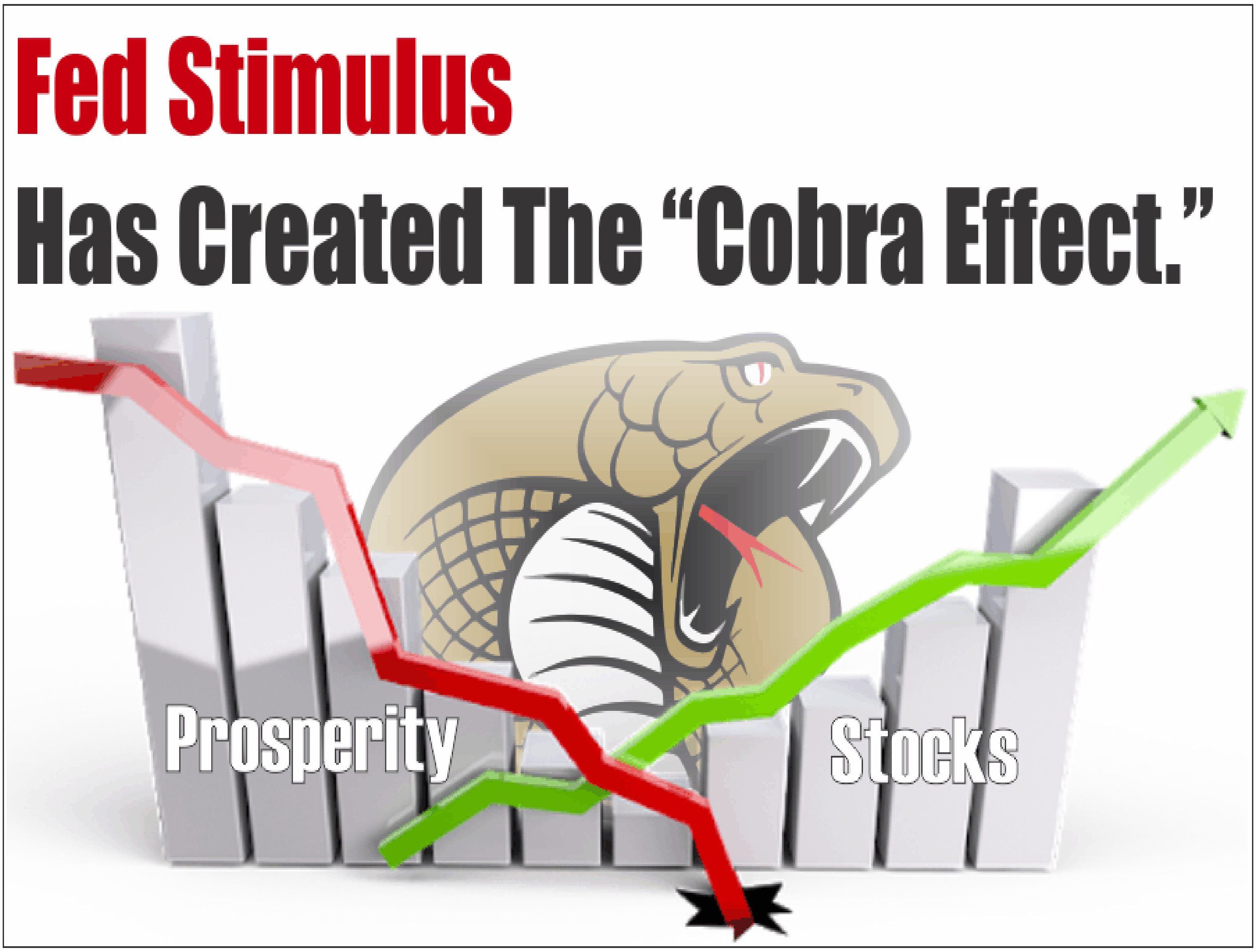
Fed Stimulus Has Created The "Cobra Effect."



In this issue of, "Fed Stimulus Has Created The Cobra Effect."

- ***Stocks Fail To Breakout&#2013266080;***
- ***More Warning Sighs***
- ***The Cobra Effect***
- ***Porfolio Positioning Update***
- ***MacroView: Navigating The Tech Bubble (& Live To Tell About It)***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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We Are Hiring...

Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 07-24-20

Written by Lance Roberts | Jul 24, 2020

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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Stocks Fail To Breakout

Previously, we discussed how ***stocks struggled as virus cases rose***. Importantly, the market had remained within a consolidation range since the mid-June highs. To wit:

> *"Furthermore, the S&P 500 continues to remain '**technically trapped'** between the June highs and the recent consolidation lows. With the market overbought on a short-term basis, the upside has remained limited. However, there is substantial support between the current uptrend line and the 50- and 200-dma's, limiting downside risk."*

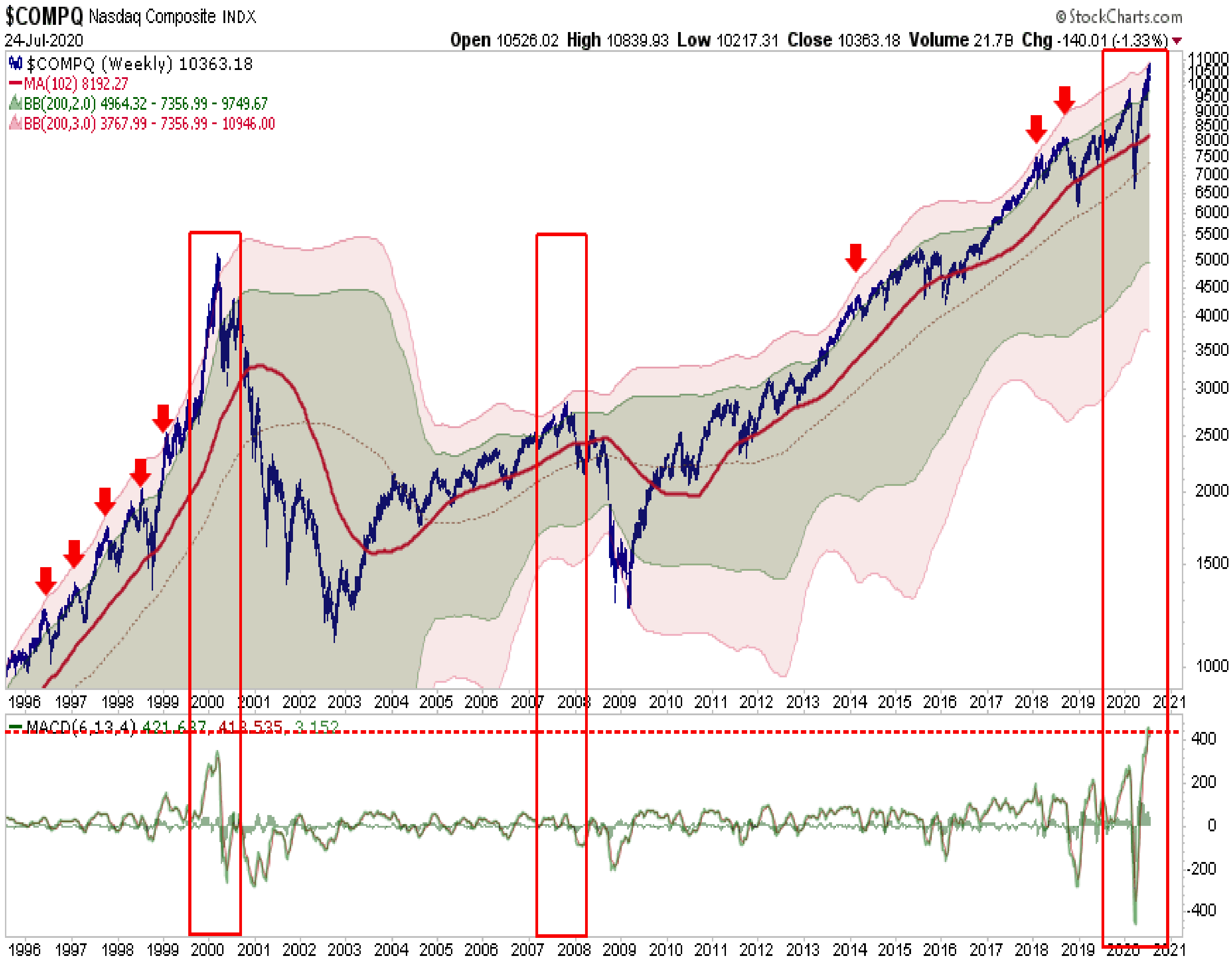
With the late week sell-off, we have updated our risk/reward ranges below. Unfortunately, the market failed to hold its breakout, which keeps it within the defined trading range. The market did hold its rising bullish uptrend support trend line, which keeps the *"bullish bias"* to the market intact for now.&#2013266080;

The *"not-so-bullish"* aspect is that all four (4) of the primary buy/sell indicators have now tripped into *"sell"* territory. **Such does not mean an imminent crash for the market. It does suggest upside is limited in the near term.&#2013266080;**

Tech Extremes

Currently, we are focusing our attention on the Nasdaq, which is currently being driven by the 5-largest mega-cap names. As discussed in this week's ***#MacroView, the "Tech Bubble"*** is back in terms of technical deviations from long-term means. As shown below, whenever the Nasdaq trades at 3-standard deviations above its 200-dma, prices always correct.

Most of the time, the corrections come very quickly. However, there are a few occasions where the payback was NOT immediate. Such lured investors into more risk before the reversion eventually came. *(Note the extremity of the MACD indicator in the lower panel.)*



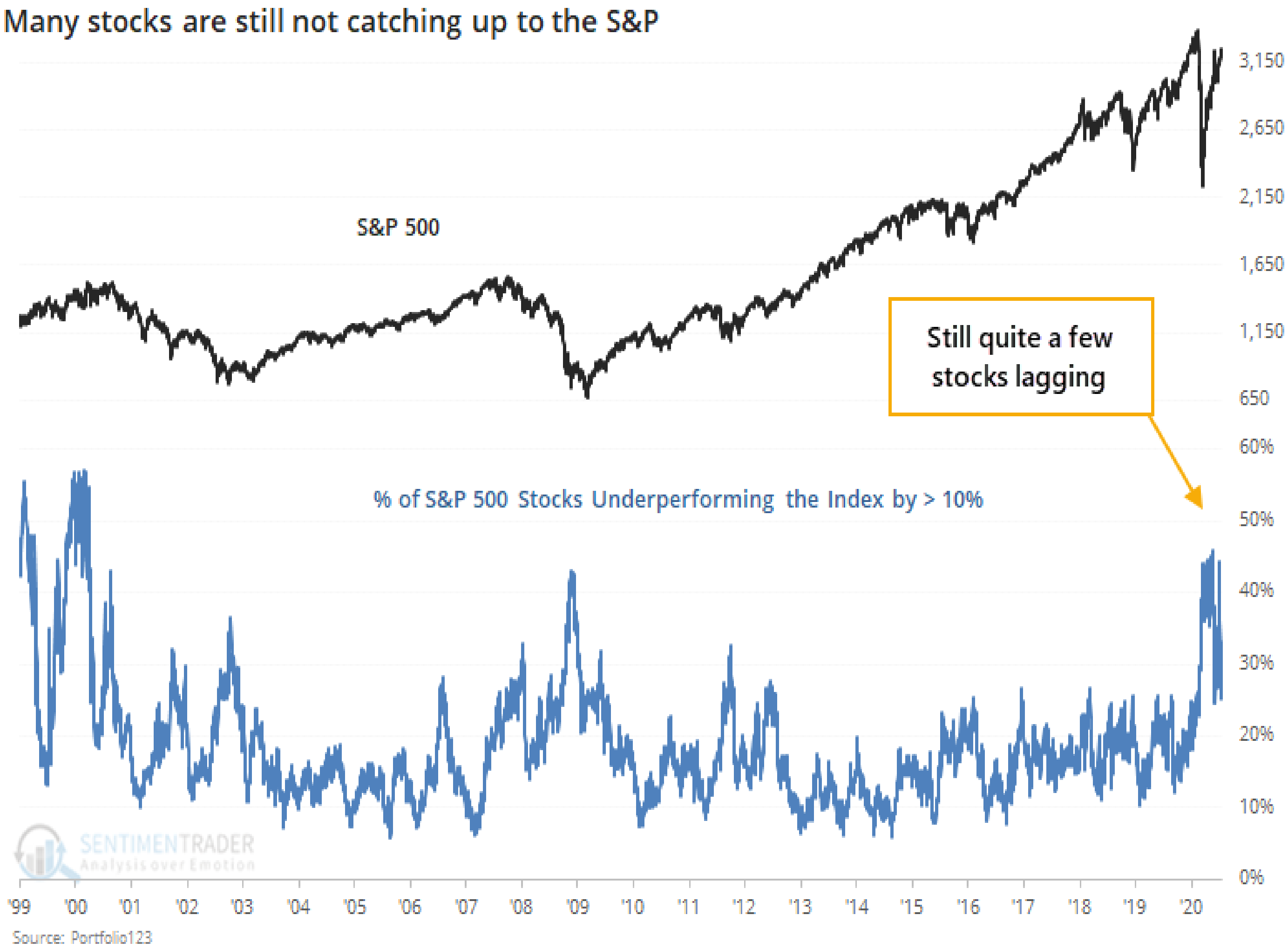
As we have discussed over the last couple of weeks, July has held to its historical trends of strength. **However, with a bulk of the S&P 500 earnings season concluding next week, we suspect the weakening economic data will collide with the more exuberant market sentiment in August and September.&#2013266080;**

Too Many Stocks Underperforming

In Tuesday's ***Technically Speaking post,*** we laid out 15-charts, which should give any investor a bit of pause. The purpose was to potentially counteract the ***"confirmation bias"*** trap that typically befalls investors during more bullish market episodes.&#2013266080;

Sentiment Trader added another warning to the list yesterday.

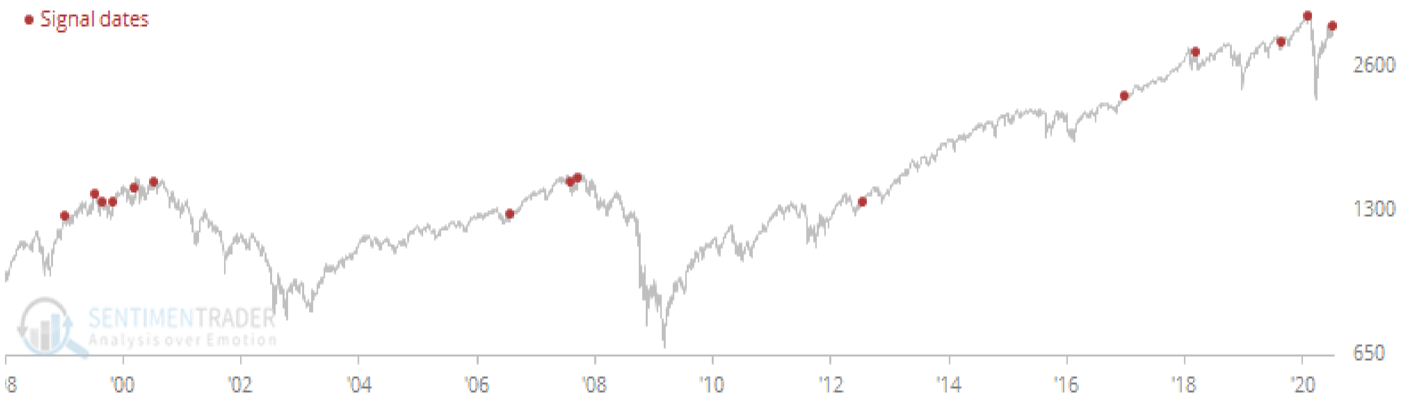
"The percentage of stocks trailing the index by more than 10% has spiked. While we have different data sources and likely a different methodology, we can see that this is the case."



The chart shows the percentage of stocks within the S&P 500 that are trailing the index's returns by 10% or more over the past 13 weeks. It's not unusual to see this figure jump during bear markets, which it did during the pandemic. ***Still, it is relatively unusual to see so many stocks continue to lag the index by so much when the index has climbed close to its prior highs.***

The table below shows every date since 1999 when the S&P was within 3.5% of its 52-week high. And, more than a quarter of its component stocks were trailing the index by double-digits."

S&P 500 w/in 3.5% of 52-week high and > 25% of its stocks underperforming by 10% (1998-2020)



Signals	1 Week	2 Weeks	1 Month	2 Months	3 Months	6 Months	1 Year
1999-01-08	-2.5	-3.2	-4.6	1.8	6.6	9.7	13.0
1999-07-15	-3.5	-4.9	-5.8	-5.2	-8.8	1.6	6.1
1999-08-24	-3.2	-1.4	-6.1	-4.5	4.2	-0.2	9.9
1999-10-29	0.5	2.4	1.9	7.5	2.3	7.7	1.2
2000-03-16	4.7	2.0	-7.0	0.5	1.4	1.5	-21.1
2000-07-12	-0.7	-2.7	-2.2	-0.2	-7.1	-12.0	-19.1
2006-07-28	0.1	-0.9	1.8	4.5	8.6	11.8	13.8
2007-08-08	-6.1	-2.2	-2.9	3.7	1.5	-10.7	-15.5
2007-09-21	0.1	2.1	-1.3	-5.6	-4.3	-11.3	-20.9
2012-07-17	-1.9	1.1	3.1	7.5	5.6	8.6	24.1
2016-12-21	-0.7	0.5	0.7	4.4	3.5	7.6	18.5
2018-03-09	-1.2	-7.1	-4.7	-3.2	-0.3	3.1	0.2
2019-08-29	1.9	2.8	1.8	3.8	7.8	5.7	
2020-02-05	1.3	1.2	-10.9	-20.1	-14.6		
2020-07-20							
Median	**-0.7**	**-0.2**	**-2.6**	**1.1**	**1.9**	**3.1**	**3.7**
% Positive	**43%**	**50%**	**36%**	**57%**	**64%**	**69%**	**67%**
Risk	-0.9	-1.5	-4.9	-5.5	-6.5	-7.0	-10.0
Reward	0.6	1.3	1.4	3.3	4.6	7.8	10.2
Z-Score	-1.2	-0.6	-2.8	0.0	0.2	0.0	-0.6

© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

> ***Forward returns over the shorter-term were poor, with a very negative risk/reward skew during the next month. Even up to three months later, the risk/reward was more heavily tilted toward 'risk.'"***

Such further confirms our concerns about a market correction over the next couple of months.&#2013266080;

Yes, as noted above, there are instances where this indicator failed to provide a timely signal. **However, more often than not, investors were punished for ignoring the warning signs.&#2013266080;**

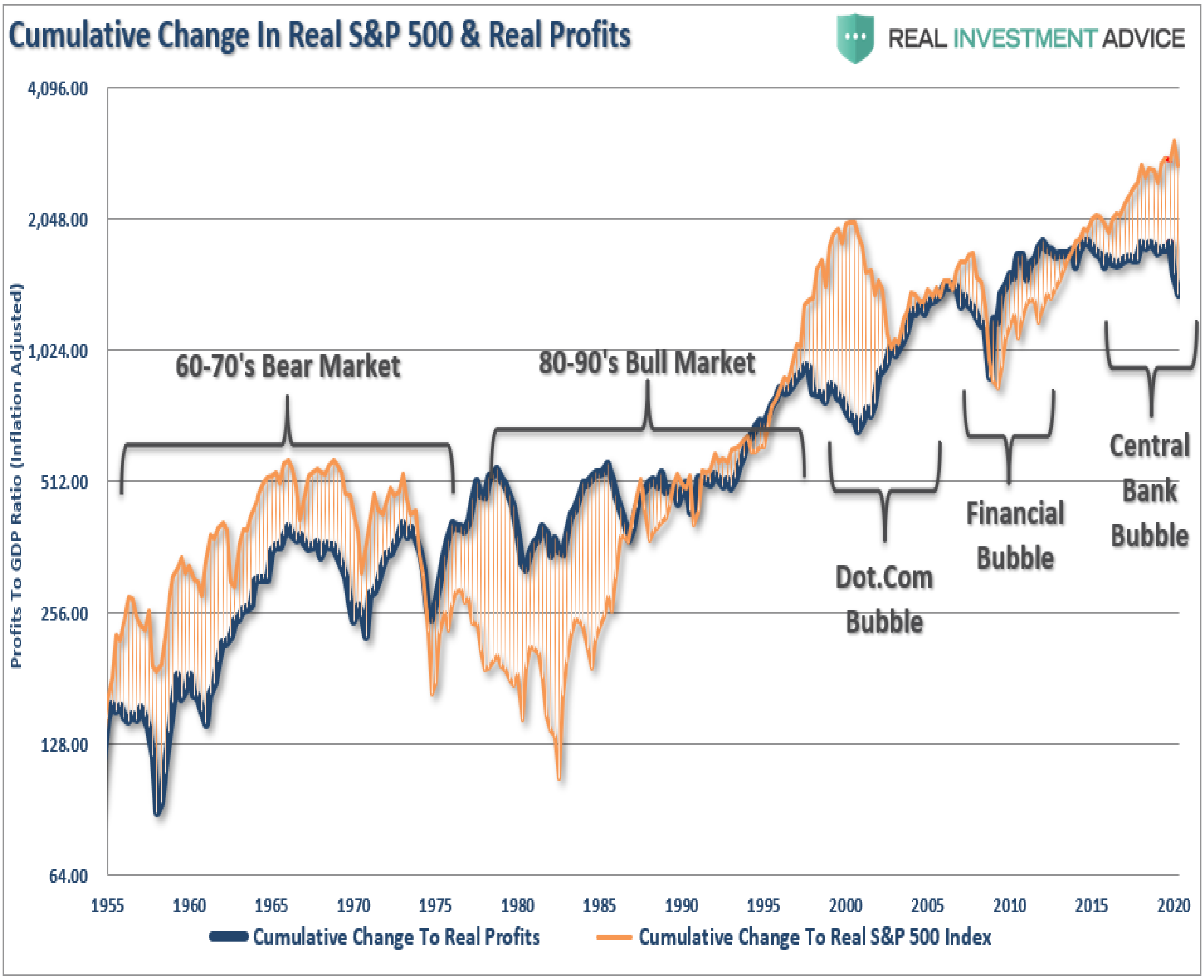
Such is why&#2013266080;*"confirmation bias,"*&#2013266080;the act of seeking out only information that confirms your current views, is inherently dangerous.&#2013266080;**Investing is always about weighing possibilities versus probabilities and managing the&#2013266080; *"risk of failure"*&#2013266080;over time.&#2013266080;**

Fed Stimulus Creates The Cobra Effect

Our colleague, Jeffrey Marcus, penned a great piece this week for our ***RIAPro subscribers (Try Risk-Free for 30-days)*** discussing how Fed stimulus has created the *"Cobra Effect."* The term relates to an old story from Dehli, India.

> *"As the story goes, there was once so many cobras in Delhi was a bounty placed on each dead one delivered to the government. At first, it worked. But then, entrepreneurs began breeding cobras to garner more income from the bounties. When the authorities figured out the scam, they canceled the program.&#2013266080;*
>
> *The problem came when the breeders, who had a large inventory of cobras, released them into the wild. With the demand (the bounty) for the snakes removed, the cobra population exploded worse than before."*

As Jeff goes on to discuss, the actions taken currently though Fed stimulus to sustain the economy, and buoy the stock and bond markets, will eventually cause a bigger problem. The flood of liquidity is hitting a highly illiquid market that has&#2013266080;***now detached the market from the underlying economy.&#2013266080;***



In other words, as Jeff concludes, the *"cure will be worse than the disease."*

The&#2013266080;*"consequence"*&#2013266080;of the Fed's actions isn't necessarily a failure in the stock market. Such would only impact a small portion of the population that owns stocks. **&#2013266080;The real concern is it manifests itself in weaker economic growth, a widening of the&#2013266080;*"wealth gap,"*&#2013266080;and an&#2013266080;*acceleration toward socialism.*** &#2013266080;

Fed Stimulus Drives&#2013266080;Psychology

However, the main point Jeff makes is that while the eventual outcome of massive amounts of Fed stimulus will be negative**, asset managers will do what they are paid to do. They will continue to invest in ways that reap their clients the best returns.**

Such is what creates bubbles, and eventually, the busts.&#2013266080;***George Soros' theory on bubbles,***&#2013266080;explains this idea more clearly.&#2013266080;

*?**Every bubble has two components:***

1. ***An underlying trend that prevails in reality, and;&#2013266080;***
2. ***A misconception relating to that trend.***

*When positive feedback develops between the trend and the misconception, a boom-bust process is set into motion.&#2013266080;**The process is liable to be tested by negative feedback along the way, and if it is strong enough to survive these tests, both the trend and the misconception will be reinforced.**&#2013266080;*

***Eventually, market expectations become so far removed from reality that people are forced to recognize that a misconception is involved**. A twilight period ensues during which doubts grow, and more people lose faith. Still, the prevailing trend is sustained by inertia.*

Eventually, a tipping point is reached when the trend is reversed; it then becomes self-reinforcing in the opposite direction.?

The pattern of bubbles is interesting because it changes the argument from a fundamental view to a technical view.&#2013266080;**Prices reflect the psychology of the market, creating a feedback loop between the markets and fundamentals.**

In a world where there is&#2013266080;*"no fear"*&#2013266080;of a market correction, a sense of&#2013266080;*"urgency"&#2013266080;*to be invested, and a continual drone of&#2013266080; *"bullish chatter;"*&#2013266080;the market is poised for an unexpected, unanticipated, and inevitable event.

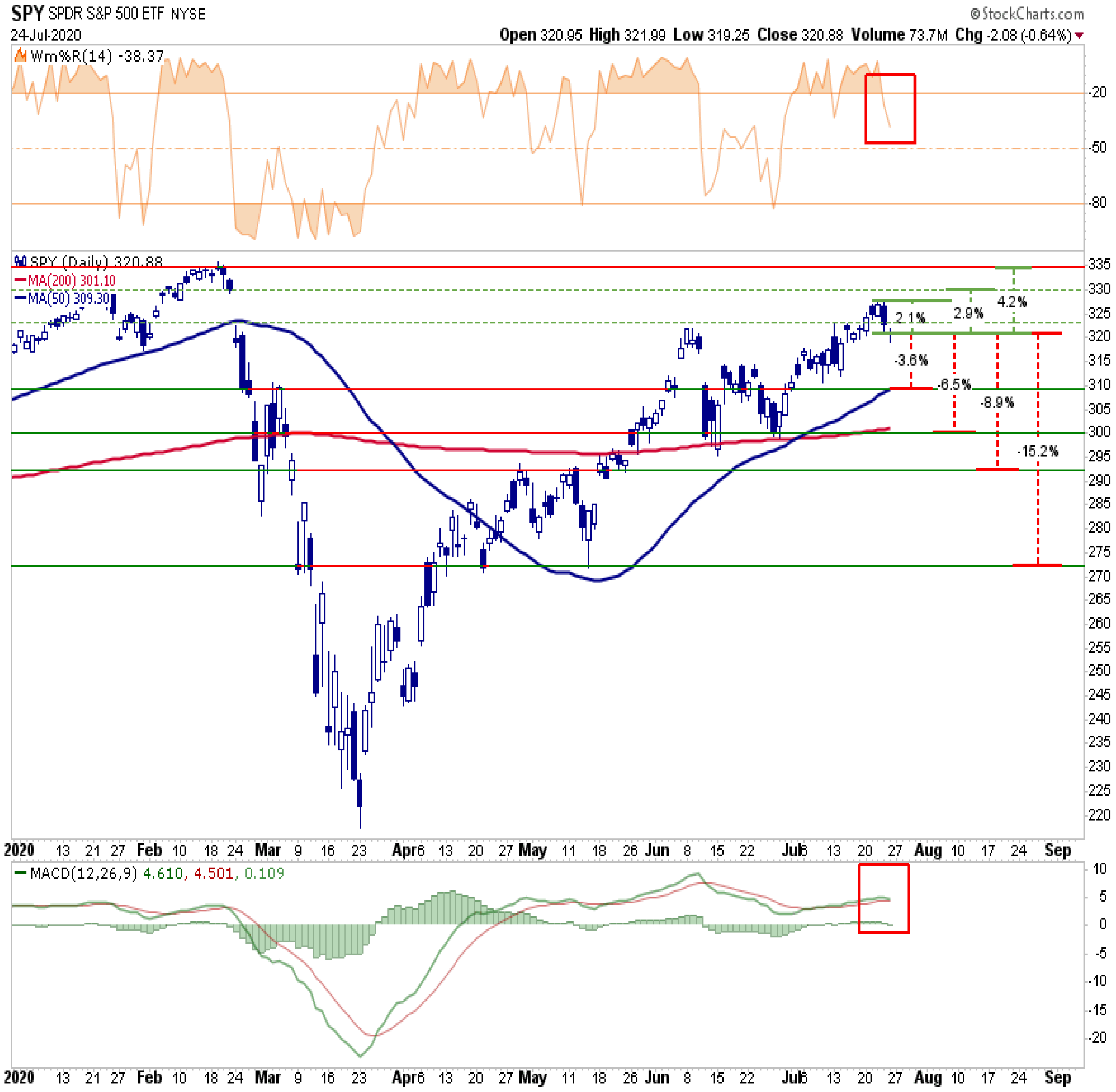
Such is why we pay attention to the&#2013266080;*"risk."*

Updating Risk/Reward Ranges

In our last ***"risk/reward"*** update we stated:

*"After several failed tests of the June highs this week, we derisked our portfolios and added to our hedges. Even with those adjustments, our portfolios continued to perform as the rotation to 'risk-off' sectors kept portfolios stable. **The reason for the derisking is the negative tilt to the risk/reward ranges currently."***

&#2013266080;This week, that negative bias came into effect as the market failed to maintain its attempt to break out of the consolidation range. Importantly, we saw the rotation from *"growth"* to *"value"* gain some traction.



- ***-3.6%* to the 50-dma vs. *+2.1%* last week's highs (Negative)**
- ***-6.5%* to the 200-dma support vs. *+2.9%* to all-time highs. (Negative)**
- ***-8.9%* to the previous consolidation highs vs. *+4.2%* to all-time highs. (Negative)**
- ***-15.2%* to previous consolidation lows vs. *+4.2%* to all-time highs. (Negative)**

This negative tilt to the market's risk/reward dynamics keeps our current portfolios hedged more than usual.

The Guidelines

This week's report's universal theme is that&#2013266080;*"risk"*&#2013266080;has become more elevated as we enter into August and September. Such doesn't mean markets will&#2013266080; *"crash."* It does mean there is an increased potential for a correction to occur.

In the *#MacroView&#2013266080;*below, these guidelines are ones I have learned over the last 30 years. These are our guidelines, but maybe you will find some value in them.

- ***Investing is not a competition**. There are no prizes for winning, but there are severe penalties for losing.*
- ***Emotions have no place in investing.**&#2013266080;You are generally better off doing the opposite of what you "feel" you should be doing.*
- ***The ONLY investments you can "buy and hold"&#2013266080;**provide an income stream with a return of principal function.*
- ***Market valuations&#2013266080;**(except at extremes) are inferior market timing devices.*
- ***Fundamentals and Economics&#2013266080;**drive long-term investment decisions ? "Greed and Fear" drive short-term trading. Knowing what type of investor you are, determines the basis of your strategy.*
- ***"Market timing" is impossible**? managing exposure to risk is both logical and possible.*
- ***Investment is about discipline and patience.&#2013266080;**Lacking either one can be destructive to your investment goals.*
- ***There is no value in daily media commentary**? turn off the television and save yourself the mental capital.*
- ***Investing is no different than gambling**? both are "guesses" about future outcomes based on probabilities.*
- ***No investment strategy works all the time.&#2013266080;**The trick is knowing the difference between a bad investment strategy and one that is temporarily out of favor.*

As an investor, our job is to view the markets through the lens of statistics and probabilities. If we can control risk, the opportunity to create wealth becomes simpler.

Yes, markets have always recovered their losses, but getting back to even isn't the same thing as making money.

The MacroView

#MacroView: Navigating The Tech Bubble & Living To Tell About It.

Written by Lance Roberts | Jul 24, 2020

There has been a growing concern over Technology stocks as investors "Party Like It's 1999." While no two periods are the same, the outcomes often are.

>> Read More

If you need help or have questions, we are always glad to help. ***Just email me.***

See You Next Week

By Lance Roberts, CIO

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	13.94%	6.45%	(0.30%)	(104.72%)
Max Drawdown	-35.63%	-35.63%	-35.63%	0.00%
Sharpe	0.37	0.44	0.02	(0.96)
Sortino	0.42	0.44	0.02	(0.96)
Volatility	25.53	32.70	42.17	0.29
Daily VaR-5%	(29.60)	(39.35)	(68.01)	0.73
Mnthly VaR-5%	(22.06)	(26.25)	(53.98)	1.06

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.85%	1.85%	1.71%	(8.12%)	2.20%	1.67%	(22.12%)	2.23%
P/E Ratio	21.06	18.90	20.76	8.93%	2177%	1625%	(4.7%)	27.73%
P/S Ratio	3.32	3.26	3.46	5.80%	3.62	2.64	(4.41%)	31.24%
P/B Ratio	3.85	3.98	4.40	9.47%	4.34	2.99	1.32%	47.18%
ROE	17.29%	18.70%	18.03%	(3.71%)	18.82%	15.05%	(4.21%)	19.80%
ROA	3.25%	3.53%	3.38%	(4.44%)	3.53%	2.81%	(4.37%)	20.10%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,361.5	2,262.6	(4.19%)
Sales	62,868	63,705	1.33%
SPS	26.6	28.2	5.76%
Earnings	9,502	9,116	(4.05%)
EPS TTM	4.8	4.7	(2.36%)
Dividend	1.6	1.7	2.23%

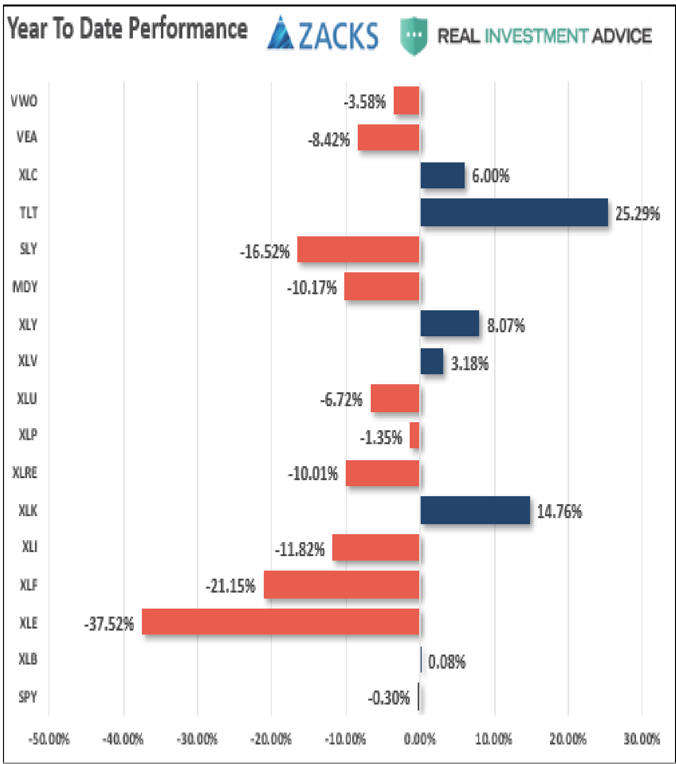
S&P 500 Asset Allocation

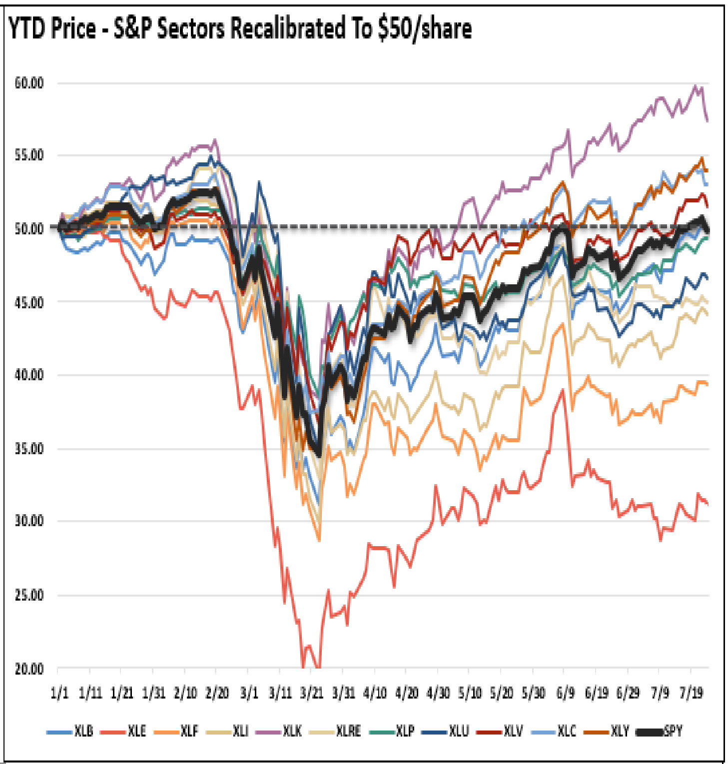
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(39.45%)	2.66%	1.79	14.46	124.10	11.36	(88.3%)	6.1%	5.6%	6.85%	0.15	230.25
Materials	3.25%	2.62%	1.32	20.48	22.97	13.86	(10.8%)	8.4%	2.1%	4.88%	2.99	20.72
Industrials	(12.70%)	7.99%	1.09	17.04	22.18	14.66	(23.2%)	18.7%	1.8%	5.81%	2.98	23.53
Discretionary	16.51%	11.13%	1.27	32.50	28.95	20.48	12.3%	23.7%	0.9%	3.12%	3.18	39.02
Staples	4.47%	6.93%	0.58	21.14	22.83	17.62	(7.4%)	28.8%	2.7%	4.72%	3.85	19.79
Health Care	14.18%	14.73%	0.80	17.95	19.86	15.06	(9.6%)	30.4%	1.7%	5.52%	6.61	16.54
Financials	(14.07%)	9.98%	1.32	12.23	18.50	10.53	(33.9%)	9.9%	2.5%	8.12%	4.33	13.83
Technology	27.94%	27.15%	1.08	27.90	25.91	14.49	7.7%	42.0%	1.2%	3.60%	5.52	25.84
Telecom	15.58%	10.91%	0.92	23.40	27.01	17.61	(13.3%)	16.5%	0.8%	4.30%	5.74	22.29
Utilities	0.87%	3.12%	0.47	19.07	22.10	15.58	(13.7%)	10.7%	3.4%	5.19%	3.76	17.06
Real Estate	(5.77%)	2.71%	0.93	18.89	21.41	16.91	(11.8%)	9.2%	3.3%	5.27%	4.05	19.82

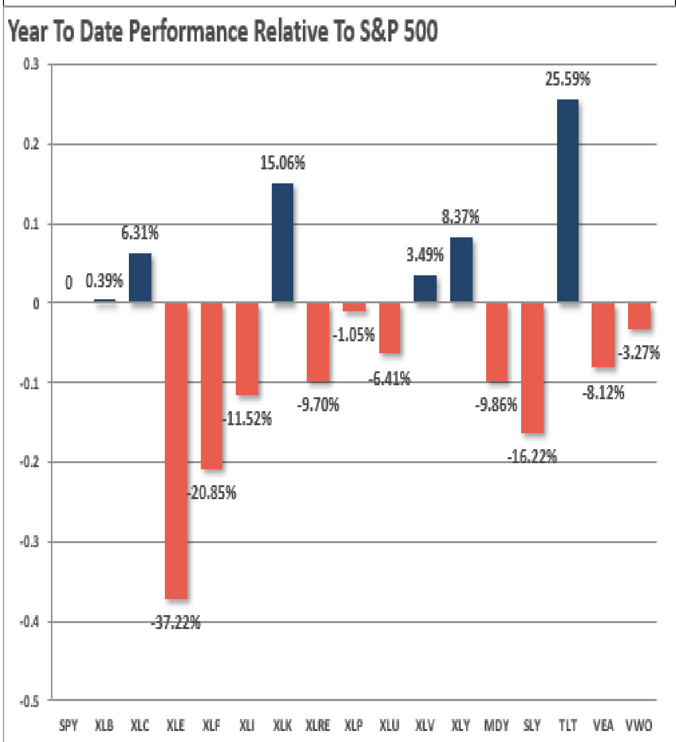
Momentum Analysis

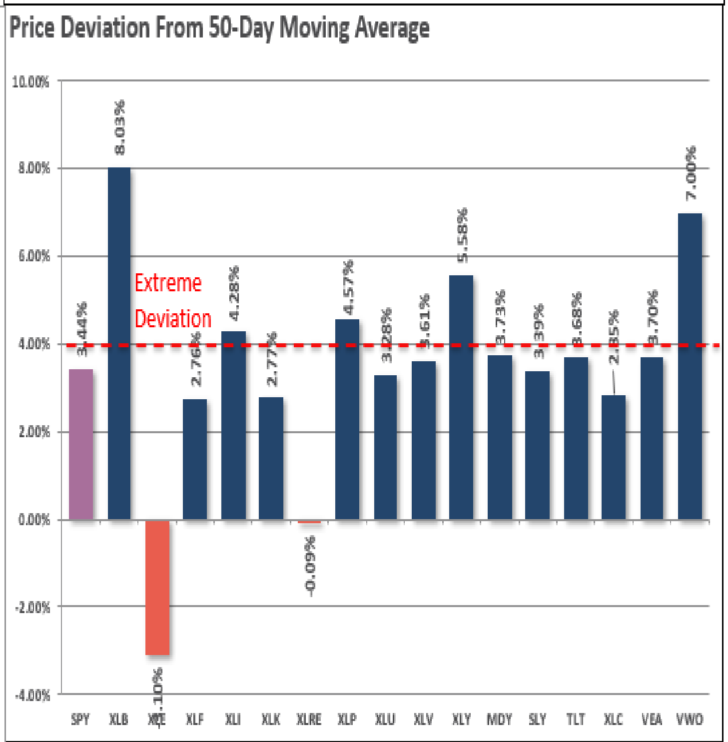
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	320.88	12.09%	310.70	50	3.28%	304.37	20	5.42%	2.08%	(5.37%)	47.02%	Buy
Mid Cap	337.22	17.08%	325.83	50	3.50%	334.06	4	0.95%	(2.46%)	(12.29%)	57.42%	Sell
Small Cap	60.48	19.45%	58.66	11	3.11%	62.45	36	(3.15%)	(6.07%)	(18.52%)	48.30%	Sell

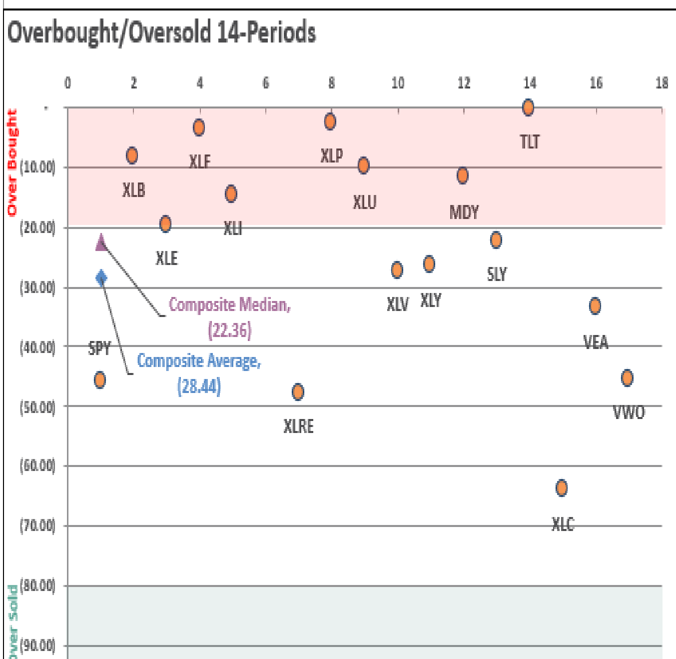
Performance Analysis

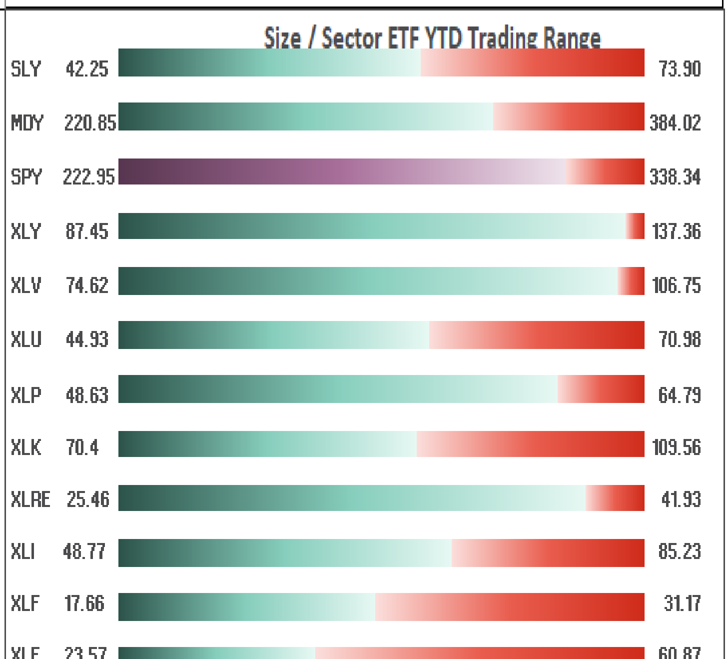

Year To Date Performance
ZACKS
REAL INVESTMENT ADVICE
VWO -3.58%
VEA -8.42%
XLC 6.00%
TLT 25.29%
SLY -16.52%
MDY -10.17%
XLY 8.07%
XLV 3.18%
XLU -6.72%
XLP -1.35%
XLRE -10.01%
XLK 14.76%
XLI -11.82%
XLF -21.15%
XLE -37.52%
XLB 0.08%
SPY -0.30%
-50.00% -40.00% -30.00% -20.00% -10.00% 0.00% 10.00% 20.00% 30.00%


YTD Price - S&P Sectors Recalibrated To $50/share
60.00
55.00
50.00
45.00
40.00
35.00
30.00
25.00
20.00
1/1 1/11 1/21 1/31 2/10 2/20 3/1 3/11 3/21 3/31 4/10 4/20 4/30 5/10 5/20 5/30 6/9 6/19 6/29 7/9 7/19
XLB XLE XLF XLI XLK XLRE XLP XLU XLV XLC XLY SPY

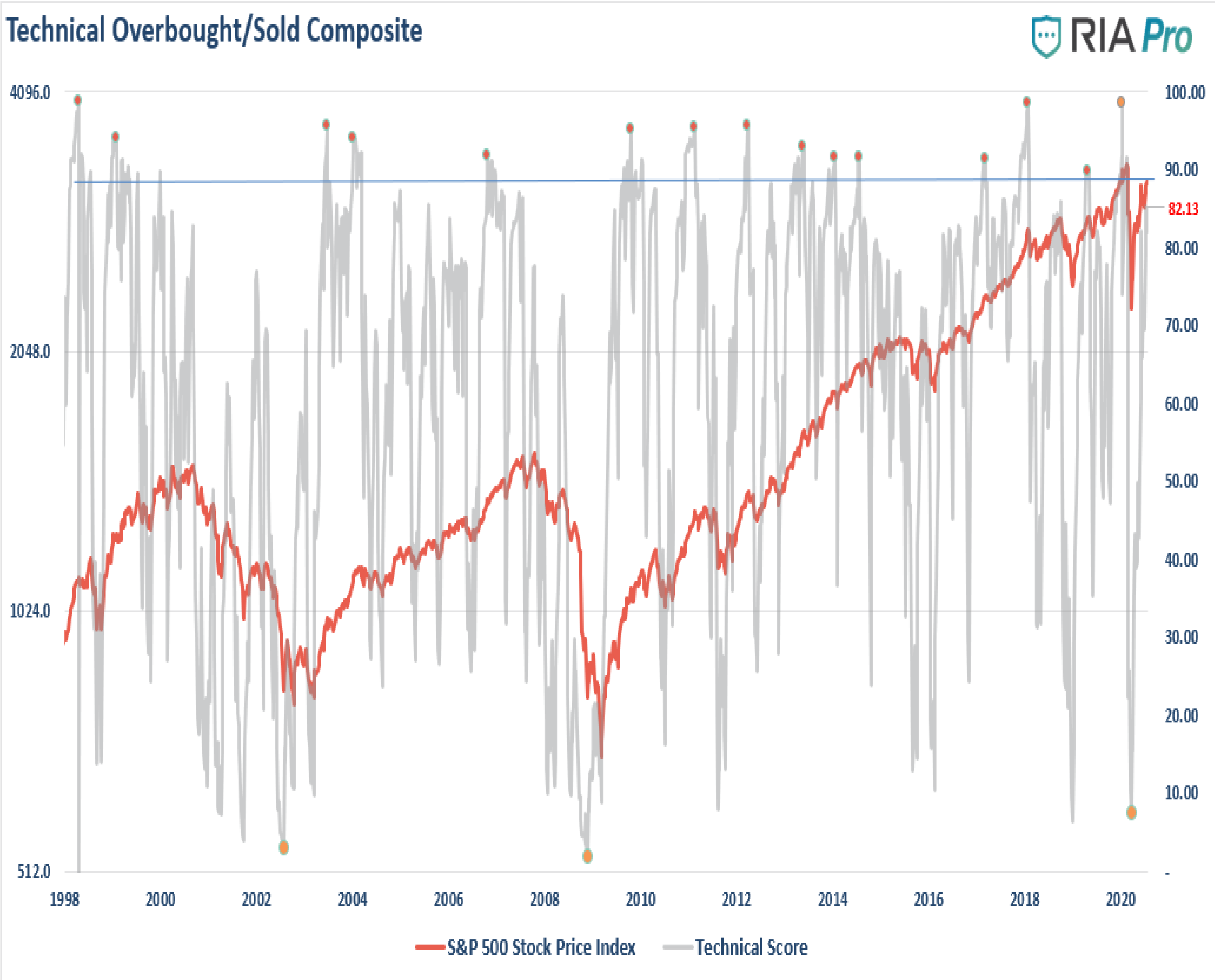

Year To Date Performance Relative To S&P 500
0.3
0.2
0.1
0
-0.1
-0.2
-0.3
-0.4
-0.5
0
0.39%
6.31%
-37.22%
-20.85%
-11.52%
15.06%
-9.70%
-1.05%
-6.41%
3.49%
8.37%
-9.86%
-16.22%
25.59%
-8.12%
-3.27%
SPY XLB XLC XLE XLF XLI XLK XLRE XLP XLU XLV XLY MDY SLY TLT VEA VWO


Price Deviation From 50-Day Moving Average
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
-2.00%
-4.00%
Extreme
Deviation
3.44%
8.03%
2.76%
4.28%
2.77%
-0.09%
4.57%
3.28%
3.61%
5.58%
3.73%
3.39%
3.68%
2.85%
3.70%
7.00%
SPY XLB XLE XLF XLI XLK XLRE XLP XLU XLV XLY MDY SLY TLT XLC VEA VWO


Overbought/Oversold 14-Periods
0 2 4 6 8 10 12 14 16 18
Over Bought
(10.00)
(20.00)
(30.00)
(40.00)
(50.00)
(60.00)
(70.00)
(80.00)
(90.00)
Over Sold
XLB
XLF
XLP
TLT
XLU
XLI
MDY
XLE
SLY
XLV
XLY
VEA
SPY
Composite Median,
(22.36)
Composite Average,
(28.44)
XLRE
VWO
XLC


Size / Sector ETF YTD Trading Range
SLY 42.25 73.90
MDY 220.85 384.02
SPY 222.95 338.34
XLY 87.45 137.36
XLV 74.62 106.75
XLU 44.93 70.98
XLP 48.63 64.79
XLK 70.4 109.56
XLRE 25.46 41.93
XLI 48.77 85.23
XLF 17.66 31.17
XLE 23.57 60.87

Technical Composite



Sector Model Analysis & Risk Ranges

How To Read.

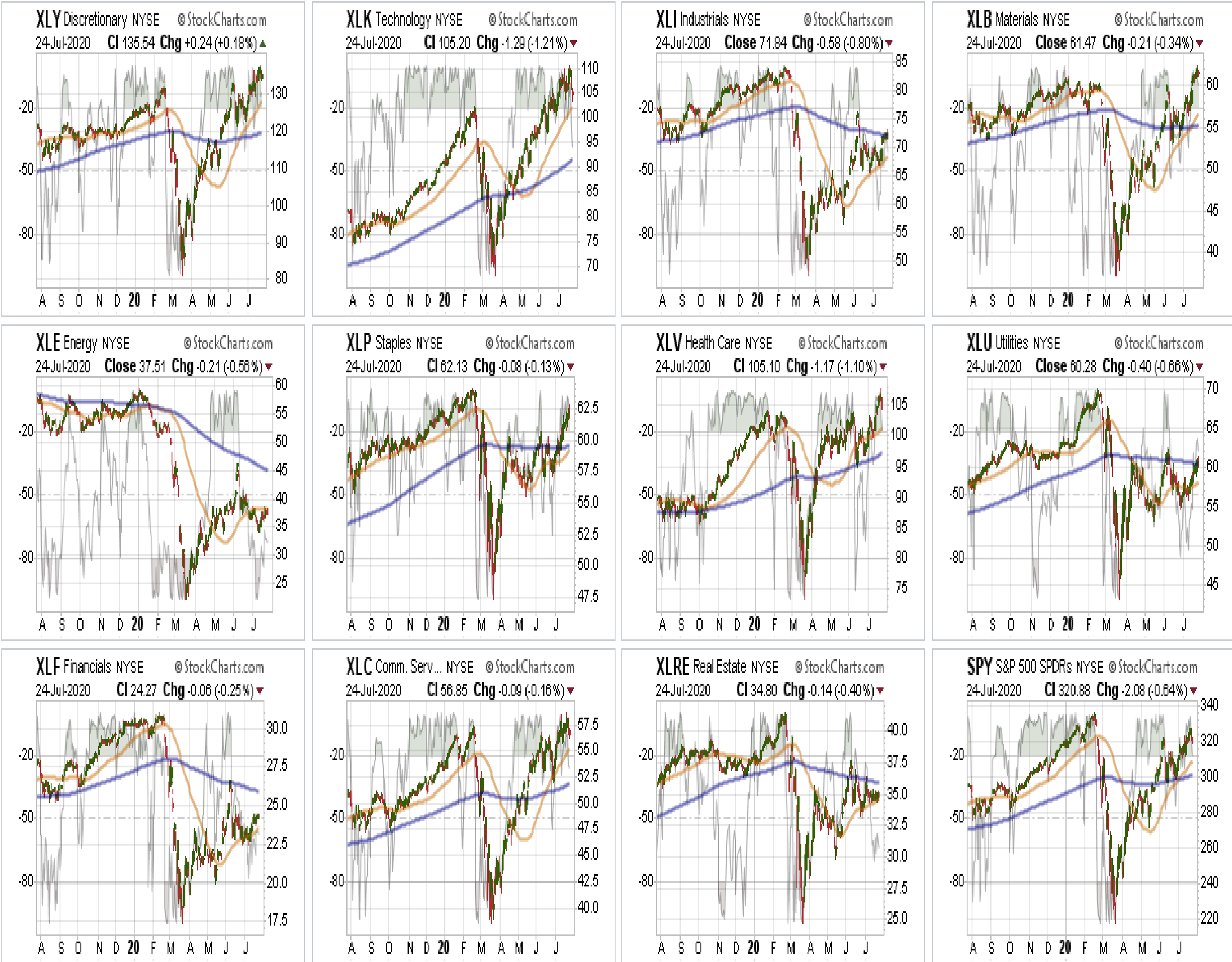
- *The table compares each sector and market to the S&P 500 index on relative performance.*
- *The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing price and the "beta" of the sector or market.*
- *The table shows the price deviation above and below the weekly moving averages.*

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	LONG	MONTH	REL S&P	RISK RANGE		% DEV -	% DEV -	M/A XVER
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	END PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	322.13	(0.27)	6.97	13.61	(3.48)	6.04	306.26	304.94	309.69	1.00	317.43	301.95	5%	6%	BUY
XLB	SPDR-MATLS SELS	61.47	0.77	5.84	7.41	5.78	(1.96)	55.70	55.32	56.35	1.15	58.41	54.29	10%	11%	BUY
XLC	SPDR-COMM SV SS	56.85	(0.71)	1.38	1.05	5.25	3.87	54.20	52.35	54.04	0.96	55.91	52.17	5%	9%	BUY
XLE	SPDR-EGY SELS	37.51	2.50	(4.23)	(8.98)	(27.03)	(45.98)	38.34	44.25	37.85	1.67	39.43	36.27	-2%	-15%	SELL
XLF	SPDR-FINL SELS	24.27	1.60	0.51	(3.60)	(18.03)	(21.45)	23.26	25.72	23.14	1.17	23.99	22.29	4%	-6%	SELL
XLK	SPDR-TECH SELS	105.20	(1.26)	(3.37)	4.72	9.01	21.33	100.08	93.83	104.49	1.04	108.18	100.80	5%	12%	BUY
XLI	SPDR-INDU SELS	71.84	0.04	1.65	1.75	(10.64)	(14.53)	67.43	71.68	68.70	1.15	71.21	66.19	7%	0%	SELL
XLP	SPDR-CONS STPL	62.13	1.14	1.78	(5.79)	0.17	(3.13)	59.08	60.10	58.64	0.57	60.44	56.84	5%	3%	SELL
XLRE	SPDR-RE SELS	34.80	(0.36)	(3.80)	(7.77)	(9.39)	(12.12)	34.41	35.90	34.81	0.73	35.94	33.68	1%	-3%	SELL
XLU	SPDR-UTIL SELS	60.28	0.38	2.27	(5.74)	(8.63)	(5.54)	57.96	61.02	56.43	0.38	58.05	54.81	4%	-1%	SELL
XLV	SPDR-HLTH CR	105.10	(0.48)	0.81	(6.18)	5.48	8.11	101.02	99.03	100.07	0.83	103.41	96.73	4%	6%	BUY
XLY	SPDR-CONS DISCR	135.54	1.54	2.56	7.14	9.12	3.66	125.41	120.43	127.71	1.15	132.38	123.04	8%	13%	BUY
XTN	SPDR-SP TRANSPT	54.67	(2.43)	1.38	4.14	(13.20)	(19.70)	51.69	54.98	52.86	1.36	54.90	50.82	6%	-1%	SELL
SDY	SPDR-SP DIV ETF	93.88	0.59	(0.01)	(3.19)	(9.13)	(14.66)	90.25	95.06	91.20	0.90	94.30	88.10	4%	-1%	SELL
RSP	INVS-SP5 EQ ETF	106.22	0.63	0.93	1.01	(5.49)	(9.50)	100.61	103.46	101.76	1.11	105.44	98.08	6%	3%	SELL
SLY	SPDR-SP6 SC	60.48	0.75	1.07	1.48	(11.56)	(17.61)	57.30	61.17	59.02	1.25	61.23	56.81	6%	-1%	SELL
MDY	SPDR-SP MC 400	337.22	1.05	0.81	2.86	(6.22)	(12.73)	318.57	329.11	324.49	1.19	336.47	312.51	6%	2%	SELL
EEM	ISHARS-EMG MKT	43.14	1.13	1.04	8.53	2.97	(5.01)	39.51	40.27	39.99	0.91	41.35	38.63	9%	7%	SELL
EFA	ISHARS-EAFE	63.26	(0.13)	(2.39)	0.70	(4.78)	(9.46)	60.14	62.03	60.87	0.85	62.91	58.83	5%	2%	SELL
IAU	ISHARS-GOLD TR	18.16	5.30	0.30	(1.65)	24.55	27.98	16.73	15.71	16.99	0.01	17.42	16.56	9%	16%	BUY
GDX	VANECK-GOLD MNR	41.83	6.68	11.90	12.04	53.25	47.29	35.52	30.75	36.68	0.64	37.83	35.53	18%	36%	BUY
UUP	INVS-DB US$ BU	25.50	(1.39)	(10.20)	(18.54)	(0.87)	(10.00)	26.45	26.58	26.32	(0.06)	26.96	25.68	-4%	-4%	SELL
IXUS	ISHARS-CR INT S	57.34	0.39	(1.31)	3.05	(2.63)	(8.16)	53.82	55.28	54.52	0.88	56.36	52.68	7%	4%	SELL
TLT	ISHARS-20+YTB	169.74	2.04	(4.25)	(12.55)	21.01	23.07	164.25	155.22	163.93	(0.29)	167.56	160.30	3%	9%	BUY
BNDX	VANGD-TTL INT B	58.04	0.63	(6.42)	(12.11)	4.40	(5.68)	57.47	57.25	57.73	0.04	59.20	56.26	1%	1%	BUY
HYG	ISHARS-IBX HYCB	84.60	1.56	(2.96)	(6.09)	(0.35)	(8.99)	81.84	83.31	81.62	0.39	83.98	79.26	3%	2%	SELL

Sector & Market Analysis:

Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels.

Sector-by-Sector



Improving ? Financials (XLF), Industrials (XLI), and Energy (XLE)

Previously we noted that Financials moved into the improving quadrant of the rotation model. Still, performance continues to be poor but has improved relative to the S&P 500 this past week. There is some value in the sector, but we are still avoiding banks for now. The same goes for Energy performance which remains inadequate but is improving on the value trade. We previously added Industrials to our portfolio as performance has improved.

Current Positions: XLE, XLI

Outperforming ? Materials (XLB), Discretionary (XLY), and Communications (XLC)

Over the last couple of weeks, we continued to suggest profit-taking in these holdings. That correction came last week and still has room to go. Be careful chasing these sectors for now.&#2013266080;

Current Positions: *XLK, XLC*

Weakening ? Technology (XLK)

We took profits previously in Technology due to the extreme extension and warned a correction was likely. That correction has started and was outsized in the big cap technology names. Technology is weakening in terms of relative performance, so remain cautious for now.&#2013266080;

Current Position: XLK

Lagging ? Healthcare (XLV), Utilities (XLU), Real Estate (XLRE), and Staples (XLP)

Previously, we added to our core defensive positions Healthcare. We continue to hold Healthcare on a longer-term basis as it tends to outperform in tougher markets and hedges risk. Healthcare was sitting on support and oversold and the counter-trend rally in Healthcare has come to fruition.

Our defensive positioning in Staples and Utilities continues to lag, but performance is improving. Utilities and Staples remain part of the *"risk-off"* rotation trade. That played well this past week as money rotated out of Technology.&#2013266080;

Current Position: XLU, XLV, XLP

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? Both of these markets continue to underperform. As earnings season approaches, they seem very susceptible to more pressure from a weak economy. Both markets are flirting with overhead resistance. We maintain no holdings currently.

Current Position: None

Emerging, International (EEM) & Total International Markets (EFA)

Emerging and International Markets have performed better recently. Last week, we took on a small trading position in EFA, as performance has improved. EEM was too extended and overbought and is correcting as we suspected. The Dollar will be a big driver going forward. If the Dollar breaks its long-term uptrend, we will add to our International exposures.

Current Position: EFA

S&P 500 Index (Exposure/Trading Rentals) ? With the market short-term overbought and extended, we exited our position in S&P 500 (SPY) this past week to free up cash.&#2013266080;

Current Position: ***None***

Gold (GLD) ? We currently remain comfortable with our exposure through IAU. Gold is a bit overbought short-term, so we are looking to potentially take some profits and look for a pullback to rebuild exposures. The Dollar is extremely oversold, we have added a small position in UUP to hedge downside risk in Gold.&#2013266080;

Current Position: ***IAU, UUP***

Bonds (TLT) ?

As we have been increasing our&#2013266080;*"equity*" exposure in portfolios, we have added more to our holding in TLT to improve our&#2013266080;*"risk"* hedge. However, with yields so low, and with the Fed supporting the mortgage-back and corporate bond markets, we swapped our near zero-yielding short-term Treasury funds for Mortgage-Backed and Broad Market bond funds with 2.5% yields.&#2013266080; No change this week.

Current Positions: ***TLT, MBB, & AGG***

Portfolio / Client Update

> If you did not receive our&#2013266080;**Quarterly Client Update**&#2013266080;for any reason, please&#2013266080;***contact Karen Roan*****,** and she will send you a copy.

As noted last week,

> *"We continue to scratch our heads over the rally in the Nasdaq as performance in the S&P 500 continues to soften. Importantly, the areas of the highest fundamental&#2013266080;"value,"&#2013266080;are performing the worst as the fundamentally&#2013266080;"worst" companies rally the most. Historically, such bifurcated markets tend to have rather nasty outcomes."*

Finally, the correction in Technology has begun. We are now waiting for the right opportunity to add back to the same positions we took profits in two weeks ago. As we enter the historically weak months of August and September, we are continuing to focus on hedging risk and maintaining our relative performance.

We suspect we have a bit more *"choppiness"* ahead of us. Still, with the technical indicators more bullish than bearish, we are maintaining our equity exposure. However, we also keep moving our *"stops"* up, just in case.&#2013266080;

Changes

In both models, we added a small hedge in the Dollar (UUP) as it is extremely oversold. The purpose of this position is to hedge risk in our Energy, Gold, and International positions.&#2013266080;

We also readjusted some weightings in both portfolios by adding a small amount of money to sectors we were underweight on relative to the S&P 500. The purpose of these changes is to provide a bit more relative performance without markedly increased risk.&#2013266080;

We had a good test of our portfolios on Thursday and Friday. With portfolios down, only about 1/5th of the market decline, our hedges are working as expected, even with increased equity exposure.

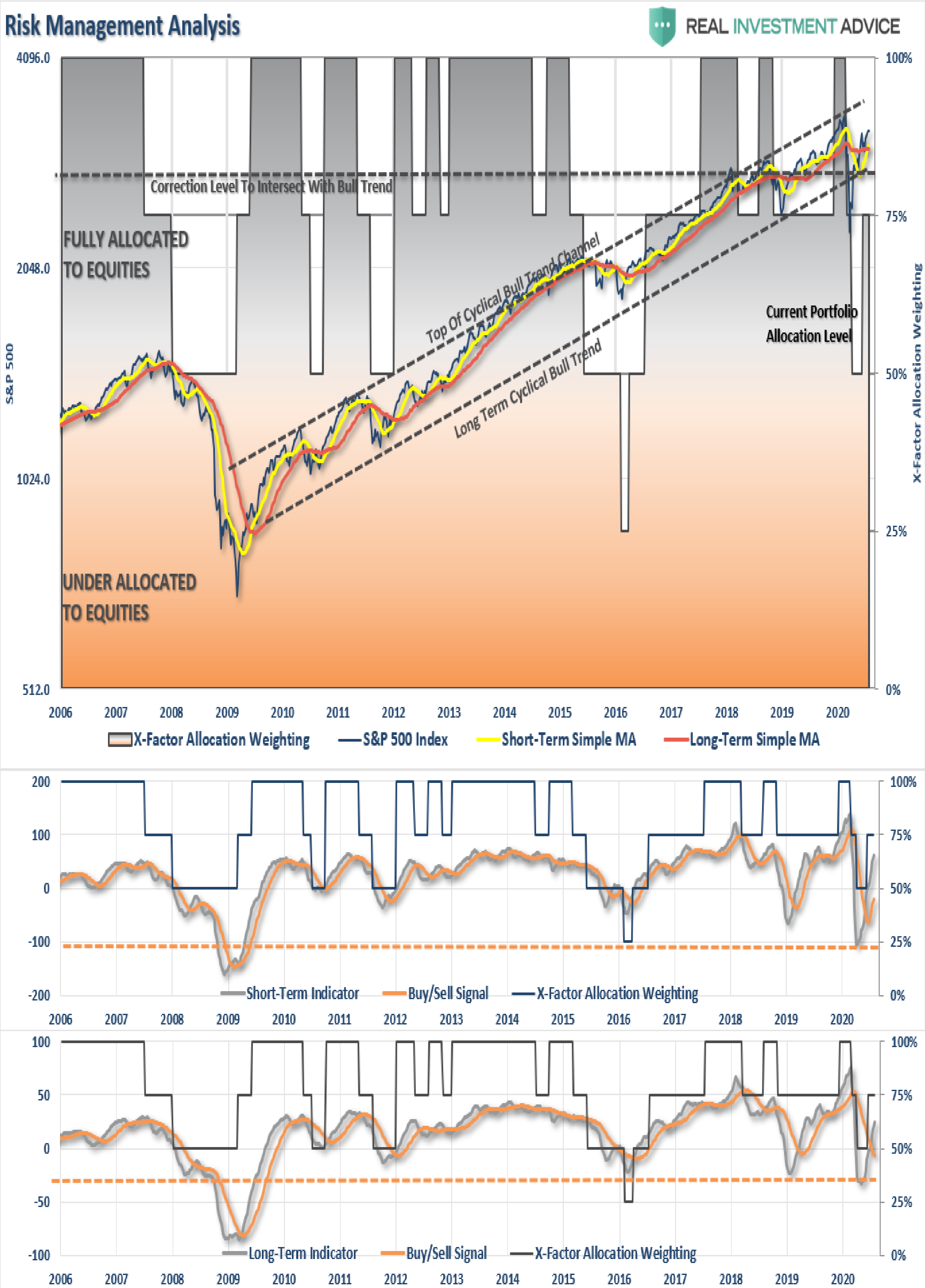
In the meantime, we are doing our best to maintain some risk controls. We do not want to be forced to sell emotionally. Please don't hesitate to contact us if you have any questions or concerns.

Lance Roberts

CIO

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



Current Portfolio Weighting

Current 401k Allocation Model

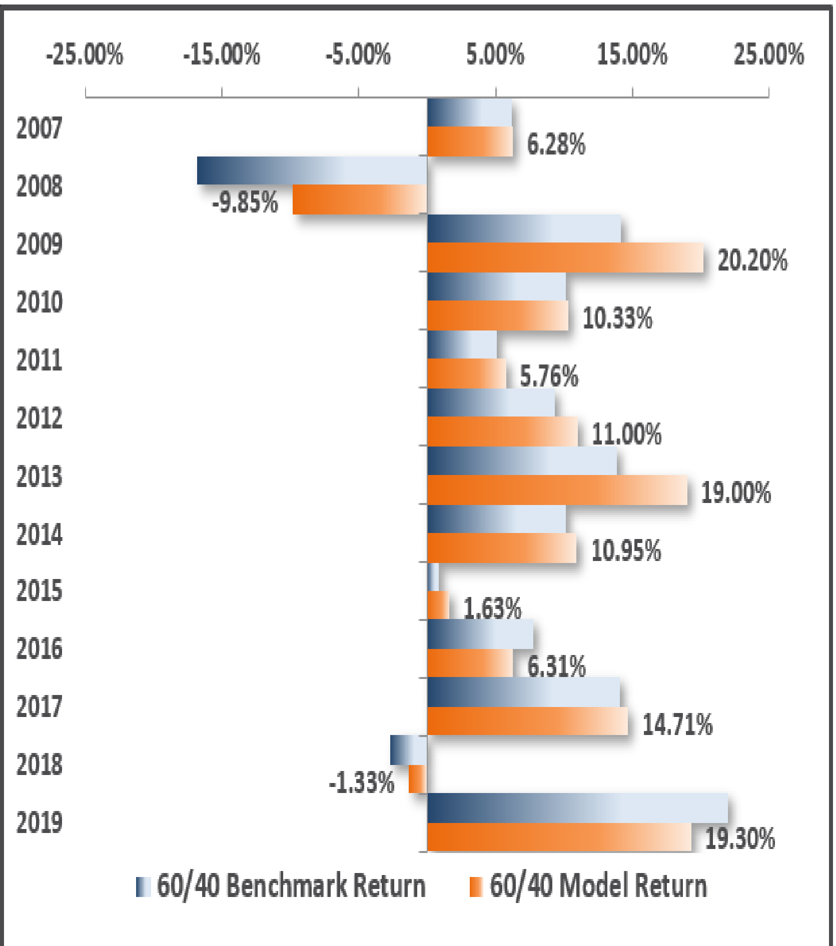
20.00% Cash + All Future Contributions

Primary concern is the protection of investment capital

If you need help after reading the alert; do not hesitate to&#2013266080;**contact me**

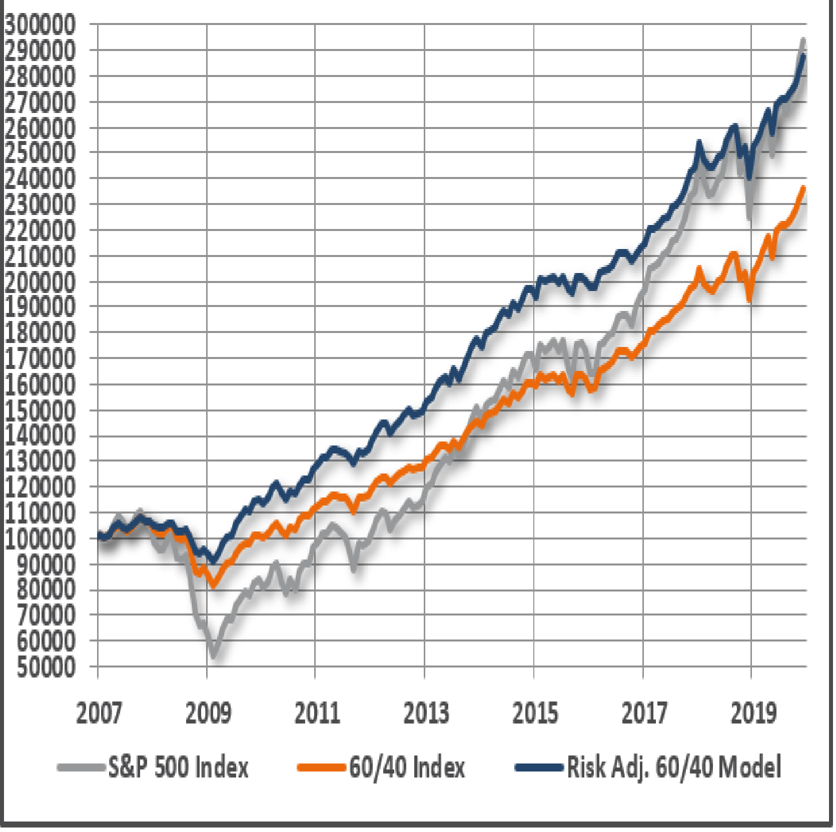
Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only and should not be relied on for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.&#2013266080;&#2013266080;

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.15%	6.28%
2008	-16.79%	-9.85%
2009	14.22%	20.20%
2010	10.17%	10.33%
2011	5.14%	5.76%
2012	9.33%	11.00%
2013	13.91%	19.00%
2014	10.08%	10.95%
2015	0.83%	1.63%
2016	7.79%	6.31%
2017	14.12%	14.71%
2018	-2.72%	-1.33%
2019	21.96%	19.30%



Portfolio vs Benchmark Statistics	
Number of Up Years	11
Number of Down Years	2
Best One Year Return Of Benchmark	21.96%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.79%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	123.78%
Model Return 2007-Present	173.11%
Total Alpha Generated	49.33%
Mean Annual Return Of Benchmark	7.25%
Mean Annual Return Of Model	8.79%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.30%
Sharpe Ratio	0.29

60/40 Benchmark vs. Risk Adjusted 60/40 Allocation



401k Plan Manager Live Model

As an **RIA PRO subscriber** ***(You get your first 30-days free) you have access to our live 401k plan manager.***

Compare your current 401k allocation, to our recommendation for your company-specific plan as well as our on 401k model allocation.

You can also track performance, estimate future values based on your savings and expected returns, and dig down into your sector and market allocations.

If you would like to offer our service to your employees at a deeply discounted corporate rate, please contact me.

RIAPro

Investment Analysis, Research & Data
From The RIA Investment Team

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This is the Beta version of 401K. Some Errors are expected ! Click Here to report Issues

My Portfolios | CVS Health ▼ | Enter Portfolio Name | ✔ Add Portfolio | ✔ Delete Portfolio | ✔ Rename Portfolio

My Info | Fund Selection | Comparison | Summary | Commentary

My Portfolio

RIAPro Portfolio | RIA PRO MODEL PL ▼

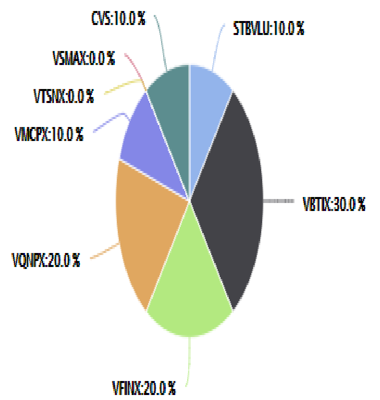
Retirement Income (My Portfolio Annual ROR 9.44 %) -

Current account balance	10,000
Estimated Retirement Balance	632,861
Estimated Retirement Balance (Inflation Adj)	620,204
Monthly Income	2,768
Monthly Income (Inflation Adj)	2,713
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

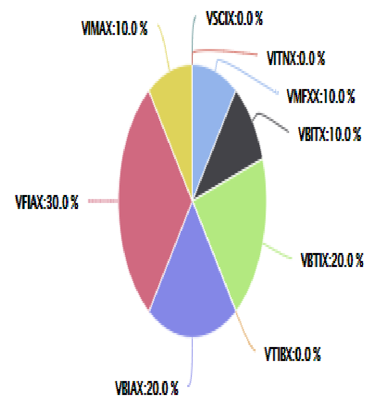
Retirement Income (RiaPro Annual ROR 9.02 %) -

Current account balance	10,000
Estimated Retirement Balance	609,786
Estimated Retirement Balance (Inflation Adj)	597,590
Monthly Income	2,667
Monthly Income (Inflation Adj)	2,614
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

My Fund Composition -



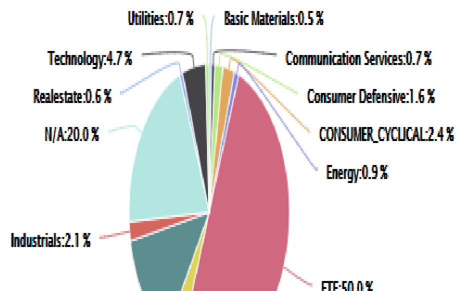
RIAPro Fund Composition -



My Asset Composition +

RIAPro Asset Composition +

My Sector Composition -



RIAPro Sector Composition -