



INVESTOR'S PLAYBOOK

Diversify. And Hold on...

May 2018






Positioning on the Field

Dow Close as of 4/30/18		24,163
	Near Term	Longer Term
Resistance	24600	28000
Support	23000	20750
Current Reward to Risk	0.38	1.12
Our Position on the Field	 TIME OUT	 DEFENSE

Macro Top Down View

We don't know where we are going but we sure know where we've been. That sounds like lyrics to a song. It also holds true with the stock market. Many prognosticate and are called 'experts'. But in reality, we just don't know. So we look at history to guide us. And at times, that doesn't help. Thus, we have to play the cards close to the vest and hope for the best. When a market filled with doubt, fear, and deserving of a bear market comes to us, it's time to do what we can and hold on through what may come. At this point, our analysis is suggesting further volatility and a market that continues to be in need of further consolidation. This can be in the form of a further move lower (see our posting of our May Game Plan on www.offofthecharts.com) or a period of time that is highly volatile. Neither are enjoyable periods of time but necessary for the long term investor to endure. Thus, we have adjusted a majority of our holdings in April and will continue to so in May. Further details can be read below in the Portfolio Overview section of this report.

 **OFFENSE**  **TIME OUT**  **DEFENSE** *Offense* represents our view that we feel it would benefit portfolios to be invested in assets other than cash over the time frame under consideration. *Defense* represents our view that we feel it would benefit portfolios to have a level of cash or defensive security positions that would benefit portfolios from potential upcoming volatility. A *Time Out* represents that we are at a point in the market that represents the upside and the downside risk appear to be equal based on current technical indicators. The *Current Reward to Risk* (CRR) is a ratio based on the distance from the current Dow Level to the listed Resistance and Support. This provides a sense of the expectation of upward versus downward potential with a level above "1" preferred.

Don't be fooled by the first move

We are embarking on the beginning of the summer months. With a recent correction now in place and the market just about 10% from its peak, many investors could be looking to take gains from years of a long term bull market. This happens as a primary desire over the view of an improving economy, improving corporate profits, and a better consumer outlook after tax cuts have been enacted. Thus, the market had made a strong move up initially to start the year. But that has been erased and fooled many investors. And now, it appears the volatility could continue and create an unnerving time. Fear not. Although that first move has been retraced, it should ultimately win out and we could be seeing a market exceed those highs in the future. When? Well that is the ultimate question and we encourage patience as the answer. Diversifying and holding on through the coming months and staying in a 'buy and adjust' made is our solution. Eventually, the other side will be reached and a more sustainable rise could be in place.

Overview of select EWM Portfolios - Active and Strategic Portfolio Strategies

APS: Tactical investors who find a more active trading objective would be suitable for their goals and objectives.

- **Technical Trader-** This strategy is intended to be an active portfolio that invests in tactically based securities based on the results of a strict technical analysis process. The higher level of cash in April has helped to continue a climb in overall value and avoid some of the larger market gyrations. A few specific names that performed poorly on earnings hurt while others offset this by performing well in the energy and materials area. Currently above 15% cash, this will remain very active during the next few months.
- **Tactical Dividend-** This strategy is best suited for clients who can accept a level of dividend income and who are willing to assume greater risk in the pursuit of greater return. With the rates rising and the Dow staying volatile, the decision has been made to adjust the pricing structure in order to be more active with holdings over the coming months. With the portfolio remaining fully invested, the intent is to remove some weaker holdings and build positions in time with others as we look for a more sustainable growth outlook for the general market since this portfolio is often more subject to the volatility from the top down.

SPS: Strategic investors who feel a 'buy and adjust' investment strategy would be suitable for their goals and objectives.

- **Growth-** This solution is best suited for clients who are seeking a greater return and willing to take on higher levels of risk, typically with a longer investment time horizon. A rebalance was performed to bring the portfolio to roughly an 11% cash level from what was a higher cash balance and defensive positions through most of March and April. The intent is to continue to invest the cash towards equity positions in the coming months. Fixed income is only intended to be a max of 15% of this allocation. Rising rates suggest although equity may be volatile, we look to build into positions and adjust as needed.
- **Balanced-** This solution is intended to provide a moderate level of risk and return over time. The objective will hold around 35% in fixed income securities. During the recent rise in rates, we have seen a number of these values come down. Thus, we rebalanced holdings to take advantage of the dip while added to equity as well towards the end of April. We maintain about 10% in cash to continue to build the equity side while expecting further market volatility.
- **Conservative-** This solution is designed for investors with a lower level risk tolerance and prefer less volatility while accepting the potential of lower returns compared to equity portfolios. Fixed income makes up nearly 65% of this and is intended to provide a slow and steady climb to investors that seek some preservation along with the potential for income. The equity portion remains volatile and can provide a bit of fear. We look to offset this with less volatile positions. In addition, we have held mutual funds in this strategy for a long time. In the month of May, we will reallocate those to ETF securities while continuing to use mutual funds in our Managed Bond strategy. Expect some further adjustments to this allocation in May.

Updates on our Aggressive, Moderate, Managed Bond and Short Term Cash portfolios will be discussed in the June 2018 Investors Playbook

The Investors Playbook is a report that we have been publishing in various forms for a number of years. The information presented is intended to supplement our client relationships by sharing our thoughts on what we see in the market, our opinion of where we think the market is headed, and how we use this information to adjust portfolios we manage on behalf of our clients. Beginning with our July report that will be published the 1st of July, this will be published every quarter. For updates about our thoughts on a regular basis, please view our website www.offofthecharts.com or follow us on Twitter @thetradingcaptain. In addition, from time to time clients will receive emails directly with the latest updates about specific portfolio strategies.

"Past performance may not be indicative of future results. No current or prospective client should assume that the future performance of any specific investment, investment strategy (including investments and/or investment strategies recommended by the adviser), will be equal to past performance levels. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. The information presented herein is intended for educational purposes only, and is in no way intended to be interpreted as investment advice. In considering the information presented, readers should consult their own professional advisers, as there is no substitute for personalized investment or tax advice. Some information in this presentation is gleaned from third party sources, and while believed to be reliable, is not independently verified. Information presented herein includes charts, graphs and other visual aids prepared by a third party. These depictions are not intended to necessarily represent the views of Econ Wealth Management or the third party preparer. Further, some of the information from which the third party derived the data to create the visual aids may be subject to interpretation or certain assumptions that may not be disclosed herein, or by the third party preparer. Readers should not accept the data presented as the dispositive source with regard to the facts presented. References to indices have been provided for educational purposes only, and may generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. An investor may not directly invest in an index." Abbreviations: PPS- Pilot Portfolio Series, SPS- Strategic Portfolio Strategies, APS- Active Portfolio Strategies