Perspective: Market Fear or Greed - Where's the Bottom?

Sep 04, 2015

Dear Scott,

Market Fear or Greed - Where's the Bottom?
After today's sell off, the question remains as to whether fear or greed is the proper response. While we've all heard that, "The time to buy is when there's blood in the streets," which is credited to Baron Rothschild, an 18th century member of the Rothschild banking family, I wouldn't say this market correction is sufficiently bad to make that claim. So, the question remains - is this an ordinary market correction that presents a buying opportunity, or is it the first leg down in an impending market crash?

Retesting the Bottom.
While there is still no shortage of gloom and doom naysayers who continue to predict an imminent market crash, the view of most Wall Street professionals who appeared in the news today was predominantly optimistic; they judged today's 1.5% loss as a normal market correction, one that will play out with one or more retests of the bottom over the next few weeks, before heading higher in what remains of the year.

When Will StormGuard Trigger?
As is evident in its chart at right, StormGuard is rapidly nearing its trigger point. However, each Strategy has its own trigger threshold dependent on the nature of its funds. If all of its funds were clones of the S&P 500, StormGuard would trigger much sooner than if the funds were distinctive sector or country funds. When the S&P 500 is exactly flat, by definition, some of the sector and country funds will be doing better, and some worse. Thus, Strategies with funds divergent from the S&P 500 will optimally wait a bit longer before triggering a move to cash to allow these funds to continue to contribute. To determine how close a Strategy is to triggering, examine the StormGuard indicator displayed in the upper right corner of any Strategy chart. If the market rebounds fairly swiftly in the next week or so, StormGuard will not trigger in most Strategies. However, if the market takes its time retesting the bottom, count on StormGuard to trigger by the end of September. Hopefully there will not be a major market crash, but should the market fail to hold the recent bottom, you'll be prepared for the worst.

StormGuard's Character.
StormGuard comes in two flavors; (1) StormGuard-Standard, which obeys month-end trading rules, and (2) StormGuard-AQR (asymmetric quick response) which is allowed to trigger at any time during the month. StormGuard-AQR is additionally designed to re-enter the market more quickly following the sharp "V" bottom typical of a serious market crash. Please browse these links for more details.
explaining how StormGuard operates.

- **StormGuard Indicator Description.**
- **The "Faster Response" False Dilemma.**
- **Should You be Panic Selling on Bad News? No!**
- **AAII Seminar** starting at the 17 minute mark.

**The Gimpel Crossover.**
Don Gimpel, the President of the Los Angeles AAII Chapter, has long said that the best "Absolute Take-Out Signal" he had ever found was when the 75-day exponential moving average (EMA) falls below the 300-day EMA for the S&P 500. The Gimpel Crossover chart (above-right) charts these two EMAs. Interestingly, extrapolation of their trajectories into the future suggests they will crossover near the end of September &mdash in agreement with StormGuard's projection.

**Post Crash Behavior.**
Subscriber Les Mosier (of Vanguard Safety Strategy fame) recently brought to my attention a post by Dave Moenning in the *Daily State Of The Markets* entitled "Post Crash Behavior and What to Expect Next." Moenning examines seven previous similar market corrections and the behavior following the initial sharp selloff. Moenning's Post Crash Behavior chart (right) is suggestive of what we might expect. You'll find the article a worthy read.

**Meetup Group - Internet Streamed for Everyone.**
The Seattle SectorSurfer Momentum Investing Meetup Group will have its third meeting since its July inception on September 9th at 7PM PST. It will be streamed live on the Internet so everyone can attend. After an introductory review of SectorSurfer, our advanced topic will be "Strategy-of-Strategies? You Bet!" A Strategy-of-Strategies is designed to automatically keep you in the best performing of multiple Strategies. Click the meeting graphic (right) for more information.

**Speaking Engagement Calendar.**
Please come and see one of these seminar presentations if you are in the neighborhood. Alternatively, ask your AAII 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: SectorSurfers Meetup Group - Wed, Sept 9, 7:00 PM**
- **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: AAII CI SIG - Saturday Sep 26, 10:30 AM**
- **Madison, WI: AAII Subgroup - Wednesday Oct 21, 6:00 PM**
- **Milwaukee, WI: AAII Chapter - Thursday Oct 22, 6:00 PM**
- **Twin Cities, MN: AAII Chapter - Friday, Oct 23, 7:00 PM (Intro)**
- **Twin Cities, MN: AAII Chapter - Sat, Oct 24, 9:00 AM (Advanced)**
- **Boston, MA: AAII Chapter, MIT SIG - Mon, Oct 26, 7:00 PM**
- **Providence, RI: AAII Chapter - Tues, Oct 27, 7:00 PM**
- **Las Vegas, NV: AAII National Conference - Saturday, Nov 7 - Nov 9**
Surf Well and Prosper,

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Additional Resources

**SectorSurfer 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](#)

**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](#)

**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](#)

**Alphagen Strategies**
Professional Help - Change the Game

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](#)