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The Wall Street Sun and Storm Report™

Your warning system whether markets turn UP or DOWN!

NOTE: Please do not read any further unless you understand that you need to come to your own conclusions and take 100% responsibility for what you decide to do. You are the person who is entirely responsible for your investment results. If you understand this, you are in the position to be one of the best traders/investors on the planet. Thank you for understanding.

Market Timing Brief for 7-03-2014: Still Holding Stocks at New Highs

If we were "holding our nose" last month, we're definitely needing to hold it now as valuations climb, but so do the indices. Fed Chair Yellen proclaimed that stocks were not yet in bubble territory and that monetary tools should not be used to puncture bubbles anyway, which the stock indices appreciated. And they rallied. Even the small caps rallied and managed to regain all that they had lost as if there never was a valuation issue in the first place. I think earnings could bring these stocks back down. But the market has to confirm that now.

Here are the charts for the week: http://wp.me/14gPd

There is risk in being out of markets, just as there is risk in being in them, so decide for yourself whether you intend to follow my allocation advice. What I did adjust this year is to keep us highly invested (currently at 92% of maximum in our model) even though much of that is outside the United States. Staying more highly invested increases returns when markets are climbing, and since foreign markets are lower valued than are U.S. markets, the risk there is lower for a pullback, provided that growth eventually shows up. And even if growth remains slow, the lower valuations of the foreign markets offer us a value buffer. Dividends are much bigger abroad as well as demonstrated particularly by IDV, which we own. If you want more U.S. exposure, I favor the U.S. mid-caps that have made new highs with the large caps.

Be sure to check our most current asset allocations in the table below. You can follow them on the WSSSR™ Access page where you got this PDF.

What about sentiment? "Survey Says!" the Bulls still have room, at least from a sentiment standpoint to move higher. The AAII.com sentiment spread between Bulls and Bears barely flinched this week moving from 37.22% to 38.51% Bulls and from 21.09% to 22.39% Bears for a spread of Bulls - Bears of 16.1% two weeks in a row. Why? Because both the Bulls and the Bears moved up the exact same percentage. **Neutrals are still at 39.10% which is high and tends to be Bullish.** Confused investors don't sell as often as Bearish investors, and in a Bullish trend they should be more likely to convert to Bulls than to Bears. **Investing in stocks is still not considered a sure thing by the investors burned back in 2007 to early 2009. We still have room to move higher, even if we pull back first.** The fact that the market sold off stocks such as Amazon's for lack of earnings is actually healthy (AMZN has regained some of what was lost based in part on their new cell phone story, but is still 17% below the prior high, with the SPX at new highs.). We should expect that pattern to continue into this earnings season. Those companies failing to produce results will be slammed. Be sure to own indices via ETFs or pick your stocks carefully. There is no need to expose yourself to unnecessary risk.

Have a great week investing and/or trading!

If you have any questions or comments send them to me via the "Contact Me" page on the website, SunAndStorm.com.

Standard Disclaimer: It's your money and your decision as to how to invest it.

Note: The long term signals have been updated for this issue.

Please read the notes below the MTT before using any of the information and look at the explanation page on the website to gain a feel for my market timing system: http://www.sunandstorminvesting.com/MarketTiming.html.

Again, send me any comments you may have here**:**
http://www.sunandstorminvesting.com/contact-us.html

The rest is in the MTT below! The long term signals were updated based on the end of the last full month. **Remember, the signals and percentages of investment are just suggested trading/investing parameters and your plan needs to fit your risk parameters.**

All the best,

David

P.S. The best way to keep up with the latest is through:

My Website Feed for the latest articles (whether on the main site or the blog) please bookmark this page: http://www.sunandstorminvesting.com/market-timing-blog.html

And for the timeliest info delivered via Twitter please bookmark this page: http://twitter.com/#!/SunAndStormInv

Main Website: http://www.SunAndStormInvesting.com/

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MARKET TREND TABLE (MTT)

******* NOTE LONG TERM SIGNALS FOLLOW the BUY/SELL/HOLD (BSH) and are + OR - *******

*****Changes noted are since the last monthly issue in the Bull-Bear Stage Rating*****

Eight Stage Market Ranking System		5 Stages each			

MAJOR INDICES		**BULL-BEAR**	**BSH/LS**	**COMMENTS: LS (Long Term Signal) updated at end of MONTH. Dates as Month/Year R (Resistance) S (Support) %Exp - percent of maximum exposure in relative terms (see WSSSR Access page near top)**	% **Exp**
S&P 500	SPX	Bull 5	BUY/+	5-30 Despite the new high, we need to add back to this market as long as the close holds above 1912.28, which is slightly below the 5 day mav. Add to 100% exp. if there is a new intraday high vs. Friday's high of 1824.03.	**100%**
NASDAQ 100	NDX	**Bull 5 from Bull 3**	**BUY**/+		
S&P Midcap 400	MID	**Bull 5 from Bull 3**	**BUY**/+	**7-03 May be overextended too. We may have exited early, but put most of proceeds to work in better valued foreign markets.**	25%
Russell 2000	RUT	**Bull 4 from Bear 4**	HOLD/+	**7-03-14 Bulls won and these stocks are again overvalued vs. current growth. Market is banking on FUTURE growth to make up for a sluggish beginning for 2014.** 5-30 Looks like it could turn over right here. If that does not happen early next week though, the Bulls will have a significant win – reclaiming the small caps in the rally in a more sig. way.	0%
BONDS					
10 year Treas. Note	TNX	**Bear 1 from Bull 5**		**7-03 Rates rising again in range.**	
Corporate Bonds	LQD	**Bear 1 from Bull 5**		Same advice now: 3-28 A Bull I still would not buy unless they are individual bonds maturing w/in five years or unless you intend to trade back out.	
Junk Bonds	HYG	**Bull 3 from Bull 5**		**7-04 Coming down.** 5-04: Risk is high. But is a Bull. Trade it. Don't hang around through a big correction.	
BANKING/REAL ESTATE				Check premium/discount of ETFs before buying	
BKX (KBW Banking)	BKX	**Bull 4 from Bear 2**	/+	**7-04 Above left shoulder on daily.**	
MSCI US REIT	RMZ	**Bull 3 from Bull 4**	**SELL**/+	**7-03 Rates rising. We've sold, perhaps a bit early.** 5-30 We've sold but if you have not, you could hold until they break. If rates keep going down, REIT rally will break out again. 5-04 Steady up trend. All in.	0%
US Housing (Philly)	HGX	Bull 3	/+	**7-03 Recovering nicely despite my sale. But about to retest the same top. I may be wrong on this one, but when the signals are missed, I look for less equivocal markets.**	

FOREIGN MARKETS			**BSH/LS**	**LS (Long Term Signal) updated at end of MONTH. Dates as Month/Year R (Resistance) S (Support)**	% **Exp/100**

Australia	AORD (EWA)	**Bull 5 from Bull 3**	**BUY**/+	**7-03 New breakout.** 5-30 Buy breakout only if you are not in it yet. We base our trades on AORD, and use EWA, but check against AORD. Not going above 25% very likely as we also have VPL.	50%
China	FXI	**Bull 4 from Bull 3**		**7-03 Rechallenging the prior weekly highs.**	
Great Britain	EWU	Bull 5	BUY/+	**7-03 FTSE has not broken out yet. This Bull/Bear rating is for the ETF, which takes the currency strength into account.**	25%
India	EPI	Bull 4	HOLD/+	**7-04 Still holding same position.**	25%
International Dividends	IDV	Bull 5	BUY/+	**7-03 New breakout. Nice dividend still and has outperformed the SPY this year.** 5-30 We have a 25% position (remember that number is relative to every other position, with most positions being a "normal 100% exposure", but as I said on the access page, we are not going to add to it. If you want more income, you could tilt your international holdings toward this fund.	25%
European Stocks	VGK	Bull 3	BUY/+	**7-03 Still in HEDJ, also Bull 3.** 5-30 Strong trend. Stay in HEDJ because we expect the Euro could weaken. We are weighted: 100% HEDJ and 25% EWU (above). EWI 25%	125%
Pacific Stocks	VPL	**Bull 5 from Bull 3**	BUY/+	5-30 We have EWA 50% and VPL at 75%, for total relative exposure of 125% to Pac Rim (see access page for explanation). Getting strong.	75%
Emerging Markets	VWO	**Bull 5 from Bull 3**	**BUY**/+	**7-03 100% VWO plus 25% EPI.** 5-30 Drop on Friday is of concern, but step back and you see the trend is up with pullbacks. We may cut back to 100% from 12% on Monday. Likely will keep EPI. 5-04 SAME TODAY w 25% EPI rest VWO for total weighting of 125% - > 3-28 Bought last week to move from 60 to 75% maximum exposure. China, India, and Brazil are driving this. Russia in the tank but could snap back at any time. Brazil's downtrend has not yet been reversed.	100%
US DOLLAR INDEX		**Bull 2 from Bull 3**	**BUY**/+	**7-03 Leaning up. That's why gold could pull back a bit. Long term signal barely positive.** 5-30 Buy on move above April high. Right at resistance or I'd call it a BUY. 5-04 Could be a buy here as it is holding a higher low at the moment, but this is a must hold support level. Could be a trading buy with a stop here or you could wait for some strength.	
(near month future)					
COMMODITIES				R (Resistance), S (Support) and LS (Long Signal) all updated at end of week. Dates as Month/Year	
Except GLD based on near month futures prices					
CRB Index	DJP	**Bull 3 from Bull 2**	**HOLD**/+	**7-03 If you have not sold, you could hold it to the base of support at 38.90 and sell beneath there. We're out for now, despite the improved**	0%

				signal since last month. I never invest in commodities unless they are really cheap as in 2001; I trade them. I hold GLD only as long term insurance against financial calamity (and have a trading position in GLD on top of that).	
Gold	GLD	**Bull 2 from Bear 3**	**HOLD/+**	**7-03 We've re-entered. See access page for price.**	**50%**
Light Sweet Crude Oil		Bull 3	/+	**7-03 Retesting last breakout.** 5-30 Not badly broken, but looks toppy with 3 major highs in this spot. Will pressure the commodity ETFs. 5-04 Since mid-2009 there has been a slow but steady up trend. Slow economy is NOT translating into dirt cheap oil or natural gas despite supply concerns. This helps moving DJP up. Long term signal turned negative however. Since 2011 has moved sideways really. 3-28 It's moving and driving up other commodity prices as well.	
				LS (Long Term Signal) updated at end of MONTH. Dates as Month/Year R (Resistance) S (Support)	
				Check premium/discount of ETFs before buying	
R = Resistance **S** = Support **mav** = moving average **ID** = Intraday **LT** = Long term **LS =** long term signal Low or high: refer to intraday low or intraday high, respectively, unless otherwise specified. Waffle: Price moving back and forth between two signals at least once. Commas separate distinct values as in "S @ 42.34, May low." Both 42.34 AND May low = support levels. Bull Markets are Bull 1 through 5 and Bear Markets are Bear 1 through Bear 5. Note: I added the Bull 5 and Bear 5 designations beyond those initially used to capture markets with no nearby resistance (Bull 5 markets) and those with no nearby support (Bear 5 markets). See the website explanation on the "Market Timing" page (see blue navigation bar).					

If you have any comments, please feel free to send them to me here:
http://www.sunandstorminvesting.com/contact-us.html

NOTE:
I follow a number of indices that are used to broaden the view of the markets around the world, but our core portfolio is made of large caps (SPX; use whichever ETF or fund you have available), MID (midcaps, e.g., MDY), RUT (U.S. small caps, European Stocks (e.g., VGK), Pacific Rim Stocks (e.g., VPL; relatively illiquid in my experience; bid-ask spreads may be wider than usual, but the ETF has low costs), Emerging Market Stocks (e.g., VWO), RMZ (REITs, e.g., VNQ), Commodities (CRB Index, e.g. DJP), and gold (e.g. GLD). These are just examples and are used for tracking the indices in some cases where it is more convenient (noted in MTT above). If there are individual stocks that you decide to buy, you can blend these into the core index holdings as part of one of them. So if you buy AAPL or MSFT (check on current recommendations via Twitter®, that counts toward your SPX exposure. Bonds should be a certain percentage of your portfolio but determining the percentages of all these is a personal decision based on your risk tolerance. I recommend individual bonds over bond funds as the former can be held to maturity generally without much risk of principle, but obviously with the potential of interest rate risk. I do not give BUY/SELL/HOLD ratings on the indices that are not part of the core portfolio, because I prefer to focus my energy on the core portfolio and use the other markets as additional data that may impact my view of the world economy or parts thereof. If I do buy a housing stock ETF, a biotech ETF, or a financial ETF, just as examples, these will be followed on Twitter only potentially and perhaps in my access page notes (page you got this PDF from). I follow 35 markets all told and numerous key individual stocks.

It's important to always check the premium/discount of a fund from net asset value prior to buying. Some funds may be priced as much as 60% above their value (see Morningstar's data for example, but I cannot guarantee its accuracy). It would greatly increase your risk to buy at such a premium as the fund could return to the value of its assets over a period of time. Remember that just because a market is listed as a BUY, SELL, or HOLD does not mean that you should take that action. Your plan may be to buy on the way down for example despite the trend. Please make your own decisions. Moving an index from a BUY to a HOLD does not mean you should SELL it and nor does moving an index from a SELL to a HOLD mean you should buy it. HOLD means the index is no longer in a great place to be bought or sold. Also realize that signals may reverse 1 or 2 days following their occurrence. Breakouts and apparent breakdowns may reverse course even after 3 days above/below the break point, so remain alert! And stay connected via Twitter if the short term moves matter to you.

A **"new high" means a new intraday high,** not a new closing high, which is a more demanding criterion for a BUY. The same applies to "new lows."

Further Comments: Realize the support levels cited do not represent numbers that you have to or even should necessarily use as stops. You may be able to afford a wider stop because of where you bought the given index for example. You may be buying a breakout and may then use the breakout point as your stop should the price close below it. Sometimes markets test one day below a breakout before moving up again, so I generally prefer to scale out below breakout points (and not too close to them!) rather than selling all shares at once. Whether you use a wider stop than I do is up to you. In other words, use your judgment and risk tolerance for picking both buying and selling points, while being willing to get back in or back out if you are wrong.

Buying points vary in their reward: risk setup as I often discuss. You should attempt to judge how far away resistance is to your buying point and how far below support is. The reward should always be double (some say triple) or more than the risk when you set up your stop in advance. If not, find something else to invest in! Do not force an investment or trade to work when it does not provide a good set-up. There is more on this on my "Buying Checklist" page on the website.

I will often move an index to a "HOLD" if it is too close to important resistance (R), because what is the point of buying an index if it is about to stop its move up and fall from that resistance level? So when a resistance level is very close, it's best to make the "index" prove itself by moving above resistance, while being alert to possible false breakouts. The same thing goes for breaches of support. One or two days below a key level does not mean there will be a failure necessarily, which is why, as mentioned, scaling out of a downturn or scaling into a rally is often more sensible than jumping in one move, but there are times when a single SELL is more reasonable. For example, a specific event driven move in a market can take on momentum after the first upside or downside breakout day. So now it's clear that "HOLD" does not mean SELL. It could mean that we've bought earlier, but there is now close overhead resistance. On the other hand, you may choose to SELL at resistance and rebuy higher at certain times as a risk control maneuver. Many systems work. The lack of a system fails routinely in my experience. Have a system and keep checking to see if it's still working. Change it if it is not working. So you must assess your results on at least a monthly basis if you intend to improve.

In regard to the bond funds we follow, I believe it is better in general to buy bonds you will hold to maturity in the case of AAA rated bonds. Look at the bond fund swoons back in 2008. Maybe that won't happen again, but maybe it will, which is why I don't care for bond funds unless your asset level requires it. We track the ETFs to keep an eye on the behavior of interest rates and to allow you to judge whether to adjust the proportion of stocks to bonds in your portfolio. Also, I like to buy bonds when they are relatively cheap and rising in price.

Slow Signal Review
*****NOTE: Updated only at end of market MONTH as are support and resistance levels unless otherwise specified. Changes are printed in bold.** Using "slower" signals can result in large losses during Bear markets and the failure to participate in significant rallies as well, but they may give me a feel for the longer term market direction, so they are worth following. **The Slow Signal is given as a simple + or – sign in the MTT next to the Buy, Sell, or Hold status.** Signals are uncorrected for dividends in the case of the long term signals which could cause some distortions for bond funds.

based on an intraday signal prior to a close (often via Twitter), the latter being far less common, in compliance with government rules. We do not recommend ETFs with low trading volume to avoid movement of the market from the recommendations of this newsletter, but we cannot guarantee this won't happen if a major investor reads this newsletter, so never chase an ETF and avoid placing stops in the market as you may sustain rapid losses in share value on a pullback after the buying is exhausted. The same is true of sudden high selling volume in any ETF. When the selling is exhausted, the ETF may rebound strongly. The data may not be accurate, although it is our intention to be accurate. At times we may provide more timely information via Twitter, but cannot guarantee we'll be able to do so. We may have overlooked important issues in our analysis, although we would not plan on doing so, and you and/or your investment advisor should check all facts, numbers, symbols, and strategies prior to investing. In the end, we all must take responsibility for our investment decisions regardless of how helpful an outside source may be. If you don't, you are partially asleep running on cruise control. This newsletter may help give you an independent view to test against your own opinions about how to invest, but cannot guarantee any particular results. Past results do not guarantee future results. We are not certified financial advisers, planners, or brokers, so you should consult one if you feel you need to prior to making any investments, and in any case take 100% responsibility for your investment decisions. By agreeing to receive this e-newsletter, emails, and/or by using the website SunandStormInvesting.com, its subdomains (e.g. Wordpress Blog), or Twitter (SunAndStormInv), you are in full acceptance of this and all other disclaimers here and on the website in their entirety. If you no longer wish to receive this newsletter, please notify us by email. Your receipt of this newsletter does not imply any right to receive it in the future. We reserve the right to cancel this newsletter without notice. We wish you the best with all of your investments! Thank you for your support and your subscription.