Is It A (Bull) Trap?

&#2013266080;



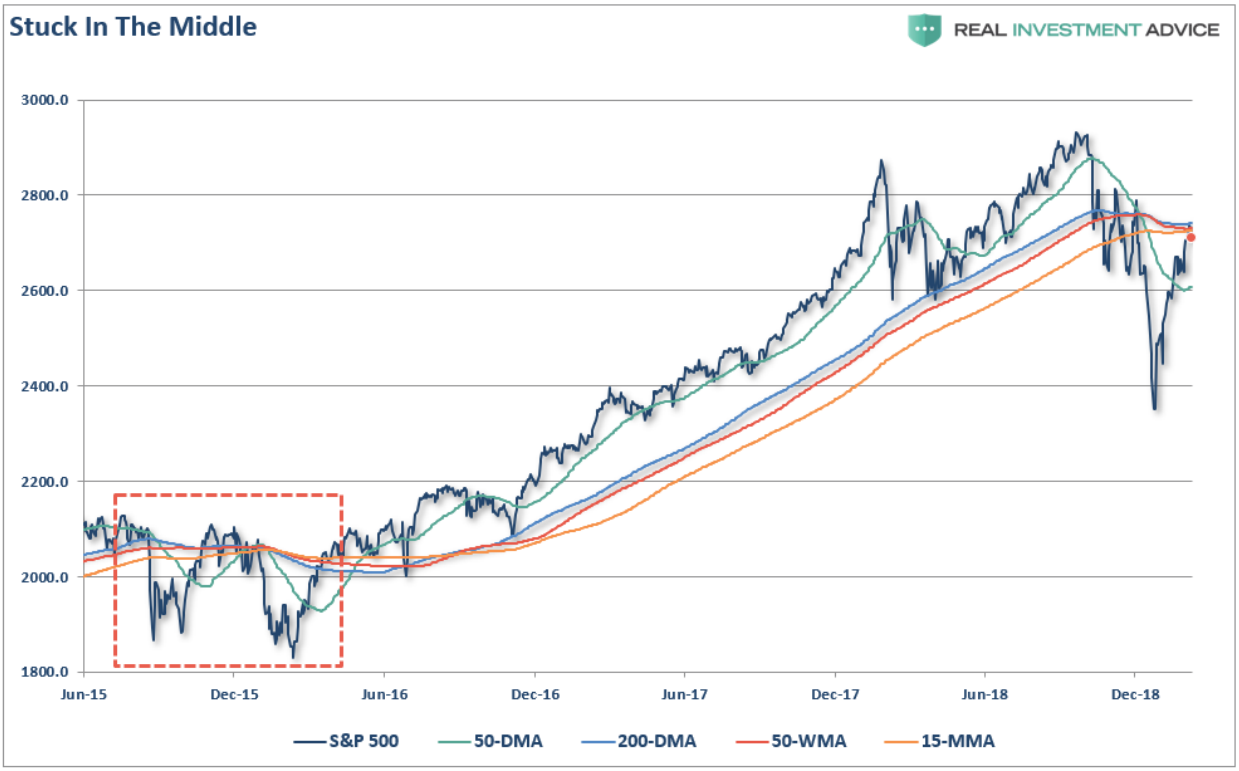
- ***Is It A (Bull) Trap?***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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On Tuesday, I discussed the issue of the markets being stuck between various short and longer-term moving averages. To wit:

> *"Despite those more macro-concerns, the market has had a phenomenal run from the 'Christmas Eve' lows and has moved above both the Oct-Nov lows and the 50-dma.&#2013266080;**This is clearly bullish in the short-term for investors.** &#2013266080;With **those levels of previous resistance now turned support, there is a little cushion for the bulls to hold on to.***
>
> *The biggest hurdle for a bullish advance from current levels is the cluster of resistance sitting just overhead.&#2013266080;Sven Heinrich&#2013266080;**noted the market remains stuck below the collision of the 200-day, the 50-week, and the 15-month moving averages."***



> *"As shown, this set up previously existed back in late 2015 and early 2016. The initial challenge saw the market actually break back above the cluster of resistance, which&#2013266080;?sucked the bulls?&#2013266080;back into the market before setting new lows."*

There are two things driving the advance currently.&#2013266080;

The first, is the Fed.

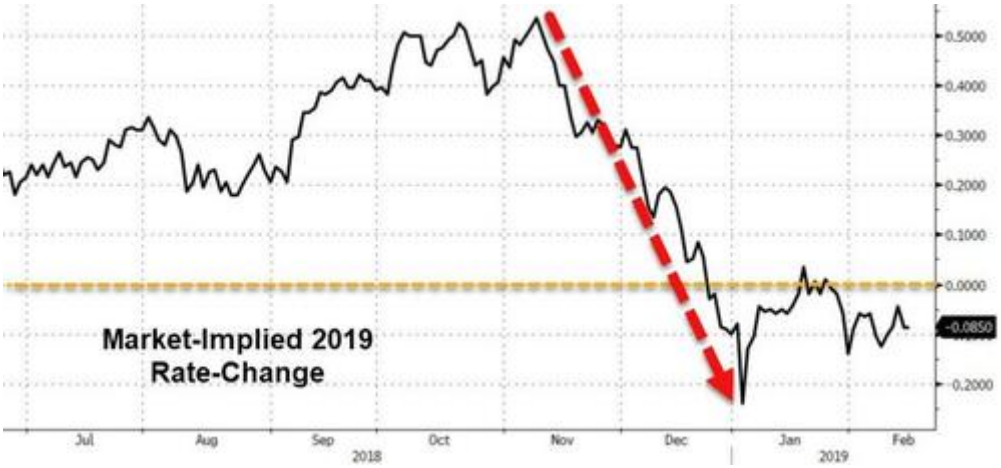
As we discussed with our RIA PRO subscribers&#2013266080;*(use code **PRO30** for a 30-day free trial)* last week,&#2013266080;

> *"Today, [Cleveland Fed Reserve Governor Loretta Mester] all but put the kibosh on further rate hikes and, per Mester?s comments, will end balance sheet reduction (QT) in the months ahead."*

John Rubino also made an important note in this regard as well.

> *"Take the world that we were in over the past five years and flip it upside down.&#2013266080;**For the Fed, the risk that another rate increase could cause significant economic harm outweighs the risk that not raising rates could lead to slightly higher inflation."**&#2013266080;- Gennadly Goldberg, TD Ameritrade.&#2013266080;*

And with that, the odds of a rate *"hike"* in 2019 have evaporated in favor of a rate *"cut."* &#2013266080;



However, the problem for the Fed is that they have now effectively *"boxed"* themselves in. As John notes:

> ***"If caving to the stock market re-energizes the bond market, leading corporations to increase their already record-high debt load,** that will boost economic growth **while raising both inflation and commodity/real estate prices** ? **thus forcing the Fed to go back to tightening, thus causing chaos in the financial markets**, thus forcing the Fed to back off and return to easing. And so on, with each iteration ratcheting up overall leverage in the economy."*

Oops....Too Late

(Real Estate, Junk Bonds, & Utilities)

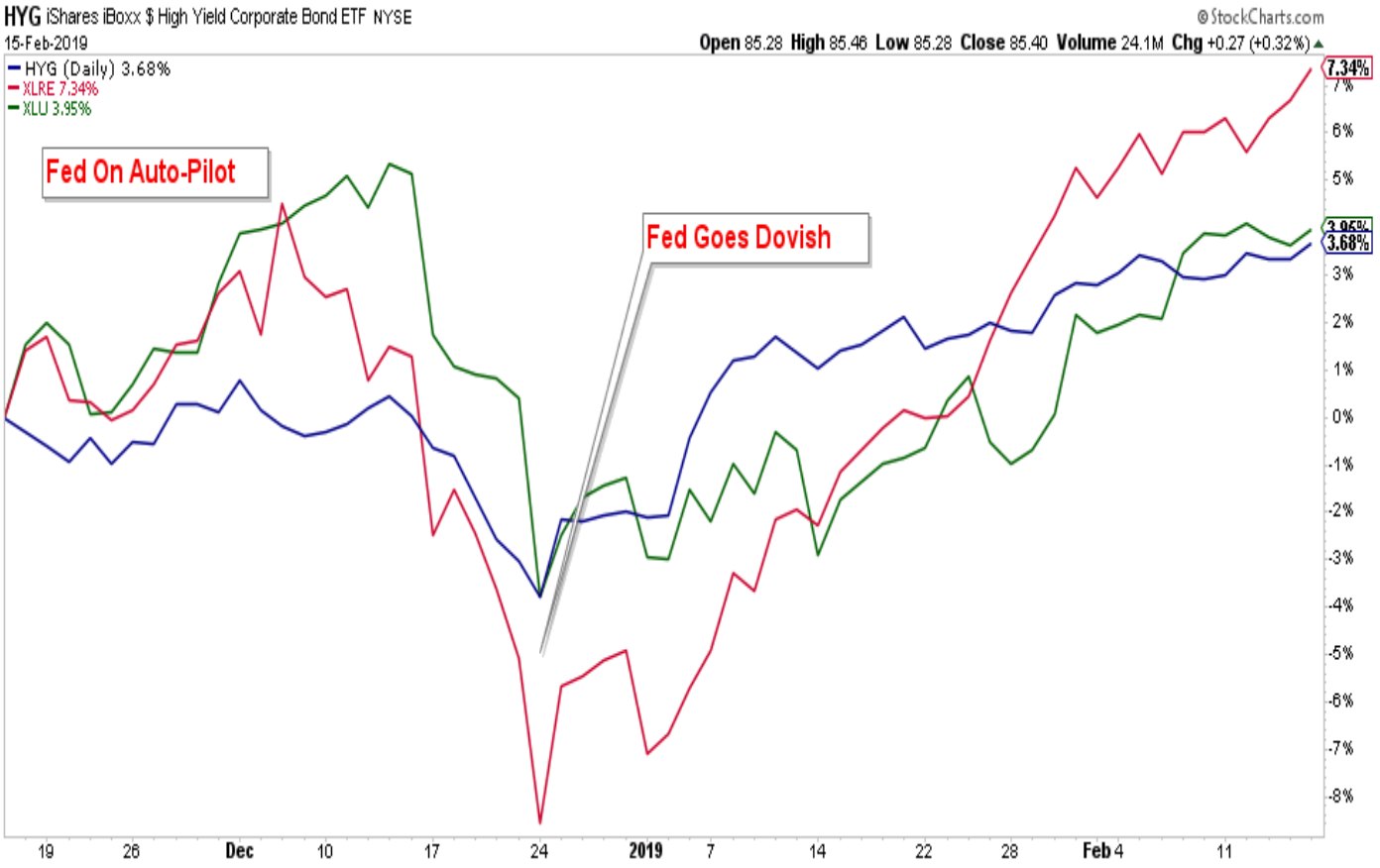
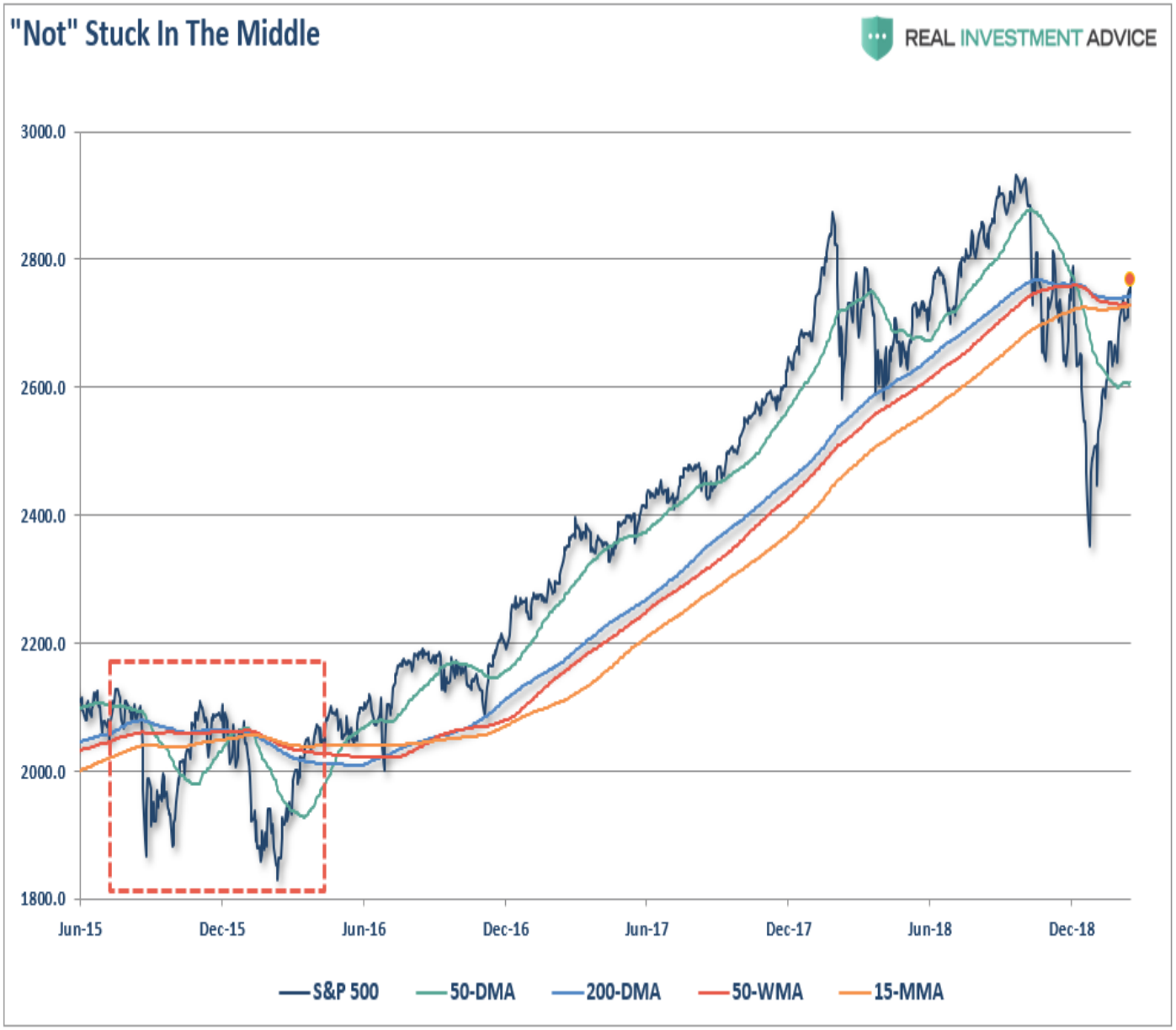


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The second, is "hope."

On Friday, on headlines that talks are continuing with China, the market pushed through those resistance levels as shown below.&#2013266080;



&#2013266080;**While there is nothing wrong with *"hoping"* for a positive outcome from *"trade talks,"*&#2013266080; the rush to *"buy"* equities has effectively *"priced in"* the best of all possible outcomes.** This leaves investors vulnerable a whole host of possible disappointments:

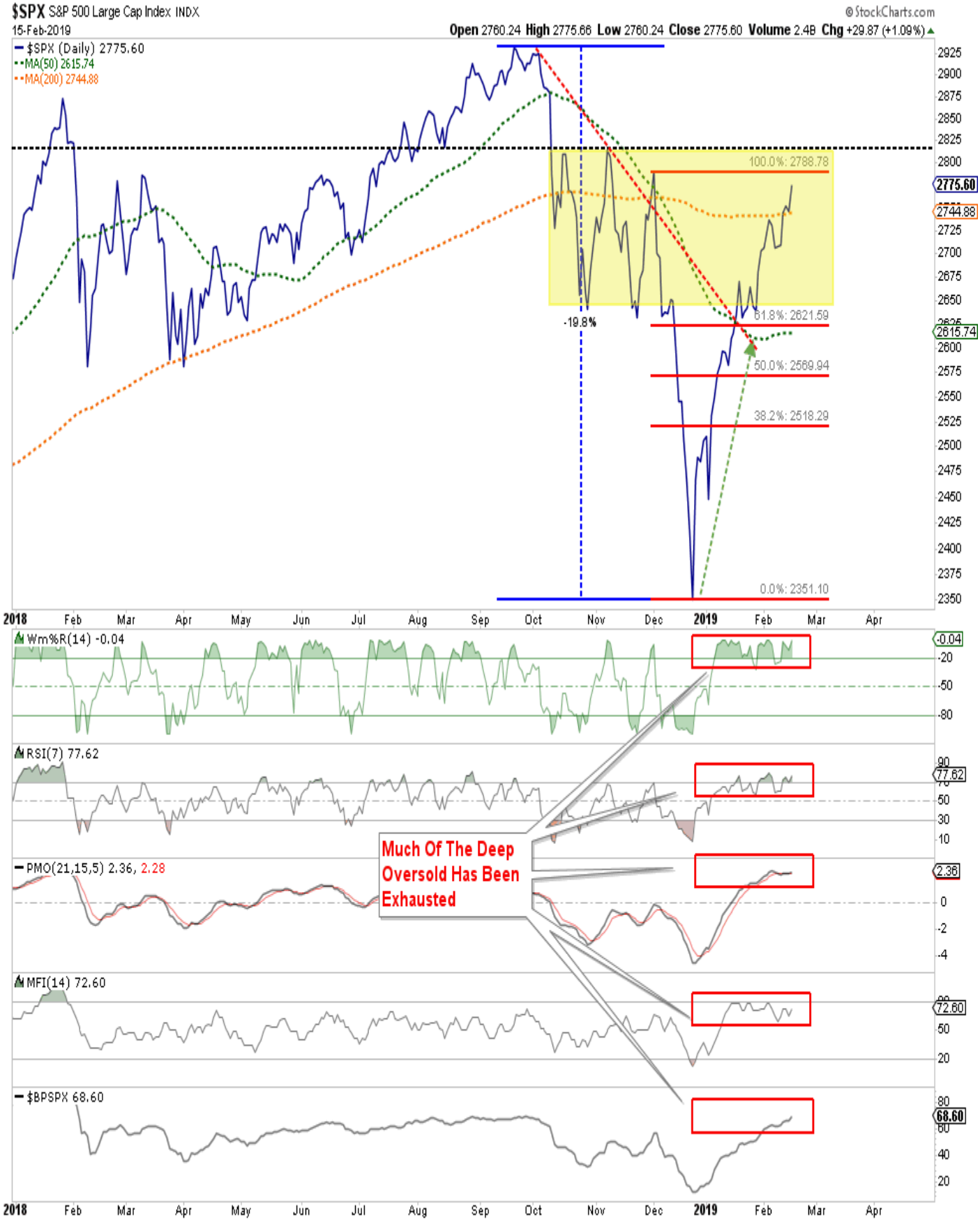
1. *Trade deal isn't reached as China refuses to give in to demands for economic reform.&#2013266080;*
2. *Trade deal is made but the magnitude of concessions is disappointing.*
3. *Trade deal gets extended, again, with no real progress towards a "deal."*
4. *Trade deal made and tariffs are ended, but such is likely already priced into current asset prices.&#2013266080;*
5. *Trade negotiations collapse. (Worst possible outcome.)*

The point here is that there are few outcomes for the trade deal which are extremely optimistic which would support a further surge in assets prices. **The most likely outcome is this simply a *"buy the rumor, sell the news"* type event, and if the news is bad, the resulting sell-off could be substantial.**

Market Has Gotten Way Ahead Of Itself

As I noted last weekend:

> *"While I am not suggesting that the markets are about to suffer a 10% correction, I am suggesting, as I wrote this past week, is that the markets have been 'Too Fast & Too Furious.'*
>
> *"Short-term technical indicators also show the violent reversion from extreme oversold conditions back to extreme overbought.*

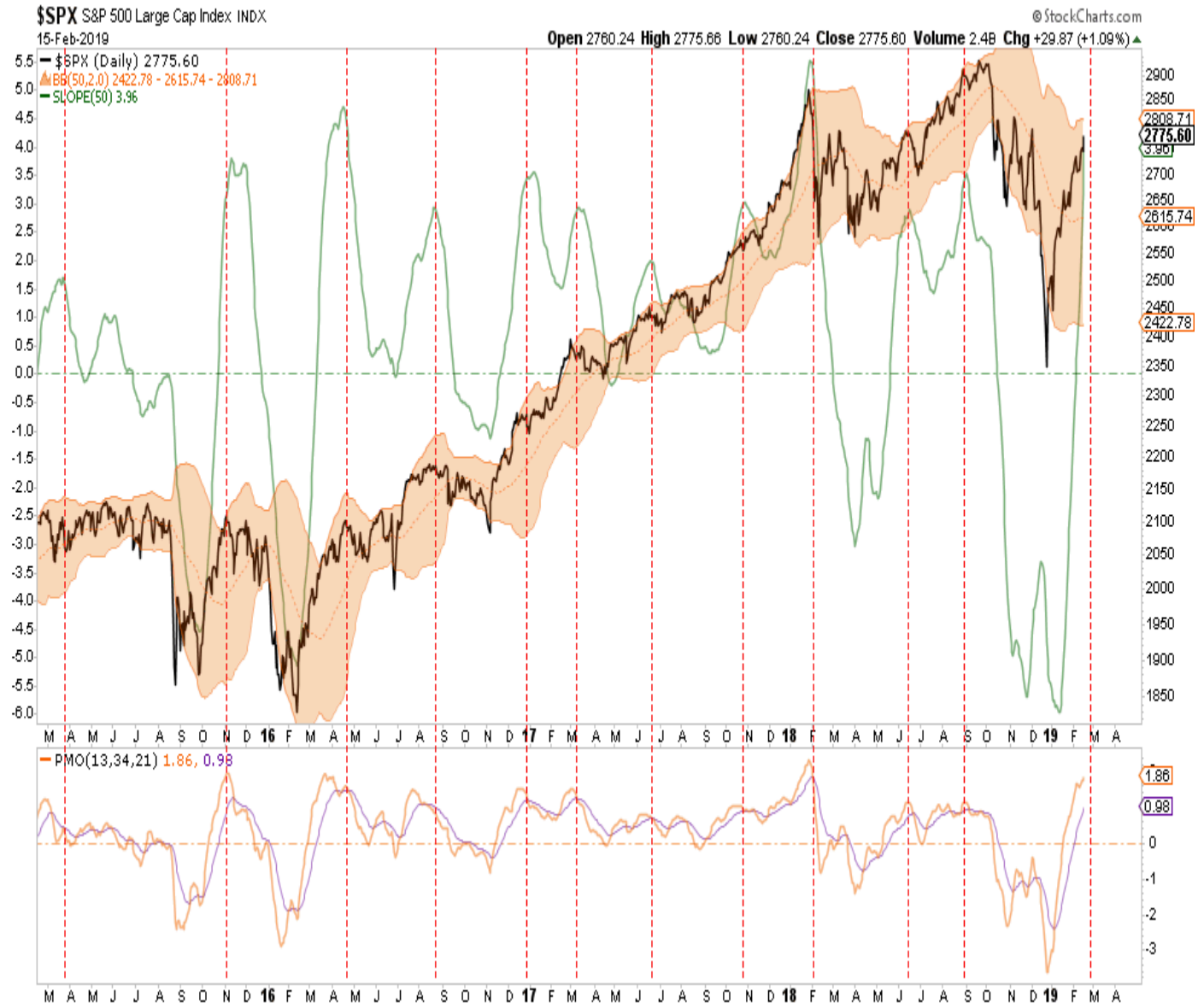


(Chart updated through Friday's close)

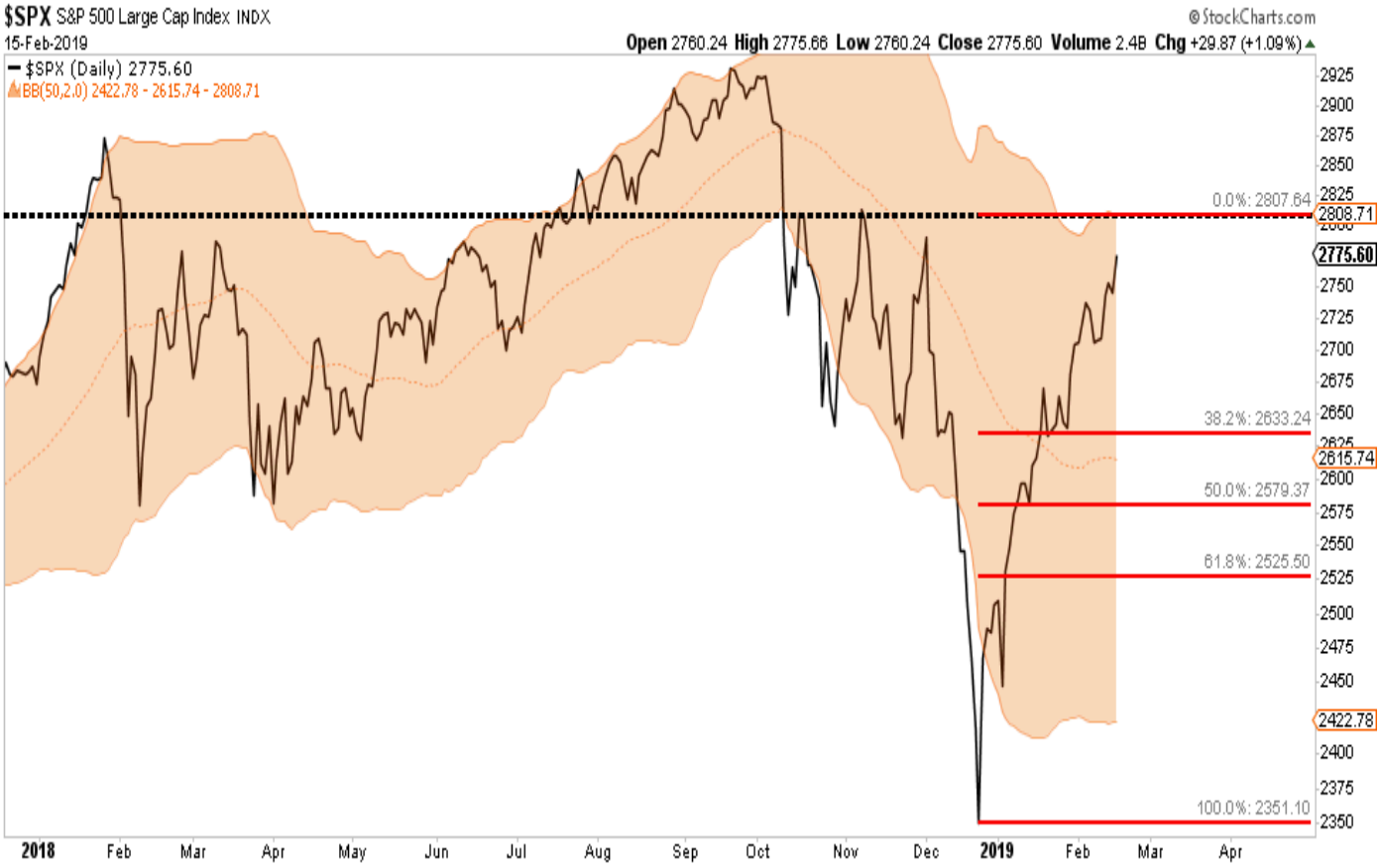
Grab a cup of coffee and start your trading/investing day with me.
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As we have discussed previously, **price movements are very much confined by the *"physics"* of technicals.** When deviations from underlying moving averages become to great, reversions to mean tend to occur with great regularity throughout history.&#2013266080; The chart below shows the S&P 500, the slope of the advance, price momentum, and its deviation from the 50-day moving average.



Not surprisingly, when markets are as extended as they are currently, price corrections have not previously been too far away. Given the magnitude of the advance from the December 24th lows, **we can use a Fibonacci sequence to *"guesstimate"* the magnitude of a corrective process.** &#2013266080;



First, I am making the assumption the momentum of the market continues to push stocks toward the psychologically important level of 2800 on the index over the next few days.

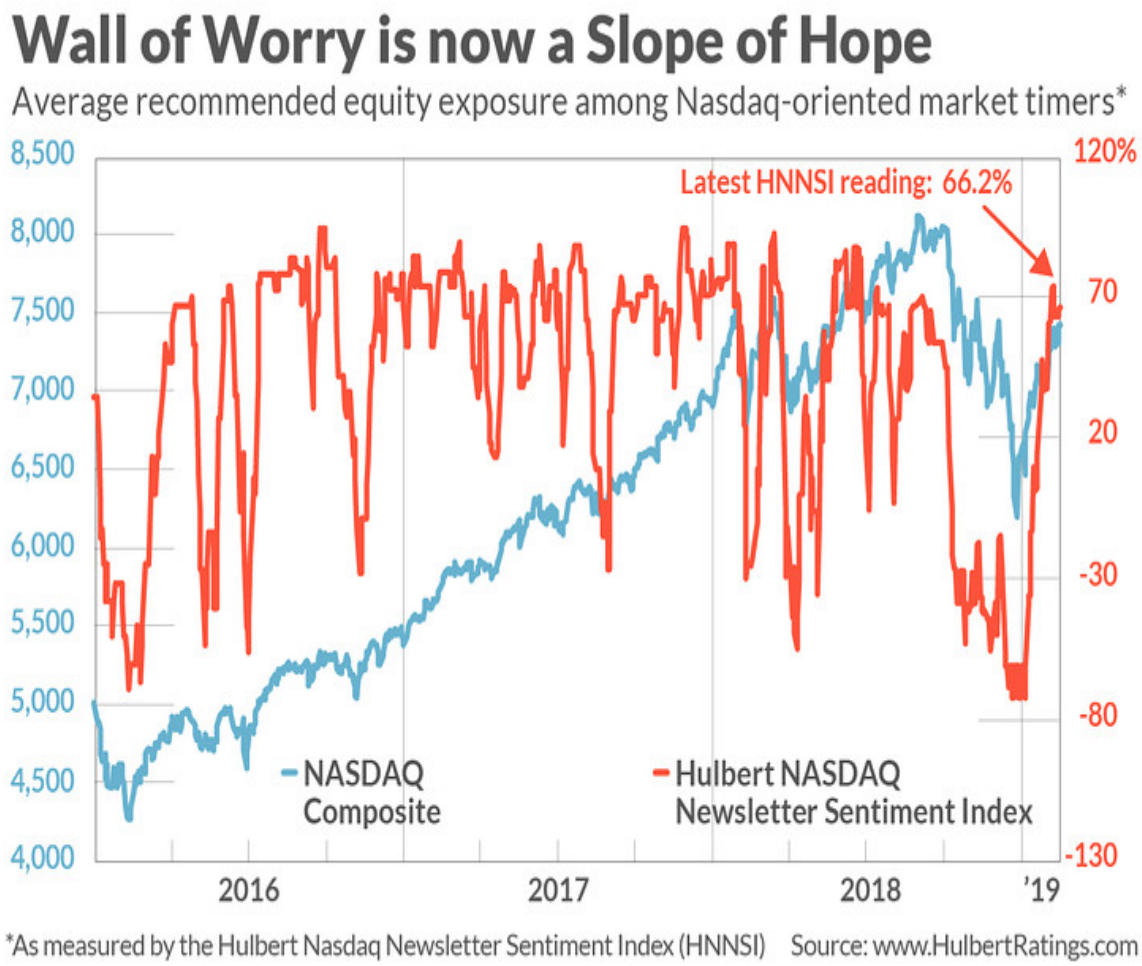
A correction following that rally SHOULD be highly anticipated.&#2013266080;

> ***Level 1 = 38.2%:*** *The first correction to relieve some of the extreme overbought condition of the market, and provide investors with a better opportunity to increase equity risk is at the 38.2% retracement level. This would be a retest of the support levels from the Oct-Nov lows and the 50-dma.* ***(Bullish)***
>
> ***Level 2 = 50%:*** *If the markets are unable to hold support at the Level 1 correction, then a fall to the 50% level is highly likely. Such a correction is much more bearish in nature and suggests a retest of the December 24th lows is probable.* ***(Bearish)***
>
> ***Level 3 = 61.8%:*** *If the markets get to this level, it is likely the markets will be oversold short-term and a bounce likely. However, that bounce should be sold into as a retest of lows is highly likely.* ***(Very Bearish)***

This analysis also corresponds to the extremely rapid reversion of both technical and sentiment measures.

As Mark Hulbert noted on Friday:

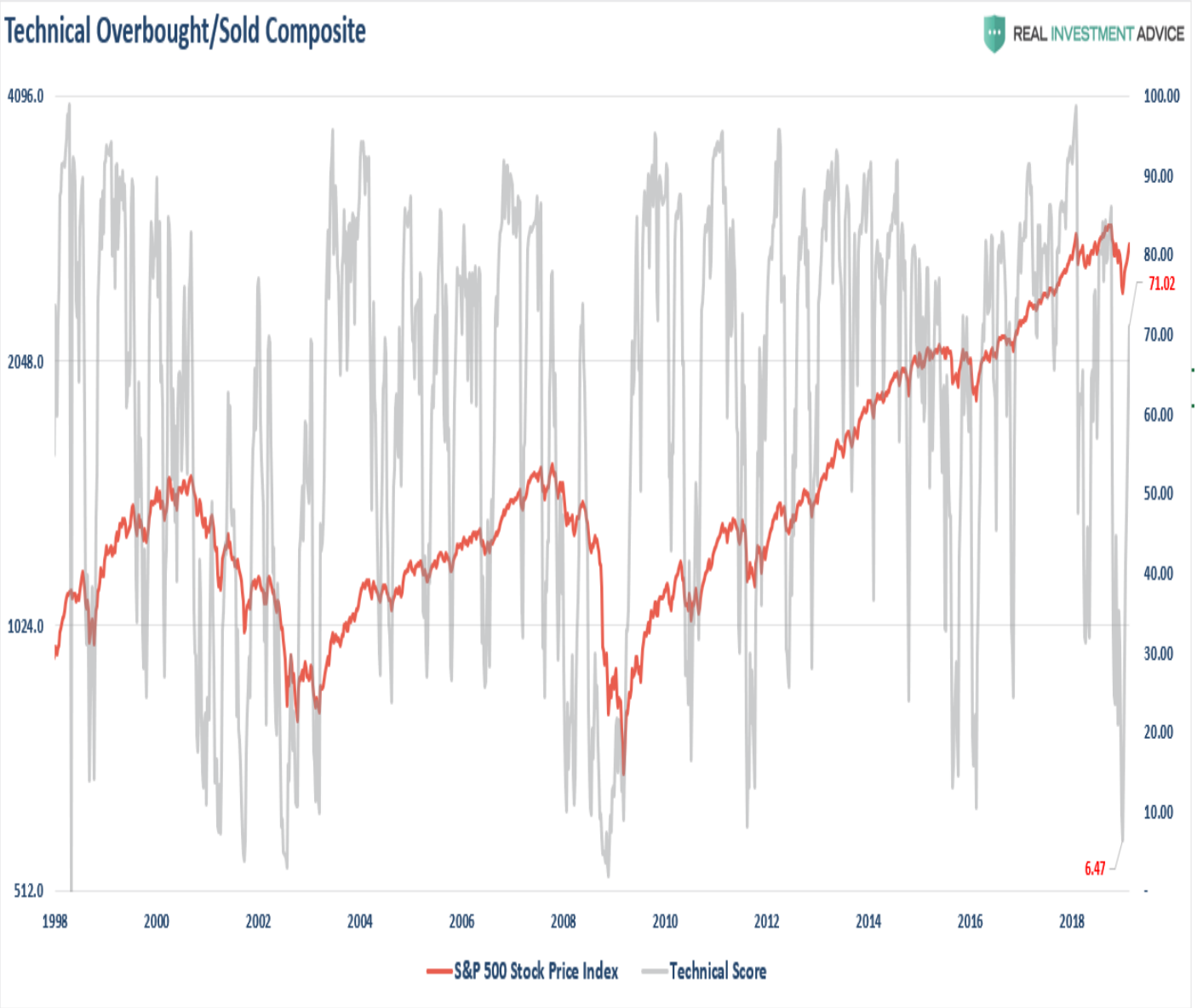
> *"That?s because the mood has shifted from the extreme pessimism that prevailed in late December to nearly as extreme optimism today. Some call current conditions a 'slope of hope.'"*



"In other words, as you can see from the accompanying chart, in six weeks? time this group of short-term stock-market timers has increased their average equity exposure by more than 140 percentage points: Away from being aggressively bearish (recommending that clients allocate three-fourths of their trading portfolios to short-selling) to being almost as aggressively bullish (now recommending that three-fourths of clients? portfolios be long).

To be sure, this does not mean that a decline back to the December lows is imminent. Nevertheless, contrarian analysts are convinced that the sentiment winds are no longer blowing in the direction of higher prices."

The same is true for our proprietary technical indicator which measures the *"overbought/oversold"* conditions of the market. **In 8-weeks, this indicator has reversed from one of the lowest reading in 25-years back to levels starting to push more extreme historical conditions without a corrective process along the way.**



The important point here is that from a contrarian standpoint, markets have gotten way ahead of the underlying fundamentals. While the market may indeed end the year on a higher note, it will most likely not do that without lower prices first.&#2013266080;

Like the 2015-2016 process noted in the *"Not Stuck In The Middle"* chart above, the bulls got *"all excited"* when the market broke above the confluence of moving averages at that time. **Over the next 2-months, the markets set new lows.&#2013266080;**

This is a classic *"bull trap"* in the making which sucks investors in before inflicting as much pain as possible.&#2013266080;

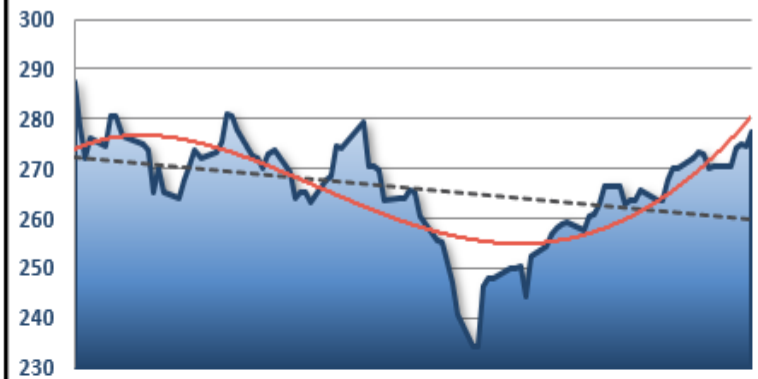
Erring to the side of caution, for now,, will likely be the right choice.

See you next week.

Market & Sector Analysis

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	18.07%	1.59%	10.98%	590.97%
Max Drawdown	-20.47%	-20.47%	-3.00%	-85.34%
Sharpe	0.77	0.20	8.02	40.08
Sortino	0.89	0.34	10.23	28.94
Volatility	13.49	16.39	15.81	(0.04)
Daily VaR-5%	(10.18)	(20.78)	103.00	(5.96)
Mnthly VaR-5%	(10.30)	(28.54)	(28.54)	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	1.93%	1.67%	1.91%	12.63%	2.17%	1.67%	(12.11%)	14.46%
P/E Ratio	20.70	22.05	17.46	(26.29%)	21.55	16.67	(19.0%)	4.76%
P/S Ratio	2.99	3.52	3.44	(2.43%)	3.52	2.35	(2.37%)	46.49%
P/B Ratio	3.45	4.00	3.71	(7.84%)	4.15	2.82	(10.58%)	31.62%
ROE	15.22%	15.97%	19.05%	16.18%	19.05%	15.01%	0.00%	26.92%
ROA	2.83%	3.01%	3.46%	13.19%	3.46%	2.82%	0.00%	22.74%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,428.6	2,667.3	9.83%
Sales	58,663	64,849	10.54%
SPS	24.2	24.3	0.65%
Earnings	7,975	9,829	23.25%
EPS TTM	3.9	4.8	25.51%
Dividend	1.4	1.6	10.95%

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	(2.50%)	5.44%	1.20	18.96	154.63	12.50	(87.7%)	9.0%	3.3%	5.30%	3.23	17.55
Materials	(6.13%)	2.66%	1.32	15.67	21.86	13.82	(28.3%)	11.5%	2.1%	6.34%	4.67	14.61
Industrials	(2.78%)	9.73%	1.12	17.36	22.21	14.02	(21.9%)	15.5%	1.9%	6.13%	5.24	14.92
Discretionary	5.49%	9.99%	0.99	23.07	27.47	19.96	(16.0%)	28.3%	1.3%	4.19%	4.74	20.35
Staples	(3.08%)	7.20%	0.60	18.81	22.83	17.95	(17.6%)	26.0%	3.0%	5.22%	3.91	17.73
Health Care	9.39%	14.93%	0.95	17.45	20.59	15.86	(15.2%)	29.3%	1.7%	5.65%	6.33	15.67
Financials	(8.68%)	13.32%	1.22	12.99	18.41	11.69	(29.4%)	11.6%	2.1%	7.54%	5.69	11.44
Technology	7.86%	20.31%	1.19	18.43	21.83	14.47	(15.5%)	38.8%	1.6%	5.25%	5.11	17.37
Telecom	0.03%	10.10%	0.88	19.39	26.97	19.96	(28.1%)	18.2%	1.0%	4.87%	4.97	21.44
Utilities	14.46%	3.17%	0.33	18.18	20.25	15.54	(10.2%)	11.2%	3.4%	5.49%	3.56	17.32
Real Estate	15.33%	3.01%	0.81	19.51	24.47	17.87	(20.3%)	9.4%	3.3%	5.08%	4.27	18.35

Momentum Analysis

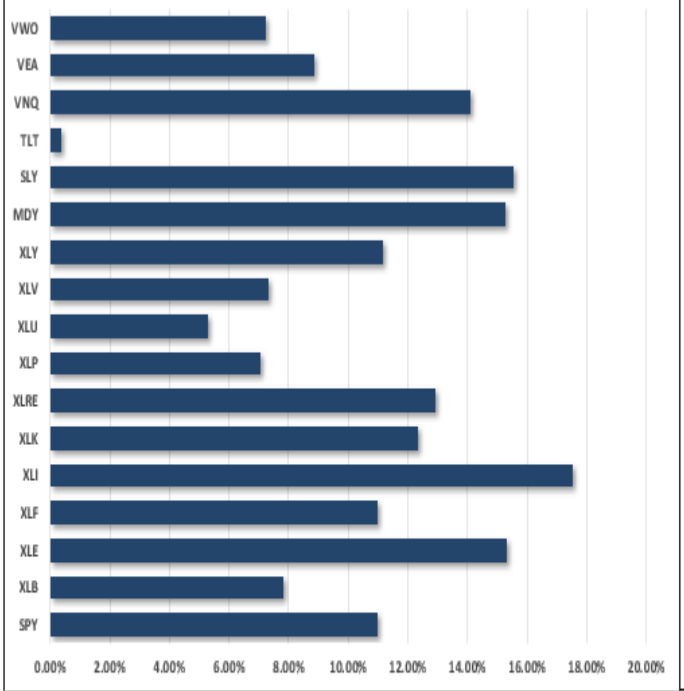
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	277.37	5.24%	260.16	22	6.61%	274.13	4	1.18%	(5.09%)	(5.64%)	18.66%	Sell
Mid Cap	348.89	7.50%	320.35	23	8.91%	346.93	1	0.56%	(7.66%)	(6.74%)	22.65%	Sell
Small Cap	69.29	7.49%	63.51	23	9.10%	70.40	275	(1.58%)	(9.79%)	(11.45%)	23.07%	Sell

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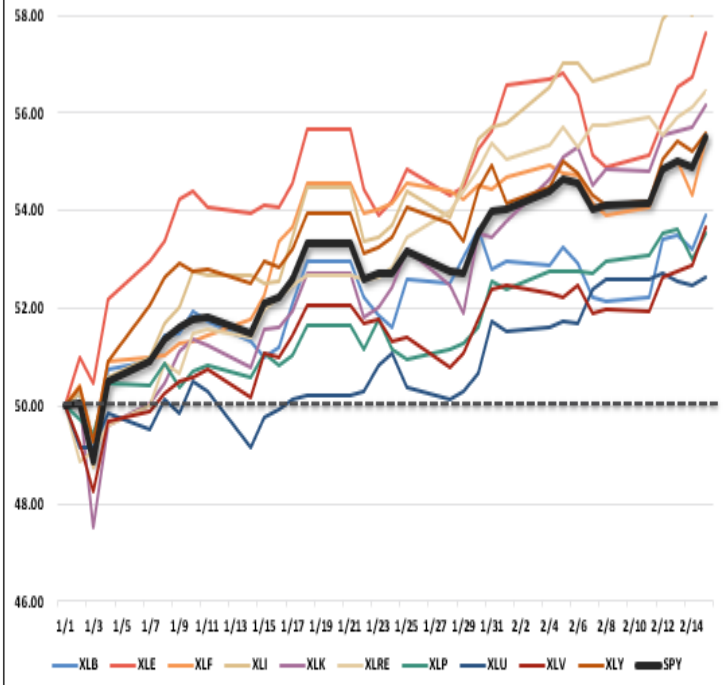
Performance Analysis

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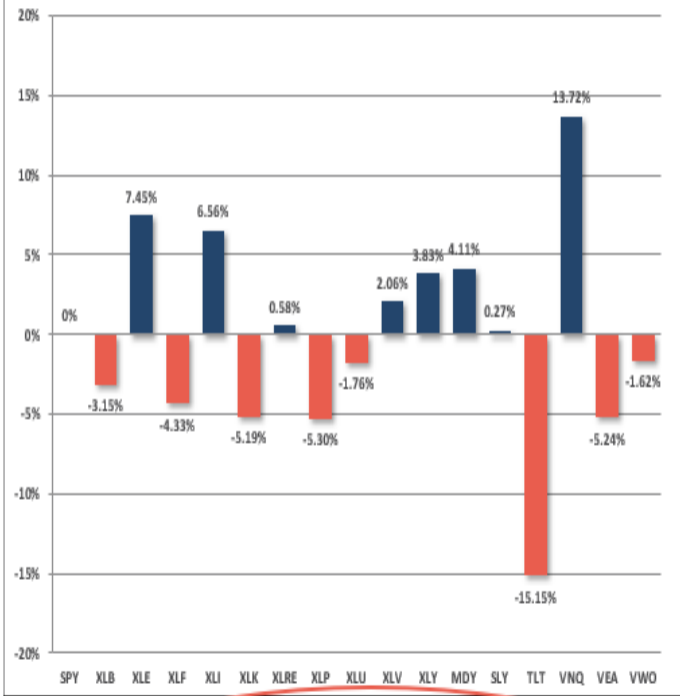
Year To Date Performance



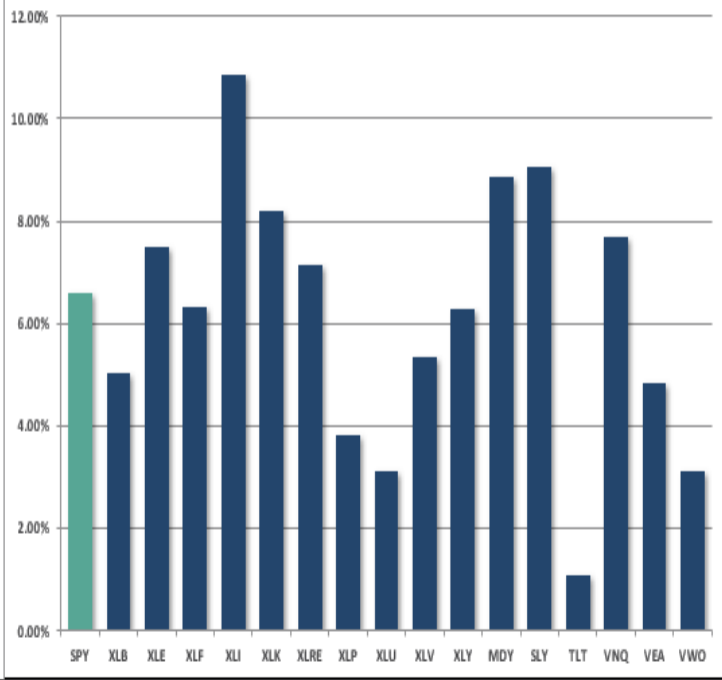
YTD Price - S&P Sectors Recalibrated To $50/share



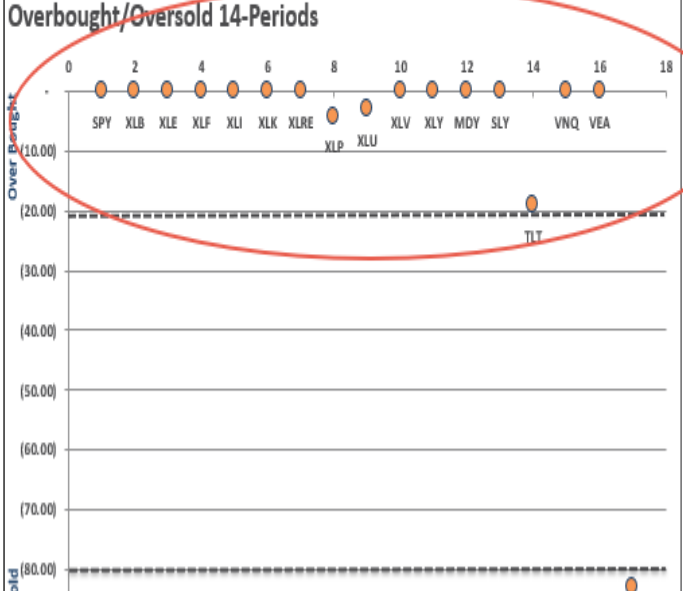
Year To Date Performance Relative To S&P 500



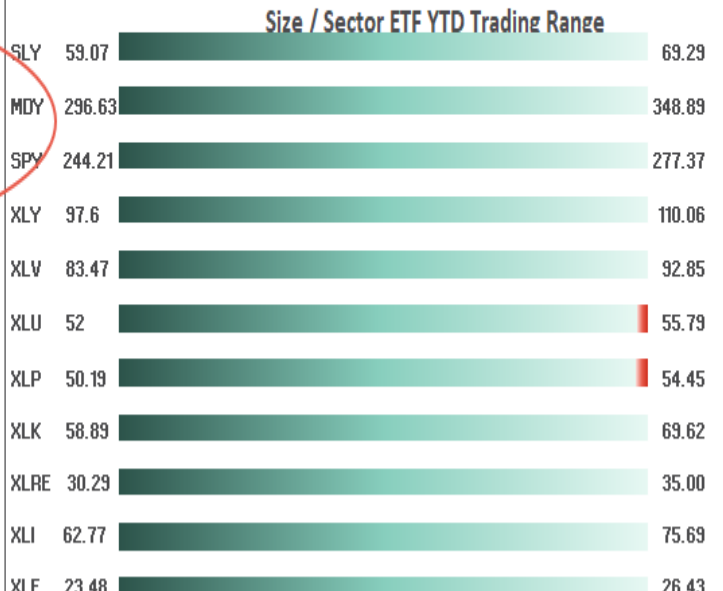
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



ETF Model Relative Performance Analysis

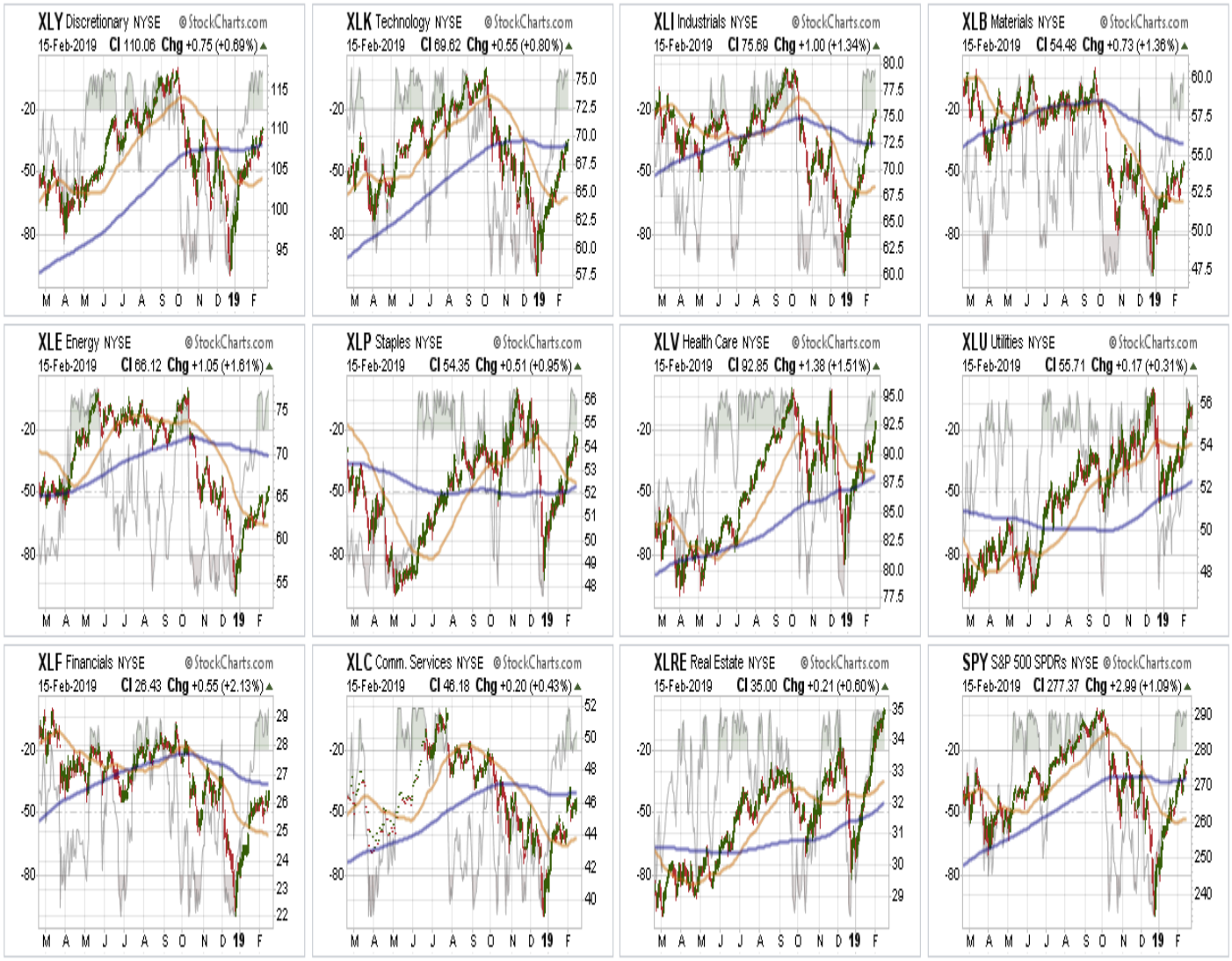
	RELATIVE PERFORMANCE	Ticker	ETF NAME	Current Price	Model Position Price Changes Relative to Index					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
					1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					
	BENCHMARK	IVV	ISHARS-SP500	279.16	2.58	4.14	5.22	(4.54)	1.48	263.95	275.98	5.76%	1.15%	SELL
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	54.48	0.79	(2.32)	(3.03)	(3.54)	(11.40)	52.33	55.46	4.10%	-1.76%	SELL
		XLE	SPDR-EGY SELS	66.12	2.47	(0.57)	(1.76)	(6.64)	(4.42)	62.41	69.29	5.95%	-4.57%	SELL
		XLF	SPDR-FINL SELS	26.43	0.38	(2.48)	(3.57)	(2.17)	(10.28)	25.19	26.62	4.91%	-0.70%	SELL
		XLI	SPDR-INDU SELS	75.69	1.00	3.70	3.33	2.71	(3.55)	68.80	72.63	10.01%	4.21%	SELL
		XLK	SPDR-TECH SELS	69.62	(0.19)	2.40	3.43	(3.37)	2.15	64.77	69.30	7.50%	0.46%	SELL
		XLP	SPDR-CONS STPL	54.35	(1.54)	(0.51)	(6.02)	5.60	(3.73)	53.01	53.54	2.52%	1.50%	SELL
		XLU	SPDR-UTIL SELS	55.71	(2.53)	0.70	(2.26)	8.73	9.67	54.25	53.69	2.68%	3.77%	BUY
		XLC	SPDR-COMM SV SS	46.18	(1.60)	(1.45)	2.45			43.78	46.61	5.49%	-0.91%	SELL
		XLV	SPDR-HLTH CR	92.85	0.65	(1.06)	(1.64)	4.62	7.23	89.00	89.84	4.32%	3.35%	SELL
		XLY	SPDR-CONS DISCR	110.06	0.15	(1.09)	2.66	(1.35)	3.55	103.92	108.84	5.91%	1.12%	SELL
	SIZE	SLY	SALOMON LEASING	69.29	1.75	1.38	(1.32)	(6.76)	1.84	64.29	69.99	7.78%	-1.00%	SELL
		MDY	SPDR-SP MC 400	348.89	0.82	1.33	(0.28)	(1.79)	(0.59)	323.73	344.87	7.77%	1.17%	SELL
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	103.82	0.28	0.95	0.34	1.47	0.13	97.04	101.38	6.99%	2.40%	SELL
	Dividend	SDY	SPDR-SP DIV ETF	98.50	0.04	(0.01)	(1.61)	4.78	3.85	93.42	95.08	5.43%	3.60%	SELL
	Real Estate	XLRE	SPDR-RE SELS	35.00	(1.34)	3.03	0.94	7.94	12.60	32.84	32.81	6.59%	6.66%	BUY
	International	EEM	ISHARS-EMG MKT	42.09	(2.75)	(2.84)	0.69	2.04	(16.52)	40.66	41.59	3.51%	1.19%	SELL
		EFA	EMG MKT FREE AS	63.62	(0.00)	(1.66)	(2.24)	(0.98)	(12.40)	61.13	64.30	4.07%	-1.06%	SELL
		IXUS	ISHARS-CR INT S	56.87	(0.87)	(2.11)	(1.65)	(0.96)	(13.32)	54.71	57.35	3.95%	-0.85%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	121.98	(2.89)	(2.11)	0.72	5.36	1.28	119.61	118.69	1.98%	2.77%	BUY
	International	BNDX	VANGD-TTL INT B	54.90	(2.57)	(3.16)	(4.76)	4.87	0.13	54.63	54.62	0.49%	0.51%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	85.40	(1.86)	(3.07)	(1.97)	3.43	(2.69)	83.29	84.65	2.53%	0.89%	SELL
	Cash	BSV	VANGD-SHT TRM B	78.88										

REAL INVESTMENT ADVICE

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



Discretionary, Technology, Industrials, Staples, Health Care, Utilities, Real Estate - &#2013266080;Since the December 24th lows, these sectors have had the strongest rallies with all of them crossing back above their respective 200-dma. Importantly, despite the bullish advance, all of these sectors are still with a bearish crossover of the 50- and 200-dma. Also, it is worth noting the strongest advance has come from the most defensive sectors. With all of these sectors extremely overbought short-term, take some profits and rebalance risks accordingly.&#2013266080;

Current Positions:&#2013266080;*XLP, XLY, XLU, XLI, XLK - Stops moved up to 50-dmas.*

Materials, Energy, Financials, and Communications - While other sectors of the market have performed much better, these sectors have rallied but have failed to climb above their respective 200-dma's. Like the whole market complex, all of these sectors are still operating within a bearish crossover of the 50- and 200-dma's. Given the extreme overbought conditions these sectors, take profits and rebalance risks accordingly and wait for a better risk/reward opportunity to add exposure.

Current Positions:&#2013266080;*XLB, XLF - Stops moved up to 200-dmas.*

Market By Market



Small-Cap and Mid Cap&#2013266080;- both of these markets are currently on macro-sell signals but have rallied along with the entire market complex. Like everything currently, both markets are extremely overbought and are vulnerable to signs of rising economic weakness. The overall trend remains negative and, while on short-term *"buy signals,"*&#2013266080;both markets are now back to extreme short-term overbought conditions. Take profits and rebalance risks accordingly, look for a pullback that reduces the overbought condition before adding exposure.&#2013266080;

Current Position: *None*

Emerging, International & Total International Markets&#2013266080;

Last week, Emerging Markets pulled back to its 200-dma after breaking above that resistance. With the 50-dma turning up we have been looking for an opportunity to add exposure. In the short-term emerging markets are extremely overbought so we will want to see the 200-dma hold before taking on exposure.&#2013266080;

Major International & Total International shares are extremely overbought but not performing nearly as well as Emerging Markets. Keep stops tight on existing positions, but no rush here to add new exposure. Emerging Markets are much more interesting.

Stops should remain tight at the running 50-dmas.&#2013266080;

Current Position: *None, Looking to add 1/2 position in EEM*

Dividends, Market, and Equal Weight&#2013266080;- Not surprisingly, given the rotation to *"defensive"* positioning in the market, dividend-based S&P Index continues to outperform other weighting structures. The overall market dynamic remains negative and markets are pushing into very tough levels of overhead resistance. Early last week we took profits and reduced back to our target portfolio weightings. Stops are moved up to the running 50-dma's.&#2013266080;

Current Position:&#2013266080;*RSP, VYM, IVV*

Gold&#2013266080;? We have been discussing a pullback in Gold to add exposure to portfolios.&#2013266080;Gold remains very-overbought short-term, BUT given the short-term pullback and break above recent highs, the entry point for Gold has been pushed up to $122.50 with stops lowered to $120.&#2013266080;

Current Position: *GDX (Gold Miners)*

Next Position:&#2013266080;*GLD - Buy Target: $122.50, Sell-Stop: $120*

Bonds&#2013266080;?

Three weeks ago, we noted that the pullback in bonds to support occurred we added to our bond holdings.&#2013266080;

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

With bond prices about to break out of consolidation, it suggests a substantial move higher in price, or lower yields, is likely on the way.&#2013266080;

High Yield Bonds, representative of the *"risk on"* chase for the markets have surged back to all-time highs after the rout last year. International Bonds, also another area of very *"high risk"* have surged off to the moon as well.&#2013266080;

These two areas are the very definition of *"risk appetite"* by investors and given the extreme overbought conditions is suggestive the recent run in the markets may be closer to a corrective phase in February.&#2013266080;

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	Negative	Negative	Hold			X			Hold Position
XLK	Technology	OB	Negative	Negative	Hold			X			Hold Position
XLI	Industrials	OB	Negative	Negative	Hold			X			Hold Position
XLB	Materials	OB	Negative	Negative	Hold			X			Hold Position
XLE	Energy	OB	Negative	Negative	No Position					X	Add On Pullback
XLP	Staples	OB	Stabilizing	Neutral	Hold			X			Hold Position
XLV	Health Care	OB	Stabilizing	Neutral	No Position					X	Add On Pullback
XLU	Utilities	OB	Positive	Positive	Hold			X			Hold Position
XLF	Financials	OB	Negative	Negative	Hold			X			Hold Position
XLC	Telecom	OB	Negative	Negative	No Position					X	Not Enough History Yet
XLRE	Real Estate	OB	Positive	Positive	No Position					X	Take Profits
SLY	Small Caps	OB	Negative	Negative	No Position					X	Above 50-DMA
MDY	Mid Caps	OB	Negative	Negative	No Position					X	Above 200-DMA
EEM	Emerging Mkt	OB	Negative	Improving	Trade Oppty					X	Looking To Add
EFA	International	OB	Negative	Negative	No Position					X	Above 50-DMA
IXUS	Total International	OB	Negative	Negative	No Position					X	Above 50-DMA
GLD	Gold	OB	Positive	Improving	Buy @122-23			X			Tradeing Opportunity
RSP	SP500 Equal Wgt	OB	Negative	Negative	Hold			X			Reduce to Target Weight
SDY	SP500 Dividend	OB	Stabilizing	Negative	Hold			X			Reduce to Target Weight
IVV	SP500 Market Wgt	OB	Negative	Negative	Hold			X			Reduce to Target Weight
TLT	20+ Yr. Bond	Rising	Positive	Improving	Hold			X			Hold
HYG	Corporate High Yield	OB	Improving	Improving	No Position			X			Way Too Overbought Currently
BNDX	Int'l Bond Aggregrate	OB	Positive	Positive	No Position			X			Way Too Overbought Currently

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

Portfolio/Client Update:

As noted last week, we expected another attempt at the 200-dma. The good news is the market was able to close the week above that resistance on hopes of progress on *"trade."&#2013266080;*

Given the markets have had 8-straight weeks of advance, a week or two of corrective/consolidative action is likely which will provide additional opportunities to increase exposure to risk.&#2013266080;

- ***New clients:****&#2013266080;We are adding the core positions and our fixed income portfolios. Since our "core" positions are our long-term holds for inflation adjustments to income production we can add without too much concern. Tactical positions for growth will be added accordingly as needed.&#2013266080;&#2013266080;*
- ***Equity Model:****&#2013266080;We recently added UTX, took profits in DOV and added VMC. Overall performance of positions are doing well, but many are very extended. However, we are mostly already carrying reduced weightings in portfolios so we will look to add to these*

positions on pullbacks that maintain support levels.&#2013266080;

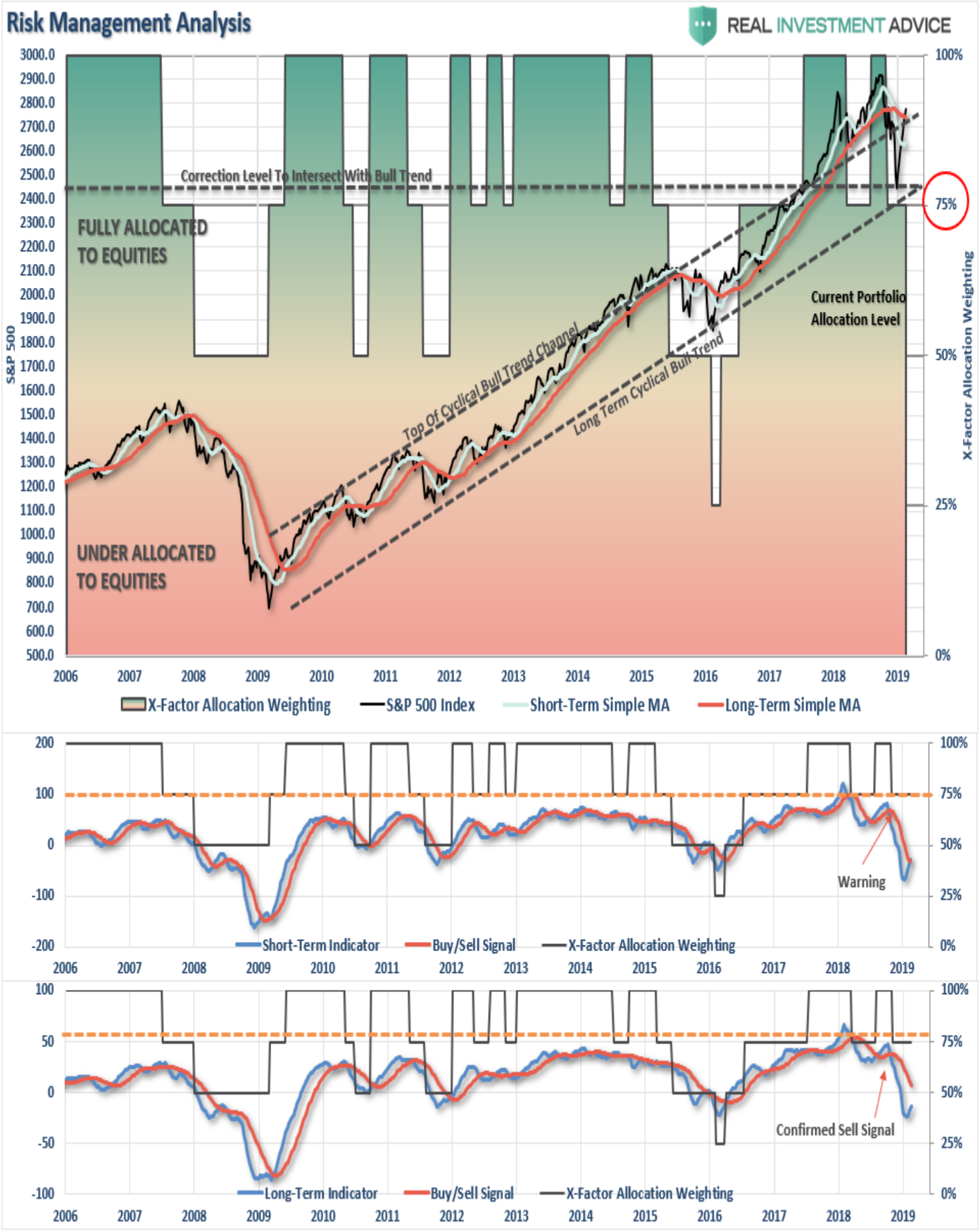
- ***ETF Model**: No changes this past week.&#2013266080;*

Note for new clients:

It is important to understand that when we add to our equity allocations, ALL purchases are initially&#2013266080;*?trades?*&#2013266080;that can, and will, be closed out quickly if they fail to work as anticipated.&#2013266080;This is why we&#2013266080;*?step?* &#2013266080;into positions initially. Once a&#2013266080;*?trade?*&#2013266080;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.**

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



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

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

401k-PlanManager-AllocationShift

Too Far, Too Fast

As we have been discussing over the last several weeks, the sharp rally in stocks has gone too far, too quickly.&#2013266080;

While the rally pierced the 200-dma this past week, which is bullish, the markets are now back to extreme overbought conditions.&#2013266080;

More importantly, despite the rally, longer-term "sell signals" remain intact which keeps our allocation reduced for now. It is not uncommon for there to be very sharp rallies in an ongoing bear market, so waiting for a confirmed change of stance pays off more often than not.&#2013266080;

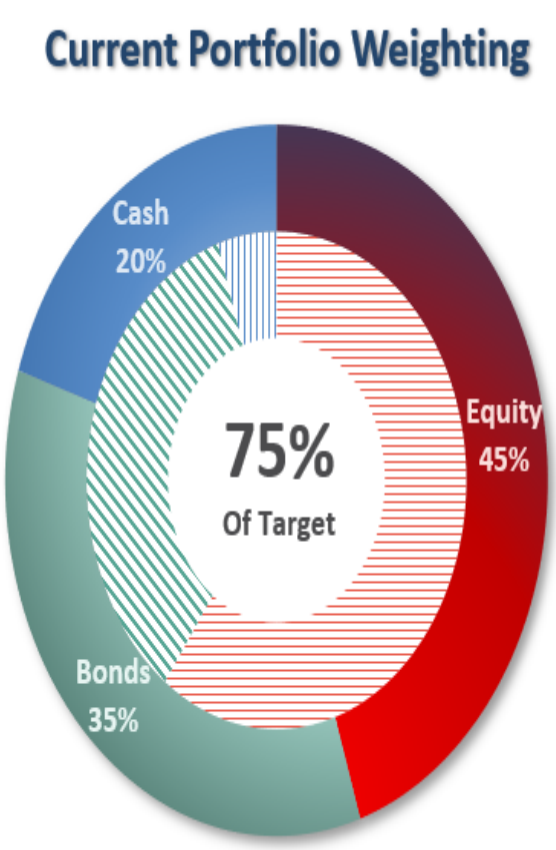
No change to allocations this week, we are looking for this rally to "rest" a bit and allow for a better opportunity to increase exposure. Continue to follow the model strategy for the time being.&#2013266080;

- *If you are **overweight&#2013266080;equities** - take some profits and overall portfolio weights to 75% of your selected allocation target.*
- *If you are **underweight equities or at target -&#2013266080;**hold positions for now.*

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

Current 401-k Allocation Model

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



Current 401k Allocation Model

20.00% **Cash + All Future Contributions**

Primary concern is the protection of investment capital

Examples: Stable Value, Money Market, Retirement Reserves

35.00% **Fixed Income (Bonds)**

Bond Funds reflect the direction of interest rates

Examples: Short Duration, Total Return and Real Return Funds

45.00% **Equity (Stocks)**

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

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

401k Choice Matching List

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

401k-Selection-List