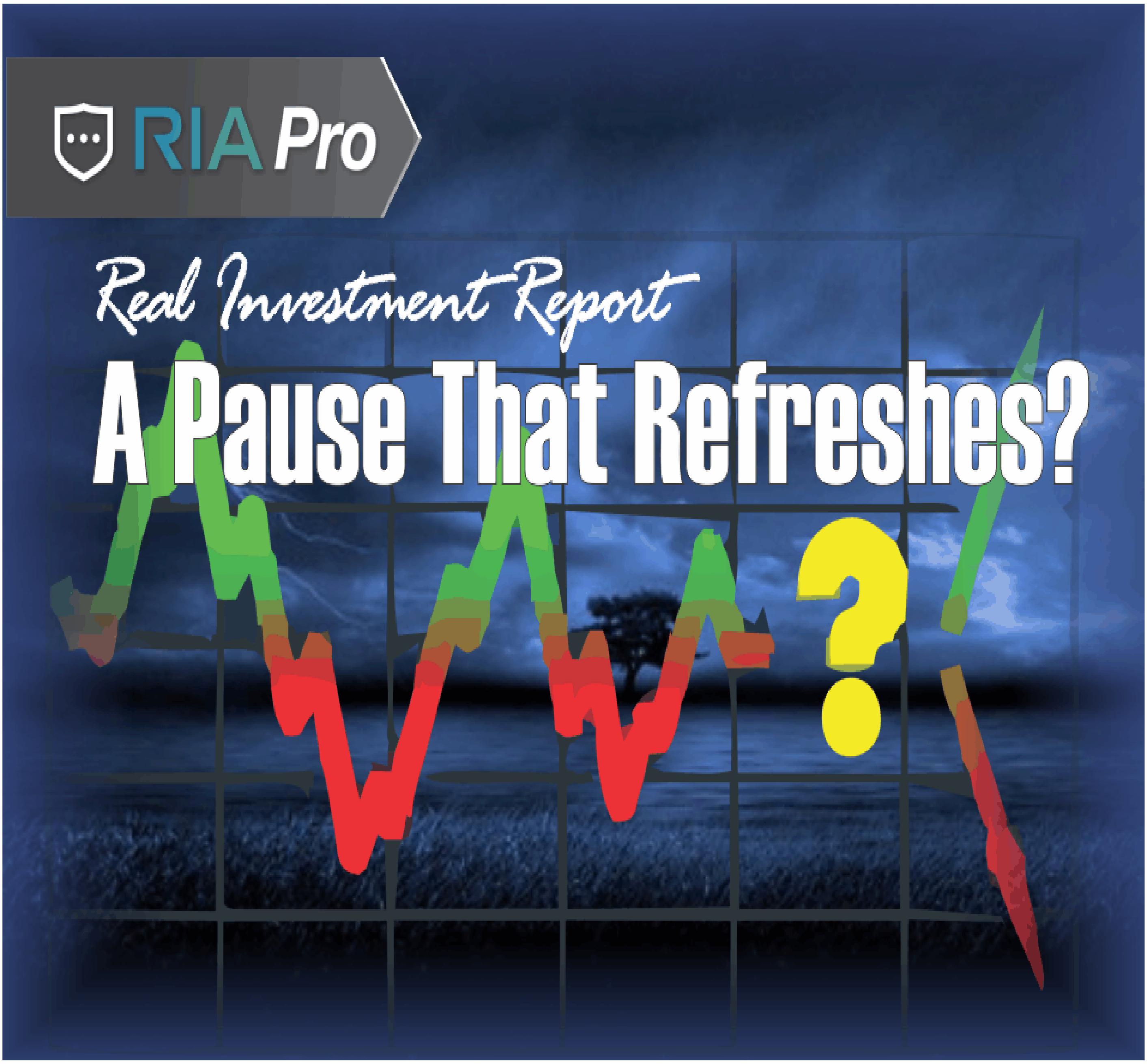
# A Pause That Refreshes




- ***Pause That Refreshes?***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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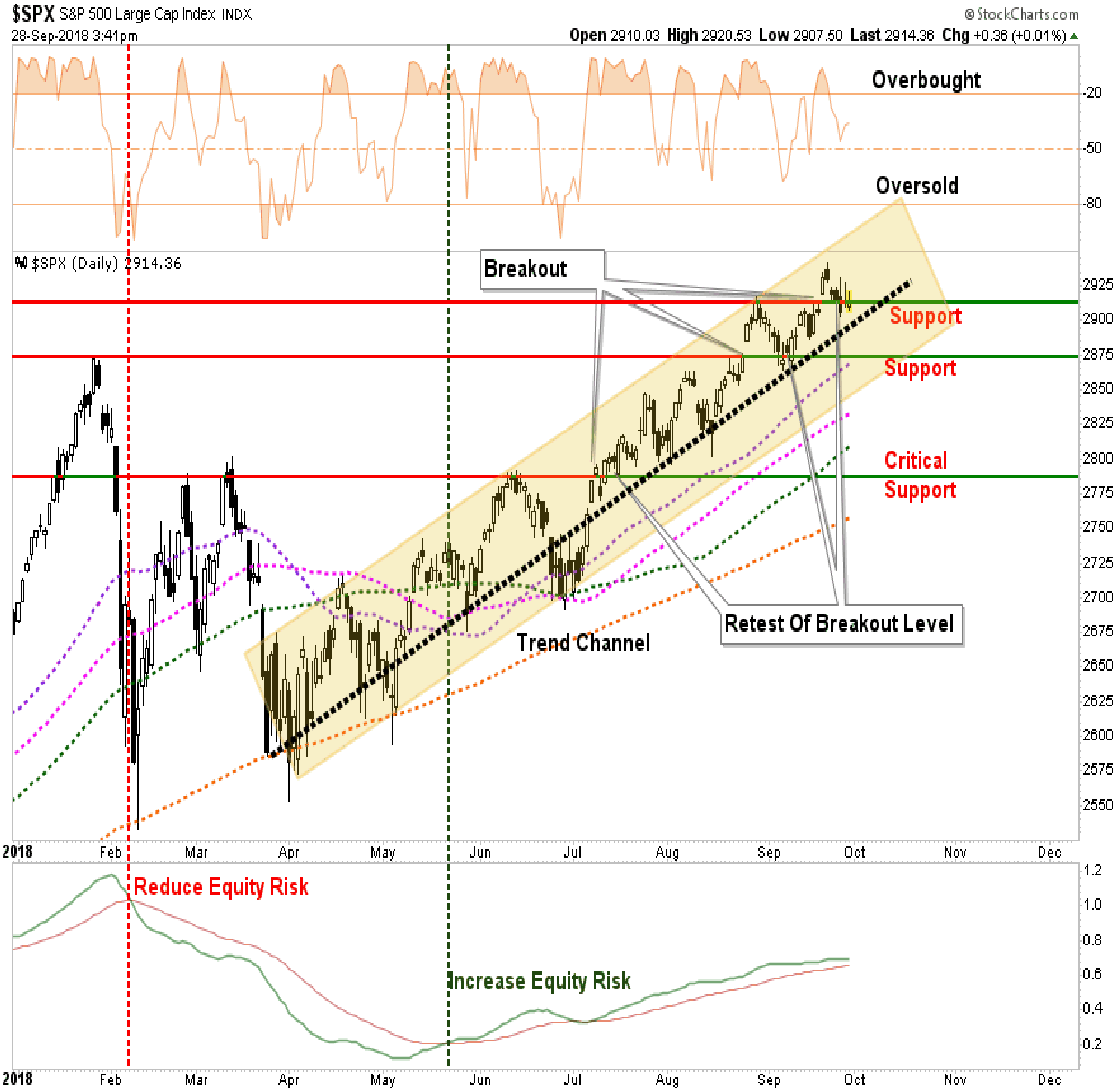
# A Pause That Refreshes?

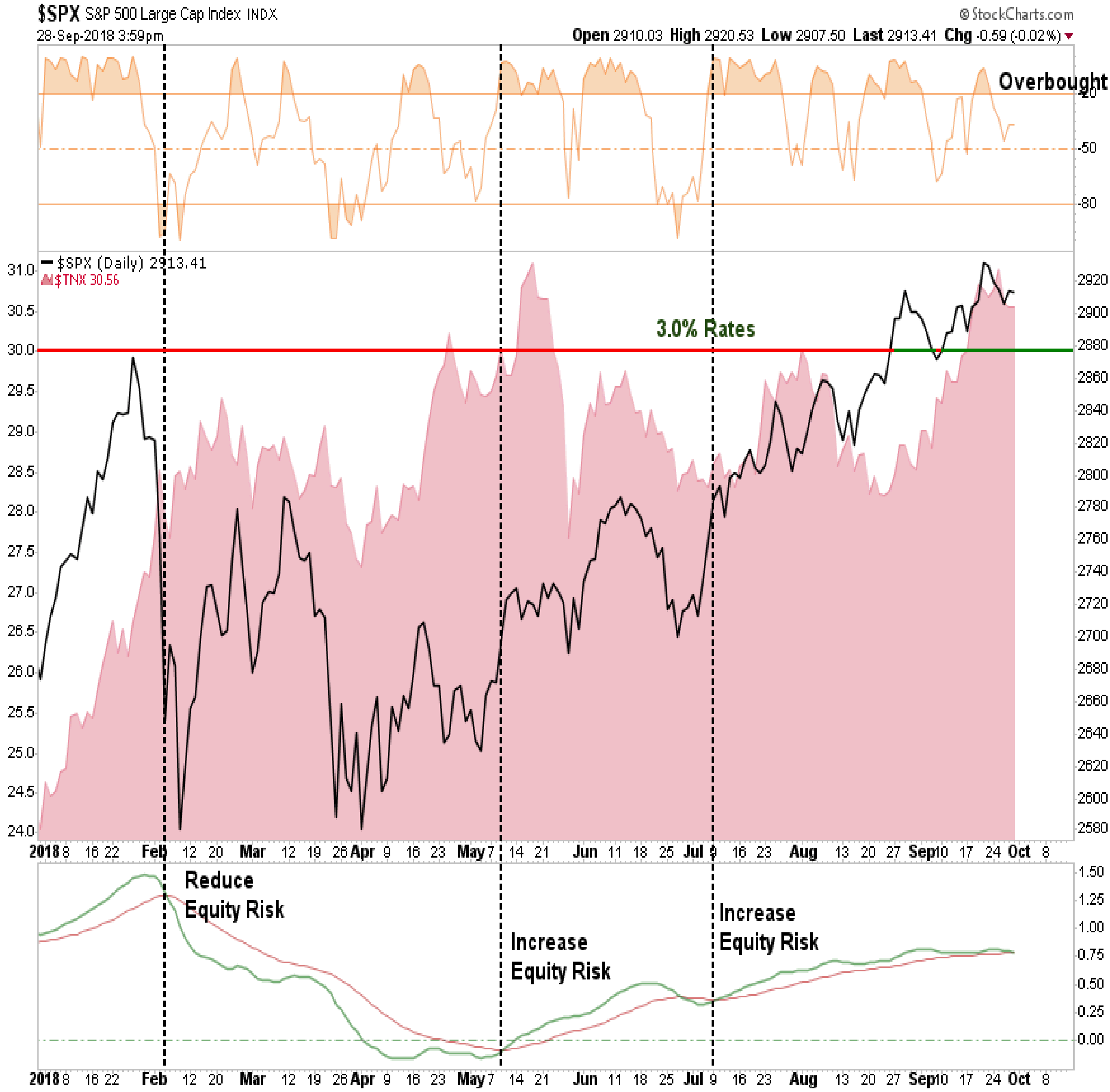
That was [so last week,](#)

> *"Get out your party hats ladies and gentlemen, the markets hit all-time highs. After increasing equity exposure in portfolios on the 11th, as the markets pulled back to the previous break-out support levels, I [suggested a push to new highs](#) was likely."*

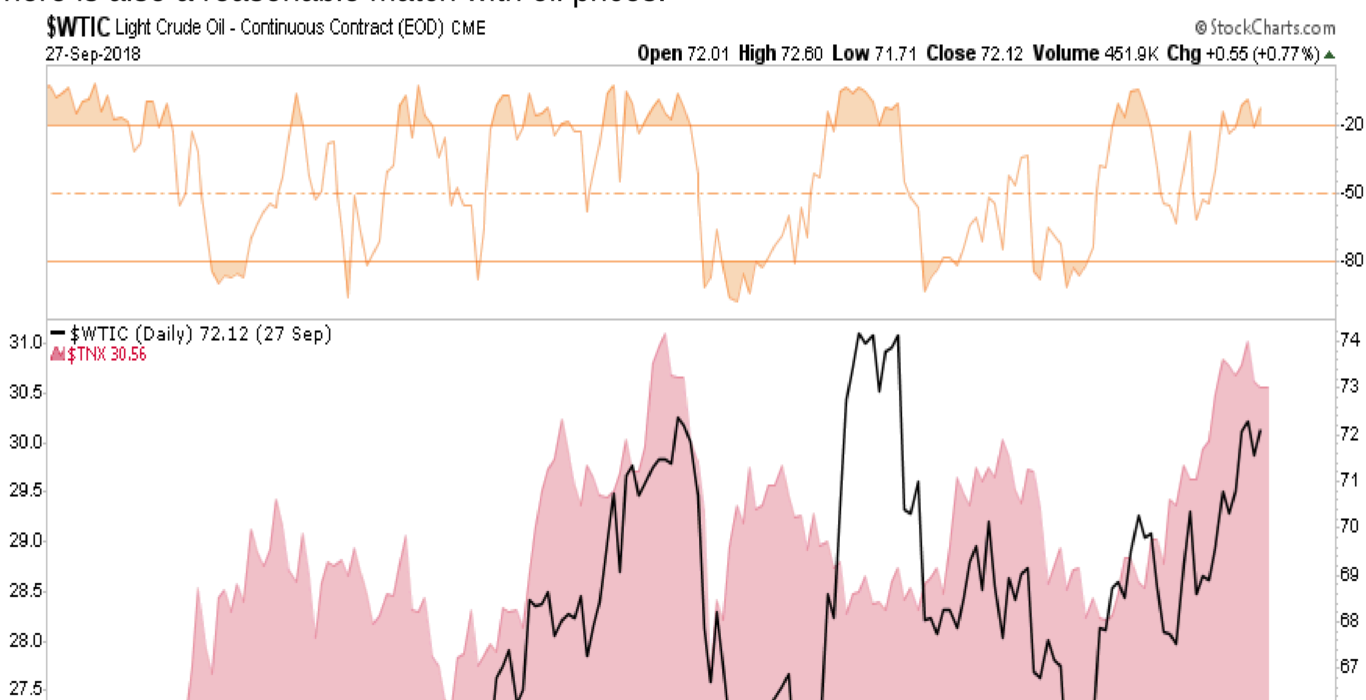
The one thing that we addressed several times last week [on our daily podcasts](#) was the short-term overbought condition needed to be resolved before the markets could make a year-end push to 3000.



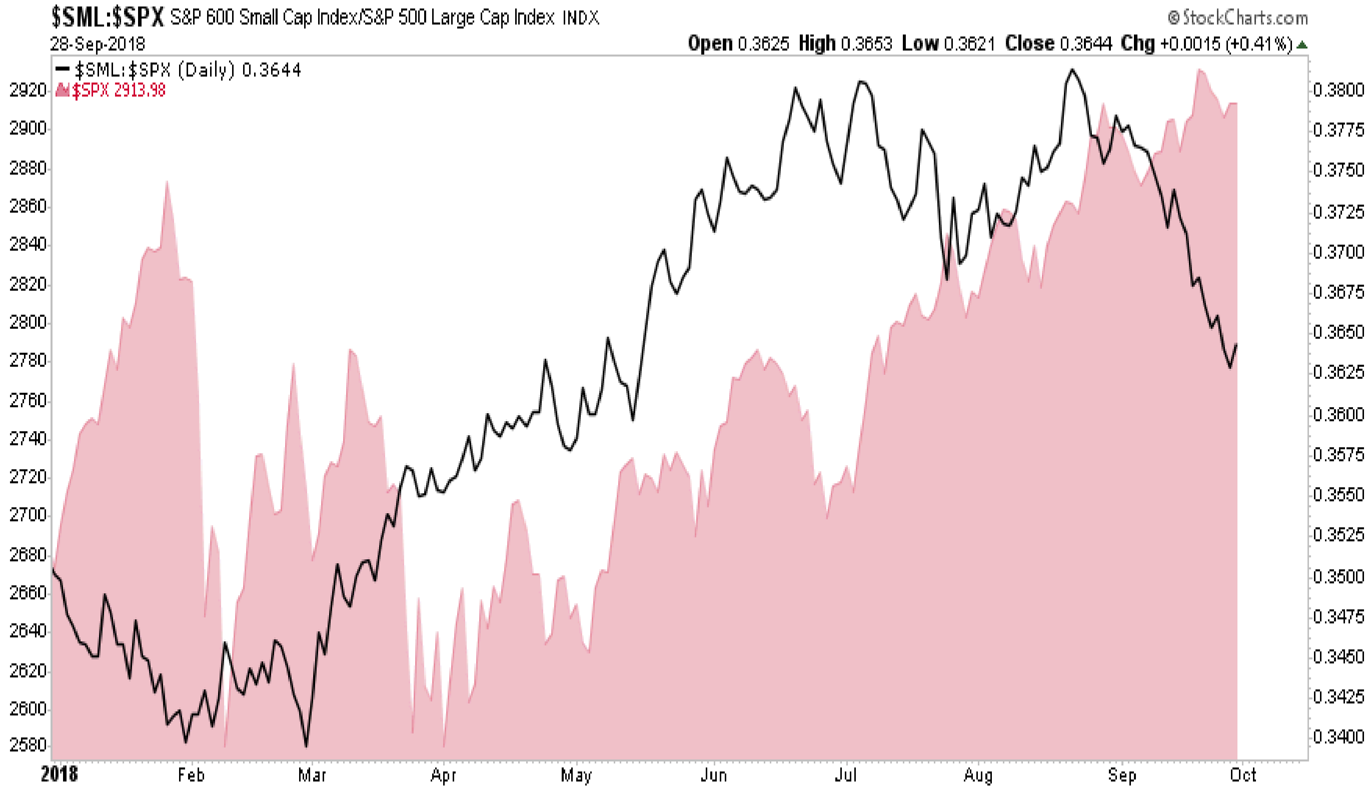

There has been a pretty well defined upward trendline *(black dashed line)*&#2013266080;since the April lows which has consistently provided better entry opportunities to increase equity exposure. **While we are currently fully weighted in existing portfolios, we must take advantage of these entry points to *"on-board"* new clients. This is always the biggest challenge for any advisor.** As stated, our existing portfolios are currently fully weighted toward equity risk as there seems to be little which can derail this market currently. We have moved stop-loss levels up to recent lows, added some defensive positioning, and have added bonds as rates have climbed above 3%. Speaking of rates, each time rates have climbed towards 3%, the market has stumbled.



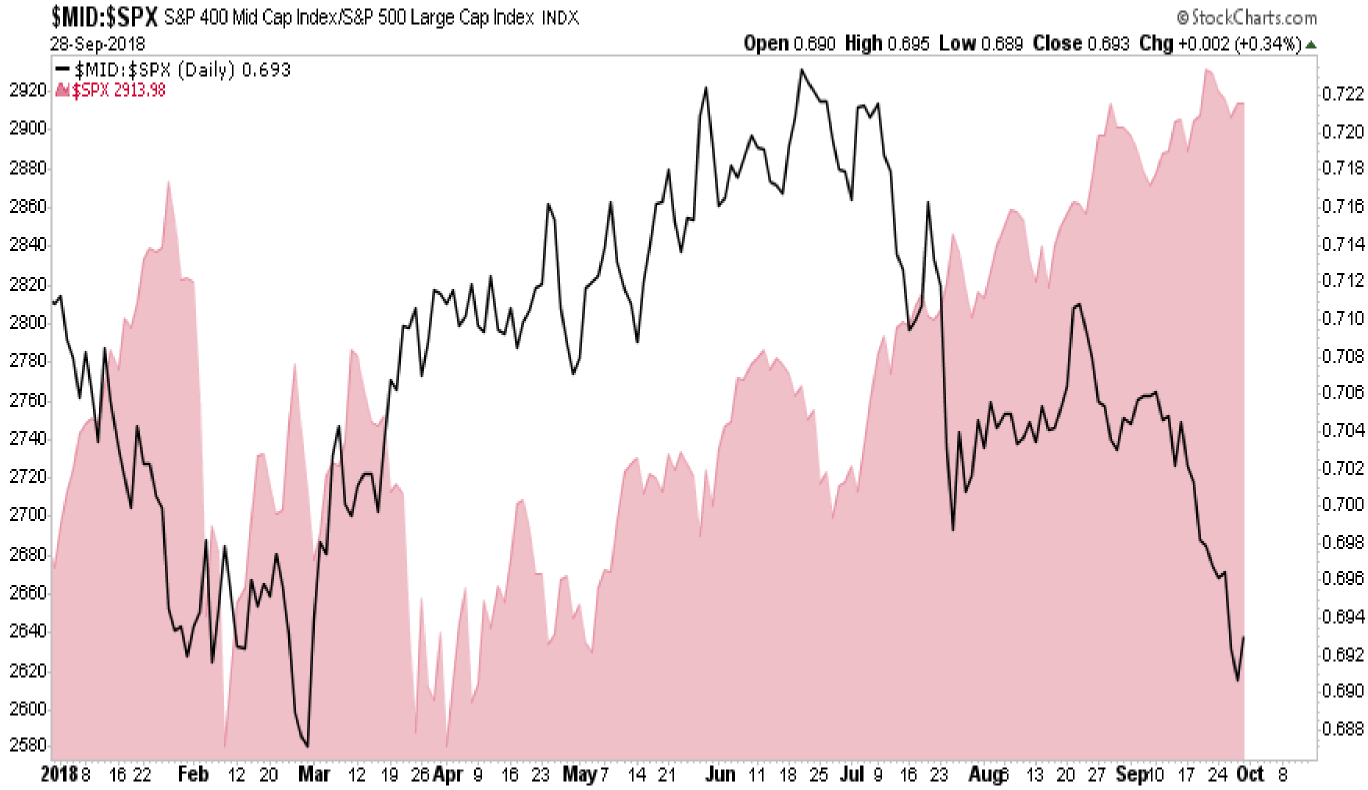

There is also a reasonable match with oil prices.



This is particularly interesting with respect to the ongoing bullish narrative. Tariffs, higher interest rates, and higher oil prices are ultimately a direct tax on the consumer. Such will ultimately weigh on consumption, earnings, and the economy. Another concern for the rally is the participation continues to narrow. Small caps, after leading the rally higher from the March lows have lost their *"mojo."&#2013266080;*




Same for Mid-cap stocks.

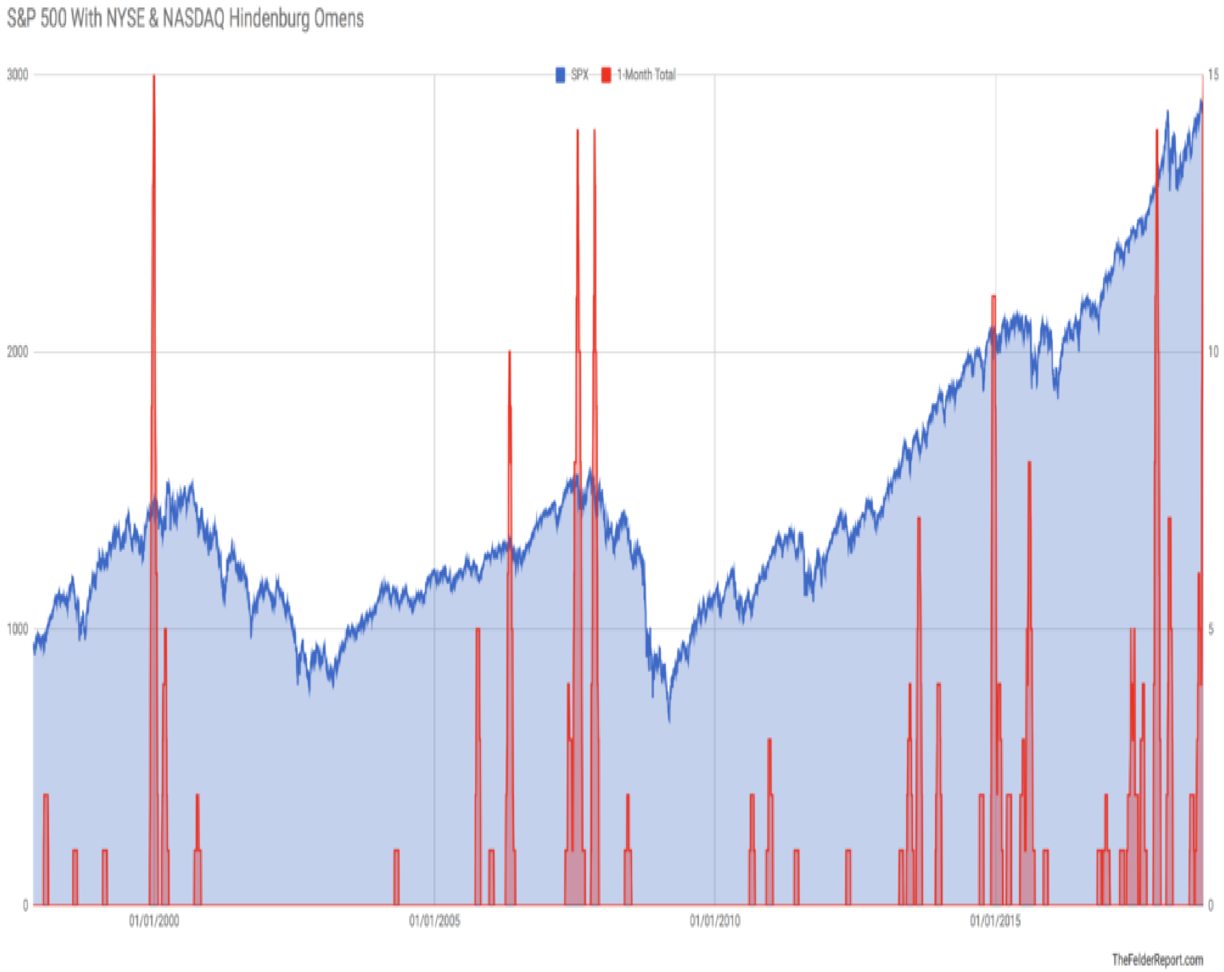



This suggests that much of the *"speculative"* nature of the market seen early this year has subsided and risk is being concentrated into fewer areas. As&#2013266080;*[Steven Vanelli via Knowledge Leaders Capital blog]*&#2013266080;noted on Friday

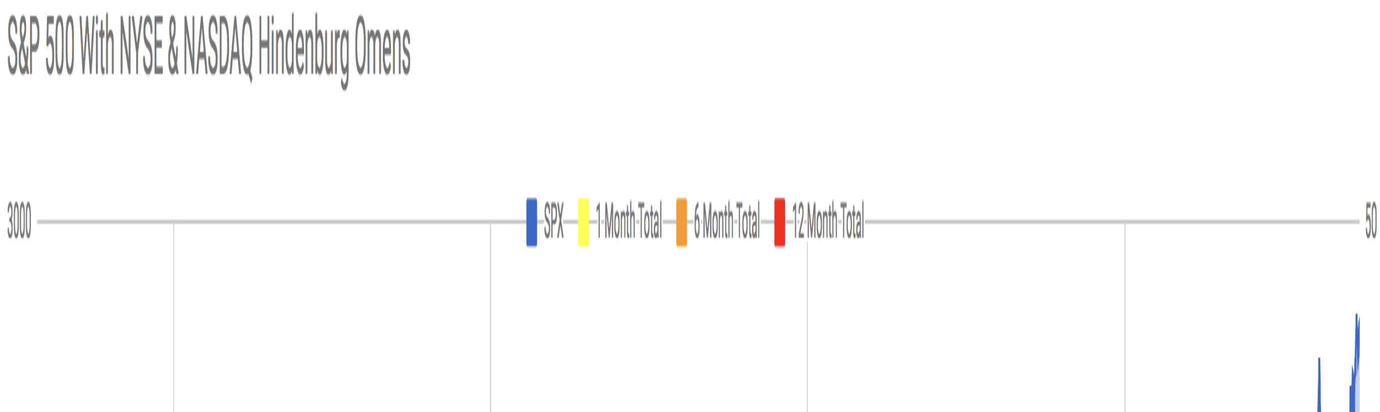
> *"Small caps have underperformed mid/large caps by about 5% since making a relative high June 21, 2018.&#2013266080;**There is support nearby, but if small caps underperform US mid/large caps by another 5%, then the technical picture could change for the worse."***

But there is more to this story than just relative underperformance.&#2013266080;As Jesse Felder noted in his blog last week, breadth is becoming decidedly more bearish.

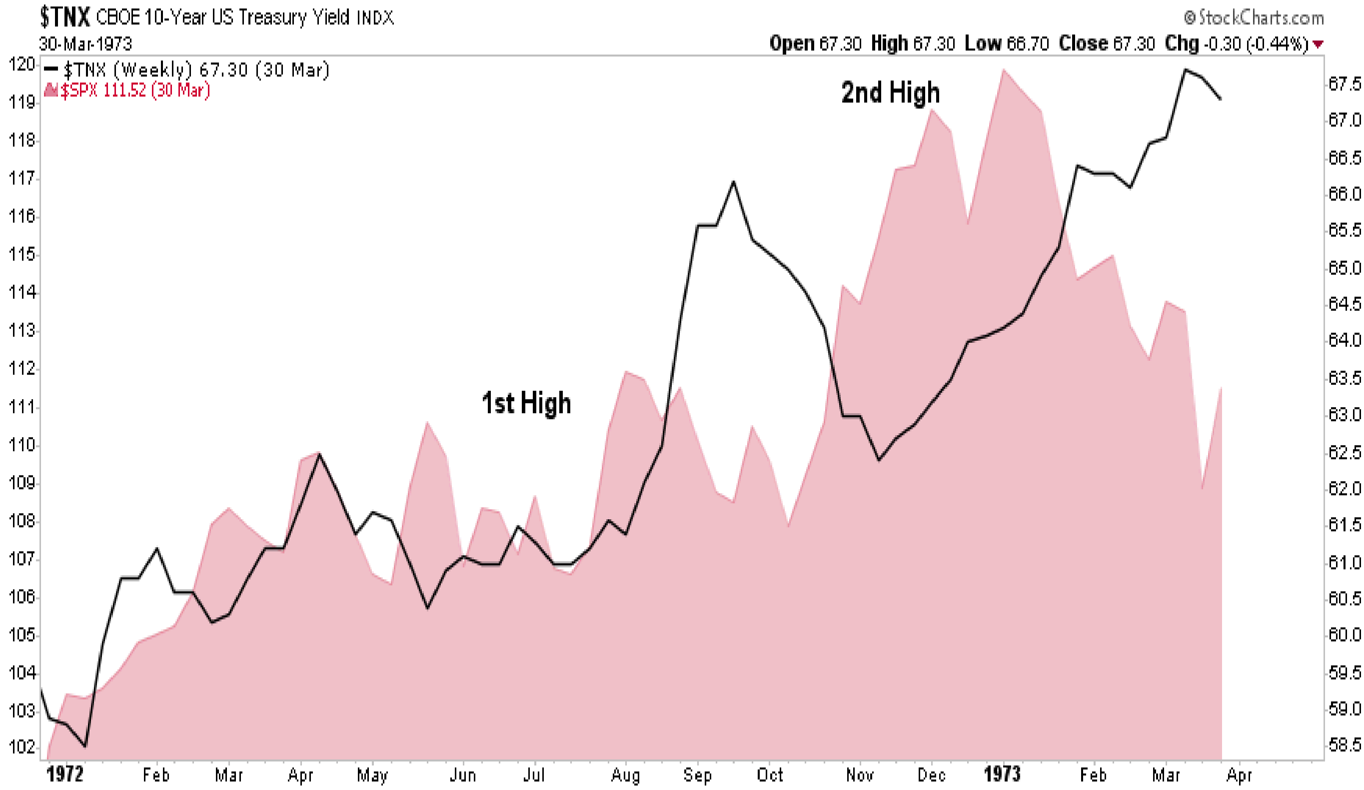
> *"Over the past ten days, this exchange has triggered an omen every day. Such a streak has not happened over at least the past 40 years. **This brings the total number of omens triggered on both exchanges over the past month to 15, the most since December of 1999, just before the peak of the Dotcom Mania."***



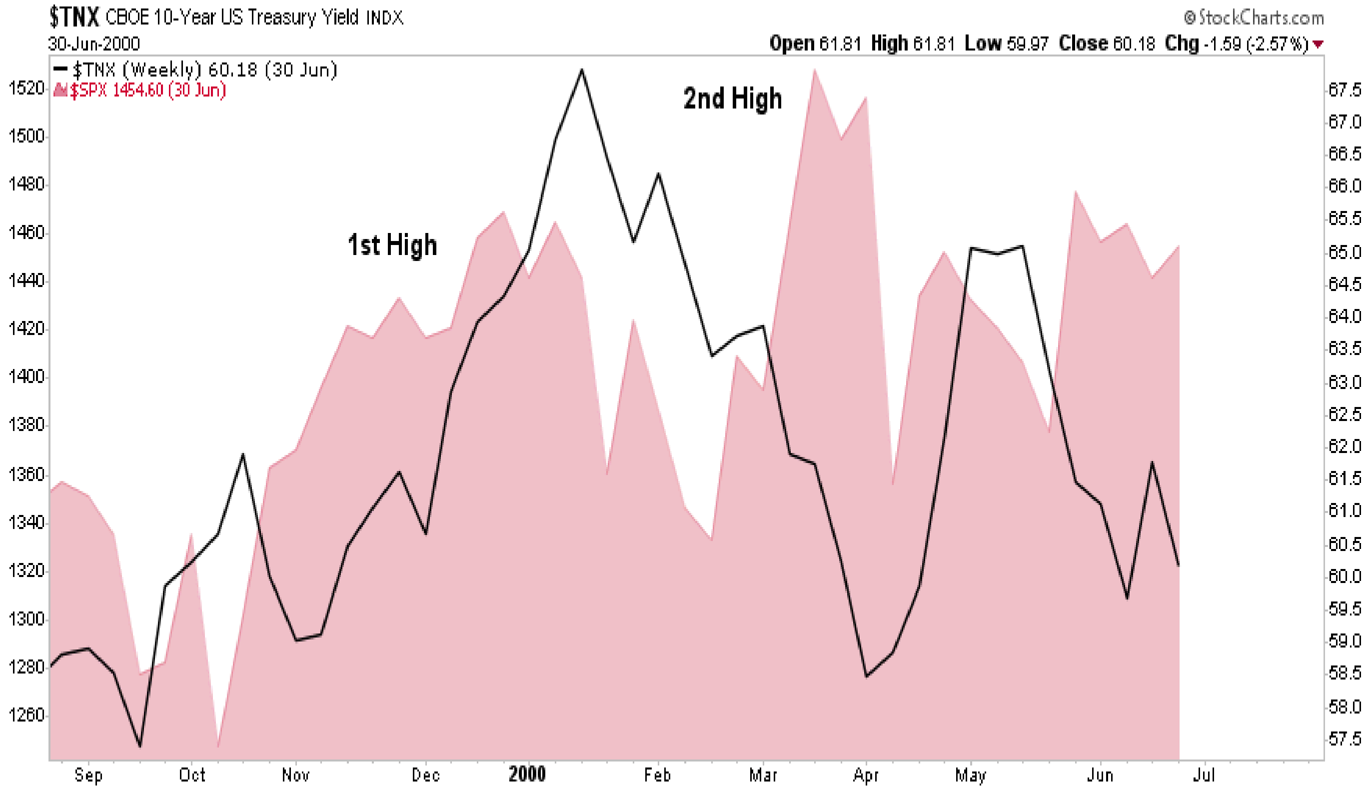

> ***"Even more notable, it brings the total omens triggered over the past year to 44, by far the most in at least 40 years and roughly doubles the total seen almost 20 years ago.** The only thing to conclude from this is that we are currently **seeing a historic divergence in equity market breadth, the sort of dispersion that has typically preceded broader market turbulence."***



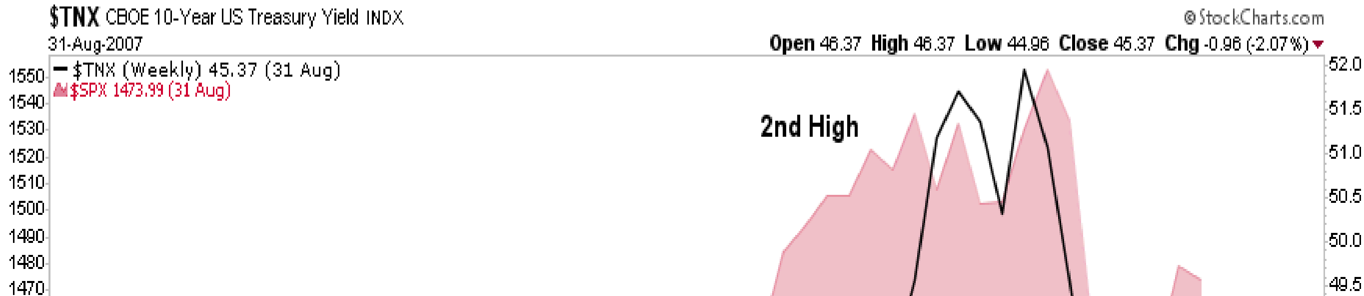
**So, the real question is whether the recent struggles with the market are simply just a pause that refreshes or the early stages of a more important topping process?** Over the past 50-years, when the market has posted a new high, failed, and then posted a subsequent high at the same time the Federal Reserve, and long-term rates, were rising - it was a significantly more important topping process. **1972 - Prior to the 1973-1974 bear market.**



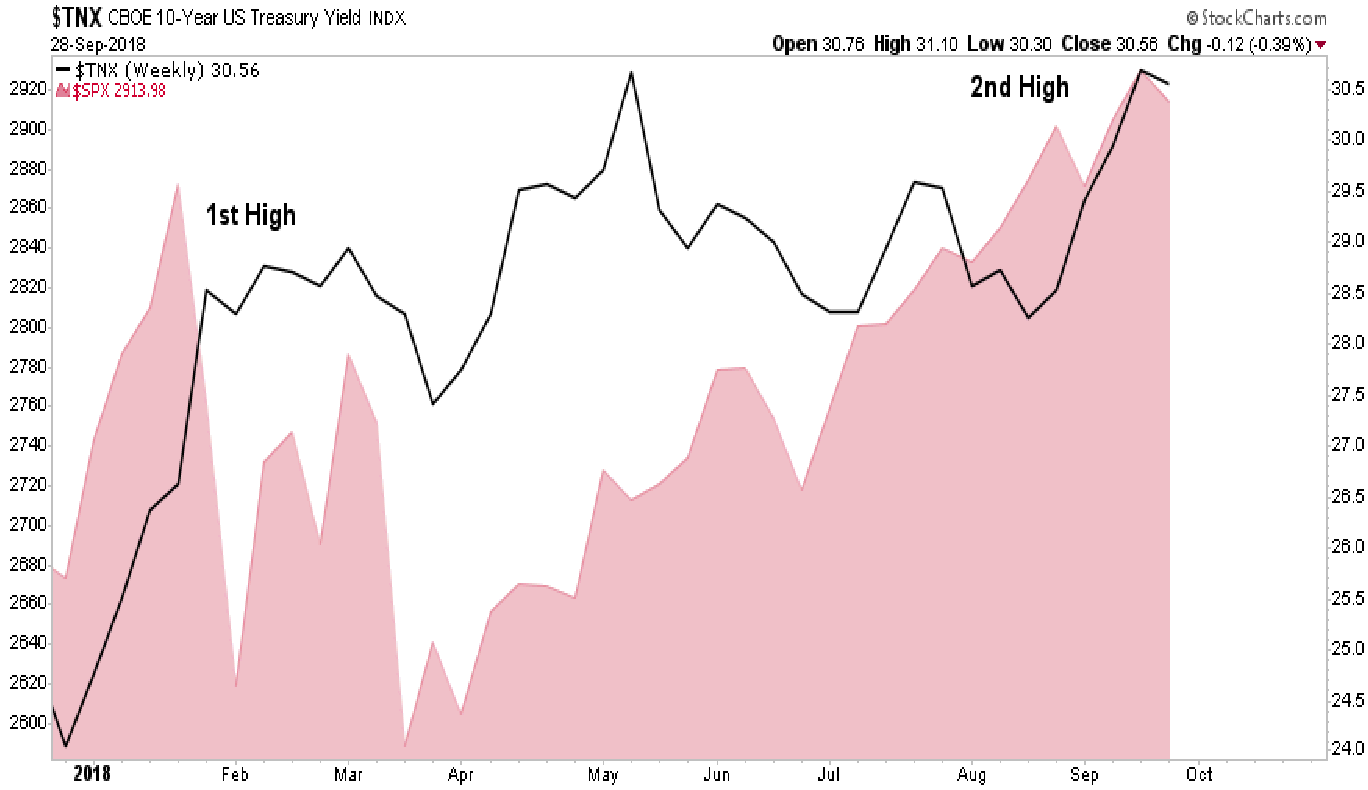

**1999 - Prior to the Dot.com crash**




**2007 - Prior to the Financial Crisis**



**Today**




**It is too early to know just yet whether we are just experiencing a pause that refreshes or if we are at the beginnings of a more important juncture between rates and the markets. We will only know for sure in hindsight.&#2013266080;** For now, there is really no one is really concerned with the risks. As Dr. Ed Yardeni noted last week:

> *"The latest relief rally reflects mounting confidence that Trump?s trade war won?t escalate into one that depresses the economy and corporate earnings, which continue to soar. In addition, there is less fear lately that the Fed?s policy normalization will trip up the bull market. Earlier this year, there was fear that a 10-year US Treasury bond yield above 3.00% would be bearish for stocks. It recently rose back slightly above that level, yet it was widely deemed to be bullish for financial stocks. Go figure!"*

He is right, which is why&#2013266080;we have remained&#2013266080;allocated to equities &#2013266080;and have been opportunistic in adding exposure.

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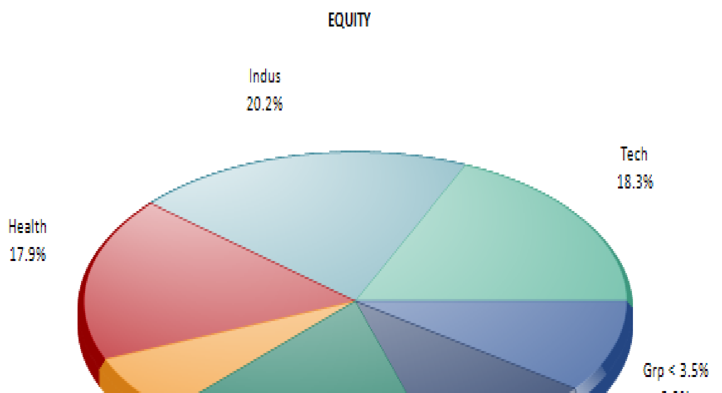
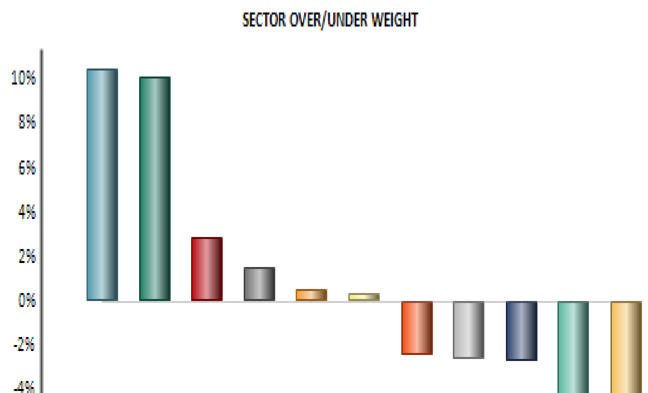
RIA Pro

TOP 20 EQUITY REVIEW 2

TOP 10 EQUITIES WITH VALUATION ATTRIBUTES

S&P 500 ETF



However, we also understand that such will not always be the case. Yes, everything is currently *"as good as it can get,"*&#2013266080;**which is**&#2013266080;**always the case - just before it isn't.&#2013266080;** Just pay attention to the signs that things may be changing. **See you next week.**

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# Market & Sector Analysis

**Data Analysis Of The Market & Sectors For Traders**

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## S&P 500 Tear Sheet


**SPY RISK INFO**

| Item | T 2-Yr | T 1-Yr. | YTD | % Diff YTD/T1-YR |
|---|---|---|---|---|
| Price Return | 34.19% | 16.13% | 8.94% | (44.55%) |
| Max Drawdown | -11.76% | -11.76% | -11.76% | 0.00% |
| Sharpe | 1.71 | 1.42 | 0.88 | (0.38) |
| Sortino | 1.96 | 1.53 | 0.98 | (0.36) |
| Volatility | 10.30 | 12.45 | 14.10 | 0.13 |
| Daily VaR-5% | 2.04 | (1.23) | (8.95) | 6.26 |
| Mnthly VaR-5% | 6.01 | 5.01 | (2.64) | (1.53) |

**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 | 1.96% | 1.86% | 1.76% | (5.42%) | 2.16% | 1.67% | (18.65%) | 5.57% |
| P/E Ratio | 19.44 | 20.49 | 20.16 | (1.66%) | 20.77 | 15.79 | (2.9%) | 27.64% |
| P/S Ratio | 2.92 | 3.19 | 3.50 | 8.82% | 3.52 | 2.21 | (0.66%) | 58.57% |
| P/B Ratio | 3.33 | 3.60 | 4.10 | 12.17% | 4.00 | 2.73 | 2.51% | 50.22% |
| ROE | 15.06% | 15.85% | 17.18% | 7.76% | 17.18% | 15.01% | 0.00% | 14.50% |
| ROA | 2.83% | 2.95% | 3.27% | 9.74% | 3.27% | 2.82% | 0.00% | 15.70% |

**S&P 500 Market Cap Analysis**

| Item | 12-M Ago | Current | % Chg |
|---|---|---|---|
| Shares | 2,439.4 | 2,430.1 | (0.38%) |
| Sales | 56,815 | 61,051 | 7.46% |
| SPS | 23.3 | 25.1 | 7.86% |
| Earnings | 7,672 | 8,781 | 14.45% |
| EPS TTM | 3.7 | 4.4 | 18.57% |
| Dividend | 1.4 | 1.5 | 9.49% |

**S&P 500 Asset Allocation**

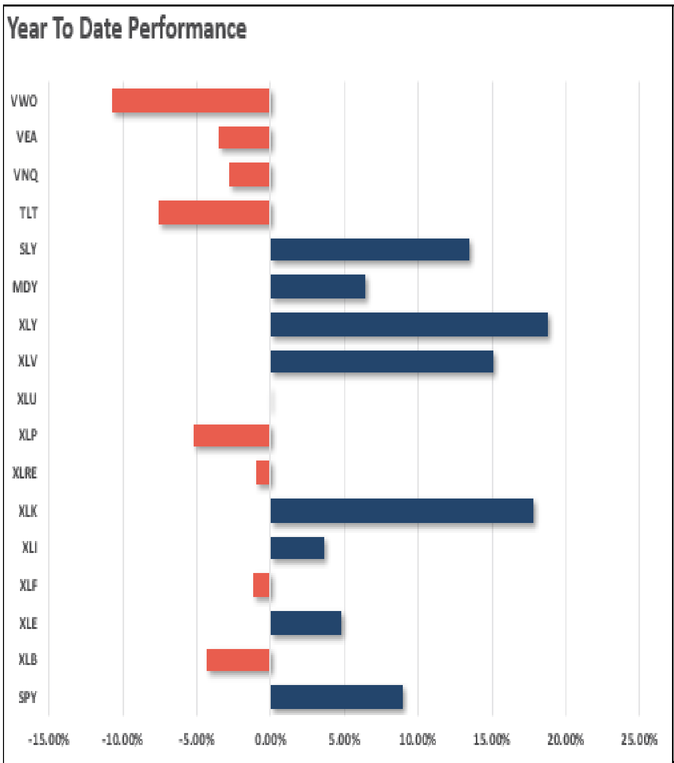
| Sector | 1 Year Price Return | Weight | Beta | P/E | P/E High-5yr (Mo.) | P/E Low - 5Yr (Mo.) | P/E % From Peak | ROE | DIV. YIELD | TTM Earnings Yield | Current Forward Earnings | Forward PE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Energy | 11.42% | 6.03% | 1.05 | 26.27 | 144.07 | 12.52 | (81.8%) | 7.8% | 2.8% | 4.35% | 4.14 | 15.96 |
| Materials | 2.14% | 2.47% | 1.42 | 17.16 | 22.14 | 13.94 | (22.5%) | 10.5% | 2.1% | 6.18% | 4.78 | 15.04 |
| Industrials | 8.89% | 9.72% | 1.04 | 19.58 | 22.14 | 14.74 | (11.6%) | 14.4% | 1.9% | 5.37% | 5.22 | 16.26 |
| Discretionary | 33.53% | 13.08% | 1.07 | 26.31 | 25.85 | 19.95 | 1.8% | 20.7% | 1.1% | 3.94% | 4.32 | 20.97 |
| Staples | 0.88% | 6.68% | 0.66 | 19.59 | 22.83 | 17.38 | (14.2%) | 25.2% | 3.0% | 5.20% | 3.91 | 17.92 |
| Health Care | 17.58% | 14.97% | 0.97 | 18.89 | 20.41 | 15.77 | (7.4%) | 27.5% | 1.6% | 5.53% | 6.25 | 16.41 |
| Financials | 6.77% | 13.53% | 1.18 | 14.95 | 18.40 | 11.68 | (18.8%) | 10.3% | 1.9% | 7.17% | 5.58 | 12.65 |
| Technology | 31.07% | 26.10% | 1.18 | 23.38 | 24.67 | 15.84 | (5.2%) | 32.0% | 1.0% | 4.49% | 5.66 | 22.43 |
| Telecom | (5.59%) | 1.96% | 0.55 | 11.55 | 16.40 | 10.50 | (29.6%) | 17.6% | 5.4% | 9.03% | 3.79 | 10.32 |
| Utilities | (0.76%) | 2.77% | 0.25 | 17.00 | 19.62 | 14.87 | (13.4%) | 11.2% | 3.5% | 5.60% | 3.49 | 16.51 |
| Real Estate | 1.70% | 2.62% | 0.65 | 18.55 | 24.47 | 17.87 | (24.2%) | 9.4% | 3.5% | 5.56% | 4.28 | 17.97 |

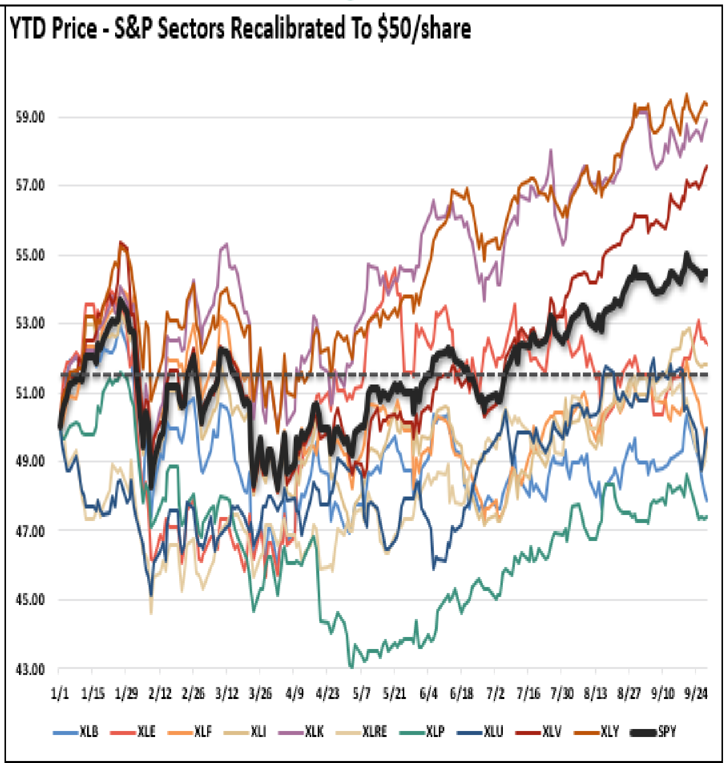
**Momentum Analysis**

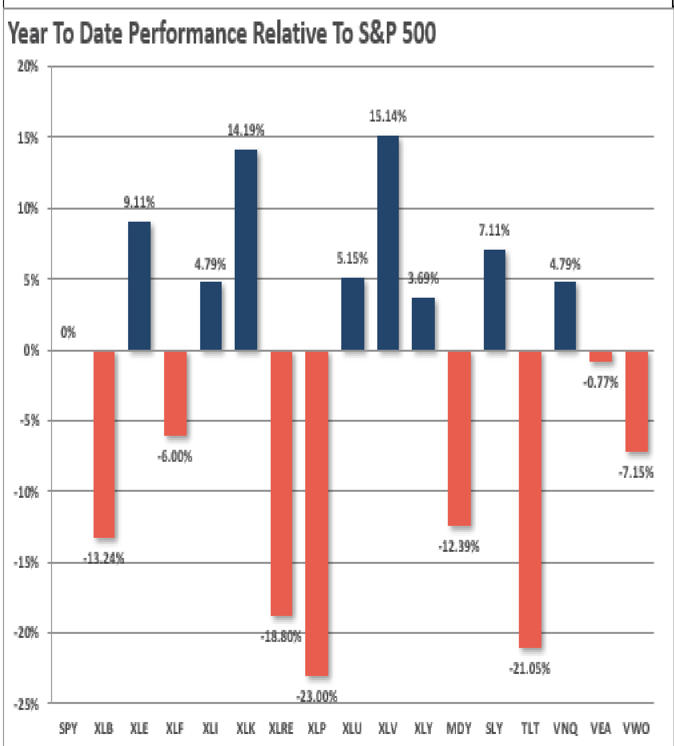
| | ROC 50- | 50- | # Days | % Dev | 200- | # Days | % Dev | % Dev | % From | % From |
|---|---|---|---|---|---|---|---|---|---|---|

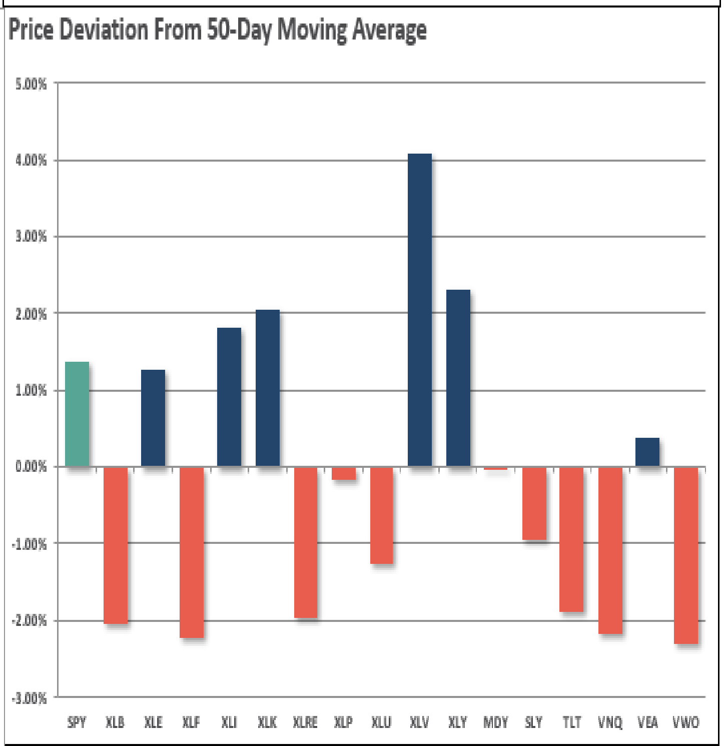
# Performance Analysis

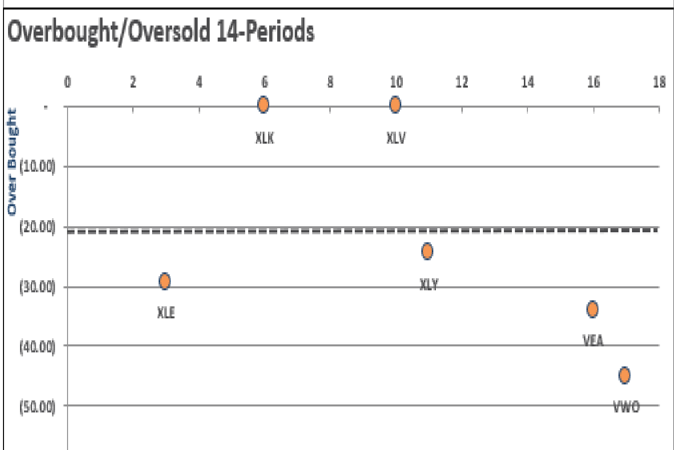
ZACKS REAL INVESTMENT ADVICE

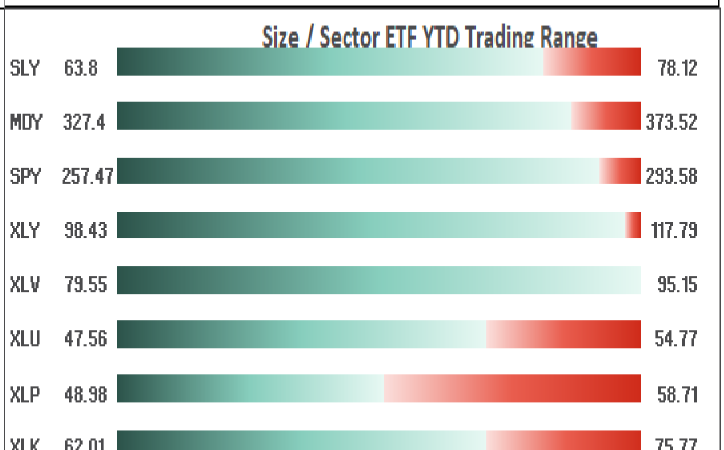


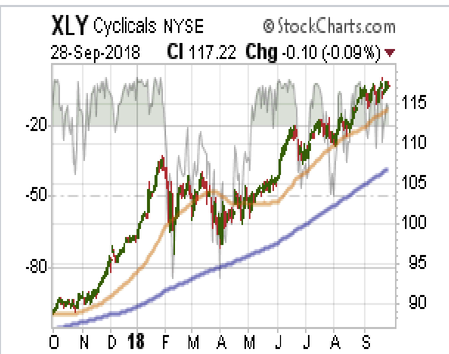
# ETF Model Relative Performance Analysis

| RELATIVE PERFORMANCE | | Ticker | ETF NAME | Current Price | Model Position Price Changes Relative to Index 1 Week | 4 Week | 12 Weeks | 24 Weeks | 52 Weeks | SHORT WMA | LONG WMA | % DEV - Short M/A | % DEV - Long M/A | Buy / Sell Signal |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BENCHMARK | IVV | ISHARS-SP500 | 292.73 | (0.89) | 0.10 | 5.60 | 9.65 | 15.74 | 286.69 | 277.57 | 2.11% | 5.46% | BUY |
| TACTICAL | SECTORS | XLB | SPDR-MATLS SELS | 57.93 | (3.45) | (2.36) | (6.49) | (9.96) | (13.75) | 58.98 | 58.91 | -1.78% | -1.66% | BUY |
| | | XLE | SPDR-EGY SELS | 75.74 | 1.74 | 1.65 | (5.51) | (3.59) | (5.13) | 74.98 | 73.00 | 1.02% | 3.75% | BUY |
| | | XLF | SPDR-FINL SELS | 27.58 | (3.15) | (2.75) | (2.19) | (9.21) | (9.08) | 27.96 | 27.95 | -1.37% | -1.31% | BUY |
| | | XLI | SPDR-INDU SELS | 78.40 | (1.11) | 1.59 | 3.05 | (3.69) | (5.31) | 76.14 | 75.33 | 2.97% | 4.07% | BUY |
| | | XLK | SPDR-TECH SELS | 75.33 | 1.86 | (0.46) | 0.41 | 3.94 | 11.73 | 73.32 | 70.06 | 2.75% | 7.53% | BUY |
| | | XLP | SPDR-CONS STPL | 53.93 | (1.09) | 0.18 | (2.32) | (7.10) | (15.83) | 53.63 | 52.55 | 0.56% | 2.63% | BUY |
| | | XLU | SPDR-UTIL SELS | 52.65 | 0.12 | (1.63) | (6.58) | (3.90) | (16.49) | 53.13 | 51.19 | -0.91% | 2.86% | BUY |
| | | XLC | SPDR-COMM SV SS | 49.00 | 1.82 | (0.47) | (9.09) | | | 49.40 | 49.45 | -0.81% | -0.91% | SELL |
| | | XLV | SPDR-HLTH CR | 95.15 | 1.82 | 2.46 | 5.03 | 6.57 | 0.68 | 90.28 | 85.93 | 5.39% | 10.73% | BUY |
| | | XLY | SPDR-CONS DISCR | 117.22 | 1.15 | 0.13 | 0.68 | 6.16 | 14.39 | 113.86 | 108.37 | 2.95% | 8.17% | BUY |
| | SIZE | MGK | VANGD-MG CAP GR | 128.17 | 1.52 | 0.18 | 0.25 | 3.77 | 6.66 | 124.68 | 119.43 | 2.80% | 7.32% | BUY |
| | | IJR | ISHARS-SP SC600 | 87.24 | (0.47) | (3.50) | (4.42) | 1.84 | 1.81 | 87.60 | 82.82 | -0.41% | 5.34% | BUY |
| CORE | Equal Weight Market | RSP | GUGG-SP5 EQ ETF | 106.81 | (0.74) | (0.38) | (2.24) | (2.46) | (3.94) | 105.64 | 102.89 | 1.11% | 3.81% | BUY |
| | Dividend | VIG | VANGD-DIV APPRC | 110.70 | (0.67) | 1.13 | 2.15 | 0.06 | 1.05 | 107.43 | 104.15 | 3.04% | 6.29% | BUY |
| | Real Estate | VNQ | VIPERS-REIT | 80.68 | (1.65) | (4.11) | (8.42) | (1.59) | (18.64) | 82.36 | 78.69 | -2.04% | 2.53% | BUY |
| | International | IDV | ISHARS-INTL SD | 32.63 | (0.71) | (0.07) | (6.12) | (13.24) | (19.08) | 32.70 | 33.16 | -0.20% | -1.61% | SELL |
| | | VWO | VANGD-FTSE EM | 41.00 | (1.02) | (2.57) | (8.56) | (21.55) | (21.63) | 42.06 | 44.51 | -2.53% | -7.88% | SELL |
| FI | Intermediate Duration | TLT | ISHARS-20+YTB | 117.27 | 1.04 | (3.18) | (10.06) | (12.65) | (21.74) | 120.09 | 119.67 | -2.35% | -2.00% | BUY |
| | International | BNDX | VANGD-TTL INT B | 54.54 | 0.78 | (0.43) | (6.07) | (9.85) | (15.83) | 54.71 | 54.52 | -0.31% | 0.04% | BUY |
| | High Yield | HYG | ISHARS-IBX HYCB | 86.44 | 1.12 | (0.01) | (4.30) | (9.48) | (18.35) | 85.91 | 85.77 | 0.62% | 0.78% | BUY |
| | Cash | BSV | VANGD-SHT TRM B | 78.03 | | | | | | | | | | |

# Sector & Market Analysis:

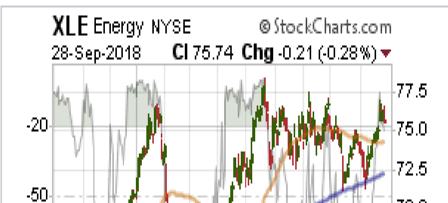
As I noted, the S&P 500 sectors have been shuffled up a bit. As such, I have changed the two charts below. The S&P analysis now includes both XLC and XLRE. I have also added the S&P 500 index just for comparative purposes. Since real estate was moved up from the major markets graph, I have added a pure S&P 500 index for comparative performance to the equal weight and dividend weighted indices.

### Sector-by-Sector







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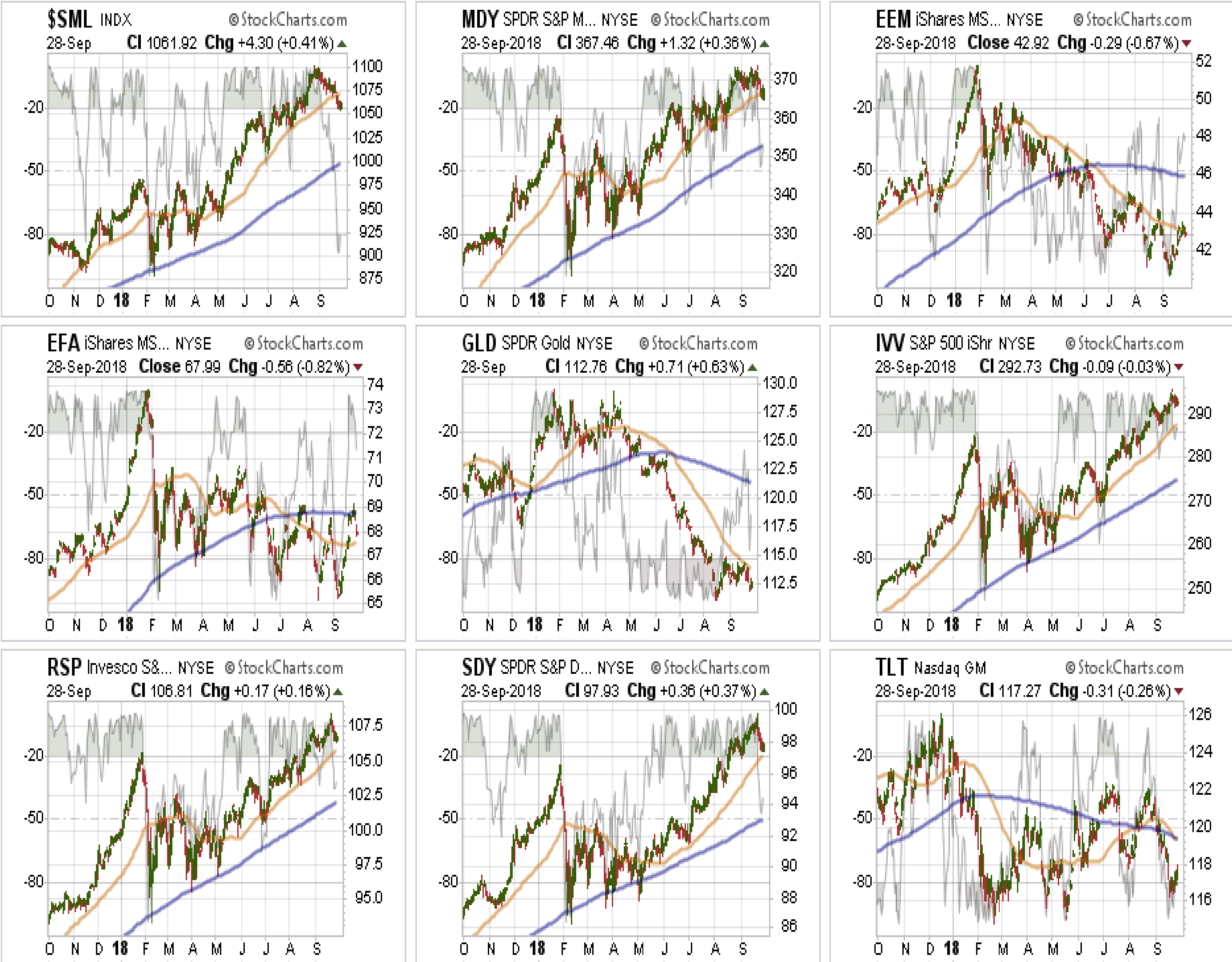
| Symbol | Security | Last | Today's Change | P/L | Avg. Cost | Size | Shares | Market $ | YTD | STD Above or Below the 50 SMA | RSI | Momentum (MACD) | 21 SMA | 50 SMA | 100 SMA | Current Trend Analysis |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| XLRE | Real Estate Select Sector SPDR | 32.61 | $0.4 (1.24%) | -1.63% | $33.15 | 3.41% | 1 | $32.61 | 0.43% | -0.66 | 41.42 | | 33.3 | 33.25 | 32.54 | 4 out of 10 |
| XLV | Sector - Health Care | 95.15 | $0.29 (0.31%) | 0.93% | $94.27 | 9.94% | 1 | $95.15 | 15.91% | +2.43 | 73.36 | | 93.45 | 91.4 | 87.81 | 10 out of 10 |
| XLP | Sector - Con. Goods | 53.93 | $0.08 (0.15%) | -1.98% | $55.02 | 5.63% | 1 | $53.93 | -3.94% | -0.09 | 44.9 | | 54.43 | 54.02 | 52.37 | 6 out of 10 |
| XLY | Sector - Con. Service | 117.22 | $-0.1 (-0.09%) | 0.26% | $116.92 | 12.24% | 1 | $117.22 | 19.44% | +1.06 | 57.8 | | 116.7 | 114.51 | 111.64 | 10 out of 10 |
| XLF | Sector - Financial | 27.58 | $-0.29 (-1.04%) | -4.4% | $28.85 | 2.88% | 1 | $27.58 | -0.40% | -0.88 | 36.61 | | 28.3 | 28.21 | 27.82 | 1 out of 10 |
| XLI | Sector - Industrials | 78.4 | $-0.05 (-0.06%) | -1.67% | $79.73 | 8.19% | 1 | $78.40 | 4.44% | +0.70 | 53.98 | | 78.48 | 76.99 | 75.51 | 8 out of 10 |
| XLB | Sector - Materials | 57.93 | $-0.37 (-0.63%) | -4.34% | $60.56 | 6.05% | 1 | $57.93 | -3.48% | -0.71 | 37.21 | | 59.36 | 59.13 | 59.01 | 1 out of 10 |
| XLK | Sector - Technology | 75.33 | $0.28 (0.37%) | 0.97% | $74.61 | 7.87% | 1 | $75.33 | 18.57% | +0.76 | 58.46 | | 74.62 | 73.79 | 72.21 | 10 out of 10 |
| XLU | Sector - Utilities | 52.65 | $0.76 (1.46%) | -0.77% | $53.06 | 5.50% | 1 | $52.65 | 1.62% | -0.44 | 44.81 | | 53.55 | 53.32 | 51.87 | 4 out of 10 |
| SPY | SPDR S&P 500 | 290.86 | $0.17 (0.06%) | 6.16% | $273.99 | 30.38% | 1 | $290.86 | 9.92% | +0.86 | 55.68 | | 290.14 | 286.7 | 280.38 | 8 out of 10 |
| XLE | SPDR Select Sector Fund - Energ | 75.74 | $-0.21 (-0.28%) | 7474% | $1 | 7.91% | 1 | $75.74 | 6.27% | +0.40 | 58.11 | | 74.59 | 74.81 | 75.29 | 5 out of 10 |

**Discretionary, Healthcare, and Technology**&#2013266080;primarily drove the overall market advance last week, what little bit there was to speak of.&#2013266080;Healthcare's recent run continues but is grossly extended. Not surprisingly, these are the three sectors with the highest momentum and trend rating as shown above. **Industrials and Materials**&#2013266080;lost their recent *"mojo*" last week as rising *"tariff"* risks overrode the recent sector rotation to under-performing sectors. Take profits in Industrials for now. With 8 of 10 trend and momentum indicators still positive for the Industrial sector, use pullbacks to support and short-term oversold conditions to add positions to portfolios. Basic Materials, is a disaster. Just avoid for now with only 1 of 10 trend and momentum indicators currently in play. **Utilities and Real Estate -** Both suffered corrections last week as rates pushed higher. Unfortunately, both sectors, while now short-term oversold, violated their 50-dma. Take profits in both sectors following the recent run and watch to see if both sectors fail to get back above their respective 50-dmas. Failure will likely suggest a short-term top with lower lows to come before the next decent trading opportunity presents itself. With only 4 of 10 trend and momentum indicators in place, the sectors are too weak to establish positions in currently. **Energy -** The uptick in oil prices over the last couple of weeks brought money flows back into the Energy sector which rallied to the top of its downtrend and failed. With only 5 of 10 trend and momentum indicators positive currently, take profits in the recent run and look for a pullback to the 50-dma which holds to add exposure if needed. Stops should remain at the 200-dma. **Financials** continue to languish and after a brief spurt completely fell apart violating both the 50 and 200-dma. Look for a failed rally back to the 200-dma to reduce exposure to the sector. With only 1 of 10 trend and momentum indicators in place the sector should remain underweight in portfolios with stops moved up to last weeks lows. **Staples** have performed well from the recent lows which is why 6 of 10 indicators are currently positive. The recent pullback to the 50-dma provides a reasonable entry point on a risk/reward basis if you need to increase exposure to sector.

Keep a tight stop at the 50-dma. **Telecommunications -** with the new reshuffle in this sector could well see a pick up in volatility. There is no reason to add this sector to holdings right now as there simply isn't enough data yet to determine much of anything from a trading perspective. We will watch this over the next couple of months to see how things develop.



| Symbol | Security | Last | Today's Change | P/L | Avg. Cost | Size | Shares | Market $ | YTD | STD Above or Below the 50 SMA | RSI | Momentum (MACD) | 21 SMA | 50 SMA | 100 SMA | Current Trend Analysis |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| RSP | Guggenheim S | 106.81 | $0.17 (0.16%) | 0% | $106.81 | 8.34% | 1 | $106.81 | 6.58% | +0.34 | 48.59 | | 107.27 | 106.21 | 104.4 | 5 out of 10 |
| TLT | iShares 20 Year Treasury Bond E | 117.27 | $-0.31 (-0.26%) | 0% | $117.27 | 9.15% | 1 | $117.27 | -6.14% | -0.98 | 38.6 | | 118.37 | 119.45 | 119.57 | 0 out of 10 |
| IVV | iShares Core S&P 500 ETF | 292.73 | $-0.09 (-0.03%) | 0% | $292.73 | 22.85% | 1 | $292.73 | 9.89% | +0.85 | 55.28 | | 292.4 | 288.78 | 282.35 | 8 out of 10 |
| EFA | iShares MSCI EAFE ETF | 67.99 | $-0.56 (-0.82%) | 0% | $67.99 | 5.31% | 1 | $67.99 | -1.38% | +0.27 | 54.24 | | 67.22 | 67.53 | 67.98 | 1 out of 10 |
| EEM | iShares MSCI Emerging Index | 42.91 | $-0.3 (-0.69%) | 0% | $42.91 | 3.35% | 1 | $42.91 | -8.33% | -0.08 | 52.61 | | 42.27 | 43.07 | 43.99 | 0 out of 10 |
| GLD | SPDR Gold Shares | 112.76 | $0.71 (0.63%) | 0% | $112.76 | 8.80% | 1 | $112.76 | -8.81% | -0.45 | 44.23 | | 113.38 | 113.92 | 117.47 | 0 out of 10 |
| MDY | SPDR MidCap Trust Series I | 367.46 | $1.32 (0.36%) | 0% | $367.46 | 28.68% | 1 | $367.46 | 6.94% | +0.01 | 45.59 | | 370.35 | 367.36 | 362.83 | 6 out of 10 |
| SDY | SPDR S | 97.93 | $0.36 (0.37%) | -8.31% | $106.81 | 7.64% | 1 | $97.93 | 4.97% | +0.17 | 45.42 | | 98.82 | 97.64 | 95.21 | 6 out of 10 |
| SLY | SPDR S&P 600 Smal | 75.47 | $0.28 (0.37%) | 0% | $75.47 | 5.89% | 1 | $75.47 | 14.12% | -0.38 | 40.91 | | 76.63 | 76.16 | 74.52 | 6 out of 10 |

Showing 1 to 9 of 9 entries

**Small-Cap and Mid Cap**&#2013266080;we noted four weeks ago that these markets were extremely overbought and extended, and a pullback to support was needed. The advice to take profits in these sectors was prescient with both sectors violating their respective 50-dma's in the recent sell-off. With 6 of 10 trend and momentum indicators still intact we will continue to remain long the sectors but stops have been moved up. Small-caps are oversold which tends to provide a good trading opportunity. Mid-caps are not there just yet. **Emerging and International Markets** &#2013266080;as I noted last week.

> *"Both sectors rallied a bit last week, providing an opportunity to reduce exposure for the time being and reallocate that capital to better performing areas. WHEN international and emerging markets begin to perform more positively we will add positions back to portfolios. There is just no reason to do so now."*

That advice remains the same this week. With 0 and 1 trend and momentum indicators in place, there is no reason to be long these sectors just yet. If we start to see real improvement, versus a bounce in a downtrend, we will reconsider our weightings. **Dividends, Market, and Equal Weight** &#2013266080;- we added a pure S&P 500 index fund to our *"core"* holdings which will add some beta to the portfolio but acts as a placeholder for sectors and markets we have no allocation to *(ie, international markets, gold, basic materials.)*&#2013266080;We continue to hold our allocations to these&#2013266080;*?core holdings?&#2013266080;* and continue to build around these core with tactical positions that provided opportunistic advantages. **Gold**&#2013266080;? failed, again, at the 50-dma this past week. This was your opportunity to sell your holdings for the time being. Stops remain firm at **$111 again this week which looks like they may well be triggered next week.** &#2013266080;Gold currently has 0 of 10 trend and momentum indicators in place. **Bonds&#2013266080;**? As I noted last week, *"Bonds sold off on the spurt in interest rates back above 3%. With bonds back on strong support at recent lows, and very oversold, we are looking to add bond exposure to our portfolios. We are moving our stop to&#2013266080;$114 for trading positions."*

Bonds bounced off support last week as the market began to struggle. Keep stops tight on trading positions but remain long individual bonds in portfolios. The table below&#2013266080;**shows thoughts on specific actions related to the current market environment.&#2013266080;**

***(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.)***

REAL INVESTMENT ADVICE

| | | Over Bought / Sold | 50/200 DMA | Trend | Action | OVERWEIGHT | BUY | HOLD | REDUCE | SELL | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|
| XLY | Discretionary | OB | Positive | Positive | Hold | | | X | | | Hold |
| XLK | Technology | OB | Positive | Positive | Hold | | | X | | | Hold |
| XLI | Industrials | OB | Neutral | Neutral | Hold | | | X | | | Hold |
| XLB | Materials | Declining | Neutral | Neutral | Hold | | | X | | | Hold |
| XLE | Energy | OB | Positive | Positive | Hold | | | X | | | Hold |
| XLP | Staples | Declining | Positive | Positive | Hold | | | X | | | Hold |
| XLV | Health Care | OB | Positive | Positive | Reduce | | | X | | | Take Profits |
| XLU | Utilities | OS | Positive | Positive | Hold | | | X | | | Pullback Violated 50-DMA |
| XLF | Financials | OS | Positive | Positive | Hold | | | X | | | Hold |
| XLC | Telecom | Increasing | Neutral | Neutral | N/A | | | X | | | No Position / No History |
| XLRE | Real Estate | OS | Positive | Positive | Hold | | | X | | | Pullback Violated 50-DMA |
| | | | | | | | | | | | |
| $SML | Small Caps | OS | Positive | Positive | Hold | | | X | | | Hold |
| EEM | Emerging Mkt | Increasing | Negative | Negative | Sell | | | | | X | No Postion |
| EFA | International | OB | Negative | Positive | Sell | | | | | X | No Position |
| GLD | Gold | OS | Negative | Negative | Sell | | | | | X | Stop Loss Violated |
| MDY | Mid Cap | Declining | Positive | Positive | Hold | | | X | | | Hold |
| RSP | SP500 Equal Wgt | OB | Positive | Positive | Hold | | | X | | | Hold |
| SDY | SP500 Dividend | Declining | Positive | Positive | Hold | | | X | | | Hold |
| IVV | SP500 Market W | Declining | Positive | Positive | Hold | | | X | | | Hold |
| TLT | 20+ Yr. Bond | OS | Warning | Warning | Buy | | | X | | | Hold |

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

# Portfolio/Client Update:

As noted, three weeks ago, with the market holding support above the&#2013266080;"*breakout*" levels from January, we added exposure to portfolios. With the pullback to support this past week we will wait to see if these levels hold. We are watching the rotation between sectors and markets closely to see if market performance will regain some strength and begin to firm for an expected year-end rally. Currently, with portfolios fully allocated there is little to do this next week. However, we will be monitoring things closely.

- ***New clients:*** *Need a pullback to support that holds to on-board new positions. 1/2 model weights.*
- ***Equity Model:****&#2013266080;Semiconductors (MU & KLAC) remain on "Sell Alerts" - we are monitoring these positions closely and stop-loss levels have been tightened up. We have also tightened up stops on other positions as well including (SU) which has not performed as expected.&#2013266080;*
- ***Equity/ETF blended****&#2013266080;- Same as with the equity model.&#2013266080;*
- ***ETF Model****: We overweighted the core "domestic" indices by adding a pure S&P 500 index ETF to offset lack of international exposure. We remain overweight outperforming sectors to offset underweights in under-performing sectors.&#2013266080;*
- ***Option-Wrapped Equity Model****&#2013266080;- We added PEP and JNJ to the portfolio and brought existing positions up to full-weights as needed.*

There were no changes last week as the bulk of our positions are currently working as expected. However, as we have repeatedly stated,&#2013266080;**we are well aware of the present risk.** &#2013266080;As noted, stop loss levels have been moved up to recent lows and we continue to monitor developments on a daily basis. With the trend of the market positive, we want to continue to participate to book in performance now for a *"rainy day"* later. **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.&#2013266080;**We will unwind these actions either by reducing, selling, or hedging, if the market environment changes for the worse.**

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# THE REAL 401k PLAN MANAGER

**The Real 401k Plan Manager - A Conservative Strategy For Long-Term Investors**

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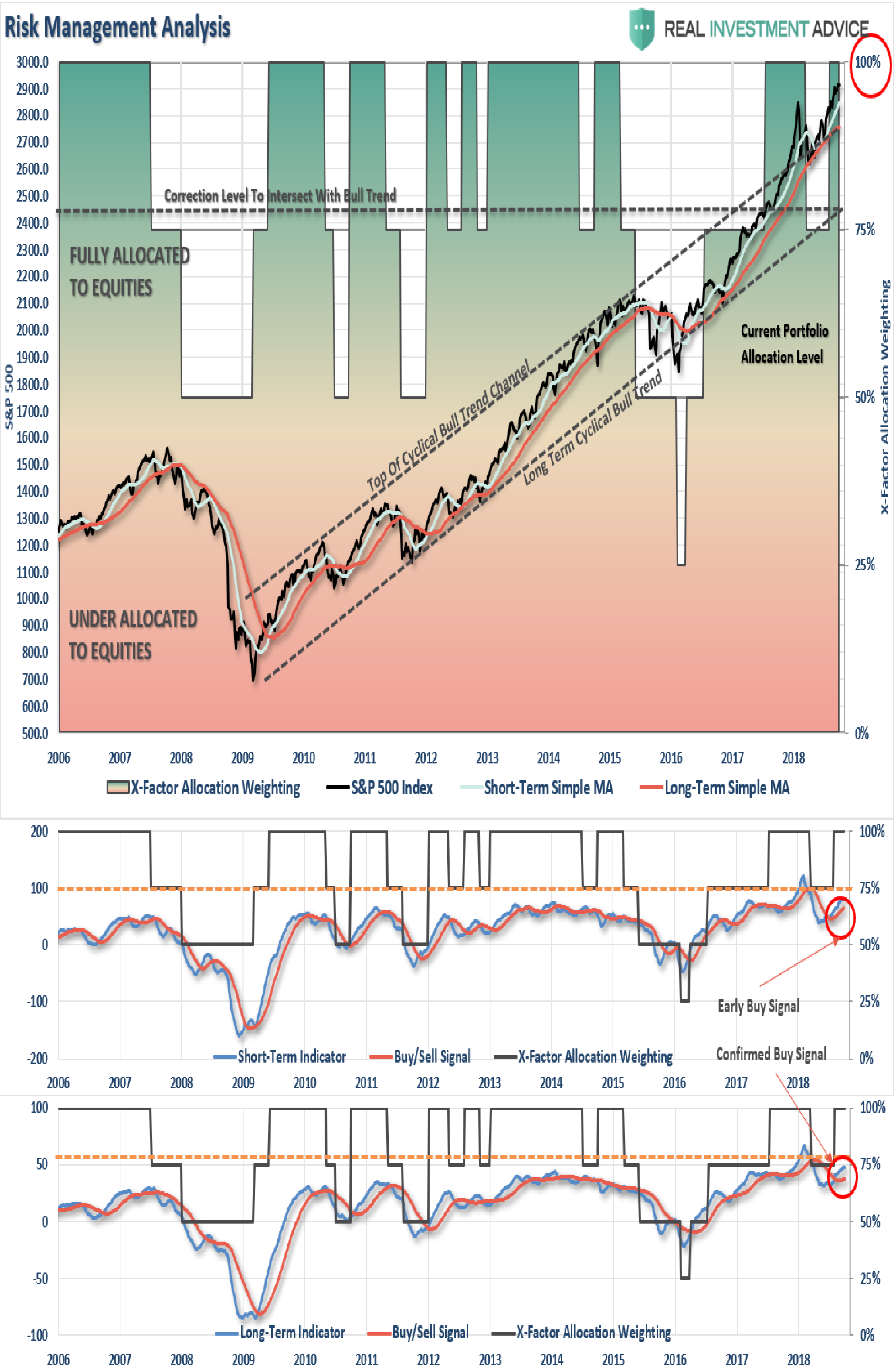
Risk Management Analysis
REAL INVESTMENT ADVICE
Correction Level To Intersect With Bull Trend
FULLY ALLOCATED TO EQUITIES
UNDER ALLOCATED TO EQUITIES
Top Of Cyclical Bull Trend Channel
Long Term Cyclical Bull Trend
Current Portfolio Allocation Level
S&P 500
X-Factor Allocation Weighting
X-Factor Allocation Weighting
S&P 500 Index
Short-Term Simple MA
Long-Term Simple MA
Early Buy Signal
Confirmed Buy Signal
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
Long-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting

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

401k-PlanManager-AllocationShift

# Market Is Really Extended

As I noted last week:

> *"With the move in portfolios back to full target allocations, there is not much for us to do right now except to remain on the lookout for the risks which could rapidly take away our performance. While there are certainly plenty of resources to tell you why the market should go up from here, which is great if it does because we are allocated to the market, we only need to be concerned with what could now disrupt the bullish advance. At the moment, we are in good shape just to sit back and 'watch the show.'"*

Such remains the case this week, but I do want to note that the market is extremely extended above its longer-term trend lines and moving averages. Historically, short-term corrective processes like we saw in February are NOT uncommon. Make sure you rebalance your 401k plans using the&#2013266080;following guidelines for now.

- *If you are **overweight&#2013266080;equities** - reduce international and emerging market exposure and add to domestic exposure if needed to bring portfolios in line to target weights.*
- *If you are **underweight equities** - just hold current positions until a pullback occurs which works off some of the overbought short-term condition. This will provide a better risk/reward opportunity to increase exposure towards domestic equity to levels where you feel comfortable. There is no need to go "all in" at one time. Step in on any weakness.&#2013266080;*
- *If you are at **target equity allocations** currently just rebalance weights to focus on domestic holdings.*

Remember, this is your *"retirement money."* **This is the one account you don't want to #$%! up.** Not&#2013266080;only do you destroy capital, you also destroy the tax deferral as well as the company match.&#2013266080;**Be more conservative with your allocations in your 401k-plan because you have less flexibility and fewer options.** This is also the one account that is your *"safety net"* if everything else in life goes wrong. If you need help after reading the alert; don?t hesitate to contact me.

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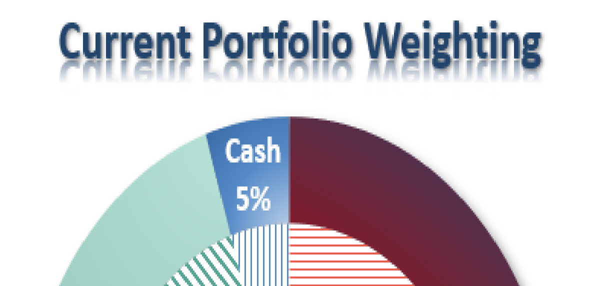
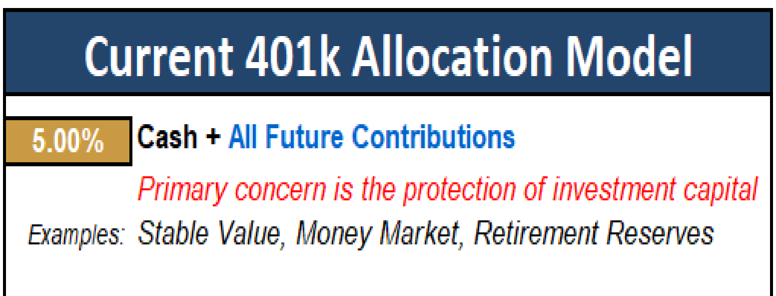
# Current 401-k Allocation Model

The 401k plan allocation plan below follows the K.I.S.S. principle. By keeping the allocation extremely simplified it allows for better control of the allocation and a closer tracking to the benchmark objective over time.&#2013266080;***(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.)***



## 401k Choice Matching List

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

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401k-Selection-List