Perspective: Survey Results - Pennant Race and A.I. ETFs

Jun 06, 2018

Dear Investor,

Surfer Oracles Call Pennant Race

Last month the Dow Jones Industrial Average appeared to be making a classic pennant pattern (right) that is said to end by breaking strongly to the upside or downside: We thought it would be fun to see what the great Surfer Oracles (you guys) thought the market would do as it reached the pennant tip. While most responses seemed to be visceral opinions, some were defended by fundamental analysis, and a few were accompanied by a chapter-and-verse citation from one of the gods of chart pattern analysis. Both the fundamental and chart pattern analyses were split almost equally between pointing higher and pointing lower, confirming the A. H. Motely quote: *''If the nation's economists were laid end-to-end they would point in all directions.''*

The Surfer Oracles (performance chart, right) shows that, as a group, they definitely predicted the pennant pattern would breakout to the upside. Respondents with a directional opinion were almost three times more likely to choose ''Head Higher'' than ''Head Lower.'' Perhaps most interesting was that visceral respondents were 25% more likely to be right than those who provided technical backup for their belief. While this is too small of a survey to draw any serious conclusions, it does make one wonder about our human propensity to buy into good sounding explanations for complex (even random) things we desperately want to understand and control.

Meanwhile, StormGuard Armor came close to crossing into bear market territory but stopped short. All of its components are now slowly drifting higher. The market seems to be regaining its confidence following the January correction and volatility of the last few months. In fact, if the technology heavy NASDAQ (right) is examined, one might ask if there was ever a legitimate pennant pattern of the market as a whole in the first place. Perhaps, it was inherently clear to SectorSurfers that technology remained comparatively strong, and that this pennant pattern was really no more than a market rotational pause.

AI Portfolio Risk/Return Survey Preferences

In the last newsletter, we also suggested we were working on some AI (Artificial Intelligence) portfolios and surveyed your interest in our development of various risk/return classes of portfolios, such as conservative, moderate, aggressive, and 2x leveraged. Some indicated they were not sure how to respond as I was not sufficiently specific about the meaning of those risk/return classes. To be clear, we define them in the same way as in the Prudent Momentum Portfolios, which you can examine

Pennant Pattern - This Happened

Surfer Oracles Get it Right

Market Pennant Race
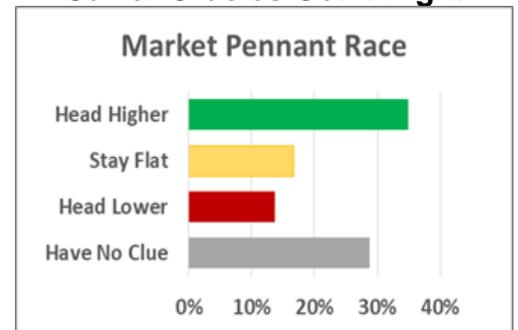
Was There a Nasdaq Pennant?

in detail. The responses (right) covered the spectrum well. It is probably not surprising that the highest interest from such a group of take-responsibility, take-charge, investors gravitates toward ''aggressive,'' which would focus primarily on sectors and countries. This survey question is really about where we should start. In the end, we'll do our best to satisfy a wide range of investors.

AI ETF Risk/Return Preference?

Preferred A.I. Risk/Return

AI Portfolio Deployment Preferences
We started the business with the objective of providing a great investment tool to folks who didn't want to become day traders and who couldn't get anything other than average performance from funds or advisors. However, over the years it became ever more apparent that most people don't want to spend time becoming a proficient trader or consuming their lives tied to a trading screen: They do it because they must and they can. Your responses confirm that 52% to 85% would be happy to dump our tool (SectorSurfer/AlphaDroid) if comparable results can be automated within an ETF. While we will deploy it both ways, we really wanted to confirm our belief that most subscribers would head toward life simplification with the ETF, which is important for its long-term success.

Deploy AI as ETF or Strategy?

Preferred A.I. Demployment

AI Portfolio Development Plan
So, here's the latest gossip surrounding this secret development. Finishing touches will be put on the AI Genetic Algorithm in early summer, after which a first aggressive portfolio will be deployed on SectorSurfer as a set of Master Strategies for assembly into a portfolio. AlphaDroid deployment will follow soon thereafter. This fall, the company will focus on the development and logistics of creating the first of a set of ETFs.

Future Speaking Engagements.
• Houston, TX: AAII Chapter - 8:30 AM Sat October 13, 2018
• San Antonio, TX: Riskalyze Fearless Investing Summit, Marriott Rivercenter - October 17-19, 2018
• Las Vegas, NV: AAII National Convention, Paris Hotel - October 26 - 28, 2018

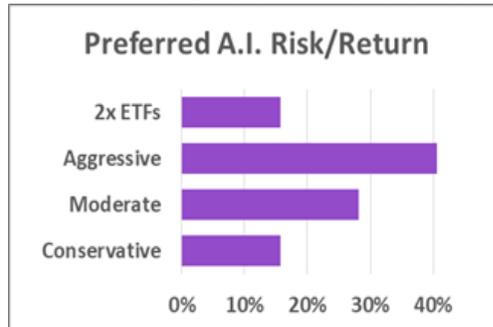Surf Well and Prosper,

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