

OCTOBER 2014 ISSUE

This report is similar to that of the FED minutes.
Only minor changes to the outlook take place each month.

What Happened Last Month & What To Expect Now

Last month we only had two trades which took place early in the month. Since then the market has been chattering and generating mixed signals, hence the reason for the lack of trades.

The SP500 index closed down 1.70% on the month while **we posted a gain of 0.80%**. It's not a huge gain, but it better than losing money which most traders and investors experienced.

The AlgoTrades System chart below gives you a visual of the market trend and price action. Remember that during orange bars the system does not trade as the market has no clear direction.

We continue to follow the market and trade with tis current trend. The system does not predict turning points, it simply identifies the active trend and places trades in your brokerage account that favor statistical analysis.

MARKET TREND



INNER-Analysis points to lower prices for stocks.
Trend is down.

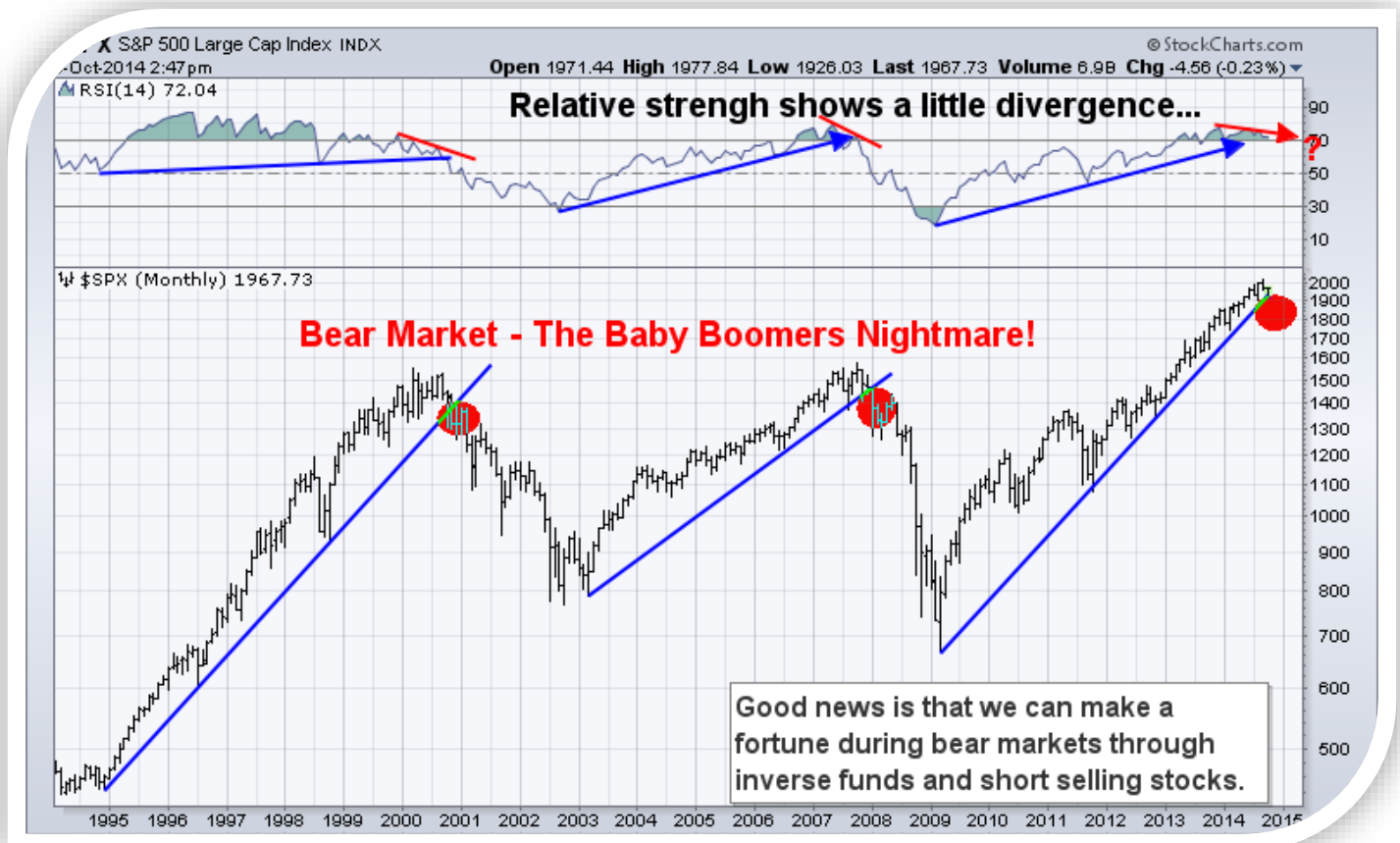


S&P 500 Monthly Chart – BIG PICTURE

The SP500 index (US Stock Market) has changed its intermediate trend and is **back in a Downtrend**.

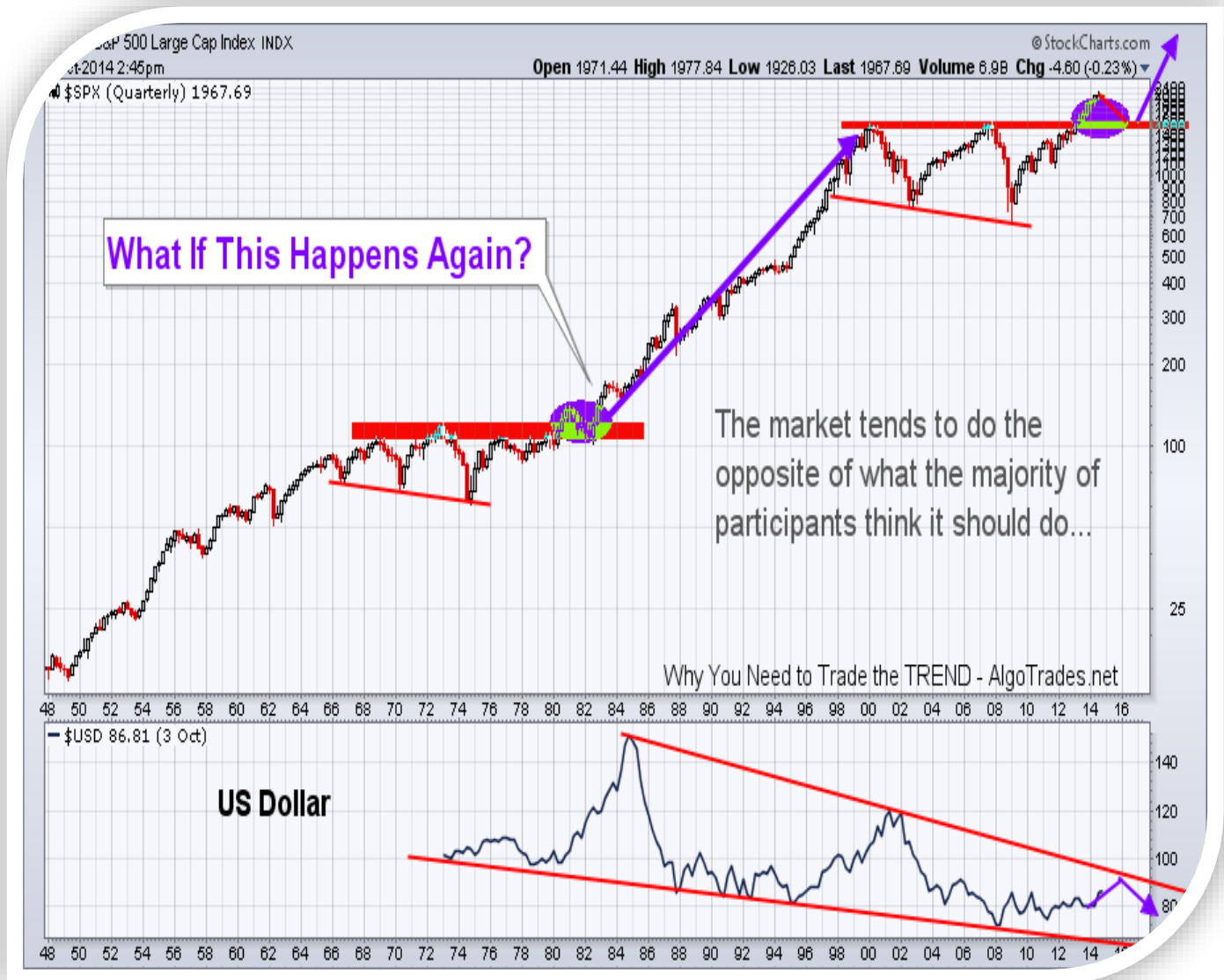
The major trend line on the chart below must be broken in a big way before a full blown bear market will be confirmed. This is still months away at best so do not worry. The AlgoTrades INNER-Market Analysis will get us positioned when the time is right and enable us to profit as the stock market falls in value.

Your long term equity investments can continue to be held at this point. Speculative and momentum stocks (Russell 2K index) continue to show weakness, so I would stay away from them. Large cap stocks will likely continue to be more in favor as the same haven “blue chip” stocks, but when the market is ready to roll over, all stocks will fall.



S&P 500 Quarterly Chart – BIGGER PICTURE

This chart I feel provides a great perspective on the overall market trend and price patterns. This is the 70 year prospective. I hope something like this unfolds. It will be a dream comes true for baby boomers next eggs. Only time will tell though.



Economic & Stock Market Cycles:

Typically commodities perform well in the late stages of a bull market which is where the US market feels it's at within the cycle.

Last month the market was mixed but we did see money flow into bonds in a big way during the second half of September. Precious metals on the other hand are still trying to find a bottom.

Listen to Chris Vermeulen Live on Financial Survivor Network: [Click Here](#)



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Helping You Survive, and Thrive in the New Economy...

Chris Vermeulen – One Last Flush-Out For Precious Metals?



Chris Vermeulen, *TheGoldandOilGuy.com* believes that we're getting very close to the bottom in gold and silver. When last we spoke, he said that he thought the weakness in precious metals was pointing to one more low before the trend reversed. Needless to say, Chris was right. Silver broke \$18 the ounce yesterday and gold looks like it might break \$1200. If that happens, even the most devout gold bulls might go running for the exits, in which case the low will be in and the bull will resume. Sounds logical to us.

[Click Here to Listen to the Audio](#)

Canadian Equities Market: Continues to Rise

The TSX Composite is heavily resource-weighted and this market has lagged its counterparts around the world in the last year. This year the Canada index played catch-up as seen in the chart below.

These equities may hold up well when the US market starts to top/correct. This is because the TSX's is heavily weighted in late-cycle stocks (resources), it's not unusual for the Canadian market to lag in the early stages of a bull market in the USA, catch up in the late stages, and then outperform toward the end.



The Risk-Off Trade Is Slowly Unfolding

Comparing stocks and bonds, each look as though they are changing trends.

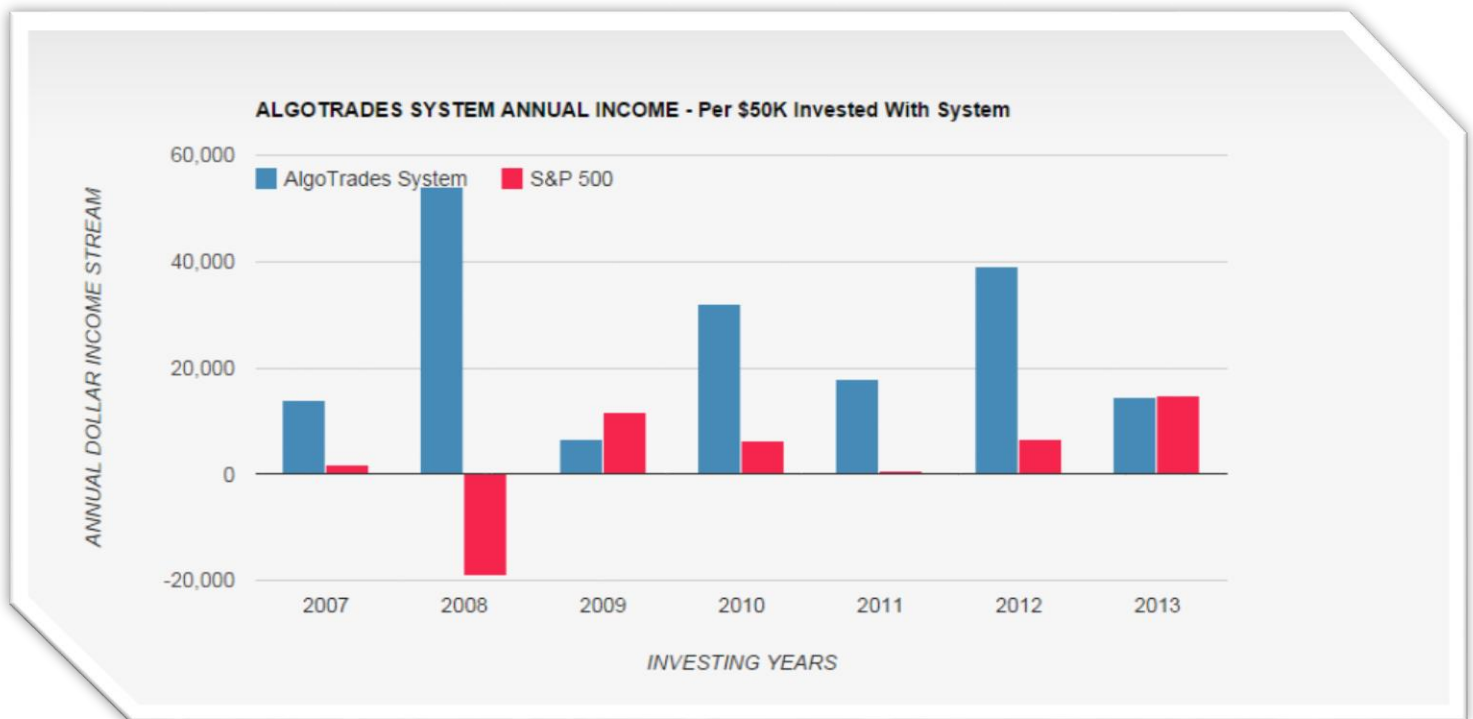
My timing and trading is based around my proprietary INNER-Market Analysis (standard deviation, cycles, momentum and trends). This form and analysis I am able to diagnose the overall health of the market in a simple and logical process. And knowing the overall strength of the market we can calculate the probability of a trend continuing or a reversal with a high degree of accuracy. This allows us to properly adjust our position sizes per trade to match the risk profile of the market.



INNER-Investor Monthly Conclusion:

I have posted a few tables to help give you a feel for how the system performs compared to the SP500 benchmark the hedge funds try to beat each year. In short, AlgoTrades slightly underperforms the market when it rises like we saw in 2009 and in 2013. But it does well during a sideways choppy market, and is most profitable during a falling market.

It's the ultimate diversification investment tool that should trade a portion of your long term capital. Keeping up with the market is great, but profiting when the market is falling is how you grow your account.



Annual Return/Income Per \$50K Invested

Year	Trades	Net P/L	% ROI
2007	21	\$ 13,939.25	28%
2008	36	\$ 54,026.75	108%
2009	46	\$ 6,467.38	13%
2010	42	\$ 31,922.38	64%
2011	35	\$ 18,184.25	36%
2012	35	\$ 38,809.25	78%
2013	28	\$ 14,702.38	29%
Average Annual Return		\$25,435.95	51%

Annual Return/Income Per \$100K Invested

Year	Trades	Net P/L	% ROI
2007	21	\$ 31,875.50	32%
2008	36	\$ 108,053.50	108%
2009	46	\$ 12,934.75	13%
2010	42	\$ 63,844.75	64%
2011	35	\$ 36,368.50	36%
2012	35	\$ 77,618.50	78%
2013	28	\$ 29,404.75	29%
Average Annual Return		\$ 51,442.89	51%

Since making my automated investing system available to clients in March our **clients have produced an \$11,209 gain in their live brokerage account since inception in March. We still have another 6 months to grow our account and generate incredible results that are in-line with our historical average return.**

If you are not part of the AlgoTrades program consider joining this month!



If you have not yet read our book, I highly recommend you do this as it walks you through the key indicators/analysis used which powers the AlgoTrades trading system.

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Talk Soon and Have a Great Month!

Sincerely,

Chris Vermeulen

