RIA Advice



In this issue of "Overly Bullish Speculators Front-Run 'Santa Claus'"

- *Here Comes "Santa Claus"*
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- *MacroView: The Energy Rally Is Likely Premature*
- *Sector & Market Analysis*
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Catch Up On What You Missed Last Week



#WhatYouMissed On RIA This Week: 12-18-20

Written by Lance Roberts | Dec 18, 2020

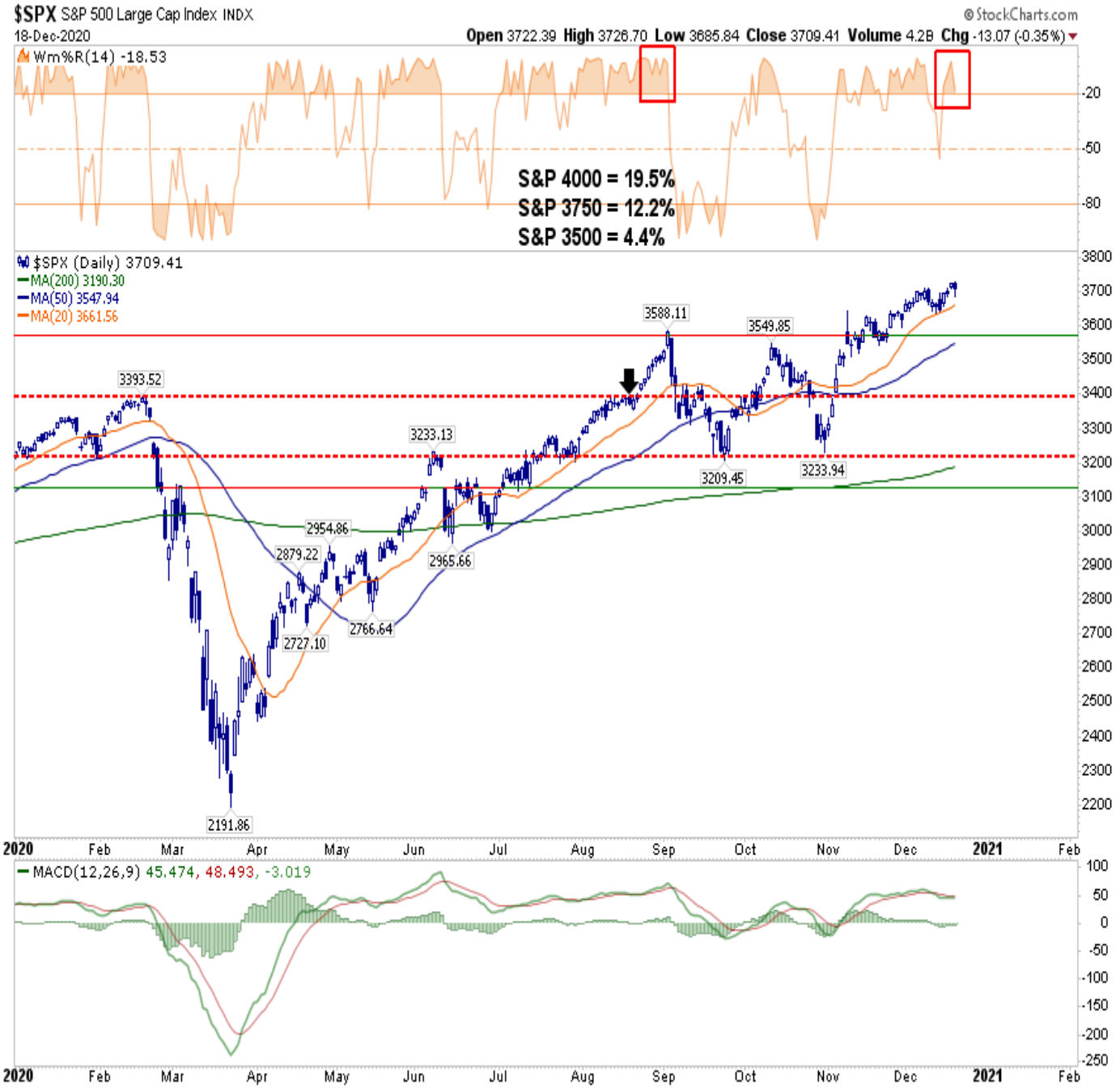
Here is what you might have missed from the RIA Crew last week. A compilation of our best blogs, newsletter, podcasts, the daily radio show and commentary from RIAPRO.NET.

>> Read More

Here Comes "Santa Claus"

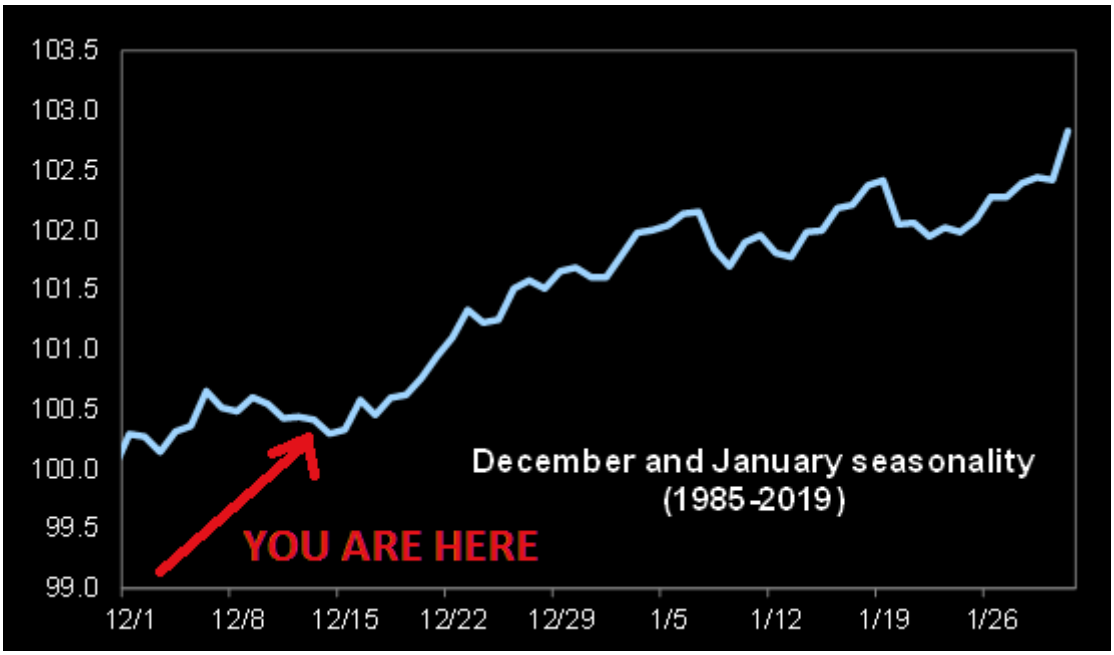
Last week, we discussed the market ***approaching the 3750 year-end price target*** we had established back in August. To wit:

> *"That target was derived when I previously set out several* ***'risk/reward ranges.'***
>
> *'With the markets closing just at all-time highs, we can only guess where the next market peak will be. Therefore, to gauge risk and reward ranges,* ***we have set targets at 3500, 3750, and 4000.'***
>
> *I have updated the chart below. The ?black arrow? was where I initially did the analysis."*



With the markets currently *"knocking on the door,"* we will likely reach that target by year-end. Such is particularly the case with the seasonal *"Santa Claus"* rally just ahead of us. As we discussed in ***"Will 'Santa Claus' Visit Broad & Wall:"***

> *"Stock Trader?s Almanac explored why end-of-year trading has a directional tendency. The Santa Claus indicator is pretty simple. It looks at market performance over a seven day trading period ? the last five trading days of the current trading year and the first two trading days of the New Year. The stats are compelling.*
>
> *'The stock market has risen 1.3% on average during the 7 trading days in question since both 1950 and 1969. Over the 7 trading days in question, stock prices have historically risen 76% of the time, which is far more than the average performance over a 7-day period.'"*



Chasing The Sleigh

Given the high probability of higher prices by year-end as managers *"window dress"* portfolios for annual performance reports, we increased equity risk this past Tuesday. We reported the trade to our ***RIAPRO Subscribers (Free 30-day Trial)*** at the time of execution.

> *"Adding 5% of SPY to Equity and ETF portfolios for the end-of-year strength. As noted in both posts below, there is a 76% win ratio for the S&P between the 15th of December and the first week of January.*
>
> - ***Initiate a 5% position of SPY in portfolios"***

As discussed last week, while there is a 76% chance the markets will be positive, there is a pesky 24% chance it won't.

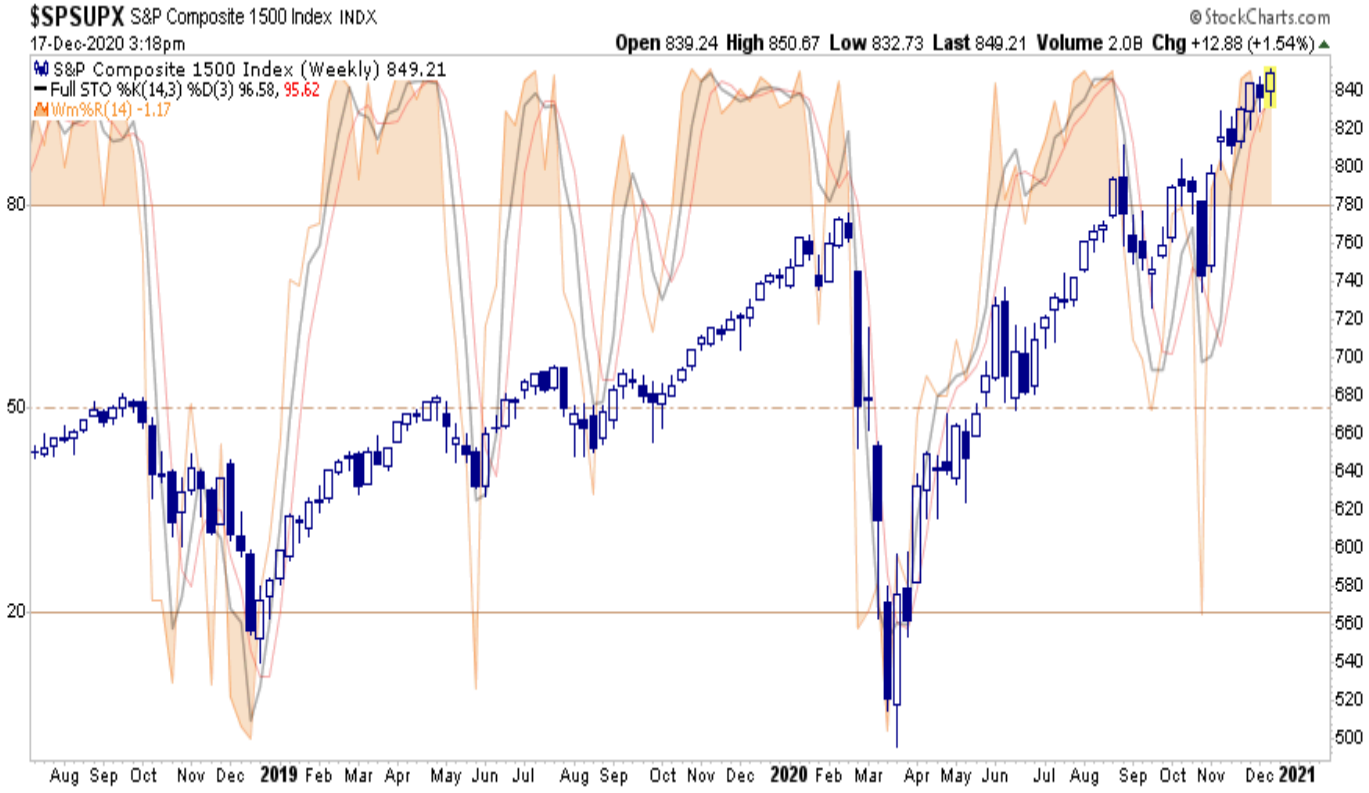
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That Pesky 24%

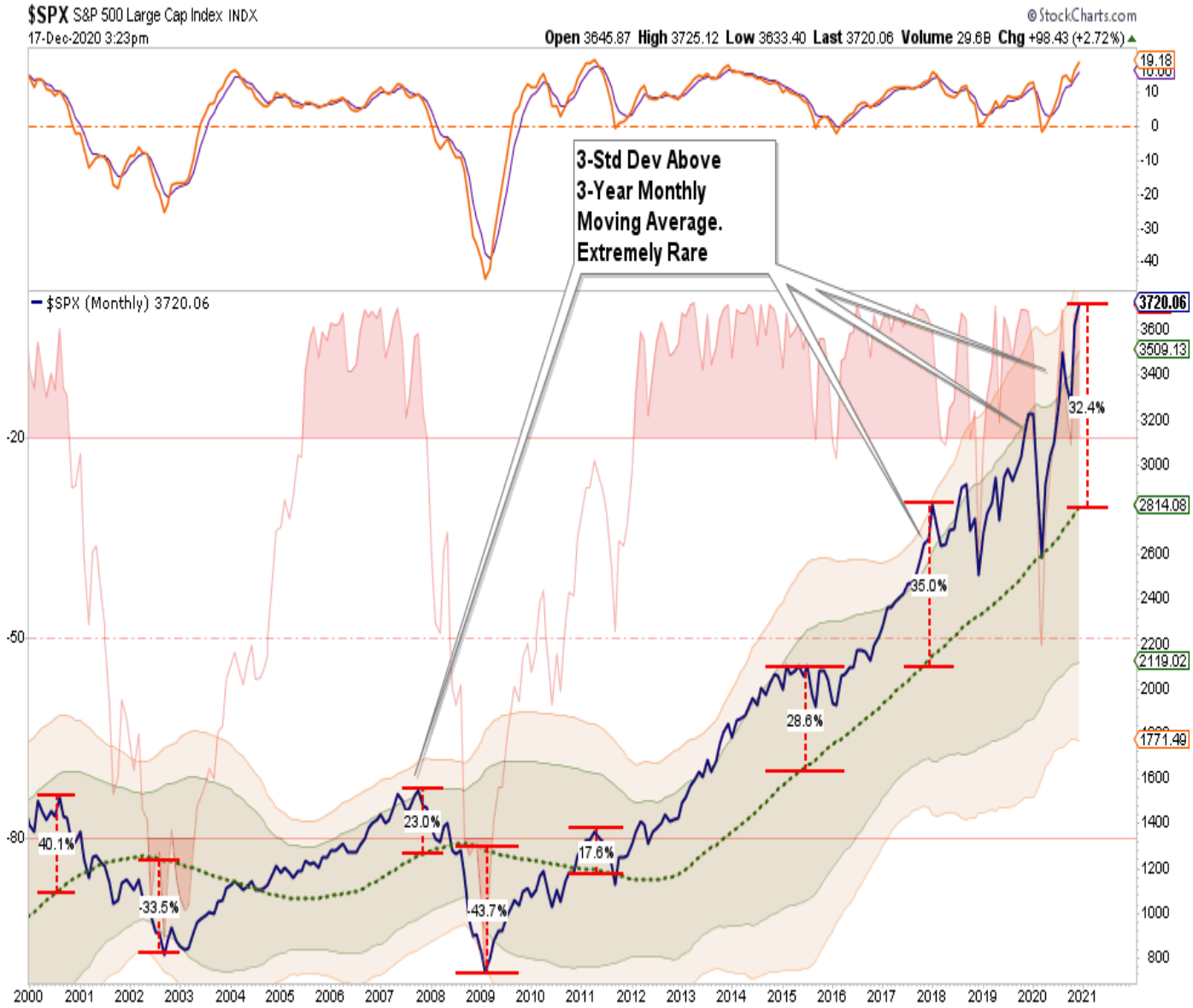
As discussed in Thursday's ***"3-minutes" video***, the longer-term market dynamics are supportive of a rally into January,

https://www.youtube.com/watch?v=6IaHv7K02Js

So, why are we concerned? We wouldn't be if the markets had not already rallied to more extreme extensions. *(The weekly chart of the S&P 1500 index is pushing more extreme overbought conditions now, but can certainly get more extreme.)*



Furthermore, this monthly chart of the S&P 500 index shows more clearly just how stretched markets are getting.



While none of this says the market will correct tomorrow, next week, or even next month, it does suggest investors have harvested the *"low hanging"* fruit.

So, while we have the *"good intentions"* to *"ride Santa's Sleigh"* into the new year, we want to make sure you are aware the *"Grinch could still steal Christmas."*



Good Intentions

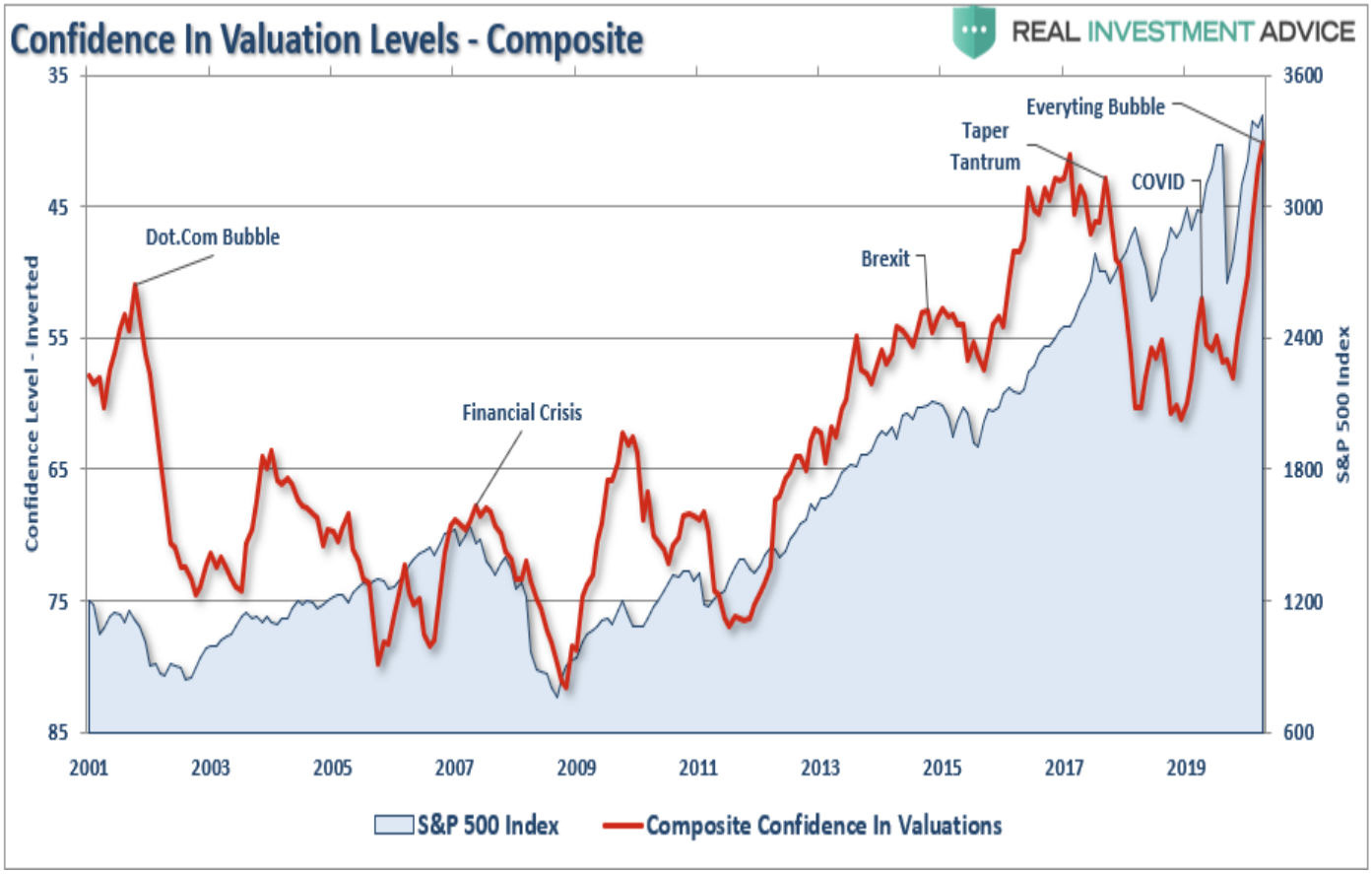
An old proverb states, *"The road to hell is paved with good intentions."*

US economics professor Danny Yagan, in "*Riding the bubble? Chasing returns into illiquid assets*," discussed that retail investors might say one thing, but often do quite the opposite.

I hear this almost daily when talking with prospective clients. During initial discussions, they tell me how *"conservative"* they are in their portfolios. However, while they say they are conservative investors, their actual portfolio allocations and selected investments are usually anything but

conservative.

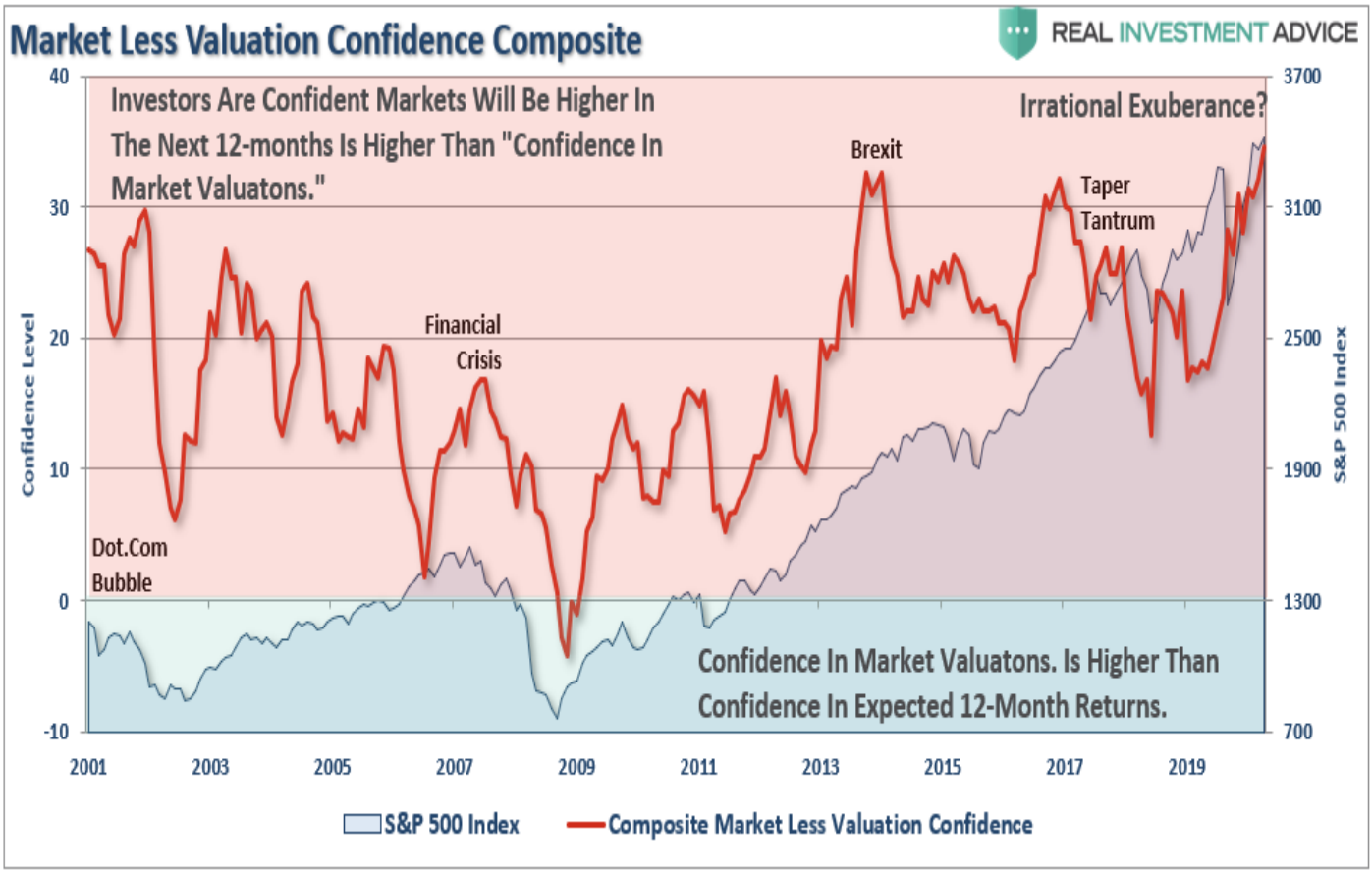
An excellent example of this dichotomy is the ***Yale Stock Market and Valuation Confidence Indexes.*** If you examine the data, you find that while investors are crazy bullish on the market over the next year, **they aren?t attracted to its valuation**. As shown in the chart below, a historically low share of investors thinks the market is cheap. **Valuation Confidence, from both individual and institutional investors, is at the lowest levels on record.** *(Index is inverted)*



Irrational Exuberance?

The chart below shows the combined average of institutional and individual investor valuation confidence subtracted from future returns confidence. **When the reading is positive, the confidence the market will be higher one year from now is more elevated than the confidence in the market's valuation.** The opposite is the case when the reading is in negative territory.

The key takeaway is that investors think simultaneously, the market is over-valued but likely to keep climbing.



Such is the same phenomenon famously described by former Fed Chair Alan Greenspan in a December 1996 speech on *"Irrational Exuberance."*

The explanation for this lies in the behavioral finance sin of *"anchoring."*

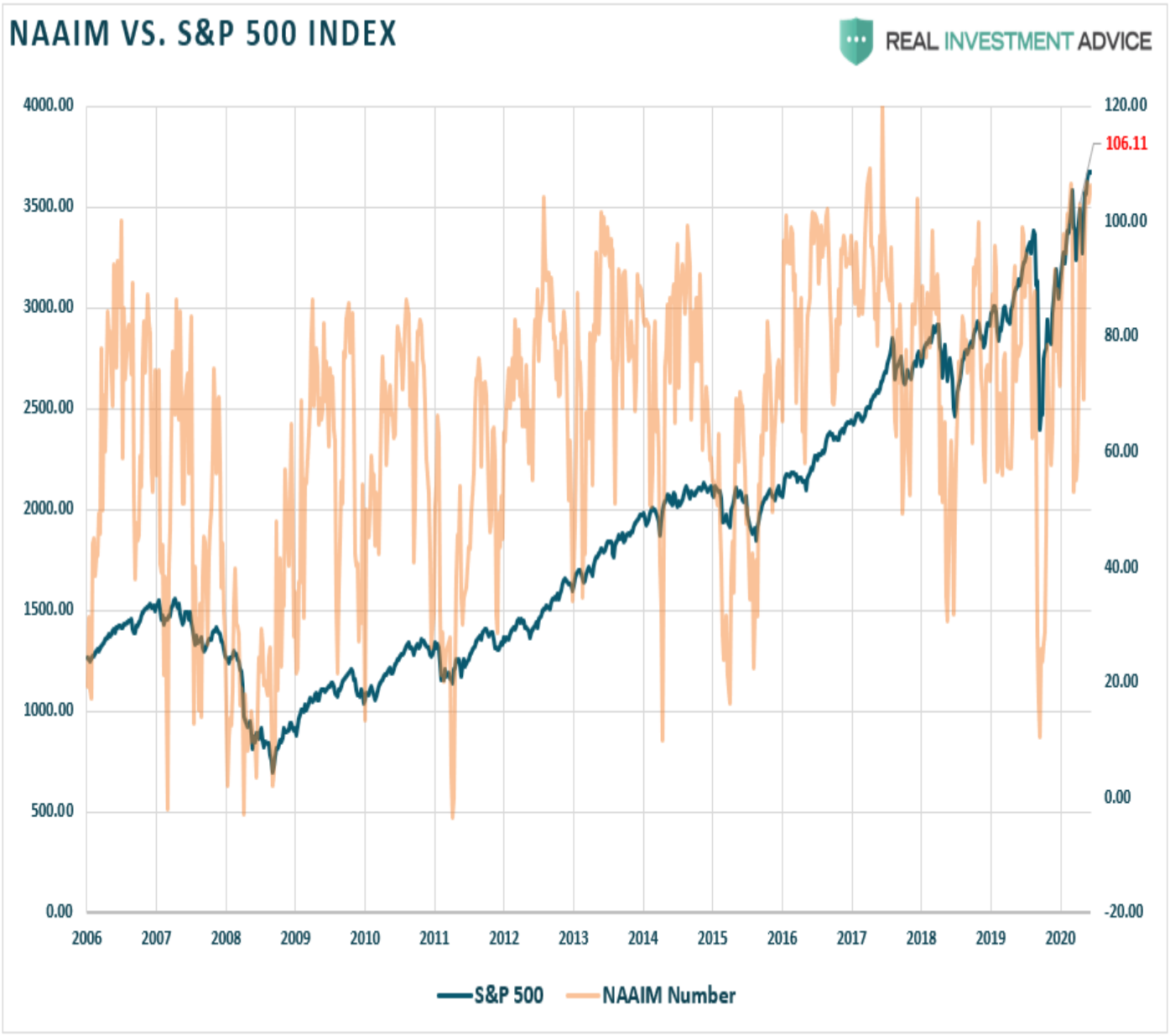
As we wrote previously in ***"The Money Game,"*** **there are nine psychological *"traps,"* investors fall into that ultimately derail their *"good intentions."* *"Anchoring"*** is where investors remain focused on what happened previously and do not adapt to a changing market.

As noted in the chart above, outcomes have often not been good.

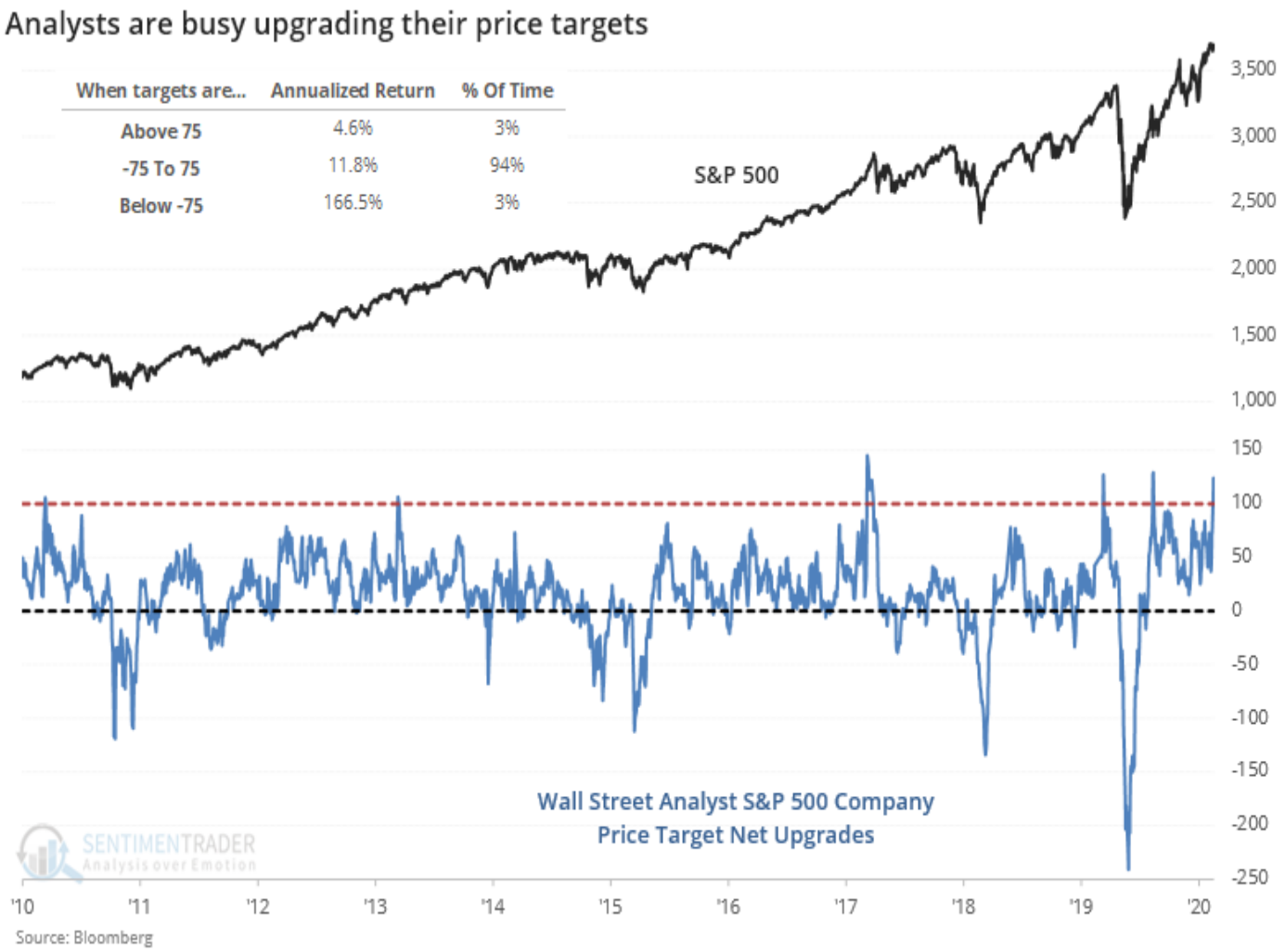
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Stuffing Stockings

As noted in the chart above, it isn't just *"retail"* investors getting overly exuberant about the market, but *"institutional investors"* are jumping in the pool with them. As I noted last week, portfolio managers are not only entirely long but have leveraged up portfolios to over 100% exposure to equities.



While investment managers are *"all in,"* Wall Street strategists are rushing to ramp up price targets on stocks to lure more retail investors into the market. The *"Fear Of Missing Out"* is a powerful force few retail investors can resist.



As noted by SentimenTrader:

> *"Analysts on Wall Street have been busy upgrading the price targets on their stocks, too. Strategists tend to work from the top down; analysts from the bottom up. From both directions, Wall Street is extremely optimistic."*

Might want to take a mental note of where peaks in the strategist's price target upgrades align with the market.

Portfolio Positioning Update

The point here is simplistic.

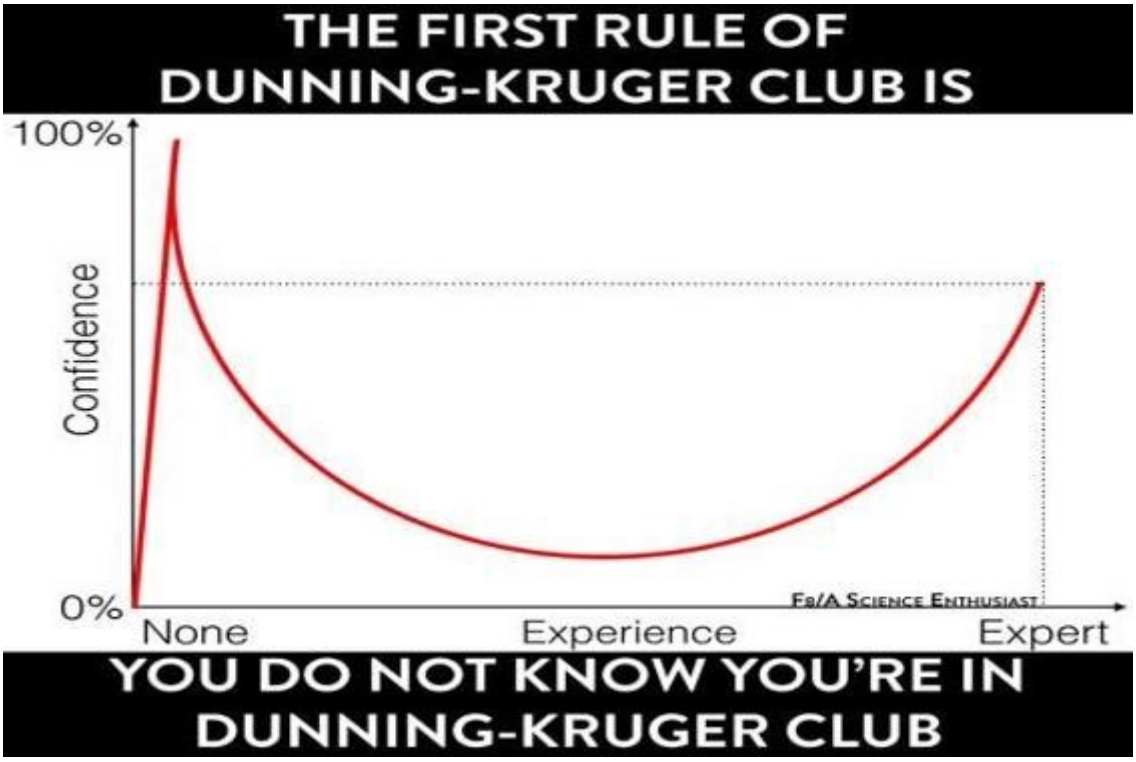
While the market is entering into a seasonally strong time of year, the market is already very overbought based on past historical statistics. Such provides a risk level that would not exist had the markets not already had a decisive run from the October lows.

Does this mean you should "sell everything" and move to cash? Absolutely not.

As I stated at the outset, we have increased our portfolio allocations to equities and decreased our hedges to participate in the market. However, we are not turning a *"blind eye"* to the *"risk"* either.

Currently, there are a vast number of investors that are falling prey to the Dunning-Kruger effect. Such was a point Doug Kass made on Thursday:

"The Dunning-Kruger effect is a cognitive bias in which people with low ability at a task overestimate their ability. *It is related to the cognitive bias of illusory superiority and comes from people's inability to recognize their lack of ability.* ***The Dunning-Kruger effect observes that people who are the most ignorant about something will be the least aware of their own ignorance; they have the highest sense of false confidence."***



As noted, investors are overly confident.

What we do know is that *"momentum"* is a *"tailwind"* for investors currently. The hope for a *"vaccine"* allowing the economy to return to normal with another stimulus package is reason to be optimistic.

The actual outcomes will fall far short of overly optimistic projections, and the disappointment will lead to the eventual correction. But we will discuss that later.

For now, we will continue to trade momentum until our money-flow indicators turn negative again.

Besides, we have been *"really good"* this year, so we are hope *"Santa Claus"* doesn't bring us a lump of coal.



The MacroView



#MacroView: Yellen's "Arranged Marriage" To The Fed

Written by Lance Roberts | Dec 18, 2020

Janet Yellen's appointment to Treasury Secretary under Biden is no surprise. It was what the markets already suspected, an "arranged marriage" to the Fed.

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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



SPY RISK INFO — ZACKS — REAL INVESTMENT ADVICE

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	44.73%	15.52%	14.70%	(5.25%)
Max Drawdown	-35.63%	-35.63%	-35.63%	0.00%
Sharpe	1.05	0.76	0.50	(0.33)
Sortino	1.08	0.82	0.56	(0.31)
Volatility	25.67	33.45	34.10	0.02
Daily VaR-5%	(15.22)	(30.06)	(38.54)	0.28
Mnthly VaR-5%	(15.81)	(21.49)	(25.18)	0.17

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.86%	1.75%	1.45%	(20.86%)	2.20%	1.46%	(34.07%)	(0.75%)
P/E Ratio	16.83	20.09	26.73	24.83%	2673%	1601%	0.0%	67.02%
P/S Ratio	3.86	4.01	4.69	14.53%	4.59	3.21	2.18%	46.04%
P/B Ratio	5.04	5.45	6.28	13.14%	6.02	3.95	4.28%	59.14%
ROE	21.47%	21.54%	19.73%	(9.17%)	22.00%	17.60%	(10.33%)	12.10%
ROA	4.23%	4.21%	3.64%	(15.73%)	4.31%	3.51%	(15.64%)	3.71%

S&P 500 Market Cap Analysis

Item	12-M Ago	Current	% Chg
Shares	3,176.4	3,031.6	(4.56%)
Sales	72,005	69,433	(3.57%)
SPS	22.7	22.9	1.03%
Earnings	11,473	10,158	(11.46%)
EPS TTM	4.6	4.0	(12.55%)
Dividend	1.6	1.5	(3.56%)

S&P 500 Asset Allocation

Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(34.32%)	2.46%	1.87	91.80	120.57	11.30	(23.9%)	1.0%	5.5%	1.07%	0.89	37.40
Materials	18.95%	2.65%	1.23	26.83	26.40	13.86	1.6%	8.1%	1.9%	3.74%	3.72	20.91
Industrials	3.89%	8.60%	1.16	34.77	34.43	14.65	1.0%	9.3%	1.5%	2.88%	3.58	24.67
Discretionary	35.05%	11.28%	1.30	51.56	50.85	20.59	1.4%	17.3%	0.6%	1.92%	4.48	33.76
Staples	9.35%	6.62%	0.60	22.89	22.83	17.65	0.2%	29.2%	2.5%	4.37%	4.19	21.36
Health Care	11.00%	13.62%	0.76	18.59	19.47	15.11	(4.5%)	28.9%	1.6%	5.37%	7.31	16.27
Financials	(7.47%)	10.45%	1.33	16.74	18.48	10.52	(9.4%)	7.5%	2.0%	5.93%	4.94	14.49
Technology	43.33%	27.93%	1.12	33.23	32.72	14.63	1.6%	52.8%	1.0%	3.00%	4.83	27.74
Telecom	22.33%	11.09%	0.94	27.43	27.15	17.61	1.0%	15.5%	0.7%	3.62%	6.69	23.07
Utilities	(3.74%)	2.81%	0.37	19.26	22.09	15.92	(12.8%)	10.7%	3.2%	5.15%	3.40	18.66
Real Estate	(3.98%)	2.46%	0.95	20.58	21.41	16.91	(3.9%)	7.0%	3.1%	4.78%	4.08	20.69

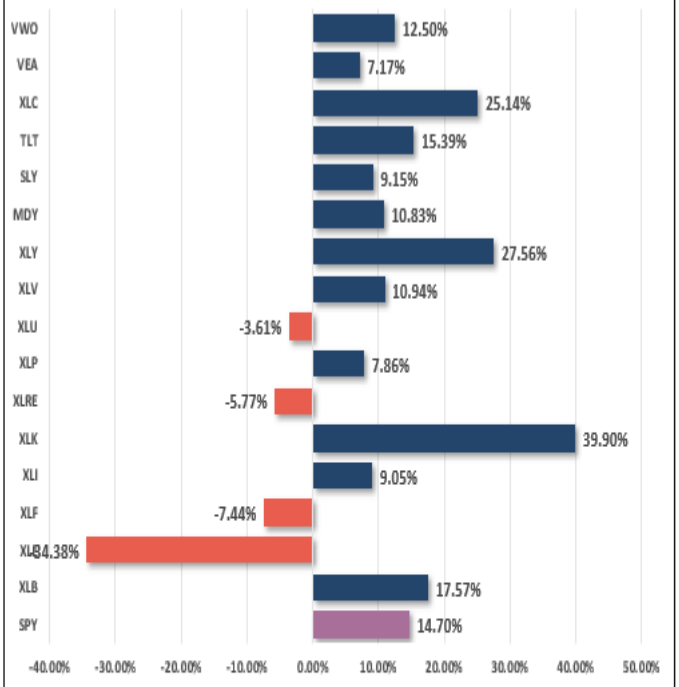
Momentum Analysis

Item	Price	ROC 50-Days	50-DMA	# Days Since Cross	% Dev 50-Day	200-DMA	# Days Since Cross	% Dev 200-Day	% Dev 50-200 DMA	% From 52-W High	% From 52-W Low	Buy/Sell
Large Cap	369.18	6.44%	354.60	33	4.11%	319.67	125	15.49%	10.93%	(0.88%)	69.15%	Buy
Mid Cap	416.02	14.34%	384.36	35	8.24%	334.46	61	24.39%	14.92%	(1.05%)	94.20%	Buy
Small Cap	79.08	19.96%	71.04	35	11.32%	60.93	58	29.79%	16.59%	(1.27%)	93.91%	Buy

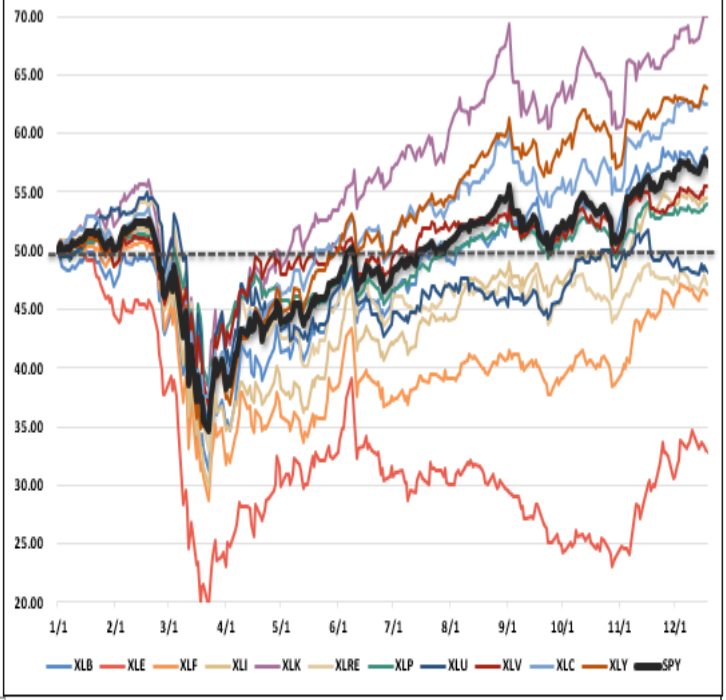
Performance Analysis

Year To Date Performance

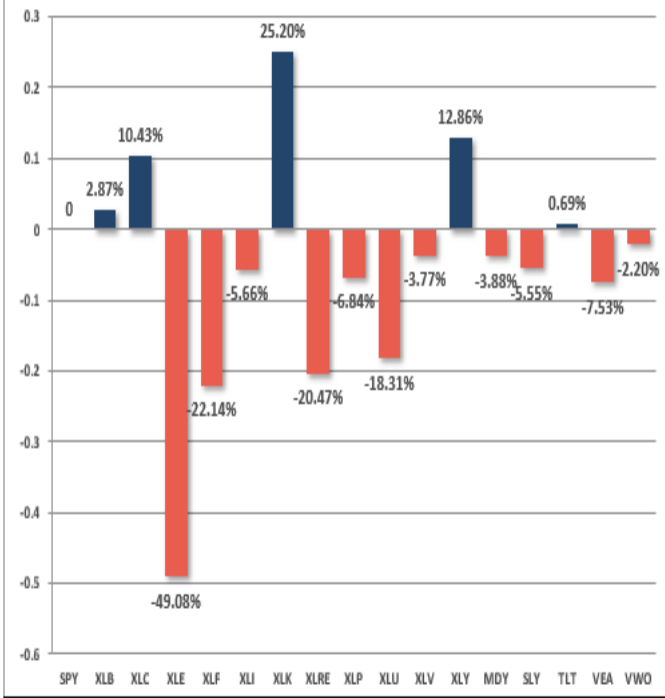
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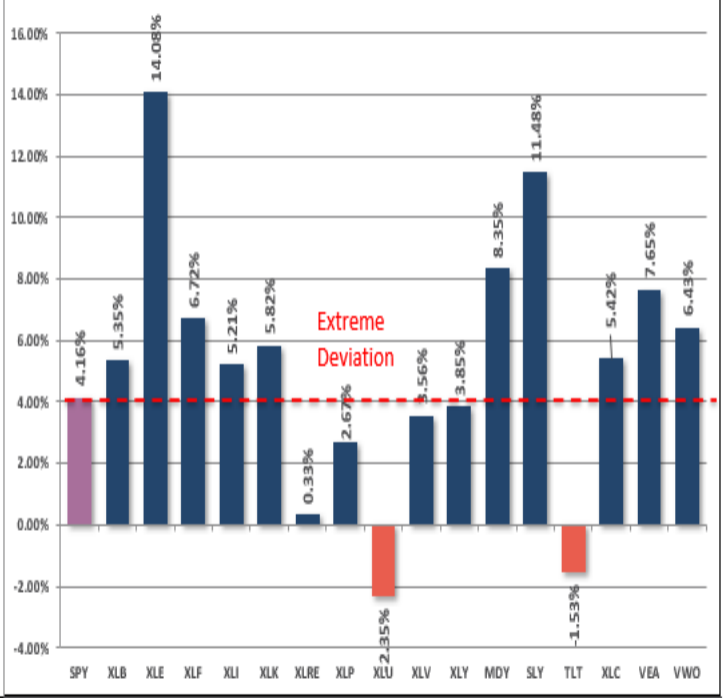
YTD Price - S&P Sectors Recalibrated To $50/share



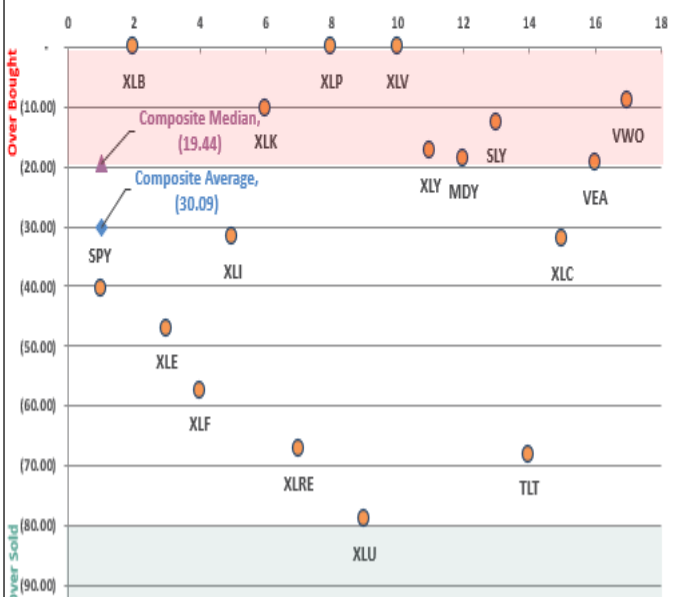
Year To Date Performance Relative To S&P 500



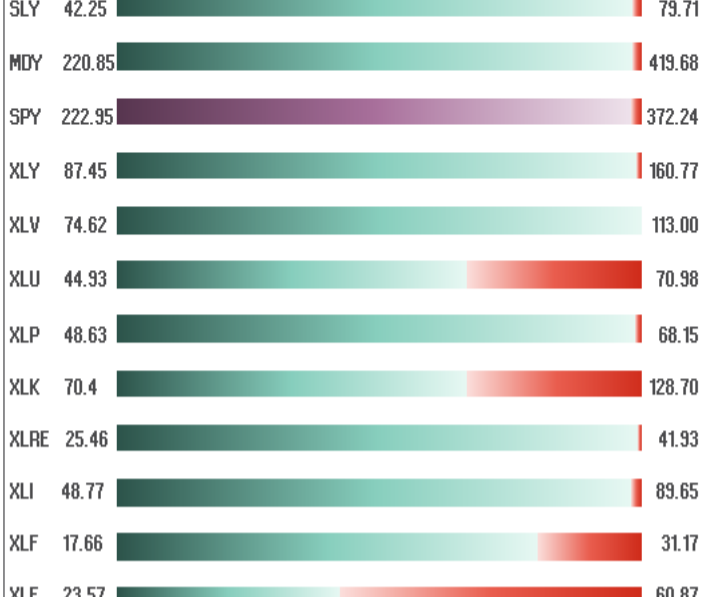
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods

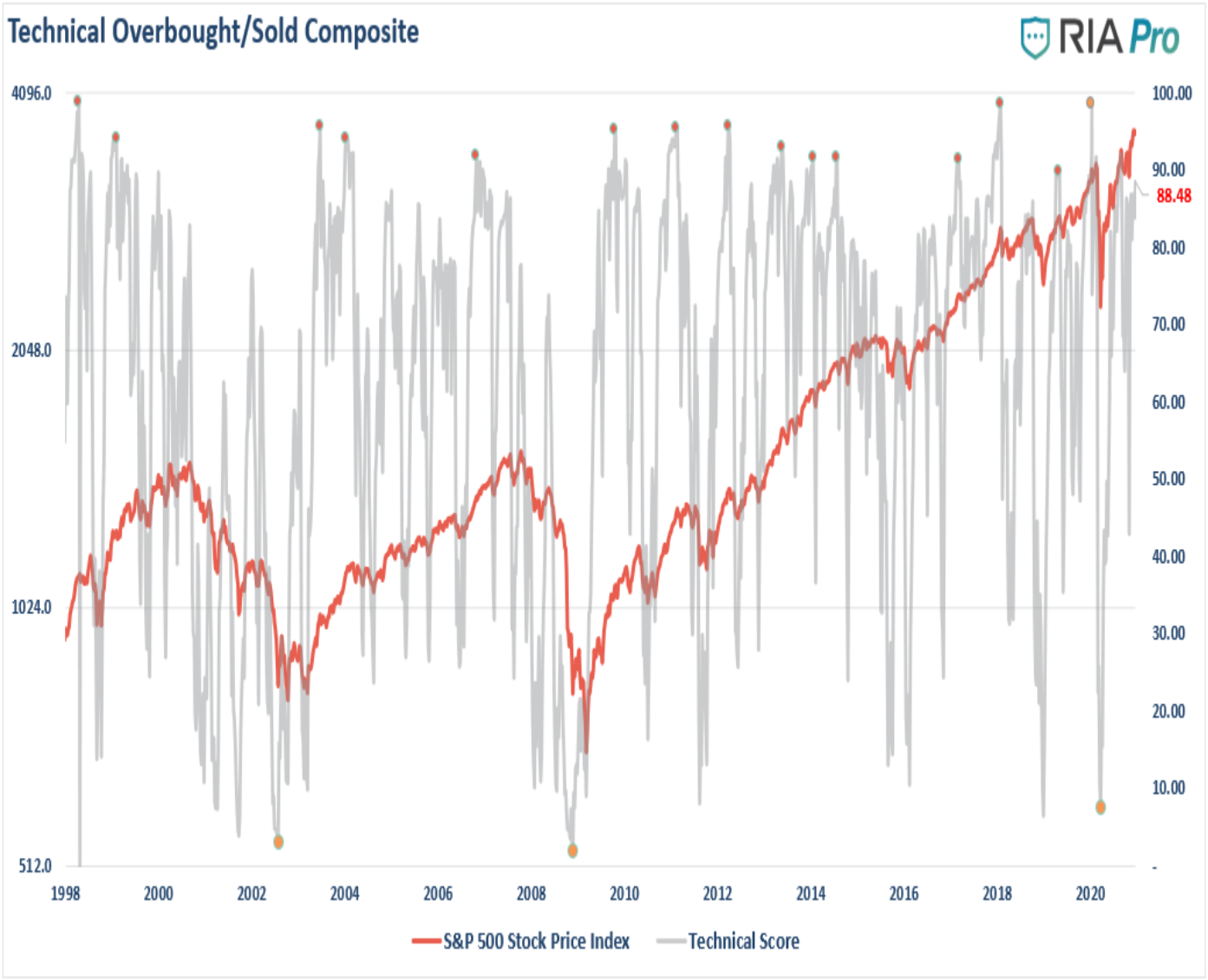


Size / Sector ETF YTD Trading Range



Technical Composite

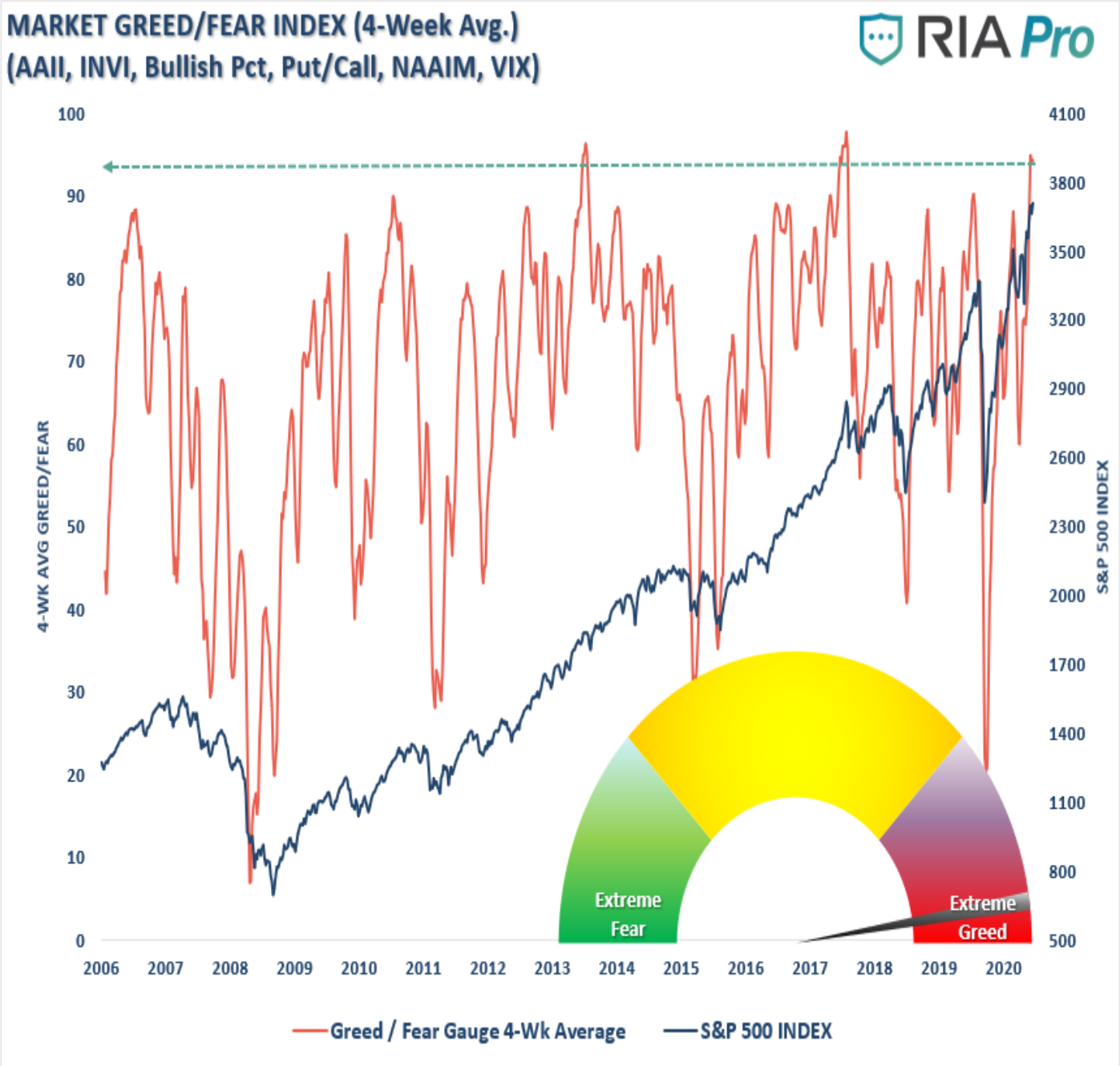
The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" is oversold.



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.

NOTE: This week, I published the 4-Week Average of the Fear/Greed Index. It is a rarity that it reaches levels above 90. **The *current reading is 96.07 out of a possible 100.***



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	370.49	0.78	3.89	12.31	18.20	14.92	351.05	331.06	363.32	0.99	372.40	354.24	6%	12%	BULLISH
XLB	SPDR-MATLS SELS	72.21	1.07	(0.37)	3.30	7.32	3.69	67.44	61.95	70.99	1.08	73.53	68.45	7%	17%	BULLISH
XLC	SPDR-COMM SV SS	67.11	(0.53)	1.17	2.37	3.38	9.52	62.66	58.89	65.40	0.99	67.68	63.12	7%	14%	BULLISH
XLE	SPDR-EGY SELS	39.40	(4.96)	6.14	18.24	(12.68)	(50.71)	33.63	35.98	36.76	1.74	38.32	35.20	17%	10%	BEARISH
XLF	SPDR-FINL SELS	28.49	(0.68)	0.93	8.98	5.83	(22.06)	26.13	24.71	27.88	1.20	28.91	26.85	9%	15%	BULLISH
XLK	SPDR-TECH SELS	128.25	2.40	2.89	0.25	3.63	26.09	119.91	111.29	123.48	1.06	127.87	119.09	7%	15%	BULLISH
XLI	SPDR-INDU SELS	88.84	(0.70)	(1.37)	3.84	10.59	(5.84)	82.91	75.49	88.03	1.18	91.27	84.79	7%	18%	BULLISH
XLP	SPDR-CONS STPL	67.93	0.13	(1.74)	(4.55)	(3.04)	(7.27)	65.64	62.82	66.91	0.58	68.97	64.85	3%	8%	BULLISH
XLRE	SPDR-RE SELS	36.44	(0.31)	(5.24)	(7.21)	(15.95)	(19.63)	36.13	35.47	36.50	0.70	37.67	35.33	1%	3%	BULLISH
XLU	SPDR-UTIL SELS	62.29	(0.70)	(5.85)	(6.23)	(10.62)	(18.48)	62.92	60.31	62.84	0.32	64.61	61.07	-1%	3%	BULLISH
XLV	SPDR-HLTH CR	113.00	0.40	(0.03)	(2.62)	(6.98)	(4.89)	108.08	104.99	109.74	0.77	113.33	106.15	5%	8%	BULLISH
XLY	SPDR-CONS DISCR	159.99	1.58	0.21	(1.14)	5.34	13.53	152.43	140.27	157.26	1.14	162.99	151.53	5%	14%	BULLISH
XTN	SPDR-SP TRANSPT	71.93	(1.28)	2.69	11.84	18.22	(4.27)	64.64	58.35	69.63	1.40	72.35	66.91	11%	23%	BULLISH
SDY	SPDR-SP DIV ETF	105.33	(1.99)	(1.80)	3.32	(2.54)	(17.02)	99.59	95.16	103.80	0.89	107.32	100.28	6%	11%	BULLISH
RSP	INVS-SP5 EQ ETF	127.04	0.27	1.33	7.10	6.07	(5.34)	116.63	108.93	122.88	1.12	127.33	118.43	9%	17%	BULLISH
SLY	SPDR-SP6 SC	79.08	1.30	4.81	20.80	16.84	(6.33)	68.90	63.20	73.75	1.28	76.54	70.96	15%	25%	BULLISH
MDY	SPDR-SP MC 400	416.02	0.94	2.28	13.47	10.24	(4.15)	374.83	347.10	395.78	1.19	410.40	381.16	11%	20%	BULLISH
EEM	ISHARS-EMG MKT	50.99	(0.25)	0.05	6.44	5.09	(0.62)	47.22	43.61	48.73	0.87	50.37	47.09	8%	17%	BULLISH
EFA	ISHARS-EAFE	72.67	(0.10)	(0.59)	2.89	(0.55)	(9.88)	67.30	63.93	70.15	0.86	72.50	67.80	8%	14%	BULLISH
IAU	ISHARS-GOLD TR	17.93	1.44	(3.55)	(11.41)	(12.48)	12.06	17.89	17.64	16.95	0.02	17.38	16.52	0%	2%	BULLISH
GDX	VANECK-GOLD MNR	36.58	3.50	(1.99)	(17.10)	(17.06)	19.91	37.67	37.85	34.68	0.58	35.75	33.61	-3%	-3%	BEARISH
UUP	INVS-DB US$ BU	24.26	(1.92)	(6.57)	(17.36)	(25.88)	(24.40)	25.01	25.59	24.82	(0.12)	25.41	24.23	-3%	-5%	BEARISH
BOND	PIMCO-TOT RETRN	112.86	(0.61)	(3.70)	(11.82)	(16.88)	(10.58)	112.19	111.66	112.70	0.08	115.61	109.79	1%	1%	BULLISH
TLT	ISHARS-20+YTB	156.33	(2.32)	(7.09)	(17.63)	(22.64)	(0.52)	159.66	162.86	160.02	(0.27)	163.59	156.45	-2%	-4%	BEARISH
BNDX	VANGD-TTL INT B	58.55	(1.12)	(3.84)	(11.71)	(16.62)	(13.92)	58.35	57.94	58.52	0.03	60.00	57.04	0%	1%	BULLISH
HYG	ISHARS-IBX HYCB	86.68	(0.78)	(3.00)	(7.81)	(12.66)	(16.11)	85.20	83.82	86.32	0.37	88.80	83.84	2%	3%	BULLISH

RIA Pro

REAL INVESTMENT ADVICE

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
FBHS	Fortune Brd H&S	88.89	11.20	4.99	1.08	22.56	8.00
MSFT	Microsoft Corp	219.42	13.20	13.83	1.02	35.45	8.00
MTD	Mettler-Toledo	1130.33	12.10	5.59	0.00	46.92	8.00
PG	Procter & Gambl	138.25	7.57	1.54	2.20	25.70	8.00

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	115.32	1.55	11.99	3.12	9
VST	Vistra Corp	17.93	1.04	186.72	3.01	9
CMTV	Commnty Bcp Vt	15.00	1.08	12.34	5.07	8
FLIC	First Long Is	18.45	1.11	10.79	4.12	8
IBCP	Indep Bk Mich	18.91	1.11	11.07	4.23	8
PEG	Public Sv Entrp	57.19	1.83	11.16	3.43	8
TFC	Truist Finl Cp	47.10	1.03	10.08	3.82	8
TSLX	Sixth St Spclty	20.75	1.23	12.32	7.90	8
UGI	Ugi Corp	35.99	1.81	11.03	3.67	8
BSRR	Sierra Bancorp	24.48	1.11	10.41	3.27	7
CFR	Cullen Frost Bk	87.35	1.34	11.21	3.30	7
CHCO	City Hldgs Co	69.86	1.62	13.27	3.26	7
CPF	Central Pac Fin	18.52	0.96	10.07	4.97	7
CRWS	Crown Crafts	7.08	1.59	13.97	4.52	7
CZFS	Citizens Fin Sv	47.75	0.99	11.82	3.85	7
FMNB	Farmers Natl Bc	13.74	1.14	10.99	3.20	7
FNLC	First Bancp Inc	25.72	1.28	11.41	4.82	7
LARK	Landmark Bcp	23.78	0.95	10.11	3.20	7
LOMA	Loma Negra Cia	6.26	1.43	21.99	4.06	7
UBFO	United Sec Bcsh	7.14	1.03	10.41	6.16	7
WTBA	West Bancorp	20.77	1.59	14.69	4.04	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
MSFT	Microsoft Corp	219.42	13.20	13.83	1.02	2.47	8
FFIN	First Fin Bk-Tx	36.01	#N/A	10.70	1.44	#N/A	7
IDXX	Idexx Labs Inc	477.80	15.83	10.64	-	4.93	7
MXIM	Maxim Intg Pdts	85.84	10.00	0.36	2.24	3.04	7
NVDA	Nvidia Corp	533.65	18.26	22.00	0.12	3.82	7
QLYS	Qualys Inc	104.95	#N/A	17.75	-	#N/A	7
CHCT	Comm Hlthcr Tr	48.97	10.00	37.63	3.47	2.40	7
CPRT	Copart Inc	121.68	13.00	16.02	-	3.02	6
HALO	Halozyme Thera	42.53	#N/A	6.59	-	#N/A	6
REXR	Rexford Ind Rty	49.77	6.43	29.26	1.73	5.94	6
RGEN	Repligen	190.41	30.00	35.13	-	4.41	6
RMD	Resmed Inc	213.73	14.53	12.50	0.73	2.83	6
TYL	Tyler Tech Inc	455.28	15.00	13.66	-	7.33	6
CDNS	Cadence Design	127.30	15.43	8.59	-	4.08	5
CGNX	Cognex Corp	79.79	#N/A	12.59	0.30	#N/A	5
IIPR	Innov Indl Ppty	188.73	#N/A	172.75	2.48	#N/A	5
ALGN	Align Tech Inc	526.72	18.28	27.06	-	8.72	4
EXR	Extra Space Stg	114.17	3.11	10.88	3.15	7.24	4
IBKR	Interactive Brk	60.17	#N/A	17.03	0.66	#N/A	4
ISRG	Intuitive Surg	779.78	8.74	15.84	-	11.13	4
TREX	Trex Company	82.50	#N/A	14.86	-	#N/A	4
TXN	Texas Instrs	162.69	9.33	2.39	2.51	3.19	4
MLAB	Mesa Labs Inc	286.51	#N/A	8.08	0.22	#N/A	3

Portfolio / Client Update

There are many reasons to be concerned about the markets currently. Exuberance is extremely elevated, and investors are *"all-in,"* which is historically a reason to be cautious.

However, with very low liquidity in markets and the year-end rapidly approaching, there is a decent probability the market will rise as portfolio managers window-dress from year-end reporting.

Currently, hopes are high for a strongly rebounding economy in 2021 as the *"vaccine"* takes hold. The reality is that much of the *"pent up"* demand for goods and services was pulled forward by excess stimulus payments. Another round of *"stimulus"* will pull forward even more of that demand.

Such increases the risk of both earnings and economic disappointment next year, which could undermine the bullish thesis. While it may not seem to matter currently, *"valuations"* are incredibly elevated. There is little *"value"* in the market, and with markets already *"priced for perfection,"* there isn't much room for failure.

S&P 500 Valuations		
Model Factors	Most Recent Value	Historical Percentile
Median EV to Sales (Ex-Financials)	4.0	100%
US Total Market Cap to GDP	170%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV To Sales	3.0	100%
Aggregate EV to Trailing 12M EBITDA	17.5	100%
Aggregate EV to 2021 EBITDA Estimate	15.9	100%
Aggregate Price to 2021 Book Value Estimate	3.8	100%
Aggregate Price to Tangible Book Value	12.8	100%
Aggregate Price to Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE)	32.9	97%
Aggregate Price to 2021 Earnings Estimate	25.6	97%
Aggregate Price to Book	3.9	91%
Source: Bloomberg, Yale/Robert Shiller, John Hussman	*Numbers as of November of 2020	©2020 Crescat Capital LLC

Our goal remains to navigate these markets as best we can, but focusing on conserving your principal. While 2020 was a challenging year performance-wise, we expect to perform much better in the upcoming environment where we expect *"fundamentals"* to matter again.

Portfolio Changes

During the past week, we made minor changes to portfolios. We post all trades in real-time at ***RIAPRO.NET***.

In anticipation of the seasonally strong period from Christmas to the first two days of January, we added some additional exposure to portfolios.

> *"Adding 5% of SPY to Equity and ETF portfolios for the end-of-year strength. As noted in both posts below, there is a 76% win ratio for the S&P between the 15th of December and the first week of January.*
>
> - ***Initiate a 5% position of SPY in portfolios."***

Furthermore, we made the following changes to individual models.

EQUITY Portfolio

- *Initiate a 2% position in UNP (Union Pacific) into the portfolio.*
- *Add 1.5% to RTX (Ratheon Technologies) to bring the exposure up to 2%. (We had reduced previously to take profits)*

ETF Portfolio

- *Add 1% to XLU to increase to 5% of the portfolio.*
- *Add 1% to IYT to increase to 2% of the portfolio.*

We are aware of the risks and are carrying tight stops on this position.

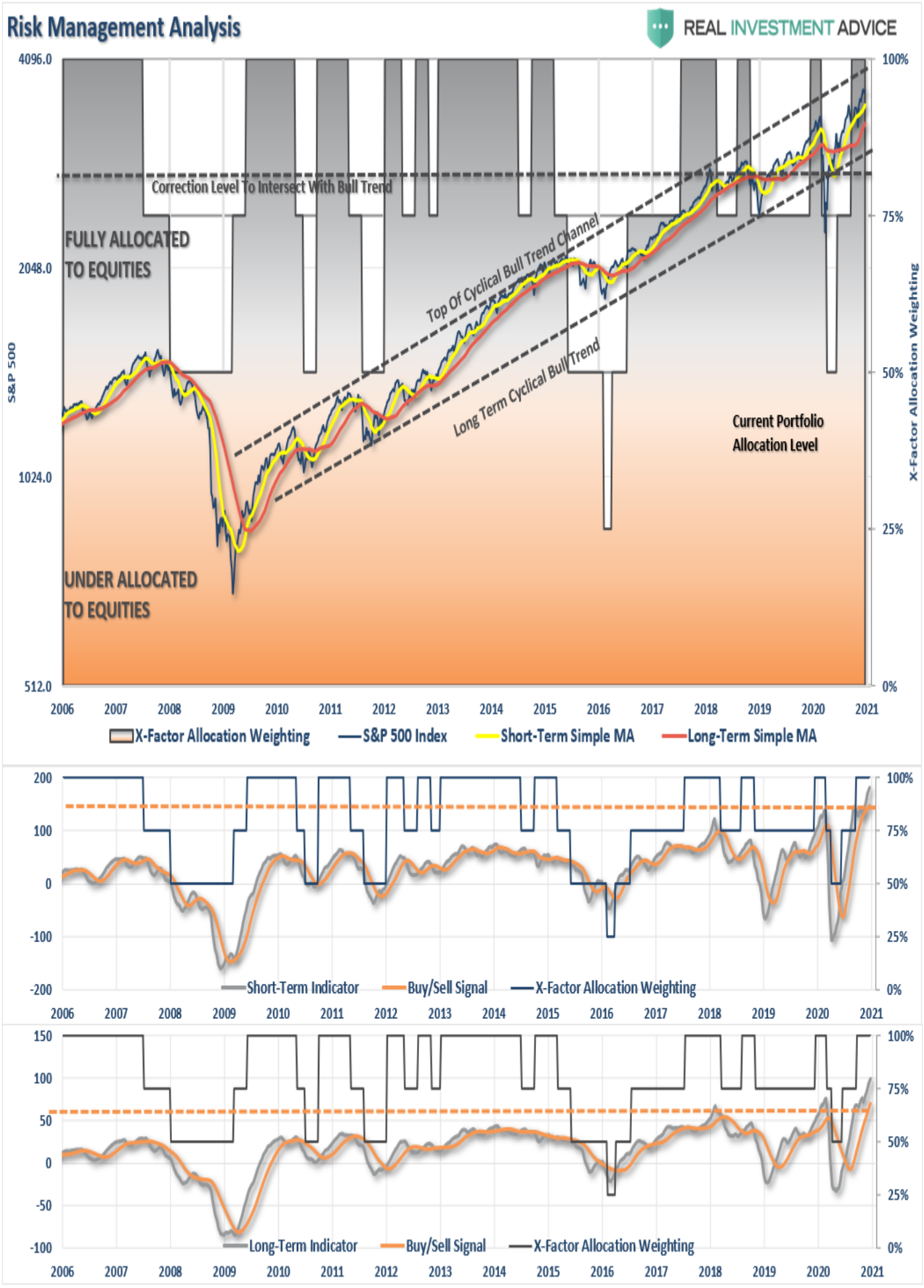
As always, our short-term concern remains the protection of your portfolio. We have now shifted our focus from the election back to the economic recovery and where we go from here.

Lance Roberts

CIO

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



Current Portfolio Weighting



Current 401k Allocation Model

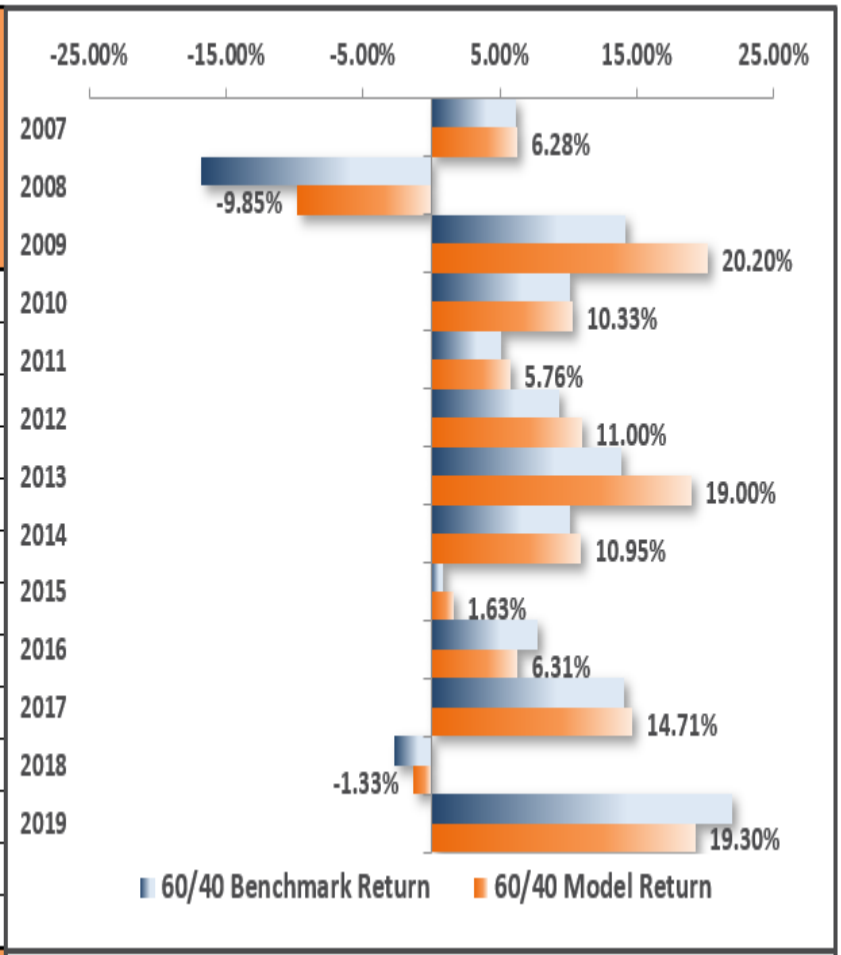
5.00% Cash + All Future Contributions

Primary concern is the protection of investment capital

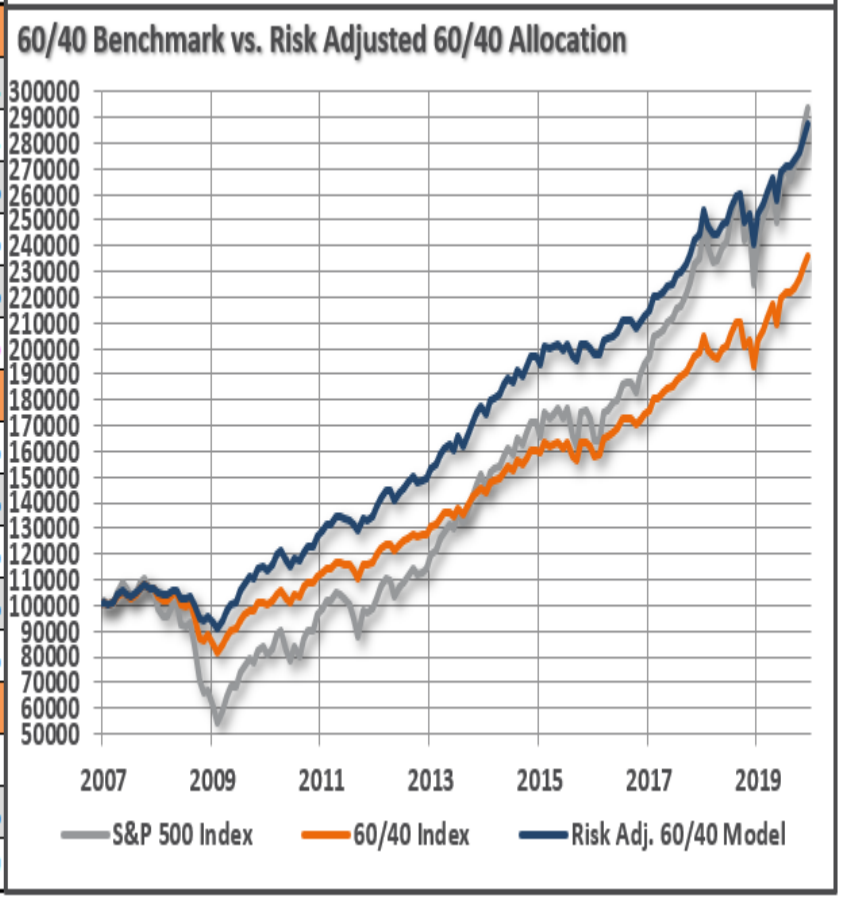
If you need help after reading the alert, do not hesitate to **contact me.**

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



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 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

Dashboard | Macro | Ideas | Research | Portfolio | 401K - Beta | Symbol | Help

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

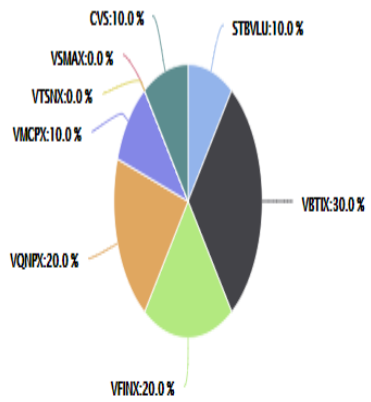
Retirement Income (My Portfolio Annual ROR 9.44 %)

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

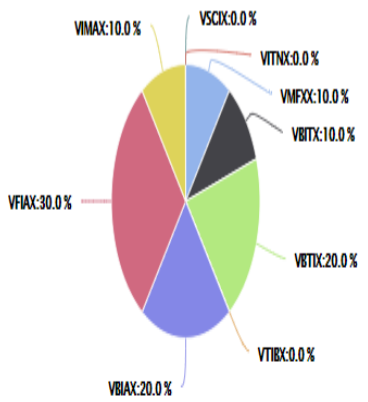
Retirement Income (RiaPro Annual ROR 9.02 %)

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



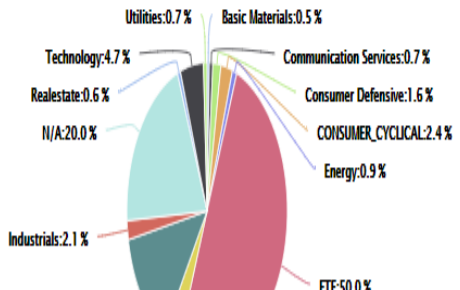
RIAPro Fund Composition



My Asset Composition

RIAPro Asset Composition

My Sector Composition



RIAPro Sector Composition

