



- *Pause That Refreshes?*
- *Sector & Market Analysis*
- *401k Plan Manager*

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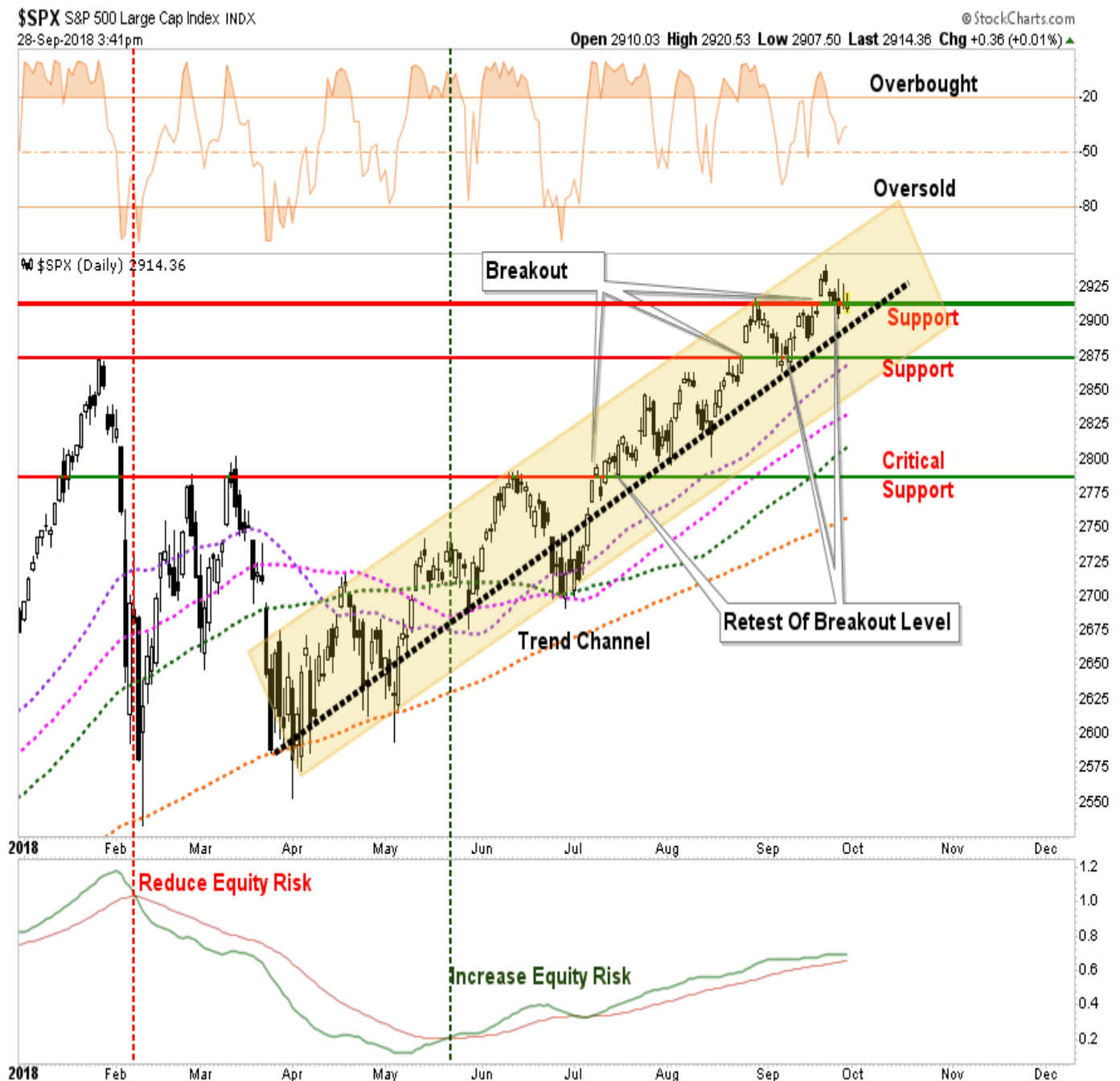
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# A Pause That Refreshes?

That was [so last week](#),

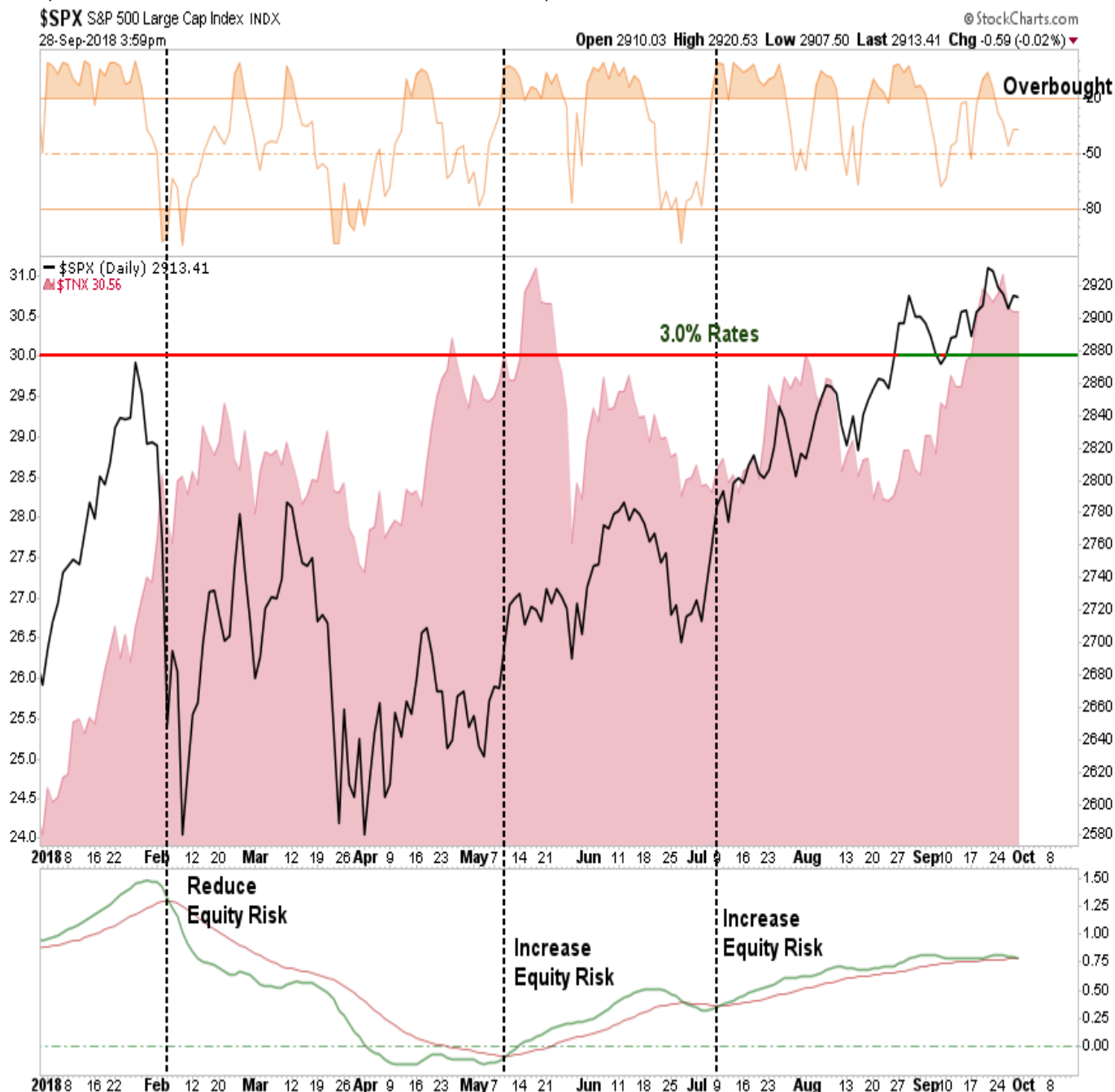
*"Get out your party hats ladies and gentlemen, the markets hit all-time highs. After increasing equity exposure in portfolios on the 11th, as the markets pulled back to the previous break-out support levels, I [suggested a push to new highs](#) was likely."*

The one thing that we addressed several times last week [on our daily podcasts](#) was the short-term overbought condition needed to be resolved before the markets could make a year-end push to 3000.

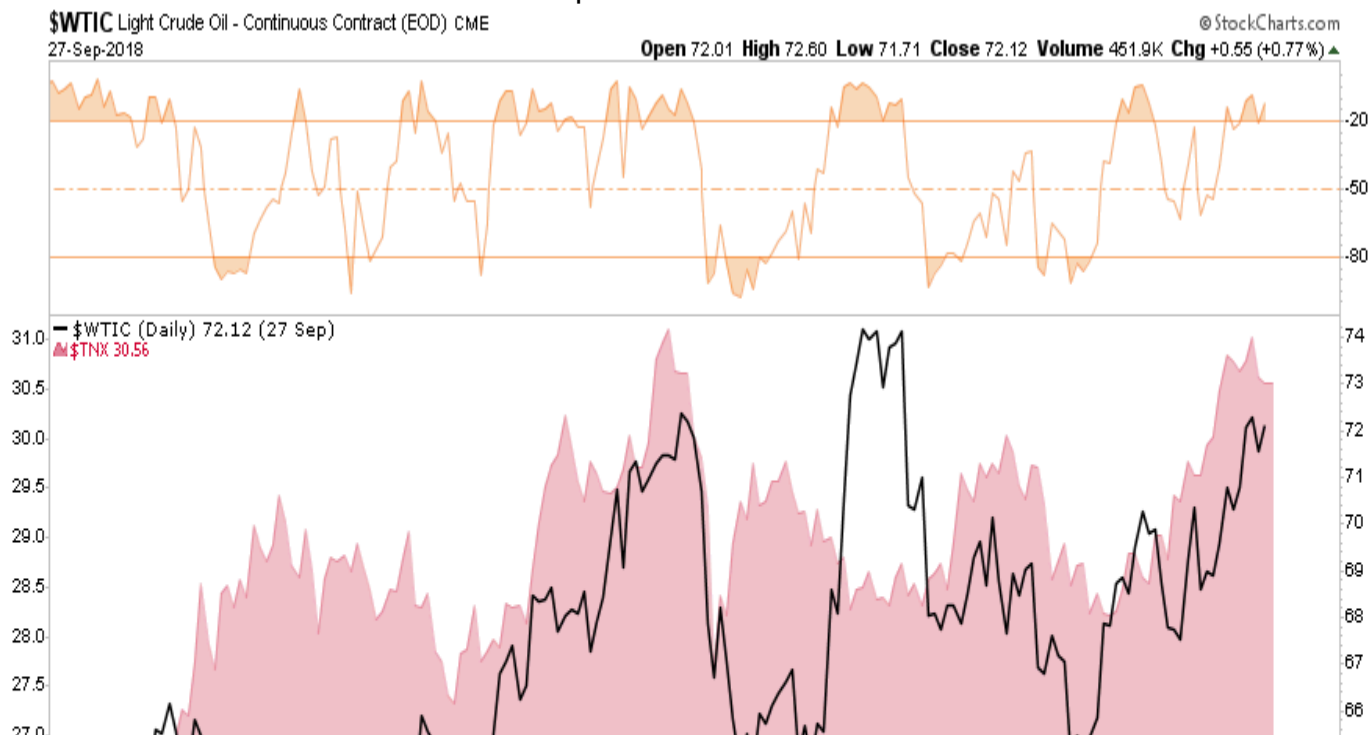


There has been a pretty well defined upward trendline (*black dashed line*) since the April lows which has consistently provided better entry opportunities to increase equity exposure. **While we are currently fully weighted in existing portfolios, we must take advantage of these entry points to "on-board" new clients. This is always the biggest challenge for any advisor.** As stated, our existing portfolios are currently fully weighted toward equity risk as there seems to be little which can derail this market currently. We have moved stop-loss levels up to recent lows, added some defensive positioning, and have added bonds as rates have climbed above 3%. Speaking of

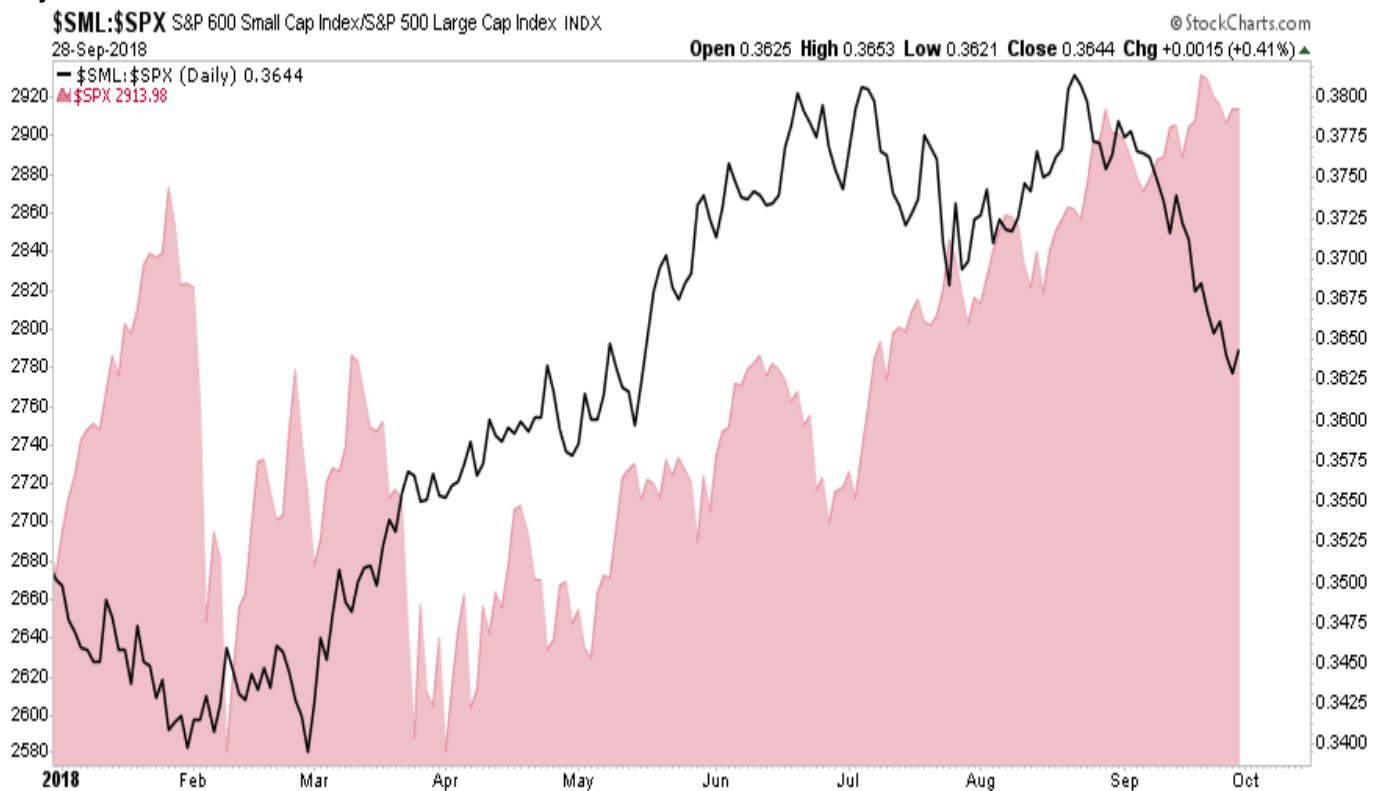
rates, each time rates have climbed towards 3%, the market has stumbled.



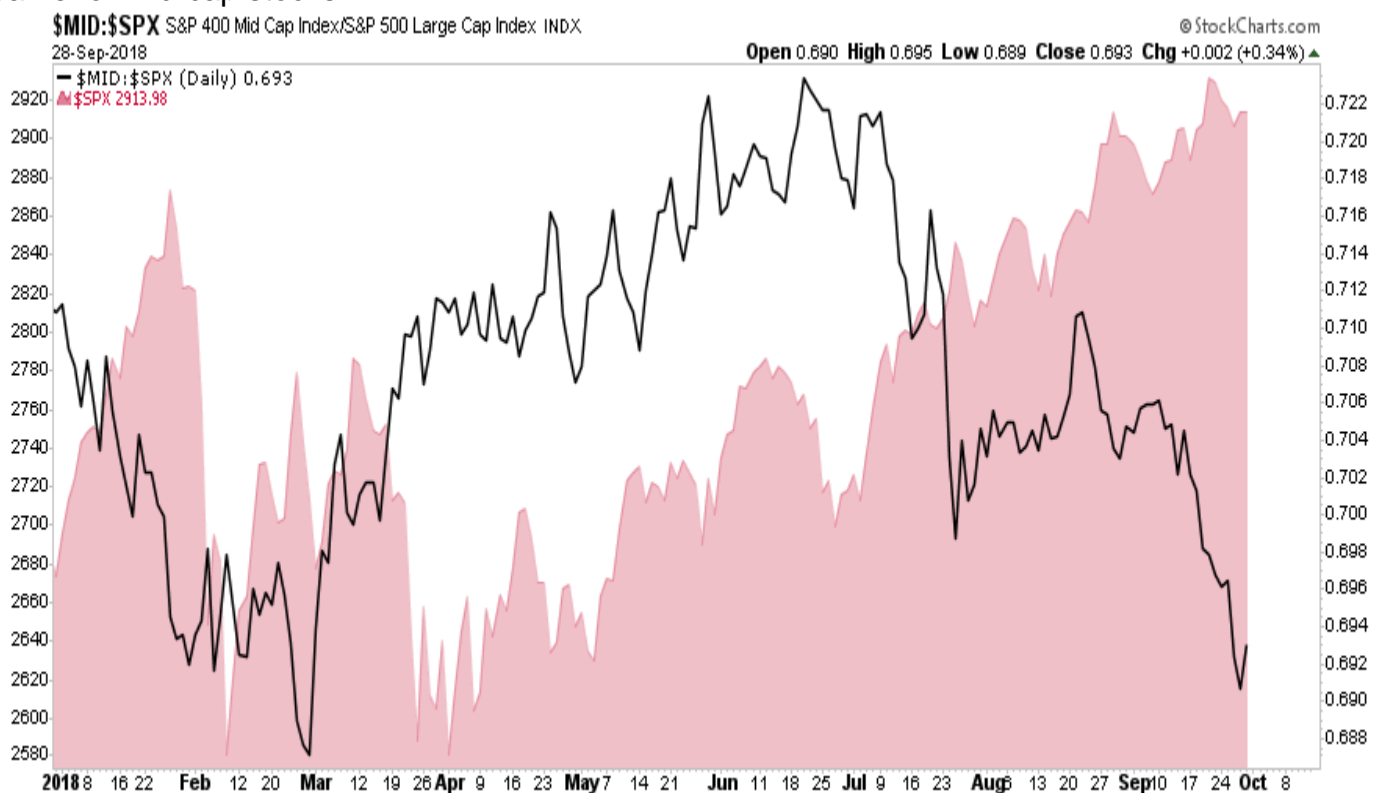
There is also a reasonable match with oil prices.



This is particularly interesting with respect to the ongoing bullish narrative. Tariffs, higher interest rates, and higher oil prices are ultimately a direct tax on the consumer. Such will ultimately weigh on consumption, earnings, and the economy. Another concern for the rally is the participation continues to narrow. Small caps, after leading the rally higher from the March lows have lost their "mojo."



Same for Mid-cap stocks.



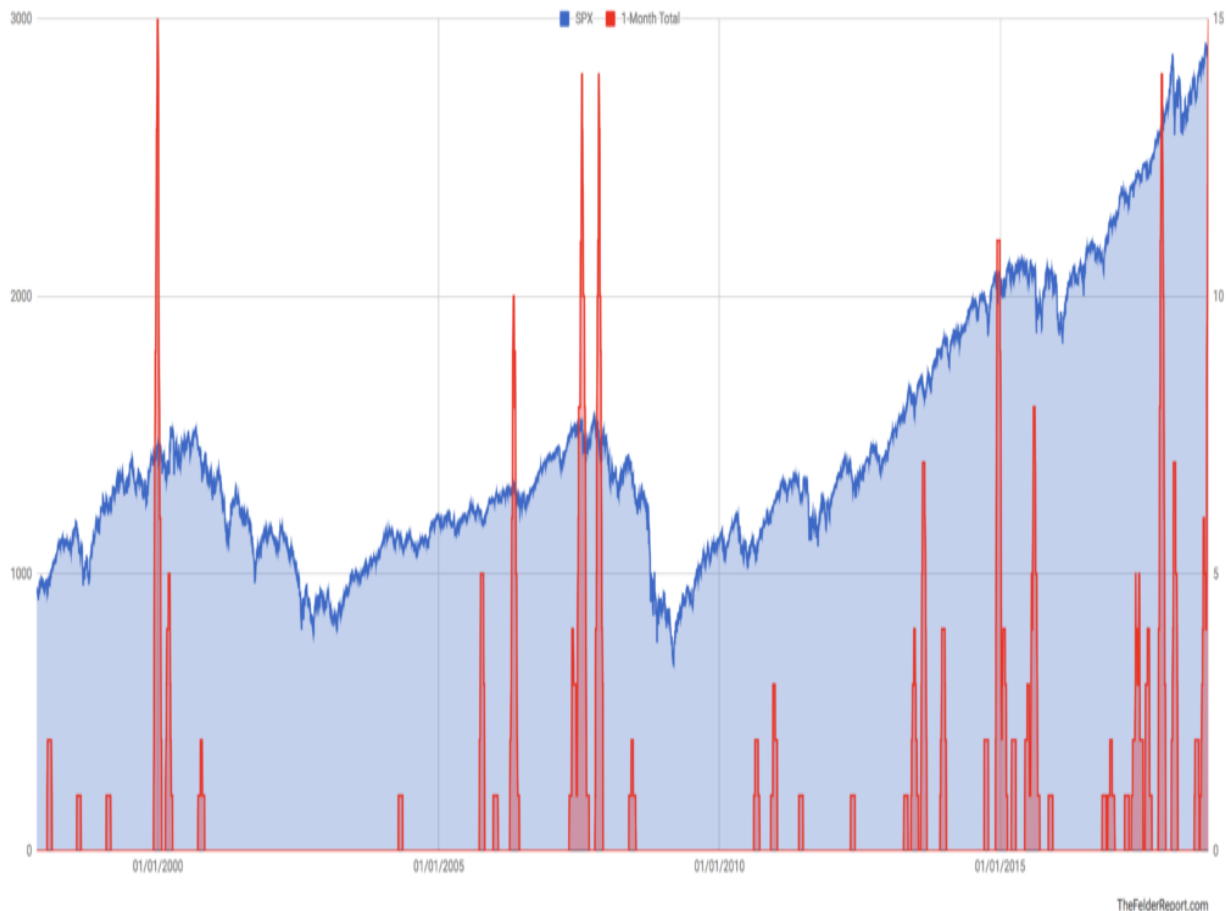
This suggests that much of the "speculative" nature of the market seen early this year has subsided and risk is being concentrated into fewer areas. As [Steven Vanelli via Knowledge Leaders Capital blog](#) noted on Friday

*"Small caps have underperformed mid/large caps by about 5% since making a relative high June 21, 2018. **There is support nearby, but if small caps underperform US mid/large caps by another 5%, then the technical picture could change for the worse.**"*

But there is more to this story than just relative underperformance. •As Jesse Felder noted in his blog last week, breadth is becoming decidedly more bearish.

*"Over the past ten days, this exchange has triggered an omen every day. Such a streak has not happened over at least the past 40 years. **This brings the total number of omens triggered on both exchanges over the past month to 15, the most since December of 1999, just before the peak of the Dotcom Mania.**"*

S&P 500 With NYSE & NASDAQ Hindenburg Omens



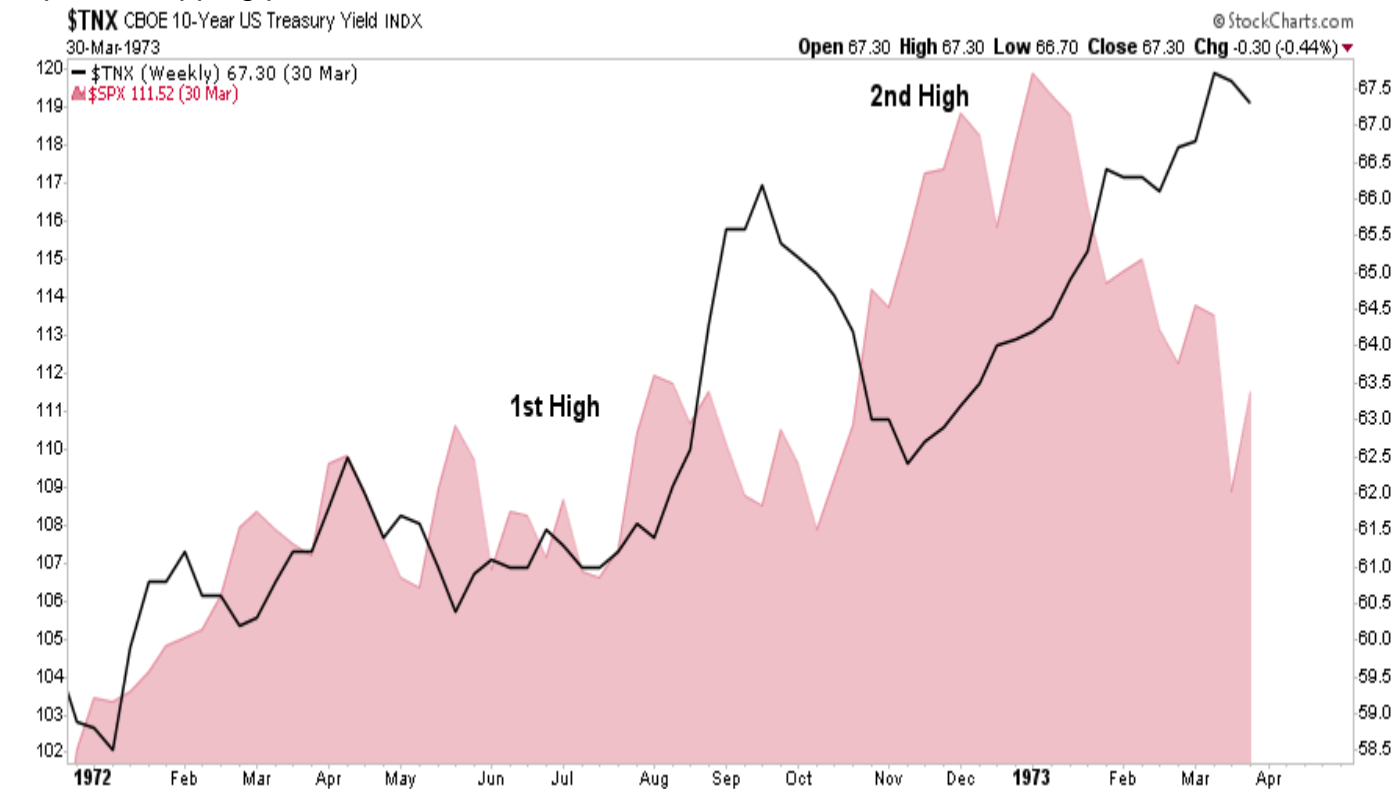
*"Even more notable, it brings the total omens triggered over the past year to 44, by far the most in at least 40 years and roughly doubles the total seen almost 20 years ago. The only thing to conclude from this is that we are currently **seeing a historic divergence in equity market breadth, the sort of dispersion that has typically preceded broader market turbulence.**"*

S&P 500 With NYSE & NASDAQ Hindenburg Omens

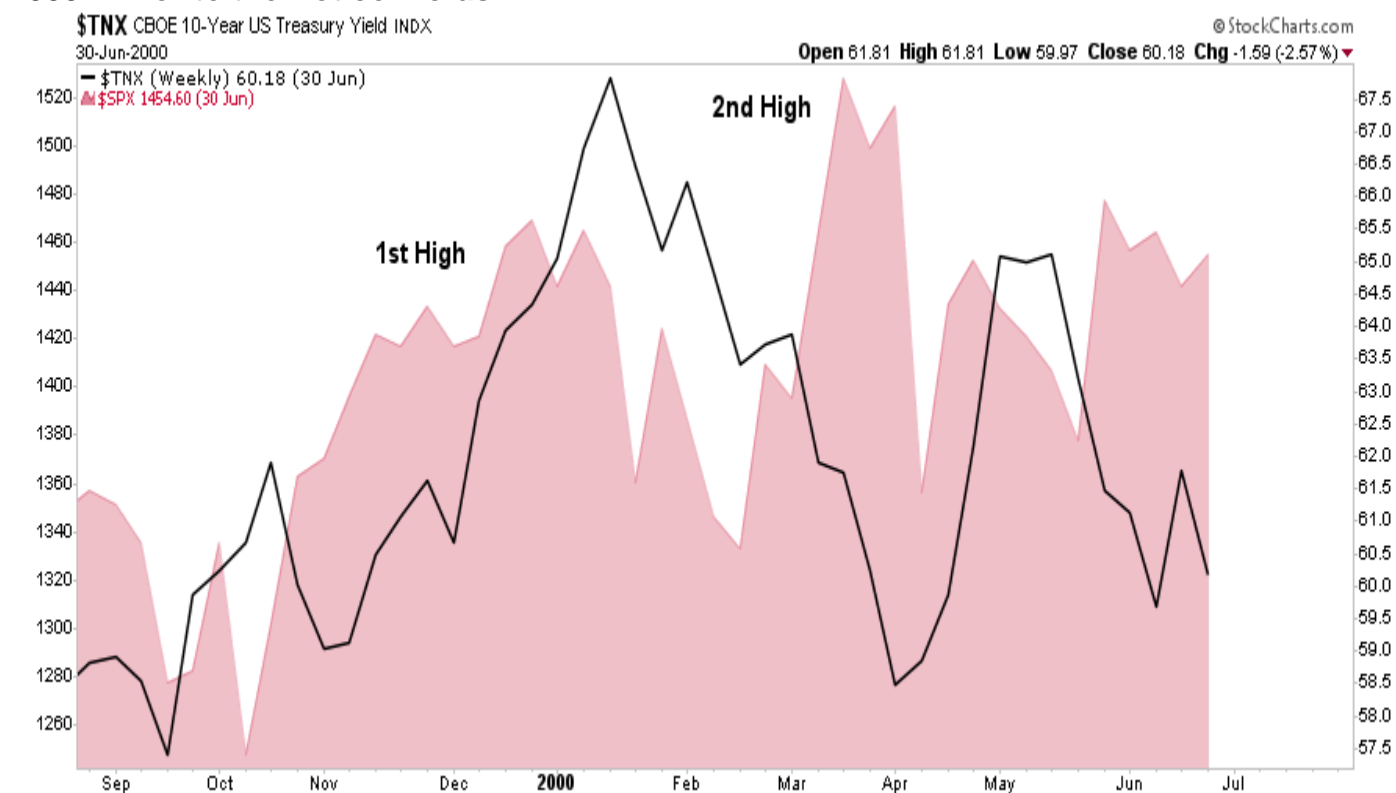




**So, the real question is whether the recent struggles with the market are simply just a pause that refreshes or the early stages of a more important topping process? Over the past 50-years, when the market has posted a new high, failed, and then posted a subsequent high at the same time the Federal Reserve, and long-term rates, were rising - it was a significantly more important topping process. 1972 - Prior to the 1973-1974 bear market.**



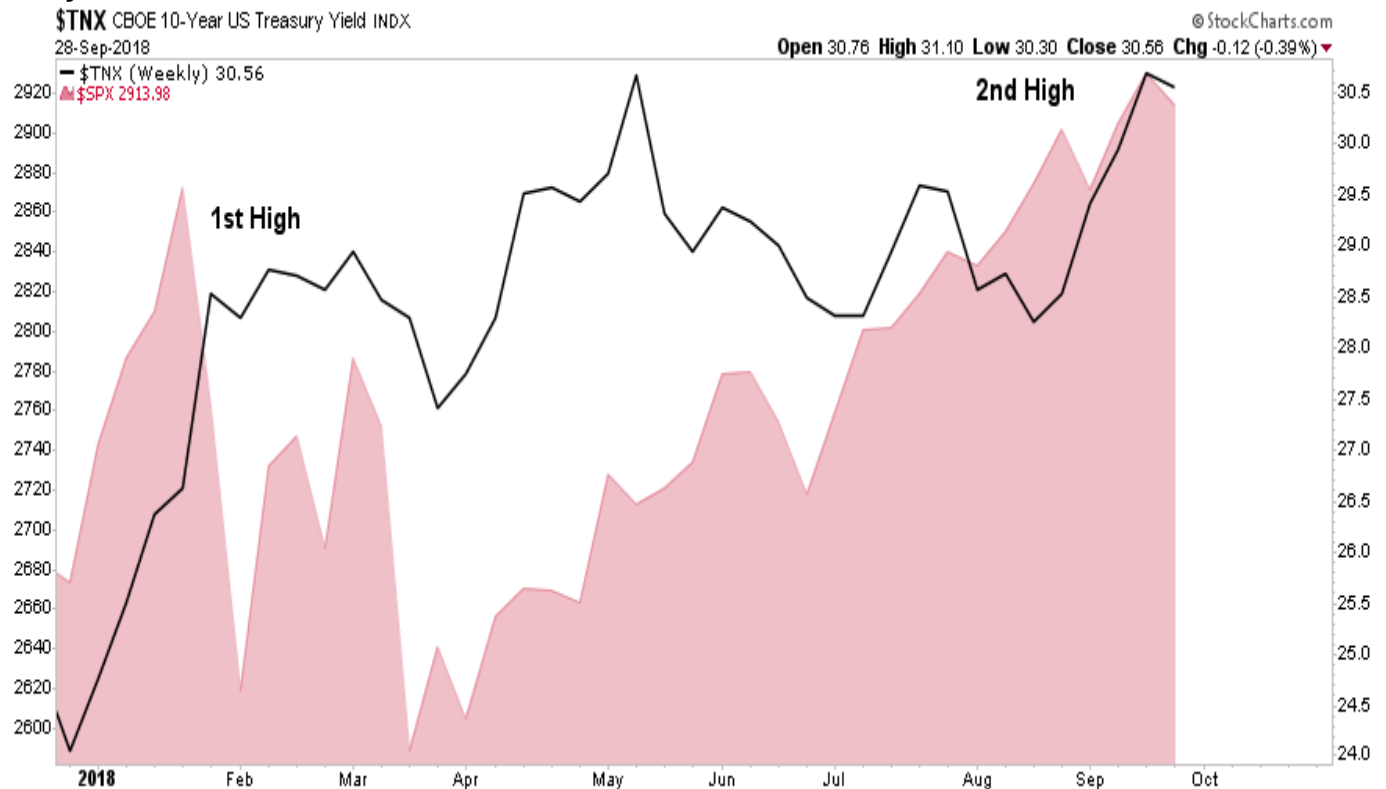
### 1999 - Prior to the Dot.com crash



### 2007 - Prior to the Financial Crisis



Today



**It is too early to know just yet whether we are just experiencing a pause that refreshes or if we are at the beginnings of a more important juncture between rates and the markets. We will only know for sure in hindsight.**•For now, there is really no one is really concerned with the risks. As Dr. Ed Yardeni noted last week:

*"The latest relief rally reflects mounting confidence that Trump?s trade war won?t escalate into one that depresses the economy and corporate earnings, which continue to soar. In addition, there is less fear lately that the Fed?s policy normalization will trip up the bull market. Earlier this year, there was fear that a 10-year US Treasury bond yield above 3.00% would be bearish for stocks. It recently rose back slightly above that level, yet it was widely deemed to be bullish for financial stocks. Go figure!"*

He is right, which is why•we have remained allocated to equities and have been opportunistic in adding exposure.

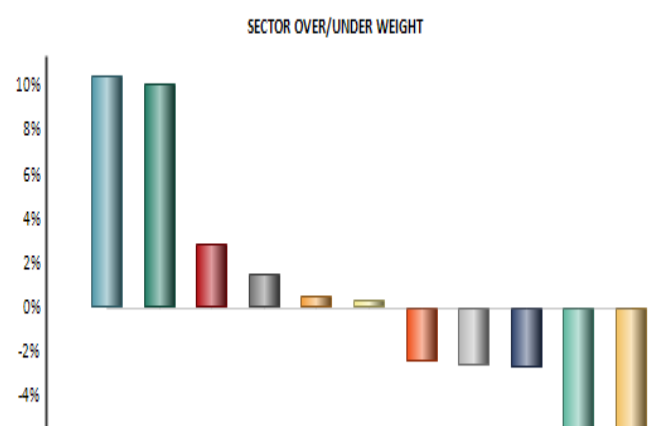
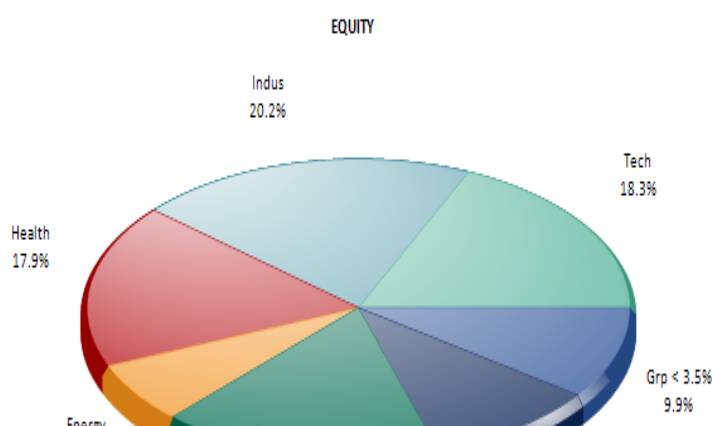
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## TOP 20 EQUITY REVIEW 2

## S&P 500 ETF

TOP 10 EQUITIES WITH  
VALUATION ATTRIBUTES

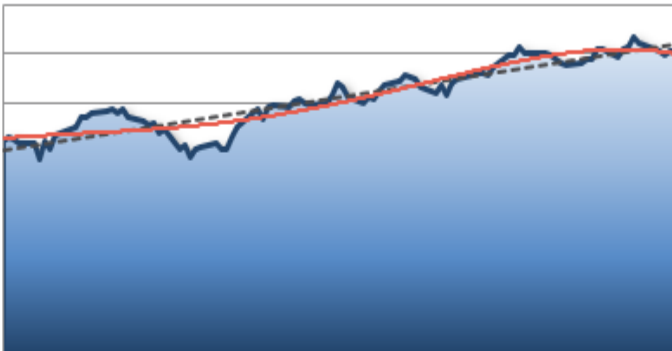


However, we also understand that such will not always be the case. Yes, everything is currently "as good as it can get," **which is always the case - just before it isn't.** Just pay attention to the signs that things may be changing. **See you next week.**

# Market & Sector Analysis

## Data Analysis Of The Market & Sectors For Traders

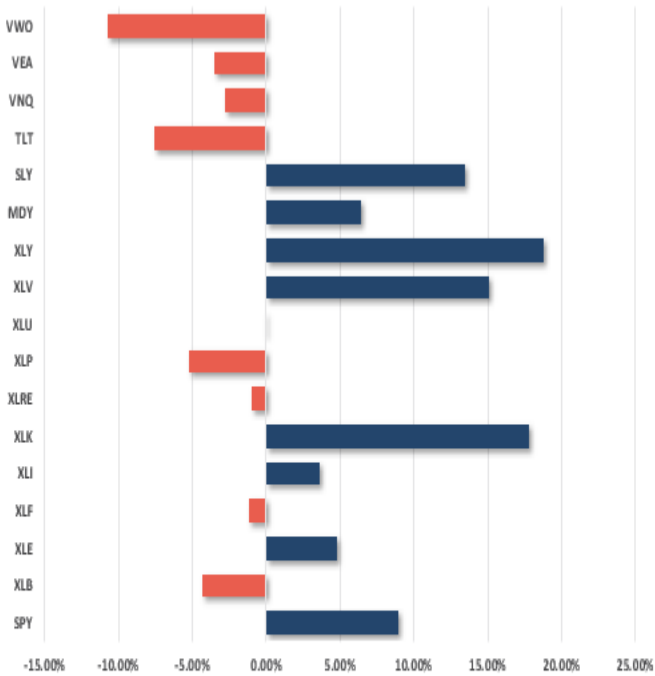
### S&P 500 Tear Sheet

3 Month SPY Price									SPY RISK INFO					
									Item		T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
									Price Return		34.19%	16.13%	8.94%	(44.55%)
									Max Drawdown		-11.76%	-11.76%	-11.76%	0.00%
									Sharpe		1.71	1.42	0.88	(0.38)
									Sortino		1.96	1.53	0.98	(0.36)
									Volatility		10.30	12.45	14.10	0.13
									Daily VaR-5%		2.04	(1.23)	(8.95)	6.26
									Mnthly VaR-5%		6.01	5.01	(2.64)	(1.53)
S&P 500 Fundamental Analysis									S&P 500 Market Cap Analysis					
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg		
Dividend Yield	1.96%	1.86%	1.76%	(5.42%)	2.16%	1.67%	(18.65%)	5.57%	Shares	2,439.4	2,430.1	(0.38%)		
P/E Ratio	19.44	20.49	20.16	(1.66%)	20.77	15.79	(2.9%)	27.64%	Sales	56,815	61,051	7.46%		
P/S Ratio	2.92	3.19	3.50	8.82%	3.52	2.21	(0.66%)	58.57%	SPS	23.3	25.1	7.86%		
P/B Ratio	3.33	3.60	4.10	12.17%	4.00	2.73	2.51%	50.22%	Earnings	7,672	8,781	14.45%		
ROE	15.06%	15.85%	17.18%	7.76%	17.18%	15.01%	0.00%	14.50%	EPS TTM	3.7	4.4	18.57%		
ROA	2.83%	2.95%	3.27%	9.74%	3.27%	2.82%	0.00%	15.70%	Dividend	1.4	1.5	9.49%		
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	11.42%	6.03%	1.05	26.27	144.07	12.52	(81.8%)	7.8%	2.8%	4.35%	4.14	15.96		
Materials	2.14%	2.47%	1.42	17.16	22.14	13.94	(22.5%)	10.5%	2.1%	6.18%	4.78	15.04		
Industrials	8.89%	9.72%	1.04	19.58	22.14	14.74	(11.6%)	14.4%	1.9%	5.37%	5.22	16.26		
Discretionary	33.53%	13.08%	1.07	26.31	25.85	19.95	1.8%	20.7%	1.1%	3.94%	4.32	20.97		
Staples	0.88%	6.68%	0.66	19.59	22.83	17.38	(14.2%)	25.2%	3.0%	5.20%	3.91	17.92		
Health Care	17.58%	14.97%	0.97	18.89	20.41	15.77	(7.4%)	27.5%	1.6%	5.53%	6.25	16.41		
Financials	6.77%	13.53%	1.18	14.95	18.40	11.68	(18.8%)	10.3%	1.9%	7.17%	5.58	12.65		
Technology	31.07%	26.10%	1.18	23.38	24.67	15.84	(5.2%)	32.0%	1.0%	4.49%	5.66	22.43		
Telecom	(5.59%)	1.96%	0.55	11.55	16.40	10.50	(29.6%)	17.6%	5.4%	9.03%	3.79	10.32		
Utilities	(0.76%)	2.77%	0.25	17.00	19.62	14.87	(13.4%)	11.2%	3.5%	5.60%	3.49	16.51		
Real Estate	1.70%	2.62%	0.65	18.55	24.47	17.87	(24.2%)	9.4%	3.5%	5.56%	4.28	17.97		
Momentum Analysis														
Item	Price	ROC 50-Days	50-DMA	# Days Since	% Dev 50-Day	200-DMA	# Days Since	% Dev 200-Day	% Dev 50-200	% From 52-W	% From 52-W	Buy/Sell		

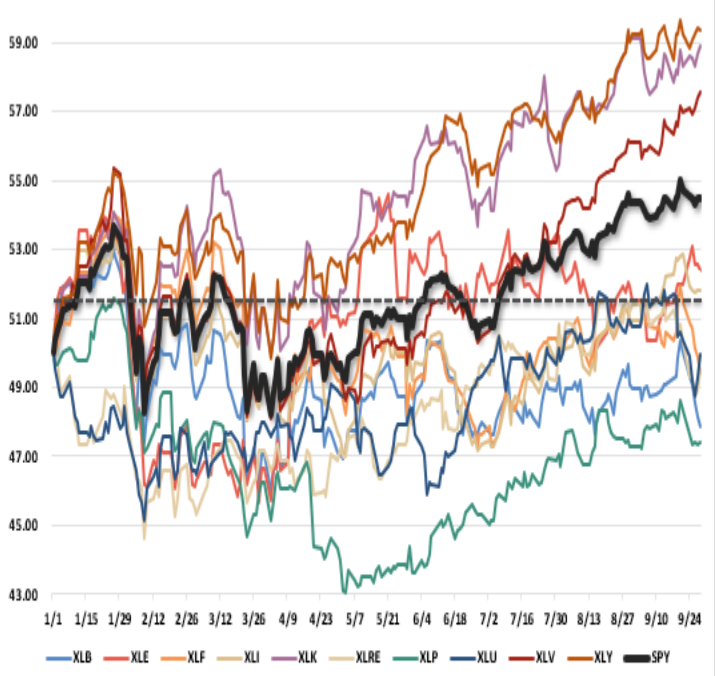


# Performance Analysis

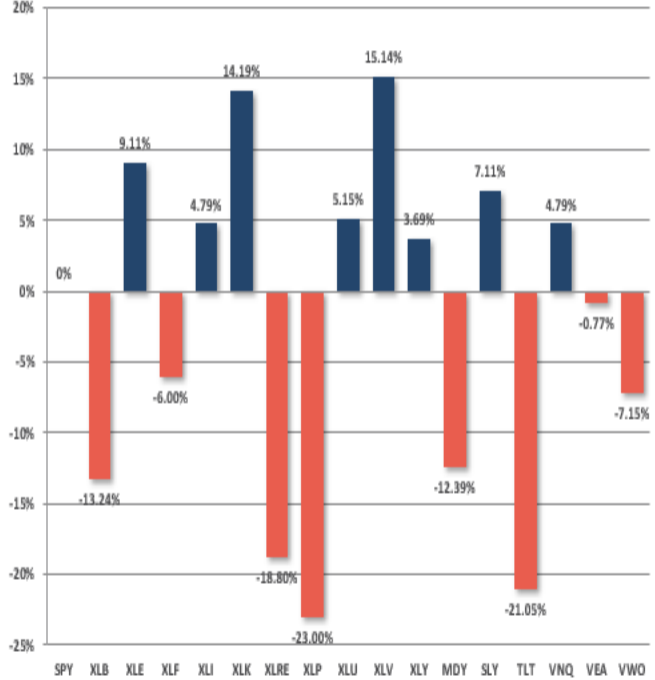
Year To Date Performance



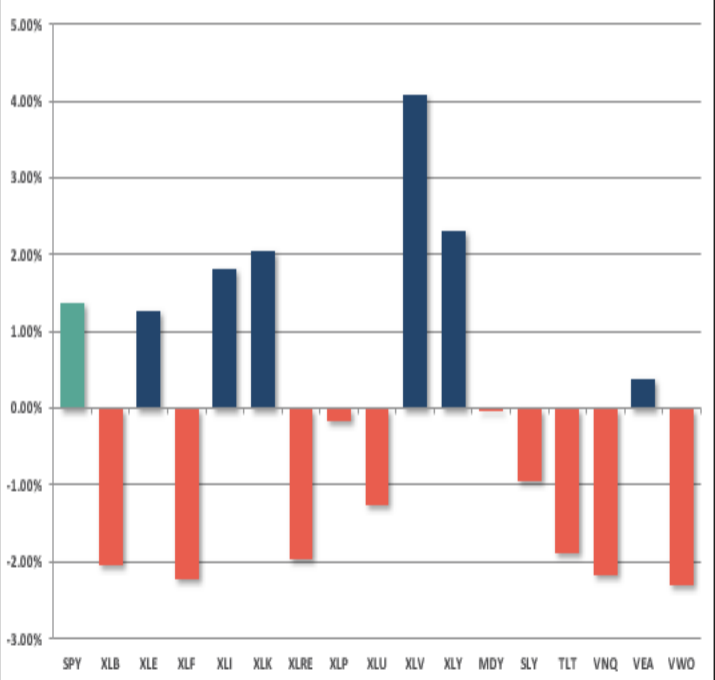
YTD Price - S&P Sectors Recalibrated To \$50/share



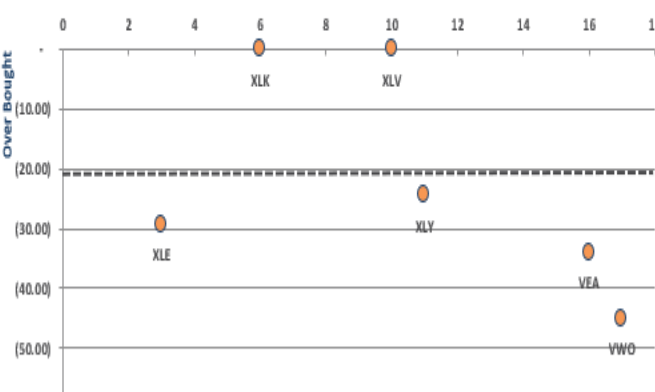
Year To Date Performance Relative To S&P 500



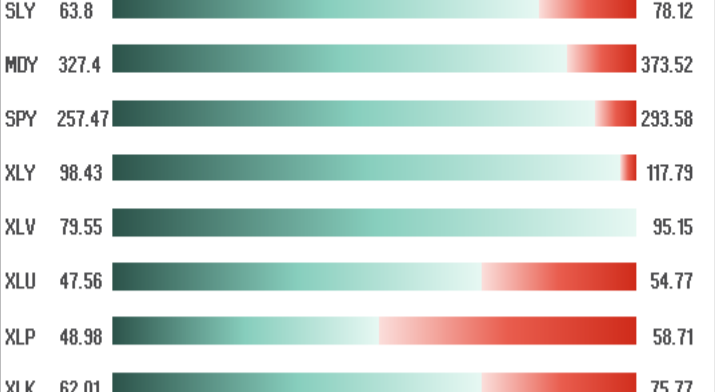
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



# ETF Model Relative Performance Analysis

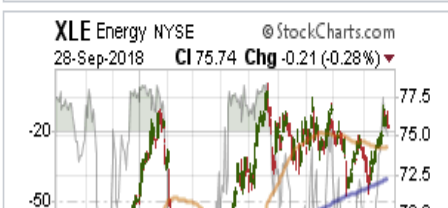
RELATIVE PERFORMANCE		TICKERETF NAME		Current Price	Model Position Price Changes Relative to Index					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
					1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					
BENCHMARK		IVV	ISHARS-SP500	292.73	(0.89)	0.10	5.60	9.65	15.74	286.69	277.57	2.11%	5.46%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	57.93	(3.45)	(2.36)	(6.49)	(9.96)	(13.75)	58.98	58.91	-1.78%	-1.66%	BUY
		XLE	SPDR-EGY SELS	75.74	1.74	1.65	(5.51)	(3.59)	(5.13)	74.98	73.00	1.02%	3.75%	BUY
		XLF	SPDR-FINL SELS	27.58	(3.15)	(2.75)	(2.19)	(9.21)	(9.08)	27.96	27.95	-1.37%	-1.31%	BUY
		XLI	SPDR-INDU SELS	78.40	(1.11)	1.59	3.05	(3.69)	(5.31)	76.14	75.33	2.97%	4.07%	BUY
		XLK	SPDR-TECH SELS	75.33	1.86	(0.46)	0.41	3.94	11.73	73.32	70.06	2.75%	7.53%	BUY
		XLP	SPDR-CONS STPL	53.93	(1.09)	0.18	(2.32)	(7.10)	(15.83)	53.63	52.55	0.56%	2.63%	BUY
		XLU	SPDR-UTIL SELS	52.65	0.12	(1.63)	(6.58)	(3.90)	(16.49)	53.13	51.19	-0.91%	2.86%	BUY
		XLC	SPDR-COMM SV SS	49.00	1.82	(0.47)	(9.09)			49.40	49.45	-0.81%	-0.91%	SELL
		XLV	SPDR-HLTH CR	95.15	1.82	2.46	5.03	6.57	0.68	90.28	85.93	5.39%	10.73%	BUY
		XLY	SPDR-CONS DISCR	117.22	1.15	0.13	0.68	6.16	14.39	113.86	108.37	2.95%	8.17%	BUY
	SIZE	MGK	VANGD-MG CAP GR	128.17	1.52	0.18	0.25	3.77	6.66	124.68	119.43	2.80%	7.32%	BUY
IJR		ISHARS-SP SC600	87.24	(0.47)	(3.50)	(4.42)	1.84	1.81	87.60	82.82	-0.41%	5.34%	BUY	
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	106.81	(0.74)	(0.38)	(2.24)	(2.46)	(3.94)	105.64	102.89	1.11%	3.81%	BUY
	Dividend	VIG	VANGD-DIV APPRC	110.70	(0.67)	1.13	2.15	0.06	1.05	107.43	104.15	3.04%	6.29%	BUY
	Real Estate	VNQ	VIPERS-REIT	80.68	(1.65)	(4.11)	(8.42)	(1.59)	(18.64)	82.36	78.69	-2.04%	2.53%	BUY
	International	IDV	ISHARS-INTL SD	32.63	(0.71)	(0.07)	(6.12)	(13.24)	(19.08)	32.70	33.16	-0.20%	-1.61%	SELL
		VWO	VANGD-FTSE EM	41.00	(1.02)	(2.57)	(8.56)	(21.55)	(21.63)	42.06	44.51	-2.53%	-7.88%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	117.27	1.04	(3.18)	(10.06)	(12.65)	(21.74)	120.09	119.67	-2.35%	-2.00%	BUY
	International	BNDX	VANGD-TTL INT B	54.54	0.78	(0.43)	(6.07)	(9.85)	(15.83)	54.71	54.52	-0.31%	0.04%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	86.44	1.12	(0.01)	(4.30)	(9.48)	(18.35)	85.91	85.77	0.62%	0.78%	BUY
	Cash	BSV	VANGD-SHT TRM B	78.03										

REAL INVESTMENT ADVICE

## Sector & Market Analysis:

As I noted, the S&P 500 sectors have been shuffled up a bit. As such, I have changed the two charts below. The S&P analysis now includes both XLC and XLRE. I have also added the S&P 500 index just for comparative purposes. Since real estate was moved up from the major markets graph, I have added a pure S&P 500 index for comparative performance to the equal weight and dividend weighted indices.

### Sector-by-Sector

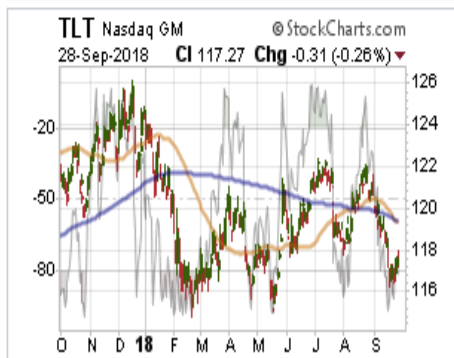



















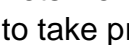

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Symbol	Security	Last	Today's Change	P/L	Avg. Cost	Size	Shares	Market \$	YTD	STD Above or Below the 50 SMA	RSI	Momentum (MACD)	21 SMA	50 SMA	100 SMA	Current Trend Analysis
XLRE	Real Estate Select Sector SPDR	32.61	\$0.4 (1.24%)	-1.63%	\$33.15	3.41%	1	\$32.61	0.43%	-0.66	41.42		33.3	33.25	32.54	4 out of 10
XLV	Sector - Health Care	95.15	\$0.29 (0.31%)	0.93%	\$94.27	9.94%	1	\$95.15	15.91%	+2.43	73.36		93.45	91.4	87.81	10 out of 10
XLP	Sector - Con. Goods	53.93	\$0.08 (0.15%)	-1.98%	\$55.02	5.63%	1	\$53.93	-3.94%	-0.09	44.9		54.43	54.02	52.37	6 out of 10
XLY	Sector - Con. Service	117.22	\$-0.1 (-0.09%)	0.26%	\$116.92	12.24%	1	\$117.22	19.44%	+1.06	57.8		116.7	114.51	111.64	10 out of 10
XLF	Sector - Financial	27.58	\$-0.29 (-1.04%)	-4.4%	\$28.85	2.88%	1	\$27.58	-0.40%	-0.88	36.61		28.3	28.21	27.82	1 out of 10
XLI	Sector - Industrials	78.4	\$-0.05 (-0.06%)	-1.67%	\$79.73	8.19%	1	\$78.40	4.44%	+0.70	53.98		78.48	76.99	75.51	8 out of 10
XLB	Sector - Materials	57.93	\$-0.37 (-0.63%)	-4.34%	\$60.56	6.05%	1	\$57.93	-3.48%	-0.71	37.21		59.36	59.13	59.01	1 out of 10
XLK	Sector - Technology	75.33	\$0.28 (0.37%)	0.97%	\$74.61	7.87%	1	\$75.33	18.57%	+0.76	58.46		74.62	73.79	72.21	10 out of 10
XLU	Sector - Utilities	52.65	\$0.76 (1.46%)	-0.77%	\$53.06	5.50%	1	\$52.65	1.62%	-0.44	44.81		53.55	53.32	51.87	4 out of 10
SPY	SPDR S&P 500	290.86	\$0.17 (0.06%)	6.16%	\$273.99	30.38%	1	\$290.86	9.92%	+0.86	55.68		290.14	286.7	280.38	8 out of 10
XLE	SPDR Select Sector Fund - Energy	75.74	\$-0.21 (-0.28%)	7474%	\$1	7.91%	1	\$75.74	6.27%	+0.40	58.11		74.59	74.81	75.29	5 out of 10

**Discretionary, Healthcare, and Technology**•primarily drove the overall market advance last week, what little bit there was to speak of.•Healthcare's recent run continues but is grossly extended. Not surprisingly, these are the three sectors with the highest momentum and trend rating as shown above. **Industrials and Materials**•lost their recent "mojo" last week as rising "tariff" risks overrode the recent sector rotation to under-performing sectors. Take profits in Industrials for now. With 8 of 10 trend and momentum indicators still positive for the Industrial sector, use pullbacks to support and short-term oversold conditions to add positions to portfolios. Basic Materials, is a disaster. Just avoid for now with only 1 of 10 trend and momentum indicators currently in play. **Utilities and Real Estate** - Both suffered corrections last week as rates pushed higher. Unfortunately, both sectors, while now short-term oversold, violated their 50-dma. Take profits in both sectors following the recent run and watch to see if both sectors fail to get back above their respective 50-dmas. Failure will likely suggest a short-term top with lower lows to come before the next decent trading opportunity presents itself. With only 4 of 10 trend and momentum indicators in place, the sectors are too weak to establish positions in currently. **Energy** - The uptick in oil prices over the last couple of weeks brought money flows back into the Energy sector which rallied to the top of its downtrend and failed. With only 5 of 10 trend and momentum indicators positive currently, take profits in the recent run and look for a pullback to the 50-dma which holds to add exposure if needed. Stops should remain at the 200-dma. **Financials** continue to languish and after a brief spurt completely fell apart violating both the 50 and 200-dma. Look for a failed rally back to the 200-dma to reduce exposure to the sector. With only 1 of 10 trend and momentum indicators in place the sector should remain underweight in portfolios with stops moved up to last weeks lows. **Staples** have performed well from the recent lows which is why 6 of 10 indicators are currently positive. The recent pullback to the 50-dma provides a reasonable entry point on a risk/reward basis if you need to increase exposure to sector. Keep a tight stop at the 50-dma.

**Telecommunications** - with the new reshuffle in this sector could well see a pick up in volatility. There is no reason to add this sector to holdings right now as there simply isn't enough data yet to determine much of anything from a trading perspective. We will watch this over the next couple of months to see how things develop.



Symbol	Security	Last	Today's Change	P/L	Avg. Cost	Size	Shares	Market \$	YTD	STD Above or Below the 50 SMA	RSI 	Momentum (MACD)	21 SMA	50 SMA	100 SMA	Current Trend Analysis
RSP	Guggenheim S	106.81	\$0.17 (0.16%)	0%	\$106.81	8.34%	1	\$106.81	6.58%	+0.34	48.59		107.27	106.21	104.4	
TLT	iShares 20 Year Treasury Bond E	117.27	\$-0.31 (-0.26%)	0%	\$117.27	9.15%	1	\$117.27	-6.14%	-0.98	38.6		118.37	119.45	119.57	
IVV	iShares Core S&P 500 ETF	292.73	\$-0.09 (-0.03%)	0%	\$292.73	22.85%	1	\$292.73	9.89%	+0.85	55.28		292.4	288.78	282.35	
EFA	iShares MSCI EAFE ETF	67.99	\$-0.56 (-0.82%)	0%	\$67.99	5.31%	1	\$67.99	-1.38%	+0.27	54.24		67.22	67.53	67.98	
EEM	iShares MSCI Emerging Index	42.91	\$-0.3 (-0.69%)	0%	\$42.91	3.35%	1	\$42.91	-8.33%	-0.08	52.61		42.27	43.07	43.99	
GLD	SPDR Gold Shares	112.76	\$0.71 (0.63%)	0%	\$112.76	8.80%	1	\$112.76	-8.81%	-0.45	44.23		113.38	113.92	117.47	
MDY	SPDR MidCap Trust Series I	367.46	\$1.32 (0.36%)	0%	\$367.46	28.68%	1	\$367.46	6.94%	+0.01	45.59		370.35	367.36	362.83	
SDY	SPDR S	97.93	\$0.36 (0.37%)	-8.31%	\$106.81	7.64%	1	\$97.93	4.97%	+0.17	45.42		98.82	97.64	95.21	
SLY	SPDR S&P 600 Smal	75.47	\$0.28 (0.37%)	0%	\$75.47	5.89%	1	\$75.47	14.12%	-0.38	40.91		76.63	76.16	74.52	

Showing 1 to 9 of 9 entries

**Small-Cap and Mid Cap**•we noted four weeks ago that these markets were extremely overbought and extended, and a pullback to support was needed. The advice to take profits in these sectors was prescient with both sectors violating their respective 50-dma's in the recent sell-off. With 6 of 10 trend and momentum indicators still intact we will continue to remain long the sectors but stops have been moved up. Small-caps are oversold which tends to provide a good trading opportunity. Mid-caps are not there just yet. **Emerging and International Markets**•as I noted last week.

*"Both sectors rallied a bit last week, providing an opportunity to reduce exposure for the time being and reallocate that capital to better performing areas. WHEN international and emerging markets begin to perform more positively we will add positions back to portfolios. There is just no reason to do so now."*

That advice remains the same this week. With 0 and 1 trend and momentum indicators in place, there is no reason to be long these sectors just yet. If we start to see real improvement, versus a bounce in a downtrend, we will reconsider our weightings. **Dividends, Market, and Equal Weight**•we added a pure S&P 500 index fund to our "core" holdings which will add some beta to the portfolio but acts as a placeholder for sectors and markets we have no allocation to (*ie, international markets, gold, basic materials.*)•We continue to hold our allocations to these **core holdings**•and continue to build around these core with tactical positions that provided opportunistic advantages. **Gold**•? failed, again, at the 50-dma this past week. This was your opportunity to sell your holdings for the time being. Stops remain firm at **\$111 again this week which looks like they may well be triggered next week.**•Gold currently has 0 of 10 trend and momentum indicators in place. **Bonds**• As I noted last week,

*"Bonds sold off on the spurt in interest rates back above 3%. With bonds back on strong support at recent lows, and very oversold, we are looking to add bond exposure to our portfolios. We are moving our stop to•\$114 for trading positions."*



Bonds bounced off support last week as the market began to struggle. Keep stops tight on trading positions but remain long individual bonds in 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.)



						OVERWEIGHT							
		Over Bought / Sold	50/200 DMA	Trend	Action		BUY	HOLD	REDUCE	SELL			
XLY	Discretionary	OB	Positive	Positive	Hold			X			Hold		
XLK	Technology	OB	Positive	Positive	Hold			X			Hold		
XLI	Industrials	OB	Neutral	Neutral	Hold			X			Hold		
XLB	Materials	Declining	Neutral	Neutral	Hold			X			Hold		
XLE	Energy	OB	Positive	Positive	Hold			X			Hold		
XLP	Staples	Declining	Positive	Positive	Hold			X			Hold		
XLV	Health Care	OB	Positive	Positive	Reduce			X			Take Profits		
XLU	Utilities	OS	Positive	Positive	Hold			X			Pullback Violated 50-DMA		
XLF	Financials	OS	Positive	Positive	Hold			X			Hold		
XLC	Telecom	Increasing	Neutral	Neutral	N/A			X			No Position / No History		
XLRE	Real Estate	OS	Positive	Positive	Hold			X			Pullback Violated 50-DMA		
\$SML	Small Caps	OS	Positive	Positive	Hold			X			Hold		
EEM	Emerging Mkt	Increasing	Negative	Negative	Sell					X	No Postion		
EFA	International	OB	Negative	Positive	Sell					X	No Position		
GLD	Gold	OS	Negative	Negative	Sell					X	Stop Loss Violated		
MDY	Mid Cap	Declining	Positive	Positive	Hold			X			Hold		
RSP	SP500 Equal Wgt	OB	Positive	Positive	Hold			X			Hold		
SDY	SP500 Dividend	Declining	Positive	Positive	Hold			X			Hold		
IVV	SP500 Market Wt	Declining	Positive	Positive	Hold			X			Hold		
TLT	20+ Yr. Bond	OS	Warning	Warning	Buy			X			Hold		
LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING							X	No Position					

## Portfolio/Client Update:

As noted, three weeks ago, with the market holding support above the "breakout" levels from January, we added exposure to portfolios. With the pullback to support this past week we will wait to see if these levels hold. We are watching the rotation between sectors and markets closely to see if market performance will regain some strength and begin to firm for an expected year-end rally. Currently, with portfolios fully allocated there is little to do this next week. However, we will be monitoring things closely.

- **New clients:** Need a pullback to support that holds to on-board new positions. 1/2 model weights.
- **Equity Model:** Semiconductors (MU & KLAC) remain on "Sell Alerts" - we are monitoring these positions closely and stop-loss levels have been tightened up. We have also tightened up stops on other positions as well including (SU) which has not performed as expected. •

- **Equity/ETF blended**•- Same as with the equity model.•
- **ETF Model**: We overweighted the core "domestic" indices by adding a pure S&P 500 index ETF to offset lack of international exposure. We remain overweight outperforming sectors to offset underweights in under-performing sectors.•
- **Option-Wrapped Equity Model**•- We added PEP and JNJ to the portfolio and brought existing positions up to full-weights as needed.

There were no changes last week as the bulk of our positions are currently working as expected. However, as we have repeatedly stated, **we are well aware of the present risk.**•As noted, stop loss levels have been moved up to recent lows and we continue to monitor developments on a daily basis. With the trend of the market positive, we want to continue to participate to book in performance now for a "rainy day" later. **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 actions either by reducing, selling, or hedging, if the market environment changes for the worse.**

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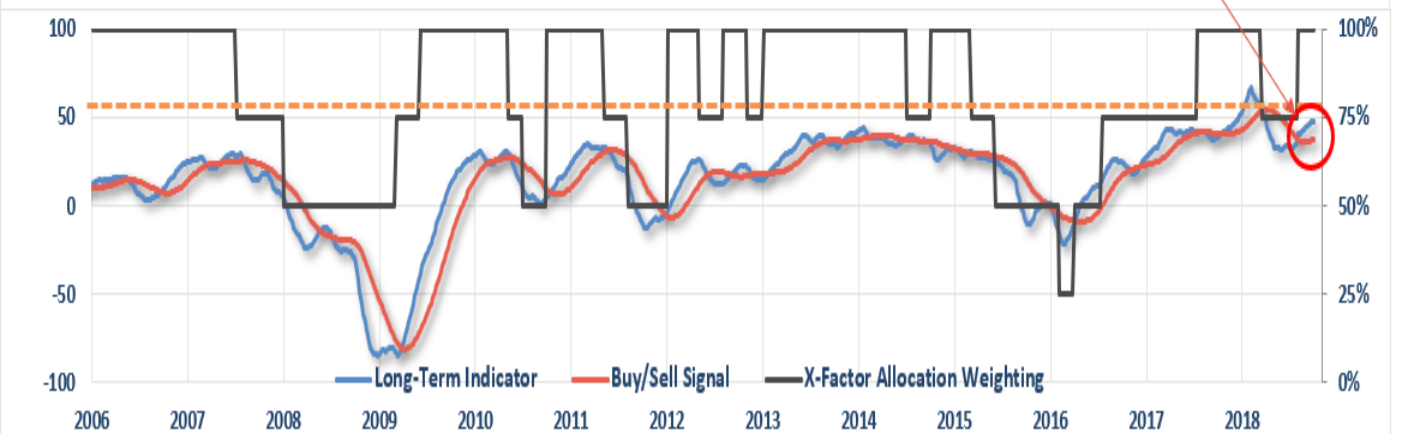
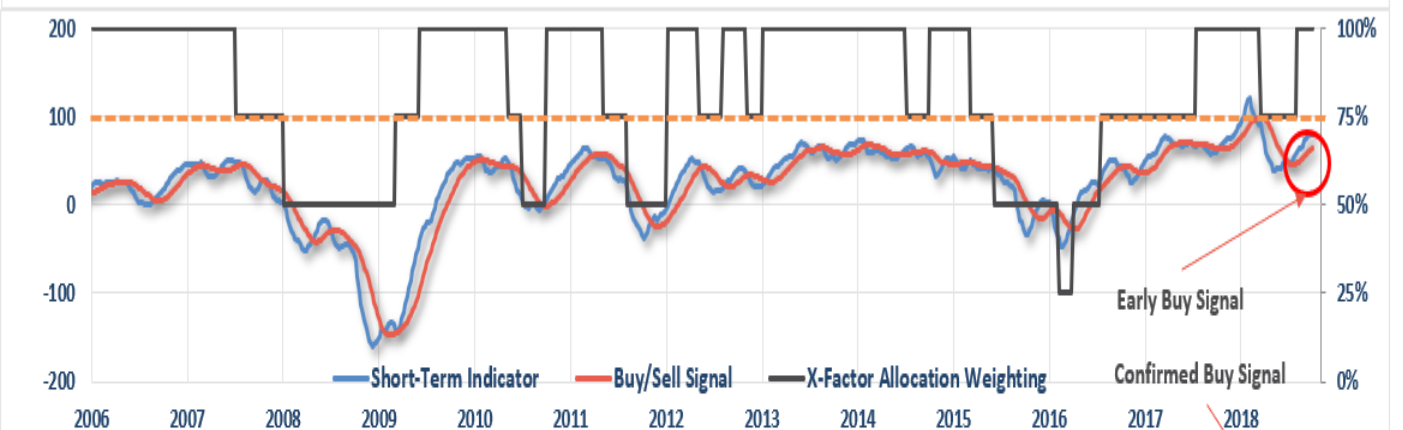
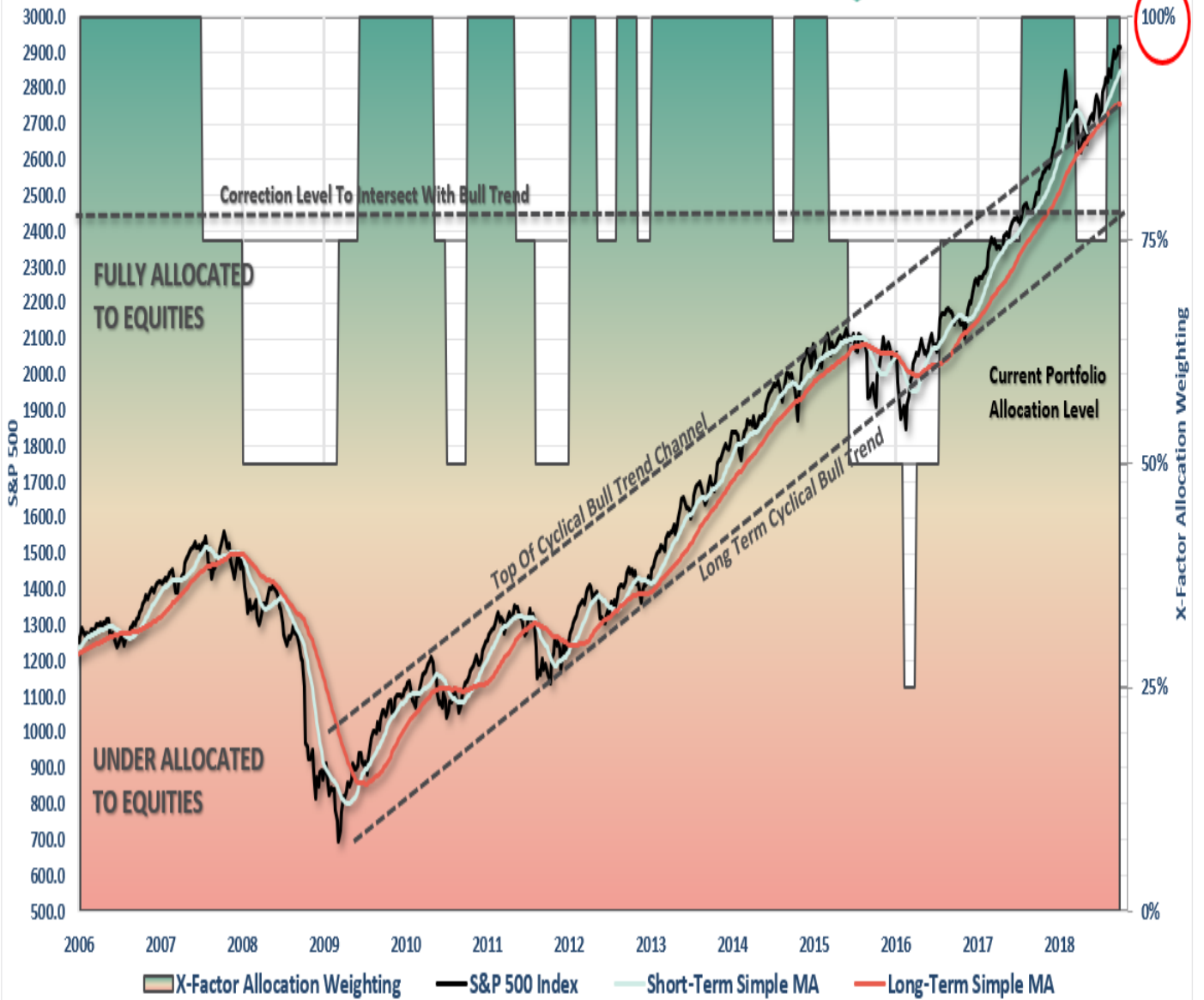
## THE REAL 401k PLAN MANAGER

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

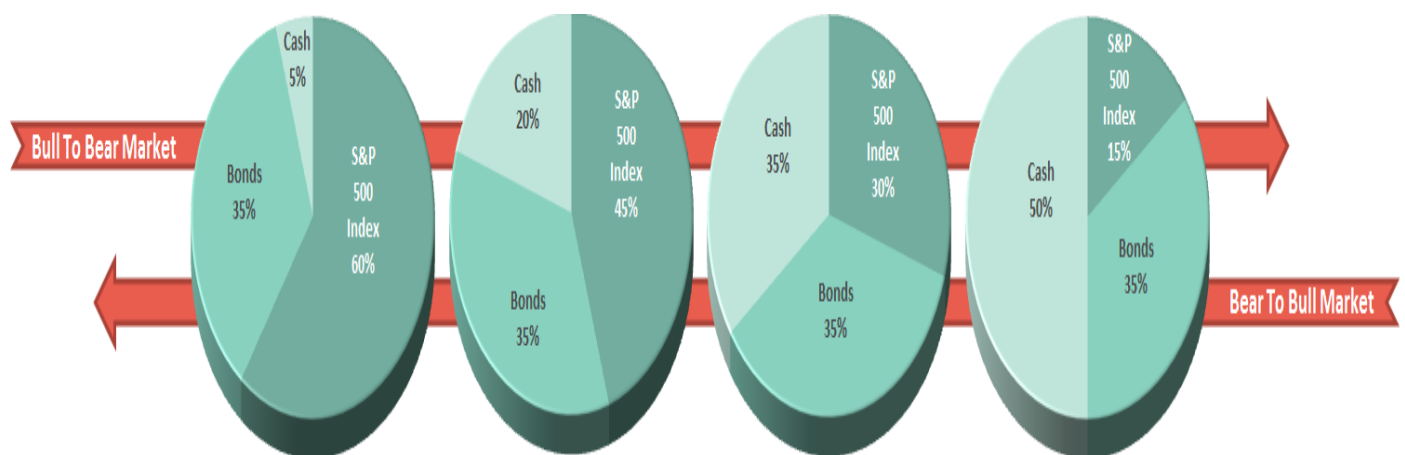
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# Risk Management Analysis

REAL INVESTMENT ADVICE



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



## Market Is Really Extended

As I noted last week:

*"With the move in portfolios back to full target allocations, there is not much for us to do right now except to remain on the lookout for the risks which could rapidly take away our performance. While there are certainly plenty of resources to tell you why the market should go up from here, which is great if it does because we are allocated to the market, we only need to be concerned with what could now disrupt the bullish advance. At the moment, we are in good shape just to sit back and 'watch the show.'"*

Such remains the case this week, but I do want to note that the market is extremely extended above its longer-term trend lines and moving averages. Historically, short-term corrective processes like we saw in February are NOT uncommon. Make sure you rebalance your 401k plans using the following guidelines for now.

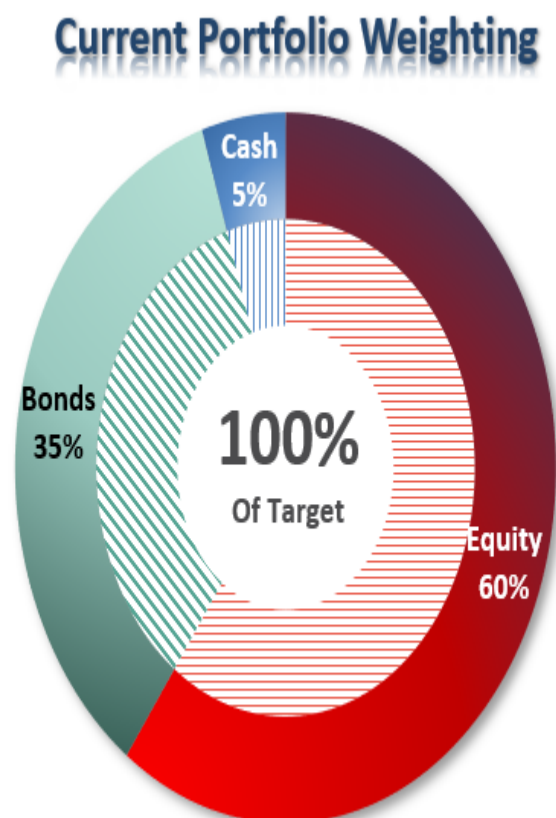
- If you are **overweight equities** - reduce international and emerging market exposure and add to domestic exposure if needed to bring portfolios in line to target weights.
- If you are **underweight equities** - just hold current positions until a pullback occurs which works off some of the overbought short-term condition. This will provide a better risk/reward opportunity to increase exposure towards domestic equity to levels where you feel comfortable. There is no need to go "all in" at one time. Step in on any weakness.
- If you are at **target equity allocations** currently just rebalance weights to focus on domestic holdings.

Remember, this is your "retirement money." **This is the one account you don't want to #\$\$! up.** Not only do you destroy capital, you also destroy the tax deferral as well as the company match. **Be more conservative with your allocations in your 401k-plan because you have less flexibility and fewer options.** This is also the one account that is your "safety net" if everything else in life goes wrong. 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	
5.00%	<b>Cash + All Future Contributions</b> <i>Primary concern is the protection of investment capital</i> Examples: Stable Value, Money Market, Retirement Reserves
35.00%	<b>Fixed Income (Bonds)</b> <i>Bond Funds reflect the direction of interest rates</i> Examples: Short Duration, Total Return and Real Return Funds
60.00%	<b>Equity (Stocks)</b> <i>The vast majority of funds track an index.</i> <i>Therefore, select on ONE fund from each category.</i> <i>Keep it Simple.</i> 10% Equity Income, Balanced or Conservative Allocation 40% Large Cap Growth (S&P 500 Index) 0% International Large Cap Dividend 10% 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

<b>Cash</b>	<i>Stable Value</i> <i>Money Market</i> <i>Retirement Savings Trust</i> <i>Fidelity MIP Fund</i> <i>G-Fund</i> <i>Short Term Bond</i>	<b>Equity</b> <b>Large Cap</b>	<i>Vanguard Total Stock Market</i> <i>Vanguard S&amp;P 500 Index</i> <i>Vanguard Capital Opportunities</i> <i>Vanguard PrimeCap</i> <i>Vanguard Growth Index</i> <i>Fidelity Magellan</i> <i>Fidelity Large Cap Growth</i> <i>Fidelity Blue Chip</i> <i>Fidelity Capital Appreciation</i> <i>Dodge &amp; Cox Stock</i> <i>Hartford Capital Appreciation</i> <i>American Funds AMCAP</i> <i>American Funds Growth Fund Of America</i> <i>Oakmark Growth Fund</i> <i>C-Fund (Common Assets)</i> <b>ALL TARGET DATE FUNDS 2020 or Later</b>
<b>Fixed Income</b>	<i>Pimco Total Return</i> <i>Pimco Real Return</i> <i>Pimco Investment Grade Bond</i> <i>Vanguard Intermediate Bond</i> <i>Vanguard Total Bond Market</i> <i>Babson Bond Fund</i> <i>Lord Abbett Income</i> <i>Fidelity Corporate Bond</i> <i>Western Asset Mortgage Backed Bond</i> <i>Blackrock Total Return</i> <i>Blackrock Intermediate Bond</i> <i>American Funds Bond Fund Of America</i> <i>Dodge &amp; Cox Income Fund</i> <i>Doubleline Total Return</i> <i>F-Fund</i>	<b>Balanced Funds</b>	<i>Vanguard Balanced Index</i> <i>Vanguard Wellington Fund</i> <i>Vanguard Windsor Fund</i> <i>Vanguard Asset Allocation</i> <i>Fidelity Balanced Fund</i> <i>Fidelity Equity Income</i> <i>Fidelity Growth &amp; Income</i> <i>American Funds Balanced</i> <i>American Funds Income Fund</i> <b>ALL TARGET DATE FUNDS 2020 or Sooner</b>
<b>International</b>	<i>American Funds Capital World G&amp;I</i> <i>Vanguard Total International Index</i> <i>Blackrock Global Allocation Fund</i> <i>Fidelity International Growth Fund</i> <i>Dodge &amp; Cox International</i> <i>Invesco International Core Equity</i> <i>Goldman Sachs International Growth Opp.</i>	<b>Small/Mid Cap</b>	<i>Vanguard Mid Cap Growth</i> <i>Fidelity Mid Cap Growth</i> <i>Artisan Mid Cap</i> <i>Goldman Sachs Growth Opportunities</i> <i>Harbor Mid Cap Growth</i> <i>Goldman Sachs Small/Mid Cap Opp.</i> <i>Fidelity Low Price Stock Fund</i> <i>Columbia Acorn US</i> <i>Federated Kaufman Small Cap</i> <i>Invesco Small Cap</i>

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.