

Perspective: Policy Storm Shrugged... What Really is the Bear?

Sep 04, 2017

Dear Scott,

The Markets Shrug Off Policy Storms, a Hurricane, and Korea

The pops and drops in the 6-month SPY chart (right) can all be traced to (a) the arrival of record-setting Hurricane Harvey, (b) the ominous threats from Kim Jong-un of North Korea, and (c) congressional "policy storms" regarding healthcare, tax reform, infrastructure, and regulatory reform. Believing that any of the legislative policies will get done has been like a ping pong match that sends alternating waves of hope, despair, and again more hope through the markets. Although the threats of Hurricane Harvey and Kim Jong-un were at first met with a drop in the markets, the optimists believe so strongly in the economy that these drops quickly became no more than momentary pessimistic blips. Again we sit at new market highs - and curiously without a nervous sell off prior to this long Labor Day weekend. For now, the bull remains strong. The SPY chart is a strong reminder that sharp drops most often actually do snap back. They were induced by a variety of unpredictable punctuated events, and thus cannot be avoided but must be endured. Trying to trade them is a recipe for generating whipsaw losses. Our system's momentum algorithm is designed to ignore them... and so also should you.



S&P500 - 6 Months.



What Really is the Bear?

Being mauled by the bear twice in my early tenure at the School of Hard Knocks, I got the message loud and clear that solving the bear market problem was more important than all of the other parts of momentum investing put together. Currently, as the market continues to ascend to record highs, it's easy to forget the ravages of the last attack. As I have previously written, you can count on the bear eventually coming back for more. It is merciless and it wants your money. Fortunately, we have strong defenses. But, what really is this "bear thing?"

This screen shot (right) from the 1956 science fiction film, Forbidden Planet, portrays an elusive energy beast that destroys unwelcomed visitors to planet Altair IV. In the end, recluse scientist Dr. Morbius discovers the beast is his own "monster from the id." His unconscious thoughts are amplified by sophisticated technology left on the planet by an ancient civilization that apparently succumbed to its own monsters from the id.

What Really Is The Bear?



The Bear Isn't Elusive: We Are the Bear!

The bear emerges from our mass psychology as investors. We are the lemmings, we are the herd, and we are the bear. As we each head for the door we will each contribute to the crash of the market by pulling money off the table as fast as we can... with both paws. We are simultaneously guilty for contributing to the crash and responsible to act prudently in our own self-interest. Everyone knows the rules... everyone knows about crashes... and everyone is free to use any tools they like to help them do well during our self-inflicted and self-fulfilling crash. StormGuard-Armor and the integrated Bear Market Strategies were designed to help you with that self-responsibility part. There's no need to ride to the bottom of the next market crash.

**Meetup - Book Preview:
Conquering the Seven Faces of Risk**

(Thurs. Sept 14th, 7 PM PST [Streamed Meetup Details](#))

This Meetup will be a preview of my new book "Conquering the Seven Faces of Risk." The book covers a broad range of topics, many quite familiar to our subscribers, and adds substantial new material and insight to keep your attention until the very end when it is finally revealed how.... umm... well... You can bet the book will have attitude! Its first printing will be in time for the early October Fearless Investing Summit in Tahoe (for advisors). We will also bring books to the November AAI National Conference in Orlando (for individuals) where I am blessed with two speaking events.

At least since Markowitz developed Modern Portfolio Theory 65 years ago, risk has generally been measured as the standard deviation from average return. However, both the dictionary and Behavioral Economics suggest risk is actually about the loss of value. Furthermore, risk is not a one-dimensional problem cured by a single dose of diversification. Risk has at least seven unique faces, including the possible failure to meet long-term retirement objectives — which then really makes it about earning sufficient returns. Come see how a pair of Nobel Laureates, a Royal Society Fellow, and a National Medal of Science winner laid the foundation for active risk reduction and forever changed the game. See how we use their principles to design portfolios that are capable of "Conquering the Seven Faces of Risk."

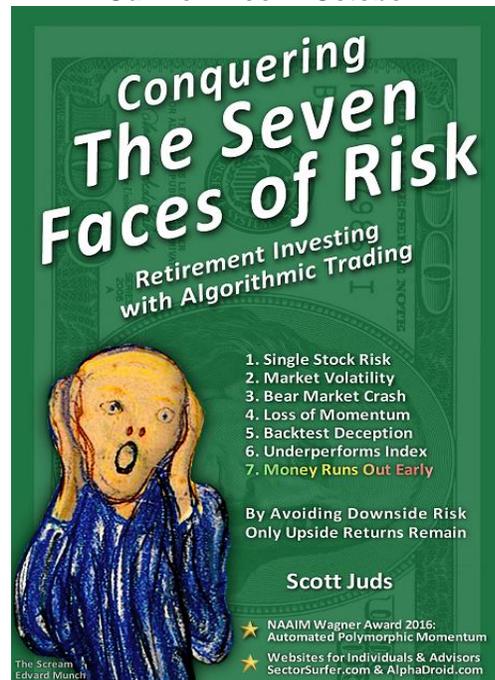
Surf Well and Prosper,



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Our New Book - October



[Click to Enlarge.](#)

**Book Preview
Conquering the Seven Faces of Risk
Streamed Live Thursday Sept. 14th, 7PM PST**



[Click for Event Details.](#)

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](#)



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](#)