

## RIA PRO: Market Melts Up As Fed Turns On The Liquidity Firehose



- **Market Melts Up As Fed Turns On Liquidity Firehose**
- **Opportunities In A Melt-Up**
- **2020 - The Futility Of Predictions & Understanding The Risks**
- **Financial Planning Corner**
- **Sector & Market Analysis**
- **401k Plan Manager**

Follow Us On: [Twitter](#), [Facebook](#), [Linked-In](#), [Sound Cloud](#), [Seeking Alpha](#)



REAL  
INVESTMENT  
ADVICE

Are your investments prepared  
for the next bear market?

SCHEDULE YOUR  
CONSULTATION  
TODAY

## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA: Week Of 12-16-19

Written by Lance Roberts | Dec 20, 2019

We know you get busy and don't check on our website as often as you...

[>> Read More](#)

## Market Melts Up

***"We are so overbought, and this is feeling like a panicky-just-get-me-in buy day. Be careful about being impressed." - Kevin Muir***

Let me start this week, taking the lead from my dear friend [Victor Adair of Polar Futures Group](#):

***"The S&P 500 keep printing new 'all-time highs' while complacency reigns even as the CNN Fear & Greed index is flashing extreme greed. Volatility is ultra-low across all markets, the put/call ratio is at a 5 year low and credit spreads are tight. People are reaching for yield, and have no interest in buying downside protection. AAPL is up 100% in 12 months, but TSLA has more than doubled in just 6-months...a poster child for the market's current exuberance!"***

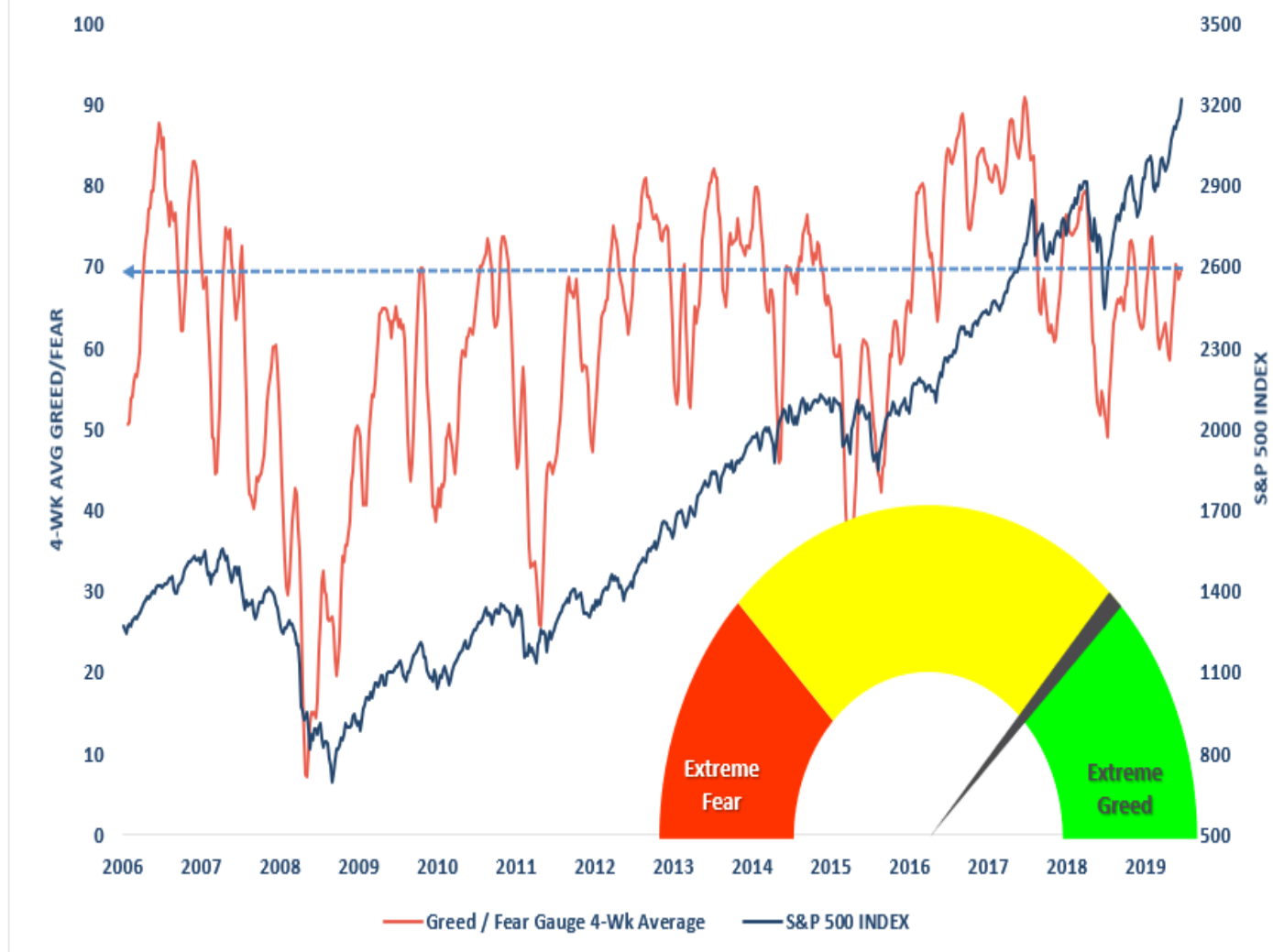
As we discussed previously, the market has been primarily lifted by the largest companies in the S&P 500. In our interview with [Thomas Thorton of Hedge Fund Telemetry](#) it was noted that Apple and Microsoft have made up 38% of the YTD rally in the market. Another 38% was supported by the next 15-largest stocks with the remainder brought up by the other 483 stocks in the index.

20-Dec-2019

Open 282.23 High 282.65 Low 278.56 Close 279.44 Volume 59.4M Chg -0.58 (-0.21%) ▼



As I noted in our **MacroView Outlook for 2020**, and as Victor notes above, the levels of outright complacency and bullishness have reached extremes. The following is our composite "Fear/Greed" gauge with is based on actual market positioning between individuals and professional investors. Since this is a 4-week moving average, it moves more slowly, but with short-term readings spiking higher, I would expect this gauge to be well entrenched at the "Greed" level by year-end.



As Victor notes, this is quite a swing from where we were just one year ago as the markets were in the midst of a near 20% decline.

*"A year ago today the CNN index was flashing extreme fear...the S+P index was at 18-month lows...having fallen nearly 20% in less than 3 months...but just a couple of days later it began to rally and is now up ~37% from those lows."*

Why the change?

## Real Investment Report

Market updates, sector analysis, 401k plan manager & more.

> [Subscribe today](#)

## Two words: Monetary Stimulus

While the media continually droned on about the "Trade War," the primary reason for the reversal in the markets was the massive reversal in monetary policy. 2013266080;

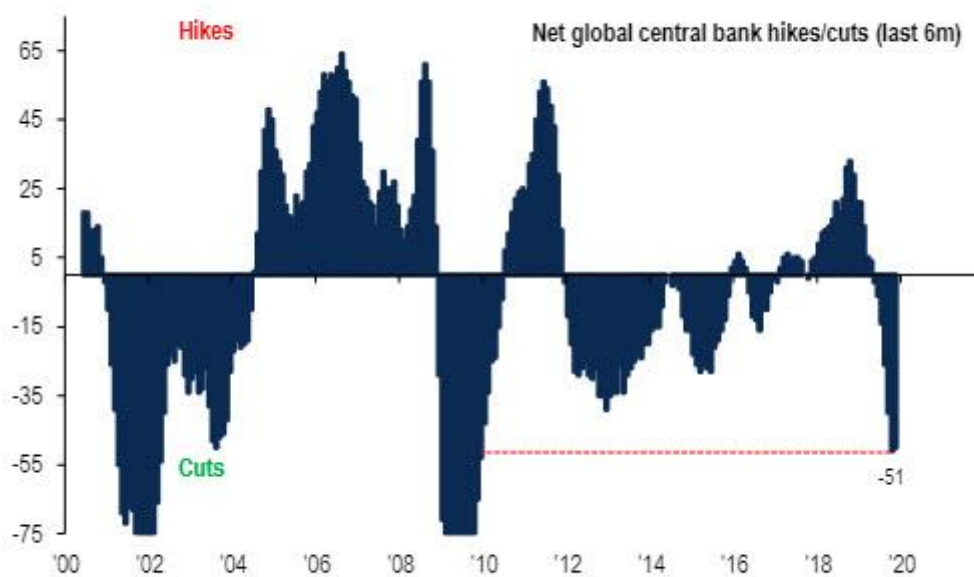
As Stanley Druckenmiller said this week:

*?You have very low unemployment. You have fiscal stimulus in Japan. You have fiscal stimulus and a lot of confidence coming to Britain. **We are running a trillion-dollar deficit at full employment.** Apparently, we are going to have some sort of green stimulus in Europe. And we have negative real rates everywhere, and negative absolute rates in a lot of places. So with that kind of unprecedented monetary stimulus relative to the circumstances, it's hard to have anything other than a constructive view on the markets, risk, and the economy in the intermediate-term.?*

He is right;

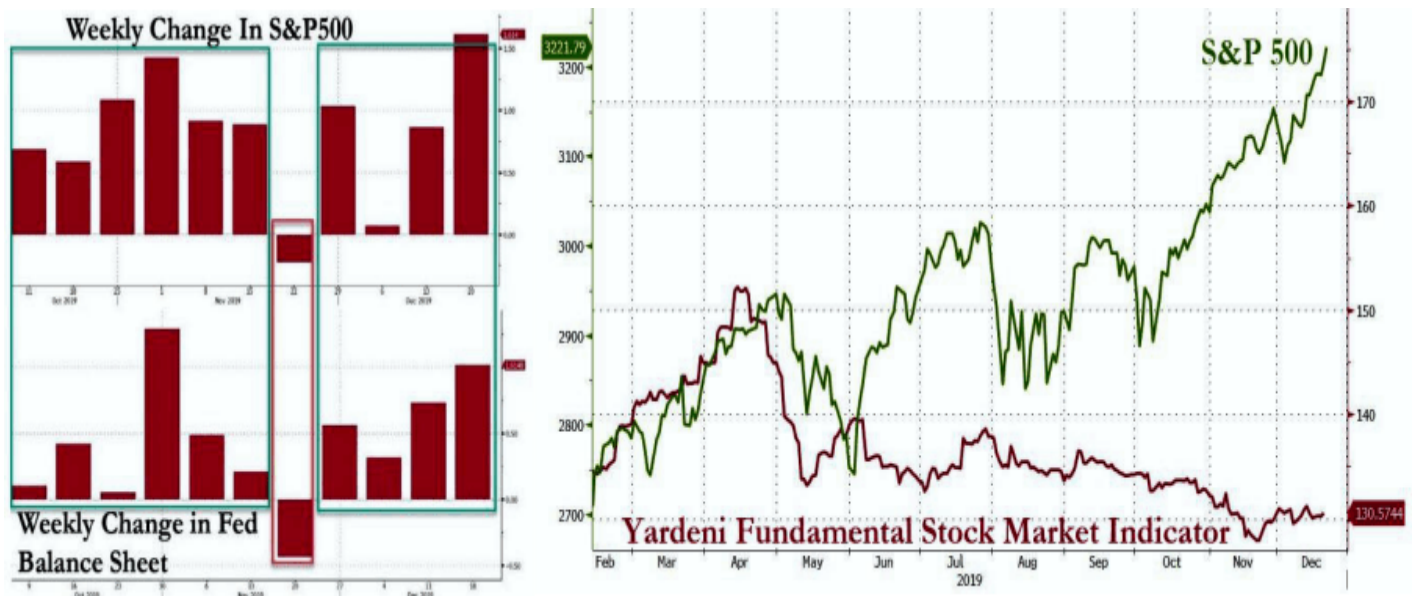
However, this stimulus is the largest ever outside of a "recession" or "financial crisis," which should lead to the obvious question of "what exactly is going on we don't know about?"

Chart 9: Central banks cutting like it's a crisis



Source: BofA Global Investment Strategy, Bloomberg

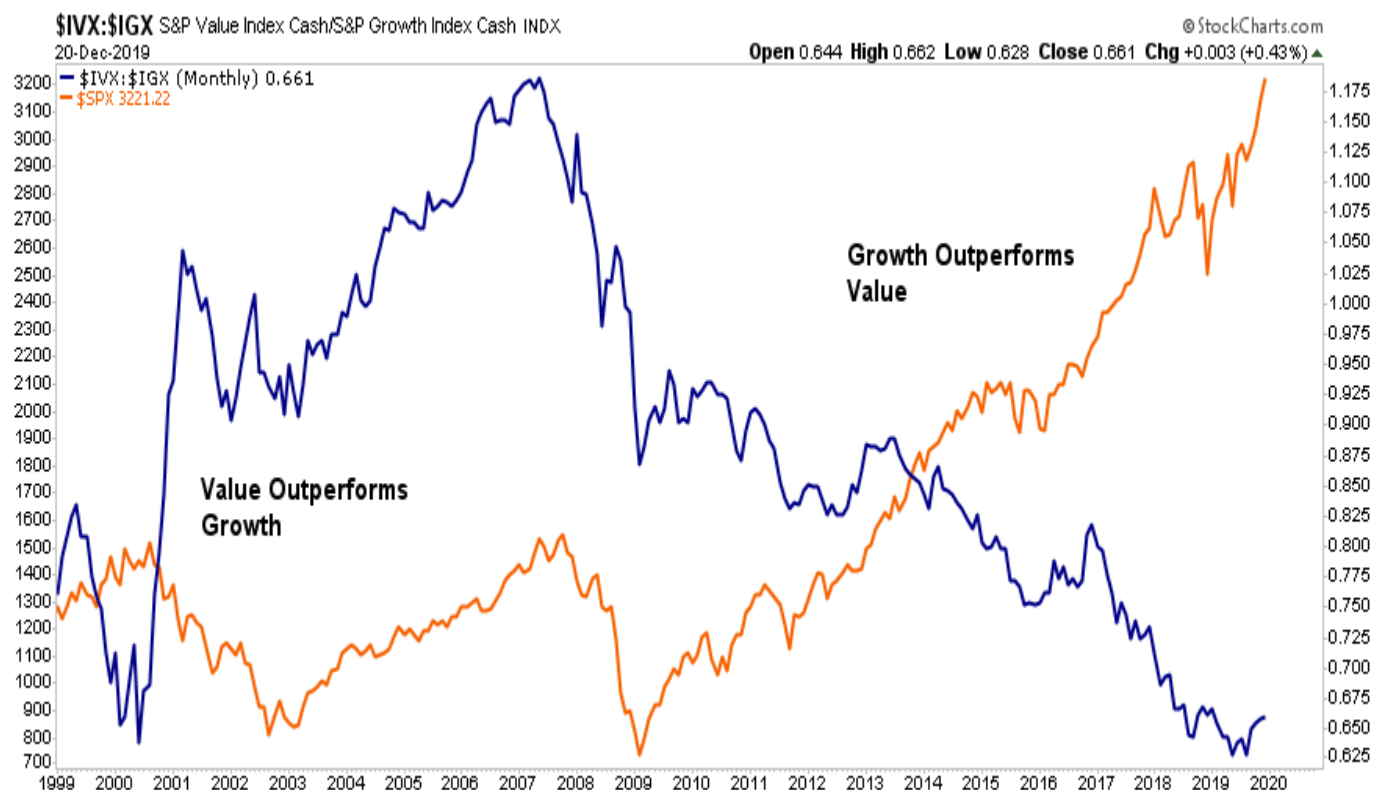
Over the last 3-months the Fed has been fighting a "repo inferno" flooding the overnight lending market with billions in short-term funding. While the Federal Reserve accurately states this is NOT "Quantitative Easing," market participants didn't get the memo. The market has risen in every single week the Fed has been active, despite collapsing fundamentals. ([h/t ZeroHedge](#))



## Portfolio Positioning

As we have noted over the past year, **we have remained primarily allocated toward equity exposure, but have also worked around the edges hedging risk**, raising stop levels, and remaining primarily domestic-focused. Given our outlook for a steeper yield curve earlier this year, we also shorted duration in our bond allocations, increased credit quality, and carried a slightly higher than normal level of cash. 2013266080;

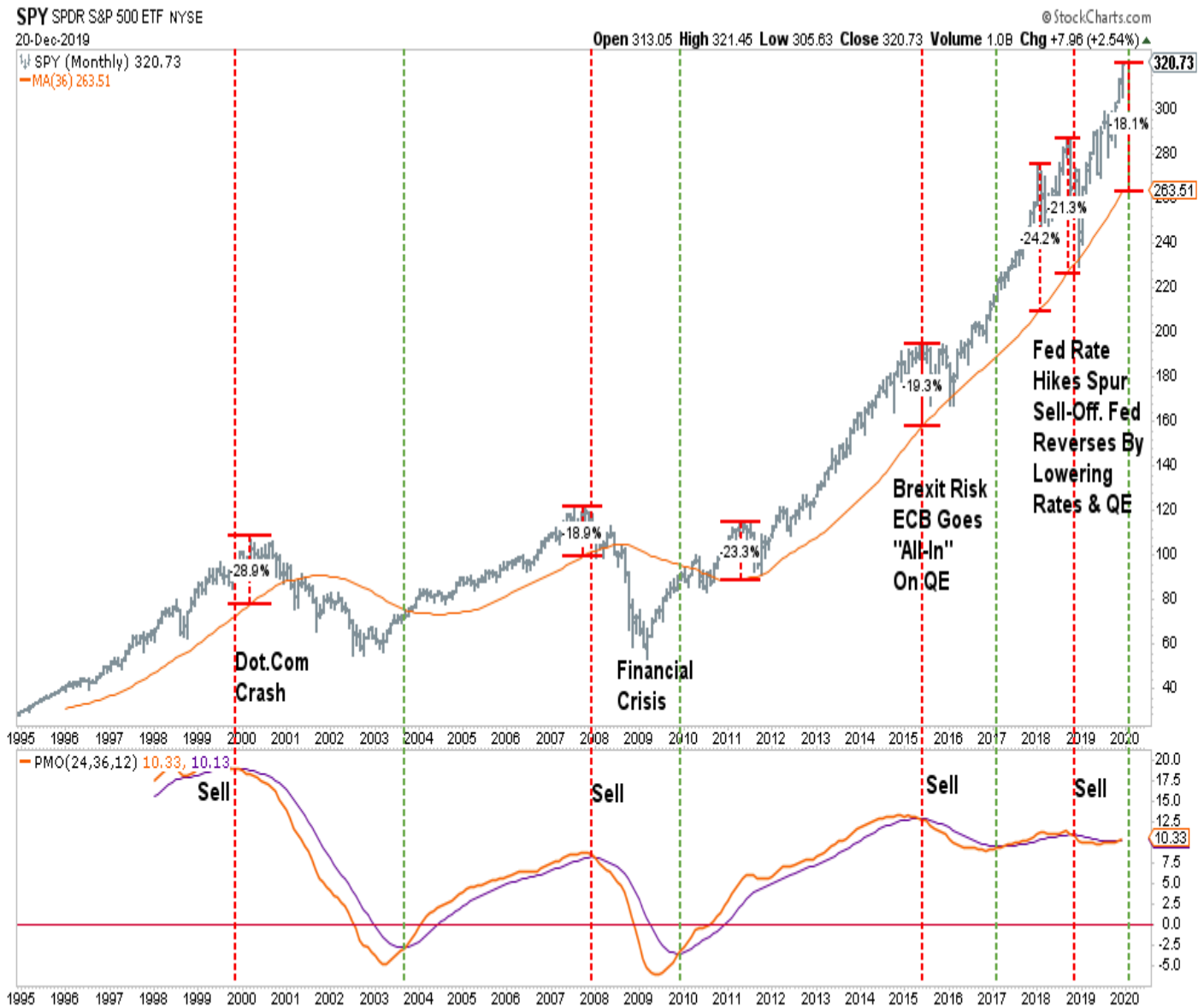
Currently, that remains the case with the exception that we have now started to make a small shift into value as the momentum trade is now exceptionally extended. The chart below shows the relative performance of momentum versus value which is currently at a level last seen in 2000.



With the markets extremely deviated from long-term trends, extremely complacent, and overly bullish (as noted above), the shift towards value adds a defensive component to our portfolio risk



management strategy ([more on this in our MacroView](#))



While none of this means the next "*bear market*" is lurking, it does suggest that a fairly decent 5-10% correction is likely over the next couple of months.&#2013266080;

As we head into the final few trading days of the year, it is worth reminding you of "*the rules*" [we penned in last week's missive](#). These processes follow our basic rules of portfolio management, which you can apply to your portfolio as well to reduce overall volatility risk.

1. **Tighten up stop-loss levels**&#2013266080;to current support levels for each position.
2. **Hedge portfolios**&#2013266080;against major market declines.
3. **Take profits**&#2013266080;in positions that have been big winners
4. **Sell laggards**&#2013266080;and losers
5. **Raise cash**&#2013266080;and rebalance portfolios to target weightings.

**Notice, nothing in there says, ?sell everything and go to cash.?**

Remember, our job as investors is pretty simple ? protect our investment capital from short-term destruction, so we can play the long-term investment game.

Of course, if the Fed fails to *"extinguish"* whatever *"blaze"* they are currently battling, then we will begin to have a very different conversation about risk, positioning, and liquidity.&#2013266080;

---



**Real Investment Show**  
with Lance Roberts

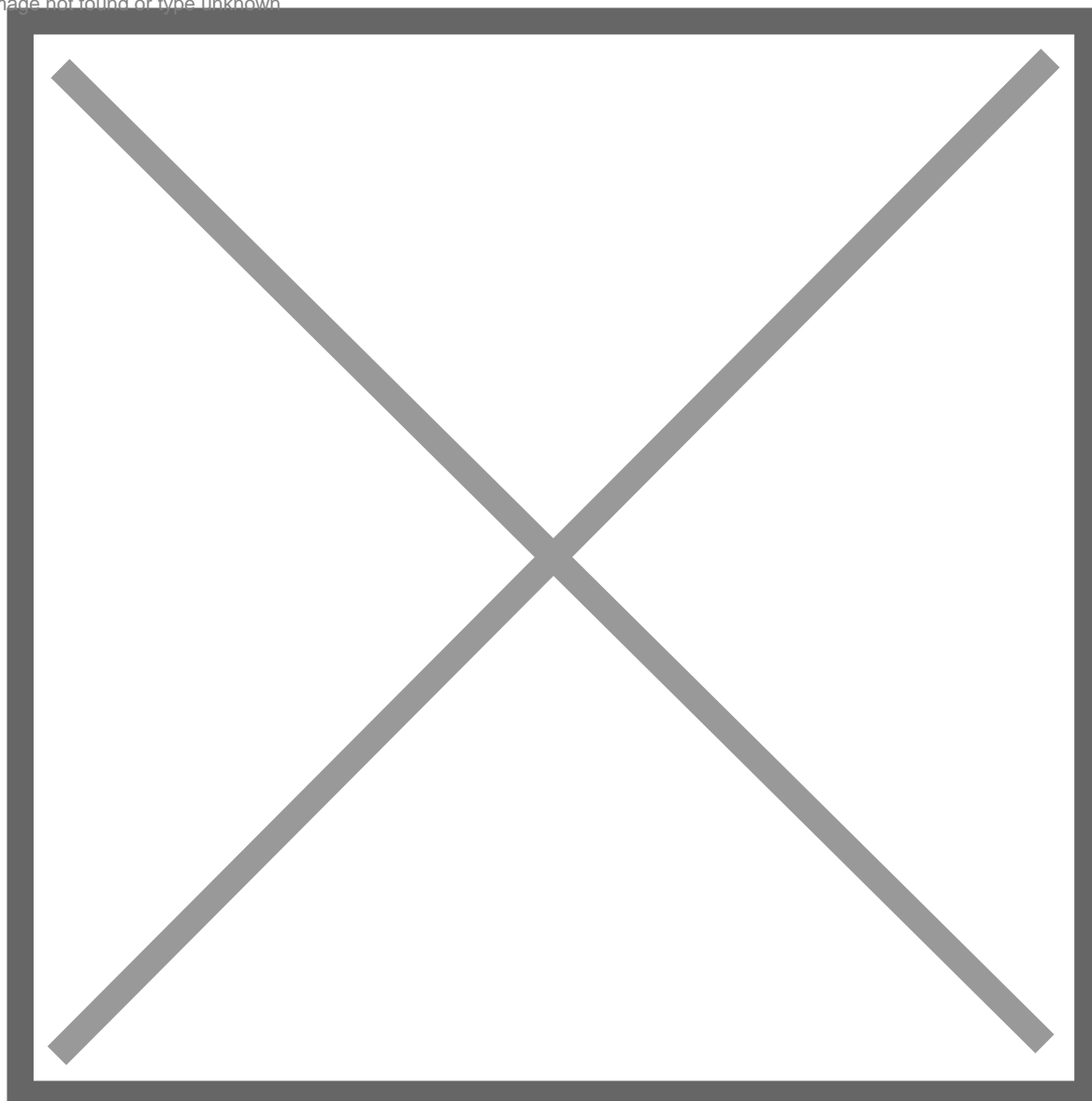
Monday to Friday,  
from 6 to 7am. [> Get it now](#)

---

## Opportunities In A Melt Up

In June, we shared with our RIA Pro subscribers our strategy for playing the *"UN-Invasion"* of the yield curve using an under-followed sector of the market, agency REITs. This sector not only **pays shareholders double-digit dividends, but was also trading at a very cheap valuation**. Such is quite the rarity in today's markets! Since then, the shares are up nearly 5%, and we have clipped generous coupons.

Image not found or type unknown





Since then, we have been looking for the next opportunity to create returns without taking on excess risk, and for that we have been digging around one of the most beaten-up sectors of the market.&#2013266080;

Last week, we presented **RIA Pro readers** another high dividend stock, and sector play, trading at a dirt-cheap level. This recent selection&#2013266080;**offers a similar value proposition and a 9.60% dividend.** Like the recommendation in June, we also purchased the security for our clients.

[Join us at RIA Pro](#) to learn more about this position, as well as gain our unique daily market intelligence, access to our portfolios, a wealth of technical, and fundamental information, 401k Planner, and much more.&#2013266080;

**Sign up before the New Year using promotion code: **SANTA** and get a 25% discount for the first 90-days.**

*[Give RIA Pro a FREE test drive](#) for thirty days. If you are not completely satisfied, just cancel before the end of the thirty-day trial and you will not be charged.*

Get the latest trades, analysis, and insights from the [RIA Pro](#) team.[> Sign up now](#)

## The Macro View



### 2020: The Futility Of Predictions & Understanding The Risk

Written by Lance Roberts | Dec 21, 2019

"Predictions Are Difficult...Especially When They Are About The Future" – Niels Bohr We can't predict the...

[>> Read More](#)

If you need help or have questions, we are always glad to help. [Just email me.](#)

***Wishing You A Very Merry Christmas***

---

## Financial Planning Corner



## **Financial Planning Corner: What You Need To Know About The SECURE Act**

Written by Danny Ratliff | Dec 21, 2019

All you need to know about the SECURE ACT, a Required Minimum Distribution reminder and...

[>> Read More](#)

You'll be hearing more about more specific strategies to diversify soon, but don't hesitate to [give me any suggestions or questions.](#)

by Danny Ratliff, CFP®2013266094;, ChFC®2013266094;

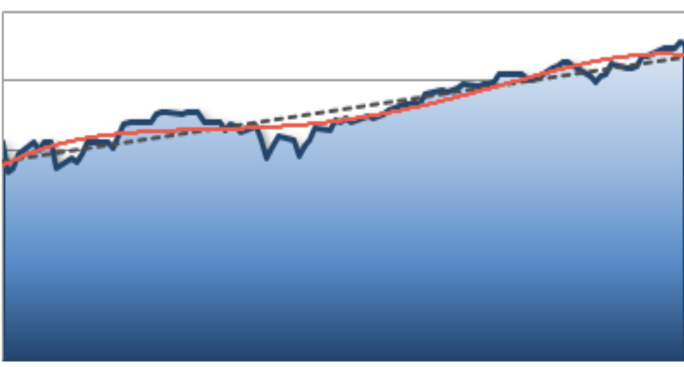
---

## **Market & Sector Analysis**

Data Analysis Of The Market & Sectors For Traders

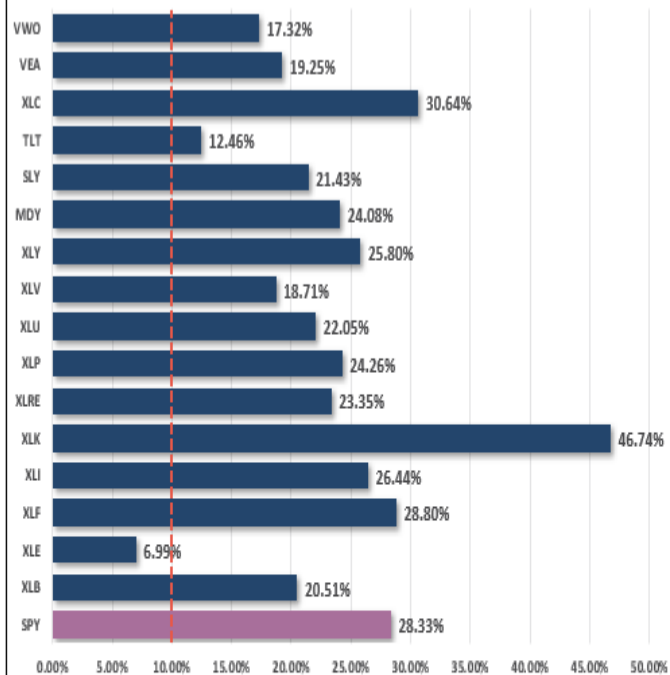
---

## **S&P 500 Tear Sheet**

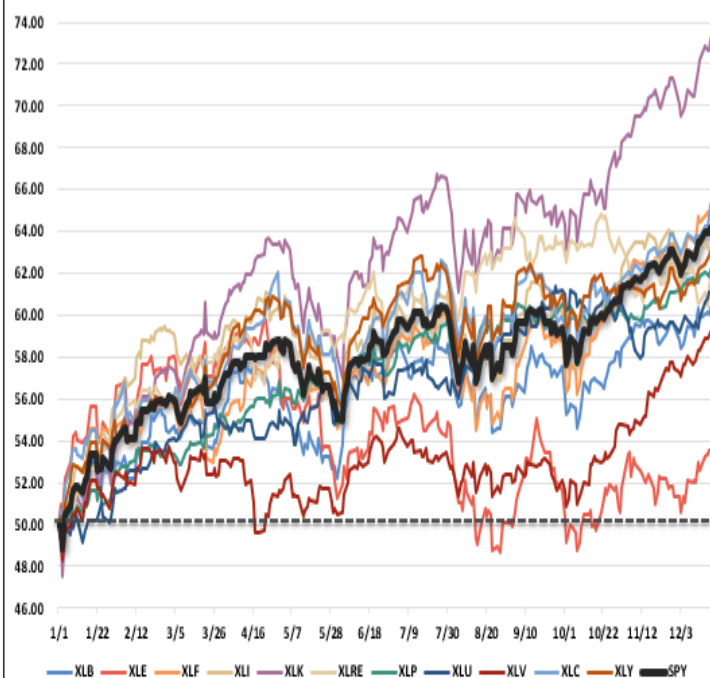
3 Month SPY Price									SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
									Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR	
									Price Return	20.08%	29.76%	28.33%	(4.80%)	
									Max Drawdown	-20.47%	-7.41%	-7.41%	0.00%	
									Sharpe	0.71	2.11	2.30	0.09	
									Sortino	0.83	2.63	2.80	0.06	
									Volatility	14.95	14.02	12.70	(0.09)	
									Daily VaR-5%	(12.03)	8.34	10.44	0.25	
									Mnthly VaR-5%	(11.78)	(10.24)	9.13	(1.89)	
S&P 500 Fundamental Analysis									S&P 500 Market Cap Analysis					
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg		
Dividend Yield	1.78%	1.87%	1.74%	(7.42%)	2.18%	1.68%	(20.27%)	3.80%	Shares	2,411.2	2,307.0	(4.32%)		
P/E Ratio	21.73	16.19	20.07	19.36%	20.91	15.89	(4.0%)	26.32%	Sales	61,890	64,674	4.50%		
P/S Ratio	3.48	3.28	3.47	5.62%	3.59	2.64	(3.26%)	31.35%	SPS	25.7	28.0	9.22%		
P/B Ratio	3.80	3.94	4.39	10.32%	4.16	3.01	5.61%	45.96%	Earnings	9,269	9,457	2.03%		
ROE	15.92%	18.25%	18.57%	1.72%	18.81%	14.99%	(1.28%)	23.89%	EPS TTM	4.6	4.8	4.31%		
ROA	2.97%	3.43%	3.51%	2.39%	3.53%	2.81%	(0.48%)	24.95%	Dividend	1.6	1.7	6.05%		
S&P 500 Asset Allocation														
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High-5yr (Mo.)	P/E Low-5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE		
Energy	5.58%	4.33%	1.23	18.32	127.61	12.35	(85.6%)	7.8%	3.9%	5.46%	2.93	17.43		
Materials	(2.93%)	2.64%	1.24	16.66	22.97	13.86	(27.5%)	8.7%	1.8%	5.98%	4.25	15.47		
Industrials	28.57%	9.11%	1.17	18.30	22.27	14.78	(17.8%)	17.6%	1.9%	5.45%	5.27	16.81		
Discretionary	29.42%	9.75%	1.02	24.74	27.17	20.19	(8.9%)	29.4%	1.3%	4.03%	4.83	22.45		
Staples	24.76%	7.16%	0.57	21.70	22.83	17.62	(5.0%)	27.6%	2.6%	4.60%	3.99	20.10		
Health Care	22.25%	14.18%	0.84	18.00	20.19	15.78	(10.9%)	30.9%	1.6%	5.54%	6.81	16.10		
Financials	32.78%	13.23%	1.27	14.38	18.48	11.73	(22.2%)	11.6%	2.0%	6.91%	5.85	13.18		
Technology	50.54%	22.97%	1.25	24.88	24.06	14.47	3.4%	39.7%	1.3%	4.01%	5.45	21.87		
Telecom	25.41%	10.42%	0.87	22.33	26.94	17.58	(17.1%)	16.9%	0.9%	4.46%	6.62	18.88		
Utilities	21.66%	3.32%	0.24	21.39	21.40	15.58	(0.1%)	10.6%	3.1%	4.68%	3.72	19.19		
Real Estate	21.03%	2.88%	0.65	20.66	24.47	17.10	(15.6%)	9.7%	3.2%	4.84%	4.42	19.77		
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	320.73	8.25%	309.25	50	3.71%	295.60	144	8.50%	4.62%	(0.39%)	37.20%	Buy		
Mid Cap	375.56	7.60%	363.14	50	3.42%	352.59	51	6.51%	2.99%	(0.27%)	32.03%	Buy		
Small Cap	72.82	9.59%	69.90	49	4.18%	67.63	49	7.68%	3.36%	(0.35%)	29.34%	Buy		

## Performance Analysis

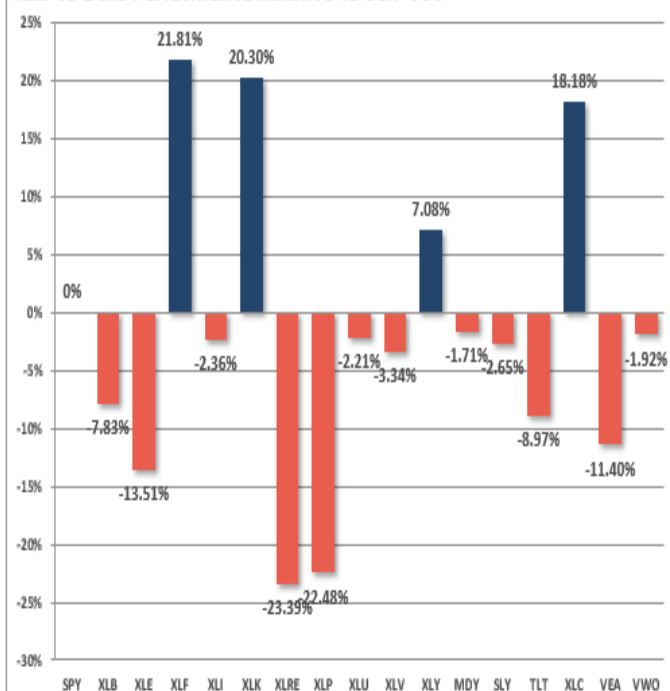
## Year To Date Performance



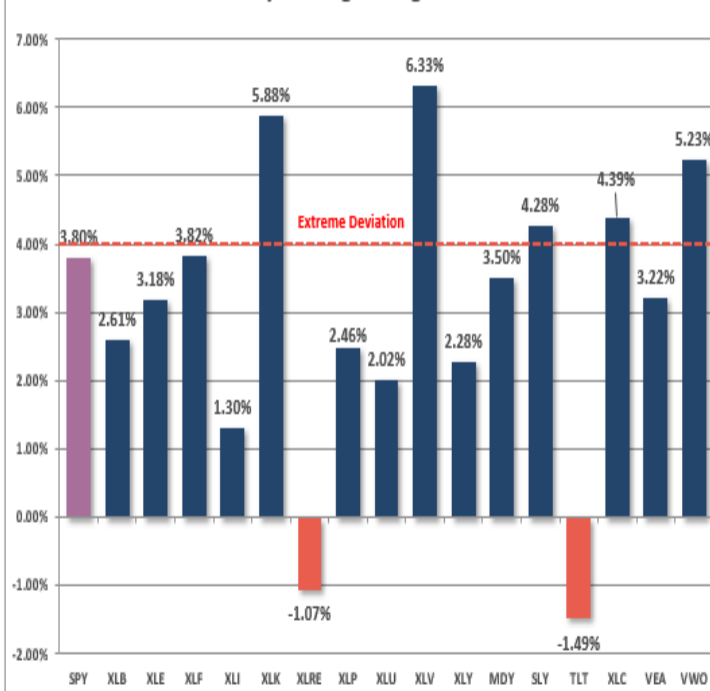
## YTD Price - S&P Sectors Recalibrated To \$50/share



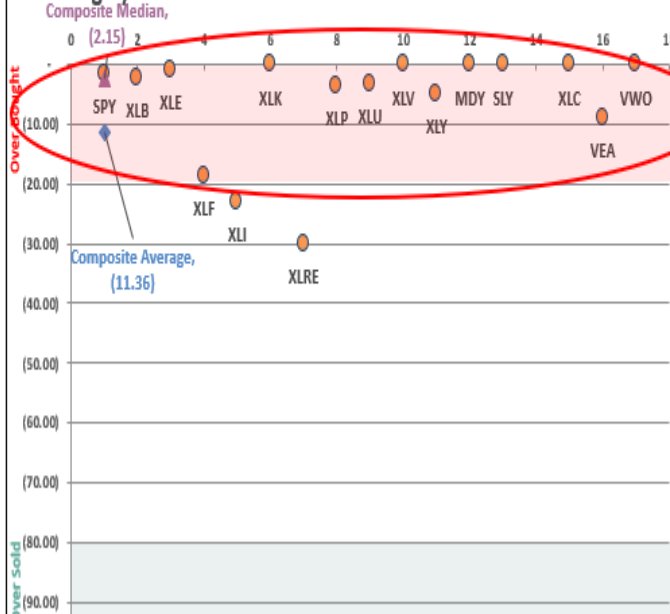
## Year To Date Performance Relative To S&P 500



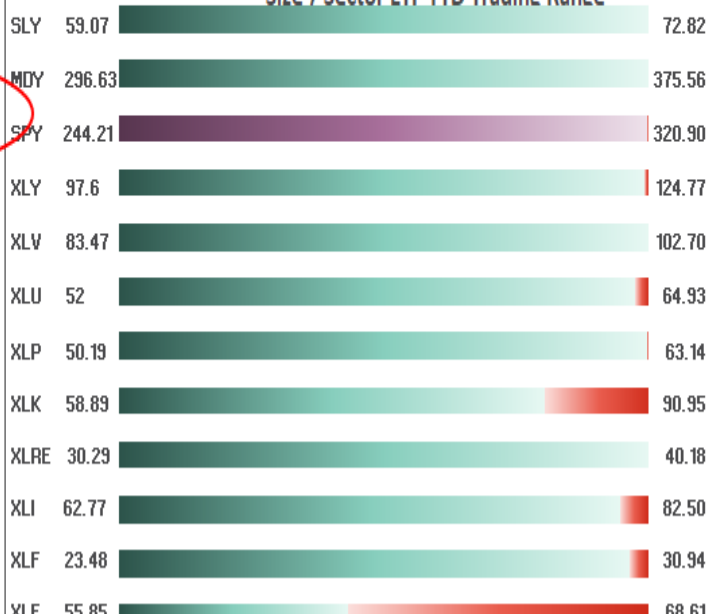
## Price Deviation From 50-Day Moving Average



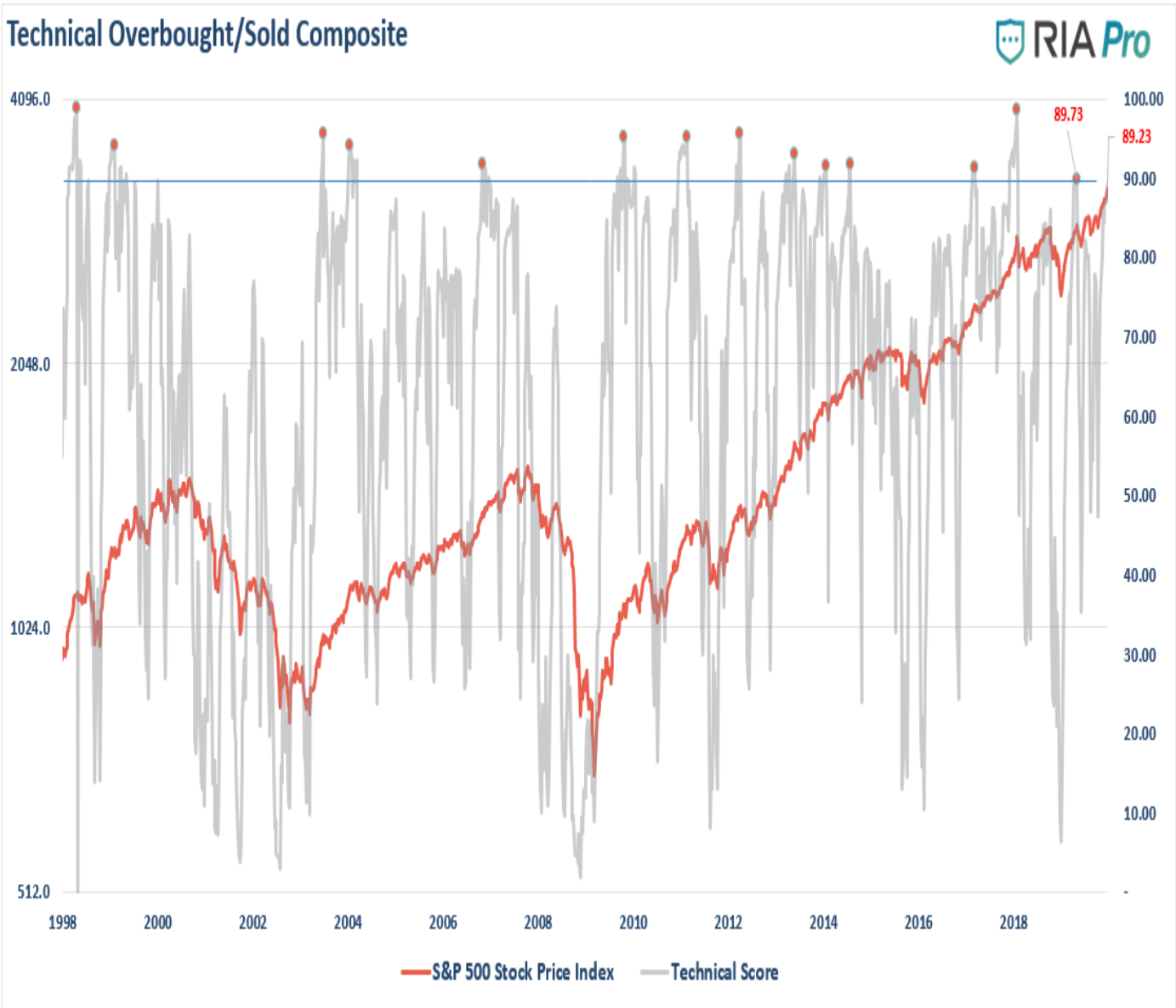
## Overbought/Oversold 14-Periods



## Size / Sector ETF YTD Trading Range



# Technical Composite



# ETF Model Relative Performance Analysis

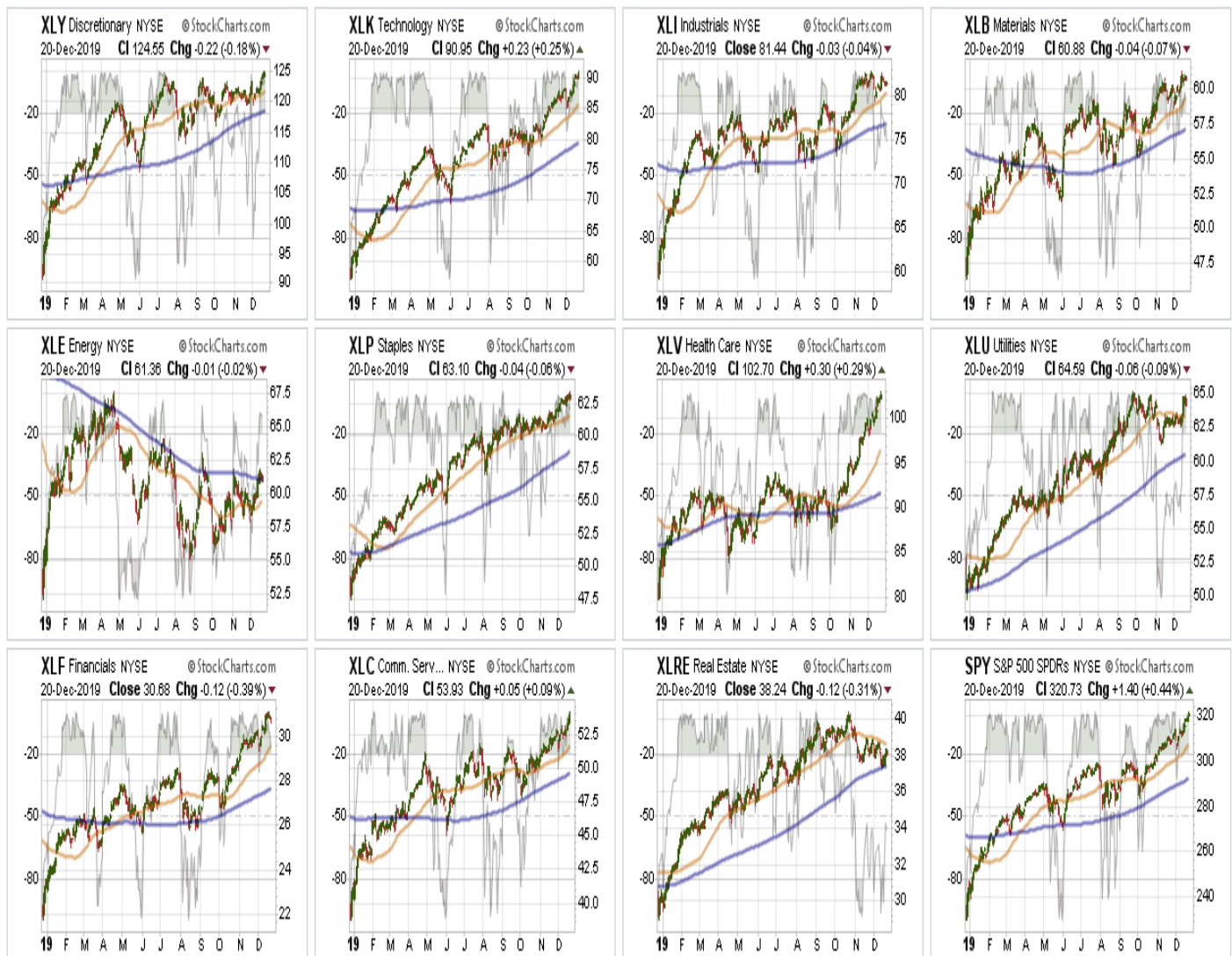
RIA Pro		RELATIVE PERFORMANCE		Current	Model Position Price Changes Relative to Index					SHORT	LONG	% DEV -	% DEV -	Buy / Sell
		Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	Short M/A	Long M/A	Signal
BENCHMARK		IVV	ISHARS-SP500	322.38	1.03	3.08	8.55	7.42	33.02	307.34	298.88	4.89%	7.86%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	60.88	(0.31)	(0.47)	(3.05)	(4.10)	(7.75)	58.80	57.63	3.54%	5.65%	BUY
		XLE	SPDR-EGY SELS	61.36	0.71	(0.53)	(5.64)	(10.17)	(23.67)	59.20	60.57	3.64%	1.30%	SELL
		XLF	SPDR-FINL SELS	30.68	(1.13)	(0.54)	0.75	1.52	1.60	29.11	28.04	5.38%	9.41%	BUY
		XLI	SPDR-INDU SELS	81.44	(1.36)	(3.36)	(3.49)	(2.35)	(2.20)	79.47	77.43	2.47%	5.18%	BUY
		XLK	SPDR-TECH SELS	90.95	0.60	1.95	5.58	6.33	20.61	84.61	80.67	7.49%	12.75%	BUY
		XLP	SPDR-CONS STPL	63.10	(0.52)	(0.15)	(5.31)	(1.20)	(7.28)	61.43	59.95	2.72%	5.25%	BUY
		XLU	SPDR-UTIL SELS	64.59	0.89	(0.56)	(8.72)	(0.98)	(12.99)	63.54	61.64	1.65%	4.79%	BUY
		XLC	SPDR-COMM SV SS	53.93	1.57	0.55	0.91	(0.44)	2.45	51.16	50.07	5.41%	7.70%	BUY
		XLV	SPDR-HLTH CR	102.70	0.77	1.44	6.42	2.12	(8.81)	95.07	92.46	8.03%	11.08%	BUY
		XLY	SPDR-CONS DISCR	124.55	0.09	0.44	(4.47)	(5.08)	(0.18)	121.23	119.75	2.74%	4.01%	BUY
	SIZE	SLY	SPDR-SP SC 600	72.82	0.95	2.26	(0.15)	(0.45)	(6.83)	69.09	67.61	5.39%	7.71%	BUY
		MDY	SPDR-SP MC 400	375.56	0.51	0.63	(1.22)	(2.49)	(4.79)	359.45	352.86	4.48%	6.43%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	115.93	0.62	0.43	(0.77)	(1.36)	(2.78)	110.42	107.97	4.99%	7.38%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	107.59	(0.51)	(1.10)	(3.23)	(2.19)	(10.13)	104.51	101.88	2.95%	5.61%	BUY
	Real Estate	XLRE	SPDR-RE SELS	38.24	0.70	(2.77)	(11.22)	(6.02)	(9.47)	38.78	38.06	-1.39%	0.46%	BUY
	International	EEM	ISHARS-EMG MKT	44.61	(0.61)	0.98	1.22	(3.51)	(17.21)	42.59	41.90	4.75%	6.47%	BUY
		EFA	ISHARS-EAFE	69.18	(1.72)	(1.32)	(2.07)	(2.88)	(12.83)	67.17	65.63	3.00%	5.40%	BUY
FI		IXUS	ISHARS-CR INT S	61.56	(1.54)	(0.84)	(1.60)	(3.19)	(13.19)	59.57	58.32	3.34%	5.55%	BUY
	Intermediate Duration	TLT	ISHARS-20+YTB	136.65	(2.75)	(5.41)	(12.81)	(4.24)	(19.83)	139.75	136.41	-2.22%	0.18%	BUY
	International	BNDX	VANGD-TTL INT B	57.97	(1.26)	(3.43)	(10.09)	(6.71)	(27.79)	58.27	57.79	-0.52%	0.32%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	87.72	(0.91)	(1.89)	(7.80)	(6.59)	(23.69)	86.97	86.71	0.87%	1.16%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.57										

# Sector & Market Analysis:

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

## Sector-by-Sector





## Improving ? Energy (XLE)

The improvement in Energy has stalled for now as the rotation to "value" gave way back to momentum for the "QE Chase." As noted last week, Energy needed to break above the downtrend to become an attractive candidate for portfolios. That has now occurred, but with the sector VERY overbought, wait for a bit of correction that does NOT violate the breakout to add holdings. We recently added 1/2 position in AMLP to portfolios and are looking to add XLE on a break above the 200-dma. 2013266080;

**Current Positions: 1/2 AMLP**

## Outperforming ? Technology (XLK), Healthcare (XLV), Industrials (XLI), Financials (XLF)

Financials have been running hard on Fed rate cuts and more QE. The sector is extremely overbought and extended and due for a correction. Take profits and be patient to add exposure.

Industrials, which perform better when the Fed is active with QE, broke out to new highs recently, but has since stalled and started to consolidate at a high level. Given the sector is extremely overbought, we will look to add, but will wait for this correction to play out first.

Technology and Healthcare have been the leaders as of late. Healthcare made a sharp recovery from weakening to leading relative to the overall market, and the sector is now grossly overbought and extended. As recommended, we took profits in XLV reducing it from overweight to portfolio weight. Like everything else, XLK is extremely overbought so wait for a correction to add exposure.

**Current Positions:** 1/2 weight XLI, Full weight XLK, XLV

### **Weakening ?**

No sectors in the weakening category.

**Current Position:** N/A

### **Lagging ? Real Estate (XLRE), Staples (XLP), Discretionary (XLY), Communications (XLC), Materials (XLB), and Utilities (XLU)**

Despite Staples remaining in the "*lagging*" category this past week, the sector continues to ratchet new highs. Momentum remains strong, but the sector is GROSSLY extended and overbought. Take profits.

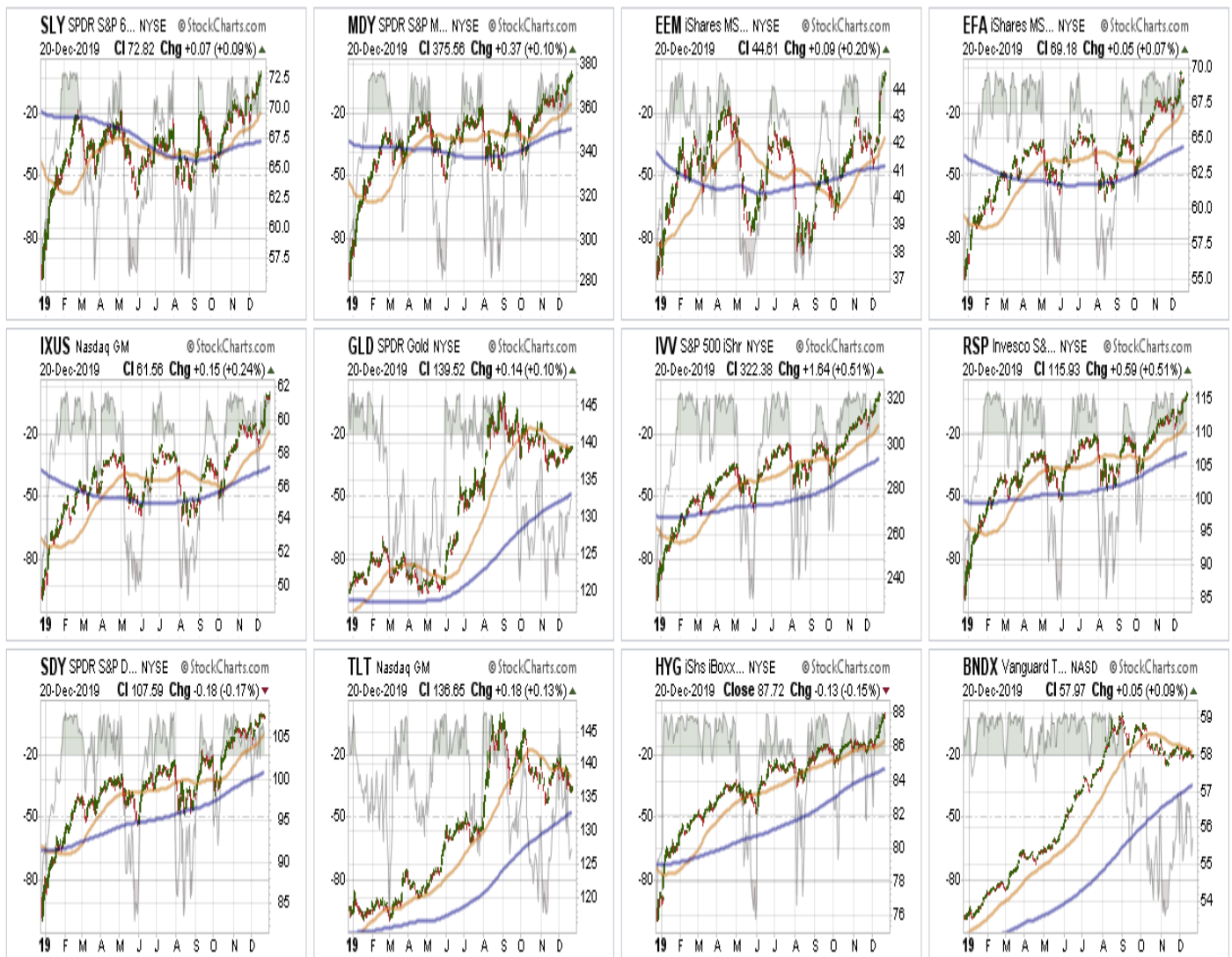
Discretionary remains a laggard but is threatening to finally breakout to the upside which would be very bullish for the sector. With consumer spending and economic growth remaining stable for now, this is likely. Remain long positions currently, and we may overweight holdings on a confirmed breakout.

Communications broke out to new highs, and is gaining some momentum. We remain long our position currently, but given the sector is very overbought, be patient for a better entry point.

XLRE has been weak as of late as interest rates have been on the rise, however, support is holding and the rise in rates has stalled this past week. XLU, on the other hand, is retesting hold highs and is overbought. We remain long both of these sectors currently, and continue to use them as a defensive hedge against short-term corrections for now.

**Current Position:** Target weight XLC, XLY, XLP, XLRE, 1/2 weight XLB

### **Market By Market**



**Small-Cap (SLY) and Mid Cap (MDY) ?** Small- and Mid-caps broke out of the previous ranges as the rotation to risk continues. This past week, we added to our small-cap holdings with a small-cap value ETF as discussed last week. We still expect a pullback in the market where we will look to add to our holdings provided we aren't stopped out.

**Current Position:** *KGGIX, Added SLYV*

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

Emerging and International Markets, rallied recently on news of a "trade deal" and finally clearly broke above important resistance. As discussed last week, we added positions in both emerging market and international value positions;

**Current Position:** Added EFV and DEM

**Dividends (VYM), Market (IVV), and Equal Weight (RSP)** These positions are our long-term core positions for the portfolio given that over the long-term markets do rise with economic growth and inflation. Currently, the short-term bullish trend is positive, and our core positions are providing the base around which we overweight/underweight our allocations based on our outlook.

Be aware that all of our core positions are EXTREMELY overbought. A short-term correction or consolidation is likely before a further advance can be made.

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

**Gold (GLD)** ? Gold is holding support at the \$140 level and has registered a buy signal. GDX has also held support and turned higher with a triggered buy signal. We have taken our holdings back to full-weights after taking profits earlier this year.

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

**Bonds (TLT)** ?

Bonds rallied back to the 50-dma but failed previously. Bonds remain under pressure currently as the Fed goes all-in on the year-end "liquidity plunge." We remain long our current bond holdings and recommend no changes at this time.

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

## Sector / Market Recommendations

The table below shows thoughts on specific actions related to the current market environment.

*(These are not recommendations or solicitations to take any action. This is for informational purposes only related to market extremes and contrarian positioning within portfolios. Use at your own risk and peril.)*

						RIA Pro					Notes
		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	
XLV	Discretionary	OB	Positive	Positive	Hold			X			Testing Highs
XLK	Technology	OB	Positive	Positive	Hold			X			New Highs
XLI	Industrials	OB	Positive	Positive	Hold			X			Holding Near Highs
XLB	Materials	OB	Positive	Positive	Hold			X			New Highs
XLE	Energy	OB	Negative	Negative	Looking To Add			X			Broke Above 200-DMA
XLP	Staples	OB	Positive	Positive	Hold			X			New Highs
XLV	Health Care	OB	Positive	Positive	Take Profits				X		Reduced
XLU	Utilities	OB	Positive	Positive	Hold			X			Testing Old Highs
XLFI	Financials	OB	Positive	Positive	Take Profits			X			Extremely Extended
XLC	Communications	OB	Positive	Positive	Hold			X			New Highs
XLRE	Real Estate	Rising	Positive	Positive	Hold			X			Held Support At 200-DMA
SLY	Small Caps	OB	Positive	Neutral	Adding		X				New Highs/Extreme Overbought
MDY	Mid Caps	OB	Positive	Neutral	Looking To Add		X				New Highs/Extreme Overbought
EEM	Emerging Mkt	OB	Positive	Neutral	Looking To Add		X				Broke Out / Extreme Overbought
EFA	International	OB	Positive	Neutral	Looking To Add		X				New Highs/Extreme Overbought
IXUS	Total International	OB	Positive	Neutral	No Position		X				New Highs/Extreme Overbought
GLD	Gold	Rising	Positive	Neutral	Added		X				Testing 50-DMA Resistance
RSP	SP500 Equal Wgt	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought
IVV	SP500 Market Wgt	OB	Positive	Positive	Hold			X			New Highs/Extreme Overbought
TLT	20+ Yr. Bond	Declining	Positive	Positive	Add			X			Failed Test Of 50-DMA
HYG	Corporate High Yield	OB	Positive	Positive	No Position					X	New Highs/Extreme Overbought
BNDX	Int'l Bond Aggregate	Rising	Positive	Positive	No Position					X	Failed Test Of 50-DMA
LEGEND: X = THIS WEEK => PREVIOUS DECLINING <=< PREVIOUS IMPROVING						X	No Position				

## Portfolio/Client Update:

This past week, the market put in a strong pre-Christmas week as "Santa Claus" came to Wall Street early carrying a whole bag full of "Fed Liquidity."&#2013266080;

Please read our ["MacroView"](#) this week which discusses our views for 2020.

Over the last couple of weeks, we have discussed looking for the opportunity to add exposure to small and mid-caps, international and emerging markets, as well as industrials, materials, and energy.&#2013266080;

We have made some recent additions to portfolio in these areas over the last couple of weeks, and are continuing to look for opportunities as they present themselves. However, with the markets as extended as they are currently, we are going to "pause" and wait for our next opportunity to present itself.&#2013266080;

As noted last week, we have been "picking through the rubble" of the energy sector looking for a couple of tradeable ideas in the sector. We did add a position that we will continue to build into opportunistically. [You can read the research note here.](#)

This past week we added to our Small-Cap value play of KGGIX by pairing it with a Small-Cap Value Index (SLYV). We also added some international and emerging market value as well which also throws off a combined 4% dividend yield;

As noted previously, [and as discussed this past week](#), the addition of the small-cap value fund is a long-term structure we will build into over the next several quarters. The rotation to value has not truly started yet, but when it does, it will be a big winner for the portfolio. In the short-term it will likely drag on performance, so please be aware this is a long-term macro theme we are building into;

- **New clients:** *We are holding off onboarding new client assets until we see some corrective action or consolidation in the market.*
- **Equity Model:** *We bought positions in SLYV, EFV and DEM*
- **ETF Model:** *Same as the Equity Model.*

#### ***Note for new clients:***

It is important to understand that when we add to our equity allocations, **ALL purchases are initially** trades that can, and will, be closed out quickly if they fail to work as anticipated. This is why we step into positions initially. Once a trade begins to work as anticipated, it is then brought to the appropriate portfolio weight and becomes a long-term investment. **We will unwind these actions either by reducing, selling, or hedging if the market environment changes for the worse.**

---

## **THE REAL 401k PLAN MANAGER**

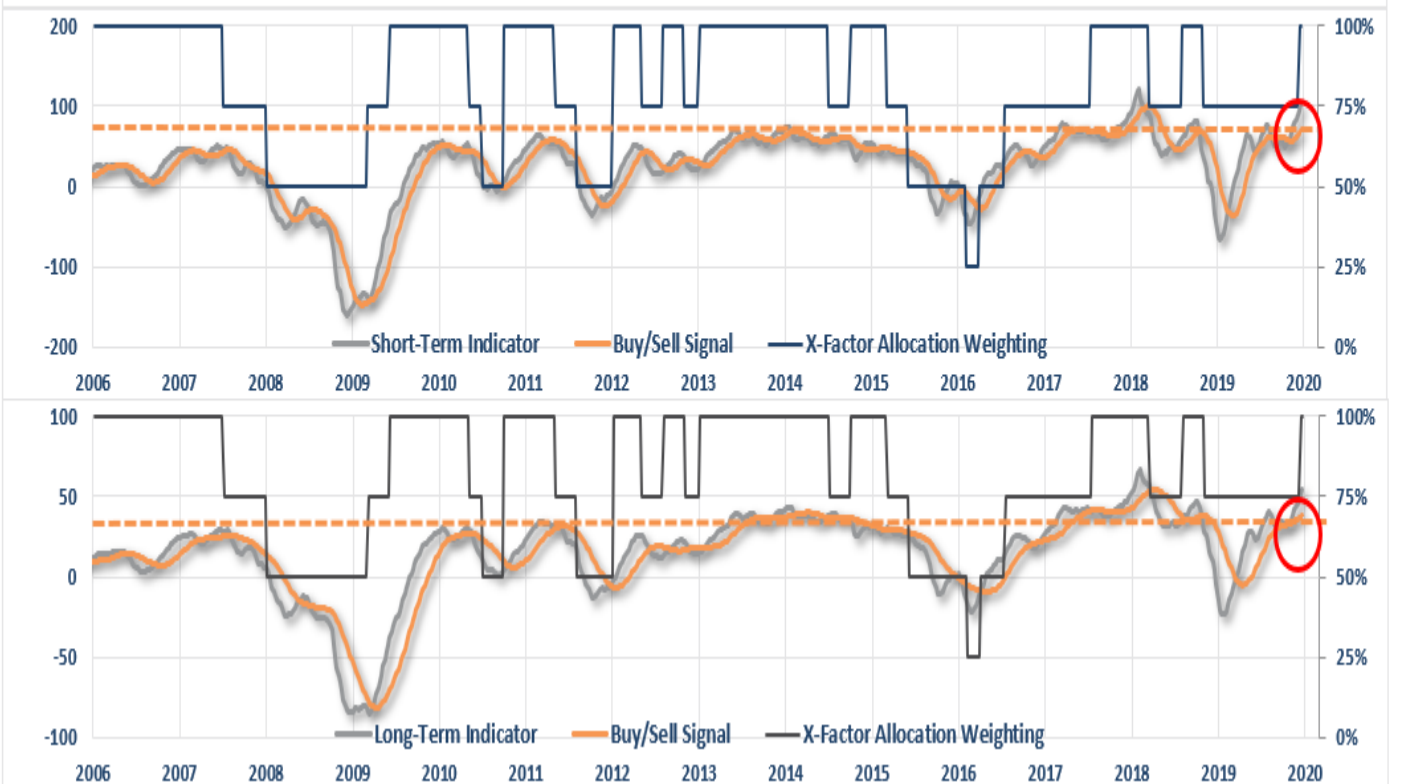
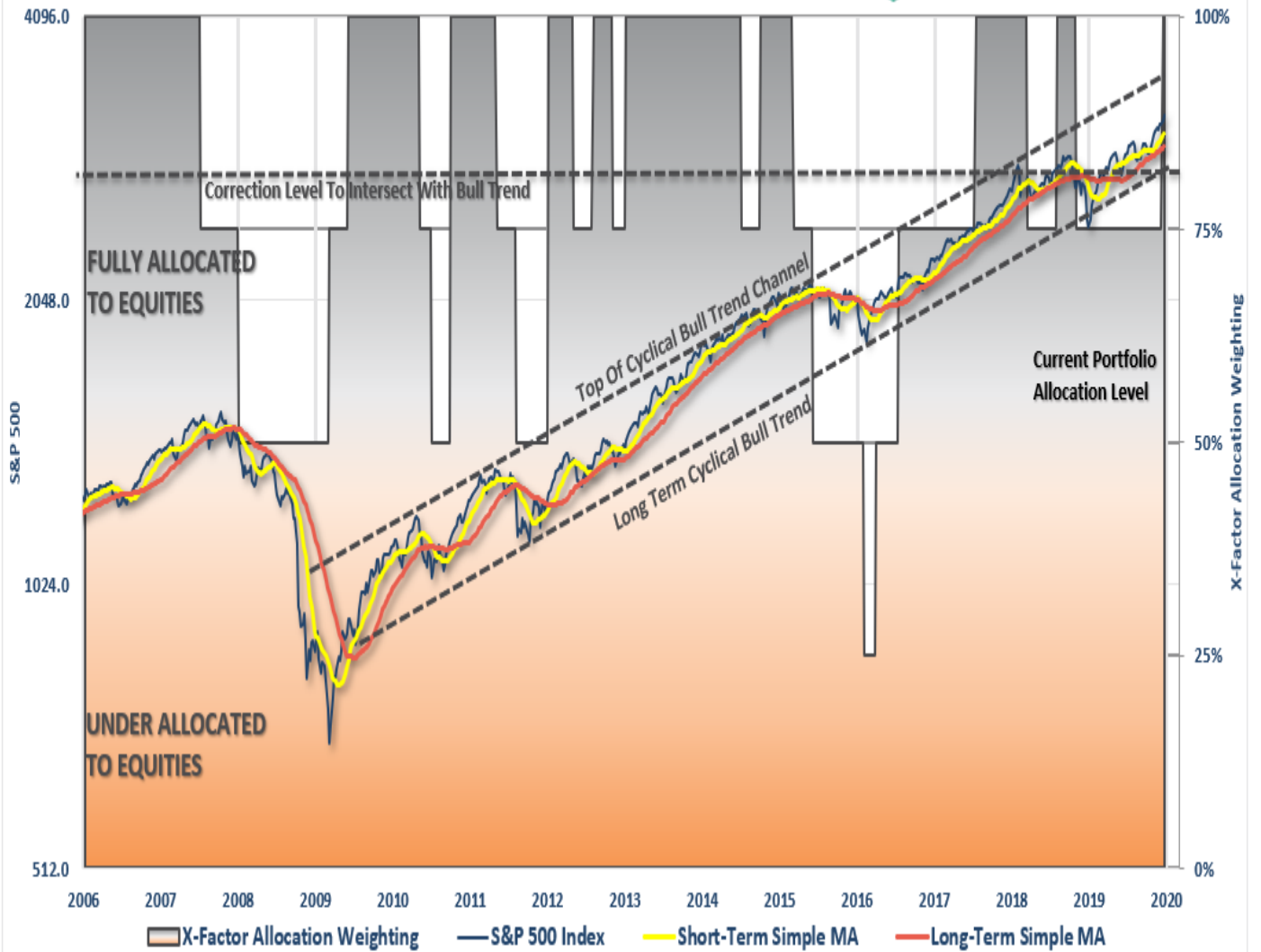
### ***A Conservative Strategy For Long-Term Investors***

---

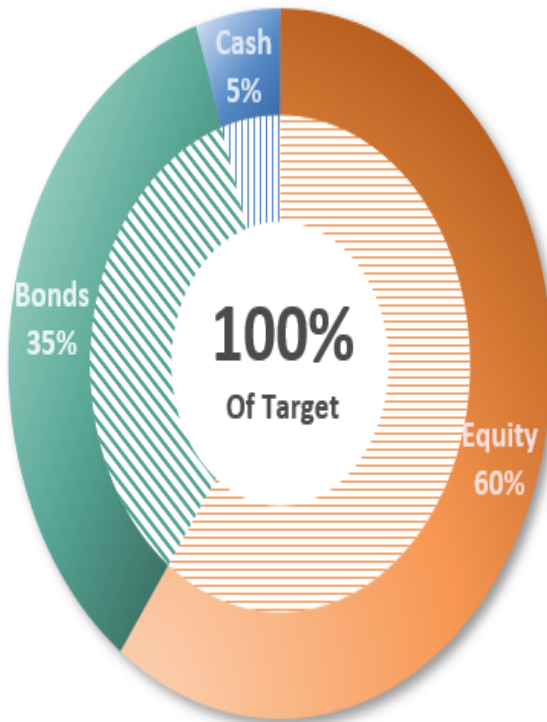
*The 401k plan allocation plan below follows the K.I.S.S. principle. By keeping the allocation extremely simplified it allows for better control of the allocation and a closer tracking to the benchmark objective over time. (If you want to make it more complicated you can, however, statistics show that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



# Risk Management Analysis



## Current Portfolio Weighting



## Current 401k Allocation Model

### 5.00% 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

### 60.00% Equity (Stocks)

*The vast majority of funds track an index.*

*Therefore, select on ONE fund from each category.*

*Keep it Simple.*

15% Equity Income, Balanced or Conservative Allocation

35% Large Cap Growth (S&P 500 Index)

5% International Large Cap Dividend

5% Mid Cap Growth

## Portfolio Instructions:

Allocation Level To Equities	Reommendation	When To Take Action
Less Than Target Allocation	Increase To Target	Move To Target Allocation
Equal To Target Allocation	No Change	Be Ready To Move To Full Wgt.
Over Target Allocation	No Change	Hold Current Position

## Commentary

As noted in the commentary above, the market remains extremely overbought and extended. Last week, we moved the portfolio model to 100% given the end of the year rally is being supported by massive doses of Fed liquidity. Be careful chasing markets here, it is likely we will see a correction in early 2020, so if you are close to retirement, be sure and control your risk.

Very likely we will need to make some more adjustments after the beginning of the year, so remain cautious and move slowly.

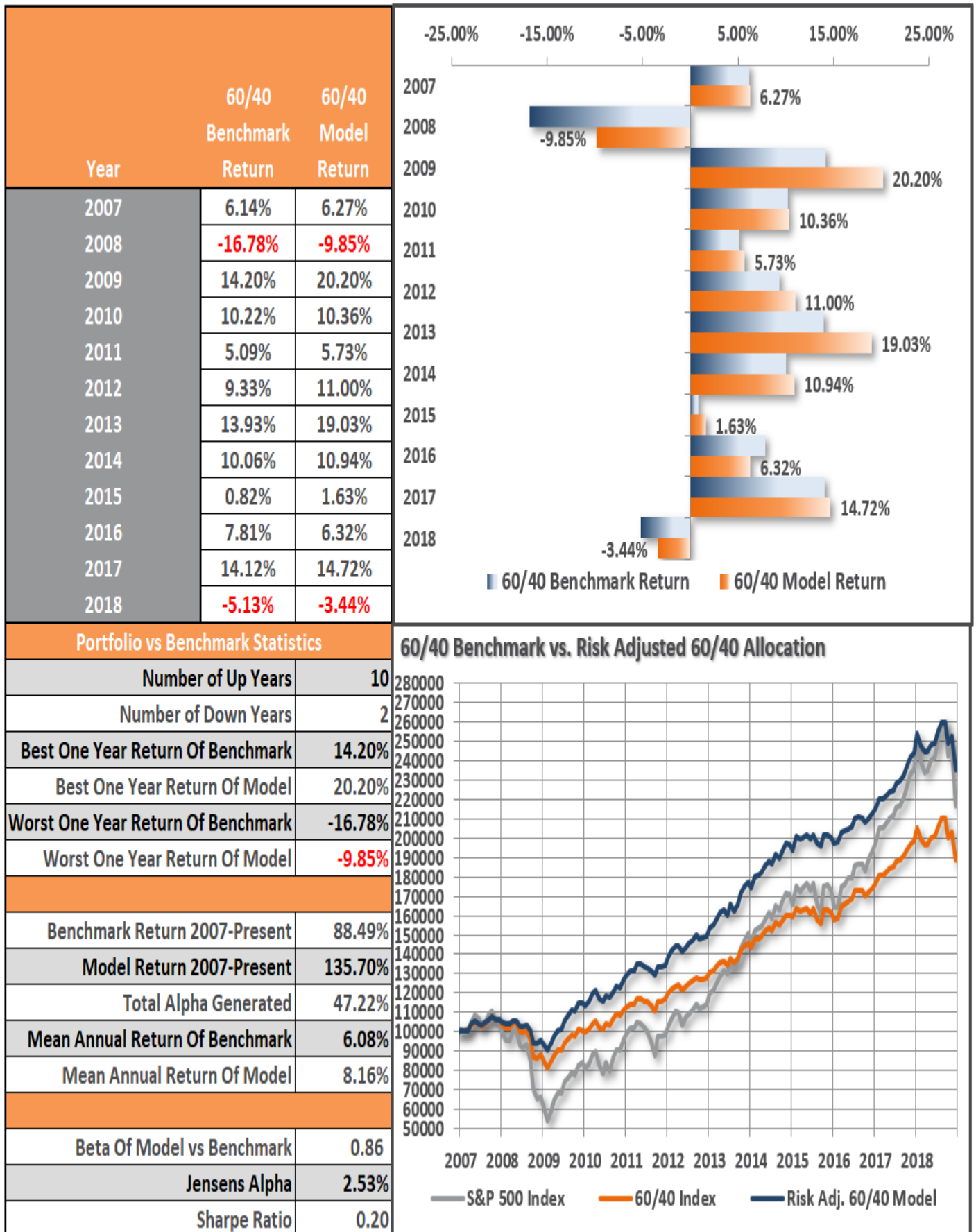
If you need help after reading the alert; do not hesitate to [contact me](#).

[Click Here For The "LIVE" Version Of The 401k Plan Manager](#)

See below for an example of a comparative model.

---

Model performance is based on a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. This is strictly for informational and educational purposes only and should not be relied upon for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.&#2013266080;



## **401k Plan Manager Live Model**

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

**&#2013266080;**The code will give you access to the entire site during the 401k-BETA testing process, so not only will you get to help us work out the bugs on the 401k plan manager, you can submit your comments about the rest of the site as well.

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

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

**If you would like to offer our service to your employees at a deeply discounted corporate rate, [please contact me](#).**

This is the Beta version of 401K. Some Errors are expected ! Click Here to report Issues

My Portfolios

CVS Health ▾

Enter Portfolio Name

✓ Add Portfolio

✓ Delete Portfolio

✓ Rename Portfolio

My Info Fund Selection Comparison Summary Commentary

My Portfolio

RIAPro Portfolio RIA PRO MODEL PL ▾

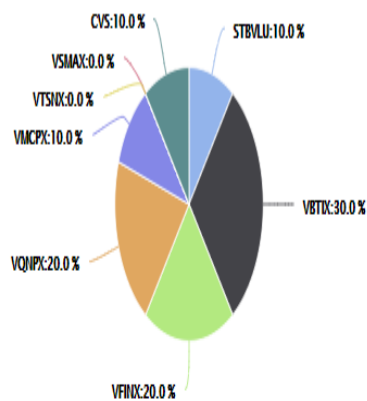
Retirement Income (My Portfolio Annual ROR 9.44 %)

Current account balance	10,000
Estimated Retirement Balance	632,861
Estimated Retirement Balance (Inflation Adj)	620,204
Monthly Income	2,768
Monthly Income (Inflation Adj)	2,713
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

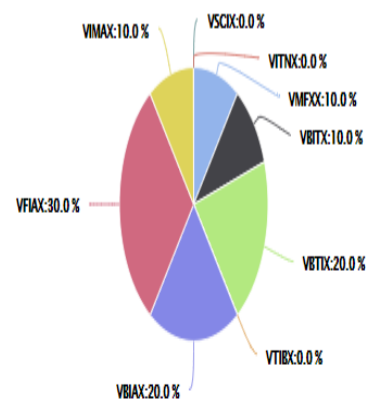
Retirement Income (RiaPro Annual ROR 9.02 %)

Current account balance	10,000
Estimated Retirement Balance	609,786
Estimated Retirement Balance (Inflation Adj)	597,590
Monthly Income	2,667
Monthly Income (Inflation Adj)	2,614
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

My Fund Composition



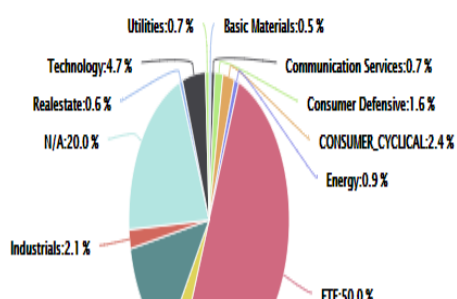
RIAPro Fund Composition



My Asset Composition

RIAPro Asset Composition

My Sector Composition



RIAPro Sector Composition

