InvestExplore.com

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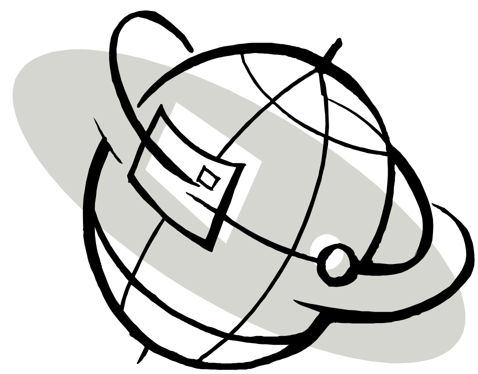
InvesTrak – Sharp E-Newsletter for the Savvy Self-Directed Investor

INSIDE THIS ISSUE:

Global Markets Up Despite Geo Tensions

A lot of geo political and economic uncertainty around the world is not deterring the advance of global equity markets much. Major US Benchmarks are in record territory. The DIA has not seen a monthly down-close in the last 6 months which is astonishing.



Composite ETFs representing the European Region and Emerging Markets are also nearing multi-year highs.

We are starting the final quarter of 2017 and stocks are not showing any signs of cracking up amid all this bullishness. The question is: How long this rally is going to continue for? In late September, the Fed has announced its "tapering" plan and N. Korea is continuing to remain in the limelight for all the wrong reasons. If investors believe there is a clear uncertainty emanating from these events – global equities are likely to pull back sharply as investors tend to act first and question later. Not to forget, investor sentiment is remaining strong in the face of strong economic data coming out US Economy.

Tax Reform Proposals being discussed now appear to be having a positive effect on US Equities not having much exposure to Global Businesses.

US Market Breadth Indicators

US Market Breadth is strong. Stocks continued to rise in September - usually considered a difficult, tough month for stocks. We anticipate this momentum to favor stocks unless Geo Politics play spoilsport. Market is entering a typically stronger period for stocks as investment managers tend to close the year in a positive way. We expect the earnings season and political developments to be major factors determining the continuation of this rally.

Bottom Line – Global Economies are stronger now than a few years ago – thanks to the power of QE!

Fed to Raise Rates and Start "Tapering"

The Fed is on course to start unwinding its Balance Sheet finally after years of Quantitative Easing support. This is a wild card development in many ways as there is no parallel to compare or look back to see what impact this "Tapering" will have on the economy and stocks overall. It is to be believed that the Fed would have been thoroughly convinced to move forward with this initiative. Considering that, investors should be cheering the very announcement as this signifies that the worst crisis that the US Financial System witnessed is now history.

The Fed, also not unexpectedly, continued to expect to raise interest rates over the course of next year.

The watch-word now will be Inflation. Is the Fed anticipating inflationary pressures to increase over the course of this year is a question investors have already started asking.

Undoubtedly, US Markets are poised to enter yet another interesting and important phase.

Outlook on Asset Classes

The US Dollar has been clearly falling behind from the start of 2017 versus other leading currencies such as Euro and the Yen. The US Economy is firing on all cylinders now and combine that with Fed's outlook on interest rates for the upcoming year makes us believe the USD will try to gain back positive ground over the next few months.

Bonds, especially Long Term and Zero Coupons, will be heavily influenced by the interest rate movements and thus we anticipate them to be either consolidating or falling behind over the next few months. With US Treasuries, the only caveat is a major Geo-Political event which can bring investors back to the safe haven.

Global Equities are already outperforming all asset classes and going by recent trends we expect outperformance to continue. Emerging Markets can feel pressure when Fed does raise interest rates. US Equities are likely to perform well in the intermediate term but some pullback cannot be ruled out.

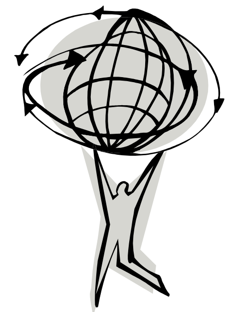
End-of-Month Summary

In summary, we believe self-directed investors/traders will need to be cautiously optimistic about global equities. The caution comes from Geo-Political risks in the Korean Peninsula and the unknown impact of the tapering effect combined with Fed rate increases.

The optimism comes from outlook for an even stronger US economy where Corporate Earnings will continue to beat expectation and economic growth across all regions will continue to accelerate. The Trump Tax Reform proposal's acceptance is still not fully clear but there does appear to be some positive undertones to that.

Monthly ETF Watch List

Our Monthly ETF Watch List features ETFs that we believe are attractively positioned from both Technical and Global Macro Fundamental views. Even as sponsors keep churning out new ETFs every week, we typically confine our selection process to well established ETFs that have been around at least for a few years.



TUR – iShares MSCI Turkey ETF – CP $41.81

We are adding TUR to our watch list this month. After climbing for most of this year from yearly lows, this ETF has been pulling back over the past few weeks. The intermediate and long term trends appear to be on an incline. As of Friday September 29th close, price moved below its 20-week MA but found support around the price level. While some more pullback cannot be ruled out, tactical investors may want to add this ETF to their watch list of a globally diversified allocation.

Turkey has a very diverse economy and can be considered a regional leader in the Mediterranean/Middle Eastern economic landscape. While some political turbulence is constantly causing disruptions the economy seems to be having withstanding power. Volatility cannot be ruled out especially with price having risen heavily this year.

XLE – Energy Select Sector SPDR Fund – CP $68.48

After relentless selling over the majority of this year, the core Energy sector appears to have come alive over the past few weeks. Numerous fundamental factors involving demand and supply appear to have contributed to the turn of fortunes for this ETF.

We are cautiously adding XLE to our Watch List this month. The ETF has broken above a downward trend from a technical perspective. Sharp corrections have been routine for this sector this past year and more such reactionary moves can happen but from a tactical point of view this ETF's rally appears to have some legs.

Logon to InvestExplore.com to see all our Watch List ETFs.

Most ETFs are at multi-year highs and with investor sentiment so strong it appears to be a momentum driven market at this time. Investors have to remain vigilant to sudden turns and uncertainties.

Disclosure: Active positions not held in TUR and XLE in own account at the time of publishing.

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InvestExplore – Model ETF Portfolios Update as of September 2017

Metrics	GLO-BLEND (ICP 2010-2017)	Benchmark (ACWI)
Mean Return (annualized)	10.64%	9.81%
Compound Return (annualized)	10.00%	8.79%
Beta	0.77	1.00
Alpha (annualized)	2.89%	0.00%
R-squared	94.80%	100%
Sharpe Ratio	0.92	0.67

Metrics	US-BLEND (ICP 2010-2017)	Benchmark (SPY)
Mean Return (annualized)	12.98%	14.15%
Compound Return (annualized)	12.42%	13.34%
Beta	0.74	1.00
Alpha (annualized)	2.30%	0.00%
R-squared	92.31%	100%
Sharpe Ratio	1.29	1.09

Metrics	YOUNG-INVESTOR (ICP 2010-2017)	Benchmark (ACWI)
Mean Return (annualized)	12.23	9.81%
Compound Return (annualized)	11.53%	8.79%
Beta	0.78	1.00
Alpha (annualized)	4.29%	0.00%
R-squared	89.88%	100%
Sharpe Ratio	1.02	0.67

We have consciously chosen popular Market Benchmarks as these are the ones that are very hard to beat in the long run even by experienced money managers.

If you are interested in knowing more about these Model Portfolios please contact us at http://www.investexplore.com/IPContact.php or email us at contacts@investexplore.com.

We truly believe that these Model Portfolios can be important tools that can help you in your asset allocation of your own funds to invest.

Please remember: Asset allocation is for the long haul and is an important and indispensable strategy for building wealth.

InvestExplore – Model ETF Portfolios Asset Class Allocation Weights

GLO-BLEND	ETF Symbol	Weight	Comments
US Large Caps	***	13.8%	Allocated to 4 ETFs
Foreign Large Caps	***	21.6%	Allocated to 2 ETFs
US Mid Caps	***	9.6%	Allocated to 1 ETF
US Small Caps	***	9.6%	Allocated to 1 ETF
Foreign Small Caps	***	5.4%	Allocated to 1 ETF
US Real Estate	***	6%	Allocated to 1 ETF
Foreign Real Estate	***	4%	Allocated to 1 ETF
US Bonds	***	30%	Allocated to 3 ETFs

US-BLEND	ETF Symbol	Weight	Comments
US Large Caps	***	19.8%	Allocated to 5 ETFs
US Mid Caps	***	8.8%	Allocated to 1 ETF
US Small Caps	***	4.4%	Allocated to 1 ETF
US Sectors	***	22%	Allocated to 2 ETFs
US Real Estate	***	10%	Allocated to 1 ETF
US Bonds	***	35%	Allocated to 3 ETFs

Consideration of specific ETFS for asset allocation is a very important decision that has long term impact.

YOUNG-INVESTOR	ETF Symbol	Weight	Comments
US Large Caps	***	40%	Allocated to 4 ETFs
Foreign Large Caps	***	15%	Allocated to 2 ETFs
US Sectors	***	20%	Allocated to 2 ETFs
US Real Estate	***	5%	Allocated to 1 ETF
US Bonds	***	20%	Allocated to 2 ETFs

Our Asset Allocation ETFS will be published in the Monthly E-Newsletter to paid subscribers. Our Model Portfolios are rebalanced annually with reallocation occurring from gaining asset classes to losing asset classes. Rebalancing is considered to be a very important asset allocation tool to avoid Portfolio Drifting which typically causes underperformance in multi-year portfolios.

At a tactical level we also keep monitoring to see if we need to adjust allocation weights to these asset classes as market conditions warrant. Subscribers will be notified of such changes when they happen so tracking can be adjusted accordingly.

If you are interested in knowing more about these Model Portfolios please contact us at http://www.investexplore.com/IPContact.php or email us at contacts@investexplore.com.

Monthly Stock Watch List

Our Monthly Watch List features stocks that in our research appear to be fundamentally sound and reasonably valued. Investors who are interested in exposure to US stocks may want to add these names to their select list. Typically, stocks should be given some time to move especially when they are going through cyclical quarters. Our approach has always been to wait through a full year or sell if the stock hits our stop price before that.

IBM – International Business Machines (Computer Manufacturing) – CP $145.08
We are adding IBM to our stock watch list this month. Company is expected to announce earnings on 10/17. Expectations are for a quarterly EPS of $3.28/share. Company is working hard to remain viable in the era of cloud computing. After many quarters of earnings misses, any positive earnings surprise will be a major boost to the stock. From a technical standpoint, stock appears to be consolidating at multi-month lows and trying to find a bottom. Price is still below key moving averages but an earnings boost can help in price progression.

HAS – Hasbro, Inc. (Recreational Products/Toys) – CP $97.67
Company is a leading manufacturer of recreational products and toys with a market capitalization of over $12B. We are adding HAS to our watch list this month as the official holiday season quarter is set to begin which is also a traditionally strong period for recreational products. Company is expected to announce earnings on 10/23. Consensus estimate is $2.06/share. Impact of the Toys'R'Us bankruptcy proceedings has weighed in on toy makers overall and that's the risk element investors need to take note of. Fundamentals of the company appear to be sound. Technically speaking, HAS appears to be consolidating after falling steadily over the past few months. Price is nearing the 200-day SMA which is also on an incline which is a positive.

Logon to InvestExplore.com to see all our Watch List Stocks.

Disclosure: Active positions held in IBM and HAS in own account at the time of publishing.

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