

Stimulus. No Stimulus.

Market Bounces With Headlines.



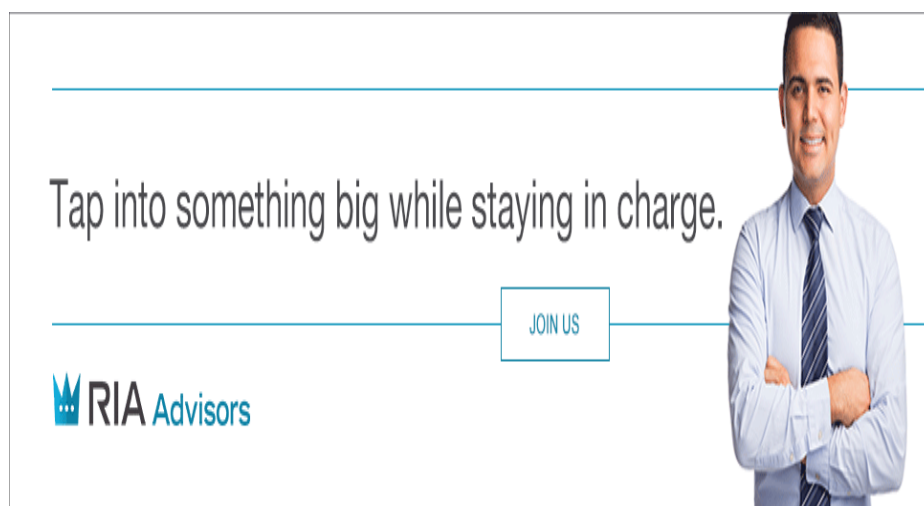
- ***Market Bounces With Headlines***
- ***Back To Excess Optimism***
- ***Bull Now, Bear Later***
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- ***MacroView: Recessions Are A Good Thing, Let Them Happen***
- ***Sector & Market Analysis***
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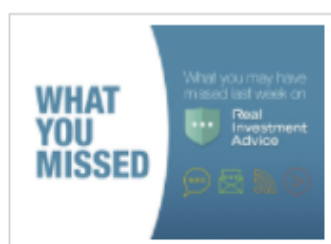


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Catch Up On What You Missed Last Week



[#WhatYouMissed On RIA This Week: 10-23-20](#)

Written by Lance Roberts | Oct 23, 2020

Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

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Market Bounces With Headlines

Over the past couple of weeks, markets haven't paid much attention to the economic or earnings data but have drifted from one "stimulus" headline to the next.

MARKETS

Stocks close higher after Pelosi points to progress on coronavirus stimulus talks, banks lead gain

PUBLISHED WED, OCT 21 2020•6:08 PM EDT | UPDATED THU, OCT 22 2020•4:19 PM EDT

MARKETS

Dow falls nearly 100 points on concern about stimulus, Intel leads tech lower

PUBLISHED THU, OCT 22 2020•6:00 PM EDT | UPDATED 1 MIN AGO

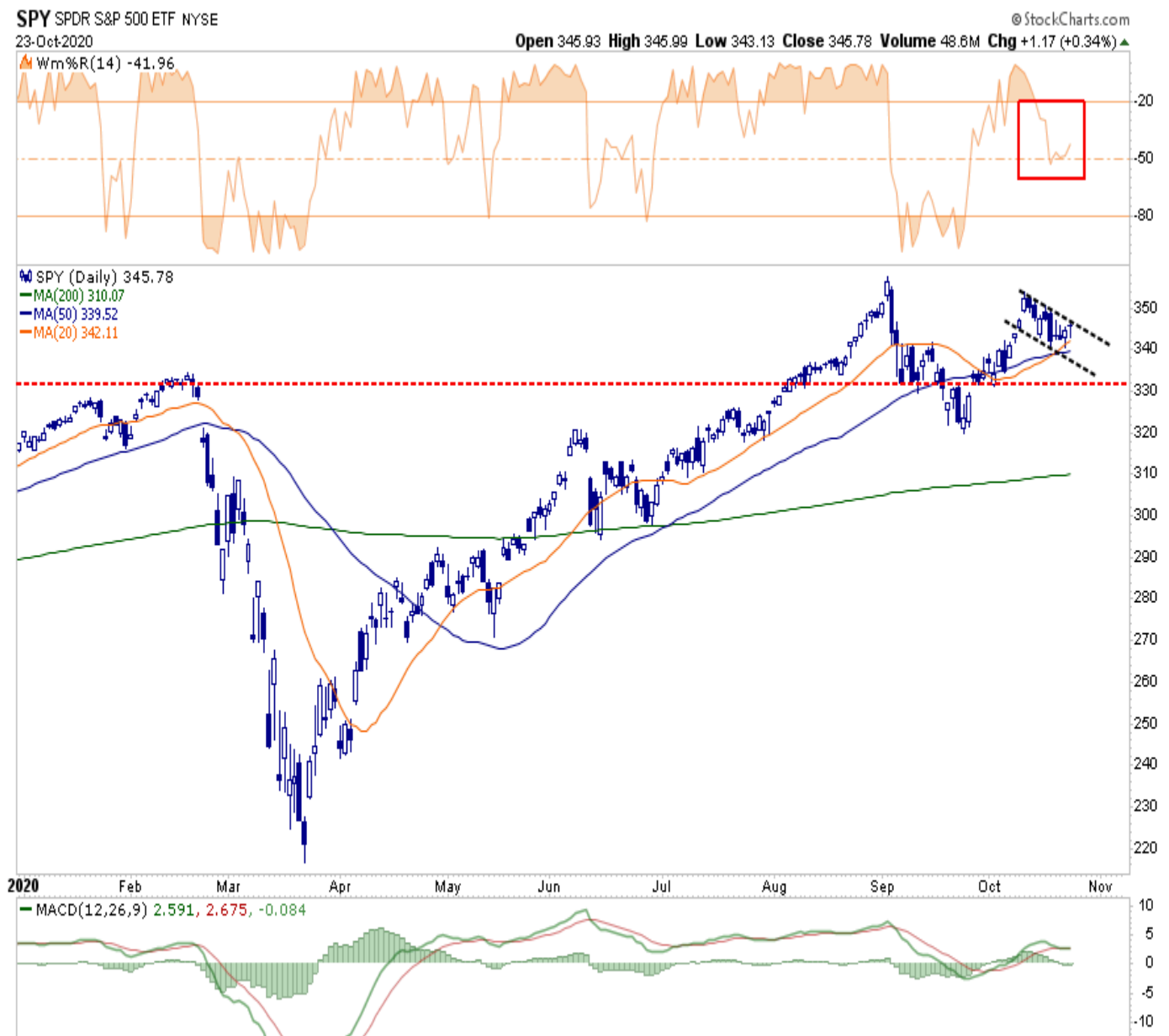
You get the idea. The daily swings of the market have made it tough to navigate. However, as discussed Monday in our ["3-Minutes" video](https://youtu.be/nG5cPPpqYNs), indicators were already suggesting price action would be weak. <https://youtu.be/nG5cPPpqYNs> Such was the case as stock prices drifted lower on the daily disappointment of failed stimulus talks.

Deal Or No Deal

The lack of stimulus is NOT surprising. As we stated on the [#RealInvestmentShow](#) many times, **there is "no incentive" for either side to pass "stimulus" before the election.** If the stimulus passes, President Trump will get credit for providing aid to the American people. Such a *"feather in the cap"* would be something the Democrats are unwilling to provide. [ZeroHedge](#) came to the same conclusion on Friday:

"House Speaker Nancy Pelosi told MSNBC a stimulus bill 'can be passed before the Nov. 3 election if President Trump cooperates.' However, hedging that statement, she stated that Trump has been 'back and forth' on a deal. She also added that Trump needs to get Senate Republicans to back any agreement. In response, the White House immediately countered with Press Secretary McEnany saying Pelosi is making it harder by not budging 'even one inch' on her stimulus demands."

The market read between the lines and realized no *"deal"* is coming. While the markets were hammered initially, traders bid shares up on *"hope"* stimulus is still coming. The good news is that while the market remains in a downtrend, it continues to hold support at the 20-dma and 50-dma cross.



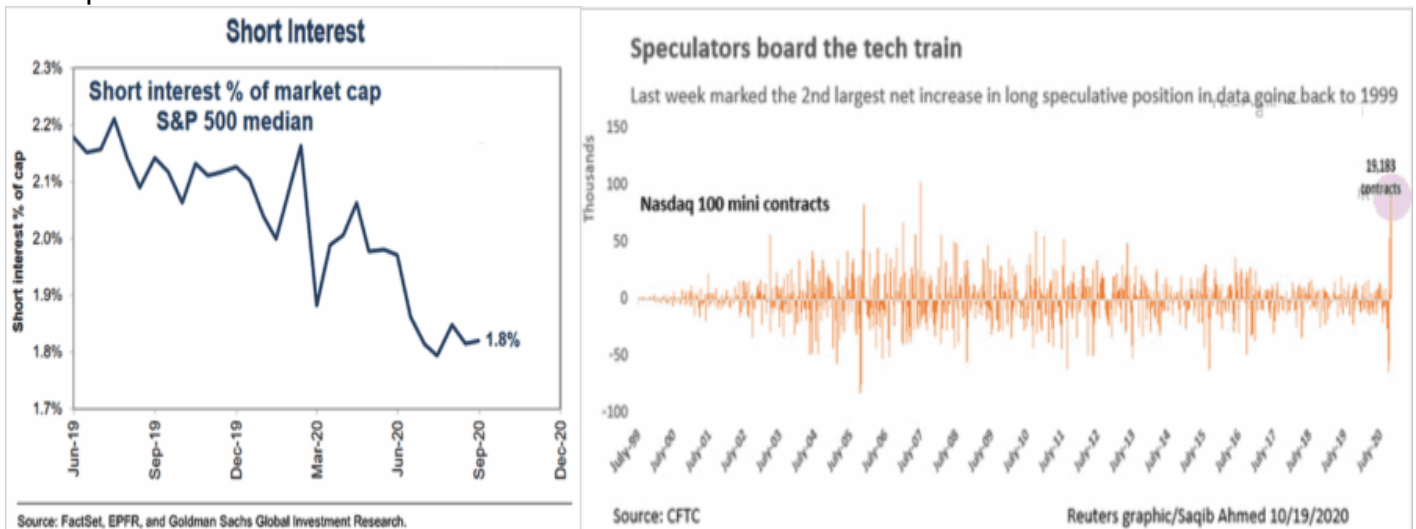


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Market Back To Excess Optimism

What is most fascinating is that while Congress and the media are complaining about how the economy needs more stimulus, the market doesn't agree. **Despite the fact, there has been no stimulus passed, retail stores and the housing market have posted record sales.** Restaurants are getting customers back, and credit card spending has picked up sharply from the lows, and, in Houston, traffic has returned. The market is also picking up on the "recovery," bifurcated as it may be, as stock market speculation has now surged back to records in both record low short-interest and options contracts.



As I noted on Tuesday in ["Bulls Are All In, Again,"](#)

"Fed actions shifted the 'risk appetite' of investors through 'perceived' insurance against losses. As we head into a potentially contentious election, market 'bulls' are 'all in' again as hopes remain high that more 'stimulus' will soon come. Since the Fed intervened in March, investor sentiment has gotten run back up to extremes despite the economy remaining amid a deep recession."

Short-term market timers in the “excessively bullish” zone

Average recommended stock market exposure among short-term stock market timers*



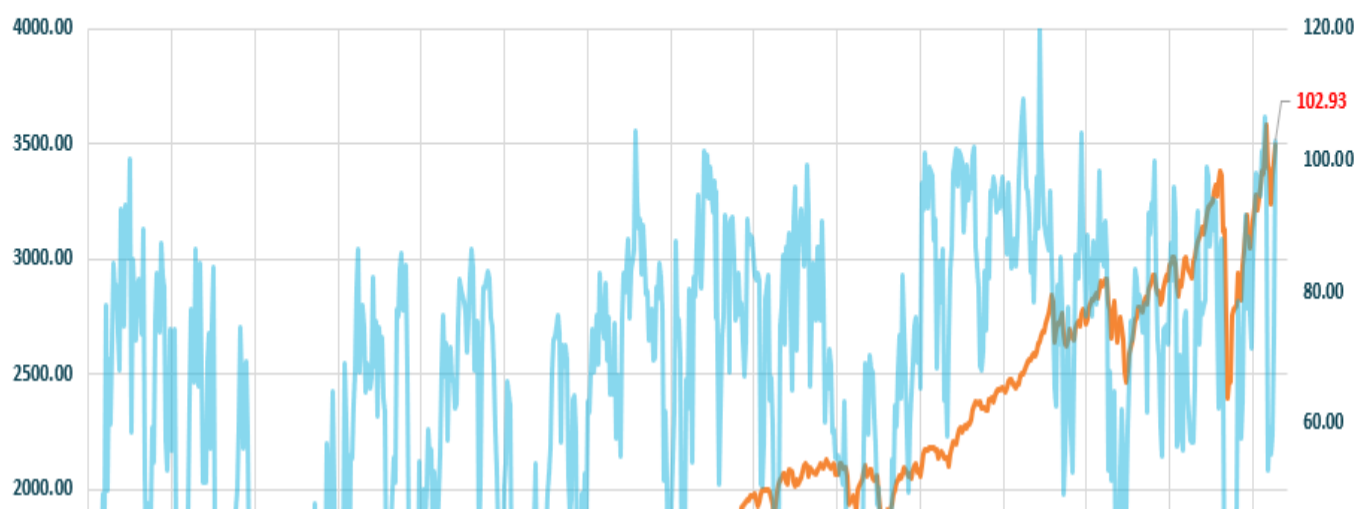
*As measured by the Hulbert Stock Newsletter Sentiment Index (HSNSI) Source: www.HulbertRatings.com

I also pointed out that professional asset managers are also back to being fully long in portfolios.

"One of the sub-components of the 'Fear/Greed' gauge is the NAAIM index of professional investors, which measures the percentage allocation to that group's equities. Currently, equity allocations of professional investors are back to full weightings. While such doesn't mean the markets are about to crash, more often than not, their 'bullishness' has tended to be an excellent short-term 'contrarian' indicator."

NAAIM VS. S&P 500 INDEX

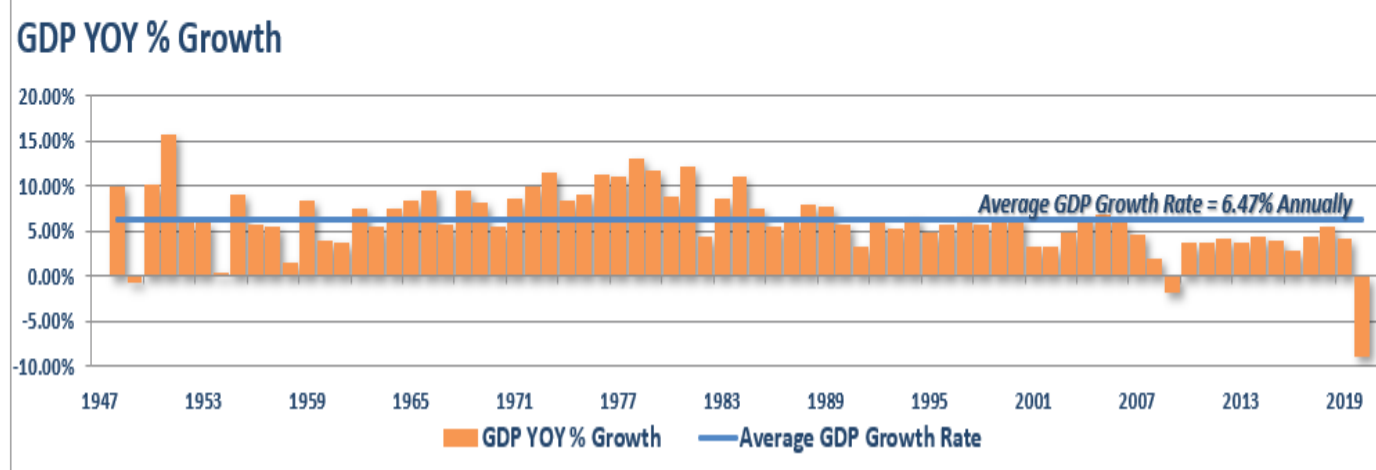
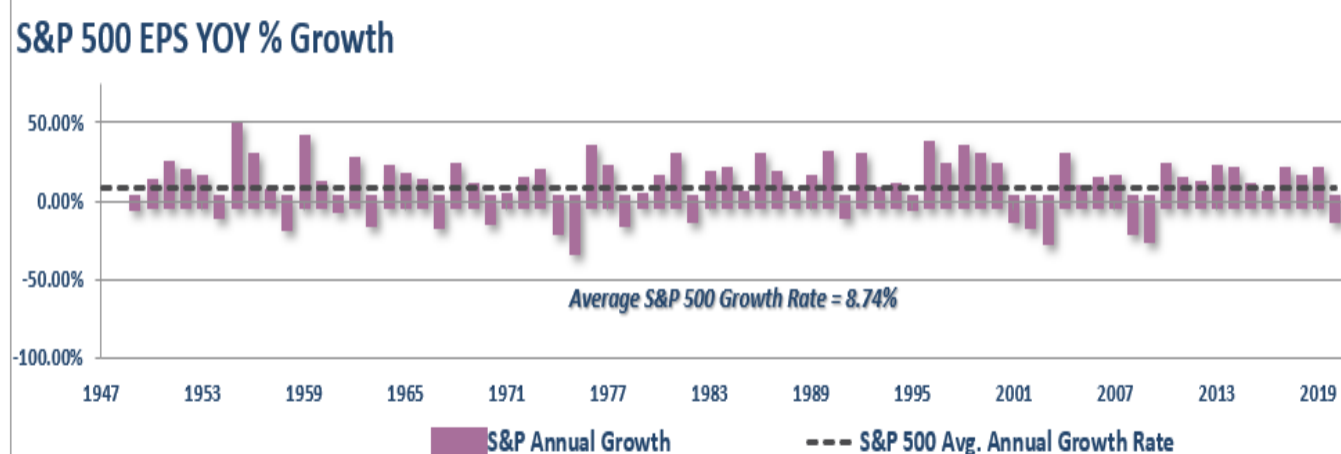
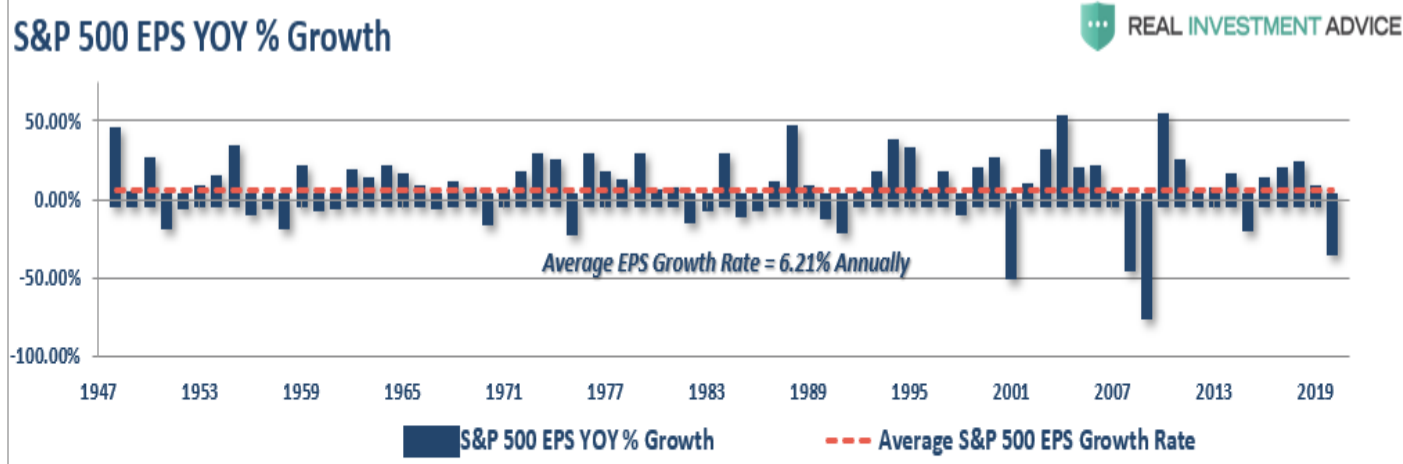
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However, while the stock market is wildly bullish, there is a clear disconnect with the economic recovery, such as it may be.

The Great Disconnect

There is currently a *Great Divide* between a "recessionary" economy and a surging bull market in stocks. Given the relationship between the two, they both can't be right. The economy, earnings, and asset prices over time are highly correlated, as shown by the chart below.



Since 1947, earnings per share have grown at 6.21% annually, while the economy expanded by 6.47% annually. **That close relationship in growth rates should be logical, particularly given the significant role consumer spending has in the GDP equation.** The correlation between the two is shown in the chart below.

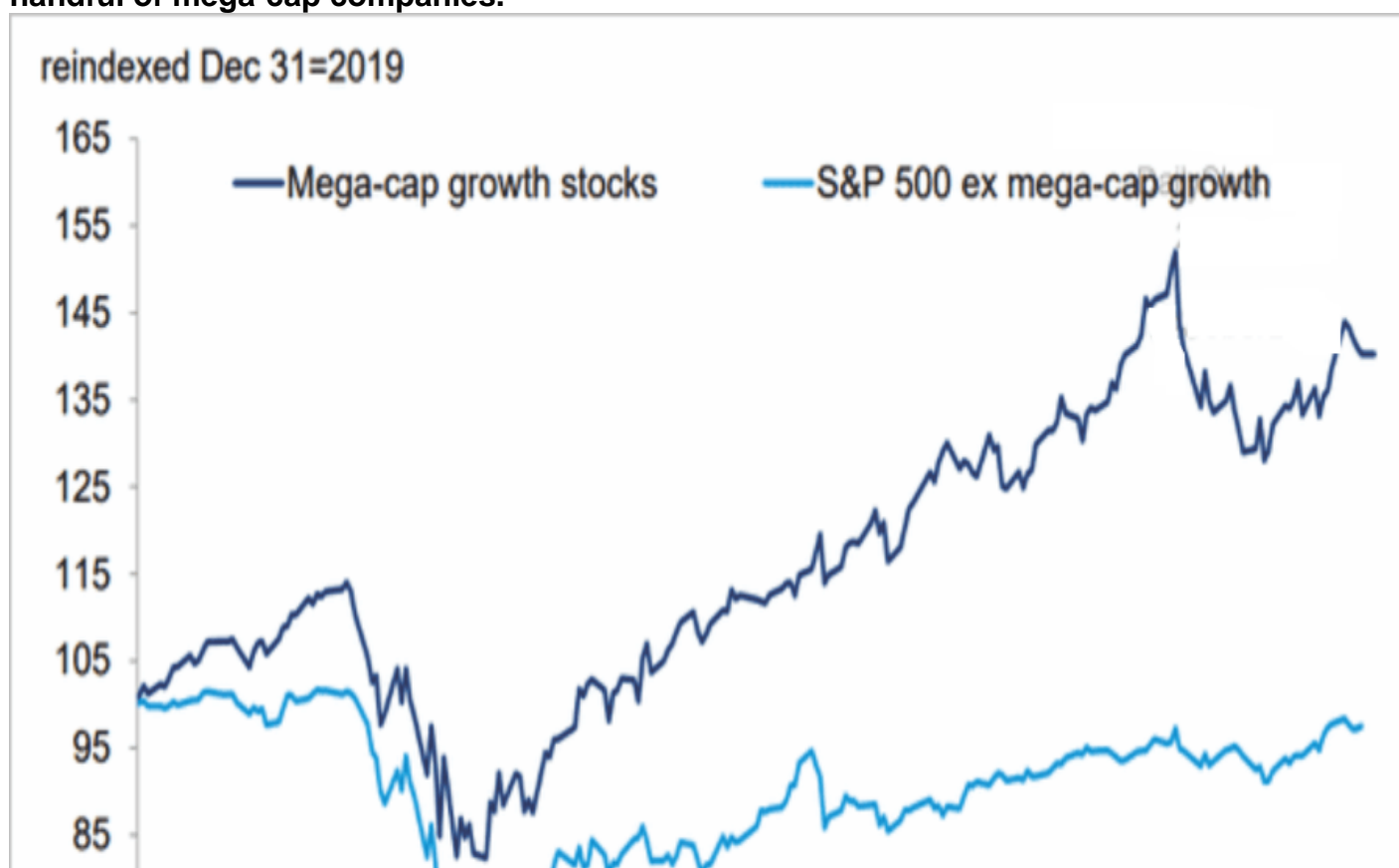
The Market (S&P 500) Has Never Been This Disconnected From The Economy (GDP)

10-Year Correlation Of The Market & GDP

The current **"negative correlation"** is quite an anomaly given that corporate earnings are derived from economic activity. However, that relationship broke due to the massive amount of Federal Reserve interventions in the financial markets. Currently, the Fed owns the largest amount of the Treasury Bond market in history.



As shown above, the liquidity flowed into the most highly liquid equities (*mega-caps.*) **Such led to a massive distortion in the markets between the vast majority of index constituents and a handful of mega-cap companies.**



That distortion of the financial markets by the Federal Reserve has created an illusion that the stock market, which should represent the economy, is doing exceedingly well when in reality it isn't.



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Bull Now, Bear Later

There is no arguing the market is bullishly biased in the short-term. **However, in the longer-term, slower economic growth rates will eventually impact companies' ability to generate higher profit margins.** Such will especially be the case in the event of Biden victory and higher tax rates. Valuations remain problematic on many levels, **but the distortion of the markets to the economy is most prevalent in the market capitalization to GDP ratio.**



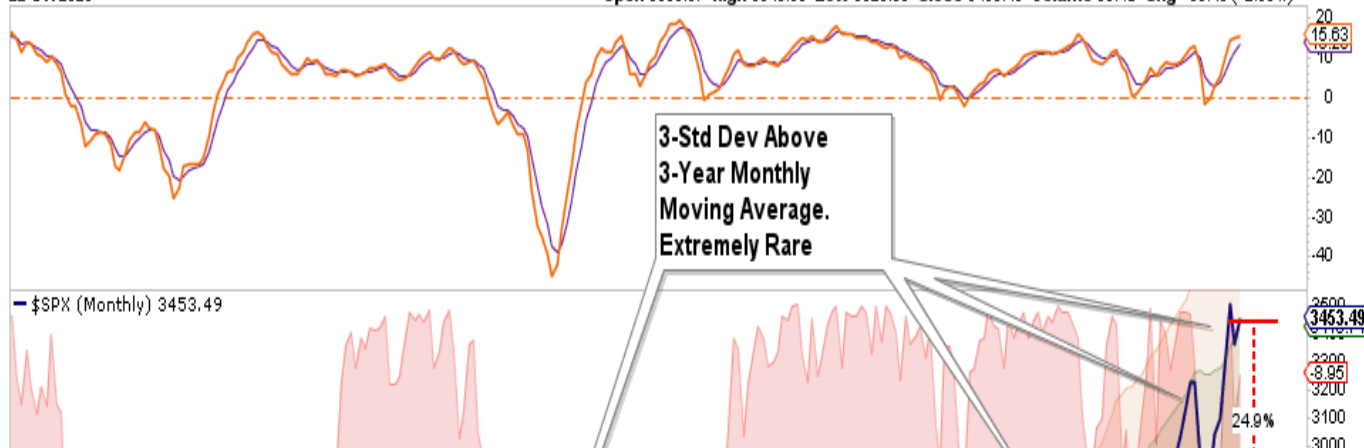
More importantly, the deviation of the market from long-term means remains extreme. **With the markets overbought, extended, and, as noted above, extremely optimistic about the near-term future, the risk of a bigger correction remains elevated.**

\$SPX S&P 500 Large Cap Index: INDXX

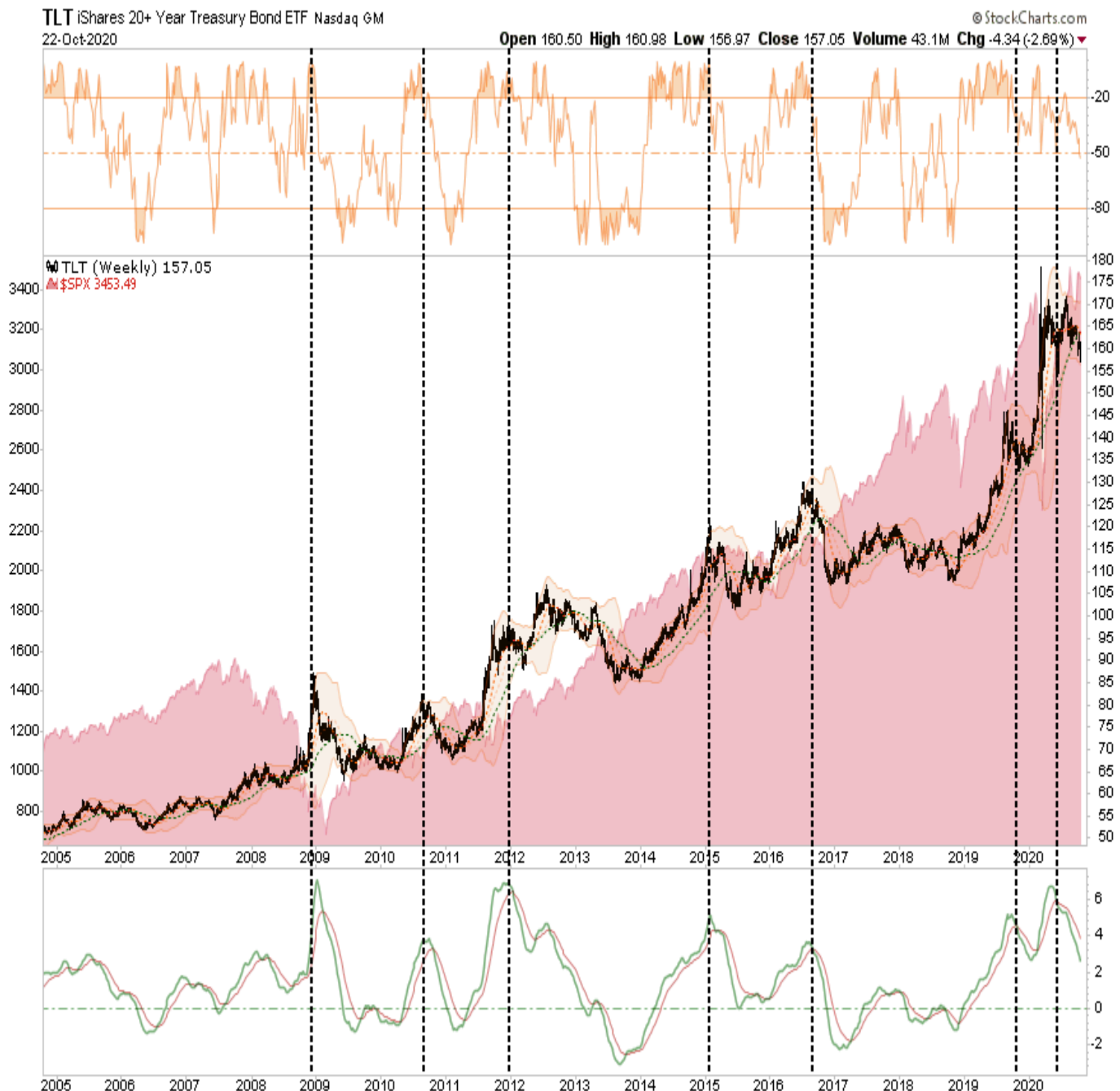
22-Oct-2020

Open 3385.87 High 3549.85 Low 3323.89 Close 3453.49 Volume 35.4B Chg +90.49 (+2.69%)▲

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While the Federal Reserve, through its interventions, quickly abated the previous decline by not allowing for a reversion to occur, the risk of a secondary reversion remains. **In particular, pay attention to interest rates.** The recent rise in interest rates, on the assumption of more stimulus leading to an inflationary impulse, has a long history of not playing well with equity markets. **Higher interest rates undermine the market's mantra of overpaying for assets on an equivalent yield basis.**



As stated last week, *"risk happens fast,"* which is why we continue to encourage you to focus on your overall exposures.

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Portfolio Positioning Update

As we have discussed with our [RIAPro Subscribers \(30-Day Risk-Free Trial\)](#) during the course of this week, we have been gradually raising cash and rebalancing portfolio risks as we head into

the Presidential election. During the course of the last three weeks, we discussed that markets, between the election and the end of the year, tend to be positive if there is a "clean election."• **However, the market does not do well when there is a contested election where the outcome is unknown for several days to weeks.** Such an event is what we deem to currently be a potential outcome given the large number of "mail-in" ballots being cast this year due to the pandemic. **Delayed collections, extended periods to count votes, etc., all suggest there could be a delay in the election process.**

Raising Cash

We have increased our cash holdings during the past week, reduced our bond duration, and rebalanced equities. This is a process that we will continue into next week as more clarity emerges around the election and delivery of more stimulus. While such actions may seem "silly" in a very bullish and exuberant market, let me repeat the critical mistakes investors most often make in managing their portfolios from last week.

- **Investors are slow to react to new information (they anchor) which initially leads to under-reaction but eventually shifts to over-reaction during late-cycle stages.**
- **The "herding" effect ultimately drives investors. A rising market leads to justifications to explain over-valued holdings. In other words, buying begets more buying.**
- **Lastly, as the markets turn, the "disposition" effect takes hold, and winners are sold to protect gains, but losers are held in the hopes of better prices later.**

If the election process goes smoothly, we will quickly add back equity exposure in the areas that we think will benefit the most from the next president's policies. If "risk happens," we have cash, allowing us to take advantage of discounted asset prices the market gives us. As noted last week, this is why we hold cash.

"Given the length of the current market advance, deteriorating internals, high valuations, and weak economic backdrop, reviewing cash as an asset class in your allocation may make some sense. Chasing yield at any cost has typically not ended well for most."

The best asset any investor can have is "liquidity," which provides "opportunity."•

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The MacroView



#MacroView: Policies Over Politics. Whoever Wins, We All Lose

Written by Lance Roberts | Oct 23, 2020

While you are likely confident why your candidate is the best choice, and the opposition is the worst, when it comes to economic prosperity and the financial markets, it is generally better to focus on the "policies," and not the "politics."

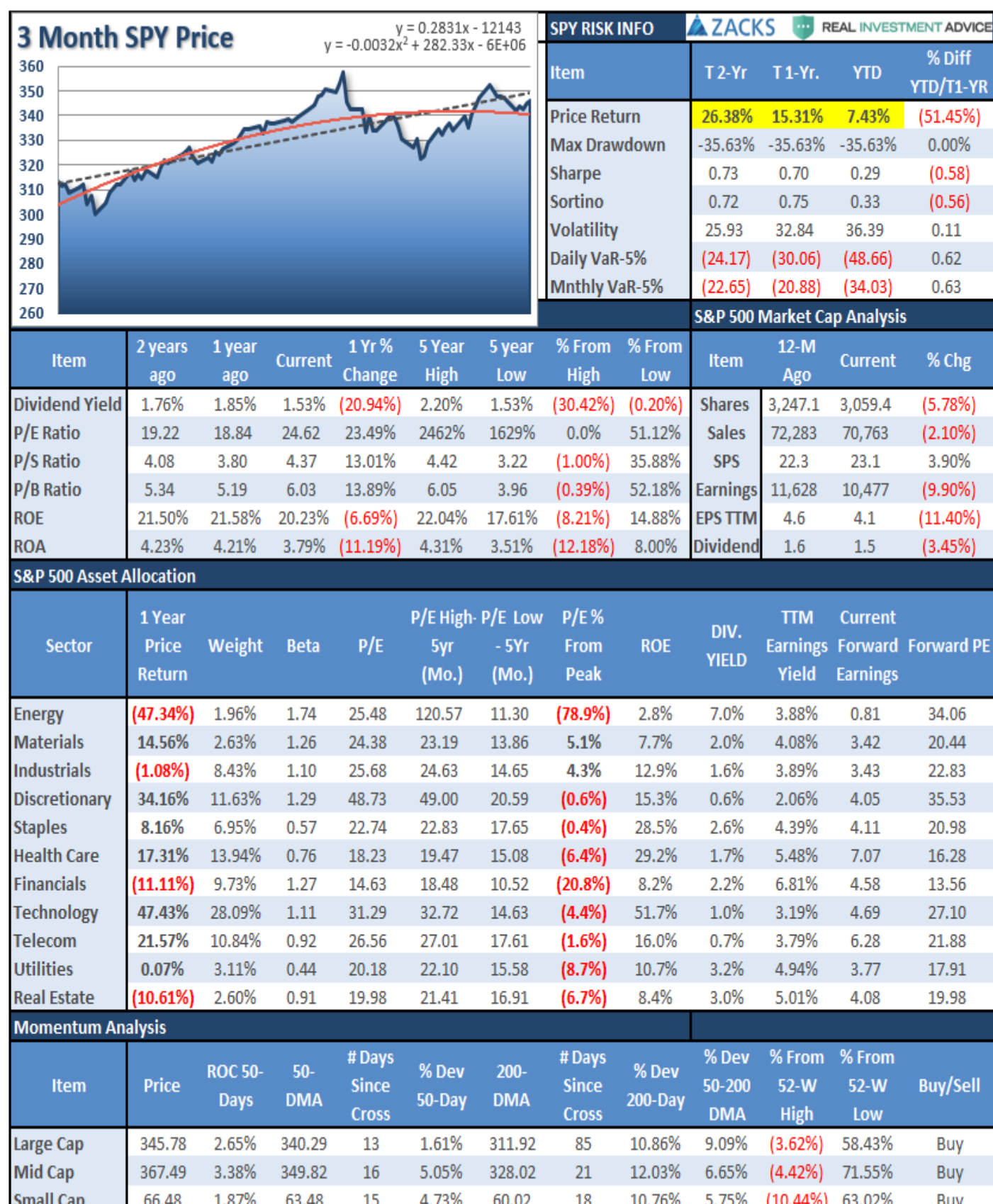
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If you need help or have questions, we are always glad to help. [**Just email me.**](#) See You Next Week **By Lance Roberts, CIO**

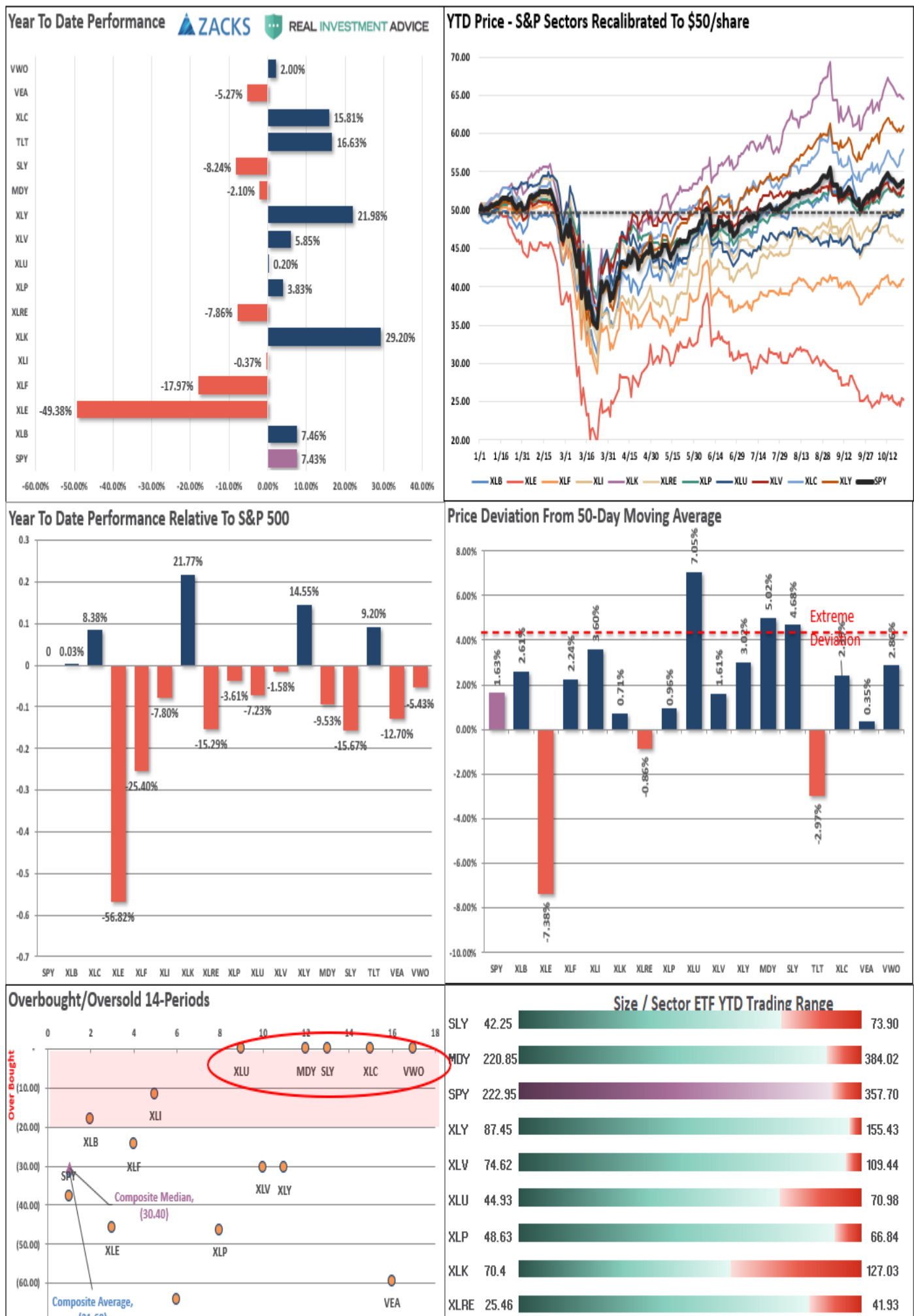
Market & Sector Analysis

Analysis & Stock Screens Exclusively For RIAPro Members

S&P 500 Tear Sheet

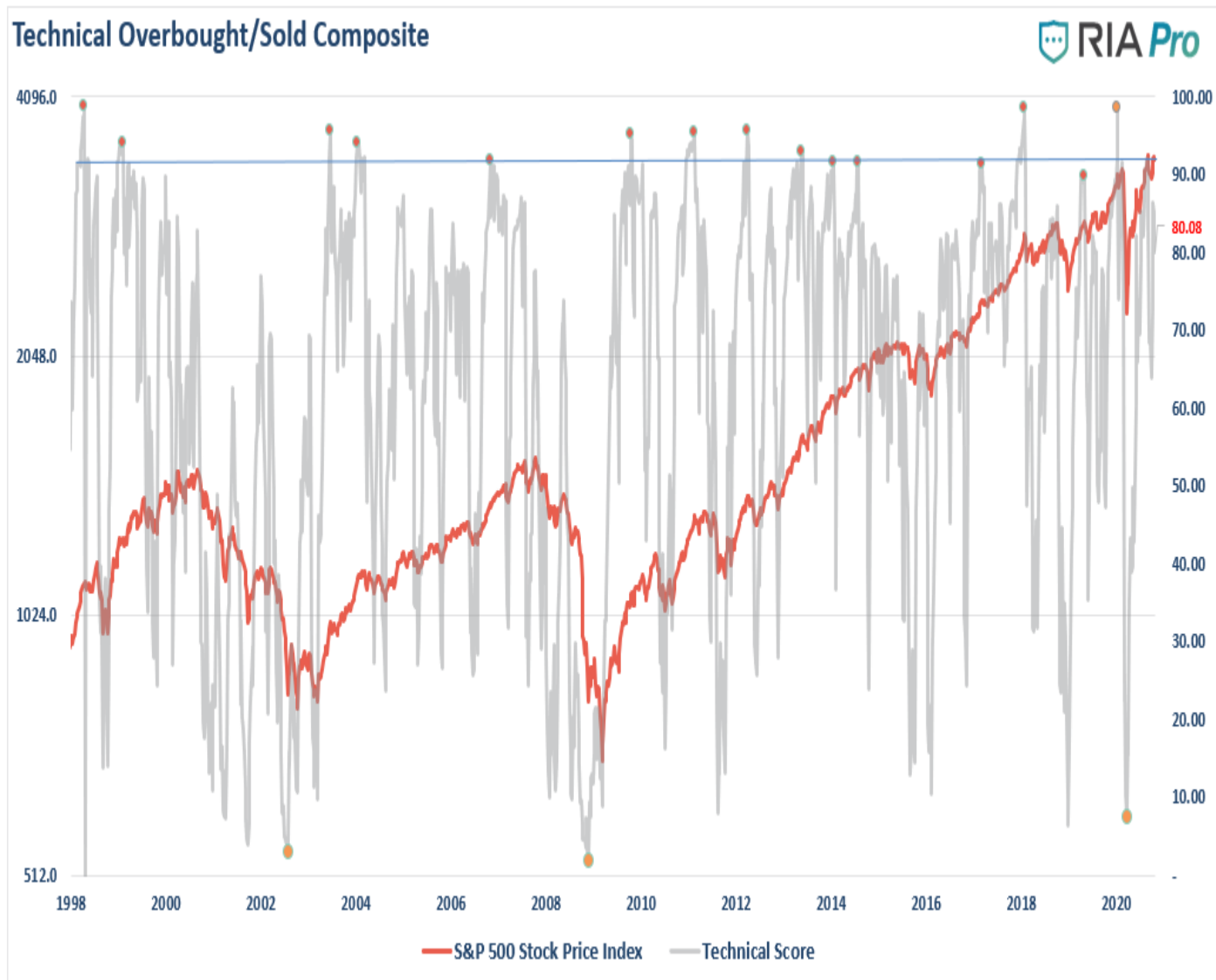


Performance Analysis



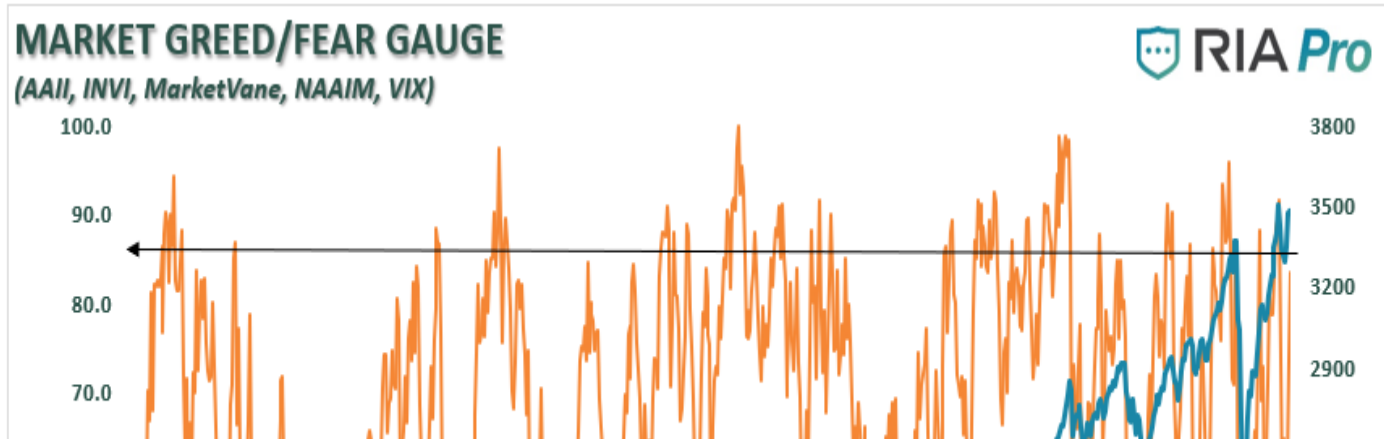
Technical Composite

The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. • Readings above "80" are considered overbought, and below "20" is oversold. •



Portfolio Positioning "Fear / Greed" Gauge

The "Fear/Greed" gauge is how individual and professional investors are "positioning" themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing data.



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	346.96	(0.43)	5.18	5.84	18.23	14.39	339.43	310.27	336.06	0.99	344.46	327.66	2%	12%	BULLISH
XLB	SPDR-MATLS SELS	66.00	0.02	0.49	3.51	7.53	(1.11)	63.71	56.80	63.64	1.11	65.94	61.34	4%	16%	BULLISH
XLC	SPDR-COMM SV SS	62.11	2.62	0.96	1.01	1.53	9.04	60.21	54.51	59.40	1.00	61.48	57.32	3%	14%	BULLISH
XLE	SPDR-EGY SELS	30.39	1.09	(4.48)	(21.49)	(39.87)	(63.33)	33.78	35.25	29.95	1.64	31.19	28.71	-10%	-14%	BEARISH
XLF	SPDR-FINL SELS	25.25	1.47	2.32	(0.76)	(4.95)	(26.23)	24.65	23.49	24.07	1.14	24.95	23.19	2%	8%	BULLISH
XLK	SPDR-TECH SELS	118.44	(1.79)	(1.23)	1.41	6.73	28.45	116.27	102.24	116.70	1.06	120.86	112.54	2%	16%	BULLISH
XLI	SPDR-INDU SELS	81.17	(0.10)	0.94	7.32	10.39	(11.12)	77.42	69.85	76.98	1.15	79.79	74.17	5%	16%	BULLISH
XLP	SPDR-CONS STPL	65.39	(0.75)	(1.45)	(1.55)	(5.72)	(7.35)	64.43	60.60	64.10	0.57	66.07	62.13	1%	8%	BULLISH
XLRE	SPDR-RE SELS	35.63	(0.90)	(2.41)	(7.58)	(11.39)	(24.17)	35.96	34.65	35.27	0.70	36.40	34.14	-1%	3%	BULLISH
XLU	SPDR-UTIL SELS	64.75	1.60	5.09	0.61	(2.94)	(13.47)	60.51	58.86	59.38	0.35	61.07	57.69	7%	10%	BULLISH
XLV	SPDR-HLTH CR	107.82	0.33	(0.52)	(3.67)	(9.77)	2.73	106.14	100.66	105.48	0.78	108.94	102.02	2%	7%	BULLISH
XLY	SPDR-CONS DISCR	152.99	0.52	1.12	5.83	12.24	11.98	146.47	128.32	146.98	1.16	152.36	141.60	4%	19%	BULLISH
XTN	SPDR-SP TRANSP	63.01	3.49	3.57	9.78	12.50	(16.64)	59.39	53.02	58.15	1.35	60.39	55.91	6%	19%	BULLISH
SDY	SPDR-SP DIV ETF	98.00	1.16	2.41	(1.09)	(6.19)	(20.36)	95.48	90.76	92.40	0.88	95.53	89.27	3%	8%	BULLISH
RSP	INVS-SP5 EQ ETF	114.15	1.09	2.12	1.00	0.64	(10.08)	110.15	101.47	108.11	1.09	111.99	104.23	4%	12%	BULLISH
SLY	SPDR-SP6 SC	66.48	1.51	6.72	2.26	3.11	(17.69)	63.47	58.08	60.87	1.24	63.14	58.60	5%	14%	BULLISH
MDY	SPDR-SP MC 400	367.49	1.38	5.93	2.37	1.95	(11.38)	349.44	320.16	338.83	1.17	351.27	326.39	5%	15%	BULLISH
EEM	ISHARS-EMG MKT	46.32	2.10	2.69	1.16	7.50	(5.91)	44.56	40.47	44.09	0.88	45.58	42.60	4%	14%	BULLISH
EFA	ISHARS-EAFE	64.98	0.80	(2.17)	(1.12)	(3.91)	(17.44)	64.52	60.41	63.65	0.81	65.75	61.55	1%	8%	BULLISH
IAU	ISHARS-GOLD TR	18.16	0.70	(2.98)	(9.55)	(6.89)	11.72	18.47	17.13	17.99	0.08	18.45	17.53	-2%	6%	BULLISH
GDX	VANECK-GOLD MNR	38.82	(2.11)	(4.14)	(15.43)	(6.87)	25.55	40.94	35.53	39.16	0.72	40.42	37.90	-5%	9%	BULLISH
UUP	INVS-DB US\$ BU	25.04	(0.56)	(7.17)	(6.79)	(25.59)	(20.71)	25.20	26.09	25.35	(0.10)	25.96	24.74	-1%	-4%	BEARISH
IXUS	ISHARS-CR INT S	60.04	1.13	(0.74)	(0.17)	0.33	(13.40)	59.00	54.44	58.34	0.85	60.29	56.39	2%	10%	BULLISH
TLT	ISHARS-20+YTB	158.01	(1.67)	(9.48)	(13.44)	(21.87)	(0.32)	164.23	164.03	163.26	(0.31)	166.84	159.68	-4%	-4%	BULLISH
BNDX	VANGD-TTL INT B	58.27	0.08	(5.06)	(5.77)	(16.25)	(14.39)	58.11	57.53	58.19	0.03	59.66	56.71	0%	1%	BULLISH
HYG	ISHARS-IBX HYCB	84.87	0.71	(2.86)	(6.45)	(11.81)	(17.27)	84.57	82.08	83.90	0.39	86.32	81.48	0%	3%	BULLISH



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	P/E using 12 mo EPS	Score
MCO	Moody's Corp	272.72	10.00	9.32	0.82	28.14	9.00
AZO	Autozone Inc	1175.55	9.48	3.75	0.00	16.33	8.00
LOW	Lowes Cos	171.25	16.24	5.54	1.40	21.76	8.00
NTRS	Northern Trust	85.76	10.70	9.58	3.26	14.22	8.00
PG	Procter & Gambel	141.45	7.57	0.64	2.24	26.29	8.00
SPGI	S&P Global Inc	337.25	10.00	5.97	0.79	30.33	8.00
TMO	Thermo Fisher	481.99	15.50	11.32	0.18	30.11	8.00
ABT	Abbott Labs	109.48	10.98	12.74	1.32	34.76	7.00
AMT	Amer Tower Corp	235.77	14.78	12.08	1.93	28.96	7.00
ATVI	Activision Blz	80.77	15.97	7.42	0.51	27.38	7.00
AVY	Avery Dennison	140.87	6.15	4.59	1.65	21.44	7.00
BLK	Blackrock Inc	635.18	9.03	8.02	2.29	19.84	7.00
CDNS	Cadence Design	109.32	15.43	8.31	0.00	28.40	7.00
CPRT	Copart Inc	114.09	13.00	16.55	0.00	44.39	7.00
DOV	Dover Corp	115.24	11.50	0.52	1.72	20.36	7.00
DVA	Davita Inc	90.68	11.93	-6.30	0.00	12.65	7.00
HUM	Humana Inc New	441.16	12.34	4.94	0.57	17.46	7.00
NVDA	Nvidia Corp	534.44	20.07	22.72	0.12	86.90	7.00
QRVO	Qorvo Inc	135.00	12.35	4.94	0.00	22.96	7.00
ROP	Roper Technolgs	427.52	10.50	11.35	0.48	33.74	7.00
SHW	Sherwin William	678.00	9.44	13.44	0.79	30.68	7.00
TER	Teradyne Inc	90.94	16.74	9.40	0.44	20.72	7.00
TGT	Target Corp	159.60	7.22	2.75	1.70	22.74	7.00
UPS	Utd Parcel Svc	172.99	7.90	6.64	2.34	23.19	7.00
AJG	Gallagher Arthu	107.76	10.69	7.66	1.67	25.97	6.00
ALLE	Allegion Plc	101.97	6.10	7.90	1.26	20.77	6.00
APH	Amphenol Corp-A	118.51	7.51	10.32	0.84	33.01	6.00
AWK	Amer Water Work	153.61	8.08	3.15	1.43	41.52	6.00
CDW	Cdw Corp	129.44	13.10	8.15	1.17	20.78	6.00
CTLT	Catalent Inc	93.40	16.47	11.67	0.00	49.95	6.00
DE	Deere & Co	236.88	8.18	9.68	1.28	28.03	6.00
DLR	Digital Rlty Tr	152.30	6.80	16.52	2.94	23.95	6.00
EA	Electr Arts Inc	126.92	12.38	5.24	0.00	23.55	6.00
FBHS	Fortune Brd H&S	85.27	7.32	5.44	1.13	23.05	6.00
FDX	Fedex Corp	275.95	12.00	8.62	0.94	24.38	6.00
IDXX	Idexx Labs Inc	423.59	15.83	10.73	0.00	80.07	6.00
J	Jacobs Engin Gr	98.53	7.77	5.59	0.77	18.49	6.00
LNT	Alliant Engy Cp	56.46	5.76	2.74	2.69	21.39	6.00
MAS	Masco	55.44	14.92	1.28	1.01	22.00	6.00
MTD	Mettler-Toledo	1063.23	10.38	5.77	0.00	46.55	6.00
ODFL	Old Dominion Fl	196.16	10.54	9.46	0.31	39.82	6.00
PCAR	Paccar Inc	91.69	10.00	8.31	1.40	22.36	6.00

Low P/B, High-Value Score, High Dividend Screen

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
SJM	Smucker Jm	115.63	1.58	11.79	3.11	9
CFR	Cullen Frost Bk	70.60	1.10	11.45	4.02	8
FISI	Financial Inst	16.93	0.63	10.41	6.14	8
HPE	Hewlett Pkd Ent	9.46	0.75	12.14	5.07	8
NTRS	Northern Trust	85.76	1.67	13.67	3.26	8
STT	State St Corp	65.60	1.00	12.68	3.17	8
TFC	Truist Finl Cp	43.45	0.95	10.08	4.14	8
TSLX	Sixth St Spclty	16.73	1.04	12.26	9.80	8
UNM	Unum Group	19.64	0.38	11.18	5.80	8
WTBA	West Bancorp	17.98	1.42	14.66	4.67	8
BK	Bank Of Ny Mell	37.56	0.82	10.40	3.30	7
BSRR	Sierra Bancorp	20.67	0.96	10.38	3.87	7
CHCO	City Hldgs Co	61.85	1.44	13.28	3.69	7
CMTV	Commnty Bcp Vt	14.00	1.03	12.25	5.43	7
CRWS	Crown Crafts	5.87	1.37	13.87	5.45	7
CVS	Cvs Health Corp	59.48	1.14	16.70	3.36	7
CZFS	Citizens Fin Sv	43.00	0.92	11.74	4.28	7
FCBP	First Choice Bc	14.02	0.61	12.24	7.13	7
FGBI	First Guaranty	14.37	0.78	10.07	4.45	7
FITB	Fifth Third Bk	23.97	0.82	10.31	4.51	7
FMNB	Farmers Natl Bc	12.11	1.03	10.88	3.63	7
GBCI	Glacier Bancorp	35.88	1.55	11.52	3.34	7
GBX	Greenbrier Cos	33.02	0.73	12.48	3.27	7
HIG	Hartford Fin Sv	39.97	0.86	10.16	3.25	7
IBCP	Indep Bk Mich	15.04	0.93	10.86	5.32	7
JHG	Janus Henderson	26.81	1.11	10.39	5.37	7
KEY	Keycorp New	13.08	0.81	10.63	5.66	7
LTC	Ltc Properties	34.46	1.72	13.40	6.62	7
NL	NI Inds Inc	4.65	0.69	11.24	3.44	7
PEG	Public Sv Entrp	60.87	1.99	11.15	3.22	7
XRX	Xerox Holdings	19.89	0.77	15.57	5.03	7

Aggressive Growth Strategy

Ticker	Company	Current Price	Next 3-5 Yr Est EPS Gr rate	5 yr Hist Sales Gr	Div Yield	P/E F1/ LT EPS Gr	Score
AMD	Adv Micro Dev	79.42	45.82	15.52	-	1.89	9
QDEL	Quidel Corp	245.74	#N/A	35.57	-	#N/A	9
IIPR	Innov Indl Ppty	127.18	#N/A	170.13	3.68	#N/A	8
SPGI	S&P Global Inc	337.25	10.00	5.97	0.79	3.02	8
MSFT	Microsoft Corp	214.89	12.50	12.68	0.95	2.70	8
AMT	Amer Tower Corp	235.77	14.78	12.08	1.93	1.99	7
CDNS	Cadence Design	109.32	15.43	8.31	-	3.51	7
CPRT	Copart Inc	114.09	13.00	16.55	-	3.05	7
CRM	Salesforce.Com	249.67	15.67	26.35	-	8.36	7
FICO	Fair Isaac Inc	433.06	#N/A	8.93	-	#N/A	7
NVDA	Nvidia Corp	534.44	20.07	22.72	0.12	3.84	7
PAYC	Paycom Software	377.33	25.00	32.54	-	6.49	7
PCTY	Paylocity Hldg	185.94	20.00	27.51	-	13.57	7

Portfolio / Client Update

As stated last week, the good news is the support levels just below Friday's closing levels, with the 20-dma crossing back above the 50-dma, are holding. Such should keep the markets fairly range-bound heading into next week. The not-so-good news is that we are just one week away from the Presidential election, which potentially argues for more market volatility. **Our biggest concern remains the risk of a contested election.** As noted in the main body of this week's newsletter:

"Over the past week, we have increased our cash holdings, reduced our bond duration, and rebalanced equities. This is a process that we will continue into next week as more clarity emerges around the election and delivery of more stimulus. While such actions may seem "silly" in a very bullish and exuberant market, let me repeat from last week the critical mistakes investors most often make in managing their portfolios.

- *Investors are slow to react to new information (they anchor) which initially leads to under-reaction but eventually shifts to over-reaction during late-cycle stages.*
- *The "herding" effect ultimately drives investors. A rising market leads to justifications to explain over-valued holdings. In other words, buying begets more buying.*
- *Lastly, as the markets turn, the "disposition" effect takes hold, and winners are sold to protect gains, but losers are held in the hopes of better prices later.*

If the election process goes smoothly, we will quickly add back equity exposure in the areas that we think will benefit the most from the policies of the next President. If "risk happens," we have cash which will allow us to take advantage of discounted asset prices the market gives us."

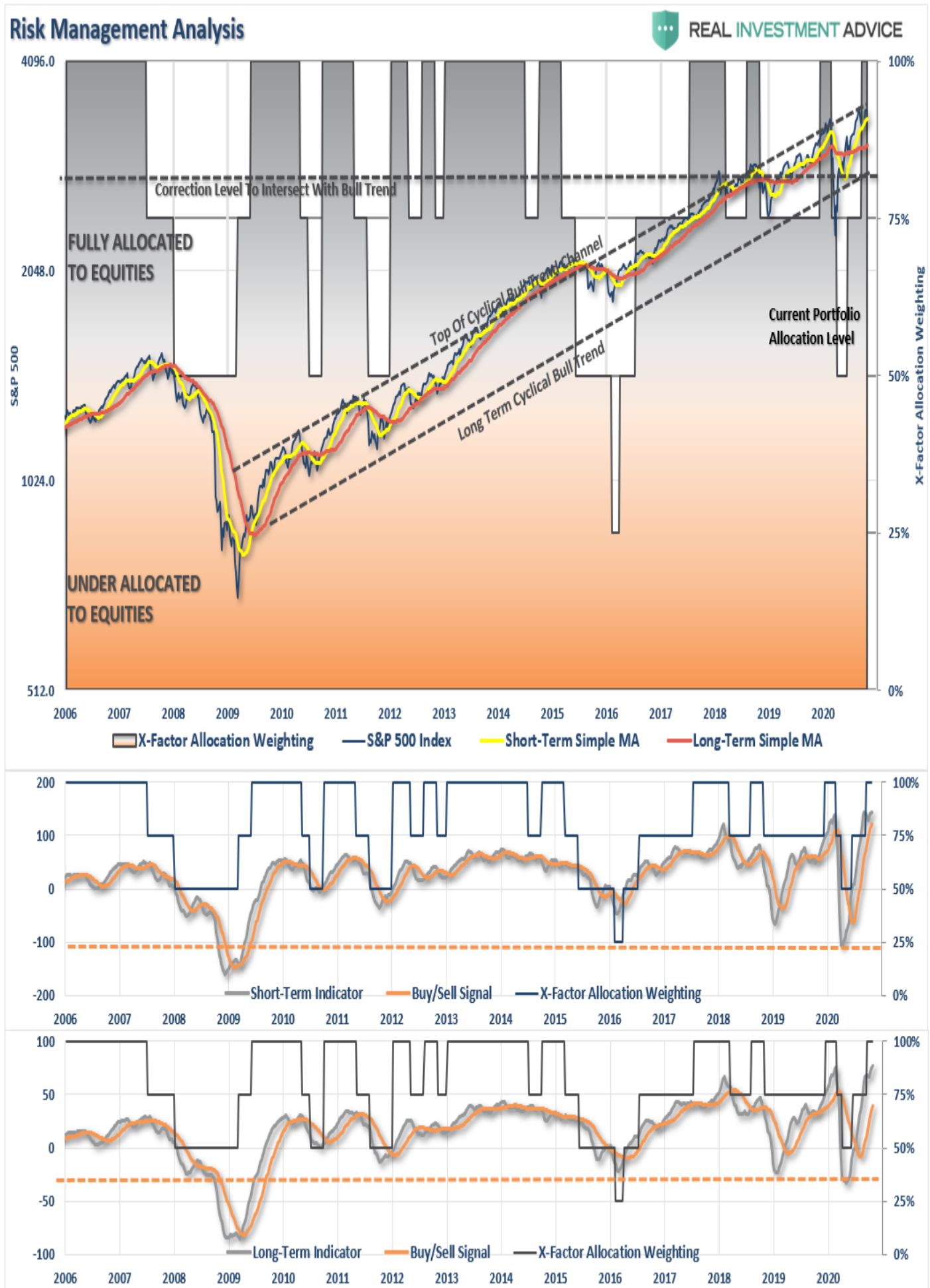
We are keenly aware of the risk and continue to take action to position ourselves accordingly.

Portfolio Changes

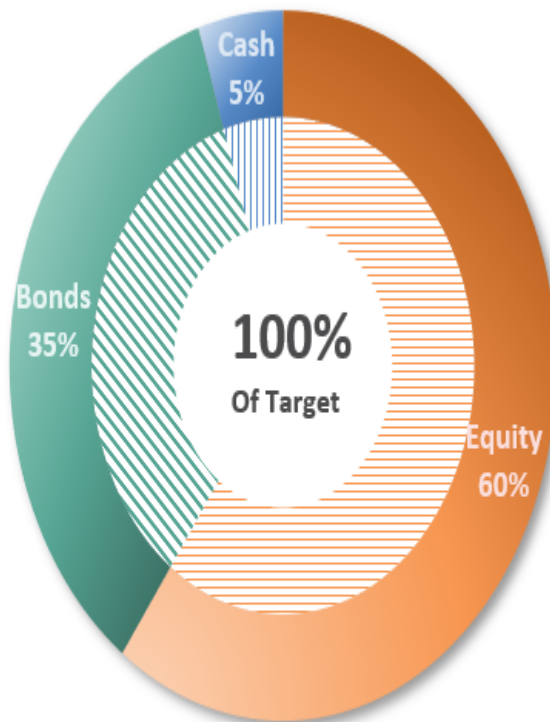
Over the course of the past week, we took several actions to increase cash in portfolios to provide a downside hedge. In the Equity & ETF Models, we sold 5% of our Treasury Bond (TLT) position to lower duration currently as interest rates are temporarily under the pressure of more stimulus expectations. The belief is that more stimulus will lead to inflation and higher rates. As we have repeatedly discussed, the stimulus is actually "deflationary" as it uses debt for a one-time boost. While we temporarily reduced our holdings, we are setting up for an excellent opportunity to add back to our holdings for a sizable gain in the future. We also sold ATT (T). While we like the position from a "value" perspective, it violated our stop-loss levels. We used the earnings announcement to remove the portfolios' position to reduce an underperforming asset's drag. While we still believe that "value" will eventually be the "place to be," the market doesn't agree with us currently. We are currently holding roughly 15% in cash, along with our bond holdings and reduced equity weightings. We will likely take further actions next week, depending on market actions, to further shore up our defenses. Our short-term concern is protecting your portfolio. Once we get through the election, we can focus on the economic recovery and where we go from here. 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

I can literally repeat what I wrote last week: *"The market stumbled this week as the realization that stimulus may be delayed until after the election took some of the steam out of the market."*

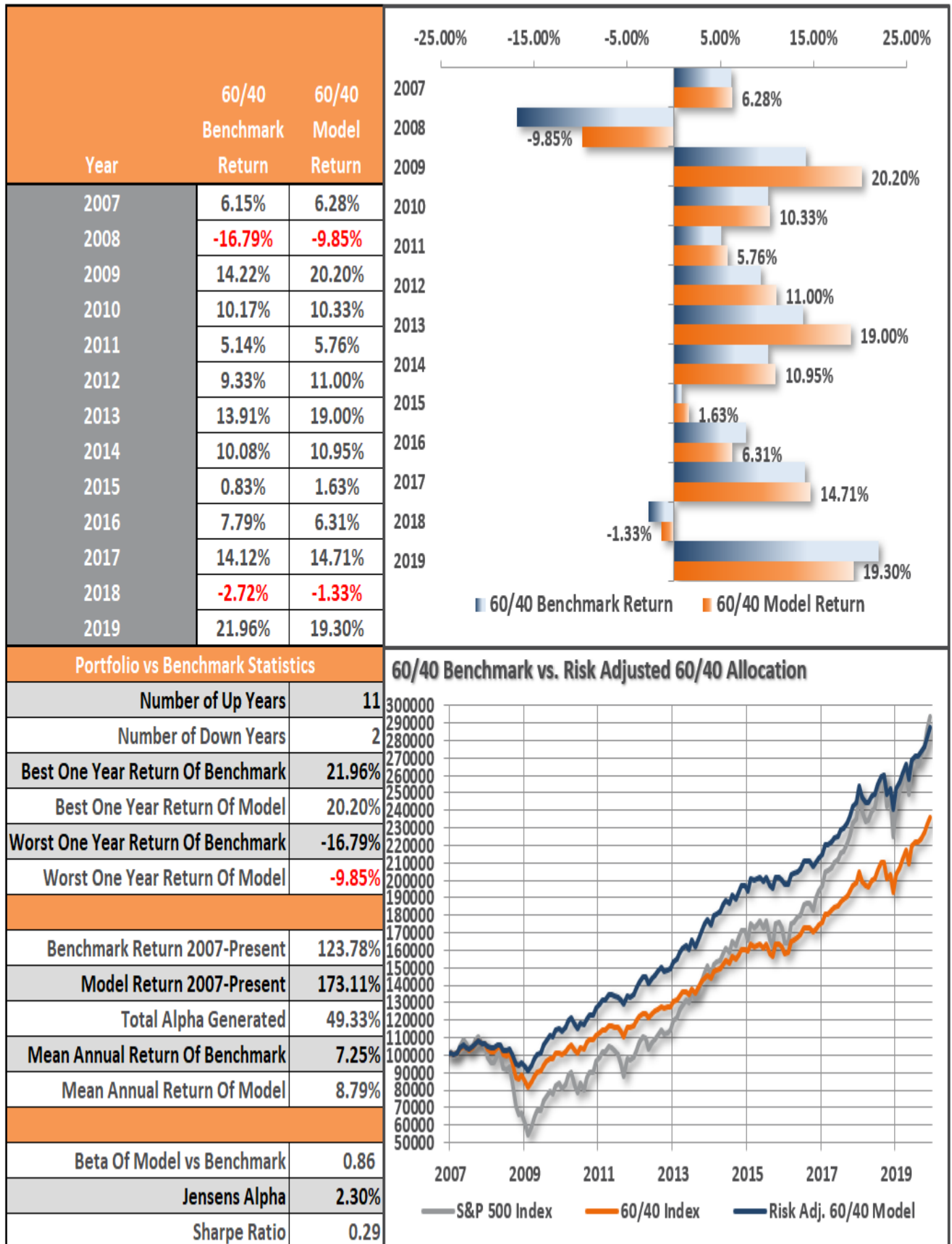
However, the pullback was orderly and has begun to work off some of the short-term overbought condition. With buy signals still intact, maintain allocations for now. If you are underweight equity exposure you can use any pullback next week to add to your allocations."

There is short-term risk of an election "debacle," which could certainly lead to a deeper correction short-term. As such, there is nothing wrong with reducing exposures slightly until after the election if you are concerned OR are very close to retirement. It is always an easy process to add money back to the market, it is more difficult to try and recoup losses.

With the markets back on longer-term buy signals, we continue to suggest adding exposure on weakness and opportunistically. In the longer-term the markets remain extremely overbought, so there is downside

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 can access 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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Ideas

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