

Perspective: Rough Start, Treasuries Rule, AlphaGen Intro

Feb 03, 2015

January's Rough Start — What Does It Mean?

It's hard to ignore the seemingly continuous news of yet another day of highly volatile markets. It would seem that both the bulls and the bears have become more agitated and insistent, taking the intensity up a notch. The good news is that there is relative balance. The inability of the bears to force the market down by at least 10% to satisfy their historic need for a periodic correction speaks highly of the strength of corporate earnings and consumer sentiment.

Still, traders might suggest the S&P500 is forming a pennant-shaped pattern where the difference between short term highs and lows keep decreasing until they approximately meet and subsequently trigger a strong breakout to the upside or downside. Meanwhile, economists suggest there are two primary drivers of this market: (a) the energy price collapse, and (b) the indication by the Federal Reserve that it may soon allow interest rates to drift higher. Let's consider each.

While the energy price collapse has destroyed the earnings of a significant market sector and weighed heavily on the S&P500 and other market indices, debate, uncertainty and volatility will continue until prices reasonably stabilize. At best, it will be at least a few months before energy prices settle down, but could take much longer if low energy prices destabilize the currencies or politics of countries that support massive social programs with oil revenue. That said, it is well understood that lower energy costs will impact the production and transportation of goods in positive ways that will only spur the economy in the long term.

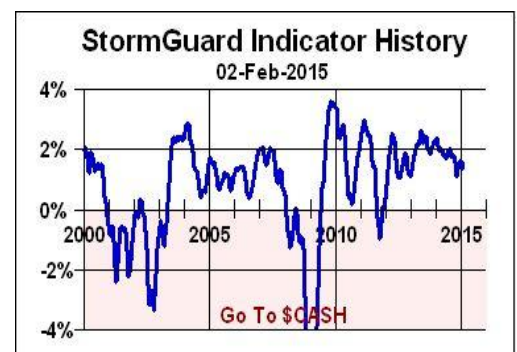
Ultimately, the Federal Reserve has provided ample evidence that its future actions regarding interest rates will err on the side of ensuring a well functioning economy — a second good reason to believe that the markets are not likely to bust any time soon.

What the Charts Say Now

While the recent market volatility is notable, in the longer view (see 6-Years chart) there is nothing odd nor frightening about it. Furthermore, the StormGuard chart doesn't suggest that the market is anywhere near slowing down, much less collapsing.

Sectors on the Move — Treasuries Rule

Currently, the long-term treasuries funds rule the roost. In my survey of many dozens of Strategies at month-end, it was quite notable that approximately 75% of Strategies with a trade alert were trading to one of the many long-term treasuries funds, such as TLT,



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TMF, UBT, VJUSTX, or FLBIX. In fact, I would like to emphasize just how extraordinary the situation is, and that it demands serious contemplation to understand what appears to be happening.

While long-term treasury funds are generally negatively correlated to the market, currently the market shows no sign of weakness — just a pause. Some analysts propose that the mere suggestion that the Federal Reserve will soon stop buying US debt instruments is enough to cause investors currently seeking higher returns abroad to sell their risky sovereign debt in favor of buying US long-term treasuries, which, of course, drives up their price. Some have further suggested that when fund managers from our large economy start selling sovereign debt of a small economy, it could trigger a price collapse as investors start fleeing it for the rising prices of US long-term treasuries. That indeed could be interesting — a self fulfilling trend pumping a bubble?

Tagging along behind long-term treasuries are the biotech and healthcare sector funds, which are continuing a long, strong trend that had paused briefly in December. Perhaps continuation of this trend should be expected — all of the news and complaints of higher healthcare premiums appear to correlate with booming earnings. One might offset some healthcare pain with some healthcare gain!

Finally, still doing well are the automotive and aerospace sectors, which will likely continue to be the beneficiaries of declining oil prices. (See chart above-right)

Introducing AlphaGen Strategies — Our New Sister Company

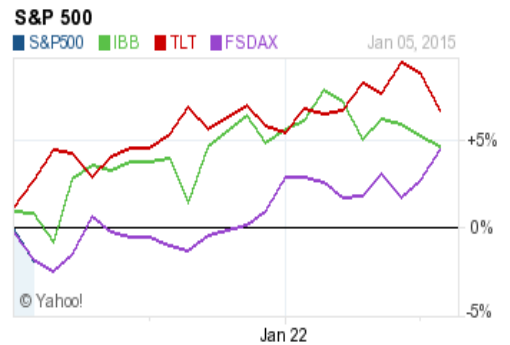
Approximately 14 months ago, a partnership between SumGrowth Strategies and Bryan Sullivan of Vellum Financial, a registered financial advisor firm, formed AlphaGen Strategies to empower independent financial advisors with SectorSurfer's True Sector Rotation technology in a framework that helps them manage high performance portfolios for clients who would prefer to have a financial professional manage their retirement accounts. As CEO, Bryan Sullivan will manage the company's daily operations. [Click Here](#) for more information.

A Few ETFs Bite the Dust

The below listed ETFs have been recently terminated by their sponsors. When data for an ETF goes flat for more than 30 days, a warning message appears in the upper-left of a Strategy's main chart, and means that you should either delete or replace it. The RTL ETF was terminated late last year, and the ProShares Ultra ETFs were terminated in January. Use the "Find a Fund, ETF, or Stock" popup to identify possible alternatives by entering text fragments such as "2x," "ultra," or "ETF Retail."

We have found that a fairly good replacement for RTL is XRT. We believe we have purged RTL from all Strategies that we maintain and post on the site. However, this does not include the Strategies of other subscribers posted on the Strategy Hall of Fame page, or your own personal Strategies.

ProShares ETFs are often members of 2x leveraged ETF Strategies. The Master SOS ETF Ultra (2x) Strategy-of-Strategies has a number of the ProShares ETFs in its underlying Strategies. We will be reworking those Strategies before February's month-end trades occur.



Sectors on the Move



Our New Sister Company

- **RTL** - iShares Retail Real Estate Capped
- **UKW** - ProShares Ultra Russell MidCap Growth
- **UVU** - ProShares Ultra Russell MidCap Value
- **UKF** - ProShares Ultra Russell1000 Growth
- **UVG** - ProShares Ultra Russell1000 Value
- **UKK** - ProShares Ultra Russell2000 Growth
- **UVT** - ProShares Ultra Russell2000 Value
- **UWC** - ProShares Ultra Russell3000

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 also possible.

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.

- **Charlotte, NC: AAI Chapter - Saturday, March 14, 10:00 AM**
- **Myrtle Beach, SC: AAI Chapter - Tuesday, March 17, 5:00 PM**
- **Calabash, NC: AAI Chapter - Tuesday, March 17, 5:00 PM (w/Myrtle Beach)**
- **Los Angeles, CA: AAI Chapter - Saturday, March 21, 9:00 AM (beginner & advanced sessions)**
- **Orange County, CA: AAI Chapter - Saturday March 21, 9:00 AM (w/ L.A. Chapter)**
- **San Jose, CA: SectorSurfer User Group - Monday, March 23, 6:00 PM (advanced forum)**
- **Dallas, TX: MTS Group - Saturday, April 11, 9:00 AM (advanced forum)**
- **Dallas, TX: AAI Chapter - Wednesday, April 15, 9:00 AM**
- **San Antonio, TX: AAI Chapter - Friday, April 17, 5:30 PM**
- **Austin, TX: AAI Chapter - Monday, April 20, 7:00 PM**
- **Baltimore, MD: AAI Chapter - Saturday, May 9, 10:00 AM**
- **Pittsburgh, PA: AAI Chapter - Tuesday, May 12, 7:00 PM**
- **Cleveland, OH: AAI Chapter - Wednesday, May 13, 7:00 PM**
- **Twin Cities, MN: AAI Chapter - Friday, Oct 23, 7:00 PM + Sat. 9:00 AM**
- **Las Vegas, NV: AAI National Conference - Saturday Nov 7 - Nov 10**
- **Houston, TX: Houston Investors Association - Sat., Nov14, 9:00 AM**
- **Houston, TX: AAI Chapter - Saturday, Nov 21, 9:00 AM**

Surf Well and Prosper,



Scott Juds
 President & Chief SectorSurfer
 SumGrowth Strategies, LLC
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Additional Resources

**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](#)

**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](#)

 **ALPHAGEN
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Professional Help - Change the Game



Bryan Sullivan founded AlphaGen Strategies to empower financial advisors with SectorSurfer's True Sector Rotation technology in a framework that helps advisors manage high performance portfolios for their clients. [Click HERE](#)