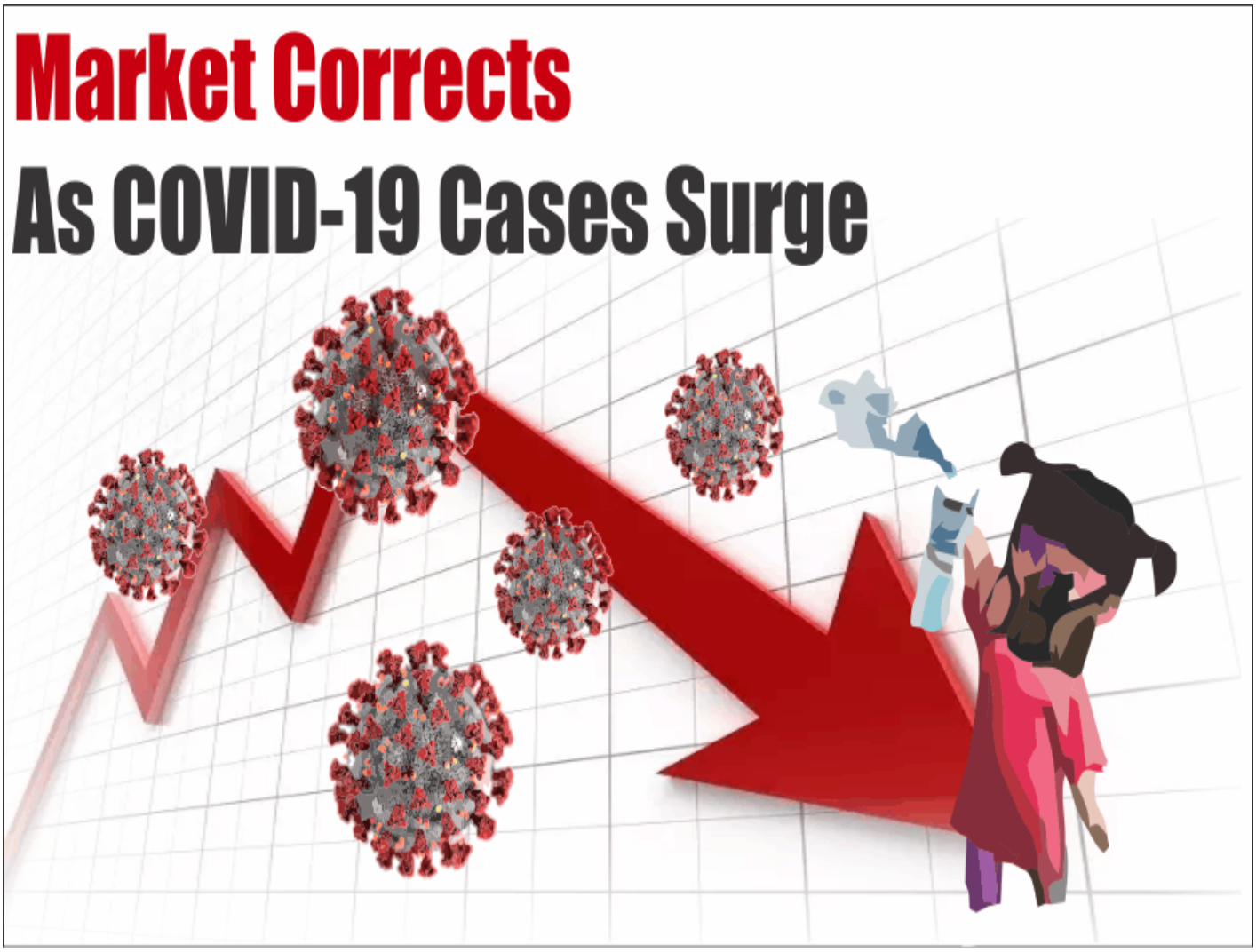
RIA Advice



In this issue of "Market Corrects As COVID-19 Cases Surge:"

- ***Market Correction***
- ***Short-Term Excesses Reversed***
- ***A Note Of Fed Forecasts***
- ***The Bear Case Is Still Valid***
- ***Technical Review Remains Bullish***
- ***Portfolio Positioning***
- ***MacroView: Rationalizing High Valuations Won't Improve Outcomes***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

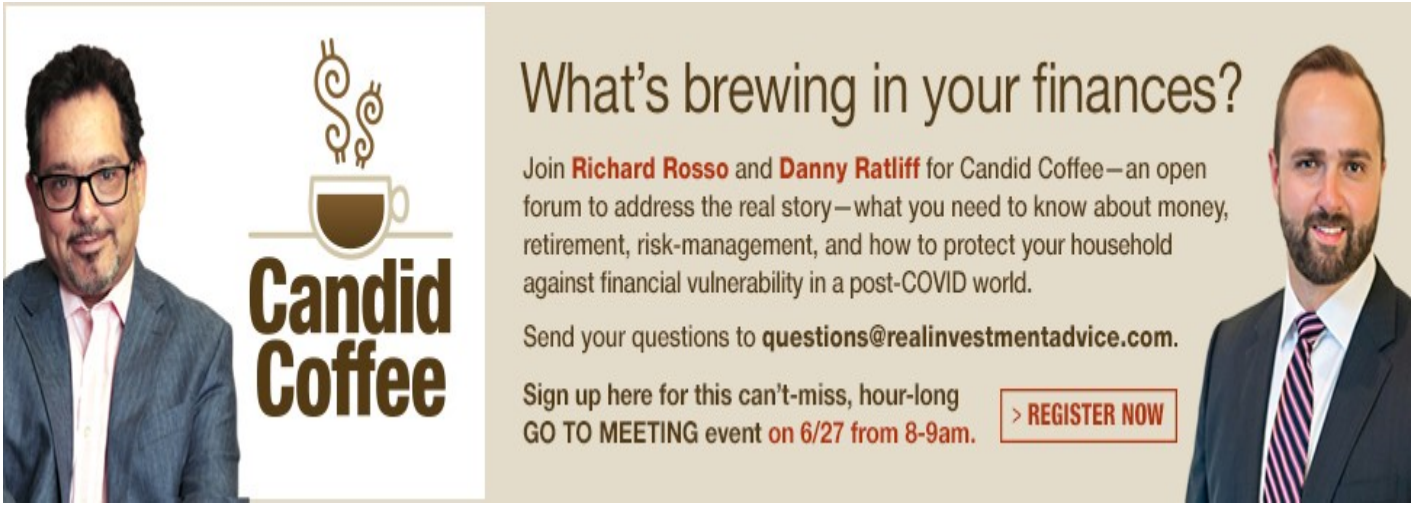
Follow Us On: *Twitter, Facebook, Linked-In, Sound Cloud, Seeking Alpha*

Upcoming Event - CANDID COFFEE

Sign up now for this virtual "Financial Q&A" GoTo Meeting

June 27th from 8-9 am

Send in your questions, and Rich and Danny will answer them live.



Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 06-12-20

Written by Lance Roberts | Jun 12, 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.

>> Read More

Market Correction

As ***I wrote previously***, the break above the 200-dma had changed the complexion of the market.

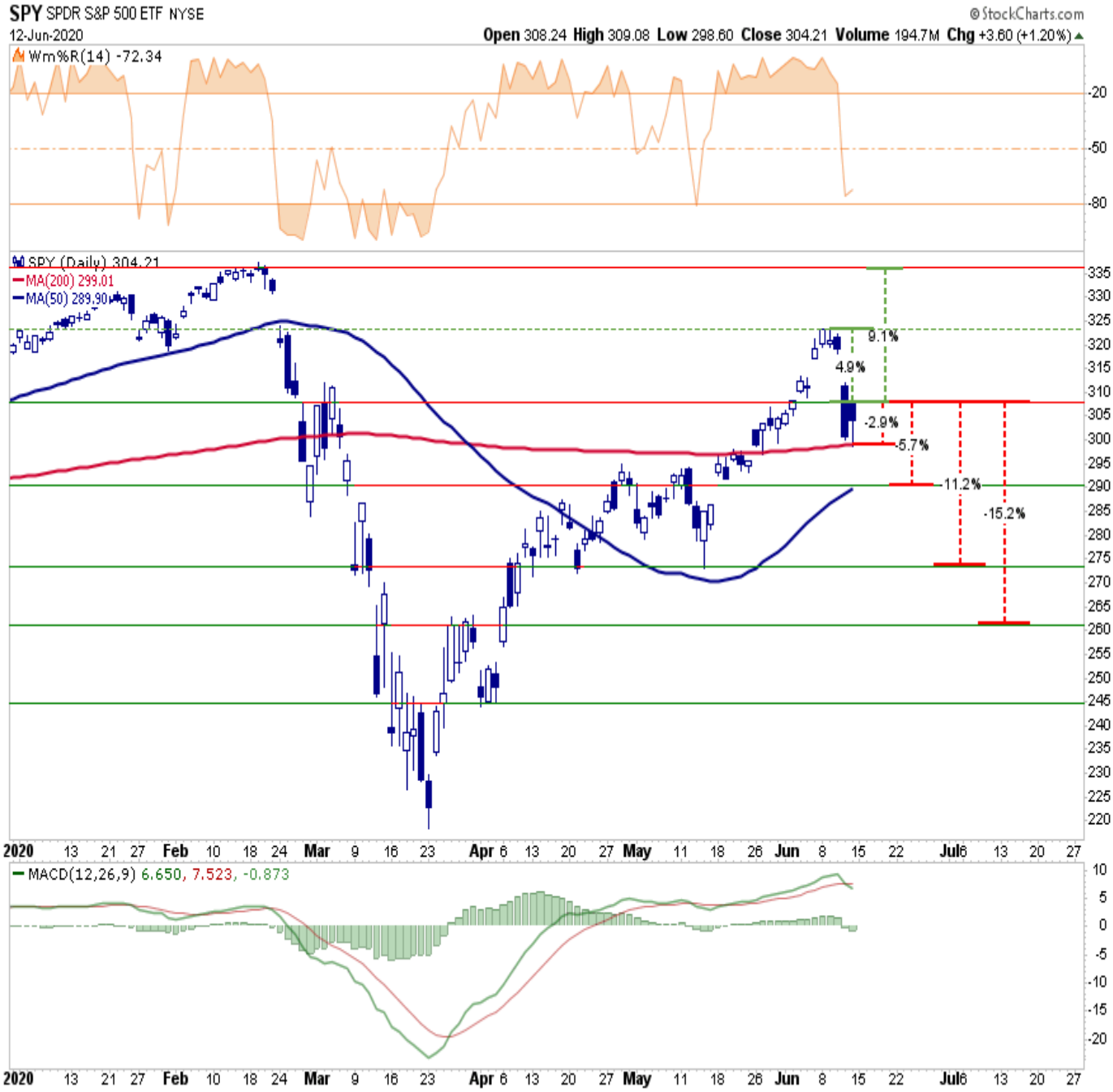
> ***"If the markets can break above the 200-dma, and maintain that level, it would suggest the bull market is back in play."***

However, ***in our Tuesday follow up,*** we discussed how the market rally had gotten to an extreme. As such, we noted the need to become more defensive in the short-term. To wit:

> *"Regardless, the markets are bullish biased, and we must be respectful of that reality.* ***No matter how you slice the data, the markets are back to more extreme overbought conditions on a short-term basis.*** *The break above the 200-dma triggered a parabolic advance in the market over the last week.* ***The market is making a 3-standard deviation move to the upside. With indicators very overbought, short-term corrective action is likely.*** *(Note the market was just 3-standard deviations BELOW the 50-dma in March.)?*

That correction came swiftly on Thursday. The surge in COVID-19 cases in the U.S. undermined

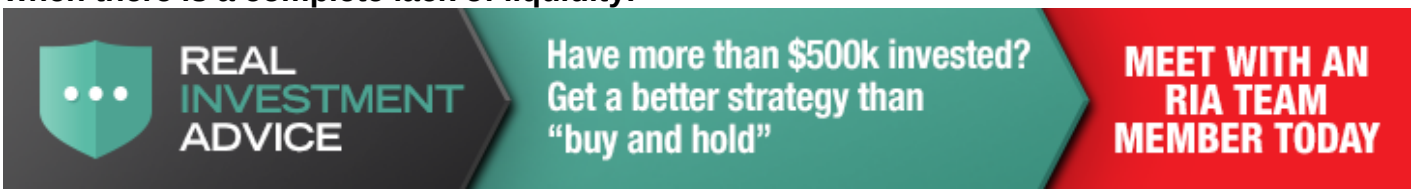
the *"V-Shaped"* economic recovery meme. As we noted, the market had rallied into overhead resistance, and the correction found support at the 200-dma.



We can now update the risk/reward parameters from last week.

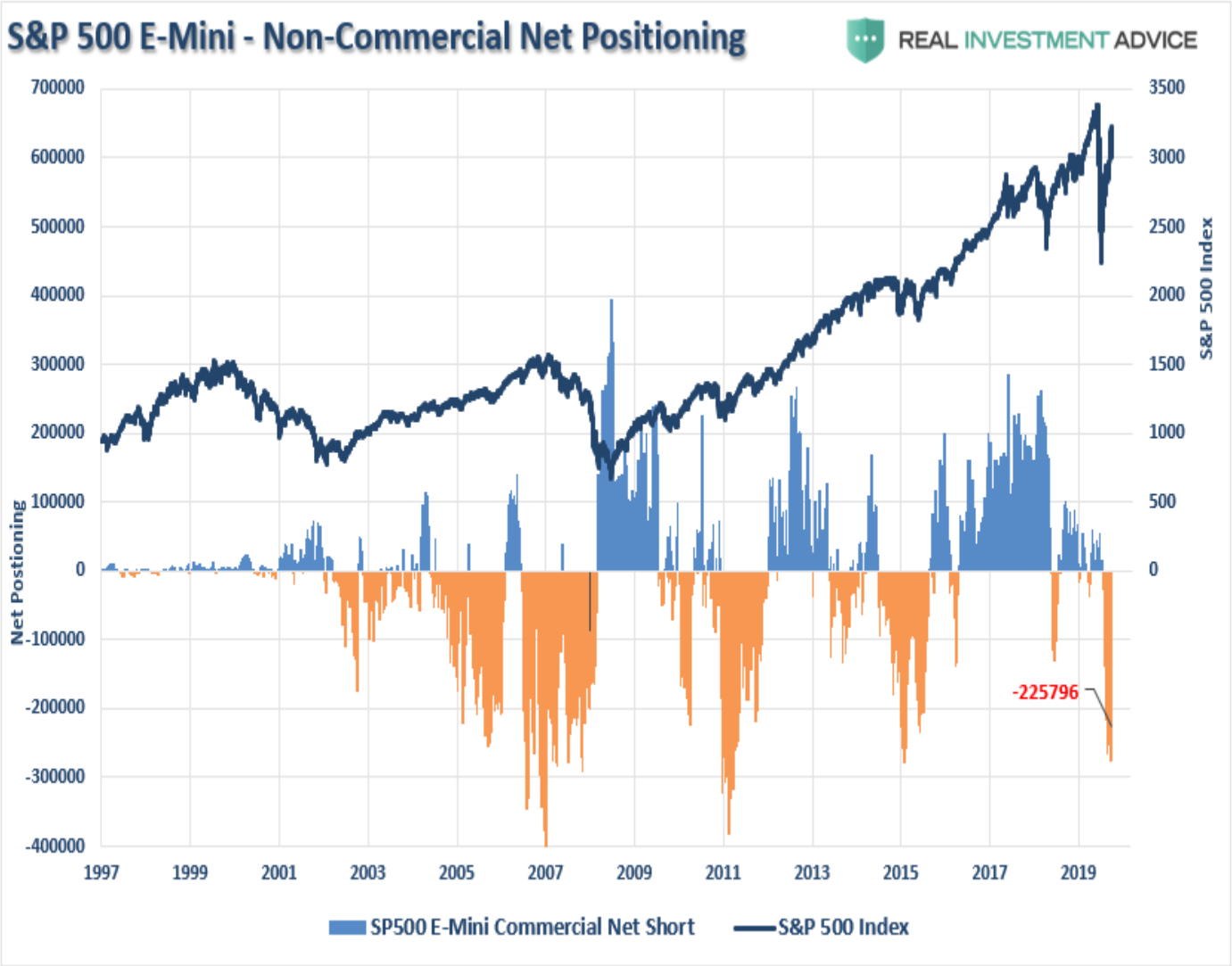
- ***-2.9% to the 200-dma vs. +4.9% to previous high. (Positive)***
- ***-2.9% to the 200-dma vs. +9.1% to all-time highs. (Positive)***
- ***-5.6% to 50-dma vs. +4.9% to previous high. (Neutral)***
- ***-11.21% to consolidation lows vs +9.1% to all-time highs (Negative)***
- ***-15.2% to March bounce peak vs. +9.1% to all-time highs. (Negative)***

The market achieved the retracement to the 200-dma support on Thursday during the most intense sell-off since March. **Importantly, it was a good reminder of just how brutal markets can be when there is a complete lack of liquidity.**



Correction Reduces Short-Term Excesses

Previously we discussed the more extreme levels of optimism in the markets. These indicators have historically corresponded with short-term market peaks and corrections. The first was the large level of short-positions non-commercial speculators were carrying on the S&P 500. *(These are contracts on the S&P 500 in the futures market used for hedging long market positioning.)* Net-short positioning had reached a more extreme level, which historically aligns with short-term peaks and bear markets. The correction last week reduced some of that excess.



The same goes for the total put-call ratio, This ratio measures the total of option contract buying. Investors had gotten extremely aggressive in buying call options betting the market would only go higher. At extremes, retail *"call option"* buyers generally wind up on the wrong side of the trade. The quick rout on Thursday reduced some of those excesses.

Note, however, the 10-day moving average of the put-call ratio remains in more *"bearish"* territory, suggesting we may not be done with the correction just yet. **The issue remains that the markets have priced in a *"V-shaped"* recovery, which is well ahead of what the economic data suggests.**

A Note About The Fed

There were two catalysts that ignited the sell-off on Thursday. The first, as stated above, were headlines of a surge in COVID-19 cases. *(As discussed in this week's **#MacroView below)***

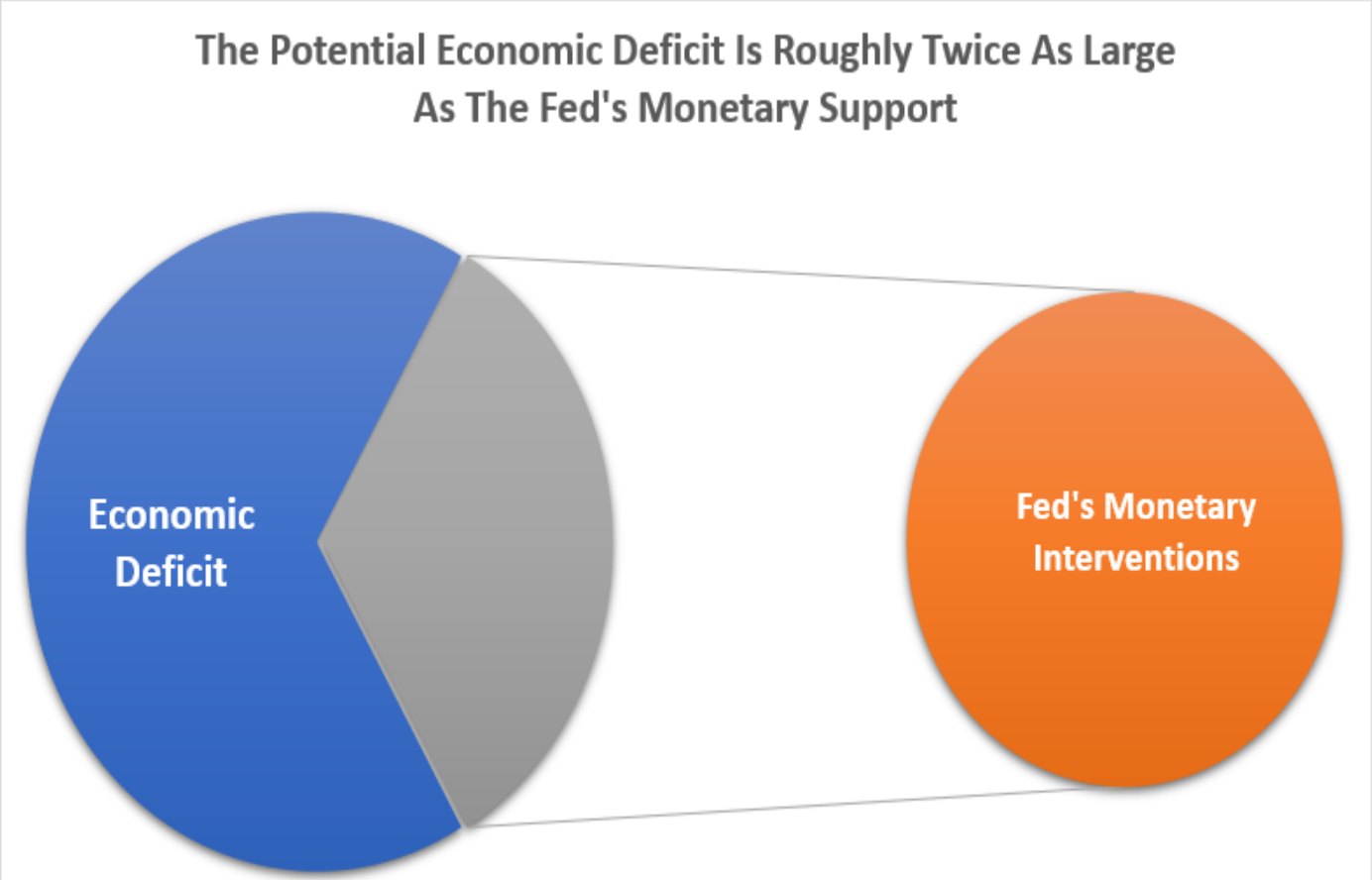
Second U.S. Virus Wave Emerges as Cases Top 2 Million

By Emma Court and David R Baker

June 10, 2020, 12:34 PM CDT *Updated on June 10, 2020, 10:43 PM CDT*

- Rises in Texas, Arizona, Florida, California sound alarms
- Experts say that surges can't be linked directly to reopenings

The second, and probably more important reason, **was what the Fed didn't say** following this week's Fed meeting. **While the markets were hopeful for announcements for more stimulus to support the markets, the Fed simply reiterated their current stance.** More importantly, the Fed stated that QE would remain at $40 billion per week or $120 billion per month. This is substantially less than the current level of Treasury issuance. As Tavi Costa of Crescat Capital noted this week: https://twitter.com/TaviCosta/status/1270877261462253568?s=20 ***As noted previously,*** while the Fed is doing a massive amount of QE, the "hole" they are trying to fill is substantially larger. In what I call the *"PacMan"* chart below, the *"economic deficit"* will consume more than the Fed has currently committed. *(Economic deficit is the estimated loss due to ongoing unemployment, reduced growth, and impact of debt and deficits.)*



Real Investment Report

Market updates, sector analysis, 401k plan manager & more.

› Subscribe today

The Worst Economic Forecasters Ever

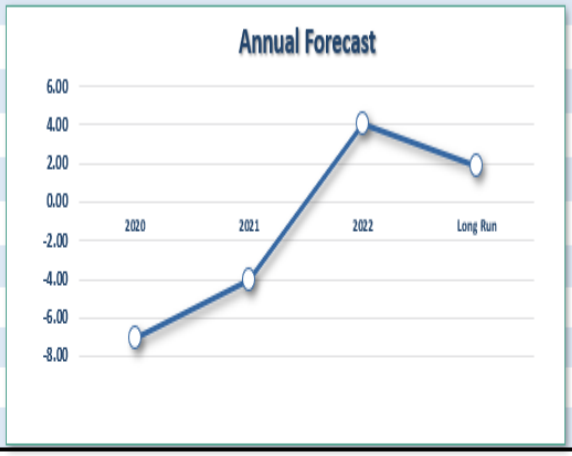
The Federal Reserve must qualify as the worst economic forecasters ever. Despite annual promises of stronger economic growth, such has yet to be the case. Ever.

FOMC Economic Projections (Avg. Of Range)

REAL INVESTMENT ADVICE

Meeting Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Long Run	Actual 2011-2020 GDP
Jan-11	3.7	3.95	4										2.7	1.54
Apr-11	3.3	3.65	4										2.7	1.54
Jun-11	2.75	3.1	3.75										2.7	1.54
Nov-11	1.7	2.9	3.35	3.6									2.6	1.54
Jan-12		2.55	3.1	3.55									2.6	2.22
Apr-12		2.55	3.1	3.6									2.6	2.22
Jun-12		2.05	2.85	3.4									2.6	2.22
Sep-12		1.8	2.9	3.4	3.35								2.6	2.22
Dec-12		1.8	2.6	3.4	3.35								2.6	2.22
Mar-13			2.5	3.2	3.15								2.5	1.83
Jun-13			2.3	2.9	3.05								2.5	1.83
Sep-13			2.1	2.75	2.95	2.85							2.3	1.83
Dec-13			2.3	2.75	2.9	2.8							2.15	1.83
Mar-14				2.55	2.85	2.8							2.1	2.49
Jun-14				2.3	2.9	2.8							2.15	2.49
Sep-14				2.05	2.65	2.55	2.3						2.2	2.49
Dec-14				2.4	2.65	2.55	2.35						2.25	2.49
Mar-15					2.6	2.55	2.15						2.15	2.87
Jun-15					2.0	2.65	2.25						2.15	2.87
Sep-15					2.2	2.45	2.25	2					2.25	2.87
Dec-15					2.1	2.35	2.15	2.05					2.05	2.87
Mar-16						2.20	2.00	2.05					2.10	1.62
Jun-16						2.00	2.00	1.85					2.00	1.62
Sep-16						1.85	2.05	1.90	1.90				1.90	1.62
Dec-16						1.90	2.05	2.00	1.85				1.90	1.62
Mar-17						1.59	2.00	2.05	1.85				1.90	2.34
Jun-17							2.25	2.00	1.85				1.85	2.34
Sep-17							2.45	2.15	1.85	1.70			1.85	2.34
Dec-17							2.50	2.50	2.05	1.65			1.95	2.34
Mar-18								2.75	2.40	1.90			1.95	2.89
Jun-18								2.75	2.40	1.85			1.90	2.89
Sep-18								3.15	2.45	2.05	1.80		1.90	2.89
Dec-18								3.05	2.35	1.85	1.75		1.95	2.89
Mar-19									2.00	1.95	1.85		1.95	2.31
Jun-19									2.20	1.90	1.80		1.90	2.31
Sep-19									2.25	2.00	1.90	1.85	1.90	2.31
Dec-19									2.20	2.05	1.95	1.85	1.95	2.31
Jun-20										-7.10	-4.00	4.00	1.90	-1.30

GDP Projections Continue To Slump



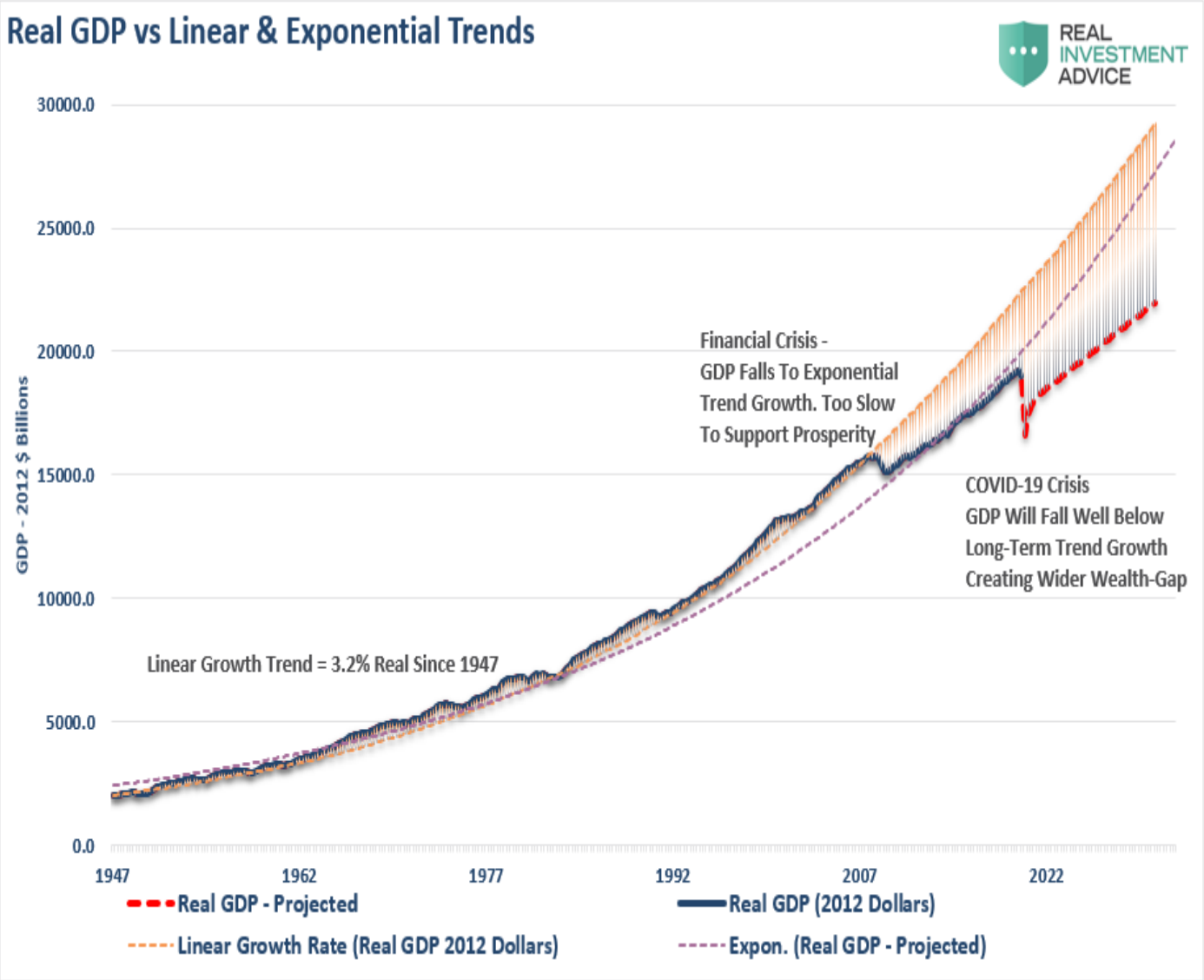
GDP - Estimates vs. Actual 2011-2020

While the economy will indeed recover in 2021 and 2022, the Fed is likely overestimating the outcome. However, in the short-term, they have little choice.

> ***"Unwittingly, the Fed has now become co-dependent on the markets. If they acknowledge the risk of weaker economic growth, the subsequent market sell-off would dampen consumer confidence and push economic growth rates lower.*** *Therefore, they have to be overly optimistic."*

As discussed Friday, the surging levels of debts and deficits, combined with demographics, will suppress economic growth below 2%. Such leaves very little room for the Fed to make a policy mistake.

> *?Before the ?Financial Crisis,? the economy had a linear growth trend of real GDP of 3.2%.* ***Following the 2008 recession, the growth rate dropped to the exponential growth trend of roughly 2.2%. Instead of reducing the debt problems, unproductive debt, and leverage increased.?***



While the Fed had an opportunity to disconnect monetary policy from the market, they failed to do so. Instead, they once again opted to bail out financial markets at the expense of economic prosperity longer-term. https://twitter.com/LanceRoberts/status/1271413051489738758?s=20

By voting to avoid short-term pain, the Federal Reserve has locked the economy into a long-term economic malaise. Like a *"frog in boiling water,"* the vast majority of Americans will see their

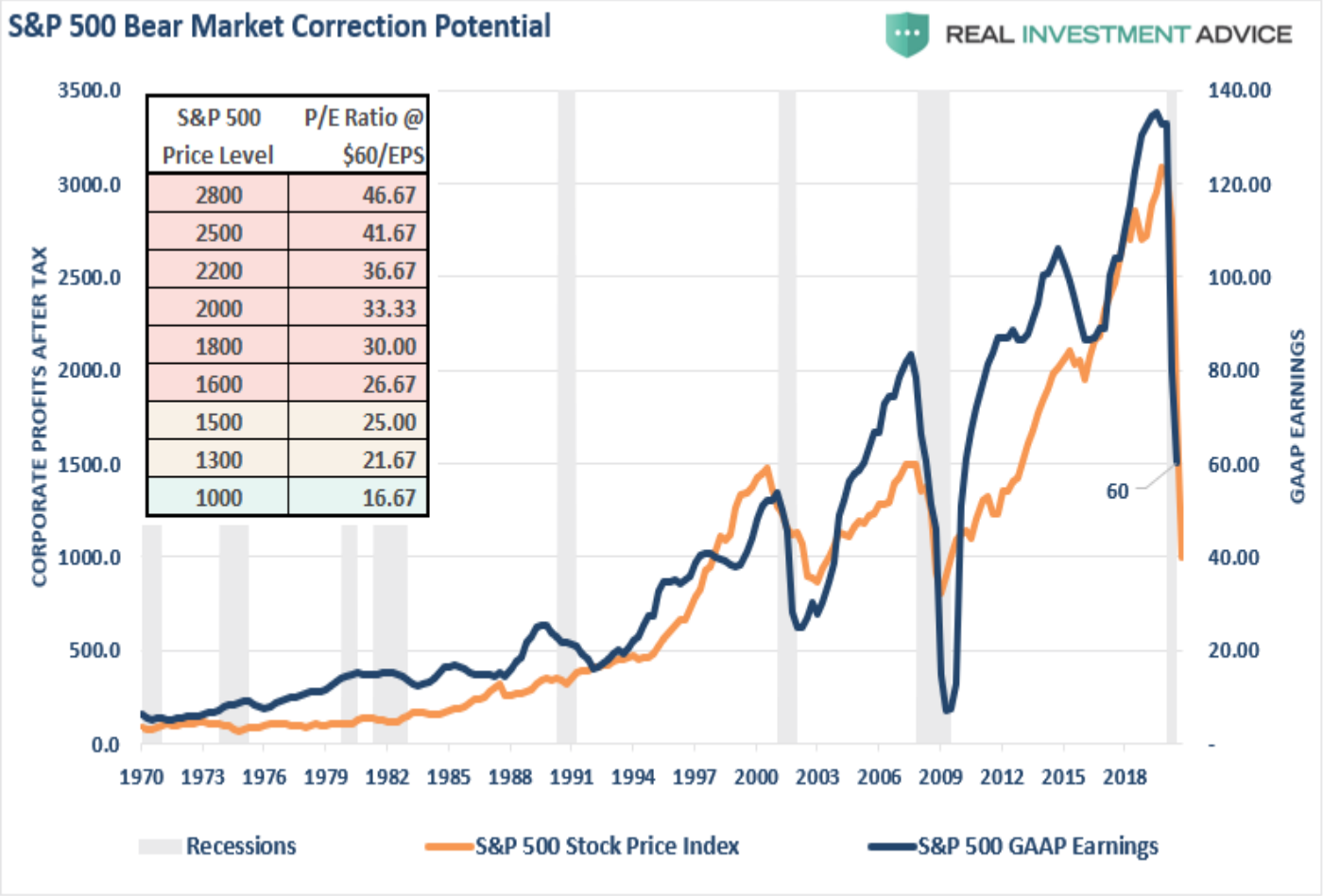
economic prosperity slowly fade. *The stock market is not the economy. It is a distortion of economics.*

The Bear Case Is Still Valid

As my colleague Doug Kass pointed out on Friday:

> *Yesterday provided at least five reasons for the markets to decline:*
>
> 1. *Federal Reserve Chairman Powell delivered a cautionary economic message for not only this year but for several years to come.* ***To me, this renders the rosy EPS projections of the consensus, and many high-profile strategists (like my friends Dave Kostin and Thomas Lee) are unrealistic.***
> 2. ***There was mounting evidence that Covid-19 is still not tamed.***
> 3. *Wells Fargo CFO John Shrewsberry said* ***second-quarter loan loss reserves would be higher than in 1Q-2020****.*
> 4. *The Robinhood traders' objects of affection, stocks of bankrupt companies, took a sudden dive.* ***Silly speculation is almost always evidence of a maturing bull market.***
> 5. *Technical signposts are flashing red:* ***Investor sentiment has increased as stock prices rose as a bull market in complacency has quickly unfolded from the depths of March****.* ***Market breadth has started to wane.***

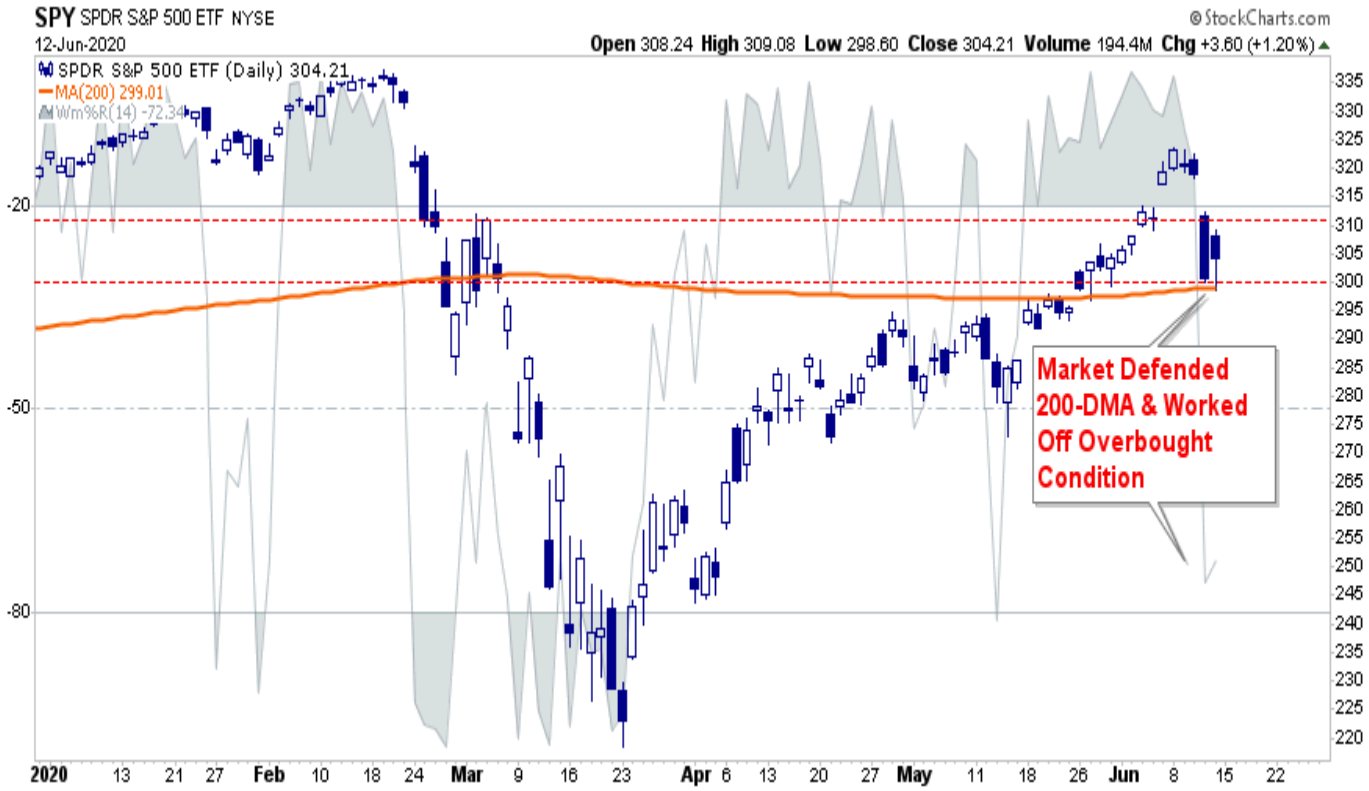
I agree with Doug and have been well ahead of the media in lowering forecasts. As ***noted previously:*** *"Given the horrific data we now have coming in, we already know our previous estimates of $100/share were too high. A more realistic, and still overly optimistic 50-60% decline in earnings, makes current valuations even more challenging to support. (Using the chart and table below, you can pick your price and valuation level.) "*



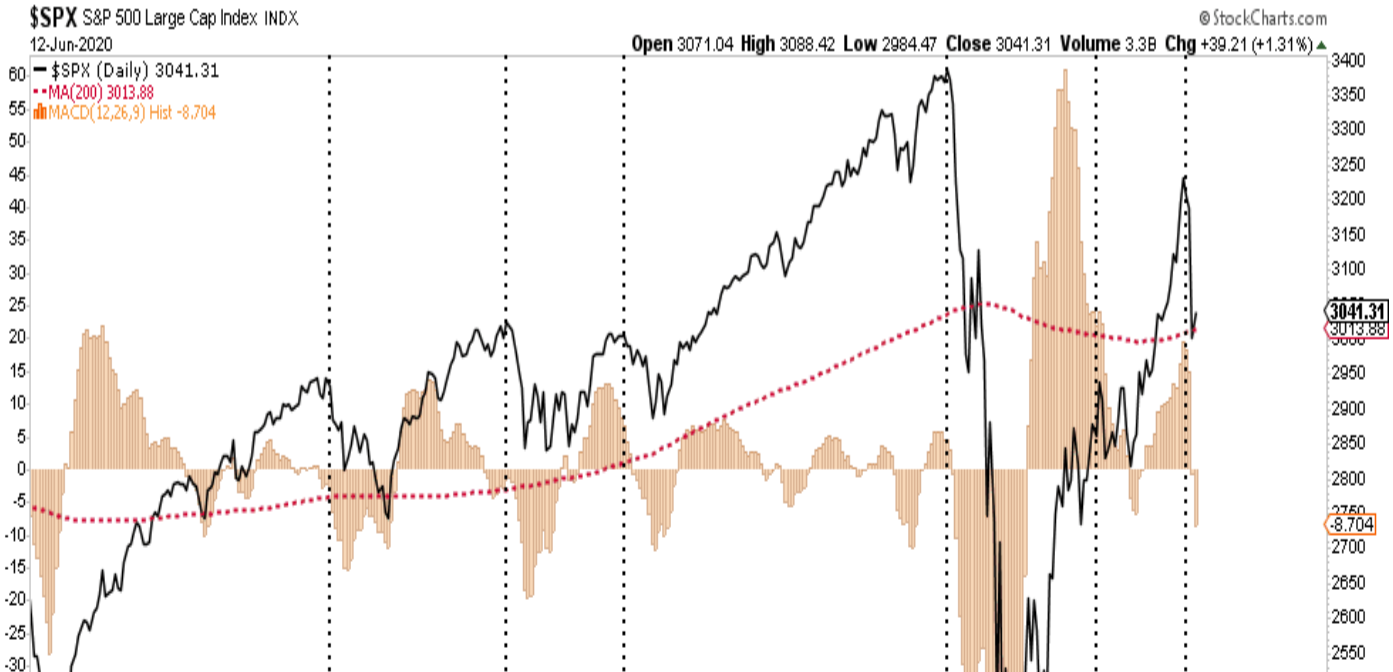
What is essential to understand is that while Fed liquidity is currently fueling a *"bull market,"* **the *"bear case"* still has teeth.** Eventually, the market will fill the gap between *"fantasy"* and *"reality."*

Technical Review Remains Bullish

In the short-term, however, the technical backdrop of the market remains bullish. The market had gotten overheated over the last couple of weeks, but the correction successfully retested the 200-dma. Such establishes important support. Concurrently, the correction reversed most of the more extreme overbought conditions.



However, if we slow our analysis down a bit, we find that the current sell signal remains intact. Such suggests the market could still experience further corrective or consolidative actions over the next couple of weeks or months.



The short-term technical structure remains bullish and overbought currently. However, the longer-term fundamentals remain worrisome in light of the economic devastation. While the Fed's monetary policies mitigated much of the downside risk, it can not be removed entirely. **As experienced on Thursday, *"reversions happen fast."***

Portfolio Positioning For An Overbought Market

As I noted last week:

> *"With 'coronavirus cases' likely to rise sharply following Memorial Day celebrations and recent crowded protests, the risk of disappointment has risen.* ***Such has been an exceptionally rally. All of our equity positions are now extremely stretched and overbought. Conversely, all of our hedges VERY oversold."***

That reversion happened this past week, with our hedges of Treasury bonds and the U.S. dollar offsetting the decline in our longs on Thursday. We did use the secondary retest of the 200-dma on Friday to add some *"Pandemic exposure"* stocks back to our portfolio. As we detailed to our ***RIAPRO subscribers (30-day Risk-Free Trial).***

> *"After the market dropped over 5% yesterday and successfully tested the 200-day moving average, we made slight additions to the portfolios. The positions are small, and we remain vigilant to potentially more downside as the S&P 500 sits on top of its 200-day moving average.* ***Equity Portfolio Buys***
>
> - *CMCSA ? Initiate 1% position*
> - *CSCO ? Initiate 1% position*
>
> ***ETF Portfolio Buys***
>
> - *XLE ? Add 1% to bring total to 2%*
> - *XLP ? Add 1% to bring total to 5.5%*
>
> *We continue to hold our TLT and UUP positions for now as a hedge."*

As discussed over the last several weeks, we have slowly added equity exposure in areas we like. However, we focus on dividend yield, and continue to hedge increases in equity risk with offsetting hedges. We also still carry a higher than normal level of cash. **This is a very risky market. Caution is advised.**

RIA Pro
Get the latest trades, analysis, and insights from the RIA Pro team.
› Sign up now

The MacroView

#MacroView: The Great Divide Between Stocks & The Economy

Written by Lance Roberts | Jun 12, 2020

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

>> 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

SPY RISK INFO — ZACKS — REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	9.07%	5.49%	(5.48%)	(199.97%)
Max Drawdown	-35.63%	-35.63%	-35.63%	0.00%
Sharpe	0.26	0.34	(0.25)	(1.73)
Sortino	0.27	0.40	(0.29)	(1.74)
Volatility	25.27	32.28	46.47	0.44
Daily VaR-5%	(31.67)	(39.80)	(86.99)	1.19
Mnthly VaR-5%	(22.70)	(21.89)	(64.28)	1.94

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.80%	1.95%	1.83%	(6.47%)	2.20%	1.67%	(16.78%)	9.16%
P/E Ratio	20.75	18.08	19.58	7.66%	2099%	1596%	(6.7%)	22.70%
P/S Ratio	3.40	3.14	3.27	4.03%	3.62	2.64	(9.68%)	23.85%
P/B Ratio	3.90	3.79	4.16	8.86%	4.34	2.99	(4.17%)	38.99%
ROE	16.68%	18.69%	18.03%	(3.67%)	18.82%	15.05%	(4.23%)	19.78%
ROA	3.12%	3.52%	3.38%	(4.33%)	3.53%	2.81%	(4.37%)	20.08%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	2,359.5	2,261.2	(4.17%)
Sales	62,712	63,600	1.42%
SPS	26.6	28.1	5.83%
Earnings	9,494	9,109	(4.06%)
EPS TTM	4.8	4.7	(2.44%)
Dividend	1.6	1.7	4.81%

S&P 500 Asset Allocation

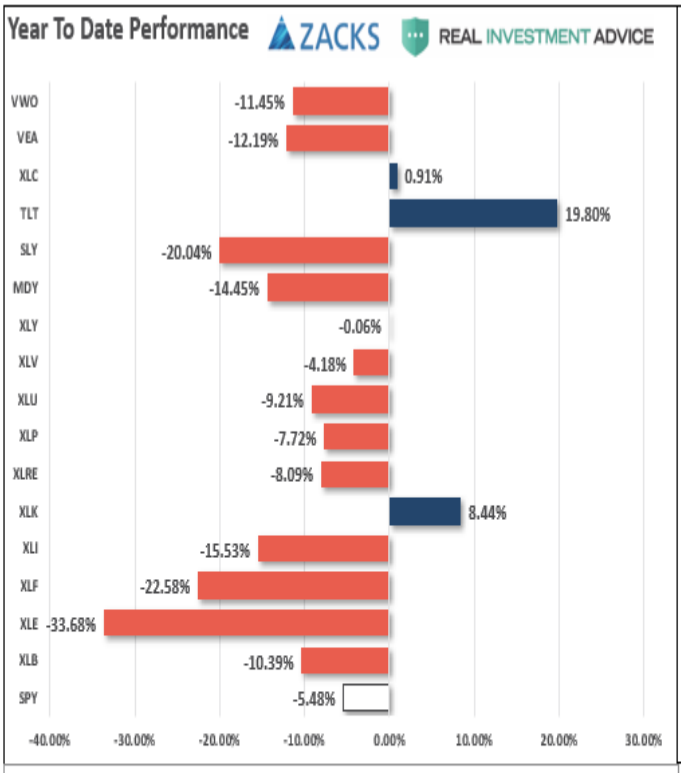
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(32.68%)	3.07%	1.78	15.22	124.10	11.36	(87.7%)	6.1%	5.7%	6.44%	0.03	1,327.57
Materials	(17.59%)	2.54%	1.32	18.31	22.97	13.86	(20.3%)	8.4%	2.4%	5.37%	2.90	21.02
Industrials	(12.54%)	8.14%	1.10	16.22	22.17	14.61	(26.9%)	18.7%	1.9%	6.06%	2.87	23.87
Discretionary	11.63%	10.64%	1.26	29.22	28.74	20.43	1.7%	23.7%	1.0%	3.36%	3.06	38.23
Staples	(0.98%)	6.87%	0.58	19.64	22.83	17.62	(14.0%)	28.8%	2.9%	5.03%	3.81	20.23
Health Care	6.44%	14.48%	0.80	16.58	19.84	15.03	(16.4%)	30.4%	1.8%	5.95%	6.50	17.20
Financials	(11.39%)	10.71%	1.31	11.97	18.50	10.53	(35.3%)	9.9%	2.6%	8.28%	4.18	14.39
Technology	30.52%	26.59%	1.09	26.20	25.82	14.48	1.5%	42.0%	1.2%	3.77%	5.44	24.45
Telecom	16.64%	10.82%	0.93	22.32	27.01	17.61	(17.4%)	16.5%	0.9%	4.44%	5.77	22.36
Utilities	(1.81%)	3.16%	0.49	18.46	22.10	15.58	(16.5%)	10.7%	3.5%	5.30%	3.75	18.06
Real Estate	(4.59%)	2.87%	0.93	19.28	21.41	16.91	(9.9%)	9.2%	3.4%	5.19%	4.07	19.60

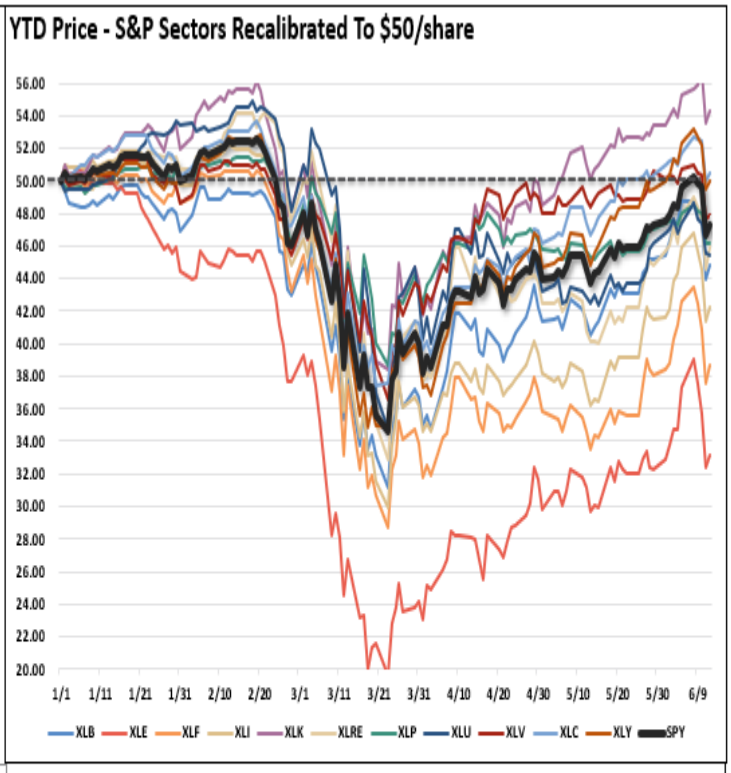
Momentum Analysis

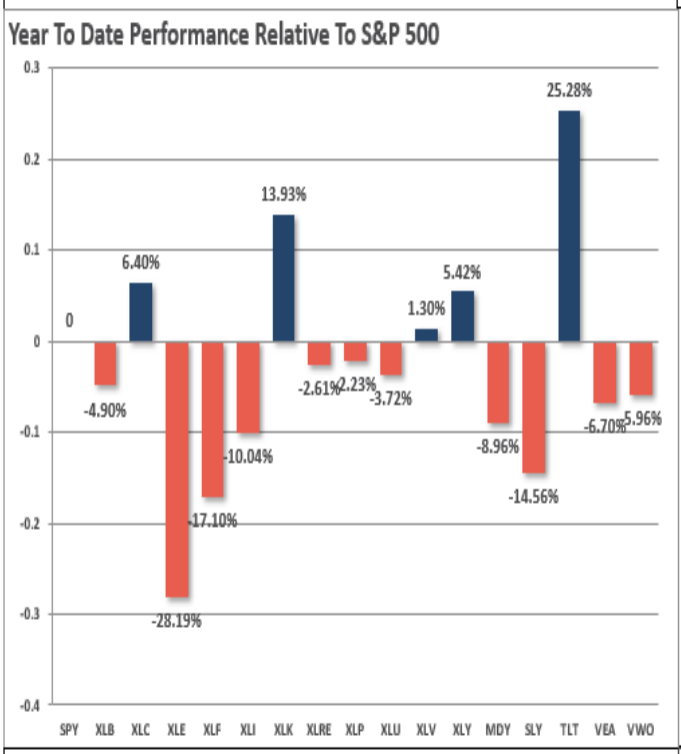
Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	304.21	22.57%	291.37	36	4.41%	301.71	1	0.83%	(3.43%)	(10.28%)	39.38%	Sell
Mid Cap	321.15	32.11%	301.55	35	6.50%	337.68	6	(4.89%)	(10.70%)	(16.47%)	49.92%	Sell
Small Cap	57.93	31.21%	54.21	21	6.86%	63.71	6	(9.07%)	(14.91%)	(21.96%)	42.05%	Sell

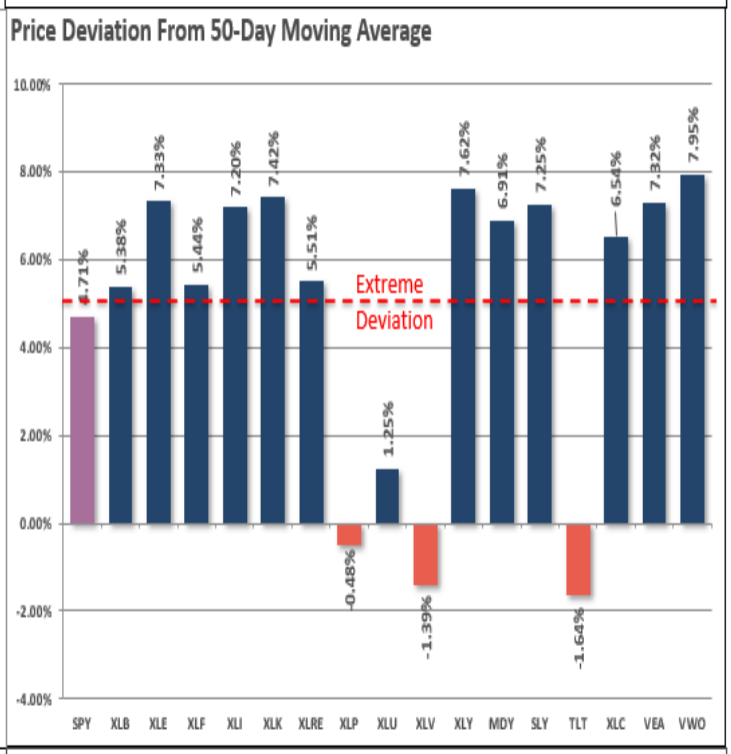
Performance Analysis

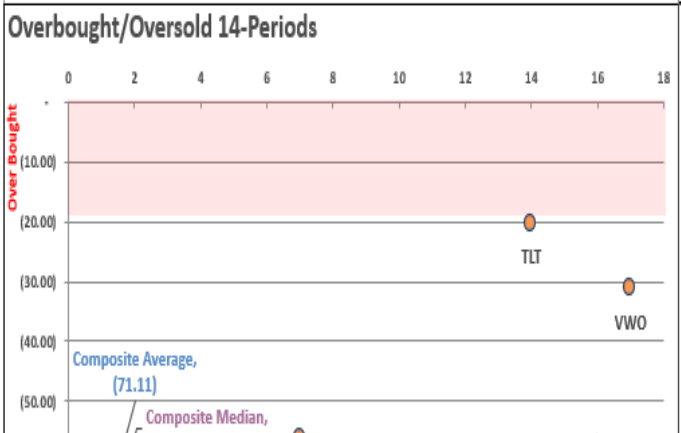
Note: The last time every sector and market was this overbought was the ***second week of April 2020,*** which led to a roughly 4% correction in stocks over the next two weeks.

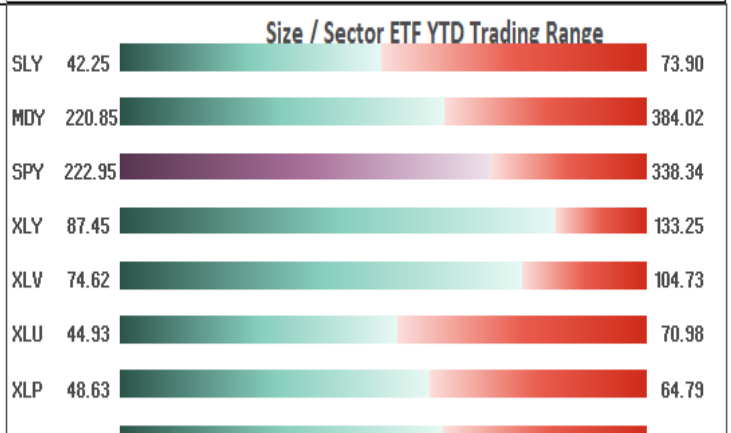




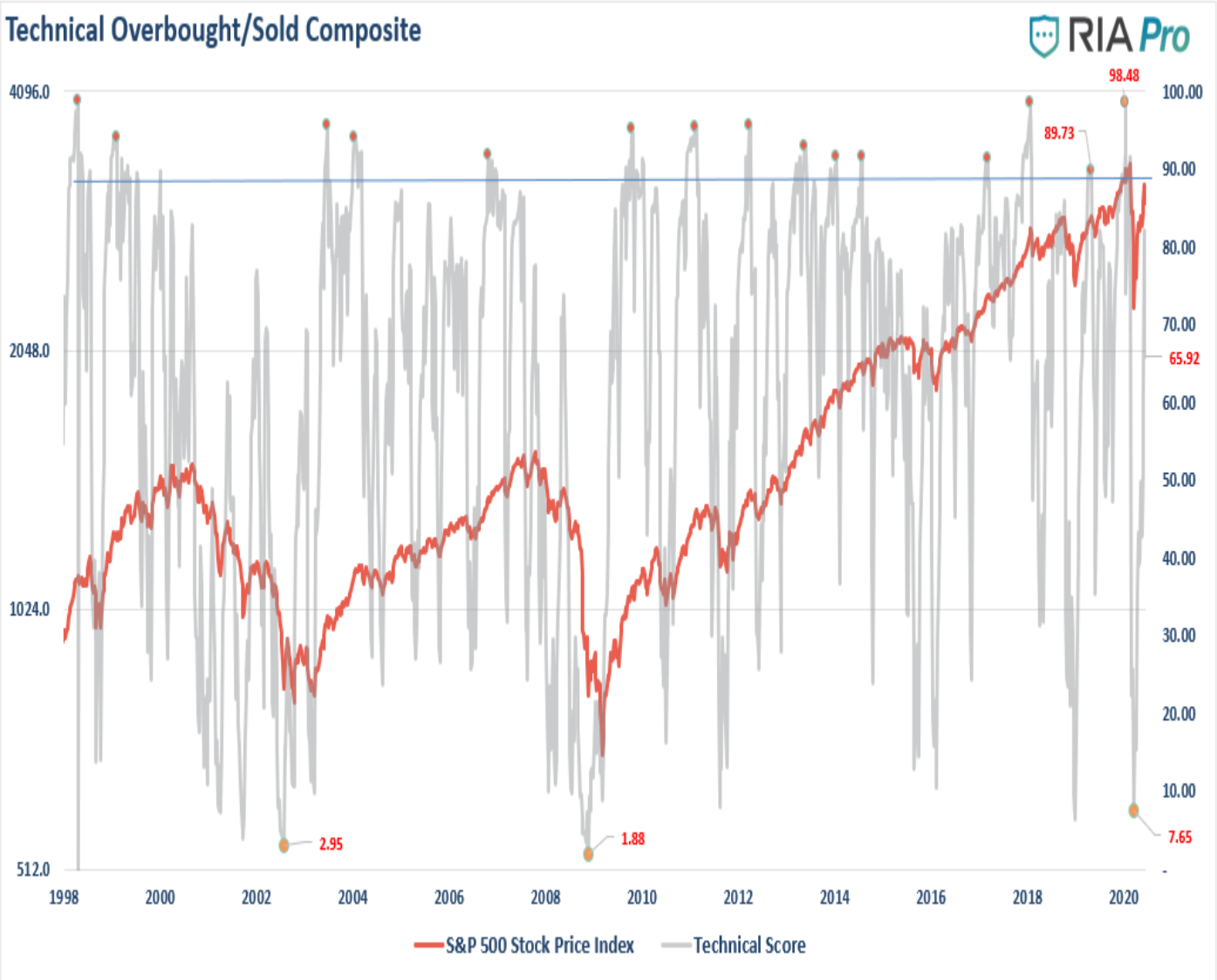








Technical Composite



Sector Model Analysis & Risk Ranges

How To Read.

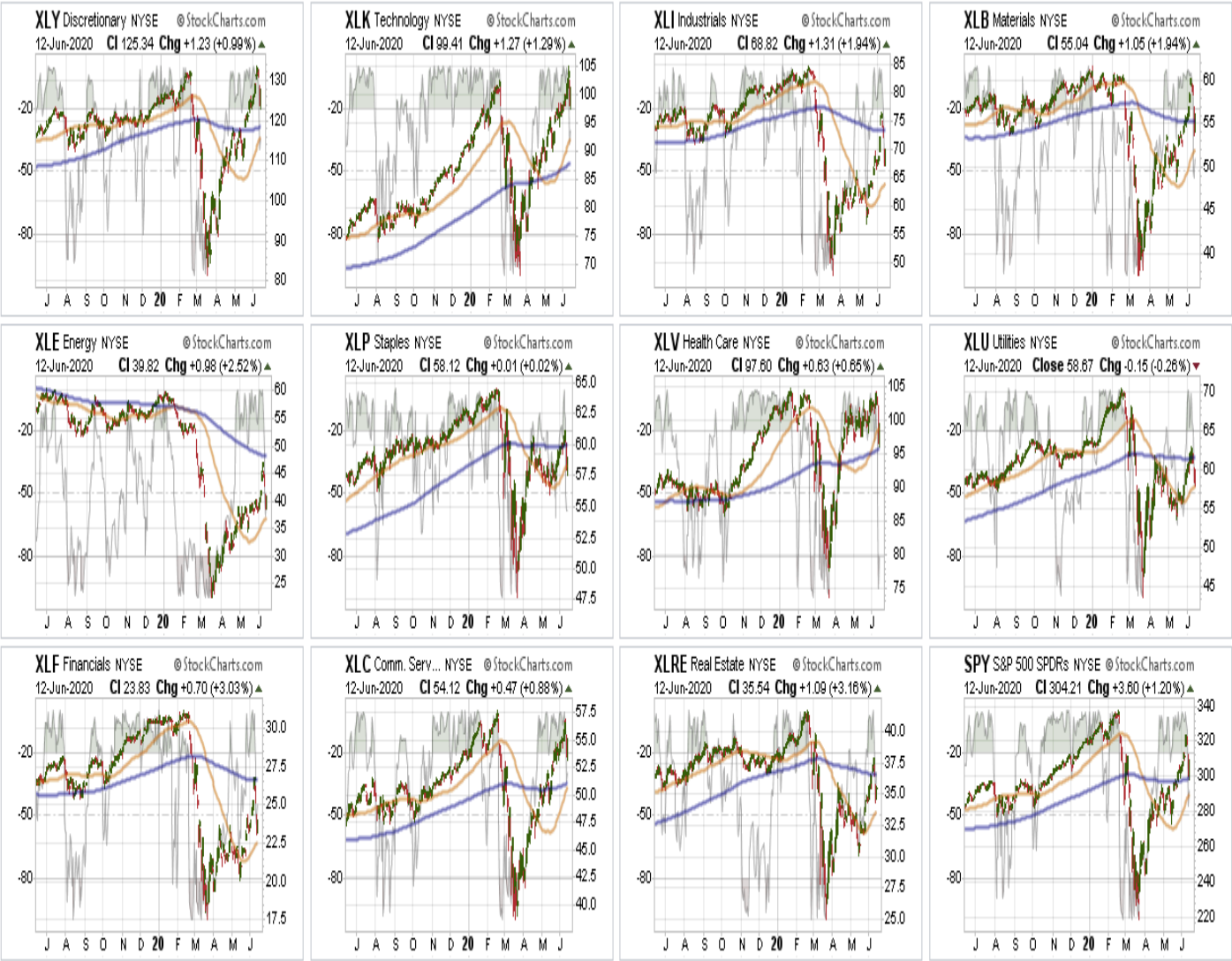
- *Each sector and market is compared to the S&P 500 index in terms of relative performance.*
- *The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing 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	305.36	(4.72)	6.34	32.10	(5.83)	4.84	282.01	303.91	305.18	1.00	312.81	297.55	8%	0%	SELL
XLB	SPDR-MATLS SELS	55.04	(3.29)	1.86	3.20	(4.18)	(9.73)	50.24	55.57	55.45	1.15	57.47	53.43	10%	-1%	SELL
XLC	SPDR-COMM SV SS	54.12	2.21	(0.74)	2.46	5.88	7.62	48.99	51.53	54.02	0.96	55.89	52.15	10%	5%	SELL
XLE	SPDR-EGY SELS	39.82	(6.48)	4.30	21.88	(29.61)	(39.58)	35.03	48.12	38.76	1.67	40.37	37.15	14%	-17%	SELL
XLF	SPDR-FINL SELS	23.83	(4.47)	6.87	(6.08)	(16.73)	(17.36)	22.06	26.75	23.41	1.17	24.27	22.55	8%	-11%	SELL
XLK	SPDR-TECH SELS	99.41	2.75	0.02	7.09	13.99	25.79	89.14	90.33	97.97	1.04	101.44	94.50	12%	10%	SELL

Sector & Market Analysis:

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

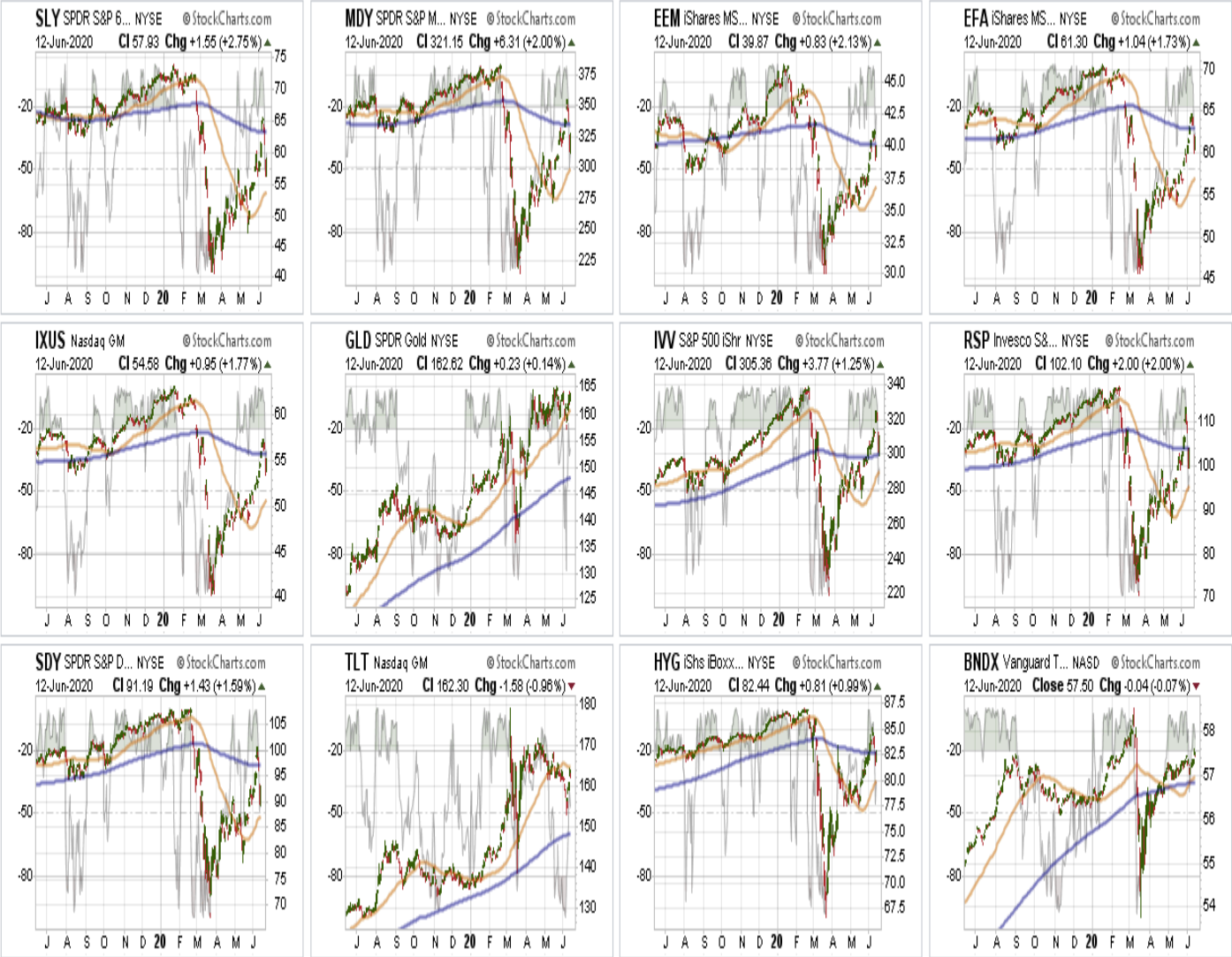
Sector-by-Sector



Improving ? Materials (XLB), Industrials (XLI), and Energy (XLE) While Industrials moved into the improving category, performance overall remains concerning with a failure at the 200-dma. Materials and Energy also corrected this past week. We had previously reduced our exposure to XLE this past Monday and added back to our holdings on Friday as it held support. We recommend profit-taking last week, which worked well. ***Current Positions: XLE*** **Outperforming ? Discretionary (XLY), and Communications (XLC)** Discretionary, which had gotten very extended, pulled back on Friday. The sector is still very overbought, so more correction is possible. We suggested profit-taking in positions last week. The same goes for Communications, which has also had a major rise and is extremely overbought and deviated from long-term trends. **Current Positions: *XLC* Weakening ? Technology (XLK), Healthcare (XLV), and Staples (XLP),** Previously, we added to our core defensive positions Healthcare, Staples, and Technology. We continue to hold these sectors but recommended taking profits and looking for pullbacks to increase exposure. We added to XLP on Friday. **Current Position: XLK, XLV, & XLP Lagging ? Utilities (XLU), Financials (XLF), and Real Estate (XLRE)** As with the rest of the market, the flush on Thursday took everything down with it. Financials continued to underperform the market

and took a big hit. We had recommended taking profits last week. Our defensive positioning in Real Estate and Utilities has lagged but remains part of the *"risk-off"* rotation trade. We see early signs of improvement, suggesting it is the right place to be. If it turns up meaningfully, we will add to our current holdings. **Current Position: XLRE, XLU**

Market By Market



Small-Cap (SLY) and Mid Cap (MDY) ? We stated last week that both of these markets were extremely overbought and susceptible to a pullback. That came with a vengeance on Thursday, with both markets violating important support. We maintain no holdings currently. **Current Position: None Emerging, International (EEM) & Total International Markets (EFA)** Same as Small-cap and Mid-cap. As noted last week, ***"There was a brief rotation rally last week, which will likely fail in the next week*** *or so. Continue to avoid these markets for now."* That rally appears complete for now. We will watch what happens next week. **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 currently using SPY as a *"Rental Trade,"* so we will opportunistically take on bulk exposure for trading purposes. **Current Position: *None* Gold (GLD)** ? Previously, we previously added additional exposure to IAU and currently remain comfortable with our exposure. We are also maintaining our Dollar (UUP) position. **Current Position: *IAU, UUP* Bonds (TLT) ?** As we have been increasing our *"equity*" exposure in portfolios, we have added more to our holding in TLT to improve our *"risk"* hedge in portfolios. Bonds had a stellar week during the market decline and provided a substantial hedge to our portfolios. We continue to remain comfortable with our positioning for now. **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	Declining	Negative	Neutral	No Position					X	No Position
XLK	Technology	Declining	Negative	Neutral	Hold			X			Hold
XLI	Industrials	Declining	Negative	Negative	No Position					X	No Position
XLB	Materials	Declining	Negative	Neutral	No Position					X	No Position
XLE	Energy	Declining	Negative	Negative	Added		X				Added To Holdings
XLP	Staples	Declining	Negative	Neutral	Added		X				Added To Holdings
XLV	Health Care	OS	Positive	Neutral	Hold			X			Hold
XLU	Utilities	Declining	Negative	Neutral	Hold			X			Hold
XLF	Financials	Declining	Negative	Negative	No Position					X	Avoid
XLC	Communications	Declining	Negative	Neutral	Hold			X			Hold
XLRE	Real Estate	Declining	Negative	Negative	Hold			X			Hold
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	Declining	Negative	Negative	No Position					X	No Holdings
EFA	International	Declining	Negative	Negative	No Position					X	No Holdings
IXUS	Total International	Declining	Negative	Negative	No Position					X	No Holdings
GLD	Gold	OB	Positive	Positive	Hold			X			Hold
RSP	SP500 Equal Wgt	Declining	Negative	Neutral	Hold			X			Hold
SDY	SP500 Dividend	Declining	Negative	Neutral	Hold			X			Hold
IVV	SP500 Market Wgt	Declining	Negative	Neutral	Hold			X			Hold
TLT	20+ Yr. Bond	Rising	Positive	Positive	Hold			X			Hold
HYG	Corporate High Yield	Declining	Negative	Neutral	No Position					X	Holding 50-DMA
BNDX	Int'l Bond Aggregrate	OB	Positive	Neutral	No Position					X	Broke Above 50 & 200-DMA

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

Portfolio / Client Update

On Thursday and Friday, the market completely reversed all of its gains of the past two weeks. We had noted last week, a reversal to the 200-dma was likely. Not surprisingly, we were getting a lot of phone calls questioning our portfolio hedge in TLT, which was lagging as the market rallied. The surge in TLT during the vicious decline last week was a solid reminder of why we hedge. Risk is what happens when things go wrong. As noted last week, I am willing to "lose a battle" short-term, to the "win the war" longer-term. After all, it is YOUR money we are putting at risk, and we take that responsibility very seriously.

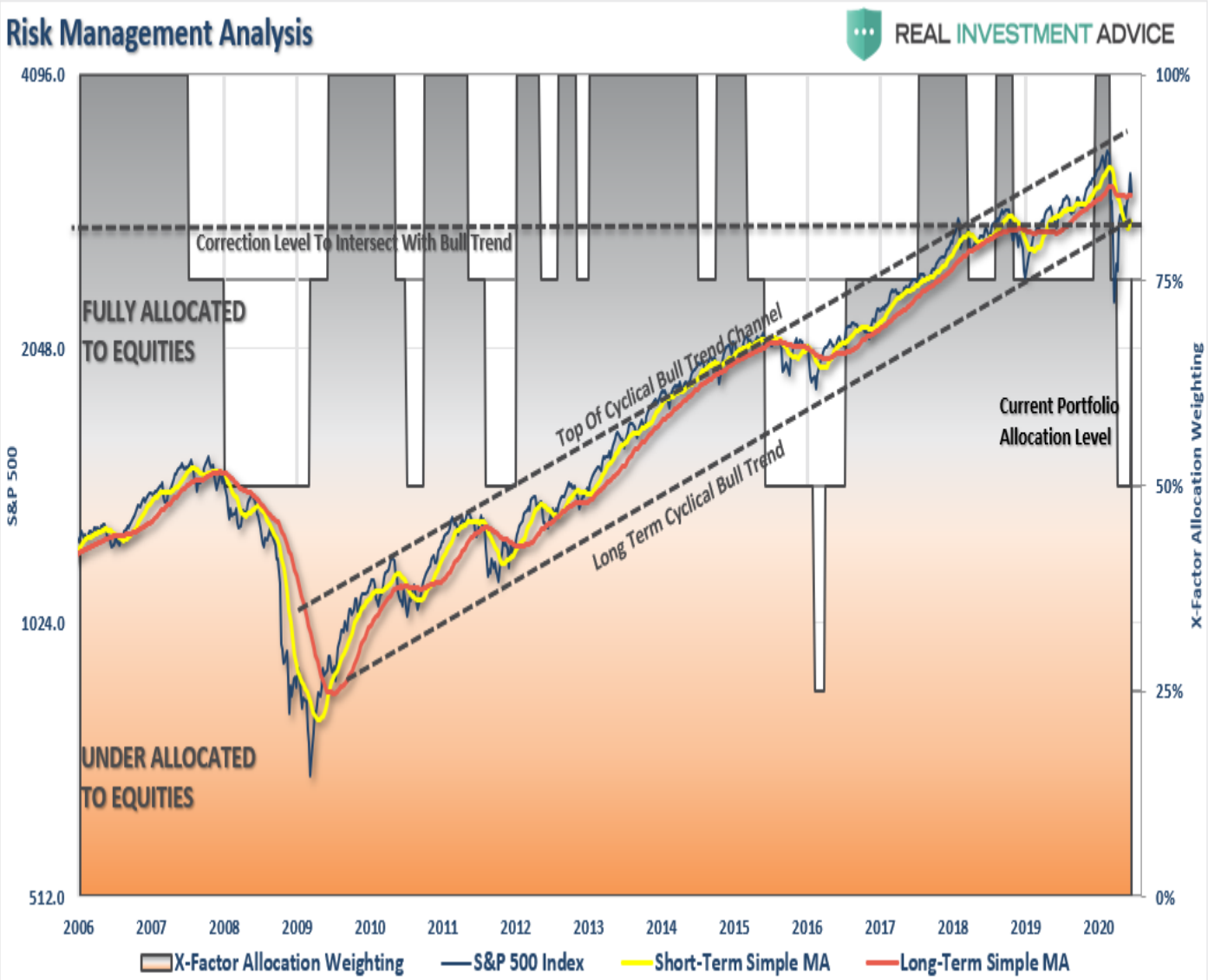
Changes

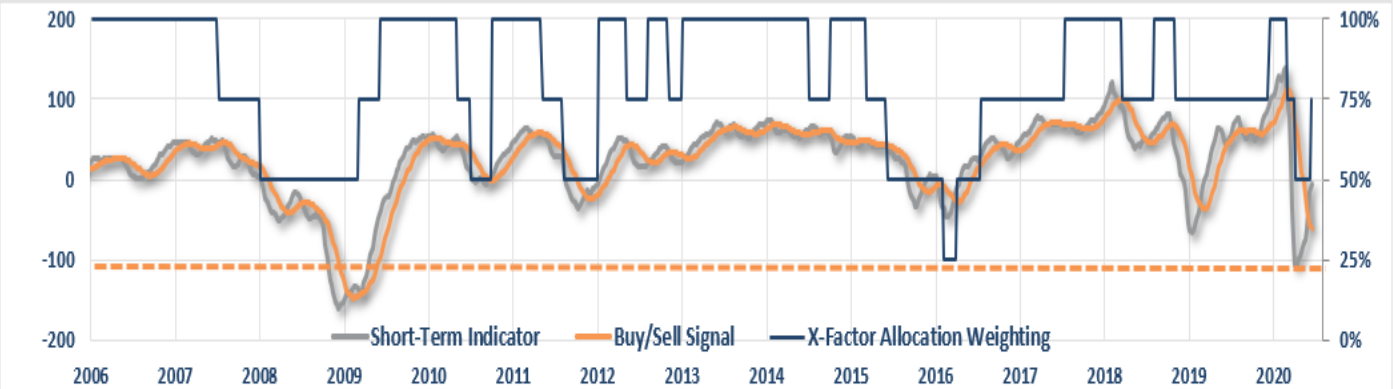
On Friday, we used the pullback in the market, which held support at the 200-dma to add some exposure back to our portfolios after taking profits in Energy early in the week. In the **EQUITY portfolio,** we are adding back to our *"Work At Home"* plays as the risk of a secondary infection starts to rise. We added small holdings to both CSCO and CMCSA, which we will add to as they

perform. In the **ETF portfolio,** we added to XLE and XLP to bring exposures up as well. We continue to hold our hedges for now as both UUP and TLT have begun to rally from deeply oversold conditions. 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 Roberts CIO*

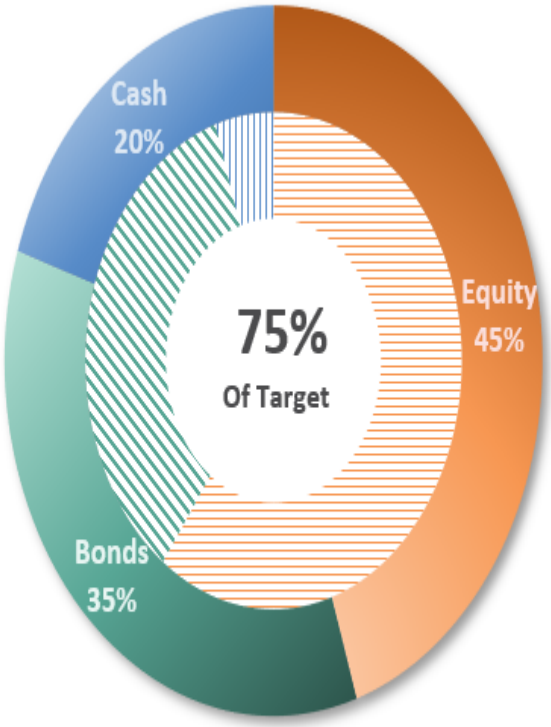
THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors





Current Portfolio Weighting



Current 401k Allocation Model

20.00% **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

45.00% **Equity (Stocks)**

The vast majority of funds track an index.
Therefore, select on ONE fund from each category.
Keep it Simple.

20% Equity Income, Balanced or Conservative Allocation
25% Large Cap Growth (S&P 500 Index)
0% International Large Cap Dividend
0% Mid Cap Growth

Portfolio Instructions:

Allocation Level To Equities	Recommendation	When To Take Action
Less Than Target Allocation	Increase Exposure To 75%	Increase Exposure
Equal To Target Allocation	Hold Exposure At 75%	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

Commentary

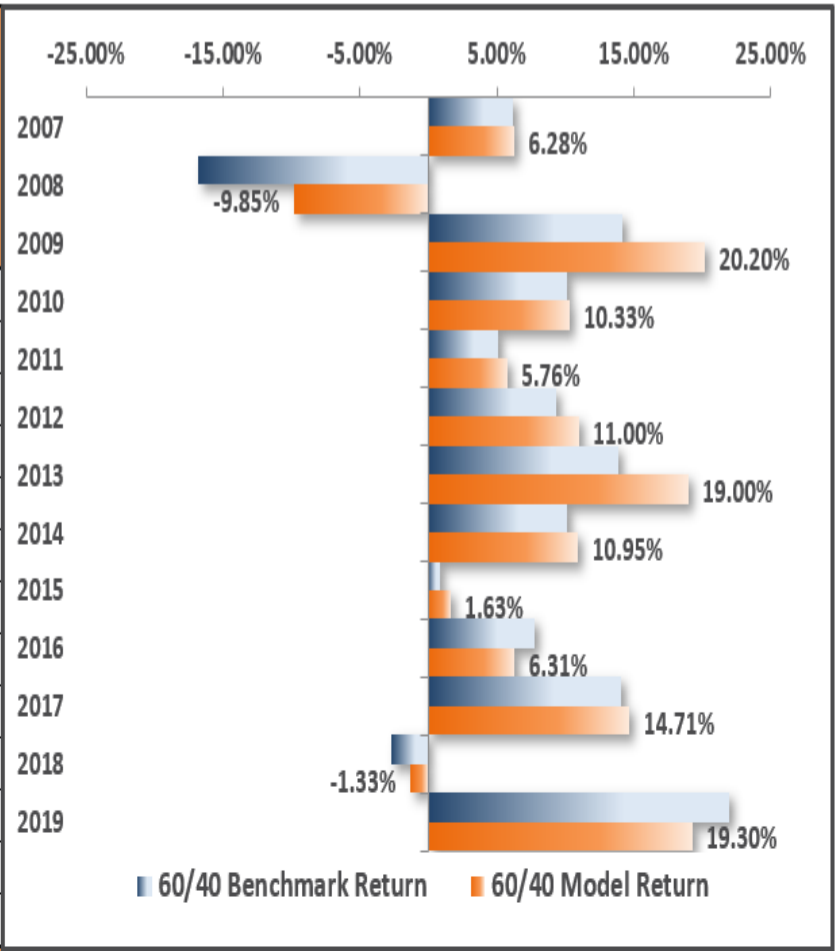
As I stated last week: "The market broke above the 200-dma but remains very overbought. Despite an economy on the verge of a recession, markets are now back into bull mode. We need to see the market hold the break above the 200-dma and work off some of the extreme overbought."

That correction happened on Thursday and Friday and the market did hold the 200-dma. We can now more reasonably increase risk in the portfolio. Increase target allocations to 75% of whatever your total target equity allocation is. ***(In a 60/40 equity model, 75% of 60% total targeted equity, is 45% as noted above)***

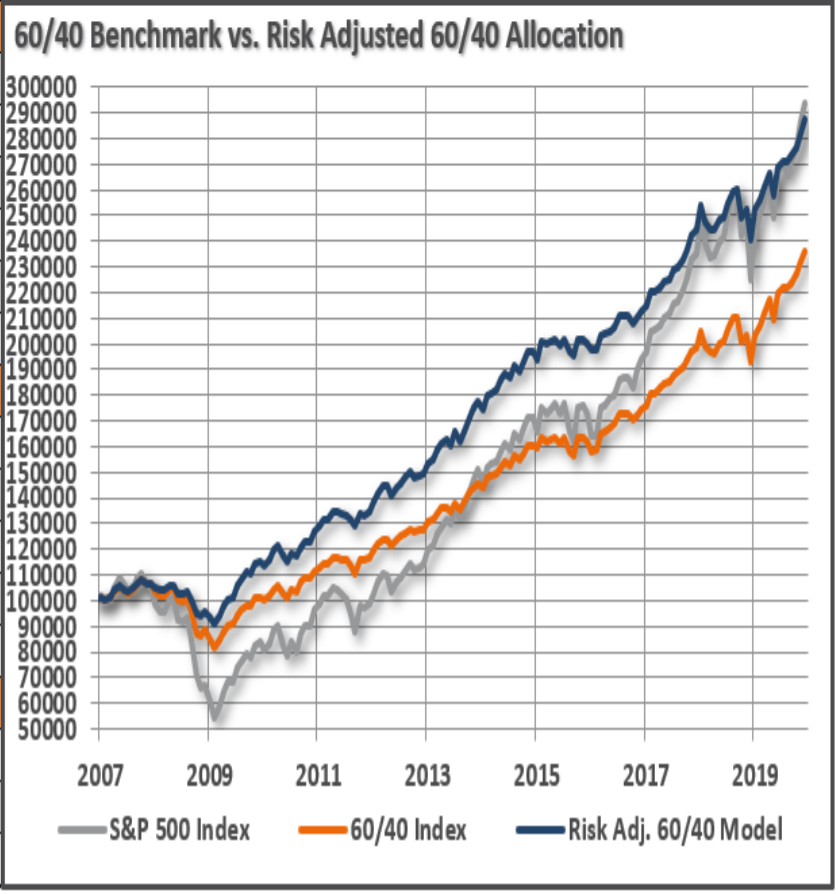
If you need help after reading the alert; do not hesitate to **contact me**

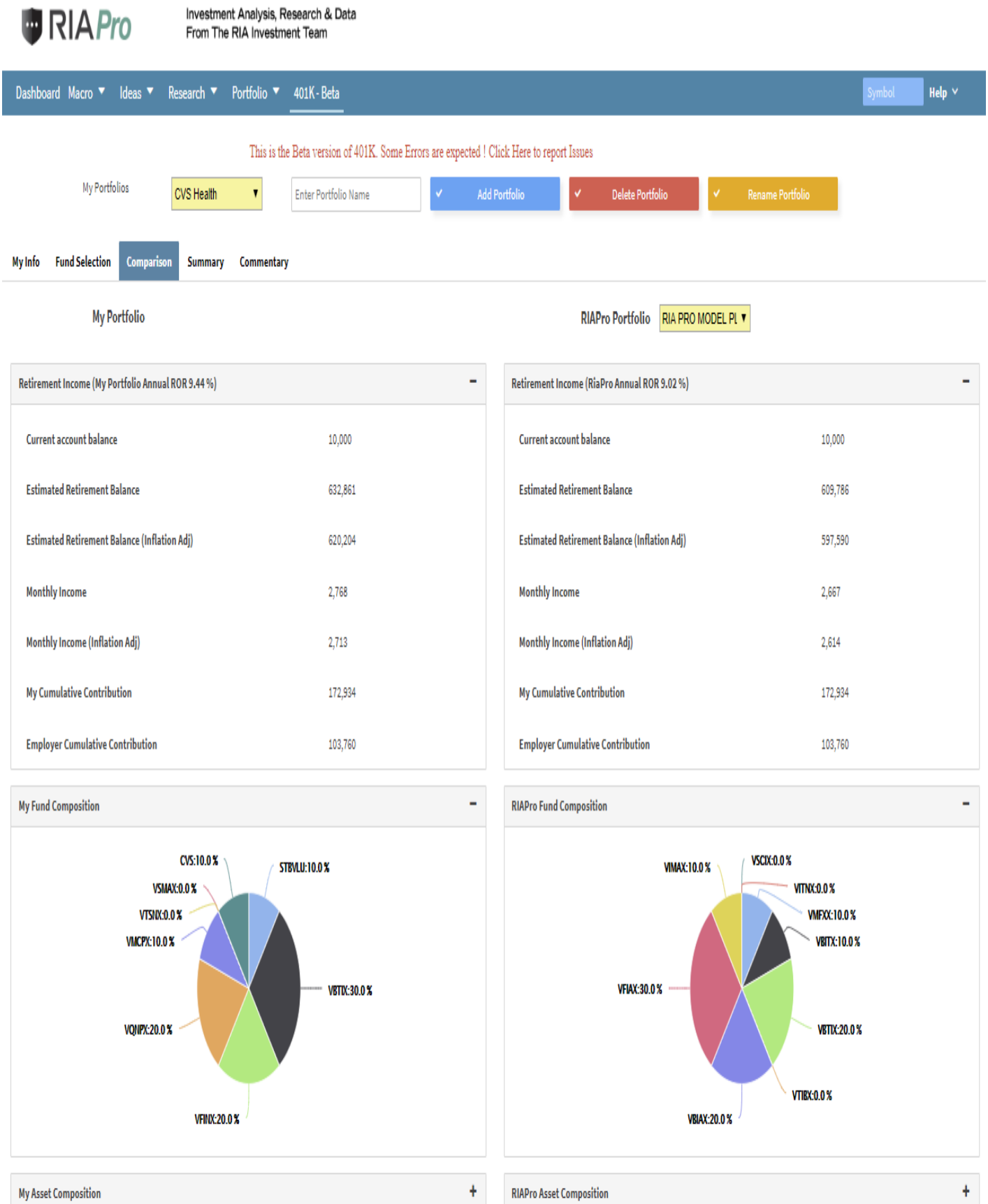
Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only and should not be relied on for any reason. Past performance is not a guarantee of future results. Use at your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