WELCOME!
BUSINESS CYCLES, MARKET CYCLES, AND STOCK SECTORS

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The Peter Dag Portfolio

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HE IS THE BEST!!!

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Timer Digest

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2009 Timer of the Year

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THE PETER DAG PORTFOLIO

- TWICE A MONTH - 17 PAGES
- MARKET UPDATE (weekly)
- THE GLOBAL BUSINESS CYCLE (monthly)
- THE US ECONOMY (monthly)
FLEXIBILITY
MY APPROACH

USE THE BUSINESS CYCLE TO FORECAST THE MAIN FORCES DRIVING ASSET PRICES
INVESTMENT PROCESS

1. Economic Outlook
2. List Strong Sectors in the Predicted Economic Environment
3. Select Stocks Within Chosen Sectors
4. Buy/Sell Signal
   - Decreasing Risk: Increase Equities, High-Yield Bonds
   - Rising Risk: Reduce Equities, High-Yield Bonds
5. Performance
CURRENT VS OTHER CYCLES
BUSINESS CYCLE

Purchasing Managers (ISM) Indexes (Manufacturing)
ISM index and delivery index

Interest Rates & Change Trend
ISM Index
Delivery Index

EXPENDITURES AND RECEIPTS

Federal Government Current Receipts (FGRECPT)
Federal Government: Current Expenditures (FGEXPND)

Shaded areas indicate US recessions.
2010 research.stlouisdFed.org
THE FED AND FINANCIAL BUBBLES

- Aggressive easing in 1998 was followed by the tech bubble

- Aggressive easing in 2002-2004 was followed by the housing/commodity bubbles and subprime debacle

- Now ... same mistake
COMMODITIES - BUBBLES AND FED POLICY

COMMODITIES (FUTURES) AND INTEREST RATES

THE FED SHOULD HAVE STOPPED HERE

CRB (RHS)

T. BILLS (% LHS)
HIGH-YIELD BONDS

BAA BOND YIELDS AND RATE ON TREASURY BILLS

FLOOR FOR BAA BOND YIELDS
BREAKING NEWS: LONG-TERM DOES NOT EXIST

S&P 500

6.75% GROWTH SINCE 1932
MY MAIN INDICATORS

- UNEMPLOYMENT CLAIMS
- CONSUMER CONFIDENCE
- FINANCIAL RISK
- SHORT-TERM INTEREST RATES
- YIELD CURVE
- MONEY SUPPLY - MZM
- CORPORATE BONDS
- OSCILLATORS & CYCLES
- TRENDLINES & VOLUME
STOCKS AND UNEMPLOYMENT CLAIMS
FINANCIAL RISK AND STOCK PRICES
(2008 CHART)
FINANCIAL RISK AND STOCK PRICES
(2009 CHART)
SECTORS FOR A WEAK ECONOMY AND BEATING THE S&P 500

- HEALTH SERVICES
- INSURANCE
- BANKS, REGIONALS
- BROKERS
- REAL ESTATE/REITs/TRUSTS
- PRIVATE EQUITY
SECTORS FOR A STRONG ECONOMY AND BEATING THE S&P 500

- METALS AND MINING
- ENERGY
- ELECTRONICS
- INTERNET
- COMPUTER SOFTWARE & SERVICES
- CONGLOMERATES
COMMODITIES AND THE MARKET
TECHNICAL ANALYSIS

- OVERBOUGHT/OVERSOLD INDICATORS
- TRADING VOLUME
- SENTIMENT INDICATORS
- OSCILLATORS & TRENDLINES
- CYCLES
TRADING VOLUME

GLD (SPDR Gold Trust Shares) NYSE + BATS
2-Feb-2010 10:34am
Open 109.16 High 109.33 Low 108.61 Last 109.16 Volume 3.0M Chg +0.81 (+0.75%)
OSCILLATORS AND CYCLES
RISK MANAGEMENT & PERFORMANCE
PORTFOLIO PERFORMANCE

- Economic Outlook
  - List strong sectors in the predicted economic environment
    - Select stocks within chosen sectors
      - Buy/Sell signal
        - Decreasing risk
          - Increase equities high-yield bonds
        - Rising risk
          - Reduce equities high-yield bonds
IDEAS

- AVOID ASSET CLASSES NOT IN TUNE WITH THE BUSINESS CYCLE
- DIVERSIFICATION = INDEXATION = AVERAGE DOWN = LONG-TERM = NONSENSE
- USE TIMING TOOLS TO KEEP FOCUSED
- MANAGE THE MARKET VALUE OF YOUR PORTFOLIO, NOT EACH POSITION
- MOMENTUM WORKS - SELL WEAK & BUY STRONG POSITIONS (GRADUALLY)
- USE HEDGING TECHNIQUES
FINAL THOUGHTS

- HISTORY IS RANDOM – THIS IS THE REASON WE CANNOT LEARN FROM IT

- ALL THE PHDs, NOBEL PRIZES, AND SO CALLED EXPERTS IN WASHINGTON---YET THIS CENTURY HAS BEEN PLASTERED WITH DEPRESSIONS, RECESSIONS, WARS, INFLATIONARY PERIODS, AND BUBBLES OF ALL TYPES.

- POWER AND WEALTH ARE THE ULTIMATE OBJECTIVE OF THE GAME
THANK YOU!