# Stuck In The Middle As Seasonal Sell Signals Trigger


***In this issue of "Stuck In The Middle As Seasonal Sell Signals Trigger:"***

- ***View Of The Markets & Portfolio Positioning***
- ***MacroView: Why Jeremy Siegel Is Wrong About Bonds***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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## Catch Up On What You Missed Last Week


### #WhatYouMissed On RIA This Week: 05-15-20

Written by Lance Roberts | May 15, 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

## Stuck In The Middle

Currently, we seem to be stuck in the middle even as seasonal sell signals trigger. It reminds me of the lyrics of one of the classics.

> ***?Trying to make some sense of it all,But I can see that it makes no sense at all,****Is it cool to go to sleep on the floor,?Cause I don?t think that I can take any moreClowns to the left of me, jokers to the right,* ***Here I am, stuck in the middle with you?*** *? Stealers Wheel*

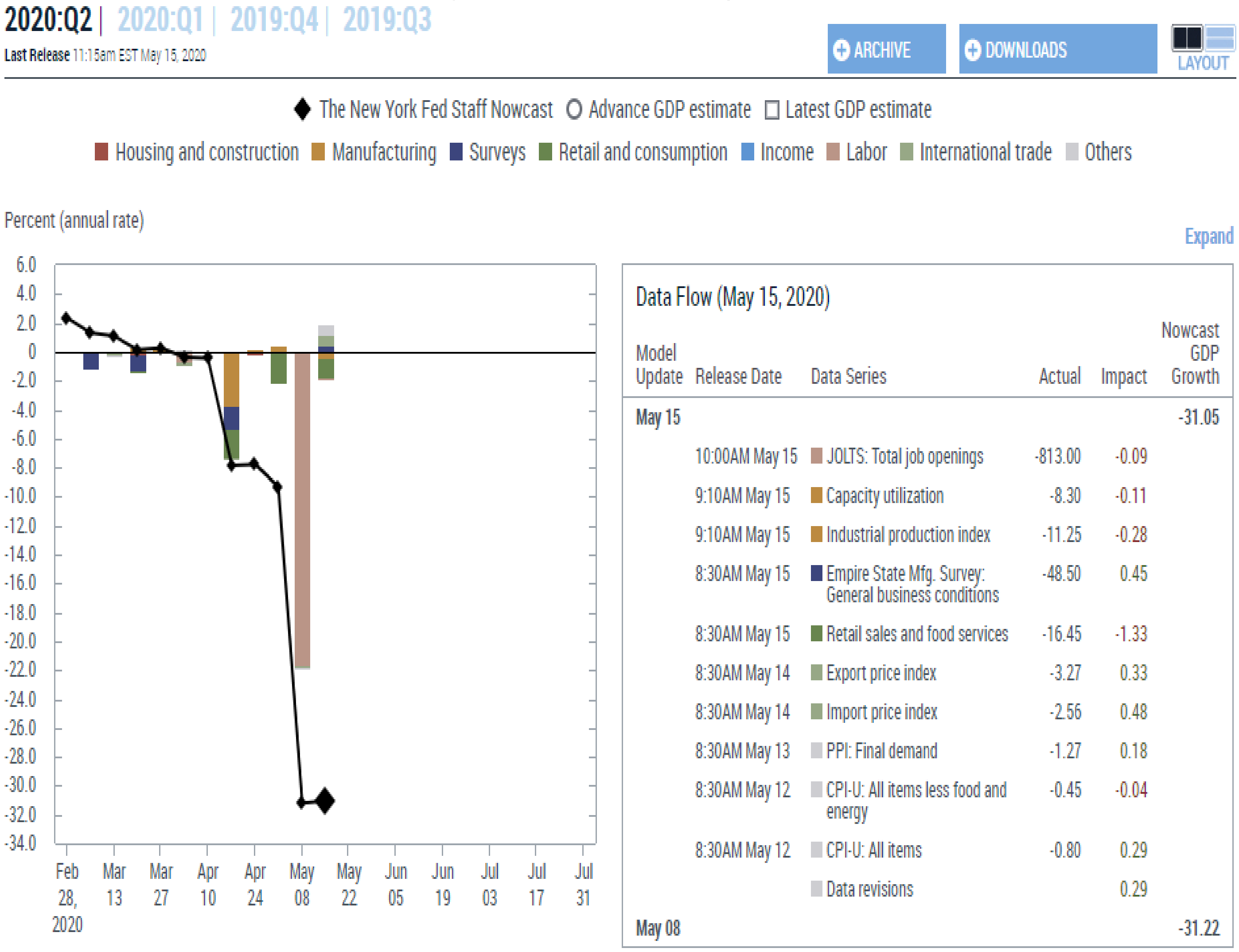
It's a fascinating dichotomy in the markets currently. As [noted last week:](#)

> *"There is currently a "Great Divide" happening between the near "depressionary" economy versus a surging bull market in equities. Given the relationship between the two, they both can't be right."*

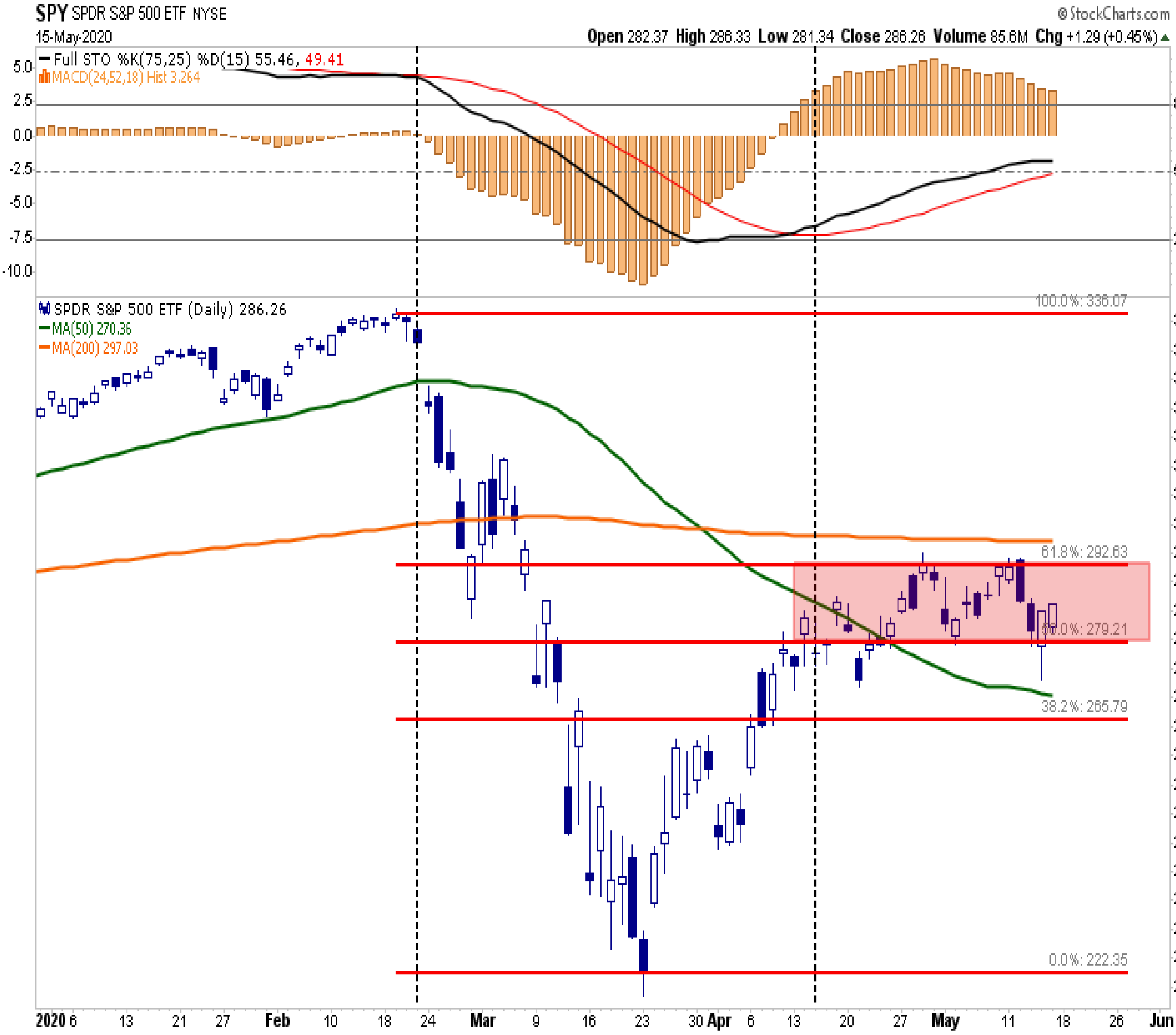
This week, the continuation of depressionary economic data continued:

- *NFIB Survey fell to 90.9*
- *CPI fell 0.8% in one month*
- *PPI fell by 1.3% last month.*
- *Jobless Claims rose by 2,981,000*
- *Continuing Claims exceeding 22 million*
- *Retail Sales (40% of PCE) plunged by 17.2% last month*
- *Industrial Production declined by 11.2%*

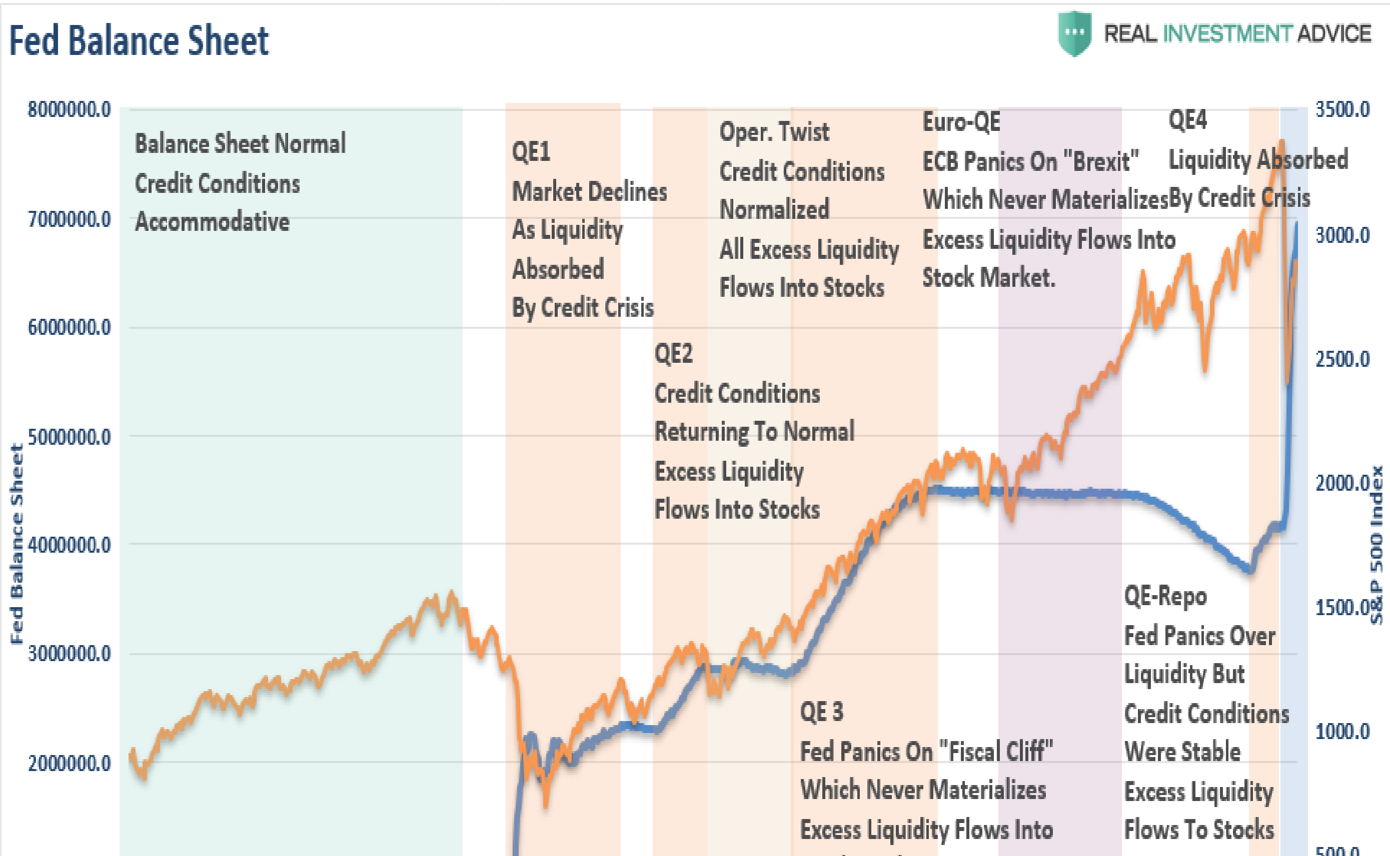
These are numbers not seen since the Great Depression, with expectations for economic growth in the second quarter at a **-31.5%** growth rate *(shown below)*. The Atlanta Fed GDP Now is even worse with a **-42.8%**decline in GDP growth in the second quarter.



These numbers are mentally hard to grasp. Yet, the markets remain range-bound between the 50% and 61.8% retracement levels, consolidating the advance from the March 23rd lows.




The reason for the dichotomy is simple.



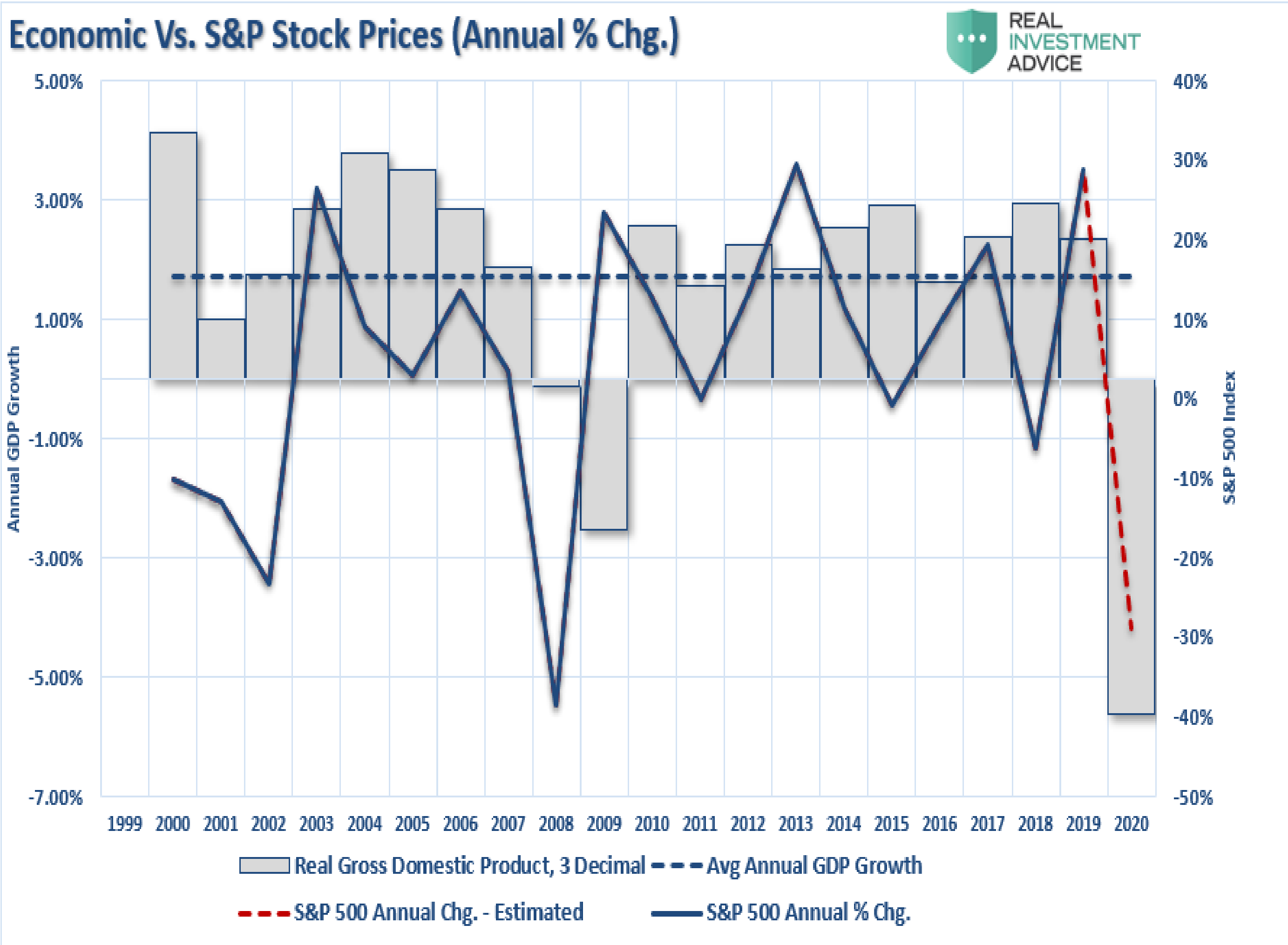
The bullish argument for stocks remains simple. As long as the Federal Reserve is pumping in liquidity, buy stocks.



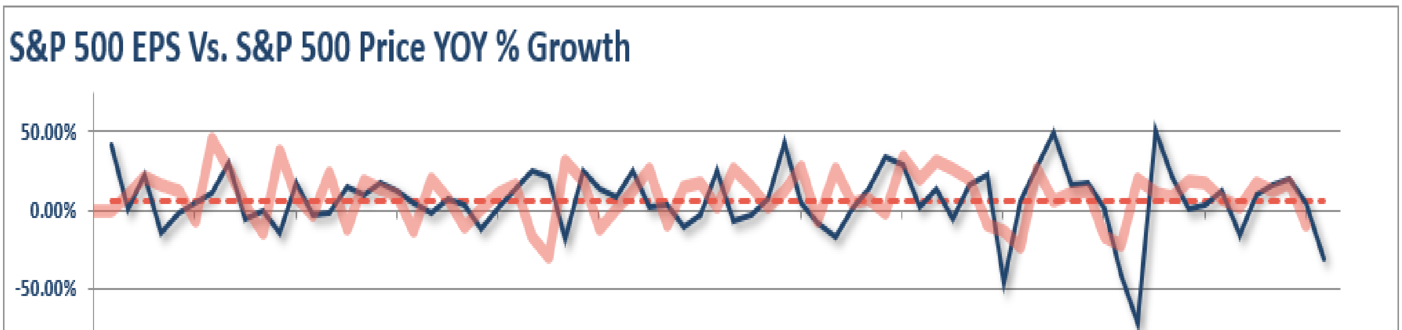
## Earnings Continue To Decline

As investors, however, we need to be paying attention to earnings. There is a simplistic correlation between the economy and the markets. As I questioned in ***"The Stock Market Is Not The Economy?"***

> *"The relationship becomes more evident when looking at the annual change in stock prices relative to the yearly change in GDP."*



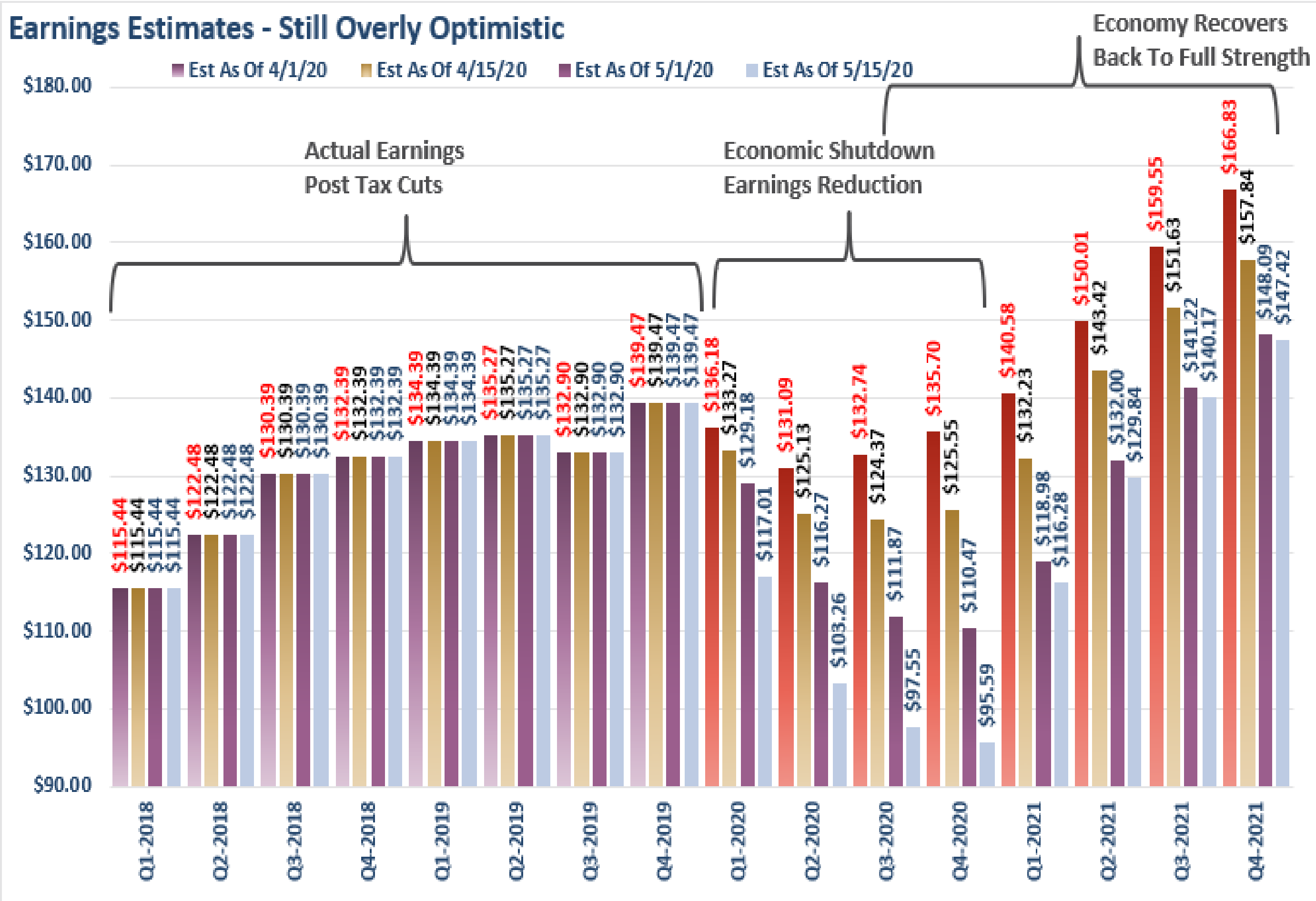

> *"Again, since stock prices are driven in part by the 'psychology' of market participants, there can be periods where markets become detached from fundamentals. However, there is no point in previous history, where the fundamentals catch up with stock prices."*



As stated, the equation is simplistic:

> *"Slower economic growth = less consumption (due to unemployment) = lower profit and revenue growth."*

Based on the current economic devastation, earnings estimates for the next couple of quarters have fallen sharply. Unfortunately, they still have not compensated for the coming drop in revenues.

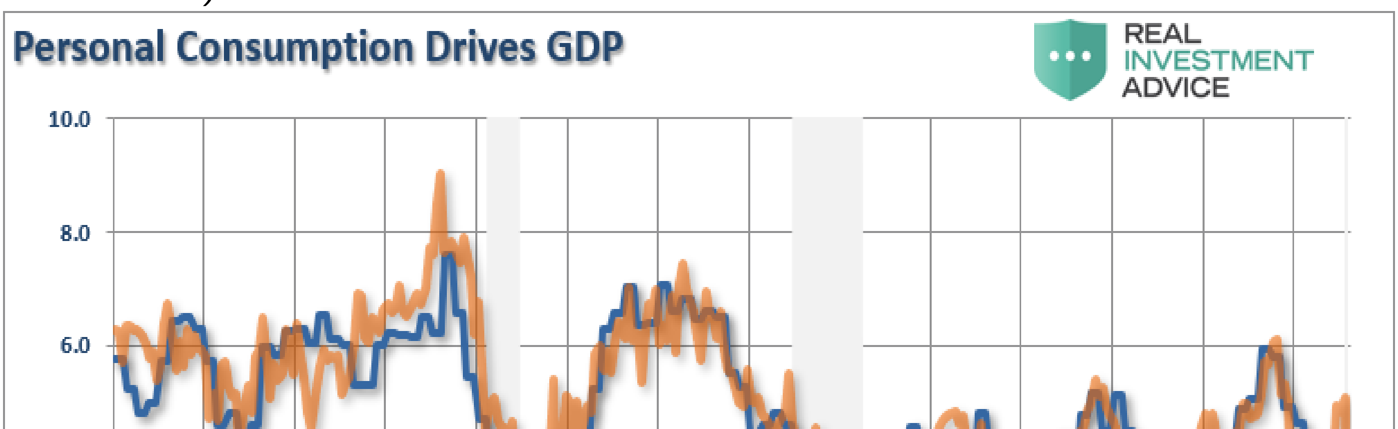



## It's The Economy Stupid

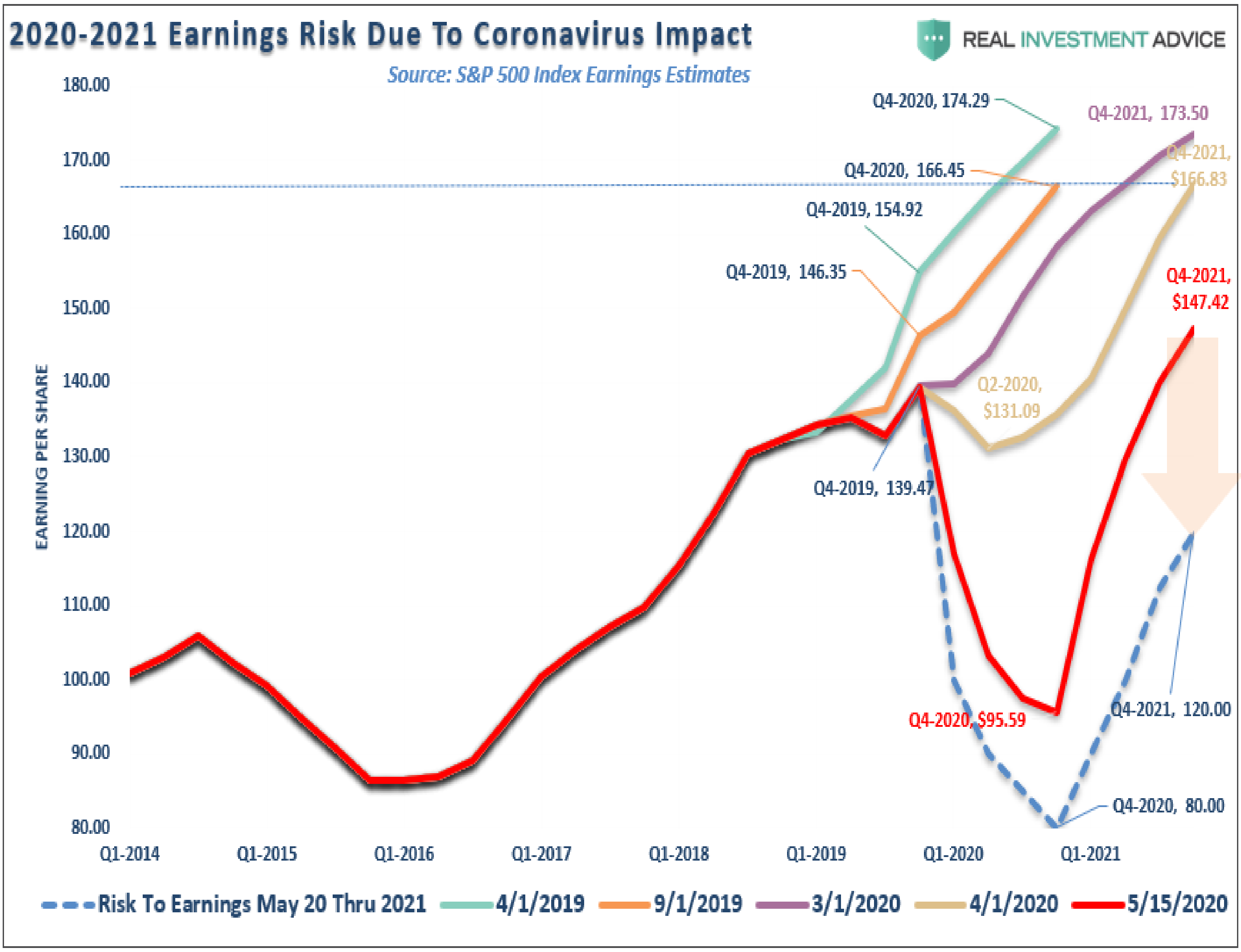
How do I know that?

> *?PCE depends on jobs and wages as well as an intact supply chain, neither of which are in good condition. Regarding unemployment, the U6 rate, which is a more reliable indicator of job market health, is at 22.8% currently and rising while the labor market participation rate has dropped to about 60%. These factors do not bode well for growth and earnings for most companies.? ? A Brinkley, Jr.*

His statement is correct. There is a precise correlation between PCE and GDP. Not surprisingly, if consumption contracts due to high levels of unemployment, then economic growth declines. *(PCE is 70% of GDP)*

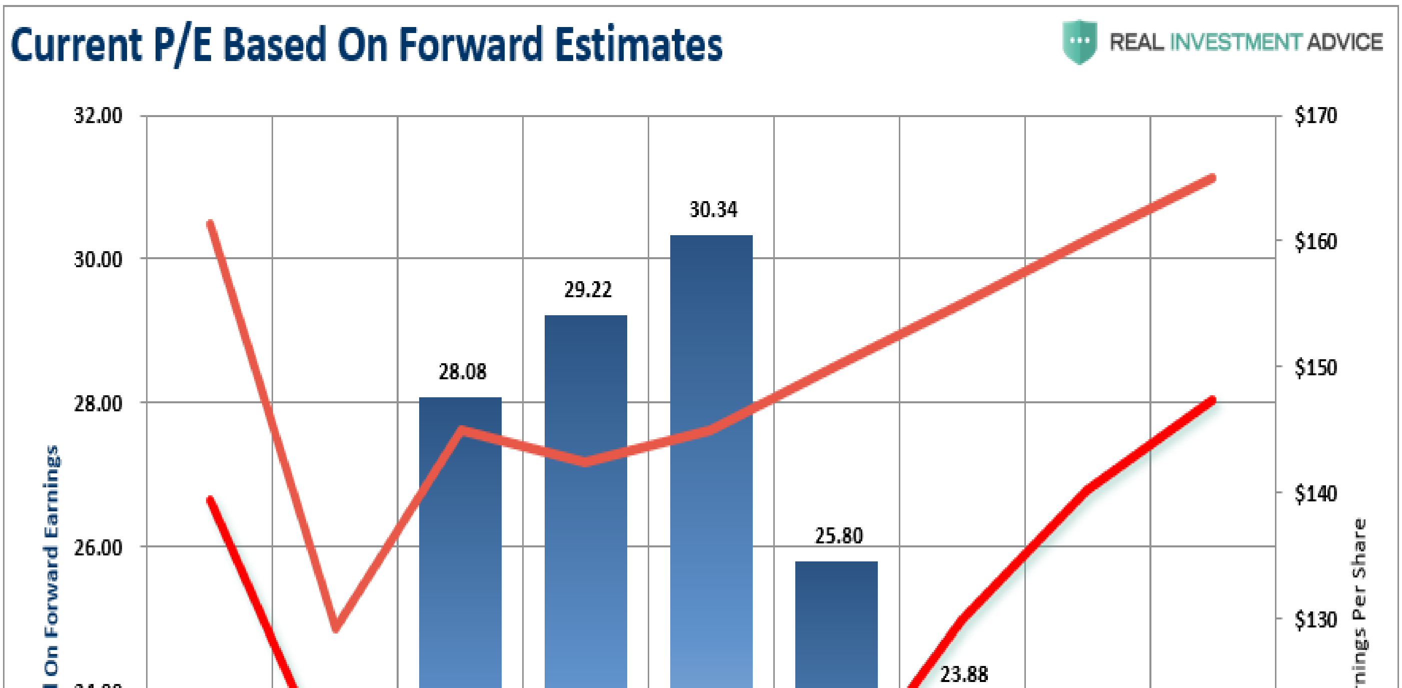


The other problem is investors remain overly optimistic about the recovery prospects for earnings going into 2021. As shown, in April 2019, it was estimated the S&P 500 would earn $174/share *(reported earnings)* at the end of 2020. Today, estimates for Q4-2021 now reside at just $147/share. This is a 15% contraction in estimates when we are discussing a 30-40% decline in GDP.




## Valuations Matter

With expectations for the S&P 500 to return to all-time highs in 2021, such would mean that valuations currently paid by investors remain at historically high levels.

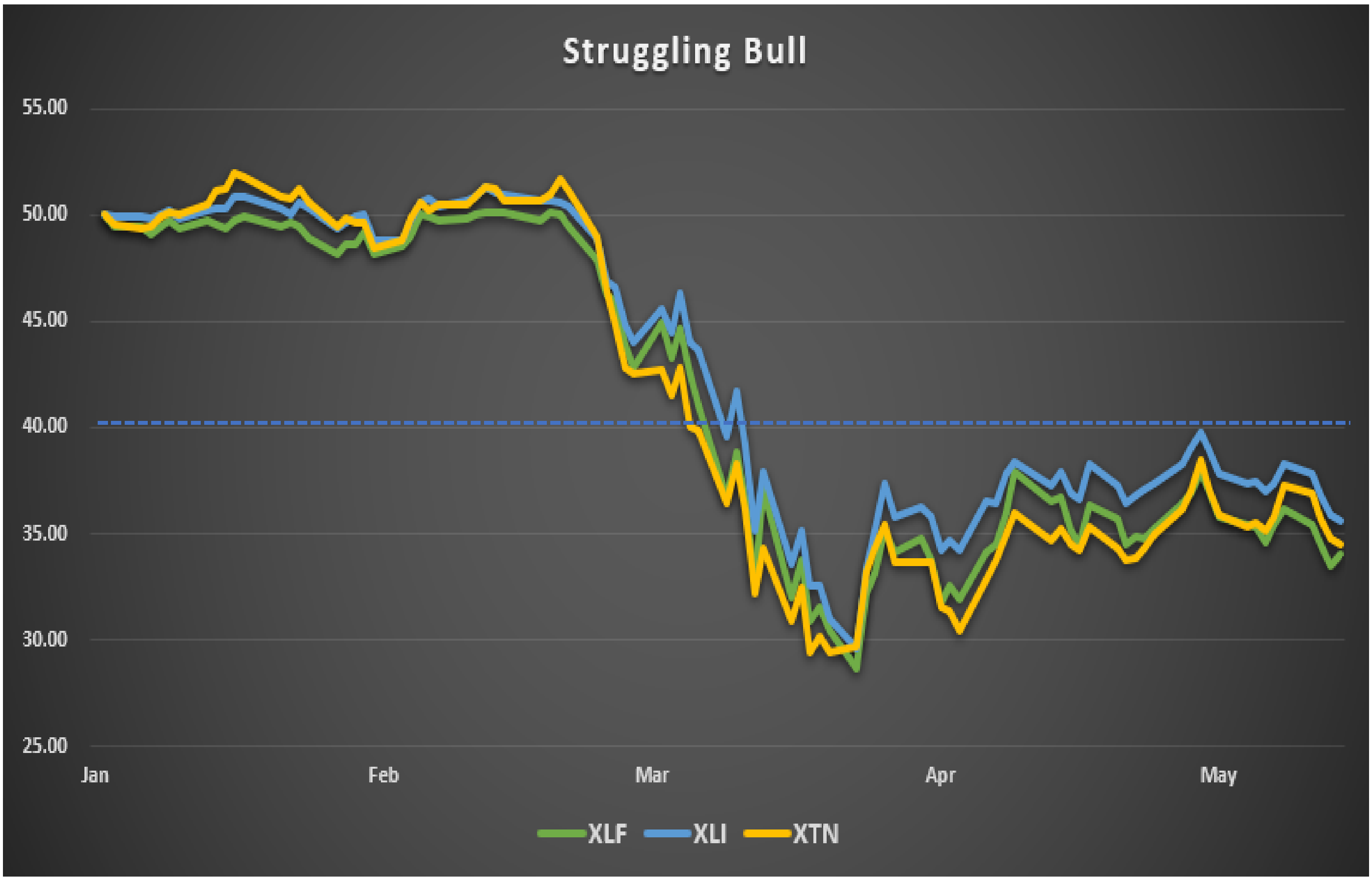


As Warren Buffett states: *"Price is what you pay, value is what you get."* While it seems these concerns are irrelevant due to the Federal Reserve's ongoing liquidity injections, fundamentals and valuations always matter over time.

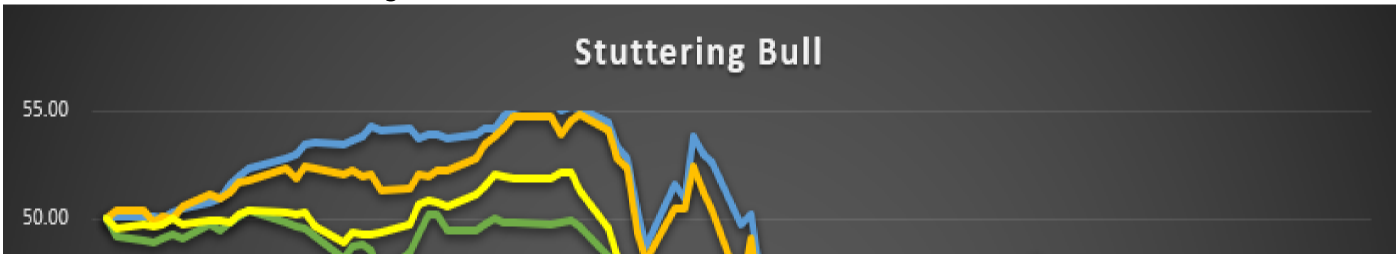


## 3-Different Bulls

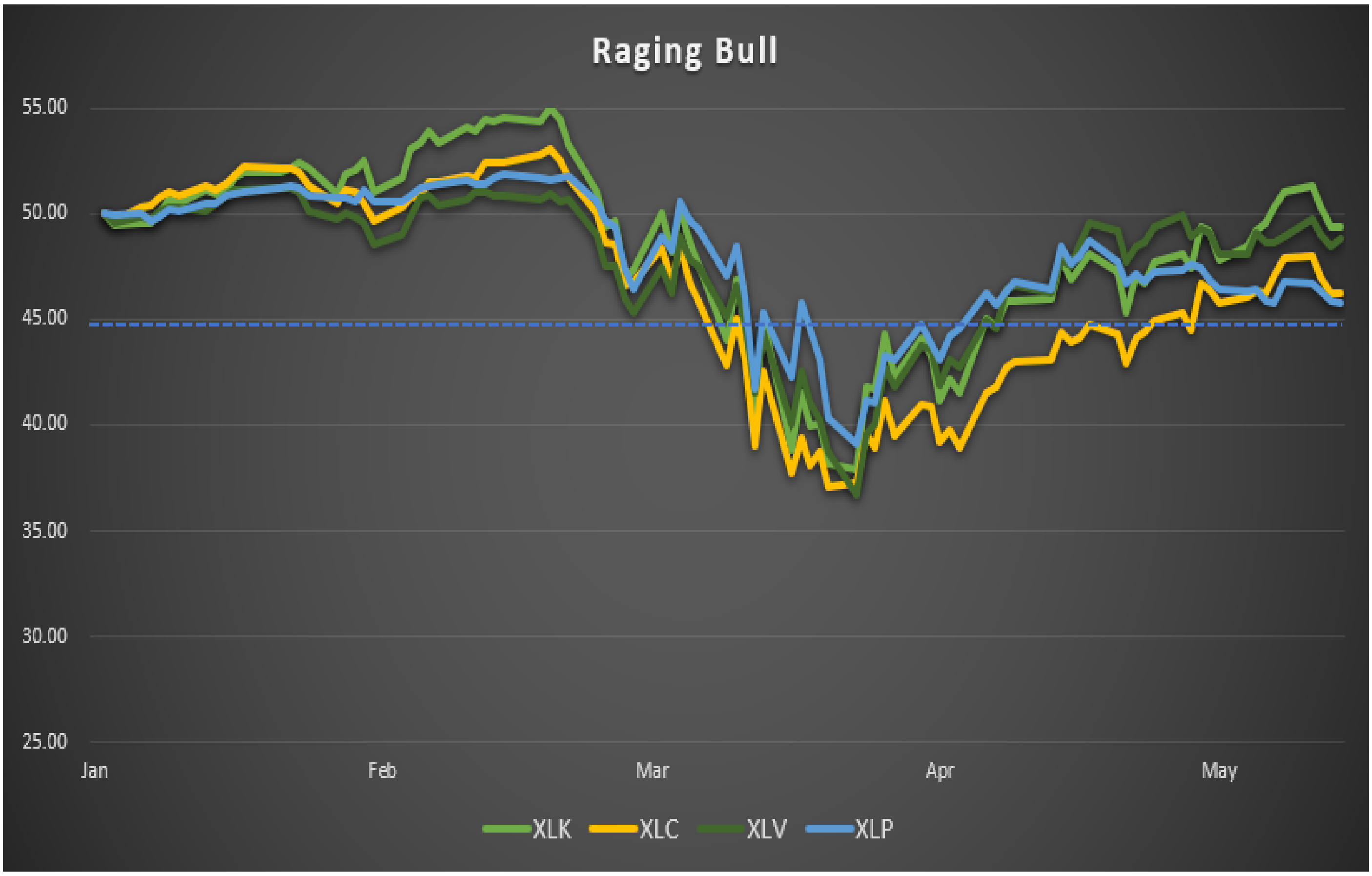
We have talked before about the *"narrowness"* of the market. Since the March 23rd lows, the *"bull market"* advance was three different *"bull markets."* The three charts below break out the sectors of the market down into *"bull market"* groupings. I have recalibrated each sector to a $50 starting price in January of this year. The *"Struggling Bull"* market has been in sectors that we currently maintain **no exposure to in portfolios.** These are the sectors most exposed to either the *"Coronavirus"* impact, or the Fed's monetary liquidity and zero interest rates.




Industrial and Transportation stocks are most affected by the economic shutdown, while Financials are impacted by reductions of net interest income from zero interest rates, and rising delinquency rates. All three sectors remain below $40, and only marginally above the March 23rd lows. The next group we classify as a *"Stuttering Bull"* as the recovery has been better, but the sectors continue to underperform overall. These sectors have been primarily range-bound between $40 and $45/share since coming off their $30 lows.



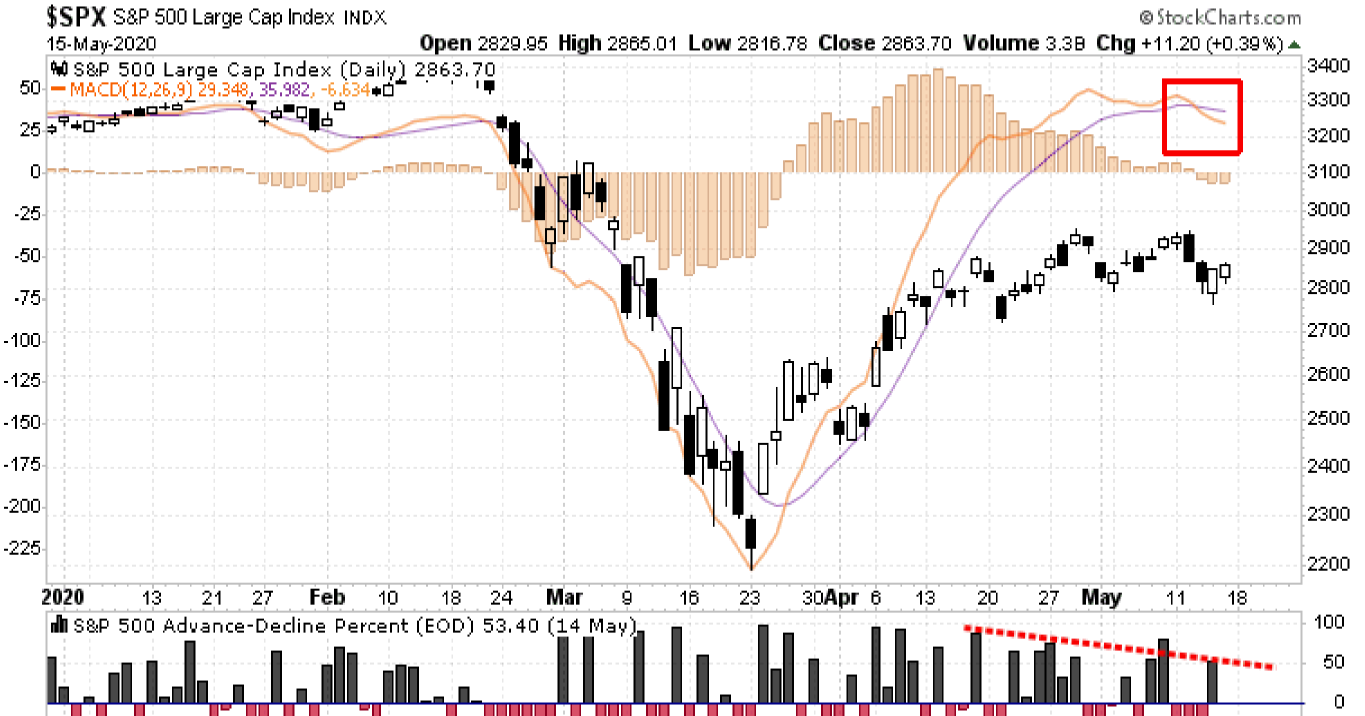
These sectors are still susceptible to the impacts of the *"economic shutdown"* from reduced revenues, bankruptcies, unemployment risks, etc. **The last grouping are the sectors we remain most heavily weighted in.** These are the companies that are *"deemed"* to be the most protected from the impacts of the *"economic shutdown."* These sectors did not decline as much as the others during the selloff, and now all trade above $45/share.




The sectors are in a *"Raging Bull"* market and are within striking distance of all-time highs. This data tells us two important things.

1. *If you wanted to beat the S&P 500 this year, you needed only to own 4-market sectors, and;*
2. *While earnings may not seem to matter at the moment, they eventually will. Staples, Technology, Communications, and Healthcare are all trading at very elevated valuations.*

Most importantly, while the advance has been notable, participation has not only remained weak but continues to weaken during this consolidation.



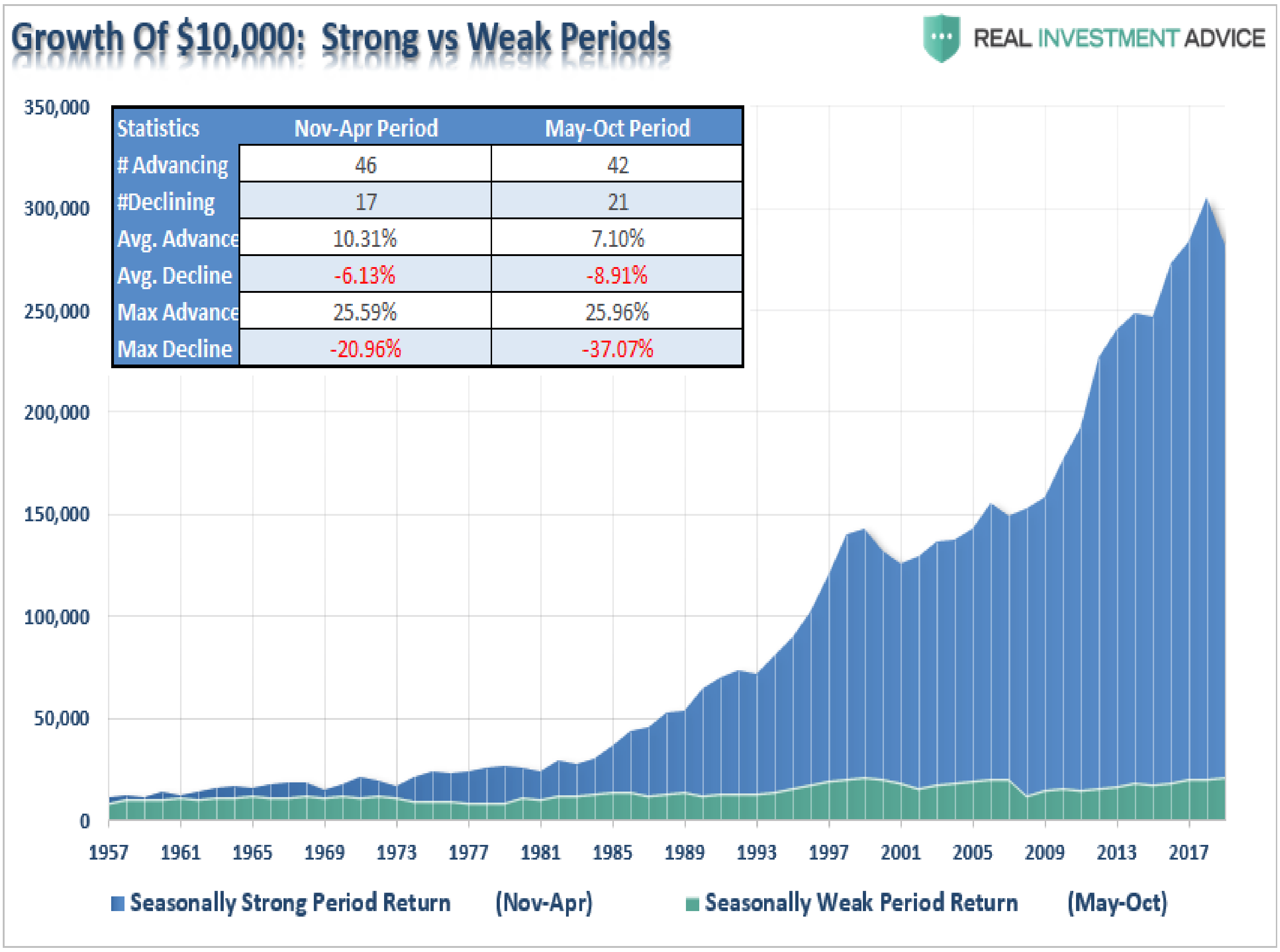
With the MACD *"seasonal sell"* triggered, it may be time to turn a bit more cautious for the summer.



## Seasonal Sell Signals Trigger

As I discussed with our ***RIA PRO subscribers (30-day RISK FREE Trial)*** the *"Sell In May"* strategy might be worth paying attention to this year. To wit:

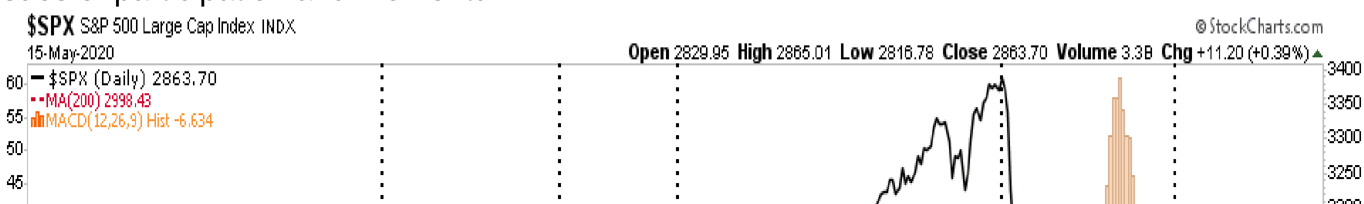
> *"While not every 'summer period' is negative, the long-term history of investing during the summer months is not stellar."*




| 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 have risen markedly."***

With the *"seasonal sell"* signal now firmly entrenched, the markets overbought on many levels, and participation remaining weak, the *"risk"* of having aggressive equity exposures has risen. While the market can undoubtedly resolve stretched conditions by grinding sideways, such won't fix the issues of participation and momentum.



## Positioning Update

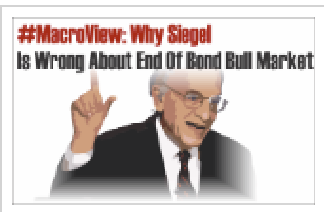
In our portfolios, we are very focused on our positioning. While we did modestly increase our equity exposure during last week's pullback, we did so in areas which remain defensive. We also balanced that increase in exposure with matched weights in shorter-duration Treasury bonds to hedge our risk. Taking profits in our trading positions continues to be a *"staple"* in our management process. Such is particularly the case in positions like Clorox (CLX), which have become grossly extended. Importantly, as noted in the sector performance analysis above, we also continue to rebalance portfolios into outperforming areas of the market. The process is simple. As we continue to adjust our equity exposures to participate with the markets, we are balancing those increases with offsetting hedges, and a larger than average level of cash, to protect against sudden declines. As I concluded last week:

> "There is only one thing I am sure of, a raging bull market in stocks can NOT co-exist with a depressionary economy for long. **The stock market is NOT the economy.But the economy is a reflection of the very thing that supports higher asset prices - corporate profits."**

We don't like the risk/reward of the market currently, and suspect we will have a better opportunity to increase equity risk later this summer. But, if things change, we will also.



# The MacroView




### #MacroView: Why Siegel Is Wrong About End Of Bond Bull Market

Written by Lance Roberts | May 15, 2020

Jeremy Siegel, will likely be proved wrong about the end of the "40-year bond bull" market. History suggests it likely has quite a long way as the U.S. become more like Japan over time.

>> 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**

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# Market & Sector Analysis

### *Data Analysis Of The Market & Sectors For Traders*

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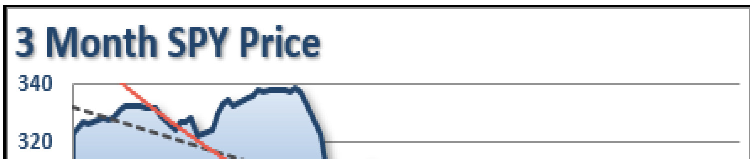
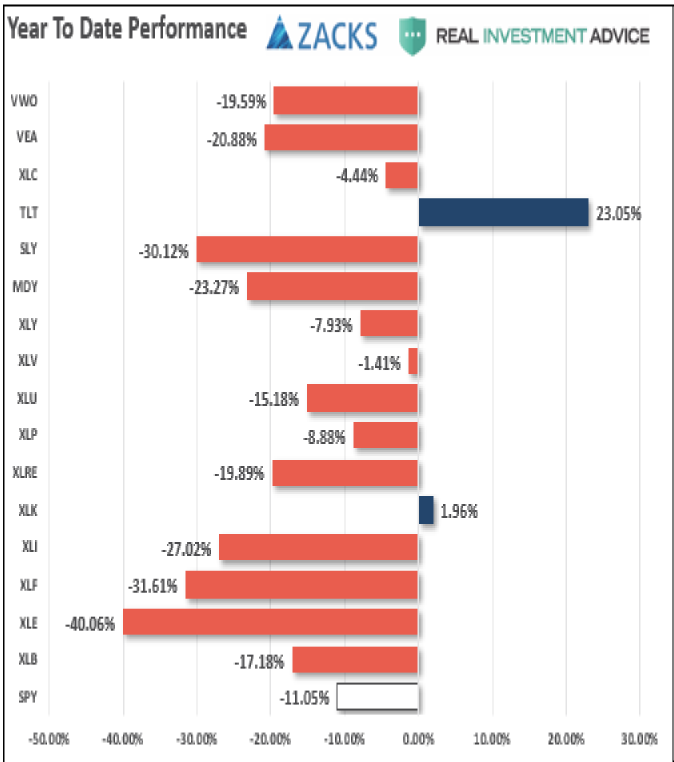
# S&P 500 Tear Sheet

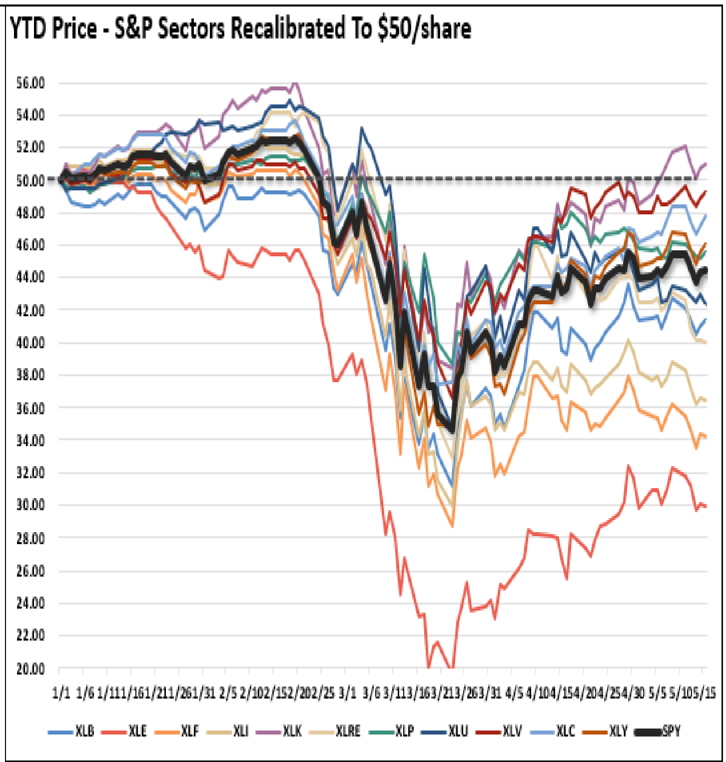


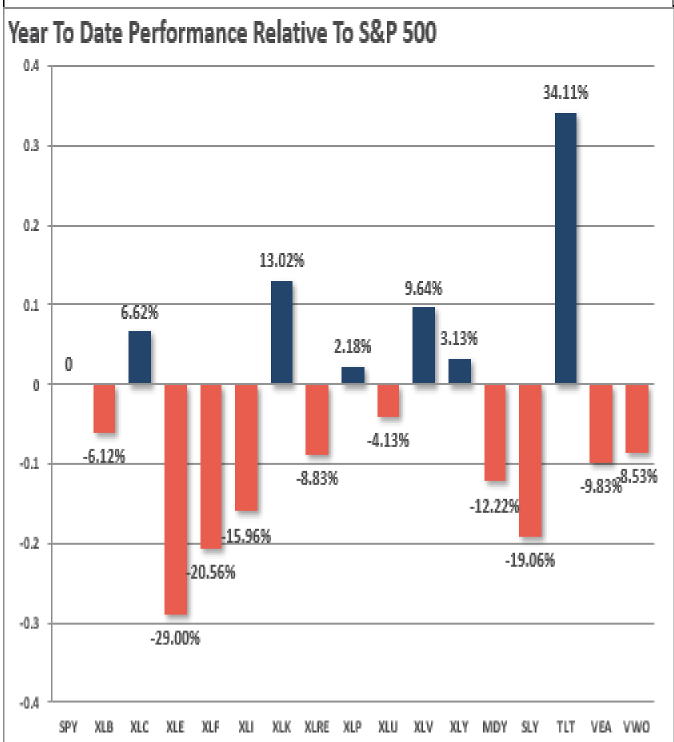

SPY RISK INFO

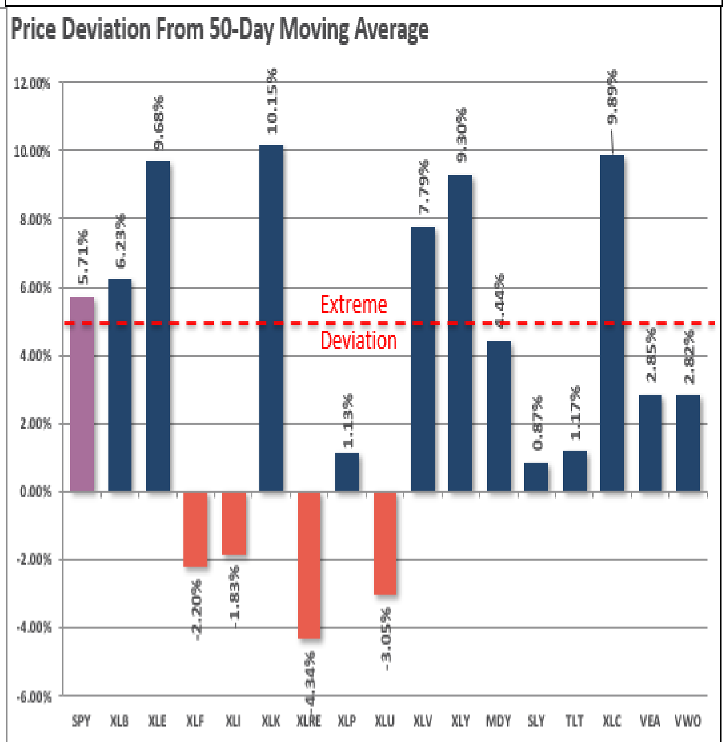
| Item | T 2-Yr | T 1-Yr. | YTD | % Diff YTD/T1-YR |
|---|---|---|---|---|

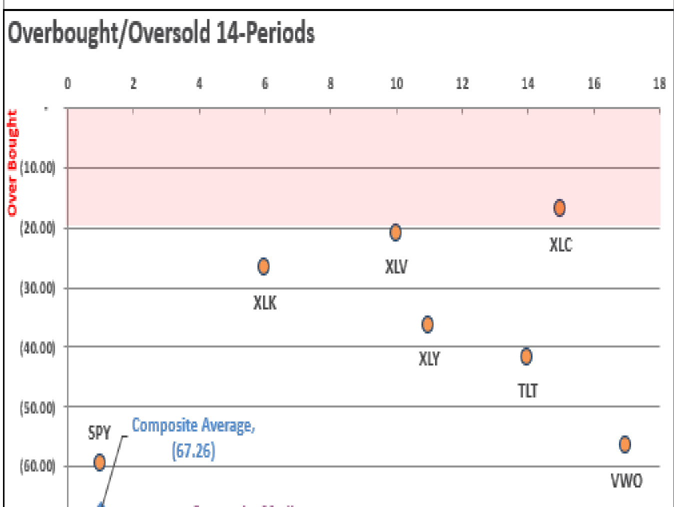
# Performance Analysis

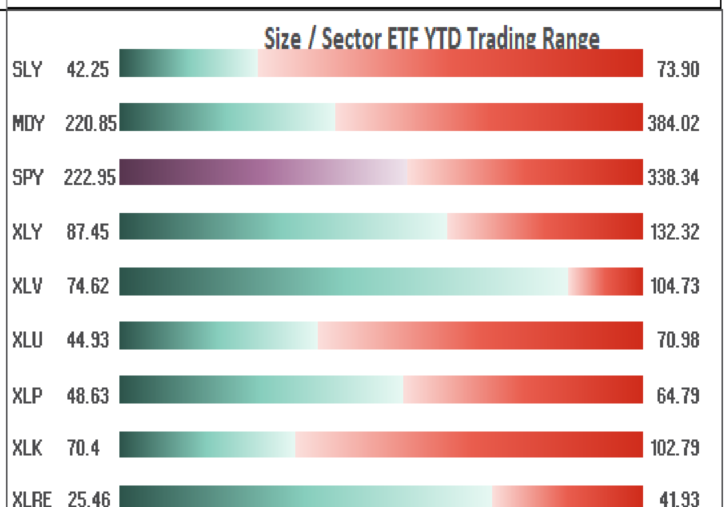


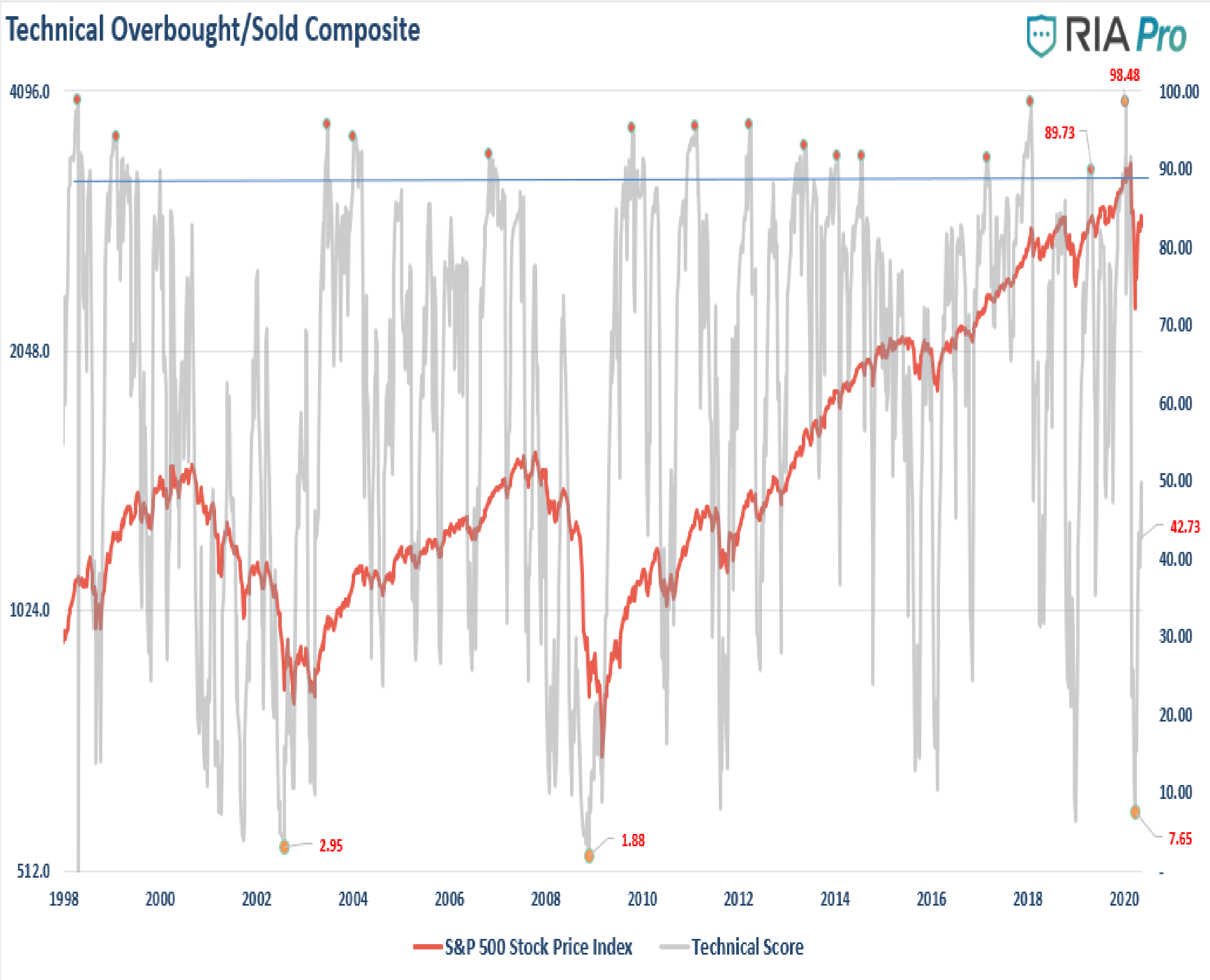



## Technical Composite

***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.***




## Sector Model Analysis & Risk Ranges

***How To Read.***

- *Each sector and market is compared to the S&P 500 index in terms of relative performance.*
- *The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing price and the "beta" of the sector or market.*
- *The price deviation above and below the moving averages is also shown.*

| RELATIVE PERFORMANCE | | Current | PERFORMANCE RELATIVE TO S&P 500 INDEX | | | | | SHORT | LONG | MONTH | REL S&P | RISK RANGE | | % DEV - | % DEV - | M/A XVER |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ticker | ETF NAME | Price | 1 Week | 4 Week | 12 Weeks | 24 Weeks | 52 Weeks | WMA | WMA | END PRICE | BETA | HIGH | LOW | Short M/A | Long M/A | SIGNAL |
| IVV | ISHARS-SP500 | 287.16 | (2.15) | (0.15) | (14.28) | (9.14) | (0.26) | 282.02 | 302.79 | 291.16 | 1.00 | 298.44 | 283.88 | 2% | -5% | SELL |
| XLB | SPDR-MATLS SELS | 50.87 | (0.92) | 1.36 | (1.41) | (6.13) | (6.66) | 49.88 | 55.73 | 51.88 | 1.14 | 53.77 | 49.99 | 2% | -9% | SELL |
| XLC | SPDR-COMM SV SS | 51.25 | 0.97 | 6.01 | 5.61 | 6.65 | 4.85 | 48.17 | 50.98 | 50.28 | 0.95 | 52.01 | 48.55 | 6% | 1% | SELL |
| XLE | SPDR-EGY SELS | 35.99 | (5.05) | 6.15 | (19.24) | (29.74) | (43.29) | 36.46 | 50.18 | 38.00 | 1.68 | 39.59 | 36.41 | -1% | -28% | SELL |
| XLF | SPDR-FINL SELS | 21.05 | (3.42) | (5.84) | (17.31) | (21.04) | (21.43) | 23.12 | 27.20 | 22.79 | 1.18 | 23.63 | 21.95 | -9% | -23% | SELL |
| XLK | SPDR-TECH SELS | 93.47 | 0.76 | 4.86 | 8.28 | 15.17 | 24.26 | 87.07 | 88.21 | 91.41 | 1.03 | 94.64 | 88.18 | 7% | 6% | SELL |
| XLI | SPDR-INDU SELS | 59.46 | (3.64) | (5.62) | (14.58) | (18.38) | (20.27) | 64.51 | 74.60 | 64.21 | 1.15 | 66.55 | 61.87 | -8% | -20% | SELL |
| XLP | SPDR-CONS STPL | 57.39 | 0.89 | (4.99) | 3.05 | 1.71 | (0.37) | 57.97 | 60.57 | 58.26 | 0.58 | 60.06 | 56.46 | -1% | -5% | SELL |
| XLRE | SPDR-RE SELS | 30.98 | (4.96) | (10.16) | (11.83) | (10.70) | (15.19) | 34.05 | 37.10 | 33.92 | 0.74 | 35.02 | 32.82 | -9% | -16% | SELL |
| XLU | SPDR-UTIL SELS | 54.81 | (0.26) | (9.30) | (7.78) | (3.93) | (6.50) | 58.99 | 62.52 | 57.26 | 0.39 | 58.92 | 55.60 | -7% | -12% | SELL |
| XLV | SPDR-HLTH CR | 100.42 | 3.16 | (0.21) | 11.37 | 10.08 | 13.80 | 94.46 | 96.66 | 99.73 | 0.84 | 103.06 | 96.40 | 6% | 4% | SELL |
| XLY | SPDR-CONS DISCR | 115.48 | 0.63 | 2.40 | 2.91 | 3.45 | (0.11) | 109.59 | 118.14 | 116.60 | 1.14 | 120.85 | 112.35 | 5% | -2% | SELL |
| XTN | SPDR-SP TRANSPT | 44.81 | (4.89) | (1.87) | (18.34) | (21.41) | (25.80) | 47.94 | 57.77 | 48.04 | 1.34 | 49.89 | 46.19 | -7% | -22% | SELL |
| | | | | | | | | | | | | | | | | |
| SDY | SPDR-SP DIV ETF | 82.49 | (3.55) | (4.98) | (9.32) | (13.23) | (16.39) | 87.41 | 98.63 | 87.93 | 0.91 | 90.93 | 84.93 | -6% | -16% | SELL |
| RSP | INVS-SP5 EQ ETF | 91.26 | (2.82) | (1.70) | (8.10) | (10.19) | (12.59) | 93.64 | 105.44 | 96.14 | 1.11 | 99.61 | 92.67 | -3% | -13% | SELL |
| | | | | | | | | | | | | | | | | |
| SLY | SPDR-SP6 SC | 50.63 | (5.45) | (1.04) | (15.12) | (19.17) | (23.60) | 53.95 | 64.05 | 54.81 | 1.24 | 56.86 | 52.76 | -6% | -21% | SELL |
| MDY | SPDR-SP MC 400 | 288.02 | (3.66) | 1.53 | (9.91) | (12.30) | (16.12) | 293.45 | 338.12 | 299.81 | 1.18 | 310.85 | 288.77 | -2% | -15% | SELL |
| EEM | ISHARS-EMG MKT | 36.03 | (0.05) | (0.49) | (2.49) | (6.16) | (10.32) | 36.68 | 40.81 | 36.64 | 0.91 | 37.89 | 35.39 | -2% | -12% | SELL |
| EFA | ISHARS-EAFE | 55.16 | (0.81) | (0.89) | (4.91) | (9.95) | (14.58) | 56.46 | 63.59 | 56.57 | 0.84 | 58.46 | 54.68 | -2% | -13% | SELL |
| | | | | | | | | | | | | | | | | |
| IAU | ISHARS-GOLD TR | 16.67 | 4.35 | 3.82 | 20.39 | 28.39 | 36.67 | 15.75 | 14.93 | 16.11 | 0.00 | 16.51 | 15.71 | 6% | 12% | BUY |
| GDX | VANECK-GOLD MNR | 36.57 | 7.05 | 22.29 | 33.60 | 44.19 | 76.50 | 28.86 | 28.20 | 32.26 | 0.65 | 33.28 | 31.24 | 27% | 30% | BUY |
| UUP | INVS-DB US$ BU | 27.18 | 2.70 | 0.78 | 15.59 | 10.15 | 3.41 | 26.95 | 26.75 | 26.79 | (0.05) | 27.45 | 26.13 | 1% | 2% | BUY |
| | | | | | | | | | | | | | | | | |
| IXUS | ISHARS-CR INT S | 49.32 | (0.46) | (0.22) | (4.59) | (9.04) | (13.44) | 50.18 | 56.50 | 50.35 | 0.87 | 52.05 | 48.65 | -2% | -13% | SELL |
| TLT | ISHARS-20+YTB | 166.71 | 3.81 | (0.51) | 26.89 | 27.87 | 32.58 | 161.79 | 148.31 | 166.74 | (0.27) | 170.46 | 163.02 | 3% | 12% | BUY |
| BNDX | VANGD-TTL INT B | 57.15 | 2.16 | 0.64 | 13.06 | 7.41 | 2.24 | 56.96 | 57.48 | 57.28 | 0.05 | 58.74 | 55.82 | 0% | -1% | SELL |
| HYG | ISHARS-IBX HYCB | 78.71 | 0.84 | (2.79) | 3.39 | (0.32) | (8.16) | 79.98 | 84.55 | 80.43 | 0.40 | 82.76 | 78.10 | -2% | -7% | SELL |

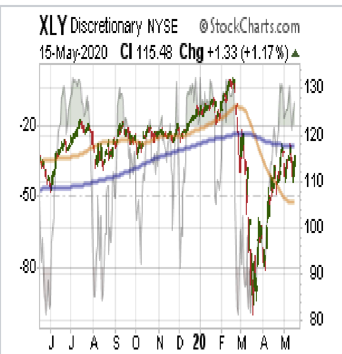
RIA Pro

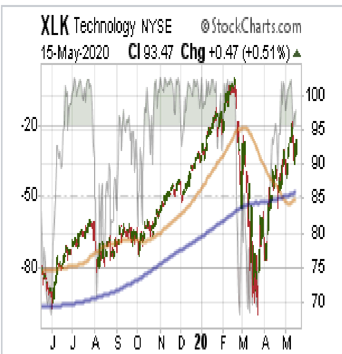
REAL INVESTMENT ADVICE

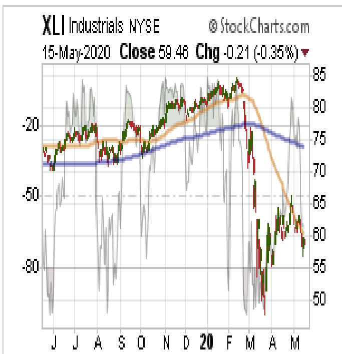
# Sector & Market Analysis:

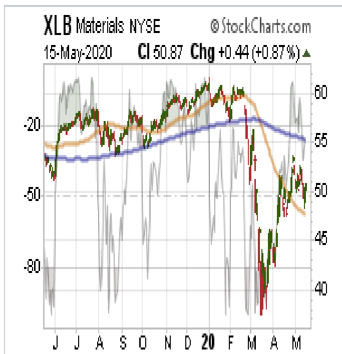
***Be sure and catch our updates on Major Markets (Monday) and Major Sectors (Tuesday) with updated buy/stop/sell levels.***

## Sector-by-Sector







**Improving ? Discretionary ([XLY](XLY)), and Materials ([XLB](XLB))** This past week, the market sold off as trading remains confined to a range between the 50% and 61.8% retracement levels. As noted above, there is no rush to get into either Discretionary or Materials stocks until AFTER we get through earnings season. With the economy very weak, and retail sales plunging, the discretionary sector remains at risk. We continue to focus on Staples for the time being. ***Current Positions: No Positions*****Outperforming ? Technology ([XLK](XLK)), Communications ([XLC](XLC)), Staples ([XLP](XLP)), and Healthcare ([XLV](XLV)),** Previously, we added 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. Small additions to Staples, Healthcare, and Communications were previously made. **Current Positions: *XLK, XLC, XLP, and XLV*Weakening ? Utilities ([XLU](XLU))** After adding a small weighting in Utilities, we continue to look for an opportunity to increase our exposure. We continue to watch again this week. **Current Position: 1/3rd Position XLULagging ? Industrials ([XLI](XLI)), Financials ([XLF](XLF)), Real Estate ([XLRE](XLRE)), and Energy ([XLE](XLE))** Financials continue to underperform the market. As we have said previously, Financials and Industrials are the most sensitive to Fed actions (XLF) and the shutdown of the economy (XLI). We continue to hold our Energy sector (XLE) exposure and are looking to add to those holdings opportunistically. We also are doing the same with our recent Real Estate exposures, which are oversold on a relative basis. **Current Position: 1/3rd Position XLE, 1/2 XLRE**

## Market By Market


**Small-Cap ([SLY](SLY)) and Mid Cap ([MDY](MDY))** ? We continue to aggressively avoid 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. **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 are using SPY and QQQ index ETF's for trading positions only for now. **Current Position: *None*****Gold (GLD)** ? Previously, we added additional exposure to both our GDX  and IAU positions and are comfortable with our exposure currently. We rebalanced our GDX position back to target weight last week. We also added a position in the Dollar previously (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 holding in TLT to improve our *"risk"* hedge in portfolios. **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 | Negative | Neutral | Hold | | | X | | | Hold |
| XLI | Industrials | Declining | Negative | Negative | No Position | | | | | X | No Position |
| XLB | Materials | Declining | Negative | Negative | No Position | | | | | X | No Position |
| XLE | Energy | OB | Negative | Negative | Hold | | | X | | | Hold |
| XLP | Staples | OB | Negative | Neutral | Hold | | | X | | | Hold |
| XLV | Health Care | OB | Negative | Neutral | Hold | | | X | | | Hold |
| XLU | Utilities | Declining | Negative | Neutral | Hold | | | X | | | Hold |
| XLF | Financials | Declining | Negative | Negative | No Position | | | | | X | Avoid |
| XLC | Communications | OB | Negative | Negative | Hold | | | X | | | Hold |
| XLRE | Real Estate | Declining | Negative | Negative | No Position | | X | | | | Added 1/2 Position |
| | | | | | | | | | | | |
| SLY | Small Caps | Declining | Negative | Negative | No Position | | | | | X | No Holdings |
| MDY | Mid Caps | Declining | 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 | | | VERY OVERBOUGHT |
| 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 | Declining | Positive | Positive | Added | | | X | | | Added |
| HYG | Corporate High Yield | Declining | Negative | Negative | No Position | | | | | X | Declining Despite Fed Support |
| BNDX | Int'l Bond Aggregrate | OB | Neutral | Neutral | No Position | | | | | X | Broke Above 50 & 200-DMA |

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

## Portfolio / Client Update

This past week, the market sold off back to the 50% retracement level after having rallied to the 61.2% retracement last week. As discussed previously, there is some short-term upside, but as we head into the summer months, the relative risk/reward ratio is not in our favor. Let me restate from last week:

> *"The 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, the data will eventually matter. It is not a question of 'if' just a matter of 'when.'"***

While it certainly appears not to be the case at the moment, due to the Federal Reserve, reversions can happen very quickly. We remain suspicious but continue to invest where we can.

### Changes

We continue to work around the edges to add exposure while managing risk. In models, we continue to rebalance our exposures. We trimmed our position in Clorox (CLX) after a significant gain and added to our holding of Community Healthcare Trust (CHCT) to balance our previous purchase of MPW. We also added a position in Visa (V) that should benefit from increased transactions as the economy reopens. In both models, we add to our holdings of Treasury Bonds using IEF to hedge our additional equity risk. 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. Is the bull market back? Maybe. Maybe Not. 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 defensive and 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 RobertsCIO*

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## THE REAL 401k PLAN MANAGER

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

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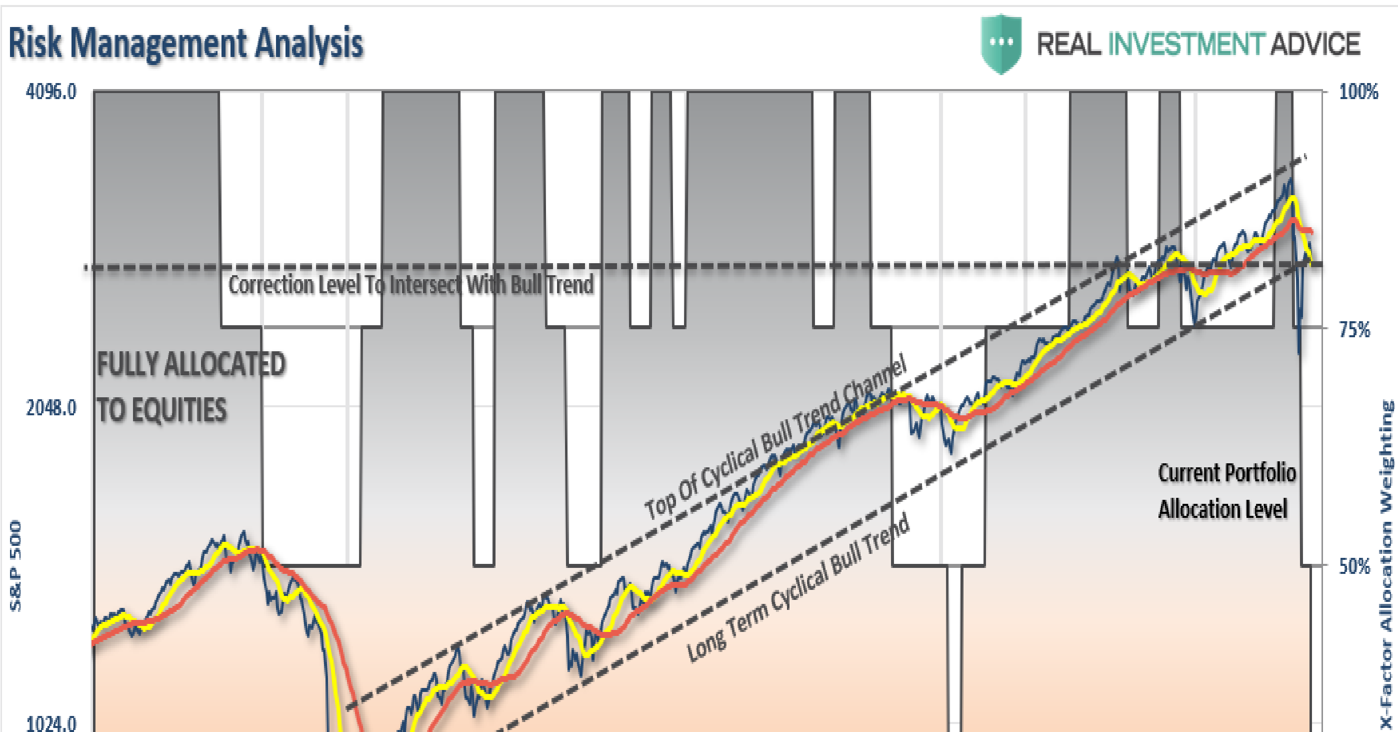
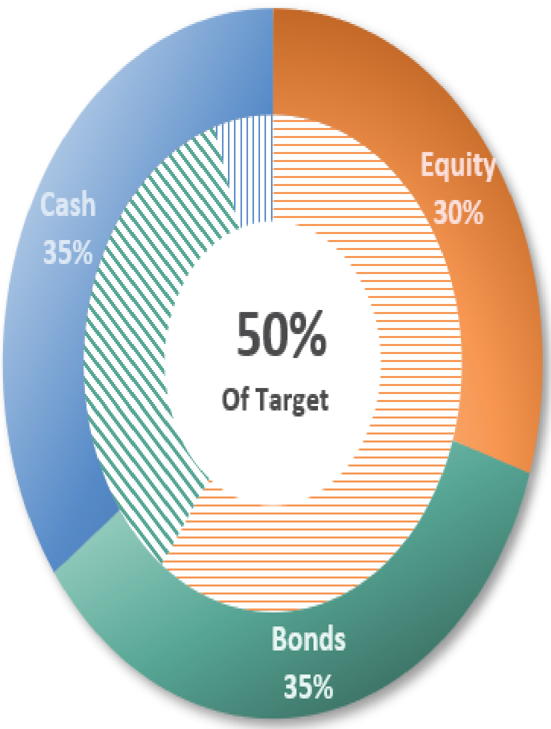


## Current Portfolio Weighting




## 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 | Remain @ 50% Max Equity Tgt | No Change From Last Week |
| Equal To Target Allocation | Remain @ 50% Max Equity Tgt | No Change From Last Week |
| Over Target Allocation | Remain @ 50% Max Equity Tgt | No Change From Last Week |

## Commentary

*Previously, we wrote as the market hit the 61.8% retracement level: "**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.**"*

*The market sold off last week, tested support and is now trading in the same range as before. We have a couple of tough months ahead of us and have triggered a MACD Sell Signal on a short-term basis.*

*Maintain equity exposure at 50% of whatever your maximum equity exposure is 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](#)

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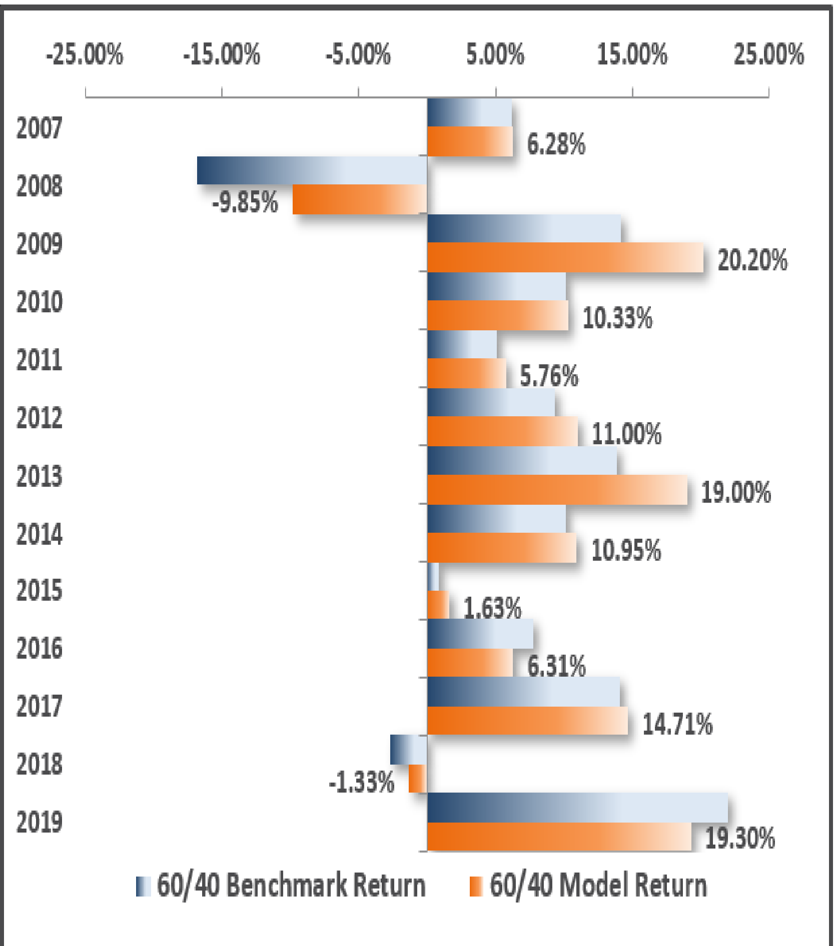
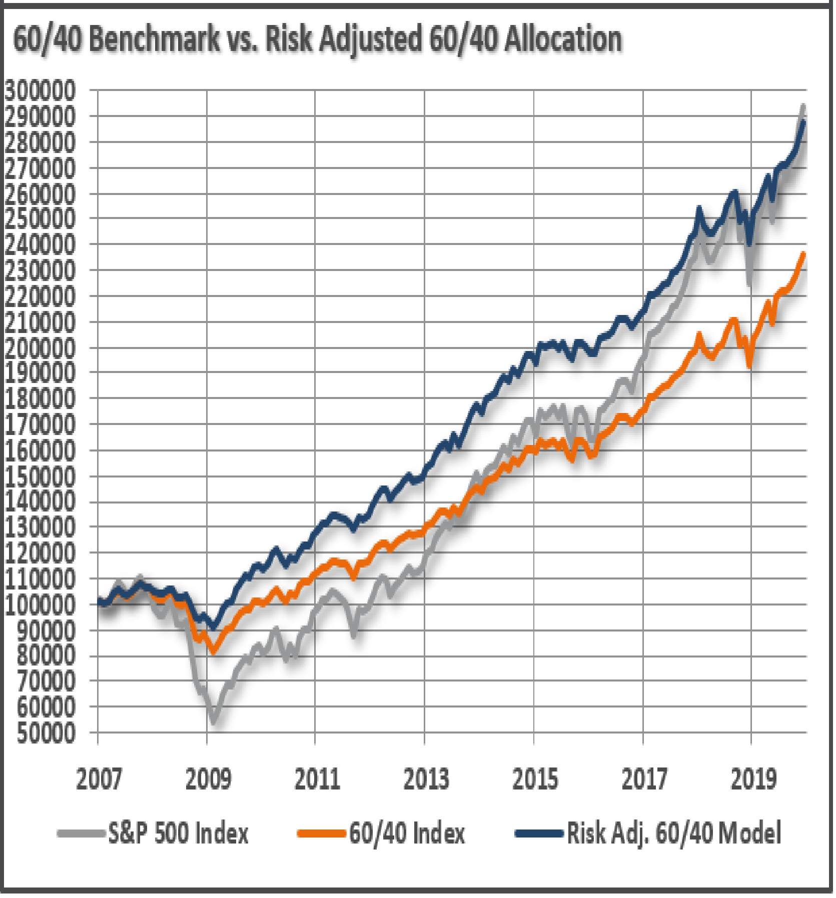
*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only and should not be relied on for any reason. Past performance is not a guarantee of future results. Use at your 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.](#)**