

Perspective: Market Correction, AAI Conference, Faces of Risk

Nov 12, 2015

Dear Scott,

The Market Correction.

September made it clear that August's correction was not a simple reaction to a punctuated event that would quickly reverse in a few days, but rather suggested further market malaise or a more serious leg down for October. Given the recovery rally in October, it's safe to say that another leg down is unlikely at this time, even though the November market has already erased half of late October's rally. While there are numerous economic problems of concern, there's a big difference between heavy molasses and catastrophic failure. The national debt may be like heavy molasses, but China's real estate and credit market crisis threatens a catastrophic failure that could truly wallop world markets. Hopefully Alibaba's Singles Day annual shopping event record of \$14.3 billion in sales today portends a Chinese economy on much better footing than do these articles:

- [Is the Chinese housing bubble about to burst?](#)
- [China's Stock Market Crash, the Latest Crisis of Global Capitalism.](#)

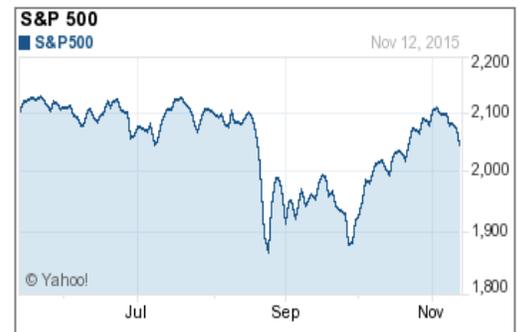
Review of StormGuard's Behavior.

StormGuard has triggered only twice since 2010; once in September of 2011, and again in September of 2015. The 6-Year S&P 500 chart (right) shows that each instance was preceded by a long flat market period culminating in a sharp drop of about 12% that held for more than a month. Fortunately, we weren't subjected to a subsequent market crash either time. Immediately following the sharp drop, most investors were anxious to know when StormGuard would trigger, and the mood was "better safe than sorry." However, now that most Strategies are out of cash positions and back to normal operation, it is easy to become a "Monday morning quarterback" and believe that an indicator with a 50-day time constant should have been able to more precisely pick the best day to move into or out of cash — despite the randomly volatile character of the market. The best days for any trade can only be known in hindsight. While algorithms may improve our odds, we must still endure random market volatility.

The StormGuard indicator chart (right) is a new and detailed shorter-term version which will become available on the site next month. The upper and lower bands are indicative of the variation of StormGuard across all Strategies — its value being dependent on the character of the set of ticker symbols in each Strategy. While it appears all Strategies are now safely out of the woods, please be mindful that it wouldn't take much to re-trigger StormGuard should the markets falter again.



6-Years



6-Months

Shorter Time Scale Version Soon to be Deployed



Click to learn more.

2015 AAI Investor Conference - Las Vegas.

We just got back from the sold-out 2015 AAI Investor Conference, where we had a SectorSurfer booth (right) and a workshop presentation entitled, "**Low Drawdown Portfolio Design Made Easy - by Addressing the Seven Faces of Risk**" (described below). Pictured from left to right is my wife, Erin Juds, partners Mimi Berger and Jim Gamache, wealth manager Harland Hendrickson, Ph.D., and myself. We were quite elated by the comparatively strong attention drawn to by our booth by attendees. Of course, we were quite pleased to be showing investors how to accomplish what many of the invited mainstream speakers claimed could not be done.

AAII National Conference



Click to enlarge.

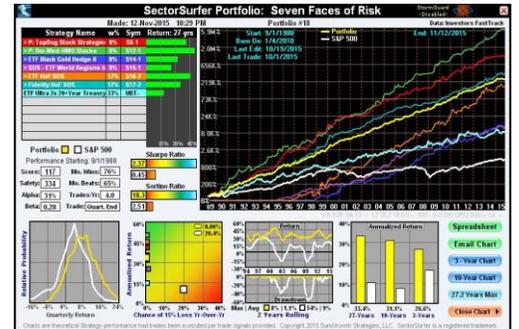
Low Drawdown Portfolio Design and The Seven Faces of Risk.

Risk is not a one-dimensional problem cured by a single step of diversification. A multi-step, layered approach is required to address the "Seven Faces of Risk" (below).

The Seven Faces of Risk

1. Not Enough Saved to Retire
2. Market Shocks and Crashes
3. Individual Company Collapse
4. Owned Fund Loses Favor
5. Strategy Gets Flat Tire
6. Backtesting Deception
7. Strategy Volatility

Portfolio: The Seven Faces of Risk



Click to enlarge.

The portfolio (right) does just that by focusing exclusively on risk - turning the typical investor's paradigm of pursuing greater returns on its head. Its unusually smooth and steep equity curve (yellow) is indicative of its exceptionally high Sharpe Ratio of 2.4, its low rolling drawdown of 8%, and returns averaging in excess of 25% - all of which leave the S&P 500 (white) in the dust. It was created simply by assembling pre-existing strategies and portfolios from the website, which together address the Seven Faces of Risk.

This was our 2015 AAI Investors Conference workshop topic and will be the presentation topic for the Dec. 8th Seattle SectorSurfers Momentum Investing Meetup, which will be streamed live for everyone. It will be documented on the website in December.



Click for Event Details.

Speaking Engagement Calendar.

Please come and see one of these seminar presentations if you are in the neighborhood. Alternatively, ask your AAI Chapter or Investment Group leader to schedule a presentation. Webex presentations for smaller investment clubs and groups are welcomed.

Seminar Title: True Sector Rotation: Breaking Through the Efficient Frontier.

This is a fast-paced detailed seminar that will cover SectorSurfer basics, Forward Walk Progressive Tuning, Strategy-of-Strategies, and how to make Low Drawdown Portfolios.

- [Seattle, WA: Streamed Advanced Meetup Group - Tues, Dec. 8, 7:00 PM](#)
- [Houston, TX: Houston Investors Association - Sat., Nov14, 9:30 AM](#)
- [Orlando Florida: AAI Chapter - Wednesday, Nov 18, 7:00 PM](#)
- [Baton Rouge, LA: AAI Chapter - Thursday Nov 19, 6:00 PM](#)
- [Houston, TX: AAI Chapter - Saturday, Nov 21, 9:00 AM](#)
- [Los Angeles, CA: AAI Chapter - March 2016 - Stay tuned for details.](#)
- [Phoenix, AZ: AAI Chapter - October 2016 - Stay tuned for details.](#)

Surf Well and Prosper,



Scott Juds
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Additional Resources

SectorSurfer Live Forum

By the Seattle SectorSurfers Meetup Group



The SectorSurfer Live Forum provides Internet-streamed access to the Seattle SectorSurfers Momentum Investing Meetup Group so everyone can attend the presentations and discussions hosted by Chief SectorSurfer. [Click HERE](#)

SectorSurfer Users Group

Join the Conversation



The SectorSurfer Users Group is an online Google Groups Forum created by Joe Gruender of San Jose, CA to provide a platform for exchanging strategies, ideas and learning from the experience of other SectorSurfers. [Click HERE](#)

SectorSurfer University

Learn to Change the Game



Investment professional Richard Erkes created SectorSurfer University to provide everyone the opportunity to learn how to use SectorSurfer to improve investment portfolio performance while simultaneously reducing investment costs. [Click HERE](#)



Professional Help - Change the Game



Bryan Sullivan founded AlphaDroid Strategies to provide True Sector Rotation and StormGuard technology to financial advisors in a framework that helps them manage high performance portfolios for their clients. [Click HERE](#)