

ETF Selections & Timing

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Triggers

As mentioned last week, the Dow Industrials (DJI) number to watch for was 16,800. If the DJI closed below that, it would confirm the short-term top that was just signaled by the negative divergence between the DJI and advance/

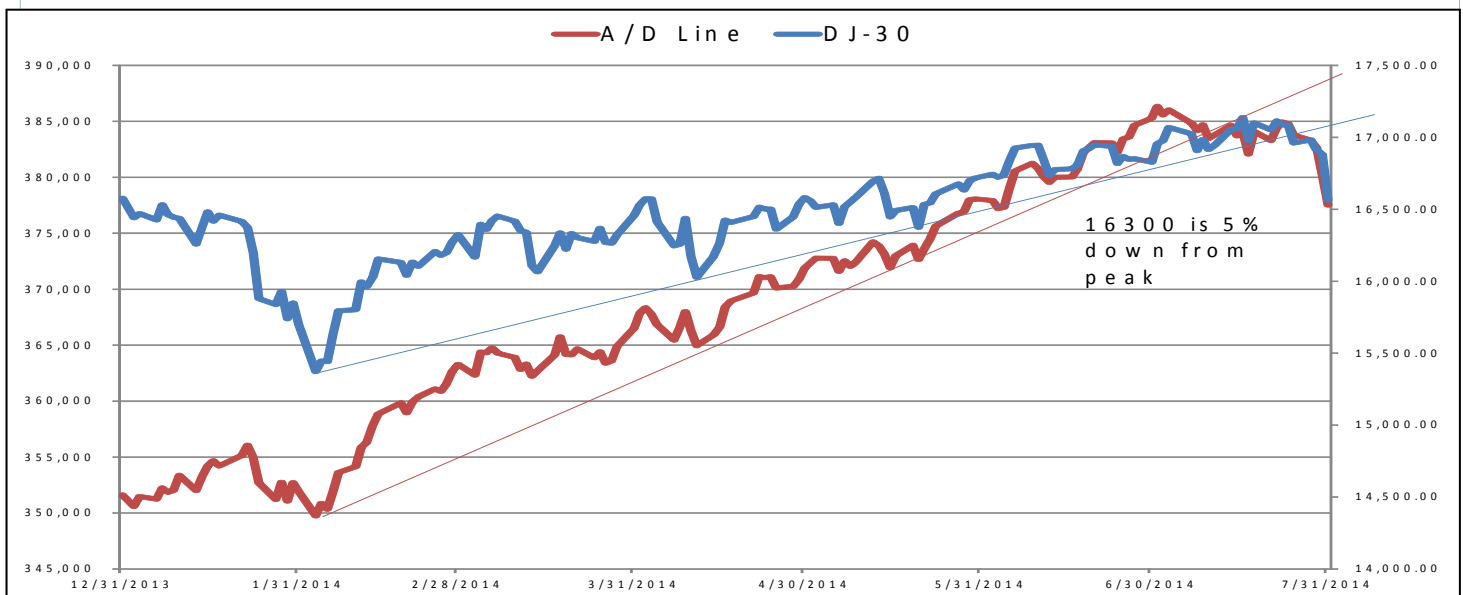
decline line (A/D).

You can see the divergence on the chart below where the blue line (DJ-30) made a new high, but the A/D line fell short of its prior peak. This was the first time for this in a few years.

Since this divergence is confirmed by the market's drop,

the next level down to watch for is tied to the margin debt levels. The previous two margin debt peaks were confirmed with a 5% correction. In today's case, this 5% loss from the prior peak would be 16,280.

*(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%	1.0	0.1	0.0	0.0%
ETF Growth Portfolio	2.6%	10.9%	2.4	2.0	-1.5	-2.4%
Index						
Aggrgt Bond (AGG)	2.5%	3.1%	1.2	0.4	0.0	-0.2%
S&P 500 TR (SPY)	4.7%	13.8%	8.0	2.4	-1.6	-2.5%
World Growth Index	2.8%	12.7%	6.0	2.2	-2.0	-2.4%

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Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 8/1/2014								
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	80.17	363.4	29,134.66	25.1%	
28-Apr	sell	LQD	117.87	120	14,176									
						Money Market					1.00	87,033	87,033.00	74.9%
												Total Valuation=	116,167.66	100.0%

WEEKLY REVIEW

8/4 The surprise is bonds are still rallying, even in the face of a strong economy.

7/28 No changes.

7/21 No changes.

7/14 No changes.

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.

	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	2.5	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.

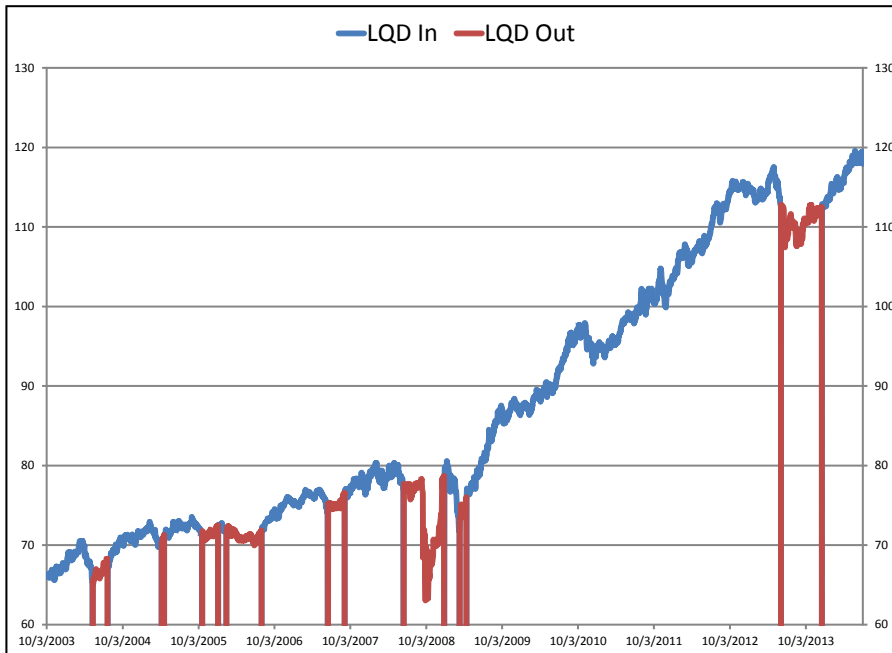
ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

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 (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

8/4 The Fed is still tapering, but it won't end until October. So bonds are still rallying on this. It will be an interesting winter.

7/28 No changes.

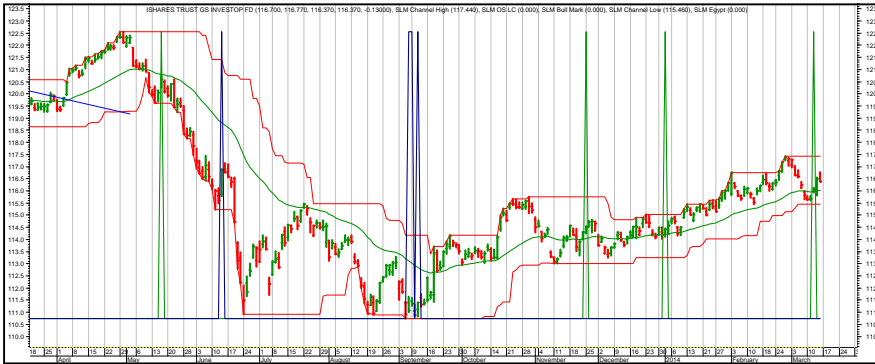
7/21 No changes.

7/14 No changes.

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

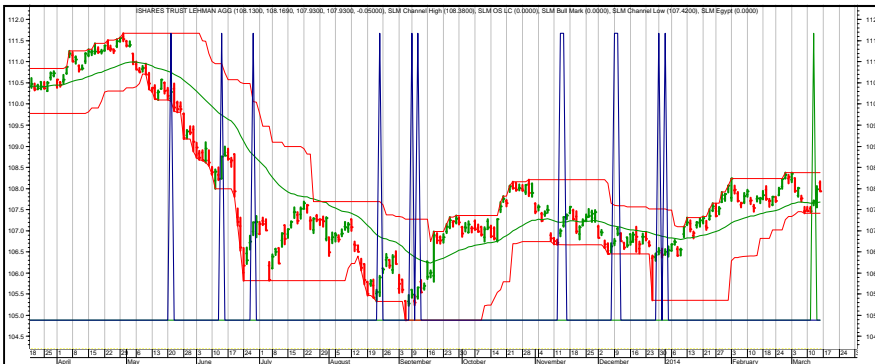
6/30 No changes. Amazing the bond rally in the face of QE termination and economy pickup and inflation strength. Either that, or all the statistics are in error.

Income Charts (DAILY) (under construction)



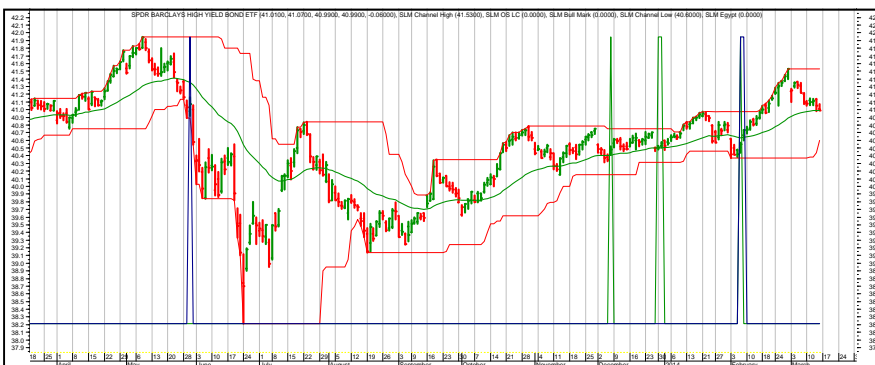
LQD—Investment Grade Corporate

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.



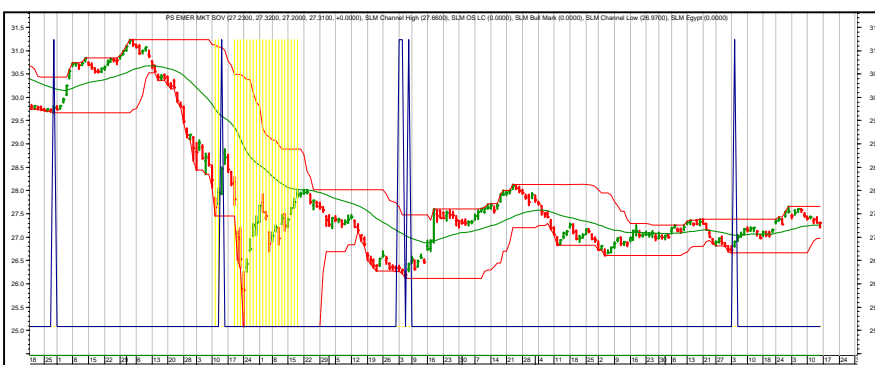
AGG—Aggregate Bond Market

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:				8/1/2014			
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	
23-Jun	sell	DBA	27.80	200	5,550	World Growth							
23-Jun	buy	DEF	37.68	158	5,963	EEM		Emrg Mrkt	39.13	44.06	543.690	23,954.98	16.4%
			this buy above will be about 4% of ttl			EFA		Euro Asia	66.28	66.13	326.040	21,561.03	14.8%
7-Jul	sell	RWR	82.96	70	5,797	IWM		Rusl 2000	113.68	110.68	185.490	20,530.03	14.1%
7-Jul	buy	DBU	20.32	160	3,261	QQQ		Nsdq 100	89.54	94.67	236.200	22,361.05	15.3%
			this buy above will be about 4% of ttl			SPY		S&P 500	182.85	192.50	116.110	22,351.18	15.3%
14-Jul	buy	DBU	20.26	130	2,644	C-lect 5							
21-Jul	sell	DBU	20.32	290	5,883	ICF			85.25	87.66	67.000	5,873.22	4.0%
21-Jul	buy	XLE	99.14	60	5,958	XLE			99.14	95.85	60.000	5,751.00	3.9%
			this buy above will be about 4% of ttl			ENY			16.75	16.34	354.000	5,784.36	4.0%
						EPI			21.91	21.85	254.000	5,549.90	3.8%
						DEF			37.68	37.40	158.000	5,909.20	4.1%
								Two potential ways to sell: Stop loss 6% lower or timing model signals sell					
								Two potential ways to buy: "Window to buy" may open or timing model signals buy.					
								C-lect Short					
								(under construction)					
								Cash from short					
								1.00 - - 0.0%					
								Money Market					
								1.00 6,183 6,183.00 4.2%					
								Total Valuation= 145,808.95 100.0%					

WEEKLY REVIEW

8/4 No changes.

7/28 No changes this week.

7/21 Make changes as noted above.

7/14 The number of shares to buy misprinted from last week on DBU. Please add to the position as noted above.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	2.6	45.8
World Growth Index	17.2%	-4.1	15.1	30.5	2.8	73.4

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	15.21
Guggnhm Candn Enrg Incm	ENY	EWR	11.84
Select SPDR Enrgy	XLE	EA	9.89
Guggnhm Dfnsv Eqty	DEF	EV	9.44
iShares Cohen&Str REIT	ICF	ERE	9.33
Wtree Intrntl REIT	DRW	ERE	9.29
iShares Brazil Indx	EWZ	EW	8.81
PS FTSE RAFI Emrg Mrkt	PXH	EW	8.70
iShares Canada	EWC	EW	8.62
Market Vectors Oil Services	OIH	EA	8.54
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	8.51
SPDR Wlsh REIT	RWR	ERE	8.35
Vngrd Emrg Mrkt	VWO	EW	8.24
iShares Singapore	EWS	EW	8.17
Market Vectors Semiconductor	SMH	EA	8.12
PS Dynmc Energy	PXI	EA	8.01
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	7.96
Wtree Intrntl Utilities	DBU	EW	7.84
iShares Latin Amr	ILF	EW	7.74
iShares Taiwan Indx	EWT	EW	7.48
PS Fincl Prfrd	PGF	EGI	7.16
iShares Prfrd	PFF	EGI	7.08
Guggnhm BRIC	EEB	EW	6.96
iShares Emrg Mrkt Stk	EEM	EW	6.63
Alerian MLP	AMLP	EGI	6.50
PS Dynmc Energy Explor	PXE	EA	6.45
Guggnhm Gbl Div	LVL	EW	6.26
Vngrd Consmr Stpls	VDC	EA	6.18
Select SPDR Cnsmr Stpl	XLP	EA	6.01
Wtree Eqty Income	DHS	EGI	5.84
iShares Pacific ex Jpn	EPP	EW	5.81
iShares China	FXI	EW	5.77
PS Dynmc Semicndctr	PSI	EA	5.75
PS Dynmc Oil & Gas Srvcs	PXJ	EA	5.69
Select SPDR Technlgy	XLK	EA	5.48
PS FTSE RAFI Asia Pac xJpn	PAF	EW	5.39
iShares Mexico	EW W	EW	5.34
Wtree Div Ex Fincl	DTN	ELC	5.23
PS Intrntl Dvdnd	PID	EW	5.13
Guggnhm Frntr	FRN	EW	5.07

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

PS QQQ	QQQ	ELC	5.06
W tree Emrg Mrkt Eincm	DEM	EW	5.02
PS Hi Yld Eqty Div	PEY	EGI	4.99
iShares DJ Slct Div	DVY	EGI	4.82
PS Dynmc Lrg Cap Value	PWV	ELC	4.59
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	4.57
Guggnhm China REIT	TAO	EW R	4.53
W tree Gbl Eqty Incm	DEW	EW	4.48
PS DB Base Metals	DBB	EG	4.43
W tree Emrg Mrkt SC Div	DGS	EW	4.35
iShares Hong Kong Indx	EW H	EW	4.34
W tree Intrntl Div Ex Fincl	DOO	EW	4.27
iShares Slct Div	IDV	ELC	4.26
Select SPDR Utilities	XLU	EA	4.22
W tree LrgCap Div	DLN	ELC	4.11
W tree DEFA Eqty Incm	DTH	EW	4.03
PS Dynmc Utilities	PUI	EA	3.98
iShares Australia	EW A	EW	3.96
PS Dividend Achievers	PFM	EGI	3.89
iShares South Korea Indx	EW Y	EW	3.85
W tree Intrntl LC Div	DOL	EW	3.65
Guggnhm Intrntl A Incm	HGI	EW	3.64
W tree Japan SC Div	DFJ	EW R	3.62
Guggnhm China All	YAO	EW R	3.59
Vngrd Tech	VGT	EA	3.56
iShares Spain	EW P	EW	3.40
W tree World Ex US Grth	DNL	EW	3.39
PS DWA Emrg Mrkt T Ldrs	PIE	EW	3.35
W tree MidCap Div	DON	EMC	3.28
iShares S&P 100 Indx	OEF	ELC	3.14
Select SPDR Div	SDY	EGI	3.12
iShares Malaysia Indx	EW M	EW	3.06
Guggnhm Multi Ast In	CVY	EV	2.96
iShares Russell 1000 Value Indx	IWD	ELC	2.78
W tree Middle East Div	GULF	EW	2.76
iShares Japan	EW J	EW	2.72
PS Emrg Mrkt Infrastrctr	PXR	EW	2.71
Vngrd TTL Intrntl Stk	VXUS	EW	2.71
W tree S&P 500	EPS	ELC	2.63
W tree DEFA	DWM	EW	2.57
SPDR DJ Gbl Titans	DGT	EW	2.54
PS Gbl Agriculture	PAGG	EA	2.48
PS DB Oil	DBO	EA	2.33
W tree Japan Hedge Eqty	DXJ	EC	2.31
PS Dynmc Pharma	PJP	EA	2.30
iShares Core S&P 500	IVV	ELC	2.28
SPDR S&P 500	SPY	ELC	2.24
Select SPDR Health	XLV	EA	2.23
Select SPDR MatrIs	XLB	EA	2.21
iShares Russel MidVal	IWS	EMC	2.16
W tree Ttl Earn	EXT	ELC	2.10
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	2.02
Vngrd Div Apprctn	VIG	EGI	1.94
Select SPDR Indl	XLI	EA	1.91
Vngrd Large Cap	VV	ELC	1.90

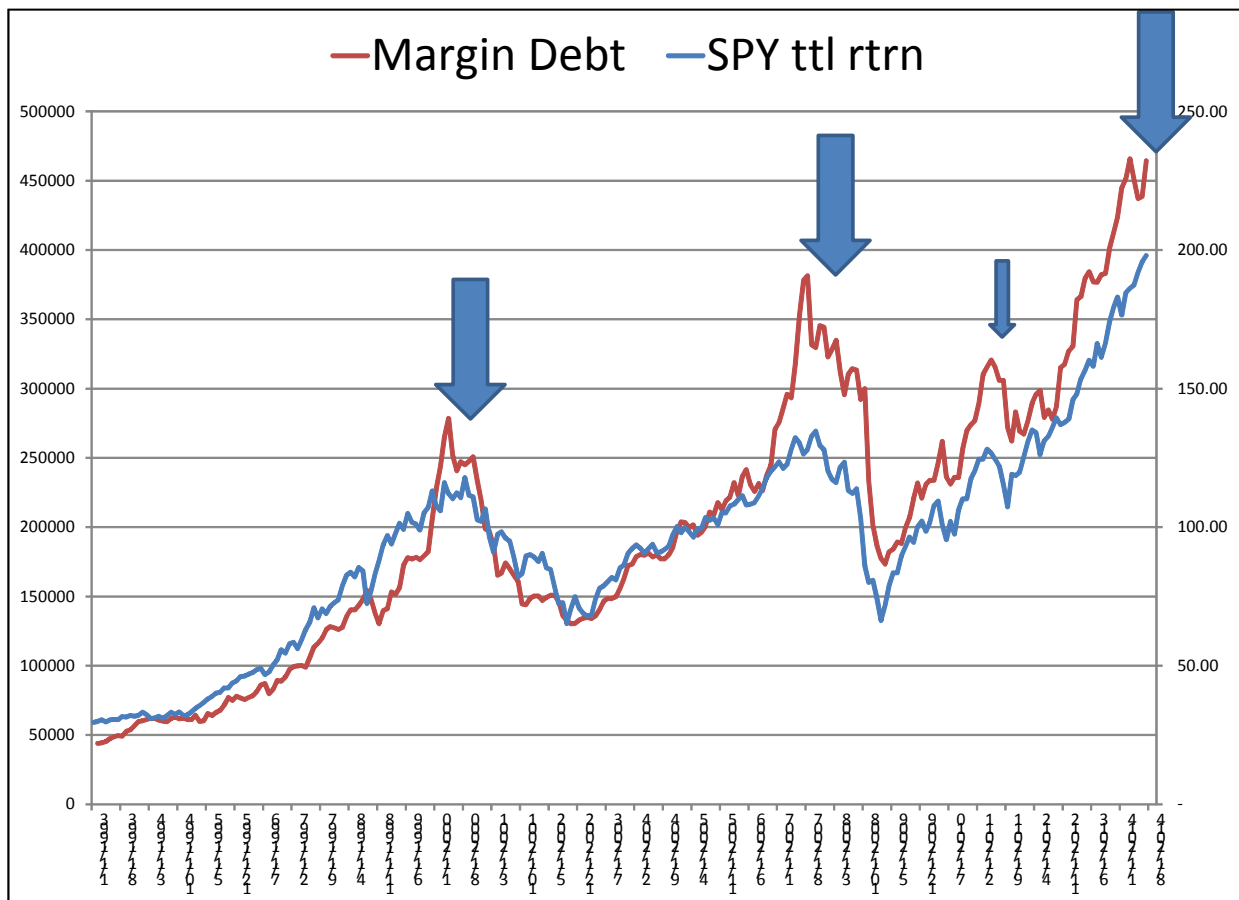
ETF Rankings by C to previous week's end

SPDR Euro Stoxx 50	FEZ	EW	1.88
Vngrd Health	VHT	EA	1.86
iShares Europe 350	IEV	EW	1.86
PS Dynmc Basic MatrI	PYZ	EA	1.79
Vngrd Europe Pacific	VEA	EW	1.65
Vngrd European Indx	VGK	EW	1.63
US Oil Fund	USO	EA	1.52
iShares EAFE Indx	EFA	EW	1.51
Vngrd Grth	VUG	ELC	1.50
PS S&P 500 BuyWrite	PBP	ELC	1.48
PS S&P SmICap Energy	PSCE	EA	1.47
Market Vectors Russia	RSX	EW	1.47
PS BLDR Dvlpd Mrkt 100 ADR	ADR D	EW	1.41
Wtree Intrntl MC Div	DIM	EW	1.35
Vngrd Materials	VAW	EA	1.30
SPDR DJ Industrials	DIA	ELC	1.28
PS DB Agriculture	DBA	EA	1.21
Guggnhm MidCap Core	CZA	EMC	1.13
iShares Telecomm	IYZ	EA	0.99
Vngrd TTL Stock	VTI	ELC	0.84
PS Gbl Gold Precious Mtls	PSAU	EG	0.83
PS Dynmc Food & Bev	PBJ	EA	0.72
PS Dynmc Consmr Staples	PSL	EA	0.71
iShares Russell 1000 Grwth Indx	IWF	ELC	0.71
PS Dyn Mrkt	PWC	ELC	0.66
Guggnhm Shipping	SEA	EA	0.65
Guggnhm Gbl Wtr	CGW	EW	0.58
iShares EMU Indx	EZU	EW	0.53
Vngrd Small Cap Value	VBR	ESC	0.45
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	0.41
PS Dynmc Lrg Cap Grth	PWB	ELC	0.38
PS DWA Tech Ldr	PDP	ELC	0.37
PS DB Energy	DBE	EA	0.34
PS S&P SmICap Utilities	PSCU	EA	0.32
PS Buyback Achievers	PKW	EGI	0.26
PS DB Commodity	DBC	EA	0.21
iShares Italy Indx	EWI	EW	0.19
PS S&P SmICap Hlth Care	PSCH	EA	0.08
Vngrd MidCap Val	VO	EMC	0.04
Market Vectors Gold Minors	GDX	EG	0.01
PS Dynmc Retail	PMR	EA	-0.01
Wtree MidCap Earn	EZM	EMC	-0.04
PS WilderHill Prgsv Enrgy	PUW	EA	-0.08
Select SPDR FinancIs	XLF	EA	-0.08
PS S&P SmICap MtrIs	PSCM	EA	-0.12
Wtree Intrntl SC Div	DLS	EW	-0.16
Guggnhm China SmI	HAO	EW R	-0.18
Guggnhm Insdr Sent	NFO	EMC	-0.18
iShares Silver	SLV	EG	-0.21
iShares Core S&P Mid Cap	IJH	EMC	-0.21
SPDR Mid Cap Trust	MDY	EMC	-0.23
PS S&P SmICap Cnsmr Stpl	PSCC	EA	-0.24
Vngrd Fincl Srv	VFH	EA	-0.25
PS Dynmc Biotech	PBE	EA	-0.26
Wtree SmI Cap Div	DES	ESC	-0.29

ETF Rankings by C to previous week's end

PS Gbl Water	PIO	EW	-0.31
Select SPDR Cnsmr Disc	XLY	EA	-0.31
PS DB Silver	DBS	EG	-0.34
PS Dynmc Cnsmr Discr	PEZ	EA	-0.40
Pro Shares Short Russell 2000	RWM	ESC	-0.40
PS Dynmc Media	PBS	EA	-0.46
Vngrd Small Cap	VB	ESC	-0.51
Vngrd Cnsmr Dis	VCR	EA	-0.59
PS Dynmc Technology	PTF	EA	-0.65
iShares Germany Indx	EWG	EW	-0.67
Vngrd Extnd 4500	VXF	ELC	-0.68
Guggnhm RJ All	RYJ	ELC	-0.68
PS S&P SmICap Info Tech	P SCT	EA	-0.70
SPDR S&P Retail	XRT	EA	-0.79
PS Dynmc Software	PSJ	EA	-0.96
PS Aerospace & Def	PPA	EA	-0.97
PS Gbl Listd Prvt Eqty	PSP	EW	-1.02
iShares Russell 2000 Value Indx	IWN	ESC	-1.06
PS Dynmc Fncl	PFI	EA	-1.06
PS FTSE RAFI US 1500 SmI-Mid	PRFZ	EMC	-1.09
SPDR S&P Metals & Mining	XME	EA	-1.20
PS Gbl Clean Enrgy	PBD	EW	-1.22
PS Cleantech	PZD	EA	-1.25
Vngrd Small Cap Grth	VBK	ESC	-1.27
PS Gldn Drgn USX China	PGJ	EW	-1.33
iShares Russell 2000	IWM	ESC	-1.37
PS S&P SmICap Fincl	PSCF	EA	-1.41
iShares Gold	IAU	EG	-1.43
SPDR Gold	GLD	EG	-1.47
PS Water Resources	PHO	EA	-1.48
PS DB Precious Metals	DBP	EG	-1.49
PS DB Gold	DGL	EG	-1.63
PS Dynmc Healthcare	PTH	EA	-1.63
Guggnhm Spin Off	CSD	EMC	-1.68
Guggnhm Timber	CUT	EA	-1.70
Wtree Eur SC Div	DFE	EW	-1.78
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	-1.78
Pro Shares Short S&P 500	SH	EC	-2.09
PS S&P SmICap Industrils	PSCI	EA	-2.14
PS NASDAQ Intrnt	PNQI	EA	-2.16
PS Dynmc Leisure & Enter	PEJ	EA	-2.18
PS S&P SmICap Cnsmr Dis	PSCD	EA	-2.18
SPDR S&P Bank	KBE	EA	-2.41
PS Dynmc Bldg Cnstrctn	PKB	EA	-2.68
PS Zacks Micro Cap	PZI	ESC	-2.78
PS Dynmc Networking	PXQ	EA	-2.80
SPDR S&P Regional Banking	KRE	EA	-2.92
SPDR S&P Homebuilders	XHB	EA	-3.01
iShares DJ US Home Constr.	ITB	EA	-3.37
Market Vectors Junior Gold Miners	GDXJ	EG	-4.73
US Natural Gas	UNG	EA	-6.91
Guggnhm Solar	TAN	EA	-8.14
PS WilderHill Cln Enrgy	PBW	EA	-8.18

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



7/28/14: Updated through latest data of 6/30/14. NYSE margin debt rebounded in June, but did not make a new high marked in March (data is offset plus one month). This is similar to previous peaks' patterns. If the time frame is the same (2-4 months from margin debt peak to market peak), July should mark the market top.

7/14/14: 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.

7/7/14: 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).

June 2014 EXPLANATION: 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**

A loss of 5% from the previous DJI peaks was the “trigger” for continued declines apparently due to margin debt calls from the last two peaks. See page 11.

As well, that last month’s surge of margin buying (the uptick on the chart) is now about “under water”. It would be like borrowing to buy a \$50 stock that is now below \$50. You lose on the position twice.

What I mean is, let’s say you buy 1000 shares at \$50 for \$50,000 and then borrow another \$50,000 to buy another 1000 shares.

If the stock drops to \$47.50 (5% decline), your account is

worth \$95,000. You still owe \$50,000 (plus interest), so your equity has declined by 10% to \$45,000. This is not enough to trigger actual margin calls yet, but is enough to suggest some stop loss selling.

For the World Growth Model, the stop is now about 6.5% away. Of the five inputs, one is bearish and one is close to turning bearish. It takes three of the five to trigger a sell signal.

Depending on the market this week, I may send a hotline between issues.

In the meantime, I remain fully invested for now. Putting this all together, however, I suspect that those who have been

waiting for a correction to buy will be surprised to find the “correction” turning into a full fledged bear market.

If today’s margin peak turns out like the previous two margin peaks, the market is due for a fall of about 50% over the next year.

Many also expect the Fed to backstop any stock market declines, but I still do not see any economic weakness that supports this hope. As I’ve mentioned, the surprise would be for the economy to remain strong, while stocks fall. In turn this would set up a fantastic buying opportunity at much lower prices.

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.

8/4 No changes.

7/28 No changes.

7/21 No changes.

7/14 No changes.

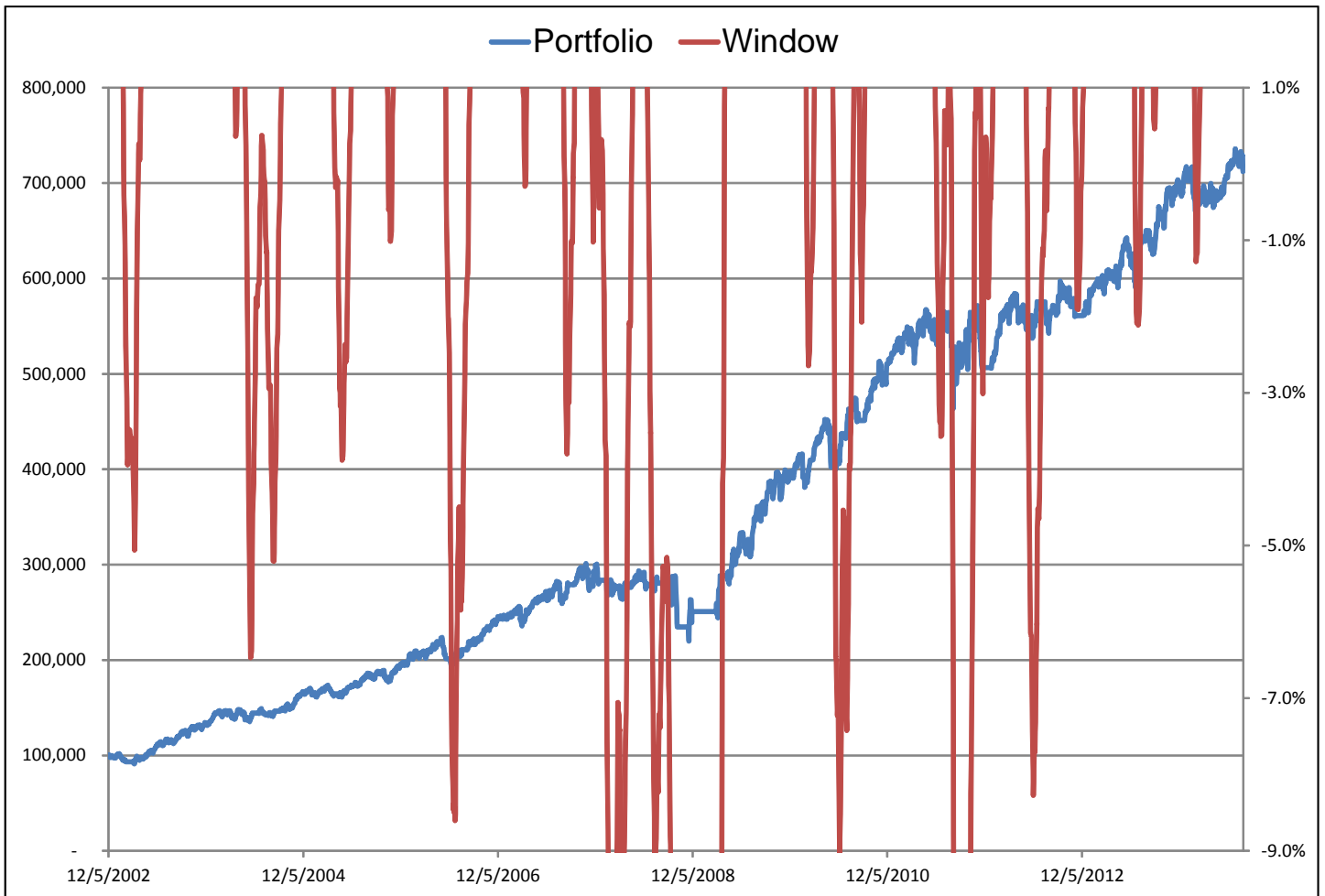
7/7 No changes.

6/30 No changes.

6/23 No changes.

6/16 No changes.

Window to Buy (closed as of 8/1/14)



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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