Monthly Monitor

NIEMANN CAPITAL MANAGEMENT

MARKET SNAPSHOT

Global markets experienced a second consecutive month of positive returns and started off the third quarter in a stellar fashion. Broad market indices in the US were all up for the month with the technology-heavy NASDAQ 100 (QQQ) leading the way up more than 4%. The S&P 500 (SPY) was up more than 2% and the Russell 2000 (IWM) up 0.85%. Meanwhile, overseas markets continued to outperform domestic markets with the iShares MSCI Emerging Markets Index (EEM) up nearly 6% for the month and the iShares MSCI EAFE Index Fund (EFA) returning more than 2.5%. All in all, it was a good month for markets, unless of course you are in the bearish camp.

MARKET VITALS

Our market internal analysis, which has been bullish all year, strengthened even further in July:

- The percentage of stocks in an uptrend—our most heavily weighted market risk variable—shot up sharply to 64% at the end of July, up from 60% at the end of Q2.
- Our suite of breadth measures—advance/decline lines, new highs/new lows and up/down volume—all continue to look impressive and suggest there is further room to run on the upside.
- International markets look even stronger than US markets, as the trend composite measure we follow expanded to the upside. This typically suggests higher prices to come.

US EQUITIES

Broad market indices started July the same as where they ended Q2: trading lower. This only lasted for the early part of the month before markets found their bottom, traded sharply higher for a couple weeks and then flattening out to end the month, working off overbought conditions.

Sector-wise, only three out of 10 SPDR sector ETFs showed positive returns for the month—a retrenchment from the six out of 10 SPDR ETFs with positive returns in June. Leadership continued to rotate. Technology and energy led the upside on a sector basis while industrials and consumer staples lagged. The theme of month-to-month, shorter-term leadership rotating on a consistent basis continues on in 2017.

INTERNATIONAL EQUITIES

2017 so far appears to be the year of international investing, showing the best stretch of performance by overseas markets for this entire bull market.

Year-to-date, both developed and emerging markets have trounced broad US market indices. India, Mexico and Spain were all up by more than 30%. 95% of country ETFs in the Niemann universe are currently in uptrends, up sharply from the 84% of ETFs trending upward at the end of June. For the month, Brazil (EWZ) and India (INP) were the strongest ETF performers.

RISK BAROMETER

RISK OFF | NEUTRAL | RISK ON

Risk Barometer – An illustrated snapshot of current market conditions, risk levels, based on Niemann's proprietary risk-management analytics.

Risk Off – Elevated risk in the current equity market environment, taking on risk not advisable.

Risk On – Lower risk in the current equity market environment, constructive for taking on more risk advisable.

S&P 500 SECTORS

SPDR SECTORS	RISK OFF	NEUTRAL	RISK ON
MATERIALS			
CONSUMER DISC			
CONSUMER STAPLES			
FINANCIALS			
HEALTHCARE			
INDUSTRIALS			
ENERGY			
TECHNOLOGY			
TELECOM			
UTILITIES			

INT'L MARKETS

MARKETS	RISK OFF	NEUTRAL	RISK ON
DEVELOPED			
EMERGING			
FRONTIER			

Past performance does not guarantee future results.

Data Provider: *Online Advisors, a software development company affiliated with Niemann Capital Management, was created specifically to provide technology development for money managers, financial advisors and broker/dealers, including Niemann. This information was obtained from sources that Online Advisors believes to be reliable, but its accuracy and completeness are not guaranteed.*

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CONCLUSION

As the typically "blah" summer months commence, markets continue to show strength and outperform their typical seasonally-low tendencies. In fact, May, June and July all showed positive returns for the S&P for only the sixteenth time since its inception in 1928. Historically when all three months have delivered positive returns, we also saw positive returns for the balance of the year (August through December) 87% of the time with an average return of 6.4%. For all years since 1928, we saw positive returns only 70% of the time and an average return of only 1.98%. (Source: Bespoke Investment Group)

Fundamentally corporate earnings continue to come in strong with double-digit, year-over-year growth and more than 63% of companies beating their earnings and revenue estimates—this is the highest number of companies to beat their estimates since 2011.

Add in upbeat corporate guidance, strong employment numbers and accommodative interest rates, we have the perfect recipe for forthcoming stock market gains. The only apparent downside at this point in time is the lack of intermediate-trend leadership, with the exception of the technology sector. The case for an ongoing bull market remains solidly intact, yet we acknowledge this could change at any time. As always, we will continue to monitor market signals and change our tactics accordingly when risk levels rise.

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