Volume #29, Issue #9

John Bollinger's

CAPITAL GROWTH LETTER

13 February 2016

"Although most Americans apparently loathe inflation, Yale economists have argued that a little inflation may be necessary to grease the wheels of the labor market and enable efficiency-enhancing changes in relative pay to occur without requiring nominal wage cuts by workers." Janet Yellen

The Market

On the regular Monday Hotline for 8 February I noted that a near picture-perfect W bottom in relation to the Bollinger Bands had formed for the S&P 500. This was evident in many other US stock market indices and a few international indices as well. However, we were right at the inflection point and we did not have confirmation yet. Let's start by examining W bottoms in general, then we'll add Bollinger Bands and a couple of the classic Bollinger Band indicators to the mix. Finally we'll have a look at confirmation and risk-limiting techniques in the real-world lab of the current market.

A W bottom is a technical analysis formation shaped like the capital letter W, a low followed by a rally and then a retest of the original low. The retest can occur at a level above, at, or below the original low. This pattern is often called a double bottom and many other names have been used, but the basic idea is the same, a retested low separated by an intervening rally. I call the first low the momentum low, as that is where the greatest momentum is. I refer to the rally as a relief rally, as it relieves the oversold condition created by the decline into the momentum low. I call the retest the final or price low, as it is often lower than the first low, which can be a very hard situation to diagnose correctly without Bollinger Bands.

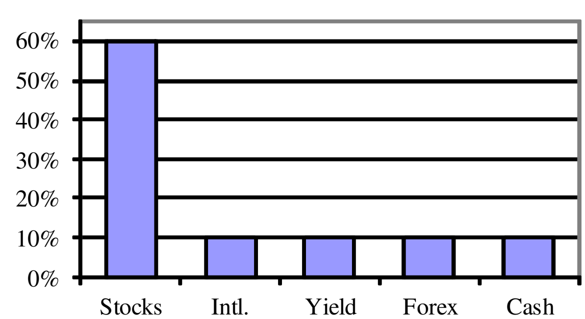
(An M top is not the mirror image of a W bottom as there are different dynamics in play at market tops than those we typically see at market bottoms. The exception is pairs trading, like the forex market; there Ms and Ws complement one another.)

One feature of W bottoms that usually goes unnoticed is that they are often fractal, that is each turning point can be seen to contain its own W or M when looked at with greater magnification. For example, a weekly chart of the S&P shows an intermediate term W being formed that featured shorter-term Ws at each of the two lows

The Investing Environment

Monetary	Model	Current
Fed Model	Neutral	
Yield Curve	Positive	1.25
Money Supply	Positive	6.1%
Sentiment	Model	Current
Net Bulls	Positive	-14.5
Options	Positive	0.96
Valuation (S&P 500)	Last Signal	Current
Yield		2.41%
P/E Ratio		20.57
Current Trends	Short Term	Long Term
Stocks	Down	Down
Interest Rates	Down	Down
Energy	Down	Down
Gold	Up	Flat
Commodities	Down	Down
Dollar	Down	Flat

Asset Allocations



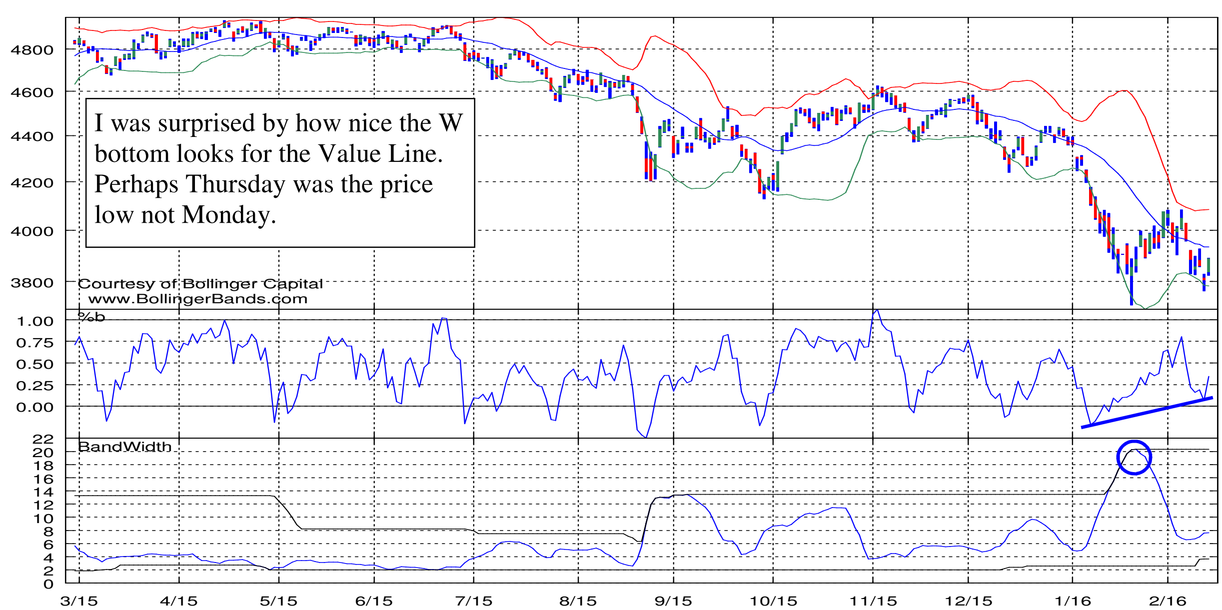
and a short-term M top at the apex of the W.

Let's add Bollinger Bands to the mixture and redefine the W bottom by doing so. Now a W bottom is a new low in price that is not a new low in relation to the Bollinger Bands. Using this definition it becomes much easier to identify valid W formations where the final low occurs at a lower level than the momentum low. In addition, we can say the relief rally usually obtains the middle Bollinger Band. Now we are moving out of the fuzzy area of guessing at these formations towards a rigorous process to help us define and act on them. We can get all the way there by introducing the two classic Bollinger Band Indicators, %b and BandWidth. Recall that %b tells us where we are in relation to the Bollinger Bands and BandWidth is a measure of how wide the Bollinger Bands are. (%b is 0.5 when price is at the middle Bollinger Band, 0.0 when price is at the lower band, greater than zero when price is above the lower band and less than zero when price is beneath the lower band.)

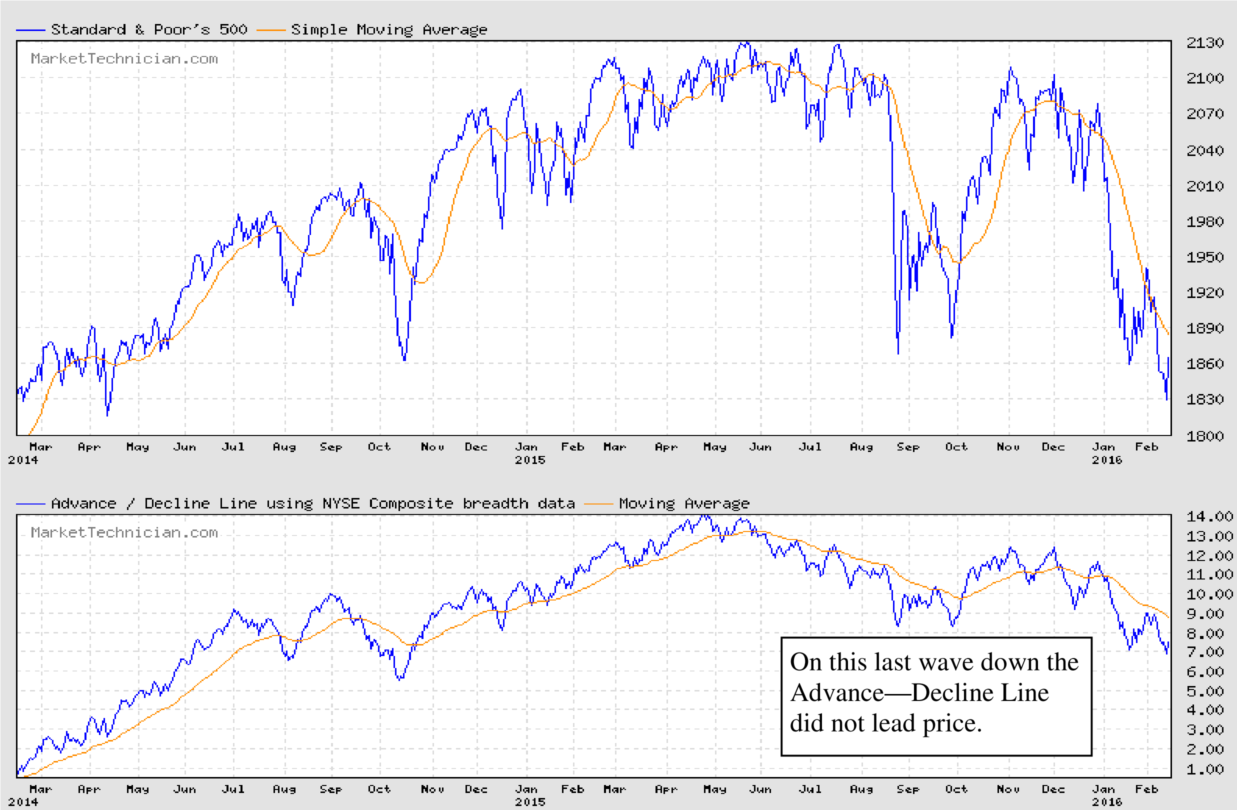
In the ideal W pattern %b is less than zero at the momentum low, obtains a value of 0.5 or greater on the relief rally, and is greater than zero at the final low. BandWidth peaks and turns down at the momentum low, troughs at the final low, and expands again as the up leg unfolds. Now we have a pattern and a set of relationships that we can employ rigorously. Not only are we eliminating emotions for the analytical process, we can now ask a computer to find W patterns. Next we add a straightforward set of decision rules and the result is the identification of potential trades where the potential is greater than the risk, and the odds of success are in our favor.

We can improve on this by adding additional confirmation tools. For example if we are working with market index funds like the DIA, SPY or QQQ ETFs, we can include an advance decline indicator or an up and down volume tool. When we do this we loop back towards where we came in, the Dow trading system I used early in my career, utilizing first-principle ideas along the way ensuring robustness. The most basic and important confirmation technique is a Sign of Strength immediately in the wake of the price low. A Sign of Strength is a day with greater than average price range and/or gain and greater than average volume. The ideal is simply a big up day on high volume, but a day that starts out weak and ends strong can qualify too. The idea is that if it is to be a valid W bottom, you need to see positive price action confirm the pattern.

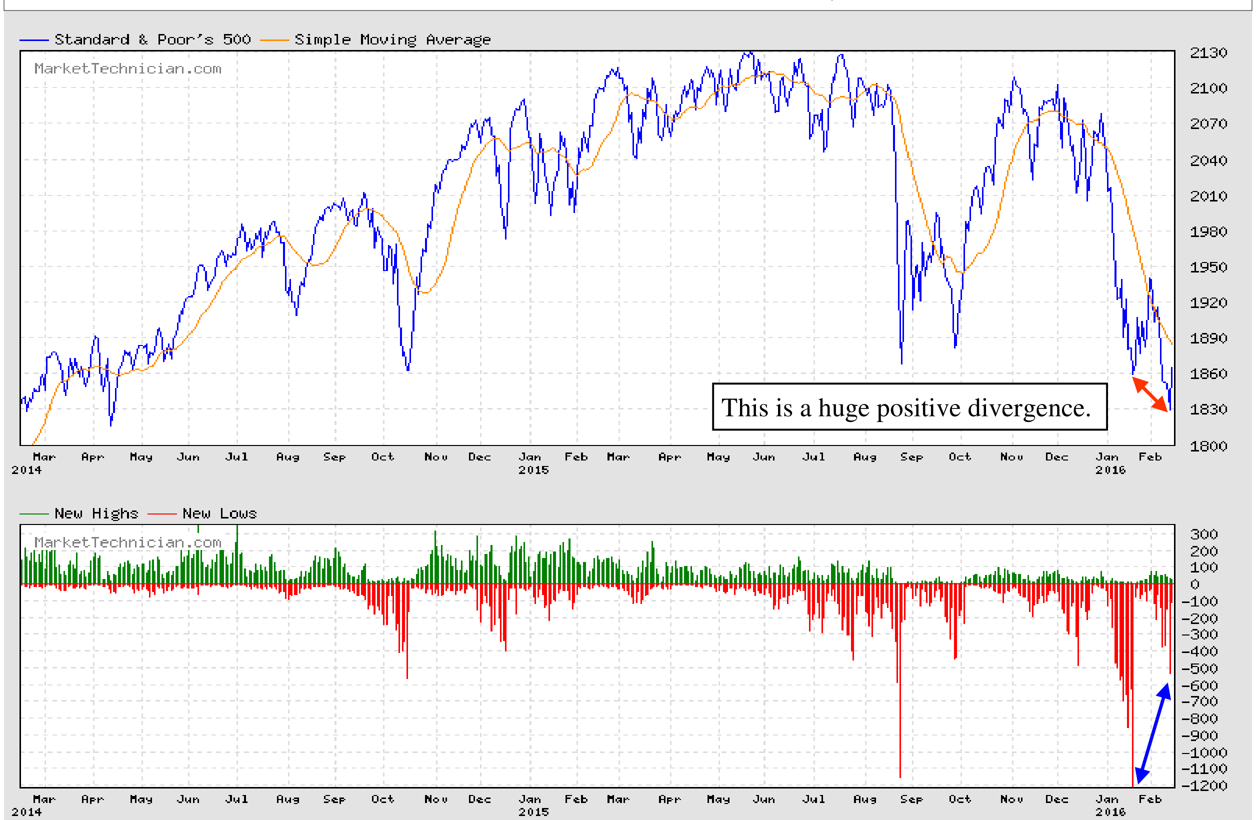
Perhaps the most important aspect is what to do when the pattern doesn't work out. To manage risk and help us deal with a pattern that breaks we start a Chandelier stop on the day of the price low. For those of you not familiar with this stop, it is simple and elegant. It is a progressive stop anchored to the highest high since the trade was entered. On the first day it is simply the high of that day. The stop hangs beneath the high by a distance defined by Average True Range, like a chandelier hangs from the ceiling. Typically, a 10-period average true range is used as the unit of distance and the stop sits three times the ATR beneath the highest high. Some traders prefer to run this stop tighter, say two ATRs,



Value Line Arithmetic — One Year

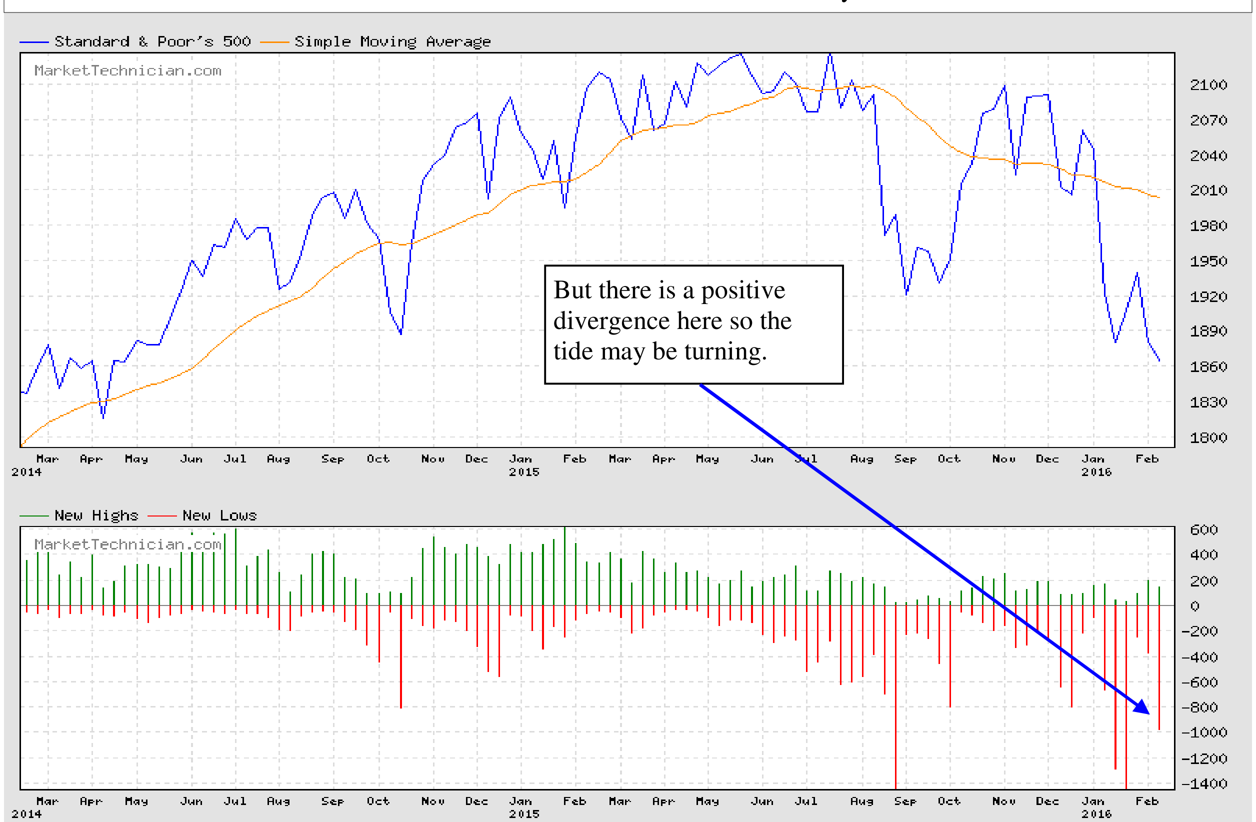


S&P 500 and NYSE Advance - Decline Line — Daily — Two Years



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

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



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

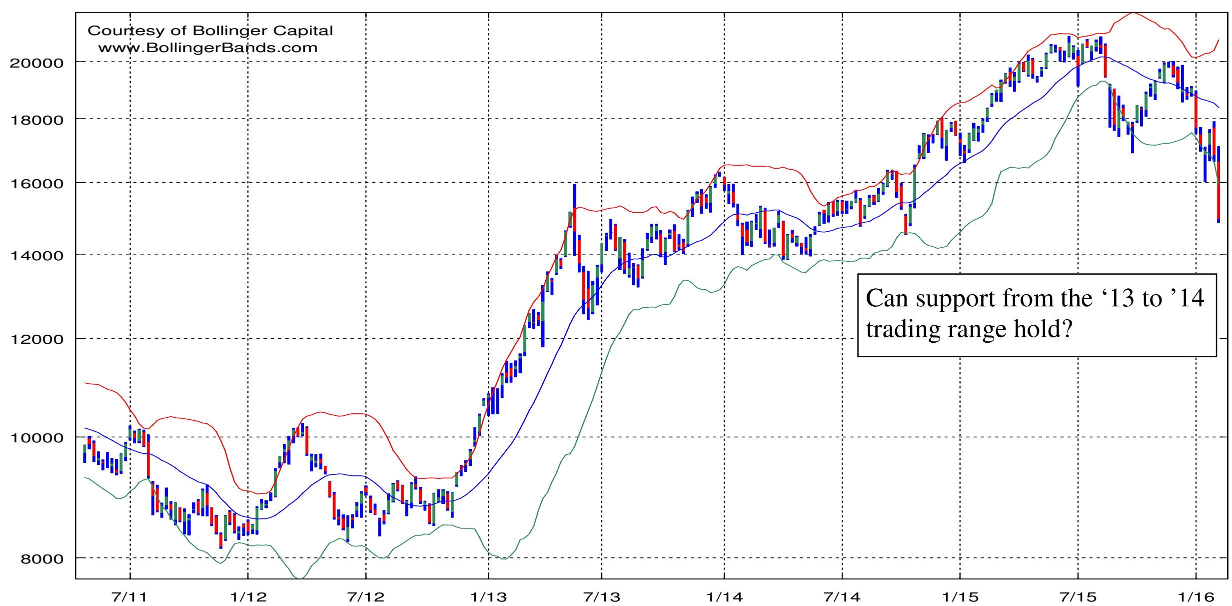
Russian RTS — Weekly

some looser. If you want to take a simpler approach to risk management, closing at a new low is a good sign that the pattern is failing.

Finally, an update as we go to press. We never got a Sign of Strength after the price low and it now looks like we are trying to form a small W on the right side of a larger W. Heavily annotated chart on page 15.

Occasional Indicators

During this decline two indicators that are quiet most of the time have spoken up, the Bollinger Put Volume Indicator, and the 10-day Open TRIN. The first is a sentiment indicator that highlight times when put option activity is unusually high. (Puts are bets of the market going lower.) The second is a an intermediate-term variation on the Arms Index, which is often called the TRIN or TRading INdex. This indicator is a broad-market indicator that tracks advancing and declining issues and



Nikkei 225 — Weekly

up and down volume, usually for the NYSE. Values above one indicate relatively more volume in declining issues than advancing issues, values less than one indicate relatively more volume in advancing issues. In order to create an intermediate-term timing tool a special smoothing calculation is needed. We discussed the Open TRIN, its calculation and its recent signal at length in the January newsletter. Our put volume indicator signaled in the same time frame, it is the ratio of put volume to its ten-day average and it signals when put volume doubles its average. Put volume signals used to occur more frequently, but this indicator has been relatively quiet in recent years so signals are easy to miss when they do occur. Probably the best comparison to the most recent signal is the signal from the 2011 decline, in which it also occurred early. Annotated charts on page 14. Both of these indicators are overdue for Bollinger Band treatment, which will likely improve their performance.

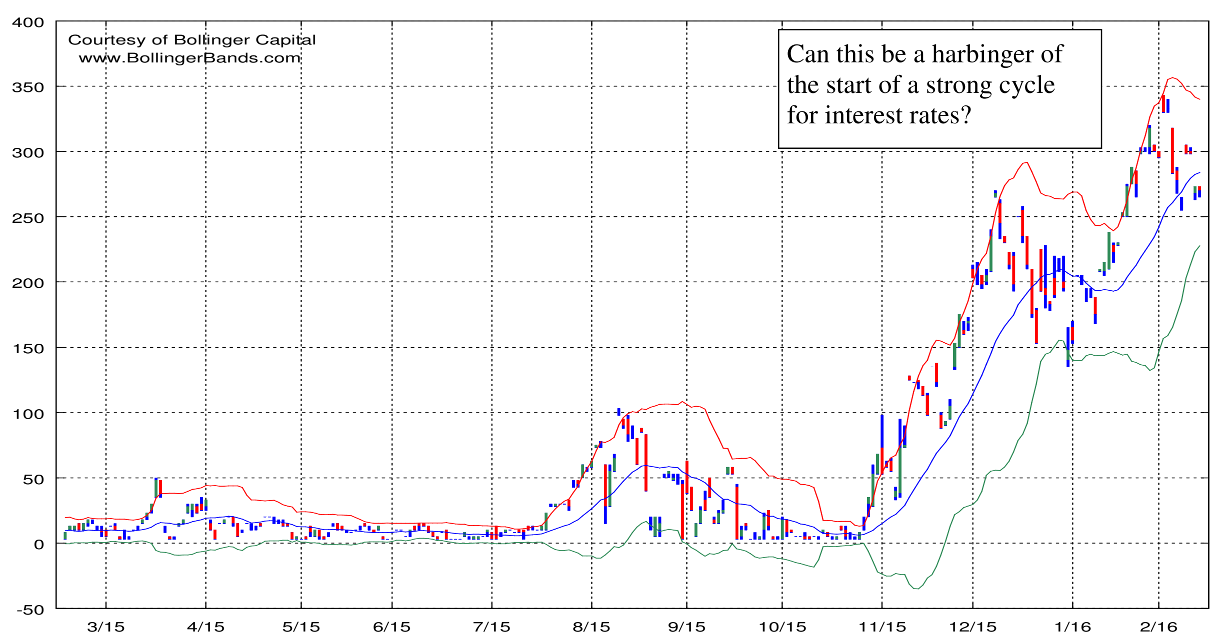
Why I Teach

I am often asked why I teach my tools and techniques, or why I reveal what should be "secrets". The implicit assumption is that if they worked I wouldn't teach them or even offer glimpses of them to anyone and that I am getting rich teaching dross. Such short-sighted, stingy analysis fails to understand anything about who I am or what I believe in. Perhaps more to the point, it betrays a complete lack of understanding of the power and potential of the Bollinger Band ecosystem and the Open Source movement.

When I started in this industry it was really hard to learn as an independent trader, especially away from Wall Street on the West Coast. There were no good books in the stores—Martin Pring had yet to write "Technical Analysis Explained". There was no Internet to look things up. Really the only way to learn was by reading newsletters, talking to other traders and sharing ideas. (It wasn't even clear what newsletters to read, at first many were a worthless regurgitation of opinion.) When you heard of a book you wanted, you had to use a book finding service and often wait for months for the book to arrive. In those days the only way to learn was by participating in a shared knowledge environment. I was lucky in that I found an experienced trader to apprentice to, which was interesting. I learned a lot from watching him, but what was most valuable to me was reading the newsletters he subscribed to and browsing his library.

In those days the primary method of distributing technical analysis was via newsletters. Norm Fosback, ESC Coppock and Martin Zweig were amongst the writers who shared ideas freely. I read those letters diligently for my first couple of years. After that I was off and running on my own and it was time to give back in thanks for all I had received. All of which is to say that I came up in an environment that would be called open source today. We cooperated and shared ideas. Those are values I maintain to this day.

There is another, more selfish reason why I teach. I discovered many years ago that the greatest benefit from teaching seminars accrued to me. No, not the income, though that can be nice; rather it is the learning. In pre-



Short-Term Interest Rates — IRX

Gold Stock Index — HUI — One Year

paring for a seminar and then teaching the material I learn a tremendous amount; it is a very fruitful cycle for me. In order to teach, you must thoroughly understand to be able to explain. I find that the process forces me to research in depth areas I had previously taken for granted so I can explain them clearly. Then, and this is the real payday, in teaching I often make connections / associations, many times in response to questions, and find that I come out of the process with a deeper understanding of the material and new ideas to explore. If it were not for that intellectual stimulation I probably would have stopped giving seminars a long time ago, as it requires a massive effort to prepare and present the material properly. As it is, I only teach an in-depth seminar once every couple of years, though I do introductory talks more often.

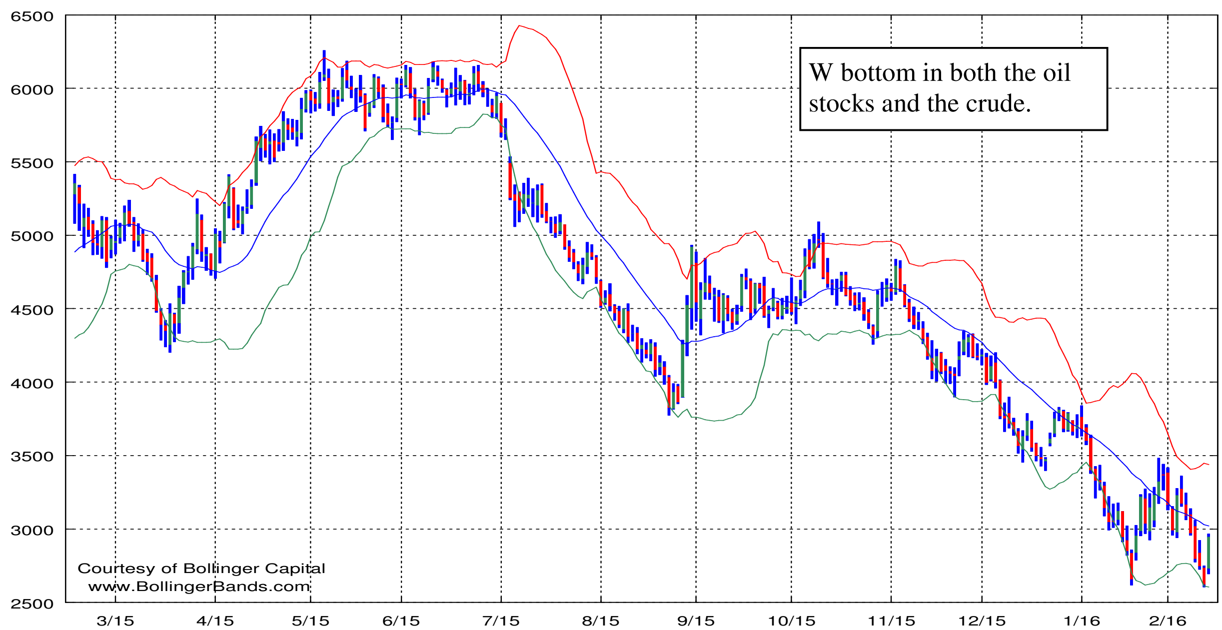
Energy

In the old days, which is to say since the early 1970s, lower oil prices were always bullish for stocks and by implication the economy. There was always some argument as to which was the cart and which the horse, but

Gold Futures — GC — One Year

Major Oil Stocks — XOI — One Year

simply put cheaper energy was a good thing. In my view it was the stocks that lead both energy and the economy. I saw a post on Twitter recently averring that lower oil prices had never led to a recession, which gave me pause: Never is a tough term and in my experience certainty is rather hard to come by. The question all traders and investors should be thinking about is whether something has changed to make that observation invalid in the present tense. The obvious candidate is the inflationary environment. For the lives of almost all today's traders and investors inflation has been the fact. Sometimes one of its cohorts, stagflation or hyperinflation, stole the spotlight, but by-and-large the name of the game has been inflation. Today we find ourselves in a deflationary environment. We may be near to turning the corner on that, but with negative interest rates in many of the world's economies the urgently perceived threat is deflation, not inflation. In a deflationary environment lower oil prices might be bearish, we just don't have enough data to know. This is clearly an issue of major import that we will be tracking closely. Oddly enough the most recent employment report showed 265,000 new appli-



Crude Oil Futures — CL — One Year

cants for unemployment, a rather low number indicative of a strong labor market. The bottom line is that it is not clear that deflation has caught on, but it is a threat we need to monitor carefully.

Contrarian Time

The standard valuation measure for bank stocks is their multiple of book value. Major US bank stock prices are trading at approximately 120% of book value on average. By comparison, most Japanese, European and British bank stocks are trading at less than half of book value, with some trading at less than 30% of book. These stocks are clearly beginning to look attractive from a contrarian perspective. It doesn't seem like it is time to do anything yet, but this sector could be a home run if timed right.

Recall that contrary opinion requires three pieces: A widely held opinion, for that opinion to be wrong, and then for a catalyst to turn the crowd. I can see the widely held opinion, "these banks are crap", which is probably more correct than not at present. I can also see that such an opinion will be wrong in due time; the big money center banks have a knack for survival. All we are left to wonder about is what the catalyst will be that turns the crowd and there will be plenty of time to ponder that. Mark my words, there will come a time to own these stocks; they are not ALL going out of business and the survivors will likely do very well indeed.

Simmering on the contrarian burner: Basic Materials, Energy, Big International Banks, International stocks.

A Free Idea

If you open the front page of www.BollingerOnBollingerBands.com, shortcut = www.BBands.com, the chart you see there will refresh each minute with a new random pick from our database. I often leave that page open and glance at it as the day goes along. Sometimes I just sit, watch and think. This function serves two purposes, it lets you see a random, unbiased sample of what is happening in the market which serves to give you an excellent sense of what is actually going on. In many cases this simple scan affords early indications of emerging market trends and reversals. (We used to get this sort of feel from flipping through chart books each week and month as they arrived, but those days are long gone.) Two, these random views of stocks can be a superb source of ideas that you might not otherwise see.

International

Unfortunately the world's markets are not setting up the way the US market is. The FTSE looks OK, but the DAX and Nikkei are in much worse condition. The world's idea seems to be to watch the US markets for any real signs of strength, which, as we discussed above, haven't shown up yet. In turn, these economically important markets are weighing on the US market. Clearly an important factor is the dismal performance of the big Euroland banks. Deutsche, DB, is an example. It is down 72% from its 2014 high and off 87% from its

Commodity ETF — DBC — One Year

2007 high. The US banks have performed equally dismally, but as a group they are not making new lows.

The Market II

I wish I could be more sanguine about the immediate outlook for equities, but against the backdrop caution is warranted. I do think the bears have overplayed the risks and that some selling has been thoughtless/reckless. I am not embracing the bearish thesis, just getting a bit more cautious. No changes to the allocations just now, but we are on alert.

Interest Rates

A friend I know always speaks of strong cycles and weak cycles, concepts he uses as background information to bias his market operations. We have discussed this sort of thing a lot under the rubric of long-term indicators and analysis. For nearly as long as I have been active in this business we have been in a weak cycle for interest rates. Perhaps cycle is the wrong word, as it implies some sort of regularity, for which I make no claim. The important bit is that I believe that the weak cycle is either ending or has already ended and that we will be entering a strong cycle for interest rates. That means bonds will remain unattractive for the foreseeable future as the risk / reward ratios are simply terrible.

I didn't quite know where to put this comment, so it is here in the interest rate section as the tools Janet Yellen and the Fed preside over are primarily interest rates. The quote at the head of this letter nicely illustrates the mad sort of group think that has come to dominate our policy making apparatus. The inflation of which Yellen speaks has the effect of the nominal wage cuts she deplores. What we'd like is a policy of steady, tame monetary growth and free markets. I know: Fat chance! But a man can dream... Can't he?

Gold

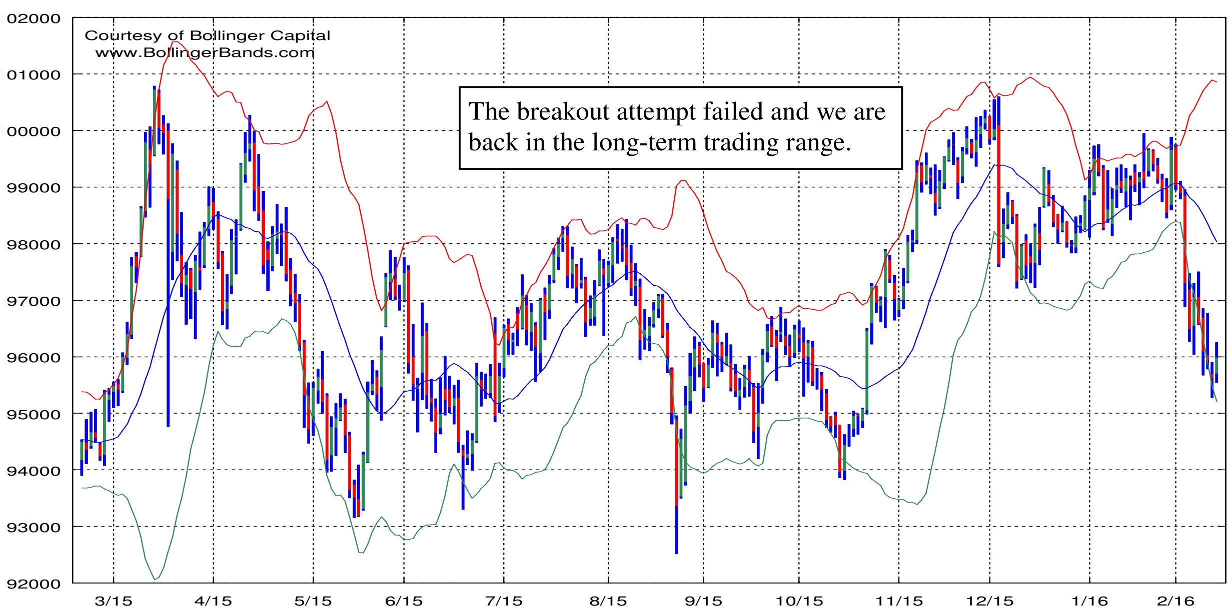
Gold bullion bounced from 1,050 to 1,250, a gain of 20%, but the gold stocks didn't display the sort of leadership we'd expect to see if the move were the beginning of a new uptrend. This could be the beginning of something, but I'll need some more evidence, like better participation on the part of the other precious metals. Definitely on the watch carefully list.

Foreign Exchange

The recent weakness in the dollar means that the Fed's Dollar Index is unchanged year over year. So much for the idea of a strong dollar as a source of troubles. As usual the media, economists and the like are way behind the curve. Once they get on a trend it is a fair guess that the trend is history.

Ice Breaker & Friends

Even in this tough market Ice Breaker is holding its own. It has made a few tough trades, but it is still working. The Value Line Plan has had a harder time of it and likely needs recalibration. We will be looking into that.



Dollar Index — DX — One Year

GroupPower

Sector Ranks

Name	Momentum Short	Momentum Inter.	Momentum Long	$$ Flow
Basic Materials	0.71	-1.19	-2.33	5.6
Industry	-0.22	-1.04	-1.34	40.8
Transportation	-0.31	-2.42	-3.11	16.0
Consumer Noncyclical	-0.37	-0.79	-0.79	46.4
Technology	-0.64	-1.45	-1.51	40.8
S&P 500	-0.73	-1.22	-1.16	N/A
Yield	-0.75	-0.74	-0.66	67.2
Telecommunications	-0.82	-1.50	-1.49	39.2
Market ETFs	-0.96	-1.65	-1.69	77.6
Consumer Cyclical	-1.09	-2.29	-2.54	27.2
International	-1.19	-1.85	-2.04	32.8
Financial	-1.24	-2.18	-2.03	45.6
NASDAQ Comp	-1.40	-1.98	-1.75	N/A
Healthcare	-1.68	-2.25	-2.15	40.0
Business	-1.72	-2.29	-2.10	52.0
Media	-1.78	-2.21	-2.09	28.8
Energy	-1.91	-3.23	-3.78	22.4

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	1.02
10-day Open Adv / Dec	0.62
High-Low Index	9.79
High Low Logic Index	0.49

Percent Above Average

Percent above 10-day moving average	26.20
Percent above 50-day moving average	12.32
Percent above 200-day moving average	6.4

New Highs and Lows

13-week new highs	0
13-week new lows	2
26-week new highs	1
26-week new lows	0
52-week new highs	1
52-week new lows	3

Early Warnings

Positive Warnings	Negative Warnings
Precious Metals	Broadcast TV
	Semiconductor Equip

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
Precious Metals	9.51	7.43	4.80	24.8	-0.48	Spain	-1.91	-3.25	-3.61	49.6	0.96
Metal Fabricators	3.57	0.98	-0.76	24.8	0.77	Asset Management	-1.93	-3.53	-3.71	30.4	0.98
Meat and Dairy	2.77	2.90	2.95	99.2	-0.63	Internet Consumers	-1.96	-3.29	-3.15	36.8	0.96
Mining Diversified	1.89	-2.09	-3.97	42.4	0.90	Comps Data Storage	-1.99	-3.84	-4.45	21.6	0.96
Machinery Heavy	1.58	0.82	-0.04	51.2	0.54	REIT Office	-1.99	-1.87	-1.47	52.8	0.95
Railroads	1.53	-0.40	-1.41	30.4	0.85	Paper and Lumber	-2.02	-2.59	-2.35	48.0	0.98
Air Freight Couriers	1.53	0.20	-0.42	44.0	0.82	Communication Tech	-2.11	-2.81	-2.74	20.8	0.98
Steel	1.51	-0.47	-1.91	24.8	0.81	Aerospace Defense	-2.18	-2.21	-1.93	49.6	0.96
ETF Basic Materials	1.48	0.05	-0.73	24.8	0.89	ETF Health	-2.19	-2.98	-2.78	61.6	0.95
Energy Royalty Trusts	1.43	-1.49	-3.50	12.0	0.80	Internet Info Prov	-2.28	-2.14	-1.58	27.2	0.88
Footwear	1.34	-0.84	-2.01	35.2	0.89	Food Retailers	-2.29	-3.08	-3.09	7.2	0.87
Insurance Brokers	1.33	0.58	0.26	71.2	0.78	Textiles	-2.31	-3.17	-3.06	40.0	0.98
IT Security	1.32	0.78	-0.09	40.0	0.36	Brokers	-2.34	-3.43	-3.09	36.0	0.98
Instruments	1.23	0.39	0.15	43.2	0.92	Financial Services	-2.36	-3.66	-3.56	23.2	0.97
Machinery	1.22	-0.44	-1.47	28.0	0.87	Automobile Mfg	-2.37	-2.88	-2.58	71.2	0.98
Latin America	1.21	0.04	-0.94	31.2	0.79	Prescript Benefit Mgt	-2.39	-3.19	-3.28	48.0	0.89
Water Companies	1.09	1.64	1.76	77.6	-0.59	Biotech	-2.51	-1.39	1.78	17.6	0.50
Household Products	1.09	0.41	0.49	82.4	0.74	Holland	-2.51	-3.06	-3.01	46.4	0.98
Contract Elec Manu	1.08	-0.42	-0.91	44.8	0.92	Japan	-2.61	-2.62	-2.31	65.6	0.96
Metals Non Ferrous	1.05	-0.69	-2.07	10.4	0.82	Hospitals	-2.63	-3.20	-3.43	18.4	0.93
Trucking	0.98	-0.04	-0.86	34.4	0.69	Drug Delivery System	-2.69	-3.65	-3.69	40.8	0.90
Vehicle Other	0.91	-1.95	-3.35	32.0	0.89	Travel	-2.70	-3.50	-3.02	55.2	0.85
Brazil	0.79	-0.86	-2.20	44.0	0.83	Farm Products	-2.76	-2.92	-2.90	35.2	0.95
World Oil Companies	0.76	-0.91	-1.98	31.2	0.81	China Mainland	-2.89	-3.31	-2.79	54.4	0.94
Auto Parts	0.76	-1.97	-2.53	43.2	0.97	India	-2.89	-2.75	-2.55	24.8	0.94
Retail Autoparts	0.71	0.42	0.61	69.6	0.58	Adv Medical Devices	-3.01	-2.96	-2.35	47.2	0.92
Industrial Prod Dist	0.54	-0.54	-1.11	40.0	0.91	Spec Health Service	-3.04	-3.24	-2.88	31.2	0.94
Russia	0.53	-0.27	-1.04	32.8	0.73	Diverse Drugs	-3.13	-3.18	-2.66	47.2	0.86
Elec Distributors	0.46	-0.93	-1.05	76.0	0.96	Industrial Services	-3.17	-4.41	-4.36	31.2	0.97
Commercial Services	0.34	-0.29	-0.21	64.8	0.97	Broadcast TVs	-3.24	-2.39	-1.92	54.4	0.79
Elec Components	0.28	-0.26	-0.35	42.4	0.93	Gaming Equipment	-3.24	-5.14	-5.19	31.2	0.92
Cement	0.28	-1.80	-2.34	48.0	0.95	Healthcare Providers	-3.33	-3.74	-3.49	36.0	0.95
Medical Distributors	0.27	-0.69	-0.75	75.2	0.95	Movies Studios	-3.34	-3.73	-3.29	49.6	0.93
ETF Bonds	0.26	0.29	0.22	40.0	-0.79	Oil Services	-3.38	-4.78	-5.11	14.4	0.96
Lodging	0.26	-1.62	-2.11	42.4	0.98	Oil Drilling	-3.50	-5.33	-5.54	29.6	0.96
Electronics	0.24	-1.10	-1.61	48.0	0.96	Insurance Life	-3.68	-4.08	-3.51	33.6	0.98
Telephone	0.20	-0.46	-0.66	50.4	0.90	Coal	-3.72	-6.63	-9.14	0.8	0.90
Retail Drug	0.20	-0.26	-0.36	23.2	0.74	Oil Refining	-3.74	-4.87	-4.53	41.6	0.96
Electric Utilities	0.16	0.69	0.66	81.6	-0.63	REIT Health	-3.74	-2.66	-2.09	60.8	0.31
Market Exchanges	0.15	0.10	0.26	70.4	0.67	Retail Jewelry	-3.74	-3.92	-3.71	44.0	0.97
Recreational Vehicles	0.11	-1.86	-2.43	26.4	0.95	Pipelines	-3.76	-4.92	-5.19	32.0	0.89
Food Wholesalers	0.07	-1.52	-2.04	49.6	0.95	Dry Bulk Shippers	-3.82	-7.29	-8.11	0.8	0.92
Tobacco	0.06	0.07	0.26	84.0	0.64	Software Business	-3.90	-4.13	-3.22	52.0	0.95
Title Surety Insurance	0.06	-1.91	-2.27	33.6	0.95	Employment Services	-4.00	-4.10	-3.51	55.2	0.97
Soft Drinks	0.05	0.36	0.74	58.4	-0.18	Oil Tankers	-4.05	-6.10	-6.03	20.0	0.93
Pollution Waste Mgt	0.04	-0.05	-0.25	69.6	0.04	Diverse Media	-4.10	-3.79	-3.30	48.8	0.89
Agricultural Machine	0.01	-0.01	-0.22	56.8	0.16	France	-4.16	-4.65	-4.15	44.8	0.92
Casinos	-0.01	-1.48	-1.69	36.0	0.97	Gas Producers	-4.68	-5.99	-6.63	1.6	0.82
ETC Consumer NonCyc	-0.02	-0.23	-0.21	88.0	0.88	Property Management	-4.80	-5.36	-4.68	43.2	0.96
Reinsurance	-0.06	-0.49	-0.45	47.2	0.97	Oil Producers	-4.85	-6.81	-7.40	8.8	0.85
Alcoholic Beverages	-0.09	-0.66	-0.68	60.0	0.95	Solar Energy	-6.39	-5.04	-4.17	36.8	0.65
Industrial Elec Equip	-0.10	-1.10	-1.57	38.4	0.90						

Sector Selector ETF Portfolios (Experimental)

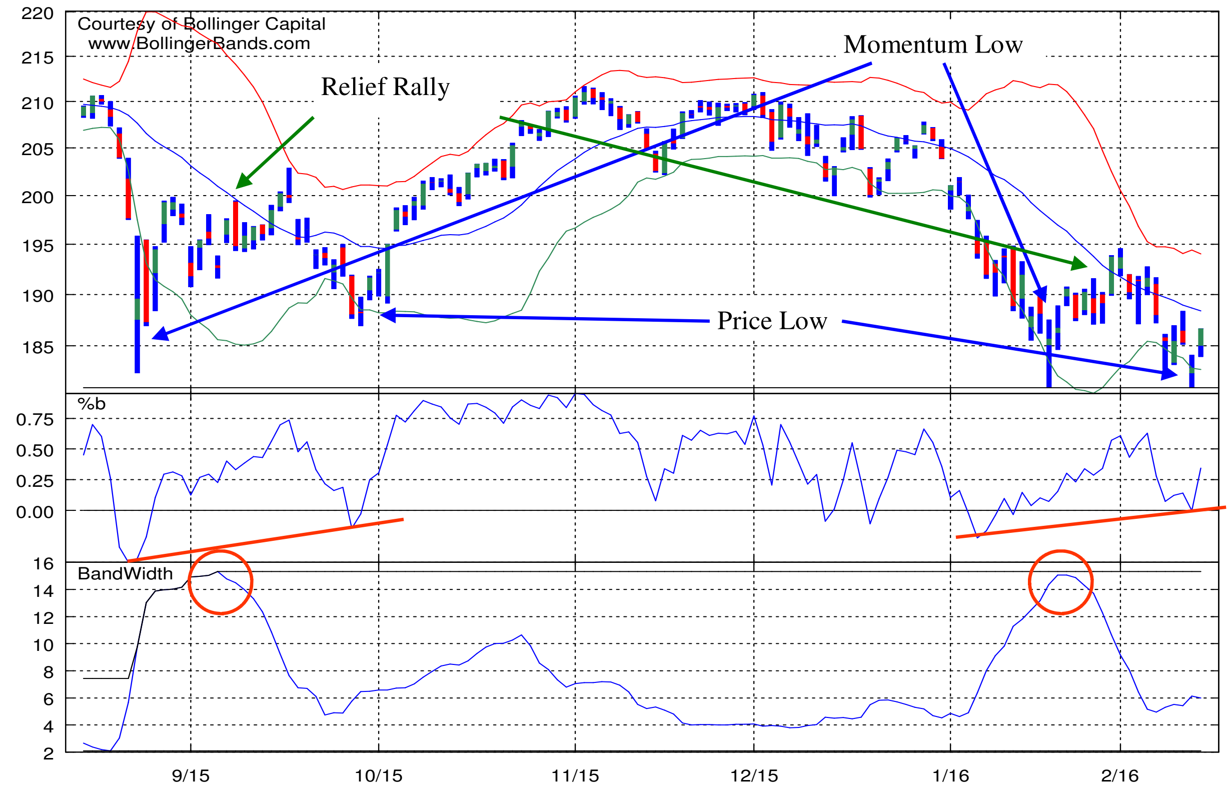
Exp. ETF Portfolios	Symbol	Date	Purchase	Current	Dividends	Return	Rank
		Selected	Price	Price			
Style							(# in 21)
Cash	CASH	2/1/2016	1.00	1.00	0.00	0.00%	0
Cash	CASH	2/8/2016	1.00	1.00	0.00	0.00%	0
S&P 500 Growth	IVW	10/9/2015	113.19	104.77	0.50	-7.00%	1
International							(# in 24)
Cash	CASH	2/8/2016	1.00	1.00	0.00	0.00%	0
Belgium	EWK	6/26/2015	17.56	16.22	0.08	-7.16%	7
Malaysia	EWM	1/8/2016	7.99	7.88	0.00	-1.31%	1
Sector							(# in 27)
Consumer Goods	IYK	1/4/2016	106.32	103.06	0.06	-3.00%	5
Cash	CASH	2/8/2016	1.00	1.00	0.00	0.00%	0
Cash	CASH	2/8/2016	1.00	1.00	0.00	0.00%	0

Portfolio

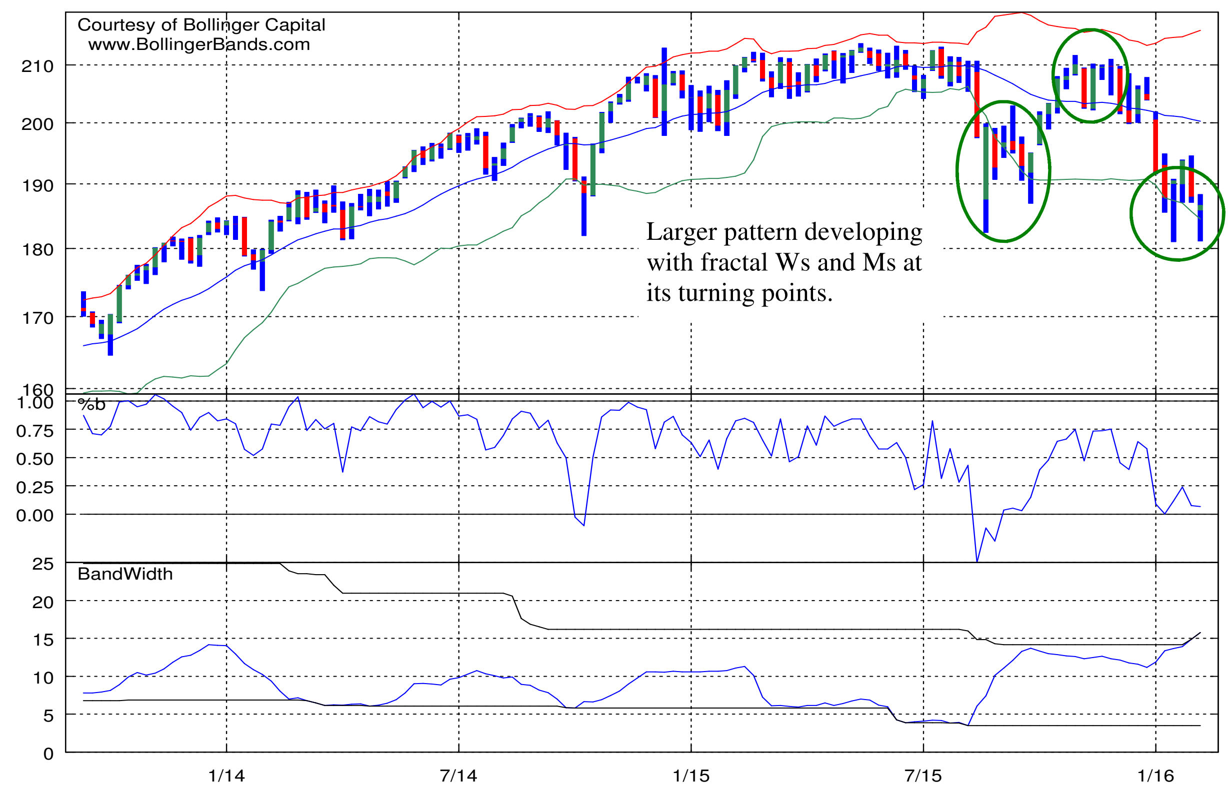
Slot	Name	Symbol	ET Rating	GroupPower Group	ET Rating	Entry	Entry	Current	Divid.	Total	Mental	Action
			Stock		Group	Date	Price	Price		Return	Stop	
Core Portfolio - US Equities												
1	S&P 500	SPY	3	Large Cap	2	10/19/15	203.20	186.63	1.21	-7.6%		Hold
2	Russell 2000	IWM	3	Small Cap	3	11/02/15	118.21	96.59	0.50	-17.9%		Hold
3	Russell 1000 Growth	IWF	3	Large Cap	2	11/12/15	98.76	89.79	0.38	-8.7%		Hold
Core Portfolio - International												
1	Japan	EWJ	3	Japan	3	12/14/12	9.45	10.41	0.39	14.3%		Hold
1	World	VEU	3	International ETF	3	10/19/15	45.53	38.80	0.34	-14.0%		Hold
Core Portfolio - Dollar Diversification												
1	Dollar Up ETF	UUP	3	Bull Yield	4	06/18/15	24.68	24.92	-	1.0%		Hold
Core Portfolio - Yield												
1	Barclays High Yield	JNK	4	High Yield	4	02/20/09	29.17	32.00	18.44	73.0%		Hold
2	iShares High Yield	HYG	4	High Yield	4	02/20/09	69.98	76.72	36.33	61.6%		Hold
3	PS Finan. Preferred	PGF	2	Yield	4	03/13/09	8.35	17.68	8.63	215.1%		Hold
Core Portfolio - Speculation												
1	VIX inverse	XIV				10/06/15	27.29	16.68	-	-38.9%		Hold

Portfolio Notes: The Value Line Plan remains out of the market with a 398.53 buy stop. The index stands at 392.00. After a short surge for Value, Growth is picking up interest again and larger stocks are maintaining their advantage. There were several changes to the ETF portfolios, mainly moves into cash, as none of the replacement ETFs have positive momentum. Ice Breaker took a couple of losses as it tried to buy into the decline, but is on a firm footing once again. The name of the game is building and maintaining buy lists of stock that you want to own and looking for opportunities as the market creates them. For example, I know a lot of people that have liked Disney might like it better now that it is 30% off its high and Apple, another preferential is also 30% off its highs. I am holding off on rebuilding the Core Portfolio until we have better evidence of an emerging up trend. The next regular hotline will be on Monday the 22nd.

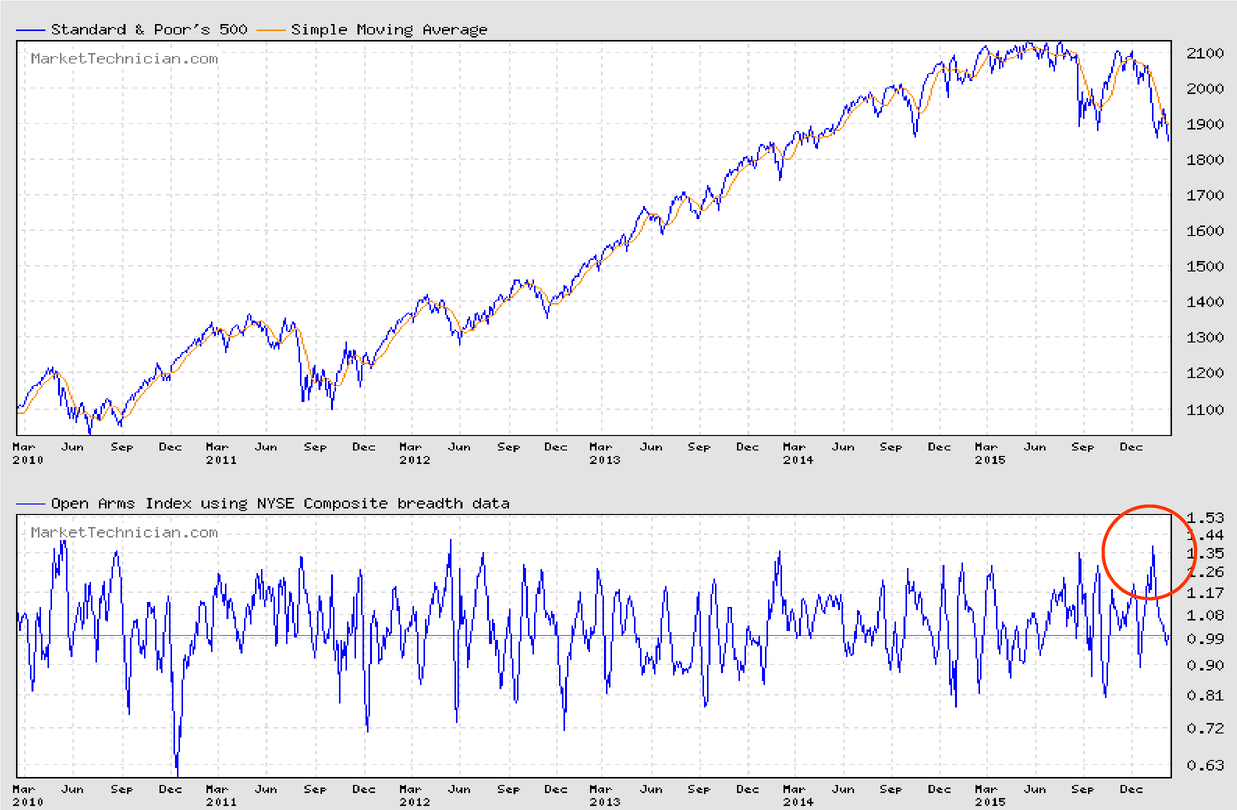
John Bollinger's Capital Growth Letter is published monthly by Bollinger Capital Management, Inc., P.O. Box 3358, Manhattan Beach, CA 90266.; Phone: (310)798-8855 Website: www.BollingerBands.com E-mail: BBands@BollingerBands.com Subscription rates: $300 a year, 3-issue trial subscription: $50.



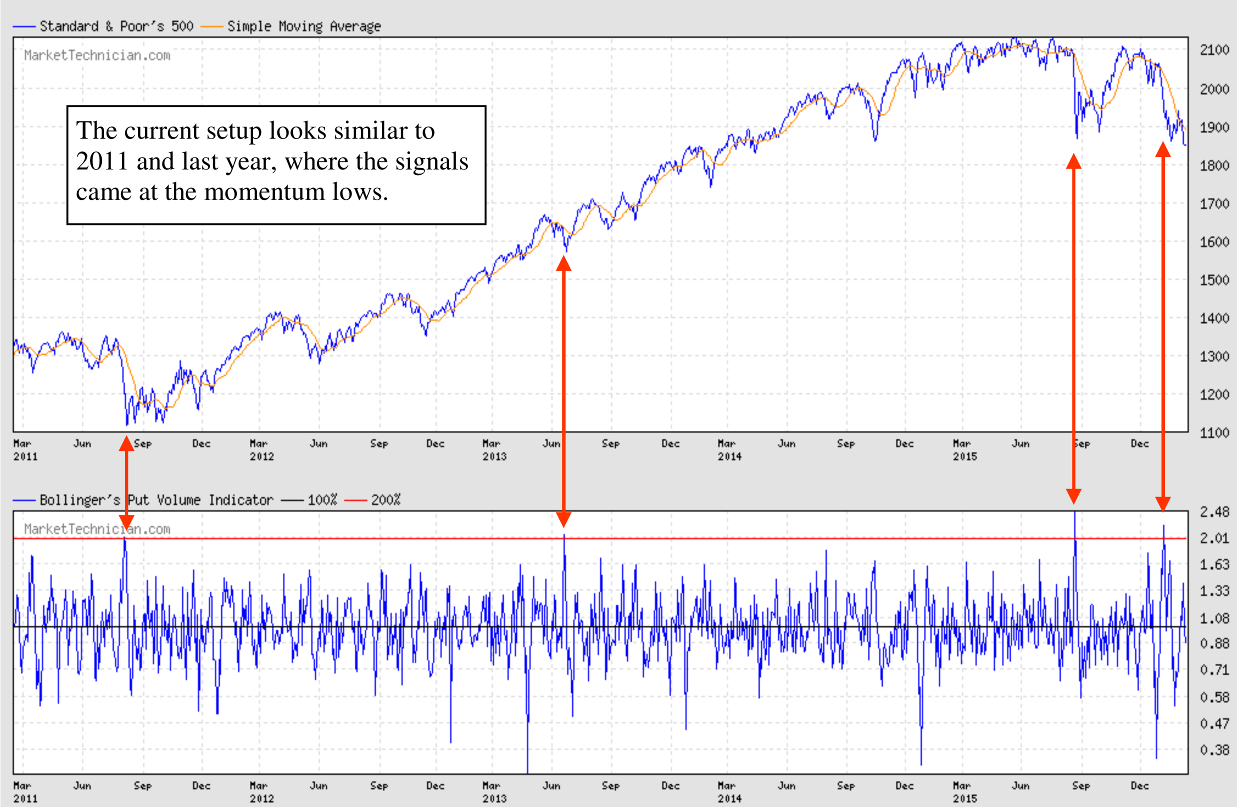
W Bottom — SPY — Daily — Six Months



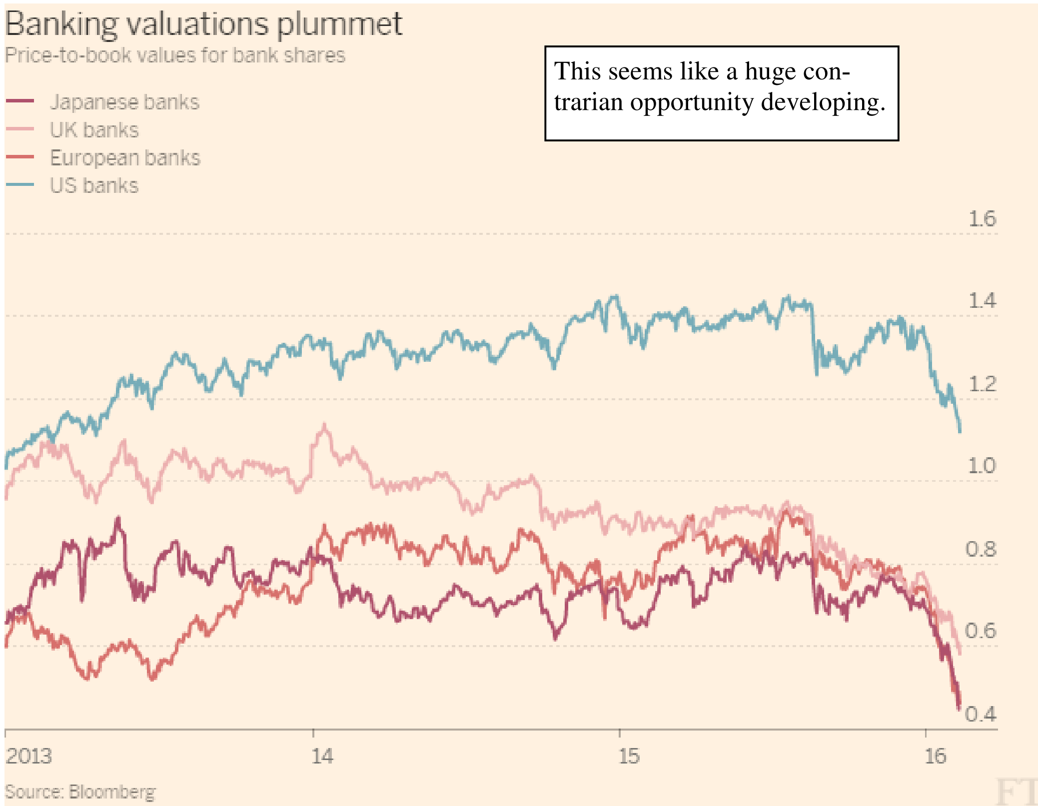
W Bottom — SPY — Weekly



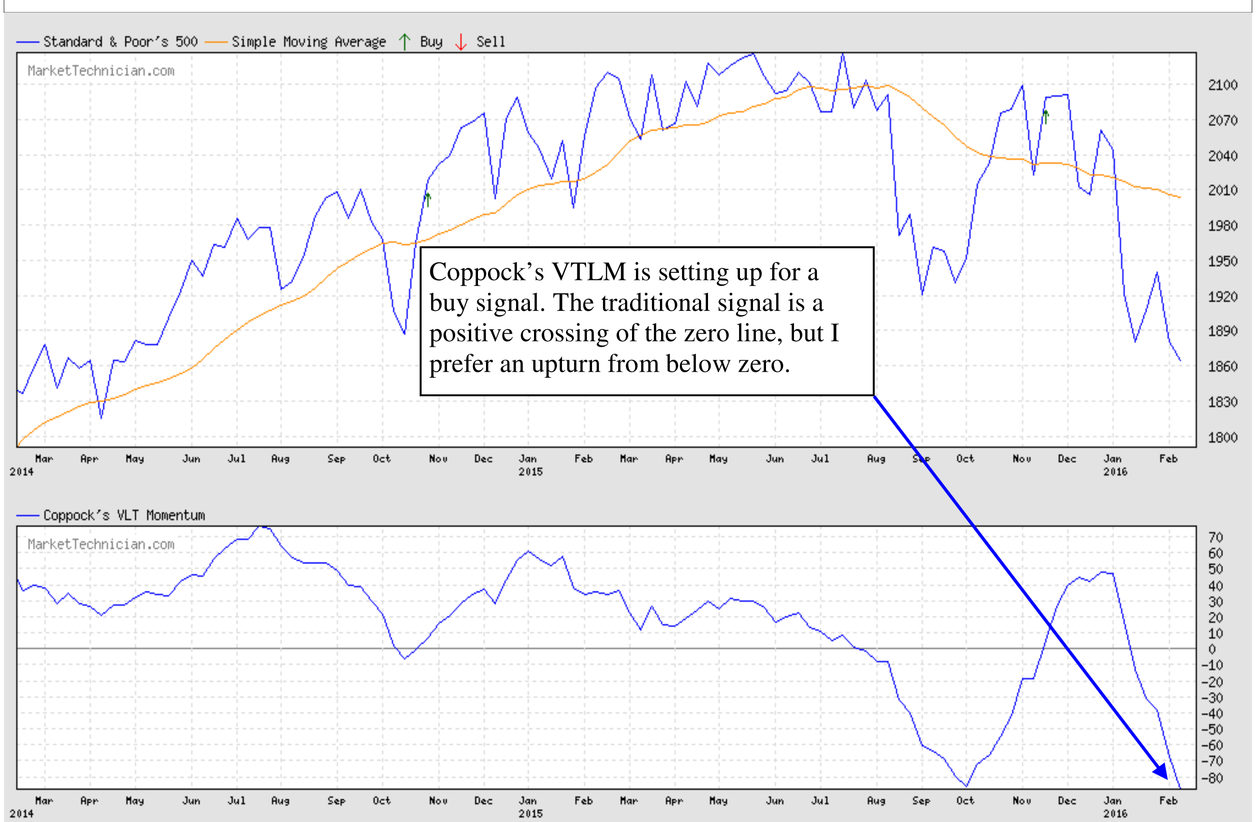
Open Arms Index — Six years



Bollinger Put Volume Indicator — Five Years



Bank Book Value Chart from The Financial Times



ESC Coppock's Very Long Term Momentum — Weekly Data — 2 Years

A Reminder

We are trying out a change in publication schedule; the CGL will be posted mid-day Saturday. That means that we will be able to have the latest daily and weekly data in the letter. Things like the Value Line Plan and the ETF portfolio which previously had shown the prior week's data, will now reflect the latest Friday closing. The letter will also contain the content we would normally have published in the Monday Hotline for the next week. So a typical monthly cycle will be newsletter, hotline, hotline, hotline, newsletter. Four times a year there will be four hotlines between newsletter issues to compensate for 52 weeks being squeezed into 12 months. I will generally target the third Saturday of the month for publication. Huzzahs arise from efficiency experts all over the world!

Appearances

We have a Bollinger Band [YouTube](http://bit.ly/1KLkKGc) channel where you can watch free videos that cover Bollinger Band analytics, past webinars, the BollingerOnBollingerBands website, and how to use the various Bollinger Band Tool Kits. Go to http://bit.ly/1KLkKGc and click on Playlists to see the videos broken down by categories.

This is a great illustration of why teaching can be beneficial to the teacher. Note that what goes in our seminars falls mostly in the more effective portions of the pyramid. I didn't set out to do it that way, it just proved to be the best way via real-world experience.