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In Respect & Remembrance Of Our Veterans

In 1985, President Ronald Reagan gave what is sometimes referred to as a Veterans Day Prayer speech at Arlington National Cemetery. He spoke a great deal of the sacrifices made by our veterans, including that of their lives. He highlighted what brought them to the point of paying that cost ? failed peace:

"They gave up everything for our country, for us. And all we can do is remember. And the living have a responsibility to remember the conditions that led to the wars in which our heroes died. Perhaps we can start by remembering this: that all of those who died for us and our country were, in one way or another, victims of a peace process that failed; victims of a decision to forget certain things; to forget, for instance, that the surest way to keep a peace going is to stay strong. Weakness, after all, is a temptation -- it tempts the pugnacious to assert themselves -- but strength is a declaration that cannot be misunderstood. Strength is a condition that declares actions have consequences. Strength is a prudent warning to the belligerent

that aggression need not go unanswered. **Peace fails when we forget what we stand for.** It fails when we forget that our Republic is based on firm principles, principles that have real meaning, that with them, we are the last, best hope of man on Earth; without them, we're little more than the crust of a continent. **Peace also fails when we forget to bring to the bargaining table God's first intellectual gift to man: common sense.** Common sense gives us a realistic knowledge of human beings and how they think, how they live in the world, what motivates them. Common sense tells us that man has magic in him, but also clay. Common sense can tell the difference between right and wrong. **Common sense forgives error, but it always recognizes it to be error first.** Peace is only maintained and won by those who have clear eyes and brave minds. **Peace is imperiled when we forget to try for agreements and settlements and treaties;** when we forget to hold out our hands and strive; when we forget that God gave us talents to use in securing the ends He desires. **Peace fails when we forget that agreements, once made, cannot be broken without a price.** We're surrounded today by the dead of our wars. **We owe them a debt we can never repay. All we can do is remember them and what they did and why they had to be brave for us. "**

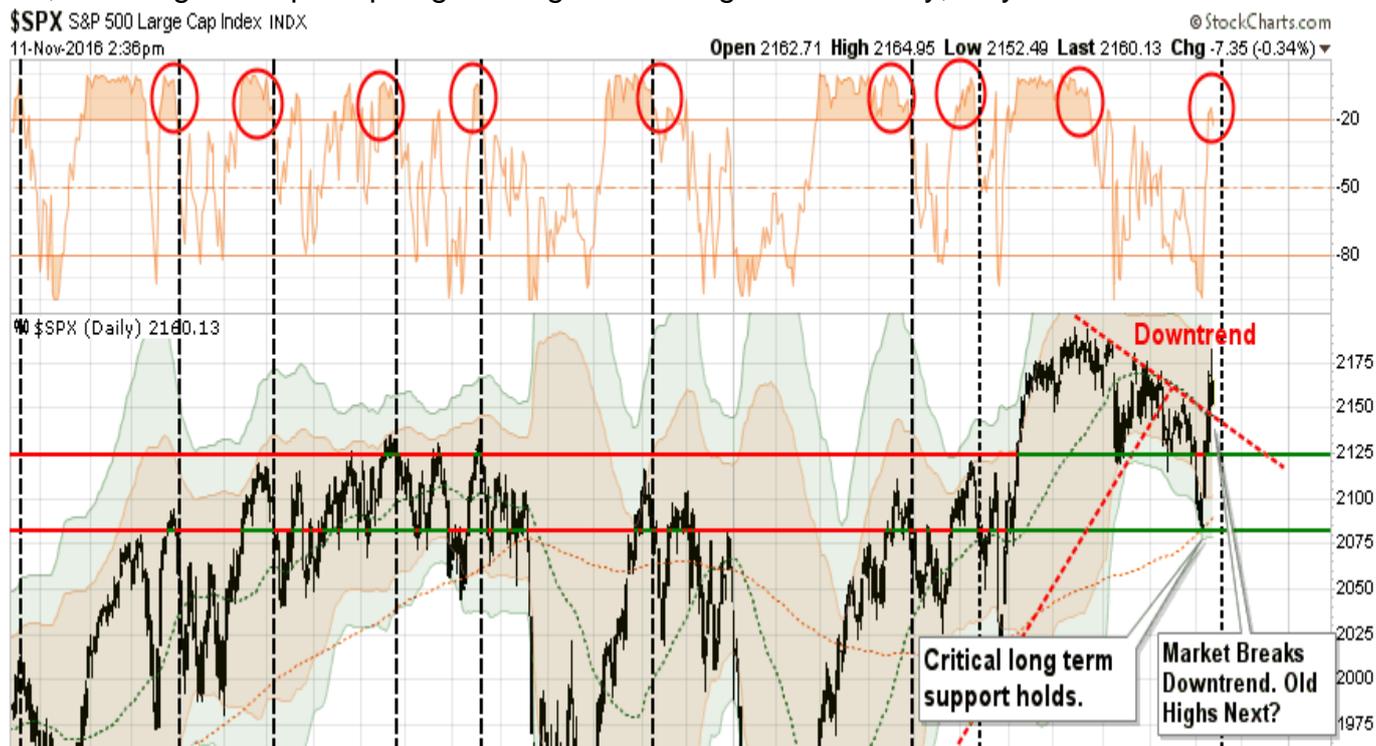
Reagan's successors would be wise to heed his insightful words on what it takes to reach a truly lasting peace. My family and I thank each of you who served, and for the sacrifices you have made, so that we may live in peace. Thank you.

Review & Update

Let me pick up with where I left [off last week](#):

"This past week that support gave way leading to **the first 9-day straight decline in the index since 1980.** However, as I explained during the "[Real Investment Hour](#)" on Thursday, it is never advisable to "panic sell" when a break of support occurs. **This is because that by the time you have an extended period of selling, the markets tend to be oversold enough for a short-term reflexive bounce to rebalance portfolio risk at better levels.** The chart below is a daily chart showing the market currently bouncing off support at the 200-dma combined with a 3-standard deviation move from that short-term moving average. **This all suggests a reflexive bounce from oversold conditions is extremely likely."**

Well, following a 700-point plunge during election night on Tuesday, rally we did.



Last week, I detailed the various levels of overhead resistance to any rally that must be defeated to reinstate a more bullish market.

- **The downtrend resistance** from the previous highs is colliding with the previous support level which now acts as important resistance.
- **The 50-dma is also trending downward** adding further resistance to price advances in the near-term.
- **An important "sell signal"** has been registered at fairly high levels and current remains intact.

The post "Trexit" rally that started on Wednesday took out the first two levels of resistance with some ease. However, the "sell signal" remains intact with the market now back to extreme overbought levels as shown by the red circles at the top of the chart. The good news is the market is holding above the downtrend resistance line currently which puts all-time highs as the next logical point of attack if this bull market is to continue. However, if we step back to a longer-term (weekly) picture we get a little clearer picture about the overall directional trend of the market.



I like weekly charts because the "noise" of daily volatility in price action is removed. As shown in

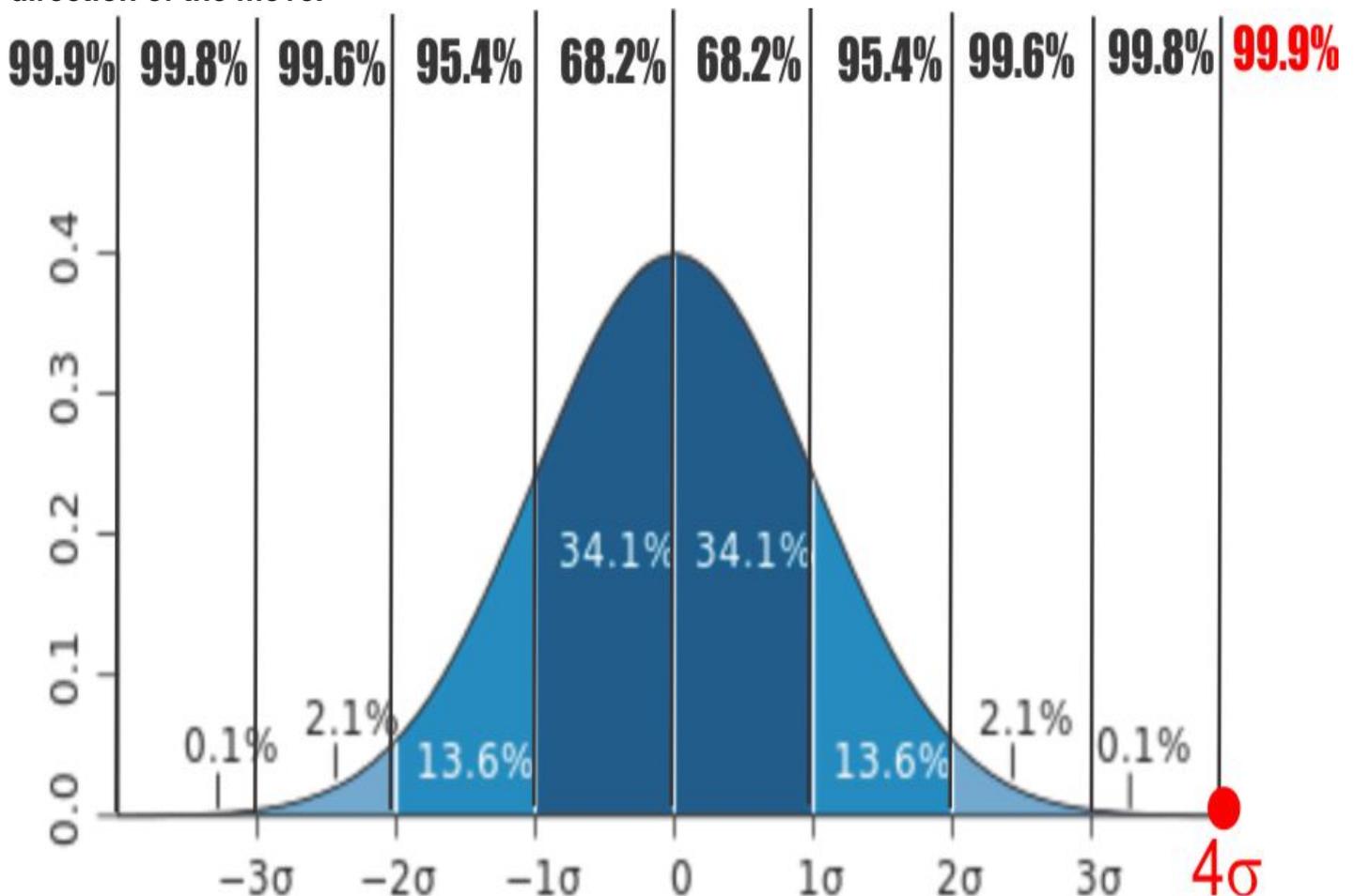
the chart above, the "sell signal" remains intact but, as opposed to the daily chart previously, the reflexive move has only taken stocks back to retest the underside of the longer-term bearish "downtrend" line. This suggests, the current move may be near its limits and the short-covering frenzy seen on Wednesday and Thursday of this past week is near completion. As I stated last week:

*"As shown, the sell signals that are currently being registered in the market have typically suggested further deterioration in the markets to come. **This supports the idea that any reflexive bounces, particularly post-election next week, should be used to rebalance portfolio risk accordingly.**"*

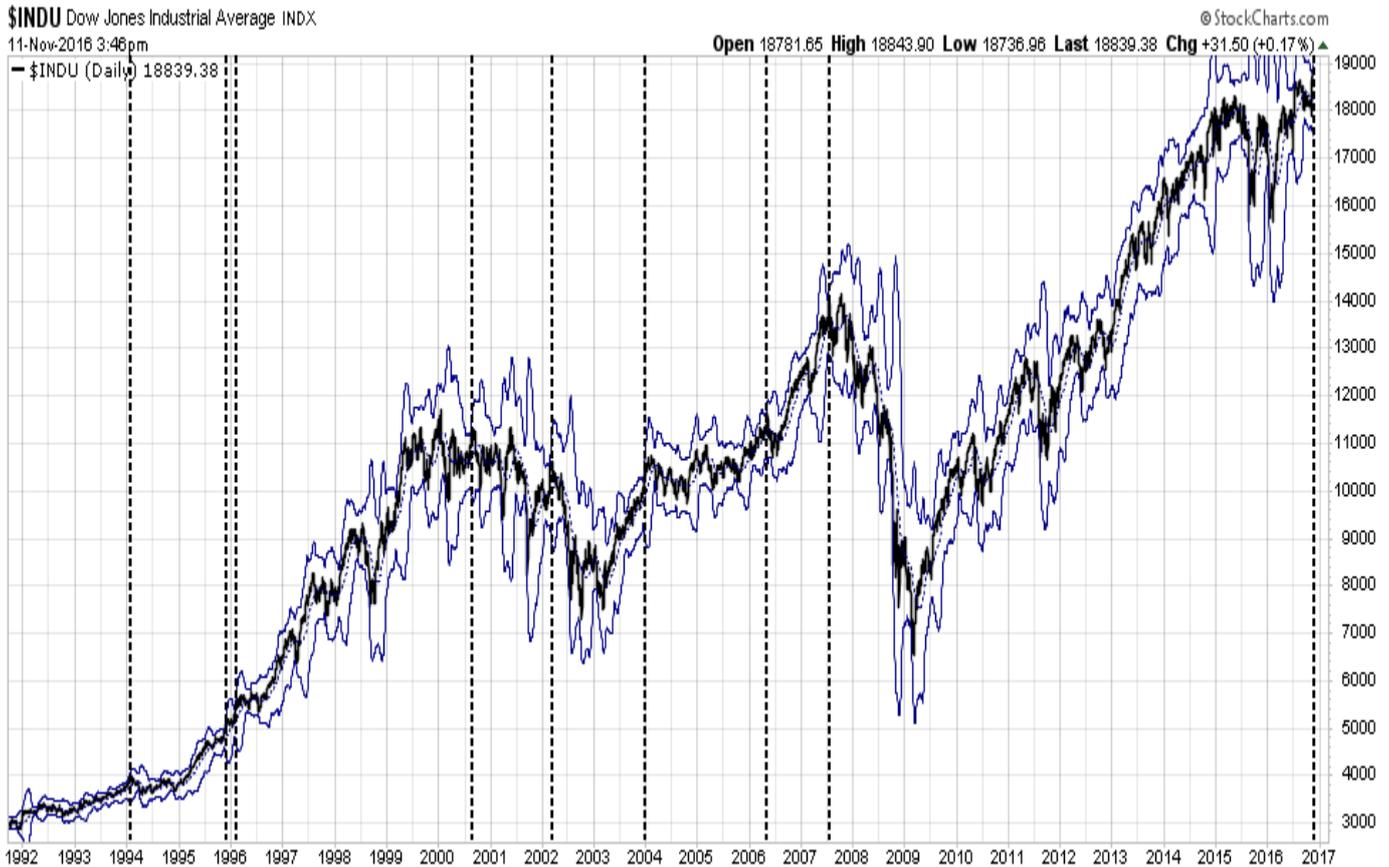
That advice seems salient once again this week.

4-Standard Deviations Ain't Sustainable

Standard deviation is a statistical term that measures the amount of variability or dispersion around an average. Standard deviation is also a measure of volatility. **Generally speaking, dispersion is the difference between the actual value and the average value.** The larger this dispersion or variability is, the higher the standard deviation. The smaller this dispersion or variability is, the lower the standard deviation. **Chartists can use the standard deviation to measure expected risk and determine the significance of certain price movements.** This assumes, of course, that price changes are normally distributed with a classic bell curve. Even though price changes for securities are not always normally distributed, chartists can still use normal distribution guidelines to gauge the significance of a price movement. **In a normal distribution, 68% of the observations fall within one standard deviation. 95% of the observations fall within two standard deviations. 99.7% of the observations fall within three standard deviations.** Using these guidelines, traders can estimate the significance of a price movement. **A move greater than one standard deviation would show above average strength or weakness, depending on the direction of the move.**



Furthermore, since prices can only move, or deviate, within a limited range from their moving average, this analysis can help determine the extent to which a move is completed. **The move following the election took the Dow Jones Industrial Average to 4-standard deviations of its moving average.** A feat that has only been rarely witnessed previously and has been coincident with short to intermediate-term corrections or worse.

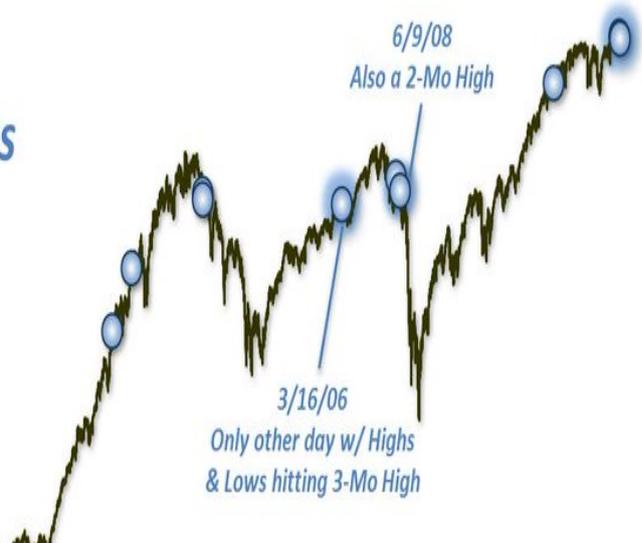


This suggests the massive short covering rally following the election may have run its course and we will once again be forced to return our focus back to Fed rate hikes, earnings, and economics. The problem, of course, is those points don't support asset prices at current levels. Breadth, as I will discuss in a minute, also remains an issue. As [Dana Lyon's pointed](#) out this past week:

"Too many highs and lows, the stock market has generally not fared too well in the intermediate-term following these instances. It hasn't been unanimous. Some of the occurrences in the mid-80's and mid-90's saw the market keep moving higher without a hiccup. However, below-average returns were certainly the norm. Here are some of the numbers."

NYSE New Highs AND New Lows Hit 3-Month Highs (Just 2nd Time Ever)

NYSE New Highs AND New Lows
Record 1-Month Highs
 (Now 19 Days since 1970)



"So obviously the number of NYSE New Highs and New Lows is relatively elevated. However, as the next data point shows, the level of New Highs and Lows is elevated on an absolute basis as well. To wit: Yesterday saw both the number of NYSE New Highs and New Lows account for more than 5% of all issues traded. That is another rare occurrence, with just 11 precedents since 1970."

>5% Of NYSE Issues Hitting New Highs AND New Lows



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

SPX Performance Following Days w/ >5% NYSE New Highs AND Lows

	1Wk	2Wk	1Mo	2Mo	3Mo	6Mo	1Yr	2Yr
4/19/1972	-2%	-3%	-1%	-1%	-3%	-2%	2%	-14%
12/20/2000	5%	3%	8%	-1%	-10%	-3%	-9%	-31%
12/21/2000	4%	2%	7%	-2%	-10%	-4%	-9%	-31%
3/16/2006	0%	0%	-2%	-1%	-4%	1%	7%	2%
6/21/2007	-1%	1%	1%	-5%	0%	-5%	-13%	-41%
5/1/2008	-1%	1%	-2%	-9%	-10%	-34%	-38%	-15%
6/9/2008	0%	-3%	-9%	-7%	-7%	-36%	-31%	-22%
6/13/2008	-3%	-6%	-11%	-5%	-8%	-36%	-32%	-18%
11/28/2014	0%	-3%	1%	-4%	2%	2%	1%	
12/1/2014	0%	-3%	0%	-2%	2%	3%	2%	
12/8/2014	-3%	1%	0%	-1%	-1%	2%	0%	
Median Return	-0.3%	-0.4%	0.1%	-2.3%	-3.8%	-3.1%	-8.5%	-20.2%
# Positive Returns (out of 11)	4	5	6	0	2	4	5	1 (of 8)
Median Drawdown	-0.6%	-2.9%	-3.9%	-4.3%	-7.6%	-7.6%	-16.3%	-38.6%

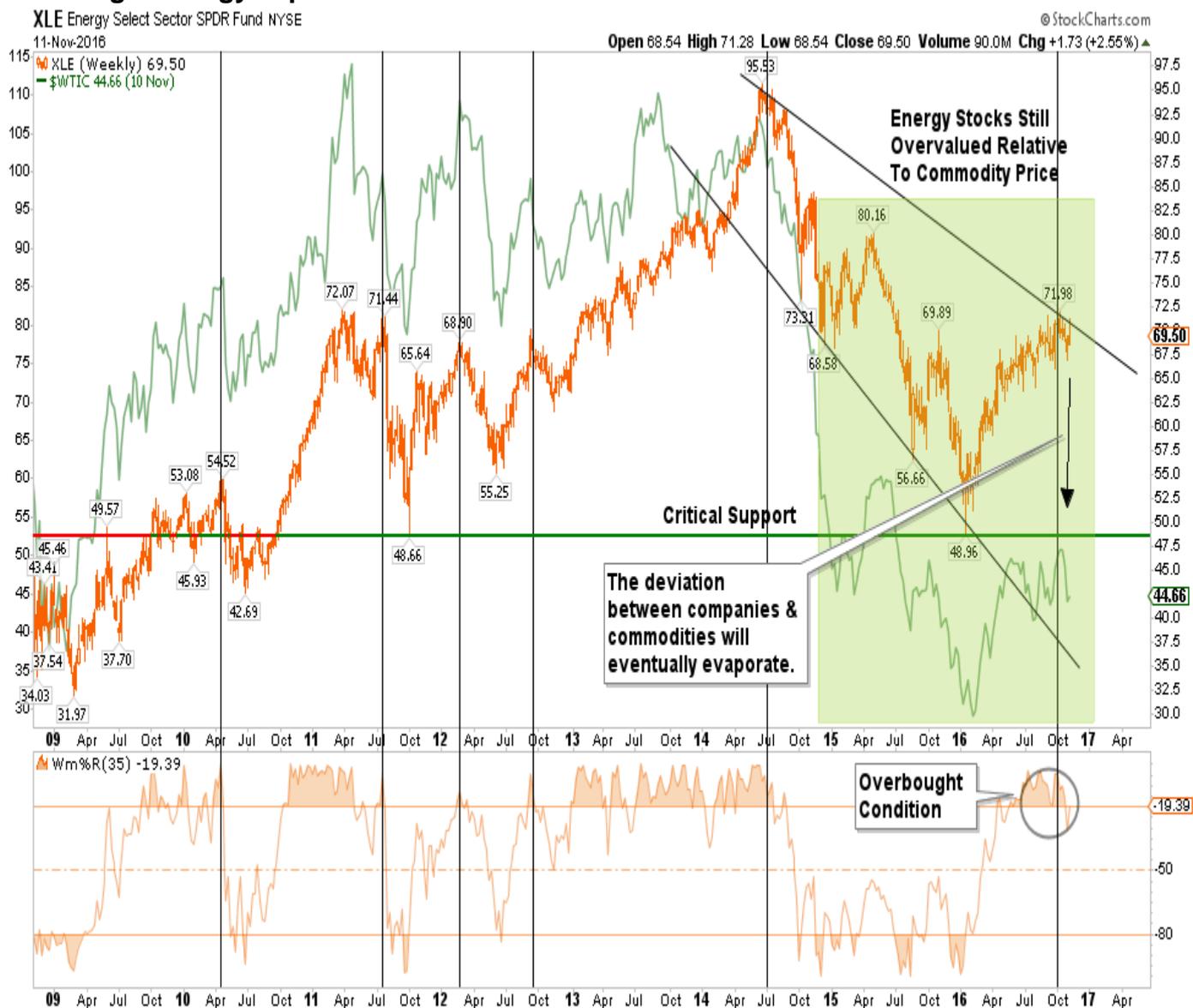
* J. Lyons Fund Management, Inc. / My401kPro.com

"As the table shows, the return in the S&P 500 has been negative 2 months after all 11 occurrences. And it wasn't just the 2-month period that was poor. Median returns are negative across nearly all time frames from 1 week to 2 years. The 2-year result is perhaps the most eye-opening after the 2-month. The market is not typically down over a 2-year period so to see 7 of the 8 instances lower is a rare result."

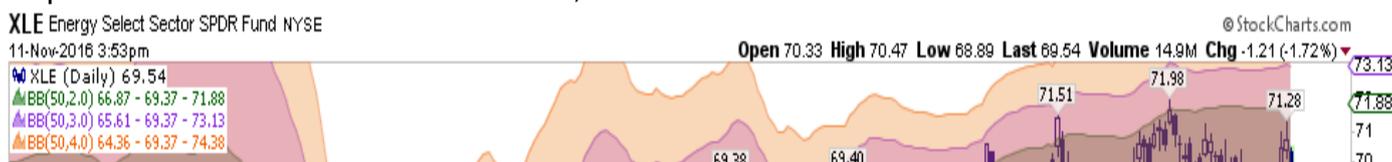
While I went through each sector last week, I need to run through them again to show you **where the rally did, and did not, occur.**

Sector By Sector

I have modified the charts from last week to include 2,3 and 4 standard deviations from the 50-day moving average. I think you will find some of these charts quite interesting. **ENERGY** The energy sector is closely tied to the underlying commodity price. Given the ongoing structural dynamics of the commodity, there is still an unrealized detachment between energy sector fundamentals and the markets. **Over a month ago, I warned the OPEC agreement would fail and oil prices would once again approach \$40.** There is still more correction to occur in this sector so **underweight energy exposure remains advised for now.**



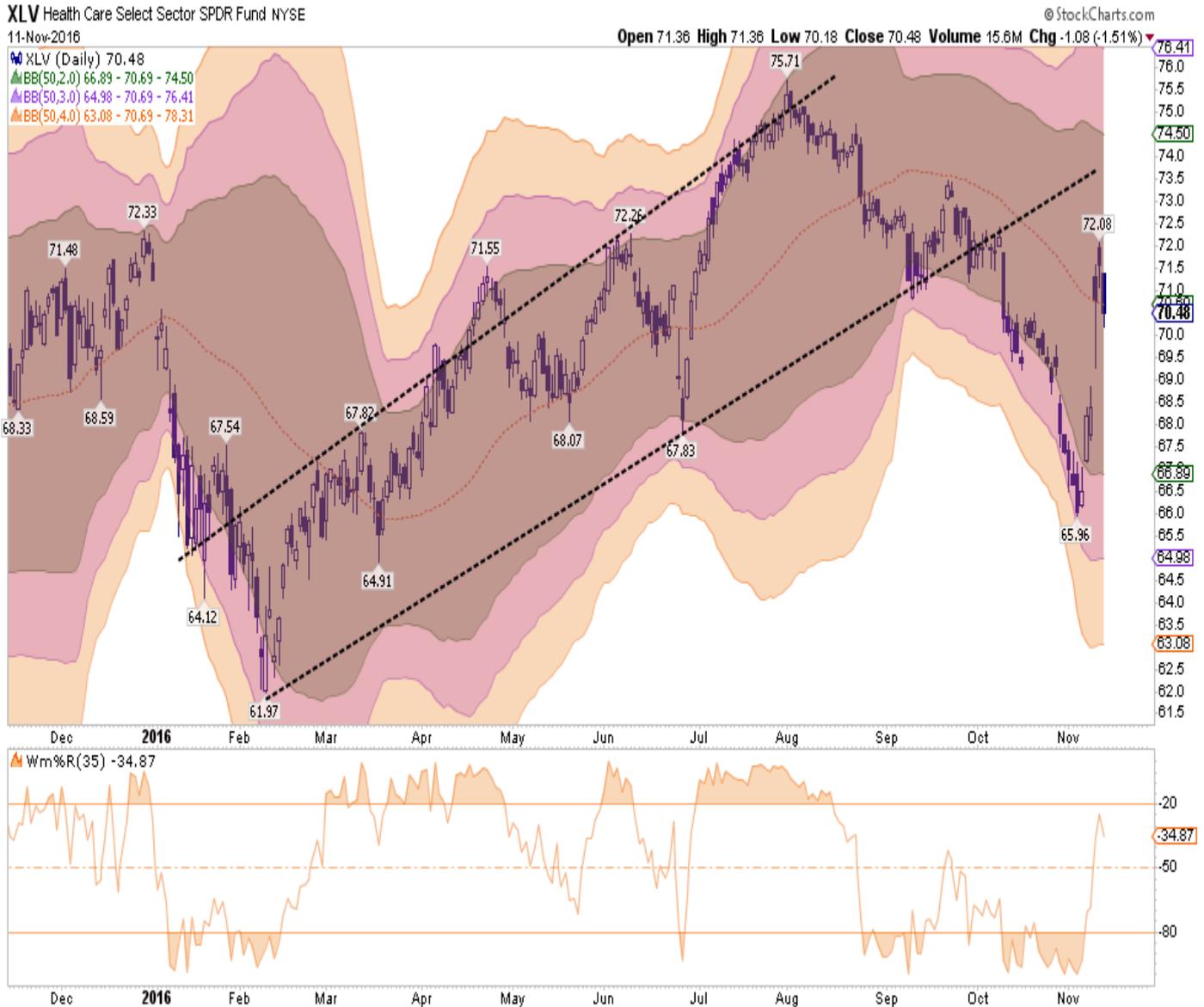
However, energy stocks did bounce, as expected from their oversold lows but the move looks complete for now. Downside risk remains, so caution is advised.



HEALTH CARE As I stated last week:

*"The healthcare sector has been a laggard as of late and has broken down through the bullish trend. **With the sector very oversold, there is a reasonable risk/reward setup in the short term for this sector.**"*

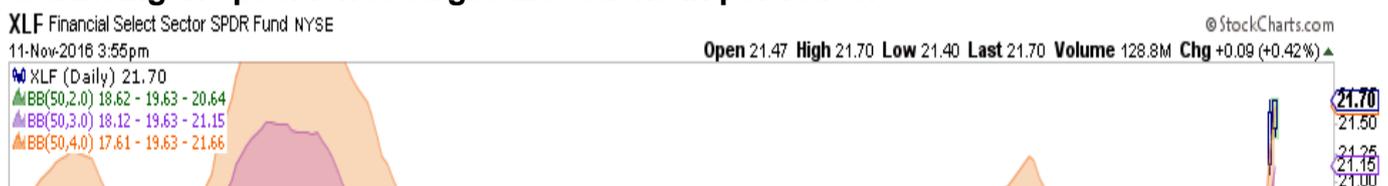
That move came quickly with the majority of the move now completed. Look for pullbacks or consolidations to add trading exposure at this point. **There is a lot of uncertainty going forward based on the outcome of the Affordable Care Act, so long-term investors should be cautious as premiums being paid in many areas are still exceptionally elevated.**



FINANCIALS Last week:

*"Financials continue to be a laggard with respect to overall relative performance, however, the bullish trend line remains intact for now. I suspect this will give way during the continuation of a market correction and a deeper decline will likely occur. **I continue to recommend an underweighting of the sector in portfolios for now.**"*

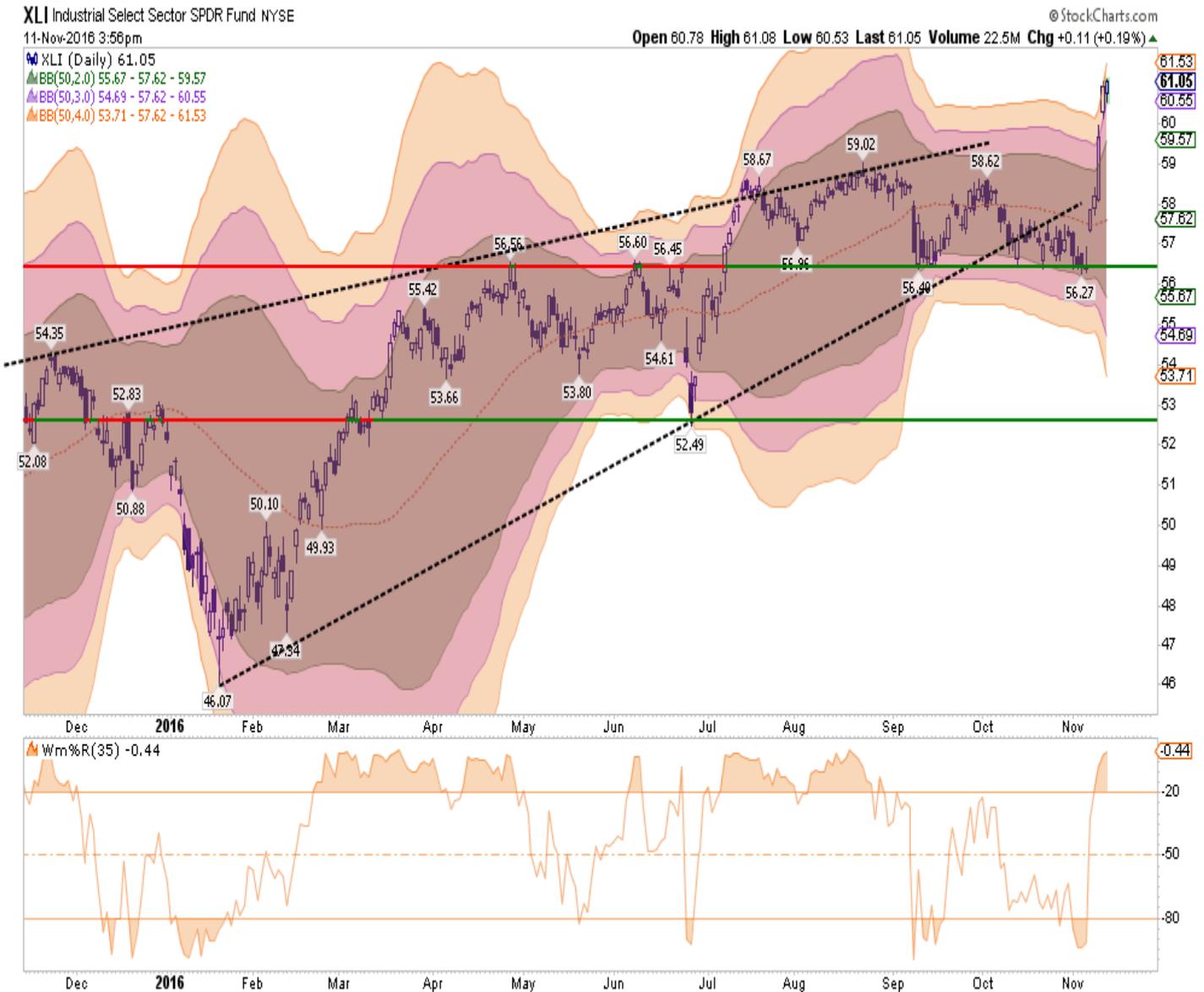
Well, that was certainly not to be the case as talk of a repeal of Dodd-Frank sent financials into orbit. At 4-standard deviations above the mean, the move is likely complete for the time being so serious profit taking is advised. **Look for the sector to reverse and consolidate before rebalancing the position to target allocations in portfolios.**



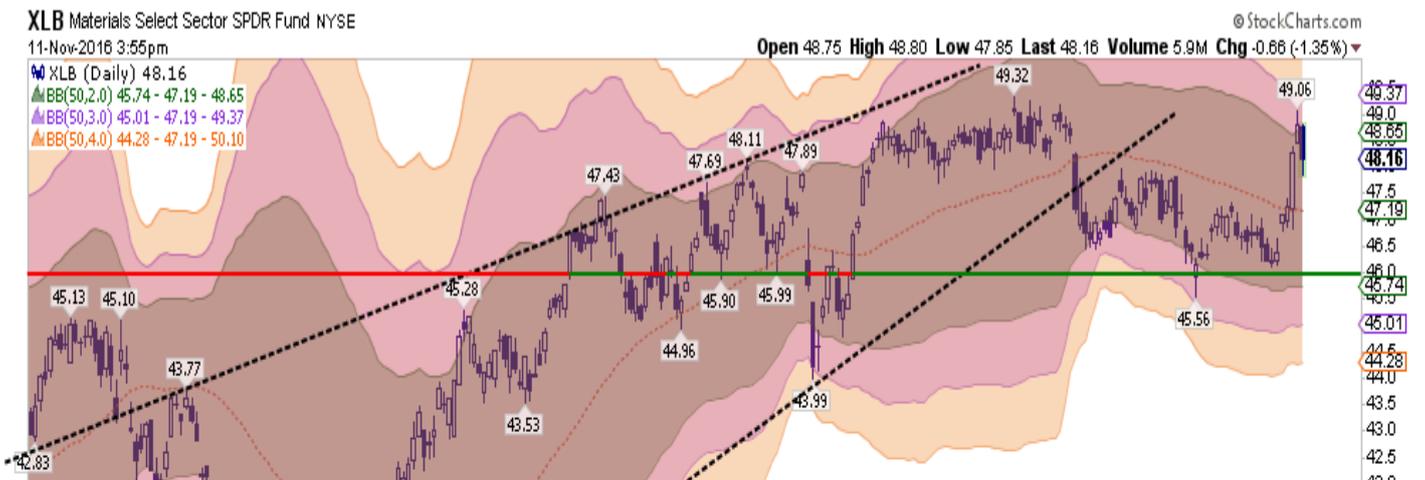
INDUSTRIALS Last week:

"Industrial stocks, because of the dividend yield, have been a big beneficiary of the 'yield chase.' However, this sector is directly affected by the broader economic cycle and with expectations ahead of fundamental realities, risk is high. While the sector continues to hold onto support, I would recommend a reduced exposure to the sector for now until the overall broader market repairs itself. Stops should be placed at the current support level."

Of course, the election of Trump also means a potential for infrastructure spending which gave a lift to the sector. **However, like financials, the move is extreme. Take profits and reduce weightings until a correction and consolidation occurs.**



MATERIALS Same as with industrials, and all for the same reasons.

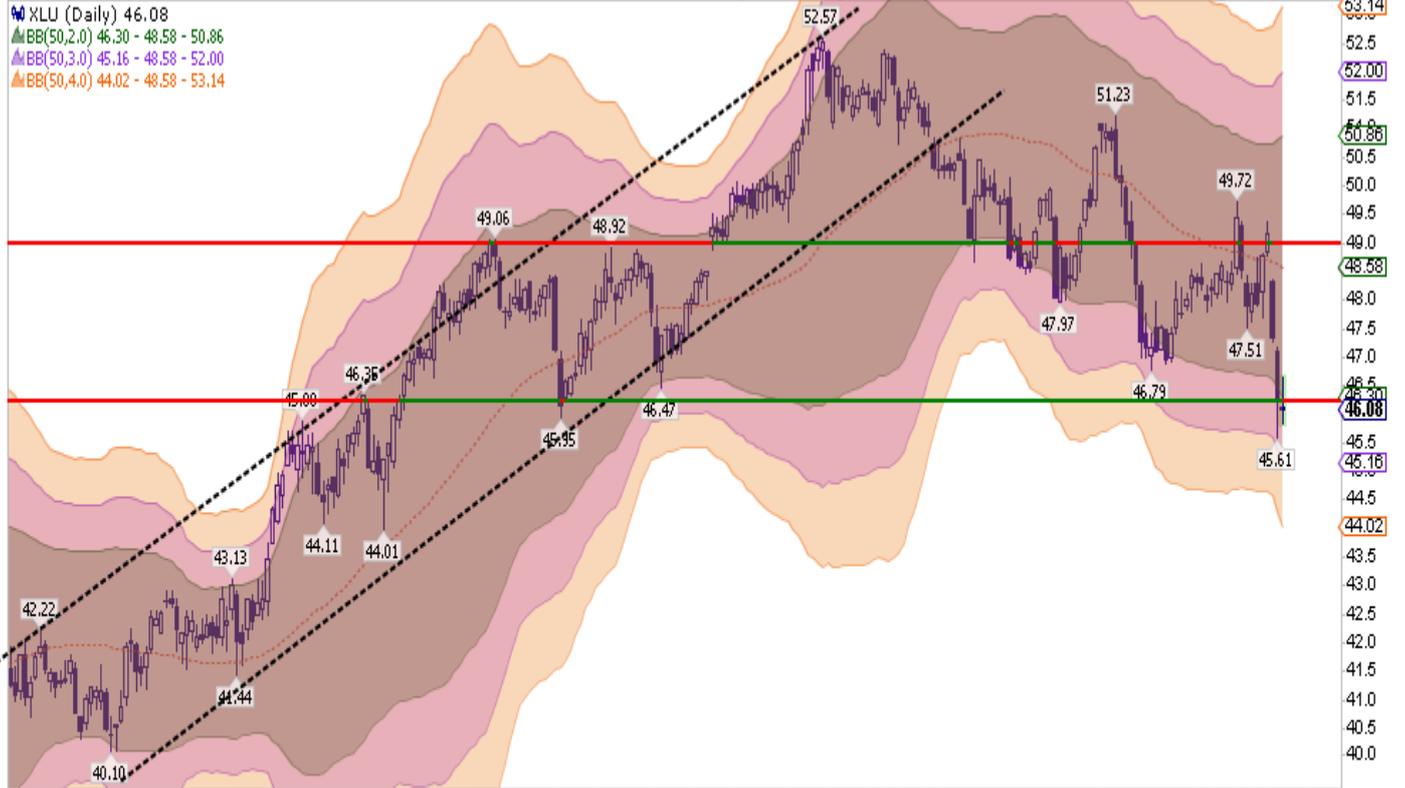


UTILITIES As opposed to the moonshots by Materials, Industrials, and Financials, the Utilities sector is pushing extreme oversold levels. **There is a reasonable trading opportunity in Utilities which will coincide with a reversion in interest rates and a rotation within the overall market.**

XLU Utilities Select Sector SPDR Fund NYSE

11-Nov-2016 3:56pm

Open 46.12 High 46.65 Low 45.85 Last 46.08 Volume 28.9M Chg -0.14 (-0.30%)

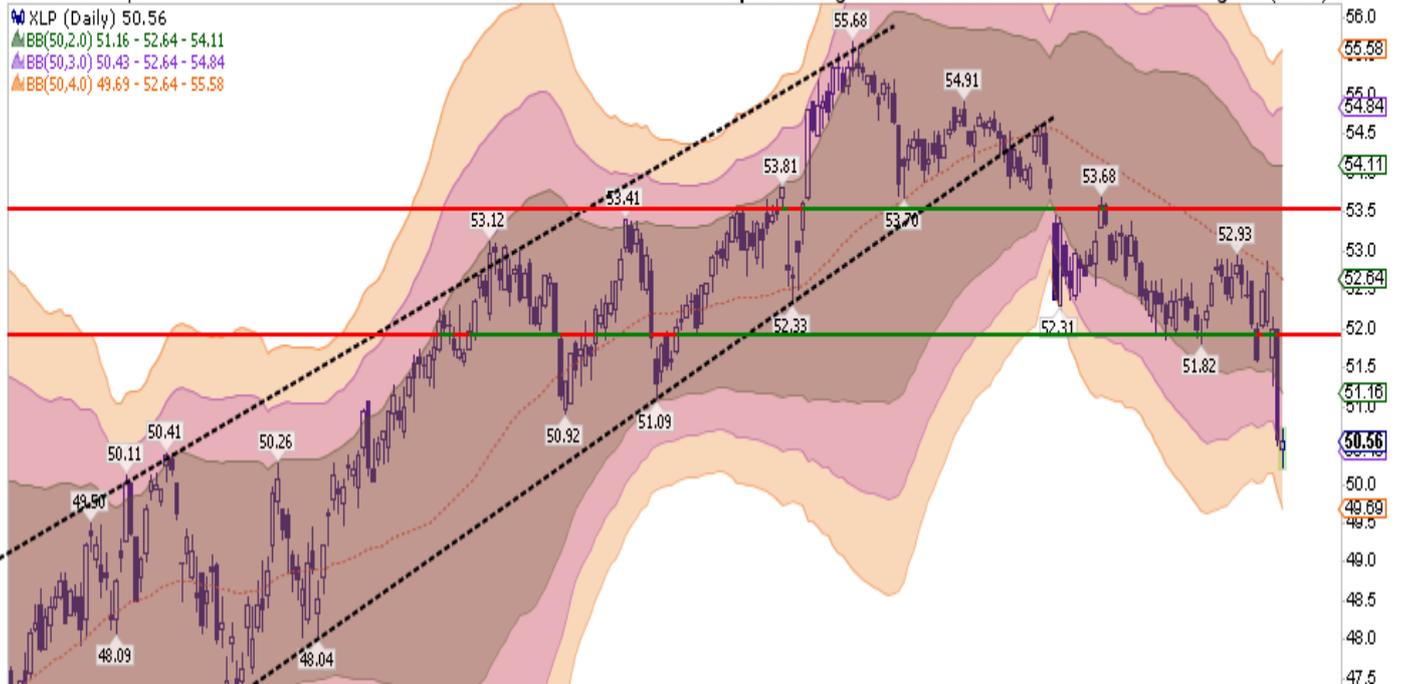


STAPLES As with Utilities, the Staples sector has also reached extreme oversold levels. **These extremes tend not to last long and are good trading opportunities.** This does NOT mean these sectors are ripe for a long-term move so caution is advised.

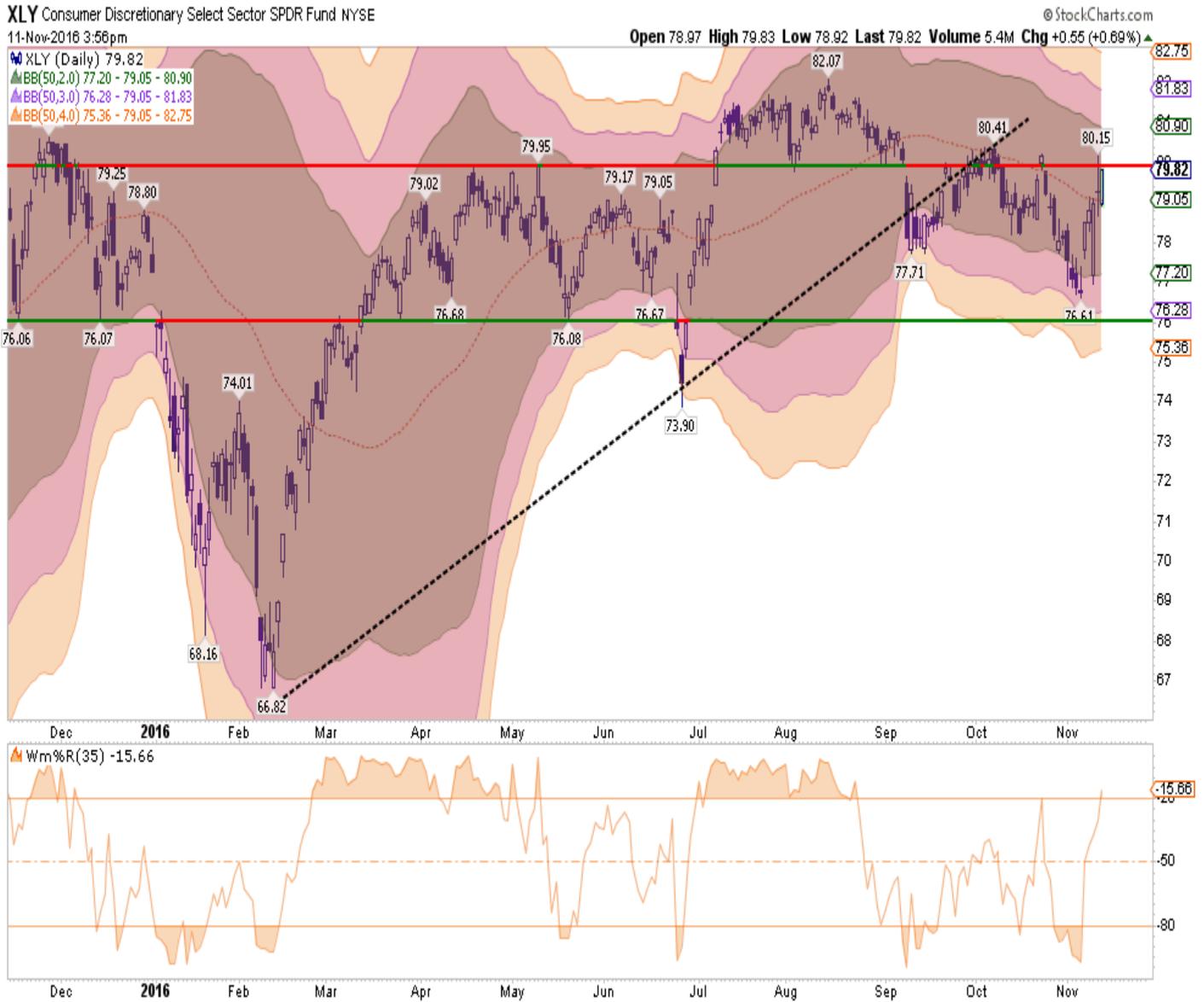
XLP Consumer Staples Select Sector SPDR Fund NYSE

11-Nov-2016 3:56pm

Open 50.45 High 50.71 Low 50.21 Last 50.56 Volume 18.4M Chg -0.03 (-0.06%)



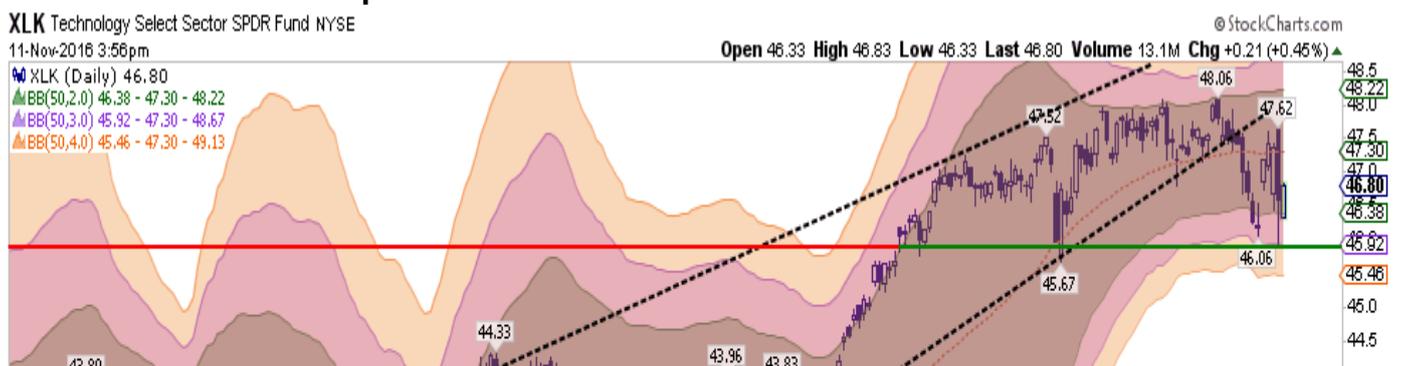
DISCRETIONARY As discussed with Staples above, the Discretionary sector had reached very oversold levels last week and hopes of a stronger economic recovery under a Trump administration gave the sector a boost. **The sector is currently running into heavy overhead resistance, so trading positions should be watched closely.**



TECHNOLOGY As I stated last week:

*"The Technology sector has been the ?obfuscatory? sector over the past couple of months. Due to the large weightings of Apple, Google, Facebook, and Amazon, the sector kept the S&P index from turning in a worse performance than should have been expected. The sector is oversold and very close to breaking important support levels. **Weighting should be moved to underweight and stops set just below current support.**"*

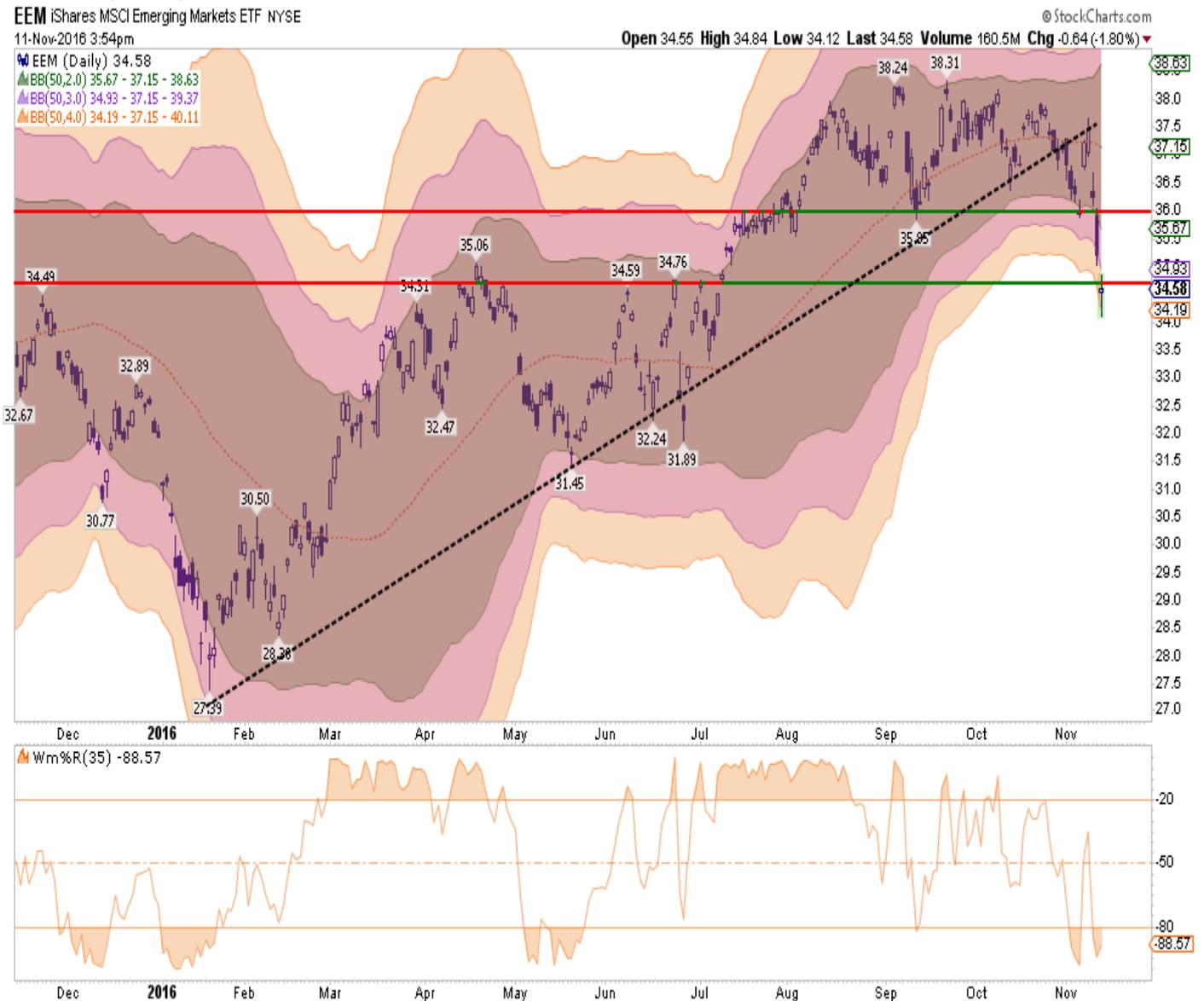
That advice turned out well as technology broke support and headed lower to extreme oversold levels. **For now, be cautious as the longer-term bull trend has been broken. Use rallies back to the trend to reduce exposure to the sector.**



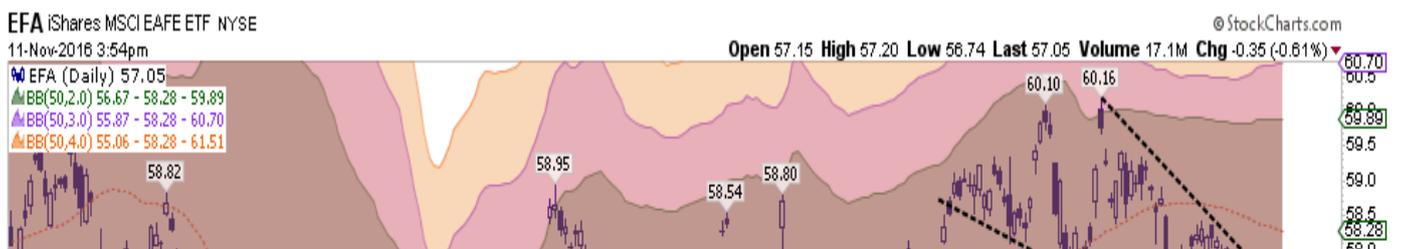
EMERGING MARKETS From last week:

*"Emerging markets have had a very strong performance during the summer but remain in a longer-term downtrend. **The strengthening of the US Dollar has started to weigh on the sector and will only get worse the longer it lasts.** While the sector is oversold, the majority of the gains in the sector have likely been achieved. Profits should be harvested and the sector under-weighted in portfolios. **Long-term underperformance of the sector relative to domestic stocks continues to keep emerging markets unfavored in allocation models for now.**"*

That advice remains the same this week as the dollar continues to strengthen under a perceived resurgence in economic growth in the U.S. The sector IS extremely oversold, however, **use rallies to reduce exposure to emerging markets.** The continued strength of the U.S. dollar will continue to negatively impact emerging markets. *"Trump's Wall"* also does not bode well for Mexico as one of their top-5 inputs into GDP is remittances from the U.S.



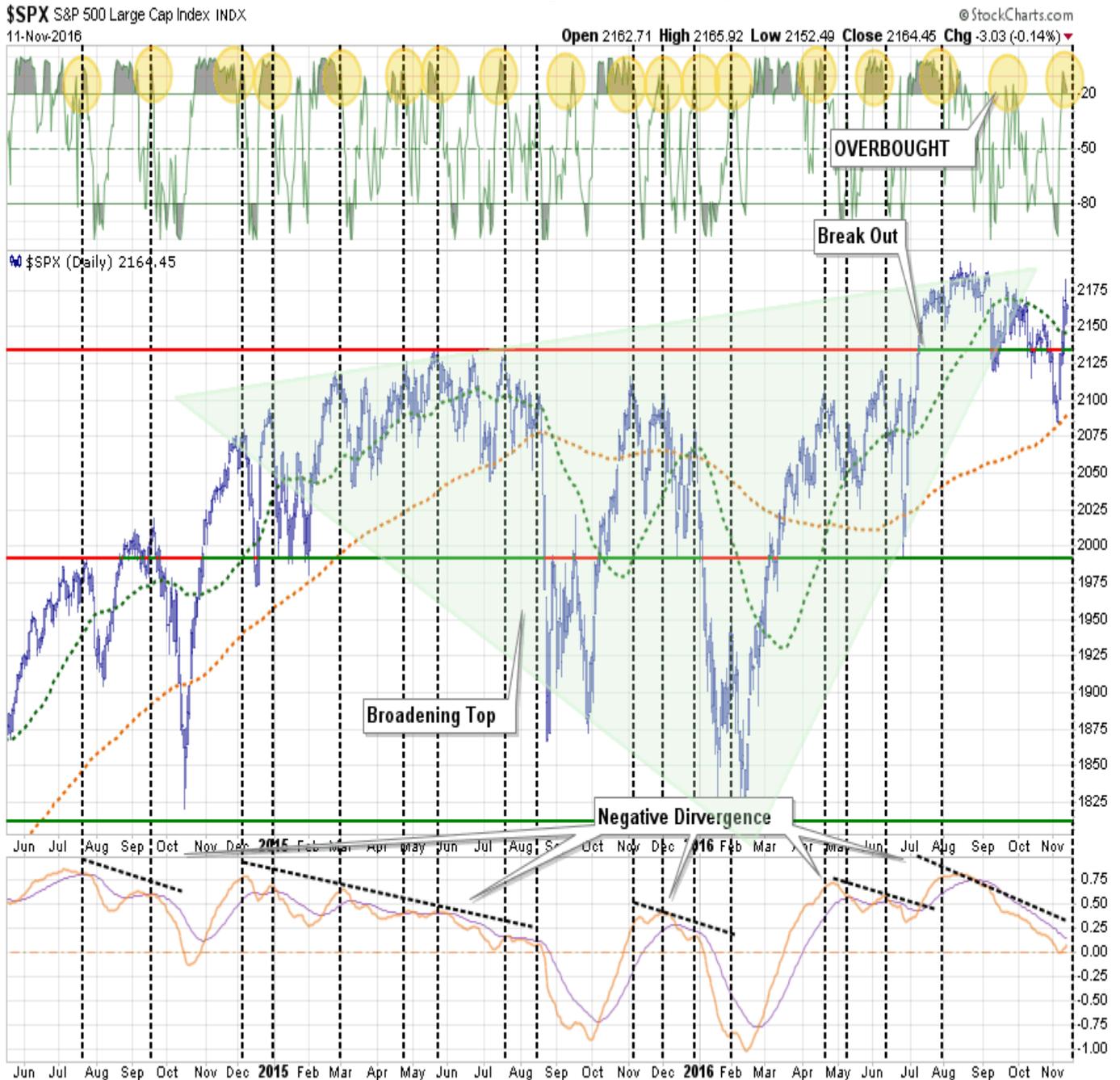
INTERNATIONAL MARKETS As with Emerging Markets, International sectors also remain unfavored in allocation models. The long-term downtrend remains intact and is currently very overbought. **Underweight the sector, take profits, and focus more on domestic sectors for now.**



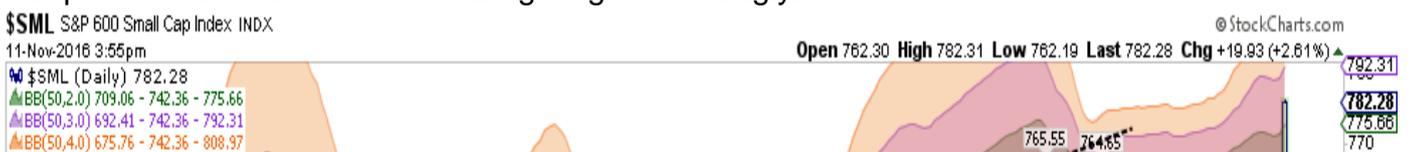
DOMESTIC MARKETS From last week:

"The S&P 500 is now oversold on a very short-term basis and is sitting on top of the 200-dma. However, with longer-term sell signals in place (bottom section of chart) a further decline is likely following a reflex bounce. With the markets failing repeatedly at the 50-dma, the corrective process is likely not over as of yet. Caution still advised for now.

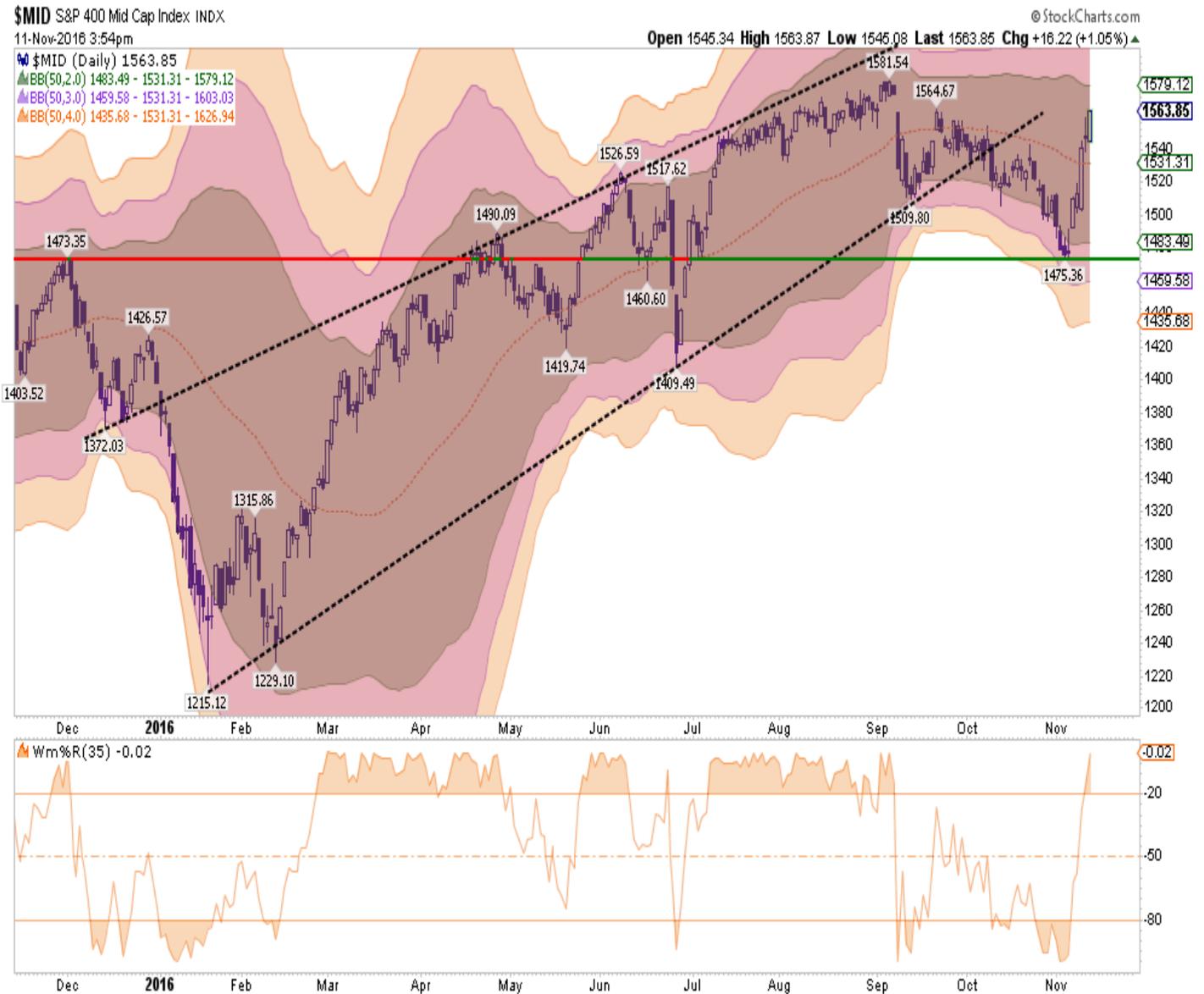
The "Trump rally," as stated at the beginning this missive, did resolve the resistance at the 50-dma. However, the **downtrend and overall corrective process remains intact currently. With the market back to an extreme overbought condition, this is a good opportunity to rebalance portfolios and reduce risk** in sectors that have gotten extremely ahead of themselves.



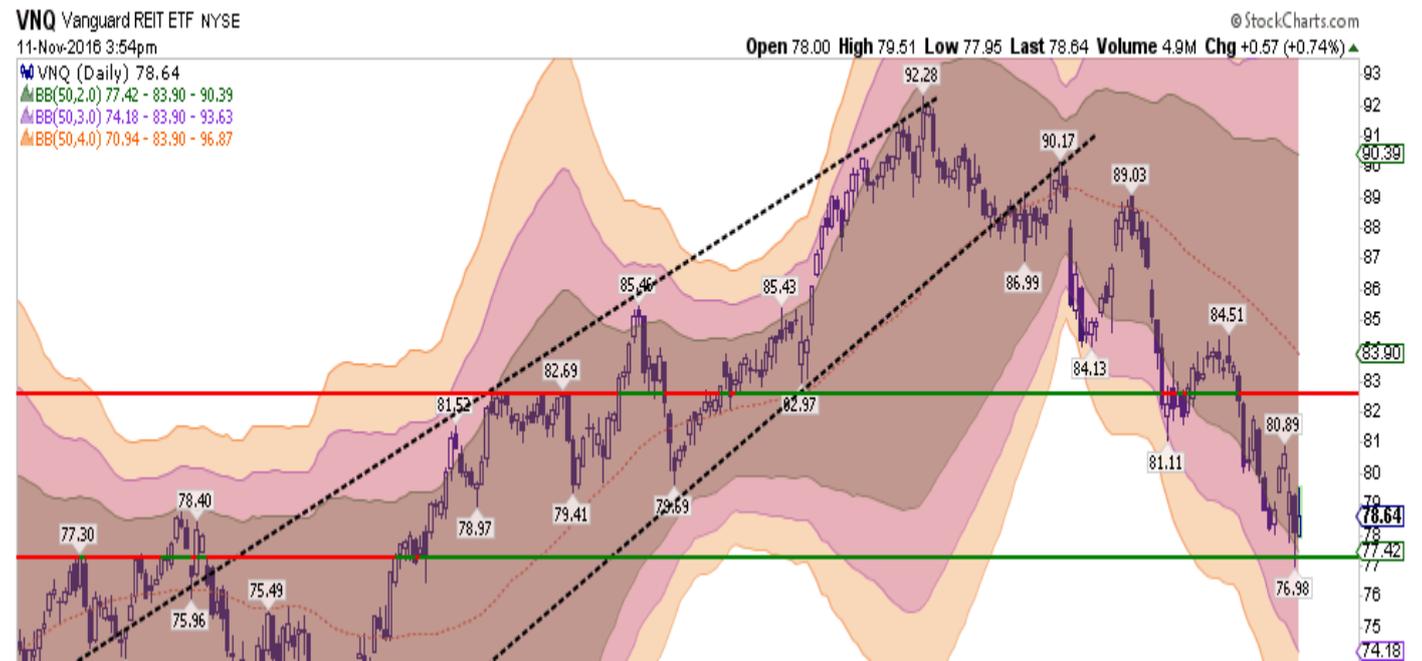
SMALL CAP Small cap stocks have been grossly underperforming the broader market as economic and earnings weakness tends to show up in these smaller capitalization companies first. **While the economic and earnings backdrop have not changed, short-covering caused small-caps to reverse from extremely oversold to overbought in the course of just three days.** Take profits and rebalance sector weightings accordingly.



MID-CAP As with small cap stocks above, mid-capitalization companies also responded to the short-covering "*feeding frenzy*" over the last three days. **While not as overbought as small-caps currently, the same advice of rebalancing remains as the economic and earnings backdrop remains a concern.**



REIT's REIT's have been under a tremendous amount of pressure in recent weeks due to the rise in rates. **However, with interest rates now EXTREMELY overbought, the risk-reward setup to add REIT's to portfolios is positive.** Positions can be added, underweight for now, with stops set at \$77.



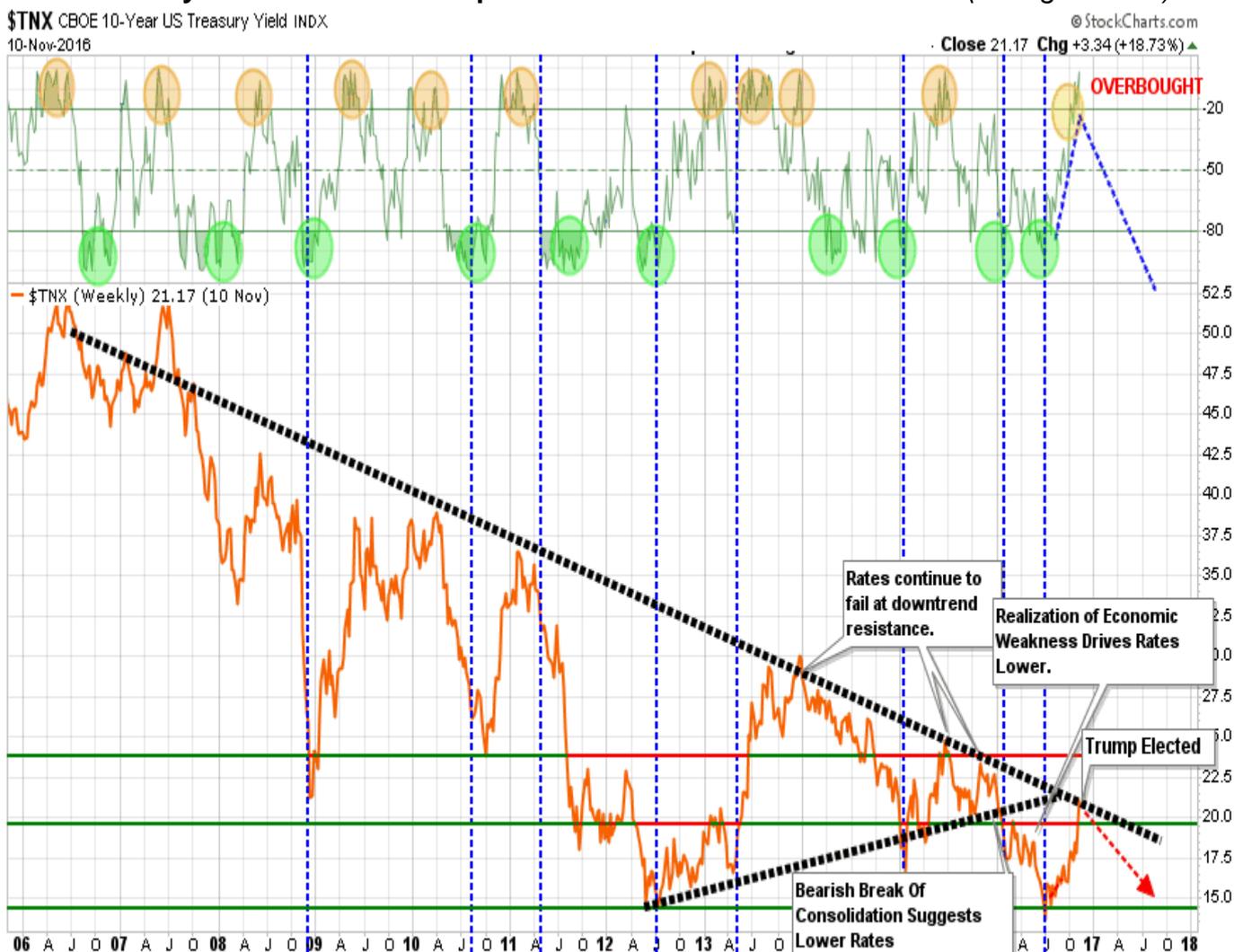
Overall, the market back drop is very fragile and narrow. A few sectors have pushed the overall market higher, but now those sectors are pushing extreme conditions. **Opportunities exist in the beaten down sectors which should see a benefit from sector rotations during a "risk off" transition in the market.** Importantly, despite the optimism the markets exhibited following the Presidential election, **there is a long, long way to go before we see ANY policy changes and even a longer period before we see any actual results.** The markets have gotten quite a bit ahead of themselves currently as earnings remain weak, a stronger dollar and higher rates will weigh on economic growth and the current bull market is extremely extended. So, caution remains advised for now. **Let's give the market another week to shake itself out before we start making any drastic changes.** This will allow us to make sure we aren't being "head faked" into making an emotionally driven investment mistake.

THE MONDAY MORNING CALL

The Monday Morning Call - Analysis For Active Traders

Why I Am Buying Bonds (For A Trade)

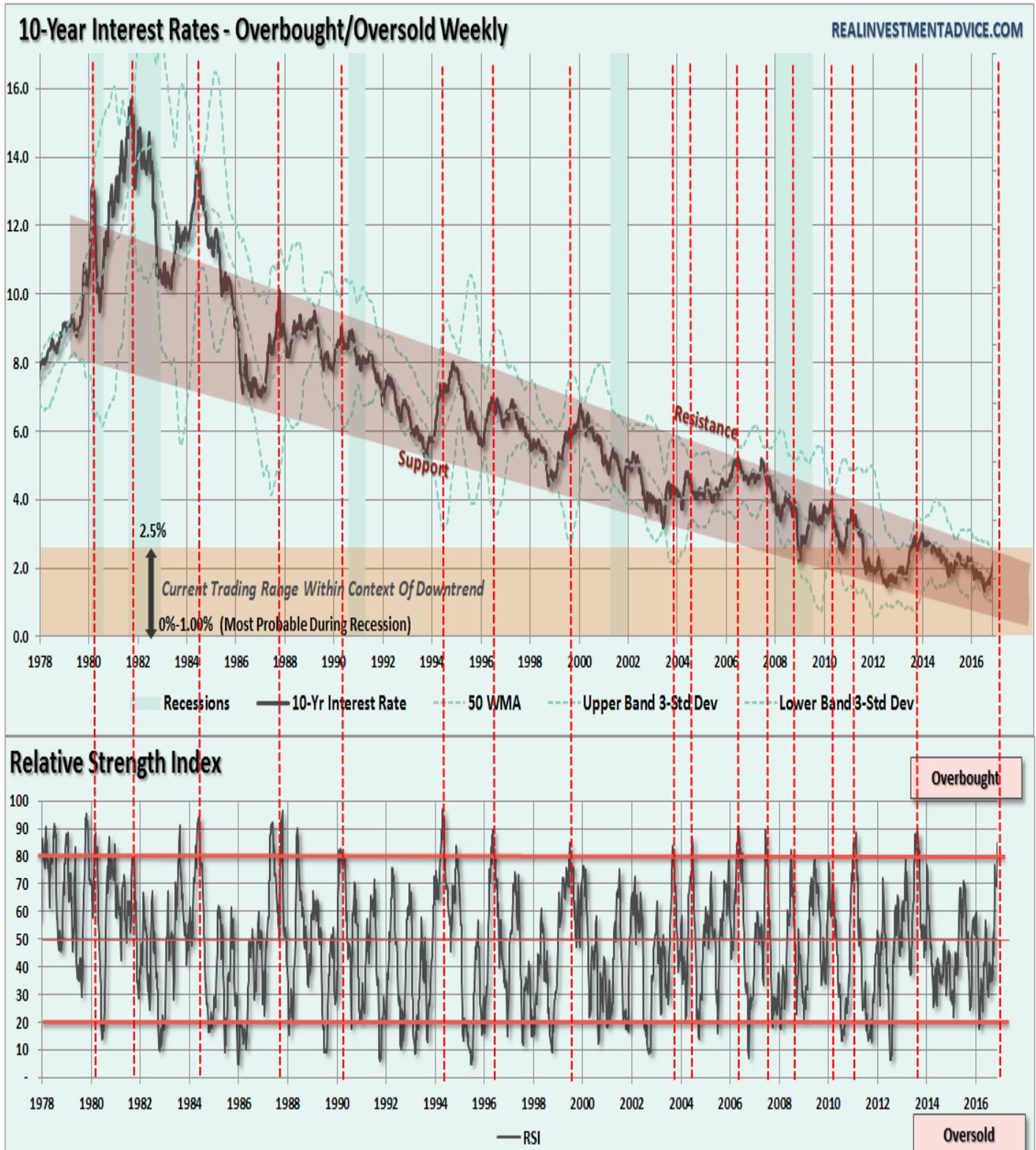
Over the last three weeks, I have been selectively buying bonds into portfolios as opportunities have presented themselves. **Importantly, I am buying ACTUAL bonds, not bond funds or ETF's, so the rise in rates over the last week is not important to my holding period return or my return of principal.** However, the spike in rates this past week, now has me buying bond ETF's for a trading opportunity. **As shown below, interest rates are now pushing overbought conditions only seen near absolute peaks in interest rates movements. (Orange circles)**



What is interesting is that stock buyers are told to buy stocks after big corrections, yet it works EXACTLY the same way with bonds. When interest rates spike, bonds become VERY oversold and operate on exactly the same premises as stocks. So, bonds are now EXTREMELY oversold and this is as good of an opportunity as one will get to buy bonds. Does this mean rates will plunge on Monday? No. Rates could go a bit higher from here, but it will likely not be much. As Jeff Gundlach stated last week:

"I do think this rate rise is about 80% through. If yields rise beyond 'critical resistance' levels, including 2.35% on the 10-year note, then things are in really big trouble."

He is right, higher rates negatively impact economic growth. But in BOTH CASES, the outcome for bonds is EXCELLENT. The chart below shows the long-term trend of the 10-year Treasury going back to 1978 as compared to its RSI index.



Whenever the RSI on rates has exceeded 80%, red dashed lines, it has preceded a subsequent decline in rates. **In other words, overbought rates are a signal to buy oversold bonds for a potential reversion trade.** As I have repeatedly [written in the past](#):

*"While the punditry continues to push a narrative that 'stocks are the only game in town,' this will likely turn out to be poor advice. But such is the nature of a media driven analysis with a lack of historical experience or perspective. From many perspectives, the real risk of the heavy equity exposure in portfolios is outweighed by the potential for further reward. **The realization of 'risk,' when it occurs, will lead to a rapid unwinding of the markets pushing volatility higher and bond yields lower.**"*



*"This is why I continue to acquire bonds on rallies in the markets, which suppresses bond prices, to increase portfolio income and hedge against a future market dislocation. **In other words, I get paid to hedge risk, lower portfolio volatility and protect capital.** Bonds aren't dead, in fact, they are likely going to be your best investment in the not too distant future. In the short-term, the market could surely rise. This is a point I will not argue as investors are historically prone to chase returns until the very end. **But***

over the intermediate to longer-term time frame, the consequences are entirely negative. As my mom used to say: 'It's all fun and games until someone gets their eye put out.'

So, yes, from a trading perspective, one of the "most unloved" asset classes to own currently - bonds.

Model Update

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

I will update this analysis in Tuesday's Technically Speaking post ([click here for free e-delivery](#))

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	217.73	100%	100%	0%	1.65%
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	48.15	3.64%	2.73%	-0.91%	1.99%
		XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	69.46	3.64%	2.73%	-0.91%	2.65%
		XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	21.67	3.64%	2.73%	-0.91%	1.79%
		XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	61.05	3.64%	2.73%	-0.91%	2.00%
		XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	46.73	3.64%	2.73%	-0.91%	1.80%
		XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	50.54	3.64%	2.73%	-0.91%	2.56%
		XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	46.03	3.64%	2.73%	-0.91%	3.56%
		XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	70.49	3.64%	2.73%	-0.91%	1.57%
		XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	79.72	3.64%	2.73%	-0.91%	1.53%
		SIZE	MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	85.63	3.64%	2.73%	-0.91%
		IJR	ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	128.41	3.64%	2.73%	-0.91%	1.27%
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.67	4.00%	3.00%	-1.00%	1.47%
	Dividend	VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	83.62	4.00%	3.00%	-1.00%	2.06%
	Real Estate	VNQ	VIPERS-REIT	VANGUARD REIT ETF	78.54	4.00%	3.00%	-1.00%	4.30%
	International	IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	28.71	4.00%	3.00%	-1.00%	5.66%
		VVO	VANGD-FTSE EM	VANGUARD FTSE EMERGING MARKETS ETF	35.25	4.00%	3.00%	-1.00%	2.52%
FI	Intermediate Duration	TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	122.04	20.00%	20.00%		2.51%
	International	BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	54.50	10.00%	10.00%		1.72%
	High Yield	HYG	ISHARS-IBX HYCB	ISHARES IBOX \$ HIGH YIELD CORP BOND	83.47	5.00%	5.00%		5.65%
	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%		

The overall model still remains underweight target allocations. This has been due to the inability of the markets to generate a reasonable risk/reward setup to take on more aggressive equity exposure at this time. However, the rally last week which pushed the markets back above the 50-dma keeps portfolios allocated at model weights. Provided the markets can reduce the current overbought condition, without triggering further "sell signals," model allocations will be able to be increased for the seasonally strong period. 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					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
					1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					
BENCHMARK		IVV	ISHARS-SP500	217.73	3.84	1.61	(0.95)	3.04	6.90	216.66	213.00	0.49%	2.22%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	48.15	(0.07)	2.35	(0.76)	(0.99)	1.54	47.62	47.16	1.11%	2.09%	BUY
		XLE	SPDR-EGY SELS	69.46	(1.35)	(2.09)	(0.40)	0.43	(1.63)	69.47	67.46	-0.02%	2.97%	BUY
		XLF	SPDR-FINL SELS	21.67	7.34	9.98	(8.80)	(12.03)	(16.31)	21.40	22.47	1.26%	-3.55%	SELL
		XLI	SPDR-INDU SELS	61.05	4.27	5.07	4.39	6.11	7.17	57.95	56.96	5.35%	7.18%	BUY
		XLK	SPDR-TECH SELS	46.73	(2.65)	(2.96)	0.33	2.92	3.39	47.27	45.29	-1.15%	3.18%	BUY
		XLP	SPDR-CONS STPL	50.54	(5.92)	(5.10)	(7.02)	(7.68)	(1.24)	53.16	53.50	-4.93%	-5.52%	SELL
		XLU	SPDR-UTIL SELS	46.03	(7.85)	(5.21)	(7.48)	(8.78)	1.30	48.93	49.60	-5.92%	-7.20%	SELL
		XLV	SPDR-HLTH CR	70.49	2.19	(0.36)	(4.25)	(4.01)	(5.58)	71.42	71.38	-1.30%	-1.24%	BUY
		XLY	SPDR-CONS DISCR	79.72	0.05	(0.55)	(1.23)	(2.54)	(4.34)	79.61	79.42	0.14%	0.38%	BUY
		SIZE	MGK	VANGD-MG CAP GR	85.63	(1.56)	(2.17)	(1.75)	(1.65)	(3.61)	86.79	85.19	-1.33%	0.52%
		IJR	ISHARS-SP SC600	128.41	6.73	4.62	5.37	8.11	8.67	122.32	118.21	4.98%	8.63%	BUY
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	83.67	0.68	0.82	0.04	0.82	2.70	82.86	81.30	0.97%	2.92%	BUY
	Dividend	VIG	VANGD-DIV APPRC	83.62	(0.97)	(0.03)	(1.56)	(1.02)	2.62	83.62	82.98	0.00%	0.77%	BUY
	Real Estate	VNQ	VIPERS-REIT	78.54	(4.20)	(7.07)	(10.32)	(9.19)	(4.16)	85.14	85.53	-7.75%	-8.17%	SELL
	International	IDV	ISHARS-INTL SD	28.71	(3.14)	(3.59)	(3.41)	(5.32)	(7.01)	29.63	29.28	-3.12%	-1.94%	BUY
		VVO	VANGD-FTSE EM	35.25	(7.43)	(7.15)	(7.11)	1.53	(2.30)	37.64	35.94	-6.36%	-1.92%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	122.04	(11.21)	(8.86)	(11.07)	(9.06)	(4.93)	134.94	134.39	-9.56%	-9.19%	BUY
	International	BNDX	VANGD-TTL INT B	54.50	(5.13)	(3.23)	(1.73)	(3.50)	(3.96)	55.66	55.28	-2.08%	-1.41%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	83.47	(5.62)	(5.51)	(2.65)	(3.31)	(6.34)	86.45	84.73	-3.45%	-1.49%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.10										

Notice in the next to the 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. Furthermore, previously all areas were on long-term buy signals but continued weakness in the markets, combined with a loss of momentum, have eroded much of the previous strength. There is a broad deterioration across sector performance which suggests overall weakness in the markets will likely continue in the near-term. **Some caution is currently advised as the market has now been split distinctively between the "risk on" and "safety" trade as shown below in the "spaghetti" chart, via StockCharts.**

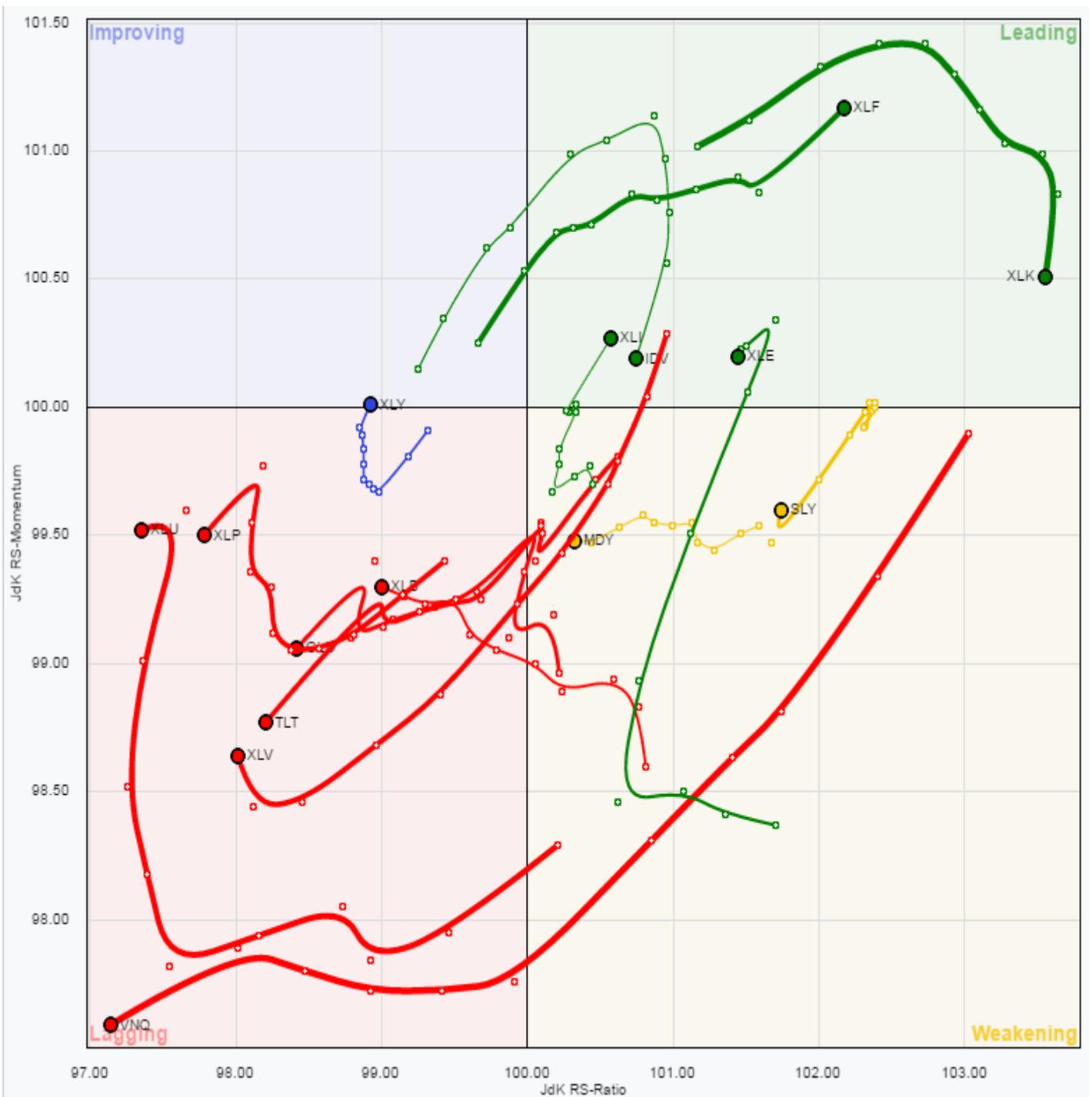


chart	visible	tail	symbol	name	sector	industry	price	%chg
📊	☑️	🟢	XLK	Technology Select Sector SPDR Fund			46.73	📉-0.9
📊	☑️	🟢	XLF	Financial Select Sector SPDR Fund			21.67	📈9.3
📊	☑️	🟢	XLE	Energy Select Sector SPDR Fund			69.46	📈1.2
📊	☑️	🟢	IDV	iShares International Select Dividend ETF			28.71	📉-4.1
📊	☑️	🟢	XLI	Industrial Select Sector SPDR Fund			61.05	📈4.2
📊	☑️	🟡	XLY	Consumer Discretionary Select Sector SPDR Fund			79.72	📉-1.1
📊	☑️	🟡	SLY	SPDR S&P 600 Small Cap ETF			115.42	📈2.9
📊	☑️	🟡	MDY	SPDR S&P MIDCAP 400 ETF			284.47	📉-0.8
📊	☑️	🔴	VNQ	Vanguard REIT ETF			78.54	📉-11.7
📊	☑️	🔴	XLU	Utilities Select Sector SPDR Fund			46.03	📉-6.5
📊	☑️	🔴	XLV	Health Care Select Sector SPDR Fund			70.49	📉-2.6
📊	☑️	🔴	XLP	Consumer Staples Select Sector SPDR Fund			50.54	📉-7.2
📊	☑️	🔴	TLT	iShares 20+ Year Treasury Bond ETF			122.04	📉-11.6
📊	☑️	🔴	GLD	SPDR Gold Shares			117.10	📉-7.5
📊	☑️	🔴	XLB	Materials Select Sector SPDR Fund			48.15	📉-1.7

Utilities, REIT's, Staples, Materials, Bonds, Gold, and Healthcare have remained under pressure this past week. As I have stated over the last couple of weeks:

"With the rise in rates largely done, sectors with the most benefit from falling rates look reasonable." The opposite holds true for those sectors that are adversely affected by a stronger dollar and weaker oil prices. With dollar tailwind still intact, and oil prices grossly extended, profit taking in Small-Cap, Mid-Cap, Emerging Markets, International and Energy stocks seems logical. This recommendation remains from the last couple of weeks and remains salient. "

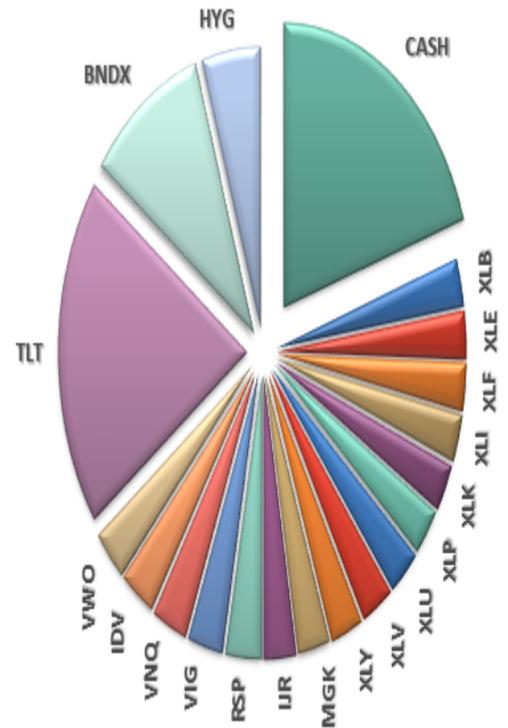
While the rise in rates this past week due to the unexpected victory by Donald Trump in the Presidential election, it has only served to reinforce positioning in lagging areas of the market for a "reversion" trade over the next few weeks. Also, as I stated last week:

"Lastly, 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. I have been recommending taking profits in the Technology sector. This was due to the extreme levels of outperformance of that sector which has begun to fade. The rotation out of technology is likely not complete yet and brings into focus extremely oversold sectors such as Health Care, Utilities and Staples as potential candidates."

That advice remains this week as well.

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.

Symbol	Name	Description	Price	Weight
CASH	Cash/Money Market		1.00	\$ 20,000
XLB	SPDR-MATLS SELS	SPDR MATERIALS SELECT SECTOR SPDR FUND	48.15	\$ 2,727
XLE	SPDR-EGY SELS	SPDR ENERGY SELECT SECTOR SPDR FUND	69.46	\$ 2,727
XLF	SPDR-FINL SELS	SPDR FINANCIAL SELECT SECTOR SPDR FUND	21.67	\$ 2,727
XLI	SPDR-INDU SELS	SPDR INDUSTRIAL SELECT SECTOR SPDR FUND	61.05	\$ 2,727
XLK	SPDR-TECH SELS	SPDR TECHNOLOGY SELECT SECTOR SPDR FUND	46.73	\$ 2,727
XLP	SPDR-CONS STPL	SPDR CONSUMER STAPLES SELECT SECTOR SPDR	50.54	\$ 2,727
XLU	SPDR-UTIL SELS	SPDR UTILITIES SELECT SECTOR SPDR FUND	46.03	\$ 2,727
XLV	SPDR-HLTH CR	SPDR HEALTH CARE SELECT SECTOR SPDR FUND	70.49	\$ 2,727
XLY	SPDR-CONS DISCR	SPDR CONS DISCR SELECT SECTOR SPDR FUND	79.72	\$ 2,727
MGK	VANGD-MG CAP GR	VANGUARD MEGA CAP GROWTH ETF	85.63	\$ 2,727
IJR	ISHARS-SP SC600	ISHARES CORE SP SMALL-CAP ETF	128.41	\$ 2,727
RSP	GUGG-SP5 EQ ETF	GUGGENHEIM SP 500 EQUAL WEIGHT ETF	83.67	\$ 3,000
VIG	VANGD-DIV APPRC	VANGUARD DIVIDEND APPREC ETF	83.62	\$ 3,000
VNQ	VIPERS-REIT	VANGUARD REIT ETF	78.54	\$ 3,000
IDV	ISHARS-INTL SD	ISHARES INTERNATIONAL SELECT DIV ETF	28.71	\$ 3,000
VVO	VANGD-FTSE EM	VANGUARD FTSE EMERGING MARKETS ETF	35.25	\$ 3,000
TLT	ISHARS-20+YTB	ISHARES 20+ YEAR TREASURY BOND ETF	122.04	\$ 20,000
BNDX	VANGD-TTL INT B	VANGUARD TOTAL INTERNATIONAL BOND ETF	54.50	\$ 10,000
HYG	ISHARS-IBX HYCB	ISHARES IBOX \$ HIGH YIELD CORP BOND	83.47	\$ 5,000



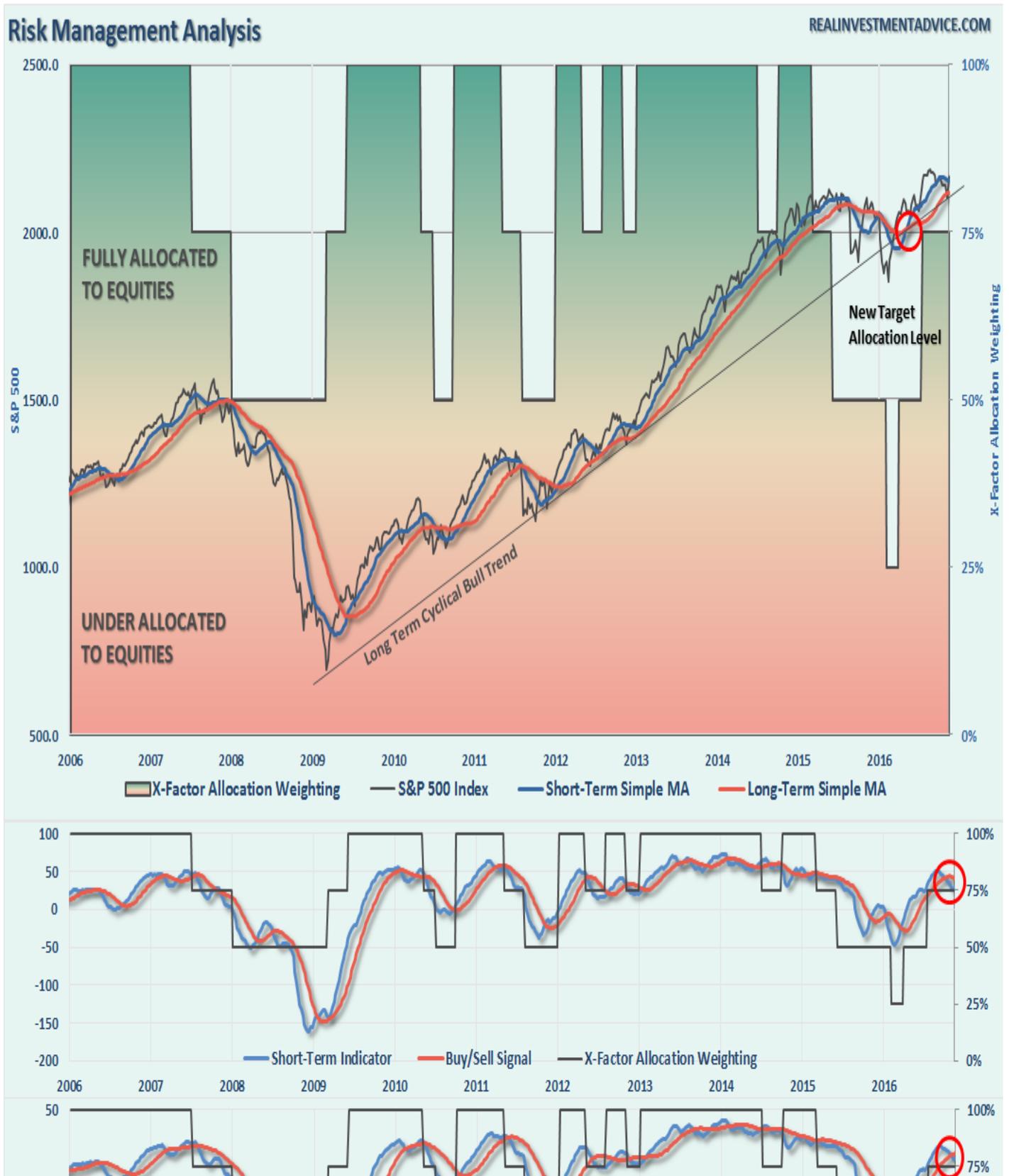
Such an increase will change model allocations to:

- 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.

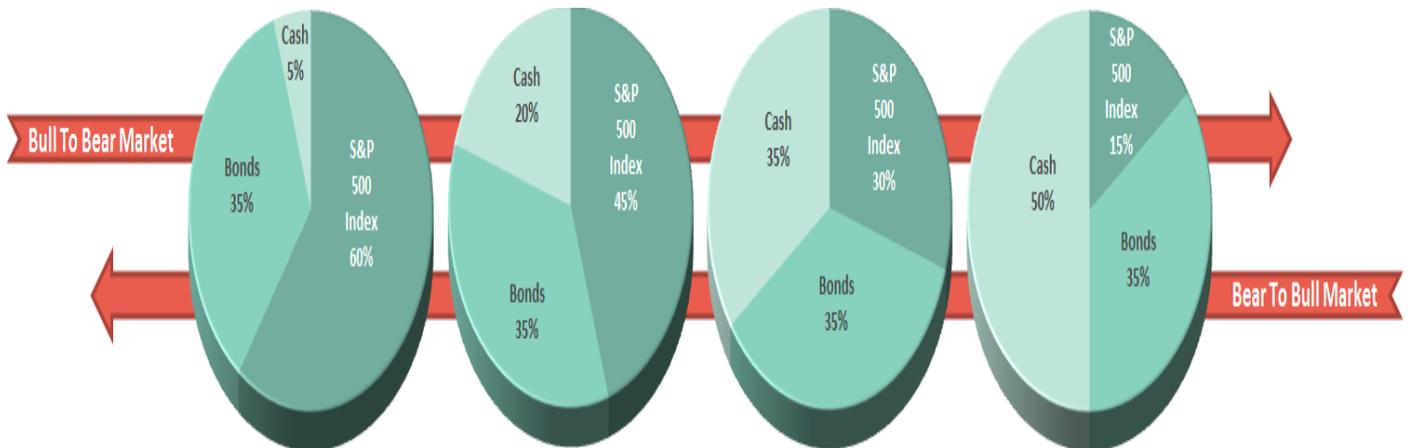
THE REAL 401k PLAN MANAGER

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



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.



Trump Wins - Market Surges

Well, that certainly wasn't expected.

I don't mean the "Trump" win.

I mean the markets surge as it was widely expected that a Trump victory was impending doom for the markets both domestically and globally.

The markets not only reversed the breakdown, and rallied this week as I suggested in last week's missive, it also broke back above the downtrend resistance. This sets the market up for an advance in the near term back to all-time highs.

That's the good news.

The bad news is, this rally is likely done for the moment and we need to wait for confirmation of the breakout before increasing equity exposure as we head into the seasonally strong period of the year.

As I stated last week, now reversed:

"By the time breaks of major support occur, and signals are registered, the markets tend to be grossly oversold. This is the case now and suggests a rally will likely ensue next week."

Use the rally from last week to clean up portfolios as detailed in [last weekend's missive](#).

The lower allocations to "risk" in portfolios has lowered volatility and kept principal safe over the last several months. **Once we can get past the election and get some clarity when can start making decisions about the "seasonally strong" period of the year.**

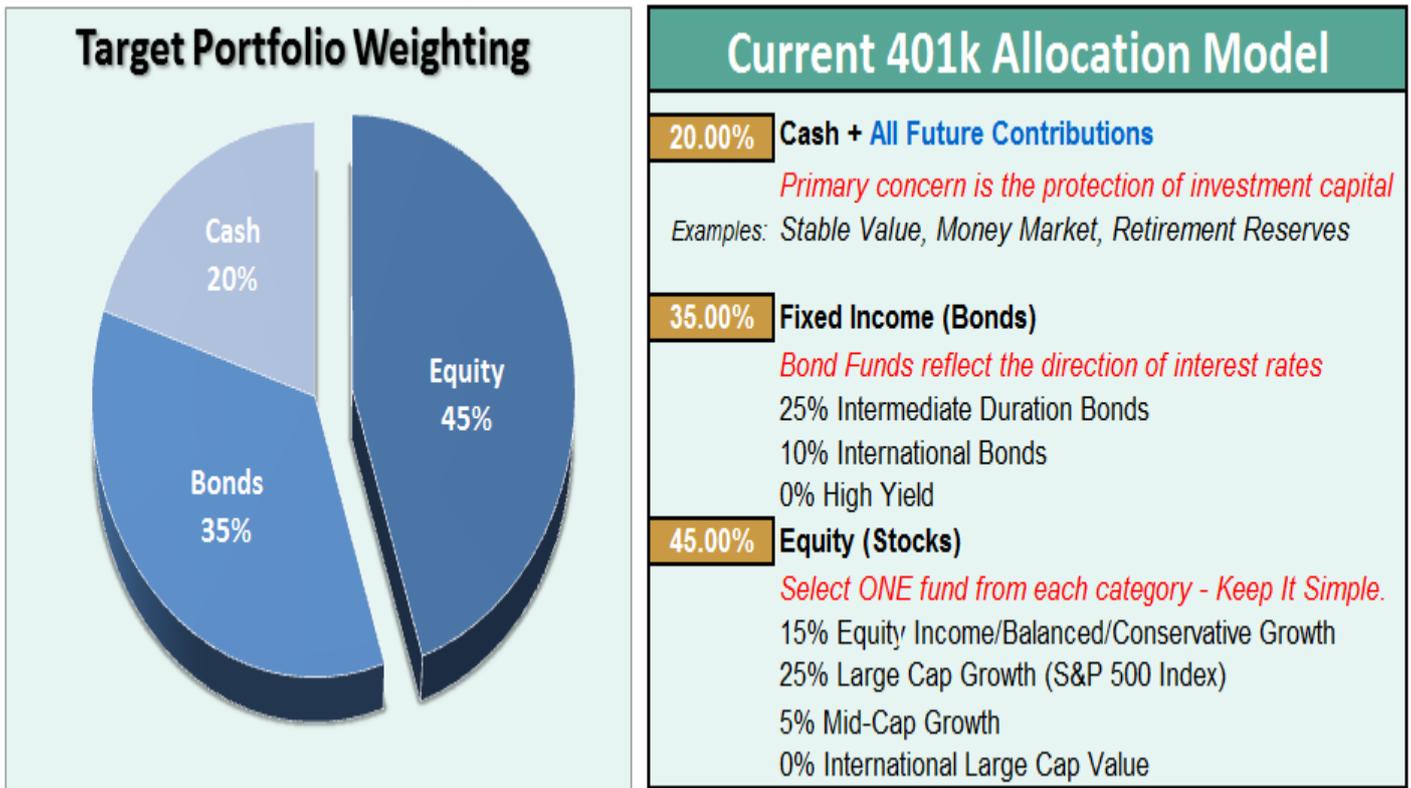
However, as noted in the chart above, we have now triggered a secondary "sell" signal that keeps us on alert. As stated last week:

"We are dangerously close to triggering a second sell signal, the bottom part of the chart, which will likely coincide with a failed rally attempt over the next week or two. Such an outcome would suggest a weaker market environment in the intermediate term with a high degree of caution required."

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	
	Money Market		Large Cap
Fixed Income	Retirement Savings Trust		Vanguard Total Stock Market
	Fidelity MIP Fund		Vanguard S&P 500 Index
	G-Fund		Vanguard Capital Opportunities
	Short Term Bond		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
International	American Funds Capital World G&I	Small/Mid Cap	Vanguard Mid Cap Growth
	Vanguard Total International Index		Fidelity Mid Cap Growth
	Blackrock Global Allocation Fund		Artisan Mid Cap
	Fidelity International Growth Fund		Goldman Sachs Growth Opportunities
	Dodge & Cox International		Harbor Mid Cap Growth
	Invesco International Core Equity		Goldman Sachs Small/Mid Cap Opp.
Goldman Sachs International Growth Opp.		Fidelity Low Price Stock Fund	
		Columbia Acorn US	
		Federated Kaufman Small Cap	
		Invesco Small Cap	

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.