

- Bulls Clash At The "Line"
- Tweet Risks
- Warning Signs Are Very Pronounced
- Sector & Market Analysis
- 401k Plan Manager

Follow Us On: Twitter, Facebook, Linked-In, Sound Cloud, Seeking Alpha

#### **Vacation Head**

It's that time of the year for the annual family pilgrimage to a beach for a few days of much-needed rest, relaxation and reconnection. With both my wife and I working very long hours each week, our kids in a variety of activities, and life just "flying by," these annual trips are looked forward to by

everyone. This year's trip to the beach is very special as the last of our four children will become P.A.D.I. certified as she just turned of age this past year. With our oldest son getting ready to join the Navy next summer, this will be the last opportunity we will likely have to dive as an entire family for some time. Nonetheless, we are excited, and very proud, of our son's choice to serve this great country. Since our plane is taking off before the market's close today (Friday), some of my analysis may be a "tad" off depending on the last hour of trading. However, I will update the analysis with a short technical note on Tuesday - sometime between a breakfast and swim. I want to thank my partners, Michael Lebowitz, John Coumarionos, and Jesse Colombo, for making sure you have great commentary to read this coming week as well. When I return, we will also be unveiling a lot of new features coming over the next couple of months as well...so stay tuned. If you have any questions, I will be answering emails all week.

#### **Bulls Clash At The Line**

Last week, I discussed the importance of the "Maginot Line" as it related to the market. To wit:

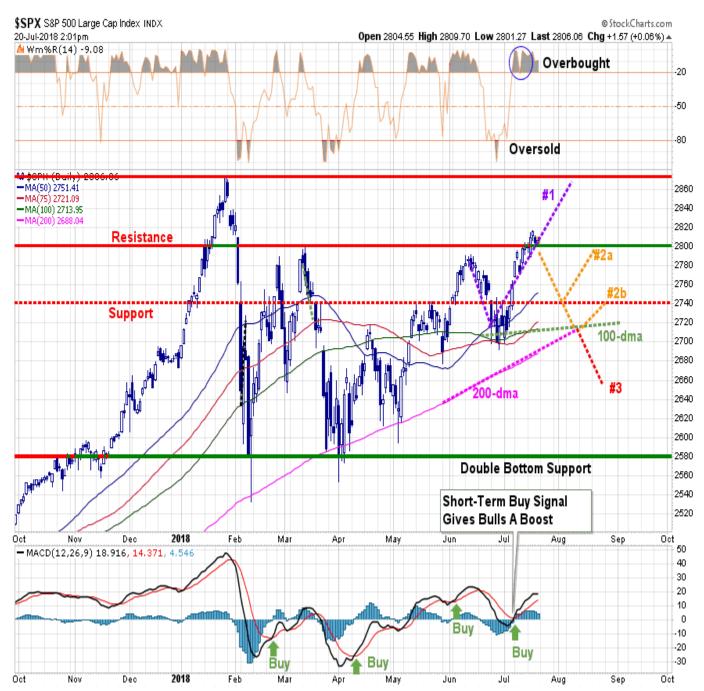
"For the market, the bulls are currently testing the respective "Maginot Line" going back to February of this year."



"While the longer-term sell signal remains intact currently, the market has now risen enough to test the last line of resistance standing between the 'bulls' and a charge to this year's highs."

Early this past week, the bulls pushed above this last level of resistance and looked as if they were ready to charge higher. In fact, I received the following comment on Tuesday as we discussed the "advance/decline" line:

"Looks like Pathway #1 is a go, time to load up the truck?".



As we discussed previously, what happens in the middle of the week is of little consequence to us. **We are only truly interested in where the week ends.** In that regard, the bulls remained stuck at the "Maginot Line" which continues to keep the majority of our models on hold for now.



As I noted last week:

"It is hard to believe that just a few weeks ago we were sitting basically where we are today. With the markets rallying, bullish optimism rising, and the market close to registering a 'buy signal,'this time looks a whole lot like 'last time.'•The question is now whether the bulls can succeed where they failed previously."

Currently, the victor of the current clash at the "line" has yet to be determined. We are, in the short-term, giving the bulls the edge due to current momentum and elevated market sentiment. With our portfolios are already mostly exposed to equity risk, there isn't much for us to do currently. Our main job now is to focus on the risk of what could wrong and negatively impact portfolio capital.

#### Tweet Risks

As I noted last week, there are certainly plenty of "risks" which could create a short-term sell-off in the market including "Tweets from the White House." • We saw this on Friday as tweets from President Trump sent the markets in a tizzy.

....The United States should not be penalized because we are doing so well. Tightening now hurts all that we have done. The U.S. should be allowed to recapture what was lost due to illegal currency manipulation and BAD Trade Deals. Debt coming due & we are raising rates - Really?

? Donald J. Trump (@realDonaldTrump) July 20, 2018

While the initial reaction was a sell-off in the dollar and a jump in bond yields, The reality is that Fed Chairman Jerome Powell is unlikely to alter policy course and will continue to tighten monetary policy in the U.S. At the same time, the sharp devaluation of the Renminbi will continue to weigh on U.S. exports to China. Both of these events are a net negative to investors longer-term.

"So, if you believe that to be the case, then why are you still long equities?".



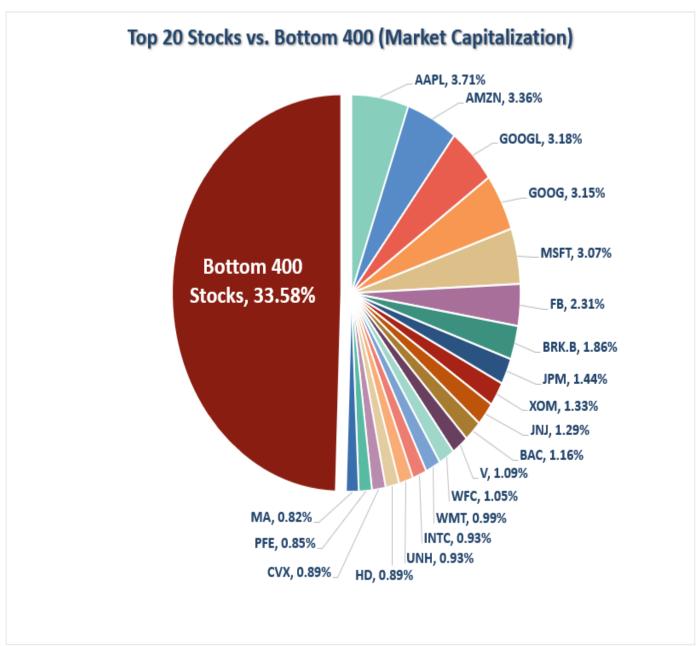


In both cases, stocks were rising based on a very similar economic and fundamental backdrops. More importantly, the mainstream bias was filled with "passive investing," "buy and hold" and the whole gamut of statements about why you should dump your fund manager and just buy an index. The first chart is 2006-2007 and the second is 2017-present. An unexpected, unanticipated event started a series of issues which investors repeatedly wrote off as it seemed the "bull market" was unstoppable. It wasn't, and ultimately culminated in a 52% decline which wiped out all of the previous gains in the market.



Here is the point. From an investment management standpoint, there is absolutely "no doubt" how this current evolutionary cycle in the market ends. We just don't know the "when," and becoming aggressively under-allocated to equity risk too soon not only impacts performance in the short-term but also subjects us, as portfolio managers, to career risk. While my friend Doug Kass has liquidated all of his long positions currently, and is expecting a 10% plus correction, I do not have the explicit luxury, or flexibility, of managing a pooled fund. As a manager of individual retirement accounts with a long-term focus, we must be very disciplined about not only

managing equity risk exposure levels but also tax efficiencies and transaction costs. We are very cognizant of the downside risks as we have discussed previously. This is why we continue to maintain an overweight position in both cash and fixed income and will quickly begin to add hedges and reduce equity longs if the markets begin to deteriorate and stops are triggered. The current environment has the look and feel of a late-stage market cycle. This is particularly the case when you have 20-stocks making up more of the overall S&P 500 index than the bottom 400 combined.



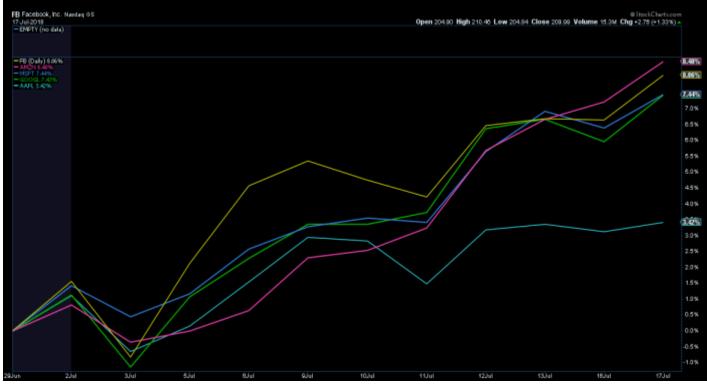
"Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names." -Bob Farrell's Rule #7:•

Ah, there is the announcement to board our plane. While I am trying to give the market as much room as possible, I am very concerned about the numerous warnings signs flashing in a variety of places from market breadth, to the yield curve, monetary policy, and earnings risk. Remember, replacing a missed opportunity to make money is easy, replacing lost capital is much more difficult. **See you after next week.** 

## **Warning Signs Are Very Pronounced**

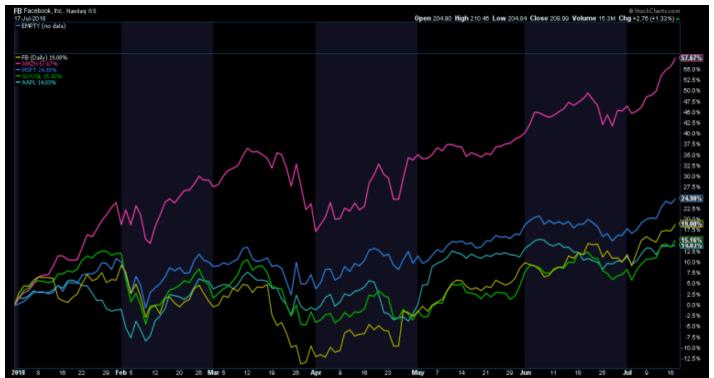
by Sven Henrich via NorthmanTrader.com The \$NDX keeps moving from new highs to new highs driven by a narrow group of stocks. Nothing new about that as this trend has been ongoing for some time and headlines of new record prices for such stocks such as \$FB, \$AMZN, \$GOOGL, \$MSFT are now a daily occurrence. The untouchables. Jeff Bezos is worth \$140B, no that was so last week, now he?s worth \$150B. How do you quantify risk in a market that prices in no risk? While most people are focused on stocks prices one underlying issue that appears to be largely ignored by participants is the unprecedented market capitalization expansion we are witnessing in these few select stocks. The numbers are simply staggering. Magic money out of thin air. \$FB, \$GOOGL, \$AMZN, \$MSFT and \$AAPL. These 5 stocks now worth nearly \$4.1 trillion. That makes these 5 companies the 4th largest economy of the world if you use GDP as a reference. Not bad for less than a million people employed at these 5 companies. Now check this out: Their combined market cap increase? \$260,000,000,000,000. That?s \$260B. In just the past ELEVEN trading DAYS! No seriously:

	Increase	CAP now	CAP then	Expansion
MSFT	7.4%	814	758	56
AMZN	8.5%	894	824	70
GOOGL	7.4%	841	783	58
FB	8.0%	608	563	45
AAPL	3.4%	941	910	31
Total		4098	3838	260

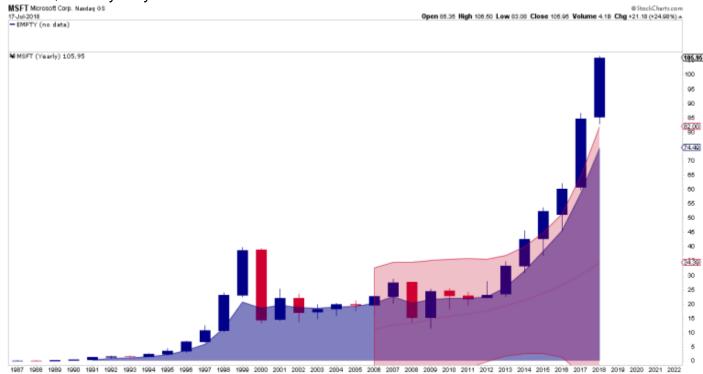


Oh it gets better. 2018 year to date? EIGHT HUNDRED TWELVE BILLION DOLLARS market cap expansion in just 6.5 months. \$812,000,000,000. That?s a company the size of a \$MSFT or \$GOOGL in its own right.

	Increase	CAP now	CAP then	Expansion
MSFT	25.0%	814	651	163
AMZN	57.6%	894	567	327
00001	45.00/	0.44	704	440



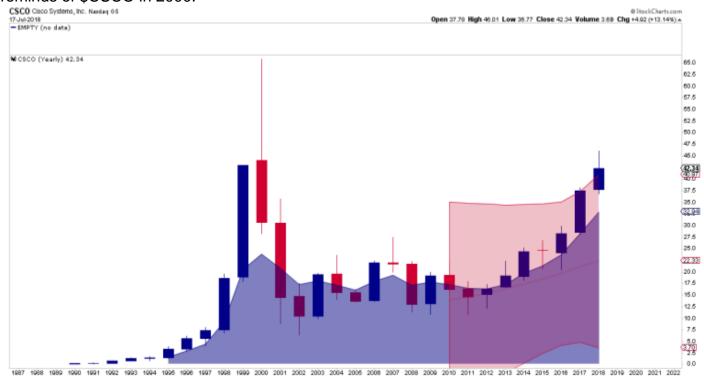
Now all these companies are growing revenues and earnings, but have they have expanded revenues, never mind earnings, in the past 6.5 months that justify an \$812B increase in market cap? Buyers at these levels must think so. Now let?s put this market expansion in context of charts. \$MSFT yearly:



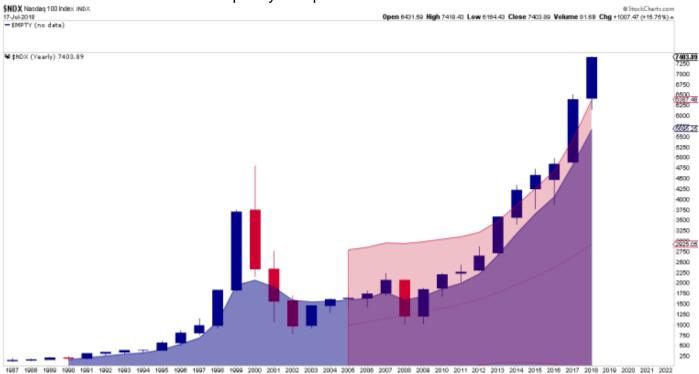
\$MSFT is now 29% above its yearly Bollinger band and 42% above its yearly 5EMA. Its touched its yearly 5 EMA every year since inception except 2000. \$AMZN:



\$AMZN is now 49% above its yearly Bollinger band and 67% above its yearly 5EMA. Doesn?t matter whether you show linear or log charts, the percentages are the same, but the linear charts highlight the historic perspective. This is the kind of price expansion and technical disconnect that reminds of \$CSCO in 2000:



\$NDX is now on its 10th uninterrupted year up:



17% above its yearly Bollinger band and 31% above its yearly 5 EMA. My premise remains: Eventual technical reconnects are coming with all of these and this defines the correction risk in this market. As the larger indices are now very much dependent on its largest market cap components continuing to ascent. And for now this trend continues. I could go on, but you get my drift. Massively extended charts with extreme market cap appreciations concentrated in a handful of stocks. Are investors concerned? It does not appear so as the \$VIX has retreated back to below 12 yesterday and today, ironically retesting the broken trend line again:

. ,	budy, notifically refesting the broken trend line again.		
<b>\$VIX</b> Volatility Index - New Methodology I		@ StockCharts.com	
18-Jul-2018 12:37pm	Open 11.87 High 12.4	7 Low 11.44 Last 12.00 Chg -0.06 (0.50%) •	
- EMPTY (no data)			
₩\$VIX (Daily) 12.00		5	è
		i e	ŝ
	NorthmanTrader.com	4	ŧ
			ä
			1

I submit the combination of the factors above suggest that investors are greatly under appreciating risk in tech, hence the tech alert here. \$812B in market cap appreciation came in 5 stocks in just 6.5 months. History suggests that vastly extended charts making new highs on negative divergences at points of extreme low volatility are subject to risk reversion and large market appreciations can disappear more quickly than investors are usually prepared for. For now they keep on chugging along and perhaps will make further highs. But the warning signs are very pronounced.

# **Market & Sector Analysis**

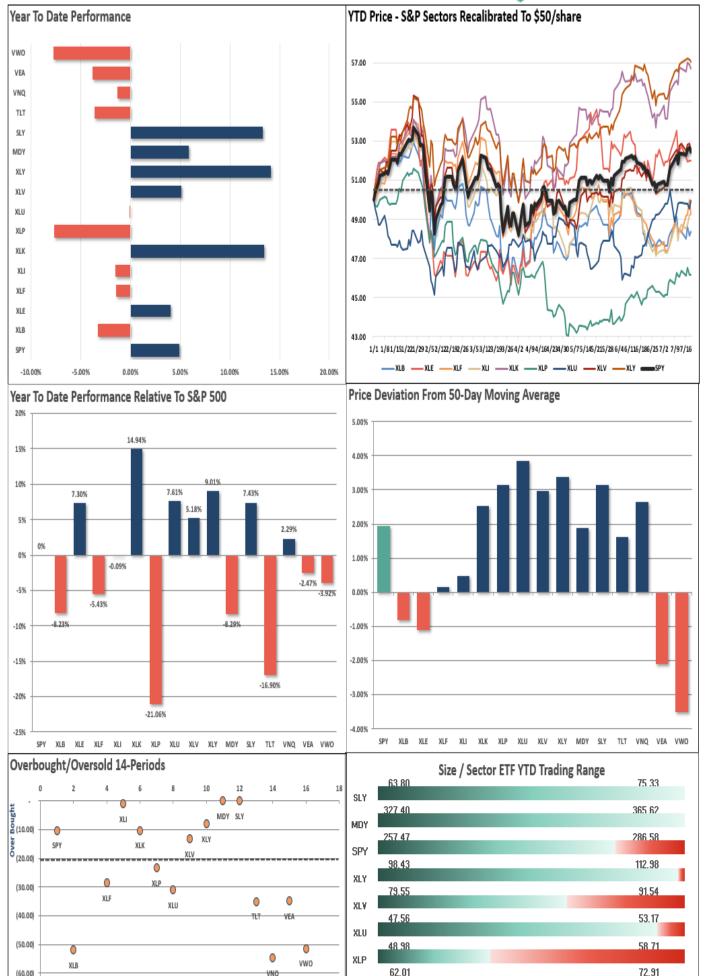
**Data Analysis Of The Market & Sectors For Traders** 

#### S&P 500 Tear Sheet

3 Month	SDV D	rice					SPY RISK	INFO				
290	A. w.				<b></b>		Item		T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1- YR
270	A		Carrie of the last	W	~	-	Price Ret	urn	29.52%	13.36%	4.92%	(63.16%)
260	AM	A.A.					Max Drav	vdown	-11.76%	-11.76%	-11.76%	0.00%
200	V						Sharpe		1.46	1.20	0.58	(0.52)
250							Sortino		1.66	1.26	0.65	(0.48)
240							Volatility		10.53	12.52	15.94	0.27
							Daily VaR		(0.64)	(4.21)	(15.29)	2.63
230							Mnthly V	aR-5%	4.33	0.50	(13.64)	(28.23)
S&P 500 Fundar									S&P 500		ap Analysis	5
Item	2 years	1 year	Current	1 Yr %	5 Year	5 year	% From		Item	12-M	Current	% Chg
	ago	ago		Change	High	Low	High	Low		Ago		
Dividend Yield	2.04%	1.90%	1.79%	(6.13%)	2.17%	1.67%	(17.46%)	6.96%	Shares	2,446.8	2,415.2	(1.29%)
P/E Ratio	19.22	20.73	20.69	(0.18%)	21.48	16.00	(3.7%)	29.29%	Sales	56,298	59,409	5.53%
P/S Ratio	2.82	3.12	3.43	9.02%	3.52	2.16	(2.51%)	58.68%	SPS	23.0	24.6	6.90%
P/B Ratio	3.21	3.55	3.98	10.93%	3.99	2.67	(0.05%)	48.98%	Earnings		8,348	11.22%
ROE	15.06%	15.88%	16.58%	4.23%	16.58%	15.00%	0.00%	10.54%	EPS TTM		4.1	14.05%
ROA	2.83%	2.95%	3.13%	5.86%	3.13%	2.82%	0.00%	10.92%	Dividend	1.4	1.5	9.47%
S&P 500 Asset A	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	15.21%	6.05%	1.07	31.63	144.07	12.52	(78.0%)	7.1%	2.8%	3.17%	3.95	17.12
Materials	5.30%	2.55%	1.39	18.97	22.14	13.94	(14.3%)	9.9%	2.0%	5.26%	4.67	15.05
Industrials	5.86%	9.61%	1.05	19.55	22.14	14.74	(11.7%)	14.8%	2.0%	5.14%	5.06	15.65
Discretionary	24.67%	12.87%	1.09	26.45	25.85	19.95	2.3%	21.0%	1.2%	3.78%	4.25	20.04
Staples	(3.70%)	6.70%	0.69	19.66	22.83	17.38	(13.9%)	24.6%	3.0%	5.11%	3.92	17.12
Health Care	8.36%	14.23%	0.97	17.96	20.41	15.76	(12.0%)	26.6%	1.7%	5.54%	6.06	15.20
Financials	10.36%	14.04%	1.21	15.92	18.49	11.68	(13.9%)	9.8%	1.7%	6.22%	5.41	12.24
Technology	28.20%	26.32%	1.16	24.57	24.63	15.63	(0.2%)	30.1%	1.0%	4.06%	5.53	21.03
Telecom	(2.63%)	1.93%	0.54	11.23	16.50	11.04	(32.0%)	18.7%	5.8%	8.81%	3.65	10.26
Utilities	0.28%	2.86%	0.30	17.31	19.62	14.87	(11.8%)	11.0%	3.5%	5.81%	3.44	16.33
	0.040/	0.740/	0.50	40.00		47.54	(00.00)	0.00/	0.50/			47.00

# **Performance Analysis**



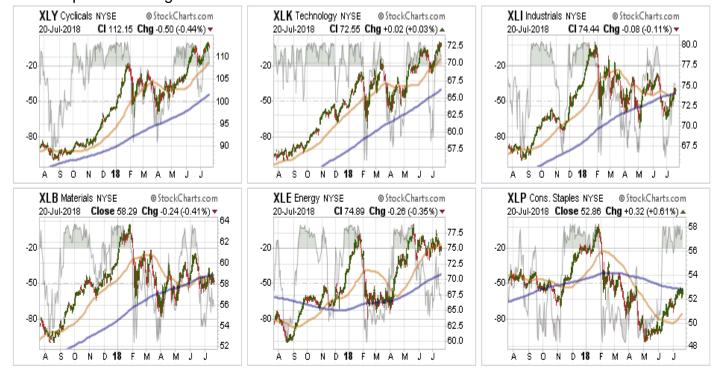


# **ETF Model Relative Performance Analysis**

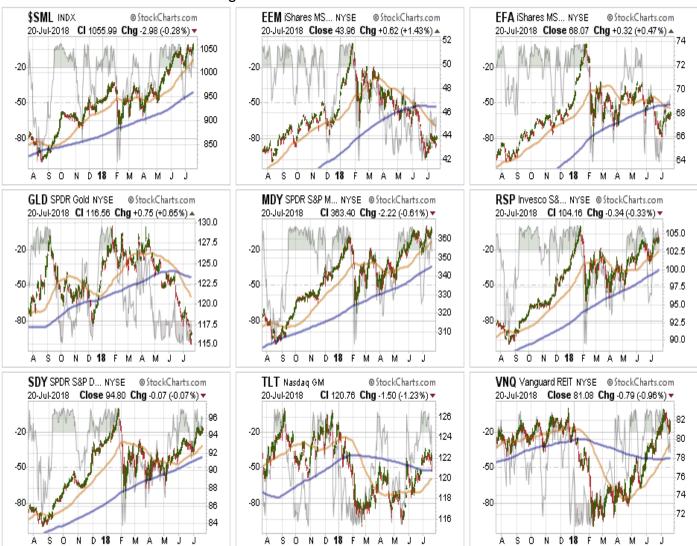
	RELATIVE			Current	Mod	lel Position	Price Change	s Relative to	Index	SHORT	LONG	% DEV -	% DEV -	Buy / Sell	
	PERFORMANCE		ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	Short M/A	Long M/A	Signal	
	BENCHMARK	IVV	ISHARS-SP500	281.92	0.28	1.66	5.14	(0.66)	13.34	274.71	272.97	2.62%	3.28%	BUY	1
		XLB	SPDR-MATLS SELS	58.53	(0.41)	(0.19)	(4.06)	(5.07)	(7.40)	58.72	59.51	-0.33%	-1.65%	SELL	•
		XLE	SPDR-EGY SELS	75.15	(1.21)	0.34	(4.41)	0.04	0.94	75.54	72.40	-0.52%	3.80%	BUY	J
	σ	XLF	SPDR-FINL SELS	27.51	1.24	(0.52)	(5.68)	(7.70)	(2.41)	27.49	28.02	0.09%	-1.81%	SELL	REAL
<	, R	XLI	SPDR-INDU SELS	74.52	1.29	1.33	(3.53)	(5.71)	(5.20)	73.94	75.21	0.78%	-0.92%	SELL	ľ
U	, H	XLK	SPDR-TECH SELS	72.53	(0.40)	0.45	4.74	6.53	12.71	69.82	67.57	3.88%	7.34%	BUY	Ž
	SECTORS	XLP	SPDR-CONS STPL	52.54	(0.01)	0.94	(1.10)	(8.08)	(17.79)	50.71	53.42	3.61%	-1.65%	SELL	5
	σ,	XLU	SPDR-UTIL SELS	52.66	(0.03)	2.83	(2.26)	5.48	(13.81)	50.75	51.02	3.77%	3.21%	SELL	ī
7		XLV	SPDR-HLTH CR	86.93	(0.63)	1.16	(0.65)	(0.70)	(6.12)	83.83	84.01	3.69%	3.48%	SELL	ES
٩		XLY	SPDR-CONS DISCR	112.65	(0.00)	(0.64)	3.56	6.32	10.36	107.76	104.33	4.54%	7.98%	BUY	7
	SIZE	MGK	VANGD-MG CAP GR	123.45	(0.12)	0.18	3.90	4.47	6.27	118.68	116.01	4.02%	6.42%	BUY	MEZ
	SIZE	IJR	ISHARS-SP SC600	87.04	1.01	(0.19)	5.35	10.74	8.22	83.18	79.71	4.64%	9.19%	BUY	_
ш	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	104.50	0.05	(0.17)	(1.16)	(0.02)	(2.51)	102.19	101.73	2.26%	2.72%	BUY	
~	Dividend	VIG	VANGD-DIV APPRC	105.07	0.64	0.18	(0.88)	(1.02)	(1.18)	102.47	102.60	2.54%	2.41%	SELL	Ď
Ō	Real Estate	VNQ	VIPERS-REIT	81.87	(1.05)	0.47	3.88	5.97	(15.65)	78.95	78.48	3.70%	4.32%	BUY	l (
X		IDV	ISHARS-INTL SD	32.41	(1.22)	(0.47)	(10.01)	(7.97)	(16.79)	33.23	33.60	-2.46%	-3.55%	SELL	ICE
•	International		VANGD-FTSE EM	42.36	(1.24)	(2.50)	(12.55)	(13.54)	(14.11)	44.24	45.93	-4.25%	-7.77%	SELL	Ĭ
	Intermediate Duration	TLT	ISHARS-20+YTB	122.26	(0.40)	(0.23)	(1.51)	1.95	(15.66)	119.90	121.36	1.97%	0.74%	SELL	
	International	BNDX	VANGD-TTL INT B	54.99	(0.10)	(1.18)	(4.31)	2.53	(12.20)	54.55	54.50	0.80%	0.90%	BUY	
ш	High Yield	HYG	ISHARS-IBX HYCB	85.58	(0.31)	(2.03)	(5.39)	(0.71)	(16.97)	85.56	86.18	0.03%	-0.69%	SELL	
	Cash	BSV	VANGD-SHT TRM B	78.19											

## **Sector & Market Analysis:**

Last week, the markets overall did not make a tremendous amount of progress overall. With the major markets very overbought short-term, we expect some consolidation in the next week before an attempt to move higher occurs.



Discretionary and Technology stocks cooled a bit this past week after a strong run over the previous couple of weeks. We had previously recommended taking some profits which proved timely. We continue to hold positions at target portfolio weights for now. Healthcare, Staples, and Utilities also cooled a bit this past week after a strong rally previously as money chased very beaten up sectors in a sector rotation move. We continue to hold our positions for now and will look to rebalance accordingly on opportunity. Financial, Energy, Industrial, and Materialstocks showed a bit of improvement this past week. Industrials were the only sector in the group to climb back above its 50-dma but remains in a pretty serious downtrend currently. While the trend for Energy remains in place, for now, we remain underweight holdings due to lack of relative performance. 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" continues to weigh on major banks and, so far, early earnings reports from the sector have been disappointing. We continue to remain underweight the sector as well.



Small-Cap and Mid Cap•continue to perform well as of late. 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 exposure to portfolios and are maintaining stops at the 50-dma. Any further weakness in the markets that hold supports and we will likely increase exposure further.

Note: small and mid-caps are purely the manifestation of the "momentum" chase. They are highly sensitive to changes in economic growth and tariffs so maintain stops accordingly. 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, we suggested almost two months ago to close out existing positions due to a violation of critical stop levels. We then recommended that again given the cross of the 50-dma back below the 200-dma. That bounce came and went and gold broke to new lows. With gold very oversold on a short-term basis, if you are still long the metal, your stop has been lowered from \$117 last week, to \$115 this week. A rally sale point has also declined from last week's level of \$121 to \$119. Bonds - Bonds pulled back to support at the 200-dma after tweets from Trump on Friday about just letting the "economy rip." suggesting the Fed should step back and let inflation surge. This is likely a good opportunity to add bonds to portfolios as the Fed will most likely continue their rate hiking campaign until they trigger a recession. However, be patient and let's see what happens next week. As noted previously, 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 and now the 50-dma crossing back above the 200-dma. The has begun a bit a corrective process with which we will look to add exposure to portfolios. If rates rise more next week, we will likely get a better entry point to add positions. 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.)

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

X No Position

### **Portfolio/Client Update:**

LEGEND: X = THIS WEEK ⇒ PREVIOUS DECLINING ← PREVIOUS IMPROVING

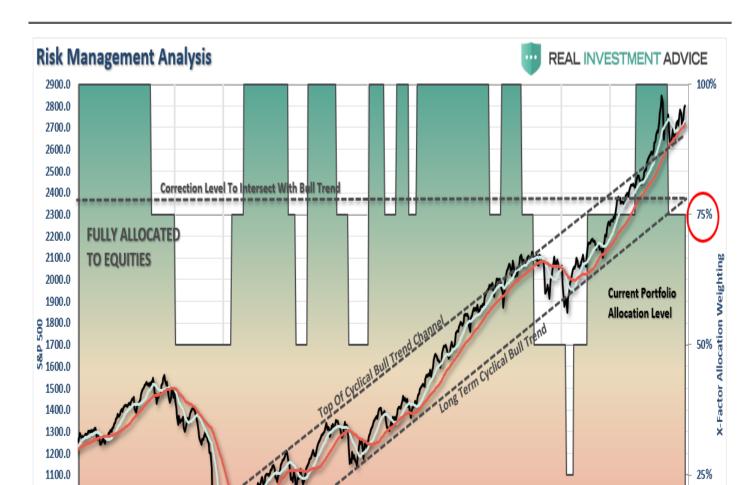
The improvement last week has given us the ability to start slowly adding additional equity exposure to portfolios. With the break above the "Maginot Line" this past week, we did increase equity exposure mildly. The cluster of support at the 50- and 100-dma remains in place and we are currently evaluating market conditions for our next course of actions. While we are not raging long-term bulls, we do think that with earnings season in process the bias will be to the upside. There is a high probability on a substantive rally over the next couple of weeks which we could well find ourselves liquidating into.

- **New clients:** We added 50% of target equity allocations for new clients.
- **Equity Model:** We previously added 50% of target allocations. We "dollar cost averaged" into those holdings opportunistically.•
- Equity/ETF blended models were brought closer to target allocations as we added to "core holdings."
- Option-Wrapped Equity Model were brought closer to target allocations and collars will be implemented.

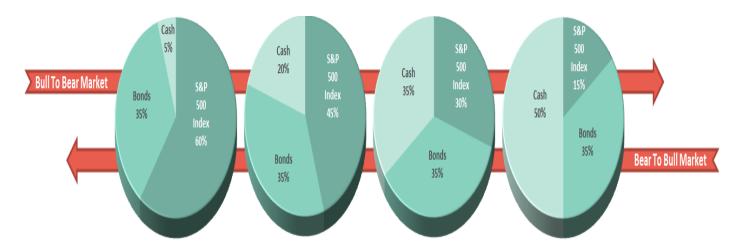
Again, we are moving cautiously, and opportunistically, as we continue to work toward minimizing risk as much as possible. While market action has improved on a short-term basis, we remain very aware of the long-term risks associated with rising rates, excessive valuations and extended cycles. It is 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



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.



#### **Bulls Stalled For Now**

The market didn't make any progress last week as overhead resistance remained problematic. With the short-term buy signal in place we are giving the "bulls" a bit of room to run this next week. As I stated previously, the market is holding support and the longer-term sell signal remains intact. If, or when, that long-term signal reverses we will increase the allocation model back to target allocation levels. However, for now, remain cautious and continue to follow the rules below:

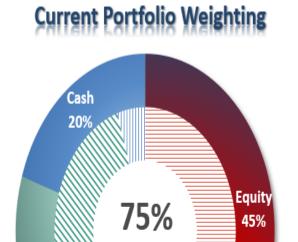
- If you are **overweight equities** use any rally to reduce international and emerging market exposure.
- If you are **underweight equities** look to rebalance to target allocations, as shown below, next week.
- If you are at **target equity allocations** currently, do nothing for now.

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

# **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 40	1K 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
		٦.	Fidelity Mid Cap Growth
The above r	represents a selection of some of the most	1	Artisan Mid Cap
common fu	nds found in 401k plans. If you do not see your	1	Goldman Sachs Growth Opportunities
SPECIFIC ful	nd listed simply choose one that closely resembles	1	Harbor Mid Cap Growth
	es herein. All funds perform relatively similarly	1	Goldman Sachs Small/Mid Cap Opp.
	respective fund classes.		Fidelity Low Price Stock Fund
			Columbia Acom US
			Federated Kaufman Small Cap
		_	Invesco Small Cap