Market Holds 200-DMA, Bulls Remain In Control...For Now

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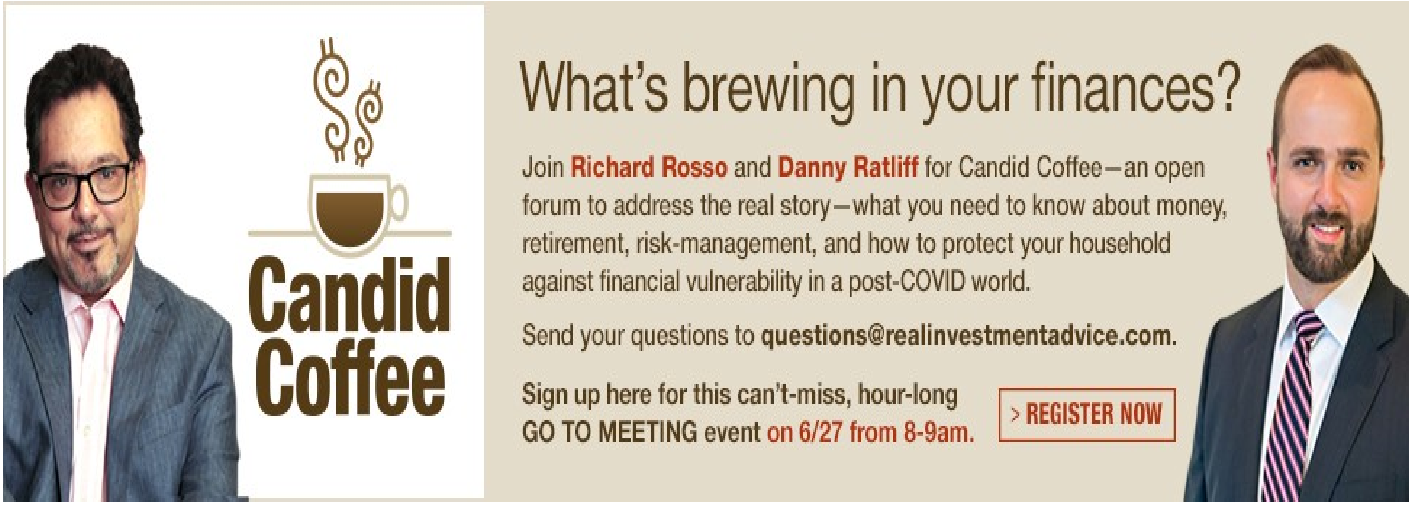

Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 06-19-20

Written by Lance Roberts | Jun 19, 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 Holds Bullish Support

Last week, I updated the analysis on the&#2013266080;***break above the 200-dma,*** &#2013266080;which changed the market's complexion.

> ***"If the markets can break above the 200-dma, and maintain that level, it would suggest the bull market is back in play."***

Then, ***in our Tuesday follow up,*** we discussed how the markets had pushed to more extreme overbought conditions and the importance of the market to hold the 200-dma on a subsequent correction.

> *?That correction came swiftly on Thursday. The surge in COVID-19 cases in the U.S. undermined the&#2013266080;?V-Shaped? economic recovery meme. As we noted, the market had rallied into overhead resistance,&#2013266080;**and the correction found support at the 200-dma.?***

As we saw in April and May after the initial surge off the March 23rd lows, the market has once again begun to consolidate its gains to work off the short-term overbought extension. With Friday's sell-off, we can update our risk/reward range, which has turned more positive in the short-term.

- ***-2.9% to the 200-dma vs. +4.9% to recent highs. Positive&#2013266080;***
- ***-5.7% to the 50-dma vs. +9.1%% to all-time highs. Positive***
- ***-11.2% to previous consolidation lows vs. +9.1% to all-time highs. Negative***
- ***-15.2% to March bounce peak vs. +9.1% to all-time highs. Negative&#2013266080;***

However, the market reversal on Friday from a strong opening to a weak close, is a good reminder of just how volatile markets can be. Despite the technical backdrop becoming more bullish short-term, **we hedge our portfolios against just this type of risk.**

From Bubble, To Bust, To Bubble

In January and February of this year, we wrote articles discussing why we were taking profits from our portfolios and reducing overall portfolio risk. In&#2013266080;[***"This Is Nuts,"***](#)&#2013266080;we stated:

> *"When you sit down with your portfolio management team, and the first comment made is 'this is nuts,' it's probably time to think about your overall portfolio risk. On Friday, that was how the investment committee both started and ended ? 'this is nuts.' We discussed the overbought, extended, and complacent market over the last couple of weeks. Still, on Friday, I tweeted out a couple of charts that illustrated the excess."*

That was on January 6th. Yesterday, I tweeted out some interesting charts:
https://twitter.com/LanceRoberts/status/1273950859479703552?s=20
https://twitter.com/LanceRoberts/status/1273949901219680256?s=20
https://twitter.com/sentimentrader/status/1273929121601597440?s=20

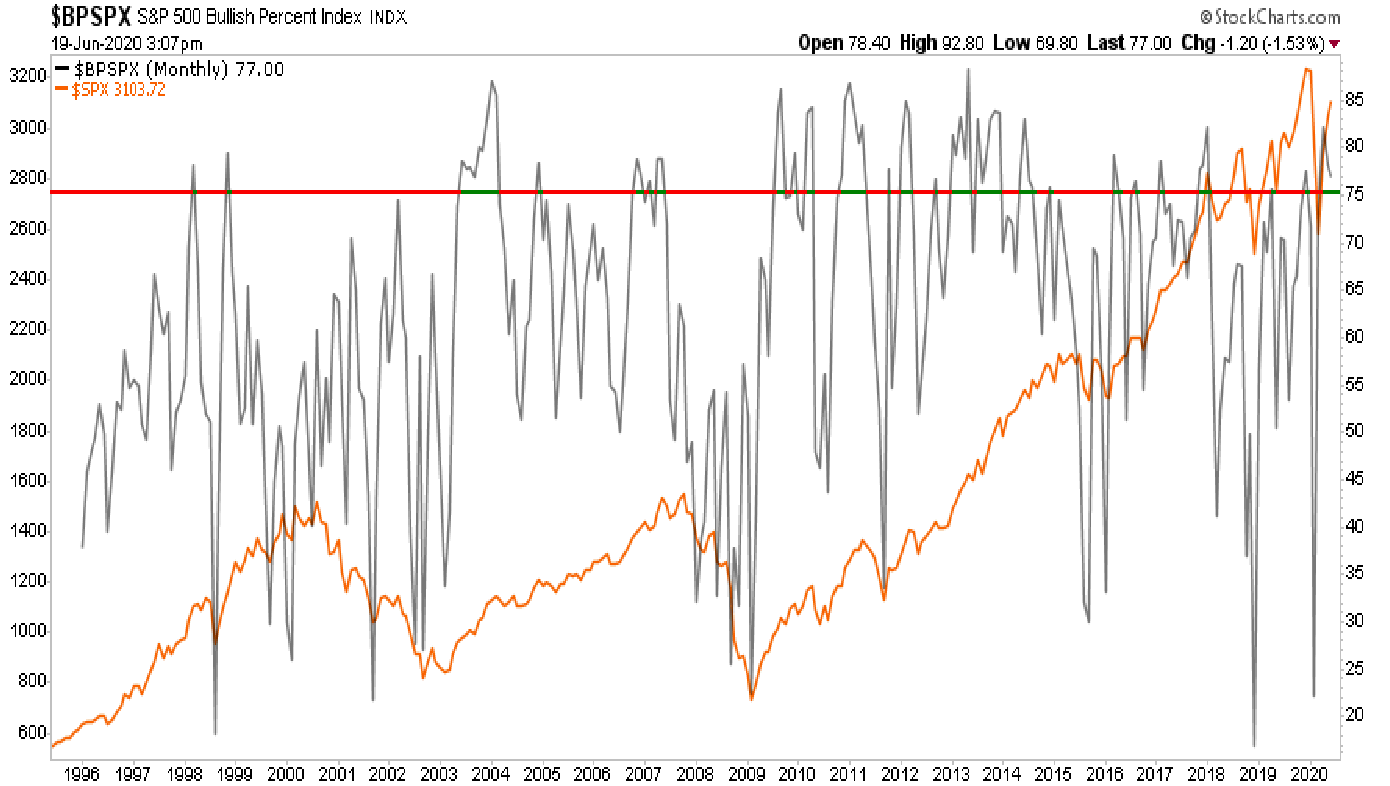
This Is Nuts

Our portfolio management meeting Friday morning started with *"This is nuts."* Importantly, I want to direct your attention to the Nasdaq, which is where portfolio managers have been stuffing cash.

There are several things to note about the chart above:

1. *Every time, and it is only a function of time, the Nasdaq gets extremely extended above the 2-year moving average, it reverts to, or beyond, that average.&#2013266080;*
2. *The MACD is more extremely extended currently than in the past 25-years.&#2013266080;*
3. *The current deviation above the 2-year moving average matches the extension seen in February before the collapse.*

On the S&P 500, there are warning signs as well. As shown below, the number of stocks on "bullish buy signals" has reached an extreme weekly. Historically, such extremes have preceded short-term corrections and bear markets.



Also, as noted last week, the number of S&P 500 stocks trading above their 50-dma has peaked and started to turn lower. Such has always been a precursor to a short-term correction or worse.

At the moment, the over-riding investment belief is that markets can't decline because of the Fed. However, all it will take is an unexpected, exogenous event to trigger selling and quick correction of 10-15% due to the current lack of liquidity in the market. What could such an event be? I have no clue. The market has already factored that in a second wave of the Virus. However, one thing no one is currently expecting is for states to shut down commerce once again. I don't think that will happen either, but you get my point. Again, this is why we maintain our hedges.

The Problem With Two-Year Forecasts

As markets get overly bullish, extended, and exuberant, Wall Street tends to come up with new ways to*&#2013266080;"sucker,"&#2013266080;*I mean&#2013266080;*"rationalize,"* investors into taking on additional risk. One thing I had hoped for in 2018-2019 is that we would get a correction large enough to revert some of the excessive valuation levels which existed. Such would provide higher future rates of return over the next decade, allowing investors to reach their investment goals. Instead, through the Fed's actions, the correction was halted, and the *"clearing process"* was not allowed to occur. The outcome has been even higher levels of corporate leverage, and valuations remain grossly elevated on many different levels.

	Metrics	Current Level	Historical Percentile	Median
Equity (SPX)	EV / Sales	2.5	98%	88%
	EV / EBITDA	13.2	95%	
	Price / Book	3.4	88%	
	NTM P/E	23.5	99%	
	NTM Free cash flow yield	4.2	52%	
	Cyclically Adjusted P/E	26.7	87%	
	ERP	6.2	6%	
Rates	Nominal 10-year Treasury	0.7%	100%	81%
	Real 10-year Treasury	-0.5%	85%	
Credit	High Yield YTM	6.9%	76%	
	Investment Grade YTM	2.4%	100%	
	High Yield spread	628bp	30%	
	Investment Grade spread	169bp	30%	

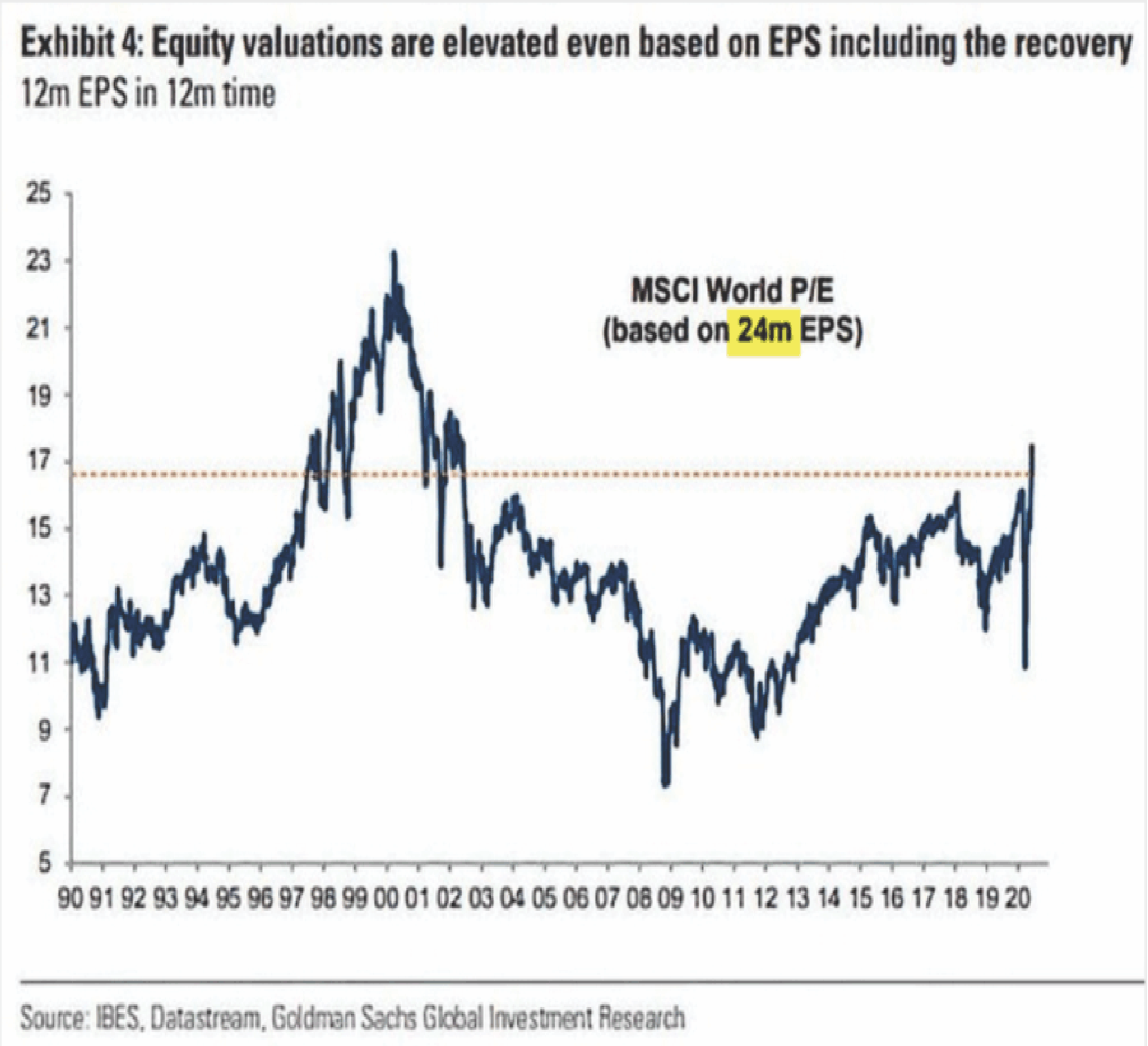
source: Goldman Sachs

So, how does Wall Street justify *"buying stocks"* in the current environment of recessionary economic growth, high unemployment, and collapsing earnings? Easy, you just tell uneducated investors to use earnings estimates 2-years in the future.

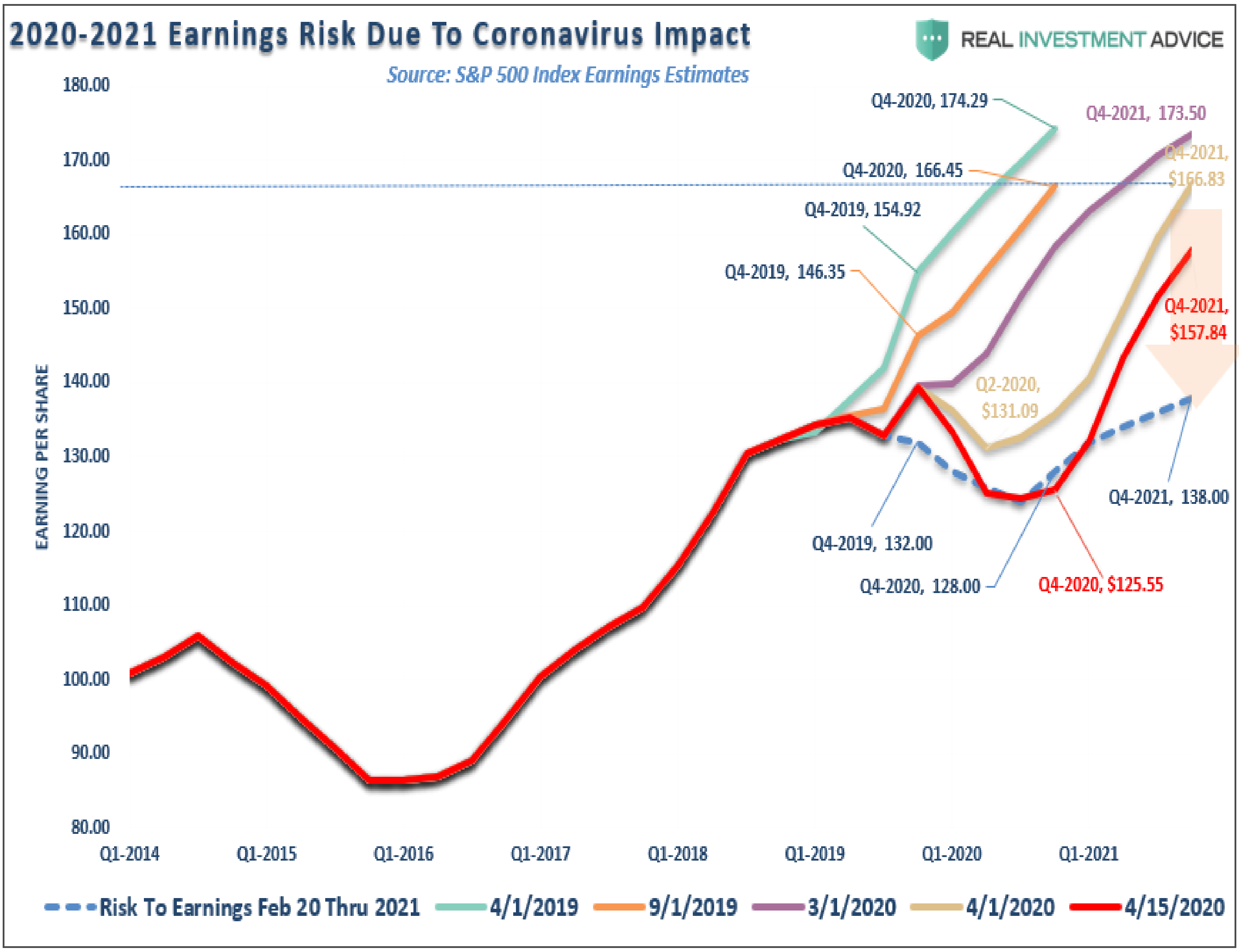
> *"Yes, stocks are expensive based on current earnings, but cheaper using earnings in 2022." - Wall Street*

Faulty Analysis Leads To Faulty Outcomes

There are significant problems with this analysis. The first is that even based on 24-month estimates, stocks are still historically expensive.



Secondly, Wall Street is terrible at estimating forward earnings. Historically, forward estimates are about 33% too high before they are ratcheted sharply lower. So, even if you assume the stock prices don't move over the next two years, as future estimates are lowered, valuations will rise further. Using Wall Street logic, if you were buying stocks in ***2018 using 2020 estimates***, you grossly overpaid for value and wound up paying the price.



Lastly, think about the stupidity of the statement for a moment. You are paying for earnings two years into the future. Such means that you will have NO appreciation in the price for two years to maintain the *"valuation"* of what you paid today. Furthermore, every year going forward will have to have higher earnings estimates than current just to maintain the same valuation. Such is why valuations are so important. By overpaying for assets today, and locking in earnings 24-months into the future, you have guaranteed yourself a long-term period of low returns. Do you now understand why Buffett is sitting on $137 billion in cash?

A Bearish Pattern Remains

In the short-term, however, **the technical backdrop of the market keeps the bulls in control.** The market had gotten overheated, but the correction over last week successfully retested the 200-dma. However, on a monthly basis, there is still a more "bearish" pattern in the works. The broadening range of highs and lows, known as a *"broadening"* or *"megaphone"* pattern, is characterized by two diverging trend lines. As noted by [*Investopedia:*]

> ***"Broadening formations occur when a market is experiencing heightened disagreement among investors over the appropriate price of a security over a***

short period.**&#2013266080;Buyers become increasingly willing to buy at higher prices, while sellers always find more motivation to take profits.&#2013266080;**This creates a series of higher interim peaks in price and lower interim lows.** &#2013266080;When connecting these highs and lows, the trend lines form a widening pattern that looks like a megaphone or reverse symmetrical triangle. **The price may reflect the random disagreement between investors, or it may indicate a more fundamental factor.**&#2013266080;These formations are relatively rare during normal market conditions over the long-term since most markets tend to trend in one direction or another over time.&#2013266080;**For example, the S&P 500 has consistently moved higher over the long-term. Therefore the formations are more common when market participants have begun to process a series of unsettling news topics. Geopolitical conflict or a change of direction in Fed policy, or especially a combination of the two, are likely to coincide with such formations."

The Technical Chart

You can understand why there is a disagreement among investors given the current backdrop of a recessionary economy and a bullish stock market driven by the Fed.&#2013266080;**The ongoing&#2013266080;*"broadening formation,"*&#2013266080;which is typical of longer-term market tops, is coupled with a negative divergence in the Relative Strength Index.**

Given this is a *"monthly"* chart, such doesn't mean the market will crash tomorrow, if even at all. However, it is one of those warning signs which continue to suggest a bit of caution in portfolios is likely advisable.

Portfolio Positioning Update

With our portfolios almost fully allocated towards equity risk in the short-term, we remain incredibly uncomfortable.&#2013266080;***As noted on Tuesday:***

> ***"From a purely technical perspective, the bulls remain in control for now.&#2013266080;****Fundamentally speaking. However, we remain 'bears.'&#2013266080;****We also realize that with the Federal Reserve intravenously feeding liquidity into the markets, we need to participate.****&#2013266080;As we&#2013266080;****stated last week:*** *"As a portfolio manager,&#2013266080;****we buy 'opportunity' because we have to.&#2013266080;****If we don't, we suffer career risk, plain and simple.&#2013266080;****However, you don't have to.****&#2013266080;If you are indeed a long-term investor, you have to question the risk undertaken to achieve further returns in the market currently." As noted, fundamentals will eventually matter. We just don't know when that will ultimately be the case. However, there are more than enough signs to know we are likely close to a peak:*
>
> 1. *Wall Street firms using 2-year forward ?operating (or B.S.)? earnings to justify valuations.*
> 2. *Investors are chasing bankrupt companies.*
> 3. *Companies rampantly issuing debt to shore up liquidity*
> 4. *A complete lack of market liquidity.*
> 5. *Investor over-confidence*
> 6. *Retail investor exuberance.*
> 7. *Overly estimated future earnings growth.*
>
> *You get the idea."*

As I stated, we are participating, but it doesn't mean we have to like it. We just have to respect the market for what is. We continue to hedge our equity exposure with fixed income, dollar, and gold investments. While such hedging does reduce the participation of our equity portfolio short-term, it has mitigated the risk of sudden and unexpected sell-offs. We are very confident we are not in a *"no risk"* market currently.

The MacroView

#MacroView: Retail Sales Bounce, But Consumers Are Tapped Out.

Written by Lance Roberts | Jun 19, 2020

While the release of the retail sales report was stronger than expectations, the bounce will be difficult to maintain as consumers are tapped out, facing high unemployment and a slow recovery.

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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**

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

SPY RISK INFO				
Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	12.03%	5.32%	(4.11%)	(177.26%)
Max Drawdown	-35.63%	-35.63%	-35.63%	0.00%
Sharpe	0.31	0.41	(0.16)	(1.39)
Sortino	0.33	0.41	(0.19)	(1.46)
Volatility	25.31	32.34	45.62	0.41
Daily VaR-5%	(30.25)	(39.55)	(81.48)	1.06
Mnthly VaR-5%	(22.70)	(21.89)	(64.28)	1.94

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.80%	1.95%	1.79%	(9.01%)	2.20%	1.67%	(18.72%)	6.61%
P/E Ratio	20.59	18.38	19.94	7.84%	2099%	1596%	(5.0%)	24.96%
P/S Ratio	3.40	3.14	3.33	5.79%	3.62	2.62	(8.09%)	26.83%
P/B Ratio	3.90	3.79	4.23	10.52%	4.34	2.99	(2.40%)	41.56%
ROE	16.68%	18.69%	18.03%	(3.67%)	18.82%	15.05%	(4.23%)	19.78%
ROA	3.12%	3.52%	3.38%	(4.33%)	3.53%	2.81%	(4.37%)	20.08%

S&P 500 Market Cap Analysis			
Item	12-M Ago	Current	% Chg
Shares	2,359.5	2,261.2	(4.17%)
Sales	62,705	63,581	1.40%
SPS	26.6	28.1	5.80%
Earnings	9,494	9,109	(4.06%)
EPS TTM	4.8	4.7	(2.44%)
Dividend	1.6	1.7	4.81%

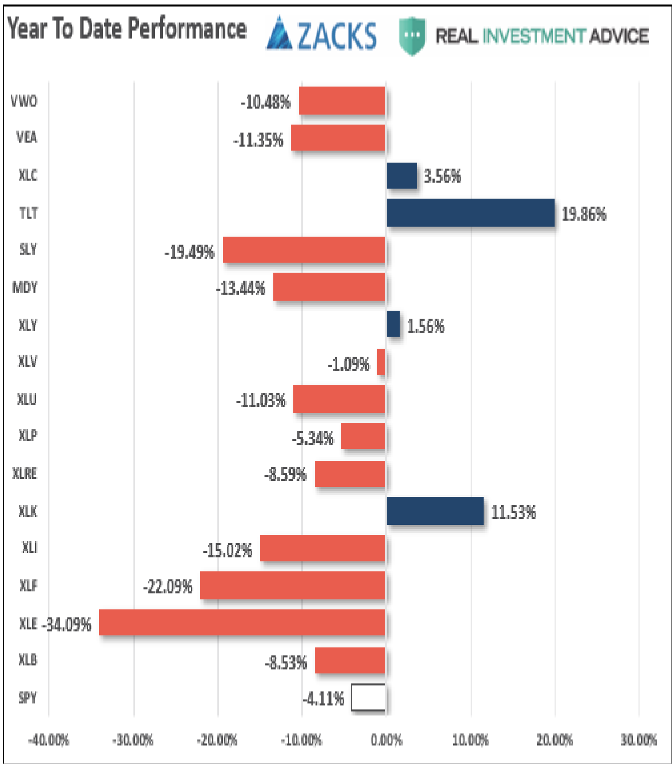
S&P 500 Asset Allocation

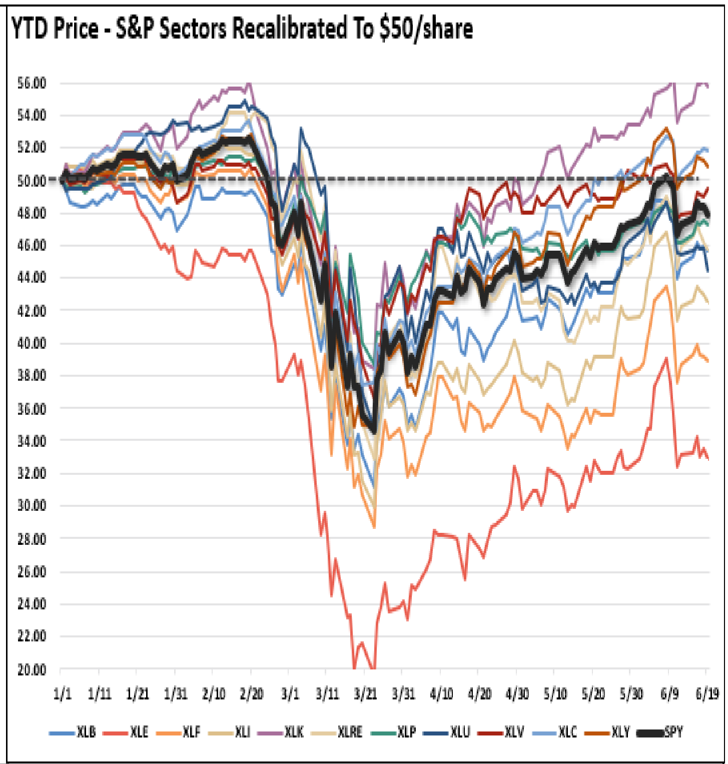
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(35.07%)	2.92%	1.78	15.08	124.10	11.36	(87.8%)	6.1%	5.4%	6.32%	0.04	866.24
Materials	(15.36%)	2.51%	1.32	18.67	22.97	13.86	(18.7%)	8.4%	2.3%	5.24%	2.91	20.91
Industrials	(13.45%)	8.09%	1.10	16.32	22.17	14.61	(26.4%)	18.7%	1.9%	5.95%	2.90	23.64
Discretionary	11.75%	10.76%	1.26	29.91	28.74	20.43	4.1%	23.7%	1.0%	3.28%	3.10	37.75
Staples	1.50%	6.94%	0.58	20.09	22.83	17.62	(12.0%)	28.8%	2.8%	4.90%	3.81	20.20
Health Care	7.82%	14.47%	0.80	17.11	19.84	15.03	(13.8%)	30.4%	1.8%	5.82%	6.52	17.15
Financials	(11.47%)	10.53%	1.31	12.04	18.50	10.53	(34.9%)	9.9%	2.6%	8.11%	4.20	14.30
Technology	31.91%	26.84%	1.09	26.93	25.82	14.48	4.3%	42.0%	1.2%	3.64%	5.45	24.38
Telecom	15.16%	10.93%	0.93	22.72	27.01	17.61	(15.9%)	16.5%	0.9%	4.36%	5.79	22.26
Utilities	(5.40%)	3.13%	0.49	18.02	22.10	15.58	(18.5%)	10.7%	3.6%	5.31%	3.76	18.04
Real Estate	(7.14%)	2.89%	0.93	19.12	21.41	16.91	(10.7%)	9.2%	3.5%	5.10%	4.07	19.57

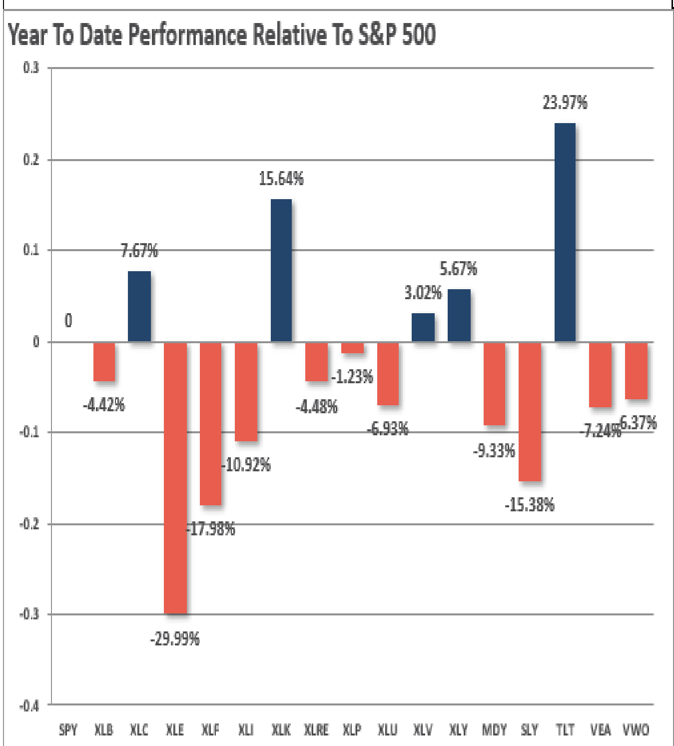
Momentum Analysis

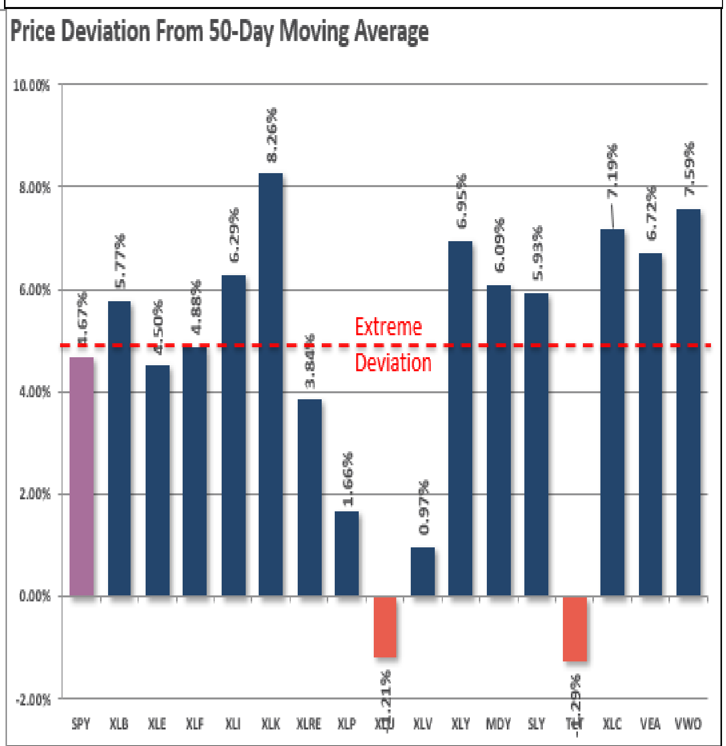
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	308.64	10.94%	295.20	41	4.55%	301.98	6	2.21%	(2.24%)	(8.98%)	41.41%	Sell
Mid Cap	324.93	12.44%	306.63	40	5.97%	336.97	11	(3.57%)	(9.01%)	(15.49%)	51.68%	Sell
Small Cap	58.33	10.77%	55.11	26	5.84%	63.48	11	(8.11%)	(13.18%)	(21.42%)	43.03%	Sell

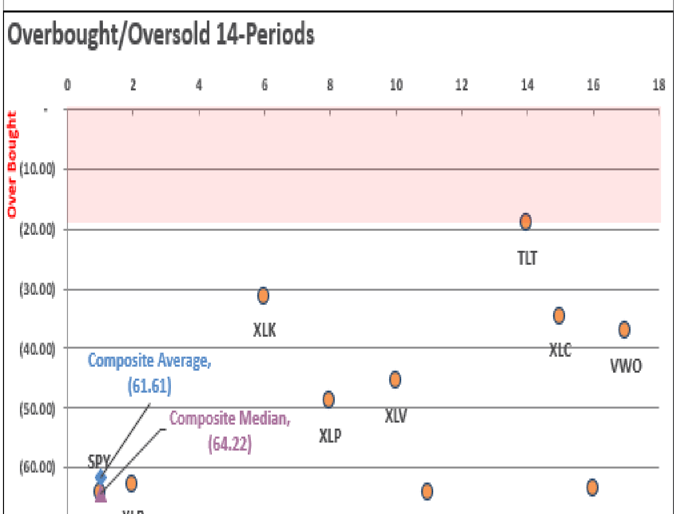
Performance Analysis

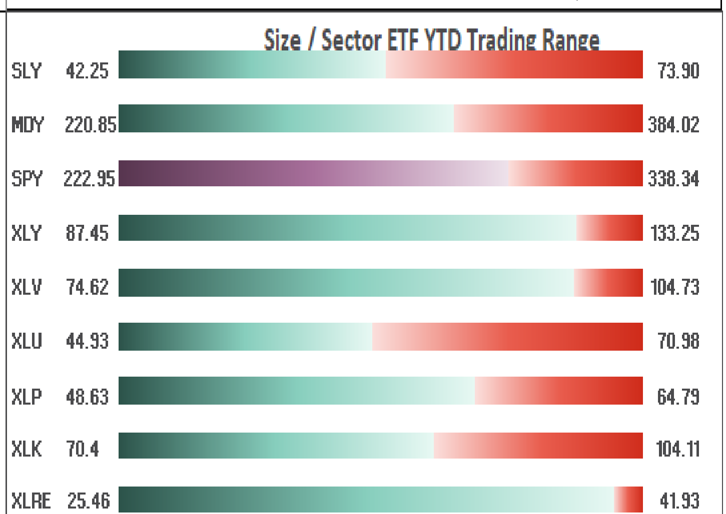




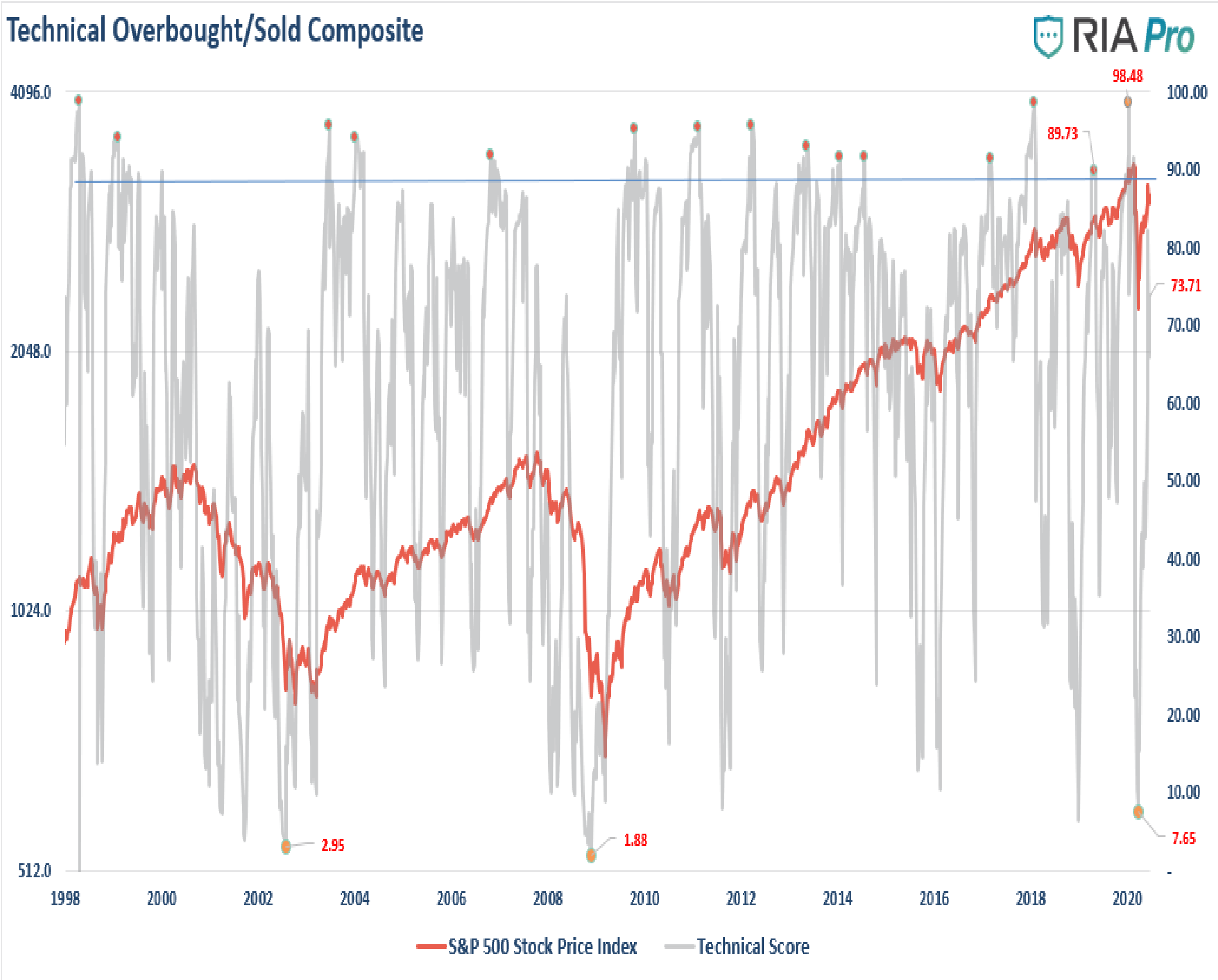








Technical Composite



Sector Model Analysis & Risk Ranges

How To Read.

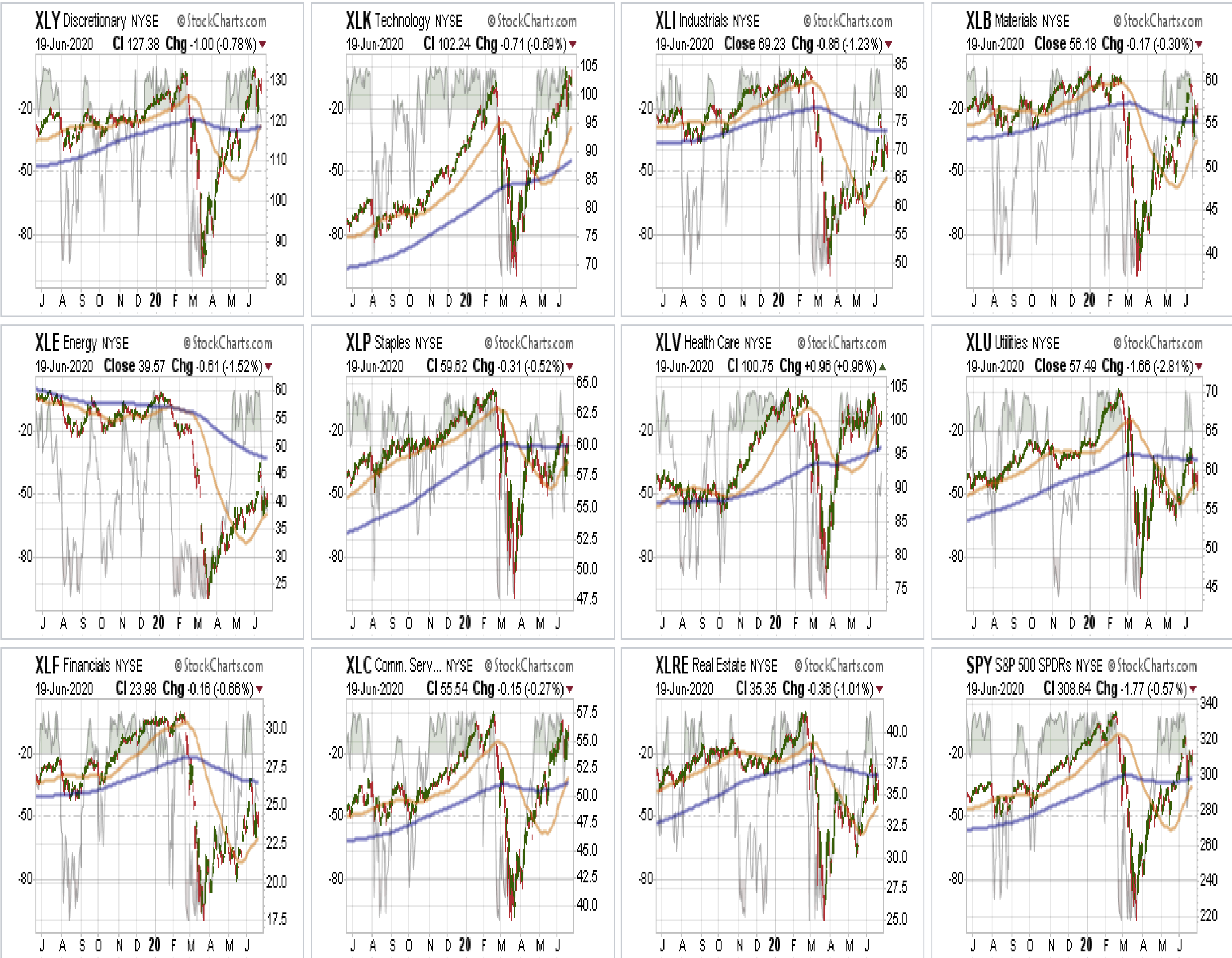
- *The table compares each sector and market to the S&P 500 index on relative performance.*
- *The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing price and the "beta" of the sector or market.*
- *The table shows the price deviation above and below the weekly moving averages.*

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	309.72	1.43	4.49	21.82	(4.35)	4.79	287.28	304.16	305.18	1.00	312.81	297.55	8%	2%	SELL
XLB	SPDR-MATLS SELS	56.18	0.64	1.65	5.11	(1.58)	(7.37)	51.35	55.53	55.45	1.15	57.47	53.43	9%	1%	SELL
XLC	SPDR-COMM SV SS	55.54	1.20	(1.08)	8.07	7.37	7.64	50.07	51.68	54.02	0.96	55.89	52.15	11%	7%	SELL
XLE	SPDR-EGY SELS	39.57	(2.06)	(1.66)	17.85	(30.14)	(42.53)	36.10	47.57	38.76	1.67	40.37	37.15	10%	-17%	SELL
XLF	SPDR-FINL SELS	23.98	(0.80)	4.91	(7.69)	(17.67)	(16.69)	22.40	26.62	23.41	1.17	24.27	22.55	7%	-10%	SELL

Sector & Market Analysis:

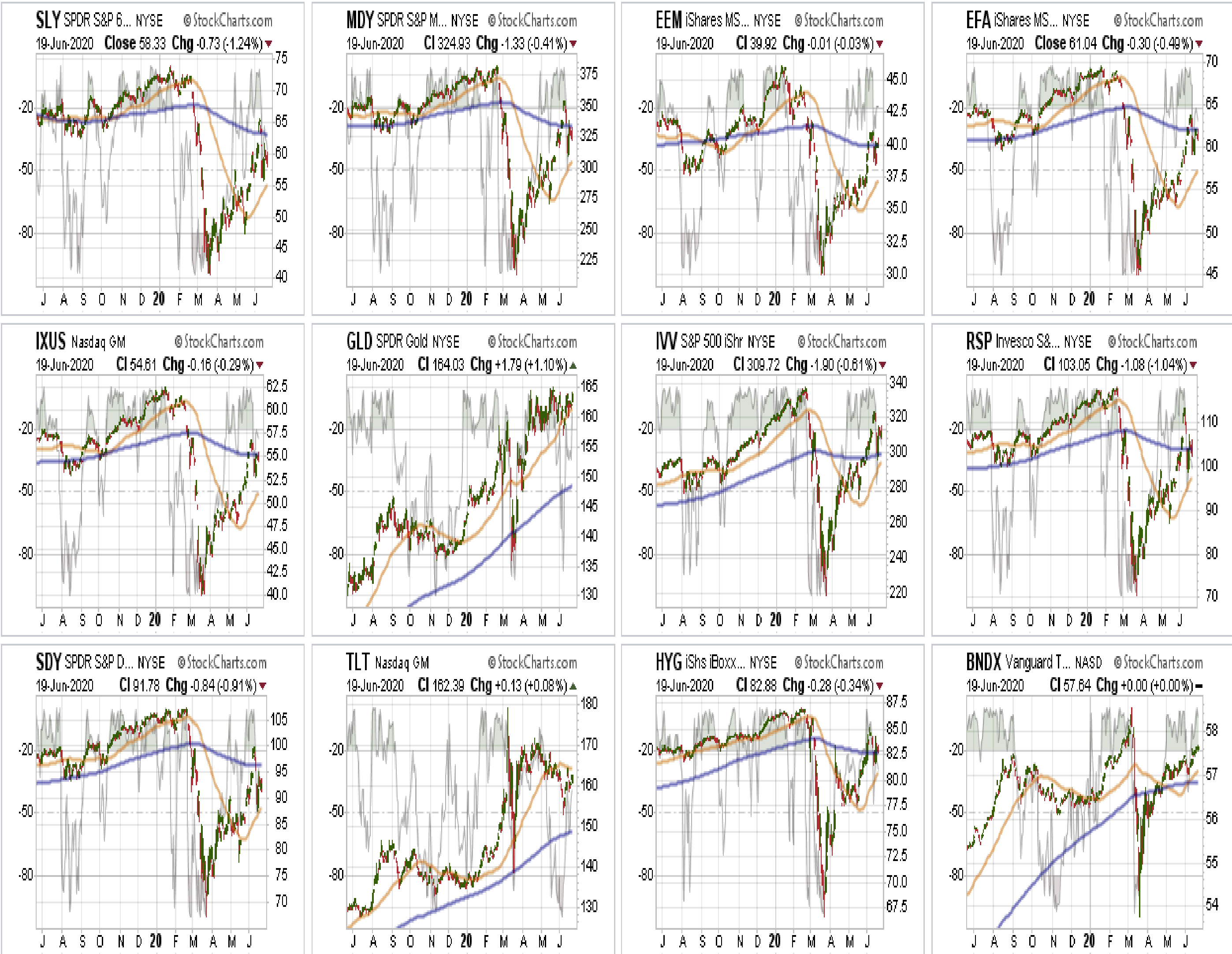
Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels.

Sector-by-Sector



Improving ? Materials (XLB), Industrials (XLI), and Energy (XLE) While Industrials moved into the improving category, performance overall remains concerning with a failure at the 200-dma. Materials and Energy also corrected this past week. We had previously reduced our exposure to XLE two weeks ago. We recommend profit-taking previously, which worked well, and now we are looking for an opportunity to add exposure safely. ***Current Positions: XLE*** **Outperforming ? Technology (XLK), Discretionary (XLY), and Communications (XLC)** Discretionary, which had gotten very extended, and has corrected this past week. The sector is still very overbought, so more correction is possible. We suggested profit-taking in positions last week. The same goes for Communications, which has also had a major rise and is extremely overbought and deviated from long-term trends. Technology, unsurprisingly, moved back into the leading category as money is once again flowing into *"big tech"* to hide. **Current Positions: *XLC, XLK*** **Weakening ? Healthcare (XLV)** Previously, we added to our core defensive positions Healthcare, Staples, and Technology. We continue to hold these sectors as they have been outperforming the market overall during the correction over the last couple of weeks hedging other equity risks. **Current Position: XLK & XLV** **Lagging ? Utilities (XLU), Financials (XLF), Real Estate (XLRE), and Staples (XLP)** Financials continued to underperform the market. We had recommended taking profits last week, but we currently maintain no exposure. Our defensive positioning in Real Estate and Utilities has lagged but remains part of the *"risk-off"* rotation trade. We see early signs of improvement, suggesting it is the right place to be. If it turns up meaningfully, we will add to our current holdings. **Current Position: XLRE, XLU, & XLP**

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? We stated last week that both of these markets were extremely overbought and susceptible to a pullback. That pullback continued this week. Both markets violated important support. We maintain no holdings currently. **Current Position: None Emerging, International (EEM) & Total International Markets (EFA)** Same as Small-cap and Mid-cap. As noted last week, ***"There was a brief rotation rally last week, which will likely fail in the next week*** *or so. Continue to avoid these markets for now."&#2013266080;*That rally appears complete for now. We will watch what happens next week. **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 DIA as a *"Rental Trade"* to pick up some bulk exposure for trading purposes. **Current Position: *None* Gold (GLD)** ? We currently remain comfortable with our exposure through IAU. We are also maintaining our Dollar (UUP) position. No changes as these hedges are offsetting our increased equity risk. **Current Position: *IAU, 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"* hedge in portfolios. However, with yields so low, and with the Fed supporting the mortgage-back and corporate bond markets, we swapped our near zero-yielding short-term Treasury funds for Mortgage-Backed and

Broad Market bond funds with 2.5% yields.&#2013266080; **Current Positions: *TLT, MBB, & AGG***

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

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

Portfolio / Client Update

On Monday and Tuesday, the market rose sharply, holding support at the 200-dma. That hold of support confirmed the bullish trend of the market for now, keeping our portfolios tilted toward equity risk. Interestingly, last week I made of our position in TLT:

> *"Not surprisingly, we were getting a lot of phone calls questioning our portfolio hedge in TLT, which was lagging as the market rallied. The surge in TLT during the vicious decline last week was a solid reminder of why we hedge. Risk is what happens when things go wrong. As noted last week, I am willing to "lose a battle" short-term, to the*

"win the war" longer-term. After all, it is YOUR money we are putting at risk, and we take that responsibility very seriously.

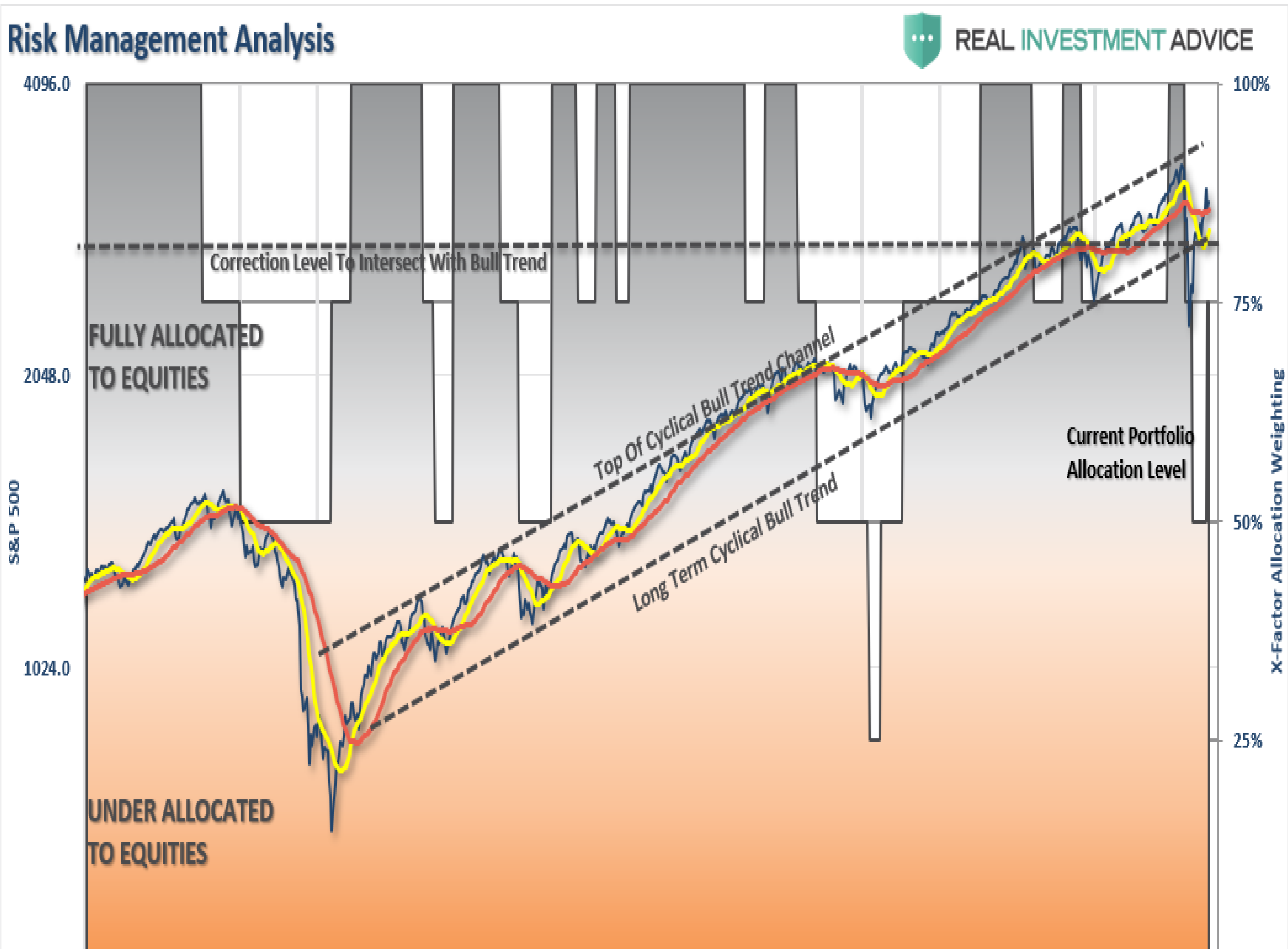
Given the volatility of the market this past week, TLT, along with positions in the U.S. Dollar and Gold, continued to hedge risk against market volatility.

Changes

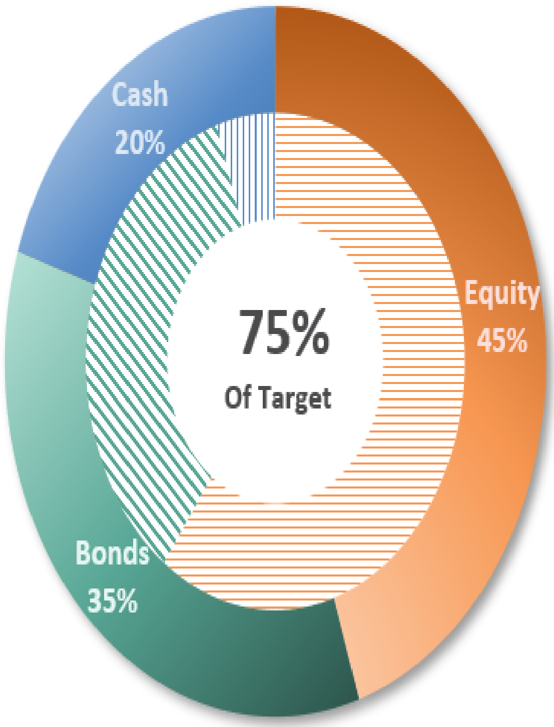
In both the&#2013266080;**ETF**&#2013266080;and&#2013266080;**EQUITY portfolios,** &#2013266080;we added a DIA rental position to give us both some broad market exposure plus some additional exposure to basic materials companies. DIA broke above the 200-dma and is playing catchup with the S&P 500. If the markets are going to move higher, DIA will give us some additional participation in the short-term. However, we also backed up that increased equity exposure by making some swaps in our bond holdings. With yields so low, and the Fed active in the bond markets, we swapped out of our extremely short-duration Treasury holdings into Mortgage-Backed (MBB) and Broad Bond (AGG) market exposures. This move not only gives us some duration exposure to participate if yields fall further, which we expect, plus an increase in yield towards 2.5%. We continue to hold our hedges for now as both UUP and TLT have begun to rally from deeply oversold conditions. We continue to remain defensive, but we are nearly fully allocated to equity markets currently. While the Fed is active in the markets, we must participate, but that doesn't mean we can't do it with a bit of&#2013266080;*"risk"* &#2013266080;control.&#2013266080; 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

20.00% **Cash + All Future Contributions**

Primary concern is the protection of investment capital

Examples: Stable Value, Money Market, Retirement Reserves

35.00% **Fixed Income (Bonds)**

Bond Funds reflect the direction of interest rates

Examples: Short Duration, Total Return and Real Return Funds

45.00% **Equity (Stocks)**

The vast majority of funds track an index.
Therefore, select on ONE fund from each category.
Keep it Simple.

20% Equity Income, Balanced or Conservative Allocation
25% Large Cap Growth (S&P 500 Index)
0% International Large Cap Dividend
0% Mid Cap Growth

Portfolio Instructions:

Allocation Level To Equities	Recommendation	When To Take Action
Less Than Target Allocation	Increase Exposure To 75%	Increase Exposure
Equal To Target Allocation	Hold Exposure At 75%	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

Commentary

As I stated last week: "The correction happened on Thursday and Friday and the market did hold the 200-dma. We can now more reasonably increase risk in the portfolio. Increase target allocations to 75% of whatever your total target equity allocation is. ***(In a 60/40 equity model, 75% of 60% total targeted equity, is 45% as noted above)"***

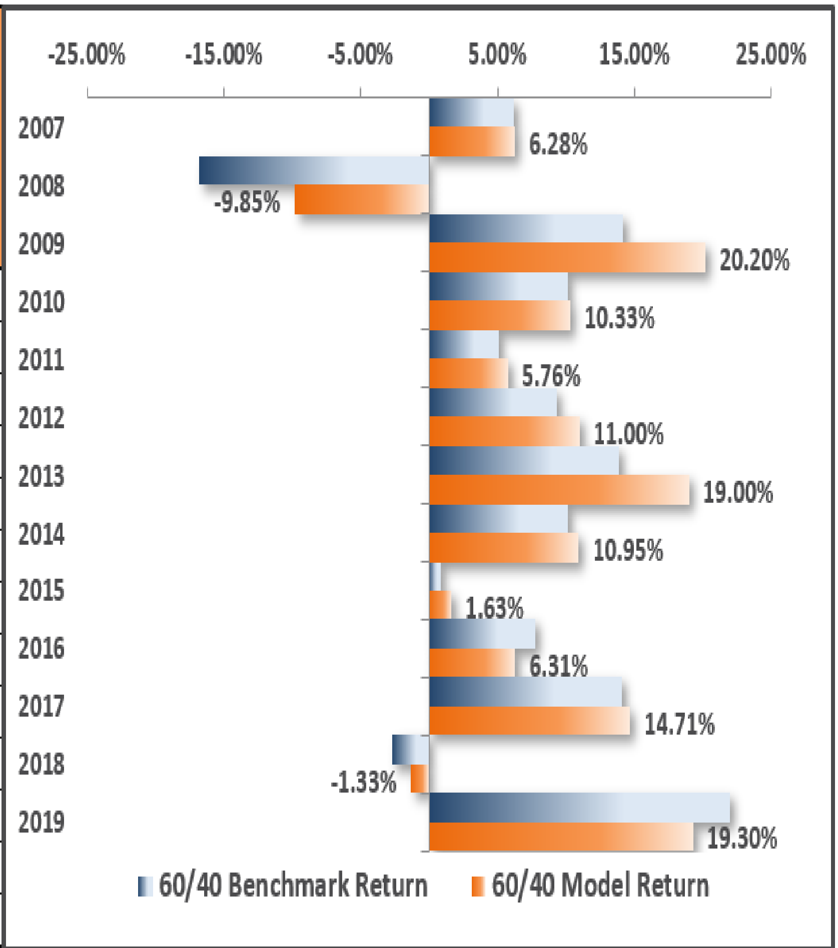
Market action remained sloppy this past week, but the market did hold the 200-dma once again. It remains oportune to increase exposure accordingly for now. However, if the market begins to break down we will need to reverse actions. That remains a possibility still even with the Fed in play.

If the market gets back to oversold, and both of the weekly indicators in the chart above turn positive, such will signal a move back to 100% of target. We will keep you apprised accordingly.

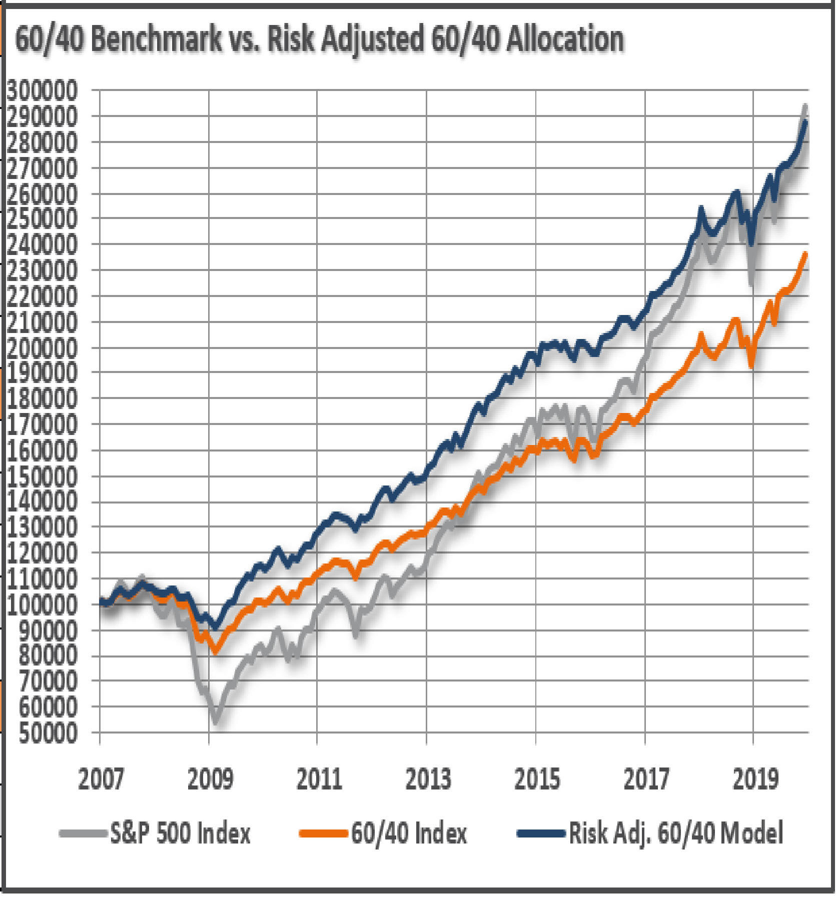
If you need help after reading the alert; do not hesitate to&#2013266080;[contact me]

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.](#)**