia	RSX	4/8/2016	16.85	18.80	0.00	11.57%	10
Hong Kong	EWH	9/23/2016	21.56	22.10	0.20	3.44%	1
Sector							(# in 27)
Technology	IGN	9/9/2016	39.22	41.32	0.05	5.50%	2
Software	PSJ	8/8/2016	45.47	48.12	0.00	5.83%	4
Financial	XLF	10/7/2016	19.62	19.62	0.00	0.00%	1

Portfolio

Slot	Name	Symbol	ET Rating Stock	GroupPower 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	2	Large Cap	1	10/19/15	203.20	215.04	4.42	8.0%	205.00	Hold
2	Russell 2000	IWM	1	Small Cap	1	11/02/15	118.21	122.83	1.79	5.4%	112.00	Hold
3	Russell 1000 Growth	IWF	2	Large Cap	1	11/12/15	98.76	103.31	1.46	6.1%	99.00	Hold
4	S&P 500 Value	IVE	2	Large Cap	1	03/21/16	90.09	94.57	1.66	6.8%	91.00	Hold
5	British Petroleum	BP	2	Oil Major	2	03/21/16	31.43	36.17	0.60	17.0%	32.00	Hold
6	S&P MidCap	MDY	2	MidCap	1	04/18/16	267.64	278.80	1.96	4.9%	266.00	Hold
7	Chevron	CVX	2	Oil Major	2	08/08/16	101.15	102.27	1.07	2.2%	97.00	Hold
8	Oil Services HOLDRS	OIH	2	Oil Service	2	08/08/16	28.87	29.90	-	3.6%	25.00	Hold
9	Oceanering	OII	4	Oil Service	2	08/22/16	28.03	27.82	0.27	0.2%	24.50	Hold
Core Portfolio - International												
1	Japan	EWJ	2	Japan	2	12/14/12	9.45	12.45	0.48	36.9%		Hold
1	World	VEU	2	International ETF	1	10/19/15	45.53	45.14	0.95	1.2%		Hold
Core Portfolio - Dollar Diversification												
1	Dollar Down ETF	UDN	2	Bear Yield	3	07/18/16	21.71	21.81	-	0.5%		Hold
Core Portfolio - Yield												
1	Barclays High Yield	JNK	2	High Yield	3	02/20/09	29.17	36.68	19.93	94.1%		Hold
2	iShares High Yield	HYG	2	High Yield	3	02/20/09	69.98	87.15	39.45	80.9%		Hold
3	PS Finan. Preferred	PGF	2	Yield	2	03/13/09	8.35	18.99	9.24	238.1%		Hold
Core Portfolio - Speculation												
1	VIX Inverse	XIV	2	Bull Market	2	10/06/15	27.29	38.39	-	40.7%		Add

Portfolio Notes: The Value Line Plan is in the market with a sell stop of 471.60. The Value Line Geometric Index stands at 478.86. There is one change to the ETF portfolios this week; sell IAU and buy SOXX, which is a switch from gold to the semiconductor group. I am purposely holding off on portfolio changes until we get beyond the elections and the the dust clears a bit. However, you can add to XIV on any and all pullbacks. We remain constructive, but cautious, on stocks. The one potential negative in our work is the number of negative early warnings from GroupPower. They are all 13-week new lows, which is not unusual for this type of consolidation. If 26-week new lows start to accumulate we'll begin to consider fielding some defense. Ice Breaker is maintaining three positions, one each for SPY, DIA and QQQ. I will be on the road next Monday, so the Hotline may be late. Due to travels the schedule for the November CGL is still not firm. I suspect what I will do is try to publish a market-commentary-only letter somewhere near mid month and pick back up with the normal schedule in December. Remember there will be no Hotline this Monday as this is a newsletter weekend.

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.

well. In the social media world Facebook, FB, is doing fine while Twitter, TWTR, is attempting a recovery. Speaking of Twitter one cool way of identifying the hero stocks is via Twitter mentions. As of Thursday the top ten are SPY, FB, AAPL, GLD, TSLA, ALNY, CRM, EURUSD, DIS, GNK and AMZN. One of them is simply the market, SPY. Some of them are bad news items like CRM and ALNY that have scared people, and some are special cases, gold and the euro, but the rest, except for DIS, are performing in line or better. On the surface sentiment seems like a negative with so many investment advisors positive, but underneath we feel that they are actually negative, saying they are bullish but fearing the downside. One way to gauge that is their willingness to buy expensive insurance as soon as even a hint of a decline surfaces via a surge in the CBOE's Volatility Index, the VIX. Confirming that are the option numbers which are mildly constructive. So sentiment is a mixed bag, too bullish on the surface while quite bearish beneath. (Sentiment is contrarian in nature, so bullish sentiment is bearish for the market and vice versa.) The international scene is a mixed bag, but our favorite leading indicator, the FTSE 100, is doing well, and is back testing resistance at its all-time highs from early 2015 in the wake of the Brexit swoon.

To sum it all up, we remain constructive on the market, noting that the monetary environment remains very positive, with strong money supply growth and low interest rates. We are in a consolidation ahead of the election with little sign of deterioration to suggest an imminent down move and lots of positives suggesting an upward resolution.

Foreign Exchange

The British pound is being relentlessly sold off and is now approaching its 1985 lows; at $1.25 people will soon start talking about parity. With Germany and other EU members now starting to talk tough about Britain leaving the EU, the pair to watch is the pound versus the euro, which is even closer to parity at 1.11. These parity levels are important for two reasons. First, they are nice round numbers that traders and the public can anchor to, but more importantly, they are numbers aggressive players will position for and then try to drive to. In any case, we expect that a long position in the pound when the time is right will benefit us in two ways: First, we get capital appreciation from a bounce and subsequent reversion to more economically sustainable levels. Second, it will be a fine hedge against loss of purchasing power caused by competitive devaluation on the part of our government.

Politics

The Detroit Free Press recently endorsed Gary Anderson and William Weld, the Libertarian candidates for president and vice president. Before you volunteer "That's a wasted vote." let me suggest that you read their endorsement. It is one of the few cogent things I have read about this election.

http://www.detroitnews.com/story/opinion/editorials/2016/09/28/endorse-johnson-president/91254412/

Let me add this, this election stuff has been going on for more than year and I AM SICK OF IT! In some countries they have a three-month election plan, start of campaign to poll. After the horror show of the past year that is beginning to seem like a really good idea.

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/speakers/details/507SPK?scode=042048

