Breakout! Market Breaks Above 200-DMA. Is The Bull Back?

In this issue of "Market Breaks Above 200-DMA, Are All-Time Highs Next?"

- ***Market Breaks Above 200-DMA***
- ***Are Bulls TOO Optimistic***
- ***Technical Review***
- ***Portfolio Positioning***
- ***MacroView: CFNAI Crashes Most On Record,&#2013266080;***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 05-29-20

Written by Lance Roberts | May 29, 2020

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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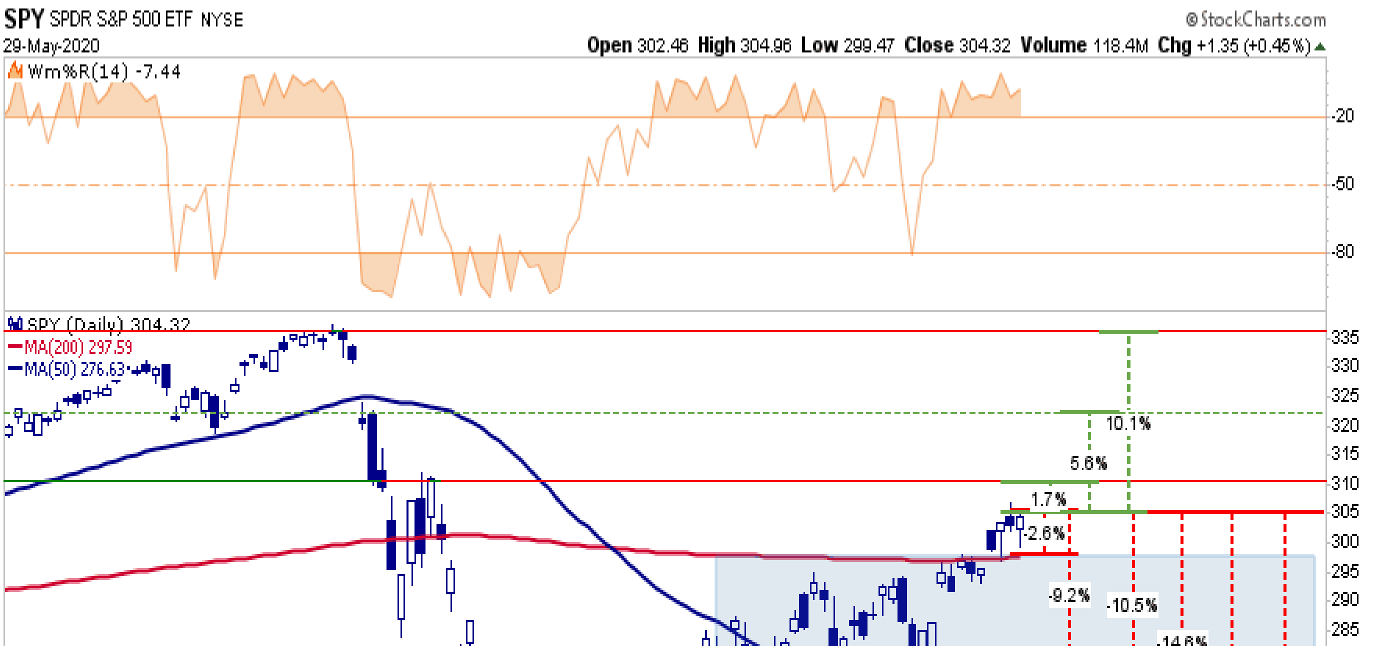
Market Breaks Above The 200-DMA

In last week's missive, we discussed how the market remained stuck between the 50- and 200-dma. At that time, we noted the risk/reward ranges, which encompassed a breakout or retracement within that range. *(The chart is updated through Friday's close.)* The shaded blue area shows the containment of the market between the two moving averages. With the market very overbought short-term&#2013266080;*(orange indicator in the background),*&#2013266080;there is downside pressure on prices short-term.



While the market did break above the 200-dma, such does not change the negative risk/reward characteristics of the market.

- ***-2.8% to the 200-dma vs. +1.7% to the March peak. Negative***
- ***-9.2% to the 50-dma vs. 5.6% to February gap down. Negative***
- ***-10.5% to the consolidation support vs. +10.1% to all-time highs. Neutral***
- ***-19.7% to April 1st lows vs. +10.1% to all-time highs. Negative***
- ***-27% to March 23rd lows vs. +10.1% to all-time highs. Negative***

However, as stated last week, the break above the 200-dma is currently changing the complexion of the market.

> ***"If the markets can break above the 200-dma, and maintain that level, it would suggest the bull market is back in play.*** *Such would change the focus from a retest of previous support to a push back to all-time highs. While such would be hard to believe, given the economic devastation currently at hand,* ***technically, it would suggest the decline in March was only a 'correction'&#2013266080;and not the beginning of a 'bear market.'"***

While the negative risk/reward dynamics are evident, the more negative outcomes are becoming less probabilistic. **However, on a longer-term basis, a deeper correction becomes more possible, given the deviation in prices from the underlying fundamentals.&#2013266080;**

Are Market Bulls Too Optimistic

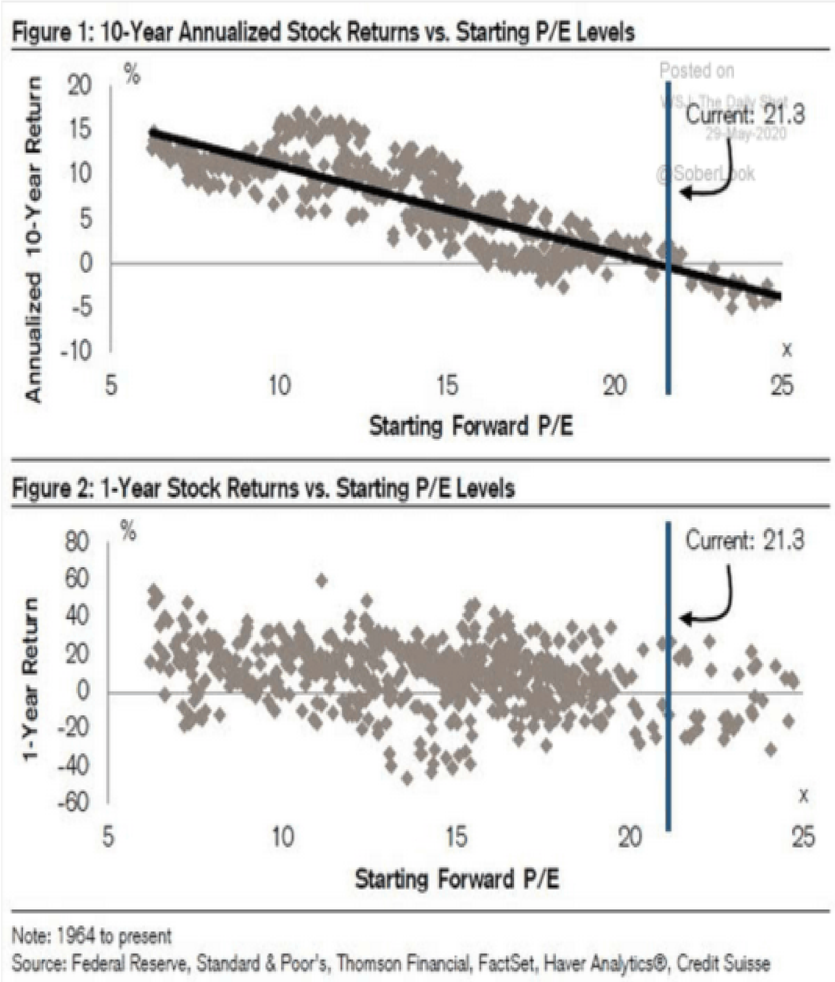
Currently, the markets are rallying in hopes of a&#2013266080;*"V-Shaped"* &#2013266080;economic recovery, which will be supported by a COVID-19 vaccine and no second wave of the virus. If such is the case, then it is expected the depression level readings of unemployment and GDP will quickly reverse, supporting the stock market's current valuations. There are several underlying problems with this narrative:

1. *There is a very high probability that as states reopen their economies, there will be a "second-wave" of COVID-19.*
2. *Out of the dozens of companies that are in the process of developing both therapeutics and a potential vaccine, the odds are incredibly high the vast majority, if not all, will fail.*
3. *Corporate profits and earnings were already struggling, heading into the recession. While they will rebound as the recession passes, they are unlikely to return to levels to support current valuations.*
4. *Unemployment will likely remain higher for longer than expected. Up to 50% of small businesses, which account for about 25% of all employment, are expected to shutdown. Consumption, which is where earnings and profits come from, will be cut accordingly.&#2013266080;*

Currently, investors have gotten back to more extreme stages of bullishness as the market has relentlessly rallied from the lows.&#2013266080;

Valuations Matter Long-Term

However, the complete detachment from the underlying fundamentals is likely to weigh on the markets soon than later. Irrespective of Fed stimulus, valuations do matter over the longer-term time and will drive forward returns.

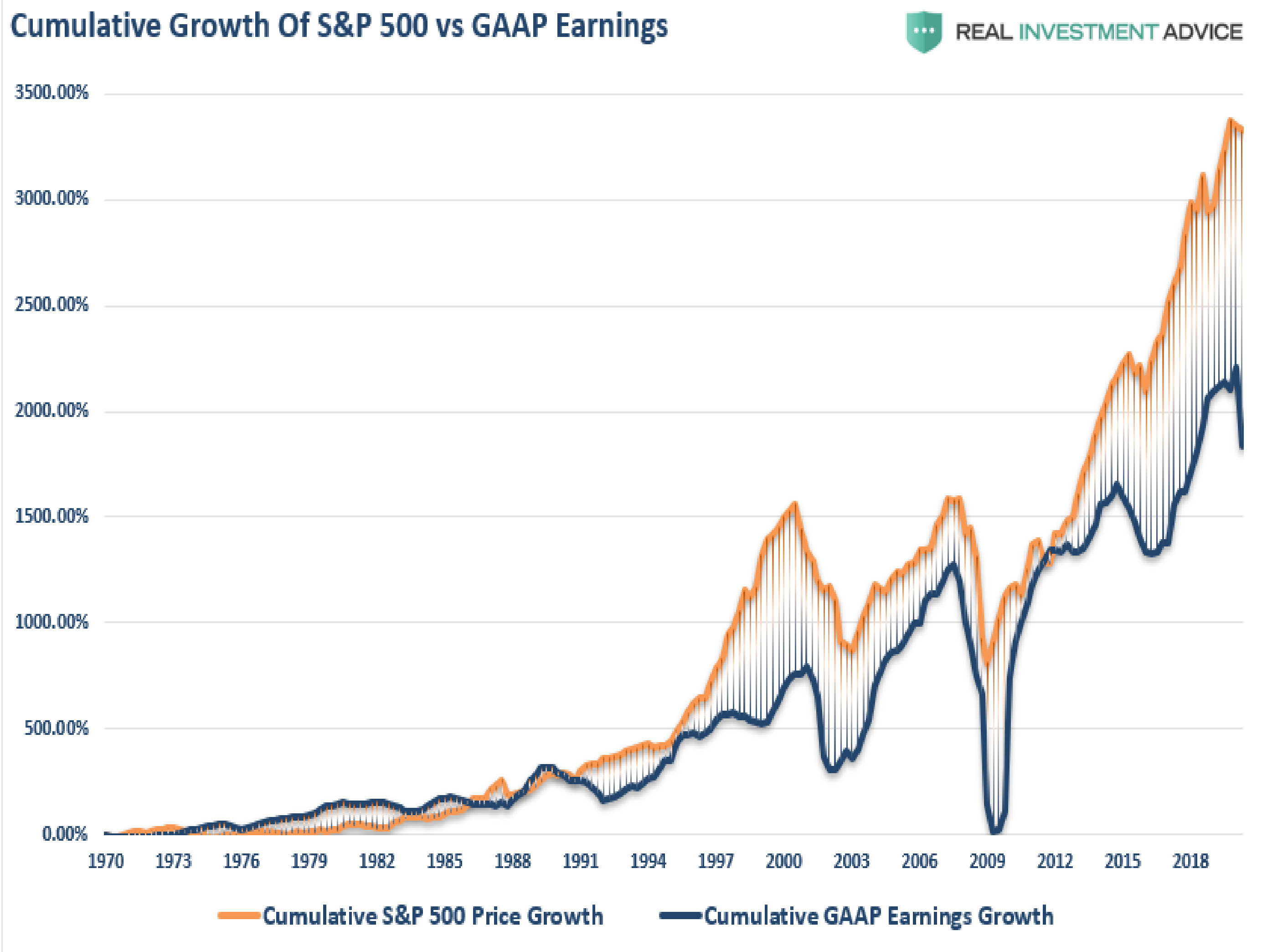


The problem is the valuation levels are worse than shown as earnings are still being revised lower, and will get worse. We know this because corporate profits were released this past week for Q1 and showed a record drop. That drop was for a quarter where the shutdown accounted for only 2-weeks of the reporting period. The decline in the second quarter will be materially worse as the entire month was lost to the pandemic.

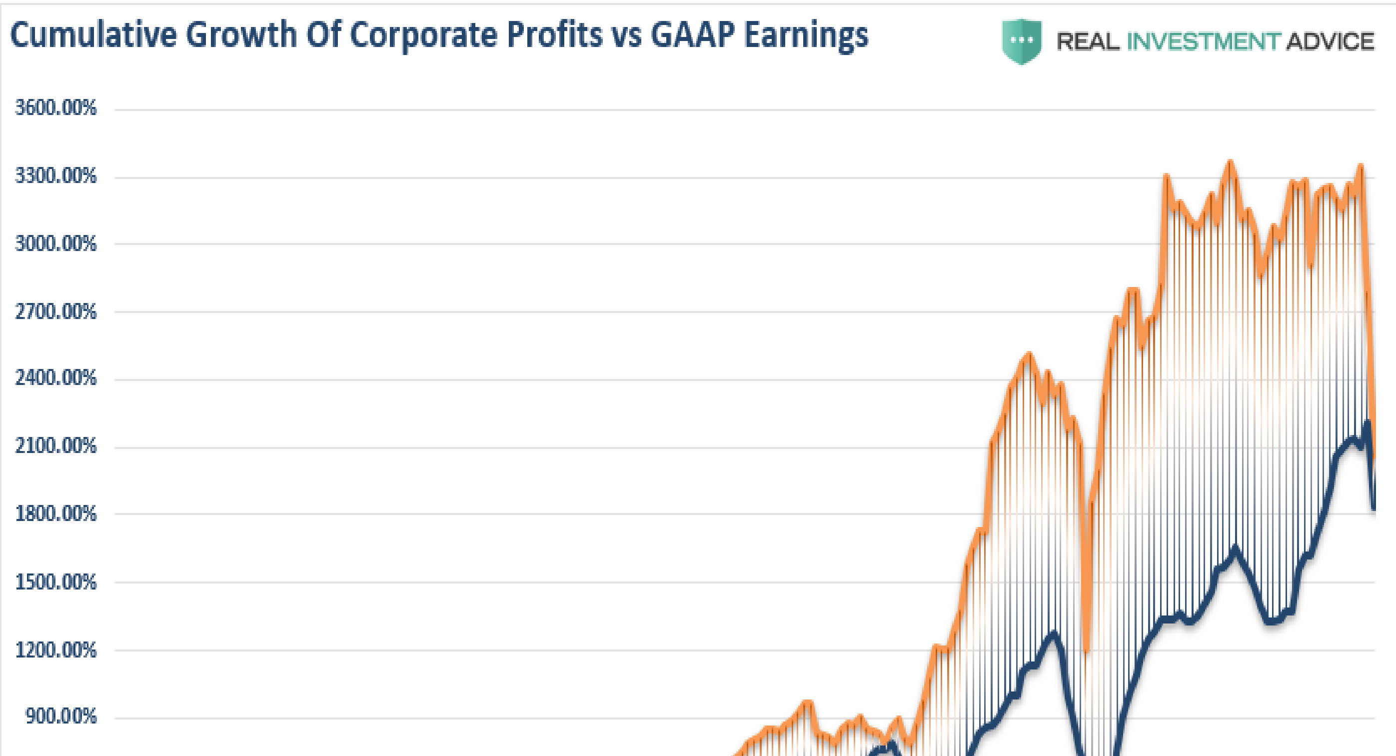
Castle Of Sand

We can see the deviation between GAAP earnings and corporate profits if we use the data for first-quarter.

The shaded areas show the lag between the decline in profits and the decline in GAAP earnings. **Over the next couple of quarters, profits are forecasting a much deeper decline for S&P 500 earnings.** With estimates still in the $95/share range, we could see a rather substantial decline. As stated, investors have priced in a&#2013266080;*"perfect"*&#2013266080;economic recovery story. Such leaves much room for disappointment as the deviation between what investors&#2013266080;*"expect,"*&#2013266080;and&#2013266080;*"reality"*&#2013266080;is at the highest level on record.



Historically, sharp declines in corporate profits are met by equally sharp declines in GAAP earnings.

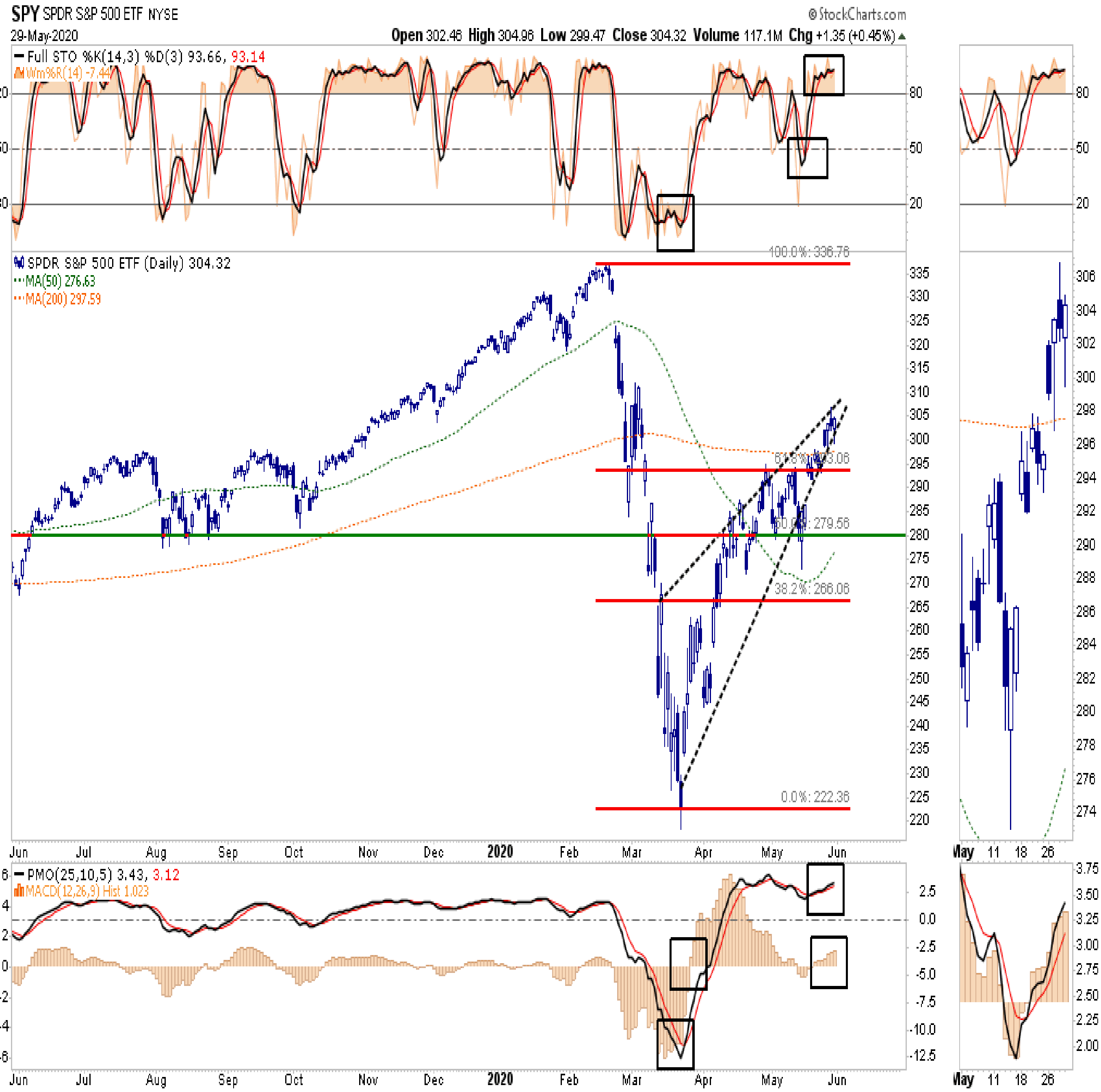


While investors are *"hopeful"* this time will be different, the reality of 40-million unemployed, mass failures of small businesses, and a contraction in consumption, argues differently.

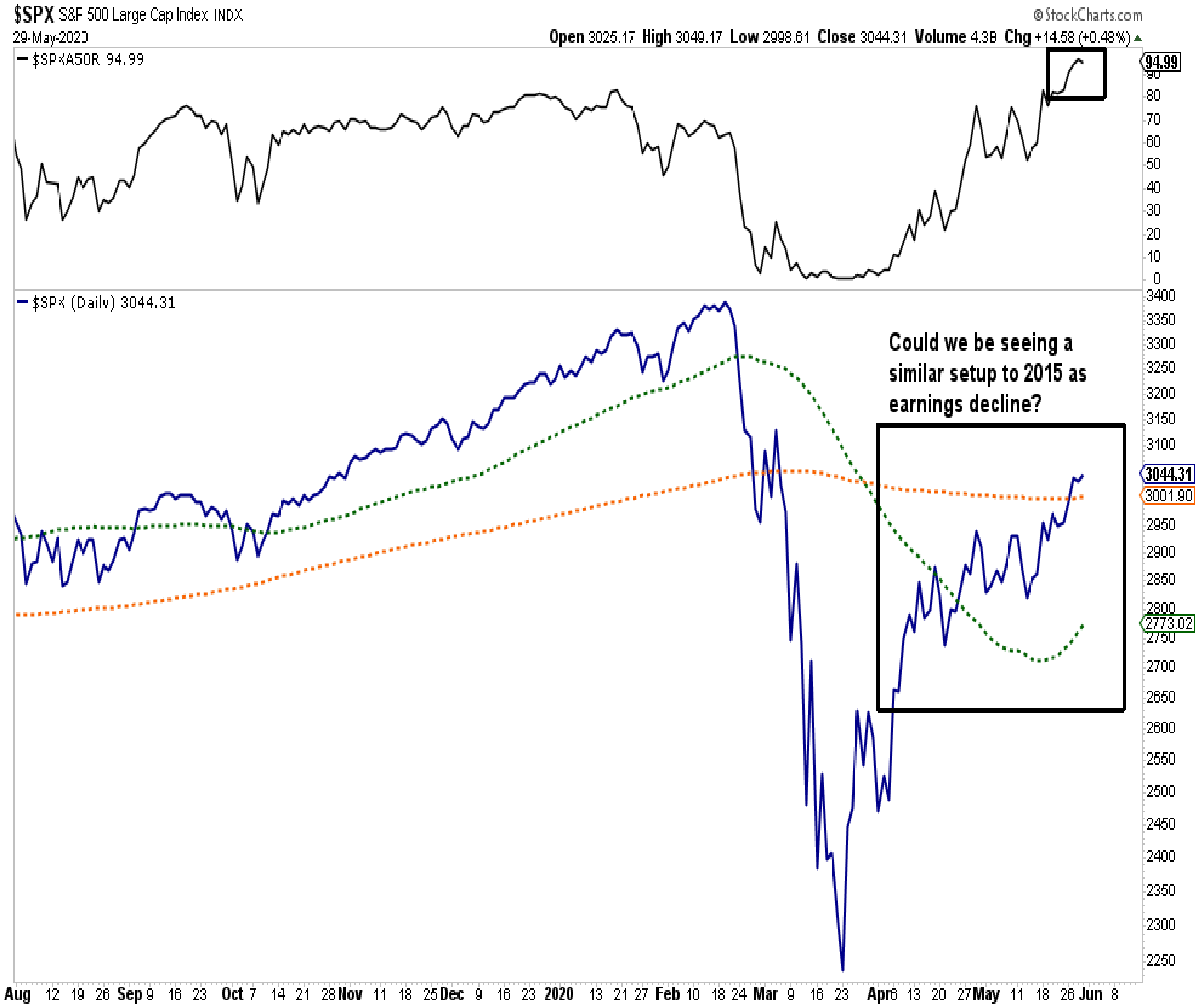
> *?It?s too ?happy days are here again. It?s just not going to work like that. Not with 38 million unemployed.* ***You can?t keep building on a castle of sand.*** *I see a lot of quicksand underneath some moves. I wish we would just calm down and digest some of these things.? - [Jim Cramer, Mad Money]*

Technical Review Of The Market

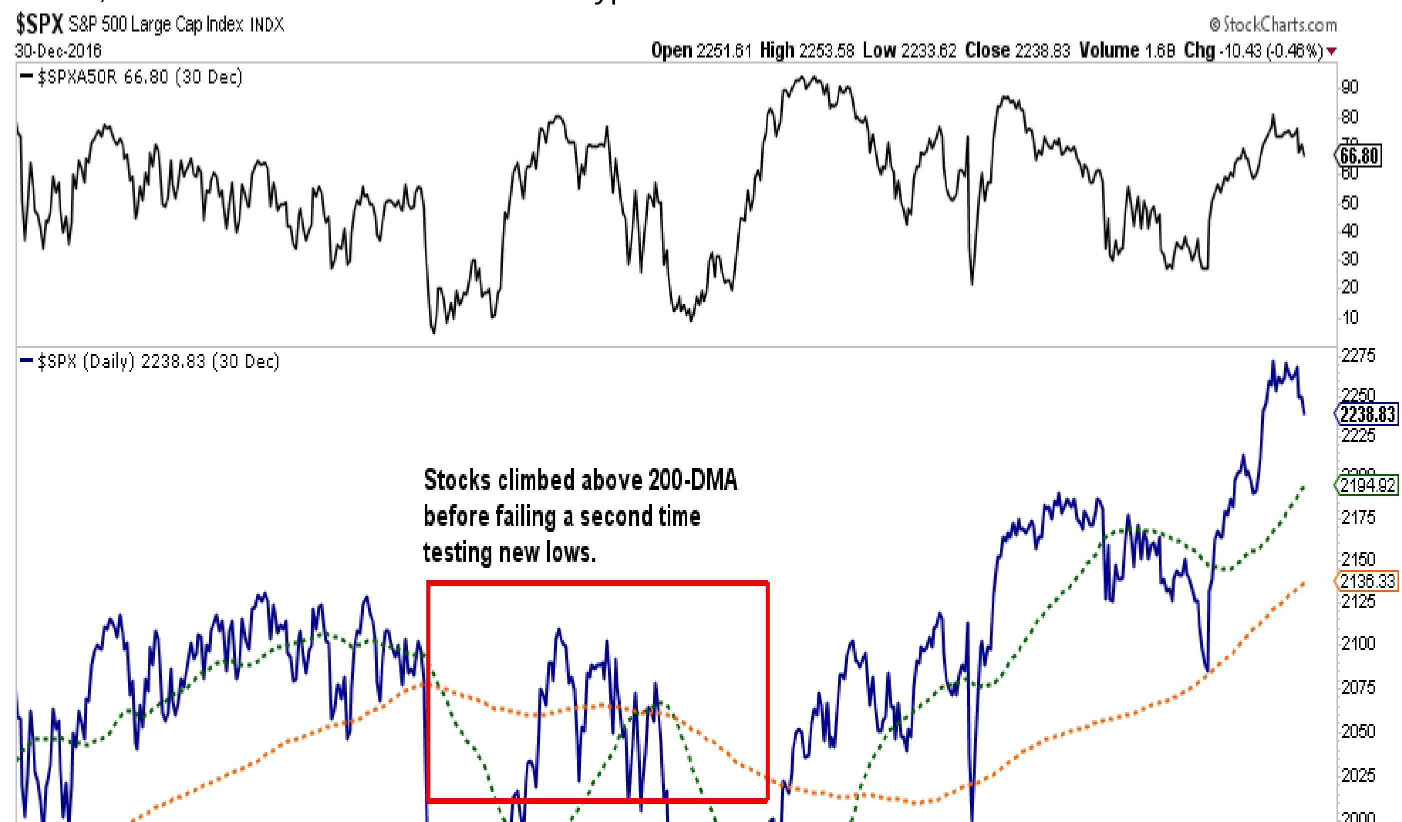
No matter how you want to slice the data, the markets are back to more egregious overbought conditions on a short-term basis. With the markets very overbought, and in a very tight ascending wedge, watch for a break to the downside to signal the start of a correction.



Also, with roughly 95% of stocks now trading above the 50-dma, such has historically signaled short-term corrections to resolve the overbought condition.



While much of the media has been talking about positive returns from stocks over the next 12-24 months, we could also have a 2015-2016 type scenario.



At that time, the markets climbed above the 200-dma, combined with a *"Golden Cross"* as the 50-dma also *"crossed the Rubicon."*&#2013266080; **While the media bristled with bullish excitement, it was quickly extinguished as the markets set new lows as *"Brexit"* engulfed the headlines. Importantly, while concerns about a "*Brexit*" on the global economy were valid, "*Brexit"* never materialized. Conversely, the economic devastation in the U.S., and globally, is occurring in real-time**. The risk of a market failure as "reality" collides with "fantasy" should not be dismissed. **It CAN happen.** Lastly, speaking of the number of stocks above the 50-dma, that indicator is laid behind the S&P 500 in the chart below. Historically, whenever all of the overbought/sold indicators have aligned, along with the vast majority of stocks being above the 50-dma, corrections were close.

Such doesn't mean the next great "bear market" is about to start. It does mean that a correction back to support that reverts those overbought conditions is likely. Therefore, some prudent risk management may be in order.

Portfolio Positioning For An Overbought Market

This analysis is part of our thought process as we continue to weigh *"equity risk"* within our portfolios. Positioning, and the related risk, remains our primary focus. This past week made changes that reduced risk in our overall portfolio by taking profits out of the largest gainers and adjusting weightings in defensive holdings. The following is trade commentary provided to our ***RIAPRO subscribers (30-day Risk-Free Trial)***

Rebalancing The Equity Portfolio

> In the equity portfolio we have rebalanced our exposures to align with our&#2013266080;***Relative Value Sector Report:*** We are taking profits in:
>
> - *AAPL ? 1.5% to 1% portfolio weight*
> - *MSFT ? 1.5% to 1%*
> - *CHCT ? 1.5% to 1%*
> - *MPW ? 1.5% to 1%*
> - *RTX ? 1.5% to 1.25%*
> - *ABBV ? 1.5% to 1.25%*
>
> We added exposure to:
> - *UNH ? 1.5% to 2% portfolio weight*
> - *DUK ? 1.5% to 2%*
> - *AEP ? 1.5% to 2%*
> - *NFLX ? 1%* ***(Trade only*** *? see&#2013266080;Jeffrey Marcus commentary)*

Taking profits in our portfolio positions remains a *"staple"* in our risk management process. We have also increased our treasury bond and precious metals to hedge our increased risk over the last two months. We don't like the risk/reward of the market currently, and continue to suspect a better opportunity to increase equity risk will come later this summer. **If the market violates the 200-dma or the ascending wedge, as noted above, is breached to the downside, we will reduce equity risk and hedge further.** I will conclude this week with a quote from my colleague Victor Adair at *Polar Trading:*

> *"**The growing divergence between the 'stock market' and the economy the past couple of months might be a warning flag that Mr. Market is too exuberant**. The Presidential election is just over 5-months away with polls showing that Biden may be the next President. The U.S./China tensions have been escalating, and the virus's first wave continues to spread around the globe. However, the 'stock market' continues to be pulled higher by a handful of 'Megacaps.' The late Friday rally after Trump's 'punish China' speech shows 'animal spirits' are alive and well!"*

I agree, and while such may be the case for the moment, markets like this have a nasty habit of delivering unpleasant surprises. Pay attention to how much risk you are taking.

The MacroView

[#MacroView: CFNAI Economic Indicator Crashes Most On Record]

Written by Lance Roberts | May 29, 2020

The Chicago Fed National Activity Index crashes by most on record. It is a broad composite of 85-subcomponents and is the most important economic number. It also says much about the stock market.

>> Read More

If you need help or have questions, we are always glad to help. ***Just email me.*** See You Next Week **By Lance Roberts, CIO**

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

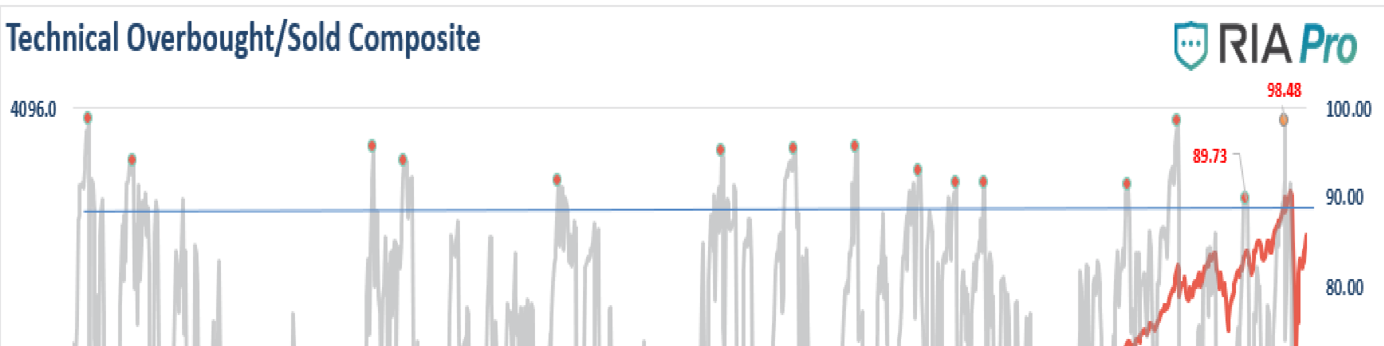
Will return next week.

Performance Analysis

Will return next week.

Technical Composite

Note: The technical gauge bounced from the lowest level since both the "Dot.com" and "Financial Crisis." However, note the gauge bottoms BEFORE the market bottoms. In 2002, the market retested lows. In 2008, there was an additional 22% decline in early 2009.



Sector Model Analysis & Risk Ranges

How To Read.

- *Each sector and market&#2013266080; is compared to the S&P 500 index in terms of relative performance.*
- *The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing price and the "beta" of the sector or market.*
- *The price deviation above and below the moving averages is also shown.*

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	LONG	MONTH	REL S&P	RISK RANGE		% DEV -	% DEV -	M/A XVER
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	END PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	303.95	2.75	4.39	0.06	(4.71)	8.22	278.08	302.88	291.16	1.00	298.44	283.88	9%	0%	SELL
XLB	SPDR-MATLS SELS	55.44	1.83	2.47	0.81	(4.27)	(4.30)	49.22	55.53	51.88	1.14	53.77	49.99	13%	0%	SELL
XLC	SPDR-COMM SV SS	53.73	(2.12)	2.47	5.91	6.70	4.12	47.95	51.19	50.28	0.95	52.01	48.55	12%	5%	SELL
XLE	SPDR-EGY SELS	38.94	(2.18)	(1.92)	(13.59)	(31.21)	(43.12)	34.67	49.12	38.00	1.68	39.59	36.41	12%	-21%	SELL
XLF	SPDR-FINL SELS	23.68	4.88	(0.49)	(10.54)	(18.46)	(18.55)	22.09	26.93	22.79	1.18	23.63	21.95	7%	-12%	SELL
XLK	SPDR-TECH SELS	96.75	(2.12)	1.45	6.46	13.54	24.12	86.95	89.09	91.41	1.03	94.64	88.18	11%	9%	SELL
XLI	SPDR-INDU SELS	68.09	3.82	1.65	(6.90)	(12.18)	(15.01)	62.25	73.97	64.21	1.15	66.55	61.87	9%	-8%	SELL
XLP	SPDR-CONS STPL	59.17	0.57	(2.83)	(4.67)	(0.71)	(3.32)	57.23	60.41	58.26	0.58	60.06	56.46	3%	-2%	SELL
XLRE	SPDR-RE SELS	34.85	6.15	(1.65)	(11.09)	(2.48)	(11.87)	32.95	36.77	33.92	0.74	35.02	32.82	6%	-5%	SELL
XLU	SPDR-UTIL SELS	59.23	3.28	(0.95)	(12.52)	(1.10)	(6.06)	57.30	62.13	57.26	0.39	58.92	55.60	3%	-5%	SELL
XLV	SPDR-HLTH CR	101.78	(0.37)	(2.34)	4.15	5.53	7.56	94.39	97.21	99.73	0.84	103.06	96.40	8%	5%	SELL
XLY	SPDR-CONS DISCR	123.74	(0.83)	1.73	6.21	5.26	1.86	108.84	118.25	116.60	1.14	120.85	112.35	14%	5%	SELL
XTN	SPDR-SP TRANSPT	52.06	3.73	3.98	(0.04)	(14.24)	(17.47)	46.07	57.21	48.04	1.34	49.89	46.19	13%	-9%	SELL
SDY	SPDR-SP DIV ETF	91.24	2.21	(0.63)	(6.67)	(10.55)	(13.92)	85.03	97.92	87.93	0.91	90.93	84.93	7%	-7%	SELL
RSP	INVS-SP5 EQ ETF	100.86	2.07	0.52	(3.98)	(7.10)	(9.19)	91.32	104.94	96.14	1.11	99.61	92.67	10%	-4%	SELL
SLY	SPDR-SP6 SC	57.80	2.65	1.06	(8.14)	(14.83)	(18.09)	52.01	63.45	54.81	1.24	56.86	52.76	11%	-9%	SELL
MDY	SPDR-SP MC 400	323.35	1.79	3.46	(3.19)	(8.34)	(11.26)	285.63	336.17	299.81	1.18	310.85	288.77	13%	-4%	SELL
EEM	ISHARS-EMG MKT	37.09	(3.05)	(3.16)	(9.53)	(11.83)	(16.80)	35.90	40.60	36.64	0.91	37.89	35.39	3%	-9%	SELL
EFA	ISHARS-EAFE	59.85	2.05	1.41	(4.59)	(8.78)	(14.67)	55.22	63.23	56.57	0.84	58.46	54.68	8%	-5%	SELL
IAU	ISHARS-GOLD TR	16.42	(3.12)	(2.47)	2.63	21.58	24.95	15.89	15.05	16.11	0.00	16.51	15.71	3%	9%	BUY
GDX	VANECK-GOLD MNR	34.00	(7.41)	1.00	13.95	27.63	55.48	29.65	28.60	32.26	0.65	33.28	31.24	15%	19%	BUY
UUP	INVS-DB US$ BU	26.64	(3.76)	(4.95)	1.73	4.63	(7.42)	26.95	26.74	26.79	(0.05)	27.45	26.13	-1%	0%	BUY
IXUS	ISHARS-CR INT S	52.76	0.64	0.39	(6.07)	(9.61)	(15.15)	49.05	56.18	50.35	0.87	52.05	48.65	8%	-6%	SELL
TLT	ISHARS-20+YTB	162.43	(4.05)	(6.98)	2.40	22.88	16.54	163.97	149.42	166.74	(0.27)	170.46	163.02	-1%	9%	BUY
BNDX	VANGD-TTL INT B	57.38	(2.72)	(4.22)	(1.42)	3.71	(6.39)	56.89	57.40	57.28	0.05	58.74	55.82	1%	0%	SELL
HYG	ISHARS-IBX HYCB	82.09	(1.44)	(2.33)	(4.63)	(1.50)	(12.23)	79.10	84.25	80.43	0.40	82.76	78.10	4%	-3%	SELL

RIA Pro

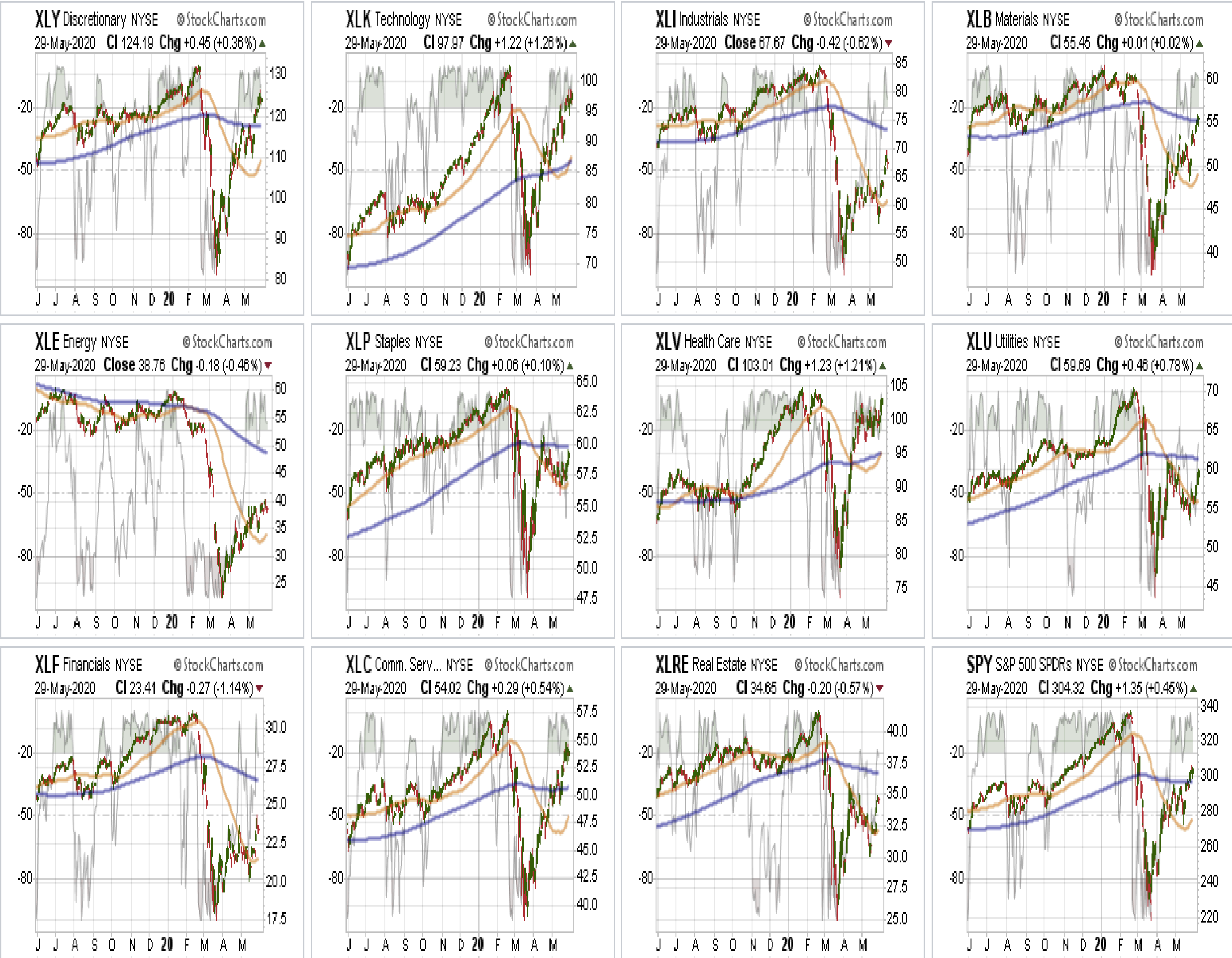
REAL INVESTMENT ADVICE

Sector & Market Analysis:

Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday)

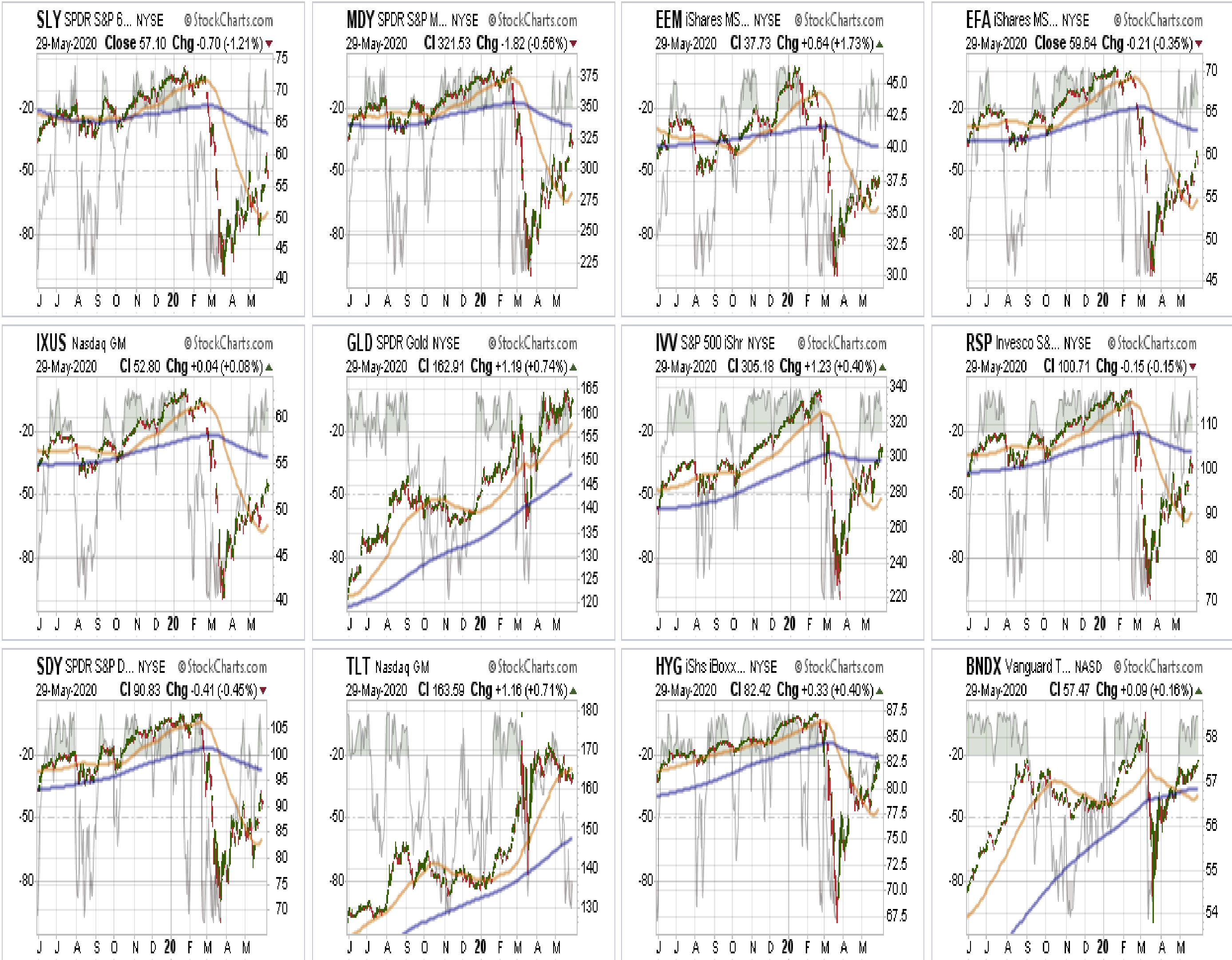
with updated buy/stop/sell levels.

Sector-by-Sector



Improving ? Materials (XLB), and Energy (XLE) This past week, the market finally broke out above the 200-dma. Materials continue to underperform due to a fragile economy, and there is no reason to maintain exposure to the sector currently. We continue to hold our Energy sector (XLE) exposure, and we did add slightly to those holdings last week. We also are doing the same with our recent Real Estate exposures, which remain oversold on a relative basis. ***Current Positions: 1/3 position XLE*** **Outperforming ? Discretionary (XLY), Technology (XLK), Communications (XLC), and Healthcare (XLV),&#2013266080;** Previously, we added to our core defensive positions Healthcare, Staples, and Utilities. We continue to hold our exposures in Technology. This week we adjusted weightings in our portfolios to these areas specifically to alter our risk profile. These sectors are continuing to outperforming the S&P 500 on a relative basis and have less *"virus"* related exposure. **Current Positions: *XLK, XLC, and XLV*** **Weakening ? Utilities (XLU), and Staples (XLP),** After adding a small weighting in Utilities previously, we added to our positions in the equity portfolio this week. XLP is underperforming at the moment, but we continue to like the defensive qualities of the holdings, especially when a second wave of the COVID-19 virus occurs **Current Position: XLP, 1/3rd Position XLU** **Lagging ? Industrials (XLI), Financials (XLF), Real Estate (XLRE)** Financials continue to underperform the market. As we have said previously, Financials and Industrials are the most sensitive to Fed actions (XLF) and the shutdown of the economy (XLI). Real Estate is lagging currently but remains a&#2013266080;*"risk-off"* &#2013266080;rotation trade, but is starting to show some relative improvement. If it turns up meaningfully, we will add to our current holdings. **Current Position: 1/2 position XLRE**

Market By Market



Small-Cap ([SLY]) and Mid Cap ([MDY]) ? We continue to avoid these sectors for now aggressively, and there is no rush to add them anytime soon. With roughly 50% of small businesses expected to fail, there is significant risk in these two markets. Be patient as small and mid-caps are lagging badly. The rally last week failed over the previous two trading sessions as expected. We expect to see further underperformance next week. **Current Position: None Emerging, International ([EEM]) & Total International Markets ([EFA])** Same as Small-cap and Mid-cap. Given the spread of the virus and the impact on the global supply chain, we continue to expect underperformance. There was a brief rotation rally last week like we have seen previously, that will likely fail next week. Continue to avoid these markets for now. **Current Position: None S&P 500 Index (Core Holding)** ? Given the overall uncertainty of the broad market, we previously closed out our long-term core holdings. We are currently using SPY as a "Rental Trade" with the break above the 200-dma. We have stop set slightly below that support level. **Current Position: *None* Gold ([GLD])** ? Previously, we previously added additional exposure to IAU and currently remain comfortable with our exposure. We rebalanced our GDX position back to target weight previously. We are also maintaining our Dollar (UUP) position as the U.S. dollar shortage continues to rage and is larger than the Fed can offset. **Current Position: *1/2 weight GDX, 2/3rd weight IAU, 1/2 weight UUP* Bonds ([TLT]) ?** As we have been increasing our&#2013266080;"*equity*" exposure in portfolios, we have added more to our holding in TLT to improve our&#2013266080;"*risk*"&#2013266080;hedge in portfolios. With the bond market oversold currently, we are looking at potentially adding more exposure next week. **Current Positions: *SHY, IEF, BIL, TLT***

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. Such 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	RIA Pro Notes
XLY	Discretionary	OB	Negative	Negative	No Position					X	No Position
XLK	Technology	OB	Negative	Neutral	Hold			X			Hold
XLI	Industrials	OB	Negative	Negative	No Position					X	No Position
XLB	Materials	OB	Negative	Negative	No Position					X	No Position
XLE	Energy	OB	Negative	Negative	Hold			X			Hold
XLP	Staples	Declining	Negative	Neutral	Hold			X			Hold
XLV	Health Care	OB	Negative	Neutral	Hold			X			Hold
XLU	Utilities	Declining	Negative	Neutral	Hold			X			Hold
XLF	Financials	OB	Negative	Negative	No Position					X	Avoid
XLC	Communications	OB	Negative	Negative	Hold			X			Hold
XLRE	Real Estate	Declining	Negative	Negative	Hold			X			Hold
SLY	Small Caps	OB	Negative	Negative	No Position					X	No Holdings
MDY	Mid Caps	OB	Negative	Negative	No Position					X	No Holdings
EEM	Emerging Mkt	OB	Negative	Negative	No Position					X	No Holdings
EFA	International	OB	Negative	Negative	No Position					X	No Holdings
IXUS	Total International	OB	Negative	Negative	No Position					X	No Holdings
GLD	Gold	OB	Positive	Positive	Hold			X			Hold
RSP	SP500 Equal Wgt	OB	Negative	Negative	No Position					X	No Holdings
SDY	SP500 Dividend	OB	Negative	Negative	No Position					X	No Holdings
IVV	SP500 Market Wgt	OB	Negative	Negative	Added			X			Added 5% Trading Rental
TLT	20+ Yr. Bond	OS	Positive	Positive	Added			X			Increased Exposure
HYG	Corporate High Yield	Increasing	Negative	Negative	No Position					X	Holding 50-DMA
BNDX	Int'l Bond Aggregate	OB	Neutral	Neutral	No Position					X	Broke Above 50 & 200-DMA

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

Portfolio / Client Update

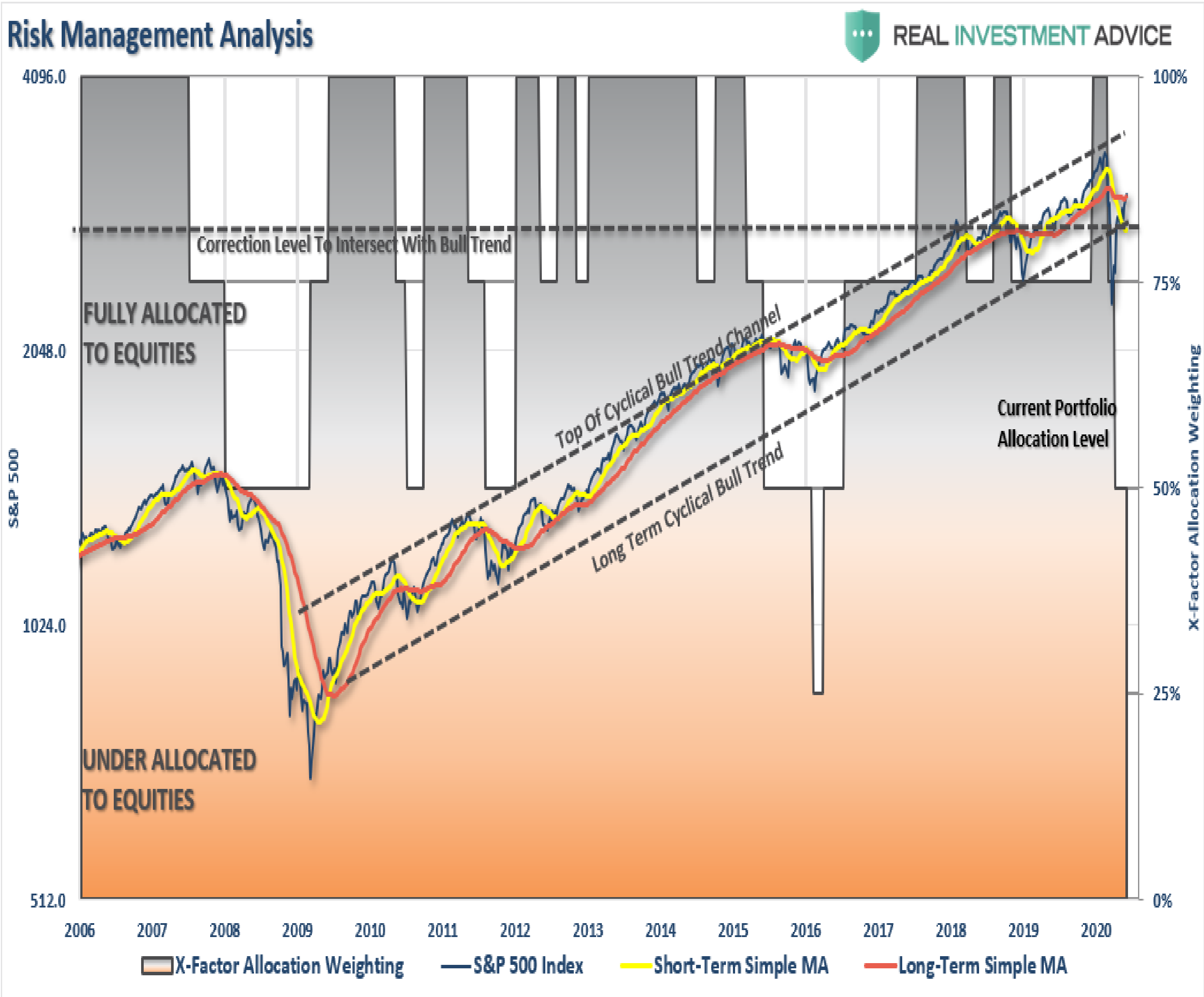
This past week, the market broke above the 200-dma, but it was overly convincing. We added a 5% "rental" trade to portfolios using SPY, which will increase to 10% if the market holds the 200-dma next week. As discussed above, the market is extremely overbought. Still, there is some short-term upside as momentum continues to push stocks. The markets can "taste" all-time highs in the Nasdaq, which will pull the S&P 500 due to the largest cap-weighted names in both indices.&#2013266080;**As we head further into the summer months, the relative risk/reward ratio is not in our favor.&#2013266080;*(Please see the analysis in the main body of this week's message.)*** The economic data is getting substantially worse in&#2013266080;*"real"* &#2013266080;terms. Such is going to drag on earnings and profits, which the market will pay attention to eventually. While it certainly seems that no matter how dire the data is, the market only wants to go higher, such is also the trap. We are mindful of how markets work over more extended periods, but also realize performance is crucial to you. Therefore we continue to add exposure and balance risk as we can.

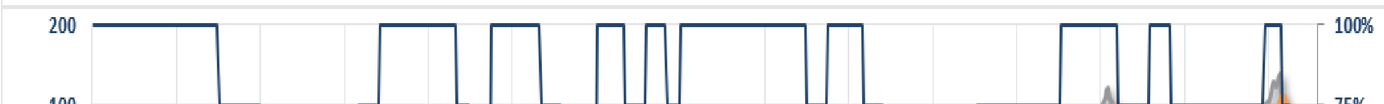
Changes

Our process this week remains the same. We continue to work around the edges to add exposure while managing risk. **In the equity portfolios, we adjusted holdings, as noted in the main missive above, by taking profits and adding to defensive areas**. Our additions of NFLX, and INTC, and increases in DUK and AEP, continue to balance risk appropriately. We continue to hedge those increases in equity risk with additions to our bond and gold holdings. Our process is still to participate in markets while preserving capital through risk management strategies. We realize there is more *"trading"* activity than usual as we work out way through whatever market is going to come. Is the bull market back? Maybe. Maybe Not. Once the bottom is clearly in, we will settle back down to a longer-term, trend-following, structure. **Now is not the time for that.** We continue to remain defensive and in an excellent position with plenty of cash, reduced bond holdings, and minimal equity exposure in companies we want to own for the next 10-years. Just remain patient with us as we await the right opportunity to build holdings with both stable values, and higher yields. Please don't hesitate to contact us if you have any questions or concerns. *Lance Roberts CIO*

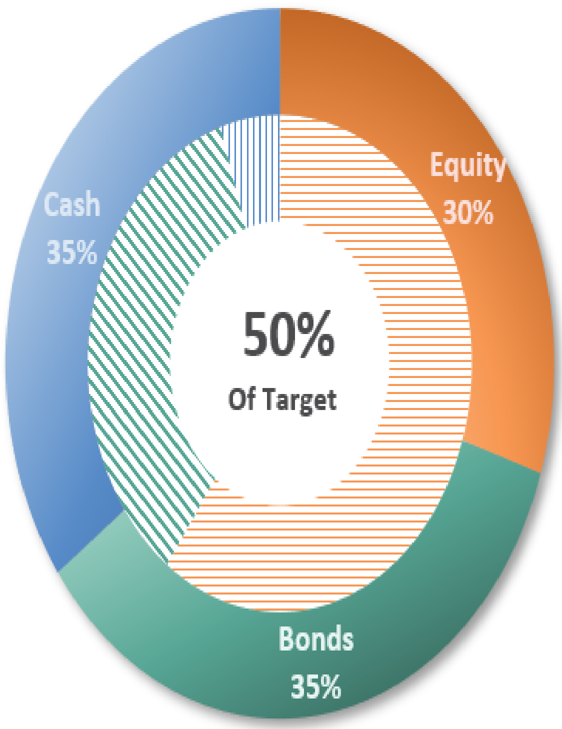
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors





Current Portfolio Weighting



Current 401k Allocation Model

35.00% **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*

30.00% **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
15% Large Cap Growth (S&P 500 Index)
0% International Large Cap Dividend
0% Mid Cap Growth

Portfolio Instructions:

Allocation Level To Equities	Reommendation	When To Take Action
Less Than Target Allocation	Remain @ 50% Max Equity Tgt	No Change From Last Week
Equal To Target Allocation	Remain @ 50% Max Equity Tgt	No Change From Last Week
Over Target Allocation	Remain @ 50% Max Equity Tgt	No Change From Last Week

Commentary

The market broke above the 200-dma but remains very overbought. Despite an economy on the verge of a depression, markets are now back into bull mode. That is, for right now.

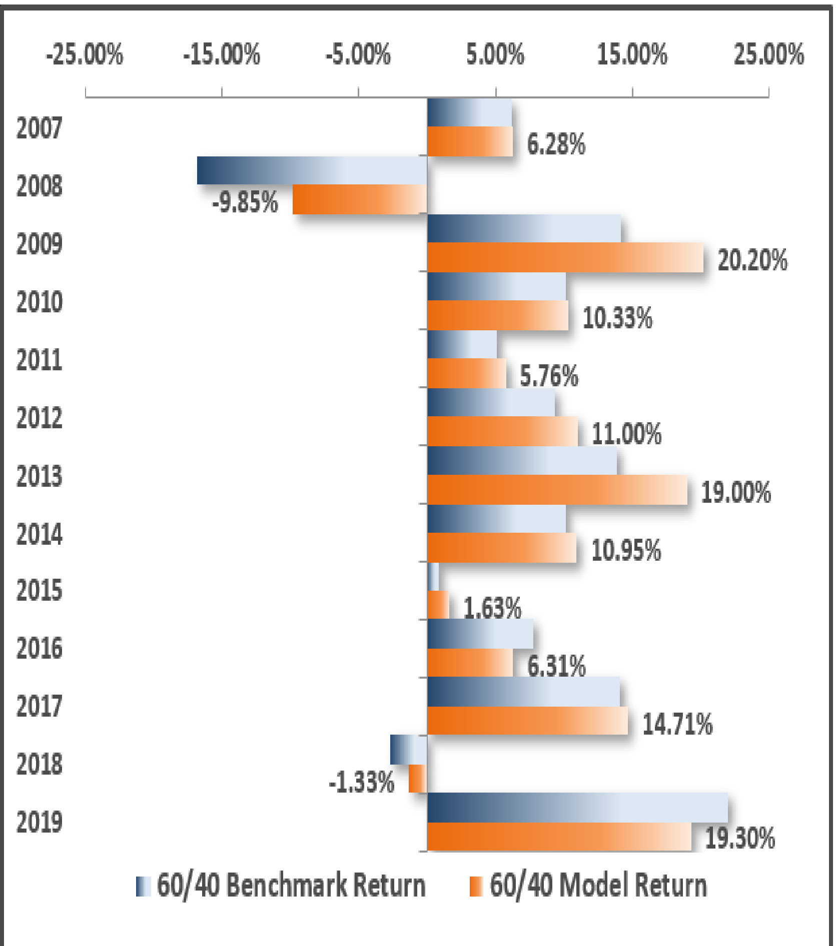
Be careful momentarily. We need to see the market hold the break above the 200-dma and work off some of the extreme overbought. If that occurs we will move the allocation model back to 75%. ***Hold current exposures as we head into next week, but remain vigilent. These types of markets historically deliver rather nasty surprises when investors are overly confident.***

Maintain equity exposure at 50% of whatever your maximum equity exposure is for now. We will wait for a pullback that confirms support before adding equity risk.

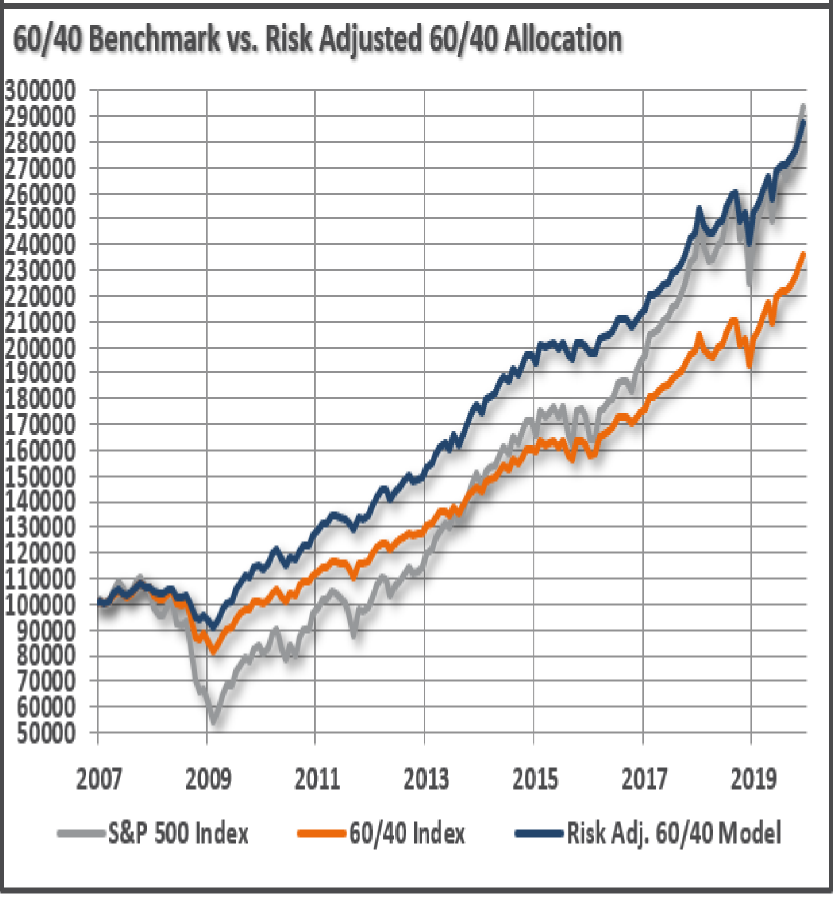
If you need help after reading the alert; do not hesitate to&#2013266080;[contact me]

Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only and should not be relied on 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 plan manager.*** Compare your current 401k allocation, to our recommendation for your company-specific plan as well as our on 401k model allocation. You can also track performance, estimate future values based on your savings and expected returns, and dig down into your sector and market allocations. **If you would like to offer our service to your employees at a deeply discounted corporate rate, [please contact me.](#)**