

## NOVEMBER 2014 ISSUE

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

### AlgoTrades System Visual – Types of Price Action

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

You should also note the different types of price action which is favorable and not favorable. We need the market to pullback within its trend to generate entry signals, if not then we sit on the sidelines and wait. Trading is not about catching every big move, it's about making money year after year.

We are still in a major bull market and as mentioned during the last market correction in August these pullbacks tend to be short lived and we only get 1-2 short opportunities before the market turns back up. But eventually this market will turn down, and the situation will flip. Meaning our short trades will be making us money, while our longs (bounces within the bear market) could generate losses. No one knows when the market will turn which is why we follow the current trend and trade with it.



## What Happened Last Month & What To Expect Now

### MARKET TREND



INNER-Analysis  
points to higher  
prices for stocks.

Trend is up.

The SP500 index gained 2.50% on the month while we posted a loss. In October the stock market had a V shaped selloff/recovery making it difficult to enter a short trade before price started to fall. And similarly, it is just as hard to enter a long position when the index rallied straight up without correcting along the way.

Sharp price swings like we saw in October are great for day trading and short term traders but not ideal for swing/trend trading.

Last month we had 3 trades, two losers and one small winner. Our losing trades where the largest we have had since the system went live in March. Our losing trades gave us \$1300 per loss. But as we explained in the October updates these losses are still well within the norm. In fact our average historical losing trade has been double that which puts things into perspective.

Also, history shows that several years the system has traded flat/down for 6 months or more before making a new high water mark to grow our account.

If you have every consulted with trading coaches then you about some of the common problems traders have. In short, humans are impatient and want almost instant results. This is especially true when dealing with day traders or swing traders because they are used to quick results.

When coaches asked a trader how many trading strategies they have tried, and how long they used each of them for the answer was clear. Most need to see results fast or they give up. And in most cases traders gave up before the recommended minimum time requirement to experience how the strategy or system truly performs.

So an annual investing system like AlgoTrades requires a year to do its thing and mature. Anything time less than that, it will be very hard for one to experience returns of that in the past.

While the system is up 15% thus far, the last three months have been slow. Those of you trading the system with me know AlgoTrades should be looked at like your long term investments, reviewing its quarterly or monthly at most. Letting your emotions get in the way can be taxing on the mind and pocket book when dealing with the financial market.

## S&P 500 Monthly Chart – Big Picture

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.

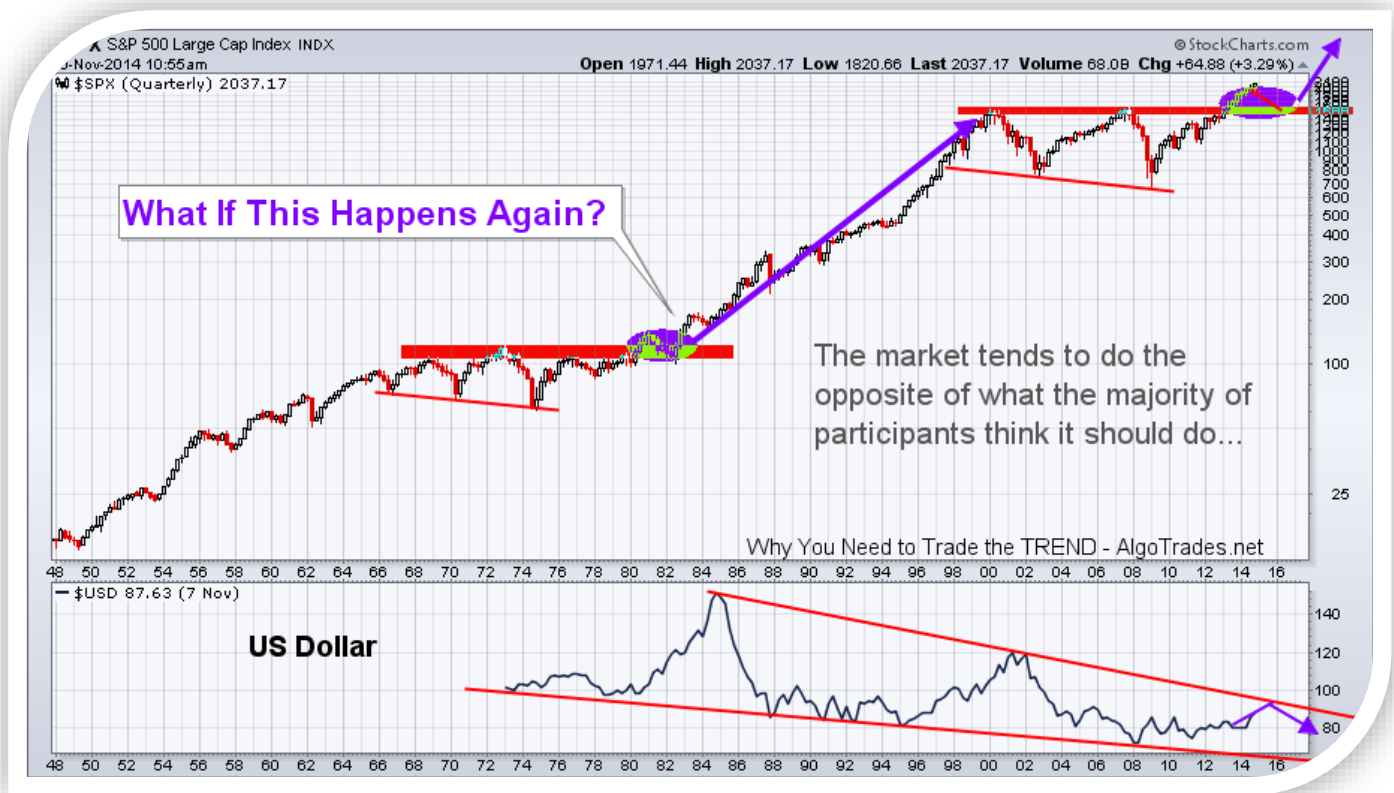
Your long term equity investments can continue to be held at this point. Speculative and momentum stocks (Russell 2K index) continue to show weakness, so I would stay away from them. Large cap stocks will likely continue to be more in favor as the safe haven “blue chip” stocks, but when the market is 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 come true for the baby boomer. Only time will tell though.

The US dollar index had been in rally mode for a couple months with some huge gains posted just recently. We could see this index surge from its current price of 88 to 92 in the coming month. The dollar index has been unfolding as expected this year.



## Canadian Equities Market:

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 and was the strongest index in 2014 until the recent correction.

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.



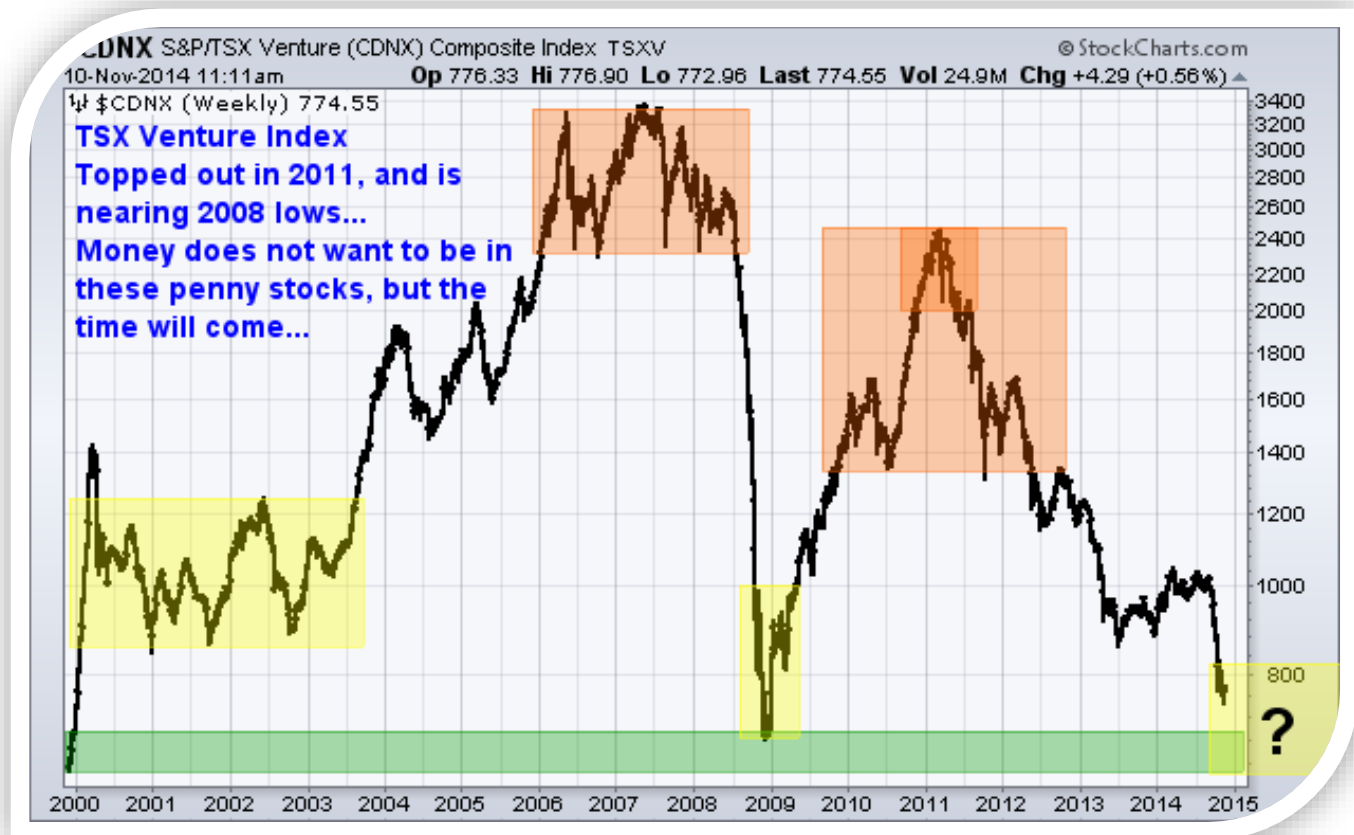
## Canadian Venture Index – Penny Stocks

Last week I met with a local professional trader who specialized in trading only Canadian stocks. While he mainly trades the 75 large cap stocks on the TSX which have the liquidity requirements he needs, he also trade penny stocks on occasion.

When he pulled up the TSX Venture index and reviewed our outlooks, we both came to a similar conclusion on what to expect moving forward.

We all know what happens to boats when the tide goes down... This index shows very clearly why most penny stocks have been losing value the last three years. Money in general is flowing out of these equities and fighting this trend will likely cause you financial pain.

Knowing that some of the largest moves based on percent happen during the last 10% of the trend, we must expect micro-cap stock prices will be extremely volatile for many months. Another 30-60% hair cut could still be ahead.

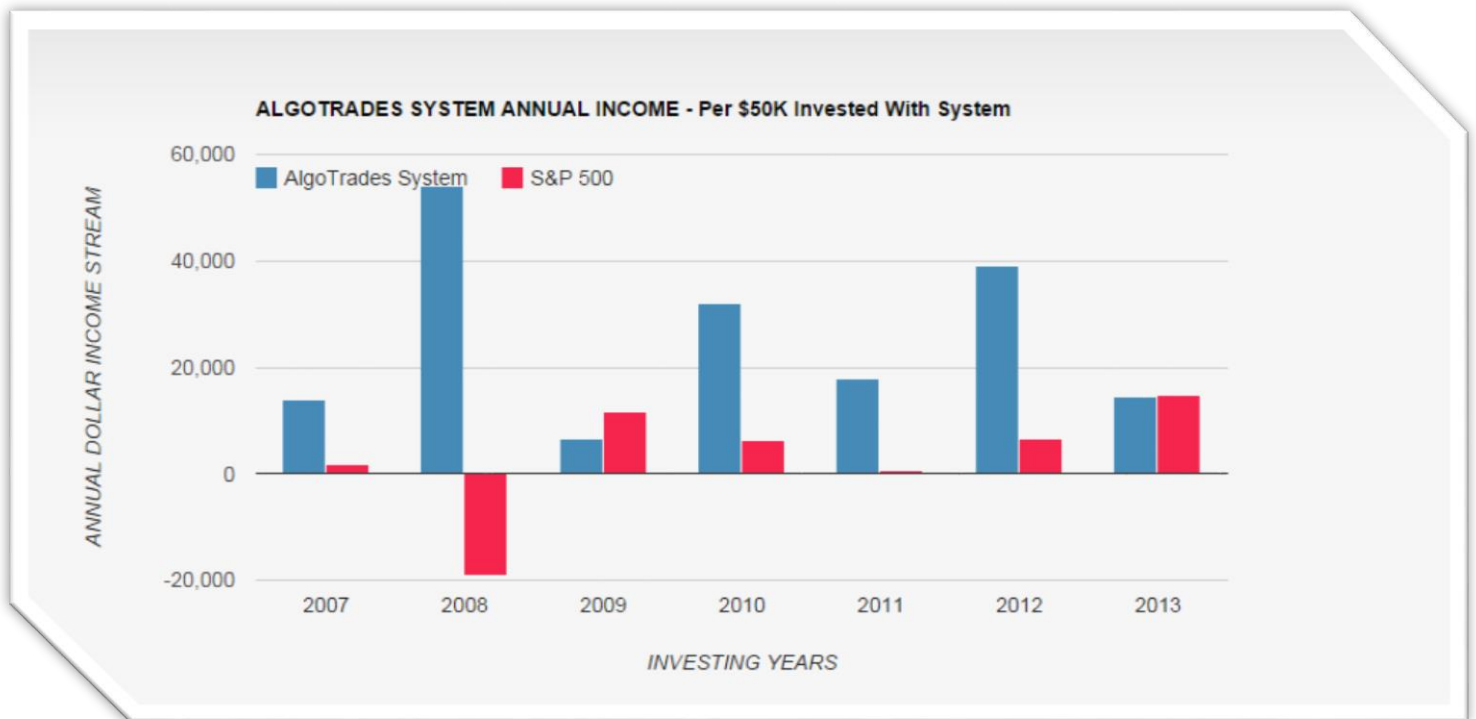




## INNER-Investor Monthly Conclusion:

I have posted a few tables to help give you a feel for how the system performs compared to the SP500 benchmark which is what the hedge funds try to beat each year. In short, AlgoTrades slightly under performs the market when it rises like we saw in 2009, 2013 and 2014. And most importantly it performs well during a sideways choppy market and during a falling market.

This is the ultimate diversification investment product that everyone should have a portion of your long term investment capital being traded with. Keeping up with the market is great, but profiting when the market is falling is how you will 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%
<b>Average Annual Return</b>		<b>\$25,435.95</b>	<b>51%</b>

### 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%
<b>Average Annual Return</b>		<b>\$ 51,442.89</b>	<b>51%</b>

## INNER-Investor Monthly Conclusion:

Since making my automated investing system available to clients in March our **clients have produced a \$7,494 gain in each of their live brokerage accounts since inception in March. We still have another five months to grow our account and generate incredible results that are in-line with our historical returns.**

*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

