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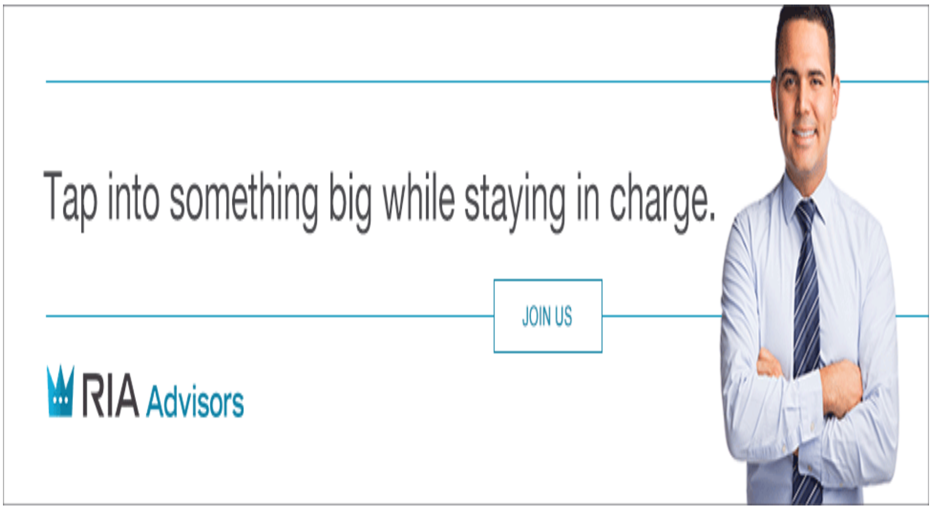
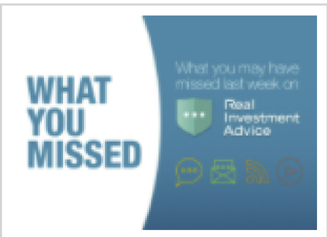


Catch Up On What You Missed Last Week



#WhatYouMissed On RIA This Week: 12-04-20

Written by Lance Roberts | Dec 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.

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Bullish Bias Continues Into December

The first week of December continued its bullish advance as *"bad news"* became *"good news."*

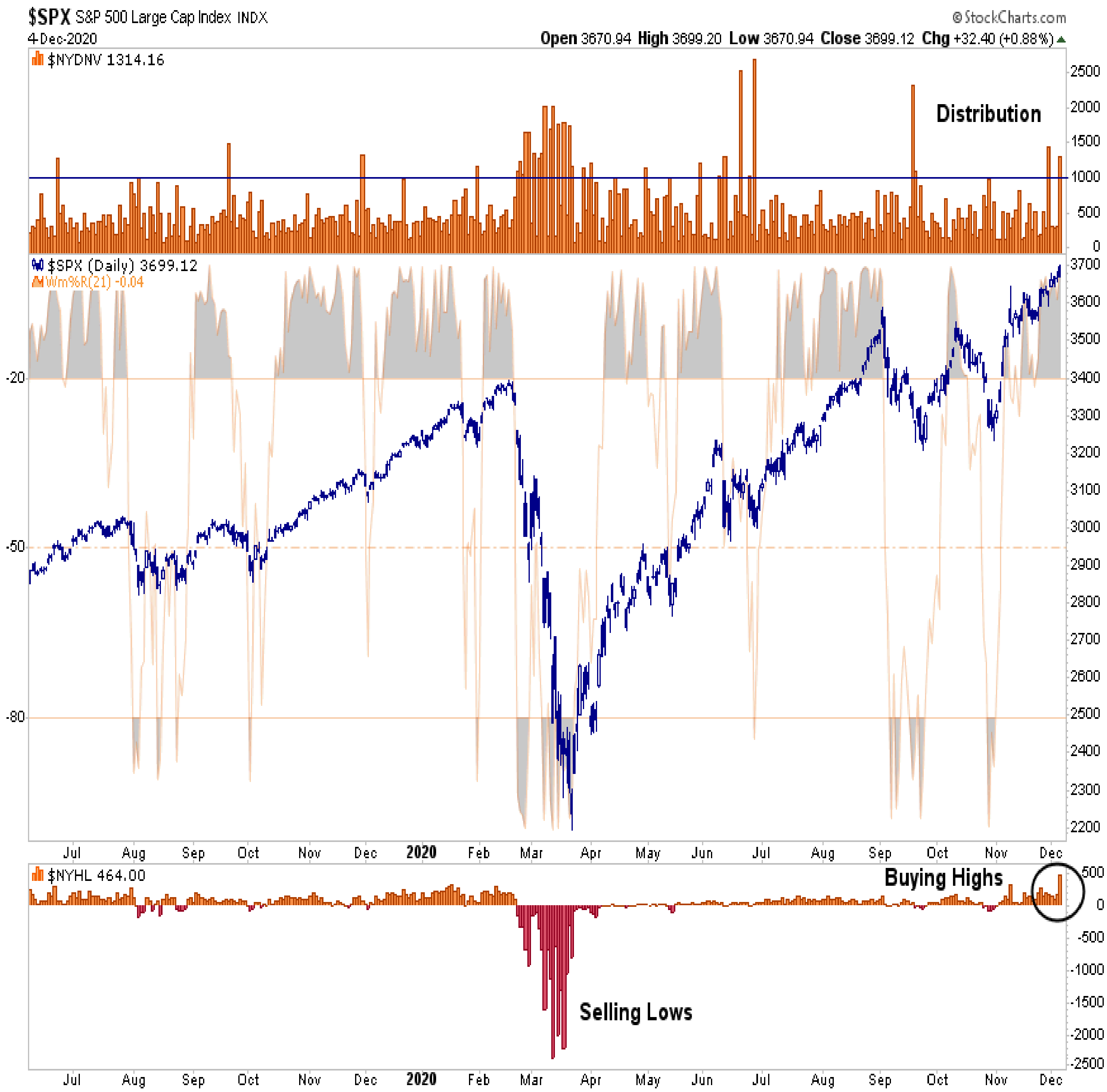
The announcement by Pfizer (PFE) of supply chain problems was seen as *"good news"* as it means more demand for Government stimulus.

On Friday, the dismal employment report, with no bright spots, was also *"good"* as it meant more demand for stimulus.

The problem is that the stimulus does not create organic, sustainable economic activity. Stimulus only pulls forward future activity into the present, leaving a future void to fill. The size and scope of the stimulus discussed will not directly benefit consumers nearly to the degree seen previously.

Such would leave the market very susceptible to disappointment.

Nonetheless, as shown below, the markets did break out of its recent consolidation and have pushed to new highs. Such is not surprising, given we are in the midst of the seasonally strong time of year. *(The following chart is a modified version from my colleague David Larew [@ThinkTankCharts)](@ThinkTankCharts)*



The bottom panel of the chart shows a *"buying panic"* is currently in process. Such does not come without risk. Furthermore, the analysis from Doug Kass is an excellent summation between the media chatter and fundamental realities.

Group Stink

> *"There is a tendency for commentators, strategists, and others to believe 'price is truth,' and to respond accordingly in trading and investing. If one is consumed by the price,* ***it***

is imperative to recognize the potential pitfalls to that approach and the artificial influences of that price action.

But to me, this is a failing, more so today than ever, and certainly when the market's are less friendly as passive products and strategies are the tail that wags the market's dog. ***One should always question the legitimacy of short term price action, stay independent in view, and avoid becoming overly self-confident and the "Group Stink."***

Currently, the market is extremely *"one-sided"* as investors chase markets. As I noted yesterday, the number of stocks above their 200-dma is at the highest level seen in several years. Such is not healthy, and previous peaks have consistently preceded *"unexpected declines."*

"Fear and greed ebb and flow. ***Fear, prevalent in March, has been replaced with greed in November." -*** *Doug Kass*

Give Me A Sign

While we certainly want to be opportunistic and take advantage of the markets can give us, we also must remember that *"crowds are wrong at peaks and troughs."* Importantly, whatever good news exists, ***it has already been well "priced-into the market."***

As Doug notes, the underlying fundamentals are likely not supportive of current expectations, which leave the markets vulnerable to disappointment next year.

"As we look out beyond this year and into 2021-22, profit and economic expectations seem too optimistic as a number of small and large businesses have been gutted by Covid-19. The amount of private and public debt that has accumulated over the last year (and 10 years!) will serve as a governor to growth at a time in which the Federal Reserve has little ammunition left and is "pushing on a string." Indeed, 2021 may mark

a reversal of aggressive monetary easing which has been the straw that has stirred the market's drink." - Doug Kass

If only there were a sign?

Sign, Sign, Everywhere A Sign.

"Sign, sign, everywhere a sign
Blockin' out the scenery, breakin' my mind
Do this, don't do that, can't you read the sign?" - Five Man Electric Band

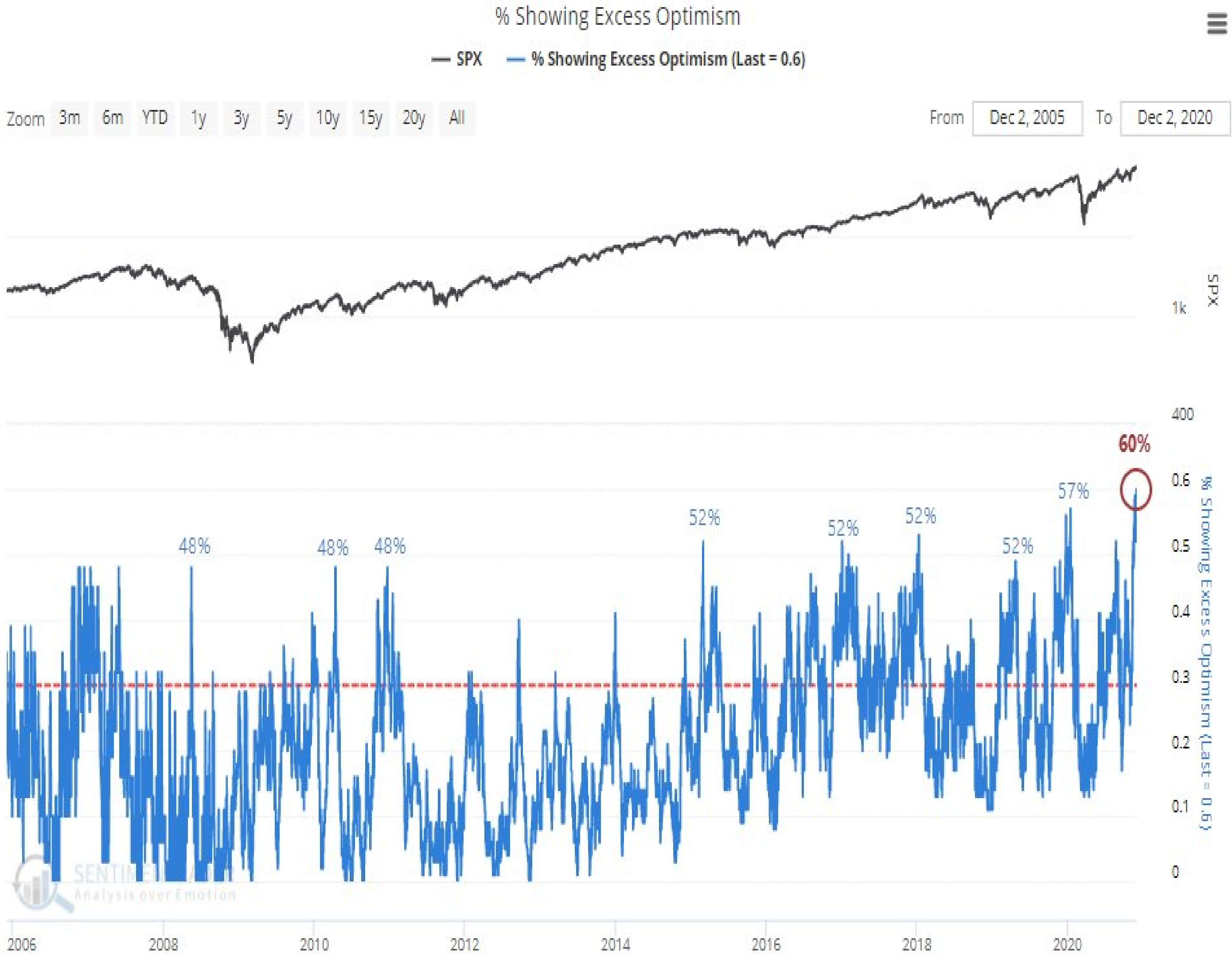
Over the last couple of weeks, we have discussed the more extreme bullish positioning in markets. In this past week's 3-Minutes video, we went through quite a few charts showing the same.

https://www.youtube.com/watch?v=D9Yb3bWnuwY

Yes, there are certainly a lot of signs.

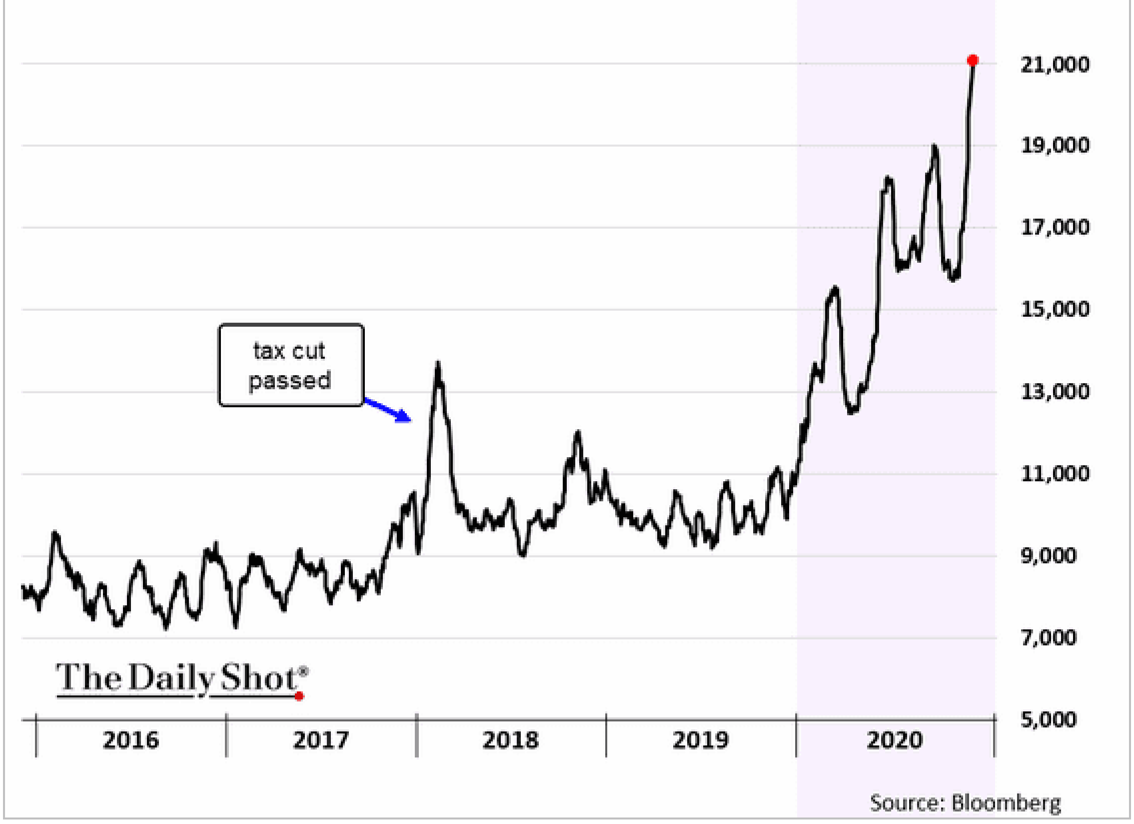
On Thursday, SentimenTrader posted a great chart bringing all of this together.

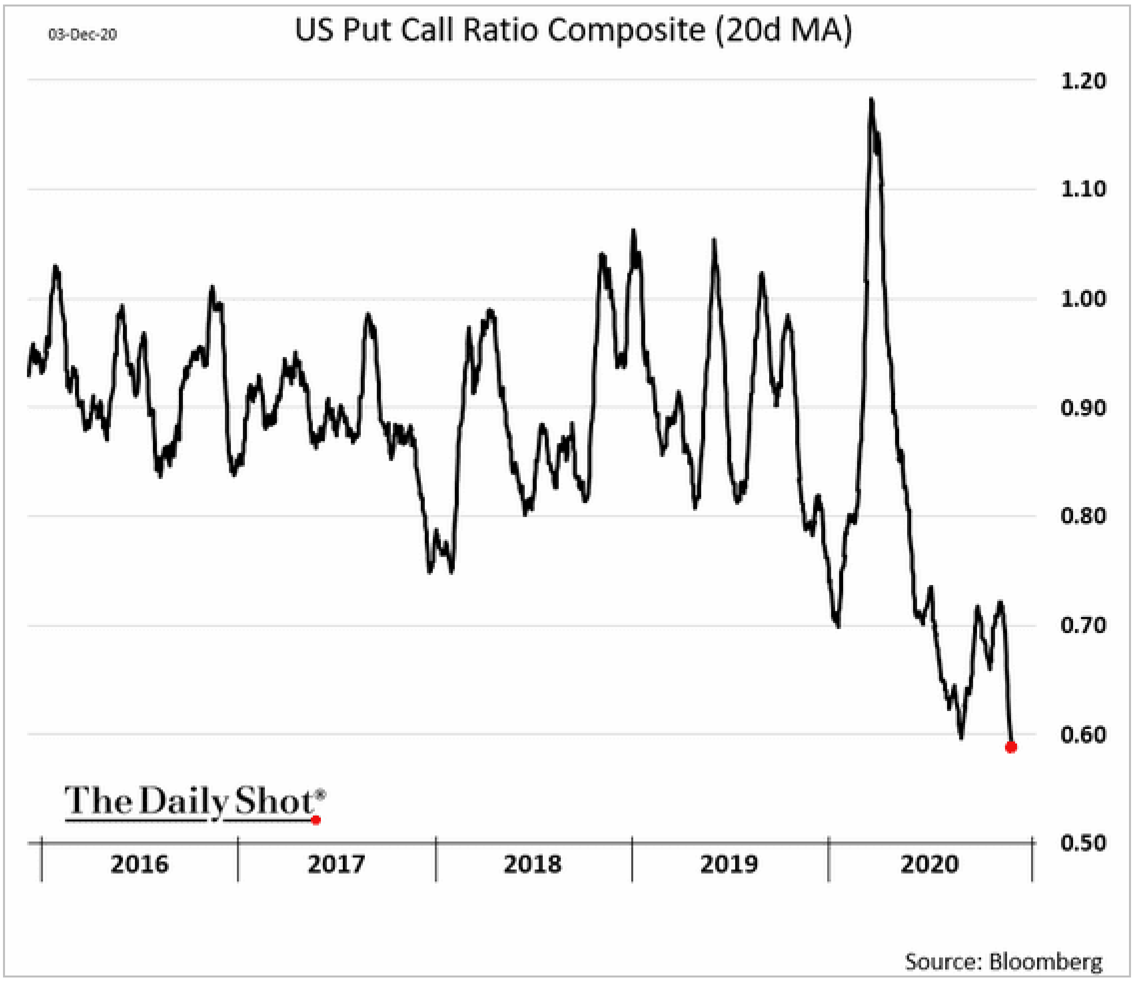
"For the 1st time in 15 years, 60% of the indicators we track are showing an excessive amount of optimism. An excess of excesses." - SentimenTrader



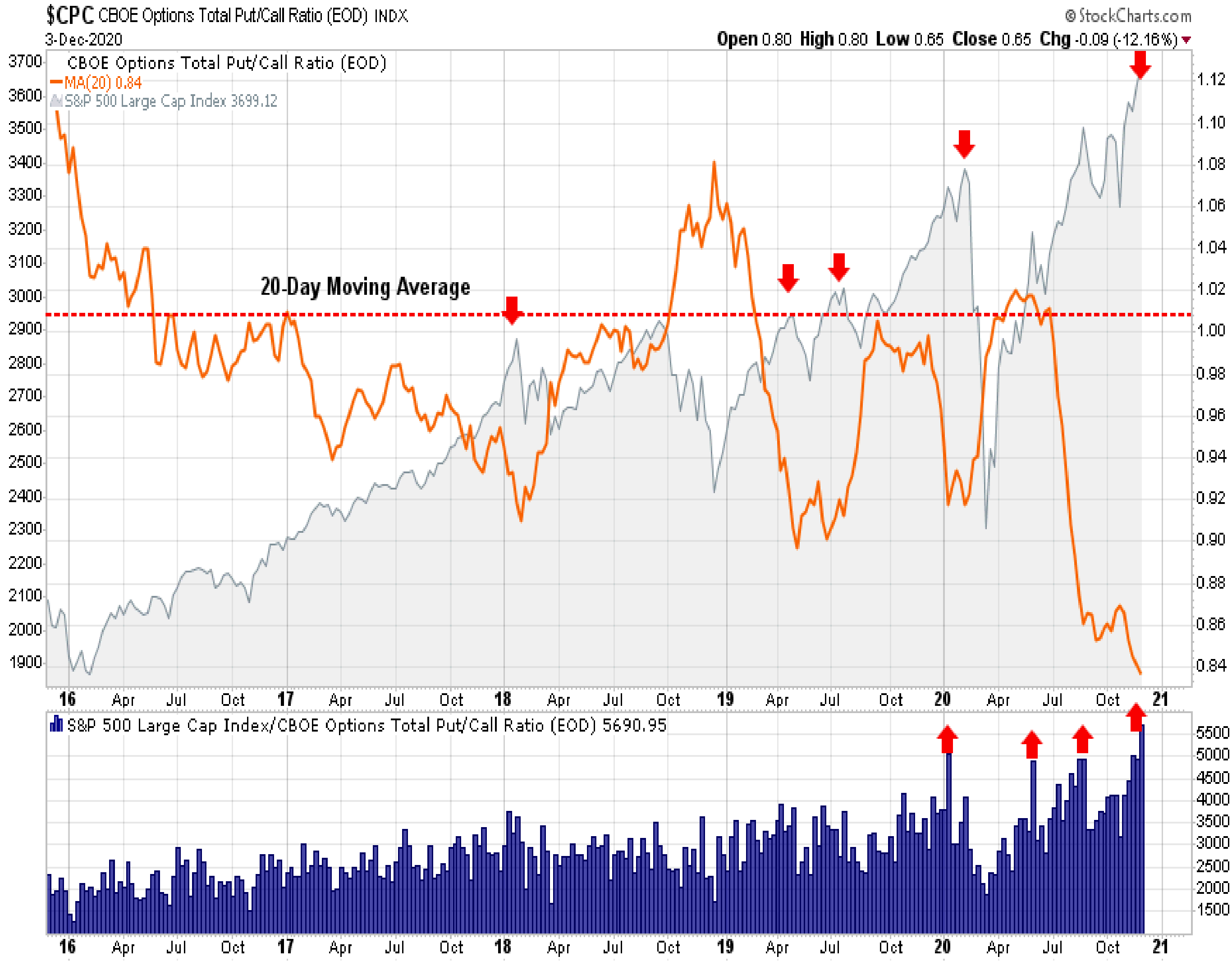
In the short-term, the takeaway is that bullish sentiment can, and often does, carry markets further than logic would predict. However, without exception, when *"everyone is on the same side of the boat,"* a reversion will occur. But that is how markets function over time.

As I discussed previously, the level of speculation in the market is quite rampant as investors have no fear of a market crash. Currently, the speculative call option buying is at a record level, while put buying (a hedge against downside risk) is non-existent. That deviation has pushed the Put-Call Option ratio to a new low.





Again, this doesn't mean that a market correction is imminent; however, history shows that such extremes have led to short-term corrections or worse. All that is needed is a *"catalyst"* to start the selling.



For now, it seems as if there is *"no risk."* But it is at these periods, where your *"emotional bias"* is tugging you away from *"logic,"* that investors tend to get themselves into trouble.

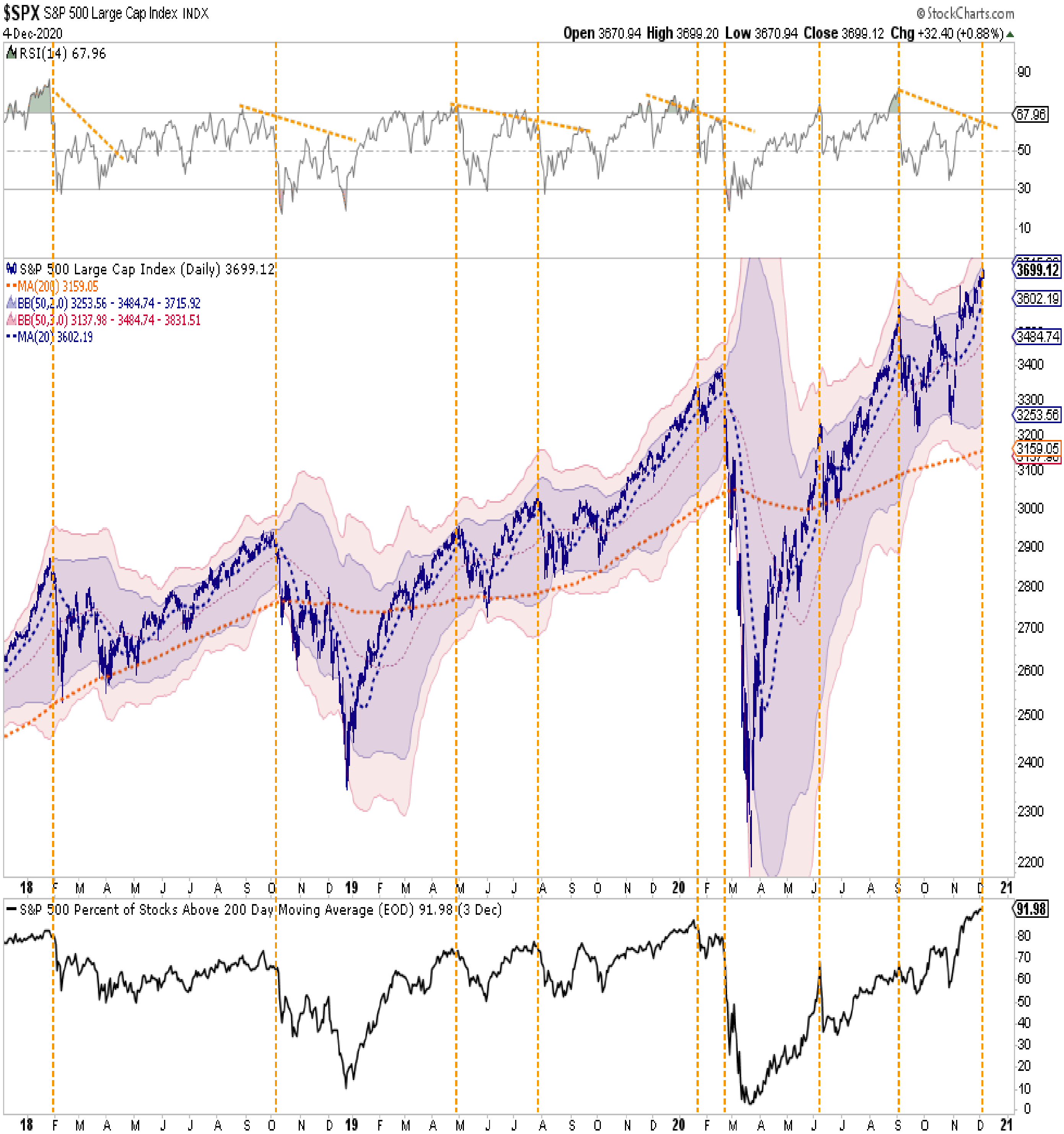
However, there is one thing we are watching closely.

The Volatility Signal

In a market that reaches a point of more extreme complacency, it is not surprising to see volatility drop to lower levels. However, it is when volatility becomes more depressed that the contrarian signal becomes more critical.

As shown in the chart below, the volatility index ($VIX) has troughed where previous mark peaks formed. However, just because a certain level gets reached, it doesn't mean a correction is immediate. Often, lower levels remain for some time. But, when a *"buy signal"* is triggered *(vertical dashed lines)* and volatility turns upward, it has typically been a rapid event.

Also, the volatility signal is more critical when the market becomes simultaneously stretched to more extreme levels. With the market currently pushing a 3-standard deviation extreme from the 50-dma, the *"stage is set"* for a short-term correction.



Notably, that deviation, combined with a negatively diverging RSI (top panel), and more than 90% of stocks above their 200-dma, is a warning. **As the vertical lines show, the combination of these measures has previously aligned with market peaks.**

Pulling It Forward

Over the past week, headlines of more stimulus have bolstered the bulls. The current proposal, which will likely get whittled down in negotiations, is $900 billion. Such a bill is far short of the original $2.2 trillion package markets had *"bid up"* for previously.

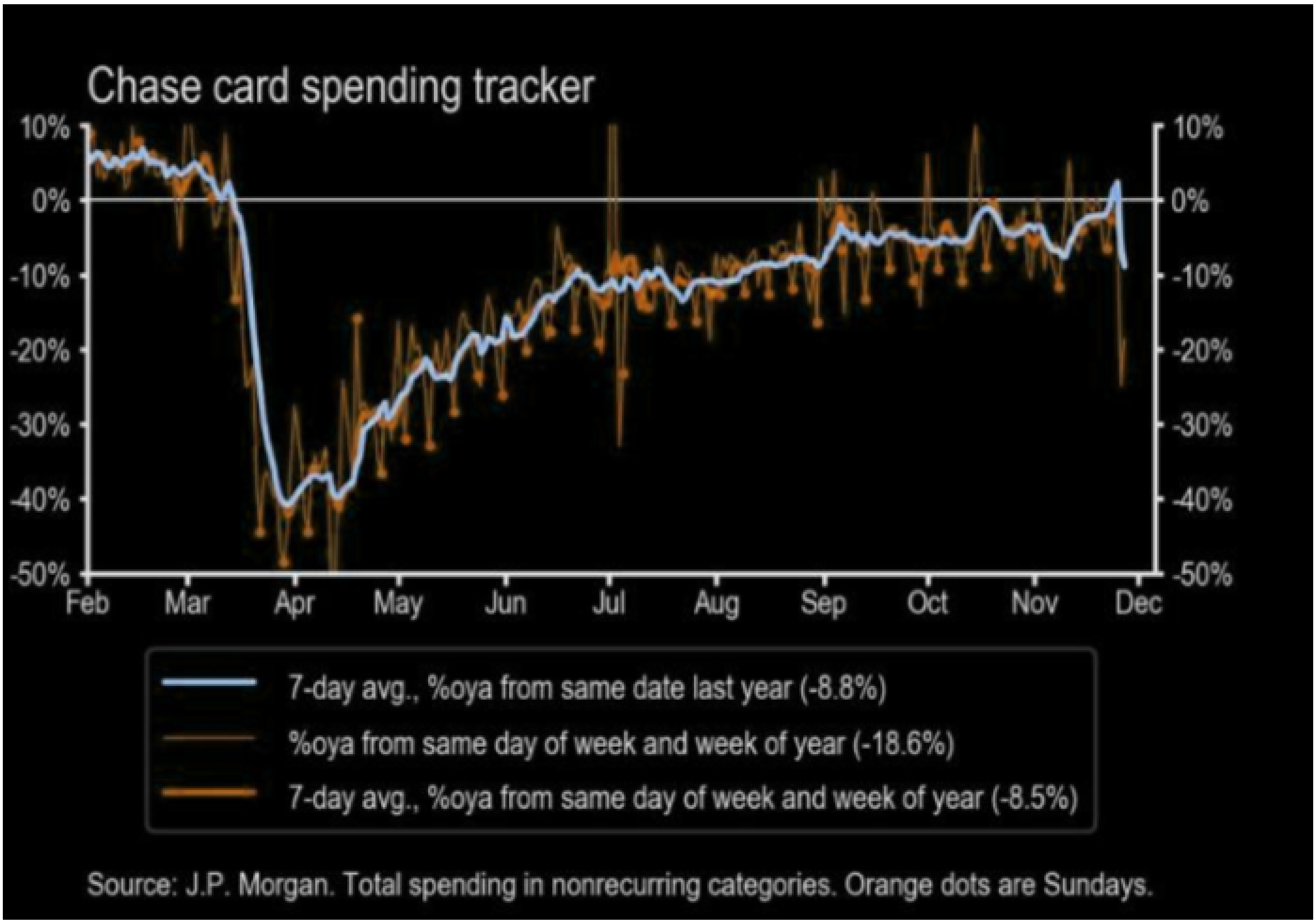
There are a couple of problems with a bill of this size and structure. Given the rather sharp economic recovery seen in the third quarter, the stimulus input will have a more muted impact on future activity. Also, given this bill does not have *"direct checks to households,"* the boost to consumption will be far less.

The idea of *"stimulus"* also leads to a second premise of *"pent up demand."* Since consumers have been *"locked down"* due to the pandemic, there is a vast amount of *"pent up"* demand in the system. As soon as consumers are *"unleashed,"* they will rush into the economy and spend with reckless abandon.

In a normal economic recession, such would likely be the case. **However, in this cycle, the excess unemployment payments and direct checks to households led to a spending spree in houses, automobiles, and various services.**

In other words, there is likely not as much *"pent up"* demand as market participants currently expect. **If holiday retail sales are any indicator *(retail makes up ~40% of PCE, which is ~70% of GDP),* then consumers may be more *"spent up"* rather than *"pent up."***

> ***"Black Friday in-store sales down 54.5% YOY,*** *but all Bubblevision wants to talk about is how online was up 21.5%.* ***Total consumer spend last holiday season was $730.7B. Online was only a little over $100B. The 21.5% increase in online is insignificant."*** *- TheMarketEar*

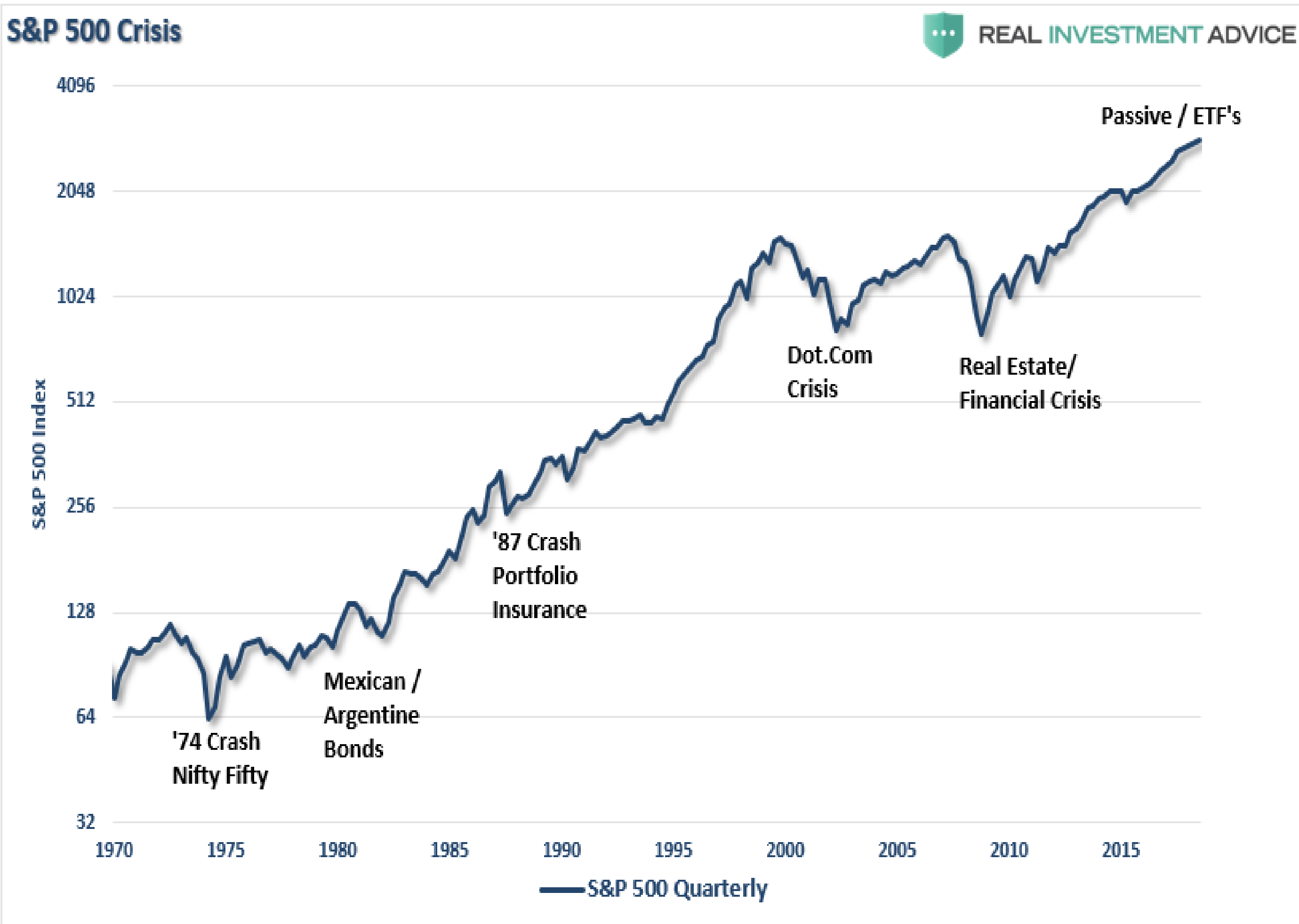


The Instability Of Stability

I previously wrote an article on why the ***Federal Reserve is so dependent on stability*** in the financial markets.

> *"The '**stability/instability paradox'** assumes that all players are rational and such rationality implies avoidance of complete destruction. **In other words, all players will act rationally, and no one will push 'the big red button.'***
>
> *The Fed is highly dependent on this assumption as it provides the 'room' needed, after more than 11-years of the most unprecedented monetary policy program in U.S. history, to try and navigate the risks that have built up in the system.*
>
> ***Simply, the Fed is dependent on 'everyone acting rationally.'?***

Unfortunately, the record shows that such has never been the case.



Doug Kass made a great point on this issue last week.

> *"While it is clear to most how far beyond the past norms zero and negative interest rates have taken us, I think that exposition needs to go one step further to be complete. The missing element is the absence of the concept of* ***instability*** *of the current equilibrium created and supported by zero/negative interest rates.*
>
> *It is important to emphasize that, as well, how* ***enormous the 'distance' financially to the next equilibrium point*** *will be once this bizarre instability is finally disrupted - as it must be someday.*
>
> *The point to be hammered home is how 'far,' in financial terms, it is to the more stable and natural equilibrium supported by interest rates that reflect real growth rates.*
>
> *Here the operative descriptive phrase is a* ***long way down!"***

Portfolio Positioning Update

We agree with Doug's point on instability. When reviewing the market's more extreme positioning on so many different levels, such is why we have continued to position more defensively over the past couple of weeks.

Therefore, it is at these points in the market, where investing seems like a *"can't lose"* opportunity, that *"risk"* tends to present itself in the most unruly of fashions. It is also at these points where investors get lured away from their investment disciplines to *"take on a little more risk."* However, it is there that investors find out they have taken on much more risk than they realize.

Such is why, over the last couple of weeks, we have provided you with investing rules and guidelines. These are the same rules and discipline that we use in our practice.

Do they always work? Absolutely not. However, more often than not, those rules keep you from losing large amounts of capital.

For now, we are carrying higher levels of cash than usual after reducing our bond duration and size and took profits in some of our more egregiously overbought equity positions. Therefore, with better positioning and lower beta, we can wait for the next opportunity to add to our equity risk.

Lastly, we are watching the U.S. Dollar very closely. It is now extremely oversold with a large net-short position. Such is a prime setup for a rather sharp reversal, which would lead to lower prices in commodities, stocks, emerging markets, international6 markets, and bitcoin.

But that is a story for later.

The MacroView

#MacroView – The Energy Rally Is Likely Premature

Written by Lance Roberts | Dec 4, 2020

The rally in energy companies is likely premature. To understand why such may be the case, we have to review a bit of history.

>> 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

Analysis & Stock Screens Exclusively For RIAPro Members

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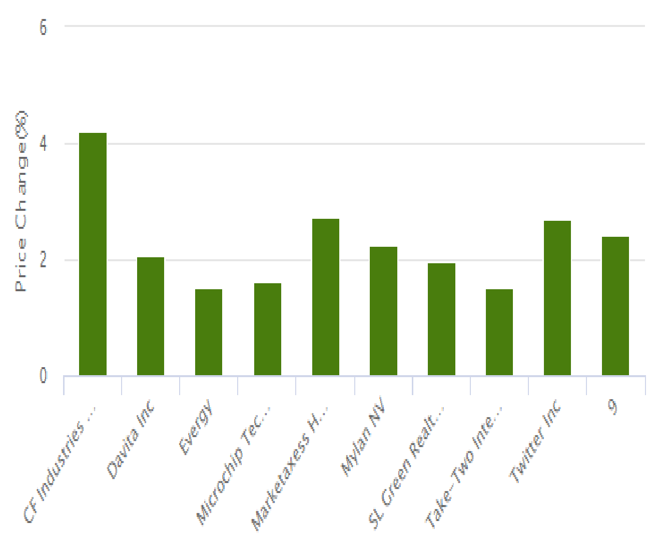
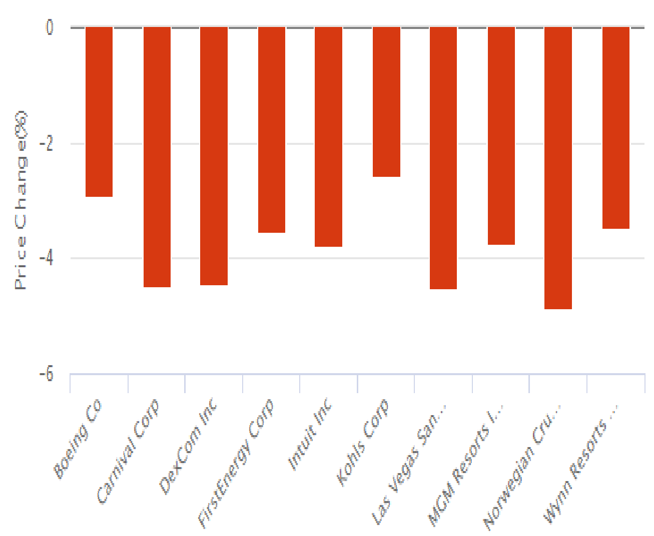
- ***Client Portfolio Updates***
- ***Live 401k Plan Manager***

We just launched an all-new dashboard with tons of market data and stock and ETF specific analysis to generate real-time trading ideas. *(Screen Shots)*

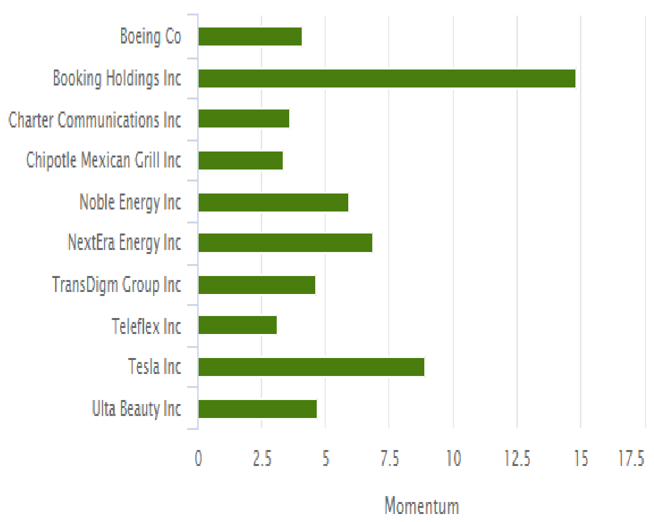
Top S&P500 Stocks Today



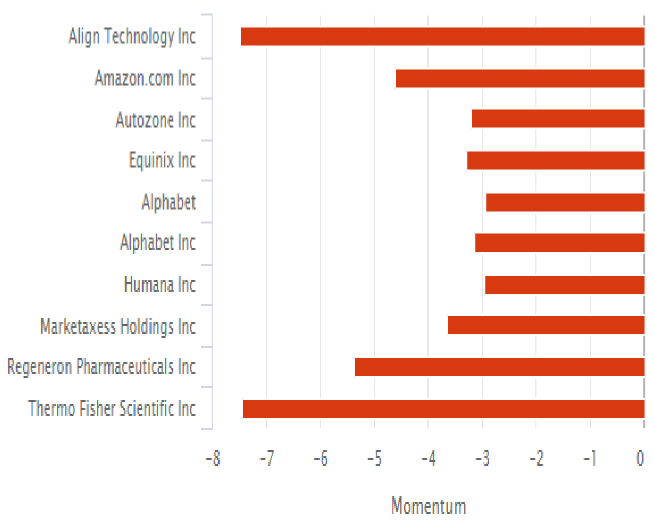
Bottom S&P500 Stocks Today



S&P500 Momentum (Increase)



S&P500 Momentum Greatest (Decrease)



Today's Top & Bottom Performer by Sector (Click On Symbol to See Details)

Communication Services		
TTWO 2.7 %	TWTR 2.43 %	DISCA 1.86 %
VIAC 1.68 %	DISCK 1.6 %	EA 1.44 %
ATVI 1.16 %	CHTR 0.75 %	NFLX 0.74 %
FOX 0.62 %	DISH 0.09 %	CTL 0 %
NWSA -0.17 %	VZ -0.28 %	NWS -0.4 %
DIS -0.46 %	CMCSA -0.63 %	LYV -0.9 %
FB -1.19 %	GOOG -1.23 %	

Industrials		
HWM 1.61 %	URI 1.29 %	DE 1.16 %
GE 1.04 %	MMM 0.75 %	SNA 0.7 %
CPRT 0.56 %	AVY 0.32 %	IR 0.14 %
GPN 0.08 %	DAL -2.06 %	RHI -2.13 %
HII -2.14 %	LHX -2.18 %	LMT -2.24 %
UAL -2.54 %	TDG -2.8 %	BA -2.94 %
GWW -3.21 %	FLS -3.35 %	

Financial		
MKTX 2.23 %	NDAQ 1.26 %	CB 1.02 %
CME 0.93 %	PYPL 0.93 %	MET 0.79 %
SIVB 0.64 %	TRV 0.51 %	AFL 0.3 %
AIG 0.18 %	AMP -2.09 %	NTRS -2.11 %
RF -2.26 %	FITB -2.28 %	ADS -2.31 %
WLTW -2.49 %	DFS -2.55 %	WFC -2.6 %
WU -2.93 %	MA -3.26 %	

Consumer Cyclical		
HAS 1.38 %	DPZ 1.17 %	LB 1.06 %
SEE 0.89 %	NKE 0.81 %	HOG 0.7 %
HBI 0.52 %	GM 0.51 %	LEG 0.49 %
IP 0.41 %	RCL -2.5 %	PVH -2.56 %
KSS -2.61 %	RL -2.94 %	EXPE -3.28 %
WYNN -3.5 %	MGM -3.78 %	CCL -4.51 %
LVS -4.54 %	NCLH -4.9 %	

Energy		
FANG 1.01 %	OXY 0.97 %	WMB 0.89 %
APA 0.79 %	COP 0.46 %	CXO 0.37 %
PSX 0.23 %	CVX 0.07 %	NBL 0 %
NOV 0 %	OKE -1.02 %	KMI -1.04 %
HES -1.13 %	SLB -1.22 %	XOM -1.23 %
MRO -1.58 %	HFC -1.69 %	MPC -2.1 %
FTI -2.59 %	DVN -2.85 %	

Real Estate		
SLG 1.52 %	EQR 1.17 %	UDR 1.11 %
BXP 0.99 %	AVB 0.94 %	SPG 0.61 %
PLD 0.28 %	ARE 0.24 %	VNO 0.23 %
VTR 0.21 %	DRE -0.72 %	WY -0.93 %
REG -1.05 %	WELL -1.06 %	FRT -1.11 %
O -1.18 %	HST -2.08 %	PSA -2.25 %
AMT -2.42 %	SBAC -2.57 %	

Utilities		
EVRG 1.53 %	NI 1.27 %	CMS 1.11 %
PEG 1.02 %	DUK 0.96 %	LNT 0.76 %
AWK 0.68 %	ATO 0.6 %	WEC 0.58 %
NEE 0.56 %	XEL -0.06 %	PPL -0.27 %
SO -0.31 %	PNW -0.36 %	EIX -0.38 %
EXC -1.13 %	D -1.39 %	NRG -1.39 %
AES -2.2 %	FE -3.58 %	

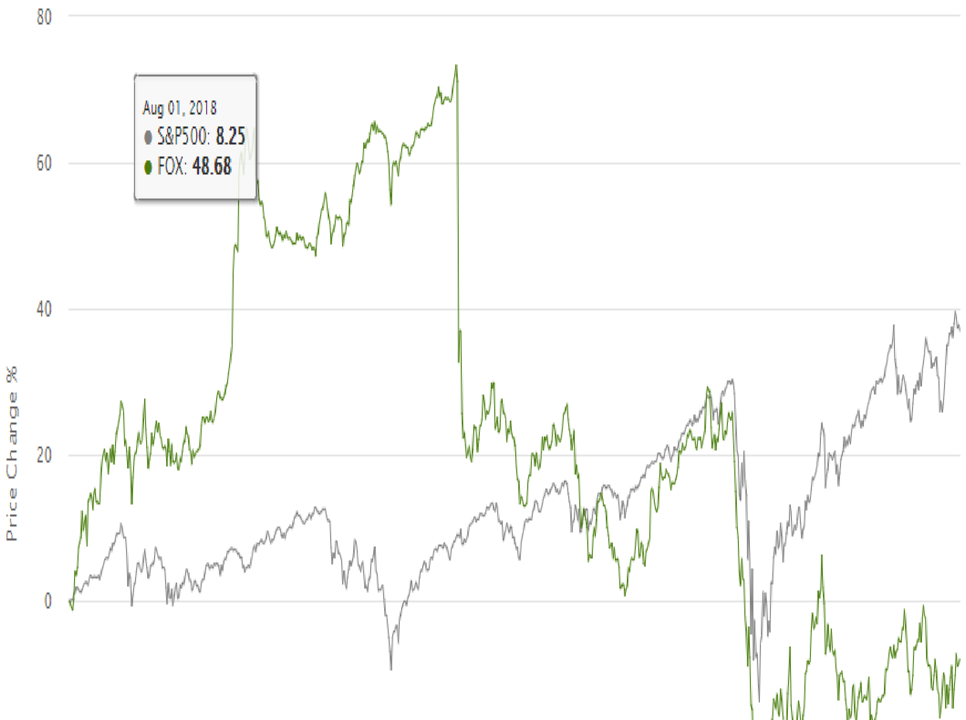
Materials		
CF 4.2 %	ALB 1.66 %	DD 0.81 %
FCX 0.66 %	CTVA 0.54 %	NEM 0.39 %
MOS 0.15 %	IFF 0.1 %	APD 0.04 %
EMN 0.04 %	ECL -0.13 %	LIN -0.4 %
VMC -0.51 %	NUE -0.53 %	SHW -0.62 %
LYB -0.71 %	DOW -1.1 %	CE -1.23 %
FMC -1.36 %	MLM -1.47 %	

Consumer Goods		
KHC 1.19 %	TGT 0.55 %	DLTR 0.44 %
CLX 0.29 %	HRL 0.28 %	MKC 0.23 %
PEP 0.07 %	NWL -0.1 %	PG -0.16 %
MNST -0.25 %	GIS -1.03 %	HSY -1.08 %
TAP -1.09 %	WMT -1.24 %	KMB -1.4 %
STZ -1.78 %	TSN -2.57 %	SYY -2.76 %
LW -2.77 %	COTY -3.2 %	

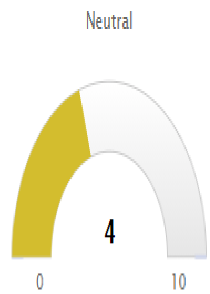
Healthcare		
DVA 2.06 %	A 2.03 %	LH 1.99 %
MYL 1.96 %	DGX 1.63 %	IDXX 1.55 %
VRTX 1.53 %	LLY 1.45 %	PFE 1.41 %
WST 1.25 %	MCK -1.2 %	ABC -1.41 %
PRGO -1.43 %	HOLX -1.46 %	BSX -1.49 %
ANTM -2 %	UHS -2.22 %	HCA -2.33 %
BAX -2.36 %	DXCM -4.47 %	

Technology		
MCHP 2.72 %	FLIR 1.17 %	FTNT 0.93 %
AKAM 0.81 %	SWKS 0.74 %	NOW 0.73 %
FFIV 0.57 %	QRVO 0.36 %	IT 0.19 %
GRMN 0.17 %	NLOK -1.48 %	KEYS -1.52 %
ANET -1.6 %	ANSS -1.81 %	FIS -2.39 %
FLT -2.44 %	CRM -2.5 %	DXC -2.59 %
NVDA -2.62 %	INTU -3.8 %	

ytd | 1 Month | 3 Month | 6 Month | 1 year | 3 Year



FOX - FOX : Synopsis

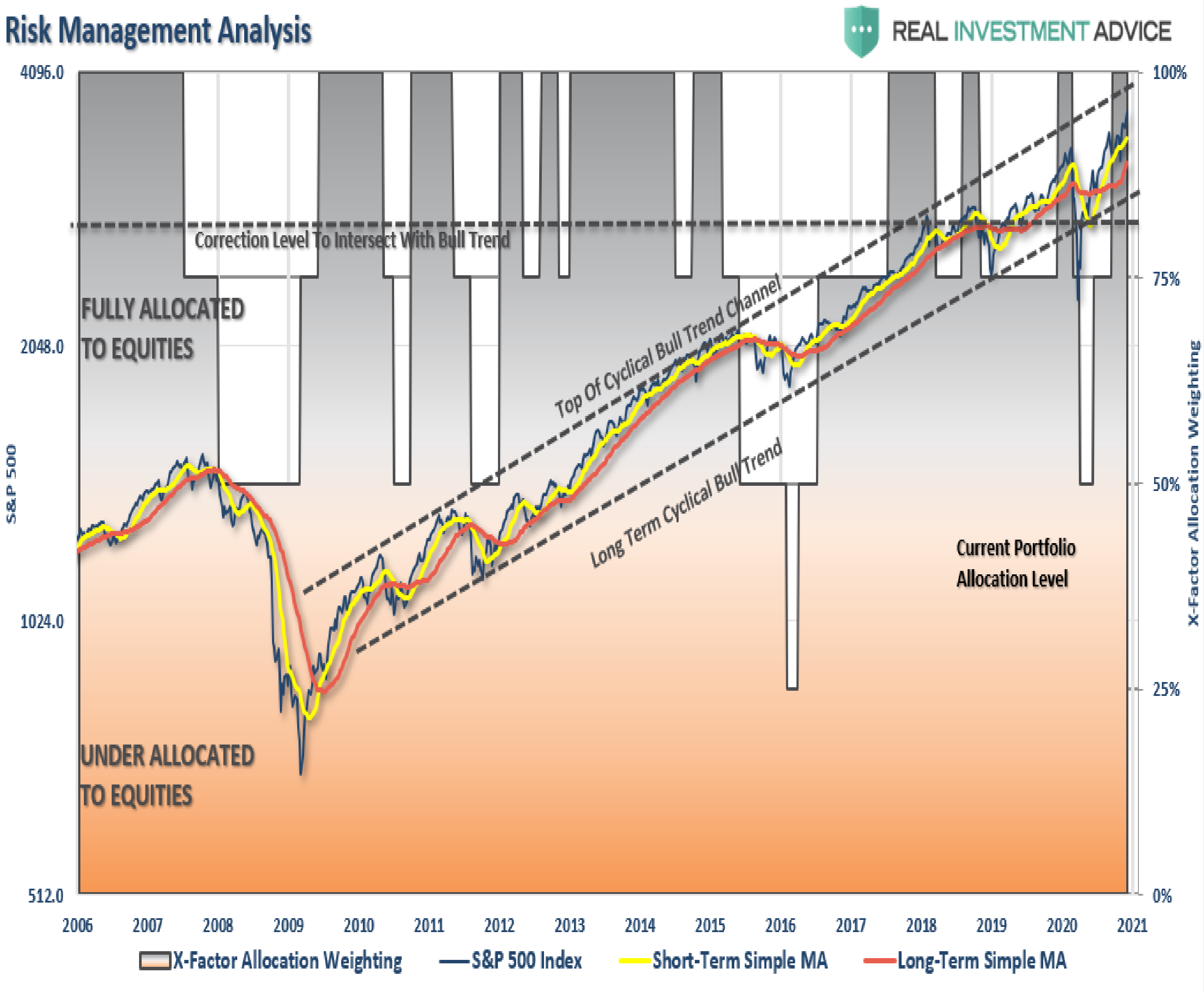


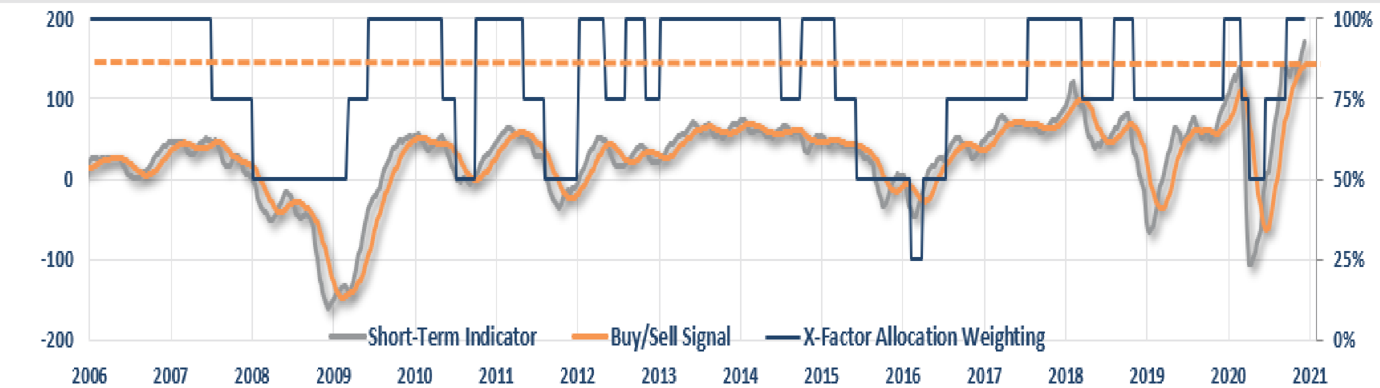
FOX is currently rated a 4 out of 10 on the technical rating score, which technically is a Neutral reading. For the last 12 months FOX is **down -21.1%** compared to the S&P 500's 16.74%.

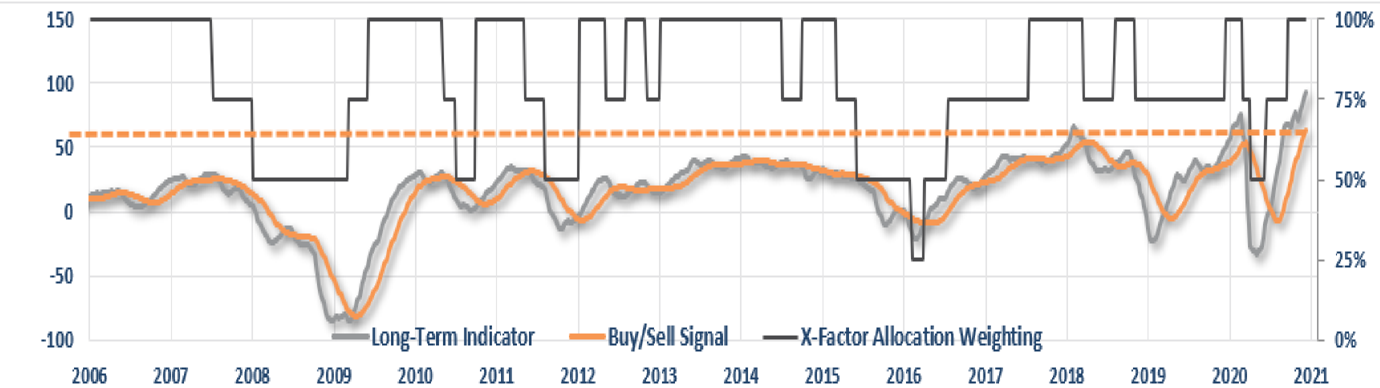
If you are long: Currently, FOX is basically neutral and in a holding pattern and not showing evidence of any significant directional trend moves

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors







Current Portfolio Weighting

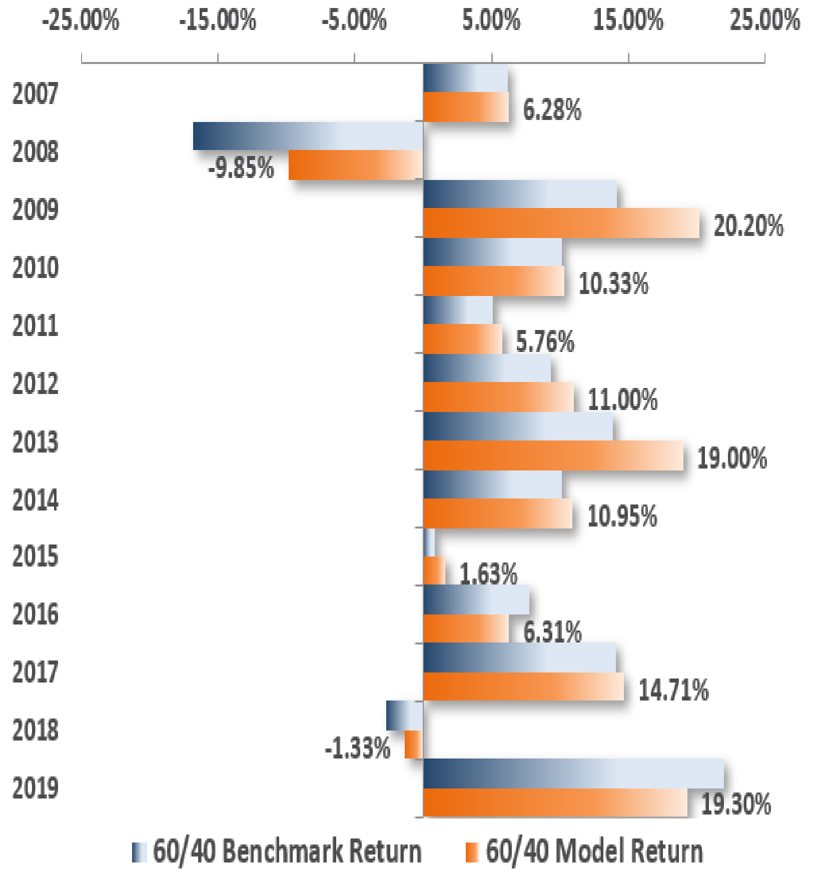
Current 401k Allocation Model

5.00%	Cash + All Future Contributions
	Primary concern is the protection of investment capital

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

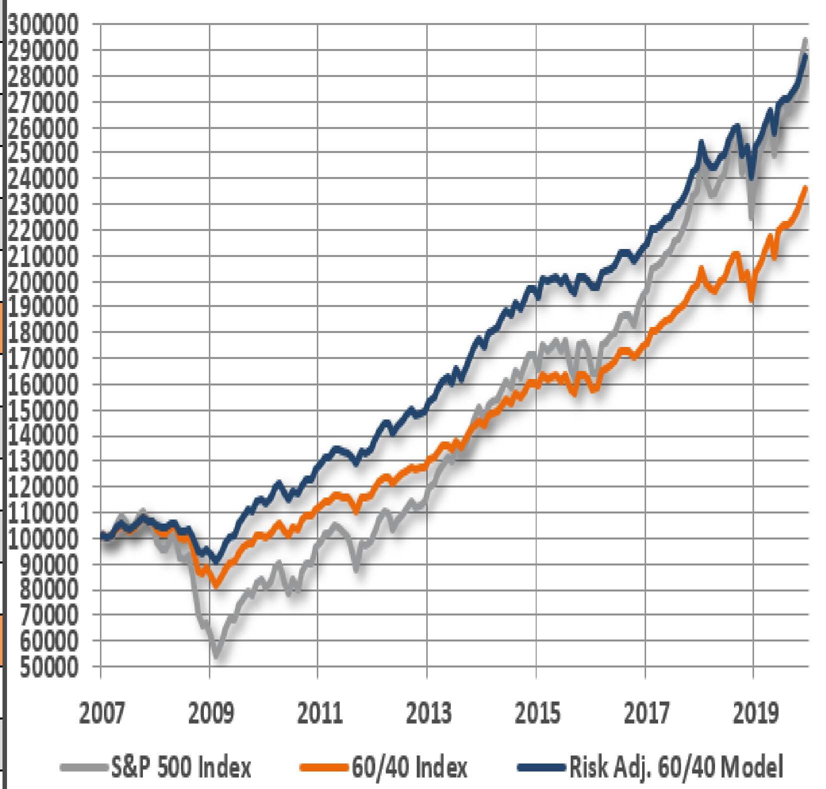
Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at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

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

60/40 Benchmark vs. Risk Adjusted 60/40 Allocation



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.

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Investment Analysis, Research & Data
From The RIA Investment Team

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 Info | Fund Selection | Comparison | Summary | Commentary

My Portfolio

RIAPro Portfolio RIA PRO MODEL PL ▼

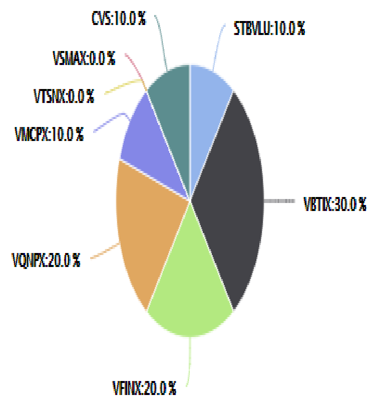
Retirement Income (My Portfolio Annual ROR 9.44 %) -

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

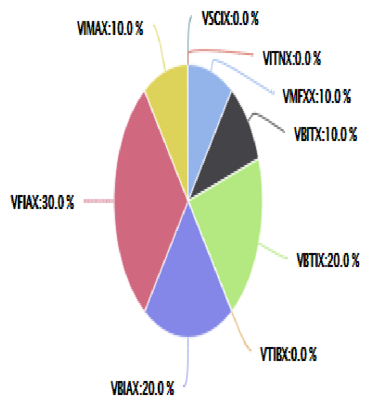
Retirement Income (RiaPro Annual ROR 9.02 %) -

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 -



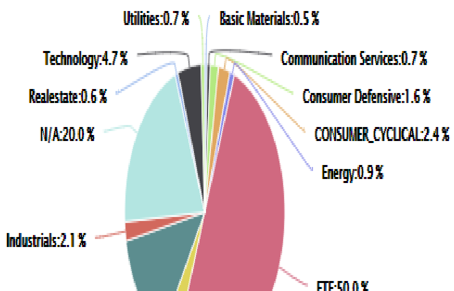
RIAPro Fund Composition -



My Asset Composition +

RIAPro Asset Composition +

My Sector Composition -



RIAPro Sector Composition -