True Market Insider Presents…

The 2017 "True Market" Sector Outlook

Dear Investor,

The investor briefing you hold in your hand is unlike any other you're likely to read this year.

In your typical forecast, a so-called market "guru" pretends to know what'll happen in the markets once the calendar advances successfully to January 1.

Forecasts like that almost never pan out.

Consider this widely-read forecast from this time last year:

> *"Wall Street's major powerhouses see the S&P 500 [...] rallying anywhere from 7% to 11% from current levels."*

How did those Wall Street "major powerhouses" do?

Well, that quote appeared in ***Forbes*** in mid-November, 2015. At the time, SPY (an ETF that tracks the S&P 500) was trading at around $211. Since then, as I write these words, SPY has risen to an Olympian $213.41 – a gain of 1.1%.

So the powerhouses missed their mark by a factor of ten!

WHY YOU CAN'T TRUST "EXPERTS"

In March of 2014, CNN reported that "A staggering 86% of active large-cap fund managers failed to beat [the DOW or the S&P] in the last year."

CNN added that "Nearly 89% of those fund managers underperformed their benchmarks over the past five years and 82% did the same over the last decade."

These professionals always seem to get it wrong.

But why?

Because they are trying to do the impossible. They're trying to "predict" the market.

And despite what 99% of financial "experts" tell you, that simply can't be done.

But here's the thing: There's actually an easier, safer way to determine where to put your investing capital.

So while everyone else is focused on who's winning the Presidential election…

Or what OPEC or the Federal Reserve is up to…

Or who is protesting what…

We're going to take a new and better approach.

THE "TRUE MARKET" METHOD

Those "gurus" are all trying to convince you they "know" what the stock market will do tomorrow…

But these same people can't even tell you what the market is actually doing today!

They are literally driving blind when it comes to investing.

The seven trading ideas you are about to learn about are not the result of prediction and guess work.

They are the result of seeing the "true" market.

That is, they were arrived at based on a clear, provable understanding of what the important parts of the market are already doing.

Not what they will do or should do.

Our analysis begins with two crucial market facts...

THE MARKET WITHIN THE MARKET

Fact number one: *85% of a stock's movement has to do with the sector that it's in*.

Not quarterly earnings. Not revenue. Not even who the CEO happens to be.

Fact number two: At every moment in time, one or more sectors are outperforming the others.

There are 41 broad sectors and, within those, 150 "subsectors." They all march to their very own drummer. Each sector and subsector is a mini bull or bear market in its own right.

Sometimes sectors move opposite to what the DOW and the S&P are doing.

In other words, some sectors enjoy mini-bull markets in bearish times.

Here's an example.

In 2013 the S&P posted a 29.6% gain – its best performance in 16 years. Investors were thrilled.

But their enthusiasm would have been short-lived if they knew that one group of savvy investors made *even more* by investing in the hottest individual sector of the year.

The sector was solar energy. Their returns? 127.9%.

The big takeaway here is: you can make A LOT more money by being in the right sectors. (On a related note, you can actually LOSE money if you choose the wrong sectors.)

When you spot these sector trends – jump on them!

If you can spot the best-performing sectors, you have the best chance of spotting the best-performing stocks and sector ETFs.

That's what we've done in this 2017 *"True Market" Sector Outlook.*

HERE'S WHAT TO EXPECT IN 2017

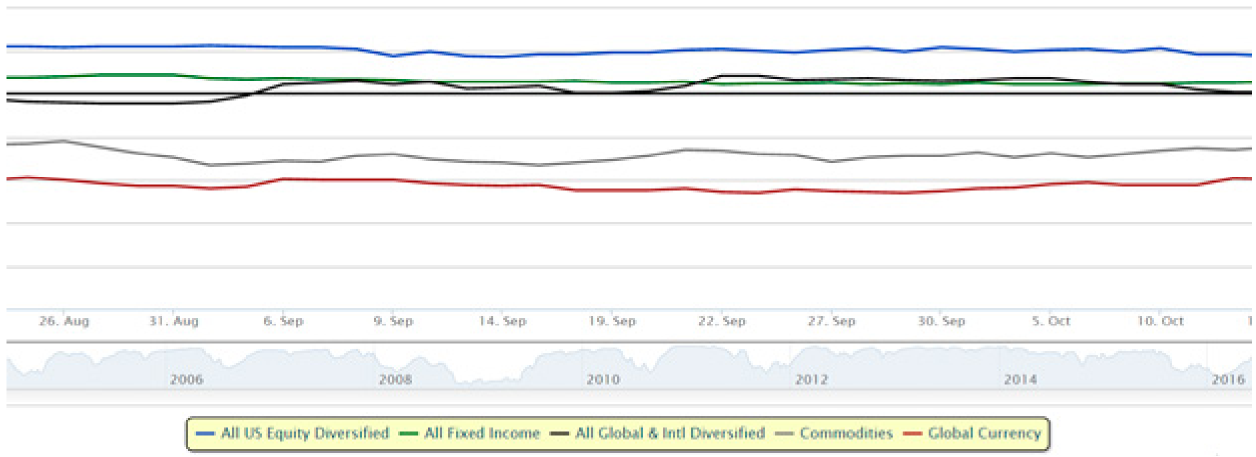
Expect U.S. Equities to be the strongest "asset class" throughout most of the coming year.

That might sound strange if you think that 'investing' and 'stocks' are one and the same.

They're not. In truth you can put your money into any one of a number of asset classes – Fixed Income, U.S. Stocks, International Stocks, Commodities, Currencies and even Cash.

Those are all asset classes.

When we look at the market through that lens, the first thing we see is that U.S. Equities are by far the strongest class right now. You can see that in the following chart. U.S. Equities are the blue line at the top.



Drilling down, we find that the strongest sectors within the U.S. Equities asset class are: **Technology, Energy** and **Consumer Staples.**

So, as a general guide, you should look for bullish exposure by targeting stocks within these three broad sectors.

We'll take them one at a time.

ENERGY – THE TURNAROUND STORY FOR 2017

After crude oil prices hit multi-year lows in 2016, prices have not only stabilized, but are likely to trend higher in 2017.

The Energy Sector has been forced to slash capital expenditure, reduce less profitable drilling activity and trim the labor force.

OPEC and Russia have also signaled more willingness to freeze or cut production output in 2017 to ensure stable or rising oil prices. All of these factors should benefit the Energy Sector looking ahead.

Now, earlier we said we weren't going to pay any attention to "what OPEC was doing."

Now here we are talking about OPEC. Aren't we contradicting ourselves?

No, we're not.

You see, many analysts *start with* OPEC or Russia… then try to predict prices based on that.

That's letting the tail wag the dog.

Instead, we see that energy is already outperforming. That's a simple fact, based on the only thing that matters – prices.

Once a trend takes hold it tends to continue for some time.

Facts about OPEC merely add some confirming evidence to our analysis.

Within the broad Energy Sector, the **Exploration and Production (E&P) Sector** is the strongest narrow sector with respect to relative strength.

Higher oil prices per barrel will have a direct and immediate impact on the bottom line for the Oil & Gas producers. The Energy Sector will see the largest year-over-year improvement in earnings in 2017. That should attract investors' attention to the improving fundamentals.

Let's take a look at two individual E&P companies demonstrating high levels of relative strength.

Continental Resources Inc. (Symbol: CLR) is an independent crude oil and natural gas production company based in Oklahoma City, OK.

The company's market capitalization is $19 billion, but it also has more than $7 billion in debt, so it's a leveraged play on crude oil prices.

The company prefers not to hedge its production. So if oil prices are to rise in 2017 as anticipated, CLR should continue to outperform its industry peers.

Technically, the stock is in a positive trend and is demonstrating favorable relative strength.

The stock is trading around $51.50 with a price target of $70 in the medium to longer-term, giving us a nice 36% return.

Carrizo Oil and Gas (Symbol: CRZO) is an independent crude oil and natural gas production company located

The company is mid-sized with a market capitalization just over $2 billion. The company also has a moderate amount of debt, around $1 billion.

Carrizo operates mostly in proven, already-producing oil and gas plays in the Eagle Ford Shale in South Texas, and the Utica and Marcellus Shale regions in Ohio and Pennsylvania.

Of all the regions in the U.S., these last two have some of lowest extraction costs per barrel.

Those lower costs are one reason why 2017 should be a turnaround year for Carrizo, and why the company is expected to return to profitability.

Revenues are expected to rise by 13% in 2017 and another 29% in 2018 as more production comes on-line.

Trading at around $39 as of this writing, the stock is in a positive trend and demonstrating favorable relative

MEET YOUR "TRUE MARKET INSIDERS"

For more than 10 years, the guys behind *True Market Insider* have been making investing simple, profitable – and fun.

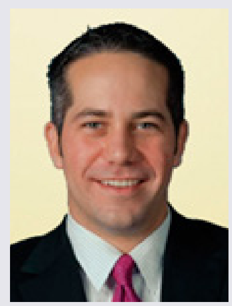
Here you'll find the knowledge, tools, and confidence you need to take control of your financial destiny.

And we offer something for everyone.

We don't care if you're a grizzled investing veteran…

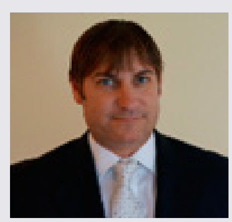
Or have yet to make your very first trade…

We're here to help you become the best investor you can be.



Our team is led by Chris Rowe. A native New Yorker, Chris retired to Florida at 32 after spending more than a decade making fortunes for wealthy hedge-fund clients.

Now he shares his investing know-how via the *True Market Insider* e-mail newsletter, and manages money for dozens of high net worth clients at Rowe Wealth Management.



Costas Bocelli is the latest addition to our growing team.

He spent eight years as a floor trader and market maker in the pressure cooker of the Philadelphia Stock Exchange before retiring to travel, write, and teach individual investors the "ins and outs" of the craft.

On behalf of Chris, Costas, and the rest of the True Market Insider team, welcome aboard!

We look forward to helping you on your journey to financial freedom.

strength versus the broad markets as well as compared to its sector peers.

Analysts have a consensus high-water price target of $58 in the medium to longer-term – a gain of 49%.

Turning to the technology sector, we find two particular sub-sectors" showing strength:

SEMICONDUCTORS AND THE INTERNET WILL DOMINATE IN 2017

An under the radar, fast growing Semiconductor company you should consider is **NeoPhotonics Corp. (Symbol: NPTN),** based in San Jose, Ca. USA.

NeoPhotonics Corp. develops, manufactures and markets digital integrated circuit technology for high-speed, bandwidth-intensive communication networks.

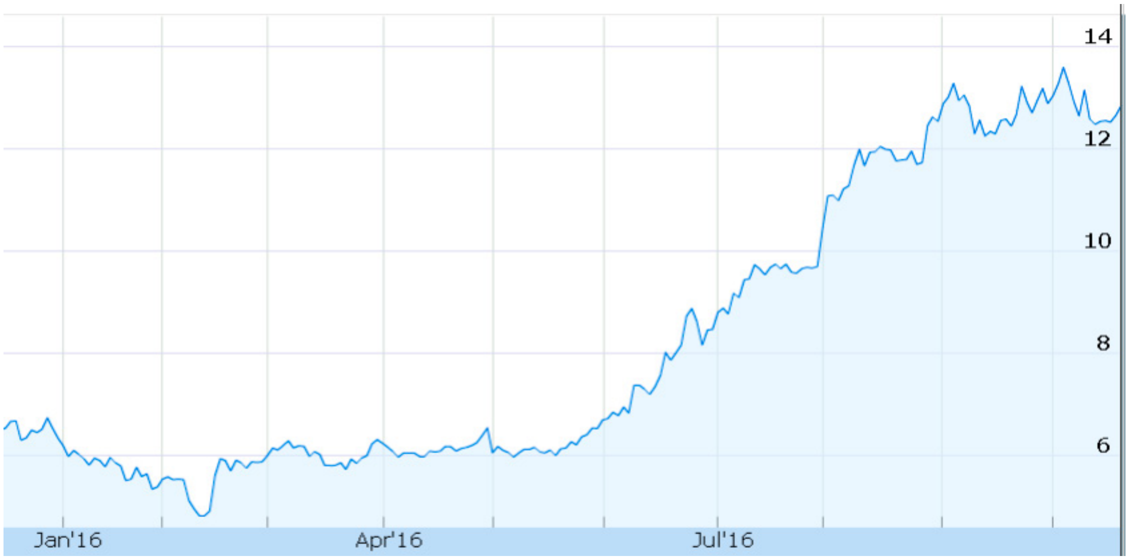
It's a small but fast growing company with a market-capitalization of just $615 million.

Analysts that cover the company have become more optimistic about its prospects and expect revenues to increase by 18% in 2017 to $494 million.

Technically, the stock is in a positive uptrend and is demonstrating very favorable relative strength versus the broad markets and as compared to its sector peers.

Recently, the stock traded near $14.75 with an upside price target of $22 in the medium to longer-term. That would hand us a return of just over 49%.

A great way to play the strong Internet Sector is with an under-the-radar, technically strong small-cap company called **Brightcove Inc. (Symbol: BCOV).**



Based in Boston, MA, Brightcove provides cloud-based services for publishing and distributing professional digital video media to internet-connected devices.

With a market-cap of just $415 million, this company has compelling upside potential in this fast growing segment of the technology sector.

Analysts are positive on the company's prospects in 2017 and forecast that sales will increase by low double-digits in the coming year.

Technically, the stock is in a positive trend and is demonstrating favorable relative strength versus the broad markets as well as compared to its sector peers.

With a price of $12.50 and a high upside price target of $17, look for Brightcove to give you a quick profit of 36%.

Moving from high-tech and hardware to “closer to home” we find our third outperforming sector.

This one isn’t as sexy as the others, but it should prove every bit as profitable.

CONSUMER STAPLES WILL ALSO PAY OFF BIG IN 2017

The Consumer Staples sector should remain one of the strongest sectors in 2017 for two main reasons.

1. Interest rates are likely to remain historically low in 2017.

2. The sectors relatively high levels of cash distributions to shareholders.

Constellation Brands (Symbol: STZ) is firing on all cylinders and the positive momentum is likely to continue throughout 2017.

The company produces, markets and distributes a wide array of alcoholic beverages. It appears that consumers remain plenty thirsty for its brand of spirits.

Constellation Brands is steadily growing revenues and earnings at a double-digit pace.

Analysts expect the company to increase revenues by 12.5% to $7.35 billion, and profits by 24.5%

to $6.45 per share in 2017.

That’s impressive growth for a company with a $34 billion market-capitalization.

Technically, the stock is in a positive.

It recently closed at $167 and analysts forecast a high-water price target of $203 in the medium to longer-term. That’s a respectable 22% bump.

This is a stock that should be bought or accumulated on any material near-term weakness and a core holding in an investment portfolio.

Another Consumer Staples stock that’s highly rated with respect to relative strength analysis is **Fresh Del Monte produce (Symbol: FDP)**.

The stock flies under the radar of many investors because it’s the fruits and vegetables business is considered rather boring or unsexy.

But what is most attractive about this mid-cap sized company ($3.1 billion) is that its stock returns have been on a tear over the past 12 months (more than 30%).

With positive momentum and improving fundamental profitability over the past two-years, the stock is in good position to maintain its strong relative strength rankings among its peers and continue to outperform the broad markets in 2017.

Recently, the stock is around $61. The upside price target is $75 – a gain of 23%.

That return could be even higher if the company becomes an M&A target in 2017.

SECTOR BONUS – GET PAID TO HOLD THIS ETF

ETFs are easy to own and easy to trade. They behave much like actual stocks, but allow you a much broader exposure to a strong sector.

To get that kind of exposure to the Consumer Staples sector, you can consider the **Consumer Staples Select Sector SPDR Fund (Symbol: XLP)**.

This ETF holds 39 mostly large-cap companies such as Walmart, CVS, Coca Cola, Philip Morris, and Proctor and Gamble.

This is a mix that gives tremendous stability to the fund.

There's nothing better than getting paid to hold an investment.

The fund distributes a quarterly cash dividend that generates a higher yield than that of a 10-Year

U.S. Treasury bond. In Q4 2016, the XLP was trading with a dividend yield of 2.4%, roughly a 60 basis points premium to the long-dated Treasury bond.

Technically, the chart trend is positive and the price action is demonstrating positive relative strength versus the broad market averages.

TO YOUR CONTINUED SUCCESS!

In this report, we looked at three market sectors – Energy, Technology, and consumer Staples – that are on the move.

(Remember, these are not sectors that we "think" will move… Or that "should" move for one macro reason or another.

Our relative strength studies show that these three are showing strength. For that reason, you should expect them to "keep on keepin' on."

The same goes for the seven stocks and ETFs in this report.

They are the strongest fish in the most-well-stocked pond.

You should think of them as a kind of roadmap directing you to profits of 49%... 36%... 23%... in 2017.

If you'd like more advice, guidance, and commentary – along with a bit of handholding as you get started, along with some specific trading ideas – **check out the New Reader Special we have going right now on our Sector Focus service**.

Sincerely,

Ben Schott

Publisher, *True Market Insider*