RIA PRO: Market Continues "Euphoric" Advance As 3500 Becomes Next Target

- ***Market Continues Euphoric&#2013266080;Advance***
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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA: Week Of 01-13-20

Written by Lance Roberts | Jan 17, 2020

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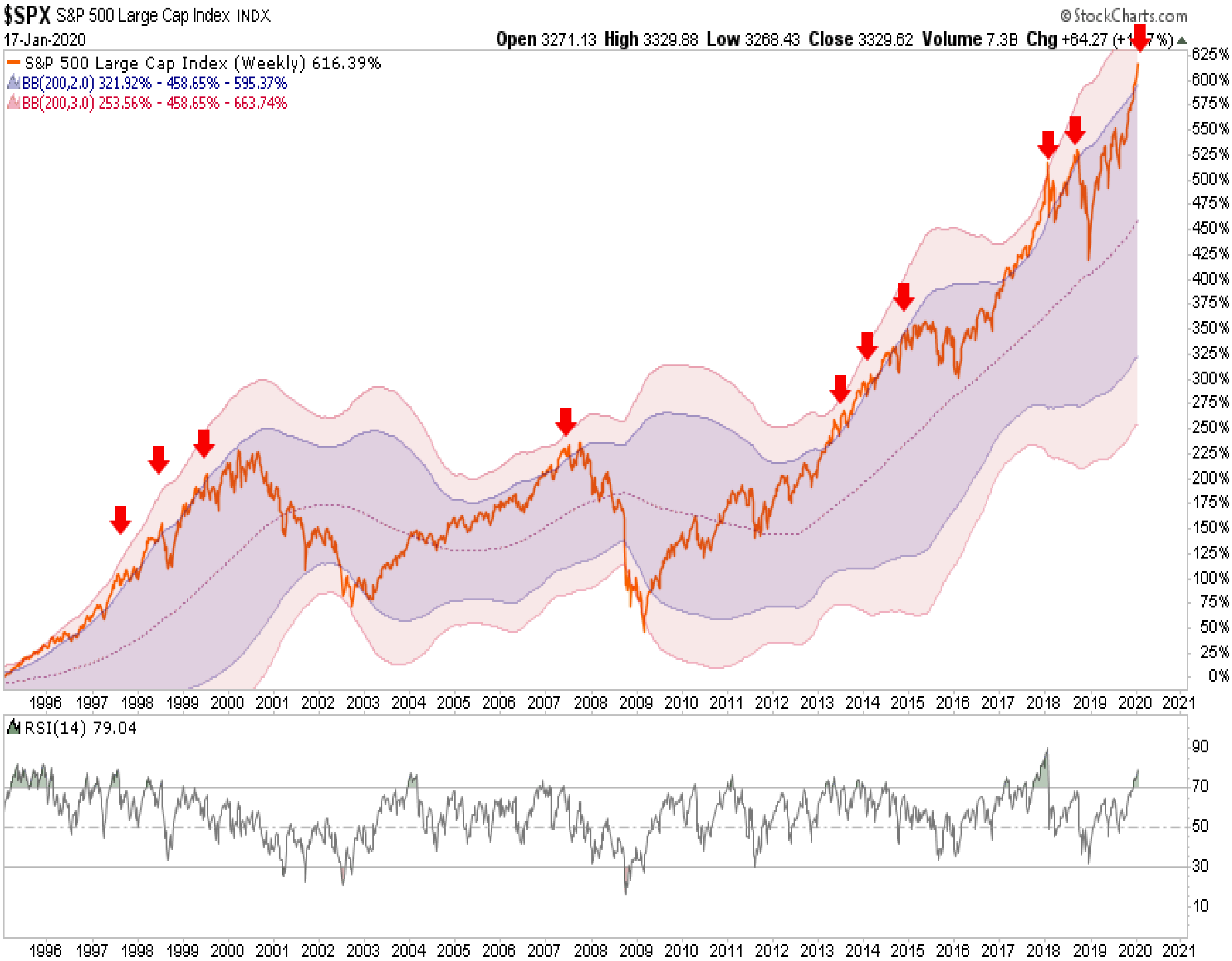
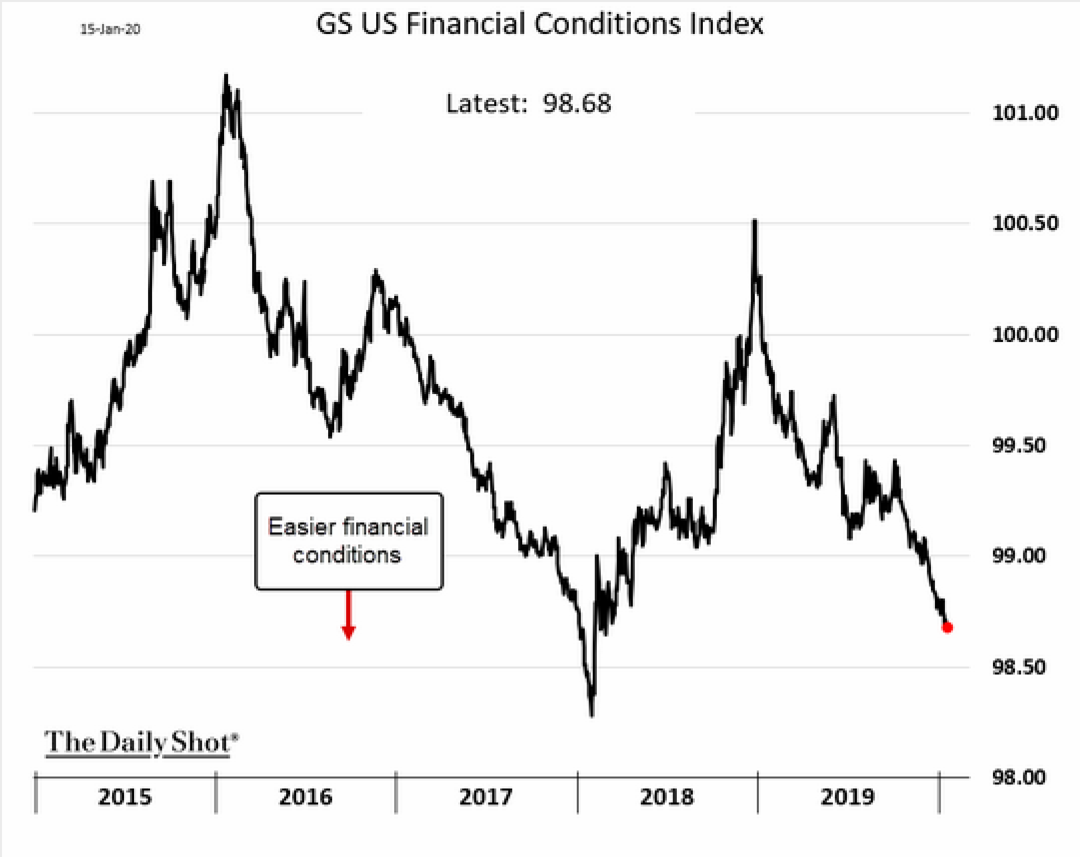
Market Continues Euphoric Advance

In last week's missive, I discussed a couple of charts which suggested the markets are pushing limits which have previously resulted in fairly brutal reversions. This week, the market pushed those deviations even further as the S&P 500 has now pushed into **3-standard deviation territory above the 200-WEEK moving average.**



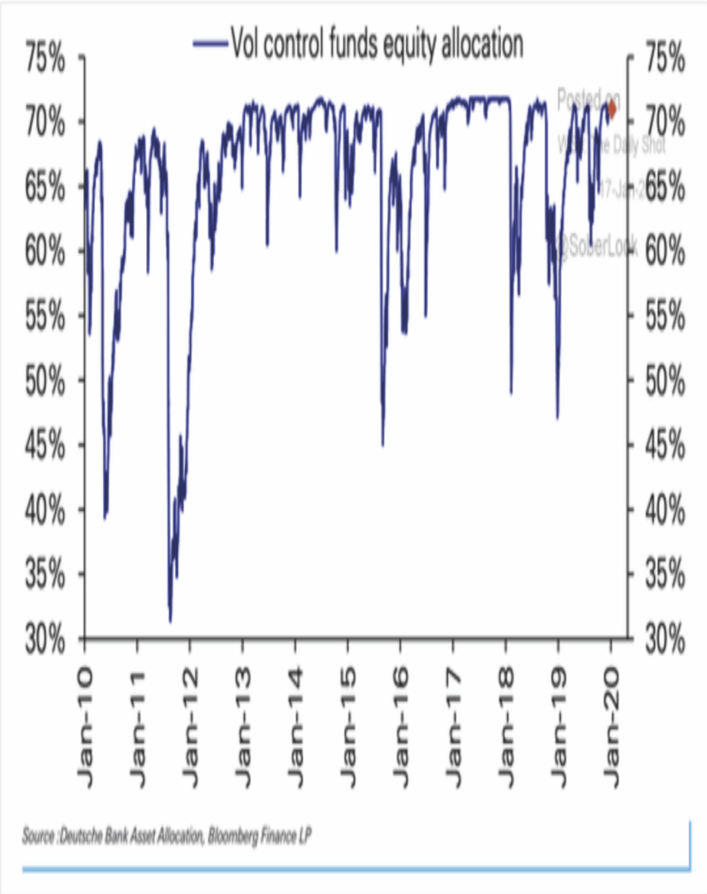
There have only been a few points over the last 25-years where such deviations from the long-term mean were prevalent. In every case, the extensions were met by a decline, sometimes mild, sometimes much more extreme.&#2013266080;

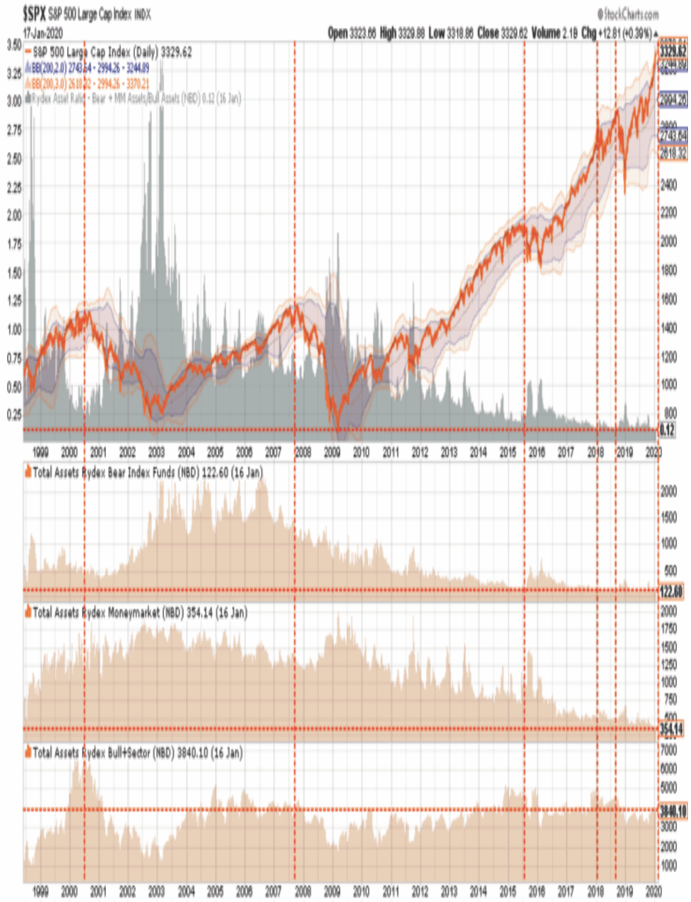
The defining difference between whether those declines were mild, or more extreme, was dependent on the trend of financial conditions. In 1999, 2007, and 2015, as shown in the chart below, financial conditions were being tightened, which led to more brutal contractions as liquidity was removed from the financial system.&#2013266080;



Currently, the risk of a more *"substantial decline,"* is somewhat mitigated due to extremely easy financial conditions. However, such doesn't mean a 5-10% correction is impossible, as such is well within market norms in any given year.&#2013266080;

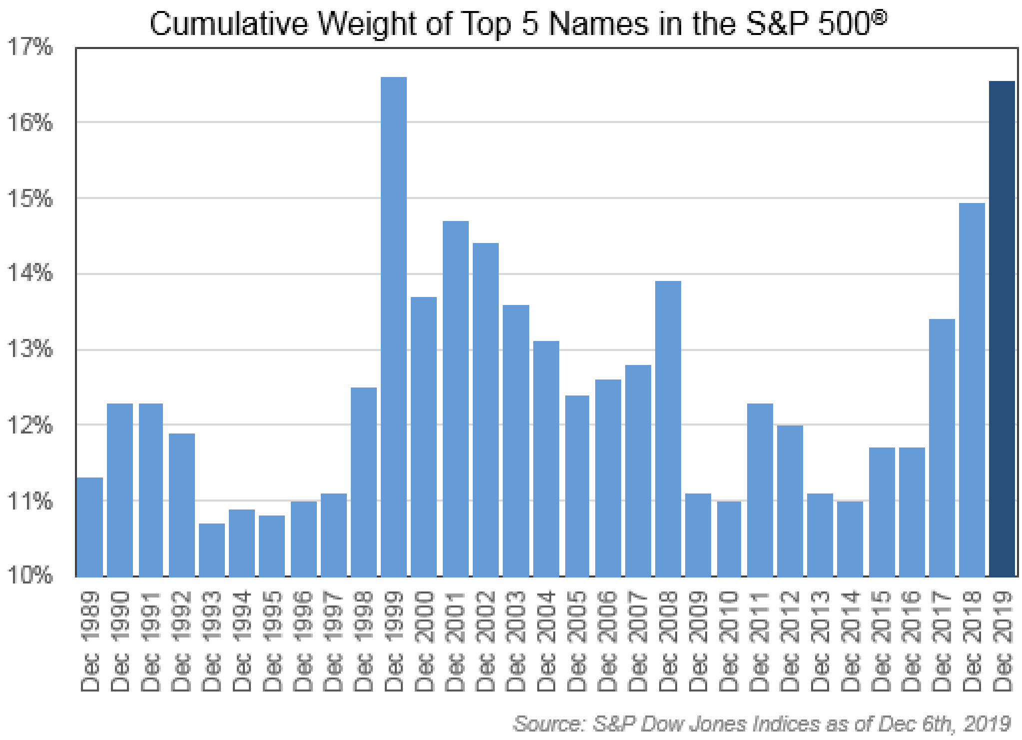
This is particularly the case given how extreme positioning by both institutions and individual investors has become. With investor cash and bearish positions at extreme lows, with prices extremely extended, a reversion to the mean is likely and could lean toward to the 10% range.



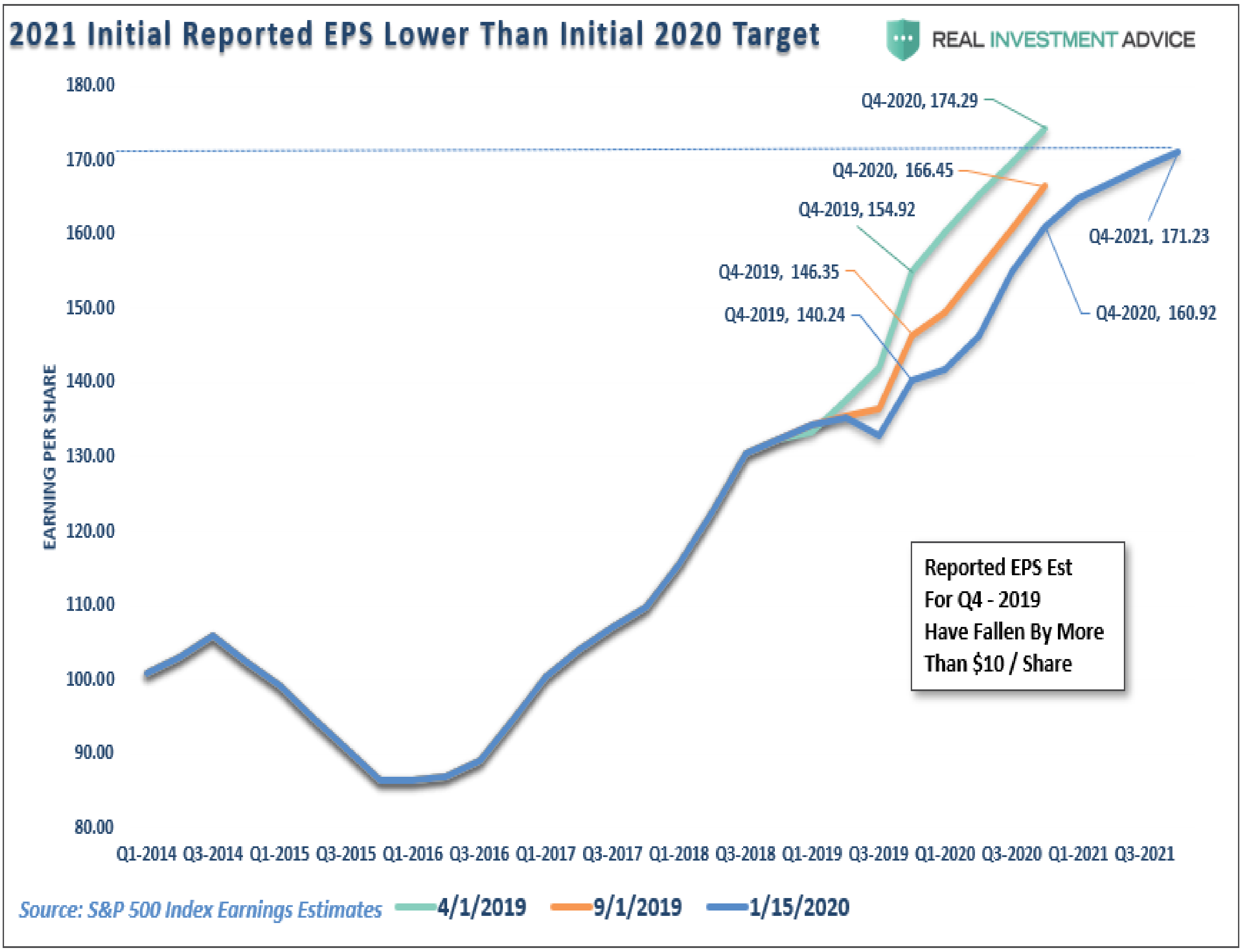


One of the other big concerns remains the concentration of positions driving markets higher. Lawrence Fuller analyzed this particular extreme in the market. *(H/T G. O'Brien)*

> *"One similarity between the Four Horseman of 2000 and the mega-caps of 2020 is their tremendous influence on the overall market, as can be seen below by their cumulative weightings.* ***The weighting of today?s top five names is now 17.3%.*** *I?m not suggesting that history is going to repeat itself, but often it rhymes.*
>
> *If you lived and invested through the 1990s, as I did,* ***then you?ll understand what I am talking about when I say that the dot-com boom was a sentiment-driven rally.*** *I?m starting to see the same explanation for the current rally,* ***as there really haven?t been any concrete fundamental developments to explain or validate it.*** *The momentum stocks are rising in price day after day on hopes and expectations, and Wall Street analysts are happy hop on board for the ride, as usual."*



Lawrence is correct. There has not been a fundamental improvement to support the rise in the market currently. As shown in the chart below, S&P just released its 2021 estimates for the S&P 500, which is estimated to come in at $171/share.&#2013266080;

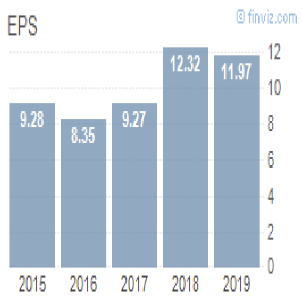


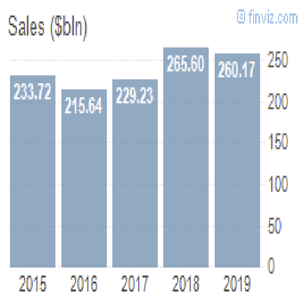
What you should notice is that **estimates for 2021 are now $3 LOWER than where estimates for the end of 2020 stood in April 2019.** Importantly, between April 2019 and present, as earnings estimates were continually ratcheted lower, the S&P 500 index rose by 17.5%

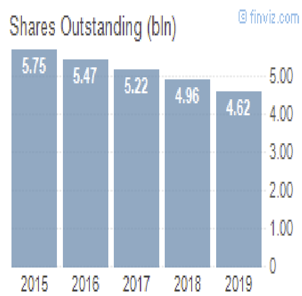
While Apple, which we own, is the *"cheapest"* of the *"4-horseman"* currently, it is only *"cheap"* because of rather aggressive share repurchases. Here are some interesting stats:

In the 5-years from 2015:

- *Earnings per share (EPS) grew by just $2.69 per share or $0.53 per share annually.*
- *Sales only grew by $26.45 billion or $5.29 billion/year.*
- *Shares outstanding, however, declined by 1.13 billion*







However, during that same 5-year period, Apple's share price has risen by 210%.&#2013266080;&#2013266080;

The only reason Apple *"appears"* to be cheap is because of the massive infusion of capital used to reduce the number of shares outstanding. As a business, it is a great company, but it is a fully mature company, which is struggling to grow revenues. With a P/E of 27 and price-to-sales (P/S) ratio of 5.36, investors are grossly overpaying for the earnings growth and will likely be disappointed with future return prospects.&#2013266080;

So why do we still own Apple? Because *"fundamentals don't matter"* currently as the momentum chase, fueled by the Fed's ongoing liquidity interventions, has led to a *"runaway train."* But, understanding that eventually fundamentals will matter, is why we have taken profits out of our position twice since January 2019.

Just remember, *"price is what you pay, value is what you get."&#2013266080;*

Next Stop, 3500

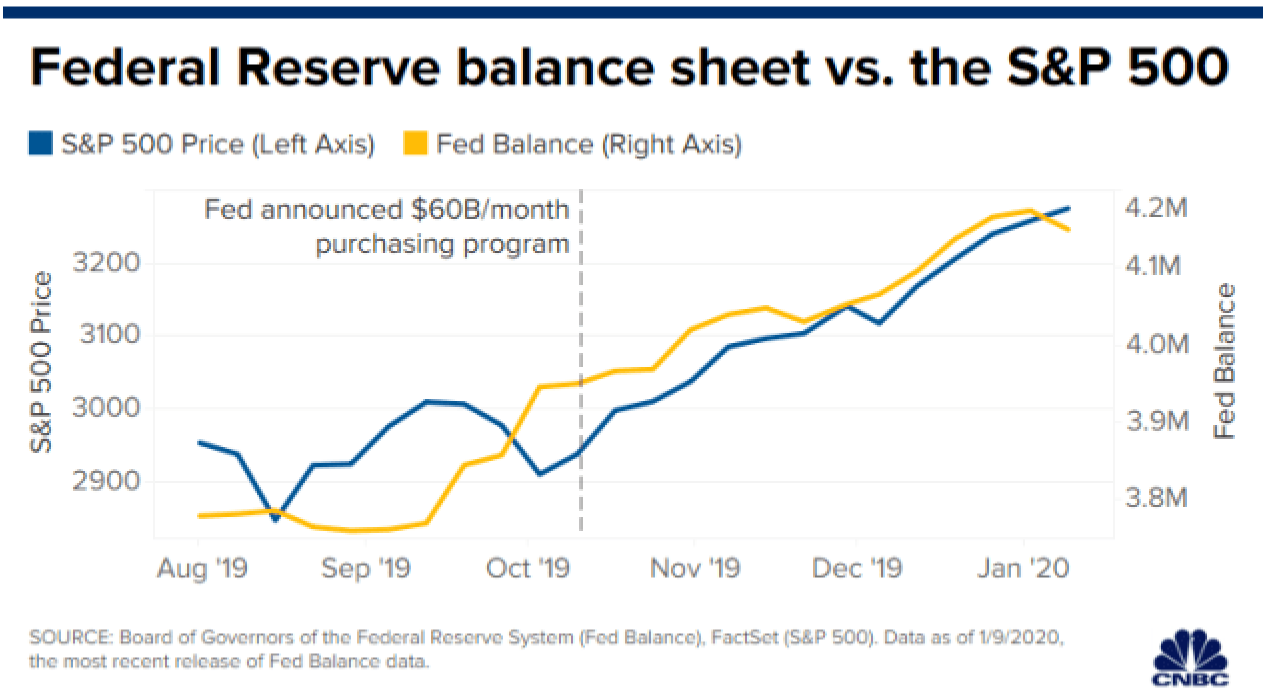
As noted last week, in July of 2019, we laid out our prognostication the S&P 500 could reach 3300 amid a market melt-up though the end of the year. On Friday, the S&P 500 closed at 3329, with the Dow pushing toward 29,350.

With the Federal Reserve continuing to pump liquidity into the market currently, we are raising our 2020 estimate for the S&P to 3500 as *"the mania"* goes mainstream. **There is absolutely NO FUNDAMENTAL basis for raising the target; it is ONLY a function of the momentum chase.**

This urgency to take on *"risk,"* as investors pile into *"passive indexes"* under a *"no market risk"* assumption, can be seen in the extreme lows of the put/call ratio.

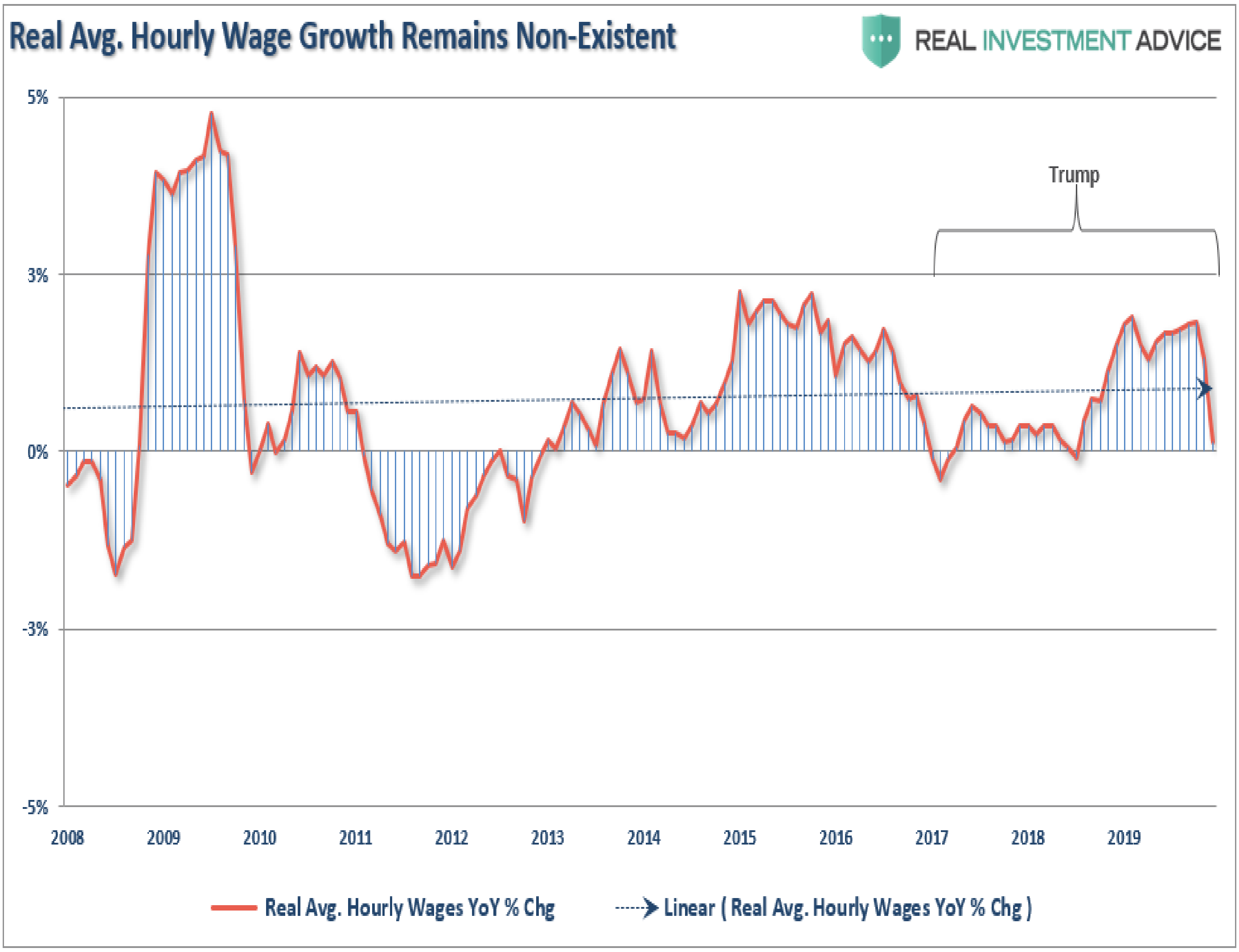
With the Federal Reserve's ongoing *"Not QE,"* &#2013266080;it is entirely possible the markets could continue their upward momentum towards S&P 3500, and Dow 30,000. Clearly, the *"cat is out of the bag"* if [CNBC even realizes it's the Fed:]()

> *"On Oct. 11, the central bank announced it would begin purchasing $60 billion of Treasury bills a month to keep control over short-term rates.* ***The magnitude of the purchases resembles the quantitative easing program the Fed conducted during and after the financial crisis."***



> ***"The increase in the Fed?s balance sheet has been in near lockstep with the stock market?s climb. The balance sheet has expanded 10% since October, while the S&P 500 shot up 12%, including notching its best fourth quarter since 2013."***

With the Federal Reserve continuing to *"ease"* financial conditions, there is little to derail higher asset prices in the short-term.&#2013266080;However, we continue to see cracks in the *"economic armor,"* like Friday's plunge in *"job openings,"* continued deterioration in earnings estimates, weaker growth rates in employment, and negative revisions to data, like wages, which suggest the market is well ahead of the economy. *(Last week, negative revisions wiped out all the wage growth for the bottom 80% of workers.)*



But, as I said, *"fundamentals"* don't matter currently. As CNBC noted:

> *"The problem front and center is how investors are looking past the continuous earnings rout, betting on a snapback as soon as the first quarter of 2020.* ***S&P 500 earnings are expected to drop by 0.3% in the fourth quarter of 2019, marking the first back-to-back quarterly decline since 2016,*** *according to Refinitiv."*

While *"fundamentals"* may not seem to matter much currently, eventually, they will.

Portfolio Positioning

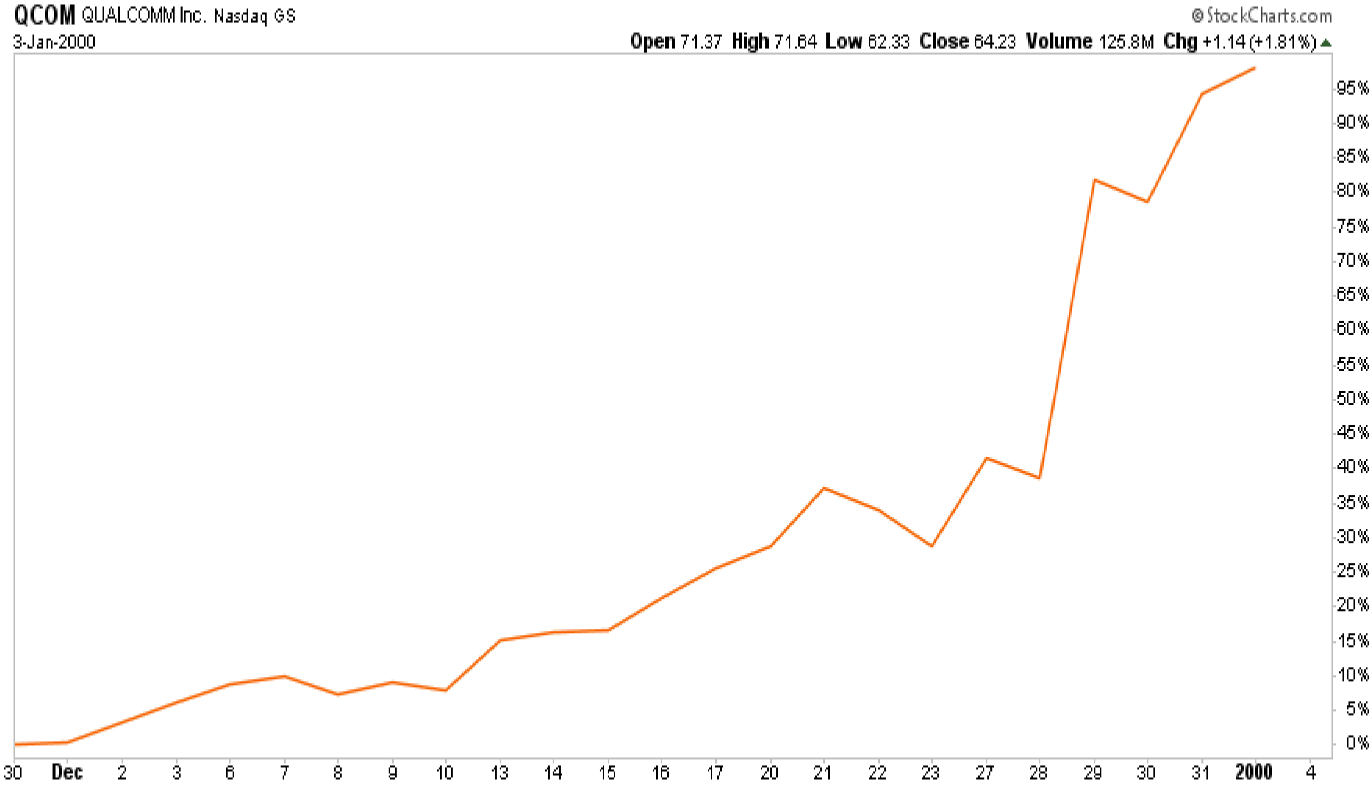
After reducing exposure *"slightly"* to equities, as noted last week, **we did not make any further changes to portfolios over the last few days.** Given we have shortened our duration in our bond holdings, raised cash levels to roughly 10% of the portfolio, we can afford at the moment to allow our existing long positions to ride the market higher.&#2013266080;

In case you ***missed last week's note***, or are a new reader, here were the previous changes:

> ***In the Equity Portfolios,*** *we* ***slightly reduced*** *our weightings in some of our more extended holdings such as Apple (AAPL,) Microsoft (MSFT), United Healthcare (UNH), Johnson & Johnson (JNJ), and Micron (MU.)*
>
> ***In the ETF Sector Rotation Portfolio,*** *we* ***slightly reduced****&#2013266080;our overweight positions in Technology (XLK), Healthcare (XLV), Mortgage Real Estate (REM), Communications (XLC), Discretionary (XLY) back to portfolio weightings for now.&#2013266080;*
>
> ***The Dynamic Portfolio*** *was allocated to a market neutral position by shorting the S&P index itself.*

The reason we continue to derisk portfolios is that we have seen this *"game"* before. This was a point we made to our ***RIAPRO.NET Subcribers (Try RISK FREE for 30-Days)*** last week:

*"The belief the markets can no longer have a correction is fueling an equity chase in companies with the poorest underlying fundamentals.&#2013266080;**The last time that we saw asset prices surge by 20%, or more, in a single month, particularly in companies with no revenue, negative valuations, and poor business models, was in 1999**. The chart of Qualcom ([QCOM]) in late 1999 is a good example."*



***"Unfortunately, for investors in QCOM, by the end of 2000, that 95% gain had been reversed to a 10% loss.** But QCOM was not alone, the only difference is the vast majority of other companies like Global Crossing, Enron, Worldcom, Lucent Technologies, Sun Micro, and many others, no longer exist in their original forms, if at all.&#2013266080;*

Another good example is Cisco Systems (CSCO). If you had bought it at the turn of the century, you would still be down 10% in your position 20-years later."

> *"Today, we are seeing the same chase in companies which exhibit similar characteristics to what we saw in 1999:*
>
> - *Poor business models with little, or no, 'protective moat.'*
> - *Little or no earnings*
> - *Excessively high or negative valuations*
> - *Prices are bid up on ?hope? these companies will mature into valuations in the future.*
>
> *Sure, companies from Tesla (TSLA) to Zoom Video (ZM) might just be the next Amazon (AMZN) of the ?dot.com? mania to survive and prosper. However, the odds are highly stacked against that being the case."*

Being more conservative may *"cost"* you in the short-term. However, in the longer-term, where it matters for your money, **it is highly likely we will eventually see some, most, or all of the gains of this past decade reversed.&#2013266080;**

While that is hard to believe, just remember its happened twice before.

The Macro View

Michael Lebowitz and I discuss our outlook and reasoning https://youtu.be/P5dPlJS9wuI

If you need help or have questions, we are always glad to help. Just email me.

See You Next Week

By Lance Roberts, CIO

Financial Planning Corner

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FPC: Do You Have A "Financial Vulnerability" Cushion?

Written by Danny Ratliff | Jan 18, 2020

Financial planning corner is a weekly topic on everything related to Financial planning. From maximizing social security, doing the right things for Medicare, and how to pay less in taxes today and in retirement.

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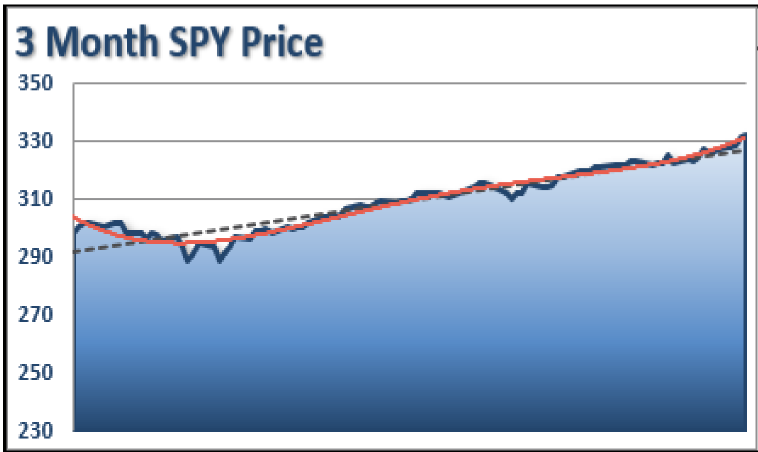
You?ll be hearing more about more specific strategies to diversify soon, but don?t hesitate to give me any suggestions or questions.

by Danny Ratliff, CFP&#2013266094;, ChFC&#2013266094;

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet



SPY RISK INFO ZACKS REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	18.72%	26.24%	3.13%	(88.05%)
Max Drawdown	-20.47%	-7.41%	-1.39%	-81.19%
Sharpe	#N/A	#N/A	#DIV/0!	#DIV/0!
Sortino	#N/A	#N/A	#DIV/0!	#DIV/0!
Volatility	14.98	11.83	8.50	(0.28)
Daily VaR-5%	(11.87)	10.98	82.64	6.52
Mnthly VaR-5%	#N/A	#N/A	#DIV/0!	#DIV/0!

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	1.78%	2.09%	1.69%	(23.63%)	1.74%	1.74%	(2.82%)	(2.82%)
P/E Ratio	22.75	17.33	20.83	16.79%	#VALUE!	#VALUE!	#VALUE!	#VALUE!
P/S Ratio	3.38	2.89	3.60	19.87%	3.49	3.49	3.32%	3.32%
P/B Ratio	3.84	3.52	4.55	22.72%	4.41	4.41	3.32%	3.32%
ROE	16.03%	18.81%	18.57%	(1.29%)	18.57%	18.57%	0.00%	0.00%
ROA	3.00%	3.53%	3.51%	(0.48%)	3.51%	3.51%	0.00%	0.00%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,411.1	2,306.7	(4.33%)
Sales	61,894	64,682	4.50%
SPS	25.7	28.0	9.24%
Earnings	9,269	9,457	2.03%
EPS TTM	4.6	4.8	4.35%
Dividend	1.6	1.7	6.27%

S&P 500 Asset Allocation

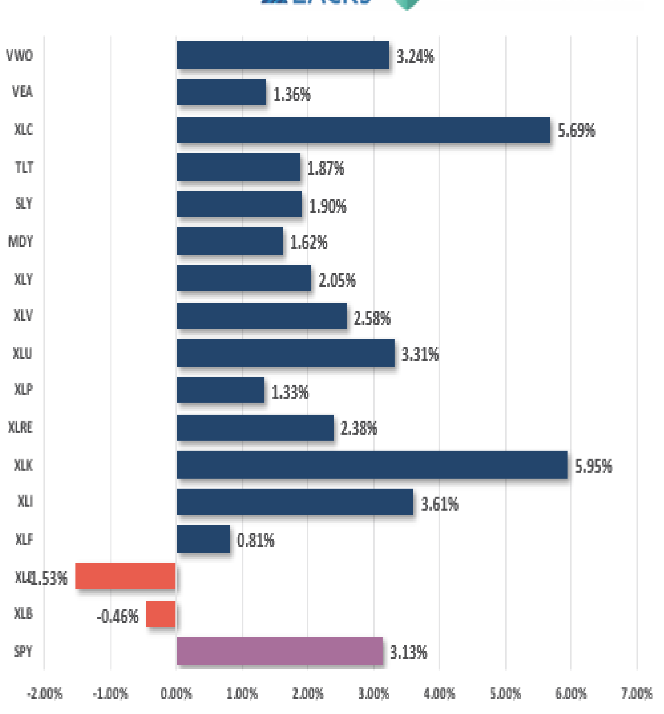
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(3.95%)	4.22%	1.25	18.17	127.61	12.35	(85.8%)	7.8%	3.9%	5.46%	2.53	21.41
Materials	(12.39%)	2.57%	1.25	16.74	22.97	13.86	(27.1%)	8.7%	1.8%	6.00%	3.28	20.63
Industrials	22.96%	9.10%	1.17	18.95	22.27	14.78	(14.9%)	17.6%	1.8%	5.28%	4.62	19.13
Discretionary	20.41%	9.65%	1.02	25.58	27.17	20.19	(5.9%)	29.4%	1.3%	3.91%	4.36	25.65
Staples	22.53%	7.10%	0.57	21.87	22.83	17.62	(4.2%)	27.6%	2.6%	4.57%	3.78	21.63
Health Care	17.71%	14.21%	0.84	18.44	20.19	15.79	(8.7%)	30.9%	1.6%	5.42%	6.41	17.70
Financials	22.67%	12.65%	1.27	14.58	18.50	11.73	(21.2%)	11.6%	2.0%	6.87%	5.61	14.10
Technology	52.70%	23.61%	1.25	26.62	24.05	14.47	10.7%	39.8%	1.2%	3.77%	4.97	25.08
Telecom	23.08%	10.57%	0.87	23.73	27.01	17.61	(12.1%)	16.9%	0.8%	4.24%	6.15	20.75
Utilities	26.73%	3.32%	0.26	22.10	21.40	15.58	3.3%	10.6%	3.0%	4.55%	3.56	20.72
Real Estate	21.77%	2.91%	0.64	21.54	24.48	17.19	(12.0%)	9.8%	3.1%	4.64%	4.19	21.26

Momentum Analysis

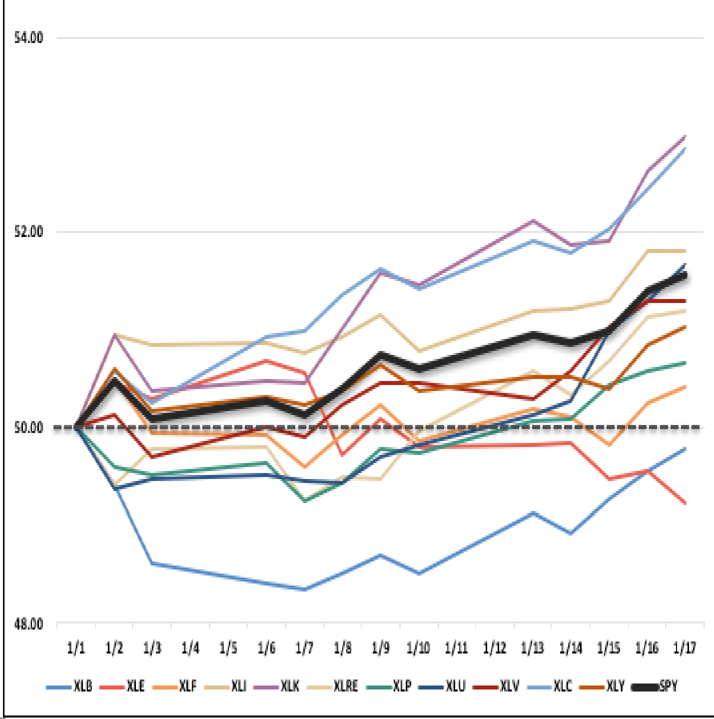
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	331.95	7.45%	318.08	50	4.36%	299.61	164	10.80%	6.16%	(0.07%)	28.76%	Buy
Mid Cap	381.45	4.73%	370.65	50	2.91%	355.37	71	7.34%	4.30%	(0.51%)	19.73%	Buy
Small Cap	73.83	5.05%	71.43	50	3.37%	68.15	69	8.33%	4.80%	(0.54%)	17.25%	Buy

Performance Analysis

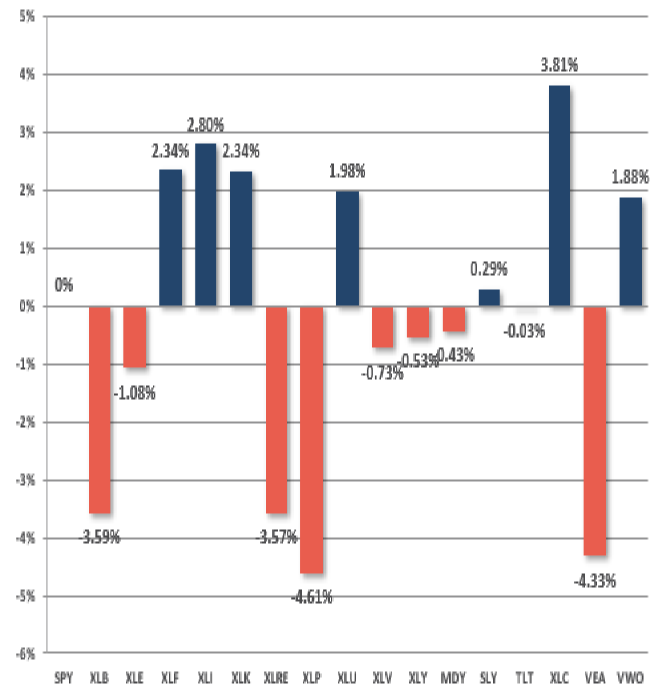
Year To Date Performance



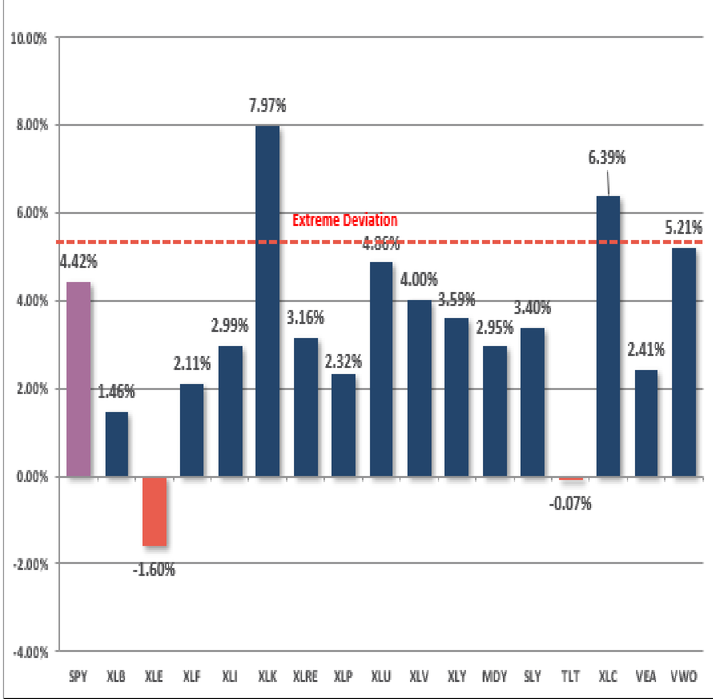
YTD Price - S&P Sectors Recalibrated To $50/share



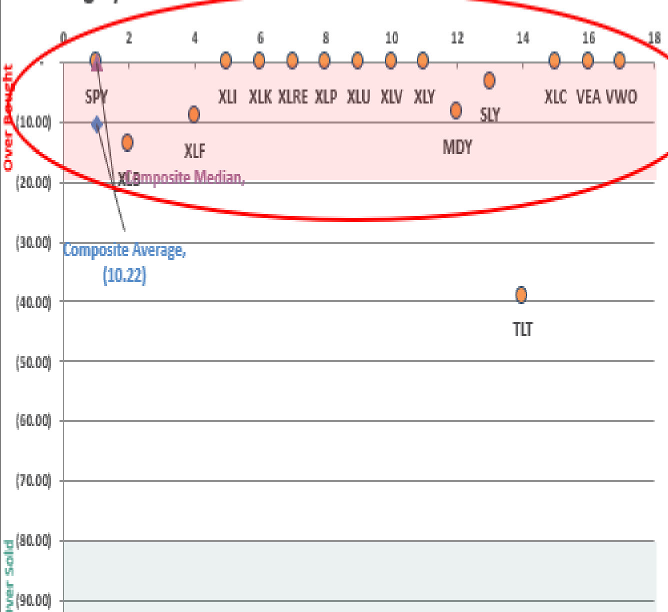
Year To Date Performance Relative To S&P 500



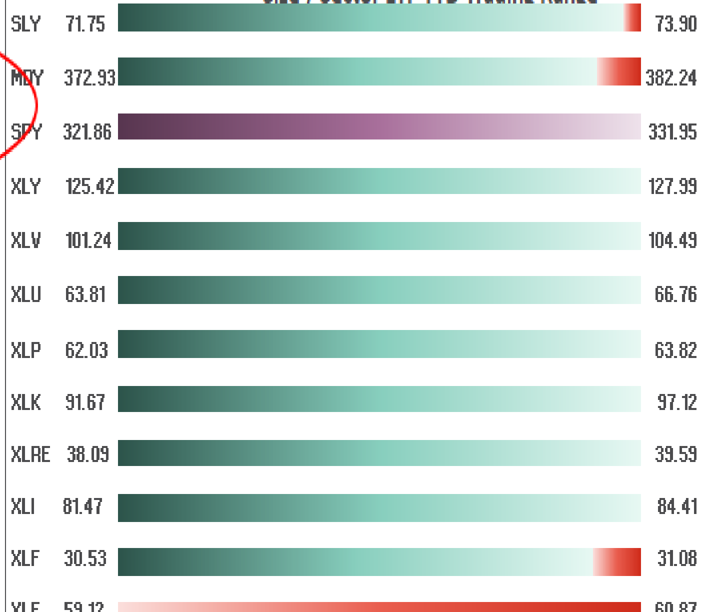
Price Deviation From 50-Day Moving Average



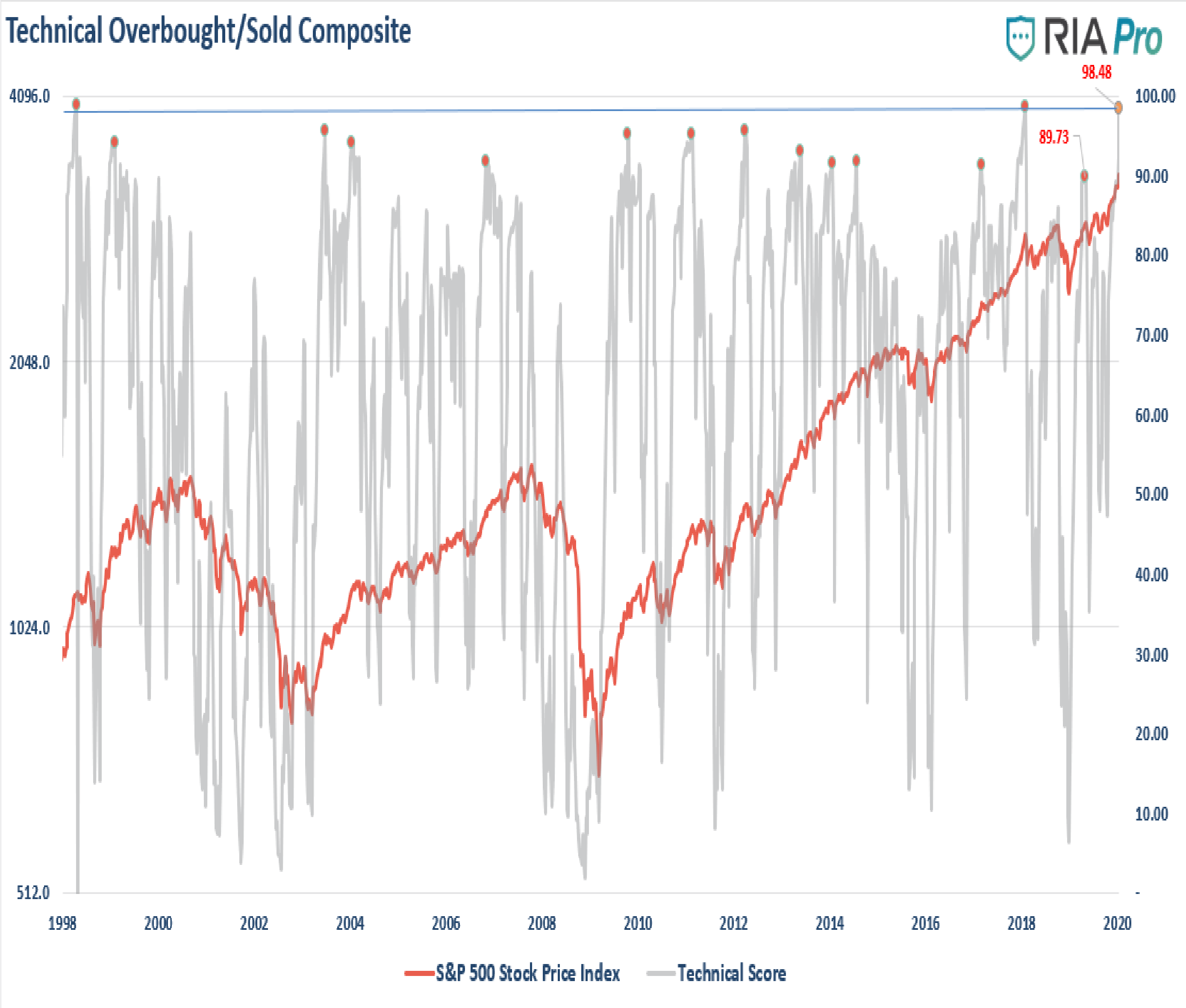
Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



Technical Composite&#2013266080;



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	333.50	1.94	3.45	9.95	13.27	24.41	316.35	303.17	5.42%	10.01%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	61.14	0.67	(3.02)	(5.01)	(6.63)	(10.15)	59.89	58.27	2.09%	4.92%	BUY
TACTICAL	SECTORS	XLE	SPDR-EGY SELS	59.12	(3.10)	(7.10)	(10.63)	(15.39)	(31.80)	59.95	60.17	-1.38%	-1.74%	SELL
TACTICAL	SECTORS	XLF	SPDR-FINL SELS	31.03	(0.84)	(2.31)	(1.61)	(0.85)	(5.06)	30.08	28.45	3.16%	9.06%	BUY
TACTICAL	SECTORS	XLI	SPDR-INDU SELS	84.41	0.06	0.20	(2.56)	(1.94)	(4.15)	81.41	78.23	3.69%	7.90%	BUY
TACTICAL	SECTORS	XLK	SPDR-TECH SELS	97.12	0.99	3.33	7.17	9.59	24.21	88.55	82.69	9.68%	17.45%	BUY
TACTICAL	SECTORS	XLP	SPDR-CONS STPL	63.82	(0.09)	(2.31)	(5.48)	(5.52)	(2.73)	62.08	60.61	2.80%	5.30%	BUY
TACTICAL	SECTORS	XLU	SPDR-UTIL SELS	66.76	1.72	(0.09)	(5.90)	(2.28)	1.22	63.67	62.36	4.85%	7.05%	BUY
TACTICAL	SECTORS	XLC	SPDR-COMM SV SS	56.68	0.81	1.65	2.69	(0.03)	1.63	52.72	50.73	7.52%	11.72%	BUY
TACTICAL	SECTORS	XLV	SPDR-HLTH CR	104.49	(0.30)	(1.71)	3.55	1.49	(8.41)	98.97	94.07	5.58%	11.08%	BUY
TACTICAL	SECTORS	XLY	SPDR-CONS DISCR	127.99	(0.64)	(0.69)	(4.23)	(4.90)	(4.58)	123.11	120.84	3.96%	5.92%	BUY
TACTICAL	SIZE	SLY	SPDR-SP SC 600	73.83	0.95	(2.06)	(2.56)	(2.43)	(11.98)	70.94	68.17	4.08%	8.30%	BUY
TACTICAL	SIZE	MDY	SPDR-SP MC 400	381.45	0.18	(1.88)	(3.03)	(3.89)	(9.09)	368.01	355.92	3.65%	7.17%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	118.40	0.17	(1.32)	(1.76)	(2.06)	(4.56)	113.30	109.21	4.50%	8.42%	BUY
CORE	Dividend	SDY	SPDR-SP DIV ETF	108.34	(0.22)	(2.75)	(6.00)	(4.69)	(9.88)	106.34	102.76	1.88%	5.43%	BUY
CORE	Real Estate	XLRE	SPDR-RE SELS	39.59	0.51	0.08	(9.70)	(8.51)	(3.19)	38.56	38.35	2.67%	3.25%	BUY
CORE	International	EEM	ISHARS-EMG MKT	46.23	(0.54)	0.18	(1.69)	0.73	(13.14)	43.84	42.30	5.45%	9.29%	BUY
CORE	International	EFA	ISHARS-EAFE	70.38	(0.61)	(1.71)	(4.94)	(2.79)	(11.04)	68.61	66.14	2.58%	6.41%	BUY
CORE	International	IXUS	ISHARS-CR INT S	63.03	(0.50)	(1.06)	(3.93)	(2.03)	(11.33)	60.94	58.81	3.42%	7.17%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	138.02	(2.25)	(2.45)	(10.31)	(12.17)	(8.97)	138.22	137.87	-0.15%	0.11%	BUY
FI	International	BNDX	VANGD-TTL INT B	56.81	(1.94)	(5.45)	(12.46)	(15.61)	(19.92)	57.68	57.88	-1.50%	-1.86%	SELL
FI	High Yield	HYG	ISHARS-IBX HYCB	88.36	(1.98)	(2.72)	(8.84)	(10.99)	(19.84)	87.38	86.95	1.12%	1.62%	BUY
FI	Cash	BSV	VANGD-SHT TRM B	80.74										

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), Communications (XLC)

The improvement in Energy stalled again this week, as oil prices continued to struggle. With oil prices testing the 200-dma, it is critical oil turns up next week, otherwise we will see further deterioration in energy stocks.&#2013266080;

As recommended last week, we reduced our weighting in XLC slightly on Friday just to take in some profits. With the entire sector extremely extended, take profits if you haven't done so already and hold the balance for now.

Current Positions: *1/2 weight AMLP, Underweight XLC*

Outperforming ? Technology (XLK), Healthcare (XLV)

We previously recommended taking profits in Technology and Healthcare, which have not only been leading the market but have gotten extremely overbought. After taking profits in portfolios, we remain long the balance and are looking for our next opportunity.&#2013266080;

Current Positions:&#2013266080; *Reduced from overweight to target weight XLK, XLV*

Weakening ? Financials (XLF)

We noted previously that Financials have been running hard on Fed rate cuts and more QE and that the sector was extremely overbought and due for a correction. That correction/consolidation started last week and continued this week. We recommended taking profits previously, and that remains good advice again this week with the sector still very overbought. However, the consolidation also dropped Financials from leading to weakening this past week.&#2013266080;

Current Position: *No Position*

Lagging ? Industrials (XLI), Real Estate (XLRE), Staples (XLP), Discretionary (XLY), Materials (XLB), and Utilities (XLU)

Industrials, which perform better when the Fed is active with QE, has broken out to new highs, but is still consolidating at a high level and has begin to underperform on a relative basis to the S&P 500. That underperformance dropped it into the lagging category this past week.&#2013266080; Given the sector is extremely overbought, we will wait for this correction to play out&#2013266080; before adding to our current position.

After a run to new highs, Staples continues to consolidate and hold above its 50-dma. Since taking profits previously, we are just maintaining our stop loss on the sector currently.&#2013266080;

Discretionary, after finally breaking out to new highs, has gotten very extended in the short-term. We reduced our position slightly to take in profits. We remain optimistic on the sector for now. However, the sector is extremely overbought so a correction is needed that doesn't violate support at the 50-dma to add back to our exposure.

XLRE has been rallying as of late and relative strength is improving. We remain weighted in the sector for now but may increase our weighting if the recent strength is confirmed.&#2013266080;

Current Position:&#2013266080;*Target weight XLY, XLP, XLRE, 1/2 weight XLB and XLI*

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? Small- and Mid-caps broke out to new highs this past week as the rotation to risk gained momentum. The relative performance remains flat as the focus has returned to chasing the largest of large-cap names. As noted two weeks ago, we added to our small-cap holdings with a small-cap value ETF. We are holding that position for now, but are tightening up our stops.

Current Position:&#2013266080;*KGGIX, 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. However, like small and mid-caps above, international stocks relative performance remains muted but is improving. As discussed two weeks ago, we added positions in both emerging market and international value&#2013266080; positions, however, we are tightening up our stops to protect our capital investment.&#2013266080;

Current Position: *EFV, DEM*

Dividends (VYM), Market (IVV), and Equal Weight (RSP)&#2013266080;? These positions are our long-term&#2013266080;*?core?*&#2013266080;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&#2013266080;*?base?*&#2013266080;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:&#2013266080;*RSP, VYM, IVV*

Gold (GLD) ? As noted two weeks ago, Gold was holding support at the $140 level and registered a buy signal. GDX has also held support and turned higher with a triggered buy signal. Over the last two weeks, gold has broken out to highs, but stalled at those levels. We previously took our holdings back to full-weights after taking profits earlier this year. However, we are tightening up our stop levels.

Current Position:&#2013266080;*GDX (Gold Miners), IAU (Gold)*

Bonds (TLT) ?&#2013266080;

Bonds rallied back above the 50-dma on Friday as money rotated into bonds for *"safety"* as the market weakened on Friday. There is a consolidation with rising bottoms occurring currently, which suggests we may see further weakness in the market with a "risk off" rotation into bonds.

Add to bonds here with a stop at $136 for TLT as a benchmark.&#2013266080;

Current Positions:&#2013266080;*DBLTX, SHY, IEF*

Sector / Market Recommendations

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			Extremely Extended
XLK	Technology	OB	Positive	Positive	Hold			X			Extremely Extended
XLI	Industrials	OB	Positive	Positive	Hold			X			Extremely Extended
XLB	Materials	OB	Positive	Positive	Hold			X			Extremely Extended
XLE	Energy	OB	Positive	Negative	Looking To Add			X			Overbought/Looking For Entry
XLP	Staples	OB	Positive	Positive	Hold			X			Extremely Extended
XLV	Health Care	OB	Positive	Positive	Hold			X			Extremely Extended
XLU	Utilities	OB	Positive	Positive	Hold			X			Extremely Extended
XLF	Financials	OB	Positive	Positive	Hold			X			Extremely Extended
XLC	Communications	OB	Positive	Positive	Hold			X			Extremely Extended
XLRE	Real Estate	OB	Positive	Positive	Hold			X			Extremely Extended
SLY	Small Caps	OB	Positive	Positive	Hold			X			Extremely Extended
MDY	Mid Caps	OB	Positive	Positive	Hold			X			Extremely Extended
EEM	Emerging Mkt	OB	Positive	Positive	Hold			X			Extremely Extended
EFA	International	OB	Positive	Positive	Hold			X			Extremely Extended
IXUS	Total International	OB	Positive	Positive	Hold			X			Extremely Extended
GLD	Gold	OB	Positive	Positive	Hold			X			Extremely Extended
RSP	SP500 Equal Wgt	OB	Positive	Positive	Hold			X			Extremely Extended
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			Extremely Extended
IVV	SP500 Market Wgt	OB	Positive	Positive	Hold			X			Extremely Extended
TLT	20+ Yr. Bond	Increasing	Positive	Positive	Hold			X			Can Add Positions
HYG	Corporate High Yield	OB	Positive	Positive	No Position					X	Extremely Extended
BNDX	Int'l Bond Aggregate	OB	Positive	Positive	No Position					X	Testing Resistance

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

Portfolio/Client Update:

If you are a client of RIA Advisors, please take the opportunity to watch the Market Outlook presentation that Michael Lebowitz and I prepared last week. ***CLICK HERE TO WATCH:***

> *"As we noted in&#2013266080;**last weekend?s newsletter,**&#2013266080;we recently took profits in our various portfolio strategies to raise cash slightly, and reduce excess portfolio risk. Given our portfolios are already hedged with early exposures to value positioning, gold, and short-duration Treasuries, there currently isn?t a need to become overly defensive given the ongoing, liquidity fueled, momentum of the markets.&#2013266080;*
>
> *Currently, the bullish exuberance, extreme complacency, and technical deviations are issuing warning signs which investors should NOT readily dismiss. These are the issues we cover in the following&#2013266080;video presentation:*
>
> 1. *The ?risks? to the current ?bullish view,?&#2013266080;*
> 2. *Why we reduced risk in portfolios*
> 3. *The importance of valuations*

4. *The Fed?s ongoing liquidity programs.*
5. *Future expected returns, and more."*

As noted in the main missive this week, the market is extremely extended, overbought, and complacent. As such, market corrections occur regularly in this type of environment regardless of the underlying bullish thesis.

We previously took actions to slightly reduce portfolio risk, and raise cash. While this may lead to some short-term underperformance in portfolios, you will appreciate the reduced volatility if a correction occurs over the next 3-4 weeks as expected.&#2013266080;

There we no additional portfolio actions this past week.

- **New clients:**&#2013266080;*We are holding off onboarding new client assets until we see some corrective action or consolidation in the market.*
- ***Dynamic Model:*** *No actions required*
- ***Equity Model:*** *No actions required*
- ***ETF Model****: No actions required*

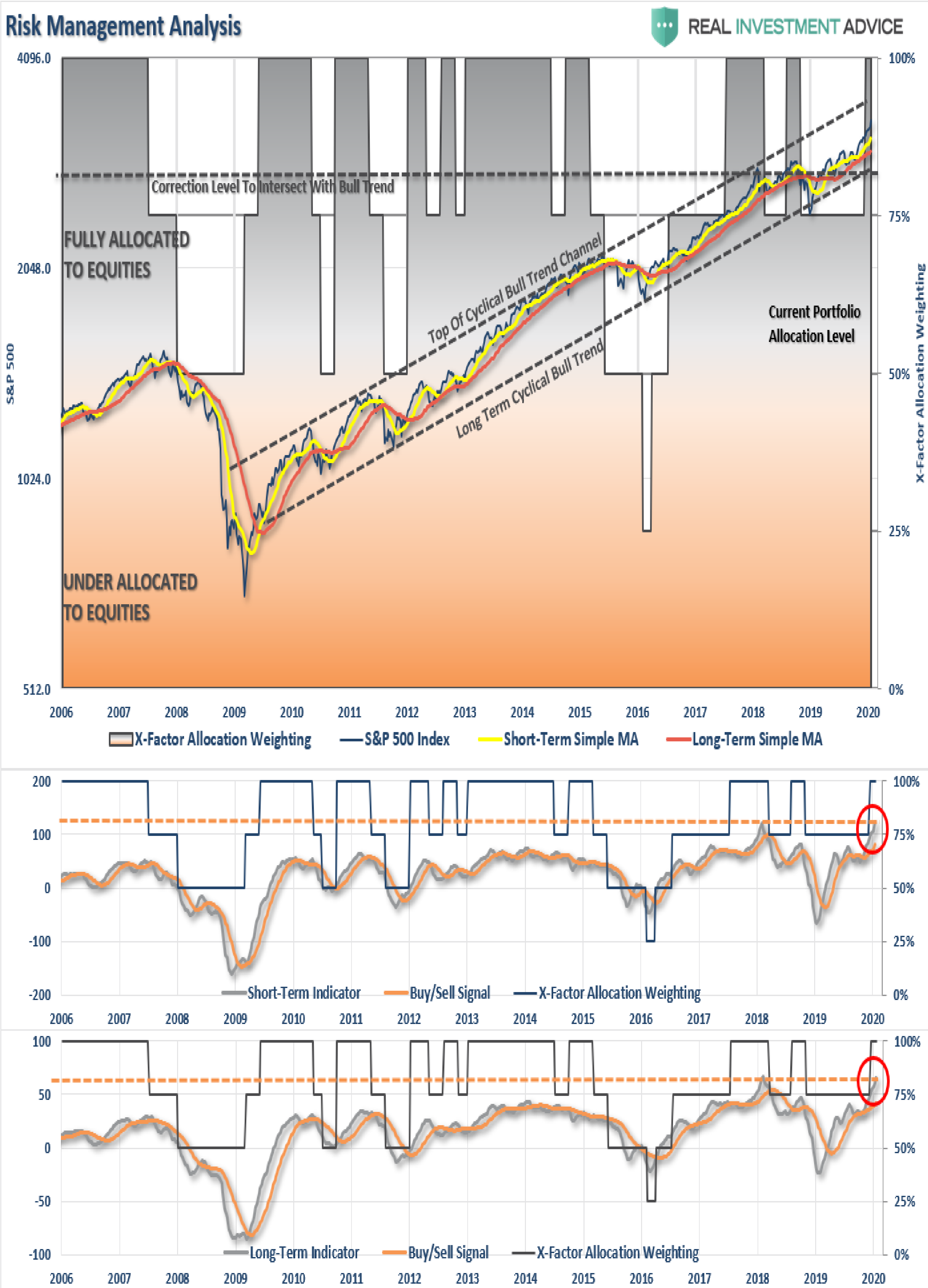
Note for new clients:

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

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



Current Portfolio Weighting

Current 401k Allocation Model

5.00%	Cash + All Future Contributions

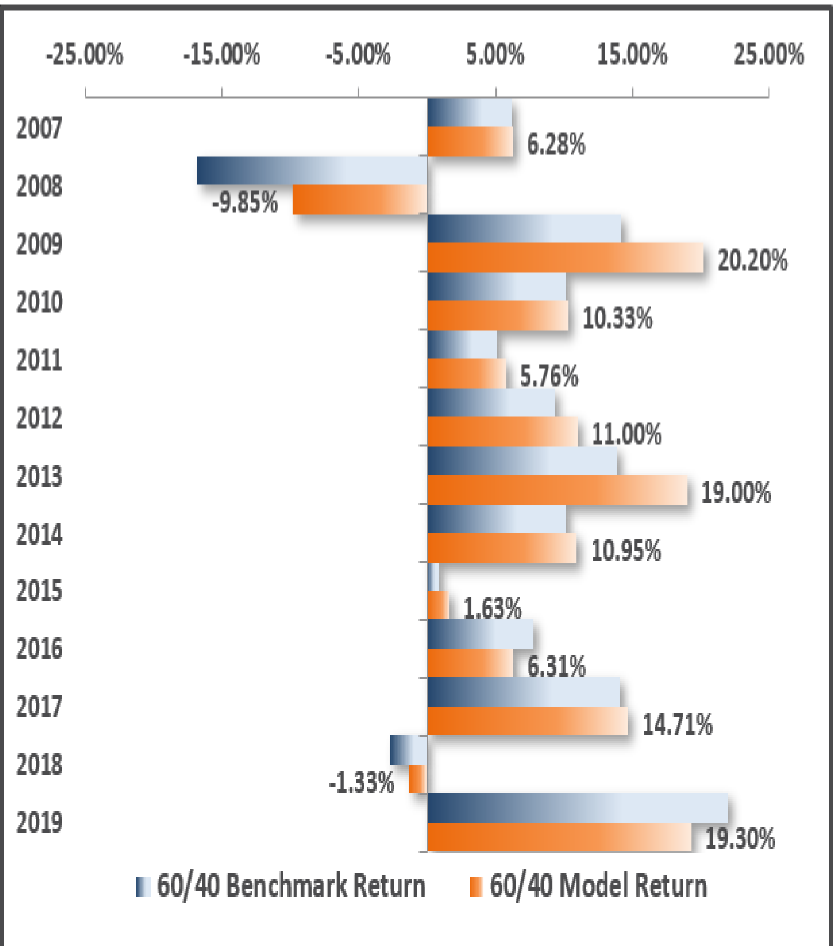
If you need help after reading the alert; do not hesitate to **contact me.**

Click Here For The "LIVE" Version Of The 401k Plan Manager

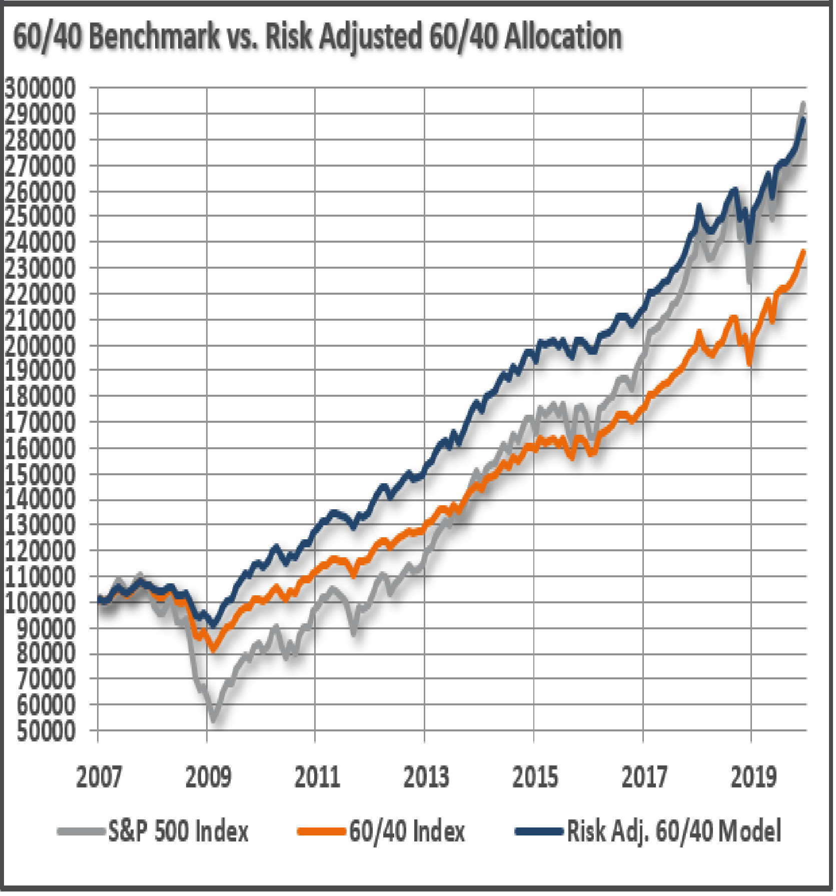
See below for an example of a comparative&#2013266080;model.

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;&#2013266080;

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.15%	6.28%
2008	-16.79%	-9.85%
2009	14.22%	20.20%
2010	10.17%	10.33%
2011	5.14%	5.76%
2012	9.33%	11.00%
2013	13.91%	19.00%
2014	10.08%	10.95%
2015	0.83%	1.63%
2016	7.79%	6.31%
2017	14.12%	14.71%
2018	-2.72%	-1.33%
2019	21.96%	19.30%



Portfolio vs Benchmark Statistics	
Number of Up Years	11
Number of Down Years	2
Best One Year Return Of Benchmark	21.96%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.79%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	123.78%
Model Return 2007-Present	173.11%
Total Alpha Generated	49.33%
Mean Annual Return Of Benchmark	7.25%
Mean Annual Return Of Model	8.79%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.30%
Sharpe Ratio	0.29



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.]

RIAPro

Investment Analysis, Research & Data
From The RIA Investment Team

Dashboard | Macro ▼ | Ideas ▼ | Research ▼ | Portfolio ▼ | 401K - Beta | Symbol | Help ∨

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 ▼

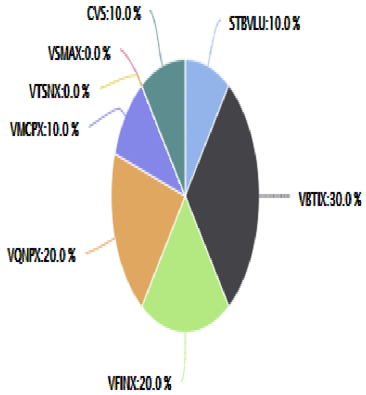
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

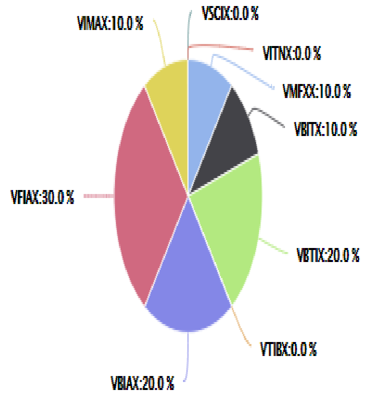
Retirement Income (RiaPro Annual ROR 9.02 %)

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



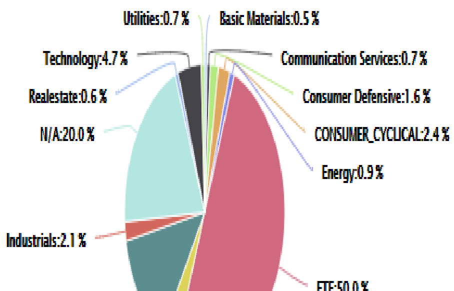
RIAPro Fund Composition



My Asset Composition +

RIAPro Asset Composition +

My Sector Composition



RIAPro Sector Composition