

***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)*

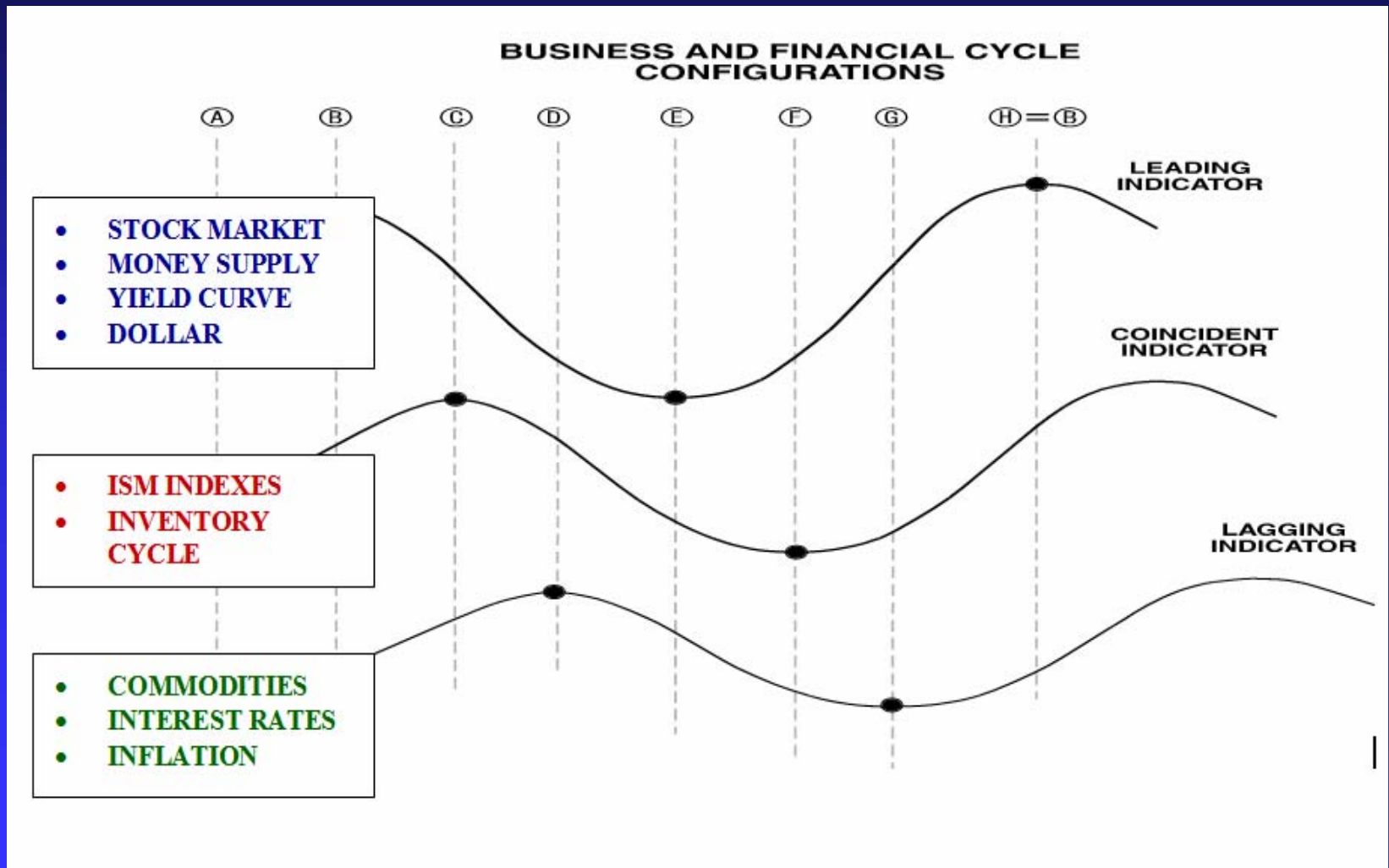
# OUTLINE

- BUSINESS CYCLE
- OUTLOOK
- SECTORS FOR A STRONG AND WEAK ECONOMY
- STOCK SELECTION
- TECHNICAL ANALYSIS
- 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)
- Fidelity M.F. (YTD) + 29.8%      (S&P 500: 9.24%)
- ETF (YTD-10/31) + 24.9%
- TOP TEN TIMER (*Timer Digest*)

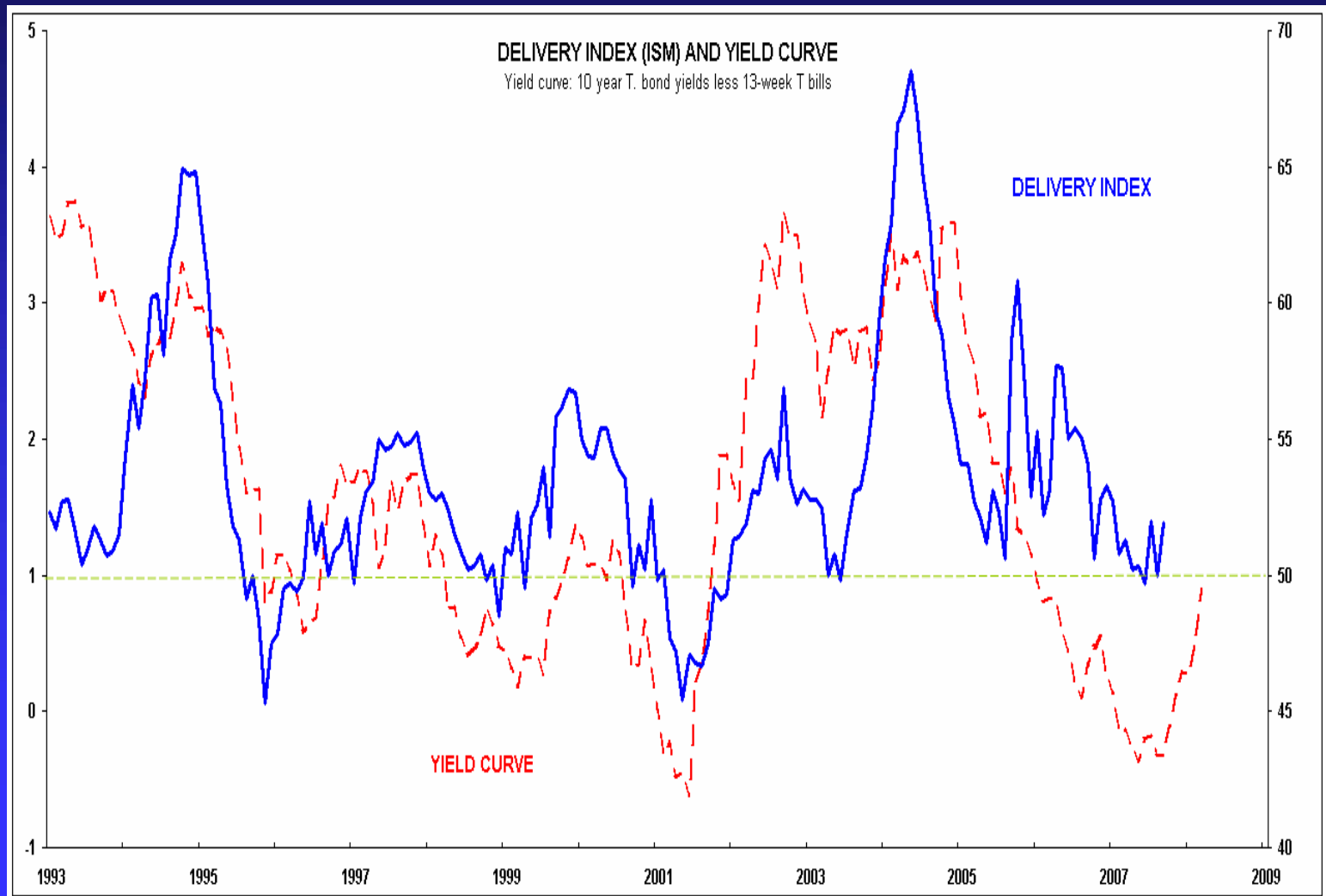
# BUSINESS CYCLE



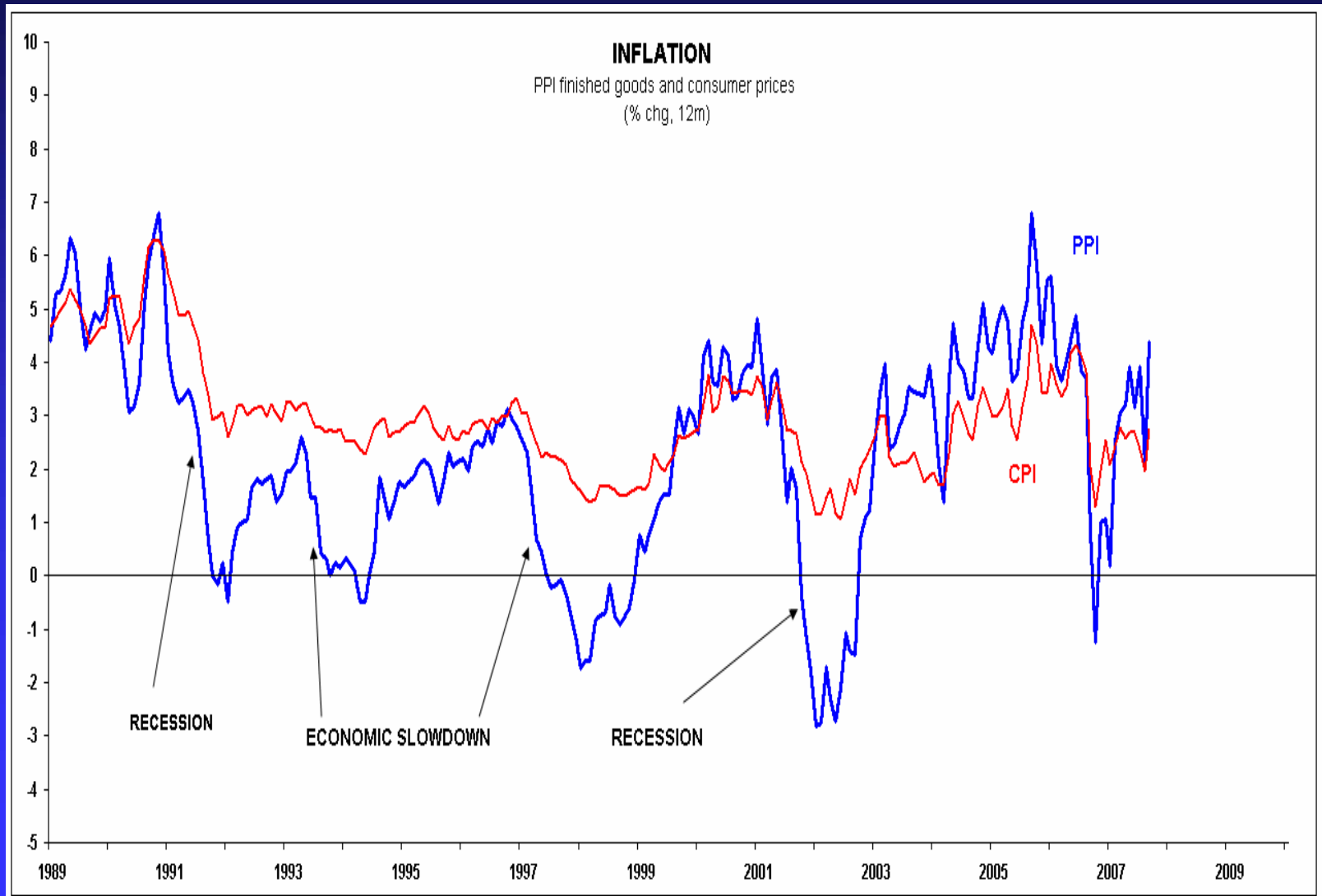
# MONEY SUPPLY: SOARING



# YIELD CURVE: BULLISH

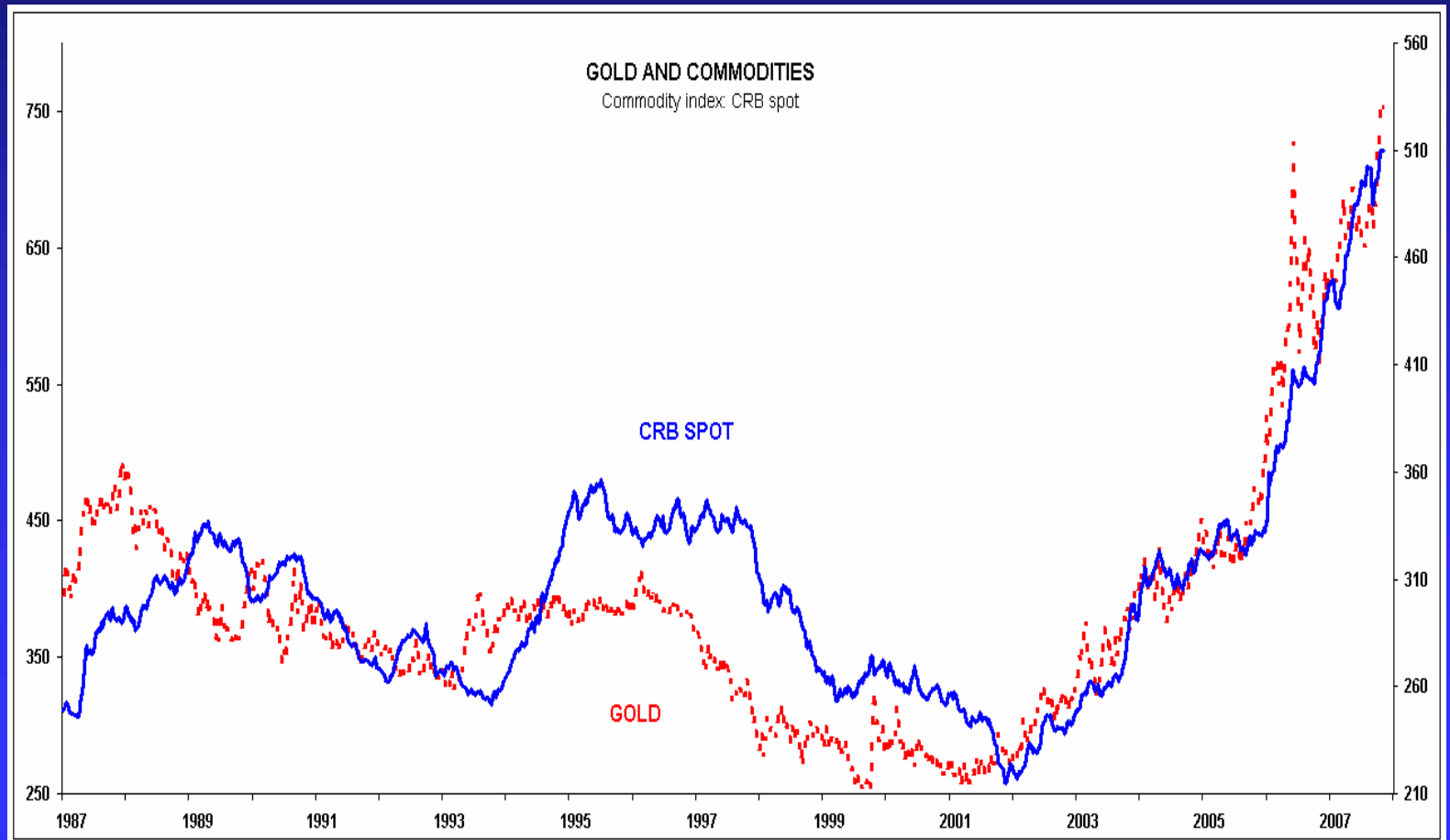


# INFLATION: UP

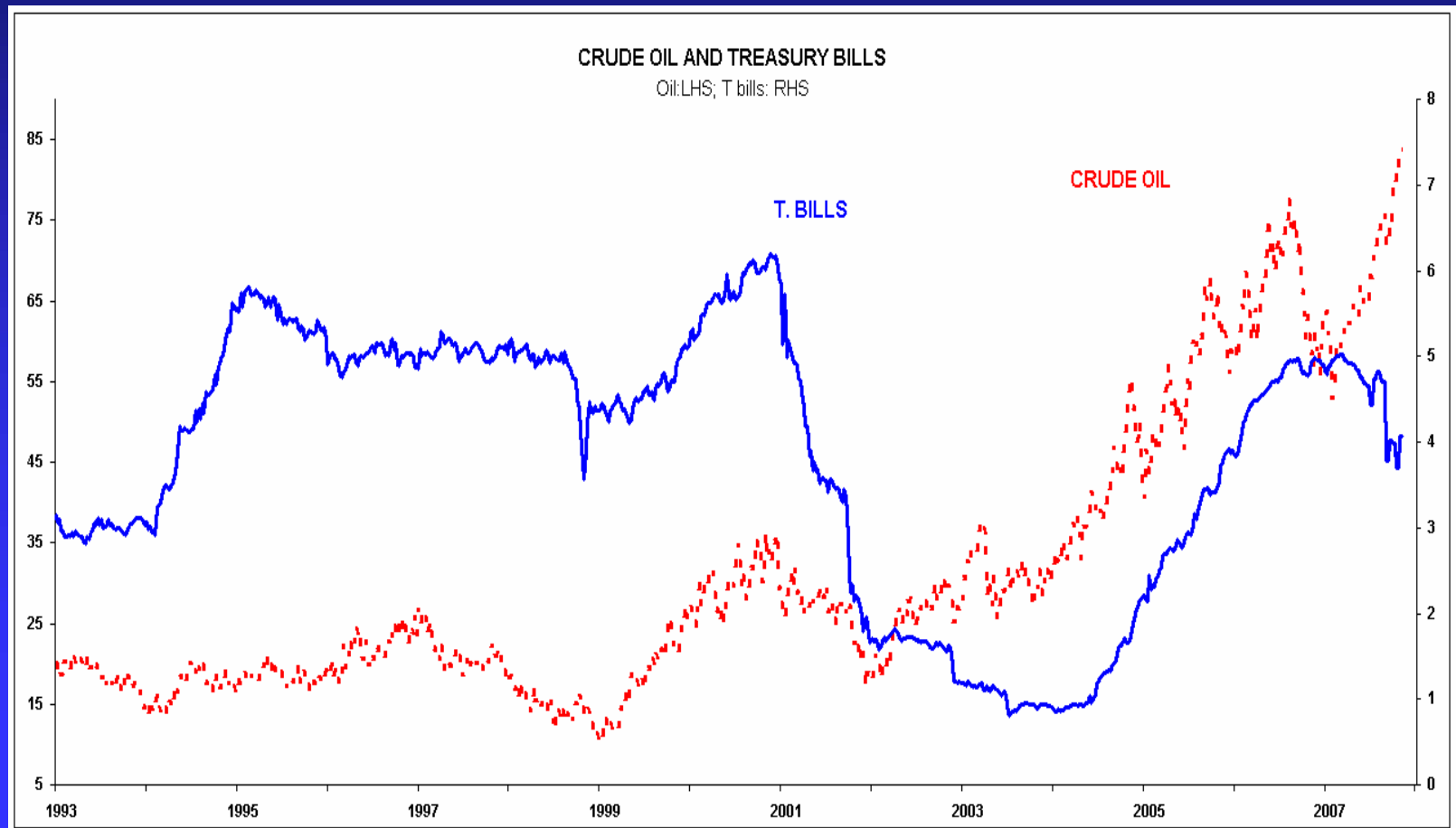




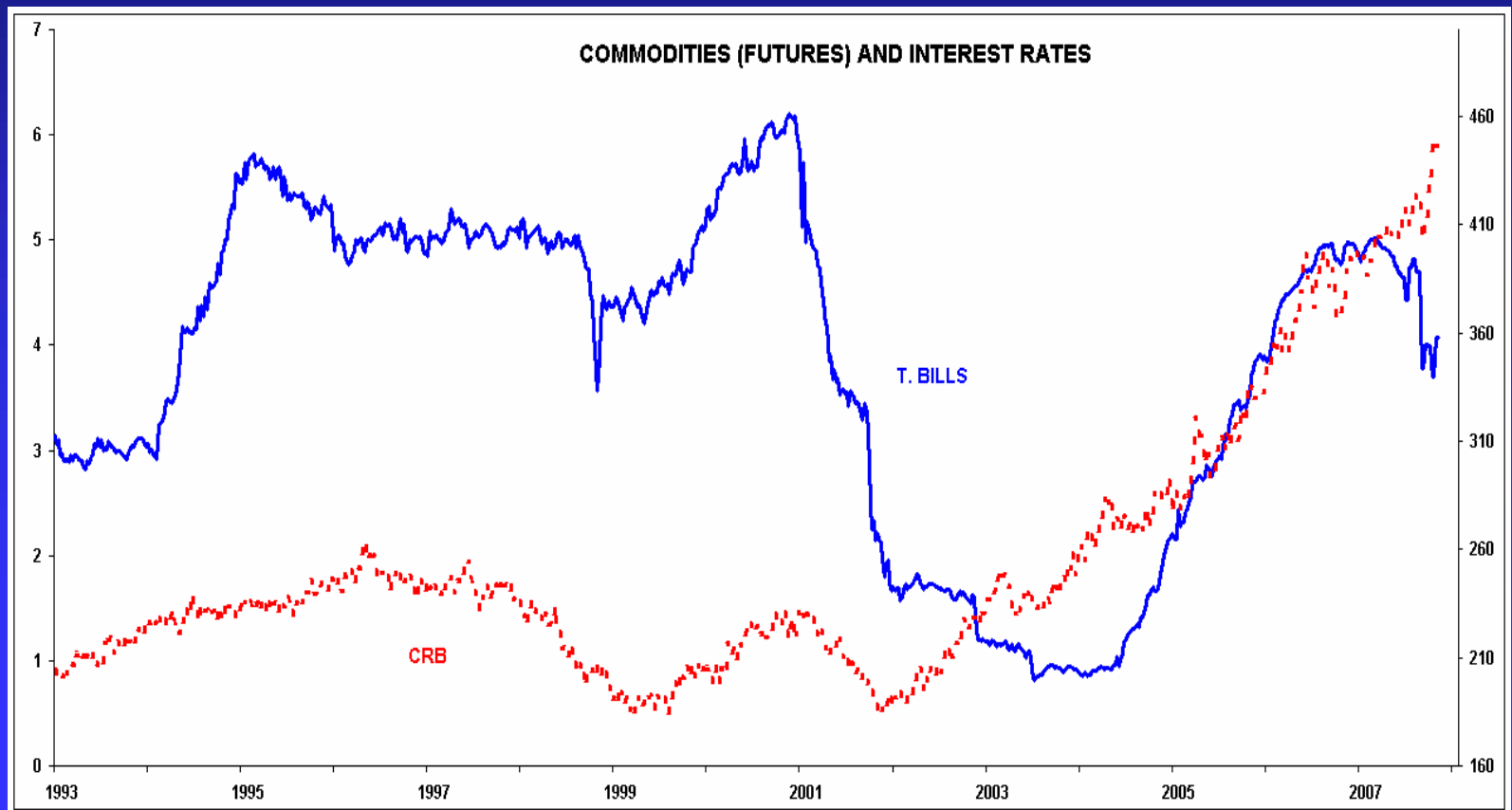
# ALL COMMODITIES HAVE THE SAME CYCLICAL TURNING POINTS



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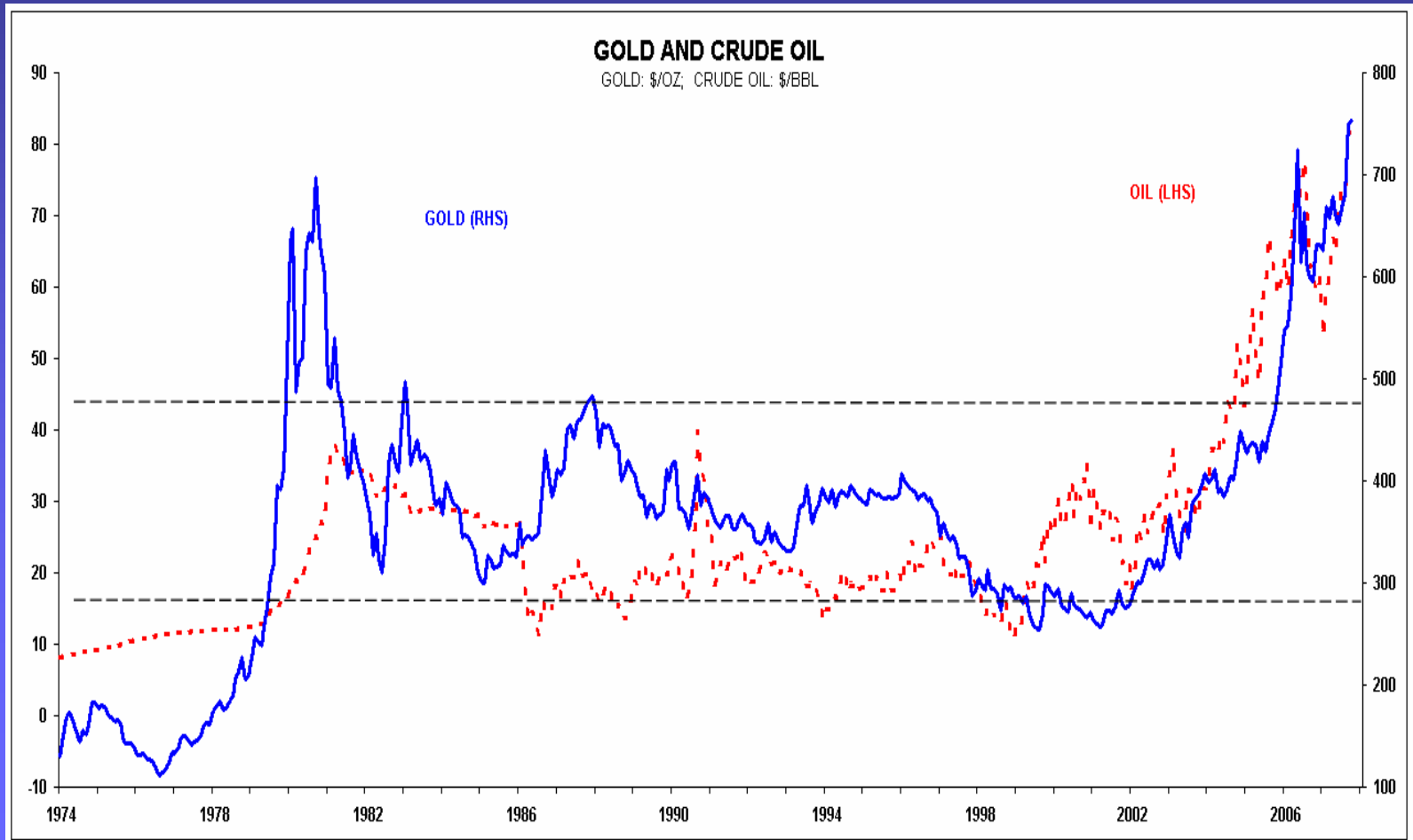
# COMMODITIES & THE FED HAVE THE SAME CYCLICAL TURNING POINTS



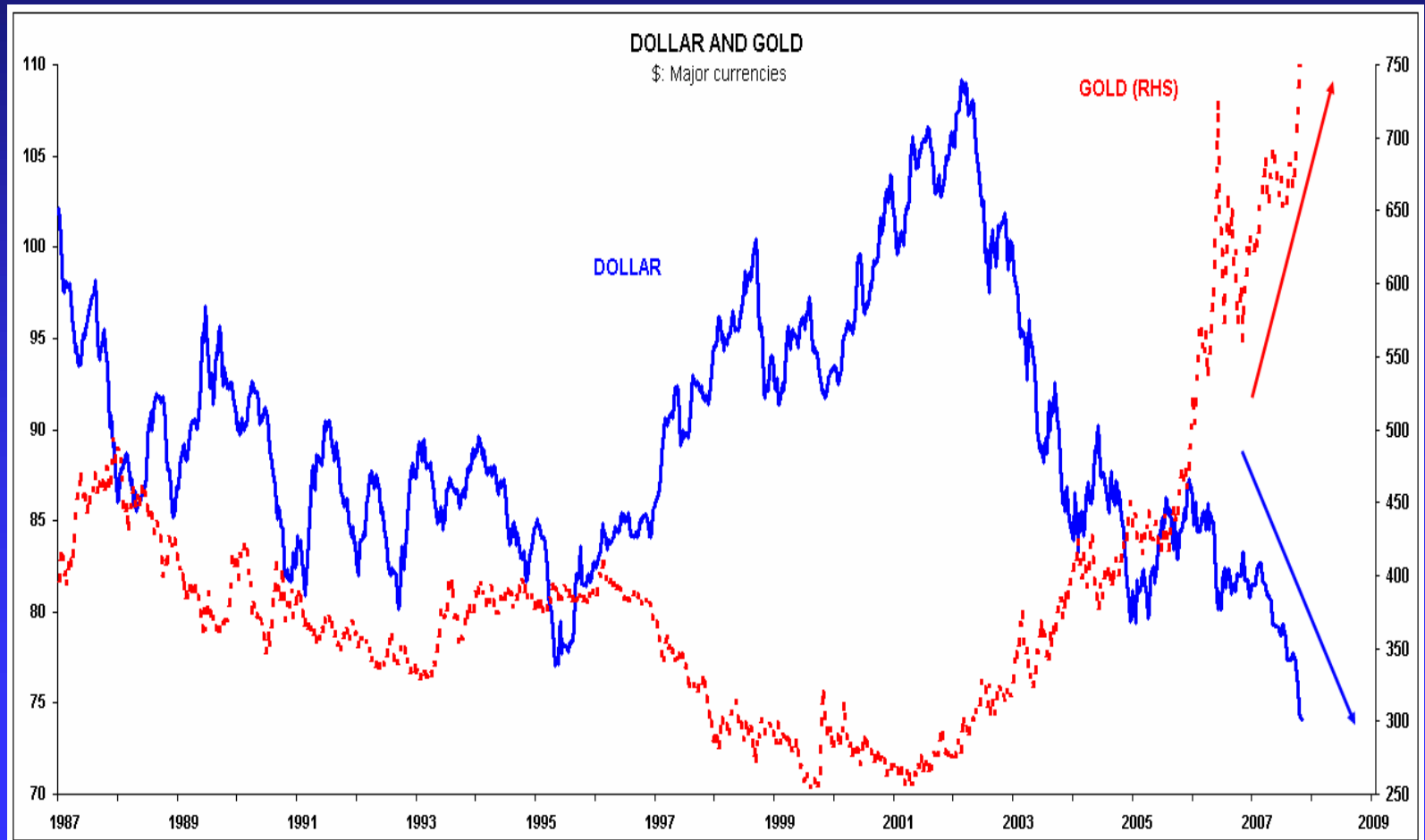
# **THE FED AND FINANCIAL BUBBLES**

- **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



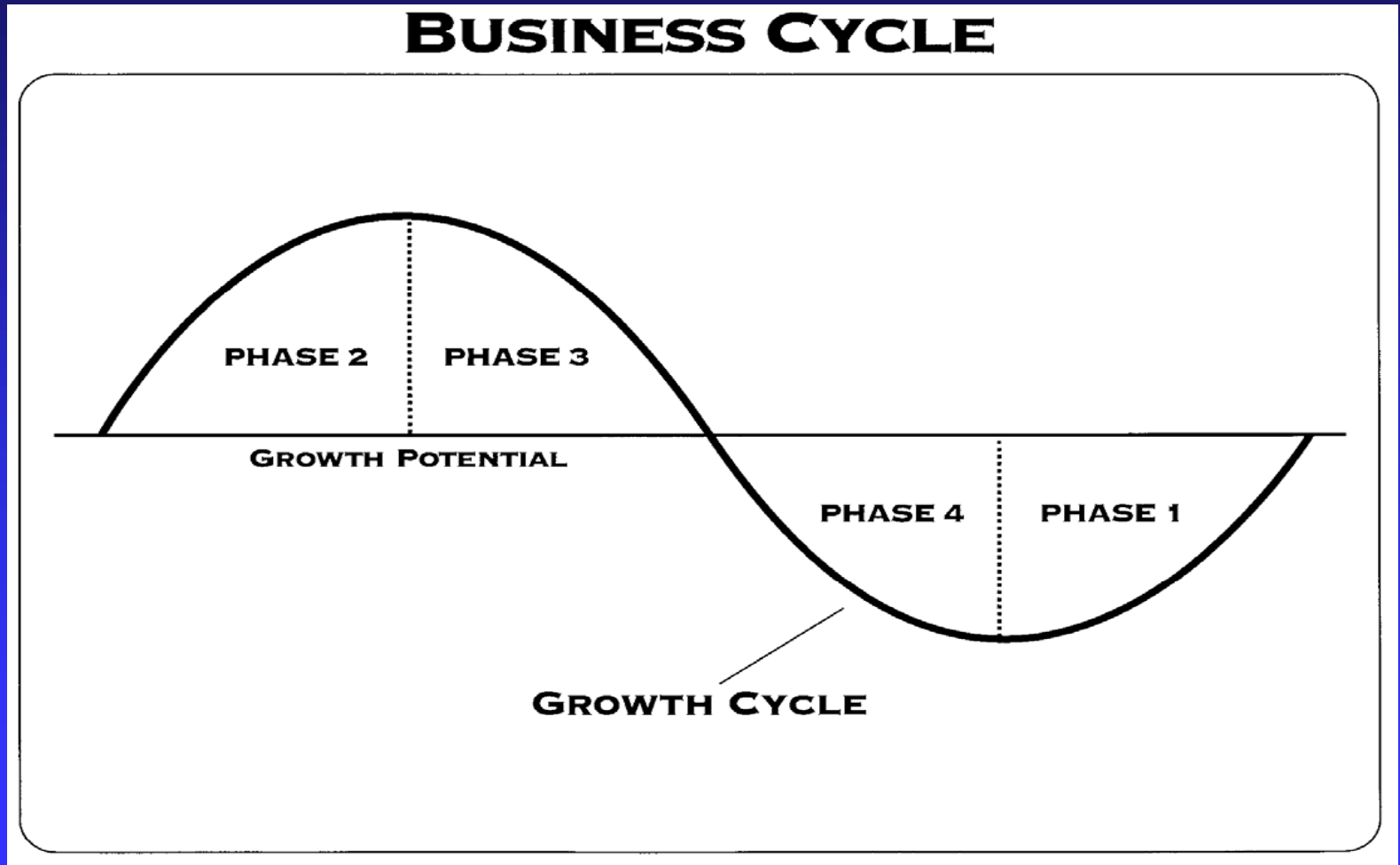
# DOLLAR, COMMODITIES, GOLD, AND PURCHASING POWER



# OUTLINE

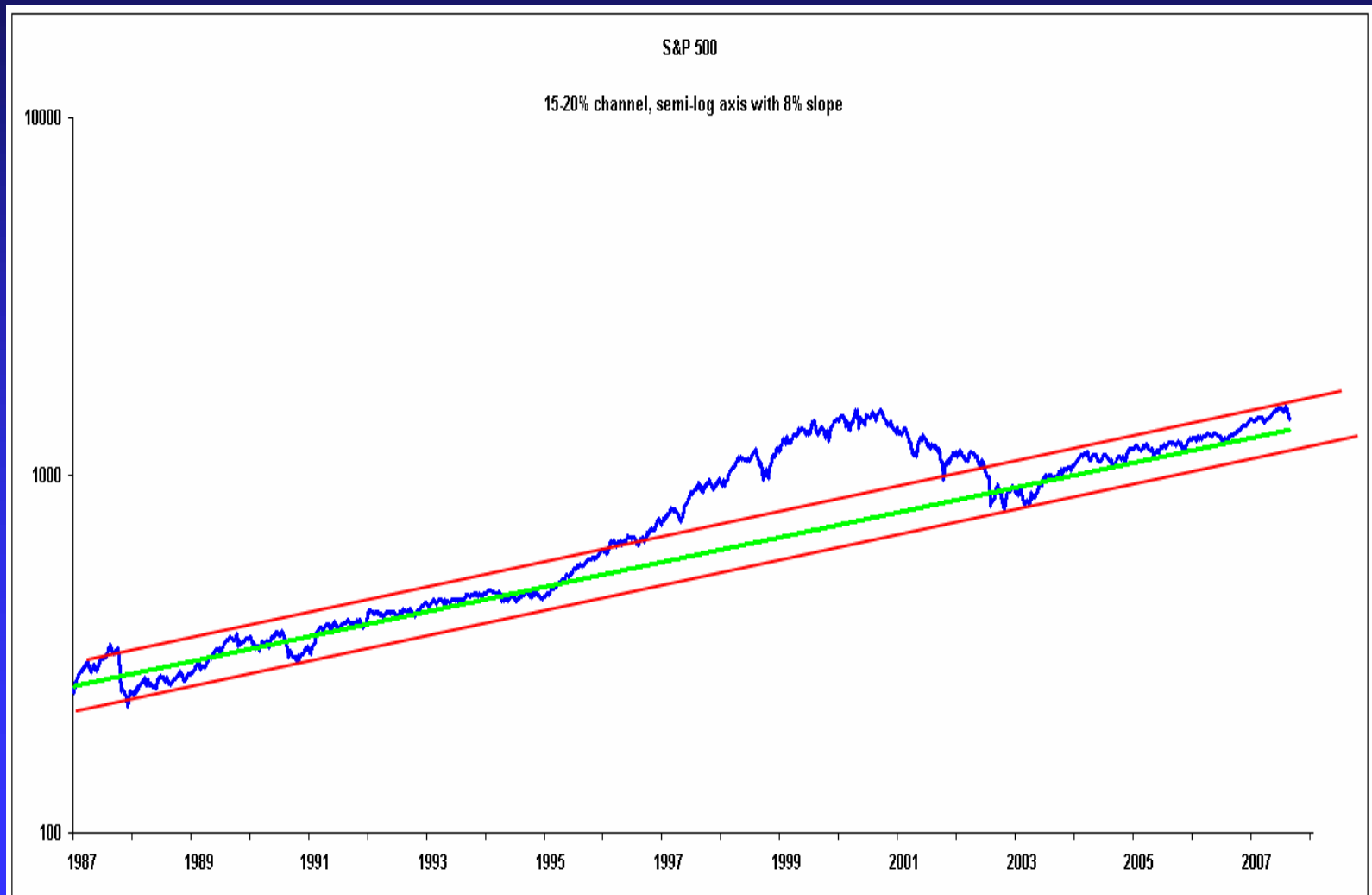
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# STOCK MARKET, SECTORS AND BUSINESS CYCLE





# THE STOCK MARKET: CAN IT GROW FASTER?



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

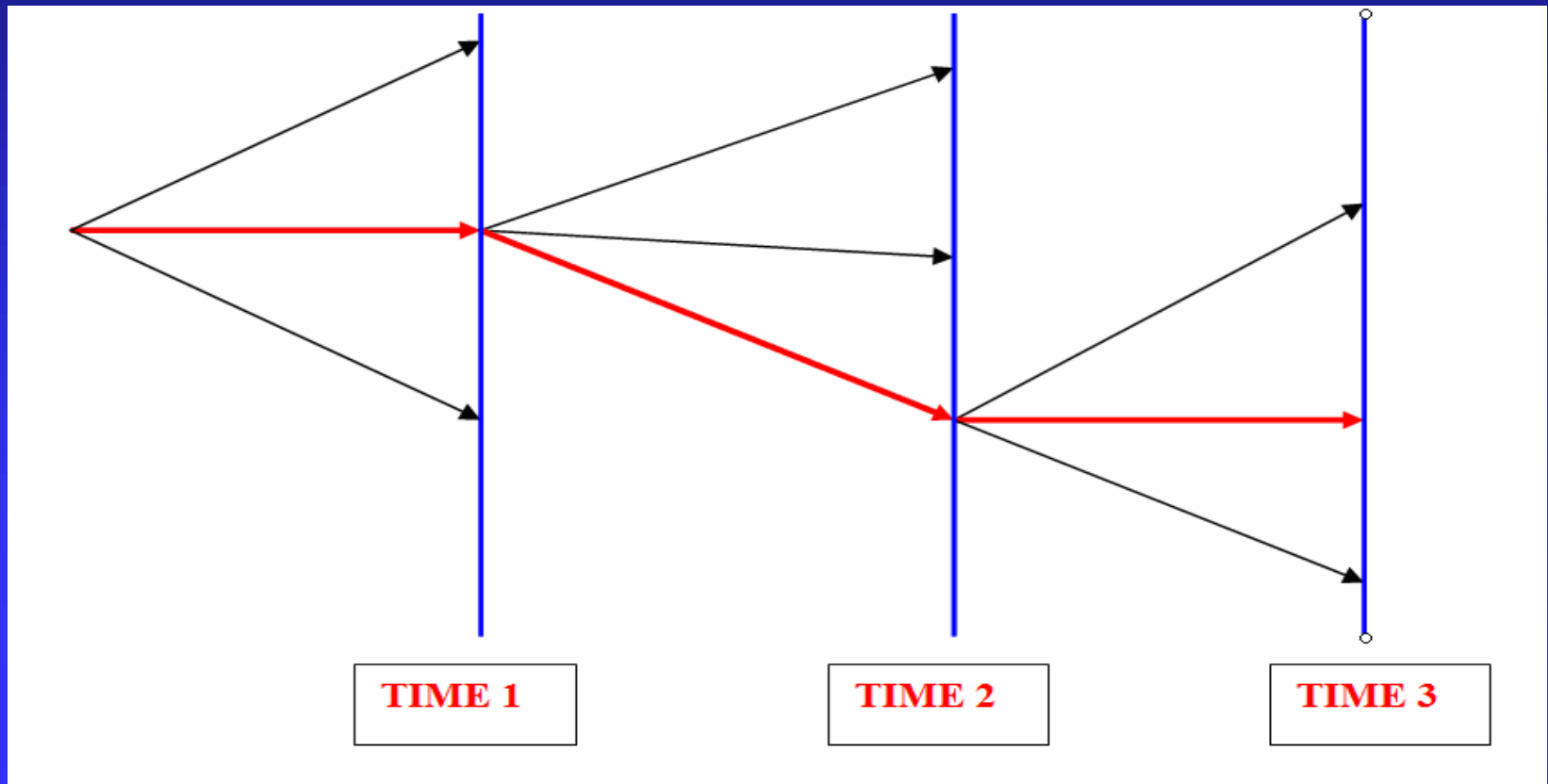
- **METALS AND MINING**
- **ENERGY**
- **ELECTRONICS**
- **INTERNET**
- **COMPUTER SOFTWARE & SERVICES**
- **CONGLOMERATES**
- **TELECOM**

# **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

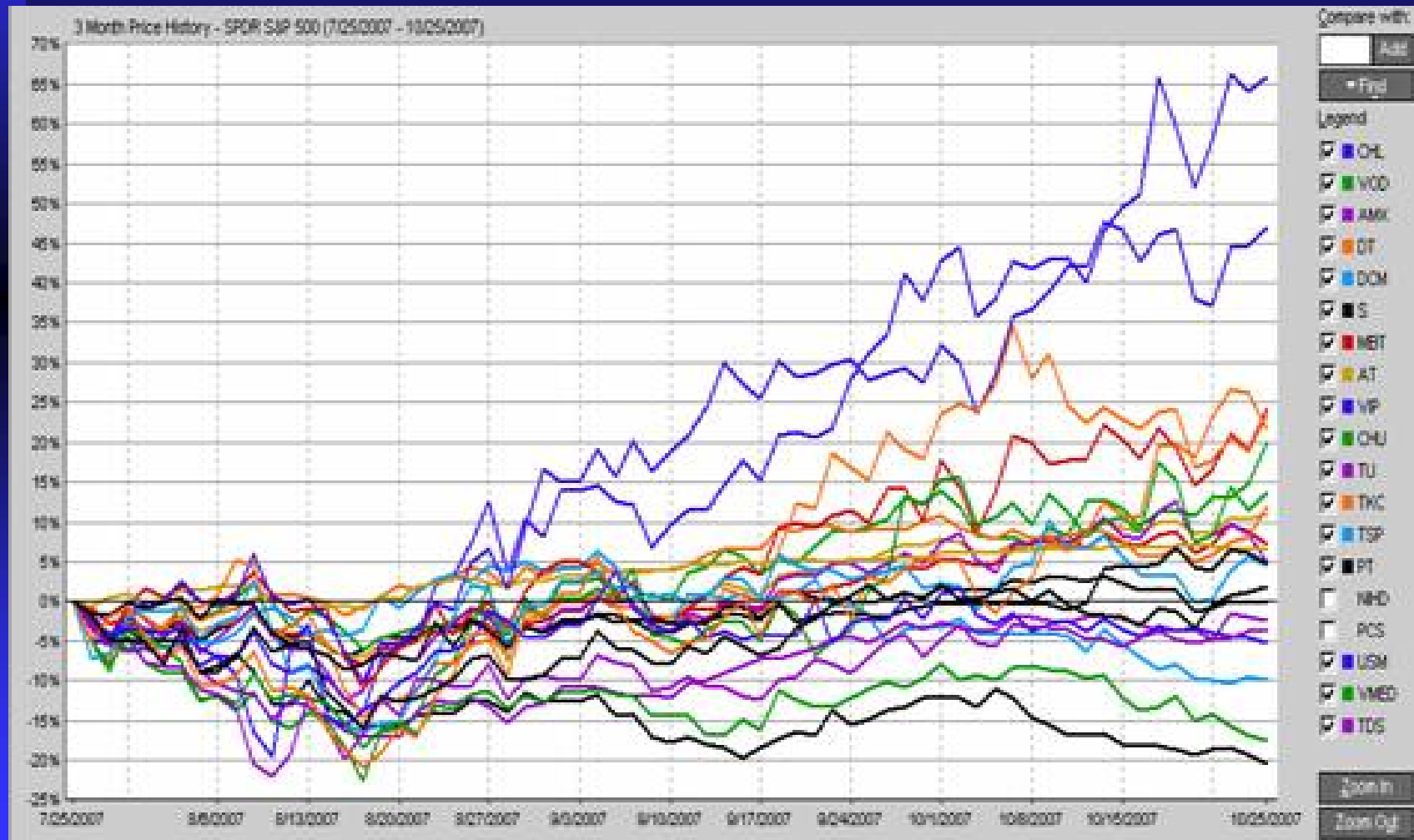
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# STOCK SELECTION

- **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



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# MEASURING RISK

- **BOND YIELDS**
- **TRADING VOLUME**
- **OVERBOUGHT/OVERSOLD INDICATORS**
- **MARKET SEASONALITY AND THE 8 MONTH CYCLE**
- **PROPRIETARY INDICATORS**

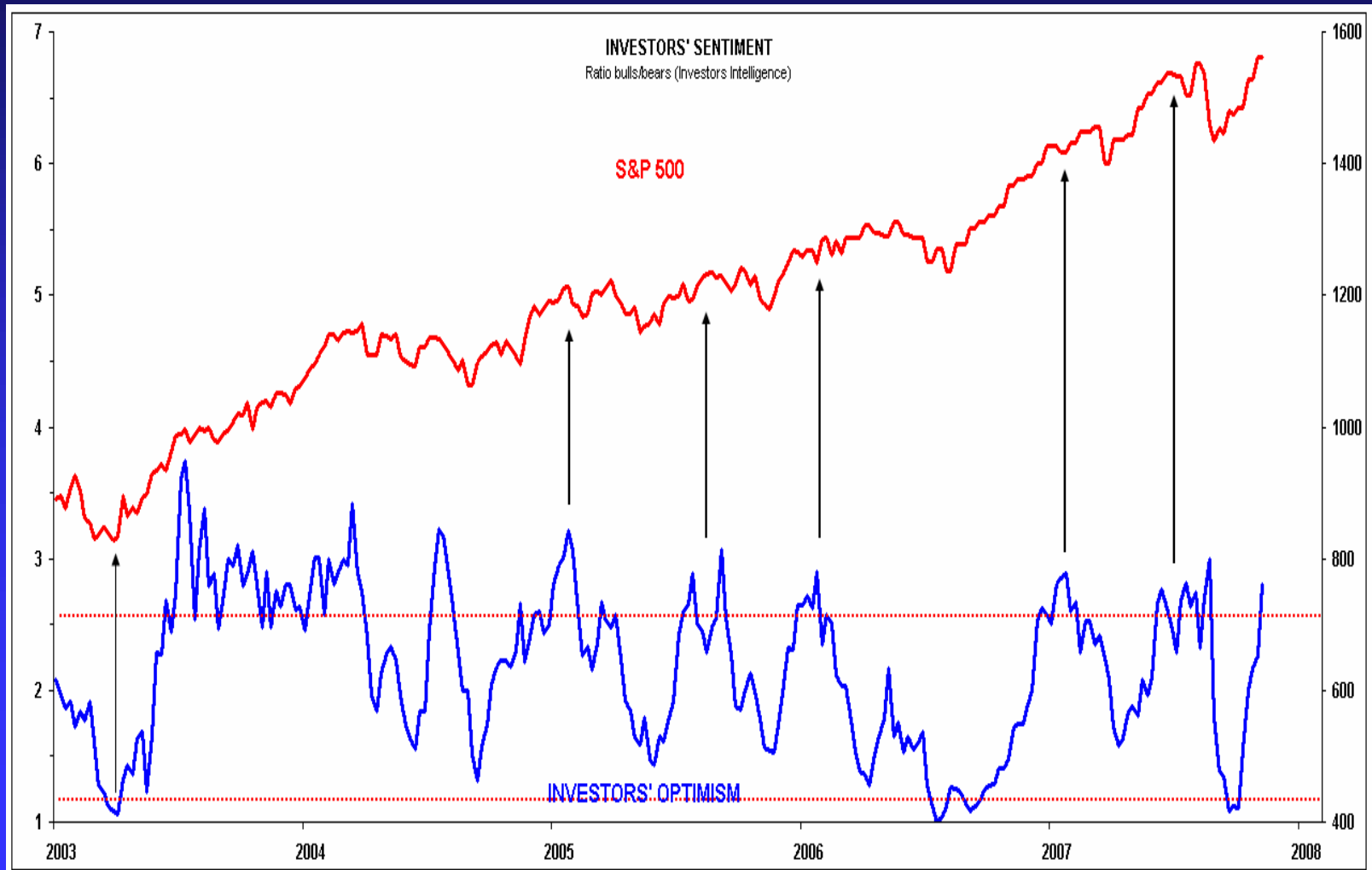
# THE STOCK MARKET: A LEADING INDICATOR.....



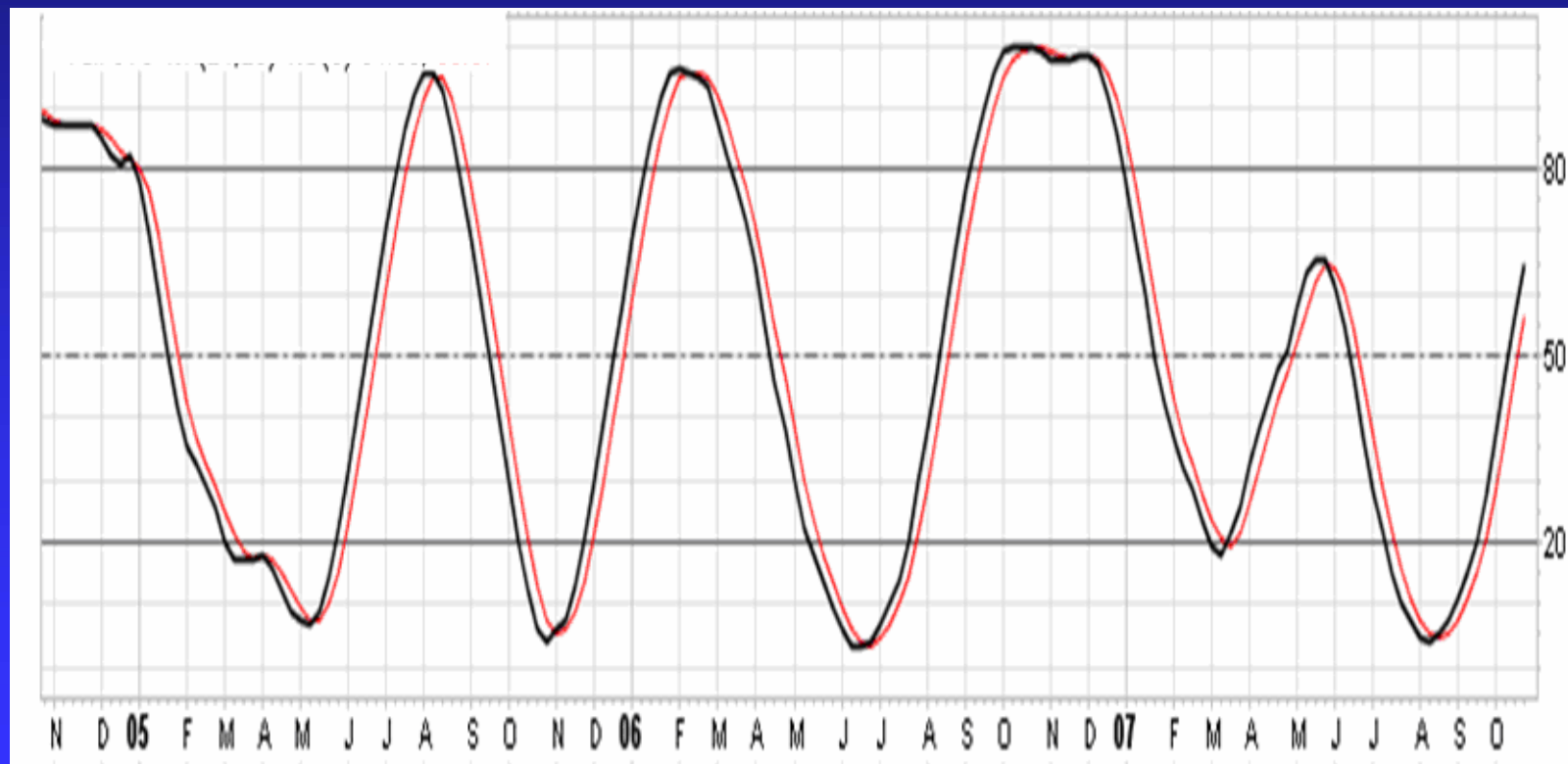
# VOLUME PATTERNS

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

# OVERBOUGHT/OVERSOLD: INVESTORS' SENTIMENT



# SEASONALITY AND 8-MONTH CYCLE

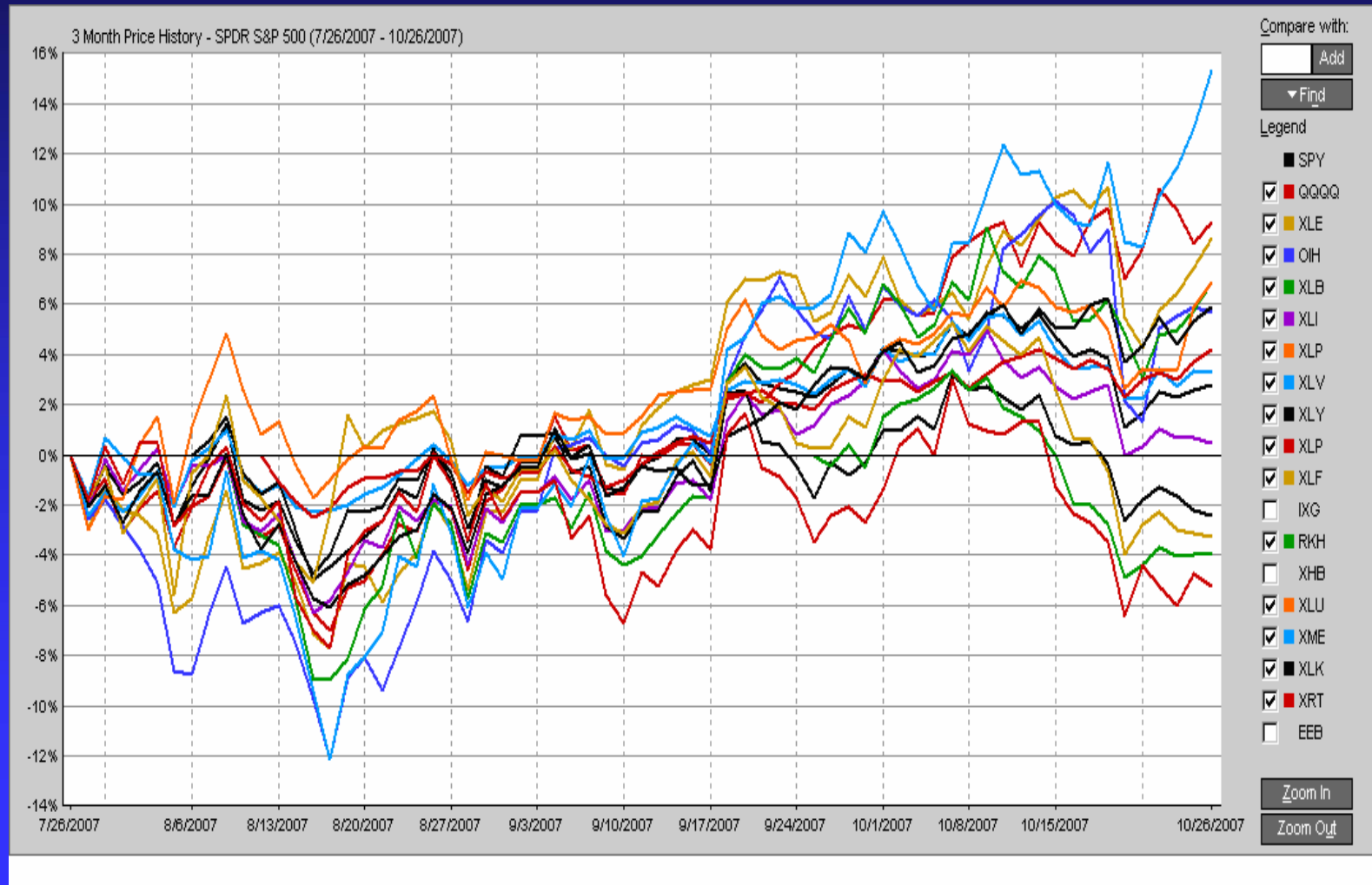


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# SELECT THE STRONGEST ETFs USING FAN CHART



# **INVESTING IN ETF AND MUTUAL FUNDS**

- **MAKE A FAN CHART OF STRONGEST  
ETF OR MUTUAL FUNDS**
- **CHOOSE A PERIOD OF THREE MONTHS**
- **INVEST IN THE STRONGEST 4-5**
- **INCREASE YOUR INVESTMENT IN  
STRONGEST ONES (MONTHLY)**
- **RE-BALANCE PORTFOLIO MONTHLY (IF  
NEEDED)**
- **USE SECTOR ANALYSIS TO CONFIRM  
CHOICE**

# IDEAS TO KEEP IN MIND

- **DIVERSIFICATION = INDEXATION=AVERAGE PERFORMANCE**
- **AVOID ASSET CLASSES NOT IN TUNE WITH BUSINESS CYCLE**
- **INVEST IN SECTORS BENEFITTING FROM CURRENT BUSINESS CONDITIONS**
- **USE TIMING TOOLS TO KEEP FOCUSED**
- **MANAGE THE MARKET VALUE OF YOUR PORTFOLIO, NOT EACH POSITION**

# SUMMARY

- BUSINESS CYCLE
- OUTLOOK – ECONOMIC ENVIRONMENT
- SECTORS AND BUSINESS CYCLE
- STOCKS (FAN CHART & FINANCIAL ANALYSIS)
- ETF AND MUTUAL FUNDS PORTFOLIOS
- RISK MANAGEMENT
- WHEN IN DOUBT...ACT!!!!!!

**DID YOU LIKE  
THIS PRESENTATION?**

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

**CALL 800-833-2782**

***THANK YOU!***