

West Coast Cycles Club Market & Investing Discussion

Bob Krishfield

May 28, 2013

Agenda

Morning

1. Status of the Market Rally and What to Look for Next.

What's Happening in Sector Rotations - Defensive versus Growth?

New Inputs

2. Dave Hayward: Gold Price Manipulation
3. Alex Levitin: How to Preserve Your Gains in the Current Bull Market By Placing Stops

Afternoon

1. Alex Levitin Presentation of Mogeys' Charts
2. Bob Krishfield – How to Use Fundamentals to Assist in Technical Analysis of Stocks.

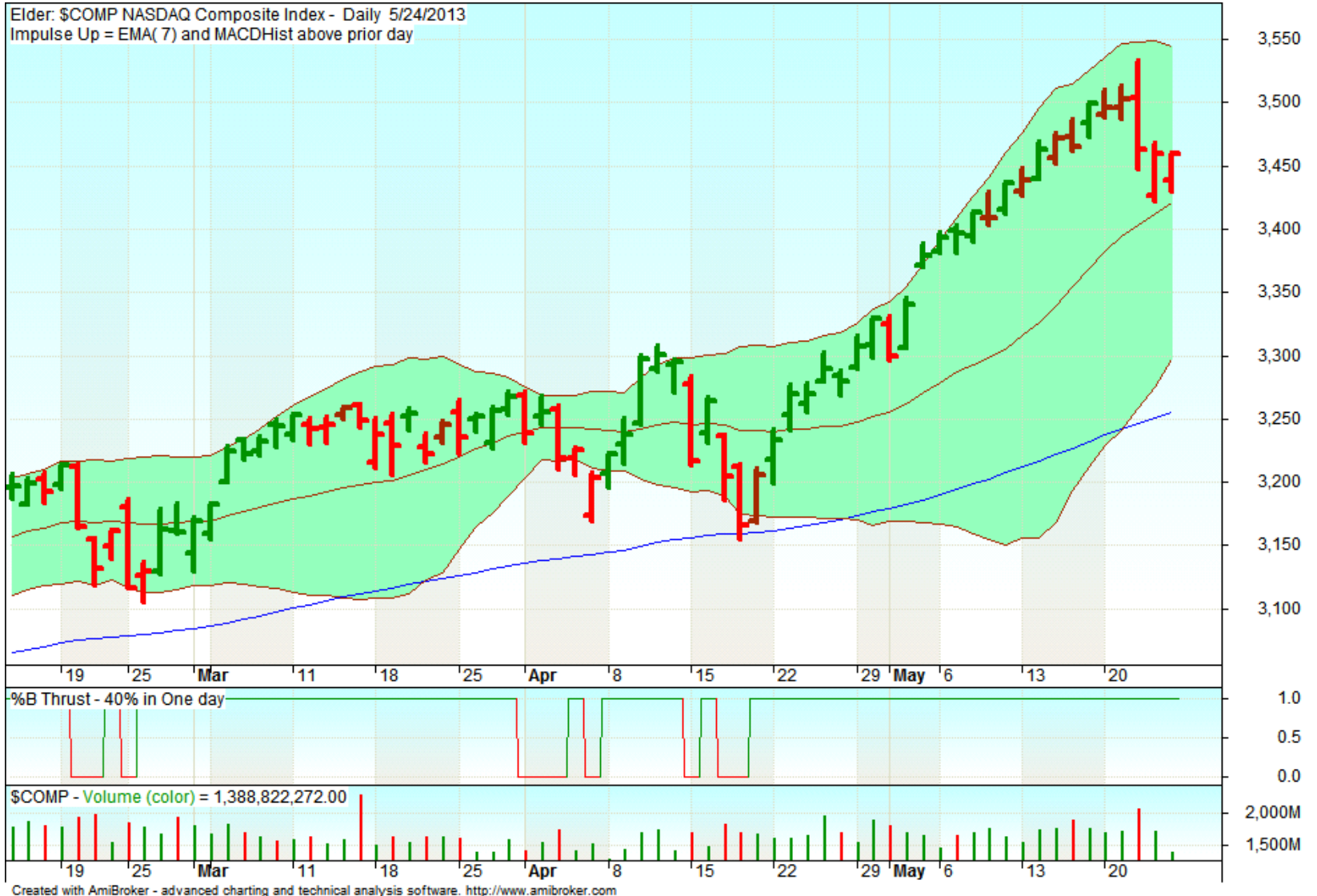
Market Rally Topping?

Elder: \$SPX S&P 500 Index - Daily 5/24/2013
Impulse Up = EMA(7) and MACDHist above prior day

We are in Uncharted Territory – All Time Highs.
April was mixed, May was strong
S&P500 Topping in last few days.
What's Next?



NASDAQ Also



Dow Too

Elder: \$DJI Dow Jones Industrial Average - Daily 3/8/2013
Impulse Up = EMA(7) and MACDHist above prior day

Same Pattern, But April Had
Less Volatility



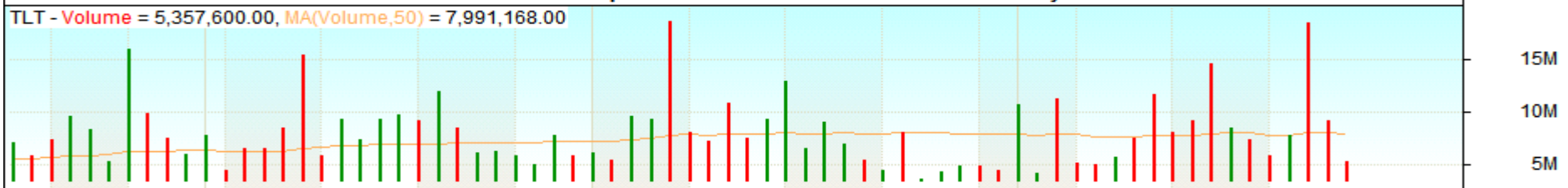
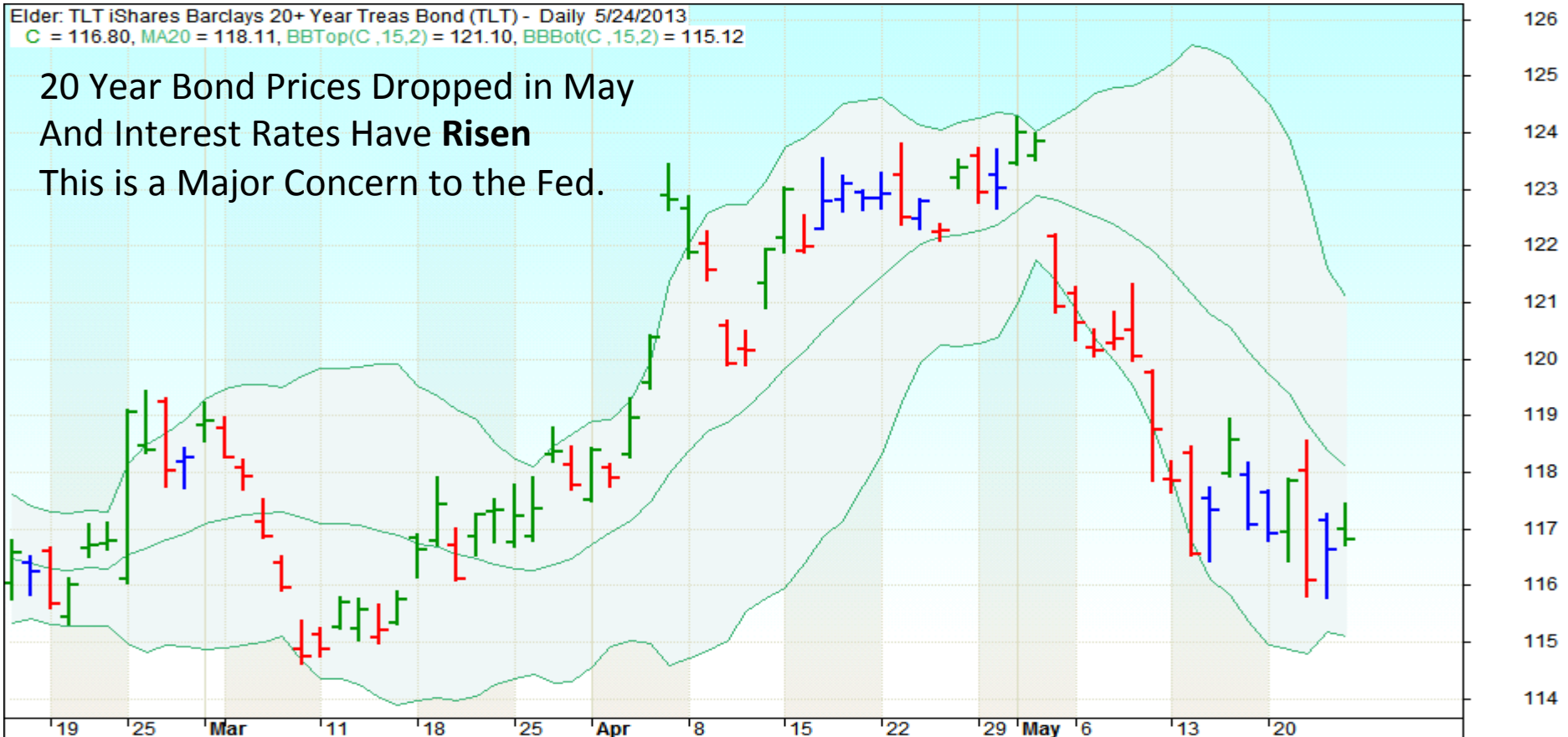
US Dollar Rising



20 Yr Bond - TLT

Elder: TLT iShares Barclays 20+ Year Treas Bond (TLT) - Daily 5/24/2013
C = 116.80, MA20 = 118.11, BBT_{Top}(C,15,2) = 121.10, BBB_{Bot}(C,15,2) = 115.12

20 Year Bond Prices Dropped in May
And Interest Rates Have **Risen**
This is a Major Concern to the Fed.

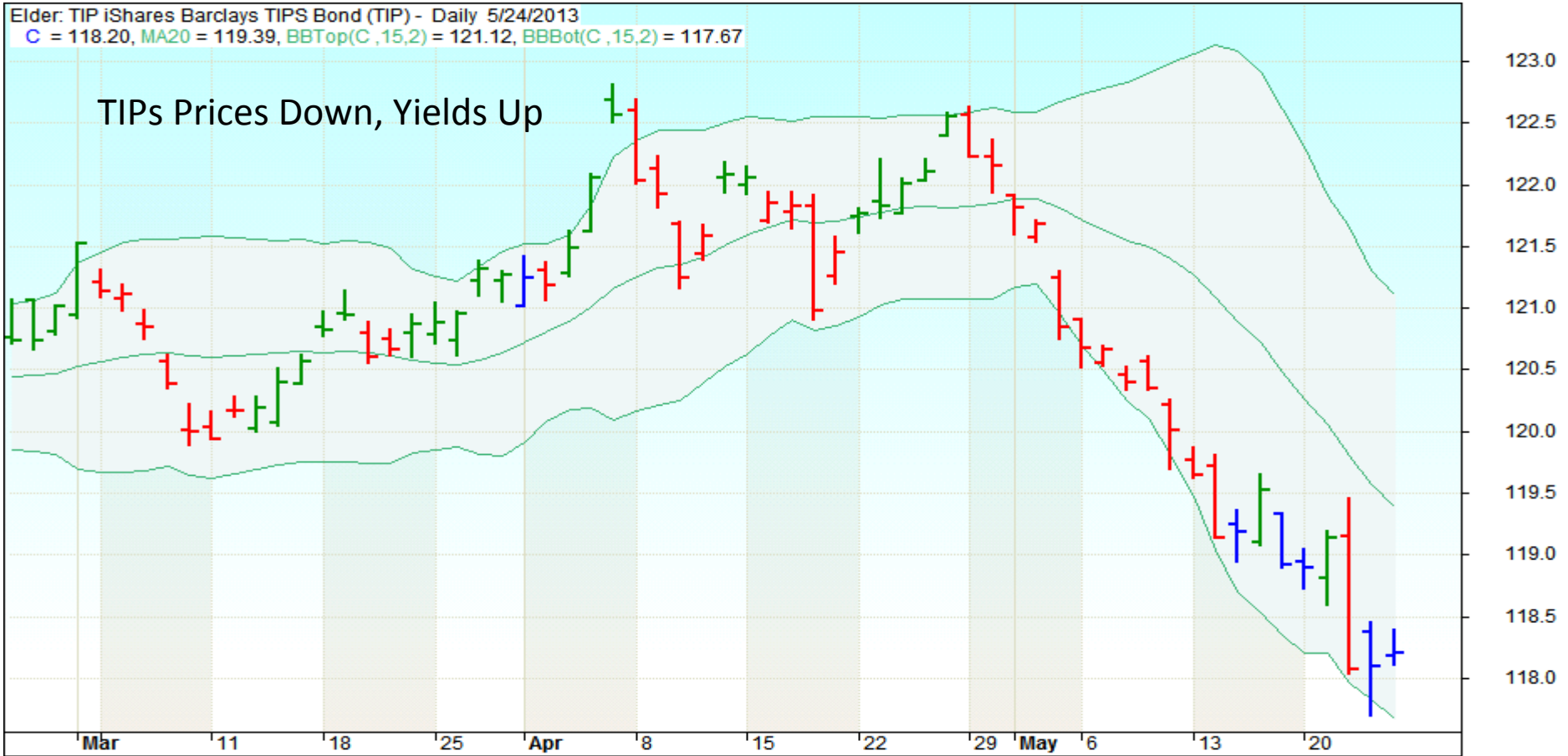


TIP ETF

Elder: TIP iShares Barclays TIPS Bond (TIP) - Daily 5/24/2013

C = 118.20, MA20 = 119.39, BBT_{Top}(C, 15, 2) = 121.12, BBB_{Bot}(C, 15, 2) = 117.67

TIPs Prices Down, Yields Up

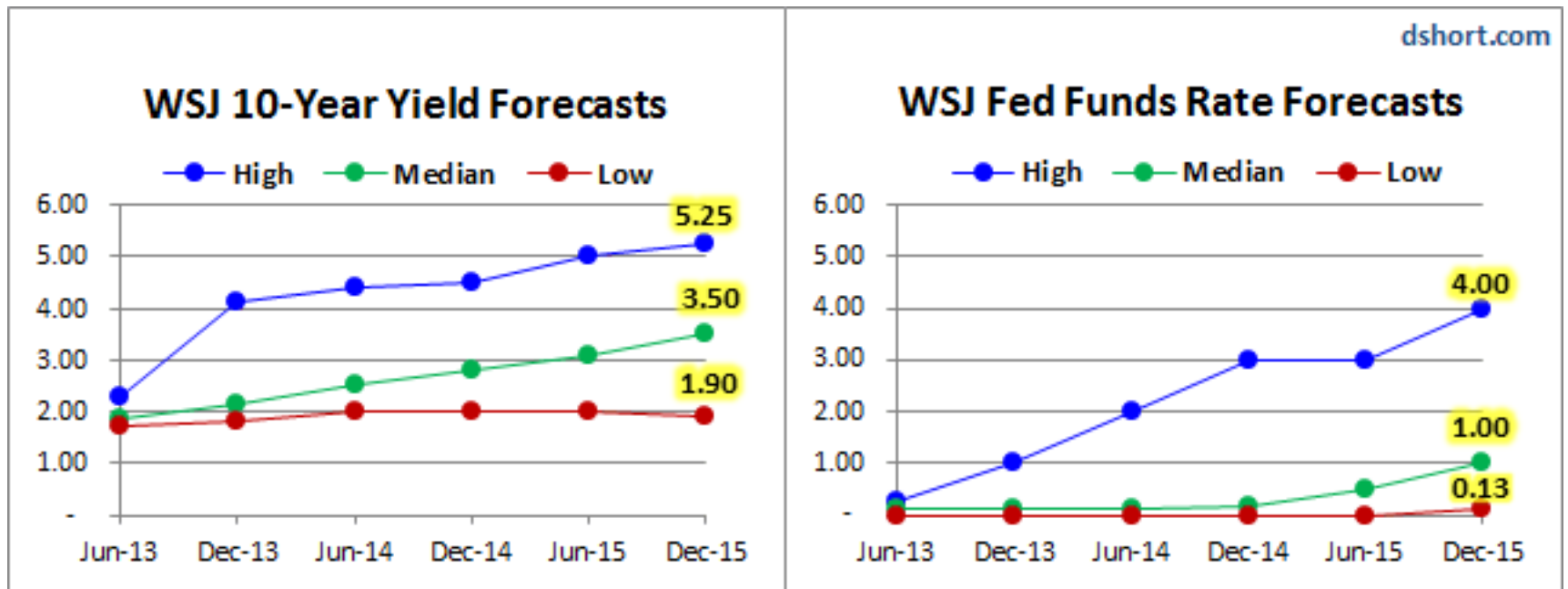


TIP - Volume = 792,300.00, MA(Volume, 50) = 1,008,916.00



Interest Rate Forecast

- Survey of Economists by WSJ Show Interest Rates Are Beginning Their Rise.



When Interest Rates BreakOut, the S&P500 Has Usually Logged Significant Gains!



Market Comments

- Market Sell-off could be just a Consolidation Period. Cyclical will then hit a Soft-Patch and may become a Buying Opportunity.
- Is the Fed Talk about Tapering QE driving down the Market? Or is this Manipulation by the Big Money?
- Dollar and Interest Rates Rising May Force Fed to Act
- May be Wise to Book Profits If Fed Show Signs of Tapering
- Market Trading at PE of 19, which is High. PE was 24 in 2008 at start of downturn.

Sector Performance

Sector Groupings

- Cyclical Sectors – Those That Move With the Economy
 - Basic Materials XLB
 - Industrials XLI
 - Energy XLE
 - Consumer Discretionary XLY
 - Financial XLF
 - Health Care XLV
 - Technology XLK
- Non-Cyclical (Defensive) Sectors Out-Perform the Market When Growth Slows
 - Utilities XLU
 - Consumer Staples XLP

Defensive Sectors Rotation

Staples (XLP) and Utilities (XLU) Were Strong in April and Weak in May.
Market Has Taken On Aggressive Growth in the Last 4 Weeks – Until Now.

Apply to *Filter		Range From-To dates												
		11/20/2012	5/24/2013											
Tic...	Name	3/7	3/14	3/21	3/28	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24	..
XLE	Energy Select Sector SPDR (X...)	60	72	64	69	46	50	33	46	61	71	78	73	
XLV	Health Care Select Sector SP...	79	85	78	86	83	89	77	72	64	66	74	75	
XLK	Tech Select Sector SPDR (XLK)	66	74	69	73	48	60	38	47	68	77	84	74	
XLB	Materials Select Sector SPDR ...	57	72	66	61	40	45	34	53	66	75	79	71	
XLF	Fin Select Sector SPDR (XLF)	71	78	69	68	53	65	48	63	72	78	84	77	
XBI	SPDR S&P Biotech (XBI)	67	74	66	69	52	67	71	73	68	69	72	70	
XLY	Consumer Discret Select Sec...	74	82	71	79	70	81	61	68	77	84	84	75	
XLP	Def-Consumer Staples Select...	82	86	82	88	77	85	79	72	72	69	76	64	
XLU	Def-Utilities Select Sector S...	81	84	81	87	88	90	84	86	77	50	45	29	

Sector Rotation - Defensive ETFs Lead Outflows

- Health Care Select Sector SPDR (XLV) and Consumer Staples Select Sector SPDR (XLP) saw the heaviest outflows last week
- Utilities Select Sector SPDR (XLU) was also on the list of ETFs with the biggest redemptions last week.
- Stable, dividend-paying sectors such as utilities, consumer staples and healthcare had paced the market since mid-April. Yet the recent outperformance of growth-oriented sectors is seen as a healthy rotation that could help push stocks even higher.
- During the most recent leg of this rally, the utilities, consumer staples and healthcare sectors have all underperformed the S&P 500,

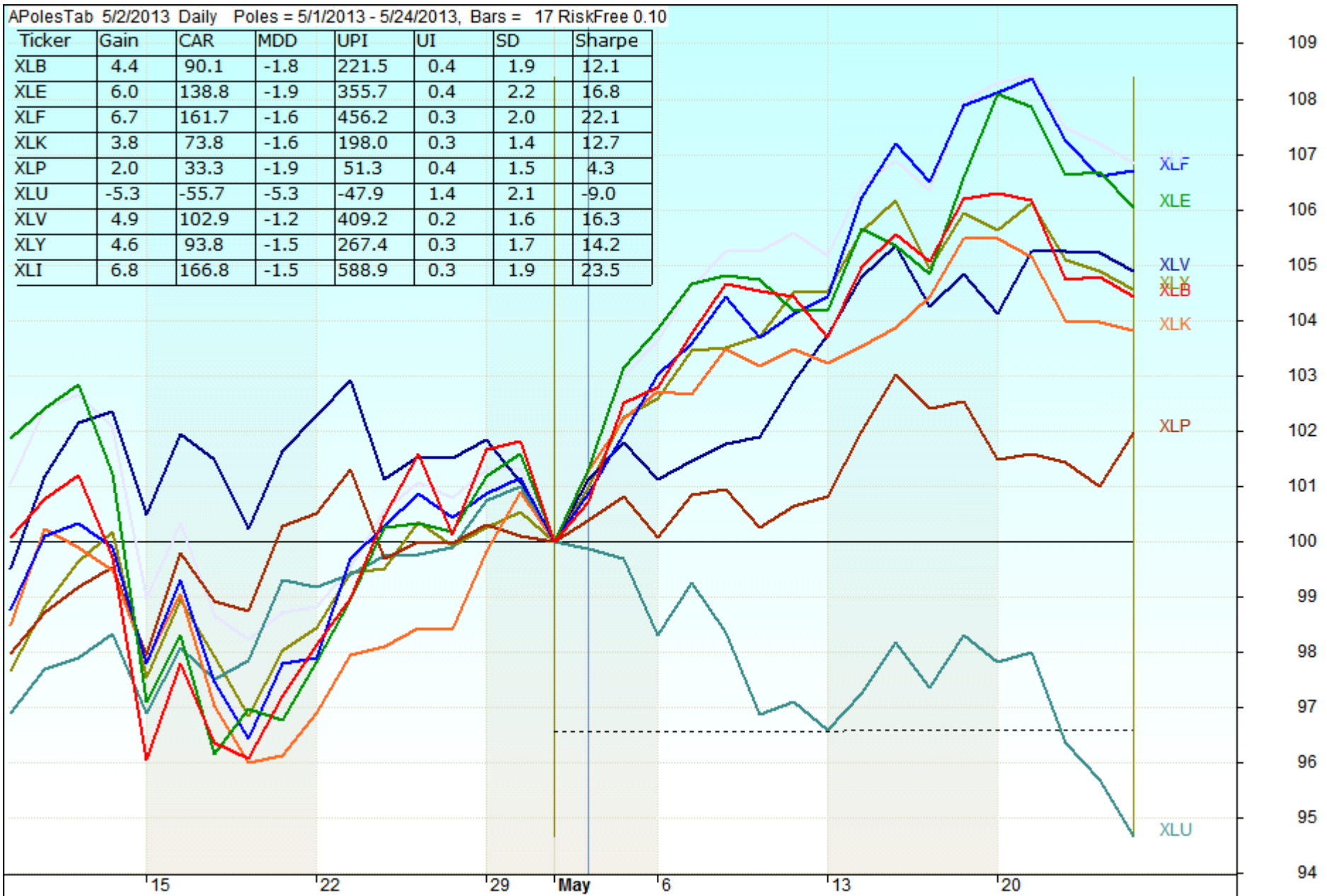
Other Sector Indices Confirm Rotation to a “Risk On” Market

Apply to *Filter | Range From-To dates 11/20/2012 5/24/2013

Name	3/7	3/14	3/21	3/28	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24	...
S&P 500 Industrials Sector Total Return Index	71	78	70	69	47	60	37	45	58	74	81	76	
S&P 500 Health Care Sector Total Return...	80	86	78	86	82	88	77	72	64	66	74	76	
S&P 500 Energy Sector Total Return Index	60	72	63	69	46	49	32	46	62	72	78	73	
S&P 500 Information Tech Sector Total R...	65	72	68	71	45	55	34	44	67	76	83	77	
S&P 500 Materials Sector Total Return In...	56	72	66	62	41	45	34	53	66	75	79	71	
S&P 500 Finance Sector Total Return Index	72	79	70	69	53	66	49	63	72	78	84	77	
S&P 500 Consumer Discretionary Sector T...	74	81	71	79	70	81	61	68	78	84	84	75	
S&P 500 Consumer Staples Sector Total ...	83	86	82	87	77	85	79	73	73	69	75	63	
S&P 500 Telecommunications Sector Tota...	79	82	75	78	82	89	84	75	70	65	64	42	
S&P 500 Utilities Sector Total Return Index	82	83	81	87	87	89	84	86	77	50	45	29	

APolesTab 5/2/2013 Daily Poles = 5/1/2013 - 5/24/2013, Bars = 17 RiskFree 0.10

Ticker	Gain	CAR	MDD	UPI	UI	SD	Sharpe
XLB	4.4	90.1	-1.8	221.5	0.4	1.9	12.1
XLE	6.0	138.8	-1.9	355.7	0.4	2.2	16.8
XLF	6.7	161.7	-1.6	456.2	0.3	2.0	22.1
XLK	3.8	73.8	-1.6	198.0	0.3	1.4	12.7
XLP	2.0	33.3	-1.9	51.3	0.4	1.5	4.3
XLU	-5.3	-55.7	-5.3	-47.9	1.4	2.1	-9.0
XLV	4.9	102.9	-1.2	409.2	0.2	1.6	16.3
XLY	4.6	93.8	-1.5	267.4	0.3	1.7	14.2
XLI	6.8	166.8	-1.5	588.9	0.3	1.9	23.5



Monthly Ranking of Sectors

XLP and XLU at Bottom After Having Been High For Months

Symbol	ETF	Rank	Dec 31 2012	Jan 31 2013	Feb 28 2013	Mar 28 2013	Apr 30 2013	May 24 2013
XLB	<u>U.S. Materials Sector SPDR</u>	1	XLF	XLE	XLP	XLV	XLU	XLF
XLE	<u>U.S. Energy Sector SPDR</u>	2	XLB	XLV	XLU	XLU	XLY	XLI
XLF	<u>U.S. Financial Sector SPDR</u>	3	XLI	XLY	XLI	XLP	XLB	XLE
XLI	<u>U.S. Industrials Sector SPDR</u>	4	XLE	XLI	XLF	XLY	XLF	XLK
XLK	<u>U.S. Technology Sector SPDR</u>	5	XLY	XLF	XLY	XLF	XLK	XLY
XLP	<u>U.S. Consumer Staples Sector SPDR</u>	6	XLU	XLP	XLV	XLK	XLP	XLB
XLU	<u>U.S. Utilities Sector SPDR</u>	7	XLV	XLU	XLK	XLE	XLV	XLV
XLV	<u>U.S. Health Care Sector SPDR</u>	8	XLK	XLB	XLE	XLI	XLI	XLP
XLY	<u>U.S. Consumer Discret Sector SPDR</u>	9	XLP	XLK	XLB	XLB	XLE	XLU

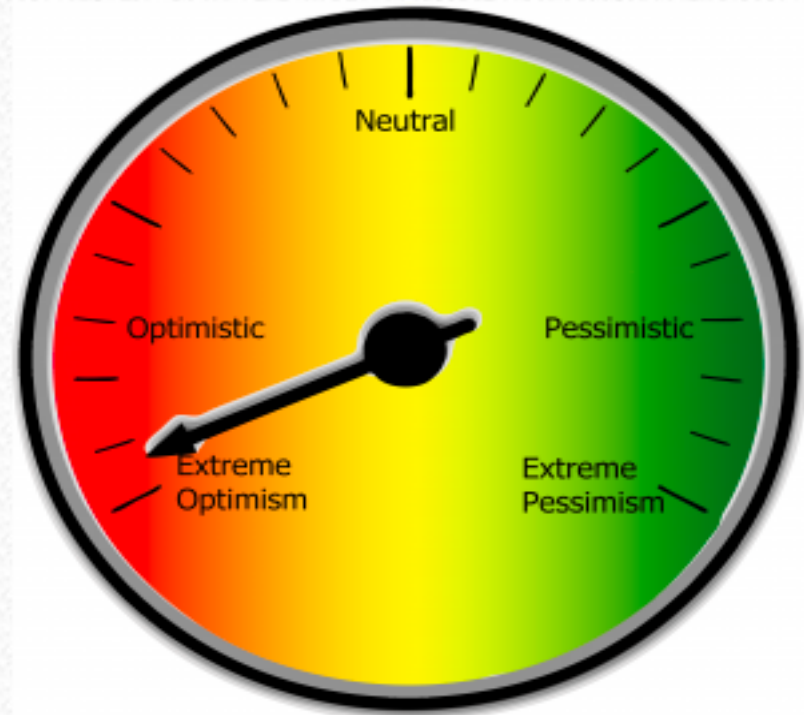
New Inputs



- The Sentimeter – Tactical-Beta.com
- Lowell Herr's Articles on Seeking Alpha
- Hard Right Edge – Chart Patterns for Short Term Trading

The Sentimeter

tactical-beta.com/2013/05/26/the-sentimeter-5-26-13/ Provides:
Weekly view of the Market,
Asset Allocation,
Target Equity Allocation and an
Investment Philosophy

Sentiment became more bullishly extreme despite the drop in prices week over week. Investors continue to put a great deal of credence into the notion that the Federal Reserve has backstopped the market, and this belief seems to have gone parabolic this past week



-  Extreme Pessimism, bull signal (market should rally)
-  Extreme Optimism, Bear Signal (market should decline)

Lowell Herr – Seeking Alpha

- seekingalpha.com/author/lowell-herr/articles
- Focus on ETF Portfolio Investing Strategies and Asset Allocation
 - Usually He Has Current Market Comments Related to ETF Portfolios and Strategies
 - This week he presents an analysis of “Momentum Investing Ranking the Top 3 Sector ETFs”

Hard Right Edge – Trading Education

- Alan Farley site contains a library of trading information, video clips and products for sale.
- www.hardrightedge.com/tactics/tactics.htm identify technical strategies and tactics for many trading styles and situations. He also presents tactics of other famous traders.
- www.hardrightedge.com/tactics/swing/patterncycles.htm presents many useful Chart Patterns for Swing Trading and how they work

Dave Hayward

- Factors Affecting the Price of Gold
And Gold Price Manipulation

Factors Affecting Gold Price

