Monthly Monitor

NIEMANN CAPITAL MANAGEMENT

MARKET SNAPSHOT

January started off 2018 with a bang as markets shot straight up out of the gate. International equity indices moved higher, while bonds sold off and rates rose. In keeping with market behavior of the past year, large-cap stocks and especially technology issues led the way to the upside while small caps moved higher yet lagged their larger counterparts substantially. The S&P 500 ETF (SPY) was up 5.64% while the Russell 2000 ETF (IWM) was higher by 2.56% and the tech-heavy NASDAQ 100 ETF (QQQ) increased a whopping 8.76% for the month. Growth reasserted itself over value with the S&P 500 Growth ETF (IVW) returning 7.13% while the S&P 500 Value ETF increased by 4.03%. Overseas markets were higher just about everywhere with emerging markets leading the way.

MARKET VITALS

Our market internal analysis continues to prompt our extremely bullish sentiment over the intermediate term, but to be somewhat more cautious in the short term:

- The percentage of stocks in an uptrend in the US equity market—our most heavily weighted market risk variable—remains strong, hitting a new high at 77%.
- Our suite of breadth measures—advance/decline lines, new highs/new lows, up/down volume—are all extremely bullish with many posting new highs as well. In fact many of these indicators are over-extended, indicating the possibility of a short-term pullback, or at a minimum, some extended consolidation.
- International markets closed out a strong January. In fact, the MSCI All Country World Index ETF posted its strongest January since 1994, up 5.5%, with some selling at the end of the month that looks like it could be the start of a pullback.

US EQUITIES

While the markets had a great month to kick off the start of 2018, the end of the month closed with a long-expected minor sell off and with volatility moving up from recent lows. Sector performance across the board was solid with nine of 11 SPDR sector ETFs finishing to the upside with only the interest-rate-sensitive utility (XLU -3.11%) and real estate (XLRE -1.91%) sectors showing red numbers. Leading the way up were consumer discretionary (XLY +9.24%) and technology (XLK +7.04%) positions, as the much ballyhooed FANG (Facebook, Amazon, Netflix, Google) trade reasserted itself once again.

INTERNATIONAL EQUITIES

Overseas markets moved much higher on both a broad market and a country-by-country basis. Emerging markets led the way, looking at the iShares Emerging Market ETF (EEM), which delivered a strong gain of 8.3% while the developed market proxy iShares EAFE ETF (EFA) was up 5.02%. These strong results were accompanied by solid asset flows with all international areas seeing investment coming in, as money tends to follow returns. Emerging market flows (just over $9B) led the way although developed markets ($8.8B) were close behind.

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

Markets started off the new year with a bang as tax reform and positive earnings revisions were apparently not already-priced into US equity prices at the end of 2017. S&P 500 index growth picked up right where it ended 2017 with an astounding 14 record highs posting in January (the Index notched 62 record highs last year). Our analytic work continues to indicate positive sentiment and higher prices over the intermediate- and longer-term time frames, yet as we closed out January the short-term is massively extended indicating that a pullback is well overdue. We see red flags as all US sectors (minus the aforementioned interest-rate-sensitive utilities and real estate sectors) are in extremely overbought territory, interest rates are rising as US bonds continue to sell off and volatility lifts off its recent lows. While the odds favor that pullback happening sooner rather than later, the odds also favor higher prices down the line.

The US economy continues to gain strength leading to strong corporate earnings growth and we're seeing coordinated global economic growth for the first time since the mid-2000s. Markets may have a tailwind on their side, as we cite the historically accurate, often-repeated phrase from The Stock Trader's Almanac, "As January goes, so goes the rest of the year." This predictor has an accuracy rate of 86.8%, suggesting that the stock market may continue its upward climb in 2018.

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DISCLOSURE

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