- ***Round Trip***
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Round Trip

Due to a massive outage of Comcast on Friday, this week's update will be a bit brief.

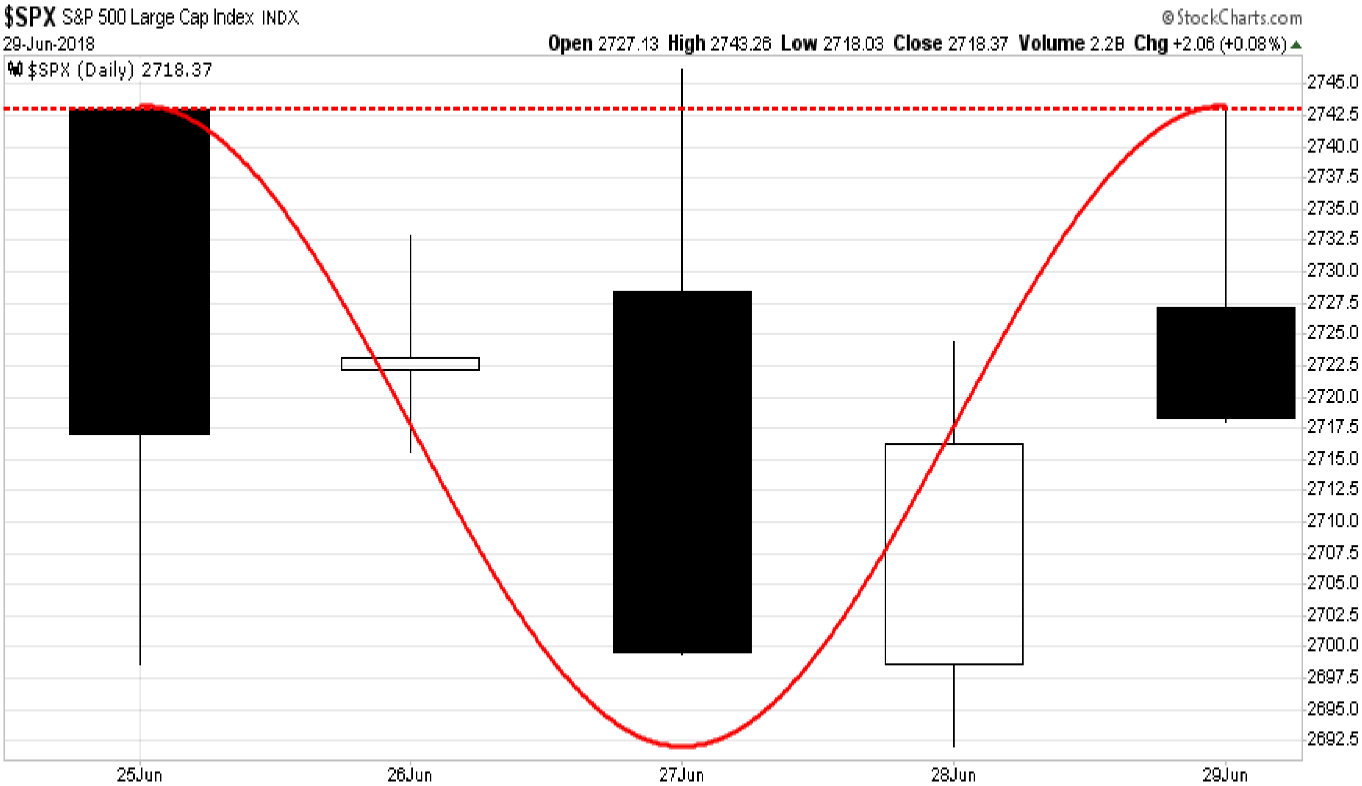
On Tuesday, I discussed the loss of the [*"Beer Bet"*] with my dear friend Doug Kass.

> Done https://t.co/7d2PhOK9SA
>
> ? Douglas Kass (@DougKass) June 25, 2018

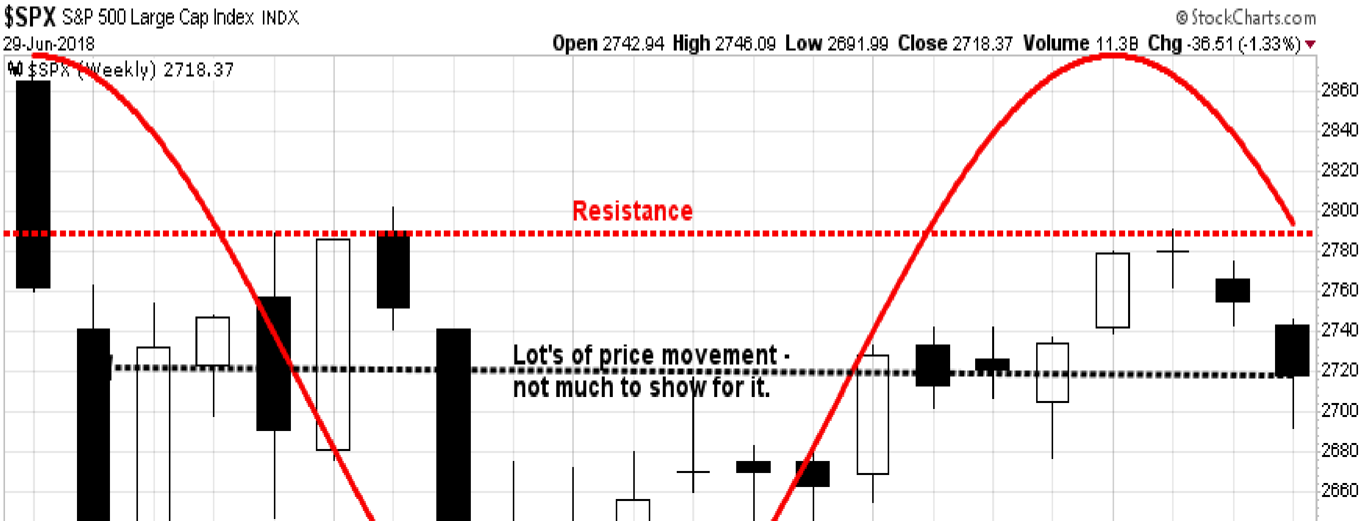
The important lesson learned from my bet with Doug is to be careful how you *"word"* the bet. The market did indeed break the 100-dma briefly before rebounding by the end of the day on Monday. However, on Wednesday, the market crashed back below the 100-dma pushing the market into a deeply oversold short-term condition. On the *"Real Investment Hour"* I stated the market would likely rebound into the end of the week as it was both the end of the month, and quarter, and fund managers would be *"window dressing"* their portfolios for reporting purposes.

> .@LanceRoberts: "The rally we expected was't a great one, but at least we got a bounce. Watch out for corporate yield curves!" Lance Roberts' Market Wrap for Thursday 6 28 18 https://t.co/2qZ1UKmBZU via @YouTube
>
> ? brentclanton (@brentclanton) June 29, 2018

Such turned out to be exactly the case the market virtually *"round-tripped"* back to where we started finishing the week only 2.06 points, or 0.08%, higher. In other words, if you happened to sleep through last week, you didn't miss anything except a lot of price volatility.

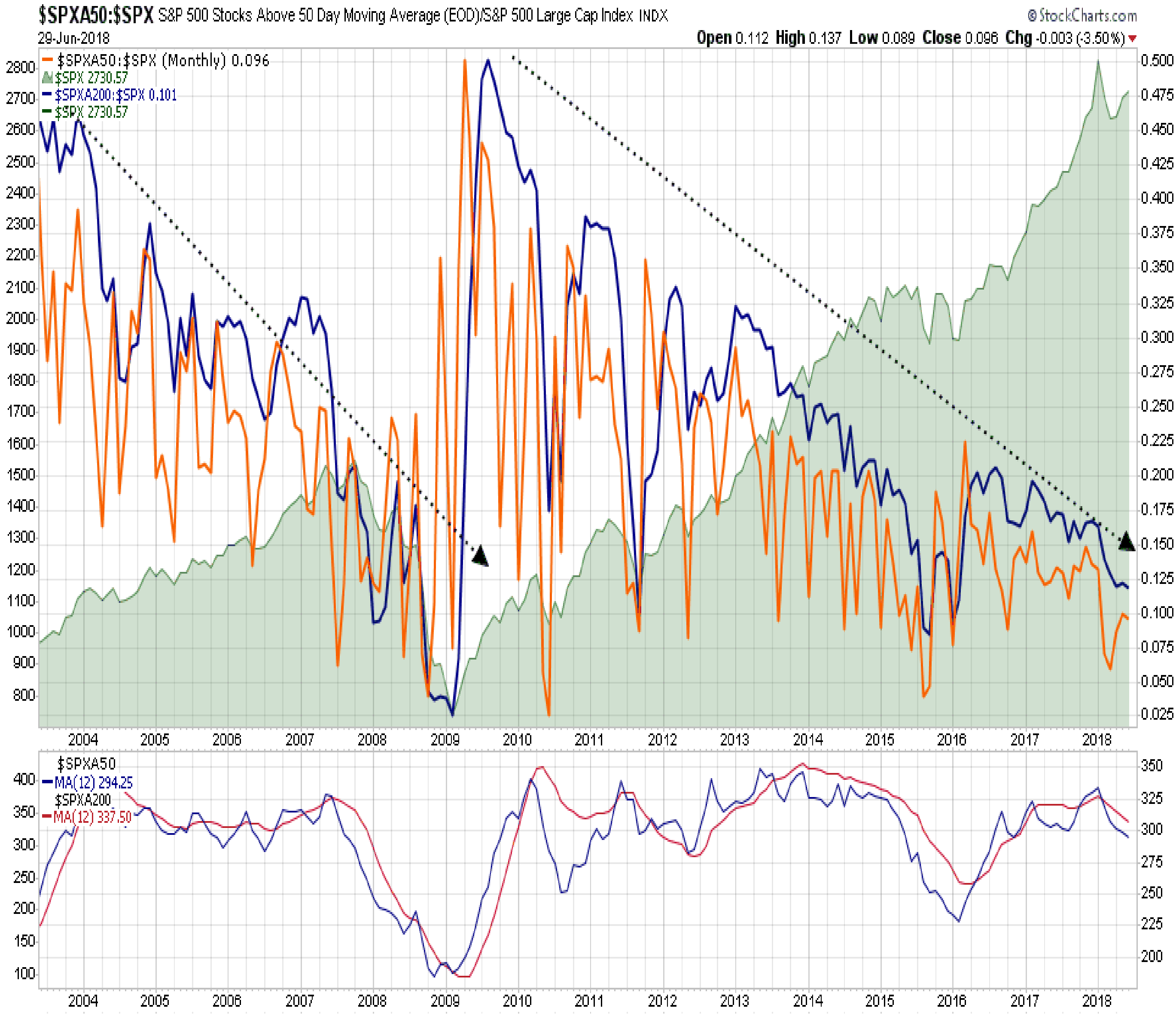


But last week's volatility is simply a representation of what we have witnessed since February.



However, despite the market not going anywhere price wise, internal participation continued its decline. As Bob Farrell's Rule #7 states:

> "***Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names."***



Of course, what spurred the bet between myself and Doug was last weekend's newsletter wherein I stated the *["bulls seem bulletproof:"]*

> *"While it certainly seemed as if the 'bulls are bulletproof,'•it is worth noting that much of the action not only surrounded a few number of participants but also money was•* ***chasing the most shorted of stocks****. Nonetheless, in the very short-term, bulls do remain in charge and our investment discipline requires us to 'follow the action'•regardless of how we 'feel'•about it."*

Look for a rally early next week as the new quarter starts. The first test will be a break above 2740 which, if successful, would put 2780 back into focus. **Use any rally to rebalance portfolio risk for now.**•Let's review where we are now on a short, intermediate and longer-term outlook.

Short-Term

This past week, the market failed twice in trying to climb back above the 61.8% Fibonacci retracement level which kept the market confined to the same tight trading range we saw in May.

Because of the breakdown on Monday, we DID NOT increase equity exposure in portfolios as of yet. With 50% of portfolios currently in cash and fixed income, the damage from last week's sell-off was mostly mitigated. *(This is the advantage of cash and fixed income in a volatile market.)*

The good news, if you want to call it that, is the cluster of support at the 50, 75 and 100-dma did hold this week. However, these levels are critically important now and a break below will quickly lead to another test the 200-dma. On Tuesday, I updated the pathway chart above to take into account these potential outcomes.

> ***Pathway #1:***•*Given the recent tendency for bulls to rush in to ?buy the dips,? the current oversold condition on a short-term basis provides enough ?fuel? to support a rally back to recent highs.* ***(30%) Pathway #2a:***•*Given both the short-term oversold condition* ***AND*** *•the confluence of support at the 100-dma, the market is able to rally back to 2740 remains confined to a tight trading range between the 100-dma and 2740.* ***(30%) Pathway #2b:***•*follows the path of #2a but fails to hold support at the 100-dma and quickly falls to test support at the 200-dma. The market will be deeply oversold at that point, so a rally back to the 100-dma is probable. If the market fails to move above 100-dma then a break below the 200-dma becomes probable and brings* ***Pathway #3***•*into focus.* ***(40%) And just like the first rule of•?Fight Club? ? we do not talk about ?Pathway #3.?•***

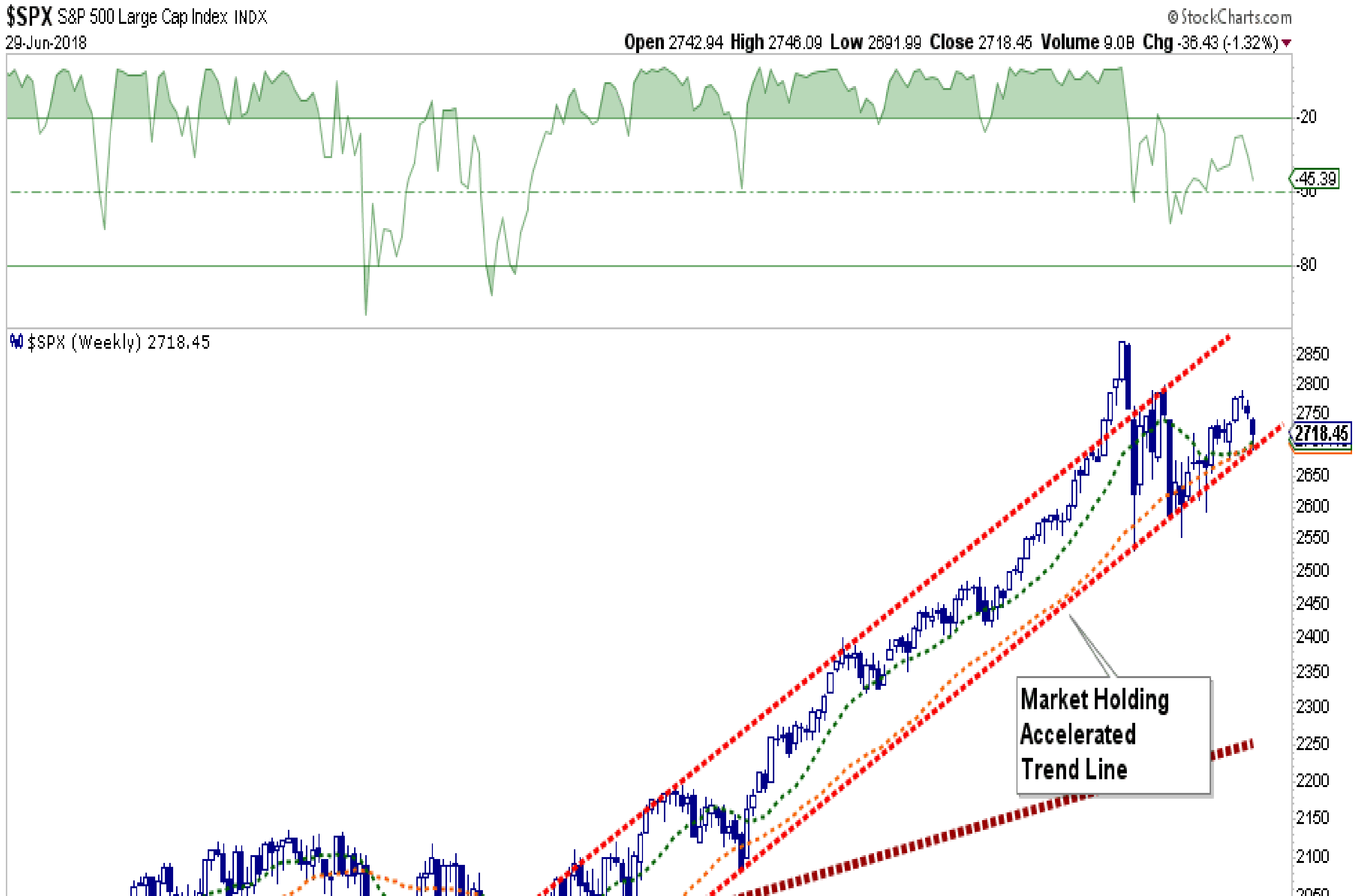
Actually, we will, we just aren?t there yet. Should a break of the 200-dma occur we will be discussing much more about the onset of a cyclical bear market, risk reduction, and hedging.

> *"**While I remain 'hopeful'•the market can regain its stability and continue to quickly compensate for Trump?s trade rhetoric, 'hope'•is not an investment strategy."***

Remember, these•*?pathways?*•are how we assess the risk of potential outcomes in a market that is experiencing much higher levels of price volatility than what we have seen previously.•**As longer-term investors, we•*?hope?*•to invest capital that will grow over time, but given the rising risks of a late stage market cycle, reductions in market liquidity, and tighter monetary policy we maintain a focus on capital preservation.**

Intermediate-Term

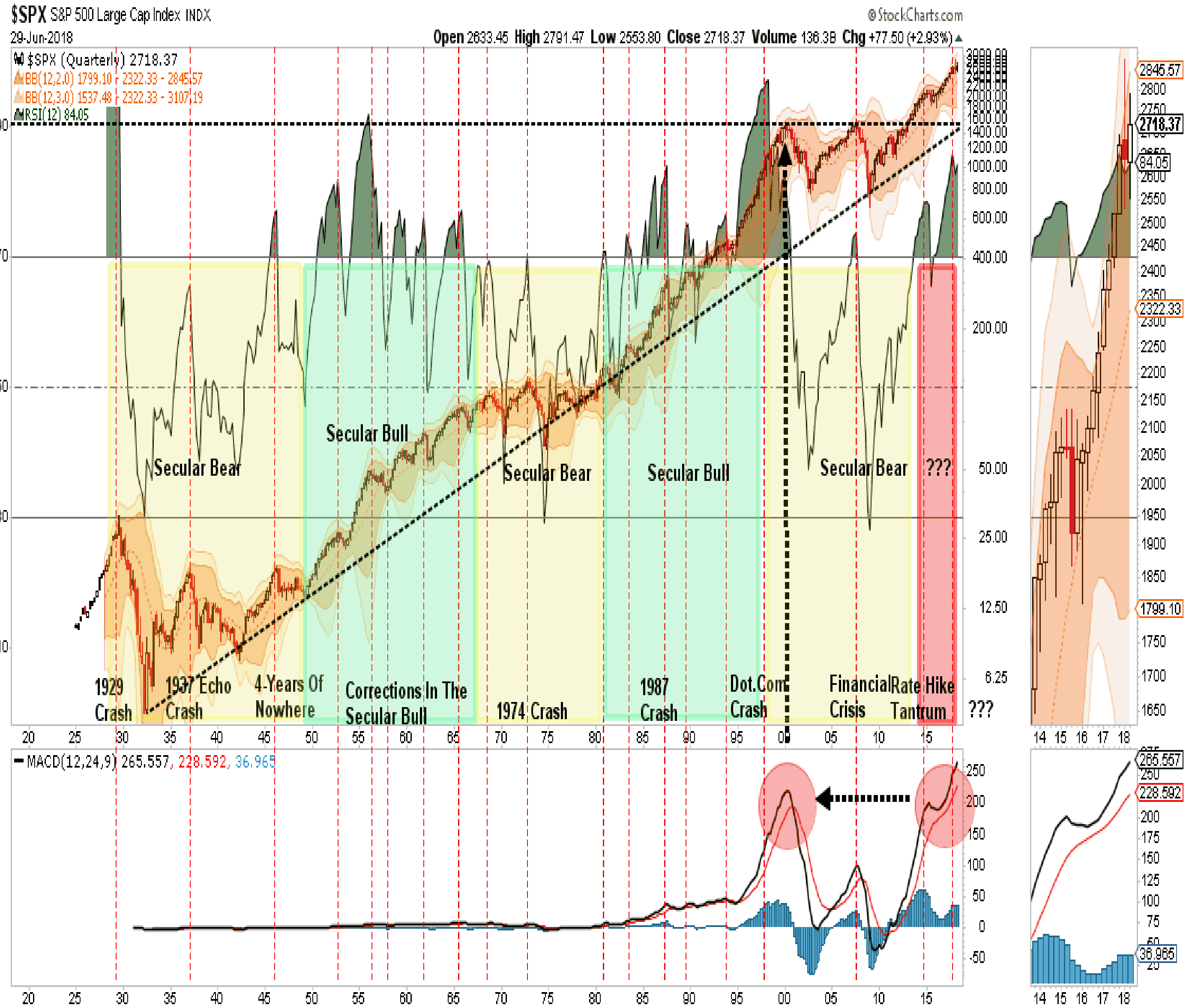
The market has continued to remain within its bullish trend channel from the 2015 lows• which is why we only mildly reduced our overall equity exposure in February of this year.



The good news is the strong, rising bullish trendline from the 2016 lows, which coincides with both the short and long-term moving averages, remains intact for now. This provides fairly strong support for the market on an intermediate-term basis which keeps portfolios allocated toward equities currently. However, over the last couple of weeks, I have discussed the weekly sell signal looking to reverse as shown in the lower panel. **The market's weakness kept the *"buy"* signal on hold which confirms our lower levels of equity exposure in portfolios. Most importantly, any confirmed break below 2710 on a weekly basis, which is a break that fails to recover, will most likely signal the onset of a protracted bear market.•**With no real support, until you reach the long-term bullish trendline from 2009, there is roughly 500-points of downside risk. As I stated previously:

> *"I certainly don?t plan to 'hold'•equities 'long'•during such an event."*

Longer-Term There is absolutely nothing good going on a longer-term basis. Valuations, extensions and deviations from long-term trends all suggest rather negative forward outcomes.



The key to watch for here is a reversal of the market that triggers a quarterly MACD *"sell signal."* •The current spread between the long-term moving averages suggests that such a signal is likely 2-to-3 quarters out if the *"bulls"* don't get their act together soon and start rallying the market higher. The•current action is more than likely part of a topping pattern rather than a consolidation. As Bob Farrell's Rule #4 states:

*"**Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways"***

With the MACD at such an elevated level historically speaking, the signal is inevitable. It is simply a function of time. Yes, **we are still long equity exposure** in portfolios for now, but let me repeat from last week:

> *??**we do so with a risk-management process in place.**•We encourage you to do the same.•If you don?t have one, it might be time to•develop one.•Or find someone to do it for you."*

Kass: Reject Group Stink

> *"It was all night pouring, pouring rain, but not a drop on me." - Grateful Dead,•Bertha•*

Dont' let others' negativity take you down, stay positive - is the theme of the Grateful Dead quote I start today's missive with -- particularly as it relates to the substantive return of capital that large money centers will now undertake. Traders *(and business commentators*), who likely never even analyzed bank balance sheets and income statements, were downtrodden and had begun to look unfavorably on the group into yesterday's CCAR results in large measure because of 12-consecutive daily down days for the group. Banks remain my largest individual industry exposure. The industry is woefully over-capitalized and will be returning capital back for years. With solid, expanding and almost monopoly like deposit bases *(which grew through Fed-friendly and assisted acquisitions as an outgrowth of•The Great Recession of 2007-09),*this asset sensitive industry will prosper, over the long term, as interest rates inevitably rise. Should interest rates normalize *(to above consensus levels),* which I believe to be ultimately likely, the value of those low-cost deposits will rise exponentially. And so will bank industry profits. Though I am attracted more from the standpoint of a multi-year opportunity, last week I opined that a short-term price reversal/opportunity may have also developed over the near term.

Donald Trump and the Markets

> *"Donald Trump Will Make Economic Uncertainty and Market Volatility Great Again. #MUVGA!" -•Kass Diary*

The second quarter of 2018 was period in which politics, specifically the combative actions of our President, transcended (in importance) even the actions of central banks. I expect this to be the case in the last half of this year. The traditional view appears to be that Trump's hardline tactics with China is another example of•*"The Art of the Deal,"*•where strategy can suddenly make a U-turn and the White House can declare a win. **I respectfully disagree and view the Administration's stance as an act of economic warfare based on spurious economic theory.**• *(The relationship between imports and US GDP is not inverse as Navarro and Lighthizer apparently believe. Rather, over history, there is a direct relationship between deficits and US GDP).* Moreover, it appears that Trump is targeting a more combative strategy against China's upgrading of its economy in an attempt for the US to maintain global economic leadership. As such, Trump's China policy may be more than just tariffs. I see the policy relationships between the US and China as well as with Mexico, Canada and others jeopardizing and souring previous bilateral relationships as a broader protectionist strategy that could "have a life of their own." This could have a meaningful impact on business and investor, global economic growth and on our markets. **That economic impact could even be more deleterious than the pivot of global monetary policy from ease to restraint.**

Bottom Line

"Watch each card you play and play it slow." -•Grateful Dead, [Deal](#)

In other words, make it a point to take risks, build bridges and, at times, be an investment contrarian. But always tread lightly! Both the month of June and all of 2018 has seen little progress in the markets, overall. But there have been important opportunities to deliver excess returns in your portfolios in the new regime of volatility. **Stay independent in view (reject "*Group Stink*") and recognize that, from an intermediate-term standpoint there are plenty of risks, but also may present plenty of rewards for the unimpassioned and opportunistic trader.** As I look towards the second half of 2018 I see market conditions increasingly•**influenced by *(wrong-headed)* policy in Washington,**•D.C., growing political partisanship and a **pivot from central bank ease to restraint** *(an important contributor to heightened - and no longer suppressed - market volatility).* Fare thee well.

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

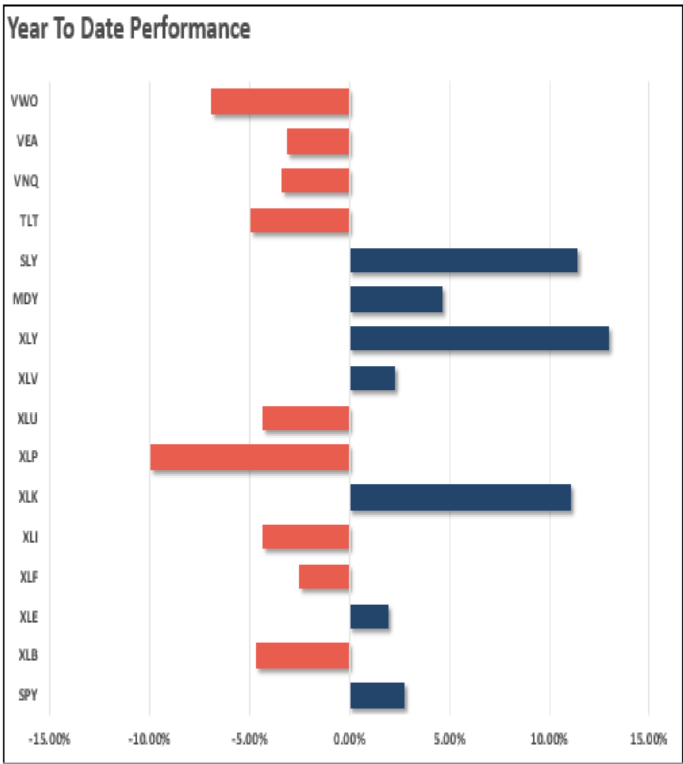
SPY RISK INFO				
Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	32.02%	13.14%	2.95%	(77.52%)
Max Drawdown	-11.76%	-11.76%	-11.76%	0.00%
Sharpe	1.51	1.17	0.39	(0.66)
Sortino	1.65	1.23	0.45	(0.64)
Volatility	11.05	12.40	16.68	0.34
Daily VaR-5%	(0.43)	(4.38)	(19.15)	3.37
Mnthly VaR-5%	4.17	0.57	(16.22)	(29.56)

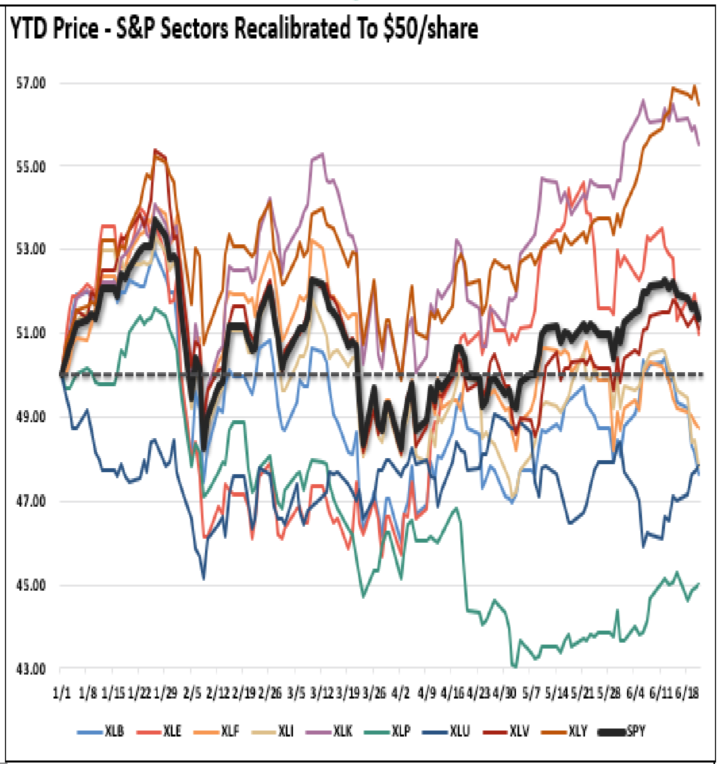
S&P 500 Fundamental Analysis								
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	2.01%	1.86%	1.82%	(2.19%)	2.17%	1.67%	(15.96%)	8.80%
P/E Ratio	18.51	20.38	20.28	(0.49%)	20.73	15.31	(2.2%)	32.49%
P/S Ratio	2.81	3.14	3.37	6.79%	3.52	2.17	(4.23%)	55.48%
P/B Ratio	3.23	3.59	3.91	8.04%	3.98	2.68	(1.93%)	45.97%
ROE	15.23%	15.62%	16.58%	5.78%	16.58%	15.00%	0.00%	10.55%
ROA	2.86%	2.91%	3.13%	7.31%	3.13%	2.83%	0.00%	10.91%

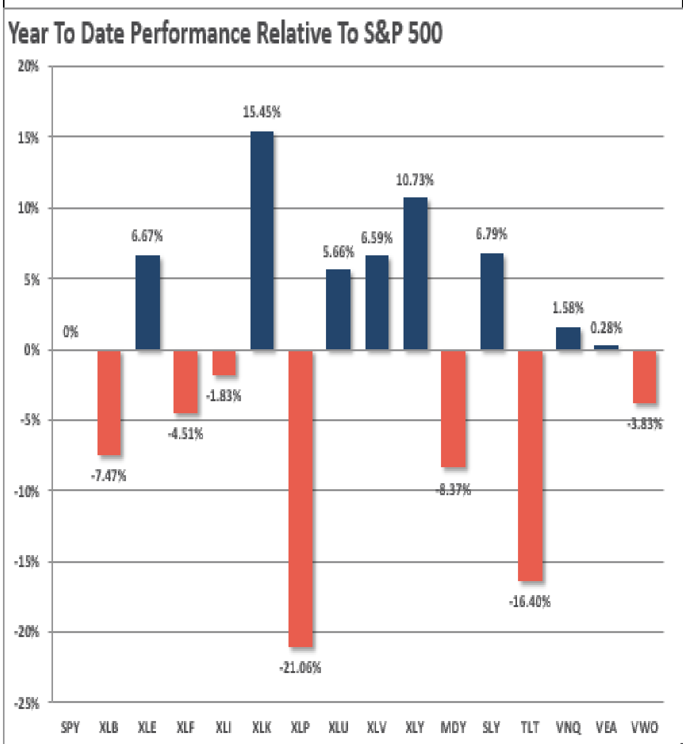
S&P 500 Market Cap Analysis			
Item	12-M Ago	Current	% Chg
Shares	2,443.7	2,412.9	(1.26%)
Sales	56,386	59,382	5.31%
SPS	23.1	24.6	6.66%
Earnings	7,502	8,345	11.23%
EPS TTM	3.6	4.1	14.01%
Dividend	1.3	1.5	8.54%

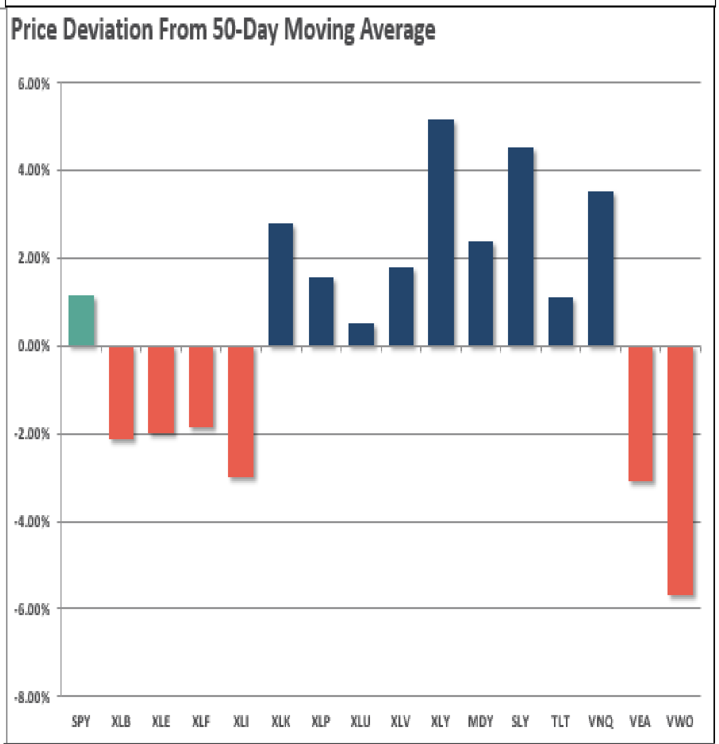
S&P 500 Asset Allocation												
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High-5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	17.42%	6.15%	1.06	31.71	154.49	12.41	(79.5%)	7.1%	2.8%	3.66%	3.62	18.40
Materials	9.17%	2.57%	1.41	18.95	22.14	13.94	(14.4%)	9.8%	2.0%	5.44%	4.62	15.16
Industrials	4.82%	9.56%	1.04	18.99	22.10	14.77	(14.1%)	14.8%	2.0%	5.18%	5.05	16.28
Discretionary	25.31%	13.05%	1.08	25.76	25.44	19.80	1.2%	21.0%	1.2%	3.95%	4.31	19.10

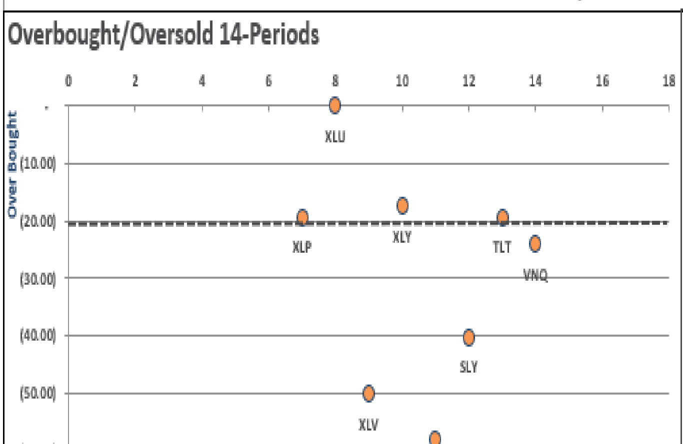
Performance Analysis

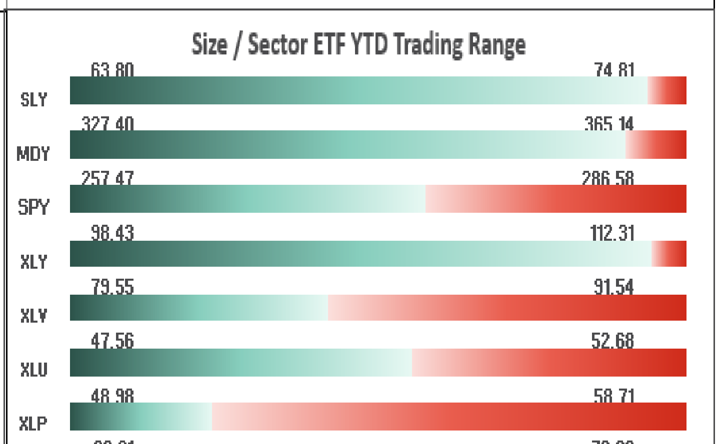












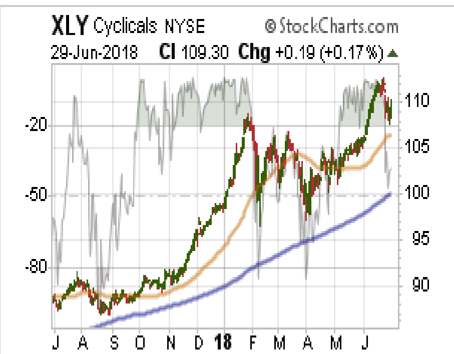
ETF Model Relative Performance Analysis

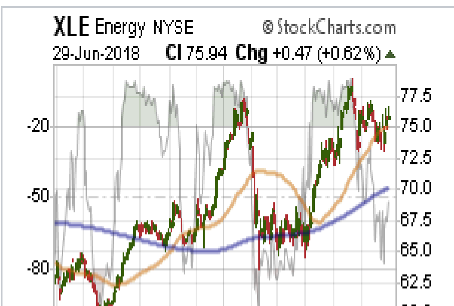
RELATIVE PERFORMANCE		Ticker	ETF NAME	Current Price	Model Position Price Changes Relative to Index: 1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
	BENCHMARK	IVV	ISHARS-SP500	277.32	(1.21)	0.94	4.50	1.36	12.92	271.13	270.94	2.28%	2.35%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	57.68	(3.34)	(3.72)	(3.20)	(8.86)	(5.38)	58.48	59.54	-1.37%	-3.13%	SELL
		XLE	SPDR-EGY SELS	73.68	(2.24)	(4.71)	4.80	(3.12)	2.30	73.58	71.57	0.13%	2.95%	BUY
		XLF	SPDR-FINL SELS	27.20	(0.21)	(3.58)	(5.85)	(5.35)	0.51	27.64	27.95	-1.60%	-2.69%	SELL
		XLI	SPDR-INDU SELS	72.36	(3.09)	(5.51)	(7.10)	(7.50)	(6.13)	74.37	75.06	-2.70%	-3.60%	SELL
		XLK	SPDR-TECH SELS	71.03	(0.48)	0.83	4.07	6.90	14.04	68.21	66.69	4.13%	6.51%	BUY
		XLP	SPDR-CONS STPL	51.21	1.07	1.90	(7.20)	(11.01)	(20.60)	50.79	53.64	0.82%	-4.54%	SELL
		XLU	SPDR-UTIL SELS	50.40	2.76	(0.70)	(4.76)	(3.21)	(18.52)	50.15	51.42	0.49%	-1.99%	SELL
		XLV	SPDR-HLTH CR	84.55	(0.03)	0.86	(0.63)	(1.34)	(8.00)	82.60	83.53	2.36%	1.22%	SELL
		XLY	SPDR-CONS DISCR	111.51	0.57	4.29	5.59	9.07	11.50	104.92	102.20	6.28%	9.11%	BUY
	SIZE	MGK	VANGD-MG CAP GR	121.22	0.14	1.68	3.50	5.00	6.28	116.03	114.56	4.47%	5.81%	BUY
		IJR	ISHARS-SP SC600	85.78	1.51	2.88	6.88	9.28	10.54	80.80	78.42	6.16%	9.38%	BUY
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	102.97	(0.06)	(0.15)	(1.00)	(1.05)	(1.56)	101.05	101.02	1.90%	1.93%	BUY
	Dividend	VIG	VANGD-DIV APPRC	103.17	(0.07)	(0.60)	(2.41)	(1.44)	(1.43)	101.76	101.91	1.39%	1.23%	SELL
	Real Estate	VNQ	VIPERS-REIT	80.16	1.73	2.55	1.71	(2.41)	(18.23)	76.89	78.76	4.25%	1.77%	SELL
	International	IDV	ISHARS-INTL SD	32.03	(2.61)	(5.93)	(7.47)	(8.33)	(14.21)	33.52	33.71	-4.46%	-4.99%	SELL
		VWO	VANGD-FTSE EM	42.72	(2.66)	(6.13)	(13.57)	(11.31)	(7.64)	45.59	46.23	-6.29%	-7.58%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	120.54	1.43	0.46	(5.62)	(5.75)	(18.63)	119.58	121.80	0.80%	-1.03%	SELL
	International	BNDX	VANGD-TTL INT B	54.73	1.83	(0.38)	(4.50)	(0.57)	(13.24)	54.51	54.52	0.41%	0.39%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	85.90	0.89	(0.70)	(4.20)	(3.65)	(15.12)	85.65	86.44	0.29%	-0.63%	SELL
	Cash	BSV	VANGD-SHT TRM B	78.12										

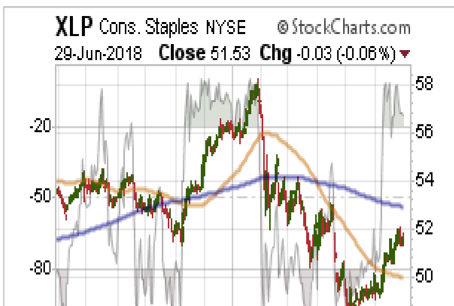
Sector & Market Analysis:

My comments from last week remain.

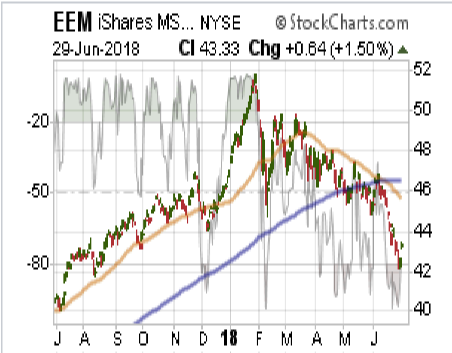
"Trade, tariffs, internet sales tax, and continued rhetoric from the 'Tweeter-In-Chief'•roiled the markets last week, but every 'dip' was readily bought keeping bullish underpinnings intact for now."

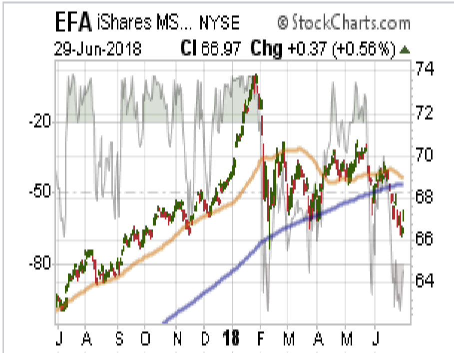


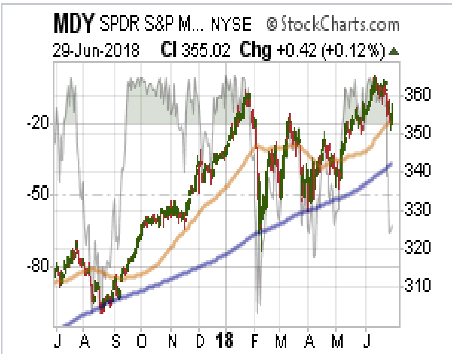


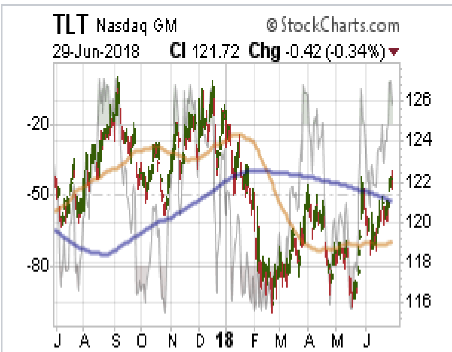


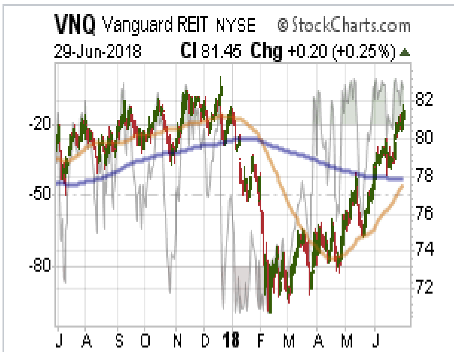
Discretionary stocks have been leaders previously, but as•we stated two weeks ago, that sharp ramp higher was sustainable. We recommended, with the sector extremely overbought, taking profits and reducing back to portfolio model weights for now. Such remains prudent on any rally this coming week. **Technology,** as noted last week, ran into a bit of trouble. We suggested taking profits and reducing portfolios back to target model weights as well. With the sector holding support at the 50-dma, a rally this next week will likely be a good opportunity to rebalance portfolio risk for now. **Healthcare, Staples, and Utilities** have•picked up performance recently as money has rotated towards very beaten up sectors in a sector rotation move. As noted last week, we need to see some further improvement before becoming more aggressively exposed to these sectors. We added Staples to our portfolios last week, but remain underweight these sectors for now. **Financial, Energy, Industrial, and Materials** stocks, after a brief spurt of excitement, have all slipped backward. While the trend for Energy remain in place, for now, we remain underweight holdings. We currently have no weighting in Industrial or Materials as the *"trade war"* continues to negatively impact the companies in the sectors. The decline of the *"yield curve"* is hurting major banks, while we are underweight the sector if performance doesn't improve next week we are likely to be stopped out of holdings.











Small-Cap and Mid Cap•continue to lead performance overall. We noted last week, that after small and mid-caps broke out of a multi-top trading range, we needed a pull-back to add further exposure. We recently added a small amount of small-cap exposure to portfolios and are maintaining tight stops for now.•If the recent pullback to support holds, we will be able to increase exposure further. **Emerging and International Markets**•were removed in January from portfolios on the basis that *"trade wars"* and *"rising rates"* were not good for these groups. Furthermore, we noted that global economic growth was slowing which provided substantial risk. That recommendation to focus on domestic holdings in allocations has paid off well in recent months.

With emerging markets and international markets continuing to languish, there is no reason to ad exposure at this time. Remain domestically focused to reduce the drag on overall portfolio performance. **Dividends and Equal weight** continue to hold their own and we continue to hold our allocations to these *"core holdings."*•**Gold•**- we haven't owned Gold since early 2013. However, as we stated several weeks ago:

> *"...we previously suggested to 'Take profits on positions, and lower your stop to last week's bottom at $122.'•Again, we see no reason currently to own gold in your portfolio, however, if you do,* ***the $122 stop was violated and all precious metals positions should be closed out for now****."*

With the 50-dma now back below the 200-dma there is still no reason to own gold currently. If you are long in the metal currently, gold is extremely oversold and a bounce is likely. Use that bounce to reduce holdings for now. There will come a time to own gold, and when there is, we will add it to portfolios. Now is not the time.•**Bonds and REITs•**- Bonds have continued to improve performance despite a continued bullish backdrop to equities. **These two things do not generally coincide for long periods, so either, the *"bulls"* are wrong on stocks or the *"bears"* are wrong on bonds.•**I would bet on the latter. We•**remain out of trading positions currently, but remain long *"core"* bond holdings mostly in floating rate and shorter duration exposure.** REIT's are much more interesting now with a break back above their 200-dma. The sector is extremely overbought, so on a pullback that does violate support, we will add REIT's back into our portfolios. The table below **shows thoughts on specific actions related to the current market environment.•**

(These are not recommendations or solicitations to take any action. This is for informational purposes only related to market extremes and contrarian positioning within portfolios. Use at your own risk and peril.)

REAL INVESTMENT ADVICE

		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	Notes
XLY	Discretionary	Declining	Positive	Positive	Hold			X			Hold
XLK	Technology	OS	Positive	Positive	Hold			X			Hold
XLI	Industrials	OS	Positive	Positive	Warning			X			Broke 200-dma
XLB	Materials	OS	Negative	Positive	Warning			X			50-dma Xver Of 200-dma
XLE	Energy	Declining	Positive	Positive	Hold			X			Hold
XLP	Staples	OB	Negative	Negative	Hold		X				Added 1/2 Position
XLV	Health Care	Declining	Neutral	Positive	Hold			X			Hold
XLU	Utilities	OB	Negative	Negative	Hold			X			No Position
XLF	Financials	OS	Warning	Warning	Warning			X			Hold
$SML	Small Caps	Declining	Positive	Positive	Hold			X			Added 1/2 Position
EEM	Emerging Mkt	OS	Negative	Negative	Sell			X			No Postion
EFA	International	OS	Warning	Positive	Sell			X			No Position
GLD	Gold	OS	Negative	Warning	Sell			X			Stop Loss Violated
MDY	Mid Cap	Declining	Positive	Positive	Hold			X			Adding 1/2 Poistion
RSP	SP500 Equal Wgt	Declining	Positive	Positive	Hold			X			Hold
SDY	SP500 Dividend	Declining	Positive	Positive	Hold			X			Hold
TLT	20+ Yr. Bond	OB	Warning	Warning	Hold			X			No Trading Position / Long Bonds
VNQ	REIT's	OB	Improving	Improving	Hold			X			Looking To Add On Pullback

LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING X No Position

Portfolio/Client Update:

The failure of the market last week, kept our portfolio additions on hold. The cluster of support at the 50- and 100-dma remains in place and we are currently evaluating market conditions for small step ups in equity exposure to add to current holdings. Depending on how the market behaves next week, we are still looking to take the following actions across our portfolio models.

- ***New clients:*** *Will will look to buy 50% of target equity allocations for new clients.*
- ***Equity Model:*** *We previously added 50% of target allocations. Those positions will be "dollar cost averaged" and 1/2 weight of new holdings will be added opportunistically.•*
- ***Equity/ETF blended*** *models will be brought closer to target allocations. We will add to "core holdings" and add 1/2 weight to new holdings and bring existing holdings up to target model weights.*
- ***Option-Wrapped Equity Model*** *will be brought closer to target allocations and collars implemented.*

Again, we are moving cautiously, and opportunistically, as we continue to work toward minimizing risk as much as possible. While market action has improved on a short-term basis, we remain very aware of the long-term risks associated with rising rates, excessive valuations and extended cycles. **It is important to understand that when we add to our equity allocations, ALL purchases are initially *"trades"* that can, and will, be closed out quickly if they fail to work as anticipated.** This is why we *"step"* into positions initially. Once a *"trade"* begins to work as anticipated, it is then brought to the appropriate portfolio weight and becomes a long-term investment.**We will unwind these action either by reducing, selling, or hedging, if the market environment changes for the worse.**

THE REAL 401k PLAN MANAGER

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

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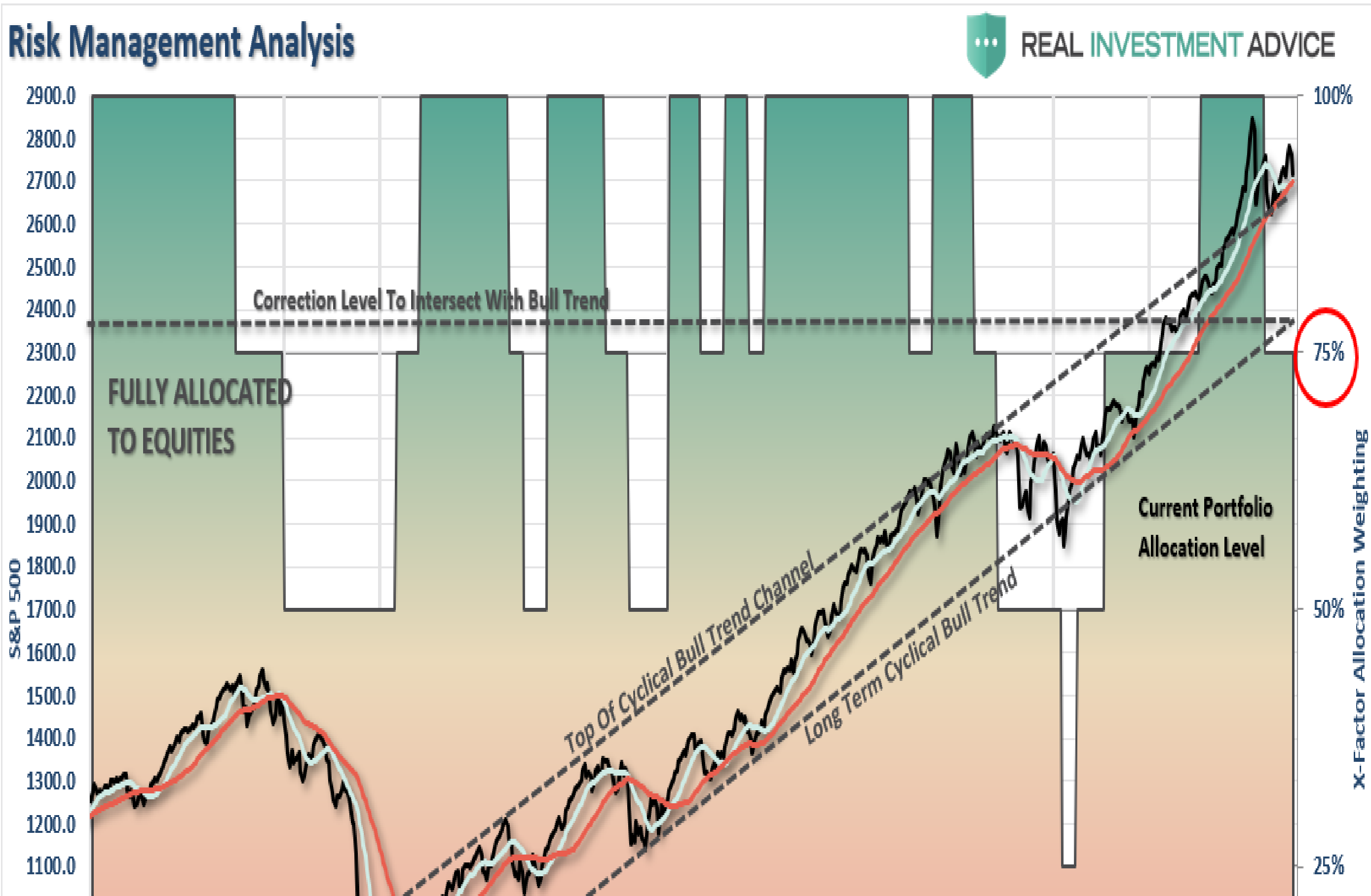
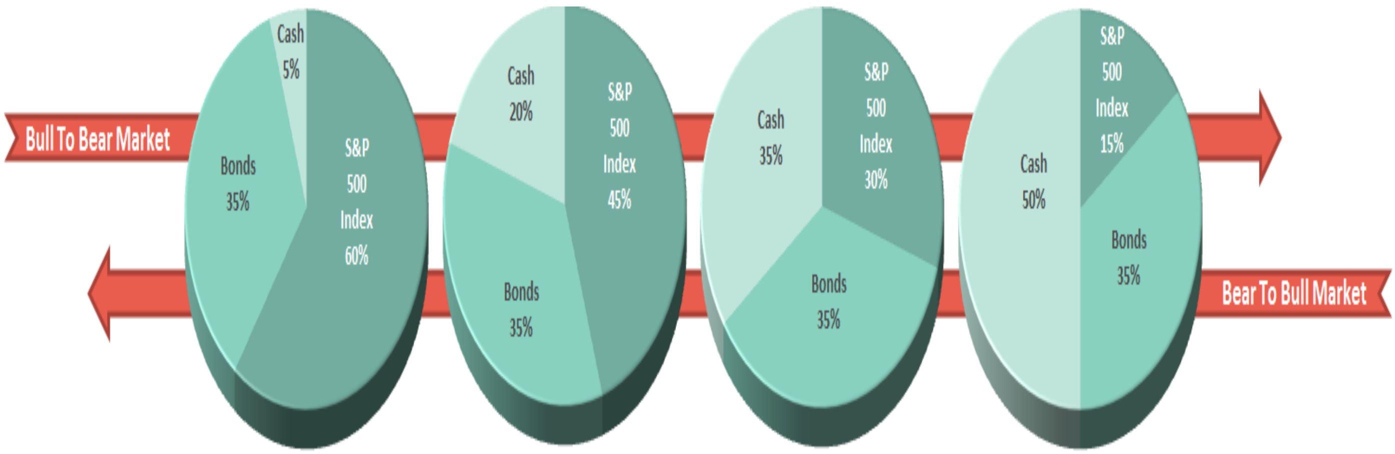


There are 4-steps to allocation changes based on 25% reduction increments. As noted in the chart above a 100% allocation level is equal to 60% stocks. I never advocate being 100% out of the market as it is far too difficult to reverse course when the market changes from a negative to a positive trend.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



Mea Culpa

I made a mistake. It happens. Two weeks ago, I wrote:

> *"With the weekly 'sell signals'•still in place, but improving,* ***I am not going to increase the allocation model just yet.*** *The reason we adhere so closely to our models for 401k plans is due to the restrictions on 'trading,'* ***As opposed to portfolios I directly manage, where we have more latitude, I can be more opportunistic.*** *For 401k plans, we focus on the long-term and try to limit actions to the ones that have the 'greatest chance'•of success relative to the market. So, while it may seem we are slow to change sometimes, it is simply because we are trying to reduce the risk of a 'whipsaw'•or 'head fake'•from the markets.*

That is exactly correct. While we strictly adhere to our discipline, sometimes we have to relearn lessons the hard way. Last week, I wrote:

> *"However, if you are so inclined, the pullback to support last week does provide an opportunity to increase exposure modestly. (I said modestly, not 'jump in with both feet.')"*

That was a mistake as I was *"anticipating"* a reversal of the *"sell signal."* ***"Anticipation"* is an emotion and has no place in portfolio management.**•Lesson learned, once again. The market is holding support, but only marginally so. Remain cautious for now and follow the rules below:

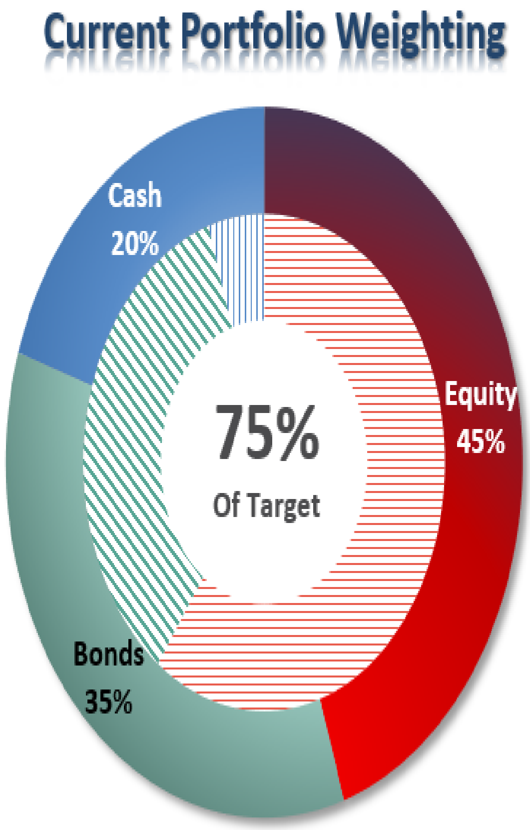
- *If you are **overweight equities** - use any rally to reduce international and emerging market exposure.*
- *If you are **underweight equities** - do nothing for now.*
- *If you are at **target equity allocations** currently, do nothing for now.*

We will review again next 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. principle. 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

Examples: *Short Duration, Total Return and Real Return Funds*

45.00% **Equity (Stocks)**

The vast majority of funds track an index.
Therefore, select on ONE fund from each category.
Keep it Simple.

10%	Equity Income, Balanced or Conservative Allocation
30%	Large Cap Growth (S&P 500 Index)
0%	International Large Cap Dividend
5%	Mid Cap Growth

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**	*Vanguard Total Stock Market*
	Retirement Savings Trust		*Vanguard S&P 500 Index*
	Fidelity MIP Fund		*Vanguard Capital Opportunities*
	G-Fund		*Vanguard PrimeCap*
	Short Term Bond		*Vanguard Growth Index*
			Fidelity Magellan
Fixed Income	*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*
	Lord Abbett Income		*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		
	American Funds Bond Fund Of America	**Balanced Funds**	*Vanguard Balanced Index*
	Dodge & Cox Income Fund		*Vanguard Wellington Fund*
	Doubleline Total Return		*Vanguard Windsor Fund*
	F-Fund		*Vanguard Asset Allocation*
			Fidelity Balanced Fund
International	*American Funds Capital World G&I*		*Fidelity Equity Income*
	Vanguard Total International Index		*Fidelity Growth & Income*
	Blackrock Global Allocation Fund		*American Funds Balanced*
	Fidelity International Growth Fund		*American Funds Income Fund*
	Dodge & Cox International		*ALL TARGET DATE FUNDS 2020 or Sooner*
	Invesco International Core Equity		
	Goldman Sachs International Growth Opp.	**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

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.