

**Going up,
Going down,
Going nowhere!**

Don Gimpel, June 2013





Picture this:

- You are in Las Vegas at the Money show.
- You are staying at a really posh hotel.
- Last night you made a killing/lost your ass/broke even playing blackjack.
- You are seated at the far left in the 15th row of a large meeting room waiting for your favorite financial guru to tell you if the market is going to go up/down/sideways.
- You are wide awake and waiting for the word. Your future, your quality of life, depends on what he has to say.

Good luck to you!

- If your future depends upon what he has to say, good luck to you.
- You might ask about this guys batting average ... just how good he's been as a forecaster.
- How can you find out? Believe it or not there are people out there who track guru forecasts to keep them honest. Prepare to be disappointed.

Look at CXOAdvisory.com



Objective research and reviews to aid investing decisions | Monday, April 22, 2013

HOME

RESEARCH
ARTICLES

INVESTING
DEMOS

GURU
GRADES

MARKET
MODELS

EARNINGS
FORECAST

INFLATION
FORECAST

TRADING
CALENDAR

WHAT
WORKS BEST?

MOMENTUM
STRATEGY

BLOG CATEGORIES: [Technical Trading](#) [Volatility Effects](#) [Momentum Investing](#) [Individual Gurus](#) [Fundamental Valuation](#) [Investing Expertise](#) [Big Ideas](#) [Economic Indicators](#) [Mutual/Hedge Funds](#) [Calendar Effects](#) [Strategic Allocation](#) [Animal Spirits](#) [Individual Investing](#) [Value Premium](#) [Sentiment Indicators](#) [Equity Options](#) [Size Effect](#) [Commodity Futures](#) [Equity Premium](#) [Short Selling](#) [Bonds](#) [Political Indicators](#) [Currency Trading](#) [Buybacks-Secondaries](#) [Cartoons](#) [Gold](#) [Fed Model](#) [Real Estate](#) [Aesthetic Investments](#)

LATEST MARKET RESEARCH ARTICLES & IDEAS

Short-term VXX Shorting Signals?

April 22, 2013 [Short Selling](#) [Technical Trading](#) [Volatility Effects](#)

Analyses in "[Shorting VXX with Crash Protection](#)" suggest that one-month momentum may be a useful signal for trading in and out of a short position in iPath S&P 500 VIX Short-Term Futures ETN (VXX). A subscriber inquired whether a short-term version of this signal is effective. Specifically, how useful is a strategy that goes short VXX (to cash) at the close when the same-day VXX return is negative (positive)? To test this daily momentum signal, we consider basic daily return statistics and two VXX shorting scenarios: (1) shorting an initial amount of VXX and letting this position ride indefinitely (Let It Ride); and, (2) shorting a fixed amount of VXX and resetting this fixed position daily (Fixed Reset). For tractability, we ignore shorting costs/fees, but we do consider the trading frictions associated with entering and exiting a short position in VXX based on the daily momentum signal. Using daily reverse split-adjusted closing prices for VXX from the end of January 2009 through mid-April 2013, we find that: [More...](#)

EDITOR ARCHIVE PICKS

Capturing VIX Futures Roll Return with ETNs

November 14, 2012 [Commodity Futures](#)

[Volatility Effects](#)

...as VelocityShares Daily Inverse VIX Short-term ETN (XIV) and iPath S&P 500 VIX Short-term Futures ETN (VXX) offer good ways to capture that return? To investigate, we consider the cumulative return for buying and holding XIV, a way to time XIV to avoid intervals when the roll return is positive and a way to combine XIV and VXX to exploit both negative and positive roll return intervals. Using daily closing prices for XIV and VXX and daily se...

Capturing VIX "Misvaluation" with ETNs

LOGIN

Username

Password

Remember Me

Login

[Register](#) | [Lost Password?](#) | [Contact Support](#)

CURRENT MOMENTUM WINNERS

ETF Momentum Signal for April 2013 (Final)

Momentum ETF Winner

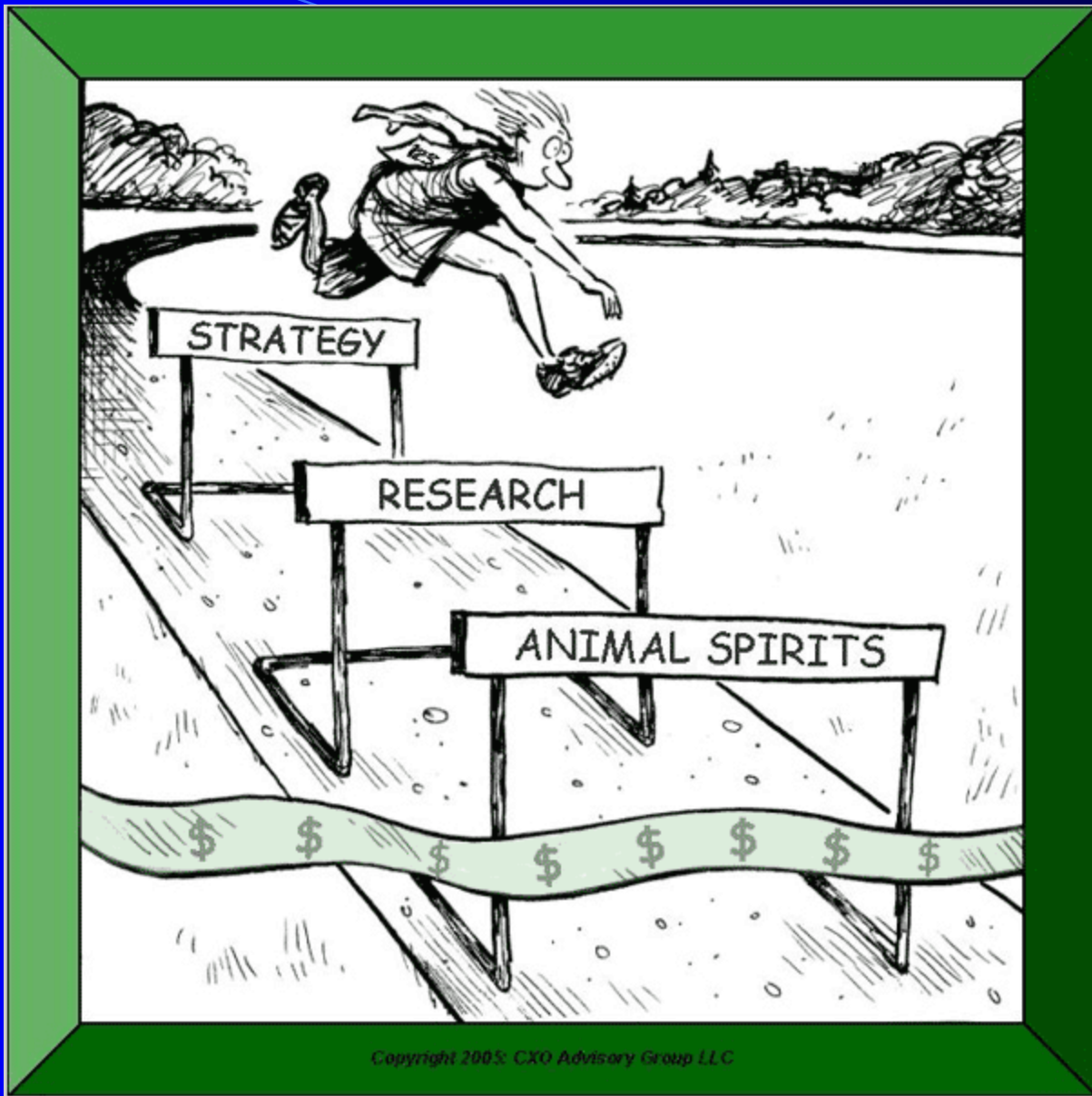


Second Place ETF

Guru	Forecasts	Accuracy	Guru	Forecasts	Accuracy
David Nassar	44	68.2%	Doug Kass	178	47.6%
Jack Schanep	61	66.7%	Jeremy Grantham	37	47.5%
Ken Fisher	115	65.0%	Don Hays	85	47.1%
David Dreman	44	63.6%	James Stewart	115	47.0%
James Oberweis	35	62.9%	Marc Faber	154	47.0%
Louis Navellier	149	59.9%	Richard Band	31	46.9%
Jason Kelly	125	59.4%	Jim Cramer	62	46.8%
Dan Sullivan	115	59.1%	Gary D. Halbert	93	46.4%
John Buckingham	17	58.8%	Dennis Slothower	144	45.3%
Cabot Market Letter	48	58.8%	Jim Jubak	141	44.2%
Steve Sjuggerud	49	58.5%	Bill Cara	198	44.2%
Richard Moroney	55	56.4%	Tim Wood	182	43.8%
Carl Swenlin	125	55.4%	Martin Goldberg	109	43.1%
Jon Markman	36	55.3%	Price Headley	348	42.0%
Aden Sisters	39	54.8%	Gary Savage	119	41.9%
Bob Doll	161	54.7%	Linda Schurman	57	41.4%
Paul Tracy	52	53.8%	Donald Rowe	69	40.6%
Bob Brinker	44	53.3%	Igor Greenwald	37	40.5%
Mark Arbeter	230	53.2%	Bob Hoye	54	40.4%
Gary Kaltbaum	144	53.1%	John Mauldin	211	39.9%
Robert Drach	19	52.6%	Nadeem Walayat	66	39.7%
Don Luskin	201	52.0%	Jim Puplava	43	39.5%

Why pay attention to them?

- CXOAdvisory.com lists 68 gurus.
- The top guru has a forecasting accuracy rate of 68%.
- The bottom gurus rate is so low you wonder how he can make a living.
- The median forecast accuracy is 48%.
- You would be better off flipping a coin than following the median advice from this bunch yet some stubbornly insist on subscribing to their services.



Copyright 2005, CXO Advisory Group LLC

You can get better advice for free!

- Try BullAndBearWise.com
- It's free!
- They provide 60 financial and market indicators all fully disclosed, analyzed and graphed.
- They provide a consolidated US market graph.
- Lets take a look.

BullandBearWise.com

Google™

Web BullandBearWise




"A chart is worth a thousand words of high fallutin' economic mumbo-jumbo"




[Tip Jar](#)

Fed Repo
Activity
UPDATED DAILY

4/22/2013

 Federal Reserve

 U.S. Debt

 At Issue

 BullandBearWise Management

The BullandBearWise Index of economic and market indicators:

Growth

[Gross Domestic Product](#)
[Non-Farm Productivity](#)
[Non-Manufacturing ISM](#)

Labor

[Initial Jobless Claims](#)
[Unemployment Rate](#)

Commodity

[CRB Index](#)
[London Gold](#)
[Sweet Crude](#)

Consumer

[Consumer Credit](#)
[Personal Income](#)
[Retail Sales](#)

TODAY'S THOUGHT

4/16/2013

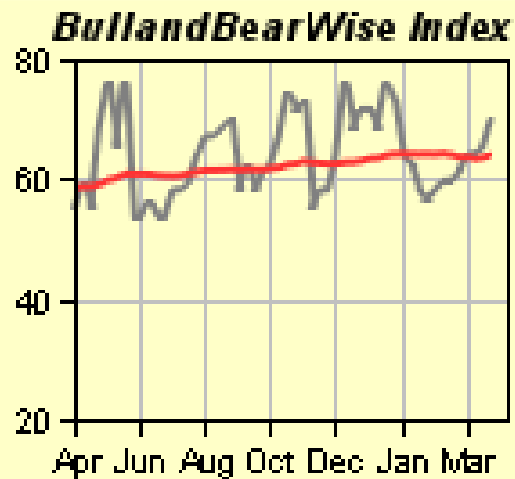
Date	Indicator	Prior release	Latest release	Weighted change
Apr 16	Capacity Utilization	Bullish	Bullish	No change
Apr 16	Industrial Production	Bullish	Bullish	No change
Apr 16	Housing Starts	Bullish	Bullish	No change
Apr 16	Housing Market Index	Bearish	Bearish	No change
Apr 16	CPI	Bearish	Bullish	+3
Week of 4/19/2013 Net change				+3

4/12/2013

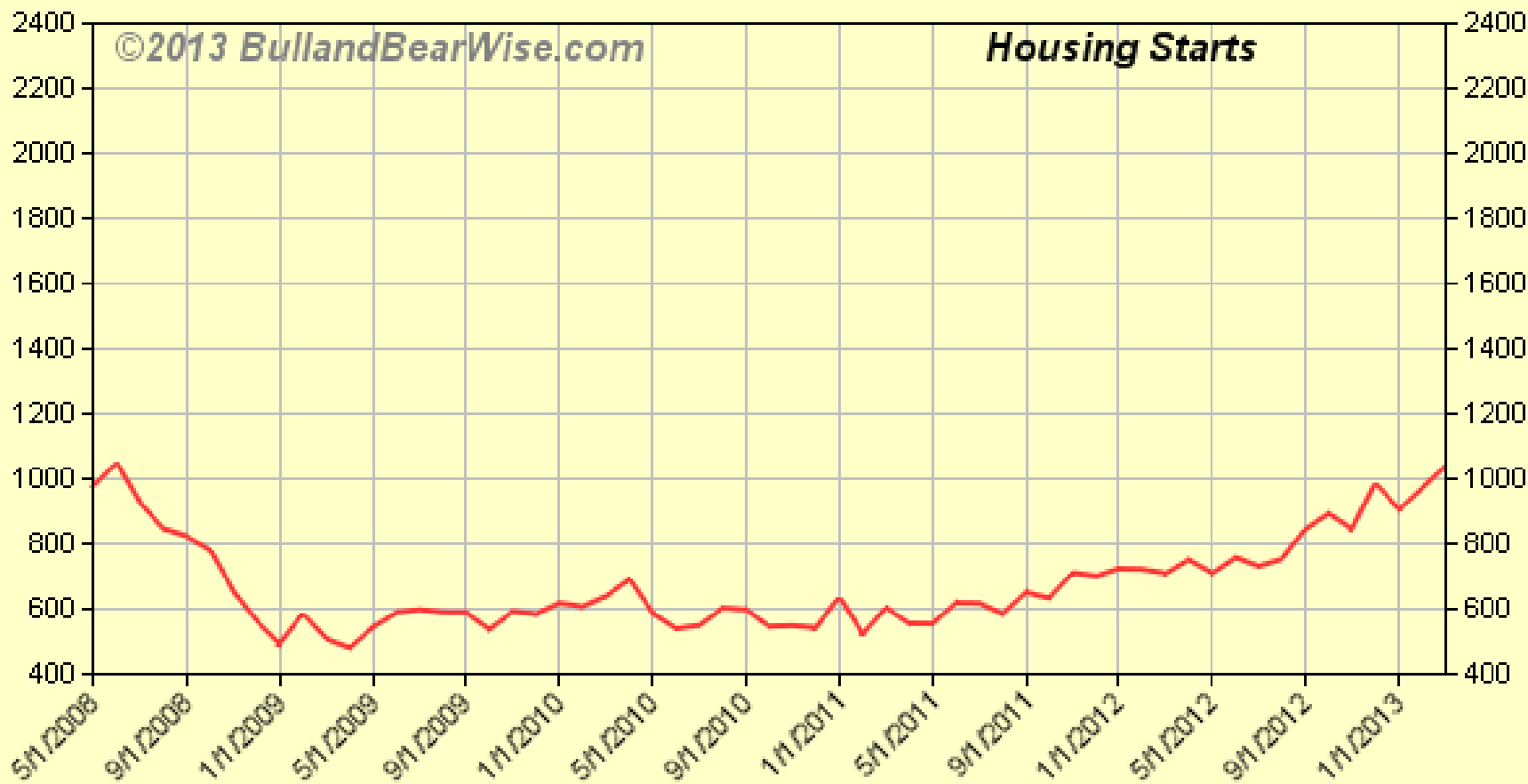
BullandBearWise Index

70.15

The BullandBearWise Index weights economic and market indicators from 0 (bearish) to 100 (bullish).



-



Latest reporting month
March 2013

U.S. Commerce Department
Bureau of the Census

*"I'll take 500 NFI
and 1000 FEIC on
margin; hold the
analyst opinions."*



All this doesn't matter anyway! Why?

- Most of the gurus concentrate on forecasting the US equities market as if it is the only place in the world where you can make money.
- You can now effortlessly invest in almost anything, anywhere through ETFs.
- You can even invest in a strategy following index.
- It's a new world!
- I don't want to know about where I shouldn't invest. Just tell me where I can make money.

What's important for stocks? [1]

1. The Employment Situation Report
2. ISM Report – Manufacturing
3. Weekly Claims for Unemployment Insurance
4. Consumer Prices
5. Producer Prices
6. Retail Sales
7. Consumer Confidence and Sentiment
8. Advance Report on Durable Goods

[1] Baumohl, B., The Secrets of Economic Indicators, Wharton School, pg 12

What's important for Bonds?

1. Employment Situation Report
2. Consumer Prices
3. ISM Report – Manufacturing
4. Producer Prices
5. Weekly Claims for Unemployment Insurance
6. Retail Sales
7. Housing Starts
8. Chicago Purchasing Managers Report
9. Industrial Production/Capacity Utilization

What do the Pros say?

The Federal Reserve is in the forecasting business and publish their results at:

www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/

Here is what it looks like:



FEDERAL RESERVE BANK OF PHILADELPHIA



Research & Data

Education

Consumer Credit & Payments

Bank Resources

Community Development

Newsroom

Careers

Publications


Tuesday, April 23, 2013

[-] Text Size [+] | [Print Page](#)

[Home](#) > [Research & Data](#) > [Real-Time Data Research Center](#) > [Survey of Professional Forecasters](#) > [First Quarter 2013](#)

First Quarter 2013 Survey of Professional Forecasters

Release Date: February 15, 2013

[Listen to an interview with a research analyst about this quarter's survey.](#) 

Forecasters Predict Stronger Labor Market

The outlook for growth in the U.S. economy over the next three years looks mostly unchanged from that of three months ago, according to 46 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The panel expects real GDP to grow at an annual rate of 2.1 percent this quarter and 2.3 percent next quarter and to rise to 2.7 percent in the first quarter of 2014. On an annual-average over annual-average basis, the forecasters see real GDP growing 1.9 percent in 2013, down slightly from the previous estimate of 2.0 percent. The forecasters predict real GDP will grow 2.8 percent in 2014, 2.9 percent in 2015, and 3.0 percent in 2016.

VIEW COMPLETE WRITEUP

A complete writeup of this survey, including all tables, is available in PDF format.

[First Quarter 2013](#) 

NEXT SURVEY RELEASE

The survey for 2013 Q2 will be released on May 10, 2013.

For more up-to-date information, please view the [SPF release schedule](#).

E-MAIL NOTIFICATION

Subscribe to the survey through our e-mail

Overview

Banking & Financial Markets

Economists

Real-Time Data Research Center

Regional Economy

Research Contacts

Research Events

Research Library

Research Publications

Contact Us

From InvestorHome.com

Prognostications below are 'For entertainment purposes only. Do not take seriously.' [Source](#)

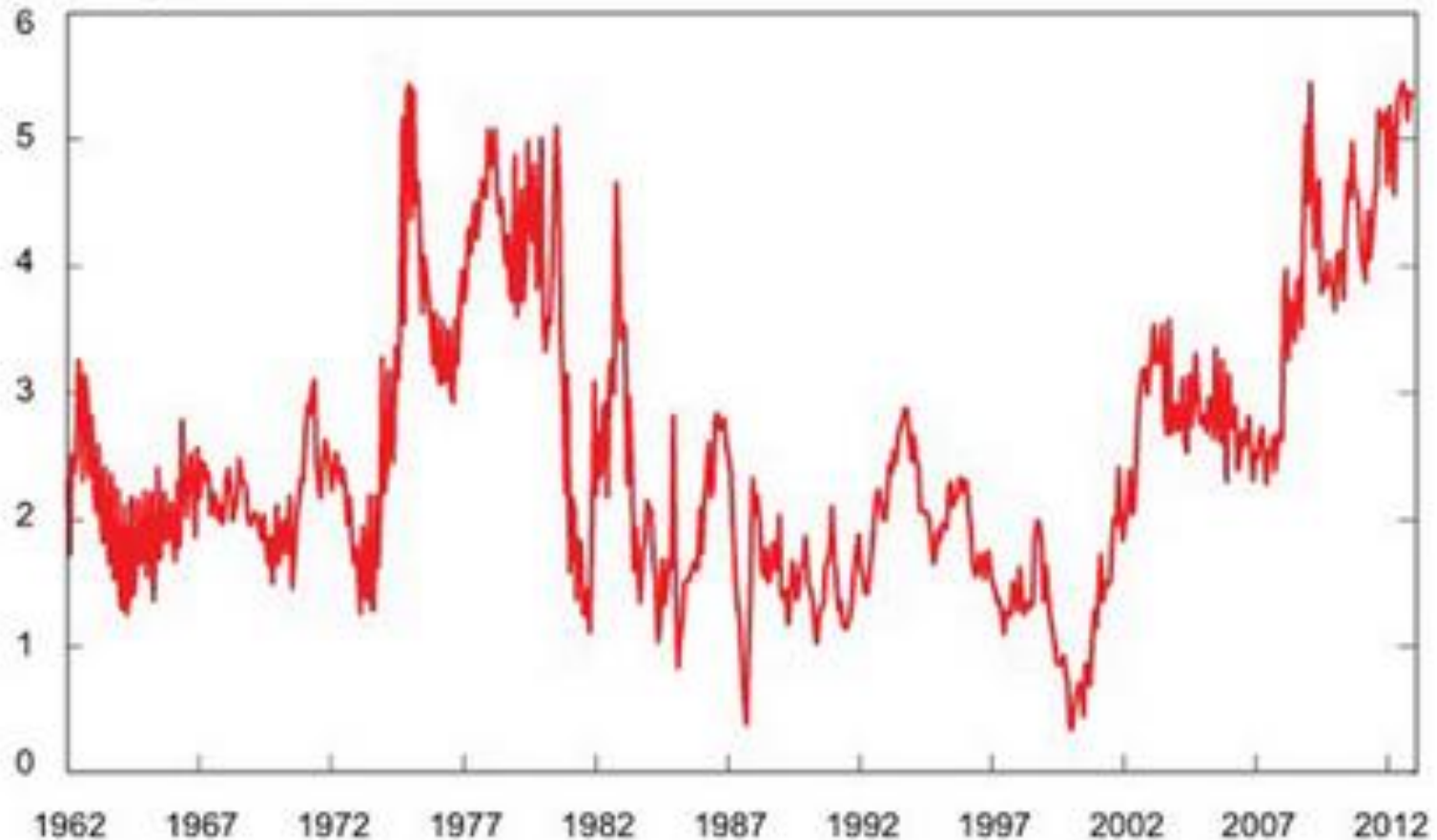
See also [Guru Grades \(CXO\)](#), [Investor Sentiment \(Barrons\)](#), and [BullandBearWise](#)
 bull/bear debates [11/8/12](#), [Dow 20000 or 30000?](#), [2012 Predictions](#), [12/1/2011](#), [08/21/11](#), [5/31/2011](#), [4/18/2011](#), [4/9/2011](#), [3/9/2011](#)

Bullish	Bearish
Thomas Lee says the DJIA could peak as high as 20,000 within 4 years on CNBC (1/28/2013)	Tom Fitzpatrick expects the Dow to drop 20% via CNBC (1/17/2013)
Jeremy Siegel makes The Case for Dow 17,000 in Kiplingers (Dec 2012)	Marc Faber expects the market to drop 20% via Bloomberg (11/7/2012) and CNBC (11/13/2012)
Richard Sylla projects that DJIA could climb to 20250 (S&P500 2300) by the end of 2020 via WSJ (9/12/2011)	Walter Zimmerman has a downside S&P 500 target around 580 via WSJ (12/27/2011)
Darryl Guppy was bullish on 11/8/2011 after accurately targeting 10,600 on the DJIA via CNBC (8/4/2011)	Bob Janjuah says 2012 could see the S&P 500 all the way down to the 700 range via CNBC (10/6/2011) (bullish 4/18/2012)
James Altucher expects 20,000 on the Dow in 12-18 months (6/2/2011)	Russell Napier warns that S&P 500 could drop to 400 from FT (5/16/2011)
Jeffrey Hirsch projects 38,820 on the DJIA by 2025 in Super Boom (4/5/2011)	Harry Dent sees Major Crash for Stocks (3/31/2011) (9/12/2011 (DJIA 3000 in 2013), 11/8/2012 , 10/3/2012 , 1/8/2013 updates)
Laszlo Birinyi - S&P 500 may rally to 2,854 on Sept. 4, 2013 via Businessweek (1/4/2010) (3/23/2011 , 1/25/2013 updates)	Abigail Doolittle projected a 36 month target of 425 on the S&P 500 (3/1/2011 or 3/8/2011 CNBC)
In between	Jeremy Grantham says be in cash (11/11/2010) - 29 minute CNBC video (11/29/2011 update)
Robert Shiller - 2020 Stocks Outlook - guess is 1430 on CNBC (12/31/2010) (update 5/16/2011 & 9/28/2011 video)	Nouriel Roubini (co-author of Crisis Economics) - Presidency Headed for Fiscal Train Wreck (10/29/2010) in FT (5/11/2011 , 11/19/2012 updates)



Today's equity premium has reached a historic high

Percentage annualized



Sources: Authors' calculations; Barclays; Deutsche Bank; Duke/CFO Business Outlook survey; Federal Reserve Board; Federal Reserve Bank of New York; Goldman Sachs; J.P. Morgan; Nomura; the Center for Research in Security Prices; Federal Reserve Economic Data; Thomson Reuters; the websites of NYU's Aswath Damodaran; Dartmouth's Kenneth French, University of Lausanne's Amit Goyal, University of California at Berkeley's Martin Lettau, Yale's Robert Shiller.

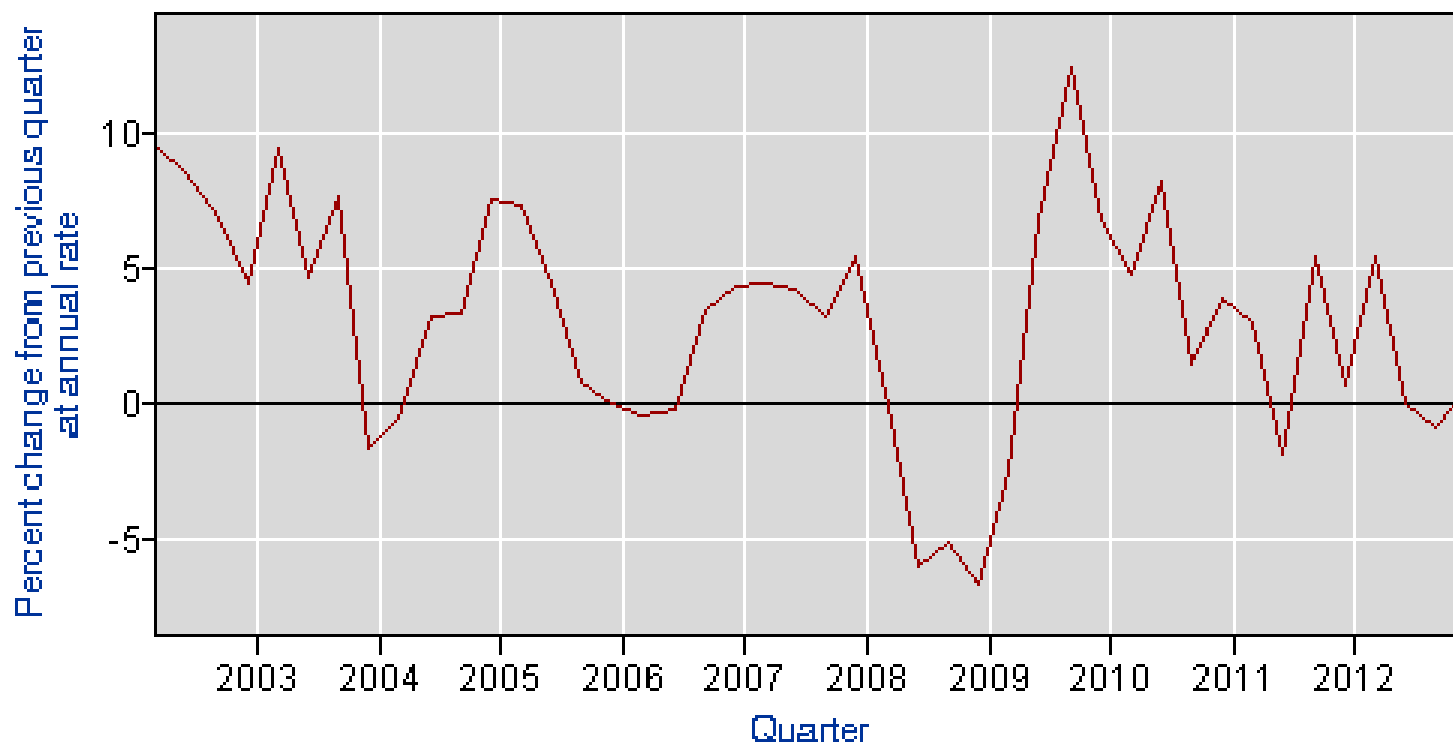
There's another way to read the future

- Think of the forces that drive one segment of the economy or another.
- They are called drivers.
- For example, Productivity per Hour drives the value of the dollar and that drives the price of gold.
- The next block diagram links actions of the FED to representative economic sectors.
- This is the intellectual basis of cycle theory.

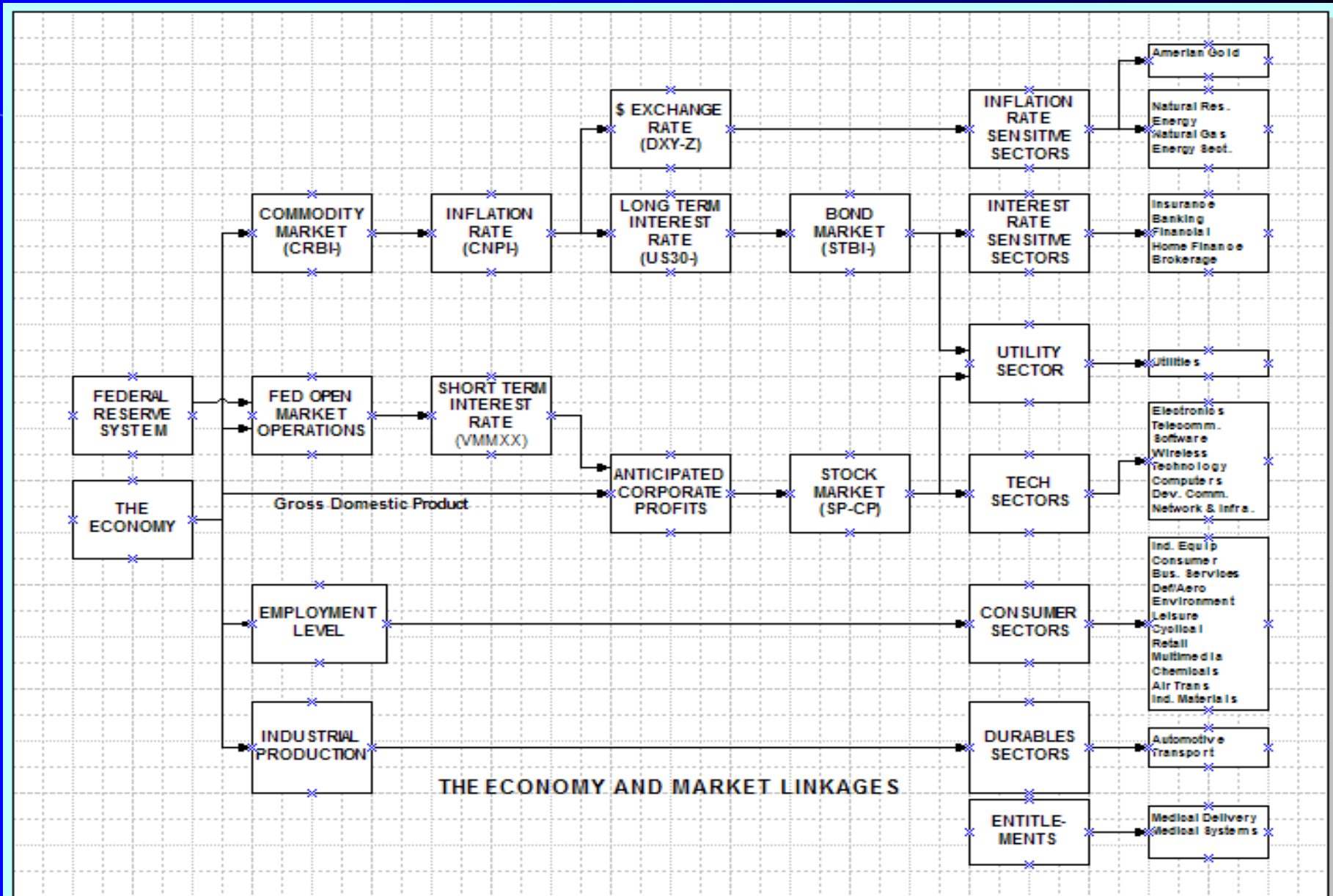
Data.bls.gov/timeseries/PRS30006092

Major Sector Productivity and Costs

Series Id: PRS30006092
Sector: Manufacturing
Measure: Labor productivity (output per hour)
Duration: Percent change from previous quarter at annual rate
Base Year: -



What about drivers?



Rotate to internationals when the exchange rate goes down.

The value of the dollar and gold move inversely.

Interest rate inversion is a sure recession signal.

Corporate earnings to 10-year Notes gap is a reliable recession indicator.

Invest in equities after the second decline in the Fed Funds rate. Invest in Bonds after the second rise in the Fed Funds rate.

Invest in the consumer sectors while the unemployment level is trending down.

FEDERAL RESERVE SYSTEM

COMMODITY MARKET (CRBI)

INFLATION RATE (CNP)

LONG TERM INTEREST RATE (US30)

BOND MARKET (STBI)

INFLATION RATE SENSITIVE SECTORS

American Gold
Natural Res. Energy
Natural Gas
Energy Sect.

INTEREST RATE SENSITIVE SECTORS

Insurance
Banking
Financial
Home Finance
Brokerage

THE ECONOMY

Gross Domestic Product

FED OPEN MARKET OPERATIONS

SHORT TERM INTEREST RATE (VMMXX)

ANTICIPATED CORPORATE PROFITS

STOCK MARKET (SP-CP)

UTILITY SECTOR

Utilities
Electronics
Telecomm.
Software
Wireless
Technology
Computers
Dev. Comm.
Network & Infra.

TECH SECTORS

Ind. Equip
Consumer
Bus. Services
Def/Aero
Environment
Leisure
Cyclical
Retail
Multimedia
Chemicals
Air Trans
Ind. Materials

EMPLOYMENT LEVEL

CONSUMER SECTORS

Ind. Equip
Consumer
Bus. Services
Def/Aero
Environment
Leisure
Cyclical
Retail
Multimedia
Chemicals
Air Trans
Ind. Materials

INDUSTRIAL PRODUCTION

DURABLES SECTORS

Automotive
Transport

ENTITLEMENTS

Medical Delivery
Medical Systems

THE ECONOMY AND SIGNALS

Nerd Sidebar: Calculating time shifts:

This is for the nerds in the audience who want to calculate the time shifted cross-correlation and Rsq, i.e., the amount of time one array (vector) leads another. For Excel use:

```
=CORREL($Array1,Array2)
```

```
=RSQ($Array1,Array2)
```

Example:

```
=CORREL($A$1:$A$1000,B1:B1000)
```

If you are a real nerd, you ought to be able to take it from here.

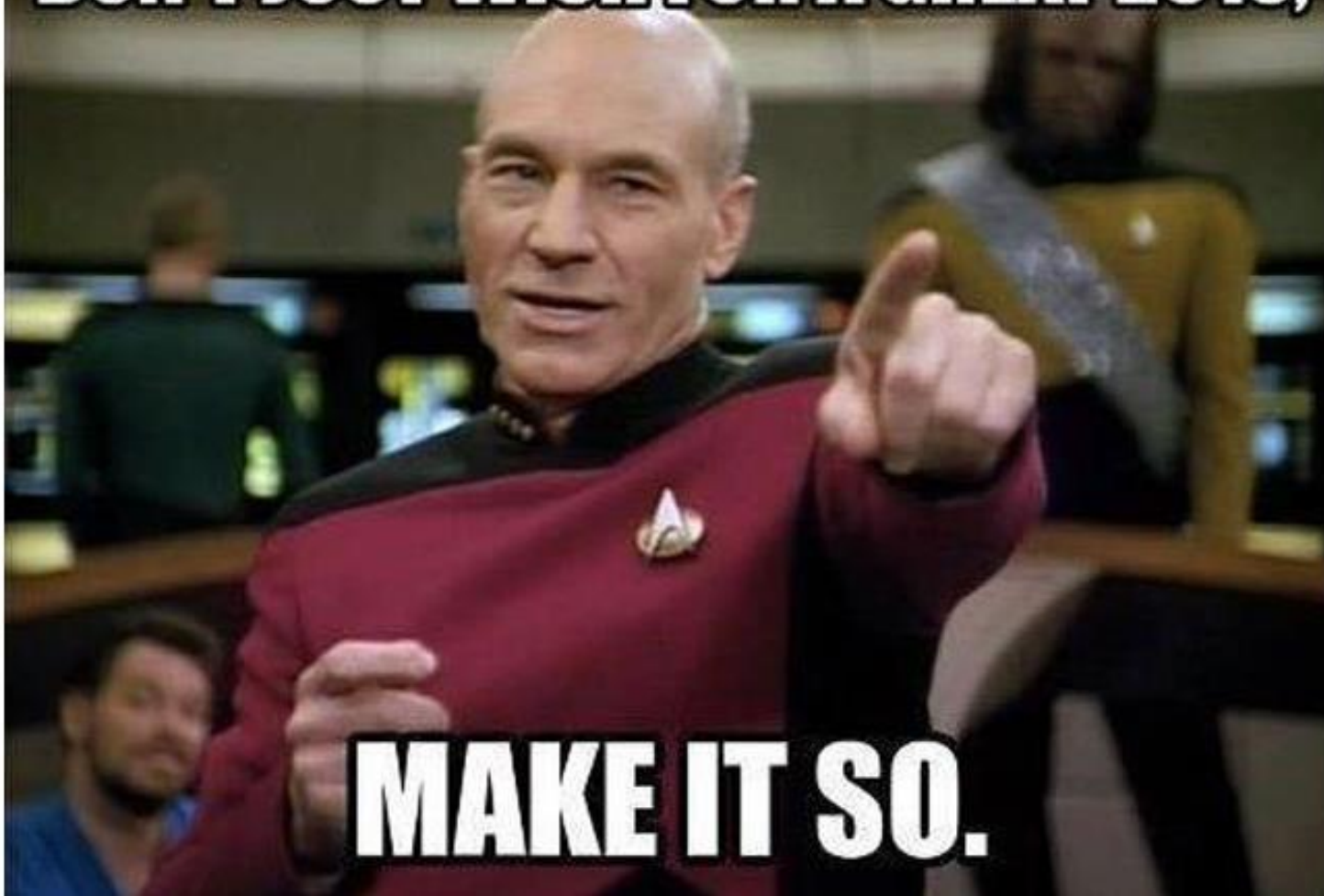
By the way ...

- There once was a company in the business of calculating the relationship between a driver and the sector being driven.
- Its name was Black River Software and they are no longer in business.
- The reason for that is that it is very easy for you to perform that kind of calculation using an Excel spreadsheet as per previous example.

Don, what are you talking about?

- Let me say what I mean to say as succinctly as I can:
- Even though you may feel you need help and guidance, be careful when you pay attention to advice from those motivated for you to buy/sell securities and/or services. It's very easy to put up a persuasive argument in any direction that's to their benefit.
- You can always find a respected guru who will say "up" and another that will say "down."
- It's common sense, isn't it.

DON'T JUST WISH FOR A GREAT 2013,



MAKE IT SO.