- ***Market Crash: Is It Over, Or Is It The Revenant?***
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Catch Up On What You Missed Last Week

[#WhatYouMissed On RIA This Week: 03-13-20]

Written by Lance Roberts | Mar 13, 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 Crash. Is It Over, Or Is The "Revenant?"

If you haven't seen the moving *"The Revenant"* with Leonardo DiCaprio, it is a 2015 American survival drama describing frontiersman Hugh Glass's experiences in 1823. Early in the movie, Hugh, an expert hunter, and tracker, is mauled by a grizzly bear. ***(Warning: the scene is very graphic)***

In the scene, the attack comes in three distinct waves.

1. ***The bear attacks, and brutally mauls Hugh, who plays dead to survive. The attack subsides.***
2. ***The bear comes back, and Huge shoots it, provoking the bear to maul him some more.***
3. ***Finally, Huge pulls out his knife as the bear attacks for a final fight to the death.*** *(Hugh wins if you don't want to watch the video.)*

Interestingly, this is also how a *"bear market"* works.

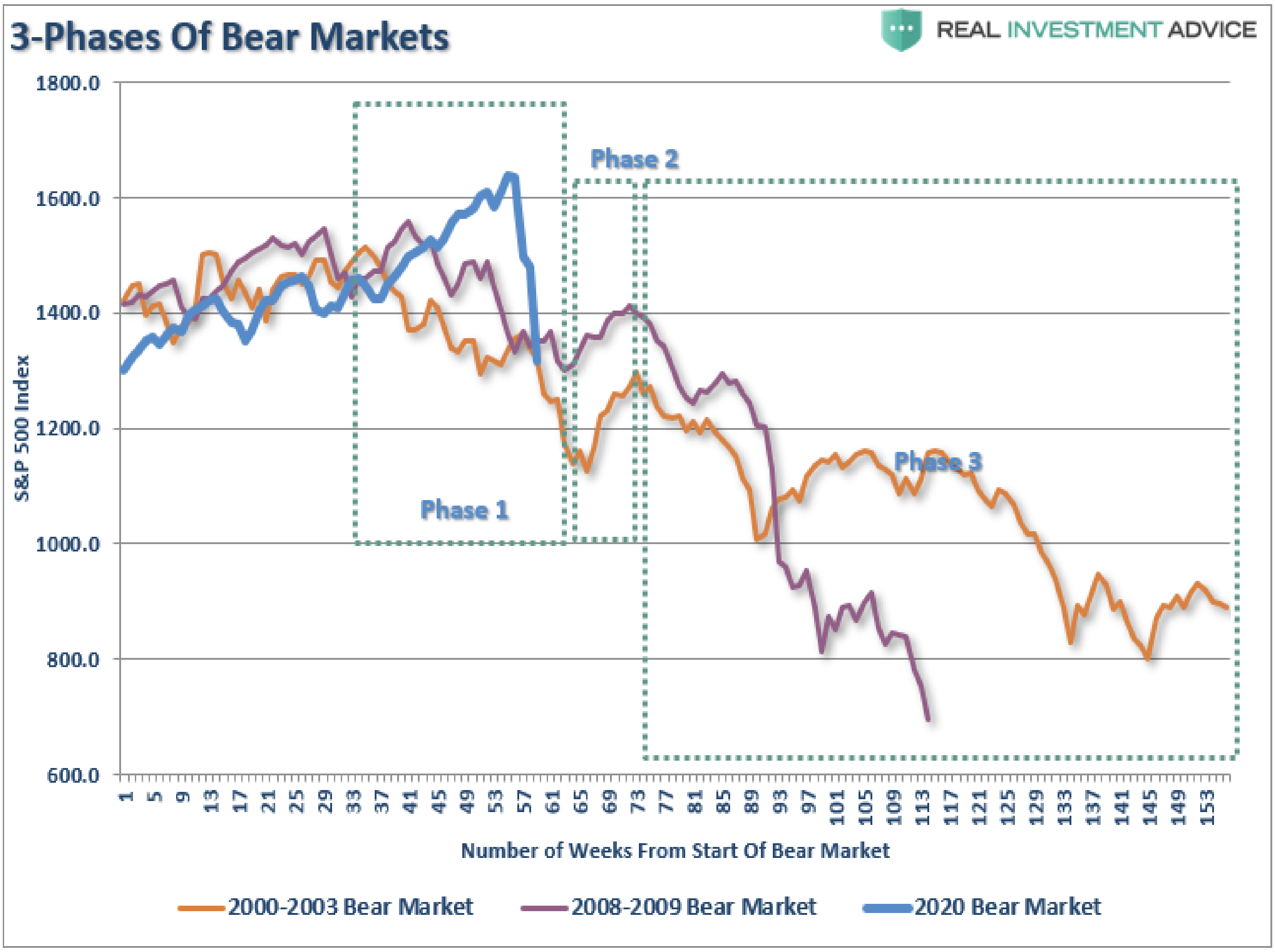
Bob Farrell, a legendary investor, is famous for his ***10-Investment Rules to follow.***

Rule #8 states:

> **Bear markets have three stages ? sharp down, reflexive rebound and a drawn-out fundamental downtrend**

1. Bear markets often **START** with a sharp and swift decline.
2. After this decline, **there is an oversold bounce** that retraces a portion of that decline.
3. **The longer-term decline then continues,** at a slower and more grinding pace, as the fundamentals deteriorate.

Dow Theory also suggests that bear markets consist of three down legs with reflexive rebounds in between.



The chart above shows the stages of the last two primary cyclical bear markets versus today *(the 2020 scale has been adjusted to match.)*

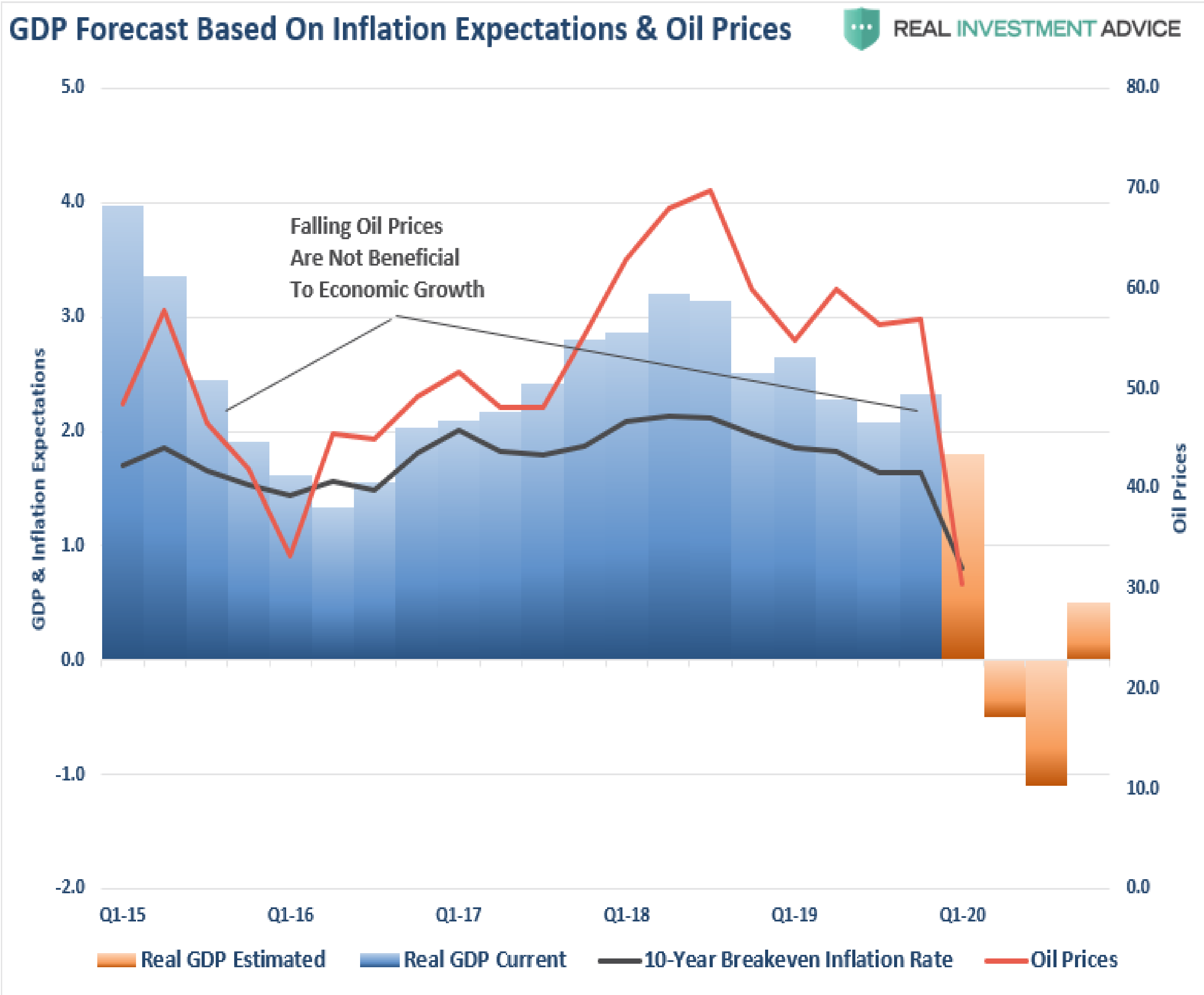
As would be expected, the *"Phase 1"* selloff has been brutal.

That selloff sets up a *"reflexive bounce."* For many individuals, they will **"*feel like*" they are *"safe."* This is how *"bear market rallies"* lure investors back in just before they are mauled again in *"Phase 3."***

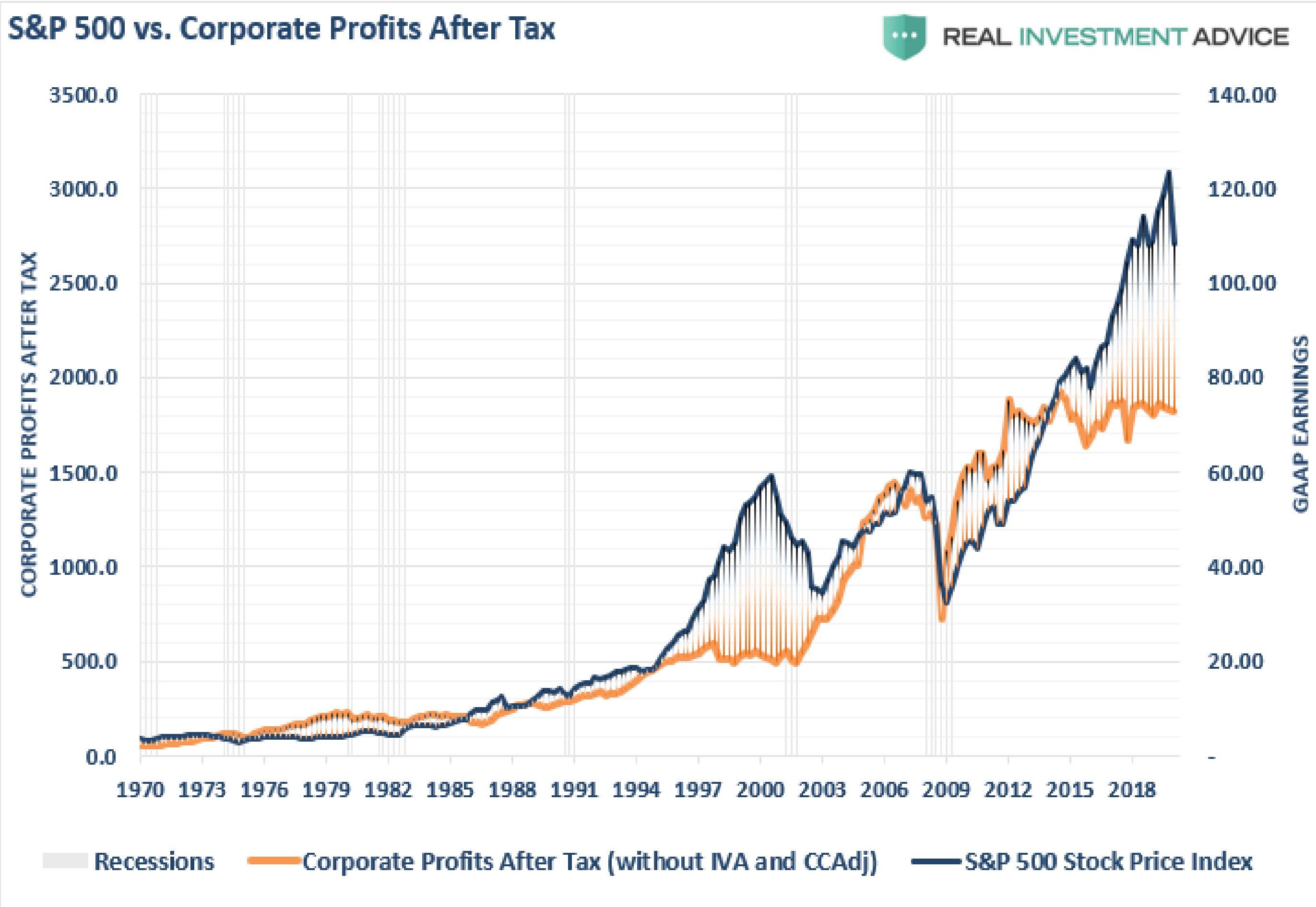
Just like in 2000, and 2008, the media/Wall Street will be telling you to just *?hold on.?* Unfortunately, by the time "Phase 3" was finished, there was no one wanting to "buy" anything.

One of the reasons we are fairly certain of a further decline is due to the dual impacts of the *"COVID-19"* virus, and oil price shock. As noted in our ***MacroView:***

> *"With the U.S. now shutting down and entrenching itself in response to the virus, the economic impact will be worsened. However, given that economic data is lagging, and we only have numbers that were mostly pre-virus, the reports over the next couple of months will ultimately reveal the extent of the damage.*
>
> *With oil prices now at $30/bbl and 10-year breakeven rates to 0.9%, the math is significantly worse, and that is what the severity of the recent selloff is telling us.* ***Over the next two quarters, we could see as much as a 3% clip off of current GDP."***

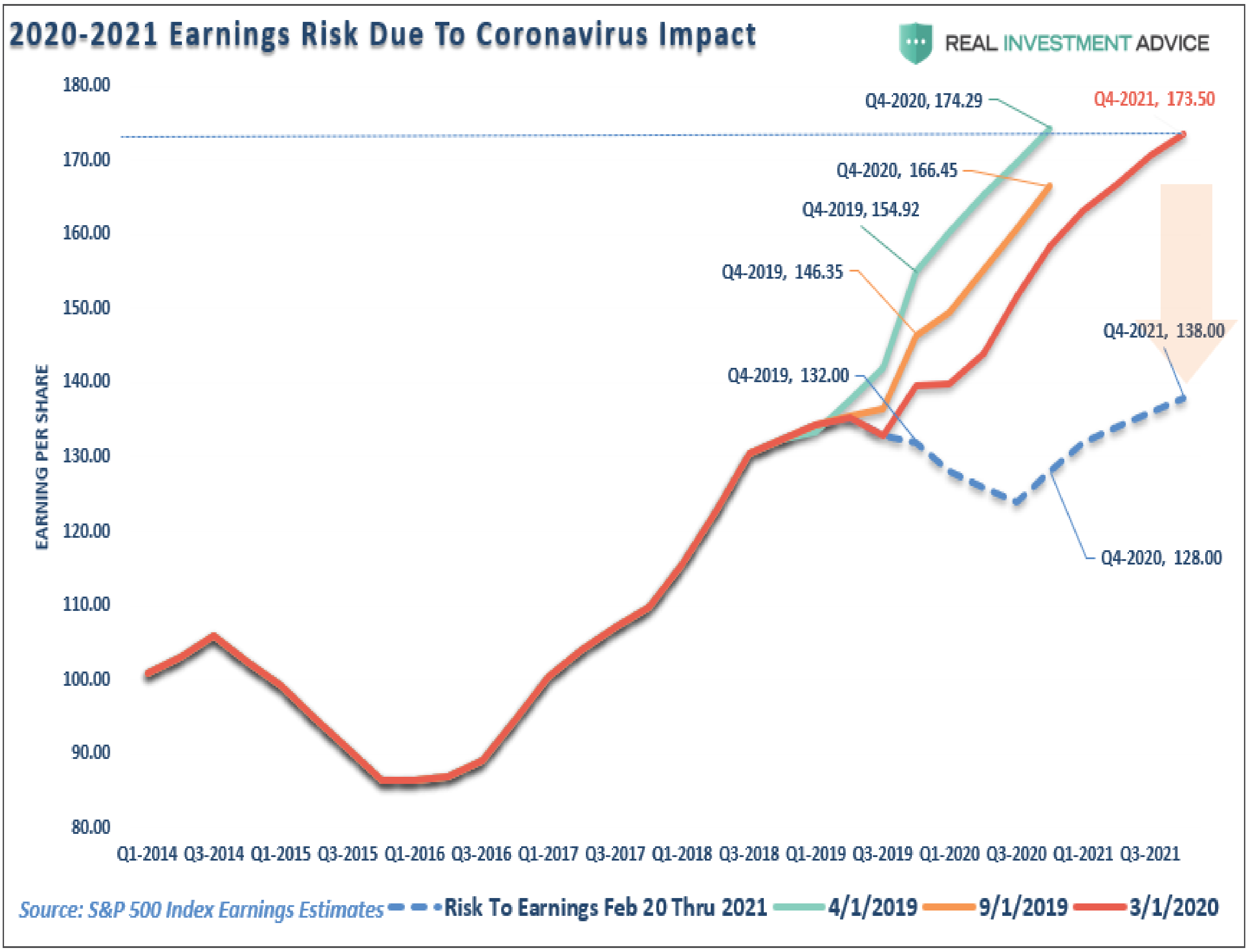


Unfortunately, while asset prices have declined, they have likely not fully accounted for the impact to earnings, permanently lost revenues, and the recessionary impact from falling consumer confidence. **Historically, the gap between asset prices and corporate profits gets filled.**



In *"**Playing Defense: We Don't Know What Happens Next,**"* I estimated the impact on earnings that is still coming.

> *"**What we know, with almost absolute certainty, is that we will be in an economic recession within the next couple of quarters.** We also know that earnings estimates are still way too elevated to account for the disruption coming from the COVID-19."*

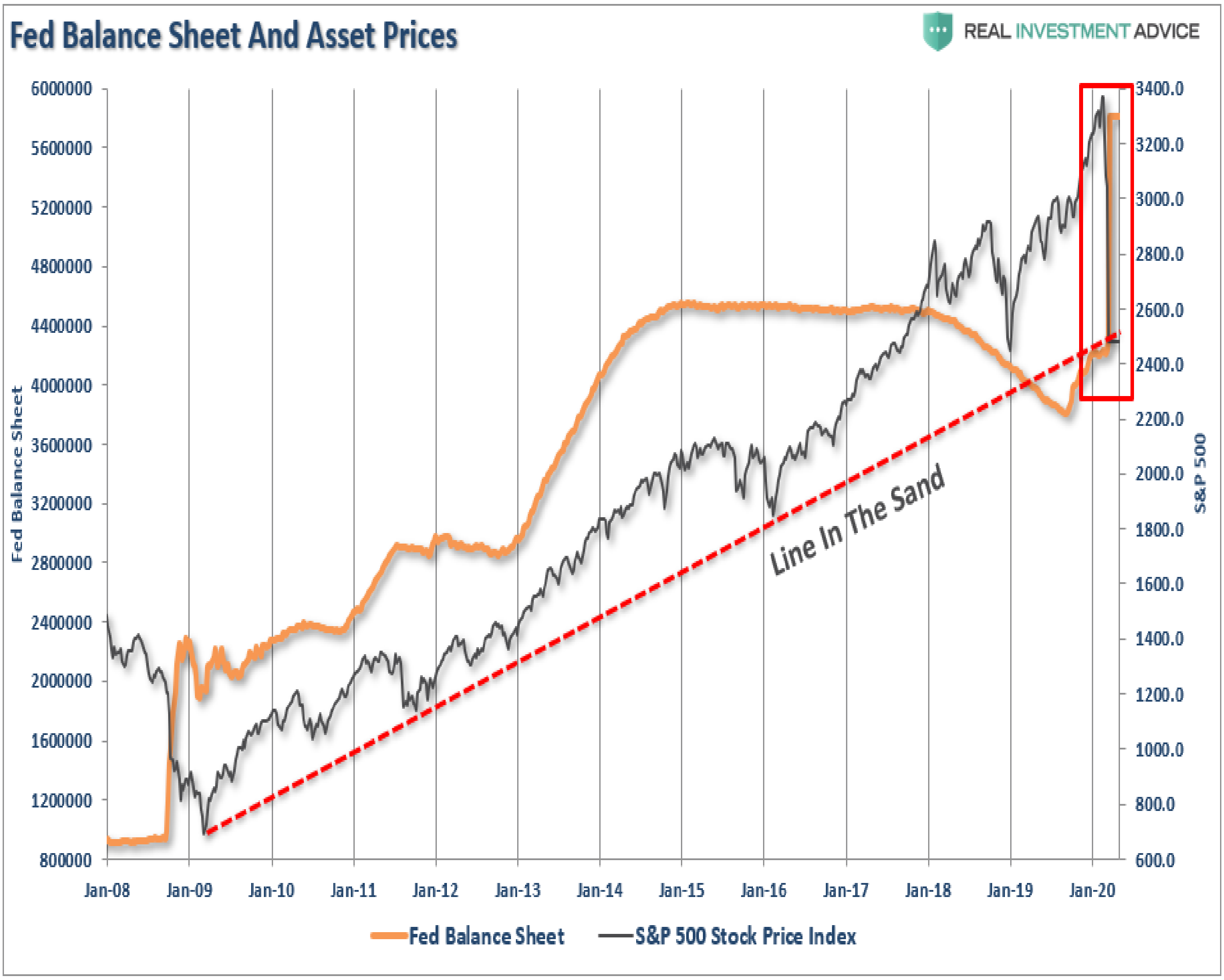


> ***"What we DON?T KNOW is where the ultimate bottom for the market is.*** *All we can do is navigate the volatility to the best of our ability and recalibrate portfolios* ***to adjust for downside risk without sacrificing the portfolio's ability to adjust for a massive " bazooka-style " monetary intervention from global Central Banks if needed quickly.***
>
> ***This is why, over the last 6-weeks, we have been getting more ?defensive? by increasing our CASH holdings to 15% of the portfolio, with our 40% in bonds doing the majority of the heavy lifting in mitigating the risk in our remaining equity holdings.***

Interestingly, the Federal Reserve DID show up on Thursday as expected. In a statement from the New York Fed:

> *The Federal Reserve said it would inject more than $1.5 trillion of temporary liquidity into Wall Street* ***on Thursday and Friday to prevent ominous trading conditions from creating a sharper economic contraction.***
>
> ***If the transactions are fully subscribed, they would swell the central bank?s $4.2 trillion asset portfolio by more than 35%.*** *? ? WSJ*

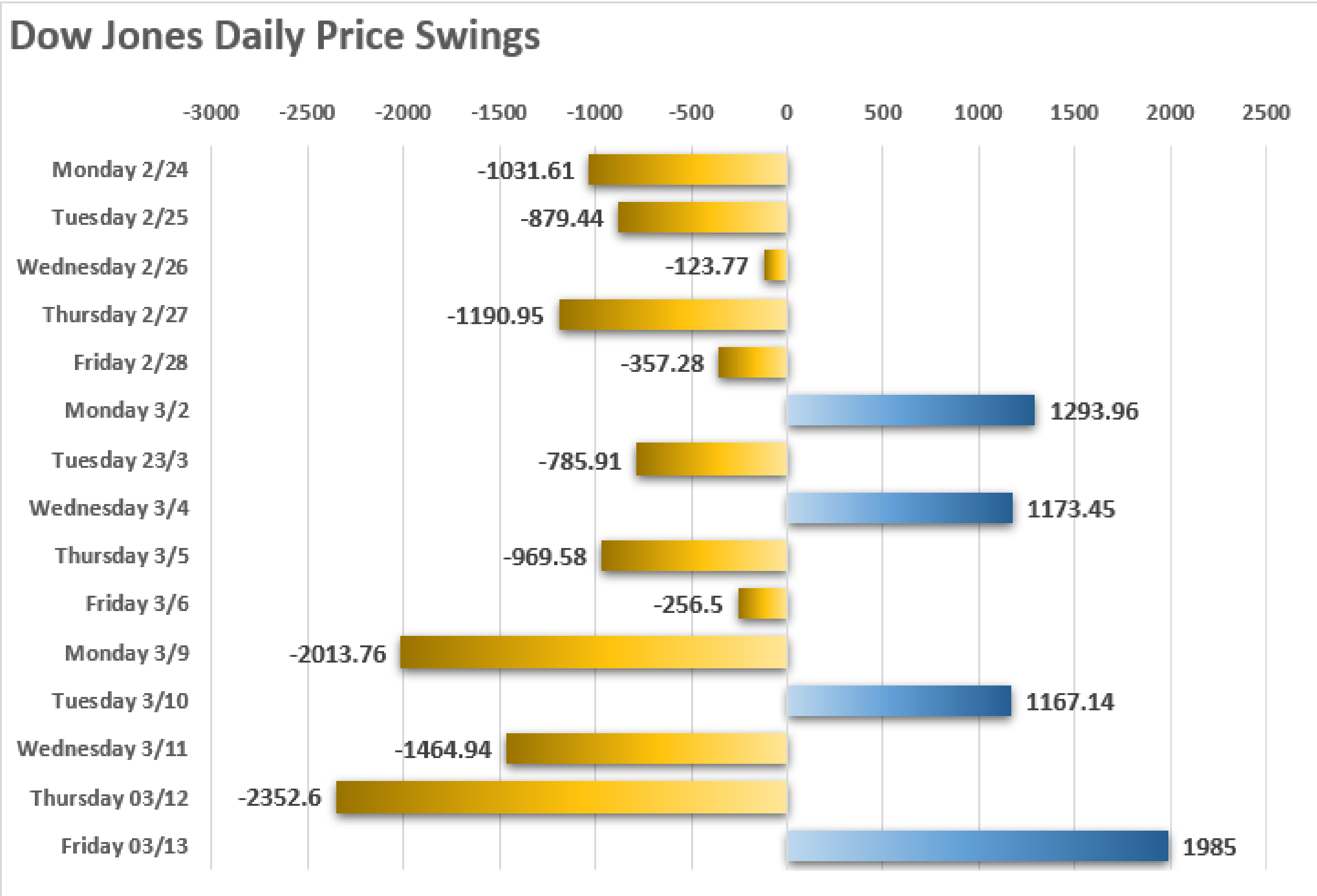
As you can see in the chart below, this is a massive surge of liquidity hitting the market at a time the market is sitting on critical long-term trend support.



Of course, this is what the market has been hoping for.

- *Rate cuts? Check*
- *Liquidity? Check*

On Friday, the market surged, and ALMOST recouped the previous days losses. *(Sorry, it wasn't President Trump's speech that boosted the market.)*



However, this rally, and liquidity flush, most likely does not negate the continuation of the bear market. **The amount of technical damage combined with a recession, and a potential surge in credit defaults almost ensures another leg of the beg market is yet to come.**

A look at the charts can also help us better understand where we currently reside.

Trading The Bounce

In January, when we ***discussed taking profits*** out of our portfolios, we noted the markets were trading at 3-standard deviations above their 200-dma, which suggested a pullback, or correction, was likely.

Now, it is the same comment in reverse. The correction over the last couple of weeks has completely reversed the previous bullish exuberance into extreme pessimism. On a daily basis, the market is back to oversold. **Historically, this condition has been sufficient for a bounce.** Given the oversold condition *(top panel)* is combined with a very deep *?sell signal?* in the bottom panel, it suggests a fairly vicious reflexive rally is likely as we saw on Friday.

The question, of course, is where do you sell?

Looking at the chart above, it is possible for a rally to the 38.2%, or 50% retracement levels. However, with the severity of the break below the 200-dma, the 61.8% retracement level, where the 200-dma now resides, will be very formidable resistance. **With the Fed's liquidity push, it is possible for a strong *"Phase 2"* rally. Our plan will be to reduce equity exposure at each level of resistance and increase our equity hedges before the *"Phase 3"* mauling ensues.**

The following chart is a longer-term analysis of the market and is the format we use for *?onboarding?* our clients into allocation models. *(Vertical black lines are buy periods)*

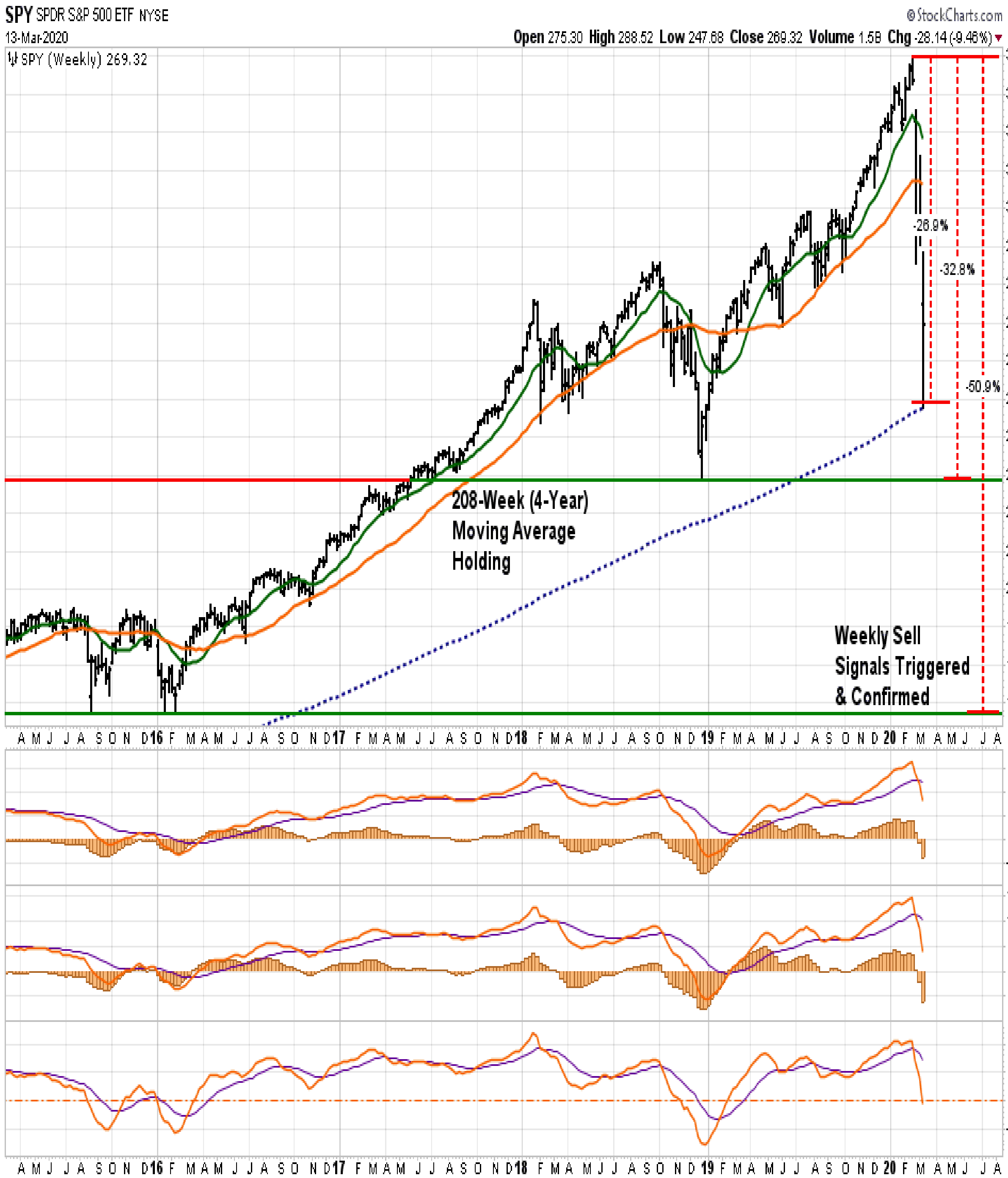
"But Lance, how do you know that Friday wasn't THE bottom?"

A look at longer-term time-frames gives us some clues.

With all of our longer-term weekly *?sell signals?* now triggered from fairly high levels, it suggests the current selloff is not over as of yet. In other words, we will see a rally, followed by a secondary failure to lower lows, before the ultimate bottom is put in.

I have mapped out the three most logical secondary bottoms for the market, so you can assess your portfolio risk accordingly.

1. ***A retest of current lows that holds is a 27% decline.***
2. ***A retest of the 2018 lows, most likely, is an average recessionary decline of 32.8%***
3. ***A retest of the 2016 lows, coincident with a "credit event," would entail a 50.9% decline.***



Given the weekly signals have only recently triggered, we can look at monthly data to confirm we still remain confined to a *"bearish market"* currently.

On a monthly basis, sell signals have been triggered. However, these signals are NOT VALID until the end of the month. However, given the depth of the decline, it would likely require a rally back to all-time highs to reverse those signals. **This is a very high improbability.**

Assuming the signals remain, there is an important message being sent, as noted in the top panel. The *?negative divergence?* of relative strength has only been seen prior to the start of the previous two bear markets, and the 2015-2016 slog. While the current selloff resembles what we saw in late 2015, there is a risk of this developing into a recessionary bear market later this summer. **The market is holding the 4-year moving average, which is *?make or break?* for the bull market trend from the 2009 lows.**

However, we suspect those levels will eventually be taken out. **Caution is advised.**

What We Are Thinking

Since January, we have been regularly discussing taking profits in positions, rebalancing portfolio risks, and, most recently, moving out of areas subject to slower economic growth, supply-chain shutdowns, and the collapse in energy prices. **This led us to eliminate all holdings in international, emerging markets, small-cap, mid-cap, financials, transportation, industrials, materials, and energy markets.** ***(RIAPRO Subscribers were notified real-time of changes to our portfolios.)***

There is *?some truth?* to the statement *?that no one?* could have seen the fallout of the *?coronavirus?* being escalated by an *?oil price?* war. However, **there have been mounting risks for quite some time from valuations, to price deviations, and a complete disregard of risk by investors.** While we have been discussing these issues with you, and making you aware of the risks, it was often deemed as *?just being bearish?* in the midst of a *?bullish rally.?* **However, it is managing these types of risks, which is ultimately what clients pay advisors for.**

It isn?t a perfect science. In times like these, it gets downright messy. But this is where working to preserve capital and limit drawdowns becomes most important. Not just from reducing the recovery time back to breakeven, but in also reducing the *?psychological stress,?* which leads individuals to make poor investment decisions over time.

As noted last week:

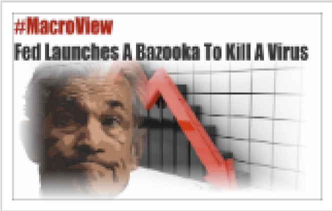
> *"Given the extreme oversold and deviated measures of current market prices, we are looking for a reflexive rally that we can further reduce risk into, add hedges, and stabilize portfolios for the duration of the correction. When it is clear, the correction, or worse a bear market, is complete, we will reallocate capital back to equities at better risk/reward measures."*

We highly suspect that we have seen the highs for the year. **Most likely, we are moving into an environment where portfolio management will be more tactical in nature, versus buying and holding.**

Take some action on this rally.

If this is a *"Phase 2"* relief rally of a bear market, you really don't want to be around for the *"final mauling."*

The MacroView



#MacroView: Fed Launches A Bazooka To Kill A Virus

Written by Lance Roberts | Mar 13, 2020

Will the Federal Reserve's influx of liquidity revive the bulls "animal spirits?" Maybe, but it likely won't "cure" what ails the market. However, the Federal Reserve, and Central Banks globally, are not going to quietly into the night. Expect more stimulus, more liquidity, and more rate cuts. If that doesn't work, expect more until it does.

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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

#FPC: Tips For A Volatile Market

Written by Lance Roberts | Mar 6, 2020

It seems like the sky is falling, it always does when we get into one of these environments, but fret not we've been here before. The question is what will you do different this time around?

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You?ll be hearing more about more specific strategies to diversify soon, but don?t hesitate to give me any suggestions or questions.

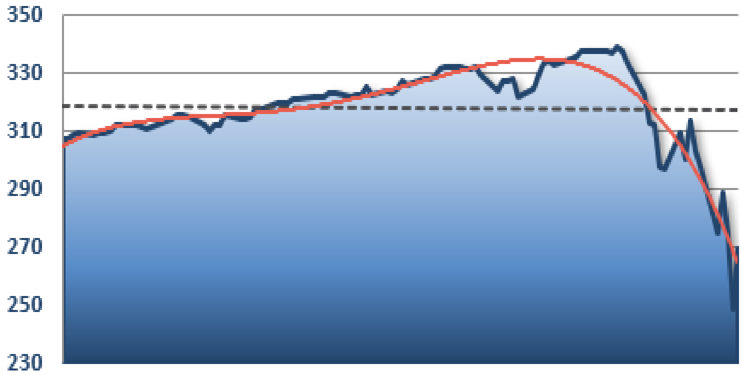
by Danny Ratliff, CFP•

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

3 Month SPY Price



SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	(2.67%)	(4.27%)	#######	282.08%
Max Drawdown	-26.96%	-26.96%	-26.96%	0.00%
Sharpe	0.04	(0.45)	(1.37)	2.03
Sortino	0.02	(0.09)	(1.53)	16.29
Volatility	19.67	22.72	44.72	0.97
Daily VaR-5%	(29.94)	(37.37)	(132.35)	2.54
Mnthly VaR-5%	(10.95)	10.92	10.92	0.00

S&P 500 Fundamental Analysis

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.75%	1.88%	2.11%	10.75%	2.18%	1.68%	(3.55%)	25.69%
P/E Ratio	21.71	17.87	16.90	(5.73%)	2093%	1591%	(19.2%)	6.28%
P/S Ratio	3.48	3.25	2.93	(10.67%)	3.62	2.64	(18.99%)	11.08%
P/B Ratio	3.91	3.91	3.65	(7.10%)	4.34	3.01	(15.91%)	21.37%
ROE	16.03%	18.81%	18.49%	(1.74%)	18.81%	15.04%	(1.71%)	22.95%
ROA	3.00%	3.53%	3.52%	(0.44%)	3.53%	2.81%	(0.43%)	25.01%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,381.1	2,290.8	(3.79%)
Sales	62,346	64,113	2.83%
SPS	26.2	28.0	6.89%
Earnings	9,535	9,431	(1.09%)
EPS TTM	4.8	4.9	0.98%
Dividend	1.6	1.7	6.19%

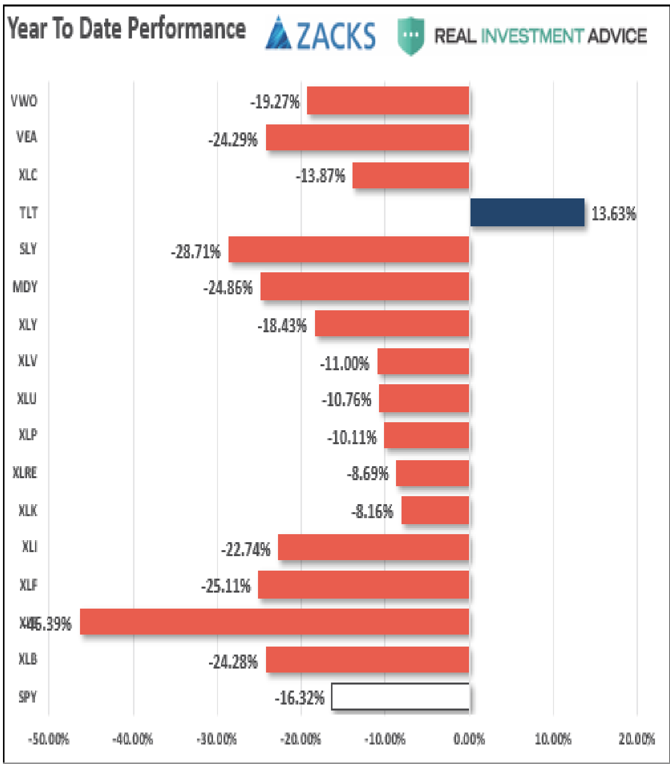
S&P 500 Asset Allocation

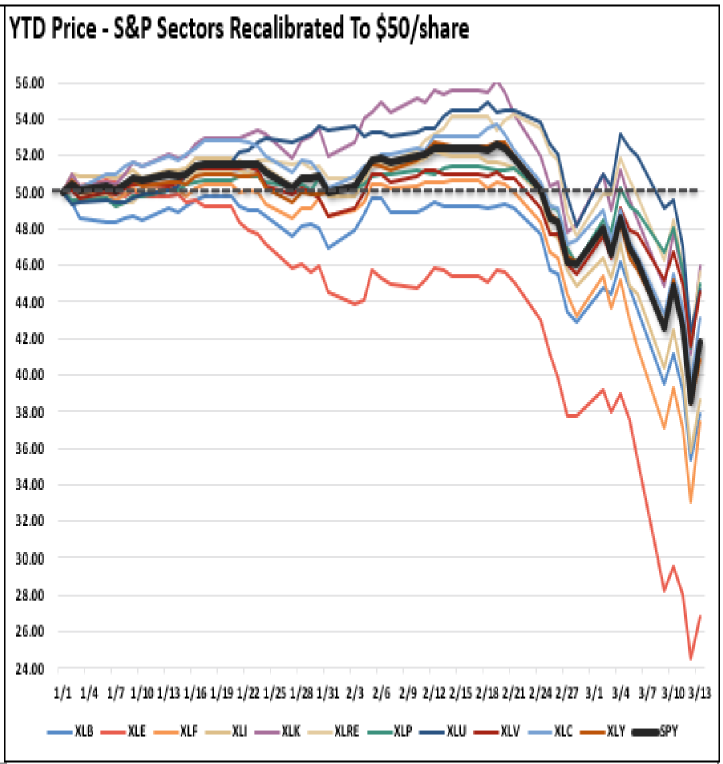
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(50.76%)	2.82%	1.32	11.58	126.14	14.18	(90.8%)	6.2%	7.5%	8.73%	2.91	14.03
Materials	(37.30%)	2.44%	1.22	14.01	22.97	13.86	(39.0%)	8.6%	2.4%	7.16%	3.55	16.32
Industrials	(15.61%)	8.48%	1.17	14.40	22.27	14.78	(35.3%)	19.2%	2.5%	7.06%	4.95	16.00
Discretionary	(6.72%)	9.89%	1.05	20.87	27.17	20.19	(23.2%)	27.8%	1.6%	4.83%	4.92	21.09
Staples	3.26%	7.71%	0.62	19.24	22.83	17.62	(15.7%)	28.2%	2.9%	5.39%	4.01	18.65
Health Care	(2.12%)	14.95%	0.87	15.49	20.18	15.78	(23.2%)	30.2%	2.0%	6.62%	7.03	14.49
Financials	(11.67%)	11.24%	1.26	10.52	18.50	11.73	(43.1%)	11.3%	2.7%	10.01%	5.99	11.39
Technology	17.28%	24.83%	1.21	22.59	25.63	14.48	(11.9%)	41.2%	1.4%	4.66%	5.76	20.80
Telecom	(6.87%)	10.67%	0.85	19.15	27.01	17.61	(29.1%)	16.6%	1.0%	5.40%	6.75	17.99
Utilities	(0.57%)	3.66%	0.42	18.34	22.05	15.58	(16.8%)	10.8%	3.6%	5.50%	3.77	18.70
Real Estate	(1.32%)	3.23%	0.77	19.12	23.27	17.19	(17.9%)	9.1%	3.5%	5.42%	4.46	18.95

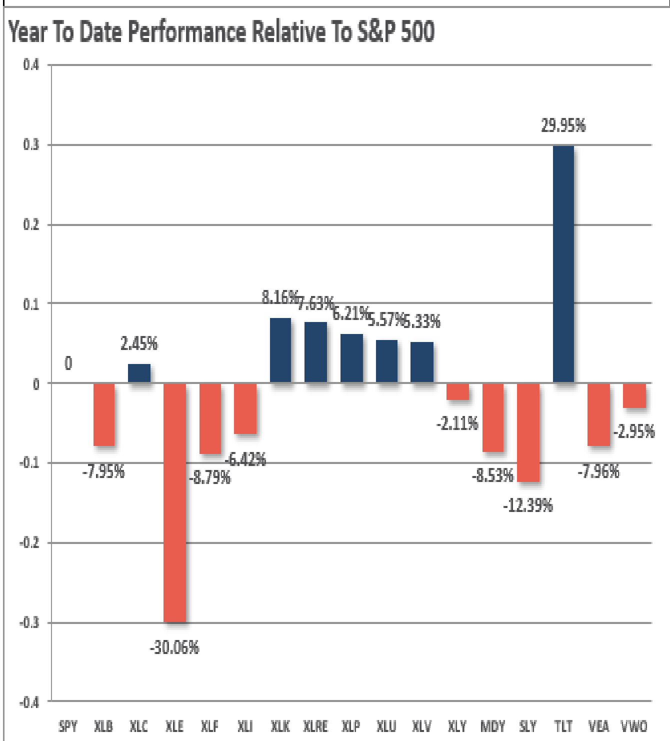
Momentum Analysis

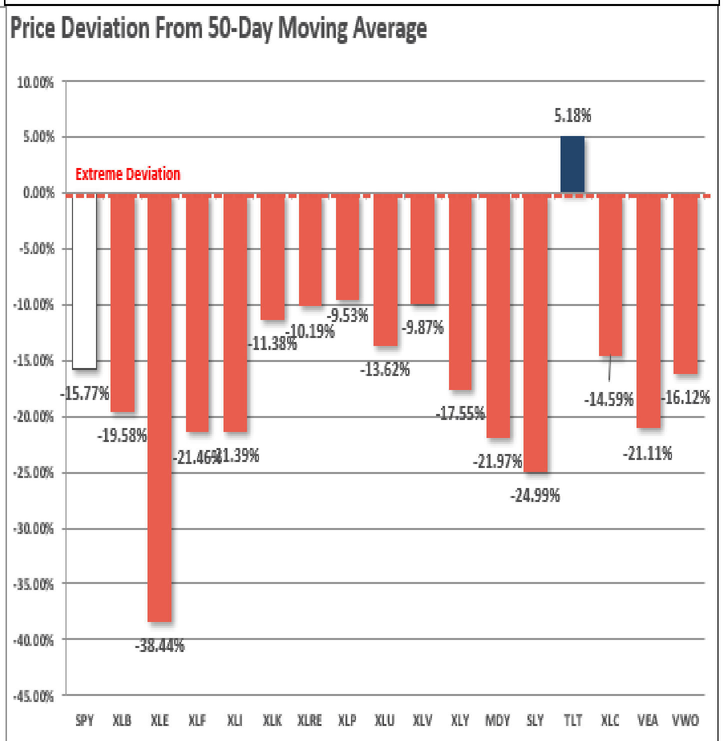
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	269.32	(16.47%)	319.71	50	(15.76%)	305.84	8	(11.94%)	4.53%	(20.57%)	8.74%	Buy
Mid Cap	282.07	(24.57%)	361.25	25	(21.92%)	357.14	111	(21.02%)	1.15%	(26.63%)	11.19%	Buy
Small Cap	51.65	(28.76%)	68.79	18	(24.91%)	68.28	109	(24.36%)	0.74%	(30.42%)	15.42%	Buy

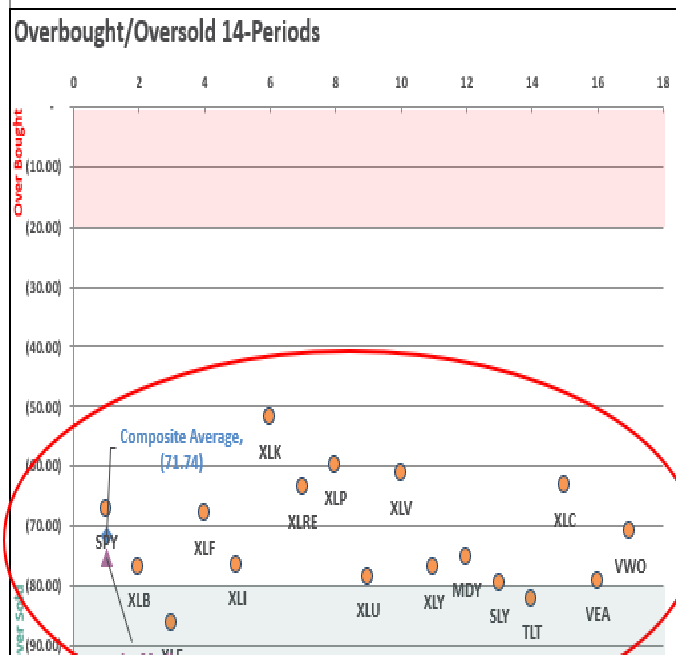
Performance Analysis

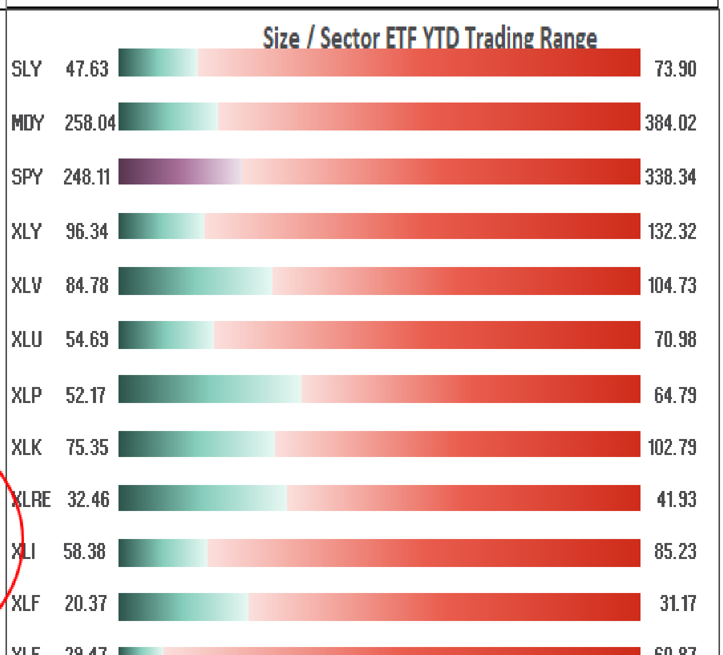

Year To Date Performance
ZACKS
REAL INVESTMENT ADVICE
VWO -19.27%
VEA -24.29%
XLC -13.87%
TLT 13.63%
SLY -28.71%
MDY -24.86%
XLY -18.43%
XLV -11.00%
XLU -10.76%
XLP -10.11%
XLRE -8.69%
XLK -8.16%
XLI -22.74%
XLF -25.11%
XLE -46.39%
XLB -24.28%
SPY -16.32%
-50.00% -40.00% -30.00% -20.00% -10.00% 0.00% 10.00% 20.00%


YTD Price - S&P Sectors Recalibrated To $50/share
56.00 54.00 52.00 50.00 48.00 46.00 44.00 42.00 40.00 38.00 36.00 34.00 32.00 30.00 28.00 26.00 24.00
1/1 1/4 1/7 1/10 1/13 1/16 1/19 1/22 1/25 1/28 1/31 2/3 2/6 2/9 2/12 2/15 2/18 2/21 2/24 2/27 3/1 3/4 3/7 3/10 3/13
XLB XLE XLF XLI XLK XLRE XLP XLU XLV XLC XLY SPY

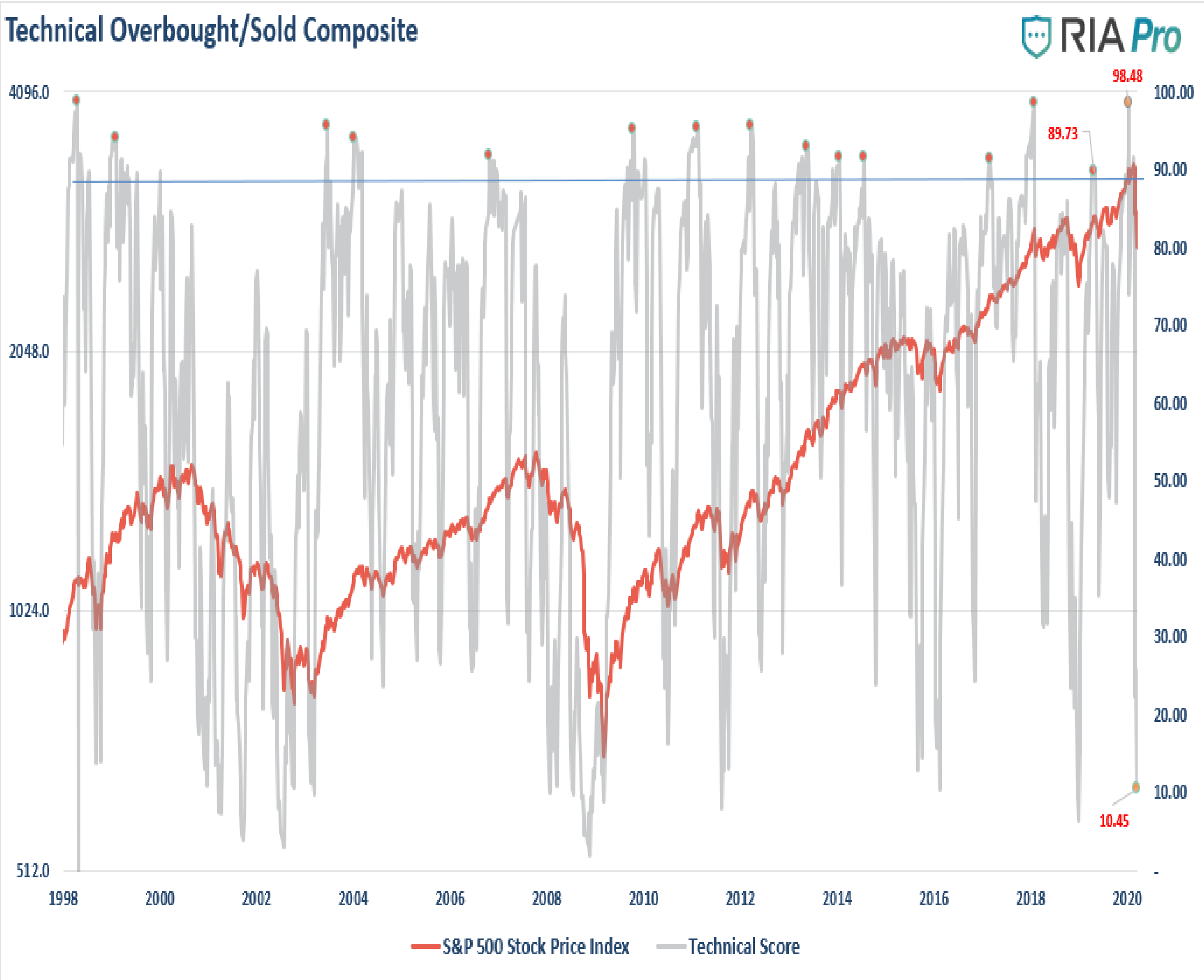

Year To Date Performance Relative To S&P 500
0.4 0.3 0.2 0.1 0 -0.1 -0.2 -0.3 -0.4
0
-7.95%
2.45%
-30.06%
-8.79%
-6.42%
8.16%
7.63%
6.21%
5.57%
5.33%
-2.11%
-8.53%
-12.39%
29.95%
-7.96%
-2.95%
SPY XLB XLC XLE XLF XLI XLK XLRE XLP XLU XLV XLY MDY SLY TLT VEA VWO


Price Deviation From 50-Day Moving Average
10.00% 5.00% 0.00% -5.00% -10.00% -15.00% -20.00% -25.00% -30.00% -35.00% -40.00% -45.00%
Extreme Deviation
-15.77%
-19.58%
-38.44%
-21.46%
-21.39%
-11.38%
-10.19%
-9.53%
-13.62%
-9.87%
-17.55%
-21.97%
-24.99%
5.18%
-14.59%
-21.11%
-16.12%
SPY XLB XLE XLF XLI XLK XLRE XLP XLU XLV XLY MDY SLY TLT XLC VEA VWO


Overbought/Oversold 14-Periods
0 2 4 6 8 10 12 14 16 18
Over Bought
(10.00) (20.00) (30.00) (40.00) (50.00) (60.00) (70.00) (80.00) (90.00)
Composite Average, (71.74)
SPY XLB XLF XLI XLK XLRE XLP XLU XLV XLY MDY SLY TLT XLC VEA VWO XLE


Size / Sector ETF YTD Trading Range
SLY 47.63 73.90
MDY 258.04 384.02
SPY 248.11 338.34
XLY 96.34 132.32
XLV 84.78 104.73
XLU 54.69 70.98
XLP 52.17 64.79
XLK 75.35 102.79
XLRE 32.46 41.93
XLI 58.38 85.23
XLF 20.37 31.17

Technical Composite



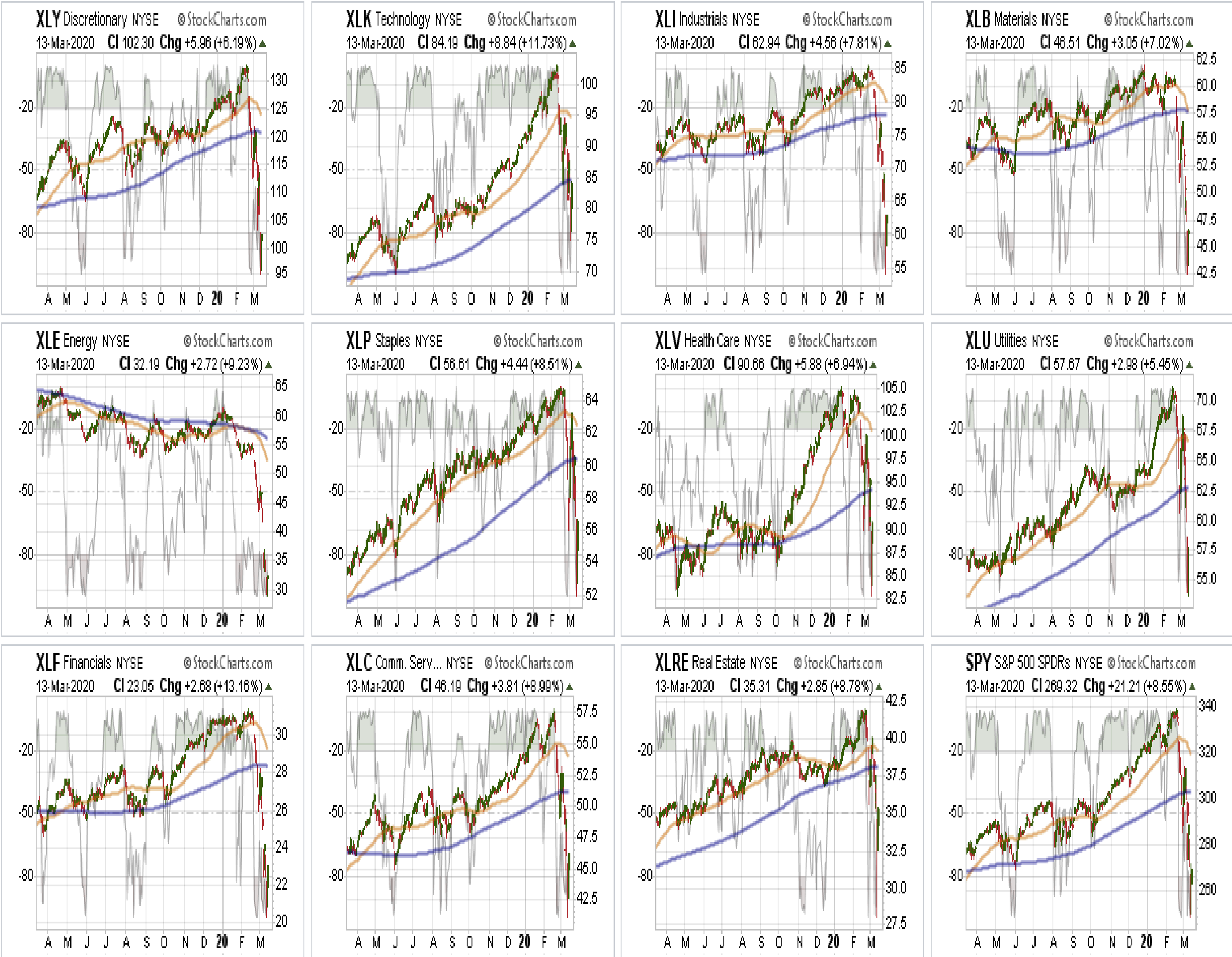
ETF Model Relative Performance Analysis

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	271.55	(9.09)	(19.91)	(15.77)	(8.57)	(4.48)	321.42	309.37	-15.52%	-12.23%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	46.51	(4.02)	(3.22)	(7.84)	(10.84)	(11.57)	58.52	58.26	-20.52%	-20.16%	BUY
		XLE	SPDR-EGY SELS	32.19	(15.17)	(21.11)	(31.77)	(37.45)	(46.38)	54.20	57.34	-40.61%	-43.86%	SELL
		XLF	SPDR-FINL SELS	23.05	(0.70)	(6.14)	(9.10)	(9.31)	(8.97)	29.66	28.82	-22.27%	-20.01%	BUY
		XLI	SPDR-INDU SELS	62.94	(4.04)	(5.72)	(6.95)	(10.24)	(10.46)	80.43	78.95	-21.74%	-20.28%	BUY
		XLK	SPDR-TECH SELS	84.19	3.78	2.48	8.33	14.22	19.82	94.20	86.85	-10.62%	-3.06%	BUY
		XLP	SPDR-CONS STPL	56.61	1.08	7.29	5.48	1.19	7.97	62.65	61.52	-9.64%	-7.98%	BUY
		XLU	SPDR-UTIL SELS	57.67	(4.98)	1.84	5.05	(2.30)	3.58	66.24	64.05	-12.94%	-9.96%	BUY
		XLC	SPDR-COMM SV SS	46.19	1.80	1.03	1.42	2.32	2.71	54.00	51.86	-14.46%	-10.93%	BUY
		XLV	SPDR-HLTH CR	90.66	2.41	7.15	4.04	10.06	3.03	100.97	96.01	-10.21%	-5.58%	BUY
		XLY	SPDR-CONS DISCR	102.30	(1.68)	(2.40)	(2.10)	(5.95)	(3.03)	124.28	121.97	-17.68%	-16.13%	BUY
	SIZE	SLY	SPDR-SP SC 600	51.65	(7.12)	(8.71)	(13.30)	(14.55)	(18.87)	69.65	68.54	-25.84%	-24.65%	BUY
		MDY	SPDR-SP MC 400	282.07	(4.98)	(6.26)	(9.13)	(10.82)	(13.70)	364.39	358.02	-22.59%	-21.21%	BUY
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	90.52	(2.87)	(3.78)	(6.15)	(7.28)	(8.83)	113.20	110.35	-20.04%	-17.97%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	86.04	(1.81)	(0.98)	(4.26)	(7.21)	(8.10)	104.62	103.35	-17.76%	-16.75%	BUY
	Real Estate	XLRE	SPDR-RE SELS	35.31	0.80	4.23	8.11	(1.56)	4.06	39.08	38.85	-9.64%	-9.10%	BUY
	International	EEM	ISHARS-EMG MKT	36.14	(0.85)	1.68	(3.22)	(2.50)	(11.63)	43.40	42.36	-16.73%	-14.69%	BUY
		EFA	ISHARS-EAFE	52.91	(5.23)	(3.63)	(7.75)	(9.99)	(14.40)	67.28	66.28	-21.36%	-20.17%	BUY
		IXUS	ISHARS-CR INT S	47.06	(5.86)	(3.73)	(7.79)	(9.67)	(14.84)	59.98	58.96	-21.55%	-20.18%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	153.94	1.40	26.41	28.42	16.42	30.92	144.29	141.87	6.69%	8.51%	BUY
	International	BNDX	VANGD-TTL INT B	56.70	6.18	18.45	13.58	4.87	7.01	57.37	58.01	-1.17%	-2.26%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	80.05	3.21	10.47	7.02	0.51	(2.20)	87.21	86.99	-8.21%	-7.97%	BUY
	Cash	BSV	VANGD-SHT TRM B	81.46										

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



Everything was crushed again this past week, so the difference between leading and lagging sectors is which sector fell faster or slower than the S&P 500 index itself.

Improving ? Discretionary (XLY), Real Estate (XLRE), and Staples (XLP)

Last week, we rebalanced our weightings in Real Estate and Staples, as these sectors are now improving in terms of relative performance. After getting very beaten up, we are looking not only for the *"risk hedge"* of non-virus related sectors but an eventual outperformance of the groups.

We sold our entire stake in Discretionary due to potential earnings impacts from a slowdown in consumption, supply chain problems, and inventory issues. This worked well as Discretionary fell sharply last week.

Current Positions: *Target Weight XLU, XLRE*

Outperforming ? Technology (XLK), Communications (XLC), and Utilities (XLU)

The correction in Technology this past week broke support at the 200-dma but finished the week very close to our entry point, where we had slightly increased our exposure. These have *"anti-virus"* properties, so we are looking for the *"risk hedge"* relative to the broader market. Communication and Utilities didn't perform as well but also held up better during the decline on a relative basis. We are watching Utilities and may reduce exposure if interest rates begin to rise due to the Fed. The same with Real Estate as well.

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

Weakening ? Healthcare (XLV)

We did bring our healthcare positioning back to portfolio weight as the sector will ultimately benefit from a *"cure"* for the *"coronavirus."* Also, with Bernie Sanders now lagging Joe Biden on the Democratic ticket, this removes some of the risks of *"nationalized healthcare"* from the sector.

Current Position: *Target weight (XLV)*

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

We had started to buy a little energy exposure previously but closed out of the positions as we were stopped out of our holdings week before last. We are going to continue to monitor the space due to its extreme oversold condition and relative value and will re-enter our positions when stability starts to take hold.

We also sold Financials due to the financial risk from a recessionary impact on the outstanding corporate debt which currently exists. The Fed's rate cut also impacts the bank's Net Interest Margins, which makes them less attractive. Industrials and Materials have too much exposure to the *"virus risk"* for now.

Current Position: ***None***

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? Week before last, we sold all small-cap and mid-cap exposure over concerns of the impact of the coronavirus. Remain out of these sectors for now. However, given that Central Banks are going "all in" on stimulus, we may look for a trade in these sectors short-term.

Current Position: None

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

Same as small-cap and mid-cap. Given the spread of the virus and the impact on the global supply chain. Trading opportunity only.

Current Position: None

Dividends (VYM), Market (IVV), and Equal Weight (RSP) ? We have decided to consolidate our long-term "core" holding into IVV only. We sold RSP and VYM and added to IVV. The reason for doing this is the disparity of performance between the 3-holdings. Since we want an *"exact hedge"* for our portfolio, IVV is the best match for a short-S&P 500 ETF.

Current Position: *IVV*

Gold (GLD) ? This past week, Gold sold off as the Fed introduced liquidity giving the bulls hope and removing the "fear" factor in stocks. There was also a massive "margin call" that led to a liquidation event. Gold is VERY oversold currently. Add positions to portfolios with a stop $140. We sold our GDX position due to the fact mining is people-intensive and is located in countries most susceptible to the virus.

Current Position: *IAU (GOLD)*

Bonds (TLT) ?

Bonds also broke out to new highs as the correction ensued. Last Friday, we took profits in our 20-year bond position (TLT) to reduce our duration slightly, raise cash, and take in some profits. Bonds are extremely overbought now, so be cautious, we are maintaining the rest of our exposures for now, but we did rebalance our duration by selling 1/2 of IEF and adding to BIL.

Current Positions: *DBLTX, SHY, IEF, PTIAX, BIL*

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	RIA Pro Notes
XLY	Discretionary	OS	Positive	Positive	Sold					X	No Position
XLK	Technology	OS	Positive	Positive	Hold			X			Hold
XLI	Industrials	OS	Positive	Positive	Sold					X	No Position
XLB	Materials	OS	Positive	Positive	Sold					X	No Position
XLE	Energy	OS	Negative	Negative	Sold					X	No Position
XLP	Staples	OS	Positive	Positive	Hold			X			Hold
XLV	Health Care	OS	Positive	Positive	Hold			X			Hold
XLU	Utilities	OS	Positive	Positive	Hold			X			Hold
XLF	Financials	OS	Positive	Positive	Sold					X	No Position
XLC	Communications	OS	Positive	Positive	Hold			X			Hold
XLRE	Real Estate	OS	Positive	Positive	Hold			X			Hold
SLY	Small Caps	OS	Positive	Positive	No Position					X	Sold Holdings
MDY	Mid Caps	OS	Positive	Positive	No Position					X	Sold Holdings
EEM	Emerging Mkt	OS	Positive	Positive	No Position					X	Sold Holdings
EFA	International	OS	Positive	Positive	No Position					X	Sold Holdings
IXUS	Total International	OS	Positive	Positive	No Position					X	Sold Holdings
GLD	Gold	OS	Positive	Positive	Add			X			Very Oversold - Add w/ Stop @ 140
RSP	SP500 Equal Wgt	OS	Positive	Positive	Sold			X			Consolidated Core
SDY	SP500 Dividend	OS	Positive	Positive	Sold			X			Consolidated Core
IVV	SP500 Market Wgt	OS	Positive	Positive	Rebalanced			X			Added To Balance Core
TLT	20+ Yr. Bond	OB	Positive	Positive	Hold			X			New Highs
HYG	Corporate High Yield	OS	Positive	Positive	Warning					X	Stay Away - Credit Event Unfolding
BNDX	Int'l Bond Aggregrate	OS	Positive	Positive	No Position					X	Broke 200-DMA

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

Portfolio/Client Update:

Thank goodness. The market finally responded to the Fed on Friday.

Please read *"Trading The Bounce"* above as it details our plan on how we are going to trade this liquidity rally.

As noted last week:

> *"Staying true to our discipline and strategy is difficult when you have this type of volatility. We question everything, every day. Are we in the right place? Do we have too much risk? Are we missing something?*
>
> *The ghosts of 2000, and 2008, stalk us both, and we are overly protective of YOUR money. We do not take our jobs lightly."*

We took some further actions to increase cash, further rebalance risks this past week. We are now using this rally to add hedges, and reduce equities until the current *"sell signals"* reverse. As noted, this is most likely a *"bear market"* rally that will fail.

However, if it is the beginning of a new *"bull market,"* then we will simply remove hedges and add to our equity longs.

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:** *Only adding new positions as needed.*
- ***Dynamic Model:*** *Sold VOOG, and hedged portfolio. Currently unhedged.*
- ***Equity Model:*** *Sold IEF and added to BIL to shorten bond portfolio duration. Sold RSP and VYM, and added slightly to IVV to rebalance our CORE holdings for more effective hedges.*
- ***ETF Model****: Same as Equity Model.*

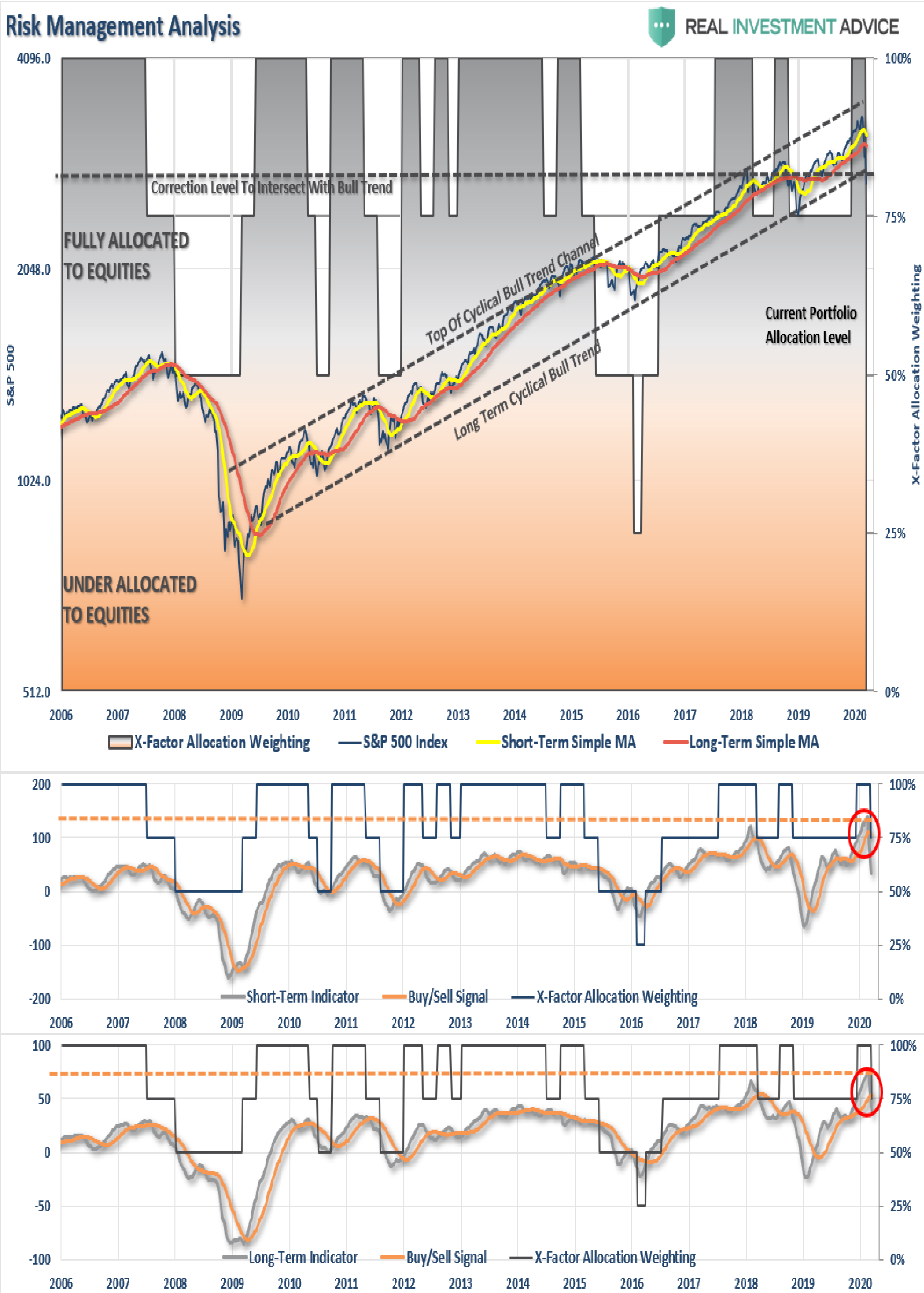
Note for new clients:

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.**

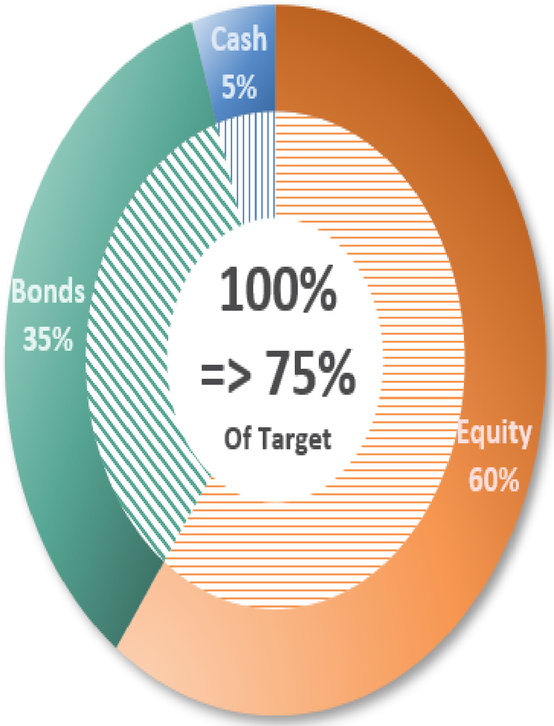
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors

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.


Risk Management Analysis
REAL INVESTMENT ADVICE
Correction Level To Intersect With Bull Trend
FULLY ALLOCATED TO EQUITIES
UNDER ALLOCATED TO EQUITIES
Top Of Cyclical Bull Trend Channel
Long Term Cyclical Bull Trend
Current Portfolio Allocation Level
S&P 500
X-Factor Allocation Weighting
X-Factor Allocation Weighting
S&P 500 Index
Short-Term Simple MA
Long-Term Simple MA
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
Long-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting

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	Begin Reducing To 75%	On Any Rally
Equal To Target Allocation	Begin Reducing To 75%	On Any Rally
Over Target Allocation	Begin Reducing To 75%	On Any Rally

Commentary

As noted in the commentary above, the market correction has gotten more extreme. ***Last week, we did trigger a confirmed signal to reduce the 401k model allocation back to 75%.***

We are going to use the rally back to resistance to allow the portfolio to fully participate, then we will reduce the model target to 75% at that time. HOWEVER, during that process, as noted above, begin removing risk in your portfolio accordingly and reducing equity exposure towards the initial target of 75%.

For example, if you normally carry 60% equity, reduce it to 45%. Increase short-term bonds over long-term bonds due to low yields, and beware of corporate and high-yield bonds.

Use caution and be more defensive for the time being.

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.

RIAPro

Investment Analysis, Research & Data
From The RIA Investment Team

Dashboard | Macro ▼ | Ideas ▼ | Research ▼ | Portfolio ▼ | 401K - Beta | Symbol | Help

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

RIAPro Portfolio: RIA PRO MODEL PL ▼

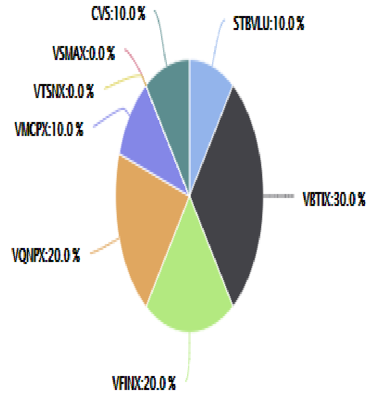
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

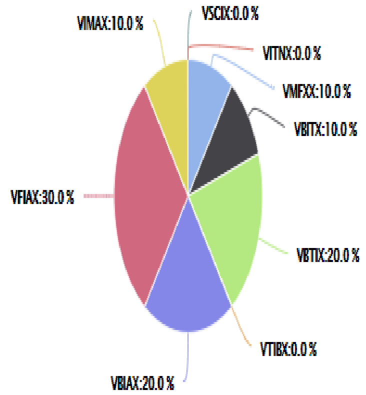
Retirement Income (RiaPro Annual ROR 9.02 %)

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



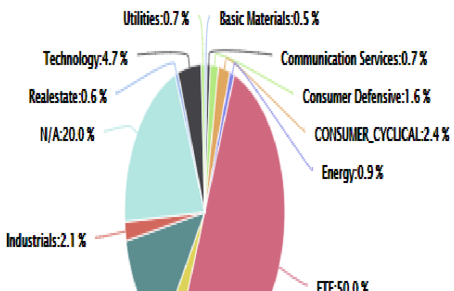
RIAPro Fund Composition



My Asset Composition +

RIAPro Asset Composition +

My Sector Composition



RIAPro Sector Composition