

# ETF Selections & Timing

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## All's Well that Ends Well

It has been a heck of a rally from the March 2009 low. Over that period the S&P 500 (SPY) has gained 170% or about a 20% average annual return over 5 1/4 years.

That return is marked from a very oversold and undervalued starting point. It helps to “buy

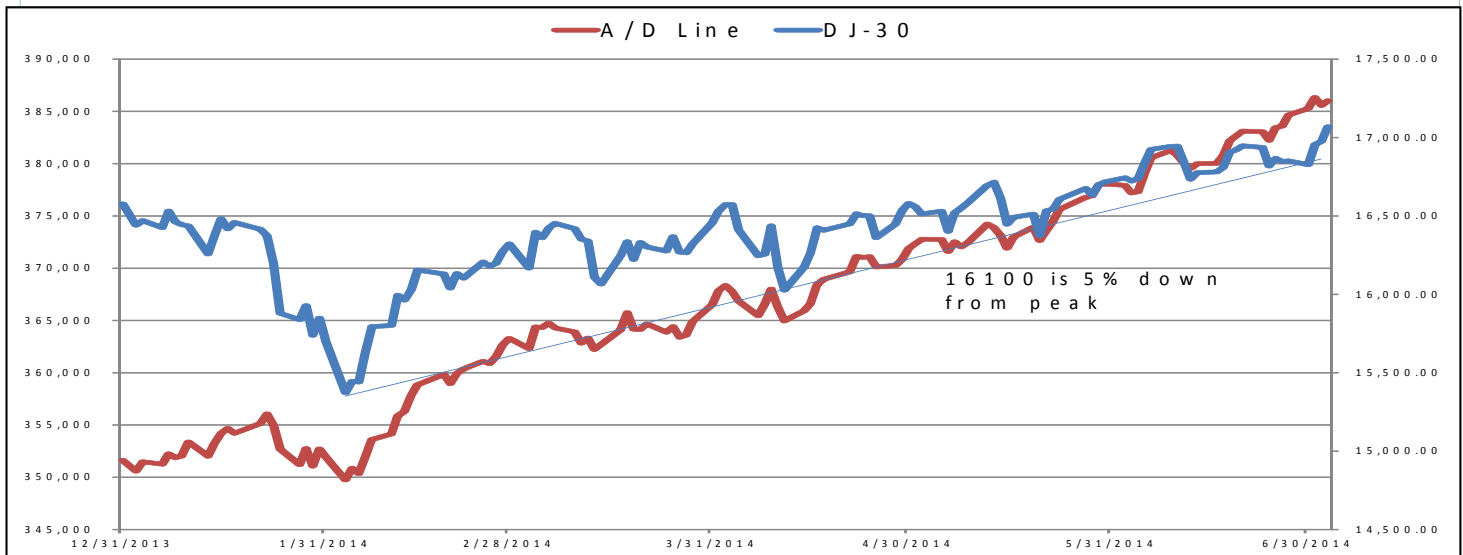
low”. Measured from the peak in 2000, however, the average annual return is a substantially more muted 1%. These returns exclude dividends.

From the 2009 bottom, the key driver all along has been the Fed flooding the world with easy money (zero interest rates),

but the initial trigger off the bottom was the Financial Accounting Standards Board lifting of the “mark to the market” accounting rule 157.

This change allowed banks, brokerages, and real estate com-

*(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	0.9%	2.8%	0.7	0.3	0.0	0.0%
ETF Growth Portfolio	5.9%	21.2%	4.9	5.9	1.7	1.8%
<b>Index</b>						
Aggrgt Bond (AGG)	2.1%	3.8%	2.1	0.8	-0.2	-0.7%
S&P 500 TR (SPY)	7.8%	22.8%	8.4	6.3	1.4	1.3%
World Growth Index	6.6%	23.5%	7.5	6.3	1.8	1.7%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 7/4/2014								
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	80.07	363.1	29,070.05	25.0%	
						Money Market					1.00	87,033	87,033.00	75.0%
												Total Valuation=	116,103.05	100.0%

## WEEKLY REVIEW

7/7 The jobs report came in stronger than expected. As I've been mentioning, the idea of a stronger economy is not discounted in bonds. Bond investors are seemingly ignoring the fact that the Fed is tapering and is hinting at earlier than expected rate rises.

6/30 The Fed is floating trial balloons about the strength of the economy and ending of QE and possibly raising rates. No portfolio changes.

6/23 No changes. Inflation is picking up, so it will be interesting to see if bonds start reacting, by selling off.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	0.9	16.1
Aggregate Bond	6.4%	7.7	3.9	-2.2	2.1	18.9

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	*

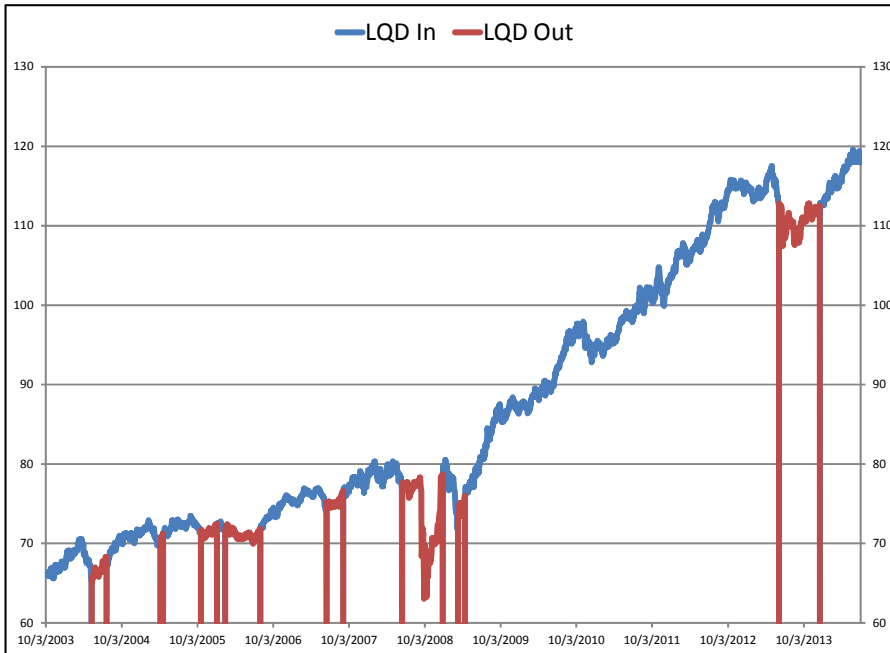
This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS,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

7/7 Perhaps the strong jobs report will nudge bond participants from their complacency.

6/30 No changes. Amazing the bond rally in the face of QE termination and economy pickup and inflation strength. Either that, or all the statistics are in error.

6/23 No changes.

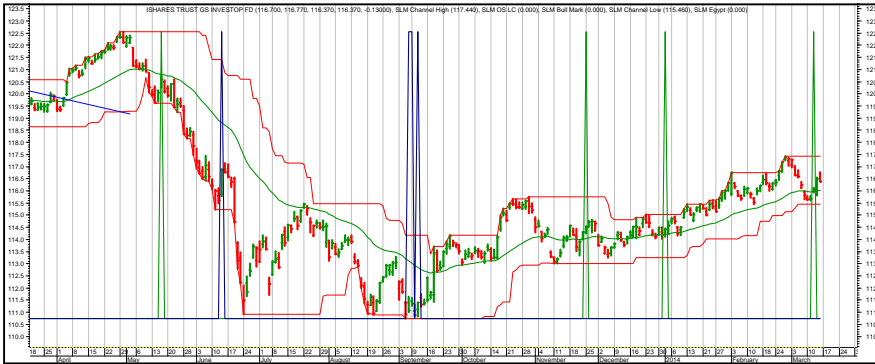
6/16 No changes.

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.

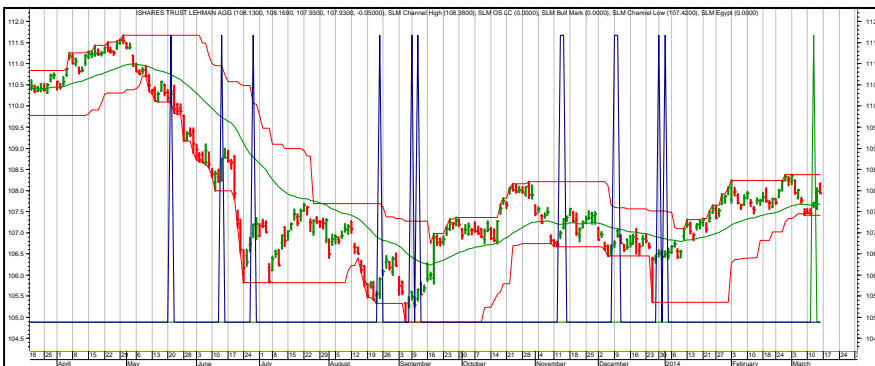
5/26 No changes. Yields still falling, despite Fed tapering.

# Income Charts (DAILY) (under construction)



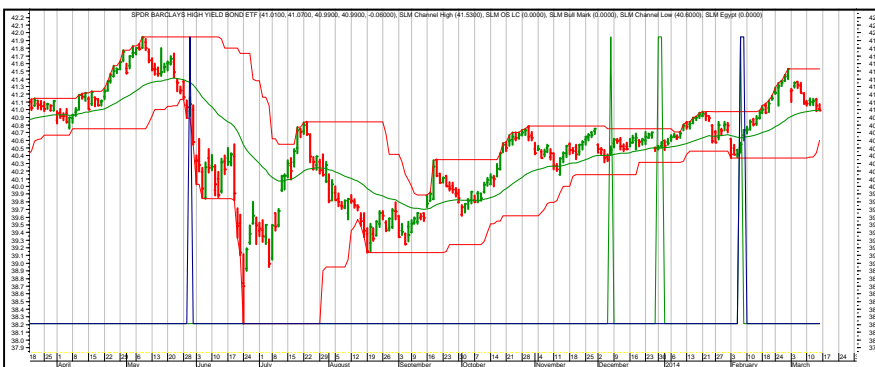
## LQD—Investment Grade Corporate

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.



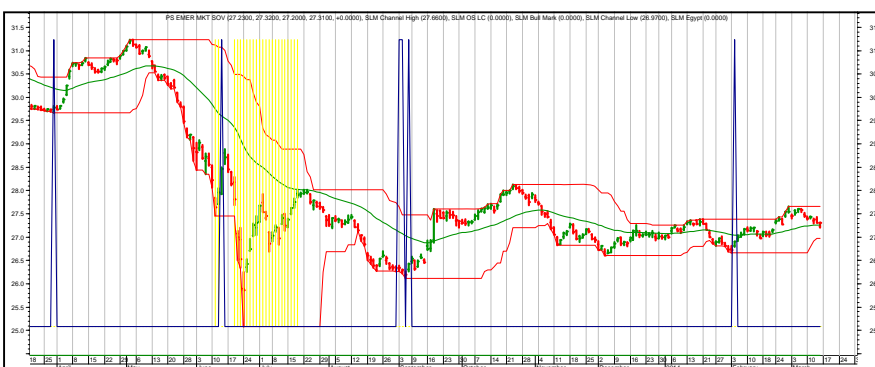
## AGG—Aggregate Bond Market

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:				7/4/2014			
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	44.16	543.690	24,009.35	16.0%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	69.22	326.040	22,568.49	15.0%
14-Apr	sell	PSI	19.91	278	5,525	IWM		Rusl 2000	113.68	119.82	185.490	22,225.41	14.8%
14-Apr	buy	PGF	17.89	314	5,627	QQQ		Nsdq 100	89.54	95.70	236.200	22,604.34	15.0%
14-Apr	sell	UNG	25.36	215	5,442	SPY		S&P 500	182.85	198.20	116.110	23,013.00	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	87.04	67.000	5,831.68	3.9%
28-Apr	sell	DFE	61.55	93	5,716	RWR			82.93	82.71	70.000	5,789.70	3.8%
28-Apr	buy	ICF	85.25	67	5,722	ENY			16.75	17.57	354.000	6,219.78	4.1%
			this buy above will be about 4% of ttl			EPI			21.91	23.19	254.000	5,890.26	3.9%
27-May	sell	PGF	18.16	317	5,750	DEF			37.68	37.91	158.000	5,989.78	4.0%
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	23.16	258	5,971	<b>C-lect Short</b>							
9-Jun	buy	ENY	16.75	354	5,940	(under construction)							
			this buy above will be about 4% of ttl										
23-Jun	sell	DBA	27.80	200	5,550								
23-Jun	buy	DEF	37.68	158	5,963								
			this buy above will be about 4% of ttl										
7-Jul	sell	RWR		70									
7-Jul	buy	DBU		160									
			this buy above will be about 4% of ttl										
									Cash from short	1.00	-	-	0.0%
									Money Market	1.00	6,366	6,366.00	4.2%
									Total Valuation=		150,507.79	100.0%	

## WEEKLY REVIEW

7/7 Make the change as noted above.

6/30 No changes.

6/23 Make the sell and buy as noted above.

6/16 No changes.

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

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	5.9	50.5
World Growth Index	17.2%	-4.1	15.1	30.5	6.6	79.9

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>
<b>Wtree India</b>	EPI	EWR	20.76
<b>Guggnhm Candn Enrg Incm</b>	ENY	EWR	17.48
<b>iShares Cohen&amp;Str REIT</b>	ICF	ERE	16.58
<b>Guggnhm Dfnsv Eqty</b>	DEF	EV	13.73
<b>Wtree Intrntl Utilities</b>	DBU	EW	12.78
<b>SPDR S&amp;P Oil &amp; Gas Expl. &amp; Prod.</b>	XOP	EA	12.59
<b>SPDR Wlsh REIT</b>	RWR	ERE	12.56
<b>PS Fincl Prfrd</b>	PGF	EGI	12.31
<b>iShares Prfrd</b>	PFF	EGI	12.20
<b>Select SPDR Enrgy</b>	XLE	EA	12.03
<b>PS Dynmc Energy</b>	PXI	EA	12.01
<b>PS Dynmc Energy Explor</b>	PXE	EA	10.69
<b>Market Vectors Oil Services</b>	OIH	EA	10.48
<b>Guggnhm Glbl Div</b>	LVL	EW	10.21
<b>iShares DJ Slct Div</b>	DVY	EGI	10.14
<b>iShares Canada</b>	EWC	EW	10.00
<b>Alerian MLP</b>	AMLP	EGI	9.91
<b>Wtree Intrntl REIT</b>	DRW	ERE	9.91
<b>Wtree Eqty Income</b>	DHS	EGI	9.38
<b>iShares Latin Amr</b>	ILF	EW	9.20
<b>iShares Singapore</b>	EWS	EW	9.13
<b>Select SPDR Utilities</b>	XLU	EA	9.03
<b>Market Vectors Semiconductor</b>	SMH	EA	8.91
<b>PS FTSE RAFI Emrg Mrkt</b>	PXH	EW	8.81
<b>PS Hi Yld Eqty Div</b>	PEY	EGI	8.76
<b>Vngrd Emrg Mrkt</b>	VWO	EW	8.74
<b>PS Dynmc Oil &amp; Gas Srvcs</b>	PXJ	EA	8.73
<b>Vngrd Consmr Stpls</b>	VDC	EA	8.66
<b>Select SPDR Cnsmr Stpl</b>	XLP	EA	8.51
<b>iShares Brazil Indx</b>	EWZ	EW	8.41
<b>Wtree Div Ex Fincl</b>	DTN	ELC	8.32
<b>PS Dynmc Semicndctr</b>	PSI	EA	8.12
<b>PS DB Agriculture</b>	DBA	EA	8.09
<b>Wtree Middle East Div</b>	GULF	EW	7.94
<b>Guggnhm Intrntl A Incm</b>	HGI	EW	7.84
<b>PS BLDR Emrg Mkt 50 ADR</b>	ADRE	EW	7.83
<b>iShares Taiwan Indx</b>	EWT	EW	7.54
<b>PS S&amp;P 500 LowVolatility Portfolio</b>	SPLV	ELC	7.36
<b>PS Intrntl Dvdnd</b>	PID	EW	6.93
<b>Guggnhm Multi Ast In</b>	CVY	EV	6.85

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, like funds, 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

iShares Pacific ex Jpn	EPP	EW	6.77
PS Dynmc Utilities	PUI	EA	6.73
Wtree Intrntl Div Ex Fincl	DOO	EW	6.60
PS S&P SmICap Energy	PSCE	EA	6.46
iShares Slct Div	IDV	ELC	6.43
Wtree Gbl Eqty Incm	DEW	EW	6.39
PS FTSE RAFI Asia Pac xJpn	PAF	EW	6.39
PS Dynmc Lrg Cap Value	PWV	ELC	6.29
Guggnhm Gbl Wtr	CGW	EW	6.27
Wtree DEFA Eqty Incm	DTH	EW	6.19
Wtree LrgCap Div	DLN	ELC	6.11
Wtree Emrg Mrkt SC Div	DGS	EW	6.05
PS Dividend Achievers	PFM	EGI	5.98
iShares Australia	EWA	EW	5.96
Wtree World Ex US Grth	DNL	EW	5.93
Wtree Emrg Mrkt Eincm	DEM	EW	5.80
iShares Emrg Mrkt Stk	EEM	EW	5.64
iShares Italy Indx	EWI	EW	5.56
Guggnhm BRIC	EEB	EW	5.45
Wtree MidCap Div	DON	EMC	5.42
iShares Spain	EW P	EW	5.41
Wtree Intrntl LC Div	DOL	EW	5.38
PS DB Oil	DBO	EA	5.10
Guggnhm Frntr	FRN	EW	5.05
iShares Core S&P 500	IVV	ELC	4.92
iShares Europe 350	IEV	EW	4.87
SPDR S&P 500	SPY	ELC	4.84
Select SPDR Div	SDY	EGI	4.84
Guggnhm Shipping	SEA	EA	4.79
iShares Malaysia Indx	EW M	EW	4.68
iShares South Korea Indx	EWY	EW	4.60
iShares Russell 1000 Value Indx	IWD	ELC	4.47
PS Gbl Agriculture	PAGG	EA	4.41
iShares Russel MidVal	IWS	EMC	4.33
Wtree DEFA	DWM	EW	4.20
US Oil Fund	USO	EA	4.10
Vngrd TTL Intrntl Stk	VXUS	EW	4.08
SPDR Euro Stoxx 50	FEZ	EW	3.97
iShares Mexico	EW W	EW	3.95
Wtree S&P 500	EPS	ELC	3.85
SPDR DJ Gbl Titans	DGT	EW	3.62
Select SPDR MatrIs	XLB	EA	3.44
Guggnhm MidCap Core	CZA	EMC	3.41
PS DWA Emrg Mrkt T Ldrs	PIE	EW	3.30
PS Emrg Mrkt Infrastrctr	PXR	EW	3.27
Wtree Ttl Earn	EXT	ELC	3.25
iShares S&P 100 Indx	OEF	ELC	3.19
PS QQQ	QQQ	ELC	3.19
iShares Hong Kong Indx	EW H	EW	3.17
iShares EAFE Indx	EFA	EW	3.16
Vngrd Div Apprctn	VIG	EGI	3.14
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.12
PS Dynmc Food & Bev	PBJ	EA	3.06
Vngrd European Indx	VGK	EW	3.00
Select SPDR Technlgy	XLK	EA	2.98



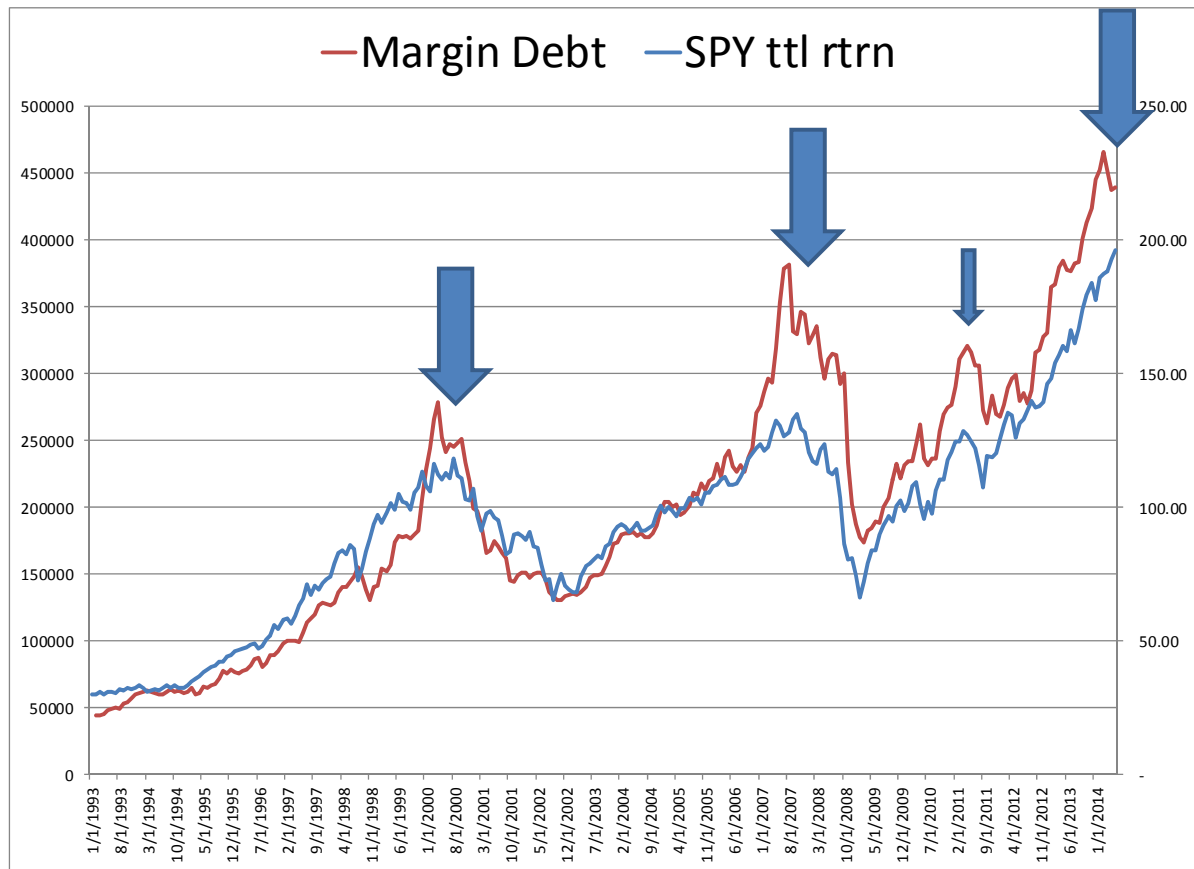
## ETF Rankings by C to previous week's end

Select SPDR Indl	XLI	EA	2.85
Wtree Intrntl MC Div	DIM	EW	2.68
PS S&P SmICap Cnsmr Stpl	PSCC	EA	2.63
iShares EMU Indx	EZU	EW	2.61
PS DB Commodity	DBC	EA	2.61
Vngrd Materials	VAW	EA	2.60
Vngrd Europe Pacific	VEA	EW	2.55
PS Dynmc Basic Matrl	PYZ	EA	2.35
Vngrd Large Cap	VV	ELC	2.32
PS S&P 500 BuyWrite	PBP	ELC	2.31
PS S&P SmICap Utilities	PSCU	EA	2.25
PS BLDR Dvlpd Mrkt 100 ADR	ADR D	EW	2.25
PS Dyn Mrkt	PWC	ELC	2.21
PS DB Energy	DBE	EA	2.19
PS Gbl Water	PIO	EW	2.10
iShares Core S&P Mid Cap	IJH	EMC	2.01
PS S&P SmICap Mtrls	PSCM	EA	1.95
Guggnhm Insdrr Sent	NFO	EMC	1.95
SPDR DJ Industrials	DIA	ELC	1.87
Vngrd Small Cap Value	VBR	ESC	1.81
PS WilderHill Prgsv Enrgy	PUW	EA	1.70
PS Dynmc Pharma	PJP	EA	1.68
Vngrd Tech	VGT	EA	1.42
iShares Germany Indx	EWG	EW	1.38
Wtree Intrntl SC Div	DLS	EW	1.37
Wtree Japan SC Div	DFJ	EWR	1.36
Vngrd TTL Stock	VTI	ELC	1.34
iShares Telecomm	IYZ	EA	1.23
Guggnhm RJ All	RYJ	ELC	1.18
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	1.13
Wtree MidCap Earn	EZM	EMC	1.06
Select SPDR Health	XLV	EA	1.04
Wtree SmI Cap Div	DES	ESC	1.01
Wtree Eur SC Div	DFE	EW	0.97
Vngrd Grth	VUG	ELC	0.95
Guggnhm China REIT	TAO	EWR	0.93
Select SPDR Financls	XL F	EA	0.90
PS Buyback Achievers	PKW	EGI	0.89
iShares China	FXI	EW	0.80
Vngrd Fincl Srv	VFH	EA	0.76
Vngrd MidCap Val	VO	EMC	0.75
PS Dynmc Cnsmr Staples	PSL	EA	0.64
Vngrd Health	VHT	EA	0.56
PS Dynmc Retail	PMR	EA	0.46
iShares Russell 1000 Grwth Indx	IWF	ELC	0.45
iShares Japan	EWJ	EW	0.40
SPDR Mid Cap Trust	MDY	EMC	0.38
Pro Shares Short Russell 2000	RWM	ESC	0.35
Wtree Japan Hedge Eqty	DXJ	EC	0.17
PS DB Base Metals	DBB	EG	0.16
PS Gbl Clean Enrgy	PBD	EW	0.11
PS DWA Tech Ldr	PDP	ELC	0.10
PS Gbl Listd Prvt Eqty	PSP	EW	0.03
Vngrd Small Cap	VB	ESC	0.03
iShares Russell 2000 Value Indx	IWN	ESC	0.00

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

Guggnhm China All	YAO	EWR	-0.12
Guggnhm Spin Off	CSD	EMC	-0.22
Vngrd Extnd 4500	VXF	ELC	-0.23
PS Aerospace & Def	PPA	EA	-0.27
PS Dynmc Lrg Cap Grth	PWB	ELC	-0.30
PS FTSE RAFI US 1500 SmI-Mid	PRFZ	EMC	-0.32
PS Cleantech	PZD	EA	-0.34
SPDR S&P Retail	XRT	EA	-0.40
iShares Russell 2000	IWM	ESC	-0.41
PS S&P SmICap Info Tech	PSCT	EA	-0.48
SPDR S&P Metals & Mining	XME	EA	-0.50
Market Vectors Russia	RSX	EW	-0.55
PS Dynmc Consmr Discr	PEZ	EA	-0.63
SPDR Gold	GLD	EG	-0.64
iShares Gold	IAU	EG	-0.64
PS S&P SmICap Fincl	PSCF	EA	-0.69
PS S&P SmICap Hlth Care	PSCH	EA	-0.69
PS Water Resources	PHO	EA	-0.71
PS DB Gold	DGL	EG	-0.83
Select SPDR Cnsmr Disc	XLY	EA	-0.89
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	-0.90
Vngrd Consmr Dis	VCR	EA	-0.92
PS Dynmc Fncl	PFI	EA	-0.94
SPDR S&P Bank	KBE	EA	-0.95
Vngrd Small Cap Grth	VBK	ESC	-1.07
US Natural Gas	UNG	EA	-1.14
SPDR S&P Regional Banking	KRE	EA	-1.16
PS S&P SmICap Cnsmr Dis	PSCD	EA	-1.17
PS S&P SmICap Industrils	PSCI	EA	-1.26
PS DB Precious Metals	DBP	EG	-1.35
Guggnhm Timber	CUT	EA	-1.46
Pro Shares Short S&P 500	SH	EC	-1.53
PS Dynmc Bldg Cnstrctn	PKB	EA	-1.69
iShares DJ US Home Constr.	ITB	EA	-1.73
PS Zacks Micro Cap	PZI	ESC	-1.96
PS Dynmc Software	PSJ	EA	-2.08
PS Dynmc Networking	PXQ	EA	-2.10
PS Gbl Gold Precious Mtls	PSAU	EG	-2.13
SPDR S&P Homebuilders	XHB	EA	-2.18
PS Dynmc Technology	PTF	EA	-2.20
PS Dynmc Leisure & Enter	PEJ	EA	-2.23
Guggnhm China SmI	HAO	EWR	-2.55
Guggnhm Solar	TAN	EA	-2.65
iShares Silver	SLV	EG	-2.78
PS Dynmc Media	PBS	EA	-3.02
PS DB Silver	DBS	EG	-3.07
PS Dynmc Healthcare	PTH	EA	-3.14
Market Vectors Gold Minors	GDX	EG	-3.61
PS Dynmc Biotech	PBE	EA	-3.62
PS Gldn Drgn USX China	PGJ	EW	-4.35
PS NASDAQ Intrnt	PNQI	EA	-5.06
PS WilderHill Cln Enrgy	PBW	EA	-6.84
Market Vectors Junior Gold Miners	GDXJ	EG	-9.79

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



Last week edit: I went back and looked a third time at the two previous tops. For both, the trigger of the subsequent severe sell off was 5%. So if SPY closes 5% lower than its recent peak at 196.5 (below 186.7), odds are that won't be a buying opportunity.

Last week edit: A member asked about depth of loss and duration to bottom of the previous two signals. The first bear lasted 16 months and lost 51%. The second bear lasted 25 months and lost 45%. So IF the market follows the previous averages and peaks this month, the bottom would fall somewhere between 10/15 and 7/16 with the Dow Industrials around 8,400 (current about 16,800).

Previous week: 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**

panies great latitude to determine the value of an asset. In turn this kept their debt to value ratios in the solvent column (green), rather than where they perhaps might have been; that is, insolvent (red). The country's companies' dire straights was fairly well hidden from the public.

Some were against this change, but it has all ended well. The economy has recovered and looks self-sustaining. Hence the ending of QE. FAS 157 may also become more strictly applied. After all, asset valuation accuracy is certainly a hinge upon which all investors rely.

So, depending on how one

measures the time frame, it has either been a great time to be an investor in a rip-roaring bull market or an awful time of plodding along since the bubble burst. For our part, since we believe the market has a thing called value, we do try to participate in the up markets and avoid the down markets.

Right now, things are still in gear to the upside (see the chart on page 1). If the markets roll over, no doubt the timing model will signal a sell and avoid. Until then, we'll try to remain in.

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.

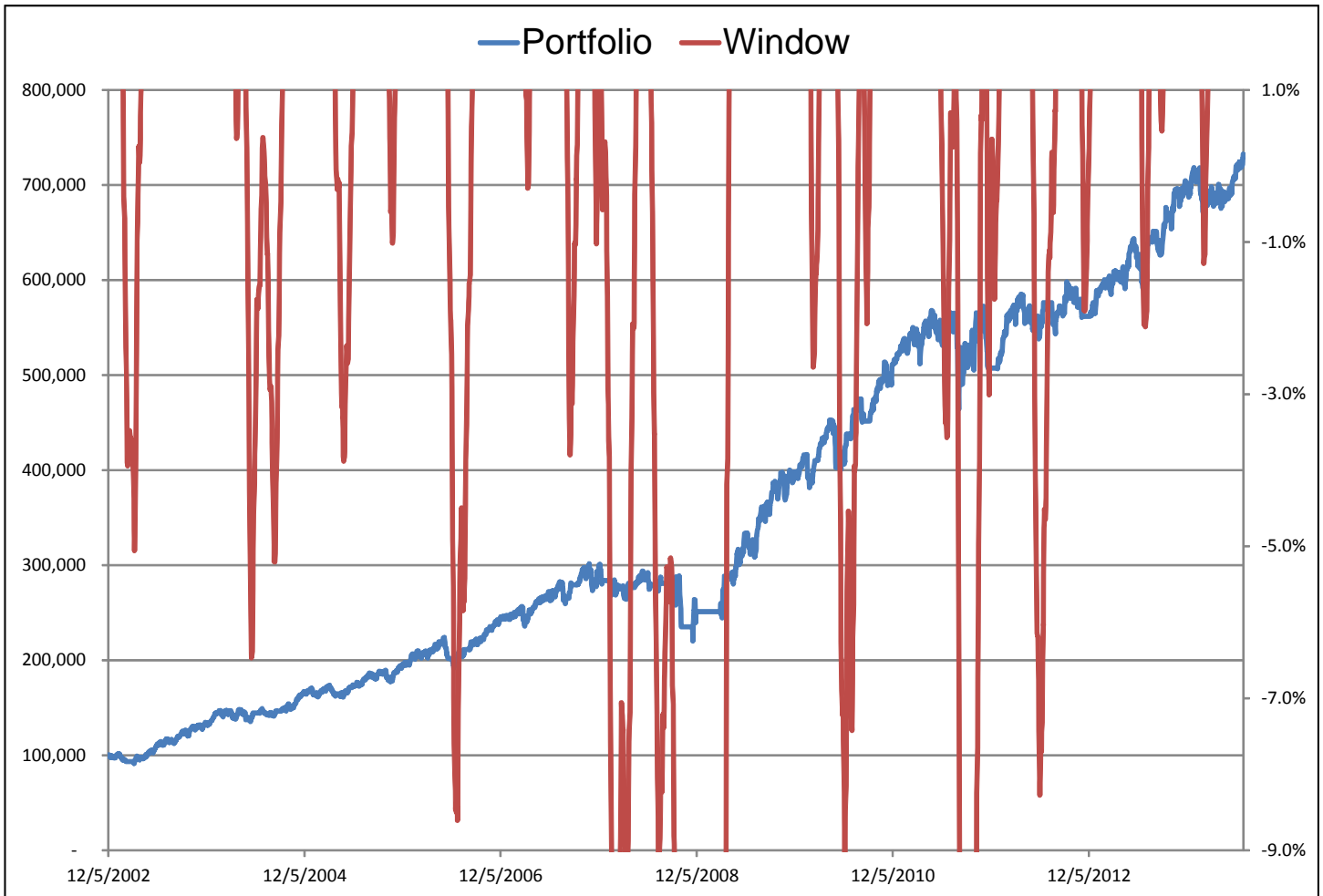
7/7 No changes.

6/30 No changes.

6/23 No changes.

6/16 No changes.

## Window to Buy (closed as of 7/7/14)



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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