RIA Advice

- ***Stuck In The Middle (Range) With You***
- ***Daily, Weekly, Monthly View***
- ***Sector & Market Analysis***
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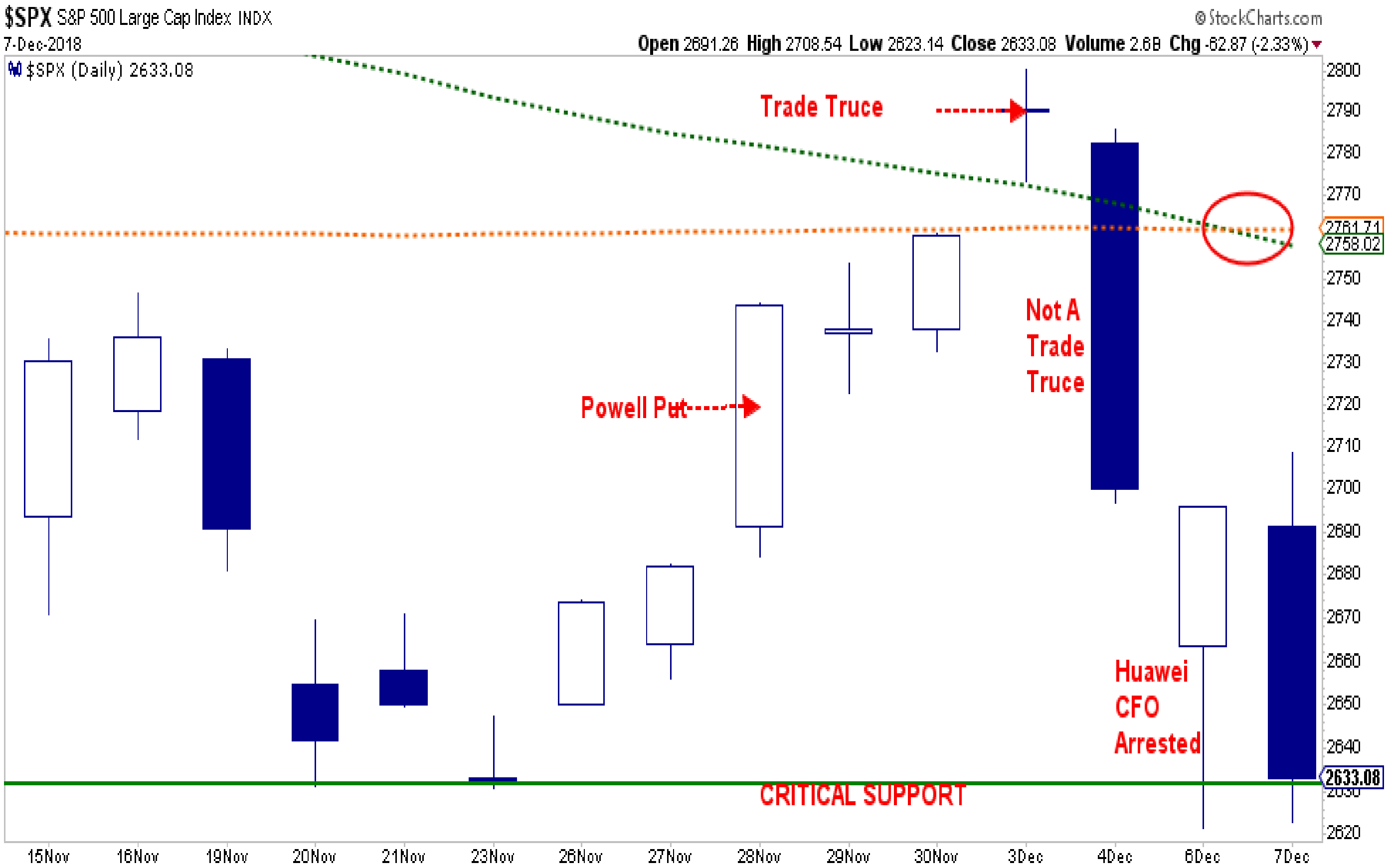
Stuck In The Middle (Range) With You

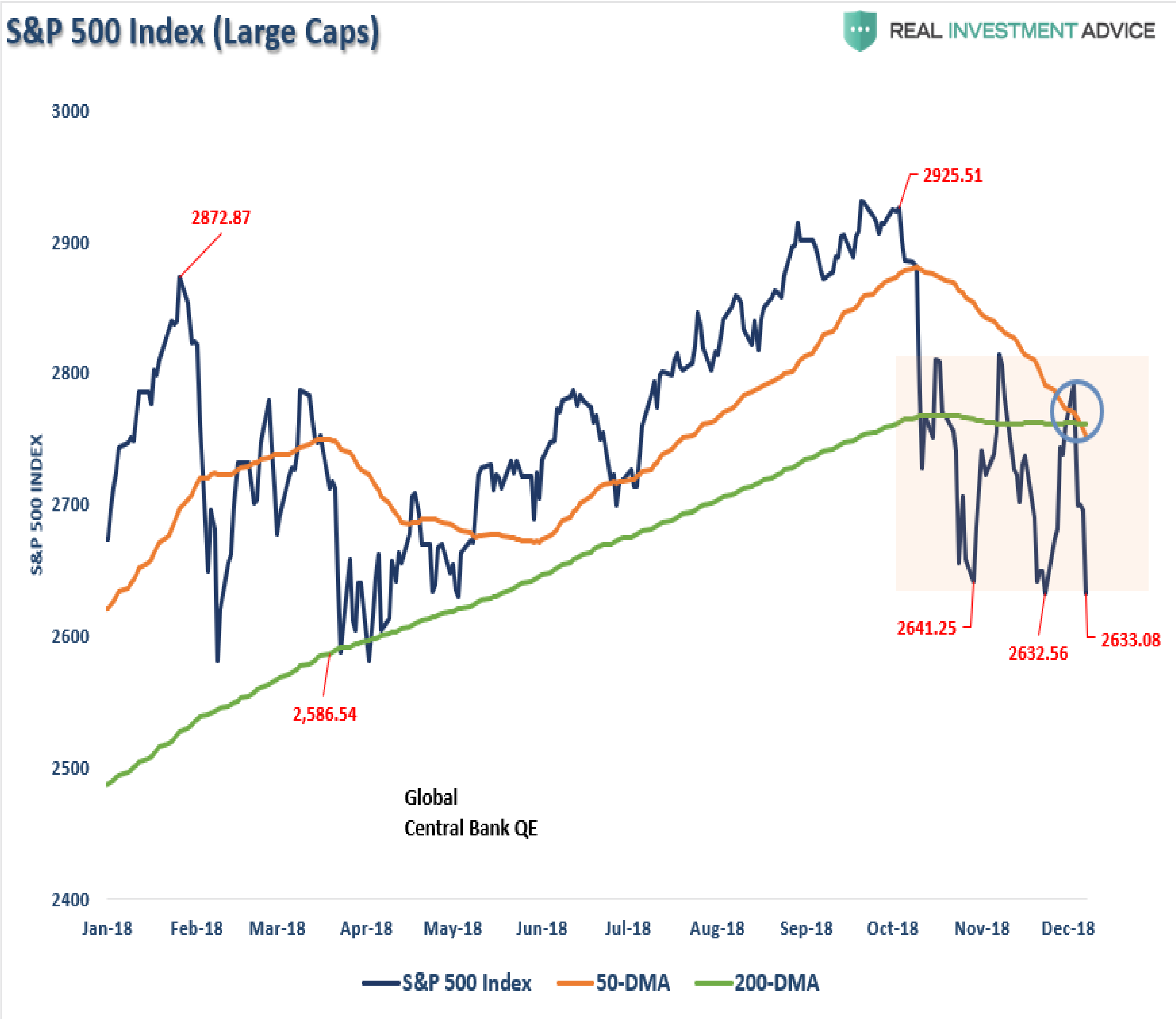
On Tuesday,•I asked the question as to whether the *"bull is back"* or *"is it a bull trap?"*This question was triggered by the outsized advance on Monday on hopes the "trade war" had been at least temporarily resolved at the G-20 summit:

> *"The good news is that on Monday the market cleared the 50- and 200-day moving averages. This was an important level of overhead resistance the market needed to clear to get back onto more bullish footing.* ***However, in order for that break to be validated, it must hold through the end of the trading week."***

Unfortunately, the bulls quickly lost that foothold on Tuesday as the markets tumbled wiping out not only all of Trump's *"trade truce"* gain, but *"Powell's Put"* gain as well. Then on Thursday, news the CFO of Huawei had been arrested sent shock waves through the market which sent the Dow plunging nearly 800 points. The only saving grace was when a Fed official was trotted out to suggest the Fed was likely going to pause rate hikes. But, on Friday, weaker employment, confidence, and wage growth numbers sent the markets back to their lows once again. Also, while it is has been widely suggested to dismiss the negative crossover of the 50- and 200-dma moving averages *(red circle),* what it represents is mounting downward pressure on stock prices currently.



However, for all of the volatility, the market has not made any real progress since October as the *"bulls"* and *"bears"* continue to fight it out in a broad trading range as shown below. While the lower support is currently holding at 2632ish, a failure of the that low will quickly lead to a retest of lows from March and April of this year.



So far, the consolidation of the market has continued to give supports to bulls case as sentiment has gotten very negative during this time. However, as I noted on Tuesday for our RIA PRO subscribers:

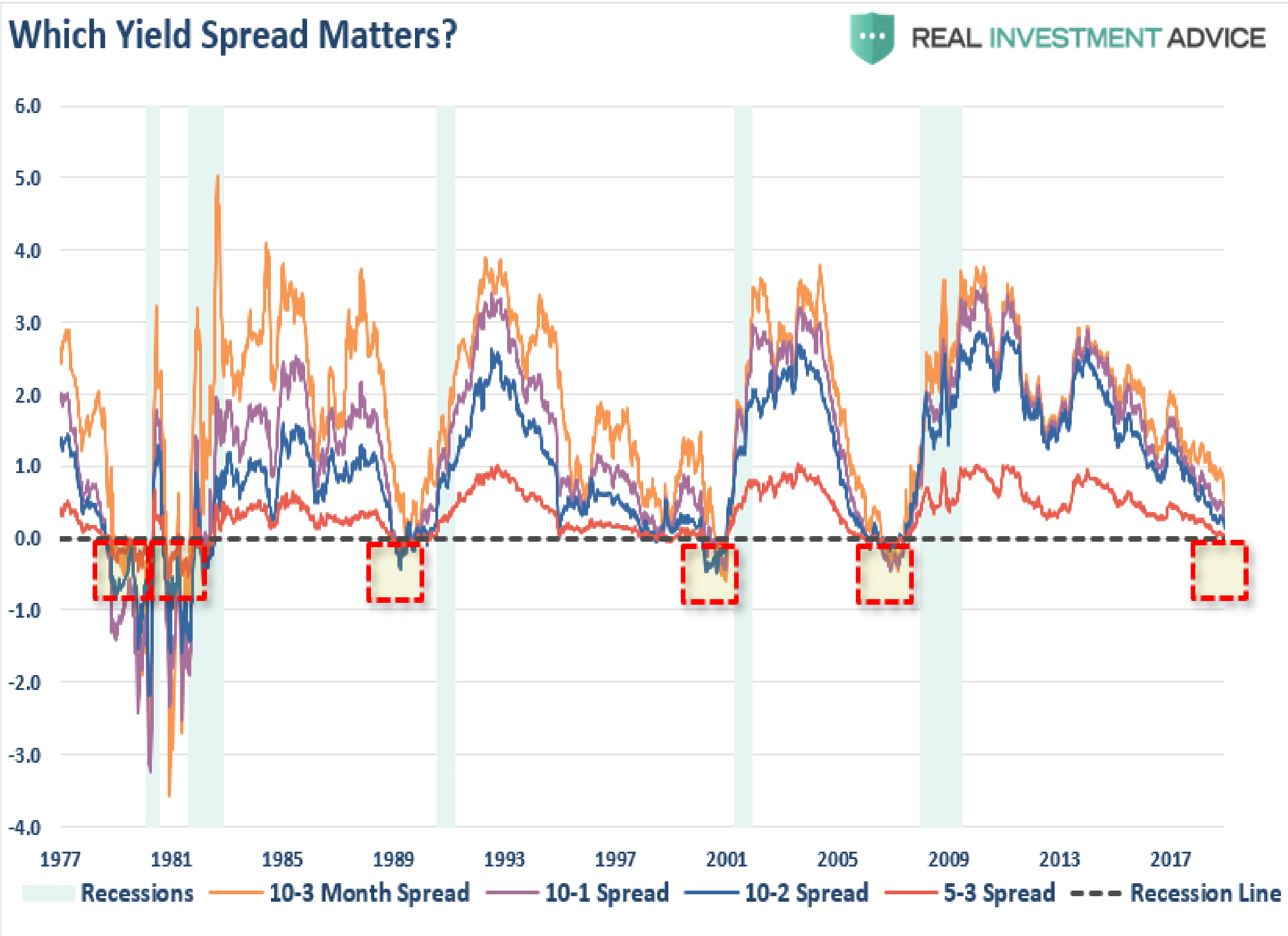
> *"Most importantly, the most recent failure at key resistance levels has set the market up to complete the formation of a 'head and shoulder' process.* ***This is a topping pattern that would suggest substantially lower asset prices going into 2019 'IF,'*** *•and this is a key point, 'IF'•it completes by breaking the lower 'neckline.'?•*

Chart updated through Friday

John Murphy [via Stockcharts.com]() confirmed the risk to prices as well on Friday:

> *"**S&P 500 MAY HAVE MORE DOWNSIDE TO COME ...** The daily bars in the chart shows the S&P 500 retesting previous lows formed in late October and late November. And it's trying to hold there. **The shape of the pattern over the past two months, however, isn't very encouraging.** Not only is the SPX trading well below its 200-day average. The two red trendlines containing that recent sideways pattern have the look of a **triangular** formation (marked by two converging trendlines). **Triangles are usually continuation patterns.** If that interpretation is correct, **technical odds favor recent lows being broken.** If that happens, that would set up a more significant test of the lows formed earlier in the year. Other analysts on this site (besides myself) have also been writing about that possibility. **That would lead to a major test of the viability of the market's long-term uptrend."***

Also, note that the lower MACD is close to registering a *"sell signal"* which would likely coincide with further weakness in asset prices. **Is there any hope a bigger decline can be averted?•** Absolutely. The recent market turmoil, which threatens both consumer confidence and the household wealth effect, has shaken the Fed from their *"hawkish"* position. In the next few days, the market will be analyzing Jerome Powell's latest message as the Fed hikes rates 0.25% in December. If the language of the announcement becomes substantially more *"dovish,"* and signals no more hikes into 2019, the markets will initially rally sharply on the news. However, given that a Fed pause at 2.5% would signal much slower economic growth, it will likely only be a temporary boost until weaker earnings are realized from slower economic growth. The other potential opportunity is for the current Administration to drop the *"trade war"* rhetoric. Given that Trump created the *"trade problem"* to begin with, even small gestures of trade improvement between the U.S. and China would be counted as a *"Trumpian victory."*•However, a reversal or reduction of the tariffs would be a boost to corporate earnings and provide a boost of confidence to corporations. Again, as with the Fed funds rates, the reduction of tariffs would most likely only provide a short-term boost to asset prices. **Eventually, the focus of the markets will turn back to earnings and economic growth which are going to slow as previous boosts from natural disasters and tax cuts fade.**•However, that is in the future. For now, we have to deal with what "IS," and the weakness of the market is very concerning. **After having reduced equity risk a couple of weeks ago, we are looking for opportunities as they present themselves.** However, for the most part, our bond positions have continued to carry the bulk of the load as of late as rates continue to drop. As I noted on Friday, don't dismiss the yield curve too quickly. But like our technical indicators below, we are looking for confirmation of several curves to go negative simultaneously which has historically provided the clearest signal of a recessionary onset.

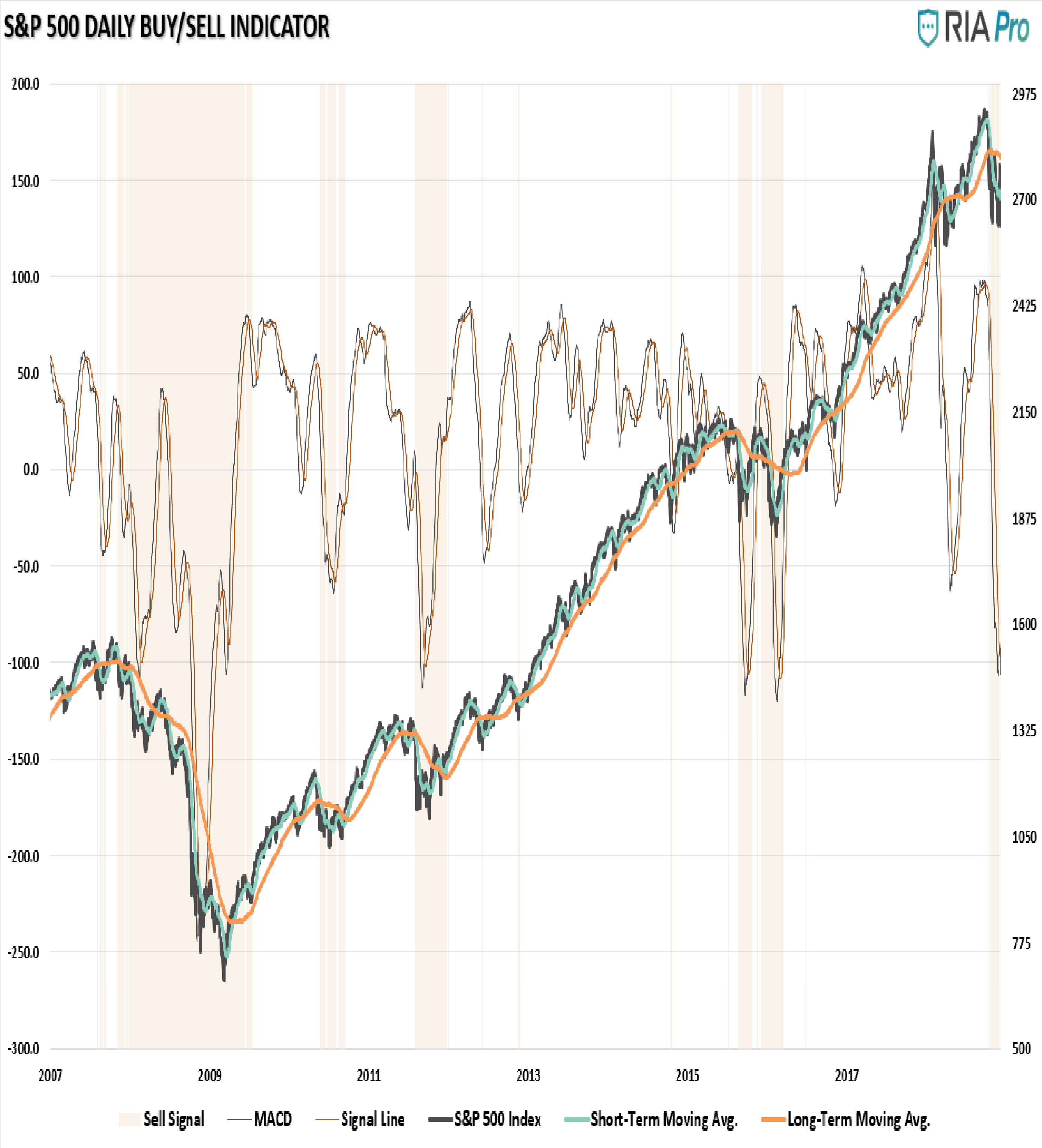


Daily View

Last week I stated:

> *"The rally over the past few days has virtually exhausted a bulk of the 'oversold'•condition which previously existed. While such doesn't mean the market can't move higher, it simply suggests that most of the 'fuel'•available for a rally has been utilized. With the markets still on a "sell signal" currently, and below major points of resistance, remaining a bit cautious until the underlying technical backdrop improves seems prudent."*

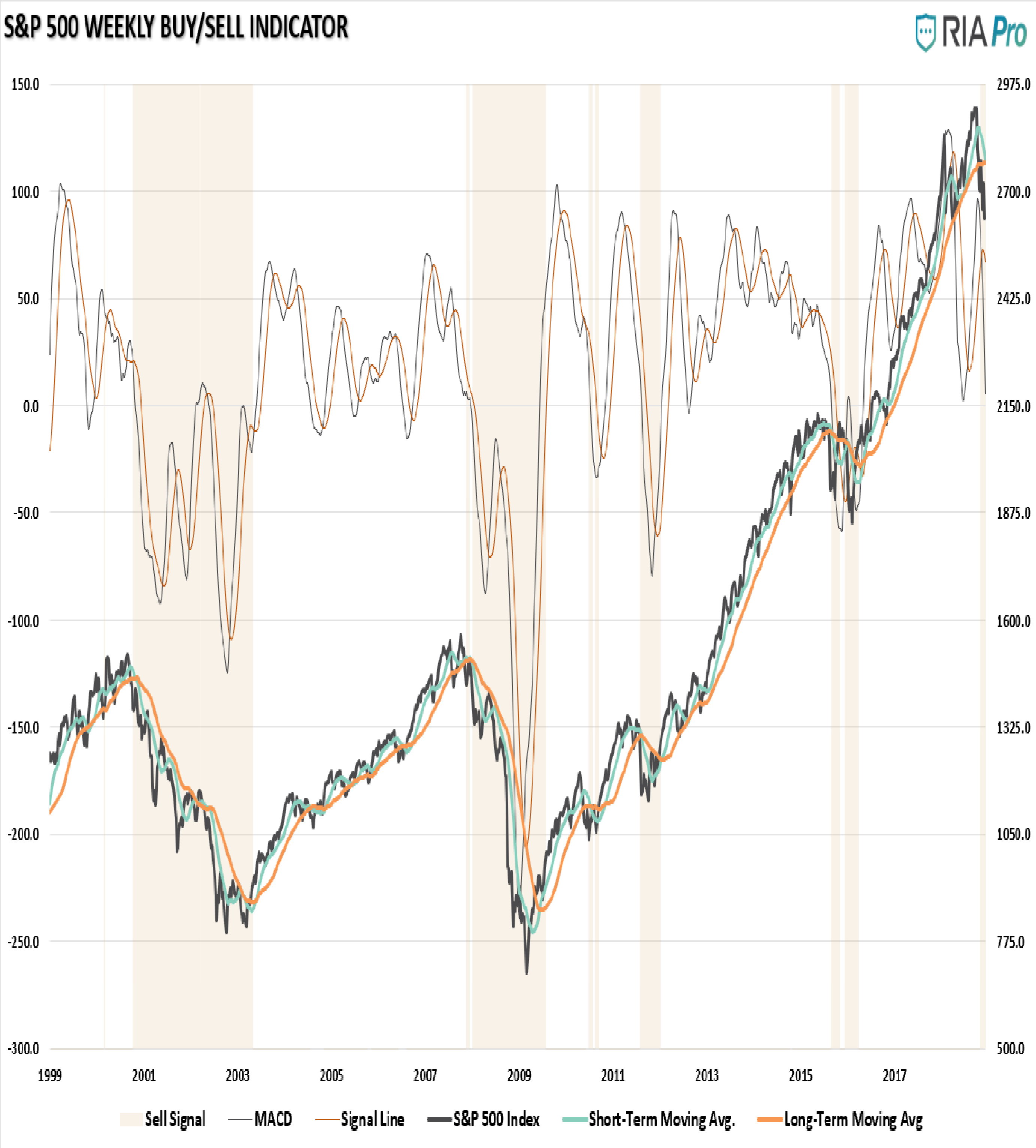
That turned out to be very good advice as the market retested lows once again. With the market back to *"oversold"* conditions *(what a difference a week can make)* all the market needs is any bit of *"good news"* to bounce. However, as noted above, with the markets sitting on major support, a rally this coming week is critical. We suggest using the rally to sell into currently to rebalance risk in portfolios.



Action:•*After reducing exposure in portfolios previously, and portfolios much heavier in cash currently, we are giving the market time to figure out what it wants to do. Given the consolidation range over the last couple of months, it is too risky to be either overly short or aggressively long currently. Cash is the best hedge currently.*•

Weekly View

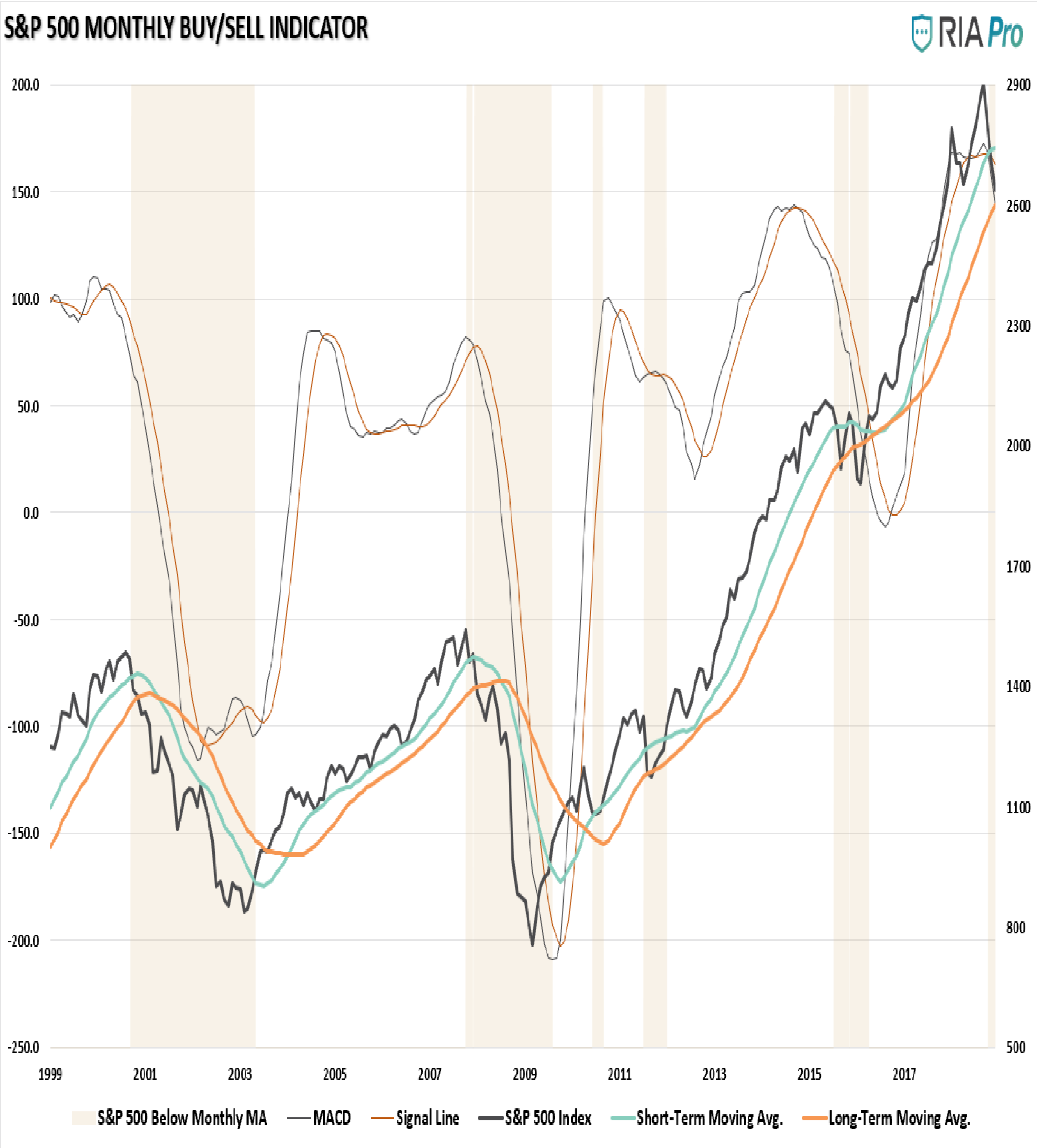
On a weekly basis, the story remains much the same. With a sell signal registered for only the 7th time in the past two decades, we will just allow the markets to figure out what they want to do before getting more aggressive. The recent violations of long-term moving averages suggest a change in market conditions that should not be dismissed. **However, should the market improve, and ultimately reverse the relative *"sell signals,"* we will gladly increase exposure back to target weights.**



Action: *Hold higher levels of cash and rebalance risk as necessary on this rally.*

Monthly View

Like the daily and weekly analysis above, the market has confirmed a *"sell signal"* on a monthly basis as well. The good news here is that the long-term moving average, which is a critical level of bullish trend support, has NOT been violated as of yet. This suggests the longer-term bullish trend remains intact and we should not get overly conservative just yet.



Nonetheless, the deterioration in the markets is extremely concerning, and while the official *"bull market"* is not dead as of yet, there are more than enough warnings which suggest erring to the side of caution, for now, is warranted. **Action:** *Use any rally to reduce risk and rebalance portfolios accordingly.*•

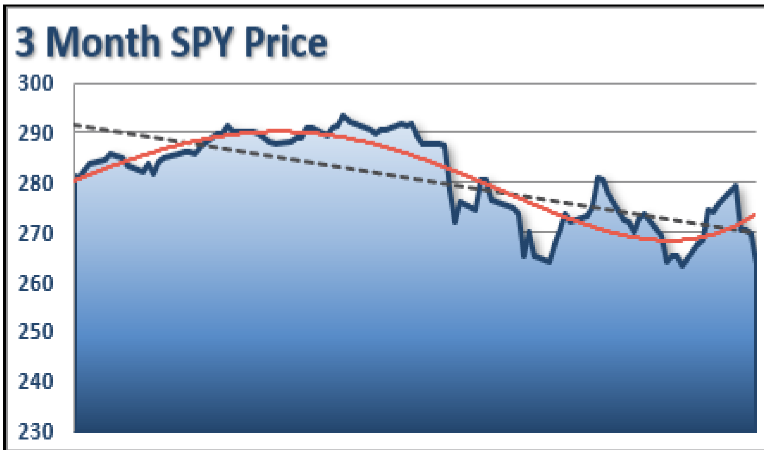
As always, we will keep you apprised of what we are thinking. You can also follow our actual portfolio models and positioning at RIA PRO. **See you next week.**

STARTING IN 2019 The following sections will be for RIA *Pro* members only. **CLICK NOW BEFORE RATES GO UP!**

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet



SPY RISK INFO ZACKS REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	17.35%	(0.19%)	(1.23%)	551.12%
Max Drawdown	-11.76%	-11.76%	-11.76%	0.00%
Sharpe	0.82	0.24	(0.12)	(1.49)
Sortino	0.95	0.09	(0.13)	(2.47)
Volatility	12.02	15.51	16.00	0.03
Daily VaR-5%	(7.87)	(22.40)	(26.28)	0.17
Mnthly VaR-5%	(0.37)	(13.18)	(14.88)	0.13

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	1.97%	1.77%	1.98%	10.68%	2.17%	1.67%	(8.59%)	18.76%
P/E Ratio	19.75	21.22	17.16	(23.67%)	20.79	16.71	(17.5%)	2.69%
P/S Ratio	2.92	3.39	3.07	(10.60%)	3.52	2.39	(12.82%)	28.27%
P/B Ratio	3.30	3.75	3.74	(0.25%)	4.14	2.82	(9.74%)	32.64%
ROE	15.09%	15.91%	18.12%	12.16%	18.12%	15.01%	0.00%	20.69%
ROA	2.82%	2.98%	3.43%	13.28%	3.43%	2.82%	0.00%	21.49%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,445.7	2,417.0	(1.17%)
Sales	57,278	62,297	8.76%
SPS	23.4	25.8	10.05%
Earnings	7,804	9,209	18.00%
EPS TTM	3.7	4.6	23.42%
Dividend	1.4	1.5	9.48%

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	(6.59%)	5.59%	1.11	18.24	154.63	12.50	(88.2%)	9.0%	3.4%	6.25%	4.23	13.81
Materials	(12.53%)	2.63%	1.46	14.60	22.14	13.94	(34.1%)	11.5%	2.3%	6.85%	4.64	14.36
Industrials	(9.50%)	9.25%	1.05	16.22	22.21	14.71	(27.0%)	15.2%	2.2%	6.27%	5.16	15.35
Discretionary	8.88%	9.88%	0.90	22.47	27.47	19.96	(18.2%)	27.8%	1.3%	4.74%	4.62	20.58
Staples	(4.82%)	7.40%	0.53	19.10	22.83	17.43	(16.4%)	25.9%	3.0%	5.33%	3.90	18.70
Health Care	10.96%	15.61%	0.97	17.30	20.55	15.81	(15.8%)	28.4%	1.6%	5.88%	6.31	16.50
Financials	(9.44%)	13.44%	1.15	12.59	18.40	11.68	(31.6%)	10.9%	2.2%	8.24%	5.69	11.87
Technology	6.99%	20.08%	1.25	17.60	21.83	14.47	(19.4%)	37.2%	1.7%	5.53%	5.18	17.47
Telecom	(3.31%)	9.78%	0.83	19.10	26.97	19.27	(29.2%)	18.3%	1.1%	5.33%	4.73	22.04
Utilities	1.05%	3.24%	0.21	17.54	19.62	14.75	(10.6%)	11.1%	3.3%	6.41%	3.53	16.95
Real Estate	3.00%	2.93%	0.66	18.93	24.47	17.86	(22.7%)	9.4%	3.4%	5.24%	4.25	18.10

Momentum Analysis

Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	263.57	(9.34%)	274.56	5	(4.00%)	275.90	5	(4.47%)	(0.49%)	(10.33%)	4.21%	Sell
Mid Cap	324.54	(11.68%)	340.65	5	(4.73%)	353.10	179	(8.09%)	(3.53%)	(13.25%)	0.91%	Sell
Small Cap	64.46	(14.59%)	68.68	#N/A	(6.14%)	71.49	#N/A	(9.83%)	(3.94%)	(17.62%)	3.14%	Sell

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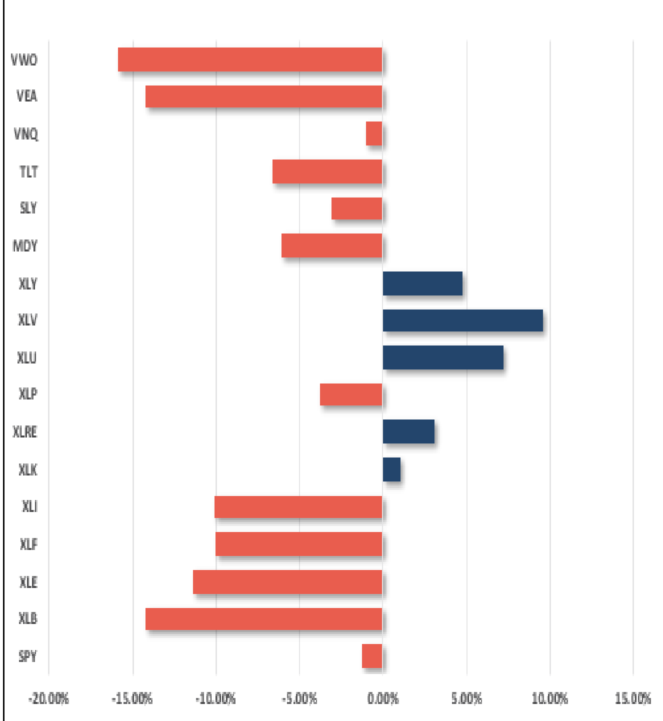
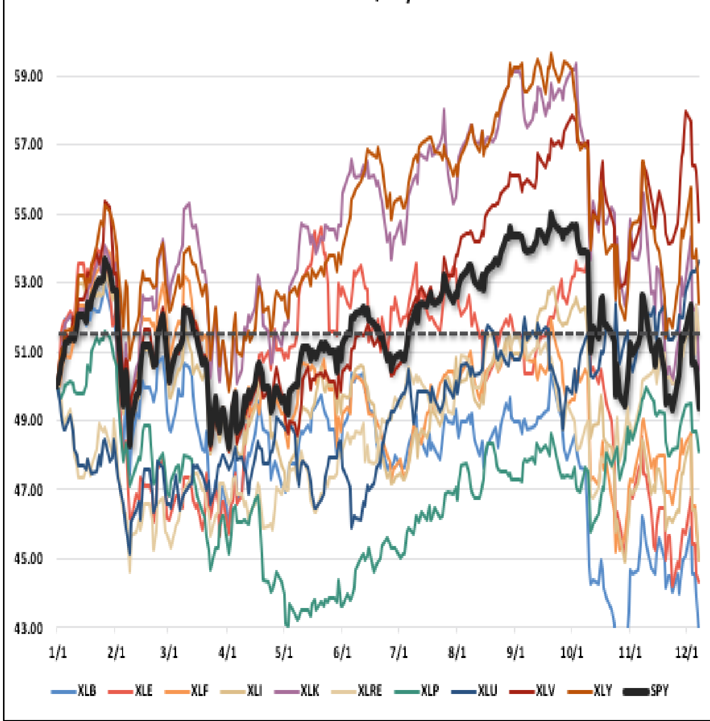
Performance Analysis

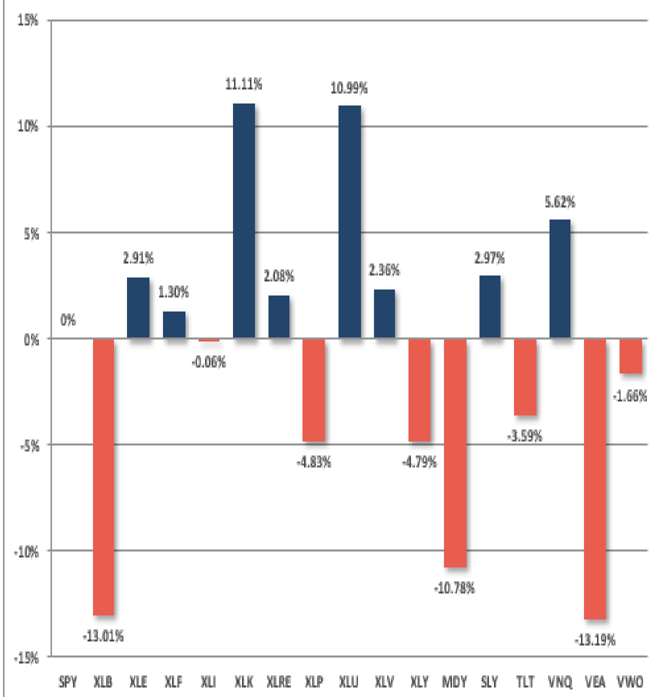
Year To Date Performance



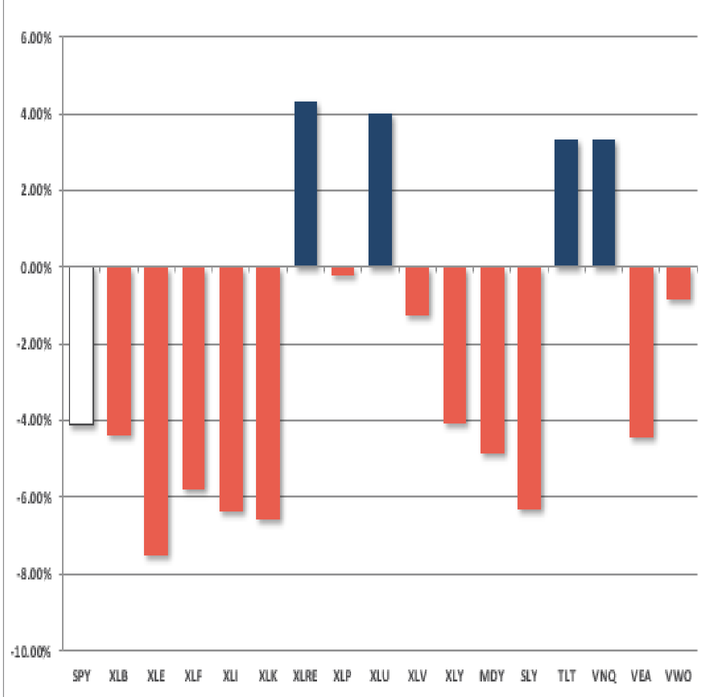
YTD Price - S&P Sectors Recalibrated To $50/share



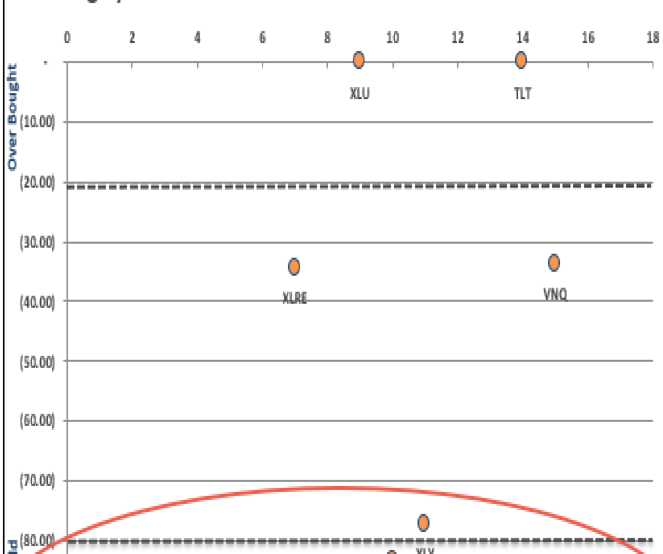
Year To Date Performance Relative To S&P 500



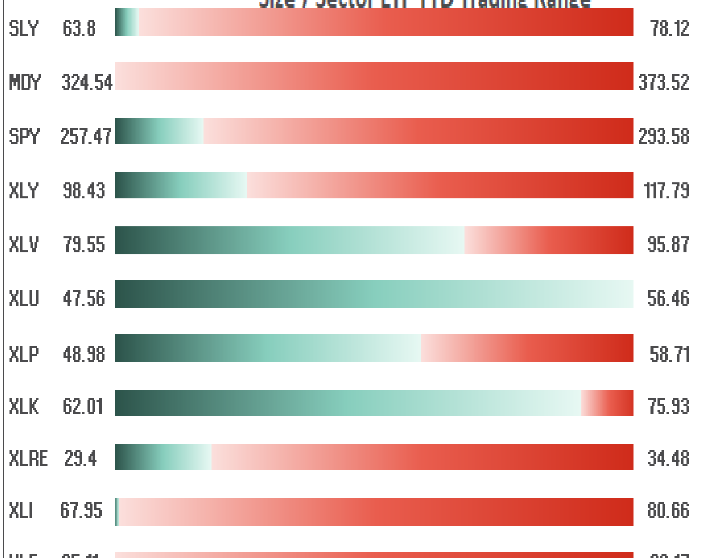
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



ETF Model Relative Performance Analysis

	RELATIVE PERFORMANCE	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	265.60	(4.46)	(5.13)	(9.32)	(4.42)	(0.64)	280.38	279.44	-5.27%	-4.95%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	51.91	(0.48)	(0.45)	(3.30)	(6.87)	(12.02)	55.43	57.54	-6.35%	-9.79%	SELL
		XLE	SPDR-EGY SELS	64.07	1.37	(1.34)	(4.40)	(10.32)	(6.88)	70.46	73.37	-9.07%	-12.68%	SELL
		XLF	SPDR-FINL SELS	25.11	(2.44)	(2.28)	(1.73)	(2.82)	(9.72)	27.01	27.45	-7.02%	-8.54%	SELL
		XLI	SPDR-INDU SELS	68.03	(1.76)	(0.93)	(4.64)	(1.89)	(8.28)	73.99	74.48	-8.05%	-8.66%	SELL
		XLK	SPDR-TECH SELS	64.60	(0.46)	(2.37)	(4.47)	(4.33)	2.21	70.33	70.74	-8.15%	-8.68%	SELL
		XLP	SPDR-CONS STPL	54.72	1.72	1.43	9.25	10.41	(2.67)	54.79	52.97	-0.12%	3.30%	BUY
		XLU	SPDR-UTIL SELS	56.46	6.03	8.03	13.30	15.67	1.69	54.10	52.57	4.37%	7.40%	BUY
		XLC	SPDR-COMM SV SS	43.40	0.88	0.79	(0.95)			46.24	47.89	-6.15%	-9.37%	SELL
		XLV	SPDR-HLTH CR	90.56	(1.08)	2.56	6.15	11.05	9.73	92.14	88.39	-1.71%	2.46%	BUY
		XLY	SPDR-CONS DISCR	103.37	0.18	(0.92)	(2.27)	(2.72)	6.93	109.71	109.65	-5.78%	-5.72%	BUY
	SIZE	MGK	VANGD-MG CAP GR	111.92	0.22	(1.06)	(2.64)	(3.24)	1.79	120.08	120.43	-6.80%	-7.06%	SELL
		IJR	ISHARS-SP SC600	74.48	(1.62)	(1.74)	(7.43)	(8.73)	(1.69)	81.45	83.46	-8.56%	-10.76%	SELL
CORE	Equal Weight Market	RSP	GUGG-SP5 EQ ETF	97.34	0.21	0.40	(0.33)	(1.29)	(2.52)	102.45	103.02	-4.99%	-5.51%	SELL
	Dividend	VIG	VANGD-DIV APPRC	103.07	(0.06)	0.74	2.24	4.02	2.50	107.10	105.30	-3.76%	-2.12%	BUY
	Real Estate	VNQ	VIPERS-REIT	82.12	4.63	7.02	8.10	6.07	(1.64)	80.04	80.07	2.60%	2.56%	SELL
	International	IDV	ISHARS-INTL SD	30.05	1.41	0.12	2.10	(2.90)	(9.73)	31.54	32.50	-4.73%	-7.54%	SELL
		VWO	VANGD-FTSE EM	38.62	1.76	5.57	4.12	(5.32)	(11.87)	39.37	42.05	-1.91%	-8.15%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	118.41	7.13	9.59	9.21	2.66	(5.90)	115.29	118.22	2.71%	0.16%	SELL
	International	BNDX	VANGD-TTL INT B	54.98	4.86	5.99	9.98	4.86	0.27	54.53	54.58	0.82%	0.73%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	82.83	3.54	3.32	5.27	0.84	(4.54)	84.71	85.35	-2.22%	-2.95%	SELL
	Cash	BSV	VANGD-SHT TRM B	78.11										

REAL INVESTMENT ADVICE

Sector & Market Analysis:

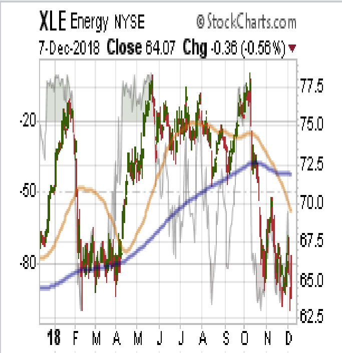
Sector-by-Sector


XLY Discretionary NYSE ©StockCharts.com
7-Dec-2018 Cl 103.37 Chg -3.19 (-2.99%)


XLK Technology NYSE ©StockCharts.com
7-Dec-2018 Close 64.60 Chg -2.36 (-3.52%)

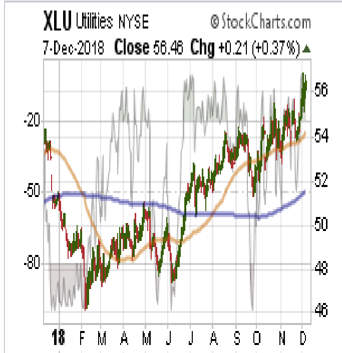

XLI Industrials NYSE ©StockCharts.com
7-Dec-2018 Close 68.03 Chg -1.84 (-2.63%)

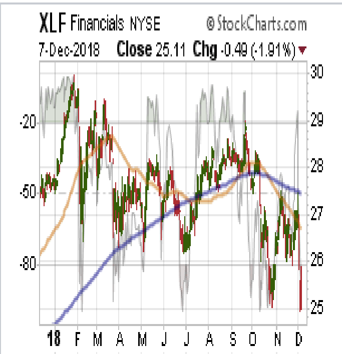

XLB Materials NYSE ©StockCharts.com
7-Dec-2018 Close 51.91 Chg -1.28 (-2.41%)

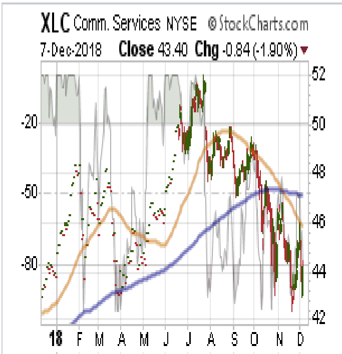

XLE Energy NYSE ©StockCharts.com
7-Dec-2018 Close 64.07 Chg -0.36 (-0.56%)


XLP Staples NYSE ©StockCharts.com
7-Dec-2018 Close 54.72 Chg -0.70 (-1.26%)


XLV Health Care NYSE ©StockCharts.com
7-Dec-2018 Close 90.56 Chg -2.37 (-2.55%)


XLU Utilities NYSE ©StockCharts.com
7-Dec-2018 Close 56.46 Chg +0.21 (+0.37%)


XLF Financials NYSE ©StockCharts.com
7-Dec-2018 Close 25.11 Chg -0.49 (-1.91%)


XLC Comm. Services NYSE ©StockCharts.com
7-Dec-2018 Close 43.40 Chg -0.84 (-1.90%)


XLRE Real Estate NYSE ©StockCharts.com
7-Dec-2018 Close 33.96 Chg -0.52 (-1.51%)


SPY S&P 500 SPDRs NYSE ©StockCharts.com
7-Dec-2018 Cl 263.57 Chg -6.27 (-2.32%)

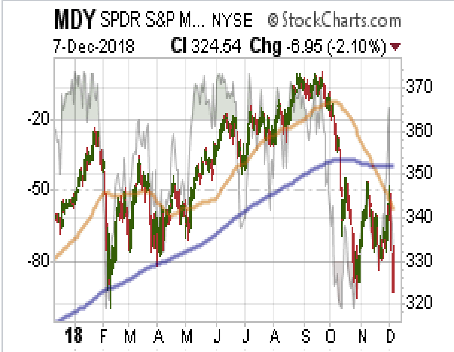
STOCK	YESTERDAY PRICE	PRICE CHANGE	SUPPORT	RESISTANCE	ALERT	LONG TERM TREND
EEM	$39.85	-0.79 (-1.94%)	38.4	41.61	Full Gap Down	Bearish
EEM	$39.85	-0.79 (-1.94%)	38.4	41.61	Crossed Below SMA100	Bearish
EFA	$60.79	-0.58 (-0.95%)	59.28	62.55	Full Gap Down	Bearish
EFA	$60.79	-0.58 (-0.95%)	59.28	62.55	MACD BELOW SIGNAL	Bearish
GLD	$118.07	0.93 (0.79%)	116.97	119.04		Bearish
IVV	$265.61	-6.21 (-2.28%)	253.7	279.74	Full Gap Down	Bearish
IVV	$265.61	-6.21 (-2.28%)	253.7	279.74	Crossed Below SMA200	Bearish
MDY	$324.55	-6.94 (-2.09%)	309.95	341.69	Full Gap Down	Bearish
MDY	$324.55	-6.94 (-2.09%)	309.95	341.69	Crossed Below SMA50	Bearish
MDY	$324.55	-6.94 (-2.09%)	309.95	341.69	MACD BELOW SIGNAL	Bearish
RSP	$97.34	-2.16 (-2.17%)	93.2	102.23	Full Gap Down	Bearish
RSP	$97.34	-2.16 (-2.17%)	93.2	102.23	Crossed Below SMA200	Bearish
RSP	$97.34	-2.16 (-2.17%)	93.2	102.23	MACD BELOW SIGNAL	Bearish
RSP	$97.34	-2.16 (-2.17%)	93.2	102.23	Negative Volume	Bearish
SDY	$94.49	-1.39 (-1.45%)	91.41	98.07	Full Gap Down	Neutral
SDY	$94.49	-1.39 (-1.45%)	91.41	98.07	Crossed Below SMA50	Neutral
SDY	$94.49	-1.39 (-1.45%)	91.41	98.07	MACD BELOW SIGNAL	Neutral
SLY	$64.46	-1.19 (-1.81%)	61.52	67.85		Very Bearish
TLT	$118.41	0.22 (0.19%)	116.77	119.8	Full Gap Down	Bearish
TLT	$118.41	0.22 (0.19%)	116.77	119.8	Positive Volume	Bearish
TLT	$118.41	0.22 (0.19%)	116.77	119.8	Overbought	Bearish

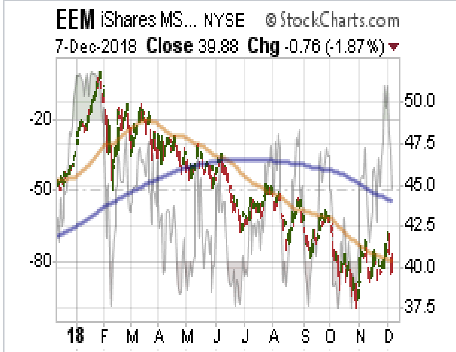
Discretionary and Technology The brief rally back above declining 50- and 200-dma averages failed last week confirming the continuing downtrend in these two sectors in particular. After having sold our positions previously, we will continue to sit on our hands until the current correction is complete. While not grossly oversold yet, I would suspect we could see a sellable short-term bounce next week. **Industrials, Materials, Energy, Financials, Communications -** we are currently out of all of these sectors as the technical backdrop is much more bearish. With all of these sectors below their respective 50- and 200-dma's, the downside pressure remains on for these sectors for now. The ongoing "trade war" and flattening yield curve is weighing on the outlook for these sectors. If you choose to be long these sectors it is advisable to reduce weightings markedly on rallies. As I have stated repeatedly over the last several months:

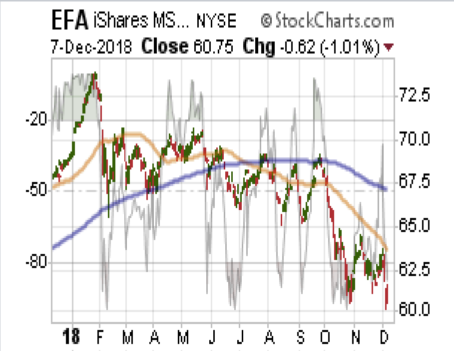
> ***"Industrials, Materials, and Energy are representative of the broader economic activity in the U.S. and currently suggests we are seeing weakness on the horizon."***

Real Estate, Staples, Healthcare, and Utilities continue to be bright spots as *"defensive"* sectors. A warning, these are NOT safe sectors, they are defensive plays in a bull market. In a bear market, they will decline with the rest of the market, maybe just not as much. However, the dividend chase over the last several years has pushed valuations to extremes. We continue to remain long staples and healthcare specifically but the sell-off last week pushed both below their 50-dma. .Trends are still positive which may provide an opportunity to add to these sectors so we will re-evaluate again next week.


$SML INDX
©StockCharts.com
7-Dec-2018 Cl 905.26 Chg -17.17 (-1.86%)


MDY SPDR S&P M... NYSE
©StockCharts.com
7-Dec-2018 Cl 324.54 Chg -6.95 (-2.10%)

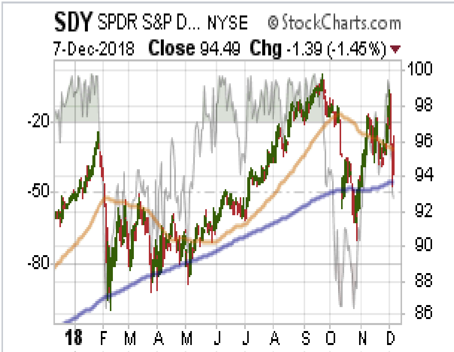

EEM iShares MS... NYSE
©StockCharts.com
7-Dec-2018 Close 39.88 Chg -0.76 (-1.87%)

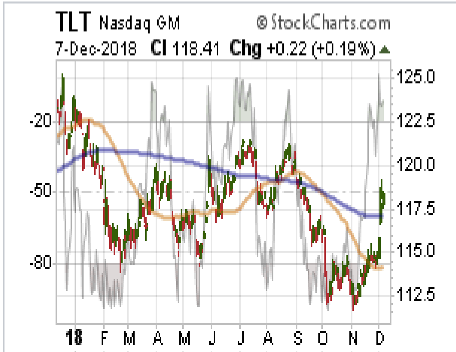

EFA iShares MS... NYSE
©StockCharts.com
7-Dec-2018 Close 60.75 Chg -0.62 (-1.01%)


GLD SPDR Gold NYSE
©StockCharts.com
7-Dec-2018 Cl 118.09 Chg +0.95 (+0.81%)


IVV S&P 500 iShr NYSE
©StockCharts.com
7-Dec-2018 Cl 265.60 Chg -6.22 (-2.29%)


RSP Invesco S&... NYSE
©StockCharts.com
7-Dec-2018 Cl 97.34 Chg -2.16 (-2.17%)


SDY SPDR S&P D... NYSE
©StockCharts.com
7-Dec-2018 Close 94.49 Chg -1.39 (-1.45%)


TLT Nasdaq GM
©StockCharts.com
7-Dec-2018 Cl 118.41 Chg +0.22 (+0.19%)

STOCK	YESTERDAY PRICE	PRICE CHANGE	SUPPORT	RESISTANCE	ALERT	LONG TERM TREND
SPY	$263.57	-6.27 (-2.32%)	251.8	277.57	Full Gap Down	Bearish
SPY	$263.57	-6.27 (-2.32%)	251.8	277.57	Crossed Below SMA200	Bearish
XLB	$51.91	-1.28 (-2.41%)	48.84	55.62	Full Gap Down	Bearish
XLB	$51.91	-1.28 (-2.41%)	48.84	55.62	Crossed Below SMA50	Bearish
XLB	$51.91	-1.28 (-2.41%)	48.84	55.62	MACD BELOW CENTER	Bearish
XLE	$64.08	-0.35 (-0.54%)	60.5	68.48	Full Gap Down	Very Bearish
XLE	$64.08	-0.35 (-0.54%)	60.5	68.48	Negative Volume	Very Bearish
XLF	$25.11	-0.49 (-1.91%)	23.86	26.59	Full Gap Down	Bearish
XLF	$25.11	-0.49 (-1.91%)	23.86	26.59	Crossed Below SMA50	Bearish
XLF	$25.11	-0.49 (-1.91%)	23.86	26.59	MACD BELOW CENTER	Bearish
XLI	$68.03	-1.84 (-2.63%)	64.35	72.45	Full Gap Down	Bearish
XLI	$68.03	-1.84 (-2.63%)	64.35	72.45	MACD BELOW SIGNAL	Bearish
XLK	$64.6	-2.36 (-3.52%)	60.98	68.9	Full Gap Down	Bearish
XLP	$54.72	-0.7 (-1.26%)	53.19	56.46	Full Gap Down	Neutral
XLRE	$33.96	-0.52 (-1.51%)	33.23	34.79	Full Gap Down	Bullish
XLU	$56.45	0.2 (0.36%)	54.91	57.88	New High	Bullish
XLV	$90.57	-2.36 (-2.54%)	86.83	94.9	Full Gap Down	Neutral
XLV	$90.57	-2.36 (-2.54%)	86.83	94.9	Crossed Below SMA50	Neutral
XLY	$103.37	-3.19 (-2.99%)	97.87	110.05	Full Gap Down	Bearish
XLY	$103.37	-3.19 (-2.99%)	97.87	110.05	Crossed Below SMA200	Bearish

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Set Up Your Own Portfolio Today And Start Getting Actionable Intelligence

Small-Cap and Mid Cap•- both of these markets are currently on macro-sell signals and the recent rally in both markets failed to get above technical resistance. As I noted last week:

> *"More importantly, the previous oversold condition is now gone and suggests lower prices are coming. Like Industrials and Materials above, Small and Mid-cap stocks are very economically sensitive and suggests a much weaker backdrop going into 2019. We remain out of these markets for now."*

Both of these markets are once again oversold. Small-caps broke their recent lows last week and Mid-caps are not far behind. As noted, we are out of these markets currently.
Emerging and International Markets•- As noted last week:

> *"Emerging markets broke above its downward trending 50-dma last week and showed some signs of life. We have seen this before which ultimately led to lower lows."*

As suspected, emerging markets failed to hold above the 50-dma last week and is threatening to break the recent series of higher bottoms. A move lower next week is possible. International markets still look terrible and no improvement is being made there just yet. With major sell signals in place currently, there**is still no compelling reason to add either of these markets to portfolios at this time.•Dividends, Market, and Equal Weight•-** Not surprisingly, given the rotation to *"defensive"* positioning in the market, dividend-based S&P Index is outperforming other weighting structures. All three sold off last week as downward pressure was broad-based across all sectors. The overall market dynamic remains negative for now and important supports are being tested. **Gold•**? As we noted last week, while Gold remains in a downtrend, the good news is the price continues to hug along the 50-dma which has turned up. This market volatility this past week, gave gold the boost it needs to make a run for the declining 200-dma. With Gold very overbought short-term look for a pullback next week to the $115-116 area to add trading positions to portfolios with a tight stop at $112. **Bonds** continued to perform better last week and after a successful retest of the 50-dma have turned higher and broke above the 200-dma. Currently, bonds are very overbought which likely suggests a pullback is coming which would coincide with a rally in the stock market. However, such a pullback will likely provide a good buying opportunity as evidence of broader economic weakness continues to mount. *We remain long our core bond holdings for capital preservation purposes and will look for a trading opportunity which does not violate the 200-dma.* 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	Negative	Warning	No Position					X	Broke 200-DMA/Reduce
XLK	Technology	Declining	Negative	Warning	No Position					X	Broke 200-DMA/Reduce
XLI	Industrials	OS	Negative	Negative	No Position					X	Broke 200-DMA/Reduce
XLB	Materials	OS	Negative	Negative	No Position					X	Broke 200-DMA/Reduce
XLE	Energy	OS	Negative	Negative	No Position					X	Broke 200-DMA/Reduce
XLP	Staples	Declining	Positive	Positive	Add			X			Add On Pullback
XLV	Health Care	Declining	Positive	Positive	Add			X			Add On Pullback
XLU	Utilities	OB	Positive	Positive	Hold			X			Hold Current Positions
XLF	Financials	OS	Negative	Negative	No Position					X	Stopped Out
XLC	Telecom	OS	Negative	Negative	No Position			X			No Position / No History
XLRE	Real Estate	OB	Positive	Positive	Hold			X			Hold Current Positions
$SML	Small Caps	OS	Negative	Negative	No Position					X	No Position
EEM	Emerging Mkt	Declining	Negative	Negative	No Position					X	No Position
EFA	International	OS	Negative	Negative	No Position					X	No Position
GLD	Gold	OB	Negative	Negative	Look To Add					X	Trade Opprtunity Forming
MDY	Mid Cap	OS	Negative	Negative	No Position					X	No Position
RSP	SP500 Equal Wgt	Declining	Weakening	Positive	Hold			X			Reduce On Rally
SDY	SP500 Dividend	Declining	Weakening	Positive	Hold			X			Hold
IVV	SP500 Market Wg	Declining	Weakening	Positive	Hold			X			Reduce On Rally
TLT	20+ Yr. Bond	OB	Negative	Negative	Look To Add			X			Trade Opprtunity Forming

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

Portfolio/Client Update:

As noted last week, the market action remains troubling, to say the least. The bullish trend longer-term remains intact, but more bearish dynamics continue to mount. We continue to sit on our hands with current positions and overweights in both cash and fixed income. With the longer-term bullish trend intact, and multiple supports at current levels, it is not yet viable to short the broader market. That time will come, but shorting has capital risk just like being long. Given the recent uncertainty of the market, the best "hedge" remains cash for now. While we expect a rally next week from short-term oversold conditions, we will remain on hold with any actions.

- ***New clients:**•We will continue to hold existing positions and sell "out of model" holdings on rallies.*
- ***Equity Model:**•We will continue to hold current positions which are mostly 1/2 weights. Stops have been dramatically tightened up.•*
- ***Equity/ETF blended**•- Same as with the equity model.•*
- ***ETF Model**: We will hold current holdings for now.*

Again, we are moving cautiously. There is mounting evidence of short to intermediate-term risk of which we are very aware. However, with the market moving into the seasonally strong period of the year, we realize that short-term performance is just as important as the long-term. It is always a challenge to marry both. **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.**

THE REAL 401k PLAN MANAGER

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

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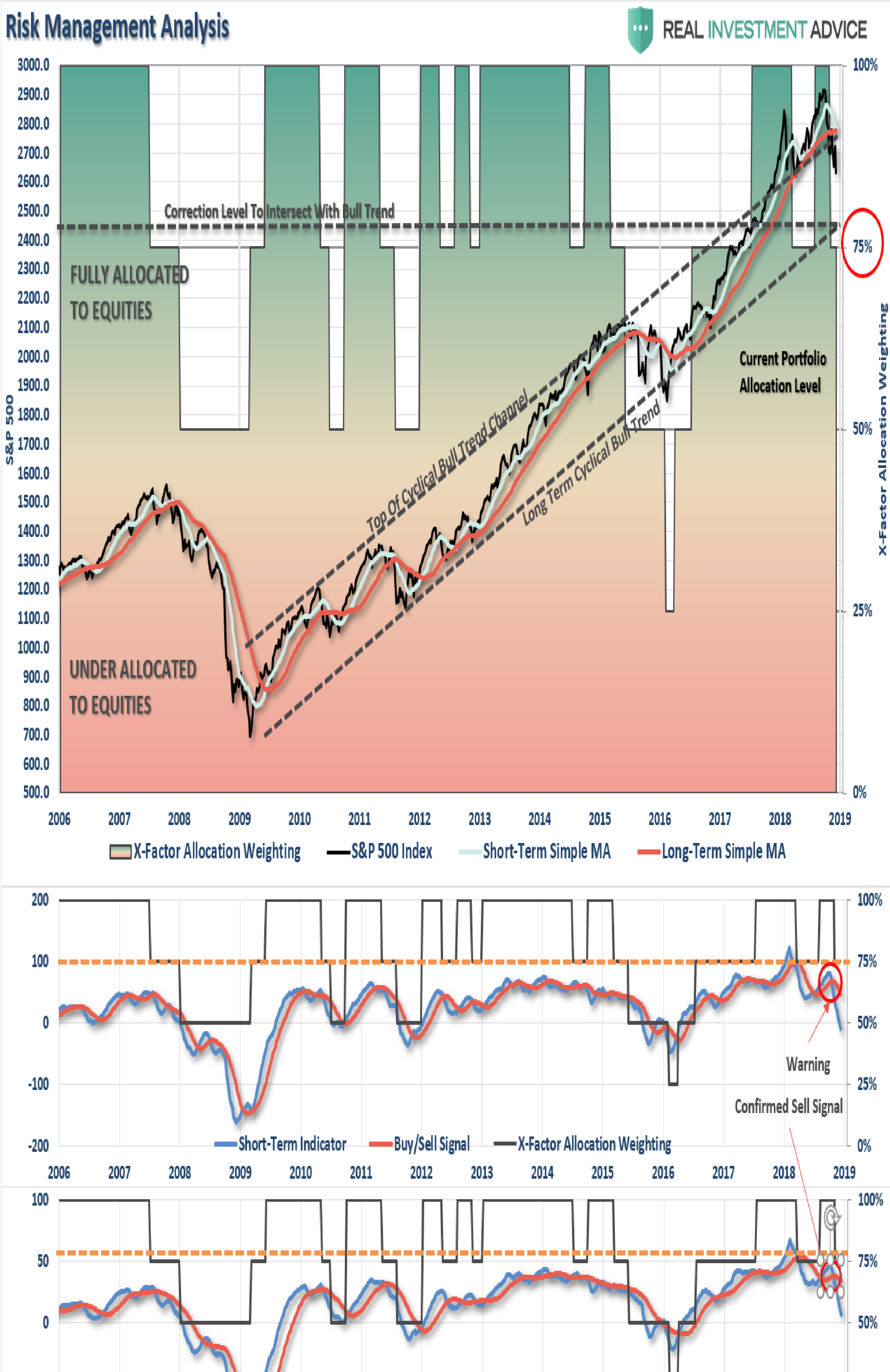
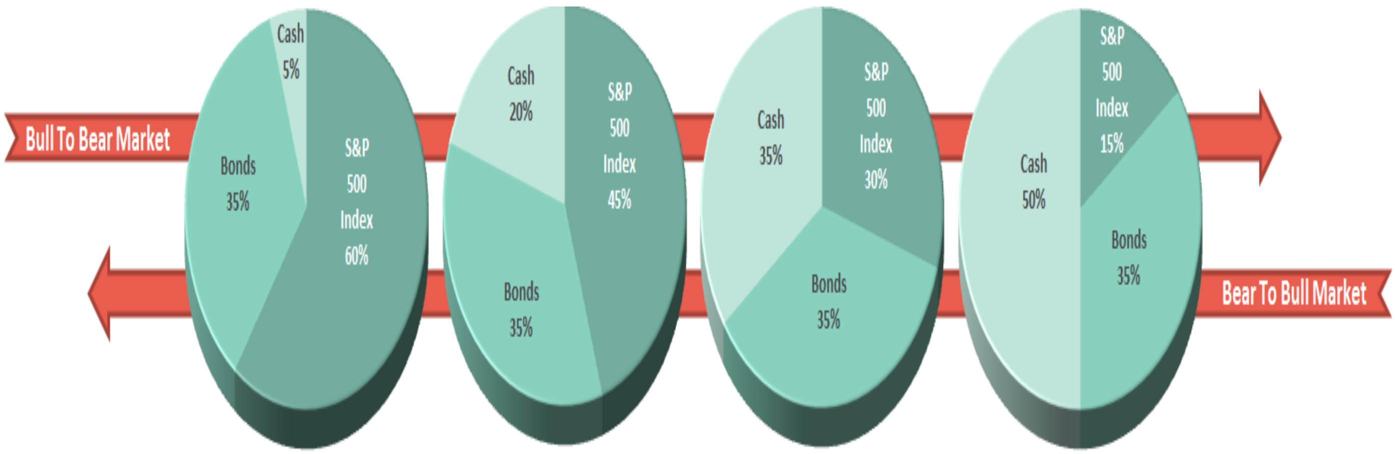


Risk Management Analysis
REAL INVESTMENT ADVICE
S&P 500
X-Factor Allocation Weighting
Correction Level To Intersect With Bull Trend
FULLY ALLOCATED
TO EQUITIES
UNDER ALLOCATED
TO EQUITIES
Top Of Cyclical Bull Trend Channel
Long Term Cyclical Bull Trend
Current Portfolio
Allocation Level
X-Factor Allocation Weighting
S&P 500 Index
Short-Term Simple MA
Long-Term Simple MA
Warning
Confirmed Sell Signal
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting

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.



Sit Tight, The Bear Is Still Prowling

Two week's ago, I said it was critically important for the market to rally if the bulls were going to regain control of the market. The bulls tried and rallied the market back above the 50- and 200-dma. But that was all they could do and last week, the markets fell apart retesting recent lows. Once again, it is critically important for the "bulls" to try and rally the market next week. As I noted last week:

> *"It is important to recognize that markets are generally optimistically biased and looks for 'reasons' to rally regardless of whether there is real 'merit'•to it."*

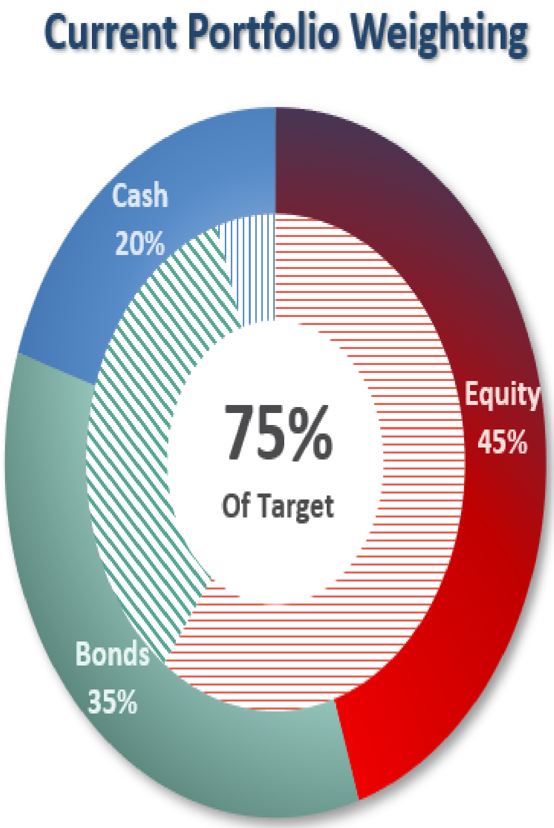
With the Fed on deck on the 18th and 19th, look for more *"trial balloons"* next week about potential policy of stopping rate hikes. Also, it would not surprise me to start to hear more commentary from Washington about backing off some of the *"trade rhetoric"* with China. Any of this would like push markets higher from deeply oversold conditions. Given the markets remain extremely range bound, we are maintaining our current weightings in our 401k plans for now until we get confirmation about what the markets want to do next. However, with confirmed *"sell signals"* in place, defense remains our primary strategy for 401k-plans currently. Continue to use rallies to reduce risk towards a target level with which you are comfortable. **Remember, this model is not ABSOLUTE - it is just a guide to follow.•**

- *If you are **overweightequities** - reduce international, emerging market, mid, and small-capitalization funds on any rally next week. Reduce overall portfolio weights to 75% of your selected allocation target.*
- *If you are **underweight equities** -•reduce international, emerging market, mid, and small-capitalization funds on any rally next week but hold everything else for now.*
- *If you are at **target equity allocations**•hold for now.*

Unfortunately, 401k plans don't offer a lot of flexibility and have trading restrictions in many cases. **Therefore, we have to minimize our movement and try and make sure we are catching major turning points.** Over the next couple of weeks, we will know for certain as to whether more changes need to be done to allocations as we head into the end of the year. 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*
35% *Large Cap Growth (S&P 500 Index)*
0% *International Large Cap Dividend*
0% *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*
- *Money Market*
- *Retirement Savings Trust*
- *Fidelity MIP Fund*
- *G-Fund*
- *Short Term Bond*

Fixed Income
- *Pimco Total Return*
- *Pimco Real Return*
- *Pimco Investment Grade Bond*
- *Vanguard Intermediate Bond*
- *Vanguard Total Bond Market*
- *Babson Bond Fund*
- *Lord Abbett Income*
- *Fidelity Corporate Bond*
- *Western Asset Mortgage Backed Bond*
- *Blackrock Total Return*
- *Blackrock Intermediate Bond*
- *American Funds Bond Fund Of America*
- *Dodge & Cox Income Fund*
- *Doubleline Total Return*
- *F-Fund*

International
- *American Funds Capital World G&I*
- *Vanguard Total International Index*
- *Blackrock Global Allocation Fund*
- *Fidelity International Growth Fund*
- *Dodge & Cox International*
- *Invesco International Core Equity*
- *Goldman Sachs International Growth Opp.*

The above represents a selection of some of the most common funds found in 401k plans. ***If you do not see your SPECIFIC fund listed simply choose one that closely resembles the examples herein.*** All funds perform relatively similarly within their respective fund classes.

Equity

Large Cap
- *Vanguard Total Stock Market*
- *Vanguard S&P 500 Index*
- *Vanguard Capital Opportunities*
- *Vanguard PrimeCap*
- *Vanguard Growth Index*
- *Fidelity Magellan*
- *Fidelity Large Cap Growth*
- *Fidelity Blue Chip*
- *Fidelity Capital Appreciation*
- *Dodge & Cox Stock*
- *Hartford Capital Appreciation*
- *American Funds AMCAP*
- *American Funds Growth Fund Of America*
- *Oakmark Growth Fund*
- *C-Fund (Common Assets)*
- *ALL TARGET DATE FUNDS 2020 or Later*

Balanced Funds
- *Vanguard Balanced Index*
- *Vanguard Wellington Fund*
- *Vanguard Windsor Fund*
- *Vanguard Asset Allocation*
- *Fidelity Balanced Fund*
- *Fidelity Equity Income*
- *Fidelity Growth & Income*
- *American Funds Balanced*
- *American Funds Income Fund*
- *ALL TARGET DATE FUNDS 2020 or Sooner*

Small/Mid Cap
- *Vanguard Mid Cap Growth*
- *Fidelity Mid Cap Growth*
- *Artisan Mid Cap*
- *Goldman Sachs Growth Opportunities*
- *Harbor Mid Cap Growth*
- *Goldman Sachs Small/Mid Cap Opp.*
- *Fidelity Low Price Stock Fund*
- *Columbia Acorn US*
- *Federated Kaufman Small Cap*
- *Invesco Small Cap*