

# Debt Downgrade As Fitch Drops Rating

## Inside This Week's Bull Bear Report

- *Market Review & Update*
  - *Debt Downgrade As Fitch Drops Rating*
  - *How We Are Trading It*
  - *Research Report - Debts, Deficits & Why \$32 Trillion Matters*
  - *Youtube - Before The Bell*
  - *Market Statistics*
  - *Stock Screens*
  - *Portfolio Trades This Week*
- 

## Market Review & Update

This week's debt downgrade by Fitch sent the media into a tizzy. However, it was just the catalyst needed to start the correction we have discussed over the last few weeks. As [noted two weeks ago](#):

*"We must remember that market advances can only go so far before an eventual correction occurs. My best guess is that if the markets are to reach all-time highs this year, **we will likely have a correction to reset some of the more extreme overbought conditions, as shown below. Any pullback to the 50-DMA is likely a good entry point to increase exposure on a better risk/reward basis.**"*

As noted, that correction started this past week. There are several vital points in the chart below.

1. *The negative divergence of the MACD and RSI was a warning sign of an impending correction. All that was needed was a catalyst to spook buyers: the debt downgrade.*
2. *There was a significant uptick in the volatility index for the first time since May. ([As discussed in "Complacency"](#))*
3. *Moving average support levels are important indicators of the potential depth of the correction.*



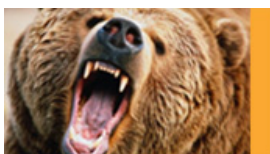
On Friday, the market rallied to and failed at the 20-DMA. That technical failure of resistance potentially puts the 50-DMA as the next target of the correction. With the Relative Strength Index (RSI) not oversold and the MACD indicator on a "sell signal," continuing the correction next week would be unsurprising.

As we discussed over the last few weeks, a 3-5% correction should be expected and is normal within any market year. However, a 10% correction to the 200-DMA is also not out of the question and is entirely normal. With bullish price momentum and elevated investor sentiment, this correction process remains a buying opportunity for higher asset prices into year-end.

While there are undoubtedly many economic and fundamental issues, many of those issues won't likely manifest themselves until next year. However, most importantly, while the media was "shocked" at the debt downgrade by Fitch this past week, a history review reminds us that this is likely not the event that ends the bull market.

## Need Help With Your Investing Strategy?

Are you looking for complete financial, insurance, and estate planning? Need a risk-managed portfolio management strategy to grow and protect your savings? Whatever your needs are, we are here to help.



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

> Schedule your consultation today

## Debt Downgrade

On Tuesday, one of the three largest debt rating agencies, Fitch, downgraded the U.S. credit rating.

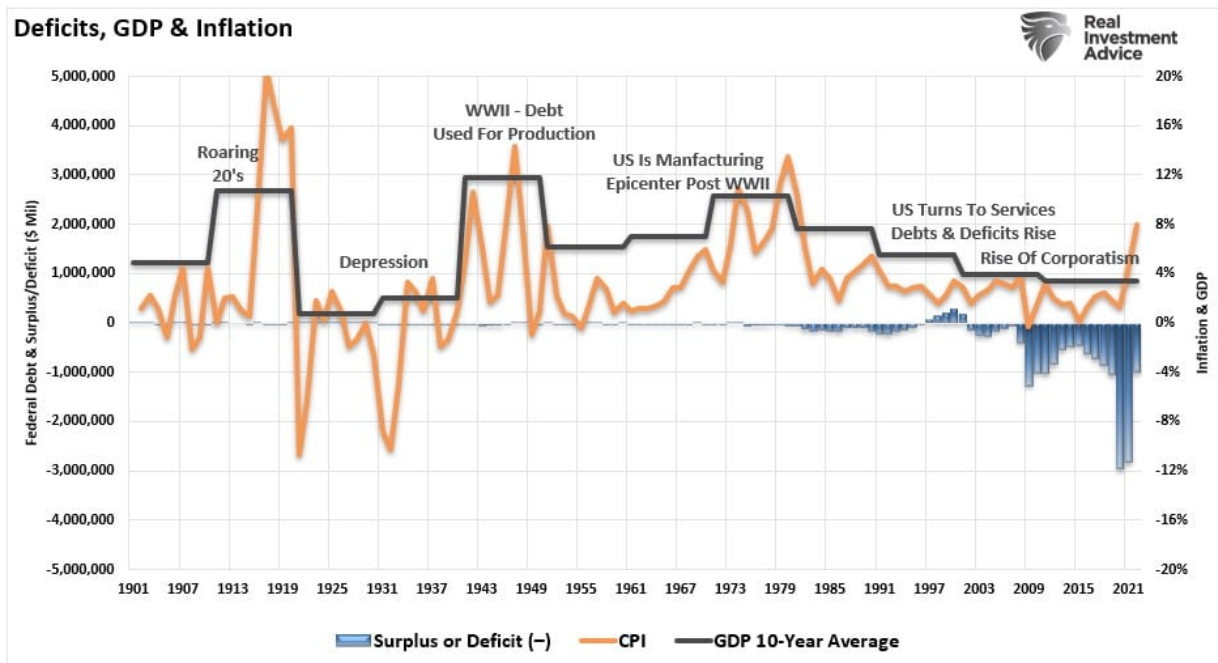
*"Fitch Ratings has downgraded the United States of America's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'AA+' from 'AAA'. The Rating Watch Negative was removed and a Stable Outlook assigned. The Country Ceiling has been affirmed at 'AAA'.*

What is the reasoning given by Fitch for the downgrade?

*"The rating downgrade of the United States reflects the expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and 'AAA' rated peers **over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions.**"*

It is that last sentence that is the most important. Since 2008, the U.S. has not passed a single budget. Instead, Congress has repeatedly opted for short-term funding bills, known as Continuing Resolutions, which raised the debt ceiling, and increases spending by 8% annually. Such is why the national debt, specifically the deficit, has continued to grow unabated. Such was a point we discussed in [why \\$32 Trillion matters](#).

*"While Washington continues a seemingly unbridled spending spree under the assumption more spending is better, debts and deficits matter. To better understand the impact of debt and deficits on economic growth, we must know where we came from. The chart shows the 10-year annualized growth rate of the economy over time."*



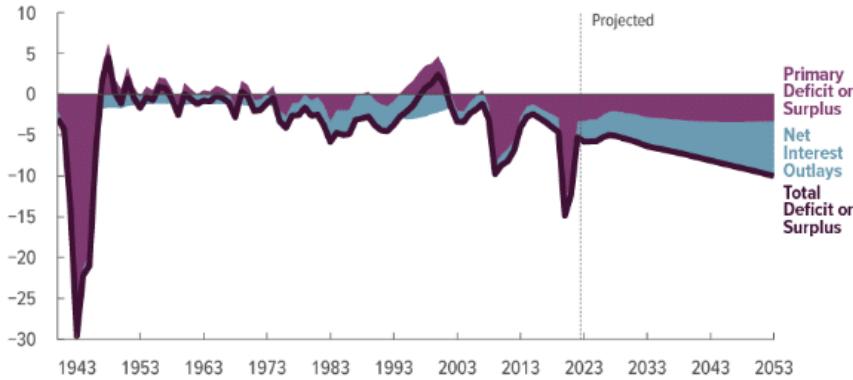
What should immediately jump out at you is that the 10-year average economic growth rate was around 8%, except for the Great Depression era, from 1900 through 1990. However, there has been a marked decline in economic growth since then. Unsurprisingly, as debts and deficits grow, the diversion of capital from productive activities to debt service erodes economic growth.

That growth in debt is on a non-stop train to "[Japanification](#)," where debt continues to rise, and economic growth is anemic. The Congressional Budget Office recently released its [trajectory for U.S. debt levels](#) through 2053, showing the same.

In CBO's projections, federal deficits increase from 6 percent of GDP in 2023 to 10 percent in 2053. Such persistently large deficits cause federal debt, which is already high, to rise even further: Debt held by the public reaches 181 percent of GDP in 2053.

### Deficits

Percentage of GDP

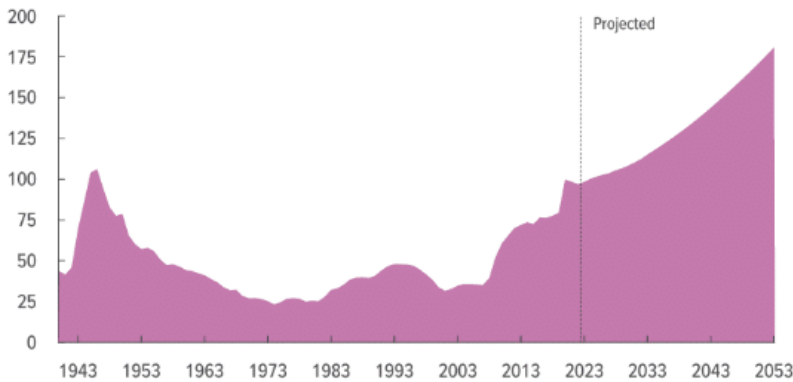


Primary deficits, which exclude interest costs, equal 3.3 percent of GDP in both 2023 and 2053. Combined with rising interest rates, those large and sustained primary deficits cause net outlays for interest to almost triple in relation to GDP.

Notes ▾

### Federal Debt Held by the Public

Percentage of GDP



Debt rises in relation to GDP over the next three decades, exceeding any previously recorded level—and it is on track to continue growing after 2053.

Such was also a point by Fitch concerning the rating downgrade.

***"The General Government debt-to-GDP ratio is projected to rise over the forecast period, reaching 118.4% by 2025. The debt ratio is over two-and-a-half times higher than the 'AAA' median of 39.3% of GDP and 'AA' median of 44.7% of GDP. Fitch's longer-term projections forecast additional debt/GDP rises, increasing the vulnerability of the U.S. fiscal position to future economic shocks."***

While Fitch is correct in its debt downgrade of the United States, this isn't the first time. ***(The debt is also why interest rates can not rise to higher levels, a topic of an upcoming article on why we continue to buy Treasury bonds.)***

## A Trip Back In Time

*"Credit rating agency Standard & Poor's on Friday downgraded the United States' credit rating, stripping the world's largest economy of its prized AAA status.*

*In July, S&P placed the United States' rating on "CreditWatch with negative implications" as the debt ceiling debate devolved into partisan bickering. **To avoid a downgrade, S&P said the United States needed to raise the debt ceiling and develop a "credible" plan to tackle the nation's long-term debt.***

*In its report Friday, S&P ruled that the U.S. fell short: **"The downgrade reflects our opinion that the ... plan that Congress and the Administration recently agreed to falls short of what, in our view, would be necessary to stabilize the government's medium-term debt dynamics."***

*S&P also cited dysfunctional policymaking in Washington as a factor in the downgrade. "The political brinkmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable than what we previously believed." - [CNN.Com](http://CNN.Com)*

That action occurred on August 5th, 2011, and the Obama Administration faced off with Congress over the debt ceiling debate. Interestingly, that was almost 12 years ago to the day, with the Treasury Department pushing back, saying the *"analysis was flawed"* in both cases.

*"Janet Yellen, the US treasury secretary, said she disagreed with Fitch's downgrade, in a statement that called it *arbitrary and based on outdated data.*" - [The Guardian](http://TheGuardian)*

As with Fitch's debt downgrade, the reasons behind S&P's action were almost identical, focusing on the Government's inability to deal with long-term debt issues.

Michael Lebowitz made an interesting comment on Thursday, noting:

*"The U.S. credit rating is not worthy of the AAA rating. If the U.S. were a corporation, Fitch and S&P would likely rate its debt as junk!"*

Jamie Dimon, CEO of J.P. Morgan, also echoed Michael's words:

*?It doesn't really matter that much? because it's the market, not rating agencies, that determines borrowing costs. **Still, it's ridiculous that other countries have higher credit ratings than the U.S. when they depend on the stability created by the U.S. and its military.** To have them be triple-A and not America is kind of ridiculous. It's still the most prosperous nation on the planet, it's the most secure nation on the planet.?*

**So the question facing investors is, do we care?**

## What Happened The Last Time U.S. Debt Was Downgraded

Just as in 2011, headlines are rampant with fearmongers ramping up the rhetoric about a dollar collapse, the economy's demise, and the stock market's collapse. While I am certainly not dismissing the issues with the debt buildup long-term, as noted in the linked article above, in the

short term, history suggests there is much less to worry about.

Let's take a look at 2011 for a moment in charts. The first chart below is the stock market. As you will note, much like the advance we witnessed over the last few months, the market had rallied sharply from the lows in 2010 and was pretty overbought at the time of the debt downgrade. While prices did correct due to a combination of the manufacturing shutdown in Japan, a slowing U.S. economy, and the debt downgrade, that decline was a buying opportunity as the bullish trend continued into 2012.

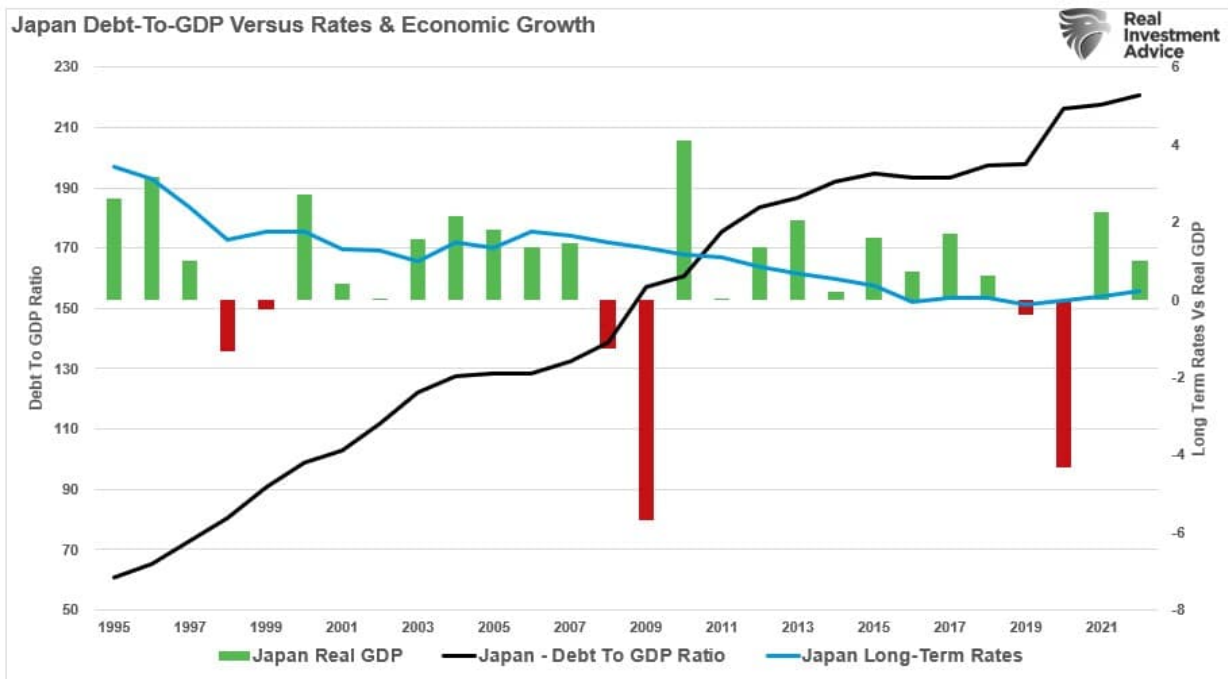


Likewise, in 2011, the yields on treasury debt also spiked higher temporarily as the debt downgrade shook investors. However, given that the U.S. treasury bond market remains the world's preferred "safe haven," yields declined into 2012. As is always the case, long-duration yields are a function of inflation and economic growth. The more debt issued, the slower the economic growth rate over time. Many "bond gurus" expect yields to spike sharply due to needed debt issuance. However, the reality is that economy can't sustain higher rates because of the debt. What happened in 2011 will most likely repeat itself in the months and quarters ahead as economic growth slows.



For evidence of such an outcome, we only have to look at Japan to understand the consequences of debt when it exceeds 100% of GDP. Since the 80s, Japan's economic trajectory has remained lower. Despite massive Government and Central Bank interventions, interest rates remain stuck

near zero percent as the economy experiences rolling recessions plaguing overall prosperity.



While the long-term implications are dire, the near impact on various assets is much less concerning.

*"The U.S. can print money and avoid default no matter how bad its fiscal position is. Accordingly, U.S. Treasury debt will still be considered the world's only risk-free asset regardless of its ratings. The table below shows the market reactions to the S&P downgrade in 2011. Unexpectedly, bond yields fell appreciably, and the dollar rose, despite the downgrade. One would have thought gold would be a beneficiary. It was initially, but its price was slightly lower a year later. Stocks trenched 8% lower within the first week of the downgrade but were on solid footing afterward. Like twelve years ago, the downgrade may provide opportunities contrary to what many expect." - Lebowitz*

Asset Class Performance Last Downgrade						RIA SimpleVisor
	5 Days	1 Month	3 Months	6 Months	1 Year	Biggest 1M Drawdown
S&P 500	-2.43%	-2.98%	5.87%	13.02%	19.61%	-8.30%
Gold	7.18%	10.03%	8.33%	4.46%	-1.84%	0.76%
10yr UST (chg. BPS)	-0.10%	-0.53%	-0.40%	-0.49%	-0.81%	0.12%
Dollar Index	-0.60%	3.26%	2.44%	5.36%	9.89%	-2.13%

Watch the following video for a deeper discussion on why the Fitch downgrade isn't a market event most expect.

<https://www.youtube.com/watch?v=NTHkQPBtaJs>

## How We Are Trading It

From a portfolio management perspective, the debt downgrade does nothing to change our outlook for the rest of this year. The momentum of the market, combined with the need for professional managers to chase performance, will likely keep the market in a bullish trend for now. As noted, the media quickly blamed the debt downgrade while the market finally started a short-term correction. The downgrade was just the needed catalyst.

Are we concerned about the potential for a recession or some financial event? Of course. Given the aggressiveness of the Fed rate hikes and tightening of lending standards, the possibility of such an event has risen. However, the market will provide advance notice if we continue to pay attention to our technical indicators. When those indicators warn of increasing risks, such will be the time to reduce equity exposure as needed more aggressively.

However, the bullish trend continues for now. A correction that holds support and works off some of the overbought conditions will be a healthy outcome. Such will provide better risk/reward opportunities to increase equity exposures accordingly.



With both technical and sentiment readings suggesting this correction may have further to go, it is likely wise that investors rebalance portfolio risk accordingly.

1. *Tighten up stop-loss levels to current support levels for each position.*
2. *Hedge portfolios against more significant market declines.*
3. *Take profits in positions that have been big winners.*
4. *Sell laggards and losers.*
5. *Raise cash and rebalance portfolios to target weightings.*

Have a great weekend.

---

## Research Report

### Real Investment Daily



## The Market Is Detached From The Real Economy

Written by Lance Roberts | Aug 4, 2023 | Investing

"The stock market is not the economy." Such is the latest rationalization to support the...

> [Read More](#)

---



# Subscribe To "Before The Bell" For Daily Trading Updates (Formerly 3-Minutes)

We have set up a separate channel JUST for our short daily market updates. **Please subscribe to THIS CHANNEL** to receive daily notifications before the market opens.

[Click Here And Then Click The SUBSCRIBE Button](#)

<https://www.youtube.com/watch?v=6wrnCJSqPvU>

[Subscribe To Our Youtube Channel](#) To Get Notified Of All Our Videos

## Bull Bear Report Market Statistics & Screens

SimpleVisor™

Don't invest alone.  
Tap into the power of SimpleVisor.

[> Sign up now](#)

## SimpleVisor Top & Bottom Performers By Sector

Today's Top & Bottom Performer by Sector Click on a Symbol to see details below

Healthcare					Industrials					Consumer Cyclical					Technology				
GEN	DVA	AMGN	GILD	SYK	GNRC	AXON	HWM	LUV	JCI	AMZN	BKNG	EXPE	PHM	BWA	FIS	AMD	QCOM	DXC	INTC
7.95%	7.14%	5.45%	4.17%	2.94%	2.87%	2.12%	1.81%	1.46%	1.16%	8.27%	7.86%	4.58%	3.56%	2.71%	2.65%	2.36%	2.36%	1.15%	1.14%
CRL	WST	TECH	VTRS	ILMN	TXT	DAL	GPN	PNR	LHX	LEN	DHI	BBWI	VFC	NVR	MU	ANET	QRVO	MPWR	EPAM
2.66%	1.45%	1.43%	1.34%	1.26%	1.13%	0.91%	0.82%	0.72%	0.69%	2.39%	2.29%	2.26%	1.89%	1.17%	1.06%	1.04%	0.98%	0.82%	0.8%
DXCM	WBA	MRNA	CVS	INCY	FAST	PWR	MMM	WAB	CARR	NCLH	BBY	WRK	HAS	TSLA	TXN	STX	PAYC	MSI	SEDG
-1.43%	-1.48%	-1.6%	-1.92%	-2.08%	-1.46%	-1.5%	-1.57%	-1.58%	-1.76%	-1.81%	-1.82%	-1.91%	-2.06%	-2.11%	-1.96%	-2.18%	-2.2%	-3.08%	-3.76%
VRTX	CAH	MCK	ABC	RMD	CAT	GWV	XYL	CMI	CSX	BALL	TSCO	TPR	CCL	APTV	AAPL	MTCH	MCHP	PANW	FTNT
-2.09%	-2.69%	-3.07%	-3.15%	-18.5%	-1.78%	-2.02%	-2.52%	-2.53%	-4.22%	-2.12%	-2.13%	-2.14%	-2.28%	-2.54%	-4.8%	-5.05%	-6.77%	-8.06%	-25.07%
Financial					Consumer Goods					Utilities					Materials				
CBOE	ICE	ZION	CME	USB	NWL	ADM	TSN	TAP	BG	CEG	AWK	NRG	ETR	LNT	EMN	MOS	NEM	APD	CTVA
3.97%	1.72%	1.36%	1.1%	1.04%	1.02%	0.68%	0.34%	0.29%	0.28%	2.77%	-0.11%	-0.37%	-0.65%	-0.89%	1.27%	1.08%	1.06%	0.93%	0.59%
COF	SPGI	MCO	RF	STT	KR	TGT	DLTR	LW	STZ	ATO	AEP	PNW	PEG	SRE	ECL	FMC	MLM	IFF	ALB
0.94%	0.81%	0.59%	0.54%	0.19%	0.18%	-0.15%	-0.24%	-0.26%	-0.26%	-0.9%	-0.91%	-0.91%	-0.96%	-0.96%	0.57%	0.55%	0.52%	0.42%	0.37%
ALL	MET	SCHW	RJF	AMP	PG	HSY	PM	GIS	CLX	EXC	DTE	XEL	EIX	NI	CF	VMC	DD	CE	DOW
-1.34%	-1.38%	-1.44%	-1.65%	-1.79%	-1.1%	-1.21%	-1.24%	-1.25%	-1.28%	-1.43%	-1.46%	-1.52%	-1.56%	-1.63%	0.01%	-0.08%	-0.13%	-0.37%	-0.71%
PGR	FDS	PYPL	MKTX	LNC	PEP	KO	MDLZ	K	MNST	AEE	EVRG	PPL	D	AES	LYB	LIN	FCX	STLD	NUE
-1.79%	-2.08%	-2.23%	-2.35%	-3.89%	-1.35%	-1.51%	-1.82%	-2.19%	-4.95%	-1.83%	-1.85%	-2.07%	-3.02%	-4.89%	-0.75%	-0.77%	-1.25%	-1.56%	-2.34%
Real Estate					Energy					Communication Services									
BXP	CPT	IRM	FRT	O	OXY	PXD	MRO	MPC	VLO	WBD	PARA	IPG	LYV	DIS					
2.13%	1.93%	1.87%	0.77%	0.65%	2.11%	1.77%	1.55%	1.27%	1.03%	8.38%	3.58%	2.23%	1.72%	0.95%					
CSGP	REG	CBRE	AVB	SBAC	TRGP	HES	APA	XOM	EQT	NWSA	NWS	FOXA	FOX	NFLX					
0.61%	0.41%	0.37%	0.25%	0.14%	0.81%	0.66%	0.5%	0.28%	0.17%	0.86%	0.79%	0.3%	0.29%	0.14%					
DLR	CCI	INVH	PLD	HST	CVX	FI	HAL	BKR	CTRA	GOOG	OMC	TMUS	T	CMCSA					
-0.74%	-1.07%	-1.14%	-1.27%	-1.28%	-0.23%	-0.29%	-0.35%	-0.36%	-0.47%	-0.18%	-0.39%	-0.57%	-0.64%	-0.73%					
ARE	WELL	PSA	VTR	EXR	SLB	KMI	OKE	COP	EOG	META	CHTR	EA	VZ	TTWO					
-1.33%	-1.68%	-3.93%	-6.82%	-9.86%	-0.53%	-0.57%	-1.08%	-1.11%	-1.44%	-0.79%	-0.93%	-1%	-1.33%	-2.45%					

## S&P 500 Weekly Tear Sheet

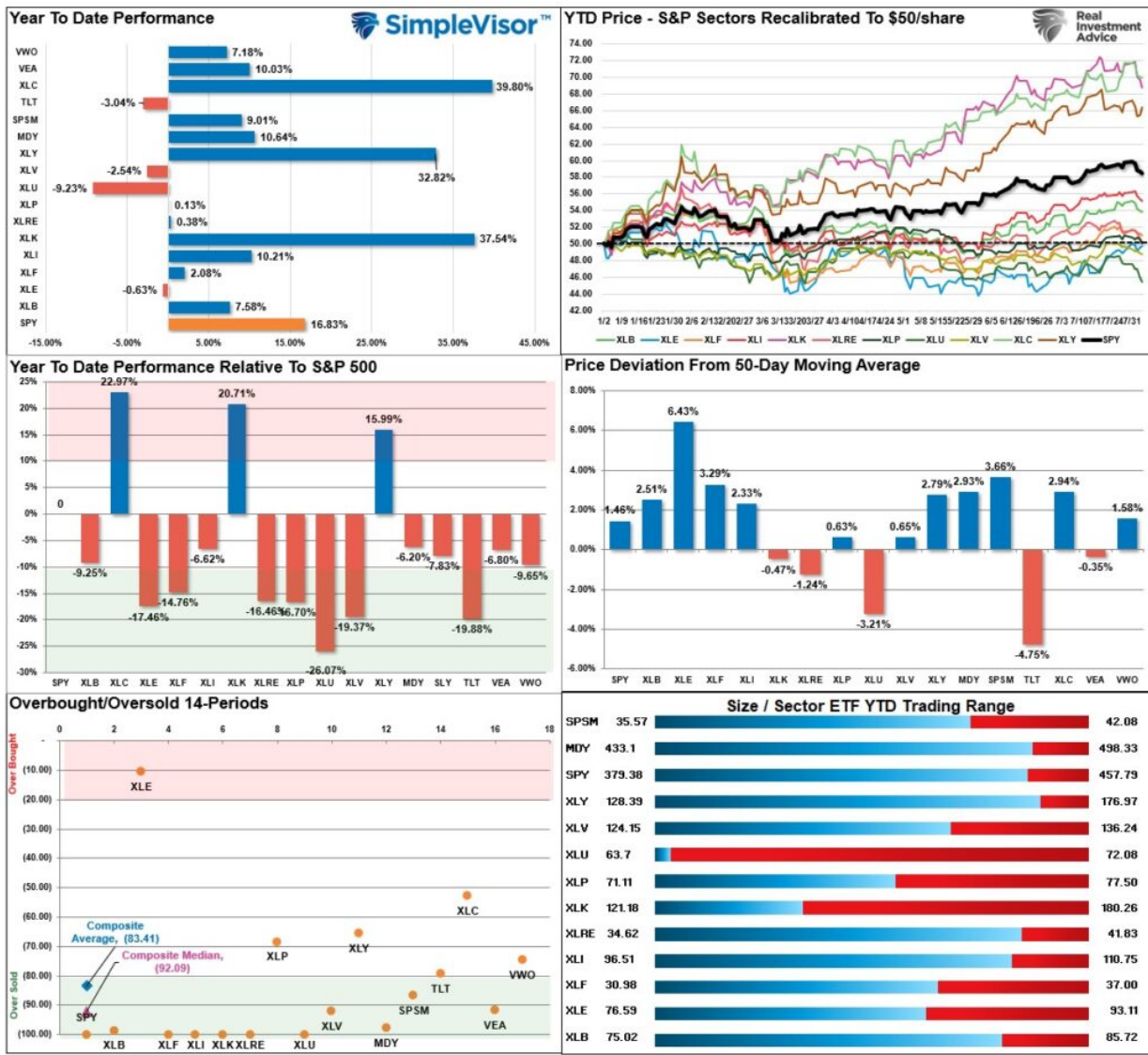
3 Month SPY Price										SPY RISK INFO				
										Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
										Price Return	1.78%	7.88%	16.83%	113.61%
										Max Drawdown	(27.47%)	(19.37%)	(9.00%)	(53.52%)
										Sharpe	0.09	0.39	1.95	3.96
										Sortino	0.11	0.58	3.28	4.65
										Volatility	19.60	18.67	13.74	(0.26)
										Daily VaR-5%	(28.17)	(19.30)	9.39	(1.49)
										Mnthly VaR-5%	(26.43)	(16.49)	20.19	(2.22)
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	1.27%	1.58%	1.42%	(10.75%)	2.14%	1.20%	(33.51%)	18.38%	Shares	3,752.4	3,663.1	(2.38%)		
P/E Ratio	29.18	19.57	21.41	8.59%	2899%	1649%	(26.2%)	29.85%	Sales	105,195	111,676	6.16%		
P/S Ratio	4.65	3.48	3.89	10.51%	4.93	3.21	(21.02%)	21.32%	SPS	28.0	30.5	8.75%		
P/B Ratio	6.39	5.35	6.01	10.99%	6.76	4.31	(11.20%)	39.38%	Earnings	20,123	17,920	(10.95%)		
ROE	26.64%	28.29%	25.68%	(10.15%)	29.59%	19.25%	(13.20%)	33.40%	EPS TTM	5.6	5.6	0.41%		
ROA	6.00%	6.49%	5.97%	(8.82%)	6.72%	4.48%	(11.21%)	33.26%	Dividend	1.6	1.7	6.61%		
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	20.47%	4.27%	1.42	9.43	93.64	(357.54)	(89.9%)	28.4%	3.0%	12.25%	7.19	10.54		
Materials	9.64%	2.50%	1.15	16.71	26.87	11.36	(37.8%)	14.8%	2.0%	6.28%	5.14	17.62		
Industrials	10.79%	8.55%	1.15	21.41	54.65	14.97	(60.8%)	23.1%	1.7%	4.53%	7.08	18.81		
Discretionary	1.23%	10.43%	1.42	31.70	63.99	22.24	(50.5%)	11.6%	0.8%	2.87%	4.48	28.02		
Staples	1.12%	6.65%	0.58	21.41	22.79	17.34	(6.1%)	30.8%	2.5%	4.52%	4.83	20.15		
Health Care	0.37%	13.27%	0.68	18.42	19.74	14.84	(6.6%)	34.6%	1.7%	5.81%	8.09	17.48		
Financials	6.17%	12.70%	1.13	15.78	21.40	12.66	(26.3%)	12.2%	1.8%	6.33%	7.29	13.61		
Technology	18.70%	27.88%	1.19	32.98	32.20	15.43	2.4%	67.6%	0.8%	3.04%	6.28	29.33		
Telecom	11.61%	8.62%	0.98	22.40	28.39	15.55	(21.1%)	21.1%	0.5%	4.24%	5.22	17.89		
Utilities	(13.21%)	2.57%	0.65	18.52	21.24	15.56	(12.8%)	10.9%	3.4%	5.30%	3.39	16.87		
Real Estate	(13.32%)	2.50%	0.99	17.27	26.21	16.73	(34.1%)	7.5%	3.5%	5.75%	4.72	17.34		
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	446.81	6.38%	440.80	50	1.36%	410.16	97	8.94%	7.47%	(2.75%)	28.35%	Buy		
Mid Cap	489.89	9.65%	476.53	46	2.80%	462.23	46	5.99%	3.10%	(2.17%)	23.05%	Buy		
Small Cap	40.30	9.66%	38.92	46	3.55%	38.35	29	5.10%	1.50%	(4.64%)	19.48%	Buy		

## Relative Performance Analysis

As noted last week:

*"The market is due for a correction, but downside risk will be limited near term. Use pullbacks to support opportunistically to increase equity exposures."*

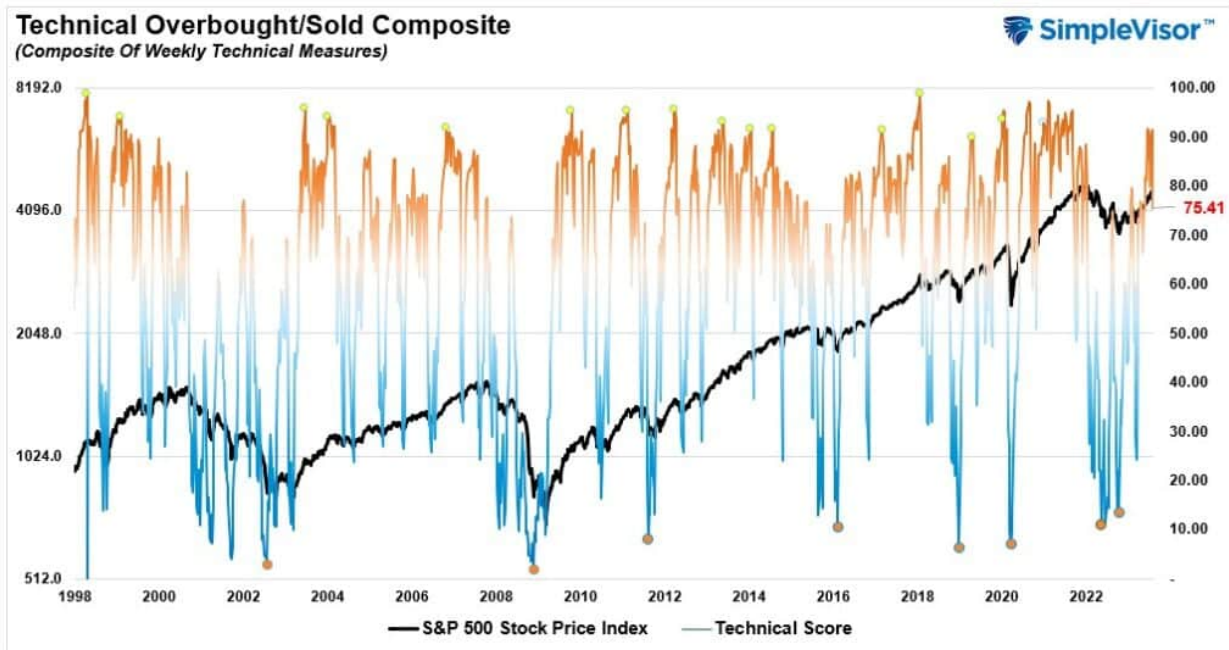
That correction started this past week and is not complete yet. However, many of the previous leading sectors are short-term oversold, and a bounce to challenge short-term resistance should not be surprising. Use bounces to rebalance exposures as needed and look for a correction to the 50-DMA as the most likely support.



## Technical Composite

The technical overbought/sold gauge comprises several price indicators (R.S.I., Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" are oversold. The market peaks when those readings are 80 or above, suggesting prudent profit-taking and risk management. **The best buying opportunities exist when those readings are 20 or below.**

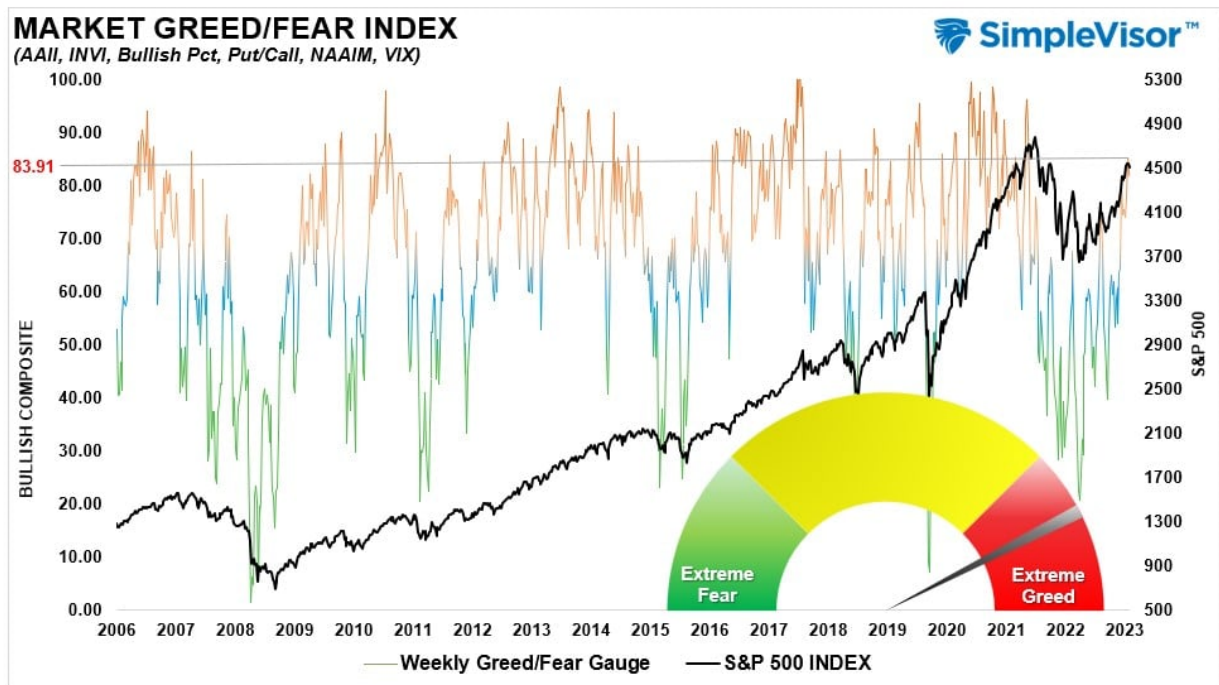
**The current reading is 75.41 out of a possible 100.**



## 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, the 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 83.91 out of a possible 100.**



## Relative Sector Analysis

## Relative Analysis of Sectors against SPY

(click sector symbol for sector details including a relative analysis of its top ten holdings)

Utilities (XLU) -0.67 »	Real Estate (XLRE) -0.45 »	Health Care (XLV) -0.17 »	Consumer Staples (XLP) -0.06 »	Technology (XLK) -0.05 »	Consumer Discretionary (XLY) -0.05 »
Industrials (XLI) 0.03 »	Transportation (XTN) 0.14 »	Materials (XLB) 0.21 »	Financial (XLF) 0.22 »	Energy (XLE) 0.46 »	Communication Services (XLC) 0.49 »

**Overbought** - could be a good time to reduce holdings. **Oversold** - could be a good time to increase holdings

### About Relative Analysis

This analysis uses the price ratio of two securities to establish a relative technical score. 13 technical measures are applied to the ratio to determine the score. The score tells us how one stock compares to another stock. We like to compare sector ETFs to the S&P 500 to help assess relative strength or weakness of the sectors.

Quite often scores of +.75 or greater are good times to reduce holdings and -.75 are good times to buy. However, scores can stay extremely overbought or sold for a few weeks so at times patience is required.

## Absolute Sector Analysis

### Absolute Analysis of Sectors

(click sector symbol for sector details including an absolute analysis of its top ten holdings)

Utilities (XLU) -0.42 »	Real Estate (XLRE) -0.10 »	Health Care (XLV) -0.06 »	Consumer Discretionary (XLY) 0.07 »	Technology (XLK) 0.09 »	Financial (XLF) 0.11 »
Materials (XLB) 0.19 »	Industrials (XLI) 0.26 »	Communication Services (XLC) 0.28 »	Consumer Staples (XLP) 0.29 »	Transportation (XTN) 0.30 »	Energy (XLE) 0.54 »

**Overbought** - could be a good time to reduce holdings. **Oversold** - could be a good time to increase holdings

### About Absolute Analysis

This analysis uses the price of the securities to establish an absolute technical score. 13 technical measures are applied to the price data to determine the score.

Quite often scores of +.75 or greater are good times to reduce holdings and -.75 are good times to buy. However, scores can stay extremely overbought or sold for a few weeks so at times patience is required.

## 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.
- "MA XVER" (Moving Average Cross Over) is determined by the short-term weekly moving average crossing 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.

As noted last week,

*"The market rallied nicely for July, pushing both the overall market and several sectors well outside of normal risk ranges. The increasing number of sectors deviating well above their respective short- and long-term moving averages increases the likelihood of correction to reverse some of those conditions in the next month or so."*

With bonds very oversold due to the knee-jerk reaction to the debt downgrade, the bond market is set for a nice reversal which may have started with Friday's strong rally. We could get a little equity rally early next week, which should likely be used to rebalance equity exposures before a further correction to the 50-DMA.

RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT	LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE		% DEV - Short MA	% DEV - Long MA	M/A XVER
Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					HIGH	LOW			SIGNAL
IVV	ISHARS-SP500	449.09	(2.21)	1.88	8.63	9.76	8.06	436.68	415.05	460.18	1.00	471.58	448.68	3%	8%	BULLISH
XLB	SPDR-MATLS SELS	83.57	0.21	0.99	(1.63)	(6.97)	0.32	80.76	80.62	85.72	1.07	88.78	82.66	3%	4%	BULLISH
XLC	SPDR-COMM SV 5S	67.09	(0.29)	1.26	3.73	11.45	9.46	64.13	58.08	68.79	1.03	71.22	66.36	5%	16%	BULLISH
XLE	SPDR-EGY SELS	86.92	3.45	5.71	2.07	(6.89)	10.88	81.13	83.77	87.48	1.37	90.86	84.10	7%	4%	BEARISH
XLF	SPDR-FINL SELS	34.91	1.38	2.05	0.81	(13.83)	(4.44)	33.46	33.89	35.33	1.07	36.59	34.07	4%	3%	BEARISH
XLK	SPDR-TECH SELS	171.16	(1.60)	(1.91)	4.76	12.65	8.36	168.10	149.87	178.35	1.13	184.82	171.88	2%	14%	BULLISH
XLJ	SPDR-INDU SELS	108.24	0.46	0.04	1.28	(4.71)	4.55	104.27	101.68	110.42	1.11	114.41	106.43	4%	6%	BULLISH
XLP	SPDR-CONS STPL	74.65	0.30	(0.26)	(11.83)	(8.45)	(8.05)	74.54	74.32	75.75	0.58	78.08	73.42	0%	0%	BULLISH
XLRE	SPDR-RE SELS	37.07	0.04	(3.79)	(8.68)	(16.18)	(23.27)	37.31	37.72	38.19	0.84	39.47	36.91	-1%	-2%	BEARISH
XLU	SPDR-UTIL SELS	63.99	(2.34)	(4.02)	(15.93)	(16.32)	(21.86)	66.34	67.75	67.07	0.52	69.09	65.05	-4%	-6%	BEARISH
XLV	SPDR-HLTH CR	132.40	0.14	0.75	(8.47)	(9.45)	(7.34)	131.48	131.96	134.15	0.69	138.43	129.87	1%	0%	BEARISH
XLY	SPDR-CONS DISCR	171.55	1.51	(0.59)	7.41	4.47	(3.65)	163.09	160.29	173.74	1.19	180.16	167.32	5%	14%	BULLISH
XTN	SPDR-SP TRANSPT	84.84	(1.15)	(0.63)	10.79	(1.85)	(0.83)	79.57	75.55	88.03	1.35	91.42	84.64	7%	12%	BULLISH
SDY	SPDR-SP DIV ETF	124.41	0.37	1.36	(6.23)	(13.56)	(9.31)	122.45	124.26	126.84	0.86	131.10	122.58	2%	0%	BEARISH
RSP	INVS-SP5 EQ ETF	151.34	0.22	0.02	(1.69)	(9.56)	(4.32)	147.32	146.04	154.88	1.06	160.39	149.37	3%	4%	BULLISH
SPSM	SPDR-PRT SC	40.30	1.37	3.26	3.78	(11.50)	(6.32)	38.34	38.29	41.02	1.15	42.52	39.52	6%	5%	BULLISH
MDY	SPDR-SP MC 400	489.89	1.00	1.21	1.61	(9.05)	(0.86)	469.65	463.51	498.33	1.13	516.43	490.23	4%	6%	BULLISH
EEM	ISHARS-EMG MKT	40.54	(1.11)	1.04	(3.47)	(7.60)	(6.86)	39.87	39.58	41.95	0.74	43.31	40.50	2%	2%	BULLISH
EFA	ISHARS-EAFE	72.16	(0.86)	(0.10)	(9.97)	(8.16)	2.94	72.67	71.07	74.46	0.86	76.96	71.96	-1%	2%	BULLISH
IAU	ISHARS-GOLD TR	36.77	1.26	(1.03)	(12.15)	(4.50)	1.11	37.05	36.48	37.20	0.14	38.18	36.22	-1%	1%	BULLISH
GDX	VANECK-GOLD MNR	29.56	(1.57)	(1.51)	(20.65)	(5.72)	4.42	31.23	31.09	31.41	0.77	32.44	30.38	-5%	-5%	BULLISH
UUP	INVS-DB US\$ BU	28.29	2.63	(1.67)	(7.95)	(9.05)	(8.80)	28.22	28.02	28.22	(0.16)	28.88	27.56	0%	1%	BULLISH
BOND	PIMCO-ACTV BOND	90.44	1.39	(1.47)	(10.87)	(11.43)	(14.21)	91.50	92.07	91.37	0.17	93.81	88.93	-1%	-2%	BEARISH
TLT	ISHARS-20+YTB	96.53	(1.08)	(4.45)	(16.05)	(15.48)	(25.18)	101.58	103.55	100.05	0.05	102.61	97.49	-5%	-7%	BEARISH
BNDX	VANGD-TTL INT B	48.50	1.63	(1.32)	(9.47)	(9.14)	(12.91)	48.67	48.55	48.74	0.13	50.02	47.46	0%	0%	BULLISH
HYG	ISHARS-IBX HYCB	74.65	1.32	(0.80)	(8.32)	(9.64)	(12.40)	74.62	74.75	75.50	0.43	77.71	73.29	0%	0%	BEARISH



### RISK RANGE REPORT



## Weekly SimpleVisor Stock Screens

We provide three stock screens each week from [SimpleVisor](https://www.simplevisor.com).

This week we are searching for the Top 20:

- Relative Strength Stocks
- Momentum Stocks
- Fundamental & Technical Strength

(Click Images To Enlarge)

### R.S.I. Screen

Scan Result: 20 Item(s) found													
Tables													
Overview Technicals Fundamentals Performance Performance Chart													
Symbol	Sector	Trend	Last	FairValue	RSI	20 SMA	50 SMA	100 SMA	Mohanram	Piotroski	SV Rank	Yield%	
↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	
ALGN	Healthcare	10/10	\$366.24	\$213.76(-71.33%)	58.09	\$355.12(3.13%)	\$323.86(13.09%)	\$321.74(13.83%)	6	5	4	%	
AVGO	Technology	10/10	\$884.98	\$1,048.31(15.58%)	52.12	\$893.88(-1.00%)	\$849.39(4.19%)	\$738.86(19.78%)	3	8	2	2.04%	
CCL	Consumer Cyclical	10/10	\$17.56		56.55	\$17.82(-1.46%)	\$14.07(24.80%)	\$12.24(43.46%)	1	—	3	%	
CMG	Consumer Cyclical	10/10	\$1,922.92	\$984.99(-95.22%)	53.78	\$2,072.66(-7.22%)	\$2,042.05(-5.83%)	\$1,832.43(4.94%)	1	7	3	%	
DHI	Consumer Cyclical	10/10	\$123.15		68.16	\$121.73(1.17%)	\$113.55(8.45%)	\$104.65(17.68%)	3	7	1	0.77%	
FTNT	Technology	10/10	\$75.76	\$68.08(-11.28%)	53.04	\$76.17(-0.54%)	\$71.40(6.11%)	\$67.31(12.55%)	—	7	3	%	
GNRC	Industrials	10/10	\$110.77	\$164.80(32.79%)	63.34	\$135.81(-18.44%)	\$119.56(-7.35%)	\$117.46(-5.70%)	—	6	3	%	
LRCX	Technology	10/10	\$693.36	\$918.76(24.53%)	61.25	\$657.26(5.49%)	\$612.19(13.26%)	\$555.80(24.75%)	4	—	3	%	
META	Communication Services	10/10	\$313.19	\$259.12(-20.87%)	58.05	\$307.03(2.01%)	\$287.39(8.98%)	\$253.24(23.67%)	—	—	—	%	
NVDA	Technology	10/10	\$445.15	\$130.24(-241.79%)	51.84	\$451.86(-1.48%)	\$421.19(5.69%)	\$347.89(27.96%)	0	6	2	%	
ON	Technology	10/10	\$102.70	\$125.23(17.99%)	59.26	\$98.97(3.77%)	\$89.04(15.34%)	\$84.17(22.01%)	1	7	1	%	
PANW	Technology	10/10	\$237.45	\$165.16(-43.77%)	45.81	\$246.23(-3.57%)	\$234.05(1.45%)	\$212.48(11.75%)	5	4	3	%	
PH	Industrials	10/10	\$418.18	\$259.78(-60.97%)	68.54	\$399.11(4.78%)	\$368.55(13.47%)	\$351.28(19.04%)	6	9	3	1.47%	
PHM	Consumer Cyclical	10/10	\$81.45		57.77	\$80.34(1.38%)	\$73.82(10.34%)	\$65.55(24.26%)	4	7	2	0.89%	
PNR	Industrials	10/10	\$69.35	\$43.57(-59.17%)	72.08	\$66.48(4.32%)	\$61.87(12.09%)	\$58.14(19.28%)	6	7	3	1.33%	
RCL	Consumer Cyclical	10/10	\$104.72	\$110.38(5.13%)	74.38	\$101.75(2.92%)	\$92.77(12.88%)	\$79.29(32.07%)	1	—	4	%	
TDG	Industrials	10/10	\$895.58	\$250.37(-257.70%)	70.37	\$855.70(4.66%)	\$805.45(11.19%)	\$750.02(19.41%)	5	8	3	%	
DVA	Healthcare	9/10	\$101.56	\$86.05(-18.02%)	55.42	\$100.88(0.67%)	\$96.34(5.42%)	\$87.98(15.44%)	1	8	3	%	
WST	Healthcare	9/10	\$369.72	\$205.63(-79.80%)	49.99	\$376.47(-1.79%)	\$364.27(1.50%)	\$330.18(11.98%)	0	6	2	0.21%	
CPRT	Industrials	8/10	\$89.31	\$72.70(-22.85%)	48.00	\$89.76(-0.50%)	\$86.09(3.74%)	\$77.87(14.69%)	—	7	2	%	

## Momentum Screen

Scan Result: 20 Item(s) found													
Tables													
Overview Technicals Fundamentals Performance Performance Chart													
Symbol	Sector	Trend	Last	FairValue	RSI	20 SMA	50 SMA	100 SMA	Mohanram	Piotroski	SV Rank	Yield%	
↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	↑↓	
ALGN	Healthcare	10/10	\$366.24	\$213.76(-71.33%)	58.09	\$355.12(3.13%)	\$323.86(13.09%)	\$321.74(13.83%)	6	5	4	%	
BKNG	Consumer Cyclical	10/10	\$2,839.91		66.38	\$2,772.68(2.42%)	\$2,693.20(5.45%)	\$2,640.70(7.54%)	2	6	3	%	
IDXX	Healthcare	10/10	\$507.77	\$185.12(-174.29%)	67.03	\$501.37(1.28%)	\$489.80(3.67%)	\$480.38(5.70%)	1	7	3	%	
INTU	Technology	10/10	\$496.98	\$493.88(-0.63%)	67.45	\$467.20(6.37%)	\$446.31(11.35%)	\$433.51(14.64%)	8	5	2	0.63%	
LRCX	Technology	10/10	\$693.36	\$918.76(24.53%)	61.25	\$657.26(5.49%)	\$612.19(13.26%)	\$555.80(24.75%)	4	—	3	%	
PAYC	Technology	10/10	\$296.95	\$227.99(-30.25%)	70.96	\$331.78(-10.50%)	\$307.27(-3.36%)	\$305.06(-2.66%)	1	8	3	0.42%	
TDG	Industrials	10/10	\$895.58	\$250.37(-257.70%)	70.37	\$855.70(4.66%)	\$805.45(11.19%)	\$750.02(19.41%)	5	8	3	%	
BDX	Healthcare	9/10	\$268.70	\$133.02(-102.00%)	76.29	\$263.52(1.97%)	\$256.32(4.83%)	\$251.24(6.95%)	5	6	3	1.38%	
CHTR	Communication Services	9/10	\$422.78	\$594.56(28.89%)	79.96	\$381.75(10.75%)	\$355.30(18.99%)	\$361.24(17.04%)	3	7	3	%	
JBHT	Industrials	9/10	\$208.24	\$189.01(-10.17%)	76.80	\$184.58(12.82%)	\$177.82(17.11%)	\$179.97(15.71%)	6	7	1	0.84%	
PKG	Consumer Cyclical	9/10	\$155.22	\$175.21(11.41%)	78.29	\$139.81(11.02%)	\$135.02(14.96%)	\$136.38(13.81%)	—	8	1	3.81%	
ZTS	Healthcare	9/10	\$180.88	\$102.39(-76.66%)	69.48	\$172.43(4.90%)	\$173.51(4.25%)	\$169.86(6.49%)	1	8	3	0.89%	
CAT	Industrials	8/10	\$281.45	\$261.18(-7.76%)	64.75	\$248.69(13.17%)	\$232.93(20.83%)	\$228.39(23.23%)	1	7	3	%	
COST	Consumer Goods	8/10	\$557.69	\$330.98(-68.50%)	63.00	\$545.01(2.33%)	\$522.27(6.78%)	\$506.22(10.17%)	5	8	3	0.77%	
MSCI	Financial	8/10	\$543.78	\$355.51(-52.96%)	78.63	\$498.58(9.07%)	\$482.30(12.75%)	\$500.58(8.63%)	1	6	—	1.18%	
UNP	Industrials	8/10	\$229.89	\$196.98(-16.71%)	69.02	\$216.30(6.28%)	\$205.38(11.93%)	\$200.93(14.41%)	4	6	2	2.43%	
URI	Industrials	8/10	\$465.00		65.90	\$439.43(5.82%)	\$385.39(20.66%)	\$395.48(17.58%)	3	8	3	1.31%	
BLK	Financial	7/10	\$710.17	\$539.36(-31.67%)	57.58	\$714.47(-0.60%)	\$688.45(3.15%)	\$671.40(5.77%)	2	6	3	%	
DHR	Healthcare	6/10	\$257.46	\$287.55(10.46%)	65.35	\$245.07(5.06%)	\$238.07(8.14%)	\$242.69(6.09%)	5	7	3	0.42%	
UNH	Healthcare	6/10	\$504.86	\$590.73(14.54%)	64.74	\$482.16(4.71%)	\$481.06(4.95%)	\$482.84(4.56%)	1	5	3	1.44%	

## Fundamental & Technical Strength

Scan Result: 54 Item(s) found													
<span>Tables</span> <span>Overview</span> <span>Technicals</span> <span>Fundamentals</span> <span>Performance</span> <span>Performance Chart</span>													
Symbol	Sector	Trend	Last	FairValue	RSI	20 SMA	50 SMA	100 SMA	Mohanram	Piotroski	SV Rank	Yield%	
↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓
ALGN	Healthcare	10/10 <span>👍</span>	\$366.24	\$213.76(-71.33%)	58.09	\$355.12(3.13%)	\$323.86(13.09%)	\$321.74(13.83%)	6	5	4	%	
BKNG	Consumer Cyclical	10/10 <span>👍</span>	\$2,839.91		66.38	\$2,772.68(2.42%)	\$2,693.20(5.45%)	\$2,640.70(7.54%)	2	6	3	%	
DPZ	Consumer Cyclical	10/10 <span>👍</span>	\$401.36	\$220.30(-82.19%)	74.25	\$377.31(6.37%)	\$335.31(19.70%)	\$334.01(20.16%)	6	5	4	1.58%	
ETN	Industrials	10/10 <span>👍</span>	\$217.10	\$74.34(-192.04%)	65.23	\$193.35(12.28%)	\$178.00(21.97%)	\$171.55(26.55%)	7	8	3	1.76%	
META	Communication Services	10/10 <span>👍</span>	\$313.19	\$259.12(-20.87%)	58.05	\$307.03(2.01%)	\$287.39(8.98%)	\$253.24(23.67%)	—	—	—	%	
NXPI	Technology	10/10 <span>👍</span>	\$215.95		58.11	\$213.95(0.93%)	\$190.39(13.43%)	\$183.93(17.41%)	6	7	2	1.84%	
ODFL	Industrials	10/10 <span>👍</span>	\$413.04	\$370.53(-11.47%)	68.58	\$353.90(16.71%)	\$337.27(22.47%)	\$333.09(24.00%)	6	7	3	0.43%	
ON	Technology	10/10 <span>👍</span>	\$102.70	\$125.23(17.99%)	59.26	\$98.97(3.77%)	\$89.04(15.34%)	\$84.17(22.01%)	1	7	1	%	
PH	Industrials	10/10 <span>👍</span>	\$418.18	\$259.78(-60.97%)	68.54	\$399.11(4.78%)	\$368.55(13.47%)	\$351.28(19.04%)	6	9	3	1.47%	
PWR	Industrials	10/10 <span>👍</span>	\$203.34	\$174.08(-16.81%)	70.24	\$197.27(3.08%)	\$182.04(11.70%)	\$167.85(21.14%)	4	8	3	0.17%	
RCL	Consumer Cyclical	10/10 <span>👍</span>	\$104.72	\$110.38(5.13%)	74.38	\$101.75(2.92%)	\$92.77(12.88%)	\$79.29(32.07%)	1	—	4	%	
TDG	Industrials	10/10 <span>👍</span>	\$895.58	\$250.37(-257.70%)	70.37	\$855.70(4.66%)	\$805.45(11.19%)	\$750.02(19.41%)	5	8	3	%	
VMC	Materials	10/10 <span>👍</span>	\$226.19	\$139.01(-62.71%)	65.78	\$221.27(2.22%)	\$204.46(10.63%)	\$190.40(18.80%)	1	7	3	0.78%	
BDX	Healthcare	9/10 <span>👍</span>	\$268.70	\$133.02(-102.00%)	76.29	\$263.52(1.97%)	\$256.32(4.83%)	\$251.24(6.95%)	5	6	3	1.38%	
CHTR	Communication Services	9/10 <span>👍</span>	\$422.78	\$594.56(28.89%)	79.96	\$381.75(10.75%)	\$355.30(18.99%)	\$361.24(17.04%)	3	7	3	%	
DLR	Real Estate	9/10 <span>👍</span>	\$120.85	\$73.47(-64.49%)	61.66	\$118.40(2.07%)	\$107.20(12.73%)	\$101.66(18.88%)	1	8	3	3.96%	
MAR	Consumer Cyclical	9/10 <span>👍</span>	\$200.85	\$210.53(4.60%)	64.97	\$194.01(3.53%)	\$182.78(9.89%)	\$175.17(14.66%)	1	7	1	1.15%	
PKG	Consumer Cyclical	9/10 <span>👍</span>	\$155.22	\$175.21(11.41%)	78.29	\$139.81(11.02%)	\$135.02(14.96%)	\$136.38(13.81%)	—	8	1	3.81%	
SHW	Materials	9/10 <span>👍</span>	\$273.23	\$170.11(-60.62%)	63.47	\$264.51(3.30%)	\$245.64(11.23%)	\$235.26(16.14%)	1	5	4	0.96%	
ADP	Industrials	8/10 <span>👍</span>	\$248.00	\$184.56(-34.37%)	72.08	\$234.21(5.89%)	\$222.70(11.36%)	\$218.73(13.38%)	6	7	2	2.32%	
BA	Industrials	8/10 <span>👍</span>	\$231.36	\$65.62(-252.58%)	63.32	\$219.84(5.24%)	\$212.65(8.80%)	\$209.08(10.66%)	3	4	4	%	
BR	Technology	8/10 <span>👍</span>	\$165.90	\$123.19(-34.67%)	59.08	\$165.46(0.27%)	\$156.21(6.20%)	\$150.12(10.51%)	4	3	3	1.83%	
COST	Consumer Goods	8/10 <span>👍</span>	\$557.69	\$330.98(-68.50%)	63.00	\$545.01(2.33%)	\$522.27(6.78%)	\$506.22(10.17%)	5	8	3	0.77%	
EOG	Energy	8/10 <span>👍</span>	\$131.69		74.37	\$119.10(10.57%)	\$114.07(15.45%)	\$113.55(15.98%)	7	8	3	2.92%	
HD	Consumer Cyclical	8/10 <span>👍</span>	\$329.85	\$340.90(3.24%)	68.91	\$318.50(3.56%)	\$302.28(9.12%)	\$295.85(11.49%)	—	4	3	2.77%	
HES	Energy	8/10 <span>👍</span>	\$151.94	\$127.85(-18.84%)	65.72	\$141.44(7.42%)	\$136.67(11.17%)	\$136.34(11.44%)	5	7	3	1.19%	
JPM	Financial	8/10 <span>👍</span>	\$156.35		65.83	\$152.74(2.36%)	\$144.66(8.08%)	\$138.49(12.90%)	—	5	5	2.58%	

## 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](#)

Lance Roberts, C.I.O.

Have a great week!