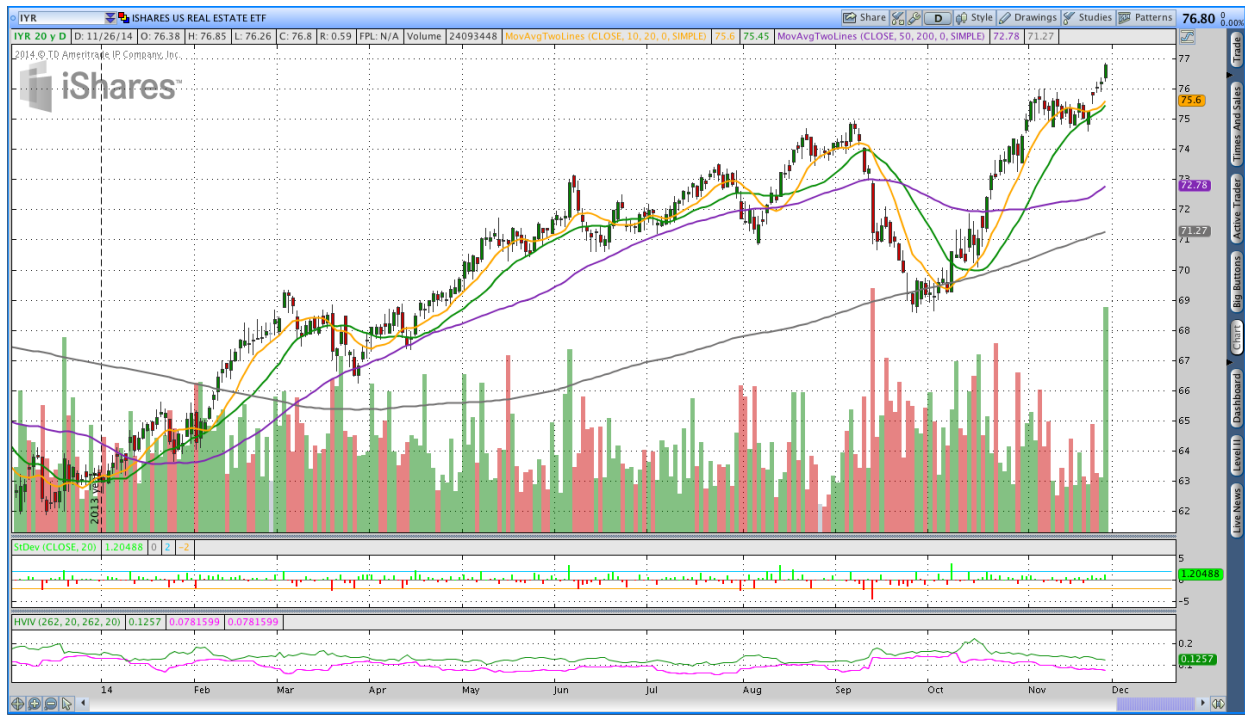


Market Momentum Newsletter

A monthly look at market currents, momentum, and rotation investing.



The Big Picture:

Hi everyone and welcome to the first Market Momentum Newsletter. This newsletter will be a monthly publication to cover momentum investing across a wide range of markets. Specifically, we're going to be objectively looking for the top performing assets across US Stocks, International Stocks, Bonds, Commodities, and Real Estate using ETF's. We'll be using that information to systematically invest where we expect to see continued momentum.

The newsletter will also follow two Monthly Rotation Systems that are back-tested and designed to generate returns in excess of the S&P 500 with less volatility. The Monthly ETF Rotation Systems rank and invest in the top two performing assets over the look-back period.

Schwab Rotation System

The Schwab Rotation System trades a diversified group of Schwab Commission Free ETF's.

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Basic Rotation System

The Basic Rotation System covers a range of basic markets without much granularity or overlap.

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Open & Planned Trades

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scelerisque vel, eleifend a, enim.
Praesent eu urna.*

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Schwab Commission Free ETF Rotation System

The Schwab Commission Free ETF Rotation System ranks a group of commission free ETF's and invests in the top two markets on the last day of the month. For the month of November three positions were held, but going forward only two ETF's will be held. During November the system was long SCHH, SCHB, and TLO.

The rankings below are ordered based on the 60 day (approximately 3 month) price based returns. The return are not total returns and do not include dividends. After adjusting for dividends, the top two markets for December are SCHH (Real Estate) and TLO (Long Term Treasury), which is consistent with the price based ranking.

Schwab Commission Free Rotation System Rankings - 11/28/2014			20 day	60 day	
Symbol	Description	Last	RateOfChange	PercentChg	AvgROC.3.6.12
SCHH	SCHWAB SCH US REIT ETF	38.37	3.79	5.04	13.2
TLO	SPDR BARCLAYS LONG TERM TREASURY ET	70.47	1.62	3.37	8.87
SCHB	SCHWAB US BROAD MARKET ETF	50.24	4.8	3.14	7.57
SCHR	SCHWAB INTM TERM US TREASURY ETF	53.72	0.5	1.14	1.48
PGX	POWERSHARES PFD PORT	14.74	1.31	0.96	3.22
SCHA	SCHWAB US SMALL CAP	55.02	4.03	0.95	3.06
SCHZ	SCHWAB AGGREGATE BOND ETF	52.3	0.31	0.81	1.71
RWO	SPDR GLOBAL REAL ESTATE ETF	48.08	3.55	0.48	5.84
PCY	POWERSHARES EMERGING MARKETS SOV DEB PO	28.98	-0.07	-1.19	1.68
SCHP	SCHWAB US TIPS ETF	54.71	0.16	-1.32	0.04
SCHF	SCHWAB INTL EQUITY ETF	31.18	3.25	-4.47	-3.63
BWX	SPDR BARCLAYS INTERN TREASURY BD ET	56.61	-1.99	-5.03	-4.37
USCI	UNITED STATES COMMODITY INDEX SUMMERHAV	54.31	-0.49	-5.43	-5.95
SGOL	ETFS GOLD TRUST	117.38	-1.14	-5.76	-4.99
SCHE	SCHWAB EMERGING MARKETS EQUITY	26.14	2.75	-6.61	-0.98
SCHC	SCHWAB INTERNATIONAL SMALL CAP EQUITY	30.7	1.15	-8.3	-7.02

A note about Position Sizing

The systems presented in this newsletter have been backtested and designed to work by taking positions in the top two markets. Each position was equal to 50% of account equity during testing. The addition of a third market (top three rather than top two) had the effect of decreasing both portfolio volatility and returns. The Top 2 method employed here is intended to maximize returns.

Evaluating Strength

Small cap stocks were particularly strong during the month of November, but their longer term trend over the past year has been choppy at best.

The real shift we're seeing in the rankings above is that international equities across numerous categories are getting stronger. International equities have consistently been underperforming other markets and are sitting at the bottom of the 3 month rankings, but November was

a good month for international equities. The shift to more accommodative monetary policy in Europe and Asia might be playing a role in the recent strength.

Gold and commodities in general continue to hang out at the bottom of the barrel and it looks like it will be a while before they strengthen enough to become a buy.

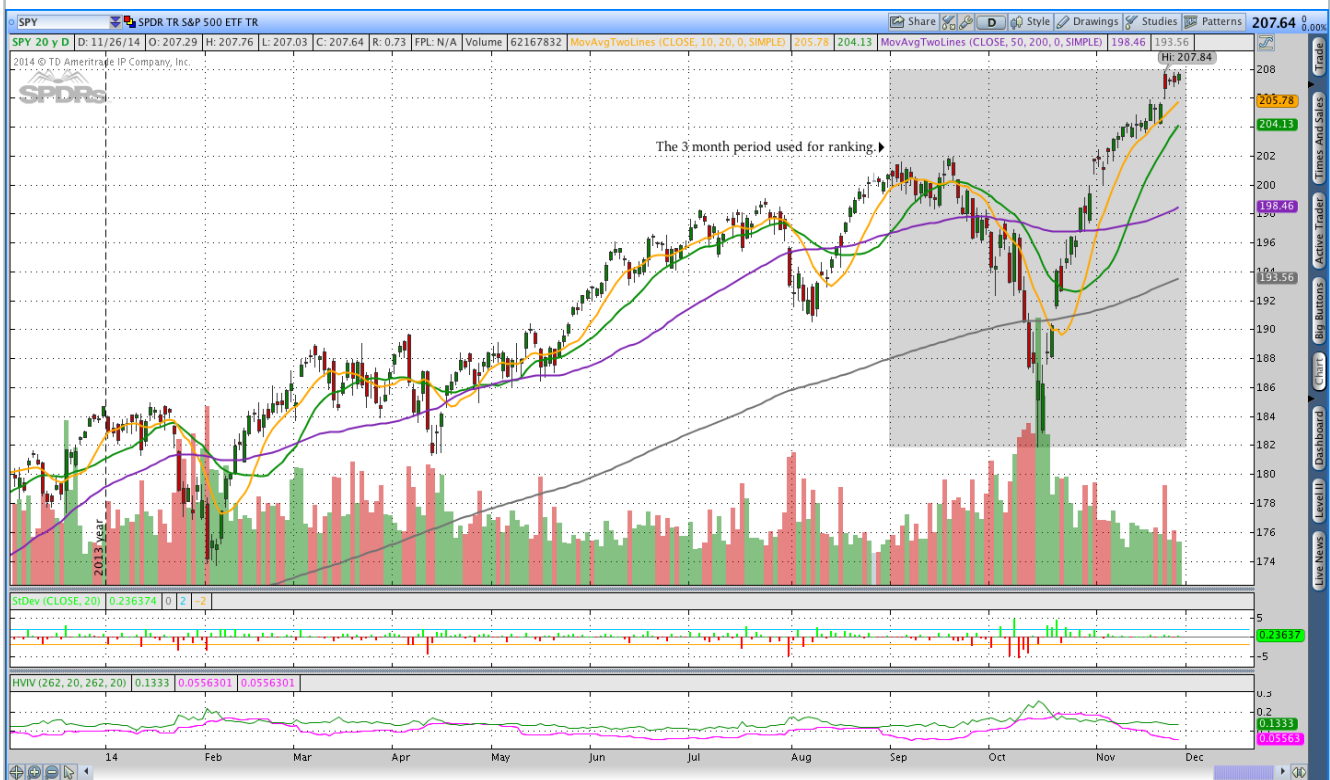
The long term strength in US Stocks and Long Term treasuries continues.

Diversified Markets Basic ETF Rotation System

The Diversified Markets Basic ETF Rotation System is very similar to the Schwab rotation system described above, but does not use Schwab Commission Free ETF's. The system ranks a group of ETF's by total return and invests in the top two ETF's. For the month of November, no positions were held, but the recommended positions for December 2014 are SPY and IYR or US Stocks and Real Estate. Note that the recommended positions are slightly different than the Schwab positions. The full rankings are shown below.

Basic Rotation System			20 day	60 day	
Symbol	Description	Last	RateOfChange	PercentChg	AvgROC.3.6.12
SPY	SPDR TR S&P 500 ETF TR	207.64	4.81	3.56	8.15
TLT	ISHARES 20+ YR TREASURY BND ETF	121.53	1.73	3.54	9.65
IYR	ISHARES US REAL ESTATE ETF	76.8	4.08	3.42	10.61
IWM	ISHARES RUSSELL 2000 ETF	118.45	3.99	1.71	2.46
AGG	ISHARES CORE US AGGREGATE BOND ETF	110.27	0.34	0.64	1.55
EFA	ISHARES MSCI EAFE ETF	64.51	3.48	-4.16	-4.94
GLD	SPDR GOLD TR GOLD SHS ETF	115.16	-1.07	-5.72	-4.95
DJP	BARCLAYS BK PLC IPATH BLMBG COMDTY IDX	33.94	-1.39	-6.81	-8.96
EEM	ISHARES MSCI EMERGING MKTS ETF	42.349	1.85	-7.09	-3.41

The themes observed in the Schwab Commission Free ETF system hold true in the basic Rotation system as well. Specifically, International Stocks strengthened in November, Gold was weak, and US Stocks, Long Term Bonds, and Real Estate are all strong. Despite the strong sell-off in October, the S& P 500 (SPY shown below) made new all time highs in November and is one of our December Long positions. It's also worth noting that despite the October sell-off, SPY finished the month with a gain.



Position Analysis

Please see the disclaimer at the bottom of the page.

The positions below are existing and new positions for both systems. During the months of October and November, only the Schwab Commission Free ETF system was tracked and traded. Additionally, the system was traded using the top three markets. Going forward, both the Schwab system and the Basic ETF Rotation system will trade the top two markets.

For the month of December, the Schwab system has been rebalanced to take positions in SCHH and TLO. The Basic system took new positions in SPY and IYR. The positions size for each position is equal to 50% of the capital at risk. For example, a \$10,000 account would take two \$5,000 positions.

November Positions			One Month
Symbol	Description	Last	Return
SCHH	SCHWAB SCH US REIT ETF	38.51	2.20%
SCHB	SCHWAB US BROAD MARKET ETF	50.05	2.51%
TLO	SPDR BARCLAYS LONG TERM TREASURY	70.84	2.73%
December Postions			Existing or
Symbol	Description	Last	New
SCHH	SCHWAB SCH US REIT ETF	38.51	Existing
TLO	SPDR BARCLAYS LONG TERM TREASURY	70.84	Existing
SPY	SPDR TR S&P 500 ETF TR	207.20	New
IYR	ISHARES US REAL ESTATE ETF	77.02	New

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