

RIA PRO: Recession? The Risk Isn't Gone



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Real Investment Show
with Lance Roberts

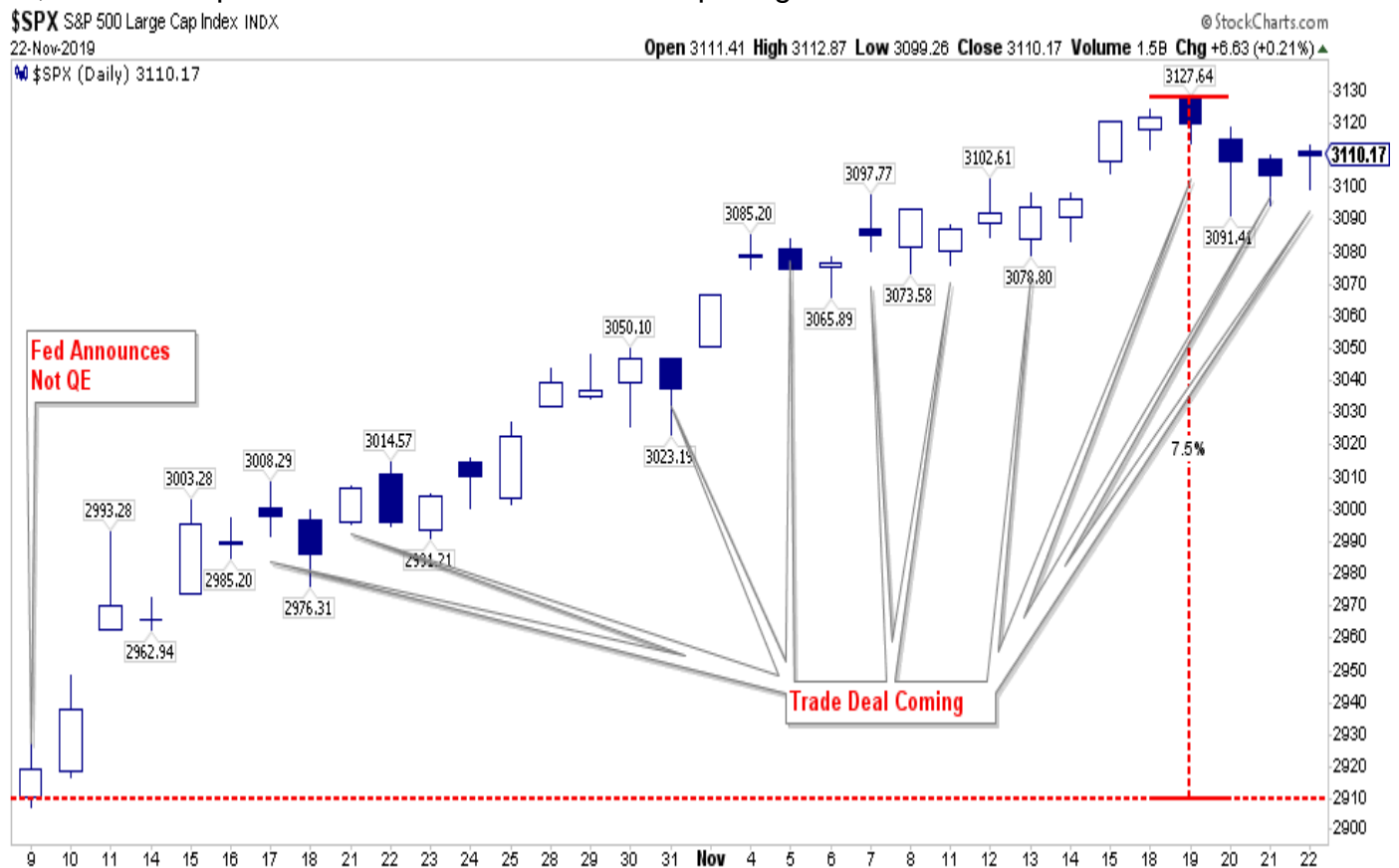
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Holiday Publication Note

All of us at [RIA Advisors](#), and [Real Investment Advice](#), want to wish you, and your family, a very happy, healthy, and filling Thanksgiving Holiday. (Okay, skip the "healthy" part because I am all about "the pie" in every flavor.) Next week, unless something significant happens, we will likely **not** publish a weekly report. However, not to worry, we will resume our regular publication schedule beginning December 2nd. In the meantime, should you have any questions, comments, or concerns please do not hesitate to [email me](#). **Happy Thanksgiving**

Review & Update

Over the last few weeks, we have been discussing the "QE, Not QE" rally. Regardless of what the Fed wishes to call their bond purchases, the market has interpreted the expansion of their balance sheet as a "QE" program. Given that investors have been "trained" by the Fed's "ringing of the bell," the subsequent 6-week advance was not surprising.



(I might have missed a couple of "trade deal" headlines but you get the drift.) The important part of our discussion over the last several weeks has been twofold:

1. What are the expected returns from various asset classes during a QE program, and;
2. Hedging for a short-term correction given the rather extreme overbought condition that occurred.

This week, we updated our previous analysis for our [RIAPro Subscribers \(30-Day Free Trial\)](#) on historical QE programs to review how far each of these markets and sectors have responded so far. The results were quite surprising. (If you subscribe for a 30-day Free Trial you can read the entire report 'An Investor's Guide To QE-4 The Update')

"The bottom line is that the Fed has taken massive steps over the last few months to provide liquidity to the financial markets. As we saw in prior QEs, this liquidity distorts financial markets. The following table provides the original return projections by asset class as well as performance returns since October 14th. The rankings are based on projected performance by asset class and total." (Get the **FREE** trial to see the full table of all markets, sectors, and commodities.)

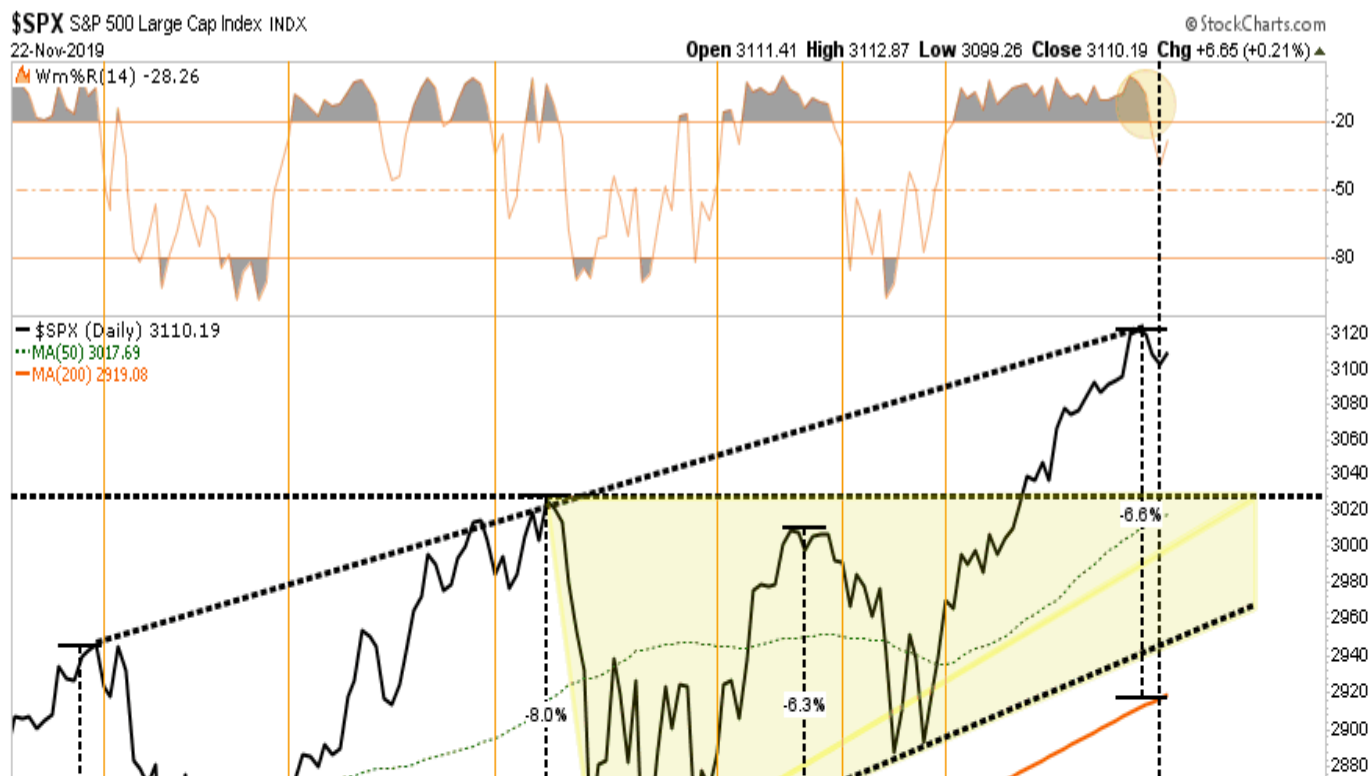
Equity Index	QE4 Expected Return	QE4 Perform. to date	Actual Vs. Expected	Index Rank	Total Rank
S&P 400	9.25%	4.04%	43.69%	1	2
S&P 600	8.82%	4.75%	53.89%	2	4
Russell 2k	8.18%	5.30%	64.77%	3	9
All Equity Avg.	6.98%	4.72%	67.61%	4	10
NASDAQ	6.44%	5.61%	87.07%	5	14
Value	5.94%	5.95%	100.25%	6	15
S&P 500	5.89%	4.64%	78.73%	7	16
Growth	5.87%	4.28%	72.96%	8	17
Dow Jones	5.35%	3.75%	70.05%	9	18
S&P 100	4.81%	5.03%	104.47%	10	22

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With QE-4 in play, the bias remains to the upside keeping [our target of 3300](#) on the S&P 500 in place. This is particularly the case as we head further into the seasonally strong period combined with an election year cycle. As shown in the chart below, the breakout to all-time highs was substantial, and regardless of your bias, this was a "bullish" advance and suggests higher prices in the short-term.



However, nothing travels in a straight line, and given the exceedingly overbought condition which currently exists, [as we discussed previously](#), is why we hedged our portfolios. To wit:

"With the Fed engaged in pumping liquidity into the markets, and any day may also include a random market manipulation from a 'Trump tweet,' the most opportunistic method to hedge risk is to add a 'short S&P 500' index position to the portfolio."


We currently still maintain our hedge at the moment. Our short-term concern remains Trump's "trade deal" dealings. The Chinese are stringing him along, now with calls for more meetings, even as he signs a bill which will directly infuriate the Chinese Government over their dealings with Hong Kong. As [I stated many times in this weekly missive](#), the Chinese are under NO pressure to "do any deal" with Trump which is not beneficial to their long-term economic goals.

*"China is out for ?China?s? best interest and will not acquiesce to any deal which derails their long-term plans. In the short-term, they may 'play the game' to get what they need as a country, but in the long-run, they will protect their own interests. **The pressure is on the Trump Administration to conclude a 'deal,' not China.** Trump needs a deal done before the 2020 election cycle; AND he needs the markets and economy to be strong. **If the markets and economy weaken because of tariffs, which are a tax on domestic consumers and corporate profits, as they did in 2018, the risk of electoral losses rise.**"*

There is a lot of room for disappointment over "trade" with respect to the markets.

1. Trump continues to delay
2. The Chinese "push back" over Hong Kong, or
3. Trump reignites, or just fails to delay, tariffs.

The market will likely not respond kindly to any of these disappointments as investors have already priced in the most optimistic of outcomes.

**REAL
INVESTMENT
ADVICE**

Are your investments prepared
for the next bear market?

**SCHEDULE YOUR
CONSULTATION
TODAY**

Recession Risk Isn't Gone

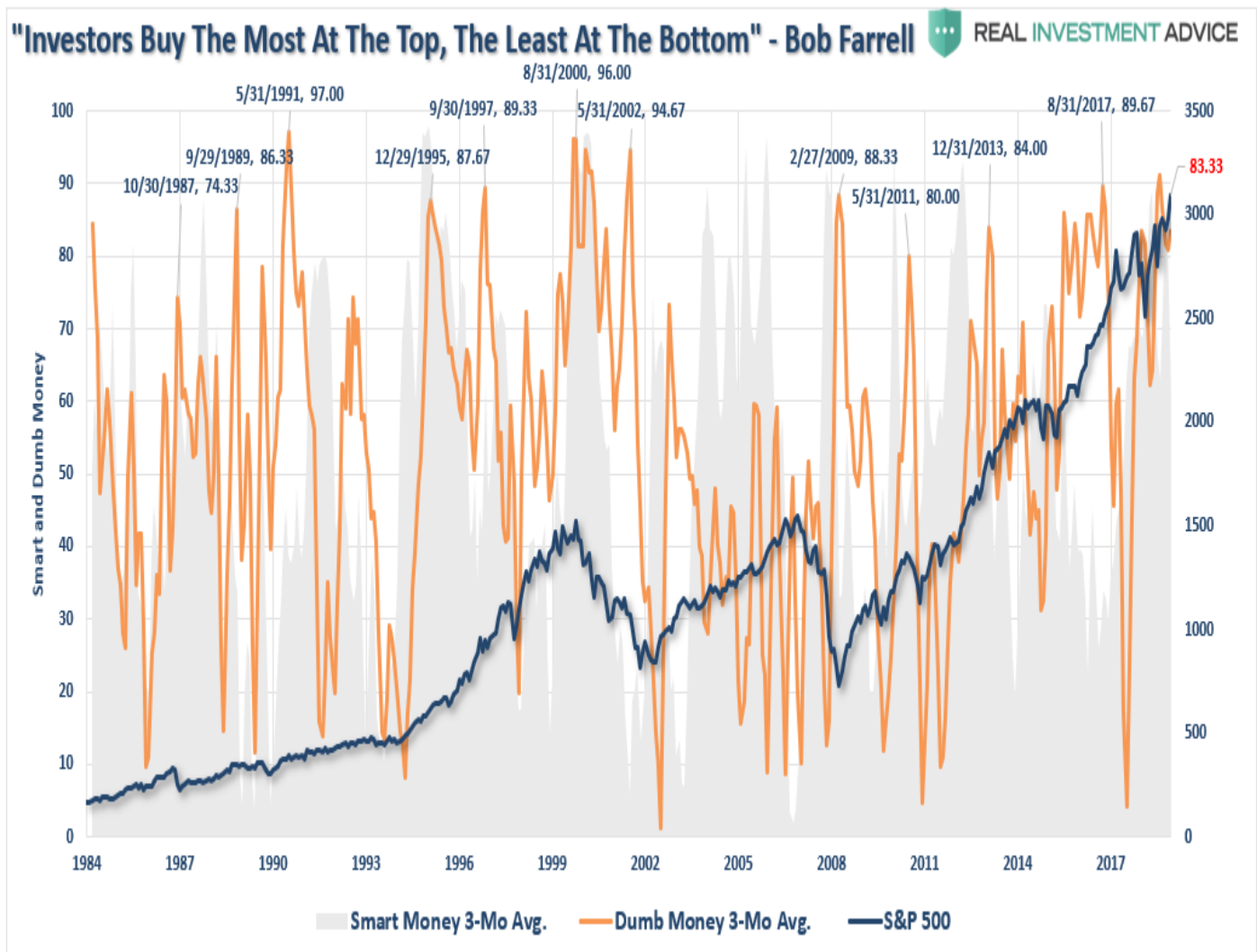
With the Fed once again engaged in QE, each "dip is bought" as "FOMO" continues to prevail. As the markets push higher, investors now believe the risk of recession is now gone. However, as I have noted previously, there is a vast difference between today and 2009 when the Fed first launched QE-1 namely trailing valuations were 13x versus 30x currently. Also, pretty much every other metric is reversed as well. As [I wrote in ?QE ? Then, Now, & Why It May Not Work:](#)

If the market fell into a recession tomorrow, the Fed would be starting with roughly a \$4 Trillion balance sheet with interest rates 2% lower than they were in 2009. In other words, the ability of the Fed to ?bailout? the markets today, is much more limited than it was in 2008. However, there is more to the story than just the Fed's balance sheet and funds rate. The entire backdrop is completely reversed. The table below compares a variety of financial and economic factors from 2009 to the present.?

	Then 1/1/2009	Now 1/1/2019	Change
Federal Reserve Balance Sheet	\$0.85 Trillion	\$4.0 Trillion	+\$3.15 Trillion

?The critical point here is that QE and rate reductions have the MOST effect when the economy, markets, and investors have been ?blown out,? deviations from the ?norm? are extended, and confidence is exceedingly negative. In other words, there is nowhere to go but up.?

While such does not mean the market will crash tomorrow, next quarter, or next year, it does suggest that forward returns are likely going to become much harder to come by. This is a point being dismissed by investors in the rush to chase markets higher. As we showed last week, investor sentiment swung from very "bearish" to "exceedingly bullish" in just a few short weeks.



This surge should not be dismissed, as [David Rosenberg noted](#) this past week:

"Enjoy it while it lasts, but think of how artificial it all really is and how to prepare yourself, at these lofty price levels, for the reversal that is as inevitable as night following day and vice versa. The stock market surely remains on wheels and is being driven by concentrated gains in certain large-cap names and a major shift in economic sentiment, with views that a 'phase one' trade agreement is coming our way soon."

The problem is that there is **not a "major shift" coming for the economy**, at least not yet, as shown by the readings from our *Economic Output Composite Index (EOCI)*.

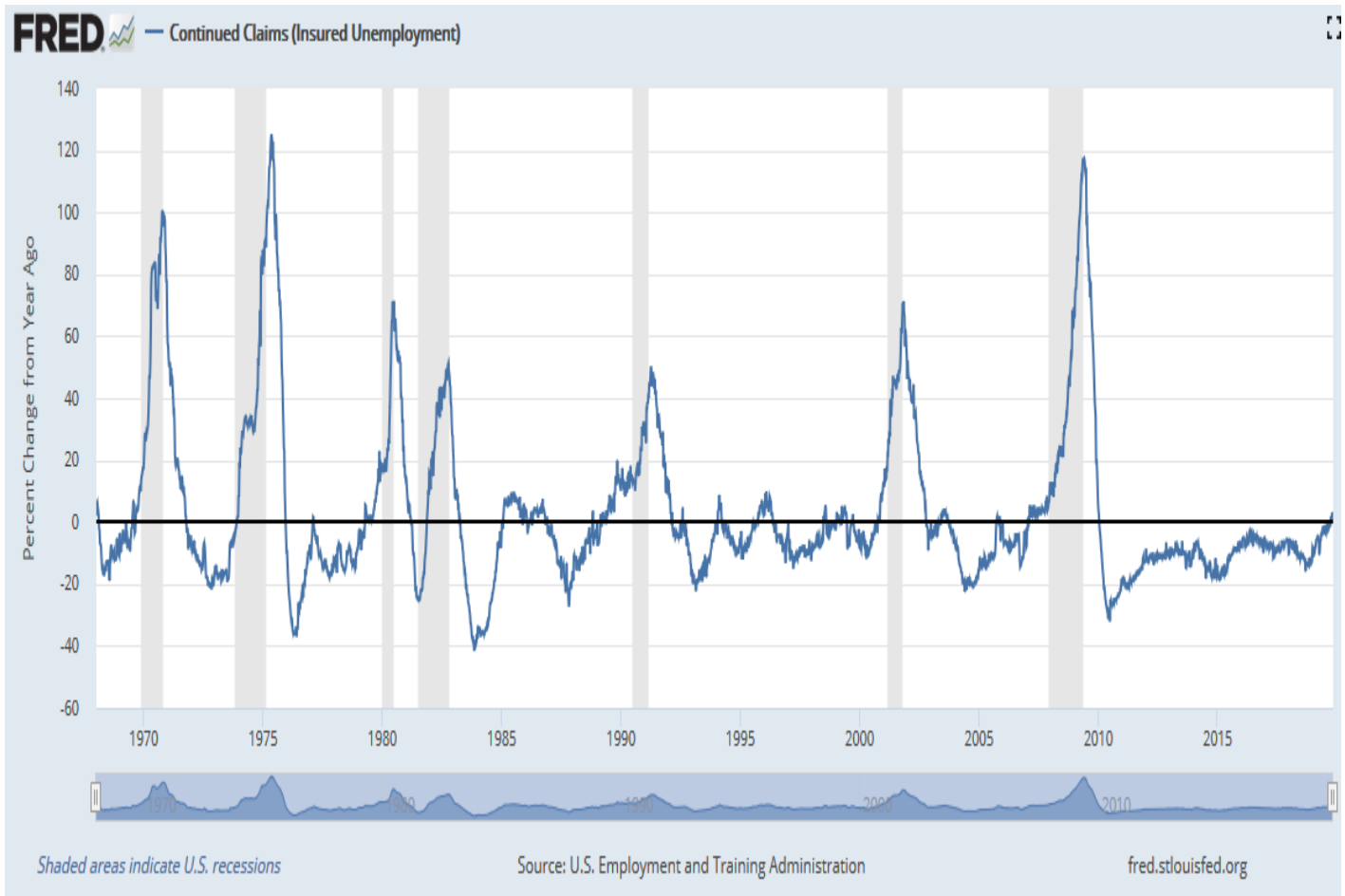


There are a couple of important points to note in this very long-term chart.

1. **Economic contractions tend to reverse fairly frequently from high peaks and those contractions tend to revert towards the 30-reading on the chart.** Recessions are always present with sustained readings below the 30-level.
2. **The financial markets generally correct in price as weaker economic data weighs on market outlooks.**

Currently, the EOCI index suggests there is more contraction to come in the coming months, which will likely weigh on asset prices as earnings estimates and outlooks are ratcheted down heading into 2020. Again, this is a long-term indicator, but currently, the deviation between stock prices and economic growth is somewhat concerning. **Throughout history, stock prices always, without exception, have "caught down" to the economic data and not vice-versa.** Furthermore, as we noted for our [RIAPro Subscribers](#) on Friday in our daily market commentary:

"The chart below shows that the year over year change in continued claims (new and old claims), turned positive for the first time in this economic expansion. Positive readings have preceded all prior recessions since at least 1970, but it's not a full-proof indicator as there have been a number of false signals."

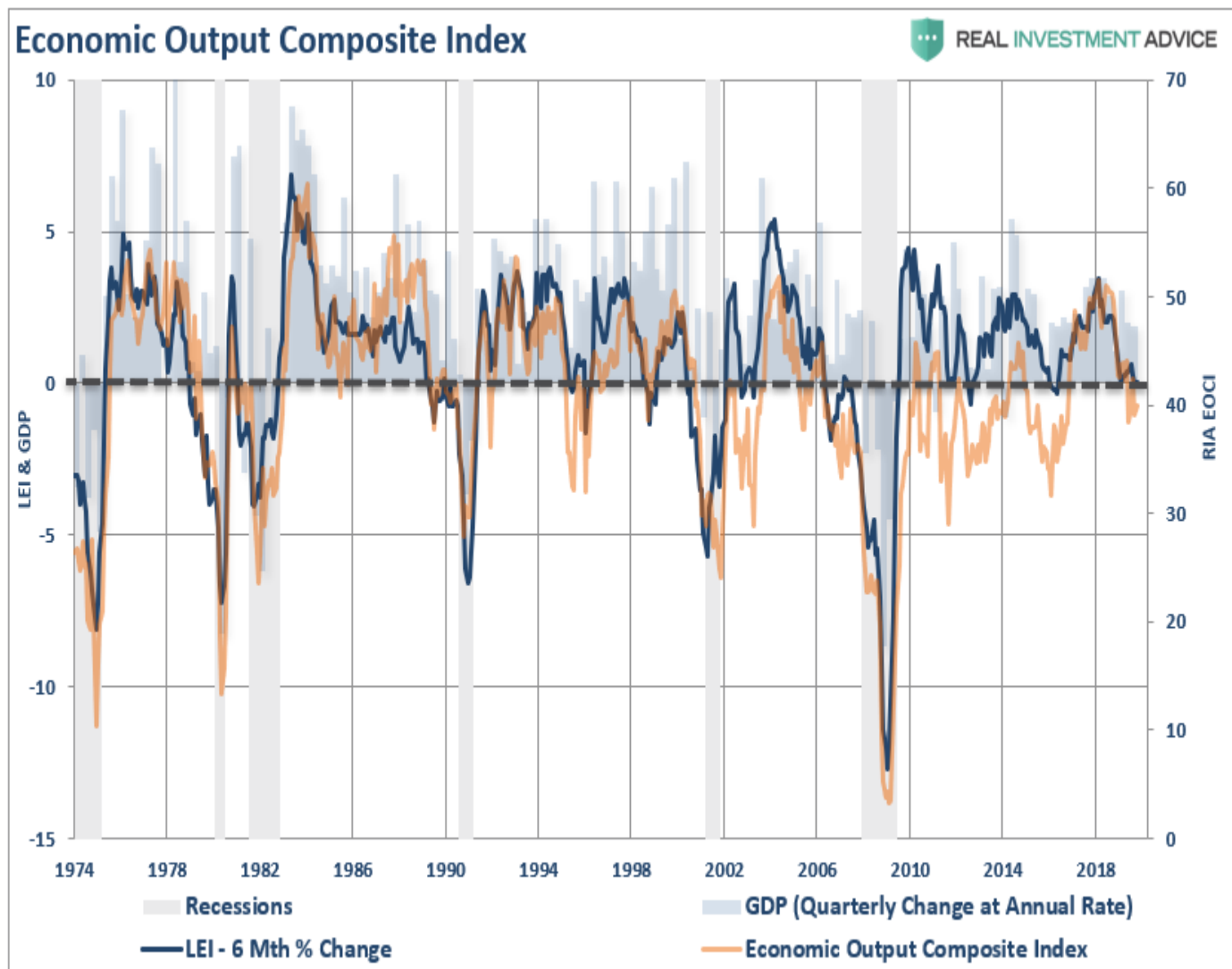


Furthermore:

"Leading Economic Indicators rose 0.3% year over year, which is the slowest rate of growth in a decade. The last 5 times the index went from positive to negative growth on a year over year basis resulted in four recessions (2008, 2001, 1990, and 1981) and one false signal (1996). On a monthly the basis the indicator was negative for the third month in a row. Since the data was first calculated in 1959, three consecutive monthly declines occurred 11 times and 7 of those 11, were followed by a

*recession within 6 months. **Needless to say, this indicator is flashing a warning sign.***

If we overlay the 6-month average of the Leading Economic Index with our EOCI index we see clear warnings of potential recession risks heading into 2020.



The point here is that **"risk"** remains elevated, and when that **"risk"** is combined with investor **"exuberance,"** poor outcomes tend to occur. By the way, it's not just individuals who are overly exuberant, but professionals as well. As David concluded:

***"In barely more than a month, we have seen portfolio managers move from their highest cash levels and recession concerns in a decade to downright exuberance."** The just-released [Bank of America Merrill Lynch] survey of institutional investors showed the biggest improvement in economic growth expectations in the year ahead since the poll began in 1994."*

This is purely **"FOMO,"** in action.

Where Does This Leave Our Hedges?

As noted last week, we hedged our long-equity positions with a short-market hedge. This was done in anticipation of a short-term correction due solely to the more extreme overbought technical conditions. The correction this past week is likely not yet complete. Our short-term trading indicators are NOT oversold, but it is worth noting they are not as overbought as they were. This suggests the market could certainly muster a post-Thanksgiving rally. **Looking ahead, a**

subsequent pre-Christmas correction remains likely, particularly as the market drifts between one "trade deal" tweet, to the next. For now, we continue to maintain our hedges as all of our indicators are still suggestive of a short-term reversal. Longer-term, a deeper correction remains likely, particularly as we head into 2020. If economic and earnings data don't begin to improve markedly, as currently expected by Wall Street, the current overvaluation of asset price is going to become more problematic to justify. If you need help or have questions, we are always glad to help. [Just email me](#). See you next week.

"NEW" - Financial Planning Corner

by Danny Ratliff, CFP T-minus 14 days - it's currently Medicare open enrollment time! October 15th through December 7th is the time of year that current Medicare recipients can change their current Medicare Advantage plans, Part D (*Prescription Plans*) or switch between Original Medicare and Medicare Advantage (Part C) for the following year. Very similar to benefits period for those of you covered under an employer benefits plan, but with more options and potentially more consequential pitfalls. **Holistic financial planning and wealth management isn't strictly about managing risk assets, but also helping you make good decisions that keep more money in your pocket. According to Medicare Matters the average Medicare Part D recipient pays \$300 more than someone who shops.** Savings is only one reason to shop your Part D. Many Part D plans change annually and might not cover a prescription drug from one year to the next making your out of pocket costs go up exponentially. It's also a good idea to shop your Medicare Advantage or Medigap supplemental policy to ensure no major changes have occurred for the following year such as network changes for your primary care physician, premiums or other out of pocket costs. **Just like each season or holiday has a time so does the opportunity to switch to a better plan. Do yourself a favor and shop your plans.** If you're not on Medicare yet use this piece as a conversation starter at the dining room table on Thanksgiving. You never know who you might help. If you're having trouble contact your advisor or use one of the helpful resources below. Good luck shopping your plans and we hope you have a Happy Thanksgiving with family and friends! **Here are a few trusted resources:**

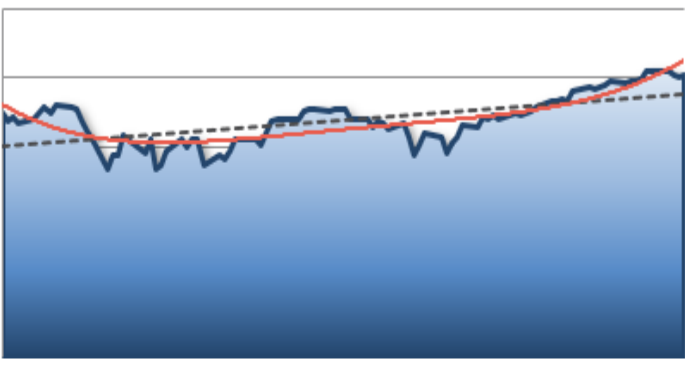
- The official US government website for Medicare. [Visit Medicare.gov](#)
- Find and compare Medicare Advantage and Prescription Drug plans. [Visit Plan Finder](#)
- Learn about the [Affordable Care Act](#) and find the insurance options available to you.
- [The Medicare Rights Center](#) and [Medicare Matters National Council On Aging](#)
- [The Kaiser Family Foundation's](#) provides complete access to the Foundation's reports, surveys, issue briefs, charts, slides and fact sheets containing in-depth analysis and the public's views on timely and critical issues such as the growing number of uninsured, Medicare, Medicaid, rising health care costs and health reform.

Don't hesitate to [send me an email](#) if you have any questions or if you, or someone you know, needs help. We encourage your feedback and look forward to hearing from you.

Market & Sector Analysis

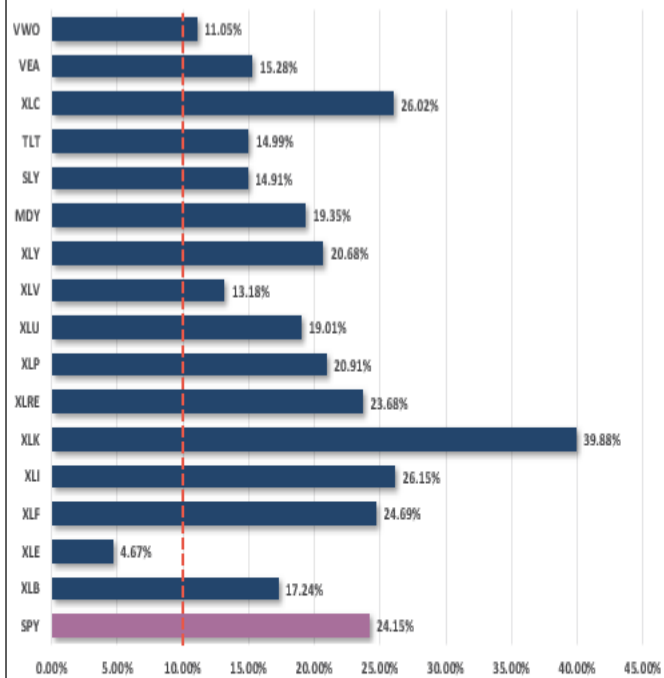
Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

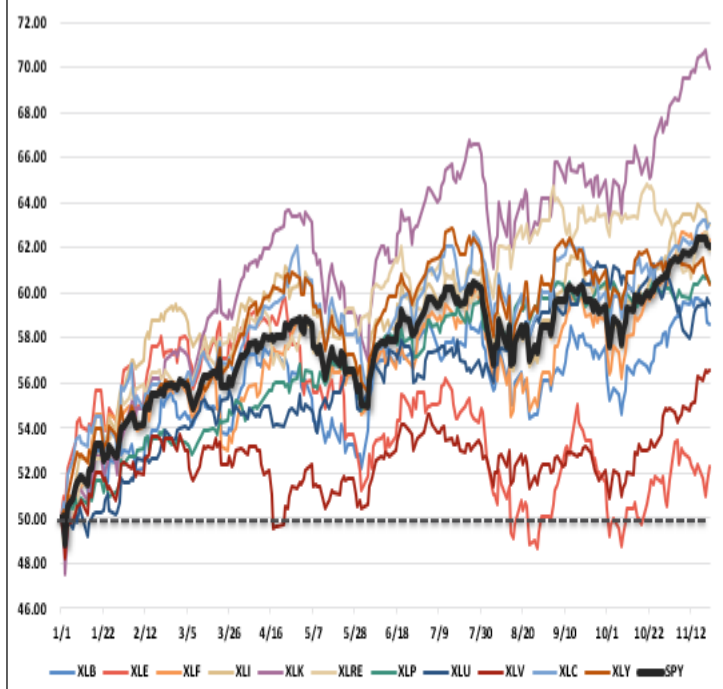
3 Month SPY Price									SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
									Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR	
									Price Return	19.71%	17.33%	24.42%	40.90%	
									Max Drawdown	-20.47%	-16.63%	-7.41%	-55.44%	
									Sharpe	0.72	1.23	2.12	0.72	
									Sortino	0.84	1.52	2.59	0.70	
									Volatility	14.93	15.15	13.04	(0.14)	
									Daily VaR-5%	(11.91)	(3.94)	8.39	(3.13)	
									Mnthly VaR-5%	(12.02)	(12.01)	6.06	(1.50)	
S&P 500 Fundamental Analysis									S&P 500 Market Cap Analysis					
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg		
Dividend Yield	1.83%	1.91%	1.80%	(6.15%)	2.18%	1.68%	(17.58%)	7.14%	Shares	2,404.9	2,302.3	(4.27%)		
P/E Ratio	21.01	17.28	19.27	10.33%	20.84	15.81	(7.5%)	21.86%	Sales	61,746	64,512	4.48%		
P/S Ratio	3.37	3.21	3.35	4.05%	3.58	2.66	(6.62%)	25.90%	SPS	25.7	28.0	9.14%		
P/B Ratio	3.69	3.86	4.33	10.82%	4.15	3.01	4.26%	43.68%	Earnings	9,253	9,446	2.09%		
ROE	15.94%	18.27%	18.70%	2.30%	18.83%	15.00%	(0.69%)	24.68%	EPS TTM	4.7	4.9	4.39%		
ROA	2.96%	3.43%	3.54%	3.11%	3.55%	2.81%	(0.09%)	25.88%	Dividend	1.6	1.7	6.05%		
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	(11.69%)	4.29%	1.21	17.73	127.61	12.35	(86.1%)	7.8%	4.0%	5.68%	2.95	17.17		
Materials	(14.18%)	2.66%	1.23	16.22	22.97	13.86	(29.4%)	8.7%	1.9%	6.86%	4.26	15.02		
Industrials	16.89%	9.34%	1.17	18.26	22.23	14.78	(17.9%)	17.6%	1.9%	5.52%	5.24	16.18		
Discretionary	17.45%	9.71%	1.04	23.82	27.17	20.19	(12.3%)	29.4%	1.3%	4.16%	4.90	21.85		
Staples	12.41%	7.26%	0.59	21.02	22.83	17.62	(7.9%)	27.6%	2.7%	4.78%	3.97	19.95		
Health Care	10.37%	13.98%	0.85	16.99	20.60	15.70	(17.5%)	31.2%	1.7%	5.87%	6.86	15.25		
Financials	15.09%	13.10%	1.26	13.94	18.45	11.70	(24.5%)	11.5%	2.0%	7.06%	5.86	12.53		
Technology	35.62%	22.85%	1.26	23.45	22.55	14.41	4.0%	39.7%	1.4%	4.27%	5.44	20.72		
Telecom	16.59%	10.45%	0.88	21.44	26.73	17.47	(19.8%)	17.4%	0.9%	4.76%	6.59	18.11		
Utilities	18.88%	3.34%	0.26	20.75	21.00	15.58	(1.2%)	10.6%	3.2%	4.70%	3.70	19.75		
Real Estate	14.77%	3.04%	0.67	20.43	24.47	17.10	(16.5%)	9.7%	3.2%	4.96%	4.41	20.21		
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	310.96	3.28%	301.29	31	3.21%	291.93	124	6.52%	3.21%	(0.55%)	33.03%	Buy		
Mid Cap	362.11	1.00%	355.30	31	1.92%	350.40	31	3.34%	1.40%	(1.15%)	27.30%	Buy		
Small Cap	69.13	(0.49%)	68.24	29	1.30%	67.36	29	2.62%	1.30%	(2.33%)	22.79%	Buy		

Performance Analysis

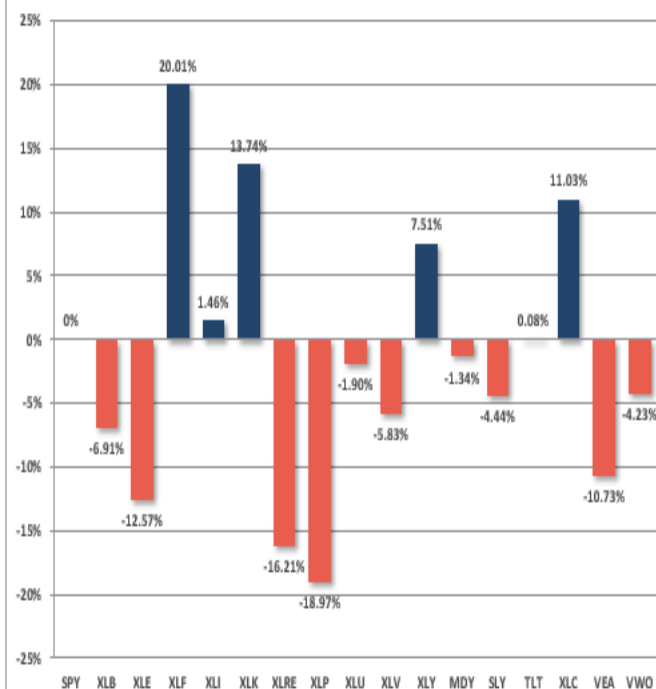
Year To Date Performance



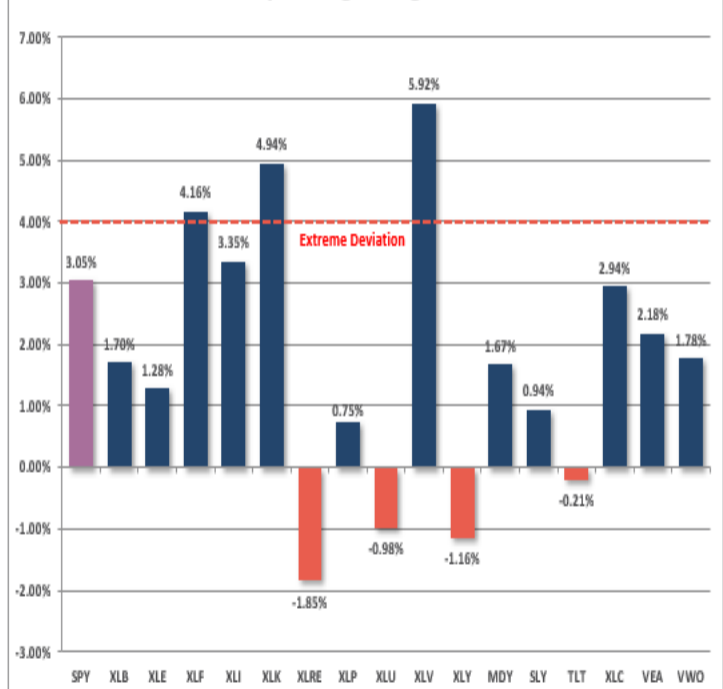
YTD Price - S&P Sectors Recalibrated To \$50/share



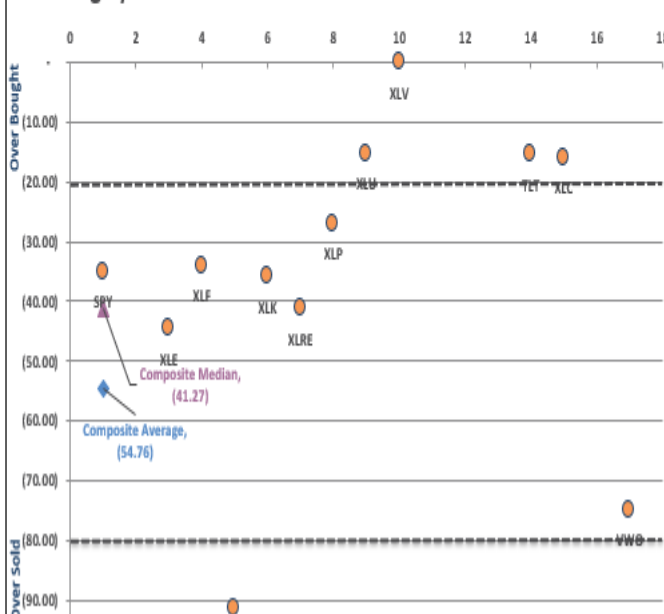
Year To Date Performance Relative To S&P 500



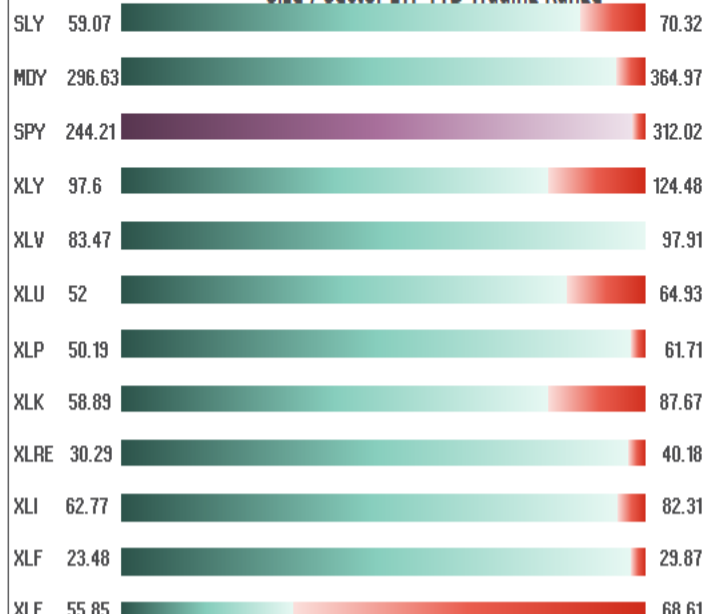
Price Deviation From 50-Day Moving Average



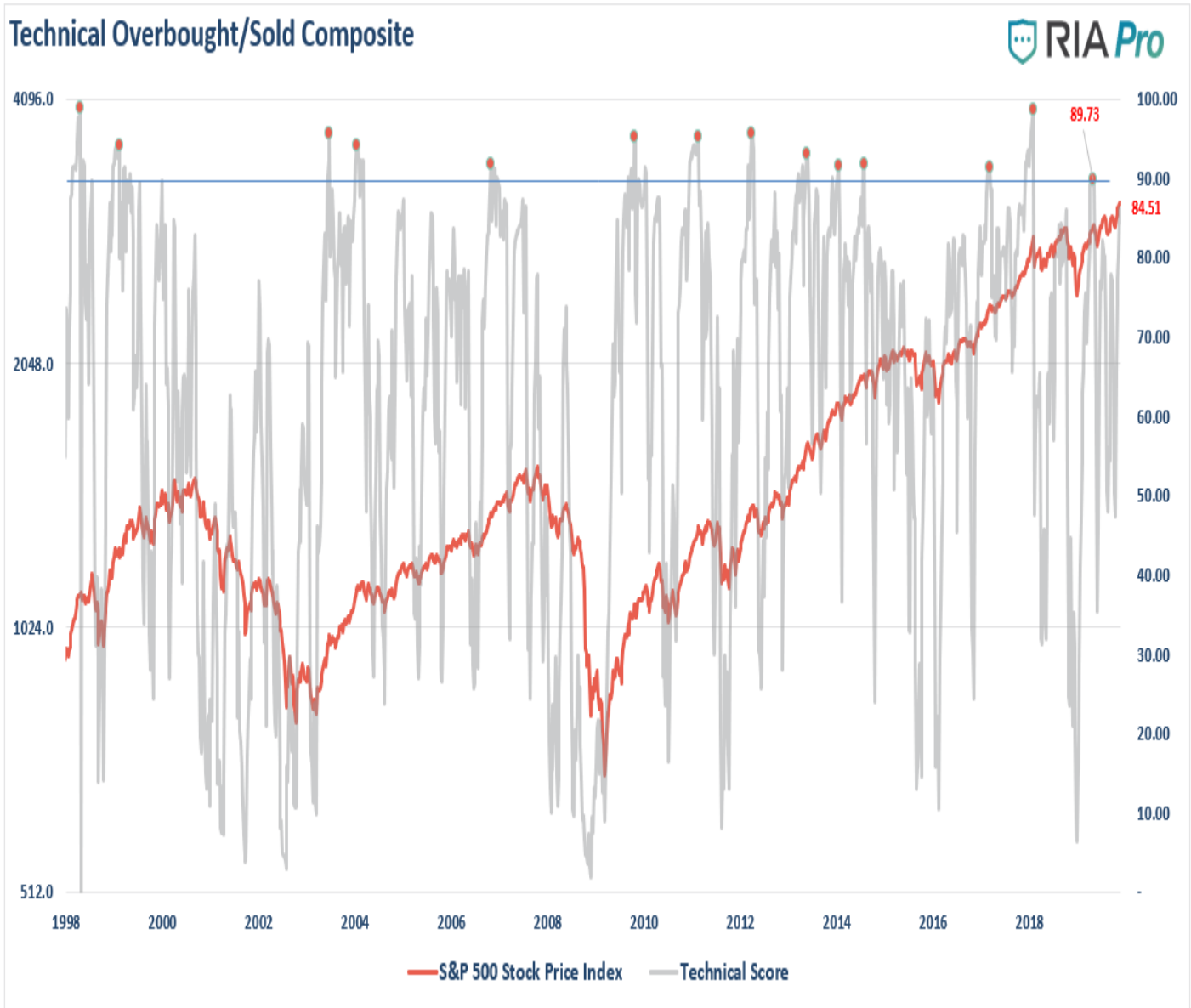
Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



Technical Composite



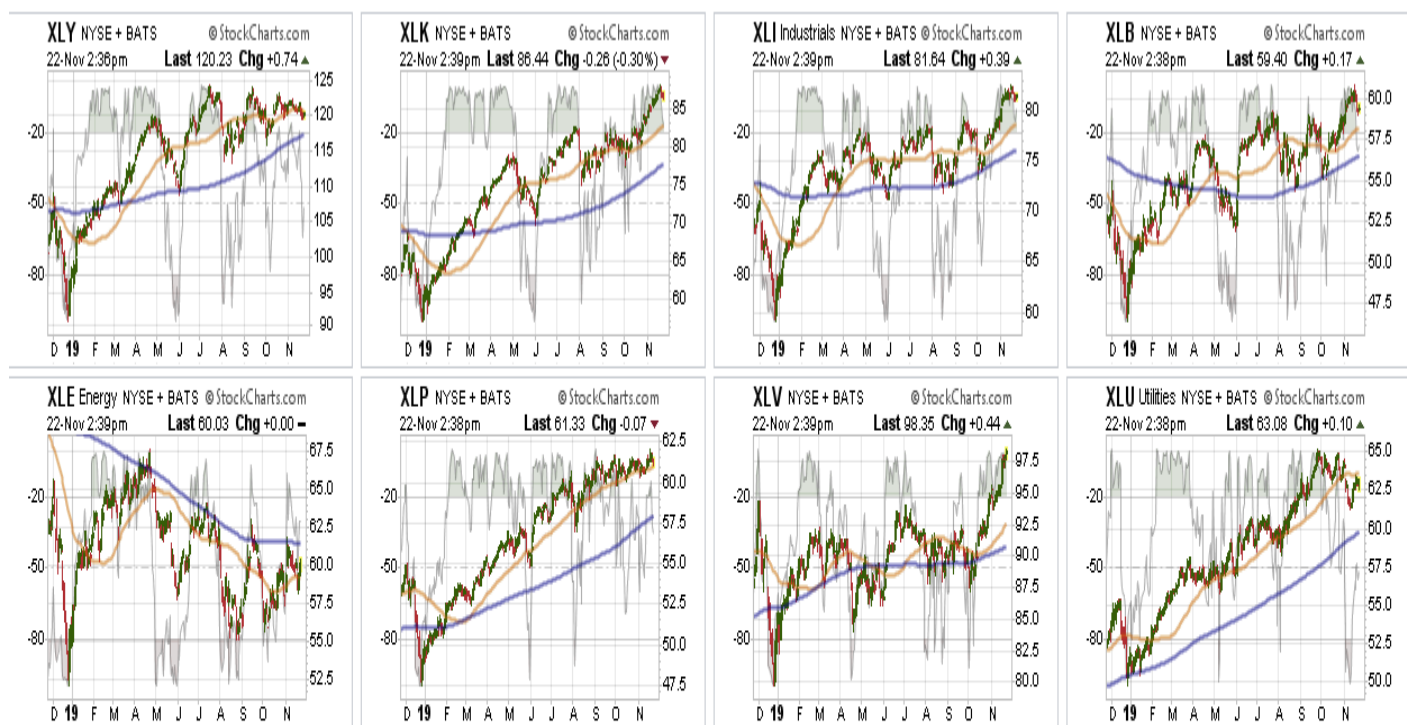
ETF Model Relative Performance Analysis

RIA Pro		RELATIVE PERFORMANCE		Current	Model Position Price Changes Relative to Index					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
		Ticker	ETF NAME		Price	1 Week	4 Week	12 Weeks	24 Weeks					
BENCHMARK		IVV	ISHARS-SP500	312.07	0.25	3.30	6.05	8.83	16.90	301.13	295.72	3.63%	5.53%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	59.23	(2.20)	(0.52)	(0.86)	(4.95)	(6.99)	57.86	57.29	2.37%	3.39%	BUY
		XLE	SPDR-EGY SELS	60.03	0.44	(1.62)	(1.61)	(10.40)	(25.92)	59.00	61.48	1.75%	-2.35%	SELL
		XLF	SPDR-FINL SELS	29.70	(0.15)	0.91	4.65	0.53	(3.58)	28.19	27.62	5.36%	7.53%	BUY
		XLI	SPDR-INDU SELS	81.25	(0.81)	0.72	1.64	(0.67)	(0.61)	77.99	76.90	4.17%	5.66%	BUY
		XLK	SPDR-TECH SELS	86.70	(0.06)	2.53	2.94	7.08	17.17	81.97	79.25	5.77%	9.40%	BUY
		XLP	SPDR-CONS STPL	61.40	(0.10)	(3.38)	(5.06)	(3.09)	(4.44)	60.92	59.19	0.79%	3.74%	BUY
		XLU	SPDR-UTIL SELS	62.98	0.28	(6.14)	(5.37)	(4.74)	(0.44)	63.40	60.94	-0.66%	3.35%	BUY
		XLC	SPDR-COMM SV SS	52.02	0.64	0.89	(1.15)	2.30	2.80	50.36	49.60	3.29%	4.89%	BUY
		XLV	SPDR-HLTH CR	97.91	2.35	3.17	2.15	(0.12)	(7.51)	91.98	91.12	6.45%	7.45%	BUY
	XLY	SPDR-CONS DISCR	119.49	(1.62)	(4.71)	(6.72)	(4.13)	(0.30)	120.75	119.20	-1.04%	0.25%	BUY	
	SIZE	SLY	SPDR-SP SC 600	68.91	(1.14)	(2.49)	(0.69)	(2.83)	(13.54)	67.69	67.26	1.80%	2.46%	BUY
MDY		SPDR-SP MC 400	361.23	(0.73)	(1.52)	(0.58)	(3.67)	(8.42)	352.87	351.11	2.37%	2.88%	BUY	
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	111.67	(0.31)	(0.88)	0.19	(2.35)	(3.69)	108.33	107.15	3.09%	4.22%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	105.10	(0.75)	(2.31)	0.01	(3.31)	(6.48)	102.64	101.13	2.40%	3.92%	BUY
	Real Estate	XLRE	SPDR-RE SELS	38.34	(0.30)	(7.40)	(8.24)	(6.07)	(1.03)	39.10	37.80	-1.95%	1.44%	BUY
	International	EEM	ISHARS-EMG MKT	42.87	(0.06)	(2.19)	1.45	(3.91)	(10.28)	41.75	41.98	2.67%	2.11%	SELL
		EFA	ISHARS-EAFE	67.79	(0.39)	(2.04)	1.63	(4.11)	(7.89)	65.74	65.34	3.12%	3.76%	BUY
		IXUS	ISHARS-CR INT S	60.09	(0.21)	(1.95)	1.32	(4.10)	(8.29)	58.36	58.14	2.96%	3.35%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	139.72	1.06	(2.92)	(11.15)	(1.85)	4.58	141.21	134.50	-1.05%	3.88%	BUY
	International	BNDX	VANGD-TTL INT B	58.09	(0.21)	(3.83)	(7.85)	(6.32)	(10.49)	58.50	57.48	-0.70%	1.05%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	86.36	(0.62)	(4.40)	(7.05)	(8.27)	(13.06)	86.95	86.64	-0.68%	-0.32%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.71										

Sector & Market Analysis:

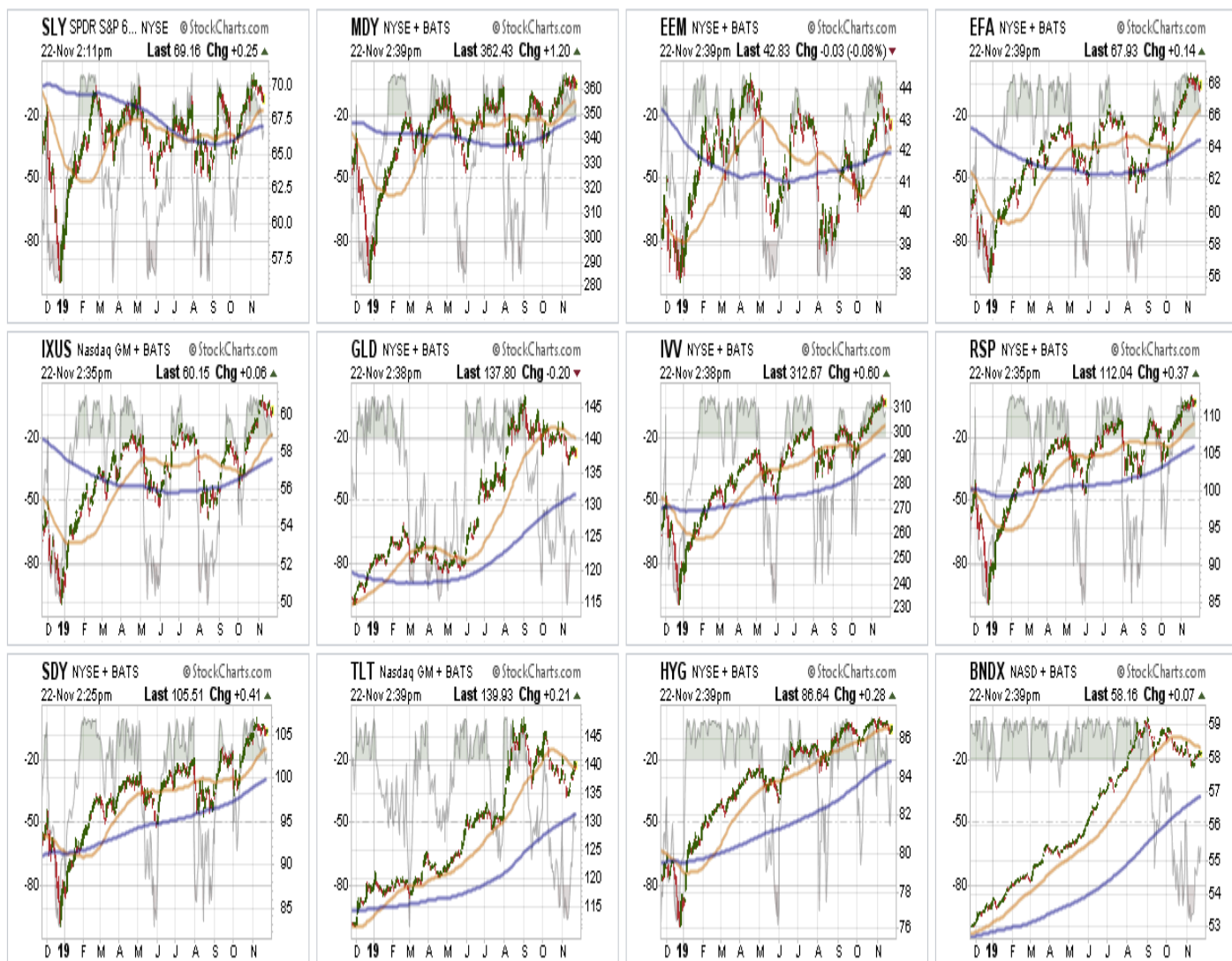
Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels

Sector-by-Sector



Improving ? Energy (XLE), Healthcare (XLV) The relative performance improvement of Healthcare relative to the S&P 500 picked up further last week as economic data continues to point to weaker economic growth (below 1%). The improvement in Energy has stalled for now as the rotation to "value" gave way back to momentum for the "QE Chase." Energy needs to break above the downtrend to become an attractive candidate for portfolios. **Current Positions:** 2013266080; *Target weight XLV* **Outperforming ? Technology (XLK), Materials (XLB), Industrials (XLI), Financials (XLF)** Financials have been running hard on Fed rate cuts and more QE. The sector is extremely overbought and extended and due for a correction. Industrials and Materials, which perform better when the Fed is active with QE, also broke out to new highs recently but started to correct some this past week. Given they are still extremely overbought, we will look to add but will wait for this correction to play out first. Technology has been the clear leader as of late, and the sector made a sharp recovery from weakening to leading relative to the overall market. Like everything else, XLK is extremely overbought so wait for a correction to add exposure. **Current Positions:** 2013266080; *1/2 weight XLI, XLB, Full weight XLK* **Weakening ? Real Estate (XLRE), Staples (XLP), Utilities (XLU)** After having taken profits in our defensive sectors, the rotation from defense to offense has picked up lately and the brief bounce last week in Utilities and Real Estate failed at their broken their 50-dmas. This good news is they are oversold and are at a decent entry point for a trade if we see a risk-off rotation in the broader market. We are at full weightings currently. **Current Position:** 2013266080; *Target weight XLRE, XLU, XLP* **Lagging ? Discretionary (XLY), Communications (XLC)** Discretionary stocks have been a surprising laggard given we are moving in the retail shopping season. I suspect this has more to deal with the "real economy," rather than just a sector lagging the market currently. Watch XLY, a failure at support will likely suggest a larger corrective process. Communications broke out to new highs on Friday, but is still lagging the overall market. Given the sector is very overbought, be patient for a better entry point. **Current Position:** *Target weight XLC, XLY*

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? While Small- and Mid-caps broke out of the previous ranges the rotation to risk on has stalled over the last week. It is crucially important both these markets hold the breakout. With both markets still VERY overbought currently, be patient for the right entry point. **Current Position:** No position **Emerging, International (EEM) & Total International Markets (EFA)** The same advice goes for Emerging and International Markets, which we have been out of portfolios for several weeks due to lack of performance. These markets rallied recently on news of "more QE," and finally broke above important resistance. However, these markets are sensitive to the US Dollar which is showing some strength. With both markets EXTREMELY overbought currently, be patient for the right entry point. **Current Position:** No Position **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. Currently, the short-term bullish trend is positive, and our core positions are providing the base around which we overweight/underweight our allocations based on our outlook. Be aware that all of our core positions are EXTREMELY overbought. A short-term correction or consolidation is likely before a further advance can be made. **Current Position:** RSP, VYM, IVV **Gold (GLD) ?** Gold broke support at the \$140 level but held support at \$136. Stops should be placed on all positions at \$132. Gold is very oversold so a tradeable opportunity is approaching. **Current Position:** GDX (Gold Miners), IAU (Gold) **Bonds (TLT) ?** As stated last week, Bonds were extremely oversold from the recent rise in rates. As we stated, that rise in yields was expected, which is why we added a "steepener trade" to our portfolios. Given that we improved our credit quality and shortened duration previously, we are holding our positions for now. We have tightened up our stops. This past week, bonds held support and bounced late in the

week. With yields very oversold more of a rally is likely especially if we see a short-term correction in stocks as we currently expect. Stay long current positions for now, and look for an opportunity to add to holdings. **Current Positions:** DBLTX, SHY, IEF

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.)

											RIA Pro	
		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	Notes	
XLY	Discretionary	Declining	Positive	Positive	Hold			X			Consolidating In A Tight Wedge	
XLK	Technology	OB	Positive	Positive	Hold			X			Very Deviated From 50-DMA	
XLI	Industrials	OB	Positive	Neutral	Hold			X			Holding Near Highs	
XLB	Materials	OB	Positive	Neutral	Hold			X			Holding Near Highs	
XLE	Energy	Declining	Negative	Negative	No Position					X	Failed At 200-DMA	
XLP	Staples	Neutral	Positive	Positive	Hold			X			Holding Support	
XLV	Health Care	OB	Positive	Neutral	Hold			X			New Highs	
XLU	Utilities	OS	Positive	Positive	Hold			X			Testing 50-DMA Resistance	
XLF	Financials	OB	Positive	Neutral	Hold					X	New Highs	
XLC	Communications	OB	Positive	Neutral	No Position			X			New Highs	
XLRE	Real Estate	OS	Positive	Positive	Hold			X			Testing 50-DMA Resistance	
SLY	Small Caps	OB	Negative	Negative	No Position					X	Failing To Hold Breakout	
MDY	Mid Caps	OB	Positive	Neutral	No Position					X	Holding Near Highs	
EEM	Emerging Mkt	OB	Positive	Negative	No Position					X	Declining To 50-DMA	
EFA	International	OB	Positive	Negative	No Position					X	Holding Near Highs	
IXUS	Total International	OB	Positive	Negative	No Position					X	Holding Near Highs	
GLD	Gold	OS	Positive	Positive	Add			X			Holding Support	
RSP	SP500 Equal Wgt	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought	
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought	
IVV	SP500 Market Wgt	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought	
TLT	20+ Yr. Bond	Rising	Positive	Positive	Add			X			Testing 50-DMA Resistance	
HYG	Corporate High Yield	Declining	Positive	Positive	No Position					X	Broke Support	
BNDX	Int'l Bond Aggregate	OS	Positive	Positive	No Position					X	Broke Support	

LEGEND: X = THIS WEEK => PREVIOUS DECLINING <=< PREVIOUS IMPROVING

X No Position

Portfolio/Client Update:

As we discussed last week, we hedged our portfolios against a short-term market correction due to the extreme overbought condition which existed at the time. This past week, the market mildly corrected and consolidated the recent gains, but not enough yet to warrant the removal of the hedge. As noted in the main body of this missive, the market remains extremely overbought which limits our ability to add "broad market" exposures. We are waiting for a continued consolidation or pullback to selectively add exposure to ETF Models in small and mid-capitalization markets, basic materials, industrials, financials and energy. We are also started to "pick through the rubble" of the energy sector looking for a couple of tradeable ideas in the sector as well. However, whatever actions we wind up taking in the short-term remains a "rent the rally" for now.

- **New clients:** *We are holding off onboarding new client assets until we see some corrective action or consolidation in the market.*
- **Equity Model:** *No actions this past week, maintaining our SDS as a hedge.*
- **ETF Model:** *Same as Equity Model.*

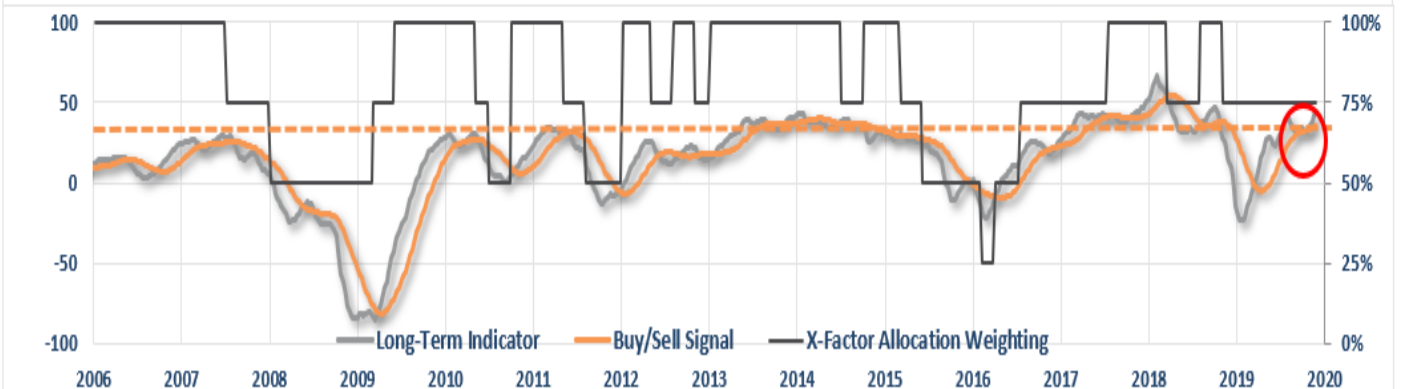
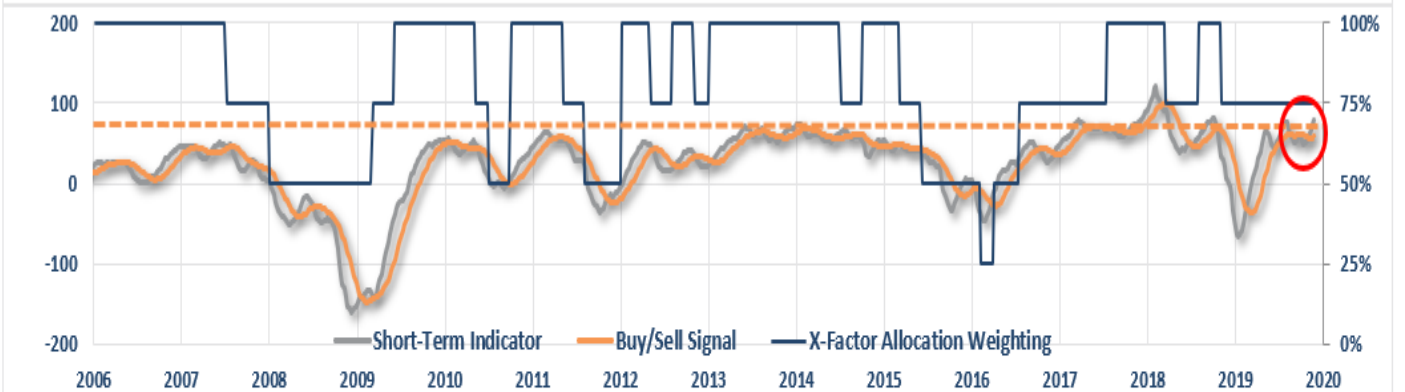
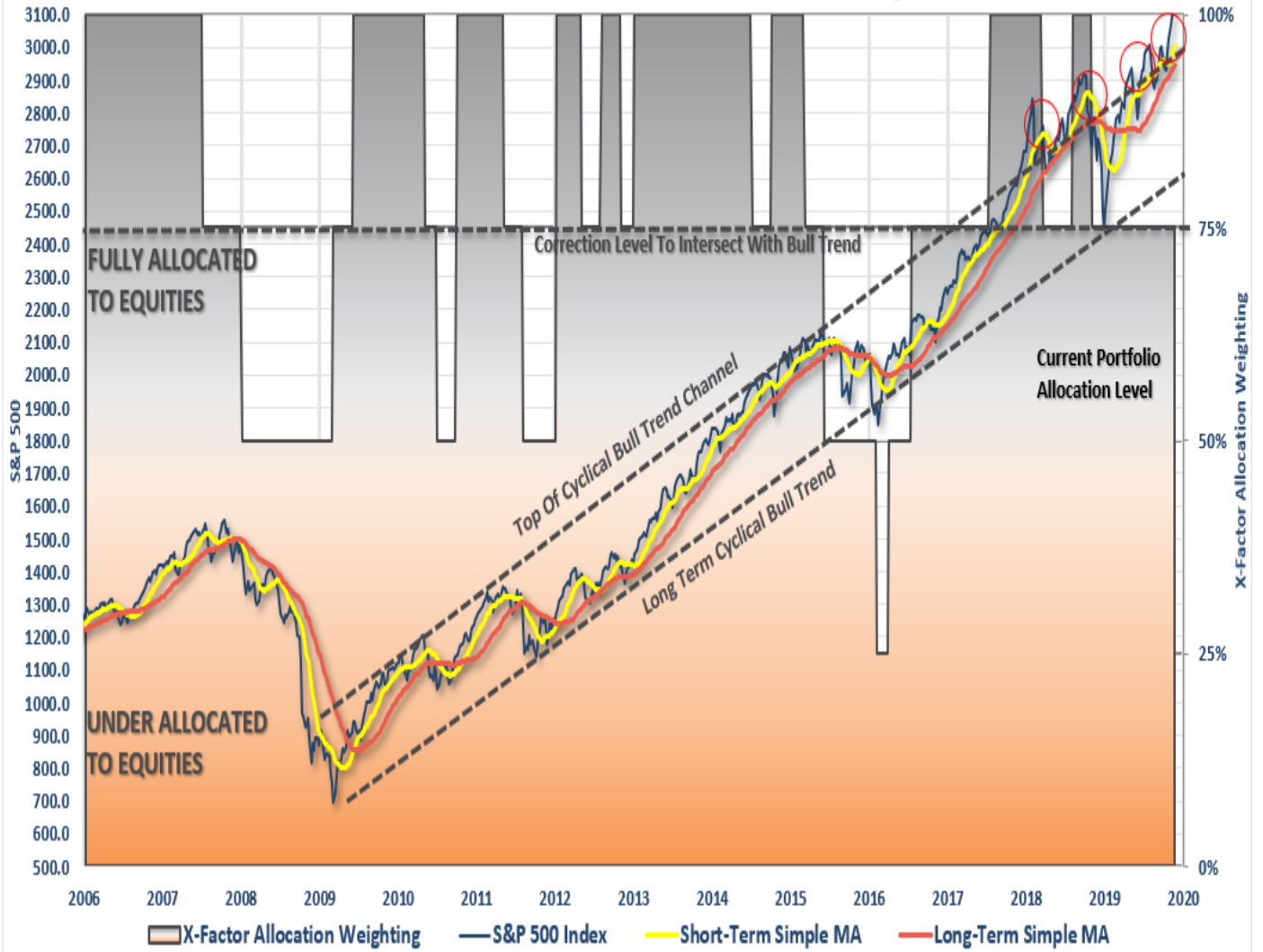
Note for new clients: It is important to understand that when we add to our equity allocations, ALL purchases are initially *trades*; that can, and will, be closed out quickly if they fail to work as anticipated. This is why we *step* into positions initially. Once a *trade* begins to work as anticipated, 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 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.)

Risk Management Analysis



Current Portfolio Weighting

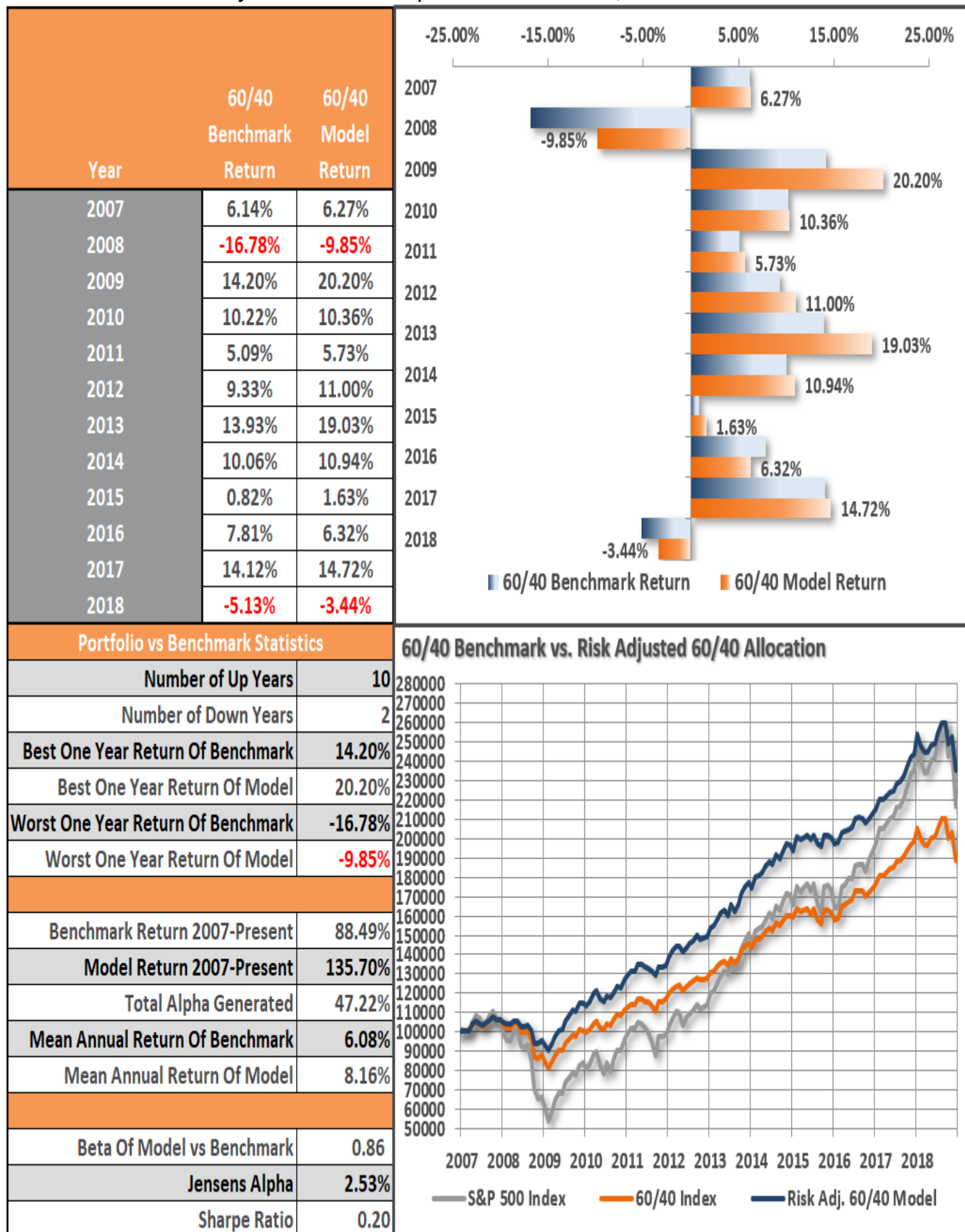
Current 401k Allocation Model

20.00% Cash + All Future Contributions

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.




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](#).



Investment Analysis, Research & Data
From The RIA Investment Team

DashboardMacroIdeasResearchPortfolio401K - BetaSymbolHelp

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 InfoFund SelectionComparisonSummaryCommentary

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