


## Perspective: No Santa Rally ... But Santa Delivers a New Tool

Jan 05, 2016

Dear Scott,

### Santa Delivers a New Bear Market Strategy Tool

StormGuard isn't just for sitting in [\\$CASH](#) anymore. While waiting out a bear market in cash can provide a sense of security, many would rather do something better than hiding out until the sun shines again.

Now, with StormGuard's new Bear Market Symbol (right), you can specify something other than \$CASH, which may include ETFs, mutual funds, special extended ticker symbols (see next topic) or a [Strategy ticker symbol](#). To access StormGuard's advanced settings, first click the  Information icon and then the [Show Advanced Options](#) button. For example, setting the Bear Market Symbol to "UBT-" means that instead of modeling StormGuard's active period with \$CASH, it will instead model the period using the extended history version of UBT, which is a 2x leveraged long-term treasury ETF. Long-term treasury funds are negatively correlated to the market and will almost always make a worthy improvement to your Strategy's performance, particularly when paired with SG-AQR.

In addition, quite sophisticated bear market strategies can be created by referencing one of your own Strategies or Portfolios as the data source — thus providing a means to create something as complex as a classic long-short strategy for bear markets.

The value of employing a bear market strategy is best visualized by clicking the animated chart (right) to view the sequence of evolutionary improvements made to a relatively simple broad market index ETF Strategy. The evolutionary steps include:

1. (Score: 28.4) Sector Rotation w/ no bear strategy.
2. (Score: 37.4) StormGuard-Standard w/\$CASH
3. (Score: 42.7) StormGuard-AQR w/\$CASH
4. (Score: 52.1) StormGuard-AQR w/TLT-
5. (Score: 59.1) StormGuard-AQR w/UBT-

### Santa Delivers Extended History Ticker Symbols

Long-term treasury funds are attractive for bear market strategies because they are negatively correlated to the stock market. However, to reasonably model their use in a Strategy and evaluate their behavior requires that their data extends back far enough in time to include the market crashes. To facilitate such experimental modeling, we have increased the number of [Extended History Ticker Symbols](#) to 30. The Extended Symbols chart (right) provides a comparison of the many long-term treasury ETFs, which vary by length of term and by leverage employed.

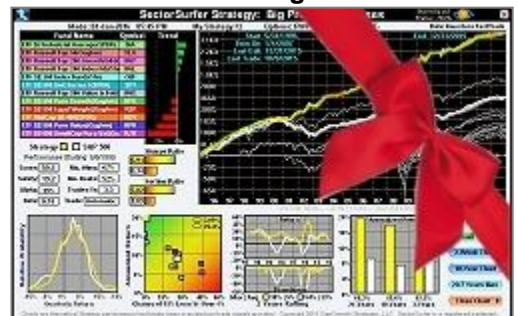


### New Bear Market Symbol

StormGuard:  S.G.-Std.  Disable  S.G.-AQR  
 Bear Market Symbol:

[Click to View Document Page.](#)

### Bear Market Strategies Evolution



[Click to View Animated Chart.](#)

### Extended Symbols List



[Click to View Extended Ticker Symbols List.](#)

## Can You Beat this Hall of Fame Winner?

The "ETF On-Wis MAJ-4" Strategy (right) was originally created by my brother, Mark, for a portion of his IRA account. He called this Strategy to my attention for other reasons, but in the process I upgraded it to use the Bear Market Symbol TMF- (see chart subtitle note) and slightly adjusted the fund choices. This morning it was listed at the top of the Hall of Fame ETF category. I predict there will be serious upheaval in the Strategy Hall of Fame rankings in the next few days.

## Strategy Upgrade Discussion

The funds offered by most 401k, 403b, and 457b retirement plans do not include long-term treasury funds or inverse funds, and are further generally limited to 30-day trading rules. Thus they are limited to the use of StormGuard-Std with \$CASH as the Bear Market Symbol.

Some Strategies posted on the Hall of Fame page incorporate a long-term treasury fund as one of the 12 candidate funds, but most would have performed better last year had they not included a long-term treasury fund. The problem with long-term treasuries is that they are negatively correlated with the stock market and thus, when compared (differenced) with other funds, actually increase (rather than decrease) the remnant noise in the decision process (as discussed in the [Common Mode Noise Reduction](#) section of the Advanced User Guide). They actually result in even more remnant noise than the addition of a money market fund to a strategy's mix. Greater remnant noise further masks the true trend signal and increases the likelihood of making a poor investment choice. StormGuard, in fact, was originally developed to eliminate the noise problem associated with money market funds by separating the decision to move to cash from the decision of what fund to own. Thus it should not be surprising that long-term treasury funds are also better contributors when controlled by StormGuard.

During the next few weeks many of the Strategies we've posted on the site (excluding the Hall of Fame) will be upgraded to employ the Bear Market Symbol. Only the changes made to the Master SOS Strategies will automatically trickle down to user accounts. All other Strategies in your account are your own private copies that only you can upgrade.

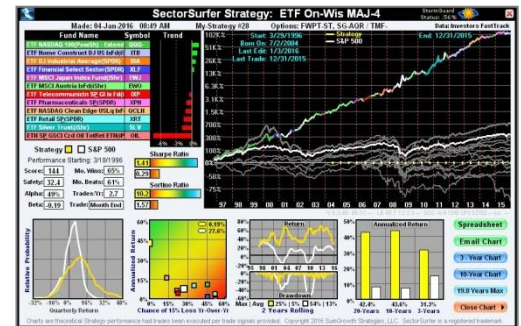
## The Markets in Review

Last year was one of tough sledding. On Friday, CNBC reported that 2015 was the first year since 1984 that investments in the stock market, gold, and oil all lost money in the same year. [Bloomberg reported](#) 2015 as the year nothing worked and that it was the worst year for asset-allocating bulls in almost 80 years. Also, according to the [Bloomberg Billionaires Index](#), in 2015 the world's 400 wealthiest individuals lost \$19 billion of wealth. And finally, [Hedge Fund Research Inc. reported](#) Friday that hedge fund liquidations last quarter climbed to a rate over 1,000 per year. Pure and simple, leadership trends must exist and persist for asset allocation and momentum strategies to beat market averages. Last year's primary market movers (both negative) were China and the energy sector. Perhaps it was a year for fearfully wringing out excesses leaving hope in a more favorable 2016.

## Meetup Group: Using Advanced Bear Market Strategies.

The StormGuard feature of SectorSurfer just got a very important upgrade. Now you can choose your own Bear Market Symbol for StormGuard to use when the markets head seriously south. We will examine its use with a variety of long-term treasury ETFs and with complex bear market Strategies you can create in your own account. Join us! [Streamed live from Seattle](#)

## Can You Beat This HoF Winner?



[Click to View Larger Chart.](#)



**Bear Market Strategies**  
Streamed Live on 12/8/2015 7PM PST

[Click for Event Details.](#)

## 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 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: Streamed Advanced Meetup Group - Tues, Dec. 8, 7:00 PM - Streamed Live](#)
- Los Angeles, CA: AAI Chapter - March 19, 2016 - Practical & Advanced Sessions.
- 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,



Scott Juds  
President & Chief SectorSurfer  
SumGrowth Strategies, LLC  
[www.SumGrowth.com](http://www.SumGrowth.com)



## 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](#)