

# ETF Selections & Timing

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## Fall Planning

Taper talk should begin to heat up again as September nears. That month is the unofficial, possible starting period for the Fed to back off from its bond buying program of the last several years.

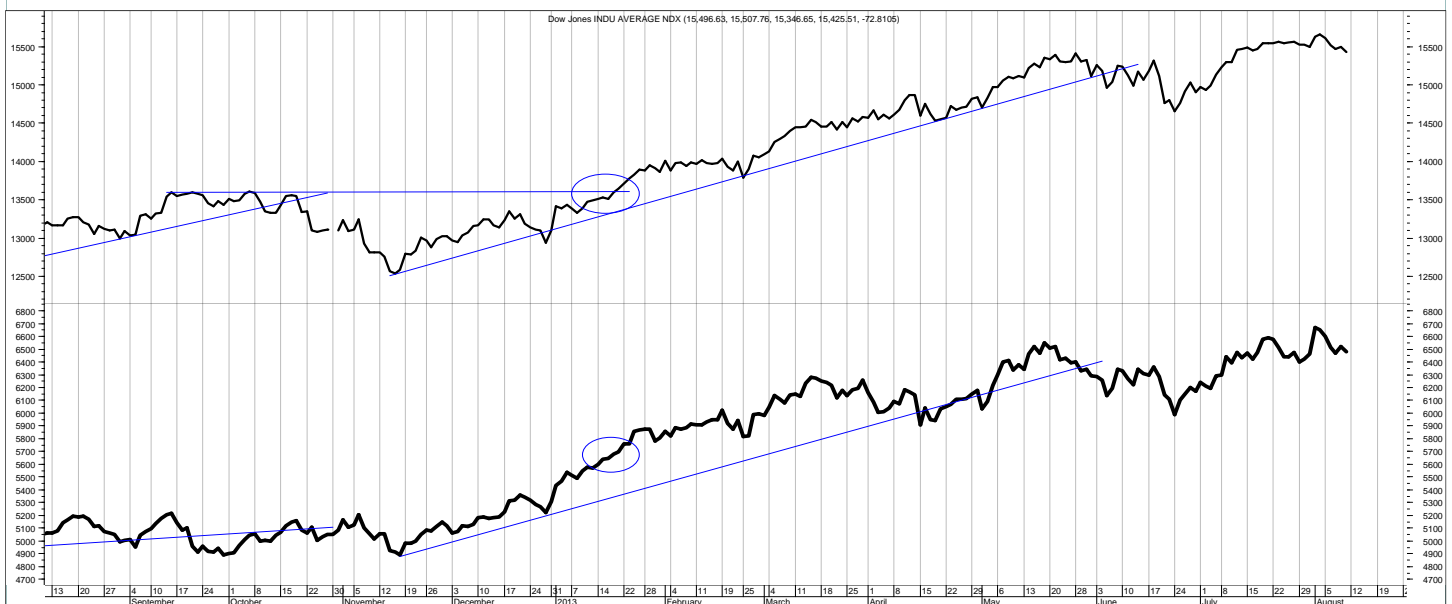
To be clear, tapering the bond buying program (aka quan-

titative easing) is completely different from the Fed's interest rate policy. Even as the Fed quits buying bonds, it still plans to keep short-term interest rates near zero percent, at least until economic fundamentals improve further. Unemployment must continue downward and infla-

tion must remain muted.

The difference between the two programs (QE and rates) means that long-term interest rates, which had been benefiting from Fed buying, will most likely begin to rise and stay ris-

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



This is the daily chart of the Dow Industrials (top) and Transports (bottom).

## 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	-0.1%	1.9%	0.3	0.0	0.3	0.0%
ETF Growth Portfolio	15.4%	15.2%	8.1	2.1	1.6	-0.7%
<b>Index</b>						
Aggrgt Bond (AGG)	-3.7%	-4.2%	-2.8	-3.0	0.3	0.3%
S&P 500 TR (SPY)	21.2%	22.0%	11.8	3.4	0.9	-1.1%
World Growth Index	17.9%	21.0%	10.2	3.3	1.4	-0.8%

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# ETF Income Database and Ranking to 7/31/13

Fund Name	Symbol	Style	12m	9m	6m	3m	1m	V	NAV	Rank
iShares 1-3yr Trsry	SHY	BS	0.13	0.18	0.09	-0.07	0.16	0.07	84.40	*****
Vngrd ShrtTrm Bond	BSV	BS	0.31	0.02	-0.11	-0.64	0.42	0.22	80.33	*****
iShares 3-7yr Trsry	IEI	BI	-1.63	-1.40	-1.14	-2.38	0.25	0.51	120.98	****
iShares Inter Bond	MBB	BI	-2.31	-2.43	-1.96	-2.85	-0.12	0.40	105.04	****
iShares Inter Gov	GVI	BI	-0.67	-1.16	-0.89	-1.96	0.42	0.45	110.13	****
Vngrd Intrmdt Bond	BND	BI	-1.94	-2.18	-1.59	-3.18	0.38	0.63	81.02	****
Wtree Dryfs Chns Yuan	CYB	BF	4.30	2.55	1.64	0.46	0.35	0.46	26.05	****
Currency Euro	FXE	BF	7.72	2.36	-2.21	0.93	2.18	2.24	131.74	***
iShares 7-10yr Trsry	IEF	BI	-5.16	-4.34	-3.11	-5.91	-0.35	1.18	102.00	***
iShares Agg Bond	AGG	BI	-2.04	-2.25	-1.66	-3.28	0.27	0.63	107.30	***
iShares High Yld	HYG	BH	8.06	5.30	2.41	-1.49	2.85	1.69	92.98	***
iShares Intrntl Tbond	IGOV	BW	1.34	-3.88	-3.77	-2.91	2.53	1.72	98.85	***
iShares Long Corp Bond	LQD	BL	-1.98	-4.28	-2.29	-5.35	1.11	1.37	114.54	***
iShares Trsry Inflt	TIP	BI	-5.80	-6.63	-5.89	-7.00	0.90	1.18	112.87	***
PS 1-30 Ldr Trsry	PLW	BI	-8.28	-6.34	-4.28	-7.52	-0.89	1.72	30.29	***
PS Bld America	BAB	BI	-4.79	-4.57	-5.32	-9.06	-1.04	1.66	27.77	***
PS DB Dollar Bearish	UDN	BF	1.03	-2.25	-3.17	0.00	2.08	1.61	26.55	***
PS DB Dollar Bullish	UUP	BF	-2.69	0.96	2.22	-0.45	-2.04	1.62	22.10	***
PS DB G10 Currency	DBV	BF	1.60	-0.24	-4.70	-7.51	-0.16	1.90	25.37	***
PS Fdmntl Hi Yield Corp	PHB	BH	5.78	2.76	1.13	-1.83	2.44	1.27	19.02	***
PS Insr CA Muni	PWZ	BI	-4.25	-5.07	-6.01	-7.07	-1.45	1.21	23.40	***
PS Insr Natl Muni	PZA	BI	-6.95	-8.03	-8.83	-9.56	-3.29	1.56	23.04	***
PS Insr NY Muni	PZT	BI	-6.63	-7.28	-7.63	-8.00	-2.65	1.42	22.41	***
PS Prfd	PGX	BF	1.73	-0.59	-1.84	-4.60	-0.87	1.10	14.07	***
SPDR High Yield	JNK	BH	7.67	4.66	1.76	-2.04	2.53	1.73	40.28	***
SPDR Intrntl TBond	BWX	BW	-1.82	-4.50	-3.90	-3.74	2.39	1.60	57.55	***
Wtree Dryfs Comdty Cur	CCX	BF	-3.80	-5.49	-7.67	-6.90	0.65	1.85	19.98	***
Wtree Dryfs Emrg Crrncy	CEW	BF	-0.30	-1.70	-4.49	-5.16	0.85	1.68	20.22	***
iShares 10-20yr Trsry	TLH	BL	-8.28	-6.57	-4.30	-8.05	-0.93	1.81	125.13	**
iShares 20+ yr Trsry	TLT	BL	-14.78	-10.96	-6.97	-11.85	-2.26	2.97	107.70	**
PS Emrg Mrkt Svrgn Debt	PCY	BW	-4.53	-9.12	-8.04	-10.79	0.57	2.60	27.36	**
Wtree Dryfs Brazil Real	BZF	BF	-6.33	-8.55	-11.59	-11.41	-1.87	2.46	17.32	**
Wtree Dryfs Indn Rupee	ICN	BF	-4.97	-9.77	-12.05	-12.77	-3.77	2.65	19.12	**
Wtree Emrg Mrkt Lcl Debt	ELD	BF	-3.39	-6.21	-8.96	-10.63	-0.82	2.22	47.57	**

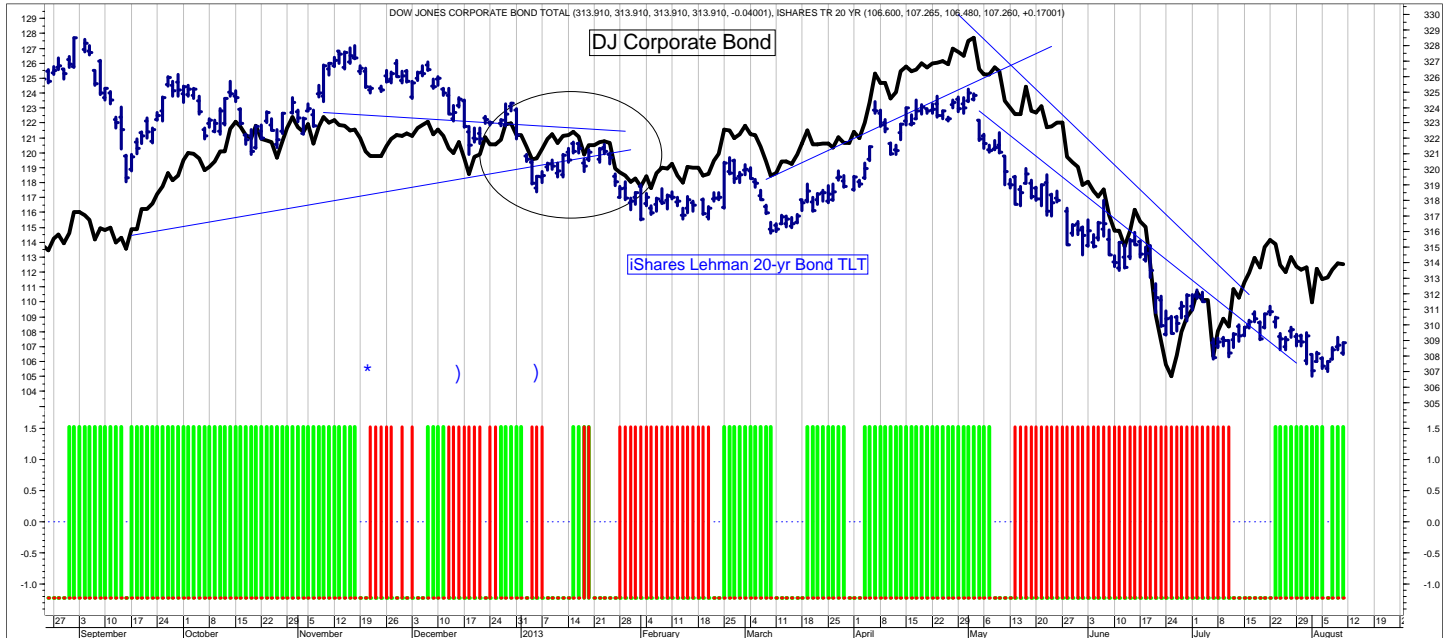
This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS,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



The SLM Bond Timing Model is based on the expected direction of the Corporate Bond market. The green bars are bullish (expect higher prices and lower yields) and the red bars are bearish (expect lower prices and higher yields). White spaces indicate that the previous signal is still in effect.

## WEEKLY REVIEW

8/12 Still bumping along a possible bottom. Watching for a decent entry point.

8/5 Watching for an entry point.

7/29 Trend reversal is noted on the Barometer. I will watch for a pullback to pick another entry point.

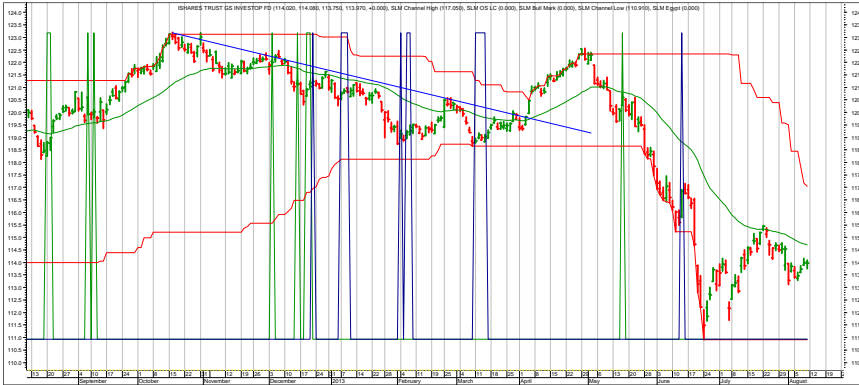
7/22 The down trends (latest blue lines) have been broken as noted on the chart above. I have a close stop on AGG. It would be normal for the market to pullback, but if it continues higher, we want to participate.

7/15 While the Bond Barometer remains bearish because it is trend following, I have bought AGG in anticipation of a bounce as mentioned last week.

7/8 Oversold with a decent (low risk, high reward potential) trade. See page 2 and 5.

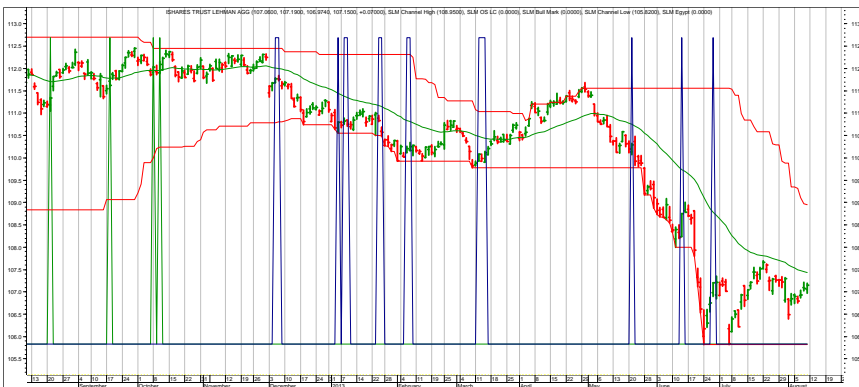
7/1 Still oversold. Will watch for testing and backfilling to form a tradeable bottom.

# Income Charts (DAILY)



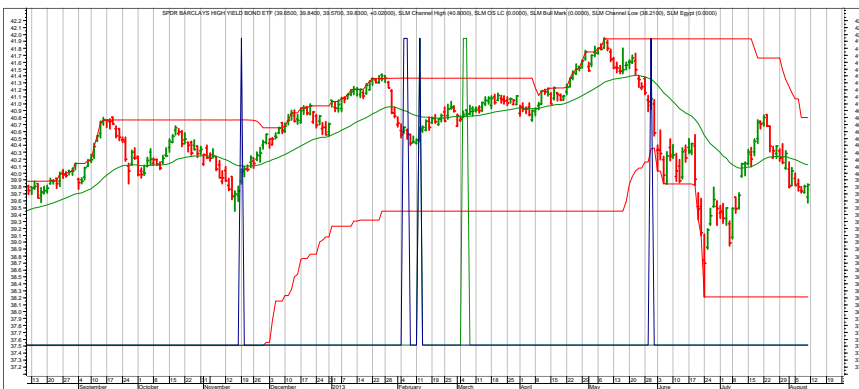
## LQD—Investment Grade Corporate

8/12 No changes.  
 8/5 No changes.  
 7/29 Watch for a pullback.  
 7/22 Expect a pullback to the broken down trend line (latest blue line).



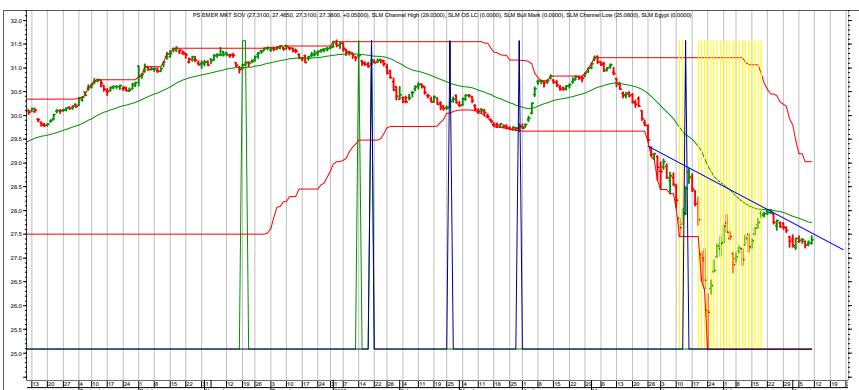
## AGG—Aggregate Bond Market

8/12 No changes.  
 8/5 No changes.  
 7/29 Stopped out. Will watch to reenter.  
 7/22 Bounce underway. Note the thicker blue line that indicates the top in bonds.  
 7/15 Next target is 108.  
 7/8 Tradeable bounce.  
 7/1 No changes.  
 6/24 Oversold.



## JNK—hi-yield bonds

8/12 No changes.  
 8/5 No changes.  
 7/29 Should close gap up. May buy then.  
 7/22 Big bounce in JNK.  
 7/15 In the bounce, will now watch for  
 7/8 Yield highest in a year, so bounce due.  
 7/1 Watch for retest.



## PCY—International Bonds

8/12 No changes. Watch for trend break (blue line).  
 8/5 No changes.  
 7/29 Need more pullback.  
 7/22 Back to moving average resistance.  
 7/15 Though bounced, still very oversold.  
 7/8 International central banks will keep rates low they say. Bonds should rebound.  
 7/1 Very oversold.

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

# Growth Portfolio (changed as of 12/10/12)

ACTION FOR			PORTFOLIO DETAILS				Value as of date:			8/9/2013			
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
						<b>LONG ETFs-</b>							
10-Dec	buy	EEM	43.03	526	22,644	EEM		Emrg Mkt	43.03	39.28	535.440	21,032.08	16.1%
10-Dec	buy	EFA	55.55	409	22,730	EFA		Euro Asia	55.55	61.92	422.060	26,133.96	20.0%
10-Dec	buy	IWM	82.54	274	22,626	IWM		Rusl 2000	82.54	103.91	278.740	28,963.87	22.2%
10-Dec	buy	QQQ	65.12	347	22,607	QQQ		Nsdq 100	65.12	76.49	351.000	26,847.99	20.6%
10-Dec	buy	SPY	142.47	159	22,663	SPY		S&P 500	142.47	169.01	161.870	27,357.65	21.0%
						Two potential ways to sell: Stop loss is roughly 5% below current level, or timing model may also signal sell.							
						<b>SHORT ETFs-</b>							
						Cash from short							
						Money Market							
						Total Valuation=							
						1.00 - - 0.0%							
						1.00 167 167.00 0.1%							
						130,502.55 100.0%							

## WEEKLY REVIEW

8/12 No change.

8/5 No change.

7/29 No change. Still fully invested.

7/22 No change.

7/15 No change.

7/8 With the stock markets rallying again, the sell stop is inching away.

	2010	2011	2012	ytd 2013	Incptn	SD
ETF Growth Portfolio	8.1%	6.9	-2.1	15.4	30.5	5.4
World Growth Index	17.2%	-4.2	14.3	17.9	51.3	10.5

The ETF Growth Portfolio changed as of 12/10/12. 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. WGI is rebalanced to 20% in each position daily (this accounts for the different returns when WGM is invested).

Returns are of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

Work continues on the selecting model, which, if warranted, will be implemented in this Portfolio.

# Top ETF Growth Ranking to 7/31/13 (month end)

Fund Name	Symbol	Style	12m	9m	6m	3m	1m	V	NAV	Rank
Guggnhm Solar	TAN	EA	103.89	112.65	59.15	39.94	20.08	12.37	28.52	*****
Guggnhm Spin Off	CSD	EMC	47.15	39.10	24.01	11.18	5.04	3.52	38.79	*****
PS Aerospace & Def	PPA	EA	43.42	34.73	26.60	15.86	8.04	3.20	26.75	*****
PS Dynmc Biotech	PBE	EA	42.88	46.79	31.81	15.51	13.15	5.24	32.69	*****
PS Dynmc Consmr Discr	PEZ	EA	38.03	32.41	23.18	13.30	7.04	3.01	38.48	*****
PS Dynmc Media	PBS	EA	49.14	37.39	28.13	10.90	6.15	3.80	22.26	*****
PS Dynmc Pharma	PJP	EA	40.27	39.86	25.77	14.62	10.10	3.64	46.53	*****
PS Dynmc Retail	PMR	EA	37.92	33.17	26.44	13.92	8.77	2.96	33.00	*****
PS NASDAQ Intrnt	PNQI	EA	40.13	37.61	21.15	17.91	11.19	3.91	54.37	*****
PS WilderHill Cln Enrgy	PBW	EA	50.94	52.30	34.82	24.97	9.83	6.45	5.92	*****
SPDR S&P Bank	KBE	EA	46.91	34.33	23.61	18.84	8.77	3.80	31.24	*****
Guggnhm RJ All	RYJ	ELC	35.47	31.78	18.88	12.18	5.55	2.80	29.85	****
iShares Russell 2000	IWM	ESC	34.93	29.01	16.55	10.64	7.34	3.37	103.66	****
PS Buyback Achievers	PKW	EGI	35.17	29.69	21.35	10.18	7.09	2.88	38.06	****
PS Dyn MagniQuant	PIQ	ELC	37.17	32.23	18.19	9.63	6.77	3.31	34.39	****
PS Dyn OTC	PWO	ESC	29.36	33.12	22.21	12.29	7.94	3.71	62.00	****
PS Dynmc Consmr Staples	PSL	EA	30.77	29.25	20.78	6.75	5.93	2.79	42.15	****
PS Dynmc Fncl	PFI	EA	36.79	27.23	18.29	9.91	6.61	2.92	26.13	****
PS Dynmc Food & Bev	PBJ	EA	33.43	33.39	23.49	10.53	6.12	2.74	26.01	****
PS Dynmc Healthcare	PTH	EA	39.19	33.62	22.33	12.15	7.26	3.86	43.27	****
PS Dynmc Leisure & Enter	PEJ	EA	41.36	34.48	21.11	9.79	6.80	3.34	29.86	****
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	39.54	32.14	18.16	12.34	7.25	3.53	86.89	****
PS Gbl Clean Enrgy	PBD	EW	53.90	45.03	26.44	15.62	8.41	5.80	10.57	****
PS Gldn Drgn USX China	PGJ	EW	43.55	30.02	22.78	23.40	14.40	4.90	24.07	****
PS S&P SmlCap Cnsmr Dis	PSCD	EA	42.47	34.21	21.14	12.53	5.10	3.27	42.63	****
PS S&P SmlCap Cnsmr Stpl	PSCC	EA	32.67	33.26	24.45	12.28	8.32	3.44	45.16	****
PS S&P SmlCap Hlth Care	PSCH	EA	36.94	38.54	25.58	19.91	9.86	4.36	47.25	****
PS S&P SmlCap Indstrils	PSCI	EA	41.49	31.04	13.68	12.96	7.61	3.94	39.01	****
PS S&P SmlCap Info Tech	PSCT	EA	32.89	30.82	18.16	15.35	7.35	3.47	38.26	****
PS Zacks Micro Cap	PZI	ESC	42.28	35.54	20.40	13.69	7.95	3.93	15.21	****
Select SPDR Cnsmr Disc	XLY	EA	38.57	30.51	19.17	9.06	5.27	2.96	59.37	****
Select SPDR Financs	XLF	EA	42.29	30.65	18.77	10.01	5.35	3.69	20.49	****
Select SPDR Health	XLV	EA	35.47	29.28	19.95	8.28	7.16	2.93	51.02	****
SPDR S&P Regional Banking	KRE	EA	39.48	33.78	24.29	19.04	8.62	3.78	36.80	****
SPDR S&P Retail	XRT	EA	40.44	32.80	22.28	11.50	6.62	3.08	81.68	****
Vngrd Consmr Dis	VCR	EA	40.74	31.13	19.35	9.84	5.37	2.94	96.03	****
Vngrd Extnd 4500	VXF	ELC	35.77	29.48	15.81	8.88	7.12	3.15	74.80	****
Vngrd Fincl Srv	VFH	EA	37.94	28.14	16.99	8.03	5.09	3.30	41.94	****
Vngrd Health	VHT	EA	36.36	30.86	20.58	9.04	7.64	3.06	92.99	****
Vngrd Small Cap	VB	ESC	35.41	29.05	16.33	9.46	6.79	3.23	100.07	****
Vngrd Small Cap Value	VBR	ESC	35.13	28.53	15.66	8.77	6.85	3.07	89.43	****
Wtree MidCap Earn	EZM	EMC	40.39	32.04	16.70	10.51	7.42	3.23	77.31	****
Wtree Sml Cap Div	DES	ESC	36.03	28.86	17.94	10.32	7.60	2.99	62.66	****

This page shows the top ranked ETF Growth Database. 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, which is an ETF's risk-adjusted performance; the higher the better (not shown). This gives us the Rank column (shown).

Generally speaking, we want to own the top-ranked ETFs with 5 and 4 comets. (Comets, not stars, because unlike stars that are fixed, comets come into and out of prominence. We want our thinking, our metaphor aligning with reality.



# Middle ETF Growth Ranking to same month end

Fund Name	Symbol	Style	12m	9m	6m	3m	1m	V	NAV	Rank
Alerian MLP	AMPLP	EGI	15.23	12.44	6.29	1.68	-0.11	2.05	17.83	***
Guggnhm China Sml	HAO	EWR	22.06	7.97	-8.76	-5.22	2.21	4.30	22.70	***
Guggnhm Dfnsv Eqty	DEF	EV	17.48	16.44	10.09	0.57	2.89	2.17	33.50	***
Guggnhm Glbl Div	LVL	EW	11.79	3.37	-4.19	-5.81	2.54	3.61	12.51	***
Guggnhm Glbl Wtr	CGW	EW	20.84	17.21	5.86	1.32	5.27	2.87	24.56	***
Guggnhm Insdr Sent	NFO	EMC	33.93	27.21	15.62	9.37	8.52	3.28	43.31	***
Guggnhm Intrntl A Incm	HGI	EW	13.03	9.07	-0.25	-1.13	4.42	3.18	17.02	***
Guggnhm MidCap Core	CZA	EMC	30.46	26.45	14.31	6.14	4.38	2.39	41.46	***
Guggnhm Multi Ast In	CVY	EV	16.72	13.25	6.27	0.85	3.75	2.37	24.05	***
Guggnhm Shipping	SEA	EA	18.19	19.71	5.70	6.56	4.35	3.14	18.01	***
Guggnhm Timber	CUT	EA	40.54	25.36	8.09	3.31	7.79	4.44	23.39	***
iShares Canada	EWC	EW	7.73	-0.59	-3.18	-0.25	5.66	3.02	27.63	***
iShares Cohen&Str REIT	ICF	ERE	3.62	7.61	1.49	-7.81	0.25	2.75	80.82	***
iShares Core S&P 500	IVV	ELC	25.15	21.80	13.79	6.20	5.39	2.77	169.55	***
iShares Core S&P Mid Cap	IJH	EMC	33.02	27.21	13.55	6.68	6.51	2.90	123.02	***
iShares DJ Slct Div	DVY	EGI	22.12	19.97	14.29	4.03	5.51	2.20	67.54	***
iShares DJ US Home Constr.	ITB	EA	38.19	9.03	-4.88	-8.15	-0.45	4.99	22.28	***
iShares EAFE Indx	EFA	EW	24.45	16.14	4.38	-0.61	5.32	3.66	60.35	***
iShares Europe 350	IEV	EW	26.83	15.80	3.98	2.98	7.79	4.07	41.77	***
iShares Germany Indx	EWG	EW	32.51	16.74	4.16	5.15	6.56	4.46	26.32	***
iShares Hong Kong Indx	EWH	EW	17.74	6.60	-3.46	-4.27	4.42	3.69	19.14	***
iShares Italy Indx	EWI	EW	26.46	6.88	-6.58	0.88	10.08	7.87	13.00	***
iShares Japan	EWJ	EW	26.78	25.80	13.11	-3.61	0.09	4.13	11.23	***
iShares Malaysia Indx	EWM	EW	7.49	3.39	6.07	-3.12	-2.83	2.52	15.11	***
iShares Prfrd	PFF	EGI	4.46	1.16	-0.73	-3.37	-0.54	1.09	38.91	***
iShares REIT	IYR	ERE	5.72	7.21	0.76	-8.51	0.24	2.69	66.59	***
iShares Russel MidVal	IWS	EMC	33.35	26.72	13.60	5.81	5.50	2.83	60.78	***
iShares Russell 1000 Grwth Indx	IWF	ELC	21.70	19.70	12.84	5.35	5.55	2.70	76.47	***
iShares Russell 1000 Value Indx	IWD	ELC	30.64	24.49	14.58	7.20	5.41	2.80	87.83	***
iShares Russell 2000 Value Indx	IWN	ESC	34.15	27.43	14.80	9.16	6.54	3.09	90.98	***
iShares S&P 100 Indx	OEF	ELC	21.56	18.89	13.11	5.83	5.25	2.71	75.73	***
iShares Singapore	EWS	EW	5.96	4.38	-1.39	-5.97	4.22	3.58	13.33	***
iShares Slct Div	IDV	ELC	17.30	8.79	0.43	-3.50	6.53	4.09	33.91	***
iShares Spain	EWP	EW	42.47	15.05	1.49	2.14	12.96	8.24	31.28	***
iShares Taiwan Indx	EWT	EW	14.25	10.27	1.72	-2.64	2.48	3.29	13.63	***
iShares EMU Indx	EZU	EW	33.60	17.82	4.20	4.78	8.74	5.00	35.32	***
Market Vectors Oil Services	OIH	EA	15.93	17.59	2.84	4.84	4.82	3.67	44.84	***
Market Vectors Semiconductor	SMH	EA	22.21	26.73	12.42	4.08	2.31	3.29	38.56	***
PS BLDR Asia 50 ADR	ADRA	EW	21.02	17.47	3.73	-2.21	4.67	3.44	27.82	***
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	23.74	16.45	3.91	0.62	5.25	3.57	22.66	***
PS BLDR Europe 100 ADR	ADRU	EW	23.61	12.83	2.28	2.00	6.36	3.91	22.42	***
PS Cleantech	PZD	EA	34.36	28.05	11.75	8.13	7.35	3.69	27.18	***
PS DB Energy	DBE	EA	8.11	4.75	-2.25	3.50	5.45	4.20	28.65	***
PS DB Oil	DBO	EA	9.16	10.22	-0.62	5.74	5.25	4.95	27.28	***
PS Dividend Achievers	PFM	EGI	19.68	18.26	11.47	3.86	5.06	2.24	18.91	***
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	28.79	17.57	8.92	3.64	7.58	3.44	22.70	***
PS DWA Tech Ldr	PDP	ELC	25.09	20.81	12.55	3.65	5.22	2.27	32.86	***
PS Dyn Mrkt	PWC	ELC	31.81	29.19	14.54	7.05	6.76	3.56	59.87	***
PS Dynmc Basic Matr	PYZ	EA	28.60	20.04	4.92	4.13	5.80	3.48	44.89	***
PS Dynmc Bldg Cnstrctn	PKB	EA	43.88	19.97	4.85	0.31	4.46	5.08	19.69	***
PS Dynmc Energy	PXI	EA	27.85	21.71	4.59	3.02	4.41	4.07	49.67	***
PS Dynmc Energy Explor	PXE	EA	33.39	22.22	3.14	3.18	5.40	5.53	31.05	***
PS Dynmc Lrg Cap Grth	PWB	ELC	25.72	23.01	14.45	6.44	5.41	2.66	22.61	***
PS Dynmc Lrg Cap Value	PWV	ELC	30.83	24.75	15.83	6.08	5.06	2.80	26.59	***
PS Dynmc Networking	PXQ	EA	22.60	24.73	9.52	15.19	9.58	4.74	28.60	***
PS Dynmc Oil & Gas Svcs	PXJ	EA	23.74	23.68	3.82	5.71	3.08	4.06	23.74	***
PS Dynmc Semicndctr	PSI	EA	16.10	26.32	13.02	11.91	6.49	3.56	16.91	***
PS Dynmc Software	PSJ	EA	22.96	18.37	12.23	6.56	7.67	3.22	32.02	***
PS Dynmc Technology	PTF	EA	25.98	28.67	16.91	11.20	7.56	3.70	32.28	***
PS Dynmc Utilities	PUI	EA	18.12	15.82	12.85	2.17	5.35	2.79	20.09	***
PS Fincl Pfd	PGF	EGI	2.36	-0.33	-1.68	-4.49	-1.28	1.18	17.57	***
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	27.37	16.59	4.35	1.18	6.55	4.11	39.23	***
PS FTSE RAFI Dvlp Mrkt xUSA Sml	PDN	EW	24.73	15.54	4.83	0.31	6.30	3.49	25.30	***
PS Glbl Listd Prvt Eqty	PSP	EW	39.20	26.89	11.05	1.61	6.23	4.13	11.59	***
PS Glbl Water	PIO	EW	20.57	17.99	5.39	2.56	5.26	2.99	19.80	***
PS Hi Yld Eqty Div	PEY	EGI	25.93	21.36	15.26	6.08	5.72	2.27	11.31	***
PS Intrntl Dvdnd	PID	EW	17.14	11.84	2.87	-2.02	2.75	2.94	16.80	***
PS Lux Nanotech	PXN	EA	16.90	21.65	10.71	4.20	5.55	3.96	7.04	***
PS MENA Frntr Countries	PMNA	EW	14.52	12.26	9.05	7.67	6.45	2.81	11.72	***

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# Middle ETF Growth Ranking to same month end

Fund Name	Symbol	Style	12m	9m	6m	3m	1m	V	NAV	Rank
PS QQQ	QQQ	ELC	18.57	17.96	13.93	7.48	6.31	3.04	75.77	***
PS S&P 500 BuyWrite	PBP	ELC	4.14	3.34	3.55	-0.37	1.44	1.50	20.43	***
PS S&P 500 LowVolatility Portfolio	SPLV	ELC	18.71	17.73	13.29	1.21	4.19	2.41	32.35	***
PS S&P SmlCap Energy	PSCE	EA	32.86	29.76	18.82	8.95	7.09	4.51	41.98	***
PS S&P SmlCap Fincl	PSCF	EA	28.59	26.13	15.46	7.78	5.04	2.60	37.28	***
PS S&P SmlCap Mtrls	PSCM	EA	38.79	26.45	10.68	9.40	7.46	4.25	37.72	***
PS S&P SmlCap Utilities	PSCU	EA	15.69	16.32	13.21	2.69	7.20	3.24	34.83	***
PS US REIT	PSR	ERE	5.24	8.32	1.60	-7.46	-0.73	2.54	59.55	***
PS Water Resources	PHO	EA	25.66	18.54	4.74	4.83	4.49	3.37	23.03	***
PS WilderHill Prgsv Enrgy	PUW	EA	21.99	18.13	4.87	4.73	5.03	3.77	28.38	***
Select SPDR Cnsmr Stpl	XLP	EA	19.67	19.63	13.54	1.75	4.34	2.55	41.39	***
Select SPDR Div	SDY	EGI	27.95	23.70	14.64	4.95	5.78	2.40	70.13	***
Select SPDR Enrgy	XLE	EA	20.59	16.23	7.54	5.81	5.26	3.57	82.42	***
Select SPDR Invl	XLI	EA	29.07	25.85	13.74	9.51	5.91	2.73	45.16	***
Select SPDR Matrls	XLB	EA	19.23	14.69	4.97	3.14	5.55	3.15	40.48	***
Select SPDR Technlgy	XLK	EA	10.53	11.56	8.92	3.54	3.73	2.75	31.73	***
Select SPDR Utilities	XLU	EA	7.81	9.63	9.35	-4.28	4.33	3.39	39.26	***
SPDR DJ Gbl Titans	DGT	EW	25.09	18.72	7.41	3.62	6.26	3.00	62.43	***
SPDR DJ Industrials	DIA	ELC	22.37	20.78	13.20	5.26	4.37	2.65	154.84	***
SPDR Euro Stoxx 50	FEZ	EW	33.35	16.58	3.00	4.68	8.87	5.35	36.07	***
SPDR Mid Cap Trust	MDY	EMC	32.51	27.03	13.37	6.61	6.67	2.92	224.11	***
SPDR S&P 500	SPY	ELC	25.26	21.38	13.80	6.21	5.17	2.70	168.71	***
SPDR S&P Homebuilders	XHB	EA	43.85	16.10	4.59	-0.57	2.28	3.99	30.09	***
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	23.42	17.36	7.98	9.05	7.17	4.76	62.35	***
SPDR Wish REIT	RWR	ERE	6.26	9.74	2.80	-6.90	0.72	2.76	76.50	***
US Oil Fund	USO	EA	14.32	17.56	5.90	12.67	9.30	5.79	37.36	***
Vngrd Cnsmr Stpls	VDC	EA	21.37	21.08	14.55	2.84	4.53	2.51	106.62	***
Vngrd Div Aprprctn	VIG	EGI	23.57	20.55	11.66	5.01	5.41	2.38	69.78	***
Vngrd Europe Pacific	VEA	EW	24.39	16.10	4.45	-0.76	5.20	3.64	37.45	***
Vngrd European Indx	VGK	EW	27.42	16.19	4.25	2.88	7.63	4.09	51.80	***
Vngrd Grth	VUG	ELC	21.74	19.10	11.74	5.11	5.58	2.74	82.51	***
Vngrd Large Cap	VV	ELC	25.81	21.83	13.78	6.21	5.35	2.72	77.34	***
Vngrd Materials	VAW	EA	20.63	14.14	4.56	3.32	5.77	3.20	91.52	***
Vngrd MidCap Val	VO	EMC	32.09	27.15	14.50	6.43	5.72	2.85	100.58	***
Vngrd REIT	VNQ	ERE	7.84	10.90	3.35	-7.01	0.90	2.81	69.34	***
Vngrd Small Cap Grth	VBK	ESC	34.40	28.94	16.39	10.45	6.79	3.41	109.93	***
Vngrd Tech	VGT	EA	14.26	15.02	10.43	6.44	5.45	3.00	78.01	***
Vngrd TTL Intrntl Stk	VXUS	EW	18.13	10.44	0.75	-2.45	4.62	3.36	47.79	***
Vngrd TTL Stock	VTI	ELC	27.04	22.91	14.22	6.78	5.75	2.81	87.42	***
Vngrd Utilities	VPU	EA	10.61	11.83	10.38	-3.19	4.43	3.29	85.83	***
Wtree DEFA	DWM	EW	21.78	14.73	3.32	-1.41	5.98	3.87	48.77	***
Wtree DEFA Eqty Incm	DTH	EW	22.33	14.15	3.09	-1.86	5.80	3.95	42.33	***
Wtree Div Ex Fincl	DTN	ELC	21.96	18.92	12.04	2.72	3.97	2.44	64.59	***
Wtree Emrg Mrkt SC Div	DGS	EW	10.15	3.46	-6.07	-10.85	0.17	3.03	46.12	***
Wtree Eqty Income	DHS	EGI	17.42	16.94	11.77	0.82	3.04	2.48	53.13	***
Wtree Eur SC Div	DFE	EW	44.53	27.50	9.07	8.88	8.66	4.57	46.05	***
Wtree Gbl Eqty Incm	DEW	EW	14.76	8.32	1.12	-2.01	5.14	3.11	44.16	***
Wtree Intrntl Div Ex Fincl	DOO	EW	16.00	8.90	0.78	-1.60	5.66	3.56	42.36	***
Wtree Intrntl LC Div	DOL	EW	20.13	12.78	2.46	-1.44	6.03	3.85	46.75	***
Wtree Intrntl MC Div	DIM	EW	26.79	17.49	4.84	-0.31	5.73	3.61	53.15	***
Wtree Intrntl SC Div	DLS	EW	31.16	19.50	4.89	-1.73	5.72	3.79	55.23	***
Wtree Intrntl Utilities	DBU	EW	10.91	3.98	-1.82	-4.81	3.69	3.63	17.71	***
Wtree Japan Hedge Eqty	DXJ	EC	47.00	43.47	13.86	-4.59	-1.07	4.92	45.12	***
Wtree Japan SC Div	DFJ	EWR	18.04	16.40	9.42	-6.47	0.82	3.69	47.72	***
Wtree LrgCap Div	DLN	ELC	20.16	18.24	12.34	3.94	4.36	2.32	62.29	***
Wtree MidCap Div	DON	EMC	30.82	25.07	14.50	5.49	6.12	2.63	69.43	***
Wtree Middle East Div	GULF	EW	34.58	27.38	15.36	3.86	4.06	3.20	17.96	***
Wtree S&P 500	EPS	ELC	26.17	22.35	14.25	6.97	5.01	2.75	59.07	***
Wtree Ttl Earn	EXT	ELC	26.83	22.89	14.49	7.00	4.81	2.79	60.83	***

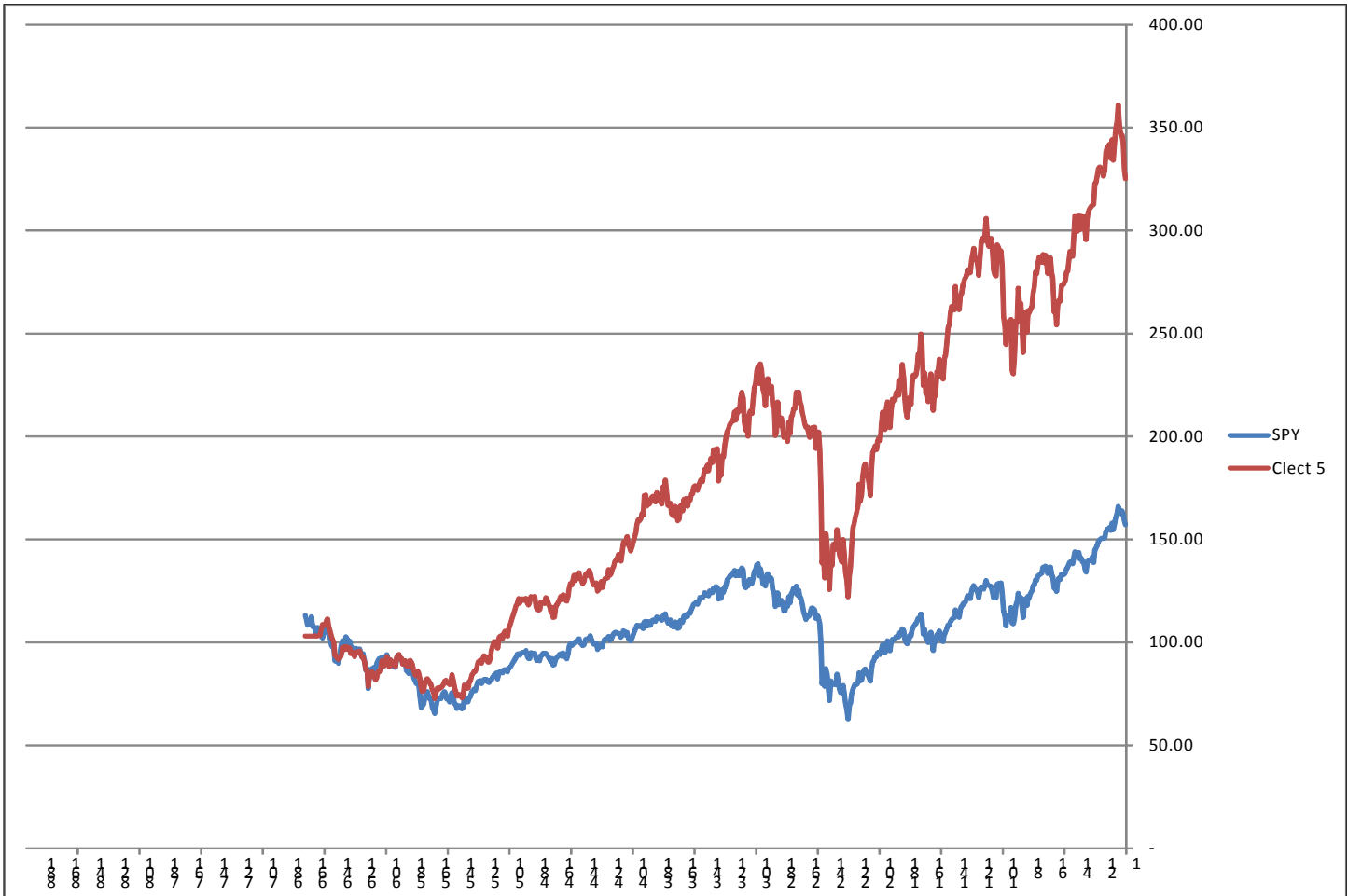
This shows the ETF Growth Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. Rank shows the number of comets from 5 to 1. The larger the better.

# Bottom ETF Growth Ranking to same month end

Fund Name	Symbol	Style	12m	9m	6m	3m	1m	V	NAV	Rank
Guggnhm BRIC	EEB	EW	-3.72	-6.42	-12.50	-9.01	4.01	3.86	31.93	**
Guggnhm Candn Enrg Incm	ENY	EWR	-4.38	-9.01	-5.29	0.42	8.51	4.37	14.53	**
Guggnhm China All	YAO	EWR	10.47	0.33	-10.16	-2.71	5.52	4.10	23.71	**
Guggnhm China REIT	TAO	EWR	14.18	3.70	-12.99	-9.50	2.16	4.93	20.77	**
Guggnhm Frntr	FRN	EW	-14.69	-17.15	-22.17	-14.29	-0.93	3.61	15.90	**
iShares Australia	EWA	EW	6.39	0.34	-8.86	-15.28	3.01	4.74	23.26	**
iShares China	FXI	EW	3.02	-4.20	-15.20	-6.82	5.35	4.93	34.26	**
iShares Emrg Mrkt Stk	EEM	EW	1.64	-3.37	-10.65	-8.73	1.32	3.11	39.01	**
iShares Gold	IAU	EG	-18.19	-23.27	-20.62	-10.38	7.26	4.24	12.86	**
iShares Latin Amr	ILF	EW	-11.35	-11.98	-19.05	-15.01	-1.58	3.74	36.18	**
iShares Mexico	EWV	EW	7.35	1.80	-9.61	-8.02	1.26	4.56	66.07	**
iShares South Korea Indx	EWY	EW	1.02	-2.47	-6.28	-4.43	4.94	4.33	55.83	**
Market Vectors Russia	RSX	EW	0.33	-4.72	-16.03	-3.22	2.78	5.21	25.88	**
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	-4.17	-7.13	-12.42	-8.78	3.03	3.52	35.40	**
PS DB Agriculture	DBA	EA	-18.25	-14.86	-11.75	-6.06	-1.08	2.91	24.63	**
PS DB Base Metals	DBB	EG	-9.00	-9.06	-16.35	-3.44	0.68	4.22	16.27	**
PS DB Commodity	DBC	EA	-4.84	-5.91	-8.92	-1.29	3.18	3.42	25.93	**
PS DB Gold	DGL	EG	-19.80	-24.61	-21.70	-11.14	7.03	4.32	44.61	**
PS DWA Emrg Mrkt T Ldrs	PIE	EW	9.04	4.61	-2.64	-13.19	1.11	3.77	18.21	**
PS Emrg Mrkt Infrastrctr	PXR	EW	-1.99	-8.35	-17.07	-10.96	1.68	3.79	36.27	**
PS FTSE RAFI Asia Pac xJpn	PAF	EW	7.37	1.68	-6.83	-9.56	5.46	4.11	53.12	**
PS FTSE RAFI Emrg Mrkt	PXH	EW	-2.32	-6.73	-14.26	-10.97	1.51	3.56	19.44	**
PS Glbl Agriculture	PAGG	EA	-4.13	-5.50	-13.79	-11.84	-5.29	3.12	27.73	**
PS India	PIN	EW	-0.31	-7.89	-16.52	-13.52	-1.39	5.29	16.31	**
Pro Shares Short Russell 2000	RWM	ESC	-28.62	-24.90	-15.84	-10.58	-7.03	3.45	19.18	**
Pro Shares Short S&P 500	SH	EC	-21.74	-19.01	-13.00	-6.24	-5.32	2.83	28.11	**
SPDR Gold	GLD	EG	-18.23	-23.30	-20.62	-10.37	7.43	4.25	127.96	**
SPDR S&P Metals & Mining	XME	EA	-9.01	-18.88	-18.10	-3.57	7.57	6.02	35.67	**
Vngrd Emrg Mrkt	VWO	EW	1.38	-3.46	-11.01	-9.50	0.67	3.14	39.06	**
Wtree Emrg Mrkt Eincom	DEM	EW	-0.89	-4.58	-11.76	-10.24	1.90	3.03	49.25	**
Wtree Intrntl REIT	DRW	ERE	10.89	3.46	-5.89	-10.94	1.80	3.92	27.75	**
Wtree World Ex US Grth	DNL	EW	6.31	0.75	-7.96	-6.71	1.90	3.24	48.33	**
iShares Brazil Indx	EWZ	EW	-14.67	-16.11	-21.90	-19.61	-0.82	4.08	43.50	*
iPath S&P 500 VIX Shrt Trm	VXX	EC	-72.38	-59.28	-38.09	-20.56	-27.23	14.26	15.07	*
iShares Silver	SLV	EG	-29.42	-38.79	-37.12	-18.41	0.90	6.94	19.14	*
Market Vectors Gold Minors	GDX	EG	-36.34	-48.46	-35.15	-11.10	10.21	8.04	26.99	*
Market Vectors Junior Gold Miners	GDXJ	EG	-45.31	-56.46	-46.47	-21.08	10.45	10.17	40.47	*
PS DB Precious Metals	DBP	EG	-21.80	-27.60	-24.98	-12.40	6.11	4.69	42.89	*
PS DB Silver	DBS	EG	-31.00	-40.32	-38.67	-19.52	1.41	7.23	33.19	*
PS Glbl Gold Precious Mtls	PSAU	EG	-34.09	-46.91	-35.04	-12.24	10.70	8.07	21.93	*
US Natural Gas	UNG	EA	-17.38	-16.24	-2.93	-22.41	-3.91	8.22	18.21	*
Wtree India	EPI	EWR	-5.30	-13.57	-22.48	-17.24	-3.77	6.10	15.59	*

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## C-lect 5 (reiteration)



The weekly chart above shows a preliminary back test of the new selecting model from 9/29/2000 through the present. It is called C-lect 5. The results from this look promising. As you can see, the upside was substantially better when invested using the top ETFs as measured by their risk-adjusted relative performance.

C, of course, stands for comet; it is the risk-adjusted relative performance. 5 is the number of ETFs used out of a basket of 35. I plan to expand the basket, but the 35 were the oldest and most liquid.

Over the time period shown, SPY gained 53% and C-lect 5 gained 216%. (C-lect 10 shown last week gained 148%.) Evidently the concentration (5 instead of 10) helped the upside.

One caveat was the number of trades, though with 5 instead of 10, this would be less. Commissions to buy and sell were not included as costs, but I plan to add this as the back testing continues. There was nearly always an exchange from one ETF to another to be made weekly, though not of all 5 funds.

I also back tested some other indicators, but none worked as well as C. I also added some timing both directly on the etfs and on the market overlay. Adding timing also improves results. But for this testing, I wanted to actually test a stand alone selecting method that does better than the market.

So, the testing continues on the selecting side. When completed, the market or direct fund timing will be added and results should improve. One preliminary timing overlay has results exceeding 300% return over the back test period; it always helps to try to avoid losing money.

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

(Continued from page 1) **REVIEW**

ing through the next year. The big buyer will be gone. So, the yield curve should steepen where short-term rates stay near zero, but long-term rates move up.

The last time the taper talk began the stock market tanked in June. Since then it has rallied back and things appear back in gear to the upside. Perhaps the issue in June, however, was the confusion over the two policies and the abruptness of the announcement. The Fed has since learned to telegraph its movements more clearly.

Still, because we know tapering will begin at some point is to introduce uncertainty. The stock market doesn't like uncertainty.

Plus with the talk of a new Fed chairman beginning and who will replace Bernanke, things have begun to look much more unstable for the fall.

In the face of these things, investors remain bullish, which is a contrary indicator.

S&P 500 earnings have already peaked. Coupled with the market's rally, things are not cheap, but are expensive.

To be sure, the leading eco-

nomics indicators continue to point higher. They do not forecast any recession possibility at this point.

In sum, the market is overbought and overpriced at some 15x earnings. Coupled with taper talk and Fed changes, the risk has increased. As usual, we'll be monitoring stop levels and will alert subscribers to any changes.

Please see the individual 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.

New portfolio stops for the World Growth Model are being implemented. These are internally maintained because they may change daily. They will be emailed when close or if triggered.

8/12 No changes.

8/5 No changes.

7/29 No new updates.

7/22 Work continues on the new selecting model. Shown on the previous page is Clect 5 (last week inadvertently mentioned a 20-week moving average overlay).

7/15 C-lect 5 is shown this week. It is based on selecting the top 5 ETFs on a weekly basis by the top C (risk-adjusted relative performance). It too is only the selection process without timing. The final model will include both selections and timing.

7/8 The monthly ETF rankings though 6/30 have been updated. When the C-lection model is done, the plan is to change the rankings to weekly. Incidentally, the C-lect model may end up being 10 or 8 or 12; it depends on the backtesting results. We want diversification that improves results, but not diversification for the sake of diversification.

## % of ETFs Above 35-week moving average



Last week was an oversold indicator. This week's chart shows an overbought indicator. The time period is the same, except the blue bars begin in January 2007 (not prior).

From a basket of 35 ETFs, the chart above shows the percentage of ETFs above a simple 35-week moving average (blue bars). The SPY (S&P 500) is the red line.

The point is to show that when the percentage of ETFs above their 35-week moving average nears 100%, the market may be considered overbought and due for a selloff. The exception to this is when the market comes out from a major bear market bottom. It will move to oversold, but not be followed by a correction. The other times a correction follows.

Currently, the market is overbought.

# Descriptions & Disclosures

## PORTFOLIO DESCRIPTIONS (pages 2 and 6)

Our guiding goal is to provide the most return with the least risk consistently over time 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.

Both portfolios were started on 1/1/10 with \$100,000. However, the Growth Portfolio strategy was changed on 12/10/12 to the World Growth 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).

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 zero for the money market (cash) position.

**SUBSCRIPTIONS:** To receive *ETF Selections & Timing*, you may subscribe in one of three ways. You may subscribe on the web site InvestmentST.com using PayPal or call 1-800-800-6563 for Amex, Visa, MasterCard, or Discover orders or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$24.00. An annual subscription is \$240.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current weekly issue at the web site InvestmentST.com by logging in with a user name and password. There may also be emailed Hotline reports sent between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time each Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday 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.

**GUARANTEE:** Subscriptions may be cancelled at any time. Annual subscriptions are refundable for the weekly term remaining with a four-week minimum charge, using a 52-week count. Monthly subscriptions just expire.

**PUBLISHER:** Watercourse Way Holdings, LLC publishes this newsletter.

**REPRINTS:** This eNewsletter is intended for subscribers only, reprints are not permitted.

**DISCLAIMER:** The information contained herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. Portfolio values include a commission of \$10/trade, dividend reinvestment, and short-term redemption charges. The World Growth Index and World Income Index are equity and bond indexes and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for a subscriber's personal situation. Watercourse Way Holdings, LLC its members and associates may or may not invest identically to or at the same time as portfolios or advice shown herein.

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