RIA Advice

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The Lesson Of Easter

Last night, I took my family to dinner, and my son asked me:

> *"Dad, every year we go to church on Easter Sunday and they have the same sermon every year."*

He's right. I can almost recite verbatim the sermon we will sit through on Sunday morning. However, my answer back to him made him understand the lesson he was supposed to be learning.•

Since he is currently reading George Orwell's 1984, it reminded me of an important line in that novel.

> *"The real secret of class distinctions in the West can be summed up in four frightful words - the lower classes smell."*

The Christian church grew dramatically between 165 and 270 A.D. as several devastating plagues punished the Roman Empire such as the Antonine Plague and the Plague of Cyprian. The growth of the church was due partly to the fact that many of the citizens, including the physicians, fled the cities. The Christians stayed behind and cared for the sick regardless of their race or religion...as was their command.

The term *"Maundy"*•came from the Latin *"Mandatum"* or *"Command."* This term came from the opening phrase *"novum mandatum"* of Jesus' words to the disciples after he had washed their feet.•

> *"A new commandment I give you, that you love one another as I have loved you."*•

This humility, the act of recognizing and honoring the humanity of all human beings regardless of race, gender, or religion is a basic mandate, and in many ways is unique to, the Christian religion.•

Certainly, the followers of Jesus Christ have by no means always lived up to his mandate. However, this is what we are to be reminded of every Easter.•

The *"Easter Story"* of a simple carpenter who gave his life to forgive us of our transgressions, and then resurrected from death, is meant to both remind us of our mandate and to give us hope. It is the promise of resurrection and regeneration of a new life.•

The novelist Marilynne Robinson once wrote that the main point of the Easter story is:

> *"That God is of a kind to love the world extravagantly, wondrously, and the world is of a kind to be worth, which is not to say worthy of, this pained and rapturous love".*

In other words, "*human beings,"* despite all of our flaws, our disputes, our sins, are worth *(not necessarily worthy of)* that love.•

This seems to a challenge more than ever today as we live in a nation at war with itself. Divides between wealth, race, gender, and religion are greater now than I have ever seen in my lifetime. The brewing anger which permeates the air, particularly with the advent of social media, has isolated us in anonymity more than ever. A simple look at the rise of anger over the wealth gap, the disdain over perceived race and gender inequalities, the surge in opioid-related deaths, certainly doesn't suggest that America is the shining beacon of light it was once perceived to be.•

While it is our instinct to separate ourselves from suffering, to distance ourselves from unpleasantness, and to turn away from tragedy, **it is unworthy of us to do so.**

As I told my son, the lesson of Easter is simply to remind us that we are to stand up for those who won't, care for those who can't, and love everyone regardless of who they are.•After all, as Christians, we are commanded to do so, and if we lived up to our mandate wouldn't the world be a much better place.•

Happy Easter

The Fear Of Missing Out

Over the last couple of weeks, we have been discussing•the market's advance from the lows and why retesting old highs was quite probable. **To wit:**

> *"While the bullish bias is definitely behind investors currently, there are concerns relative to the current risk/reward backdrop.* ***As shown in the chart below, the market is not only back to more extreme overbought levels, it is also close to registering a short-term sell signal.*** *With prices now compressed into a very tight range, the risk of a downside break has risen."*

I have updated the chart to show a couple of important points.

As noted,• the overbought condition (top panel) is now back to where was the**last time** we were registering *"all-time highs."* Currently, that signal has flattened out to the point where it is dangerously close to crossing lower. Any additional weakness this coming week will likely trigger that sell signal.

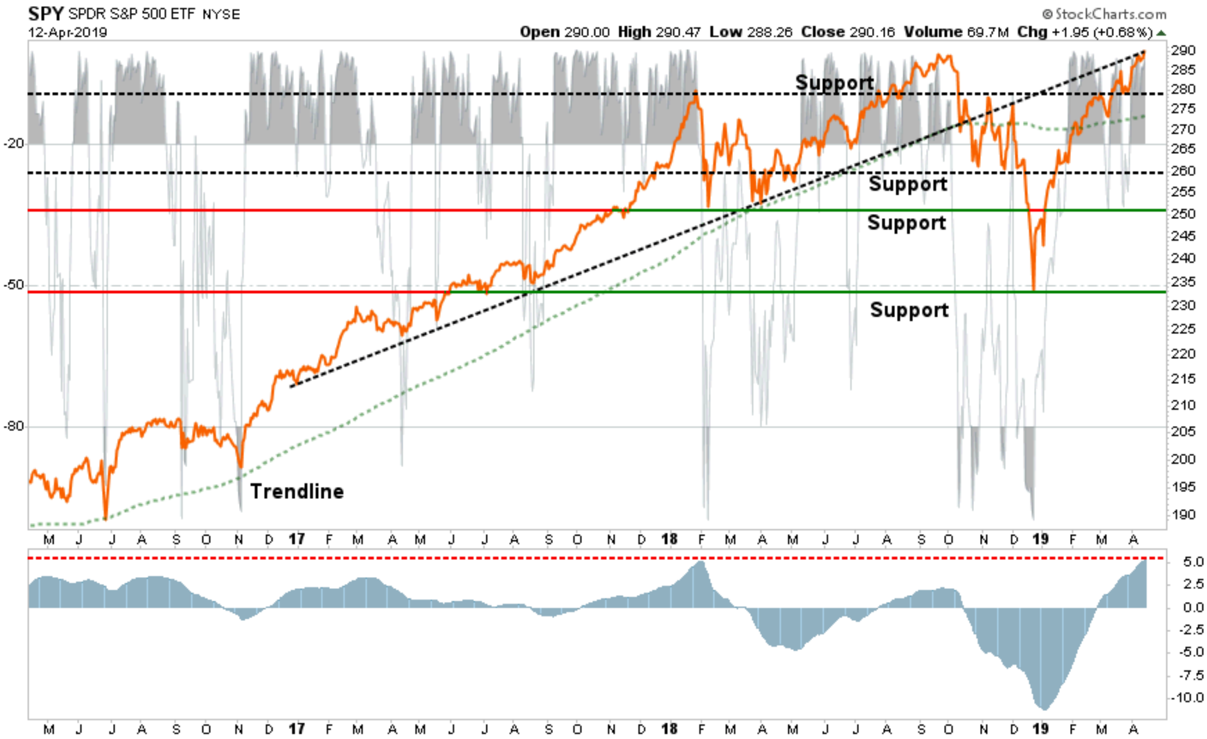
Secondly, as noted by StockTrader's Almanac on Friday (shown above):

*"As of the today?s close, the slower moving MACD 'Sell' indicator applied to S&P 500 has turned negative. However, DJIA?s MACD 'Sell' indicator is still positive. Because DJIA?s indicator remains positive, the criteria to issue our Seasonal MACD Sell Alert has **not** been satisfied. Currently, a single-day DJIA decline in excess of 1.08% would be needed to turn DJIA?s MACD indicator negative. A single day gain of 0.50% or more by S&P 500 would turn S&P 500?s MACD indicator positive.*

*Continue to **hold** long positions associated with DJIA?s and S&P 500?s 'Best Six Months.' We will issue our Seasonal MACD Sell signal when corresponding MACD Sell indicators applied to DJIA and S&P 500 both crossover and issue a new sell signal."*

That advice corresponds well with our current positioning as well. **We remain long-biased equities currently but are still maintaining some hedges and an overweight position in cash.•**

As we wrote last week for•our**[RIA PRO subscribers](#)** ***(Try it FREE for 30-days and get access to daily trading ideas on the markets, sectors, portfolio positions and long-short idea list):***

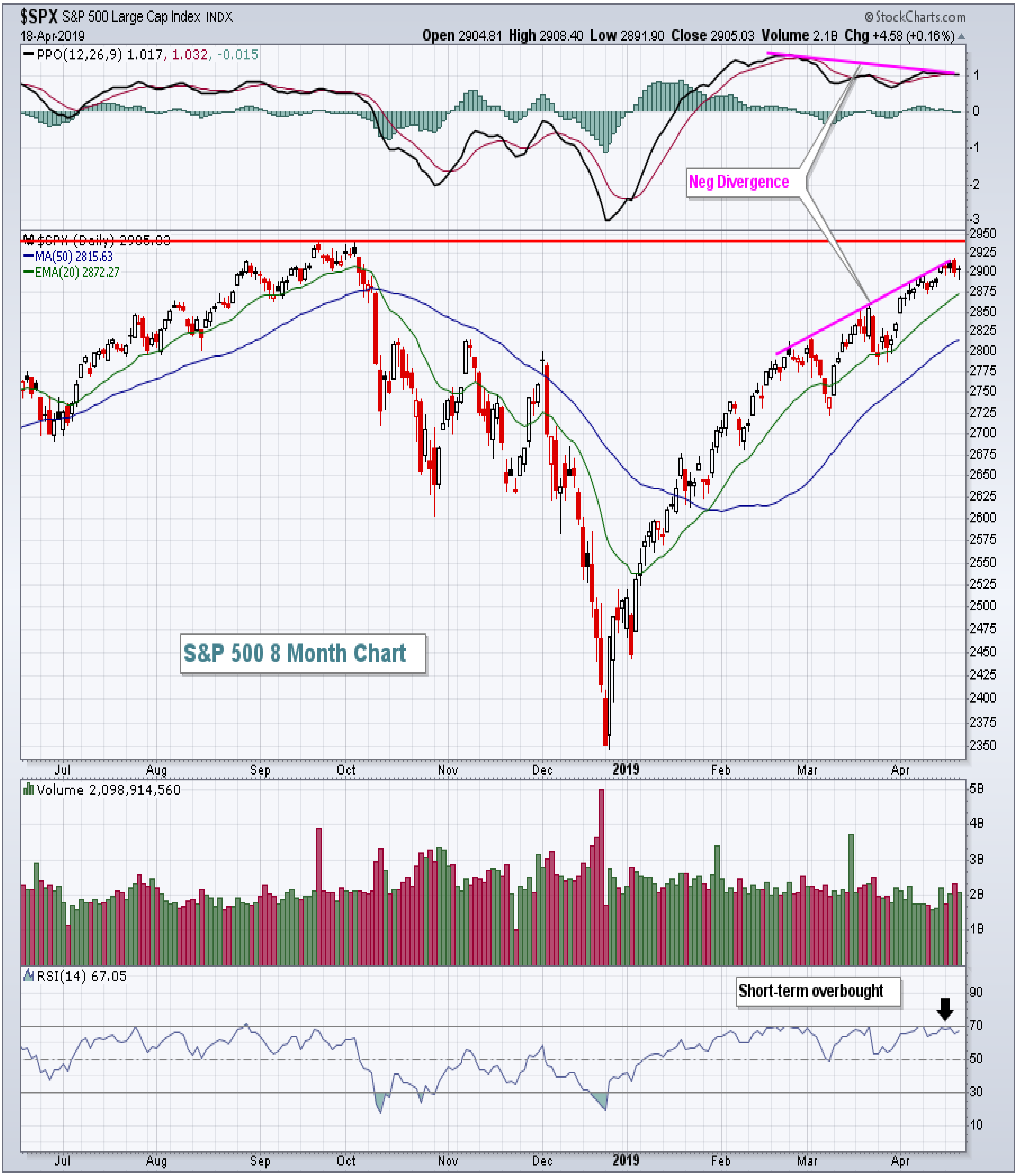


- *As we discussed two weeks ago, the rally above, and retest of support at 280 sets up a test of all-time highs. That happened last week as expected and we are now watching to see if it can hold.*
- ***SPY is extremely overbought, so a test and failure at the highs will not be surprising.***
- ***Note the ?buy? signal in the lower panel is at a level which has always denoted at least short-term market tops. So currently risk outweighs further reward.***
- *Short-Term Positioning: Bullish*
  - *Last Week: Hold full weight position*
  - *This Week: Hold,•Take profits*
  - *Stop-loss moved up to $280*

As my friend Gerry notified me of on Friday, Tom Bowley pointed our similar issues:

"In this chart note thee things:

- *The SPX is facing major overhead resistance which at 2905 as of 18-April is just shy of the ?all-time high of 2940.91? •(the red line) set early last October,*
- *The current negative divergence between the declining PPO and the rising SPX and*
- *The relatively high value for the RSI at 67."*



The extremely extended *"buy signal,"* lower panel, is NOT sustainable. It will revert, and the likelihood is it will revert sooner rather than later.

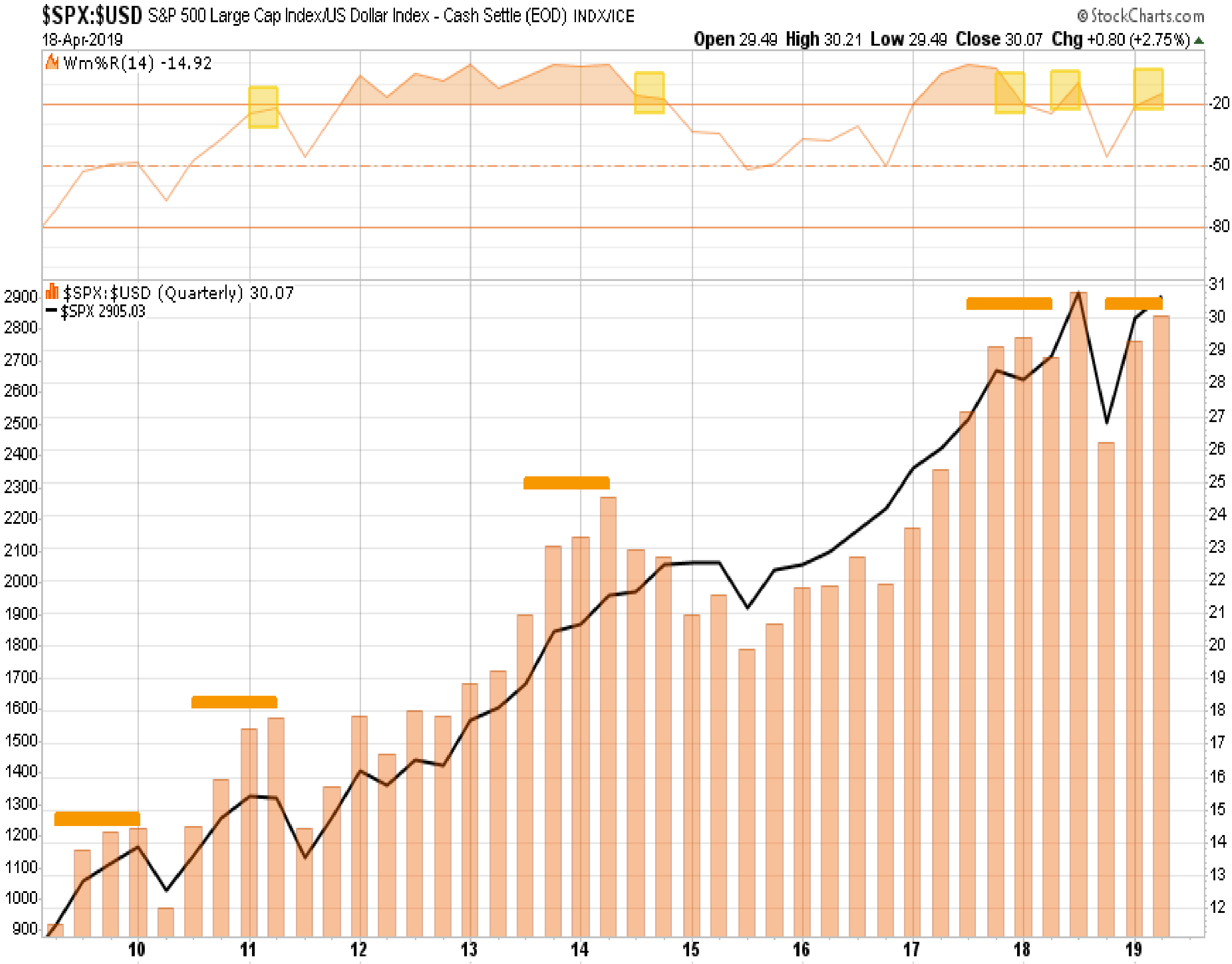
•

I am not suggesting the market is about to crash, **BUT a retest of the 50-dma is highly likely.** A break of the 50-dma will quickly test the 200-dma and below that things become much more concerning.•

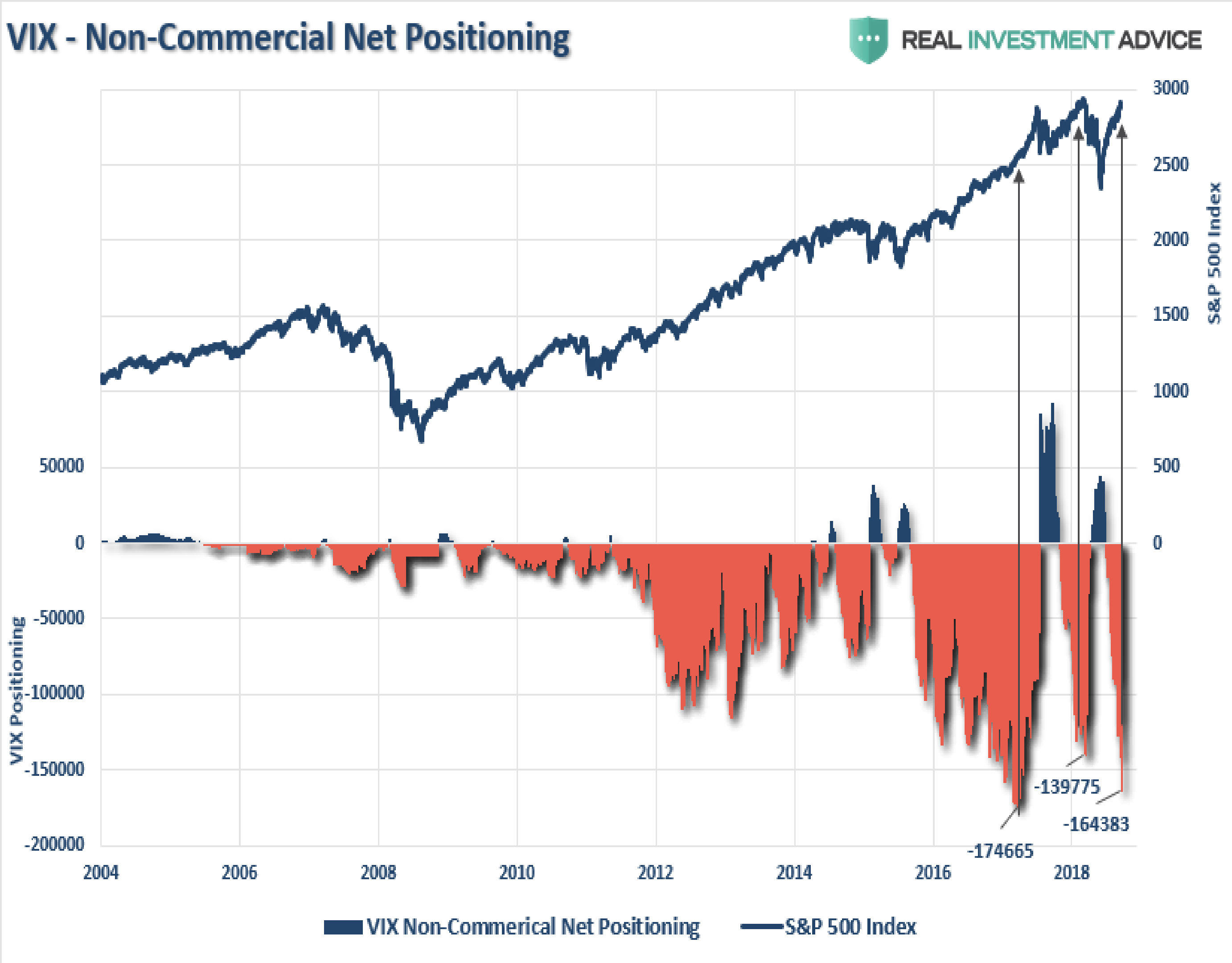
With earnings season underway, which will kick into high gear next week, there is support for the market short-term. **This is only due to the fact that the bar for Q1 earnings has been set so low.** The problem for stocks, however, will not be the *"beat of earnings"* but the *"forward guidance."*•

With the *"trade war"* still in progress, a stronger dollar, higher oil prices and rates, there will likely be concerns about forward quarters. Substantial downward revisions to guidance could take some of the *"wind out of the market's sails."*•

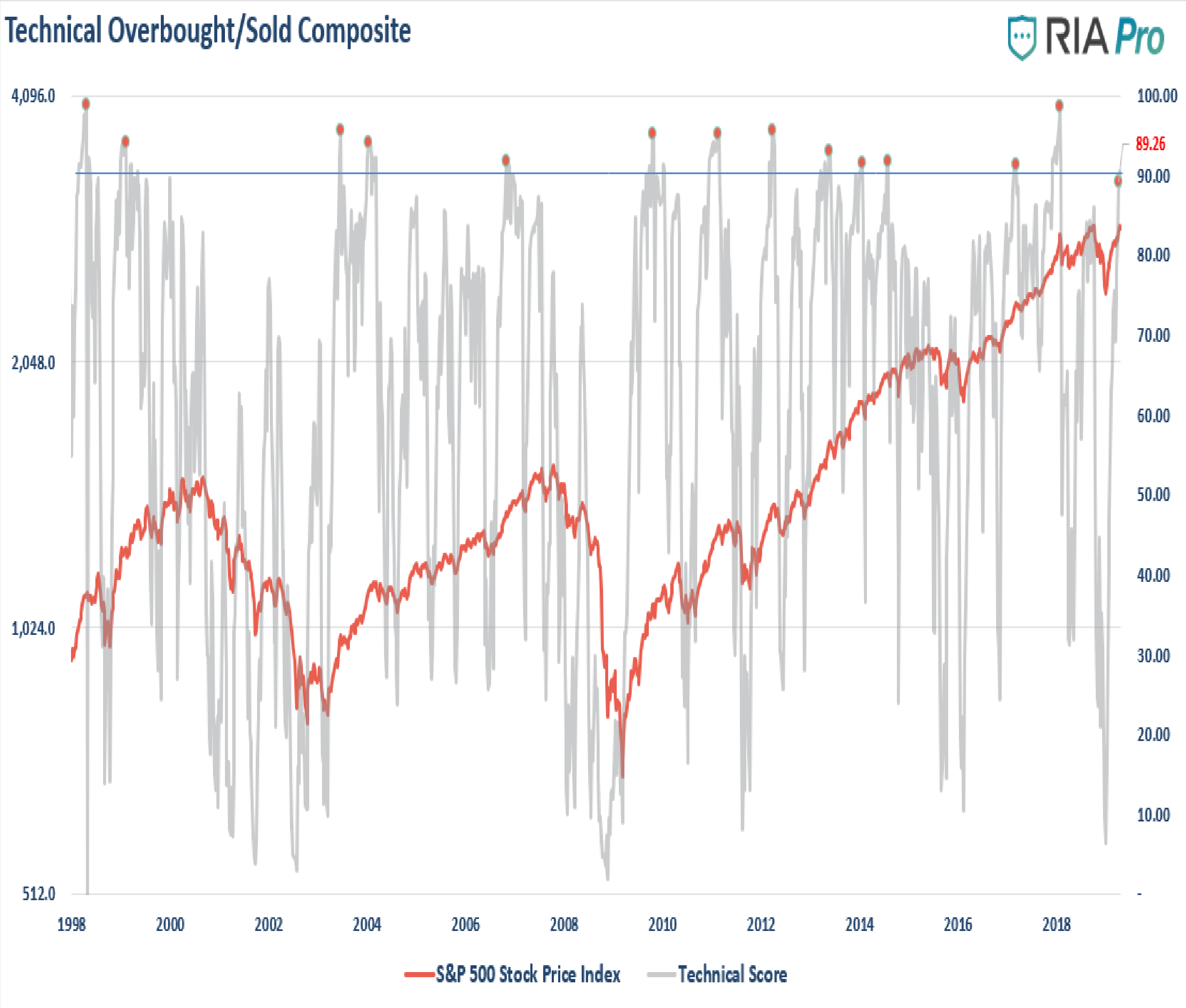
The chart below is the S&P 500/USD ratio. You will notice that when there are sharp accelerations over a couple of quarters it begins to impact asset prices. One concern of a conclusion of a *"trade deal"* will be a sharp acceleration in the dollar which will make any "resolution" more like a *"sell the news event."*



Lastly, market *"complacency"* is back to levels which have denoted short-term corrections in the market previously with near record levels of short-volatility positioning.

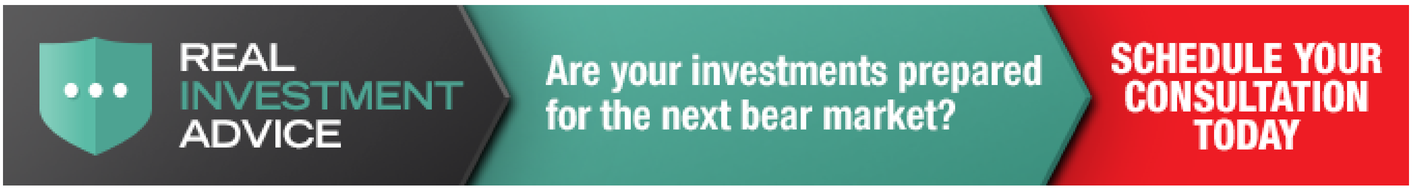


Also, our **RIA PRO Weekly Technical Market Gauge** is also pinging very high levels currently as well which also suggests the current rally may be nearing completion for now.



As I wrote last week:

> ***"As such we are maintaining our current equity exposure, with an overweight positioning in cash and fixed income. While this allocation structure is currently providing some performance drag, it is also greatly reducing overall portfolio volatility which we think we will be well rewarded for over the next four to six months.***
>
> ***Simply, the risk/reward setup is no longer as favorable as it was in December."***



Of course, if you listen to the mainstream media you are constantly coached that if you are ***"aren't in, you are missing out."*•**

F.O.M.O. or the *"Fear Of Missing Out"* is the biggest detractor to long-term portfolio performance over time. It is also one of the biggest emotional inputs into the *"buy high/sell low"* problem for most investors.•

Doug Kass had a great note out on this last week:

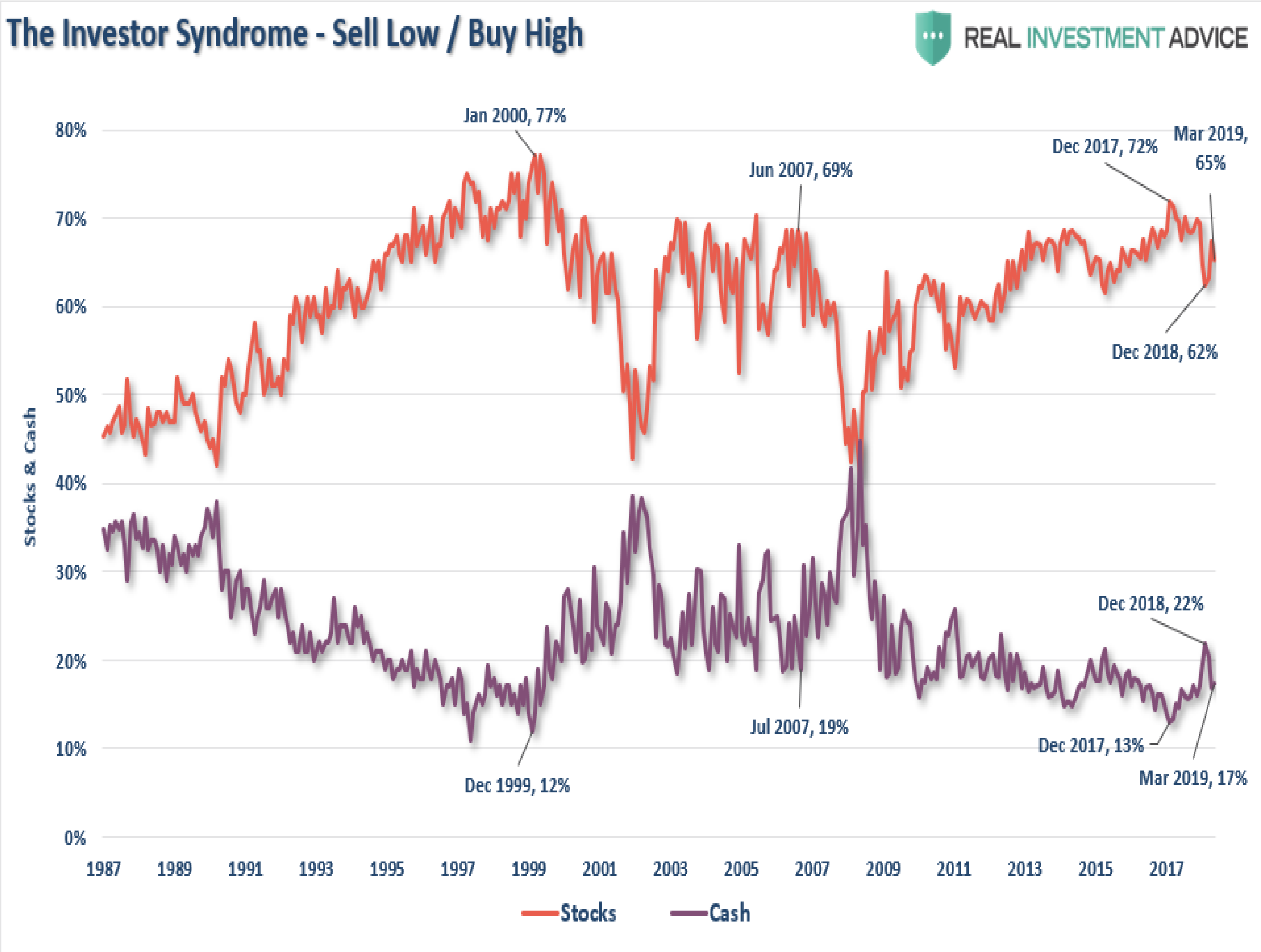
> *"We have a risk of a melt-up, not a meltdown here. Despite where the markets are in equities, we have not seen money being put to work... We have record amounts of money in cash. We still see outflows in retail in equities and in institutions." -* **Larry Fink, BlackRock (appearing on CNBC)**

Quick side note: *•Despite Larry's bent to pitch his own products, there is* ***NO SUCH THING as CASH ON THE SIDELINES.*** *Every transaction in the market requires both a buyer and a seller with the only differentiating factor being at what* ***PRICE*** *the transaction occurs. Since this must be the case for there to be equilibrium to the markets, there can be no ?sidelines.?*

Back to Doug:

> The CEO of the largest money manager in the world, BlackRock, told *Squawk Box* that the large retail cash positions coupled with a *"shortage of good assets"* and the likely continued level of low interest rates could contribute to the fear of missing out and a *"melt-up."*

Yes, since investors did sell the December lows, they are now buying the February-March highs. But to Doug's point, investors are still heavily weighted towards equity.•



Fink's comments, to this observer, were non-rigorous 'first level thinking' and failed to detail the very important reasons why interest rates are low and why retail investors (who appear to be surrounded by the comfort of ever popular ETFs (hawked by BlackRock) ***may have some very good reasons to be wary of equities at this point in time.***

The world is clearly upside down. ***Importantly, global interest rates (with $11 trillion of sovereign debt at negative returns) are delivering a message of disappointing aggregate economic growth.*** *So, low rates, in and of themselves is not, as Fink suggests, a reason to run to equities.*

With growing political turmoil, the risks of a policy mistake, the lack of coordination between G-8 powers, untenable levels of debt (in both the private and public sectors), evidence that high frequency global economic statistics and the corporate profit outlook are eroding, and with central banks believing in a smooth monetization of debt - the outlook is not necessarily getting better as the price of financial assets continue to climb.

Indeed, despite Fink's protestations, investor optimism has actually materially risen *- I base this statement on a near* ***three multiple (year to date) expansion in the S&P's price earnings ratio.*** *Coincident with this has been a reversal, from net short to* *a near 12 month high in speculative long S&P exposure - as well as an explosion in IPO offerings (many of them experiencing a "profitless prosperity.")*

*And, oh yes, **investors (both institutional and retail) are now greedy as measured by the CNN Fear and Greed Index!***

I leave you with final words of wisdom from the legendary Warren Buffett:

"Be fearful when others are greedy."

Happy Easter. See you next week.

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

If you are NOT an ***RIA PRO subscriber*** you are missing the most important part of each weeks' newsletter.

- *Sector & Market Performance Analysis*
- *Portfolio Recommendations*
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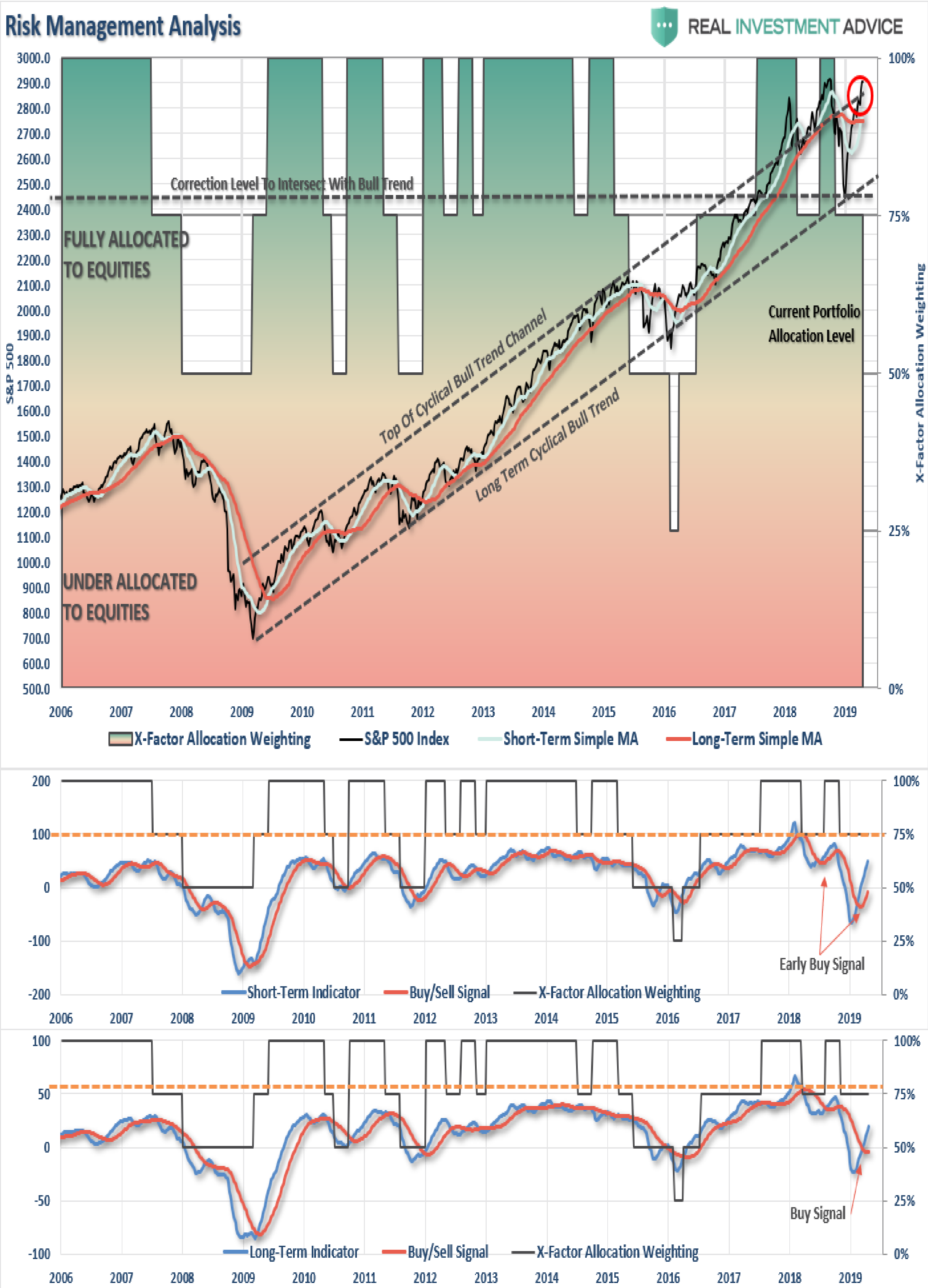
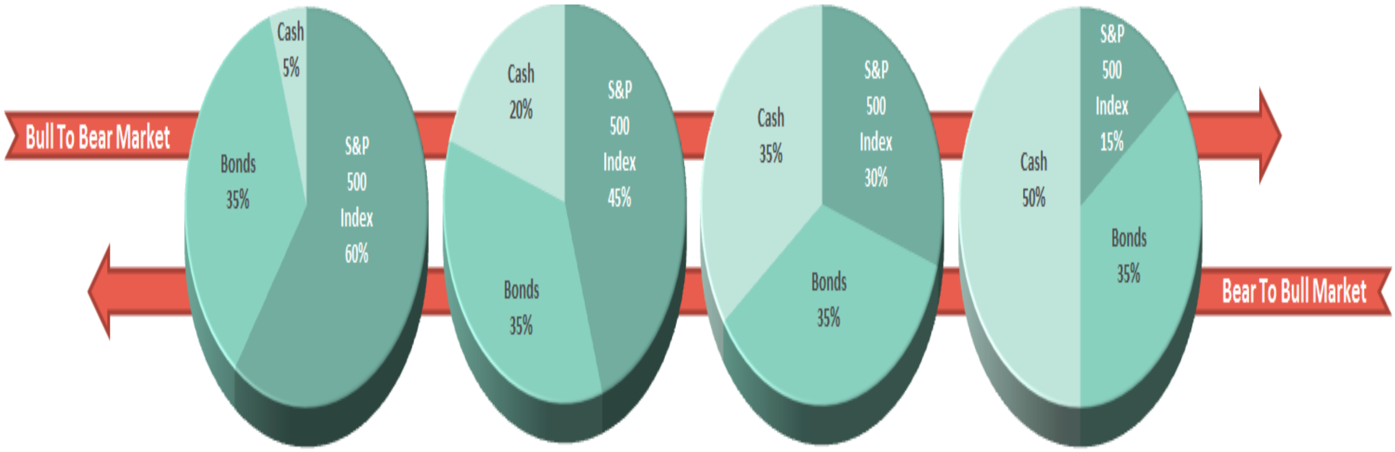
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors


Risk Management Analysis
REAL INVESTMENT ADVICE
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
S&P 500
X-Factor Allocation Weighting
X-Factor Allocation Weighting
S&P 500 Index
Short-Term Simple MA
Long-Term Simple MA
Early Buy Signal
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
Buy Signal
Long-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.*



FOMO

As noted in the main body of this week's newsletter, the biggest risk to investors is to ditch your investment discipline and cave to the "fear of missing out."•

As we [penned last week:]

> *"Bull markets have a tendency to suck the most investors in at the point to inflict the most possible pain.•*
>
> *That is the point we are currently at in the markets today. After a recovery rally from the lows many investors are now back to where they were in January of last year.* ***The rally also tends to make investors forget the pain the endured during the previous decline.***
>
> *If you feel like you "must get back into the market now," you are probably allowing your emotions to get the better of you. T**his is why most investors tend to repeatedly buy tops and sell bottoms."***

The market rally is already showing signs of stalling and it will correct. This process is normal even in bull markets and will provide a better point to adjust your risk-reward exposures. **Don't allow short-term market movements to deviate you from your long-term investing goals.**

> *"Chasing performance is the absolute best way to destroy your investing outcome. "*

With both "*buy"* signals now in place we will move target allocations move to 100% equity exposure on any corrective actions which reduces the extreme **overbought short-term condition without violating important support.•**

In the meantime, we can prepare for this opportunity by continuing our actions we have recommended over the last several weeks.•

- *If you are **overweightequities** - take some profits and reduce portfolio risk on the equity side of the allocation. However, hold the bulk of your positions for now and let them run with the market.*
- *If you are **underweight equities or at target -** remain where you are until the market gives us a better opportunity to increase exposure to target levels.*

If you need help after reading the alert; don?t hesitate to **contact me**.

Exciting News - the 401k Plan Manager is "Going Live"

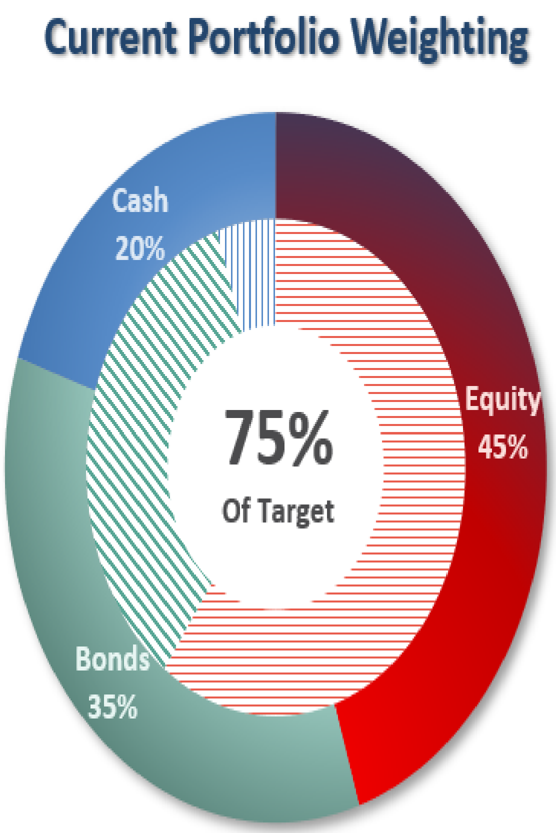
We are making a *"LIVE"* version of the 401-k allocation model which will soon be available to **RIA PRO subscribers.** You will be able to compare your portfolio to our live model, see changes live, receive live alerts to model changes, and much more.•

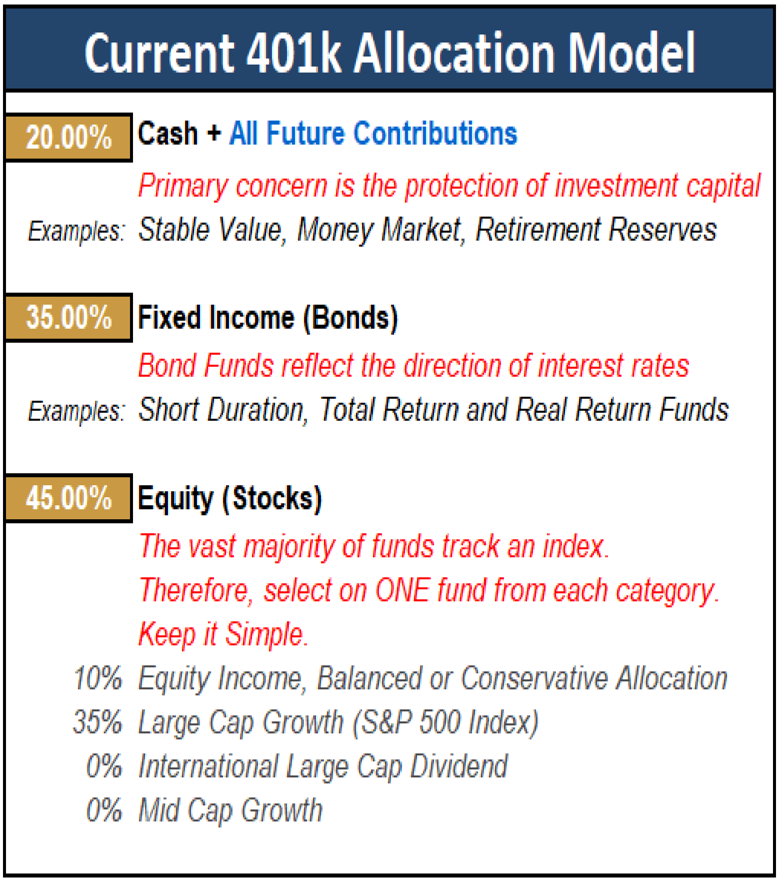
This service will also be made available to companies for employees. If would like to offer our service to your employees at a deeply discounted corporate rate please contact me.

Stay tuned for more details over the next couple of weeks.

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.)***





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.
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

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.