

Perspective: Greece—The Skids, Live Forum, Black Gold, Amazon

Jul 05, 2015

Dear Scott,

What's Up With the Market?

The market has recently been leveling off as its strong rebound from the crash of 2008-2009 runs out of steam. This effect is easily seen in both the S&P 500 and StormGuard charts on the right. The relative calmness of the markets is also quite notable in spite of numerous economic and political threats. Either the threats are truly of little consequence, or we've been lulled into a sense of denial about their danger. It's probably a bit of both.

As I suggested last month, the emerging US energy boom apparently has neutralized fears that Middle East warfare could restrict oil flow in a manner that would disrupt our economy. This, plus the fact that the measures taken by the EU to improve capitalization of their financial institutions in the past few years apparently has neutralize any fear that an outright collapse of Greek debt could take down any meaningful fraction of European banks.

What's up? Although the market averages were slightly down for the month, healthcare continues to show significant relative strength, and financials have now taken the second position of relative strength from technology as it has now somewhat weakened.

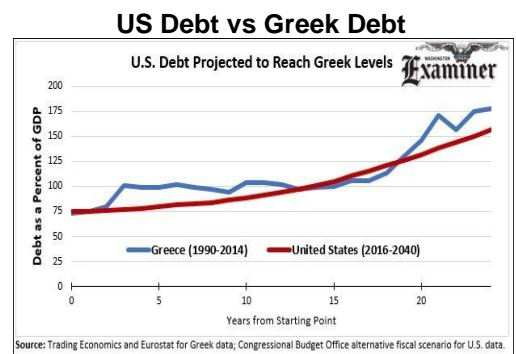
Greece — The Skids!

Greek citizens are now in the midst of a referendum to determine whether to accept the new capital controls and austerity terms offered by creditors after last week's default on a \$1.7B IMF loan payment (a small fraction of its \$160B in bailout loans). While there had been hopes Greece could make a turnaround given the reforms and austerity programs put in place a few years ago, not only were many of the programs poorly executed, but the negative effect of austerity on GDP was grossly underestimated. That's a major skid!

While traders took the markets down about 2% last Monday, half of that dip is already recovered, and it barely registers on the S&P 500 chart above. Major financial institutions have already prudently shored up their capital base in response to mandatory stress tests. What is perhaps a much more significant story is the list of major countries headed down the same path as Greece. Amazingly, nine countries have a [Debt-to-GDP ratio over 300%](#). The chart of US Debt vs Greek Debt to the right projects that in 25 years the US will be in the same position as Greece today if we keep kicking the can down the road. We're well warned, but will we fix it in time?



[Click to learn more.](#)



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Streamed Live — It's the Seattle SectorSurfers Meetup Group!

The Seattle SectorSurfers Momentum Investing Meetup Group is now live online at www.meetup.com/SectorSurfers. It's inaugural Meetup, hosted by founder Norman Booth, is scheduled for Wednesday July 8th at 7:00 PM. Meetings will be held at Seattle's Shoreline Library and streamed live over the Internet at <https://join.me/SectorSurfer> so anyone can attend.

I met Norman a few weeks ago at a local SectorSurfer presentation where he approached me with boundless enthusiasm about forming a local users group. He volunteered to lead it if I would assist and support it. We agreed that if it was streamed live for those too far away to attend then it would also enable having remote guest presenters. For simplicity, live questions and comments will be restricted to local participants, but one may forward questions to Norman through the Meetup website in advance to have them answered during the meeting. **Please join us!**

Strategy Lesson: Redesigning Black Gold Hedge.

I was reviewing the Black Gold Hedge Strategy (on right) a few days ago pondering its marginal performance. It occurred to me that many Strategy-building lessons had been learned since its creation three years ago and perhaps they could be applied here. This Strategy's original purpose was for adding diversification to a Portfolio. With [Post Surfing Diversification](#) we surf first to capture returns, then diversify (with trend leaders from multiple Strategies) to reduce remnant shorter term risk. An excellent example of its use is in the [Columbia Funds Portfolio](#). (see chart below-right)

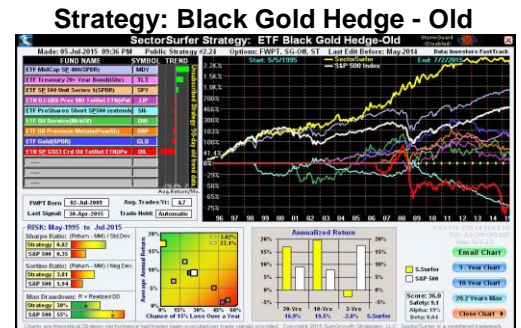
When a Strategy performs poorly it is always because at least one of the two important principles for properly feeding SectorSurfer's differential trend following algorithm has been violated. They are; (a) funds that act as [sequentially firing pistons](#), and (b) [common mode noise reduction](#).

- 1.) XLE (energy companies) and XES (oil & gas equip. services) replaced OIL (the commodity) to interact better (leadership transfer) with OIH (oil services companies) because of common mode noise reduction is better between companies than between companies and commodities.
- 2.) MVV (2x midcap) and SSO (2x large cap) replaced SPY (S&P500) because trend leadership is better passed between funds with similar volatility — a beta related common mode noise issue. These provide a performance backstop so that if oil and gold are not doing better than the general market average, then we will own the market average.
- 3.) QLD (2x QQQ Nasdaq) has relatively low common mode noise with MVV and SSO and provides an alternative measure of the market average that oil or gold must beat to be worth owning.
- 4.) PSQ- (short QQQ, extended) has relatively low common mode noise with SH- (short S&P500) and is an alternative measure of a failing market.
- 5.) StormGuard AQR was enabled in order to remove the nasty spike PSQ- and SH- would otherwise insert during a down-market, but retains their contribution just before relatively slow StormGuard kicks in. TLT (treasury) thus was removed as the primary means for addressing down-markets.

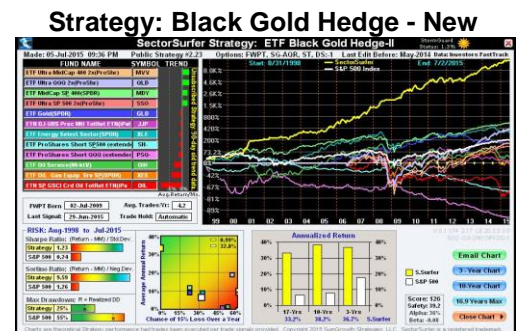
New Meetup Group



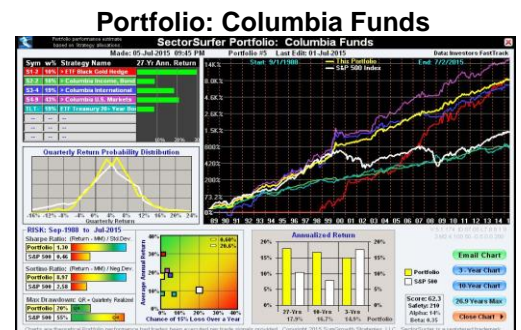
Click for Event details.



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IMPORTANT AMAZON PAYMENTS NOTICE

Earlier this year Amazon Payments informed us that the subscription payment service we were using was being discontinued and replaced by a new improved service, and that we must migrate our software to interface to the new system by July 1st when the old system would be terminated. The new system has now been in place for a few weeks and is working perfectly — and that means we can now get back to working on new features that you actually care about.

If your subscription has not yet been updated you will see the "Important Notice" message to the right posted on your [My Subscriptions](#) page.

Amazon Payments Important Note

Important Note:

As of July 1st 2015 Amazon Payments will obsolete its prior subscriptions payment system – meaning that no new payments will be accepted under the obsolete system. Instead, everyone must re-subscribe under the new "improved" subscription payment system, which is now in place and made to be as simple as possible.

When your current subscription expires and becomes obsolete, simply click the Pay with Amazon button to create your updated subscription. You should be done in just a few clicks. Thanks for your understanding.

Click to enlarge.

Here's what you need to know:

- 1.)** Because of this change all old subscriptions will now fail to make further automated subscription payments. Thus old subscriptions will eventually expire making the BUY/SELL information NOT visible.
- 2.)** We made re-subscription as easy as a couple of clicks. From the [My Subscriptions](#) page simply click the orange Pay with Amazon button and follow the prompts.
- 3.) (Recommended)** If you would like to convert your subscription now to avoid having it accidentally lapse, you will automatically be credited for any remaining time on your old subscription and it will be applied to your new replacement subscription - just as you would hope and expect. The subscription interval will then be relative to the new subscription date.
- 4.)** If you have a Legacy Subscription, it will continue to be honored under the new system.
- 5.)** You can see all of your subscription billing history on the lower half of the [Records](#) page (be sure to uncheck the "Display Totals Only" checkbox).

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 also possible.

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: SectorSurfers Meetup Group - Wed, July 8, 7:00 PM](#)
- Philadelphia, PA: AAI CI SIG - Sat, Aug 22, 10:00 AM
- Santa Rosa, CA: North Bay Investors Forum - Saturday, Sep 12, 10:00 AM
- [San Jose, CA: SectorSurfer Users Group - Wed, Sep 16, 6:00 PM](#)
- Detroit, MI: AAI CI SIG - Saturday Sep 26, 10:30 AM
- Madison, WI: AAI Subgroup - Wednesday Oct 21, 6:00 PM
- Milwaukee, WI: AAI Chapter - Thursday Oct 22, 6:00 PM
- Twin Cities, MN: AAI Chapter - Friday, Oct 23, 7:00 PM (Intro)
- Twin Cities, MN: AAI Chapter - Sat, Oct 24, 9:00 AM (Advanced)
- Las Vegas, NV: AAI National Conference - Saturday, Nov 7 - Nov 9
- Houston, TX: Houston Investors Association - Sat., Nov14, 9:00 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
- Phoenix, AZ: AAI Chapter - October 2016 - Stay tuned for details.

Surf Well and Prosper,



Scott Juds
President & Chief SectorSurfer
SumGrowth Strategies, LLC
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Additional Resources

Sector Surfer Live Forum

By the Seattle SectorSurfers Meetup Group



The SectorSurfer Live Forum was created by Norman Booth to provide Internet-streamed access to the Seattle SectorSurfers Momentum Investing Meetup Group to everyone, including discussions and local or remote presentations. [Click HERE](#)

Sector Surfer 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](#)

Sector Surfer 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](#)



Bryan Sullivan founded AlphaGen Strategies to empower financial advisors with SectorSurfer's True Sector Rotation technology in a framework that helps advisors manage high performance portfolios for their clients. [Click HERE](#)