LTTA
LONG-TERM TREND ANALYSIS

CAPITAL PRESERVATION with MARKET VALUE INVESTING

BY

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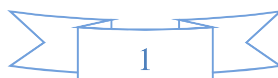

INTRODUCTION

The stock market downturns of ’00 - ’03 and ’08 - ‘09 devastated all individual investors, especially those in or near retirement. Losses to retirement, college, and 401K accounts have been compounded by increased costs of living, health care, and health insurance premiums, deductibles, and co-pays. Also, many individuals have not experienced sufficient wage growth in this current expansion. Far too many investors have avoided equities due to the psychological impact of the last downturn. **Due to the effects of inflation and the wariness of investors to keep or increase equity investments in the stock market, how long has it taken investors to recoup their losses and/or earn sufficient long-term returns?**

Prior to 2017, the capital market pendulum swung toward more government regulation and away from freewheeling business enterprises and unfettered entrepreneurial investing schemes. Future regulatory changes may free up businesses and banks again. Will another crisis evolve and for what reason? What help is available for individual investors in any of these environments to secure and establish a worry-free retirement, especially if the financial industry offers nothing more than status quo in the future? Even the regulation associated with the DOL Conflict of Interest Rule has had negative impacts on investors.

Meaningful individual investing education has been nonexistent. Many investors are uninformed and, justifiably, uncomfortable with investing decisions. The Financial Industry has mushroomed in response to the needs of the baby-boom generation seeking investment assistance. New financial products and constant advertising are signs of the competition for the multitrillion dollar baby-boom nest egg which will support a growing financial industry labor segment for decades to come.

All investors face a myriad of investment vehicles (Equity funds, ETFs, Bond funds, CD's, Variable Annuities, Individual Stocks and Bonds, Real Estate Investment Trusts, etc.), investment advisory newsletters and software, investment brokers, investment firms, and investment advisers. The industry is ***predatory*** and investors are wary due to ongoing stories of fraud, abuse, and the potential for life-altering losses of retirement monies.

Has there ever been a more compelling time for the individual investor to pause and say “I need to understand more about my money and take control of my financial future”? The task may be daunting for some, but not unachievable. Besides the usual sources of books and magazines, the internet now offers investors more opportunities for learning and understanding about investing than could ever be imagined. Even when using a financial professional, the individual investor is ultimately responsible for their financial success and a secure retirement!

Individuals seldom learn successfully in a vacuum. Comprehensive learning usually occurs in a group environment. However, current societal stigmas about money prohibit people from talking about their finances with others. Therefore, individuals are generally less informed than they should be and less inclined to make the effort to learn in the vacuum. Given these circumstances, investment advisors and other financial professionals are utilized for their expected knowledge and expertise.

The purpose of this paper is threefold, 1) stressing the need for today’s investor to SIMPLY take more control of their financial future, 2) educating investors, and 3) introducing a capital preservation and market value investing strategy for long-term investors. The old long-term investing principles of buy and hold or diversification have, due to the past market downturns, failed investors. After reading this document you may find a future direction for personal investing.

If you lose 50% of your investments, you will have to AVERAGE 7.18% a year for 10 YEARS to get back to even. A 35% loss will have to average 9% for 5 YEARS to break even. Those are SIGNIFICANT roadblocks to overcome and compelling reasons to avoid such losses!!!!!!

I look forward to your feedback regarding the contents of this paper at investools101@gmail.com. Feel free to forward this to any who might have an interest in these contents.

Remember the following priorities, God-Others-Yourself-Wealth-Property, in that order.

CHAPTERS

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I. ALL MONEY TRANSACTIONS INVOLVE TIMING

Unless you live in a barter society (trade things or services for other things or services), money or currency is used to acquire the goods and services needed for everyday life. As the global world becomes more like your own home town (calls for technical help routed to India, merchandise on store shelves manufactured in China, gasoline to fill your vehicle made from oil possibly pumped in Saudi Arabia, your doctor educated England, etc.), the phrase "money makes the world go around" takes on new meanings and thoughts. The world is now, more than ever, very tightly intertwined monetarily.

Timing, to some degree or circumstance, is inherently involved with every money transaction. Money taken out of your checking account in the beginning of the accounting cycle affects the daily average balance greater than if taken out at the end of the cycle. Money taken out of your savings account at the beginning of the accounting cycle decreases the amount of interest earned compared to taken out at the end of the cycle. The existing currency exchange rate affects the amount of purchasing power for any money transactions when overseas. The constantly changing rate of inflation affects your purchasing power at any one time. You decide when to spend your money (timing) and how the expenditure will affect your finances. The list of examples is endless. The saying "Time is Money" can be reversed to say "Money is (about) Time", especially when investments are allowed to compound over greater periods of time. Both are equally true to some extent.

Investing concerns four mutually inclusive aspects of money: the amount of money invested, where the money is invested, when the money is invested, and how long the money is invested and eventually withdrawn. What if you had invested $100,000 in Enron right before its collapse or any financial company right before the 2008 market collapse? AMOUNT….WHERE…..WHEN.....HOW…..are crucial regarding any investment.

Somewhere and somehow, the elements of investing, the stock market, trend analysis, and investment timing have elicited some bad connotations, especially when applied to long-term investing, or buy and hold. Investing right before a market drop or selling right before a market surge should be equally distasteful for a short-term or a long-term investor. Knowing what to avoid and when to avoid, in investing, is profitable for all types of investors.

Buy and hold does not mean hold indefinitely or forever. Even for fundamental investors like Warren Buffet, an investment is held only until it is no longer a good investment.

Investment objectives, trending, and timing are different for day traders, option traders, short-term investors, and long-term investors. Understanding the correct trending and timing issues associated with long-term investing, and applying it, can have a tremendous impact on long-term wealth preservation in this new era of extreme stock market volatility.

II. FUNDAMENTAL ANALYSIS AND TIMING

Following are two definitions of Fundamental Analysis taken from the website, investopedia.com:

Book - A method of evaluating a security which entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

This method of security analysis is considered to be the opposite of technical analysis.

Investopedia - Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

For example, an investor can perform fundamental analysis on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated.

One of the most famous and successful fundamental analysts is the Oracle of Omaha, Warren Buffett, who is well known for successfully employing fundamental analysis to pick securities. His abilities have turned him into a billionaire.

Notice the time factor associated with both definitions. If the derived value of a stock, AT THIS TIME, is greater than the current price; sell. If the derived value of a stock, AT THIS TIME, is less than the current price; buy or hold. Valuation is the primary step and timing is the secondary step in the investment process.

Is Warren Buffett the quintessential buy and hold long-term investor? If the timing is right, he does SELL. The timing trigger for Warren to buy, sell, or hold is based on fundamentals.

Some actively managed mutual funds may beat their comparative indexes/benchmarks (or Index Funds) by purchasing select stocks based upon the valuation method in fundamental analysis and fortunate timing. Studies indicate long-term performance seldom exceeds overall stock market returns. Unforeseen market circumstances frequently cause many stock selections to eventually lose money or become average. This is referred to as Reversion to the Mean.

III. TECHNICAL ANALYSIS AND TIMING

Following are two definitions of Technical Analysis taken from the website, investopedia.com:

Book - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value but instead use charts and other tools to identify patterns that can suggest future activity.

Investopedia - Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

In a shopping mall, a fundamental analyst would go to each store, study the product that was being sold, and then decide whether to buy it or not. By contrast, a technical analyst would sit on a bench in the mall and watch people go into the stores. Disregarding the intrinsic value of the products in the store, the technical analyst's decision would be based on the patterns or activity of people going into each store.

Technical analysis determines buy and sell points for an investment by looking strictly at its price. The assumptions are 1) price reflects all aspects of the investment, AT THIS TIME, 2) price moves in a trend dictated by the stock market, and 3) history tends to repeat itself through economic or business cycles. Notice the time factors associated with this process. If the technical indicator of the stock's price and volume correlates with known or past patterns or indicators, AT THIS TIME…..a potential buy or sell is warranted (other factors may need to be considered). Technical analysis is the primary step and timing is the secondary step in the investment process.

Technical analysis is very detailed and labor intensive if performed without the use of appropriate software. There are multitudes of indicators. Not all indicators match up with a given stock. Volume is frequently used as a supporting parameter. **A significant amount of technical analysis activity and software is associated with short-term investing.**

The selection of a stock, mutual fund, or ETF for technical analysis is a separate process.

TREND ANALYSIS is a subset of technical analysis. Moving averages, with price crossovers or other moving averages crossovers, are used to determine possible changes in the investment's direction, or trend. This will be discussed in detail in the chapter entitled Long-Term Trend Analysis.

IV. THE INDIVIDUAL INVESTOR'S FINANCIAL FUTURE

The financial future for the individual investor is less clear today than ever before due to the following circumstances:

Substantial declines in retirement accounts

Extreme Stock Market Fluctuations with Excessive Recoveries

Significant declines in college savings accounts

Declines in company Defined Benefit pensions

Increases in company Defined Contribution pensions

Abolished or decreased company contributions to 401K accounts

Future health care and cost of living expenses

Lack of sufficient retirement savings

Future and current college expenses and debt

Increasing support of post high school children or aged parents

Post-1995 market volatility, compared to pre-1995, which has become devastating

Retirement ages will likely increase due to the needs for continued contributions and longer growth of investment portfolios before the start of distributions. Expected standards of living will possibly be reduced. Future Social Security, and Medicare funding and benefits, either have not been, or have been inadequately addressed.

All the above issues will accentuate the need for improved returns on retirement accounts. Investors will be torn between the need for capital preservation (usually associated with Bonds) and improved performance from higher risk investments.

Humans are not good Long-Term Investors. We are emotionally based creatures with inherent drives for immediate fulfillment and survival instincts of fear/fight. Consider the following excerpt from a paper entitled "Where the Black Swan Hides & The 10 Best Days Myth":

https://www.hvst.com/posts/where-the-black-swans-hide-the-10-best-days-myth-X7QTO1LG

> "Markets are a collection of humans, and being human, a collection of human emotions. Greed, fear, jealousy, pride, and envy all manifest themselves to the fullest in capital markets. When you are making money, you are thinking about the new car you are going to buy, how smart you are (and how much smarter you are than your neighbor), the vacation you are going to take, and the (2nd, 3rd, 4th) house you are going to buy. The part of the brain that is firing nonstop here is the same region that gets stimulated by cocaine or morphine. However, when you are losing money you are probably not opening your account statements, you are thinking about how dumb you are (and how stupid you were to listen to your neighbor), how you are going to pay for that second house, and you likely feel significant revulsion to even thinking about investing. The brain processes portfolio losses in the same region that is stimulated by the flight response."

Two excellent educational tools entitled "Investing and Historical Returns" and "Draw Down Evaluation" are available as free interactive spreadsheets from **I.S.SU.E.® INC** with the purchase of the educational and motivational video seminars entitled; Building Wealth and Pre/Post Retirement. These spreadsheets allow the investor to 1) create hypothetical portfolios and evaluate returns using historical returns from various asset classes, and 2) evaluate the effects of inflation and distributions, or draw downs, from a portfolio over a 30 year period. Contact me for questions.

V. THE NEED FOR SIMPLICITY

Most investors want to spend their retirement years doing the things they enjoy most. Any investment strategy requiring extensive investor involvement will likely meet with resistance and failure.

Whether an investor is their own adviser (self-directed) or utilizes an investment advisor or broker/dealer, the simplest strategies (easily understood, implemented, monitored, and adjusted) are usually the safest and the best. Simplicity should be effectively applied for success and transparency. Familiar, low cost, and accessible investment vehicles, such as index mutual funds or ETFs, for example, have proven long-term performance with low costs.

Many investment newsletters, software, and advisors take the simple, add the complex, and market a proprietary strategy. These strategies are designed to create an illusion of increased performance in order to differentiate them from all the other products competing for the investment dollar or investment service.

With all the existing investment expertise, software, and limitless data available in the world, how can anyone honestly boast to have the BEST PROPRITARY investment strategy or investment vehicles in the world? Why do a majority of mutual fund managers fail to beat their index comparatives?

Investment studies have shown that 80% - 90% of investment returns, above general stock market returns, are the result investment allocation and not specific investment vehicles.

Can an individual perspective be applied to existing strategies to create an updated tool for investors? Even moderate success could result in significant savings when recent stock market losses approached 50%.

Any successful capital preservation strategy, to be properly applied, must be simple, flexible, understandable, and transparent.

Confidence in long-term investing and trend analysis IS a formula for long-term wealth preservation.

VI. BUSINESS CYCLES

Investopedia states the following:

Definition of 'Business Cycle'
"The recurring and fluctuating levels of economic activity that an economy experiences over a long period of time. The five stages of the business cycle are growth (expansion), peak, recession (contraction), trough and recovery. At one time, business cycles were thought to be extremely regular, with predictable durations, but today they are widely believed to be irregular, varying in frequency, magnitude and duration."

Investopedia explains 'Business Cycle'
"Since the World War II, most business cycles have lasted three to five years from peak to peak. The average duration of an expansion is 44.8 months and the average duration of a recession is 11 months. As a comparison, The Great Depression - which saw a decline in economic activity from 1929 to 1933 - lasted 43 months."

The U.S. Government Publishing Office provides monthly reports on U.S. economic indicators divided into the following seven (7) categories with a varying number of indicators in each category. See this website for details:

(http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=ECONI&browsePath=2012&isCollapsed=true&leafLevelBrowse=false&ycord=0)

Total Output, Income, and Spending (14)
Production and Business Activity (7)
Prices (5)
Money, Credit, and Security Markets (8)
Federal Finance (3)
International Statistics (3)

The Federal Reserve Bank of St. Louis maintains and publishes the Federal Reserve Economic Data. This economic research section contains 246,000 U.S. and international time series from 77 sources. For example, from the Production & Business Activity category, the Leading Index for the U.S. (from the Federal Reserve Bank of Philadelphia) is available for viewing and downloading. See this website for details:

http://research.stlouisfed.org/fred2/series/USSLIND

Academic Data (13.617)
Money, Banking, & Finance (6,498)
National Accounts (15,291)
Population, Employment, & Labor Markets (16,094)
Production & Business Activity (7,486)
Prices (2,940)
International Data (89,908)
U.S. Regional Data (102,075)

There are several organizations which utilize this data and develop proprietary composite indicators for forecasting business activity:

The Conference Board is an organization founded in 1916. "*The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world's leading organizations with the practical knowledge they need to improve their performance and better serve society. The Conference Board is a non-advocacy, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States.*" See this website for details:

(http://www.conference-board.org/)

Monthly, The Conference Board publishes Global Business Cycle Indicators which cover the following countries/areas:

Australia – China - Euro Area - France - Germany - Japan - Korea - Mexico - Spain - U.K. - U.S.

The monthly press releases contain current and updated (previous 3 months) leading, lagging, and coincident indicators of the business cycle for each country/area. Two detailed pdf documents are included which provide graphs of the trends for these indicators. As stated "*The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.*"

ECRI, Economic Cycle Research Institute, provides data, reports, and various services for a fee. However, as a public service, ECRI publishes free data on their US Weekly Leading Index, WLIW. See this website for details:
https://www.businesscycle.com/ecri-reports-indexes/all-indexes

Advisor Perspective contains a section "dshort" which discusses multiple economic topics, subjects, indicators, and published indexes like The Conference Board's Leading Economic Index and ECRI's WLI. See this website for details:
http://www.advisorperspectives.com/dshort/updates/

I.S.S.U.E.® INC. also monitors the following economic indicators tracked and published by the Federal Reserve in St. Louis. See their website for details:
https://www.stlouisfed.org/

USD1MTD156N: *Monthly London Interbank Offered Rate(LIBOR)_US Dollar*
DRALACBS:*: Delinquency Rate – All Loans, All Commercial Banks*
DALLCIACBEP:*: Delinquencies All Loan & Leases_Commercial & Industrial_All Commercial Banks*
AWOTMAN*: Average Weekly Overtime Hours of Production and Nonsupervisory Employees: Manufacturing*
JHGDPBRINDX: *GDP-Based Recession Indicator Index*
NFCI*: Chicago Fed National Financial Conditions Index*
FEDFUNDS*: Effective Fed Funds Rate*
MPCREDIT:*: Primary Credit Rate*
USSLIND*: Leading Index US*

Notice there is only one related to manufacturing activity and employment, AWOTMAN. Money is the key factor in economic activity. It is the means by which the Federal Reserve either stimulates or suppresses economic activity. It makes sense that monetary indicators would be the best type of leading economic indicators to monitor.

It is very important to know and understand business cycles and their individual phases. Knowing where the economy is currently positioned in the business cycle is critical for making investment and risk decisions, especially with the current volatile market conditions we now experience.

The **stock market** may have volatile periods (both upwards and downwards with as much a 25% swing) during any business cycle expansion which, of itself, may indicate a potential cycle peak or trough. However, if all the **economic indicators**, and corresponding elements, do not indicate an expansion peak, it is just a typical mid-cycle correction.

VII. LONG-TERM TREND ANALYSIS, LTTA

Every individual investor, financial advisor, and fund manager look for investments with nothing but consistent long-term gains. Why is that not possible? Simply put, things change! Management, products, consumer tastes, technology, government regulation (especially monetary policy) or lack of, world circumstances, etc. all contribute to eventual changes which cause downturns for individual companies and national economies.

Look at the following BigCharts (see website @ http://bigcharts.marketwatch.com/) for AT&T (T) and Pepsi (PEP).

ATT

What has happened in the last 10 – 15 years to cause such significant swings in values? Perhaps changes like globalization, increased stock ownership, inflation, investor expectations, or a host of other items have caused the stock market swings. We have experienced two major market contractions in '01 - '02 and '08 - '09. Are there more to come? The U.S. could be considered the culprit for both of these last two downturns. Maybe the next one will be triggered by China. Should investors, especially those in or near retirement, plan for more of these market swings and develop new strategies to counter these wealth reducing occurrences?

NO ONE, NO STRATEGY, NO SOFTWARE, or NO ADVISOR can predict EXACT stock market high and lows or even guarantee specific results for any investment tool, process, system, or strategy…..period!

However, what if the objective is to selectively exit before the market completely collapses and selectively enter after the market bottoms? Without constant buying and selling on speculation, associated with possible market collapses or market upturns, is such a strategy possible?

PEPSI

Long-Term Trend Analysis, **LTTA,** utilizes first, business cycle activity and leading economic indicators then second, technical analysis (trends and trend characteristics) to assess the likelihood of a pending peak in a business cycle expansion and trough in a business cycle contraction.

Technical Analysis

True long-term price trends, or moving averages, coupled with current closing price, for most stocks, indexes, mutual funds, and ETFs, can indicate **PROBABLE** significant changes in future price activity. **The use of an appropriate stock market index is imperative.** Based on the combined analysis of 1) appropriate moving averages, 2) the magnitude of the moving averages, and 3) how the current closing price relates to the averages, you can construct a strategy to exit the stock market **AFTER** a business cycle contraction has started. Most importantly, this strategy, when coupled with economic data, avoids frequent in and out activity, or market timing, which is the foremost requirement for a long-term investor. For LTTA, technical analysis is a critical piece because it relates directly with the stock market, a leading economic indicator, and investment values.

Business Cycle Indicators

Business cycles, along with their leading, lagging, and coincident indicators, are real economic phenomena which are cyclical but not regular. The stock market is a leading economic indicator. These economic cycles contain expansions and contractions. Knowing the current phase of the business cycle and how the indicators are trending is a necessary piece of information in the decision-making process. In both the expansion and contraction phases of a business cycle, there are many ups and downs of the stock market and business activity. These swings are generally less volatile and contained within the total down or up trends. For LTTA, leading economic indicators are the primary identifier for monitoring business cycle phases.

Whether you use fundamental or technical analysis, economic data and indicators, darts, crystal balls, or Ouija boards to select your investments, the **timing (i.e., holding period)** of your initial investment purchase and subsequent liquidation will make all the difference to your overall performance. Every entrance strategy requires an exit strategy even if just for rebalancing assets or income distributions. Why sell for a loss or limited gains?

Is it really possible to have a long-term investing strategy while experiencing normal market swings, and also preserve capital by avoiding major downturns? The last bull market started early in 2003 and ended in late 2007. *If you really knew, in January, 2008, there was a strong likelihood that a major US downturn was coming, would you exit the market to preserve your capital and long-term gains? Would a long-term trend analysis strategy be useful and desired to save 10-20-30-40% of your portfolio? Did a portfolio with proper asset allocation, stocks and bonds, fare that much better in 2008 & 2009? Was your financial planner or adviser able to minimize your losses?*

A paper entitled "A Quantitative Approach to Tactical Asset Allocation was written by Mebane T. Faber and originally appeared in the Journal of Wealth Management, Spring 2007. It has been updated twice and now includes 2008 – 2012 data. The article is located at this web site:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=962461

It discusses the merits of utilizing moving averages to exit the markets during severe downturns. In the conclusion, it states "A non-discretionary, trend-following model acts as a risk-reduction technique with no adverse impact on return. Utilizing a monthly system since 1973, an investor would have been able to increase risk-adjusted returns by diversifying portfolio assets and employing a market-timing solution. In addition, the investor would have also been able to sidestep many of the protracted bear markets in various asset classes. Avoiding these massive losses would have resulted in equity-like returns with bond-like volatility and drawdown. Investors looking to tailor their portfolio may consider using alternate cash strategies, more assets in the portfolio, and alternative weighting schemes to find a portfolio that is right for them." See the following website for access to other informative papers:

http://mebfaber.com/white-papers/

Stock market prices maintain a long-term upward trend during a business cycle expansion and then a short-term downward trend during business cycle contractions. Daily or weekly closing prices can be plotted on a stock chart showing upward and downward spikes as the closing price moves upward or downward. Refer to Chart 1 below for the ^W5000. ^W500 is the ticker for the Wilshire 5000 Total Market Index. Average closing prices over time periods are depicted by gradually moving lines, or SMAs.

Many analysts utilize Simple Moving Averages (SMA) or Exponential Moving Averages (EMA) to create the moving average lines for a stock, mutual fund, or ETF closing prices. A 200 day SMA, or some variation of it, is a quasi-standard in the financial industry for a long term average (true long-term investors should consider a much longer SMA like 400 days). All averaging lines are **lagging** indicators to past stock market activity. The smaller the averaging line, the more often the day to day or week to week closing price will cross the line. During a long–term bull market, periodic buying and selling of the investment, triggered by the closing price crossing the line, **MAY NOT** necessarily help to preserve gains. The frequency of buying and selling the investment varies indirectly with the number of days selected as the moving average line. That is, the smaller the SMA, the more frequent the crossovers, and buying and selling. Referring to Chart 1 below, the daily closing price crossed over the longer (lower) SMA line on January 4, 2008.

As any long-term investor knows, staying in the market throughout the upward trend is necessary to maximize gain. Any in and out movement during the uptrend may cause you to miss any short term rallies in the price. Also, any buying and selling activity that occurs within a year timeframe is considered short term activity by the IRS and avoids long-term capital gain treatment for taxes in taxable accounts.

Referencing Chart 1 (W5000) below, the longer SMA line had no closing price crossovers between mid 2003 and the end of 2007. This is a 4.5 year investment period with no buys or sells activity for the investor. The starting cross-over was approximately 9100 in June, 2003 and the ending cross-over was approximately 14200 in January, 2008. Notice the W5000 2002 low was approximately 7300 and the 2007 high was approximately 15800. *In short, by ignoring exact market highs and lows, significant gain can be preserved without frequent buy and sell activity.* Proceeds from the sell could be held in cash or bond investment vehicles until the next buy.

To this point, only the exit point using the longer SMA line has been addressed. The shorter SMA line is the higher moving average line in the expansion phase of the business cycle. Recovery from the market lows is reflected in the closing price crossover of the smaller SMA line. For 2009, that occurred on July 15, at approximately 9500. For 2003, it was approximately 8600.

Chart-1

Remember, as a long-term investor, market timing is not desired and to be avoided if at all possible. Since no "system or strategy" is perfect, there may occasions when market swings cannot be anticipated.....reference October 19, 1987 where an 18% drop occurred in single day. These occasional corrections are not reflective of a pending business cycle peak or trough and can last for as long as a year. Stop-loss orders for ETFs and individual stocks are somewhat similar in concept but with the unpredictability of market swings, what stop value would be used and what would be the reentry point? Also, constant changes to the stop-loss order amount would be required as the investment value rises. Stop-loss activity is not usually an option for mutual fund investments which have trading activity limitations.

Analysis of historical data is obviously easy since all the data is available and visible at a glance. ***Past closing prices and trends are not predictors of future prices and trends.*** The only *significant* factors are **business cycles** (longer upward trends – expansions, and shorter downward trends - contractions) and corresponding **SMAs** (simple stock market averages of the closing prices). Trend analysis is very flexible and can be customized to fit any investor's parameters. Adding more averages and, lengthening or shorting the averages, are examples of customizing a strategy for trend analysis.

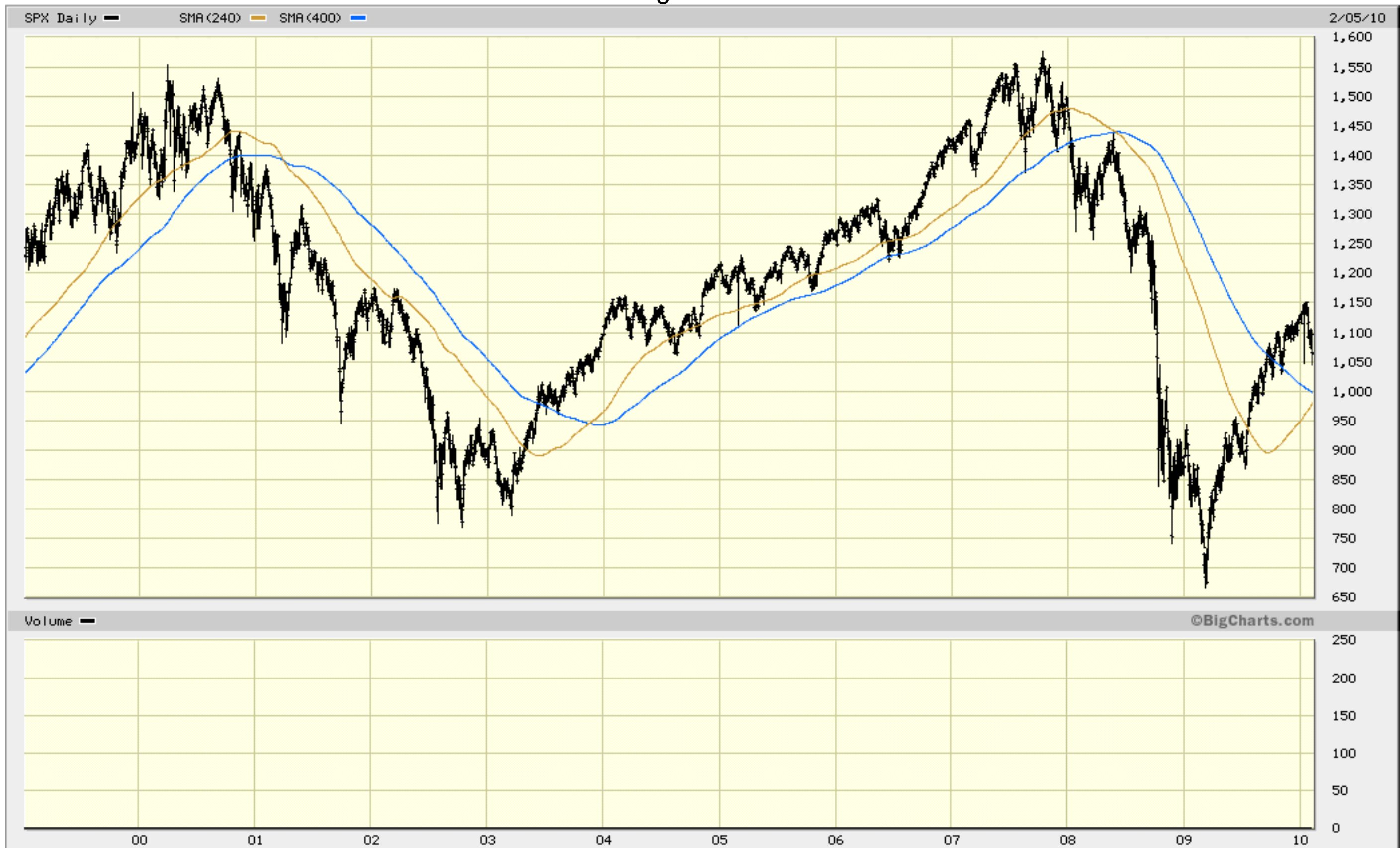
During a business cycle expansion, a longer SMA line inherently reflects the long-term price rise. Until the next contraction, the usual day-to-day stock market swings of a closing price will rarely cross a longer SMA line (stock market corrections may be the exception). A long-term investor should stay invested throughout the entire business cycle expansion, even during mid-expansion price corrections. By exiting the stock market after a business cycle expansion peak and remaining out during the business cycle contraction will preserve a significant amount of capital gain.

BigCharts-1 is the RUA index. RUA is the ticker for the Russell 3000 index. BigCharts-2 is the SPX index. SPX is the ticker for the S&P 500 index. If the SMA line is too close to the lower price swings, simply increase the moving average value and subsequently lower the SMA line. This will add cushion between the line and the lower prices throughout the upward trend. This will also affect the exit and entrance closing prices.

All of these charts have very similar characteristics because they represent all, or a portion, of the US stock market. Therefore, any of these general charts can be used for trend analysis on any stock, mutual fund, or ETF contained within the indexes. This eliminates the need for monitoring multiple asset charts. (Note: Website changes may create different views from those shown here.)

BigCharts-1

BigCharts-2



Charting capability is available at BigCharts. Since these SMAs are calculated from closing price data points, daily close is preferable to weekly close due to more data points. BigCharts allows you to use daily close data over all periods. Data periods (like 10 years) for specific indexes or investments will vary by website.

Following are the simple settings for BigCharts (Note: Settings options may have changed.):

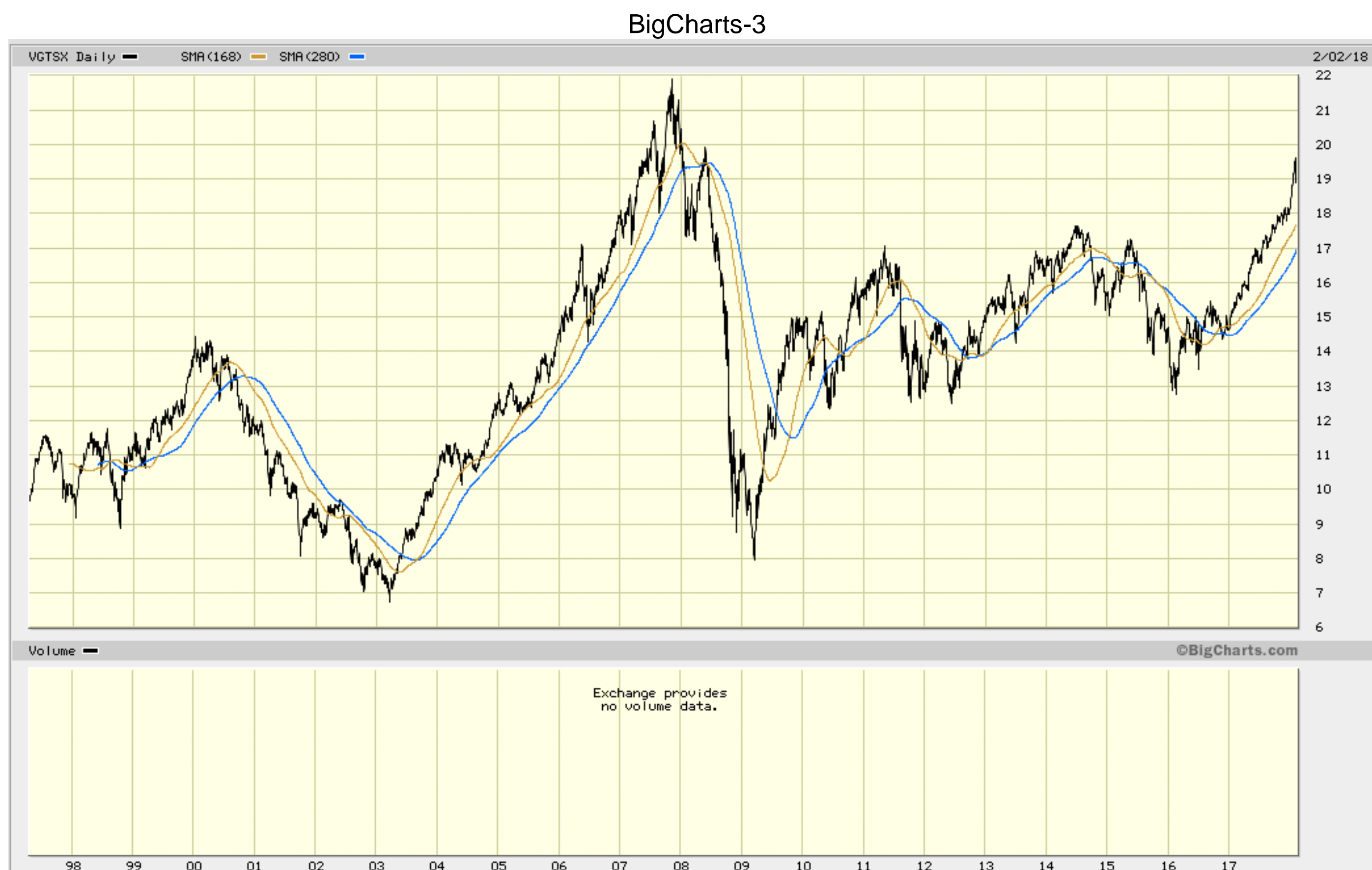
- Investment Ticker
- Advanced Charts
- Timeframe
  - Custom
    - From Date
    - To Date
  - Frequency
    - Daily
  - Indicators
    - Moving Averages
      - SMA (2-Line)
      - X,X [Like 240,400 for US Major Indexes]
    - Default for all others
  - Chart Style
    - Price Display
      - Close
    - Chart Display
      - Default
    - Chart Size
      - Large or Big

Business cycles will vary, and investment characteristics will definitely change with the evolving financial world markets. For example, ten years ago, the international markets were considered somewhat uncorrelated (in sync) to the US domestic market and its performance lagged the US. Today, international markets can sometimes be more correlated to, and their performance may exceed, US markets. Certainly, all market conditions will change. No two business cycles will be alike or even similar.

International, sector, regional, and country stock market activity will likely require different indexing charts or the actual investment chart to monitor the trends. **However, since the US equity market is the most mature and contains approximately 35% of all global equity as of 2018, Long-Term Trend Analysis, using the W5000, could work for all domestic and foreign investments.**

BigCharts-3 is a chart for the Vanguard Total International Stock fund, VGTSX. The holdings in this fund encompass the following international indexes: MSCI Europe, MSCI Pacific, and MSCI Emerging Markets.

BigCharts-3



Notice the long-term SMA is only 280 versus 400 for the US. Remember, the SMA selections are variable. Refer to BigChart-4. Using a 360 SMA will lower the sell trend line and raise the buy trend lines. *LTTA is* ***NOT*** *designed to maximize wealth, but to preserve a significant portion of wealth at major market downturns and reenter the market after the bottom has occurred. The resulting market value investing approach using LTTA, will increase long-term wealth.*

BigCharts-4

Short-term market timing and maximizing returns are **NOT** components or considerations of this strategy. *Exact* entry and exit points from the market are of no concern. You only want to stay invested if the investment is rising long-term, and not be invested if the investment is falling long-term. This is no different than a fundamental investor who wants to invest when the values indicate a potential for good long-term returns and not invested when values indicate a poor or negative long-term returns.

Using business cycle economic activity and indicators, and stock market index trends and trend characteristics, LTTA improves the strategy success and reduces or possibly eliminates any mid-cycle sell-buy scenarios.

This strategy may seem daunting, but with some practice, your charting skills will rapidly improve, your understanding will increase dramatically, and your confidence will empower your use of this strategy.

The key points to consider for developing and working with the Long-Term Trend Analysis, LTTA, strategy:

1) **Use investments or indices with typical business cycle characteristics**
2) **Use the business cycle leading economic indicators to confirm trend activity**
3) **Only two SMAs are needed to monitor sells and subsequent buys**
4) **Larger SMAs will eliminate most perceived mid-cycle sell/buy occurrences**
5) **Larger SMAs will decrease the sell price point and increase the buy price point**
6) **Occasional mid-cycle SMA crossovers are very possible**
7) **Market highs and lows are NOT predictable**
8) **Flexibility and customization are inherent in this strategy**
9) **The only reason for using the LTTA strategy is capital preservation and market value investing, not market timing (Visit my website, investescent.com, to view the videos; Capital Preservation, Market Value Investing, Nuts & Bolts, and Personal Investing Sell/Buy Service.)**

VIII. DEMAND MORE FOR YOUR MONEY

For investors, given today's financial circumstances, and the experiences of the last two business cycle contractions, a strict buy and hold investment strategy, with asset diversification and periodic rebalancing, may not provide real long-term financial security and adequate returns, especially if the investor is not invested appropriately in long-term equities during business cycle expansions.

Investors need to be more proactive in monitoring their spending, determining distribution levels, selecting investment vehicles, analyzing investment returns, and selecting the appropriate investment strategy. Accountability, for one's self or an advisor, regarding a retirement portfolio is crucial.

Investors should be utilizing a "value-added" approach in assessing the worth of their investment advice, either through their own efforts or a paid advisor. Both intangible and tangible benefits should be considered.

If an investor's availability *prohibits* involved investment activity, then a paid, independent directing Financial Planner (generic term) may be necessary. If an investor's capability *limits* their investment activity, then a paid, independent supportive Financial Planner may be required. If an investor's capability and availability *supports* their investment activity, then no paid, Financial Planner may be necessary. Given the ***fiduciary*** nature of Investment Advisers, their selection may be preferable to Broker/Dealers or Financial Planners using ***suitability*** as a standard. However, the cost structure of an Investment Adviser may be too costly. Time, knowledge, capability, performance, and value-added costs should dictate the direction of investment guidance and maintenance. As circumstances change, an investor can either take more control or relinquish more control of their investment activities.

Following is an excerpt taken from Investopedia:

Vanguard Funds, a stalwart low-cost investment management company, released a study titled Advisor's Alpha. This study estimates that clients who work with a good financial advisor will receive on average a 3% increase in the value of their portfolios each year. Of course, this increase does not come in a linear, orderly fashion. The majority of this increase will come during periods of heightened greed and fear in the markets, when advisors can step in and help their clients maintain an even keel and keep their long-term objectives in sight. Morningstar has echoed the sentiment in Vanguard's study in the release of a recent whitepaper, Alpha, Beta, and Now…Gamma. Morningstar's definition of gamma is "the extra income an investor can earn by making better financial decisions." It computes the actual amount of improvement in investment returns at 1.82% per year for those who use professional advice to make their financial decisions.

http://www.investopedia.com/articles/personal-finance/102616/how-much-can-advisor-help-your-returns-how-about-3-worth.asp

Regardless of which method is used, the investor needs to continually assess all investment costs, benefits, and performance regardless of how their portfolio is managed. Ultimately, the investor is responsible for their financial future. Failure to learn, maintain due diligence, and make appropriate investments may result in insufficient retirement assets.

If expectations are not meet, demand better or make a change!

IX. DISCLAIMERS

All material and content associated with LTTA is provided for educational purposes only. I.S.S.U.E.® INC. is not providing, recommending, or suggesting specific investment advice with this white paper.

This paper, and all its contents, is available for unrestricted application by the user.

User assumes all risks and responsibilities. No financial warrants, guarantees, or promises are implied.

Any references to financially related material are done so strictly for educational purposes.

All content, both in or referred to in the paper, is provided solely for the user, at their discretion.

All investment decisions require due diligence, time, and effort on the part of the investor and should be based on each investor's specific and unique circumstances.

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