

## Perspective: Syria, Gridlock du Jour, and an ETF Screener

Oct 04, 2013

Dear Scott,

### Syria vs. Your Portfolio

You may recall in late August that many investors pulled back to sit on the sidelines while finishing vacations and pondering whether Syria would pull us into another Middle East war. Interestingly, we may actually have to thank Putin for quelling the rattling sabers, calming the markets, and stimulating a nice rebound in early September. But, how much investment risk does Syria still pose?

Sometimes history can improve one's perspective. I'll certainly not forget my painful investing lesson of 1990 when Iraq invaded Kuwait and the U.S. came to its rescue. The market tanked as we spent four months preparing and warning of our military response. I sold just before we started dropping our new high-tech bombs on the advice of my broker, then watched the market spike up radically on the news we could drop bombs down chimneys if we wanted to. What became clear in hindsight was that the market didn't care about politics, bombs, or body counts, but rather that oil would continue to flow in a stable manner through the veins of the world's industrial machine. The answer is: Yes, Syria is problematic, but not for your portfolio.

### Gridlock and Shutdown du Jour

First, let's acknowledge that most everyone is concerned for and is sympathetic toward those affected by furloughs or critical services cuts during the Federal Government shutdown. But, political wrestling up to the edge of the cliff shouldn't be a surprise anymore. Likewise, political finger pointing, and exaggerated scare tactics are to be expected. The operative question is, how much portfolio risk does it pose?

It's noteworthy that the market responded with an up-day on the first day of the shutdown. Yesterday, politicians and the media rolled out some seriously concerning statements that did manage to take the market down. Let's examine the three threats: (1) imminent credit default on U.S. debt if the debt ceiling is not lifted, (2) Obamacare staying or going, and (3) continuing to accrue government debt.

1. It's well documented and reported by analysts that there is zero chance of imminent credit default on U.S. debt if the ceiling is not lifted because cash inflows greatly exceed debt payments. While it makes for sensational media, it just won't happen.

2. Like it or not, Obamacare is here to stay. It may be delayed or fixed, but it is here to stay. You might note that healthcare funds are on the move, indicating that Obamacare is already well baked in the cake. Fixing Obamacare will only strengthen this secular move.



6-Months



4-Years



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3. Continuing to pile up excess government debt is the real threat because there are credit rating agency rumors of a possible additional downgrade of U.S. debt. If I believed in chart patterns, I might note that the most recent six month chart has similarities to the pattern just before the 2011 debt downgrade that rocked the markets. Perhaps the real risk question is whether that shot over the bow was a sufficient wakeup call, or whether we are asking for another. I hope for the best, but fear another wakeup call is required.

### **New ETF Screener - With Signature Ribbons**

Please take a look at our new ETF Screener by clicking the main menu's Screener tab, or [click HERE to have a look](#). The ETF Screener is very much like the Stock Screener in function.

In addition, an improvement has been made to the equation for the S.S.Rank column for both the Stock and ETF Screeners. Its value is now more heavily punished for higher values of volatility. You can particularly see the effects on the Stock Screener pages by noting that stocks with big pops and drops don't unreasonably push their way to the top anymore.

Finally, you will note a new column called Sig (for signature) with three color ribbons that visually identify which periods during the last three years were better than they were for the S&P500. Their purpose is to more easily identify candidates for a SectorSurfer Strategy that are different in character from one another.

With that, I will leave you to explore the new Screener. However, stay tuned for some additional important and interesting news in another day or two...

Surf Well,



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