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EDITOR'S NOTE: •There will be **NO** newsletter next week as I am traveling. However, if something critically important happens I will pen a brief note. **Make sure you are [registered at the website](#) for important updates** and allocation model changes.

Riding The Bull Market

Increasing Allocation Models



Real Investment Report

Last Tuesday, I discussed the market's breakout to the upside and the increase in equity exposure in client's portfolios. [To wit:](#)

*"From a technical basis, looking at the structure of the trend, and given the probability it is in the latter stages of this particular bull market, we have likely seen the S&P 500 just complete a large consolidation, as mentioned above, concluding Wave 4 of the Elliott Wave principals. **This suggests that a Wave 5 has begun (the last part of the trend sequence)•which will coincide with the•market•melt-up•phase of this advance before the next major correction begins.**"*



"Theoretically, once a small correction action that maintains the current bullish-trend works off the current ?overbought? condition, the blow-off speculative Wave 5 impulse move should begin.

Wave 5, 'market•melt-ups'•are the last bastion of hope for the 'always bullish.'• Unlike, the previous advances that were backed by improving earnings and economic growth, the final wave is pure emotion and speculation based on?hopes? of a quick fundamental recovery to justify market overvaluations. **Such environments have always had rather disastrous endings and this time, will likely be no different."**

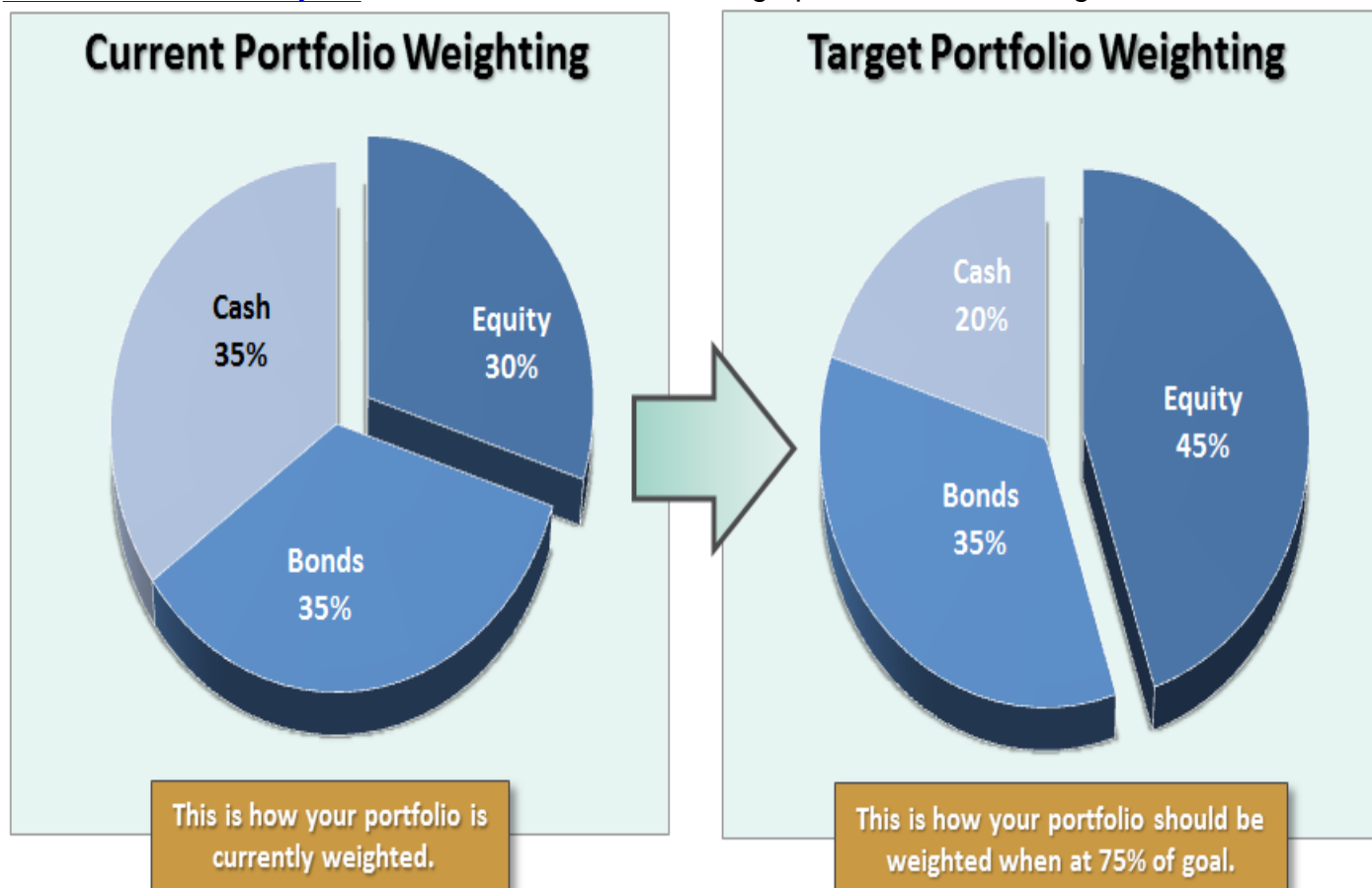
Buying Because I Have To. You Don?t.

Let me repeat what I wrote the last time as things have not changed. **?I am buying this breakout because I have to.** If I don?t, I suffer career risk, plain and simple. **But you don?t have to.** If you are truly a long-term investor, this rally is just a rally. **There is no confirmation fundamentally the bull market has yet resumed.** Such leaves investors with a tremendous amount of downside risk relative to the reward that is currently being offered. However, investor patience to remain conservatively invested while what seems like a ?bull market? is in force is an extremely difficult thing for most

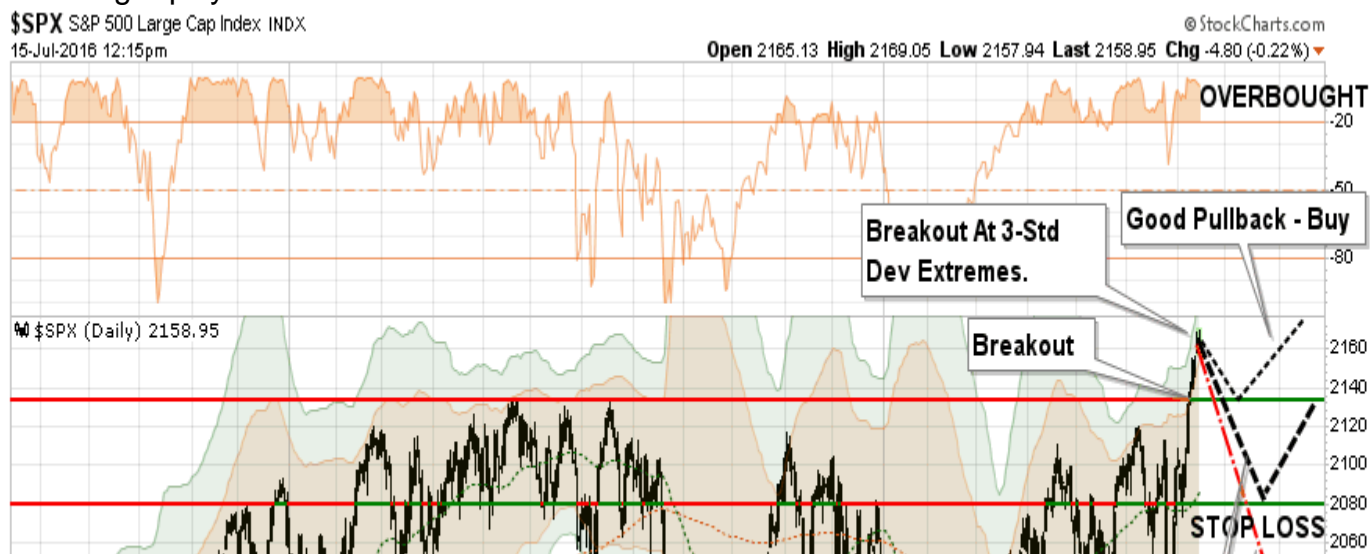
to do. **So, if you buy the breakout, do so carefully.** Keep stop losses in place and be prepared to sell if things go wrong. **It is important to remember that the majority of those touting the bull market are simply just getting back to even after an almost year-long sludge.** For now, things are certainly weighted towards the bullish camp. **However, such will not always be the case.?**

What Happens Next Determines Action

This week, I am adjusting the model allocations up to 75%. [Review last week's missive for the individual sector analysis](#) for recommendations leading up to the model change.



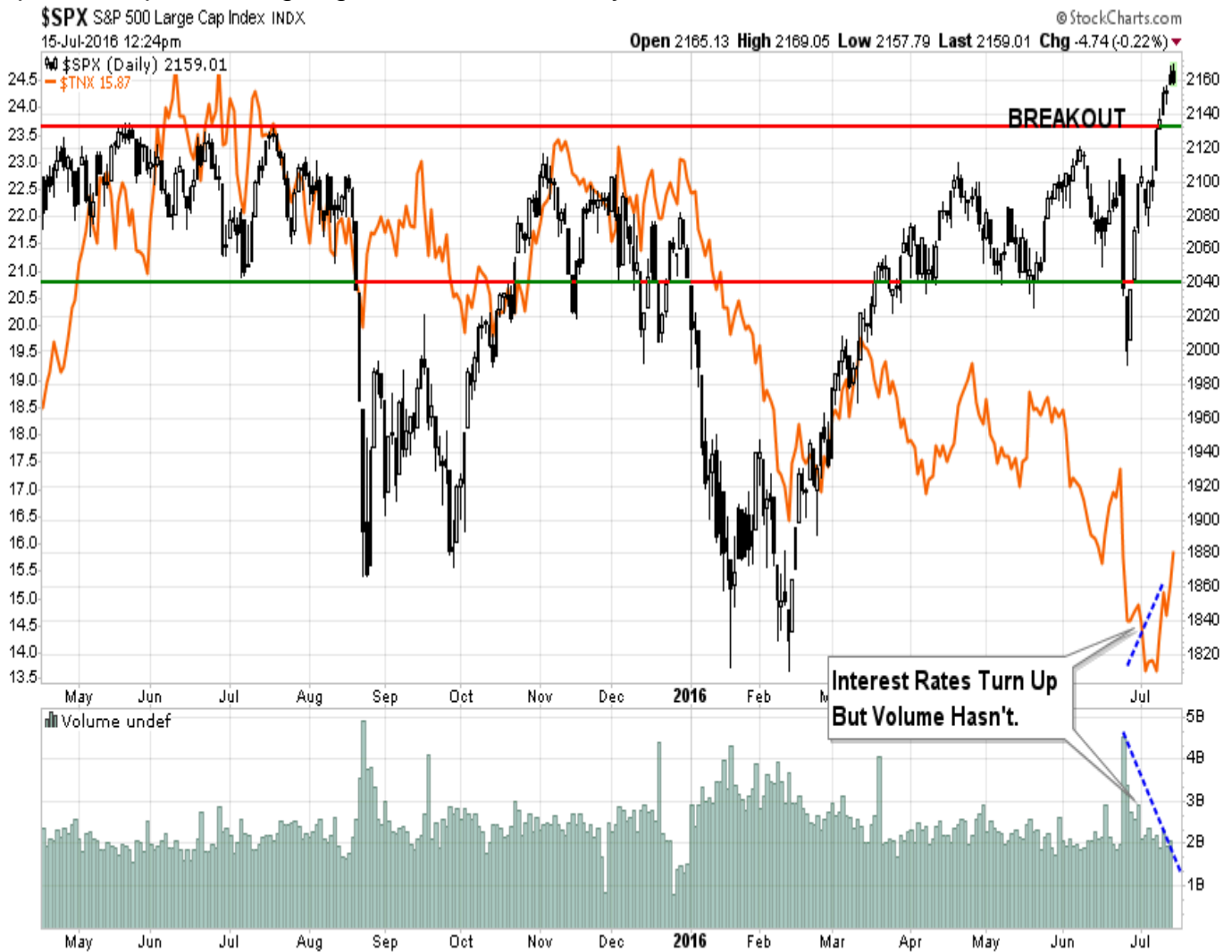
However, while I am changing the model, this does not mean going out and clicking the "buy" button on everything you can find. **We must now wait for the right entry point to increase equity allocations to the new model weights.** As shown below, the market is currently 3-standard deviations above its 50-day moving average. This is "rarefied air" in terms of price extensions and a pullback is now necessary to provide a better entry point for increasing equity allocations.



However, as I have noted, there is a difference in pullbacks.

1. **A pullback to 2135**, the previous all-time high, that holds that level will allow for an increase in equity allocations to the new targets.
2. **A pullback that breaks 2135** will keep equity allocation increases on "HOLD" until support has been tested.
3. **A pullback that breaks 2080 will trigger "stop losses"** in portfolios and confirm the recent breakout was a short-term "head fake."

While the breakout this week is certainly "bullish" and should not be dismissed lightly, it is valid if the breakout holds. **However, as I noted on Tuesday, the rotation from bonds to stocks is confirming the push higher currently.** Much of the sustainability of the rally going forward is dependent upon the ongoing rotations from "safety" back into "risk."



Disclosure Note: I did take a short position against bonds on Monday with a target of 1.7-1.8% on the 10-year Treasury. (TBT)

Importantly, despite the breakout and increase in bullish exuberance, the markets are overly extended, overly bullish and excessively complacent. Such a combination of factors greatly increase investment risk. However, given the long consolidation process of the market since May of last year, the markets are confirming their ongoing bullish trend. **As stated above, this requires me to increase equity exposure to 75% of target weightings.** After such an extended run in the markets, this seems somewhat counter-intuitive. It is. But, as Bill Clinton once famously stated; "What is....is."

While the market *IS* currently acting bullishly, it doesn't mean such will always be the case.

As investors, we must modify **Clinton's line to: "What is...is...until it isn't."** We must be able to recognize, and be responsive to, changes in underlying market dynamics if they change for the worse and be aware of the risks that are inherent in portfolio allocation models. **If the bullish trend holds, works off the excessive overbought conditions and resets investment risk, the models will be adjusted back to 100%.**

A Quick Note On Portfolio Management

Here are the guidelines to follow in adjusting your portfolio allocation model.

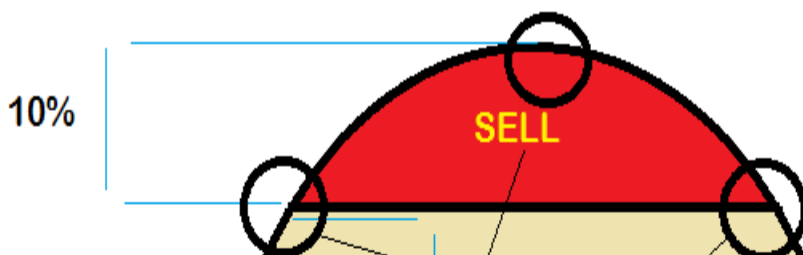
1. **Move slowly.** There is no rush in adding equity exposure to your portfolio. Use pullbacks to previous support levels to make adjustments.
 2. **If you are heavily UNDER-weight equities, DO NOT try and fully adjust your portfolio to the model in one move.** This could be disastrous if the market reverses sharply in the short term. Again, move slowly.
 3. **Begin by selling laggards and losers.** These positions are dragging on performance as the market rises and tend to lead when markets fall. Like *weeds choking a garden*, pull them.
 4. **Add to sectors, or positions, that are performing with, or outperforming, the broader market.** ([*See last week's analysis for suggestions.*](#))
 5. **Move *stop loss* levels up to current breakout levels for each position.** Managing a portfolio without *stop loss* levels is like driving with your eyes closed.
 6. **While the technical trends are intact, risk considerably outweighs the reward.** If you are not comfortable with potentially having to sell at a LOSS what you just bought, then wait for a larger correction to add exposure more safely. *There is no harm in waiting for the *fat pitch* as the current market setup is not one.*
 7. **If none of this makes any sense to you ? please consider hiring someone** to manage your portfolio for you. It will be worth the additional expense over the long term.
-

The *Rothschild 80/20* Rule

While I have often been chastised for not *chasing markets*, **I am also not working my way back to even.** Having been underweight equity risk in recent months has paid dividends by reducing portfolio volatility and emotional stress. Here is my point. **As a long-term investor, I don't need to worry about short-term rallies. I only need to worry about the direction of the overall market trends and focus on capturing the positive and avoiding the negative.** As Baron Nathan Rothschild once quipped:

"You can have the top 20% and the bottom 20%, I will take the 80% in the middle."

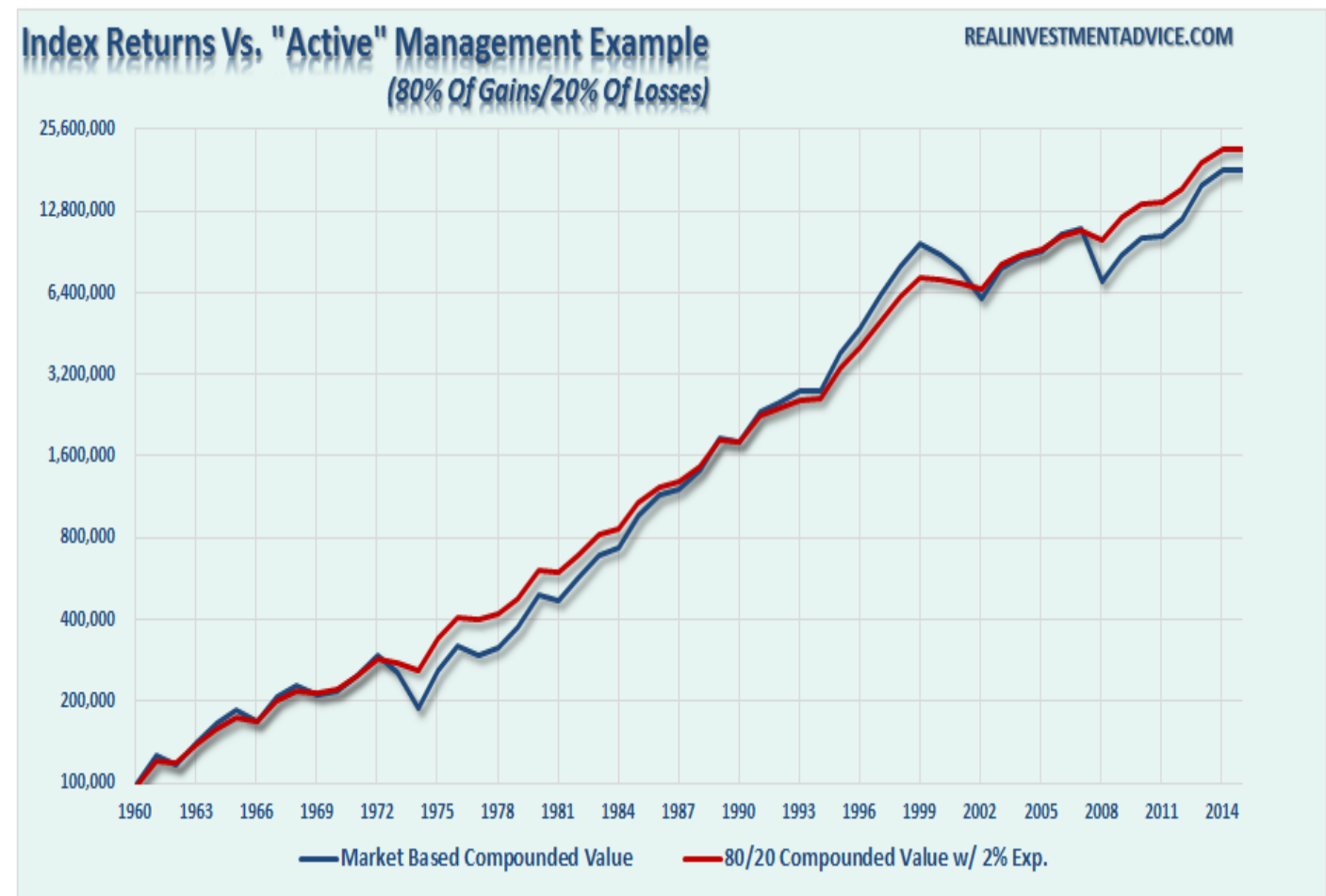
This is the basis of my 80/20 investment philosophy and the driver behind the risk management process.



While I may not beat the market from one year to the next, I will never have to suffer the time loss of required by *getting back to even.* **In the long run, I will win.** As shown in the table below, a \$100,000 investment in the S&P 500 returns a far lower value than the *Rothschild 80/20 Rule?* model. **This is even if I include a ridiculous 2% management fee.**

Date	Value	Initial Investment of \$100k	80/20 Rule	Market Based Compounded Value	80/20 Compounded Value	80/20 Compounded Value w/ 2% Exp.
1/1/1998	28.34%	\$ 128,337.95	22.67%	\$ 128,337.95	\$ 122,670.36	\$ 120,216.96
1/1/1999	20.89%	\$ 155,141.79	16.71%	\$ 155,141.79	\$ 143,166.47	\$ 140,303.14
1/1/2000	-9.03%	\$ 141,129.66	-1.81%	\$ 141,129.66	\$ 140,580.36	\$ 137,768.76
1/1/2001	-11.85%	\$ 124,406.14	-2.37%	\$ 124,406.14	\$ 137,248.68	\$ 134,503.70
1/1/2002	-21.97%	\$ 97,079.02	-4.39%	\$ 97,079.02	\$ 131,219.06	\$ 128,594.67
1/1/2003	28.36%	\$ 124,606.56	22.68%	\$ 124,606.56	\$ 160,985.63	\$ 157,765.91
1/1/2004	10.74%	\$ 137,992.76	8.59%	\$ 137,992.76	\$ 174,821.09	\$ 171,324.66
1/1/2005	4.83%	\$ 144,663.99	3.87%	\$ 144,663.99	\$ 181,582.43	\$ 177,950.79
1/1/2006	15.61%	\$ 167,249.74	12.49%	\$ 167,249.74	\$ 204,262.16	\$ 200,176.92
1/1/2007	5.48%	\$ 176,422.95	4.39%	\$ 176,422.95	\$ 213,224.76	\$ 208,960.26
1/1/2008	-36.55%	\$ 111,936.22	-7.31%	\$ 111,936.22	\$ 197,637.03	\$ 193,684.29
1/1/2009	25.94%	\$ 140,967.14	20.75%	\$ 140,967.14	\$ 238,643.13	\$ 233,870.26
1/1/2010	14.82%	\$ 161,860.01	11.86%	\$ 161,860.01	\$ 266,938.74	\$ 261,599.97
1/1/2011	2.10%	\$ 165,256.44	1.68%	\$ 165,256.44	\$ 271,419.84	\$ 265,991.44
1/1/2012	15.89%	\$ 191,516.66	12.71%	\$ 191,516.66	\$ 305,924.00	\$ 299,805.52
1/1/2013	32.15%	\$ 253,079.86	25.72%	\$ 253,079.86	\$ 384,595.63	\$ 376,903.72
1/1/2014	13.52%	\$ 287,296.25	10.82%	\$ 287,296.25	\$ 426,193.49	\$ 417,669.62
1/1/2015	1.36%	\$ 291,203.48	1.09%	\$ 291,203.48	\$ 430,830.48	\$ 422,213.87

But here is how it plays out over the long-term.



Yes, it's only a couple of million dollars worth of difference, but the reduced levels of volatility allowed investors to emotionally *stick* to their discipline over time. **Furthermore, by minimizing the drawdowns, assets are allowed to truly compound over the long-term.** Get it. Got it. Good.

So Do I Adjust My Portfolio Now

The short answer is "NO, Not Yet." As stated above, the market needs to blow off some of the excess overbought condition in the market. Secondly, we are moving into two of the worst months of the year seasonally speaking combined with a Presidential election. It is very likely that we will see a correction in the market during this period. As [Dana Lyons' pointed out this week](#):

"Specifically, we have seen numerous forecasts calling for an impending stock market top, or at least a summer swoon. **But while anything is possible in this market, a major market top right now would actually be unprecedented.** Why is that? Well, since 1900, using the Dow Jones Industrial Average (DJIA) as a gauge, **the stock market has never put in so much as a 12-month top in the month of July.**"

Market Tops By Month: Dow Jones Industrial Average 1900-2016

Month	12-Month	3-Month		12-Month	
	Highs	Tops	%	Tops	%
January	43	8	19%	6	14%
February	42	6	14%	3	7%
March	40	5	13%	2	5%
April	44	5	11%	2	5%
May	44	7	16%	2	5%
June	33	5	15%	2	6%
July	35	6	17%	0	0%
August	35	5	14%	1	3%
September	37	7	19%	5	14%
October	37	5	14%	3	8%
November	39	5	13%	4	10%
December	33	3	9%	1	3%

** J. Lyons Fund Management, Inc. / My401kPro.com*

However, as I have noted previously, my expectations are for a correction of some sort in August and/or September. Notice the 12-month tops have occurred 5-times in September nearly tying the six in January. For now, there are plenty of bullish arguments piling up to support markets over the next few weeks:

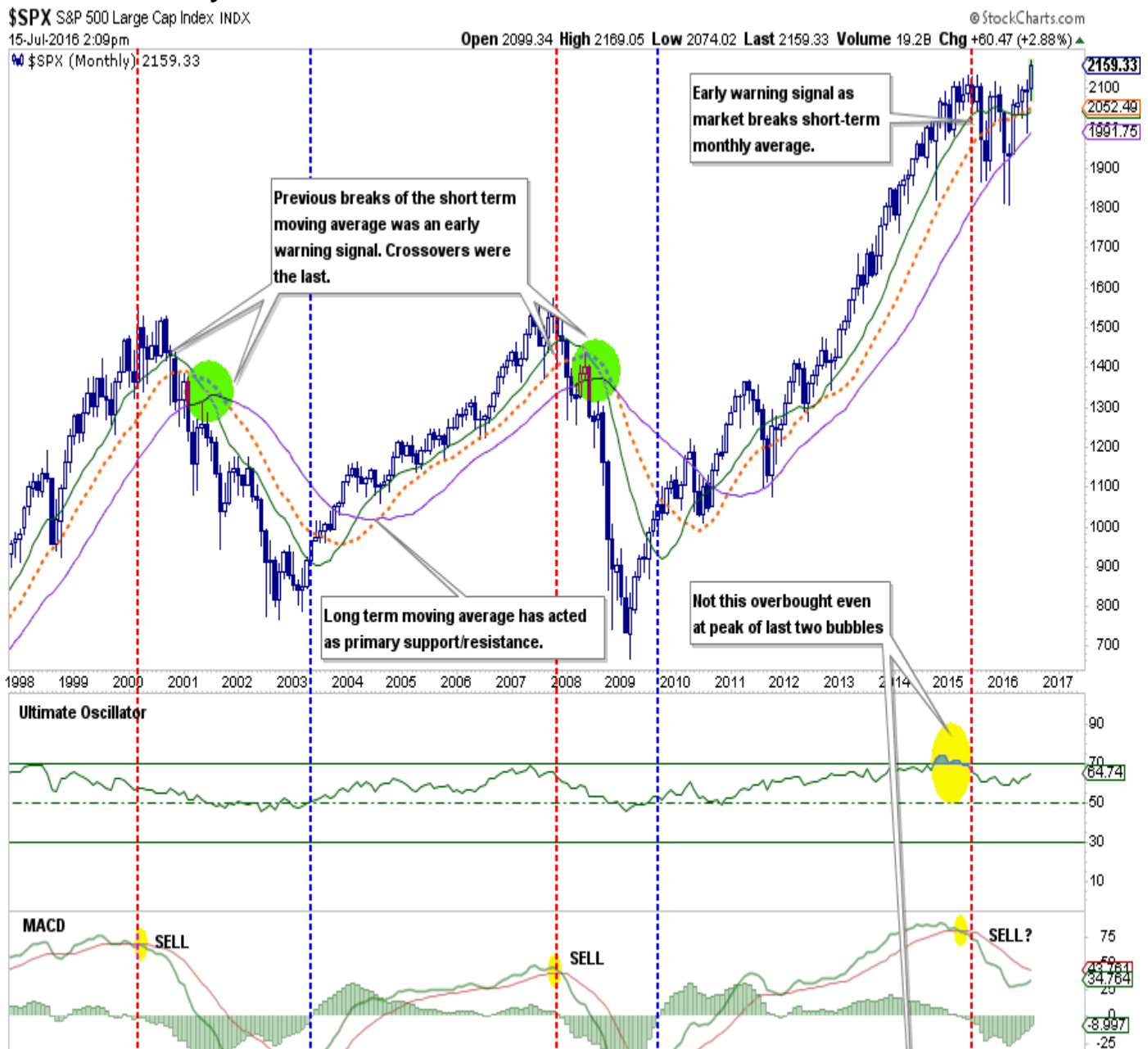
- **Earnings estimates are exceedingly low** as we saw this past week, investors are cheering really crappy earnings reports simply because companies are winning the *beat the estimates* game.
- **The improvement in oil prices, and decline of the dollar**, has taken some of the pressure off of industrials, energy and material stocks which are being pushed higher.
- **Economic data has been exceptionally weak early in the year**, a short-lived rebound is currently in the works which will help markets temporarily.

- **Share buybacks** continue to be a primary support of asset prices currently. However, this support is coming primarily through leverage which has long-term negative consequences.

There is also a possibility this central bank driven liquidity push is a giant **"trap"** waiting to be sprung on unwitting investors. The current rally is built on a substantially weaker fundamental and economic backdrop. Therefore, **it is extremely important to remember that whatever increase in equity risk you take, could very well be reversed in short order** due to the following reasons:

1. *We are moving into the latter stages of a cyclical bull market.*
2. *Economic data continues to remain weak*
3. *Earnings are only positive by not sucking as bad as estimates*
4. *Volume is weak*
5. *Longer-term technical underpinnings remain bearish.*
6. *It is the summer of a Presidential election year which tends to be weak.*
7. *Share buybacks are slowing*
8. *The yield curve is flattening*

It is worth remembering that markets have a very nasty habit of sucking individuals into them when prices become detached from fundamentals. Such is the case currently and has generally not had a positive outcome. The chart below illustrates point #5 above. **There are still WAY too many negative divergences in underlying indicators to suggest an *?all clear?* for investors currently.**



What you decide to do with this information is entirely up to you. As I stated, **I do think there is enough of a bullish case being built to warrant taking some equity risk on a very short-term basis. We will see what happens next week.** However, the longer-term dynamics remain bearish. When those negative price dynamics are combined with the fundamental and economic backdrop, the *risk* of having excessive exposure to the markets greatly outweighs the potential *reward*. Could the markets rocket up to 2200 or 2300 as I suggested earlier this week? It is quite possible given the ongoing interventions by global Central Banks. The reality, of course, is while the markets could reward you with **160 points of upside**, there is a risk of **600 points of downside** just to retest the previous breakout of 2007 highs. **Those are odds that Las Vegas would just love to give you.** Please be careful. Investing is not a competition. It is a game of long-term survival.

THE MONDAY MORNING CALL

The Monday Morning Call- Analysis For Active Traders

Adjusting The Model

Okay, with the analysis above, let's now set up the necessary adjustments to the model allocation so we are ready to adjust portfolios accordingly during the requisite pullback.

Step 1) Clean Up Your Portfolio

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.

Step 2) Compare Your Portfolio Allocation To The Model Allocation.

1. Determine areas requiring new or increased exposure.
2. Determine how many shares need to be purchased to fill allocation requirements.
3. Determine cash requirements to make purchases.
4. Re-examine portfolio to rebalance and raise sufficient cash for requirements.
5. Determine entry price levels for each new position.
6. Determine "stop loss" levels for each position.
7. Determine "sell/profit taking" levels for each position.

(Note: the primary rule of investing that should NEVER be broken is: *"Never invest money without knowing where you are going to sell if you are wrong, and if you are right."*)

Step 3) Have positions ready to execute accordingly given the proper market set up. In this case, we are looking for a pullback to reduce the extreme overbought condition of the market without violating any major levels of support.

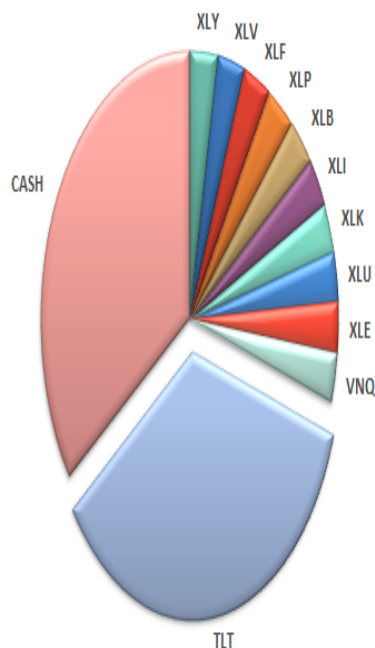
Current & Target ETF Model Allocation

Click To Enlarge

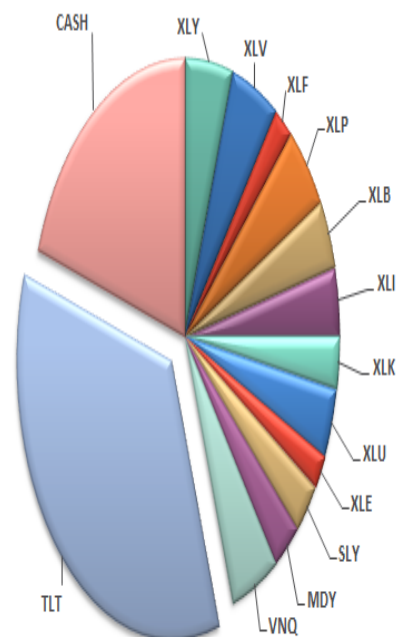
S.A.R.M. Model Allocation (Assume 60/40 Allocation To Equal 401k Plan Manager)

Symbol	Name	Model Weight	SARM Analysis	Adjusted Weight
XYL	Discretionary	3.00%	Lagging	5.00%
XLV	Healthcare	3.00%	Leading	5.00%
XLF	Financials	3.00%	Improving	2.00%
XLP	Staples	3.00%	Weakening	5.00%
XLB	Materials	3.00%	Weakening	4.00%
XLI	Industrials	3.00%	Weakening	4.00%
XLK	Technology	3.00%	Lagging	3.00%
XLU	Utilities	3.00%	Weakening	4.00%
XLE	Energy	3.00%	Leading	2.00%
IDV	International	0.00%	Lagging	0.00%
SLY	Small Cap	0.00%	Leading	3.00%
MDY	Mid Cap	0.00%	Leading	3.00%
VNQ	Real Estate	3.00%	Leading	5.00%
TLT	Bonds	35.00%	Leading	35.00%
CASH	Money Market	35.00%	-----	20.00%

100.00% 0.00% 80.00%



Current ETF Model Allocation



Target Allocation Model

Increasing Weightings In:•

- Discretionary
- HealthCare
- Staples
- Materials
- Industrials
- Utilities
- Small Cap
- Mid Cap
- REITs

No Change In Weighting:

- Technology
- International

Weighting Reductions:

- Financials•
- Energy
- Cash

Given the right "set up" to increase equity allocations, begin by "averaging up" in existing holdings in your portfolio to match model allocation and weights. When, and IF, the market confirms the continuation of the "bullish trend," then begin adding new holdings to the model. As stated repeatedly above, move "stop losses" on all positions up to current critical support levels and maintain a plan for "hedging" portfolio risk should something go wrong.

\$SPX S&P 500 Large Cap Index INDXX

15-Jul-2016

Open 2131.72 High 2169.06 Low 2131.72 Close 2161.74 Volume 10.2B Chg +31.84 (+1.49%)▲

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

The current risk weighting remains at 50% this week but will increase to 75% given appropriate market conditions. •

(**Note:** This is an equally weighted model example and may differ from discussions of overweighting/underweighting specific sectors or holdings.)

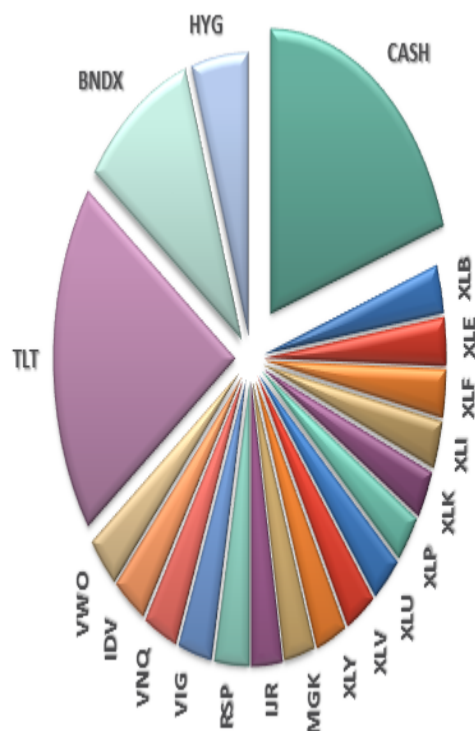
MODEL ALLOCATION		Company			Current	Model	Portfolio	% Adj	
		Ticker	ETF NAME	FULL ETF NAME/IDENTIFICATION	Price	Weight	Weight	Recom	Div Yield
BENCHMARK		IVV	ISHARS-SP500	ISHARES CORE SP 500 ETF	217.03	100%	100%	0%	1.65%
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	48.78	3.64%	2.73%	-0.91%	1.95%
		XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	69.23	3.64%	2.73%	-0.91%	2.76%
		XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	23.52	3.64%	2.73%	-0.91%	1.64%
		XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	58.69	3.64%	2.73%	-0.91%	2.03%
		XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	45.01	3.64%	2.73%	-0.91%	1.85%
		XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	55.70	3.64%	2.73%	-0.91%	2.28%
		XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	52.00	3.64%	2.73%	-0.91%	3.13%
		XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	74.08	3.64%	2.73%	-0.91%	1.47%
	XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	80.98	3.64%	2.73%	-0.91%	1.50%	
	SIZE	MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	86.24	3.64%	2.73%	-0.91%	1.43%
IJR		ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	121.59	3.64%	2.73%	-0.91%	1.34%	
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.14	4.00%	3.00%	-1.00%	1.50%
	Dividend	VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	85.39	4.00%	3.00%	-1.00%	2.08%
	Real Estate	VNQ	VIPERS-REIT	VANGUARD REIT ETF	90.11	4.00%	3.00%	-1.00%	3.92%
	International	IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	29.22	4.00%	3.00%	-1.00%	5.43%
		VWO	VANGD-FTSE EM	VANGUARD FTSE EMERGING MARKETS ETF	36.56	4.00%	3.00%	-1.00%	2.43%
FI	Intermediate Duration	TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	138.39	20.00%	20.00%		2.24%
	International	BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	55.76	10.00%	10.00%		1.73%
	High Yield	HYG	ISHARS-IBX HYCB	ISHARES IBOX \$ HIGH YIELD CORP BOND	85.63	5.00%	5.00%		5.56%
	Cash	BSV	CASH	CASH	1.00	5.00%	20.00%		
75% = X-FACTOR ADJUSTMENT (APPLIED TO TARGET WEIGHTINGS)				Total Equity Exposure		60.00%	45.00%		
EQUITY 60%				Total Fixed Income Exposure		35.00%	35.00%		
FIXED INCOME / CASH 40%				% Portfolio Allocated		95.00%	80.00%		

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.

RELATIVE PERFORMANCE		Company		Current	Model Position Price Changes Relative to Index					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
		Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					
	BENCHMARK	IVV	ISHARS-SP500	217.03	1.48	4.01	3.33	11.51	1.52	209.74	204.03	3.47%	6.37%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	48.78	2.39	(0.66)	(0.01)	14.30	0.83	46.90	44.27	4.01%	10.18%	BUY
		XLE	SPDR-EGY SELS	69.23	0.76	(0.51)	(0.07)	7.42	(5.95)	67.02	62.62	3.29%	10.56%	BUY
		XLF	SPDR-FINL SELS	23.52	1.14	0.01	(3.46)	(3.23)	(8.89)	23.15	22.73	1.61%	3.48%	BUY
		XLI	SPDR-INDU SELS	58.69	1.07	1.30	0.71	5.89	5.34	56.08	53.94	4.66%	8.80%	BUY
		XLK	SPDR-TECH SELS	45.01	0.51	0.54	0.28	(2.37)	2.09	43.35	42.67	3.82%	5.49%	BUY
		XLP	SPDR-CONS STPL	55.70	(1.46)	0.16	3.86	(1.78)	9.72	53.55	51.90	4.02%	7.33%	BUY
		XLU	SPDR-UTIL SELS	52.00	(2.51)	(1.14)	6.49	2.97	18.43	49.86	47.16	4.30%	10.25%	BUY
		XLV	SPDR-HLTH CR	74.08	(0.95)	1.73	(0.26)	(0.07)	(5.27)	71.10	69.53	4.19%	6.54%	BUY
		XLY	SPDR-CONS DISCR	80.98	(1.04)	(0.10)	(1.42)	(2.24)	0.79	78.94	77.35	2.59%	4.69%	BUY
	SIZE	MGK	VANGD-MG CAP GR	86.24	(0.36)	(0.11)	(0.61)	(1.53)	(2.06)	83.61	81.88	3.15%	5.32%	BUY
	IJR	ISHARS-SP SC600	121.59	1.10	1.45	2.24	6.16	0.94	115.18	110.42	5.56%	10.12%	BUY	
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	83.14	0.40	0.32	0.31	3.35	1.06	80.03	77.00	3.89%	7.98%	BUY
	Dividend	VIG	VANGD-DIV APPRC	85.39	(0.42)	0.08	1.34	0.87	4.21	82.19	79.38	3.89%	7.58%	BUY
	Real Estate	VNQ	VIPERS-REIT	90.11	(1.14)	1.21	6.87	5.52	12.25	85.42	84.20	5.86%	10.88%	BUY

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 2 several weeks ago to 19 this past week. The risk-adjusted equally weighted model has been increased to 75%. However, as stated above, a pullback in the markets is needed before making any changes.

Sample 100,000 Portfolio (Equally Weighted Based On 401k Plan Manager)				\$ 100,000
Symbol	Name	Description	Price	Weight
CASH	Cash/Money Market		1.00	\$ 20,000
XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	48.78	\$ 2,727
XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	69.23	\$ 2,727
XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	23.52	\$ 2,727
XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	58.69	\$ 2,727
XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	45.01	\$ 2,727
XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	55.70	\$ 2,727
XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	52.00	\$ 2,727
XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	74.08	\$ 2,727
XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	80.98	\$ 2,727
MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	86.24	\$ 2,727
IJR	ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	121.59	\$ 2,727
RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.14	\$ 3,000
VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	85.39	\$ 3,000
VNQ	VIPERS-REIT	VANGUARD REIT ETF	90.11	\$ 3,000
IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	29.22	\$ 3,000
VWO	VANGD-FT SE EM	VANGUARD FT SE EMERGING MARKETS ETF	36.56	\$ 3,000
TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	138.39	\$ 20,000
BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	55.76	\$ 10,000
HYG	ISHARS-IBX HYCB	ISHARES IBOX \$ HIGH YIELD CORP BOND	85.63	\$ 5,000



Such an increase will change model allocations to:

- 20% Cash
- 35% Bonds
- 45% in Equities.

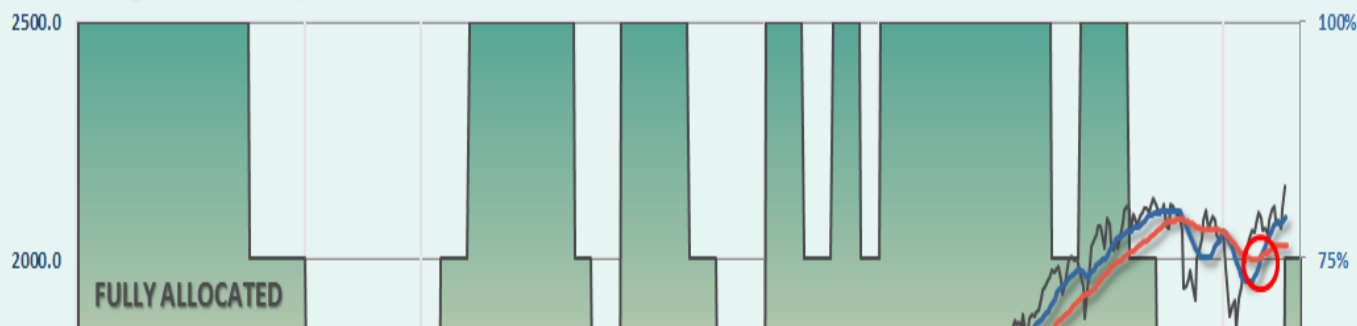
As always, this is just a guide, not a recommendation. It is completely OKAY if your current allocation to cash is different based on your personal risk tolerance, time frames, and goals. For longer-term investors, we still need to see improvement in the fundamental and economic backdrop to support the resumption of a long-term 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

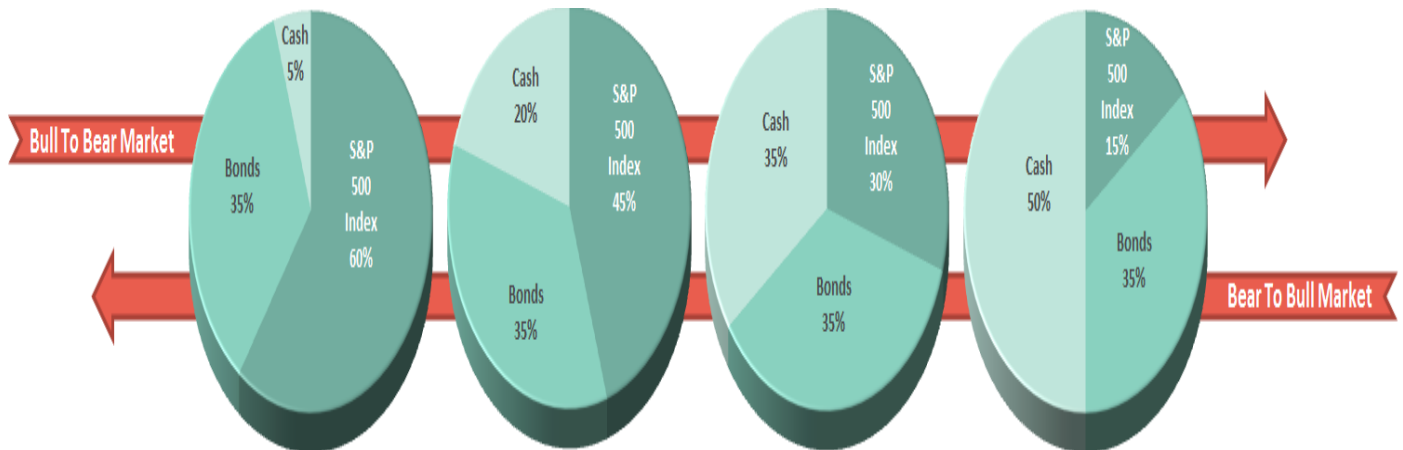
Risk Management Analysis

REALINVESTMENTADVICE.COM



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.



Market Breaks Out, Waiting To Increase Model

As discussed above, the push of liquidity by global Central Banks is flooding into the U.S. In turn, this has rocketed equity prices higher subsequently breaking out above a 13-month long consolidation process. As I had stated over past weeks:

"With the technical underpinnings still bullishly biased at the moment, we are now in the position to increase equity allocations over the next couple of weeks."

As is always the case, by the time markets makes a significant technical change, prices are generally at an extreme overbought or oversold condition. This is the case currently with the breakout which has created an extreme overbought condition in the short term. While we certainly want to prepare ourselves to increase equity exposure in portfolios, we must patiently wait for the right conditions to apply those increases. Furthermore, while waiting for the relaxation of prices to make more prudent entries, it also enables investors to bypass potential "head fakes" of market actions. While historically speaking, buying initial breakouts generally works to the advantage of the investor, there are plenty of precedents where breakouts marked the top of a price trend before the next major decline. Waiting to make prudent adjustments to allocations can help mitigate the risk of a false breakout.

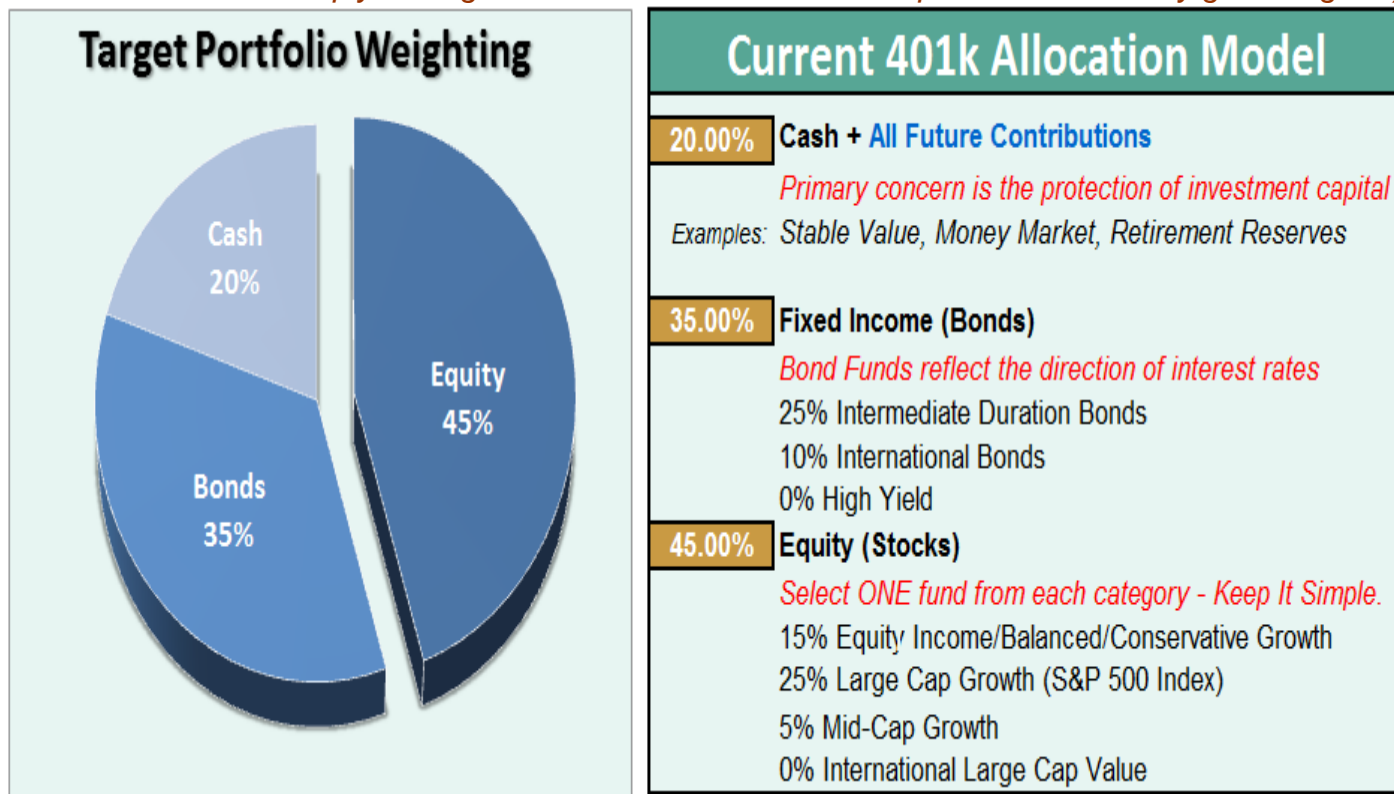
- **Review** the allocation model adjustments below
- **Identify** the next course of actions in your 401k-plan
- **Wait** to make adjustments until technical conditions improve.
- **Change** allocations to target levels when conditions are right.

Patience for one more week. 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	Equity Large Cap	Vanguard Total Stock Market
	Money Market		Vanguard S&P 500 Index
Fixed Income	Retirement Savings Trust		Vanguard Capital Opportunities
	Fidelity MIP Fund		Vanguard PrimeCap
	G-Fund		Vanguard Growth Index
	Short Term Bond		Fidelity Magellan
	Pimco Total Return		Fidelity Large Cap Growth
	Pimco Real Return		Fidelity Blue Chip
	Pimco Investment Grade Bond		Fidelity Capital Appreciation
	Vanguard Intermediate Bond		Dodge & Cox Stock
	Vanguard Total Bond Market		Hartford Capital Appreciation
	Babson Bond Fund		American Funds AMCAP
International	Lord Abbeft Income	Balanced Funds	American Funds Growth Fund Of America
	Fidelity Corporate Bond		Oakmark Growth Fund
	Western Asset Mortgage Backed Bond		C-Fund (Common Assets)
	Blackrock Total Return		ALL TARGET DATE FUNDS 2020 or Later
	Blackrock Intermediate Bond		Vanguard Balanced Index
	American Funds Bond Fund Of America		Vanguard Wellington Fund
	Dodge & Cox Income Fund		Vanguard Windsor Fund
	Doubleline Total Return		Vanguard Asset Allocation
	F-Fund		Fidelity Balanced Fund
			Fidelity Equity Income
	American Funds Capital World G&I		Fidelity Growth & Income
	Vanguard Total International Index		American Funds Balanced
	Blackrock Global Allocation Fund		American Funds Income Fund
	Fidelity International Growth Fund		ALL TARGET DATE FUNDS 2020 or Sooner
	Dodge & Cox International		

A stylized, handwritten signature in black ink, appearing to read 'Lance Roberts'.

Lance Roberts

Lance Roberts is a Chief Portfolio

Strategist/Economist for Clarity Financial. He is also the host of [?The Lance Roberts Show?](#) and Chief Editor of the [?Real Investment Advice?](#) website and author of [?Real Investment Daily?](#) blog and [?Real Investment Report?](#). Follow Lance on [Facebook](#), [Twitter](#) and [Linked-In](#)