Market Crash & Navigating What Happens Next

- *Market Crash & Navigating What Happens Next*
- *MacroView: The Ghosts Of 2018*
- *Sector & Market Analysis*
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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA: Week Of 02-24-20

Written by Lance Roberts | Feb 28, 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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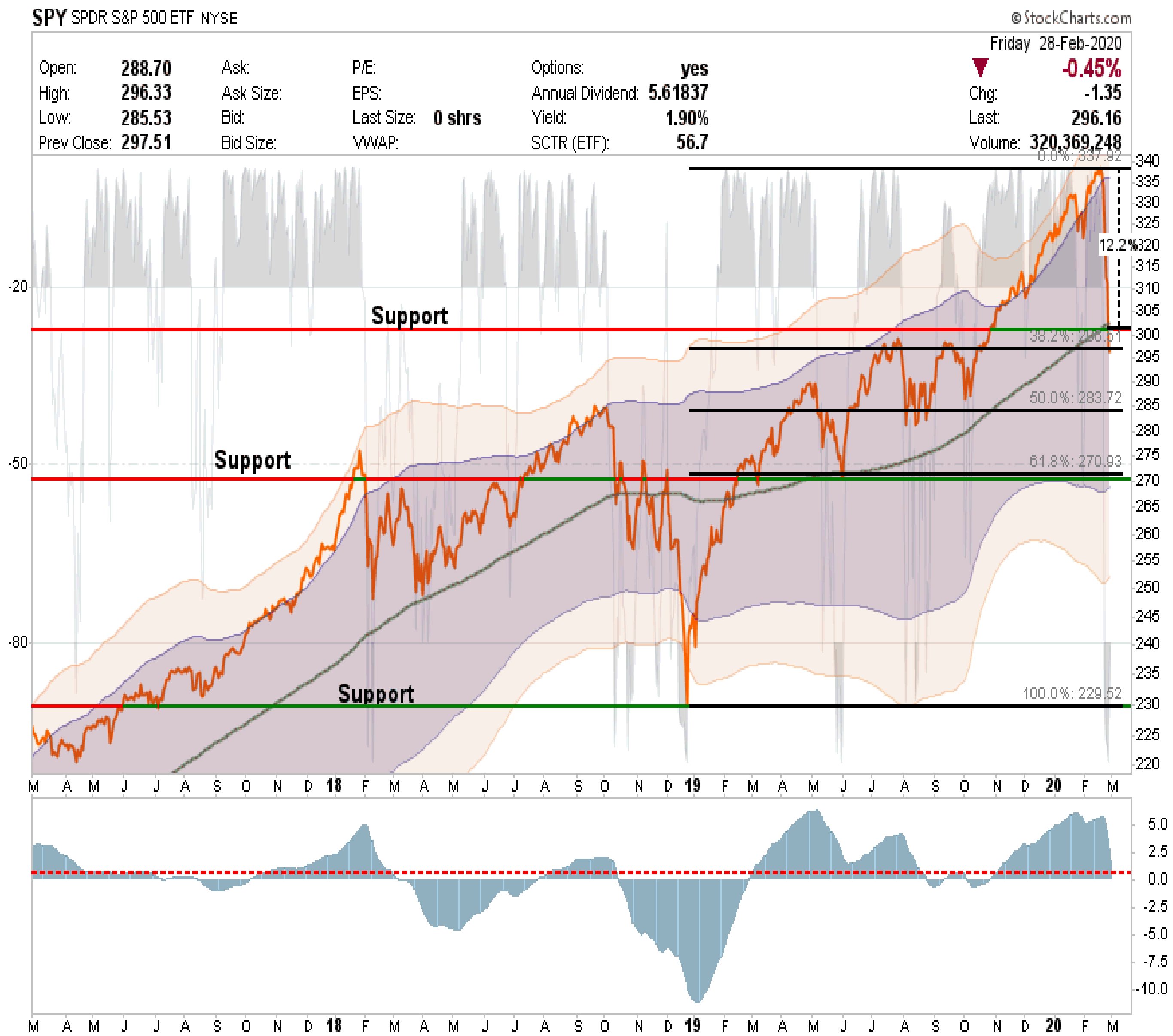
Market Crash & Navigating What Happens Next

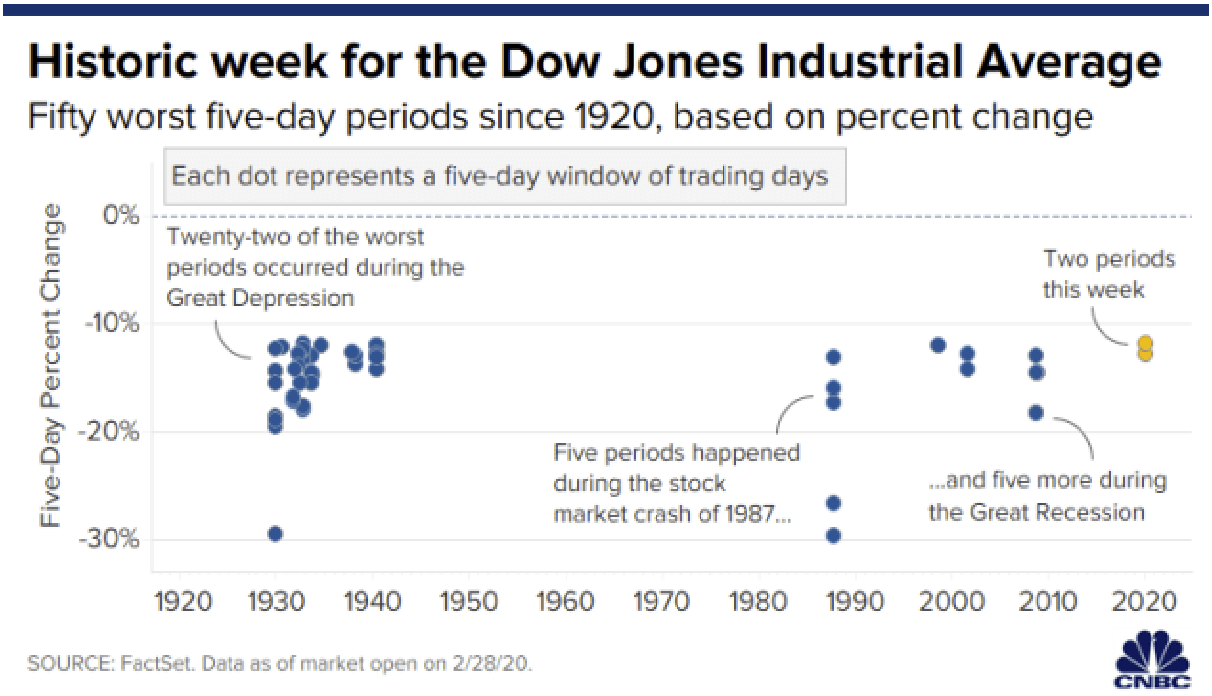
Just last week, we discussed with our ***RIAPRO subscribers (Try for 30-days RISK FREE)&#2013266080;***the risk of the market not paying attention to the virus. To wit:

> *"With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming.'* ***But the belief is currently 'more stimulus' will offset the 'virus.'***
>
> ***This is probably a wrong guess.***
>
> ***Extensions to this degree rarely last long without a correction.*** *Maintain exposures, but tighten up stop-losses."*

Unfortunately, it escalated more rapidly than even we anticipated.



*"**It only took the S&P 500 six days to fall from an all-time high into correction levels, marking the broad index?s fastest drop of that magnitude outside of a one-day crash.** Friday?s losses built on this week?s massive losses. The Dow and S&P 500 have fallen 14% and 13%, respectively, week to date. The two indexes were on pace for their biggest one-week loss since the 2008 financial crisis. The Nasdaq has lost 12.3% this week." - CNBC*



If that headline doesn't startle you, you are also probably lacking a pulse.

However, it was two Monday's ago, CNBC was cheering the market's record highs and dismissing the impact of the virus as *"it was just people getting sick in China."* We disagreed, which is why over the last several weeks, we have been detailing our warnings.

- ***Did The Market Just Get Infected?***
- ***Market Believes It Has Immunity To Risks***
- ***Market Vaccine For Virus Is More Fed's "NotQE"***

The correction this past week has been in the making for a while. It is why we have discussed carrying extra cash, adjusting our bond positioning, and rebalancing portfolio risks weekly for the past couple of months. Just as a reminder, this is what ***we wrote last week:***

- ***We have been concerned about the potential for a correction for the last three weeks.***

- ***We previously took profits*** *near the market peak in January.*
- ***However, we did extend the duration of our bond portfolio a bit,*** *and changed some of the underlying mixes of bonds,* ***to prepare for a correction.***
- ***We are using this correction to rebalance*** *some of our equity risks as well.*
- ***The bull market is still intact,*** *so it is not time to be bearish in terms of positioning, just yet.*
- ***We are maintaining our hedges for now*** *until we get a better understanding of where the markets are headed next.*

While those actions did not entirely shield our portfolios for such a steep and swift correction, it did limit the damage to a great degree.&#2013266080;

This now gives us an opportunity to use the correction as an opportunity to *"buy assets"* which are now oversold and have a much improved *"risk vs reward"* profile.&#2013266080;

This is the advantage of *"risk management"* versus a *"buy and hold"* strategy. You can't "buy cheap" if you don't have any cash to "*buy"* with.&#2013266080;

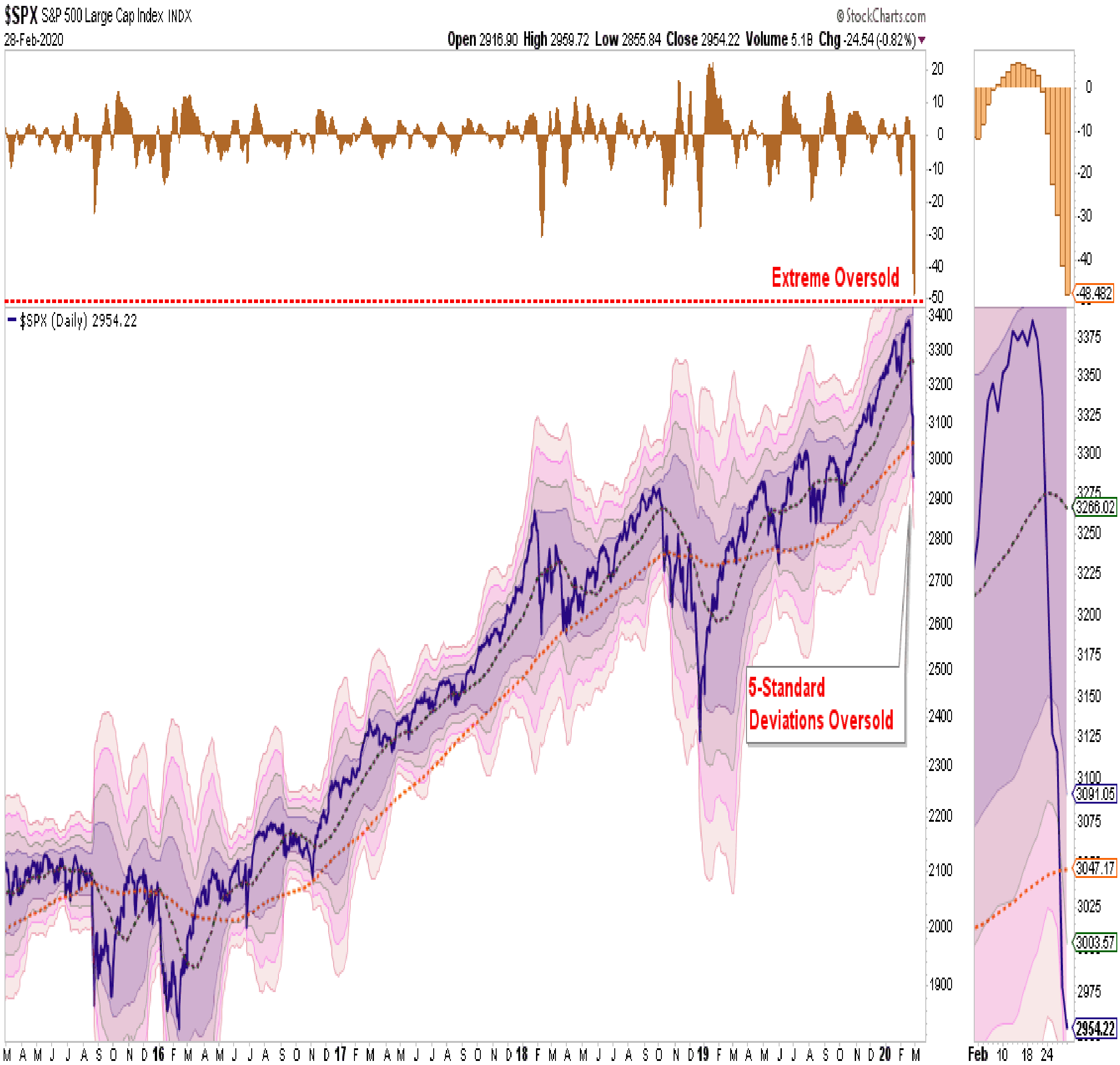
I want to use the rest the article this week to quickly review the market after the brutal selloff this past week. Here are the questions we want to answer:

1. *Is the correction over?*
2. *Is this a buying opportunity?*
3. *Has the decade long bull market ended?*

Let's review some charts, and I will answer these questions at the end.

Daily

On a daily basis, the market is back to a level of oversold (top panel) rarely seen from a historical perspective. Furthermore, the rapid decline this week took the markets 5-standard deviations below the 50-dma.&#2013266080;



To put this into some perspective, prices tend to exist within a 2-standard deviation range above and below the 50-dma. **The top or bottom of that range constitutes 95.45% of ALL POSSIBLE price movements within a given period.&#2013266080;**

> ***A 5-standard deviation event equates to 99.9999% of all potential price movement in a given direction.&#2013266080;***

This is the equivalent of taking a rubber band and stretching it to its absolute maximum.&#2013266080;

Importantly, like a rubber band, this suggests the market "*snap back*" could be fairly substantial, and should be used to reduce equity risk, raise cash, and add hedges.

If we rework the analysis a bit, we can see in both the top and bottom panels the more extreme oversold condition. Assuming a short-term bottom was put in on Friday, a reflexive ***"counter-trend"*** rally will likely see the markets retrace back 38.2% to 50% of the previous decline.

Given the beating that many investors took over the past week, it is highly likely any short-term rallies will be met with more selling as investors try and *"get out"* of the market.

Weekly

On a weekly basis, the rising *"bull trend support"* from the 2016 lows is clear. That trend also coincides with our longer-term moving average which drives our allocation models.

Importantly, the market decline this past week DID NOT violate that trend currently, which suggests maintaining our allocation to equity risk in portfolios currently. **However, the two longer-term sell signals, bottom panels, are close to registering *a "risk reduction"* change to our portfolios*. (This will reduce our model from 100% to 75%)&#2013266080;***

With the market currently very oversold, individuals are quick to assume this is 2018 all over again. However, the technical backdrop from where the signals are being triggered is more akin to 2015-

2016 *(yellow highlights).* **Such suggests that a rally will likely give way to another decline before the final bottom is in place.**

Monthly

This chart has ONE purpose, to tell us when a *"bear market"* has officially started.&#2013266080;

On a monthly basis, the bulls remain in control. The decline in the market this past week wiped out all the *"Fed Repo"* gains from last October.&#2013266080;

However, there are some VERY important points of concern that we will likely see play out over the rest of 2020.

The most important WARNING is the negative divergence in relative strength (top panel).&#2013266080;&#2013266080;This negative divergence was seen at every important market correction event over the last 25-years.&#2013266080;

As we have noted previously:&#2013266080;

> *"The market had triggered a 'buy'&#2013266080;signal in October of last year as the Fed 'repo'&#2013266080;operations went into overdrive.* ***These monthly signals are 'important,'&#2013266080;but it won?t take a tremendous decline to reverse those signals.***
>
> ***It?s okay to remain optimistic short-term, just don?t be complacent."***

As shown in the bottom two panels, both of the monthly *"buy"* signals are very close to reversing. It will take a breakout to "*all-time highs"* at this point to keep those signals from triggering. This lends support to our thesis of how [***the rest of 2020 will play out.***]

Let's Answer Those Important Questions

Is the correction over?

Given the extreme 5-standard deviation below the 50-dma, combined with the massive short-term oversold condition discussed above, it is very likely we have seen the bulk of the correction on a short-term basis.&#2013266080;

This is NOT an absolute statement, promise, or guarantee. It is the best guess. If there is a major outbreak of the virus in the U.S., or the Fed fails to act, or a myriad of other factors, another wave of selling could easily be sparked.&#2013266080;

Is this a buying opportunity?

For longer-term investors, people close to, or in, retirement, or for individuals who don't pay close attention to the markets or their investments, **this is NOT a buying opportunity.**&#2013266080;

While we have, and will, likely add some "trading rentals" to our portfolio for a reflexive bounce, they will be sold appropriately, risk reduced, and hedges added accordingly.&#2013266080;

Let me be clear.

There is currently EVERY indication given the speed and magnitude of the decline, that any short-term reflexive bounce will likely fail. Such a failure will lead to a retest of the recent lows, or worse, the beginning of a bear market brought on by a recession.

Please read that last sentence again.&#2013266080;

Has the decade long bull market ended?

As noted in the last chart above, the bull market that began in 2009 has NOT ended as of yet. This keeps our portfolios primarily long-biased at the current time.&#2013266080;

With that said, our primary concern is that the impact on the global supply chain in China, South Korea, and Japan will have much more severe economic impacts than currently anticipated which will likely push the U.S. economy towards a recession later this year. &#2013266080;*(This is something the collapsing yield curve is already suggesting.)*

Importantly, the global supply chain is an exogenous risk that monetary interventions can NOT alleviate. *(Supplying liquidity to financial markets does not fix plants being closed, people slowing consumption, transportation being halted, etc.)*

As noted in the monthly chart above, it is entirely possible that by mid-summer we could well be dealing with a recessionary economic environment, slower earnings growth, and rising unemployment. Such will cause markets to reprice current valuations leading to the onset of a bear market.

The purpose of the analysis above is to provide you with the information to make educated guesses about the *?probabilities*? versus the*&#2013266080;?possibilities?&#2013266080;*of what could occur in the markets over the months ahead.

It is absolutely&#2013266080;*?possible?*&#2013266080;the markets could find a reason to rally back to all-time highs and continue the bullish trend.&#2013266080;*(For us, such would be the easiest and best outcome.)*

However, the analysis currently suggests the risks currently outweigh potential reward and a deeper correction is the most&#2013266080;*?probable?*&#2013266080;at this juncture.

Don?t take that statement lightly.

I am suggesting reducing risk opportunistically, and being pragmatic about your portfolio, and your money.&#2013266080;

Here are our rules that we will be following on the next rally.

1. ***Move slowly.*** *There is no rush in making dramatic changes. Doing anything in a moment of "panic" tends to be the wrong thing.*
2. ***If you are over-weight equities, DO NOT try and fully adjust your portfolio to your target allocation in one move.&#2013266080;****Again, after big declines, individuals feel like*

they "must" do something. Think logically above where you want to be and use the rally to adjust to that level.

3. ***Begin by selling laggards and losers.*** *These positions were dragging on performance as the market rose and they led on the way down.*
4. ***Add to sectors, or positions, that are performing with, or outperforming*** *the broader market if you need risk exposure.*
5. ***Move ?stop-loss? levels up to recent lows for each position.****&#2013266080;Managing a portfolio without ?stop-loss? levels is like driving with your eyes closed.*
6. ***Be prepared to sell into the rally and reduce overall portfolio risk.*** *There are a lot of positions you are going to sell at a loss simply because you overpaid for them to begin with. Selling at a loss DOES NOT make you a loser. It just means you made a mistake. Sell it, and move on with managing your portfolio.* **Not every trade will always be a winner. But keeping a loser will make you a loser of both capital and opportunity.&#2013266080;**
7. ***If none of this makes any sense to you ? please consider hiring someone*** *&#2013266080;to manage your portfolio for you. It will be worth the additional expense over the long term.*

While we remain optimistic about the markets currently, we are also taking precautionary steps of tightening up stops, adding non-correlated assets, raising some cash, and looking to hedge risk opportunistically on any rally.

Everyone approaches money management differently. This is just our approach to the process of controlling risk.

We hope you find something useful in it.

The MacroView

MacroView: The Ghosts Of 2018?

Written by Lance Roberts | Feb 28, 2020

In January we asked if this was going to be a repeat of 2018 as a strong start wound up wiping out all the gains. Well, we now know the answer. The question is what happens next, what should you do, and is the worst behind us.

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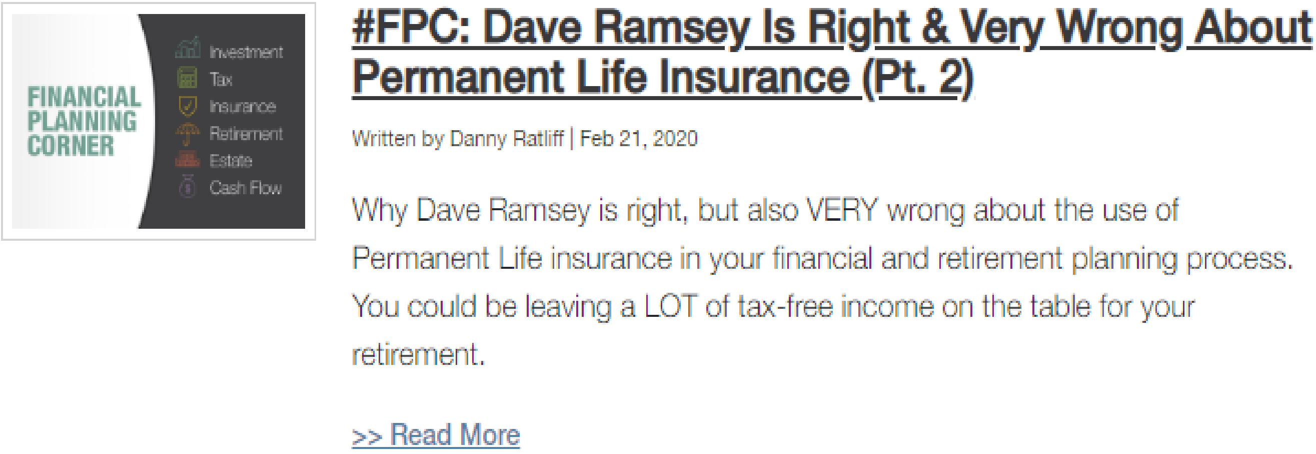
If you need help or have questions, we are always glad to help. Just email me.

See You Next Week

By Lance Roberts, CIO

Financial Planning Corner



#FPC: Dave Ramsey Is Right & Very Wrong About Permanent Life Insurance (Pt. 2)

Written by Danny Ratliff | Feb 21, 2020

Why Dave Ramsey is right, but also VERY wrong about the use of Permanent Life insurance in your financial and retirement planning process. You could be leaving a LOT of tax-free income on the table for your retirement.

>> Read More

You?ll be hearing more about more specific strategies to diversify soon, but don?t hesitate to give me any suggestions or questions.

by Danny Ratliff, CFP&#2013266094;

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

SPY RISK INFO — ZACKS — REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	9.06%	6.31%	(7.95%)	(226.08%)
Max Drawdown	-20.47%	-15.79%	-15.79%	0.00%
Sharpe	0.37	0.55	(2.21)	(5.02)
Sortino	0.39	0.54	(2.08)	(4.86)
Volatility	14.93	13.58	19.26	0.42
Daily VaR-5%	(17.56)	(13.28)	(71.78)	4.41
Mnthly VaR-5%	(10.95)	10.92	10.92	0.00

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	1.68%	1.93%	1.92%	(0.60%)	2.18%	1.68%	(11.94%)	14.74%
P/E Ratio	22.06	18.31	18.44	0.66%	2169%	1648%	(15.0%)	11.86%
P/S Ratio	3.59	3.12	3.29	5.14%	3.59	2.65	(8.39%)	24.06%
P/B Ratio	4.07	3.80	4.28	11.19%	4.66	3.01	(8.24%)	42.28%
ROE	16.03%	18.81%	18.96%	0.77%	18.96%	15.04%	0.00%	26.06%
ROA	3.00%	3.53%	3.50%	(0.82%)	3.53%	2.81%	(0.81%)	24.54%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,381.9	2,364.9	(0.71%)
Sales	63,173	64,511	2.12%
SPS	26.5	27.3	2.85%
Earnings	9,539	9,504	(0.36%)
EPS TTM	4.8	4.9	1.19%
Dividend	1.6	1.7	6.26%

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	(29.36%)	3.54%	1.27	16.41	127.61	12.77	(87.1%)	6.3%	5.3%	7.51%	3.08	15.63
Materials	(27.77%)	2.50%	1.27	15.93	22.97	13.86	(30.7%)	8.5%	2.1%	7.07%	3.63	17.46
Industrials	(3.13%)	8.86%	1.16	16.83	22.27	14.78	(24.4%)	19.3%	2.1%	6.03%	5.08	17.31
Discretionary	5.62%	9.84%	1.03	23.51	27.17	20.19	(13.5%)	27.7%	1.4%	4.41%	4.92	22.86
Staples	6.15%	7.26%	0.58	19.60	22.83	17.62	(14.1%)	28.2%	2.9%	5.07%	4.04	20.15
Health Care	1.01%	13.94%	0.87	15.91	20.18	15.78	(21.2%)	31.4%	1.9%	6.22%	6.95	15.82
Financials	1.53%	12.39%	1.24	12.13	18.50	11.73	(34.4%)	11.5%	2.3%	8.16%	5.97	12.89
Technology	25.31%	24.23%	1.24	23.68	24.10	14.48	(1.7%)	41.2%	1.4%	4.34%	5.70	22.77
Telecom	6.86%	10.54%	0.87	21.04	27.01	17.61	(22.1%)	16.6%	0.9%	4.87%	6.77	19.28
Utilities	10.00%	3.57%	0.26	19.77	21.40	15.58	(7.6%)	11.4%	3.3%	4.83%	3.75	20.98
Real Estate	6.14%	3.17%	0.69	19.99	23.85	17.19	(16.2%)	8.6%	3.3%	4.98%	4.45	20.30

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	296.26	(7.63%)	326.61	50	(9.29%)	305.49	194	(3.02%)	6.91%	(12.63%)	8.75%	Buy
Mid Cap	331.09	(11.84%)	373.90	15	(11.45%)	358.42	101	(7.63%)	4.32%	(13.88%)	2.62%	Buy
Small Cap	62.99	(13.50%)	71.63	8	(12.06%)	68.60	99	(8.17%)	4.42%	(15.14%)	1.90%	Buy

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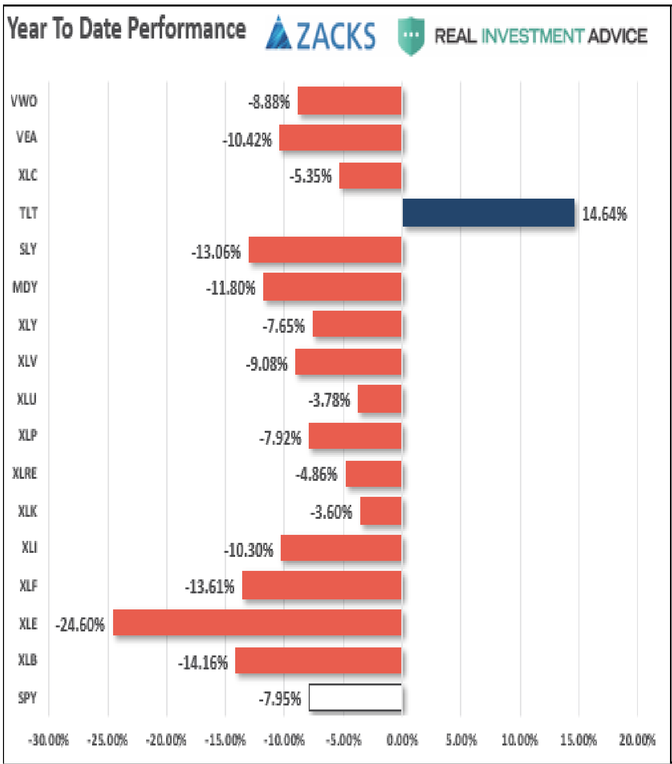
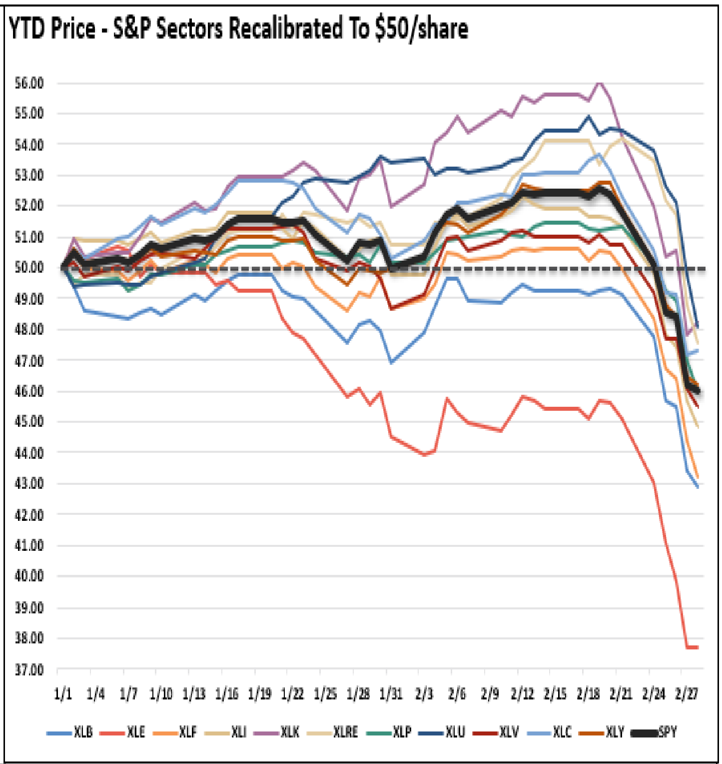
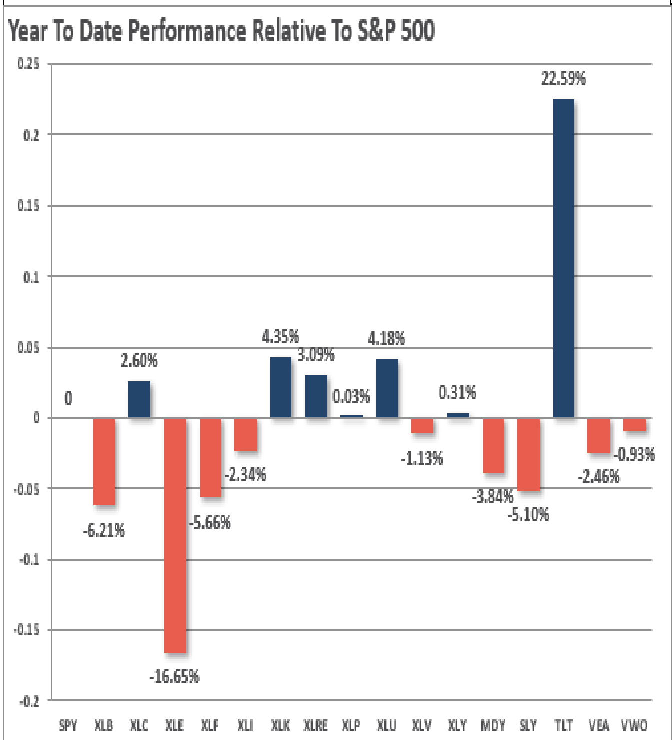
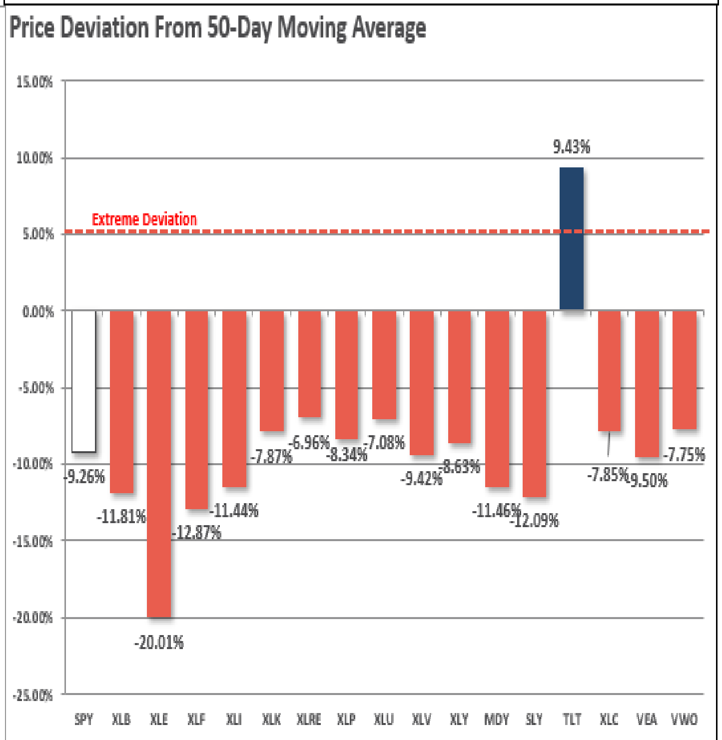
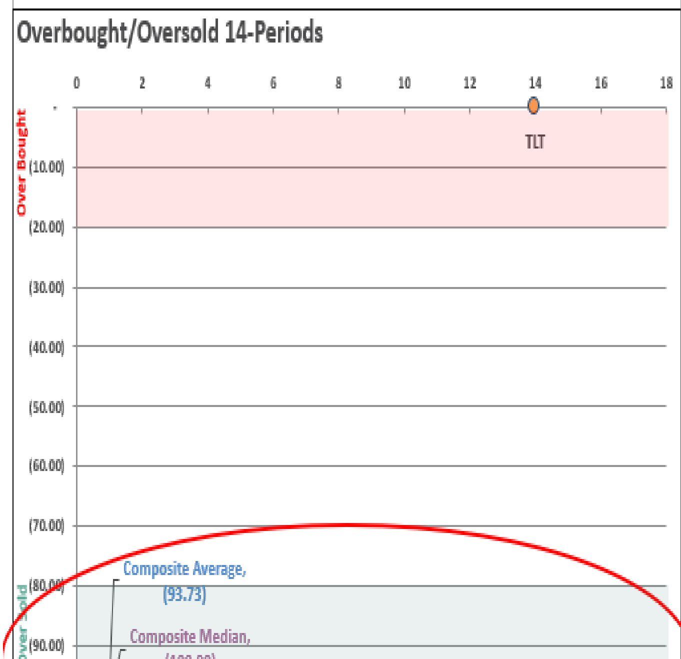
Performance Analysis

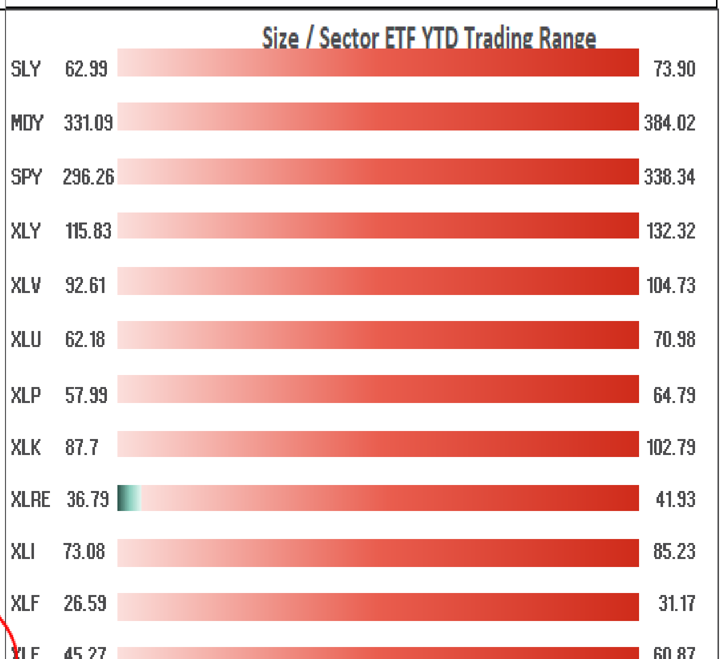

Year To Date Performance
ZACKS
REAL INVESTMENT ADVICE
VWO -8.88%
VEA -10.42%
XLC -5.35%
TLT 14.64%
SLY -13.06%
MDY -11.80%
XLY -7.65%
XLV -9.08%
XLU -3.78%
XLP -7.92%
XLRE -4.86%
XLK -3.60%
XLI -10.30%
XLF -13.61%
XLE -24.60%
XLB -14.16%
SPY -7.95%
-30.00% -25.00% -20.00% -15.00% -10.00% -5.00% 0.00% 5.00% 10.00% 15.00% 20.00%


YTD Price - S&P Sectors Recalibrated To $50/share
56.00 55.00 54.00 53.00 52.00 51.00 50.00 49.00 48.00 47.00 46.00 45.00 44.00 43.00 42.00 41.00 40.00 39.00 38.00 37.00
1/1 1/4 1/7 1/10 1/13 1/16 1/19 1/22 1/25 1/28 1/31 2/3 2/6 2/9 2/12 2/15 2/18 2/21 2/24 2/27
XLB XLE XLF XLI XLK XLRE XLP XLU XLV XLC XLY SPY

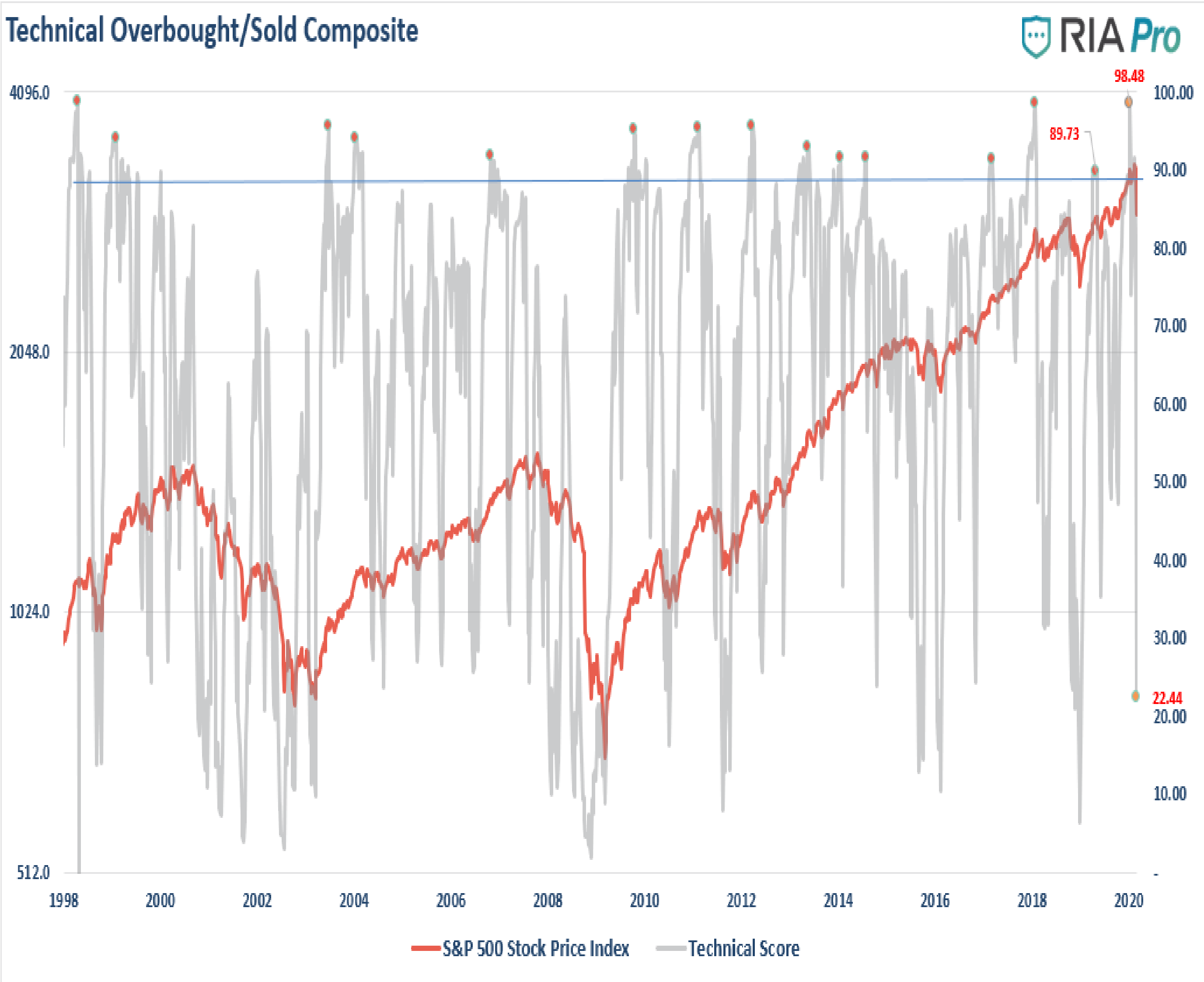

Year To Date Performance Relative To S&P 500
0.25 0.2 0.15 0.1 0.05 0 -0.05 -0.1 -0.15 -0.2
SPY 0
XLB -6.21%
XLC 2.60%
XLE -16.65%
XLF -5.66%
XLI -2.34%
XLK 4.35%
XLRE 3.09%
XLP 0.03%
XLU 4.18%
XLV -1.13%
XLY 0.31%
MDY -3.84%
SLY -5.10%
TLT 22.59%
VEA -2.46%
VWO -0.93%


Price Deviation From 50-Day Moving Average
15.00% 10.00% 5.00% 0.00% -5.00% -10.00% -15.00% -20.00% -25.00%
Extreme Deviation
SPY -9.26%
XLB -11.81%
XLE -20.01%
XLF -12.87%
XLI -11.44%
XLK -7.87%
XLRE -6.96%
XLP -8.34%
XLU -7.08%
XLV -9.42%
XLY -8.63%
MDY -11.46%
SLY -12.09%
TLT 9.43%
XLC -7.85%
VEA -9.50%
VWO -7.75%


Overbought/Oversold 14-Periods
0 2 4 6 8 10 12 14 16 18
Over Bought
TLT
(10.00) (20.00) (30.00) (40.00) (50.00) (60.00) (70.00) (80.00) (90.00)
Composite Average, (93.73)
Composite Median,


Size / Sector ETF YTD Trading Range
SLY 62.99 73.90
MDY 331.09 384.02
SPY 296.26 338.34
XLY 115.83 132.32
XLV 92.61 104.73
XLU 62.18 70.98
XLP 57.99 64.79
XLK 87.7 102.79
XLRE 36.79 41.93
XLI 73.08 85.23
XLF 26.59 31.17
XLE 45.27 60.87

Technical Composite



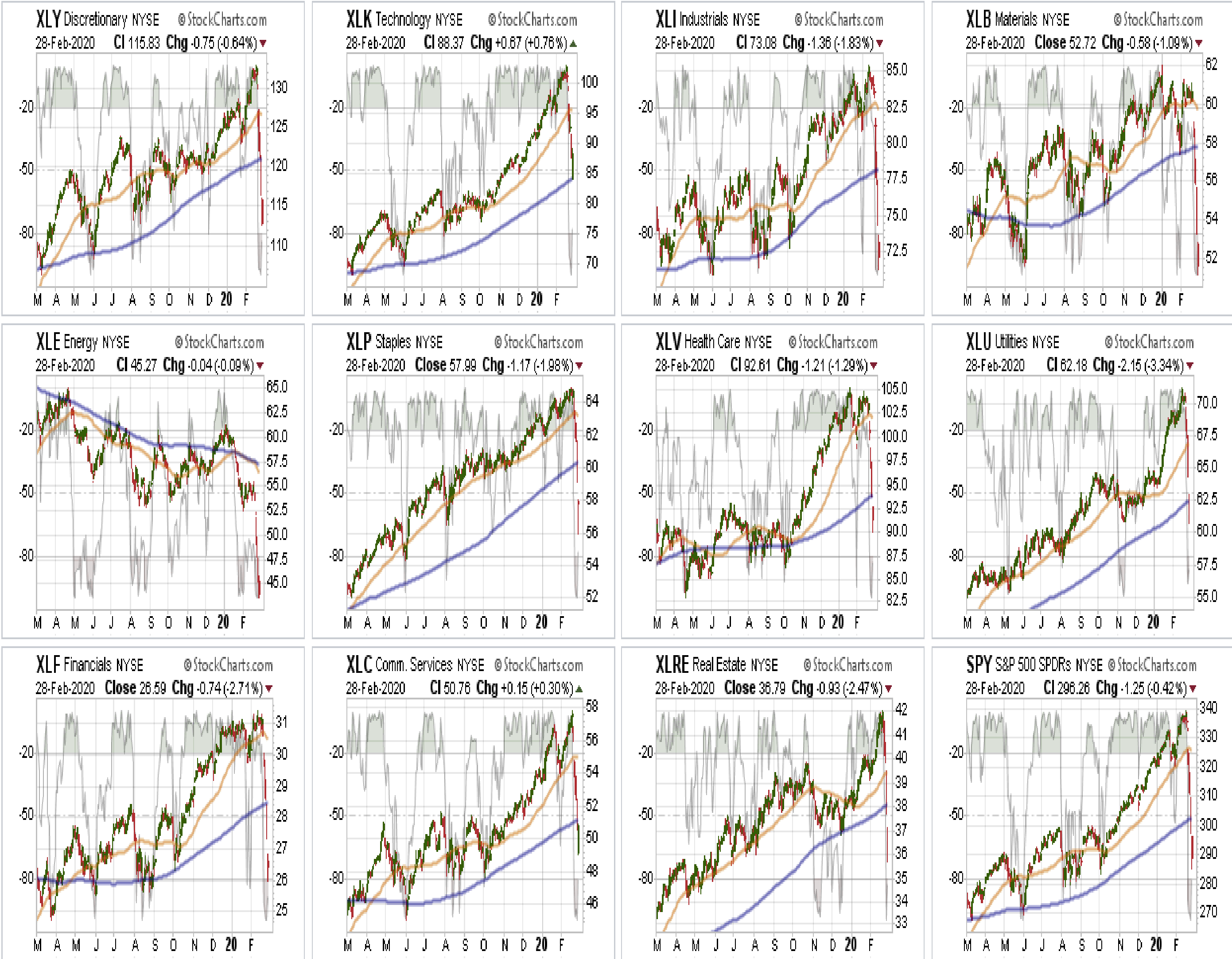
ETF Model Relative Performance Analysis

RIA Pro		RELATIVE PERFORMANCE		Current	Model Position Price Changes Relative to Index					SHORT	LONG	% DEV -	% DEV -	Buy / Sell
		Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	Short M/A	Long M/A	Signal
	BENCHMARK	IVV	ISHARS-SP500	295.91	(11.67)	(8.45)	(6.55)	(2.30)	4.82	325.49	310.05	-9.09%	-4.56%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	52.72	(0.96)	(0.06)	(5.73)	(8.56)	(8.93)	59.85	58.67	-11.92%	-10.13%	BUY
		XLE	SPDR-EGY SELS	45.27	(4.71)	(6.83)	(17.65)	(23.59)	(36.69)	57.32	58.76	-21.02%	-22.96%	SELL
		XLF	SPDR-FINL SELS	26.59	(1.91)	(2.79)	(5.87)	(4.37)	(5.19)	30.49	29.01	-12.79%	-8.34%	BUY
		XLI	SPDR-INDU SELS	73.08	(0.90)	(1.45)	(3.35)	(5.60)	(9.18)	82.19	79.43	-11.09%	-7.99%	BUY
		XLK	SPDR-TECH SELS	88.37	0.54	1.15	7.24	11.18	19.05	94.28	86.47	-6.27%	2.20%	BUY
		XLP	SPDR-CONS STPL	57.99	1.37	0.24	(0.92)	(2.70)	2.10	63.13	61.54	-8.14%	-5.77%	BUY
		XLU	SPDR-UTIL SELS	62.18	0.08	(1.40)	4.92	1.09	4.02	66.17	63.89	-6.03%	-2.68%	BUY
		XLC	SPDR-COMM SV SS	50.76	2.12	2.61	2.76	1.26	4.86	54.57	51.97	-6.98%	-2.33%	BUY
		XLV	SPDR-HLTH CR	92.61	1.21	1.87	(1.22)	3.50	(5.18)	101.88	95.93	-9.09%	-3.46%	BUY
		XLY	SPDR-CONS DISCR	115.83	0.57	0.88	1.69	(3.85)	(0.56)	125.84	122.65	-7.95%	-5.56%	BUY
	SIZE	SLY	SPDR-SP SC 600	62.99	(0.50)	(1.06)	(5.08)	(7.03)	(14.24)	71.56	69.06	-11.97%	-8.80%	BUY
		MDY	SPDR-SP MC 400	331.09	(1.19)	(0.95)	(3.78)	(5.35)	(10.45)	372.85	360.51	-11.20%	-8.16%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	103.47	(0.32)	(0.41)	(2.14)	(3.37)	(6.04)	115.36	110.95	-10.30%	-6.74%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	95.15	(0.20)	(0.47)	(4.40)	(5.93)	(9.00)	106.72	103.88	-10.84%	-8.40%	BUY
	Real Estate	XLRE	SPDR-RE SELS	36.79	(0.59)	2.24	2.06	(2.37)	1.30	39.23	38.87	-6.22%	-5.36%	BUY
	International	EEM	ISHARS-EMG MKT	40.52	5.27	4.68	0.63	(1.77)	(9.45)	44.05	42.59	-8.02%	-4.87%	BUY
		EFA	ISHARS-EAFE	62.24	2.85	0.69	(2.84)	(3.31)	(8.50)	68.75	66.68	-9.46%	-6.65%	BUY
		IXUS	ISHARS-CR INT S	55.74	3.36	1.46	(1.84)	(2.57)	(8.35)	61.20	59.31	-8.93%	-6.01%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	155.31	16.58	14.90	18.81	16.04	26.07	141.18	140.24	10.01%	10.75%	BUY
	International	BNDX	VANGD-TTL INT B	57.99	11.90	9.04	6.65	2.01	1.08	57.40	57.99	1.03%	0.00%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	86.04	9.08	6.75	5.52	1.01	(4.32)	87.78	87.19	-1.98%	-1.32%	BUY
	Cash	BSV	VANGD-SHT TRM B	81.95										

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



Everything was crushed this past week, so the difference between leading and lagging sectors is which sector fell faster or slower than the S&P 500 index itself.&#2013266080;

Improving ? Discretionary (XLY), Real Estate (XLRE), and Utilities (XLU)

As noted previously, we reduced exposure to Utilities, Real Estate, and Discretionary due to their extreme overbought condition.

This past week, the correction alleviated much of that condition so we are now looking for opportunistic adds to our portfolio. However, since these sectors are interest rate sensitive, with yields extremely compressed, we will enter positions as needed very cautiously.

Current Positions: *Reduced XLY, XLU, XLRE*

Outperforming ? Technology (XLK), Communications (XLC)

We previously recommended taking profits in Technology, which has not only been leading the market but has gotten extremely overbought. The correction this past week found support at the 200-dma and the sector is extremely oversold. We will look for a reasonable opportunity to add to our technology and communication sectors as they are less prone to the coronavirus impact.&#2013266080;

Current Positions: *Target weight XLK, Reduced XLC*

Weakening ? Healthcare (XLV)

We noted previously we had added to our healthcare positioning slightly. The correction to this sector this past week was brutal but we are looking to add more to our holdings as healthcare will ultimately benefit from healthcare needs from the impact of the virus.&#2013266080;

Current Position: *Target weight (XLV)*

Lagging ? Industrials (XLI), Financials (XLF), Staples (XLP), Materials (XLB), and Energy (XLE)

All of these sectors are back to oversold. We are looking for a counter-trend bounce to sell Industrials and Materials which are most susceptible to supply chain disruptions. We are starting to buy a little energy exposure this past week and are going to continue to add to that space due to its extreme oversold condition and relative value. We will also SELL Financials due to the financial risk from a recessionary impact on the outstanding corporate debt which currently exists.

Current Position: *Reduced weight XLY, XLP, Full weight AMLP, 1/2 weight XLF, XLB and XLI*

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? Early last week we sold all small-cap and mid-cap exposure over concerns of the impact of the coronavirus. Remain out of these sectors for now.&#2013266080;

Current Position: None

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

Same as small-cap and mid-cap. Given the spread of the virus and the impact on the global supply chain, not to mention the rising U.S. dollar, all exposures were sold early this past week.&#2013266080;

Current Position: None

Dividends (VYM), Market (IVV), and Equal Weight (RSP) ? These positions are our long-term *?core?* positions for the portfolio given that over the long-term markets do rise with economic growth and inflation. We are currently maintaining our core positions unhedged for now. However, on a rally back to short-term resistance we will add hedges to the core.&#2013266080;

Current Position: *RSP, VYM, IVV, VOOG*

Gold (GLD) ? This past week, Gold continued its surge higher as stock markets fell into a correction. Gold is extremely overbought, so be patient for now and move stops up to the recent breakout levels.&#2013266080; We sold our GDX position due to the fact mining is people-intensive and is located in countries most susceptible to the virus.&#2013266080;

Current Position: *IAU (GOLD)*

Bonds (TLT) ?

Bonds also broke out to new highs as the correction ensued. On Friday, we took profits in our 20-year bond position (TLT) to reduce our duration slightly, raise cash, and take in some profits. Bonds are extremely overbought now, so be cautious, we are maintaining the rest of our exposures for now but will look to hedge if we begin to see a reversal in rates.&#2013266080;

Current Positions: *DBLTX, SHY, IEF, PTIAX*

Sector / Market Recommendations

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	OS	Positive	Positive	Hold			X			Reduce on rally
XLK	Technology	OS	Positive	Positive	Hold			X			Look To Add Opportunistically
XLI	Industrials	OS	Positive	Positive	Hold			X			Reduce On Rally
XLB	Materials	OS	Positive	Positive	Hold			X			Reduce On Rally
XLE	Energy	OS	Negative	Negative	Adding		X				Adding Small Exposures
XLP	Staples	OB	Positive	Positive	Hold			X			Hold Curent Weight
XLV	Health Care	OS	Positive	Positive	Hold			X			Look To Add Opportunistically
XLU	Utilities	OS	Positive	Positive	Hold			X			Hold Curent Weight
XLF	Financials	OS	Positive	Positive	Hold			X			Reduce On Rally
XLC	Communications	OS	Positive	Positive	Hold			X			Hold Curent Weight
XLRE	Real Estate	OS	Positive	Positive	Hold			X			Hold Curent Weight
SLY	Small Caps	OS	Positive	Positive	No Position					X	Sold Holdings
MDY	Mid Caps	OS	Positive	Positive	No Position					X	Sold Holdings
EEM	Emerging Mkt	OS	Positive	Positive	No Position					X	Sold Holdings
EFA	International	OS	Positive	Positive	No Position					X	Sold Holdings
IXUS	Total International	OS	Positive	Positive	No Position					X	Sold Holdings
GLD	Gold	OB	Positive	Positive	Hold			X			Very Overbought
RSP	SP500 Equal Wgt	OS	Positive	Positive	Hold			X			Hedge On Rally
SDY	SP500 Dividend	OS	Positive	Positive	Hold			X			Hedge On Rally
IVV	SP500 Market Wgt	OS	Positive	Positive	Hold			X			Hedge On Rally
TLT	20+ Yr. Bond	OB	Positive	Positive	Hold			X			New Highs
HYG	Corporate High Yield	OS	Positive	Positive	No Position					X	Testing 200-DMA
BNDX	Int'l Bond Aggregrate	OB	Positive	Positive	No Position					X	Holding Near Highs

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

Portfolio/Client Update:

Wow.

As noted last week:

> *Over the last couple of weeks, we have made some minor changes to the portfolio which change very little in terms of the overall makeup. While this rebalancing of risk did not dramatically increase equity exposure, we are very aware of our positioning and risk and will take action accordingly.*
>
> ***We are being deliberately slow in on-boarding client portfolios into our models, and are monitoring risks very closely.*** *We are not in a rush to make any drastic moves in either direction, and prefer to wait for the market to "tell us" what we need to do.*
>
> ***We have taken profits, moved up stop-loss levels, and have hedged our risks. We will take action when necessary."***

Here is the problem.&#2013266080;

We use WEEKLY signals in order to manage equity exposures and make portfolio adjustments. Therefore, signals are ONLY VALID after the close of business on Friday.&#2013266080;

This keeps portfolio turnover lower and reduces the "whipsaw" effect of one or two-day declines. However, weekly signals become ineffective when you have a 14% decline within a single week.&#2013266080;

Fortunately, we had already hedged our portfolios to some degree, and had taken some actions to increase cash, take some profits, and add some *"rental trades"* for a reflexive rally. Those "rentals" will be sold and replaced with hedges as necessary.

Be assured we are watching your portfolios very closely. **However, if you have ANY questions, comments, or concerns, please *don't hesitate to email me.***

Portfolio Actions Taken Last Week

- **New clients:** *Slowing adding exposure as needed.*
- ***Dynamic Model:*** *Added to VOOG last week, sold our short-position to take in the profit. We also begin building some positions in RDS/A, AMLP and will be adding to XOM which are now 5-standard deviations oversold. We will sell some positions on a reflexive rally and reinstate our hedges.&#2013266080;*
- ***Equity Model:*** *Sold TLT, GDX, DEM, EFV, and SLYV to raise cash. Added a small "rental" of VOOG and started building exposure in RDS/A.&#2013266080;*
- ***ETF Model****: Sold TLT, DEM, EFV and SLYV.&#2013266080; Added a small "rental" of VOOG and added exposure in AMLP.&#2013266080; We will start building exposure to XLE shortly, and will be selling XLB, XLI, and XLF on a rally.&#2013266080;*

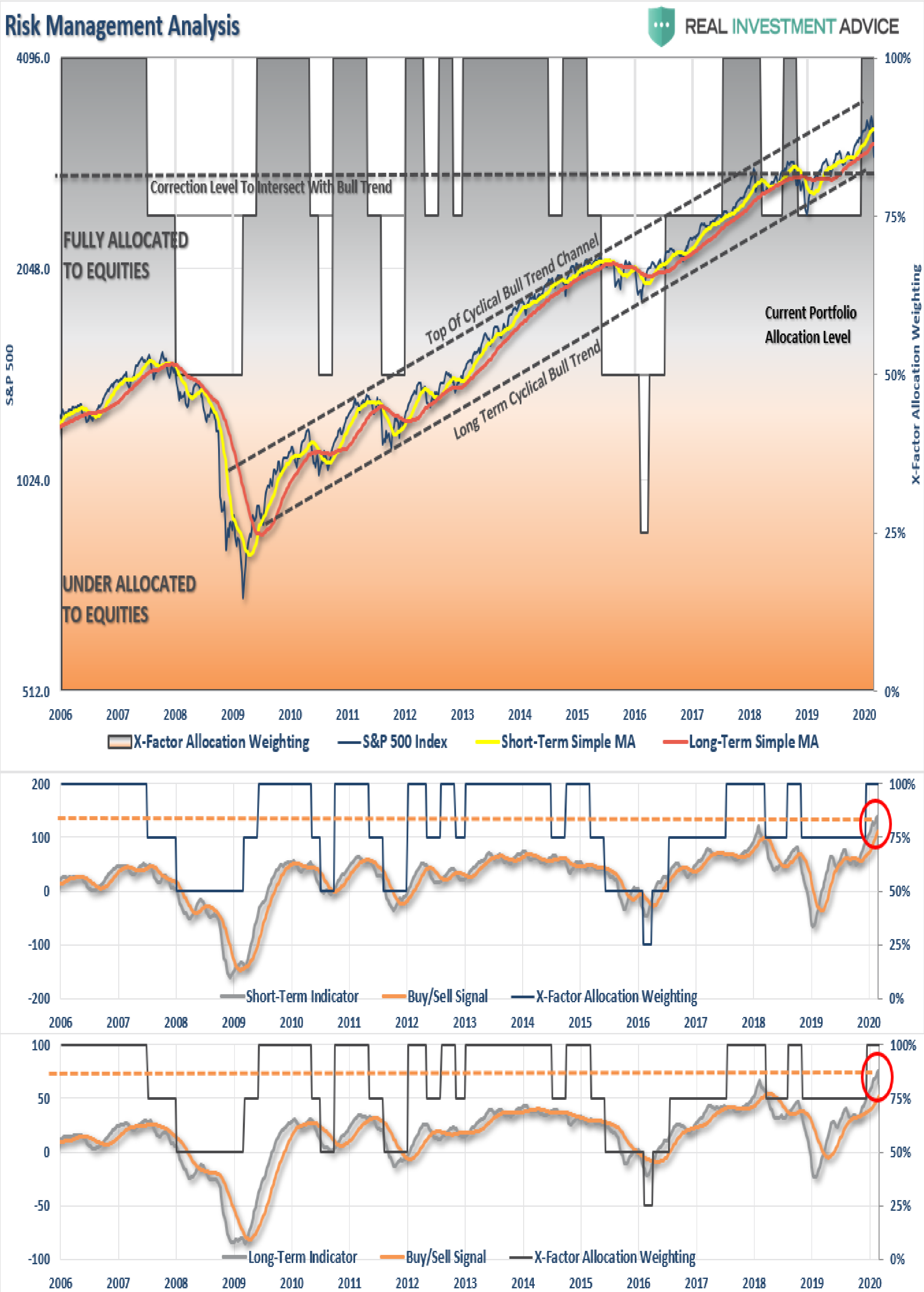
Note for new clients:

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

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



Current Portfolio Weighting

Current 401k Allocation Model	
5.00%	Cash + All Future Contributions

&#2013266080;

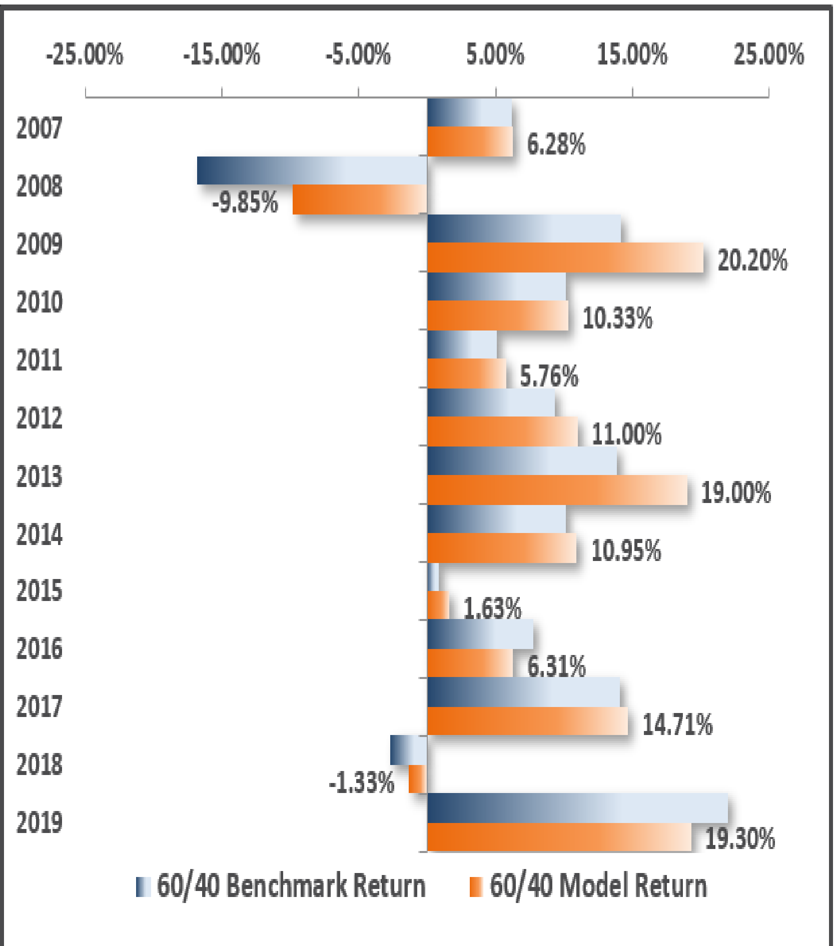
If you need help after reading the alert; do not hesitate to contact me.

Click Here For The "LIVE" Version Of The 401k Plan Manager

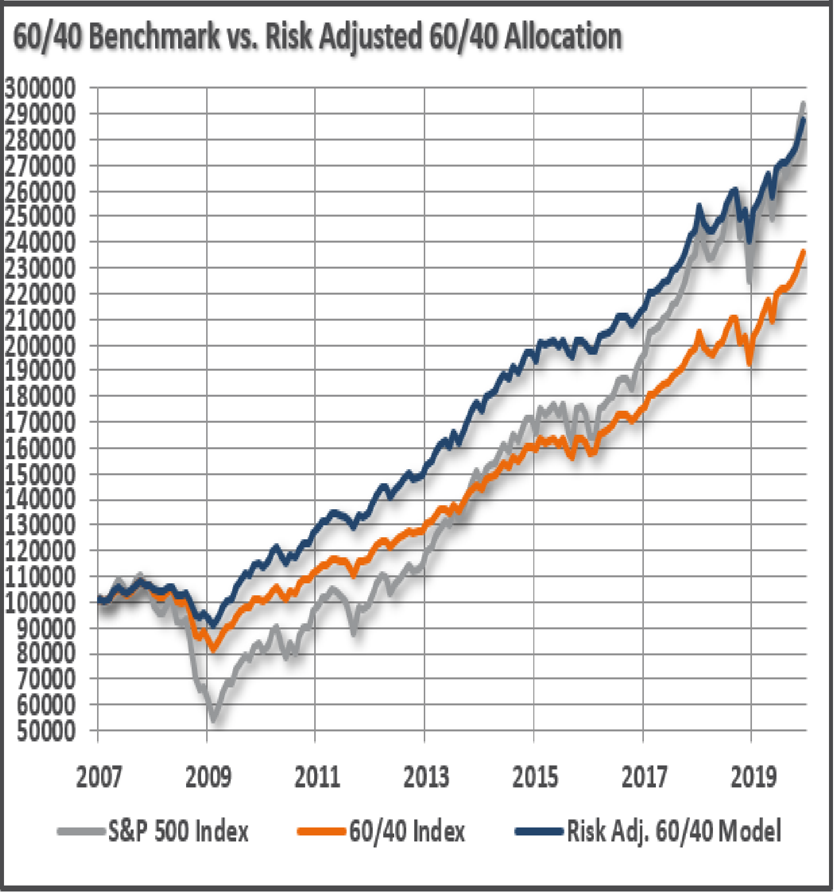
See below for an example of a comparative model.

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

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



401k Plan Manager Live Model

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

The code will give you access to the entire site during the 401k-BETA testing process, so not only will you get to help us work out the bugs on the 401k plan manager, you can submit your comments about the rest of the site as well.

We are building models specific to company plans. So, if you would like to see your company plan included specifically, send me the following:

- *Name of the company*
- *Plan Sponsor*
- *A print out of your plan choices. (Fund Symbol and Fund Name)*

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

Dashboard | Macro ▼ | Ideas ▼ | Research ▼ | Portfolio ▼ | 401K - Beta | Symbol | Help

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

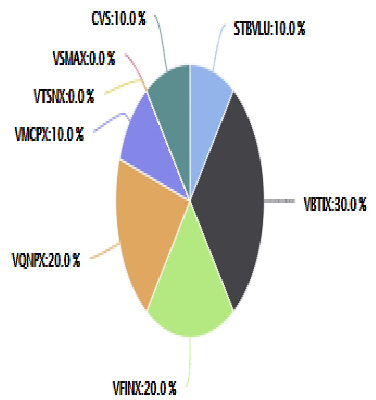
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

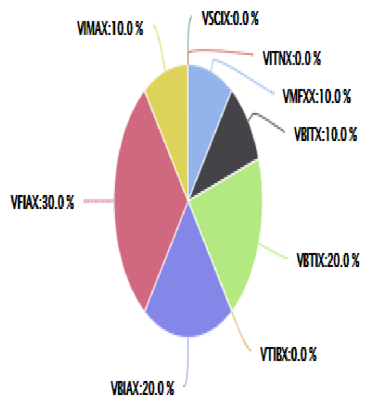
Retirement Income (RiaPro Annual ROR 9.02 %)

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



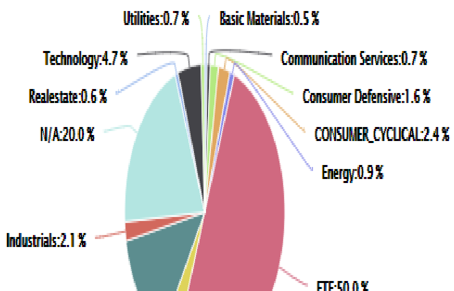
RIAPro Fund Composition



My Asset Composition

RIAPro Asset Composition

My Sector Composition



RIAPro Sector Composition