

Market Vaccine For Virus Is More Fed's "Not QE"



- *Market Vaccine For Virus Is More Fed*
- *Trust The Process*
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- ***Financial Planning Corner: 5-Things You Need To Know About HSA's***
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- *401k Plan Manager*

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Catch Up On What You Missed Last Week



#WhatYouMissed On RIA: Week Of 02-03-20

Written by Lance Roberts | Feb 7, 2020

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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Market Vaccine For Virus Is More Fed

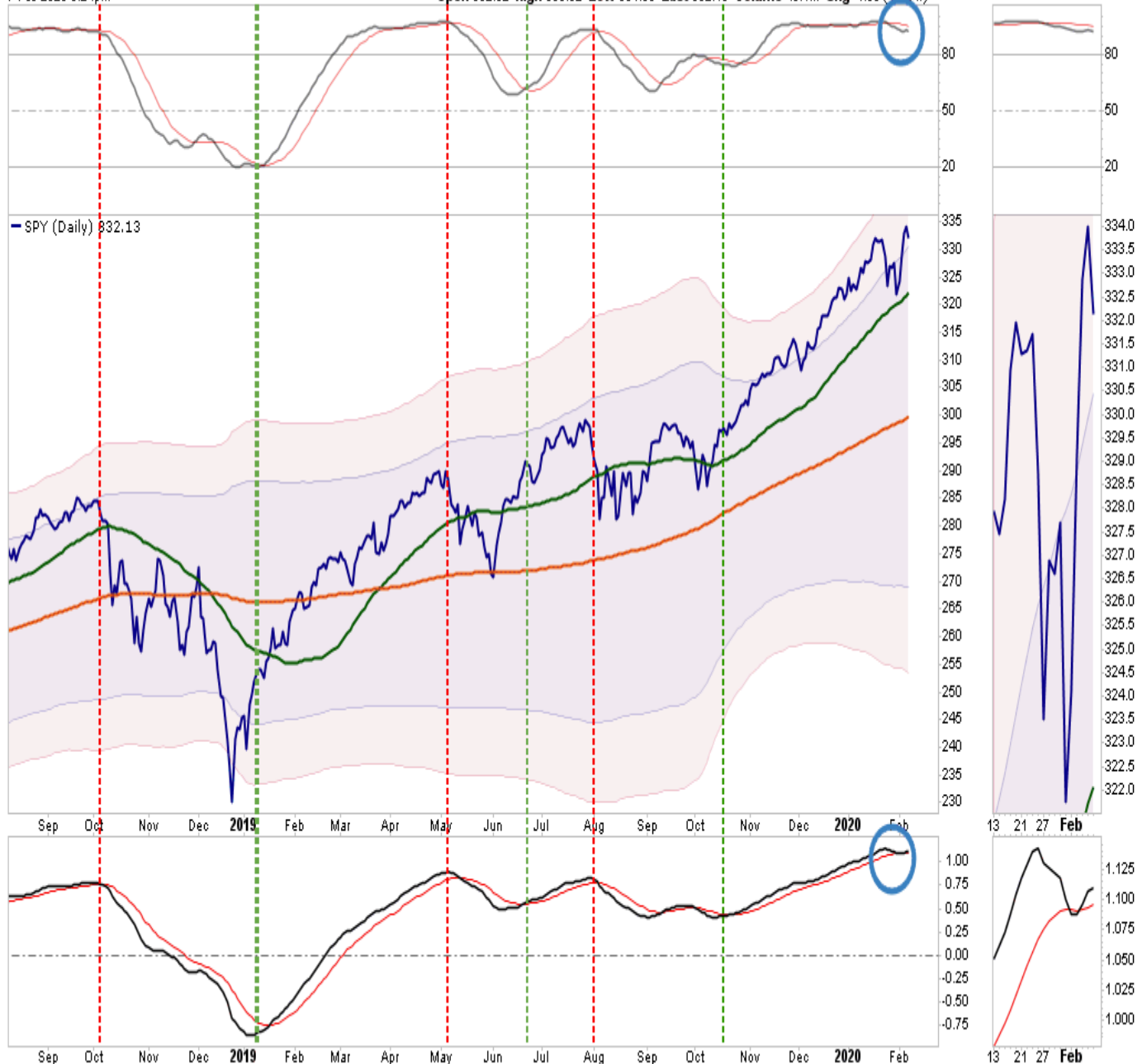
Last week, I asked the question of whether the ["correction was over?"](#) To wit:

*"On a very short-term basis, there is a potential for a reflexive bounce. **If your 'investment duration,' or rather your 'investment holding period' is very short, there may be a 'trading' opportunity for you.**"*

Well, that bounce came hard and fast during the first half of the week, as the S&P 500 rebounded off the 50-dma to set new highs on Thursday.

7-Feb-2020 3:24pm

Open 332.82 High 333.82 Low 331.60 Last 332.13 Volume 43.1M Chg -1.85 (-0.55%)



The Good News

As noted, the market bounced firmly off the 50-dma and rallied back to new highs on Thursday. While Friday saw a bit of retracement, which isn't surprising given the torrid move early in the week, the "virus correction" was recovered. Importantly, the "buy signal," in the lower panel, was close to registering a "sell signal." The sharp early-week rally kept that signal from triggering, which would have confirmed the "sell signal" in the top panel. Historically, when both "sell signals" are triggered, deeper corrections have tended to follow.

The Not-So-Good News

Previously, we discussed that we had taken profits out of portfolios as we were expecting between a 3-5% correction to allow for a better entry point to add equity exposure. While the "virus correction" did encompass a correction of 3%, it was too shallow to reverse the rather extreme extension of the market. The rally this past week has reversed the corrective process, and returned the markets to 3-standard deviations above the 200-dma. Furthermore, all daily, weekly, and monthly conditions have returned to more extreme overbought levels as well.


Friday 7-Feb-2020 3:48 pm

Open: 332.82	Ask: 332.56	P/E:	Options: yes
High: 333.62	Ask Size: 200	EPS:	Annual Dividend: 5.61837
Low: 331.60	Bid: 332.55	Last Size: 0 shrs	Yield: 1.69%
Prev Close: 333.98	Bid Size: 100	VWAP:	SCTR (ETF): 90.5

▼ -0.43%
 Chg: -1.42
 Last: 332.56
 Volume: 45,800,492



Of course, the reason for the rally was more liquidity from the Federal Reserve.



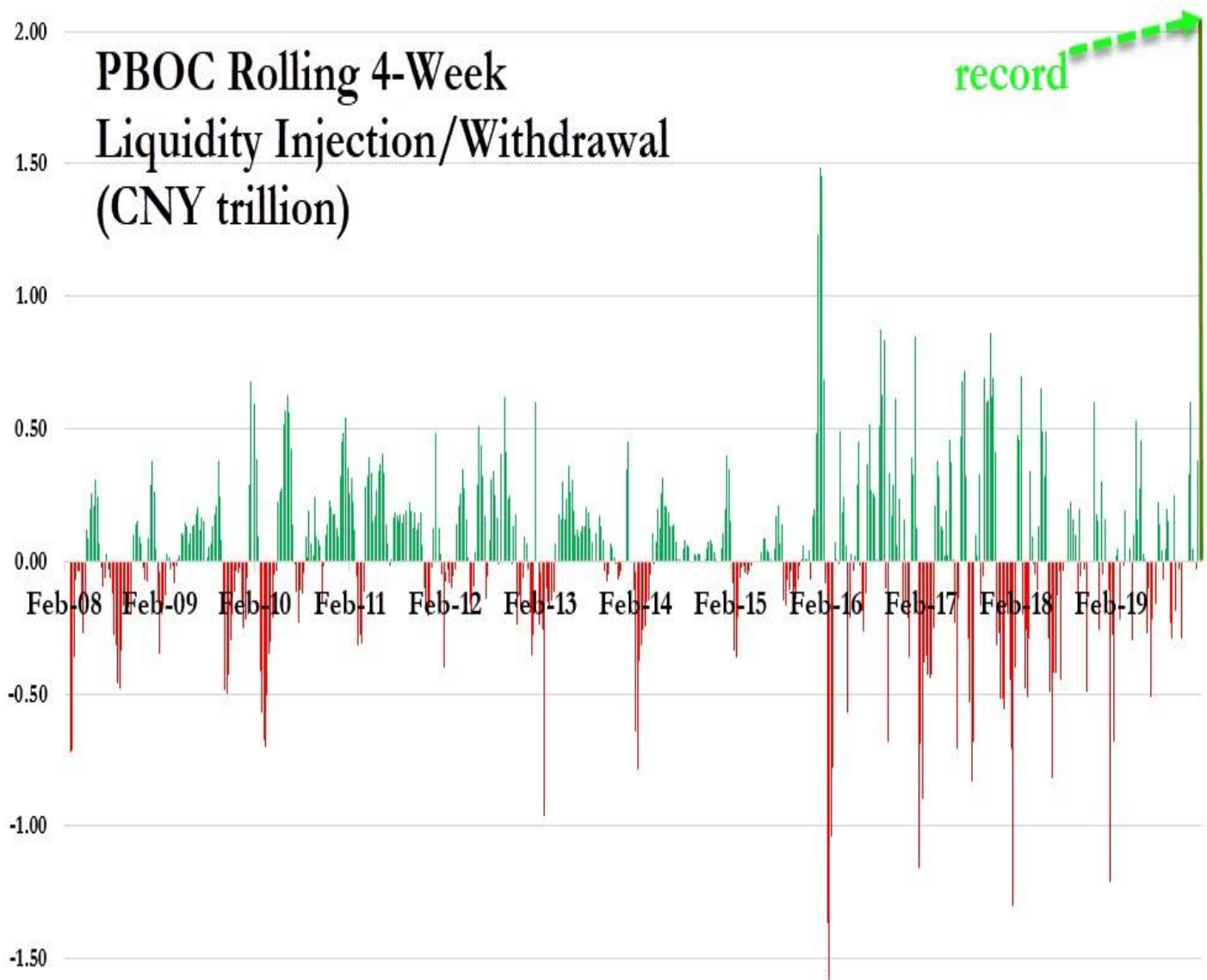
**REAL
INVESTMENT
ADVICE**

Are your investments prepared
for the next bear market?

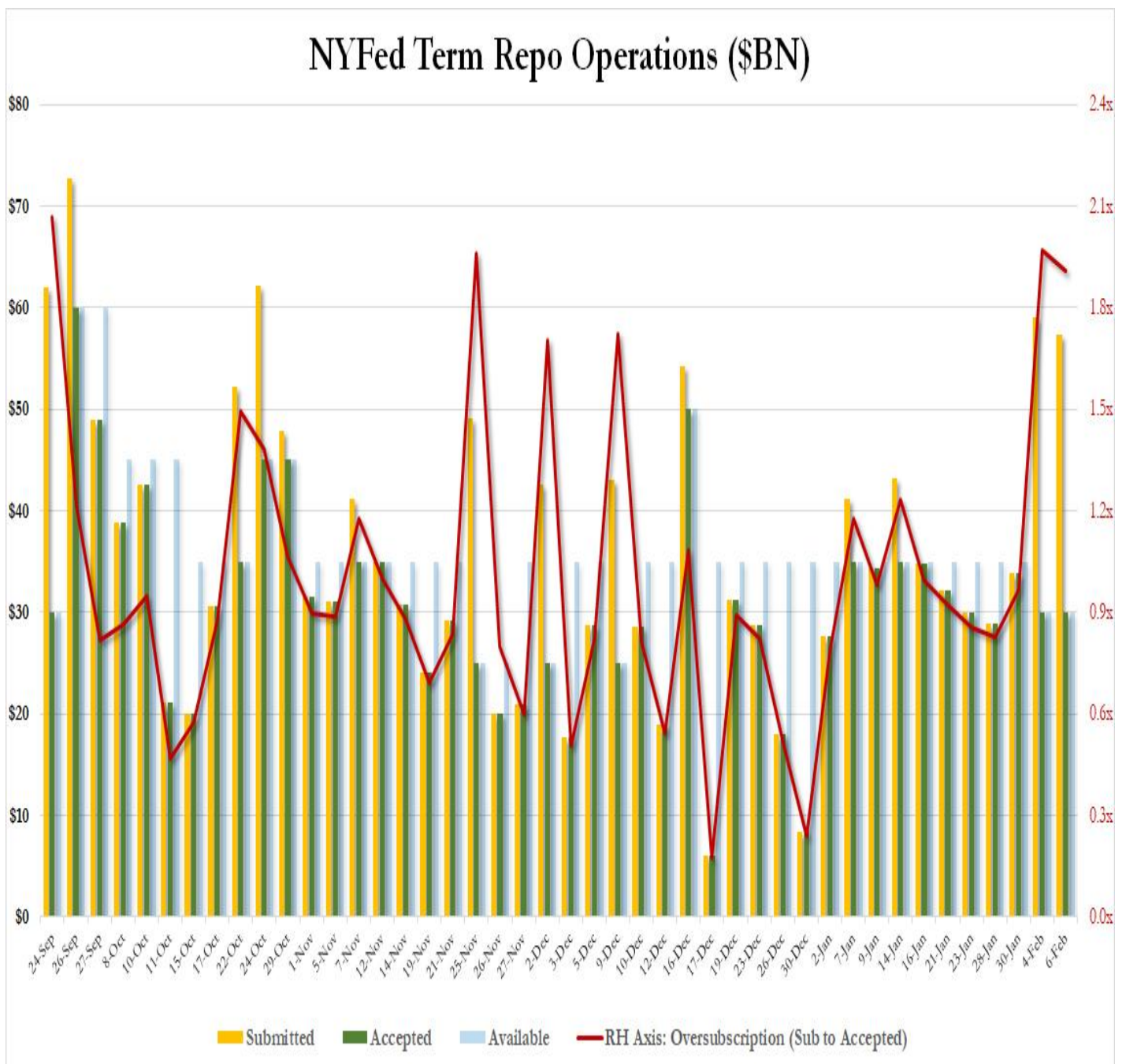
**SCHEDULE YOUR
CONSULTATION
TODAY**

While the economic impact from the virus is likely to be substantial, [as discussed previously](#), traders looked past economic realities. They focused instead on more liquidity being pumped into the markets by both the Fed, and the PBOC (*Peoples Bank of China*).

*"The PBOC decided that instead of unwinding the large liquidity provision, they would double-down on it... and that they did in size. **The last four weeks have seen China supply over CNY2 trillion (net!) into its financial system - something we have never seen anything like before...**" - Zerohedge*



But, as I stated, it wasn't just the PBOC, but also the Federal Reserve dumping tremendous amounts of liquidity into the markets which only had one place to go....equities.



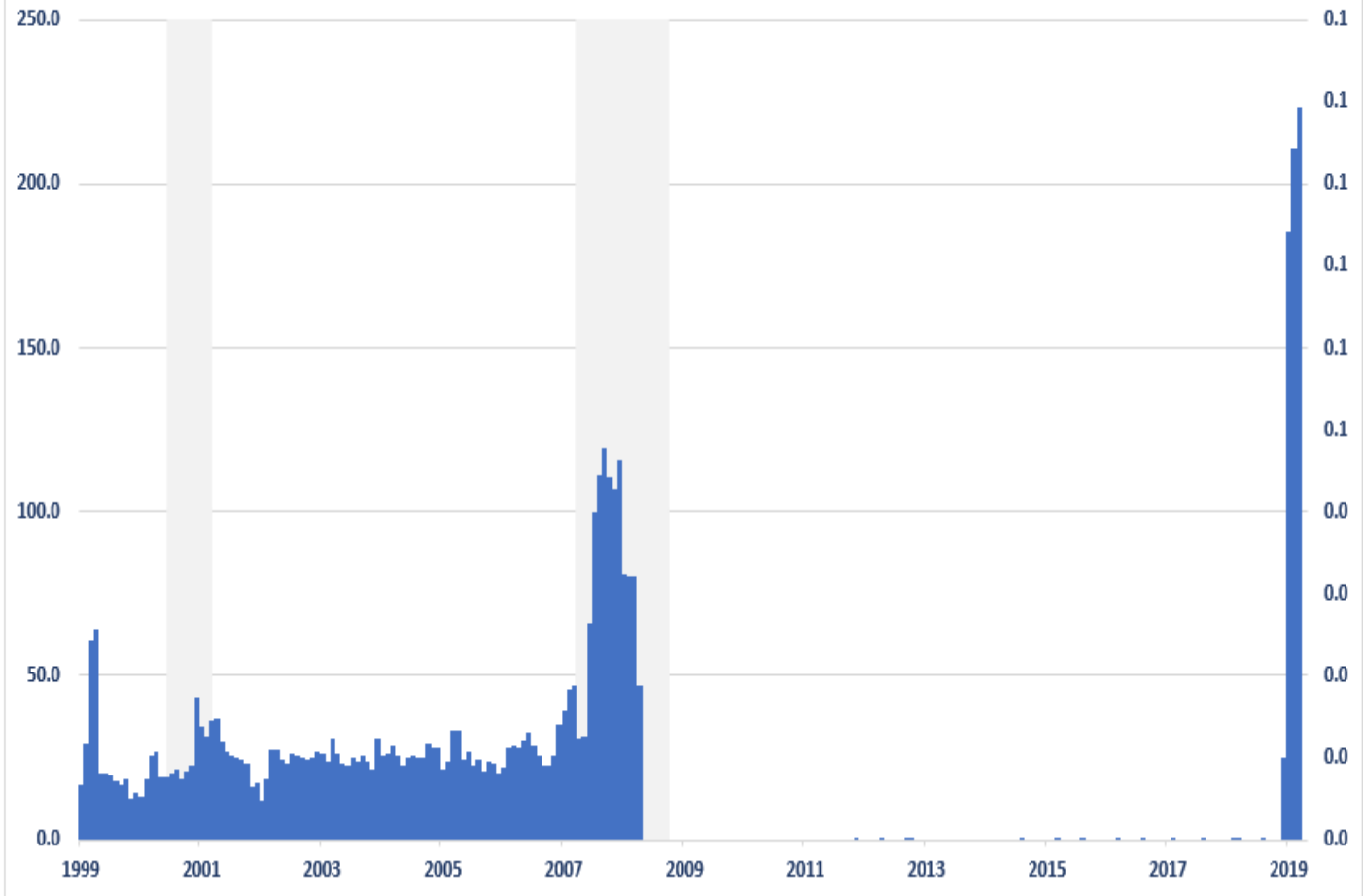
While the Fed continues to deny current liquidity interventions are indeed "QE," they have been clearly concerned about the potential of global instability impacting the U.S. **In their most recent report to Congress, the "coronavirus" made its appearance as the latest threat to the global economic instability.**

Do NOT dismiss that last sentence lightly.

Since last October, the Fed has been injecting the financial system with massive quantities of liquidity to fix "short-term funding needs." Each time they have tried to slow the rates of funding, the market has declined, so they extended the facility. Initially, the facility was for October tax payments. Then it was extended for the "year-end" turn. Then it was extended for April "tax payments." **The "coronavirus" will be the next reason to extend the program into June.**

[Just in case you missed our previous report on this issue](#), the importance is that this type of funding has not occurred to such a magnitude outside of a financial crisis.

Fed Weekly Repo Operations



The question you should be asking is: *"exactly what is going on?"*

Dollar Rally

Currently, the flood of liquidity has been pulling foreign capital back into U.S. Dollars. While the U.S. dollar had previously started to breakdown heading into year-end, which gave a boost to commodities and oil. Unfortunately, that breakdown has been reversed.

We did this analysis for our [RIAPRO Subscribers \(Risk-Free Trial For 30-Days\)](#) this past week, which warned them of the potential for a continued dollar rally. The importance of this rally is that a stronger U.S. Dollar is not friendly to commodities, international, and emerging market exposure.

Thursday 6-Feb-2020

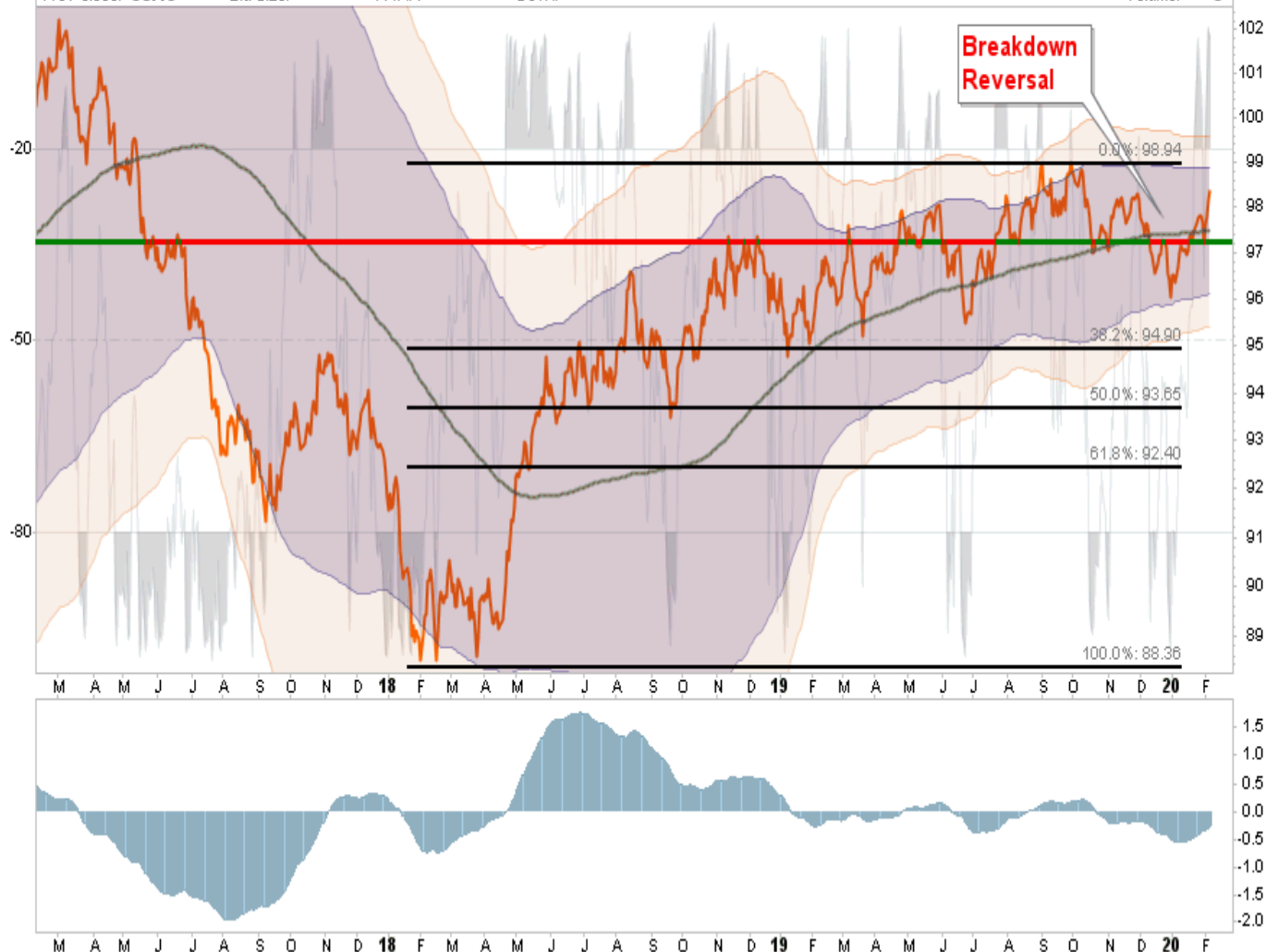
▲ +0.23%

Chg: +0.22

Last: 98.38

Volume: 0

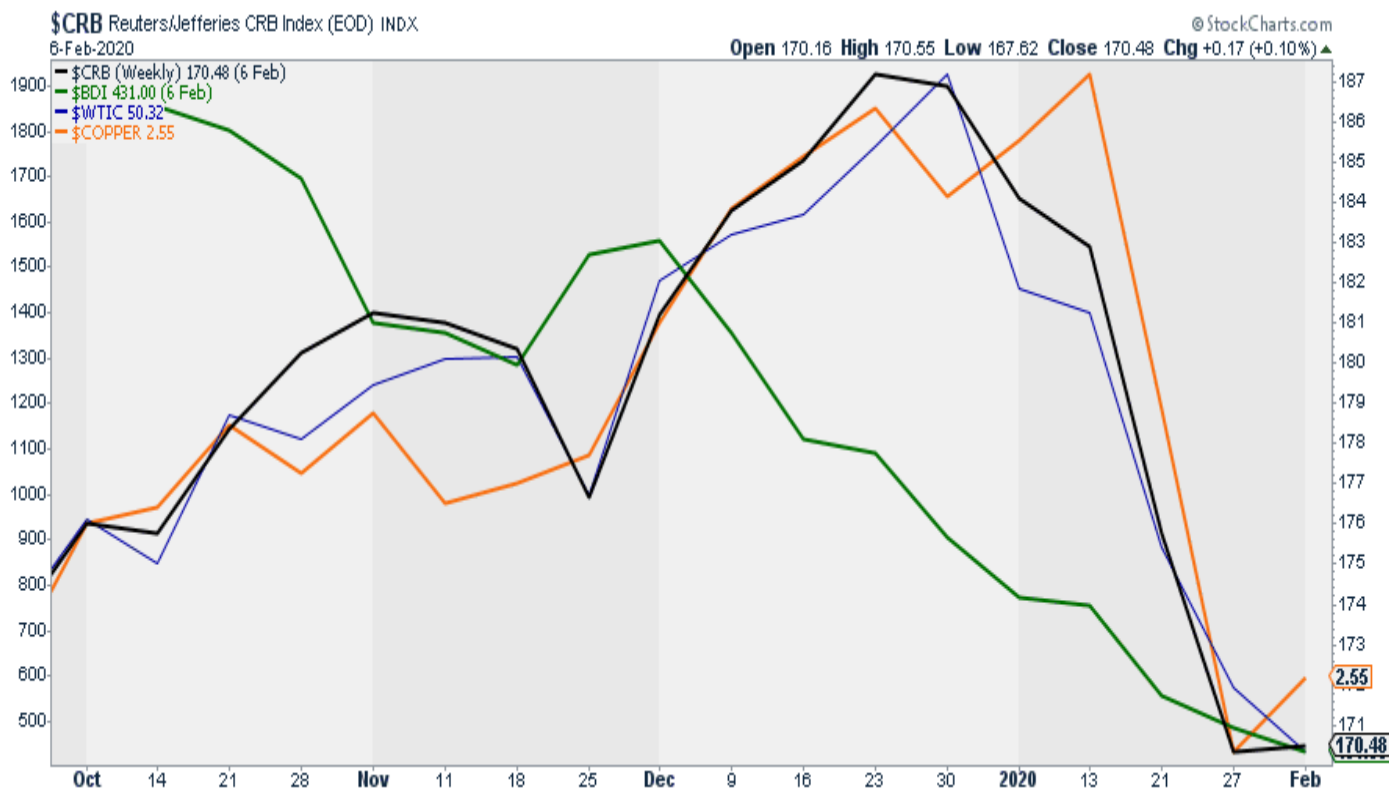
Open: 98.18 Ask: P/E: Options: no
High: 98.44 Ask Size: EPS: Annual Dividend: N/A
Low: 98.07 Bid: Last Size: Yield: N/A
Prev Close: 98.16 Bid Size: VWAP: SCTR:



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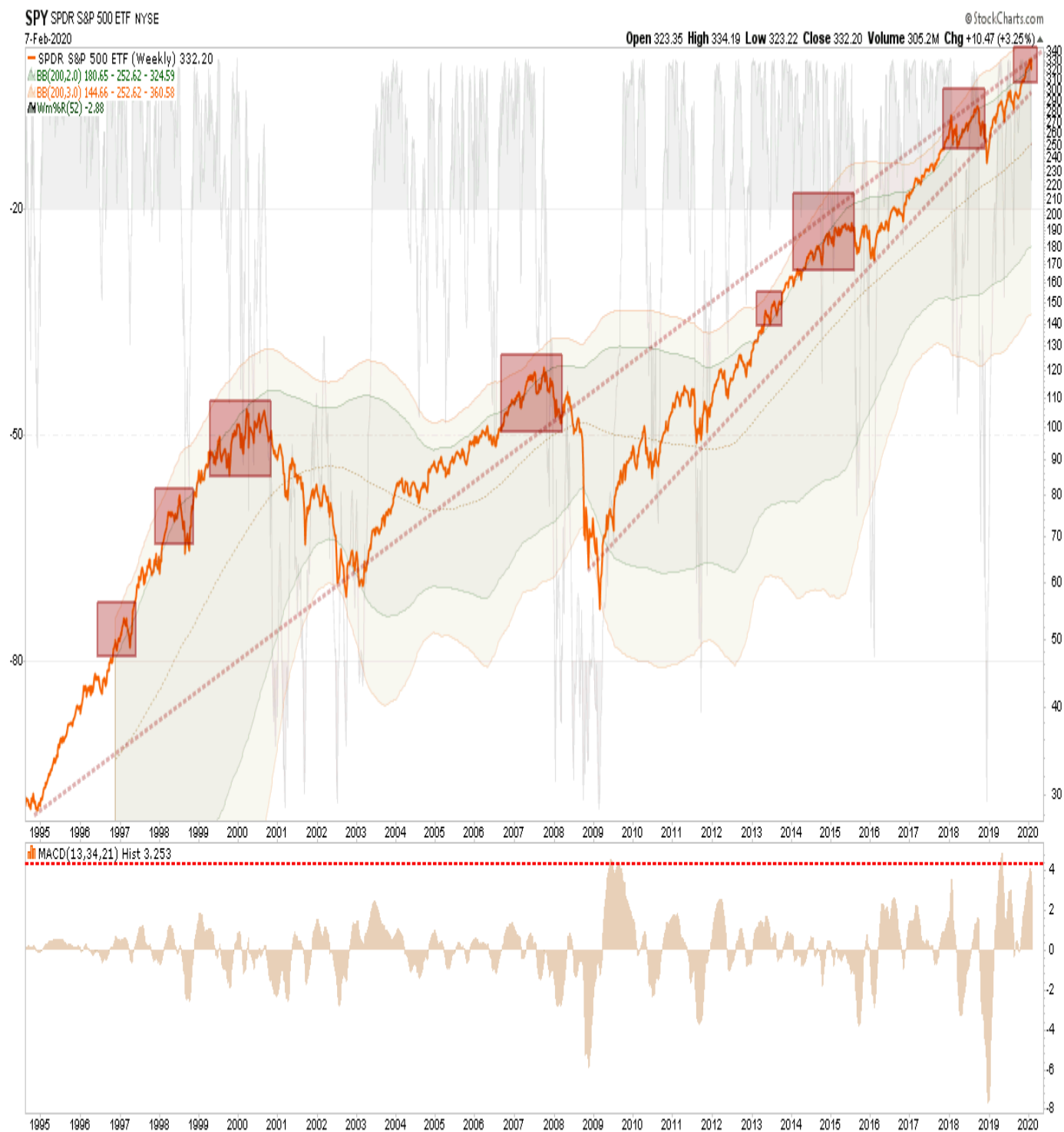
While there has been a good bit of excitement over the last couple of weeks of improving economic data points, it will likely be short-lived. Given these data points are both "*sentiment surveys*" and "*lagging*" in nature, what they captured was the uptick in commodities seen at the end of 2019 as the dollar weakened on "*trade deal*" hopes.



What has yet to be captured is the subsequent reversion in the major, economically sensitive, components. While the markets have rallied on news of more liquidity, the impact from the "coronavirus" has only yet started to be felt economically. Even if the virus was cured today, the economic impact will continue to be felt over the rest of this year.

Importantly, the impact on China will be substantially greater, which will undermine any potential positive to the U.S. from the "trade deal." That impact will result not only in the form of weaker economic growth in China, but globally as well due to the interlinked supply chains. **This is going to manifest itself in weaker earnings and corporate profits, which will continue to make elevated asset prices harder to justify.**

As shown in the long-term chart below, despite the short-term correction, which is barely noticeable, the market remains extremely extended, overbought, and pushing into the top of its long-term trading range.



Furthermore, the put/call ratio, which warned of the previous correction is once again pushing extreme levels rarely seen from a historical perspective.

\$ONE:\$CPC One/CBOE Options Total Put/Call Ratio (EOD) INDX

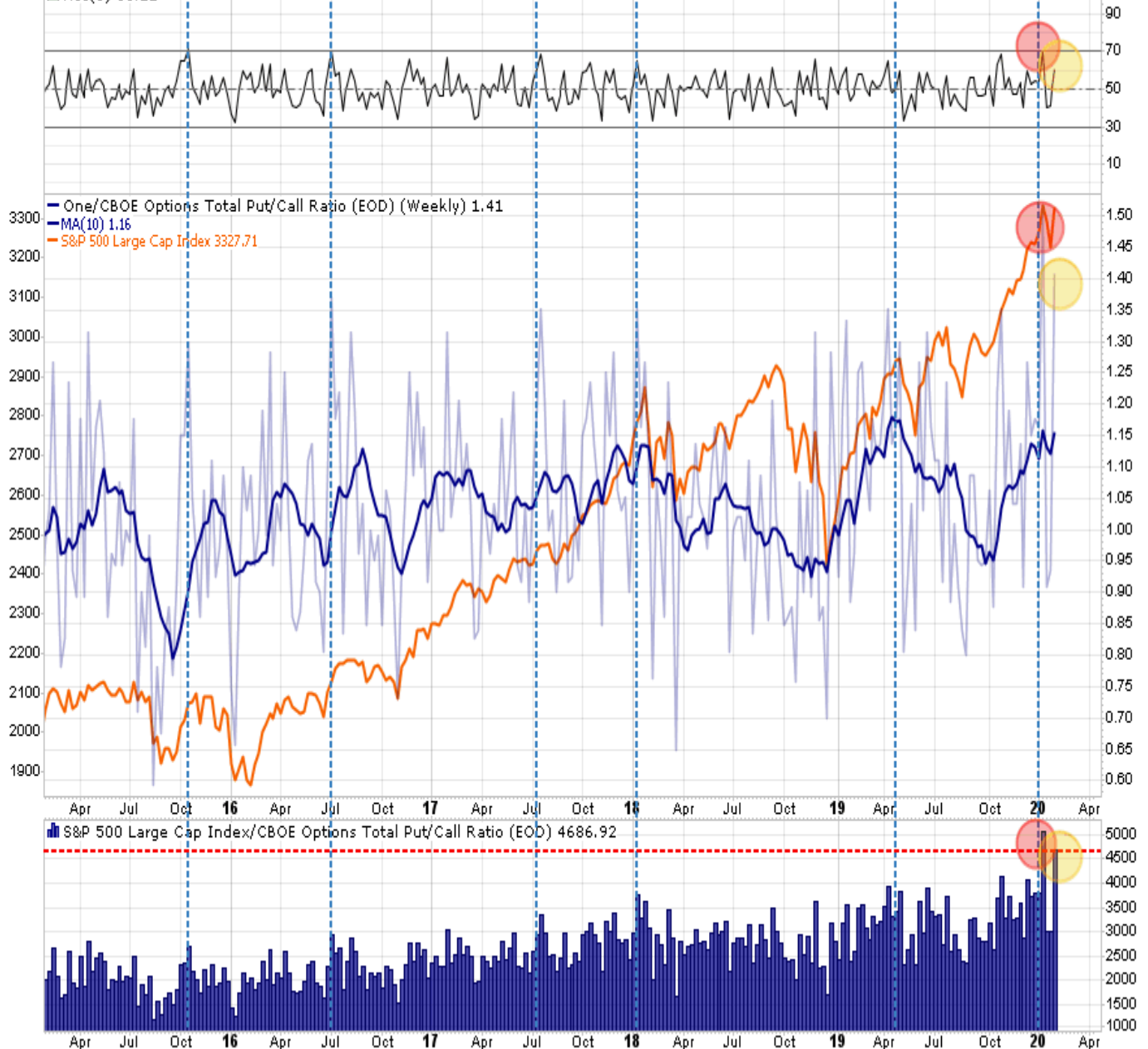
7-Feb-2020

© StockCharts.com

Open 1.41 High 1.41 Low 1.41 Close 1.41 Chg +0.47 (+50.70%) ▲

▲ RSI(6) 60.21

— One/CBOE Options Total Put/Call Ratio (EOD) (Weekly) 1.41
— MA(10) 1.16
— S&P 500 Large Cap Index 3327.71



The rally this past week serves as a stern reminder that market participants are trained to respond to "Pavlov's Bell."

For the time being, investors have gotten away with overpaying for value, ignoring risk, and chasing yield. Eventually, the party ends, and it always ends in the most brutal of fashions.

This is why it's important to have a process and adhere to it.

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Trust The Process

We have had quite a few emails from readers over the past week asking **why we were "buying" into our [RIAPRO portfolios](#) this past week.** ([You can register for a 30-day RISK-FREE trial if you want to view our current portfolios.](#))

The short answer is:

"Because that is what our process required us to do."

To understand the process, we have to go back.

A few weeks ago, [Shawn Langlois at MarketWatch](#) picked up our article discussing why we were selling positions in our portfolio. To wit:

"Specifically, Roberts raised cash by selling off shares of Apple, Microsoft, United Healthcare, Johnson & Johnson, and Micron, and scaling back overweight holdings in various ETF sector plays, such as the Technology Select Sector SPDR, and the Health Care Select Sector."

While at the time, it seemed like a wrong move, a couple of weeks later, the market sold off. The benefit was the extra cash, and reduced exposure, help limit the downside draw to about 1/3rd of the market decline.

Then, last week, things changed:

*"With bond yields plummeting this past week, our bond exposures have gotten extremely stretched. **The sell-off in the market, combined with the 'risk off' rotation to bonds, sets the market up for a reflexive bounce.** The duration and magnitude of that bounce will be critical as to our next steps in positioning."*

Chart updated through Friday



As noted, the market had gotten oversold on a short-term basis, which brought the risk/reward measures back into better alignment. This is where our process required we add equity exposure back into portfolios.

- In the **ETF Model**, we added Financials (XLF) and increased our stake in HealthCare (XLV) with both of those sectors having gotten oversold and bouncing off their respective 50-dma's.
- In the **EQUITY Model**, we added JP Morgan (JPM) and Pfizer (PFE) while increasing our stakes in Abbvie (ABBV), United Healthcare (UNH), and Alerian MLP (AMLV).

Importantly, this rebalancing of risk did not dramatically increase our equity exposure. This is because, as noted above, the longer-term technical outlook remains "cautious."

Yes, we realize we are very late-cycle, we also know that with the Fed, and global Central Banks, still intervening, we must give deference to the "bullish bias." At the moment, the bullish bias remains, and functioned as we predicted last week.

"The 'bullish bias' is not dead as of yet, and investors will be quick to try and 'write off' the impact of the 'virus.' After a decade of 'macro-events' not stopping the bullish charge, the belief the market is 'bulletproof' has become so deeply ingrained into investor mentality it won't be dislodged until it is far too late to matter."

We have no certainty about when, or what will trigger the next bear market.

What we do know is that such an event will likely be far more brutal than most realize due to years of excess risk-taking, leverage, and demographics.

However, this is what our process is designed to handle:

- **The portfolio is managed for risk** *by adjusting the level of equity exposure relative to market dynamics, return outlooks, and technical deviations from long-term means.*
- **The allocation is managed for risk** *by balancing positions for relative performance to our benchmark.*
- **The positions are managed for risk** *by:*
 - *Employing trailing stop-losses*
 - *Regularly rebalancing positions back to target weights (taking profits)*
 - *Cutting laggards which aren't performing as expected*
 - *Monitoring relative performance and participation*

Importantly, notice that everything the process covers is the management against the "risk" of loss.

If we manage against the risk of capital loss, we can safely participate with markets as they rise. When something eventually does go wrong, the process will systematically close out positions, protecting our investment capital, until that process is complete. Then the process reverses to rebuild exposure when risk/reward dynamics are greatly improved.

As long as the process is followed, risk can be controlled. Where the majority of investors go wrong, is by not having a process.

"Hoping" markets will continue higher indefinitely, is not a process.

As we concluded last week:

"We won't know for sure until after the fact. This is why we manage risk in the short-term. Managing risk allows us to navigate the 'twists and turns' of the market without careening off the cliff."

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The MacroView



MacroView: The Next “Minsky Moment” Is Inevitable

Written by Lance Roberts | Feb 7, 2020

Professor Minsky taught that markets have short memories, and that they repeatedly delude themselves into believing that this time will be different. Sadly, given the current level of market exuberance Minsky is likely to be proved correct.

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

See You Next Week

By Lance Roberts, CIO

Financial Planning Corner

- **REGISTER NOW: RIGHT-LANE RETIREMENT WORKSHOP**
- **When:** February 29th 9-11am (Social Security, Medicare, Income planning, Investing & More)
- **Where:** Courtyard Houston Katy Mills, 25402 Katy Mills Parkway, Katy, TX, 77494



#FPC: 5-Things You Aren't Being Told About HSA's.

Written by Danny Ratliff | Feb 7, 2020

With the passage of the SECURE ACT and the death of the STRETCH IRA there has been a lot of noise about HSA's. You can use an HSA as an investment vehicle and get a triple tax benefit.

[>> Read More](#)

You'll be hearing more about more specific strategies to diversify soon, but don't hesitate to [give me any suggestions or questions.](#)

by Danny Ratliff, CFP•

Market & Sector Analysis

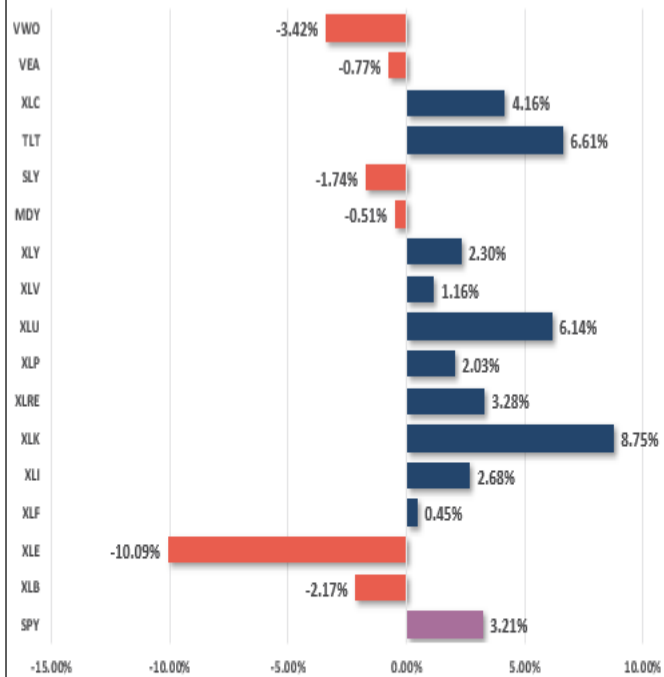
Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

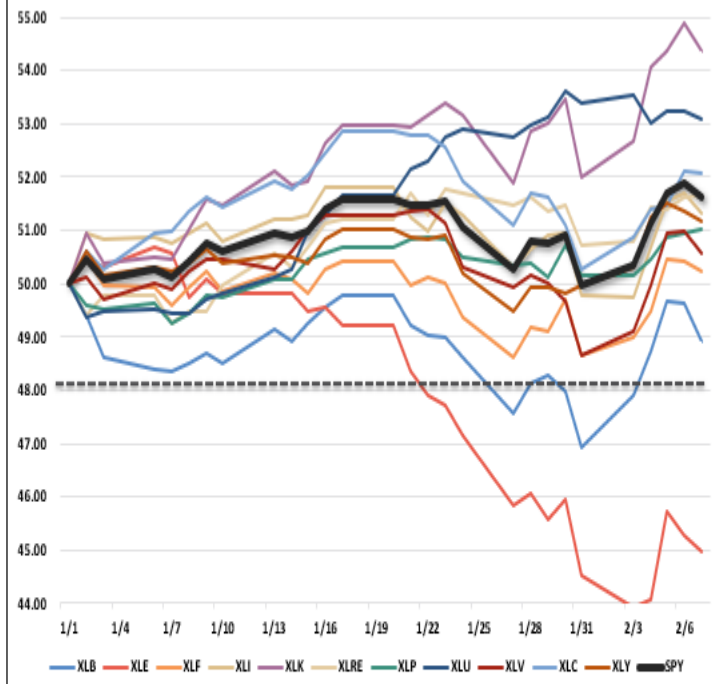
3 Month SPY Price								SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
								Item		T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
								Price Return		24.11%	22.97%	3.21%	(86.02%)
								Max Drawdown		-20.47%	-7.41%	-3.67%	-50.48%
								Sharpe		0.87	1.97	2.66	0.35
								Sortino		1.03	2.26	3.40	0.50
								Volatility		14.66	11.99	12.69	0.06
								Daily VaR-5%		(9.73)	5.21	15.36	1.95
								Mnthly VaR-5%		(10.95)	10.92	10.92	0.00
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	1.68%	1.93%	1.70%	(14.01%)	2.18%	1.68%	(22.29%)	1.24%	Shares	2,411.1	2,306.6	(4.33%)	
P/E Ratio	21.77	17.80	20.49	13.13%	2169%	1648%	(5.5%)	24.35%	Sales	62,209	64,357	3.45%	
P/S Ratio	3.57	3.12	3.62	13.82%	3.57	2.60	1.20%	38.88%	SPS	25.8	27.9	8.14%	
P/B Ratio	4.07	3.88	4.54	14.46%	4.29	3.01	5.87%	51.01%	Earnings	9,268	9,456	2.03%	
ROE	16.03%	18.91%	18.67%	(1.29%)	18.91%	15.04%	(1.28%)	24.17%	EPS TTM	4.6	4.8	4.33%	
ROA	3.00%	3.54%	3.53%	(0.48%)	3.54%	2.81%	(0.47%)	25.41%	Dividend	1.6	1.7	6.26%	
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	(13.62%)	3.84%	1.27	16.55	127.61	12.77	(87.0%)	7.8%	4.3%	6.05%	3.06	15.69	
Materials	(14.26%)	2.56%	1.27	16.44	22.97	13.86	(28.4%)	8.7%	1.9%	6.03%	3.60	17.60	
Industrials	15.08%	9.02%	1.16	19.14	22.27	14.78	(14.1%)	19.5%	1.8%	5.17%	5.04	17.44	
Discretionary	20.36%	9.77%	1.03	26.10	27.17	20.19	(3.9%)	29.4%	1.3%	3.87%	4.89	23.05	
Staples	19.31%	7.04%	0.58	21.76	22.83	17.62	(4.7%)	27.8%	2.6%	4.58%	4.03	20.22	
Health Care	15.01%	13.96%	0.87	17.80	20.18	15.78	(11.8%)	31.0%	1.7%	5.46%	6.92	15.90	
Financials	21.14%	12.62%	1.24	14.15	18.50	11.73	(23.5%)	11.7%	2.0%	7.00%	5.94	12.95	
Technology	48.26%	24.43%	1.24	26.70	24.10	14.48	10.8%	39.8%	1.2%	3.65%	5.65	22.94	
Telecom	19.98%	10.33%	0.87	22.68	27.01	17.61	(16.0%)	17.4%	0.8%	4.28%	6.72	19.44	
Utilities	24.73%	3.42%	0.26	22.67	21.40	15.58	5.9%	10.6%	2.9%	4.39%	3.74	21.04	
Real Estate	15.64%	2.95%	0.69	21.72	23.85	17.19	(8.9%)	9.8%	3.0%	4.60%	4.45	20.32	
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	332.20	5.69%	323.22	50	2.78%	302.40	179	9.86%	6.89%	(0.60%)	24.03%	Buy	
Mid Cap	373.47	1.86%	373.66	4	(0.05%)	356.69	86	4.70%	4.76%	(2.59%)	13.61%	Buy	
Small Cap	71.19	0.79%	71.98	3	(1.10%)	68.38	84	4.11%	5.27%	(4.10%)	13.05%	Buy	

Performance Analysis

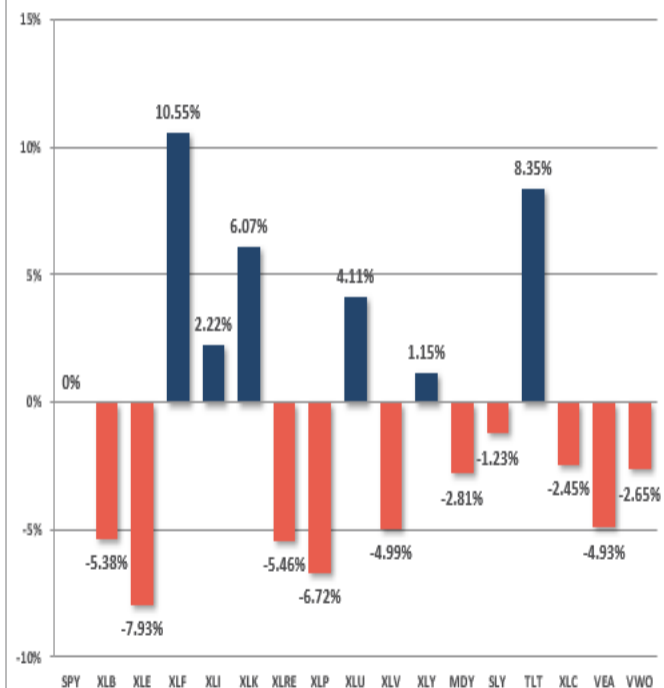
Year To Date Performance



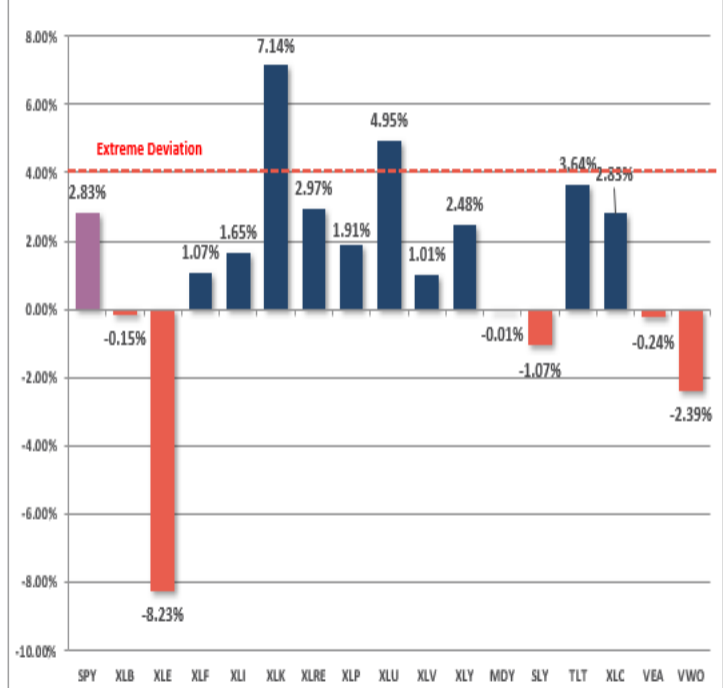
YTD Price - S&P Sectors Recalibrated To \$50/share



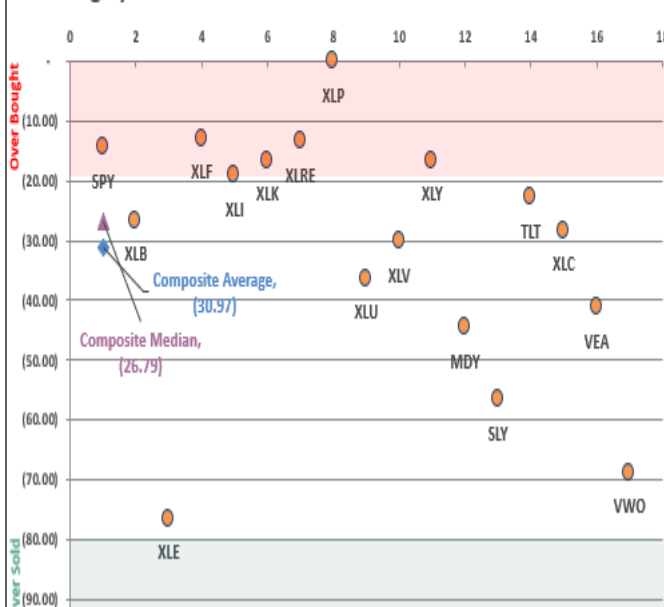
Year To Date Performance Relative To S&P 500



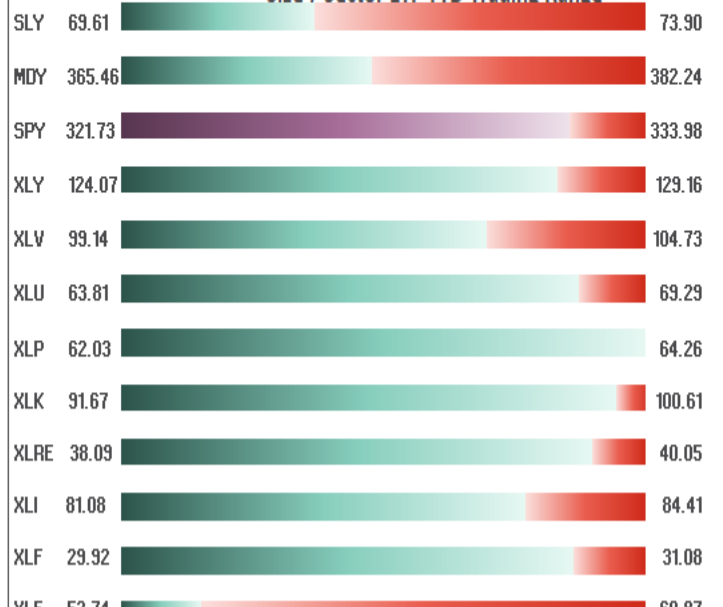
Price Deviation From 50-Day Moving Average



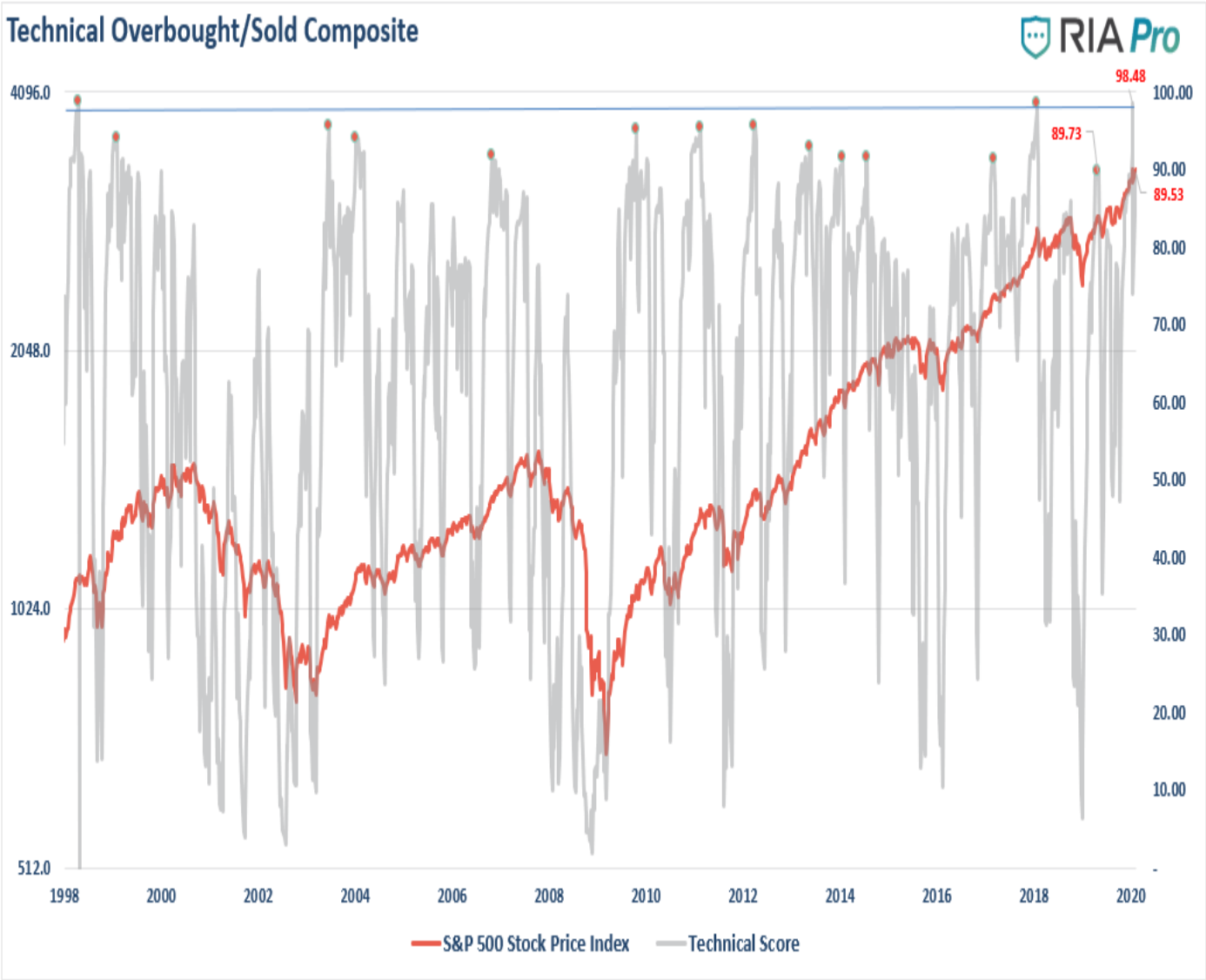
Overbought/Oversold 14-Periods



Size / Sector ETF YTD Trading Range



Technical Composite



ETF Model Relative Performance Analysis

RIA Pro		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	333.75	3.25	2.02	6.42	16.50	22.64	322.05	307.14	3.63%	8.66%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	60.09	1.02	(1.16)	(6.87)	(7.15)	(8.62)	60.14	58.62	-0.08%	2.51%	BUY
		XLE	SPDR-EGY SELS	53.98	(2.24)	(11.77)	(16.58)	(20.04)	(36.88)	59.00	59.70	-8.50%	-9.58%	SELL
		XLF	SPDR-FINL SELS	30.92	(0.05)	(1.27)	(2.49)	1.96	(2.19)	30.44	28.78	1.58%	7.44%	BUY
		XLI	SPDR-INDU SELS	83.65	(0.12)	(0.93)	(4.79)	(2.10)	(8.16)	82.21	79.00	1.75%	5.89%	BUY
		XLK	SPDR-TECH SELS	99.69	1.32	3.64	7.85	12.68	23.98	91.80	84.74	8.60%	17.64%	BUY
		XLP	SPDR-CONS STPL	64.26	(1.54)	0.53	(1.64)	(8.72)	(3.18)	62.71	61.15	2.47%	5.09%	BUY
		XLU	SPDR-UTIL SELS	68.59	(3.82)	4.49	2.71	(4.94)	0.54	64.78	63.15	5.88%	8.61%	BUY
		XLC	SPDR-COMM SV SS	55.86	0.37	(0.75)	1.02	0.11	(0.49)	53.82	51.45	3.79%	8.57%	BUY
		XLV	SPDR-HLTH CR	103.04	0.68	(1.79)	(0.70)	(0.42)	(8.08)	101.04	95.21	1.98%	8.22%	BUY
		XLY	SPDR-CONS DISCR	128.31	(0.87)	(0.46)	(0.70)	(6.36)	(2.87)	124.35	121.94	3.18%	5.22%	BUY
	SIZE	SLY	SPDR-SP SC 600	71.19	(0.98)	(2.80)	(4.46)	(4.76)	(15.45)	71.53	68.78	-0.47%	3.51%	BUY
		MDY	SPDR-SP MC 400	373.47	(1.06)	(2.04)	(4.05)	(5.01)	(11.96)	371.66	358.92	0.49%	4.05%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	116.69	(0.48)	(1.38)	(2.75)	(2.67)	(7.03)	114.76	110.31	1.68%	5.78%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	107.43	(0.42)	(1.15)	(5.27)	(5.76)	(10.71)	106.79	103.48	0.60%	3.82%	BUY
	Real Estate	XLRE	SPDR-RE SELS	39.94	(1.44)	1.34	(2.82)	(12.98)	(7.11)	38.71	38.59	3.19%	3.49%	BUY
	International	EEM	ISHARS-EMG MKT	43.36	(0.28)	(6.91)	(5.89)	(5.47)	(19.80)	44.04	42.56	-1.55%	1.88%	BUY
		EFA	ISHARS-EAFE	68.96	(1.06)	(2.73)	(5.49)	(5.21)	(11.45)	68.96	66.52	0.01%	3.67%	BUY
FI		IXUS	ISHARS-CR INT S	61.07	(1.35)	(3.73)	(5.51)	(5.63)	(13.41)	61.29	59.17	-0.37%	3.21%	BUY
	Intermediate Duration	TLT	ISHARS-20+YTB	144.43	(4.26)	2.31	(1.58)	(17.55)	(4.60)	139.24	138.94	3.73%	3.95%	BUY
	International	BNDX	VANGD-TTL INT B	57.51	(3.49)	(0.79)	(7.35)	(18.85)	(17.87)	57.48	57.95	0.05%	-0.76%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	87.97	(2.75)	(2.50)	(5.24)	(14.86)	(18.89)	87.56	87.13	0.46%	0.96%	BUY
	Cash	BSV	VANGD-SHT TRM B	81.08										

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 ? Discretionary (XLY) and Utilities (XLU)

As noted previously, we reduced exposure to Utilities and Discretionary due to their extreme overbought condition. The brief correction was cut short, and the rally was so quick, it failed to reduce any of the previous overbought, extended, or deviated conditions. We will likely see a correction in the next couple of weeks to re-evaluate our positioning.

Current Positions: Underweight XLY, XLU

Outperforming ? Technology (XLK), Healthcare (XLV), Communications (XLC)

We previously recommended taking profits in Technology and Healthcare, which have not only been leading the market but have gotten extremely overbought. Last week, Healthcare pulled back enough to allow us to reweight the position in portfolios. The rally in markets last week, reversed those conditions so we will remain pat on adding new positions for now.

Current Positions: Target weight XLK, XLV, Underweight XLC

Weakening ? Financials (XLF)

We noted previously that Financials have been running hard on Fed rate cuts and more QE and that the sector was extremely overbought and due for a correction. That correction allowed us to add a position to our portfolios, which we will look to build into over the next couple of weeks.

Current Position: 1/2 Weight (XLF)

Lagging ? Industrials (XLI), Real Estate (XLRE), Staples (XLP), Materials (XLB), and Energy (XLE)

With the Fed and the PBOC liquifying markets last week, everything rallied sharply. However, the technical damage in the lagging sectors still exists, so we are monitoring closely.

Industrials tested and failed at previous highs and remains on a sell-signal suggesting a retest of the 50-dma is likely.

Materials tested and failed previous highs and is testing the 50-dma. It must hold next week, but the sector remains on a sell-signal.

Energy is deeply oversold and due for a rally. We added to our position of AMLP last week.

Staples remains in a strong uptrend and has not provided an entry point to add exposure safely.

Real Estate is testing previous highs and is back to overbought. There isn't a clear opportunity to add to our holdings just yet. Be patient.

Current Position: *Reduced weight XLY, XLP, XLRE, Full weight AMLP, 1/2 weight XLB and XLI*

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? Despite the rally in the broader markets, Small- and Mid-caps continue to underperform currently. Both markets rallied last week and then failed without setting new highs. Unfortunately, small caps broke below the 50-dma, while mid-caps are currently testing that important support. We are close to being stopped out on our positions currently.

Current Position: *KGGIX, SL YV*

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

Emerging and International Markets, look just like small and mid-caps above. Both had gotten extremely overbought and needed to correct. That correction broke supports and the subsequent rally failed to set new highs. Emerging markets have now broken the 50-dma again, and International is testing that critical support. If we don't see improvement next week, we are likely to be stopped out of our holdings.

Current Position: *EFV, DEM*

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. We are currently maintaining our core positions unhedged for now. If we see deterioration in the broader markets, we will begin to add short-positions to hedge our long-term core holdings.

Current Position: *RSP, VYM, IVV*

Gold (GLD) ? Over the last few weeks, gold has been consolidating near recent highs. Gold remains overbought, but continues to hold important support. We are at full weight in the positions, however, if this consolidation continues, supports hold, and the overbought condition recedes, we will consider over-weighting our holdings.

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

Bonds (TLT) ?


Bonds rallied back towards previous highs on Friday as money rotated into bonds for "safety" as the market weakened. After previously recommending adding to bonds, hold current positions for now and take profits next week to rebalance risks accordingly. Bonds are extremely overbought now.

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			New Highs
XLK	Technology	OB	Positive	Positive	Hold			X			New Highs
XLI	Industrials	OB	Positive	Positive	Hold			X			Testing Highs
XLB	Materials	OB	Positive	Positive	Hold			X			Testing Support
XLE	Energy	OS	Positive	Negative	No Action					X	Holding Bottoms
XLP	Staples	OB	Positive	Positive	Hold			X			New Highs
XLV	Health Care	OB	Positive	Positive	Added			X			Testing Highs
XLU	Utilities	OB	Positive	Positive	Hold			X			Holding Highs
XLF	Financials	OB	Positive	Positive	Added			X			Testing Highs
XLC	Communications	OB	Positive	Positive	Hold			X			Rising Toward Highs
XLRE	Real Estate	OB	Positive	Positive	Hold			X			Holding Near Highs
SLV	Small Caps	Declining	Positive	Positive	Warning			X			Broke 50-dma
MDY	Mid Caps	Declining	Positive	Positive	Warning			X			Testing 50-dma
EEM	Emerging Mkt	Declining	Positive	Positive	Warning			X			Broke 50-dma
EFA	International	Declining	Positive	Positive	Warning			X			Testing 50-dma
IXUS	Total International	Declining	Positive	Positive	Warning			X			Testing 50-dma
GLD	Gold	OB	Positive	Positive	Hold			X			Consolidating
RSP	SP500 Equal Wgt	OB	Positive	Positive	Hold			X			Testing Highs
SDY	SP500 Dividend	OB	Positive	Positive	Hold			X			Testing Highs
IVV	SP500 Market Wgt	OB	Positive	Positive	Hold			X			New Highs
TLT	20+ Yr. Bond	OB	Positive	Positive	Take Profits			X			Hold Positions
HYG	Corporate High Yield	OB	Positive	Positive	No Position					X	Correction Started
BNDX	Int'l Bond Aggregate	OB	Positive	Positive	No Position					X	Testing Highs
LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING						X	No Position				

Portfolio/Client Update:

Last week, the markets got oversold on a short-term basis to allow us to add some positions to portfolios.

Please Read **TRUST THE PROCESS** in the main body of this week's missive.

As noted, the market had gotten oversold on a short-term basis, which brought the risk/reward measures back into better alignment. This is where our process required we add equity exposure back into portfolios.

- In the **ETF Model** we added Financials (XLF) and increased our stake in HealthCare (XLV) with both of those sectors having gotten oversold and bouncing off their respective 50-dma's.
- In the **EQUITY Model** we added JP Morgan (JPM) and Pfizer (PFE) while increasing our stakes in Abbvie (ABBV), United Healthcare (UNH), and Alerian MLP (AMLP).

Importantly, this rebalancing of risk did not dramatically increase our equity exposure. This is because, as noted above, the longer-term technical outlook remains "cautious."

Yes, we realize we are very late-cycle, we also know that with the Fed, and global Central Banks, still intervening, we must give deference to the "bullish bias." **At the moment, that bias clearly**

remains, and functioned as we predicted last week.

If you have any questions, please [don't hesitate to email me.](#)

There were no additional portfolio actions this past week.

- **New clients:** *Slowing adding exposure as needed.*
- **Dynamic Model:** *Bought positions in JPM, PRE, AMLP, UNH, ABBV. Reduced market hedge by 1/2.*
- **Equity Model:** *Bought positions in JPM & PFE, added to existing holdings of AMLP, UNH, ABBV.*
- **ETF Model:** *Added 1/2 position XLF, add to existing position XLV.*

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.**

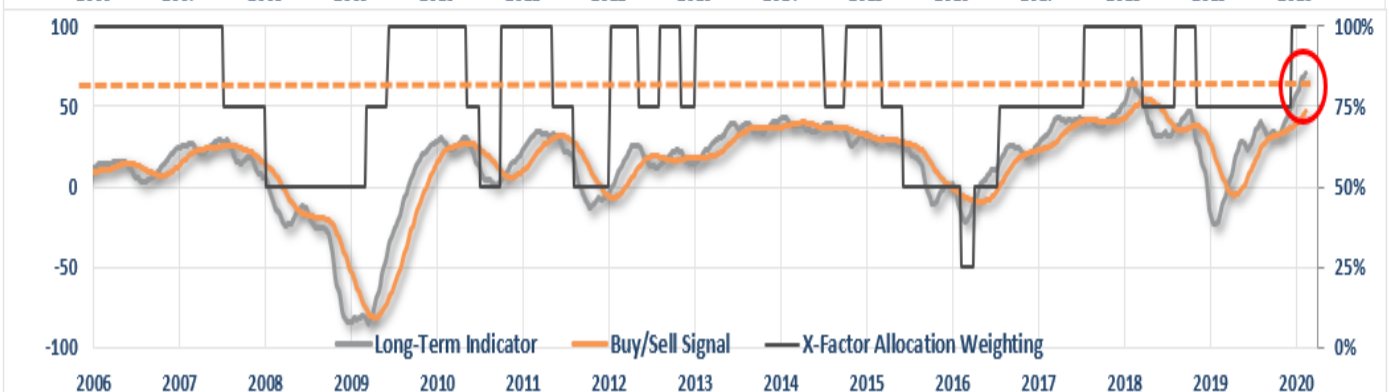
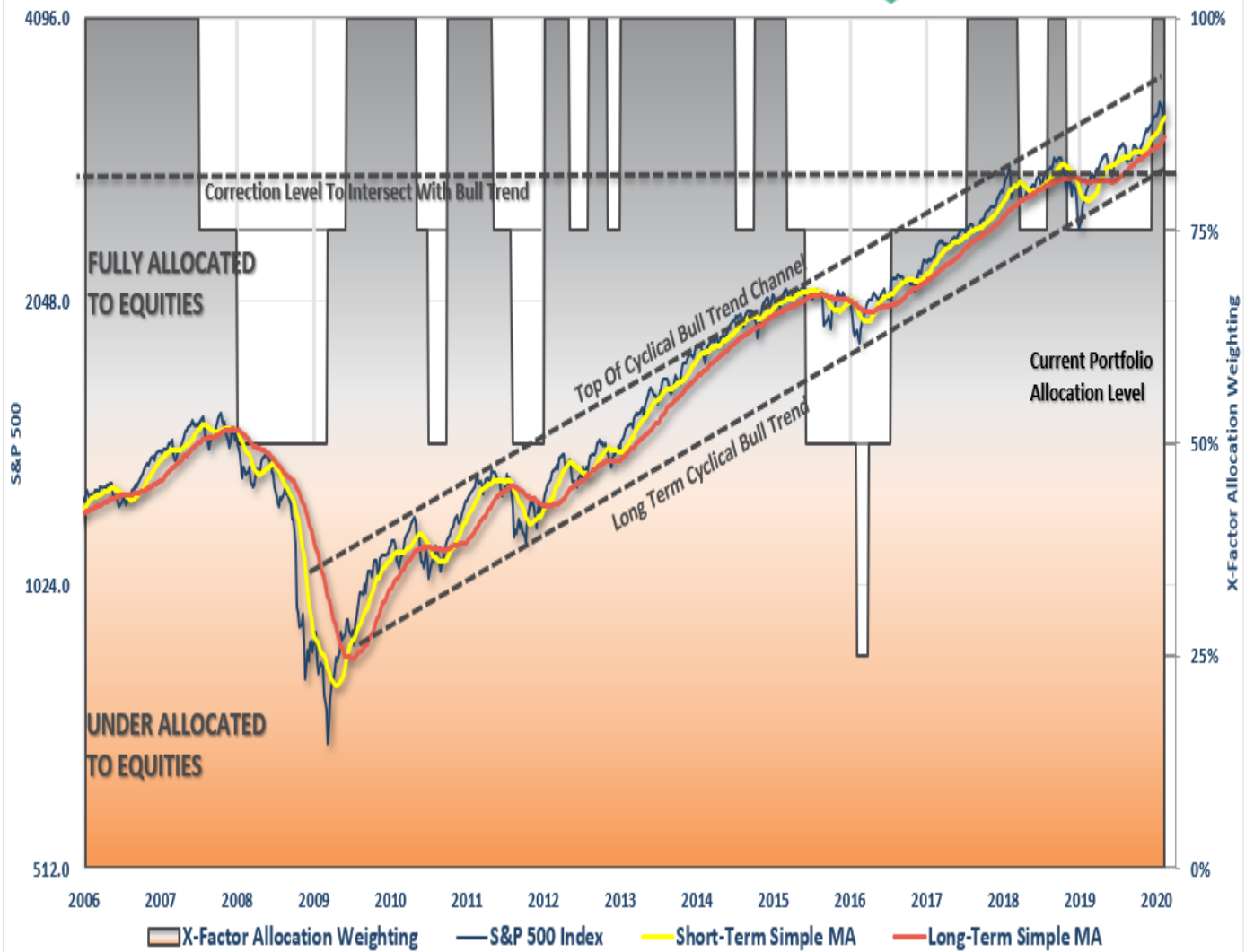
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors

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

Risk Management Analysis

REAL INVESTMENT ADVICE



Current Portfolio Weighting



Current 401k Allocation Model

5.00% Cash + All Future Contributions

Primary concern is the protection of investment capital

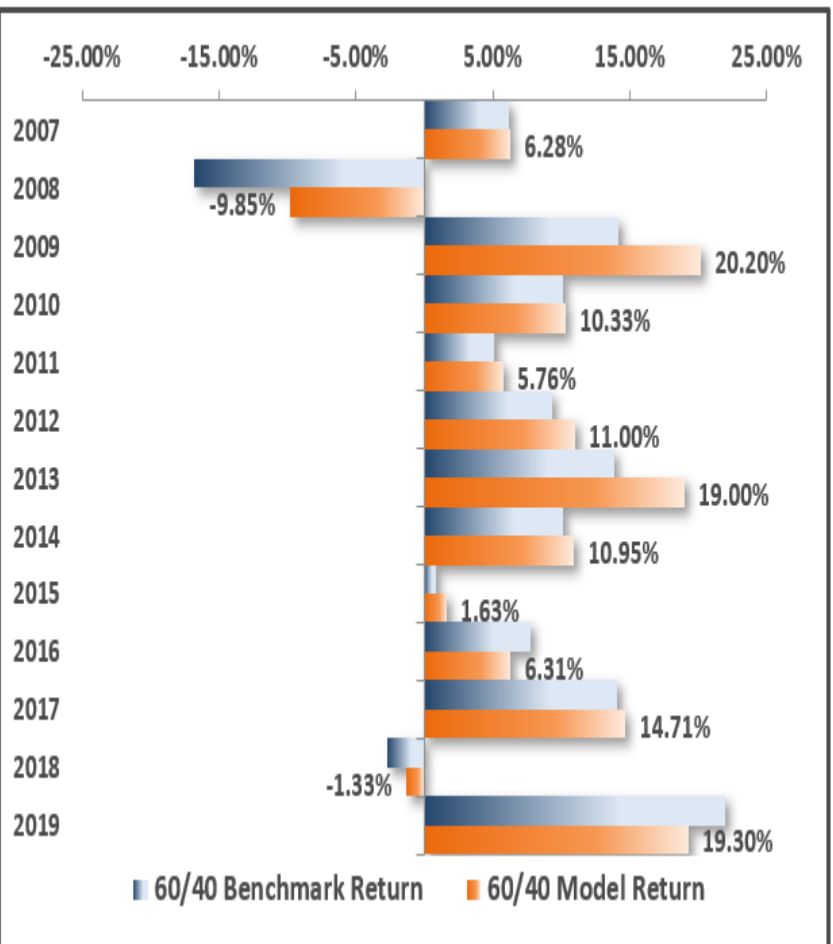
If you need help after reading the alert; do not hesitate to [contact me](#).

[Click Here For The "LIVE" Version Of The 401k Plan Manager](#)

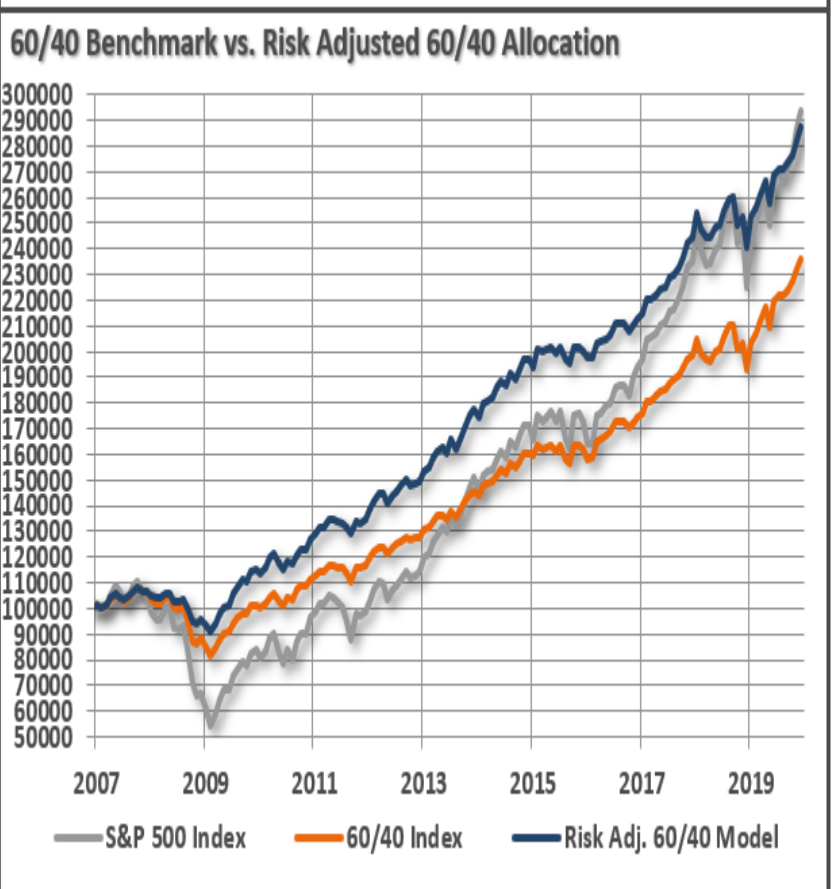
See below for an example of a comparative model.

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	6.15%	6.28%
2008	-16.79%	-9.85%
2009	14.22%	20.20%
2010	10.17%	10.33%
2011	5.14%	5.76%
2012	9.33%	11.00%
2013	13.91%	19.00%
2014	10.08%	10.95%
2015	0.83%	1.63%
2016	7.79%	6.31%
2017	14.12%	14.71%
2018	-2.72%	-1.33%
2019	21.96%	19.30%



Portfolio vs Benchmark Statistics	
Number of Up Years	11
Number of Down Years	2
Best One Year Return Of Benchmark	21.96%
Best One Year Return Of Model	20.20%
Worst One Year Return Of Benchmark	-16.79%
Worst One Year Return Of Model	-9.85%
Benchmark Return 2007-Present	123.78%
Model Return 2007-Present	173.11%
Total Alpha Generated	49.33%
Mean Annual Return Of Benchmark	7.25%
Mean Annual Return Of Model	8.79%
Beta Of Model vs Benchmark	0.86
Jensens Alpha	2.30%
Sharpe Ratio	0.29



401k Plan Manager Live Model

As an [RIA PRO subscriber](#) (*You get your first 30-days free*) you have access to our live 401k p

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)*

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

This is the Beta version of 401K. Some Errors are expected ! Click Here to report Issues

My Portfolios

CVS Health ▾

Enter Portfolio Name

✓ Add Portfolio

✓ Delete Portfolio

✓ Rename Portfolio

My Info Fund Selection Comparison Summary Commentary

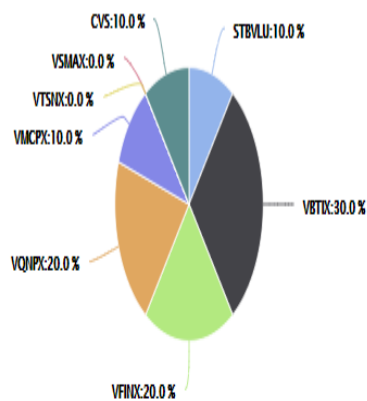
My Portfolio

Retirement Income (My Portfolio Annual ROR 9.44 %)		—
Current account balance	10,000	
Estimated Retirement Balance	632,861	
Estimated Retirement Balance (Inflation Adj)	620,204	
Monthly Income	2,768	
Monthly Income (Inflation Adj)	2,713	
My Cumulative Contribution	172,934	
Employer Cumulative Contribution	103,760	

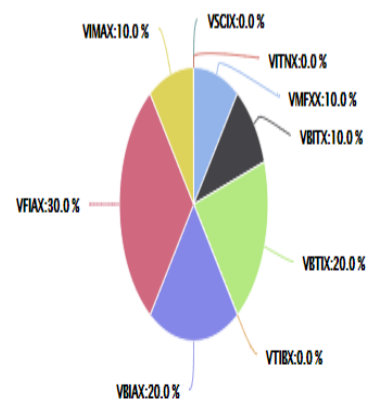
RIAPro Portfolio RIA PRO MODEL PL ▾

Retirement Income (RiaPro Annual ROR 9.02 %)		—
Current account balance	10,000	
Estimated Retirement Balance	609,786	
Estimated Retirement Balance (Inflation Adj)	597,590	
Monthly Income	2,667	
Monthly Income (Inflation Adj)	2,614	
My Cumulative Contribution	172,934	
Employer Cumulative Contribution	103,760	

My Fund Composition



RIAPro Fund Composition



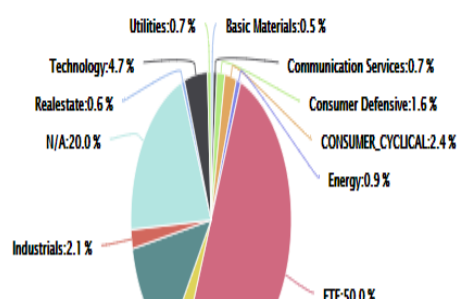
My Asset Composition

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RIAPro Asset Composition

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My Sector Composition



RIAPro Sector Composition

