

## Perspective: Late Summer Worries Took Some Risk Off the Table

Sep 02, 2013

Dear Scott,

### Syrian Crisis Triggers Market Jitters

It's not uncommon for investors to take a few chips off the table to reduce the risk of the unknown when going on vacation and taking their eye off the ball. Labor Day weekend marks the end of summer vacation and BBQs for many as kids head back to school and investors back to their computers to further study the unfolding Syrian conflict, unemployment numbers, and market sectors.

The money these investors pulled to the sidelines while on vacation is about to be put back to work. Perhaps they'll invest in military and aerospace companies if they believe our forces will be visiting the Middle East. Perhaps they'll invest in REITs believing rentals will remain strong and housing starts will remain low. Or perhaps they'll place their bets back where they left off because they believe nothing has really changed. Perhaps ... perhaps ... but where?

### Good News is Bad News and Bad News is Good News

In the past few days we've witnessed the upward revision of the second quarter GDP (gross domestic product) from 2.2% to 2.5%, which is a good thing. But it sent markets down in belief that the Federal Reserve might do less stimulative bond buying. We also saw the report for capital goods last Friday. Although it fell 3.3%, market prices immediately headed higher in pre-market trading. Generally the reaction to each of these would have been quite the opposite, but investors have concluded that the Federal Reserve's expected response to these events will more than compensate. The market is reacting consistent with the old adage "don't fight the Fed."

### Economists Laid End to End Will Point in All Directions

This humorous title (attributed to A. Motley) is actually an inherent truth regarding market prices. If it weren't true, there would be an imbalance of buyers and sellers and the market price would quickly adjust the price until it were true. But, we need better than 50/50 odds. That brings us back to reliance on "the trend is your friend."

The StormGuard chart says we aren't even close to the massive selloff that many market experts have predicted for months. The August dip looks a lot like nothing on the 9-Year chart. So, the market will probably continue to wring its hands about Syria, housing, and unemployment, and instead will latch onto the first news of certainty that consumers can actually act on — like a life-changing-gotta-have feature on the new iPhone that debuts next week. Whatever it is, the trend will be your friend, and you'll be prepared. with SectorSurfer.



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**Just the FAQs:**

**Would it help to use trailing stop-loss orders with Strategies?**

This is a pretty common question - and its answer is found on the FAQ page with a link to this PDF article entitled [Setting Stop Losses](#) from MyForexDot.org. In summary, the author conducted a fairly large backtest and said: *My conclusion is therefore that any stop-loss, other than a very, very large one, almost always degrades the performance of any mechanical trading system.*

While my personal experience with stop-loss orders is not extensive, I agree with the article as I feel I have been punished by stop-loss orders way more than helped. That said, an old friend who is a SectorSurfer, recently told me he agrees, but only for the case of trading stocks. He suggests it's a completely different and worthy strategy for ETFs. If any of you have stop-loss experiences or techniques you would like to share, I will assemble and report received wisdom for the benefit of all next month.

Surf Well,



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