

# Market Finally Cracks

## Is The Bull Market

## Rally Over?



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*In this issue of "Market Finally Cracks. Is The Bull Market Rally Over?"*

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## Upcoming Event ? CANDID COFFEE

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

September 12th from 8-9 am

Please send your questions, and Rich and Danny will answer them live.




**Candid Coffee**

## What's brewing in your finances?

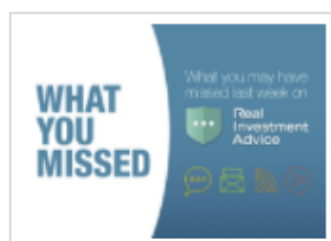
Join **Richard Rosso** and **Danny Ratliff** for Candid Coffee—an open forum to address the real story—what you need to know about money, retirement, risk-management, and how to protect your household against financial vulnerability in a post-COVID world.

Send your questions to [questions@realinvestmentadvice.com](mailto:questions@realinvestmentadvice.com).

Sign up here for this can't-miss, hour-long GO TO MEETING event on 9/12 from 8-9am. [> REGISTER NOW](#)



## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 09-04-20

Written by Lance Roberts | Sep 4, 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 Finally Cracks

Over the last few weeks, we have discussed that while the markets were continuing their seemingly "*unstoppable*" advance, there were many "*technical extremes*" reached. Here is the problem with watching media headlines rather than paying attention to what is happening in the underlying market. On Wednesday was this headline:

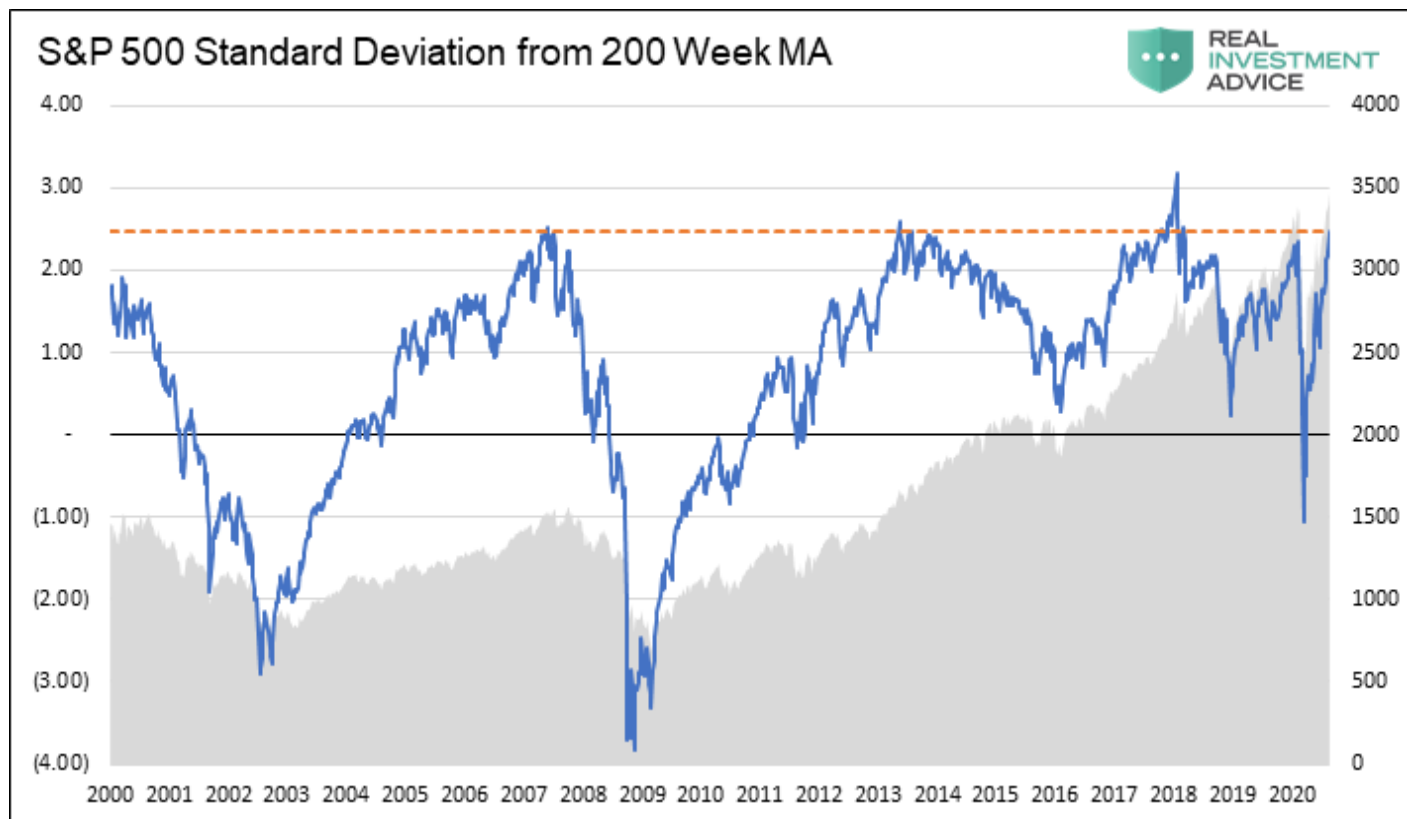
## S&P 500 Rallies to Close Out Best Day in Almost Two Months

On Thursday, it was this:

## Stocks Fall the Most Since June; Dow Down 865 Points, Nasdaq Off 5%

Thursday was not a surprise, As noted in "[Winter Is Coming:](#)"

"The market is currently at historic market extremes. I explained this concept in much [more detail in today's #Macroview](#). However, the most critical point of that article was the extreme deviation from long-term means. As noted, trend lines and moving averages tend to act as 'gravity.' The further away the market moves from the trendline, the greater the pull becomes.



When markets are pushing extremes, it seems like it is a "no-lose" scenario for investors. It is at those moments when "selling high" becomes opportunistic, but is incredibly hard to do for the "Fear Of Missing Out (FOMO)". The question now? Was it a one day blip, or the start of a more significant correction process.

## Real Investment Report

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

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## Signs, Signs, Everywhere Signs

Over the last three weeks, we have been publishing "signs of exuberance," which have ranged from incredibly high options speculation to investor positioning. Some of these indicators are now at levels only seen in 1999. If you have 3-minutes, this video covers quite a few of the current indications which suggest risk continues to outweigh the reward.

(We publish "3-Minutes" Monday-Thursday. [Click here to subscribe to our YouTube](#) channel for email notification of all of our video postings and live-streams.)

<https://youtu.be/RqBQVPwdgwM> I shot that video Thursday morning before the market opened. So, did the Thursday/Friday selloff reverse the majority of those excesses back to levels where reward now outweighs the risk?



The short answer is **"no."** On every level, the market remains overbought and extremely extended from intermediate moving averages. A one or two-day correction will not reverse those levels back to a *"buying opportunity."* **However, there is currently a tremendous amount of "bullish sentiment" in the market, which may lead to several attempts at "dip buying" before a correction is complete, which we saw on Friday.** Was that the 5% correction we talked about last week?

***"None of this data means the market is about to crash. What it does mean, as discussed in [?Winter Approaches,?](#) is that a correction of 5-10% has become increasingly likely over the next few weeks to two months. While a 5-10% correction may not seem like much, it will feel much worse due to the high level of complacency by investors currently. All of the data suggests that [?Winter Is Coming.?](#) Therefore, this is why we are adding [?value?](#) to our portfolios to prepare for colder weather."***

Not surprisingly, the selloff on Thursday and Friday shocked a lot of inexperienced investors that thought it couldn't happen.

r/wallstreetbets · Posted by u/Commercial-Glass-625 10 hours ago

Am I doing this right?

Posted on TheDailyShot.com 04-Sep-2020 @SoberLook

Total Balance  
**\$6,225.32** **-\$5,682.66 (47.72%)**

Symbol	Day Gain \$	Day Gain %	Price	Chg
2020 441 Call (Weekly) 2	-2,533.81	-73.68%	4.52	-12
AAPL Sep 4 2020 133.75 Call (Weekly) 10	-1,235.00	-91.48%	0.114	-1.2
LMND Sep 18 2020 65 Call 4	-240.00	-53.33%	0.525	-0
AAPL Sep 18 2020 135 Call 2	-548.01	-58.54%	1.94	-2
RKT Oct 16 2020 29 Call 3	-1,411.88	-61.07%	3.00	-4
TSLA Sep 4 2020 433 Call (Weekly) 1	-1,630.31	-73.01%	6.02	-16

Dashboard Watch Lists Accounts Trade More

**Got crushed today!!!!!!!!!!**

Was long on too many tech stocks.  
When I checked my phone, **market** had crashed!

Now I can't play at all.  
Too late to go short.  
Too emotionally distressed to go long for reversal.

I'm out



**REAL INVESTMENT ADVICE**

Have more than \$500k invested?  
Get a better strategy than  
"buy and hold"

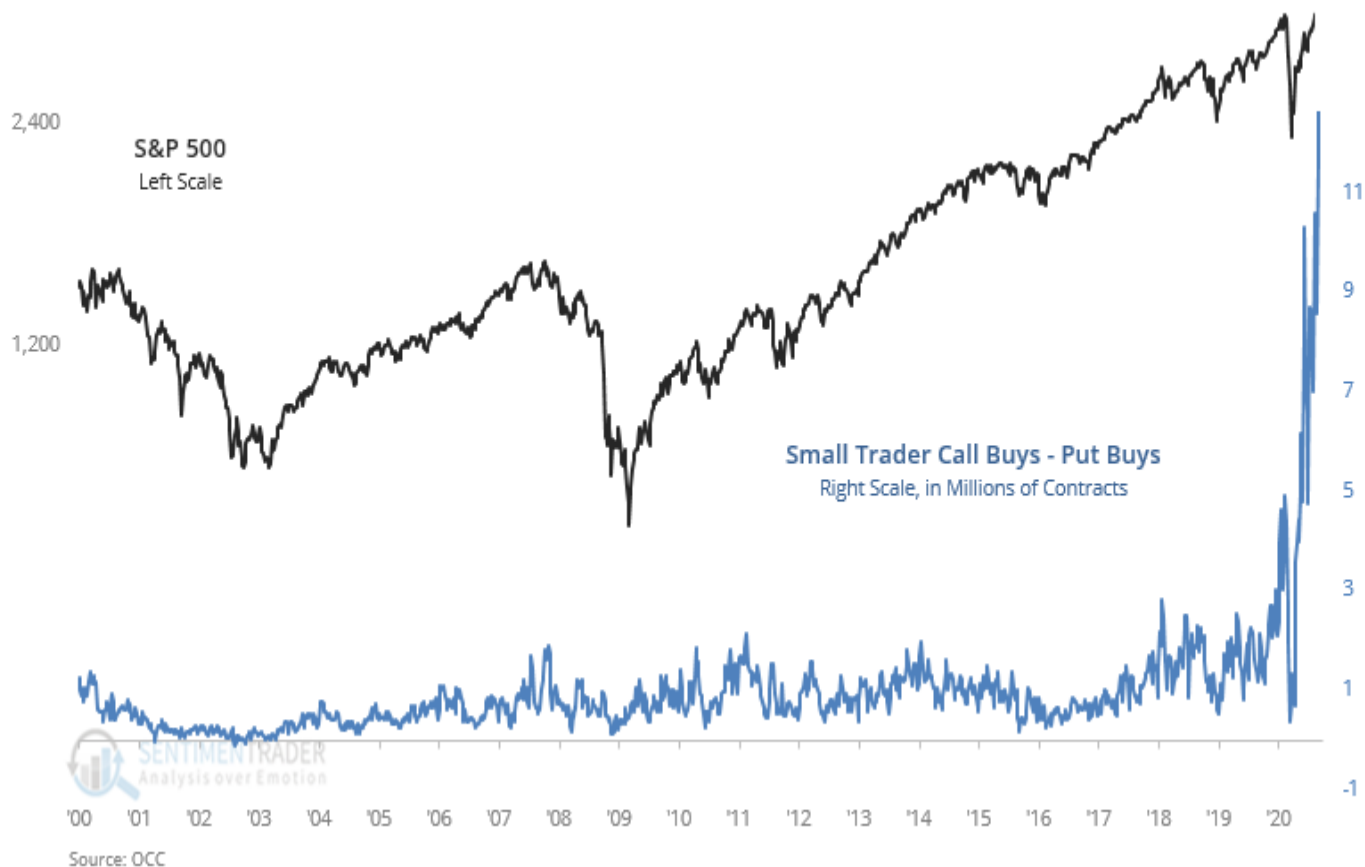
**MEET WITH AN RIA TEAM MEMBER TODAY**

## Momentum Is Hard To Kill

There is one crucial aspect of the market, which you should not dismiss - **"momentum" is extremely hard to kill.** Many "retail" investors will immediately view the selloff on Thursday and Friday, and the media, as a reason to pick up *"stocks on the cheap."* **The general bias in the**

**short-term is that you should buy every "dip," and for a brief period, they may indeed be proved right.** We can validate that view by looking at speculative call buyers, who, despite the pullback, increased their leveraged market bets. (Chart via [Sentiment Trader](#)) Furthermore, **this amount of speculation is historically unprecedented.** The eventual outcome when this all unwinds is obvious.

Still a massive amount of net speculation

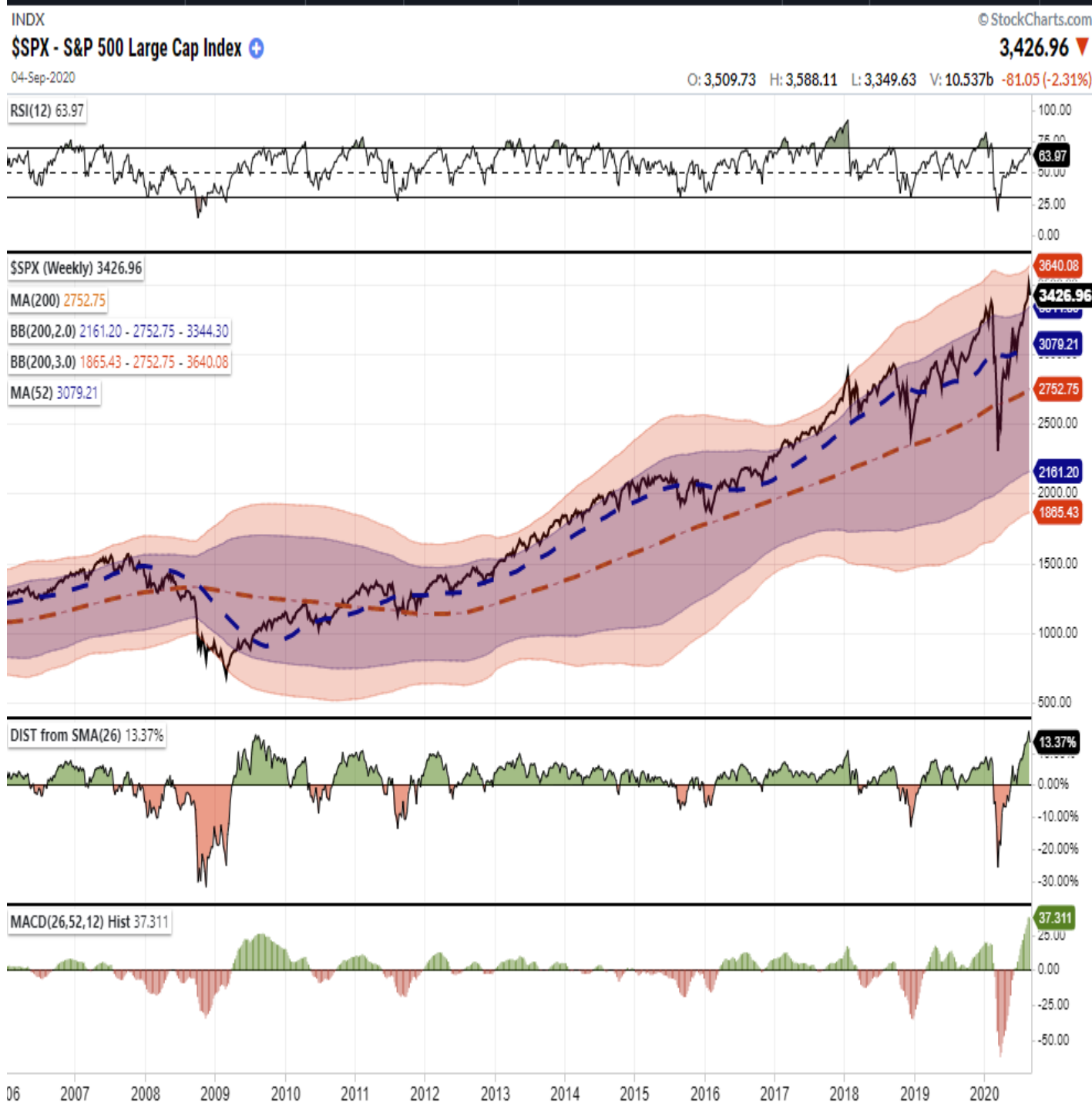


However, in the short-term, the market has pulled back to very short-term support. We suspect the pullback will entice a lot of the momentum buyers, and those who "missed out," to jump back in. **A sellable bounce next week, in lighter post-holiday trading, is very likely.**





Furthermore, as we noted previously in a "[Tale of Two Bull Markets](#)," the deviations longer-term are still problematic. The extensions are so large it will require several days to weeks of a correction to work off the extremes. **As shown, last week's decline is barely noticeable and did little to reverse the longer-term overbought conditions.**



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## Portfolio Positioning

Currently, we are trapped. In the longer-term, markets are overbought, overvalued, and extended against a backdrop of weakening economics, a potential political upheaval, and poor earnings outlooks. On the other hand, we have an exceedingly bullish market, extreme momentum, and a

shorter-term defined bullish uptrend. So what do you do? The same as do you with a "porcupine." **You deal with it very carefully.** On Friday, we used the early market lows to add to some of our technology positions that we had [discussed reducing recently](#):

***"Consequently, given the more extreme short-term overbought conditions and deviations, the risk of a short-term reversion has risen. Therefore, we spent this past week harvesting some of our gains (AAPL, MSFT, CRM, ADBE, AMZN) and planting a few seeds for our 'Fall' garden (VIAC & T) Importantly, this does not mean we sold everything and went to cash. We continue to maintain our equity exposure to the markets. We are just reducing risk by 'hedging around the edges,' adjusting our bond duration, and adding more 'defensive' names to our equity allocation."***

The additions on Friday are only moving us back to target weights in some of our holdings from being underweight before the correction. **Importantly, we remain "bullish" on the markets currently as momentum is still in play.** However, we also realize the tremendous amount of risk that remains due to overvaluations, extensions, and deviations. **If the short-term trend of the market changes from bullish to bearish, we too shall change our positioning accordingly.** The problem for most investors is either a lack of a discipline to manage capital or an unwillingness to acknowledge that what was working no longer is. **We prefer to acknowledge change and have the discipline to deal with it.**



**Real Investment Show**  
with Lance Roberts

Monday to Friday,  
from 6 to 7am. [> Get it now](#)

## The MacroView



### **#MacroView: 5-Reasons The Fed's New Policy Won't Get Inflation**

Written by Lance Roberts | Sep 4, 2020

At the recent Jackson Hole Economic Summit, Jerome Powell unveiled the Fed's new monetary policy designed to create inflation. Unfortunately, there are 5-reasons why the Fed will not get inflation, and why deflation is the bigger risk.

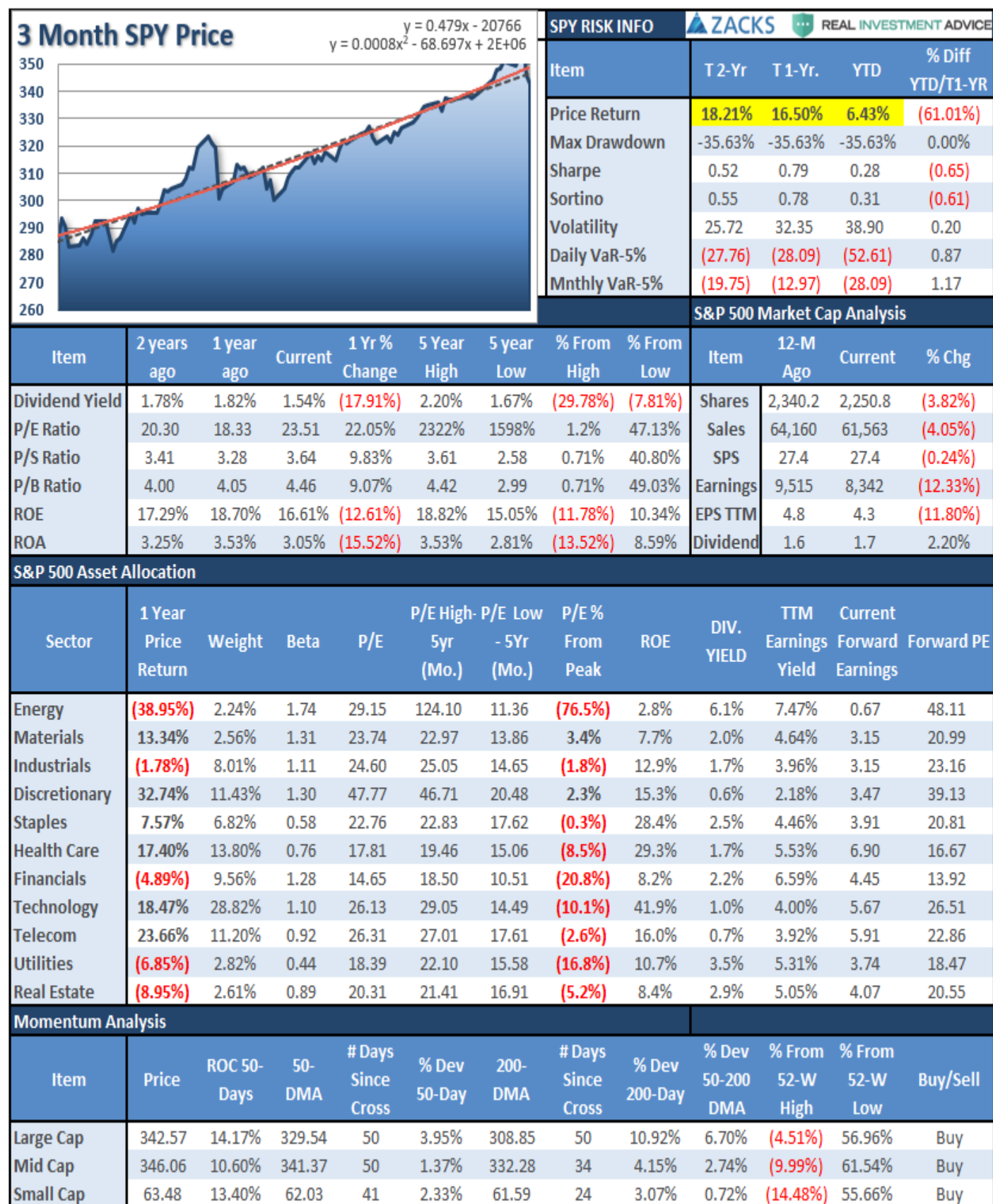
[>> Read More](#)

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

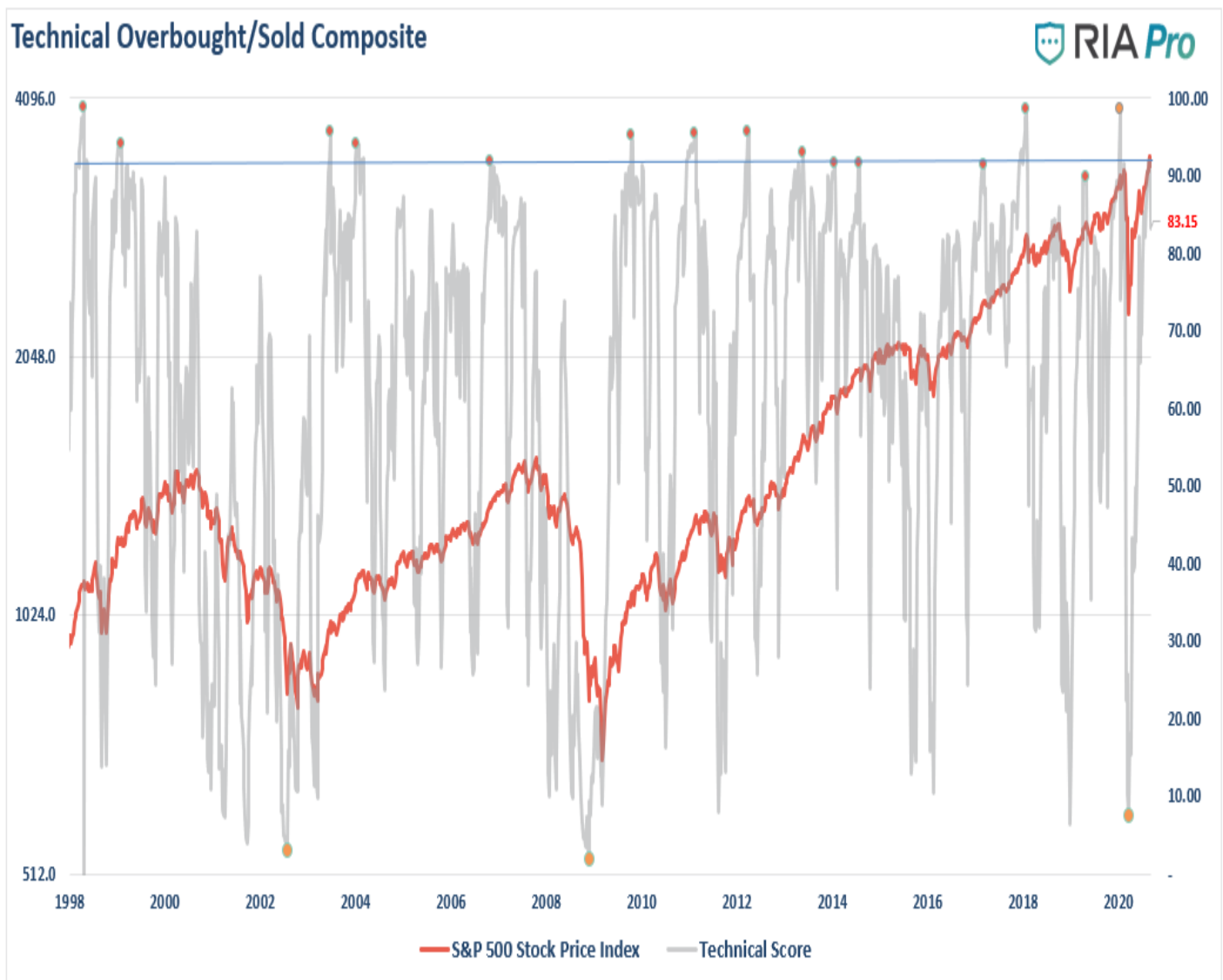


## Performance Analysis





# Technical Composite



## Sector Model Analysis & Risk Ranges

### How To Read.

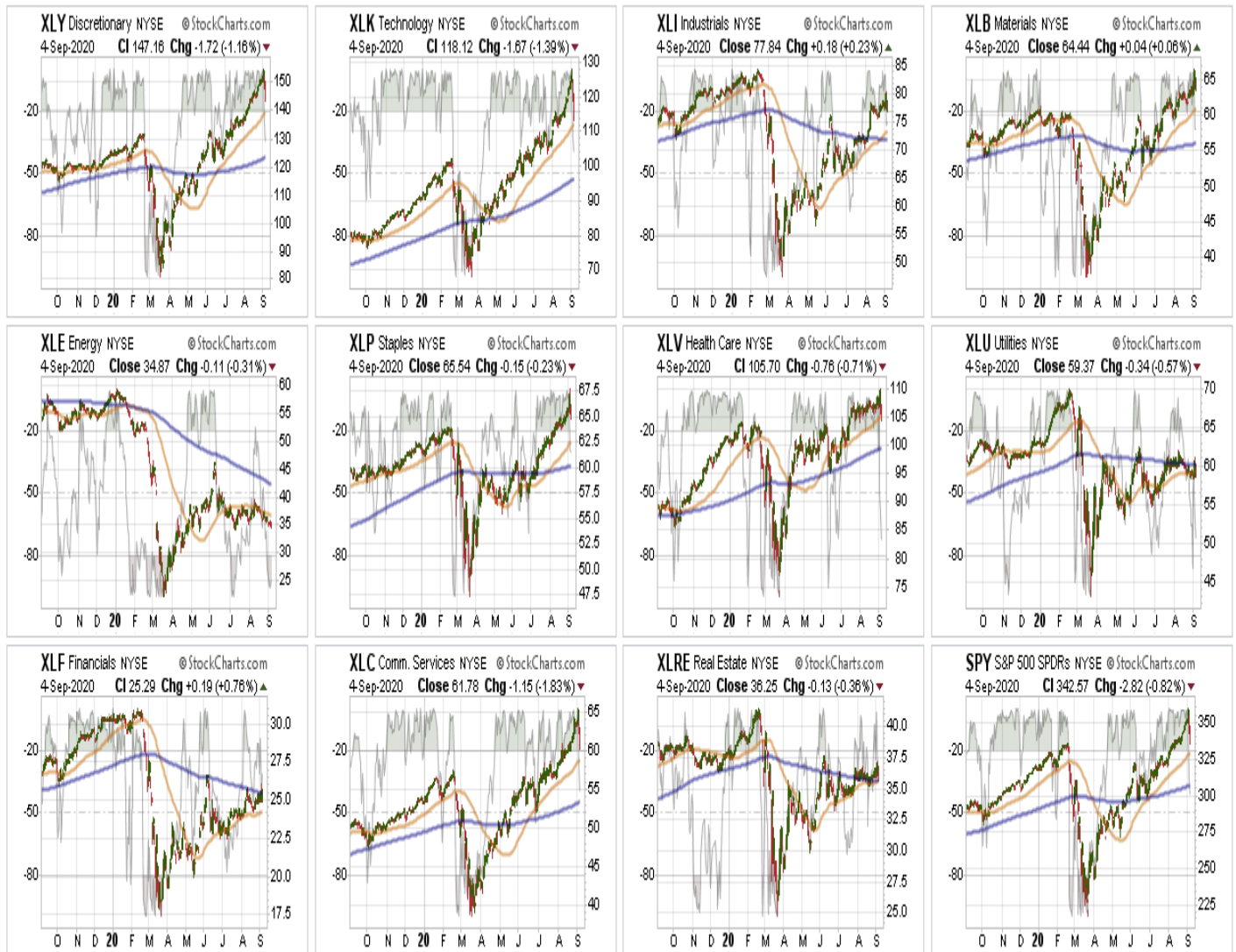
- The table compares each sector and market to the S&P 500 index on relative performance.
- The "MA XVER" is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.
- The risk range is a function of the month-end closing price and the "beta" of the sector or market.
- The table shows the price deviation above and below the weekly moving averages.

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	343.98	(2.28)	2.39	12.65	48.81	14.73	326.30	308.19	350.77	1.00	359.54	342.00	5%	12%	BULLISH
XLB	SPDR-MATLS SELS	64.44	3.01	2.03	4.43	9.60	(2.15)	59.98	55.70	62.99	1.15	65.29	60.69	7%	16%	BULLISH
XLC	SPDR-COMM SV SS	61.78	(0.52)	0.70	1.51	4.80	7.06	58.02	53.58	63.26	0.99	65.47	61.05	6%	15%	BULLISH
XLE	SPDR-EGY SELS	34.87	(2.03)	(8.60)	(25.08)	(13.96)	(55.65)	37.60	40.07	35.65	1.61	37.12	34.18	-7%	-13%	BEARISH
XLF	SPDR-FINL SELS	25.29	2.00	(0.58)	(6.52)	(15.07)	(22.56)	24.24	24.69	25.06	1.15	25.97	24.15	4%	2%	BEARISH

# 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 ? Financials (XLF), and Industrials (XLI)** During the correction this past week, Financials finally outperformed the S&P 500 by not falling nearly as much. Likewise, Industrials held up well, also. The outperformance during the correction was not surprising, as they have lagged the S&P 500 on the way up. The sectors are still way too overbought to buy into, so we may see more of a correction in the near term. **Current Positions: XLI, IYT Outperforming ?**

**Materials (XLB), and Discretionary (XLY)** Discretionary stocks, which were being primarily being driven by AMZN, had a sharp correction back towards the 50-dma. The correction was not surprising, as we have been talking about the risk for the last few weeks. After taking profits previously, we are now looking for an opportunity to build back into our holdings. **Current Positions: None Weakening ?**

**Technology (XLK), and Communications (XLC)** Technology and Communications holdings are also finally corrected. After having taken profits previously, we used the dip to add back a small amount to XLK on Friday morning. We are maintaining tight stops currently. **Current Position: XLK, XLC Lagging ?**

**Energy (XLE), Healthcare (XLV), Utilities (XLU), Real Estate (XLRE), and Staples (XLP)** Energy continues to underperforming for the time being, so we are not currently increasing exposure. There is value in the sector, but it has

not yet become recognized by the market. We continue to maintain our core defensive positions Healthcare, Staples, Utilities, and Real Estate, which performed better than the market during the correction. We are looking for opportunities to add to our positions we took profits in previously.

**Current Position: XLU, XLV, XLP**

## Market By Market



**Small-Cap (SLY) and Mid Cap (MDY) ?** Both of these markets continue to underperform, and declined back to their respective 50-dma's last week. These markets need to hold here if they are going to get a bid. We had suggested taking profits previously. If these markets can remain above critical support and work off the overbought condition, we may have a reasonable entry point to add exposure for a trade. We will need to see what happens next week. **Current Position: None**

**Emerging, International (EEM) & Total International Markets (EFA)** Emerging and International Markets have performed better recently. However, last week they also corrected back to their respective 50-dma. They must hold these levels next week. There may be an opportunity to add to these names short-term, but the risk is high. Furthermore, the dollar remains extremely oversold, which is also a threat to international exposures. **Current Position: None**

**S&P 500 Index**

**(Exposure/Trading Rentals) ?** We currently have no "core" holdings. **Current Position: None**

**Gold (GLD) ?** We added to our gold and gold miners positions previously. They did hold up better than the overall market correction and are testing the necessary support. **Current Position: IAU, GDX, UUP**

**Bonds (TLT) ?** We continue to hold our bond holdings as a hedge against market risk. As noted, we had an excellent rally going in bonds that were defending against the selloff on Thursday. On Friday, we did take some profits out of Treasuries, which got hit on news the Chinese threatened to sell bonds. They are unlikely to do so, and we should see bonds rally next

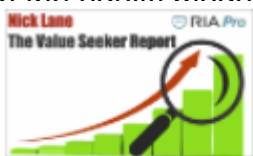
week. (Lower rates.) **Current Positions: TLT, MBB, & AGG**

## Portfolio / Client Update

Over the last couple of weeks, we have discussed the changes to portfolios to become a bit more defensive. We have been adding "value" to the portfolio both for relative "safety" and "dividend yield." As noted in this week's newsletter, the deviations from long-term means are at extreme levels. This week, that correction came sharp and swift on Thursday and Friday. We suspect that we are not finished with the correction process just yet, but we did use the lows Friday morning to add some small exposure to our technology holdings for a trade. As noted in the main body of this missive, "momentum" is tough to kill, so we are looking for a short-term trading opportunity to add some performance to portfolios. We are also maintaining very tight stops just in case. We had also recently added to our bond holdings, which worked well until Friday. The Chinese have threatened to sell their bonds in retaliation to President Trump's threats. Such is an empty threat from China for many reasons, but it is less of a threat to the bond market as the Fed needs the bonds to keep their monetary stimulus going. **Very likely, we will see rates decline again next week as the bond market figures that out. We did take some profits in our latest position on Friday.**

## Portfolio Changes

In the equity model, we added a new value position in DOX. Our analyst Nick Lane has provided



### Nick Lane: The Value Seeker Report- Amdocs Ltd. (DOX)

Written by Nick Lane | Sep 3, 2020

Fundamental Analysis of Amdocs Ltd. (DOX)

[> Read More](#)

Over the last couple of weeks, we

have been prepping portfolios for this decline. Now, with a pretty brutal 2-days of selling, we are going to add some trading positions for a potential bounce next week. Given the momentum markets are tough to kill, it is likely we will see some attempts to jump back into the previous leaders next week. So we are going to add some small amounts to our momentum trades and counter that exposure with additional value trades. **EQUITY PORTFOLIO: BUY**

- **1% DOX ? New portfolio position**
- **1% KHC ? New portfolio position**

Furthermore, we added 0.50% to:

- AMZN
- AAPL
- MSFT
- COST
- CVS

## ETF PORTFOLIO: BUY

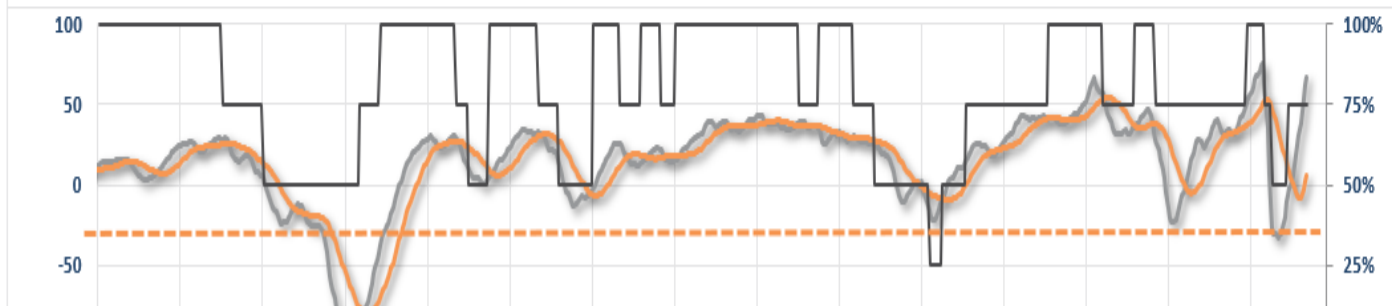
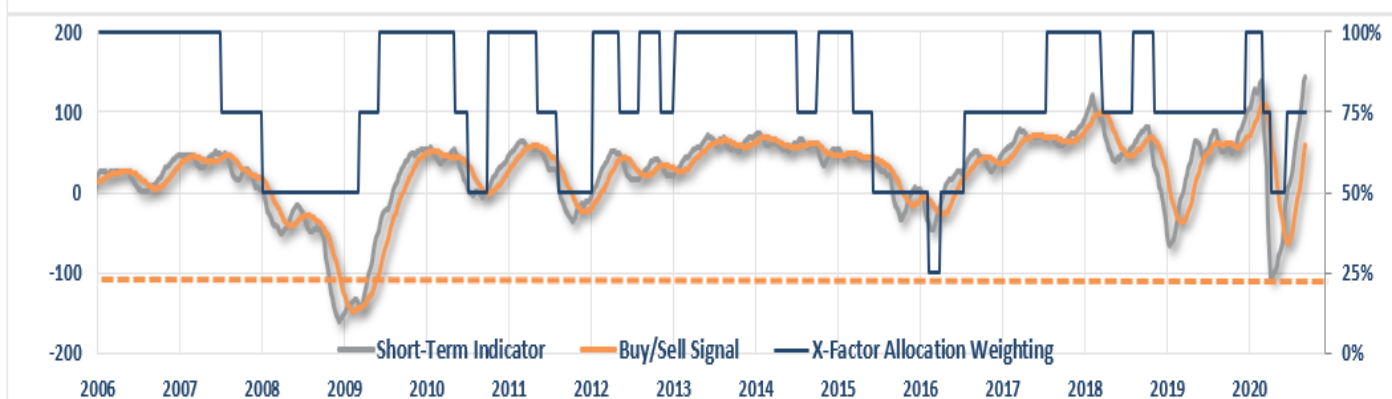
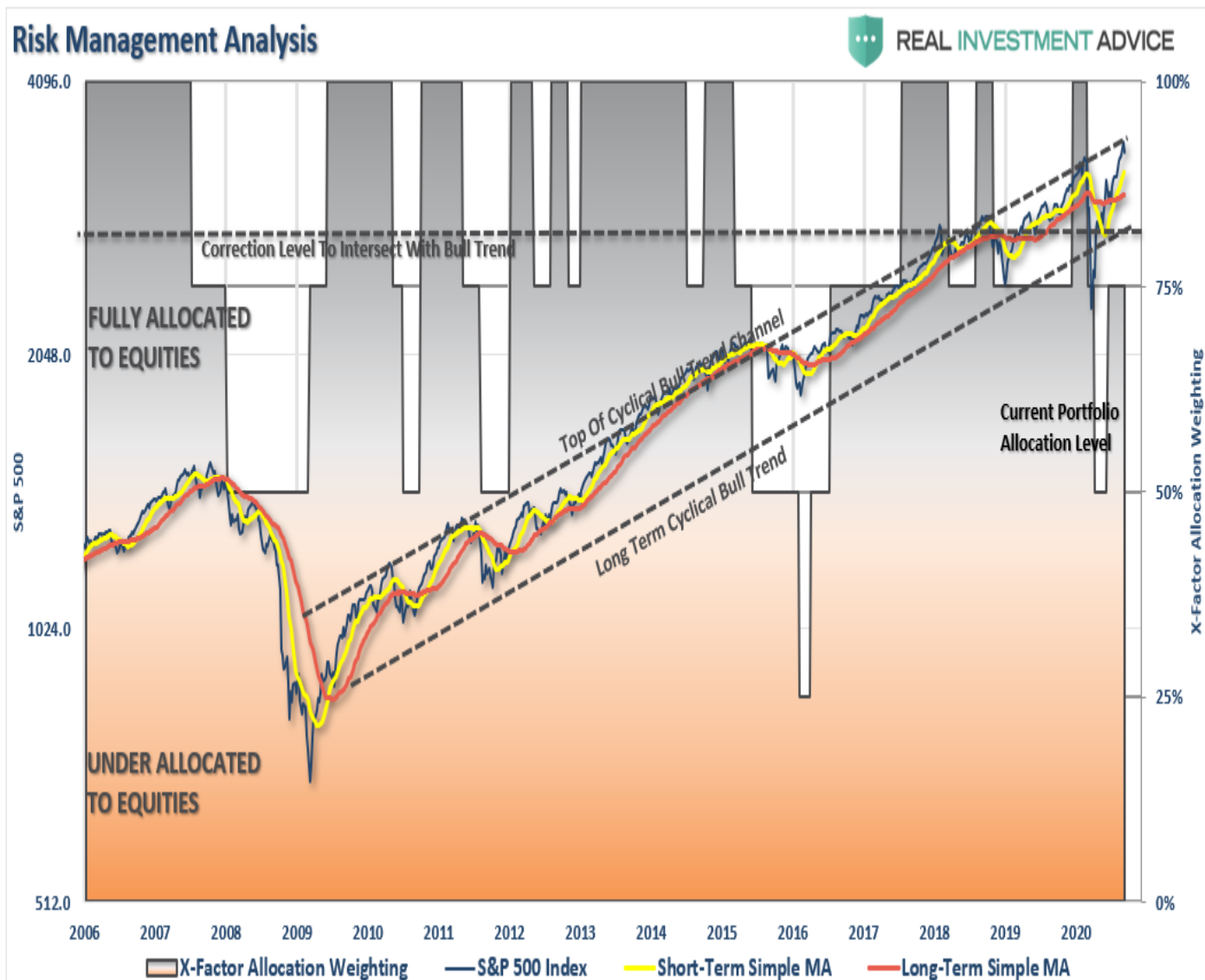
- 1% of Portfolio Value into XLK

We continue to look for opportunities to abate risk, add return either in appreciation or income, and protect capital. Please don't hesitate to contact us if you have any questions or concerns. *Lance*



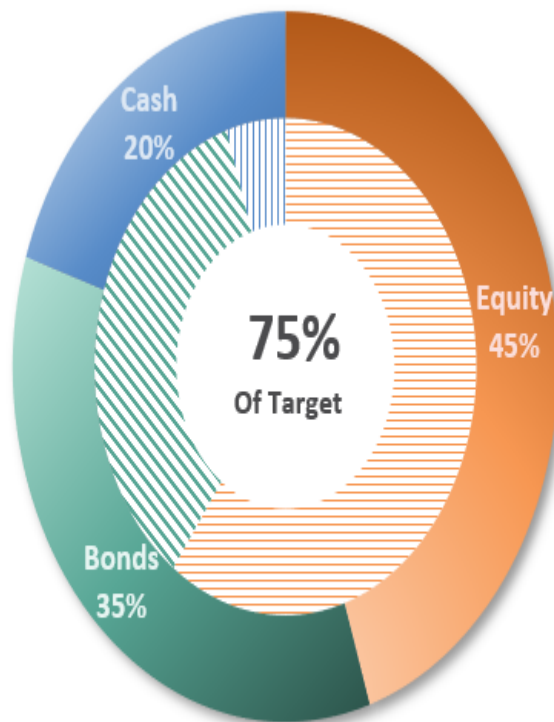
# THE REAL 401k PLAN MANAGER

## 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	Hold Exposure At 75%	Hold Exposure
Equal To Target Allocation	Hold Exposure At 75%	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

## Commentary

As noted last week, "the markets are extremely overbought short-term, earnings season is over, and there is no more Government stimulus at the moment. We are looking for a slight correction to give us a better opportunity to increase equity exposures to 100%."

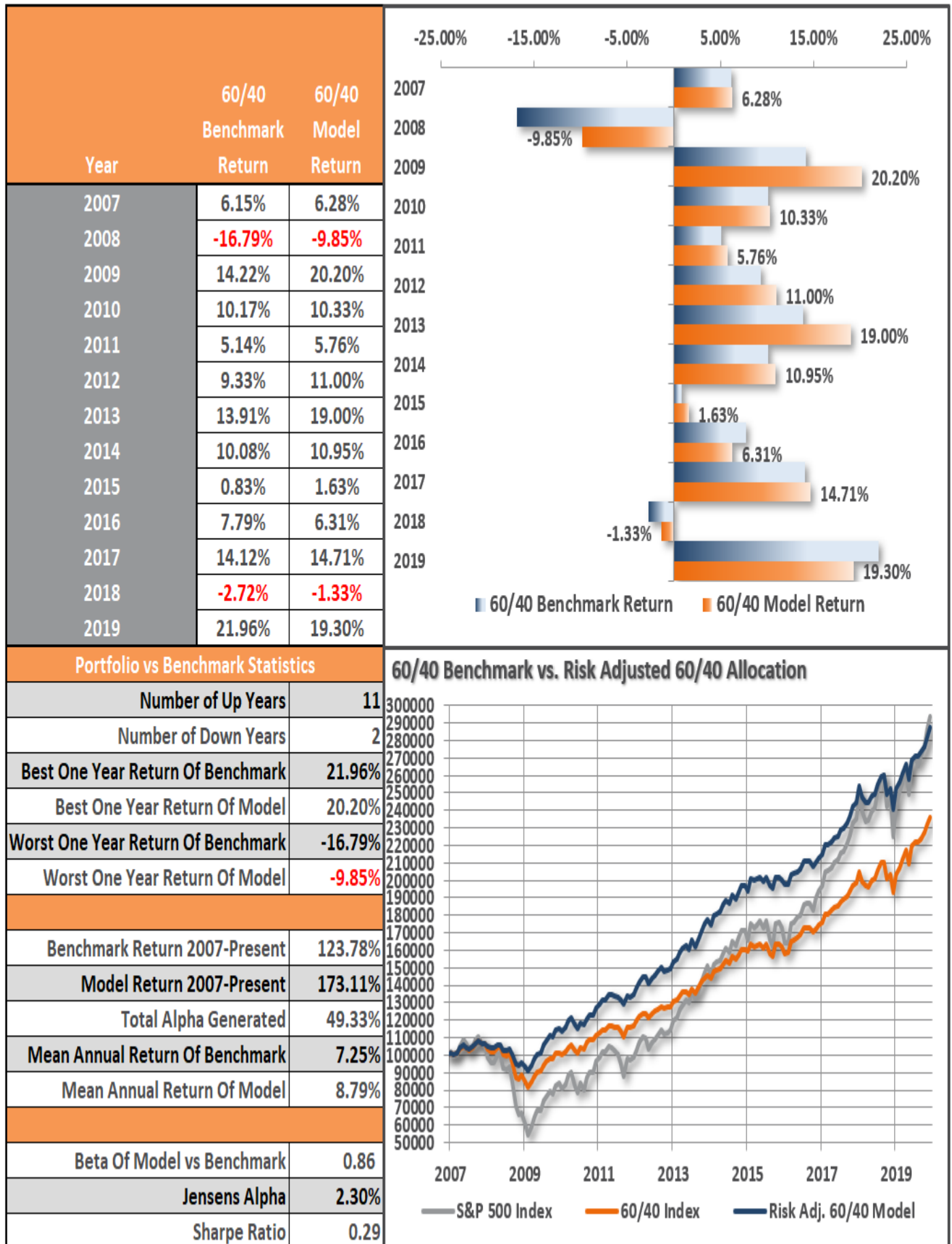
That correction started on Thursday and Friday and with the markets 5% lower, we will look for a short-term oversold condition to add exposure to equities.

In the longer-term the markets remain extremely overbought and with an election approaching, there is downside risk. So we will remain cautious for the moment and move slowly as opportunity presents itself.

No changes this week to models or holdings.

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 one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at your own risk and peril.*



# 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.](#)**

RIAPro

Investment Analysis, Research & Data  
From The RIA Investment Team

DashboardMacroIdeasResearchPortfolio401K-Beta

SymbolHelp

This is the Beta version of 401K. Some Errors are expected ! Click Here to report Issues

My Portfolios

CVS Health

Enter Portfolio Name

Add Portfolio

Delete Portfolio

Rename Portfolio

My InfoFund SelectionComparisonSummaryCommentary

My Portfolio

RIAPro PortfolioRIA PRO MODEL PL

Retirement Income (My Portfolio Annual ROR 9.44 %)

Current account balance	10,000
Estimated Retirement Balance	632,861
Estimated Retirement Balance (Inflation Adj)	620,204
Monthly Income	2,768
Monthly Income (Inflation Adj)	2,713
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

Retirement Income (RiaPro Annual ROR 9.02 %)

Current account balance	10,000
Estimated Retirement Balance	609,786
Estimated Retirement Balance (Inflation Adj)	597,590
Monthly Income	2,667
Monthly Income (Inflation Adj)	2,614
My Cumulative Contribution	172,934
Employer Cumulative Contribution	103,760

My Fund Composition

RIAPro Fund Composition

My Asset Composition

RIAPro Asset Composition