

WELCOME!

BUSINESS CYCLES, MARKET CYCLES, AND STOCK SECTORS

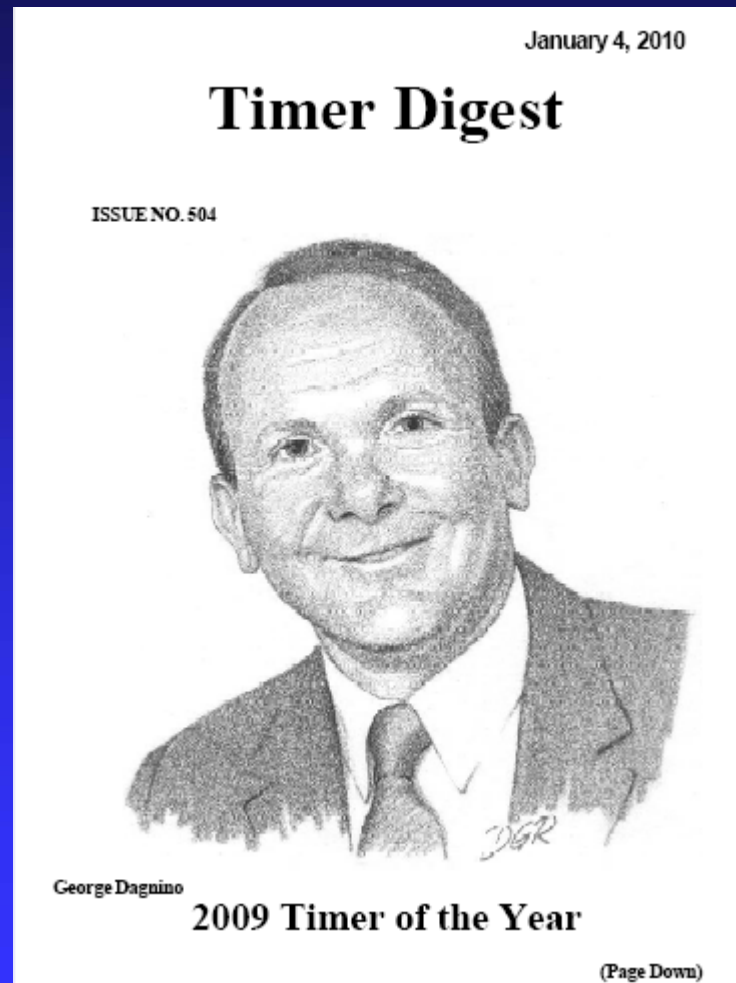
George Dagnino, PhD

The Peter Dag Portfolio

www.peterdag.com

peterdag.blogspot.com

HE IS THE BEST!!!



THE PETER DAG PORTFOLIO

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

OUTLINE

- **BUSINESS CYCLE**
- **INVESTMENT PROCESS**
- **STOCK SECTORS**
- **INVESTMENT STRATEGY**
- **TIMING**
- **RISK AND PORTFOLIO MGT**

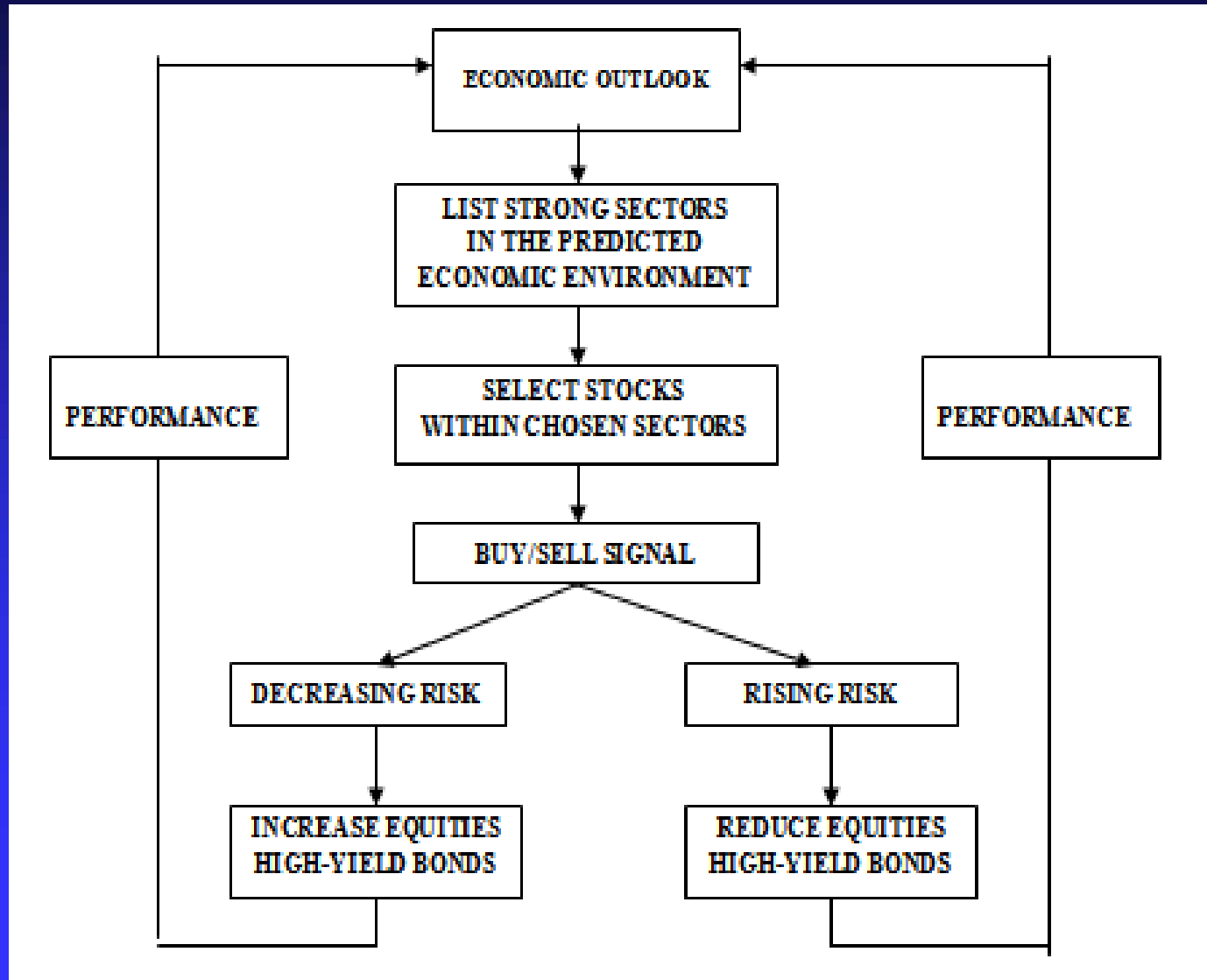
FLEXIBILITY



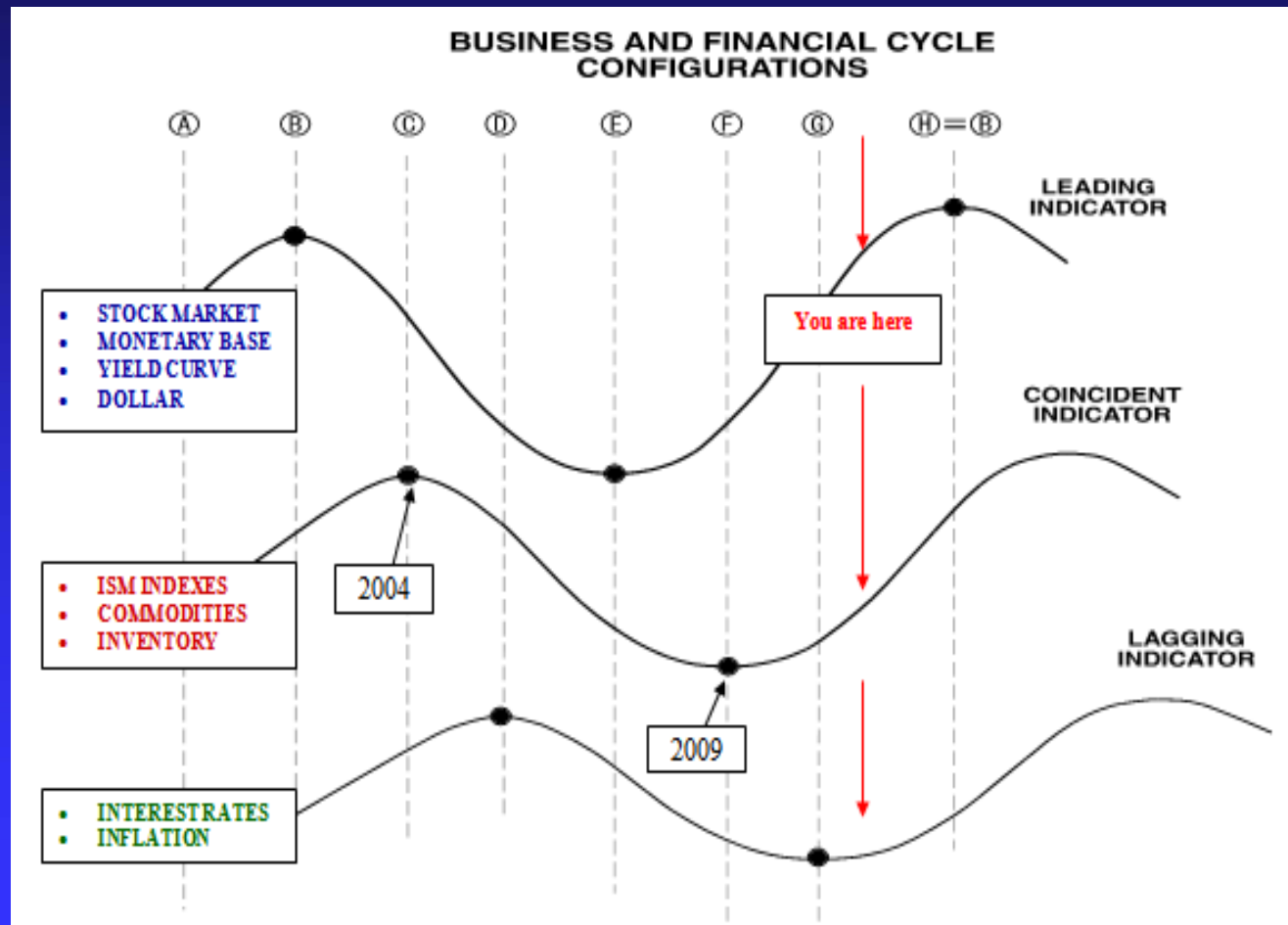
MY APPROACH

**USE THE BUSINESS CYCLE
TO FORECAST
THE MAIN FORCES DRIVING
ASSET PRICES**

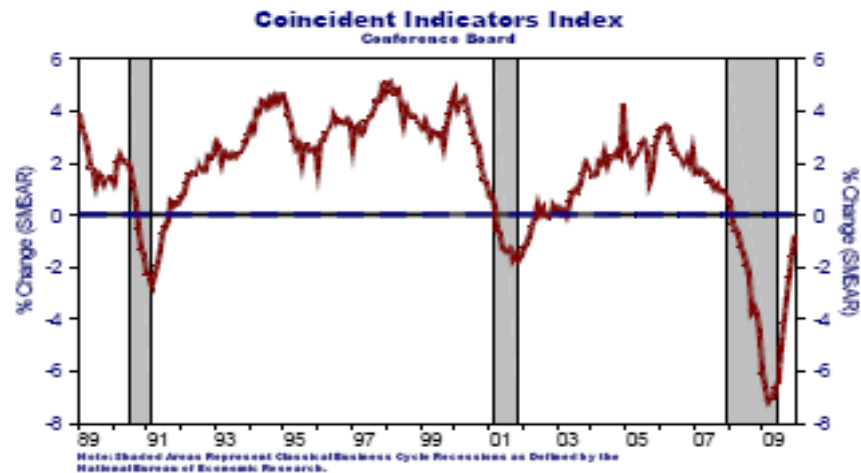
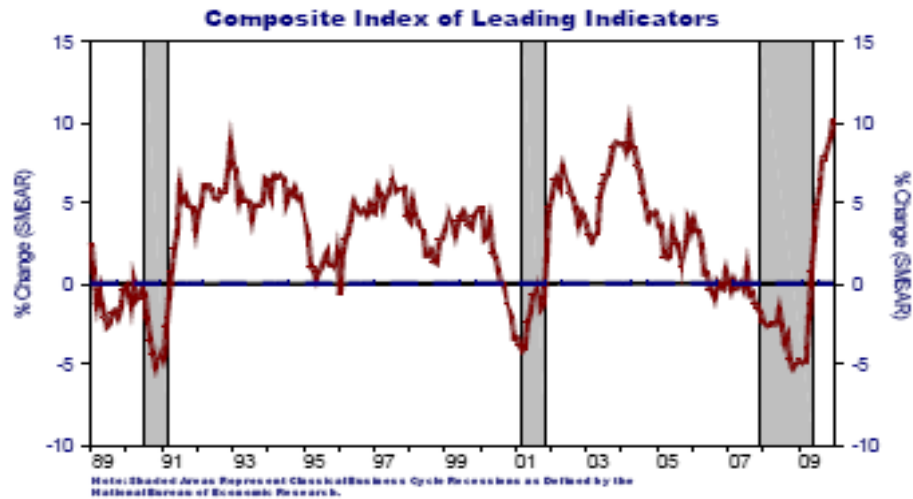
INVESTMENT PROCESS



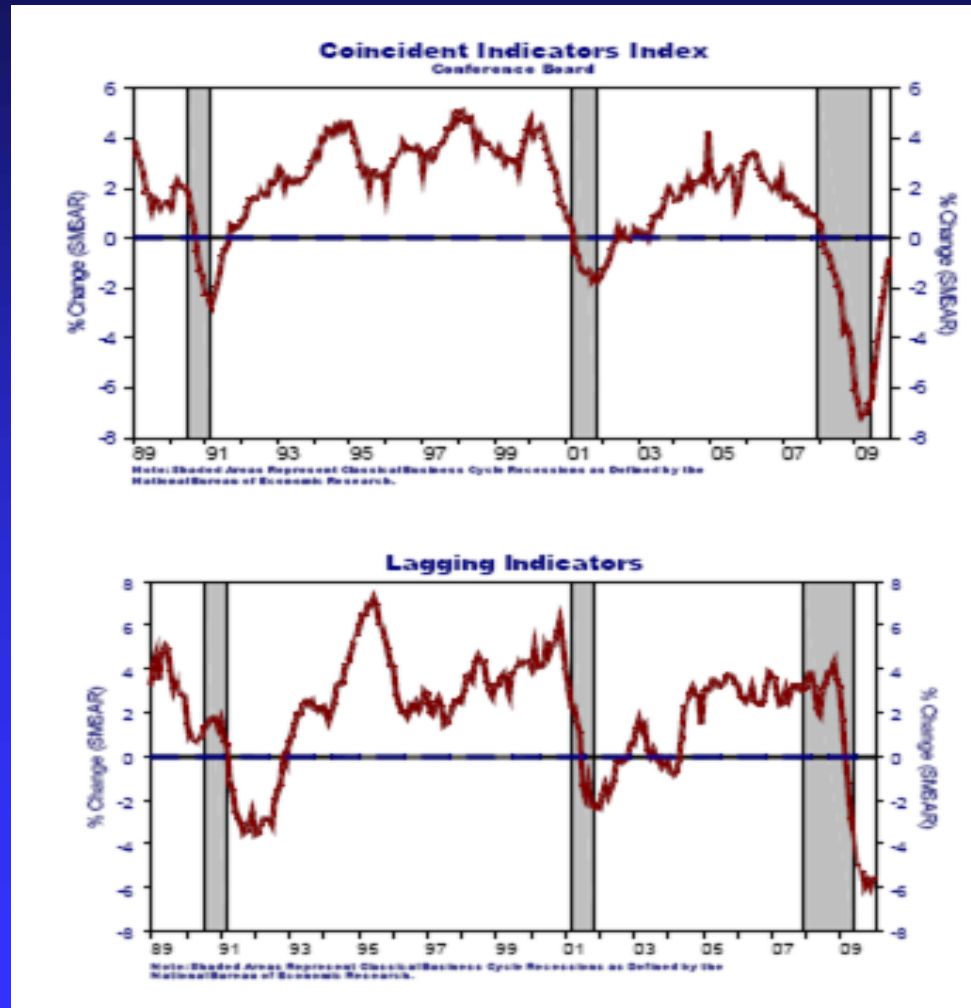
BUSINESS CYCLE



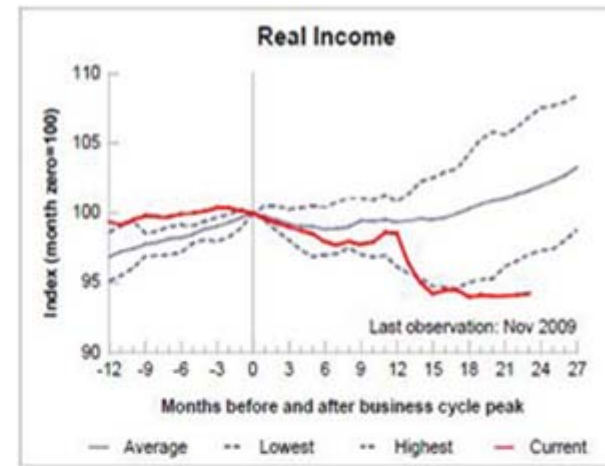
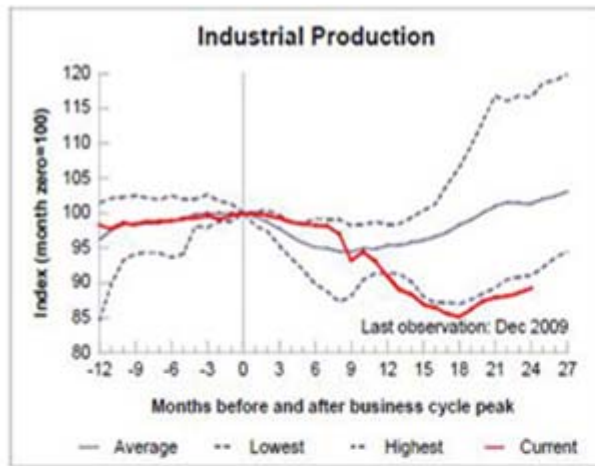
LEADING-COINCIDENT



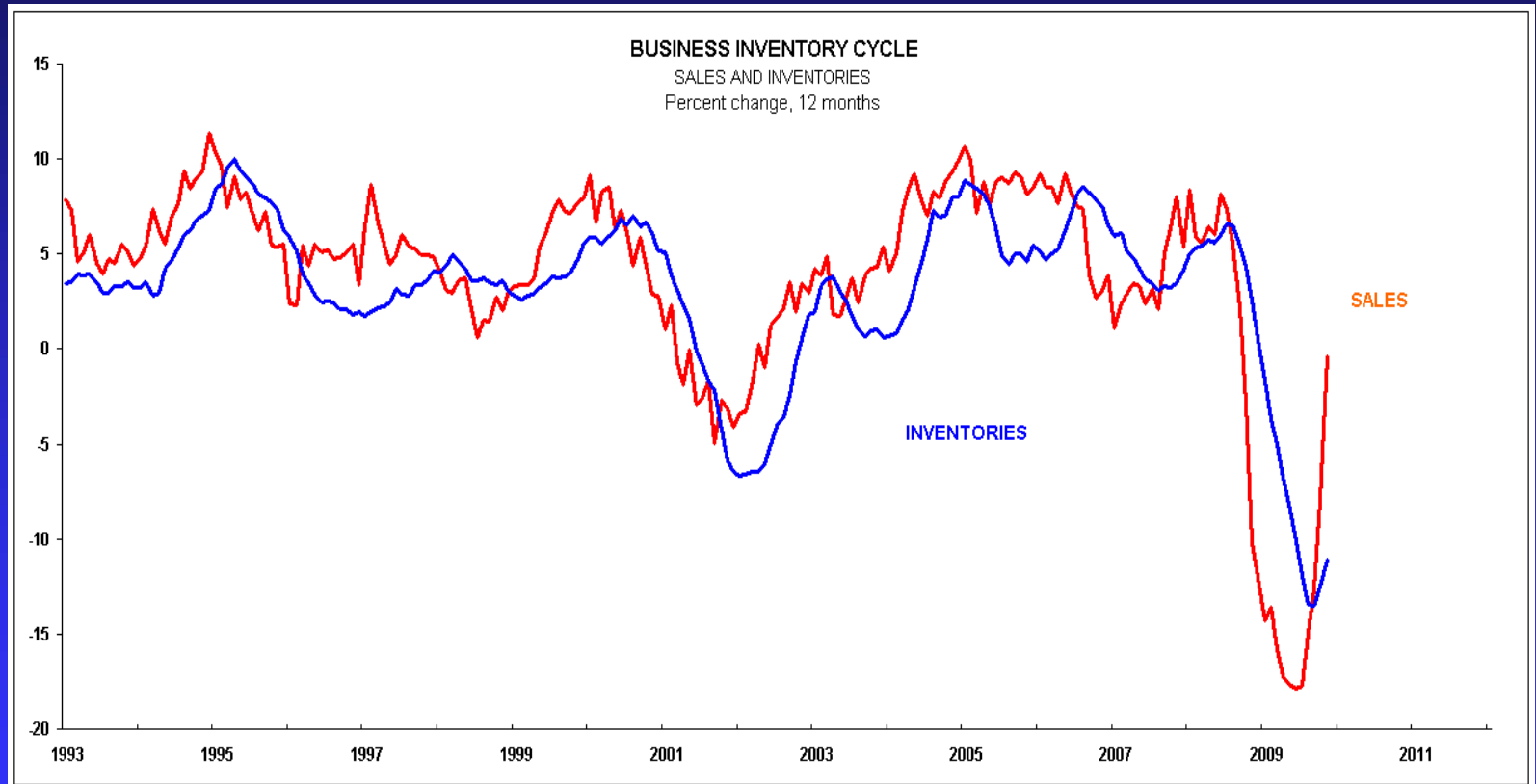
COINCIDENT-LAGGING



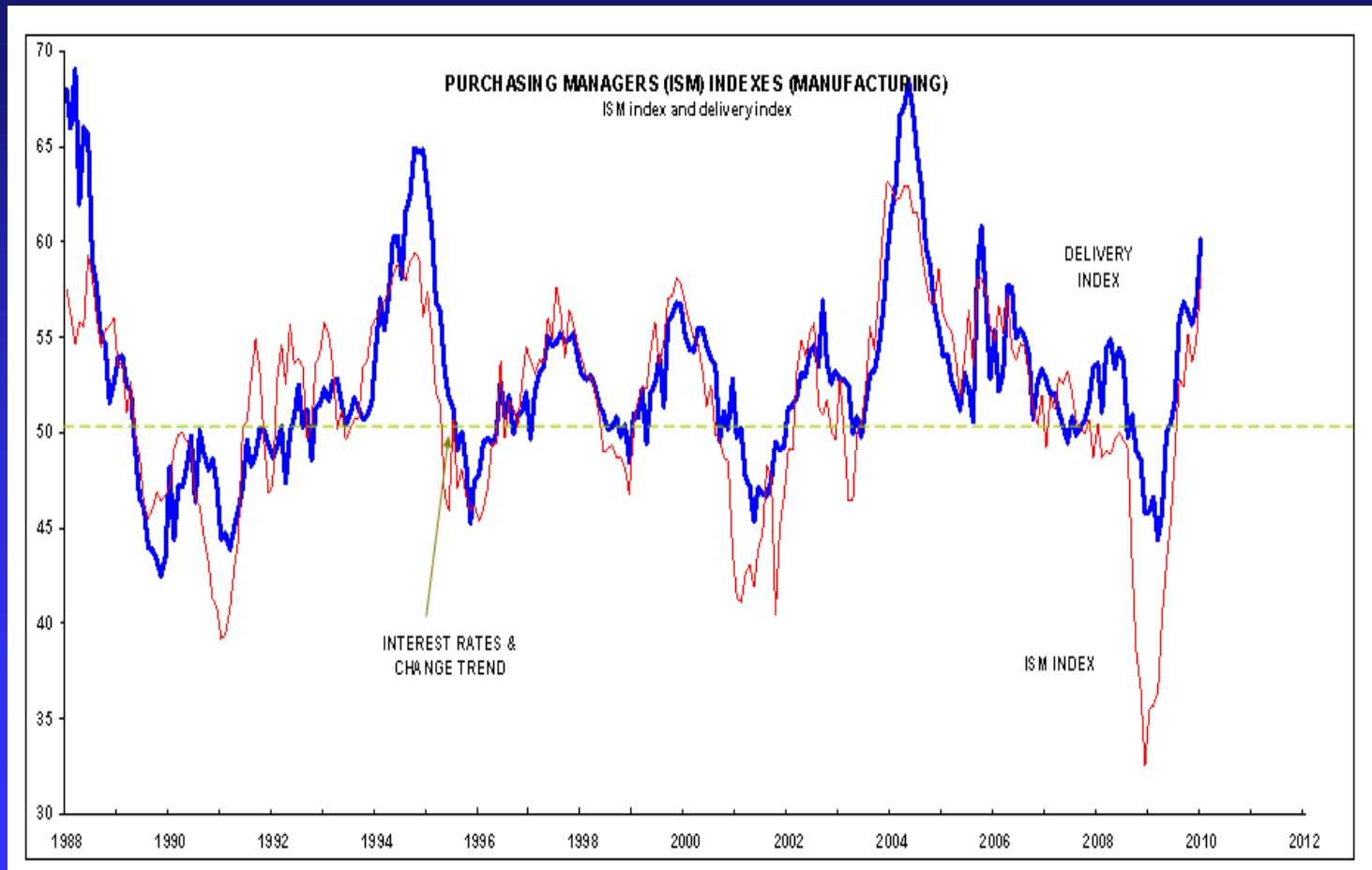
CURRENT VS OTHER CYCLES



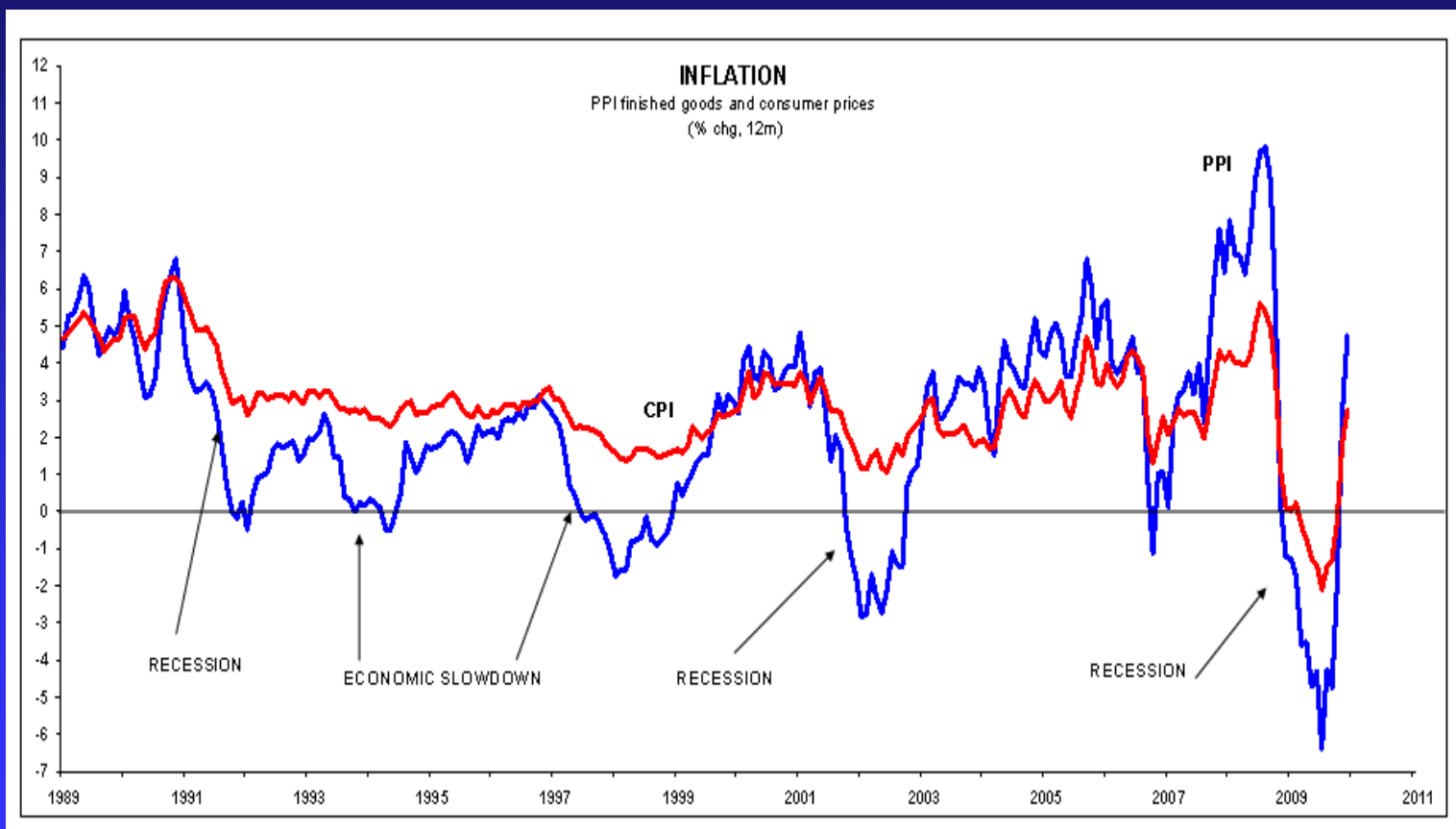
INVENTORY CYCLE



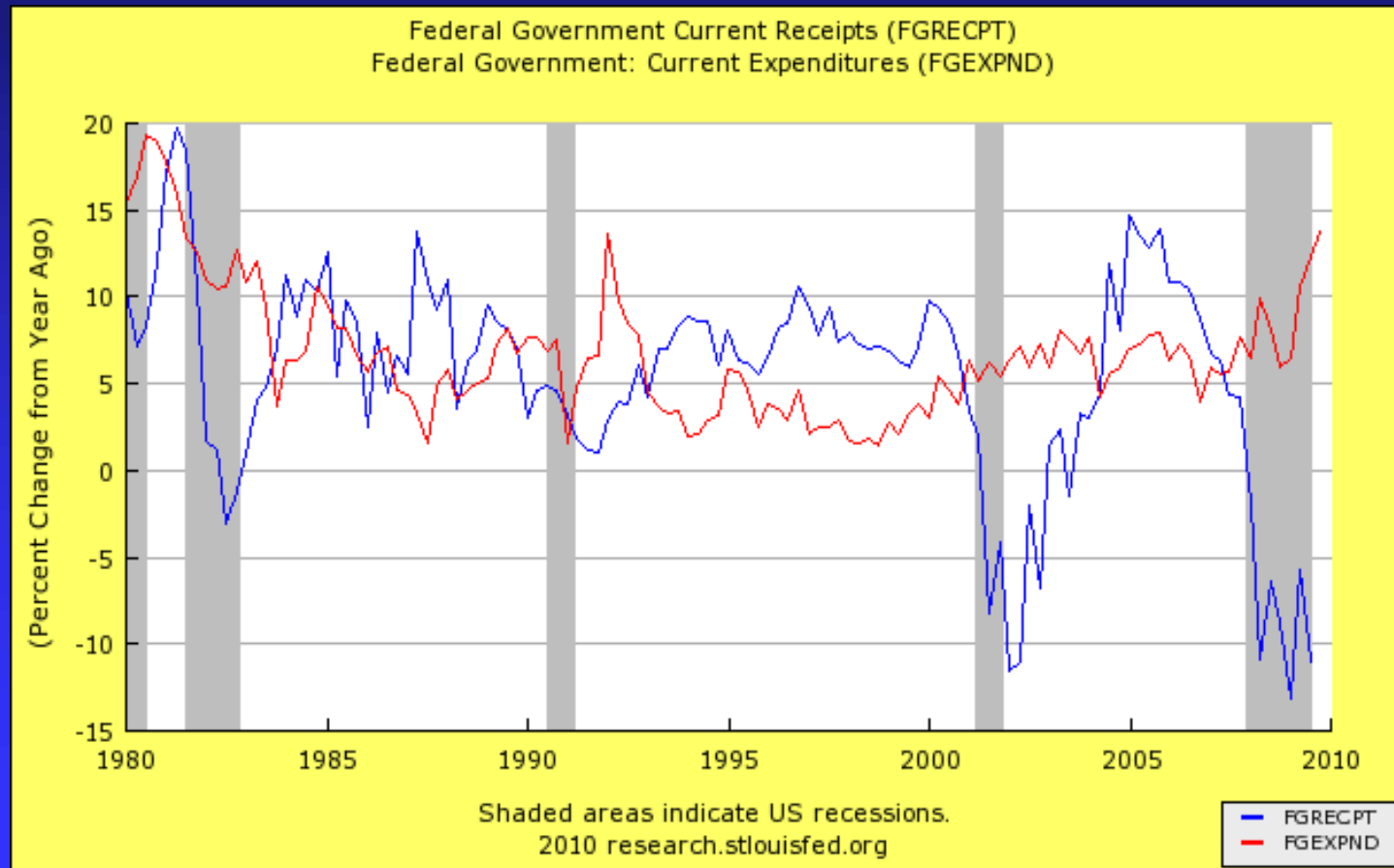
BUSINESS CYCLE



INFLATION



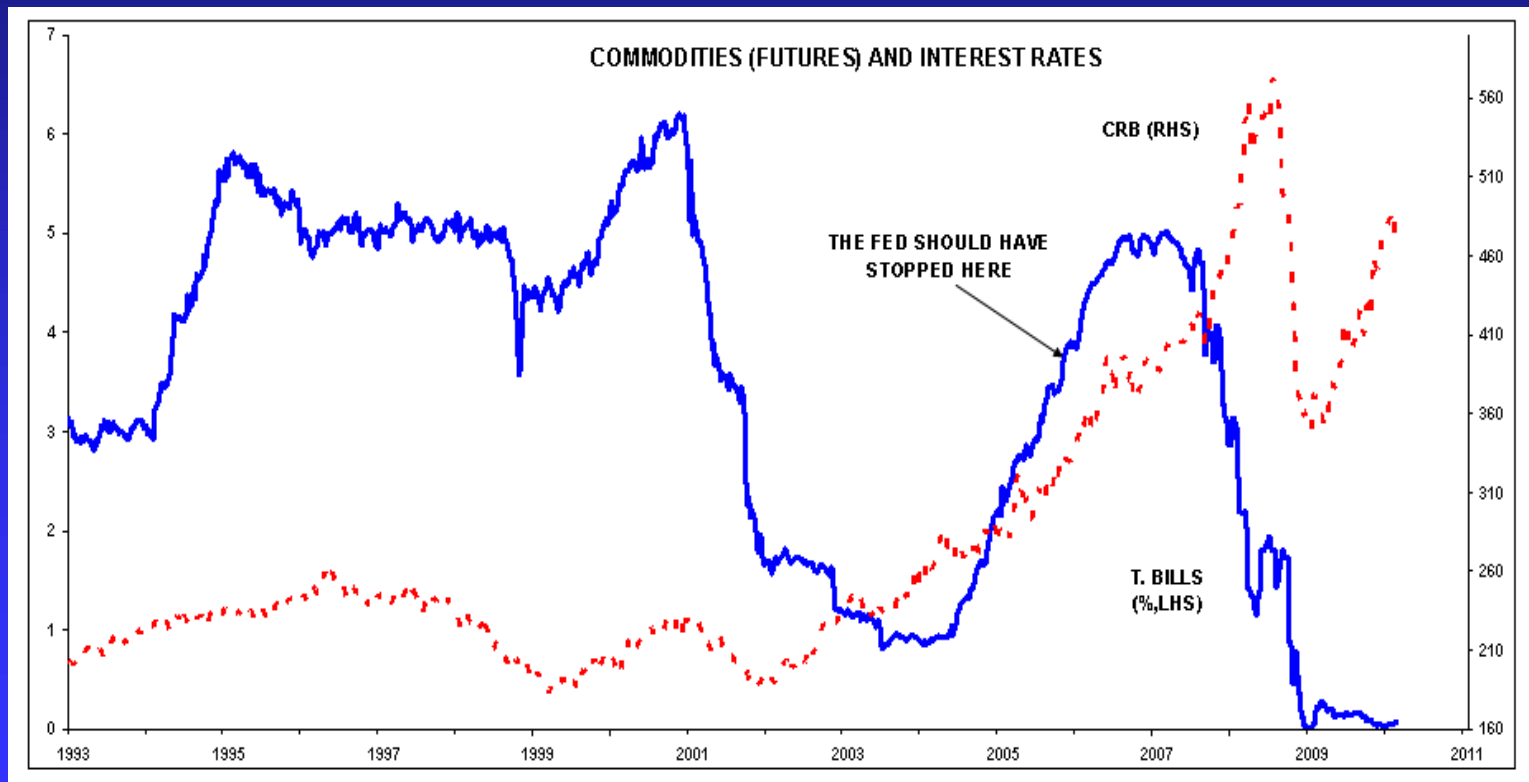
EXPENDITURES AND RECEIPTS



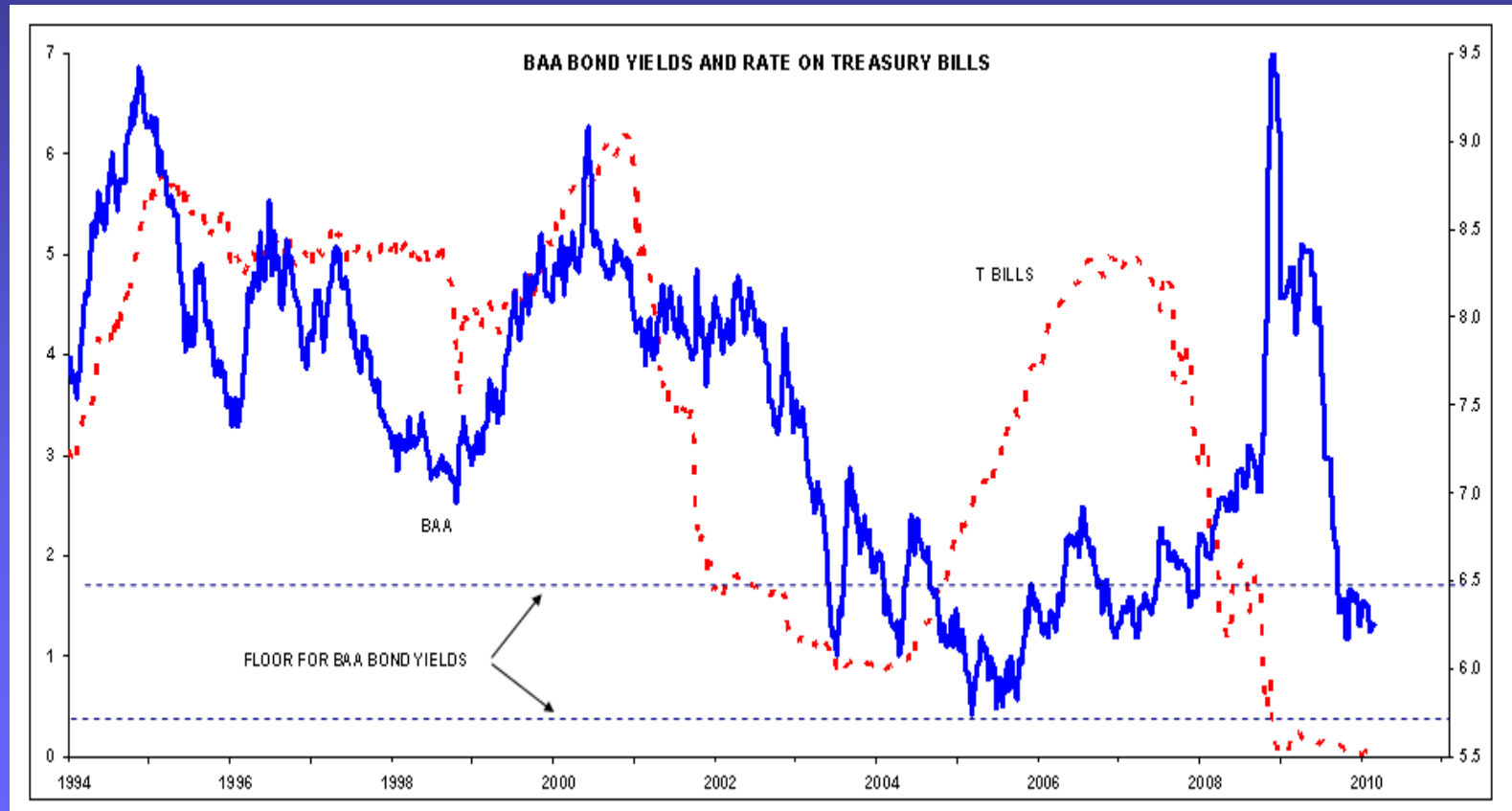
THE FED AND FINANCIAL BUBBLES

- **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**

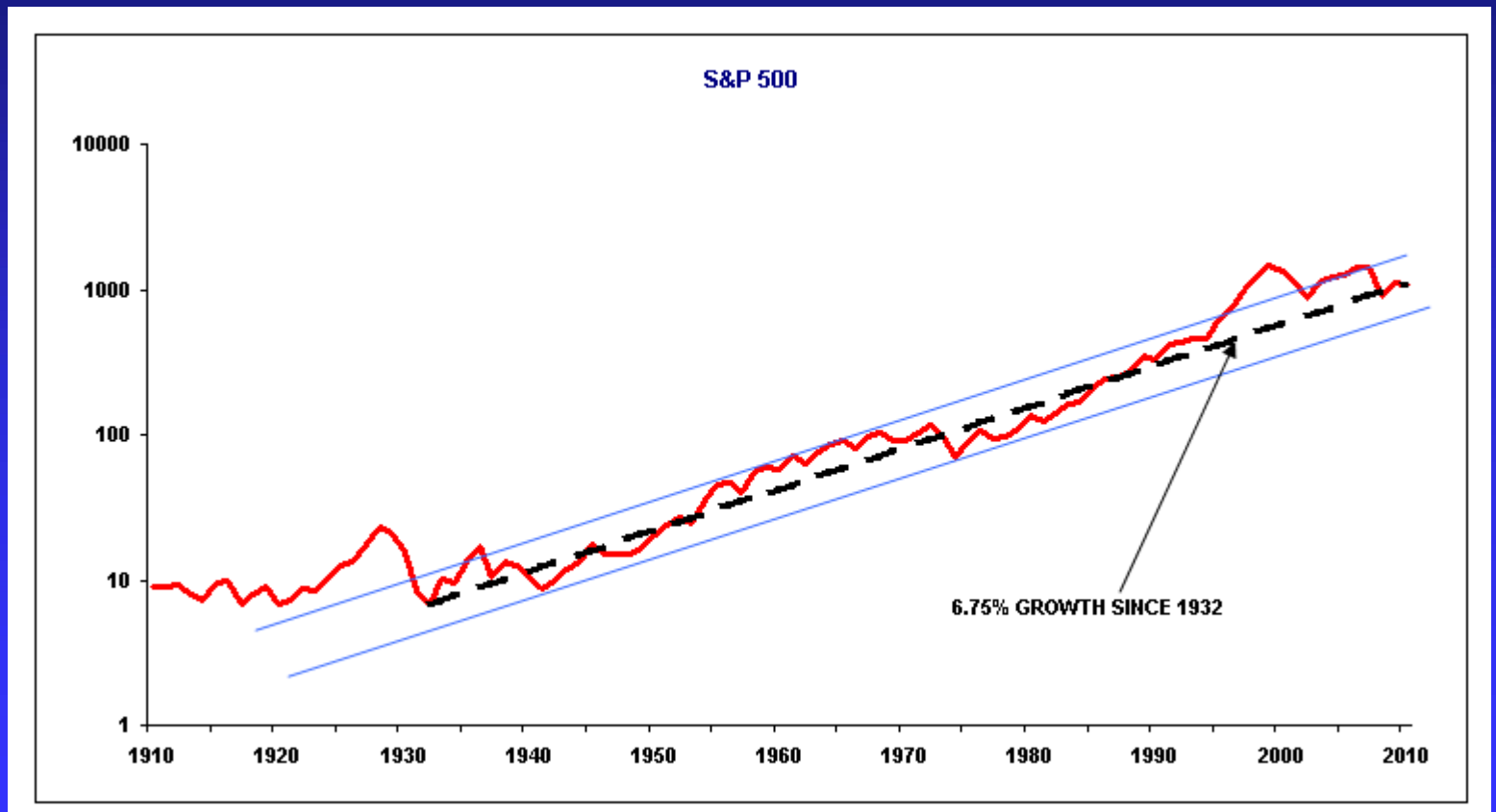
COMMODITIES - BUBBLES AND FED POLICY



HIGH-YIELD BONDS



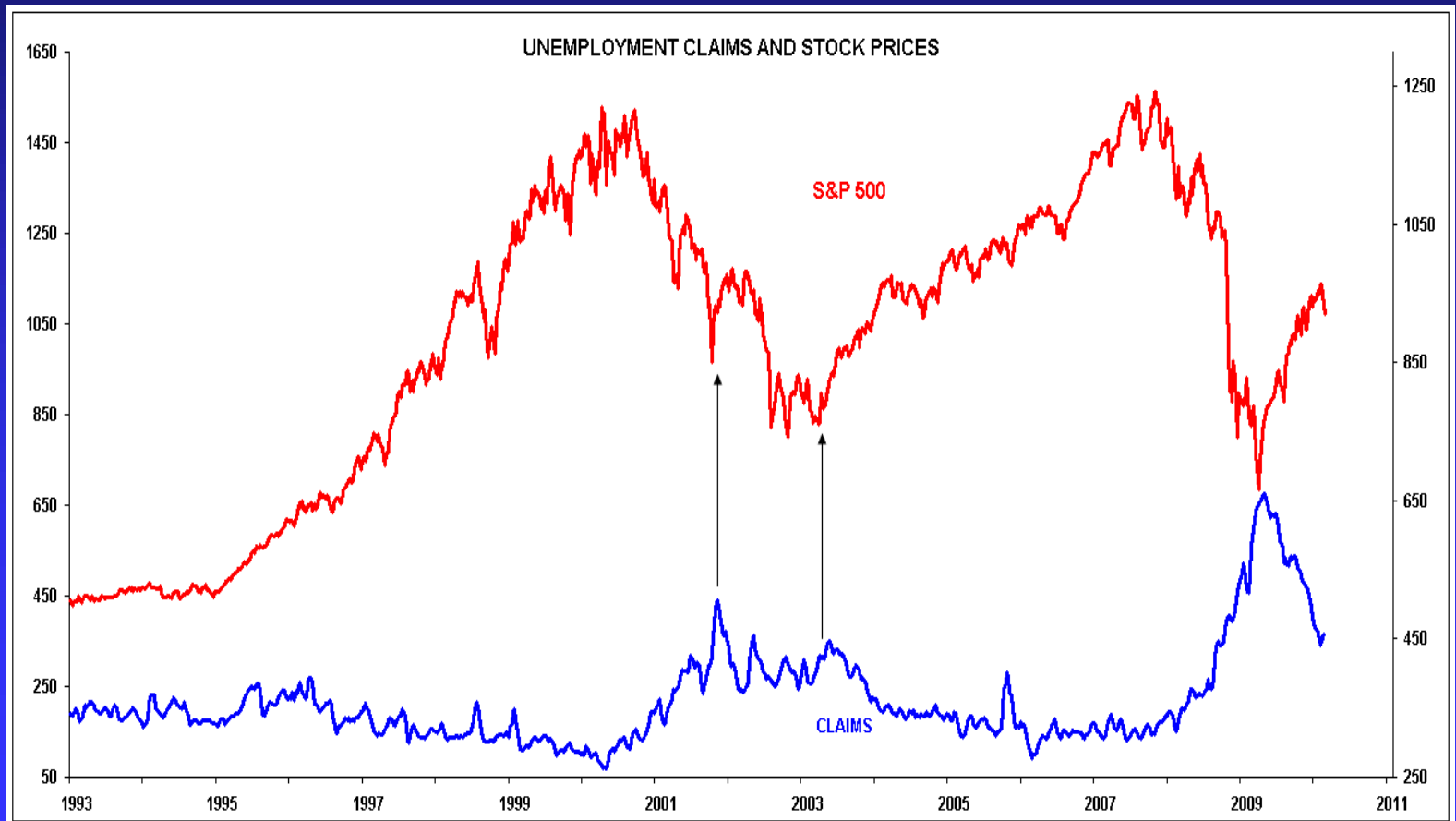
BREAKING NEWS: LONG-TERM DOES NOT EXIST



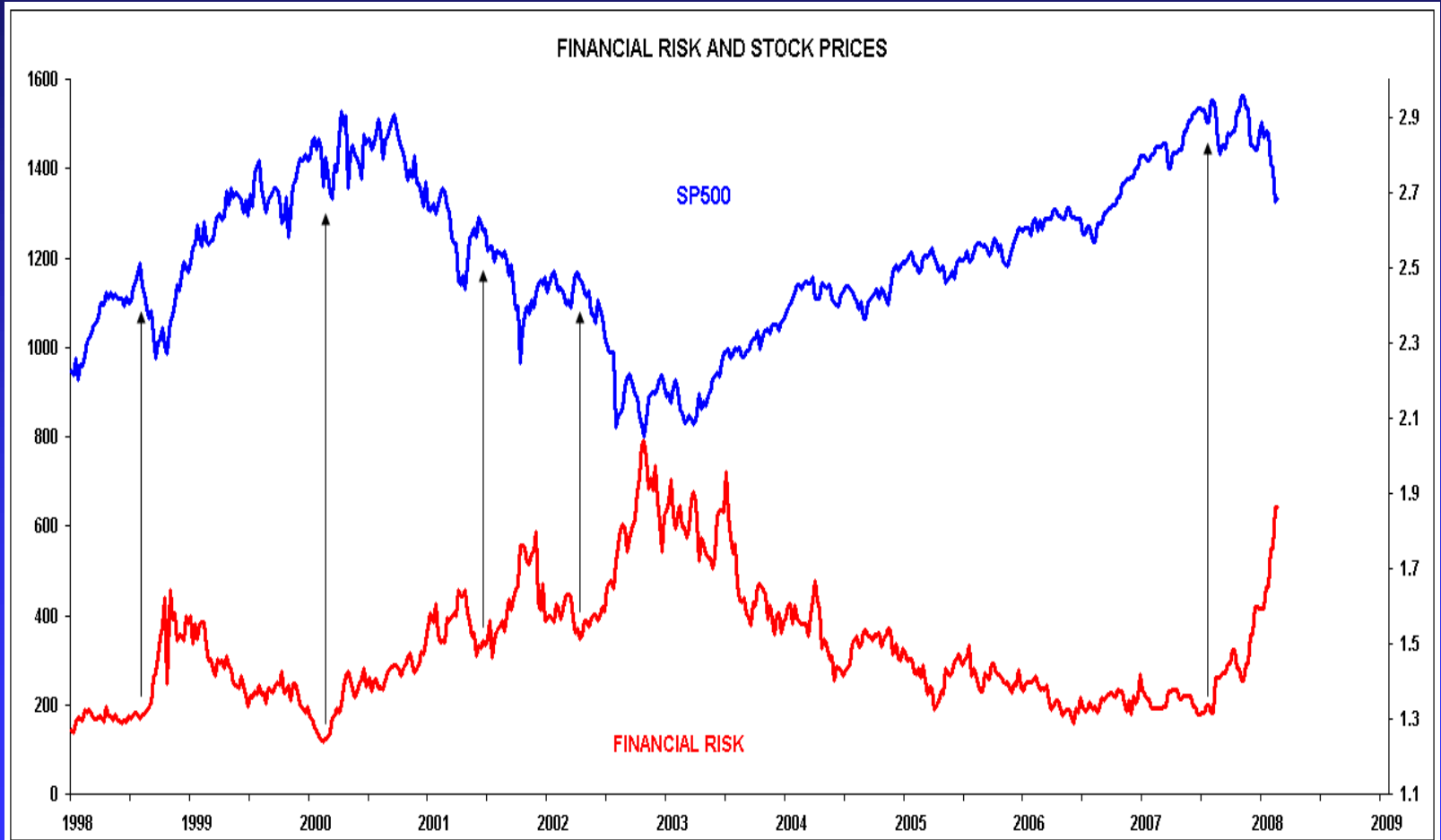
MY MAIN INDICATORS

- UNEMPLOYMENT CLAIMS
- CONSUMER CONFIDENCE
- FINANCIAL RISK
- SHORT-TERM INTEREST RATES
- YIELD CURVE
- MONEY SUPPLY - MZM
- CORPORATE BONDS
- OSCILLATORS & CYCLES
- TRENDLINES & VOLUME

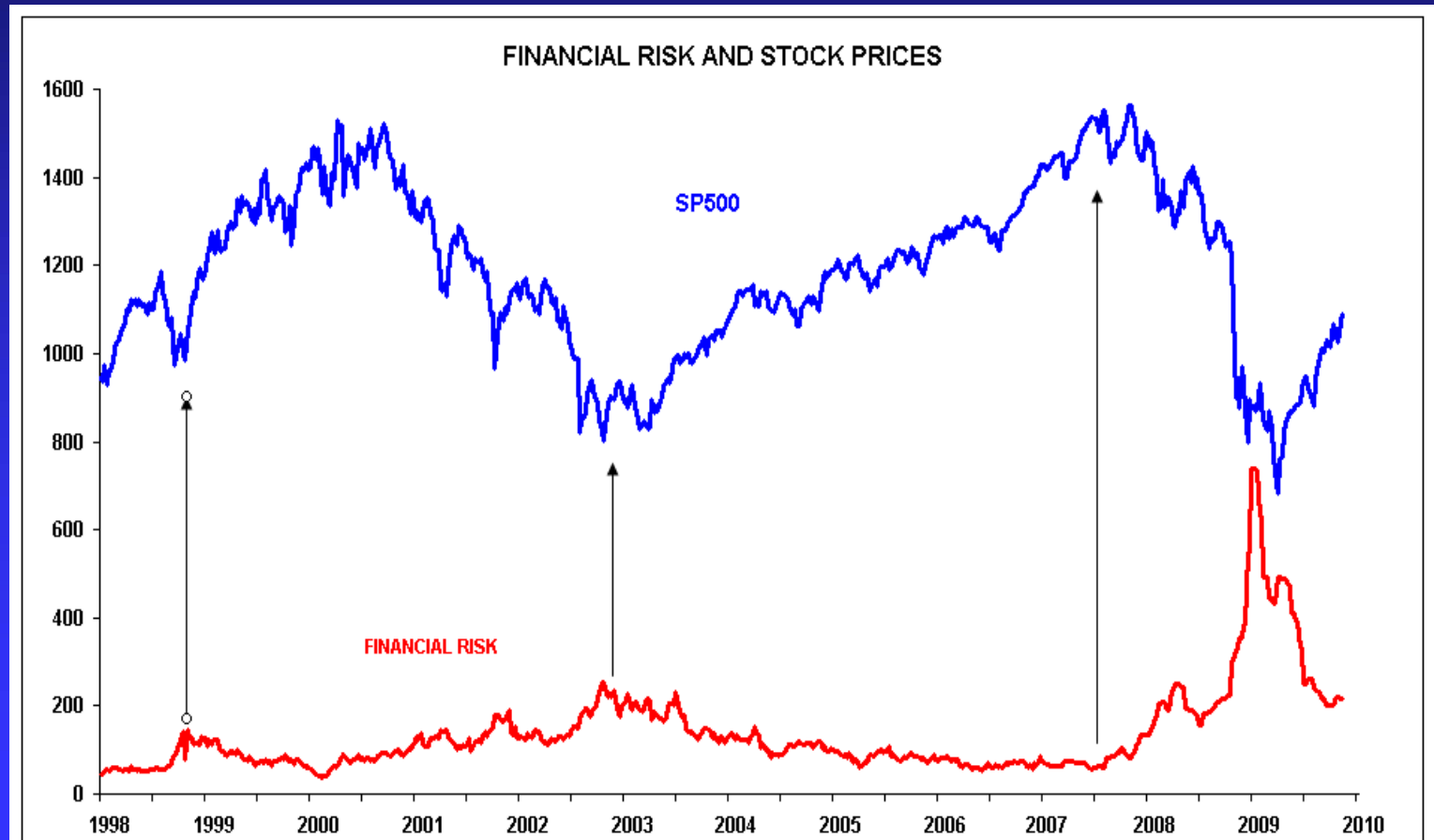
STOCKS AND UNEMPLOYMENT CLAIMS



FINANCIAL RISK AND STOCK PRICES (2008 CHART)



FINANCIAL RISK AND STOCK PRICES (2009 CHART)



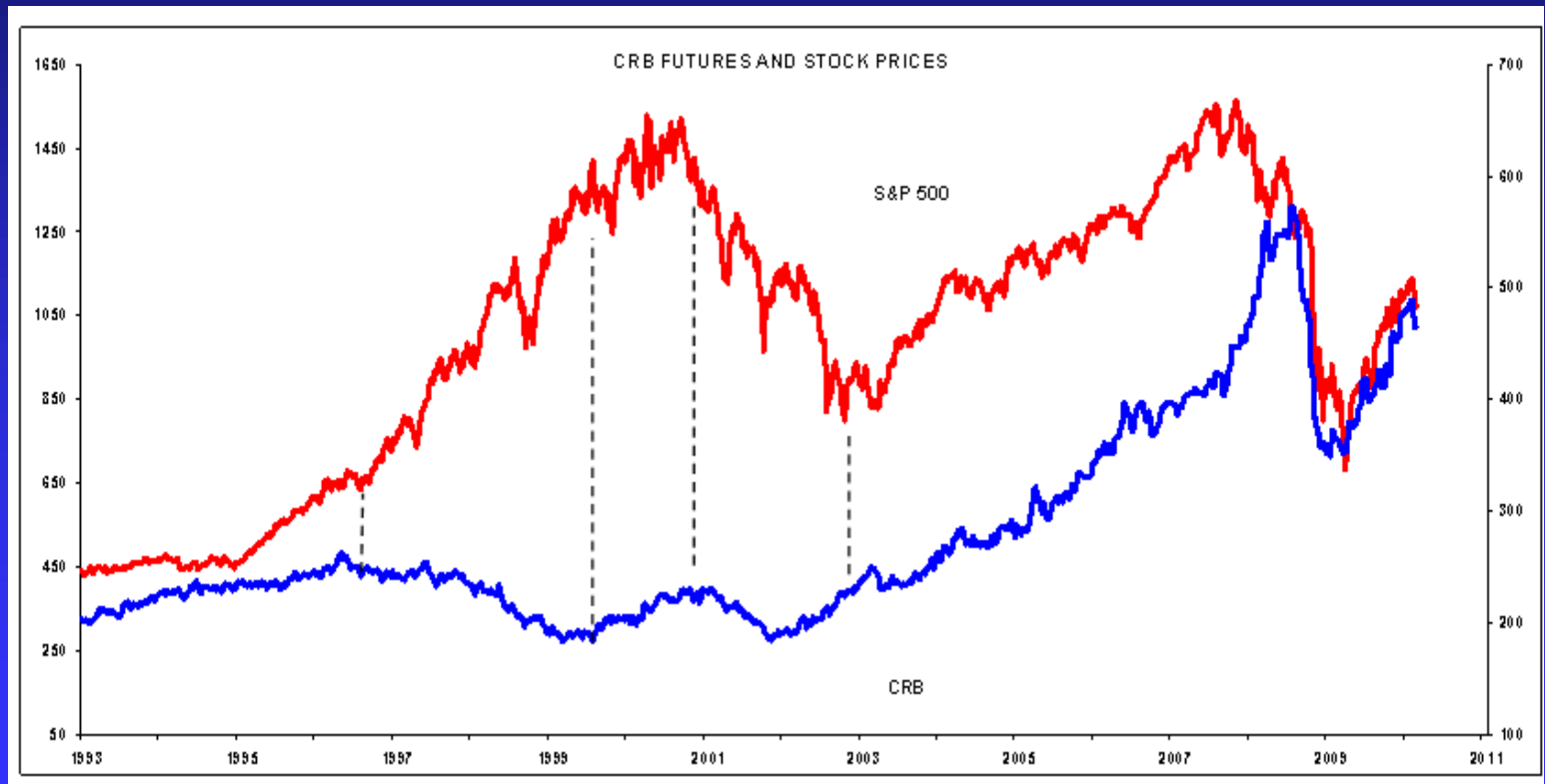
SECTORS FOR A WEAK ECONOMY AND BEATING THE S&P 500

- **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

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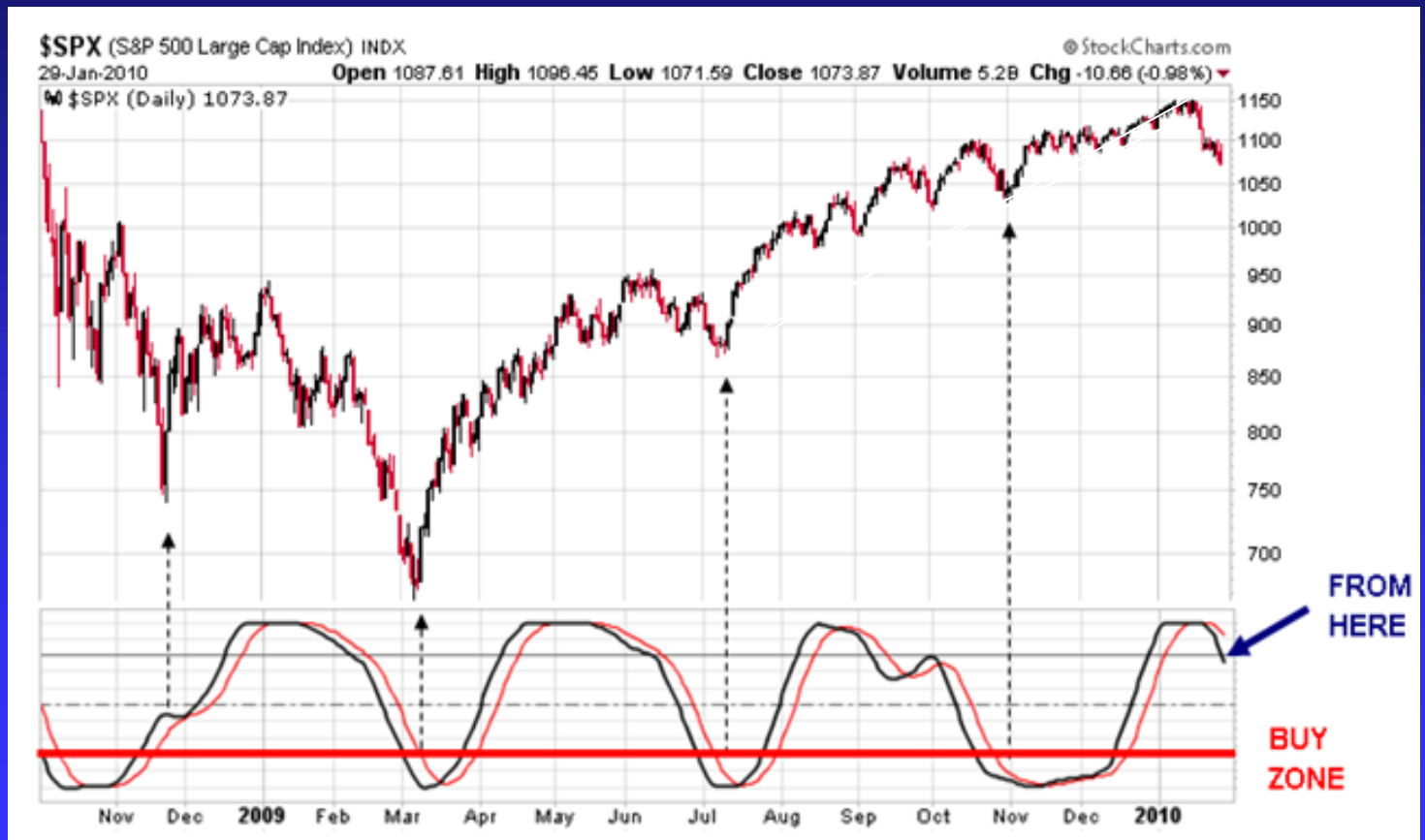
2-Feb-2010 10:34am

Open 109.16 High 109.33 Low 108.61 Last 109.16 Volume 3.0M Chg +0.81 (+0.75%) ▲

GLD (Daily)

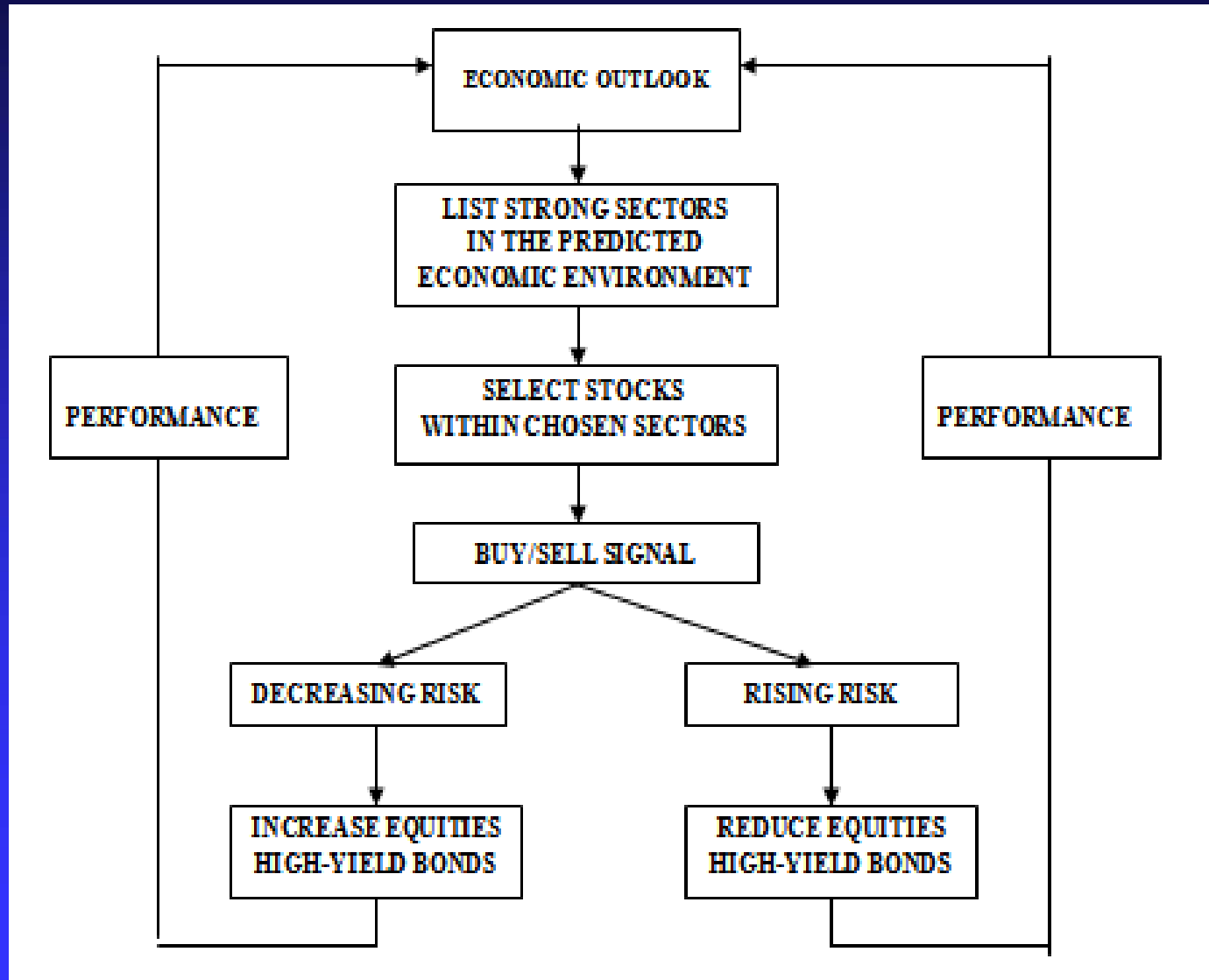


OSCILLATORS AND CYCLES



**RISK MANAGEMENT
&
PERFORMANCE**

PORTFOLIO PERFORMANCE



IDEAS

- **AVOID ASSET CLASSES NOT IN TUNE WITH THE BUSINESS CYCLE**
- **DIVERSIFICATION = INDEXATION = AVERAGEING 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!