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TSP Smart Investor

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A Professional TSP Allocation Timing Service

Written by
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Timing

The end of the weak season for the stock market is approaching. The Bull market extended its gains into the weak season but market internals began to deteriorate in August. It would be unusual for to make it through this weak season without a correction in Russell 2000 of at least 10%. But as recent tops form, bubble like action can appear in the indexes where buy the dips does not allow for normal corrections. We see this type of action in the Russell 2000 during 2013. There is still time for the market to start a correction. October 19th would be the earliest we would enter the S Fund if our indicators are on a buy, but...

Our indicators have swung to a sell at this time and usually hold for at least a month for both the C and S Fund. If this remains true this time, we will not be switching to stock funds when the window opens. The current news supports a late weak season correction with the government shutdown and debt ceiling standoff. Stay in the G Fund until the weak season is over since this one may be extended.

Again, we will transition the TSP Advantage Strategy to the S Fund after the strong season window opens and when our TSP modified MACD indicator confirms a upward trend. History has proven the S Fund has the strongest seasonal tendencies. Move your holdings to the S Fund at your risk exposure level. For young investors it may be 100%, for retired investors I recommend no more than 75%. I also recommend using the G Fund over the F Fund for risk free returns. With interest rates bouncing off all time lows, the upside of the F Fund is limited and the downside could be high. The G Fund is safer in these unusual monetary times, even if it is earning 0%.

I will post a sell signal on my blog, the seasonal strategist, after the close of the market and you should re-allocate your funds per my instructions to match the strategy.

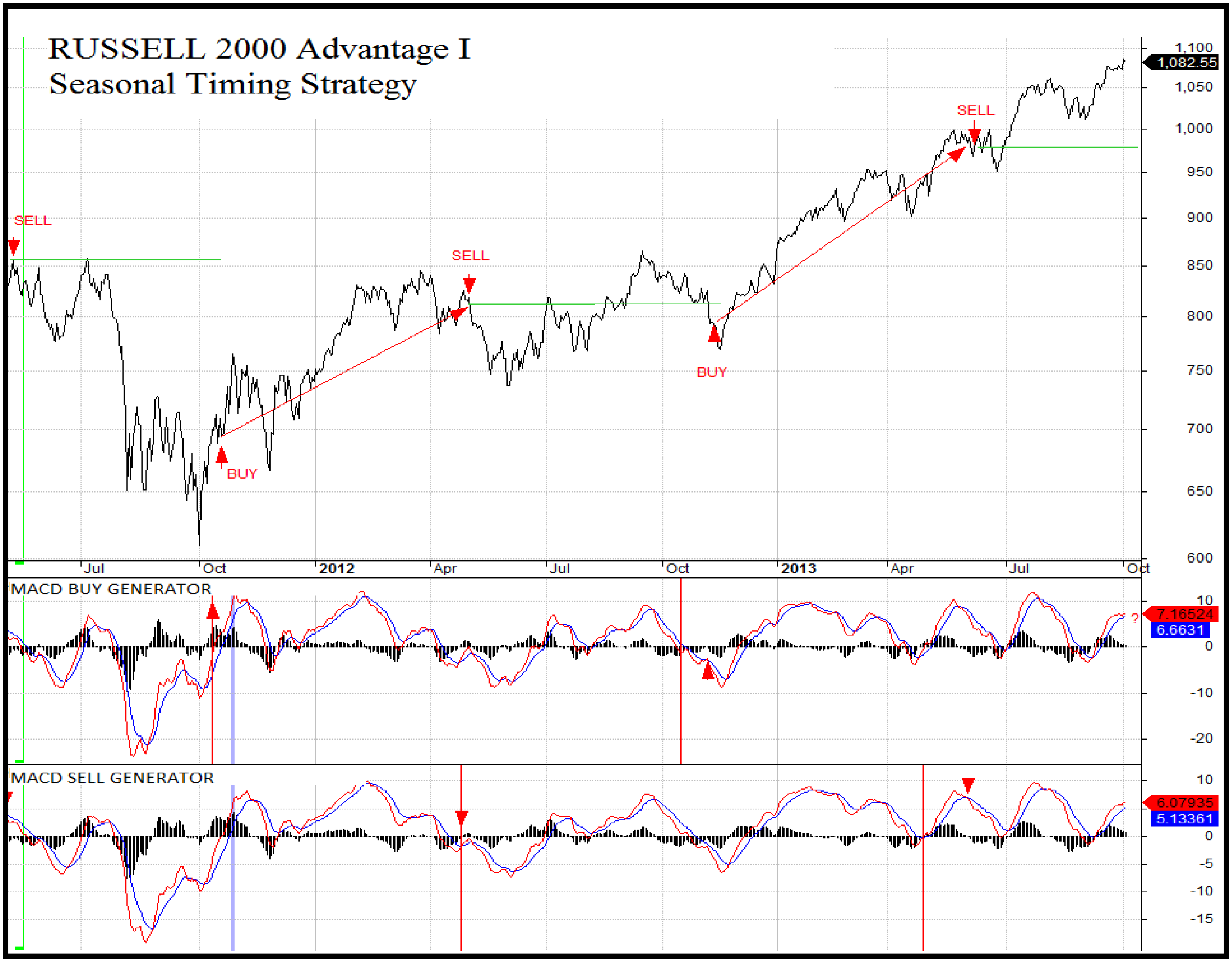
If you have non-TSP retirement accounts that you self manage, you should allocate to a Russell 2000 index assets such as the iShares Russell 2000 ETF (IWM) on the same day.

Valuations

We use our seasonal strategy and trend indicators to time the market in the medium term (over the course of one year), but there are some excellent long-term analysis on expected returns of the market over the next decade. This can not be used to time the market, but can give us a sense of where we are in the cycle and we should adjust our risk exposure accordingly. With these models suggesting we are near a top, one might allocate less than normal even during the strong season or reduce exposure after the typical end of year rally.

Timing Signals

The timing of the previous two years was excellent. The strategy is not designed to pick the exact tops or bottoms, but to capture the trend as the seasonal windows open and close. Unless the market stumbles significantly starting in October, the weak season, it will have been slightly positive this year. This is not atypical, nor a concern since the Advantage I strategy is designed to significantly increase returns over the long term while decreasing exposure to the market during the weak season. The signal for the SP 500 (C Fund) will be different as are the entry and exist dates.



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Applying the Advantage I strategy to the Russell 2000 index and investing in T Bills during the weak season significantly beat the buy and hold strategy the last 25 years. This model ignores tax implications, trading costs and expenses. Using the TSP funds today or low cost ETFs in tax deferred accounts would minimize these costs today.