The Fear Of Missing Out (FOMO)

- ***The Lesson Of Easter***
- ***The Fear Of Missing Out (FOMO)***
- ***Sector & Market Analysis***
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The Lesson Of Easter

Last night, I took my family to dinner, and my son asked me:

> *"Dad, every year we go to church on Easter Sunday and they have the same sermon every year."*

He's right. I can almost recite verbatim the sermon we will sit through on Sunday morning. However, my answer back to him made him understand the lesson he was supposed to be learning.&#2013266080;

Since he is currently reading George Orwell's 1984, it reminded me of an important line in that novel.

> *"The real secret of class distinctions in the West can be summed up in four frightful words - the lower classes smell."*

The Christian church grew dramatically between 165 and 270 A.D. as several devastating plagues punished the Roman Empire such as the Antonine Plague and the Plague of Cyprian. The growth of the church was due partly to the fact that many of the citizens, including the physicians, fled the cities. The Christians stayed behind and cared for the sick regardless of their race or religion...as was their command.

The term *"Maundy"&#2013266080;*came from the Latin *"Mandatum"* or *"Command."* This term came from the opening phrase *"novum mandatum"* of Jesus' words to the disciples after he had washed their feet.&#2013266080;

> *"A new commandment I give you, that you love one another as I have loved you."&#2013266080;*

This humility, the act of recognizing and honoring the humanity of all human beings regardless of race, gender, or religion is a basic mandate, and in many ways is unique to, the Christian religion.&#2013266080;

Certainly, the followers of Jesus Christ have by no means always lived up to his mandate. However, this is what we are to be reminded of every Easter.&#2013266080;

The *"Easter Story"* of a simple carpenter who gave his life to forgive us of our transgressions, and then resurrected from death, is meant to both remind us of our mandate and to give us hope. It is the promise of resurrection and regeneration of a new life.&#2013266080;

The novelist Marilynne Robinson once wrote that the main point of the Easter story is:

> *"That God is of a kind to love the world extravagantly, wondrously, and the world is of a kind to be worth, which is not to say worthy of, this pained and rapturous love".*

In other words, "*human beings,"* despite all of our flaws, our disputes, our sins, are worth *(not necessarily worthy of)* that love.&#2013266080;

This seems to a challenge more than ever today as we live in a nation at war with itself. Divides between wealth, race, gender, and religion are greater now than I have ever seen in my lifetime. The brewing anger which permeates the air, particularly with the advent of social media, has isolated us in anonymity more than ever. A simple look at the rise of anger over the wealth gap, the disdain over perceived race and gender inequalities, the surge in opioid-related deaths, certainly doesn't suggest that America is the shining beacon of light it was once perceived to be.&#2013266080;

While it is our instinct to separate ourselves from suffering, to distance ourselves from unpleasantness, and to turn away from tragedy, **it is unworthy of us to do so.**

As I told my son, the lesson of Easter is simply to remind us that we are to stand up for those who won't, care for those who can't, and love everyone regardless of who they are.&#2013266080;After all, as Christians, we are commanded to do so, and if we lived up to our mandate wouldn't the world be a much better place.&#2013266080;

Happy Easter

The Fear Of Missing Out

Over the last couple of weeks, we have been discussing&#2013266080;the market's advance from the lows and why retesting old highs was quite probable. **To wit:**

> *"While the bullish bias is definitely behind investors currently, there are concerns relative to the current risk/reward backdrop.&#2013266080;**As shown in the chart below, the market is not only back to more extreme overbought levels, it is also close to registering a short-term sell signal.** With prices now compressed into a very tight range, the risk of a downside break has risen."*

I have updated the chart to show a couple of important points.

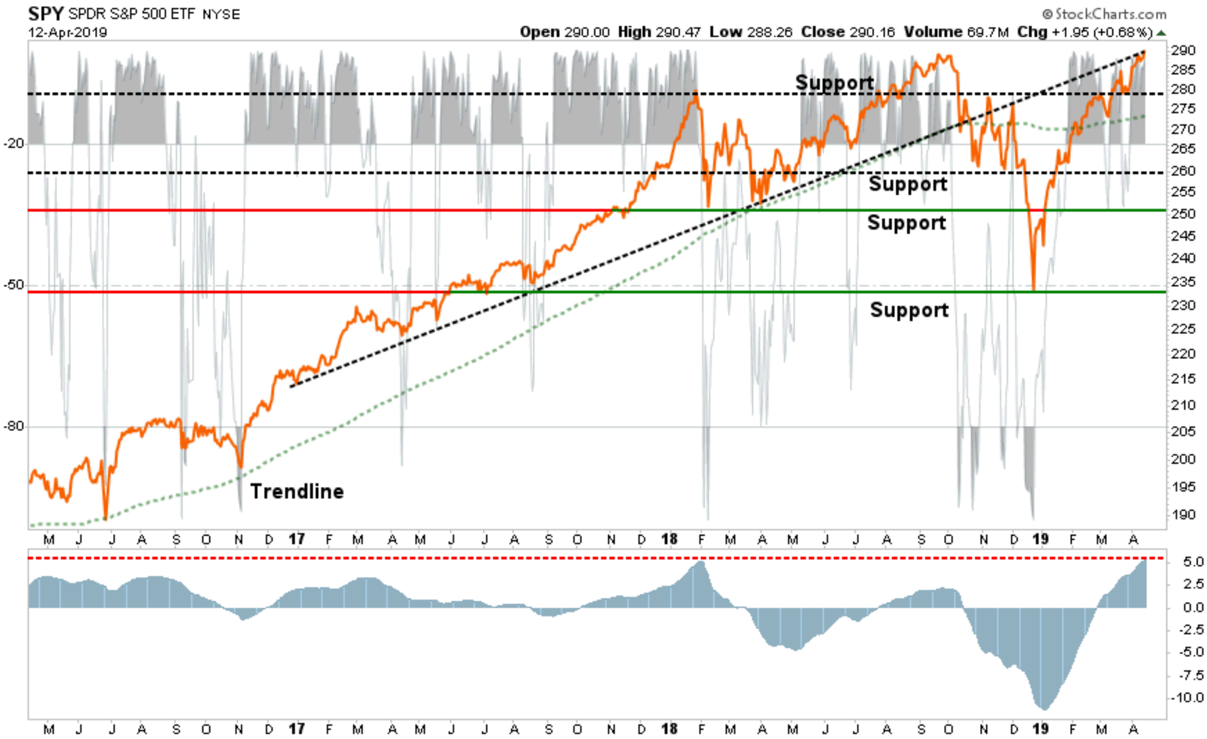
As noted,&#2013266080; the overbought condition (top panel) is now back to where was the **last time** we were registering *"all-time highs."* Currently, that signal has flattened out to the point where it is dangerously close to crossing lower. Any additional weakness this coming week will likely trigger that sell signal.

Secondly, as noted by StockTrader's Almanac on Friday (shown above):

> *"As of the today?s close, the slower moving MACD 'Sell' indicator applied to S&P 500 has turned negative. However, DJIA?s MACD 'Sell' indicator is still positive. Because DJIA?s indicator remains positive, the criteria to issue our Seasonal MACD Sell Alert has **not** been satisfied. Currently, a single-day DJIA decline in excess of 1.08% would be needed to turn DJIA?s MACD indicator negative. A single day gain of 0.50% or more by S&P 500 would turn S&P 500?s MACD indicator positive.*
>
> *Continue to **hold** long positions associated with DJIA?s and S&P 500?s 'Best Six Months.' We will issue our Seasonal MACD Sell signal when corresponding MACD Sell indicators applied to DJIA and S&P 500 both crossover and issue a new sell signal."*

That advice corresponds well with our current positioning as well. **We remain long-biased equities currently but are still maintaining some hedges and an overweight position in cash.&#2013266080;**

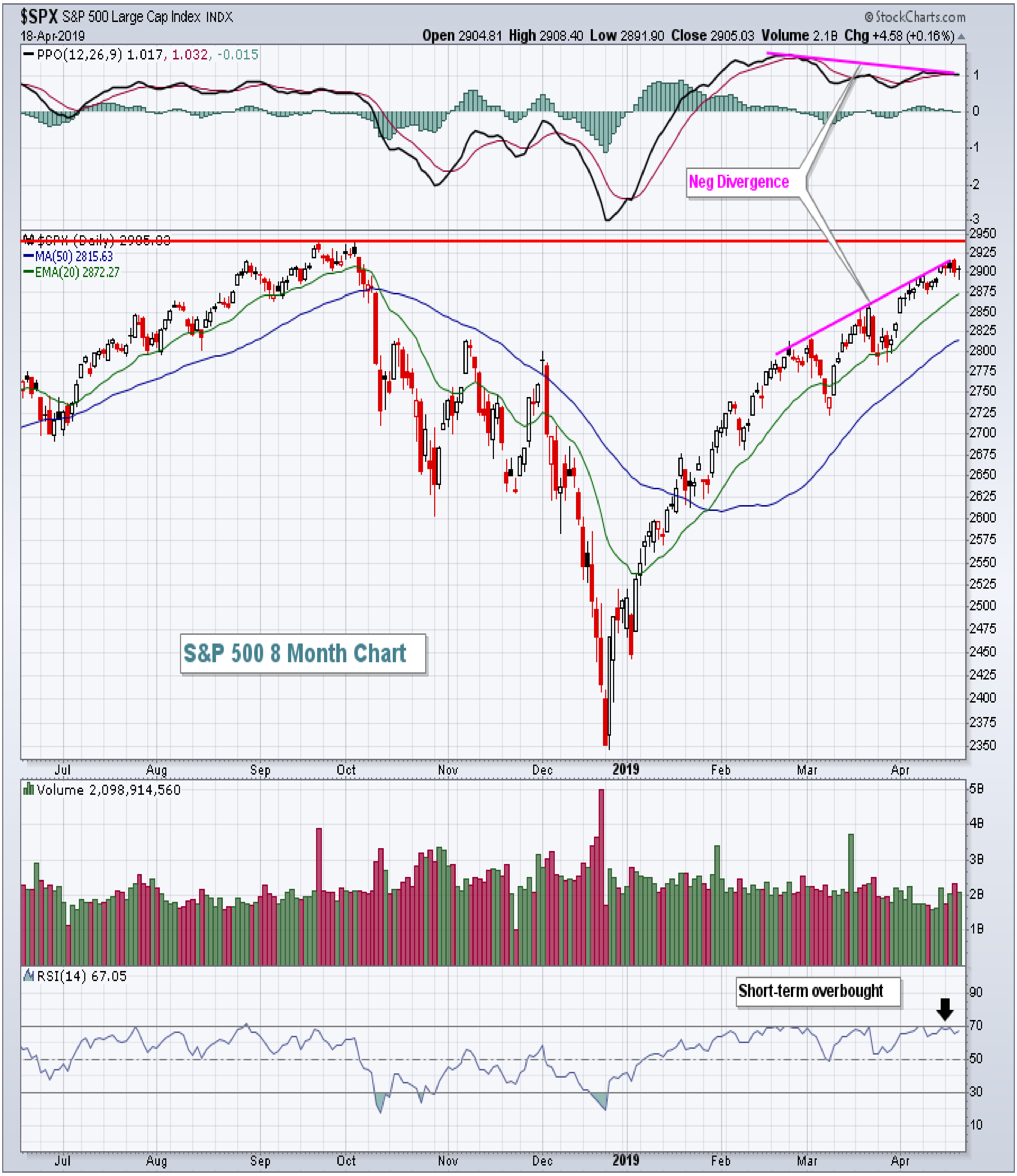
As we wrote last week for&#2013266080;our **[RIA PRO subscribers](#)** ***(Try it FREE for 30-days and get access to daily trading ideas on the markets, sectors, portfolio positions and long-short idea list):***



- *As we discussed two weeks ago, the rally above, and retest of support at 280 sets up a test of all-time highs. That happened last week as expected and we are now watching to see if it can hold.*
- ***SPY is extremely overbought, so a test and failure at the highs will not be surprising.***
- ***Note the ?buy? signal in the lower panel is at a level which has always denoted at least short-term market tops. So currently risk outweighs further reward.***
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold full weight position*
  - *This Week: Hold,&#2013266080;Take profits*
  - *Stop-loss moved up to $280*

As my friend Gerry notified me of on Friday, Tom Bowley pointed our similar issues:

> *"In this chart note thee things:*
>
> - *The SPX is facing major overhead resistance which at 2905 as of 18-April is just shy of the ?all-time high of 2940.91? &#2013266080;(the red line) set early last October,*
> - *The current negative divergence between the declining PPO and the rising SPX and*
> - *The relatively high value for the RSI at 67."*



The extremely extended *"buy signal,"* lower panel, is NOT sustainable.&#2013266080;It will revert, and the likelihood is it will revert sooner rather than later.

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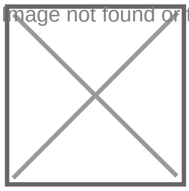
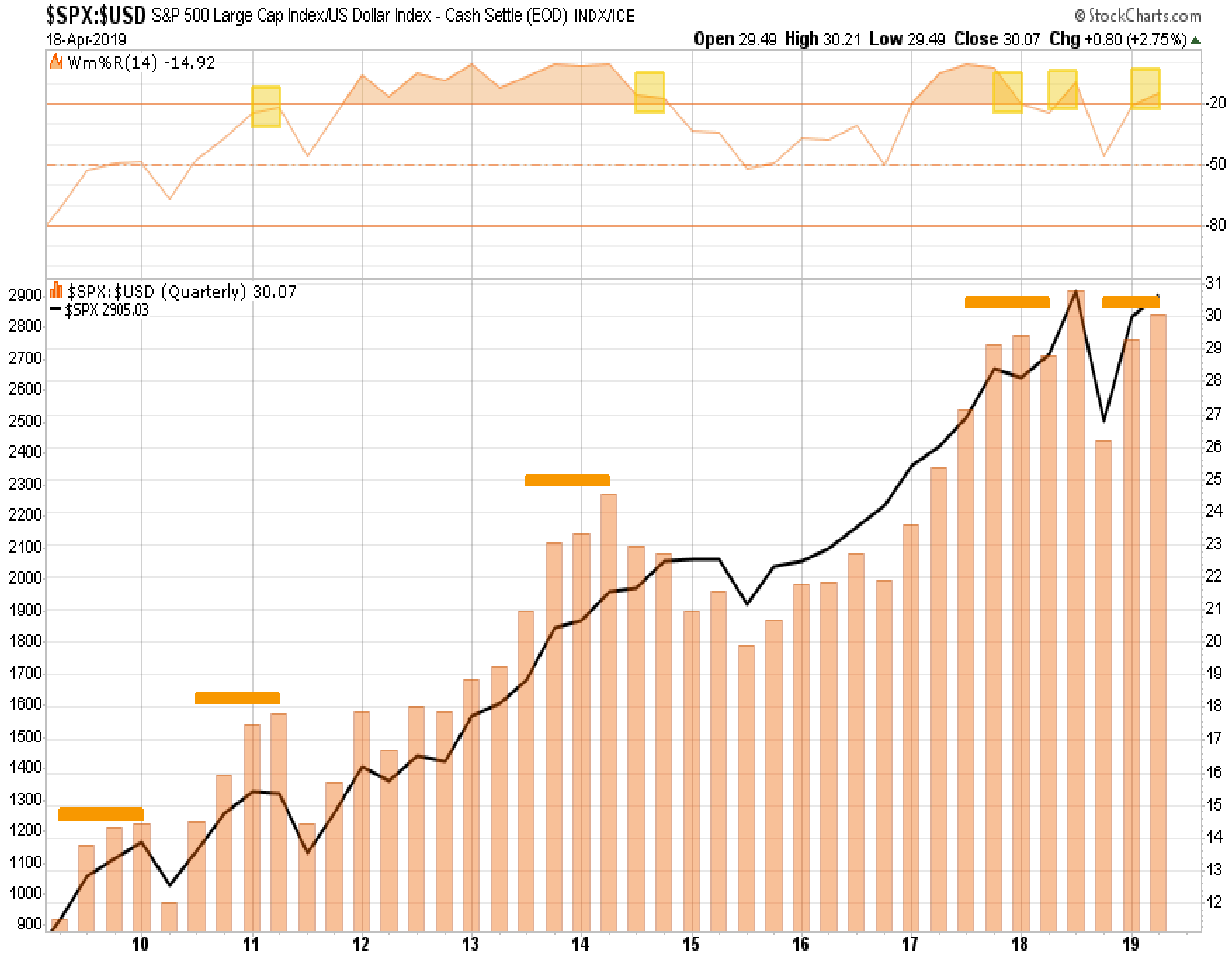


I am not suggesting the market is about to crash, **BUT a retest of the 50-dma is highly likely.** A break of the 50-dma will quickly test the 200-dma and below that things become much more concerning.&#2013266080;

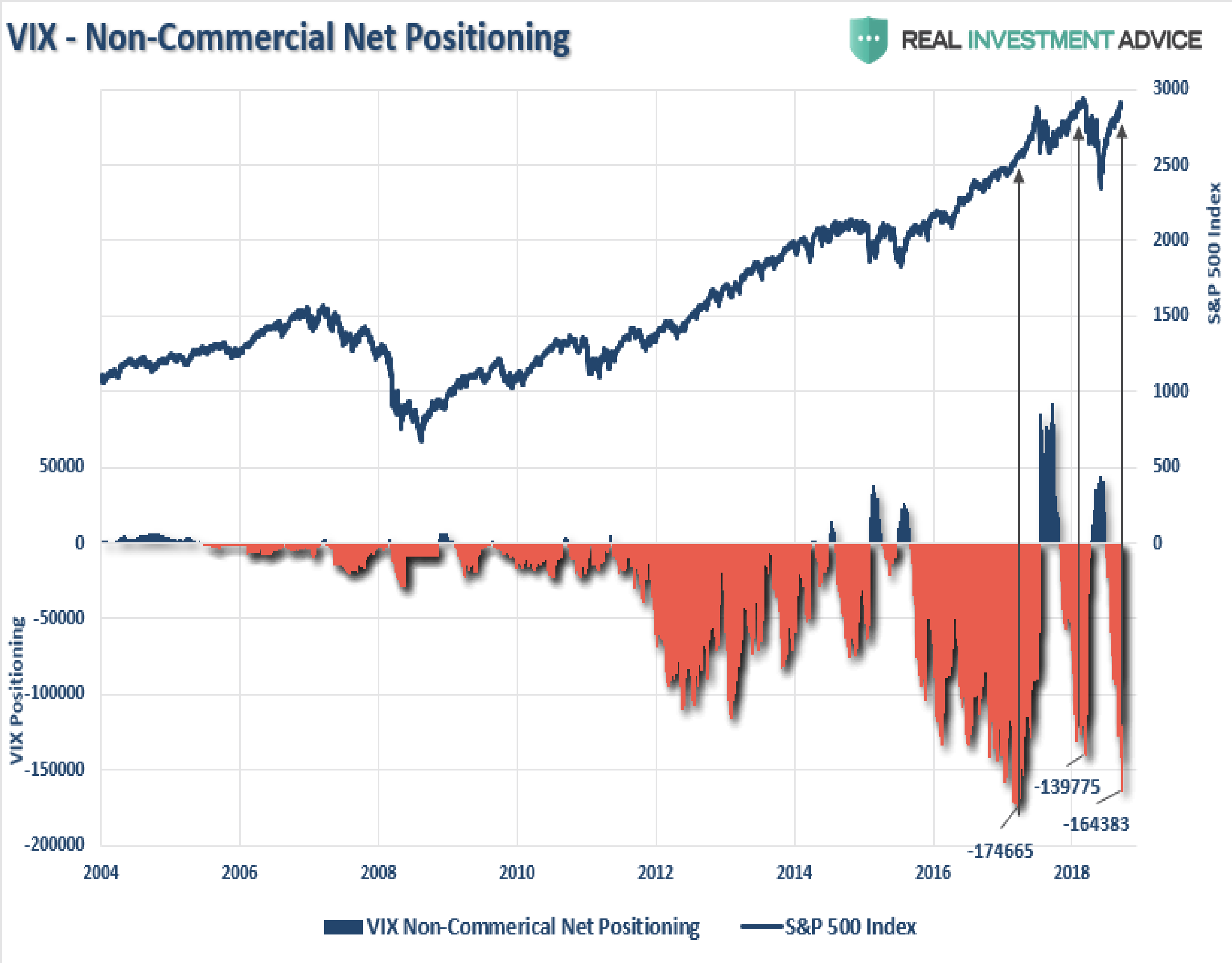
With earnings season underway, which will kick into high gear next week, there is support for the market short-term. **This is only due to the fact that the bar for Q1 earnings has been set so low.** The problem for stocks, however, will not be the *"beat of earnings"* but the *"forward guidance."&#2013266080;*

With the *"trade war"* still in progress, a stronger dollar, higher oil prices and rates, there will likely be concerns about forward quarters. Substantial downward revisions to guidance could take some of the *"wind out of the market's sails."&#2013266080;*

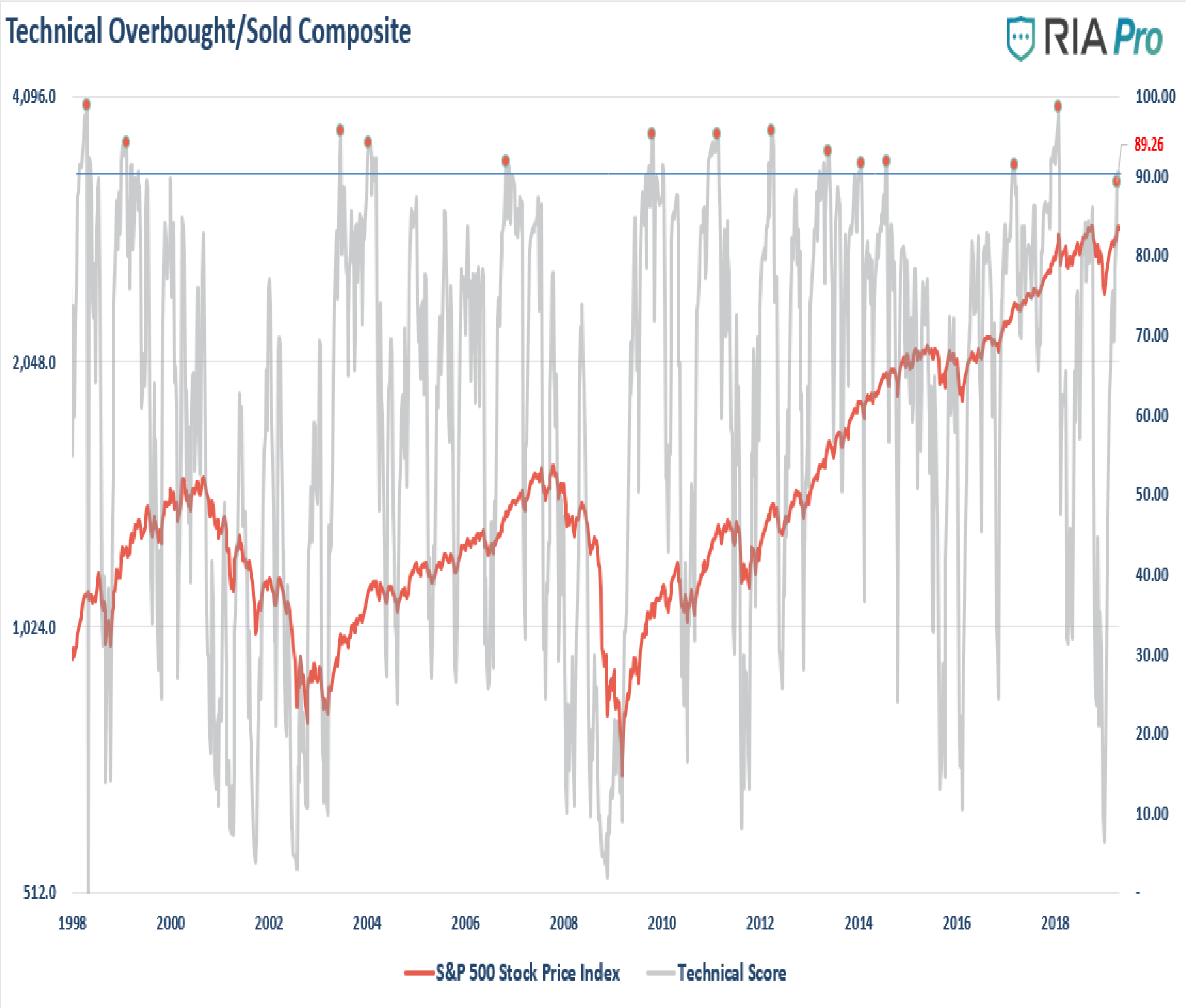
The chart below is the S&P 500/USD ratio. You will notice that when there are sharp accelerations over a couple of quarters it begins to impact asset prices. One concern of a conclusion of a *"trade deal"* will be a sharp acceleration in the dollar which will make any "resolution" more like a *"sell the news event."*



Lastly, market *"complacency"* is back to levels which have denoted short-term corrections in the market previously with near record levels of short-volatility positioning.

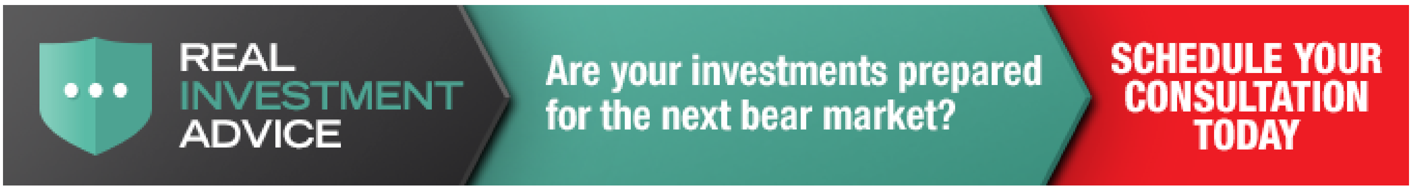


Also, our **RIA PRO Weekly Technical Market Gauge** is also pinging very high levels currently as well which also suggests the current rally may be nearing completion for now.



As I wrote last week:

> ***"As such we are maintaining our current equity exposure, with an overweight positioning in cash and fixed income. While this allocation structure is currently providing some performance drag, it is also greatly reducing overall portfolio volatility which we think we will be well rewarded for over the next four to six months.***
>
> ***Simply, the risk/reward setup is no longer as favorable as it was in December."***



Of course, if you listen to the mainstream media you are constantly coached that if you are ***"aren't in, you are missing out."***&#2013266080;

F.O.M.O. or the *"Fear Of Missing Out"* is the biggest detractor to long-term portfolio performance over time. It is also one of the biggest emotional inputs into the *"buy high/sell low"* problem for most investors.&#2013266080;

Doug Kass had a great note out on this last week:

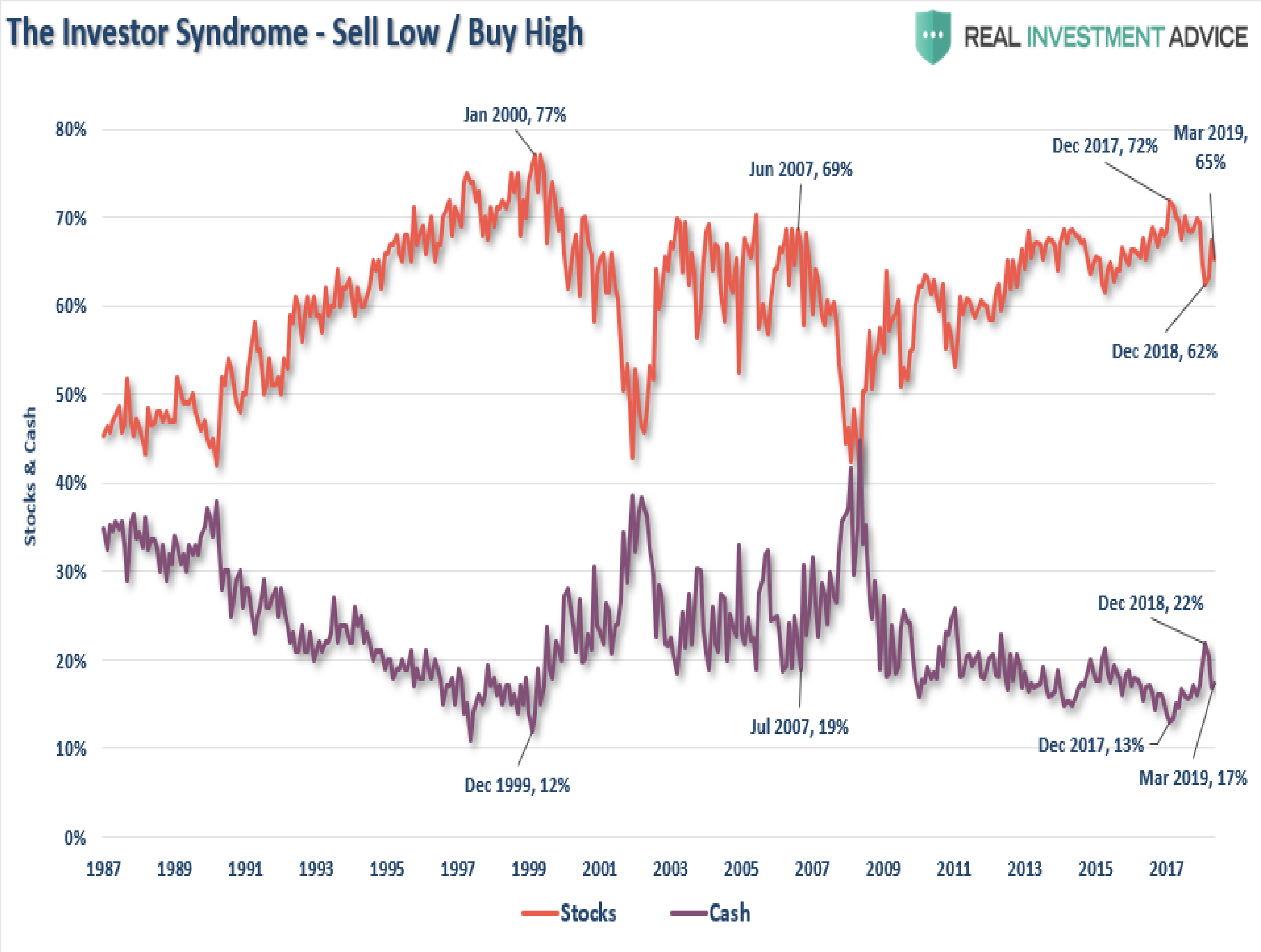
> *"We have a risk of a melt-up, not a meltdown here. Despite where the markets are in equities, we have not seen money being put to work... We have record amounts of money in cash. We still see outflows in retail in equities and in institutions." -* **Larry Fink, BlackRock (appearing on CNBC)**

Quick side note:&#2013266080;*Despite Larry's bent to pitch his own products, there is* ***NO SUCH THING as CASH ON THE SIDELINES.*** *Every transaction in the market requires both a buyer and a seller with the only differentiating factor being at what&#2013266080;****PRICE*** *the transaction occurs. Since this must be the case for there to be equilibrium to the markets, there can be no ?sidelines.?*

Back to Doug:

> The CEO of the largest money manager in the world, BlackRock, told *Squawk Box* that the large retail cash positions coupled with a *"shortage of good assets"* and the likely continued level of low interest rates could contribute to the fear of missing out and a *"melt-up."*

Yes, since investors did sell the December lows, they are now buying the February-March highs. But to Doug's point, investors are still heavily weighted towards equity.&#2013266080;



Fink's comments, to this observer, were non-rigorous 'first level thinking' and failed to detail the very important reasons why interest rates are low and why retail investors (who appear to be surrounded by the comfort of ever popular ETFs (hawked by BlackRock) ***may have some very good reasons to be wary of equities at this point in time.***

*The world is clearly upside down.&#2013266080;****Importantly, global interest rates (with $11 trillion of sovereign debt at negative returns) are delivering a message of disappointing aggregate economic growth.*** *So, low rates, in and of themselves is not, as Fink suggests, a reason to run to equities.*

With growing political turmoil, the risks of a policy mistake, the lack of coordination between G-8 powers, untenable levels of debt (in both the private and public sectors), evidence that high frequency global economic statistics and the corporate profit outlook are eroding, and with central banks believing in a smooth monetization of debt - the outlook is not necessarily getting better as the price of financial assets continue to climb.

Indeed, despite Fink's protestations, investor optimism has actually materially risen *- I base this statement on a near* ***three multiple (year to date) expansion in the S&P's price earnings ratio.*** *Coincident with this has been a reversal, from net short to* *a near 12 month high in speculative long S&P exposure - as well as an explosion in IPO offerings (many of them experiencing a "profitless prosperity.")*

*And, oh yes, **investors (both institutional and retail) are now greedy as measured by the CNN Fear and Greed Index!***

I leave you with final words of wisdom from the legendary Warren Buffett:

"Be fearful when others are greedy."

Happy Easter. See you next week.

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	24.24%	7.86%	16.05%	104.18%
Max Drawdown	-20.47%	-20.47%	-3.35%	-83.62%
Sharpe	0.82	0.56	5.22	8.29
Sortino	0.91	0.69	6.79	8.79
Volatility	13.59	14.92	12.42	(0.17)
Daily VaR-5%	(7.84)	(14.05)	46.92	(4.34)
Mnthly VaR-5%	(8.06)	(15.37)	48.17	(4.13)

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	1.91%	1.85%	1.85%	0.08%	2.18%	1.67%	(15.09%)	10.60%
P/E Ratio	20.31	21.04	18.24	(15.37%)	21.61	16.40	(15.6%)	11.19%
P/S Ratio	3.09	3.25	3.32	2.12%	3.55	2.49	(6.59%)	33.58%
P/B Ratio	3.51	3.76	4.07	7.57%	4.16	2.98	(2.06%)	36.87%
ROE	15.59%	16.59%	18.73%	11.42%	18.73%	15.00%	0.00%	24.88%
ROA	2.89%	3.13%	3.52%	11.21%	3.52%	2.81%	0.00%	25.18%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,438.1	2,411.0	(1.11%)
Sales	58,778	63,652	8.29%
SPS	24.1	26.4	9.51%
Earnings	8,039	9,601	19.44%
EPS TTM	3.9	4.8	23.86%
Dividend	1.5	1.6	9.39%

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	(9.98%)	5.40%	1.19	16.56	156.27	12.49	(89.4%)	10.3%	3.3%	6.00%	3.28	17.87
Materials	(6.14%)	2.69%	1.30	15.34	21.86	13.82	(29.8%)	11.2%	2.0%	6.53%	4.58	15.44
Industrials	2.25%	9.51%	1.12	18.05	22.22	14.73	(18.8%)	15.6%	1.9%	5.57%	5.26	15.56
Discretionary	15.40%	10.34%	0.98	25.06	27.60	20.11	(9.2%)	28.3%	1.2%	3.98%	4.84	20.98
Staples	9.66%	7.15%	0.60	19.65	22.83	17.63	(13.9%)	26.3%	2.8%	5.08%	3.88	18.78
Health Care	4.02%	13.65%	0.93	16.13	20.62	15.93	(21.8%)	29.2%	1.9%	6.19%	6.36	15.83
Financials	(1.37%)	13.13%	1.22	13.36	18.42	11.68	(27.5%)	11.5%	2.1%	7.47%	5.75	11.26
Technology	19.40%	21.53%	1.21	20.63	21.83	14.47	(5.5%)	38.7%	1.5%	4.85%	5.17	19.17
Telecom	6.59%	10.33%	0.87	20.32	27.29	17.43	(25.5%)	18.4%	0.9%	4.92%	6.19	18.50
Utilities	16.49%	3.21%	0.33	19.29	20.31	15.58	(5.0%)	10.7%	3.4%	5.18%	3.58	18.44
Real Estate	16.25%	2.96%	0.80	19.46	24.47	17.10	(20.5%)	10.3%	3.3%	5.17%	4.27	19.32

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	290.02	7.23%	281.71	50	2.95%	275.98	30	5.09%	2.07%	(1.33%)	24.07%	Buy
Mid Cap	355.74	5.43%	348.14	19	2.18%	344.65	16	3.22%	1.01%	(4.91%)	25.06%	Buy
Small Cap	68.37	2.95%	68.02	8	0.51%	69.27	275	(1.30%)	(1.81%)	(12.63%)	21.44%	Sell

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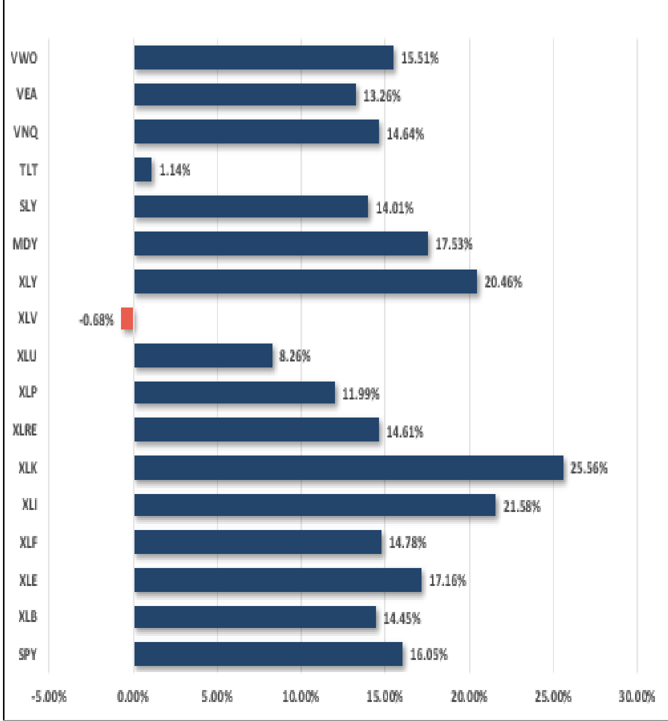
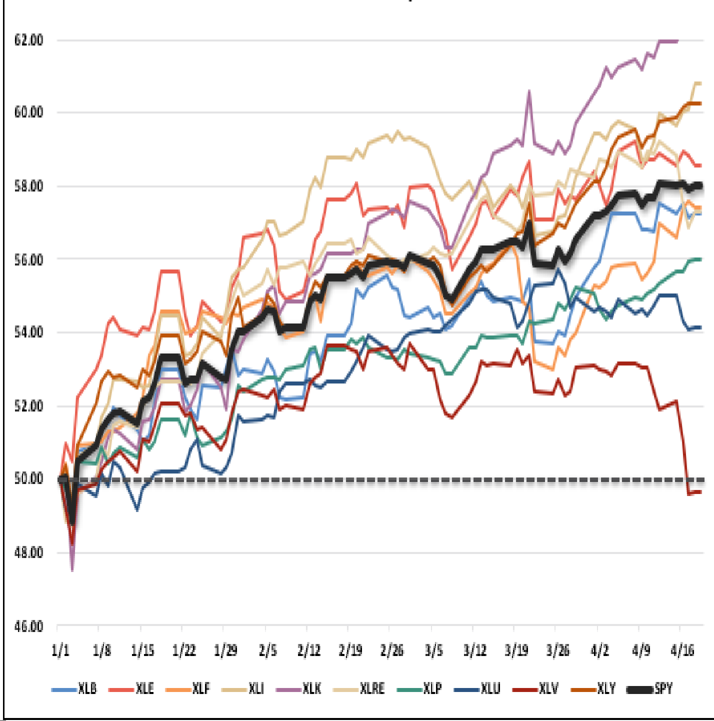
Performance Analysis

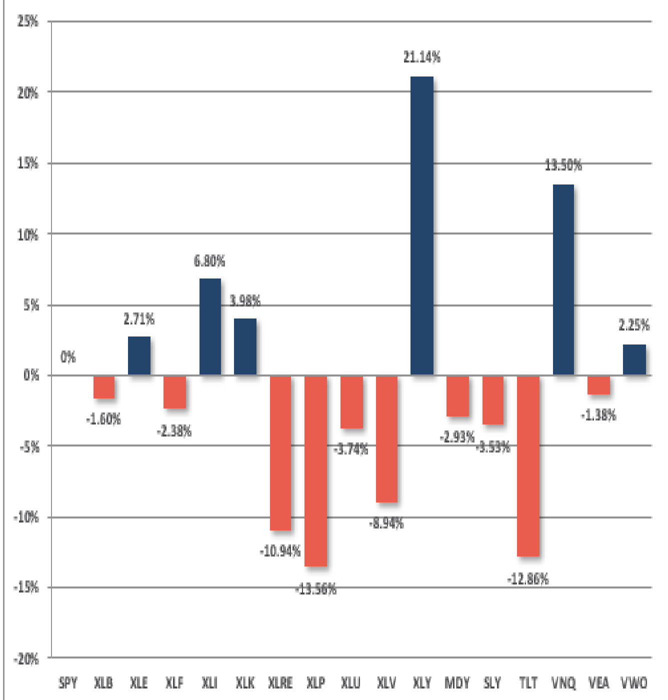
Year To Date Performance



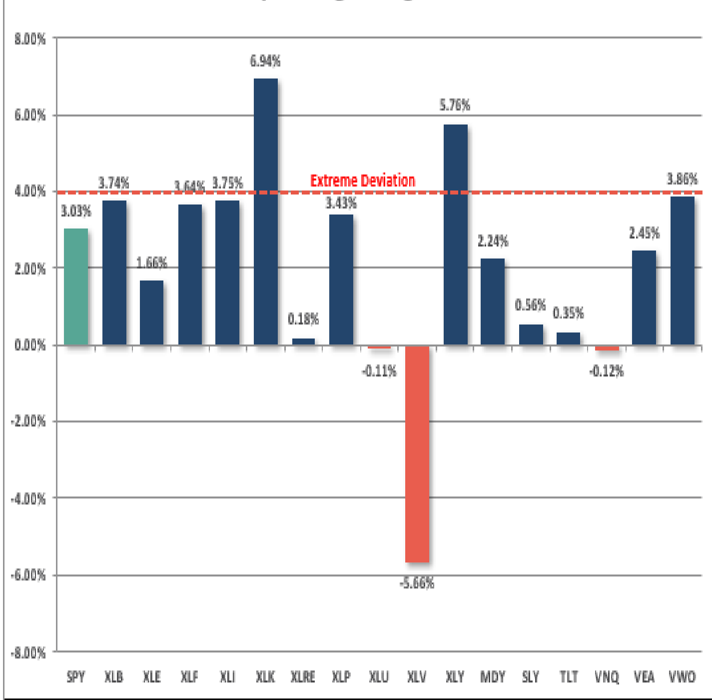
YTD Price - S&P Sectors Recalibrated To $50/share



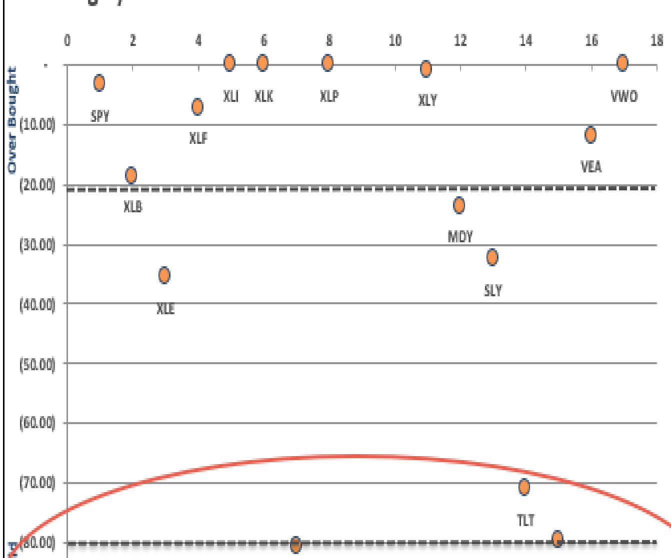
Year To Date Performance Relative To S&P 500



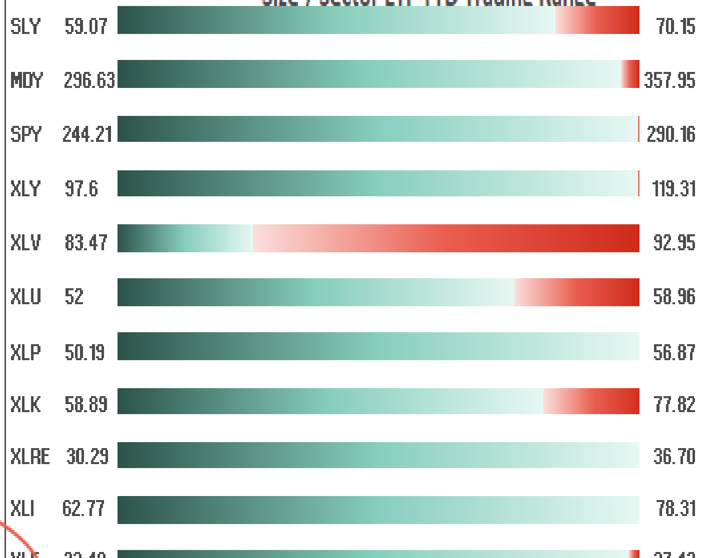
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



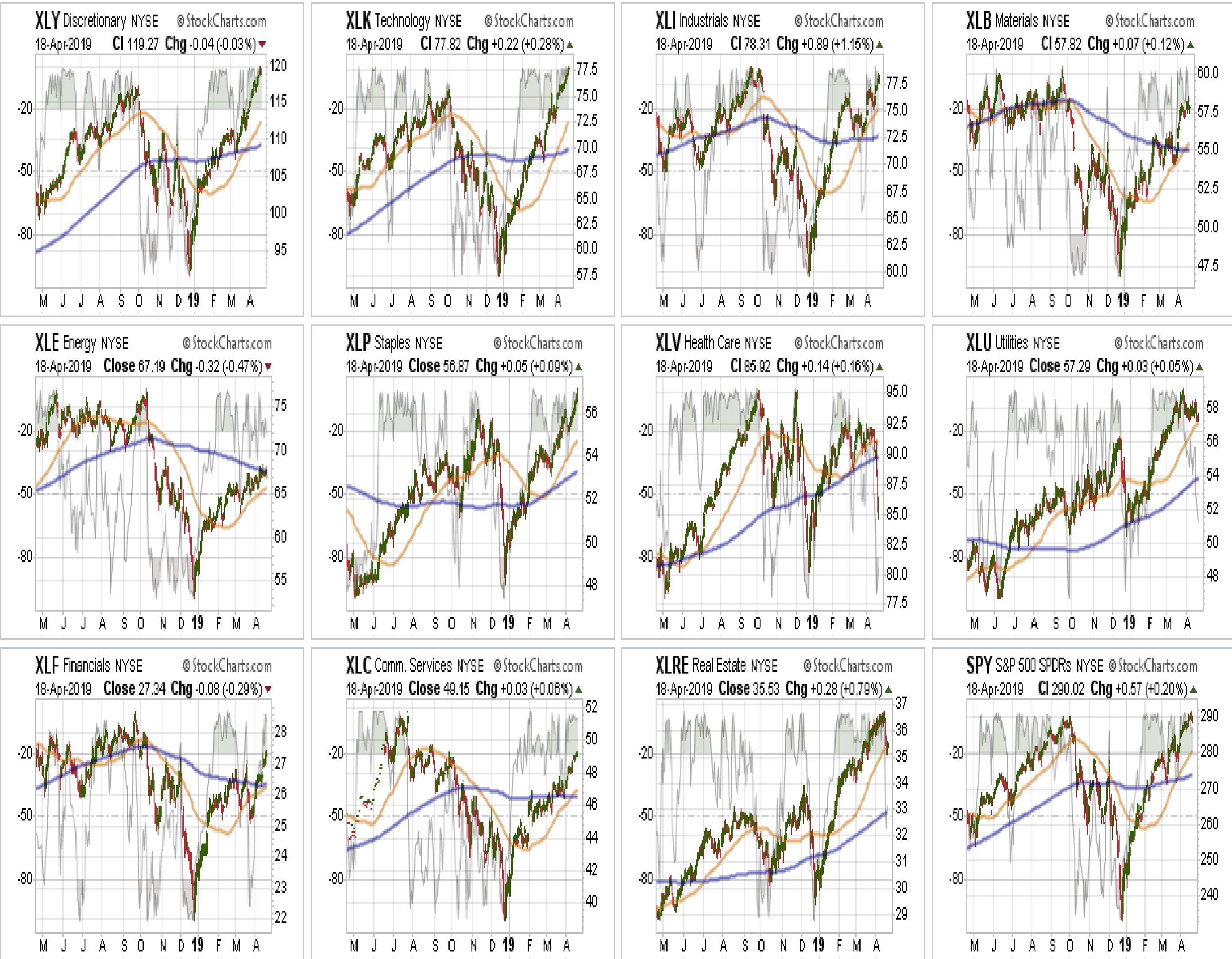
ETF Model Relative Performance Analysis

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	292.00	(0.05)	3.86	9.16	6.61	8.78	280.32	276.64	4.17%	5.55%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	57.82	(0.46)	2.57	(0.31)	0.54	(10.78)	55.19	54.77	4.76%	5.56%	BUY
TACTICAL	SECTORS	XLE	SPDR-EGY SELS	67.19	(0.49)	(1.23)	(2.39)	(7.16)	(17.11)	65.52	66.95	2.55%	0.37%	SELL
TACTICAL	SECTORS	XLF	SPDR-FINL SELS	27.34	0.79	4.04	(4.01)	(2.97)	(10.71)	26.28	26.30	4.02%	3.94%	SELL
TACTICAL	SECTORS	XLI	SPDR-INDU SELS	78.31	1.39	3.49	2.60	3.70	(5.19)	74.52	72.94	5.08%	7.36%	BUY
TACTICAL	SECTORS	XLK	SPDR-TECH SELS	77.82	1.37	2.28	8.88	6.60	8.76	71.34	69.63	9.08%	11.76%	BUY
TACTICAL	SECTORS	XLP	SPDR-CONS STPL	56.87	1.25	(0.61)	0.78	(3.42)	3.86	54.50	54.10	4.36%	5.13%	BUY
TACTICAL	SECTORS	XLU	SPDR-UTIL SELS	57.29	(1.53)	(5.91)	(1.71)	1.18	5.12	56.64	54.96	1.16%	4.23%	BUY
TACTICAL	SECTORS	XLC	SPDR-COMM SV SS	49.15	0.32	0.79	1.04			46.62	45.92	5.42%	7.03%	BUY
TACTICAL	SECTORS	XLV	SPDR-HLTH CR	85.92	(4.28)	(9.04)	(12.53)	(10.35)	(4.11)	90.77	90.69	-5.35%	-5.26%	BUY
TACTICAL	SECTORS	XLY	SPDR-CONS DISCR	119.27	0.86	2.95	2.28	3.85	7.04	111.55	109.25	6.93%	9.17%	BUY
TACTICAL	SIZE	SLY	SALOMON LEASING	68.37	(0.67)	1.12	(4.84)	(7.83)	(8.70)	67.52	68.19	1.26%	0.27%	SELL
TACTICAL	SIZE	MDY	SPDR-SP MC 400	355.74	(0.56)	1.60	(1.68)	(1.70)	(5.91)	344.63	341.21	3.22%	4.26%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	107.13	(0.54)	0.47	(0.82)	0.36	(1.95)	103.44	101.52	3.57%	5.53%	BUY
CORE	Dividend	SDY	SPDR-SP DIV ETF	100.99	(0.24)	(0.03)	(1.48)	0.20	1.96	98.12	96.12	2.93%	5.07%	BUY
CORE	Real Estate	XLRE	SPDR-RE SELS	35.53	(3.13)	(4.61)	(1.91)	4.63	8.79	35.08	33.50	1.29%	6.06%	BUY
CORE	International	EEM	ISHARS-EMG MKT	44.56	0.51	1.16	(3.57)	2.55	(14.49)	42.92	41.53	3.82%	7.30%	BUY
CORE	International	EFA	EMG MKT FREE AS	66.67	0.40	(0.19)	(1.92)	(1.37)	(14.94)	64.23	63.66	3.80%	4.73%	BUY
CORE	International	IXUS	ISHARS-CR INT S	59.78	0.36	0.07	(2.37)	(0.62)	(14.90)	57.63	56.82	3.74%	5.21%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	122.90	0.24	(5.43)	(7.19)	3.12	(5.03)	122.11	119.13	0.64%	3.17%	BUY
FI	International	BNDX	VANGD-TTL INT B	55.59	0.02	(4.07)	(7.40)	(4.56)	(6.81)	55.16	54.78	0.77%	1.48%	BUY
FI	High Yield	HYG	ISHARS-IBX HYCB	86.68	(0.27)	(2.88)	(6.47)	(3.75)	(7.86)	85.60	84.72	1.27%	2.32%	BUY
FI	Cash	BSV	VANGD-SHT TRM B	79.28										

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



Looking at sectors on a *"relative performance"* basis to the S&P 500 we have seen some rotations in leadership over the last week.

Improving - Energy

As noted last week, the \pick up in oil prices has contributed to better performance in the energy sector. However, the sector continues to struggle with its 200-dma and is at risk of some corrective action. The good news is that the 50-dma is just below current levels so there is nearby support in the near-term. However, a break below the 50-dma and further deterioration is likely. Energy is still in a negative trend and is close to triggering a sell signal. Take profits is you are overweight energy in your portfolio.&#2013266080;

Current Positions: *1/2 Position in XLE*

Outperforming - Materials, Technology, Industrials, Discretionary

Materials joined the outperforming sectors this week as *"trade talk"* headlines supported the markets again this week.&#2013266080; Discretionary and Technology continued their lead this past week after breaking out to all-time highs two weeks ago. Both of these sectors are GROSSLY overbought so it is a good idea to take profits and rebalance portfolio risks accordingly. Industrials performance lead over the S&P 500 is weakening but the sector is still performing well with Materials on the hopes of a trade resolution. Both of these sectors are also extremely overbought, so take some profits, rebalance portfolios, raise stops but remain long for now

Current Positions: XLB, *XLI, XLY, XLK - Stops moved from 200 to 50-dma's.*

Weakening - Real Estate, Utilities, Communications

Despite the *"bullish"* bias to the markets, the more defensive sectors of the markets, namely Utilities and Real Estate, have continued to attract buyers. However, as I noted last week, these sectors were *"very extended and overbought"* and a correction was likely. Both of these sectors have now corrected back to their 50-dma and are now oversold on a short-term basis. This provides a decent entry opportunity for positioning as a defensive play against a likely rotation out of Technology and Discretionary holdings.&#2013266080;

Communications has become much more bullishly biased as of late after successfully testing its 200-dma and the 50-dma crossing above the 200-dma. With the sector extremely overbought look for a correction which does not violate support to add to portfolios.&#2013266080;

Current Position:&#2013266080;*XLU, will add XLRE and XLC opportunistically.*

Lagging - Healthcare, Staples, Financials

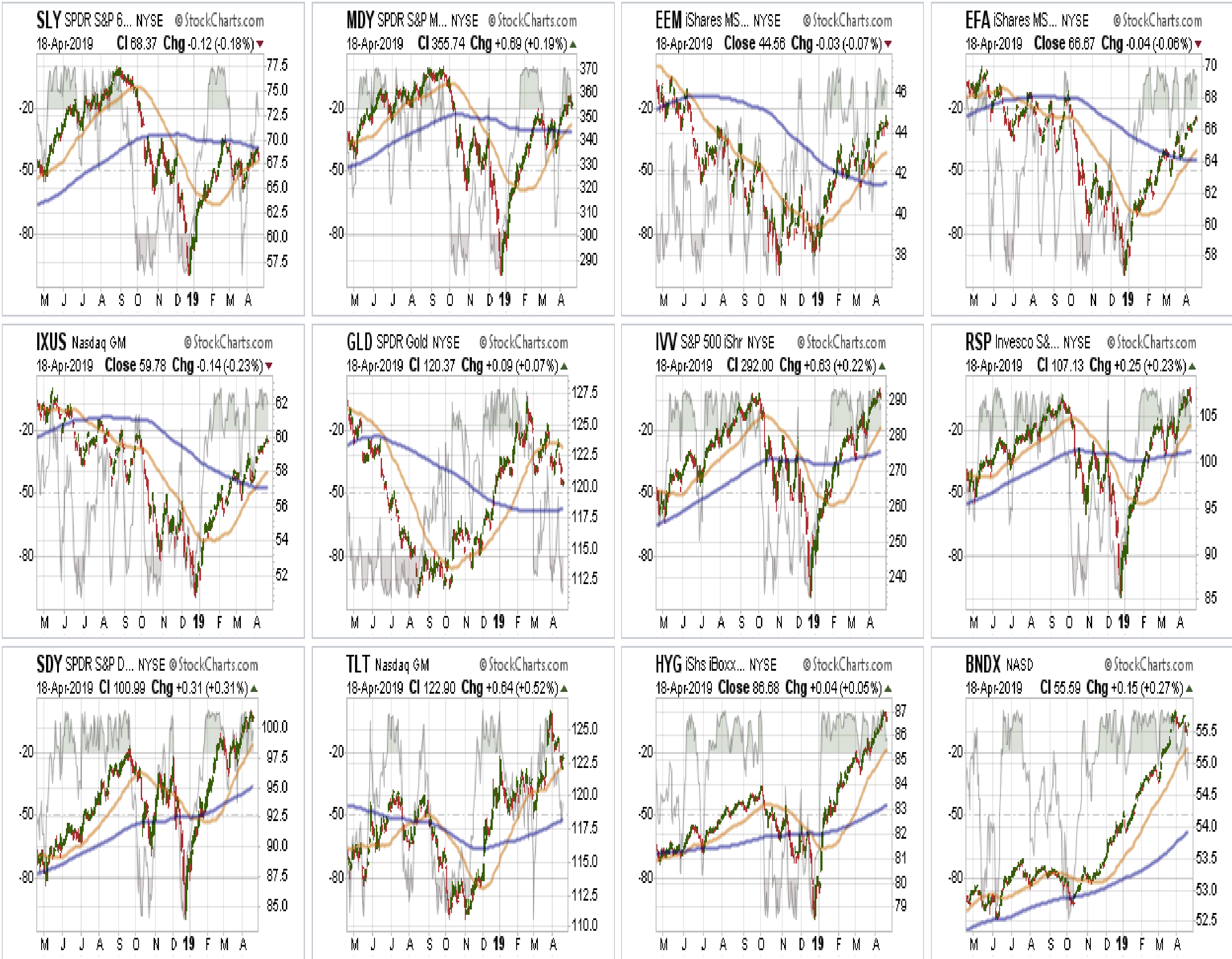
Staples have pushed out to all-time highs as money continues to chase the sector. However, its performance, while positive, is lagging the S&P 500 overall. Staples remain on a buy signal but are extremely overbought and extended. Take profits and rebalance in portfolios.

Financials have perked up lately on the back of earnings from the major banks. However, that performance may have already seen its peak. We will give it some room and re-evaluate holdings next week.

Healthcare continues to struggle with repeated calls from political candidates for *"Government sponsored health care."* This is very unlikely to happen, and Healthcare is likely setting up to gain from a rotation from offense to defense in the market. This sector is sitting on support, is extremely oversold, and whose companies are financially healthy. It is too soon to get really aggressive on the sector but rebalancing the holding back to portfolio weight makes sense. There will be a time, likely soon, we will want to overweight the sector in portfolios.&#2013266080;

Current Positions: *XLF, XLV, XLP&#2013266080;*

Market By Market



Small-Cap and Mid Cap - Small Cap stocks continue to lag the rest of the market and remain confined within the context of a broader downtrend. Small caps once again failed their 200-dma, and are testing the 50-dma just below its close last week. A break of the 50-dma will likely lead to a deeper decline. Conversely, Mid-Caps are performing much better as of late and have broken out of its consolidation over the last couple of months. With the 50-dma crossing above the 200-dma, look for a pullback towards the 50-dma to increase exposure to Mid-caps.&#2013266080;

Current Position: *None*

Emerging, International & Total International Markets&#2013266080;

Emerging Markets continue to perform better as of late but are extremely overbought in the short-term. We are looking for a pullback which holds support to increase our holdings in that market.&#2013266080;

Major International & Total International shares also are performing much better despite global economic weakness. This is probably misplaced optimism but nonetheless the technical backdrop has improved enough to warrant adding a position on a pullback that holds support and works off some of the extreme overbought condition.&#2013266080;

Stops should remain tight at the running 50-dma which is also previous support.&#2013266080;

Current Position: *1/2 position in EEM*

Dividends, Market, and Equal Weight - These positions are our long-term *"core"* positions for the portfolio given that over the long-term markets do rise with respect to 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.&#2013266080;

Core holdings remain currently at target portfolio weights but all three of our core positions are grossly overbought. A correction is coming, it is now just a function of time.&#2013266080;

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

Gold ? Gold continues to perform poorly despite concerns over the Fed, policy, and monetary policy. Gold broke support at $121 last week which suggests reducing exposure to the metal in portfolios. However, short-term gold is extremely oversold so a bounce is likely which can be used to sell into. Gold must get above $121 to reverse the *"sell"* condition.

Current Position: *GDX (Gold Miners), IAU (Gold)*

Bonds&#2013266080;?

As noted last week, we said bonds were setting up for a nice entry point to add additional bond exposure. Bonds bounced off the 50-dma holding important support last week. Bonds are not oversold yet, so keep a close watch on holdings. It is still likely in the short-term we would see rates move towards 2.6%. There is a potential for rates to climb as high as 2.85%, but that move is quite unlikely in the current economic environment.

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

High Yield Bonds, representative of the *"risk on"* chase for the markets, corrected last week but remain extremely overbought. If the S&P 500 corrects next week, it will pull high-yield (junk) bonds back towards initial support at the 50-dma. Last week, we recommended taking profits and rebalancing risk accordingly. International bonds, which are also high credit risk, have been consolidating over the last couple of weeks, but remain very overbought currently which doesn't over a high reward/risk entry point.&#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.)

		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	Notes
XLY	Discretionary	OB	Positive	Positive	Hold			X			Take Profits
XLK	Technology	OB	Positive	Positive	Hold			X			Take Profits
XLI	Industrials	OB	Positive	Neutral	Hold			X			Take Profits
XLB	Materials	OB	Improving	Neutral	Hold			X			Take Profits
XLE	Energy	OB	Improving	Negative	1/2 Position			X			Hold Position
XLP	Staples	OB	Positive	Positive	Hold			X			Take Profits
XLV	Health Care	OS	Neutral	Neutral	Hold			X			Look To Add
XLU	Utilities	OS	Positive	Positive	Hold			X			Look To Add
XLF	Financials	Improving	Improving	Negative	Hold			X			Hold Position
XLC	Telecom	OB	Positive	Neutral	No Position					X	Look To Add
XLRE	Real Estate	OS	Positive	Positive	No Position					X	Look To Add
SLY	Small Caps	Declining	Negative	Negative	No Position					X	Failed At 200-DMA
MDY	Mid Caps	OB	Improving	Neutral	No Position					X	Look To Add On Pullback
EEM	Emerging Mkt	OB	Positive	Improving	Hold			X			Hold
EFA	International	OB	Positive	Improving	Trade Oppty					X	Look To Add On Pullback
IXUS	Total International	OB	Positive	Improving	Trade Oppty					X	Look To Add On Pullback
GLD	Gold	OS	Positive	Neutral	Warning			X			Failied Initial Support
RSP	SP500 Equal Wgt	OB	Positive	Neutral	Hold			X			Reduce to Target Weight
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			Reduce to Target Weight
IVV	SP500 Market Wgt	OB	Positive	Neutral	Hold			X			Reduce to Target Weight
TLT	20+ Yr. Bond	OB	Positive	Positive	Hold			X			Hold
HYG	Corporate High Yield	OB	Positive	Positive	No Position			X			Look To Add On Pullback
BNDX	Int'l Bond Aggregrate	OB	Positive	Positive	No Position			X			Look To Add On Pullback

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

Portfolio/Client Update:

No actions this past week were needed.&#2013266080;

With our near term buy signals in place, we continue to let our equity holdings ride the wave of the market and are looking to opportunistically take on exposures as they present themselves. With earnings season now underway there will be bid under stocks as companies *"beat"* drastically lowered *"expectations."*

As noted above, there is a coming opportunity to add to our healthcare position, add real estate, and a coming opportunity to potentially add communications, high yield, and international stocks and bonds. &#2013266080;

So, for now, we are patient.&#2013266080;

- **New clients:** *We continue to onboard clients and move into specified models accordingly.&#2013266080;*
- ***Equity Model:*** *We rebalanced all positions in the portfolio, with the exception of Boeing (BA), reducing overweight positions and adding to underweight positions. Looking to add to our*

healthcare holdings of UNH and HCA and add to our an additional Real Estate holding.

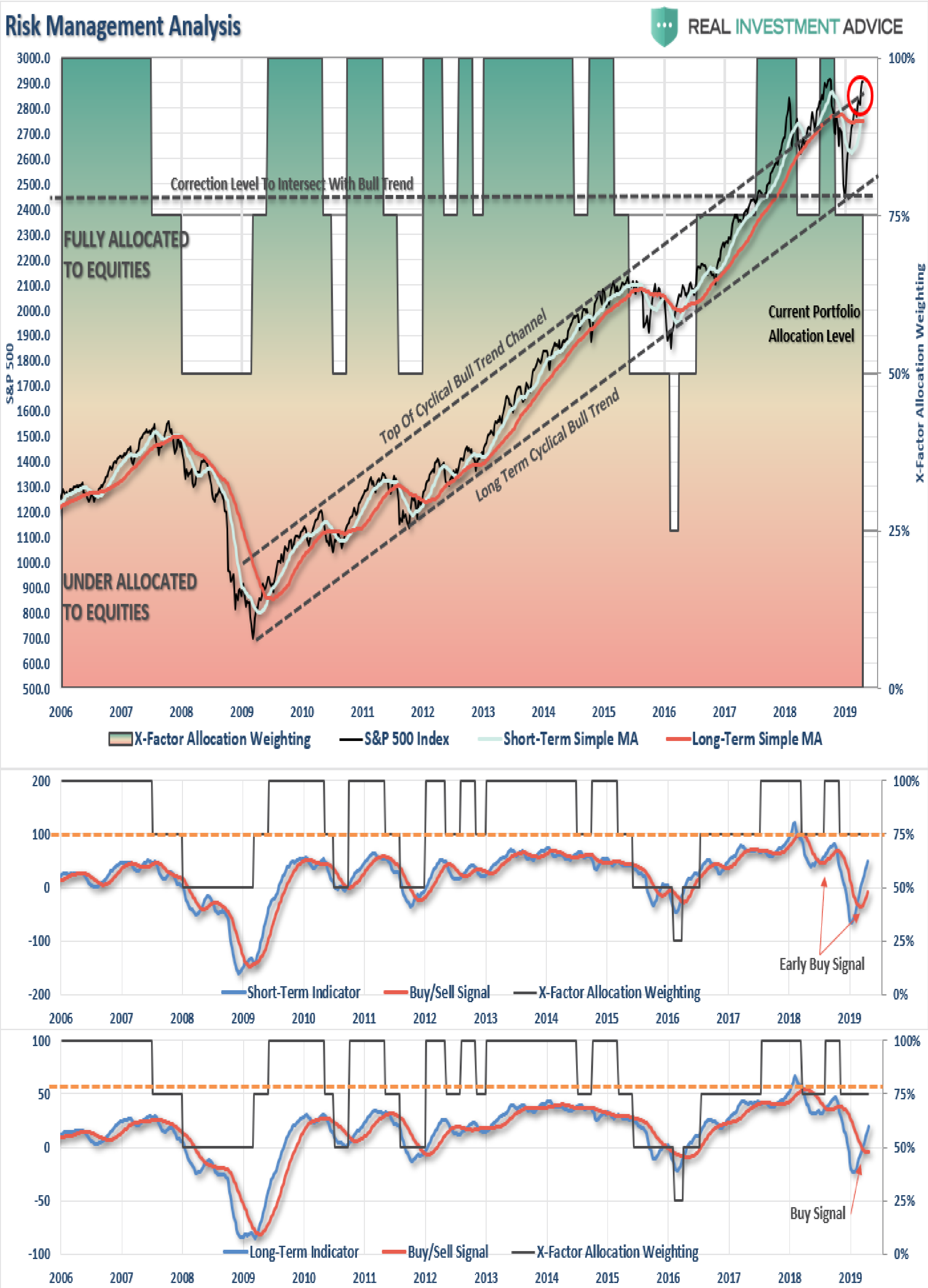
- ***ETF Model****: No changes. - Reviewing for rebalancing as needed. Looking to rebalance Utilities, add Real Estate, and add to Healthcare.*

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



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
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
Buy Signal
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

FOMO

As noted in the main body of this week's newsletter, the biggest risk to investors is to ditch your investment discipline and cave to the "fear of missing out."&#2013266080;

As we penned last week:

> *"Bull markets have a tendency to suck the most investors in at the point to inflict the most possible pain.&#2013266080;*
>
> *That is the point we are currently at in the markets today. After a recovery rally from the lows many investors are now back to where they were in January of last year.* ***The rally also tends to make investors forget the pain the endured during the previous decline.***
>
> *If you feel like you "must get back into the market now," you are probably allowing your emotions to get the better of you. T****his is why most investors tend to repeatedly buy tops and sell bottoms."***

The market rally is already showing signs of stalling and it will correct. This process is normal even in bull markets and will provide a better point to adjust your risk-reward exposures. **Don't allow short-term market movements to deviate you from your long-term investing goals.**

> *"Chasing performance is the absolute best way to destroy your investing outcome. "*

With both "*buy"* signals now in place we will move target allocations move to 100% equity exposure on any corrective actions which reduces the extreme **overbought short-term condition without violating important support.&#2013266080;**

In the meantime, we can prepare for this opportunity by continuing our actions we have recommended over the last several weeks.&#2013266080;

- *If you are* ***overweight&#2013266080;equities*** *- take some profits and reduce portfolio risk on the equity side of the allocation. However, hold the bulk of your positions for now and let them run with the market.*
- *If you are* ***underweight equities or at target -&#2013266080;****remain where you are until the market gives us a better opportunity to increase exposure to target levels.*

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

Exciting News - the 401k Plan Manager is "Going Live"

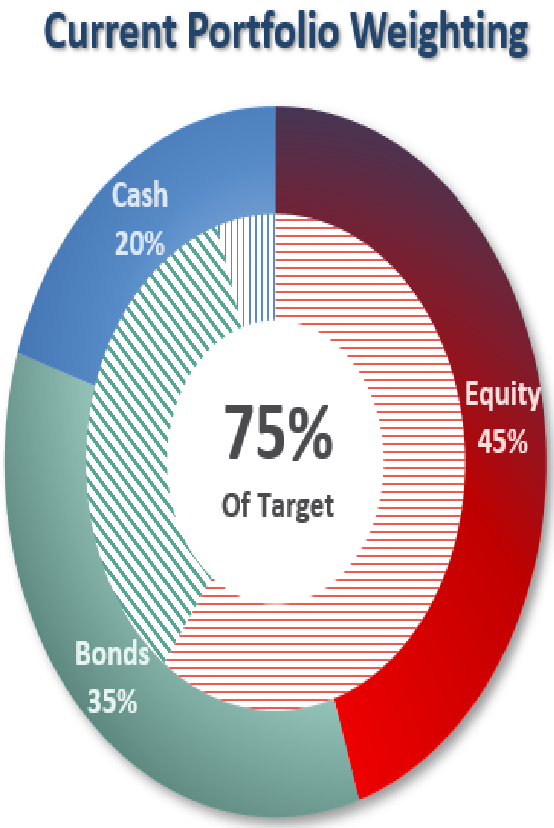
We are making a *"LIVE"* version of the 401-k allocation model which will soon be available to **RIA PRO subscribers.** You will be able to compare your portfolio to our live model, see changes live, receive live alerts to model changes, and much more.&#2013266080;

This service will also be made available to companies for employees. If would like to offer our service to your employees at a deeply discounted corporate rate please contact me.

Stay tuned for more details over the next couple of weeks.

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 Image not found or type unknown

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