

***WELCOME!***

# BUSINESS CYCLES, MARKET CYCLES, AND STOCK SECTORS

George Dagnino, PhD

*The Peter Dag Portfolio*

*[www.peterdag.com](http://www.peterdag.com)*

*[peterdag.blogspot.com](http://peterdag.blogspot.com)*

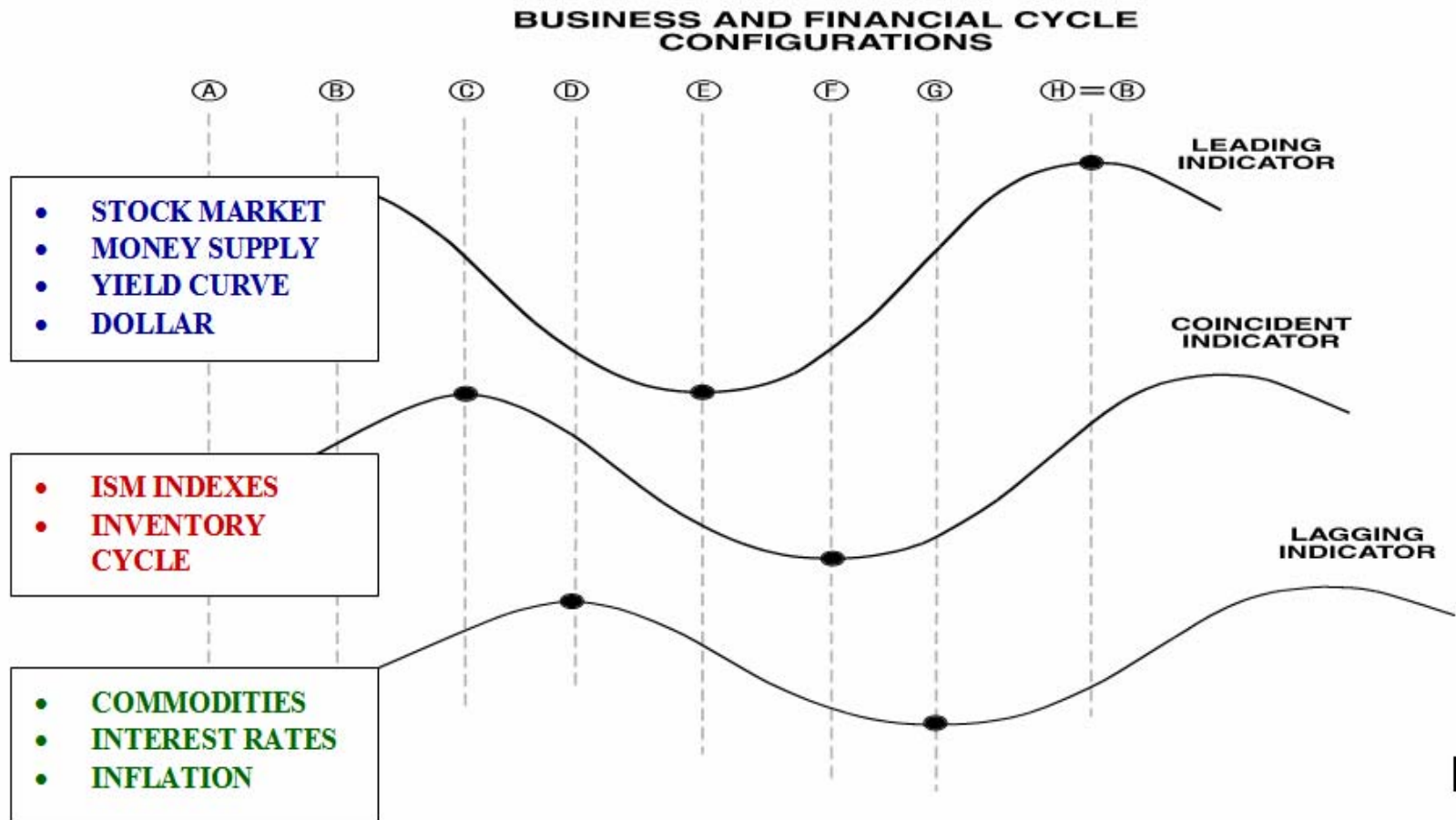
# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

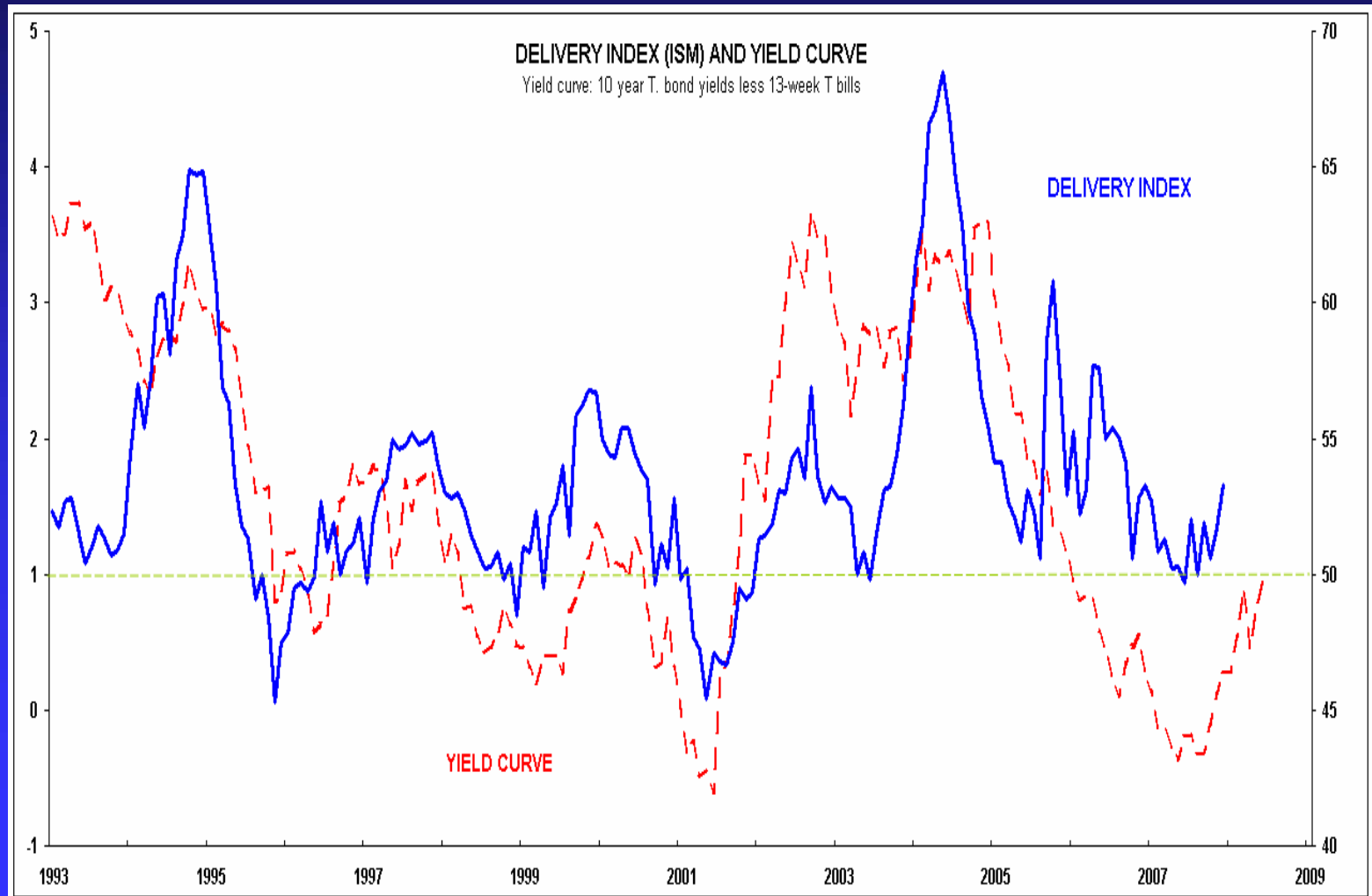
# *Peter Dag's* **PERFORMANCE**

- **PICKS ('02-'06) +82.7%**      +23.5% (S&P 500)  
(S&P dividends excluded, Source: Hulbert)
- **Mutual funds + 19.0%**    (S&P 500: 3.53%)
- **ETF + 24.9%**
- **TOP TEN TIMER** (*Timer Digest*)

# BUSINESS CYCLE



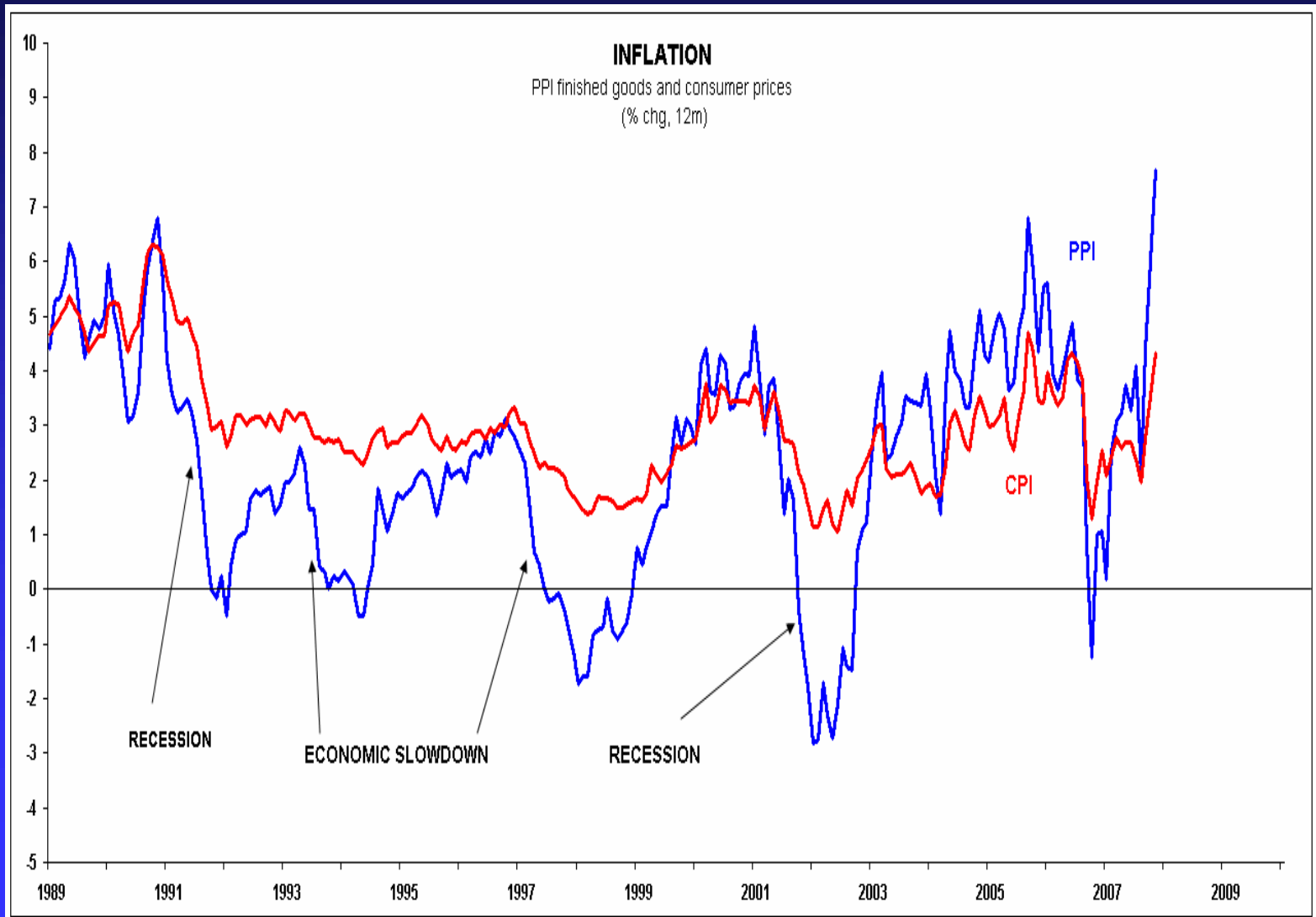
# YIELD CURVE: BULLISH



# **INFLATION, COMMODITIES, AND SHORT-TERM INTEREST RATES**

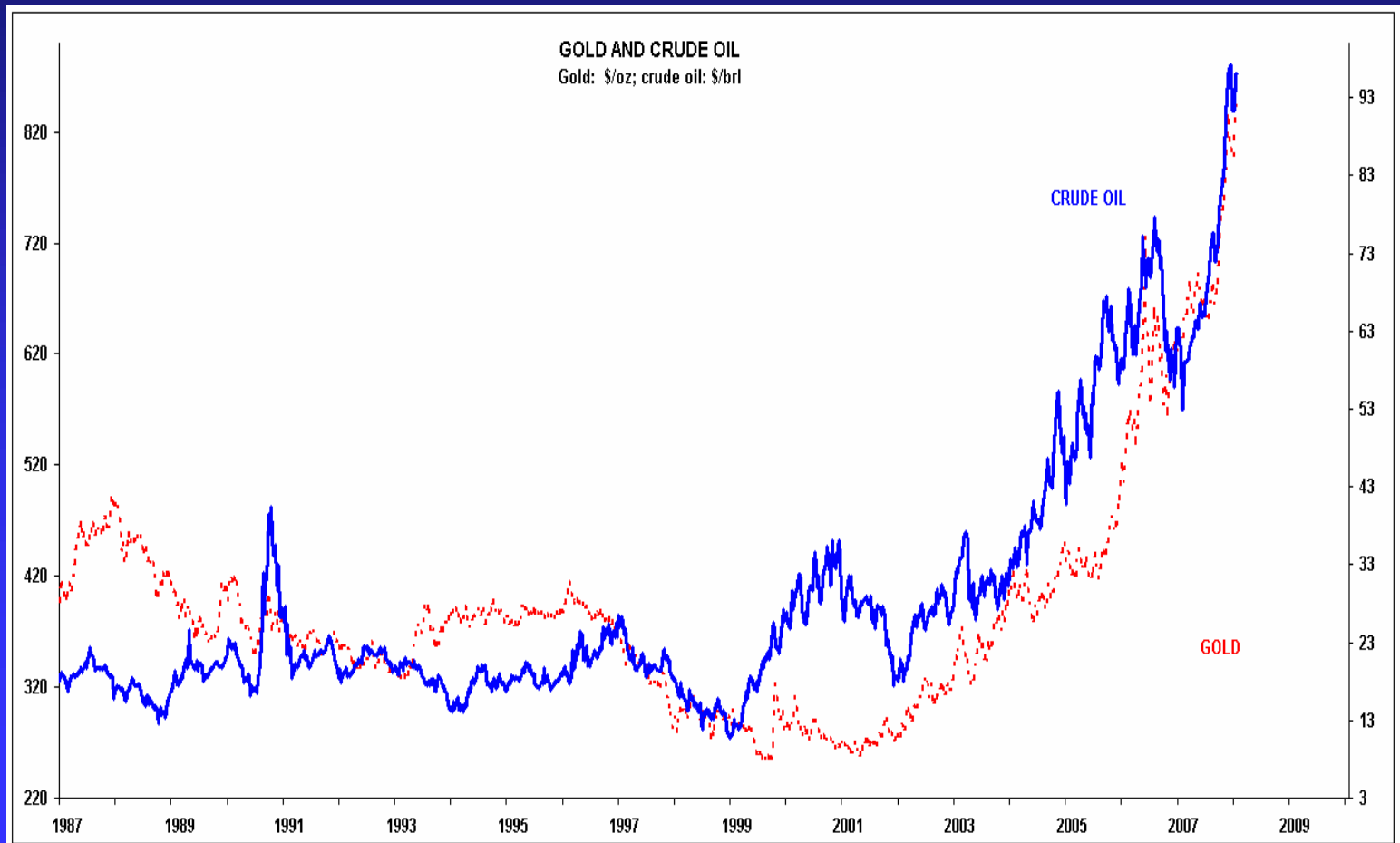
- **INFLATION, COMMODITIES, AND  
SHORT-TERM INTEREST RATES  
HAVE THE SAME TURNING POINTS**
- **THEY FOLLOW THE TURNING  
POINTS OF THE ECONOMY**

# INFLATION: UP

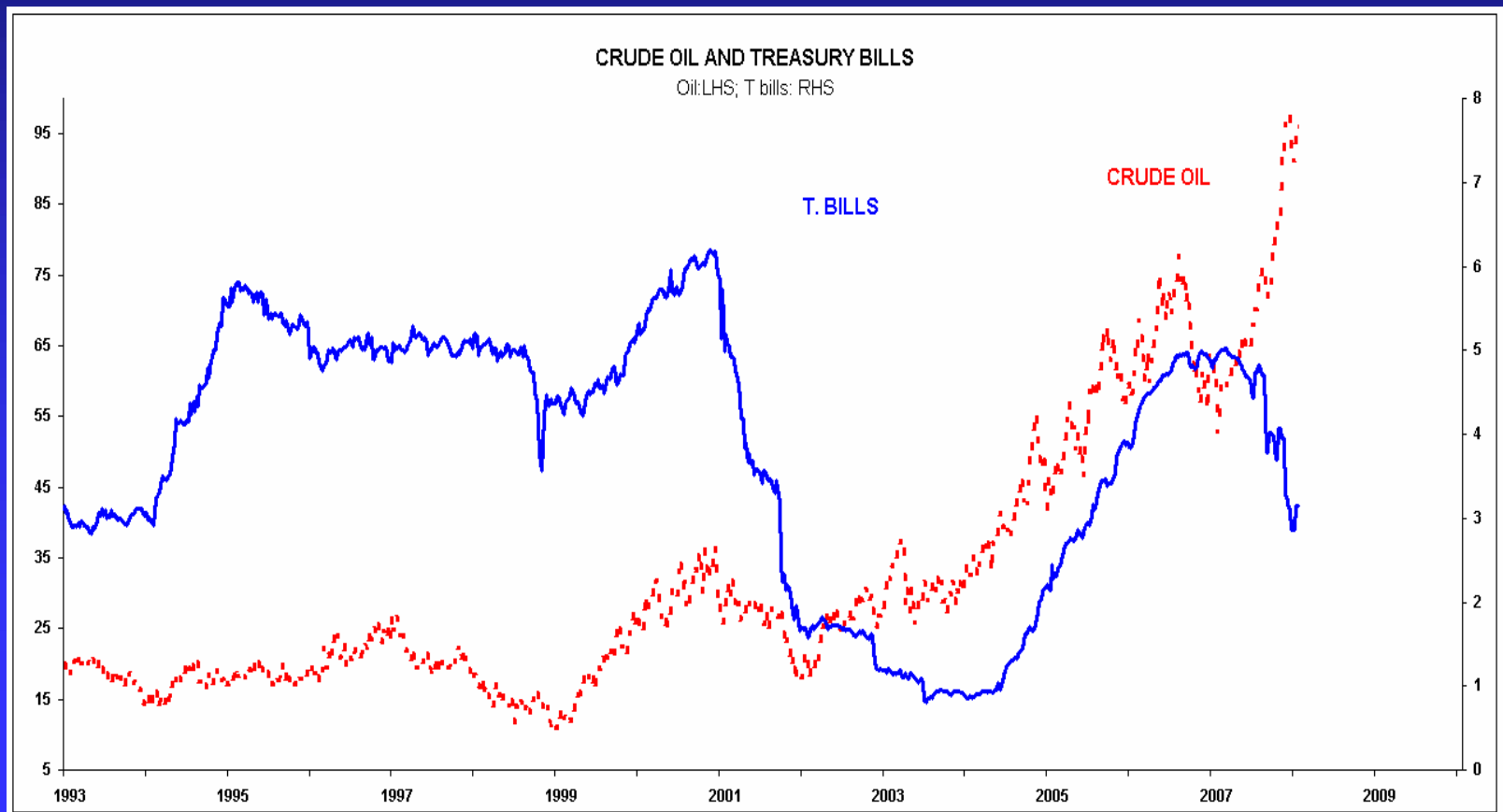




# ALL COMMODITIES HAVE THE SAME CYCLICAL TURNING POINTS



# COMMODITIES & THE FED HAVE THE SAME CYCLICAL TURNING POINTS



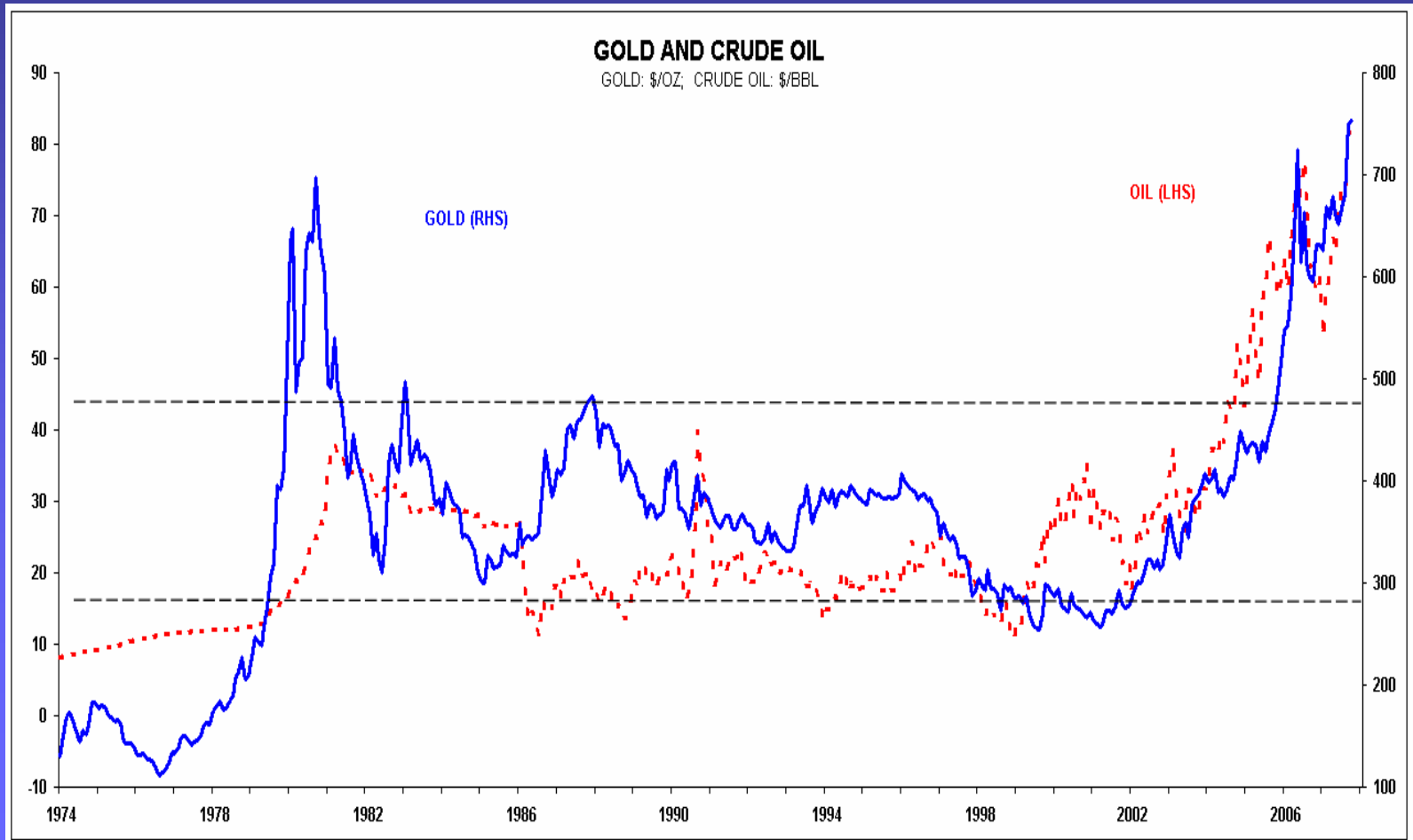
# THE POINT

- A STRONG ECONOMY IS FOLLOWED BY RISING INFLATION, RISING COMMODITIES, RISING INTEREST RATES.
- A WEAKENING ECONOMY IS FOLLOWED BY LOWER INFLATION, LOWER COMMODITIES, LOWER INTEREST RATES

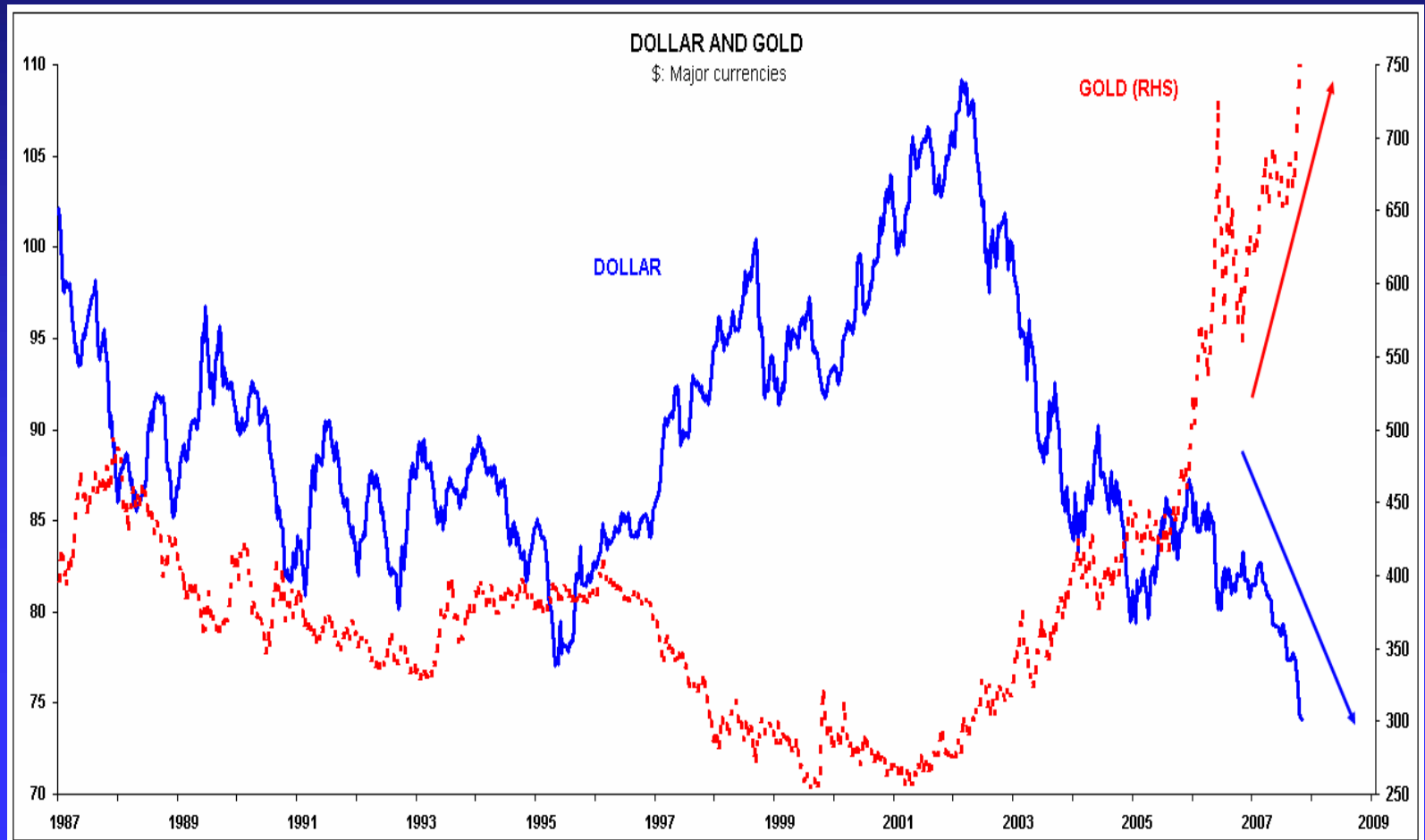
# **THE FED AND FINANCIAL BUBBLES**

- **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**

# MAN-MADE (FED) COMMODITY BUBBLES



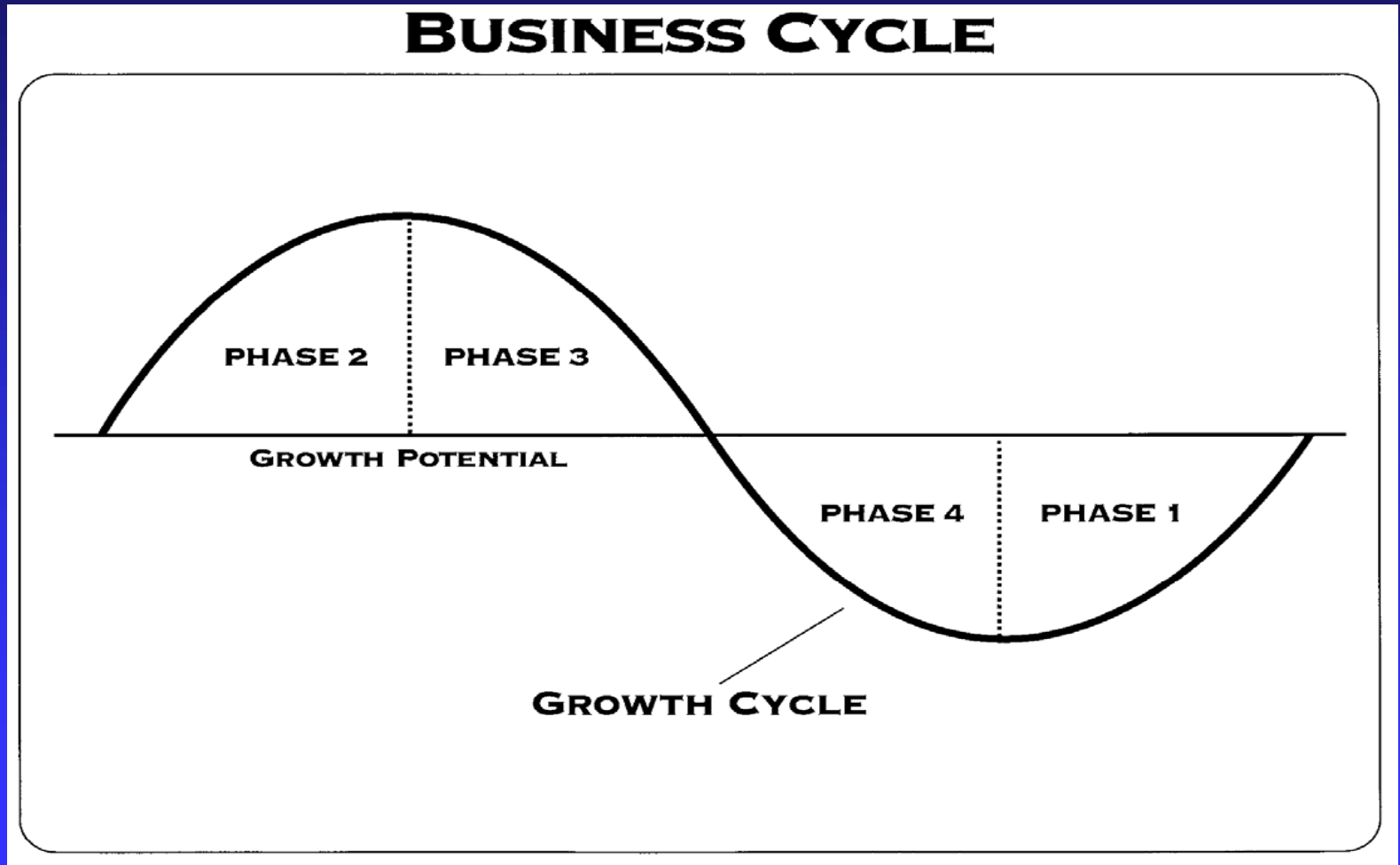
# DOLLAR, COMMODITIES, GOLD, AND PURCHASING POWER



# OUTLINE

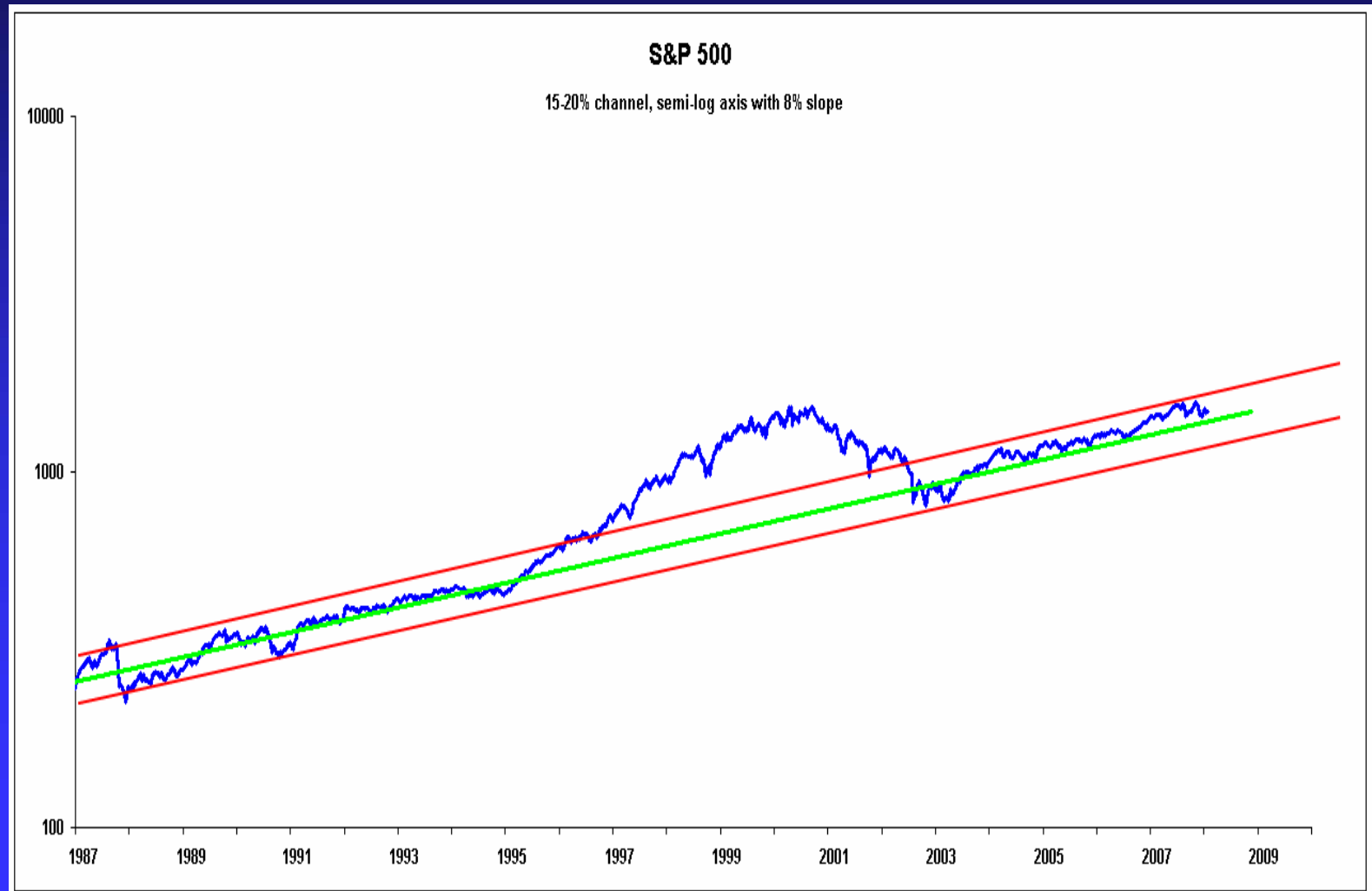
- BUSINESS CYCLE
- **OUTLOOK**
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

# STOCK MARKET, SECTORS AND BUSINESS CYCLE

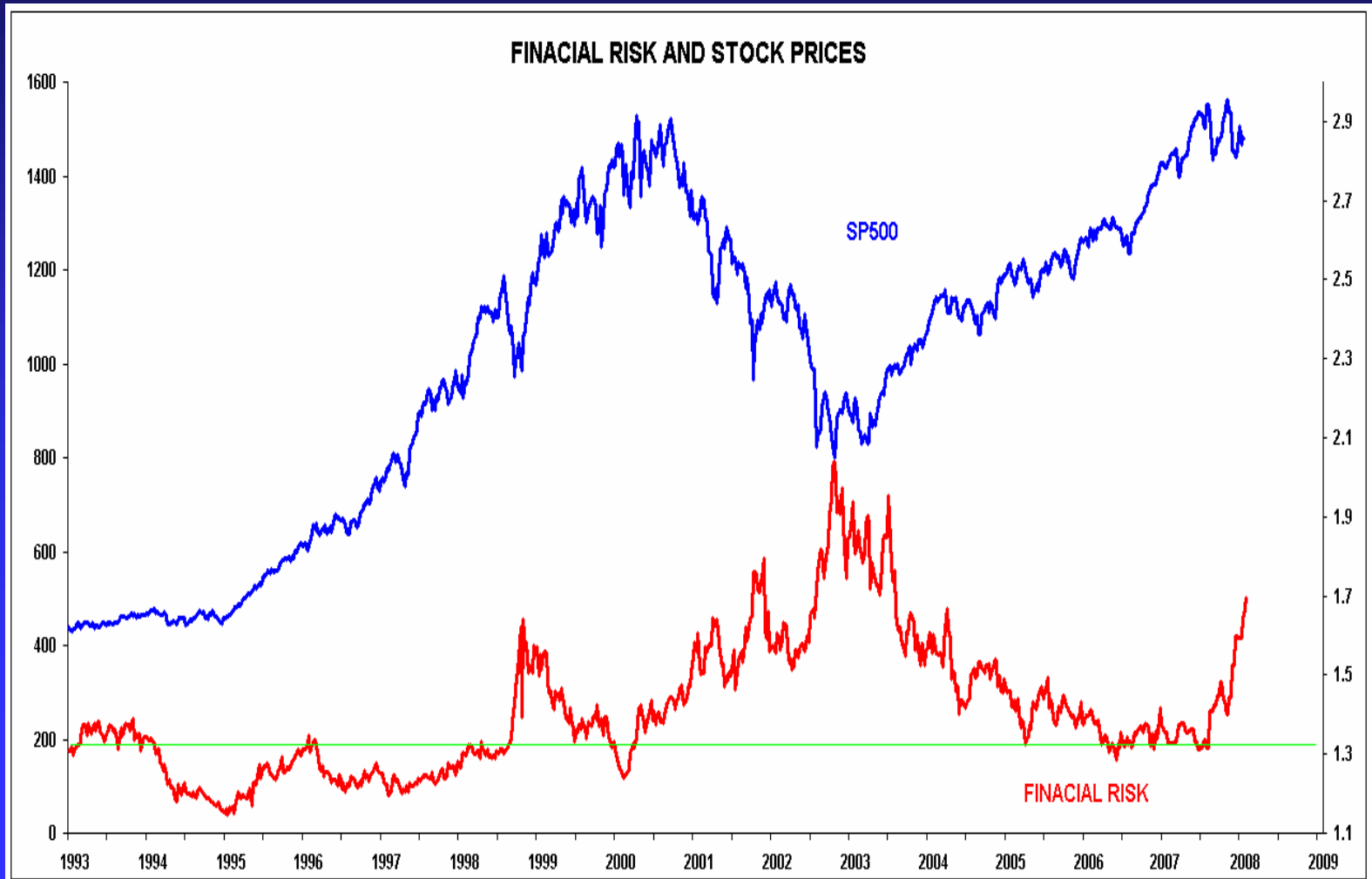




# THE STOCK MARKET: CAN IT GROW FASTER?



# FINANCIAL RISK AND STOCK PRICES



# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

# **SECTORS FOR A STRONG ECONOMY AND BEATING THE S&P 500**

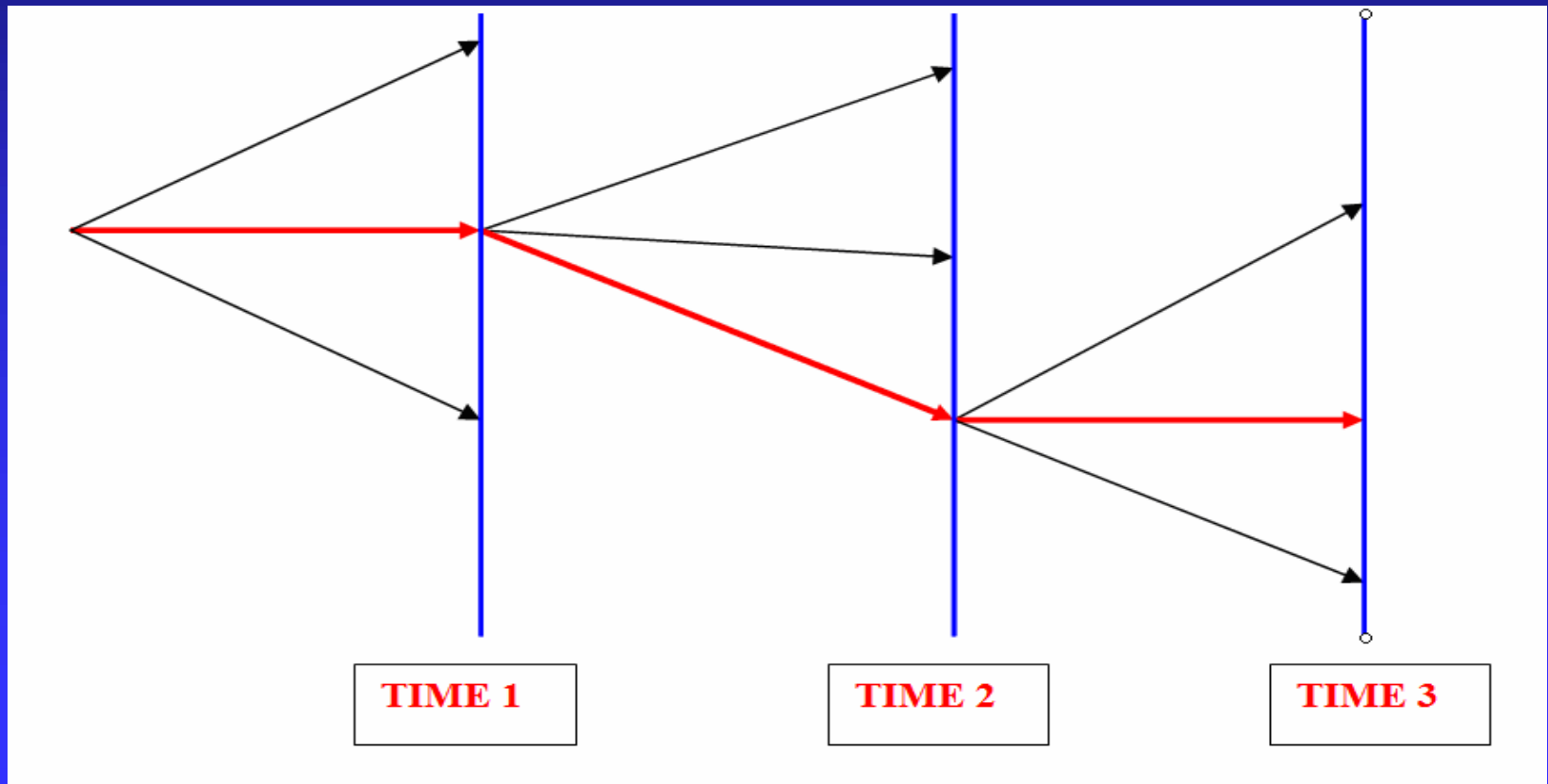
- **METALS AND MINING**
- **ENERGY**
- **ELECTRONICS**
- **INTERNET**
- **COMPUTER SOFTWARE & SERVICES**
- **CONGLOMERATES**
- **TELECOM**

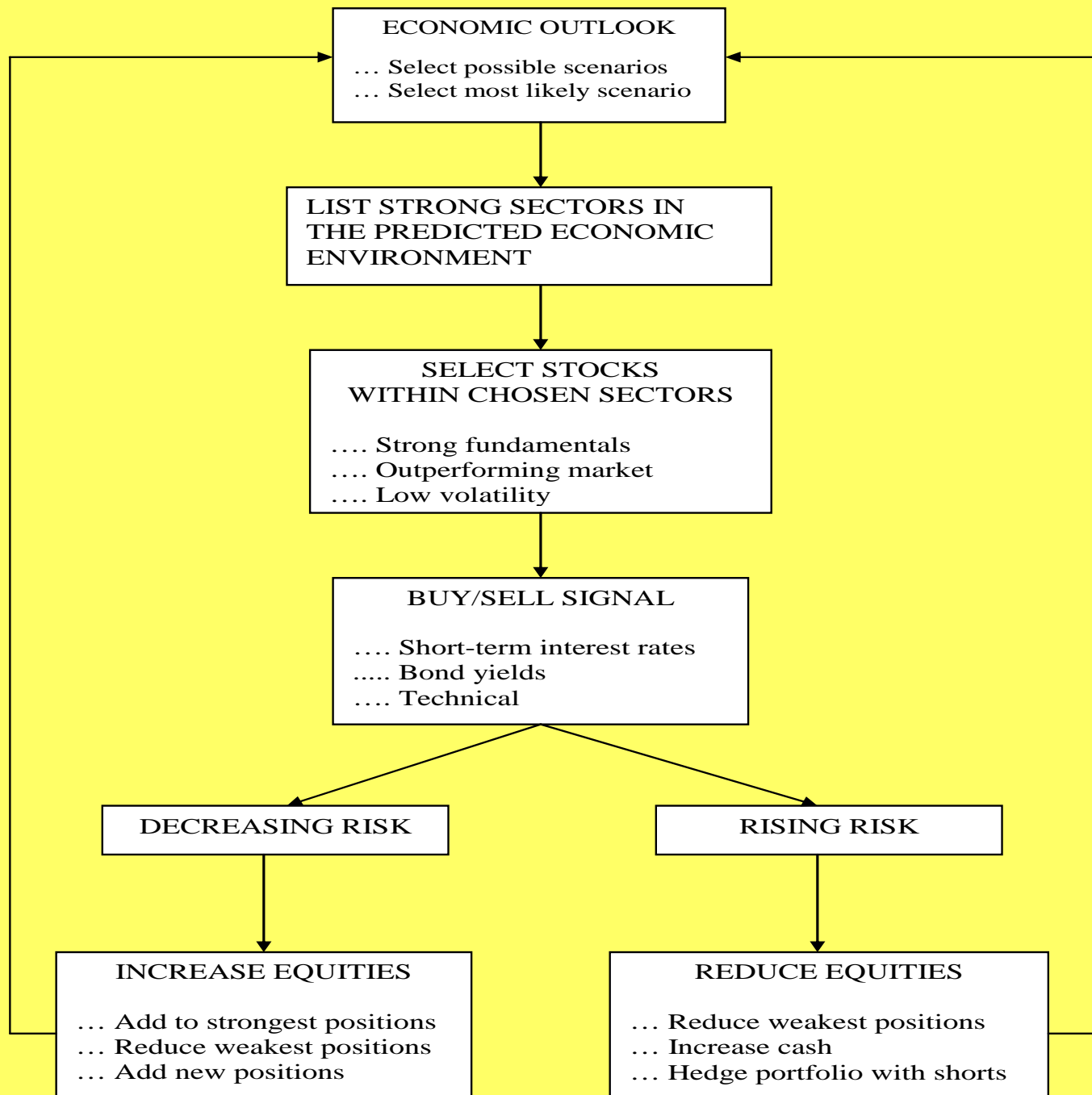
# **SECTORS FOR A WEAK ECONOMY AND BEATING THE S&P 500**

- **TOBACCO**
- **HEALTH SERVICES**
- **INSURANCE**
- **BANKING**
- **FINANCIAL SERVICES**
- **REAL ESTATE**
- **AEROSPACE & DEFENSE**

# GAMES THEORY AND INVESTMENT STRATEGY

(ADJUST MIX STRONG/WEAK ECONOMY SECTORS  
AS NEW INFORMATION BECOMES AVAILABLE)





# **HEDGING IN A DOWN MARKET USING SDS**

- **SELL POOR PERFORMING STOCKS  
USE CASH TO HEDGE PROFITS  
AND REDUCE VOLATILITY**
- **WHY? FOR EVERY \$ OF SDS YOU HEDGE  
\$2 DOLLARS OF LONG POSITIONS  
ONLY STRONG STOCKS ARE NOW  
EXPOSED TO MARKET DECLINES**



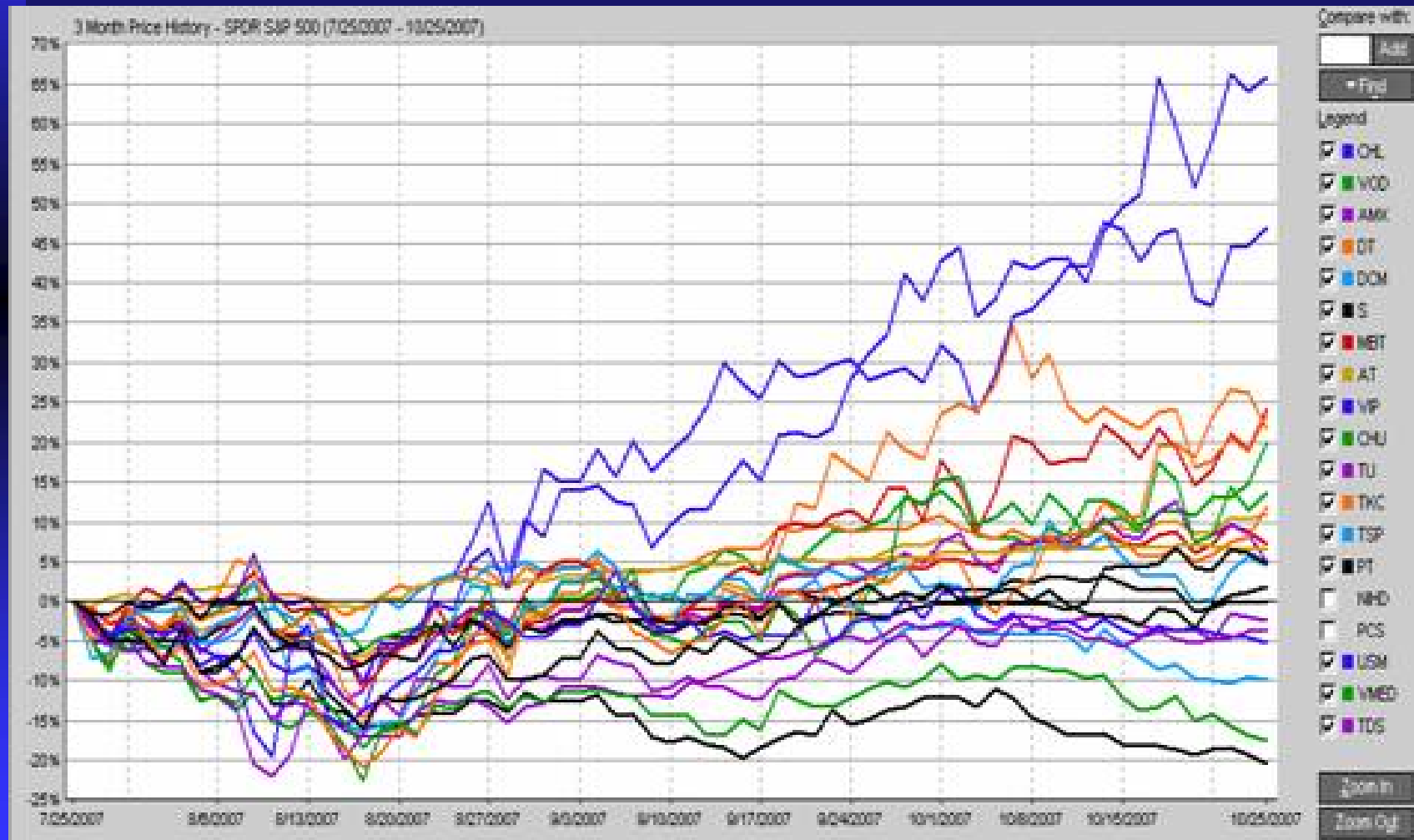
# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

# STOCK SELECTION

- **USE FAN CHARTS TO CHECK PERFORMANCE OF STOCKS**
- **CHOOSE STOCKS WITH LOWEST VOLATILITY AND BEST PERFORMANCE**
- **PERFORM FINANCIAL ANALYSIS ([WWW.PETERDAG.COM](http://WWW.PETERDAG.COM))**

# EXAMPLE OF FAN CHART: WIRELESS COMMUNICATION



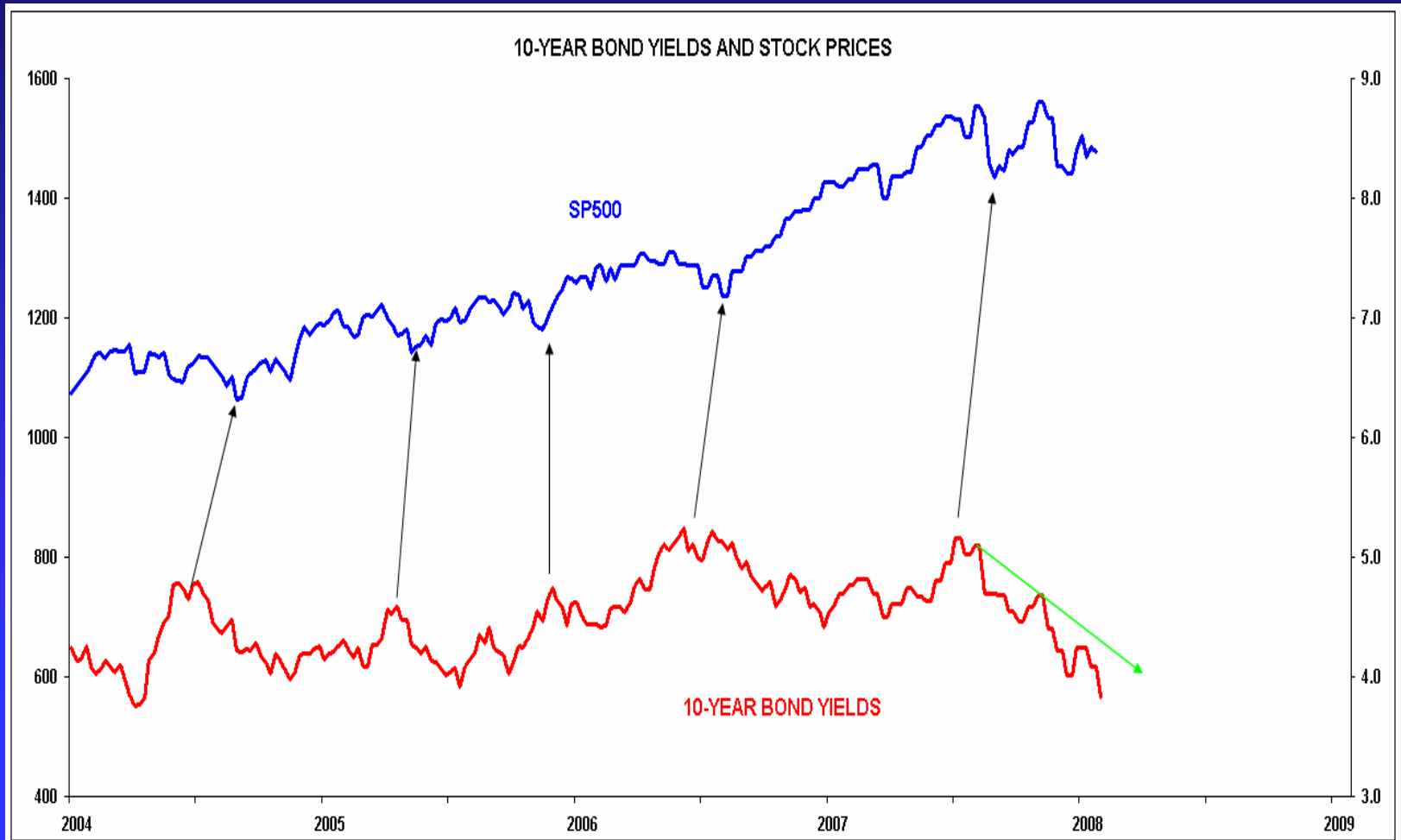
# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- **TIMING DECISIONS**
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

# MEASURING RISK AND MARKET TIMING

- **BOND YIELDS-SHORT-TERM INTEREST RATES**
- **TRADING VOLUME**
- **OVERBOUGHT/OVERSOLD INDICATORS**
- **MARKET SEASONALITY AND THE - 8-12 MONTH CYCLE**
- **PROPRIETARY INDICATORS**

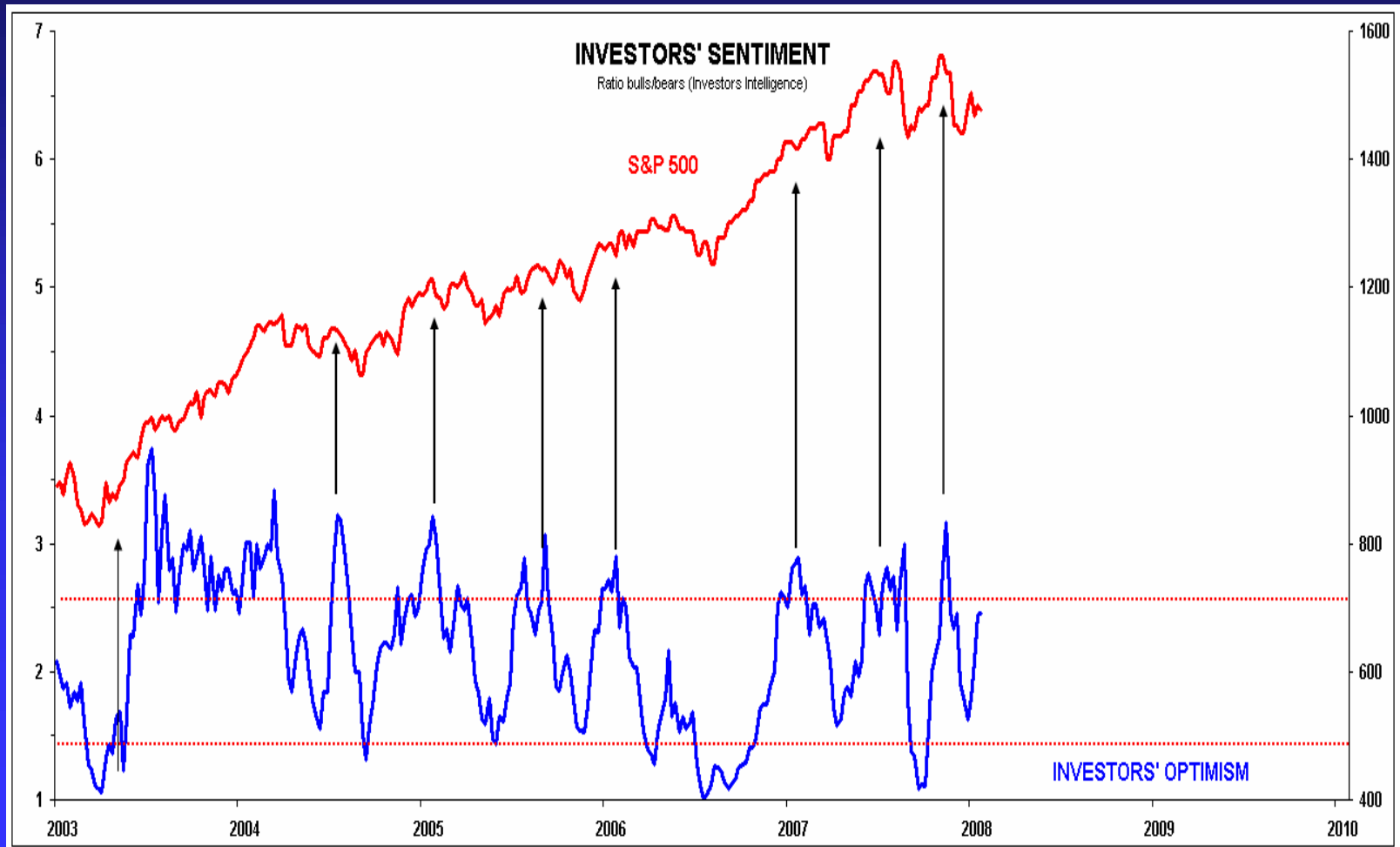
# LOWER YIELDS ARE BULLISH



# VOLUME PATTERNS

- **BEARISH:** STRONG VOLUME FOLLOWING A STRONG RISE
- **BULLISH:** STRONG VOLUME FOLLOWING A SHARP DECLINE

# OVERBOUGHT/OVERSOLD: INVESTORS' SENTIMENT





# THE TREND IS DOWN

**\$INDU** (Dow Jones Industrial Average) INDEX

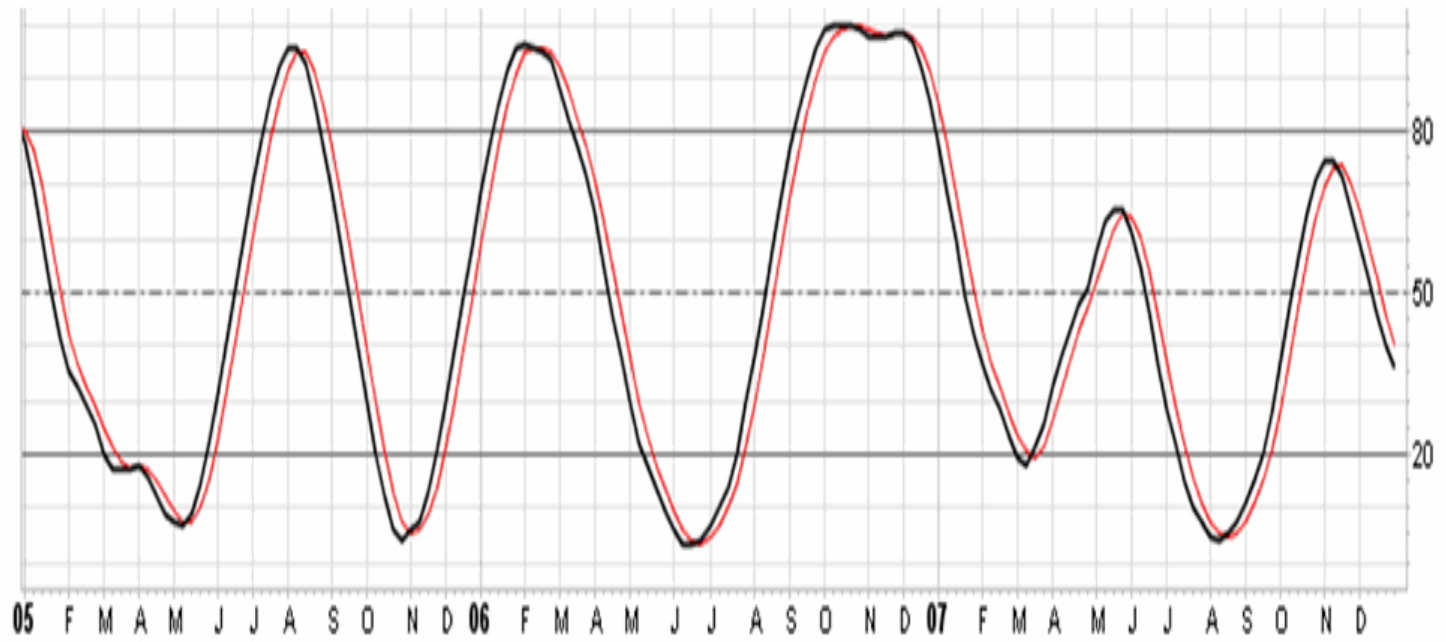
© StockCharts.com

10-Jan-2008 2:46pm **Open** 12733.11 **High** 12875.77 **Low** 12632.15 **Last** 12870.25 **Volume** 213.9M **Chg** +134.94 (+1.06%) ▲

1d \$INDU (Daily) 12870.25



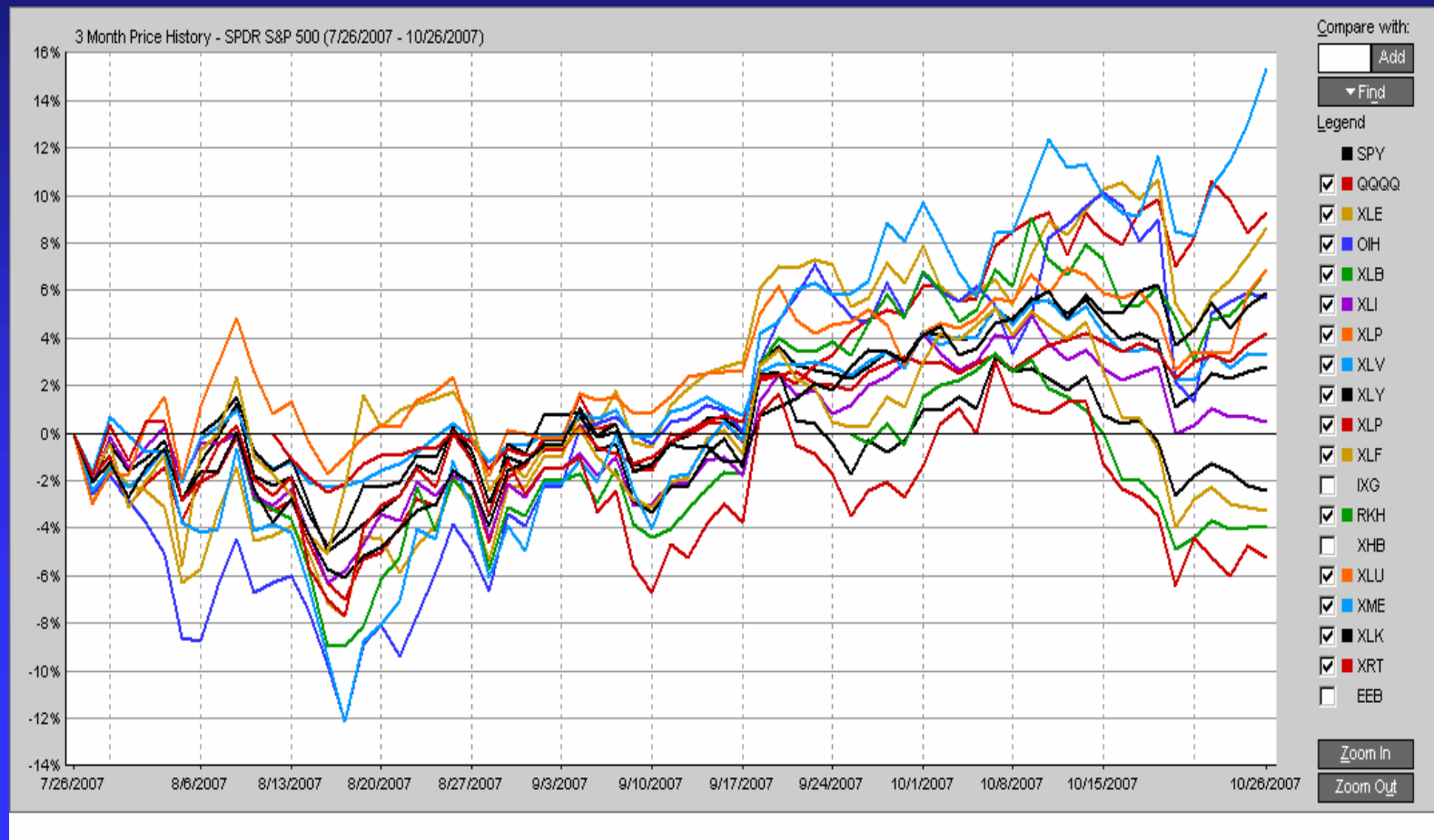
# SEASONALITY AND 8-MONTH CYCLE



# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

# SELECT THE STRONGEST ETFs & MUTUAL FUNDS USING FAN CHART



# **RISK AND PORTFOLIO MANAGEMENT**

- **MAKE A FAN CHART OF STRONGEST STOCKS, ETF, OR MUTUAL FUNDS**
- **CHOOSE A PERIOD OF THREE MONTHS**
- **INVEST IN THE STRONGEST**
- **INCREASE INVESTMENT IN STRONGEST ONES**
- **REDUCE INVEESTMENT IN THE WEAKEST ONES**
- **USE SECTOR ANALYSIS TO CONFIRM CHOICE**

# SUMMARY

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TIMING DECISIONS
- ETFs AND MUTUAL FUNDS
- RISK AND PORTFOLIO MGT

**DID YOU LIKE  
THIS PRESENTATION?**

**I WILL BE DELIGHTED  
TO MAKE A  
SIMILAR PRESENTATION  
TO YOUR  
INVESTMENT GROUP**

**CALL 800-833-2782**

***THANK YOU!***