

# Systems & Forecasts

Timing the Market Since 1973

## Market Update

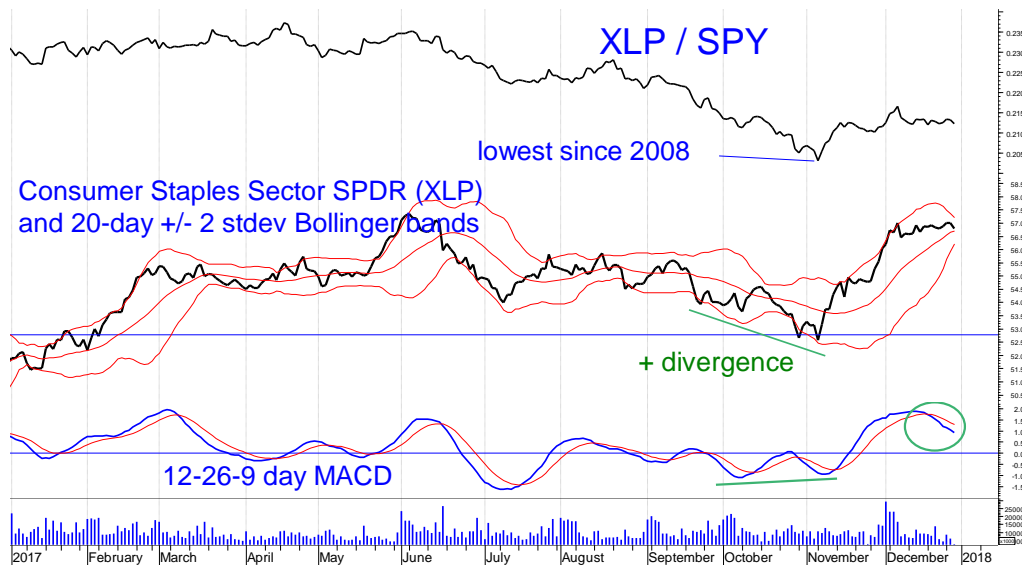
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December 28, 2017: **S&P 500 closes a quiet day with last-minute upticks.**

By Marvin Appel

Stocks remain quiet during the last week of the holiday season. Our intermediate-term U.S. equity timing models remain overall bullish, which I expect to remain the case for the next several months at least.

One of my favorite sectors for long term holding has been the defensive consumer staples. However, consumer staples have not fared well relative to the rest of the market in 2017. The XLP / SPY ratio in the chart below shows that between June and early November the sector suffered. However, its fortunes have stabilized as both price and performance relative to the S&P 500 have leveled out. It is a good sign that XLP has held its ground even as the MACD is on a sell and working off its overbought condition (circled in green in the chart below). Going forward, I expect XLP to keep pace with the S&P 500 for as long as the bull market continues, and to hold up better than the S&P 500 whenever we see the next market correction.



### Indicator and portfolio round-up

Small and large-cap ETFs are approximately even in relative strength. Among large-caps, value is ahead of growth while among small-cap ETFs growth is tending to be stronger than value.

10-year Treasury yields have pulled back to 2.43%, continuing three months of fluctuation within a narrow range. Our investment-grade bond model remains on its April 25 buy. Since that buy signal, the Vanguard Total Bond Market Index Fund (VBMFX) is up 2.0% in total return.

High yield corporate bond funds remain stable or are drifting slowly lower, with most remaining slightly below their recent highs. The sell stop for Transamerica Aegon High Yield Fund (TDHIX) remains 9.06. The sell stop for TCW High Yield (TGHNX) remains 6.21 and the sell stop for Nicholas High Yield (NNHIX) remains 9.05. Watch for distributions from TDHIX and TGHNX in the coming week. These will result in downward adjustments to the sell stops. The next distribution for NNHIX is due in late January.

**The Growth and Income Portfolio is 70% Equity, and 30% in Bond mutual funds.**

**The High Income Portfolio is 25% in a mix of preferred stocks and ETFs, and 75% invested in Bond mutual funds.**

The financial markets will be closed in observance of New Year's Day on Monday, so the next hotline will be written on Tuesday, January 2. The next newsletter is planned for Thursday, January 4, 2018. Thank you for checking in. We at *Systems and Forecasts* wish all of our readers and clients a happy, healthy and prosperous New Year and 2018.

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after the market close. These are generally emailed NO LATER than the market open the day after they are written.

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**Listed on the next page are Systems and Forecasts current positions and activity.**

**CURRENT PORTFOLIO POSITIONS**

	<b>GROWTH AND INCOME PORTFOLIO:</b>		
	<b>70% EQUITY &amp; 30% INCOME</b>	ALLO	<b>BUY DATE</b>
XLF	Financial Select Sector SPDR ETF	10%	11/1/2017
XLI	Industrial Select Sector SPDR ETF	10%	12/1/2017
XLV	Health Care Select Sector SPDR ETF	10%	12/1/2017
TDHIX	Transamerica High Yield Bond	30%	12/14/2016
SPY	SPDR S&P 500 ETF	10%	11/1/2016
SPY	SPDR S&P 500 ETF- from EEM Covered Call position	10%	12/16/2016
SPY	SPDR S&P 500 ETF	20%	10/31/2017
	TOTAL	100%	
	<b>G&amp;I RECENT ACTIVITY</b>		
XLB	<b>Materials Select Sector SPDR ETF</b>	<b>SELL</b>	12/1/2017
XLY	<b>Consumer</b> Discret Sel Sect SPDR ETF	SELL	12/1/2017
XLI	Industrial Select Sector SPDR ETF	<b>BUY</b>	12/1/2017
XLV	Health Care Select Sector SPDR ETF	<b>BUY</b>	12/1/2017
	<b>HIGH INCOME PORTFOLIO:</b>		
	<b>25%-30% EQUITY &amp; 70%-75% INCOME</b>	ALLO	<b>BUY DATE</b>
PFF	iShares <b>US Preferred Stock ETF</b>	10%	2/28/2017
CYS-B	CYS Investments, 7.50% Series B Cumulative Red. Preferred Stk	5%	8/25/2017
GAB.PG	Gabelli Equity Trust Preferred G	5%	5/5/2014
NLY-PE	Annaly Capital Management Preferred E - formerly Hatteras	5%	5/5/2014
TDHIX	Transamerica High Yield Bond	30%	12/14/2016
TGHNX	TCW High-Yield Bond N	15%	3/14/2016
DLTNX	DoubleLine Total Return Bond N	10%	10/6/2014
NHMAX	Nuveen High Yield Municipal Bond A	10%	6/1/2017
LFRA	Lord Abbett Floating Rate A	10%	12/9/2016
	TOTAL	100%	
	<b>HIGH INCOME RECENT ACTIVITY</b>		
NLY.PA	<b>Annaly Capital Management Preferred A</b> (Called on 8/25/17)	Called	8/25/2017