

# ETF Selections & Timing

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## What, Me Worry?

**D**ouble tops, triple tops, divergences, over bought, over valued, Fed tapering, I suppose if one was looking for reasons to worry, they are all over the place. So far, all this means is that the proverbial wall of worry remains in place, and

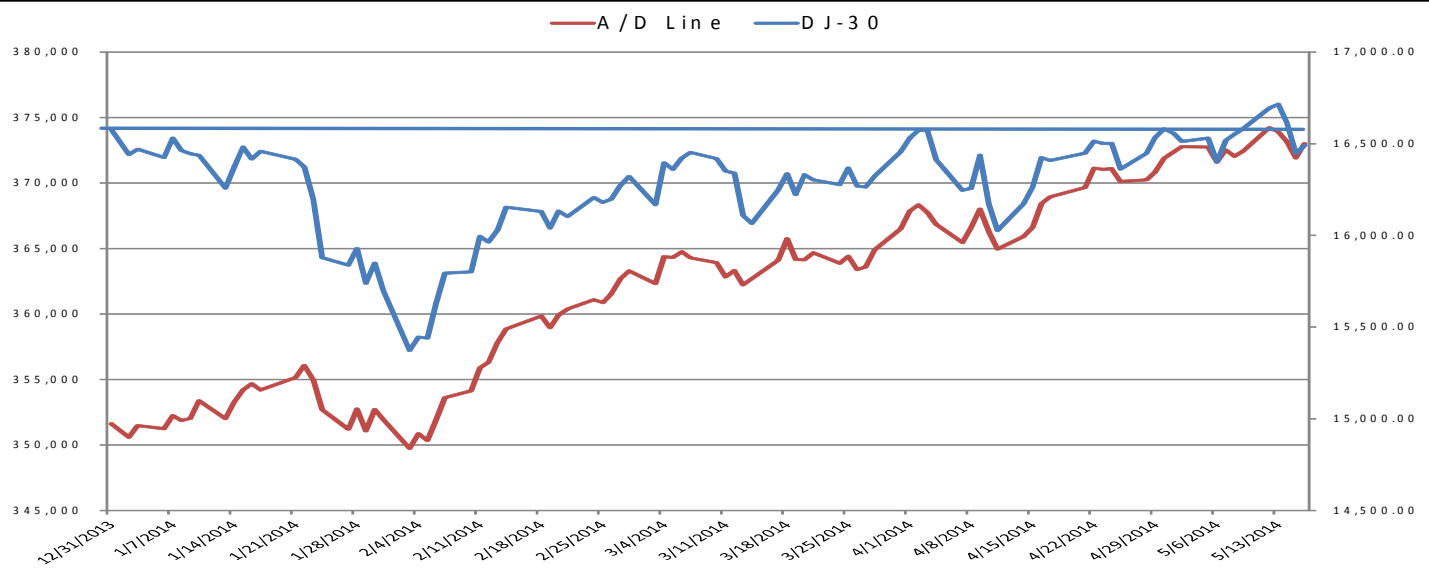
up from which the market has continued to climb the past few years.

It seems like only yesterday I was worried about, amongst other things, a double-dip recession, the Fiscal Cliff, the European Recession, the China slowdown, and Government Sequen-

tration. Up and up the stock market went, ignoring all of the potential problems that in hindsight never did materialize.

Sure there have been corrections along the way, especially in 2011. That was a whipsaw

*(Continued on page 12  
see REVIEW on top)*



This is the daily chart of the close of the Dow Industrials (blue line) and NYSE advance-decline line (red line)

## SCOREBOARD (returns year to date and past weeks to date)

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	1.0%	2.2%	0.7	0.8	0.1	0.0%
ETF Growth Portfolio	1.8%	13.5%	2.4	1.7	2.1	0.8%
<b>Index</b>						
Aggrgt Bond (AGG)	2.6%	0.9%	2.2	1.3	0.7	0.0%
S&P 500 TR (SPY)	3.5%	16.9%	5.8	3.4	2.1	1.2%
World Growth Index	1.9%	16.3%	4.5	1.6	2.4	1.5%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 5/23/2014								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss as of 4/28	Description	Start Price	End Price	# of Shares	Current Value	Percent of Total	
11-Apr	sell	JNK	41.05	342	14,014								0.0%	
21-Apr	sell	AGG	108.18	130	14,080								0.0%	
21-Apr	sell	PCY	28.27	512	14,464								0.0%	
21-Apr	buy	BSV	80.09	362	29,003								0.0%	
28-Apr	sell	LQD	117.87	120	14,176								0.0%	
						BSV			80.09	80.35	362.4	29,115.06	25.1%	
						Money Market					1.00	87,033	87,033.00	74.9%
												Total Valuation=	116,148.06	100.0%

## WEEKLY REVIEW

5/26 No changes.

5/19 No changes. Awaiting final completion of the newish bond model before making much change.

5/12 No changes. PCY (international bonds) surged on the news of a form of international QE.

5/5 Given the Fed's tapering (less bond buying), it is interesting to note that bonds continue to rally (higher prices, lower yields).

4/28 There's a good possibility that the LQD position will close below its sell stop level today. Watch it at quarter to the close for a signal. If its below it, we'll sell back to cash.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	1.0	16.2
Aggregate Bond	6.4%	7.7	3.9	-2.2	2.6	19.5

This shows the total returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

## ETF Income Database and Ranking to 8/30/13 (under construction)

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>12m</i>	<i>9m</i>	<i>6m</i>	<i>3m</i>	<i>1m</i>	<i>V</i>	<i>NAV</i>	<i>Rank</i>
iShares 1-3yr Trsry	SHY	BS	0.03	0.03	-0.07	-0.03	-0.10	0.08	84.28	*****
Vngrd ShrtTrm Bond	BSV	BS	-0.19	-0.45	-0.60	-0.38	-0.27	0.23	79.96	*****
iShares 3-7yr Trsry	IEI	BI	-2.51	-2.67	-2.49	-1.82	-0.77	0.51	119.88	****
iShares Agg Bond	AGG	BI	-2.85	-3.32	-3.05	-2.12	-0.83	0.61	106.01	****
iShares Inter Bond	MBB	BI	-3.09	-2.81	-2.91	-1.77	-0.67	0.43	104.17	****
iShares Inter Gov	GVI	BI	-1.51	-2.04	-1.92	-1.35	-0.64	0.46	109.11	****
Wtree Dryfs Chns Yuan	CYB	BF	4.62	2.26	2.23	0.54	0.42	0.42	26.16	****
Currency Euro	FXE	BF	4.69	1.36	1.04	1.60	-0.68	1.85	130.84	***
iShares 10-20yr Trsry	TLH	BL	-8.69	-8.69	-6.33	-4.80	-0.97	1.55	123.42	**
iShares 7-10yr Trsry	IEF	BI	-6.40	-6.61	-5.56	-4.27	-1.42	1.08	100.26	**
iShares High Yld	HYG	BH	5.38	2.88	0.18	-0.17	-1.27	1.56	90.87	**
iShares Intrntl Tbond	IGOV	BW	-1.59	-3.73	-1.85	-0.50	-0.73	1.54	97.93	**
iShares Long Corp Bond	LQD	BL	-2.90	-4.84	-4.30	-3.17	-1.00	1.39	112.68	**
iShares Trsry Inflt	TIP	BI	-7.29	-8.84	-7.78	-4.71	-1.83	1.18	110.64	**
PS 1-30 Ldr Trsry	PLW	BI	-8.64	-8.31	-5.99	-4.31	-0.96	1.45	29.88	**
PS Bld America	BAB	BI	-5.98	-7.40	-8.54	-7.83	-1.41	1.59	27.14	**
PS DB Dollar Bearish	UDN	BF	-1.27	-2.51	0.04	1.65	-0.49	1.29	26.42	**
PS DB Dollar Bullish	UUP	BF	-0.49	1.23	-0.80	-1.86	0.41	1.28	22.19	**
PS DB G10 Currency	DBV	BF	-0.76	-4.00	-7.09	-6.64	-2.44	1.72	24.75	**
PS Fdmntl Hi Yield Corp	PHB	BH	3.25	1.31	-0.10	-0.99	-0.88	1.23	18.71	**
PS Insr CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insr NY Muni	PZT	BI	-9.02	-11.54	-10.28	-8.91	-2.61	1.51	21.68	**
PS Prfd	PGX	BF	-0.95	-2.38	-4.30	-4.81	-1.65	1.18	13.68	**
SPDR High Yield	JNK	BH	5.27	2.46	0.00	-0.75	-1.03	1.56	39.46	**
SPDR Intrntl TBond	BWX	BW	-4.13	-5.75	-2.63	-0.53	-1.15	1.48	56.79	**
Vngrd Intrmdt Bond	BND	BI	-2.94	-3.28	-2.96	-2.12	-0.86	0.62	79.99	**
Wtree Dryfs Comdty Cur	CCX	BF	-6.19	-7.08	-8.09	-3.79	-2.15	1.55	19.55	**
Wtree Dryfs Emrg Crrncy	CEW	BF	-3.44	-5.57	-6.78	-3.77	-2.82	1.44	19.65	**
iShares 20+ yr Trsry	TLT	BL	-14.79	-13.35	-9.34	-6.72	-1.34	2.46	105.71	**
PS Emrg Mrkt Svrgn Debt	PCY	BW	-8.80	-13.37	-11.06	-7.86	-3.36	2.67	26.24	**
PS Insr Natl Muni	PZA	BI	-8.56	-11.75	-10.49	-9.01	-1.56	1.56	22.52	**
Wtree Dryfs Brazil Real	BZF	BF	-10.67	-7.36	-15.28	-9.16	-3.29	2.37	16.75	**
Wtree Emrg Mrkt Lcl Debt	ELD	BF	-7.81	-11.12	-12.85	-8.94	-4.35	2.09	45.45	**
Wtree Dryfs Indn Rupee	ICN	BF	-11.22	-13.71	-15.13	-13.34	-5.23	2.58	18.12	*

This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS, and C are proprietary tools. Rank column shows the number of comets.

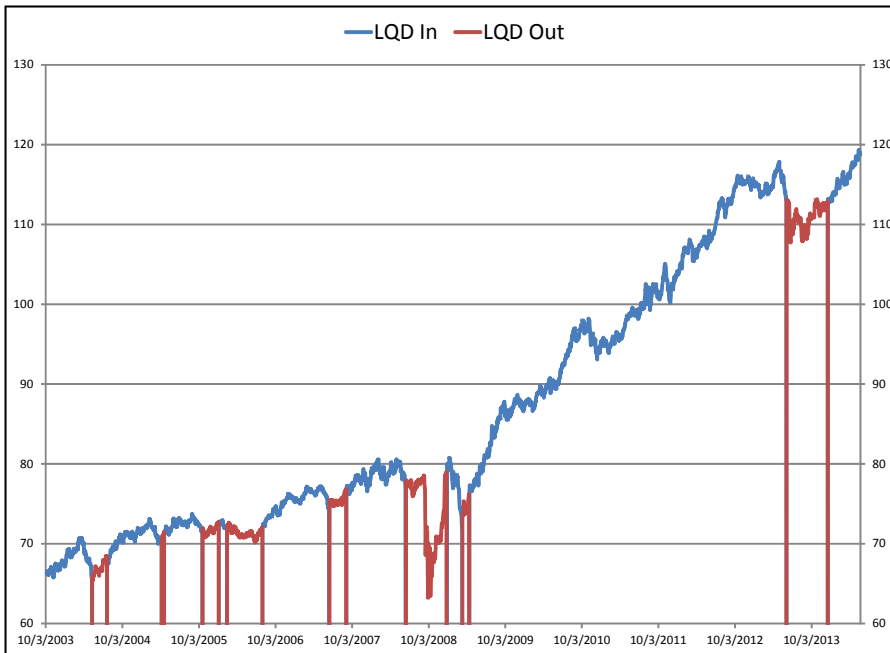
### ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

Column headings: The first column shows the ETF name, the second column shows its symbol. The third column shows the ETF Style. The first letter is always either B (Bond) or E (Equity) or H (Hybrid). The next letter(s) is the style. So, BS-bond short, BI-bond intermediate, BL-bond long, BF-flexible, BW-world, BH-high yield. And for Equity, EA-equity aggressive, EC-equity contrary, EG-equity gold (precious metals), ESC-small cap, EMC-mid cap, ELC-large cap, EW-world, EGI-growth/income, ERE-real estate, EV-value.

Columns 4-8 show percentage returns for the periods shown (12 months, 9, 6, 3, and 1 month). Column 9 is V (volatility); a measure of risk; the lower the V, the less risk. Column 10 is the NAV. Column 11 is the C (comet) ranking. C is the risk-adjusted (V) relative performance (CS). The higher the C indicates the most return for the amount of risk taken.

Generally, our ETF strategy is to own the top ranked ETFs (shown in green) and avoid or short the lower ranked ETFs (shown in red).

## SLM Bond Timing Model (preliminary)



The chart above is LQD from 10/2003 through the present. The blue portion represents bullish on bond prices (yields falling). The red portion (red prices between red spikes) represents bearish on bond prices (yields rising).

The chart to the left reflects the beginnings of the new Bond Timing model. Right now it is based on LQD (corporate bond ETF).

The reason for the change was there were too many whipsaws in the old model. And I plan to incorporate more information like international bonds, if the back test proves useful.

I plan to also back test this on information before the recent 30-year secular bull market in bonds. In other words, I don't want a model that only works because the wind of lower and lower and lower yields (higher and higher and higher prices) was at its back.

### WEEKLY REVIEW

5/26 No changes. Yields still falling, despite Fed tapering.

5/19 No changes. Bonds continue to rally.

5/12 No changes.

5/5 The chart reflects the beginnings of the new World Income Model (timing). The selecting based on C of the bond ETFs still needs completing.

4/4 No updates.

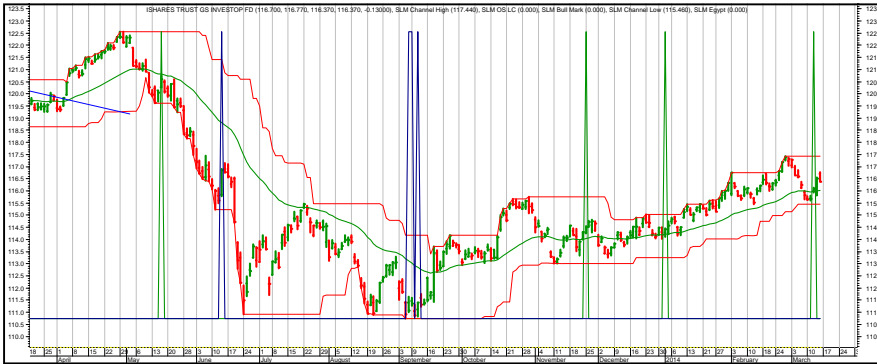
3/24 As previously mentioned, I am planning to introduce the new World Income Model ASAP. So, this chart and the charts on the next page are not updated. (Trend is still bullish.)

3/17 No changes. Still trending bullish.

3/10 No changes.

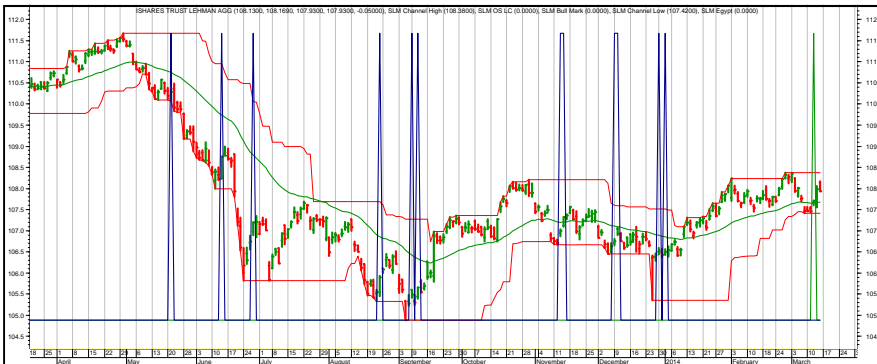
3/3 The bond model is still bullish, unfortunately I'm out. Will try to find a reentry area.

# Income Charts (DAILY) (under construction)



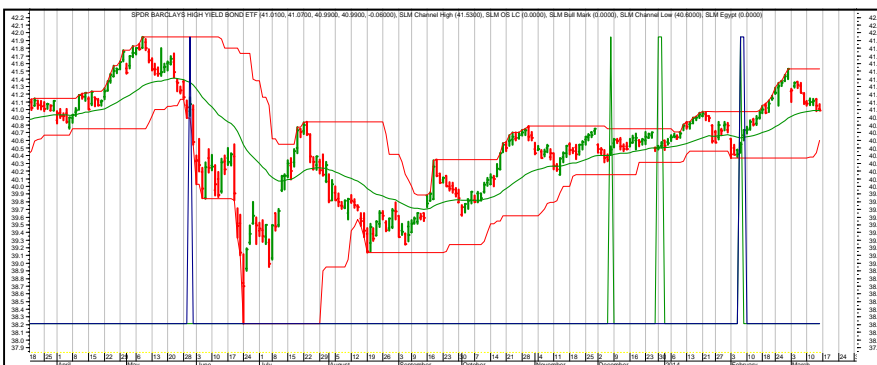
## LQD—Investment Grade Corporate

3/17 See page 2.  
 3/10 No changes.  
 3/3 No changes.  
 2/24/ No changes.  
 2/18 No changes.  
 2/10 No changes.  
 2/3 No changes.



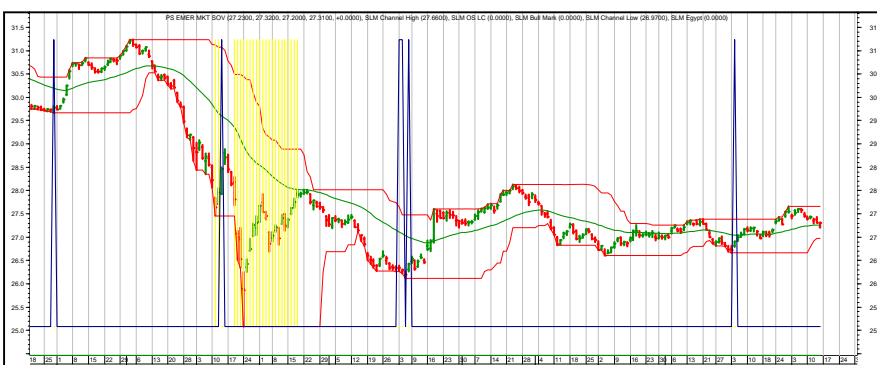
## AGG—Aggregate Bond Market

3/17 See page 2.  
 3/10 No changes.  
 3/3 No changes.  
 2/24 No changes.  
 2/18 No changes.  
 2/10 No changes.  
 2/3 No changes.



## JNK—hi-yield bonds

3/17 See page 2.  
 3/10 No changes.  
 3/3 Overextended. Will take profits.  
 2/24 No changes.  
 2/18 Since JNK is the only bond ETF notching recovery highs here of the 4 shown, I've put a very tight stop on the position. See page 2.



## PCY—International Bonds

3/17 See page 2.  
 3/10 No changes.  
 3/3 No changes.  
 2/24 No changes.  
 2/18 No changes.  
 2/10 The last blue spike is the 'buy' from last week's comment. I am standing aside, however.

Each chart shows daily (or weekly if noted in page title at top) prices, a moving average (smoothed green line on price portion), and blue or green spikes. The spikes show potential buy signals. The red lines are price channels. The charts do not show sell signals.

# Growth Portfolio (changed as of 12/10/12, 9/23/13)

ACTION FOR			PORTFOLIO DETAILS			Value as of date:				5/23/2014			
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
7-Apr	sell	PJP	55.10	99	5,445	<b>World Growth</b>							
7-Apr	buy	PSI	20.46	278	5,698	EEM		Emrg Mrkt	39.13	43.16	539.000	23,263.24	16.1%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	68.77	318.000	21,868.86	15.1%
14-Apr	sell	PSI	19.91	278	5,525	IWM		Rusl 2000	113.68	111.94	185.490	20,763.75	14.4%
14-Apr	buy	PGF	17.89	314	5,627	QQQ		Nsdq 100	89.54	89.87	235.540	21,167.98	14.6%
14-Apr	sell	UNG	25.36	215	5,442	SPY		S&P 500	182.85	190.25	115.520	21,977.68	15.2%
14-Apr	buy	PFF	39.00	144	5,626	<b>C-lect 5</b>							
			both buys (above) will be about 4% of ttl			ICF			85.25	86.76	67.000	5,812.92	4.0%
28-Apr	sell	DFE	61.55	93	5,716	PFF			39.00	39.57	144.710	5,726.17	4.0%
28-Apr	buy	ICF	85.25	67	5,722	GULF			22.09	23.29	258.240	6,014.41	4.2%
			this buy above will be about 4% of ttl			PGF			17.89	18.03	317.170	5,718.58	4.0%
27-May	sell	PGF		all		DBA			28.45	28.13	200.000	5,626.00	3.9%
27-May	buy	EPI		254		Two potential ways to sell: stop loss 10% lower or timing model signals sell							
27-May	sell	PFF		all		Two potential ways to buy: "window to buy" may open or timing model signals buy.							
27-May	buy	RWR		70		<b>C-lect Short</b>							
			both buys (above) about 4% of ttl			(under construction)							
									Cash from short	1.00	-	-	0.0%
									Money Market	1.00	6,657	6,657.00	4.6%
									Total Valuation=			144,596.59	100.0%

## WEEKLY REVIEW

5/26 Make the two sells and buys as noted above. Stop loss is at its max distance. Window to buy closed.

5/19 Typically the distance to stop loss will change slightly each week. No ETF C-lect 5 rotations this week.

5/12 The distance to "stop loss" expanded slightly as noted above. No ETF rotations this week.

5/5 No ETF rotations this week. Because the market rallied (as measured by the World Growth Index), the portfolio stop widened to 8.5% from 7.5%. The 'window to buy' remains closed.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	1.0	43.5
World Growth Index	17.2%	-4.1	15.1	30.5	0.5	69.6

The ETF Growth Portfolio changed as of 12/10/12 and again 9/23/13. It is following the new World Growth Model (WGM), which uses the same 5 etfs (EEM, EFA, IWM, QQQ, SPY) as the World Growth Index (WGI). The difference between the two is WGM uses timing and WGI is always fully invested and WGI is rebalanced to 20% in each position daily (this accounts for the different returns when WGM is invested and held). Based on the successful back testing strategy, C-lect 5 was added to the portfolio. Returns are of previous years (to last Friday in year), year to date (ytd) (from last Friday in previous year), and from inception (incptn). It also shows standard deviation (SD). The green highlight (2013, 2014) is to highlight the aforementioned changes.

## ETF Rankings by C to previous week's end

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<b>C</b>
PS DB Agriculture	DBA	EA	20.11
Wtree Middle East Div	GULF	EW	18.79
iShares Cohen&Str REIT	ICF	ERE	17.50
Wtree India	EPI	EW R	17.00
SPDR Wlsh REIT	RWR	ERE	16.75
Vngrd REIT	VNQ	ERE	16.22
PS Fincl Prfrd	PGF	EGI	16.01
iShares Prfrd	PFF	EGI	15.67
iShares REIT	IYR	ERE	15.17
PS US REIT	PSR	ERE	14.72
PS India	PIN	EW	14.00
Guggnhm Candn Enrg Incm	ENY	EW R	13.37
Wtree Intrntl Utilities	DBU	EW	12.50
Select SPDR Utilities	XLU	EA	12.47
Vngrd Utilities	VPU	EA	12.29
Guggnhm Dfnsv Eqty	DEF	EV	12.05
iShares Italy Indx	EWI	EW	10.67
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	10.48
PS Dynmc Semicndctr	PSI	EA	10.29
PS Dynmc Energy	PXI	EA	9.18
Wtree Eqty Income	DHS	EGI	9.09
PS Dynmc Energy Explor	PXE	EA	9.08
PS Hi Yld Eqty Div	PEY	EGI	8.93
PS Dynmc Utilities	PUI	EA	8.89
Alerian MLP	AMPLP	EGI	8.61
iShares DJ Slct Div	DVY	EGI	8.47
Select SPDR Enrgy	XLE	EA	8.37
Wtree Intrntl Div Ex Fincl	DOO	EW	8.35
iShares Brazil Indx	EWZ	EW	8.22
Guggnhm Gbl Div	LVL	EW	8.18
iShares Australia	EW A	EW	8.15
iShares Singapore	EW S	EW	8.09
Select SPDR Cnsmr Stpl	XLP	EA	8.02
Vngrd Consmr Stpls	VDC	EA	8.01
Wtree Div Ex Fincl	DTN	ELC	7.98
PS S&P SmlCap Energy	PSCE	EA	7.84
Market Vectors Semiconductor	SMH	EA	7.67
Wtree Intrntl REIT	DRW	ERE	7.64
iShares Latin Am r	ILF	EW	7.48
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	7.46
Wtree Eur SC Div	DFE	EW	7.45
iShares Canada	EW C	EW	7.42
iShares Slct Div	IDV	ELC	7.18
Wtree DEFA Eqty Incm	DTH	EW	7.15
iShares Pacific ex Jpn	EPP	EW	7.04

This page and the next three show the equity ETF database rankings from high to low based on C. C is Comet, which is the risk-adjusted relative performance; the higher the C ranking, the better. Comets, not stars, because comets come into and out of prominence over time. We want the metaphor to match reality.

The first column shows the name. The second column shows the symbol. The third column shows the style; it begins with E for Equity and then the style (A is aggressive, W is world, WR is world regional, SC is small cap, MC is mid cap, LC is large cap, GI is growth/income, V is value). The fourth column shows the C level.

## ETF Rankings by C to previous week's end

Market Vectors Oil Services	OIH	EA	7.01
Vngrd Emrg Mrkt	VWO	EW	6.75
PS DB Oil	DBO	EA	6.73
PS Dynmc Oil & Gas Srvcs	PXJ	EA	6.50
Guggnhm Intrntl A Incm	HGI	EW	6.49
iShares Russel MidVal	IWS	EMC	6.38
PS Intrntl Dvdnd	PID	EW	6.34
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	6.33
Wtree MidCap Div	DON	EMC	6.30
PS Gbl Water	PIO	EW	6.29
PS FTSE RAFI Asia Pac xJpn	PAF	EW	6.23
Guggnhm Gbl Wtr	CGW	EW	6.22
PS FTSE RAFI Emrg Mrkt	PXH	EW	6.05
iShares Taiwan Indx	EWT	EW	6.03
Guggnhm Multi Ast In	CVY	EV	5.99
iShares Emrg Mrkt Stk	EEM	EW	5.99
iShares Spain	EW P	EW	5.98
Wtree World Ex US Grth	DNL	EW	5.88
Wtree Emrg Mrkt SC Div	DGS	EW	5.81
PS Dividend Achievers	PFM	EGI	5.80
Wtree Gbl Eqty Incm	DEW	EW	5.79
US Oil Fund	USO	EA	5.68
Wtree LrgCap Div	DLN	ELC	5.65
PS Dynmc Lrg Cap Value	PWV	ELC	5.63
Wtree Intrntl LC Div	DOL	EW	5.50
US Natural Gas	UNG	EA	5.42
PS Gbl Gold Precious Mtls	PSAU	EG	5.16
PS Gbl Clean Enrgy	PBD	EW	5.16
Select SPDR MatrIs	XLB	EA	5.11
SPDR Gold	GLD	EG	4.97
iShares Gold	IAU	EG	4.96
PS Gbl Agriculture	PAGG	EA	4.95
Select SPDR Div	SDY	EGI	4.86
PS DB Gold	DGL	EG	4.85
Wtree DEFA	DWM	EW	4.82
Guggnhm Frntr	FRN	EW	4.68
Vngrd Materials	VAW	EA	4.64
iShares Europe 350	IEV	EW	4.54
PS Dynmc Pharma	PJP	EA	4.54
PS DB Commodity	DBC	EA	4.43
Vngrd European Indx	VGK	EW	4.40
iShares Russell 1000 Value Indx	IWD	ELC	4.38
PS S&P SmICap MtrIs	PSCM	EA	4.37
iShares Malaysia Indx	EWM	EW	4.35
PS Dynmc Food & Bev	PBJ	EA	4.13
SPDR Euro Stoxx 50	FEZ	EW	4.11
Select SPDR Health	XLV	EA	3.94
PS S&P 500 BuyWrite	PBP	ELC	3.93
PS Dynmc Basic MatrI	PYZ	EA	3.91
Wtree Intrntl MC Div	DIM	EW	3.90
Wtree Emrg Mrkt Eincm	DEM	EW	3.88
Market Vectors Gold Minors	GDX	EG	3.85
iShares EMU Indx	EZU	EW	3.79
PS DB Precious Metals	DBP	EG	3.77
PS Aerospace & Def	PPA	EA	3.76



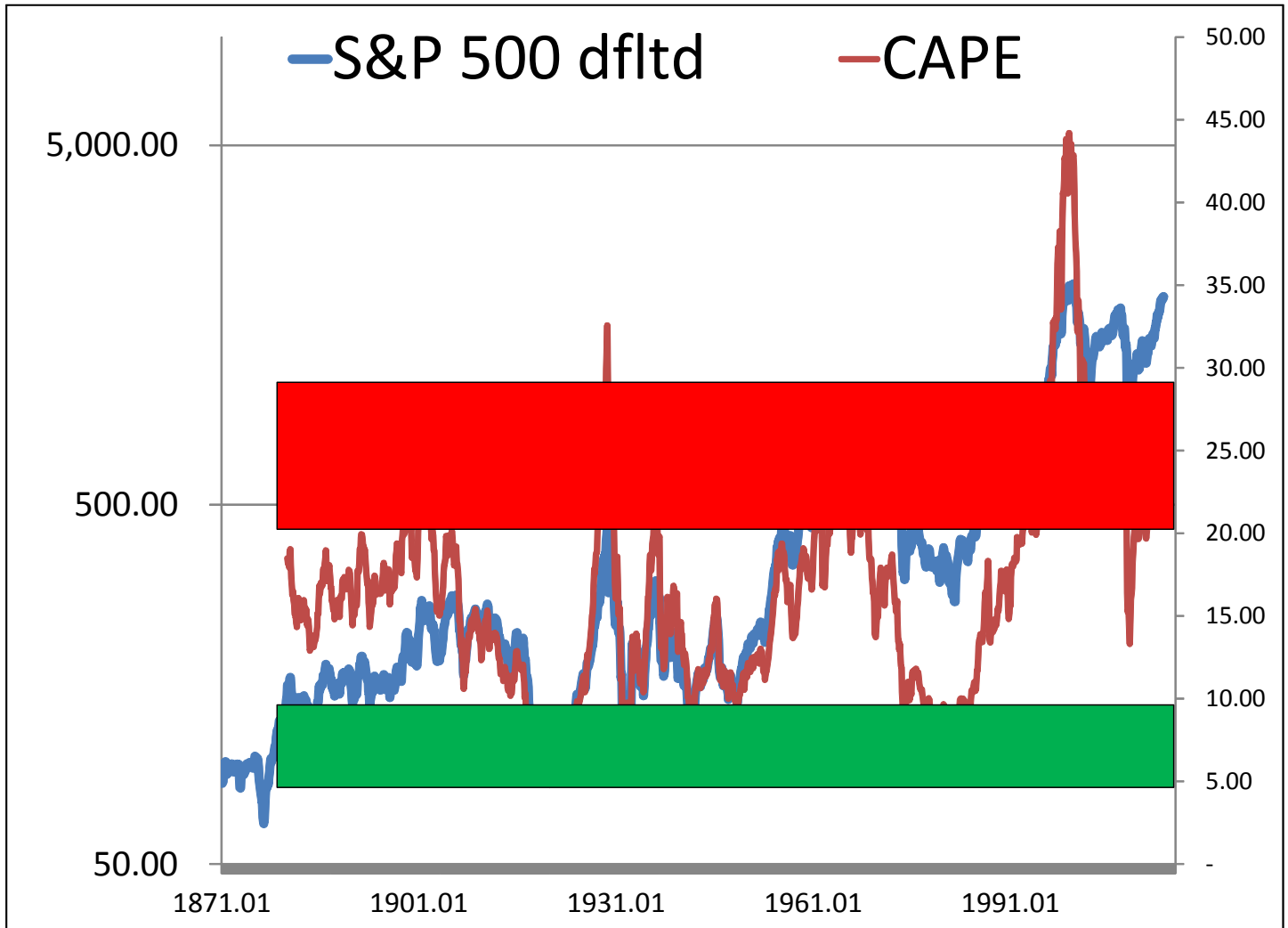
## ETF Rankings by C to previous week's end

Wtree S&P 500	EPS	ELC	3.71
Vngrd TTL Intrntl Stk	VXUS	EW	3.67
Wtree Intrntl SC Div	DLS	EW	3.67
iShares South Korea Indx	EWY	EW	3.67
Vngrd Health	VHT	EA	3.62
PS Dynmc Networking	PXQ	EA	3.31
PS Dyn Mrkt	PWC	ELC	3.30
Vngrd MidCap Val	VO	EMC	3.30
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.26
SPDR DJ Gbl Titans	DGT	EW	3.24
Wtree Ttl Earn	EXT	ELC	3.23
Vngrd Div Apprctn	VIG	EGI	3.15
PS DB Energy	DBE	EA	3.13
PS S&P SmICap Cnsmr Stpl	PSCC	EA	3.08
Guggnhm Shipping	SEA	EA	2.99
Select SPDR Indl	XLI	EA	2.89
PS Emrg Mrkt Infrastrctr	PXR	EW	2.85
iShares S&P 100 Indx	OEF	ELC	2.75
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.72
Select SPDR Technlgy	XLK	EA	2.70
iShares Core S&P 500	IVV	ELC	2.64
SPDR S&P 500	SPY	ELC	2.58
Vngrd Small Cap Value	VBR	ESC	2.55
Vngrd Europe Pacific	VEA	EW	2.55
iShares EAFE Indx	EFA	EW	2.53
Vngrd Large Cap	VV	ELC	2.49
PS DWA Emrg Mrkt T Ldrs	PIE	EW	2.48
PS S&P SmICap Utilities	PSCU	EA	2.48
PS WilderHill Prgsv Enrgy	PUW	EA	2.47
iShares Hong Kong Indx	EW H	EW	2.44
PS DWA Tech Ldr	PDP	ELC	2.24
Wtree MidCap Earn	EZM	EMC	2.09
PS Cleantech	PZD	EA	2.05
Guggnhm MidCap Core	CZA	EMC	2.00
PS QQQ	QQQ	ELC	1.97
Vngrd Tech	VGT	EA	1.97
Vngrd Extnd 4500	VXF	ELC	1.96
Vngrd Grth	VUG	ELC	1.96
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	1.92
Vngrd TTL Stock	VTI	ELC	1.91
SPDR DJ Industrials	DIA	ELC	1.86
Pro Shares Short Russell 2000	RWM	ESC	1.79
Guggnhm BRIC	EEB	EW	1.77
iShares Core S&P Mid Cap	IJH	EMC	1.72
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	1.64
SPDR Mid Cap Trust	MDY	EMC	1.63
iShares Mexico	EW W	EW	1.57
SPDR S&P Metals & Mining	XME	EA	1.51
iShares Russell 1000 Grwth Indx	IWF	ELC	1.51
PS Dynmc Lrg Cap Grth	PWB	ELC	1.51
PS Dynmc Bldg Cnstrctn	PKB	EA	1.50
PS Buyback Achievers	PKW	EGI	1.48
Vngrd Small Cap	VB	ESC	1.33
iShares Telecomm	IYZ	EA	1.33
PS Gbl Listd Prvt Eqty	PSP	EW	1.31

## ETF Rankings by C to previous week's end

PS Water Resources	PHO	EA	1.31
Wtree Sml Cap Div	DES	ESC	1.23
Select SPDR Financs	XLF	EA	1.19
Vngrd Fincl Srv	VFH	EA	1.12
Guggnhm RJ All	RYJ	ELC	1.08
Vngrd Small Cap Grth	VBK	ESC	1.02
Guggnhm Insdr Sent	NFO	EMC	0.98
Guggnhm China REIT	TAO	EWR	0.76
iShares Russell 2000 Value Indx	IWN	ESC	0.69
iShares Germany Indx	EWG	EW	0.67
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	0.67
PS S&P SmlCap Info Tech	PSCT	EA	0.62
iShares DJ US Home Constr.	ITB	EA	0.57
PS Dynmc Leisure & Enter	PEJ	EA	0.49
PS Dynmc Consmr Staples	PSL	EA	0.47
Guggnhm Spin Off	CSD	EMC	0.33
PS Dynmc Biotech	PBE	EA	0.27
PS Dynmc Consmr Discr	PEZ	EA	0.01
iShares Russell 2000	IWM	ESC	-0.16
PS Dynmc Software	PSJ	EA	-0.18
SPDR S&P Bank	KBE	EA	-0.24
iShares Silver	SLV	EG	-0.32
PS S&P SmlCap Cnsmr Dis	PSCD	EA	-0.33
Pro Shares Short S&P 500	SH	EC	-0.35
SPDR S&P Homebuilders	XHB	EA	-0.37
Guggnhm Timber	CUT	EA	-0.38
PS Dynmc Retail	PMR	EA	-0.38
SPDR S&P Regional Banking	KRE	EA	-0.41
Vngrd Consmr Dis	VCR	EA	-0.44
PS S&P SmlCap Fincl	PSCF	EA	-0.44
Guggnhm Solar	TAN	EA	-0.44
PS Zacks Micro Cap	PZI	ESC	-0.48
PS DB Base Metals	DBB	EG	-0.61
SPDR S&P Retail	XRT	EA	-0.65
PS WilderHill Cln Enrgy	PBW	EA	-0.67
PS S&P SmlCap Indstrils	PSCI	EA	-0.67
Select SPDR Cnsmr Disc	XLY	EA	-0.71
PS DB Silver	DBS	EG	-0.77
Wtree Japan SC Div	DFJ	EWR	-0.86
PS NASDAQ Intrnt	PNQI	EA	-1.06
PS Dynmc Fncl	PFI	EA	-1.43
iShares China	FXI	EW	-1.53
PS Gldn Drgn USX China	PGJ	EW	-1.65
Guggnhm China All	YAO	EWR	-1.92
PS Dynmc Healthcare	PTH	EA	-2.03
PS S&P SmlCap Hlth Care	PSCH	EA	-2.04
iShares Japan	EWJ	EW	-2.14
Wtree Japan Hedge Eqty	DXJ	EC	-2.23
Guggnhm China Sml	HAO	EWR	-2.34
PS Dynmc Media	PBS	EA	-2.44
Market Vectors Junior Gold Miners	GDXJ	EG	-2.47
PS Dynmc Technology	PTF	EA	-2.48
Market Vectors Russia	RSX	EW	-7.61

## S&P 500 and CAPE



The chart shows the S&P 500 deflated (adjusted for inflation) from 1871 through the present (blue line, left logarithmic scale) and the CAPE ratio, which is the 10-year average of the PE ratio (red line).

The reddish area is over valued territory (above 20) and the green area is under valued area (below 10).

The current ratio is about 25x. Clearly it is in the over valued area. As you can see, however, it has essentially been overvalued since 1995 when the CAPE ratio first cleared 20, except for the brief plunge in 2007.

The point is that it has been one of the better forecasting tools over a complete market cycle (bull and bear), but it is not very timely recently. As such, it may stay over valued for months more, but to get back into the neutral zone between 10 and 20, the market will need to eventually drop by at least 50%.

It is an interesting investment problem when what had been working becomes very well-known and then basically quits working. Alternatively, some have suggested that accounting rule changes in the past decade have made the indicator less attractive as a valuation (timing) tool. It is now comparing apples and oranges.

## Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) **REVIEW**

year, where the bottom sorta fell out temporarily and then back up she climbed.

Maybe market tops are marked more by the absence of anything to worry about, than by something new to worry about. This may be true especially in the sense of it (the worry) having wide publicity, than by the fact of its presence.

I have in mind, for example the CAPE ratio that has been widely publicized and strenuously examined (see for example Jeremy Siegel). CAPE is the cyclically adjusted PE ratio from Robert Shiller and his book *Irrational Exuberance* published in 2005

(second edition). After all, the indicator seemed to have marked tops and bottoms for the past 100 years. It is now at 25x, which is far overvalued.

The problem is the reality is a bit different from the worry, especially over the last 15 years. CAPE is a good indicator, but is not particularly timely. Is it useful as an indicator since it has been overvalued for so long? The market moves from over valued to more overvalued and vice-versa. Recently, CAPE is still north of 20x and the market continues its uptrend. See the chart on page 11 for more.

So for today's market there is still plenty to worry about, not the

least of which is its apparent overvaluation. But this is evidently a positive, not a negative, in the sense that the wall still appears in place and the market is still climbing it.

See the portfolio pages for any changes.

Just to clarify a couple of terms that I use regularly.

Short-term is days to weeks.

Intermediate-term is weeks to months.

Long-term is months to years.

Cyclical is 1-5 years.

Secular is 5 years to decades.

Bull market is a series of higher highs and higher lows.

Bear market is a series of lower lows and lower highs.

Neutral market is sideways without a discernible pattern.

Oddly, bull and bear markets may occur simultaneously, but only over different time periods. For example, we may be in a secular bear market, but there are cyclical bull and bear markets within that.

Closing stops are "mental". I look at the position at quarter to the close. If it is trading below the stop (or above if short), then I act with the assumption the security will trigger that closing stop on that day. I sell (or cover) at the close that day.

Portfolio stops for the World Growth Model are internally maintained; they are based on the World Growth Index, not the individual ETFs. Stops will be emailed when close or if triggered.

5/26 No letter changes.

5/19 No changes.

5/12 No changes.

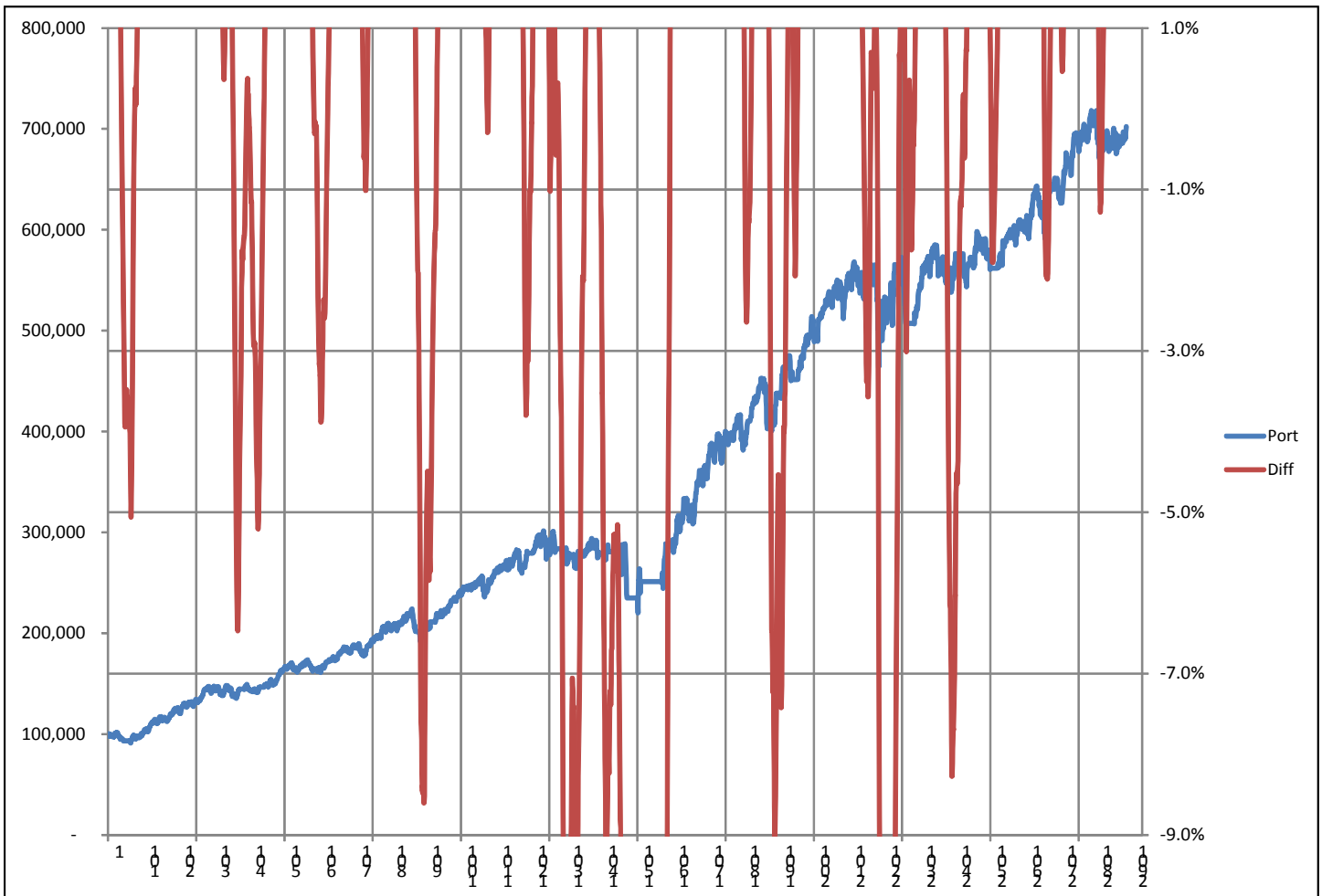
5/5 See new information on Bond Timing on page 4.

4/28 I deleted two ETFs this past week due to their low volumes. The bid/ask spread is too great.

4/21 No changes. Work continues on the models in the background.

4/7 No changes.

## Window to Buy (closed as of 5/26/14)



The chart above shows the World Growth Model (WGM-blue line) and the Window to buy (DIFF Window-red spikes). The chart covers the period from 12/5/2002 through the present. The vertical lines mark off about 1 year increments.

The Window to Buy is to answer the question if I missed the initial timing model buy signal, then when do I either buy my initial position or increase my position with additional money?

Being risk-averse, I wanted a way to answer this sensibly, which is try to buy on measured corrections, rather than chase the market higher and higher. The Window to Buy is the answer. The caveat is that in a strong, early bull market, this approach may miss the early gains, unless you are already following the World Growth Model strategy. But the rest of the time, the Window is a solid approach to managing portfolio risk.

The base line for the Window is 0%. The chart shows +1% to -9%. When the base line is above zero, the Window is closed. It doesn't mean the market can't or won't go higher. It just means that the downside risk to the potential stop or sell signal is fairly wide. When the WGM drops enough, then the Window to buy opens.

When the Window opens, it represents a lower-risk entry period. If the market recovers, the Window will close again. If the market continues lower, either the sell stop will be triggered or the timing model will signal a sell. The timing model sell signal overrides the Window to buy.

What ideally happens in up markets is the timing model remains on a buy, while the market corrects and opens the Window to buy. It then reverses and heads higher with more investment dollars on board for the rally.

# Descriptions & Disclosures

## **PORTFOLIO DESCRIPTIONS (pages 2 and 6)**

Our guiding goal is to provide the most return with the least risk consistently through bull and bear markets.

**Income Portfolio, page 2:** Uses a proprietary selection methodology on all of the monitored bond-oriented ETFs to pick the top ETFs. I then use a proprietary timing model to decide whether to buy, sell, hold, or avoid. From time to time, timing considerations may take precedence over selections; in other words, we may own lower ranked funds because of anticipated timing changes.

**Growth Portfolio, page 6:** As of 12/10/12, it is based on the World Growth Index (WGI), which is made up of a static fully invested 20% in each of five ETFs (EEM, EFA, IWM, QQQ, SPY). The Portfolio will buy and sell the WGI based on proprietary timing signals. On 9/23/13, the new C-lect 5 is also part of this portfolio. It too uses timing.

Both portfolios were started on 1/1/10 with \$100,000. As mentioned, the Growth Portfolio strategy was changed on 12/10/12 to the World Growth Model and again on 9/23/13 to incorporate the C-lect 5 model.

Portfolio changes will usually be made at the close on Monday, unless otherwise noted in any emailed hotline update or triggered stop orders. Issues are normally posted on Mondays by 1:35pm cst (Tuesday if Monday is a holiday, defined as market closed).

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares.

Commissions of \$10 per trade are applied. Interest is currently zero for the money market (cash) position.

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Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time each Monday, except for holidays (closed stock market) and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday (or Tuesday) close in each portfolio. We may also use stop orders. For stops, check the ETF at quarter to the close. If it is below (or above) a stop level, assume it will close there and act on that. Portfolio data will be updated through the previous Friday's close. Fund symbols, rather than names, are the official identification used for activity.

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