

# Bull Rally Fails As Bears Regain Control

## Inside This Week's Bull Bear Report

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## Bull Rally Fails As Bears Regain Control

The bull rally failed as those stating the rise from the July lows was a "bear market rally" were proven correct. As we stated last week:

*The break of the 100-dma also sets the market up for a retest of the 50-dma next week. Given the sharp market sell-off on Friday, some follow-through selling on Monday would be of no surprise."*

That was the case as the market sold off sharply all week, taking out the important 50-day moving average. However, with the markets deeply oversold, a reflexive bounce is likely. On Friday, the market attempted a test to break above the 50-dma, but failed. **With the market sitting on important support, an attempt at a rally next week is likely. However, with the MACD on a "sell signal," we continue to suggest selling any rallies to reduce risk.**



Unfortunately, the bull rally's failure suggests more challenges for the stock market. As noted by Yahoo Finance:

*"The historically volatile month of August lived up to its reputation.?"*

*Call it par for the course for 2022, as the Federal Reserve's resolve to fight inflation again beat back the most optimistic bulls holding out for the elusive Powell pivot.*

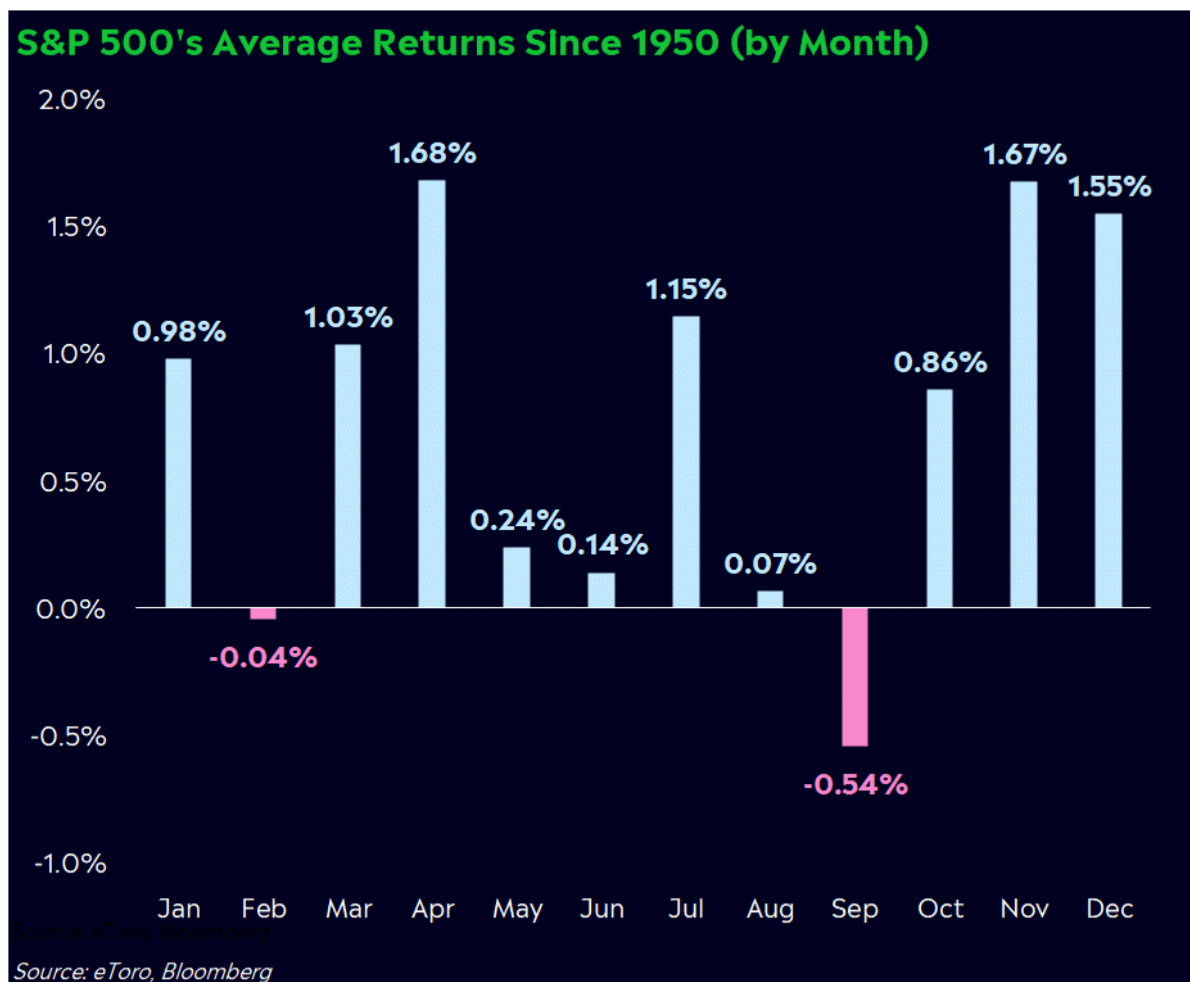
*?By the numbers: The Nasdaq Composite sank another 4.6% in August, bringing its year-to-date return to -24.5%. Meanwhile, the Dow is now off 4,828 points for the year, or 13.2%, and the S&P 500 is 17% in the hole."*

Unfortunately, for investors, the market history books suggest that when markets have negative returns this far into the year, it portends more weakness and volatility into year-end.

Market Returns Through August vs. End-of-Year						
Index	# of Years	Jan - Aug Return	Sep - Dec Return	Full Year Return	Realized Volatility Jan - Aug	Realized Volatility Sep - Dec
<b>Dow 1921 - 2021</b> (All negative years into Aug)	36	-7.64%	<b>-1.69%</b>	-9.11%	7.99%	8.83%
<b>Dow 1921 - 2021</b> (Down 8% or more into Aug)	13	-14.00%	<b>-5.09%</b>	-15.50%	7.79%	9.80%
<b>Nasdaq Composite 1972 - 2021</b> (All negative years into Aug)	17	-11.26%	<b>6.39%</b>	-5.09%	7.99%	9.97%
<b>Nasdaq Composite 1972 - 2021</b> (Down 8% or more into Aug)	9	-18.50%	<b>0.47%</b>	-17.91%	8.63%	10.92%
<b>S&amp;P 500 1962 - 2021</b> (All negative years into Aug)	20	-9.73%	<b>3.41%</b>	-6.27%	7.11%	8.84%
<b>S&amp;P 500 1962 - 2021</b> (Down 8% or more into Aug)	13	-13.87%	<b>-1.91%</b>	-15.50%	7.53%	9.25%

Source: TradeStation, Yahoo Finance

Furthermore, while we could certainly see another bull rally from currently very oversold conditions, the month of September offers little hope. October tends not to be kind, either.



While the market is focused on Federal Reserve rate hikes, little attention is paid to the "elephant in the room."

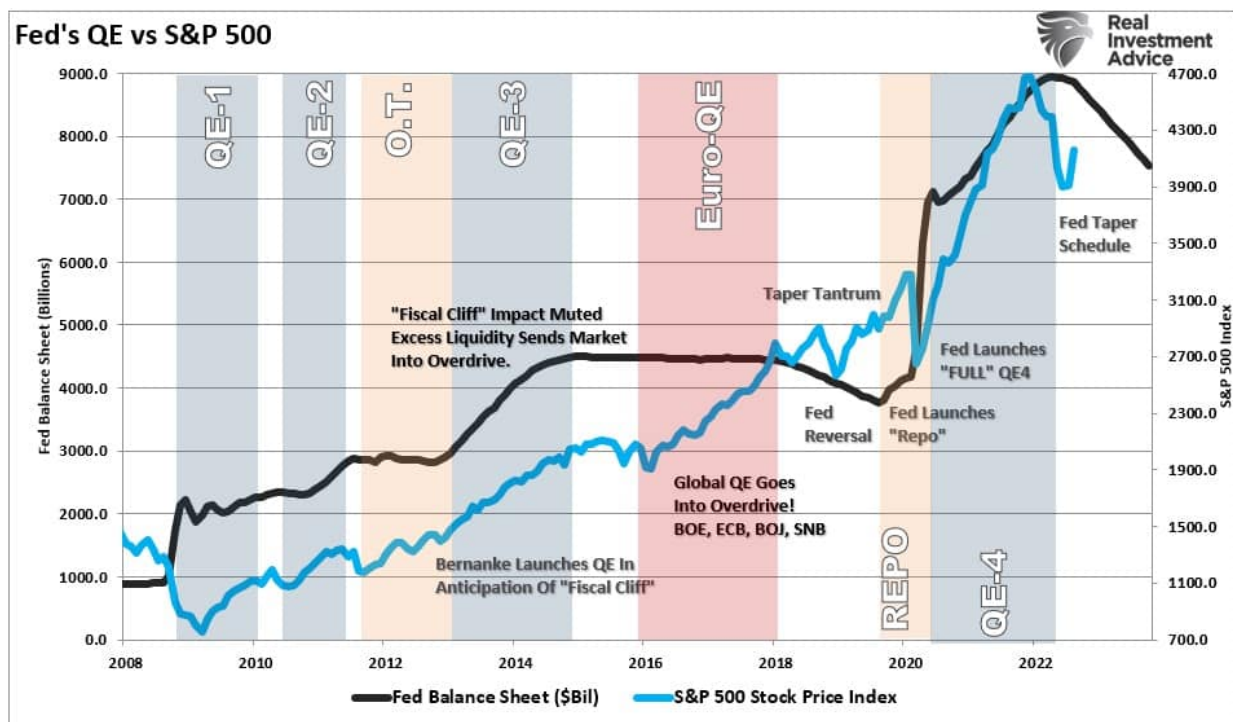
That elephant is the \$95 billion in "Quantitative Tightening" that started this month.

## QT Hits Full Strength

In our **Daily Market Commentary** ([subscribe for free daily email](#)) we discussed the Fed's balance sheet unwind, aka Quantitative Tightening (QT), which is now at \$95 billion a month.

*"The plan is to allow 60 billion in U.S. Treasury bonds and 35 billion of mortgages to mature monthly. The Fed may let additional Treasury Bills mature to reach their 95 billion goals if there are not enough mortgages maturing or paying down in a given month. With the step up in QT comes reduced liquidity for the banking system and financial markets.*

*The 2018 episode of QT taught us that liquidity dries up over time, and the effects take a while to be felt. The more illiquid markets and market participants relying heavily on leverage will feel the impact first. Given the 95 billion monthly paces of QT is almost double the rate of 2018, the adverse liquidity effects may occur sooner this time. Below we provide a summary of an important white paper on QT presented at the Jackson Hole Conference."*



It is important to look back at 2018 when the Fed last tried to reduce its balance sheet. The market response was a sharp selloff into December, leading to a Fed bailout of hedge funds and banks through "reverse repurchases operations" in 2019.

As noted, the rate of QT is twice that of any previous period in history. With the Fed increasing rates, it's worth noting how QT negatively impacts liquidity. The [58-page Fed white paper by Viral V. Acharya](#) on the topic of QT and liquidity got presented at the recent Jackson Hole Conference. [Cross Border Capital](#) highlights a few of the paper's key points.

“During **quantitative tightening**, the banking sector may not shrink the claims it has written on liquidity at the same pace that the central bank withdraws reserves. **This may lead to tightened liquidity conditions and the greater possibility of episodes of systemic liquidity stress ....**” *[non-linearity/ asymmetry from QE/ QT policies]*

“Another possibility ... is the incentive of banks to **hoard liquidity** for non-supervisory reasons.” *[i.e. 'liquidity' is not fungible in crises for precautionary reasons]*

“Liquidity dependence resulting from QE and the **poor reallocation of liquidity** within the system in times of stress can also have implications for market-making by banks in **systemically important markets such as the Treasuries**. This can affect the orderly functioning of **shadow banks**, as seen at the time of the COVID outbreak.” *[extends broadly to embrace shadow banks]*

*[banks' liabilities become more short-term when QE expands reserves]* “... the maturity-shortening of banking sector liabilities when the stock of reserves rises is evidenced not just at the aggregate level in time-series data but also at an individual bank level in the cross-section. Banks also originate more corporate lines of credit. We observe little reversal of all this during quantitative tightening. We argue that this **asymmetric behaviour** can explain **tightening liquidity conditions and occasional stress episodes when quantitative tightening is underway**, despite the central bank balance-sheet being large relative to historical standards. Furthermore, **such behaviour can make the banking system dependent on the central bank for ever larger liquidity infusions during stress.**” *[local and systemic balance sheet mis-matches are important crisis triggers]*

Acharya et al. (2022)

To summarize:

- **Point 1?** Banks may use the excess liquidity during QE to make loans, including those like margin debt used for speculative purposes. During QT, however, they may not reduce their loan book, thus effectively reducing net liquidity available to others.
- **Point 2?** Banks, understanding that liquidity is declining, may hoard excess liquidity. Such actions reduce system-wide liquidity.
- **Point 3?** Liquidity is allocated poorly during QE. When removed, it can have unequal stress on Treasury markets, where banks rely heavily on liquidity to maintain balanced two-way flows.
- **Point 4?** During QE, banks tend to loan money for shorter time periods. This can be for speculative purposes and short-term loans. In many cases, the short loans need to roll over once they mature. With QT draining liquidity, stress can occur as the borrowers may struggle to borrow to pay off the original loans. Such can result in the forced liquidation of assets to repay the original loan.

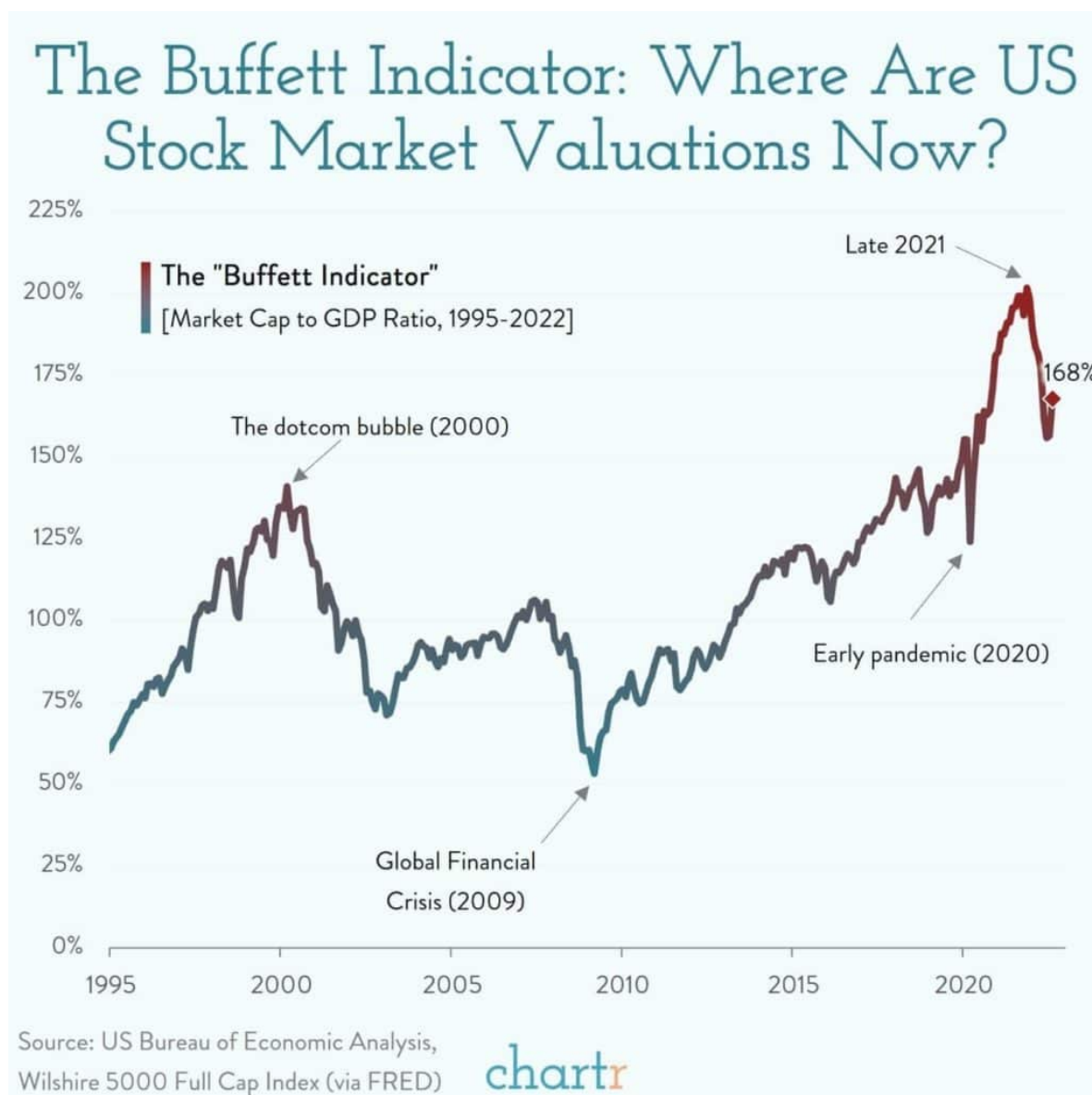
The bottom line is that another primary support of the bull market rally since 2009 is now removed.

## The Buffett Indicator

I am writing a longer discussion of the "Buffett Indicator," but the following note from Chartr is a good primer.

?The recent stock market moves left us wondering where equity valuations were. With hundreds of different ways to value stocks, we settled on arguably the simplest: the ratio of **total market cap. to GDP**. It's a simple metric that compares the total value of public equities with the actual economic output of the country as a whole.

A favorite of a certain **Warren Buffett**, the indicator currently sits just shy of **170%**. That number doesn't mean much on its own, but when placed in historical context, it's striking. Even after the recent fall in markets, the ratio is still one of the highest on record, north of the ~140% recorded during the dot-com bubble of **2000**, and considerably elevated compared to the average since **1995 (109%)**.? ? Chart



Since 2009, repeated monetary interventions and zero interest rate policies led many investors to dismiss any measure of "valuation." The reasoning is that since there was no immediate correlation, the indicator is wrong.

The problem is that valuation models are not, and were never meant to be, "**market timing indicators**." The vast majority of analysts assume that if a measure of valuation (P/E, P/S, P/B, etc.) reaches some specific level it means that:

1. *The market is about to crash, and;*

2. *Investors should be in 100% cash.*

**Such is incorrect.** Valuation measures are simply just that ? a measure of current valuation. **More importantly, when valuations are excessive, it is a better measure of "investor psychology" and the manifestation of the "greater fool theory."**

What valuations do provide is a reasonable estimate of long-term investment returns. It is logical that if you overpay for a stream of future cash flows today, your future return will be low.

The chart below uses the Willshire 5000 Market Capitalization versus GDP and is calculated on quarterly data versus 10-year forward returns. Forward returns over the next 10 years could be disappointing at current valuation levels.



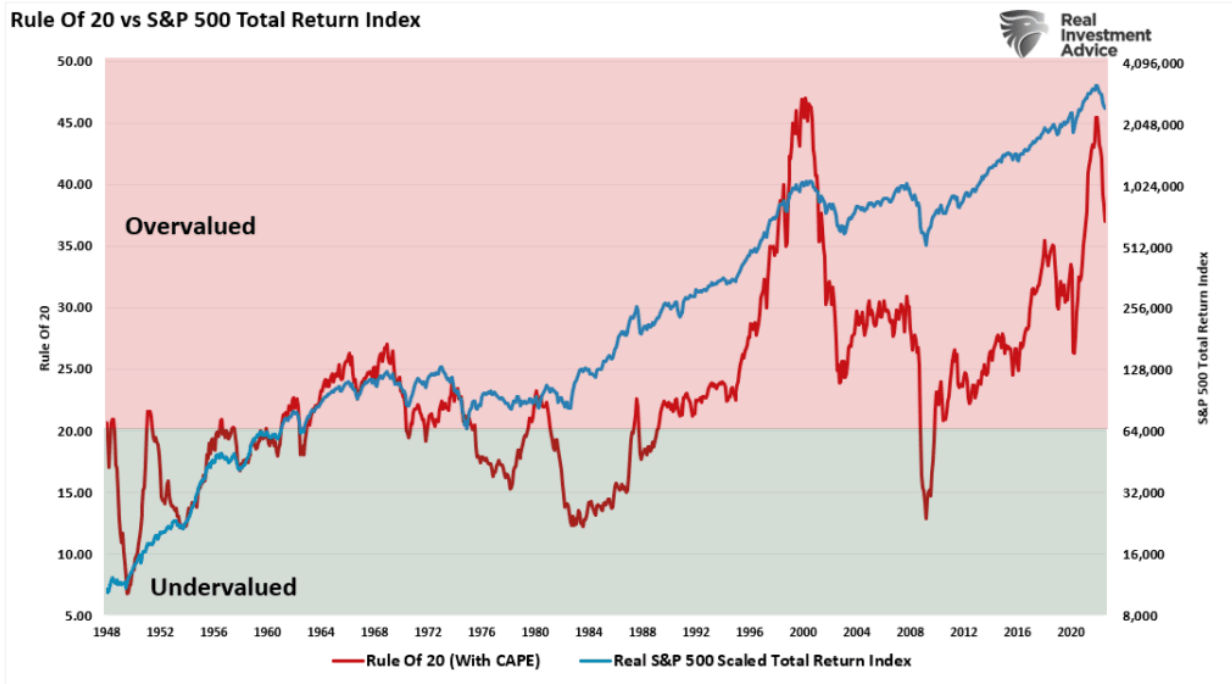
## The Rule Of 20

The ["Rule Of 20"](#) further confirms what the *"Buffett Indicator"* suggests.

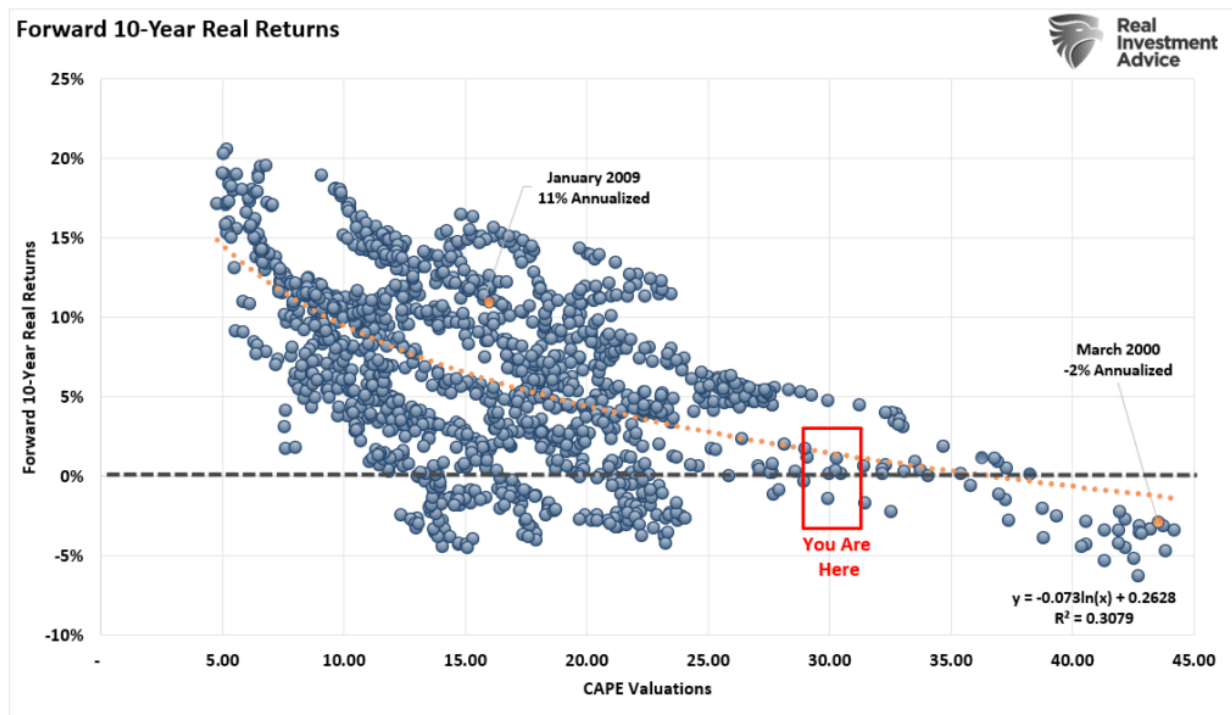
To calculate the *"Rule Of 20"* we combine the P/E ratio and inflation rate. Over the years, markets have shown a distinct tendency to revert to a sum of 20 for these two metrics. In other words, the stock market is undervalued when the sum is below 20 and overvalued when the sum is above 20. This seemingly simplified insight is nonetheless surprisingly effective, as noted by Evercore ISI:

- *Markets rarely trade at equilibrium, so it's no surprise that the "Rule of 20" is seldom precise.*
- *The combined P/E ratio and inflation rate have ranged from a low of 14 to a high of 34.*
- *Over the last 50 years, the average P/E is just below 16, the average inflation rate is 4%, and the average sum of P/E and inflation, as expected, is close to 20.*

The rule peaked at the 2nd highest level in history earlier this year. Such levels suggest the market is more than *"fully priced."* Regardless of what definition you choose to use.



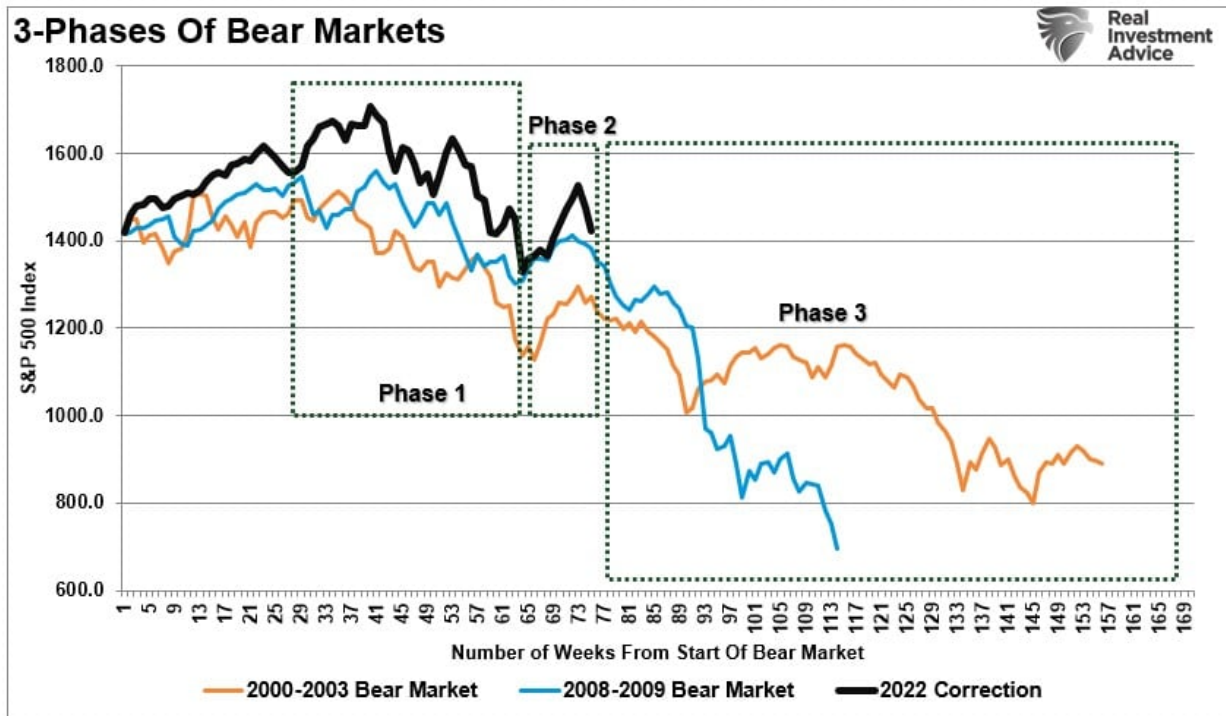
As Howard Marks noted, the math suggests forward 10-year returns will be substantially lower than the last.



In a market where momentum drives an ever smaller group of participants, fundamentals become displaced by emotional biases.

With the *Rule Of 20* very elevated, the Fed reversing monetary accommodation, and inflation and wages impacting earnings and margins, the risk of a further *bear market* decline is not entirely unreasonable.





As monetary policy becomes more restrictive and high inflation erodes economic growth, the market will have to reprice for lower sales, margins, and earnings. As such, if we are indeed in a ? bear market? and not just a ?correction,? then we have more work to do.

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## Everything You Need To Know To Retire Well

[https://www.youtube.com/watch?v=2FI4v\\_QqDR0&list=PLVT8LcWPeAuh0I07NdQcssCvh6\\_yDa9bz](https://www.youtube.com/watch?v=2FI4v_QqDR0&list=PLVT8LcWPeAuh0I07NdQcssCvh6_yDa9bz)

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## How We Are Trading It

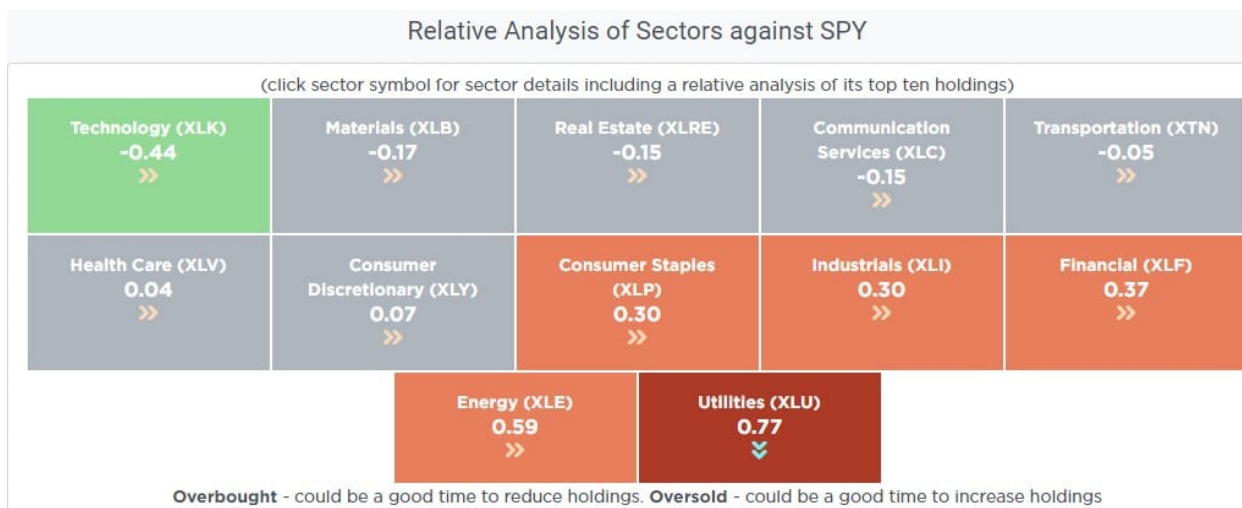
The failure of the bull rally was not surprising. With the Fed tightening monetary policy to combat inflationary pressures, the hopes for a "pivot" were premature. The bull rally did reverse some of the extremely negative sentiment, which was needed for the bear market to reassert itself.

The discussion on valuations and forward returns should not be dismissed. The Fed has been clear that inflicting "some pain" on the economy and, ultimately, the markets should be expected. As the Fed tightens monetary policy, slower economic growth will make currently elevated valuations much more difficult to justify. Consequently, lower prices should be expected, particularly if a recession takes hold.

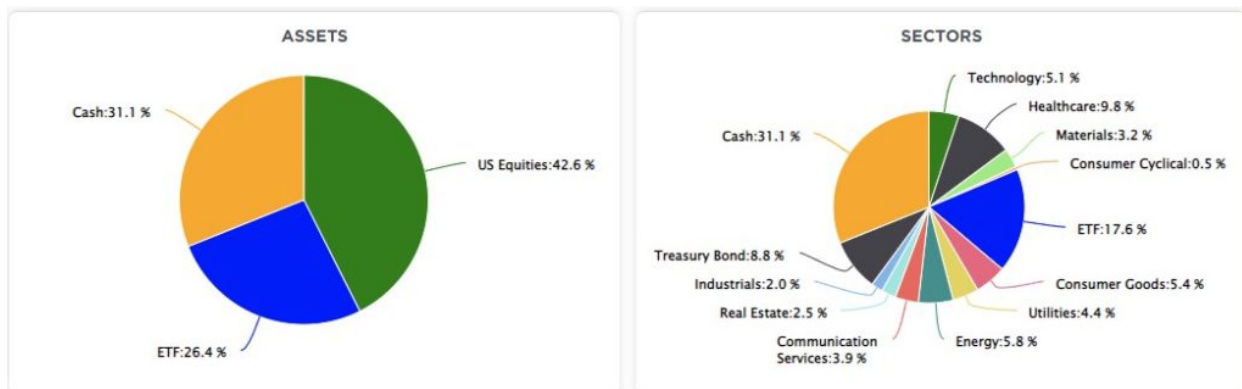
While we made no changes to our portfolio last week, we are looking for a short-term rally to increase our cash levels and reduce overall portfolio risk.

Looking at our [Relative Sector Analysis in SimpleVisor.com](#), Utilities are overbought relative to the overall market. Such suggests that if we get a short-term sellable rally, we could see some

selling in the Utilities sector and some buying in Technology which is currently oversold relative to the market.



Given that we had no trades this past week, our portfolio allocation remains the same, with an overweight position in cash and underweight in both bonds and stocks. Again, as noted, we will likely raise additional cash on any rally next week.



## Stick To Your Process

There is a sizable contingent of investors, and advisors, who have never been through a real bear market. Therefore, it remains important to follow your investment discipline. If you don't have one, here is the process we follow during tough markets.

1. **Move slowly.** There is no rush to make dramatic changes. Doing anything in a moment of panic tends to be the wrong thing.
2. **If you are overweight equities, DO NOT try and fully adjust your portfolio to your target allocation in one move.** Again, after big declines, individuals feel like they must do something. Think logically above where you want to be and use the rally to adjust to that level.
3. **Begin by selling laggards and losers.** These positions were dragging on performance as the market rose, and they led on the way down.
4. **Add to sectors, or positions, that are performing with or outperforming the broader market if you need risk exposure.**
5. **Move stop-loss levels up to recent lows for each position.**
6. **Be prepared to sell into the bull rally and reduce overall portfolio risk.** There are many positions you will sell at a loss simply because you overpaid for them to begin with. Selling at

*a loss DOES NOT make you a loser. It just means you made a mistake. Sell it, and move on with managing your portfolio. **Not every trade will always be a winner. But keeping a loser will make you a loser of both capital and opportunity.***

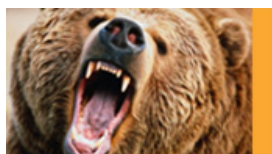
- 7. If none of this makes sense to you, please consider hiring someone to manage your portfolio. It will be worth the additional expense over the long term.***

I hope this helps.

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## ***Need Help With Your Investing Strategy?***

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Need a plan to protect your hard earned savings from the next bear market?

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## **Research Report**



### **Small Business Sales And The Running Of The Bull**

Written by Lance Roberts | Sep 2, 2022 | Investing

Small business sales are the lifeblood of the economy. We have written previously about the...

[> Read More](#)

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## **Stock Of The Week In Review - Got Newmont?**

Newmont Mining (NEM) is the largest gold miner sporting a market cap of \$32 billion. The chart below shows the price of NEM which is down 50% over the last few months and is back to levels last seen during the Covid meltdown in 2020. It is also approaching a major support line. The previous time NEM traded at \$40, gold was nearly \$300/ounce cheaper than it is today.



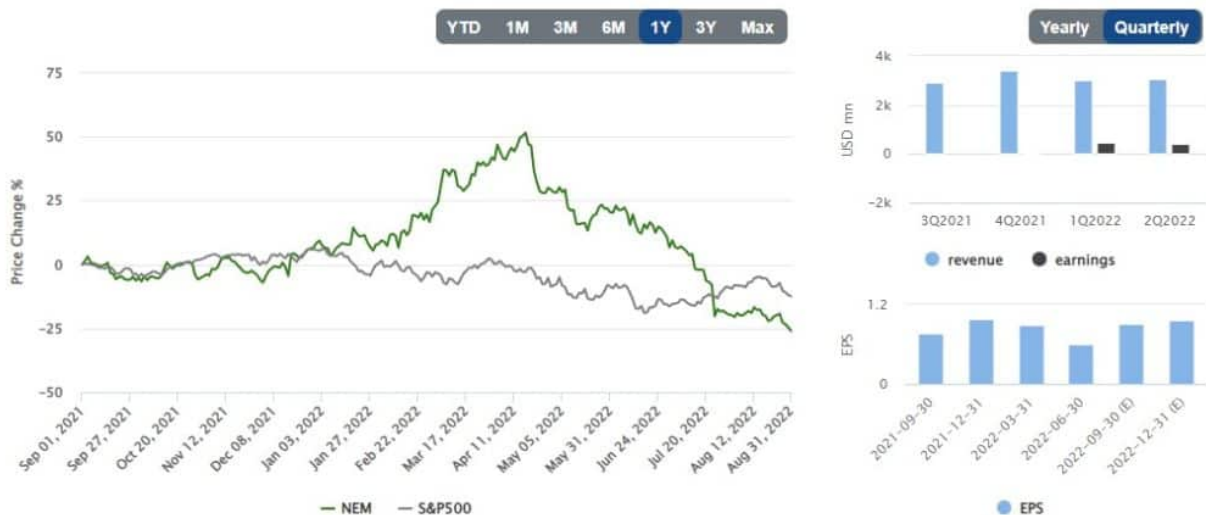
Investing in gold is problematic given that real rates are rising and the Fed remains aggressive. Such circumstances have not boded well for gold in the past. That said, NEM and other miners are down much more than gold over the last month or two. Might they be approaching a bottom even if gold continues to decline? NEM has an attractive risk/reward setup, especially with a stop loss limit slightly below the trend line. Additionally, the dividend yield on NEM is up to 5.3%.

## Newmont Corporation (NEM) - Gold

### Description

Newmont Corporation engages in the production and exploration of gold. It also explores for copper, silver, zinc, and lead. The company has operations and/or assets in the United States, Canada, Mexico, Dominican Republic, Peru, Suriname, Argentina, Chile, Australia, and Ghana. As of December 31, 2021, it had proven and probable gold reserves of 92.8 million ounces and land position of 62,800 square kilometers. The company was founded in 1916 and is headquartered in Denver, Colorado.

<b>Latest Price</b> (Sep 1, 2022, 2:56:04 PM) <b>\$40.91</b> ▼ (-\$0.46) (-1.10%)	<b>Last Close</b> \$41.36	<b>Open</b> \$40.79	<b>Volume</b> 9,212,238	<b>Annual Div.</b> \$2.20	<b>Mkt Cap (mn)</b> \$32,465.52
<b>52 Week Range</b> \$40.27 - \$86.37	<b>Day Range</b> \$40.27 - \$41.24	<b>Avg. Volume (3m)</b> 8,617,426	<b>Div. Yield</b> 5.32%	<b>Beta</b> 0.26	



Total Return		Earning Per Share - Actuals		Earning Per Share - Estimates	
% Total Return WTD	-5.34%	Last Quarter	0.60	Current Quarter	0.91
% Total Return MTD	-8.97%	Prior Quarter	0.89	Next Quarter	0.96
% Total Return QTD	-31.44%	Last Year	3.77	Current Year	3.27
% Total Return YTD	-33.02%	<b>Revenue - Actuals</b>		<b>Revenue - Estimates</b>	
% Total Return 1 Year	-26.97%	Last Quarter	3,058 m	Current Quarter	0 m
% Total Return 2 Year	-35.29%	Prior Quarter	3,023 m	Next Quarter	0 m
% Total Return 3 Year	10.72%	Last Year	12,222 m	Current Year	16,394 m
		Prior Year	11,497 m	Next Year	16,258 m

Login to [Simplevisor.com](https://www.simplevisor.com) to read the full 5-For-Friday report.

## Daily Commentary Bits

### Bear Market Wealth Management

On Wednesday, we published [Bear Market Wealth Management](#). The article served as a simple reminder that limiting losses in a bear market greatly benefits growing long-term wealth. Unfortunately, we stumbled upon the graph below after we published it. The chart further highlights the benefit of reducing stock holdings in a bear market. As it shows, if one only missed the ten worst days in the last 20 years, their wealth would be double that of a simple buy-and-hold S&P 500 strategy. Realize, however, that sitting out for too long can also be a problem. Missing the ten best days would leave you with half the wealth of the S&P 500 buy-and-hold strategy.



[Click Here To Read The Latest Daily Market Commentary \(Subscribe For Pre-Market Email\)](#)

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## Bull Bear Report Market Statistics & Screens

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## SimpleVisor Top & Bottom Performers By Sector

Healthcare				Industrials				Consumer Cyclical				Technology			
DVA	ABMD	HCA	ABC	PWR	AAL	CHRW	UAL	PENN	MGM	POOL	MHK	DXC	AVGO	NLOK	NOW
1%	0.66%	0.29%	0.07%	1.08%	0.46%	0.42%	0.37%	2.45%	1.26%	0.9%	0.73%	2.92%	1.67%	1.15%	0.92%
WBA	MCK	CI	MRNA	URI	LUV	AVY	HWM	LEN	EXPE	BALL	NCLH	FFIV	TER	CRM	FTNT
0.03%	0%	-0.12%	-0.27%	0.35%	0.3%	-0.02%	-0.09%	0.49%	0.36%	0.34%	0.31%	0.52%	0.31%	0.1%	0.1%
UHS	CAH	GILD	BIIB	LHX	NLSN	HON	EXPD	GPC	CZR	YUM	LVS	PTC	GRVO	JKHY	HPQ
-0.3%	-0.46%	-1.74%	-1.88%	-0.13%	-0.14%	-2.01%	-2.05%	0.3%	0.24%	-1.33%	-1.34%	0.1%	0.07%	-1.86%	-1.88%
HSIC	PFE	IQV	ABT	AME	VRSK	PAYX	JBHT	EBAY	DPZ	VFC	KMX	TXN	FISV	NVDA	GLW
-1.97%	-1.99%	-2.06%	-2.23%	-2.16%	-2.19%	-2.7%	-2.89%	-1.47%	-1.57%	-1.59%	-1.75%	-1.9%	-1.99%	-2.08%	-2.13%
ILMN	LLY	VRTX	REGN	ADP	MMM	J	GNRC	PVH	APTIV	TSLA	SBUX	AKAM	AMD	BR	ZBRA
-2.27%	-2.52%	-3.16%	-3.33%	-3.04%	-3.17%	-3.69%	-4.13%	-2.31%	-2.4%	-2.51%	-2.88%	-2.16%	-2.54%	-3.05%	-3.92%
Consumer Goods				Utilities				Financial				Materials			
TAP	NWL	ADM	DG	AES	NRG	ATO	EIX	RE	MET	LNC	MS	CF	MOS	NEM	ALB
0.64%	0.34%	0.03%	-0.07%	1.16%	0.75%	-0.2%	-0.45%	0.61%	0.34%	0.3%	0.27%	4.34%	3.79%	1.86%	1.14%
TGT	CAG	TSN	KR	CNP	NI	D	FE	C	AIG	ALL	CMA	FCX	CTVA	NUE	SHW
-0.15%	-0.23%	-0.27%	-0.37%	-0.53%	-0.61%	-0.64%	-0.65%	0.18%	0.13%	0.07%	0.02%	0.75%	0.71%	0.29%	-0.22%
CPB	GIS	HSY	KMB	ETR	SRE	AEP	PEG	MTB	PRU	STT	FRC	FMC	ECL	MLM	PPG
-0.49%	-0.57%	-1.54%	-1.59%	-0.68%	-0.72%	-1.26%	-1.26%	-0.03%	-0.08%	-1.33%	-1.38%	-0.36%	-0.47%	-0.58%	-0.63%
LW	PG	COST	MDLZ	NEE	XEL	PNW	CMS	NTRS	MMC	PYPL	BRK-B	IFF	VMC	DD	EMN
-1.62%	-1.78%	-1.9%	-2%	-1.33%	-1.34%	-1.37%	-1.41%	-1.4%	-1.41%	-1.65%	-1.69%	-0.75%	-0.76%	-0.85%	-0.97%
PM	CL	MKC	CLX	ES	WEC	EVRG	AWK	SIVB	SCHW	FDS	CME	DOW	LYB	APD	CE
-2.02%	-2.04%	-2.05%	-2.09%	-1.45%	-1.57%	-1.96%	-2.22%	-1.7%	-1.92%	-2.19%	-2.37%	-1.3%	-1.32%	-1.39%	-1.68%
Real Estate				Energy				Communication Services							
VNO	BXP	KIM	CBRE	HES	HAL	SLB	DVN	NWSA	NWS	TWTR	OMC				
1.95%	0.78%	-0.33%	-0.45%	3.83%	3.7%	3.31%	3.2%	0.24%	0.17%	0.03%	-0.57%				
UDR	WY	FRT	EQR	MRO	VLO	BKR	FANG	LYV	IPG	FOXA	FOX				
-0.46%	-0.5%	-0.51%	-0.54%	3.17%	2.87%	2.76%	2.74%	-0.62%	-0.87%	-0.88%	-0.92%				
HST	EXR	VTR	DRE	COP	PSX	EOG	APA	WBD	DIS	GOOG	NFLX				
-0.63%	-0.67%	-1.76%	-1.82%	2.54%	2.47%	2.37%	2.32%	-0.99%	-1.18%	-1.69%	-1.71%				
CPT	PLD	IRM	CCI	XOM	OKE	CVX	PXD	TTWO	T	EA	LUMN				
-1.87%	-1.94%	-2.14%	-2.47%	1.83%	1.73%	1.49%	1.06%	-1.73%	-1.77%	-1.84%	-2.18%				
SBAC	AMT	DLR	EQIX	OXY	WMB	KMI	CTRA	META	CMCSA	CHTR	DISH				
-2.51%	-2.64%	-3.05%	-3.39%	0.54%	0.42%	0.28%	-0.4%	-3.05%	-3.09%	-3.14%	-4.49%				

## SimpleVisor Asset Class Trend Analysis

Asset Class	Global Equities			Bonds		Commodities			Asia Pacific		
Name ↑↓	Symbol ↑↓	Trend Analysis ↑↓	Today's Change ↑↓	MTD ↑↓	YTD ↑↓	52 Week Range (Low-High)		RSI ↑↓	20 SMA ↑↓	50 SMA ↑↓	100 SMA ↑↓
U.S. Bonds	BND	0/10 🚩	\$0.19 (0.26%)	0.26%	-11.75%	\$73.20 - \$86.68		31.67	\$75.56	\$75.62	\$75.78
International Bonds	BNDX	0/10 🚩	\$0.27 (0.55%)	0.55%	-10.45%	\$48.18 - \$57.67		29.45	\$50.24	\$50.12	\$50.27
Oil	CL=F	0/10 🚩	\$0.44 (0.51%)	-0.10%	15.74%	\$62.43 - \$130.50		40.51	\$90.96	\$96.82	\$103.29
Commodity Index	DBC	0/10 🚩	\$0.17 (0.68%)	0.68%	21.94%	\$19.04 - \$30.64		40.55	\$25.96	\$25.89	\$27.13
Emerging Markets	EEM	0/10 🚩	-\$0.36 (-0.92%)	-0.92%	-19.98%	\$38.05 - \$53.58		40.47	\$40.11	\$39.83	\$40.63
International Stocks	EFA	0/10 🚩	-\$0.40 (-0.66%)	-0.66%	-21.45%	\$59.54 - \$82.29		30.24	\$64.42	\$63.59	\$65.20
EM Bonds	EMB	0/10 🚩	\$0.30 (0.35%)	0.35%	-21.12%	\$81.87 - \$113.44		37.99	\$87.76	\$86.31	\$88.25
Gold	GLD	0/10 🚩	\$1.39 (0.88%)	0.88%	-6.84%	\$157.32 - \$193.30		31.18	\$163.75	\$163.66	\$169.12
U.S. Stocks	SPY	0/10 🚩	-\$4.18 (-1.05%)	-1.05%	-16.80%	\$362.17 - \$479.98		38.54	\$414.84	\$400.77	\$403.56
Dollar Index	UUP	9/10 🟢	\$0.01 (0.03%)	0.03%	14.63%	\$24.70 - \$29.47		70.27	\$28.76	\$28.55	\$28.01
REIT	VNQ	0/10 🚩	-\$1.30 (-1.40%)	-1.40%	-20.37%	\$86.63 - \$116.71		36.39	\$97.99	\$95.36	\$97.35
Equity Volatility	VXX	0/10 🚩	-\$0.35 (-1.80%)	-1.80%	3.02%	\$17.30 - \$41.65		34.15	\$20.79	\$21.53	\$23.22

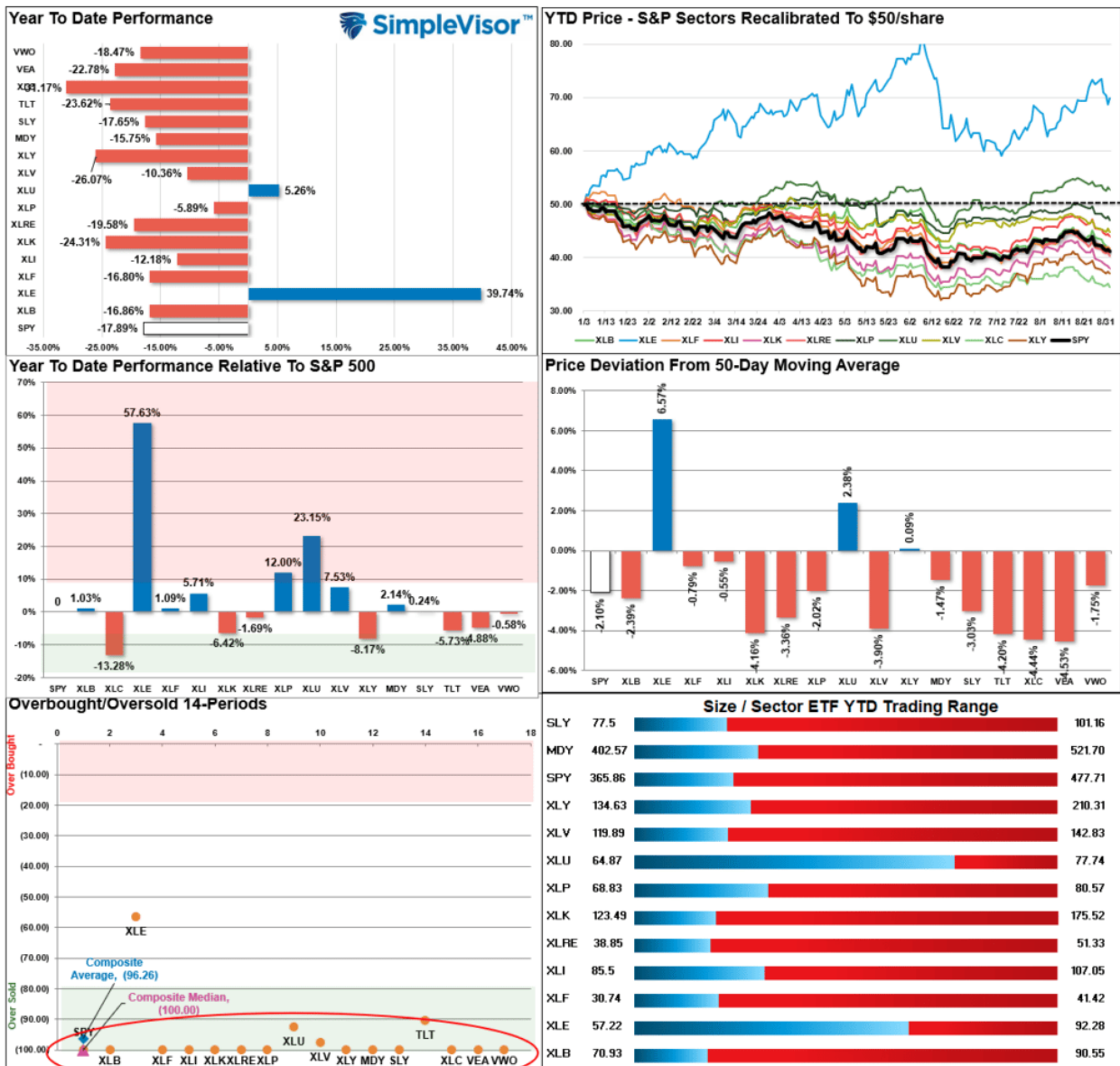
## Relative Performance Analysis

In just the last two weeks, the market has fully reversed the bull rally and pushed back into an extreme overbought condition. Such was what our previously analysis suggested would happen.

*"The market surge pushed EVERY MARKET and SECTOR into extreme overbought territory. As is usually the case, this analysis indicates the market has likely extracted the majority of the rally, so taking profits remains a profitable strategy."*

Last week, we stated that "price deviations from the 50-dma (middle right panel) remain very extended, suggesting this correction may have more work to do."

**We are likely due for a decent counter-trend rally as almost every sector and market are now extremely OVERSOLD and deviations are reduced. Use rallies to take profits and rebalance risk.**



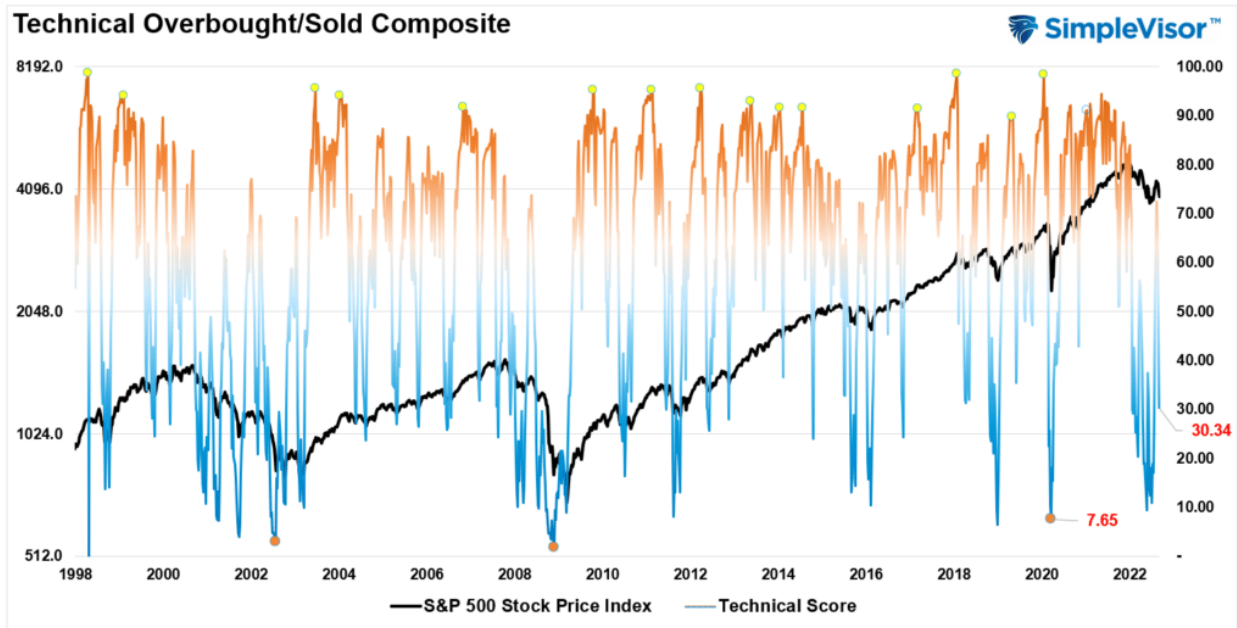
## Technical Composite

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. Markets tend to peak when readings are at 80 or above, which suggests



profit taking and risk management are prudent. **The best buying opportunities exist when readings are 20 or below.**

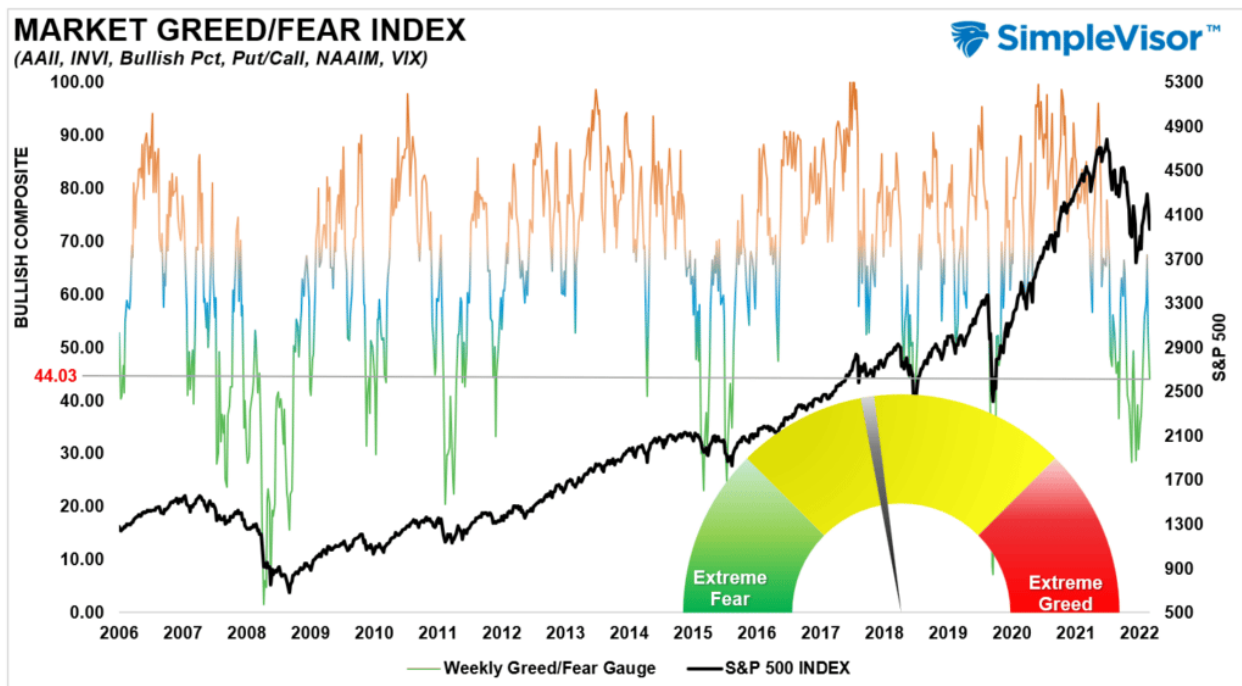
**The current reading is 30.34 out of a possible 100 and rising. Remain long equities for now.**



## 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 to 100. It is a rarity that it reaches levels above 90. The current reading is 56.68 out of a possible 100.**



# Sector Model Analysis & Risk Ranges

## How To Read This Table

- The table compares the relative performance of each sector and market to the S&P 500 index.
- "M/A 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)
- The table shows the price deviation above and below the weekly moving averages.

Two weeks ago we stated that with **"just two weeks into the month, many markets and sectors are trading well above their historical monthly trading ranges. Such usually is not sustainable."** We also stated that a pullback was likely this past week from that analysis.

The risk/range report has reset for the month of September. However, there are still sectors at risk that are trading double-digit deviations from their respective long-term means. Bonds, Communications and International holdings may see some rotational inflows as they remain grossly oversold.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT WMA	LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE		% DEV - Short MA	% DEV - Long MA	MA XVER SIGNAL
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					HIGH	LOW			
IIV	ISHARS-SP500	394.28	(3.19)	(5.13)	1.06	(11.93)	(13.36)	399.09	421.21	397.18	1.00	407.11	387.25	-1%	-6%	BEARISH
XLB	SPDR-MATLS SELS	74.35	(1.89)	1.55	(10.03)	(1.71)	0.45	76.85	82.12	75.41	1.04	78.08	72.74	-3%	-9%	BEARISH
XLC	SPDR-COMM SV SS	53.84	0.80	(0.57)	(6.12)	(9.16)	(23.65)	56.24	62.57	54.38	0.99	56.28	52.48	-4%	-14%	BEARISH
XLE	SPDR-EGY SELS	79.96	(0.28)	14.54	(10.93)	20.16	77.82	76.54	75.34	80.50	1.36	83.61	77.39	4%	0%	BULLISH
XLF	SPDR-FINL SELS	32.89	0.73	2.75	0.04	(3.73)	(0.25)	32.97	35.76	33.05	1.09	34.24	31.86	0%	-8%	BEARISH
XLK	SPDR-TECH SELS	132.85	(1.83)	(4.51)	0.28	(2.40)	(3.28)	136.83	145.12	135.26	1.11	140.14	130.38	-3%	-8%	BEARISH
XLJ	SPDR-INDU SELS	92.16	(0.33)	1.01	0.39	1.55	1.47	92.00	96.37	92.93	1.11	96.29	89.57	0%	-4%	BEARISH
XLP	SPDR-CONS STPL	72.56	0.65	2.34	(0.17)	9.74	12.99	73.39	74.88	73.11	0.56	75.35	70.87	-1%	-3%	BEARISH
XLRE	SPDR-RE SELS	41.28	(0.76)	(0.45)	(0.80)	(0.67)	(1.93)	42.28	44.81	41.85	0.78	43.22	40.48	-2%	-8%	BEARISH
XLU	SPDR-UTIL SELS	74.60	1.73	5.63	3.51	17.28	20.71	71.98	71.50	74.34	0.46	76.54	72.14	4%	4%	BULLISH
XLV	SPDR-HLTH CR	124.99	1.38	0.21	(1.46)	3.17	4.69	128.86	131.16	124.76	0.74	128.80	120.72	-3%	-5%	BEARISH
XLY	SPDR-CONS DISCR	165.49	0.57	(0.24)	6.56	(2.58)	(1.92)	152.68	165.65	165.51	1.21	161.28	149.74	2%	-6%	BEARISH
XTN	SPDR-SP TRANSP	71.93	(1.38)	(3.96)	(1.86)	(8.04)	(3.60)	73.22	79.77	72.74	1.30	75.51	69.97	-2%	-10%	BEARISH
SDY	SPDR-SP DIV ETF	123.04	0.56	2.79	(0.22)	9.43	12.15	123.12	125.13	123.70	0.83	127.83	119.57	0%	-2%	BEARISH
RSP	INVS-SP5 EQ ETF	139.86	0.23	1.00	(1.87)	0.92	2.51	141.16	148.48	140.76	1.05	145.76	135.76	-1%	-8%	BEARISH
SLY	SPDR-SP6 SC	82.68	(2.01)	(1.06)	(3.55)	(1.20)	(1.82)	84.64	88.52	84.30	1.14	87.37	81.23	-2%	-7%	BEARISH
MDY	SPDR-SP MC 400	437.40	(0.97)	0.85	(1.44)	0.73	0.23	440.38	451.51	444.09	1.12	460.16	428.02	-1%	-5%	BEARISH
EEM	ISHARS-EMG MKT	38.76	0.07	1.88	(6.83)	(2.62)	(13.07)	40.01	43.15	39.43	0.70	40.69	38.17	-3%	-10%	BEARISH
EFA	ISHARS-EAFE	60.47	(0.38)	(1.86)	(7.59)	(6.10)	(12.96)	63.69	69.09	61.70	0.83	63.75	59.65	-6%	-12%	BEARISH
IAU	ISHARS-GOLD TR	32.47	1.65	1.54	(9.75)	0.89	6.61	33.67	35.03	32.46	0.11	33.31	31.61	-4%	-7%	BEARISH
GDX	VANECK-GOLD MNR	23.79	(1.27)	(4.35)	(28.02)	(24.15)	(15.16)	27.24	31.82	23.80	0.75	24.57	23.03	-13%	-25%	BEARISH
UUP	INVS-DB US\$ BU	29.38	4.05	8.22	4.51	23.86	32.16	28.40	27.24	29.11	(0.14)	29.80	28.42	3%	8%	BULLISH
BOND	PIMCO-TOT RETRN	93.91	1.88	2.57	(2.75)	3.45	(2.40)	95.51	99.52	94.54	0.14	97.03	92.05	-2%	-6%	BEARISH
TLT	ISHARS-20+YTB	110.22	0.20	(0.24)	(4.18)	(5.47)	(12.28)	114.50	123.95	111.88	(0.05)	114.62	109.14	-4%	-11%	BEARISH
BNDX	VANGD-TTL INTB	49.29	2.45	1.83	(0.85)	5.23	(1.08)	49.89	51.48	49.20	0.09	50.47	47.93	-1%	-4%	BEARISH
HYG	ISHARS-8BX HYCB	74.31	1.21	0.35	(2.81)	1.97	(2.21)	75.94	79.34	74.53	0.41	76.70	72.36	-2%	-6%	BEARISH



## RISK RANGE REPORT



## Weekly SimpleVisor Stock Screens

Each week we will provide three different stock screens generated from **SimpleVisor: (RIAPro.net subscribers use your current credentials to log in.)**

This week we are scanning for the Top 20:

- Relative Strength Stocks
- Momentum Stocks
- Technically Strong With Strong Fundamentals

These screens generate portfolio ideas and serve as the starting point for further research.

(Click Images To Enlarge)

## RSI Screen

Scan Result: 20 Item(s) found												
Tables												
Overview Technicals Fundamentals Performance												
Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score	Piotroski Score	SV Rank	Yield%	MACD	
↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	
CAH	10/10	\$70.99	75.24	\$67.65	\$60.34	\$58.73	—	6	5	2.92%	2.88	
ENPH	10/10	\$279.07	52.93	\$291.32	\$249.31	\$212.58	1	6	3	%	8.87	
EPAM	10/10	\$412.14	50.76	\$435.01	\$369.21	\$337.80	1	6	3	%	14.53	
LW	10/10	\$78.23	48.36	\$81.16	\$77.46	\$71.67	4	5	3	1.19%	0.75	
OXY	10/10	\$68.77	51.69	\$67.35	\$63.30	\$62.75	5	7	1	0.70%	2.66	
DVN	9/10	\$70.34	54.80	\$66.66	\$60.20	\$63.16	1	8	3	9.67%	3.17	
GPC	9/10	\$157.25	58.49	\$156.85	\$147.25	\$140.32	1	8	3	2.27%	2.60	
MCK	9/10	\$363.82	57.10	\$363.00	\$342.81	\$331.60	1	7	2	0.59%	6.36	
ON	9/10	\$67.51	50.90	\$69.68	\$61.85	\$59.00	1	7	1	%	1.97	
AES	8/10	\$26.15	65.05	\$25.10	\$22.68	\$22.06	4	8	4	2.47%	0.90	
ALB	8/10	\$259.88	46.33	\$271.86	\$239.12	\$231.74	1	5	3	0.56%	9.45	
BR	8/10	\$166.48	55.26	\$173.84	\$160.44	\$152.06	4	3	3	1.66%	3.37	
CHRW	8/10	\$115.36	54.85	\$115.80	\$107.54	\$106.25	—	5	3	1.88%	2.12	
CI	8/10	\$287.70	55.56	\$287.83	\$277.80	\$267.76	5	6	3	1.56%	2.78	
CTRA	8/10	\$30.11	53.14	\$29.67	\$28.40	\$29.66	6	9	3	5.49%	0.61	
GWV	8/10	\$555.31	52.90	\$570.96	\$516.17	\$500.87	5	6	2	1.18%	11.49	
HES	8/10	\$120.91	52.24	\$115.51	\$108.03	\$111.25	5	7	3	1.25%	3.97	
MPC	8/10	\$99.13	48.45	\$98.73	\$90.94	\$92.75	—	9	1	2.24%	2.89	
NLSN	8/10	\$27.85	73.32	\$27.19	\$25.06	\$25.34	4	8	2	0.86%	0.87	
XOM	8/10	\$95.59	50.34	\$94.05	\$89.97	\$89.97	3	8	1	3.55%	1.84	

## Momentum Screen

Scan Result: 20 Item(s) found												
Tables												
Overview Technicals Fundamentals Performance												
Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score	Piotroski Score	SV Rank	Yield%	MACD	
↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	⊕ ↓	⊕ ↓	⊕ ↓	↑↓	↑↓	
CAH	10/10	\$70.99	75.24	\$67.65	\$60.34	\$58.73	—	6	5	2.92%	2.88	
OXY	10/10	\$68.77	51.69	\$67.35	\$63.30	\$62.75	5	7	1	0.70%	2.66	
DVN	9/10	\$70.34	54.80	\$66.66	\$60.20	\$63.16	1	8	3	9.67%	3.17	
AES	8/10	\$26.15	65.05	\$25.10	\$22.68	\$22.06	4	8	4	2.47%	0.90	
COP	8/10	\$110.26	59.55	\$104.07	\$95.12	\$99.95	1	8	1	1.71%	4.34	
CTRA	8/10	\$30.11	53.14	\$29.67	\$28.40	\$29.66	6	9	3	5.49%	0.61	
HES	8/10	\$120.91	52.24	\$115.51	\$108.03	\$111.25	5	7	3	1.25%	3.97	
NLSN	8/10	\$27.85	73.32	\$27.19	\$25.06	\$25.34	4	8	2	0.86%	0.87	
CF	7/10	\$106.86	48.75	\$105.68	\$94.99	\$96.34	1	9	3	1.36%	3.54	
GIS	7/10	\$76.72	54.93	\$77.20	\$75.38	\$72.40	—	6	3	2.77%	0.60	
MOH	7/10	\$338.22	63.64	\$331.57	\$309.86	\$305.66	1	6	2	%	7.24	
ULTA	7/10	\$423.08	63.16	\$402.02	\$395.87	\$396.90	4	7	3	%	7.50	
ADM	6/10	\$87.61	57.46	\$86.63	\$80.27	\$84.15	1	8	1	1.76%	2.20	
CNP	6/10	\$31.78	53.75	\$32.09	\$30.77	\$30.82	1	6	3	2.22%	0.25	
ED	6/10	\$98.48	56.27	\$99.05	\$96.14	\$95.48	1	6	3	3.20%	0.69	
EOG	6/10	\$121.52	54.07	\$116.92	\$110.00	\$117.91	7	8	3	2.46%	3.63	
GILD	6/10	\$63.82	60.13	\$63.67	\$62.51	\$62.22	5	6	3	4.54%	0.40	
MRO	6/10	\$25.71	52.95	\$24.33	\$23.14	\$25.25	1	8	1	1.24%	0.71	
PXD	6/10	\$241.76	56.43	\$239.73	\$227.53	\$242.23	1	8	3	8.08%	8.09	
EVRG	5/10	\$68.37	54.40	\$69.91	\$67.19	\$67.57	4	6	4	3.26%	0.61	

## Technical & Fundamental Strength Screen

Scan Result: 6 Item(s) found												
Tables												
Overview Technicals Fundamentals Performance												
Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score	Piotroski Score	SV Rank	Yield%	MACD	
↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	⊕ ↓	⊕ ↓	⊕ ↓	↑↓	↑↓	
GPC	9/10	\$157.25	58.49	\$156.85	\$147.25	\$140.32	1	8	3	2.27%	2.60	
COP	8/10	\$110.26	59.55	\$104.07	\$95.12	\$99.95	1	8	1	1.71%	4.34	
CF	7/10	\$106.86	48.75	\$105.68	\$94.99	\$96.34	1	9	3	1.36%	3.54	
ULTA	7/10	\$423.08	63.16	\$402.02	\$395.87	\$396.90	4	7	3	%	7.50	
PXD	6/10	\$241.76	56.43	\$239.73	\$227.53	\$242.23	1	8	3	8.08%	8.09	
FANG	4/10	\$133.87	51.31	\$130.09	\$122.99	\$130.73	4	8	3	2.20%	2.91	

## SimpleVisor Portfolio Changes

We post all of our portfolio changes as they occur at [SimpleVisor](#):

- **No Trades This Week**



## Looking for the 401k Plan Manager?

Find it in the Retirement section  
of our website.

[> Learn more](#)

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*Lance Roberts, CIO*

Have a great week!