Perspective: Santa's Coupon Code, and Legislative Sector Swap

Dec 09, 2017

Dear Scott,

Santa Helps: Give the Gift of a Better Future
What better gift could you give family and friends than the gift of a better future? "Conquering the Seven Faces of Risk" is the gift of knowledge that provides an understanding of how the power of momentum investing leads to a more secure financial future. You know there’s no better book for them to curl up with over the holidays that can so positively impact their future. To help, we've set up a special $25 discount coupon with BookBaby. Simply enter the coupon code "Santa" when purchasing from BookBaby.

Legislative Sector Swap
The recent pops and drops in the 6-month charts for SOXX (semiconductors ETF) and XLF (financials ETF) can be directly traced to congressional action regarding tax reform. In late November, the XLF shot up with wild enthusiasm when house and senate Republicans broke through their self-imposed logjam and passed their own versions of serious tax reform. Where did investors get the money to make such significant new bets? It’s notable that SOXX’s sharp drop occurred at the very same time as XLF’s pop. Semiconductors recently had a strong run up and were looking a bit toppy. SOXX was simply the piggy bank of choice for funding new bets on financial stocks expected to do well in the new tax reform environment.

A very consistent theme found on our website is the statement that "sharp drops often snap back." Pops and drops are unpredictable "punctuated events" that must be endured. Trying to trade them is a recipe for whipsaw losses. This is why matched filter theory produces an optimal momentum filter that purposely tunes out such short-term events. Will SOXX be back? Absolutely! Clearly the subsequent run up of SOXX between August and November was not random noise, and it will happen again. SOXX is driven by the massive computing and memory demands emerging from the advent of autonomous and semi-autonomous vehicles, cloud computing (and storage), and all manner of AI (artificial intelligence) systems infiltrating our lives, such as intelligent vacuum cleaners, home security, ever smarter phones, and personal assistants (Siri and Alexa).
SOXX is already showing signs of coming back, but it may have to wait a few more days while biotech takes precedence - it is now sharply recovering after similarly being taken to the woodshed, perhaps to help fund the SOXX run-up in late October.

There is a big difference between "a top" and "the top." This was neither "the top" for semiconductors nor biotechnology, just a combination of a bit of short-term piggy bank activity that will soon be repaid.

Surf Well and Prosper,

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Additional Resources

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

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

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