# Perspective: Trump Surprise Special Situation - OK to Get In

**Nov 25, 2016**

**Dear Scott,**

### The Trump Surprise - A Special Situation

In short summary, the election of Donald Trump not only took the media by surprise, but also took a large number of investment managers by surprise. The slow market decline before the election was quickly converted into what's now being called the ''Trump Rally,'' and it looks like it actually has legs.

This is a special situation because:
1.) It was a **''Punctuated Event,''** that changes future trends.
2.) We humans know something the algorithm does not.

A Punctuated Event is one that cannot be predicted and significantly changes the course of future events. While we knew the exact date and time of the election, most of the predictions were wrong. When it became clear that Trump would win, many market bets had to change.

As humans, we understand that this Punctuated Event is not just a short-term storm, but that it has at least four years of momentum behind it. The only legitimate time to break away from an algorithmic system is when you know something important that the algorithm can't possibly know.

### StormGuard-Armor? It's OK to Get Back In!

Following the initial aggressive rotation from ''Clinton stocks'' to ''Trump stocks,'' it was not immediately clear whether the high volume institutional investors (momentum chart) would be onboard to truly give the rally legs. However, on close examination of how each component of StormGuard-Armor is behaving, it is virtually certain that the institutional investors are onboard and that StormGuard-Armor will release its hold by the end of the month.

It also appears that the Trump Rally will be bolstered by a healthy Santa Claus Rally that seems ready to take hold on the back of this momentary economic optimism. The CNBC talking heads additionally believe many fund managers will be chasing return into the new year to try to make up for their poor performance earlier in the year. These are all good reasons to believe there is no need to wait for StormGuard-Armor to tell us what we already know will be true at the end of the month.

### However - Caution in the New Year...

The $64,000 question for the New Year will be that when the Santa Claus rally is over and the fund managers stop chasing returns for 2016, will the market rally continue into 2017, or will
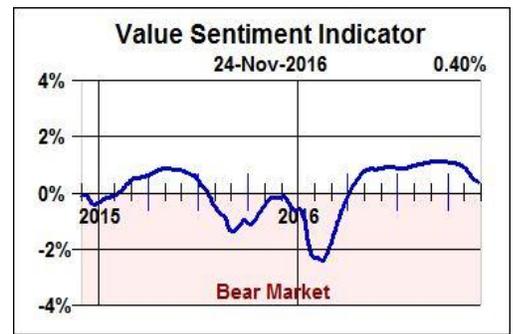


**2-Years**



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it roll over under the former pressures of rising interest rates, excess corporate debt, and generally declining earnings? It is still 60 days before Trump takes office, and much longer before most of his agenda has any chance to be approved and have a measurable effect on the economy. That is a long time for the current euphoria to hold markets up while waiting and hoping that the reality of Trumps agenda might actually work. These are good reasons to be concerned about early 2017. Stay tuned... we will do an update just prior to your New Year's Eve festivities. In the meantime, the new trend is your friend.

**Value Sentiment Indicator**
24-Nov-2016    0.40%

Bear Market

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Surf Well and Prosper,

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# Additional Resources

**SectorSurfer Live Forum**
By the Seattle SectorSurfers Meetup Group

The SectorSurfer Live Forum provides Internet-streamed access to the Seattle SectorSurfers Momentum Investing Meetup Group so everyone can attend the presentations and discussions hosted by Chief SectorSurfer. **Click HERE**

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Join the Conversation

The SectorSurfer Users Group is an online Google Groups Forum created by Joe Gruender of San Jose, CA to provide a platform for exchanging strategies, ideas and learning from the experience of other SectorSurfers. **Click HERE**

**ALPHADROID STRATEGIES**
Professional Help - Change the Game

Bryan Sullivan founded AlphaDroid Strategies to provide True Sector Rotation and StormGuard technology to financial advisors in a framework that helps them manage high performance portfolios for their clients. **Click HERE**