

## Perspective: February Rebound, AAII Wizards, Something New

Mar 04, 2014

Dear Scott,

### The Digital Dragon - He Be Slayed:

An evil digital dragon attacked our server yesterday morning following a system update and smote all SectorSurfer login attempts, returning only a cryptic error screen betraying the dragon's presence. My numerous personal attempts to restore peace and tranquility grew seemingly ever more futile. Fortunately, my accomplished partner Jim Gamache soon arrived at his snowy travel destination, quickly assessed the root cause, reached through the ether and remotely terminated the dragon's death grip after striking just a single blow. And that, my fellow Surfers, both explains yesterday's rift in the surf, and provides a glimpse into the exciting lives we lead. We did appreciate your patience - thanks.



3-Months

### The February Rebound - What the Charts Say Now:

Although we all felt pretty glum at the end of January as the market plunged, it has since bounced back with vengeance. Although there are weakening signs in the recently reported unemployment and housing statistics, the markets remain bullish. Most analysts believe it relates to expectations that the Federal Reserve will "taper the taper" and continue pumping billions of dollars of liquidity into the economy. In any case, the 5.5% dip in January is really only a small blip in the big picture, and as SectorSurfers, we know it's better to ride through these small dips than to experience whipsaw losses trying to play them. See: [The Faster Response False Dilemma](#).



6-Years

Of course, 16,000 Russian troops deployed to Ukraine, new energy taxes, and the California/Texas droughts are worrisome. However, these problems are not of the magnitude that can threaten a market crash. So, we'll likely continue the bumpy road higher, not stopping at fair market value, but pushing higher into the excesses of an overbought bubble for a few years. Bubbles do eventually pop, but SectorSurfer will help you safely ["Own the Bubble."](#)

### AAII Wizards Speak to Standing Room Only Crowd:

The first meeting of the AAII SumGrowth Special Interest Group (SIG) was held February 22nd at the Culver City's Veteran's Memorial Complex with roughly 200 in attendance, and it was "standing room only," according to Don Gimpel the President of the [6,000 member AAII LA Chapter](#). Gary Noreen, the SumGrowth SIG Leader, and Dan Gimpel (Don's son) were both speakers at Saturday's meeting.



SectorSurfer Special Interest Group  
AAII Los Angeles Chapter

**Gary Noreen** (a.k.a.Yoda) recently retired from NASA's Jet Propulsion Lab at the California Institute of Technology as a Systems Architect and Telecommunications Engineer for the Mars Exploration Rover Missions. He is a "true rocket scientist" who understands the value of our signal processing and matched filter theory methods. His presentation focuses on high performance Strategies and Portfolios. See: [AAII-SectorSurfer-Portfolios-GNoreen-2014.pdf](#).

**Dan Gimpel** is the President of Advanced Analytical, Inc, the owner of FoodSoftware.com. Dan's penchant for creative design combined with his seasoned investment tool experience lead to a brainstorming set of emails to me last year that resulted in the development of SectorSurfer's quite popular Painted Path feature. Dan's AII presentation is hands down the best introduction to SectorSurfer I've ever seen, particularly for beginning and average investors. See his presentation here:[AAII-SectorSurfer-Pointers-DGimpel-2014.ppsx](#).

**LA Chapter President: Don Gimpel - DGimpel@Roadrunner.com**  
**SumGrowth SIG Leader: Gary Noreen - YODA@ardio.com**

**Something New – The Sortino Ratio:**

Some subscribers have asked for the Sortino Ratio because it is generally viewed as an important improvement over the Sharpe Ratio. A few days ago, the Sortino Ratio became a standard part of every chart, residing just under the Sharpe Ratio. The reason it is considered an improvement is that the Sharpe Ratio lumps both up-side and down-side return variation together in its measure of risk. Most people think of up-side variation as an experience of WooHoo, not BooHoo. However, the Sortino Ratio only includes negative monthly returns (those that are less than a money market fund would return) when calculating risk. It is therefore very similar to the idea of our square chart for the "Probability of Loss of 15% in a Year." Click the bar chart above to learn more.

Surf Well and Prosper,



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