

# ETF Selections & Timing

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## Green Light, Red Light

**T**he stock market continues its chug higher and higher with nary a correction. Nearly all of the indexes like the SPY and Dow Jones Industrials and Transportations are at highs, while the one primary index (IWM-Russell 2000, small caps)

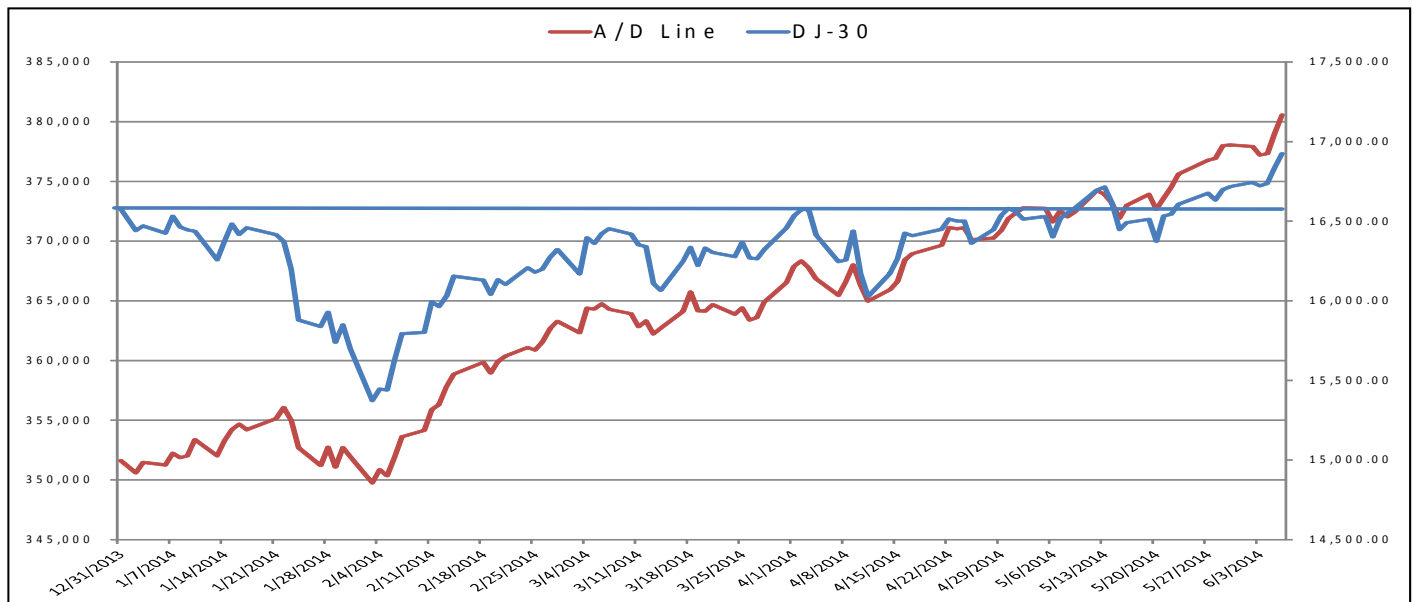
is trying mightily to join its bigger brethren.

And why not? The economy continues its expansion, creating jobs and generating corporate profits. The leading economic indicators suggest further growth at least through 2014. The recession indicator at FRED

(shown before in a weekly letter) is no where near suggesting a possible slowdown in the months ahead.

Meanwhile interest rates remain low, providing little competition for the investor dol-

*(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%	2.4%	1.0	0.7	0.0	0.0%
ETF Growth Portfolio	4.1%	17.5%	5.1	2.9	3.8	1.9%
<b>Index</b>						
Aggrgt Bond (AGG)	2.3%	1.6%	2.3	1.3	0.2	-0.7%
S&P 500 TR (SPY)	6.3%	20.4%	8.6	3.8	3.9	1.3%
World Growth Index	4.7%	20.3%	7.0	2.4	4.7	1.8%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 6/6/2014								
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%	
			this new buy w ill be about 25% of total			BSV			80.09	80.25	362.7	29,107.08	25.1%	
28-Apr	sell	LQD	117.87	120	14,176									
						Money Market					1.00	87,033	87,033.00	74.9%
												Total Valuation=	116,140.08	100.0%

## WEEKLY REVIEW

6/9 The President of the St. Louis Federal Reserve James Bullard said inflation is moving higher. Presumably this is good, a positive sign, for the economy, but bad for interest rate policy. Fed tapering should end in October. When will actual interest rates increase? It may be sooner after that, rather than later, as the market expects. If rates begin to increase (prices fall), this would be the reasoning.

6/2 No changes.

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.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	1.0	16.1
Aggregate Bond	6.4%	7.7	3.9	-2.2	2.3	19.2

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 Infltn	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 Insrld CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insrld 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 Insrld 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.

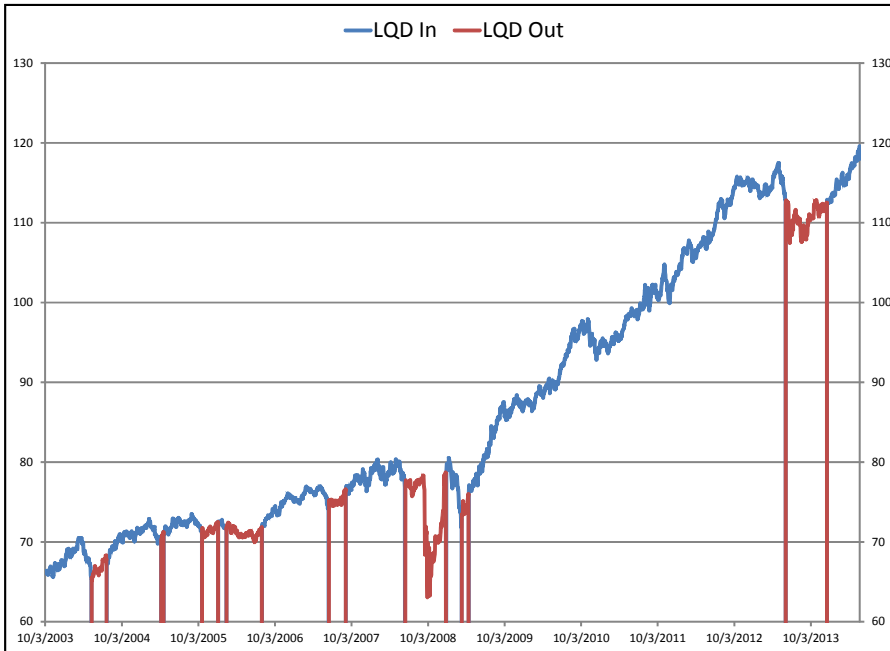
### ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

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 (corporate bonds) 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

6/9 As mentioned on page 2, if inflation is picking up, we should begin to see this reflected by the market in the form of higher interest rates and lower bond prices.

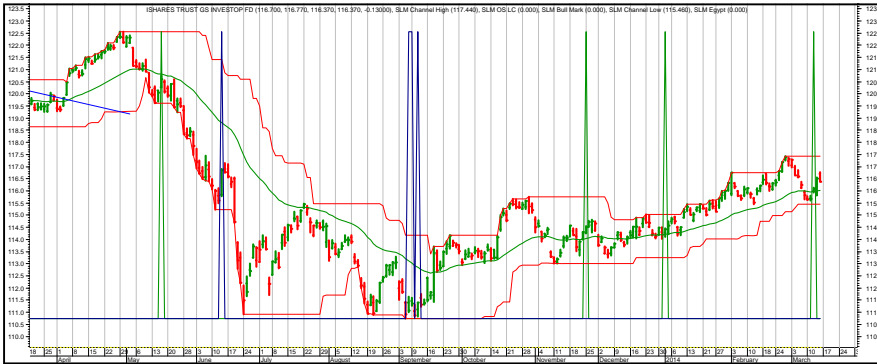
6/2 No changes.

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

5/19 No changes. Bonds continue to rally.

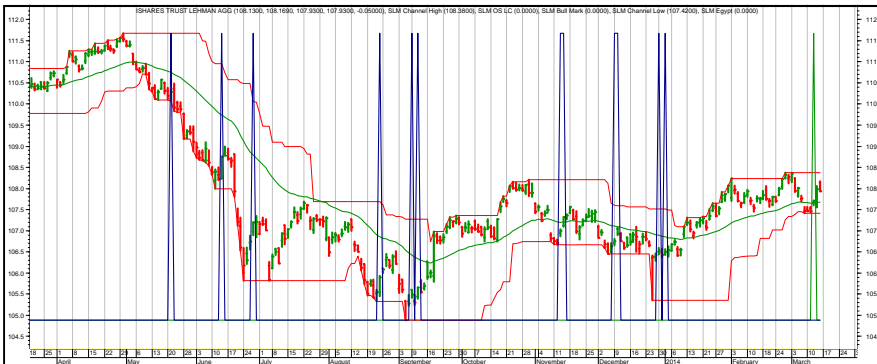
5/12 No changes.

# Income Charts (DAILY) (under construction)



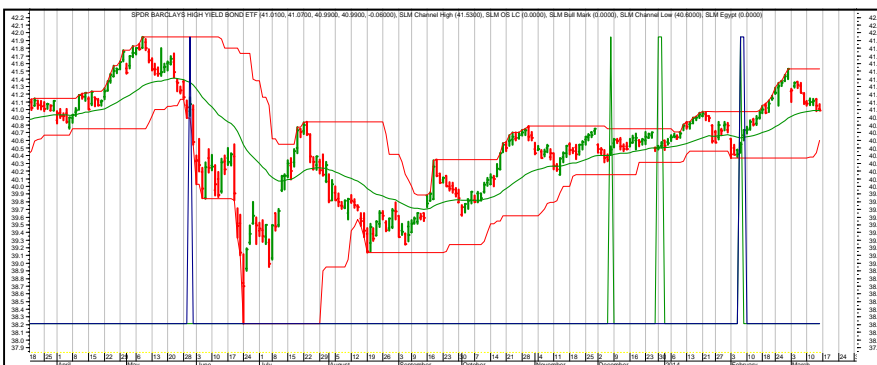
## LQD—Investment Grade Corporate

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.



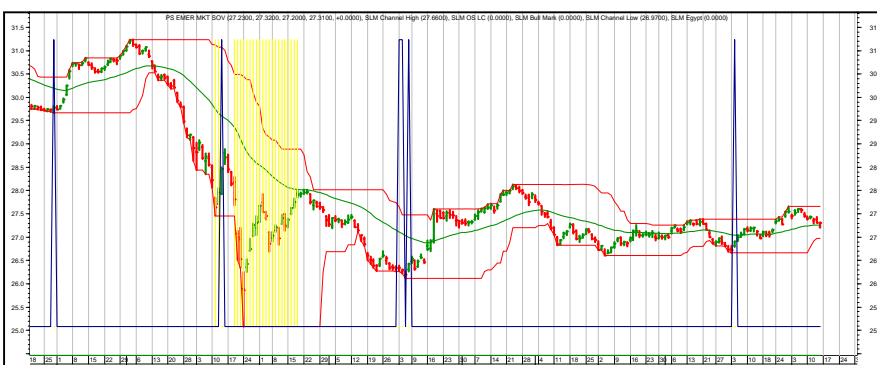
## AGG—Aggregate Bond Market

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:				6/6/2014			
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	43.56	539.000	23,478.84	15.9%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	70.22	318.000	22,329.96	15.1%
14-Apr	sell	PSI	19.91	278	5,525	IWM		Rusl 2000	113.68	115.88	185.490	21,494.58	14.5%
14-Apr	buy	PGF	17.89	314	5,627	QQQ		Nsdq 100	89.54	92.82	235.540	21,862.82	14.8%
14-Apr	sell	UNG	25.36	215	5,442	SPY		S&P 500	182.85	195.38	115.520	22,570.30	15.3%
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	88.99	67.000	5,962.33	4.0%
28-Apr	sell	DFE	61.55	93	5,716	RWR			82.93	84.39	70.000	5,907.30	4.0%
28-Apr	buy	ICF	85.25	67	5,722	GULF			22.09	23.79	258.240	6,143.53	4.2%
			this buy above will be about 4% of ttl			EPI			21.91	23.34	254.000	5,928.36	4.0%
27-May	sell	PGF	18.16	317	5,750	DBA			28.45	27.65	200.000	5,530.00	3.7%
27-May	buy	EPI	21.91	254	5,575	Two potential ways to sell: stop loss 10% lower or timing model signals sell							
27-May	sell	PFF	39.67	145	5,731	Two potential ways to buy: "window to buy" may open or timing model signals buy.							
27-May	buy	RWR	82.93	70	5,815								
			both buys (above) about 4% of ttl										
9-Jun	sell	GULF		all		<b>C-lect Short</b>							
9-Jun	buy	ENY		354		(under construction)							
			this buy above will be about 4% of ttl										
									Cash from short	1.00	-	-	0.0%
									Money Market	1.00	6,748	6,748.00	4.6%
									Total Valuation=			147,956.02	100.0%

## WEEKLY REVIEW

6/9 With the rally, the stop loss is still 10% away from current portfolio values. Make the sell and buy as noted above.

6/2 No changes.

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.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	4.1	48.0
World Growth Index	17.2%	-4.1	15.1	30.5	4.7	76.8

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>	<i>C</i>
Wtree India	EPI	EWR	19.53
PS DB Agriculture	DBA	EA	17.47
iShares Cohen&Str REIT	ICF	ERE	16.70
SPDR Wlsh REIT	RWR	ERE	16.13
Guggnhm Candn Enrg Incm	ENY	EWR	14.63
Wtree Middle East Div	GULF	EW	14.42
PS Fincl Prfrd	PGF	EGI	14.37
iShares Prfrd	PFF	EGI	14.24
Wtree Intrntl Utilities	DBU	EW	13.17
Guggnhm Dfnsv Eqty	DEF	EV	12.82
Select SPDR Utilities	XLU	EA	11.38
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	11.28
PS Dynmc Energy	PXI	EA	10.13
PS Dynmc Semicndctr	PSI	EA	9.81
PS Dynmc Energy Explor	PXE	EA	9.72
Wtree Eqty Income	DHS	EGI	9.59
iShares Brazil Indx	EWZ	EW	9.45
Select SPDR Enrgy	XLE	EA	9.43
Wtree Intrntl REIT	DRW	ERE	9.24
PS Hi Yld Eqty Div	PEY	EGI	9.17
iShares Singapore	EWS	EW	8.94
iShares Italy Indx	EWI	EW	8.92
Guggnhm Glbl Div	LVL	EW	8.85
Vngrd Consmr Stpls	VDC	EA	8.82
iShares DJ Slct Div	DVY	EGI	8.78
Select SPDR Cnsmr Stpl	XLP	EA	8.74
Wtree Div Ex Fincl	DTN	ELC	8.53
iShares Latin Amr	ILF	EW	8.19
Market Vectors Oil Services	OIH	EA	8.03
PS S&P SmlCap Energy	PSCE	EA	7.92
Wtree Intrntl Div Ex Fincl	DOO	EW	7.90
Alerian MLP	AMLP	EGI	7.90
PS Dynmc Utilities	PUI	EA	7.83
iShares Australia	EWA	EW	7.82
PS S&P 500 LowVolatility Portfolio	SPLV	ELC	7.78
Vngrd Emrg Mrkt	VWO	EW	7.71
iShares Canada	EWC	EW	7.51
Market Vectors Semiconductor	SMH	EA	7.51
PS Dynmc Oil & Gas Srvcs	PXJ	EA	7.35
iShares Slct Div	IDV	ELC	7.32

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

PS FTSE RAFI Emrg Mrkt	PXH	EW	7.26
iShares Pacific ex Jpn	EPP	EW	7.17
Wtree DEFA Eqty Incm	DTH	EW	6.92
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	6.89
iShares Emrg Mrkt Stk	EEM	EW	6.80
PS Intrntl Dvdnd	PID	EW	6.60
iShares Taiwan Indx	EWT	EW	6.48
Wtree MidCap Div	DON	EMC	6.45
Guggnhm Intrntl A Incm	HGI	EW	6.42
PS FTSE RAFI Asia Pac xJpn	PAF	EW	6.41
Wtree Gbl Eqty Incm	DEW	EW	6.21
Wtree LrgCap Div	DLN	ELC	6.10
PS Dynmc Lrg Cap Value	PWV	ELC	6.04
PS Dividend Achievers	PFM	EGI	5.99
Wtree Emrg Mrkt SC Div	DGS	EW	5.98
Wtree World Ex US Grth	DNL	EW	5.96
iShares Russel MidVal	IWS	EMC	5.94
Guggnhm Frntr	FRN	EW	5.81
Guggnhm Multi Ast In	CVY	EV	5.72
PS DB Oil	DBO	EA	5.70
iShares Spain	EWP	EW	5.65
Wtree Intrntl LC Div	DOL	EW	5.57
PS Gbl Water	PIO	EW	5.18
Guggnhm Gbl Wtr	CGW	EW	5.11
Select SPDR Matrls	XLB	EA	5.00
PS Gbl Agriculture	PAGG	EA	4.99
Select SPDR Div	SDY	EGI	4.95
Wtree Eur SC Div	DFE	EW	4.91
US Oil Fund	USO	EA	4.71
Wtree DEFA	DWM	EW	4.70
Wtree Emrg Mrkt Eincm	DEM	EW	4.61
iShares Russell 1000 Value Indx	IWD	ELC	4.48
iShares Malaysia Indx	EWM	EW	4.47
PS Dynmc Food & Bev	PBJ	EA	4.36
SPDR Euro Stoxx 50	FEZ	EW	4.27
Vngrd Materials	VAW	EA	4.26
iShares South Korea Indx	EWY	EW	4.25
iShares Europe 350	IEV	EW	4.02
Wtree S&P 500	EPS	ELC	3.93
Vngrd TTL Intrntl Stk	VXUS	EW	3.88
Vngrd European Indx	VGK	EW	3.84
PS DB Commodity	DBC	EA	3.77
PS Dynmc Basic Matr	PYZ	EA	3.73
PS S&P SmICap Mtrls	PSCM	EA	3.63
PS Dynmc Pharma	PJP	EA	3.62
SPDR DJ Gbl Titans	DGT	EW	3.51
Wtree Intrntl MC Div	DIM	EW	3.50
PS Gbl Clean Enrgy	PBD	EW	3.40
Wtree Ttl Earn	EXT	ELC	3.35
iShares EMU Indx	EZU	EW	3.34



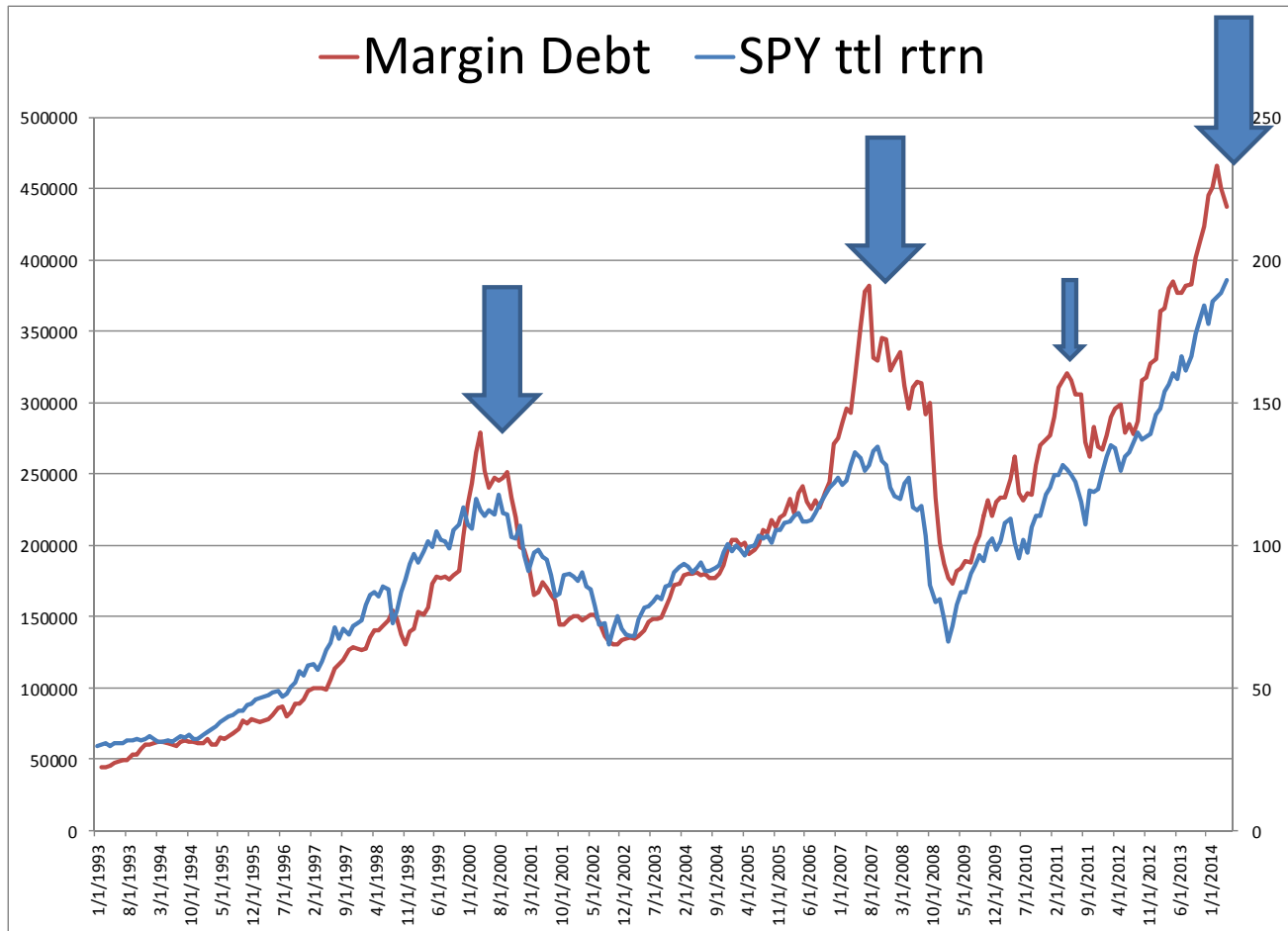
## ETF Rankings by C to previous week's end

US Natural Gas	UNG	EA	3.30
SPDR Gold	GLD	EG	3.28
iShares Gold	IAU	EG	3.26
PS Dyn Mrkt	PWC	ELC	3.25
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.25
Vngrd Div Apprctn	VIG	EGI	3.23
PS S&P SmICap Cnsmr Stpl	PSCC	EA	3.20
PS DB Gold	DGL	EG	3.14
PS S&P 500 BuyWrite	PBP	ELC	3.13
iShares Hong Kong Indx	EW H	EW	3.13
iShares S&P 100 Indx	OEF	ELC	3.08
Select SPDR Indl	XLI	EA	3.06
PS DWA Emrg Mrkt T Ldrs	PIE	EW	3.05
Guggnhm BRIC	EEB	EW	3.02
PS Emrg Mrkt Infrastrctr	PXR	EW	2.97
iShares Core S&P 500	IVV	ELC	2.77
Wtree Intrntl SC Div	DLS	EW	2.75
Select SPDR Health	XLV	EA	2.74
SPDR S&P 500	SPY	ELC	2.72
Select SPDR Technlgy	XLK	EA	2.67
Vngrd Europe Pacific	VEA	EW	2.62
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.60
Vngrd MidCap Val	VO	EMC	2.57
Vngrd Small Cap Value	VBR	ESC	2.55
iShares EAFE Indx	EFA	EW	2.52
Vngrd Large Cap	VV	ELC	2.49
iShares Mexico	EW W	EW	2.46
PS S&P SmICap Utilities	PSCU	EA	2.42
PS DB Energy	DBE	EA	2.40
PS WilderHill Prgsv Enrgy	PUW	EA	2.39
PS Aerospace & Def	PPA	EA	2.30
Guggnhm Shipping	SEA	EA	2.23
Vngrd Health	VHT	EA	2.16
Guggnhm MidCap Core	CZA	EMC	2.12
PS DB Precious Metals	DBP	EG	2.08
Wtree MidCap Earn	EZM	EMC	2.07
SPDR DJ Industrials	DIA	ELC	1.89
Guggnhm China REIT	TAO	EW R	1.87
PS DWA Tech Ldr	PDP	ELC	1.77
Vngrd TTL Stock	VTI	ELC	1.75
PS Gbl Gold Precious Mtls	PSAU	EG	1.65
iShares Core S&P Mid Cap	IJH	EMC	1.54
Vngrd Grth	VUG	ELC	1.45
PS Buyback Achievers	PKW	EGI	1.45
SPDR Mid Cap Trust	MDY	EMC	1.43
Vngrd Extnd 4500	VXF	ELC	1.41
Vngrd Tech	VGT	EA	1.38
PS QQQ	QQQ	ELC	1.37
PS Dynmc Networking	PXQ	EA	1.36
Wtree SmI Cap Div	DES	ESC	1.31
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	1.29
iShares Telecomm	IYZ	EA	1.22
PS Cleantech	PZD	EA	1.17
iShares Russell 1000 Grwth Indx	IWF	ELC	1.15
Vngrd Small Cap	VB	ESC	1.08

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

Select SPDR Financs	XLF	EA	1.06
Vngrd Fincl Srv	VFH	EA	1.02
Guggnhm Insdr Sent	NFO	EMC	1.01
Pro Shares Short Russell 2000	RWM	ESC	0.92
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	0.89
Guggnhm RJ All	RYJ	ELC	0.82
PS Dynmc Lrg Cap Grth	PWB	ELC	0.76
PS Gbl Listd Prvt Eqty	PSP	EW	0.75
iShares Russell 2000 Value Indx	IWN	ESC	0.67
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	0.60
SPDR S&P Metals & Mining	XME	EA	0.58
PS Dynmc Consmr Staples	PSL	EA	0.57
PS Water Resources	PHO	EA	0.52
PS Dynmc Bldg Cnstrctn	PKB	EA	0.42
iShares Germany Indx	EWG	EW	0.40
Vngrd Small Cap Grth	VBK	ESC	0.35
Guggnhm Spin Off	CSD	EMC	0.34
PS Dynmc Retail	PMR	EA	0.33
PS S&P SmlCap Info Tech	P SCT	EA	0.21
PS Dynmc Consmr Discr	PEZ	EA	0.20
PS Dynmc Leisure & Enter	PEJ	EA	0.17
Market Vectors Gold Minors	GDX	EG	0.04
iShares China	FXI	EW	-0.15
iShares Russell 2000	IWM	ESC	-0.31
PS S&P SmlCap Cnsmr Dis	PSCD	EA	-0.32
PS S&P SmlCap Fincl	PSCF	EA	-0.37
SPDR S&P Retail	XRT	EA	-0.40
Wtree Japan SC Div	DFJ	EW R	-0.47
Vngrd Consmr Dis	VCR	EA	-0.48
SPDR S&P Bank	KBE	EA	-0.52
PS DB Base Metals	DBB	EG	-0.59
SPDR S&P Regional Banking	KRE	EA	-0.60
Select SPDR Cnsmr Disc	XLY	EA	-0.72
PS S&P SmlCap Indstrils	PSCI	EA	-0.72
PS Zacks Micro Cap	PZI	ESC	-0.75
SPDR S&P Homebuilders	XHB	EA	-1.00
Guggnhm Timber	CUT	EA	-1.02
iShares DJ US Home Constr.	ITB	EA	-1.04
Pro Shares Short S&P 500	SH	EC	-1.09
PS Dynmc Fncl	PFI	EA	-1.21
Guggnhm China All	YAO	EW R	-1.48
PS Dynmc Software	PSJ	EA	-1.55
iShares Japan	EWJ	EW	-1.62
Wtree Japan Hedge Eqty	DXJ	EC	-1.72
PS S&P SmlCap Hlth Care	PSCH	EA	-1.86
iShares Silver	SLV	EG	-1.98
PS DB Silver	DBS	EG	-2.41
PS Gldn Drgn USX China	PGJ	EW	-2.43
Guggnhm China Sml	HAO	EW R	-2.62
PS Dynmc Biotech	PBE	EA	-2.64
PS WilderHill Cln Enrgy	PBW	EA	-2.76
PS Dynmc Technology	PTF	EA	-2.84
PS Dynmc Healthcare	PTH	EA	-2.93
PS Dynmc Media	PBS	EA	-2.96
PS NASDAQ Intrnt	PNQI	EA	-3.12
Guggnhm Solar	TAN	EA	-3.38
Market Vectors Russia	RSX	EW	-6.19
Market Vectors Junior Gold Miners	GDXJ	EG	-7.48

## S&P 500 (SPY) and NYSE Margin Debt (reiteration)



The chart shows the total return (dividends included) of SPY (the S&P 500 etf) (blue line, right scale) and NYSE margin debt (red line, left scale) from 1/29/1993 through 5/31/2014. I shift the margin debt data forward by one month.

As you can see, the two series are closely correlated. But the point is to show that at the two previous major peaks in 2000 and 2007 (large blue down arrows) that preceded 50% losses in SPY, the debt series peaked from 2 to 4 months ahead of the market's peak.

The smaller down arrow marks a coincident peak in 2011 when the market plunged near 20% but did recover. Again, the major peaks were preceded by reductions in margin debt. This is similar to what is happening now. NYSE margin debt peaked in March 2014 (again I shift the data forward one month to make it more timely). The stock market as measured by SPY has continued to climb during April and May.

So, we are now 2 months from the NYSE margin debt peak and entering month 3 with June. If past parameters hold, we are either peaking now or will peak by 7/31. The move thereafter would be another 50% decline.

The reason for this is maintenance. An account with margin debt must maintain enough equity to offset any market decline. If the equity is not enough, then the account must sell to raise cash (or the holder must add cash).

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

(Continued from page 1) **REVIEW**

lar. To be sure, the Federal Reserve is tapering its buy program, but the markets have taken the news in stride. It knows that by October QE will be a thing of the past. The only new question here is when will they raise short-term rates?

If you read my Special Report on Bonds, then we know one key will be continued falling government spending, and rising tax revenue. These streams coupled with the aforementioned stronger economy and the stage is set for Federal Debt as a percentage of GDP to continue falling, as it has the past quarter or two.

If that ratio trend continues,

then the Fed will have the all-clear to very slowly raise rates in 2015.

So, does the stock market have an all-clear signal into 2015?

The main issues remain the market's overvaluations based on a number of levels like PE, book to price, and replacement cost. As well, last week's NYSE margin debt chart is a big concern, signaling a possible top in the next 0-8 weeks (if past correlations apply to today's market).

In sum, the market is moving higher. The trends up are in place. No major divergences have formed. These things provide a green light. The red light

is overpowered for now.

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.

6/9 I deleted five ETFs because of potential style overlapping at the top and bottom rankings. In other words, if REITs are doing the best based on C, I do not want to own 5 REITs, but prefer to have some style diversification. By deleting overlapping ETFs, I will limit the top 5 to a maximum of 2 ETFs in the same style.

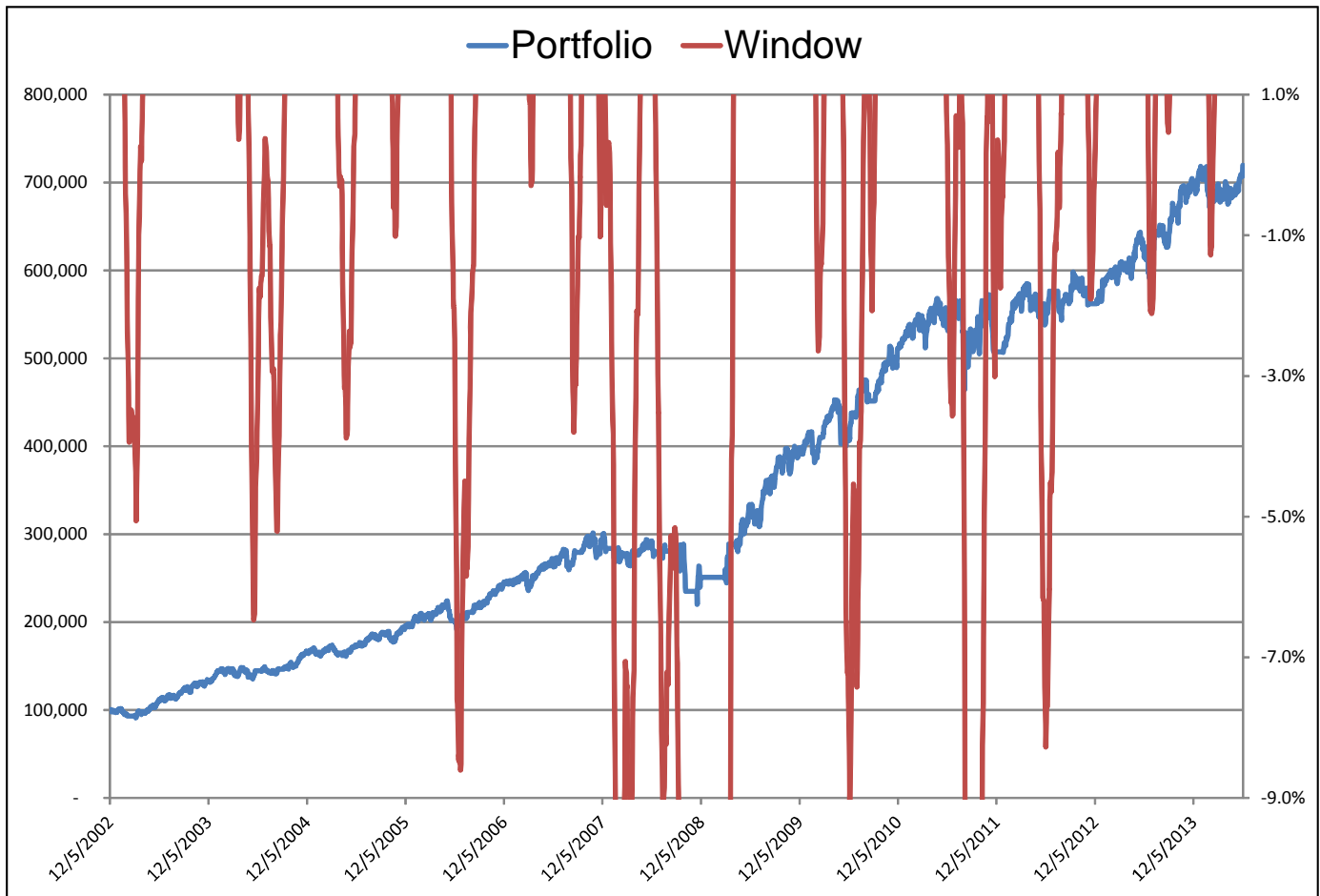
For those members who also subscribe to the monthly No-Load Mutual Fund Selections & Timing Newsletter, I want to provide a heads up that the hybrid selecting model is completed. The last piece was to account for the funds' holding periods in order to avoid any short-term redemption charges. What happens is if the fund drops out of the top ranks, but is not held at least three months, the finished model forces it to hold anyway. Once it is held long enough and if it is no longer highly ranked, then it sells and buys the highly ranked hybrid not already owned. Oddly enough, the end result after accounting for the holding period was to slightly improve performance of the model. The hybrid selecting model is the same as the ETF selecting model. Both are based on C (risk-adjusted, relative performance). But they are based on a different time frames; hybrid is monthly and ETF is weekly.

I updated and clarified the Window to Buy chart on page 13.

6/2 No changes.

5/26 No letter changes.

## Window to Buy (closed as of 6/9/14)



The chart above shows the World Growth Model (Portfolio-blue line) and the Window to Buy (Window-red spikes). The chart covers the period from 12/5/2002 through the present.

The Window to Buy is to answer the question, when should I buy if I missed the initial timing model buy signal, or when do I buy more after my initial position to 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 (and bought on the initial buy). 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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