Bulls Take Round One

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- ***Sector & Market Analysis***
- ***401k Plan Manager***

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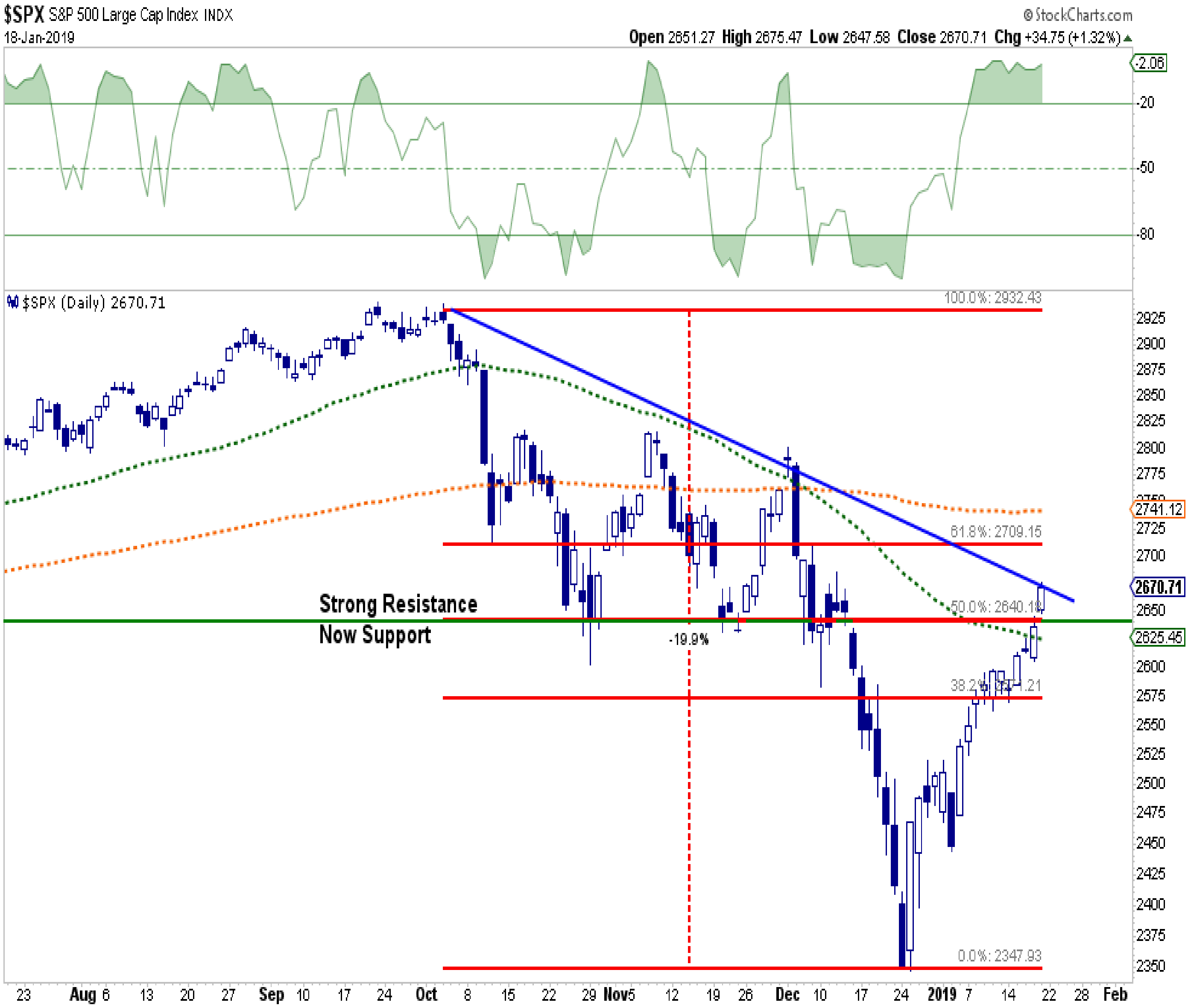
Last week, we discussed the continuation of the rally from the December 24th lows.

> *"The rally, as we laid out two weeks ago, continues to work within the expected range back to 2650-2700."*



> *"Importantly, the previous deep 'oversold' condition which was supportive of the rally following Christmas Eve has now been fully reversed back into extreme 'overbought' territory.* ***While this doesn't mean the current rally will immediately reverse, it does suggest that upside from current levels is likely limited."***

As I discussed previously, what was needed for the bulls to gain control of the narrative were several important issues:

1. *Central bank activity reverse from restrictive to accommodative,*
2. *Washington to back off of "tariffs" and "trade war" rhetoric, and;*
3. *The Federal Reserve to continue its more "dovish" stance.*

Those issues were fulfilled with headlines from this past week *(click a headline to read the article)*:

Exclusive: Trump meets with Cabinet officials to revive infrastructure push

Stocks rally as hope mounts for U.S.-China trade deal

Is This The Real Reason Why Stocks Are Surging?

(Chart courtesy of ZeroHedge)

Between a more dovish Federal Reserve, *"hopeful"* headlines from Washington D.C. and a *"S*** Ton"* of liquidity, it was not surprising to see stocks hit our first level of major overhead resistance at 2670 as shown in the first chart above.

Of course, the question now is what happens next?

Passing The First Big Test

As noted last week:

> *"Over the next couple of weeks, the market is going to face the 'test' that has defined the 'bear markets' of the past."*

If the market had failed at the 50% retracement line, it would have confirmed the beginning of the bear market. However, the market climbed above the lows from October and November and the 50-dma clearing the first two levels of very tough resistance.

Importantly, while the market did break above the first level of resistance, it is currently NOT confirming the change to a bear market just yet. As shown in the chart below, the 2015-2016 correction ended when the market broke above, and successfully retested the 200-dma. That put the market back on a bullish price trend above that running moving average.

Currently, despite the sharp rally from the December 24th lows, the market remains in a down trend and below the 200-dma. Such continues to suggest the correction remains intact and a retest of lows is likely over the next couple of months.

This complies with my statement from last week:

> *"In order for the bulls to regain control of the market narrative, it will require a push back above the November highs and the 200-dma.* ***Only then can the 'bear market correction of 2018' be officially declared 'dead.'"***

However, given that *"no one"* can actually predict the future with any degree of accuracy, all we can do is make some educated guesses about where the markets go over the next few months. The chart below represents the four of the most probable outcomes out of a multitude of possibilities. *(In other words, these are my "best guesses" as to where prices head to next.)*

Pathway #1: While this is the most *"hoped"* for outcome, it is also the one with the lowest probability of coming to fruition. While there is a reasonable argument to be made provided Central Bank liquidity continues, the Administration drops the *"trade war"* rhetoric, and the Government *"shut down"* ends, there is a tremendous amount of downward pressure on prices currently keeping probabilities low. ***(Probability 10%)***

Pathway #2: Given the extreme overbought condition of the market, a pullback is likely. The most bullish would be a retest of the Oct/November lows that works off the short-term overbought condition. This would provide the best opportunity for a push above the 200-dma. Given the overbought short-term condition of the market, the compressed rise in prices, and extension from the lows, a correction is likely to entail a bigger draw down. ***(Probability 20%)***

Pathway #3: Like Pathway #2, it is likely the market pulls back but breaks the previous support line instead. Such leads to additional selling pressure but the market finds support at the previous 38.2% Fibonacci retracement level. Such would set the market up for a subsequent rally, but the odds are the rally will fail at the 200-dma keeping downward pressure on the markets near-term. ***(Probability 40%)***

Pathway #4: Is a resumption of the *"bear market"* trend in the weeks ahead that retest lows much like what was seen during the 2015-2016 correction process. ***(Probability 30%)***

I know. That isn't really helpful in terms of positioning near term, but the reality is that, currently, the majority of outcomes still lean to the *"bearish"* side of the ledger.

- *Price dynamics remain weak.*
- *Volume on the rally has been extremely weak.*
- *Fundamentals continue to weaken*
- *Economic data continues to deteriorate*
- ***The rally gives the Federal Reserve room to return to a more "hawkish" stance**.*
- *Furthermore, the Fed is still set to reduce their balance sheet by $17 billion in January; $46 billion in February; $34 billion in March, and the Fed Funds target range will remain at 2.25-2.50 over the same period*.
- *Despite rumors, there is little evidence currently the White House will back off of tariffs, back down from the "border wall" to end the shut down,* ***and the Democrats are extremely unlikely to go along with an infrastructure bill until Trump is out of the "Oval Office" in 2020.***

Zerohedge had a very good summation on these points as well.

*"**There are three things, among others, that leap out to me as problematic for a seamless return to the Goldilocks scenario:***

1. ***We used to marvel at how markets were willing and able to ignore geopolitical events. I don?t think that?s any longer possible let alone likely.*** *Populism and cross-border distrust has only gotten worse.*

2. ***Two years ago volatility was actively suppressed and you were able to set your portfolio on autopilot.*** *I don?t think the central banks have the firepower anymore to pull this off and the impetus to supplement with fiscal stimulus just isn?t there.*

3. ***There is also more credible discussion of the probability of recessions.*** *Forward-looking indicators in the U.S. have disappointed. In 2017, the Fed was able to slip in three rate hikes without the market batting an eye. Now the discussion has swung around to policy mistakes and inverting yield curves.*

4. ***As a bonus worry, government dysfunction in general is appalling and getting worse.*** *It?s much harder to be optimistic we are just going through a*

rough patch for the global order of things. Shutdowns and fraying coalitions seem to have become the norm.

None of this might be today?s actionable news. But it?s important to ***keep reminding yourself that there is nothing static about global realities nor what, in the long run, are reliable correlations and havens.*** *While not learning from the past is folly, forgetting the context of the moment is equally dangerous."*

Conclusion

There is no doubt the rally from the recent lows has been *"breath taking."*

However, as noted, the rally is currently running in defiance of the underlying fundamentals which are likely to *"matter"* sooner, rather than later.

With earnings season underway, there is support in the short-term for asset prices but remember that earnings are only beating sharply downgraded estimates. *(This is the equivalent of companies scoring a 71 after the level for an "A" was reduced from 90 to 70)*

While the S&P 500 recovered more than half of its prior bear-market loss in only 17 days, this type of rally is often met with short-term weakness.

The weight of evidence suggests a retest of support at which time portfolios can be re-evaluated.

However, while many are suggesting the *"bear market"* is now officially over, the reality is that it is entirely too soon to make such a commitment. The current rally remains within an overall downtrend and is entirely consistent with the beginnings, not the endings, of more major bear market cycles.

We continue to run our portfolios with higher levels of cash, fixed income, and tighter stops on our current long-equity exposure until such time as the weight of evidence suggests differently.

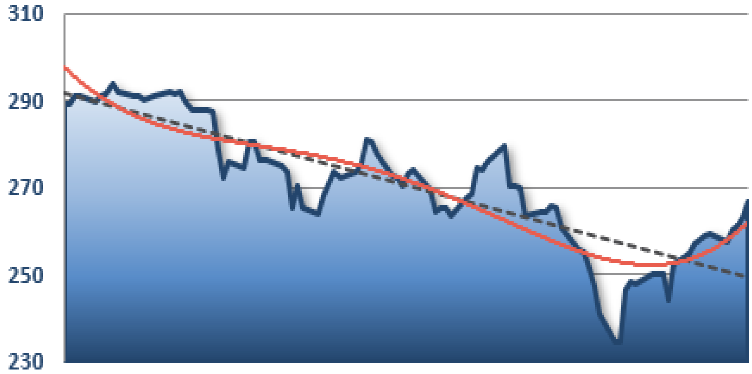
See you next week.

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

3 Month SPY Price



SPY RISK INFO				
Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	17.51%	(4.54%)	6.62%	(245.69%)
Max Drawdown	-20.47%	-20.47%	-3.00%	-85.34%
Sharpe	0.76	(0.26)	12.66	(49.10)
Sortino	0.86	(0.23)	12.88	(56.96)
Volatility	13.35	17.56	20.68	0.18
Daily VaR-5%	(10.40)	(30.35)	230.85	(8.61)
Mnthly VaR-5%	(10.30)	(28.54)	(28.54)	0.00

ZACKS REAL INVESTMENT ADVICE

S&P 500 Fundamental Analysis

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.97%	1.77%	1.96%	9.66%	2.17%	1.67%	(9.76%)	17.37%
P/E Ratio	20.03	22.55	17.45	(29.23%)	21.54	16.67	(19.0%)	4.69%
P/S Ratio	2.94	3.33	3.12	(6.55%)	3.53	2.40	(11.49%)	30.28%
P/B Ratio	3.39	3.77	3.80	0.81%	4.14	2.82	(8.34%)	34.87%
ROE	15.22%	15.97%	18.11%	11.86%	18.11%	15.01%	0.00%	20.68%
ROA	2.83%	3.01%	3.43%	12.28%	3.43%	2.82%	0.00%	21.51%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,447.3	2,418.0	(1.20%)
Sales	57,154	62,178	8.79%
SPS	23.4	25.7	10.11%
Earnings	7,805	9,210	18.00%
EPS TTM	3.7	4.6	23.46%
Dividend	1.4	1.6	10.55%

S&P 500 Asset Allocation

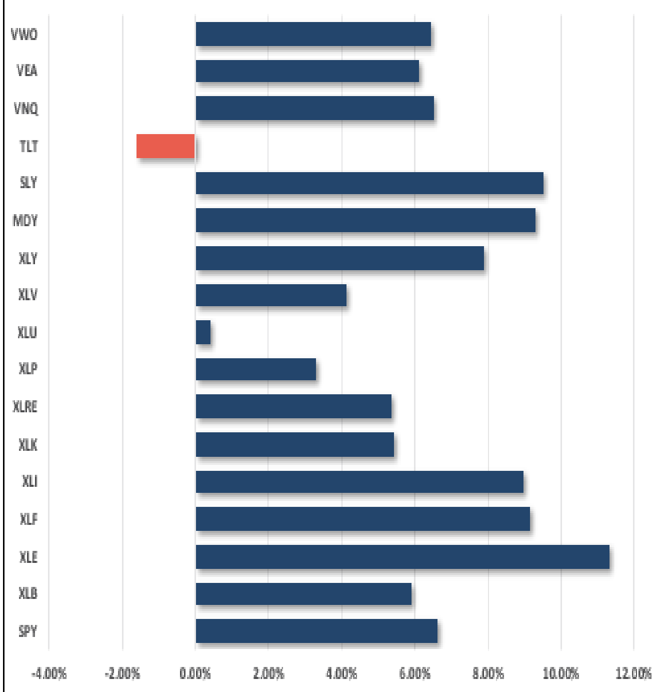
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High-5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(16.40%)	5.49%	1.14	18.28	154.63	12.50	(88.2%)	9.0%	3.4%	5.49%	3.48	14.67
Materials	(15.24%)	2.67%	1.36	14.88	21.86	13.82	(31.9%)	11.5%	2.2%	6.78%	4.53	13.68
Industrials	(12.56%)	9.26%	1.00	16.79	22.21	14.71	(24.4%)	15.2%	2.0%	6.01%	4.69	14.98
Discretionary	4.24%	10.11%	0.96	23.30	27.47	19.96	(15.2%)	27.9%	1.3%	4.30%	4.26	20.44
Staples	(9.74%)	7.17%	0.62	18.49	22.83	17.43	(19.0%)	25.9%	3.1%	5.44%	3.73	17.73
Health Care	2.35%	15.18%	0.97	17.40	20.62	15.92	(15.6%)	28.4%	1.7%	5.77%	5.84	16.26
Financials	(11.18%)	13.64%	1.18	13.10	18.41	11.69	(28.8%)	10.9%	2.1%	7.71%	5.23	11.47
Technology	0.87%	19.86%	1.21	17.88	21.83	14.47	(18.1%)	37.2%	1.7%	5.62%	4.92	16.83
Telecom	(3.44%)	10.36%	0.85	19.94	26.97	19.96	(26.0%)	18.3%	1.0%	5.01%	4.57	21.22
Utilities	5.51%	3.19%	0.27	16.68	19.77	15.41	(15.6%)	11.1%	3.5%	5.99%	3.39	16.92
Real Estate	4.99%	2.97%	0.71	18.30	24.47	17.87	(25.2%)	9.4%	3.5%	5.43%	4.11	17.23

Momentum Analysis

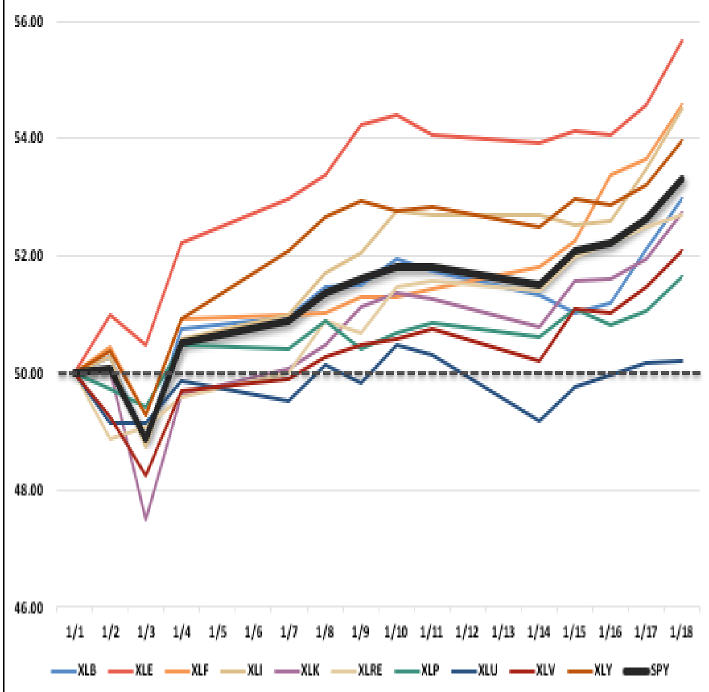
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	266.46	(4.07%)	260.46	2	2.30%	273.89	35	(2.71%)	(4.90%)	(9.35%)	13.99%	Sell
Mid Cap	330.79	(3.52%)	320.35	3	3.26%	347.95	200	(4.93%)	(7.93%)	(11.58%)	16.29%	Sell
Small Cap	65.67	(5.11%)	63.81	3	2.92%	70.62	#N/A	(7.00%)	(9.64%)	(16.08%)	16.64%	Sell

Performance Analysis

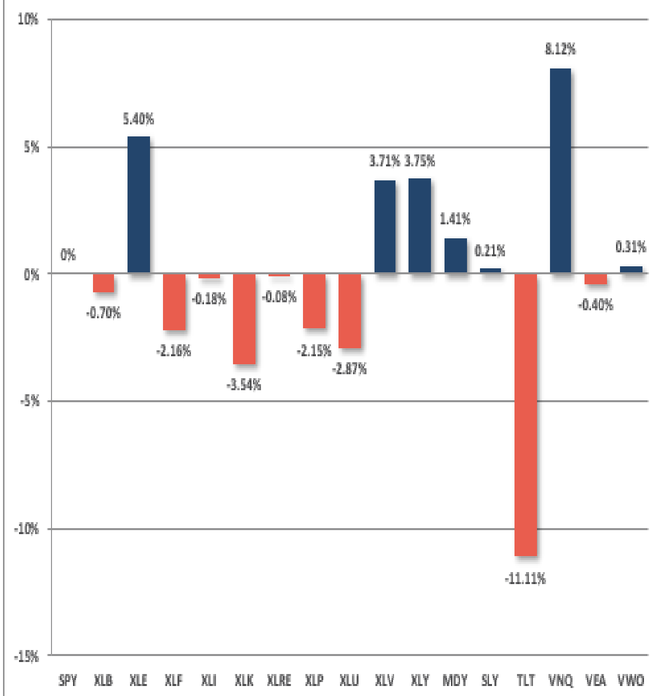
Year To Date Performance



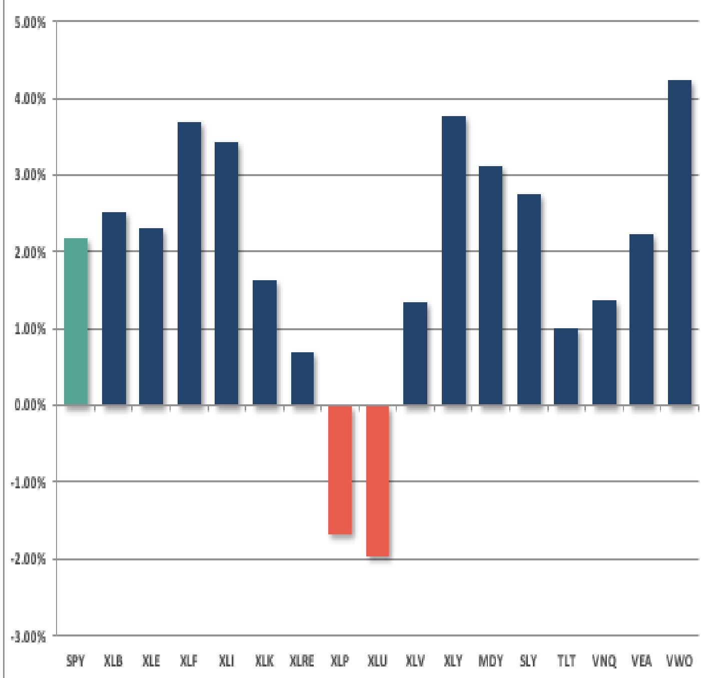
YTD Price - S&P Sectors Recalibrated To $50/share



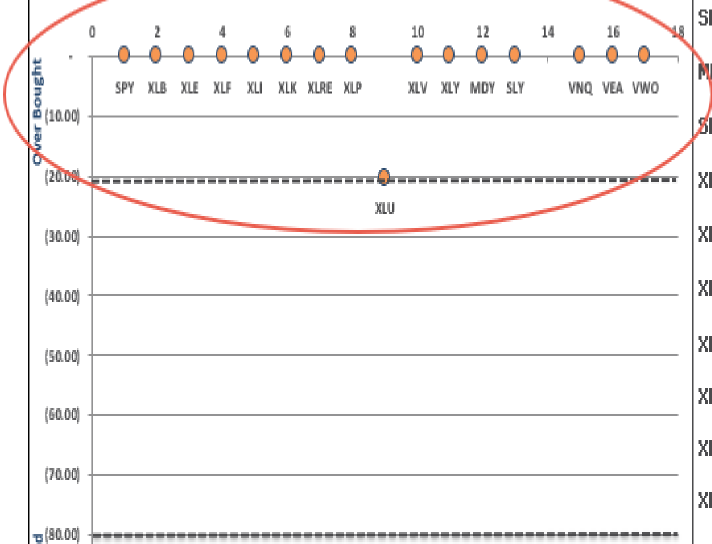
Year To Date Performance Relative To S&P 500



Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range

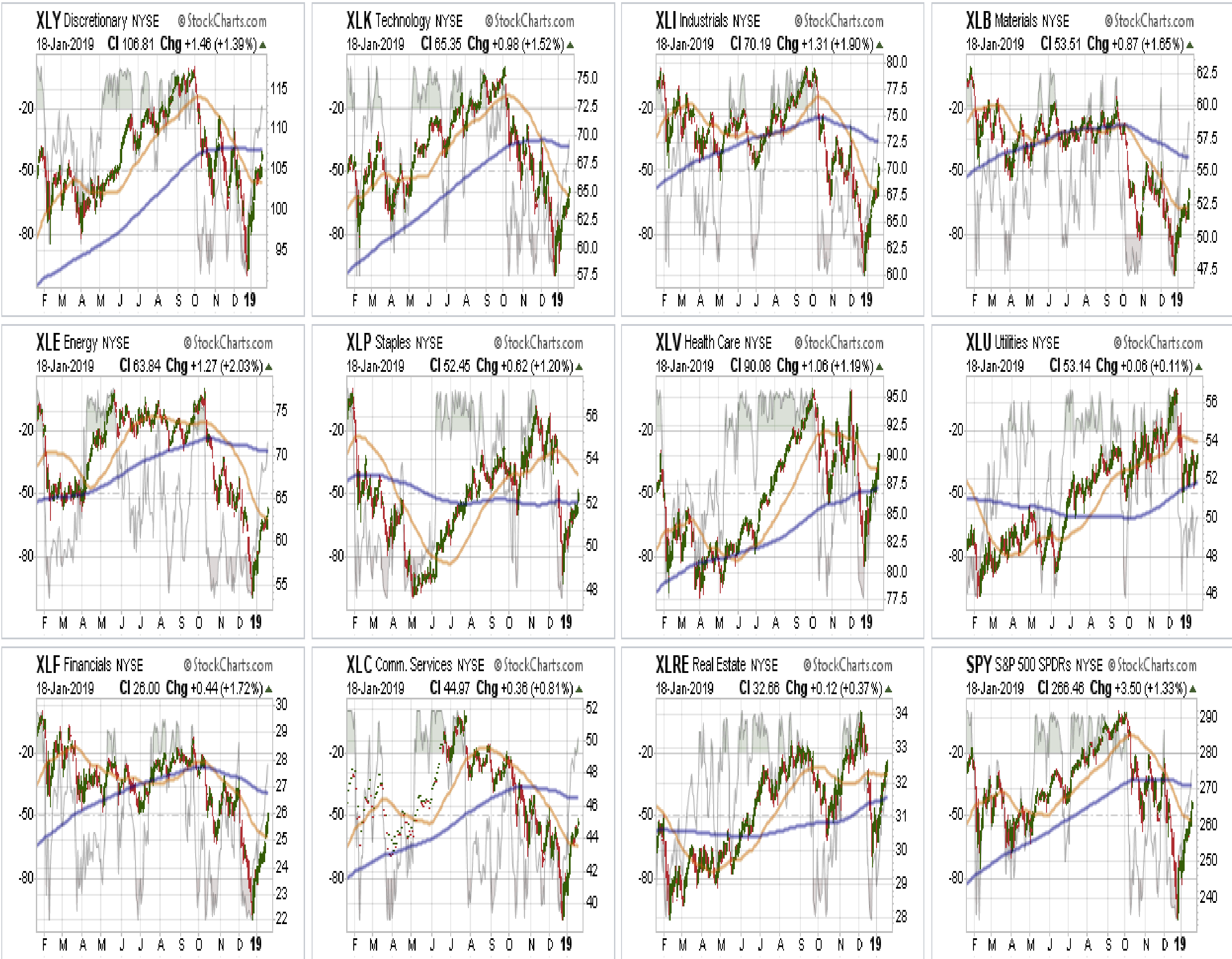
SLY	59.07	65.67
MDY	296.63	330.79
SPY	244.21	266.46
XLY	97.6	106.81
XLV	83.47	90.08
XLU	52	53.43
XLP	50.19	52.45
XLK	58.89	65.35
XLRE	30.29	32.66
XLI	62.77	70.19

ETF Model Relative Performance Analysis

RELATIVE PERFORMANCE		Ticker	ETF NAME	Current Price	Model Position Price Changes Relative to Index: 1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
	BENCHMARK	IVV	ISHARS-SP500	268.07	2.96	10.61	0.36	(6.12)	(5.10)	264.98	276.78	1.17%	-3.15%	SELL
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	53.51	(0.59)	(0.51)	4.85	(3.63)	(10.33)	52.36	56.18	2.19%	-4.75%	SELL
		XLE	SPDR-EGY SELS	63.84	(0.01)	3.16	(4.33)	(9.03)	(11.31)	63.57	70.69	0.42%	-9.69%	SELL
		XLF	SPDR-FINL SELS	26.00	3.17	3.47	2.57	(1.42)	(6.88)	25.32	26.80	2.68%	-3.00%	SELL
		XLI	SPDR-INDU SELS	70.19	0.46	2.14	1.21	(1.34)	(6.82)	68.51	72.98	2.46%	-3.83%	SELL
		XLK	SPDR-TECH SELS	65.35	(0.11)	(0.22)	(4.39)	(4.01)	1.49	65.35	69.82	0.00%	-6.40%	SELL
		XLP	SPDR-CONS STPL	52.45	(1.37)	(6.09)	(2.93)	2.73	(4.51)	53.75	53.25	-2.41%	-1.50%	BUY
		XLU	SPDR-UTIL SELS	53.14	(3.13)	(11.86)	(0.79)	5.82	11.41	54.19	53.13	-1.93%	0.02%	BUY
		XLC	SPDR-COMM SV SS	44.97	(0.87)	2.35	0.47			43.84	46.88	2.58%	-4.07%	SELL
		XLV	SPDR-HLTH CR	90.08	(0.37)	(1.66)	2.68	6.42	6.96	89.04	89.16	1.17%	1.03%	SELL
		XLY	SPDR-CONS DISCR	106.81	(0.83)	3.31	2.92	1.61	6.25	103.74	109.07	2.96%	-2.08%	SELL
	SIZE	MGK	VANGD-MG CAP GR	114.22	(0.20)	1.39	(1.21)	(1.67)	1.55	112.42	119.23	1.60%	-4.20%	SELL
		IJR	ISHARS-SP SC600	75.91	(0.36)	3.76	(1.23)	(6.23)	(0.08)	74.92	81.86	1.32%	-7.27%	SELL
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	98.79	(0.01)	0.37	1.91	(0.08)	(1.20)	96.93	101.71	1.92%	-2.87%	SELL
	Dividend	VIG	VANGD-DIV APPRC	103.10	(0.12)	(1.81)	1.43	3.04	1.66	102.31	104.89	0.77%	-1.70%	SELL
	Real Estate	VNQ	VIPERS-REIT	79.43	(0.80)	(3.84)	2.53	1.73	6.02	78.41	80.10	1.29%	-0.84%	SELL
	International	IDV	ISHARS-INTL SD	30.35	(1.62)	(2.84)	(0.03)	(1.63)	(8.62)	30.15	31.66	0.65%	-4.13%	SELL
		VWO	VANGD-FTSE EM	40.55	(1.02)	(3.54)	8.03	(0.27)	(12.89)	38.79	40.82	4.53%	-0.67%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	119.56	(4.09)	(11.57)	3.61	6.41	2.26	117.33	118.58	1.90%	0.83%	SELL
	International	BNDX	VANGD-TTL INT B	54.37	(2.66)	(11.92)	(0.95)	5.76	5.42	54.57	54.58	-0.37%	-0.39%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	84.50	(2.23)	(5.29)	(0.04)	4.43	1.63	83.15	84.77	1.63%	-0.31%	SELL
	Cash	BSV	VANGD-SHT TRM B	78.59										

Sector & Market Analysis:

Sector-by-Sector



This past week:

Discretionary, Technology, Industrials, Materials, Energy, Staples, Financials, and Communications, all climbed above their respective 50-dma's and are currently holding support. With volume drying up on the rally and each sector VERY overbought short-term, look to take profits and rebalance portfolio risks accordingly. A correction that holds the 50-dma and works off the overbought condition will provide a reasonable entry point if this rally is going to continue. However, all positions should maintain a tight stop at the running 50-dma.

Current Positions: *XLP. Stop moved up to $52.*

Health Care and Real Estate also rallied on declining volume last week but did get above both their respective 50- and 200-dma's. While this is bullish, it is also a rally in traditionally *"defensive"* portfolio positioning which suggests commitment to a continued rally in the broader market may be fading. With both sectors in extremely overbought territory, look for a pullback to support to add exposure.

Utilities Last week, Utilities bounced off the 200-dma for the 3rd-time in recent weeks solidifying support. Along with Health Care and Real Estate, there is an improving backdrop in the "defensive" side of the S&P 500. As recommended last week, we did add a position in Utilities to our portfolios last week.

Current Positions: *XLU added. Stop is $51.50*

Small-Cap and Mid Cap - both of these markets are currently on macro-sell signals but did rally above their respective 50-dma's. However, the overall trend remains negative and, while on short-term *"buy signals,"* both markets are now back to extreme short-term overbought conditions. If the these markets correct back to the 50-dma, without violating it, positions can be added with tight stops just below that support.

Current Position: *None*

Emerging and International Markets -Both international markets have climbed above their respective 50-dma's...again. There is a good trading opportunity in place with any short-term correction back to the 50-dma that holds. However, be cautious as the longer-term trend remains extremely negative and the fundamental backdrop is not supportive of substantially higher prices. Stops should remain tight at the running 50-dmas.

Current Position: *None*

Dividends, Market, and Equal Weight - Not surprisingly, given the rotation to *"defensive"* positioning in the market, dividend-based S&P Index continues to outperform other weighting structures. The overall market dynamic remains negative and markets are pushing into very tough levels of overhead resistance. Take profits and tighten stops up to the running 50-dma's.

Current Position: *RSP, VYM, IVV*

Gold ? As stated previously, after having been out of Gold since early 2013, the metal is now improving to the point to where the risk/reward is now much more favorable for a longer-term hold. We are looking for two things to confirm a longer-term buy: 1) the 50-dma to cross back above the 200-dma, and 2) a pullback to the 200-dma for an entry point. With Gold very overbought short-term a continued short-term rally in the market over the next month will likely pull the froth out of the metal. That correction started this past week, and we are approaching the necessary conditions to add a position to our portfolios.

Current Position: *None*

Trading Position:

- *GLD - Buy Target: $119.00, Sell-Stop: $117*

Bonds ? As I wrote last week:

> *Look for a rally in the markets going into the new year which will likely pull some of the froth off of 10-year treasuries.* ***Pullbacks to support should be bought.***

The pullback occurred last week and we added to our bond holdings on Friday.

Current Positions: *DBLTX, SHY, TFLO, GSY*

The table below **shows thoughts on specific actions related to the current market environment.**

(These are not recommendations or solicitations to take any action. This is for informational purposes only related to market extremes and contrarian positioning within portfolios. Use at your own risk and peril.)

		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	Notes
XLY	Discretionary	OB	Negative	Negative	No Position					X	Above 50-DMA
XLK	Technology	OB	Negative	Negative	No Position					X	Above 50-DMA
XLI	Industrials	OB	Negative	Negative	No Position					X	Above 50-DMA
XLB	Materials	OB	Negative	Negative	No Position					X	Above 50-DMA
XLE	Energy	OB	Negative	Negative	No Position					X	Above 50-DMA
XLP	Staples	OB	Stabilizing	Neutral	Hold			X			Above 50-DMA
XLV	Health Care	OB	Stabilizing	Neutral	Hold					X	Above 50 & 200 DMA
XLU	Utilities	OB	Positive	Positive	Hold			X			Added 1/2 Position
XLF	Financials	OB	Negative	Negative	No Position					X	Above 50-DMA
XLC	Telecom	OB	Negative	Negative	No Position			X			Above 50-DMA
XLRE	Real Estate	OB	Positive	Positive	Hold			X			Above 50 & 200 DMA
$SML	Small Caps	OB	Negative	Negative	No Position					X	Above 50-DMA
EEM	Emerging Mkt	OB	Negative	Negative	No Position					X	Above 50-DMA
EFA	International	OB	Negative	Negative	No Position					X	Above 50-DMA
GLD	Gold	OB	Improving	Improving	Look To Add					X	Trade Opprtunity Forming
MDY	Mid Cap	OB	Negative	Negative	No Position					X	Above 50-DMA
RSP	SP500 Equal Wgt	OB	Negative	Negative	Hold			X			Above 50-DMA
SDY	SP500 Dividend	OB	Stabilizing	Negative	Hold			X			Above 50-DMA
IVV	SP500 Market Wg	OB	Negative	Negative	Hold			X			Above 50-DMA
TLT	20+ Yr. Bond	OS	Improving	Improving	Look To Add			X			Added To Bond Holdings

LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING	X	No Position

Portfolio/Client Update:

Last week, the rally continued and pushed into the our maximum resistance zone. Such suggests the current rally will likely fail in the next couple of weeks, and as noted in the main body above, we will likely retest lower levels of support.

While the longer-term bullish trend remains intact, the bearish backdrop continues to mount. For now we continue to remain underweight equity risk until the backdrop improves to the point where additional risk is warranted.

Importantly, the rally in equities did pull enough of the "froth" out of the bond market to allow us to bring our bond holdings to target allocations across the board.

- ***New clients:*** *We are holding onto cash for now and selling "out of model" holdings to prepare portfolios for moving into our models an market weakness.*
- ***Equity Model:*** *No changes last week.*
- ***Equity/ETF blended*** *- No changes last week.*
- ***ETF Model****: No changes last week.*

There are some changes afoot, as noted above, which could indeed reverse the current bearish trend of the market. However, we are a long way from that happening and the downside risk currently dwarfs the upside reward.

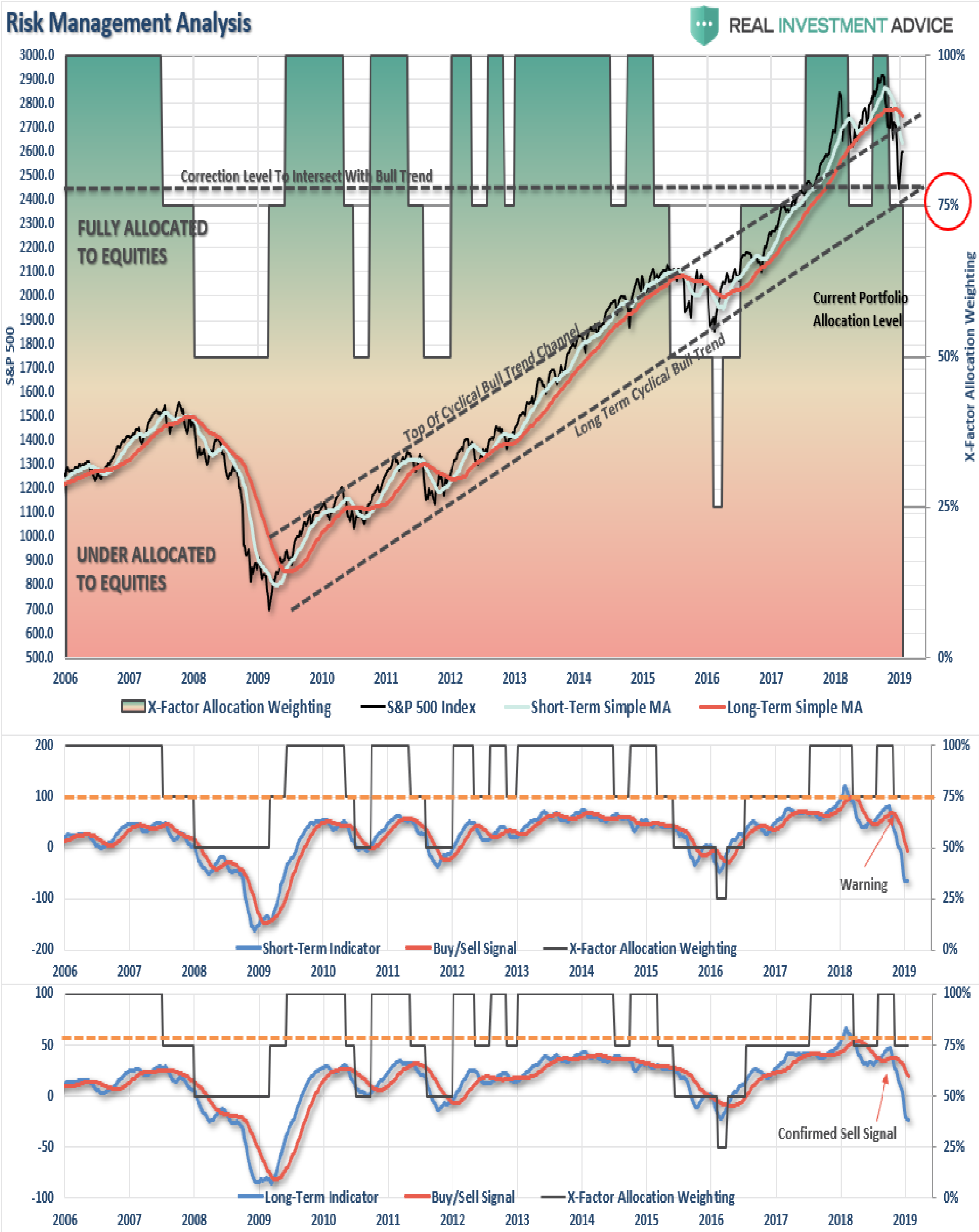
While the rally over the last two weeks has been breath taking, markets do not go straight up or down. From a prudent portfolio management perspective we are better served waiting for short-term corrections to take on additional equity risk. Which we will do in both a cautious and measured manner to ensure the recent correction is indeed behind us.

Note for new clients:

It is important to understand that when we add to our equity allocations, ALL purchases are initially *?trades?* that can, and will, be closed out quickly if they fail to work as anticipated. This is why we *?step?* into positions initially. Once a *?trade?* begins to work as anticipated, it is then brought to the appropriate portfolio weight and becomes a long-term investment. **We will unwind these actions either by reducing, selling, or hedging, if the market environment changes for the worse.**

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



There are 4-steps to allocation changes based on 25% reduction increments. As noted in the chart above a 100% allocation level is equal to 60% stocks. ***I never advocate being 100% out of the market as it is far too difficult to reverse course when the market changes from a negative***

to a positive trend. *Emotions keep us from taking the correct action.*

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401k-PlanManager-AllocationShift

The Rally Continues

As I noted last week:

> *"This week, the market is indeed pushing up into short-term overbought levels and is testing the underside of important previous resistance.*
>
> *One thing to note in the chart above is the horizontal dotted line that I have had drawn on the chart for the past 18-months. I noted originally that the markets break above the long-term trend channel would eventually be challenged. The recent correction has challenged that important level, if we break that confluence of support, we will be in a much more important bear market cycle."*

That continues to be the case this week, and the current rally is pushing into exhaustion territory.

On Monday, take some action with respect to the following, if you haven't already:

- *If you are* ***overweight equities*** *- reduce international, emerging market, mid, and small-capitalization funds on any rally next week. Reduce overall portfolio weights to 75% of your selected allocation target.*
- *If you are* ***underweight equities*** *- reduce international, emerging market, mid, and small-capitalization funds on any rally next week but hold everything else for now.*
- *If you are at* ***target equity allocations*** *hold for now.*

Continue to use rallies to reduce risk towards a target level with which you are comfortable. **Remember, this model is not ABSOLUTE - it is just a guide to follow.**

Unfortunately, since 401k plans don't offer a lot of flexibility and have trading restrictions in many cases, **we have to minimize our movement and try and make sure we are catching major turning points.**

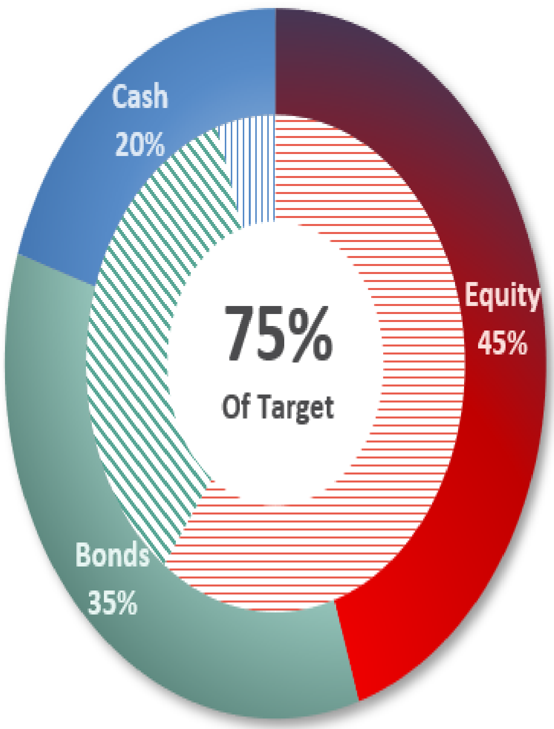
We want to make sure that we are indeed within a bigger correction cycle before reducing our risk exposure further.

If you need help after reading the alert; don?t hesitate to contact me.

Current 401-k Allocation Model

The 401k plan allocation plan below follows the K.I.S.S. principle. By keeping the allocation extremely simplified it allows for better control of the allocation and a closer tracking to the benchmark objective over time. ***(If you want to make it more complicated you can, however, statistics show that simply adding more funds does not increase performance to any great degree.)***

Current Portfolio Weighting



Current 401k Allocation Model

20.00% **Cash +** **All Future Contributions**

Primary concern is the protection of investment capital

Examples: *Stable Value, Money Market, Retirement Reserves*

35.00% **Fixed Income (Bonds)**

Bond Funds reflect the direction of interest rates

Examples: *Short Duration, Total Return and Real Return Funds*

45.00% **Equity (Stocks)**

The vast majority of funds track an index.
Therefore, select on ONE fund from each category.
Keep it Simple.

10%	*Equity Income, Balanced or Conservative Allocation*
35%	*Large Cap Growth (S&P 500 Index)*
0%	*International Large Cap Dividend*
0%	*Mid Cap Growth*

401k Choice Matching List

The list below shows sample 401k plan funds for each major category. In reality, the majority of funds all track their indices fairly closely. Therefore, if you don't see your exact fund listed, look for a fund that is similar in nature.

401k Selection List

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