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"Sell In May & Go Away. Investing For A Trump Or Clinton Presidency. Interest Rates, Oil & The Dollar."•

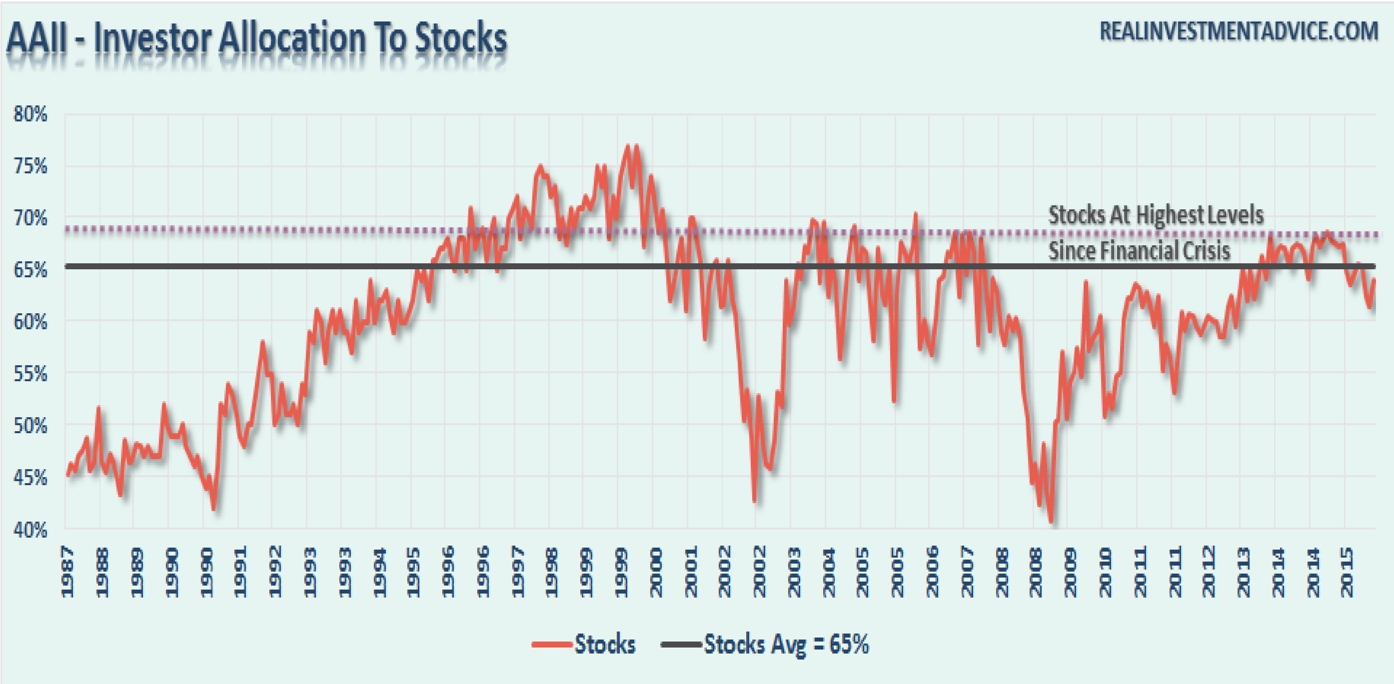
This past week, the markets rallied sharply from last week?s lows sending the *?bulls?* stampeding into the market with claims the market is back. [To wit:]()

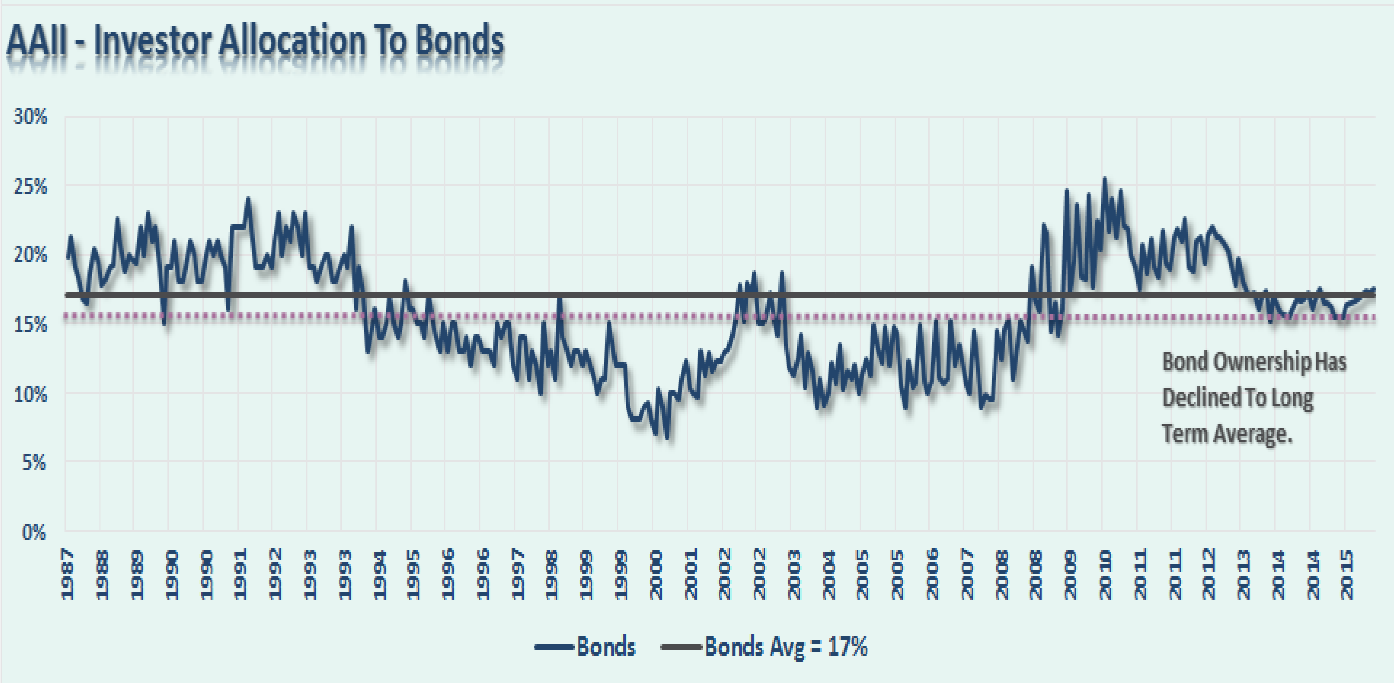
> ?Hold on to your hats, folks. According to Andrew Adams, a market strategist at Raymond James, there exists a perfect mix of conditions that could send stocks on a ride up, up, and up. In a note out Thursday, **Adams noted that there was a significant shift of investors from the stock market to ?safer? assets. Eventually, this move to the sidelines will have to change.**?

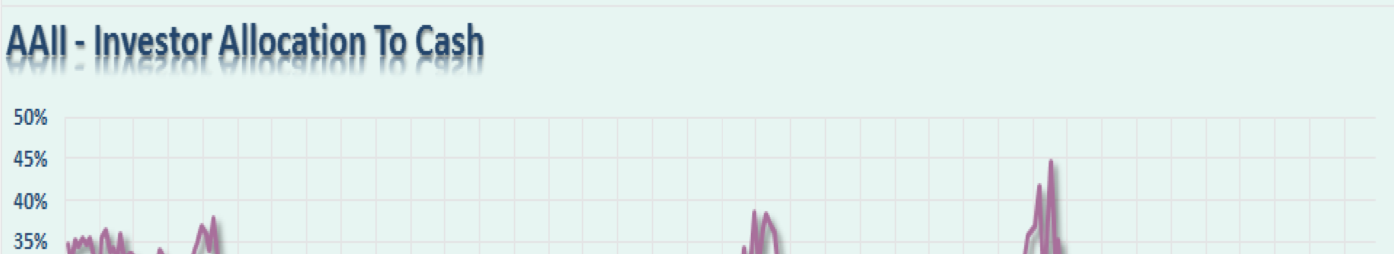
The problem is that Adams is incorrect about the *?cash on the sidelines?* theory. As Cliff Asness penned previously:

> **?Every time someone says, ?There is a lot of cash on the sidelines,? a tiny part of my soul dies.** There are no sidelines. Those saying this seem to envision a seller of stocks moving her money to cash and awaiting a chance to return. But they **always ignore that this seller sold to somebody, who presumably moved a precisely equal amount of cash off the sidelines**. **Even though I?ve thrown people who use this phrase a lifeline, I believe that they really do think there are sidelines. There aren?t.** Like any equilibrium concept *(a powerful way of thinking that is amazingly underused),* there can be a sideline for any subset of investors, but someone else has to be doing the opposite. **Add us all up and there are no sidelines.?**

Adams comment would also suggest that investors are sitting primarily in cash and bonds rather than equities. Again, they aren?t.

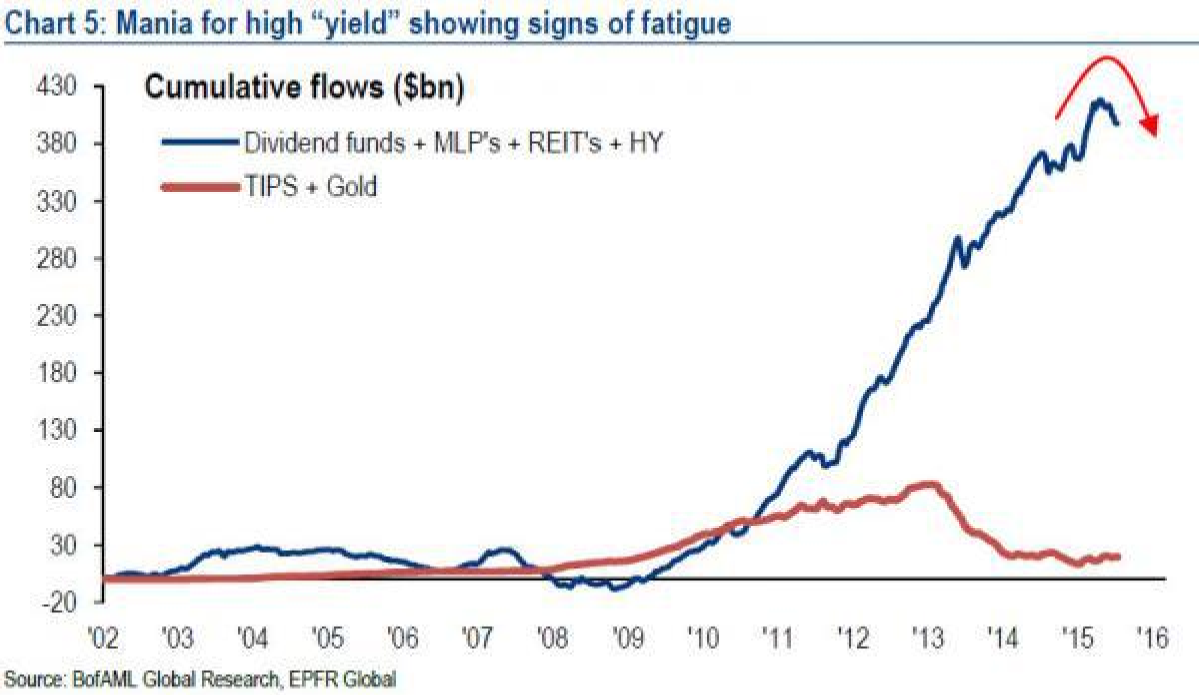




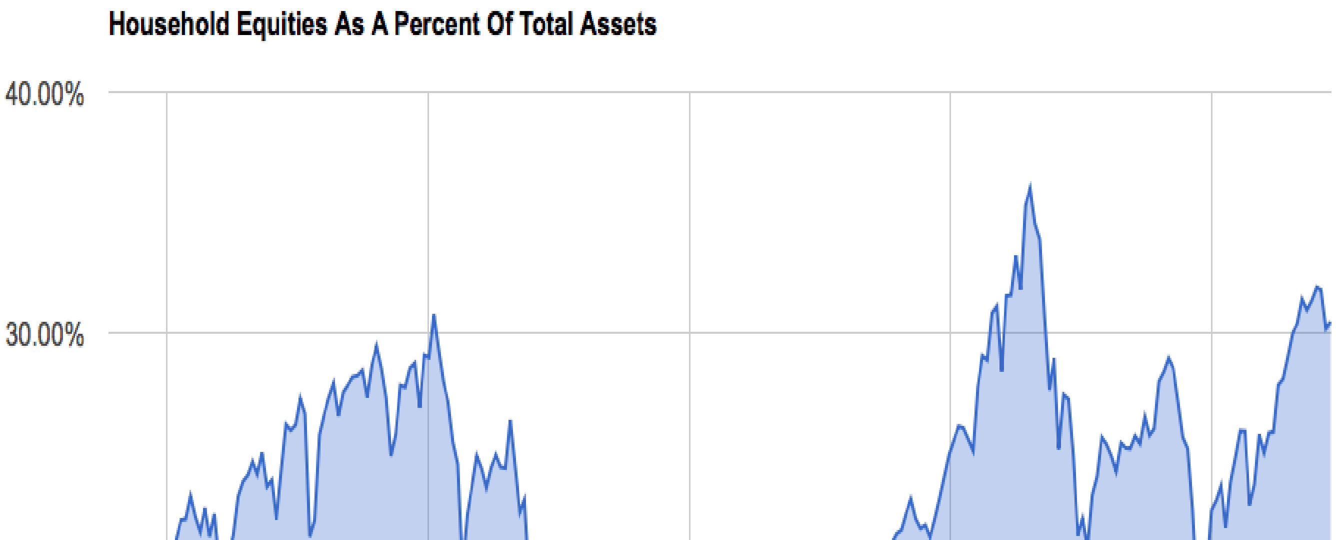


Jesse Felder also drove home this point last week as well stating:

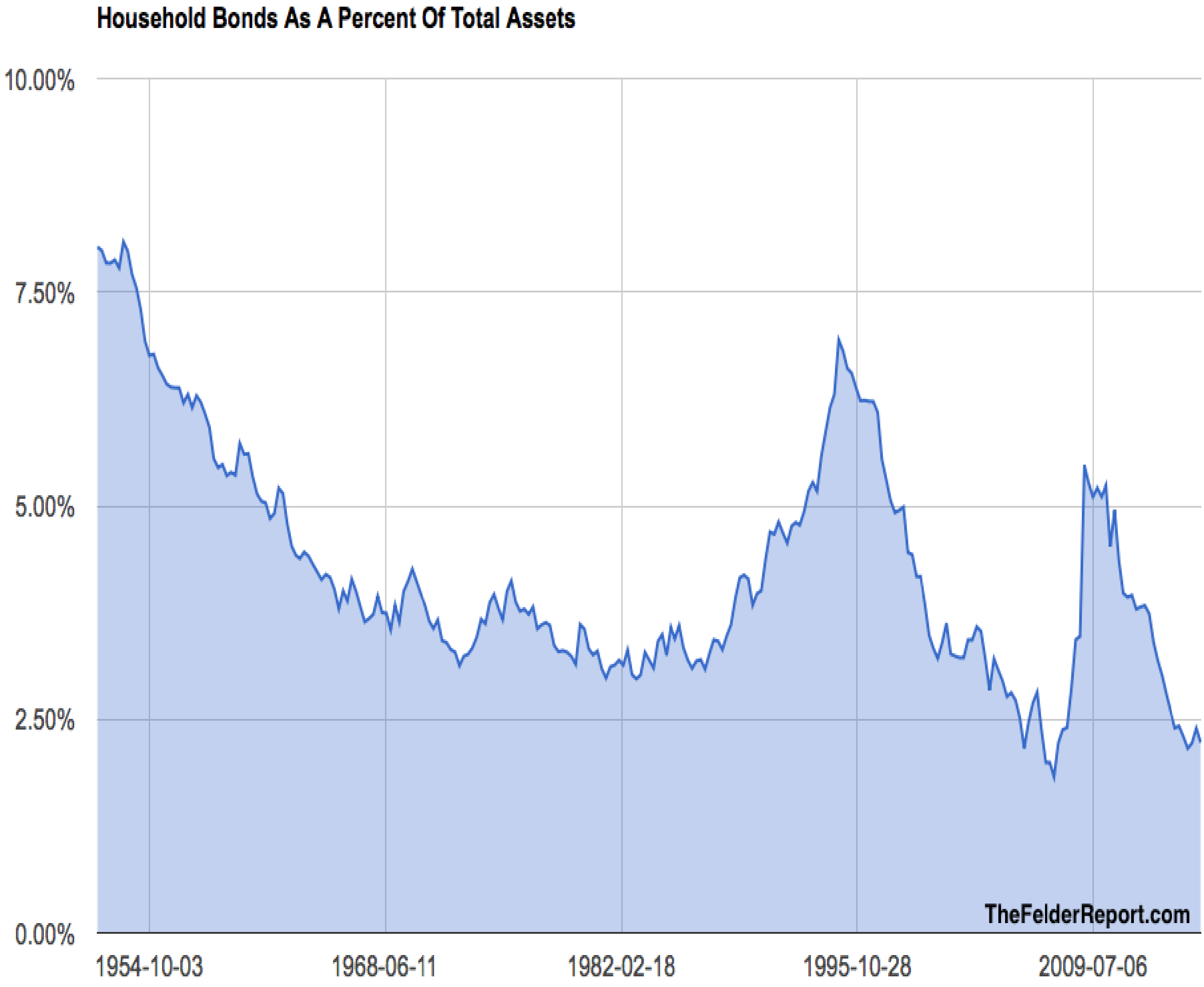
> "Jeremy Siegel, of *Stocks For The Long Run* fame, was on CNBC this morning: ?**I think we?re in the first inning of shifting to dividend-paying stocks,?** the finance professor at the University of Pennsylvania?s Wharton School said Tuesday on CNBC?s ?Trading Nation.?•Even though the Fed may raises [sic] rates this year, ?**investors are becoming convinced they?re not going to be able to rely on CDs, their bank accounts, or even bonds as a source of income,? and may thus determine that ?maybe they?d better turn to stocks,?** he said. Let me get this straight: The professor claims that investors are only just beginning to realize that bonds and cash have no yield thus there is•no alternative to putting their money into dividend-paying stocks? In other words, we are only in the ?first inning? of TINA (there is no alternative ? to stocks)? **Can someone please do me a favor and show Prof. Siegel the charts below? Because it seems to me investors have been reaching for yield for several years now as a direct response to 7 years of ZIRP (zero interest rate policy)."**



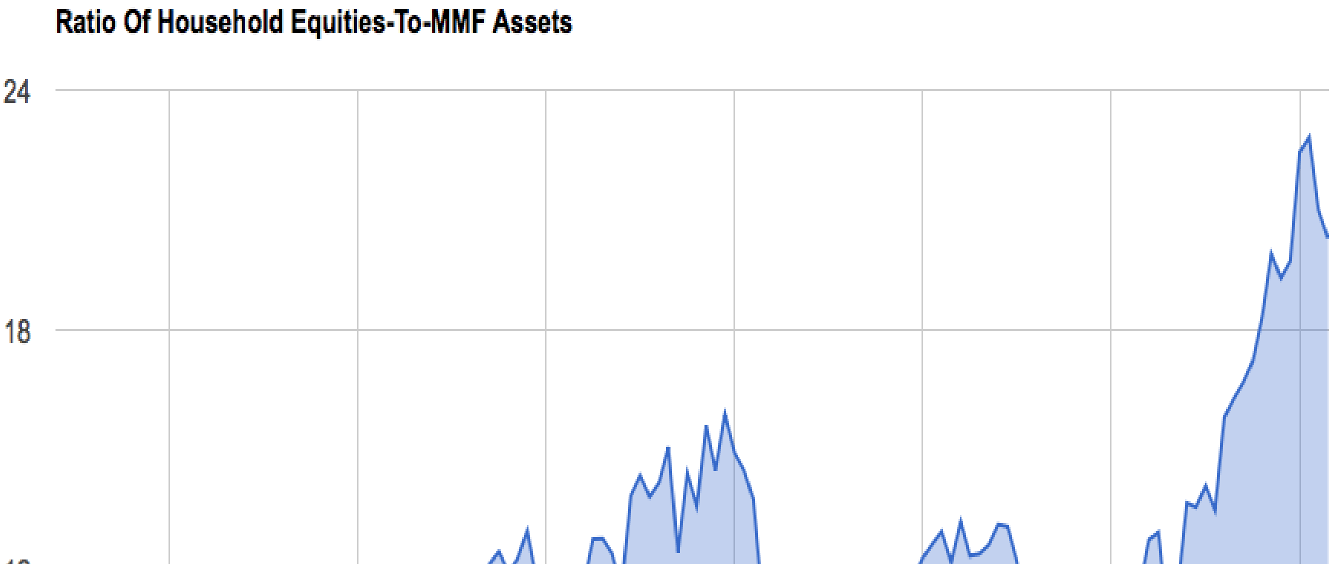
> "And after 7 years of reaching for yield, investors now have one of their largest allocations to stocks in history. Only at the height of the dotcom bubble did households have a greater portion of their total financial assets•tied up in equities than they did recently."



"The difference between today and back then is their allocation to bonds. **While investors have ramped up their exposure to stocks, they have shifted almost entirely out of bonds.** Even during the dotcom mania investors maintained nearly twice the current allocation to fixed income."



"Finally, when you look at the ratio of equities to money market fund assets it becomes instantly obvious that **investors have been embracing the concept of TINA for quite a long time now and to a degree never seen before."**



"So my question for Prof. Siegel is this: **If investors have already shifted entirely out of•bonds and money market funds, where the hell is this new, massive shift into stocks going to come from?** Perchance, you?re just feeling a bit too bullish once again? **On a final note, this large-scale embracing of TINA could very well be the greatest sign of confidence in the stock market we have ever seen. And isn?t that precisely the psychological definition of a mania?"**

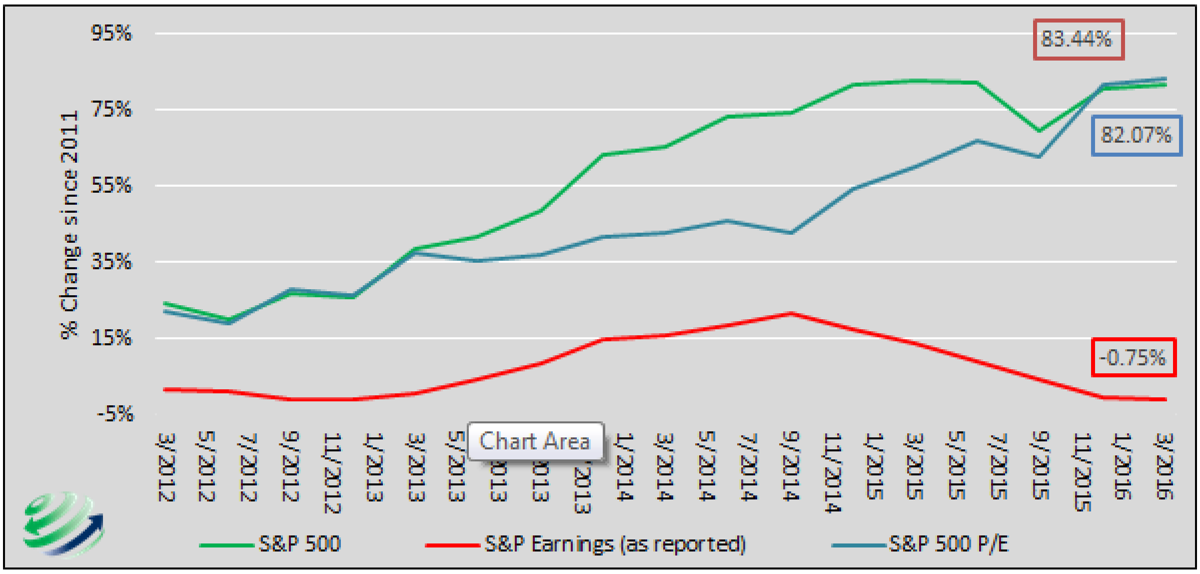
The problem•is that*"chasing yield"* has become the *"defacto"* investment by individuals with little concern about the valuation being paid for those dividends.•As Warren Buffett once quipped:

"Price is what you pay. Value is what you get."•

Michael Lebowitz of 720 Global Research, addressed this issue this past week stating:

*?Since October 1, 2011, **the S&P 500 has risen 82% on the heels of strong earnings growth**. Let?s start over. **Since October 1, 2011, the S&P 500 has risen 82% on the heels of a 0.75% decline in earnings.•The price to earnings ratio over that time period has risen 83%, with price gains contributing 99% to the increase.** Prices have risen substantially, while earnings have actually fallen. The chart below highlights the growing gap between earnings and the S&P 500.?*

Growth of the S&P500 P/E and its Components since 2011



Data Courtesy: Standard and Poor's

***?This chart illustrates that sentiment and momentum, and not fundamental rationale are the factors driving equity markets higher.** To justify even a neutral position in equities we would need to see signs of stronger economic growth and revived corporate earnings growth. Unfortunately, the current outlook does not support either of those prerequisites. With the information provided above as a backdrop, the following table from Goldman Sachs offers further context on current U.S. equity valuations.?*

Exhibit 3: Median stock trades at the 99th percentile of historical valuation
as of May 12, 2016

	Aggregate		Median stock	
Metric	Current	Historical %-ile	Current	Historical %-ile
Price-to-Earnings growth (PEG)	1.4 x	89 %	1.8 x	100 %
EV / Sales	2.0	91	2.5	100

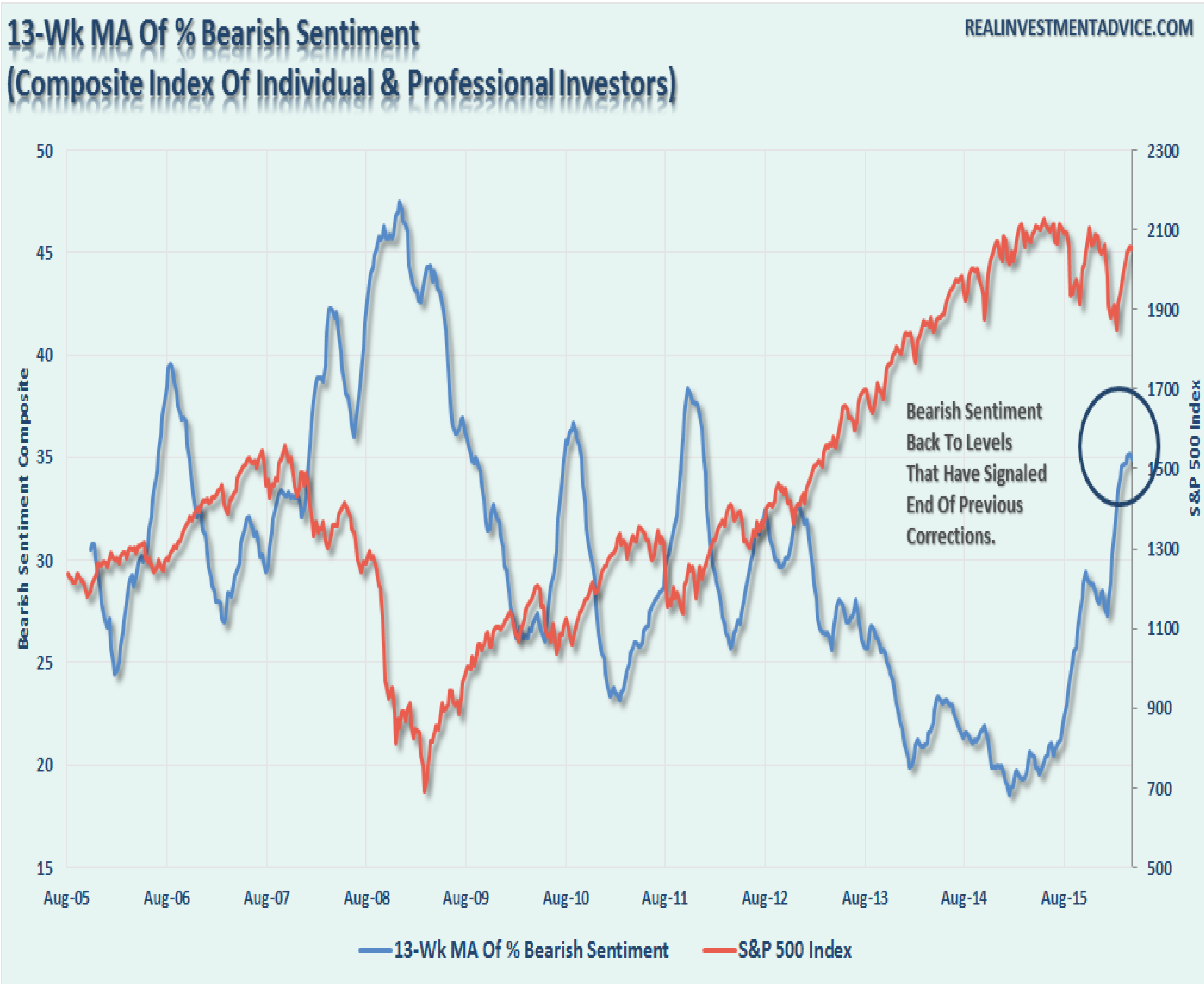
?We are sympathetic to the idea that there are few alternatives for investors in desperate search of returns, *but the risk-reward imbalance in the U.S. equity markets is severe.* ***Stay long patience!?***

Are the bulls back? Based on all the information above **- it is quite apparent they never left.•**

Gray Rhinos & Black Swans

The commentary above is interesting as it relates to the behavioral biases of individual investors. As I wrote previously:

> "Investor sentiment *(both individual and professional)* is currently at levels that are more normally associated with bigger corrections in the market."



> "As noted, the 13-week moving average of bearish sentiment has reached levels currently that are **more normally associated with bottoms to corrective processes as seen in 2010 and 2011 when the Federal Reserve intervened with QE2 and Operation Twist.•**However, **while this surge in bearish sentiment has occurred, which normally denotes a substantial level of fear by investors, there has been no substantial change to actual allocations.** *(See AAII allocations above)* **While stock allocations have fallen modestly, cash and bond allocations have barely budged.**

This is a far different story than was seen during previous major and intermediate-term corrections in the market.

This suggests, is that while investors are worried about the markets and their investments, **they are too afraid to actually make changes to their portfolio as long as Central Banks continue to bail out the markets."**

?Are you afraid of a market crash? Yes. Are you doing anything about it? No.?•

Again, it?s back to fundamentals versus expectations. Someone is going to be very wrong. I remind you of this because Michele Wucker penned an interesting bit of commentary about "Why We Ignore Obvious Dangers."•

> *"***Why do we neglect impending threats?** Recent behavioral science from a number of esteemed researchers, including psychologist Daniel Kahneman, behavioral economist Dan Ariely and neuroscientist Tali Sharot, **shows that that we are vulnerable to cognitive biases that make us likely to downplay unwelcome information and to be over-optimistic. Groups of people from similar backgrounds are particularly susceptible to these mind games.** Political and financial incentives throw more obstacles in the way. **Sometimes we feel powerless to fix a problem, so we don?t even try. Too often, it takes the very real possibility of a calamity?or worse, its aftermath?to prompt us to act.**
>
> **The consequences of underestimating the danger of a gray rhino can be catastrophic.** If there ever was a sign that America needs to rethink the costs and benefits of acting instead of muddling, this is the time.
>
> **The zoological term for a group of rhinos is a ?crash??wholly fitting since things are most likely to spin out of control when several gray rhinos come together.** Such a crash is exactly what we face. It?s up to us whether we get trampled or get out of the way.*"*

Head & Shoulders Put To Rest...For Now

A•couple of week's ago I discussed the rather clear*"head and shoulders"* technical pattern that we developing in the market. These patterns often suggest deeper corrections if they complete by breaking neckline support. **A *"gray rhino"* if there ever was one.•**The good news is the rally this past week terminated that formation by breaking the very short-term downtrend line as shown below.

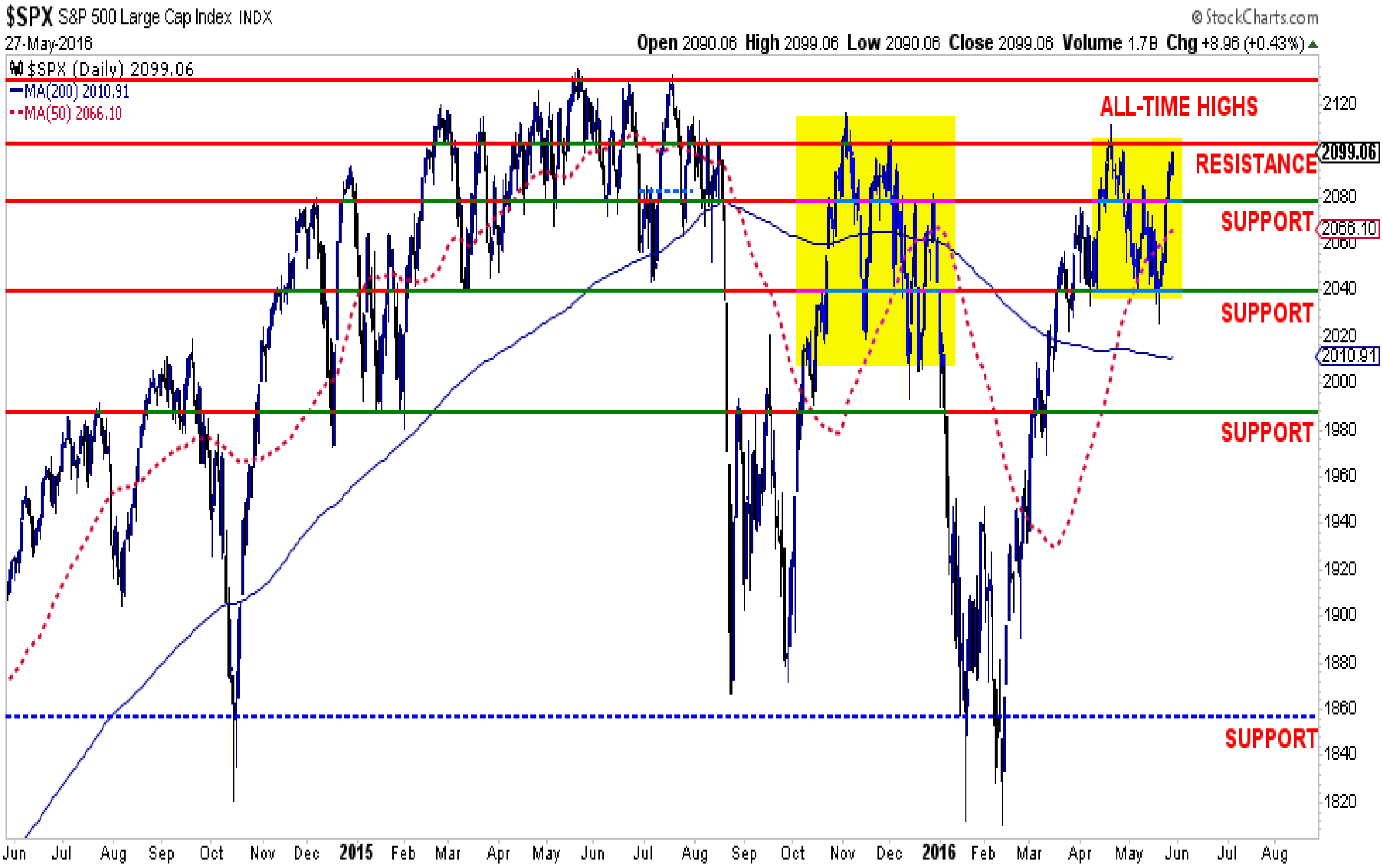
While the market did nullify the more bearish short-term pattern, it is important to note that the market has not done much more than that. All that really happened last week, as shown in the chart below was an oversold bounce on deteriorating volume confined to an overall market downtrend.

This isn?t a rally that should embolden investors to take on more risk,•but rather•considering *?selling into it?* as we head into the [seasonally weak period of the year.](#)•But that?s just me. One note though. The markets have not made a new high within the past year. **What does history suggest happens next? 77% of the time it has evolved into a bear market.**•On second thought, maybe that should be you too.

> ***?In the short run, the market is a voting machine, but in the long run it is a weighing machine.?*** •*Benjamin Graham*

THE MONDAY MORNING CALL

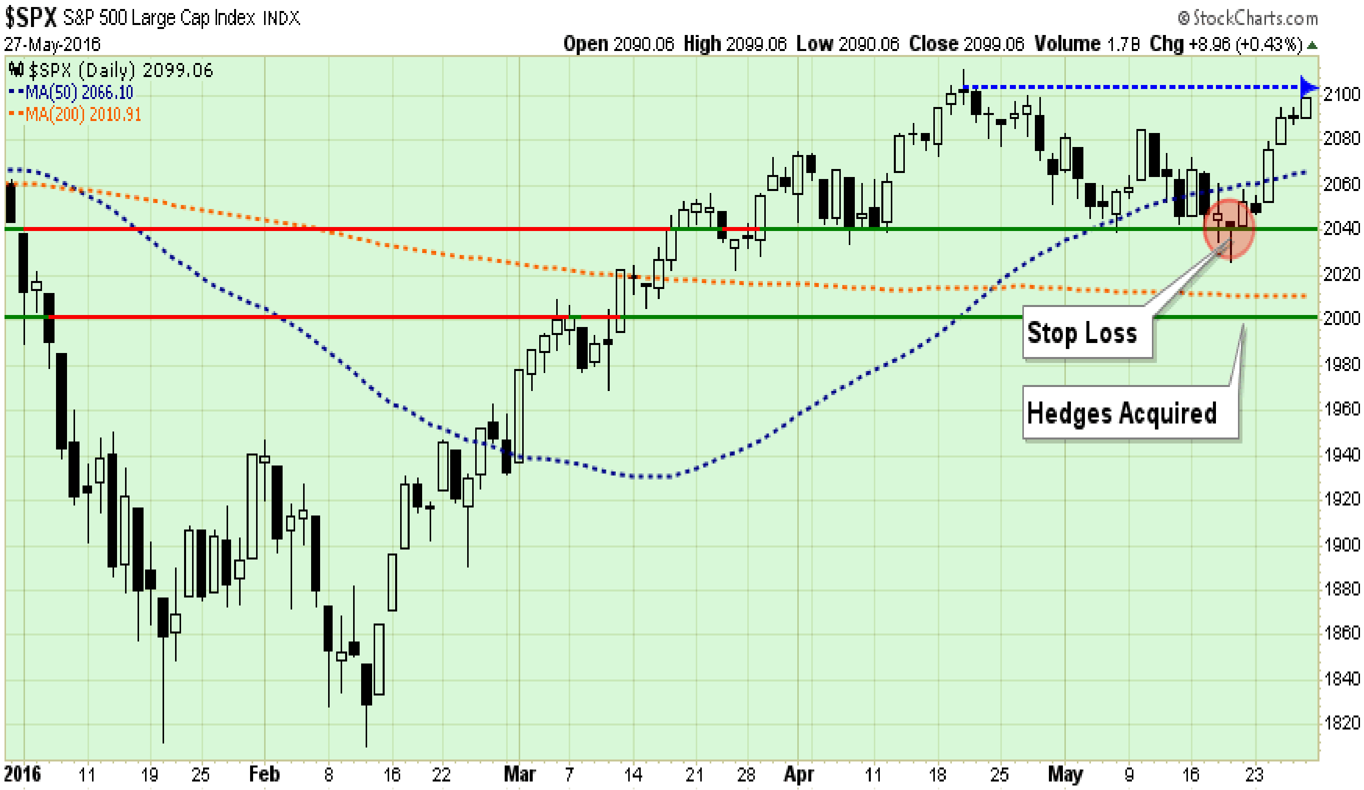
Despite the litany of longer-term fundamental and economic issues that stalk the markets, the short term technical dynamics for traders still remain bullish biased. **As shown in the chart below, the markets defended important support at 2040 last week and rallied back to recent highs.**



However, this rather *"spiky"* move in the market last week, as shown above, has become quite commonplace since the beginning of last year. Such spikes in activity have been more opportunistic for *"sellers"* rather than *"buyers."* Furthermore, as I have been detailing over the last couple of weeks, the current price action remains very similar to that seen last November. **While I am not *"certain"* the outcome will be the same, given that we are moving into a more *"seasonally weak"* period of the year, a potential Fed rate hike like last December, and a political election cycle; there are certainly enough things to worry about.•**

With the market back to overbought conditions and pushing on important resistance at 2100, it will be critical for the markets to advance next week above 2100. A failure to do so will likely lead to a retest of the 2040 level, a break of which, would signal a deeper decline in progress.

Stops & Hedges

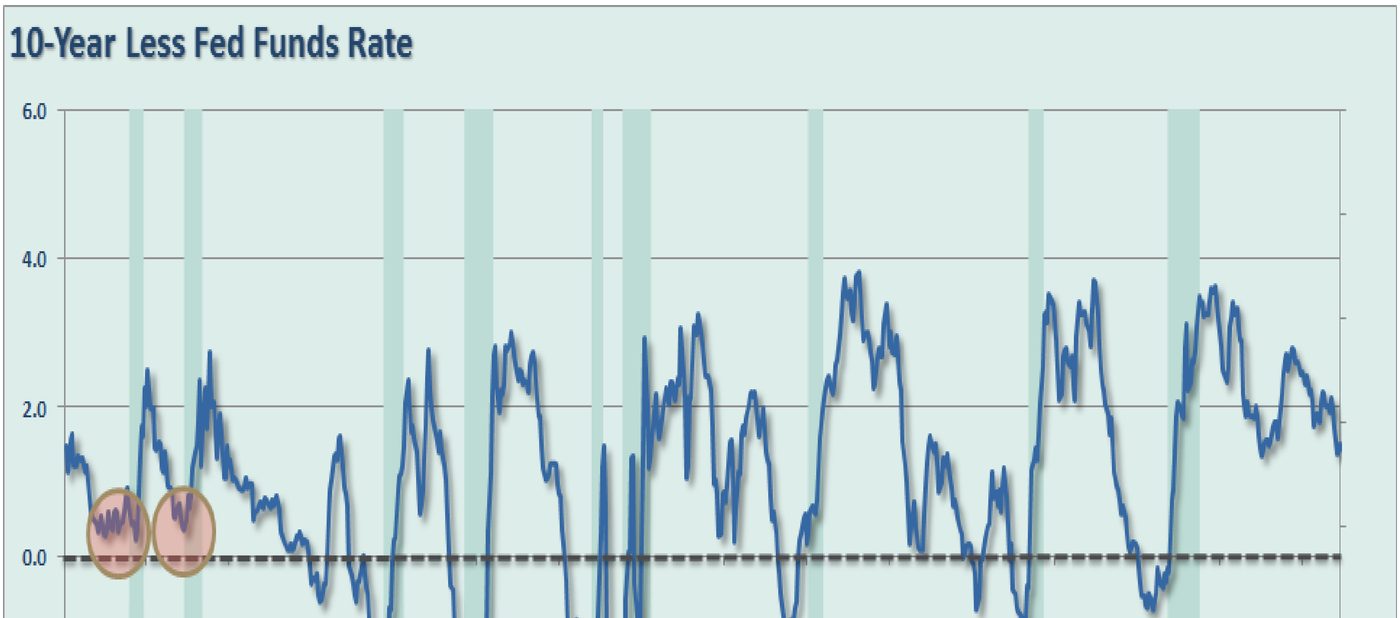


I am leaving my stops in place this week at the current support level at 2040 as shown above. Furthermore, as stated previously, I have also positioned a short-market hedge in portfolios to reduce to overall allocation to market neutral in the event the market breaks 2000. I am leaving that trigger level in place this week as a breach of such level would be a violation of both the 200-dma (currently at 2010) and the psychological support levels of 2000. While there are many reasons to move the hedging level higher this week, given the price volatility over the last several months keeping the current level should reduce the potential for a "*whipsaw*" to occur.

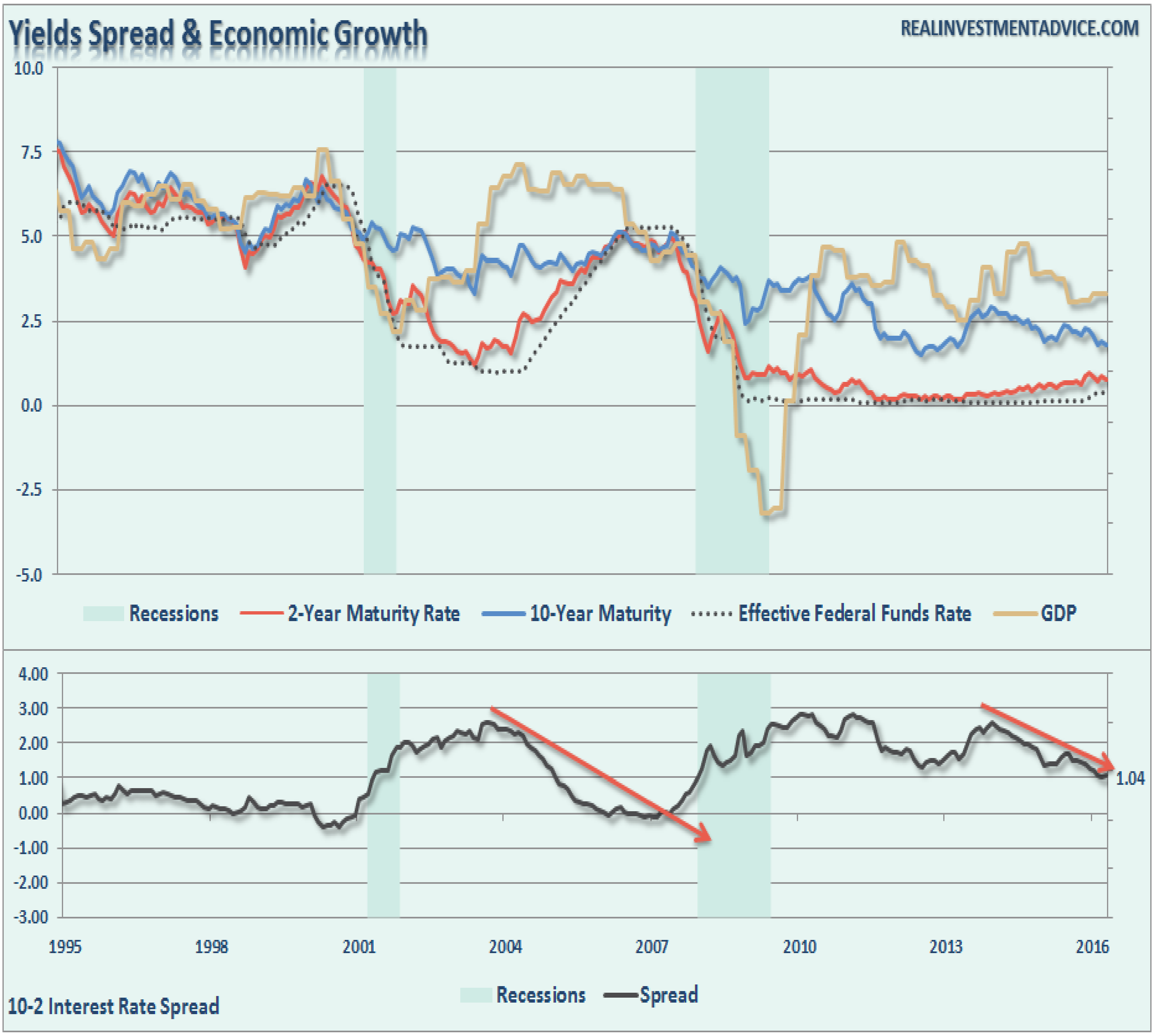
Watching The Yield Curve

"There has never been a recession without the yield-curve having been inverted first."

Well, that is not exactly true.



The point is that nothing in the financial markets is *"ALWAYS"* the case. This is particularly the issue when the yield curve is being artificially manipulated through direct Central Bank interventions. However, as is always the case, it is the trend of the data that is far more important to investors as a leading indication of potential outcomes. As shown above, the current trend of the yield spread between the 10-year and the Fed Funds rate is not a positive one. Since the Fed Funds rate is not a "traded" rate, we can see the same development in the spread between the 10-year and 2-year rates as shown below.



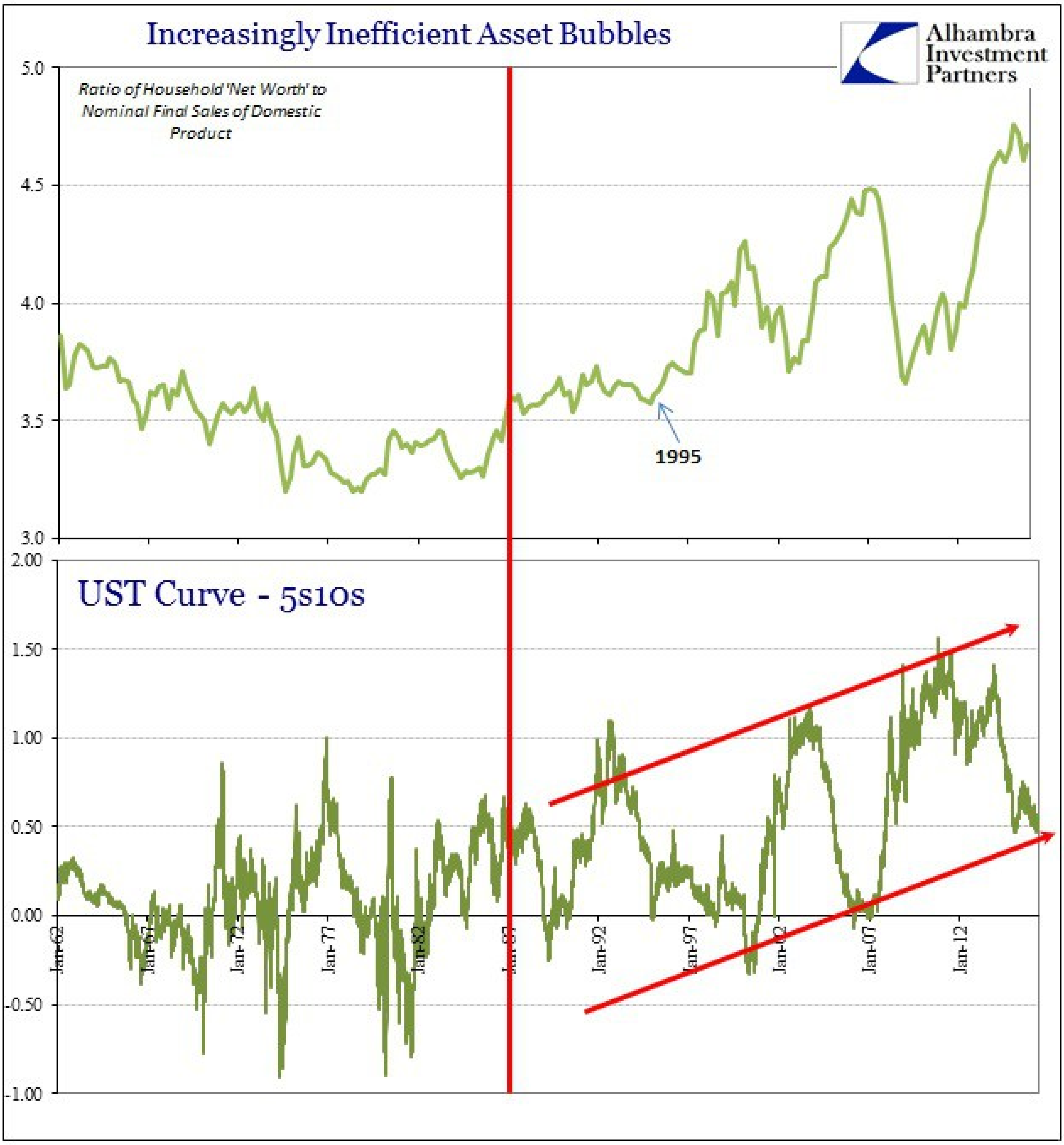
At just 1.04% there is not a lot of "wiggle room" for maintaining a positive spread. Importantly, the trend has become clearly negative as was the case prior to the last recessionary onset. **The DIFFERENCE between today and "pre-financial crisis" is that economic growth was running at nearly 5% previously versus roughly half that rate currently.** This gives the Federal Reserve

set of a

or a *"policy error"*

from Alhambra Partners also made an interesting point using a 5-10yr yield spread. To wit:

> "**In past cycles an inverted curve has appeared months before the onset of recession, so the fact that there is still positive spread in the calendar maturities is being taken as if credit is suggesting still some hope for avoiding it**? The incidence of the steeper yield curve is itself a reflection of monetary degradation.

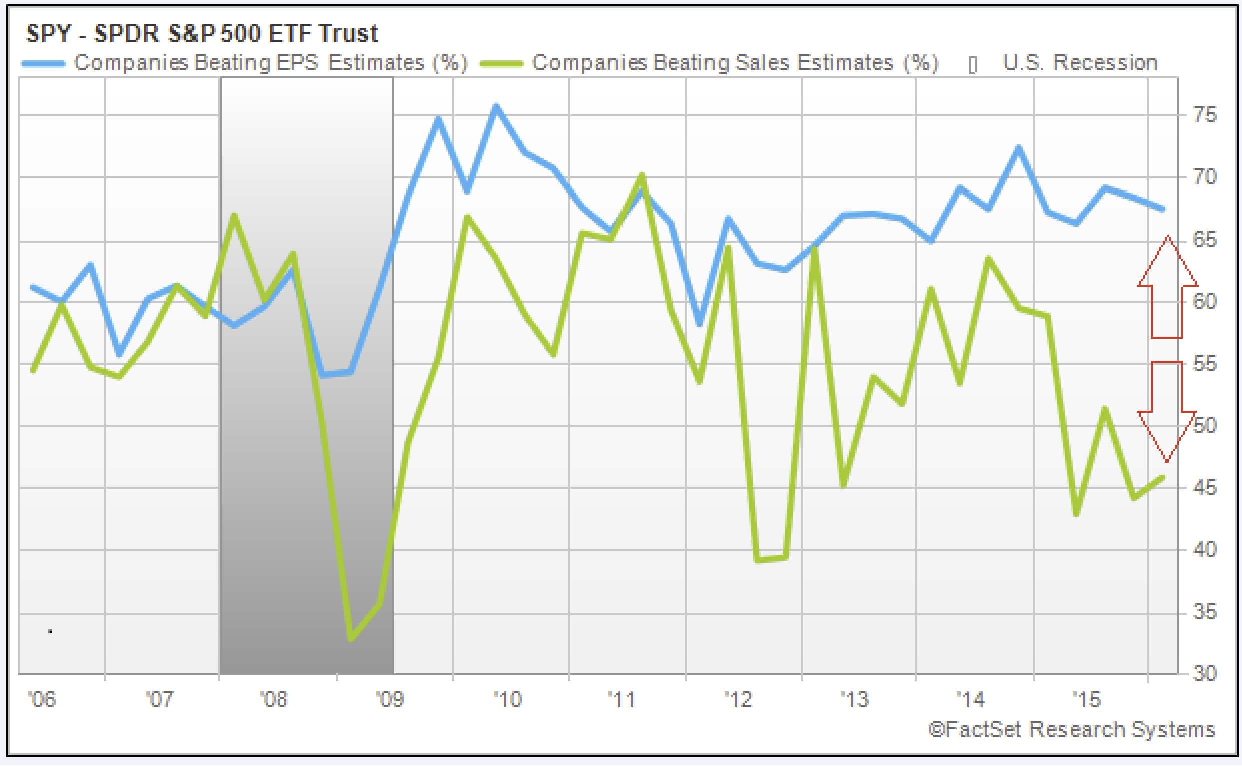


> The FOMC targeted lower and lower rates for the front end which UST bill rates *?obliged.?* The back end of the curve was relatively apathetic, which had the effect of steepening the curve far beyond the historical range. **While a steeper curve is supposed to reflect better long-run economic prospects, that was never the case.** Instead, that numerically sharper curve only suggested the increasing inefficiency of monetary policy? So the narrow focus on the +95 bps spread remaining in the 2s10s part of the curve misses the economic slowing and drastic risks that the prior 150 bps of already completed flattening has been proved right about. **It is not the absolute level of the curve that has been useful in determining the slowdown condition *(or the***

***appearance of slowdown itself)* but rather the relative changes and flattening all throughout this ?cycle.?**

The last sentence is exactly correct. As I stated above, it is the TREND of the data that is far more important than the level itself. **One other important point about the potential of a Fed rate hike is that higher rates will also lead to a stronger US Dollar**. As I stated last week:

> ?Well, with the revelation of the recent FOMC minutes the worries about a June rate hike, as suspected, have indeed surfaced sending the US dollar spiking above resistance.?
>
> "If the Fed hikes rates in June, as is currently expected, higher rates will attract foreign money into US Treasuries in search of a higher yield. **The dollar will subsequently strengthen further impacting commodity and oil prices, as well as increase the drag on companies with international exposure. Exports, which make up more than 40% of corporate profits, are sharply impacting results in more than just '*energy-related'*•areas. This is not just a *profits recession,'*•it is a*'revenue recession'*•which are two different things."**



Short-term portfolio management instructions currently remain:

1. *Tighten up stop-loss levels to current support levels for each position.*
2. *Hedge portfolios against major 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.*

S.A.R.M. Model Allocation

The **S**ector **A**llocation **R**otation **M**odel (SARM) is an example of **a basic well-diversified portfolio**. The purpose of the model is to look *?under•the hood?*of a portfolio to see what parts of the engine are driving returns versus detracting from it. **From this analysis, we can then determine where to overweight sectors which are leading performance, reduce in areas lagging, and**

eliminate those areas that are dragging.
Over the last several•weeks, RISK based sectors outpaced performance relative to SAFETY. However, starting last week and continuing this week, that level of outperformance has begun to fade rather significantly.

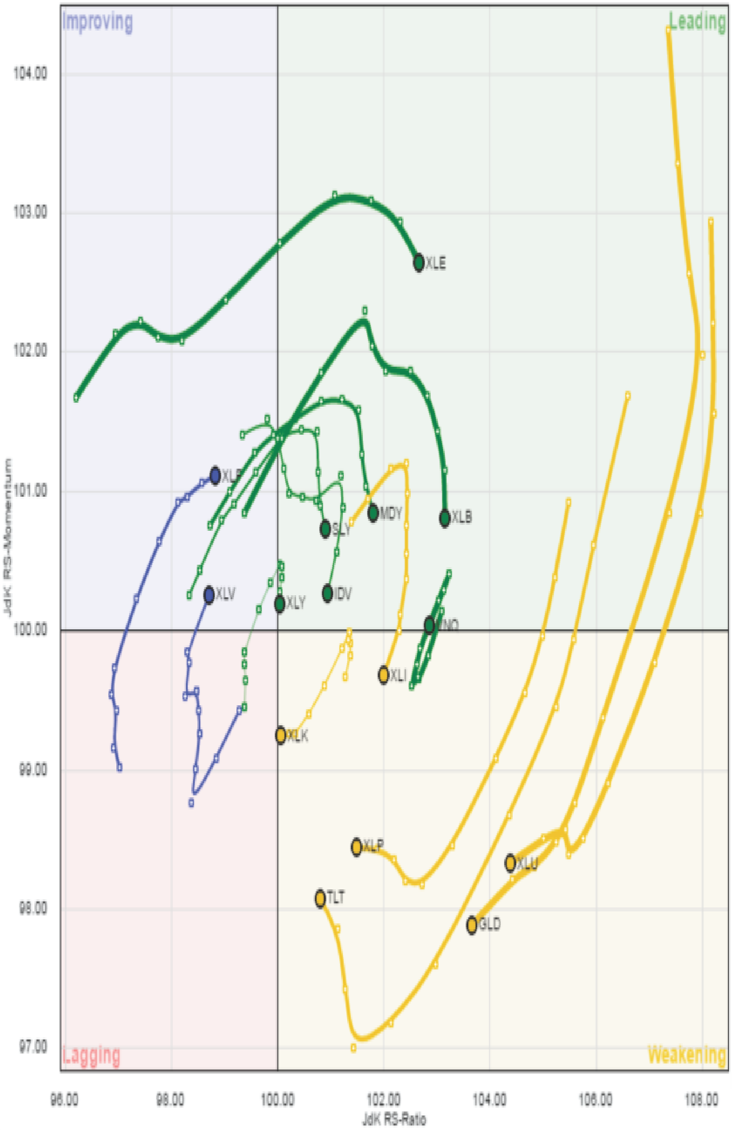
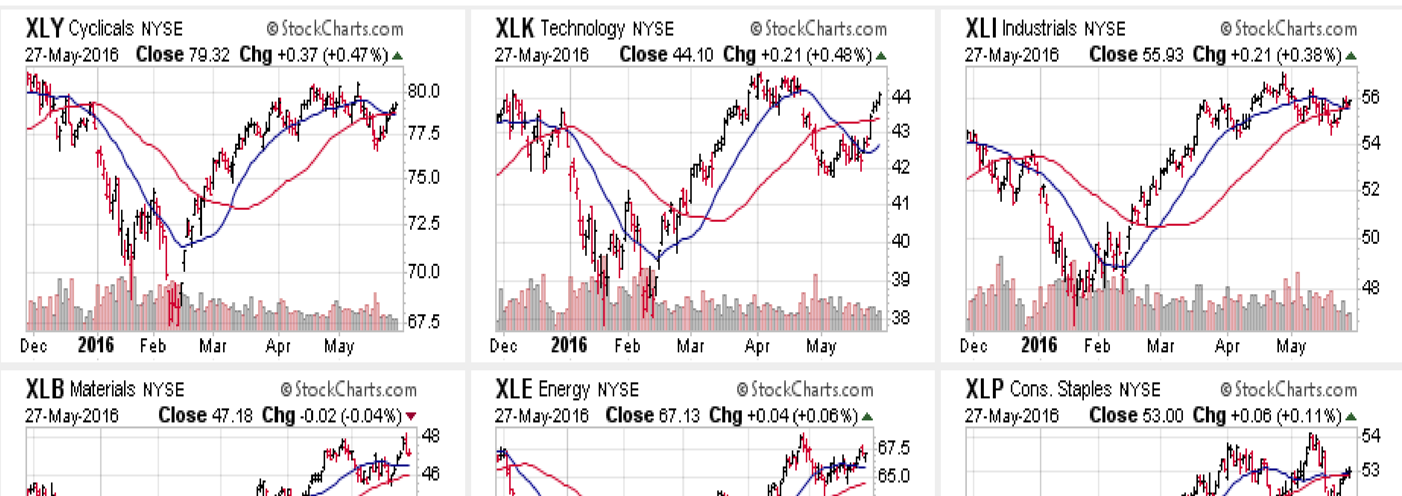


chart	visible	tail	symbol	name	sector	industry	price	%chg
			XLE	Energy Select Sector SPDR Fund			67.13	5.7
			XLB	Materials Select Sector SPDR Fund			47.18	3.9
			VNQ	Vanguard REIT ETF			83.68	1.9
			MDY	SPDR S&P MIDCAP 400 ETF			271.98	4.7
			SLY	SPDR S&P 600 Small Cap ETF			103.71	4.0
			IDV	iShares International Select Dividend ETF			29.38	0.6
			XLY	Consumer Discretionary Select Sector SPDR Fund			79.32	1.6
			XLF	Financial Select Sector SPDR Fund			23.81	4.8
			XLV	Health Care Select Sector SPDR Fund			71.18	6.5
			XLU	Utilities Select Sector SPDR Fund			48.83	0.4
			GLD	SPDR Gold Shares			115.62	-3.5
			XLP	Consumer Staples Select Sector SPDR Fund			53.00	0.7
			TLT	iShares 20+ Year Treasury Bond ETF			129.85	1.0
			XLI	Industrial Select Sector SPDR Fund			55.93	0.5
			XLK	Technology Select Sector SPDR Fund			44.10	1.2
			$SPX	S&P 500 Large Cap Index			2099.06	2.4

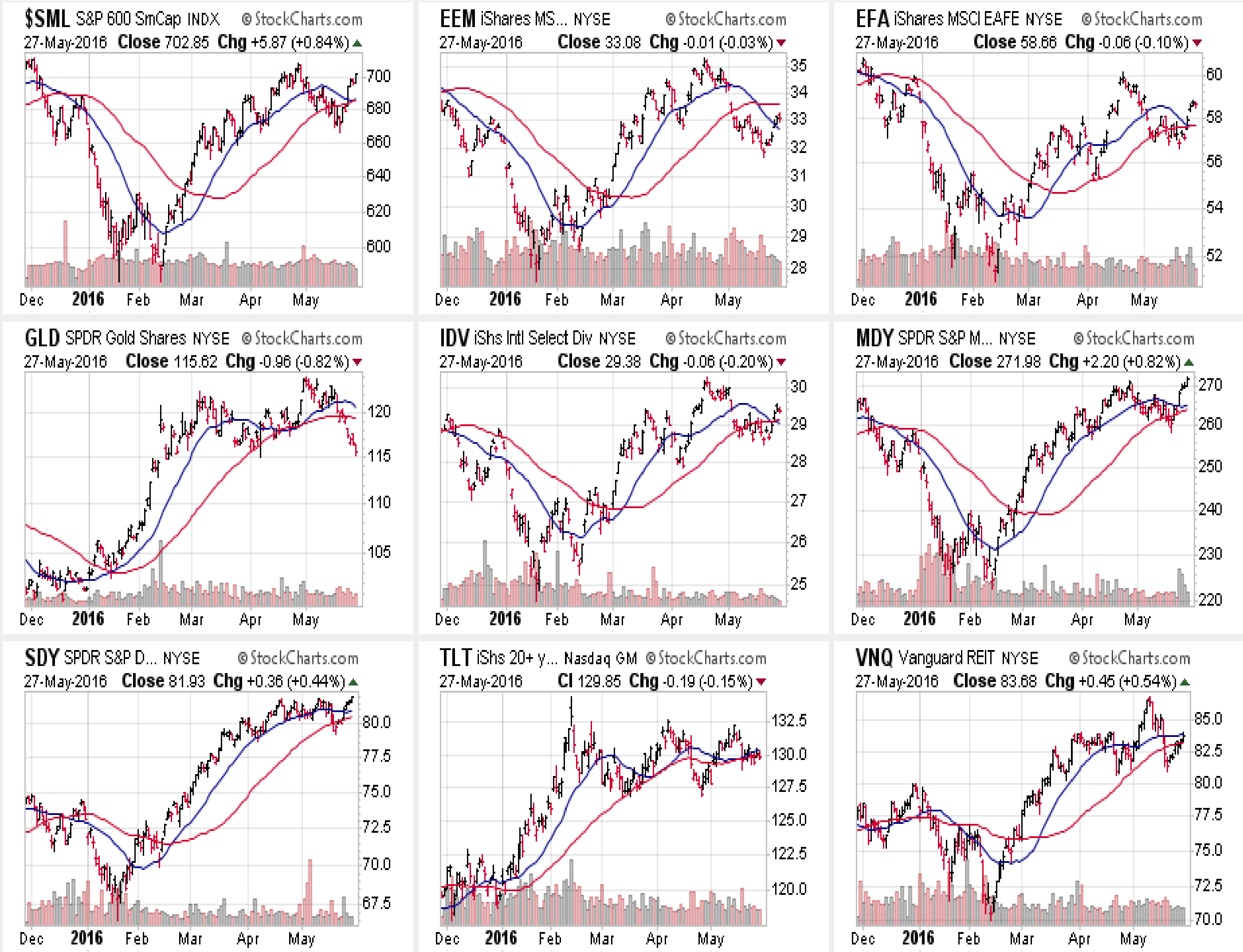
HealthCare moved up from lagging to improving last week. While the primary leaders of Energy, Basic Materials, Industrials, Mid-Cap, Small-Cap and International have weakened sharply. Such action suggests the recently rally last week may well be close to its conclusion.

> **LEADING:** Energy, Materials, Mid-cap, Small-cap, International and Discretionary. *(REIT's are leading as investors chase risk and yield. Financials are rapidly improving playing catch-up)* **IMPROVING:** Financials, HealthCare **LAGGING:** Utilities, Gold, Bonds, Staples, Technology,•Industrials

The sector comparison chart below shows the 9-major sectors of the S&P 500.



Last week's "beta driven" rally was enough to reverse many of the warnings discussed last week by pushing many of the sectors back above their broken short-term moving averages for the S&P 500 Index. The same can be seen in **Small-Cap International, Mid-Cap and Dividend Yielding Stocks.** The chase for "beta" was clearly apparent as we headed into the end of the month.



This is interesting given the "smack-down" beta stocks received the last time the Fed hiked rates. **So, either the markets are betting the Fed will *"punt"* on hiking rates in June, or they are hoping that *"this time will be different."* The problem is that tighter monetary policy is not good for stocks, particularly high-beta stocks, ever.**

S.A.R.M. Sector Analysis & Weighting

As stated above, the SARM Model is an ***"equally weighted model"*** adjusted for risk. **The current risk weighting remains at 50% this week.** It will require a move to new all-time highs in order to safely increase model allocations further at this juncture.

MODEL ALLOCATION		Ticker	Company ETF NAME	FULL ETF NAME/IDENTIFICATION	Current Price	Model Weight	Portfolio Weight	% Adj Recom	Div Yield
	BENCHMARK	IVV	ISHARS-SP500	ISHARES CORE SP 500 ETF	211.30	100%	100%	0%	1.78%
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	47.18	3.64%	1.82%	-1.82%	2.01%
		XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	67.13	3.64%	1.82%	-1.82%	2.95%
		XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	23.81	3.64%	1.82%	-1.82%	2.08%
		XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	55.93	3.64%	1.82%	-1.82%	2.07%
		XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	44.10	3.64%	1.82%	-1.82%	1.84%
		XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	53.00	3.64%	1.82%	-1.82%	2.36%
		XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	48.83	3.64%	1.82%	-1.82%	3.29%
		XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	71.18	3.64%	1.82%	-1.82%	1.49%
		XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	79.32	3.64%	1.82%	-1.82%	1.49%
		MGK	VANGD MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	84.45	3.64%	1.82%	-1.82%	1.46%

Relative performance of each sector of the model as compared to the S&P 500 is shown below. **The table•compares each position in the model relative to the benchmark over a 1, 4, 12, 24 and 52-week basis.** Historically speaking, sectors that are leading the markets higher continue to do so in the short-term and vice-versa. **The•relative improvement or weakness of each sector relative to index over time can show where money is flowing into and out of.**•Normally, these performance changes signal a change that last several weeks. Last week's market action was a direct reflection of the Fed's FOMC minutes. **Financial stocks picked up in performance while Staples, REIT's and Utilities continued to struggle. The movement•in the interest rate sensitive sectors of the market was not unexpected as interest rates ticked up in anticipation of a June rate hike.•**

RELATIVE PERFORMANCE		Ticker	Company / ETF NAME	Current Price	Model Position Price Changes Relative to Index: 1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
	BENCHMARK	IVV	ISHARS-SP500	211.30	2.30	1.85	4.87	4.15	(0.60)	206.22	203.11	2.47%	4.03%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	47.18	(0.36)	(1.68)	3.69	3.23	(6.18)	45.49	43.75	3.72%	7.83%	BUY
		XLE	SPDR-EGY SELS	67.13	(0.84)	(2.40)	5.25	6.89	(13.76)	63.78	62.70	5.25%	7.06%	BUY
		XLF	SPDR-FINL SELS	23.81	0.28	0.29	1.99	(2.61)	(2.61)	22.79	22.92	4.47%	3.86%	SELL
		XLI	SPDR-INDU SELS	55.93	(0.67)	(2.26)	(0.88)	2.17	0.82	55.21	53.44	1.30%	4.66%	BUY
		XLK	SPDR-TECH SELS	44.10	0.90	2.83	(0.91)	(1.11)	2.29	43.21	42.50	2.07%	3.78%	BUY
		XLP	SPDR-CONS STPL	53.00	(0.69)	(0.51)	(3.03)	2.97	9.23	52.70	50.92	0.57%	4.09%	BUY
		XLU	SPDR-UTIL SELS	48.83	(1.19)	(1.00)	(1.22)	12.70	10.33	48.46	45.67	0.76%	6.91%	BUY
		XLV	SPDR-HLTH CR	71.18	(0.17)	0.14	0.72	(2.89)	(4.42)	69.10	69.18	3.01%	2.89%	SELL
		XLY	SPDR-CONS DISCR	79.32	(0.22)	(1.70)	(1.48)	(2.53)	4.56	78.32	77.45	1.27%	2.42%	BUY
	SIZE	MGK	VANGD-MG CAP GR	84.45	0.18	0.51	0.27	(1.91)	0.30	82.51	81.85	2.35%	3.18%	BUY
		IJR	ISHARS-SP SC600	115.53	0.97	(0.44)	1.00	1.24	(0.65)	111.61	109.66	3.52%	5.35%	BUY
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	80.56	0.22	(0.53)	0.56	2.39	(1.12)	78.32	76.46	2.86%	5.36%	BUY
	Dividend	VIG	VANGD-DIV APPRC	81.96	(0.68)	(0.64)	(0.96)	2.26	1.70	80.81	78.38	1.42%	4.57%	BUY
	Real Estate	VNQ	VIPERS-REIT	83.68	(0.31)	0.41	(0.10)	3.61	6.34	82.49	79.69	1.45%	5.00%	BUY
	International	IDV	ISHARS-INTL SD	29.38	(0.40)	(3.46)	(2.47)	0.45	(13.77)	29.00	28.66	1.29%	2.51%	BUY
		VWO	VANGD-FTSE EM	33.71	0.47	(5.34)	(3.98)	2.67	(19.78)	33.84	33.17	-0.39%	1.64%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	129.85	(2.54)	(1.49)	(3.90)	0.78	6.42	129.88	126.22	-0.02%	2.87%	BUY
	International	AGG	ISHARS-CR US AG	110.63	(1.97)	(1.10)	(3.50)	(0.98)	3.63	54.40	53.64	0.64%	2.07%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	83.69	(1.64)	(2.04)	(1.39)	1.10	(7.34)	82.26	81.61	1.74%	2.55%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.33										

The last column is a sector specific "buy/sell" signal which is simply when the short-term weekly moving average has crossed above or below the long-term weekly average. **The number of sectors on *"buy signals"* has improved from just two a few weeks ago to 17 this past week.•** Sectors that are on buy signals tend to outperform in the near term. The risk-adjusted equally weighted model remains from last week. No changes this week. The•portfolio model remains at 35% Cash, 35% Bonds, and 30% in Equities.

> *As always, this is just a guide, not a recommendation.**It is completely OKAY if your current allocation to cash is different based on your personal risk tolerance, time frames, and goals.•For longer-term investors, we need to see an improvement in the fundamental and economic backdrop to support a resumption of the bullish trend.** Currently, there is no evidence of that occurring.*

THE REAL 401k PLAN MANAGER

The Real 401k Plan Manager - A Conservative Strategy For Long-Term Investors

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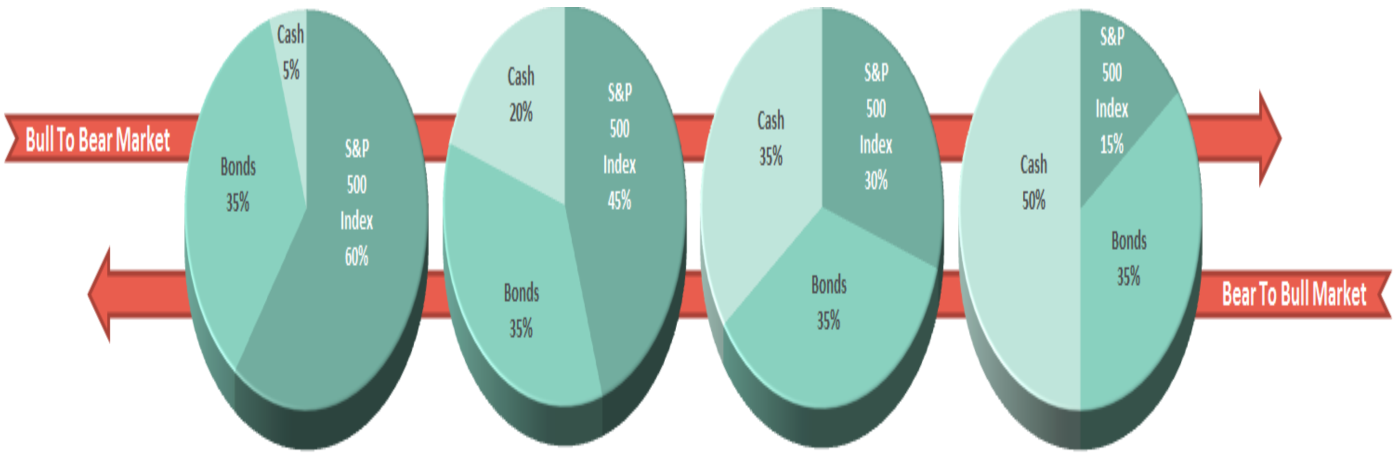
NOTE: I have redesigned the 401k plan manager to accurately reflect the changes in the allocation model over time. I have overlaid the actual model changes on top of the indicators to reflect the timing of the changes relative to the signals.

> ***There are 4-steps to allocation changes based on 25% reduction increments. As noted in the chart above a 100% allocation level is equal to 60% stocks.•I never advocate being 100% out of the market as•it is far too difficult to reverse course when the market changes from a negative to a positive trend. Emotions keep us from taking the correct action.***



Markets Rally To Resistance

As discussed in the main section of the newsletter, the short-term dynamics improved last week as "Fed Speak" pushed money back into equities. Importantly, that push higher in the markets was on extremely light volume and failed to break above meaningful resistance. **Therefore, there are no changes to the 401k model this week as risk/reward is still not balanced enough to justify taking on additional model risk.**•The strategy from three week's ago remains salient this week as well:

> "While our intermediate-term buy signals are in place, we must wait for a breakout of the markets to new highs before increasing the allocation model further. **If such occurs, the model will quickly move in steps back to full equity allocations. Currently, however, the risk/reward ratio does not warrant a further increase at this time.**•Therefore, we continue to wait for either a breakout of the market to new all-time highs, or a breakdown below support reversing recent actions. **I will admit remaining trapped in '*limbo*'•is emotionally trying - but this is where investors typically make the biggest mistakes by trying to '*guess*'•at what the market will do next. We are better off to wait and let it '*tell*'•us."**

I try and remain very sensitive to making changes to the model since many 401k plans have limits to switching funds. **For longer-term investors, the markets have made virtually no progress since January of 2015. Therefore, there is little evidence to suggest stepping away from a more cautionary allocation...for now.** If you need help after reading the alert; don?t hesitate to contact me.

Current 401-k Allocation Model

The 401k plan allocation plan below follows the K.I.S.S. principal. By keeping the allocation extremely simplified it allows for better control of the allocation and a closer tracking to the benchmark objective over time. *(If you want to make it more complicated you can, however,* statistics show that simply adding more funds does not increase performance to any great degree.)

401k Choice Matching List

The list below shows sample 401k plan funds for each major category. In reality, the majority of funds all track their indices fairly closely. Therefore, if you don't see your exact fund listed, look for a fund that is similar in nature.

Common 401K Plan Holdings By Class

Cash

- *Stable Value*
- *Money Market*
- *Retirement Savings Trust*
- *Fidelity MIP Fund*
- *G-Fund*
- *Short Term Bond*

Fixed Income

- *Pimco Total Return*
- *Pimco Real Return*
- *Pimco Investment Grade Bond*
- *Vanguard Intermediate Bond*
- *Vanguard Total Bond Market*
- *Babson Bond Fund*
- *Lord Abbett Income*
- *Fidelity Corporate Bond*
- *Western Asset Mortgage Backed Bond*
- *Blackrock Total Return*
- *Blackrock Intermediate Bond*
- *American Funds Bond Fund Of America*
- *Dodge & Cox Income Fund*
- *Doubleline Total Return*
- *F-Fund*

International

- *American Funds Capital World G&I*
- *Vanguard Total International Index*
- *Blackrock Global Allocation Fund*
- *Fidelity International Growth Fund*
- *Dodge & Cox International*
- *Invesco International Core Equity*
- *Goldman Sachs International Growth Opp.*

The above represents a selection of some of the most common funds found in 401k plans. ***If you do not see your SPECIFIC fund listed simply choose one that closely resembles the examples herein.*** All funds perform relatively similarly within their respective fund classes.

Equity

Large Cap

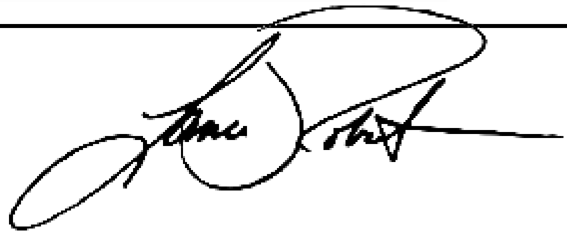
- *Vanguard Total Stock Market*
- *Vanguard S&P 500 Index*
- *Vanguard Capital Opportunities*
- *Vanguard PrimeCap*
- *Vanguard Growth Index*
- *Fidelity Magellan*
- *Fidelity Large Cap Growth*
- *Fidelity Blue Chip*
- *Fidelity Capital Appreciation*
- *Dodge & Cox Stock*
- *Hartford Capital Appreciation*
- *American Funds AMCAP*
- *American Funds Growth Fund Of America*
- *Oakmark Growth Fund*
- *C-Fund (Common Assets)*
- *ALL TARGET DATE FUNDS 2020 or Later*

Balanced Funds

- *Vanguard Balanced Index*
- *Vanguard Wellington Fund*
- *Vanguard Windsor Fund*
- *Vanguard Asset Allocation*
- *Fidelity Balanced Fund*
- *Fidelity Equity Income*
- *Fidelity Growth & Income*
- *American Funds Balanced*
- *American Funds Income Fund*
- *ALL TARGET DATE FUNDS 2020 or Sooner*

Small/Mid Cap

- *Vanguard Mid Cap Growth*
- *Fidelity Mid Cap Growth*
- *Artisan Mid Cap*
- *Goldman Sachs Growth Opportunities*
- *Harbor Mid Cap Growth*
- *Goldman Sachs Small/Mid Cap Opp.*
- *Fidelity Low Price Stock Fund*
- *Columbia Acorn US*
- *Federated Kaufman Small Cap*
- *Invesco Small Cap*



Lance Roberts

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