- ***Trade Deal Done***
- ***QE, Not QE, But It's QE***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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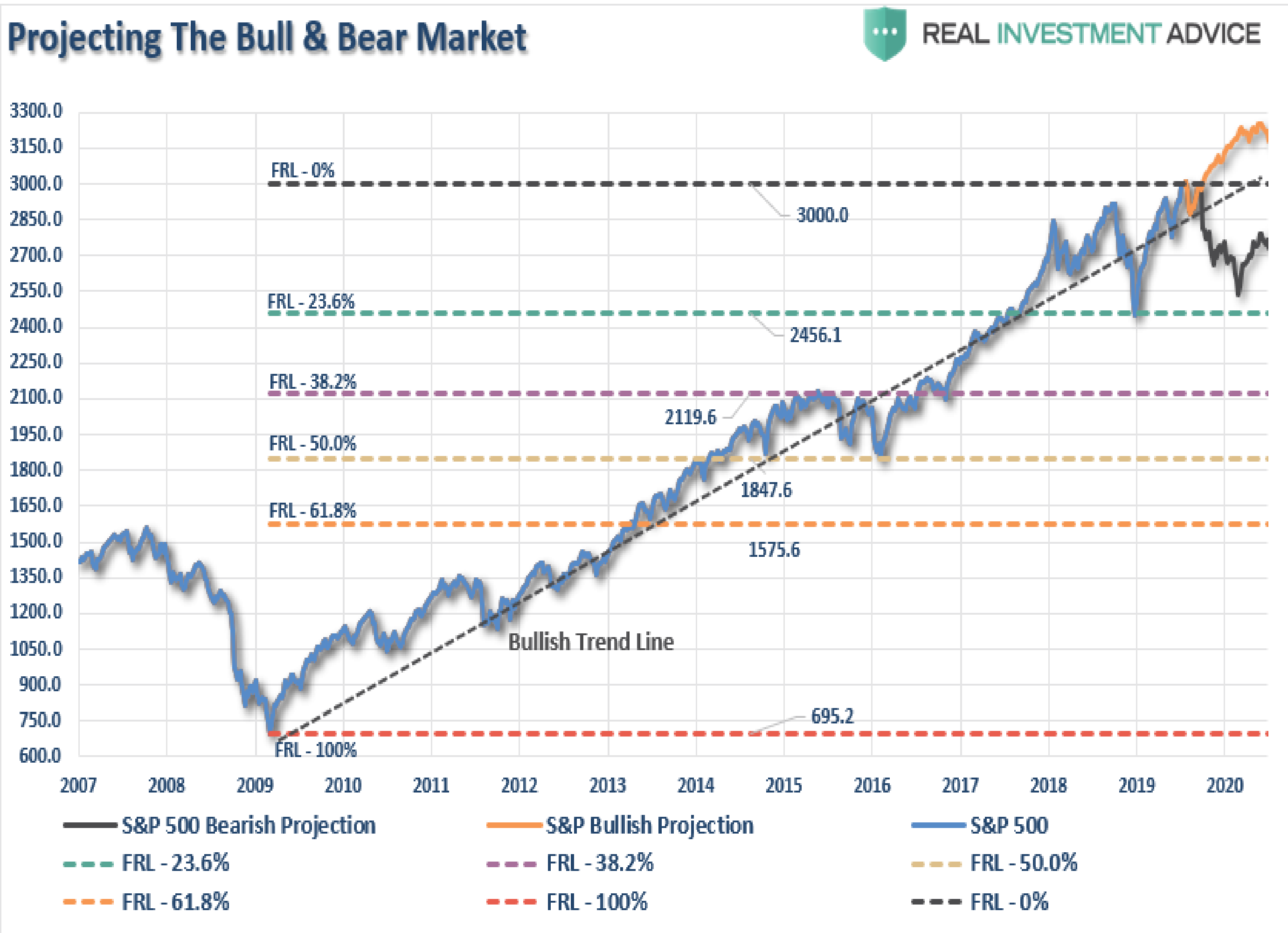
Trade Deal Done

On Thursday and Friday, the market surged on hopes that a *"trade deal"* was coming to fruition. This was not a surprise to us, as we detailed this [outcome two weeks ago:]

> *"'For Trump, he can spin a limited deal as a ?win? saying ?China is caving to his tariffs? and that he ?will continue working to get the rest of the deal done.?* ***He will then quietly move on to another fight, which is the upcoming election, and never mention China again.*** *His base will quickly forget the ?trade war? ever existed.*
>
> ***Kind of like that ?Denuclearization deal? with North Korea.'"***

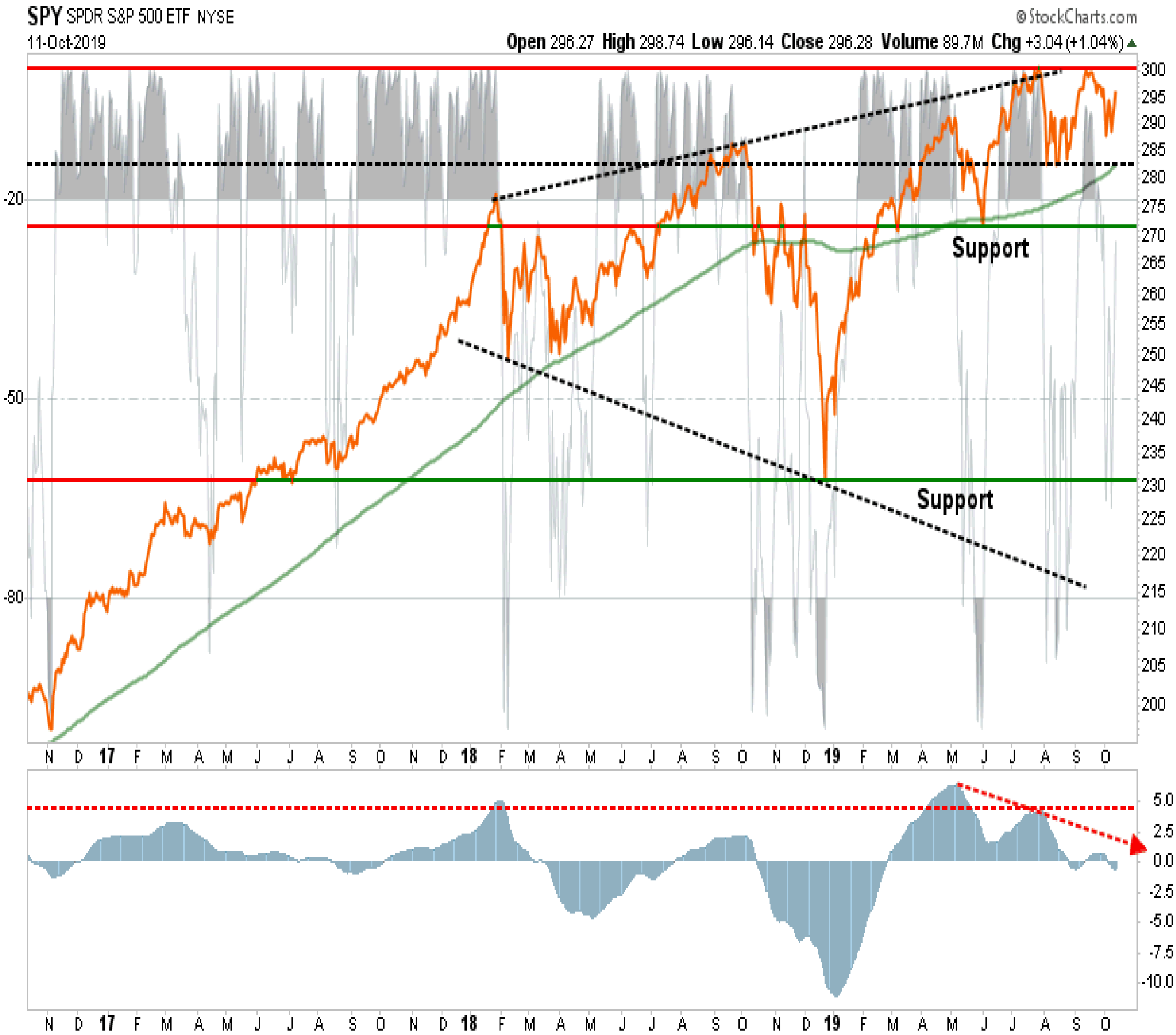
As we discussed in that missive, a limited *"trade deal"*•would potentially set the markets up for a run to 3300. To wit:

> *Assuming we are correct, and Trump does indeed ?cave? into China in mid-October to get a ?small deal?•done, what does this mean for the market.•*
>
> *The most obvious impact, assuming all 'tariffs' are removed, would be a psychological ?pop? to the markets which, given that markets are already hovering near all-time highs, would suggest a rally into the end of the year.?•*



This is not the first time we presented our analysis for a ***?bull run? to 3300.***

Every week, we review the major markets, sectors, portfolio positions specifically for our ***RIA PRO subscribers*** *(You can check it out FREE for 30-days).*•Here was our note for the S&P 500 previously.



- *We are still maintaining our core S&P 500 position as the market has not technically violated any support levels as of yet. However, it hasn?t been able to advance to new highs either.*
- ***There is likely a tradeable opportunity approaching for a reflexive bounce given the depth of selling over the last couple of weeks.***

This is the outcome we expected.

- *There is no "actual" deal.*
- *The "excuse" will be this deal lays the groundwork for a future deal.*
- *No one will discuss a trade deal ever again.*

It is almost as if Bloomberg read our work:

> *"The U.S. and China reached a partial agreement Friday that would broker a truce in the trade war and **lay the groundwork for a broader deal t**hat Presidents Donald Trump and Xi Jinping could sign later this year.*

> *As part of the deal,* ***China would agree to some agricultural concessions and the U.S. would provide some tariff relief.*** *The deal under discussion, which is subject to Trump?s approval,* ***would suspend a planned tariff increase for Oct. 15. It also may delay -- or call off -- levies scheduled to take effect in mid-December."***

So, who won?

China.

- *China gets to buy agricultural and pork products they badly need.*
- *The U.S. gets to suspend tariffs.*

Who will like the deal?

- ***The markets:•*** *the deal removes a potential escalation in tariffs.*
- ***Trump supporters:*** *Fox News will "spin" the "no deal" into a Trump "win" for the 2020 election.•*
- ***The Fed:*** *It removes one of their concerns potentially impacting the economy.*

By getting the *"trade deal*" out of the headlines, this clears the way for the market to rally potentially into the end of the year. **Importantly, it isn't just the trade deal providing support for higher asset prices short term:**

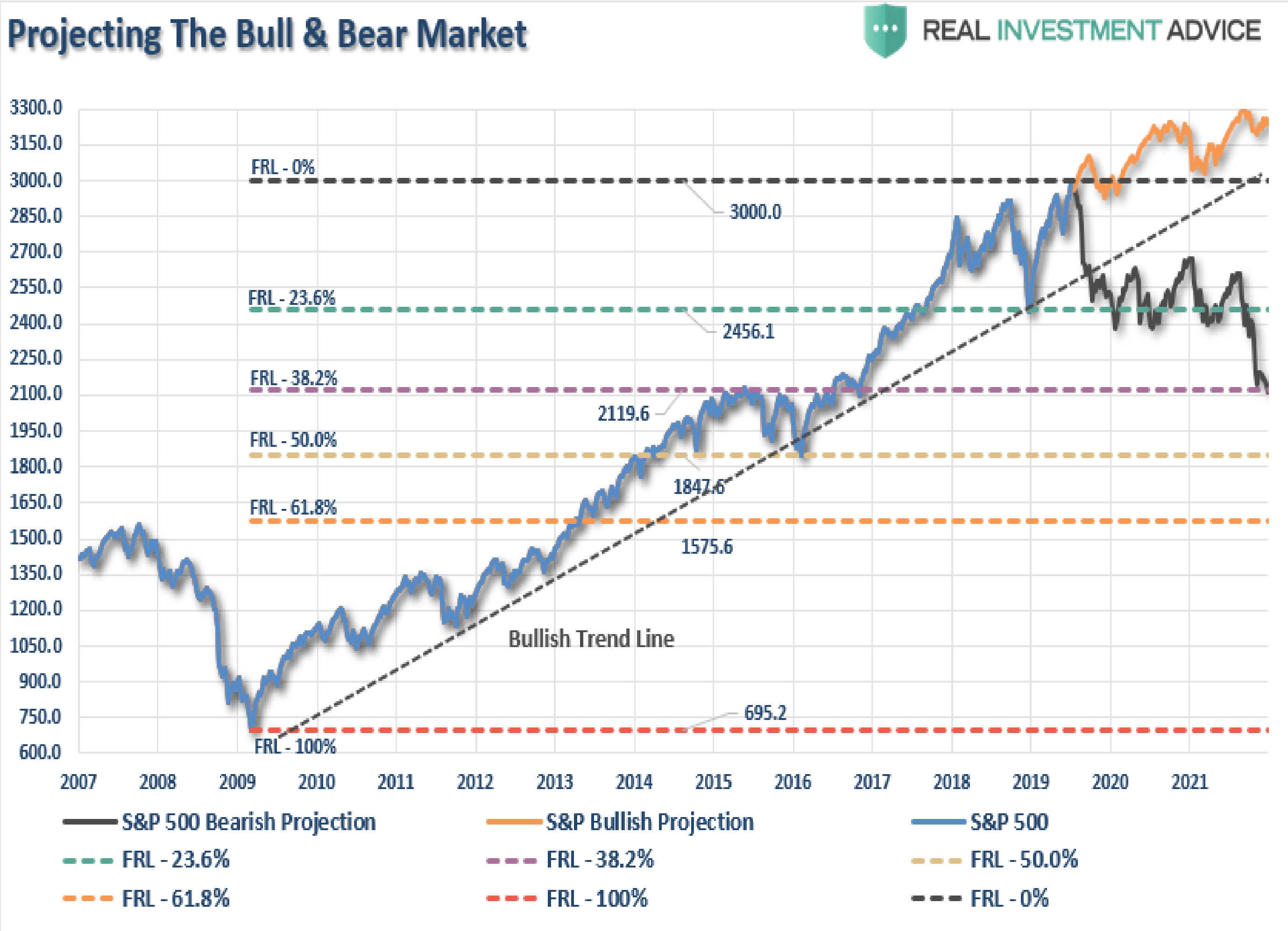
- *There now seems to be a pathway forward for "Brexit"*
- *The Fed is injecting $60 billion a month in liquidity into 2020 (More on this below)*
- *The Fed has cut rates and is expected to cut again by year end.*
- *ECB back into easing mode and running negative rates*
- *Fed and ECB loosening capital requirements for banks (Because they are so healthy after all.)*

This is also a MAJOR point of concern.

Despite all of this liquidity and support, the market remains currently confined to a downtrend from the September highs. The good news is there is a series of rising lows from June. With a *"risk-on"* signal approaching and the market not back to egregiously overbought, there is room for the market to rally from here.•

Let me repeat what we wrote [back in July:](#)

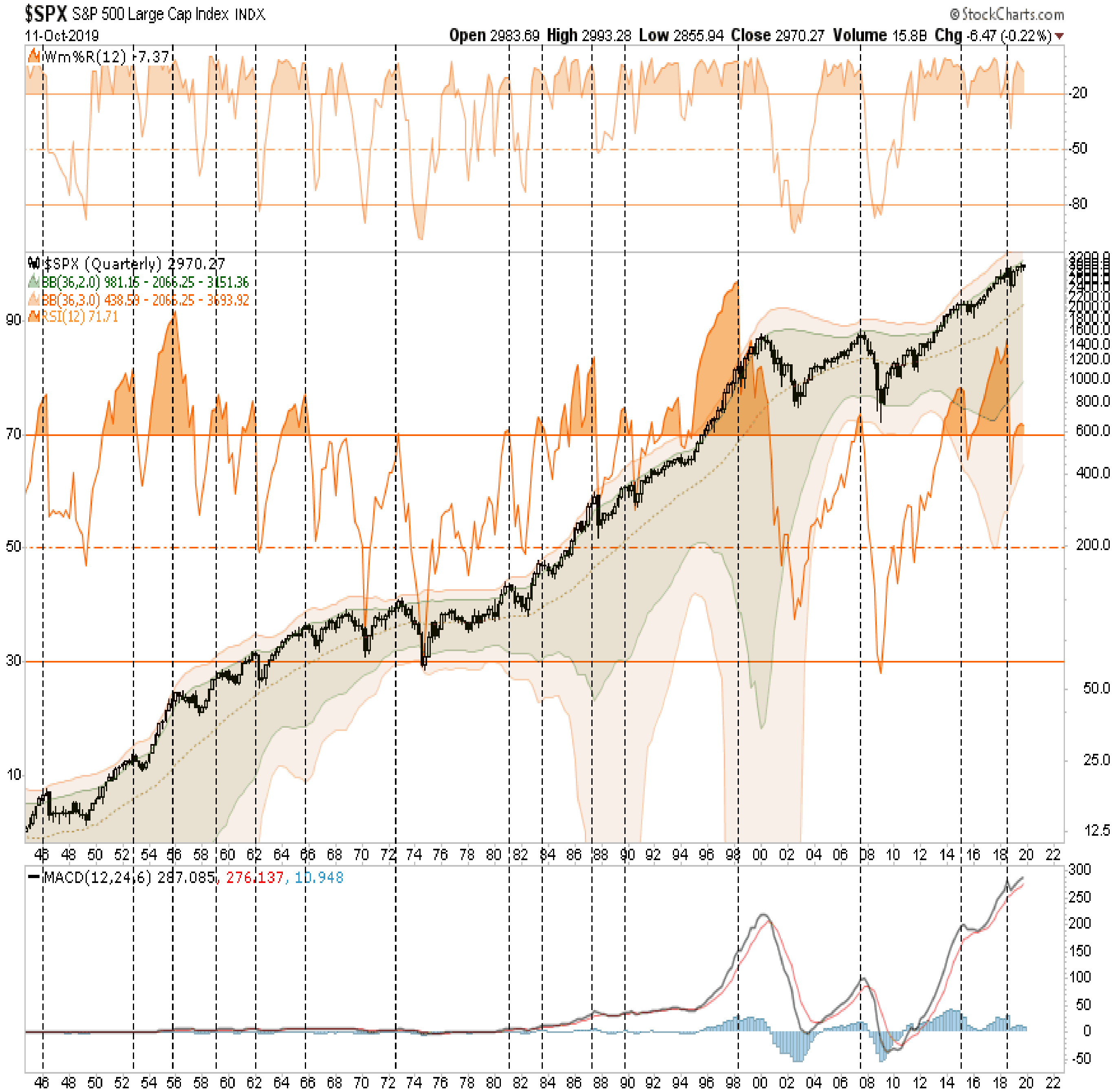
> *"As we face down the last half of 2019, we can once again run some projections on the bull and bear case going into 2021, as shown in the chart below:"*



The Bull Case For 3300

- *Momentum*
- ***Stock Buybacks***
- *Fed Rate Cuts*
- *Stoppage of QT*
- ***Trade Deal***

However, while the case for a push higher is likely, the risk/reward still isn't great for investors over the intermediate term. **A failure of the market to make new highs, given the amount of monetary support, will be a very bearish signal.**•



The Fed's "Not QE", "QE"

https://twitter.com/wesbury/status/1182997783982329856?s=20

Sure thing, Brian.

As I noted previously:

> *"Then there are the tail-risks of a credit-related event caused by a dollar funding shortage, a banking crisis ([Deutsche Bank](#)), or a geopolitical event, or a surge in defaults on ?leveraged loans? which are twice the size of the ?sub-prime? bonds linked to the ?financial crisis.?• [(Read more here)](#)*
>
> ***Just remember, bull-runs are a one-way trip.•***
>
> *Most likely, this is the final run-up before the next bear market sets in. However, where the•?top? is eventually found is the big unknown question. We can only make calculated guesses."*

Think about this logically for a moment.

1. *The yield curve inverts which puts pressure on bank loans and funding.*
2. *The Fed cuts rates, which puts pressure on banks net interest margins.*
3. *The banks are chock full of leverage loans, risky energy-related debt, subprime auto loans, etc.•*
4. *The Fed begins reducing excess reserves.*
5. *All of a sudden, banks have a problem with overnight funding.*
6. *Fed reduces liquidity regulations (put in place after Lehman to protect the financial system)*
7. *Fed now has to commit to $60 billion in funding through January 2020 to increase reserves.*

The last point was detailed in a recent FOMC release:

> *"In light of recent and expected increases in the Federal Reserve?s non-reserve liabilities, the Federal Open Market Committee (FOMC) directed the Desk, effective October 15, 2019,•**to purchase Treasury bills at least into the second quarter of next year to maintain over time ample reserve balances at or above the level that prevailed in early September 2019.•**The Committee also directed the Desk to conduct term and overnight repurchase agreement operations (repos) at least through January of next year to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation.*
>
> *In accordance with this directive,•**the Desk plans to purchase Treasury bills at an initial pace of approximately $60 billion per month, starting with the period from mid-October to mid-November."***

NOTE: If you don't understand what has been happening with overnight lending between banks - [READ THIS.](#)

The Fed is in QE mode because there is a problem with liquidity in the system. Given the Fed was caught *"flat-footed"* with the Lehman bankruptcy in 2008, they are trying to make sure they are in front of the next crisis.

The reality is the financial system is NOT healthy.•

If it was, then we would:

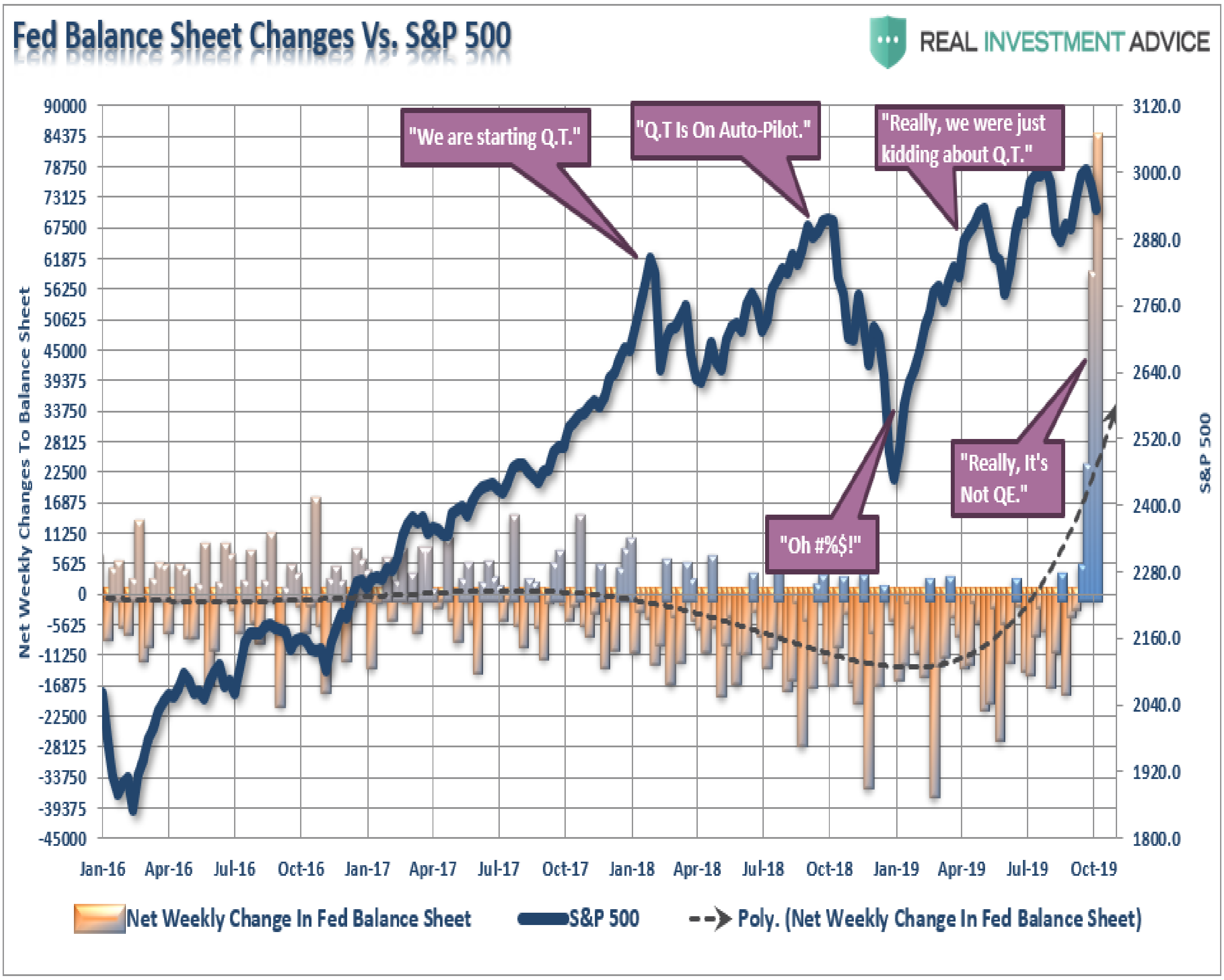
1. *Not still be using "emergency measures" to support banks for the last decade. (QE, LTRO, Etc.)*
2. *Not be pushing $17 trillion in negative interest rates on a global basis.*

3. *Have reinstated FASB Rule 157 in 2012-2013 requiring banks to mark-to-market the assets on their books. (A defaulted asset can be marked at 100% of value which makes the bank look healthy.)*
4. *Not be needing to reduce liquidity requirements.*
5. *Not be needing $60 billion a month in QE.*

Oh, but that's right, Jerome Powell denies this is *"QE."*

> *?I want to emphasize that* ***growth of our balance sheet for reserve management purposes should in no way be confused with the large-scale asset purchase programs that we deployed after the financial crisis.•****Neither the recent technical issues nor the purchases of Treasury bills we are contemplating to resolve them should materially affect the stance of monetary policy.* ***In no sense, is this QE,? -*** *Jerome Powell*

It's QE.•



Just so you can understand the magnitude of the balance sheet increase over the last couple of weeks, **the largest single week increase from 2009 to September 20th, 2019 was $39.97 billion.**

The last two weeks were $58.2 and $83.87 billion respectively.•

But, it's not Q.E.

So, what was it then?

This was not about covering unexpected cash draws to pay quarterly taxes, which was one of the initial excuses for the funding shortfalls.•

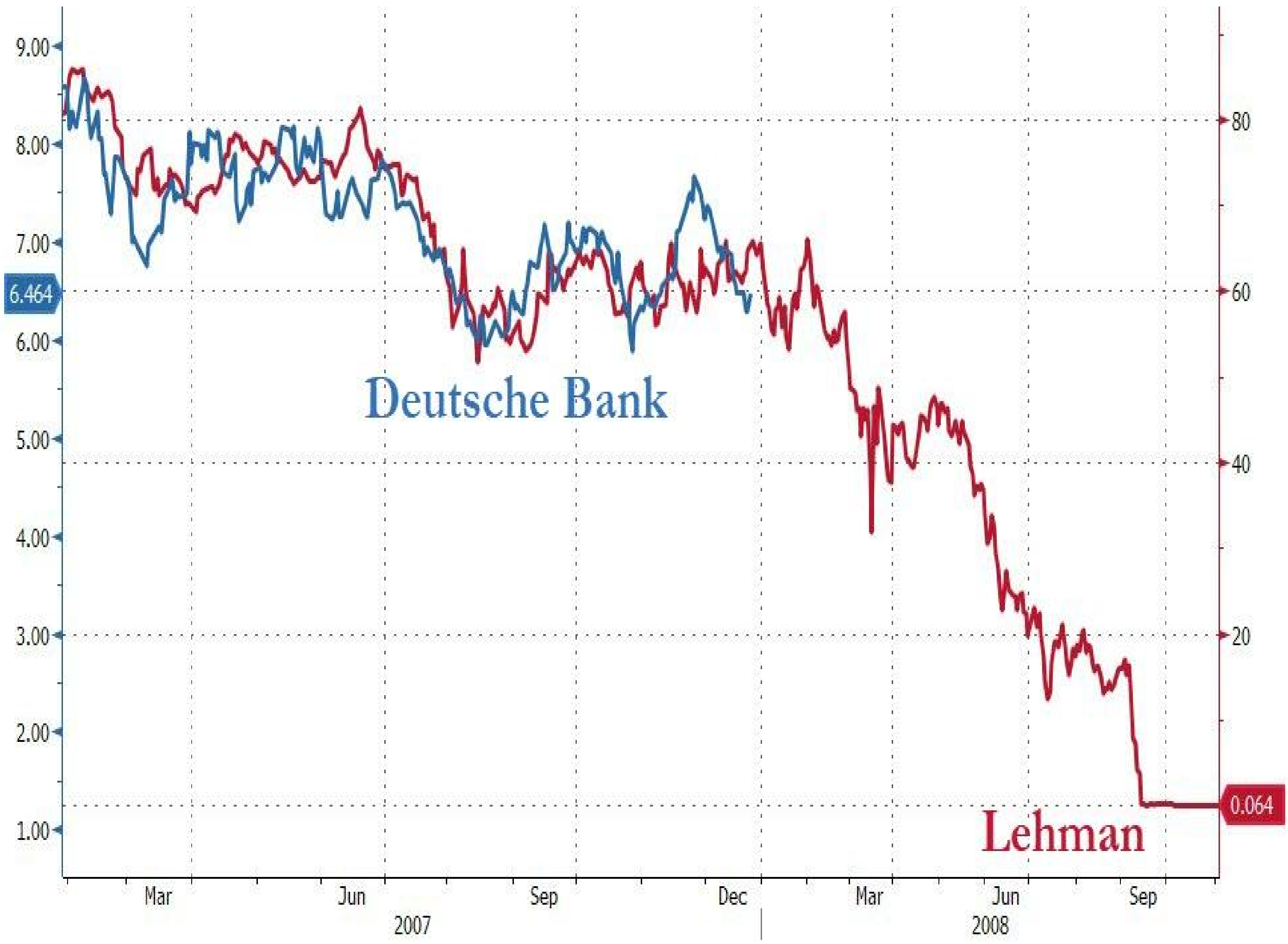
https://twitter.com/LanceRoberts/status/1183001339766476800?s=20

Nope.

> ***This was bailing out a bank that is in serious financial trouble. It started with the ECB a month ago loosening requirements on banks, then proceeded to the Fed reducing capital reserve requirements and flooding the system with reserves.•***

Who was the biggest beneficiary of all of these actions? **Deutsche Bank**.

Which is about 4x as large as Lehman was in 2008 and is currently following the same price path as well. Let me repeat, **the Fed is terrified of another *"Lehman Crisis"* as they do not have the tools to deal with it this time.**



(Courtesy of [ZeroHedge)](ZeroHedge)

The problem for the Fed, is that while they insist recent rate cuts are *"mid-cycle"* adjustments, as was seen in 1995 to counter the risk of the Orange County bankruptcy, the reality is the *"mid-cycle"* has long been past us.

With the Fed cutting rates, injecting weekly records of liquidity into the system, at a time where economic data has clearly taken a turn for the worse, **the situation may *"not be in as good of a place"* as we have been told.•**

Being a little more cautious, taking in some profits, and rebalancing risks continues to be our recipe for navigating the markets currently.•

If you need help or have questions, we are always glad to help. [Just email me.]

See you next week.

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet •

SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	15.17%	5.37%	17.33%	222.89%
Max Drawdown	-20.47%	-18.52%	-7.41%	-59.99%
Sharpe	0.57	0.40	1.67	3.15
Sortino	0.68	0.52	2.07	3.02
Volatility	14.91	16.70	13.78	(0.18)
Daily VaR-5%	(13.98)	(18.55)	2.59	(1.14)
Mnthly VaR-5%	(11.95)	(24.98)	4.58	(1.18)

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	1.87%	1.77%	1.87%	5.19%	2.18%	1.68%	(14.21%)	11.53%
P/E Ratio	21.02	18.88	18.32	(3.06%)	21.60	16.39	(15.2%)	11.78%
P/S Ratio	3.27	3.43	3.23	(6.01%)	3.57	2.62	(9.47%)	23.41%
P/B Ratio	3.60	4.14	4.02	(3.23%)	4.14	3.01	(3.12%)	33.31%
ROE	15.94%	18.26%	18.71%	2.40%	18.82%	15.00%	(0.59%)	24.76%
ROA	2.97%	3.43%	3.53%	2.84%	3.53%	2.81%	(0.03%)	25.53%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,408.3	2,328.4	(3.32%)
Sales	60,929	64,496	5.85%
SPS	25.3	27.7	9.49%
Earnings	8,816	9,501	7.77%
EPS TTM	4.4	4.9	11.37%
Dividend	1.6	1.7	6.16%

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	(21.63%)	4.39%	1.21	15.22	127.61	12.35	(88.1%)	9.1%	4.0%	6.59%	3.42	15.15
Materials	(16.27%)	2.66%	1.22	14.10	22.97	13.86	(38.6%)	9.8%	1.9%	7.15%	4.26	15.02
Industrials	4.83%	9.15%	1.16	17.43	22.23	14.78	(21.6%)	16.6%	2.0%	5.77%	5.29	15.92
Discretionary	11.66%	10.20%	1.04	23.98	27.17	20.19	(11.7%)	29.2%	1.3%	4.17%	5.00	21.35
Staples	15.95%	7.62%	0.59	20.95	22.83	17.62	(8.2%)	27.3%	2.7%	4.76%	3.95	20.13
Health Care	0.70%	13.67%	0.85	16.01	20.60	15.90	(22.3%)	30.9%	1.8%	6.24%	6.76	14.74
Financials	5.41%	12.71%	1.26	13.10	18.45	11.70	(29.0%)	11.6%	2.2%	7.61%	5.88	12.17
Technology	20.54%	22.16%	1.26	21.97	21.73	14.41	1.1%	39.6%	1.4%	4.57%	5.39	20.18
Telecom	6.33%	10.44%	0.88	19.89	26.73	17.47	(25.6%)	17.1%	1.0%	5.03%	6.62	17.55
Utilities	24.83%	3.63%	0.27	21.59	21.00	15.58	2.8%	10.4%	3.1%	4.62%	3.68	20.01
Real Estate	26.63%	3.27%	0.69	21.24	24.47	17.10	(13.2%)	9.6%	3.1%	4.68%	4.37	20.42

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	293.24	(0.54%)	293.26	6	(0.01%)	285.85	94	2.59%	2.59%	(3.10%)	25.44%	Buy
Mid Cap	343.14	(2.63%)	346.42	25	(0.95%)	345.91	6	(0.80%)	0.15%	(5.44%)	20.63%	Buy
Small Cap	65.19	(3.15%)	66.31	25	(1.68%)	66.82	27	(2.44%)	(0.77%)	(10.40%)	15.79%	Sell

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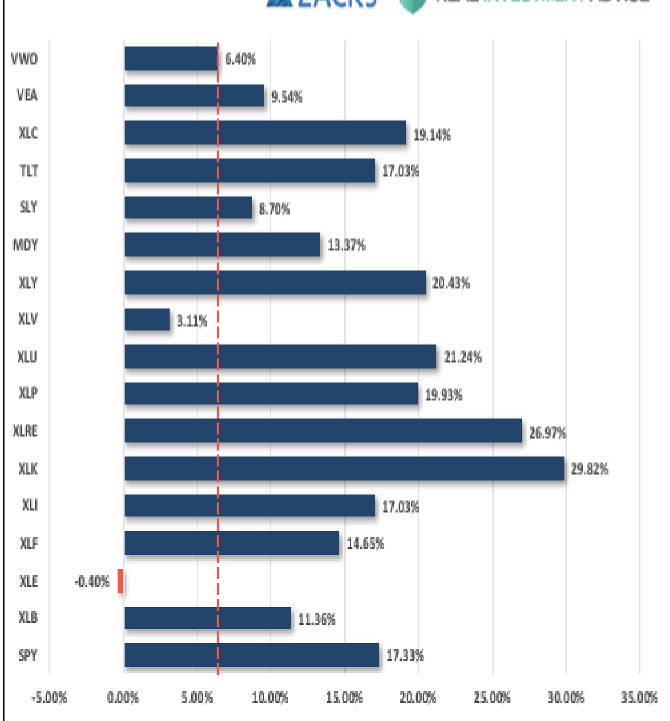
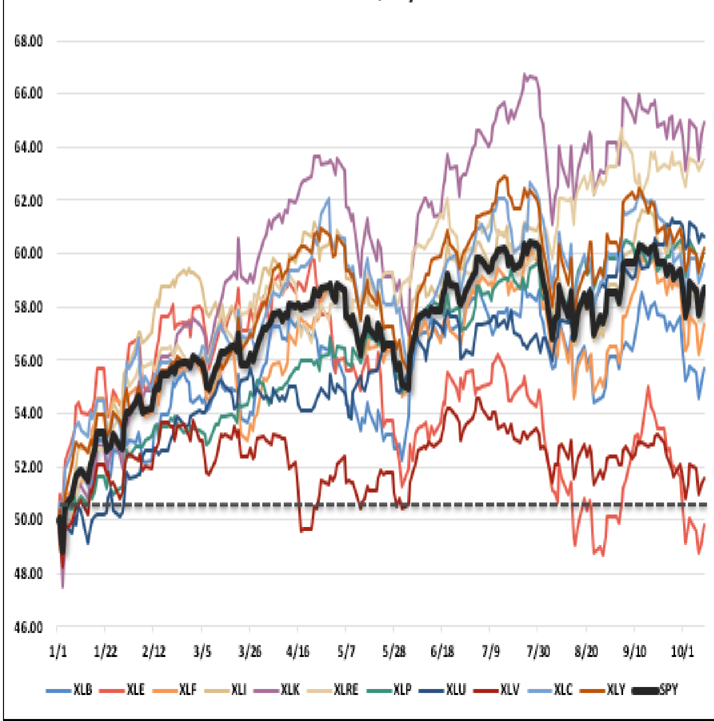
Performance Analysis

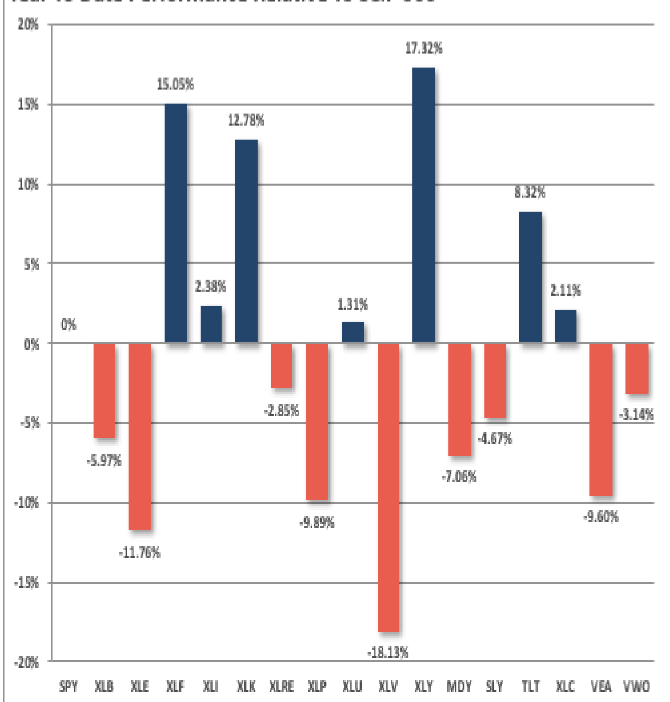
Year To Date Performance



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

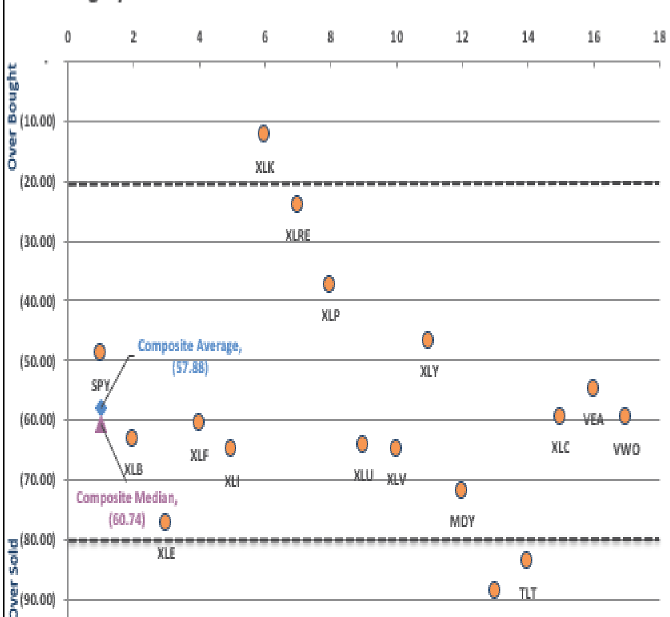


Year To Date Performance Relative To S&P 500

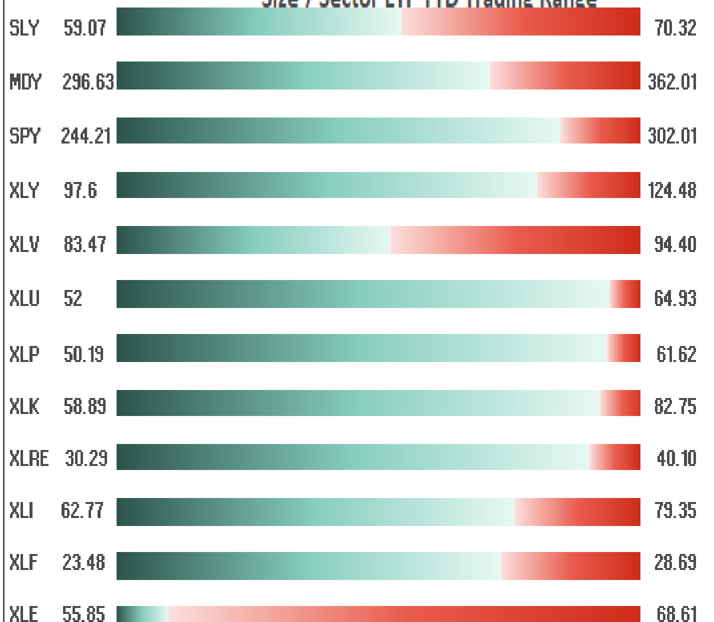


Price Deviation From 50-Day Moving Average

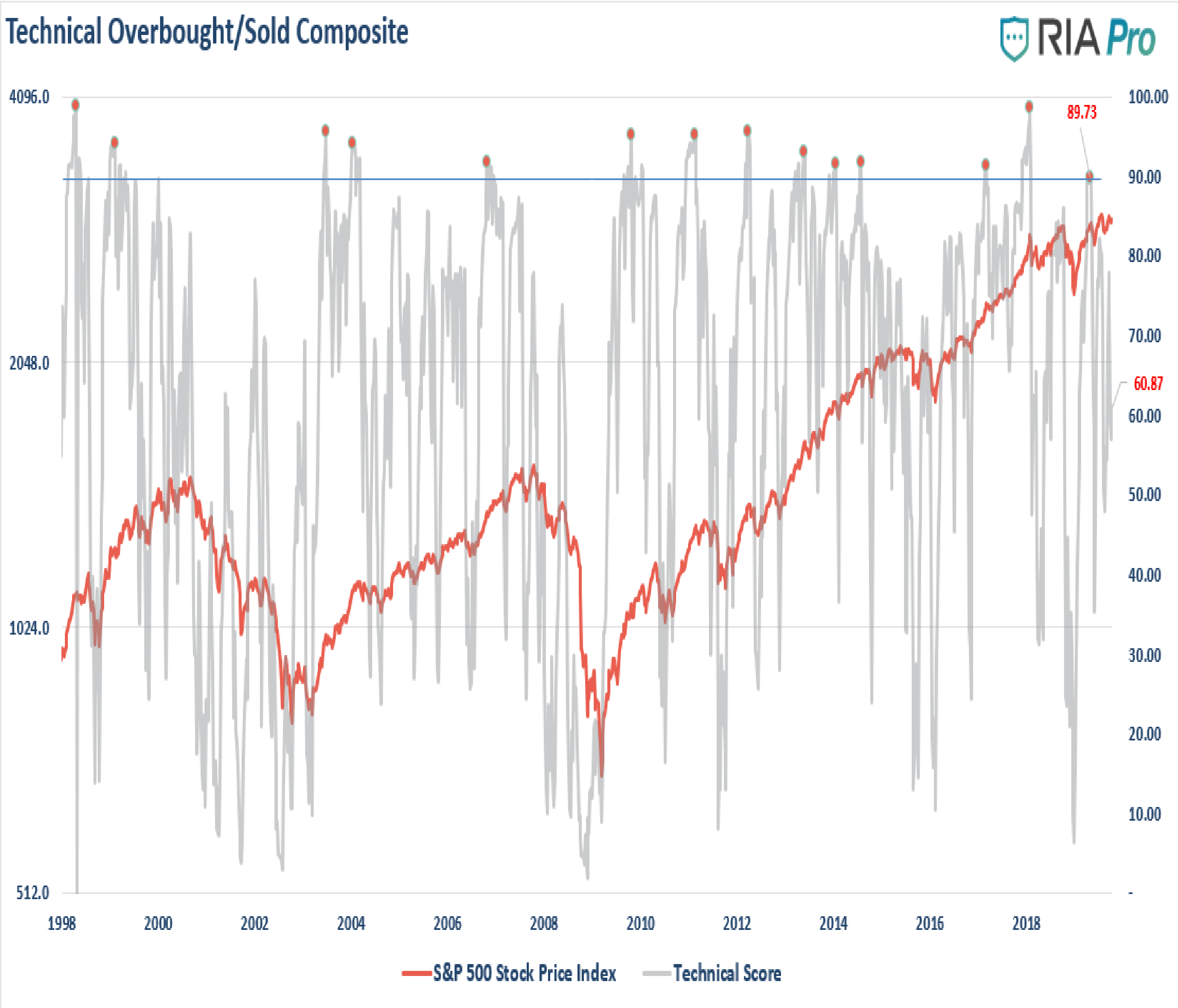
Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



Technical Composite



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	294.95	1.00	(2.68)	(1.90)	0.31	7.52	296.43	291.30	-0.50%	1.25%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	56.26	(0.55)	(1.15)	(1.57)	(0.91)	(2.57)	57.35	56.66	-1.90%	-0.70%	BUY
		XLE	SPDR-EGY SELS	57.12	(0.82)	(3.06)	(6.67)	(15.17)	(29.05)	59.64	62.66	-4.23%	-8.85%	SELL
		XLF	SPDR-FINL SELS	27.31	0.30	(0.71)	(0.78)	(0.82)	(4.07)	27.49	27.14	-0.64%	0.64%	BUY
		XLI	SPDR-INDU SELS	75.38	(0.26)	(1.80)	(0.25)	(2.34)	(4.83)	76.43	76.07	-1.37%	-0.90%	BUY
		XLK	SPDR-TECH SELS	80.46	0.54	1.09	1.18	1.72	9.72	79.98	77.02	0.60%	4.46%	BUY
		XLP	SPDR-CONS STPL	60.90	(0.25)	1.88	2.86	7.54	9.40	60.32	58.05	0.97%	4.91%	BUY
		XLU	SPDR-UTIL SELS	64.16	(0.56)	3.98	6.63	10.29	13.52	62.16	59.91	3.22%	7.10%	BUY
		XLC	SPDR-COMM SV SS	49.18	(0.11)	(1.60)	(0.21)	(2.65)	0.91	49.89	48.82	-1.42%	0.73%	BUY
		XLV	SPDR-HLTH CR	89.20	(0.48)	0.10	(1.90)	0.90	(8.06)	90.74	90.71	-1.69%	-1.66%	BUY
		XLY	SPDR-CONS DISCR	119.24	(0.04)	(0.90)	(1.14)	(0.71)	4.44	120.16	117.39	-0.76%	1.58%	BUY
	SIZE	SLY	SPDR-SP SC 600	65.19	(1.24)	(3.33)	(0.70)	(5.06)	(12.65)	66.60	67.09	-2.12%	-2.83%	SELL
		MDY	SPDR-SP MC 400	343.14	(1.03)	(1.55)	(1.13)	(3.92)	(6.44)	348.76	348.85	-1.61%	-1.64%	SELL
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	105.63	(0.54)	(1.00)	(1.14)	(1.76)	(1.64)	106.85	106.03	-1.15%	-0.38%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	100.21	(0.48)	(0.78)	0.54	(0.57)	0.29	100.58	100.06	-0.37%	0.15%	BUY
	Real Estate	XLRE	SPDR-RE SELS	39.36	(0.64)	3.45	7.11	9.79	20.15	38.57	37.14	2.05%	5.98%	BUY
	International	EEM	ISHARS-EMG MKT	41.07	(0.31)	0.47	(2.77)	(6.35)	(2.59)	40.98	41.97	0.21%	-2.14%	SELL
		EFA	ISHARS-EAFE	64.40	0.15	0.90	(0.08)	(3.00)	(6.29)	64.17	64.81	0.35%	-0.63%	SELL
		IXUS	ISHARS-CR INT S	57.32	0.04	0.93	(0.64)	(3.45)	(5.36)	57.14	57.78	0.32%	-0.80%	SELL
FI	Intermediate Duration	TLT	ISHARS-20+YTB	142.20	(2.87)	4.60	9.62	14.93	16.28	140.57	131.57	1.16%	8.08%	BUY
	International	BNDX	VANGD-TTL INT B	58.54	(1.61)	2.75	3.35	4.79	0.47	58.51	56.96	0.05%	2.77%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	86.41	(0.71)	1.64	1.52	(0.70)	(5.50)	86.77	86.41	-0.42%	0.00%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.91										

RIA Pro

Sector & Market Analysis:

Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels

Sector-by-Sector

Improving ? Healthcare (XLV), Industrials (XLI)

The relative performance improvement of HealthCare relative to the S&P 500 regained some footing this past week as money still sought safety. Industrials, have also been performing much better on hopes for a trade deal, and picked up steam on Friday with the announcement. We remain underweight until a breakout occurs.•

Current Positions: *Target weight XLV, 1/2 weight XLI*

Outperforming ?•Staples (XLP), Utilities (XLU), Real Estate (XLRE)

As noted, our more defensive positioning continues to outperform relative to the broader market. After taking some profits, we trimmed profits out of XLP previously and re-positioned the portfolio. We are remaining patient to see how the market responds to the trade announcement next week.

Real Estate, Staples, and Utilities all continue to flirt with highs but remain GROSSLY extended. Trend overall remains positive so we are holding the position for now.

Current Positions: *Target weight XLP, XLU, XLRE*

Weakening ? Technology (XLK), Discretionary (XLY), Communications (XLC)

As noted last week, Technology, and Discretionary turned higher and are looking to test highs and performed well on Friday as the removal of tariffs directly benefit this sector. Relative performance has improved, and we will likely see these sectors breakout to new highs if the market continues to rally.

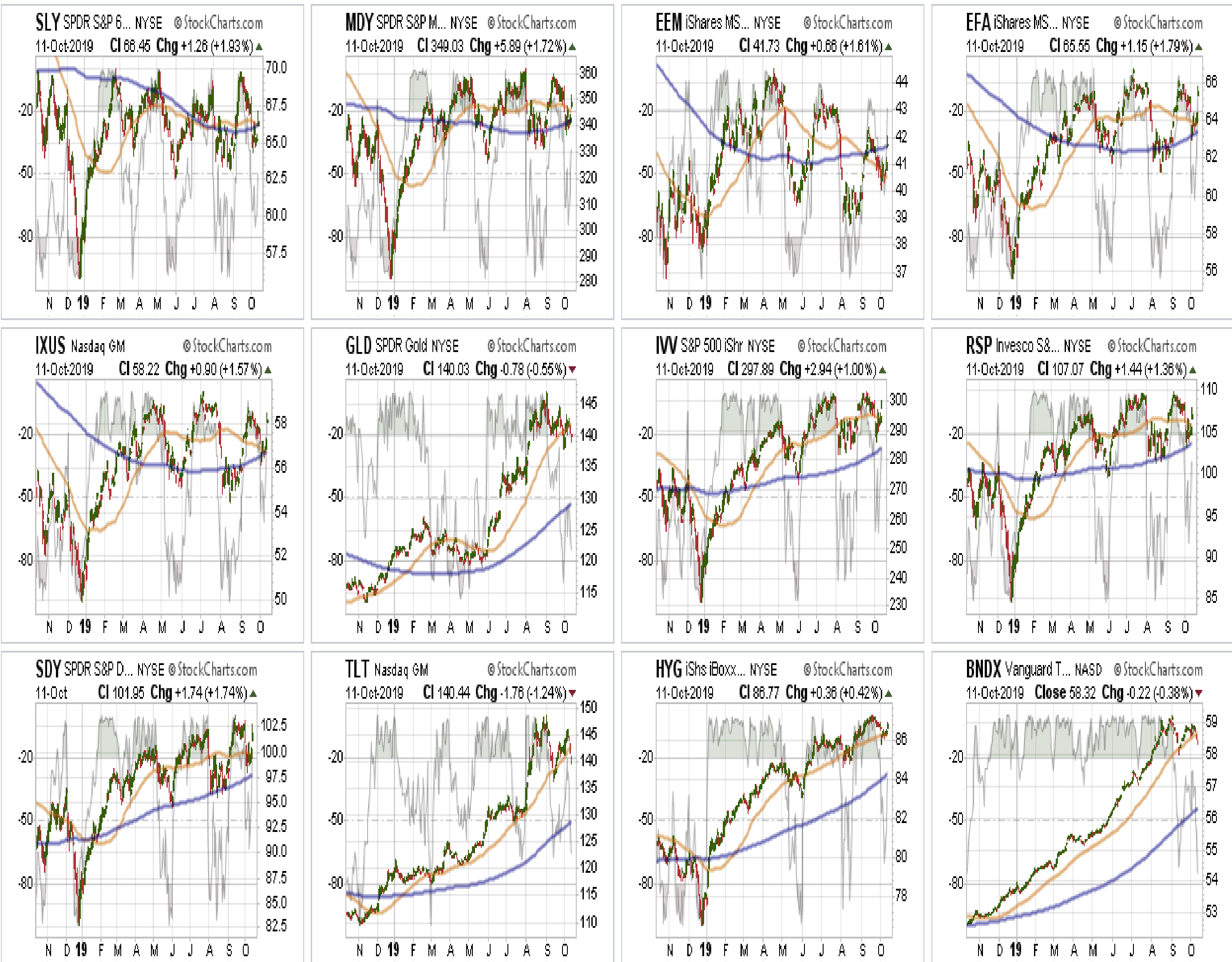
Current Position: *Target weight XLY, XLK, XLC*

Lagging ? Energy (XLE), Basic Materials (XLB), and Financials (XLF)

We were stopped out of XLE previously. XLE failed to clear above important downtrend resistance and turned lower as oil prices have dropped. Basic materials picked up performance with the trade deal announcement but has some work to do before providing the right opportunity to increase our weightings. We previously got stopped out of XLF, but will likely look to re-enter the position shortly with the Fed now engaged in increasing bank reserves.•

Current Position: *1/2 weight XLB*

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? Small- and Mid-caps popped sharply on the announcement of the trade deal but have not dramatically improved their overall technical damage. We have seen these pops before which have quickly failed so we will need to give these markets some room to consolidate and prove up performance.•

Current Position: *No position*

Emerging, International (EEM) & Total International Markets (EFA)

The same advice goes for Emerging and International Markets which we have been out of for several weeks due to lack of performance. These markets rallied recently on news of a *?trade resolution,?* and the Fed jumping back into QE. However, the overall technical trend is not great so we need to see if this is sustainable or just another *"head fake."*•

Current Position:• *No Position*

Dividends (VYM), Market (IVV), and Equal Weight (RSP)•? These positions are our long-term• *?core?*•positions for the portfolio given that over the long-term markets do rise with economic growth and inflation. Currently, the short-term bullish trend is positive, and our core positions are providing the• *?base?*•around which we overweight/underweight our allocations based on our outlook.

Current Position:• *RSP, VYM, IVV*

Gold (GLD) ? The previous correction in Gold continued this week. We may look to take profits here soon, as we digest what the *"trade deal"* and *"more QE"* means for *"risk adversity."* Gold is testing critical support and is working off its overbought condition. We will be patient but with a tighter stop.

Current Position:• *GDX (Gold Miners), IAU (Gold)*

Bonds (TLT) ?•

Bonds also took a hit on *"trade deal"* news as the *"risk off"* rotation turned back to *"risk on."* We are holding our positions for now, but are tightening up our stops and are looking at potential trades to participate with a move higher in yields if they occur.•

Stay long current positions for now, and look for an opportunity to add to holdings.

Current Positions:• *DBLTX, SHY, IEF*

Sector / Market Recommendations

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.)

		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	Notes
XLY	Discretionary	Increasing	Positive	Positive	Hold			X			Broke Above 50-DMA
XLK	Technology	OB	Positive	Positive	Hold			X			Testing Highs
XLI	Industrials	Increasing	Positive	Neutral	Hold			X			Broke Above 50-DMA
XLB	Materials	Increasing	Positive	Neutral	Hold			X			Broke Above 50-DMA
XLE	Energy	OS	Negative	Negative	No Position					X	Testing Resistance
XLP	Staples	Declining	Positive	Positive	Hold			X			Holding Support/Near Highs
XLV	Health Care	Increasing	Positive	Neutral	Hold			X			Broke Above 50-DMA
XLU	Utilities	OB	Positive	Positive	Hold			X			Holding Support/Near Highs
XLF	Financials	OB	Positive	Neutral	Hold					X	Broke Above 50-DMA
XLC	Communications	Increasing	Positive	Neutral	No Position			X			Broke Above 50-DMA
XLRE	Real Estate	Neutral	Positive	Positive	Hold			X			Holding Support/Near Highs
SLY	Small Caps	Increasing	Negative	Negative	No Position					X	Broke Above Resistance
MDY	Mid Caps	Increasing	Positive	Neutral	No Position					X	Broke Above 50-DMA
EEM	Emerging Mkt	OB	Positive	Negative	No Position					X	Broke Above Resistance
EFA	International	OB	Positive	Negative	No Position					X	Testing Resistance
IXUS	Total International	OB	Positive	Negative	No Position					X	Testing Resistance
GLD	Gold	OS	Positive	Positive	Add			X			Testing Support
RSP	SP500 Equal Wgt	Increasing	Positive	Positive	Hold			X			Testing Resistance
SDY	SP500 Dividend	Increasing	Positive	Positive	Hold			X			Testing Resistance
IVV	SP500 Market Wgt	Increasing	Positive	Positive	Hold			X			Testing Resistance
TLT	20+ Yr. Bond	OS	Positive	Positive	Add			X			Testing Support
HYG	Corporate High Yield	Increasing	Positive	Positive	No Position					X	Held Support At 50-DMA
BNDX	Int'l Bond Aggregate	OS	Positive	Positive	No Position					X	Broke Support

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

Portfolio/Client Update:

Over the last 16-months we have been wrestling with the on again, off again, on again *"trade deal."* As discussed in detail above, Trump finally caved into China and game them a *"deal"* to get it out of the way before the election.•

At the same time, the Federal Reserve has started to once again aggressively increase their balance sheet, while cutting rates to stimulate economic growth.•

Despite the fact none of this really changes much on the economic front, we suspect it will get the bulls excited in the short-term and put pressure on stocks to move higher.•

For newer clients, we have begun the onboarding process bringing portfolios up to 1/2 weights in our positions. This is always the riskiest part of the portfolio management process as we are stepping into positions in a very volatile market. However, by maintaining smaller exposures, we can use pullbacks to add to holdings as needed. We also are carrying stop-losses to protect against a more severe decline.•

As we move into next week, depending on how markets are acting, we may look to increase our equity exposure modestly to *"rent whatever rally"* we may get from the *"trade deal."*•

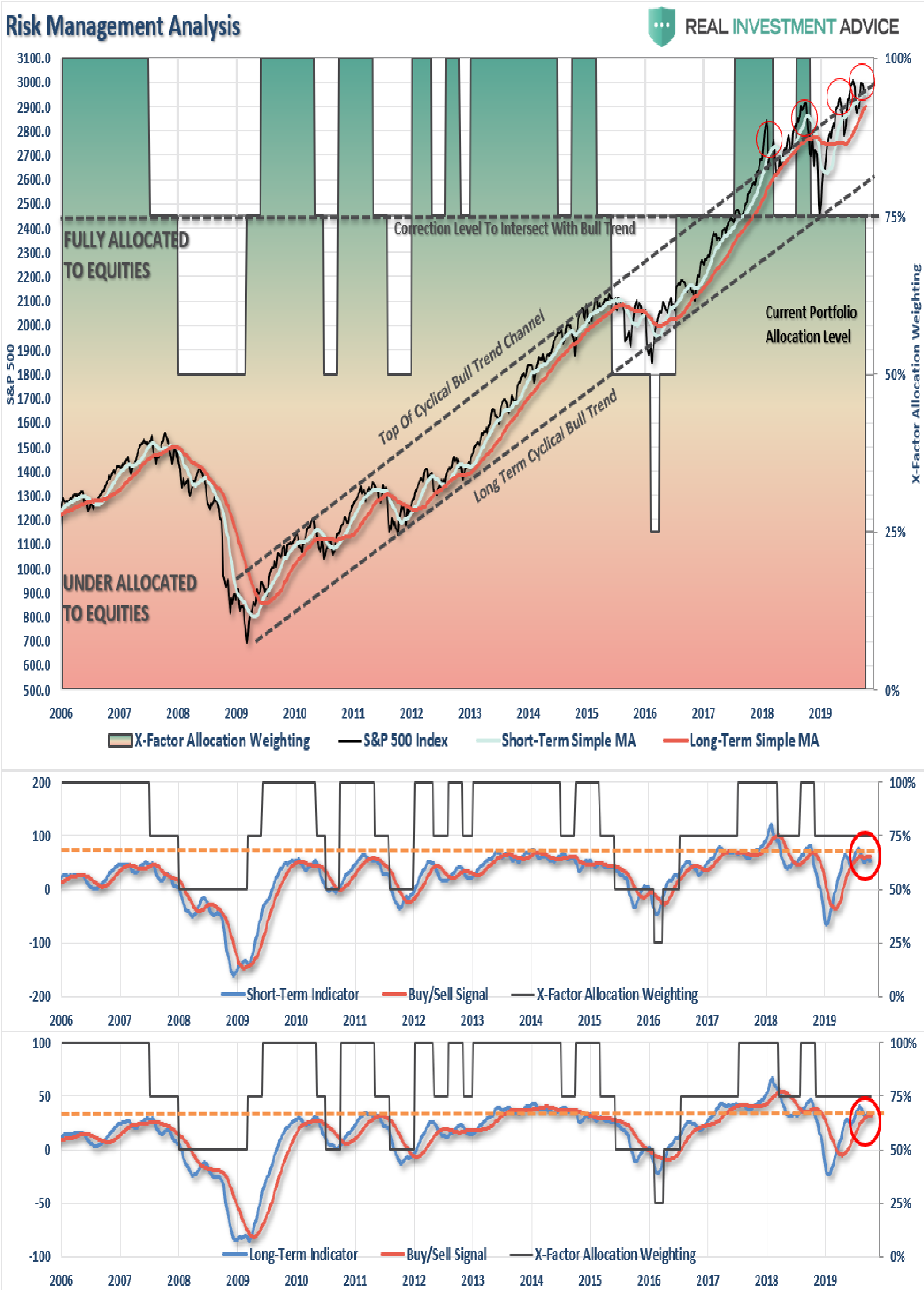
- **New clients:** *Please contact your adviser with any questions.•*
- ***Equity Model:*** *No change this week.•*
- ***ETF Model****: No change this week.•*

Note for new clients:

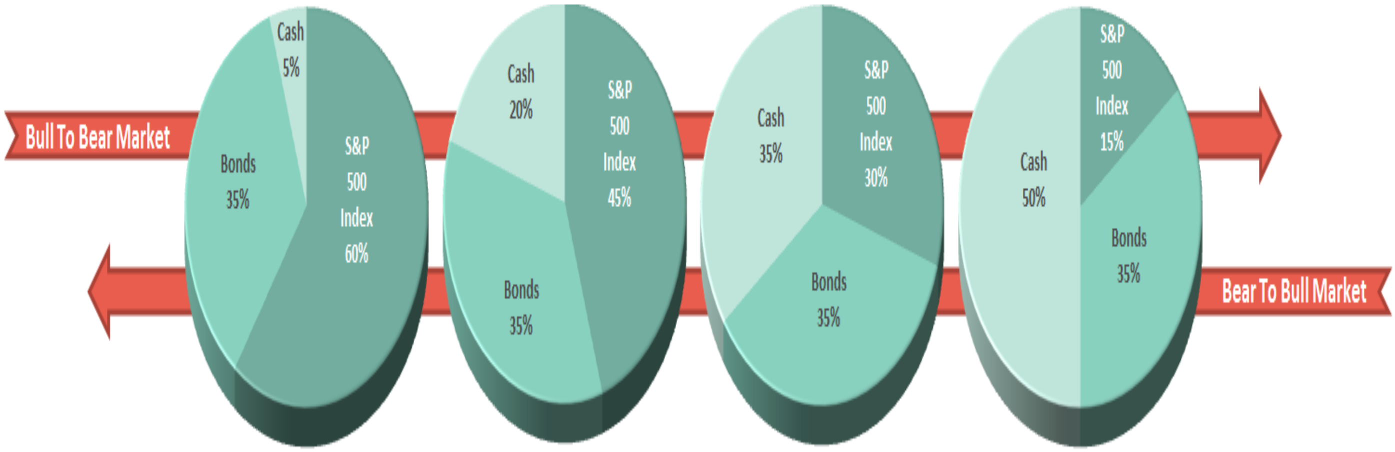
It is important to understand that when we add to our equity allocations, ALL purchases are initially?*trades?*•that can, and will, be closed out quickly if they fail to work as anticipated.• This is why we?*step?*•into positions initially. Once a?*trade?*•begins to work as anticipated, it is then brought 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

A Conservative Strategy For Long-Term Investors


Risk Management Analysis
REAL INVESTMENT ADVICE
FULLY ALLOCATED TO EQUITIES
UNDER ALLOCATED TO EQUITIES
Correction Level To Intersect With Bull Trend
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
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
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.*



Trade Deal Done?

As we stated last week:

> *"The market rallied on at the end of last week on "bad news" which gave the market "hope" the Fed would more aggressively cut rates. This is a short-term boost with a long-term negative outcome. Low rates are not conducive to economic growth, and the Fed cutting rates aggressively cuts financial incentive in the economy and leads to recessions in the economy.*
>
> *We advise caution, but suggest remaining weighted toward equity exposure for now. Despite the rally this week, there is some risk heading into the 'trade deal'•next week.**As noted, we expect a deal to be completed which will provide a lift to equities but we recommend weighting for the news before adding to risk."***

Once we get a handle on how the markets are going to react to all of the news, please read the main body of the missive above, we will look to increase overall equity exposure accordingly. In the meantime, you can prepare for the next moves by taking some actions if you haven't already.

- *If you are **overweight•equities**- Hold current positions but remain aware of the risk. Take some profits, and rebalance risk to some degree if you have not done so already.•*
- *If you are **underweight equities or at target -•**rebalance risks and hold positioning for now.*

If you need help after reading the alert; do not hesitate to **contact me**.

401k Plan Manager Beta Is Live

Become a **RIA PRO subscriber** and be part of our ***"Break It Early Testing Associate"*** group by using **CODE: 401** ***(You get your first 30-days free)***

The code will give you access to the entire site during the 401k-BETA testing process, so not only will you get to help us work out the bugs on the 401k plan manager, you can submit your comments about the rest of the site as well.

We are building models specific to company plans. So, if you would like to see your company plan included specifically, send me the following:

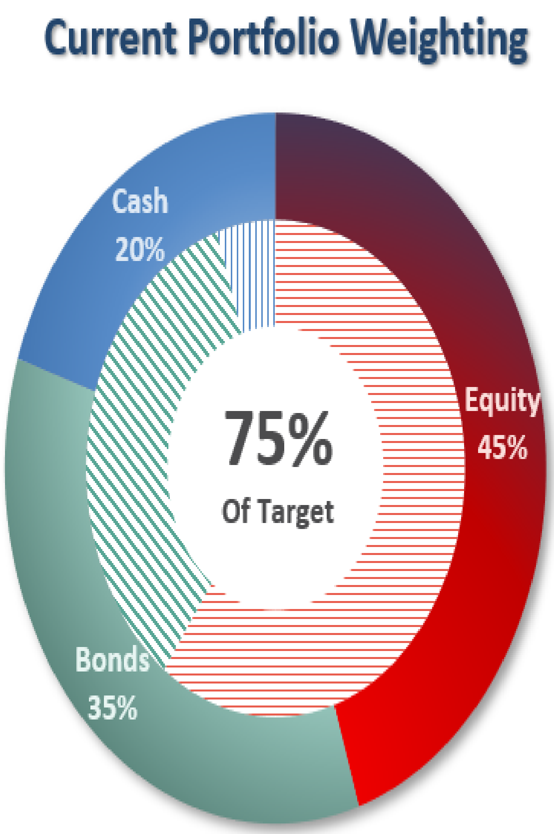
- *Name of the company*
- *Plan Sponsor*
- *A print out of your plan choices. (Fund Symbol and Fund Name)*

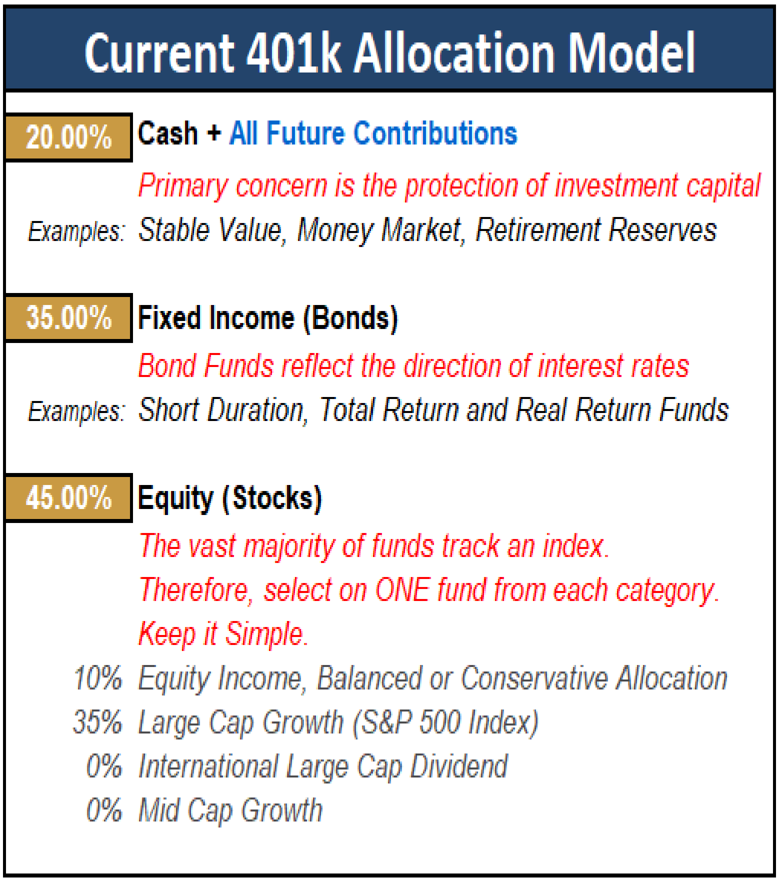
I have gotten quite a few plans, so keep sending them and I will include as many as we can.

If you would like to offer our service to your employees at a deeply discounted corporate rate, please contact me.

Current 401-k Allocation Model

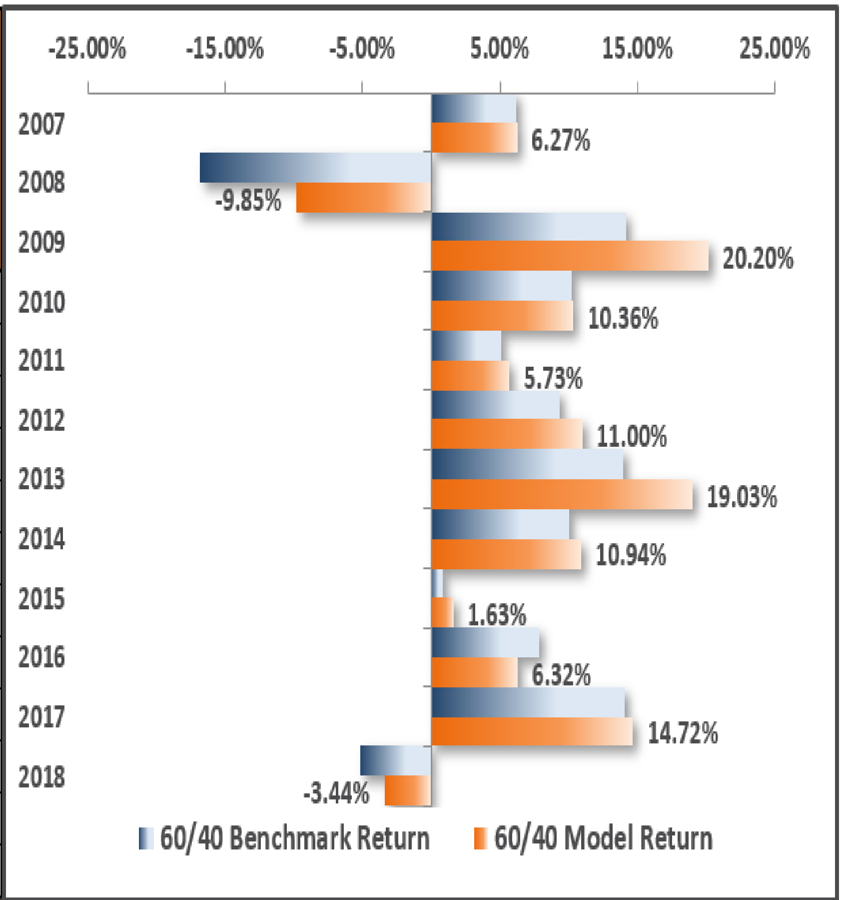
The 401k plan allocation plan below follows the K.I.S.S. principle. By keeping the allocation extremely simplified it allows for better control of the allocation and a closer tracking to the benchmark objective over time.***(If you want to make it more complicated you can, however, statistics show that simply adding more funds does not increase performance to any great degree.)***



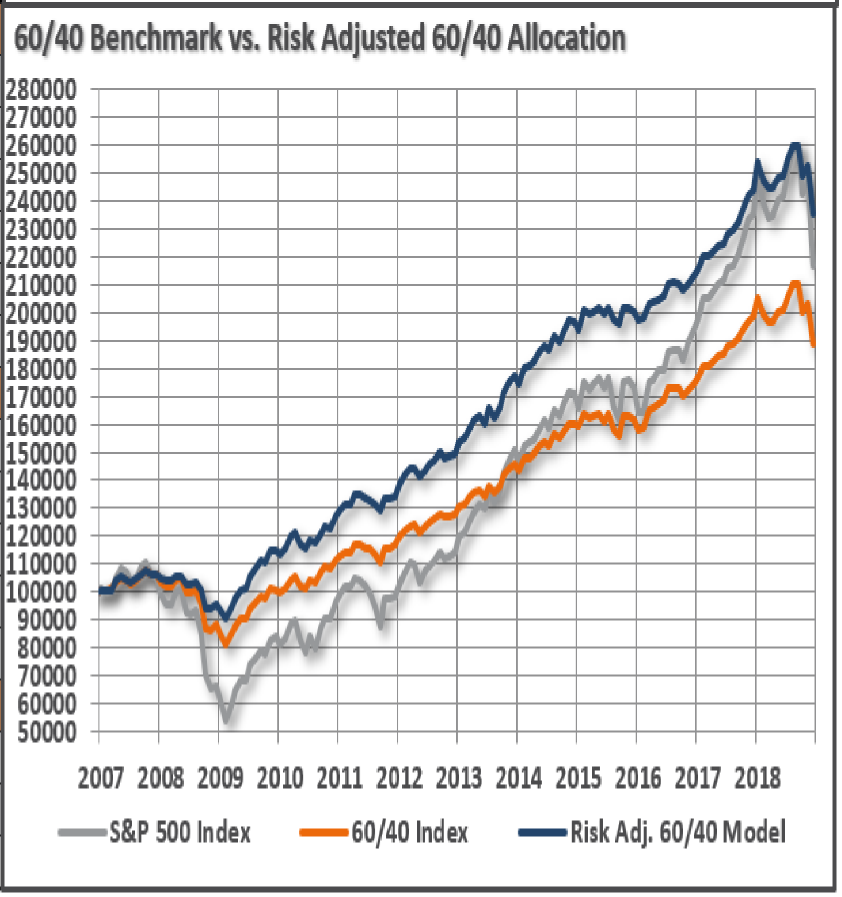


Model performance is based on a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. This is strictly for informational and educational *purposes only and should not be relied upon for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.•*

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.14%	6.27%
2008	-16.78%	-9.85%
2009	14.20%	20.20%
2010	10.22%	10.36%
2011	5.09%	5.73%
2012	9.33%	11.00%
2013	13.93%	19.03%
2014	10.06%	10.94%
2015	0.82%	1.63%
2016	7.81%	6.32%
2017	14.12%	14.72%
2018	-5.13%	-3.44%



Portfolio vs Benchmark Statistics	
Number of Up Years	10
Number of Down Years	2
Best One Year Return Of Benchmark	14.20%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.78%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	88.49%
Model Return 2007-Present	135.70%
Total Alpha Generated	47.22%
Mean Annual Return Of Benchmark	6.08%
Mean Annual Return Of Model	8.16%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.53%
Sharpe Ratio	0.20



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