RIA Advice

- ***"Sell In May" Might Be A Good Risk Strategy This Year***
- ***MacroView: The Fed, Permanently Stuck At Zero***
- ***Financial Planning Corner: 12-Steps To Retirement (Webinar)***
- ***Sector & Market Analysis***
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Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 05-01-20

Written by Lance Roberts | May 1, 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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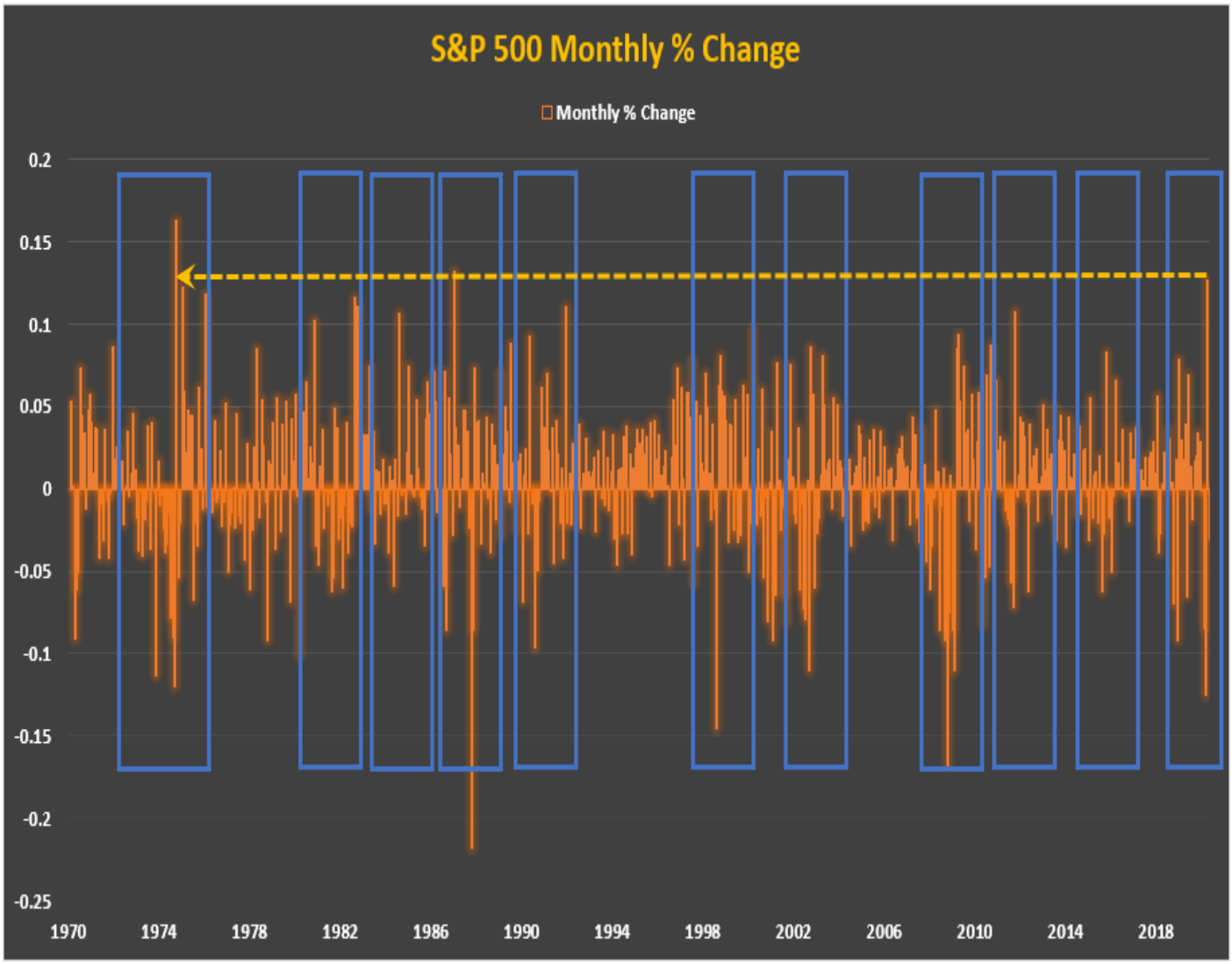
Biggest Rally Since 1974

Could *"Sell In May"* be a good risk strategy this year? Maybe, considering we asked a simple question last week: *"Is the bear market rally over?"*

> *"That's the question we have been discussing over the last few weeks. So far, most of it has played out much as expected by turning previous 'selling panic' into a 'buying rush,' and convincing a vast majority of investors the 'bull market is back.'"*

Just as we have seen in previous *"bear market"* bounces, the gains for April were quite stunning with stocks putting in the best one-month advance since 1974.



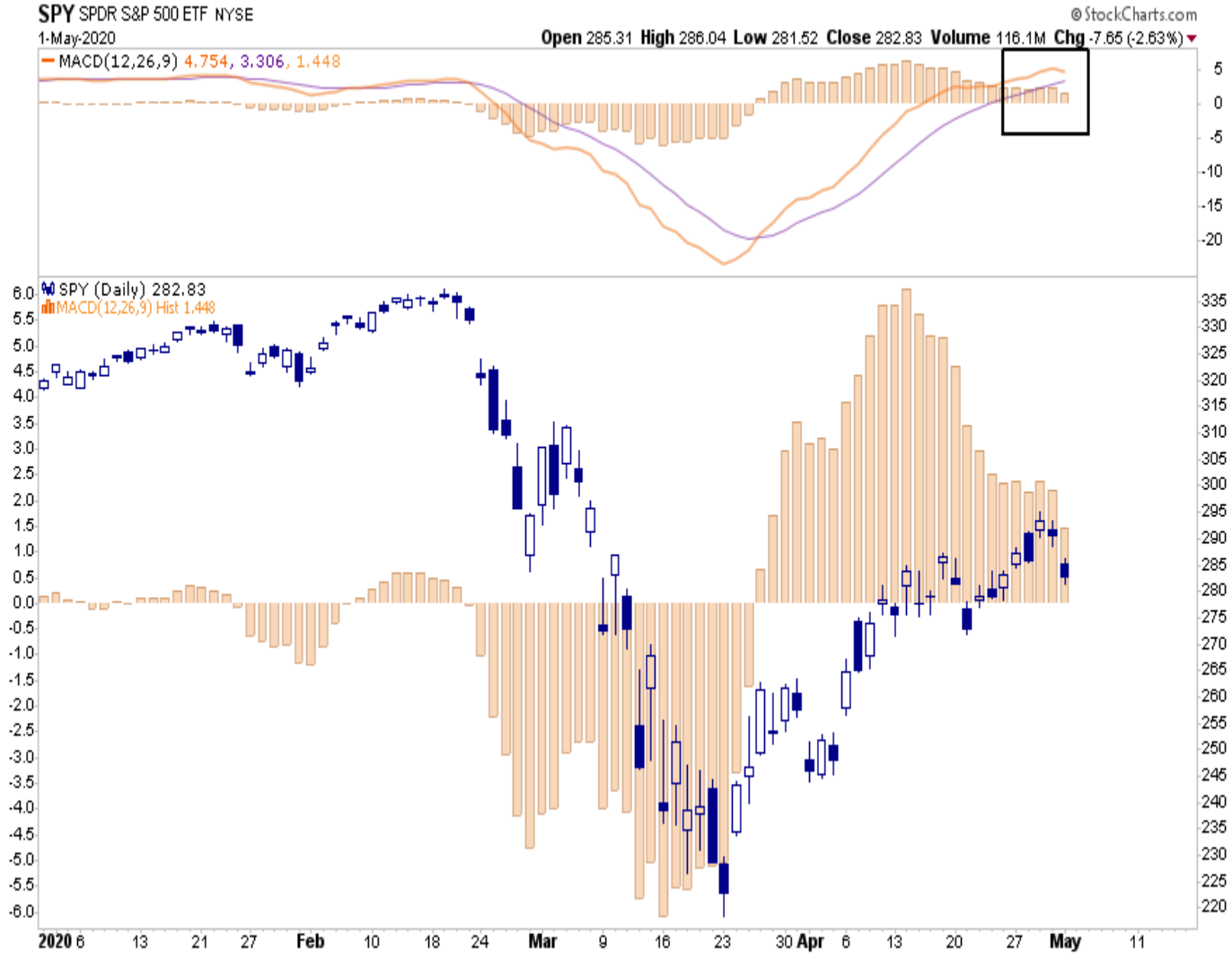
These exceedingly large bounces usually occur during bear markets. Unfortunately, in many cases, the majority of those big one-month advances are followed by negative returns. Timing, as they say, is everything.

Sell In May

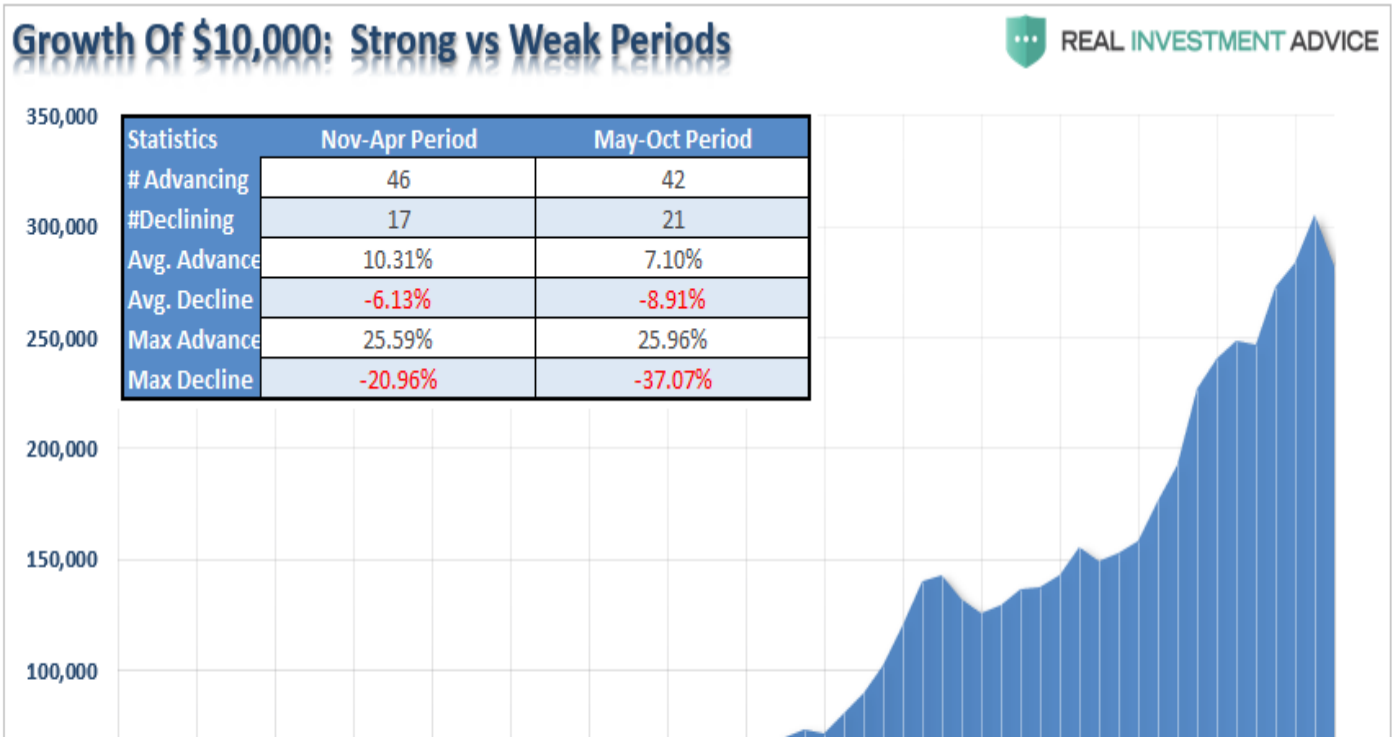
My colleague, Jeffrey Hirsch from Stocktraders Almanac, recently penned:

"Despite the sell-off on the last day of April, the Best Six Months has ended on a positive note, registering the best month in decades and the best April since the Great Depression."

Currently, the primary signal has not crossed into negative territory yet but seems to be heading in that direction. It won't take but a couple of more days of falling, or stagnating markets, to trigger that signal.



While not every *?summer period?* is negative, the long-term history of investing during the summer months is not stellar.



Statistics	Nov-Apr Period	May-Oct Period
# Advancing	46	42
#Declining	17	21
Avg. Advance	10.31%	7.10%
Avg. Decline	-6.13%	-8.91%
Max Advance	25.59%	25.96%
Max Decline	-20.96%	-37.07%

However, the adage *"Sell in May"* may be more appropriate this year given the state of the actual economy, earnings risk, and a potential revaluation of markets, the odds of a weak summer period has risen markedly. *(This is particularly the case as we head into the Presidential election and trade tensions with China are heating up.)*

Managing The Risk

Jeff continues:

> *"The massive rally has surely been impressive and a welcome change from the carnage we experienced in February and March. April 2020 has been the best month since January 1987 for DJIA and S&P 500, and **the best April since 1938.** But April?s huge move was not enough to put the Best Six Months (November-April) in the black, and that concerns us. The DJIA was down 10.0% for this Best Six Months period, which ended today, and the S&P 500 lost 4.1%. When the market is down during the ?Best Six Months,? it?s an indication that there are more powerful forces than seasonality at work, **and when the bullish season is over, those forces may really have their say."***

Down DJIA Best Six Months

Year BSM Ended	Previous Worst 6 Mos	Down Best 6 Mos	Following Worst 6 Mos	Bear Market Low	Days to Bear Market Low	BSM End To Bear Low
1952*	1.2%	– 1.8%	4.5%	9/14/1953	502	– 0.8%
1960	3.7%	– 6.9%	– 3.5%	10/25/1960	178	– 5.9%
1962	3.7%	– 5.5%	– 11.4%	6/26/1962	57	– 19.5%
1966	4.2%	– 2.8%	– 13.6%	10/7/1966	160	– 20.3%
1969	4.4%	– 0.2%	– 9.9%	5/26/1970	391	– 33.6%
1970	– 9.9%	– 14.0%	2.7%	5/26/1970	26	– 14.3%
1973	0.1%	– 3.6%	3.8%	12/6/1974	585	– 37.3%
1974	3.8%	– 12.5%	– 20.5%	12/6/1974	220	– 31.0%
1977	– 3.2%	– 3.9%	– 11.7%	2/28/1978	304	– 19.9%
1982	– 14.6%	– 0.5%	16.9%	8/12/1982	104	– 8.4%
1984	– 0.1%	– 4.4%	3.1%	7/24/1984	85	– 7.2%
2001	2.2%	– 2.2%	– 15.5%	9/21/2001	144	– 23.3%
2008	6.6%	– 8.0%	– 27.3%	3/9/2009	313	– 48.9%
2009	– 27.3%	– 12.4%	18.9%	3/9/2009	DJIA Rallied 24.8% 3/9-4/30/2009	
2020**	1.7%	– 10.0%	—	3/23/2020	DJIA Rallied 30.9% 3/23-4/30/20	
		Average:	– 4.5%		219	– 20.8%
		Median:	– 6.7%		169	– 19.9%
		# Up:	6			1
		#Down:	8			13

** DJIA rallied 14% 4/30/1952 to 1/5/1953 top ** At press time, DJIA rallied 30.9% 3/23/2020 to 4/30/2020*

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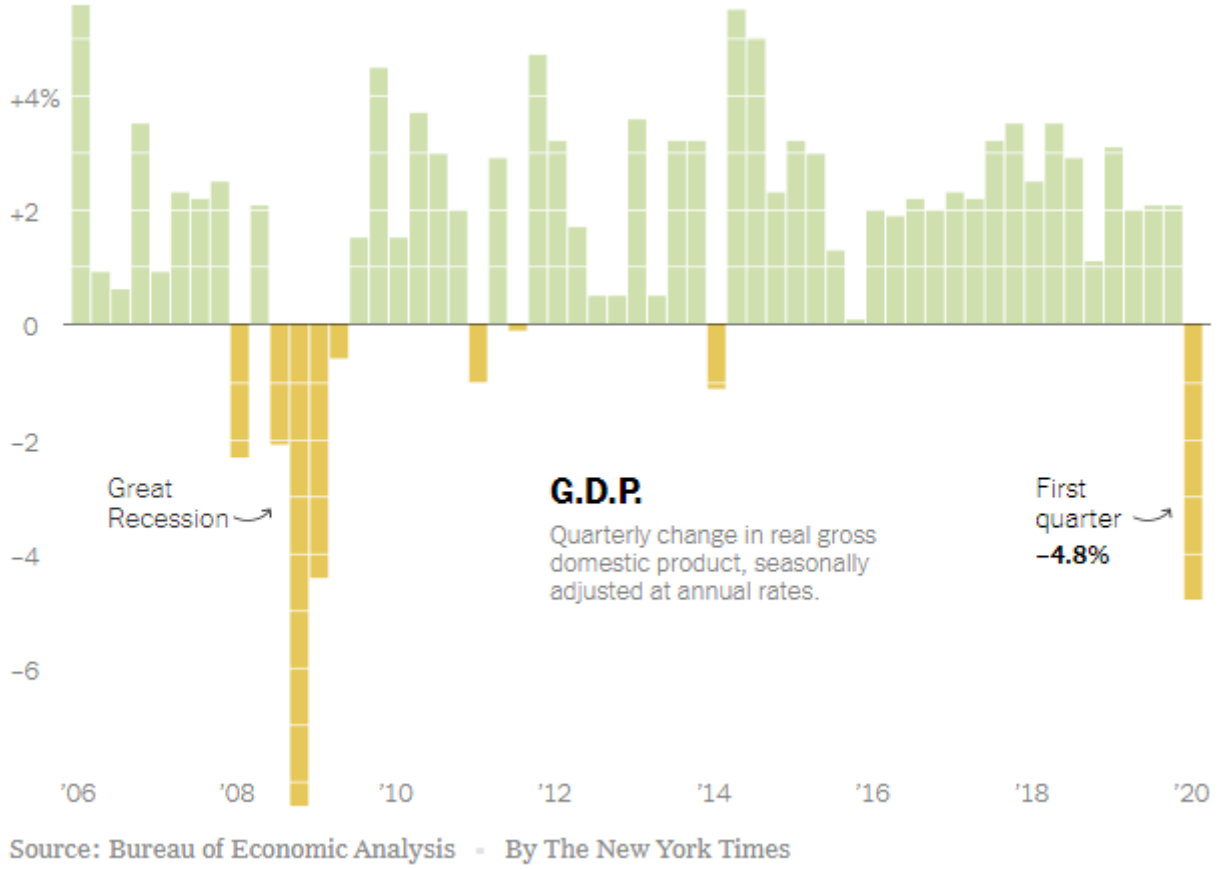
> *"**Following the first back-to-back down Best Six Months since 1973-1974, the market hit a secular bear market low in March 2009.** The market made a similar secular bear market bottom in August 1982, which began in 1966. Of course, that bottom came after the infamous 1980s double-dip recession. **Our concern here is that this time around, we?ve only just begun."***

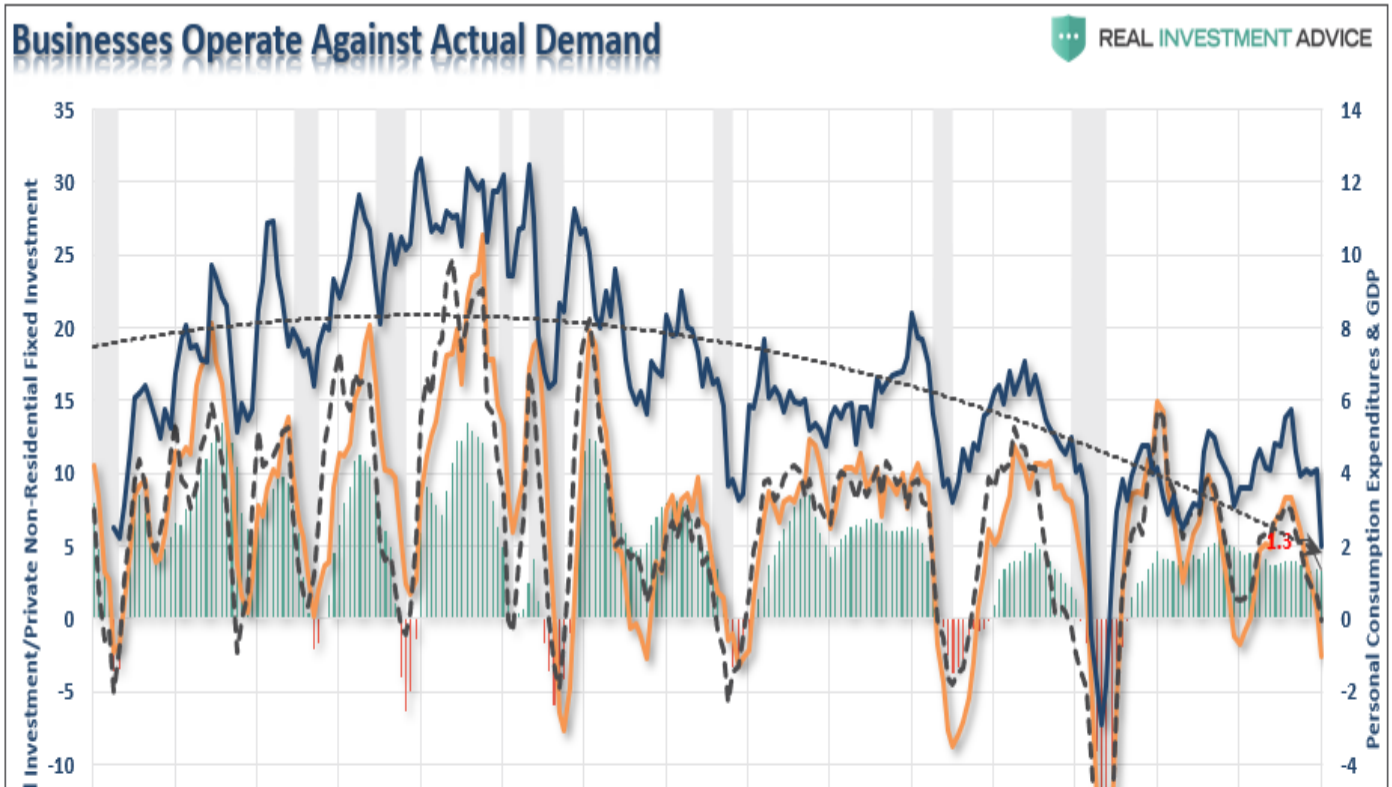
The Risk Starts In May

We can't disagree with that statement. While there are many hoping that the worst of the economic data is now behind us, I highly suspect it isn't. As noted in this week's ***#MacroView:***

"The negative 4.8% decline in GDP in the first quarter was stunning. Importantly, that reading only encapsulated the impact of the economic ?shutdown? in that last two weeks of the quarter. Such suggests, considering the entire month of April (1/3rd of the quarter) was a wash, the numbers will worse next quarter."



"There is a negative feedback loop between employment and consumption. As unemployment rises, consumption falls due to a lack of income. Since businesses operate based on demand for goods and services, the correlation between PCE, fixed investment, and employment is high."



> *"Despite the reopening of the economy, businesses will not immediately return to full operational activity, until consumption returns to more normal levels. Such a recovery is likely going to frustrate policy-makers and the Fed."*

It isn't just the economic data that is going to be horrid over the next few months, but earnings will likely be just as bad. Earnings can not live in isolation from the economy. So goes earnings, so goes the market.

"Sell In May" Starts With Overbought Risk

In the short-term, the markets remain incredibly overbought and extended after the run from the lows. Previously, I discussed that markets had gone from extremely oversold, to extremely overbought during April. This sharp advance pushed the S&P 500 back to its 61.8% retracement level, where it failed on Friday.

While the sell-off on Friday did trigger an initial sell-signal, a further decline on Monday will trigger the primary sell-signal in the lower panel. Such would coincide with a break below 2800, and signal the start of a deeper corrective process. There is currently a lot of *"bullishness"* built up in the markets, so investors will likely buy dips for now. However, it won't take long for investors to remember March and head for the exits much sooner this time. So, be careful. Reversions happen

fast.

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A Risky Game Of Hope

As we discussed with our ***RIAPro Subscribers (30-day Risk-Free Trial)*** last week, our colleague Jeffrey Marcus made some salient comments about investor's *"risky game of hope."*

> *"The table shows EPS growth for U.S. companies that have so far reported the 1st quarter. 20% of U.S. companies have reported so far."*

"There is only one-month of Covid-19 effect in the 1st quarter. ***Earnings growth from all 993 companies is -12%, but the price reaction to bad EPS has been stellar.*** *The one-day price reaction to EPS on the day of release is in the lower right quadrant of the table. As TPA has discussed in previous World Snapshots, the positive price action to negative news is a good sign.* ***The problem is that EPS growth is down 12% with only one-month of the Covid-19 effect. Importantly, this is only 20% of stocks having weighed in; one has to wonder why?*** *The answer has to be that investors have an awful lot of hope in the power of the FED to keep the tire with a large hole inflated and as the man who taught me how to trade told me,* ***'Hope is a bad investment strategy.'?***

"Sell In May" Risk Outweighs Reward

What this all suggests is that *"risk"* still outweighs the potential *"reward"* of being aggressively invested in the markets.

With Friday's sell-off, the risk/reward ranges remain unfavorable for the *"Sell In May"* period.

- ***-3.0% to 50-dma vs. 4% to the 61.8% retracement.*** *Risk/reward equally balanced.*
- ***-5.4% to the 38.2% retracement vs. 6% to the 200-dma.*** *Risk/reward equally balanced.*
- ***-13.4% to the April 1st lows vs. 4-6% higher.*** *Risk/reward out of favor.*
- ***-21.0% to the March 23rd low:*** *Risk/reward extremely out of favor.*

The risk of a downside retracement as we head into summer months outweighs the upside currently. Importantly, this does NOT mean the markets can't rally to all-time highs. It is possible, just not probable, and as investors, we must weigh our outcomes. While we are discussing *"Selling in May,"* such doesn't mean we are sitting in cash. **We continue to remain long our reduced equity exposure and have been buying undervalued opportunities over the last few weeks.** However, we are also balancing that equity exposure with offsetting hedges and a larger than average level of cash. We also continue to increase our duration in our bond portfolios as we expect interest rates will head toward ZERO this summer. As my friend Victor Adair reminded me this week:

> *"Investors tend to buy the most at the top and the least at the bottom."* - Bob Farrell.

While it's no guarantee, *"Sell In May"* just might be a good *"risk strategy"* to employ this year in particular.

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The MacroView

#MacroView: The Fed Is Permanently Stuck At Zero

Written by Lance Roberts | May 1, 2020

The Fed is now permanently stuck at zero. The negative 4.8% decline in GDP in…

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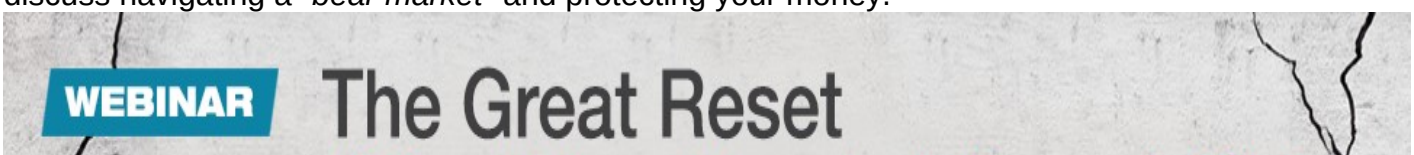
If you need help or have questions, we are always glad to help. ***Just email me.*** See You Next Week **By Lance Roberts, CIO**

Financial Planning Corner

12-Smart Money Moves In An Economic Crisis

Our next *"Financial Planning and Investment"* Webinar is coming up May 16th. If you have been laid off, furloughed, or forced to retire early, this is the webinar you need to watch to make sure you are doing the right things with your money. Got money at risk in the markets? We will discuss navigating a *"bear market"* and protecting your money.



Get Registered Today. If you have any questions afterward, ***don't hesitate to email me.*** **by Danny Ratliff, CFP•**

Market & Sector Analysis

Data Analysis Of The Market & Sectors For Traders

S&P 500 Tear Sheet

SPY RISK INFO — ZACKS — REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	6.72%	(3.09%)	(12.14%)	292.71%
Max Drawdown	-35.63%	-35.63%	-35.63%	0.00%
Sharpe	0.18	0.17	(0.62)	(4.70)
Sortino	0.17	0.08	(0.78)	(10.31)
Volatility	24.60	31.47	51.69	0.64
Daily VaR-5%	(31.94)	(47.96)	(115.81)	1.41
Mnthly VaR-5%	(26.64)	(37.79)	(93.28)	1.47

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	1.85%	1.88%	1.98%	5.06%	2.18%	1.68%	(9.15%)	18.40%
P/E Ratio	20.78	18.44	17.65	(4.48%)	2169%	1649%	(18.6%)	7.03%
P/S Ratio	3.30	3.23	3.05	(5.95%)	3.61	2.65	(15.60%)	15.08%
P/B Ratio	3.80	3.90	3.75	(3.95%)	4.33	3.00	(13.46%)	24.92%
ROE	16.66%	18.68%	18.49%	(1.07%)	18.81%	15.04%	(1.71%)	22.93%
ROA	3.12%	3.52%	3.51%	(0.30%)	3.53%	2.81%	(0.48%)	24.98%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,384.9	2,288.8	(4.03%)
Sales	62,571	64,294	2.75%
SPS	26.2	28.1	7.07%
Earnings	9,549	9,438	(1.16%)
EPS TTM	4.8	4.9	0.94%
Dividend	1.6	1.7	5.07%

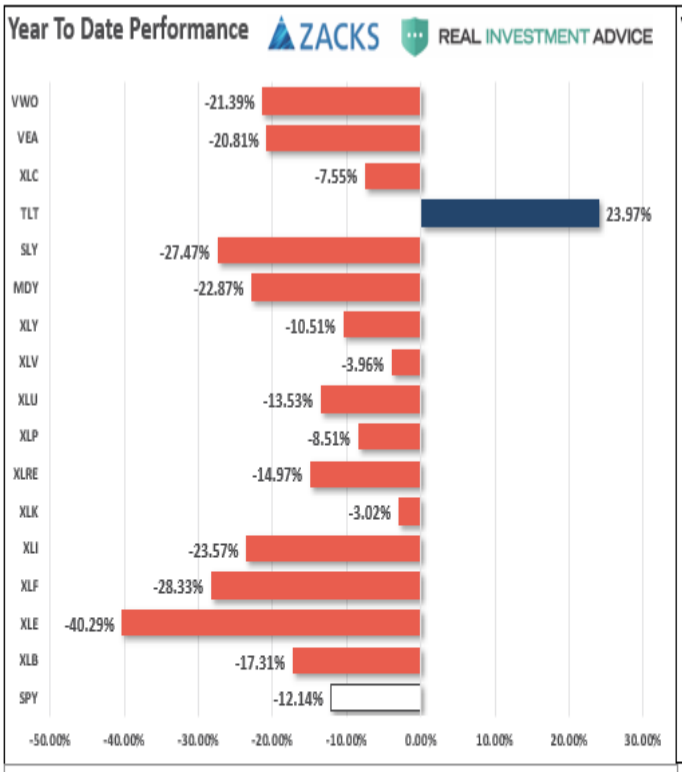
S&P 500 Asset Allocation

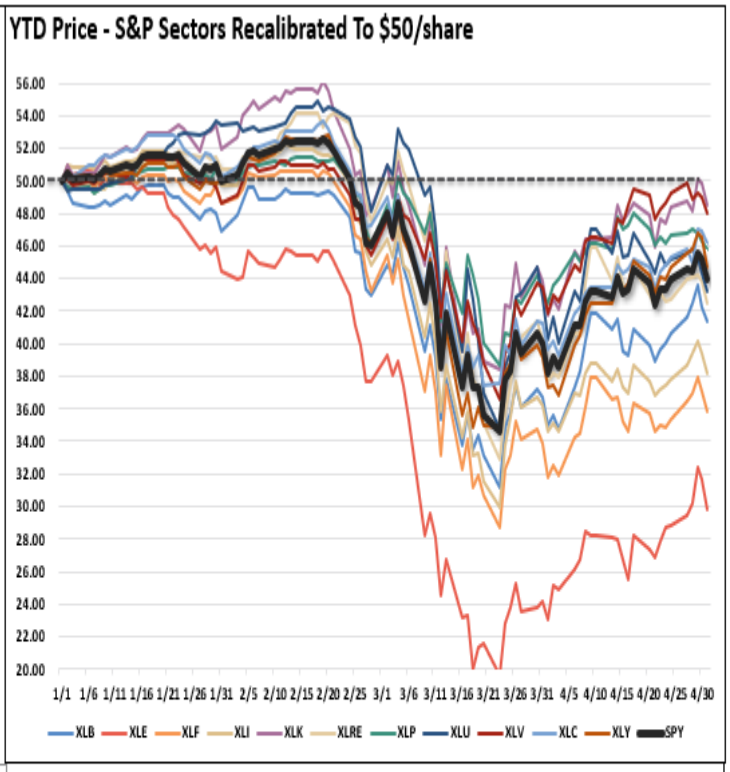
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(43.10%)	3.09%	1.80	13.04	126.14	14.18	(89.7%)	6.2%	6.7%	7.37%	0.61	43.45
Materials	(23.94%)	2.54%	1.27	15.38	22.97	13.86	(33.0%)	8.6%	2.6%	6.46%	3.32	14.94
Industrials	(22.72%)	8.01%	1.10	14.97	22.17	14.76	(32.5%)	19.2%	2.2%	7.17%	4.33	14.56
Discretionary	(2.46%)	10.33%	1.26	25.05	27.38	20.31	(8.5%)	27.9%	1.2%	4.15%	4.41	20.78
Staples	1.86%	7.34%	0.59	19.35	22.83	17.62	(15.2%)	28.2%	2.9%	5.07%	3.96	17.91
Health Care	9.14%	15.27%	0.81	16.25	20.18	15.78	(19.5%)	30.3%	1.8%	5.92%	7.03	13.85
Financials	(19.94%)	10.79%	1.33	11.44	18.50	11.73	(38.2%)	11.3%	2.8%	9.79%	5.67	9.50
Technology	13.71%	25.57%	1.09	23.29	25.64	14.48	(9.2%)	41.2%	1.4%	4.16%	5.64	19.43
Telecom	2.90%	10.73%	0.93	20.57	27.01	17.61	(23.8%)	16.6%	1.0%	4.83%	6.55	16.25
Utilities	(3.36%)	3.31%	0.49	17.88	22.10	15.58	(19.1%)	10.8%	3.7%	5.51%	3.75	16.84
Real Estate	(8.72%)	2.91%	0.95	17.86	22.18	17.19	(19.5%)	9.1%	3.8%	5.55%	4.36	16.36

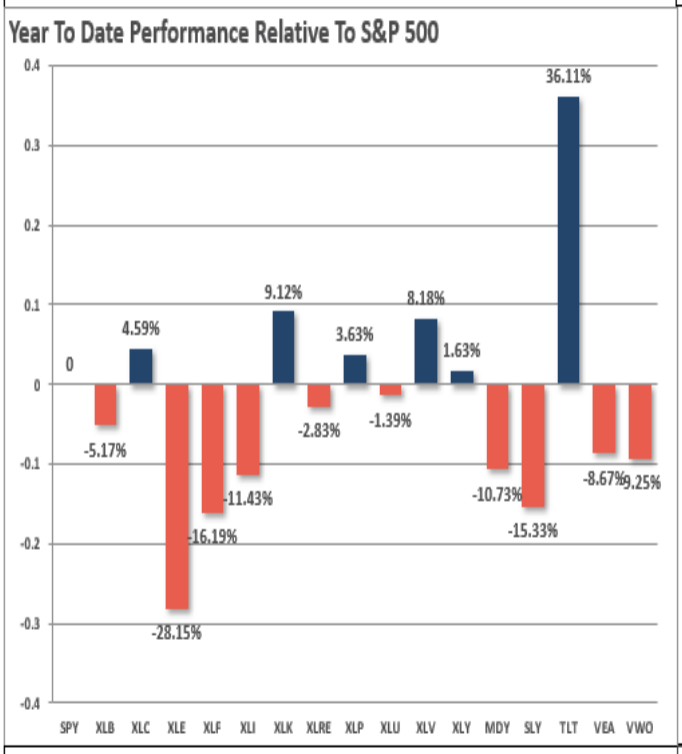
Momentum Analysis

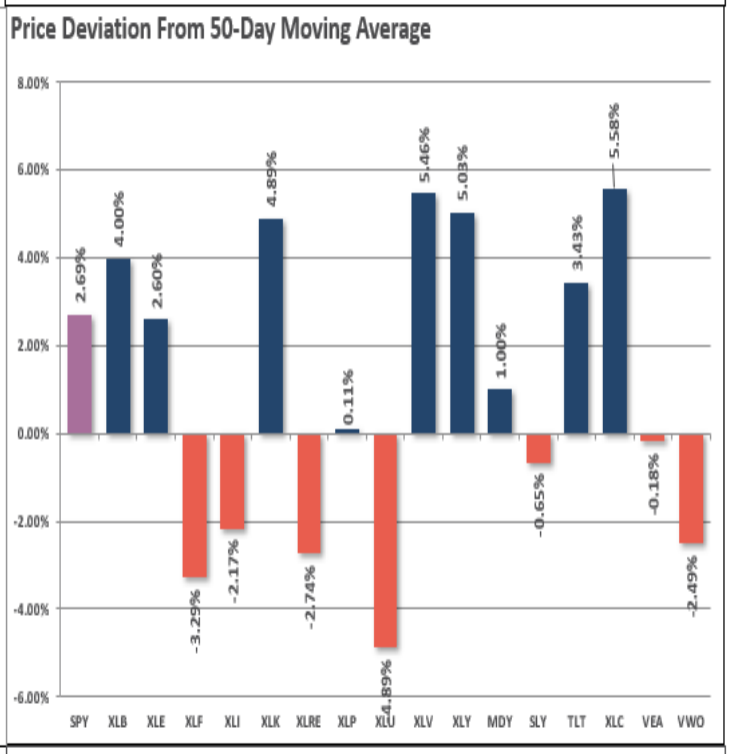
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	282.79	(15.20%)	274.21	6	3.13%	300.58	43	(5.92%)	(8.78%)	(16.60%)	29.57%	Sell
Mid Cap	289.52	(23.80%)	284.78	5	1.67%	342.24	146	(15.41%)	(16.79%)	(24.70%)	35.15%	Sell

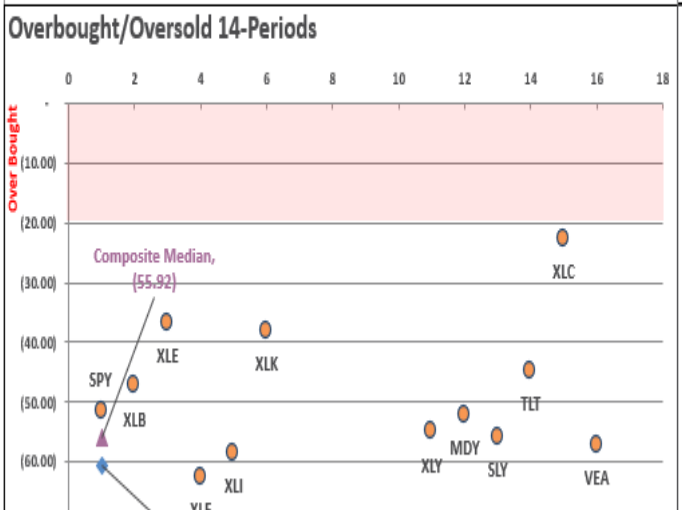
Performance Analysis

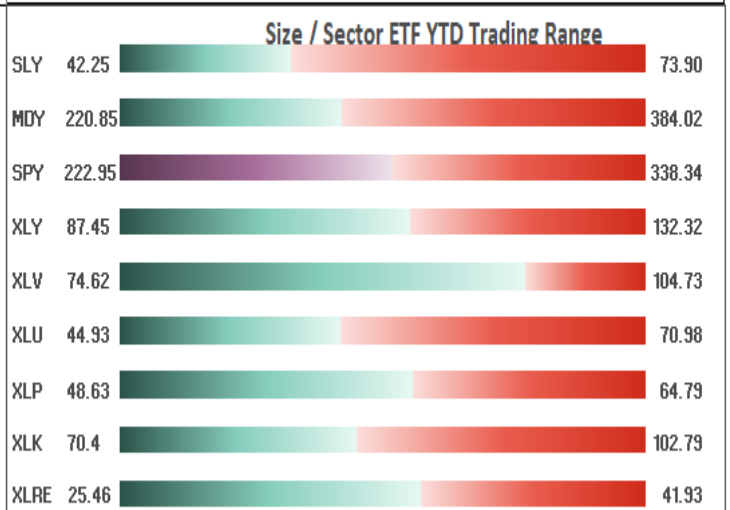






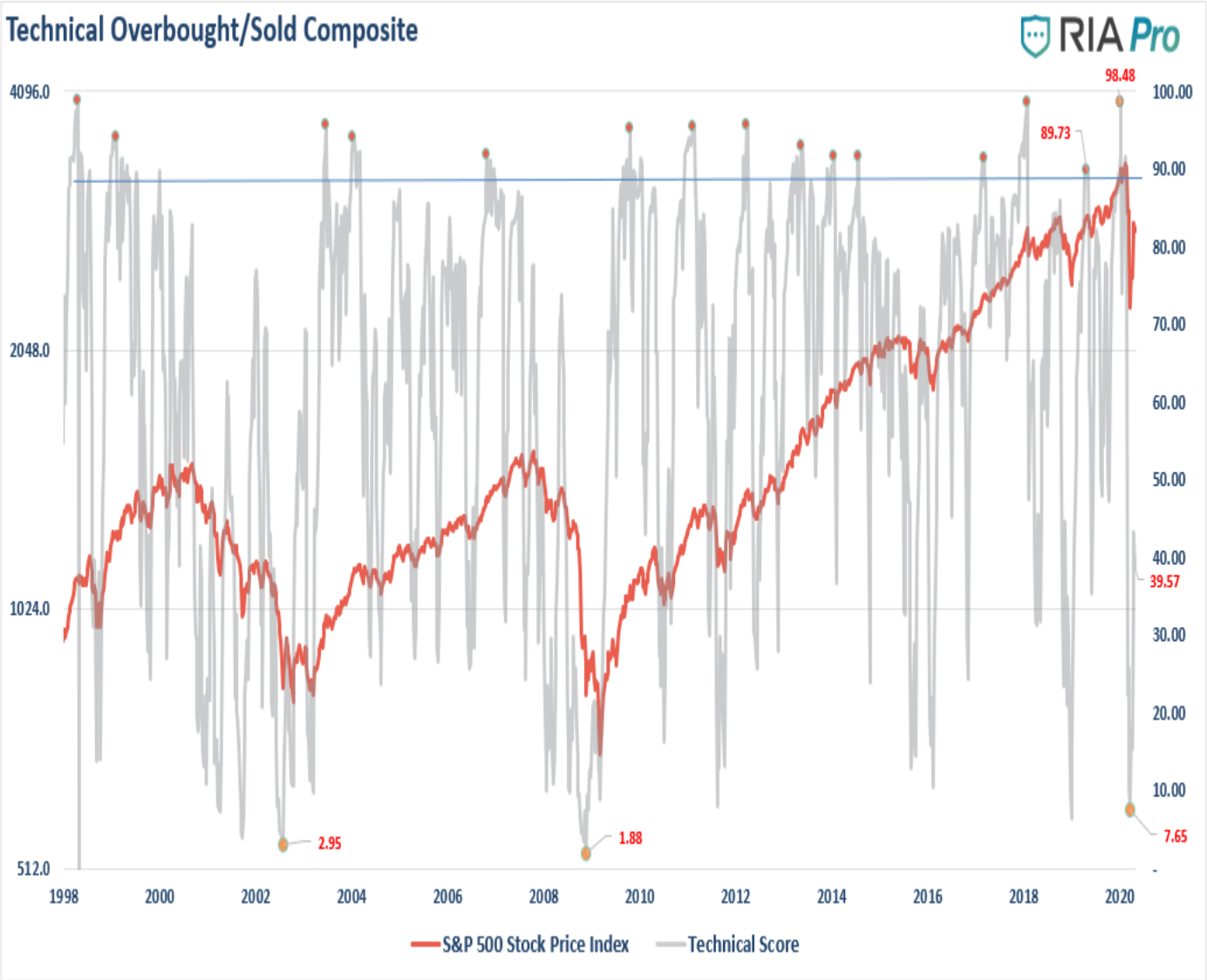






Technical Composite

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



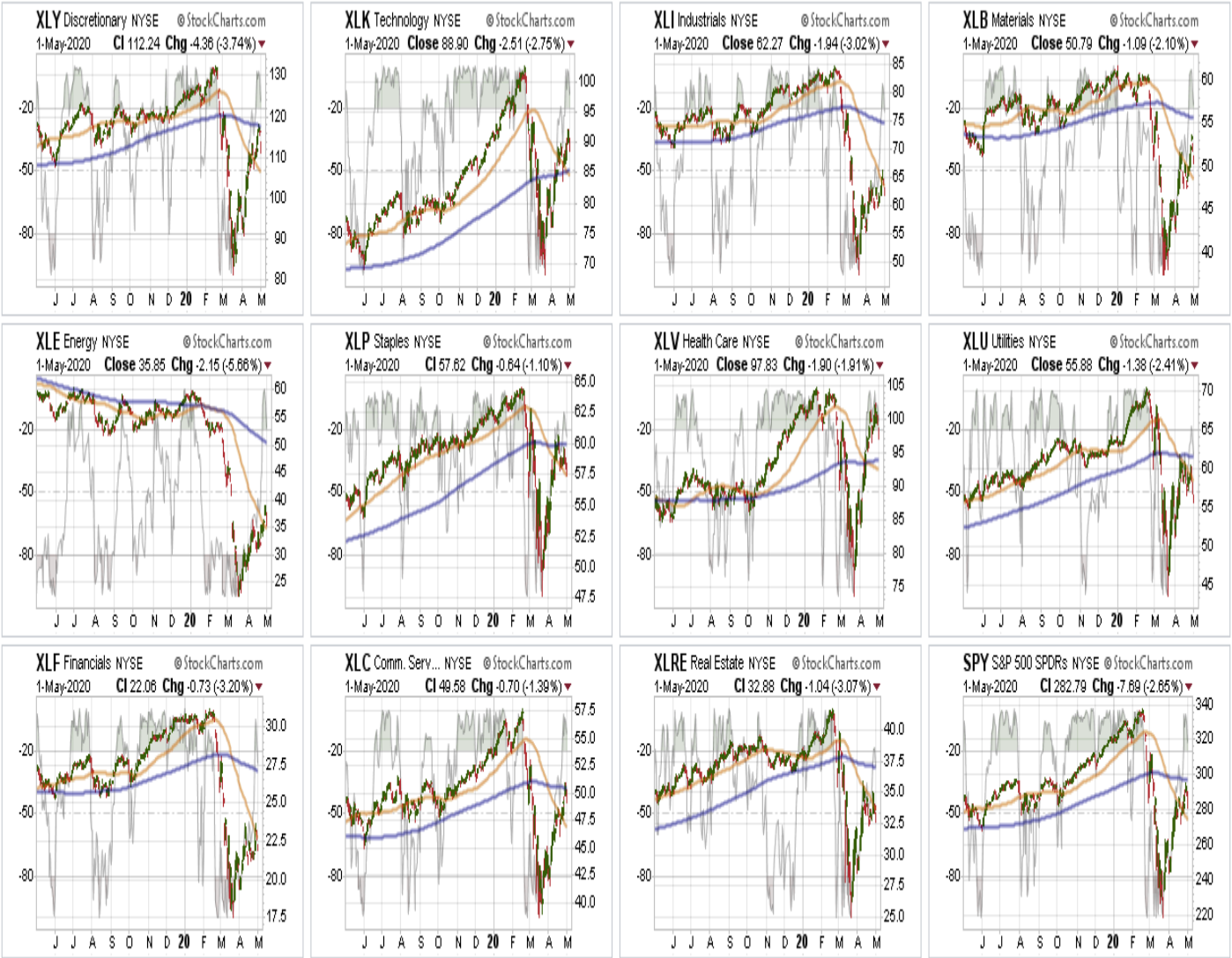
ETF Model Relative Performance Analysis

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	283.53	(0.13)	13.86	(15.05)	(9.59)	(4.22)	289.31	303.64	-2.00%	-6.62%	SELL
TACTICAL – SECTORS	XLB	SPDR-MATLS SELS	50.79	2.00	5.34	(0.43)	(6.26)	(6.16)	51.32	56.16	-1.03%	-9.55%	SELL
	XLE	SPDR-EGY SELS	35.85	3.68	6.32	(18.54)	(30.74)	(39.99)	39.10	51.62	-8.32%	-30.55%	SELL
	XLF	SPDR-FINL SELS	22.06	1.60	(1.54)	(13.61)	(16.26)	(17.19)	24.57	27.60	-10.21%	-20.07%	SELL
	XLI	SPDR-INDU SELS	62.27	1.27	(3.33)	(10.51)	(14.76)	(16.36)	68.03	75.64	-8.46%	-17.67%	SELL
	XLK	SPDR-TECH SELS	88.90	0.43	1.42	4.22	11.49	16.98	88.21	87.52	0.79%	1.58%	BUY
	XLP	SPDR-CONS STPL	57.62	(1.73)	(9.76)	4.71	3.54	4.58	59.01	60.78	-2.35%	-5.19%	SELL
	XLU	SPDR-UTIL SELS	55.88	(4.05)	(5.96)	(3.48)	(1.50)	0.07	61.08	62.98	-8.51%	-11.27%	SELL
	XLC	SPDR-COMM SV SS	49.58	2.02	3.77	3.80	4.96	3.20	48.98	51.00	1.24%	-2.78%	SELL
	XLV	SPDR-HLTH CR	97.83	(2.32)	(1.12)	9.99	9.97	12.72	95.05	96.19	2.93%	1.71%	SELL
	XLY	SPDR-CONS DISCR	112.24	0.12	7.60	2.52	2.07	(2.33)	111.93	118.61	0.28%	-5.37%	SELL
TACTICAL – SIZE	SLY	SPDR-SP SC 600	52.55	3.64	5.17	(11.14)	(15.14)	(21.05)	57.00	65.04	-7.80%	-19.20%	SELL
	MDY	SPDR-SP MC 400	289.52	2.76	5.24	(7.43)	(11.05)	(15.59)	306.48	341.87	-5.53%	-15.31%	SELL
CORE – Equal Weight Market	RSP	INVS-SP5 EQ ETF	92.67	1.48	2.23	(5.54)	(8.08)	(10.03)	97.44	106.42	-4.90%	-12.92%	SELL
CORE – Dividend	SDY	SPDR-SP DIV ETF	85.02	(0.13)	(2.24)	(5.81)	(10.36)	(12.32)	91.02	99.73	-6.59%	-14.75%	SELL
CORE – Real Estate	XLRE	SPDR-RE SELS	32.88	(0.47)	(1.64)	(2.63)	(5.12)	(5.33)	35.31	37.51	-6.88%	-12.34%	SELL
CORE – International	EEM	ISHARS-EMG MKT	35.32	(0.60)	(7.25)	(3.50)	(8.52)	(15.91)	37.85	41.13	-6.68%	-14.13%	SELL
	EFA	ISHARS-EAFE	55.34	0.37	(5.14)	(4.70)	(9.41)	(13.17)	58.52	64.16	-5.44%	-13.74%	SELL
	IXUS	ISHARS-CR INT S	49.15	0.52	(4.25)	(4.47)	(9.20)	(13.62)	51.97	57.00	-5.42%	-13.77%	SELL
FI – Intermediate Duration	TLT	ISHARS-20+YTB	167.95	(1.56)	(14.18)	31.33	31.51	40.03	158.50	146.82	5.96%	14.39%	BUY
FI – International	BNDX	VANGD-TTL INT B	57.18	0.36	(12.02)	14.47	8.09	6.78	57.01	57.56	0.30%	-0.67%	SELL
FI – High Yield	HYG	ISHARS-IBX HYCB	78.68	0.59	(6.88)	4.49	0.09	(4.90)	81.37	85.04	-3.30%	-7.48%	SELL
Cash	BSV	VANGD-SHT TRM B	82.56										

Sector & Market Analysis:

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

Sector-by-Sector



Improving ? Discretionary (XLY), and Materials (XLB) As noted last week, there is no rush to get into either Discretionary or Materials stocks until AFTER we get through earnings season. With the economy shut down, the discretionary sector remains high risk, focus on Staples for the time being. Early indications for earnings in the sector are terrible. These sectors are still lagging our primary holdings. ***Current Positions: No Positions*** **Outperforming ? Technology (XLK), Communications (XLC), Staples (XLP), Healthcare (XLV), Utilities (XLU), and Real Estate (XLRE)** This past week, we added slightly to our core defensive positions Healthcare, Staples, and Utilities. We continue to hold our exposures in Technology and Communications, which remain at full weight. These sectors are continuing to outperforming the S&P 500 on a relative basis and have less *"virus"* related exposure. **Current Positions: *XLK, XLC, XLP, XLV, XLU*** **Weakening ? None** *No sectors in this quadrant.* **Current Position: None Lagging ? Industrials (XLI), Financials (XLF), and Energy (XLE)** Financials continue to underperform the market. You can NOT have a lasting bull market rally without financials participating. As we have said previously, this sector, in particular, is THE most sensitive to Fed actions (XLF) and the shutdown of the economy (XLI). We did start nibbling on exposure in the Energy sector two weeks by adding some minimal positions which have been outperforming relative to the price of oil. It is WAY too early to be overly aggressive in the sector. **Current Position: 1/3rd Position XLE**

Market By Market

Small-Cap (SLY) and Mid Cap (MDY) ? We sold all small-cap and mid-cap exposure earlier this year over concerns of the impact of the coronavirus. We remain out of these sectors for now, and there is no rush to add them anytime soon. Be patient, small, and mid-caps are lagging badly. You can not have a *"bull market"* without *"small and mid-cap"* stocks participating. There was a brief moment earlier this week we thought we might be seeing some rotation, but it was as fleeting as a *"Big Foot"* sighting. **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. **Current Position: None S&P 500 Index (Core Holding)** ? Given the overall uncertainty of the broad market, we previously closed out our long-term core holdings. We will re-add a core once we see a bottom in the market has formed. **Current Position: *None* Gold (GLD)** ? We previously added additional exposure to both our GDX and IAU positions and are comfortable with our exposure currently. With the Fed going crazy with liquidity, this will be good for gold long-term, so we continue to add to our holdings on corrections. We also added a position in the Dollar last week (UUP) as the U.S. dollar shortage continues to rage and is larger than the Fed can offset. **Current Position: *1/2 weight GDX, 2/3rd weight IAU, 1/2 weight UUP*** **Bonds (TLT) ?** Bonds have rallied as the Fed has become THE *"buyer"* of bonds on both a *"first"* and *"last"* resort. Simply, *"bonds will not be allowed to default,"* as the Fed will guarantee payments to creditors. As we have been increasing our "equity" exposure in portfolios over the last few weeks, we added more to our position in TLT this past week to increase our *"risk"* hedge in portfolios currently. **Current Positions: *SHY, IEF, BIL, TLT***

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. Such is for informational purposes only related to market extremes and contrarian positioning within portfolios. Use at your own risk and peril.)*

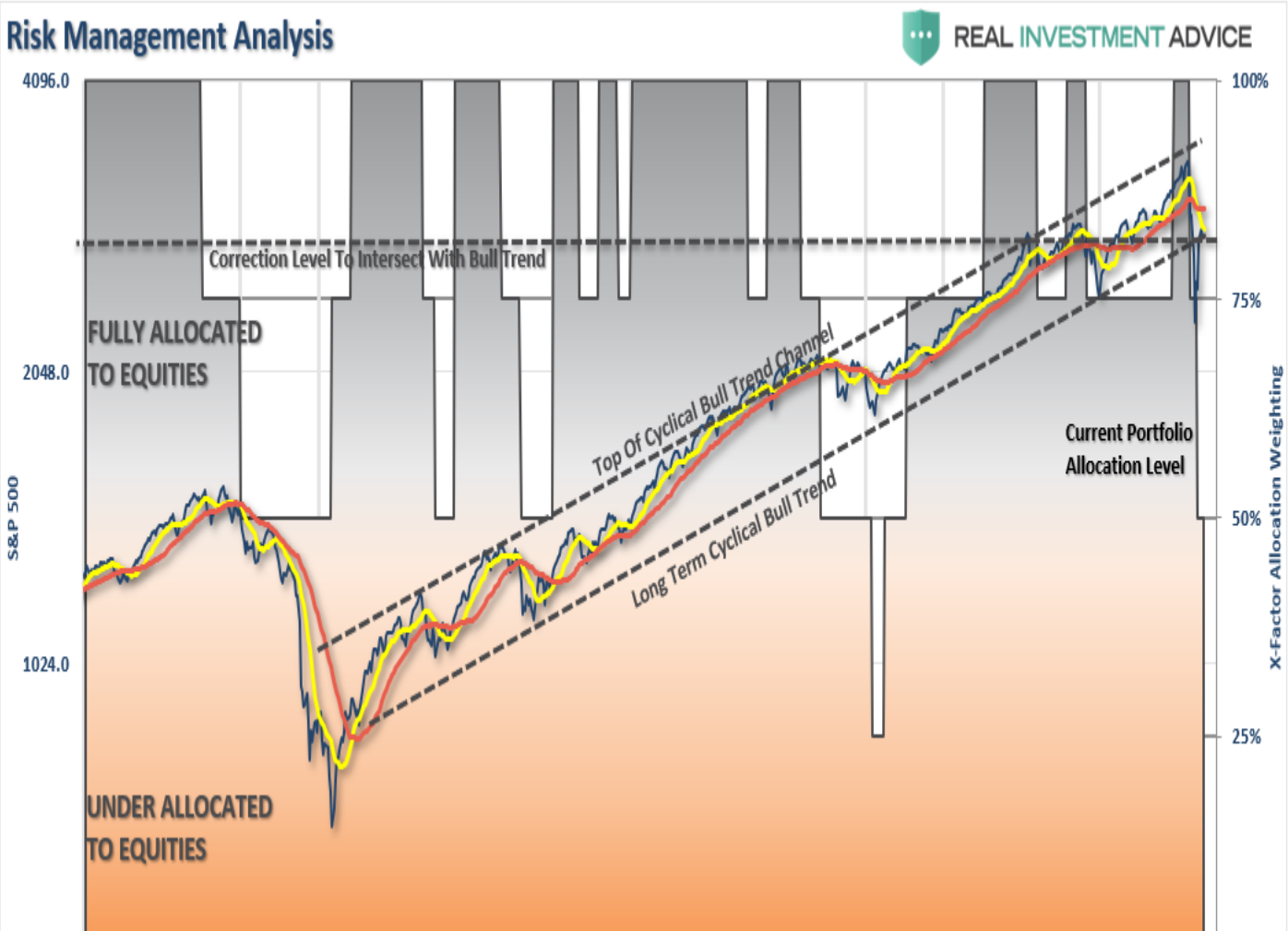
		Over Bought / Sold	50/200 DMA	Trend	Action	OVERWEIGHT	BUY	HOLD	REDUCE	SELL	RIA Pro Notes
XLY	Discretionary	OB	Negative	Negative	No Position					X	No Position
XLK	Technology	OB	Declining	Neutral	Hold			X			Hold
XLI	Industrials	OB	Negative	Negative	No Position					X	No Position
XLB	Materials	OB	Negative	Negative	No Position					X	No Position
XLE	Energy	OB	Negative	Negative	Hold			X			Added 1/3 Position
XLP	Staples	OB	Negative	Neutral	Added		X				Hold
XLV	Health Care	OB	Negative	Neutral	Added		X				Hold
XLU	Utilities	OB	Negative	Neutral	Added		X				Hold
XLF	Financials	OB	Negative	Negative	No Position					X	Avoid
XLC	Communications	OB	Negative	Negative	Hold			X			Hold
XLRE	Real Estate	OB	Negative	Negative	No Position					X	Hold
SLY	Small Caps	OB	Negative	Negative	No Position					X	No Holdings
MDY	Mid Caps	OB	Negative	Negative	No Position					X	No Holdings
EEM	Emerging Mkt	OB	Negative	Negative	No Position					X	No Holdings
EFA	International	OB	Negative	Negative	No Position					X	No Holdings
IXUS	Total International	OB	Negative	Negative	No Position					X	No Holdings
GLD	Gold	OB	Positive	Positive	Hold			X			Holding
RSP	SP500 Equal Wgt	OB	Negative	Negative	No Position					X	No Holdings
SDY	SP500 Dividend	OB	Negative	Negative	No Position					X	No Holdings
IVV	SP500 Market Wgt	OB	Negative	Negative	No Position					X	No Holdings
TLT	20+ Yr. Bond	OB	Positive	Positive	Added		X				Added
HYG	Corporate High Yield	OB	Negative	Negative	No Position					X	Declining Despite Fed Support
BNDX	Int'l Bond Aggregrate	OB	Positive	Neutral	No Position					X	Broke Above 50 & 200-DMA

Portfolio / Client Update

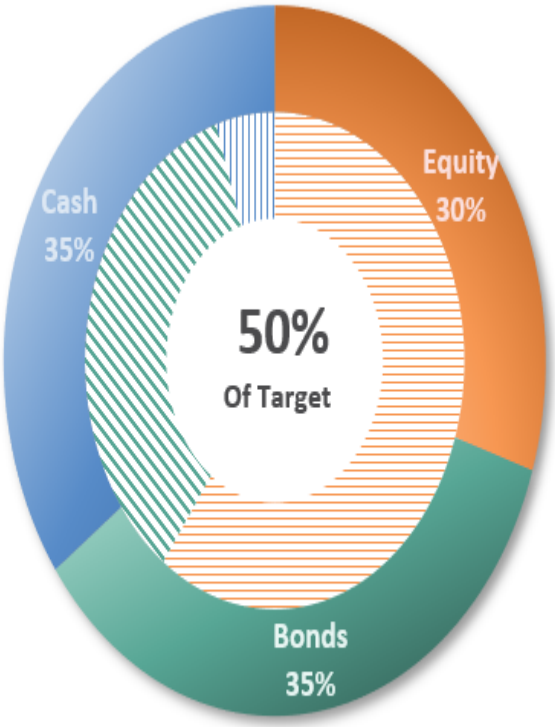
This past week, the market struggled at the 61.2% retracement level but is holding the 50-dma *(which is bullish short-term.)* As discussed previously, there is indeed some short-term upside, but as we head into the summer months, the relative risk/reward ratio is not in our favor. Furthermore, earnings and economic data have been horrific. **While the markets do not seem to care at the moment, in hopes that there will be a rapid *"V-shaped"* recovery in the market, this data will eventually matter. It is not a question of *"if"* just a matter of *"when."*** We are well aware of this but added minimal exposures last week. In models, we slightly increased our more defensive areas of the portfolio by adding to Staples, Healthcare, and Utilities in the **ETF model.** There was also a small increase in our long-term holdings of AAPL, AMZN, and MSFT in the Equity Model. These additions were also hedged by additional exposure in our bond portfolios as we added to TLT. Each step forward on the risk side of the equation continues to have an offsetting hedge. As noted last week, our process is still to participate in markets while preserving capital through risk management strategies. For now, there is much more "trading" activity than normal as we work out way through whatever market is going to come. Once the bottom is clearly in, we will settle back down to a longer-term, trend-following, structure. Now is not the time for that. We continue to remain very defensive and 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. Just remain patient with us as we await the right opportunity to build holdings with both stable values, and higher yields. 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



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	No Action Needed
Equal To Target Allocation	Reduce To Or Stay At Target	Immediately
Over Target Allocation	Reduce To Or Stay At Target	Immediately

Commentary

Last week, I wrote: "Over the last several weeks, we have recommended using any rallies to reduce expsoure in 401k plans accordingly. The past week, the rally is showing signs of weakening, and the flow of bad news is about to accelerate. ***The opportunity to reduce risk is likely as good as it is going to get currently. While the market could rally some more next week, risk outweighs reward.***

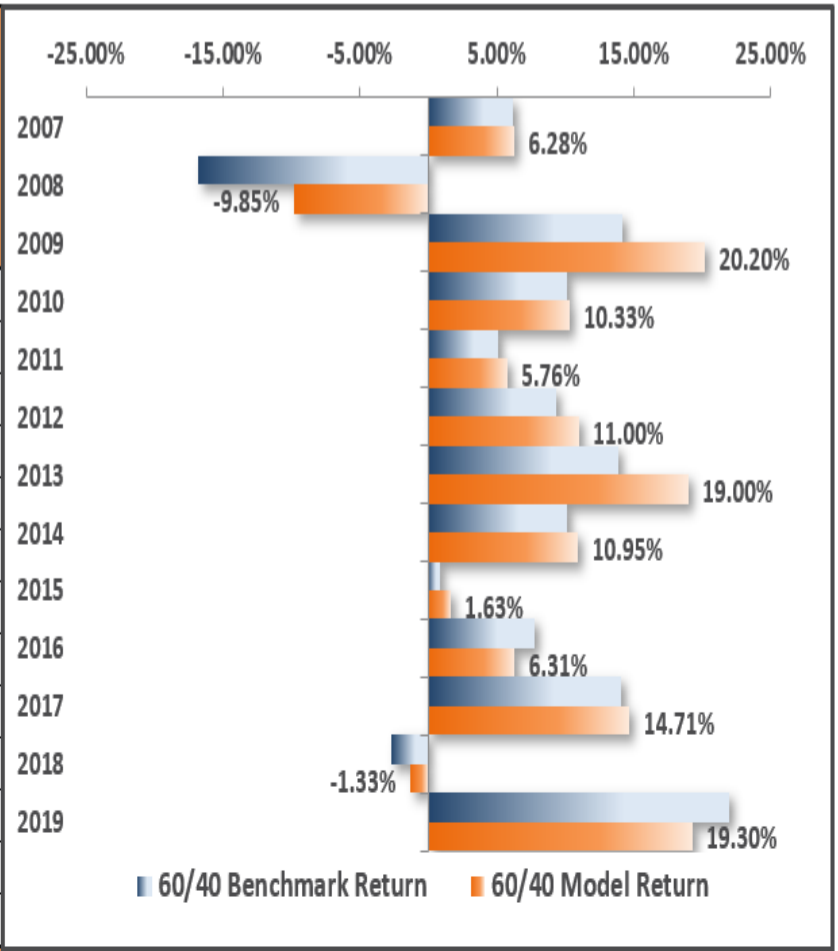
This week, the market failed at resistance. It is still not too late to reduce exposure, but use any rally on Monday to take action.

Continue reducing equity exposure to 50%, or greater if you feel it is necessary, to remove potential risk of another down leg for now. We will have plenty of time to wait for the bottom to be formed to buy back in for the next bull market cycle when it occurs. The important thing now, is to conserve our principal.

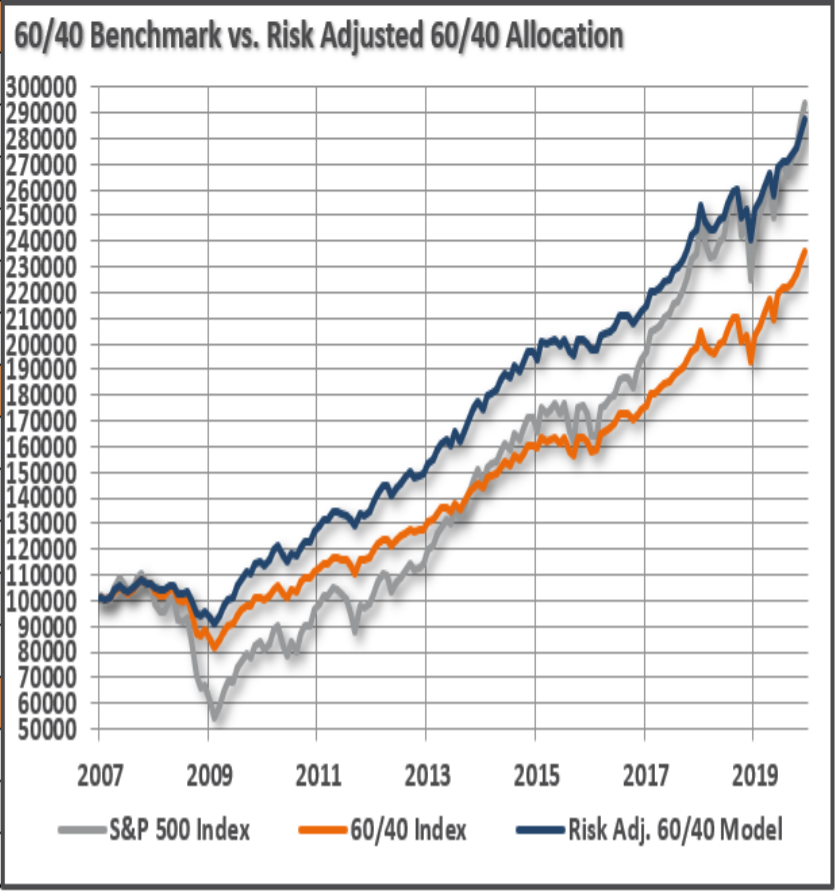
If you need help after reading the alert; do not hesitate to **contact me**

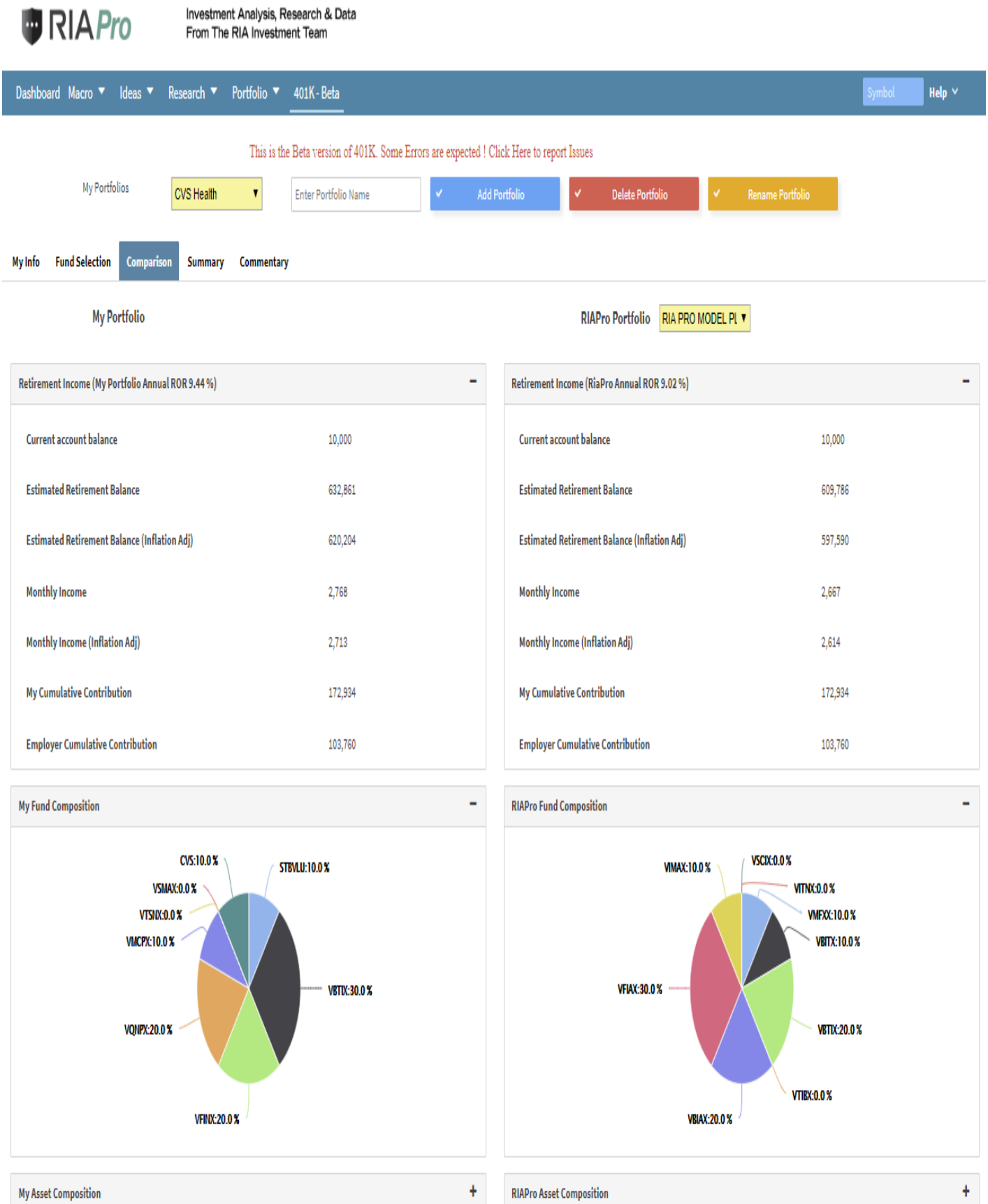
Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only and should not be relied on for any reason. Past performance is not a guarantee of future results. Use at your 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 plan manager.*** Compare your current 401k allocation, to our recommendation for your company-specific plan as well as our on 401k model allocation. You can also track performance, estimate future values based on your savings and expected returns, and dig down into your sector and market allocations. **If you would like to offer our service to your employees at a deeply discounted corporate rate, please contact me.**