

# Real Investment Report

## Did The Market Just Get Infected?

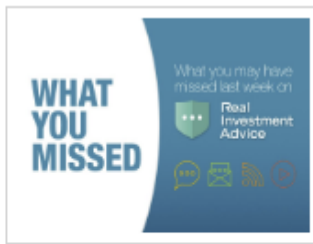


- ***Did The Market Just Get Infected?***
- ***MacroView: Japan, The Fed, & The Limits Of QE***
- ***Financial Planning Corner: Part 2: Dave Ramsey Is Wrong About Life Insurance***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA: Week Of 02-17-20

Written by Lance Roberts | Feb 21, 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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## Did The Market Just Get Infected?

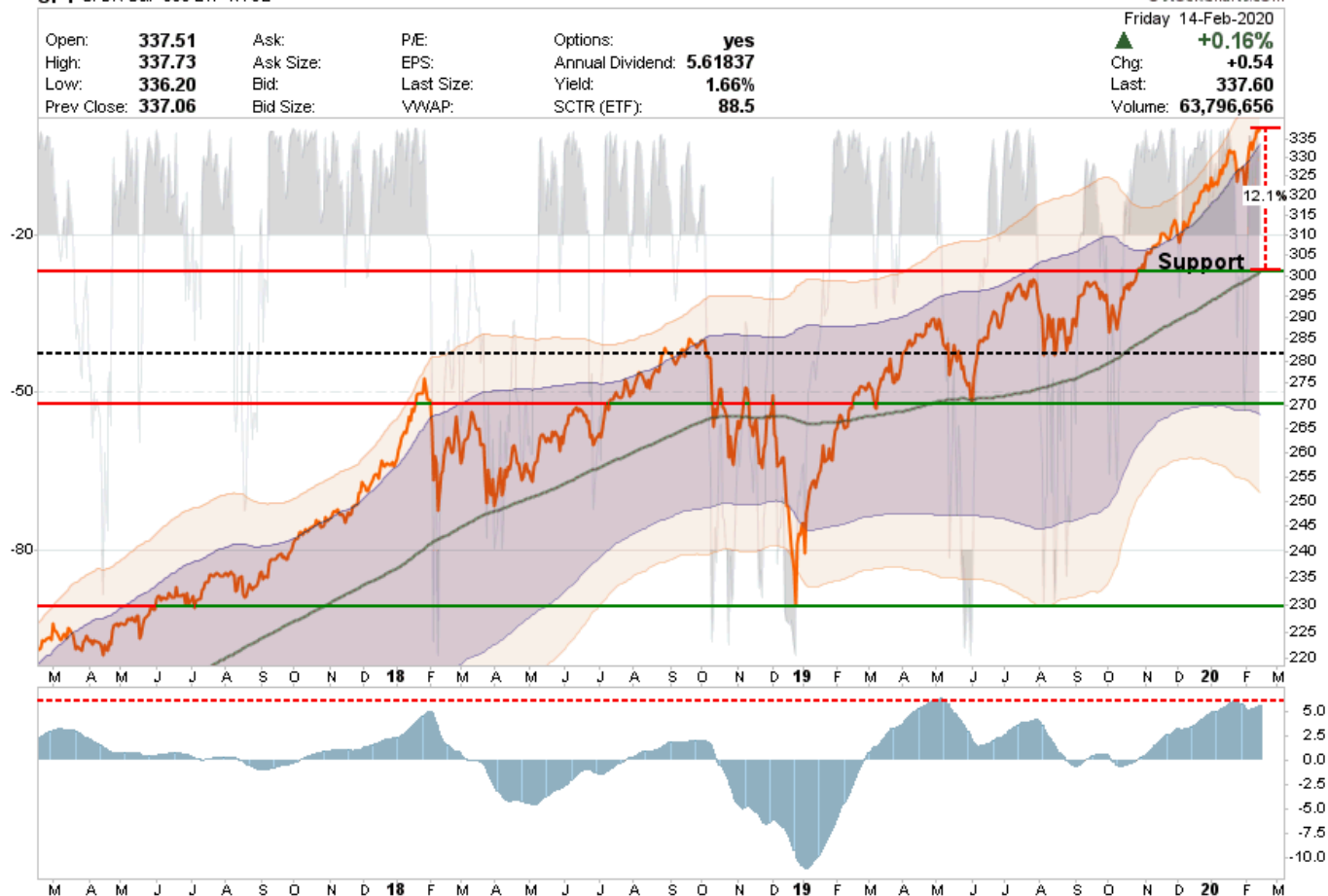
**Just last week**, we were asking the opposite question, as traders were believing that the market had immunity to the risks from the "coronavirus."

This was a point we discussed with our [\*\*RIAPRO subscribers \(Try for 30-days RISK FREE\)\*\*](#) in Monday's technical market update.

*"As noted last week: 'With the market now trading 12% above its 200-dma, and well into 3-standard deviations of the mean, a correction is coming.' **But the belief is currently 'more stimulus' will offset the 'virus.'***

***This is probably a wrong guess.***

***Extensions to this degree rarely last long without a correction. Maintain exposures, but tighten up stop-losses."***



RIA Pro

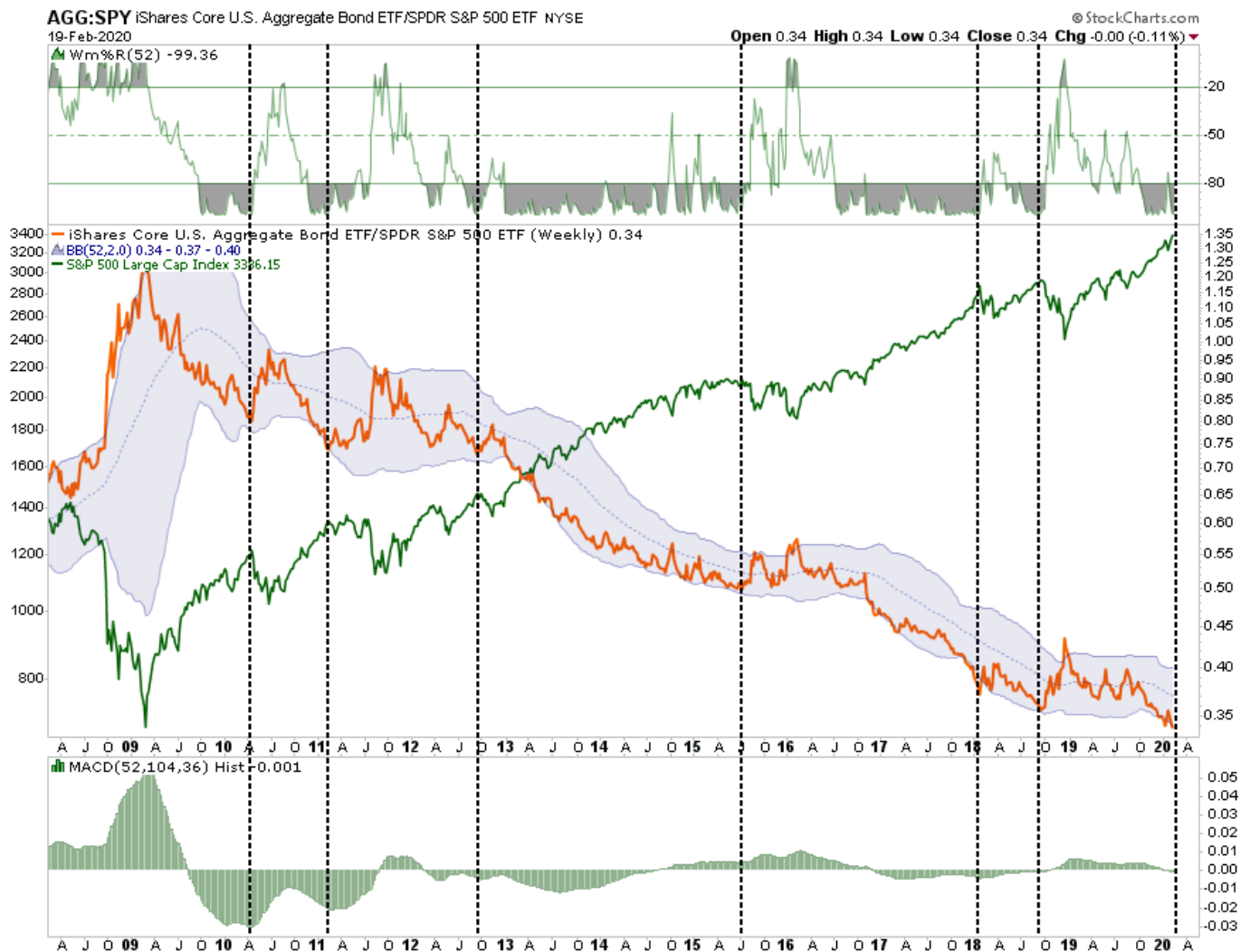
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That correction came hard, and fast on Thursday and Friday.

For the week, the market declined, but it was the "5-Horseman Of The Rally" (*Apple, Microsoft, Google, Facebook, Amazon*) which led the way lower. This is the first time we have seen a real rotation out of the "momentum chase" into fixed income and was a point we discussed in Thursday's **RIAPRO Intermarket Analysis** Report. [To wit:](#)

*"Stocks and bonds play an interesting 'risk on/risk off' relationship over time. As shown above while stocks are extremely outperforming bonds currently, the relationship is now suppressed to levels where a reversion would be expected. **This suggests that we will likely see a a correction in equity prices, and a rise in bond prices (yields lower), in the near future.**"*



Currently, this is just a correction within the ongoing bullish trend, however, **there are things occurring that do not rule out the possibility of a larger correction in the short-term.**

**REAL  
INVESTMENT  
ADVICE**

Are your investments prepared  
for the next bear market?

**SCHEDULE YOUR  
CONSULTATION  
TODAY**

Carl Swenlin from Decision Point (*h/t G. O'Brien*) came to a similar conclusion.

*"Yesterday (Thursday) SPY penetrated the bottom of a short-term rising wedge, but couldn't make it stick. Today was a different story, but the support line drawn across the January top impeded excessive downward progress. The VIX didn't quite reach the bottom Bollinger Band, but it is possible that we will see continued weak price action similar to the short January decline if the VIX breaks through the band. Being so close to the band, the VIX is also oversold, **so it is also possible that we'll see a bounce.**"*





*"The intermediate-term market trend is UP and the condition is SOMEWHAT OVERBOUGHT. The negative divergences spell trouble., and all four indicators are below their signal line and falling.*

*The market has so resilient that it is hard to think that anything more than a minor pullback is possible. A critical breakdown below the January top hasn't happened yet, but that could be the first move on Monday. **Indicators in the short- and intermediate-term are falling, and negative divergences are abundant, so I think that next week will be negative. That may just be the beginning.**"*



We agree with that assessment. **Remember, it never just starts raining; clouds gather, skies darken, wind speeds pick up, and barometric pressures decline. When you have a consensus of the evidence, you typically carry an umbrella.**

Evidence is clearly mounting, and one of the bigger concerns to the market, and particularly to the commodity space, is the surge in the U.S. dollar. This past [Monday, we wrote:](#)

*"As noted previously, the dollar has rallied back to that all important previous resistance line. **IF the dollar can break back above that level, and hold, then commodities, and oil, will likely struggle.**"*

*That is exactly what happened over the last two weeks and the dollar has strengthened that rally as concerns over the 'coronavirus' persist. With the dollar testing previous highs, a break above that resistance could result in a sharp move higher for the dollar.*

*The rising dollar is not bullish for Oil, commodities or international exposures. The 'sell' signal has begun to reverse. Pay attention."*



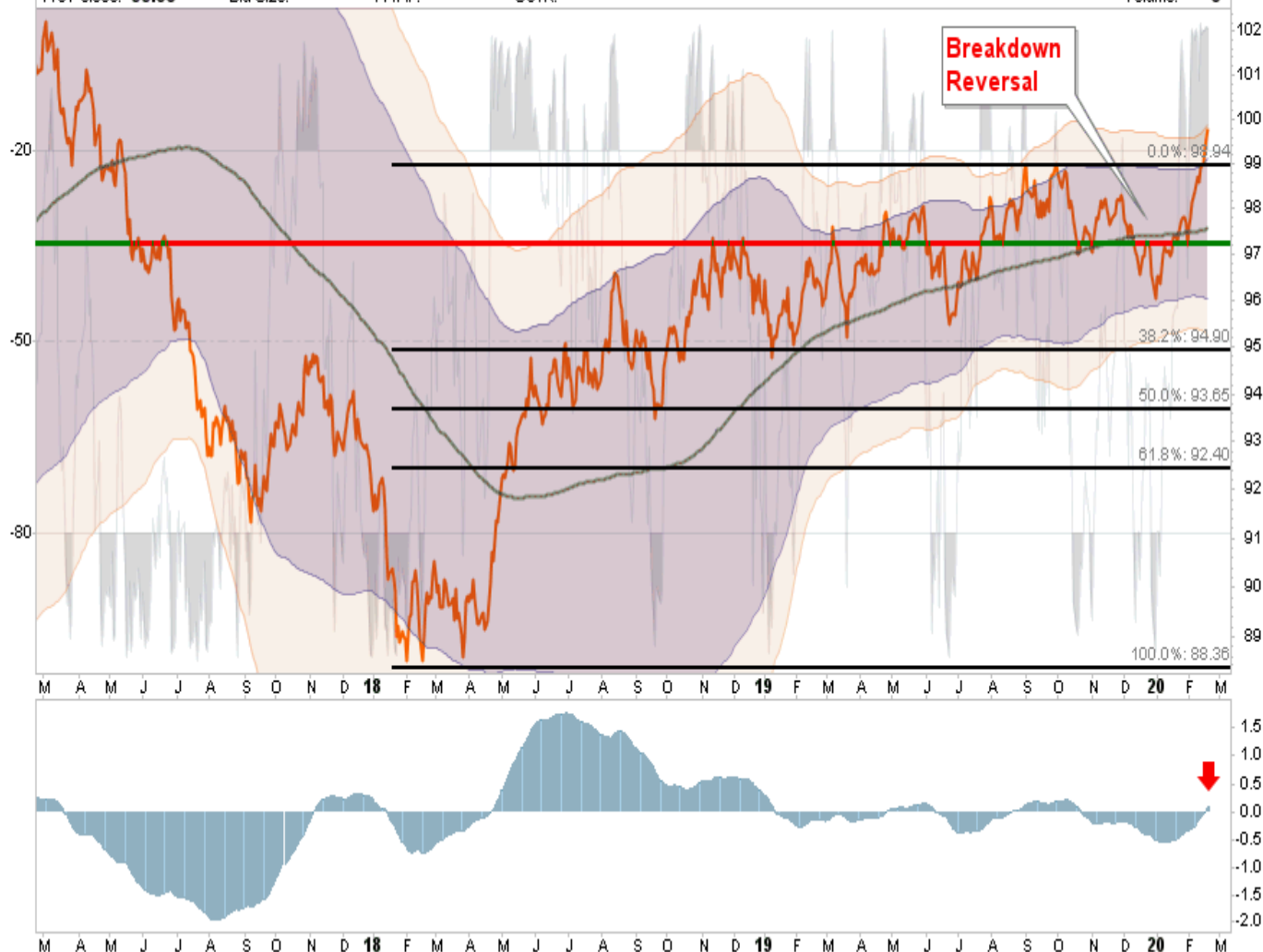
\$USD US Dollar Index - Cash Settle (EOD) ICE

© StockCharts.com

Thursday 20-Feb-2020

Open: <b>99.47</b>	Ask:	P/E:	Options: <b>no</b>
High: <b>99.82</b>	Ask Size:	EPS:	Annual Dividend: <b>N/A</b>
Low: <b>99.44</b>	Bid:	Last Size:	Yield: <b>N/A</b>
Prev Close: <b>99.60</b>	Bid Size:	VWAP:	SCTR:

▲ **+0.18%**  
Chg: **+0.18**  
Last: **99.78**  
Volume: **0**



This surge in the dollar is also responsible for the sharp drop in bond yields as money is flooding into USD denominated assets due to the coming global impact from the coronavirus.

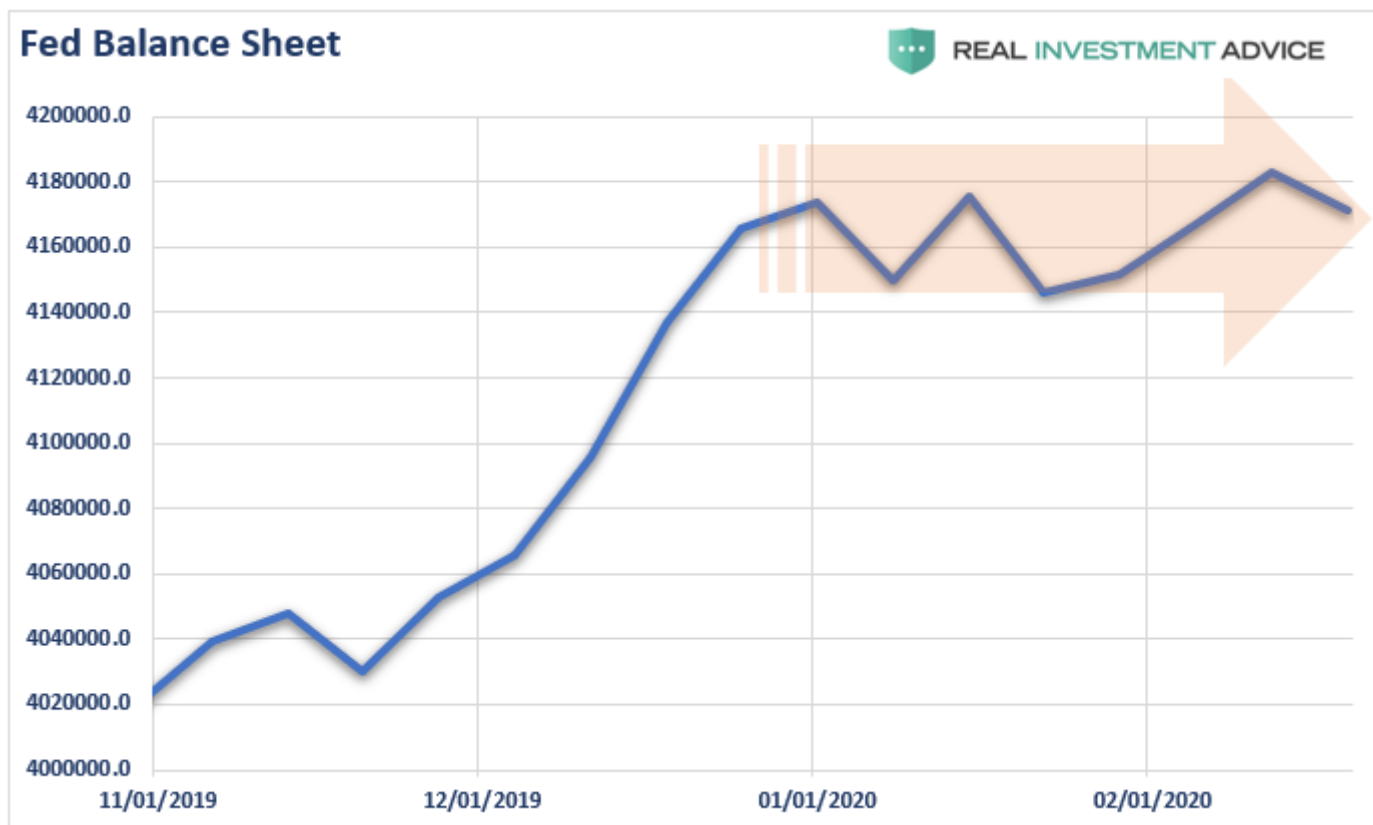
**This is a substantial risk to the markets over the rest of this year which has not been factored into asset prices as of yet.**



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with Lance Roberts

Monday to Friday,  
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Furthermore, the main driver behind stock prices since last October has been the flood of liquidity from the Federal Reserve. However, that push of liquidity has quietly gone subsided over the last few weeks.



This was well telegraphed by the Fed previously but was reasserted this past week as the Fed noted it was in no rush to cut rates and would continue reducing "repo operations," both into, and following, April.

Given the "bull thesis" has been "liquidity trumps all other risks," with the Fed funds rate at 1.5% currently, and liquidity flows being reduced, "risks" now have a stronger hand. When you combine reduced liquidity with a surging U.S. Dollar, and collapsing yields, investors should reassess their positioning accordingly.

As my friend Victor Adair from [Polar Futures Group](#) stated on Friday:

*"The EURUSD jumped sharply (after falling steadily YTD) and the spooz took another leg down. Could there have been a European institutional account positioned in US stocks which suddenly decided, **like the Jeremy Irons character in the Margin Call movie, that they didn't hear the music anymore, and decide to sell?** If they had owned US stocks without hedging their FX risk the temptation to hit the SELL button given the recent huge rallies in both US stocks and the US Dollar would have been huge! **I think the S&P 500 can continue lower.**"*

## Positioning Review & Update

We have been concerned about the potential for a correction for the last three weeks. Given that we previously took profits near the market peak in January, there was not a tremendous amount of work we needed to do on the equity side of the ledger.

However, this past Monday we did extend the duration of our bond portfolio a bit, and changed some of the underlying mixes of bonds, to prepare for a correction. With the sharp yield spike over the last couple of days, those positioning changes worked well to reduce volatility.



We are using this correction to rebalance some of our equity risks as well. The bull market is still intact, so it is not time to be bearish in terms of positioning, just yet. However, we are maintaining our hedges for now until we get a better understanding of where the markets are headed next.



Currently, there are several levels of support short-term. The market bounced off initial support at the 38.2% retracement level at the end of the day on Friday. However, we suspect we will likely see more follow-through next week, particularly if the dollar continues to strengthen. **Downside risk currently resides at 3250, but a break below that level will suggest a much bigger correction is underway.**

Longer-term, given the unrecognized impact of the virus on the economy, we expect a bigger decline down the road. As Doug Kass noted on Thursday:

**"Caution is warranted.** What we have all learned of the virus is that it is easily transmitted. It is asymptomatic, well established and it is spreading. As I have also noted its spreading has been under reported and, unlike other market headwinds, **the liquidity provided by central bankers will have NO impact on the damage inflicted by the virus' contagion.**

Among other issues, global travel will be decimated and this will have unusual 'knock on' effects. Tourists, especially Chinese ones, spend lots of money. **This will be a GLOBAL problem as China was to be a source of big growth for this sector. Retailers of EVERYTHING are going to miss budgets and economies like Japan and South Korea are going to be devastated by the impact.**

In Japan, this will come after a massive (and ill timed) tax increase. Tech will play the role of major (not minor) collateral damage as long held supply chains are damaged/crushed.

**Most investors, focused on price action, have little idea what could hit them."**

We are keenly aware of the risk, and while we are not "selling heavily and moving to cash" currently, it doesn't mean we won't.

We are paying attention to what the market is saying, and following directions accordingly.

Are you?

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## Real Investment Report

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## The MacroView



### #MacroView: Japan, The Fed, & The Limits Of QE

Written by Lance Roberts | Feb 21, 2020

The Fed recognizes ongoing monetary interventions have created financial risks in the terms of asset bubbles across multiple asset classes. They are also aware the majority of policy tools are likely ineffective at mitigating financial risks in the future. This leaves them dependent on expanding their balance sheet which may not be as effective as they hope.

[>> Read More](#)

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

See You Next Week

## Financial Planning Corner

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



### **#FPC: Dave Ramsey Is Right & Very Wrong About Permanent Life Insurance (Pt. 2)**

Written by Danny Ratliff | Feb 21, 2020

Why Dave Ramsey is right, but also VERY wrong about the use of Permanent Life insurance in your financial and retirement planning process. You could be leaving a LOT of tax-free income on the table for your retirement.

[>> 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•

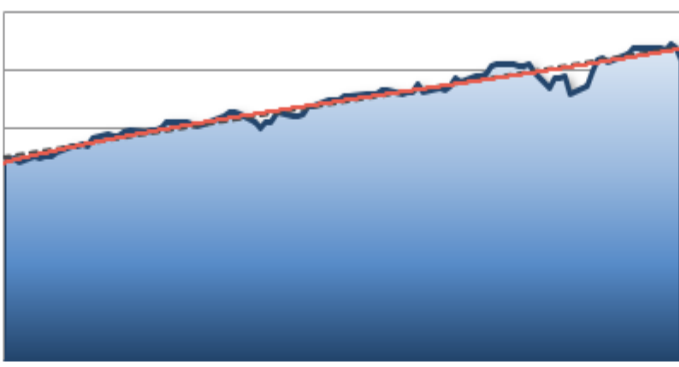
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## Market & Sector Analysis

*Data Analysis Of The Market & Sectors For Traders*

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## 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		23.49%	20.21%	3.61%	(82.13%)
								Max Drawdown		-20.47%	-7.41%	-3.67%	-50.48%
								Sharpe		0.87	1.85	2.27	0.23
								Sortino		1.04	2.07	2.94	0.42
								Volatility		14.31	11.95	11.62	(0.03)
								Daily VaR-5%		(9.47)	3.21	9.63	2.00
								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%	(13.81%)	2.18%	1.68%	(22.15%)	1.43%	Shares	2,381.9	2,447.2	2.74%	
P/E Ratio	21.96	18.24	20.77	12.20%	2169%	1648%	(4.2%)	26.03%	Sales	63,444	65,416	3.11%	
P/S Ratio	3.57	3.10	3.79	18.01%	3.66	2.65	3.46%	42.98%	SPS	26.6	26.7	0.36%	
P/B Ratio	4.07	3.80	4.61	17.67%	4.45	3.01	3.57%	53.51%	Earnings	9,539	9,606	0.70%	
ROE	16.03%	18.81%	18.95%	0.74%	18.95%	15.04%	0.00%	26.03%	EPS TTM	4.8	4.9	1.68%	
ROA	3.00%	3.53%	3.49%	(1.18%)	3.53%	2.81%	(1.17%)	24.09%	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	(16.82%)	3.74%	1.27	19.15	127.61	12.77	(85.0%)	7.8%	4.5%	6.06%	3.07	15.65	
Materials	(18.16%)	2.49%	1.27	18.24	22.97	13.86	(20.6%)	8.5%	1.8%	6.05%	3.62	17.51	
Industrials	10.95%	8.88%	1.16	19.13	22.27	14.78	(14.1%)	19.3%	1.8%	5.19%	5.07	17.36	
Discretionary	18.82%	9.88%	1.03	26.74	27.17	20.19	(1.6%)	27.7%	1.2%	3.77%	4.91	22.93	
Staples	17.42%	6.98%	0.58	21.82	22.83	17.62	(4.4%)	28.2%	2.6%	4.56%	4.04	20.17	
Health Care	13.05%	13.77%	0.87	17.78	20.18	15.78	(11.9%)	32.4%	1.7%	5.51%	6.94	15.84	
Financials	17.42%	12.43%	1.24	14.08	18.50	11.73	(23.9%)	11.5%	2.0%	6.99%	5.96	12.91	
Technology	43.47%	24.75%	1.24	26.65	24.10	14.48	10.6%	41.0%	1.2%	3.62%	5.68	22.82	
Telecom	19.54%	10.51%	0.87	23.10	27.01	17.61	(14.5%)	16.6%	0.8%	4.20%	6.75	19.33	
Utilities	25.07%	3.43%	0.26	22.17	21.40	15.58	3.6%	10.6%	2.9%	4.31%	3.75	21.00	
Real Estate	20.40%	3.01%	0.69	23.45	23.85	17.19	(1.7%)	8.7%	2.9%	4.41%	4.45	20.30	
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	333.48	5.09%	327.81	50	1.73%	304.89	189	9.38%	7.51%	(1.65%)	22.41%	Buy	
Mid Cap	379.94	2.73%	376.42	10	0.93%	358.26	96	6.05%	5.07%	(1.18%)	15.58%	Buy	
Small Cap	71.72	0.45%	72.27	3	(0.76%)	68.59	94	4.56%	5.36%	(3.38%)	13.90%	Buy	

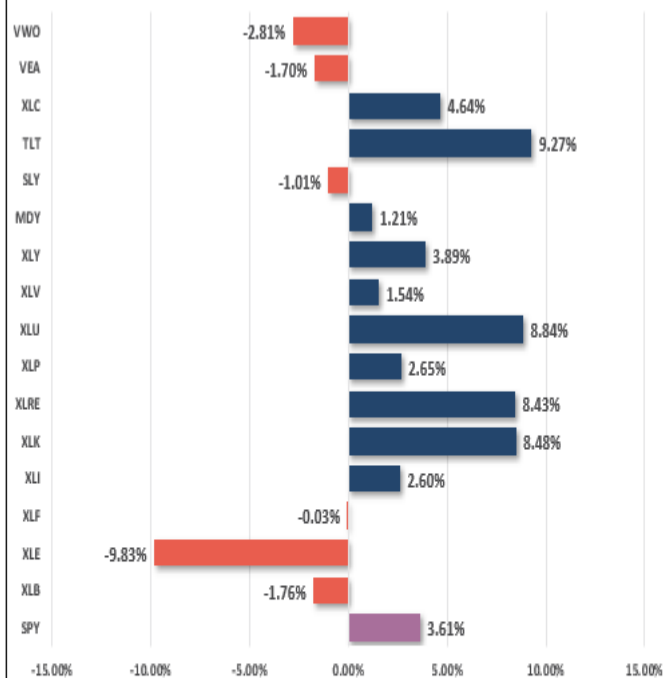
## Performance Analysis



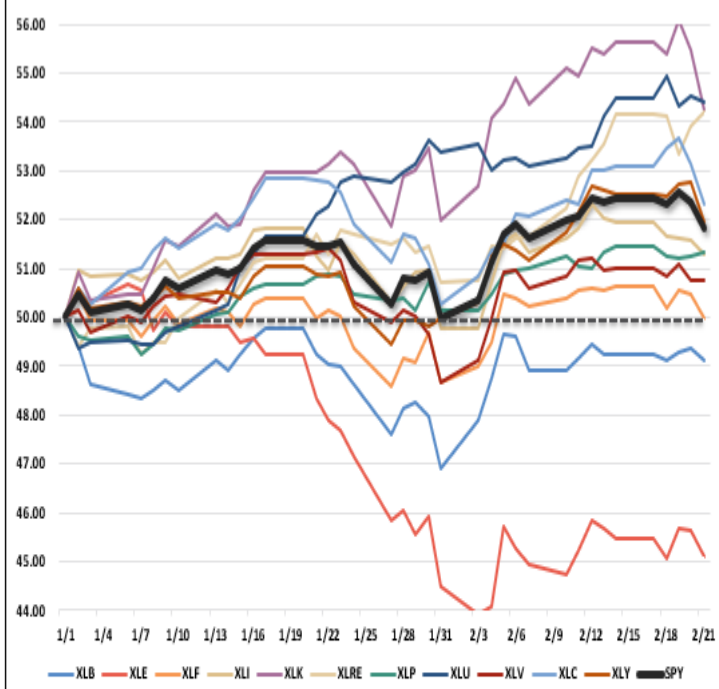
## Year To Date Performance



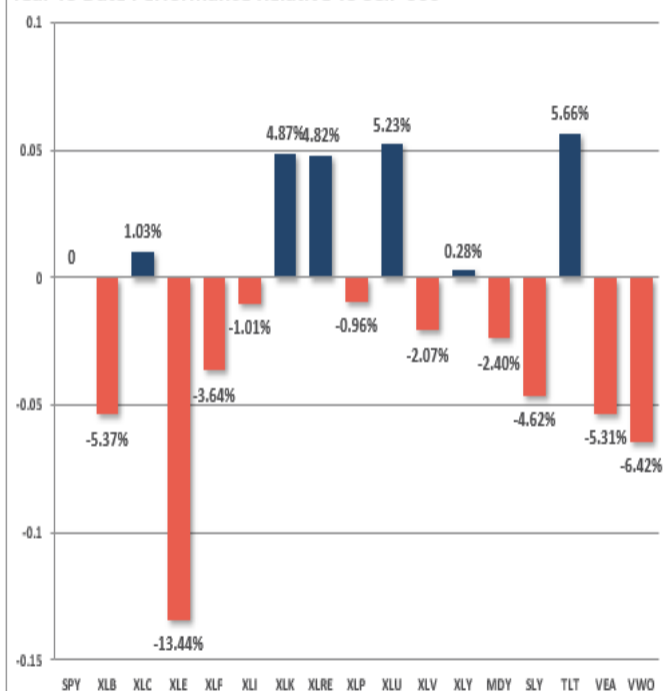
REAL INVESTMENT ADVICE



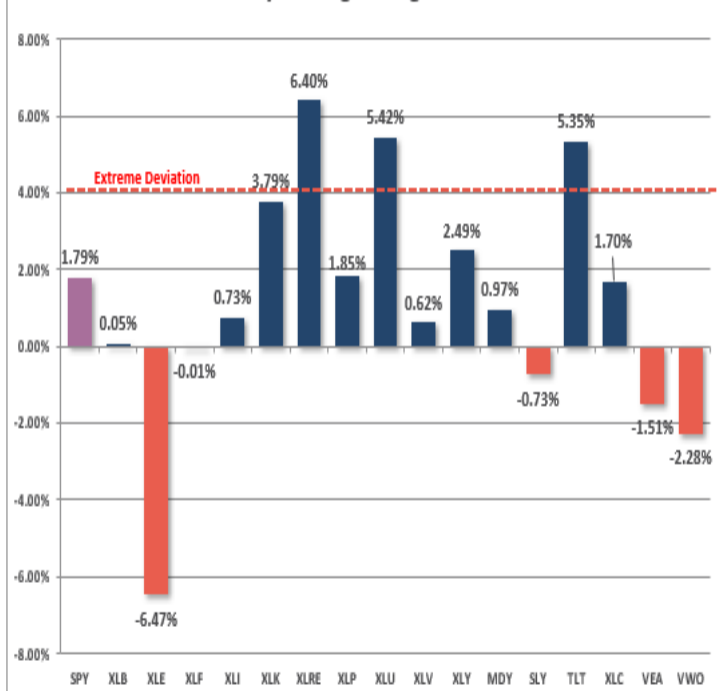
## YTD Price - S&P Sectors Recalibrated To \$50/share



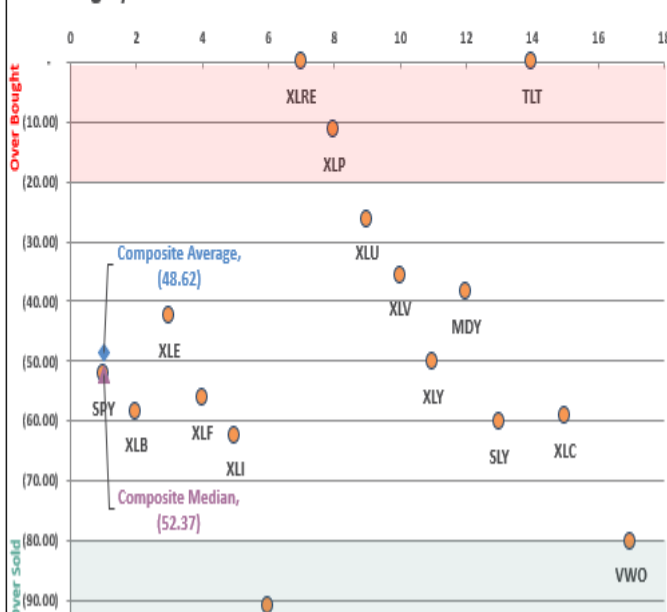
## Year To Date Performance Relative To S&P 500



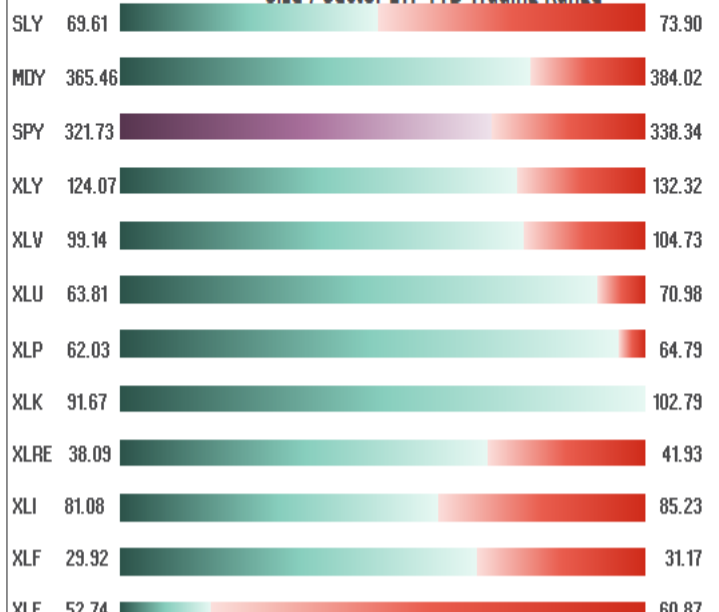
## Price Deviation From 50-Day Moving Average



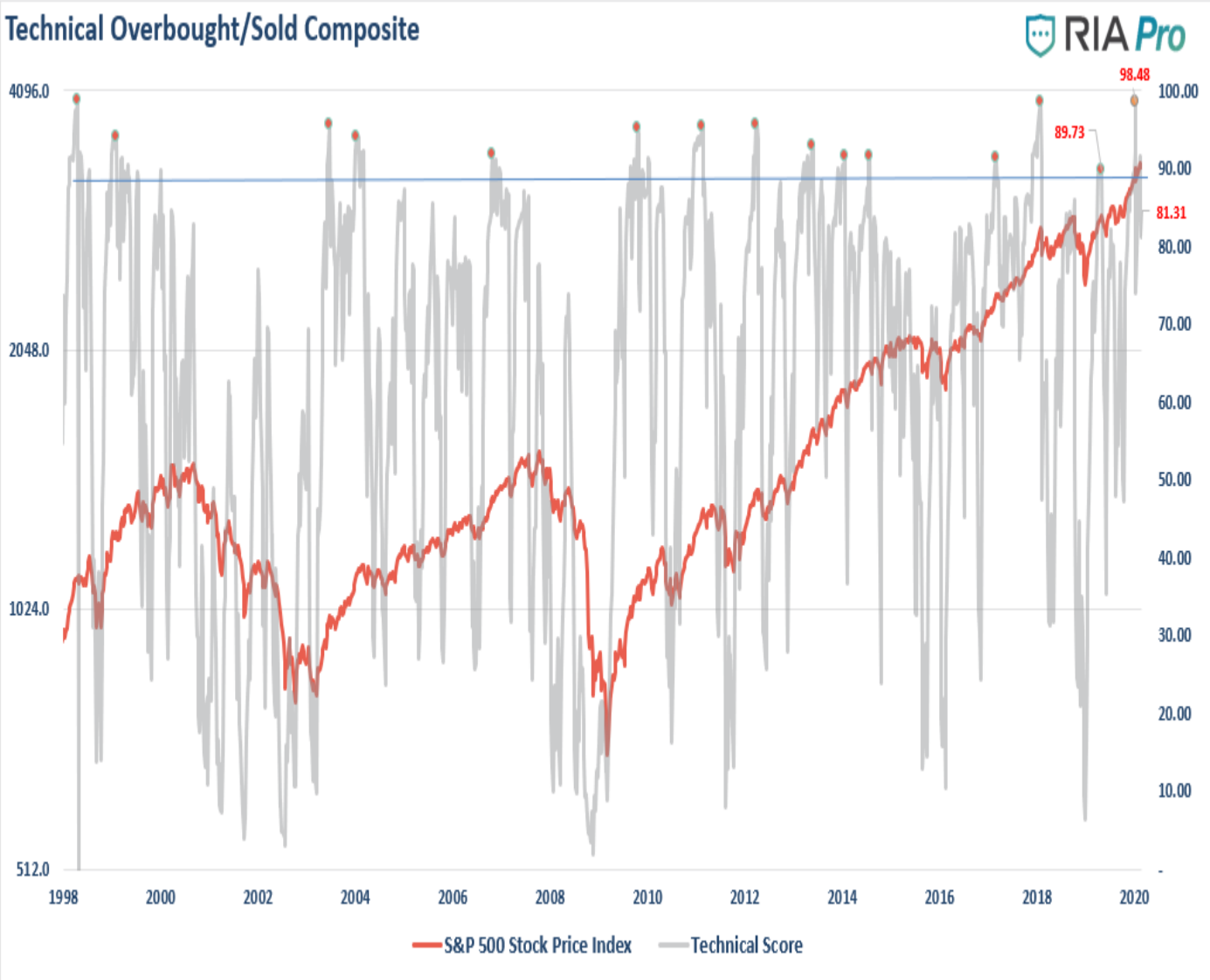
## Overbought/Oversold 14-Periods




## Size / Sector ETF YTD Trading Range



# Technical Composite



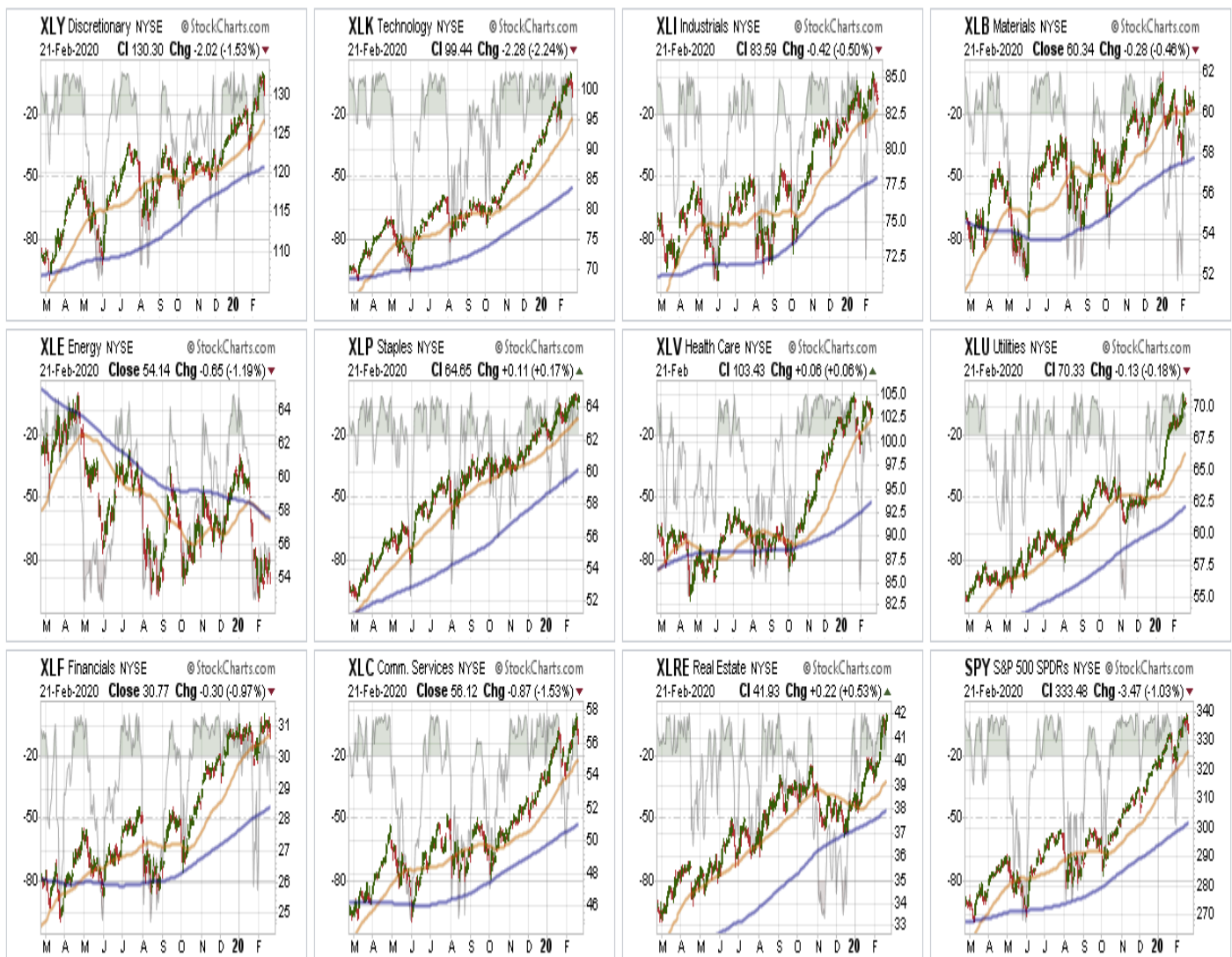
# ETF Model Relative Performance Analysis

		RELATIVE PERFORMANCE		Current Price	Model Position Price Changes Relative to Index					SHORT WMA	LONG WMA	% DEV - Short M/A	% DEV - Long M/A	Buy / Sell Signal
		Ticker	ETF NAME		1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					
BENCHMARK		IVV	ISHARS-SP500	335.01	(1.20)	1.45	6.00	11.73	19.30	326.04	309.76	2.75%	8.15%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	60.34	0.92	(0.44)	(5.50)	(6.32)	(11.12)	60.21	58.77	0.21%	2.66%	BUY
		XLE	SPDR-EGY SELS	54.14	0.39	(5.83)	(14.06)	(20.02)	(36.97)	58.20	59.21	-6.98%	-8.56%	SELL
		XLF	SPDR-FINL SELS	30.77	(0.09)	(0.20)	(3.94)	0.40	(3.01)	30.64	29.00	0.43%	6.09%	BUY
		XLI	SPDR-INDU SELS	83.59	(0.04)	(1.40)	(4.11)	(3.46)	(9.61)	82.62	79.45	1.17%	5.21%	BUY
		XLK	SPDR-TECH SELS	99.44	(1.27)	0.62	6.80	10.28	21.47	94.04	86.13	5.74%	15.45%	BUY
		XLP	SPDR-CONS STPL	64.65	0.98	0.22	(1.72)	(6.51)	(0.52)	63.21	61.50	2.28%	5.13%	BUY
		XLU	SPDR-UTIL SELS	70.33	1.11	1.43	5.55	0.24	3.98	65.92	63.72	6.69%	10.38%	BUY
		XLC	SPDR-COMM SV SS	56.12	(0.24)	(0.68)	0.78	(1.11)	2.52	54.59	51.91	2.80%	8.11%	BUY
		XLV	SPDR-HLTH CR	103.43	0.72	(0.50)	(2.04)	1.59	(7.54)	102.14	95.87	1.27%	7.89%	BUY
		XLY	SPDR-CONS DISCR	130.30	0.14	2.01	0.42	(5.69)	(2.03)	126.00	122.67	3.41%	6.22%	BUY
	SIZE	SLY	SPDR-SP SC 600	71.72	0.31	(2.08)	(4.45)	(3.35)	(17.06)	71.93	69.11	-0.29%	3.77%	BUY
		MDY	SPDR-SP MC 400	379.94	0.64	(0.37)	(2.37)	(2.81)	(11.44)	374.37	360.74	1.49%	5.32%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	117.57	0.31	(0.80)	(2.07)	(2.49)	(6.82)	115.74	110.97	1.58%	5.94%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	107.97	0.47	(0.62)	(4.39)	(4.82)	(10.93)	107.21	103.93	0.71%	3.89%	BUY
	Real Estate	XLRE	SPDR-RE SELS	41.93	1.32	3.40	2.49	(6.38)	0.23	39.18	38.82	7.01%	8.00%	BUY
	International	EEM	ISHARS-EMG MKT	43.29	(0.86)	(4.38)	(4.23)	(6.79)	(18.72)	44.20	42.65	-2.06%	1.49%	BUY
		EFA	ISHARS-EAFE	68.26	(0.16)	(3.22)	(5.88)	(5.95)	(12.84)	69.10	66.75	-1.22%	2.26%	BUY
		IXUS	ISHARS-CR INT S	60.79	(0.17)	(3.30)	(5.15)	(5.88)	(13.74)	61.47	59.37	-1.11%	2.39%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	148.04	3.61	2.75	(0.57)	(10.19)	2.48	140.33	139.69	5.49%	5.98%	BUY
	International	BNDX	VANGD-TTL INT B	57.85	1.74	(0.41)	(6.52)	(13.47)	(14.16)	57.42	57.98	0.76%	-0.21%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	88.33	1.12	(0.72)	(4.40)	(10.37)	(16.10)	87.82	87.21	0.59%	1.29%	BUY
	Cash	BSV	VANGD-SHT TRM B	81.25										

## 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](#)), Real Estate ([XLRE](#)), and Utilities ([XLU](#))

As noted previously, we reduced exposure to Utilities, Real Estate, and Discretionary due to their extreme overbought condition. Unfortunately, that overbought extension has not been alleviated enough at this time to add back to our holdings. We started to see a bit of correction in Discretionary this past week, but the plunge in yields pushed Real Estate and Utilities further into orbit. We will see a correction in yield-related positions in the next couple of weeks.

**Current Positions:** *Reduced XLY, XLU, XLRE*

## Outperforming ? Technology ([XLK](#)), Communications ([XLC](#))

We previously recommended taking profits in Technology, which has not only been leading the market but has gotten extremely overbought. The correction in the markets last week hit the Technology sector the hardest, but Communications fell also. Hold positions for now, and be patient and let this correction play itself out before adding exposure.

**Current Positions:** *Target weight XLK, Reduced XLC*

## Weakening ? Healthcare ([XLV](#))

We noted previously we had added to our healthcare positioning slightly. No changes are required currently, but the current correction is pulling some of the overbought conditions out of the sector. We will re-evaluate our holdings next week.



**Current Position:** Target weight ([XLV](#))

**Lagging ?** Industrials ([XLI](#)), Financials ([XLF](#)), Staples ([XLP](#)), Materials ([XLB](#)), and Energy ([XLE](#))

On Thursday and Friday, we finally begin to see the early signs of the correction we have been talking about over the last couple of weeks. The correction did little so far to work off the extreme overbought and extended conditions. However, it is a start and we will wait and see what happens from here.

If we get sectors back to oversold, and markets are holding the bullish trendline support, we will recommend adding exposure to these areas. For now, be patient.

**Current Position:** Reduced weight [XLY](#), [XLP](#), Full weight [AML](#), 1/2 weight [XLF](#), [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 sold off on Friday, with Small-cap stocks breaking below support at the 50-dma. Mid-caps look stronger but failed at recent highs establishing a short-term double top. Neither small or mid-caps are oversold currently, so there is more risk to the downside particularly if we begin to see further economic impacts from the corona-

virus.

**Current Position:** *KGGIX, SLYV*

### **Emerging, International ([EEM](#)) & Total International Markets ([EFA](#))**

Emerging and International Markets, look a lot like small-caps above. Both had gotten extremely overbought and needed to correct. That correction broke support and their respective 50-dma. With neither market oversold currently, and the dollar getting stronger, we are likely going to close out of our positions on any bounce next week that fails to move above the 50-dma.

**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, we have been discussing that gold has been consolidating near recent highs. This past week, Gold broke out and surged higher as stock markets fell into a correction. Gold is extremely overbought, so be patient for now and move stops up to the recent breakout levels.

**Current Position:** *GDX (Gold Miners), IAU ([GOLD](#))*

### **Bonds ([TLT](#)) ?**


Bonds also broke out to new highs on Friday as the dollar rallied as money rotated into bonds for "safety" as the market weakened. After previously recommending adding to bonds, hold current positions for now. Bonds are extremely overbought now, so be cautious, we added a small portion of TLT to portfolios last week, and added PTIAX to rebalance weighting and extend our current duration.

**Current Positions:** *DBLTX, SHY, IEF, Added TLT & PTIAX*

## **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	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLK	Technology	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLI	Industrials	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLB	Materials	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLE	Energy	OS	Positive	Negative	No Action					X	Holding Bottoms
XLP	Staples	OB	Positive	Positive	Hold			X			Holding Near Highs
XLV	Health Care	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLU	Utilities	OB	Positive	Positive	Hold			X			Holding Near Highs
XLF	Financials	Correcting	Positive	Positive	Hold			X			Testing 50-dma
XLC	Communications	Correcting	Positive	Positive	Hold			X			Look For Entry Point
XLRE	Real Estate	OB	Positive	Positive	Hold			X			New Highs
SLY	Small Caps	Declining	Positive	Positive	Look To Reduce			X			Broke 50-dma
MDY	Mid Caps	OB	Positive	Positive	Hold			X			Failed At Resistance
EEM	Emerging Mkt	Declining	Positive	Positive	Look To Reduce			X			Broke 50-dma
EFA	International	Declining	Positive	Positive	Look To Reduce			X			Broke 50-dma
IXUS	Total International	Declining	Positive	Positive	Look To Reduce			X			Broke 50-dma
GLD	Gold	OB	Positive	Positive	Hold			X			New Highs
RSP	SP500 Equal Wgt	Declining	Positive	Positive	Hold			X			Correction Started
SDY	SP500 Dividend	Declining	Positive	Positive	Hold			X			Correction Started
IVV	SP500 Market Wgt	Declining	Positive	Positive	Hold			X			Correction Started
TLT	20+ Yr. Bond	OB	Positive	Positive	Hold			X			New Highs
HYG	Corporate High Yield	OB	Positive	Positive	No Position					X	Holding Near Highs
BNDX	Int'l Bond Aggregate	OB	Positive	Positive	No Position					X	New Highs
LEGEND: X = THIS WEEK => PREVIOUS DECLINING <= PREVIOUS IMPROVING						X	No Position				

## Portfolio/Client Update:

Finally, the market cracked last week and gave us a little room to operate. It is too early to become too "negative," as the market is still convinced the Fed will intervene sooner, or later, with liquidity to offset the risk of the coronavirus. Despite the "sell-off" on Friday, investors don't want to "miss out" on the liquidity party when it happens, so we will likely see the "buy the dip" crowd show up next week.

Over the last couple of weeks, we have made some minor changes to the portfolio which change very little in terms of the overall makeup. While this rebalancing of risk did not dramatically increase equity exposure, we are very aware of our positioning and risk and will take action accordingly.

**We are being deliberately slow in on-boarding client portfolios into our models, and are monitoring risks very closely.** We are not in a rush to make any drastic moves in either direction, and prefer to wait for the market to "tell us" what we need to do.

**We taken profits, moved up stop-loss levels, and have hedged our risks. We will take action when necessary.**

Be assured we are watching your portfolios very closely. **However, if you have ANY questions, comments, or concerns, please [don't hesitate to email me.](#)**

### **Portfolio Actions Taken Last Week**

- **New clients:** *Slowing adding exposure as needed.*
- **Dynamic Model:** *Added 1/2 position in VOO on Friday, as we continue to build out our "core" equity positioning in the portfolio. We still remain hedged with the Short-S&P 500 position to balance risk while trying to build out the overall model.*
- **Equity Model:** *Sold 1/2 of DBLTX and added an equal amount of PTIAX to rebalance our bond exposure in portfolios to further hedge downside risk.*
- **ETF Model:** *Sold 1/2 of DBLTX and added an equal amount of PTIAX to rebalance our bond exposure in portfolios to further hedge downside risk.*

### **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.**

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# **THE REAL 401k PLAN MANAGER**

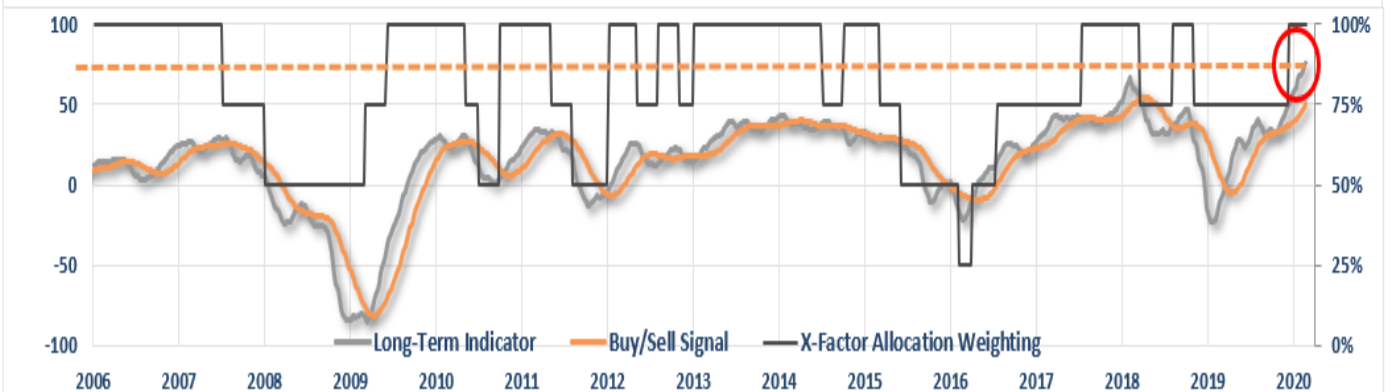
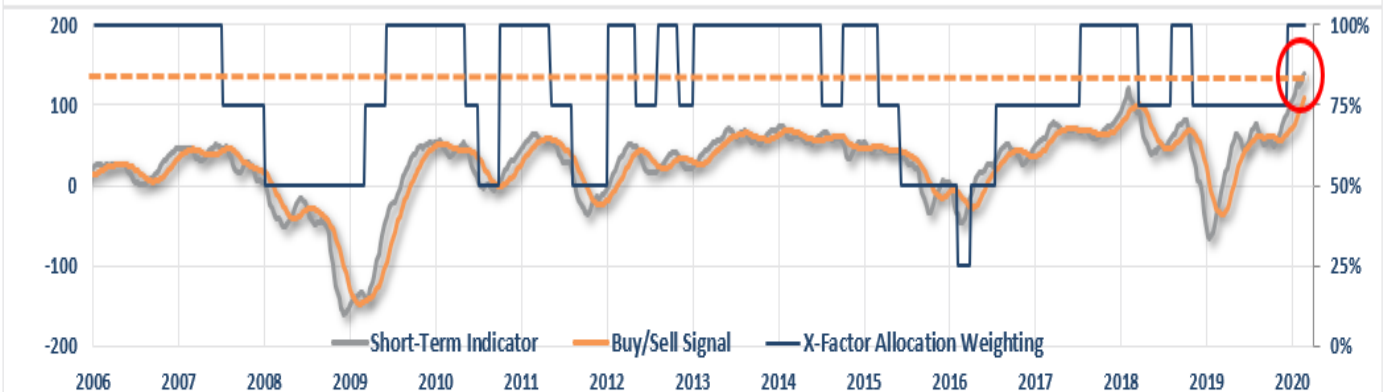
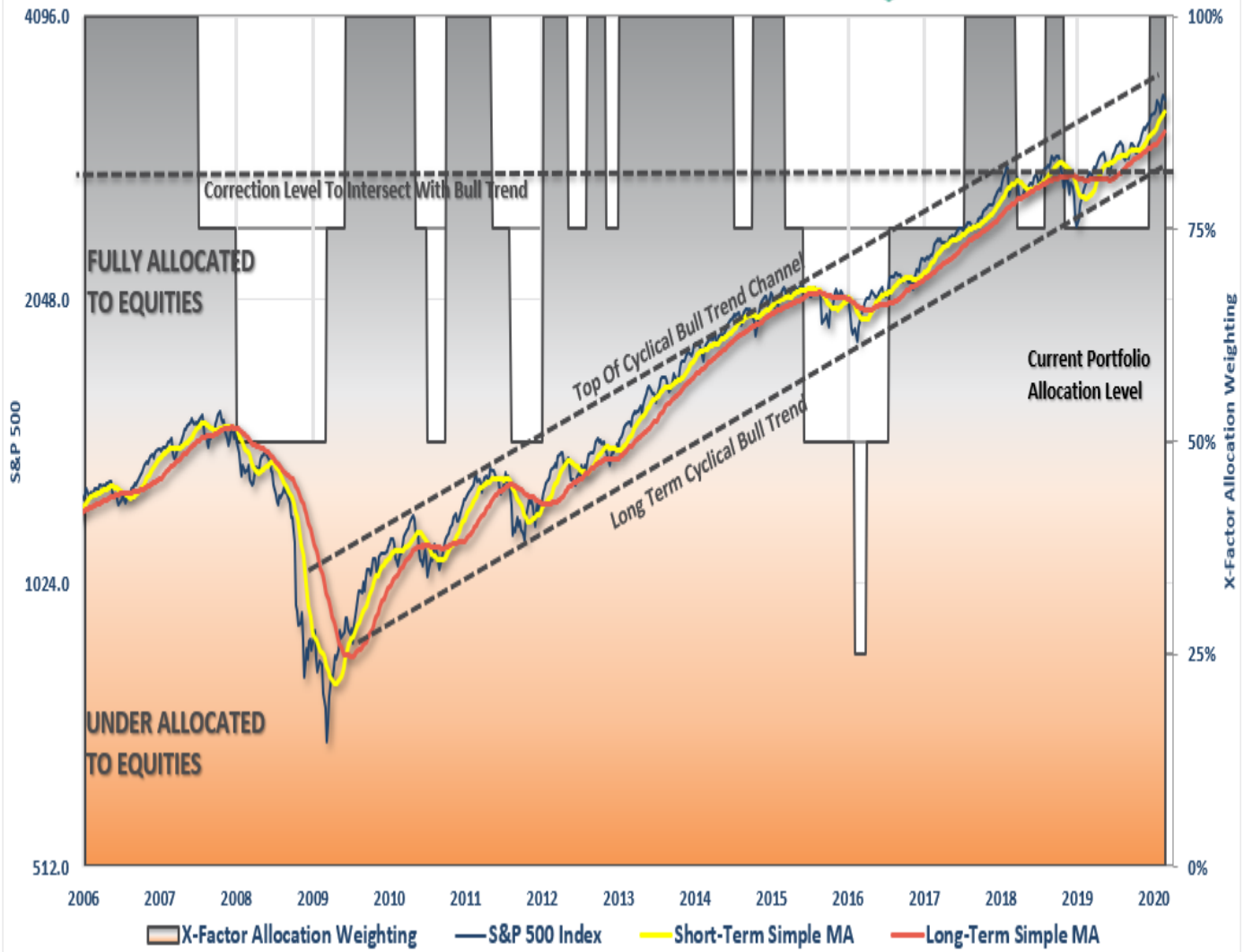
## **A Conservative Strategy For Long-Term Investors**

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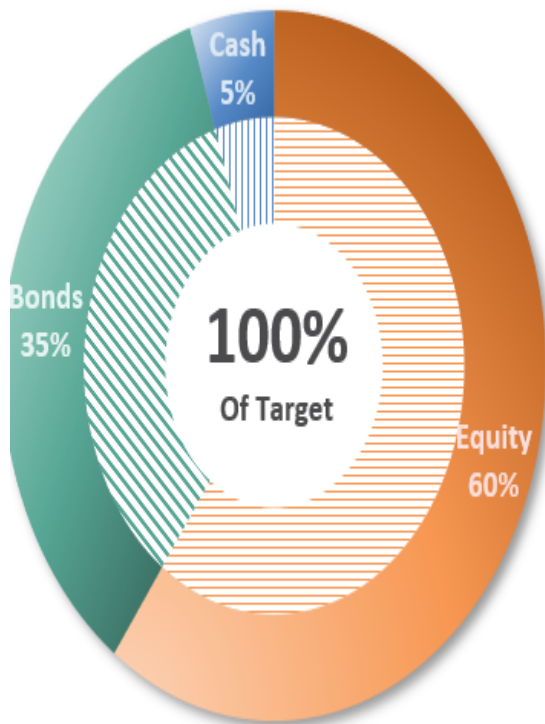
*The 401k plan allocation plan below follows the K.I.S.S. principle. By keeping the allocation simplified, it allows for better control of the allocation, and closer tracking to the benchmark objective over time. (If you want to make it more complicated, you can, however, statistics show simply adding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



# Risk Management Analysis



## Current Portfolio Weighting



## Current 401k Allocation Model

### 5.00% 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

### 60.00% Equity (Stocks)

*The vast majority of funds track an index.*

*Therefore, select on ONE fund from each category.*

*Keep it Simple.*

15% Equity Income, Balanced or Conservative Allocation

35% Large Cap Growth (S&P 500 Index)

5% International Large Cap Dividend

5% Mid Cap Growth

## Portfolio Instructions:

Allocation Level To Equities	Reommendation	When To Take Action
Less Than Target Allocation	Add To Holdings Slowly	Use Correction To Add
Equal To Target Allocation	HOLD AT TARGET	HOLD
Over Target Allocation	SHOULD BE AT TARGET	HOLD

## Commentary

As noted in the commentary above, the market finally corrected last week, as concerns over the "corona-virus" began to infect the market. As noted last week, "the market has not had a correction of consequence to adjust for the impact of the virus on economic growth and earnings," so we may finally be in that process now. While we are not bearish currently on the market, we are highly cautious.

**While we increased the portfolio model to 100% due to the Fed's interventions, we cautioned against chasing the markets and using corrections to opportunistically increase exposure. Let this correction play itself out to increase exposure accordingly.**

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

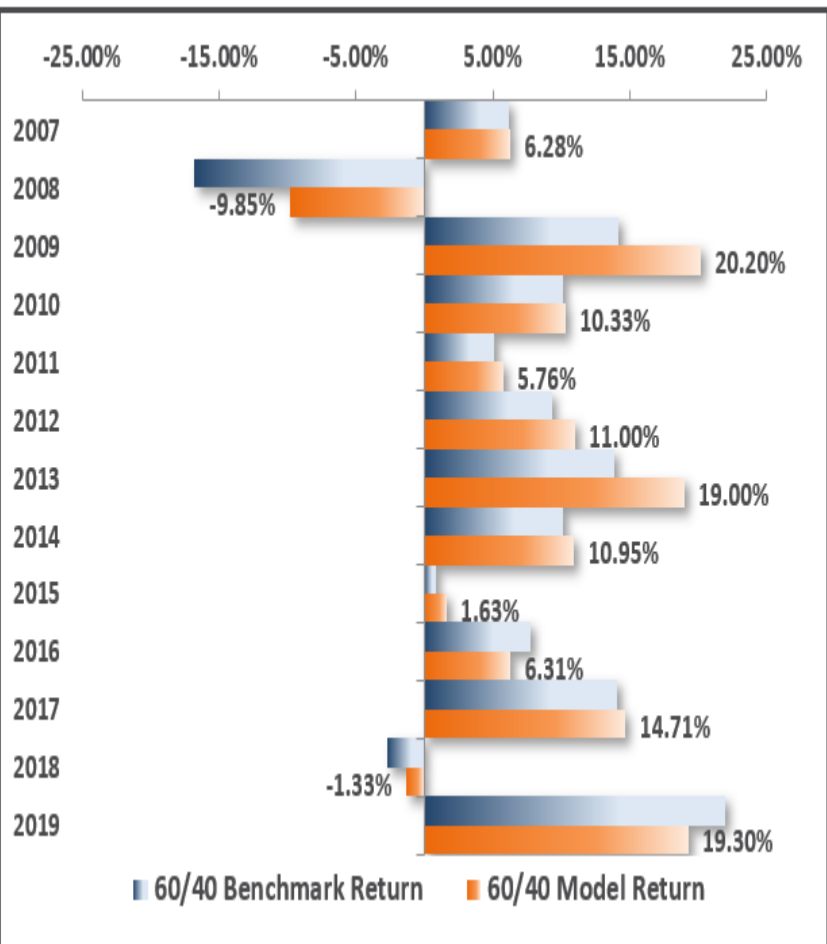
[Click Here For The "LIVE" Version Of The 401k Plan Manager](#)

See below for an example of a comparative model.

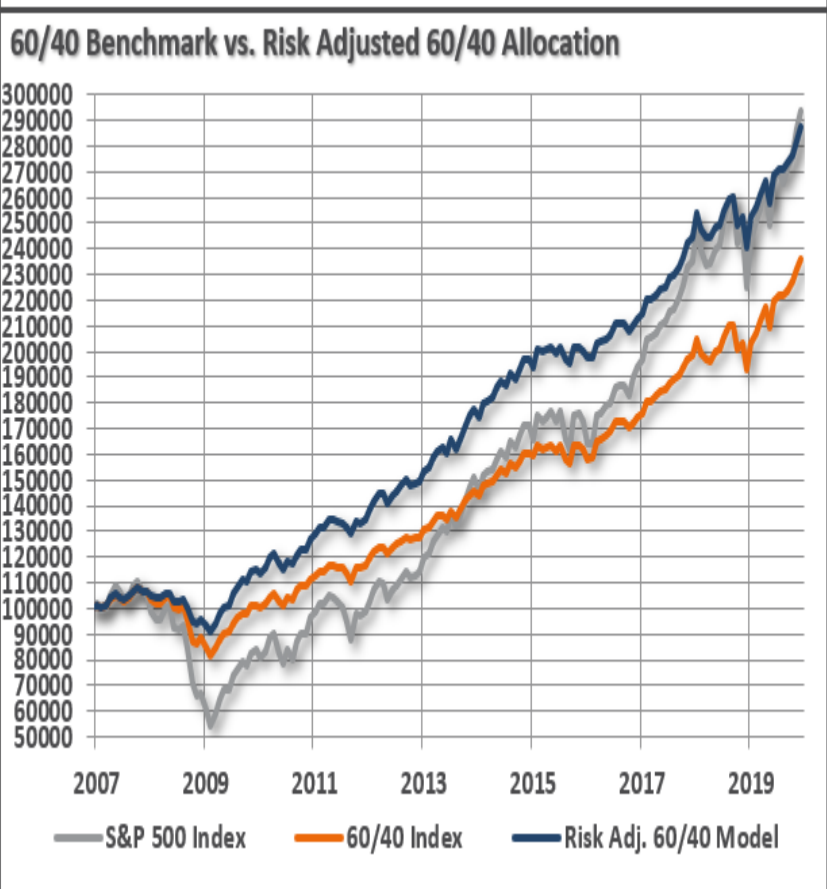
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*Model performance is based on a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. This is strictly for informational and educational purposes only and should not be relied upon for any reason. 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

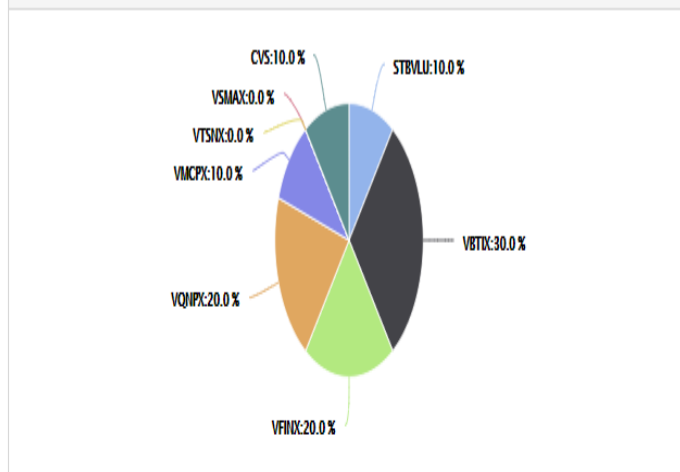
Retirement Income (My Portfolio Annual ROR 9.44 %)		—
Current account balance	10,000	
Estimated Retirement Balance	632,861	
Estimated Retirement Balance (Inflation Adj)	620,204	
Monthly Income	2,768	
Monthly Income (Inflation Adj)	2,713	
My Cumulative Contribution	172,934	
Employer Cumulative Contribution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

### RIAPro Portfolio

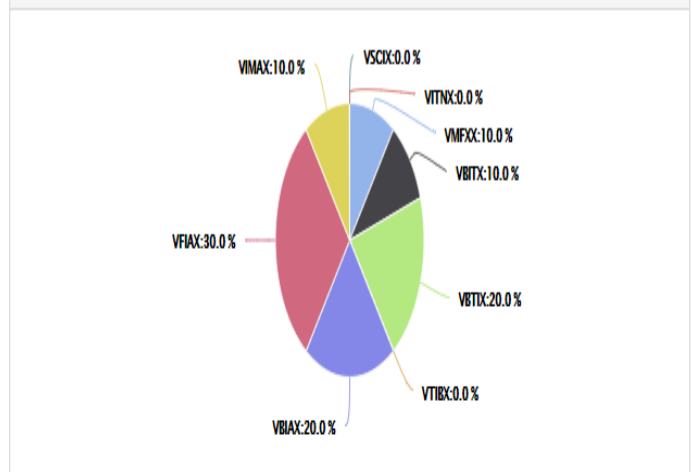
RIA PRO MODEL PL ▾

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	

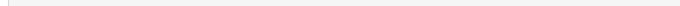
### My Fund Composition



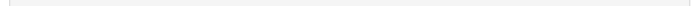
### RIAPro Fund Composition



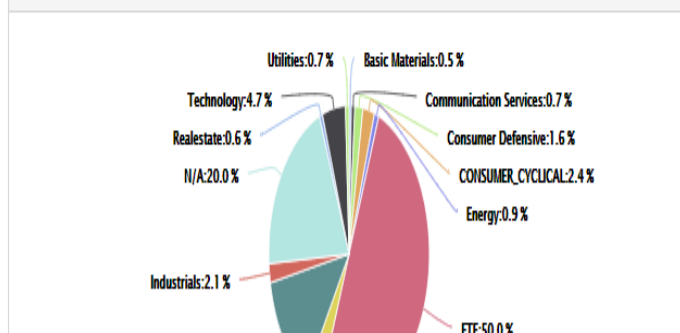
### My Asset Composition



### RIAPro Asset Composition



### My Sector Composition



### RIAPro Sector Composition

