



HedgeFolios Strategy Advisory – September 27, 2016

The Pre-Election Market Environment

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The markets are biding time, supported by the Federal Reserve and the US Treasury's "PPT" team. The case we have made for many months, that the 'agenda' would be to produce positive (though phony) economic numbers and support stocks ahead of the election is right on track.

If you have invested in the "average" stock on the NYSE in April of 2014, **you would have zero gains**. The NYSE COMPOSITE INDEX is shown here. It includes all the stocks on the NYSE. We are getting some negative signals from the long-term indicators. It basically means that selling is increasing while buying is diminishing.



Washington cannot repeal reality. And that is the continued deterioration in important economic numbers not controlled by them, in corporate sales, and in profits. Profits have now declined for 6 consecutive quarters (18 months). Do you remember Wall Street telling everyone for many years that earnings drive the stock market? Well, apparently earnings are not needed anymore. But that is the illusion. The foundation of this market has become like Swiss Cheese, full of holes.



Our HedgeFolios are doing very well, while actual hedge funds are having a terrible time, the worst in decades. Major funds, many considered amongst the best, are seeing outflows of 50%-60% of their assets as investors ask for redemptions.

Some very high profile hedge funds, in business for a long time, are now closing. These investors should look at HedgeFolios as an alternative....

While even the most highly touted "bond gurus" have turned very negative on all the markets, especially Treasuries, we have had a different view. So far, the markets are on our side.

However, we expect important changes in the market environment after the election, no matter who is elected. And if our analysis calls for it, we will make changes. That is what you pay us for: to provide high quality research and analysis that can help guide your investments successfully.

The greatest impediment for long term investment success for many investors is that they let short-term fluctuations in a sector distract from the major trend. It's the investor's emotions. We have emotions as well, however, we aim to overcome them by continuously re-analyzing. If nothing has really changed, we stay with it. If something important may be changing, we change as well, or perhaps lighten up a certain position in a sector.

With a heavy position in the ETFs holding US Treasuries, we believe our bullish case is still valid. That would change when we sense a stronger trend in commodities, not just a counter-trend move.

We still like the other areas we are holding. However, the election may require us to make some changes in November.

Stay tuned. We thank all our valued members for their continued support and loyalty...

Wishing you all the best,

Bert Dohmen and team