RIA PRO: Market Correction Goes Viral, Is It Time To Buy?

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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA: Week Of 01-27-20

Written by Lance Roberts | Jan 31, 2020

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Market Correction Goes Viral

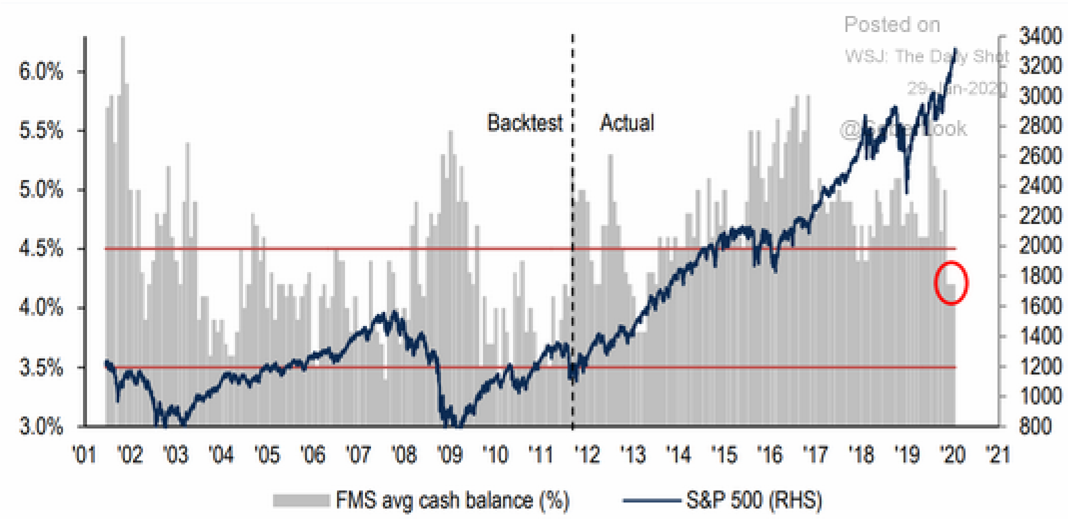
Over the last few weeks, the message from the newsletter has been repetitive:

> *"The markets are overbought, overextended, overly complacent. A correction is coming so reduce and rebalance portfolio risks."&#2013266080;*

Despite those issues, the markets continued to push higher leaving readers with the assumption the *"warnings"* were wrong.&#2013266080;

As noted last week, there have only been a few points over the previous 25-years where investors were so extremely lopsided in their positioning.&#2013266080; We have shown many charts of investors being *"all in"* to equities over the last three weeks, but here is the latest Fund Manager's Survey, which shows cash balances at 6-year lows.

Exhibit 2: FMS cash balance holds at 6-year low



Source: BofA Global FMS, Bloomberg. Disclaimer: The indicators identified above as BofA Bull & Bear and BofA Global FMS Cash Rule are intended to be indicative metrics only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. These indicators were not created to act as a benchmark. Back-tested performance does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein.

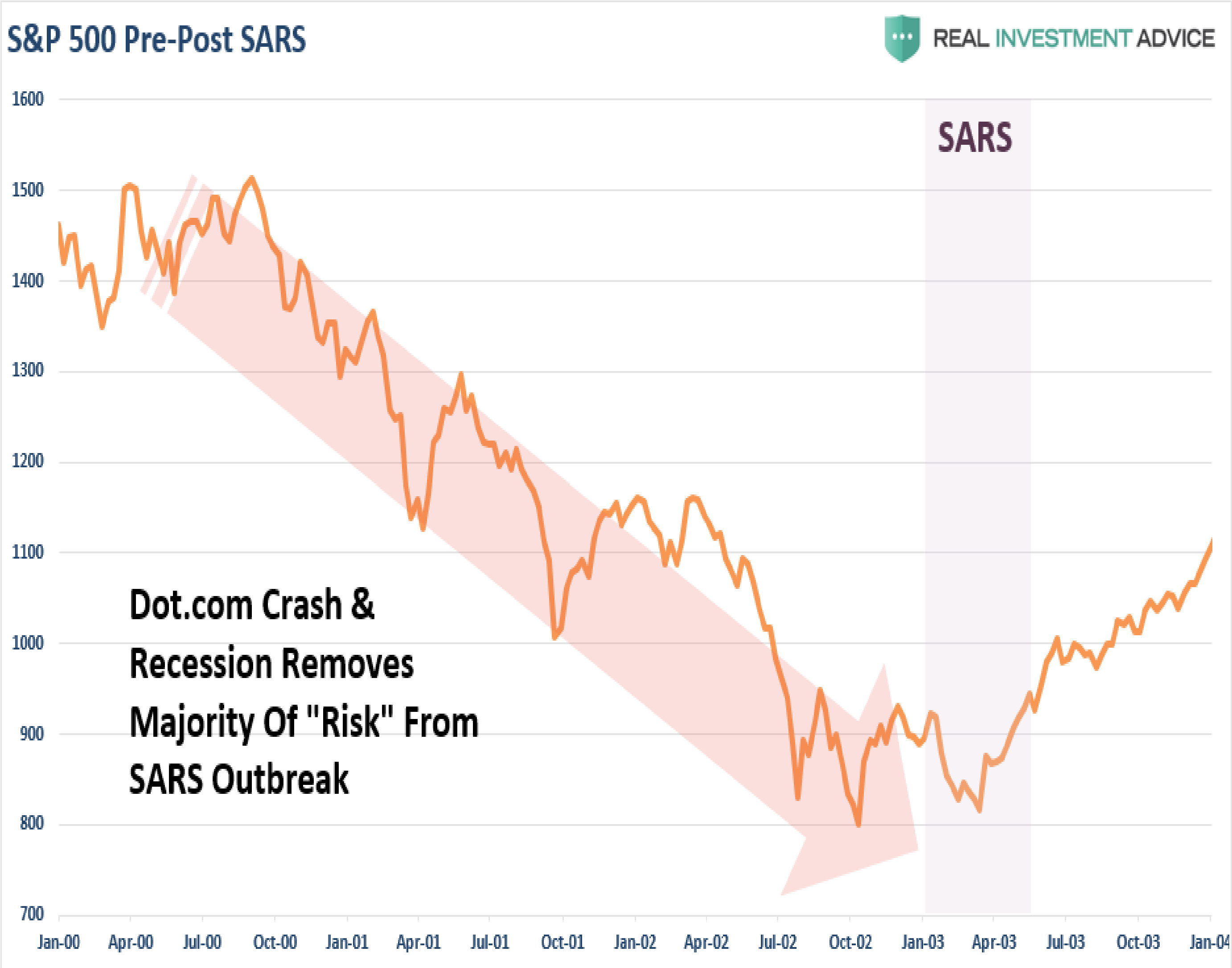
The importance of these measures is not meant to be a *"timing"* signal to buy or sell positions. These measures are more valuable when thought about as an *"accelerator"* in a car. When markets are rising, investors press down on the accelerator, taking on more equity risk. As long as the road is straight, and visibility is good, it seems there are no consequences for driving at high speeds. However, if the road suddenly turns, or a hazard presents itself, bad outcomes happen very quickly.&#2013266080;

The same is true for the markets. As markets are rising, investors ignore the warning signs, and the flashing yellow lights, under the assumption, there is no risk ahead. **This is why *we discussed taking profits* a couple of weeks ago, which was simply how we *"eased our foot off the gas"* as signs were warning of a *"sharp curve ahead."*&#2013266080;**

I apologize for the analogy, but the message is important. The reason that investors do so poorly over time is the inability to manage risk. **Risk is never a function of how much money you make when markets are rising; it is a measure of *"your ability to survive the crash."&#2013266080;***

This past week, the road took a sharp right as the *"Coronavirus"* begin to impact overly optimistic views of a global reflation. While media headlines have run rampant with commentary suggesting investors shouldn't worry about the virus, we ***wrote on Thursday, this time is different than 2003.*** To wit:

> *"Following a nearly 50% decline in asset prices, a mean-reversion in valuations, and an economic recession ending, the impact of the SARS virus was negligible given the bulk of the 'risk' was already removed from asset prices and economic growth. Today?s economic environment could not be more opposed."*

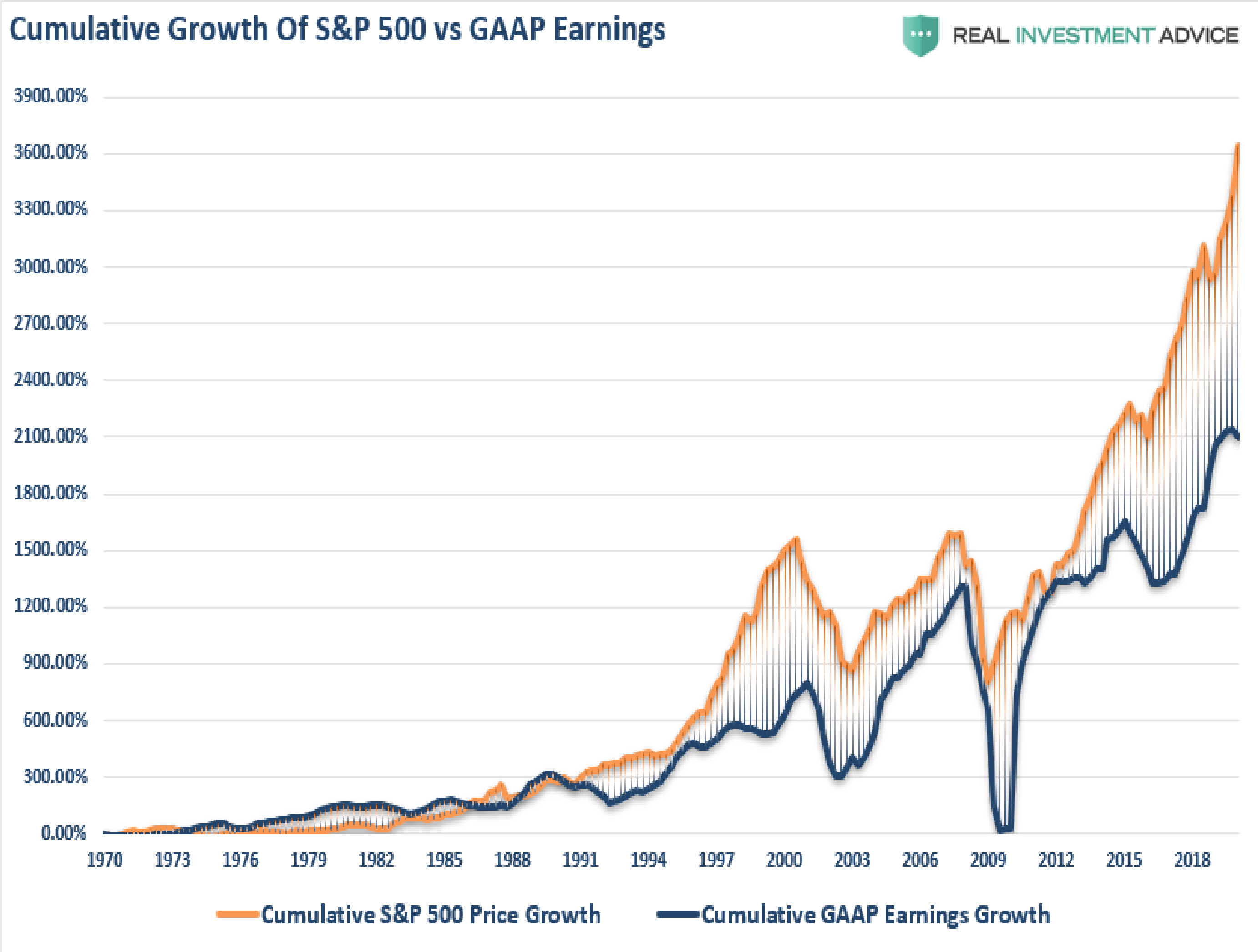


With global growth already slow, and the U.S. dragging its feet along at roughly 2% annual growth, there isn't much room to absorb the impact of an event that potentially curtails consumption. Here was the important point in our recent article:

> *"**China itself is a much more crucial player in the global economy than it was at the time of SARS, or severe acute respiratory syndrome, in 2003.**&#2013266080;It occupies a central place in many supply chains used by other manufacturing countries?including pharmaceuticals,&#2013266080;**with China home to&#2013266080;13 percent of facilities that make ingredients for U.S. drugs?and is a voracious buyer of raw materials and other commodities, including oil, natural gas, and soybeans.**&#2013266080;That means that any economic hiccups for China this year?coming on the heels of its worst economic performance in 30 years? **will have a bigger impact on the rest of the world than during past crises.***
>
> *That is particularly true given the epicenter of the outbreak:&#2013266080;**Wuhan, which is now under effective quarantine, is a riverine and rail transportation hub that is a key node in shipping bulky commodities between China?s coast and its interior."***

Importantly, as percentage of global GDP, China is 4x the size it was in 2003.&#2013266080;

Don't dismiss the risk of a viral contagion on an already weak global economy, at a time when asset prices are grossly deviated from actual profits, and GAAP earnings.



Is The Correction Over?

Since taking profits out of our portfolios, this leads us to the obvious question of whether or not the *"Coronavirus Correction"* is over?

From an investment standpoint, this is a fairly tricky question which **brings up what we term in our practice as an *"equity risk duration match."&#2013266080;***

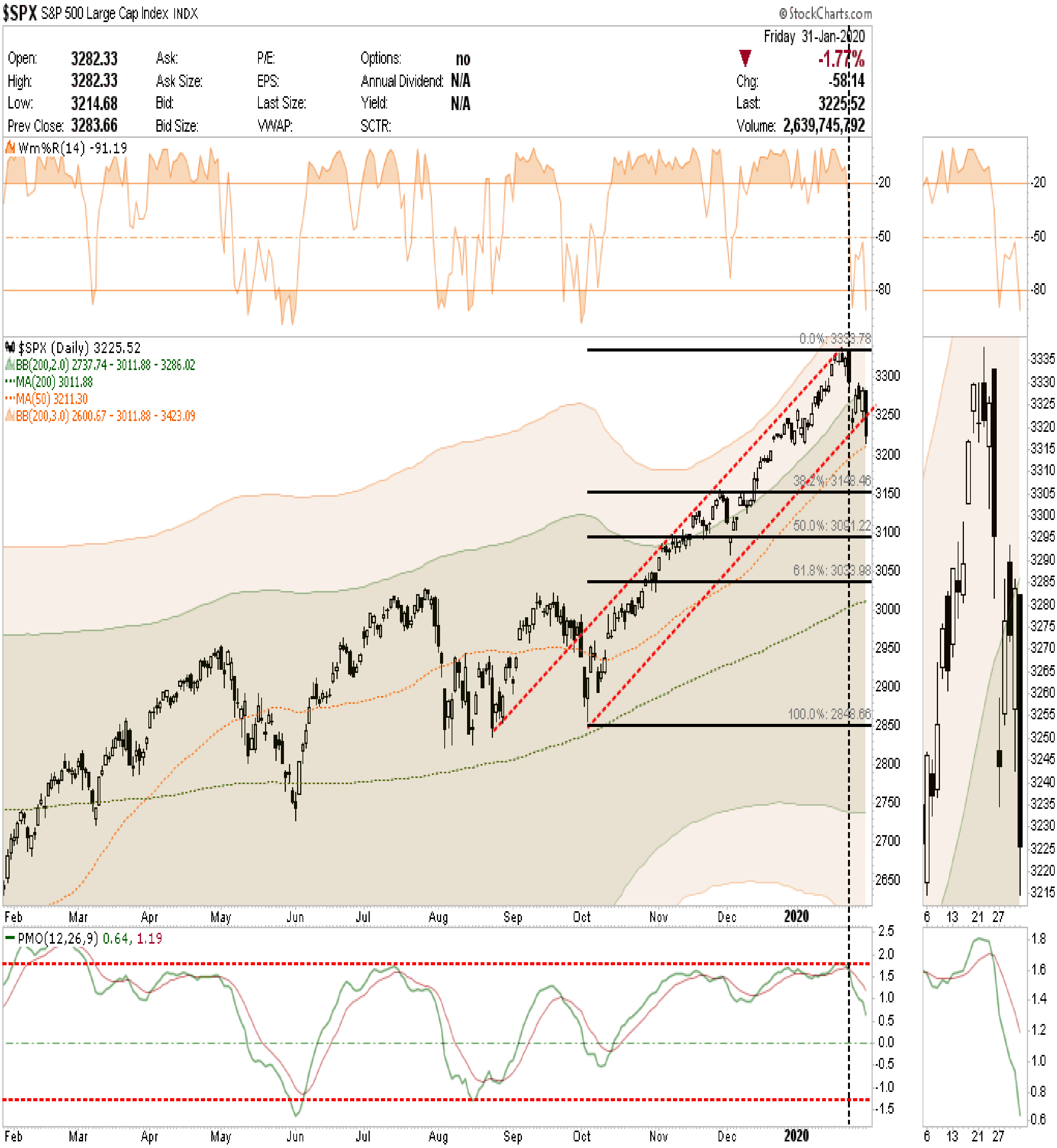
On a very short-term basis, there is a potential for a reflexive bounce. **If your *"investment duration,"* or rather your *"investment holding period"* is very short, there may be a *"trading"* opportunity for you.** However, if your *"duration"* is a longer time-frame, like ours, then the short-term oversold bounce is likely an opportunity to *"reduce risk"* further into.&#2013266080;

As they say, *"a picture is worth a thousand words."&#2013266080;*

We did this analysis for our *[RIAPRO Subscribers (Risk-Free Trial For 30-Days)](#)* this past week, which warned them of the potential for a deeper decline this week.&#2013266080;

Daily - Short-Term

The market finally reversed some of the extreme 3-standard deviation extension *(shaded areas)* above the 200-dma, which we have discussed over the last couple of weeks. Such extensions, like stretching a rubber band too far, ALWAYS snap back eventually. We just never know what the catalyst will be that sparks the reversion.&#2013266080;&#2013266080;



With a *"sell signal"* clearly triggered *(lower panel),* it suggests, on a short-term basis, we are likely to see a *"tradeable bounce."* However, until the signal reverses, any short-term bounce should probably be *"sold into."&#2013266080;*

Make no mistake, there is currently downside risk below the 50-dma to both the 38.2% and 50% Fibonacci retracement levels. **From recent peaks, such a correction would entail a 5-8% decline, which is well within the normal range of a market correction within an ongoing bullish trend.&#2013266080;**

Weekly - Intermediate-Term

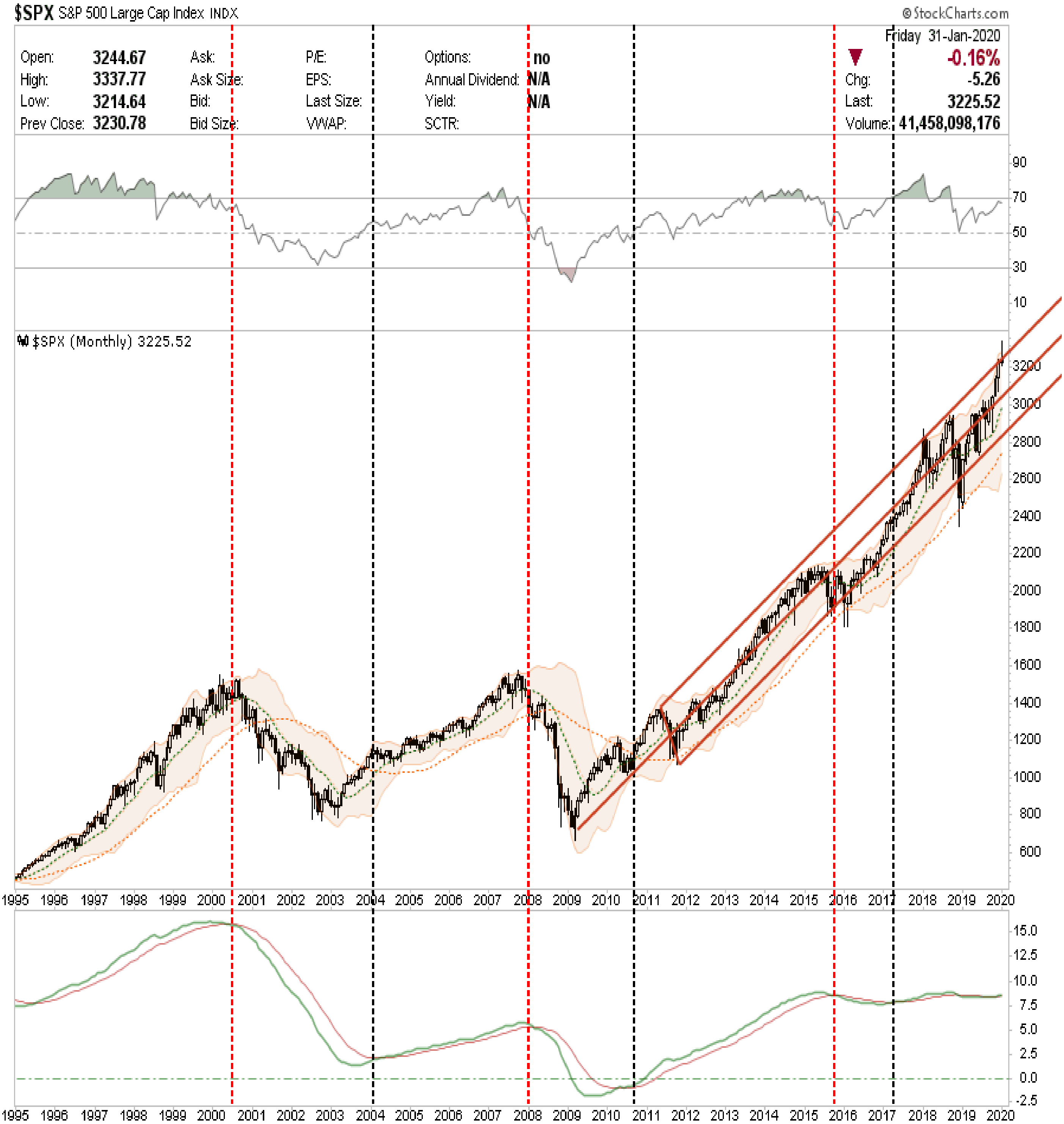
On a weekly basis the picture changes a bit. The bullish *"buy" signal&#2013266080;*is still intact but is threatening a reversal which one more *"down week"* will likely accomplish. Furthermore, the market is NOT oversold as of yet, suggesting there is indeed downside risk currently, notwithstanding a short-term bounce. **The best buying opportunities are when the weekly signal is oversold.&#2013266080;**

With the weekly *"buy"* signals still intact, such suggests the *"correction"* remains contained at the moment. However, these signals are valid only at the end of the week, so if there is further deterioration next week, there is a risk of a deeper correction developing. **Previous corrections from such extended levels have ranged from 10%, to nearly 20%.**

Monthly - Intermediate To Long-Term

On a long-term view, the market remains contained at the top of its bullish trend from the 2009 lows. Previous corrections have consistently tested both the mid- and lower bounds of the range.

Don't dismiss the statement above lightly. **A test of the lower band of the range would wipe out 100% of the gains from 2019.**



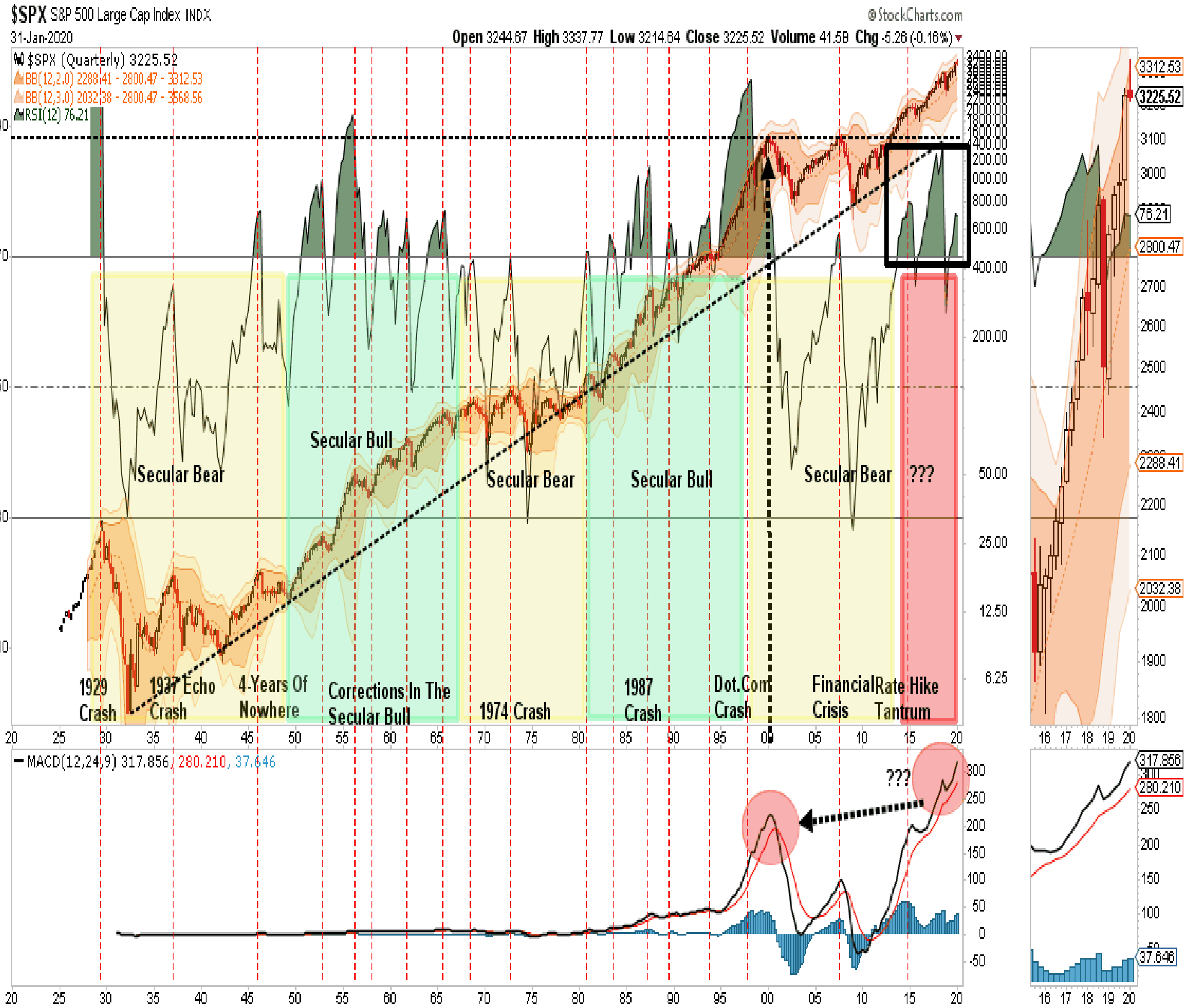
The market remains at risk of triggering a monthly sell signal *(lower panel,)* which has previously resulted in more severe bear markets and corrections going back 25-years.&#2013266080;

Monthly data is very slow to move and is only valid at months end. **This data is not useful for trading markets** but is useful for risk mitigation and understanding when a *"bear market"* has genuinely begun.&#2013266080;

Quarterly - Long-Term

As with the monthly data above, quarterly data is also not useful for trading portfolios. **However, it provides a much deeper understanding of portfolio risk in the years ahead.&#2013266080;**

Currently, the market is extremely overbought *(top panel,)* and extremely extended *(lower panel,)* which has not previously been beneficial to investor returns over the following few years.



Importantly, what this data suggests is that betting on a *"buy and hold"* strategy over the coming decade is likely to leave you fairly disappointed. Risk is elevated and given the extreme long-term deviations on a variety of levels, an eventual *"reversion to the mean"* will be a more brutal event than what we have seen previously.

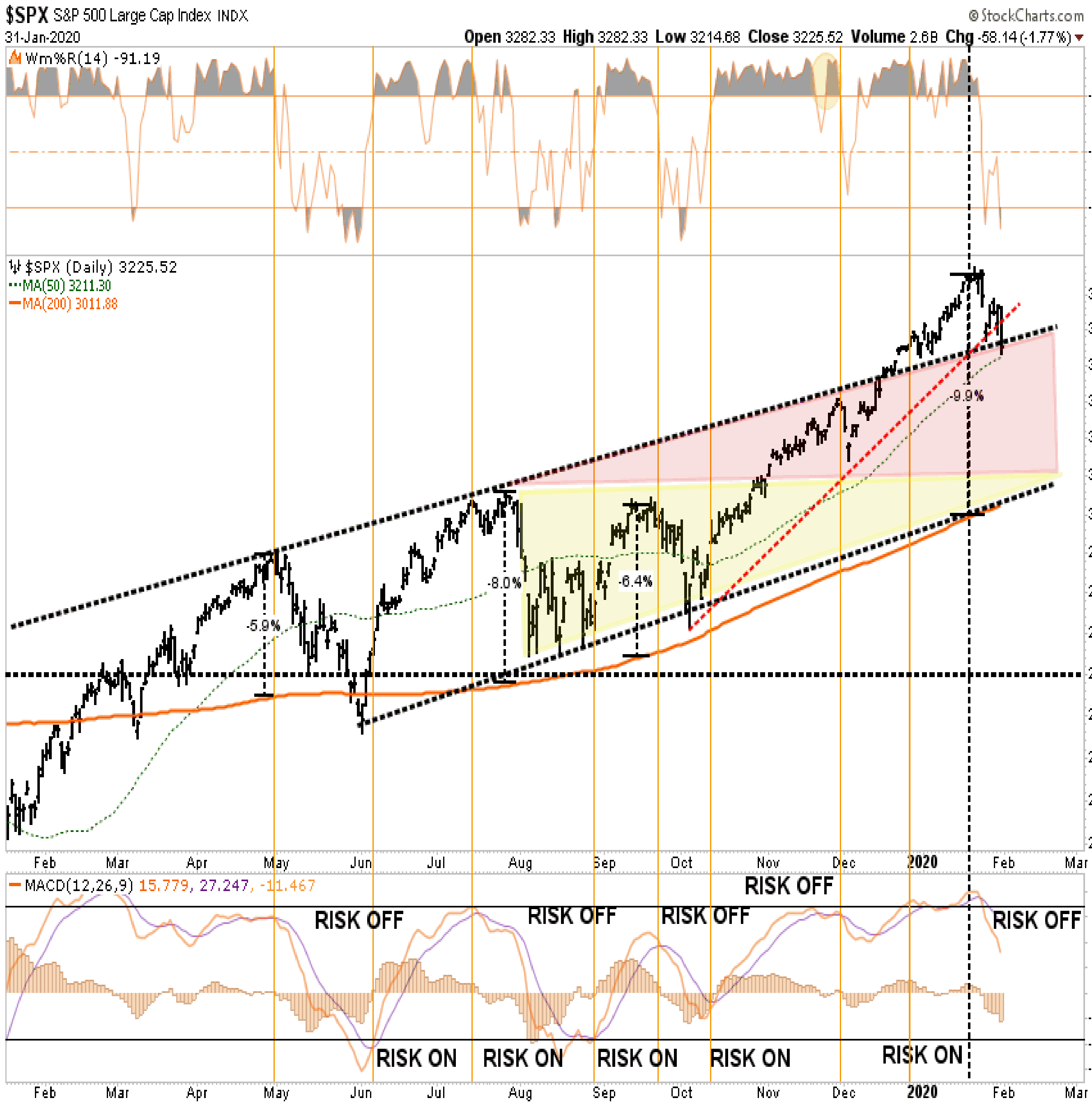
Portfolio Positioning

As noted above, after previously reducing exposure *?slightly?* to equities, **we are now starting to actively scan for opportunities for a *"risk rotation"* in the market.**

For quite some time, we have been portfolio weight to overweight in defensive areas of the market like Utilities, Real Estate and Staples as well as Treasury bonds. Those areas are now extremely extended. **We will look to take profits out of these sectors and rebalance weights in Technology, Financials, Healthcare, and Communications, which we reduced previously.**

This rebalancing of risk will not dramatically increase our equity exposure; as noted above, the longer-term technical outlook remains cautious. We are very late-cycle in the current market, but with the Fed still intervening, we must give deference to the *"bullish bias,"* which remains at the moment. **In other words, it is not time to be *"bearish"* yet, but *"cautious"&#2013266080;*is likely a better attitude to have.**

With bond yields plummeting this past week, our bond exposures have gotten extremely stretched. **The sell-off in the market, combined with the *"risk off"* rotation to bonds, sets the market up for a reflexive bounce.** The duration and magnitude of that bounce will be critical as to our next steps in positioning.&#2013266080;



A reflexive bounce that fails at the bottom of the trendline from the October lows *(red dashed line)* will be fairly negative, and suggest lower lows are coming. With February typically a *"weak month"* anyway, there is a high likelihood of this event occurring, especially if the virus is not contained soon.&#2013266080;

If the bounce holds the 50-dma, and reclaims the bullish trendline, then a run back towards the previous highs is likely. This is will likely coincide with a containment of the virus, or help from the Fed in terms of *"guidance"* combined with an extension of *"Repo"* funding past April.&#2013266080;

Our reduced positioning has helped shelter our portfolios this month, as portfolio drag was about 1/3rd of the overall market. We can now use our stored cash to take advantage of some trading opportunities that have presented themselves.

The *"bullish bias"* is not dead as of yet, and investors will be quick to try and *"write off"* the impact of the *"virus."&#2013266080;***After a decade of *"macro-events"* not stopping the bullish charge, the belief the market is *"bulletproof"* has become so deeply ingrained into investor mentality it won't be dislodged until it is far too late to matter.**

Is this *"the"* event that triggers the next *"bear market"* and *"recession?"&#2013266080;*

Maybe. Maybe not.

We won't know for sure until after the fact. **But this is why we manage risk in the short-term, so that we can navigate the *"twists and turns"* of the market without careening off the cliff.**

The Macro View

MacroView: The Fed's View Of Valuations May Be Misguided

Written by Lance Roberts | Jan 31, 2020

Following the latest FOMC meeting Jerome Powell suggested that asset valuations were only somewhat elevated leaving the impression there is little concern. We look at valuations across a variety of measures to see if that is indeed the case.

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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

REGISTER NOW for our most popular workshop: THE RIGHT LANE RETIREMENT CLASS

- ***The Westin, Austin at the Domain- 11301 Domain Drive, Austin, TX 78758***
- ***February 8th from 9-11am.***

#FPC: What You Have In Common With Kobe Bryant & Chandler Parsons

Written by Lance Roberts | Jan 31, 2020

You may have more in common with Kobe Bryant and Chandler Parsons that you know. No one expects the worst to happen, but not being prepared can be devastating to your families future financially.

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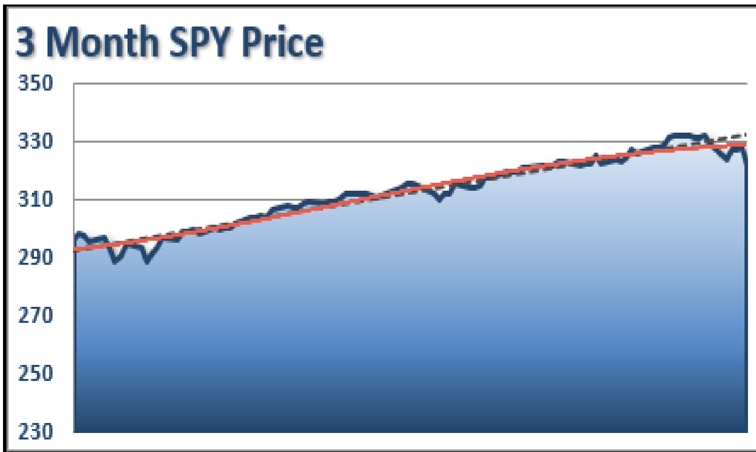
You?ll be hearing more about more specific strategies to diversify soon, but don?t hesitate to give me any suggestions or questions.

by Richard Rosso, CFP&#2013266094;, CIMA&#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	14.13%	19.19%	(0.04%)	(100.21%)
Max Drawdown	-20.47%	-7.41%	-3.67%	-50.48%
Sharpe	0.54	1.99	(0.22)	(1.11)
Sortino	0.64	2.10	(0.25)	(1.12)
Volatility	15.04	11.87	12.11	0.02
Daily VaR-5%	(14.66)	3.79	(20.00)	(6.28)
Mnthly VaR-5%	(10.95)	10.92	10.92	0.00

S&P 500 Fundamental Analysis

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.78%	2.09%	1.75%	(19.64%)	2.18%	1.68%	(20.02%)	4.20%
P/E Ratio	22.97	17.80	20.19	11.85%	2169%	1648%	(6.9%)	22.52%
P/S Ratio	3.38	2.89	3.49	17.32%	3.59	2.65	(2.74%)	31.72%
P/B Ratio	3.84	3.52	4.41	20.25%	4.29	3.01	2.86%	46.72%
ROE	16.03%	18.81%	18.57%	(1.29%)	18.81%	15.04%	(1.27%)	23.50%
ROA	3.00%	3.53%	3.51%	(0.50%)	3.53%	2.81%	(0.50%)	24.96%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,411.1	2,306.6	(4.33%)
Sales	61,876	64,664	4.50%
SPS	25.7	28.0	9.24%
Earnings	9,268	9,456	2.03%
EPS TTM	4.6	4.8	4.33%
Dividend	1.6	1.7	6.26%

S&P 500 Asset Allocation

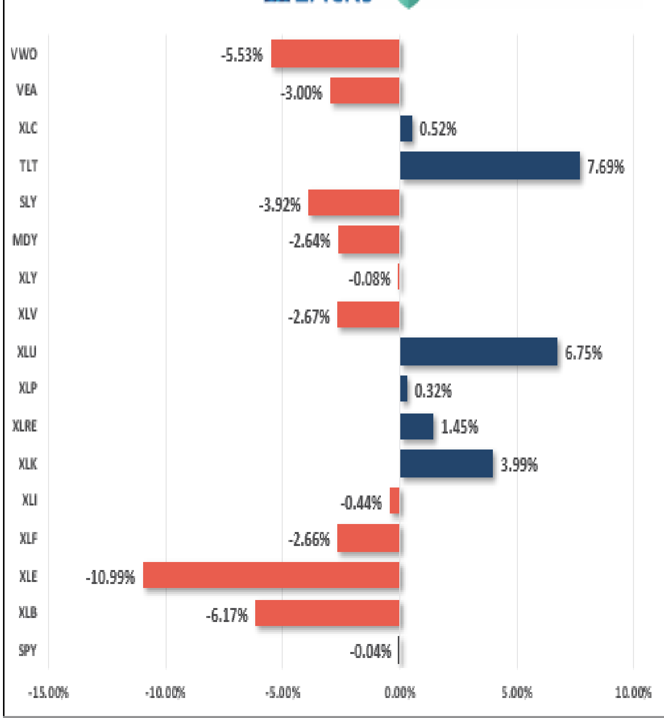
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High-5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(14.75%)	3.90%	1.25	16.42	127.61	12.77	(87.1%)	7.8%	4.4%	6.00%	2.55	21.27
Materials	(18.59%)	2.53%	1.25	15.77	22.97	13.86	(31.3%)	8.7%	1.9%	6.27%	3.29	20.53
Industrials	13.52%	9.08%	1.17	18.69	22.27	14.78	(16.1%)	17.6%	1.9%	5.39%	4.64	19.04
Discretionary	15.48%	9.61%	1.02	25.27	27.17	20.19	(7.0%)	29.4%	1.3%	3.88%	4.38	25.54
Staples	17.63%	7.09%	0.57	21.51	22.83	17.62	(5.8%)	27.6%	2.6%	4.58%	3.78	21.58
Health Care	9.65%	13.97%	0.84	17.46	20.18	15.78	(13.5%)	30.9%	1.7%	5.63%	6.41	17.65
Financials	16.87%	12.51%	1.27	13.89	18.50	11.73	(24.9%)	11.6%	2.0%	7.02%	5.62	14.07
Technology	44.98%	24.29%	1.25	26.16	24.10	14.48	8.6%	39.8%	1.2%	3.74%	4.99	25.03
Telecom	14.75%	10.54%	0.87	22.76	27.01	17.61	(15.7%)	16.9%	0.9%	4.32%	6.17	20.69
Utilities	26.95%	3.48%	0.26	22.82	21.40	15.58	6.6%	10.6%	2.9%	4.37%	3.57	20.68
Real Estate	14.46%	2.97%	0.64	21.36	23.85	17.19	(10.5%)	9.8%	3.1%	4.63%	4.20	21.21

Momentum Analysis

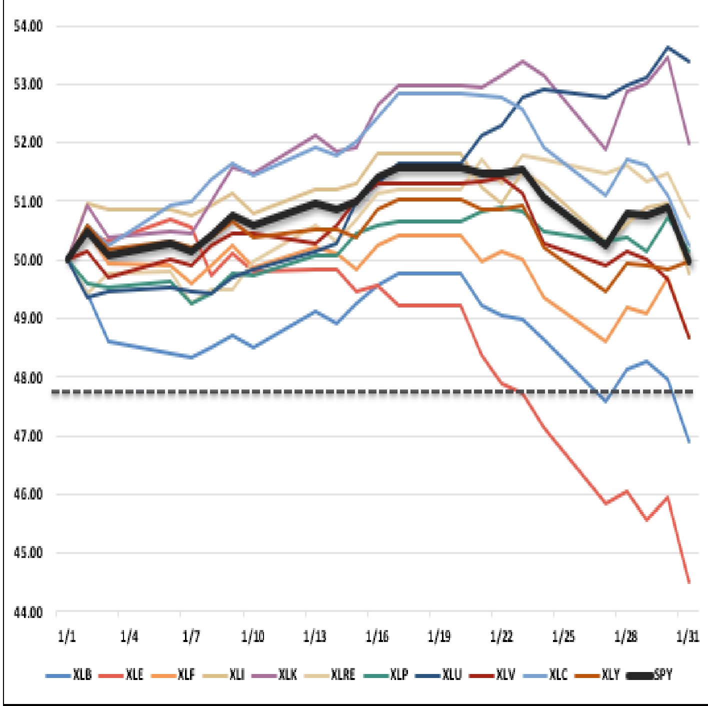
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	321.73	3.46%	321.63	50	0.03%	301.46	174	6.72%	6.69%	(3.37%)	22.57%	Buy
Mid Cap	365.46	0.93%	373.03	2	(2.03%)	356.28	81	2.58%	4.70%	(4.68%)	11.18%	Buy
Small Cap	69.61	0.69%	71.93	4	(3.23%)	68.33	79	1.88%	5.28%	(6.22%)	10.54%	Buy

Performance Analysis

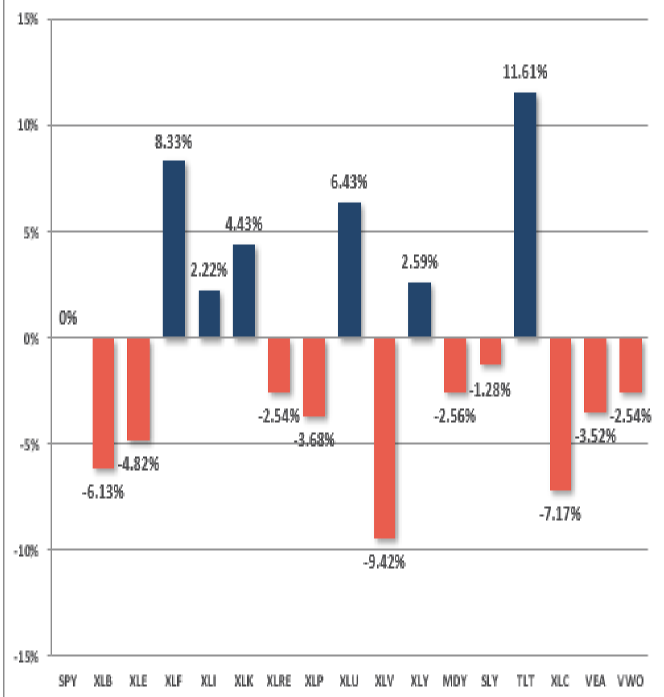
Year To Date Performance



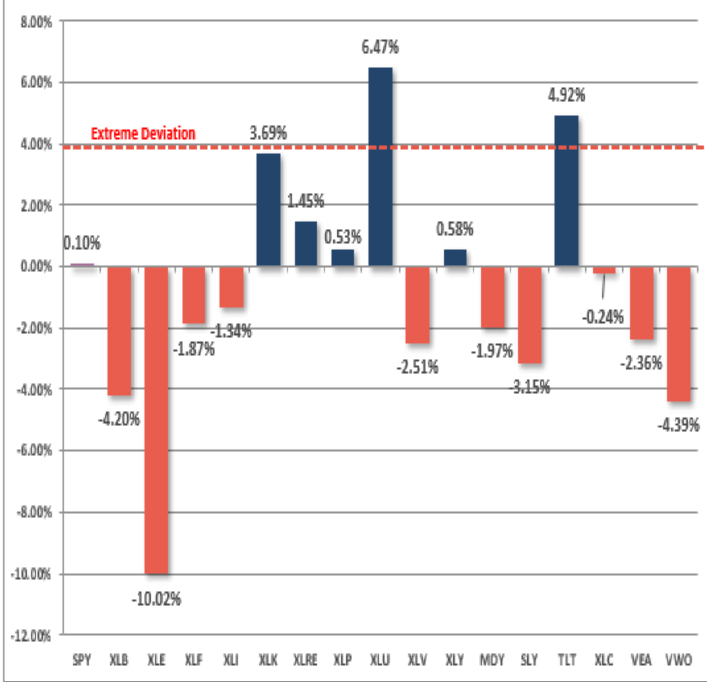
YTD Price - S&P Sectors Recalibrated To $50/share



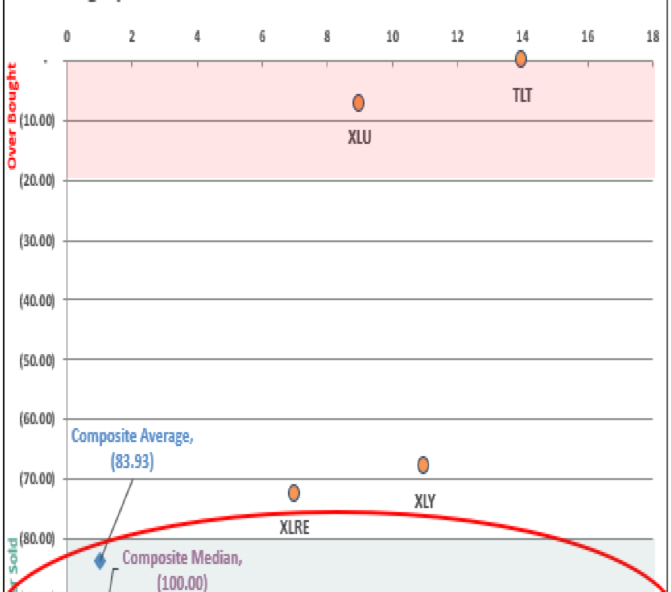
Year To Date Performance Relative To S&P 500



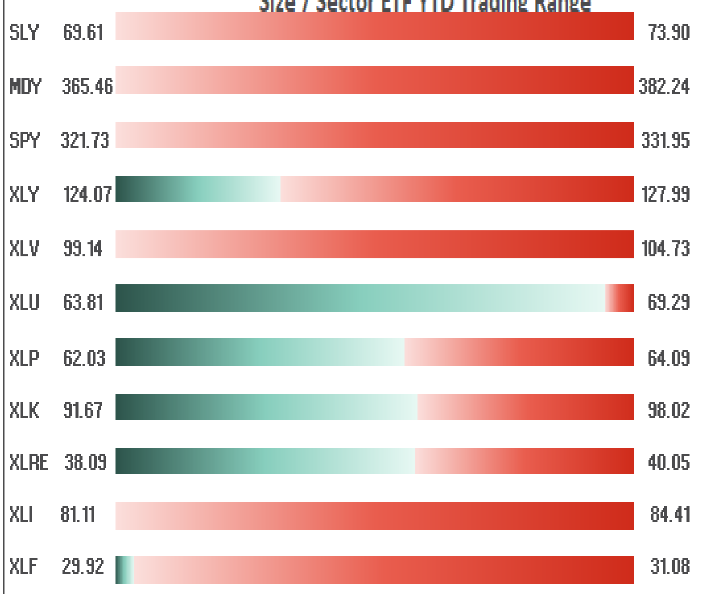
Price Deviation From 50-Day Moving Average



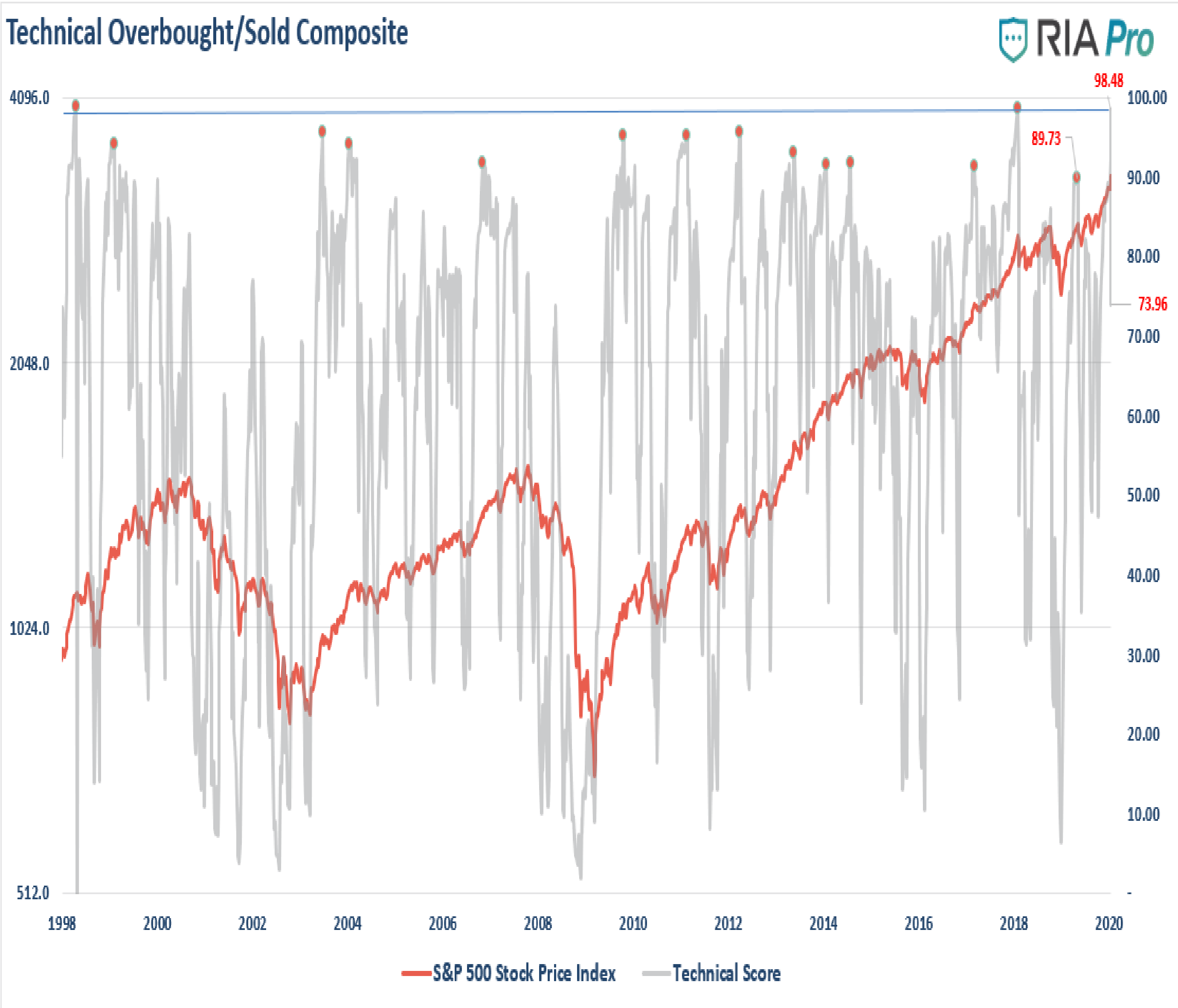
Overbought/Oversold 14-Periods



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	323.24	(2.12)	(0.18)	4.05	11.24	18.97	320.32	305.94	0.91%	5.66%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	57.63	(1.42)	(3.32)	(8.27)	(9.46)	(11.27)	60.10	58.55	-4.12%	-1.58%	BUY
		XLE	SPDR-EGY SELS	53.44	(3.50)	(11.35)	(15.99)	(17.52)	(36.61)	59.54	59.92	-10.24%	-10.82%	SELL
		XLF	SPDR-FINL SELS	29.96	0.70	(2.39)	(3.64)	1.52	(3.96)	30.35	28.68	-1.30%	4.48%	BUY
		XLI	SPDR-INDU SELS	81.11	(0.80)	(1.92)	(4.84)	(2.07)	(6.13)	82.08	78.78	-1.19%	2.96%	BUY
		XLK	SPDR-TECH SELS	95.33	(0.04)	3.41	6.65	10.54	24.02	90.74	84.08	5.06%	13.38%	BUY
		XLP	SPDR-CONS STPL	63.18	1.47	1.46	(0.06)	(6.31)	(0.25)	62.47	61.00	1.13%	3.57%	BUY
		XLU	SPDR-UTIL SELS	68.98	3.02	8.06	7.66	1.14	7.48	64.30	62.89	7.28%	9.68%	BUY
		XLC	SPDR-COMM SV SS	53.91	(1.08)	0.18	0.57	(0.63)	(1.70)	53.51	51.23	0.74%	5.23%	BUY
		XLV	SPDR-HLTH CR	99.14	(1.12)	(1.90)	0.17	(1.75)	(9.72)	100.42	94.89	-1.28%	4.48%	BUY
		XLY	SPDR-CONS DISCR	125.32	1.62	(0.23)	(0.77)	(3.10)	(2.06)	123.85	121.63	1.19%	3.04%	BUY
	SIZE	SLY	SPDR-SP SC 600	69.61	(1.44)	(3.81)	(5.00)	(4.70)	(13.90)	71.43	68.61	-2.55%	1.45%	BUY
		MDY	SPDR-SP MC 400	365.46	(0.66)	(2.10)	(3.71)	(4.28)	(9.83)	370.80	358.12	-1.44%	2.05%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	113.54	(0.68)	(1.43)	(2.50)	(2.16)	(6.13)	114.38	110.00	-0.74%	3.22%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	104.47	(0.32)	(2.01)	(5.61)	(4.96)	(9.27)	106.72	103.29	-2.10%	1.14%	BUY
	Real Estate	XLRE	SPDR-RE SELS	39.23	0.22	2.07	(0.21)	(9.77)	(3.99)	38.58	38.53	1.67%	1.82%	BUY
	International	EEM	ISHARS-EMG MKT	42.11	(3.47)	(6.10)	(7.64)	(4.74)	(20.49)	44.07	42.51	-4.44%	-0.93%	BUY
		EFA	ISHARS-EAFE	67.48	(0.78)	(2.41)	(5.36)	(2.84)	(11.28)	68.91	66.42	-2.08%	1.59%	BUY
		IXUS	ISHARS-CR INT S	59.93	(1.13)	(2.93)	(5.25)	(3.10)	(12.90)	61.26	59.08	-2.17%	1.43%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	145.90	4.81	5.05	4.10	(11.40)	1.65	138.72	138.57	5.18%	5.29%	BUY
	International	BNDX	VANGD-TTL INT B	57.65	2.80	1.51	(4.34)	(13.66)	(13.63)	57.52	57.93	0.22%	-0.49%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	87.53	1.93	(0.61)	(3.26)	(9.58)	(15.60)	87.49	87.09	0.04%	0.50%	BUY
	Cash	BSV	VANGD-SHT TRM B	81.33										

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 ? Communications (XLC)

As recommended three weeks ago, we reduced our weighting in XLC slightly to take in some profits. That action worked out well with the rout to the sector on Friday. With the sector short-term oversold and sitting on the 50-dma, we will look to reweight our position in the portfolio accordingly.&#2013266080;

Current Positions: *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. On Friday, both sectors we swept up in the *"Coronavirus*" sell off and are now getting to levels where we are looking to re-weight our holdings accordingly. Healthcare is back to oversold, so we are looking to add to our holdings opportunistically.

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 two weeks and continued this week. We recommended taking profits previously, but now the sector is&#2013266080; back to oversold and we are looking at a potential entry for adding holdings.&#2013266080;

Current Position: *No Position*

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

> ***Note:*** *LAGGING Sectors are all showing signs of relative improvement to the S&P 500 suggesting a rotation from LEADING to LAGGING may be underway.*

Industrials, sold on with the potential global impact from the *"Coronavirus,"* and has registered a sell signal. We have been running a 1/2 weight position in portfolios but may have a setup to add to our holdings if the sector stabilizes on support. We are going to wait for this correction to play out before adding to our current position.

Energy has been pummeled over the last couple of weeks and we are close to being stopped out on our two small holdings.&#2013266080; Economic weakness seems to be gaining traction, and we may have to step aside and wait out the sector for a while longer.&#2013266080;

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. The sector remains very overbought and there isn't a good entry point available just yet. We are likely going to take some additional profits next week.&#2013266080;

Discretionary, we reduced our position slightly to take in profits. The sector held up better on Friday due to AMZN but outside of that the sector was very weak. The sector has been holding support at the 50-dma and with the overbought condition now reversed we may be able to add back to our position.

XLRE has been rallying as of late and relative strength is improving. With rates falling, REIT's remain a solid defensive sector. With bonds extremely overbought short-term, we are going to take profits out of the sector for now and rotate to an offensive position for a potential rate reversal short-term.&#2013266080;

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

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? Small- and Mid-caps broke down this past week on "virus" concerns and the impact to the economy. Both markets are now extremely oversold, so we are looking for the markets to stabilize to see if there is an entry opportunity to add to our holdings. As I discussed last week, the extreme overbought suggested a pullback was likely. That occurred this week. With the 50-dma failed to hold as support which puts our position at risk currently.&#2013266080;

Current Position:&#2013266080;*KGGIX, SLYV*

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

Emerging and International Markets, like small and mid-caps above, had gotten extremely overbought and needed to correct. The "coronavirus" quickly took the "wind out of the sales" of international exposure with supports unilaterally taken out this past week. My suspicion is that any good news on the "virus" will lead to a sharp reflexive rally in these markets at which point we will likely close them out entirely.&#2013266080;

Current Position: *EFV, DEM*

Dividends (VYM), Market (IVV), and Equal Weight (RSP)&#2013266080;? These positions are our long-term&#2013266080;*?core?* positions for the portfolio given that over the long-term markets do rise with economic growth and inflation. However, as we have noted over the past couple of months, the S&P was extremely extended and a pullback was likely. With that correction underway, we are watching the markets closely to see if supports and bullish trends hold.&#2013266080;

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

Gold (GLD) ? As noted three 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 few weeks, gold has broken out to highs and rallied further this past week and global fears swelled. That is a prime backdrop for gold to do well. We previously took our holdings back to full-weights after taking profits earlier this year.&#2013266080;

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

Bonds (TLT) ?&#2013266080;

Bonds rallied back towards previous highs on Friday as money rotated into bonds for *"safety"* as the market weakened. As noted previously: *"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."&#2013266080;*That rotation occurred on Friday.

After previously recommending adding to bonds, hold current positions for now and take profits next week to rebalance risks accordingly. Bonds are extremely overbought now.

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	Declining	Positive	Positive	:Look To Add			X			Holding 50-dma
XLK	Technology	OB	Positive	Positive	Look To Add			X			Correction Started
XLI	Industrials	OS	Positive	Positive	Hold			X			Holding Support
XLB	Materials	OS	Positive	Positive	Hold			X			Holding Support
XLE	Energy	OS	Positive	Negative	No Action					X	Close To Stop-Out
XLP	Staples	OB	Positive	Positive	Reduce			X			Holding Near Highs
XLV	Health Care	OS	Positive	Positive	Look To Add			X			Testing Support
XLU	Utilities	OB	Positive	Positive	Reduce			X			Very Overbought
XLF	Financials	OS	Positive	Positive	Look To Add			X			Broke 50-dma
XLC	Communications	Declining	Positive	Positive	Look To Add			X			Holding 50-dma
XLRE	Real Estate	OB	Positive	Positive	Reduce			X			Correction Started
SLY	Small Caps	OS	Positive	Positive	Warning			X			Broke 50-dma
MDY	Mid Caps	OS	Positive	Positive	Warning			X			Broke 50-dma
EEM	Emerging Mkt	OS	Positive	Positive	Warning			X			Broke 50-dma
EFA	International	OS	Positive	Positive	Warning			X			Broke 50-dma
IXUS	Total International	OS	Positive	Positive	Warning			X			Broke 50-dma
GLD	Gold	OB	Positive	Positive	Hold			X			New Highs
RSP	SP500 Equal Wgt	Declining	Positive	Positive	Hold			X			Testing Support
SDY	SP500 Dividend	Declining	Positive	Positive	Hold			X			Broke 50-dma
IVV	SP500 Market Wgt	OS	Positive	Positive	Hold			X			Broke 50-dma
TLT	20+ Yr. Bond	OB	Positive	Positive	Take Profits			X			Hold Positions
HYG	Corporate High Yield	Declining	Positive	Positive	No Position					X	Correction Started
BNDX	Int'l Bond Aggregate	OB	Positive	Positive	No Position					X	Testing Highs

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

Portfolio/Client Update:

In case you haven't taken the opportunity to watch the Market Outlook presentation with Michael Lebowitz and me, here is the link. ***CLICK HERE TO WATCH. &#2013266080;***Much of what is happening currently was discussed in that video, particularly in terms of our expectations for a pick up in volatility.

There was no change to portfolios last week as the outbreak of the *"Coronavirus"* was the catalyst that triggered the *"overbought, extended and bullish"* levels to reverse. On a very short-term basis those extremes have been reduced but not eliminated. However, there is an opportunity for us to rebalance portfolios accordingly. **This strategy is directly from what we wrote to you last Friday:**

> *"The market did correct on Friday, which will either be a 'one-day blip,' or something that may mature into a bigger correction we can add money to. We just need some of the overbought condition to be removed to add money more reasonably into portfolios on a risk/reward basis."*

After previously taking actions to slightly reduce portfolio risk, and raise cash, we have the luxury to wait a bit for a better entry point.&#2013266080;

Last week, we addressed the issue of the process of onboarding new accounts.&#2013266080;As noted last week:

> *"When a new client portfolio arrives, Mike and I have two choices: 1) Sell everything and buy everything in our model, OR 2) sell some, buy what is reasonable, and then be patient to build out the rest of the portfolio.&#2013266080;*
>
> *The problem with option 2) is that if the market goes into a melt-up phase, as we saw starting in October, the opportunity to safely add money to portfolios is not available. In hindsight, yes, we should have bought all of our overbought positions, which then went to extremely overbought. However, this is not a prudent, or sophisticated manner, in which to manage portfolio risk."*

The reason we do it this way is to avoid buying into risk. With the correction in process, we can now look to add exposure on a more reasonable *"risk/reward"* basis. It takes longer to get portfolios into models this way, but over the long-term it tends to provide a better framework with which to build upon.&#2013266080;

If you have any questions, please don't hesitate to email me.

There we no additional portfolio actions this past week.

- **New clients:**&#2013266080;*See note above.*
- ***Dynamic Model:*** *No actions required*
- ***Equity Model:*** *No actions required*
- ***ETF Model****: No actions required*

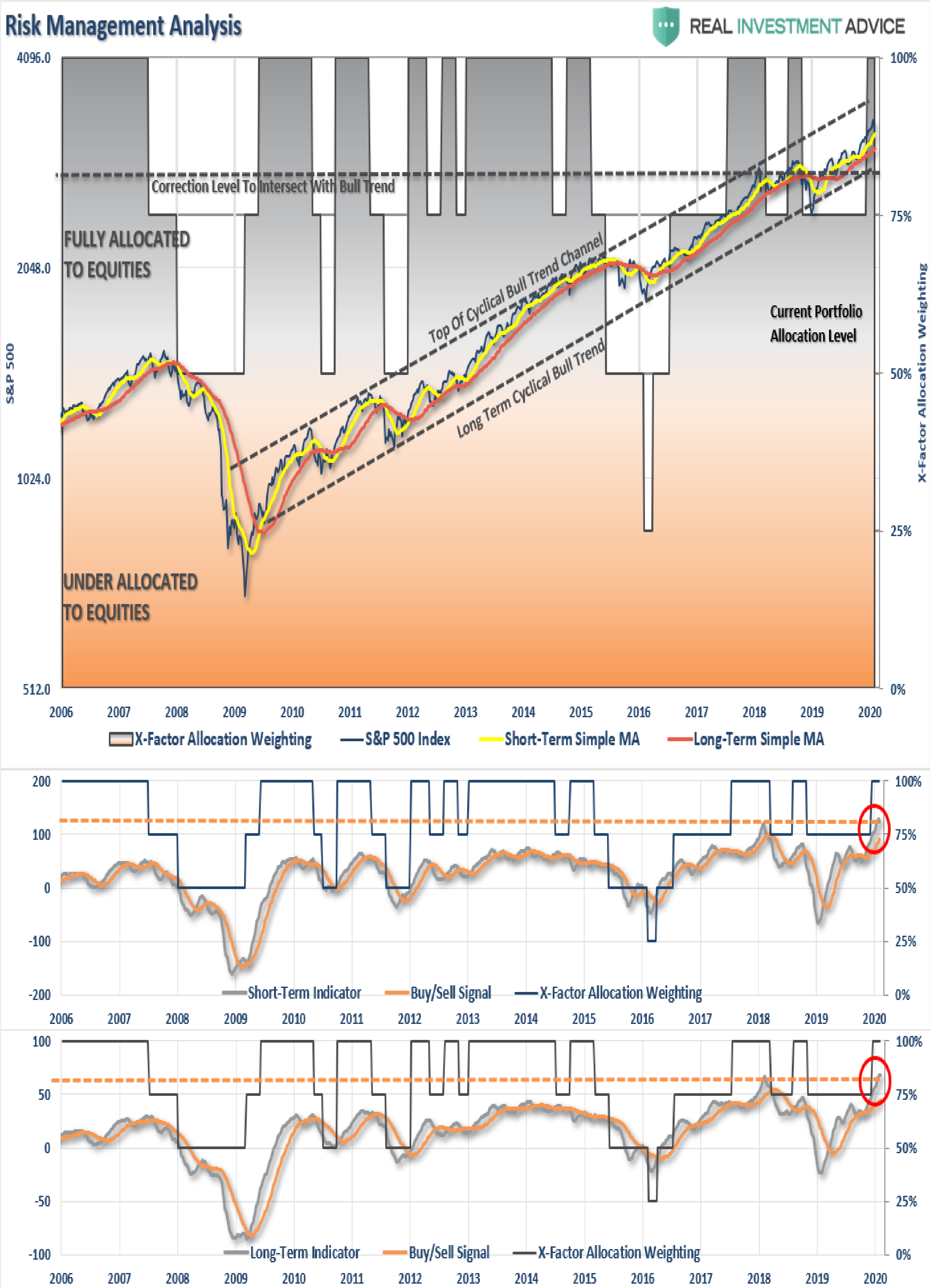
Note for new clients:

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
	Primary concern is the protection of investment capital

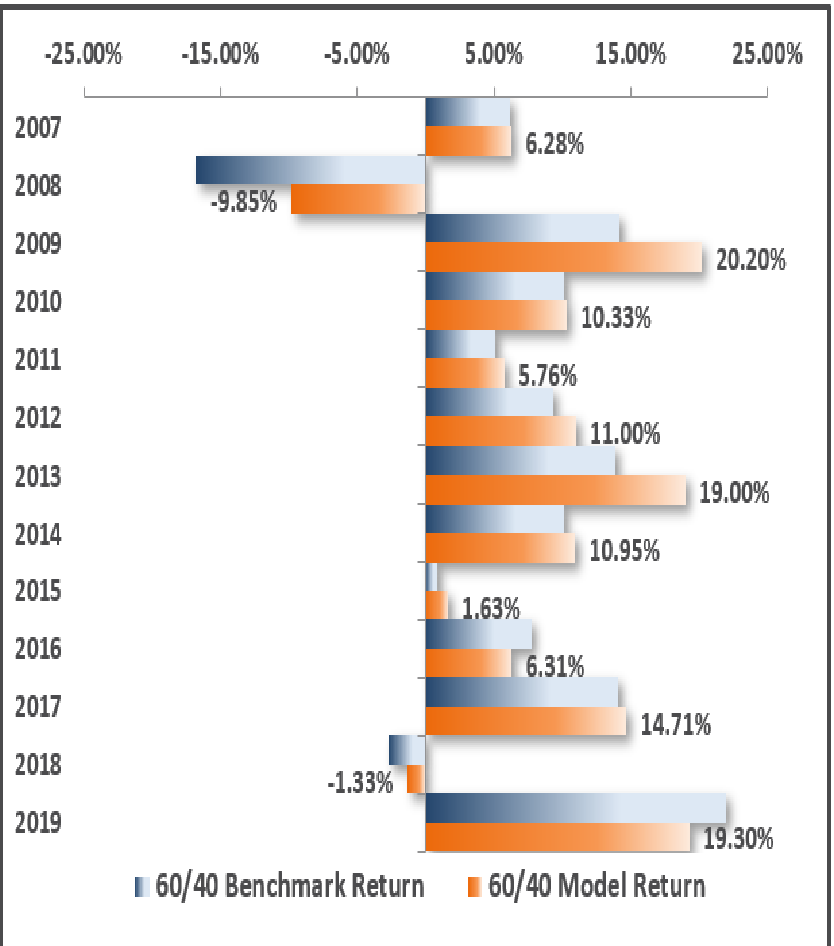
If you need help after reading the alert; do not hesitate to contact me.

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

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

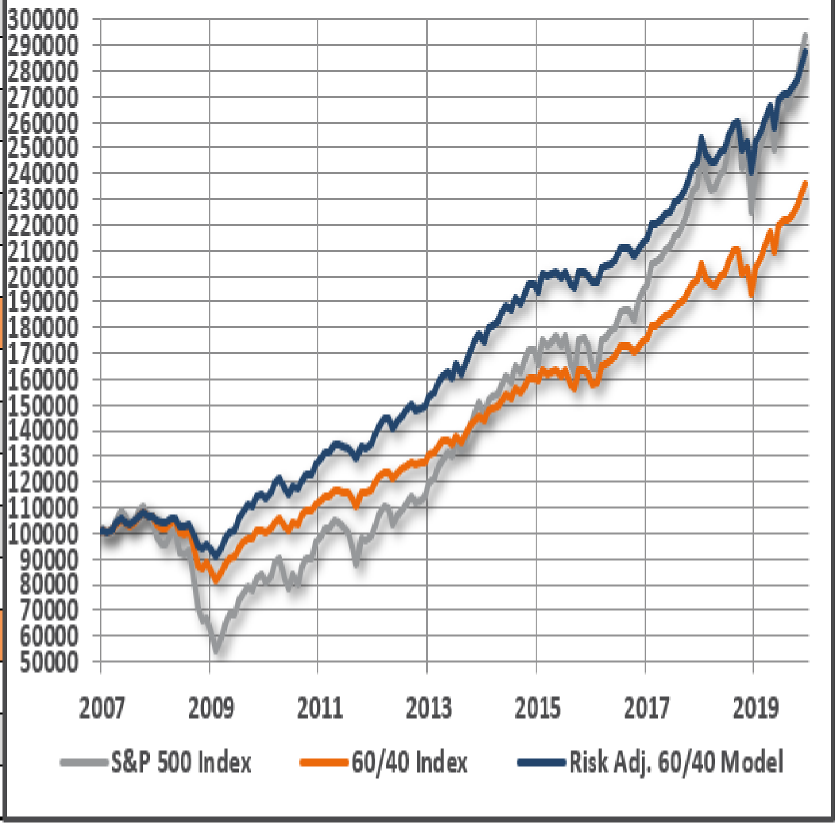
Model performance is based on a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. This is strictly for informational and educational purposes only and should not be relied upon for any reason. Past performance is not a guarantee of future results.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

60/40 Benchmark vs. Risk Adjusted 60/40 Allocation



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

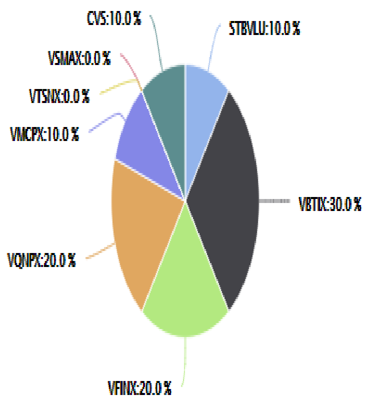
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

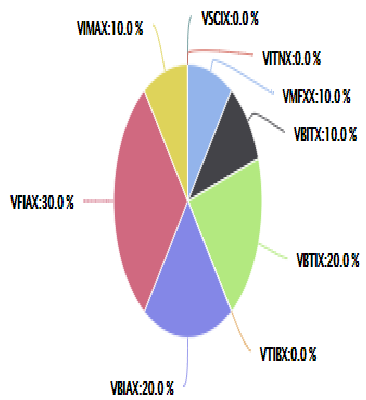
Retirement Income (RiaPro Annual ROR 9.02 %)

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



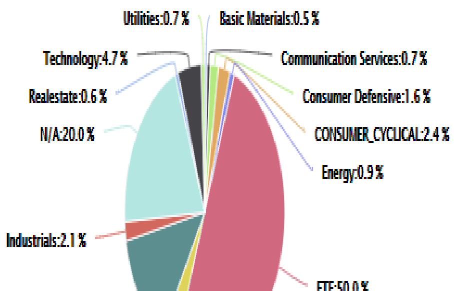
RIAPro Fund Composition



My Asset Composition

RIAPro Asset Composition

My Sector Composition



RIAPro Sector Composition