



# Market Stalls At All-Time Highs Awaiting The Fed

*In this 08-06-21 issue of "Market Stalls At All-Time Highs Awaiting The Fed."*

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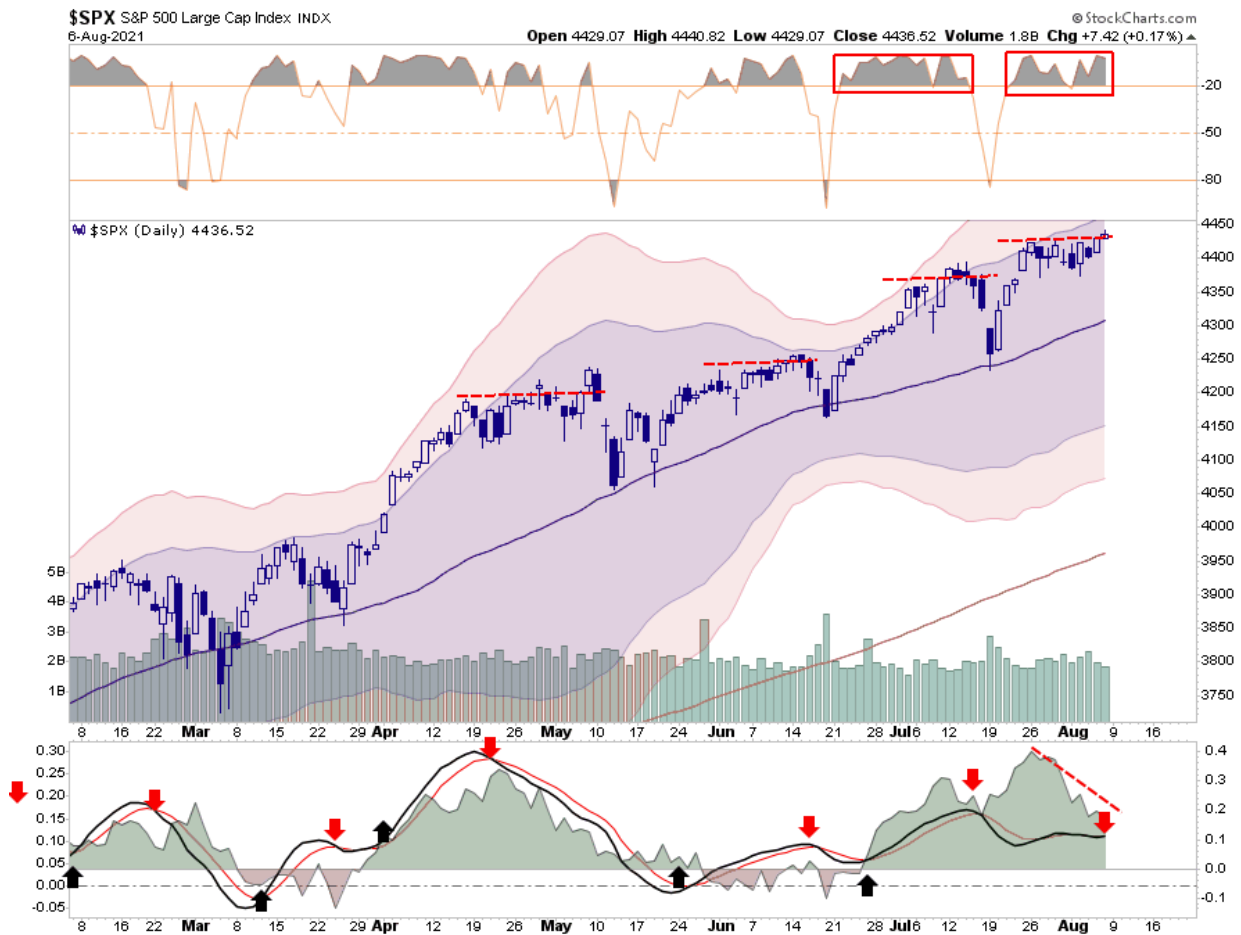
## Market Rally Stalls At All-Time Highs

**Last week**, we discussed that further upside would be challenging with the market hitting new highs.

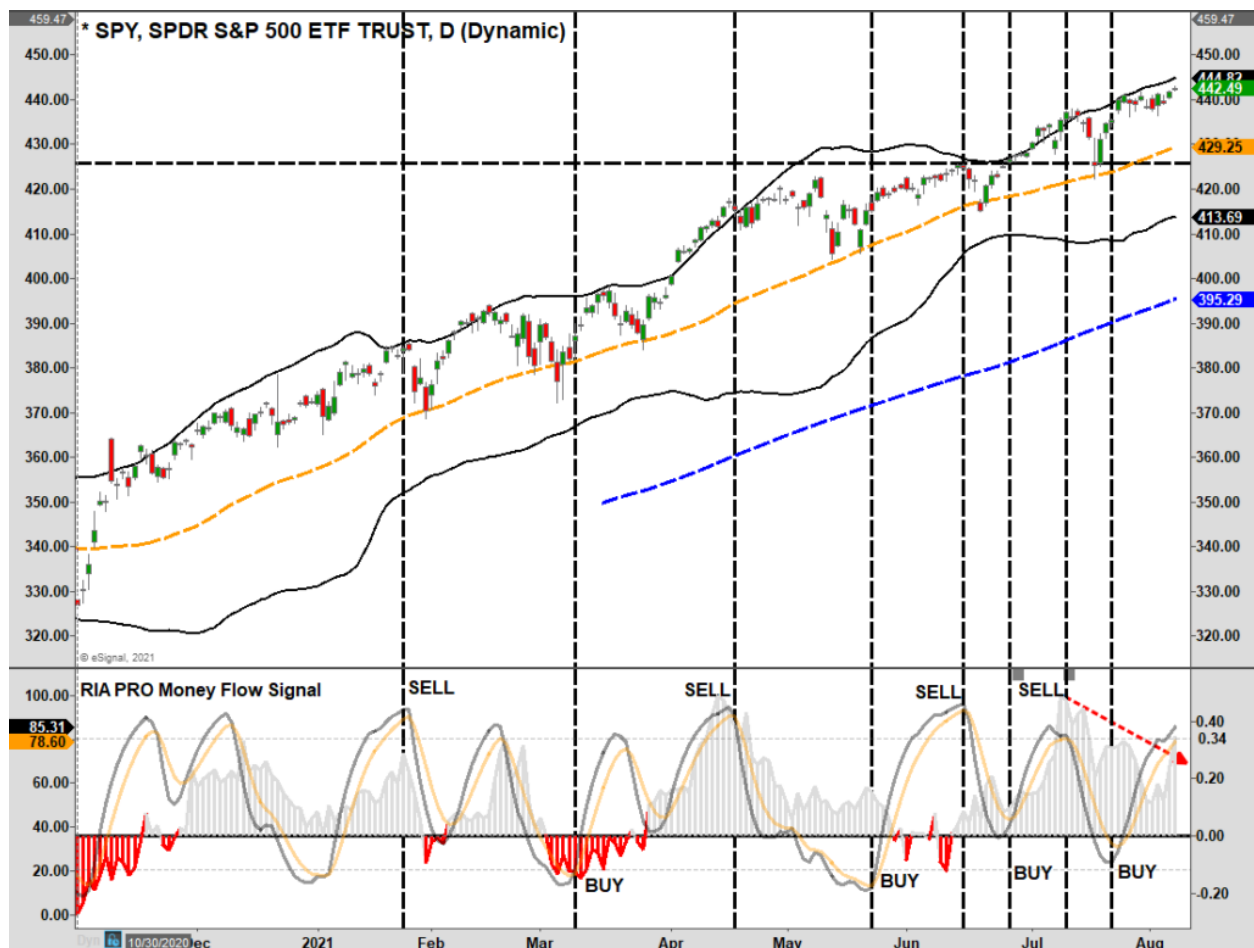
*"Not surprisingly, the market didn't make much headway this past week, given the current extended and overbought conditions. For now, 'buy signals' remain intact, which likely limits the downside over the next week. However, a retest of the 50-dma is certainly not out of the question."*

This week, such was the case again, as the market registered new highs only by a small fraction. Despite a record level of earnings "beats" and upgraded guidance, and a robust jobs report.  
**(Corrections to the 50-dma continue to provide the best entry points to date. However, at**

**some point the 200-dma will get tested.)**



**Notably, in both the chart above and below, buying pressure weakened despite several attempts to push markets higher. Thus, the "distribution" of the market remains a concern at these levels, particularly as we head into the seasonally weaker months of the year.**



Despite these warnings, the **"bullish bias"** remains present, which limits downside risk currently. Therefore, we continue to maintain the majority of our equity holdings. In addition, however, we did raise our cash levels and increased the duration of our bond holdings to hedge against risk.

While there seems to be **"NO"** immediate risk to markets, Friday's employment report should worry the **"bulls."**

## Fed Getting More Vocal On Taper

Over the past few weeks, Fed members have become much more vocal about the need to *"taper"* the current level of *"Quantitative Easing."* Friday's job report may accelerate that timeline.

For example, in a recent [CNBC interview](#):

*"Given this outlook, commencing policy normalization in 2023 would be entirely consistent with our new flexible average inflation targeting framework."* - Richard Clarida

However, Dallas Fed President Richard Kaplan [suggested that "tapering"](#) could come even sooner.

***"As we make substantial further progress, which I think will happen sooner than people expect, I think we'd be far better off, from a risk-management point of view, beginning to adjust these purchases of Treasuries and mortgage-backed securities."***

As Michael Lebowitz and I discussed on [The Real Investment Show](#), the Fed drops these trial balloons to gauge the market's reaction. Then, if markets remain stable, the Federal Reserve can adjust either the "verbal" language or take more specific actions.

<https://youtu.be/Cjp8N2P8hCs?t=1675>

So far, the market remains stable but could be overlooking an important point. [Raghuram Rajan for Project Syndicate](#) made a notable statement.

***"Inflation readings in the United States have shot up in recent months. Labor markets are extremely tight. In one recent survey, 46% of small-business owners said they could not find workers to fill open jobs, and a net 39% reported having increased their employees' compensation. Yet, at the time of this writing, the yield on ten-year Treasury bonds is 1.24%, well below the ten-year breakeven inflation rate of 2.4%. At the same time, stock markets are flirting with all-time highs."***

As he notes, something does not add up. **With these current conditions, the Fed should tighten policy, reduce accommodation, and "reload their ammo" for the next downturn.**

Instead, the Fed keeps pouring gasoline on the bonfire.



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## Jobs Report Shows "Substantial Progress"

As noted, Jerome Powell has already set the table for tapering bond purchases by noting "substantial progress" towards the Fed's goal of full employment and price stability.

Friday's job report, on the surface, was robust, providing that evidence.

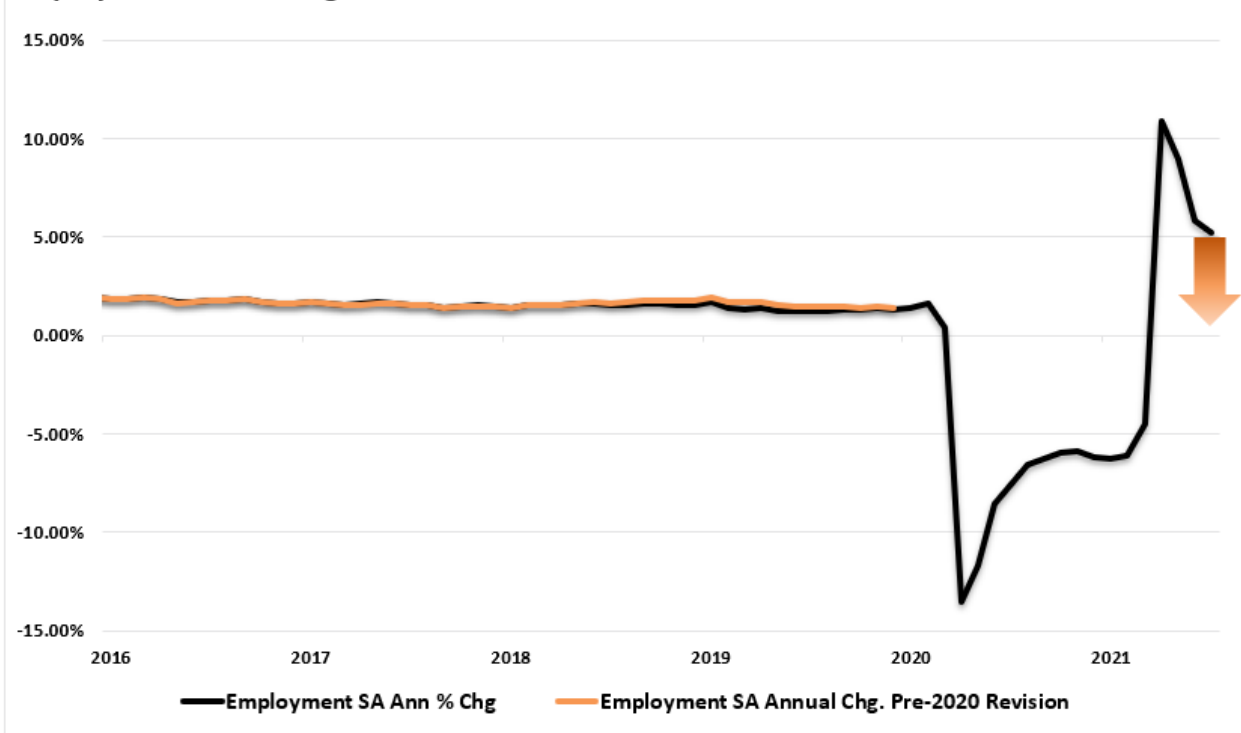
*"Hiring was the fastest pace in a year. The economy added 943,000 jobs in July, nearly 100,000 more than the Dow Jones consensus estimate. The unemployment rate also fell to 5.4%, beating the forecasted jobless rate of 5.7%. Employment in May and June was also revised higher by a total of 119,000 payrolls." - CNBC*

**As discussed previously, we think we could see the Fed openly discuss the issue of reducing its monetary support at the upcoming "Jackson Hole Summit."** Such could even include a general timeline to the reduction process in an attempt to maintain market stability.

However, below the headline report, the employment number was not all that exciting. **Without seasonal adjustments, employment fell by 133,000 people. As you would expect for July, the vast majority of hires were retail, hospitality, and teachers. (Vacations, Retail, and Back-To-School)**

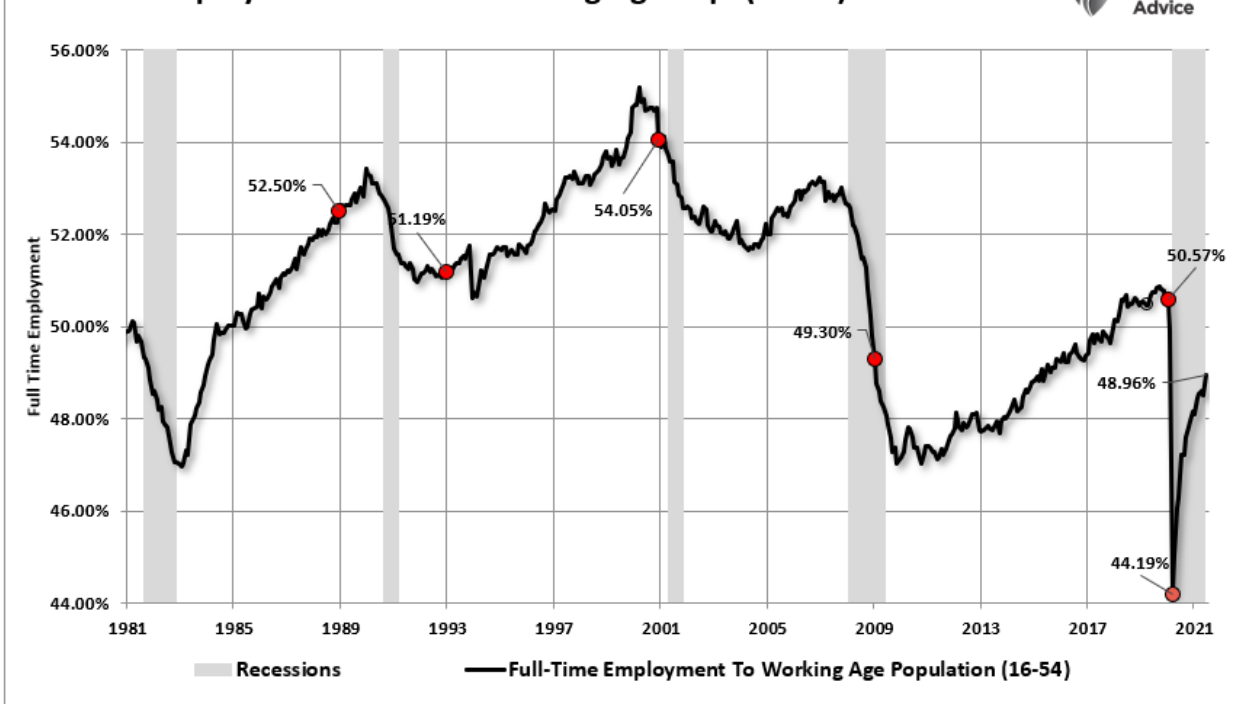
**Notably, after a significant layoff cycle in March 2020, jobs are returning to normal. It is not a cycle of NEW job creation due to a booming economy, rather just the re-employment of those previously let go. (Getting back to even isn't the same as growing.)**

Employment Annual Chg. Pre- Post-2020 Revisions



Lastly, if we strip out all of those *"retiring baby boomers,"* it is hard to suggest we are in a roaring economy when less than 50% of the working-age population are employed full-time. (Which is lower than any previous employment peak in history.)

Full Time Employees Relative To Working Age Pop. (16-54)



However, this data will not factor into the Fed's decision-making cycle, which is deeply flawed, to begin with.

## The Fed's Decision Making Cycle

There is ample evidence the Fed is complicit in exacerbating the "wealth gap" and fostering speculative activity. As such, they should engage in reducing the monetary accommodation sooner rather than later. To wit:

***"To those who care about sound asset prices, Fed Chair Jerome Powell's announcement last week that the economy had made progress toward the point where the Fed might end its \$120 billion monthly bond-buying program was good news. Phasing out quantitative easing (QE) is the first step toward monetary-policy normalization, which itself is necessary to alleviate the pressure on asset managers to produce impossible returns in a low-yield environment." - Rajan***

However, given the Fed has tied itself to the stock market as a sign of "economic stability," any withdrawal of monetary policy leads to poor outcomes. The chart below shows the **Fed's Monetary Decision Making Cycle**.



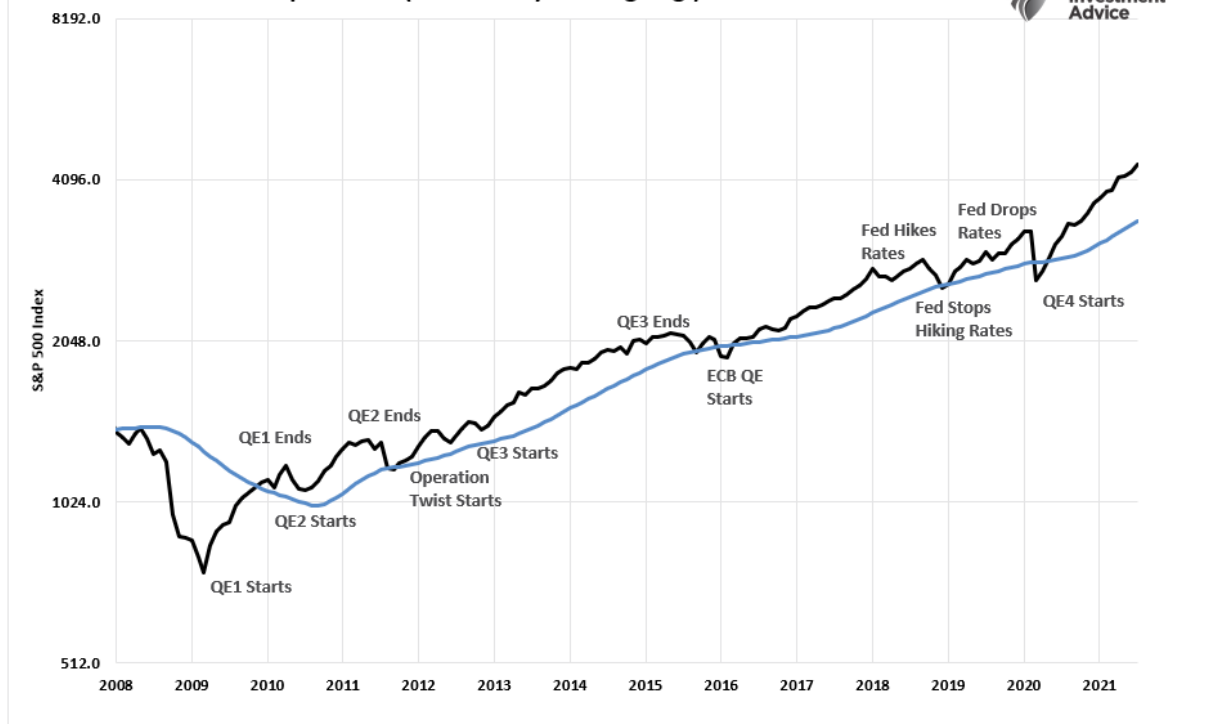
If the Fed does try to reduce accommodation, the market will decline as liquidity gets drained from the system. As the market declines, consumer confidence falls, and the Fed becomes concerned about a weakening economic environment. Moreover, given the high amounts of leverage in the system, as asset prices fall, the risk of defaults and credit risk rise.

**This cycle forces the Fed to bail out the major Wall Street banks to ensure that a credit event doesn't take hold.** (Such is despite the fact the major banks pass an annual "stress test." The Fed assures us the bank capitalization is strong enough to withstand such an event. (Unfortunately, it is pretty apparent they are not.)

## The Fed May Be Trapped

That decision-making process is the Fed's "kryptonite." As noted above, every time the Fed does try to extract itself from the "monetary policy" game, the system fails.

S&P 500 Index Vs. Fed Operations (24-Monthly Moving Avg.)



Such is why [we noted previously:](#)

***"Since the ?Financial Crisis,? total Government interventions surpassed \$43 Trillion into the economy to keep it ?afloat.? I say ?afloat? rather than ?growing? because, since 2008, the total cumulative growth of the economy is just \$3.5 trillion. In other words, for each dollar of economic growth since 2008, it required \$12 of monetary stimulus."***

The diminishing rate of return on QE programs is becoming more evident. **While increasing QE doesn't increase economic activity, the removal immediately slows activity as individuals hoard savings.** But, of course, that eventual outcome requires a return to more debt-funded policies to sustain low economic activity rates.

There are few good options.

Most notably, is the surge in debt from unbridled Government largesse is increasingly problematic. As Rajan notes:

***"And yet, even if monetary policymakers are not overly concerned about high asset prices or inflation, they should be worried about another risk that prolonged QE intensifies: the government?s fiscal exposure to future interest-rate hikes."***

The bond market is indeed sniffing something out.

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## In Case You Missed It





## #MacroView: MMT – When Theories Collide With Reality

Written by Lance Roberts | Aug 6, 2021

Previously we discussed Modern Monetary Theory (MMT) and its one limitation of inflation. However, as is always the case when “theories” collide with “reality,” the tenants of the theory are quickly discarded.

[>> Read More](#)

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## Bond Rally Not Hard To Understand

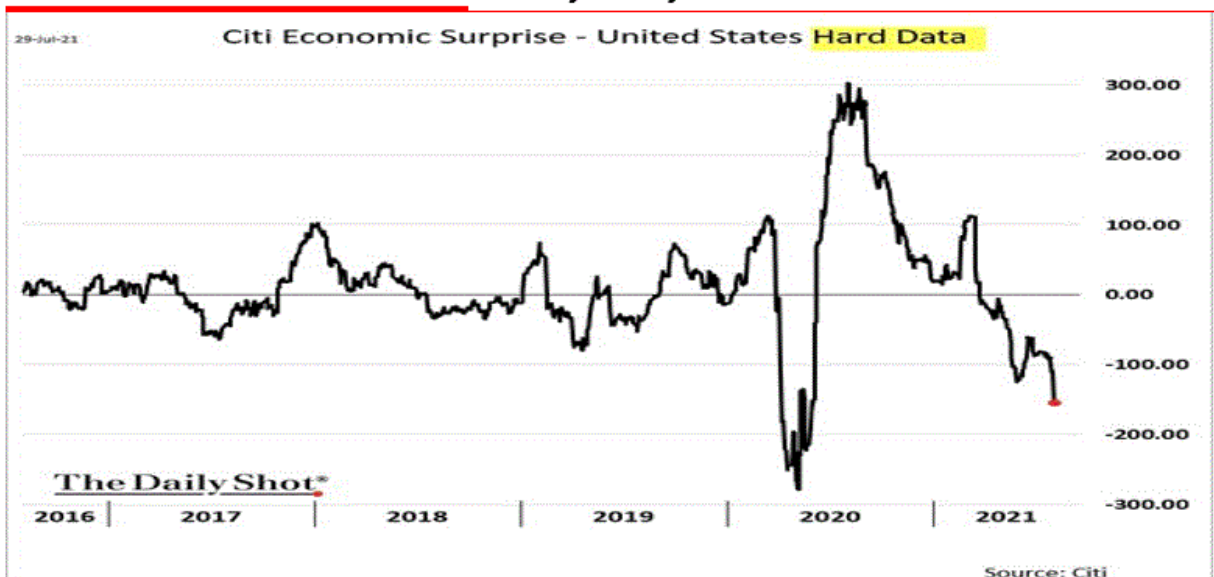
My colleague Albert Edwards had a great note on the bond rally this week:

***"As real yields in the US (and Europe) slump to new lows, Fed Chair Powell has been left scratching his head. Really? He should take a look at the 'Hard Data' chart below.***

*Real yields continue to collapse to new record negative lows, falling in the US below MINUS 1.2%. Chairman Powell was at a loss to explain the drivers behind this recent decline in yields, so attributed it to technical factors (always a cop-out when you have no idea) as he thinks the fundamentals remain strong.*

***Really? I know central banks tend to live in a parallel universe where they hear no evil, see no evil and speak total nonsense, but just look at the chart below. It shows the collapse in the Citi economic surprise index for hard data. This together with the increasing threat of imminent tapering - which usually leads (perversely) to falling bond yields - leads me to think that the US bond market rally is actually wholly explicable."***

**It isn't hard to understand the US bond rally when you look at this chart**



Source: The Daily Shot, Twitter



**Albert is correct and supports our thesis that bonds continue to deliver an important message the Fed ignores.**

More importantly, as bottleneck's ease, the risk of a manufacturing recession is rising rapidly next year.

*"John Dizard's [FT column](#) discussed the potential **for an old-fashioned inventory-led recession next year when the current bottlenecks affecting container shipping dissipate**. All that ?delayed stuff, when it finally lands where it is supposed to, looks as though it will create a big enough pile to trigger a bad inventory recession.? - Albert Edwards*

Pay attention to the data. Unfortunately, it isn't nearly as strong as headlines suggest.

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## Portfolio Update

Not surprisingly, with earnings season in full swing, the markets maintained their bullish stance again this week. However, with that said, the upside remains limited, as we suggested previously.

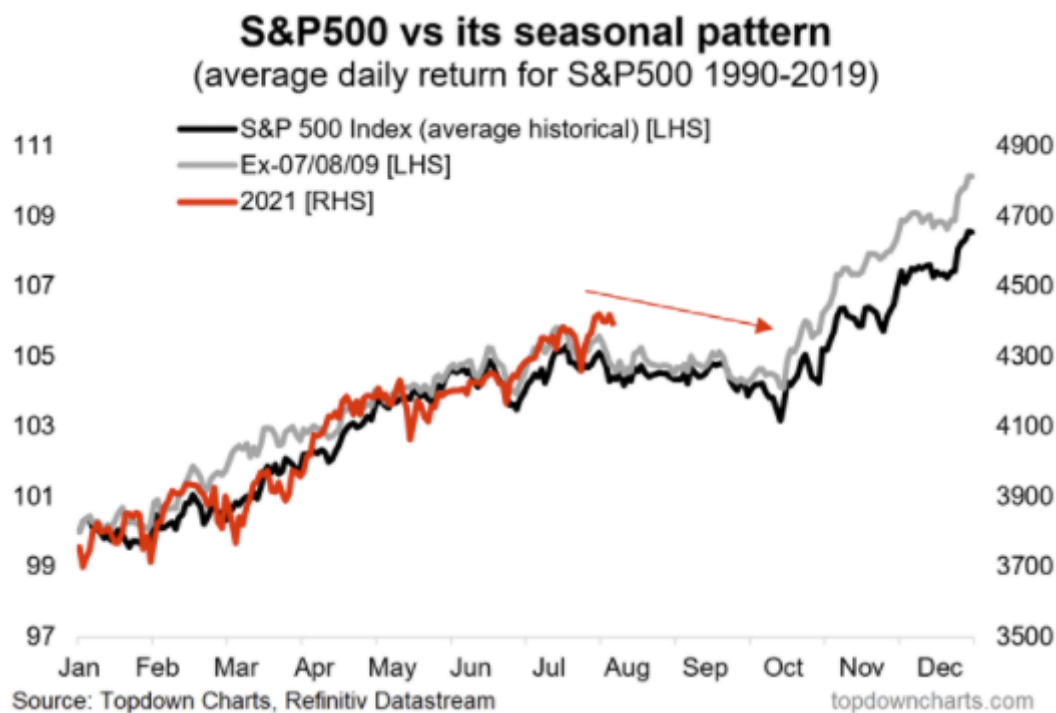
**With money flows continuing to weaken** and technical indicators setting up to produce sell signals, we reduced exposure a bit more this week by increasing cash and reducing our financial holdings. With interest rates falling and yield curves flattening, there will be impacts to the earnings for major money center banks in the future.



If our analysis is correct and the economy slows much faster than anticipated, banks will underperform. We also reduced some of our energy exposure given the weakening dollar, and falling rates also suggest growth is weakening.

**At the moment, as has been the case all year so far, there is no reason to be overly defensive. Bullish trends remain intact, liquidity continues, and overall sentiment is optimistic.**

However, such does not preclude risk management in portfolios to protect recent gains against a potentially weak August and September timeframe. As noted on Thursday by Isabelnet.com:



As noted above, the market is moving through its current "*buy*" signals reasonably quickly. **The next set of "*sell*" signals could lead to enough of a correction to set up a "*buy*" point for the end-of-year rally.**

**There is more than a decent chance the market ends up this year at about the same level we are currently.** If that turns out to be the case, being a little cautious now might pay off.

Have a great weekend.

**By Lance Roberts, CIO**

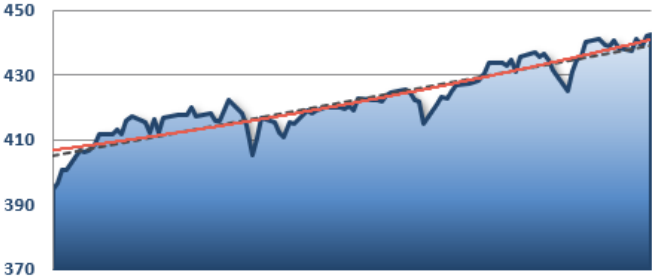
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## Market & Sector Analysis

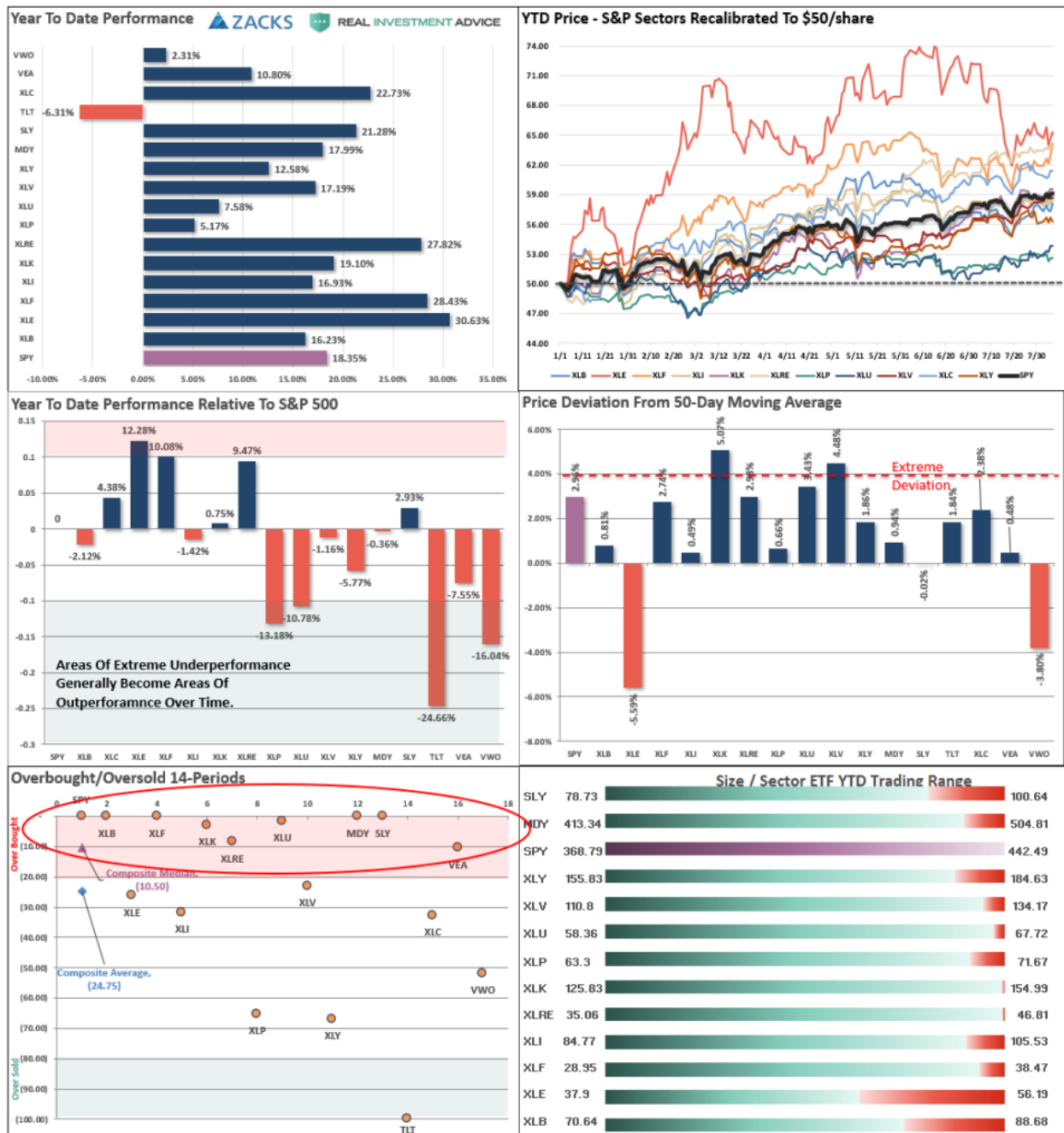
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## S&P 500 Tear Sheet

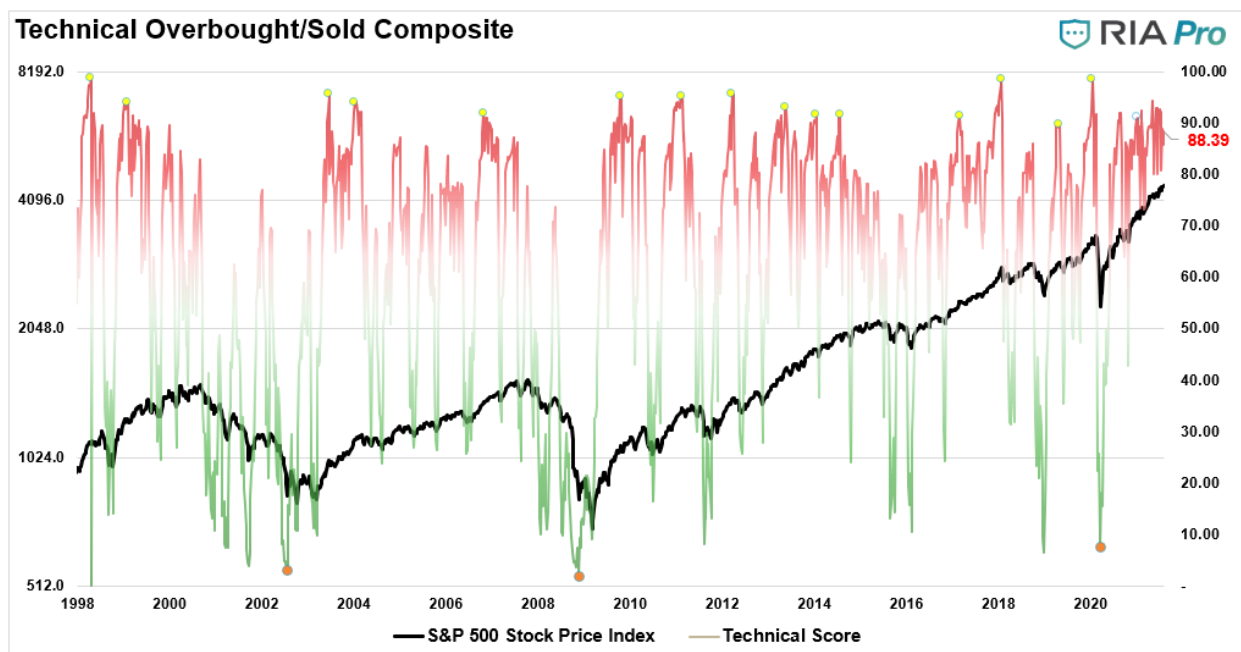
3 Month SPY Price								SPY RISK INFO		ZACKS <span>REAL INVESTMENT ADVICE</span>			
								Item		T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
								Price Return		53.75%	32.35%	18.35%	(43.28%)
								Max Drawdown		(35.63%)	(10.86%)	(5.65%)	(47.92%)
								Sharpe		1.05	2.46	2.63	0.07
								Sortino		1.12	3.20	3.65	0.14
								Volatility		25.29	14.87	13.07	(0.12)
								Daily VaR-5%		(11.37)	12.20	12.94	0.06
								Mnthly VaR-5%		(2.05)	20.36	20.89	0.03
S&P 500 Market Cap Analysis													
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg	
Dividend Yield	1.81%	1.62%	1.23%	(32.27%)	2.15%	1.24%	(42.89%)	(1.27%)	Shares	3,048.9	3,545.5	16.29%	
P/E Ratio	18.07	24.07	25.56	5.85%	2734%	1605%	(6.5%)	59.23%	Sales	69,741	77,109	10.57%	
P/S Ratio	3.80	4.13	6.11	32.43%	5.94	3.20	2.94%	91.14%	SPS	22.9	21.7	(4.92%)	
P/B Ratio	5.12	5.65	7.49	24.59%	6.97	4.19	7.39%	78.57%	Earnings	10,329	14,079	36.31%	
ROE	21.69%	20.20%	27.51%	26.57%	22.81%	17.60%	20.60%	56.33%	EPS TTM	4.0	5.3	30.69%	
ROA	4.24%	3.79%	4.92%	22.85%	4.32%	3.51%	13.77%	40.15%	Dividend	1.5	1.6	4.68%	
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	34.16%	2.50%	1.89	41.13	123.62	(302.30)	(66.7%)	(0.1%)	4.4%	-0.34%	3.30	13.91	
Materials	37.76%	2.56%	1.19	20.08	27.12	14.16	(26.0%)	11.1%	1.8%	3.85%	5.34	17.04	
Industrials	72.85%	8.34%	1.16	45.22	54.11	14.70	(16.4%)	9.6%	1.2%	2.08%	4.39	22.62	
Discretionary	31.51%	12.01%	1.35	41.03	60.06	20.97	(31.7%)	31.3%	0.6%	2.56%	6.10	31.05	
Staples	13.44%	5.74%	0.65	22.13	23.01	17.65	(3.8%)	31.5%	2.4%	4.53%	4.52	21.15	
Health Care	24.58%	13.56%	0.77	19.17	19.42	15.25	(1.3%)	29.9%	1.5%	4.88%	8.03	17.72	
Financials	54.55%	10.95%	1.31	14.03	18.48	10.52	(24.1%)	11.7%	1.6%	7.18%	6.79	13.78	
Technology	35.26%	27.93%	1.07	32.02	32.80	16.65	(2.4%)	72.7%	0.8%	3.12%	5.90	27.69	
Telecom	49.02%	11.21%	0.97	25.70	28.18	17.61	(8.8%)	16.4%	0.5%	3.33%	9.12	22.44	
Utilities	11.33%	2.51%	0.42	20.68	22.09	16.35	(6.4%)	10.6%	3.1%	4.78%	3.45	19.34	
Real Estate	31.21%	2.64%	0.95	25.18	24.86	17.12	1.3%	6.6%	2.4%	3.71%	4.56	24.06	
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	442.49	5.34%	429.97	35	2.91%	397.46	275	11.33%	8.18%	(0.10%)	38.36%	Buy	
Mid Cap	495.46	(0.46%)	490.70	2	0.97%	459.86	226	7.74%	6.71%	(2.40%)	53.98%	Buy	
Small Cap	96.47	(1.24%)	96.46	1	0.01%	89.58	223	7.70%	7.69%	(4.43%)	66.61%	Buy	

## Performance Analysis



## Technical Composite

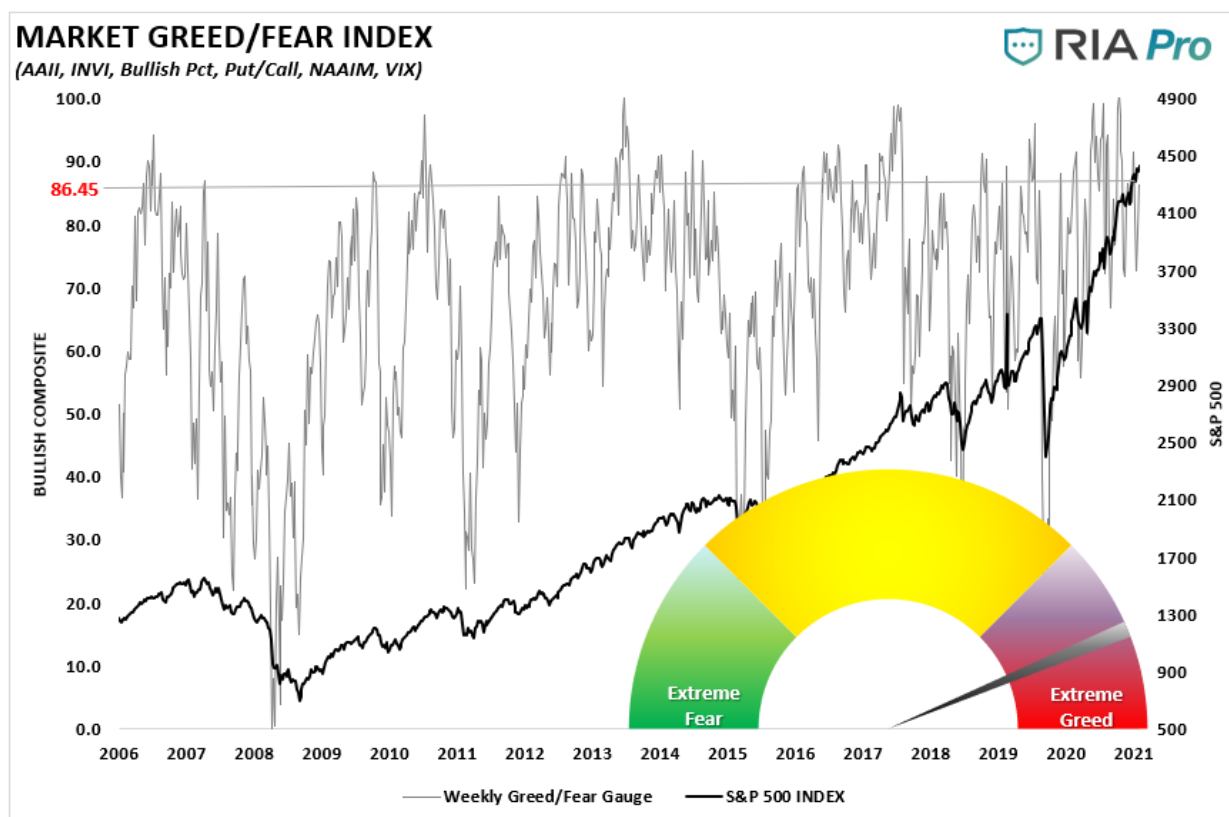
The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" are oversold. **The current reading is 88.39 out of a possible 100.**



## 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 86.45 out of a possible 100.



# Sector Model Analysis & Risk Ranges

## How To Read This Table

- The table compares each sector and market to the S&P 500 index on relative performance.
- "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. **(Ranges reset on the 1st of each month)**
- 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	444.42	0.91	1.60	6.28	13.51	32.29	428.22	405.83	440.40	0.99	451.41	429.39	4%	10%	BULLISH
XLB	SPDR-MATLS SELS	84.14	(0.77)	(0.20)	(10.57)	(1.40)	4.06	84.25	79.56	84.02	1.05	87.00	81.04	0%	6%	BULLISH
XLC	SPDR-COMM SV SS	82.82	(0.40)	(0.16)	1.16	0.75	5.91	80.04	75.03	82.40	0.99	85.28	79.52	3%	10%	BULLISH
XLE	SPDR-EGY SELS	49.51	(0.67)	(7.92)	(13.72)	(6.30)	0.88	52.48	48.37	49.39	1.76	51.49	47.29	-6%	2%	BULLISH
XLF	SPDR-FINL SELS	37.86	2.76	1.53	(6.33)	3.30	20.13	36.98	34.23	36.52	1.19	37.87	35.17	2%	11%	BULLISH
XLK	SPDR-TECH SELS	154.86	0.04	0.82	7.61	0.31	3.87	144.89	137.96	153.40	1.03	158.82	147.98	7%	12%	BULLISH
XLI	SPDR-INDU SELS	103.54	(0.74)	(1.55)	(7.41)	0.29	5.53	103.15	97.21	103.36	1.19	107.17	99.55	0%	7%	BULLISH
XLP	SPDR-CONS STPL	70.94	(1.71)	(0.48)	(6.24)	(4.28)	(20.59)	70.54	68.27	71.51	0.63	73.75	69.27	1%	4%	BULLISH
XLRE	SPDR-RE SELS	46.73	(0.16)	0.18	5.12	9.17	(4.26)	44.71	40.81	46.38	0.69	47.86	44.90	5%	15%	BULLISH
XLU	SPDR-UTIL SELS	67.45	1.33	2.81	(3.94)	(3.68)	(22.59)	65.29	63.88	65.97	0.36	67.86	64.08	3%	6%	BULLISH
XLV	SPDR-HLTH CR	132.94	(0.31)	1.68	1.41	2.68	(7.36)	126.42	120.17	132.15	0.77	136.47	127.83	5%	11%	BULLISH
XLN	SPDR-CONS DISCR	181.01	(0.59)	(2.41)	(0.26)	(6.80)	(3.34)	176.10	171.06	180.43	1.13	186.99	173.87	3%	6%	BULLISH
XTN	SPDR-SP TRANSP	84.13	0.50	(2.28)	(14.16)	(9.07)	14.28	86.38	82.84	82.96	1.38	86.18	79.74	-3%	2%	BULLISH
SDY	SPDR-SP DIV ETF	123.64	(0.49)	(1.26)	(8.59)	(2.50)	(4.22)	123.90	117.55	123.12	0.91	127.32	118.92	0%	5%	BULLISH
RSP	INVS-SP5 EQ ETF	154.06	(0.01)	(0.25)	(3.77)	0.10	8.38	150.79	142.10	152.68	1.12	158.20	147.16	2%	8%	BULLISH
SLY	SPDR-SP6 SC	96.47	0.28	(1.74)	(6.12)	(8.34)	16.56	96.28	92.54	95.33	1.25	98.91	91.75	0%	4%	BULLISH
MDY	SPDR-SP MC 400	495.46	(0.29)	(1.10)	(6.44)	(6.25)	7.96	491.03	471.88	492.40	1.19	510.55	474.25	1%	5%	BULLISH
EEM	ISHARS-EMG MKT	51.94	(0.25)	(4.61)	(8.18)	(23.23)	(13.89)	53.88	53.96	51.60	0.79	53.30	49.90	-4%	-4%	BEARISH
EFA	ISHARS-EAFE	80.31	0.12	(0.66)	(5.33)	(8.19)	(6.07)	79.78	77.26	79.49	0.83	82.14	76.84	1%	4%	BULLISH
IAU	ISHARS-GOLD TR	33.52	(3.92)	(4.25)	(10.83)	(14.81)	(45.76)	34.86	34.50	34.56	0.08	35.45	33.67	-4%	-3%	BULLISH
GDX	VANECK-GOLD MNR	33.24	(5.72)	(4.89)	(18.43)	(11.99)	(54.51)	36.09	35.19	34.92	0.69	36.03	33.81	-8%	-6%	BULLISH
UUP	INVS-DB US\$ BU	24.93	(0.27)	(0.96)	(3.64)	(11.13)	(33.48)	24.58	24.55	24.77	(0.11)	25.36	24.18	1%	2%	BULLISH
BOND	PIMCO-TOT RETRN	111.57	(1.23)	(1.35)	(4.87)	(13.42)	(33.63)	110.88	111.13	111.93	0.08	114.82	109.04	1%	0%	BEARISH
TLT	ISHARS-20+YTB	147.78	(2.08)	(0.75)	1.53	(10.37)	(45.30)	143.44	144.53	149.52	(0.25)	152.89	146.15	3%	2%	BEARISH
BNDX	VANGD-TTL INT B	57.86	(1.00)	(0.66)	(4.25)	(12.68)	(32.79)	57.22	57.51	57.91	0.03	59.38	56.44	1%	1%	BEARISH
HYG	ISHARS-IBX HYCB	87.38	(1.44)	(2.31)	(6.08)	(13.65)	(29.69)	87.50	87.23	87.84	0.37	90.36	85.32	0%	0%	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
AVY	Avery Dennison	211.90	7.00	3.83	1.28	24.00	9.00
DE	Deere & Co	364.32	20.15	9.08	0.99	25.11	9.00
DOV	Dover Corp	169.19	11.50	-0.94	1.17	24.10	9.00
IDXX	Idexx Labs Inc	705.76	19.92	11.36	0.00	84.12	9.00
PAYX	Paychex Inc	115.30	8.00	7.44	2.29	37.93	9.00
TGT	Target Corp	261.40	13.27	6.37	1.04	20.86	9.00
AAP	Advance Auto Pt	206.34	13.88	1.39	1.94	18.86	8.00
AMD	Adv Micro Dev	112.35	44.60	22.18	0.00	60.73	8.00
DHR	Danaher Corp	307.14	18.00	4.66	0.27	34.98	8.00
GPC	Genuine Parts	124.19	9.17	3.61	2.63	19.43	8.00
HCA	Hca Holdings	249.06	11.10	5.70	0.77	17.11	8.00
HSY	Hershey Co/The	178.75	7.67	2.74	1.80	26.52	8.00
IPG	Interpublic Grp	36.48	11.54	5.46	2.96	14.36	8.00
IT	Gartner Inc -A	295.23	13.50	14.66	0.00	43.80	8.00
KLAC	Kla Corp	353.71	14.03	17.67	1.02	24.31	8.00
MSFT	Microsoft Corp	289.52	11.09	15.85	0.77	36.33	8.00
MXIM	Maxim Intg Pdts	100.46	10.00	0.79	0.00	31.59	8.00
SNA	Snap-On Inc	222.95	9.54	1.46	2.21	15.50	8.00
TSCO	Tractor Supply	188.07	9.68	11.79	1.11	23.51	8.00
TXN	Texas Instrs	193.16	9.33	1.59	2.11	26.94	8.00
WAT	Waters Corp	397.34	9.39	2.54	0.00	37.13	8.00
WMT	Walmart Inc	145.49	5.50	3.18	1.51	24.33	8.00
WST	West Pharm Svc	425.66	28.41	9.85	0.16	60.81	8.00
A	Agilent Tech	155.04	13.00	6.76	0.50	40.91	7.00
AAPL	Apple Inc	147.06	12.67	8.26	0.60	28.78	7.00
ACN	Accenture Plc	320.31	10.00	6.63	1.10	38.59	7.00
ADM	Archer Daniels	58.80	8.22	2.09	2.52	12.20	7.00
APH	Amphenol Corp-A	73.68	12.58	8.72	0.79	32.89	7.00
ARE	Alexandria Real	207.15	7.44	18.44	2.16	27.58	7.00
CDNS	Cadence Design	151.76	11.68	10.29	0.00	58.82	7.00
CRL	Charles Rvr Lab	409.97	14.00	15.96	0.00	41.58	7.00
DG	Dollar General	235.81	11.31	10.53	0.71	21.69	7.00
EXR	Extra Space Stg	175.85	8.60	8.24	2.27	29.65	7.00
MMC	Marsh & McLennan	150.93	12.52	7.49	1.42	26.25	7.00
MTD	Mettler-Toledo	1527.56	16.95	5.59	0.00	49.37	7.00
NXPI	Nxp Semiconduct	212.90	10.00	-0.48	1.06	27.05	7.00
ORLY	O Reilly Auto	605.15	14.15	8.04	0.00	21.72	7.00
RSG	Republic Svcs	118.23	10.05	1.92	1.44	29.41	7.00
SEE	Sealed Air Corp	58.11	9.60	-6.08	1.38	17.72	7.00
TRMB	Trimble Inc	89.42	10.00	8.49	0.00	39.92	7.00
UHS	Univl Hlth Svcs	152.53	6.52	4.42	0.52	12.04	7.00
WRB	Berkley (Wr) Cp	72.66	9.00	1.80	0.72	19.02	7.00
AME	Ametek Inc	136.90	10.52	5.54	0.58	31.76	6.00
AZO	Autozone Inc	1639.61	11.41	5.29	0.00	18.03	6.00
CBRE	Cbre Group Inc	98.13	11.00	18.03	0.00	22.30	6.00
CTLT	Catalent Inc	122.12	20.92	14.41	0.00	48.08	6.00
CVX	Chevron Corp	101.23	5.00	-3.04	5.29	37.35	6.00
GRMN	Garmin Ltd	163.89	6.80	9.55	1.64	26.56	6.00
ISRG	Intuitive Surg	1019.10	9.67	14.45	0.00	76.17	6.00
RHI	Robt Half Intl	99.03	19.50	1.10	1.53	25.92	6.00
UNP	Union Pac Corp	219.16	10.00	-0.43	1.95	24.11	6.00

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



Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
AGNC	Agnc Investment	15.89	0.85	13.01	9.06	8
BABB	Bab Inc	0.77	1.91	14.90	5.19	8
CAG	Conagra Brands	32.27	1.80	18.31	3.87	8
CATY	Cathay Genl Bcp	38.78	1.26	11.21	3.20	8
CMTV	Commnty Bcp Vt	20.00	1.39	13.02	4.40	8
LOMA	Loma Negra Cia	7.87	1.55	21.10	3.23	8
NHTC	Natural Hlth Tr	7.21	1.30	31.03	11.10	8
UBCP	Utd Bancorp -Oh	13.34	1.16	10.50	4.35	8
ABR	Arbor Rlty Trst	18.33	1.50	11.16	7.42	7
AINV	Apollo Inv Cp	13.81	0.87	10.34	8.98	7
BSRR	Sierra Bancorp	24.37	1.08	10.70	3.61	7
CAC	Camden Ntl Corp	44.57	1.25	11.64	3.23	7
CIM	Chimera Invest	15.00	0.95	12.66	8.80	7
CRWS	Crown Crafts	7.33	1.75	13.77	4.37	7
FFBC	First Fin Bc-Oh	22.82	0.98	10.08	4.03	7
FLIC	First Long Is	21.63	1.23	10.81	3.51	7
FNCB	Fncb Bancorp	7.67	1.00	11.35	3.13	7
FNF	Fnf Group	46.36	1.51	15.72	3.11	7
FNLC	First Bancp Inc	28.77	1.38	11.92	4.45	7
GSBD	Goldman Sac Bdc	19.36	1.21	11.45	9.30	7
MTB	M&T Bank Corp	134.38	1.12	11.24	3.27	7
NBTB	Nbt Bancorp Inc	35.74	1.27	10.04	3.02	7
NLY	Annaly Cap Mgmt	8.40	0.94	12.12	10.48	7
NMFC	New Mountn Fin	13.42	1.03	10.27	8.94	7
NRIM	Northrim Bcp	40.78	1.09	10.82	3.63	7
PFG	Principal Finl	63.60	1.05	11.82	3.84	7
TRTN	Triton Intl Ltd	51.61	1.60	13.46	4.42	7
UVE	Univl Insur Hld	14.01	0.91	17.31	4.57	7
WAYN	Wayne Svgs Bcsh	26.45	1.25	10.51	3.18	7
WBA	Walgreens Bai	46.93	1.80	19.73	3.98	7
WBS	Webster Finl Cp	48.97	1.39	10.90	3.27	7

## 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
DE	Deere & Co	364.32	20.15	9.08	0.99	25.11	9.00
IDXX	Idexx Labs Inc	705.76	19.92	11.36	-	84.12	9.00
TGT	Target Corp	261.40	13.27	6.37	1.04	20.86	9.00
DOV	Dover Corp	169.19	11.50	(0.94)	1.17	24.10	9.00
AMD	Adv Micro Dev	112.35	44.60	22.18	-	60.73	8.00
WST	West Pharm Svc	425.66	28.41	9.85	0.16	60.81	8.00
DHR	Danaher Corp	307.14	18.00	4.66	0.27	34.98	8.00
KLAC	Kla Corp	353.71	14.03	17.67	1.02	24.31	8.00
AAP	Advance Auto Pt	206.34	13.88	1.39	1.94	18.86	8.00
IT	Gartner Inc -A	295.23	13.50	14.66	-	43.80	8.00
IPG	Interpublic Grp	36.48	11.54	5.46	2.96	14.36	8.00
MTD	Mettler-Toledo	1,527.56	16.95	5.59	-	49.37	7.00
ORLY	O Reilly Auto	605.15	14.15	8.04	-	21.72	7.00
CRL	Charles Rvr Lab	409.97	14.00	15.96	-	41.58	7.00
A	Agilent Tech	155.04	13.00	6.76	0.50	40.91	7.00
AAPL	Apple Inc	147.06	12.67	8.26	0.60	28.78	7.00
APH	Amphenol Corp-A	73.68	12.58	8.72	0.79	32.89	7.00
MMC	Marsh & McLennan	150.93	12.52	7.49	1.42	26.25	7.00
CDNS	Cadence Design	151.76	11.68	10.29	-	58.82	7.00
DG	Dollar General	235.81	11.31	10.53	0.71	21.69	7.00
CTLT	Catalent Inc	122.12	20.92	14.41	-	48.08	6.00
RHI	Robt Half Intl	99.03	19.50	1.10	1.53	25.92	6.00
AZO	Autozone Inc	1,639.61	11.41	5.29	-	18.03	6.00
PTC	Ptc Inc	135.55	23.15	8.10	-	55.55	5.00
TDY	Teledyne Tech	454.25	18.29	9.60	-	34.13	5.00
KMX	Carmax Gp (Cc)	136.00	17.31	6.07	-	19.13	5.00
FLT	Fleetcor Tech	260.79	16.08	8.04	-	23.18	5.00
ANTM	Anthem Inc	376.68	13.04	9.35	1.20	18.13	5.00
IEX	Ilex Corp	227.11	12.00	3.11	0.95	38.56	5.00
RMD	Resmed Inc	267.38	15.15	12.13	0.58	50.17	4.00

## 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
IDXX	Idexx Labs Inc	705.76	19.92	11.36	-	4.24	9
PAYX	Paychex Inc	115.30	8.00	7.44	2.29	4.26	9
AMD	Adv Micro Dev	112.35	44.60	22.18	-	1.11	8
INFO	Ihs Markit Ltd	119.42	#N/A	13.05	0.67	#N/A	8
MANH	Manhattan Asoc	163.98	#N/A	0.40	-	#N/A	8
MSFT	Microsoft Corp	289.52	11.09	15.85	0.77	3.03	8
MXIM	Maxim Intg Pdts	100.46	10.00	0.79	-	2.72	8
RGLD	Royal Gold Inc	116.83	10.00	6.61	1.03	2.87	8
TXN	Texas Instrs	193.16	9.33	1.59	2.11	2.63	8
WST	West Pharm Svc	425.66	28.41	9.85	0.16	1.82	8
ARE	Alexandria Real	207.15	7.44	18.44	2.16	3.58	7
CDNS	Cadence Design	151.76	11.68	10.29	-	5.16	7
EXR	Extra Space Stg	175.85	8.60	8.24	2.27	3.11	7
MTD	Mettler-Toledo	1,527.56	16.95	5.59	-	2.74	7
CHCT	Comm Hlthcr Tr	49.73	10.00	32.44	3.46	2.19	6
CPRT	Copart Inc	148.21	#N/A	14.92	-	#N/A	6
ISRG	Intuitive Surg	1,019.10	9.67	14.45	-	7.51	6
JYNT	Joint Corp/The	90.75	#N/A	31.99	-	#N/A	6
LSI	Life Storage	121.01	3.63	7.62	2.45	6.89	6
REG	Regency Ctrs Cp	65.32	7.93	13.09	3.64	2.41	6
RGEN	Repligen	254.67	#N/A	38.99	-	#N/A	6
RMBS	Rambus Inc	25.01	#N/A	(9.04)	-	#N/A	6
TECH	Bio-Techne Cp	490.65	21.00	11.07	0.26	3.46	6
CPT	Camden Ppty Tr	149.07	4.30	4.90	2.23	6.72	5
DRE	Duke Realty Cp	50.88	6.87	4.20	2.00	4.36	5
FFIN	First Fin Bk-Tx	48.47	#N/A	12.09	1.24	#N/A	5
ILMN	Illumina Inc	515.68	#N/A	9.81	-	#N/A	5
NSA	Natl Storage	54.69	#N/A	22.51	2.78	#N/A	5
SPSC	Sps Commerce	113.78	#N/A	13.13	-	#N/A	5
VICR	Vicor Corp	120.61	#N/A	9.89	-	#N/A	5
FRT	Fed Rlty Inv	121.11	#N/A	2.30	3.50	#N/A	4
MSEX	Middlesex Water	110.08	#N/A	1.67	0.99	#N/A	4
MSTR	Microstrategy	715.62	#N/A	(1.33)	-	#N/A	4
O	Realty Income	70.79	4.02	10.61	3.99	4.93	4
REXR	Rexford Ind Rty	62.45	9.31	27.74	1.54	4.37	4
RMD	Resmed Inc	267.38	15.15	12.13	0.58	2.83	4
TYL	Tyler Tech Inc	493.99	#N/A	11.49	-	#N/A	4

## Portfolio / Client Update

Over the last two weeks, the market stalled awaiting the Fed's next move. As such, all we needed to do was tweak around the edges, balance exposure, and hold our current positions.

As noted in the main body of this week's newsletter, we did raise cash slightly this week by reducing our Financial holdings. However, the continuing decline in interest rates, and the flattening of the yield curve, suggest something is not right in the markets. Moreover, the flatter yield curve remains negative for bank earnings in the future.

We continue to focus on our job of creating the necessary performance to meet your retirement goals. However, we remain aware of and responsive to the underlying risk. As noted last week, it is a tricky balancing act, and we work extremely hard at achieving those goals every day.

For now, we don't see any reason to get increasingly defensive. However, we do suspect that time is approaching. When our signals begin to trigger, we will take appropriate actions to protect your

savings.

## Portfolio Changes

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

### \*\*\* Trading Update ? Equity and Sector Models \*\*\*

*"This morning we reduced our exposure slightly as our indicators are starting to turn back down. We also think, with the Fed constantly yammering about tapering QE, the market struggle to move much higher limiting upside. It's also worth reminding you we are now in the weakest 3-months of the year. We are reducing our financial sector exposure slightly as the yield curve continues to flatten which will hurt their profit margins." - 08/05/21*

### Equity Model

- Sell 100% AMLP
- Reduce JPM and GS by 1% of the portfolio each.

### ETF Model

- Sell 100% of AMLP
- Reduce XLF by 1% of the portfolio

As always, our short-term concern remains the protection of your portfolio. Accordingly, we remain focused on the differentials between underlying fundamentals and market over-valuations.

*Lance Roberts, CIO*

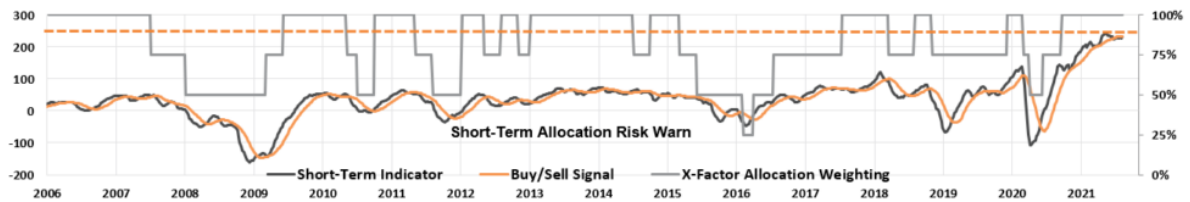
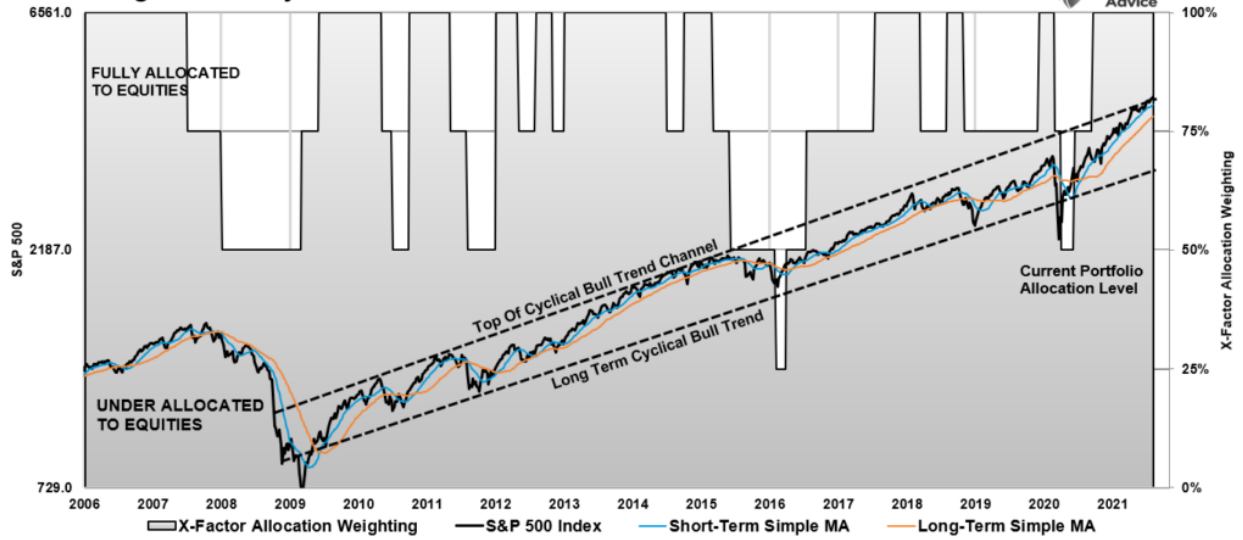
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## THE REAL 401k PLAN MANAGER

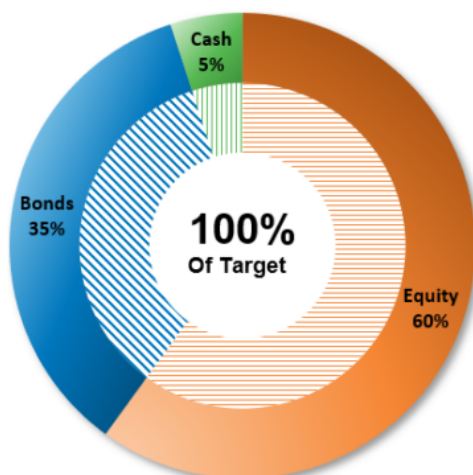
### *A Conservative Strategy For Long-Term Investors*

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# Risk Management Analysis



### 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

I can repeat last week's commentary as much was the same again this week.

*"That was about it as over the past week markets made little progress through Friday. Importantly, the technical underpinnings remain weak as we move into the two weakest months of the year."*

The Employment report came in much above expectations, which gives the Fed room to start discussing "tapering QE" much more vocally. This will not serve markets well, and the Fed will be looking to guide markets down slowly.

However, with that said, this is also not a time to be overly conservative with allocations.

For now, keep exposures at full weights, but hold new contributions in cash for now. There likely is not a lot of upside here to warrant chasing markets, but if we continue to consolidate over the next month or so, we will have a better opportunity to deploy cash for a stronger year-end performance.

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

**Tired of trying to self-manage your 401k? Let us do it for you.**



Take control of your retirement today with



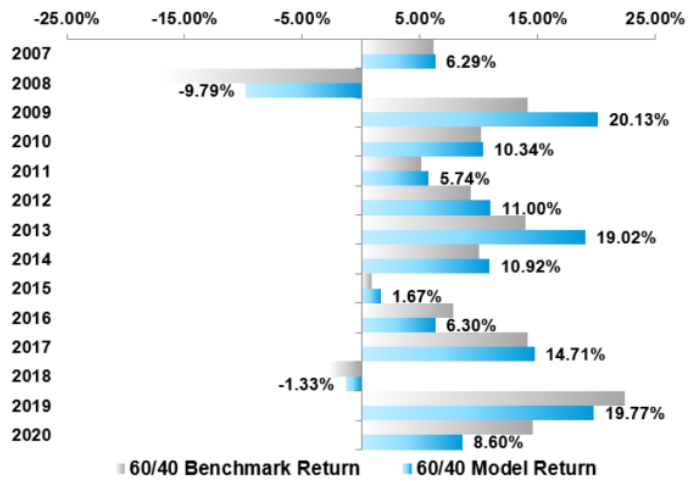
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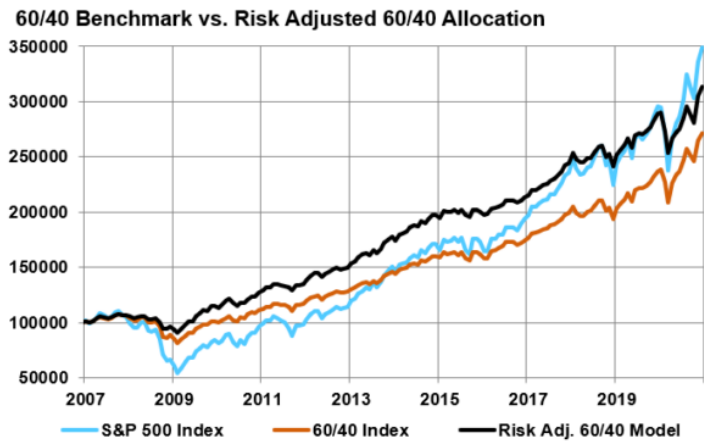
## 401k Model Performance Analysis

*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.*

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.16%	6.29%
2008	-16.73%	-9.79%
2009	14.14%	20.13%
2010	10.19%	10.34%
2011	5.11%	5.74%
2012	9.33%	11.00%
2013	13.94%	19.02%
2014	10.04%	10.92%
2015	0.88%	1.67%
2016	7.77%	6.30%
2017	14.12%	14.71%
2018	-2.71%	-1.33%
2019	22.41%	19.77%
2020	14.58%	8.60%



Portfolio vs Benchmark Statistics	
Number of Up Years	12
Number of Down Years	2
Best One Year Return Of Benchmark	22.41%
Best One Year Return Of Model	20.13%
Worst One Year Return Of Benchmark	-16.73%
Worst One Year Return Of Model	-9.79%
Benchmark Return 2007-Present	171.16%
Model Return 2007-Present	213.32%
Total Alpha Generated	42.17%
Mean Annual Return Of Benchmark	7.80%
Mean Annual Return Of Model	8.81%
Beta Of Model vs Benchmark	0.87
Jensens Alpha	1.91%
Sharpe Ratio	0.29



Have a great week!