Can The Bulls Defy The Odds Of September Weakness?

In this 09-03-21 issue of "'Can The Bulls Defy The Odds Of September Weakness?"

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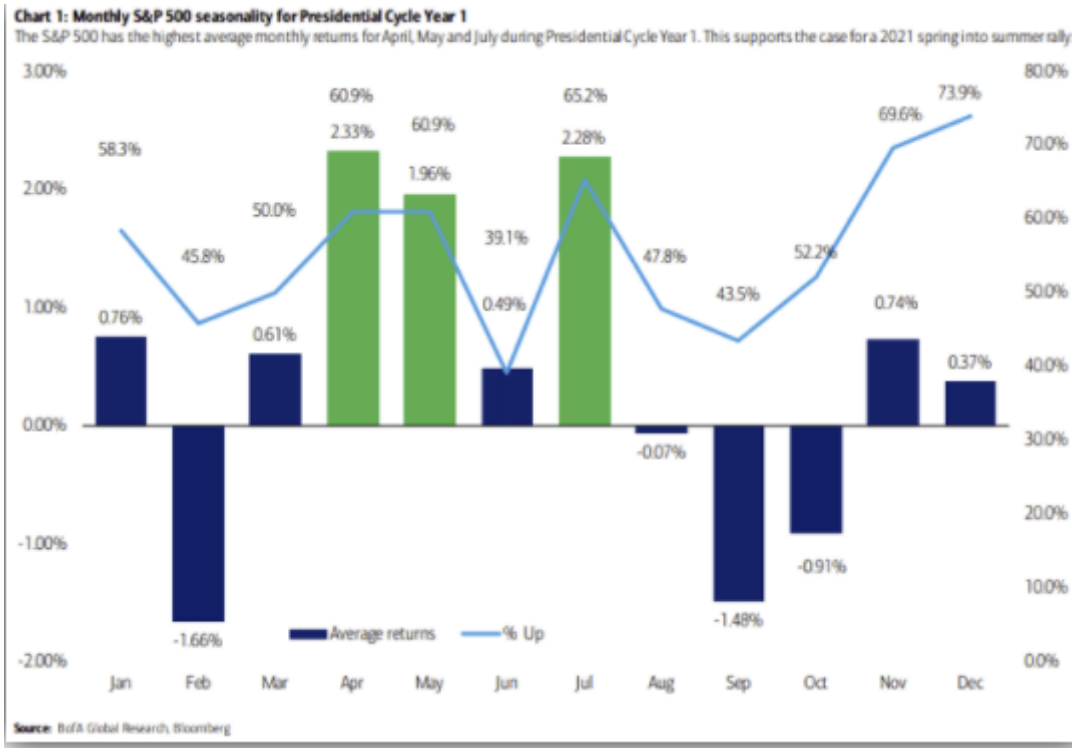
Can The Bulls Defy The Odds Of September Weakness

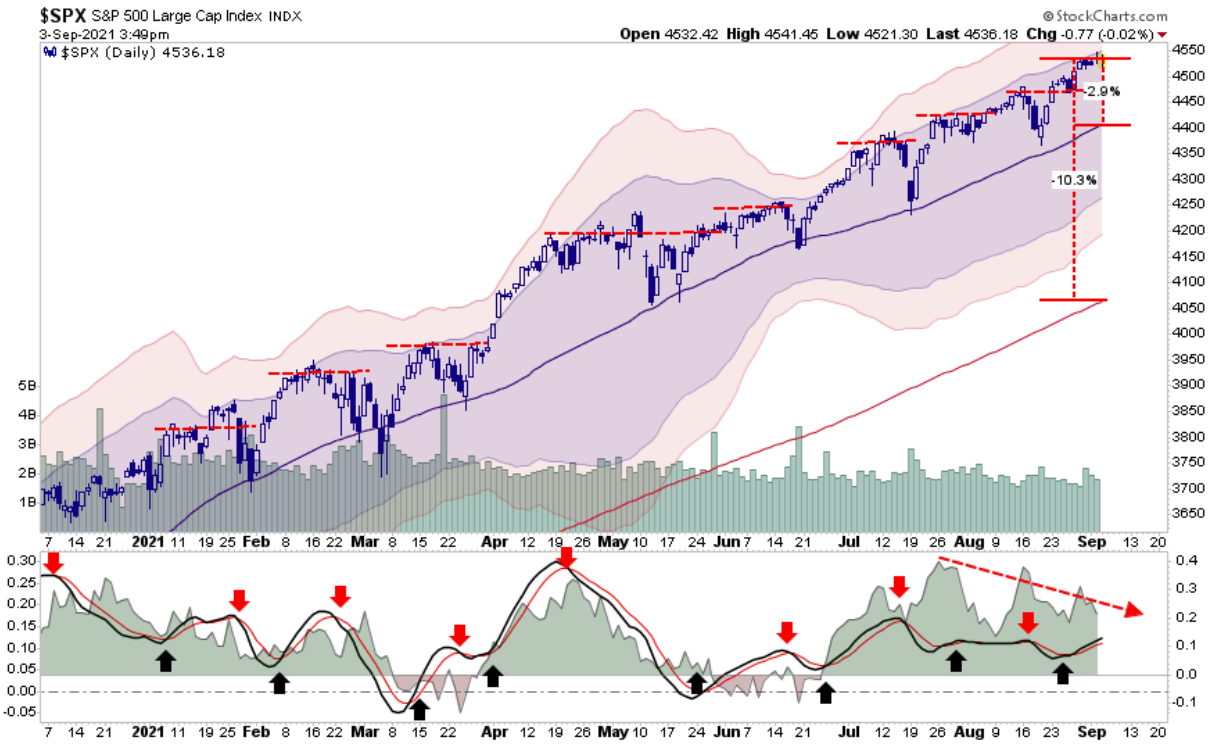
While we had previously discussed that August tends to be one of the weaker months of the year, the bulls defined that weakness posting an almost 3% gain. However, as discussed in our ***Daily Market Commentary*** on Wednesday:

> *"August seasonality was a bust with the market advancing 2.6%. Will September seasonality prove to be more accurate?"*



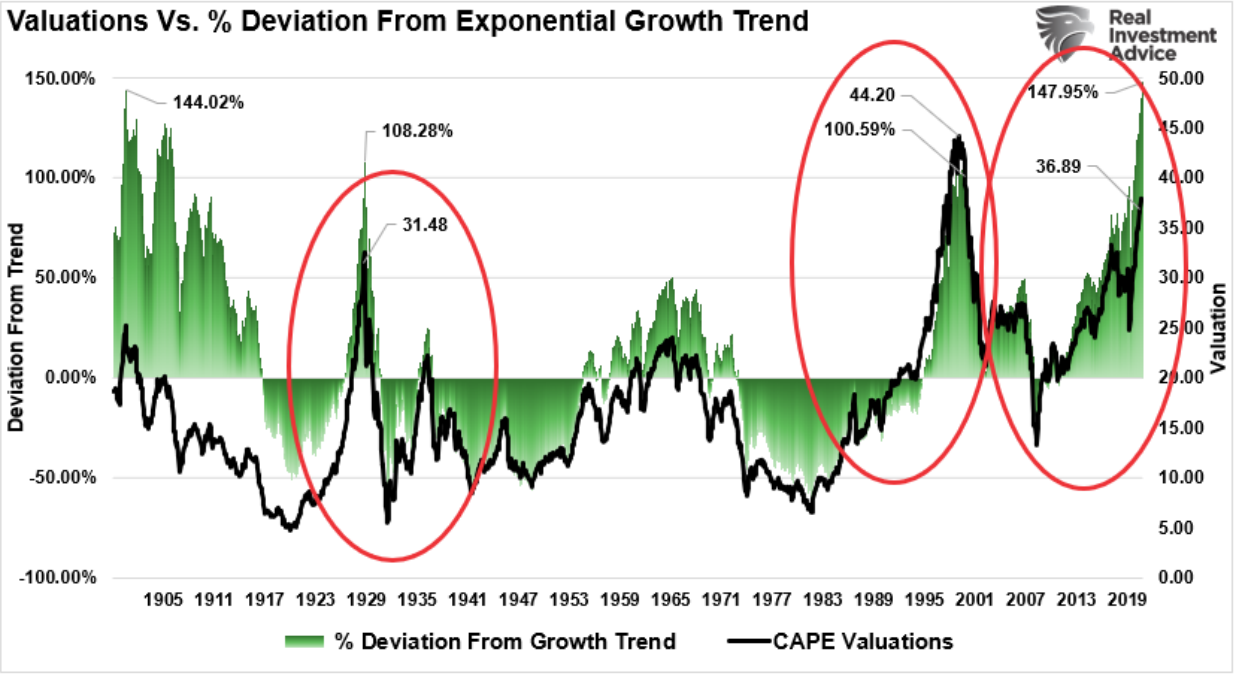
For now, the bullish bias remains strong as a barrage of weaker than expected economic data from GDP to manufacturing and employment give hope the Fed may forestall their *"tapering"* plans. But, as we will discuss in a moment, we think the bulls may be correct for a different reason.

However, in the meantime, the *"stairstep"* advance continues with fundamentally weak companies making substantial gains as speculation displaces investment in the market. **Thus, while prices remain elevated, money flows weaken, suggesting the next downturn is roughly one to two weeks away.** So far, those corrections remain limited to the 50-dma, which is approximately 3% lower than Friday's close, but a 10% correction to the 200-dma remains a possibility.



While there seems to be little concern relative to the market's advance over the last year, maybe that should be the concern given the sharpness of that advance. I will discuss the history of "market

melt-ups" and their eventual outcomes in an upcoming article. However, what is essential to notice is the corresponding ramp in valuations as earnings fail *to* keep up with bullish expectations.

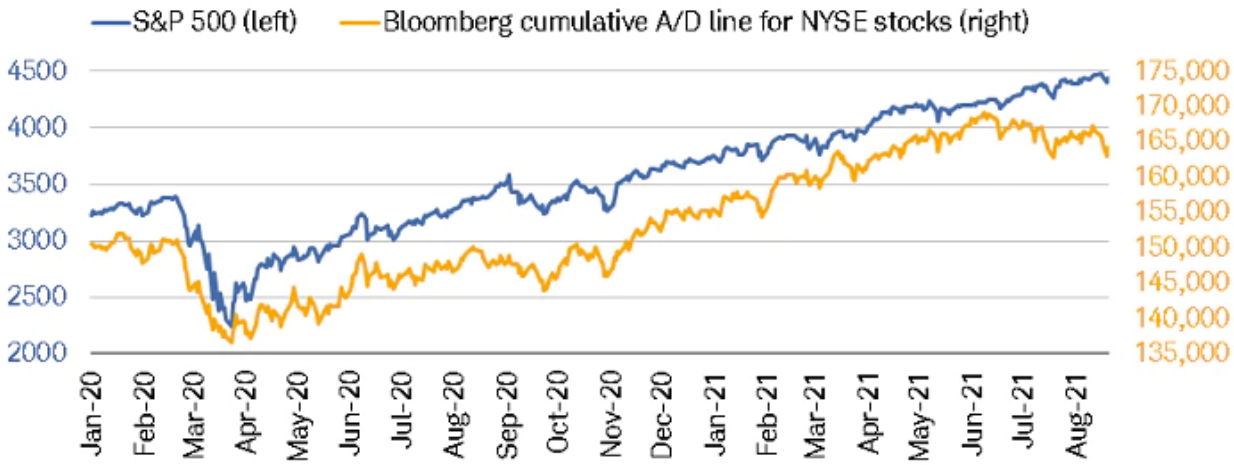


Significantly, investors never realize they are in a *"melt-up"* until after it is over.

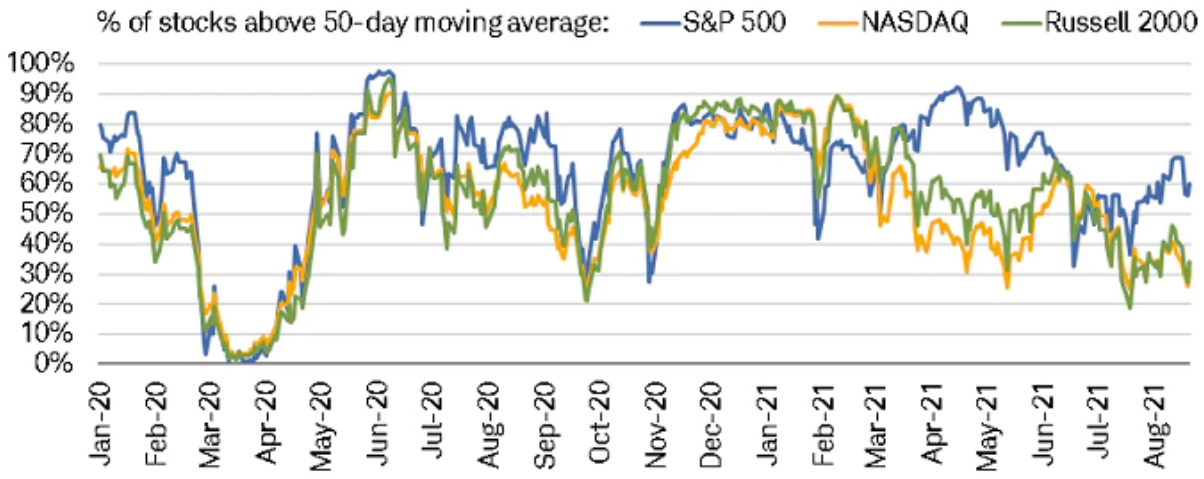
Breadth Remains Weak As Market Advances

At the moment, the bullish trend continues, and we must respect that trend for now. However, there are clear signs the advance is beginning to narrow markedly, which has historically served as a warning to investors.

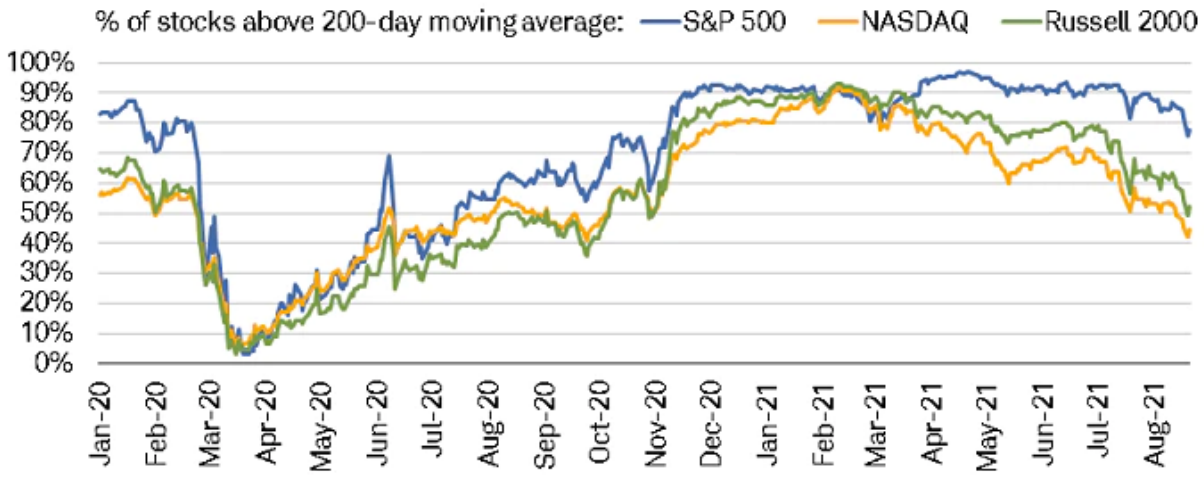
> *? As shown in the chart below, although the S&P 500 traded at an all-time high as recently as last week, the cumulative advance/decline (A/D) line for the broader NYSE universe peaked on June 11 this year. The divergence between the two looks similar to early-September last year?the point at which it was mostly the ?big 5? stocks within the S&P 500 (the ?generals?) that had powered the S&P 500 to its September 2, 2020 high.? ? Charles Schwab*



?The percentage of S&P 500 stocks trading above their 50-day moving averages peaked in April, troughed in June, improved until recently, but has come under pressure again. The same can?t be said for the NASDAQ and Russell 2000, which both peaked in early February, since which time they?ve generally been descending.?



?Relative to their 200-day moving averages (DMA), all three indexes have been generally trending lower since April, as shown in the second chart below.? ? Charles Schwab



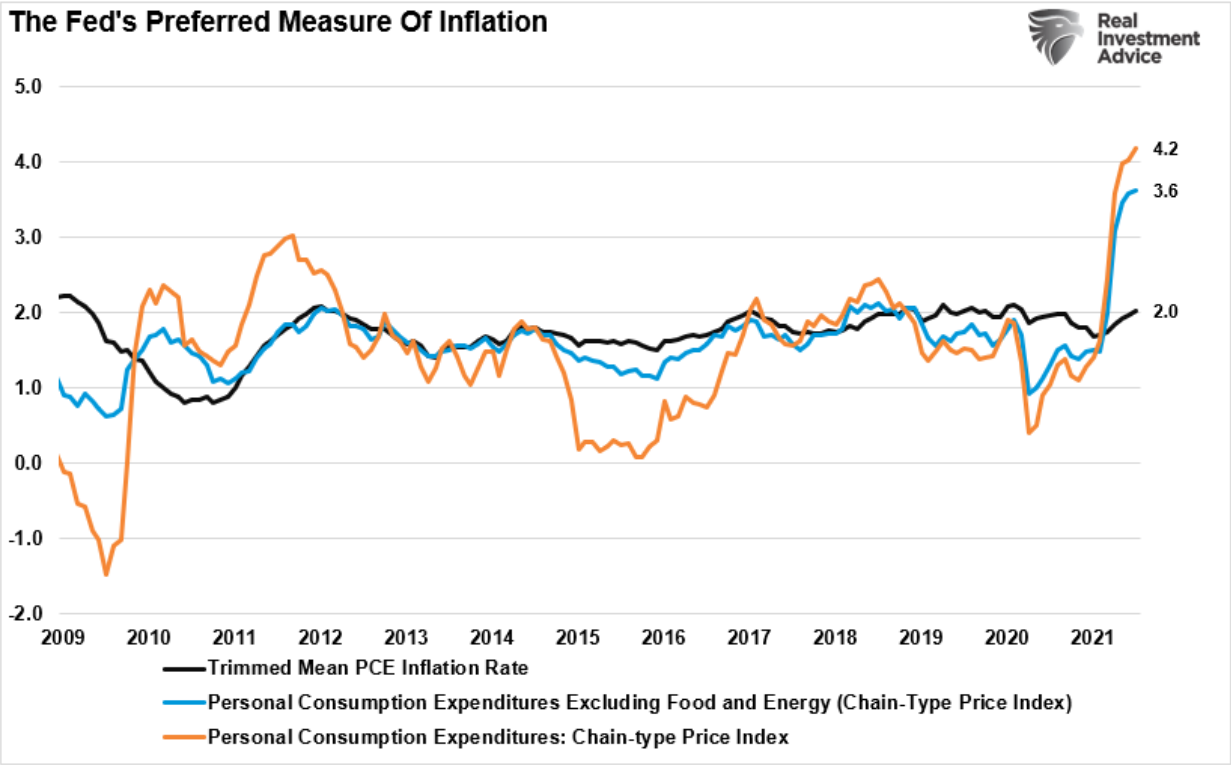
Of course, as we repeat each week, while we are pointing out the warning signs, such does not mean selling everything and going to cash. However, it does serve as a visible warning to adjust your risk exposures accordingly and prepare for a potentially bumpy ride.

"Just because you put on a seatbelt when the plane is landing, doesn't mean you are going to crash. But is a logic precaution just in case."

Can The Fed Really Taper?

We have noted the rising number of Fed speakers discussing the need to begin *"tapering"* the Fed's balance sheet purchases in recent weeks. With employment returning well into what is historically considered "full employment," surge in job openings, and rising inflation, the need to taper is evident. As noted ***in our daily market commentary:***

> *"PCE, met expectations rising 0.4% in July. The level was 0.1% below the June reading.* ***The year-over-year rate is 4.2%, which is more than double the Fed?s 2% inflation target.*** *Importantly* ***it suggests the Fed should be moving to tighten monetary policy.*** *However, the trimmed-mean PCE was inline at 2% giving the Fed some ?wiggle-room? for now, but likely not for long.*"



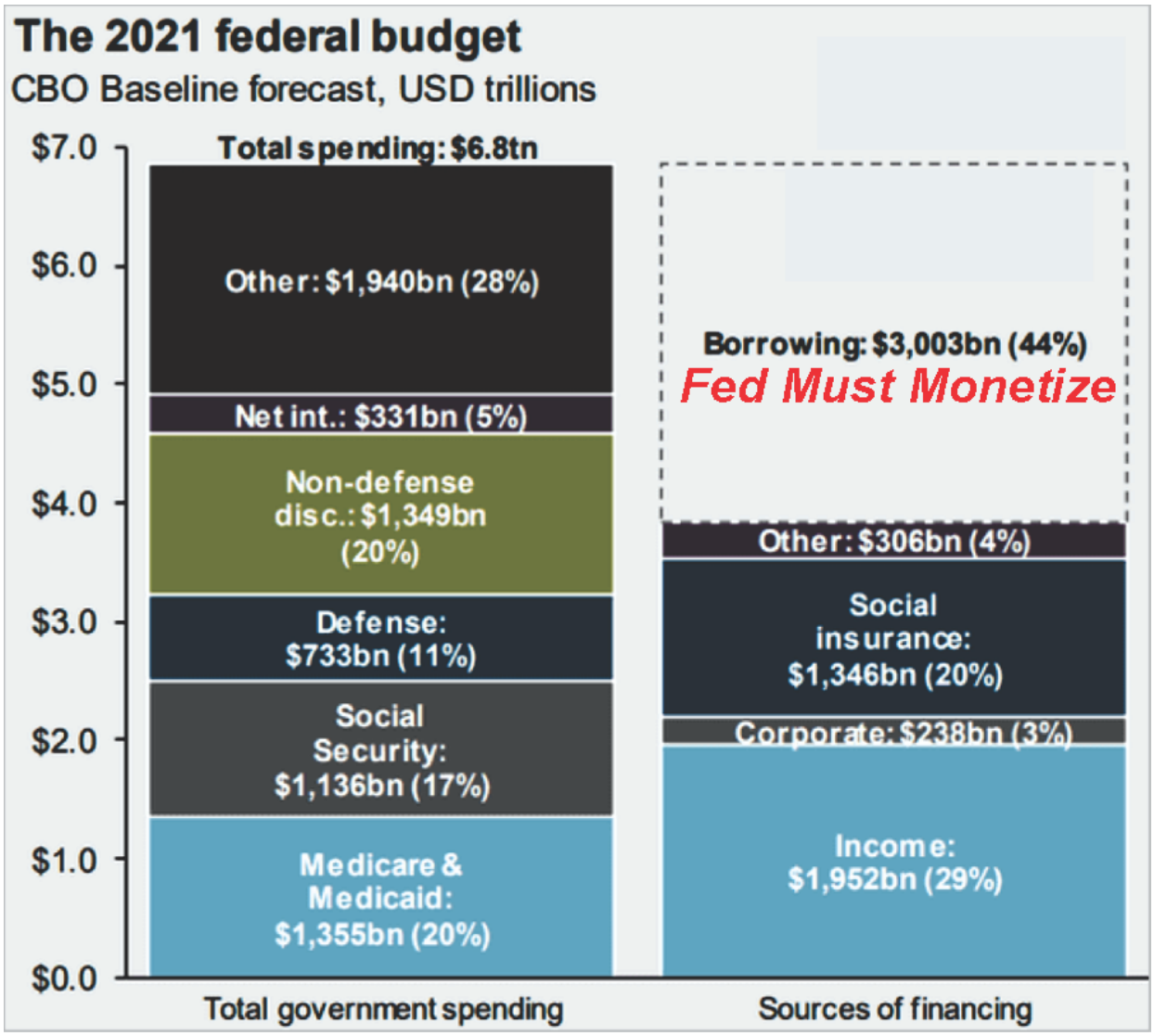
While the Fed may have some wiggle room short-term, the trimmed-mean PCE will catch up with PCE over the next month.

The point is that the Fed is now getting pushed into needing to tighten monetary policy to quell inflationary pressures. However, a rising risk suggests they may be *"trapped*" in continuing their bond purchases and risking both an inflationary surge and creating market instability.

That risk is the *"deficit."*

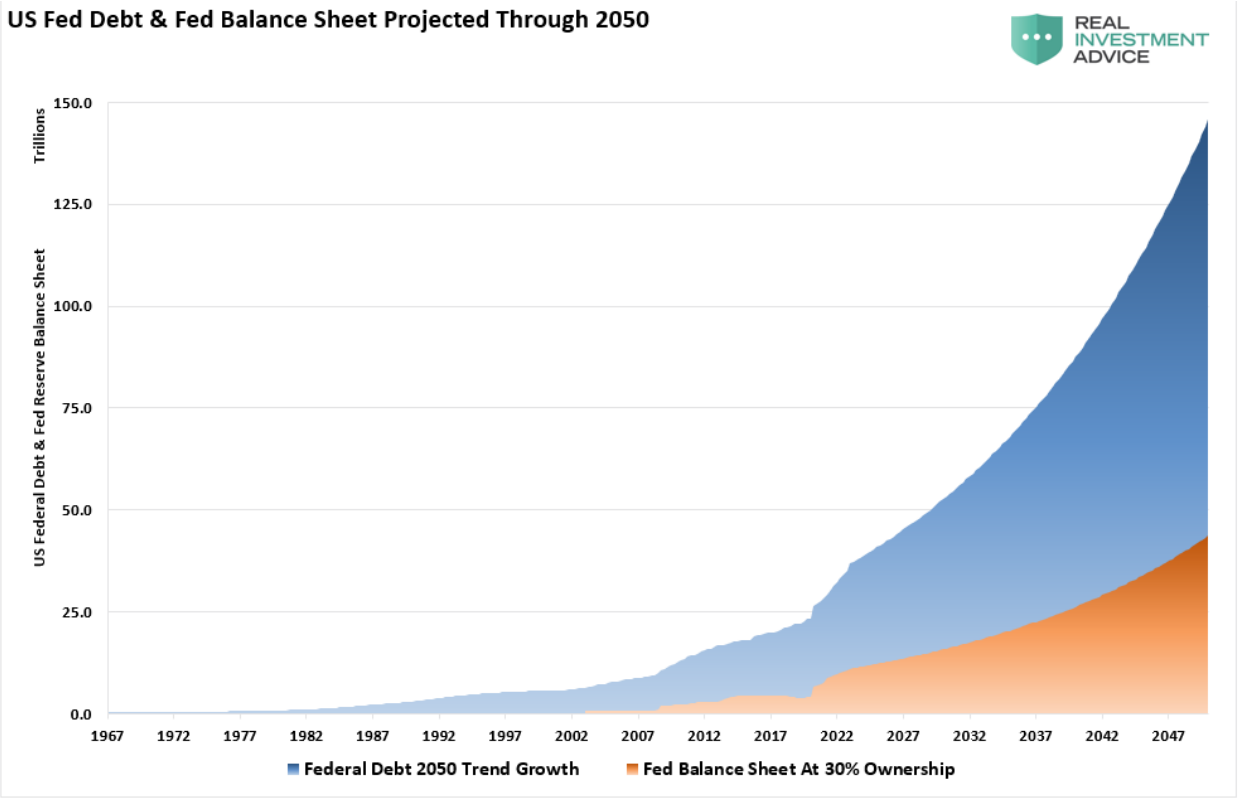
Who Is Going To Fund The Deficit

As discussed recently, the current mandatory spending of the Government consumes more than 100% of existing tax revenues. Therefore, all discretionary spending plus additional programs such as *"infrastructure"* and *"human infrastructure"* comes from debt issuance.



As shown, the 2021 budget will push the current deficit towards $4-Trillion requiring the Federal Reserve to monetize at least ***$1 Trillion of that issuance per our previous analysis.***

> *The scale and scope of government spending expansion in the last year are unprecedented. Because Uncle Sam doesn?t have the money, lots of it went on the government?s credit card. The deficit and debt skyrocketed. But this is only the beginning.* ***The Biden administration recently proposed a $6 trillion budget for fiscal 2022, two-thirds of which would be borrowed.? ?*** *Reason*
>
> *The CBO (Congressional Budget Office) recently produced its long-term debt projection through 2050, ensuring poor economic returns. I reconstructed a chart from Deutsche Bank showing the US Federal Debt and Federal Reserve balance sheet. The chart uses the CBO projections through 2050.*



The federal debt load will climb from $28 trillion to roughly $140 trillion at the current growth rate by 2050.&#2013266080;

The problem, of course, is that the Fed must continue monetizing 30% of debt issuance to keep interest rates from surging and wrecking the economy.

Let than sink in for a minute.

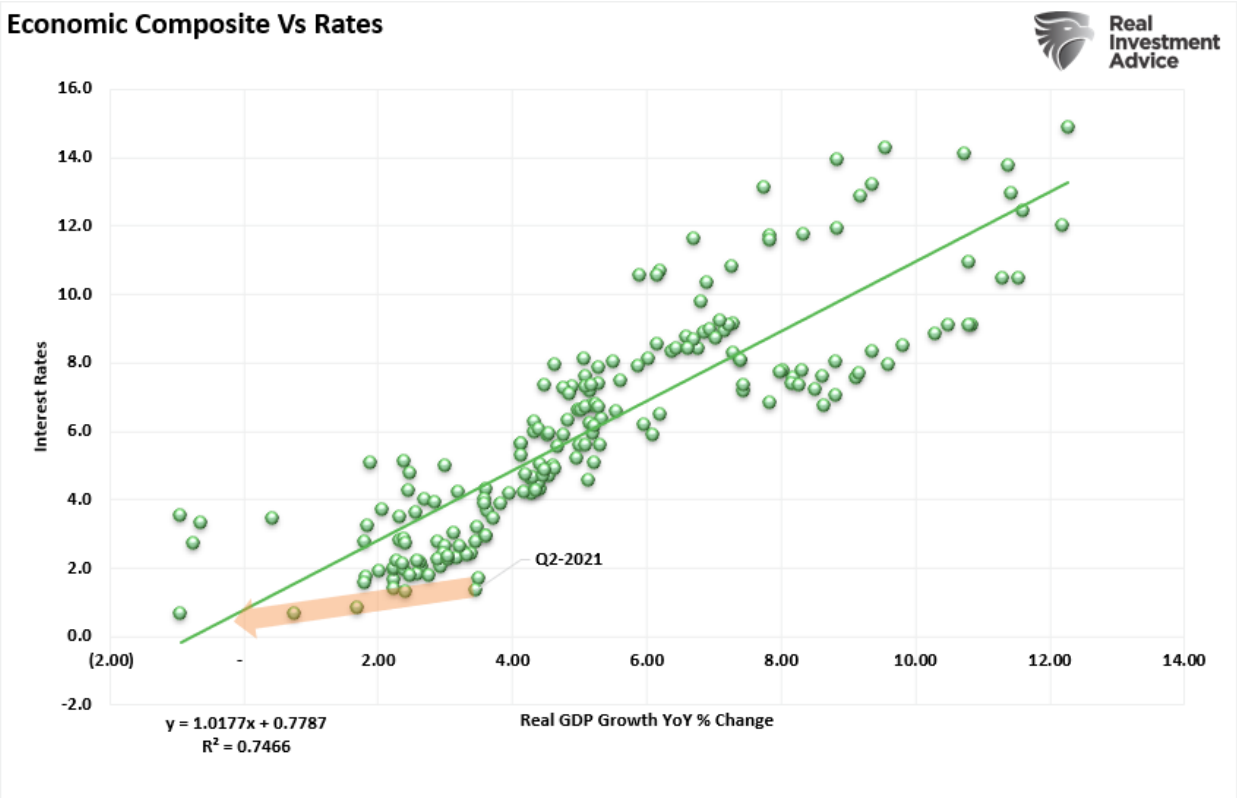
If that is indeed the case, the Fed will not be able to *"taper"* their balance sheet purchases unless they are willing to risk a surge in interest rates, a collapse in economic growth, and a deflationary spiral.

[dmc]

As Expected Q3-GDP Gets Slashed

Since the beginning of this year, we have penned several articles stating that economic growth would ultimately disappoint when fueled by an artificial stimulus. Specifically, we noted that *"bonds were sending an economic warning."* To wit:

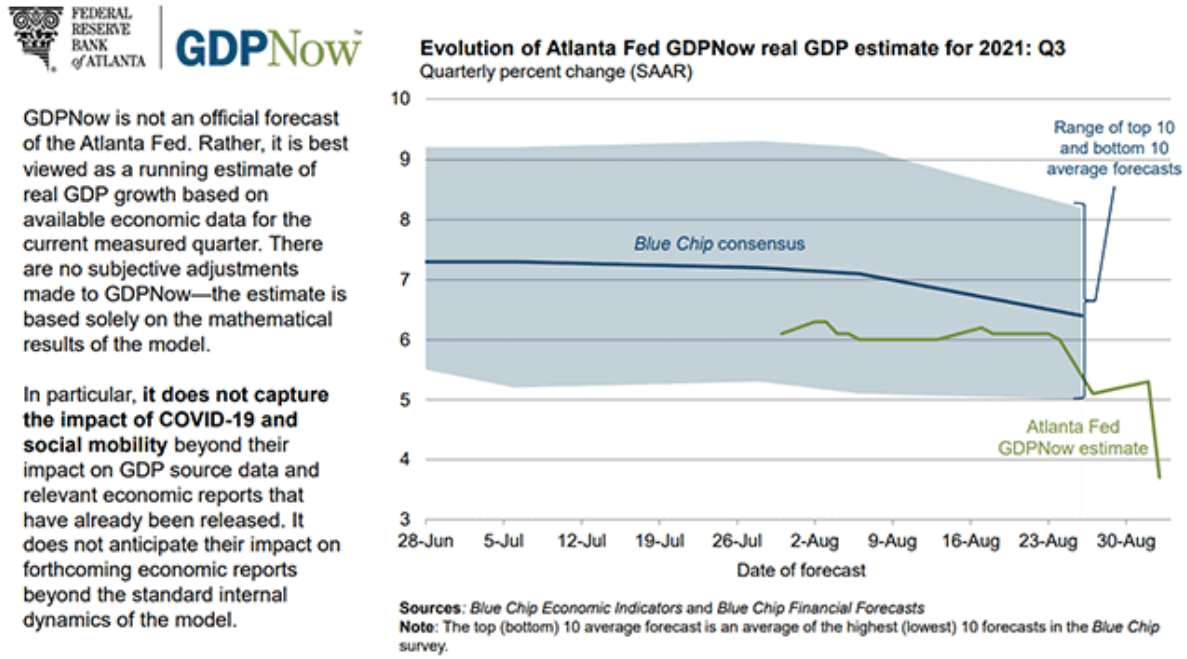
> *"**As shown, the correlation between rates and the economic composite suggests that current expectations of sustained economic expansion and rising inflation are overly optimistic.** At current rates, economic growth will likely very quickly rturn to sub-2% growth by 2022."*



The&#2013266080;***disappointment of economic growth***&#2013266080;is also a function of the surging debt and deficit levels, which, as noted above, will have to be entirely funded by the Federal Reserve.

On Thursday, both the Atlanta Fed and Morgan Stanley slashed their estimates for Q3 growth as economic data continues to disappoint.

> *"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2021 is **3.7 percent** on September 2, **down from 5.3 percent on September 1**." - Atlanta Fed*



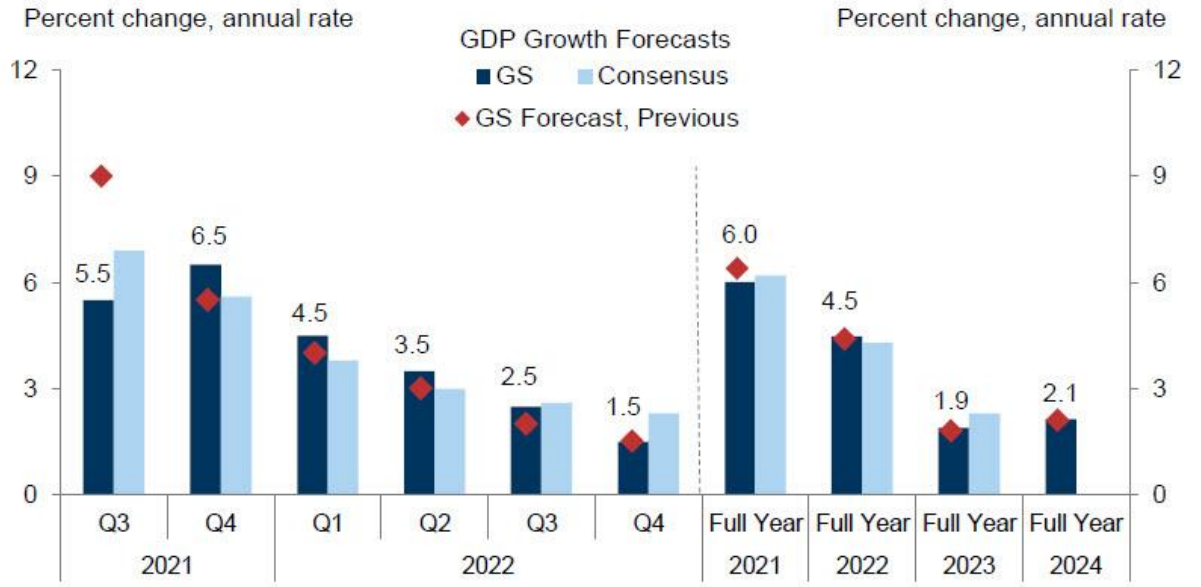
Notably, there were significant downward revisions to consumption and investment, declining from 2.6% and 23.4% to 1.9% and 19.3%, respectively. However, as we noted previously, such is not surprising as "stimulus" leaves the system, and the economic drivers return to normalcy.

Morgan and Goldman As Well

As stated, Morgan Stanely also slashed their estimates:

> *"**We are revising down 3Q GDP tracking to 2.9% from 6.5%, previously**. Our forecast for 4Q GDP remains at 6.7%. The revision to 3Q implies full year 4Q/4Q GDP at 5.6% (5.7%Y) this year ? 1.4pp lower than the Fed's forecast of 7.0% in its June Summary of Economic Projections (SEP), and 0.7pp below Bloomberg consensus of economists at 6.3%.*
>
> ***An examination of the data reveals that the slowdown is not broad-based and primarily reflects payback from stimulus spending as well as continued supply chain bottlenecks.** The swing factor is largest in spending on big-ticket durable goods that benefited most from stimulus checks and are affected most by lack of inventory and price increases due to supply shortages, for example motor vehicles."*
> *Via Zerohedge*

Exhibit 3: We Have Cut Our Q3 GDP Growth Forecast, but Raised Our Forecasts for Later Quarters



Source: Goldman Sachs Global Investment Research, Bloomberg

As we discussed previously, these two downgrades were playing catchup to our previous analysis and Goldman's downgrade two weeks ago. To wit:

> ***"We have lowered our Q3 GDP forecast to +5.5%, reflecting hits to both consumer spending and production.** Spending on dining, travel, and some other services is likely to decline in August, though we expect the drop to be modest and brief. Production is still suffering from supply chain disruptions, especially in the auto industry, and this is likely to mean less inventory rebuild in Q3." - Goldman Sachs*

Investors should not overlook the importance of these downgrades.

In Case You Missed It

This Won't End Well – Gen Z'ers Take On Debt To Invest

Written by Lance Roberts | Aug 27, 2021

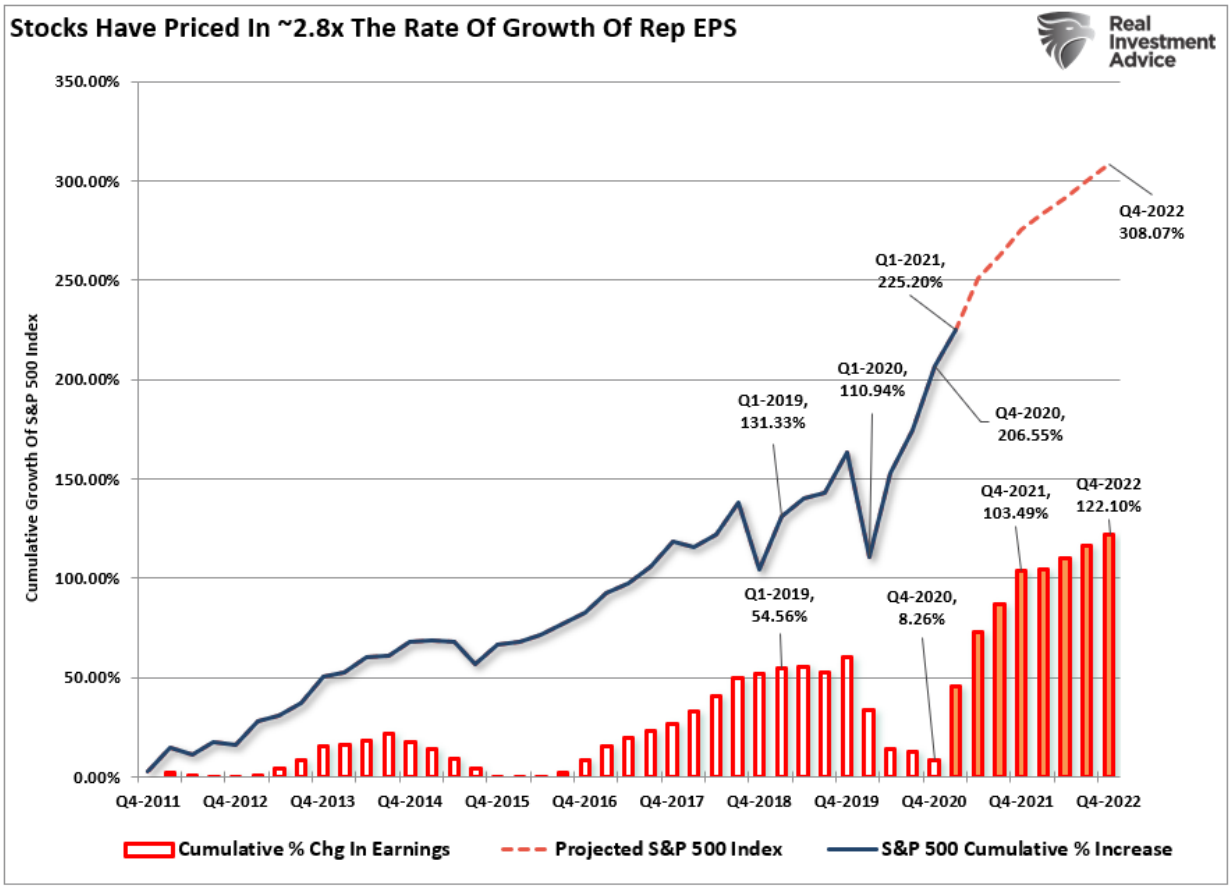
This won't end well. Gen Z'ers are taking on debt to invest according to a recent Magnify Money survey. History suggests outcomes will not be kind.

> Read More

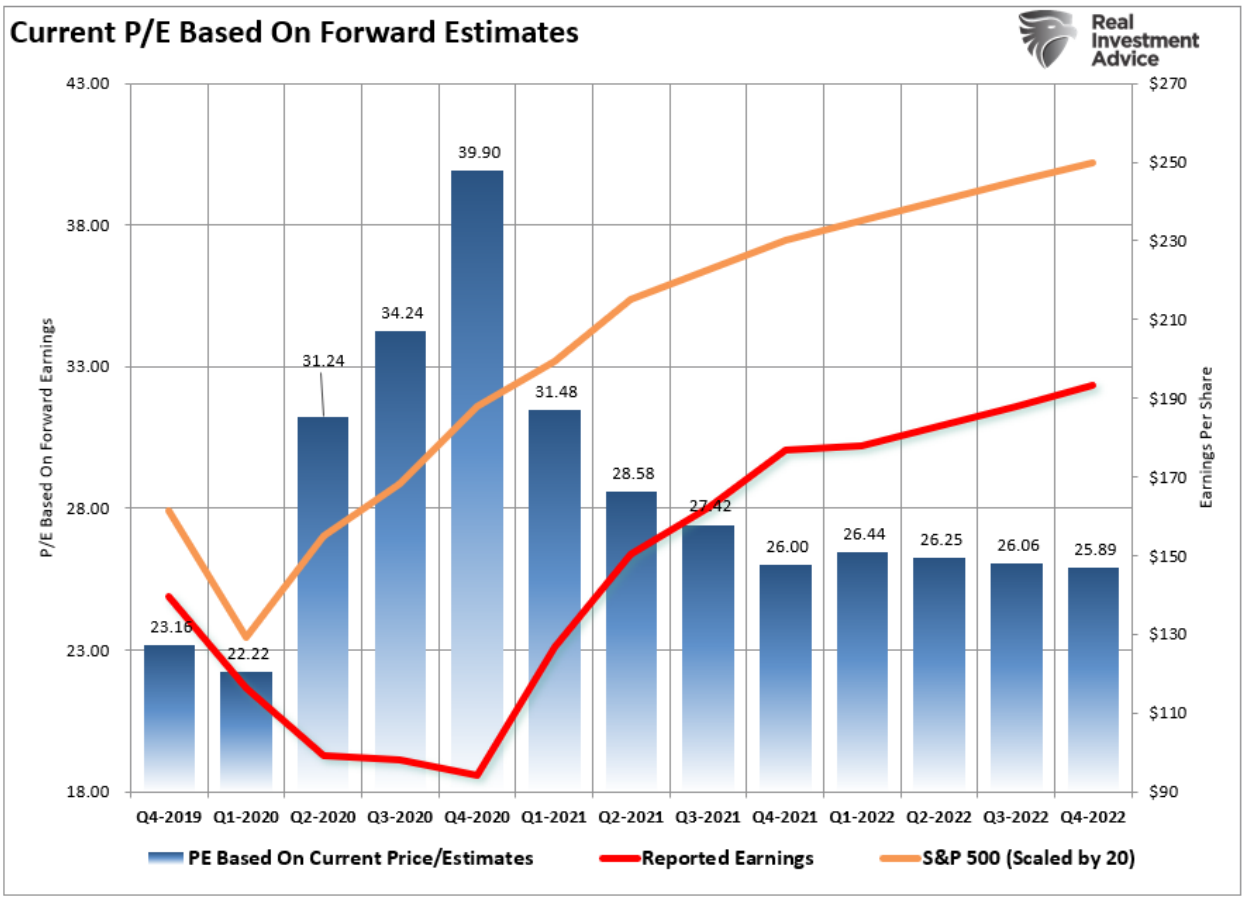
Earnings Estimates At Risk

In our post on ***"Peak Economic And Earnings Growth,***" we stated that corporate earnings and profits ultimately get derived from economic activity&#2013266080;(personal consumption and business investment). Therefore, it is unlikely the currently lofty expectations will get met.

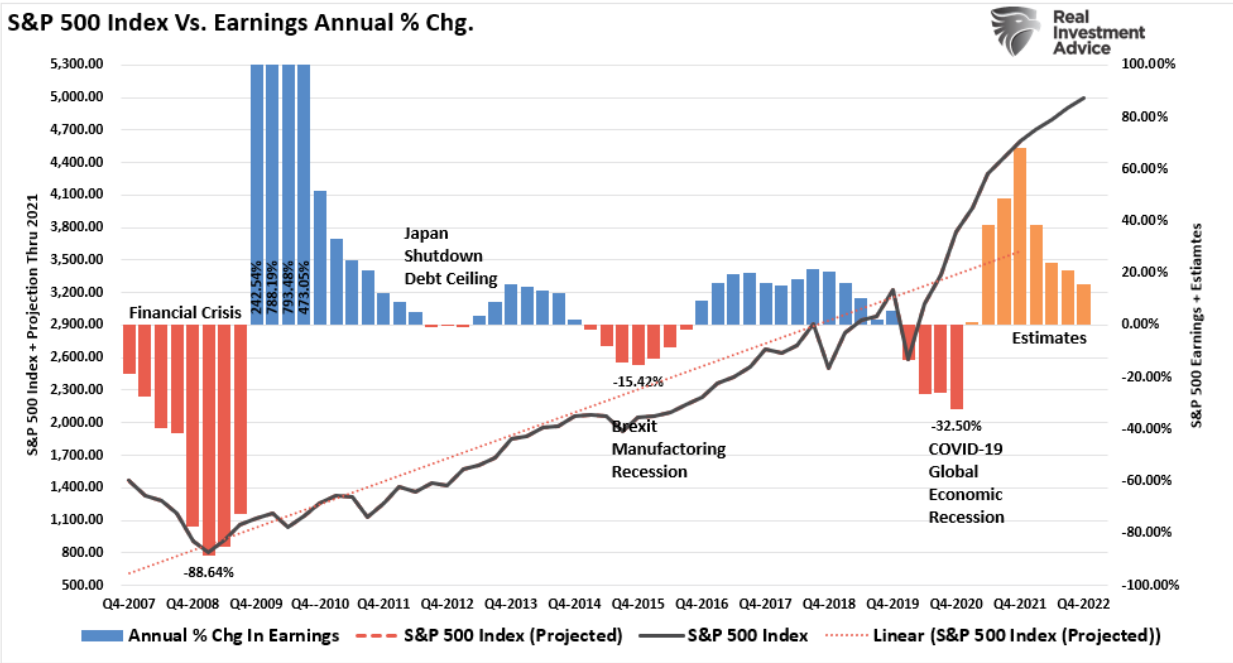
The problem for investors currently is that analysts? assumptions are always high, and markets are trading at more extreme valuations, which leaves little room for disappointment. For example, using analyst?s price target assumptions of 4700 for 2020 and current earnings expectations, the S&P is trading 2.6x earnings growth.



Such puts the current P/E at 25.6x earnings in 2020, which is still expensive by historical measures.



That also puts the S&P 500 grossly above its linear trend line as earnings growth begins to revert.



Through the end of this year, companies will guide down earnings estimates for a variety of reasons:

- *Economic growth won?t be as robust as anticipated.*
- *Potentially higher corporate tax rates could reduce earnings.*
- *The increased input costs due to the stimulus can?t get passed on to consumers.*
- *Higher interest rates increasing borrowing costs which impact earnings.*

- *A weaker consumer than currently expected due to reduced employment and weaker wages.*
- *Global demand weakens due to a stronger dollar impacting exports.*

Such will leave investors once again *?overpaying?* for earnings growth that fails to materialize.

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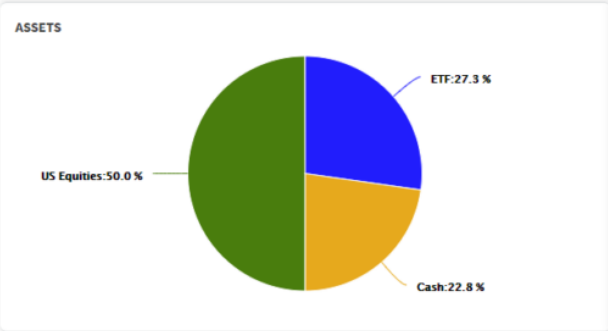
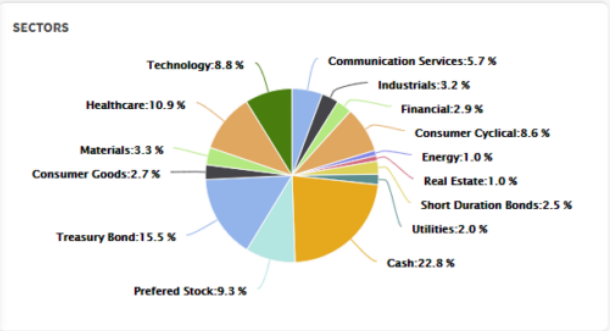
Portfolio Update

Our current model allocation remains primarily unchanged. However, we did increase our longer-duration bond holdings again last week.

As discussed with ***RIAPRO subscribers*** *(free 30-day trial)*, we manage risk exposures to reduce volatility while still participating with the market's advance. **As a result, stock selection has been key to carrying an overweight cash position and outperforming our benchmark index.**





As noted above, internal measures continue to deteriorate, suggesting a rising risk profile to the markets. Unfortunately, investors continue to ignore these warnings due to the *"fear of missing out."* **Given we manage the retirement assets of clients, we do not have the luxury to do so.**

If you are trying to navigate the market cycle currently, you can do things to improve your *"survival rate."*

- *Avoid the ?herd mentality? of paying increasingly higher prices without sound reasoning.*
- *Do your own research and avoid ?confirmation bias.?*
- *Develop a sound long-term investment strategy that includes ?risk management? protocals.*
- *Diversify your portfolio allocation model to include ?safer assets.?*
- *Control your ?greed? and resist the temptation to ?get rich quick? in speculative investments.*
- *Resist getting caught up in ?what could have been? or ?anchoring? to a past value. Such leads to emotional mistakes.*
- *Realize that price inflation does not last forever. The larger the deviation from the mean, the greater the eventual reversion will be. Invest accordingly.*

The increase in speculative risks, combined with excess leverage, leaves the market vulnerable to a sizable correction. **But, unfortunately, the only missing ingredient is the catalyst that brings *?fear?* into an overly complacent marketplace.**

Currently, investors believe ?***this time IS different.?***

?This time?&#2013266080;is different only because the variables are different.&#2013266080;**Of course, the variables always are, but outcomes are always the same.**

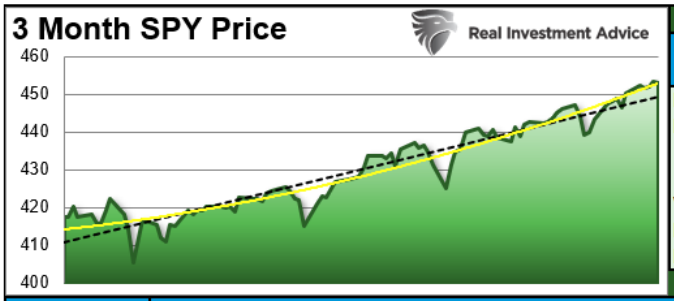
Have a great Labor Day weekend.

By Lance Roberts, CIO

Market & Sector Analysis

Analysis & Stock Screens Exclusively For RIAPro Members

S&P 500 Tear Sheet



SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	55.84%	31.18%	21.18%	(32.06%)
Max Drawdown	(35.63%)	(10.26%)	(5.65%)	(44.91%)
Sharpe	1.06	2.04	2.75	0.35
Sortino	1.15	2.62	3.75	0.43
Volatility	25.02	14.75	12.57	(0.15)
Daily VaR-5%	(10.12)	5.63	13.97	1.48
Mnthly VaR-5%	(3.29)	17.50	22.84	0.31

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.81%	1.62%	1.23%	(32.10%)	2.14%	1.24%	(42.81%)	(1.29%)
P/E Ratio	18.23	24.97	25.72	2.93%	2734%	1606%	(5.9%)	60.21%
P/S Ratio	3.79	4.06	5.14	20.94%	5.02	3.16	2.29%	62.74%
P/B Ratio	4.99	5.43	7.07	23.30%	6.85	4.18	3.34%	69.42%
ROE	21.96%	20.39%	26.14%	21.99%	26.14%	17.67%	0.00%	47.98%
ROA	4.31%	3.86%	4.68%	17.57%	4.68%	3.51%	0.00%	33.24%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,883.4	2,801.6	(2.84%)
Sales	68,740	74,476	8.34%
SPS	23.8	26.6	11.51%
Earnings	10,526	13,648	29.66%
EPS TTM	4.1	5.3	28.90%
Dividend	1.6	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	40.45%	2.37%	1.89	40.04	123.62	(302.30)	(67.6%)	4.3%	4.6%	-0.35%	3.35	13.69
Materials	33.12%	2.55%	1.19	21.38	27.12	14.16	(21.2%)	14.3%	1.8%	3.76%	5.33	17.06
Industrials	33.55%	8.20%	1.19	37.88	54.11	14.74	(30.0%)	13.0%	1.4%	2.59%	5.85	22.17
Discretionary	23.71%	11.92%	1.35	41.58	60.06	20.97	(30.8%)	30.8%	0.6%	2.56%	6.23	30.43
Staples	11.40%	5.74%	0.64	22.65	23.01	17.65	(1.6%)	30.8%	2.4%	4.44%	4.54	21.04
Health Care	28.00%	13.37%	0.77	19.97	19.43	15.28	2.8%	31.3%	1.4%	4.75%	8.04	17.72
Financials	49.23%	11.08%	1.33	13.93	18.48	10.52	(24.6%)	11.4%	1.7%	7.08%	6.70	13.86
Technology	34.15%	27.93%	1.07	32.89	32.84	16.64	0.2%	72.4%	0.8%	3.05%	5.95	27.47
Telecom	45.60%	11.51%	0.96	27.15	28.18	17.61	(3.7%)	17.7%	0.5%	3.20%	9.16	22.27
Utilities	16.01%	2.53%	0.42	21.19	22.09	16.35	(4.1%)	10.7%	3.0%	4.65%	3.46	19.25
Real Estate	35.26%	2.67%	0.95	26.23	24.86	17.12	5.5%	8.1%	2.3%	3.58%	4.58	23.96

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	453.08	6.20%	439.83	50	3.01%	406.69	275	11.41%	8.15%	(0.21%)	41.68%	Buy
Mid Cap	503.50	1.43%	491.76	10	2.39%	471.07	246	6.88%	4.39%	(0.81%)	56.48%	Buy
Small Cap	97.47	(1.26%)	95.49	6	2.07%	92.08	243	5.85%	3.71%	(3.43%)	68.35%	Buy

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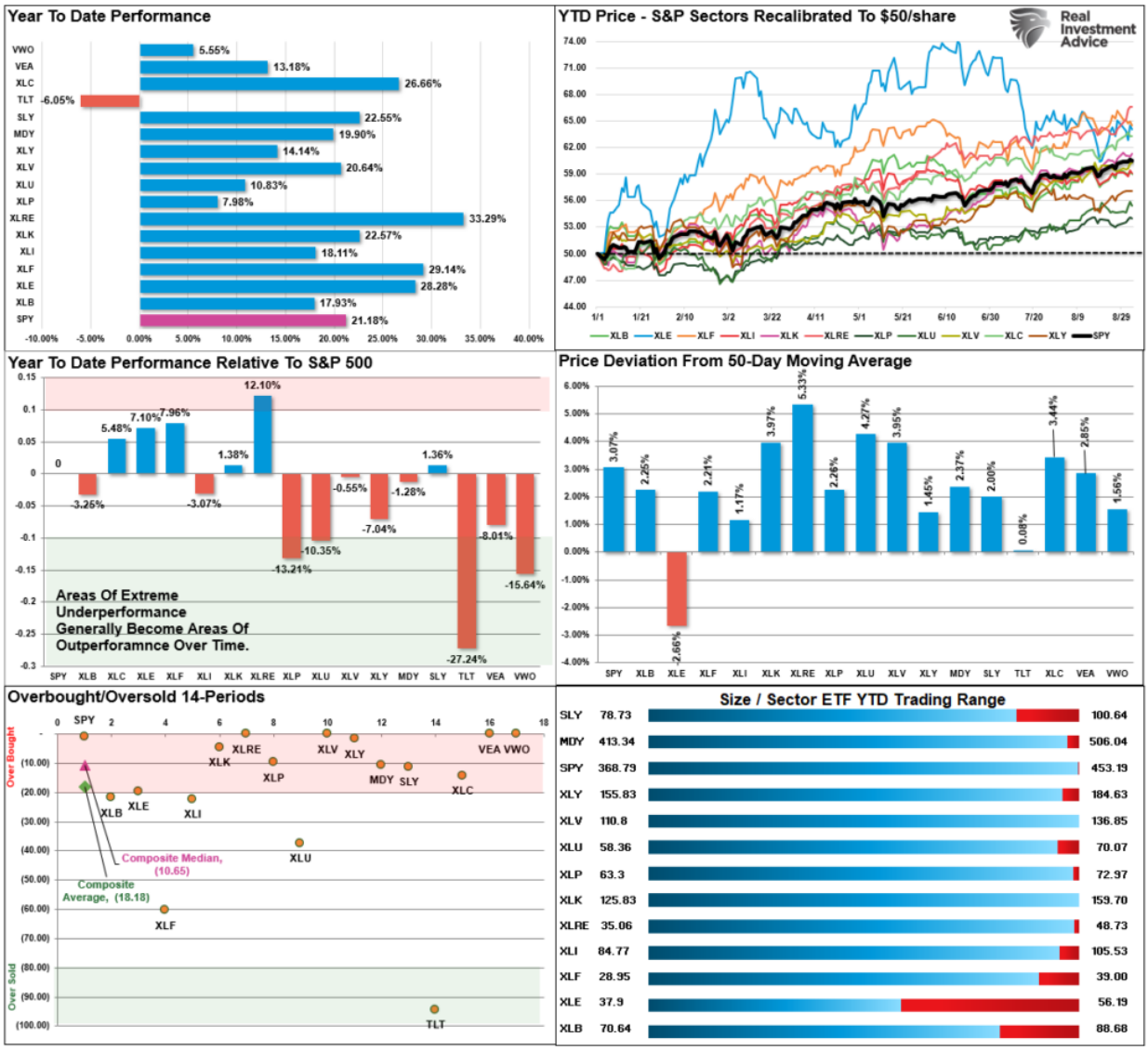
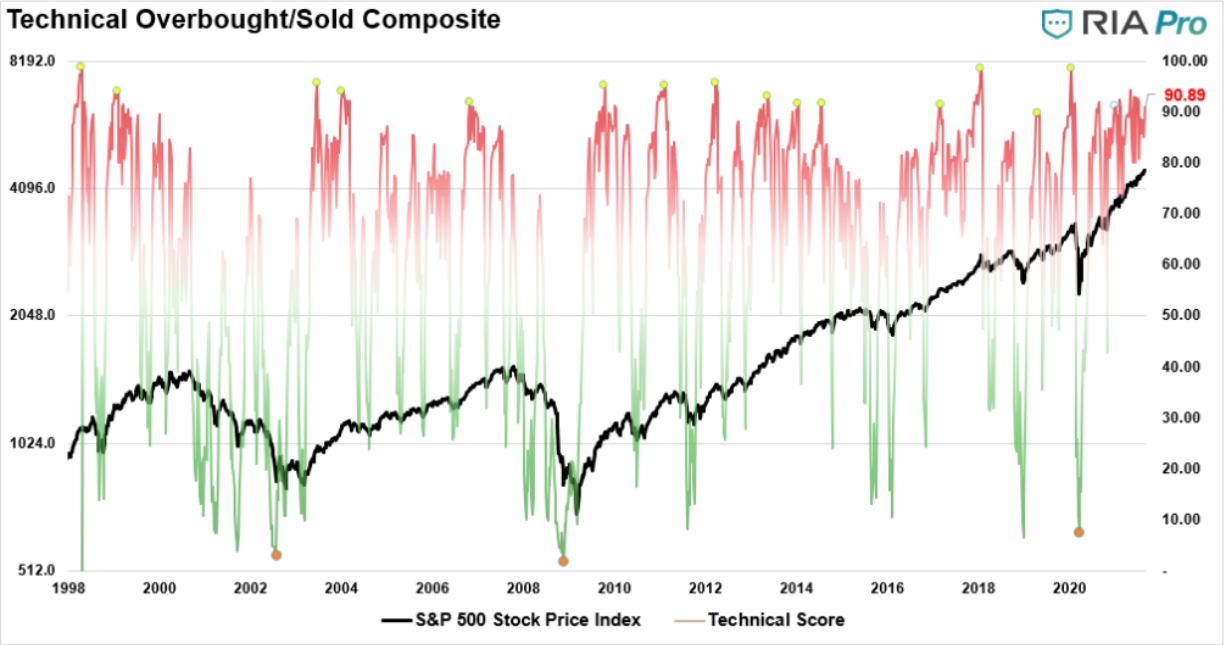
Performance Analysis



Technical Composite

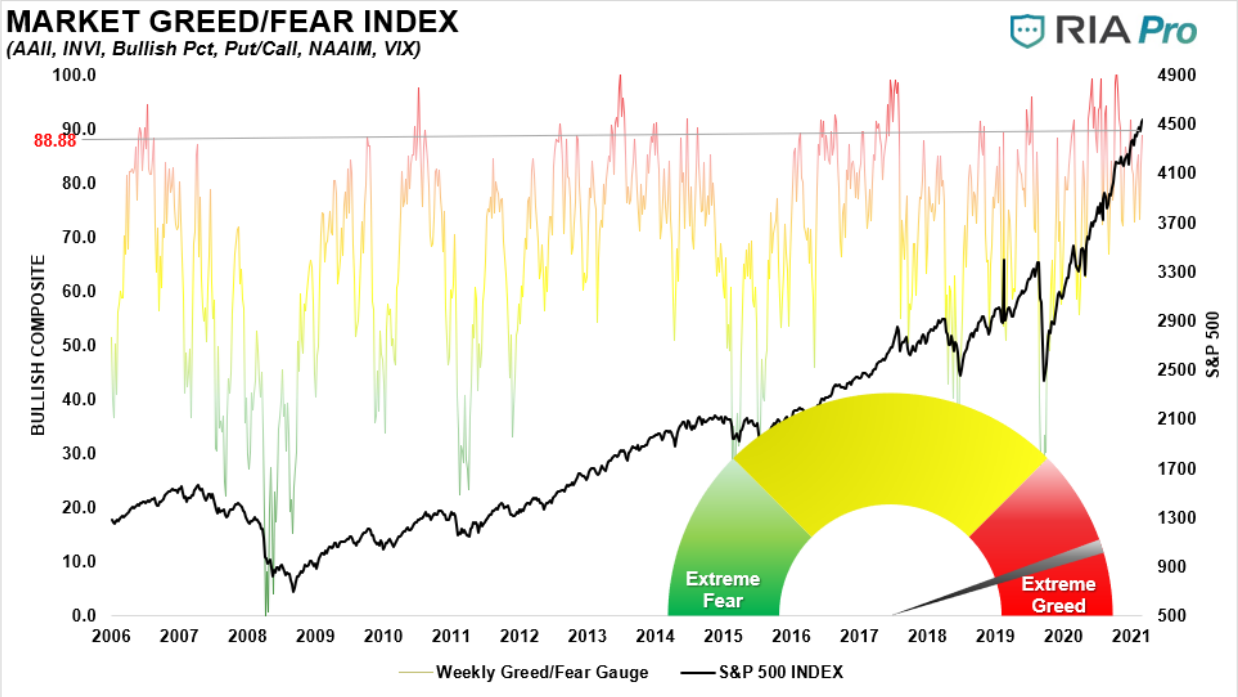
The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" are oversold. ***The current reading is 90.89 out of a possible 100.***



Portfolio Positioning "Fear / Greed" Gauge

Our "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.&#2013266080; **The *current reading is 88.88 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		MONTH END	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	LONG WMA	PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	455.07	0.64	2.40	7.14	16.03	32.30	437.64	414.83	453.71	0.99	465.05	442.37	4%	10%	BULLISH
XLB	SPDR-MATLS SELS	85.37	(1.31)	(0.93)	(8.01)	(6.58)	0.18	83.62	81.07	85.61	1.05	88.65	82.57	2%	5%	BULLISH
XLC	SPDR-COMM SV SS	85.47	0.25	0.80	(0.05)	(2.69)	6.05	81.98	77.02	85.62	0.99	88.61	82.63	4%	11%	BULLISH
XLE	SPDR-EGY SELS	48.62	(2.04)	(4.19)	(19.35)	(17.87)	7.14	51.03	49.47	48.40	1.75	50.46	46.34	-5%	-2%	BULLISH
XLF	SPDR-FINL SELS	38.07	(3.02)	(1.84)	(5.78)	(4.78)	18.24	37.17	35.30	38.40	1.20	39.82	36.98	2%	8%	BULLISH
XLK	SPDR-TECH SELS	159.36	0.22	0.51	5.11	6.93	2.62	150.94	141.20	158.86	1.03	164.47	153.25	6%	13%	BULLISH
XLI	SPDR-INDU SELS	104.59	(0.95)	(1.38)	(6.10)	(7.61)	2.07	103.21	99.09	104.51	1.19	108.36	100.66	1%	6%	BULLISH
XLP	SPDR-CONS STPL	72.83	0.83	0.27	(4.48)	(6.31)	(21.17)	70.98	68.89	72.26	0.63	74.52	70.00	3%	6%	BULLISH
XLRE	SPDR-RE SELS	48.73	3.42	1.88	0.10	10.08	2.13	46.00	42.10	47.68	0.69	49.20	46.16	6%	16%	BULLISH
XLU	SPDR-UTIL SELS	69.49	0.78	0.63	(2.03)	(4.31)	(15.25)	66.31	64.70	68.54	0.36	70.50	66.58	5%	7%	BULLISH
XLV	SPDR-HLTH CR	136.85	1.01	0.54	2.73	2.90	(2.83)	130.06	122.77	135.21	0.76	139.62	130.80	5%	11%	BULLISH
XLY	SPDR-CONS DISCR	183.52	0.29	(1.01)	(1.19)	(5.77)	(7.59)	179.24	173.50	183.65	1.13	190.32	176.98	2%	6%	BULLISH
XTN	SPDR-SP TRANSPT	86.62	(1.08)	0.56	(9.55)	(17.54)	10.58	84.94	84.48	85.91	1.38	89.24	82.58	2%	3%	BULLISH
SDY	SPDR-SP DIV ETF	124.54	(0.75)	(1.67)	(8.92)	(9.10)	(3.53)	123.59	119.73	124.73	0.91	128.98	120.48	1%	4%	BULLISH
RSP	INVS-SP5 EQ ETF	156.88	(0.43)	(0.57)	(4.05)	(4.42)	8.94	152.36	145.41	156.30	1.12	161.95	150.65	3%	8%	BULLISH
SLY	SPDR-SP6 SC	97.47	(0.99)	(1.36)	(9.08)	(15.05)	21.26	96.15	94.41	97.31	1.25	100.96	93.66	1%	3%	BULLISH
MDY	SPDR-SP MC 400	503.50	(0.93)	(0.77)	(6.89)	(10.20)	13.20	492.09	480.82	502.28	1.18	520.79	483.77	2%	5%	BULLISH
EEM	ISHARS-EMG MKT	53.12	2.33	(0.12)	(11.07)	(17.81)	(12.49)	53.09	53.99	52.41	0.79	54.13	50.69	0%	-2%	BEARISH
EFA	ISHARS-EAFE	82.07	1.06	(0.20)	(5.82)	(8.65)	(5.09)	79.94	78.14	80.64	0.83	83.33	77.95	3%	5%	BULLISH
IAU	ISHARS-GOLD TR	34.82	(0.06)	1.48	(9.77)	(11.21)	(37.98)	34.34	34.28	34.53	0.08	35.42	33.64	1%	2%	BULLISH
GDX	VANECK-GOLD MNR	33.28	1.42	(2.28)	(20.20)	(17.83)	(50.85)	34.04	34.69	32.60	0.66	33.63	31.57	-2%	-4%	BEARISH
UUP	INVS-DB US$ BU	24.73	(1.28)	(3.20)	(5.58)	(16.23)	(33.73)	24.80	24.62	24.89	(0.11)	25.48	24.30	0%	0%	BULLISH
BOND	PIMCO-TOT RETRN	111.48	(0.71)	(2.48)	(6.66)	(14.00)	(33.12)	111.32	110.97	111.67	0.08	114.55	108.79	0%	0%	BULLISH
TLT	ISHARS-20+YTB	148.18	(1.49)	(2.13)	(3.02)	(6.06)	(41.24)	146.81	143.61	148.83	(0.25)	152.18	145.48	1%	3%	BULLISH
BNDX	VANGD-TTL INT B	57.61	(1.00)	(2.83)	(6.58)	(15.10)	(32.80)	57.55	57.43	57.62	0.03	59.08	56.16	0%	0%	BULLISH
HYG	ISHARS-IBX HYCB	88.01	(0.58)	(1.68)	(6.70)	(13.76)	(28.13)	87.65	87.30	88.09	0.37	90.62	85.56	0%	1%	BULLISH

RIA Pro **RISK RANGE REPORT** Real Investment Advice

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	134.45	19.35	9.14	0.71	21.79	9.00
DOV	Dover Corp	175.99	11.50	-0.94	1.14	25.07	9.00
IDXX	Idexx Labs Inc	685.44	19.92	11.36	0.00	81.70	9.00
WAT	Waters Corp	421.25	9.39	2.76	0.00	39.37	9.00
AMD	Adv Micro Dev	109.20	44.60	22.18	0.00	59.03	8.00
DE	Deere & Co	384.95	21.19	8.92	0.94	22.30	8.00
DHR	Danaher Corp	331.43	18.00	4.66	0.25	37.75	8.00
GPC	Genuine Parts	122.49	9.17	3.61	2.66	19.17	8.00
HCA	Hca Holdings	253.28	11.10	5.70	0.76	17.40	8.00
IPG	Interpublic Grp	37.51	11.54	5.46	2.88	14.77	8.00
IT	Gartner Inc -A	311.80	13.50	13.17	0.00	46.26	8.00
KEYS	Keysight Tech	180.29	11.51	11.13	0.00	32.49	8.00
KLAC	Kla Corp	337.71	14.03	17.67	1.24	23.21	8.00
MCO	Moodys Corp	385.69	10.00	10.11	0.64	32.47	8.00
MSFT	Microsoft Corp	301.15	11.09	15.85	0.74	37.78	8.00
NXPI	Nxp Semiconduct	211.91	10.00	-0.89	1.06	26.93	8.00
QRVO	Qorvo Inc	185.90	12.72	6.56	0.00	17.91	8.00
SNA	Snap-On Inc	228.22	9.54	1.46	2.16	15.87	8.00
TSCO	Tractor Supply	195.60	9.68	11.79	1.06	24.45	8.00
TXN	Texas Instrs	189.41	9.33	1.59	2.15	26.42	8.00
WMT	Walmart Inc	148.56	5.50	3.36	1.48	23.96	8.00
WRB	Berkley (Wr) Cp	75.37	9.00	1.80	0.69	19.73	8.00
WST	West Pharm Svc	459.00	28.41	9.85	0.15	65.57	8.00
A	Agilent Tech	178.02	13.00	7.11	0.44	43.31	7.00
AAPL	Apple Inc	153.65	12.67	8.26	0.57	30.07	7.00
APH	Amphenol Corp-A	76.84	12.58	8.72	0.75	34.30	7.00
ARE	Alexandria Real	208.51	7.44	18.44	2.15	27.76	7.00
BRK.B	Berkshire Hth-B	285.05	7.00	2.37	0.00	27.30	7.00
CBRE	Cbre Group Inc	97.90	11.00	18.03	0.00	22.25	7.00
CDNS	Cadence Design	165.19	11.68	10.29	0.00	64.03	7.00
EXR	Extra Space Stg	191.61	8.60	8.24	2.09	32.31	7.00
FLT	Fleetcor Tech	262.56	15.04	6.65	0.00	23.34	7.00
MMC	Marsh &Mclennan	159.42	12.52	7.49	1.34	27.73	7.00
ORLY	O Reilly Auto	578.82	14.15	8.04	0.00	20.78	7.00
RSG	Republic Svcs	126.10	10.05	1.92	1.35	31.37	7.00
SEE	Sealed Air Corp	61.72	9.60	-4.34	1.30	18.82	7.00
UHS	Univl Hlth Svcs	157.09	6.52	4.42	0.51	12.40	7.00
AZO	Autozone Inc	1520.65	11.41	5.29	0.00	16.72	6.00
CVX	Chevron Corp	97.71	5.00	-3.04	5.49	36.06	6.00
GPN	Global Payments	158.59	18.69	21.02	0.49	22.53	6.00
GRMN	Garmin Ltd	175.68	6.80	9.55	1.53	28.47	6.00
ISRG	Intuitive Surg	1071.53	9.67	14.45	0.00	80.08	6.00
KR	Kroger Co	47.31	8.46	2.90	1.78	13.75	6.00
MCHP	Microchip Tech	156.27	18.09	14.60	1.12	25.04	6.00
NVDA	Nvidia Corp	223.96	17.65	21.67	0.07	76.70	6.00
PAYC	Paycom Software	500.80	25.00	26.62	0.00	173.89	6.00
TECH	Bio-Techne Cp	510.78	21.00	11.42	0.25	89.77	6.00
UNP	Union Pac Corp	217.53	10.00	-0.43	1.97	23.93	6.00
IEX	Idex Corp	224.22	12.00	3.11	0.96	38.07	5.00
KMX	Carmax Gp (Cc)	126.44	17.31	6.07	0.00	17.78	5.00
PLD	Prologis Inc	138.47	7.34	14.63	1.82	36.15	5.00
PTC	Ptc Inc	131.84	23.15	8.10	0.00	54.03	5.00
RHI	Robt Half Intl	104.26	19.50	1.10	1.46	27.29	5.00
TROW	T Rowe Price	221.41	9.00	10.05	1.95	18.83	5.00
JKHY	Jack Henry Assc	176.23	11.00	5.27	1.04	42.77	4.00

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

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
GSBD	Goldman Sac Bdc	19.23	1.20	11.49	9.36	9
LOMA	Loma Negra Cia	7.66	1.49	20.61	3.32	9
BABB	Bab Inc	0.76	1.90	14.90	5.23	8
CAG	Conagra Brands	33.47	1.86	18.31	3.73	8
CATY	Cathay Genl Bcp	39.16	1.27	11.21	3.17	8
ETRN	Equitrans Midst	9.32	1.11	14.90	6.44	8
SAFT	Safety Ins Grp	81.02	1.32	11.56	4.44	8
UBCP	Utd Bancorp -Oh	15.68	1.35	10.50	3.70	8
WSBF	Waterstone Finl	20.28	1.19	10.38	3.94	8
AGNC	Agnc Investment	16.22	0.93	13.02	8.88	7
BTG	B2Gold Corp	3.84	1.48	10.82	4.17	7
CAC	Camden Ntl Corp	46.68	1.28	11.63	3.08	7
CGBD	Tcg Bdc Inc	13.95	0.87	10.48	9.18	7
CMTV	Commnty Bcp Vt	20.00	1.35	13.16	4.40	7
FFBC	First Fin Bc-Oh	23.39	1.00	10.08	3.93	7
FLIC	First Long Is	20.71	1.18	10.80	3.67	7
FLMN	Falcon Minerals	4.47	1.75	45.19	13.42	7
FNLC	First Bancp Inc	29.82	1.40	11.91	4.29	7
IBCP	Indep Bk Mich	20.67	1.14	12.51	4.06	7
MBWM	Mercantile Bank	31.34	1.10	10.23	3.83	7
MPB	Mid Penn Bancp	26.35	0.88	10.19	3.04	7
MTB	M&T Bank Corp	139.28	1.16	11.24	3.16	7
NBTB	Nbt Bancorp Inc	35.45	1.26	10.04	3.16	7
NHTC	Natural Hlth Tr	7.00	1.26	29.61	11.43	7
NL	Nl Inds Inc	6.63	0.90	12.15	3.62	7
NLY	Annaly Cap Mgmt	8.69	1.04	12.12	10.13	7
NRIM	Northrim Bcp	42.50	1.11	10.80	3.48	7
PFG	Principal Finl	66.38	1.09	11.82	3.80	7
SNV	Synovus Finl Cp	42.92	1.36	11.85	3.08	7
TRTN	Triton Intl Ltd	55.64	1.73	13.46	4.10	7
TWO	Two Harbors Inv	6.52	1.00	11.60	10.43	7
UVE	Univl Insur Hld	13.73	0.89	17.31	4.66	7
WAYN	Wayne Svgs Bcsh	25.25	1.17	10.51	3.33	7
WBA	Walgreens Bai	51.78	1.98	19.73	3.69	7
WBS	Webster Finl Cp	50.12	1.43	10.90	3.19	7

Fundamental Growth Screen

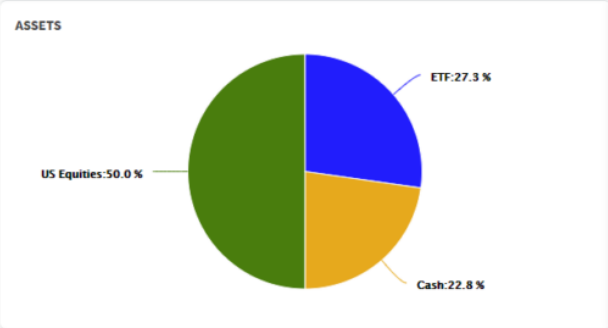
Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E using 12 mo EPS	Score
IDXX	Idexx Labs Inc	685.44	19.92	11.36	-	81.70	9.00
AMAT	Appld Matls Inc	134.45	19.35	9.14	0.71	21.79	9.00
DOV	Dover Corp	175.99	11.50	(0.94)	1.14	25.07	9.00
AMD	Adv Micro Dev	109.20	44.60	22.18	-	59.03	8.00
WST	West Pharm Svc	459.00	28.41	9.85	0.15	65.57	8.00
DE	Deere & Co	384.95	21.19	8.92	0.94	22.30	8.00
DHR	Danaher Corp	331.43	18.00	4.66	0.25	37.75	8.00
KLAC	Kla Corp	337.71	14.03	17.67	1.24	23.21	8.00
IT	Gartner Inc -A	311.80	13.50	13.17	-	46.26	8.00
QRVO	Qorvo Inc	185.90	12.72	6.56	-	17.91	8.00
IPG	Interpublic Grp	37.51	11.54	5.46	2.88	14.77	8.00
KEYS	Keysight Tech	180.29	11.51	11.13	-	32.49	8.00
HCA	Hca Holdings	253.28	11.10	5.70	0.76	17.40	8.00
FLT	Fleetcor Tech	262.56	15.04	6.65	-	23.34	7.00
ORLY	O Reilly Auto	578.82	14.15	8.04	-	20.78	7.00
A	Agilent Tech	178.02	13.00	7.11	0.44	43.31	7.00
AAPL	Apple Inc	153.65	12.67	8.26	0.57	30.07	7.00
APH	Amphenol Corp-A	76.84	12.58	8.72	0.75	34.30	7.00
MMC	Marsh &Mclennan	159.42	12.52	7.49	1.34	27.73	7.00
CDNS	Cadence Design	165.19	11.68	10.29	-	64.03	7.00
PAYC	Paycom Software	500.80	25.00	26.62	-	173.89	6.00
TECH	Bio-Techne Cp	510.78	21.00	11.42	0.25	89.77	6.00
GPN	Global Payments	158.59	18.69	21.02	0.49	22.53	6.00
MCHP	Microchip Tech	156.27	18.09	14.60	1.12	25.04	6.00
NVDA	Nvidia Corp	223.96	17.65	21.67	0.07	76.70	6.00
AZO	Autozone Inc	1,520.65	11.41	5.29	-	16.72	6.00
PTC	Ptc Inc	131.84	23.15	8.10	-	54.03	5.00
RHI	Robt Half Intl	104.26	19.50	1.10	1.46	27.29	5.00
KMX	Carmax Gp (Cc)	126.44	17.31	6.07	-	17.78	5.00
IEX	Idex Corp	224.22	12.00	3.11	0.96	38.07	5.00

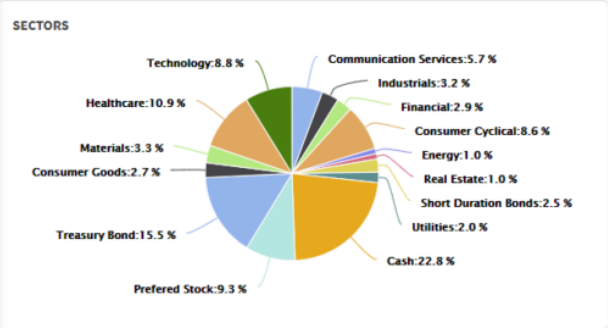
Aggressive Growth Strategy

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	685.44	19.92	11.36	-	4.12	9
MANH	Manhattan Asoc	164.90	#N/A	0.40	-	#N/A	8
MCO	Moodys Corp	385.69	10.00	10.11	0.64	3.27	8
MSFT	Microsoft Corp	301.15	11.09	15.85	0.74	3.15	8
STAA	Staar Surgical	157.36	#N/A	21.32	-	#N/A	8
TXN	Texas Instrs	189.41	9.33	1.59	2.15	2.57	8
WST	West Pharm Svc	459.00	28.41	9.85	0.15	2.02	8
ARE	Alexandria Real	208.51	7.44	18.44	2.15	3.60	7
AZPN	Aspen Tech Inc	130.92	7.33	9.14	-	3.97	7
CDNS	Cadence Design	165.19	11.68	10.29	-	5.62	7
EXR	Extra Space Stg	191.61	8.60	8.24	2.09	3.39	7
IRDM	Iridium Commun	46.08	#N/A	8.28	-	#N/A	7
LSI	Life Storage	127.75	3.63	7.03	2.32	7.30	7
MAA	Mid-Amer Apt Cm	196.28	2.00	8.13	2.09	14.39	7
MSCI	Msci Inc-A	649.42	#N/A	10.49	0.64	#N/A	7
NSA	Natl Storage	58.44	#N/A	20.89	2.60	#N/A	7
ADC	Agree Rlty Corp	74.88	#N/A	28.47	3.48	#N/A	6
ISRG	Intuitive Surg	1,071.53	9.67	14.45	-	7.90	6
NVDA	Nvidia Corp	223.96	17.65	21.67	0.07	3.56	6
PAYC	Paycom Software	500.80	25.00	26.62	-	6.35	6
POWI	Power Intgratio	110.16	#N/A	6.04	0.47	#N/A	6
REG	Regency Ctrs Cp	69.21	9.48	10.70	3.44	1.94	6
RGEN	Repligen	288.54	#N/A	38.99	-	#N/A	6
TECH	Bio-Techne Cp	510.78	21.00	11.42	0.25	3.54	6
CGNX	Cognex Corp	88.39	#N/A	9.35	0.27	#N/A	5
JYNT	Joint Corp/The	106.46	#N/A	32.25	-	#N/A	5
MRNA	Moderna Inc	397.66	29.15	344.64	-	0.47	5
PLD	Prologis Inc	138.47	7.34	14.63	1.82	4.63	5
PSA	Public Storage	331.04	6.67	3.47	2.42	4.02	5
QLYS	Qualys Inc	119.60	#N/A	16.53	-	#N/A	5
SPSC	Sps Commerce	136.08	#N/A	13.13	-	#N/A	5
VICR	Vicor Corp	127.82	#N/A	9.89	-	#N/A	5
CELH	Celsius Holding	85.76	#N/A	54.65	-	#N/A	4
CPT	Camden Ppty Tr	153.00	1.76	4.90	2.17	16.54	4
FFIN	First Fin Bk-Tx	47.14	#N/A	12.09	1.27	#N/A	4
FRT	Fed Rlty Inv	123.14	7.37	1.67	3.44	3.24	4
HSKA	Heska Corp	272.66	#N/A	9.52	-	#N/A	4
MSEX	Middlesex Water	113.42	#N/A	1.67	0.96	#N/A	4
MSTR	Microstrategy	695.71	#N/A	(1.33)	-	#N/A	4
PGNY	Progyny Inc	56.48	#N/A	#N/A	-	#N/A	4
PLMR	Palomar Holdngs	93.80	#N/A	52.37	-	#N/A	4
REXR	Rexford Ind Rty	63.50	10.35	27.74	1.51	3.99	4
TTGT	Techtarget	87.59	#N/A	11.14	-	#N/A	4
TYL	Tyler Tech Inc	486.46	#N/A	11.49	-	#N/A	4
EPRT	Essential Pptys	32.46	10.80	28.12	3.08	2.27	3
EQR	Equity Resident	85.98	3.73	1.42	2.80	7.95	3
NEOG	Neogen Corp	44.46	#N/A	5.96	-	#N/A	3

Portfolio / Client Update

Our current model allocation remains primarily unchanged. We did increase our longer-duration bond holdings slightly last week. As discussed last week, we manage risk exposures to reduce volatility while still participating with the market's advance. **Stock selection has been key to carrying an overweight cash position and still outperforming our benchmark index.**





The continuing deterioration of market internals continues to suggest a rising risk profile to the markets. Such is why we continue to remain cautious in our allocation models. As noted last week:

> *"We still hold a slightly higher cash balance in the equity sleeve (~10%) and the fixed income sleeve (~10%)**. We use the cash as a risk hedge against an equity draw and "shorten duration" in the bond allocation.** While we were previously increasing the duration of our bond portfolio to capture the decline in rates, we are holding cash to add longer-duration bonds on upticks in rates.*
>
> ***If there is a risk-off event in the market, yields will drop to 1% or less providing a nice bump in appreciation in our bond portfolio. In the meantime, we are collecting a bit of income while holding the hedge.**"*

For now, there seems to be minimal risk in a market that continues to creep higher. Unfortunately, however, that is often the type of market that eventually bites you.

Portfolio Changes

During the past week, we made minor changes to portfolios. In addition, we post all trades in real-time at ***RIAPRO.NET*.**

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

> *"We added 1% to TLT bringing it to 7% in both models. Technically it looks ready to break higher and has good support directly below with the 50/200 dma?s.*
>
> *We added 1% ABBV to the equity model. The sharp decline yesterday seems overdone and provides us an opportunity to add." - 09-02-21*

Equity Model

- *Add 1% of the portfolio to ABBV*
- *Add 1% of the portfolio to TLT*

ETF Model

- *Add 1% of the portfolio to TLT*

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.

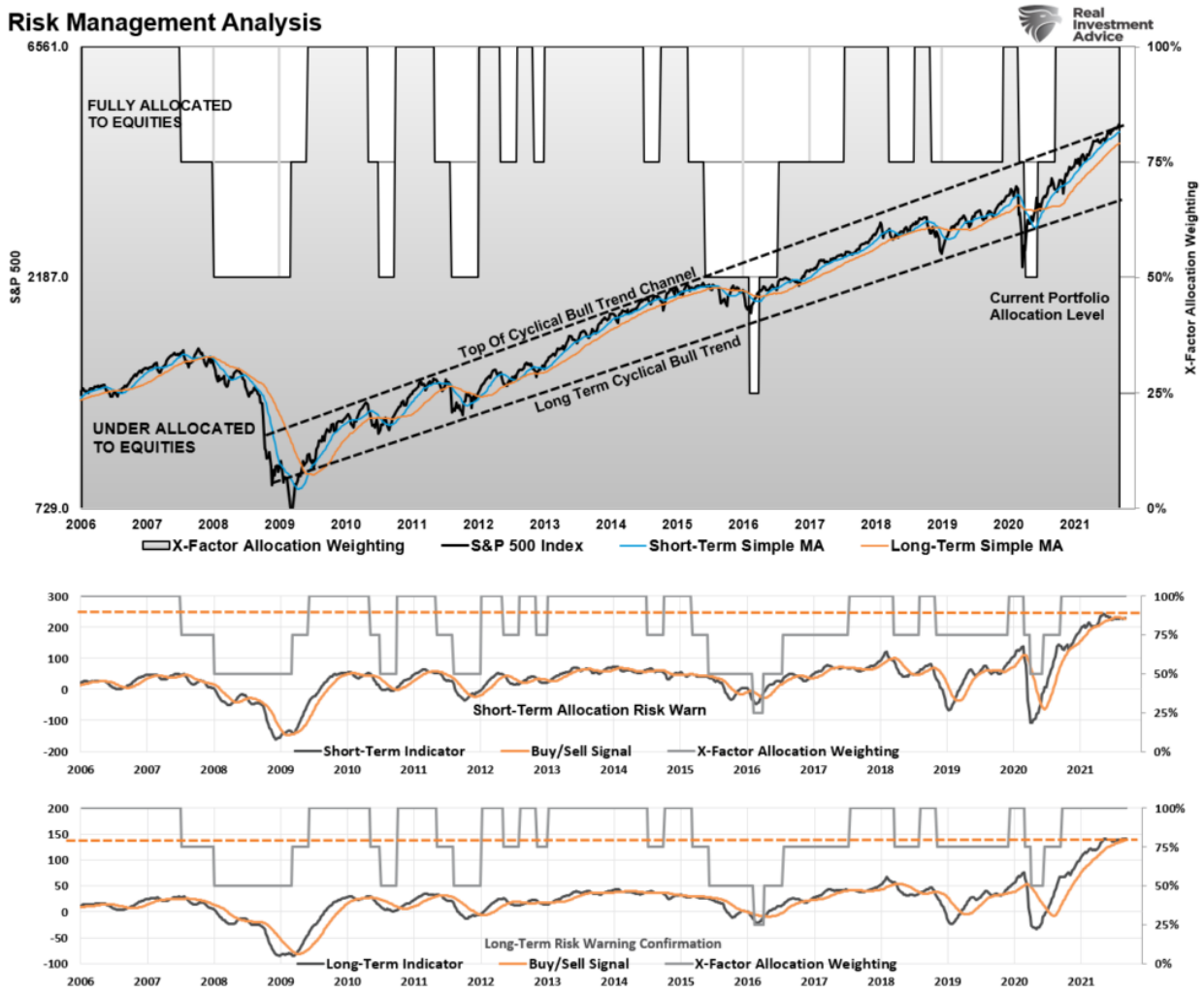
Lance Roberts, CIO

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors

NOTE: We're moving the 401k Plan Manager to our new website. over the next couple of weeks

CLICK HERE to see it now.



Commentary

The market advance continues its bullish ways with little disruption. While the market is currently very overbought and deviated from longer-term averages, the momentum remains strong for now.

Continue to move all new contributions to either money market or stable value funds for now. Also, rebalance your equities and bonds back to weightings as equities are likely now out of tolerance.

International and small-cap stocks continue to underperform as of late as the momentum chase has turned back to the growth trade. Remain underweight these sectors.

There is no need to be aggressive here. With our money-flow *?buy signal?* intact, the current bias remains upward. However, there isn?t likely a lot of upside to the market as September is historically weak. So, for now, we would recommend not being overly aggressive.

Model Descriptions

1. Understand your allocation options:

CORE STRATEGY

The core strategy consists of holdings that are based on market fundamentals, valuations, and long-term market trends. These are holding that should be considered "long-term" investments and should primarily track the benchmark index over time. The turnover of the portfolio should be extremely low with the exception of rebalancing periods due to market gyrations.

TACTICAL STRATEGY

The tactical strategy consists of holdings which based on the short- to intermediate-term trends of the market. As macro-economic, monetary and fiscal policy, and investor psychology impacts markets, the holdings in the tactical strategy will shift to take advantage of market rotations. Importantly, this portion of the portfolio can move to all cash if needed to reduce risk in the event of a market downturn.

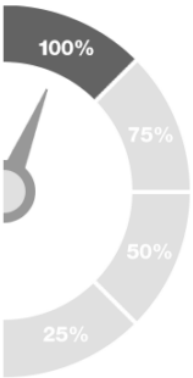
FIXED INCOME

The fixed income strategy is designed to both take advantage of changes in interest rate and inflation expectations, but also deliver a lower degree of volatility to the overall portfolio. The primary focus of the fixed-income portfolio is to protect capital, generate income, and lower overall portfolio volatility.

Choose The Model That FIts Your Goals

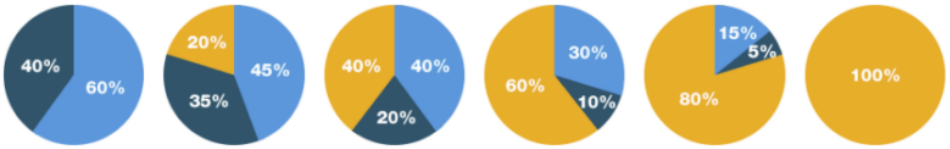
2. Choose the financial strategy that best fits your retirement goals and let RIA do all the work for you:

Current Target



Risky — Conservative

Aggressive Growth	Growth	Balanced	Conservative	Ultra Conservative	Fixed Income Only
100% Stocks 0% Bonds	80% Stocks 20% Bonds	60% Stocks 40% Bonds	40% Stocks 60% Bonds	20% Stocks 80% Bonds	0% Stocks 100% Bonds



Aggressive Growth	Growth	Balanced	Conservative	Ultra Conservative	Fixed Income Only
A portfolio that is 100% exposed to stocks for investors seeking to obtain "benformance". This portfolio is most suitable for younger investors with a long-term time horizon to retirement.	For investors still wating more growth from their portfolio, but with a slightly lower risk profile the addition of fixed income lowers overall volatility. This portfolio is suitable for investors with a 10-20 year time horizon to retirement.	Investors seeking a more conservative approach that will track a balanced index may find the balanced. With lower volatility, but with a growth component, the portfolio is suitable for investors 10-15 years to retirement.	For those approaching retirement and are more (<10 years) concerned about capital preservation over growth the conservative model may be useful. with a lower exposure to stocks, volatility is reduced and shold protect portfolios against potential market drawdowns.	For investors rapidly approaching retirement, where funds will be rolled out of company retirement plans, an ultra-conservative model may be useful in ensuring capital protection. Useful for individuals within 24-months of retirement.	For individuals within 12-months of retirement, an all fixed income portfolio may be appropriate to protect capital before the roll-over process. If your window to retirement is longer than 12-months, the Ultra-Conservative model may be more appropriate.

Model Allocations

Asset Class						
CORE STRATEGY						
Large Cap Blend (Ex. S&P 500 Index)	25	20	20	15	5	
Large Cap Growth	10	5				
Large Cap Value			5			
Large Cap Dividend			5	10	10	
Mid Cap Growth	10	5				
Mid Cap Value			5	5		
Small Cap Blend	15	15	5			
TACTICAL STRATEGY						
International Growth	5	5	5			
International Value			5	5		
International Blend	5	5				
Emerging Markets	10	5				
Real Estate	10	10	10	5	5	
Commodities	10	10				
FIXED INCOME						
Short Term Core			5	10	20	35
Intermedia Core		10	15	30	30	30
Global Fixed			10	10	15	10
High Yield Bond		10	5			
Inflation Protected			5	10	15	25
CASH						
Retirement Reserves/Stable Value						
5 Year Standard Deviation	15.8	13.1	9.8	6	4.4	3
5 Year Annual Return	16.7	13.8	10.7	7.9	5.8	3.4
5 Year Maximun Drawdown	-34.3	-30.2	-24.5	-16.7	-11.2	-8.2

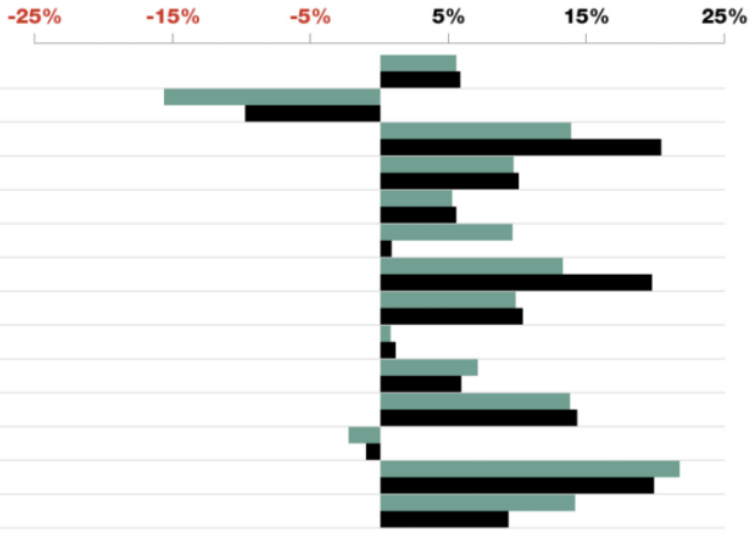
If you need help after reading the alert, do not hesitate to **contact me**.

Or, let us manage it for you automatically.

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.

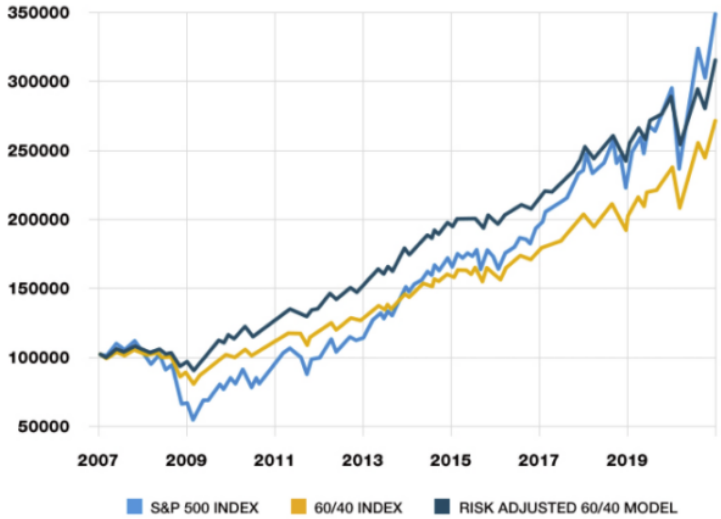
Year	60/40 Benchmark Return	60/40 Model Return
2007	6.16%	6.29%
2008	-16.73%	-9.79%
2009	14.14%	20.13%
2010	10.19%	10.34%
2011	5.11%	5.74%
2012	9.33%	1.00%
2013	13.94%	19.02%
2014	10.04%	10.92%
2015	0.88%	1.67%
2016	7.77%	6.30%
2017	14.12%	14.71%
2018	-2.71%	-1.33%
2019	22.41%	19.77%
2020	14.58%	8.60%



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

60/40 Benchmark vs Risk Adjusted 60/40 Allocation



Have a great week!