

RIA PRO

 Real Investment Report

For The Bulls, It's Now Or Never



- *Now Or Never For The Bulls*
- *Bearish Case Has Teeth*
- *Sector & Market Analysis*
- *401k Plan Manager*

Follow Us On: [Twitter](#), [Facebook](#), [Linked-In](#), [Sound Cloud](#), [Seeking Alpha](#)



Real Investment Show
with Lance Roberts

Monday to Friday,
from 6 to 7am. [> Get it now](#)

It's Now Or Never For The Bulls

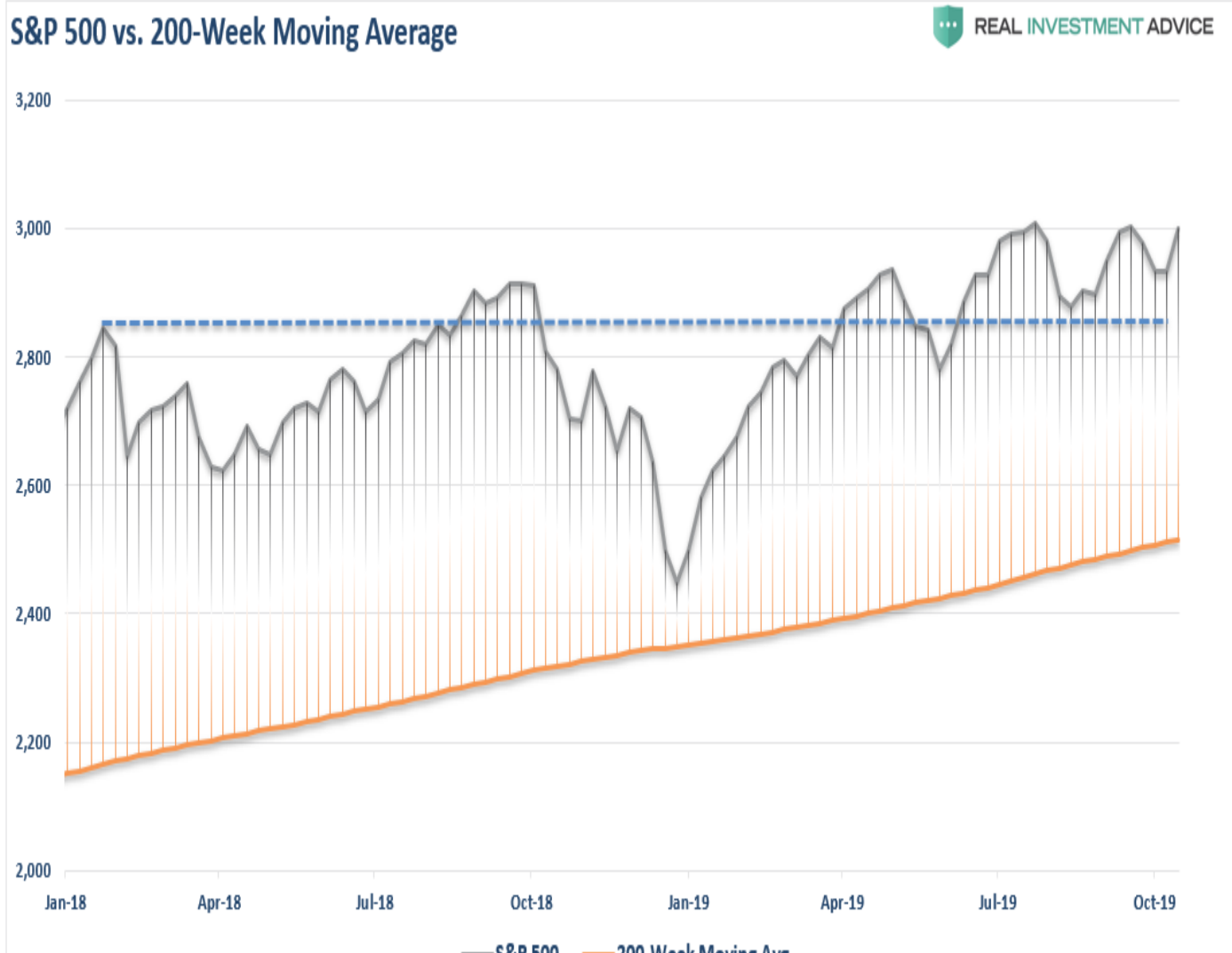
In April of 2018, I wrote an article discussing the [10-reasons the bull market](#) had ended.

*?The backdrop of the market currently is vastly different than it was during the ?taper tantrum?•in 2015-2016, or during the corrections following the end of QE1 and QE2.• In those previous cases, the Federal Reserve was directly injecting liquidity and managing expectations of long-term accommodative support. Valuations had been through a fairly significant reversion, and expectations had been extinguished.**None of that support exists currently.**?*

It mostly fell on *deaf ears?* as the market rallied back to highs. Since then, the market has continued to "cling" to a "wall of worries" as noted in [Tuesday's missive by Doug Kass:](#)

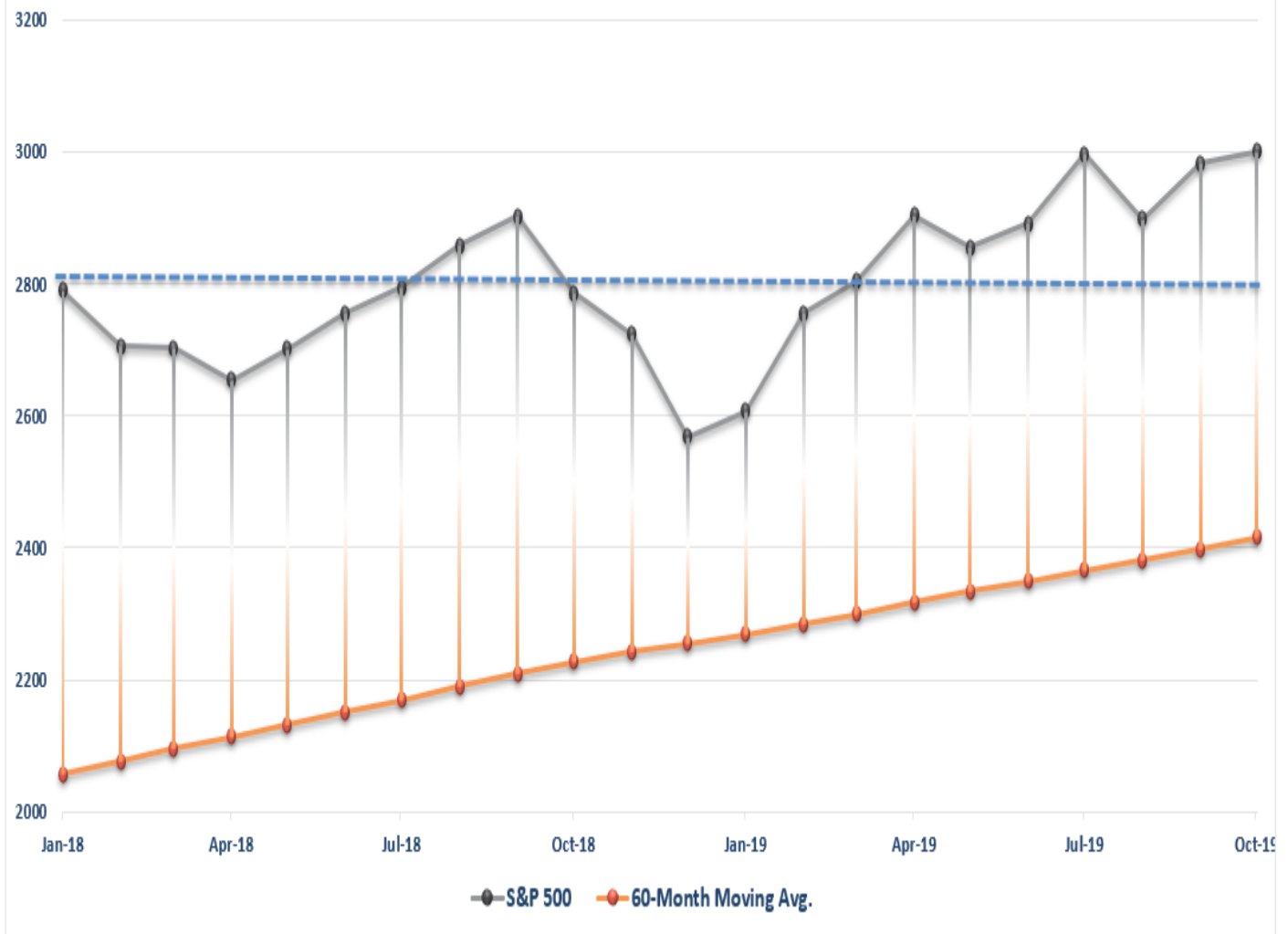
- **The Fed Is Pushing On A String:**
- **Untenable Debt Loads In The Private And Public Sectors.**
- **An Unresolved Trade War With China.**
- **The Global Manufacturing Recession Is Seeping Into The Services Sector.**
- **The Market Structure Is Frightening.**
- **We Are At An All-Time Low In Global Cooperation And Coordination.**
- **We Are Already In An ?Earnings Recession.?**
- **Front Runner Status of Senator Warren (Market Unfriendly)**
- **Valuations On Traditional Metrics (e.g., stock capitalizations to GDP) Are Sky High.**
- **Few Expect That The Market Can Undergo A Meaningful Drawdown.**
- **The Private Equity Market (For Unicorns) Crashes And Burns.**
- **WeWork's Problems Are Contagious**

The reason I said "cling," rather than "climb," a "Wall of Worries" is that over the last 22-months the market really has not made much progress. With the market only marginally higher than it was in January of 2018, it has been mostly the ability for investors to withstand a heightened level of volatility. The following is a **WEEKLY** chart of the S&P 500 as compared to its 4-year (200-week) moving average.



Here is the same chart on a **MONTHLY** basis as compared to its 5-year moving average.

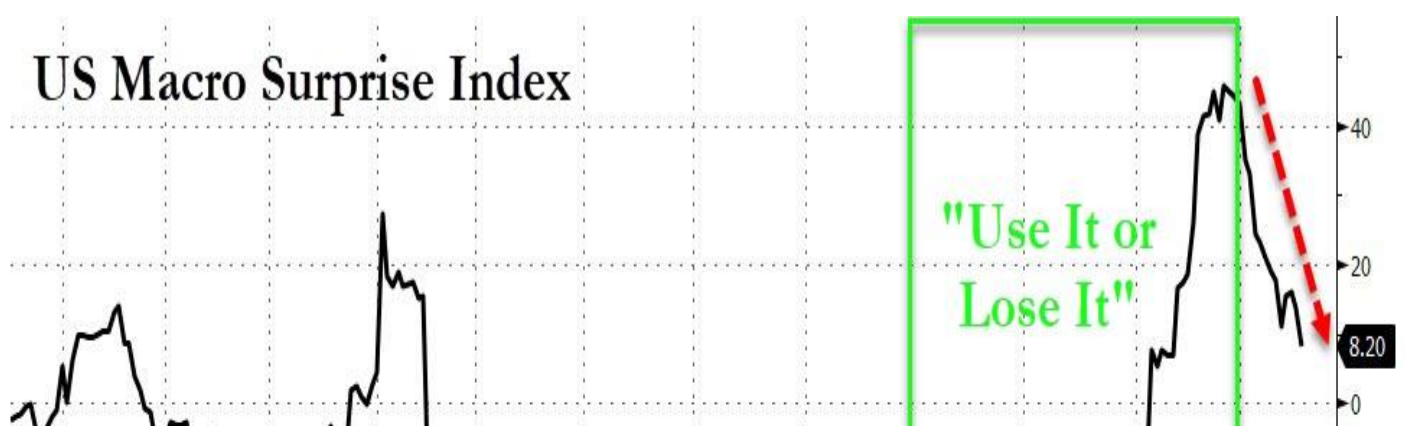
S&P 500 vs. 60-Month Moving Average



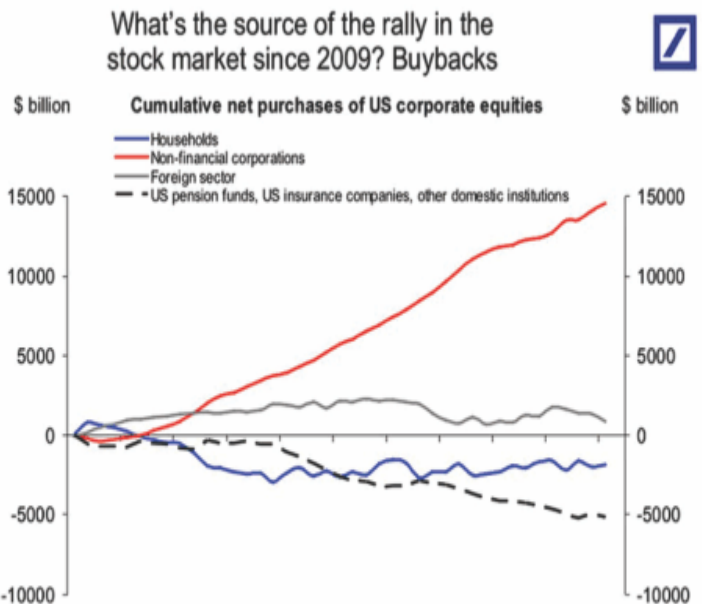
Note the extremely long time frames of the underlying moving averages. We will revisit these in a moment. For investors, it is important to understand the "bulls" maintain control of the market narrative for the moment, and, as noted last week, the "bullish wish list" was fulfilled over the last several weeks. To wit:

- **The ECB announced more QE** and reduced capital constraints on foreign banks.
- **The Fed also reduced capital requirements on banks; and,**
- **Initiated QE of \$60 billion** in monthly treasury purchases. (But it's not QE)
- **The Fed is cutting rates** as concerns over economic growth remain.
- **A "Brexit Deal" has been reached.** (Just don't read the subtext that says it likely won't pass Parliament.)
- **Trump, as expected, caved into China** and sets up an exit from the ?trade deal? nightmare he got himself into. •
- **Economic data is improving** on a comparative basis in the short-term.

US Macro Surprise Index

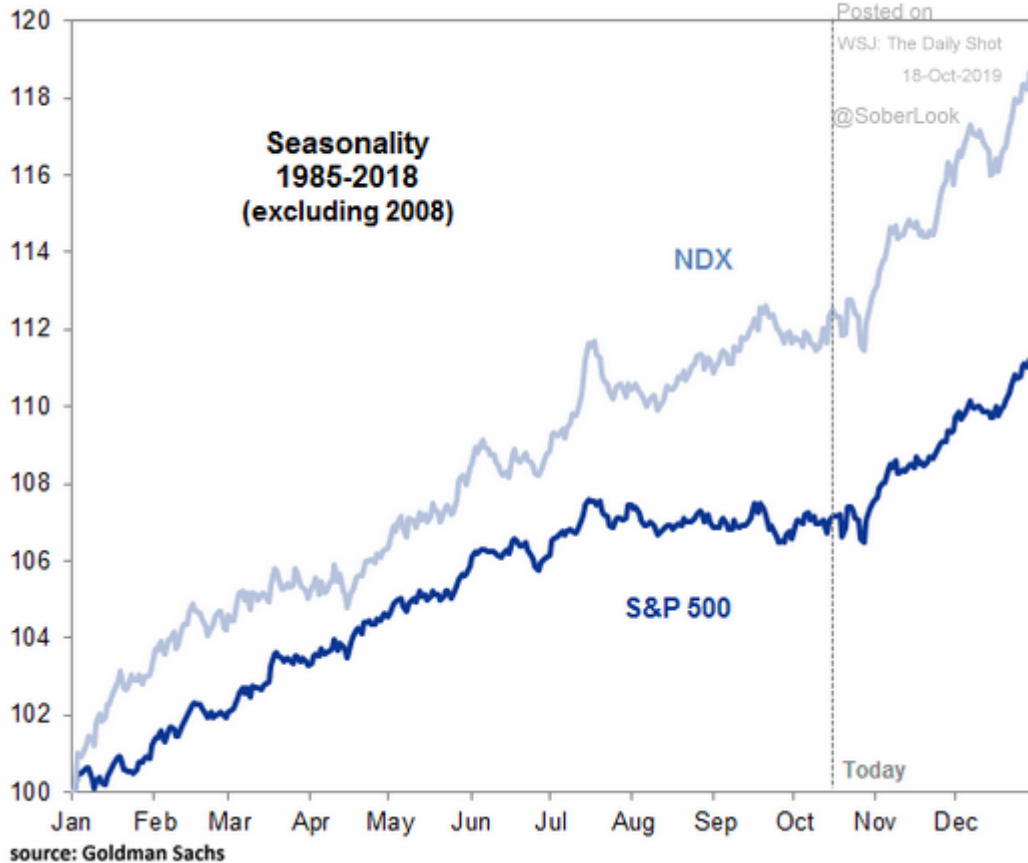


- **Stock buybacks are running on pace to be another record year.** (As noted previously, stock buybacks have accounted for almost 100% of all net purchases over the last couple of years. See chart below.)



SEASONALITY...

Source:
If you
movin



2017 2018 2019
ies, Private Pension Funds, Federal government
arch

we are now
advantage, for

now.

This is why we

continue to maintain a long-equity bias in our portfolios currently. We also recently slightly reduced our hedges, along with some of our more defensive positioning. We are still maintaining slightly higher than normal levels of cash.

60/40 ALLOCATION MODEL

Cash
12%

DBLTX
17%



Note: If you want to track our portfolios "real time," receive buy/sell alerts on holdings, and have access to all of our data and analysis tools, check out RIAPro.net today for a 30-day FREE Trial.

RIAPro

Get the latest trades, analysis, and insights from the **RIA Pro** team.

[> Sign up now](#)

The Bearish Case Still Has Teeth

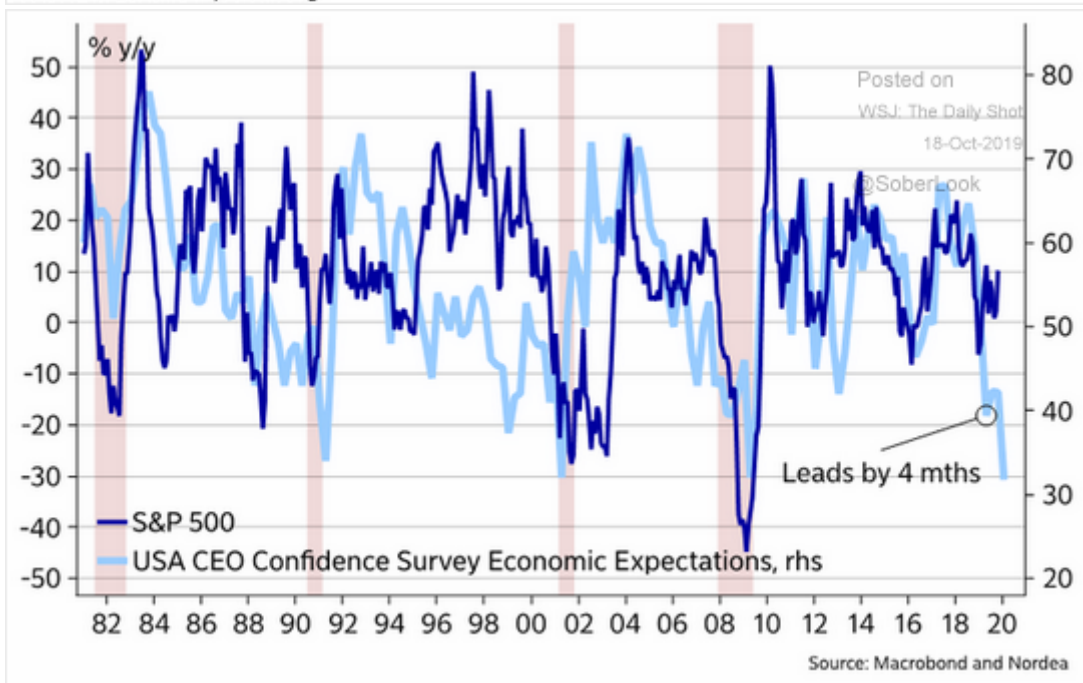
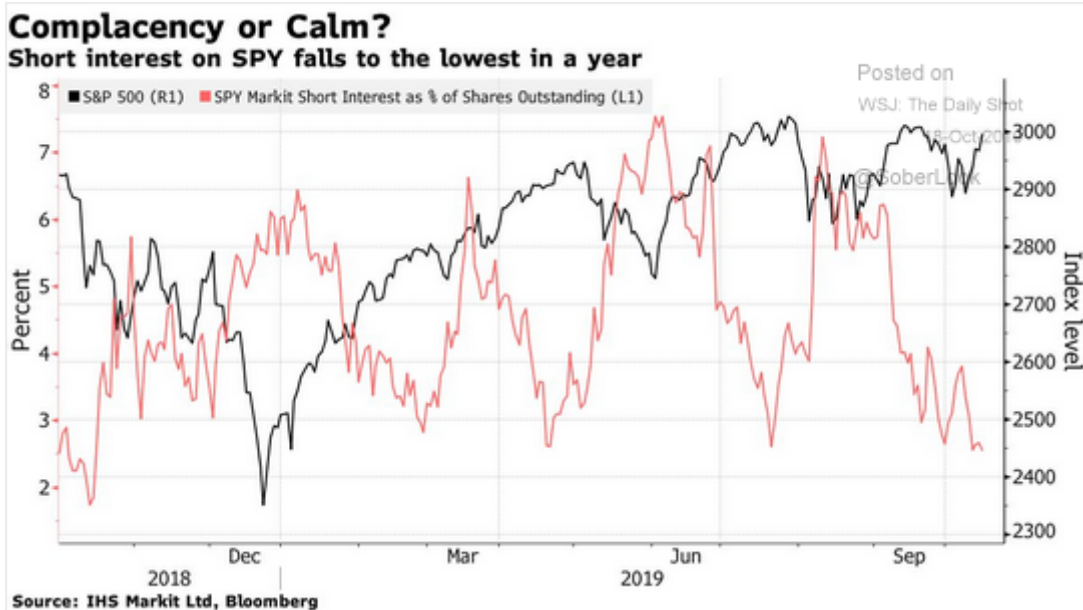
"So, IF the "bulls" do indeed have control of the market, then why are allocations still somewhat hedged for risk?"

Great question. The simple reason we still remain cautious is due to several reasons:

- Despite the "bullish case" suggesting higher prices into the end of the year, there is still a not-insignificant possibility of failure.
- Even with the "bullish backdrop," the markets have, at least for now, been unable to make, and sustain, new highs. (see chart)



- There is a high level of complacency among speculators (see chart)



which have denoted

The chart below is the

S&P 500 as compared to its 5-year MONTHLY, moving average. With the market currently pushing one of the highest deviations from the long-term average, investors would do well to remember that **"reversions to the mean" occur with regularity.**



As is always the case, historically speaking, the "bull case" ALWAYS appears to be "correct," until it isn't. Unfortunately, for most investors, by the time they realize that something has going wrong, and they find out just how much "risk" they have layered into their portfolios, it is often too late to do much about it. This is why "risk management" is always vastly more important than chasing returns.

What To Watch Out For

The one thing about long-term trending bull markets is that they cover up investment mistakes. Overpaying for value, taking on too much risk, leverage, etc. are all things that investors inherently know will have negative outcomes. **However, during a bull market, those mistakes are** *forgiven* **as prices inherently rise. The longer they rise, the more mistakes that investors tend to make as they become assured they are** *smarter than the market.* Eventually, a bear market reveals those mistakes in the most brutal of fashions. It is often said the religion is found in *foxholes.* It is also found in bear markets where investors begin to *pray* for relief. Many investors have dismissed the lessons they learned in 2008. There are many more who have never actually seen a "bear market," and understandably believe the current bull cycle will last indefinitely. I can assure you it won't, and "experience" is always a brutal teacher. As I wrote in [The Exit Problem?](#) last December:

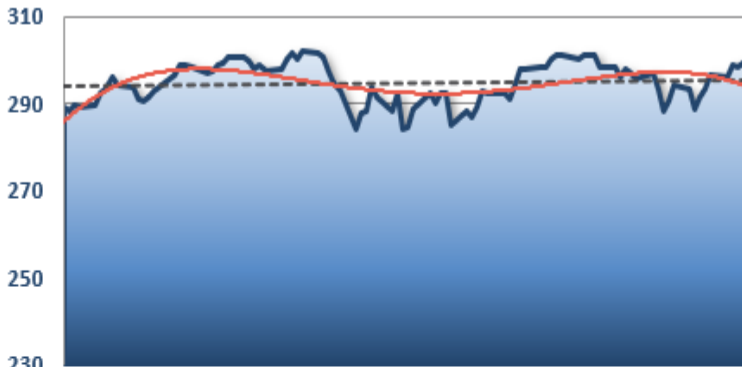
My job is to participate in the markets while keeping a measured approach to capital preservation. Since it is considered bearish to point out the potential risks which could lead to rapid capital destruction; then I guess you can call me a bear. Just make sure you understand I am still in theater, I am just moving much closer to the exit??

After having [trimmed out some of our gains](#) in our equity holdings throughout the year, and having been a steady buyer of bonds ([despite consistent calls for higher rates](#)), we are well positioned to take advantage of a rally to new highs if it occurs. <https://realinvestmentadvice.com/8-reasons-to-hold-some-extra-cash/> The cash we hold also protects us against a sudden sharp decline. **For the bulls, it's now or never to make a final stand.** Just remember, getting back to even is not the same as growing wealth. 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 • •

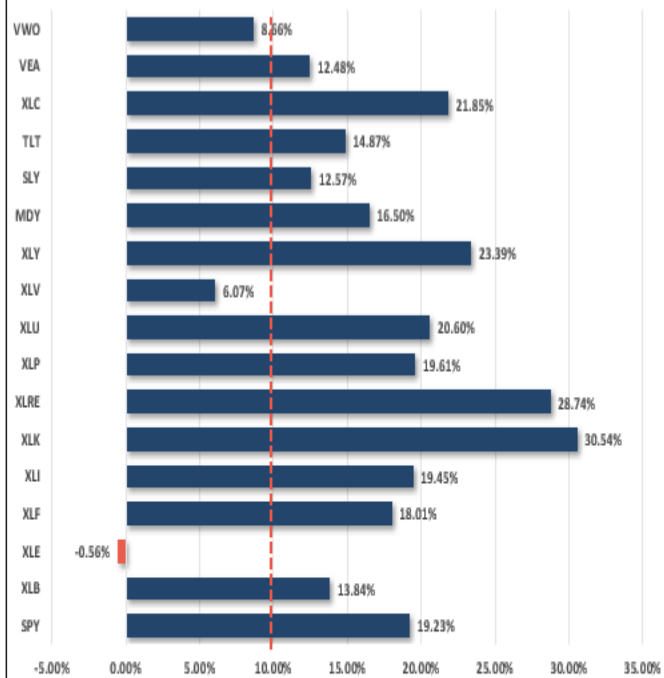
3 Month SPY Price							SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE					
							Item		T 2-Yr		T 1-Yr.		YTD		% Diff YTD/T1-YR	
							Price Return		16.52%		7.80%		19.23%		146.37%	
							Max Drawdown		-20.47%		-16.88%		-7.41%		-56.08%	
							Sharpe		0.62		0.49		1.81		2.67	
							Sortino		0.74		0.59		2.25		2.84	
							Volatility		14.93		16.38		13.68		(0.17)	
							Daily VaR-5%		(13.33)		(17.20)		4.48		(1.26)	
							Mnthly VaR-5%		(11.95)		(24.98)		4.58		(1.18)	
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	1.87%	1.77%	1.86%	4.69%	2.18%	1.68%	(14.65%)	10.95%	Shares	2,408.3	2,328.4	(3.32%)				
P/E Ratio	21.08	19.16	18.48	(3.71%)	21.60	16.39	(14.5%)	12.74%	Sales	60,940	64,504	5.85%				
P/S Ratio	3.27	3.43	3.26	(5.11%)	3.57	2.62	(8.68%)	24.45%	SPS	25.3	27.7	9.48%				
P/B Ratio	3.60	4.14	4.05	(2.35%)	4.14	3.01	(2.29%)	34.46%	Earnings	8,816	9,501	7.77%				
ROE	15.94%	18.26%	18.71%	2.40%	18.82%	15.00%	(0.59%)	24.76%	EPS TTM	4.4	4.9	11.37%				
ROA	2.97%	3.43%	3.53%	2.84%	3.53%	2.81%	(0.03%)	25.53%	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	(20.13%)	4.35%	1.23	15.38	127.61	12.35	(87.9%)	9.1%	4.2%	6.47%	3.44	15.07				
Materials	(15.81%)	2.68%	1.22	14.14	22.97	13.86	(38.5%)	9.8%	1.9%	7.07%	4.27	14.98				
Industrials	5.02%	9.24%	1.16	17.45	22.23	14.78	(21.5%)	16.6%	2.0%	5.69%	5.30	15.88				
Discretionary	11.88%	10.26%	1.04	24.30	27.17	20.19	(10.6%)	29.2%	1.3%	4.11%	5.01	21.31				
Staples	12.92%	7.39%	0.59	20.90	22.83	17.62	(8.4%)	27.3%	2.7%	4.77%	3.96	20.10				
Health Care	(0.22%)	13.75%	0.85	16.33	20.60	15.90	(20.7%)	30.9%	1.8%	6.11%	6.77	14.72				
Financials	6.43%	12.85%	1.26	13.30	18.45	11.70	(27.9%)	11.6%	2.2%	7.54%	5.89	12.15				
Technology	17.17%	22.17%	1.26	21.78	21.73	14.41	0.2%	39.6%	1.4%	4.55%	5.40	20.14				
Telecom	5.71%	10.53%	0.88	20.21	26.73	17.47	(24.4%)	17.1%	0.9%	4.91%	6.64	17.51				
Utilities	22.85%	3.50%	0.27	21.55	21.00	15.58	2.6%	10.4%	3.1%	4.67%	3.68	19.99				
Real Estate	26.19%	3.20%	0.69	21.62	24.47	17.10	(11.7%)	9.6%	3.0%	4.67%	4.38	20.40				
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	297.97	2.18%	294.25	6	1.27%	287.09	99	3.79%	2.49%	(1.54%)	27.47%	Buy				
Mid Cap	352.62	1.79%	347.02	6	1.61%	346.97	6	1.63%	0.02%	(2.83%)	23.97%	Buy				
Small Cap	67.51	2.06%	66.44	4	1.61%	66.94	4	0.85%	(0.75%)	(4.78%)	19.91%	Sell				

Performance Analysis

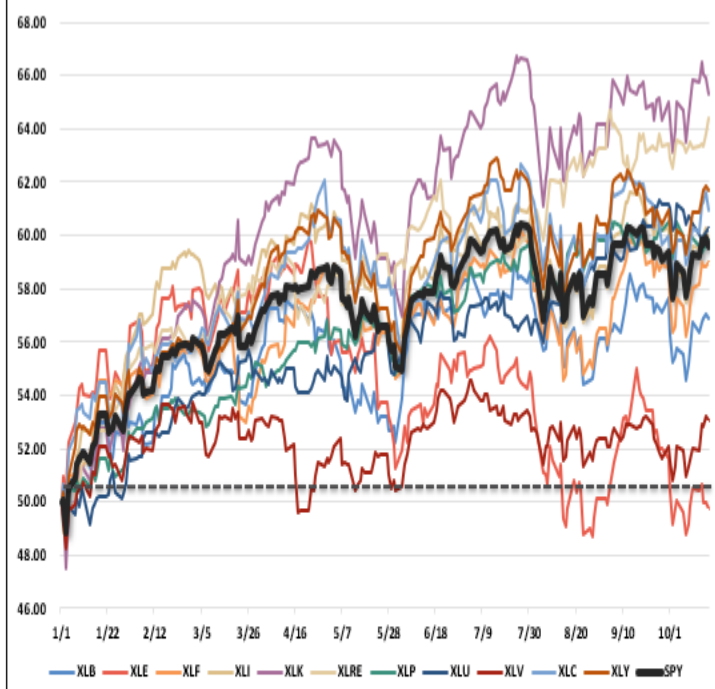
Year To Date Performance



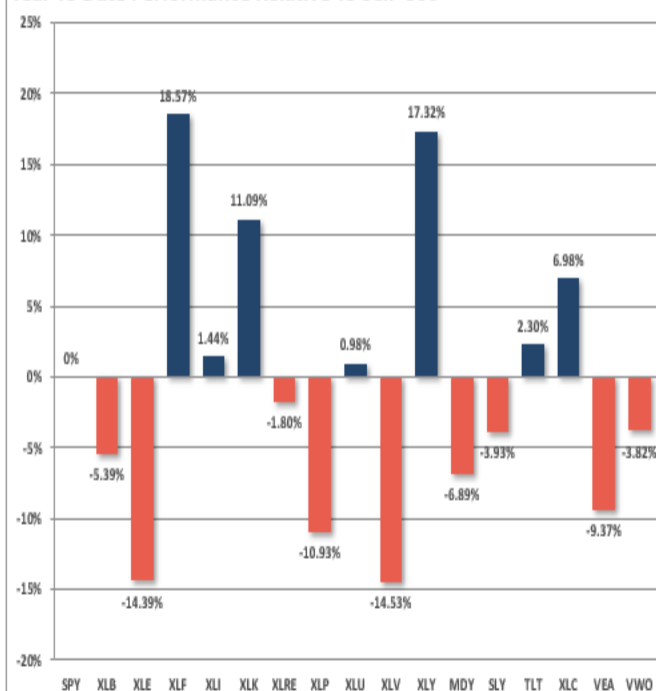
REAL INVESTMENT ADVICE



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



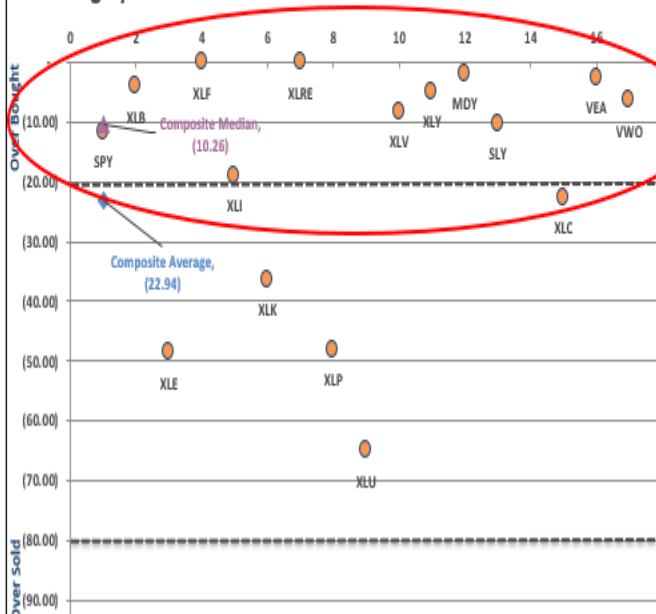
Year To Date Performance Relative To S&P 500



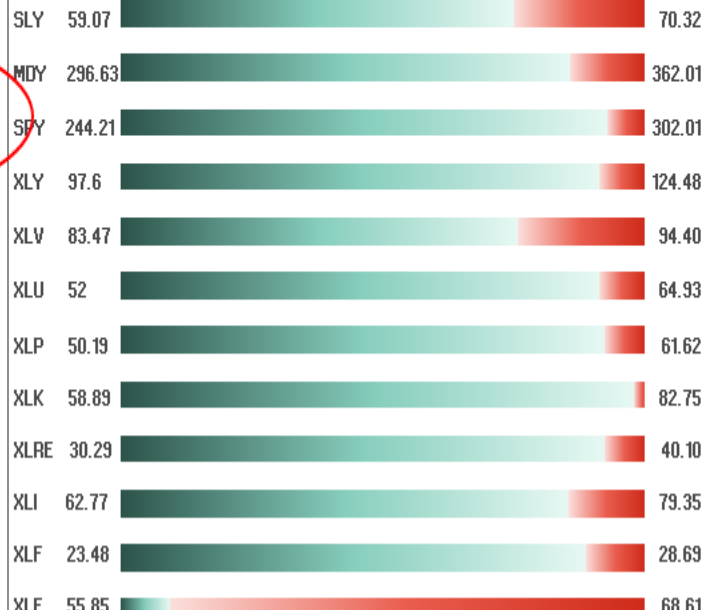
Price Deviation From 50-Day Moving Average



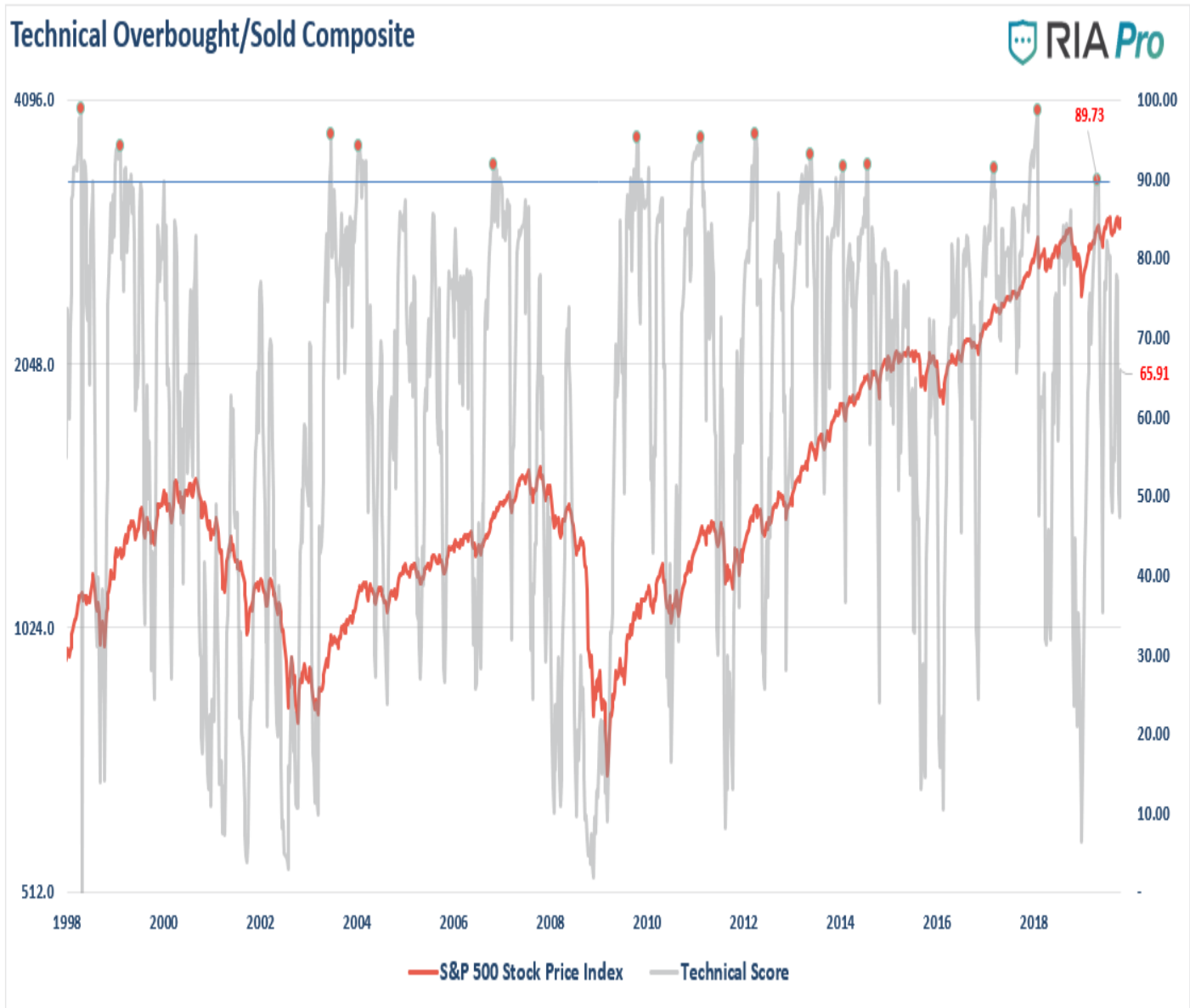
Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



Technical Composite



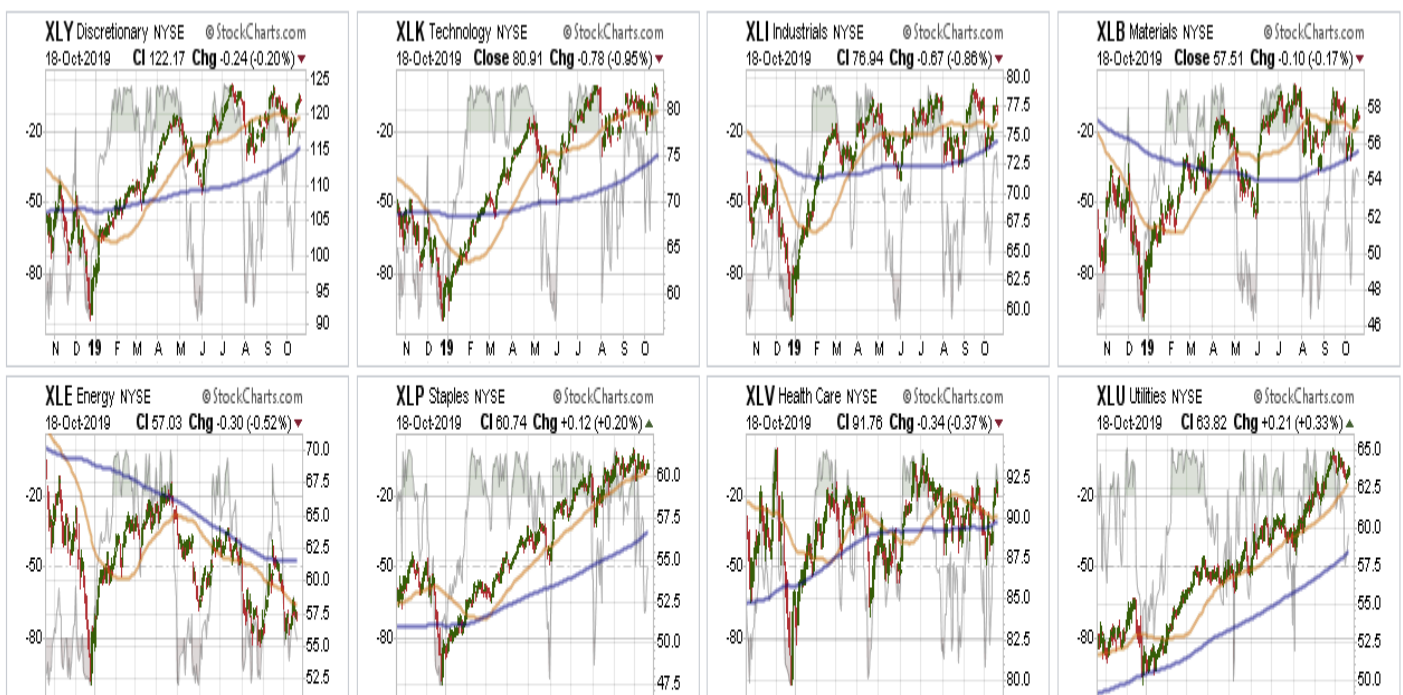
ETF Model Relative Performance Analysis

RELATIVE PERFORMANCE				Current	Model Position Price Changes Relative to Index					SHORT	LONG	% DEV -	% DEV -	Buy / Sell
		Ticker	ETF NAME	Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	WMA	WMA	Short M/A	Long M/A	Signal
BENCHMARK		IVV	ISHARS-SP500	299.60	0.57	(0.54)	(1.37)	1.21	7.67	296.30	292.00	1.11%	2.60%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	57.51	(0.29)	(0.88)	(1.25)	0.27	0.64	57.26	56.74	0.44%	1.36%	BUY
		XLE	SPDR-EGY SELS	57.03	(2.06)	(6.40)	(7.31)	(12.45)	(27.94)	59.13	62.36	-3.54%	-8.55%	SELL
		XLF	SPDR-FINL SELS	28.11	1.09	0.64	(0.65)	(1.07)	(2.27)	27.47	27.19	2.32%	3.40%	BUY
		XLI	SPDR-INDU SELS	76.94	(0.39)	(0.58)	(0.61)	(3.08)	(2.53)	76.37	76.11	0.75%	1.09%	BUY
		XLK	SPDR-TECH SELS	80.91	(1.38)	1.35	(0.66)	1.41	7.90	80.05	77.44	1.07%	4.48%	BUY
		XLP	SPDR-CONS STPL	60.74	(0.74)	1.23	1.99	4.59	3.40	60.37	58.26	0.62%	4.25%	BUY
		XLU	SPDR-UTIL SELS	63.82	(0.73)	0.46	7.77	8.26	9.29	62.43	60.17	2.23%	6.07%	BUY
		XLC	SPDR-COMM SV SS	50.30	0.51	(0.23)	(1.37)	(0.79)	(0.00)	49.85	48.97	0.90%	2.71%	BUY
		XLV	SPDR-HLTH CR	91.76	1.45	0.28	1.04	0.56	(7.39)	90.63	90.66	1.25%	1.21%	SELL
		XLY	SPDR-CONS DISCR	122.17	0.74	2.02	0.26	0.51	7.22	119.97	117.78	1.83%	3.73%	BUY
	SIZE	SLY	SPDR-SP SC 600	67.51	1.02	(0.82)	0.09	(5.21)	(9.00)	66.59	66.99	1.38%	0.77%	SELL
MDY		SPDR-SP MC 400	352.62	0.45	0.28	(1.05)	(3.54)	(4.20)	348.38	348.87	1.22%	1.07%	SELL	
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	107.84	0.15	(0.42)	(0.61)	(1.43)	(0.68)	106.70	106.15	1.06%	1.59%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	103.27	0.72	1.85	1.90	0.17	1.89	100.64	100.18	2.61%	3.09%	BUY
	Real Estate	XLRE	SPDR-RE SELS	39.91	1.16	2.56	9.09	8.58	17.76	38.75	37.30	2.98%	7.01%	BUY
	International	EEM	ISHARS-EMG MKT	41.98	0.03	1.43	(0.31)	(6.28)	(1.84)	40.89	41.95	2.67%	0.08%	SELL
		EFA	ISHARS-EAFE	66.27	0.52	1.62	2.55	(2.29)	(3.70)	64.20	64.88	3.23%	2.14%	SELL
IXUS		ISHARS-CR INT S	58.76	0.35	1.45	1.68	(2.98)	(3.50)	57.11	57.83	2.88%	1.62%	SELL	
FI	Intermediate Duration	TLT	ISHARS-20+YTB	139.58	(1.19)	(1.09)	7.54	11.66	15.09	141.39	132.22	-1.28%	5.57%	BUY
	International	BNDX	VANGD-TTL INT B	58.27	(0.66)	(0.13)	2.13	3.31	(0.55)	58.59	57.08	-0.55%	2.08%	BUY
	High Yield	HYG	ISHARS-IBX HYCB	87.09	(0.21)	0.09	1.28	(0.61)	(5.09)	86.79	86.47	0.35%	0.72%	BUY
	Cash	BSV	VANGD-SHT TRM B	80.85										

Sector & Market Analysis:

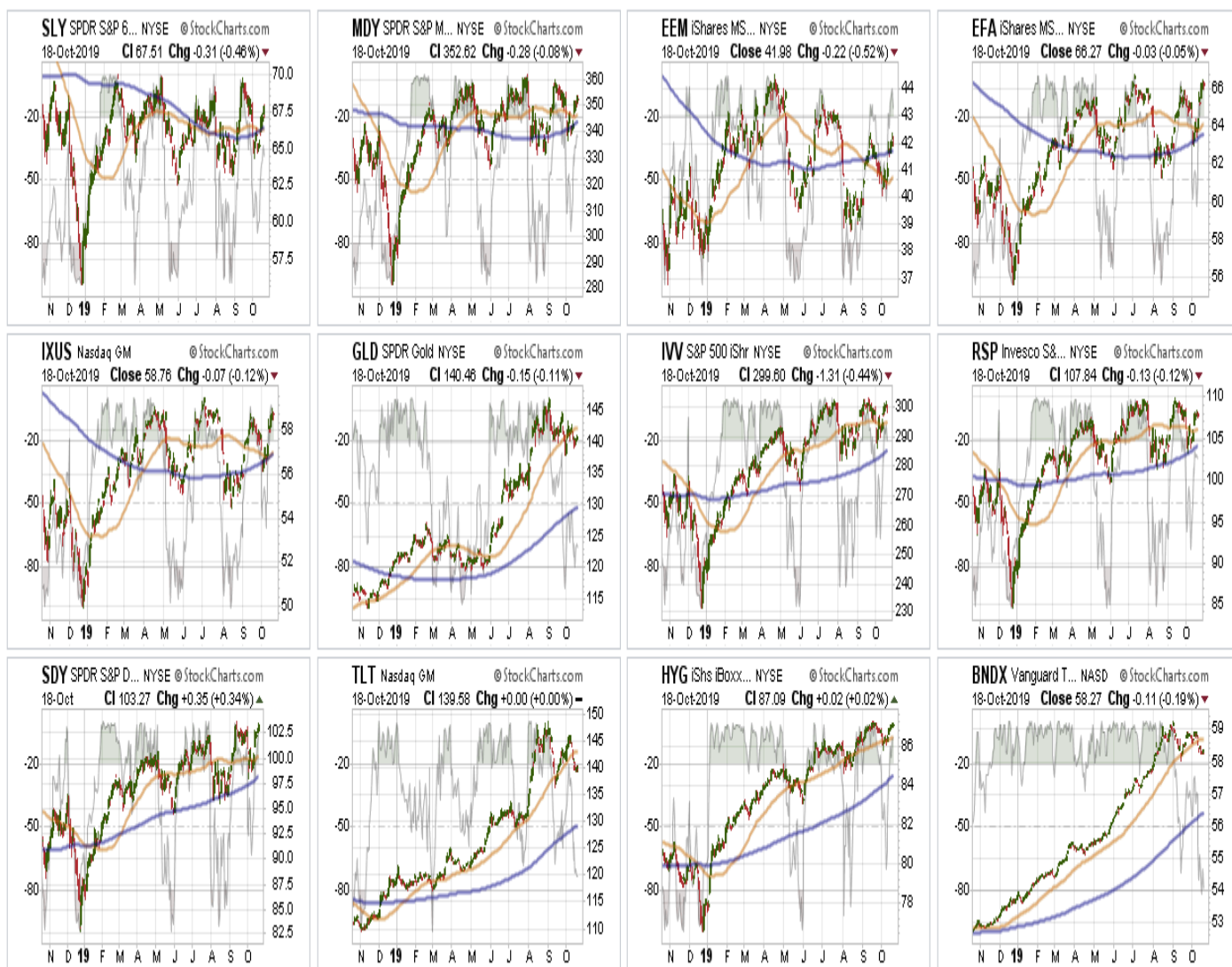
Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels

Sector-by-Sector



Improving ? Healthcare (XLV), Industrials (XLI), Energy (XLE) The relative performance improvement of HealthCare relative to the S&P 500 regained some footing this past week as money has started a rotation into underperforming sectors. Energy, after having been thoroughly beaten up, has also shown some signs of life. It is a bit early to get aggressive in the sector, but the improvement in relative performance puts it on our radar. Industrials, which perform better when the Fed is active with QE, has also picked up steam. **Current Positions:** ~~Target~~ weight XLV, 1/2 weight XLI **Outperforming ?** **Staples (XLP), Utilities (XLU), Real Estate (XLRE)** Defensive and "value" 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. We took profits in these two areas last week but remain fully exposed as the trend remains positive. **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, but unfortunately, have not been able to actually MAKE new highs. Relative performance continues to lag the S&P 500 currently, and if the "bulls" are going to make an advance, they need to do so sooner, rather than later. **Current Position:** ~~Target~~ weight XLY, XLK, XLC **Lagging ? Basic Materials (XLB), and Financials (XLF)** 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. XLF is testing resistance and is overbought, so we need a bit of a pullback to add some exposure. **Current Position:** ~~None~~


Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? Small- and Mid-caps popped up last week, and have cleared 200-dma's. Unfortunately, they continue to drag overall performance and remain trapped below fairly significant resistance. However, we are watching for technical improvement as when the Fed is engaged in QE, small and mid-cap stocks tend to outperform. If we see a better entry point, we will look to add exposure accordingly. **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 portfolios for several weeks due to lack of performance. These markets rallied recently on news of "more 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 had noted previously that we were going to take profits and protect our gains. We did that this past week as we sold 1/2 the position. Gold is testing critical support, and is working off its overbought condition. We are now looking for our next entry point. **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
XLV	Discretionary	OB	Positive	Positive	Hold			X			Testing Highs
XLK	Technology	OB	Positive	Positive	Hold			X			Testing Highs
XLI	Industrials	OB	Positive	Neutral	Hold			X			Testing Highs
XLB	Materials	OB	Positive	Neutral	Hold			X			Testing Highs
XLE	Energy	OS	Negative	Negative	No Position					X	Testing Resistance
XLP	Staples	Declining	Positive	Positive	Hold			X			Holding Support/Near Highs
XLV	Health Care	OB	Positive	Neutral	Hold			X			Testing Highs
XLU	Utilities	Declining	Positive	Positive	Hold			X			Holding Support/Near Highs
XLF	Financials	OB	Positive	Neutral	Hold					X	Testing Highs
XLC	Communications	OB	Positive	Neutral	No Position			X			Testing Highs
XLRE	Real Estate	OB	Positive	Positive	Hold			X			Testing Highs
SLV	Small Caps	OB	Negative	Negative	No Position					X	Broke Above Resistance
MDY	Mid Caps	OB	Positive	Neutral	No Position					X	Testing Resistance
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	OB	Positive	Positive	Hold			X			Testing Resistance
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			Testing Resistance
IVV	SP500 Market Wgt	OB	Positive	Positive	Hold			X			Testing Resistance
TLT	20+ Yr. Bond	OS	Positive	Positive	Add			X			Broke 50-DMA
HYG	Corporate High Yield	OB	Positive	Positive	No Position					X	Testing Highs
BNDX	Int'l Bond Aggregate	OS	Positive	Positive	No Position					X	Broke 50-DMA
LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING						X	No Position				

Portfolio/Client Update:

Please read the main body of this missive for a better understanding why we are adjusting exposures in portfolios. Given the fact the Federal Reserve is back to providing liquidity into the markets, we have to remain cognizant of the market's "perception" of what will happen with QE, versus what we actually expect to the outcome to be. **In the short-term, the catalyst is likely a net positive to stocks so we need to adjust equity exposure slightly to take advantage of the potential upside bias as we head into the end of the year.** We began last week by trimming exposures in some of our more "defensive" positions which have had large gains this year. Step two will be to add exposure in areas which will likely benefit the most from QE which includes small and mid-capitalization markets, basic materials, industrials, financials and energy. These additions will increase our overall allocation towards equity risk as we head into the end of the year. However, these are NOT permanent additions, but rather opportunistic positions to potentially add some "alpha generation" to portfolios over the next couple of months. We will be carrying tight

stops and re-evaluating the holdings regularly for adjustments. **For newer clients, we have begun the onboarding process bringing portfolios up to 1/2 weights in our positions. We will begin moving these portfolios to model weights over the next few weeks on an opportunistic basis.** We will continue to carry tight stop-losses to protect against a more severe decline. As we move into next week, depending on how markets are acting, we will look to slowly increase our equity exposure modestly to "rent whatever rally" we may get from the "QE-4."

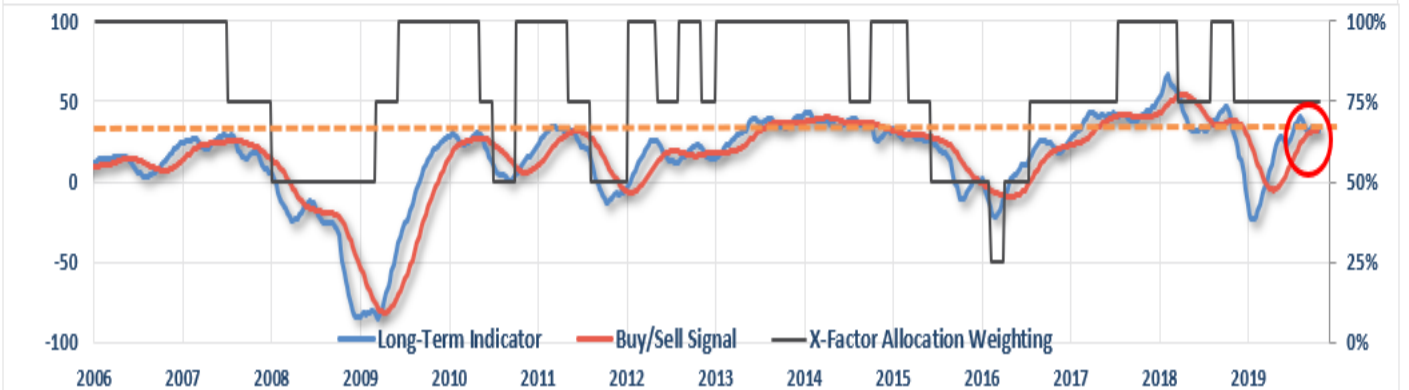
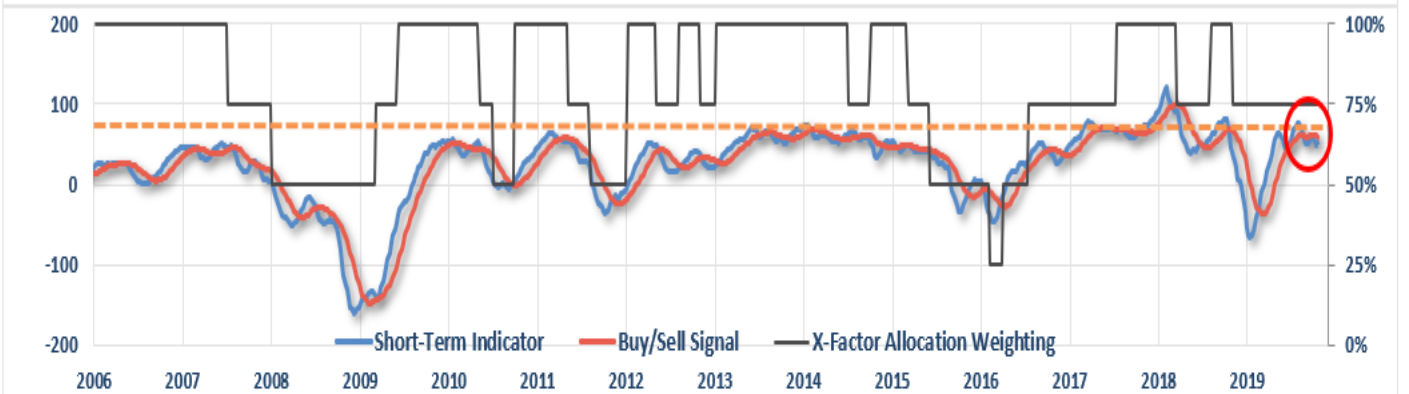
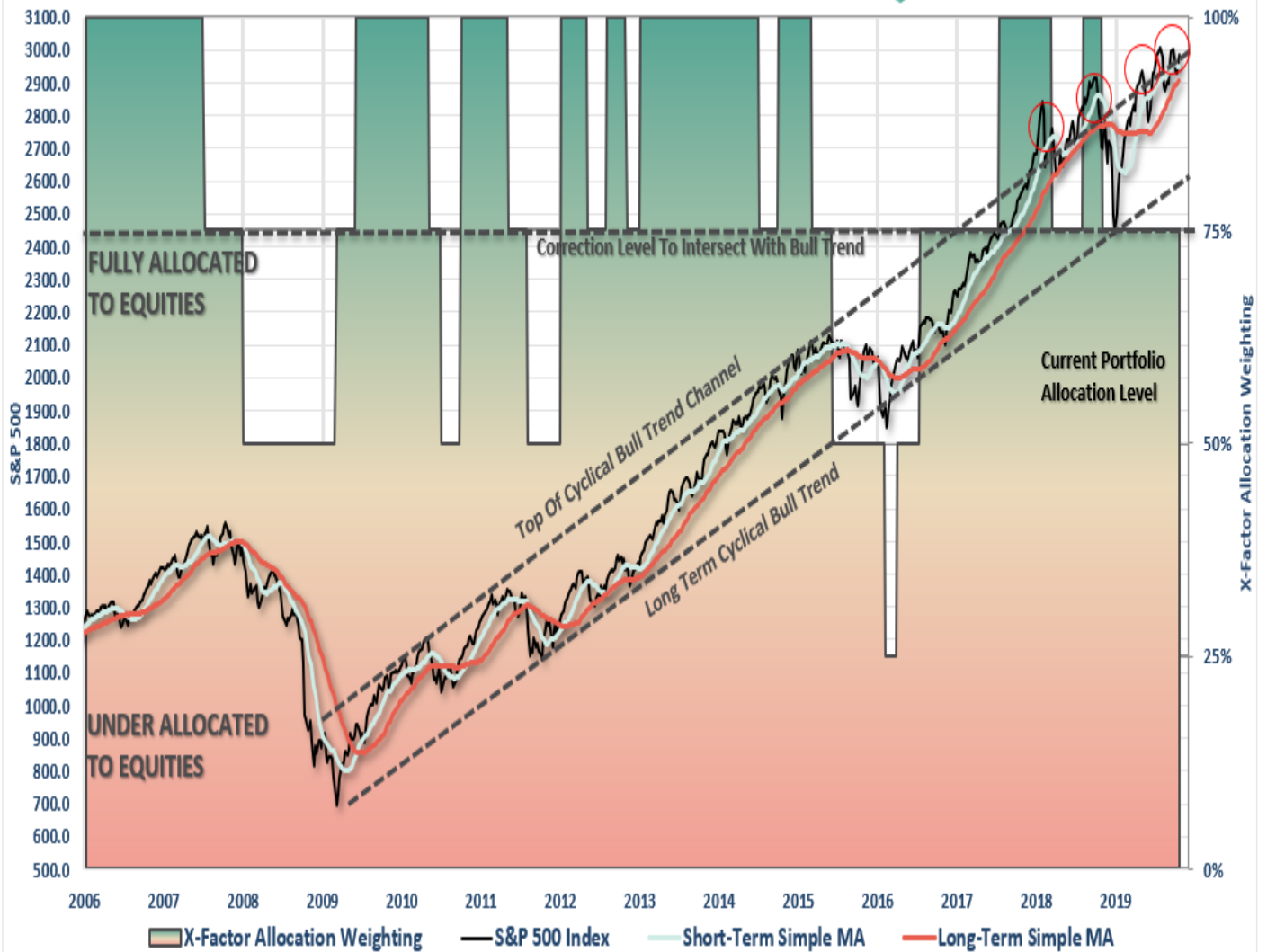
- **New clients:** *Please contact your adviser with any questions.*
- **Equity Model:** *Took profits in AEP, ABT, CHCT, DUK, GDX, IAU, PG, VMC, YUM*
- **ETF Model:** *Took profits in XLP*

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.**

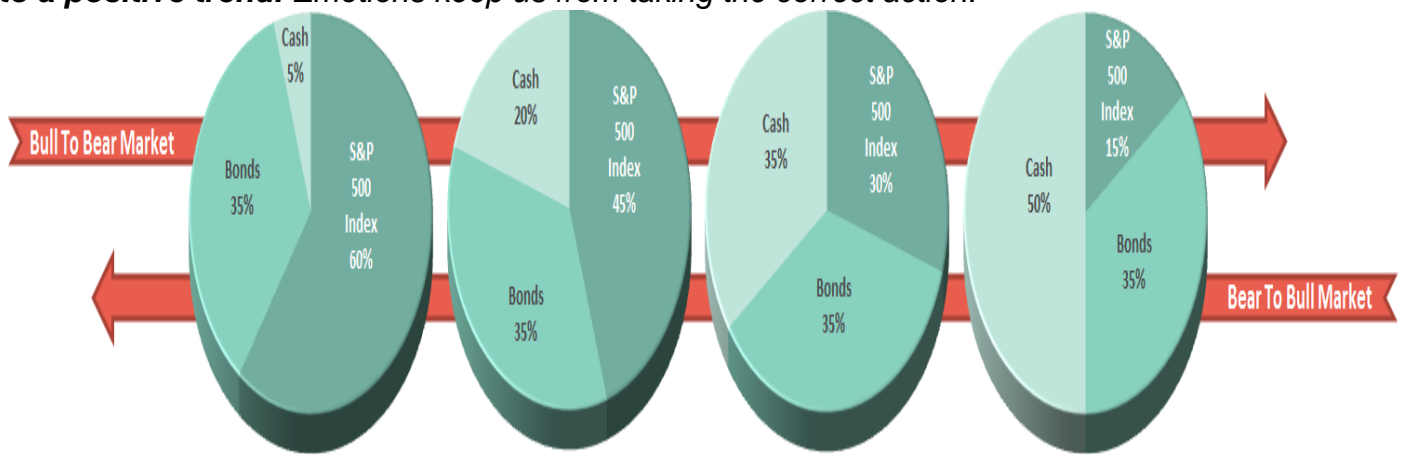
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors

Risk Management Analysis



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.**



QE-4 Officially Begins

Please read the main body of the newsletter this week. Given the "bulls" have the upper-hand heading into the end of the year, we will likely increase our portfolio exposures over the next couple of weeks once we get a handle on how the markets are going to react to all of the news. 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)

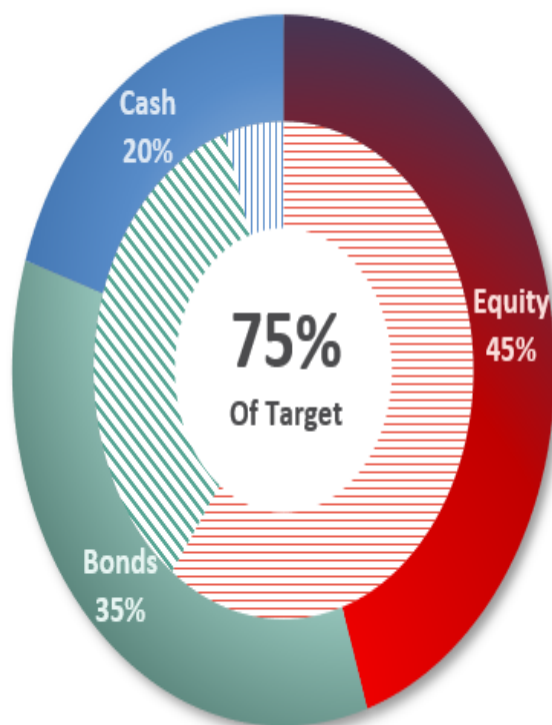
I have gotten quite a few plans, so keep sending them and I will include as many as we can. **If you would like to offer our service to your employees at a deeply discounted corporate rate, [please contact me](#).**

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.)

Current Portfolio Weighting



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

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. •

