

## The Markets May Be Starting To Worry About Rates

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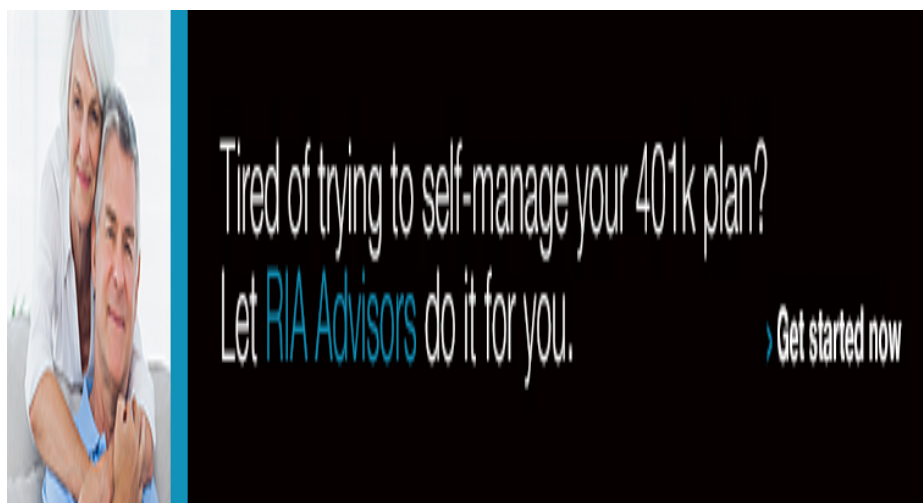
*In this issue of "The Markets, May Be Starting To Worry About Rates."*

- *Market Review And Update*
- *Are Rates About To Cause A Problem*
- *Risk Appetite Is Extreme*
- *Portfolio Positioning*
- *#MacroView: Why Stimulus Doesn't Lead To Organic Growth*
- *Sector & Market Analysis*
- *401k Plan Manager*

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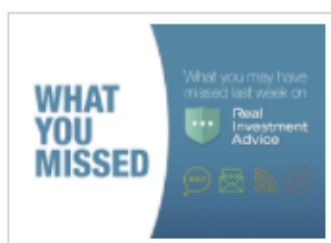
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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 2-19-21

Written by Lance Roberts | Feb 19, 2021

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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## Quick Note

This past week was interesting. I live in a suburb of Houston, Texas, and was one of the 2.6 million that lost power and water for several days. It was an exciting adventure in survival as our house's temperature dropped below freezing and ice formed on our emergency water supply in the bathtub. However, between sitting in cars to charge the laptop and phone batteries and warm up a bit to figuring out how to make coffee on a gas stove, everyone made it through. The lesson we all relearned during this event is not to take for granted even the smallest luxuries in life or each other. This week's newsletter will be abbreviated as I still don't have access to everything just yet. However, by next week, we should be back to normal.

## Market Review & Update

I previously stated that with the market already trading 2-standard deviations above the 50-dma, further **upside could be limited**. Such was the case as markets struggled all week to hold gains in a very narrow range. (*Horizontal dashed lines.*)



Currently, the money flow signals remain positive, but "sell signals" did trigger as of the close on Friday. **While the money flow itself remains strongly positive, the "sell signals" continue to suggest downward pressure on prices currently.** However, given the more extreme overbought and bullish conditions, there is a risk of a deeper correction over the next few weeks. Importantly, as discussed last week, while we will certainly warn you of when our indicators turn lower, the problem remains two-fold:

1. The indicators don't distinguish between a 5% correction and a 20% drawdown; and,
2. **Secondly, the corrections often occur so quickly you don't have much time to decide just how defensive you need to be.**

In other words, it is often advantageous to pare risk by "leaving the party a little early."

## Real Investment Report

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

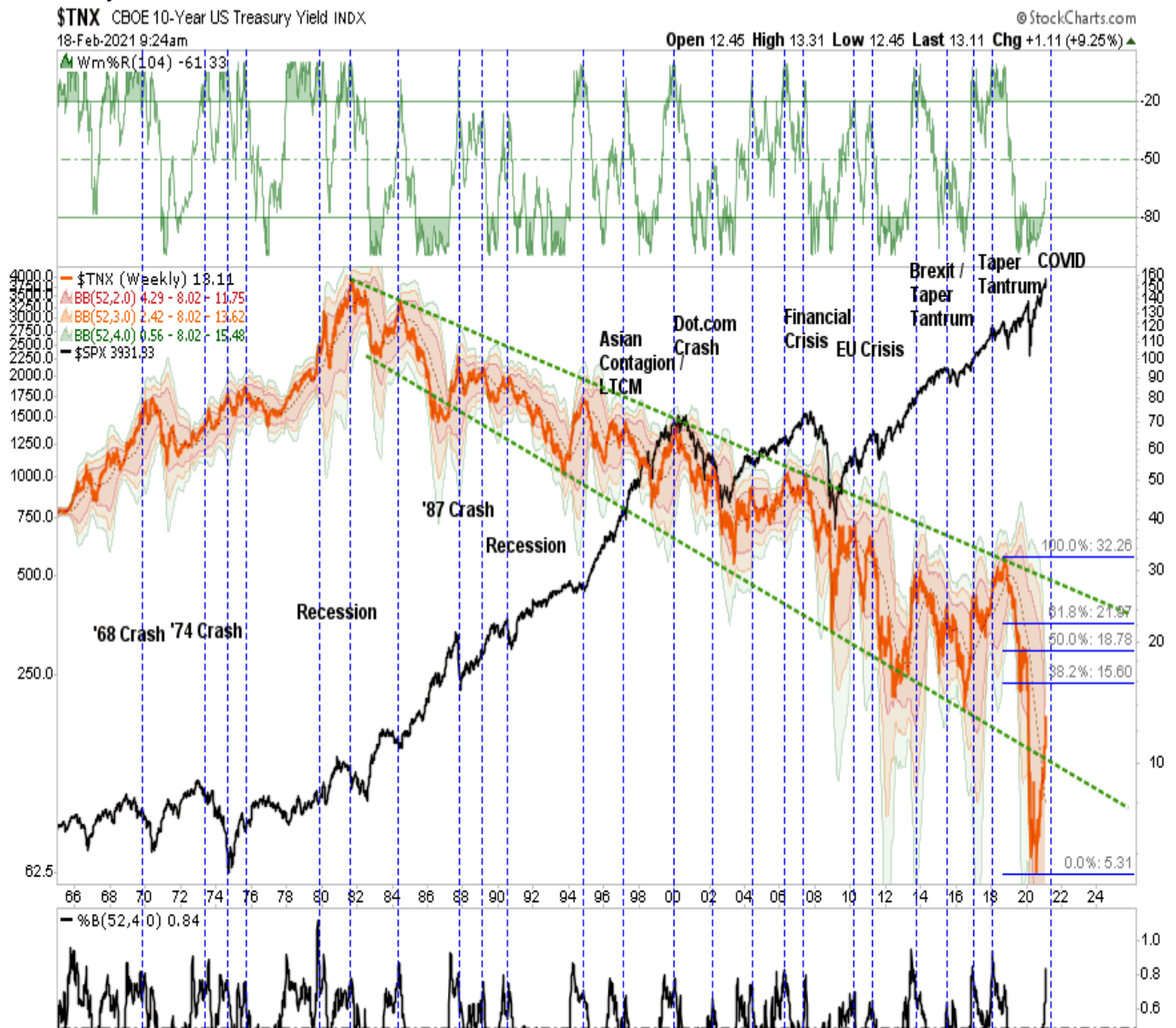
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### Are Rates About To Cause A Problem

The question we need to answer is why the market has been struggling as of late. As we touched on last week, investors may be starting to factor in the twin threats of higher inflation and interest rates. To wit:

*"With an economy pushing \$85 trillion in debt, the entire premise of the 'consumption function,' as well as 'valuation justification' for the stock market, is based on low-interest rates. However, that is rapidly ending as the rise in rates is now approaching a "danger zone" for the markets."*

As discussed in our [#Macroview report yesterday](#), interest rates are rapidly approaching the 1.5% to 2.0% barrier, where higher payments will collide with disposable income. Historically, such has not ended well for markets.



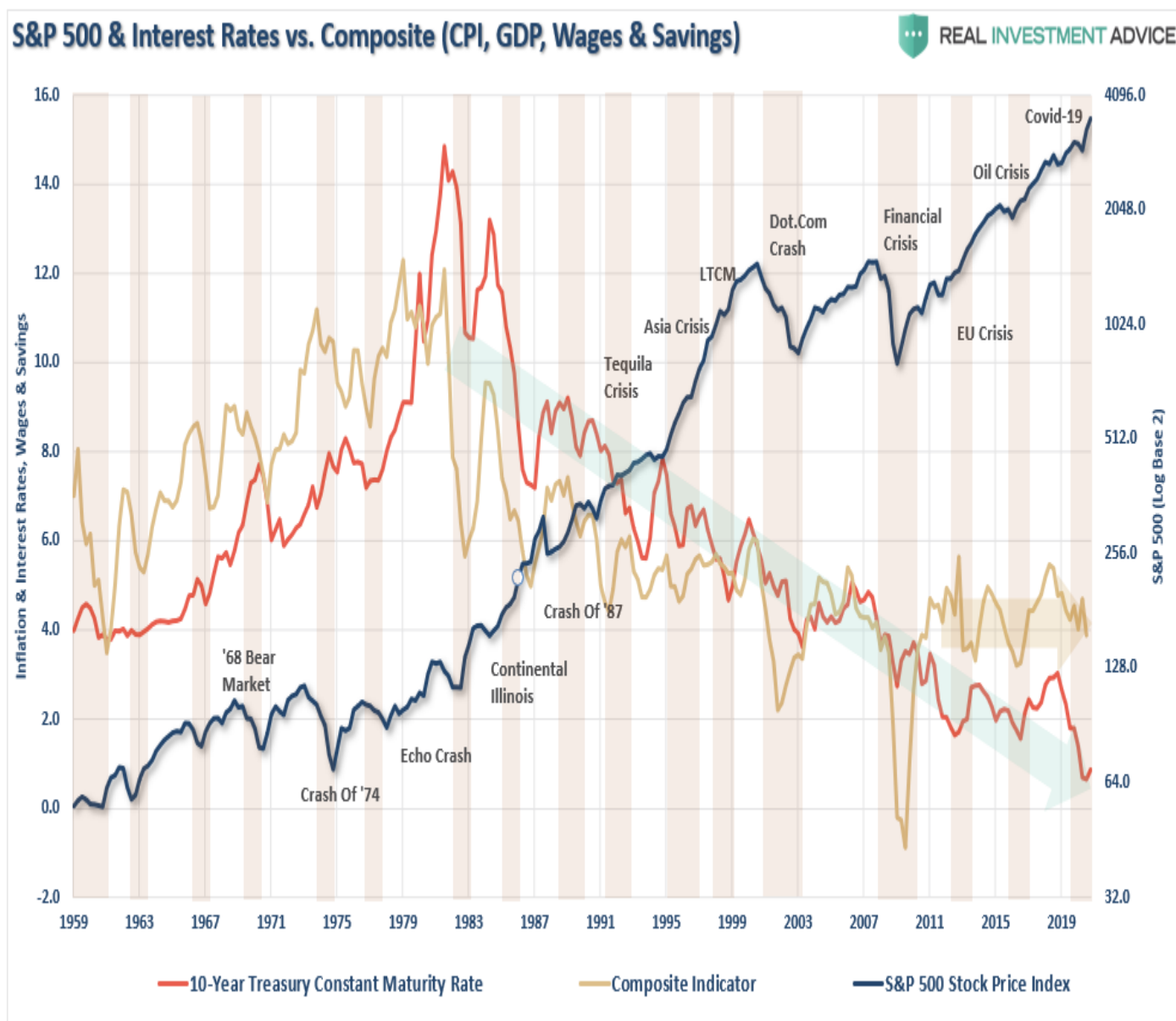
The rise in interest rates is much more problematic than most suspect. **Higher interest payments reduce capital expenditures, threatens refinancing, and spreads through the economy like a virus.** As noted by [Laura Cooper yesterday](#):

*"The writing may soon be on the wall for the buy-everything-but-bonds rally, with focus on inflation fears and subsequent Fed tightening. Yet it's rising real yields that might prove to be the ultimate stumbling block for the risk rally."*

## Little Margin For Error

Higher rates also quickly undermine one of the critical *"bullish supports"* of the last decade:

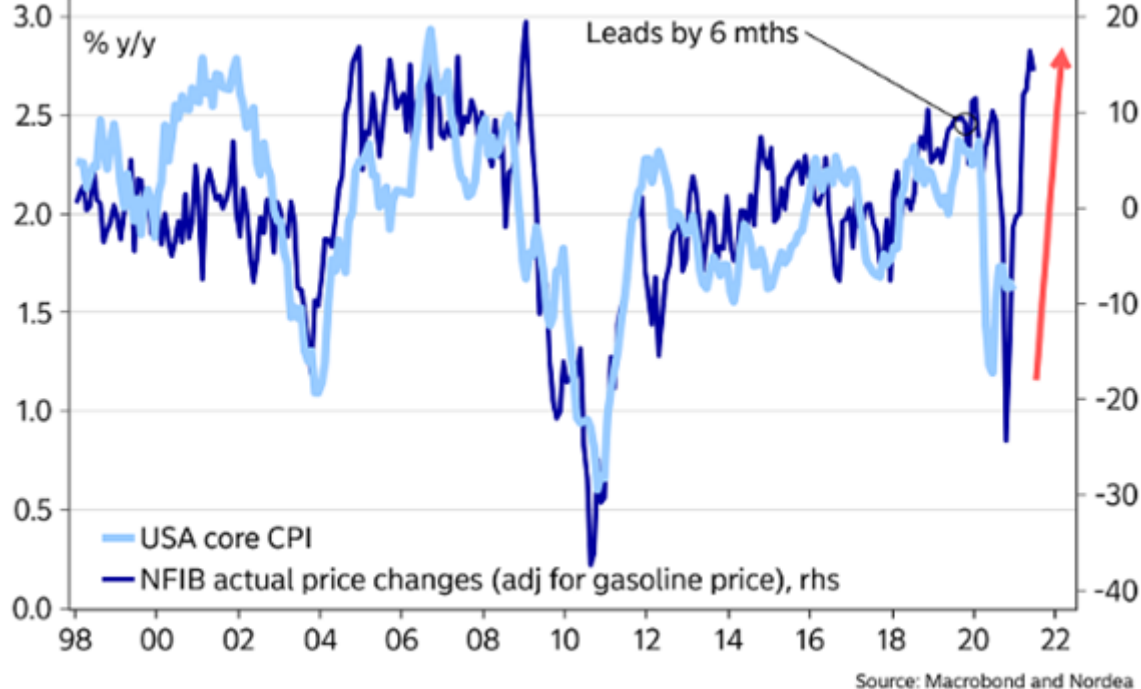
*"In a heavily indebted economy, increases in rates are problematic for markets whose valuation premise relies on low rates."*



*"Each time rates have 'spiked' in the past; it has generally preceded a mild to a severe market correction. As is often stated, 'a crisis happens slowly, then all at once.' So, how did the Federal Reserve get themselves into this trap? **'Slowly, and then all at once.'**"*

When combined with higher inflationary pressures due to stimulus injections, such becomes problematic. Higher borrowing costs and inflation compresses corporate profit margins and reduces





While the Fed

continues to suggest they will let *"inflation run hot"* for a while, the problem is that the real economy won't. The impacts of higher payments and costs will derail consumptive spending very quickly, given the real economy is still massively dependent on *"life support."* **Equally problematic is when the stock market suddenly realizes that higher rates have derailed a primary thesis of overpaying for value.**



**Real Investment Show**  
with Lance Roberts

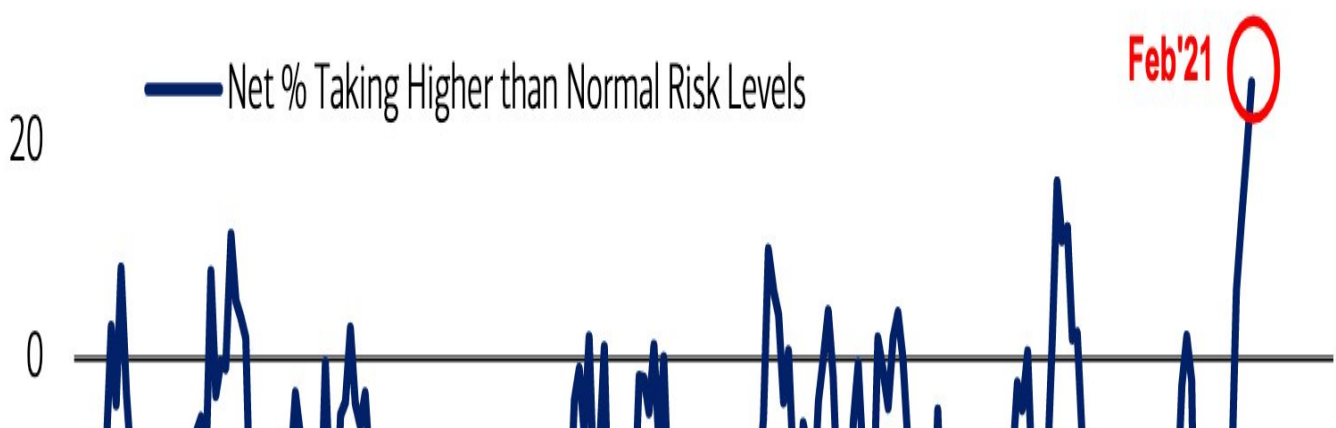
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## Risk Appetite Is Extreme

It seems as if with each passing week, we have continued to point out levels of exuberance either rarely or never, seen historically. This past week continues to see increasing levels of exuberance on many fronts. One that I will discuss more in Monday's blog is the fact that *"no one is bearish."* Of course, that may be reason enough to be concerned.

## Exhibit 11: All-time high in investors taking "higher-than-normal" risk

Net % Taking Higher than Normal Risk Levels



As Bob Farrell once noted:

*"When all experts agree, something else tends to happen."*

We must consider two issues. The first is that current levels of speculation have increased the risk of a more extreme reversion. **As physics's fundamental laws suggest, a rubber-band stretched to its limit will experience a move of equal intensity in the opposite direction.** The second problem is the demise of the T.I.N.A. (*There Is No Alternative*) trade.

***"The problem today is that the relationship between the 10 year US note yield and***



When "risk"

becomes realized, there is now a "safe" alternative. The shift will likely not be subtle.

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## Portfolio Update

**From a portfolio management perspective, we have started to raise cash and reduce our equity risk somewhat.** Our bond portfolio now has a very short duration, and high cash levels are acting as an early hedge against volatility. We are not getting overly aggressive on hedging risk just yet as the money flow indicators, as shown above, remain supportive. **However, that signal is beginning to get more extended, and the market is starting to show early signs of deterioration.** As I stated in the open, sometimes we need to act in advance of the correction. Such is particularly the case when there is excess speculation that can lead to very sharp single-day declines that make it extremely difficult to take appropriate actions amid a "panic-driven" sell-off.


## Conclusion

If you missed this week's post on [Howard Marks on "speculative manias,"](#) it is a good analysis of what we are dealing with currently. Importantly, it is essential to remember that portfolio management is not about ALWAYS being right. It is about consistently getting *on base* that wins the game. There isn't a strategy, discipline, or style that will work 100% of the time.

*?The biggest investing errors come not from factors that are informational or analytical, but from those that are psychological.? ? Howard Marks*

**The biggest driver of long-term investment returns is the minimization of psychological investment mistakes.** As an investor, it is merely your job to step away from your emotions for a moment. Look objectively at the market around you. Is it currently dominated by greed or fear? Your long-term returns will depend not only on how you answer that question but how you manage the inherent risk. Whether it is Paul Tudor Jones or any other great investor throughout history, they all had one core philosophy in common; the management of investing's inherent risk. As many of those found out during the [Gamestop saga](#):

*?If you run out of chips, you are out of the game.?*

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## The MacroView



### The Two Pins That Will Pop The Stock Market Bubble

Written by Lance Roberts | Feb 19, 2021

Yes. We are in a stock market bubble. The only question is what will be the issue that eventually pops it? From our perspective there are two pins to this bubble: inflation and rates.

[>> 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**

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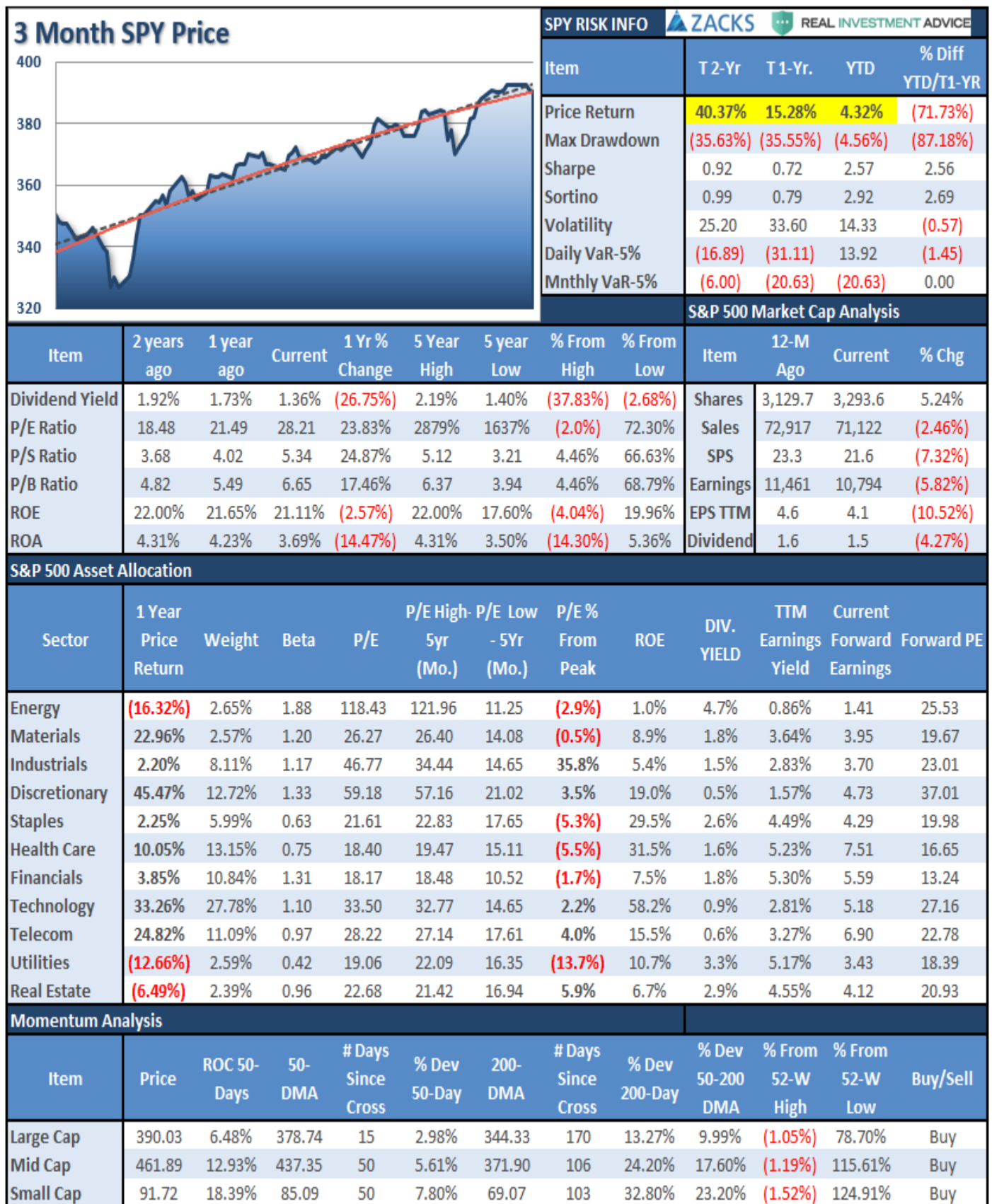
## Market & Sector Analysis

***Analysis & Stock Screens Exclusively For RIAPro Members***

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# S&P 500 Tear Sheet

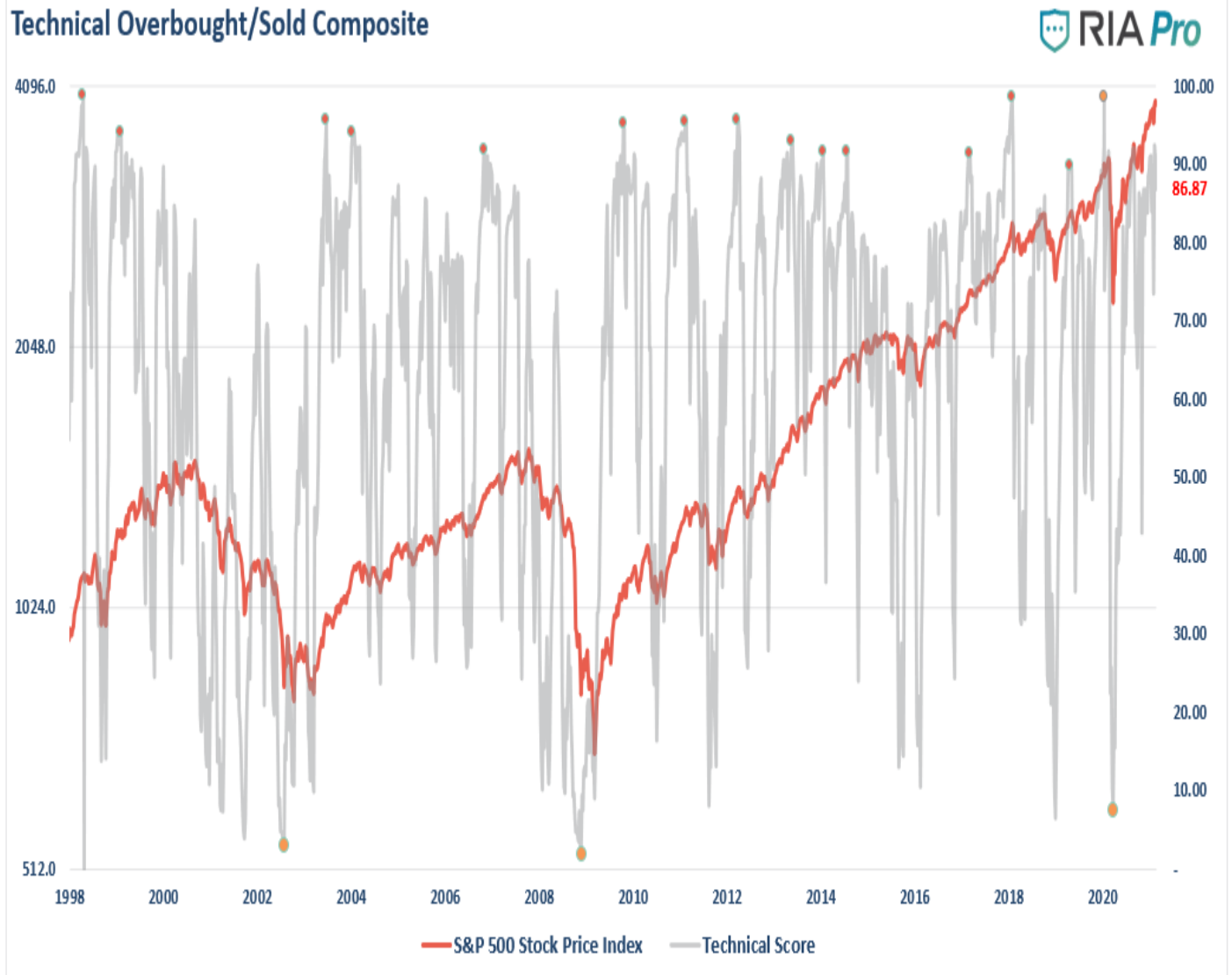


## Performance Analysis



## Technical Composite

The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" is oversold. **The current reading is 86.87 out of a possible 100.**



## Portfolio Positioning "Fear / Greed" Gauge

The "Fear/Greed" gauge is how individual and professional investors are "positioning" themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing data. **NOTE: The Fear/Greed Index measures risk from 0-100. It is a rarity that it reaches levels above 90.** **The current reading is 91.8 out of a possible 100.**



# 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	391.51	(0.68)	1.87	7.27	13.82	16.87	376.94	352.35	371.52	0.99	380.81	362.23	4%	11%	BULLISH
XLB	SPDR-MATLS SELS	75.05	1.63	(0.97)	(2.61)	2.65	7.51	72.90	67.08	70.64	1.04	73.14	68.14	3%	12%	BULLISH
XLC	SPDR-COMM SV SS	72.48	(0.03)	3.41	3.17	3.50	12.29	67.92	62.97	66.88	0.98	69.21	64.55	7%	15%	BULLISH
XLE	SPDR-EGY SELS	46.18	4.06	7.90	11.42	18.62	(31.57)	40.93	36.65	39.32	1.75	40.99	37.65	13%	26%	BULLISH
XLF	SPDR-FINL SELS	32.41	3.50	4.95	6.57	14.34	(11.54)	29.80	26.62	28.95	1.19	30.02	27.88	9%	22%	BULLISH
XLK	SPDR-TECH SELS	136.05	(1.16)	0.55	3.65	1.36	19.95	129.77	120.50	128.93	1.06	133.52	124.34	5%	13%	BULLISH
XLI	SPDR-INDU SELS	90.98	1.43	0.92	(4.84)	3.06	(8.02)	88.61	81.38	84.77	1.18	87.89	81.65	3%	12%	BULLISH
XLP	SPDR-CONS STPL	64.94	(0.46)	(2.07)	(10.23)	(14.73)	(16.42)	66.34	64.78	64.09	0.62	66.09	62.09	-2%	0%	BULLISH
XLRE	SPDR-RE SELS	38.09	(0.05)	1.58	(3.82)	(8.74)	(26.02)	36.74	36.16	36.76	0.69	37.93	35.59	4%	5%	BULLISH
XLU	SPDR-UTIL SELS	61.41	(1.25)	(4.15)	(10.95)	(10.38)	(29.55)	62.54	61.51	62.15	0.36	63.92	60.38	-2%	0%	BULLISH
XLV	SPDR-HLTH CR	114.41	(1.77)	(4.58)	(2.73)	(5.58)	(6.25)	This Is Not Normal			0.76	118.78	111.28	0%	5%	BULLISH
XLY	SPDR-CONS DISCR	169.62	0.27	(2.16)	(0.06)	1.44	13.31				1.13	167.90	156.12	4%	12%	BULLISH
XTN	SPDR-SP TRANSP	80.55	4.28	6.64	6.75	19.05	4.25	73.07	64.47	69.85	1.39	72.57	67.14	10%	25%	BULLISH
SDY	SPDR-SP DIV ETF	111.37	0.85	0.73	(1.87)	1.33	(13.72)	107.50	100.08	105.27	0.91	108.86	101.68	4%	11%	BULLISH
RSP	INVS-SP5 EQ ETF	135.60	0.89	1.29	1.90	8.26	(1.53)	128.92	117.18	126.50	1.12	131.08	121.92	5%	16%	BULLISH
SLY	SPDR-SP6 SC	91.72	0.03	2.79	14.23	30.67	11.02	83.02	70.96	84.47	1.27	87.66	81.28	10%	29%	BULLISH
MDY	SPDR-SP MC 400	461.89	0.31	1.12	7.44	19.65	4.70	429.71	380.29	425.96	1.19	441.68	410.24	7%	21%	BULLISH
EEM	ISHARS-EMG MKT	57.53	0.21	1.17	7.70	15.93	16.03	53.15	47.92	53.31	0.86	55.10	51.52	8%	20%	BULLISH
EFA	ISHARS-EAFE	76.25	0.60	(0.41)	(0.94)	4.36	(5.16)	73.65	68.01	72.39	0.85	74.82	69.96	4%	12%	BULLISH
IAU	ISHARS-GOLD TR	16.98	(1.51)	(5.89)	(7.62)	(21.84)	(8.78)	17.61	17.95	17.55	0.06	18.00	17.10	-4%	-5%	BEARISH
GDX	VANECK-GOLD MNR	32.74	(5.19)	(8.94)	(11.62)	(33.69)	(10.05)	35.37	38.16	34.51	0.62	35.59	33.43	-7%	-14%	BEARISH
UUP	INVS-DB US\$ BU	24.35	0.51	(1.83)	(8.92)	(16.77)	(26.11)	24.43	24.99	24.42	(0.13)	25.00	23.84	0%	-3%	BEARISH
BOND	PIMCO-TOT RETRN	111.46	0.06	(2.90)	(8.30)	(14.66)	(15.91)	112.55	112.35	112.59	0.09	115.51	109.67	-1%	-1%	BULLISH
TLT	ISHARS-20+YTB	143.27	(1.93)	(7.54)	(17.85)	(25.78)	(20.09)	153.92	159.87	152.00	(0.25)	155.43	148.57	-7%	-10%	BEARISH
BNDX	VANGD-TTL INT B	57.38	(0.13)	(3.32)	(9.26)	(14.72)	(17.69)	58.31	58.18	58.18	0.03	59.65	56.71	-2%	-1%	BULLISH
HYG	ISHARS-IBX HYCB	87.50	0.36	(1.64)	(6.01)	(10.26)	(17.80)	87.04	85.37	86.97	0.37	89.47	84.47	1%	2%	BULLISH



## Weekly Stock Screens

Currently, there are four different stock screens for you to review. The first is S&P 500 based companies with a "Growth" focus, the second is a "Value" screen on the entire universe of stocks, and the last are stocks that are "Technically" strong and breaking above their respective 50-dma.

We have provided the yield of each security and a Piotroski Score ranking to help you find fundamentally strong companies on each screen. ([For more on the Piotroski Score - read this report.](#))

## S&P 500 Growth Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
AMAT	Appld Matls Inc	113.43	10.07	11.66	0.78	24.71	8.00
DLTR	Dollar Tree Inc	107.76	10.86	6.77	0.00	20.26	8.00
MSFT	Microsoft Corp	243.79	11.93	14.71	0.92	36.33	8.00
QRVO	Qorvo Inc	171.13	13.99	5.10	0.00	21.58	8.00
AAPL	Apple Inc	129.71	11.50	6.15	0.63	35.13	7.00
ABT	Abbott Labs	125.41	14.14	12.22	1.44	34.36	7.00
AVY	Avery Dennison	172.57	7.90	3.93	1.44	24.27	7.00
FBHS	Fortune Brd H&S	85.83	9.82	4.82	1.12	20.48	7.00
IDXX	Idexx Labs Inc	551.79	15.81	10.70	0.00	82.23	7.00
IT	Gartner Inc -A	180.79	13.50	16.25	0.00	36.90	7.00
KLAC	Kla Corp	325.16	11.56	17.27	1.11	28.35	7.00
MAS	Masco	53.95	8.30	0.38	1.04	17.46	7.00
MLM	Martin Mrt-Matl	325.15	9.10	6.45	0.70	28.18	7.00
PH	Parker Hannifin	268.34	11.78	5.34	1.31	22.40	7.00
TGT	Target Corp	191.41	8.49	3.79	1.42	22.65	7.00
TXN	Texas Instrs	176.51	9.33	1.83	2.31	29.57	7.00
BAC	Bank Of Amer Cp	34.19	7.00	3.70	2.11	18.28	6.00
CDW	Cdw Corp	156.65	13.10	7.62	1.02	23.88	6.00
DHR	Danaher Corp	237.40	13.69	0.46	0.30	37.74	6.00
DOV	Dover Corp	120.94	11.50	-0.41	1.64	21.33	6.00
EBAY	Ebay Inc	62.80	15.36	4.02	1.02	20.59	6.00
EL	Estee Lauder	287.96	13.66	7.40	0.74	65.89	6.00
FB	Facebook Inc-A	269.39	19.24	35.45	0.00	26.67	6.00
INTC	Intel Corp	61.61	7.50	7.61	2.26	11.60	6.00
KSU	Kansas City Sou	206.50	15.00	4.25	0.85	29.67	6.00
LDOS	Leidos Holdings	105.03	10.84	18.97	1.29	18.36	6.00
LRCX	Lam Research	577.77	21.34	13.95	0.90	28.24	6.00
MS	Morgan Stanley	74.83	10.03	9.77	1.87	11.44	6.00
MTD	Mettler-Toledo	1150.51	13.79	5.39	0.00	44.99	6.00
OKE	Oneok Inc	44.86	6.00	4.77	8.34	17.12	6.00
PAYX	Paychex Inc	91.28	8.00	8.16	2.72	31.05	6.00
TTWO	Take-Two Inter	196.23	12.37	22.13	0.00	32.92	6.00
WAT	Waters Corp	280.80	8.85	2.70	0.00	30.99	6.00
A	Agilent Tech	127.68	9.00	6.58	0.61	36.17	5.00
CAT	Caterpillar Inc	199.92	12.00	4.79	2.06	32.83	5.00
EMR	Emerson Elec Co	84.38	9.82	-2.05	2.39	23.31	5.00
JNJ	Johnson & Johns	165.74	7.72	3.82	2.44	20.64	5.00
NUE	Nucor Corp	56.50	12.00	8.10	2.87	17.02	5.00
PXD	Pioneer Nat Res	133.01	8.55	21.08	1.65	39.59	5.00
SNA	Snap-On Inc	191.57	8.52	1.30	2.57	16.47	5.00
WRB	Berkley (Wr) Cp	67.12	9.00	1.27	0.72	28.93	5.00
ALGN	Align Tech Inc	594.99	19.81	25.56	0.00	26.50	4.00
FRC	First Rep Bk Sf	161.72	13.42	19.08	0.49	27.83	4.00
GRMN	Garmin Ltd	127.60	6.80	7.17	1.91	24.87	4.00
ITW	Ill Tool Works	199.24	10.97	-0.64	2.29	29.30	4.00



## Low P/B, High-Value Score, High Dividend Screen

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
SJM	Smucker Jm	116.68	1.56	12.13	3.09	9
CMTV	Commnty Bcp Vt	16.25	1.17	12.46	4.68	8
FLIC	First Long Is	18.41	1.10	10.80	4.13	8
IBCP	Indep Bk Mich	20.15	1.18	11.47	4.17	8
PEG	Public Sv Entrp	58.50	1.87	11.14	3.35	8
TSLX	Sixth St Spclty	22.19	1.29	12.38	7.39	8
UGI	Ugi Corp	39.53	1.85	11.25	3.34	8
WTBA	West Bancorp	22.13	1.69	14.74	3.98	8
AROW	Arrow Finl Corp	30.91	1.47	12.42	3.36	7
BSRR	Sierra Bancorp	23.63	1.07	10.47	3.55	7
CZFS	Citizens Fin Sv	55.50	1.15	11.88	3.32	7
FMNB	Farmers Natl Bc	13.51	1.12	11.36	3.26	7
FNCB	Fncb Bancorp	6.98	0.94	14.71	3.15	7
KEY	Keycorp New	19.48	1.18	10.46	3.80	7
LARK	Landmark Bcp	25.05	1.00	10.27	3.19	7
LOMA	Loma Negra Cia	6.11	1.39	21.99	4.16	7
NWIN	Northwest In Bc	40.55	0.94	13.69	3.06	7
PRK	Park National	116.06	1.82	11.95	3.55	7
UBFO	United Sec Bcsh	6.89	0.99	10.40	6.39	7

## NEW!&#2013266080; Fundamental Growth Screen



Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
QRVO	Qorvo Inc	171.13	13.99	5.10	-	21.58	8.00
MSFT	Microsoft Corp	243.79	11.93	14.71	0.92	36.33	8.00
DLTR	Dollar Tree Inc	107.76	10.86	6.77	-	20.26	8.00
AMAT	Appld Matls Inc	113.43	10.07	11.66	0.78	24.71	8.00
IDXX	Idexx Labs Inc	551.79	15.81	10.70	-	82.23	7.00
ABT	Abbott Labs	125.41	14.14	12.22	1.44	34.36	7.00
IT	Gartner Inc -A	180.79	13.50	16.25	-	36.90	7.00
PH	Parker Hannifin	268.34	11.78	5.34	1.31	22.40	7.00
KLAC	Kla Corp	325.16	11.56	17.27	1.11	28.35	7.00
AAPL	Apple Inc	129.71	11.50	6.15	0.63	35.13	7.00
FBHS	Fortune Brd H&S	85.83	9.82	4.82	1.12	20.48	7.00
LRCX	Lam Research	577.77	21.34	13.95	0.90	28.24	6.00
FB	Facebook Inc-A	269.39	19.24	35.45	-	26.67	6.00
EBAY	Ebay Inc	62.80	15.36	4.02	1.02	20.59	6.00
KSU	Kansas City Sou	206.50	15.00	4.25	0.85	29.67	6.00
MTD	Mettler-Toledo	1,150.51	13.79	5.39	-	44.99	6.00
DHR	Danaher Corp	237.40	13.69	0.46	0.30	37.74	6.00
EL	Estee Lauder	287.96	13.66	7.40	0.74	65.89	6.00
CDW	Cdw Corp	156.65	13.10	7.62	1.02	23.88	6.00
TTWO	Take-Two Inter	196.23	12.37	22.13	-	32.92	6.00
DOV	Dover Corp	120.94	11.50	(0.41)	1.64	21.33	6.00
LDOS	Leidos Holdings	105.03	10.84	18.97	1.29	18.36	6.00
MS	Morgan Stanley	74.83	10.03	9.77	1.87	11.44	6.00
CAT	Caterpillar Inc	199.92	12.00	4.79	2.06	32.83	5.00
NUE	Nucor Corp	56.50	12.00	8.10	2.87	17.02	5.00
ALGN	Align Tech Inc	594.99	19.81	25.56	-	26.50	4.00
FRC	First Rep Bk Sf	161.72	13.42	19.08	0.49	27.83	4.00
TROW	T Rowe Price	160.00	11.83	9.16	2.25	16.67	4.00
ITW	Ill Tool Works	199.24	10.97	(0.64)	2.29	29.30	4.00
SCHW	Schwab(Chas)	61.93	11.34	11.64	1.16	25.91	3.00

## Aggressive Growth Strategy

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E F1/ LT EPS Gr	Score
CEVA	Ceva Inc	67.09	20.00	8.26	-	29.82	8
MSFT	Microsoft Corp	243.79	11.93	14.71	0.92	2.78	8
IDXX	Idexx Labs Inc	551.79	15.81	10.70	-	4.57	7
TXN	Texas Instrs	176.51	9.33	1.83	2.31	2.83	7
WDFC	Wd 40 Co	319.38	#N/A	3.01	0.84	#N/A	7
MSCI	Msci Inc-A	437.55	#N/A	10.22	0.71	#N/A	6
RGEN	Repligen	215.62	30.00	35.13	-	4.33	6
ENPH	Enphase Energy	180.84	38.03	23.19	-	2.91	5
FLGT	Fulgent Genetic	137.09	#N/A	38.58	-	#N/A	5
IBKR	Interactive Brk	74.56	#N/A	15.21	0.54	#N/A	5
ALGN	Align Tech Inc	594.99	19.81	25.56	-	3.94	4
CELH	Celsius Holding	58.77	#N/A	50.66	-	#N/A	4
CGNX	Cognex Corp	85.74	#N/A	11.47	0.28	#N/A	4
REXR	Rexford Ind Rty	49.66	7.91	28.69	1.73	4.33	4
AXON	Axon Enterprise	173.75	15.00	26.57	-	93.41	4

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## Portfolio / Client Update

Last week, I noted that price action was beginning to get a bit more "sloppy." That continued into this week. With our money flow indicators now starting to return to more extreme levels, we have begun the process of raising cash and reducing risk accordingly. We will continue this process over the next couple of weeks as we head into March, where the risk of a short-term correction grows. This past week we shortened our bond-duration more by eliminating our mortgage holdings. When interest rates rise, the duration of mortgages can get very long, very quickly. Such would increase volatility in our bond portfolio more than we want currently. As always, we continue watching our indicators closely. We still think this rally may have one or two weeks left, but that window is growing shorter. We will make changes accordingly.

### Portfolio Changes

During the past week, we made minor changes to portfolios. We post all trades in real-time at [RIAPRO.NET](http://RIAPRO.NET).

#### **\*\* Equity Portfolio ? Trade Update \*\*\***

*Portfolio Managers ? Michael Lebowitz/Lance Roberts*

*"We sold all of our position in WMT today following not only a disappointing earnings announcement but also very lackluster guidance for the rest of the year. We will re-evaluate the position in the future if warranted." - 02-18-21*

#### **Equity/Sector Portfolio**

- Sell 100% Of Walmart (WMT)

*We sold our position in AMD. This is a first step in reducing our equity exposure as we are seeing signs a correction is on the horizon. AMD appears technically vulnerable as well. We are adding back to our stake in PLTR after taking profits previously. The recent correction has gotten the position back to support and extremely oversold. - 02-17-21*

#### **Equity/Sector Portfolio**

- Sell 100% of AMD

*"We reduced our fixed income exposure by selling our entire position in MBB (mortgage ETF) and buying, in its place, 10% of SHY (1-3yr Tsy). We are concerned that further selling in the fixed income markets would raise the duration of mortgages and create forced selling by leveraged institutional holders of mortgages. Given the low yield of mortgages, the risk-reward is not worth the risk." - 02-16-21*

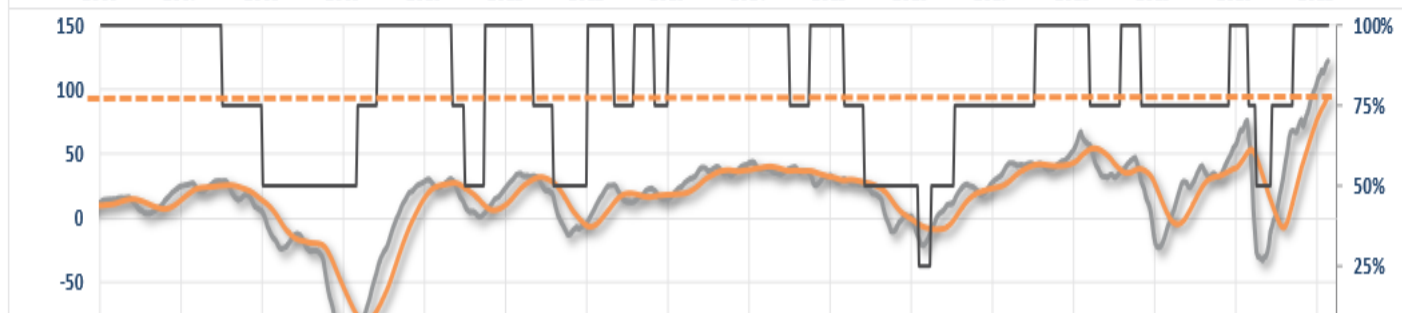
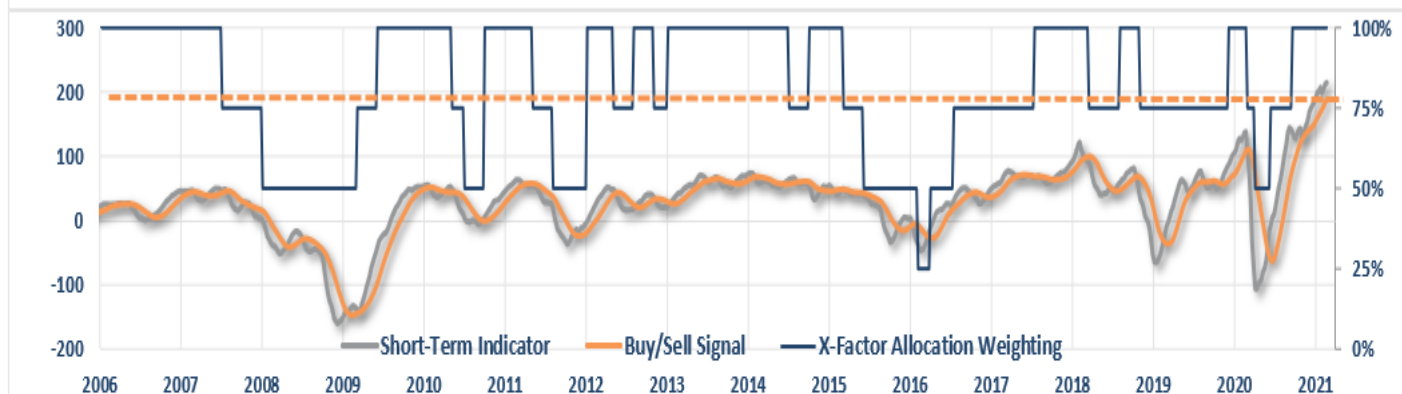
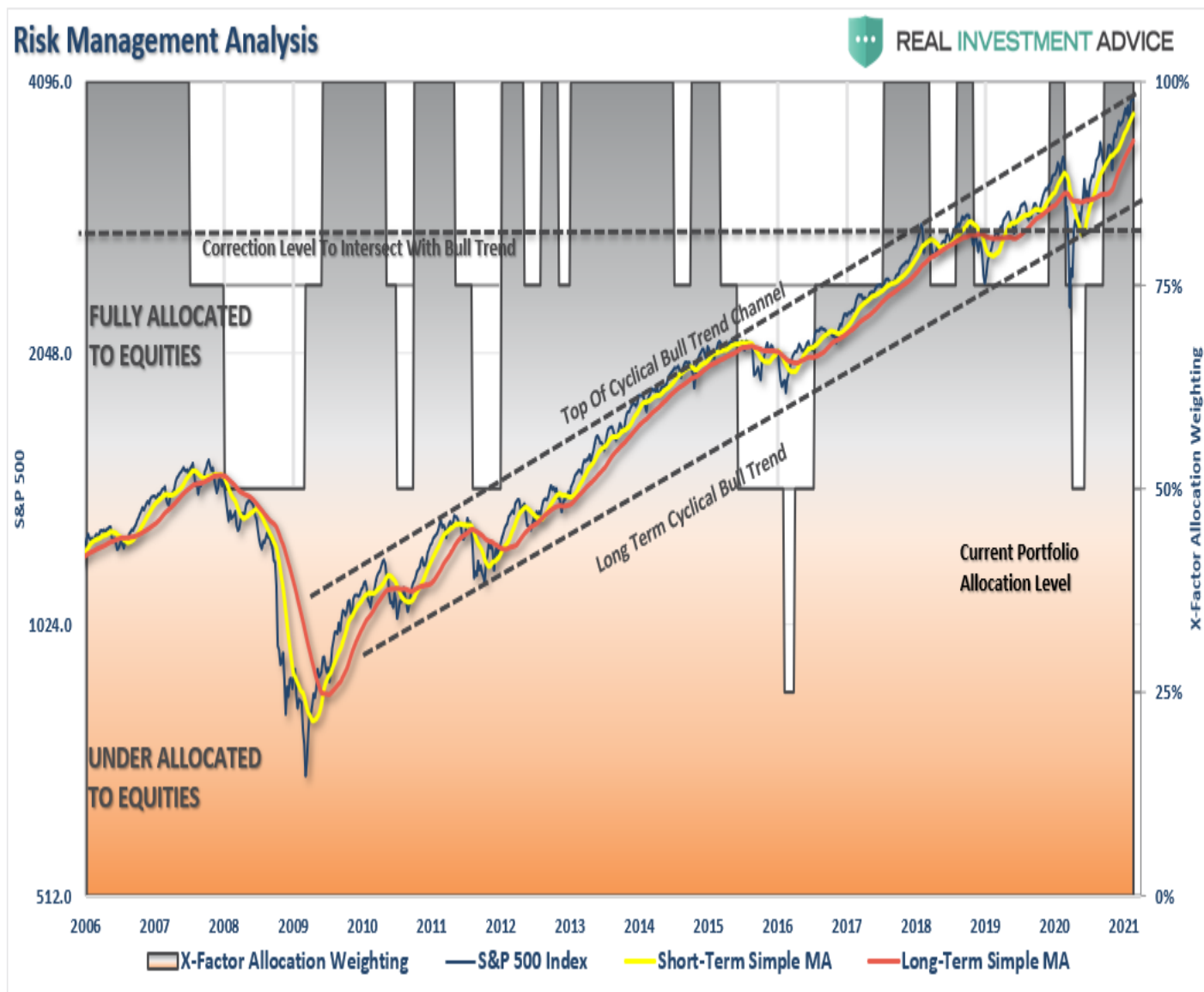
#### **Equity/Sector Portfolio**

- Sell all MBB 13%
- Buy 10% SHY

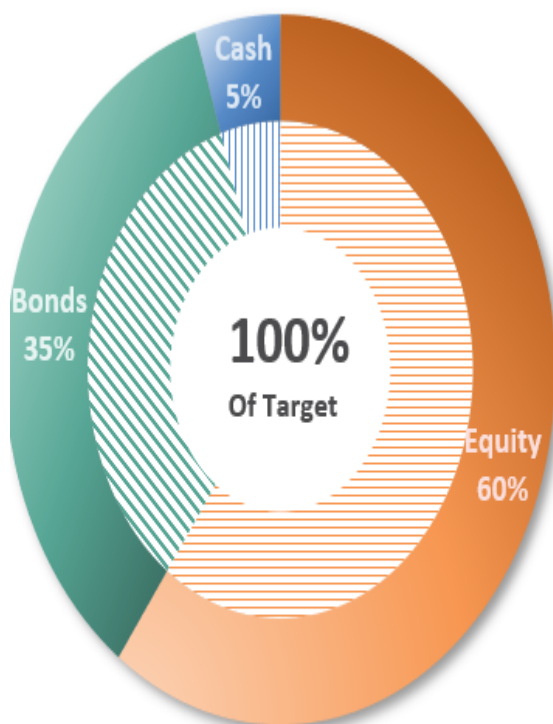
As always, our short-term concern remains the protection of your portfolio. We have now shifted our focus from the election back to the economic recovery and where we go from here. *Lance*

# THE REAL 401k PLAN MANAGER

## A Conservative Strategy For Long-Term Investors



## Current Portfolio Weighting



## Current 401k Allocation Model

### 5.00% Cash + All Future Contributions

*Primary concern is the protection of investment capital*

Examples: Stable Value, Money Market, Retirement Reserves

### 35.00% Fixed Income (Bonds)

*Bond Funds reflect the direction of interest rates*

Examples: Short Duration, Total Return and Real Return Funds

### 60.00% Equity (Stocks)

*The vast majority of funds track an index.*

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

*Keep it Simple.*

20% Equity Income, Balanced or Conservative Allocation

30% Large Cap Growth (S&P 500 Index)

5% International

5% Mid-Cap

## Portfolio Instructions:

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

## Commentary

There is no change from last week as the market failed to gain any ground this past week.

Currently, all of our indicators remain positive, with money flows currently suggesting there is support for prices at current levels. However, those money flows are showing some signs of weakness which suggests that in the near future, the next few weeks, we will see a correction in the market similar to what we saw at the end of January or potentially more.

There is a lot of risk built up in the market currently, but there is also no immediate trigger to cause a reversion so there is no need to become overly cautious at the moment.

Maintain exposures, but rebalance positions that have grown to outsize weightings in portfolio. Particularly in small/mid cap and international funds which are egregiously overbought.



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

**Tired of trying to  
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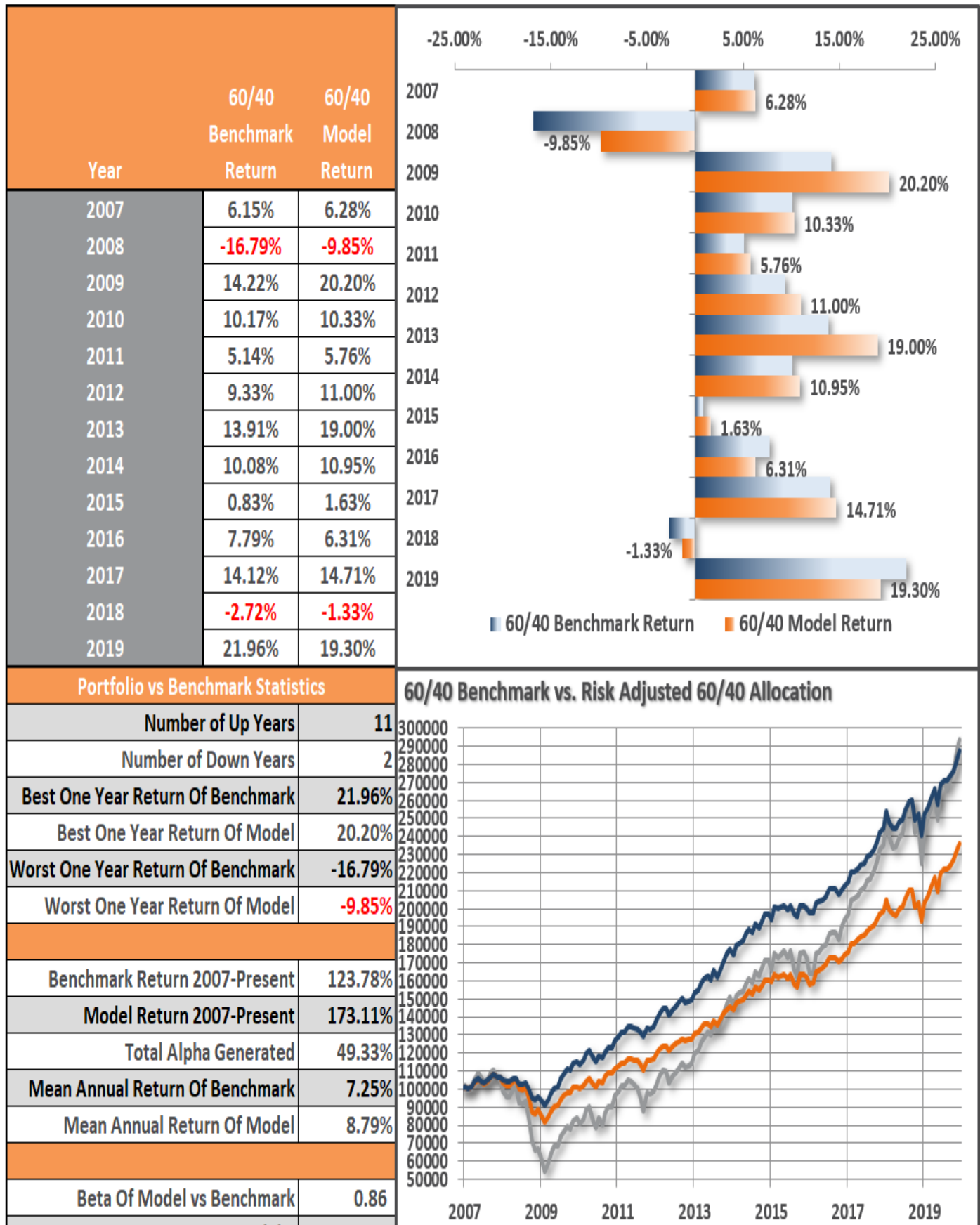
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*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.*





# 401k Plan Manager Live Model

As an [RIA PRO subscriber](#) (You get your first 30-days free), you can access our live 401k plan manager. Compare your current 401k allocation to our recommendation for your company-specific plan and our 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.](#)**

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Symbol

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

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Add Portfolio

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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

+