RIA Advice

- ***Everyone Wanting To Buy Suggests The Bear Still Prowls***
- ***MacroView: Mnuchin & Kudlow Say No Recession?***
- ***Sector & Market Analysis***
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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 03-20-20

Written by Lance Roberts | Mar 20, 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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NOTE:* During these tumultuous times, we are unlocking our full newsletter to help you navigate the markets safely. *Make sure you subscribe to RIAPRO.NET (Free 30-Day Trial) if you want to keep receiving the full report after the storm passes.

Everyone Wanting To Buy Suggests The Bear Still Prowls

> ***"If you own 10% equities, as we do, and the market falls 100%, you will lose 10%.*** *That said, you have 90 cents on the dollar to buy equities for free." - Michael Lebowitz*

Let me explain his comment.

Last week, we wrote a piece titled: ***Risk Limits Hit. When Too Little Is Too Much*** in which we discussed reducing our equity risk to our lowest levels.

> *For the last several months, we have been issuing repeated warnings about the market. While such comments are often mistaken for ?being bearish,? we have often stated it is our process of managing ?risk,? which is most important.*
>
> ***Beginning in mid-January,*** *we began taking profits out of our portfolios and reducing risk. To wit:*
>
> > *'On Friday, we began the orderly process of reducing exposure in our portfolios to take in profits, reduce portfolio risk, and raise cash levels.'*
>
> ***Importantly, we did not 'sell everything' and go to cash.***
>
> *Since then, we took profits and rebalanced risk again in late January and early February as well.*
>
> *On Friday/Monday, our 'limits' were breached, which required us to sell more."*

There are a couple of important things to understand about our current equity exposure.

To begin with, we never go to 100% cash. The reason is that *"psychologically"* it is too difficult for clients to start *"buying"* when the market finally bottoms. Seeing the market begin to recover, along with their portfolio, makes it easier to fight the fear the market is *"going to zero."*

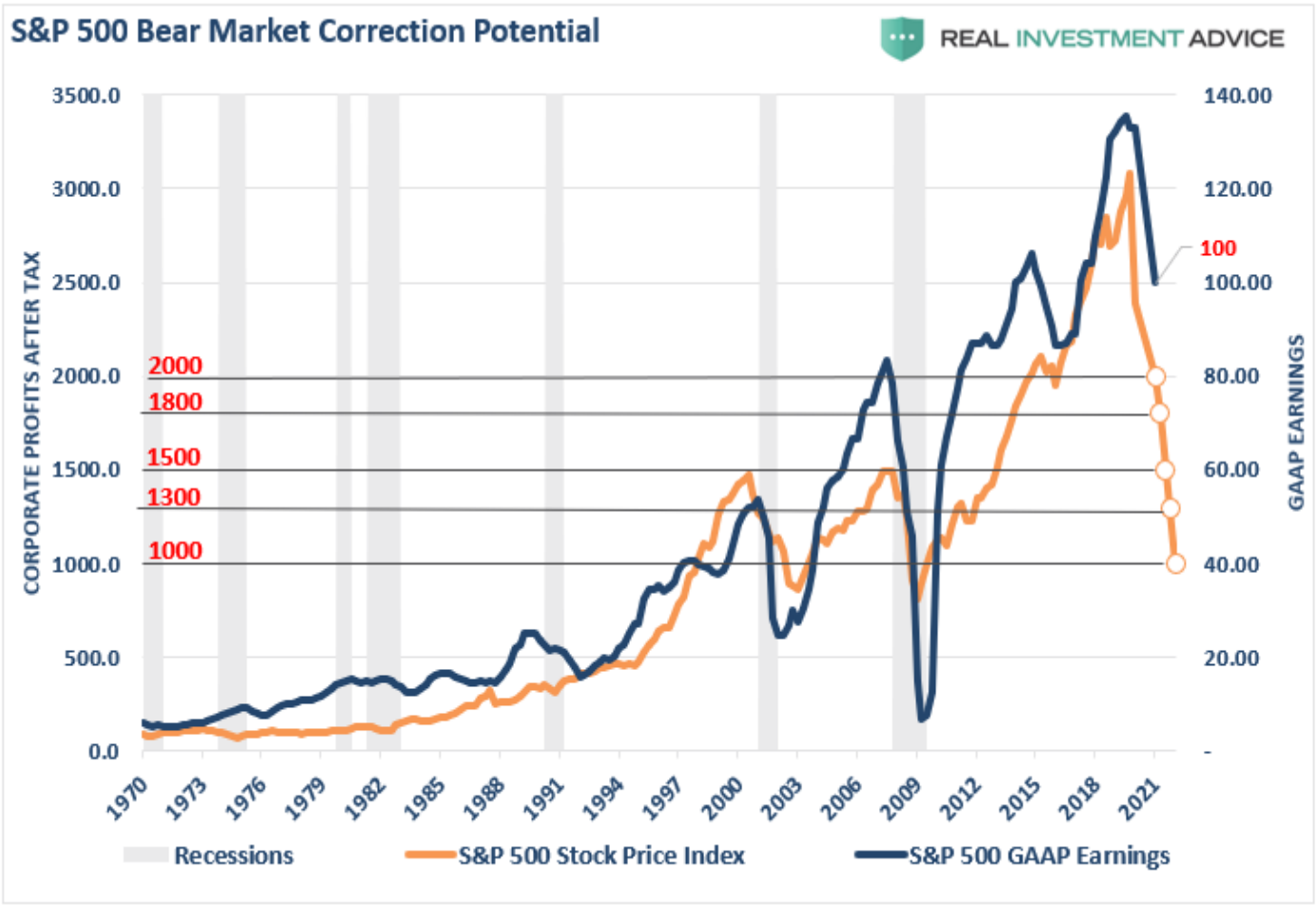
Secondly, and most importantly, at just 10% in current equity exposure, the market could literally fall 100% and our portfolios would only decline by 10%. *(Of course, given we still have 90% of our capital left, we can buy a tremendous amount of "free assets.")*

Of course, the market isn't going to zero.

However, let's map out a more realistic example.

In this week's **MacroView,** we discussed the *"valuation"* issue

> ***?If our, and Mr. Rosenberg?s, estimates are correct of a 5-8% recessionary drag in the second quarter of 2020, then an average reduction in earnings of 30% is most likely overly optimistic.***
>
> *However, here is the math:*
>
> - *Current Earnings = 132.90*
> - *30% Reduction = $100 (rounding down for easier math)*
>
> *At various P/E multiples, we can predict where ?fair value? for the market is based on historical assumptions:*
>
> - ***20x earnings:*** *Historically high but markets have traded at high valuations for the last decade.*
> - ***18x earnings:*** *Still historically high.*
> - ***15x earnings:*** *Long-Term Average*
> - ***13x earnings:*** *Undervalued*
> - ***10x earnings:*** *Extremely undervalued but aligned with secular bear market bottoms.*
>
> *You can pick your own level where you think P/E?s will account for the global recession but the chart below prices it into the market.?*



So, let's assume our numbers are optimistically in the *"ballpark"* of a valuation reversion, **and earnings are only cut by 30% while the market bottoms at 1800, or 18x earnings.** *(I say optimistically because normal valuation reversions are 15x earnings or less.)*

Here's the math:

- For a *"buy and hold"* investor *(who is already down 20-30% from the peak)* **will lose an additional 22%.**
- For a client with 10% equity exposure, they will **lose an additional 2.2%.**

When the market does eventually bottom, and it will, it will be far easier for our clients to recover 10% of their portfolio versus 50% for most *"buy and hold"* strategies.

As we have often stated, *"getting back to even is not an investment strategy."*

REAL INVESTMENT ADVICE
Are your investments prepared for the next bear market?
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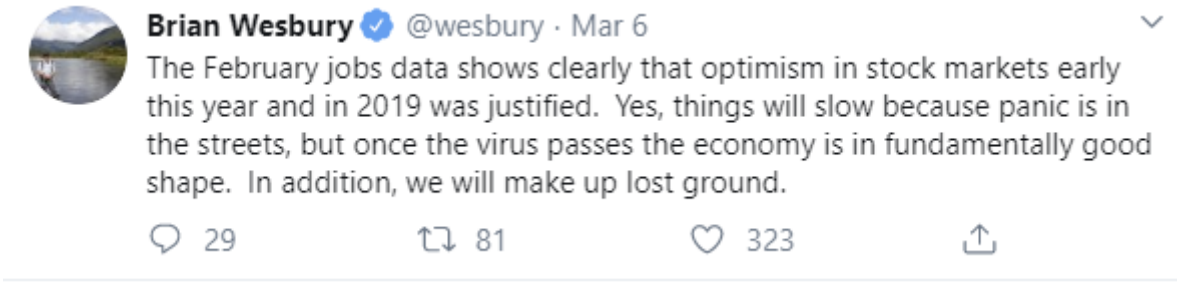
Is The Bear Market Over?

This is **THE QUESTION** for investors. Here are a few articles from the past couple of days:

- *Here's A Few Reasons It Might Be A Good Time To Buy - Motley Fool*
- *Time To Start Bottom Fishing - RBC*
- *6-Signals Say A Bottom Is In - CNBC*

And then you have clueless economists, like Brian Wesbury from First Trust, who have never seen a *"bear market,"* or *"recession,"* until it's over.

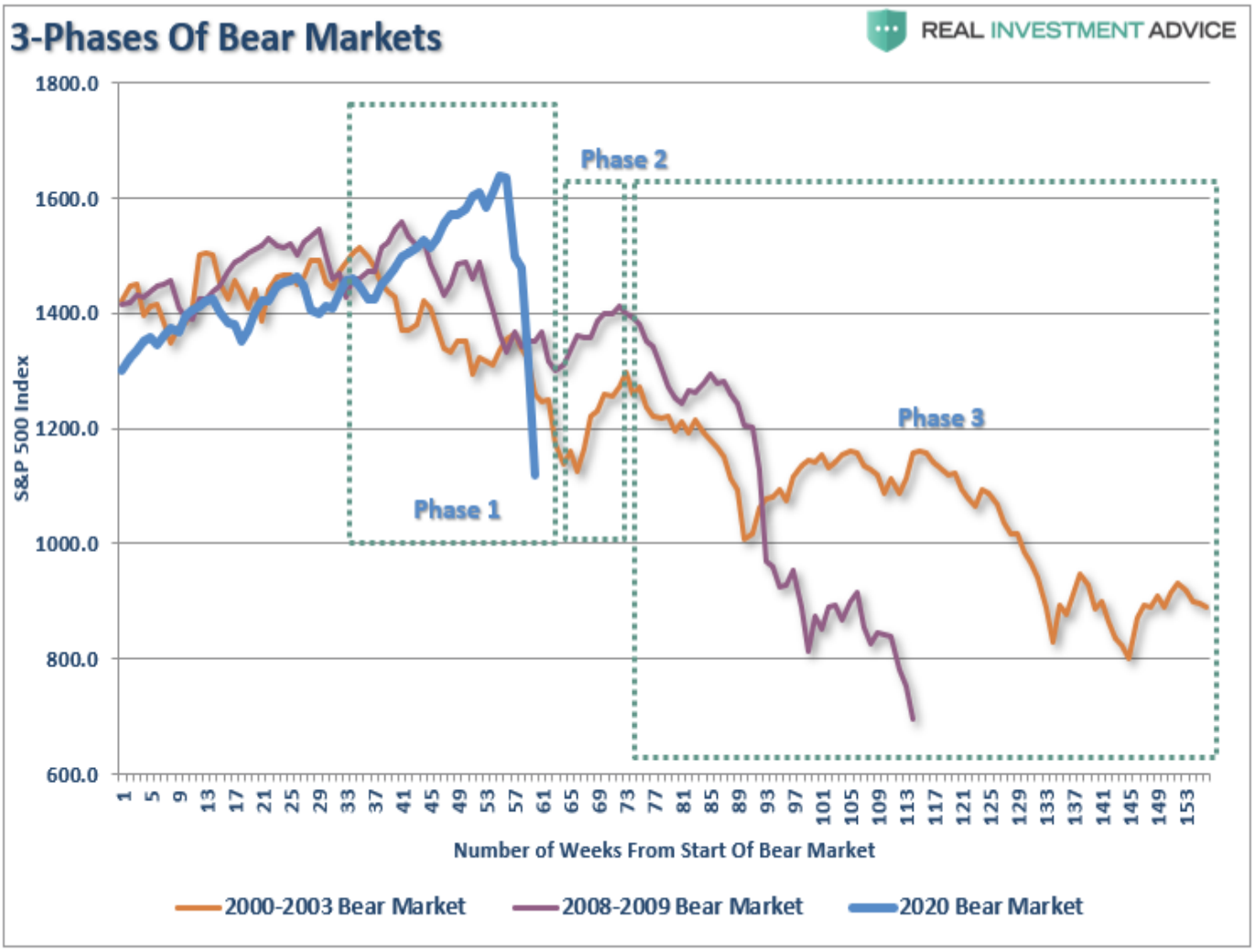
March 6th.



Why is this important? Because ***"bear markets don't bottom with optimism, they end with despair."***

As I wrote last week:

> *"Bob Farrell, a legendary investor, is famous for his* ***10-Investment Rules to follow.***
>
> ***Bear markets have three stages ? sharp down, reflexive rebound and a drawn-out fundamental downtrend - Rule #8***
>
> 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.)*

The answer to the question is simply this:

> ***"When is it time to start buying the market? When you do NOT want to."***

Bond Market Implosion

At the moment, the Federal Reserve is fighting a potentially losing battle - the bond market.

- *After cutting rates to zero and launching QE of $700 billion - the markets crashed.*
- *The ECB starts an $800 billion QE program, and the markets fail to move.*
- *The Fed injected liquidity into money markets, the credit market, and is buying municipal bonds.*

- *And the market crashed more.*

The Fed has literally turned on a *"garden hose"* to extinguish a literal *"bon(d)fire."*

This was no more evident than their action this past week to revive a program from the financial crisis called the Primary Dealer Credit Facility (PDCF) to bailout hedge funds and banks. *Via Mike Witney:*

> *"**The Fed is reopening its most controversial and despised crisis-era bailout facility, the Primary Dealer Credit Facility.** The facility?s real purpose is to transfer the toxic bonds and securities from failing financial institutions and corporations (through an intermediary) onto the Fed?s balance sheet.*
>
> ***The objective of this sleight of hand is to recapitalize big investors who, through their own bad bets, are now either underwater or in deep trouble.** Just like 2008, the Fed is now doing everything in its power to save its friends and mop up the ocean of red ink that was generated during the 10-year orgy of speculation that has ended in crashing markets and a wave of deflation. Check out this excerpt from an article at Wall Street on Parade. Here?s an excerpt:*
>
> > ***?Veterans on Wall Street think of the PDCF as the cash-for-trash facility, where Wall Street?s toxic waste from a decade of irresponsible trading and lending, will be purged from the balance sheets of the Wall Street firms and handed over to the balance sheet of the Federal Reserve** ? just as it was during the last financial crisis on Wall Street.?*
> >
> > *- (?Fed Announces Program for Wall Street Banks to Pledge Plunging Stocks to Get Trillions in Loans at • Percent Interest?Wall Street on Parade)*
>
> ***In other words, the PDCF is a landfill for distressed assets that have lost much of their value and for which there is little or no demand.** And, as bad as that sounds, the details about the resuscitated PDCF are much worse."*

If you have any doubt how bad it is in the bond market, just take a look at what happened to both investment grade and junk bond spreads. *(Charts courtesy of David Rosenberg)*

CHART 2: Investment Grade Corporate Bond Spreads
United States
(percent)

Source: Haver Analytics, Rosenberg Research

CHART 3: Corporate Junk Bond Spreads
United States
(percent)

As they say: *"That clearly ain't normal."*

More importantly, the *"Bear Market"* won't be over until the credit markets get fixed.

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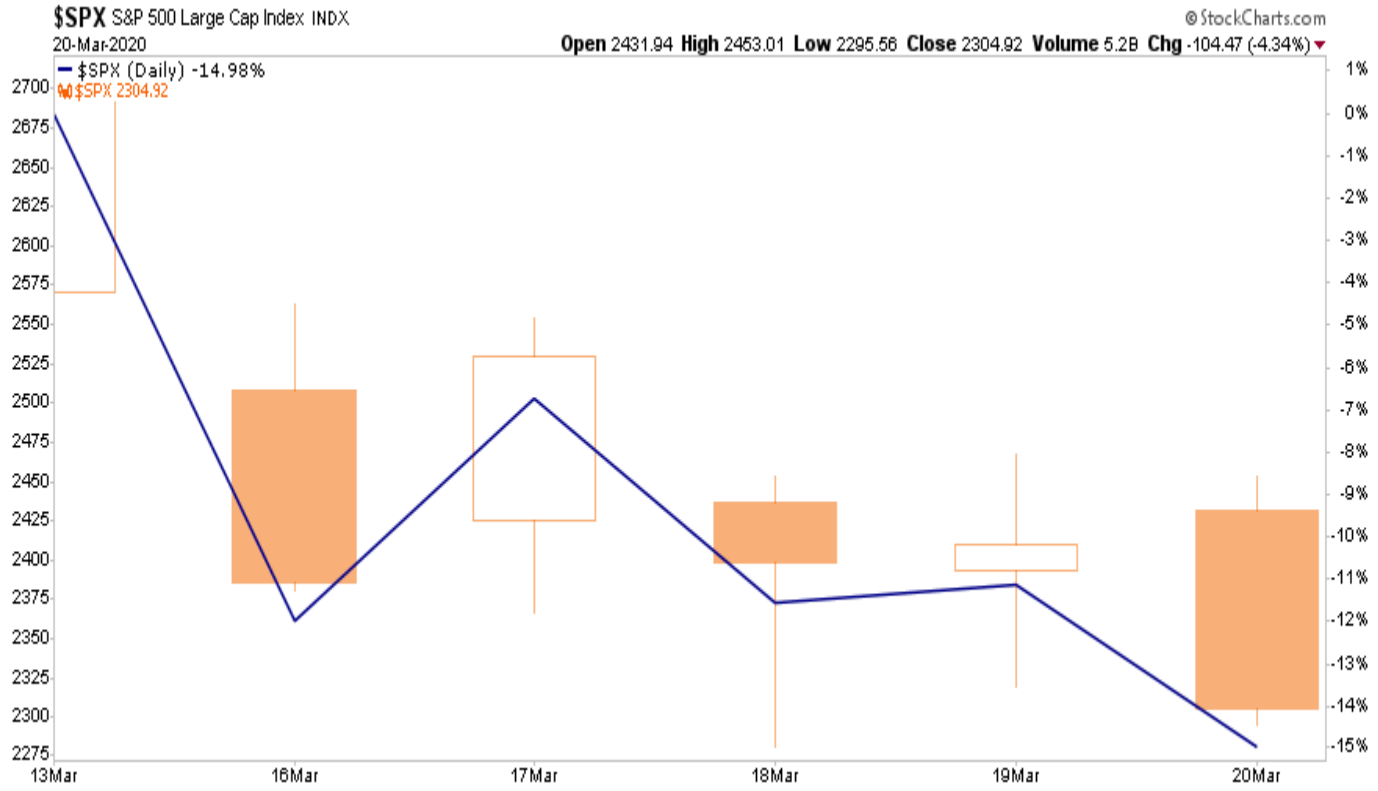
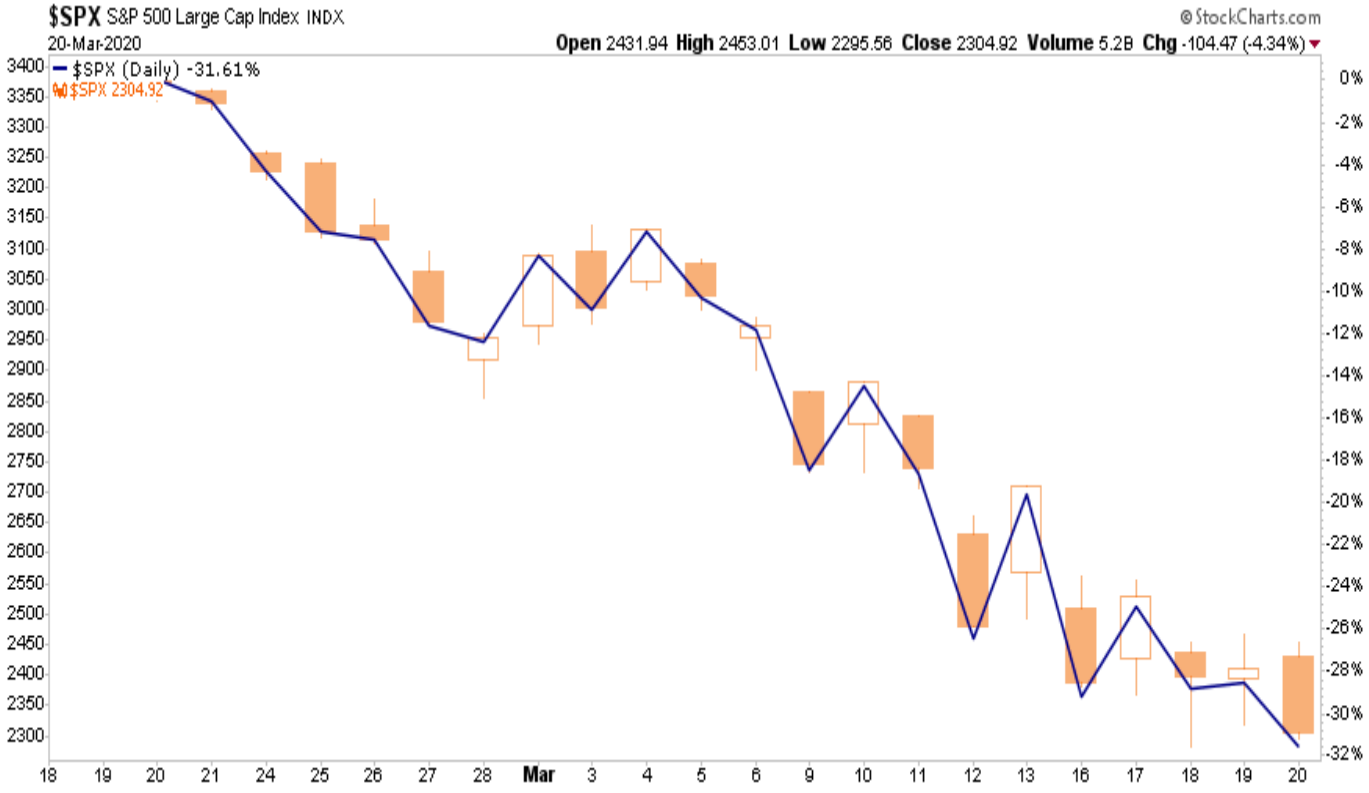
Hunting The Bear

It was a pretty stunning week in the market. Over the last 5-days, the market declined an astonishing, or should I say breathtaking, 15%. The last time we saw a one week decline of that magnitude was during the *"Lehman"* crisis. ***(Of course, with hedge funds blowing up all week, this is precisely what the Fed has been bailing out.)***



Since the peak of the market at the end of February, the market is now down a whopping 32%.



Surely, we are close to a bottom?

Let's revisit our daily and weekly charts for some clues as to where we are, what could happen next, and what actions to take.

On a daily basis, the market is extremely stretched and deviated to the downside. Friday's selloff smacked of an *"Oriental Rug Company"* where it was an *"Everything Must Go Liquidation Event."*

$SPX S&P 500 Large Cap Index INDX
20-Mar-2020
©StockCharts.com
Open 2431.94 High 2453.01 Low 2295.56 Close 2304.92 Volume 5.2B Chg -104.47 (-4.34%)
$SPX (Daily) 2304.92
$VIX 66.04
0.0%: 3382.26
38.2%: 3085.22
50.0%: 2882.58
61.8%: 2679.94
0.0%: 2860.63
38.2%: 2483.61
50.0%: 2340.96
100.0%: 2342.91
61.8%: 2218.32
100.0%: 1821.29
3039.74
66.04
2304.92
SELL
BUY
8.11
2.19
-50.832
-173.721
-224.553
0.000
-22.753
-23.838
Oct 15 Apr Jul Oct 16 Apr Jul Oct 17 Apr Jul Oct 18 Apr Jul Oct 19 Apr Jul Oct 20 Apr
Mar 9 16

Remember all those headlines from early this year:

Stocks post best annual gain in 6 years with the S&P 500 surging more than 28%

PUBLISHED TUE, DEC 31 2019•1:38 AM EST | UPDATED TUE, DEC 31 2019•4:17 PM EST

Fred Imbert
@FOIMBERT

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Well....

This selloff completely reversed the entire advance from the 2018 lows. That's the bad news.

The good news is the markets are now more extremely oversold on a variety of measures than at just about any other point in history.

Such a reversal, particularly given the *"speed and magnitude"* of the decline, argues for a *"reversal"* of some sort.

> ***Warning: Any reversal will NOT BE the bear market bottom.*** ***It will be a "bear market" rally you will want to "sell" into.*** *The reason is there are still many investors trapped in "buy and hold" and "passive indexing" strategies which are actively seeking an exit.* ***Any rallies will be met with redemptions.***

As noted above, bear markets do not end with investors wanting to *"buy"* the market. They end when *"everyone wants to sell."*

And, NO, investors are "not different this time."

This *"bear market"* rally scenario becomes more evident when we view our longer-term weekly *?sell signals.?* As we warned last week:

> *"With all of our 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."

Unfortunately, we have yet to see any attempt at a sustained rally.

More importantly, with the failure of the markets to hold lows this week, both of our long-term weekly *"sell signals"* have now been triggered. **Such would suggest that a rally back to the *"bullish trend line"* from 2009 will likely be the best opportunity to *"sell"* before the *"bear market"* finds its final low.**

Where will that low likely be:

Let's update our mapping from last week:

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

Given the magnitude, and multiple confirmations, of these signals, it is far too soon to assume the *"bear market"* is over. This is particularly the case, given the selloff is less than one-month old.

Bear markets, and recessions, tend to last 18-months on average.

The current bear market and recession are not the result of just the *"coronavirus"* shock. It is the result of many simultaneous shocks from:

- Economic disruption
- Surging unemployment
- Oil price shock
- Collapsing consumer confidence, and
- A *"credit event."*

We likely have more to go before we can safely assume we have turned the corner.

In the meantime, use rallies to raise cash. Don't worry about trying to *"buy the bottom."* **There will be plenty of time to see *"THE"* bottom is in, and having cash will allow you to *"buy stocks"* from the last of the *"weak hands."***

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The MacroView

#MacroView: Mnuchin & Kudlow Say No Recession?

Written by Lance Roberts | Mar 20, 2020

Yes, we are in a recession, it has just started, and we have quite a ways to go before it is over. Unfortunately, both Larry Kudlow, Steve Mnuchin, and the Fed, are still misdiagnosing what ails the economy, and monetary policy is unlikely to change the outcome in the U.S. We have months to go before we are done.

>> Read More

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

See You Next Week

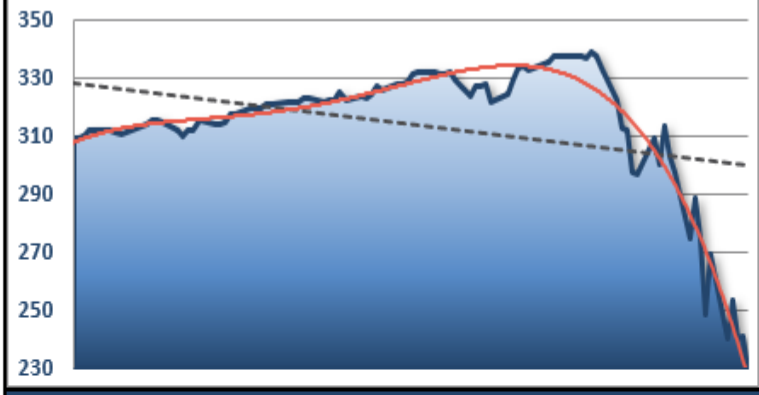
By Lance Roberts, CIO

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	(15.56%)	(18.74%)	(28.91%)	54.32%
Max Drawdown	-32.75%	-32.75%	-32.75%	0.00%
Sharpe	(0.27)	(0.47)	(1.56)	2.34
Sortino	(0.27)	(0.56)	(1.69)	2.02
Volatility	21.96	26.62	51.67	0.94
Daily VaR-5%	(40.19)	(57.92)	(163.10)	1.82
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%	2.48%	24.09%	2.18%	1.68%	13.40%	47.78%
P/E Ratio	21.31	17.97	14.41	(24.69%)	2093%	1441%	(31.1%)	0.03%
P/S Ratio	3.48	3.25	2.50	(29.88%)	3.63	2.64	(30.96%)	(5.31%)
P/B Ratio	3.91	3.91	3.11	(25.68%)	4.33	3.01	(28.24%)	3.42%
ROE	16.03%	18.81%	18.48%	(1.78%)	18.81%	15.04%	(1.75%)	22.90%
ROA	3.00%	3.53%	3.51%	(0.50%)	3.53%	2.81%	(0.50%)	24.93%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,381.1	2,288.3	(3.90%)
Sales	62,280	64,014	2.78%
SPS	26.2	28.0	6.95%
Earnings	9,535	9,428	(1.12%)
EPS TTM	4.8	4.9	0.98%
Dividend	1.6	1.7	6.21%

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	(61.17%)	2.30%	1.32	9.32	126.14	14.18	(92.6%)	6.2%	9.4%	10.50%	2.91	14.02
Materials	(44.94%)	2.39%	1.22	12.22	22.97	13.86	(46.8%)	8.6%	2.8%	7.82%	3.56	16.27
Industrials	(30.45%)	8.03%	1.17	11.77	22.27	14.78	(47.1%)	19.2%	3.0%	7.97%	4.96	15.95
Discretionary	(19.56%)	9.40%	1.05	18.43	27.17	20.19	(32.2%)	27.8%	1.8%	5.17%	4.93	21.03
Staples	(7.41%)	8.47%	0.62	17.24	22.83	17.62	(24.5%)	28.2%	3.3%	5.44%	4.02	18.63
Health Care	(15.04%)	15.63%	0.87	13.50	20.18	15.78	(33.1%)	30.2%	2.2%	7.08%	7.04	14.47
Financials	(27.26%)	10.76%	1.26	8.61	18.50	11.73	(53.5%)	11.3%	3.3%	11.09%	5.98	11.36
Technology	(2.26%)	25.12%	1.21	19.15	25.64	14.48	(25.3%)	41.2%	1.7%	4.91%	5.78	20.75
Telecom	(18.84%)	10.97%	0.85	16.79	27.01	17.61	(37.8%)	16.6%	1.2%	5.63%	6.77	17.95
Utilities	(16.83%)	3.78%	0.42	15.19	22.05	15.58	(31.1%)	10.8%	4.4%	6.03%	3.77	18.68
Real Estate	(23.65%)	3.02%	0.77	14.69	23.27	17.19	(36.9%)	9.1%	4.5%	6.39%	4.46	18.93

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	228.80	(29.75%)	311.28	50	(26.50%)	304.63	13	(24.89%)	2.18%	(32.52%)	0.34%	Buy
Mid Cap	229.25	(38.63%)	347.89	30	(34.10%)	354.45	116	(35.32%)	(1.85%)	(40.37%)	4.20%	Sell
Small Cap	42.76	(40.40%)	66.05	23	(35.27%)	67.76	114	(36.89%)	(2.51%)	(42.40%)	3.54%	Sell

Performance Analysis

Year To Date Performance

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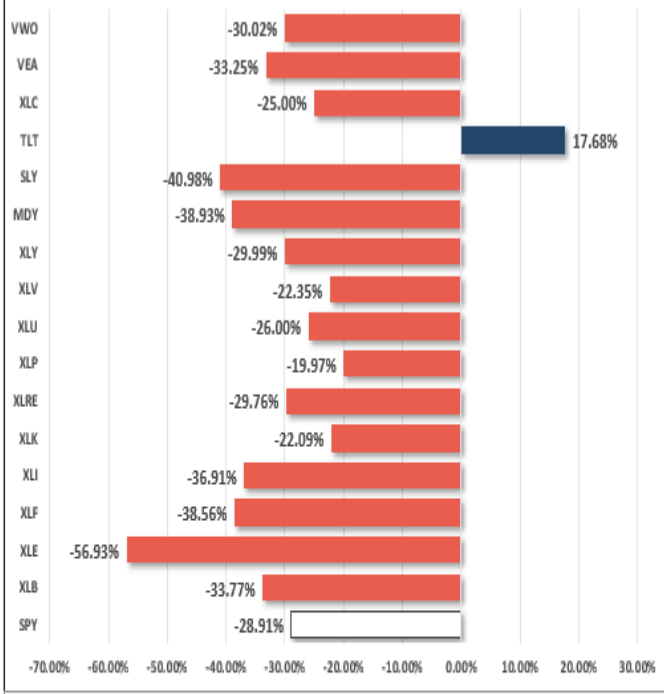
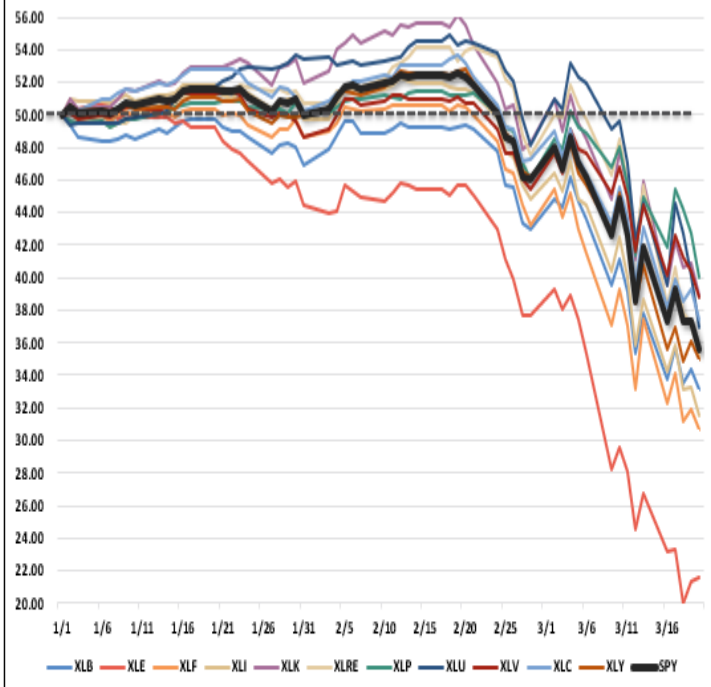
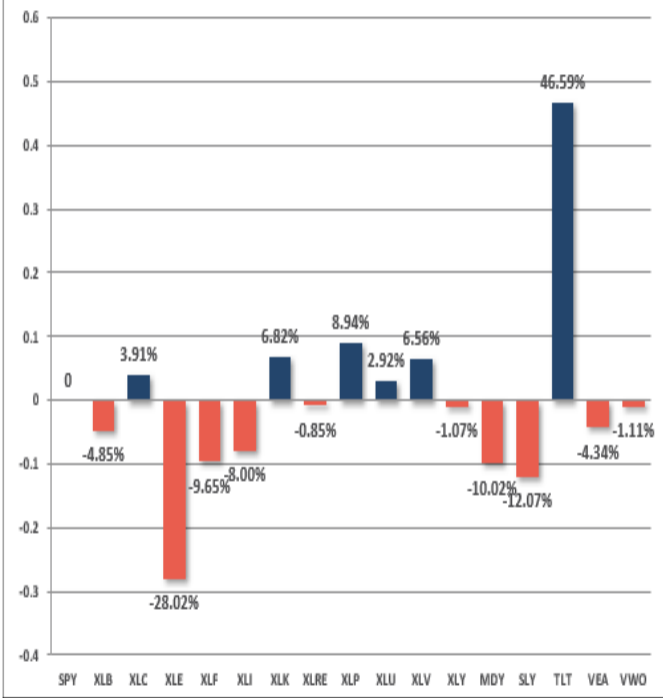


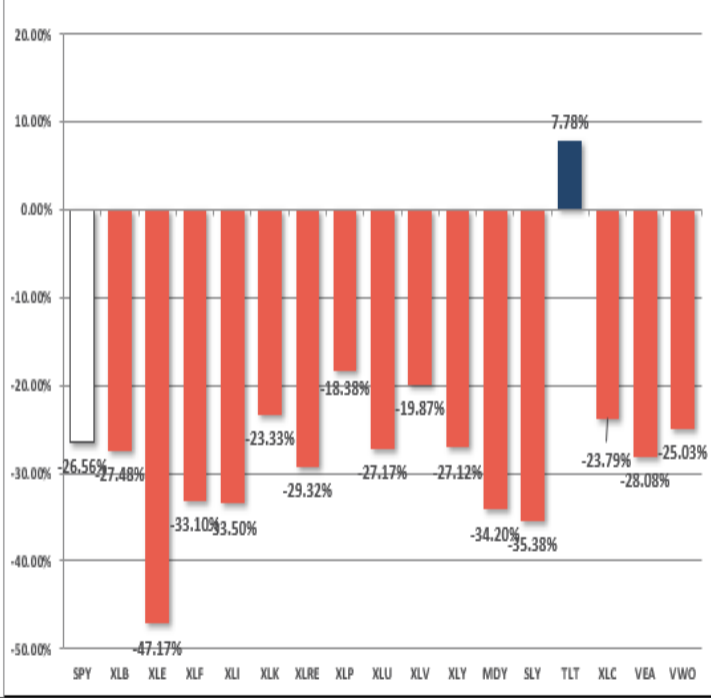
YTD Price - S&P Sectors Recalibrated To $50/share



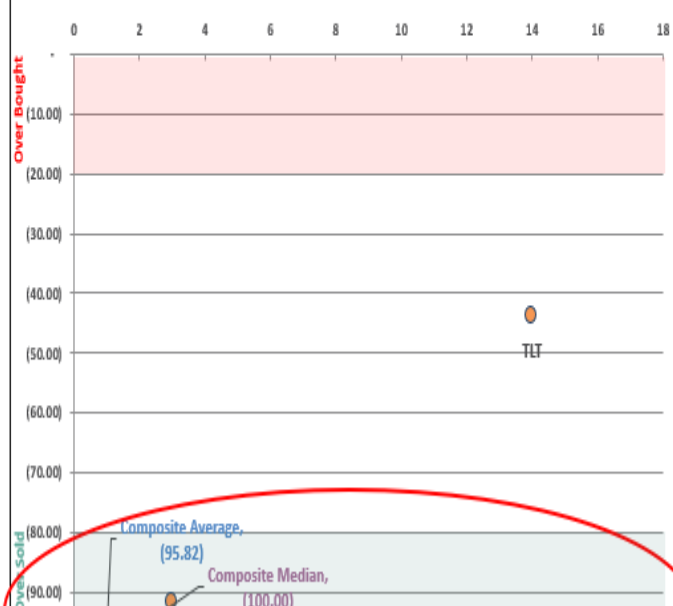
Year To Date Performance Relative To S&P 500



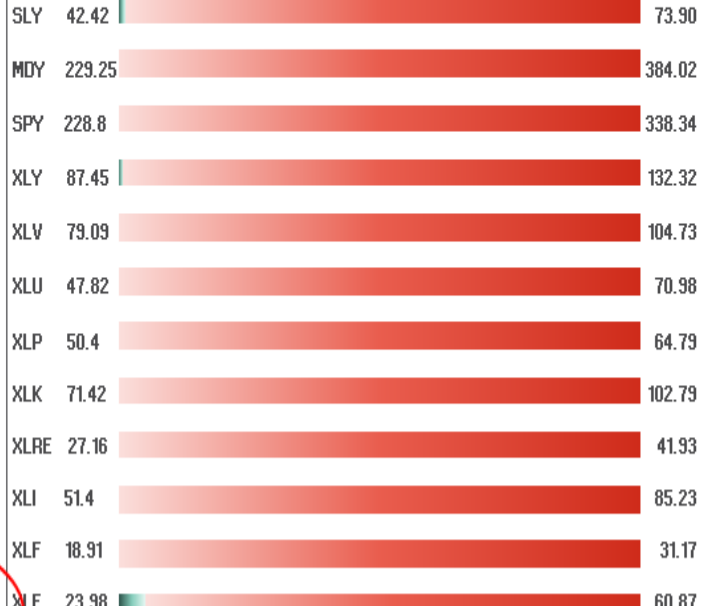
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods

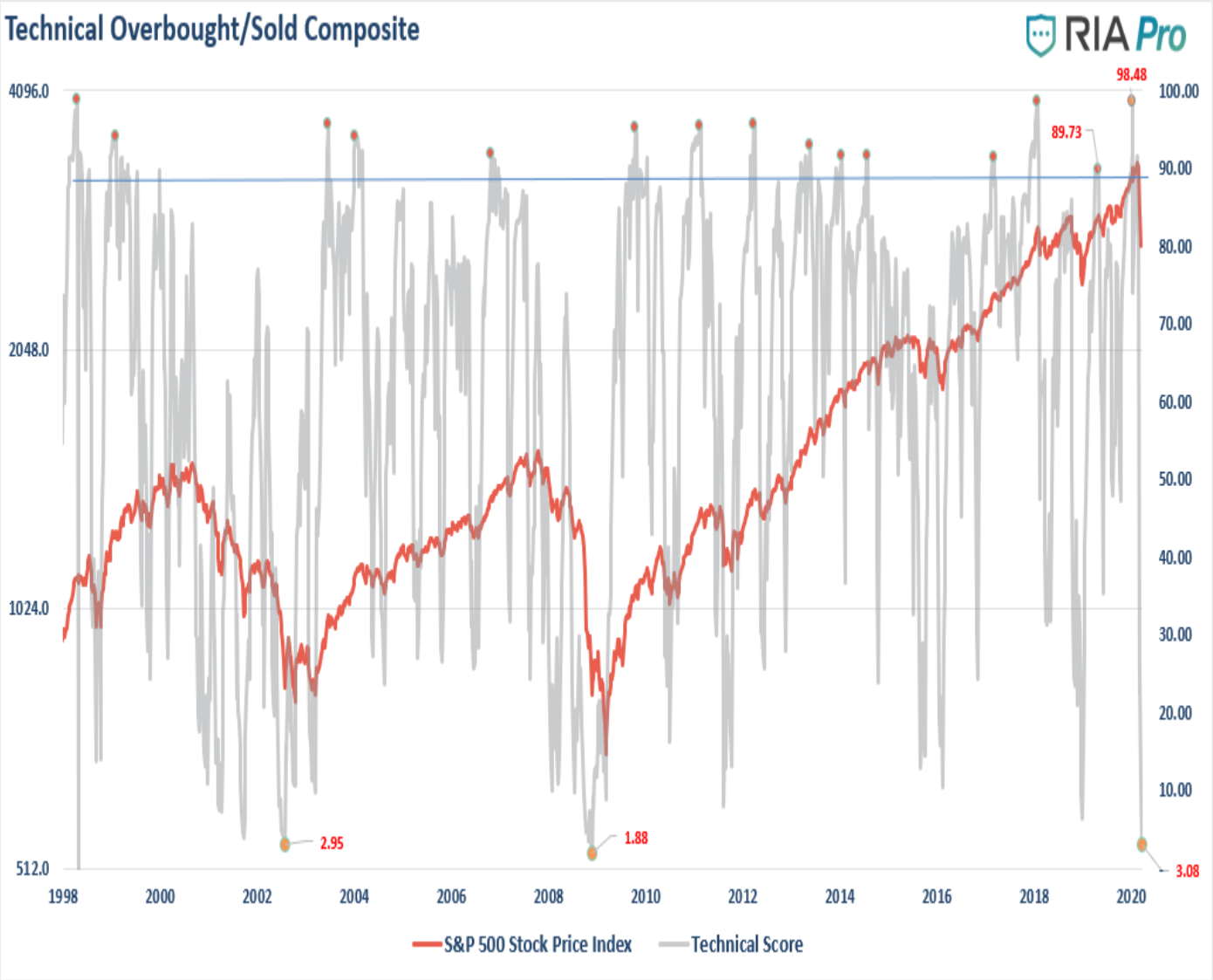


Size / Sector ETF YTD Trading Range



Technical Composite

***Note:** The technical gauge is now at the lowest level since both the "Dot.com" and "Financial Crisis." However, note the gauge bottoms BEFORE the market bottoms. In 2002, lows were retested. In 2008, there was an additional 22% decline into early 2009.*



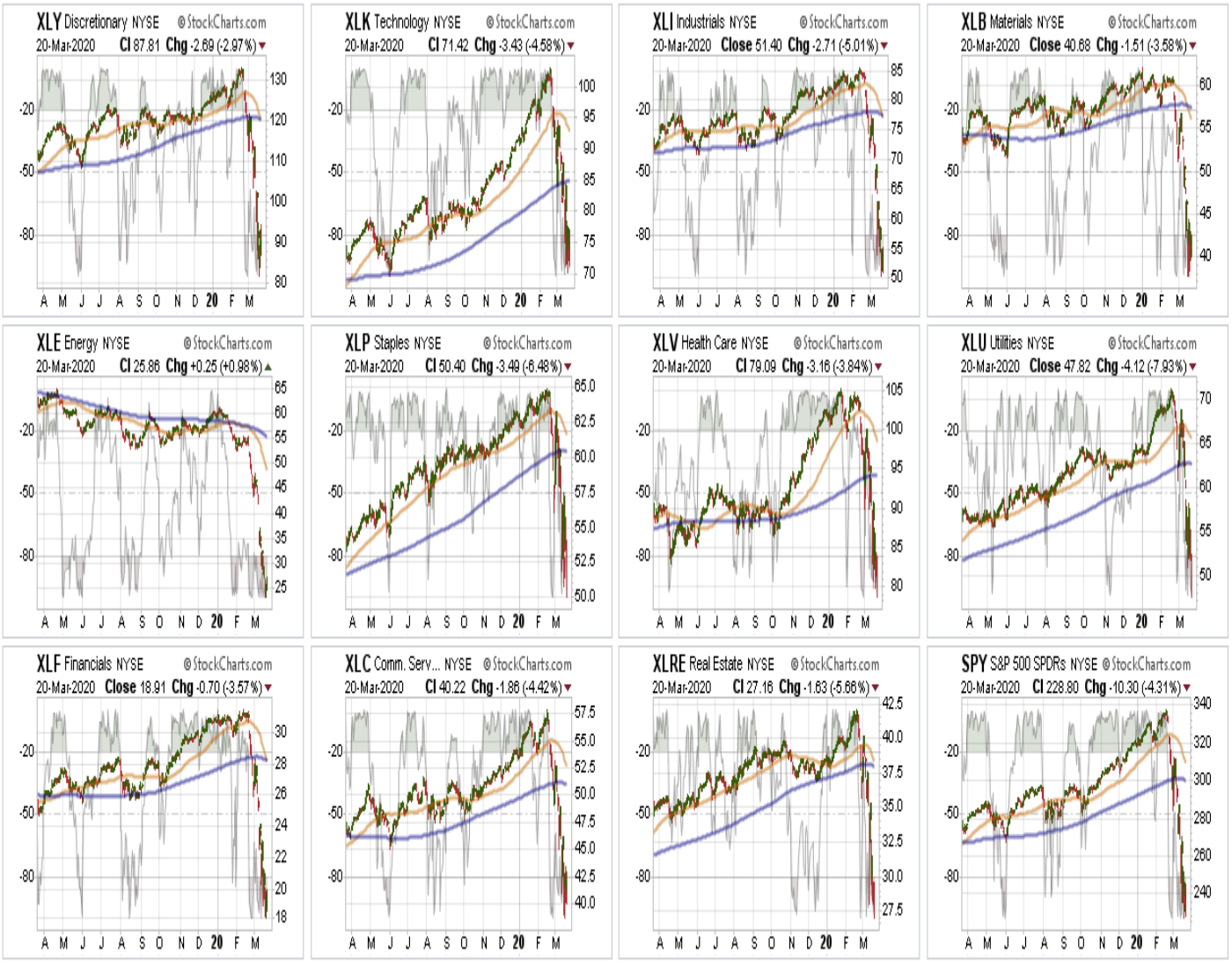
ETF Model Relative Performance Analysis

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	231.16	(14.87)	(31.00)	(28.71)	(21.91)	(17.78)	315.40	307.61	-26.71%	-24.85%	BUY
TACTICAL	SECTORS	XLB	SPDR-MATLS SELS	40.68	2.34	(1.58)	(4.77)	(5.85)	(7.34)	57.06	57.75	-28.71%	-29.56%	SELL
		XLE	SPDR-EGY SELS	25.86	(4.79)	(21.24)	(29.36)	(33.02)	(42.72)	51.51	56.26	-49.79%	-54.03%	SELL
		XLF	SPDR-FINL SELS	18.91	(3.09)	(7.54)	(9.83)	(9.23)	(7.59)	28.80	28.56	-34.35%	-33.79%	BUY
		XLI	SPDR-INDU SELS	51.40	(3.46)	(7.51)	(8.53)	(10.11)	(11.76)	78.37	78.26	-34.41%	-34.32%	BUY
		XLK	SPDR-TECH SELS	71.42	(0.29)	2.82	6.42	10.58	15.19	92.95	86.61	-23.16%	-17.54%	BUY
		XLP	SPDR-CONS STPL	50.40	3.90	8.96	8.40	4.00	9.29	61.96	61.35	-18.66%	-17.85%	BUY
		XLU	SPDR-UTIL SELS	47.82	(2.21)	(1.01)	2.99	(4.26)	(0.46)	65.34	63.84	-26.81%	-25.09%	BUY
		XLC	SPDR-COMM SV SS	40.22	1.95	2.67	3.07	3.31	3.41	53.08	51.60	-24.22%	-22.05%	BUY
		XLV	SPDR-HLTH CR	79.09	2.11	7.47	5.54	9.66	5.06	99.48	95.74	-20.50%	-17.39%	BUY
		XLY	SPDR-CONS DISCR	87.81	0.71	(1.61)	(1.63)	(4.44)	(3.58)	121.60	120.99	-27.79%	-27.42%	BUY
	SIZE	SLY	SPDR-SP SC 600	42.76	(2.34)	(9.38)	(12.15)	(13.36)	(16.56)	67.51	67.87	-36.67%	-37.00%	SELL
		MDY	SPDR-SP MC 400	229.25	(3.85)	(8.66)	(10.21)	(11.93)	(14.26)	354.09	354.56	-35.26%	-35.34%	SELL
CORE	Equal Weight Market	RSP	INVS-SP5 EQ ETF	75.03	(2.24)	(5.18)	(6.43)	(7.52)	(9.15)	110.44	109.46	-32.06%	-31.46%	BUY
	Dividend	SDY	SPDR-SP DIV ETF	72.82	(0.49)	(1.56)	(3.64)	(5.84)	(7.35)	102.34	102.65	-28.84%	-29.06%	SELL
	Real Estate	XLRE	SPDR-RE SELS	27.16	(8.21)	(4.23)	(0.61)	(9.16)	(6.35)	38.40	38.62	-29.28%	-29.67%	SELL
	International	EEM	ISHARS-EMG MKT	31.36	1.65	3.44	(1.71)	(1.55)	(8.31)	42.43	42.04	-26.09%	-25.40%	BUY
		EFA	ISHARS-EAFE	47.05	3.80	(0.07)	(3.73)	(4.77)	(9.06)	65.63	65.75	-28.31%	-28.44%	SELL
		IXUS	ISHARS-CR INT S	41.82	3.74	(0.21)	(3.95)	(4.96)	(9.51)	58.50	58.47	-28.52%	-28.48%	BUY
FI	Intermediate Duration	TLT	ISHARS-20+YTB	159.43	18.44	38.69	44.81	31.12	45.47	145.58	142.52	9.52%	11.86%	BUY
	International	BNDX	VANGD-TTL INT B	55.31	12.42	26.60	26.24	15.80	17.07	57.18	57.94	-3.27%	-4.55%	SELL
	High Yield	HYG	ISHARS-IBX HYCB	69.75	2.01	9.96	8.05	2.61	(0.96)	86.08	86.58	-18.97%	-19.44%	SELL
	Cash	BSV	VANGD-SHT TRM B	80.23										

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



For the 3rd week in a row:

> *"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), and Real Estate (XLRE)

We previously reduced our weightings to Real Estate and liquidated Discretionary entirely over concerns of the virus and impact to the economy. No change this week.

Current Positions: 1.2 weight XLRE

Outperforming ? Technology (XLK), Communications (XLC), Staples (XLP), Healthcare (XLV), and Utilities (XLU)

The correction in Technology last week broke support at the 200-dma but finished the week very close to the May 2019 lows. Communication and Utilities didn't perform as well but also held up better during the decline on a relative basis. The same is true for Utilities and Staples. These are our core ETF's right now at which we are carrying substantially reduced exposure.

Current Positions: ***1/2 weight XLK, XLC, XLU, XLP, XLV***

Weakening ? None

No sectors in this quadrant.

Current Position: None

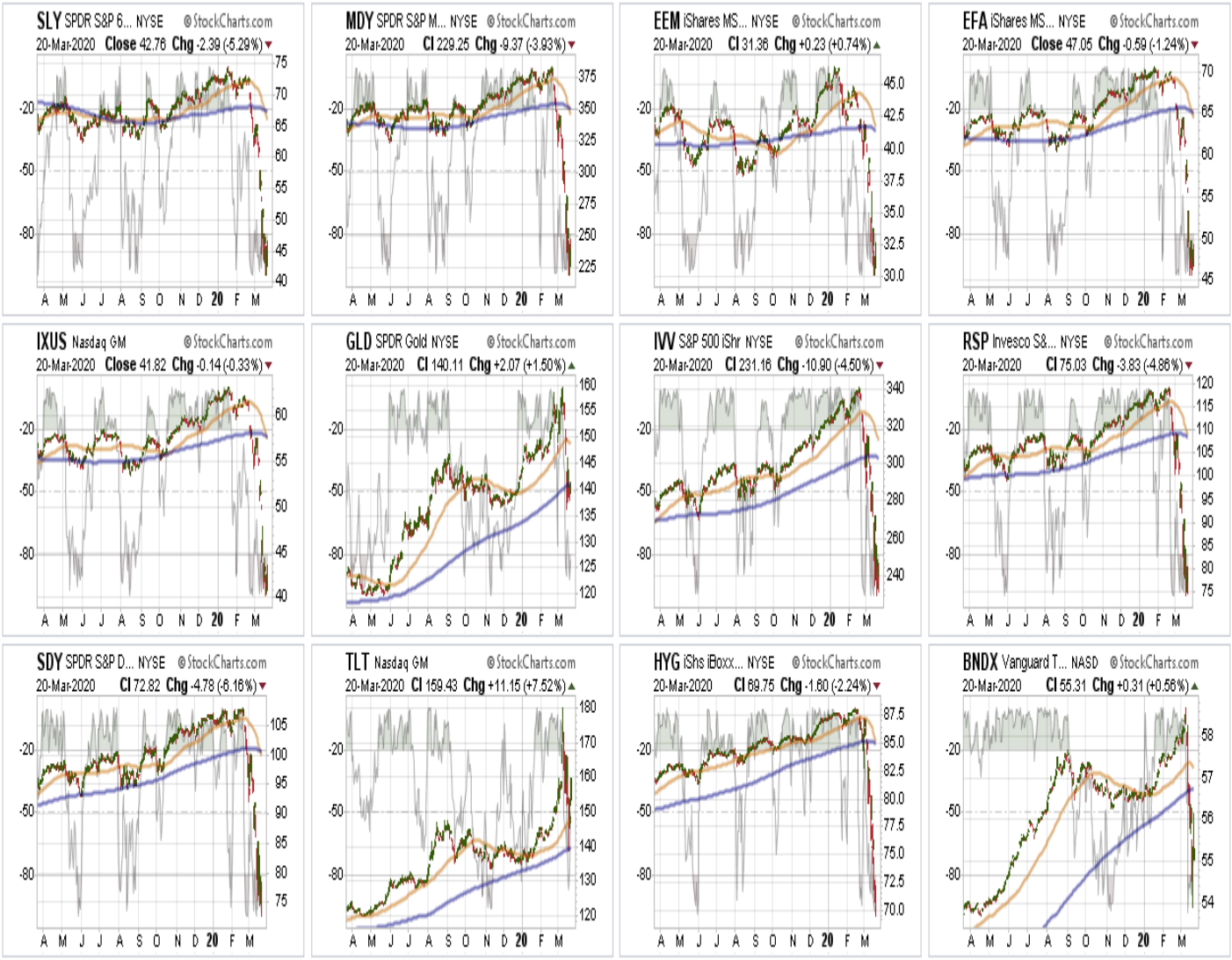
Lagging ? Industrials (XLI), Financials (XLF), Materials (XLB), and Energy (XLE)

No change from last week, with the exception that performance continued to be worse than the overall market.

These sectors are THE most sensitive to Fed actions (XLF) and the shutdown of the economy. We eliminated all holdings in late February and early March.

Current Position: *None*

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? Three weeks ago, we sold all small-cap and mid-cap exposure over concerns of the impact of the coronavirus. Remain out of these sectors for now.

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 opportunities only.

Current Position: None

S&P 500 Index (Core Holding) ? Given the rapid deterioration of the broad market, we sold our entire core position holdings for the safety of cash.

Current Position: *None*

Gold (GLD) ? Gold broke our stop, and we sold our holdings. We are now on the watch for an entry point if Gold can climb back above the 200-dma.

Current Position: None

Bonds (TLT) ?

Bonds collapsed last week as the *"credit event"* we have been concerned about took shape. We had previously taken profits and reduced our bond holdings duration and increased credit quality. We have now reduced our total bond exposure to 20% of the portfolio from 40% since we are only carrying 10% equity currently. (Rebalanced our hedge.)

Current Positions: *SHY, IEF, 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	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	No Holdings
MDY	Mid Caps	OS	Positive	Positive	No Position					X	No Holdings
EEM	Emerging Mkt	OS	Positive	Positive	No Position					X	No Holdings
EFA	International	OS	Positive	Positive	No Position					X	No Holdings
IXUS	Total International	OS	Positive	Positive	No Position					X	No Holdings
GLD	Gold	OS	Positive	Positive	No Position					X	No Holdings
RSP	SP500 Equal Wgt	OS	Positive	Positive	No Position					X	No Holdings
SDY	SP500 Dividend	OS	Positive	Positive	No Position					X	No Holdings
IVV	SP500 Market Wgt	OS	Positive	Positive	No Position					X	No Holdings
TLT	20+ Yr. Bond	OB	Positive	Positive	No Position					X	No Holdings
HYG	Corporate High Yield	OS	Positive	Positive	No Position					X	No Holdings
BNDX	Int'l Bond Aggregrate	OS	Positive	Positive	No Position					X	No Holdings

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

Portfolio/Client Update:

I know it is ugly.

The S&P 500 is down nearly 32% in just three weeks.

That's scary.

However, it is important to keep some perspective on where we are currently.

Last Monday, we further reduced our equity to just 10% *(from 25% previously)* of the portfolio

What does that mean? Here is some math:

If the market goes to ZERO from here, *(it's not going to)* **your MAXIMUM loss is just 10%.**

This is recoverable, particularly if we could buy a portfolio of assets for FREE.

We currently expect a maximum decline from current levels of 20%. This would be a 2% net hit to portfolios leaving us with a LOT of cash to buy distressed assets at 50% off.

This is the opportunity we have been waiting for during the entire last decade.

Currently, we are busy rebuilding all of our portfolio models, rethinking risk management in a post-bear market environment, and what role the future of *"fixed income"* will play in asset allocations.

These are all essential questions that we need solid answers for.

We are in an excellent position with plenty of cash, reduced bond holdings, and minimal equity exposure in companies we want to own for the next 10-years. We are just patiently waiting to buy large chunks of these holdings soon with both stable and higher yields.

Let me assure you of four things;

1. *The ONLY people who care more about your money than you, is all of us at RIA Advisors.*
2. *We will NOT "buy the bottom" of the market. We will buy when we SEE the bottom of the market is in and risk/reward ratios are clearly in our favor.*
3. *This has been THE fastest bear market in history. We are doing our best to preserve your capital so that you meet your financial goals. Bear markets are never fun, but they are necessary for future gains.*
4. ***We've got this.***

Please don't hesitate to contact us if you have any questions, or concerns.

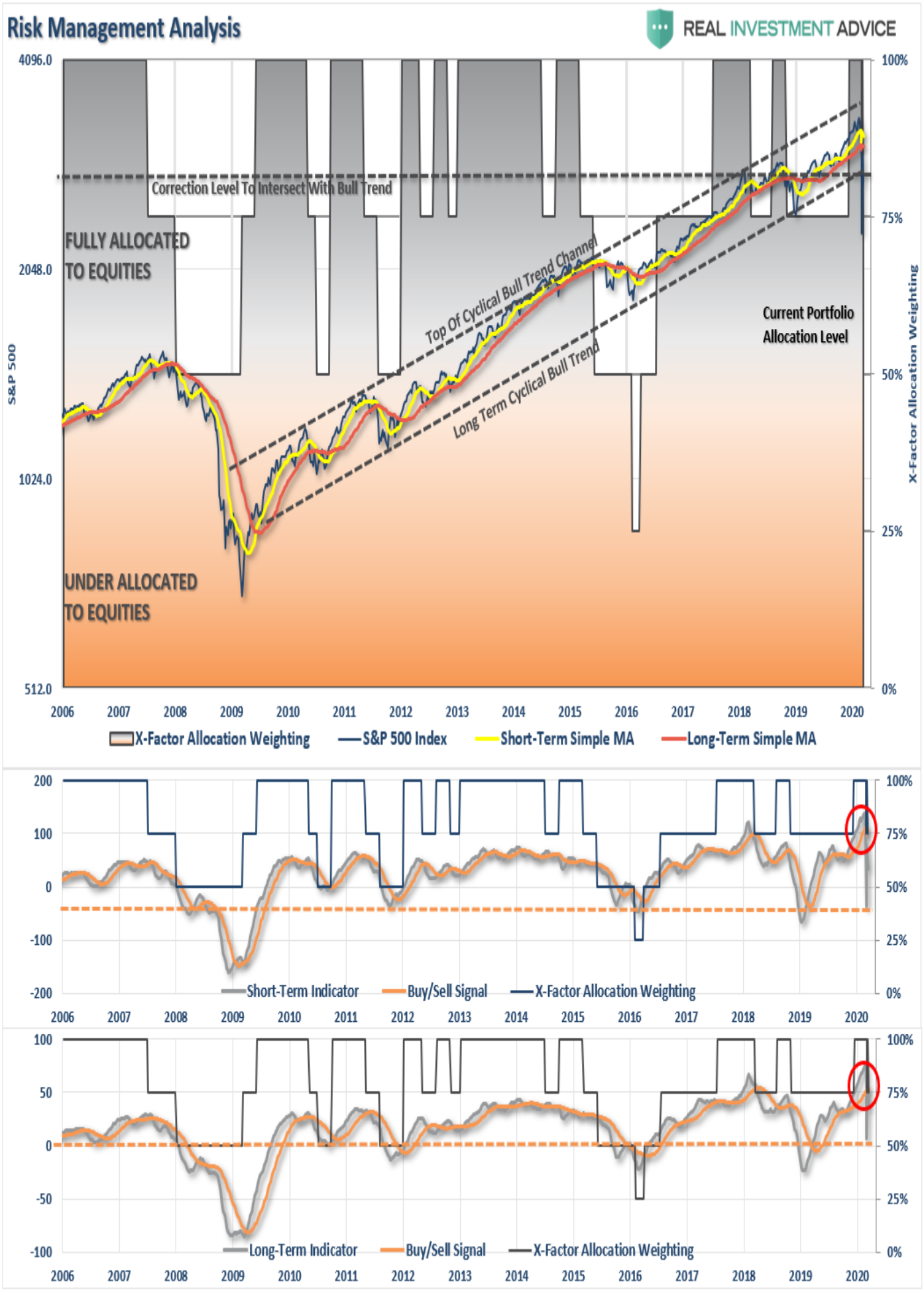
Lance Roberts

CIO

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
4096.0
2048.0
1024.0
512.0
S&P 500
100%
75%
50%
25%
0%
X-Factor Allocation Weighting
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
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
X-Factor Allocation Weighting
S&P 500 Index
Short-Term Simple MA
Long-Term Simple MA
200
100
0
-100
-200
Short-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting
100
50
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-50
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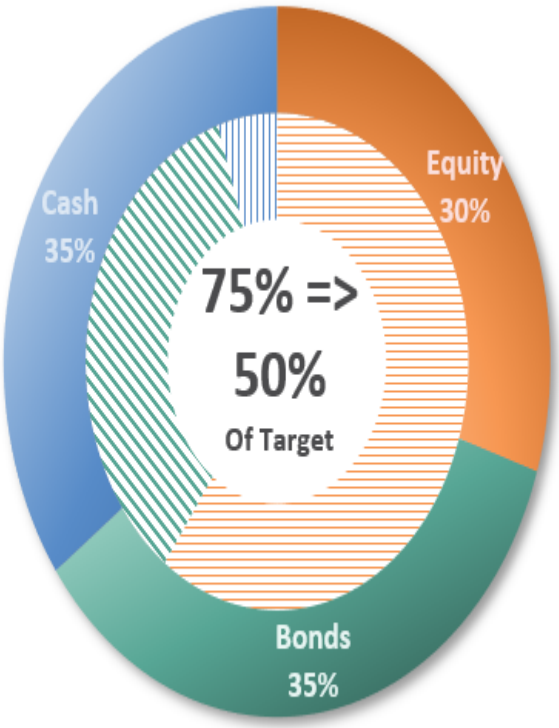
Long-Term Indicator
Buy/Sell Signal
X-Factor Allocation Weighting

Current Portfolio Weighting



Current 401k Allocation Model

35.00% **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

30.00% **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
15% Large Cap Growth (S&P 500 Index)
0% International Large Cap Dividend
0% Mid Cap Growth

Portfolio Instructions:

Allocation Level To Equities	Reommendation	When To Take Action
Less Than Target Allocation	Stay Below Target	On Any Rally
Equal To Target Allocation	Reduce More If Needed	On Any Rally
Over Target Allocation	Reduce To 50%	On Any Rally

Commentary

Over the last few weeks we can recommended reducing equity exposure in your 401k plan, so we can reduce the target allocation modle. Again, this week, the market correction has gotten more extreme. ***Last week, we did triggered a secondary confirmed signal to reduce the 401k model allocation back to 50%.***

We are VERY oversold. Use rallies back to resistance to reduce the model target to 50%. For example, last week we recommended reduce risk to 45%. Now, use rallies, assuming you normally carry 60% equity, to reduce it to 30%. 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 PI

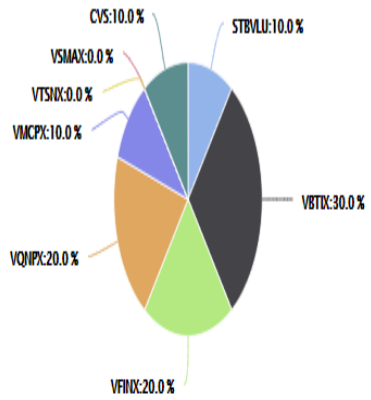
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

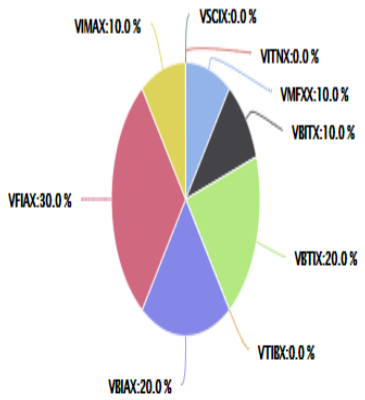
Retirement Income (RiaPro Annual ROR 9.02 %)

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



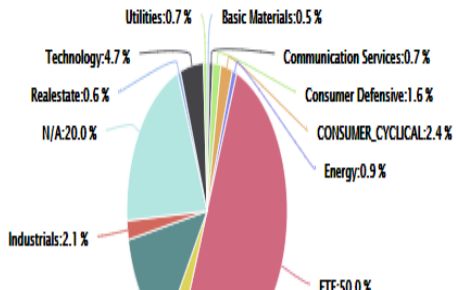
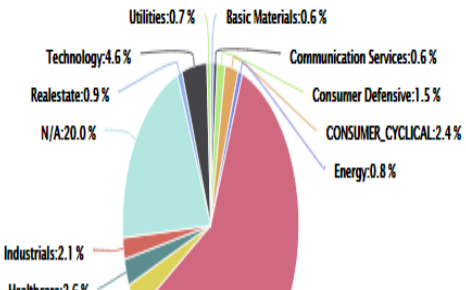
RIAPro Fund Composition



My Asset Composition

RIAPro Asset Composition

My Sector Composition



RIAPro Sector Composition