

Perspective: Punch Bowl, SG-Zoom, The 7 Faces of Risk

Dec 05, 2015

Dear Scott,

What a Difference a Day Makes!

The Dow's strong rebound of 370 points (2.1%) today (chart right) reversed much of the troubling 411 point drop of the prior two days, leaving a 128 point (0.7%) return for the first four days of December. Indeed, what a difference a day makes! However, similar behavior will likely continue as the bulls and bears conduct their tug of war, reacting to every piece of economic and geopolitical news in a market that is arguably fairly priced.

With Christmas just around the corner, buzz about a possible "[Santa Claus Rally](#)" has begun. While its origins relate to the "[January effect](#)," it has been steadily creeping forward in time as investors anticipate its arrival. Unfortunately, the Santa Claus Rally is not very reliable, particularly following a poor market year. Pundits offer two good reasons why there may not be one this year: (1) the strong October recovery rally may have already stolen the event, and (2) the Federal Reserve's plans to raise interest rates in December may reduce corporate profits and hurt investment returns.



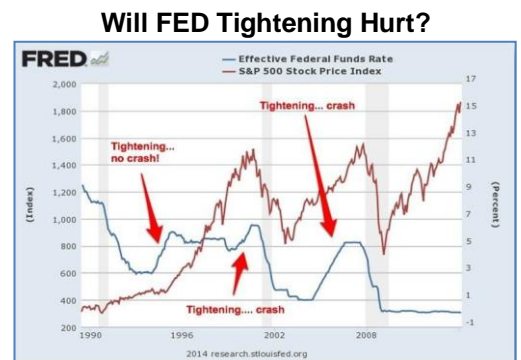
4-Months

Taking Away the Punch Bowl

Fed Chairman Janet Yellen recently made clear that the Federal Reserve will start raising interest rates later this month - thus taking away Ben Bernanke's (low interest rate) punch bowl created to stimulate economic activity and increase employment. The former Fed Chairman quickly became known as "[Helicopter Ben](#)" for his strong Quantitative Easing policies.

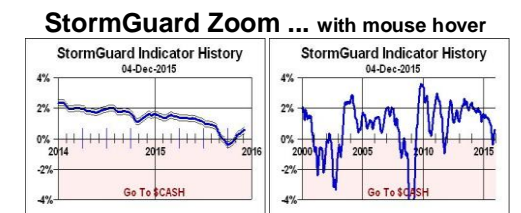


Some economists believe that an interest rate hike now would be too early and would put a damper on corporate profits, market returns, and the fragile economic recovery. Interestingly, a close look at the Federal Funds Rate chart overlaid with the S&P 500 (right) shows that during the period from 2004 to 2007 when interest rates increased over 4%, the S&P 500 continued to climb strongly. This is strong evidence that a few interest rate hikes are nothing to be concerned about in the short term ... although the longer term is likely another story.



StormGuard Zoom

Last month's newsletter previewed the StormGuard Zoom chart. Now it's functional online for the My Strategies and User Guide pages. Simply use your mouse/pointer to hover over the chart and it will switch to a 2-year zoomed version. The upper and lower bands plotted on the Zoom chart indicate slight variations in StormGuard that may occur from Strategy-to-Strategy depending on the character of the stocks/funds in the Strategy.



Click to Try it on the User Guide Web Page.

Now that the 25-city speaking engagement schedule for 2015 has come to a close, you can expect to see us rapidly catching up with some overdue documentation updates, as well as the roll out of numerous new features ... so, stay tuned.

The Seven Faces of Risk

Risk is not a one-dimensional problem cured by a single step of diversification. A multi-step, layered Portfolio approach is required to address the "Seven Faces of Risk." First introduced at the AAI Investors Conference last month, we will present this topic, streamed LIVE on the Internet, at the Dec. 8th Seattle SectorSurfers Momentum Investing Meetup. [Log in and be there!](#)

The Seven Faces of Risk
Streamed Live on 12/8/2015 7PM PST



Seattle Sector Surfers
Momentum Investing

Internet Streamed so  Everyone Can Attend

[Click for Event Details.](#)

The Seven Faces of Risk

- 1. Not Enough Saved to Retire**
- 2. Market Shocks and Crashes**
- 3. Individual Company Collapse**
- 4. Owned Fund Loses Favor**
- 5. Strategy Gets Flat Tire**
- 6. Backtesting Deception**
- 7. Strategy Volatility**

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 2016 - Stay tuned for details.**
- **Phoenix, AZ: AAI Chapter - October 2016 - Stay tuned for details.**

Surf Well and Prosper,



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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](#)