

# Perspective: StormGuard Armor – It Changes Everything

Apr 01, 2016

Dear Scott,

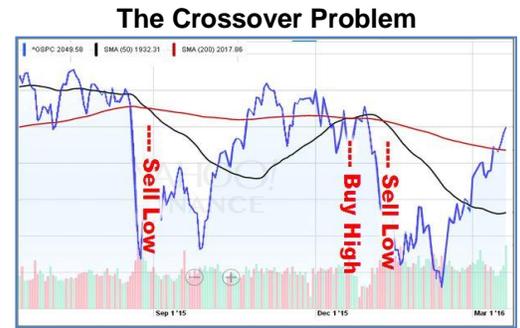
## StormGuard Armor Changes the Game ... Again

The improvement brought about by employing our new StormGuard Armor is so profound that it would be like shooting yourself in the wallet if you ignore this newsletter. Please take the time to review this material and make the upgrades to your Strategies.

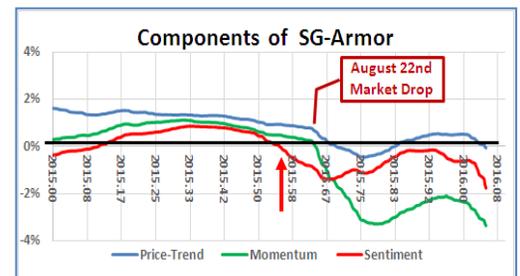
**Here's the problem:** Virtually all market timing indicators (including original StormGuard) use only a single source of information (usually the S&P 500 index) to determine whether to be invested in the market or to be sitting on the sidelines in cash. All apply some type of moving average with time constants set for the best balance between ignoring short events (avoiding whipsaw losses) and exiting the market prudently at the onset of a market crash. Unfortunately medium-term market drops still produce whipsaw losses, as illustrated in the chart (right). Although they have not been frequent in recent decades, the market recently produced two of them ... much to our dismay.

**Here's the solution:** To do a better job requires additional information. Timing adjustments offer only compromises. Last December we focused R&D on improving StormGuard and identified two additional sources of information that signal behavioral changes prior to price movements. A poker player might think of these as a "tell," i.e., a behavioral trait that gives away the opponent's hand. The chart (right) shows the three components of StormGuard Armor: Price-Trend (blue), momentum (green), and sentiment (red). The Price-Trend signal is the original StormGuard, the momentum signal is the Price-Trend modified by the daily trading volume, and the sentiment signal is derived from the daily new highs/lows. The green line descends when high volume traders pull back, indicating their loss of confidence. Similarly, the red line descends when new lows dominate new highs, indicating the confidence of value-investors has deteriorated. In the chart (right), the red sentiment signal deteriorated long before the August 2015 market dip. Click the chart for more information and to see an example from 2010 and 2011 when it was the momentum signal the deteriorated first.

What the sentiment (value) and volume (momentum) indicators tell us is that investors are beginning to line up at the door ready to run for the exit at the first sign of trouble. While it is implausible that investors had a premonition in August 2011 that the S&P would downgrade US debt, or that the Chinese market would crash in August 2015, it did tell us the market was dangerous and that it was better to have been on the sidelines than risking a bad news whack



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## StormGuard Armor Performance

The StormGuard Armor performance chart (right) shows the comparison of buy-and-hold for the S&P 500 in grey, the performance with StormGuard Standard in red, and the performance with StormGuard Armor in green. The table in the lower right of the chart indicates that StormGuard Standard was invested in the market 83% of the time whereas StormGuard Armor was only invested 73% of the time. Simply by exiting the market when it was dangerous resulted in improvements to both the annualized return and the Sharpe Ratio.

Much more dramatic is the Animated Example chart (right), which sequentially shows the performance of a SPDR ETF sector rotation strategy with (1) no StormGuard protection, (2) with the well-known 50/200day Death Cross (to decide when to move to cash), (3) with StormGuard Armor, and finally (4) with StormGuard Armor and substituting the 10yr treasury fund, UST-, for cash when StormGuard triggers. Click the chart to see the animation: It speaks for itself.

## Bear Market Strategies - Forget the Sidelines.

The [Bear Symbol](#) feature of StormGuard was announced and detailed in the January newsletter: It alluded to the ability to not just specify another ticker symbol (such as UST-) but to go a step further and reference one of your own Strategies configured to operate well during a bear market. Today, three Free Bear Market Strategies have just been posted and can be imported by clicking the blue S icon. (Search the list for the word "Bear.") All of them include UST- and AGG-, and the variations between them relate to including funds from Vanguard, Fidelity, or BlackRock. Please note that the Bear Market Strategy must occur in your list of Strategies sequentially ahead of the Strategy in which it is used to ensure it is properly recognized.

## How to Implement StormGuard Armor

If your Strategy was originally imported from our list of basic Strategies (blue S icon) or from the Strategy Hall of Fame page, you may be able to import an updated version over your old version. Otherwise, to manually convert your Strategy, start by clicking its blue information icon. In the advanced features for StormGuard, click the StormGuard Armor button, and in the [Bear Symbol](#) text box enter the ticker symbol you want StormGuard to use (such as TLT-, UST- or UBT-) when it triggers. This evening we will complete the process of updating all of the posted Strategies to include the use of StormGuard Armor... but your personal Strategies are your personal responsibility. Please review the informational pages listed on the right.

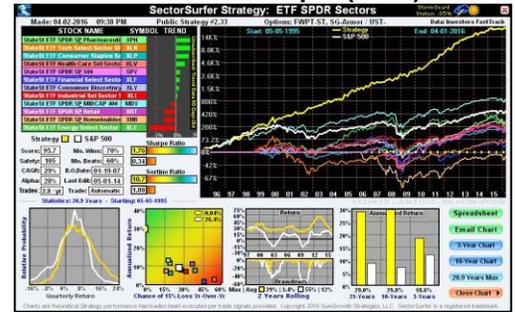
## Momentum Investing Meetup Group - April 21st: How SG-Armor Stunningly Tames Bear Markets (Streamed Live)

StormGuard-Armor changes everything. Its performance improvement - particularly when used with a Bear Market Strategy - is stunning. In this meeting we will take a look under the hood to see what makes StormGuard-Armor tick and we'll explore its use with complete Bear Market Strategies designed to eliminate the risk that your selected Bear Market Symbol does not work as well in the future as it did in the past. Join us! [Streamed live from Seattle](#)

## 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

### Animated Example (click)



[Click to Enlarge](#)

### New Composite SG-Armor Indicator



[Click to See All SG Indicators](#)

### StormGuard-Armor: Under the Hood Streamed Live April-21-2016 7PM PST

[Click for Event Details.](#)

[SG-Armor on the Home Page](#)  
[The StormGuard-Armor Page](#)  
[The StormGuard Options Page](#)

investment clubs and groups are welcomed.

**Seminar Titles: "True Sector Rotation Made Practical," and "Addressing the Seven Faces of Risk."**

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: Momentum Investing Meetup Group - Wed, April 21, 7:00 PM - Streamed Live](#)
- [Orange County, CA: AAI Chapter - April 23](#)
- [Detroit, MI: AAI Chapter - May 11, 2016](#)
- [Sacramento, CA: AAI Chapter - September 20, 2016](#)
- [Phoenix, AZ: AAI Chapter - October 15, 2016](#)

Surf Well and Prosper,



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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](#)

### ALPHADROID STRATEGIES

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](#)