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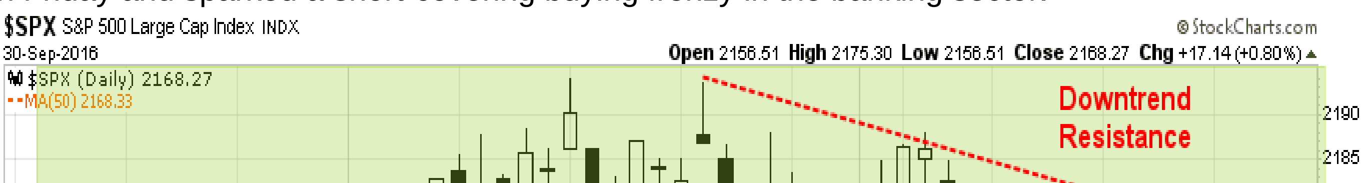
Thursday night on the *"Real Investment Hour"* radio show, I noted it was quite likely the market would get a bounce as soon as something was done to shore up the issues surrounding Deutsche Bank. **Well, on Friday, that happened as [Agence France Press (AFP)]() reported that Deutsche Bank was nearing a $5.4 Billion settlement with the U.S. Justice Department.** A largely reduced fine shored up some of the capital concerns for the bank sparking a huge rally in its shares on Friday and sparked a short-covering buying frenzy in the banking sector.



In other words, for the week, we round-tripped right back to where we started - again. How about that for volatility? **The GOOD news** is the market has continued to hold support along•the bullish trend line which goes back to the February lows. **This continued defense of bullish support has been consistent enough to allow us to add a•small trading position of an equal weight S&P 500 index ETF to portfolios.•Importantly, this is a trading position only currently with a stop set at the bullish trend line support.•The BAD news•**continues to outweigh the good, unfortunately. As shown in the chart above, the market was **unable to close above the 50-dma keeping that level of resistance intact.** Furthermore, the intra-day rally failed at both the average of the previous trading range and the downtrend resistance line from the August highs. Furthermore, the reprieve given to Deutsche Bank on Friday will likely be short-lived as the bank has now been charged by Italy for market manipulation, and like Wells Fargo, creating *"false accounts."*•

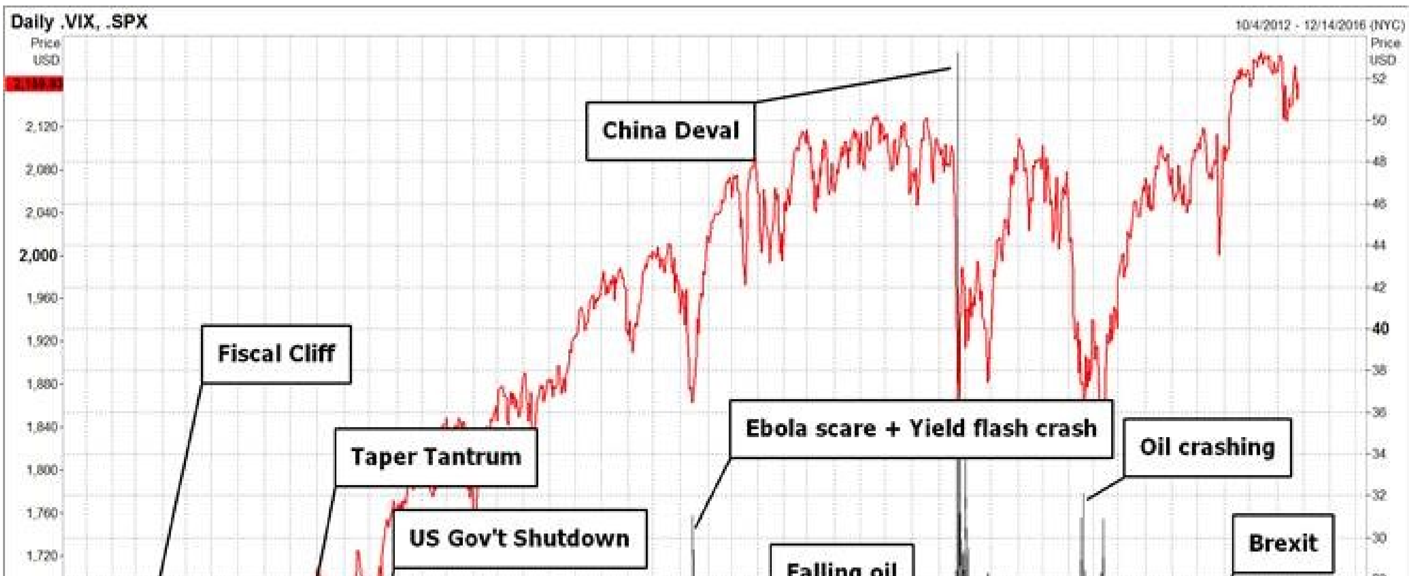
> *"In what appears to be another case of "Wells Fargo-esque" scapegoating of junior employees to keep senior execs off the hook, just weeks after Milan prosecutors shelved a probe against Monte Paschi's former chairman and CEO for alleged market manipulation and false accounting as it "risked undermining investor sentiment", a* ***judge approved a request by Milan prosecutors to try the bankers on charges involving two separate derivative transactions arranged with Nomura and Deutsche Bank****, said a lawyer involved in the case who was in the courtroom Saturday as the decision was announced Bloomberg reports. Just as importantly, the* ***firms are also named as defendants in the indictment****, as the Italian law provides for a direct liability of legal entities for certain crimes committed by their representatives. Which means even more legal charges, fines and settlements are looking likely in DB's future."*

While this**continues to suggest the markets will remain under pressure next week, it is also important not•to become overly bearish at the moment•**As I tweeted out earlier this week, the global Central Bank spigots are still turned fully on:

> Quick look at global Central Bank Balance sheets. Anybody asking what happens when the lines go in the other direction? pic.twitter.com/tkNtmdo9O1
>
> ? Lance Roberts (@LanceRoberts) September 29, 2016

There is an obvious and concerted effort by Central Banks globally to keep asset prices afloat while global economies remain weak. As the old saying goes, *"don't fight the Fed."* which goes to the point made by•CitiFX's Brent Donnelly(via Zerohedge):

> ***"That said, I almost feel stupid being bearish*** *given it has been such an incredibly popular and incredibly losing strategy for so long and there have been so many false starts over the past few years."*



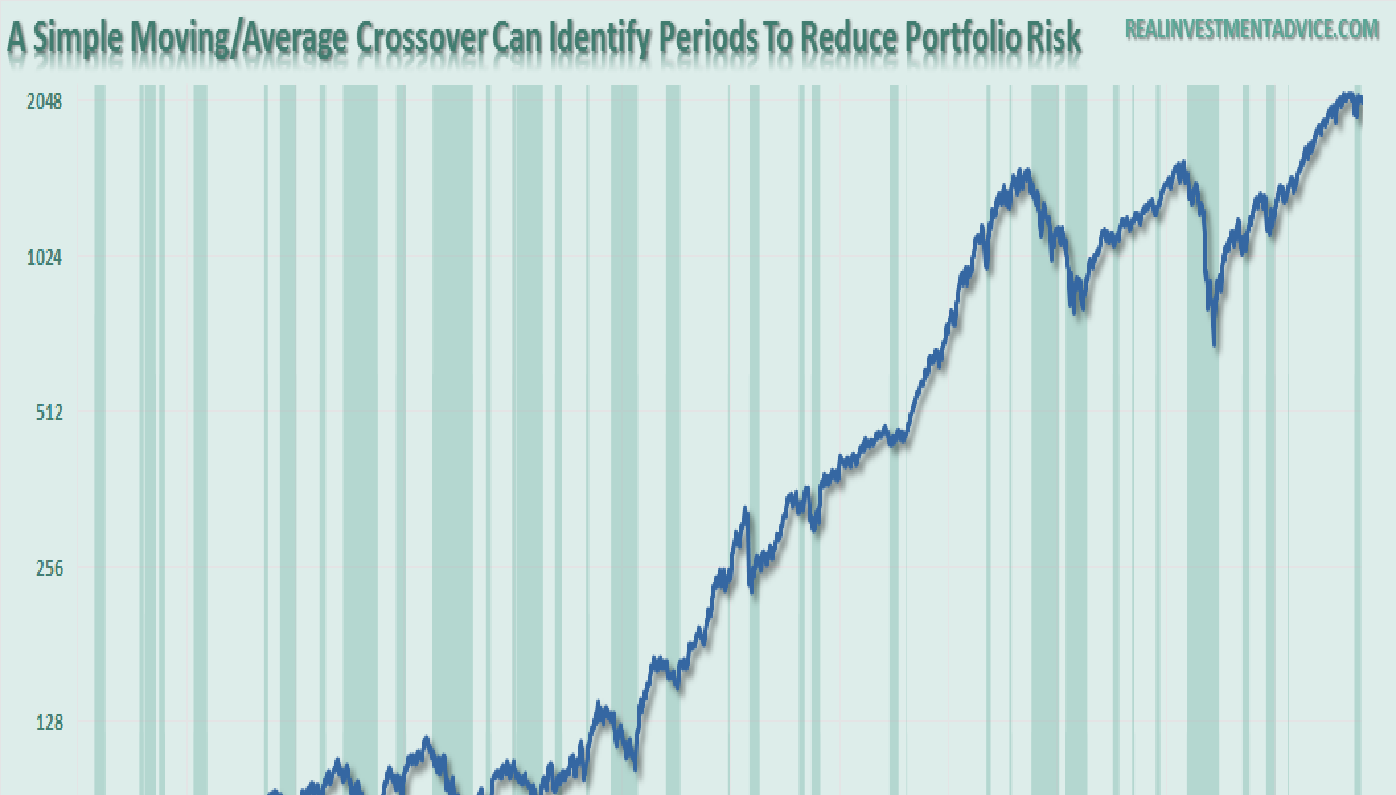
Yes, it certainly seems as if Central Banks have figured it out. The question is simply what happens when they run out of stuff to buy?

Mistaken Identity

The point the Brent makes is very important. **Last week, one of the firms clients called my partner and asked why his portfolio was still weighted in equities when I was so clearly *"bearish"* on the market.** I am not bearish on the markets. I am not bullish on the markets either. As I have often stated, my job as a portfolio manager is simple; **invest money in a manner that creates returns on a short-term basis but reduces the possibility of catastrophic losses which wipe out years of•growth.The problem with being with *"bullish"* or *"bearish"* is that you develop a *"confirmation"* bias which blinds you to potential problems with your investments.**

> *"But Lance, every time I read your stuff all you do is point out the bad stuff."*

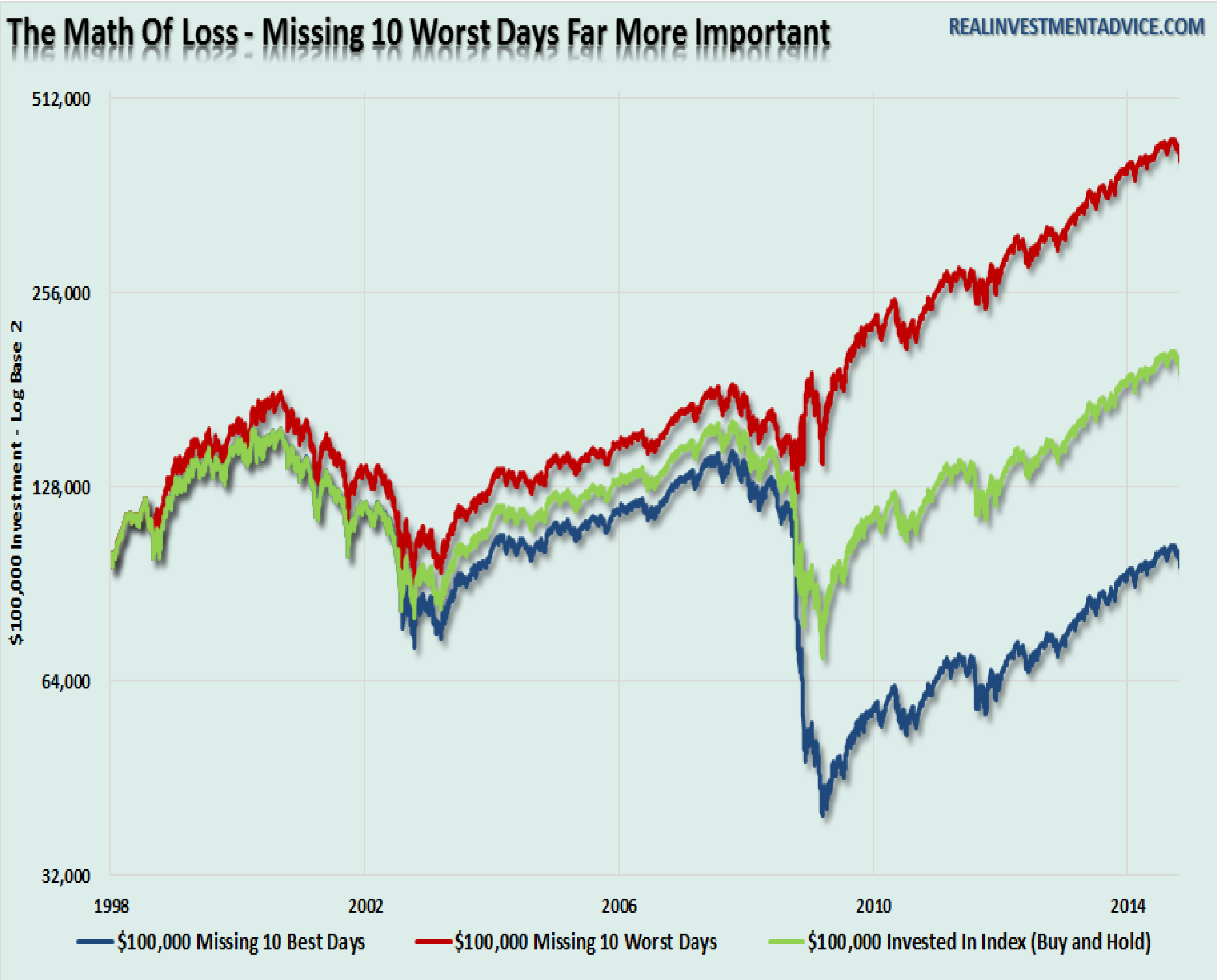
That is correct. If you want the bullish spin on everything turn on CNBC. My portfolios are currently invested. **Me telling you why the market is going up is a bit pointless and not very helpful. What IS helpful is being aware of the potential issues which could rapidly remove a large chunk of our invested capital. This is what is deemed as *"risk."*•**So yes, each week I point out the risk that could hurt you. **If that makes me a *"bear,"* so be it,** but•I have survived the*"Crash of '87," the "Asian Contagion," "Long-Term Capital Management," the "Dot.com Crash," and the "Financial Crisis,"* and am still here. The reason I consistently point out methodologies and procedures to take profits, trim losses, and rebalance overall portfolio risk is to make sure you survive the next downturn as well. **There are no great investors of our time that*?buy and hold?*•investments.**Even the great Warren Buffett occasionally sells investments. **Real investors buy when they see value, and sell when value no longer exists.**•While there are many sophisticated methods of handling risk within a portfolio, even using a basic method of price analysis, such as a moving average crossover, can be a valuable tool over the long term holding periods. **Will such a method ALWAYS be right? Absolutely not.** However, will such a method keep you from losing large amounts of capital? Absolutely. The chart below shows a simple moving average crossover study. The actual moving averages used are not relevant, but what is clear is that using a basic form of price movement analysis can provide a useful identification of periods when portfolio risk should be**REDUCED.•Importantly, I did not say risk should be eliminated; just reduced.**



Again, I am not implying, suggesting or stating that such signals mean going 100% to cash. What I am suggesting is when *?sell signals?*•are given it is the time for•individuals to•perform some basic portfolio risk management such as:

- *Trimming back winning positions to original portfolio weights:* ***Investment Rule: Let Winners Run***
- *Sell positions that simply are not working (if the position was not working in a rising market, it likely won?t in a declining market.)*• ***Investment Rule: Cut Losers Short***
- *Hold the cash raised from these activities until the next buying opportunity occurs.* ***Investment Rule: Buy Low***

The reason that portfolio risk management is so crucial is that it is not*?missing the 10-best days?*•that is important; it is*?missing the 10-worst days.?*•The chart below shows the comparison of $100,000 invested in the S&P 500 Index•*(log scale base 2)*•and the return when adjusted for missing the 10 best and worst days.



Clearly, avoiding major drawdowns in the market is key to long-term investment success. **If I am not spending the bulk of my time making up previous losses in my portfolio, I spend more time growing my invested dollars towards my long term goals. There are many half-truths perpetrated on individuals by Wall Street to sell products, gain assets, etc.** However, if individuals took a moment to think about it, the illogic of many of these arguments are readily apparent. **Chasing an arbitrary index that is 100% invested in the equity market requires you to take on far more risk that you realize.** Two massive bear markets over the last decade have left many individuals further away from retirement than they ever imagined. Furthermore, **all investors** lost something far more valuable than money ? **the•TIME needed to achieve their goal.**

To win the long-term investing game, your portfolio should be built around the things that matter most to you.

- ***Capital preservation***
- ***A rate of return sufficient to keep pace with the rate of inflation.***
- *Expectations based on realistic objectives.• (**The market does not compound** at 8%, 6% or 4% every year, **losses matter**)*
- ***Higher rates of return require an exponential increase in the underlying risk profile.*** *This tends to not work out well.*
- ***You can replace lost capital ? but you can?t replace lost time.*** *Time is a precious commodity that you cannot afford to waste.*
- ***Portfolios are time-frame specific****. If you have a 5-years to retirement but build a portfolio with a 20-year time horizon (taking on more risk) the results will likely be disastrous*.

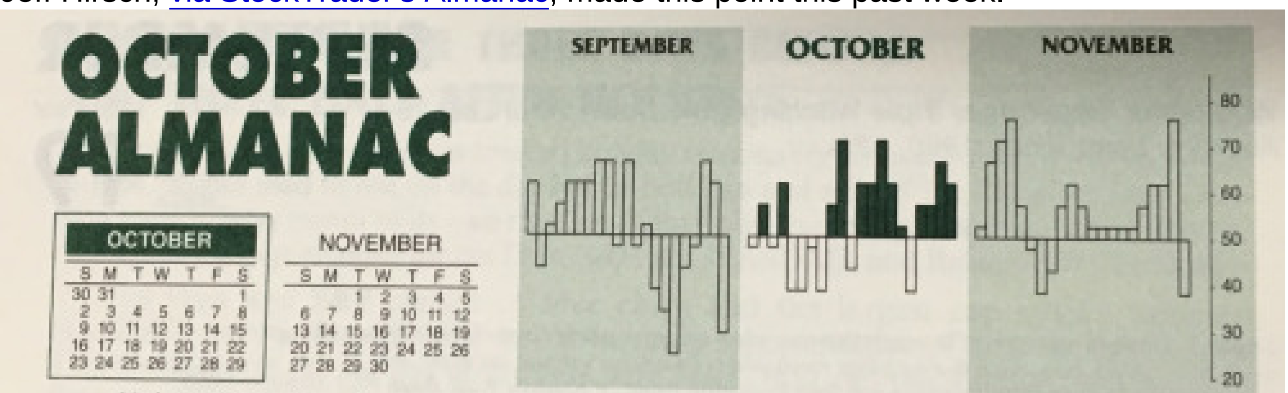
The index is a mythical creature, like the Unicorn, and chasing it has historically led to disappointment. Investing is not a competition, and there are horrid consequences for treating it as such. Despite the ongoing Central Bank interventions which seemingly have replaced all fundamental and economically driven market cycles, I can assure you *"this time is not different."*• **The rising risk of the next asset bubble is clearly present and the ending will be just as brutal as the last.**•When will that end come? No one knows for sure, **but it will come when you absolutely least expect it.**As I previously wrote:

> *"In the end, it does not matter **IF** you are 'bullish'•or 'bearish.'•The reality is that both are owned by the 'broken clock'•syndrome during the full-market cycle.**However, what is grossly important in achieving long-term investment success is not necessarily being ?right? during the first half of the cycle, but by not being ?wrong? during the second half."***

Paying attention to the *"risk"* doesn't make you *"bearish,"* it allows you to survive•the long-term investment game.

October Surprise

Another inflection on Friday's market action was the end-of-the-quarter *"window dressing"* by mutual and hedge funds. This is where portfolio managers•buy positions•they need to report on their quarter-end statements as owning. For example, if Apple ($AAPL) is the *"hot stock,"* and the fund manager doesn't have it in the portfolio, he buys it so it will show up on the quarter-end report. This hopefully keeps investors happy and invested in the fund. Yes, just more fun and games on Wall Street to keep you buying the *"product"* they are selling. **Considering what is going on at Wells Fargo, which, like cockroaches, if it is happening at one Wall Street bank it is happening at all of them, you should be•figuring out Wall Street is not actually looking out for your *"best interest."*** However, this quarter-end action leads to volatility in markets which can distort investor attitudes on a short-term basis and obfuscate some of the inherent market risks. Like September, October also tends to be a month where *"bad things"* can happen in the market. Jeff Hirsch, [via StockTrader's Almanac](), made this point this past week.



*"**October has a frightful history of market crashes such as in 1929, 1987, the 554-point drop on October 27, 1997, back-to-back massacres in 1978 and 1979, Friday the 13th in 1989 and the 733-point drop on October 15, 2008.** During the week ending October 10, 2008, Dow lost 1,874.19 points (18.2%), the worst weekly decline in our database going back to 1901, in point and percentage terms. It is no wonder that the term 'Octoberphobia' has been used to describe the phenomenon of major market drops occurring during the month. But October has also been a turnaround month?a 'bear killer'. Twelve post-WWII bear markets have ended in October: 1946, 1957, 1960, 1962, 1966, 1974, 1987, 1990, 1998, 2001, 2002 and 2011 (S&P 500 declined 19.4%). However, eight were midterm bottoms. **This year is neither a midterm year, nor is a bear market in progress, thus October?s performance in past election years is of greater importance. Election-year Octobers rank dead last for Dow, S&P 500 (since 1952), Russell 1000, and Russell 2000 (since 1980). NASDAQ fairs slightly better, with October being the second worst month in election years since 1972.** Eliminating gruesome 2008 from the calculation provides a moderate amount of relief, as rankings climb to mid pack. Should a meaningful decline materialize in October it is*

depressed technology

Election Year Oct. Performance since 1952

	Rank	Avg %	Up	Down
DJIA	12	–0.8	8	8
S&P 500	12	–0.7	9	7
NASDAQ*	12	–2.1	4	7
Russell 1K**	12	–1.4	5	4
Russell 2K**	12	–2.6	3	6

** Since 1972, ** Since 1980*

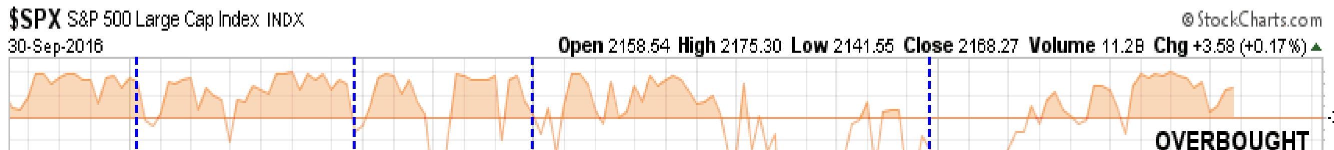
The idea of a buying opportunity does line up with the seasonal tendency for year-end rallies. However, while the odds suggest that such a rally is likely, it must be tempered by the issues•of weakening economic data, deteriorating fundamentals, declining profits and a Federal Reserve who insists on trying to raise interest rates. Just be careful. Currently, there are more things that can wrong than right. **That isn't "bearish," it is just a fact.•**

THE MONDAY MORNING CALL

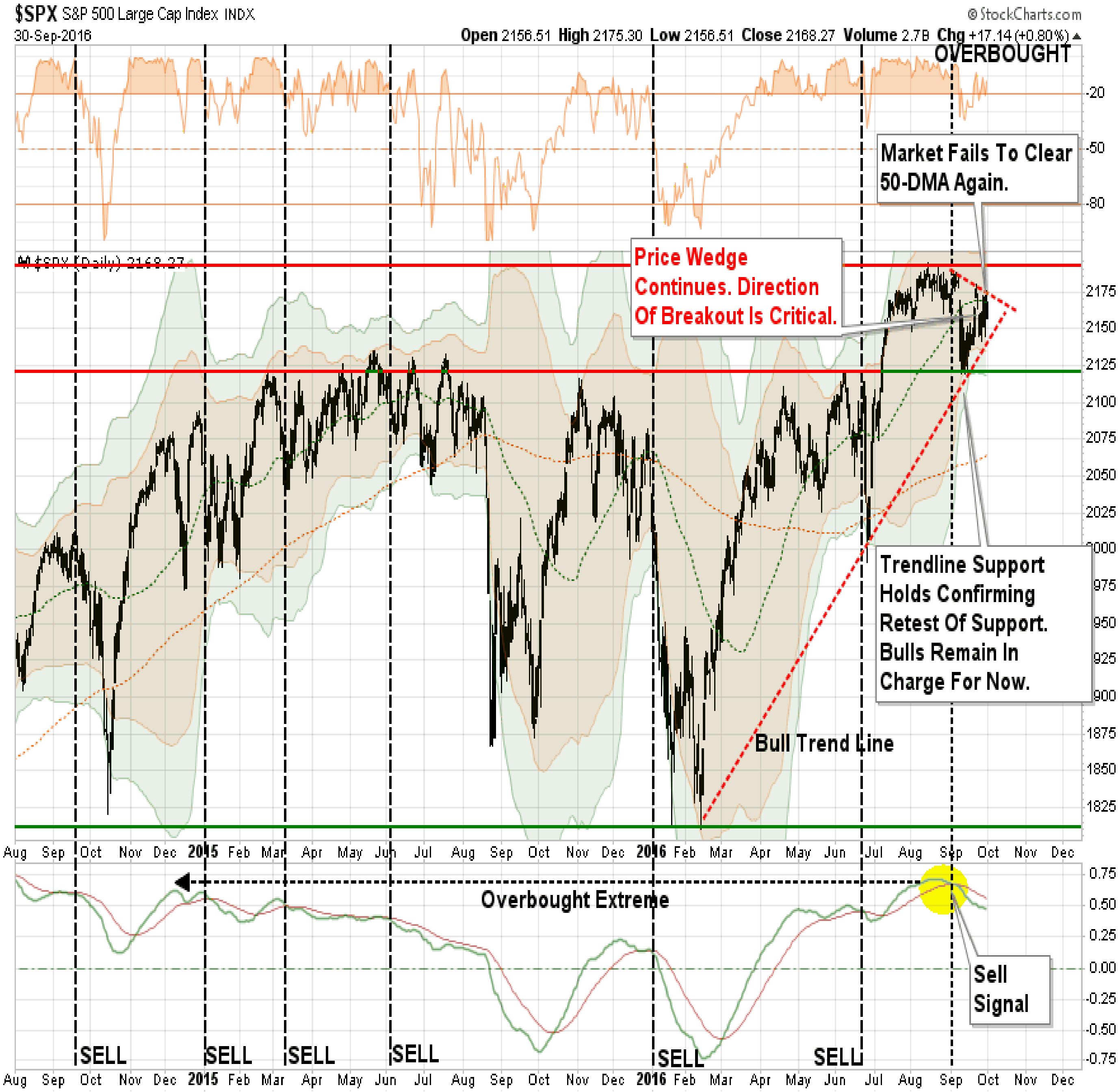
The Monday Morning Call•- Analysis For Active Traders

Market Update

Last week, I analyzed each of the major sectors and markets. [Click here](#)to review that analysis. Outside of a volatile price week, not much has changed in terms of the broader market keeping allocations reduced from targeted levels currently. Let's start with a weekly chart:



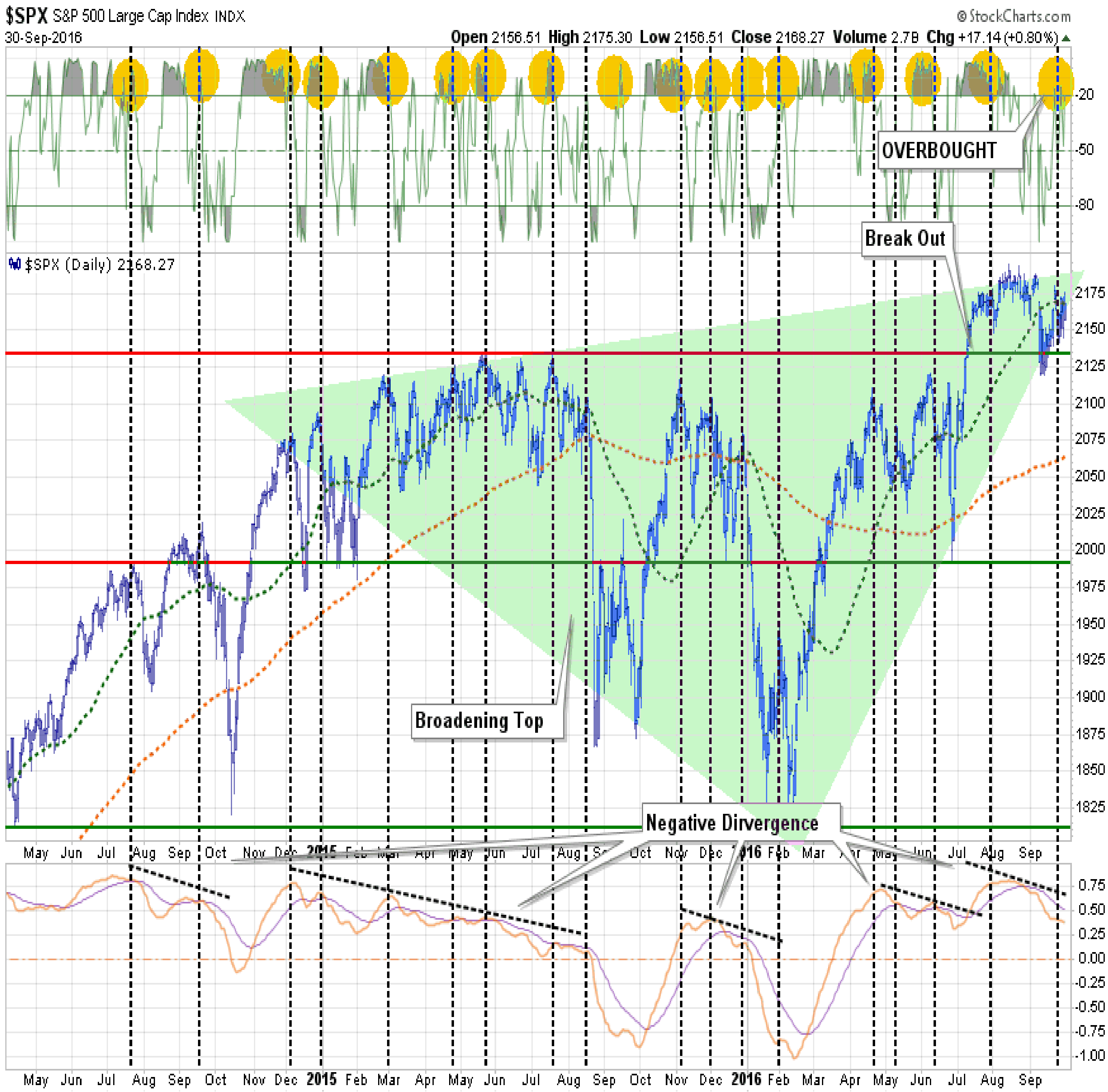
As stated at the beginning of this missive, the bullish trend remains intact currently and the *"buy signal"* from the February lows is still rising. However, that *"buy signal,"* as shown at the bottom of the chart, is close to reversing. With the S&P 500 currently in a very tight consolidation pattern, a break to the downside would likely quickly test support where the previous breakout level intersects with the bullish trend from the February lows. **A violation of that level would likely lead to a rather sharp market correction of 8-10%.** We can see this pattern a bit more clearly by looking at a daily chart.



The dashed red-lines show the consolidating *"wedge"* pattern currently building. **A break out of this consolidation to the upside will lead to a very quick test of old highs with a breakout to *"new highs"* being an opportunity to increase equity exposure in portfolios for a seasonal year-end advance.**•As shown, the market on a short-term basis remains extremely overbought and on a *"sell signal"* currently. This puts the market at risk of a break to the downside. **Such a break will likely see markets quickly attempt a test of the 200-dma around 2060, with 2000 being the next most likely support.**•As [I wrote Tuesday](#):

> ***"Currently, the market continues to struggle under an 'active sell signal'•and the bullish trend support is not far below.*** *If the market fails support of that trend-line*

expect a bigger correction to ensue. Combined with current overbought conditions that still need to be resolved, ***the investment risk•remains to the downside currently. This is also confirmed by the next chart below."***



"The markets remain confined within what currently appears to be a broadening topping pattern, or megaphone, which historically suggest a much bigger correction may be in the works. *As with the chart above, the overbought condition of the market, combined with active sell signals, suggests the environment for more aggressive equity exposure is not currently present. For now, we wait until the market resolves this current process by either breaking out to new highs confirming the bullish trend ? OR ? breaking the bullish trend line and beginning a larger correction process.* ***Guessing at what happens next tends to not work out well for investors historically."***

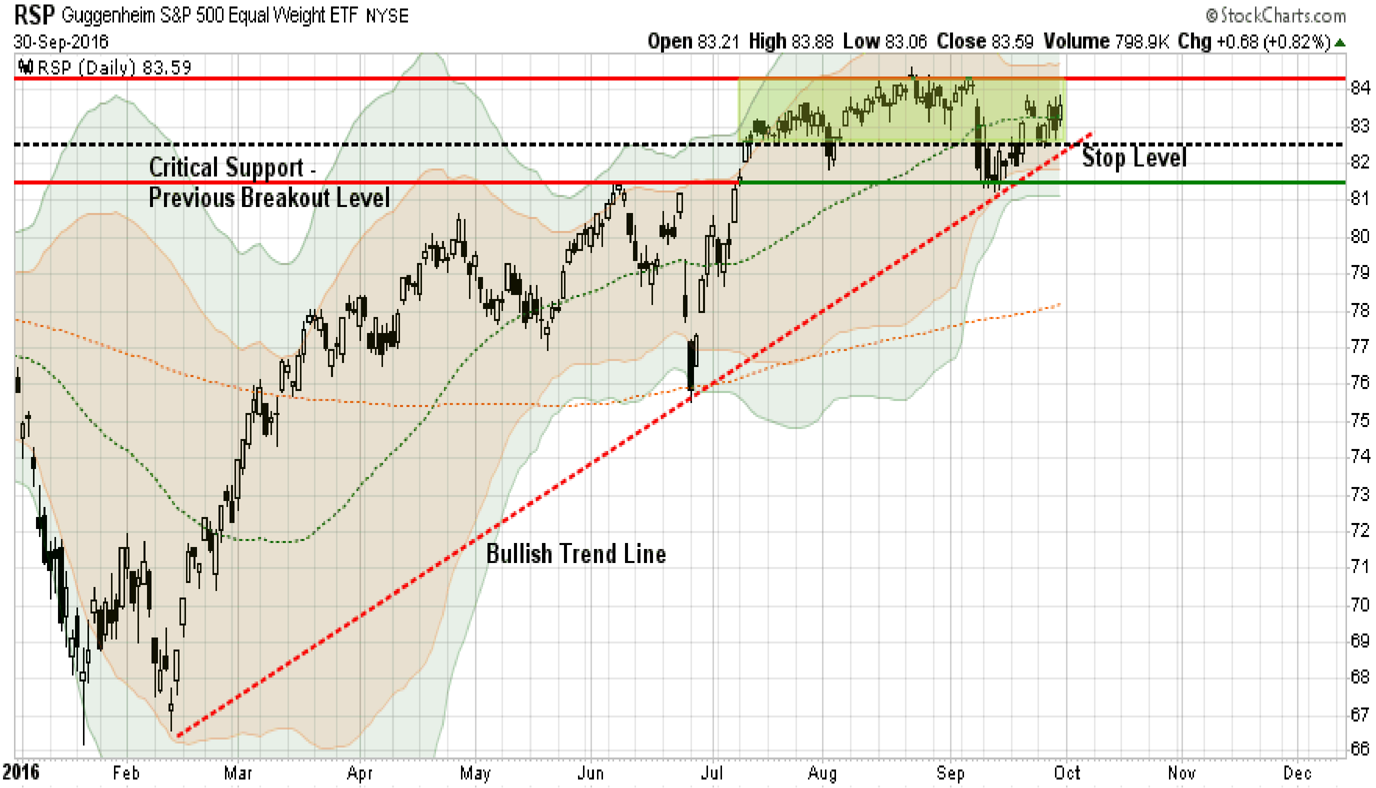
As I stated above. The *"bullish trends,"* supported by ongoing Central Bank interventions, remain intact for now. **Therefore, we remain invested, but do so cautiously with an eye on the risk of something eventually going wrong and plan for doing something about it when it does.•*Do***

not dismiss the last sentence. It is critically important for you to remember that "having a plan," and not "acting on the plan," is the same as having "no plan at all."•

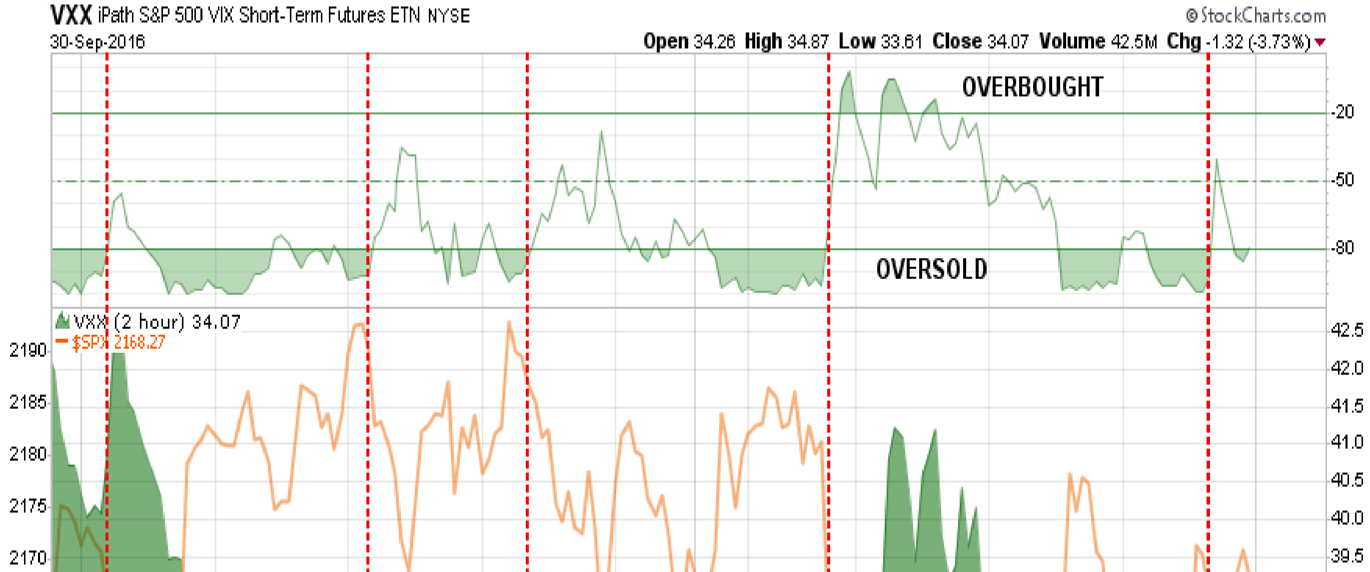
Model Update

S.A.R.M.•Sector Analysis & Weighting

After a volatile price week, nothing much has changed from last week. While the advance was good, it failed to clear the 50-dma and which remains resistance for now. **While actual•portfolio equity risk weightings remain below our target of 75%•again this week;** the consolidation pattern of the market keeps us somewhat on hold. However, as stated above, **I did add a small trading position to the portfolios of an equal weight S&P 500 index ETF**. I am maintaining a very tight stop at the current running bullish trend line, as shown below. I am not highly confident in the addition of the position at the current time, but the market has continued to consistently hold the bullish trend line. **Again, this is a trading position and NOT a long-term hold at this point.•**



Once we see how markets open on Monday, I will consider adding•an equal sized position to portfolios of the Volatility Index (VXX) as a hedge if necessary. I will update this analysis in Tuesday's Technically Speaking post [(click here for free e-delivery)](#)



Outside of the addition of the one trading position this week, I do have sector specific trading positions loaded into the system which will be executed consistent with a breakout to new highs. Let's take a look at the equal weighted portfolio model.

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

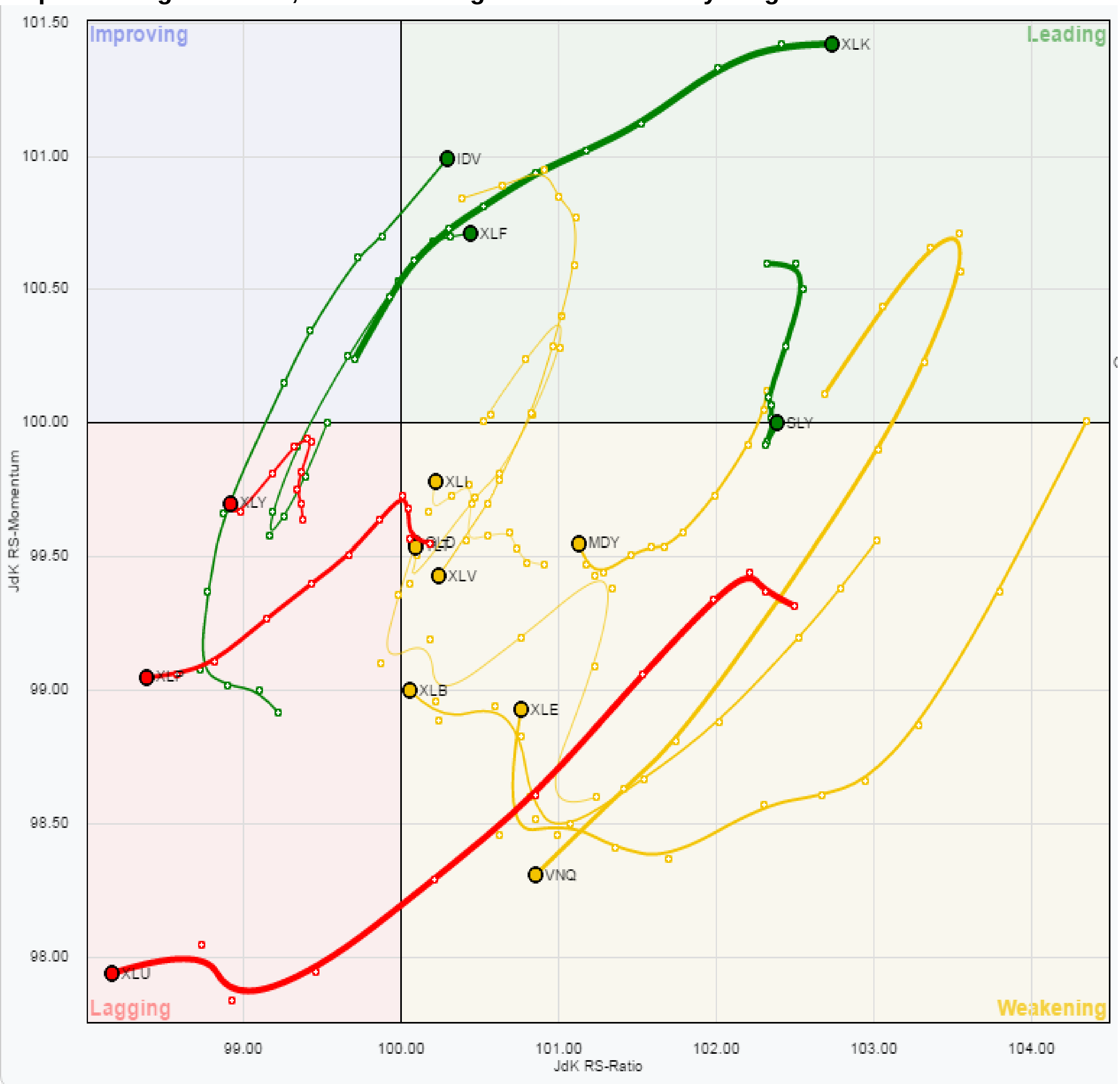
MODEL ALLOCATION		Ticker	ETF NAME	FULL ETF NAME/IDENTIFICATION	Current Price	Model Weight	Portfolio Weight	% Adj Recom	Div Yield
	BENCHMARK	IVV	ISHARS-SP500	ISHARES CORE SP 500 ETF	217.56	100%	100%	0%	1.65%
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	47.75	3.64%	2.73%	-0.91%	2.00%
		XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	70.61	3.64%	2.73%	-0.91%	2.61%
		XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	19.30	3.64%	2.73%	-0.91%	2.01%
		XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	58.38	3.64%	2.73%	-0.91%	2.09%
		XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	47.78	3.64%	2.73%	-0.91%	1.76%
		XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	53.21	3.64%	2.73%	-0.91%	2.43%
		XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	48.99	3.64%	2.73%	-0.91%	3.35%
		XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	72.11	3.64%	2.73%	-0.91%	1.53%
		XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	80.04	3.64%	2.73%	-0.91%	1.53%
	SIZE	MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	87.48	3.64%	2.73%	-0.91%	1.46%
		IJR	ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	124.15	3.64%	2.73%	-0.91%	1.31%
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.59	4.00%	3.00%	-1.00%	1.47%
	Dividend	VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	83.93	4.00%	3.00%	-1.00%	2.05%
	Real Estate	VNQ	VIPERS-REIT	VANGUARD REIT ETF	86.74	4.00%	3.00%	-1.00%	3.90%
	International	IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	29.98	4.00%	3.00%	-1.00%	5.42%
		VWO	VANGD-FTSE EM	VANGUARD FTSE EMERGING MARKETS ETF	37.63	4.00%	3.00%	-1.00%	2.36%
FI	Intermediate Duration	TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	137.51	20.00%	20.00%		2.06%
	International	BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	56.04	10.00%	10.00%		1.61%
	High Yield	HYG	ISHARS-IBX HYCB	ISHARES IBOXX $ HIGH YIELD CORP BOND	87.26	5.00%	5.00%		4.97%
	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%	45.00%	*Total Fixed Income Exposure*	35.00%	35.00%
	FIXED INCOME / CASH	40%	55.00%	*% 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		Ticker	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	217.56	(0.36)	(0.94)	1.73	4.20	10.96	217.53	209.73	0.01%	3.74%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	47.75	1.29	(2.10)	(0.05)	(0.46)	4.49	48.18	46.31	-0.89%	3.11%	BUY
		XLE	SPDR-EGY SELS	70.61	4.75	3.16	2.55	6.93	(0.37)	68.53	65.46	3.03%	7.86%	BUY
		XLF	SPDR-FINL SELS	19.30	(0.05)	(20.51)	(17.52)	(19.92)	(25.94)	23.10	22.76	-16.45%	-15.21%	BUY
		XLI	SPDR-INDU SELS	58.38	1.51	0.01	0.28	(0.04)	4.85	58.09	56.03	0.50%	4.20%	BUY
		XLK	SPDR-TECH SELS	47.78	0.97	1.85	6.54	3.56	8.25	46.48	44.23	2.80%	8.03%	BUY
		XLP	SPDR-CONS STPL	53.21	0.12	(1.99)	(6.18)	(3.87)	0.26	54.47	53.33	-2.31%	-0.23%	BUY
		XLU	SPDR-UTIL SELS	48.99	(3.47)	(0.35)	(8.49)	(4.00)	2.05	50.75	49.44	-3.47%	-0.92%	BUY
		XLV	SPDR-HLTH CR	72.11	(1.01)	0.20	(3.87)	(1.22)	(5.37)	73.59	70.81	-2.01%	1.84%	BUY
		XLY	SPDR-CONS DISCR	80.04	0.83	(0.10)	(2.45)	(3.51)	(5.48)	80.58	78.61	-0.67%	1.82%	BUY
	SIZE	MGK	VANGD-MG CAP GR	87.48	0.37	0.84	0.85	(0.27)	(0.71)	86.98	83.82	0.58%	4.37%	BUY
		IJR	ISHARS-SP SC600	124.15	(0.21)	0.05	3.01	5.06	4.68	122.20	115.33	1.60%	7.65%	BUY
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	83.59	0.71	0.21	0.71	1.36	1.06	83.22	79.83	0.44%	4.71%	BUY
	Dividend	VIG	VANGD-DIV APPRC	83.93	0.31	(1.07)	(2.39)	(1.65)	1.35	84.78	82.06	-1.00%	2.27%	BUY
	Real Estate	VNQ	VIPERS-REIT	86.74	(1.66)	(2.16)	(5.14)	(0.17)	2.48	89.21	84.75	-2.76%	2.35%	BUY
	International	IDV	ISHARS-INTL SD	29.98	0.06	(0.08)	3.81	(2.57)	(6.61)	29.58	29.01	1.36%	3.36%	BUY
		VWO	VANGD-FTSE EM	37.63	0.20	(0.29)	4.54	2.98	(0.51)	37.24	34.90	1.05%	7.81%	BUY

Notice in the next to last column to the right, the majority of sectors which have previously been pushing extreme levels of deviation from their long-term moving average, have corrected much of those extremes.•Financials, Basic Materials, Staples, Utilities, REIT's and Bonds are currently at the biggest deviations below their short-term moving average. Historically speaking, and as noted above, such deviations would suggest these sectors deserve some attention in portfolios as this is where buying opportunities TEND to exist. **It also supports the comment above that a further consolidation or correction in the markets is likely as these more defensive sectors tend to benefit from the rotation from *"risk"* to *"safety."*•**The chart below is the *"spaghetti"* chart, via StockCharts, showing the relative strength/performance rotation of sectors relative to the S&P 500. **If we are trying to *"beat the index"* over time, we want to overweight sectors/asset classes that are either improving in performance or outperforming the index, and underweight or exclude everything else.•**



10 weeks ending Sep 30, 2016

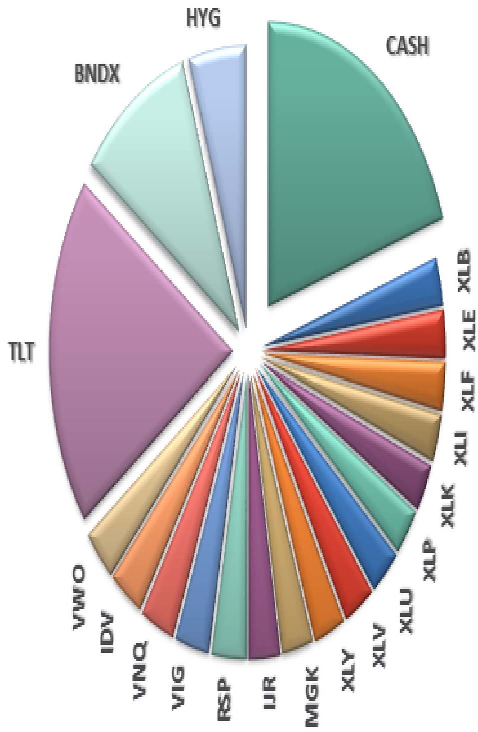
chart	visible	tail	symbol	name	sector	industry	price	%chg
	✔		XLK	Technology Select Sector SPDR Fund			47.78	4.7
	✔		SLY	SPDR S&P 600 Small Cap ETF			111.54	2.3
	✔		IDV	iShares International Select Dividend ETF			29.98	4.1
	✔		XLF	Financial Select Sector SPDR Fund			19.30	1.0
	✔		VNQ	Vanguard REIT ETF			86.74	-4.8

Utilities, Staples and Discretionary have remained under pressure this past week and leadership picked up in International, Small Cap and Financial sectors due to the short-covering push on Friday. However, given that a bulk of the sectors remain either in weakening or lagging sectors, this suggests the current advance in the market remains on relatively weak footing. **Profits should be taken out of Technology stocks within the next week or two as the current outperformance of this sector is very long in the tooth.** Look for a rotation from Technology back into *"safety"* sectors in the days ahead.

The **risk-adjusted equally weighted model** has been increased to 75%. **However, the markets need to break above the previous consolidation range to remove resistance to a further advance.•**

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	47.75	$ 2,727
XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	70.61	$ 2,727
XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	19.30	$ 2,727
XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	58.38	$ 2,727
XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	47.78	$ 2,727
XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	53.21	$ 2,727
XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	48.99	$ 2,727
XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	72.11	$ 2,727
XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	80.04	$ 2,727
MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	87.48	$ 2,727
IJR	ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	124.15	$ 2,727
RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.59	$ 3,000
VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	83.93	$ 3,000
VNQ	VIPERS-REIT	VANGUARD REIT ETF	86.74	$ 3,000
IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	29.98	$ 3,000
VWO	VANGD-FTSE EM	VANGUARD FTSE EMERGING MARKETS ETF	37.63	$ 3,000
TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	137.51	$ 20,000
BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	56.04	$ 10,000
HYG	ISHARS-IBX HYCB	ISHARES IBOXX $ HIGH YIELD CORP BOND	87.26	$ 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

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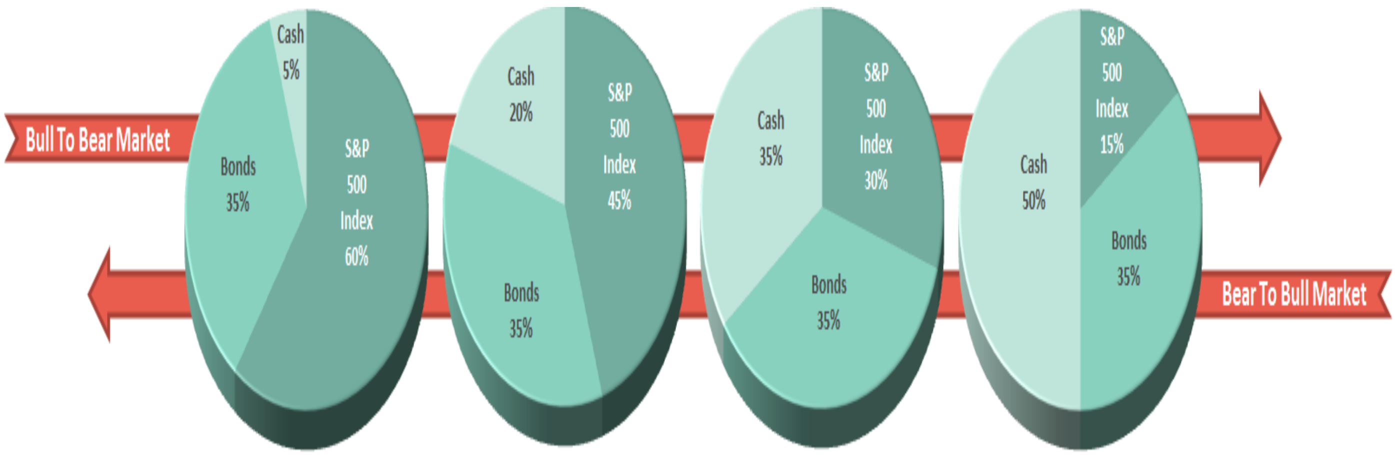
NOTE: I have redesigned the 401k plan manager to accurately reflect the changes in the allocation model over time. I have overlaid the actual model changes on top of the indicators to reflect the timing of the changes relative to the signals.

> ***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.***



Round-Trippin' - Part II

With only a slight tweak to last week's opening sentence, everything pretty much remains the same.

This past•week the markets bounced sharply off of the bullish trend support line as Deutsche Bank received a reprieve with rumors of a reduced fine from the DOJ.

However, with that, we round-tripped right back to where we started from.

So, is the correction over? Not sure just yet, again.

Early warning signals are suggesting the correction has more room to go, so let's be patient once again this coming week.

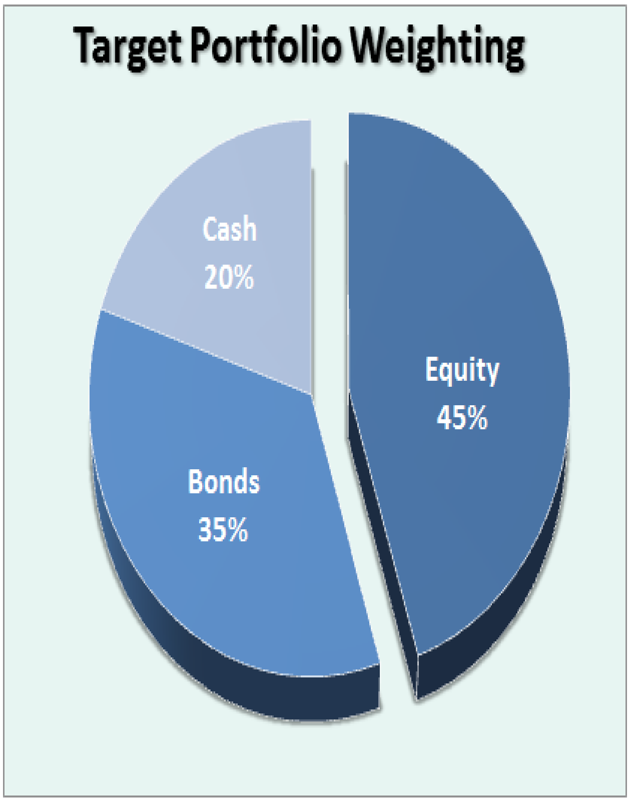
Over the past several weeks, I have continued to suggest reviewing portfolios, reducing risk, rebalancing and preparing for *"whatever comes next."*•That advice has paid off by reducing volatility in portfolios. **If you haven't done anything yet, I would continue to suggest using this bounce, as I predicted•last week, to•take some action to clean up allocations by:**

1. *Tightening up stop-loss levels to current support levels for each position.*
2. *Taking profits in positions that have been big winners*
3. *Sell laggards and losers*
4. *Raise cash and rebalance portfolios to target weightings.*

With the election right around the corner, increased volatility is expected. Therefore, having a•little extra cash in portfolios will likely be a good hedge. 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.)*



Current 401k Allocation Model

20.00% **Cash + All Future Contributions**

Primary concern is the protection of investment capital

Examples: Stable Value, Money Market, Retirement Reserves

35.00% **Fixed Income (Bonds)**

Bond Funds reflect the direction of interest rates

25% Intermediate Duration Bonds
10% International Bonds
0% High Yield

45.00% **Equity (Stocks)**

Select ONE fund from each category - Keep It Simple.

15% Equity Income/Balanced/Conservative Growth
25% Large Cap Growth (S&P 500 Index)
5% Mid-Cap Growth
0% International Large Cap Value

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