



# Traders & Investors Club

Become A Better Trader

***“Is It Really Possible To Outperform  
The Stock Market?”***



**Kevin Barry**

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INVESTMENT CLUBS DAY 2012



***“A Rising Tide  
Lifts All Yachts”***

Warren Buffett



## **What moves the price of a stock?**

Overall Market	50%
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Industry or Sector	30%
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Individual Stock Fundamentals	20%
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## **What is a sector?**

A group of securities in the same  
industry or market



# Sector Classification

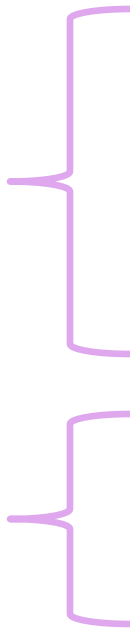
## Sub Sectors By Sector Within The Dow Jones Indices

INDUSTRY	SUPERSECTOR	SECTOR	SUBSECTOR
0001 OIL & GAS	0500 Oil & Gas	0530 Oil & Gas Producers	0533 Exploration & Production
			0537 Integrated Oil & Gas
		0570 Oil Equipment, Services & Distribution	0573 Oil Equipment & Services
			0577 Pipelines
		0580 Alternative Energy	0583 Renewable Energy Equipment
			0587 Alternative Fuels



## Sector Classification

### Securities By Sub Sector Within The Dow Jones Indices

SUBSECTOR	
0533 Exploration & Production	
0537 Integrated Oil & Gas	
0573 Oil Equipment & Services	
0577 Pipelines	
0583 Renewable Energy Equipment	
0587 Alternative Fuels	
	Conoco Phillips Common
	Chevron Common
	Hess Corp Common
	Marathon Petroleum Common
	Marathon Oil Co Common
	Murphy Oil Corp Common
	Exxon Mobil Corp Common
	Kinder Morgan Inc Common
	OGE Energy Corp Common
	Williams Cos Common
	WPX Energy Inc Common

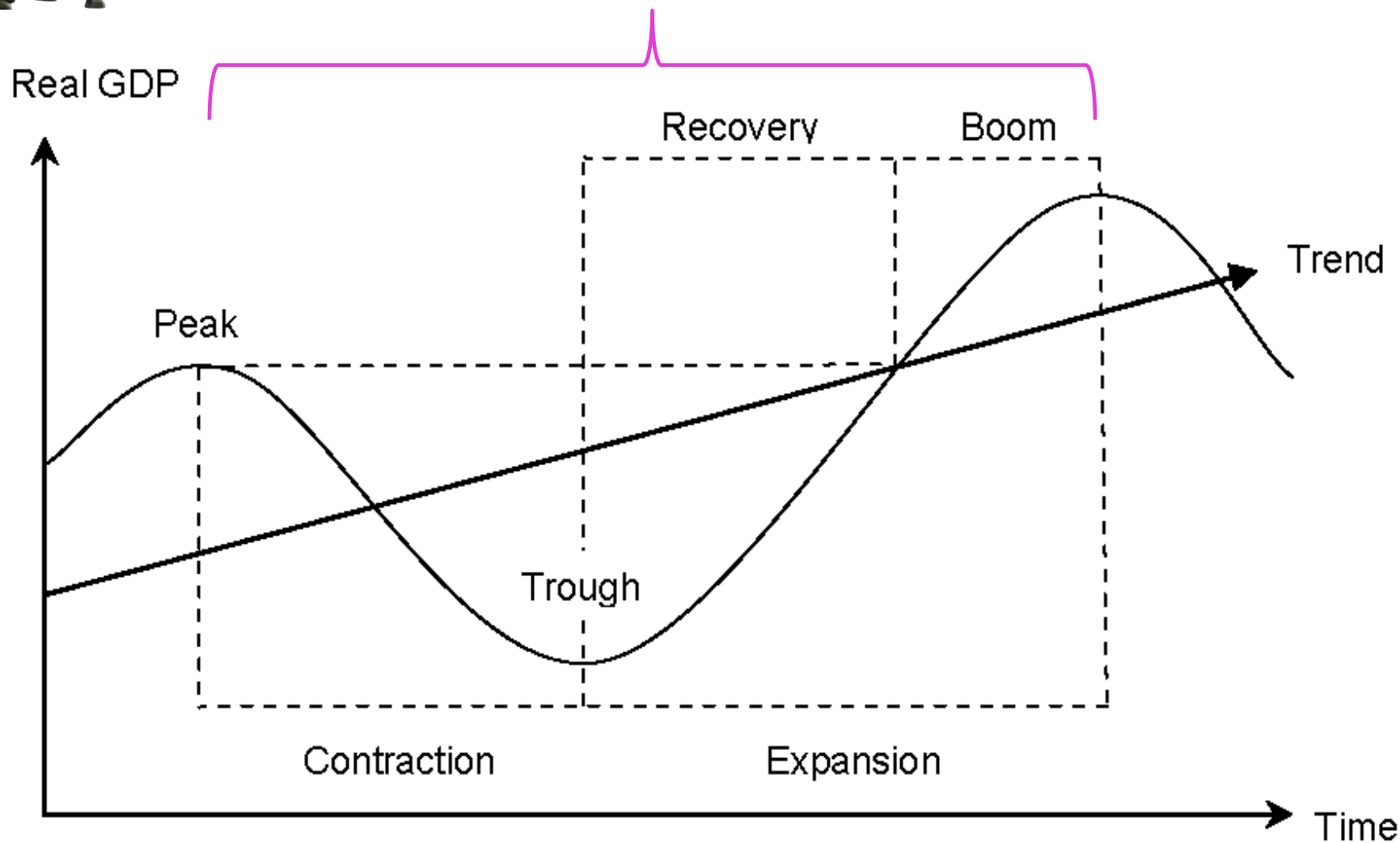


# The Economic Cycle



## The Economic Cycle

3 – 7 Years: Average around 60 months

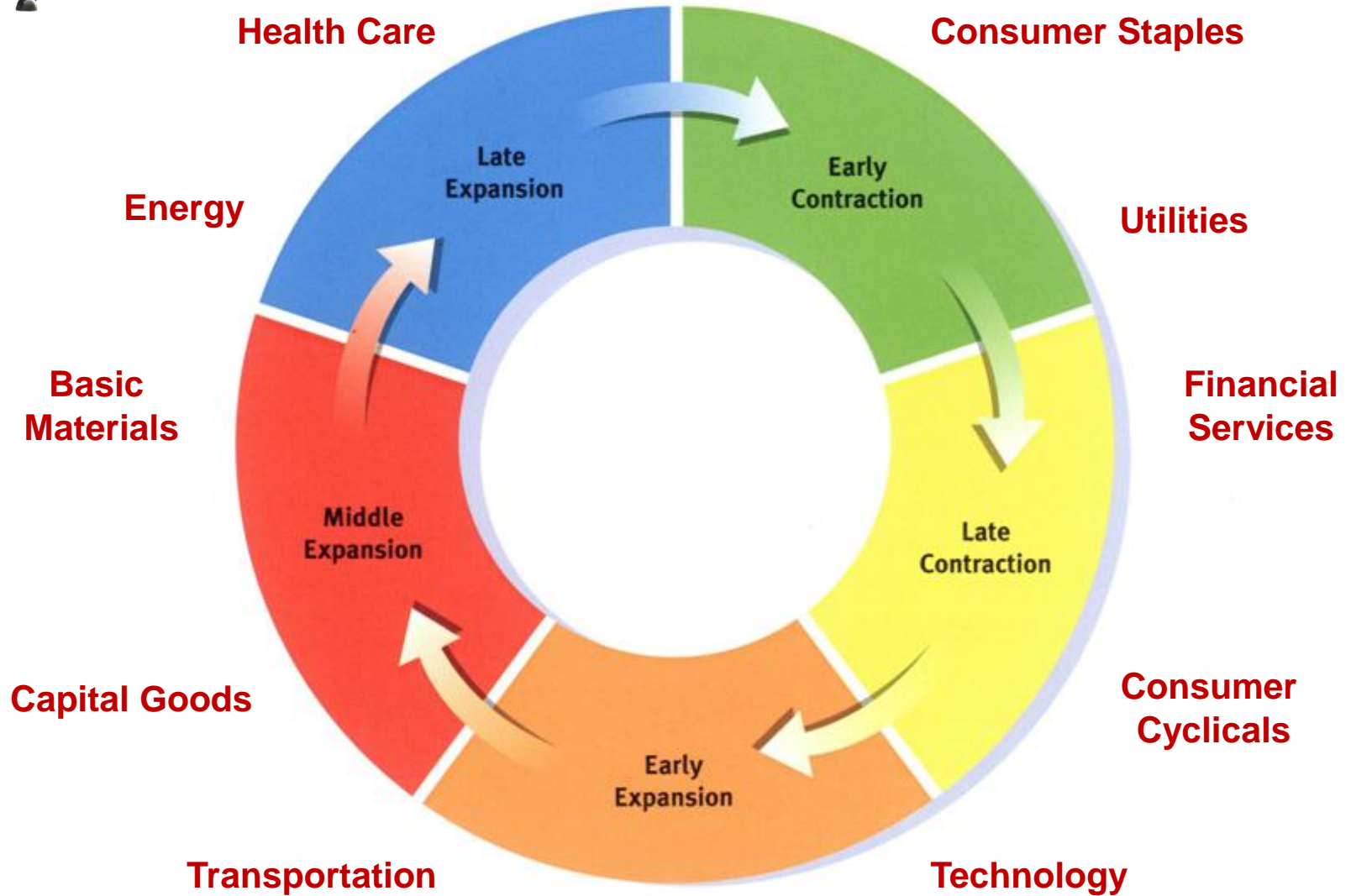






# The Economic Cycle

## Sector Rotation Within The Economic Cycle





## The Economic Cycle

### Investment Strategies Compared Over Ten Years

**Starting Capital \$1,000**

Buy & Hold	\$6,000
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Market Timing	\$15,000
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Sector Rotation	\$63,000
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Source: CDA/Weisenberger 1996



# External Relative Strength Analysis

# ERSA



## External Relative Strength Analysis

**What ERSA Is NOT.....**

**Wilder's RSI Indicator**

Internal **R**elative **S**trength **I**ndicator comparing a security's price to its own recent history

**Comparative Relative Strength**

Comparing the performance of a security against an index



## External Relative Strength Analysis

### Using ERSA To Find The Leading Stocks In The Leading Sectors

Compare the Price **R**ate **O**f **C**hange over a set number of periods





# External Relative Strength Analysis

What Is Price **R**ate **O**f **C**hange?

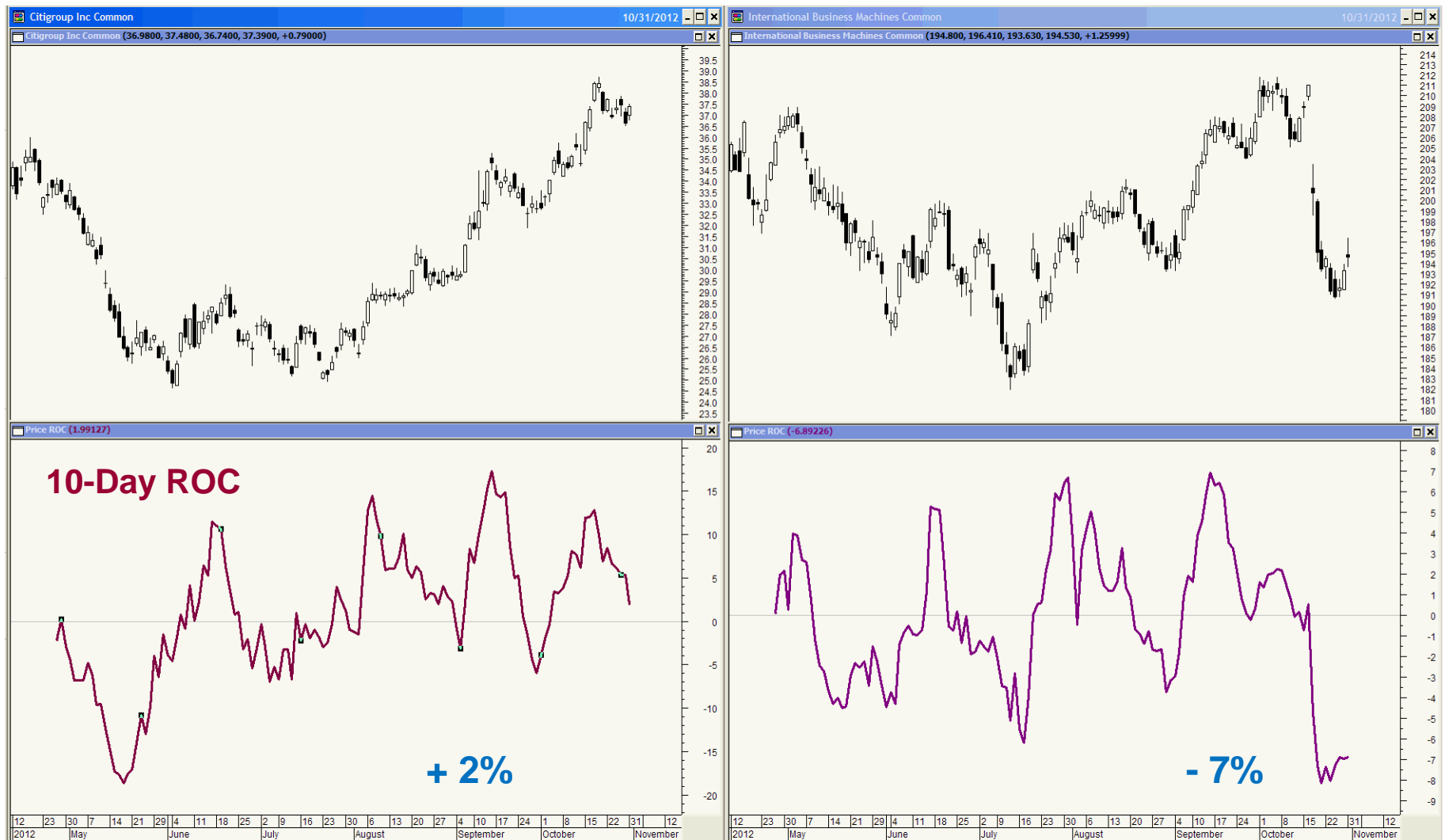


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# External Relative Strength Analysis

## What Is Price **R**ate **O**f **C**hange?





## External Relative Strength Analysis

### Using ERSA To Find The Leading Stocks In The Leading Sectors

Compare the Price **R**ate **O**f **C**hange over a set number of periods

Compare each Sector/Security's ROC within your universe

Sort the Sectors/Securities by ROC

Apply a Percentile Ranking

*Top 1% get a rating of 99, next 1% get a rating of 98, etc.*

This is the technique used by **Investors Business Daily**





## **Dow Jones Super Sectors**

**Automobiles & Parts**

**Banks**

**Basic Resources**

**Chemicals**

**Construction & Materials**

**Financial Services**

**Food & Beverage**

**Health Care**

**Industrial Goods & Services**

**Insurance**

**Media**

**Oil & Gas**

**Personal & Household Goods**

**Real Estate**

**Retail**

**Technology**

**Telecommunications**

**Travel & Leisure**

**Utilities**



## ERSA Dow Jones Super Sectors

Analysis 4th September 2012

Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
DJ US Media Index	93.0000	93.0000	87.0000	68.0000	81.0000	46.0000	\$DJUSME
DJ US Telecommunications Index	87.0000	87.0000	93.0000	93.0000	31.0000	66.0000	\$DJUSTL
DJ US Construction & Materials Index	81.0000	81.0000	43.0000	25.0000	93.0000	13.0000	\$DJUSCN
DJ US Retail Index	75.0000	75.0000	62.0000	81.0000	37.0000	73.0000	\$DJUSRT
DJ US Health Care Index	68.0000	68.0000	56.0000	56.0000	0.0000	N/A	\$DJUSHC
DJ US Technology Index	62.0000	62.0000	18.0000	43.0000	75.0000	60.0000	\$DJUSTC
DJ US Insurance Index	56.0000	50.0000	37.0000	50.0000	56.0000	20.0000	\$DJUSIR
DJ US Personal & Household Goods Index	50.0000	31.0000	50.0000	62.0000	68.0000	80.0000	\$DJUSNG
DJ US Food & Beverage Index	43.0000	56.0000	68.0000	75.0000	18.0000	86.0000	\$DJUSFB
DJ US Oil & Gas Index	37.0000	43.0000	75.0000	6.0000	62.0000	40.0000	\$DJUSEN
DJ US Industrial Goods & Services Index	31.0000	37.0000	31.0000	37.0000	43.0000	33.0000	\$DJUSIG
DJ US Banks Index	25.0000	25.0000	12.0000	18.0000	87.0000	0.0000	\$DJUSBK
DJ US Chemicals Index	18.0000	12.0000	25.0000	31.0000	50.0000	53.0000	\$DJUSCH
DJ US Utilities Index	12.0000	18.0000	81.0000	87.0000	12.0000	93.0000	\$DJUSUT
DJ US Basic Resources Index	6.0000	6.0000	6.0000	0.0000	0.0000	26.0000	\$DJUSBS
DJ US Automobiles & Parts Index	0.0000	0.0000	0.0000	12.0000	25.0000	6.0000	\$DJUSAP



# ERSA Dow Jones Media Super Sector

Analysis 4<sup>th</sup> September 2012

Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
New York Times Class A Common	97.0000	97.0000	84.0000	31.0000	7.0000	30.0000	NYT
Scripps Networks Int Common	95.0000	90.0000	93.0000	95.0000	38.0000	33.0000	SNI
Liberty Cap Class A Common	93.0000	84.0000	70.0000	47.0000	N/A	N/A	LMCA
Axiom Cp Common	88.0000	77.0000	90.0000	63.0000	50.0000	2.0000	ACXM
Sirius XM Radio Common	86.0000	88.0000	34.0000	9.0000	92.0000	38.0000	SIRI
Valassis Communication Inc Common	84.0000	93.0000	29.0000	65.0000	42.0000	28.0000	VCI
News Corp Ltd Class A Common	81.0000	81.0000	86.0000	59.0000	40.0000	83.0000	NWSA
CBS Class B Common	79.0000	79.0000	65.0000	75.0000	61.0000	52.0000	CBS
Time Warner Inc Common	77.0000	75.0000	79.0000	36.0000	33.0000	40.0000	TWX
IHS Inc. Class A Common	75.0000	86.0000	72.0000	81.0000	64.0000	78.0000	IHS
Liberty Global Inc Class A Common	72.0000	61.0000	68.0000	68.0000	83.0000	66.0000	LBTYA
Liberty Global Inc Class C Common	70.0000	56.0000	63.0000	70.0000	88.0000	61.0000	LBTYK
Comcast Corp Class A Common	68.0000	72.0000	95.0000	86.0000	71.0000	47.0000	CMCSA
Comcast Corp Special Class A Common	65.0000	70.0000	88.0000	88.0000	76.0000	59.0000	CMCSK
Disney (Walt) Productions Common	63.0000	68.0000	75.0000	93.0000	78.0000	21.0000	DIS
Time Warner Cable Inc Common	61.0000	63.0000	81.0000	72.0000	47.0000	50.0000	TWC
Discovery Communications Inc Common	59.0000	54.0000	38.0000	84.0000	59.0000	97.0000	DISCK
Lamar Advertising Common	56.0000	45.0000	43.0000	4.0000	97.0000	4.0000	LAMR
Viacom Inc Class B Common	54.0000	65.0000	20.0000	61.0000	30.0000	80.0000	VIAB
Mcgraw-Hill Cos Common	52.0000	40.0000	50.0000	22.0000	21.0000	92.0000	MHP



# Media Super Sector – New York Times

Analysis 4<sup>th</sup> September 2012



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# Media Super Sector – Scripps Networks

Analysis 4<sup>th</sup> September 2012



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# Media Super Sector – Liberty Cap

Analysis 4<sup>th</sup> September 2012

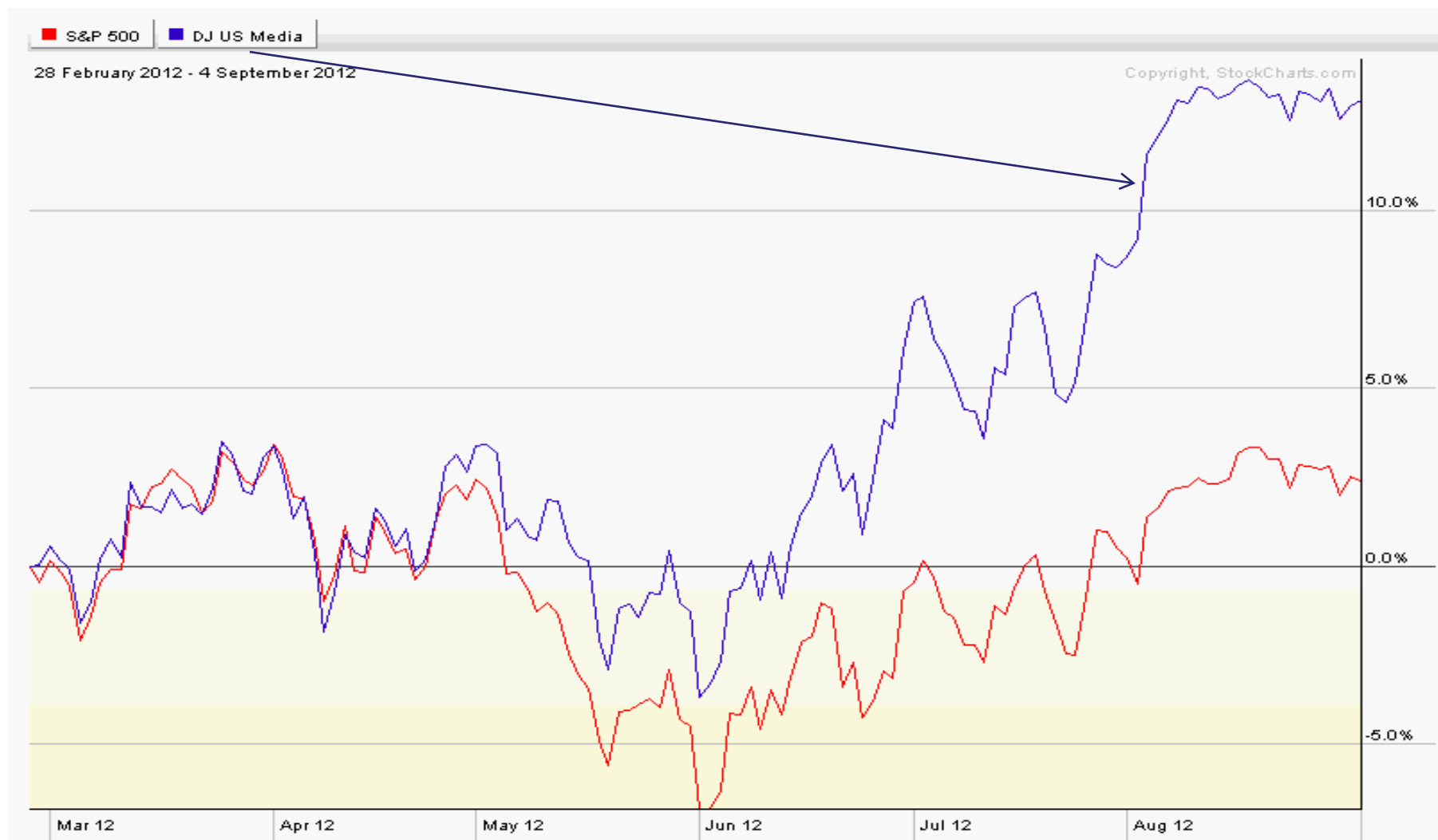


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# ERSA Dow Jones Super Sectors

Analysis 4th September 2012

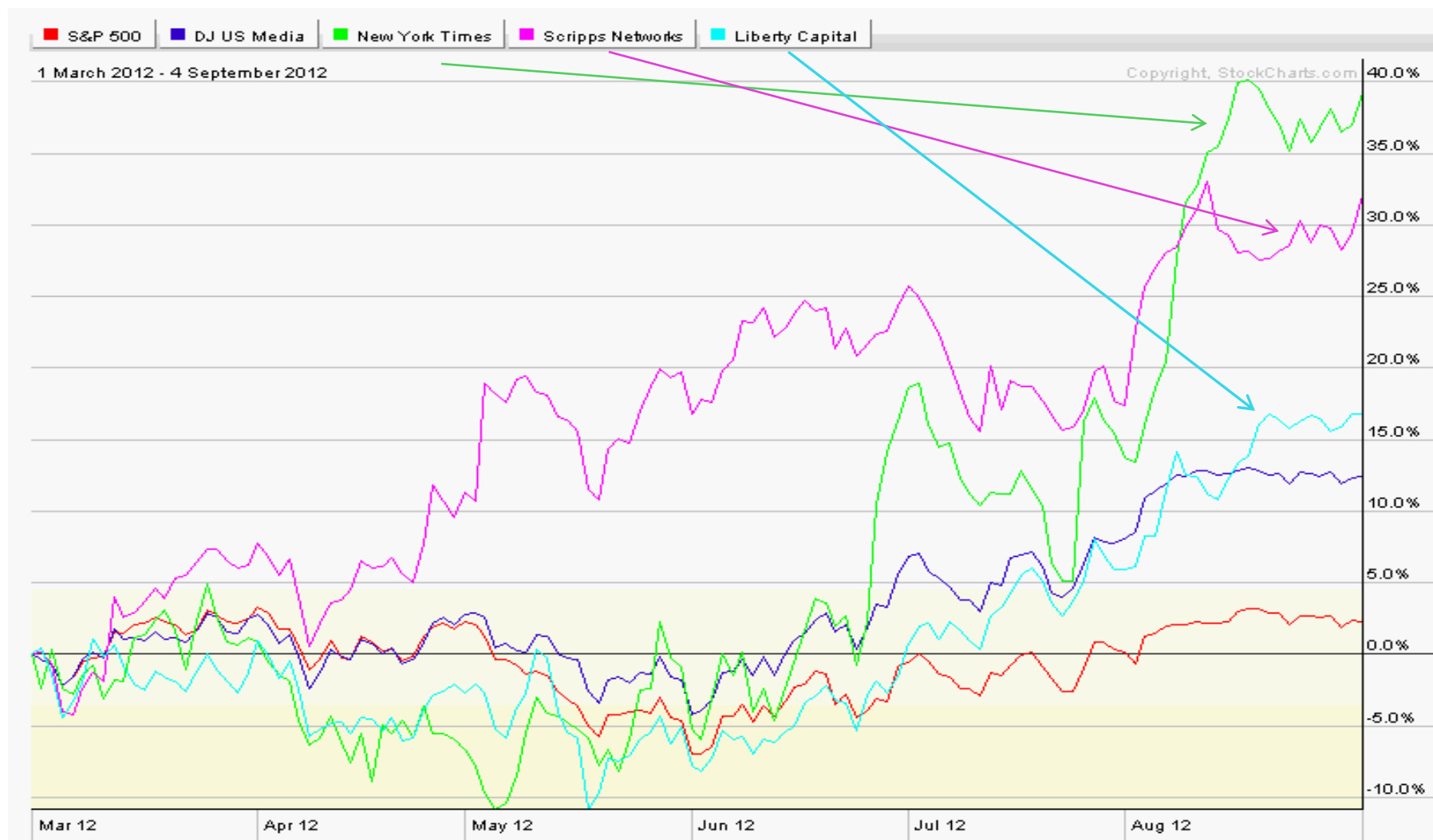


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# ERSA Dow Jones Super Sectors

Analysis 4th September 2012



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## ERSA Dow Jones Super Sectors

Analysis 4th September 2012

Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
DJ US Media Index	93.0000	93.0000	87.0000	68.0000	81.0000	46.0000	\$DJUSME
DJ US Telecommunications Index	87.0000	87.0000	93.0000	93.0000	31.0000	66.0000	\$DJUSL
DJ US Construction & Materials Index	81.0000	81.0000	43.0000	25.0000	93.0000	13.0000	\$DJUSCN
DJ US Retail Index	75.0000	75.0000	62.0000	81.0000	37.0000	73.0000	\$DJUSRT
DJ US Health Care Index	68.0000	68.0000	56.0000	56.0000	0.0000	N/A	\$DJUSHC
DJ US Technology Index	62.0000	62.0000	18.0000	43.0000	75.0000	60.0000	\$DJUSC
DJ US Insurance Index	56.0000	50.0000	37.0000	50.0000	56.0000	20.0000	\$DJUSIR
DJ US Personal & Household Goods Index	50.0000	31.0000	50.0000	62.0000	68.0000	80.0000	\$DJUSNG
DJ US Food & Beverage Index	43.0000	56.0000	68.0000	75.0000	18.0000	86.0000	\$DJUSFB
DJ US Oil & Gas Index	37.0000	43.0000	75.0000	6.0000	62.0000	40.0000	\$DJUSEN
DJ US Industrial Goods & Services Index	31.0000	37.0000	31.0000	37.0000	43.0000	33.0000	\$DJUSIG
DJ US Banks Index	25.0000	25.0000	12.0000	18.0000	87.0000	0.0000	\$DJUSBK
DJ US Chemicals Index	18.0000	12.0000	25.0000	31.0000	50.0000	53.0000	\$DJUSCH
DJ US Utilities Index	12.0000	18.0000	81.0000	87.0000	12.0000	93.0000	\$DJUSUT
DJ US Basic Resources Index	6.0000	6.0000	6.0000	0.0000	0.0000	26.0000	\$DJUSBS
DJ US Automobiles & Parts Index	0.0000	0.0000	0.0000	12.0000	25.0000	6.0000	\$DJUSAP



# ERSA Dow Jones Telecommunications Super Sector

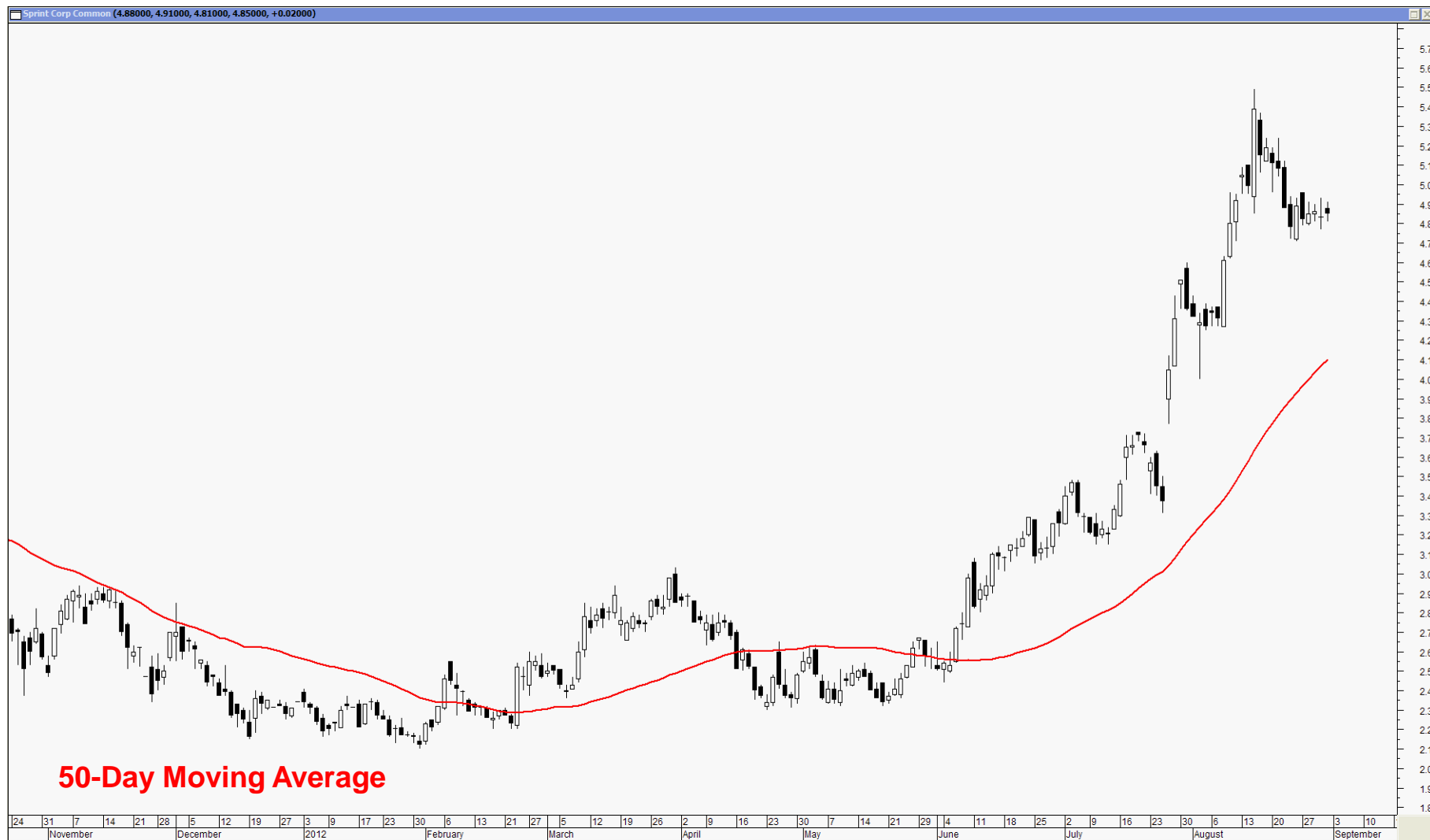
Analysis 4<sup>th</sup> September 2012

Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
Sprint Corp Common	94.0000	94.0000	94.0000	87.0000	42.0000	6.0000	S
Cincinnati Bell Common	88.0000	76.0000	23.0000	56.0000	78.0000	93.0000	CBB
Frontier Communications Common	82.0000	82.0000	58.0000	N/A	N/A	N/A	FTR
Metropcs Communications Inc Common	76.0000	88.0000	64.0000	18.0000	64.0000	0.0000	PCS
Crown Castle International Corp Common	70.0000	58.0000	70.0000	75.0000	71.0000	86.0000	CCI
tw telecom Inc Common	64.0000	52.0000	35.0000	93.0000	85.0000	60.0000	TWTC
AT&T Inc Common	58.0000	64.0000	88.0000	81.0000	50.0000	66.0000	T
SBA Communications Corp Common	52.0000	70.0000	76.0000	68.0000	92.0000	73.0000	SBAC
Virgin Media Inc Common	50.0000	0.0000	88.0000	93.0000	21.0000	73.0000	VMED
Centurylink Inc Common	41.0000	35.0000	47.0000	50.0000	57.0000	26.0000	CTL
Verizon Comm Common	29.0000	29.0000	52.0000	62.0000	35.0000	80.0000	VZ
Level 3 Communications Inc Common	23.0000	23.0000	11.0000	37.0000	N/A	N/A	LVL
US Cellular Common	17.0000	5.0000	29.0000	31.0000	7.0000	40.0000	USM
Telephone & Data Systems Inc Common	11.0000	17.0000	41.0000	25.0000	40.0000	0.0000	TDS
Leucadia National Corp Common	5.0000	11.0000	17.0000	12.0000	28.0000	13.0000	LUK
Windstream Corp Common	0.0000	5.0000	5.0000	50.0000	7.0000	33.0000	WIN
NII Holdings Inc Common	0.0000	0.0000	0.0000	0.0000	0.0000	33.0000	NIHD



# Telecommunications Super Sector – Sprint Corp

Analysis 4<sup>th</sup> September 2012

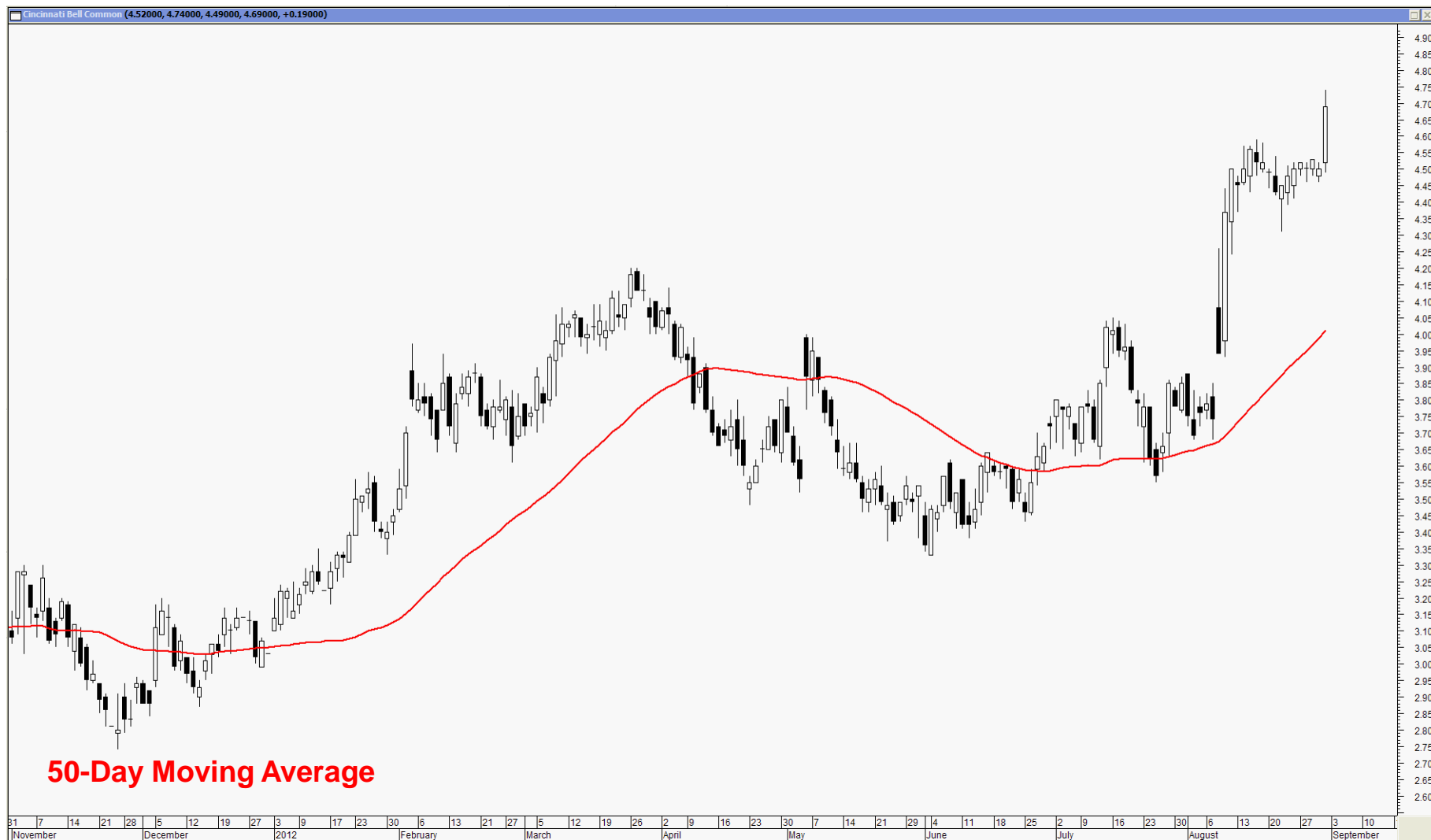


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# Telecommunications Super Sector – Cincinnati Bell

Analysis 4<sup>th</sup> September 2012

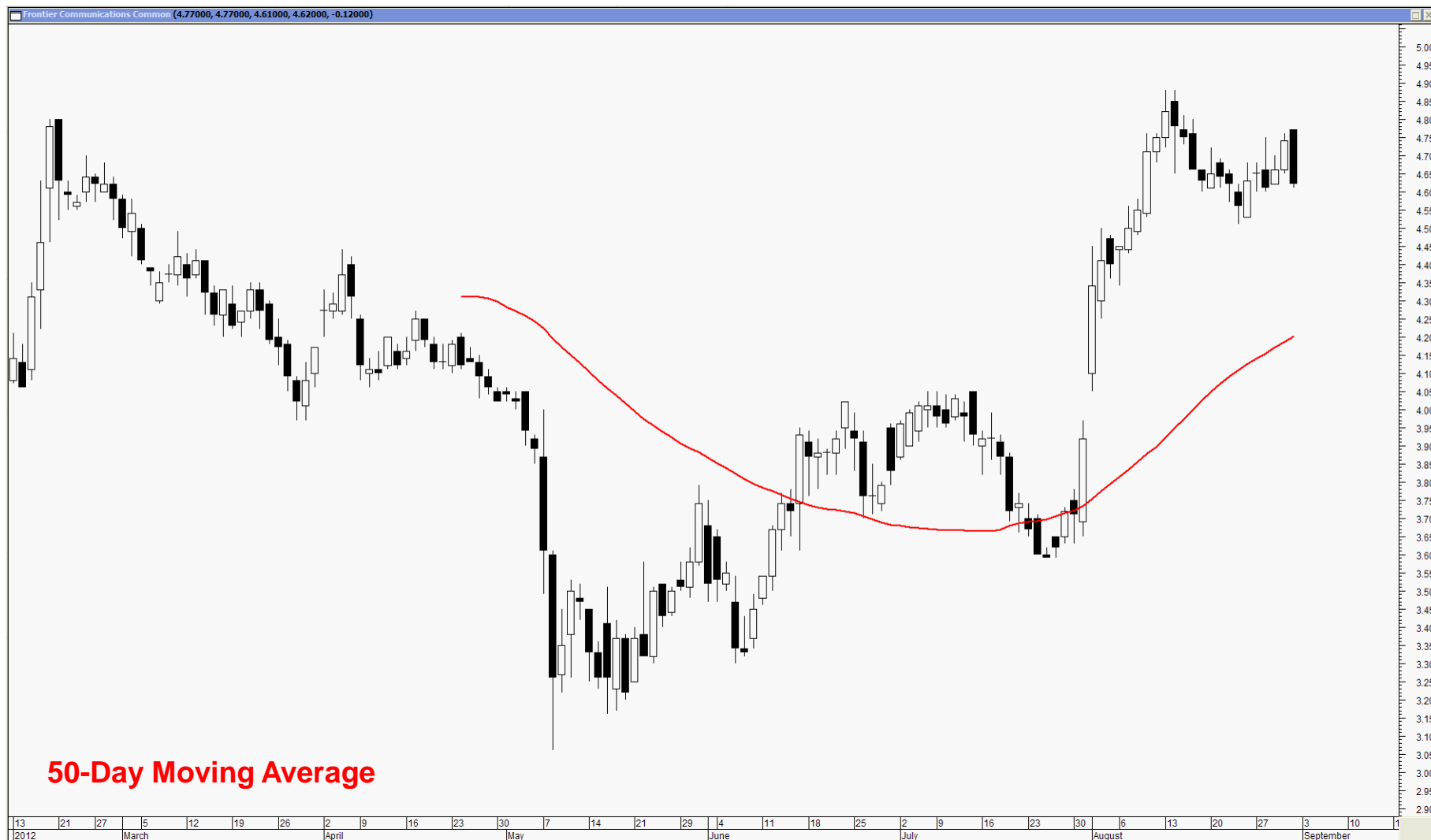


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# Telecommunications Super Sector – Frontier Communications

Analysis 4<sup>th</sup> September 2012



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# What Happened Next?



# ERSA Dow Jones Super Sectors

S&P500 Index 31<sup>st</sup> October 2012

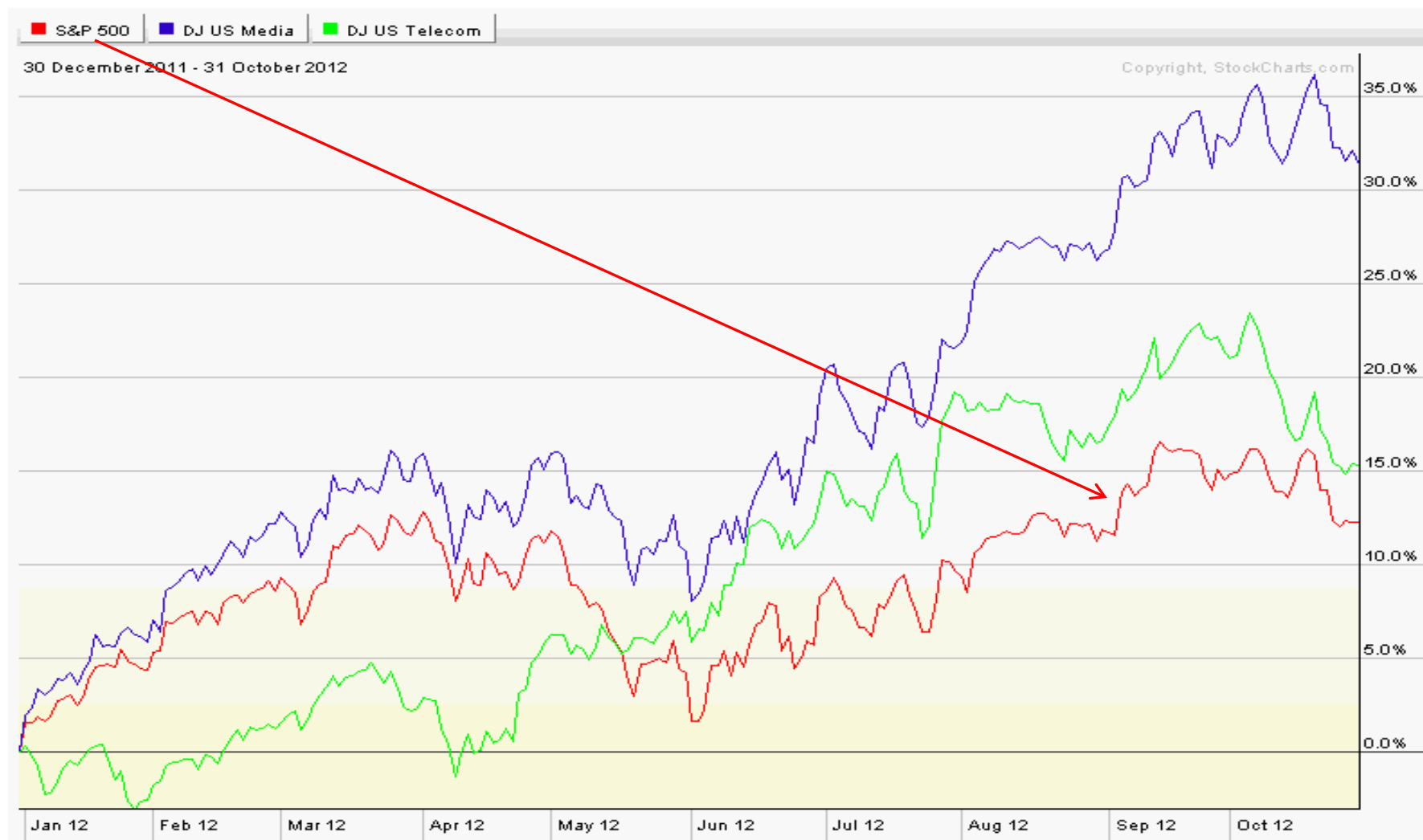


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# ERSA Dow Jones Super Sectors

Analysis 31<sup>st</sup> October 2012



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# Media Super Sector – New York Times

31<sup>st</sup> October 2012

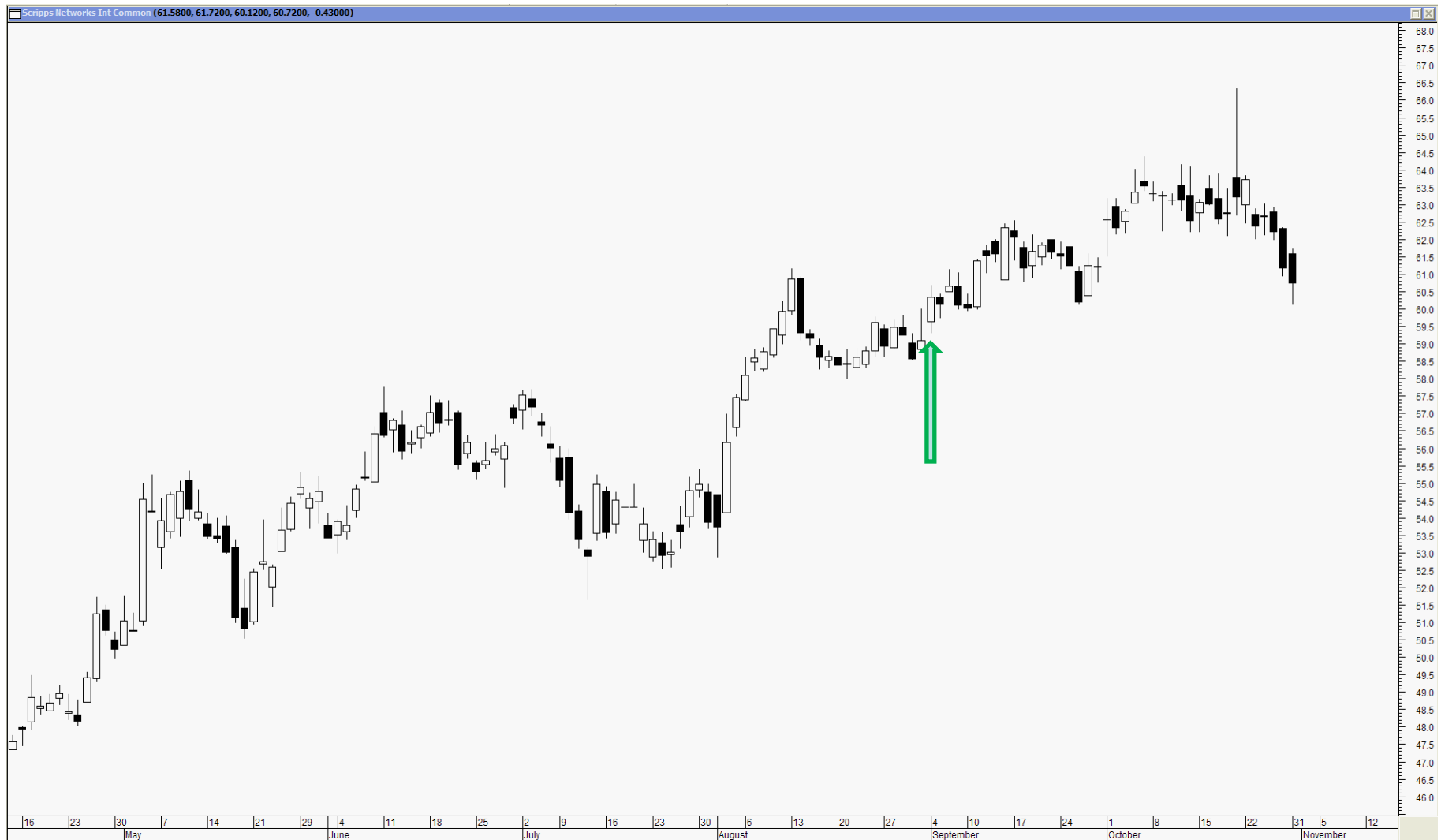


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# Media Super Sector – Scripps Networks

31<sup>st</sup> October 2012



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# Media Super Sector – Liberty Cap

31<sup>st</sup> October 2012



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# Telecommunications Super Sector – Sprint Corp

31<sup>st</sup> October 2012



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# Telecommunications Super Sector – Cincinnati Bell

31<sup>st</sup> October 2012



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# Telecommunications Super Sector – Frontier Communications

31<sup>st</sup> October 2012



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# Recent ERSA Analysis



## ERSA Dow Jones Super Sectors

Analysis 31st October 2012

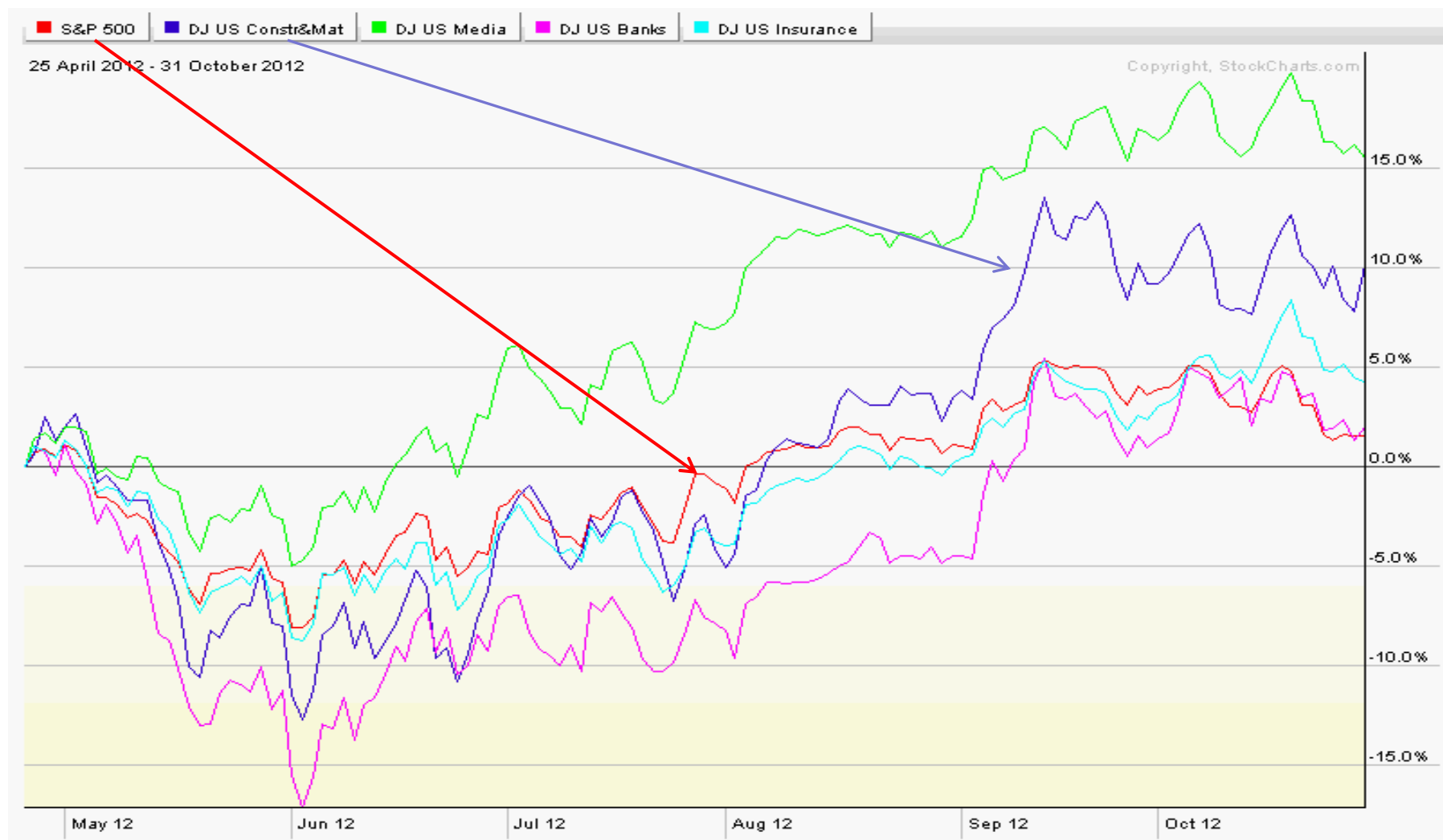
Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
DJ US Construction & Materials Index	93.0000	81.0000	87.0000	81.0000	0.0000	N/A	\$DJUSCN
DJ US Media Index	87.0000	93.0000	93.0000	93.0000	68.0000	N/A	\$DJUSME
DJ US Banks Index	81.0000	87.0000	75.0000	56.0000	0.0000	N/A	\$DJUSBK
DJ US Insurance Index	75.0000	75.0000	43.0000	43.0000	25.0000	N/A	\$DJUSIR
DJ US Retail Index	68.0000	68.0000	68.0000	75.0000	93.0000	N/A	\$DJUSRT
DJ US Telecommunications Index	62.0000	62.0000	81.0000	87.0000	37.0000	N/A	\$DJUSTL
DJ US Automobiles & Parts Index	56.0000	12.0000	6.0000	6.0000	13.0000	N/A	\$DJUSAP
DJ US Personal & Household Goods Index	50.0000	37.0000	62.0000	62.0000	81.0000	N/A	\$DJUSNG
DJ US Health Care Index	43.0000	56.0000	56.0000	25.0000	75.0000	N/A	\$DJUSHC
DJ US Industrial Goods & Services Index	37.0000	43.0000	37.0000	37.0000	18.0000	N/A	\$DJUSIG
DJ US Chemicals Index	31.0000	50.0000	31.0000	12.0000	0.0000	N/A	\$DJUSCH
DJ US Oil & Gas Index	25.0000	25.0000	25.0000	18.0000	12.0000	N/A	\$DJUSEN
DJ US Food & Beverage Index	18.0000	18.0000	18.0000	31.0000	0.0000	N/A	\$DJUSFB
DJ US Technology Index	12.0000	31.0000	50.0000	50.0000	87.0000	N/A	\$DJUSTC
DJ US Utilities Index	6.0000	0.0000	12.0000	68.0000	50.0000	N/A	\$DJUSUT
DJ US Basic Resources Index	0.0000	6.0000	0.0000	0.0000	0.0000	N/A	\$DJUSBS





# ERSA Dow Jones Super Sectors

Analysis 31st October 2012



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## ERSA Dow Jones Super Sectors

Analysis 31st October 2012

Security Name	ERS	5 dy ago	21 d ago	60 d ago	125 ago	250 ago	Ticker Symbol
USG Cp Common	96.0000	92.0000	96.0000	81.0000	88.0000	N/A	USG
Eagle Materials Common	92.0000	96.0000	92.0000	85.0000	85.0000	N/A	EXP
Louisiana Pacific Common	89.0000	89.0000	89.0000	92.0000	62.0000	N/A	LPX
Fortune Brands Home & Security Common	85.0000	82.0000	82.0000	N/A	N/A	N/A	FBHS
Shaw Group Common	82.0000	85.0000	85.0000	96.0000	18.0000	N/A	SHAW
Smith AO Class B Common	78.0000	75.0000	64.0000	62.0000	74.0000	N/A	AOS
Masco Common	75.0000	64.0000	78.0000	51.0000	77.0000	N/A	MAS
Sherwin Williams Co Common	71.0000	78.0000	75.0000	88.0000	96.0000	N/A	SHW
Lennox International Inc Common	67.0000	67.0000	57.0000	59.0000	55.0000	N/A	LII
Valmont Ind Inc Common	64.0000	57.0000	53.0000	66.0000	81.0000	N/A	VMI
Vulcan Materials Co. Common	60.0000	60.0000	60.0000	25.0000	40.0000	N/A	VMC
Granite Construction Inc Common	50.0000	39.0000	35.0000	40.0000	48.0000	N/A	GVA
Acuity Brands Inc Common	46.0000	50.0000	71.0000	77.0000	37.0000	N/A	AYI
Texas Industries Inc Common	42.0000	46.0000	14.0000	70.0000	22.0000	N/A	TXI
Owens Corning Inc Common	39.0000	42.0000	42.0000	14.0000	44.0000	N/A	OC

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# Construction & Materials Super Sector - UNG

31<sup>st</sup> October 2012



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# Construction & Materials Super Sector – Eagle Materials

31<sup>st</sup> October 2012



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# Construction Super Sector – iShares Home Construction ETF

31<sup>st</sup> October 2012



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# Sector Rotation Strategy Using ETFs



## Sector Rotation Strategy Using ETFs

### iShares Sector ETFs

Utilities	IDU
Consumer Services	IYC
Energy	IYE
Financials	IYF
Healthcare	IYH
Industrial	IYJ
Consumer Goods	IYK
Basic Materials	IYM
Technology	IYW
Communications	IYZ
Long-Term Treasury Bonds	TLT

Source: Seeking Alpha



## Sector Rotation Strategy Using ETFs

At month-end, rank the 10 ETFs based upon their 6-month total return

Next day, buy (or hold) the top 2 ETFs if above their 6-month moving average

If one or both ETFs is below their 6-month moving average, buy TLT Bonds ETF

Repeat every month

Source: Seeking Alpha





## Investment Strategies Compared

### Sector Rotation Strategy

#### Yearly Performance

Year	Sector Switch	SPY	Overperformance
2003	+27.5%	+24.1%	+3.3%
2004	+7.5%	+10.2%	-2.7%
2005	+17.6%	+7.2%	+10.5%
2006	+22.3%	+13.6%	+8.7%
2007	+19.7%	+4.4%	+15.3%
2008	+10.2%	-34.3%	+44.5%
2009	+28.0%	+24.7%	+3.3%
2010	+1.9%	+14.3%	-12.4%
2011	+31.0%	+2.4%	+28.6%

Source: Seeking Alpha



**Traders & Investors Club**  
Become A Better Trader

***“Is It Really Possible To Outperform  
The Stock Market?”***



**Kevin Barry**

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