

The Pre-Election Correction Continues. Is It Over?



- *The Correction Continues*
- *A Historical Look At Pre- And Post-Election Years*
- *Portfolio Positioning Update*
- *MacroView: A Permanent Shift To Valuations*
- *Sector & Market Analysis*
- *401k Plan Manager*

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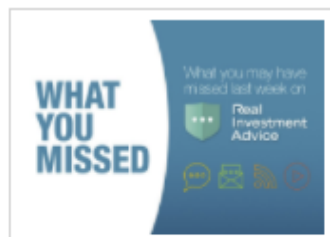
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#WhatYouMissed On RIA This Week: 09-18-20

Written by Lance Roberts | Sep 18, 2020

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The Correction Continues

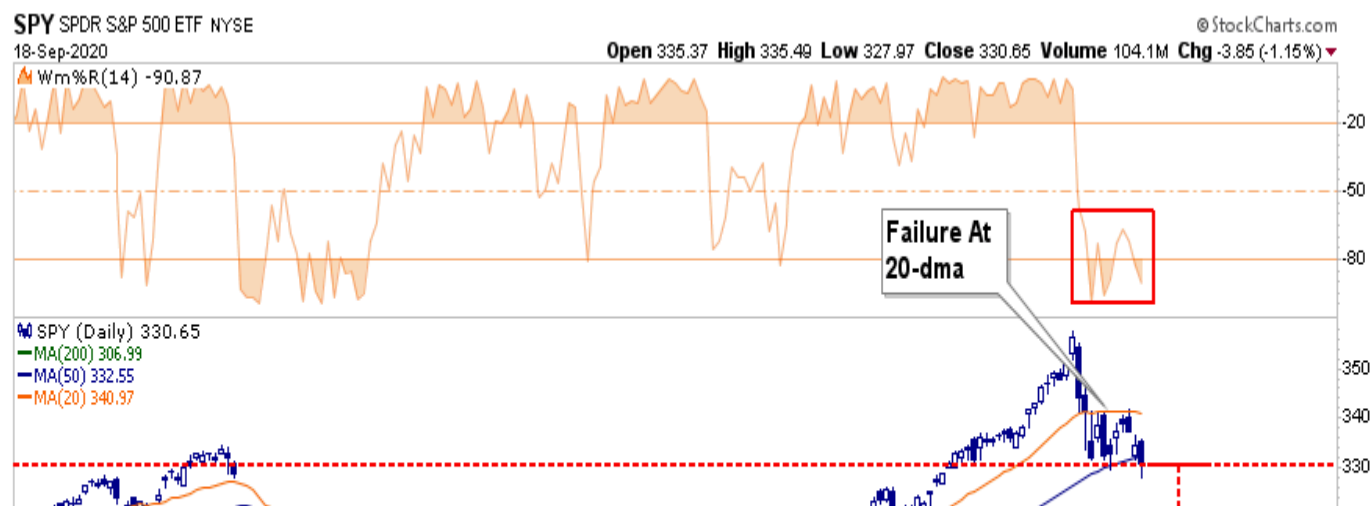
Over the last couple of weeks, we have been discussing the ongoing market correction. As we stated last week:

*"As shown in the chart below, we had suggested a correction back to previous market highs was likely **but could extend to the 50-dma**. So far, the correction has played out much as we anticipated."*

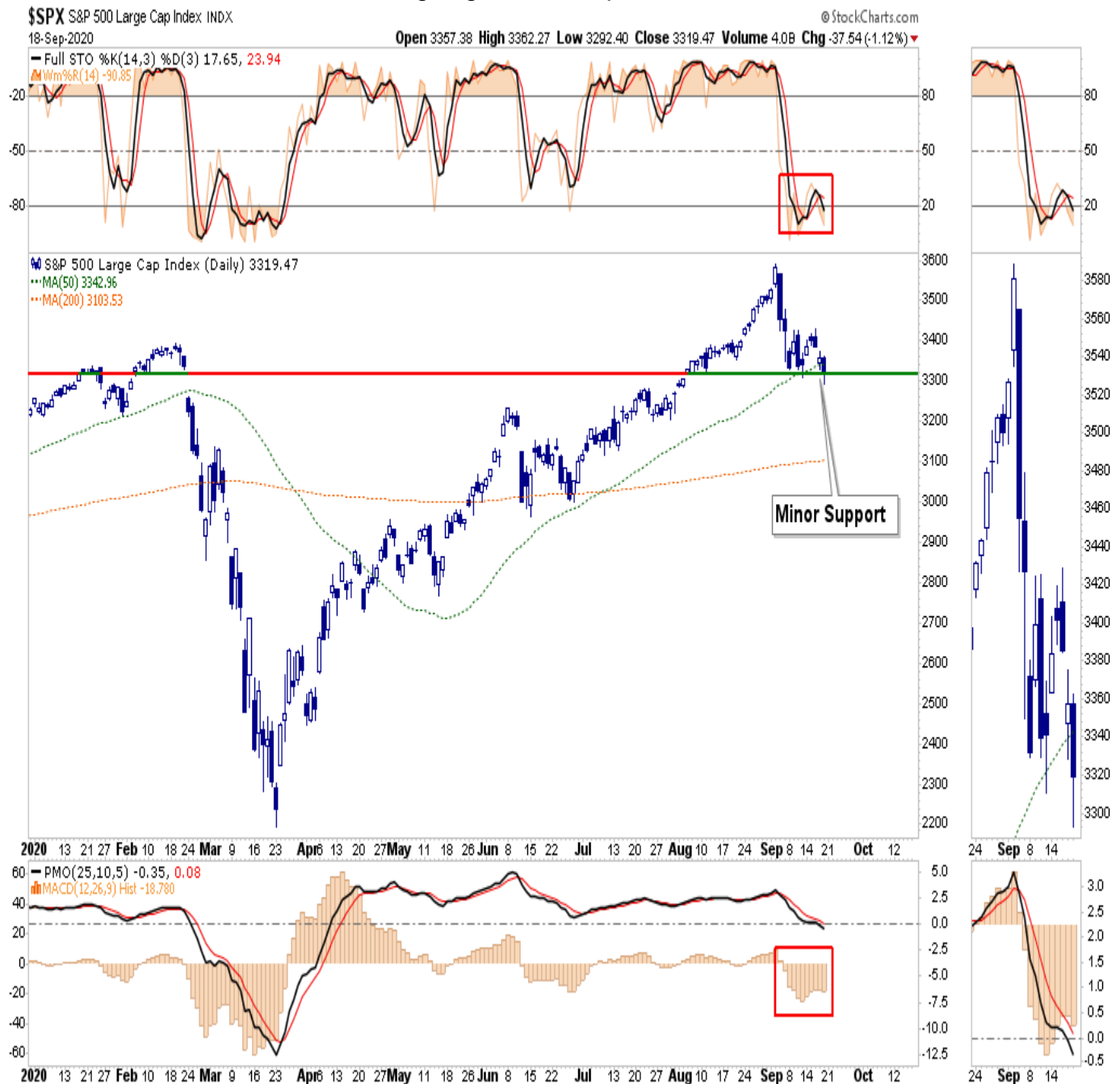
However, we also said:

*"However, **while we expect a rally next week, due to the short-term oversold condition of the market**, there is a downside risk to the 200-dma, which is another 5% lower from current levels. **Such would entail a near 14% decline from the peak, which is well within the historical norms of corrections during any given year.**"*

On Friday, due to the "quad-witching options expiration" (when all options contracts for the current strike month expire and rollover), the market gave up support at the 50-dma, as shown below. The good news, if you want to call it that, is the market did hold a previous level of minor support and remains oversold short-term.



As such, the break of the 50-dma must recover early next week, or it will put the 200-dma into focus. That is currently about 7% lower than where we closed on Friday. **However, as shown below, the markets are very oversold short-term, so a tradeable "bounce" remains very likely in the next few days.** If the bounce fails at either the 50- or 200-dma's overhead, as shown above, such could well confirm an ongoing correction process.



Importantly, as noted previously, this correction was not unexpected and fell in line with historical pre-election market cycles. **Is the correction over?** As noted we are likely to get a tradeable bounce next week, but as we will discuss next, there could be more downside pressure in October heading into the election.

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Presidential Elections & Market Outcomes

There has been a fair bit of concern about the upcoming election. Given the rampant rhetoric

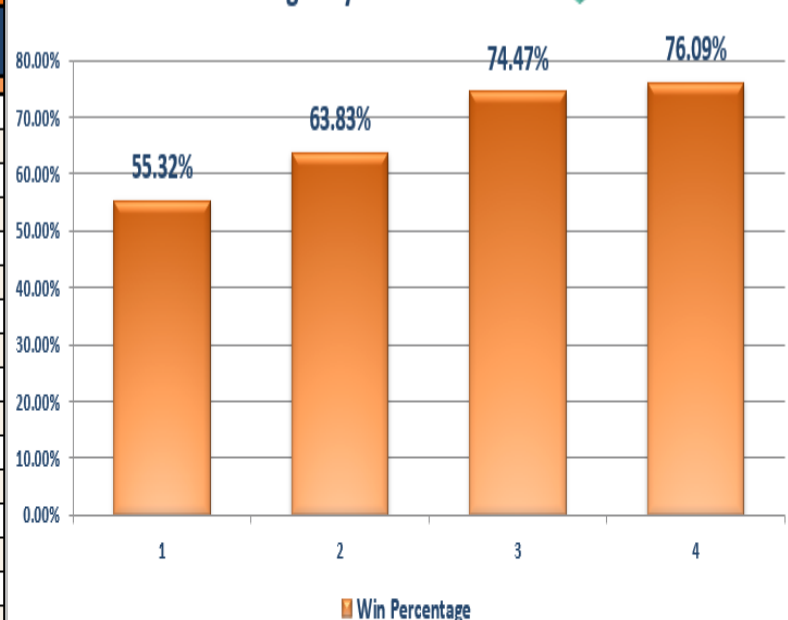
between the right and left, such is not surprising. The Republicans claim that Biden will crash the market. The Democrats suggest the same with President Trump. From a portfolio management perspective, what we need to understand is what happens during election years to stock markets and investor returns.

"Since 1833, the Dow Jones industrial average has gained an average of 10.4% in the year before a presidential election, and nearly 6%, on average, in the election year. By contrast, the first and second years of a president's term see average gains of 2.5% and 4.2%, respectively. A notable recent exception to decent election-year returns: 2008, when the Dow sank nearly 34%. (Returns are based on price only and exclude dividends.)" - [Kiplinger](#)

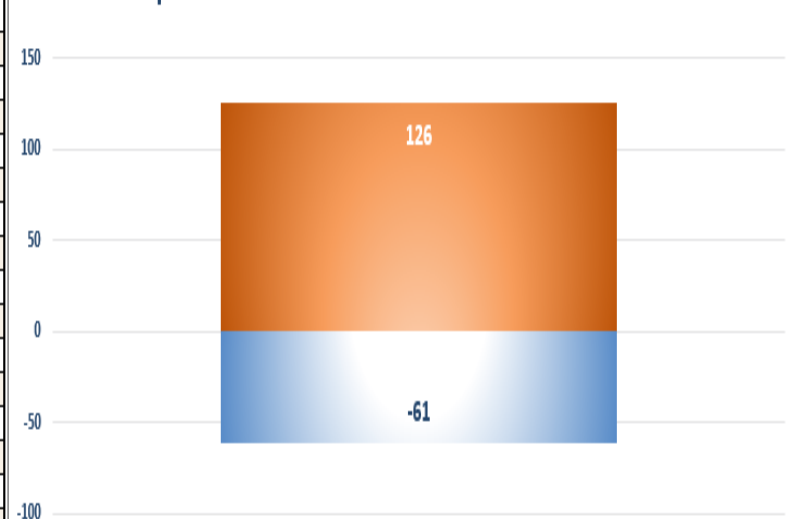
The data in the table below varies a bit from Kiplinger as it uses total returns. Since 1833, markets have gained in 35 of those years, with losses in only 11. Since President Roosevelt's victory in 1944, there have only been two losses during presidential election years: 2000 and 2008. Those two years corresponded with the *"Dot.com Crash"* and the *"Financial Crisis."* On average, stocks produced their **second-best performance** in Presidential election years.

Presidential Election/Stock Market Cycle						
Beg. Of 4-Yr Cycle	Elected President	Pres. Party	Post Election Year	Mid-Term Year	Pre-Election Year	Election Year
1833	Jackson	Dem	(0.90)	13.00	3.10	(11.70)
1837	Van Buren	Dem	(11.50)	1.60	(12.30)	5.50
1841	WH Harrison	Whig	(13.30)	(18.10)	45.00	15.50
1845	Polk	Dem	8.10	(14.50)	1.20	(3.60)
1849	Taylor	Whig	0.00	18.70	(3.20)	19.60
1853	Pierce	Dem	(12.70)	(30.20)	1.50	4.40
1857	Buchanan	Dem	(31.00)	14.30	(10.70)	14.00
1861	Lincoln	Rep	(1.80)	55.40	38.00	6.40
1863	Lincoln	Rep	(8.50)	3.60	1.60	10.80
1869	Grant	Rep	1.70	5.60	15.26	7.84
1873	Grant	Rep	2.97	8.60	11.40	(16.51)
1877	Hayes	Rep	20.24	30.46	20.34	31.60
1881	Garfield	Rep	(6.29)	8.47	5.15	(5.36)
1885	Cleveland	Dem	31.29	9.42	(3.65)	7.17
1889	B. Harrison	Rep	9.43	(7.73)	26.11	(2.03)
1893	Cleveland	Dem	(3.90)	4.61	4.51	0.15
1897	McKinley	Rep	17.63	29.20	(12.37)	22.84
1901	McKinley	Rep	11.90	(2.40)	(13.05)	35.17
1905	T. Roosevelt	Rep	15.86	(3.23)	(18.58)	37.79
1909	Taft	Rep	8.85	7.02	(0.77)	1.39
1913	Wilson	Dem	(3.64)	(8.96)	27.28	(2.83)
1917	Wilson	Dem	(26.39)	(2.83)	(0.56)	(4.28)
1921	Harding	Rep	19.99	26.45	(2.23)	25.18
1925	Coolidge	Rep	19.41	13.48	34.75	43.81
1929	Hoover	Rep	(8.30)	(25.12)	(43.84)	(8.64)
1933	F. Roosevelt	Dem	49.98	(1.19)	46.74	31.94
1937	F. Roosevelt	Dem	(35.34)	29.28	(1.10)	(10.67)
1941	F. Roosevelt	Dem	(12.77)	19.17	25.06	19.03
1945	F. Roosevelt	Dem	35.82	(8.43)	5.20	5.70
1949	Truman	Dem	18.30	30.81	23.68	18.15
1953	Eisenhower	Rep	(1.21)	52.56	32.60	7.44
1957	Eisenhower	Rep	(10.46)	43.72	12.06	0.34
1961	Kennedy	Dem	26.64	(8.81)	22.61	16.42
1965	Johnson	Dem	12.40	(9.97)	23.80	10.81
1969	Nixon	Rep	(8.24)	3.56	14.22	18.76
1973	Nixon	Rep	(14.31)	(25.90)	37.00	23.83
1977	Carter	Dem	(6.98)	6.51	18.52	31.74
1981	Reagan	Rep	(4.70)	20.42	22.34	6.15
1985	Reagan	Rep	31.24	18.49	5.81	16.54
1989	G.H.W. Bush	Rep	31.48	(3.06)	30.23	7.49

S&P 500 TR Win Percentages By Year Of President REAL INVESTMENT ADVICE



Number Of Up vs. Down Years



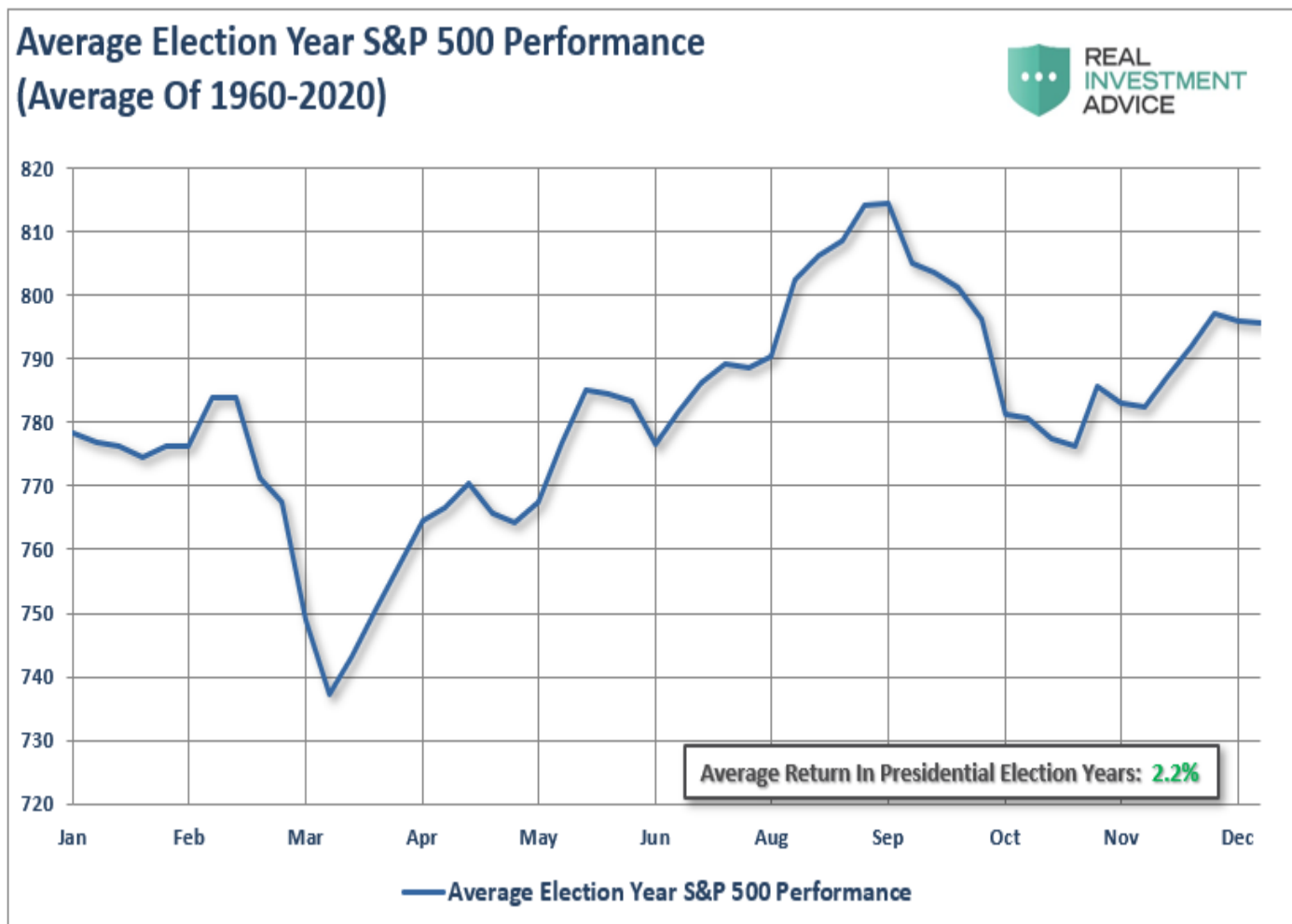
S&P 500 TR Average Annual Return By Year Of President



With a "win ratio" of 76%, the odds are high that markets will continue their winning ways. **However, I would caution completely dismissing the not so insignificant 24% chance that a bear market could reassert itself, given the current economic weakness.** Furthermore, given the current 12-year duration of the ongoing bull market, the more extreme deviations from long-term means, and ongoing valuation issues, a "Vegas handicapper" might increase those odds a bit.

Will Policies Matter

The short answer is, "Yes." However, not in the short-term. **Presidential platforms are primarily "advertising" to get your vote.** As such, a politician will promise many things that, in hindsight, rarely get accomplished. Therefore, while there currently much debate about whose policies will be better for the stock market, historically and statistically speaking, it doesn't matter much. A look back at all election years since 1960 shows an average increase in the market of nearly 2.2% annually.



However, that number is heavily skewed by the decline during the 2008 "Financial Crisis." If we extract that one year, returns jump to 7.7% annually in election years. **Importantly, note in both cases the slump in returns during September and October.** As we stated above, the current market correction falls nicely in line with historical norms.

Election Year Returns - Bear Markets (Without Financial Crisis-2008)



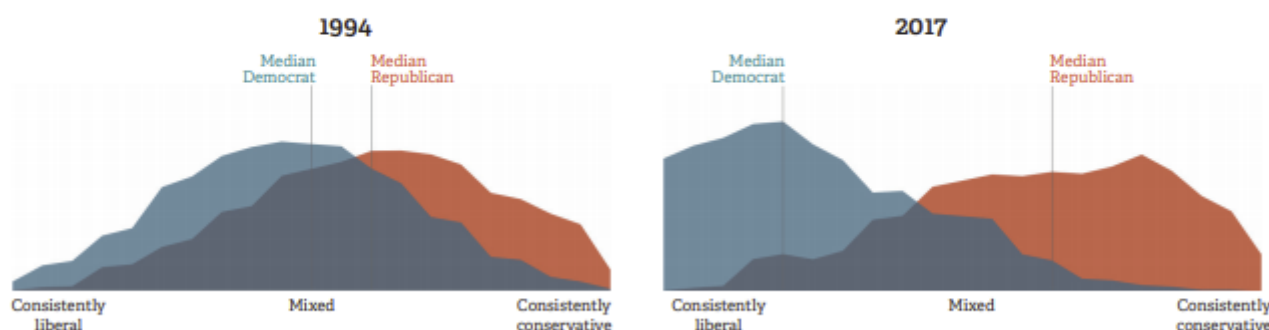
The Great Divide

While you may feel strongly about one party or the other when it comes to politics, it doesn't matter much when it comes to your money. Such is particularly the case today.

"For the second election in a row, voters will cast ballots for the candidate they dislike less, not whose policies they like more." - Lance Roberts, [Real Investment Show](#)

What the market already understands is with the [parties more deeply divided](#) than at any other single point in history; the likelihood of any policies getting passed is slim. (2017 was the latest data from a 2019 report. That gap is even larger currently as Social Media fuels the divide.)

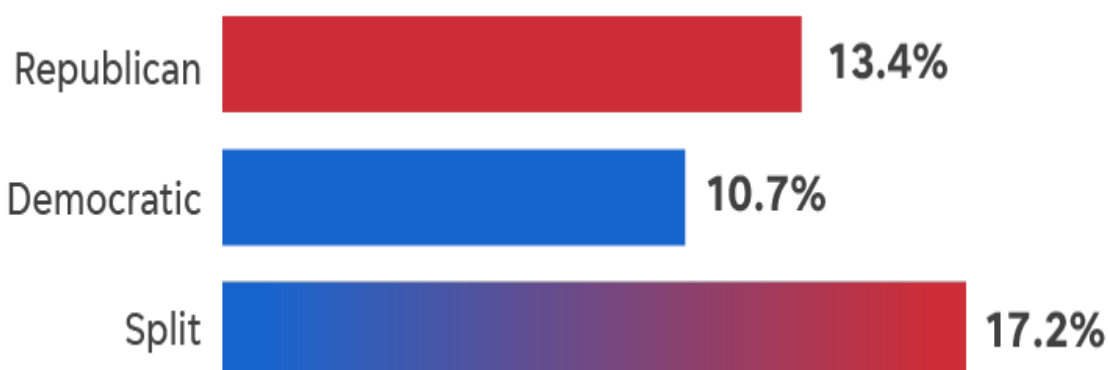
The two charts below illustrate that the overlap between political values of Democrats and Republicans (the purple area) shrunk between 1994 and 2017, as the share of Americans with ideologically consistent values increased.



Source: "Political Polarization, 1994-2017." Pew Research Center, Washington, D.C. October 20, 2017, <https://www.people-press.org/interactives/political-polarization-1994-2017/>.

The one thing markets do seem to prefer - "**political gridlock.**"

"A split Congress historically has been better for stocks, which tend to like that one party doesn't have too much sway. Stocks gained close to 30% in 1985, 2013 and 2019, all under a split Congress, according to LPL Financial. The average S&P 500 gain with a divided Congress was 17.2% while GDP growth averaged 2.8%." - USA Today



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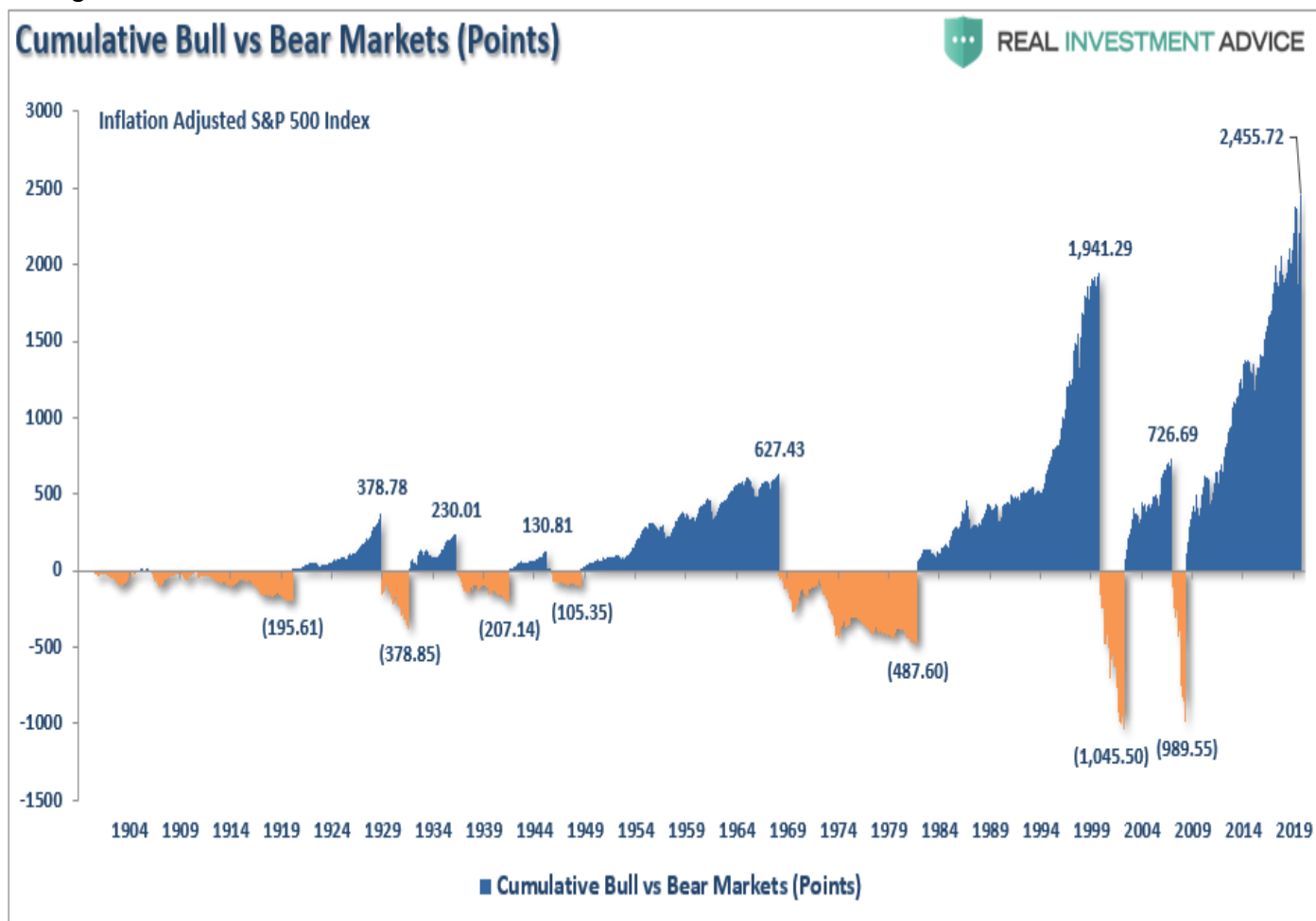
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It's Not A Risk-Free Outcome

What we can derive from the data is the odds suggest the market will end this year on a positive note. However, such says little about next year. If you go back to our data table above, **the 1st year of a new Presidential cycle is roughly a 50/50 outcome. It is also the lowest average return year going back to 1833.** Furthermore, from the election and 2021, outcomes are overly dependent on many things continuing to go "right."

1. **Avoidance of a "double-dip" recession.** (Without more Fiscal stimulus, this is a plausible risk.)
2. **The Fed continues expanding monetary policy.** (There is currently no indication of this.)
3. **The consumer will need to expand their current debt-driven consumption.** (This is a risk without more fiscal stimulus or sustainable economic growth.)
4. **There is a marked improvement in both corporate earnings and profitability.** (This will likely be the case as mass layoffs will benefit bottom-line profitability. However, top-line sales remain at risk due to items #1 and #3.)
5. **A sharp improvement in employment, rising wages, and falling jobless claims will signal a sustainable economic recovery.** (There is currently little indication this is the case outside the bounce from the March shutdown.)

These risks are all undoubtedly possible. However, when combined with the [longest-running bull market in history](#), [high-valuations](#), and [excessive speculation](#), the risks of something going wrong indeed have risen.



(While most financial media types present bull and bear markets in percentages, which is deceiving because a 100% gain and a 50% loss are the same thing, it worth noting

what happens to investors by viewing cumulative point gains and losses. In every case, the majority of the previous point gain is lost during the [full-market cycle](#).)

So, how do you position your portfolio into the election?

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Portfolio Positioning For An Unknown Election Outcome

Over the last few weeks, we have repeatedly discussed the idea of reducing risk, hedging, and rebalancing portfolios. Part of this was undoubtedly due to the overly exuberant rise from the March lows and the potential for an unexpected election outcome. As we noted in "[Tending The Garden:](#)"

*"Taking these actions has **TWO specific benefits** depending on what happens in the market next.*

1. ***If the market corrects**, these actions clear out the 'weeds' and allow for protection of capital against a subsequent decline.*
2. ***If the market continues to rally**, then the portfolio has been cleaned up and new positions can be added to participate in the next leg of the advance.*

*No one knows for sure where markets are headed in the next week, much less the next month, quarter, year, or five years. **What we do know is not managing 'risk' to hedge against a decline is more detrimental to the achievement of long-term investment goals.***"

That advice continues to play well in setting up your portfolio for the election. **As we have laid out, the historical odds suggest that markets will rise regardless of the electoral outcome.** However, those are averages. In 2000 and 2008, investors didn't get the "average." **Such is why it is always important to prepare for the unexpected.** While you certainly wouldn't speed down a freeway "blindfolded," it makes little sense not to be prepared for an unexpected outcome. Holding a little extra cash, increasing positioning in Treasury bonds, and adding some "value" to your portfolio will help reduce the risk of a sharp decline in the months ahead. Once the market signals an "all clear," you can take "your foot off the brake," and speed to your destination. Of course, it never hurts to always "wear your seatbelt."



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The MacroView



#MacroView: Newton, Physics & The Market Bubble

Written by Lance Roberts | Sep 18, 2020

I have previously discussed the importance of understanding how "physics" plays a crucial role in the stock market. As Sir Issac Newton once discovered, "what goes up, must come down."

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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S&P 500 Tear Sheet

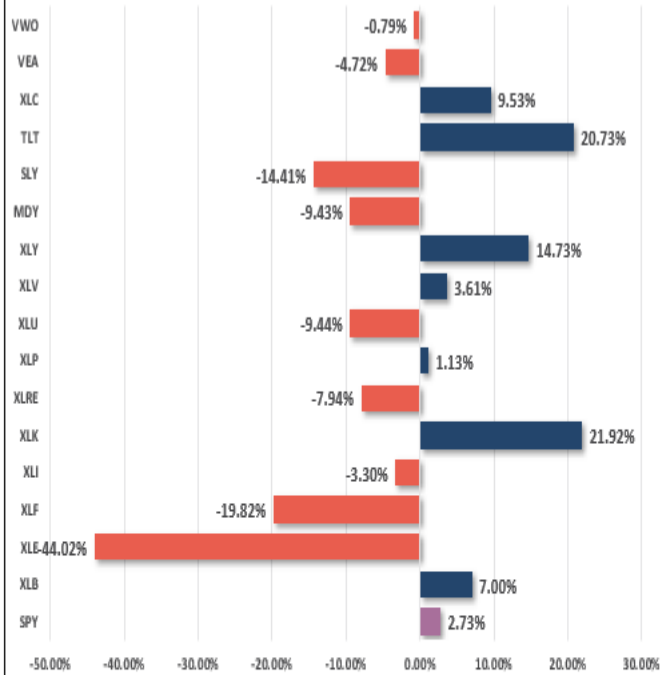
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Performance Analysis

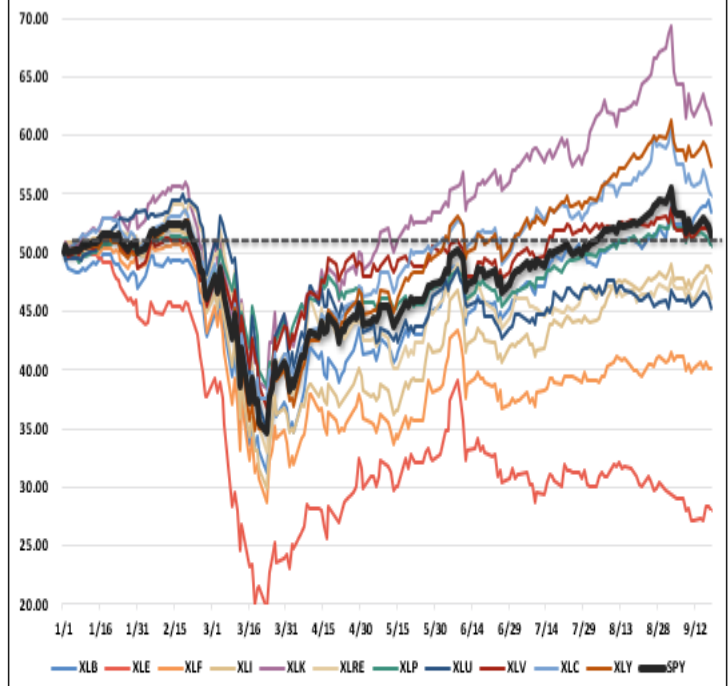
Year To Date Performance



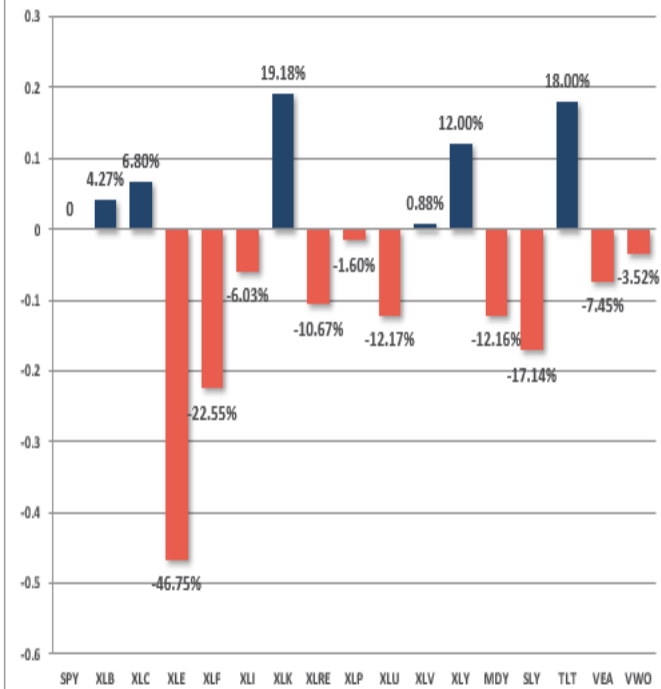
REAL INVESTMENT ADVICE



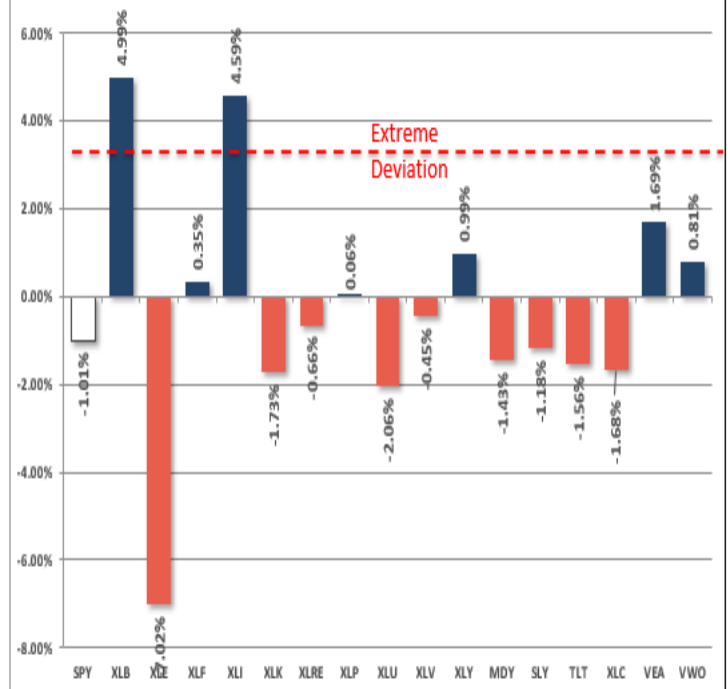
YTD Price - S&P Sectors Recalibrated To \$50/share



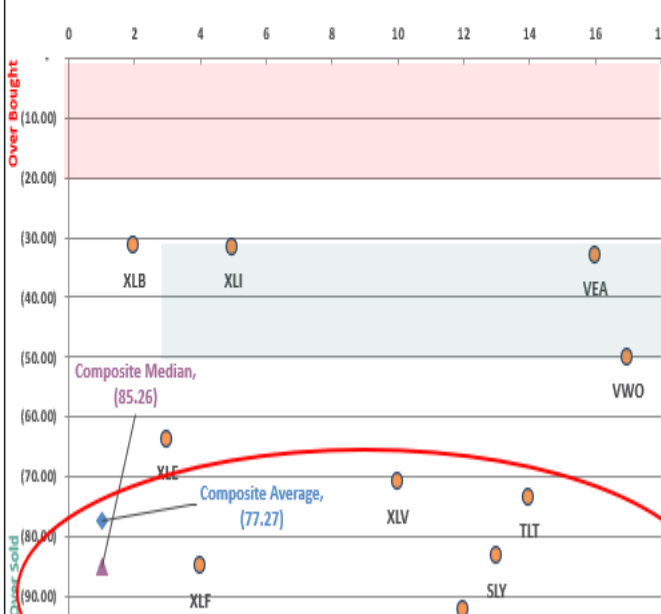
Year To Date Performance Relative To S&P 500



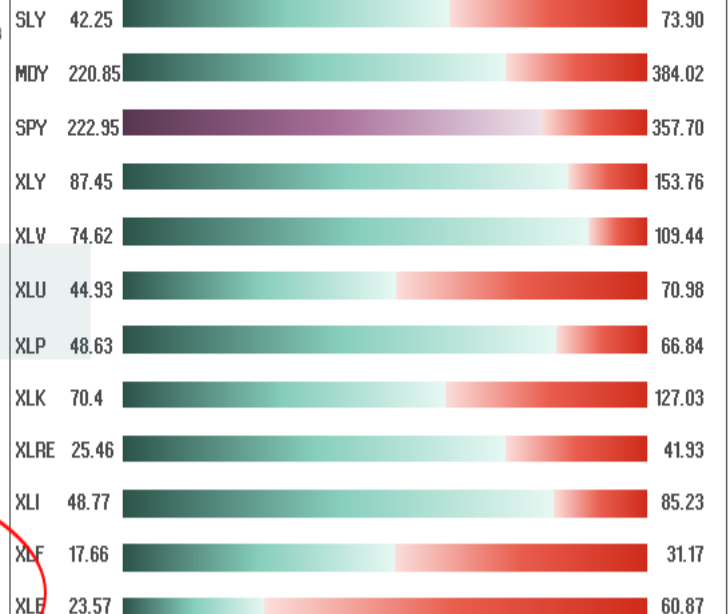
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods

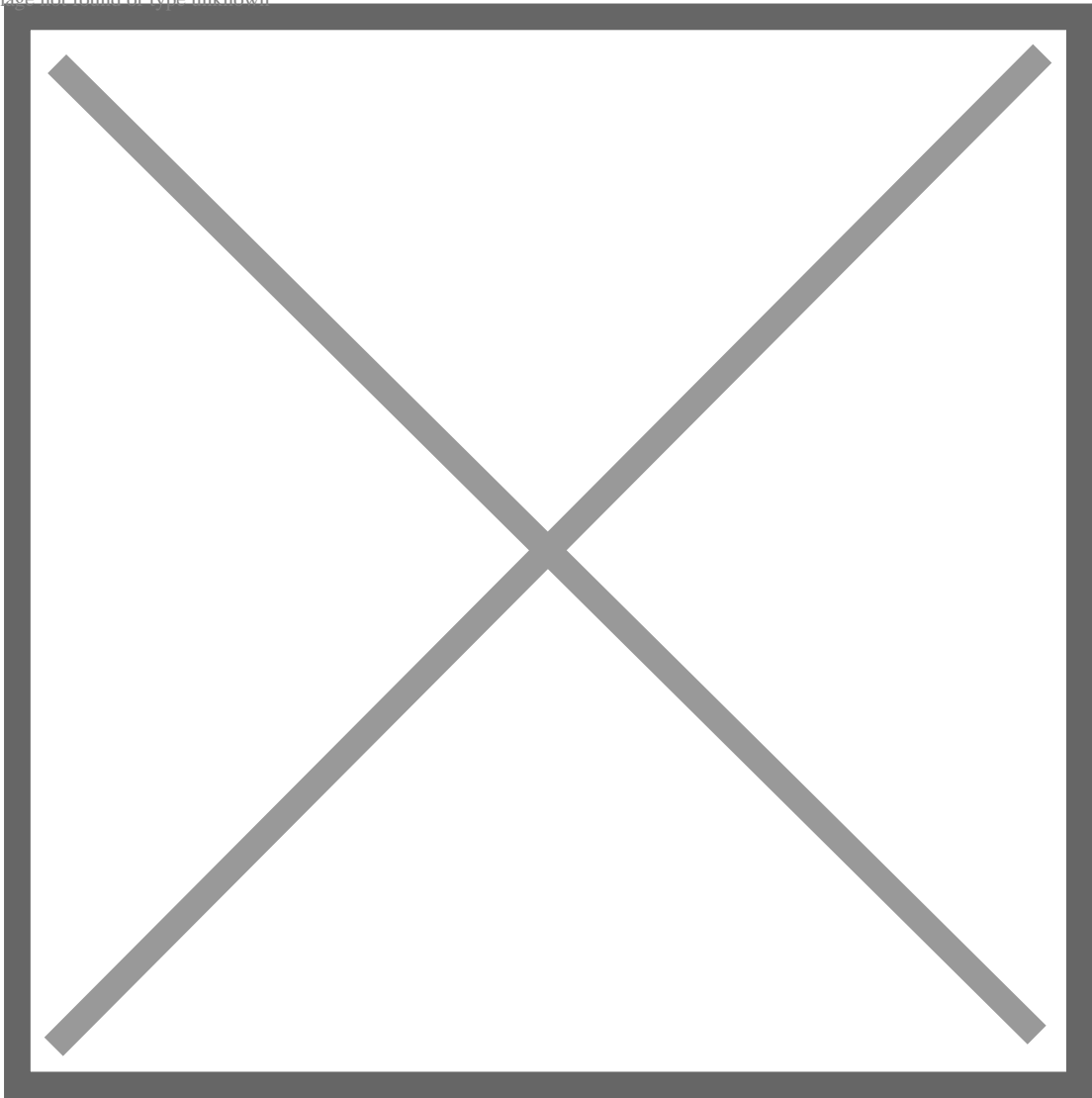


Size / Sector ETF YTD Trading Range



Technical Composite

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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	333.34	(0.61)	(2.20)	10.69	33.86	10.66	330.25	308.58	350.77	1.00	359.54	342.00	1%	8%	BULLISH
XLB	SPDR-MATLS SELS	65.72	1.61	8.39	9.92	20.38	1.99	61.29	55.99	62.99	1.15	65.29	60.69	7%	17%	BULLISH
XLC	SPDR-COMM SV SS	58.74	(1.13)	(1.11)	1.26	5.50	5.22	58.76	53.81	63.26	0.99	65.47	61.05	0%	9%	BULLISH
XLE	SPDR-EGY SELS	33.61	3.64	(4.51)	(18.64)	(21.19)	(55.82)	36.38	38.59	35.65	1.61	37.12	34.18	-8%	-13%	BEARISH
XLF	SPDR-FINL SELS	24.68	0.49	3.73	(1.39)	(8.20)	(22.77)	24.28	24.33	25.06	1.15	25.97	24.15	2%	1%	BEARISH

Sector & Market Analysis:

Since we publish the Major Market review on Monday and Sector Review on Tuesday, we are replacing this section with Stock Screens to help you generate ideas for your portfolios.

Weekly Stock Screens

Currently, there are 3-different stock screens for you to review. The first is S&P 500 based companies with a "Growth" focus, the second is a "Value" screen on the entire universe of stocks, and the last are stocks that are "Technically" strong and breaking above their respective 50-dma. We have provided the yield of each security and a Piotroski Score ranking to help you find fundamentally strong companies on each screen. ([For more on the Piotroski Score - read this report.](#))

S&P 500 Growth Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	Price/ Sales	Score
AMAT	Appld Matls Inc	56.34	12.66	12.59	1.56	3.16	9
MCO	Moodys Corp	282.71	10.00	9.32	0.79	10.21	9
LOW	Lowe's Cos	163.78	16.21	5.54	1.34	1.54	8
SPGI	S&P Global Inc	351.73	10.00	5.97	0.76	11.85	8
TMO	Thermo Fisher	432.93	15.50	11.32	0.20	6.52	8
AAPL	Apple Inc	110.34	10.67	4.87	0.74	6.99	7
ATVI	Activision Blz'd	78.77	17.29	7.42	0.52	8.70	7
CDNS	Cadence Design	101.15	13.74	8.31	-	11.58	7
CPRT	Copart Inc	102.25	13.00	16.55	-	10.88	7
CTAS	Cintas Corp	325.01	9.64	11.37	0.78	#N/A	7
DPZ	Dominos Pizza	395.07	13.89	13.79	0.79	4.13	7
DVA	Davita Inc	90.14	11.93	(6.30)	-	0.95	7
HOLX	Hologic Inc	63.23	16.40	5.12	-	4.97	7
HUM	Humana Inc New	397.50	12.34	4.94	0.63	0.75	7
KEYS	Keysight Tech	98.25	8.76	11.47	-	4.46	7
NDAQ	Nasdaq Inc	124.44	8.58	6.76	1.58	4.16	7
QRVO	Qorvo Inc	130.30	12.35	4.94	-	4.58	7
ROP	Roper Technolgs	398.80	10.50	11.35	0.51	7.73	7
SHW	Sherwin William	712.55	9.22	13.44	0.75	3.66	7
TGT	Target Corp	147.61	7.22	2.75	1.84	0.87	7
UNH	Unitedhealth Gp	304.98	12.66	10.90	1.64	1.17	7
UPS	Utd Parcel Svc	159.75	7.77	6.64	2.53	1.78	7
WST	West Pharm Svc	274.96	17.37	7.08	0.23	10.44	7
APH	Amphenol Corp-A	109.88	7.51	10.32	0.91	4.05	6
CDW	Cdw Corp	114.23	13.10	8.15	1.33	0.90	6
COST	Costco Whole Cp	338.88	8.40	7.98	0.83	#N/A	6
DE	Deere & Co	219.94	8.18	9.68	1.38	1.93	6
DTE	Dte Energy Co	116.86	5.67	6.24	3.47	1.90	6
FBHS	Fortune Brd H&S	84.77	7.32	5.44	1.13	2.05	6
KLAC	Kla Corp	180.49	7.55	16.49	1.99	4.83	6
LRCX	Lam Research	305.89	13.26	15.41	1.50	4.43	6
MAS	Masco	57.55	14.92	1.28	0.94	2.17	6
MSI	Motorola Solutn	158.18	9.00	8.36	1.62	3.51	6

Value Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	Price/ Sales	Score
TPH	Tri Pointe Grp	17.28	#N/A	8.84	-	0.69	9
BRFS	Brf-Brasil Food	4.12	#N/A	(5.95)	-	0.41	8
DLNG	Dynagas Lng Ptr	2.60	#N/A	(4.85)	-	0.68	8
SNR	New Senior Inv	4.36	5.00	0.44	5.96	0.97	8
BCC	Boise Cascade	40.55	9.58	7.14	0.99	0.33	8
TGT	Target Corp	147.61	7.22	2.75	1.84	0.87	7
HTH	Hilltop Hldgs	19.25	#N/A	1.73	1.87	0.88	7
MDRX	Allscripts Hlth	8.26	9.01	6.75	-	0.78	7
LMB	Limbach Holdngs	8.89	12.00	3.98	-	0.13	6
MIK	Michaels Cos	10.10	1.26	0.19	-	0.30	6
SFST	Southn First Bc	24.68	#N/A	18.71	-	1.63	6
BIG	Big Lots Inc	45.28	7.07	1.25	2.65	0.30	6
GPL	Great Panther	1.03	#N/A	30.08	-	1.44	6
AAP	Advance Auto Pt	154.76	10.75	(0.16)	0.65	1.11	6
GIII	G-iii Apparel	14.77	8.02	6.99	-	0.28	5
DSKE	Daseke Inc	5.74	#N/A	34.60	-	0.23	5
PIPR	Piper Jaffray	70.41	#N/A	5.86	1.70	1.24	5
QIWI	Qiji Plc-Adr	16.28	#N/A	23.05	3.03	1.62	5
AMCX	Amc Networks- A	25.28	#N/A	3.67	-	0.46	5
VRNT	Verint Systems	47.68	14.00	4.27	-	2.47	5
SWK	Stanley B&D Inc	164.25	5.82	6.66	1.70	1.93	5
MBIN	Merchants Bcp	21.05	#N/A	37.74	1.52	1.82	5
MDT	Medtronic	107.81	7.77	1.50	2.15	5.19	5
RLGY	Realogy Holding	11.01	#N/A	0.02	-	0.24	4
SOL	Renesola Lt-Adr	2.06	#N/A	(50.34)	-	0.56	4
GSKY	Greensky Inc-A	4.32	12.95	24.68	-	1.46	4
QFIN	360 Finance-Adr	11.24	#N/A	#N/A	-	1.01	4
ATH	Athene Holding	35.77	#N/A	#N/A	-	#N/A	4
BRT	Brt Realty Trst	12.84	#N/A	#N/A	6.85	#N/A	4
PLT	Plantronics Inc	12.39	#N/A	21.12	-	0.31	3

Technical Trading Screen

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	Price/ Sales	Score
MET	Metlife Inc	39.32	3.12	0.66	4.68	0.52	8
EGO	Eldorado Gold	11.78	5.00	(5.11)	-	2.49	7
EME	Emcor Group Inc	70.62	#N/A	6.85	0.45	0.43	7
KEYS	Keysight Tech	98.25	8.76	11.47	-	4.46	7
SWI	Solarwinds Corp	19.45	7.30	#N/A	-	6.19	7
TRN	Trinity Inds In	20.61	#N/A	(16.13)	3.69	0.88	7
ALKS	Alkermes Inc	18.45	2.67	16.35	-	2.53	6
APOG	Apogee Entrprs	23.50	#N/A	9.84	3.19	0.48	6
ARI	Apollo Commercl	9.50	#N/A	21.05	14.74	4.49	6
AZN	Astrazeneca Plc	55.94	16.82	(0.00)	1.57	5.71	6
BCE	Bce Inc	42.64	4.55	2.23	5.93	2.22	6
CASH	Meta Finl Grp	19.32	#N/A	39.99	1.04	1.24	6
CBB	Cincinnati Bell	15.04	#N/A	7.64	-	0.50	6
HNI	Hni Corp	33.16	#N/A	(0.65)	3.68	0.67	6
HSC	Harsco Corp	15.37	10.00	0.91	-	0.73	6
KBAL	Kimball Intl B	11.79	#N/A	5.07	3.05	0.60	6
KNL	Knoll Inc	13.73	#N/A	6.12	1.75	0.52	6
ODFL	Old Dominion Fl	190.50	9.48	9.46	0.31	5.67	6
OSK	Oshkosh Corp	79.11	8.85	7.93	1.52	0.74	6
SNDR	Schneider Natl	26.23	6.55	4.88	0.99	1.04	6
ARGO	Argo Group Intl	35.59	#N/A	6.30	3.48	0.66	5
BEAT	Biotelemetry	43.00	10.00	26.86	-	3.38	5
CAE	Cae Inc	15.26	8.00	8.68	1.08	1.62	5
CW	Curtiss Wright	98.97	#N/A	3.83	0.69	1.70	5
EHC	Encompass Hlth	65.24	4.18	9.03	1.72	1.41	5
GRA	Grace (Wr) New	47.07	#N/A	(6.01)	2.55	1.72	5
MBT	Mobile Tele-Adr	9.16	9.97	2.69	10.04	1.12	5
MCY	Mercury Genl Cp	43.62	#N/A	5.10	5.78	0.65	5
NESR	National Energy	7.28	#N/A	#N/A	-	0.85	5
PBR.A	Petrobras-Adr P	8.49	#N/A	(3.58)	0.01	0.84	5
PKX	Posco-Adr	40.93	5.00	(3.43)	0.75	0.28	5
SRNE	Sorrento Therap	9.48	#N/A	61.56	-	64.56	5
WBS	Webster Finl Cp	27.56	#N/A	9.25	5.81	1.80	5
ADNT	Adient Plc	17.70	32.75	(2.43)	-	0.13	4
BAND	Bandwith Inc-A	150.06	14.30	19.28	-	13.54	4
BHC	Bausch Health	17.38	11.02	(5.23)	-	0.76	4
KFY	Korn/Ferry Intl	29.92	#N/A	11.02	1.34	0.90	4
PRQR	Proqr Therap	5.54	#N/A	#N/A	-	#N/A	4
RARE	Ultragenyx Phar	82.42	#N/A	#N/A	-	31.33	4
TME	Tencent Mus-Adr	15.81	19.97	#N/A	-	6.74	4
WCN	Waste Connectn	100.43	8.27	26.04	0.74	4.86	4

Portfolio / Client Update

If you have a few minutes, please watch my interview with MacroVoices. It is a good encapsulation of what our thoughts are currently and what we are watching for in our portfolio management process. <https://youtu.be/qXlaaw7mhxQ> Over the last week, we have taken some further actions to

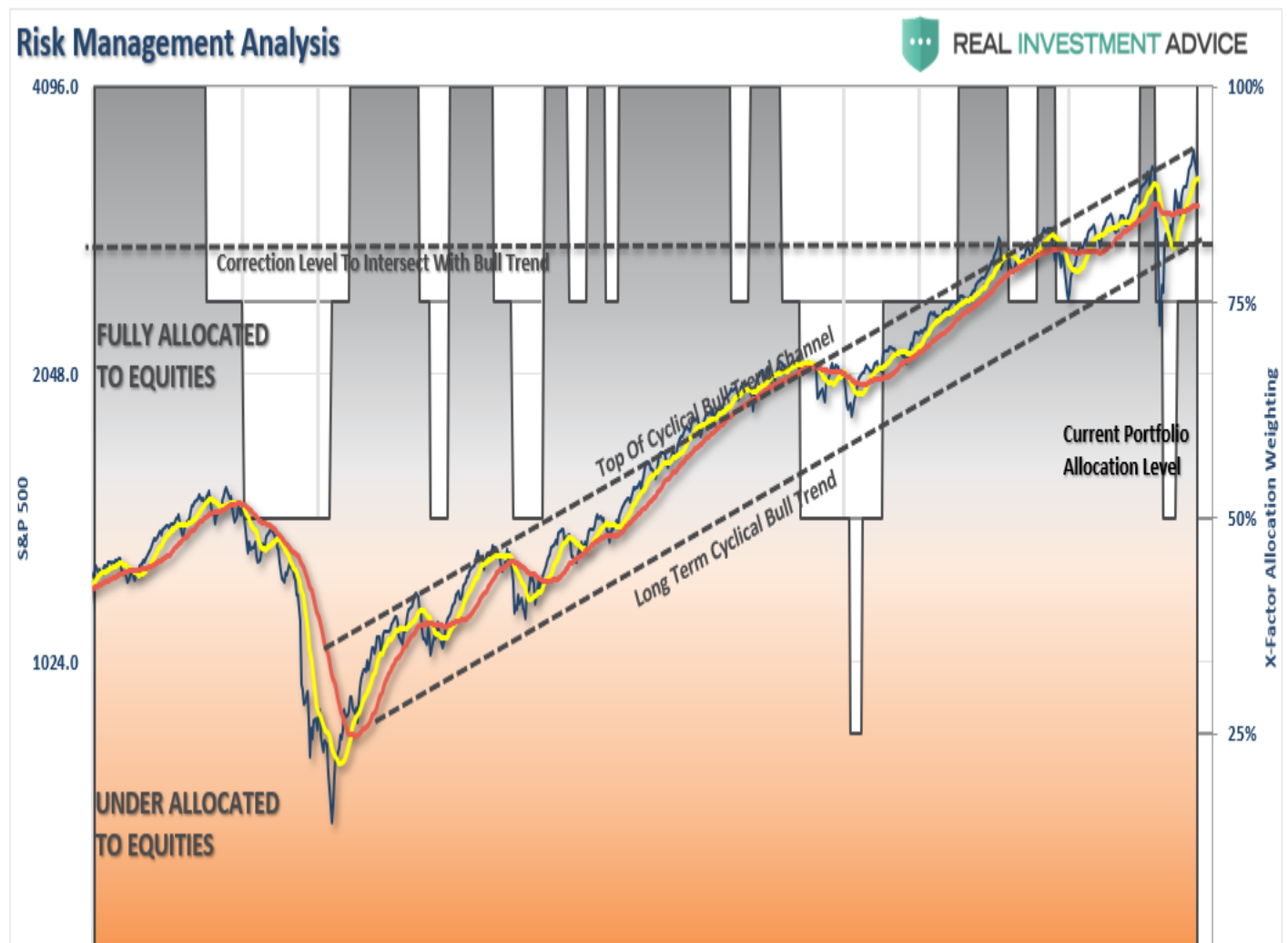
reduce risk during the recent decline. In the short-term, the market is very oversold, and it is imperative the market regains and holds the 50-dma next week. We suspect that will be the case on Monday. The downside risk is minimal at the moment. As such, we have continued to reposition the portfolio by raising some cash and adding some additional "value" based holdings. We will look to add to some of our stronger growth companies using this pullback to do so. As we have noted previously, over the next few months, we continue to consolidate our portfolio holdings to reduce our total holdings from 32 to 25. Such will provide us with the ability to concentrate positions a bit more to increase overall portfolio yield, while also improving performance on a relative basis. Also, fewer positions simplify the process of hedging portfolio risks. If you have any questions, all the advisors at RIA have been briefed on the strategy and will be happy to discuss it with you.

Portfolio Changes

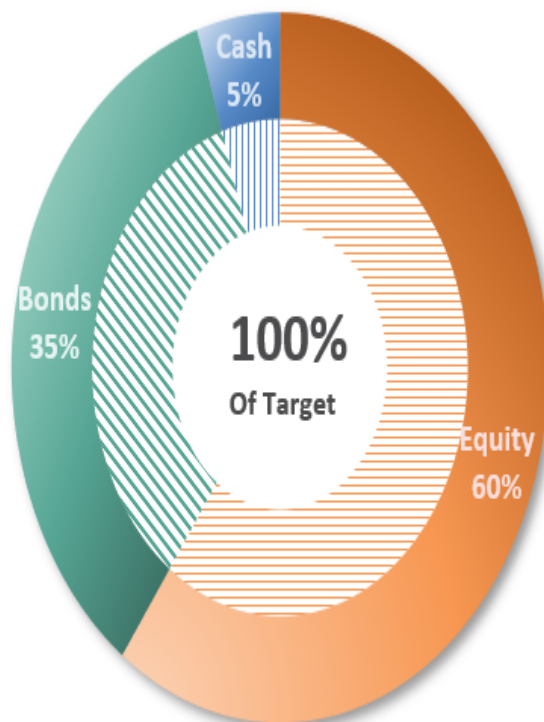
This past week involved very few changes to the **Equity Portfolio**. After a long grind, RTX finally broke out of its consolidation and began to improve technically. We have owned the position previously, so adding it back to the portfolio was a simple process. As always, we start with a small position and build into it. As part of our consolidation process, we have sold WELL and AEP. We are currently overweight in Utilities and Real Estate, which have been underperforming, so we trimmed out the laggards in our portfolio and will add to our stronger positions. **There were no changes to the ETF Portfolio this week.** 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 Roberts CIO*

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



Current Portfolio Weighting



Current 401k Allocation Model

5.00% 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

60.00% 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

30% Large Cap Growth (S&P 500 Index)

5% International

5% Mid-Cap

Portfolio Instructions:

Allocation Level To Equities	Recommendation	When To Take Action
Less Than Target Allocation	Use Weakness To Add	Move Slowly On Weakness
Equal To Target Allocation	Hold Current Exposure	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

Commentary

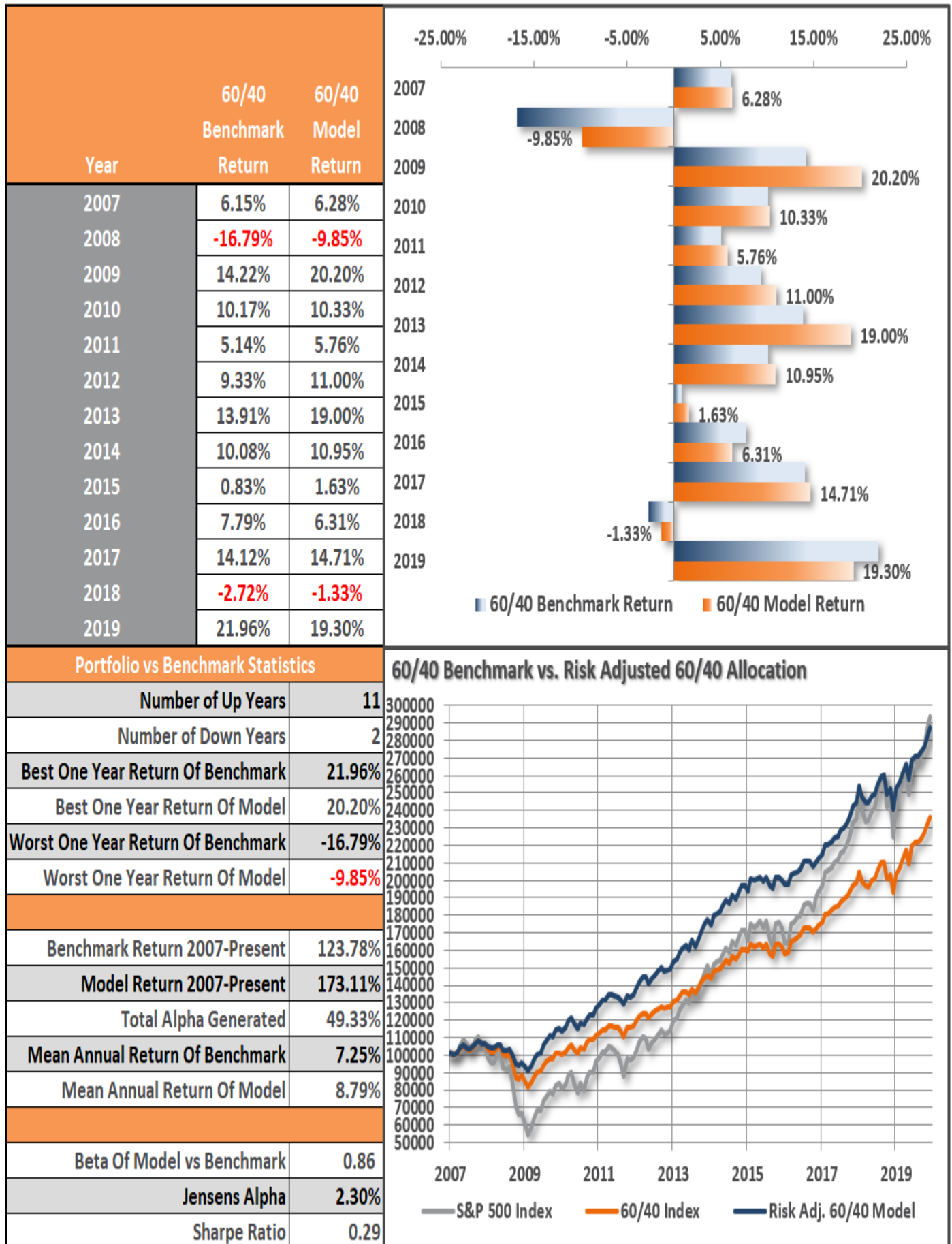
As noted last week: "That correction started on Thursday and Friday and with the markets 5% lower, we will look for a short-term oversold condition to add exposure to equities."

The market is getting fairly oversold short-term, so if you are wanting to increase exposure there is a tradeable opportunity to do so. Add some of your exposure next week, and use additional weakness to add accordingly.

In the longer-term the markets remain extremely overbought, so there is downside risk. Be mindful of the risk you are taking particularly if you are close to retirement.

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 and 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

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Research

Portfolio

401K- Beta

Symbol

Help

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

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CVS Health

Enter Portfolio Name

Add Portfolio

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Rename Portfolio

My Info

Fund Selection

Comparison

Summary

Commentary

My Portfolio

RIAPro Portfolio

RIA 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