

# Perspective: Nervous Markets & Introducing a New Index

Sept 8, 2019

## The Nervous Markets

The recent market pop could be the start of a lasting rally or just a temporary relief rally. It depends on what events lie before us and what the herd believes about them. Without further substance, it is likely just a relief rally, expressing hope that (1) the Chinese have decided not to wait out Trump, (2) that Chinese party leaders will suddenly yield and go back to the deal almost agreed to before, or (3) that Trump will not continue to do radical things to force them to take action before his term out. Is a promise to talk again likely to result in either side buckling... or will they soon be posturing for the upper hand going into trade talks? I think they are not done wrestling in the mud yet. While the economy is strong, there are likely to be more sideways bumps ahead as this trade battle persists.

## What Will StormGuard-Armor Do?

While predicting what SG-Armor will do depends on what the market does, perhaps the most useful response is a summary of what it would currently take to exit SG-Armor. A deep dive into the 14 “fuzzy logic” factors identified these dominant tests:

1. The “Drop and Pop” test that brought us back into the market early in June required an excessively strong rebound from a near-term low. The 10-day window in which the rebound must occur ends at market close today. To have met the rebound requirement, the S&P500 would have had to advance another 0.75% today.

S&P500 Index - 6 Months



S&P500 Index - 5 Years



- The next early exit possibility would be similar to the one in January and would require a six-week high at about 5% higher than today, or a seven-week high at about the same market level as today.
- Short of an early exit, both the Momentum and Sentiment components must be rising by the end of September.

Market Sentiment & Direction Indicators - Daily Ch



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As I write this late in the market day, the S&P500 is down a fraction of a percent... Thus, there will be no short-term exit.

### Meetup - September 23, 7:00 PM (PT)

#### Introducing "Bull-Rider Bear-Fighter Index" [Streamed Live](#)

As many of you know, in January of 2019 we launched a sister company, Merlyn.AI Corporation, to exclusively license our Merlyn.AI technology, raise some capital, and market the technology to Main Street through Wall Street. Most fund managers base their investment choices on an "Index," such as a Large-Cap Growth Index. Merlyn.AI algorithms fit within the definition of an index, making the publishing of a Merlyn.AI Index a critical step.

The Meetup will primarily focus on the new "Bull-Rider Bear-Fighter Index" and briefly review the "Tactical Growth and Income Index," both of which have been recently published by Solactive and will become available to SectorSurfer and AlphaDroid subscribers prior to the Meetup. We will also discuss a number of practical matters associated with the different methods of index investing, including trade liquidity, trade execution delay, capital gains tax treatment, and index disclosure timing.

If Merlyn.AI is new to you, I recommend viewing these videos:

<https://youtu.be/Hob291o1plc> – How momentum trading works.

<https://youtu.be/Ry29speaO4> – How Merlyn.AI adds value.

<https://youtu.be/hsrfL2IR2EQ> – Under the hood of Merlyn.AI.

**Meetup** Mon. Sept. 23, 7:00 PM (PT)  
Streamed Live @ <https://join.me/SectorSurfer>



 Merlyn.AI

**Bull-Rider  
Bear-Fighter**

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