

Perspective: July Was Steady as She Goes

Aug 04, 2013

Dear SectorSurfer,

Perspective: Back to "Steady as She Goes"

In late May and early June one might have thought that the long-predicted market correction had arrived, triggered by worries that Ben Bernanke, Chairman of the Federal Reserve, was about to take his foot off the monetary stimulus pedal. The market had also been concerned about collateral damage to our exporters by the economic slump in China, Spain's debt problems, Detroit's recent municipal debt collapse, and stalled jobless claims.

However, when Bernanke shifted gears indicating he wasn't changing policy any time soon, the market quickly snapped back – again proving the market responds primarily to Fed policy and can be quite ambivalent to Spain's troubles, Detroit's debt collapse, stalled jobless claims, and slower growth in China. --- But why is that? ---

To answer that the question, we must follow the money. The value of a machine (company) is tied to the amount of cash the machine can crank out relative to its operating and investment costs. This statement of value contains no direct connection to unemployment, government debt or foreign prosperity. While these maladies may, in fact, impact a company's ability to produce cash, a smart company will adapt to the prevailing conditions by right-sizing its staff, altering its technology, and modifying its products so that it continues to be a cash generating machine irrespective of what is happening outside its four walls.

So, the market continues to drift higher because; (a) the auto industry has become healthy in spite of Detroit, (b) Spanish debt apparently won't collapse the EU and its demand for our products, (c) China is not really buying less, it's just not increasing its orders as fast, (d) Ben Bernanke is not going to make any radical money supply changes, and (e) most companies learned during recent recessions to right-size and adapt themselves to prosper in this environment.

Although some people in the media promote populist rhetoric deriding corporate profits as greed exorcized at the expense of ordinary workers, it is nonetheless corporate profits that breathe life and value into 401k, IRA, and pension accounts that everyone counts on in retirement. Without corporate profits, stock prices collapse, ETFs and mutual funds collapse, and all of our retirement accounts collapse. Corporate profits are the wealth building engine for all retirement plans. While new hires and generous raises may be languishing, corporate profits are indeed helping our retirement accounts.



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Just the FAQs:

How Much of My Own Retirement Funds are Managed by SectorSurfer?

I am asked this question about once a month, and know there are probably five others with the same question for every person who actually asks. Important Note: The investment choices I personally have made and describe below may not be appropriate for your personal circumstances. I share it for illustrative purposes only, and it does not represent a specific recommendation for how you should invest.

The short answer to the question is: about 115%. I currently have a Traditional IRA, a Roth IRA, and a SEP IRA retirement account. 100% of the funds in each are managed by a variety of SectorSurfer Strategies. I also have about 15% additional funds in a taxable account managed by the SectorSamurai Investment Club, which invests funds based on five different mutually developed SectorSurfer Strategies, some of which use 50% leverage. Furthermore, my mother, brother and sister all have their retirement accounts 100% managed by SectorSurfer Strategies. So, indeed I am all in, and you better believe the pressure is high to be sure it works well for everyone!

All of my Strategies revolve around some combination of sectors, countries, and asset classes. Most of these Strategies are either found in the Select-A-Strategy list, or on the Hall of Fame page. They include: Fidelity Sector Rotation, Fidelity International, Fidelity KickAss Mix, ETF KickAss Mix, ETF KickAss Mix-2, Fidelity Income-Bond, Vanguard Mix, and a few others. I am also planning to move some portion of that money to one or both of the SurfMaster Strategies I recently created that you can find on the Hall of Fame Ultra/Inverse category. Currently they are in rank positions #6 and #10.

I also have one visceral stock in a taxable account that I have owned for quite a while. Here, visceral means that it is not under guidance from any SS Strategy – just raw gut belief. I first bought it around \$110, and it is now up to \$460. Sounds great, and it mostly is, except for the visceral part of going 2x leverage when it was at \$650. Of course, I am talking about AAPL. Yeeouch! What is that old rule we are supposed to learn about emotional investing? Looks like I still have a pocket of money to wrestle to the ground and get control of with some kind of emotionless trend following algorithm. ;^)

In closing, I hope this answers the question of just how much I am invested in continuing to make sure SectorSurfer performs well now and into the future.

Surf Well,



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