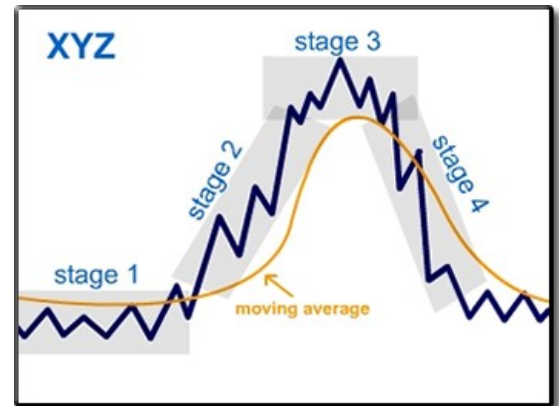




WallStreetWindow PowerInvestor

Two New Short Positions: HACK and CRH/CRHM (10/29/2015)



STAGE ANALYSIS OF KEY MARKETS

S&P 500

Long-term: Stage Four Bear Market

Short-term: Market bounce now overbought, but likely be a few weeks before the next real drop starts.

Gold Long-term: Stage One Base Ending

Short-term: Gold pausing around 200-day moving average.

DBA ETF

Long-term: Stage One Base

Short-term: DBA consolidating right below 200-day MA, in a position to breakout.

I am going to add two new short positions to the Focus List Of Top Ten Stocks today. The first is the ETF HACK at its currently trading price of 26.68 as I post this report. The second is the Canadian stock CRH that trades on the Toronto stock exchange and at its currently trading price of \$4.18. It also has a dual listing on the NYSE under the symbol CRHM so you can short it there too, although it does more volume on the TSX.

Even though HACK is an ETF I am still going to put it on the Top Ten Stocks Focus list as a way to get it to your attention, because it is an obscure ETF that you proba-

bly have never heard of. As you can see it became a new trading issue a year ago and had a nice surge into June, but since then has been badly lagging the stock market with sharply declining relative strength. It barely even was able to rally this month when the stock market had it's big rally back up above the 200-day moving average on the S&P 500.

I believe this is going to be one of the leading sectors to the downside going forward and just as good of a short as the biotech sector has been and will continue to be. The chart makes this obvious, but interestingly I didn't find it by discovering the ETF, but by finding some of the stocks that make it up.

Last week I used a stock screening program to simply search for stocks with a market cap of at least \$500 million and with P/S ratios over 10. In other words I was looking for pure bubbles. I then charted them out to look for ones that were lagging the market.

I found a lot of biotech stocks that met my criteria. And then the CRH stock I will show you in a minute, but I also found a whole bunch of software companies that showed up. Almost all of them had something to do with cyber security or payment processing. I then found that almost all of them are components of this HACK ETF.

So evidently there was a mania last year in these type of stocks. Many of them make no money. I am going to do more research into them and I will eventually recommend individual stocks in the ETF, but I decided to add this ETF today to the focus list. In many ways it is easier and safer to take positions in ETF's than in one or two individual stocks. You could short this ETF right now and put a stop loss order on it above \$29.00. I think it can fall to below \$20 by the spring.

Now CSCO and Juniper are the biggest positions in the ETF, with about 4% of the assets put into each one of them, but after those two positions almost all of the rest of the stocks are highly valued junk stocks with one product to their name that label themselves "cyber security companies." They do things such as cloud storage to email and computer virus software. The thing is they attached themselves to a fad, but in the end companies like CSCO and Juniper will continue to rule this space. It's like the 3-D printing stocks that emerged a few years ago and have since gone bust. 3-D printing is real, but little companies that linked themselves to that concept were mostly fads. Fortinet is one of the stocks in the HACK ETF. It crashed over 30% last week on poor earnings. FFIV is another one that reported earnings today and is down 8%. Other stocks in the ETF are IMPV, which reports earnings on Thursday's close.

The HACK ETF has over a billion in assets from purchases by individual momentum players. I really like this ETF as a short for you to con-



sider. You could also purchase put options on it at a strike price of \$25.00 a share for March 2016. They last traded yesterday for \$1.44. I just shorted HACK today.

Now the other side of the coin is shorting individual stocks that are pump and dumps. HACK is not likely to be a volatile play. But pump and dumps can do crazy things on their way down to oblivion.

CRH, which is a small Canadian medical stock smells like a pump and dump to me. It came out of nowhere last year from penny stock land and has gone to over \$5.00 a share in July. It currently has a market cap of over \$281 million and a P/E of 199 and P/S ratio of 10.10. I am currently short the stock and think it can be shorted with a stop loss placed above \$5.00 on it. You have to give big room on a stock like this when short, but I'm looking for it to eventually go down below \$1.50 and maybe even \$1.00 in the next twelve months.

The company sells bands to doctors to use on people to get rid of hemorrhoids. Sales of these bands have been flat this year and really do not amount to much money. This year the company increased its revenue by purchasing a company in Tennessee that provides regional anesthesia services, but while it increased its revenue it increased its expenses at an ever greater rate so it is set to lose money.

The company has an investor relations person named David Moatosek that boasts of "marketing" the stock at a slew of investment conferences in Canada and in the United States. The financial list stock transactions and payments over a million with no details on who they are going to and in today's earnings reports says it spent about 1 million in travel, entertainment, and insurance related to "marketing." It would not be a shock to me if company has received the help of third-party IR people and stock promoters to help pump the stock.

Interestingly enough Maotosek has a history of doing investment relations and IR work for Vancouver penny stock companies. But all of the past companies he did this with where exploration mining stock. There has been a big industry over the years of stock promoters in Canada with mining stocks, but that all dried up thanks to this last gold bear market. Some of those promoters went into peddling marijuana stocks, while some went in biotech and medical stocks.

There is nothing wrong with buying into a stock pump or a promotion as long as you understand that is what it is and are getting in early into the game. But if you buy a stock well after it has been pumped and flyers are going into the mail then you will most likely be caught holding the bag. I know people crave buying the stock market and buying stocks after they have had big rallies, but that is really the time that it is best to sell. Since I was not one of the lucky few who knew that CRH was going to go up like it did I was not able to get in early on the game. But I can still sell to people who enjoy buying a stock at a nosebleed valuation level like this so I decided to short-sell some shares of it and am putting it on The Focus List Of Top Ten Stocks.

If you only want to choose one of these positions to focus on then I would closely consider the HACK ETF. These are two ideas from two opposite trading viewpoints. One is an ETF with over a billion in assets in a former momo sector now dying out and another is a small-cap Canadian play—and that means it may be a wild ride. It reports earnings on 10/29/2015. you may want to wait to see if it gaps up on earnings. That would make for a good entry point. Will have more to say about the market this weekend. People are very excited about yesterday's stock market rally, but I still view this as a bear market rally and rally am not expecting the market to do much but go sideways regardless for the next few weeks.

FOCUS LIST OF TOP TEN STOCKS

Shorts: EGRX, NVO (both overvalued Biotechs).

HACK Cyberscurity ETF.

CRH (TSX) (CRHM dual listing on NYSE).

Longs: None as of yet.

10/29/2015- This week adding the ETF HACK to the top ten list of stock positions and the Canadian stock CRH(TSX). It has a US listing of CRHM. Added these stocks in this PDF update: HACK entry 26.68. CRH entry \$4.18.

10/23/2015- This week added EGRX and NVO to the top ten list of stock positions. You can find the original update for them here:

<http://www.wallstreetwindow.com/powerinvestor/?p=1510>

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Over the rest of this year I plan on adding to this list until I get a list of ten stock positions. By limiting it to ten positions I'll be able to keep track of them and anything important that they do, including when to sell them, in these weekly PDF reports.

MODEL REBALANCING ETF PORTFOLIO ALLOCATION

10/23/2015: No changes this week, beyond regular Friday rebalancing.

7/31/2015: Purchase DXD. Portfolio now 20% each SDS, QID, DXD, CEF, GDX.

7/30/2015: Purchase SDS and QID.

7/27/2015: Liquidated DBA position for cash.

5/12/2015: I purchased a 20% position in the agriculture commodity ETF DBA @ 22.44. The model portfolio is now currently invested 40% in cash, 20% DBA, 20% CEF, and 20% GDX. This is the update I posted on the site about this purchase.

<http://www.wallstreetwindow.com/powerinvestor/?p=1402>

What I am looking to do is own up to 5-6 ETF core ETF positions at any one time with 20% - 18% invested in each one and to maintain that allocation percentage by rebalancing the core positions portfolio every Friday at the closing price.

This is what I plan on doing with the bulk of my real money over the next few years. As for individual stocks I consider them for now as more speculative and outside of the core positions portfolio

For more on how this strategy works read my January monthly newsletter:

<http://wallstreetwindow.com/wswmonthly/wswmonthly01012015.pdf>

Also see module 7 of my "Bear Market Power Pack" for several videos and academic papers about this market strategy:

http://www.wallstreetwindow.com/powerinvestor/?page_id=1346

For an excel file keeping track of the portfolio go here:

<http://wallstreetwindow.com/reports/coreportfoliotrades.xlsx>

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