

# **Bulls Are Loving The** **"Heads I Win, Tails I Win" Market**



*In this issue of "Bulls Are Loving The 'Heads I Win, Tails I Win' Market"*

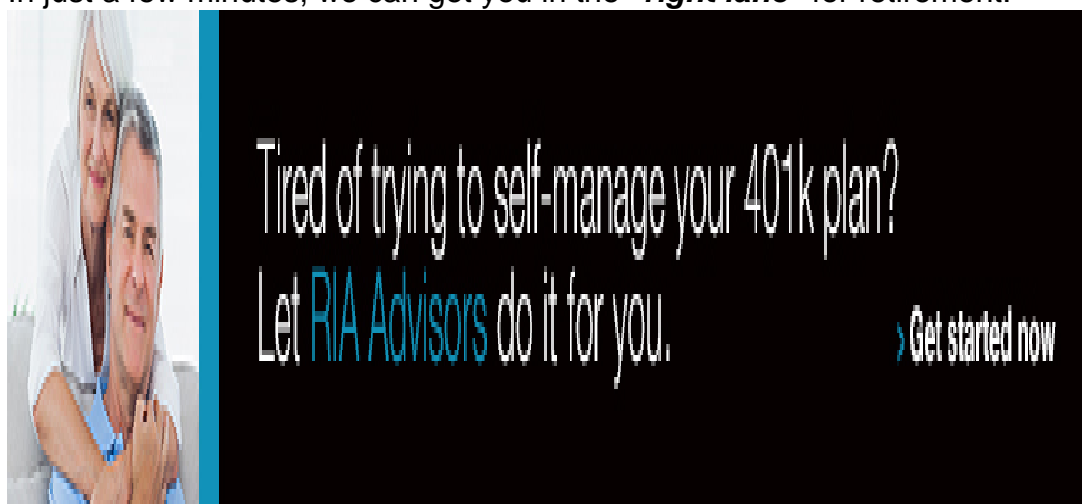
- *Bulls Loving The "Heads I Win, Tails I Win" Market*
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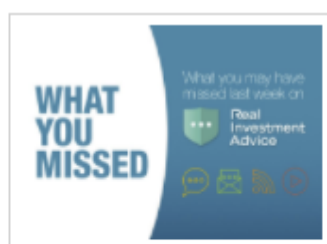
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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 1-8-21

Written by Lance Roberts | Jan 8, 2021

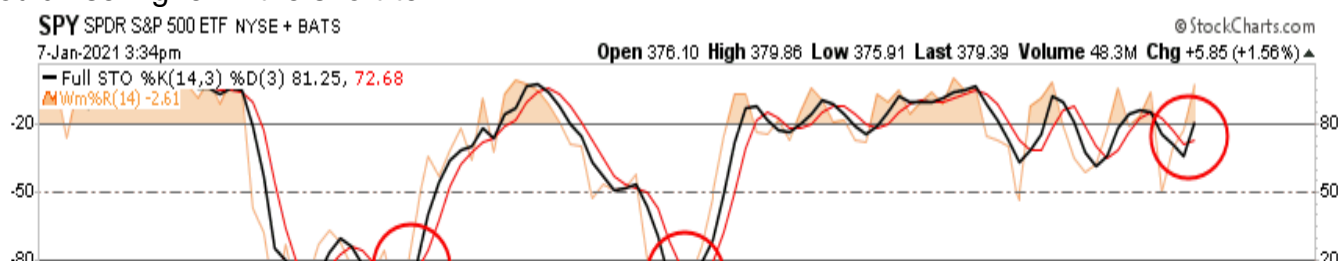
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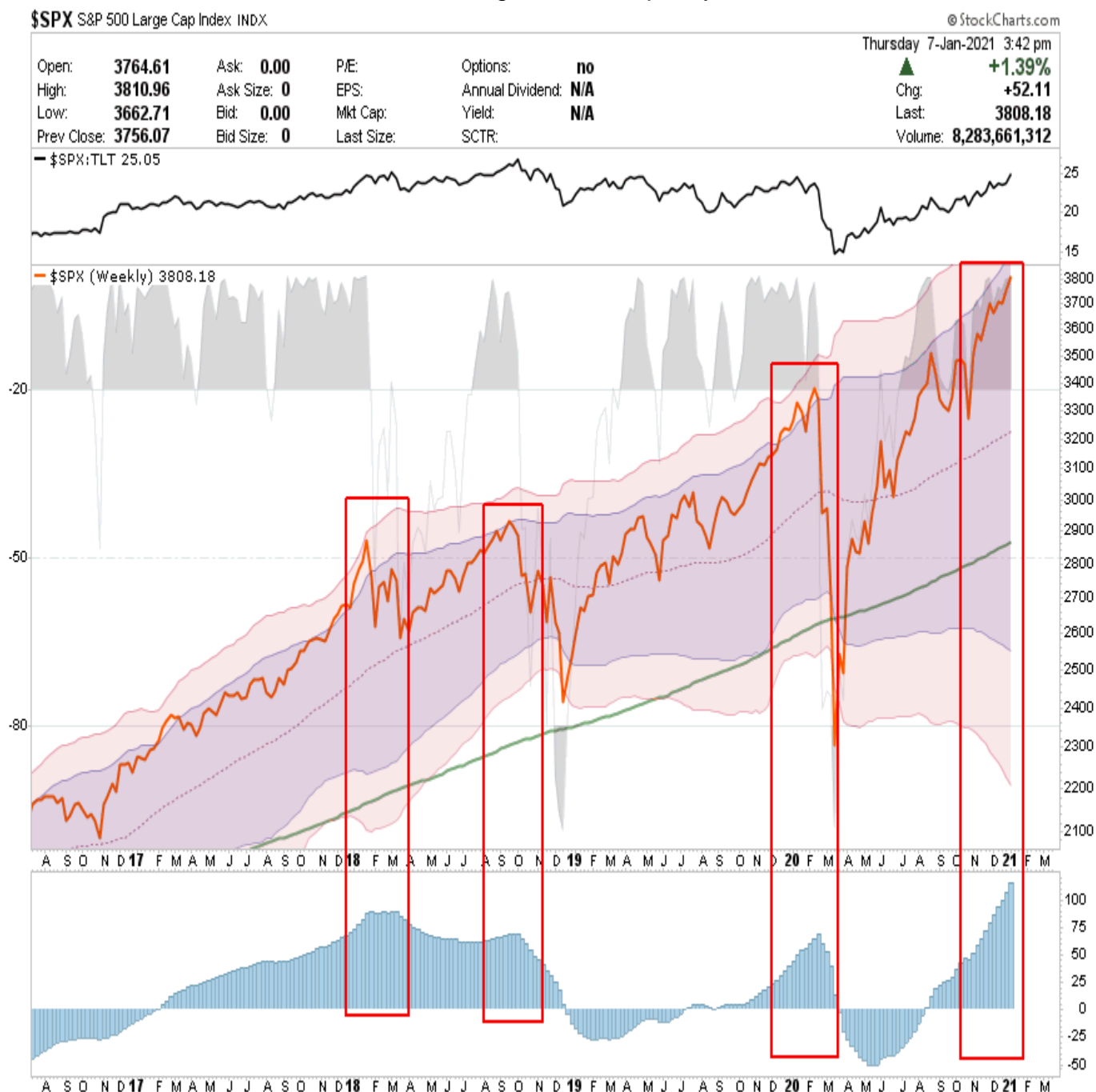
## Bulls Loving The Heads I Win, Tails I Win Market

It was a close call, but Santa finally delivered with a strong rally this past week, pushing the markets to all-time highs. Interestingly, despite the *"Blue Sweep"* of the Georgia elections, the markets quickly turned from worrying that such would be harmful to the markets. Markets quickly dismissed concerns of higher taxes by justifying it with more stimulus and more significant deficits. In other words, *"buy everything in sight."* As I tweeted out on Tuesday:

<https://twitter.com/LanceRoberts/status/1346635543740903425?s=20> While I do jest a bit, market participants quickly justify paying continually higher prices for investments. Why not? Mainly when it's a **"Heads I win, Tails I win"** market. As I noted last week, it certainly seems as if there is no *"risk"* in investing. As markets continue to rise, investors are becoming increasingly confident. **But therein lies the risk as confidence breeds complacency.** In the short-term, the bullish trends remain intact. After a month-long choppy process, the S&P 500 finally set a new all-time high. The good news is that short-term MACD signals and money flows are favorable, suggesting prices could rise higher in the short-term.



However, notice that while the MACD, and money flow, are positive, the market remains significantly overbought short-term. Such suggests that while markets could rise, it could be somewhat limited return relative to the risk. On a longer-term basis, the markets remain grossly extended from long-term means. The only other times we have seen these extensions in recent years often resulted in the loss of short-term gains rather quickly.



A correction within the next 2-months would not be surprising given the deviations from long-term means. However, such does not preclude more upside first.



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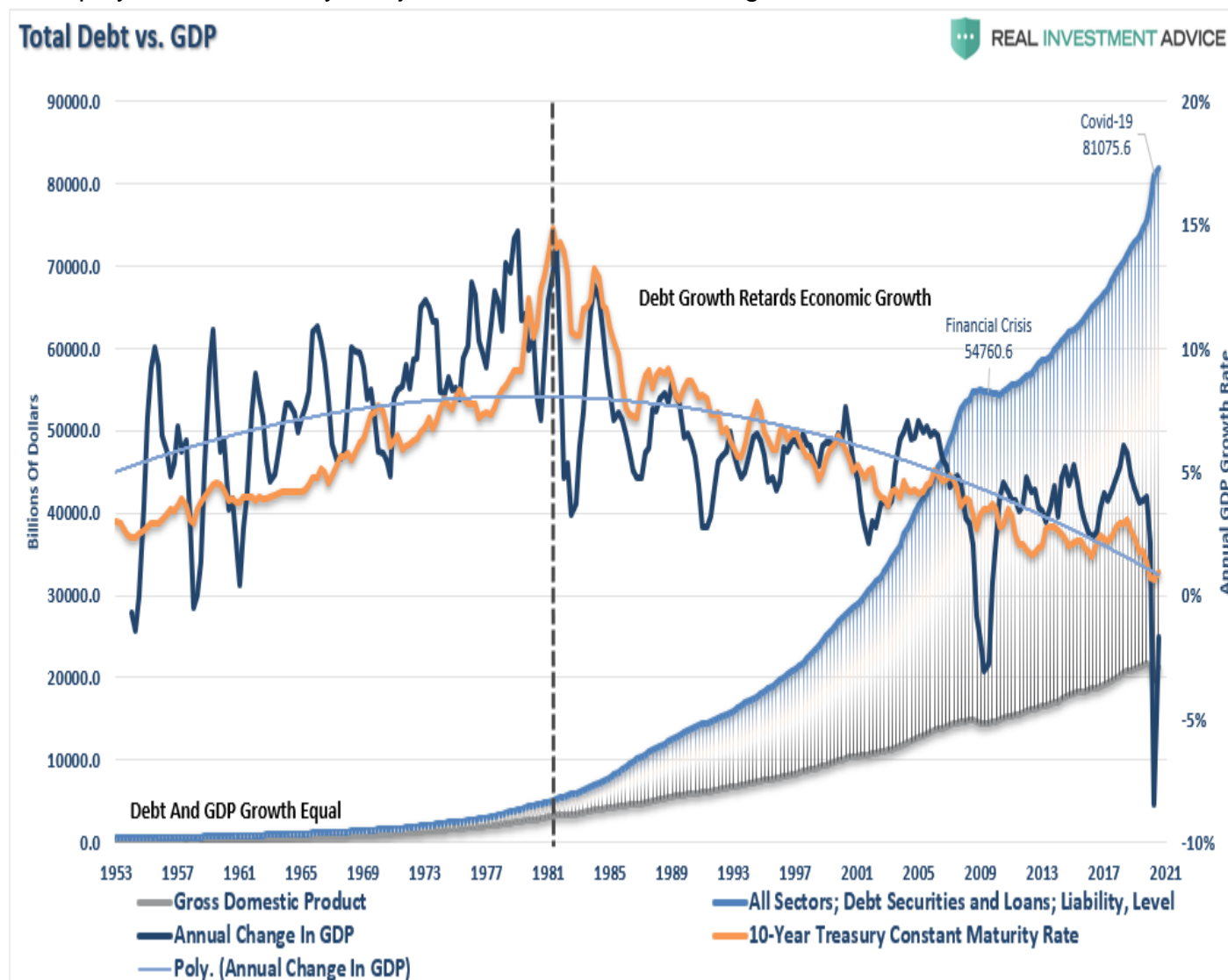
## The Risk Of The Bullish View

As we noted last week:

*"Currently, every single analyst has the same story going into 2021.*

- Prepare for an economic boom.
- Interest rates will rise.
- Inflation is coming back.
- The stock market is going to 4100-4500
- Small-caps are the new 'new trade.'"

You get the idea. Everyone is incredibly *"bullish"* about the coming year with hopes of more stimulus, infrastructure spending, and a vaccine. Somehow, despite millions of people still unemployed, the economy has just shifted into a *"Golden Age"* not seen since the 1950s.



However, therein lies the problem.

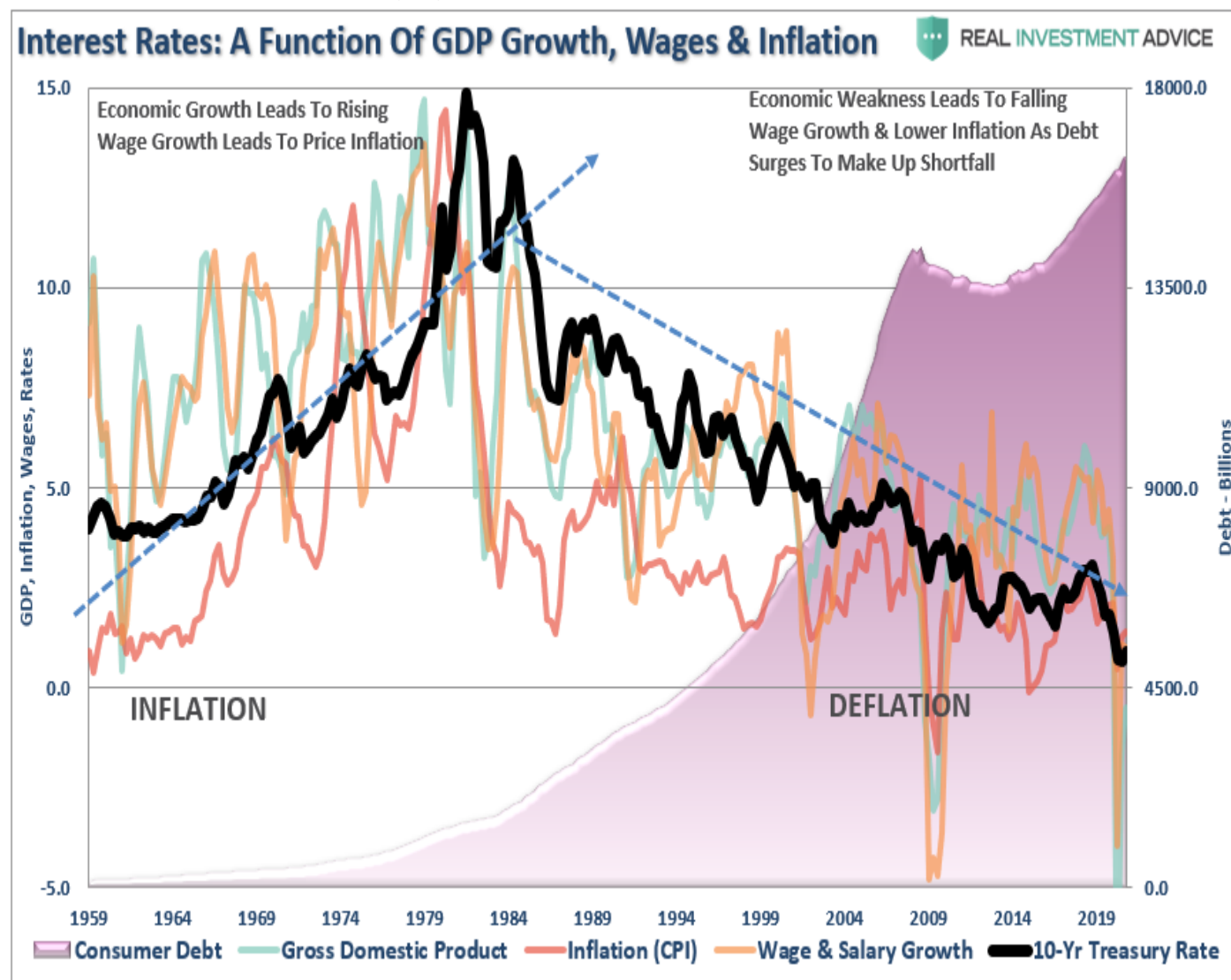
## We Can't Go Back

There have been two previous periods in history that have had the necessary ingredients to support a rising trend of interest rates, inflation, and economic growth over an extended period. **The first was during the previous century's turn as the country became more accessible via railroads and automobiles. Production ramped up for World War I, and America began shifting from an agricultural to an industrial economy. ([Read more on why this isn't the "Roaring 20s."](#))** The second period was post-World War II. The war left America the *last man standing* after France, England, Russia, Germany, Poland, Japan, and others were devastated. It was here that America found its most substantial run of economic growth in its history as the *boys of war* returned home to start rebuilding the countries that they had just destroyed. The U.S. is no longer the manufacturing powerhouse it once was, and globalization has sent jobs to the cheapest

labor sources. Technological advances continue to reduce the need for human labor and suppress wages as productivity increases. Today, the number of workers between the ages of 16 and 54 participating in the labor force is near the lowest level relative to that age group since the late 70s. **There is also a structural and demographic problem that continues to drag on economic growth as nearly 1/4th of the American population is now dependent on some form of governmental assistance.** These issues are only going to worsen due to long-term demographic trends, not only domestically but globally. In other words, the ingredients required for sustained levels of more robust economic growth and prosperity are not available.

## Trending In The Wrong Direction

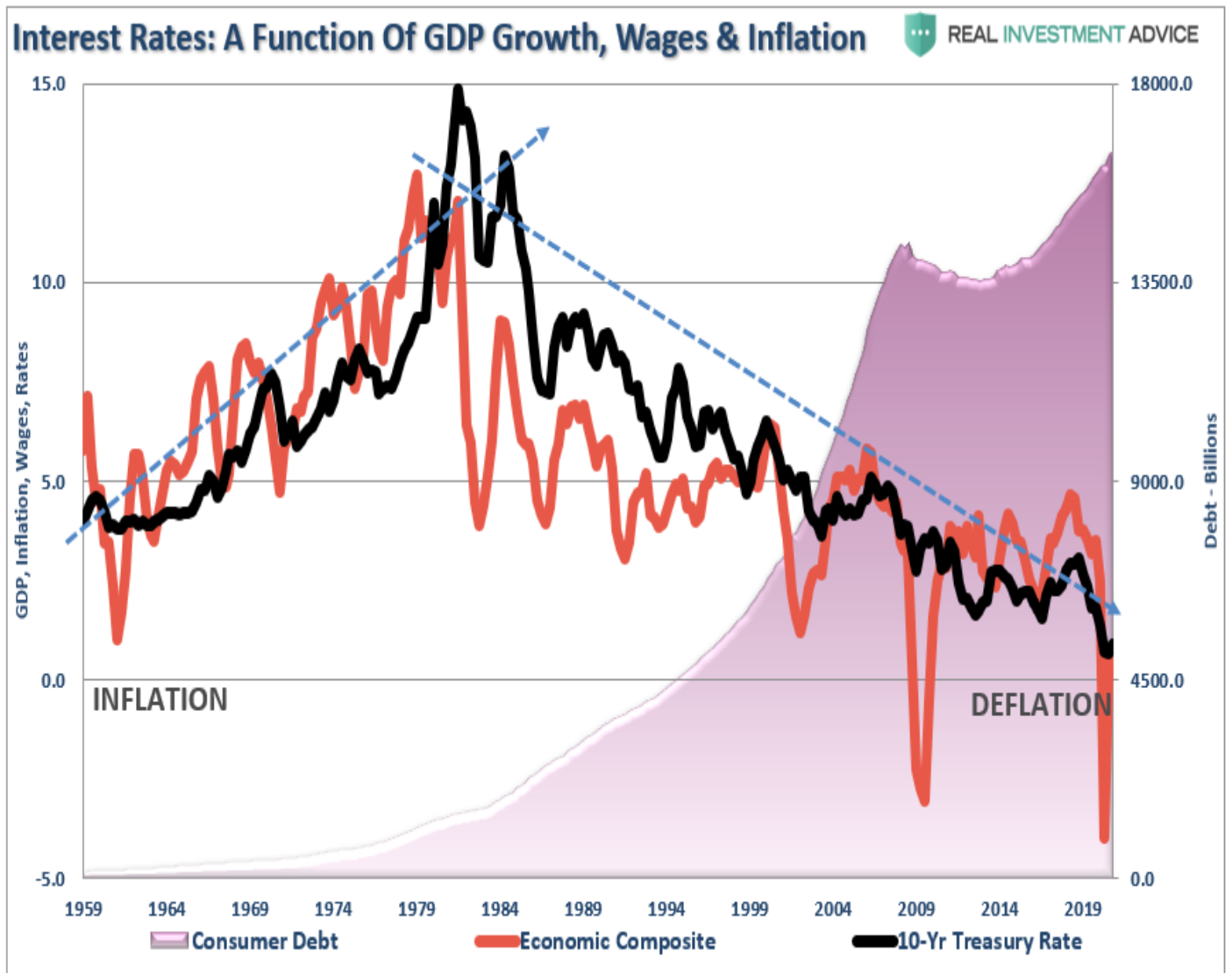
As shown below, there is a correlation between the three major components of economic growth: *inflation, interest rates, and wage growth.*



**Interest rates are not only a function of the investment market, but rather the level of *?demand?* for capital in the economy.** When the economy is expanding organically, the demand for capital rises as a business increases production to meet rising demand. **Increased production leads to higher wages, which in turn fosters more aggregate demand. As consumption increases, so does producers' ability to charge higher prices (*inflation*) and for lenders to increase borrowing costs.** (Currently, we do not have the type of inflation that leads to more robust economic growth, just inflation in the costs of living that saps consumer spending ? Rent, Insurance, Health Care) Note that "production" is the key to economic growth. Consumption that is dependent solely on increases in debt, or stimulus, has a negative impact on growth. The chart above is a bit busy. If we combine the individual subcomponents into a composite index, the

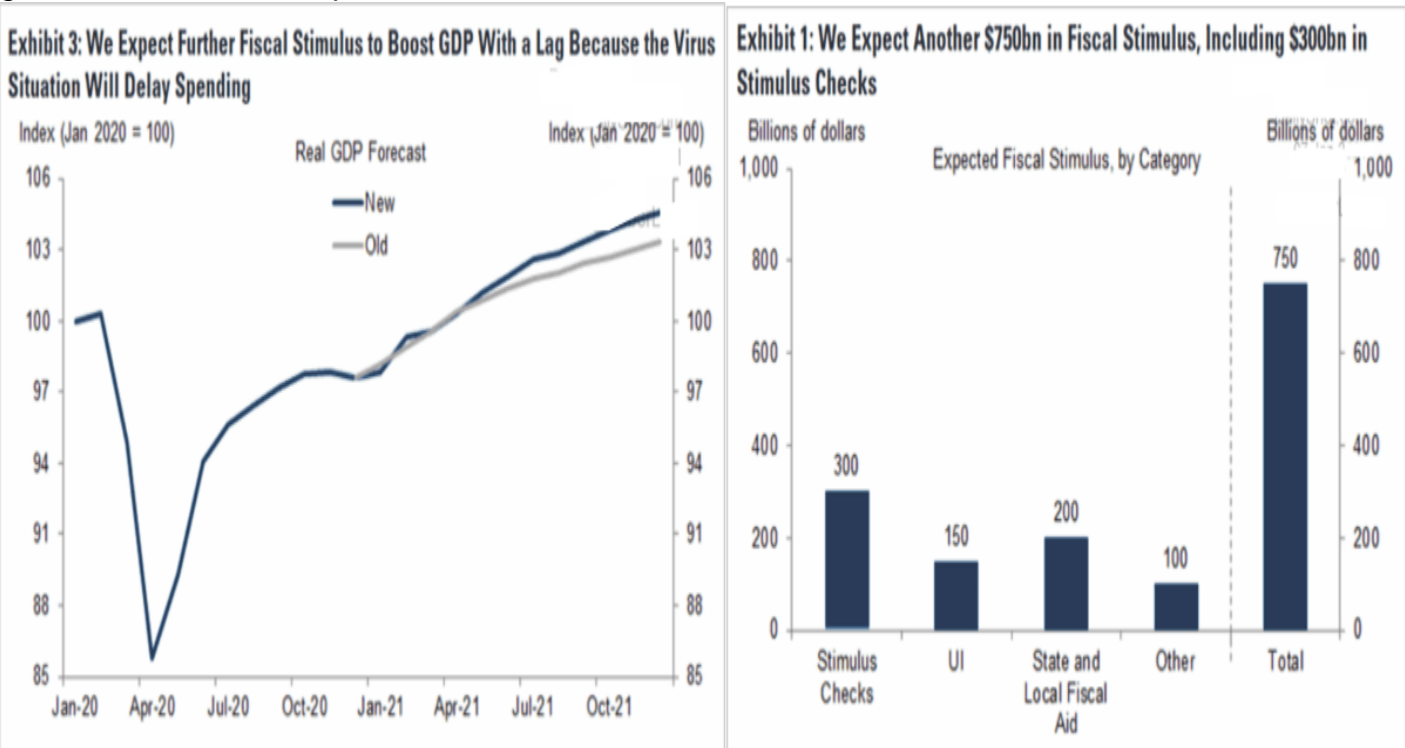


correlation with interest rates becomes clearer.



## Blue Plans Won't Lead To Growth.

Currently, investors hope that with a "Blue Wave," more stimulus, increased deficits, and infrastructure spending is soon on their way. Goldman Sachs just upgraded their estimate of GDP growth based on the expectation of another \$750 billion stimulus bill.



The surge in deficit spending, combined with the pick up in **short-term demand** for construction and manufacturing processes, will give the appearance of economic growth. Such will likely get both the Federal Reserve and the *bond bears* on the wrong side of the trade. The impacts of these *one-off* inputs into the economy will fade rather quickly after implementation as organic productivity fails to increase. While many always hope these programs will lead to an ongoing economic expansion, a look at the last 40 years of fiscal and monetary policy suggests it won't. Why? Because you can't create economic growth when financed by deficit spending, credit, and a reduction in savings. **You can create the *illusion* of growth in the short-term, but the surge in debt reduces both productive investments and the output from the economy.** As the economy slows, wages fall, forcing consumers to take on more leverage and decrease their savings rate. As a result, of the increased leverage, more of their income is needed to service the debt, which requires them to take on more debt. While more stimulus and infrastructure spending may spur the economy and markets initially, the payback tends to be severe. **Such is why we keep ending up at this point, demanding more spending to fix the last drawdown.** Wash. Rinse. Repeat.

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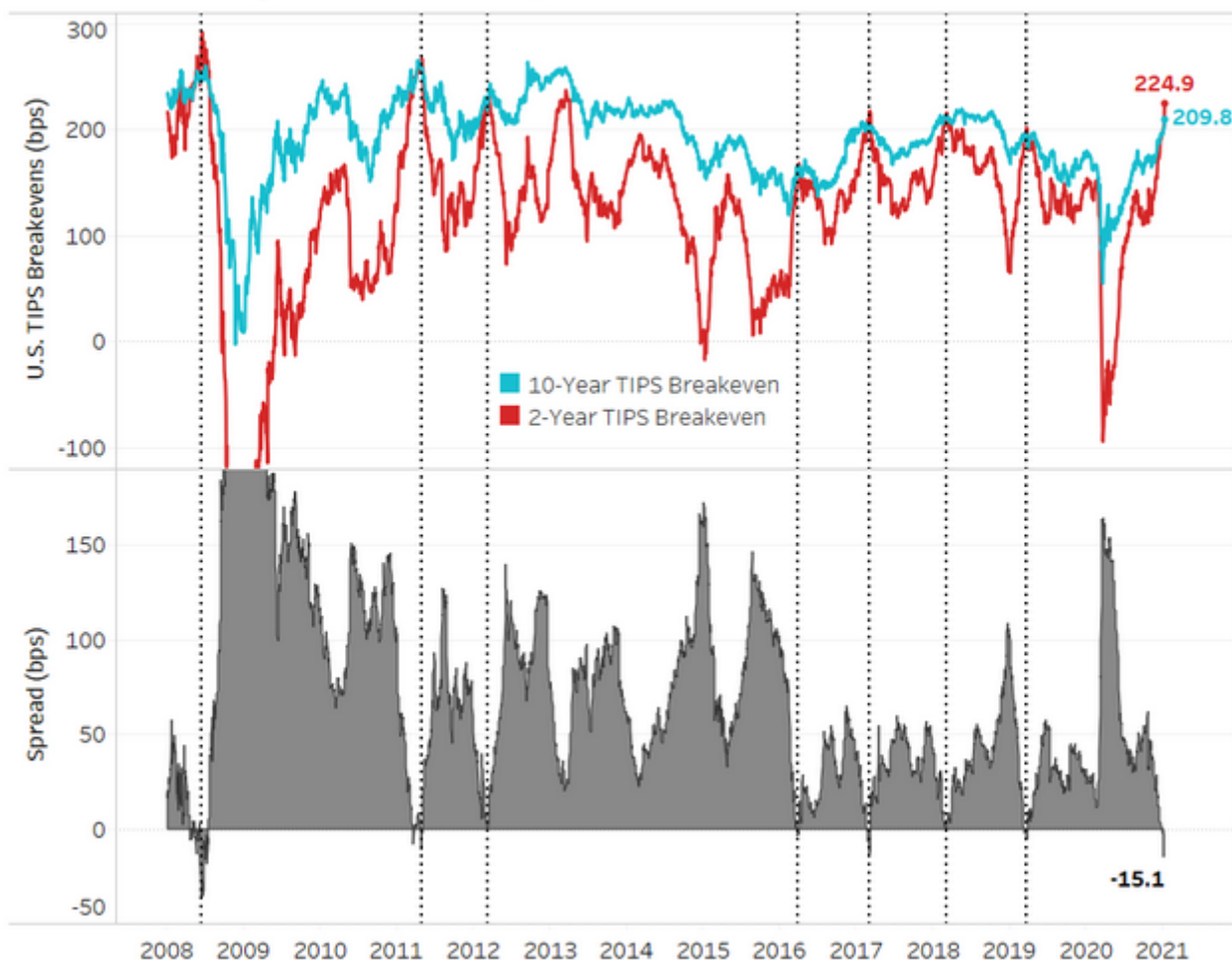
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## Is The Reflation Trade Over?

**U.S. 2-Year 10-Year TIPS Breakeven Curve Inverts**  
Dashed lines mark troughs at or below zero basis points

1/1/2008 to 1/7/2021

ARBOR DATA SCIENCE



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graph compares 2-year, and 10-year implied inflation levels. By comparing TIP yields to nominal Treasury yields, we extract the breakeven, or implied, inflation rate that makes investors indifferent between the two securities. As shown, short term expectations have risen from nearly -1% in April to 2.25% today. Short term expectations are at the highest level since 2013. 10-year inflation expectations are less volatile but have risen sharply. **The genius of the graph is the interaction of inflation expectations to the spread between the two.** Short term inflation expectations tend to be lower than long term expectations. **However, when they reach or exceed long-term expectations, they tend to peak and reverse sharply.** The dotted lines highlight the seven times in the last 12 years this has occurred. **The bulls argue this time is different and inflation is a real threat, unlike the past. The bears rely on the past relationship and forecast a rapid decline in inflation expectations.** The eagles, ourselves included, have the luxury of watching the data and adjusting our stance as we see how the two rates react to the curve inversion.

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### Portfolio Positioning Update

**With January kicking off with a bang, we are maintaining our long bias with reduced hedges at the moment.** We made some changes to align our portfolio more with our equal-weighted benchmark index during the past week by reducing some of our overweight in technology, healthcare, and communications. While many other sectors of the market are grossly overbought short-term, we added a 5% weighting of RSP (*S&P Equal Weight ETF*) and SPY (*S&P Market Weight*) to our portfolios for the time being as placeholders. We are currently slightly overweight equities and underweight our hedges in fixed income as interest rates press higher. As noted last week, the rally this week was not unexpected:

*"With the stimulus bill passed, and checks going out, we won't be surprised to see a short-term pop in economic activity. However, given the checks are 50% smaller than the first round, along with extended unemployment benefits, the economic bump will be short-lived. The real question going into 2021 is whether President Biden can spend further into debt to do more stimulus. Or, will a shift toward fiscal responsibility begin to take hold? Much will depend on the Senate run-off outcome in Georgia. Regardless, the evidence is mounting that economic and earnings data will likely disappoint overly optimistic projections currently. Furthermore, investors are way too confident. Historically, such has always turned out to be a poor mix for a continued bull market advance in the short-term.*

Even with the Senate now a 50/50 split, more moderate Democrats may start to balk at massive increases in debt. There may also be some pushback against some of the more far-left socialistic policies as well. We will have to wait and see. For now, we will continue to trade accordingly.



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# The MacroView



## #MacroView: El-Erian & The Two Primary Risks In 2021

Written by Lance Roberts | Jan 8, 2021

After years of Central Bank interventions, stock markets have soared to record highs, while economic growth has remained weak. Mohamed El-Erian recently discussed the two primary risks heading into 2021.

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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

3 Month SPY Price

SPY RISK INFO

Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	48.48%	17.51%	1.97%	(88.73%)
Max Drawdown	(35.63%)	(35.63%)	(2.83%)	(92.05%)
Sharpe	1.06	0.76	10.45	12.66
Sortino	1.13	0.87	#DIV/0!	#DIV/0!
Volatility	25.13	33.50	17.04	(0.49)
Daily VaR-5%	(13.24)	(28.59)	152.97	(6.35)
Mnthly VaR-5%	(6.00)	(20.63)	(20.63)	0.00

S&P 500 Market Cap Analysis

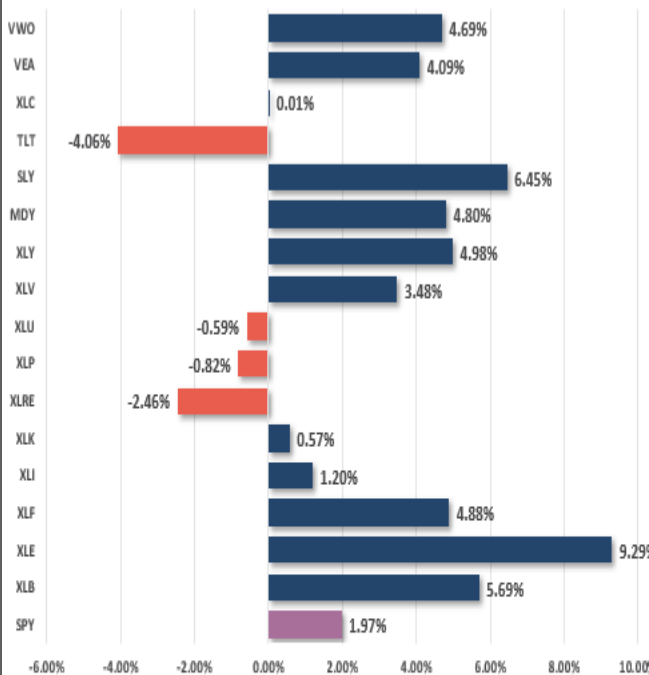
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low	Item	12-M Ago	Current	% Chg
Dividend Yield	2.07%	1.73%	1.38%	(25.22%)	2.19%	1.41%	(36.84%)	(1.56%)	Shares	3,171.1	3,027.2	(4.54%)
P/E Ratio	17.12	20.55	28.08	26.83%	2808%	1637%	0.0%	71.52%	Sales	71,897	69,341	(3.56%)
P/S Ratio	3.43	4.02	4.91	18.24%	4.82	3.22	1.88%	52.75%	SPS	22.7	22.9	1.03%
P/B Ratio	4.46	5.47	6.58	16.80%	6.23	3.94	5.59%	66.72%	Earnings	11,442	10,134	(11.43%)
ROE	21.99%	21.65%	19.72%	(9.75%)	21.99%	17.60%	(10.32%)	12.07%	EPS TTM	4.6	4.0	(12.47%)
ROA	4.31%	4.23%	3.64%	(16.24%)	4.31%	3.51%	(15.61%)	3.72%	Dividend	1.6	1.6	(3.90%)

S&P 500 Asset Allocation

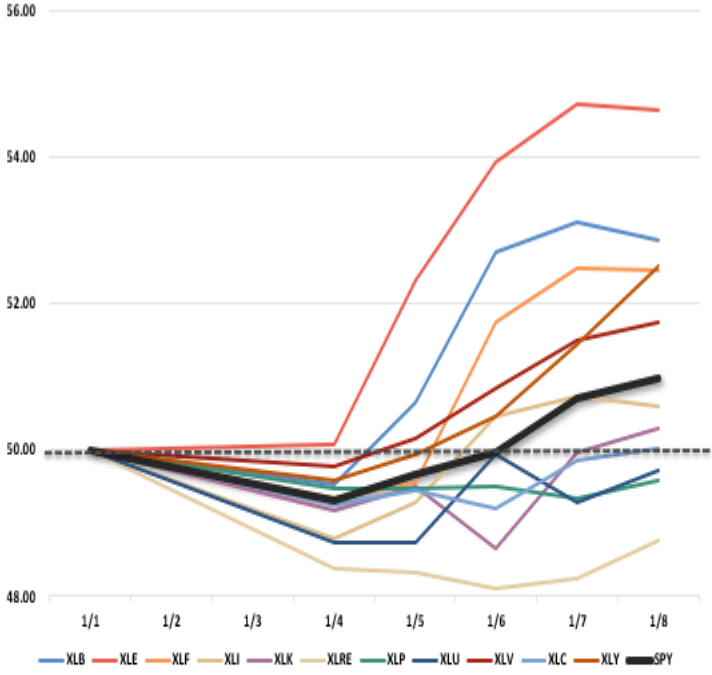
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	(30.65%)	2.47%	1.85	97.89	120.57	11.30	(18.8%)	1.0%	5.1%	1.01%	(0.13)	(260.41)
Materials	28.04%	2.77%	1.21	28.51	26.40	13.86	8.0%	8.1%	1.8%	3.49%	2.94	27.09
Industrials	2.28%	8.47%	1.17	35.10	34.44	14.65	1.9%	9.3%	1.5%	2.84%	2.10	42.41
Discretionary	57.57%	12.77%	1.33	63.08	57.57	21.02	9.6%	16.9%	0.5%	1.60%	2.89	60.64

# Performance Analysis

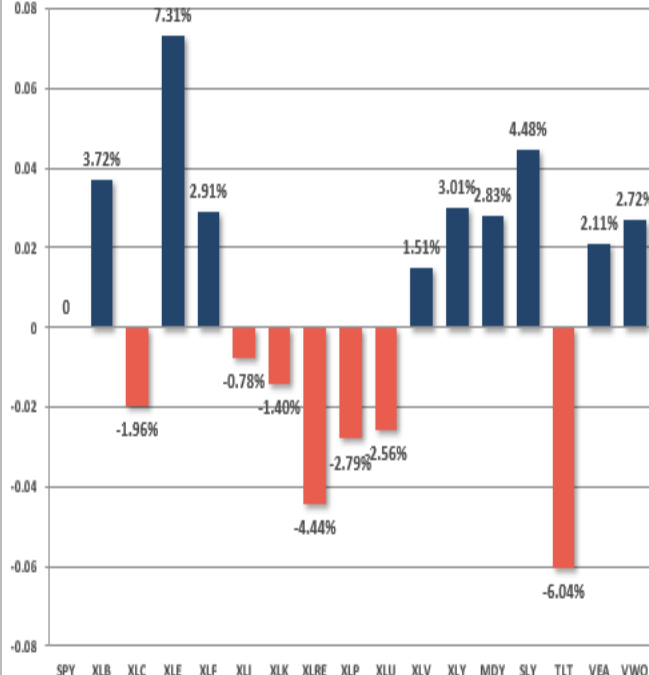
Year To Date Performance  



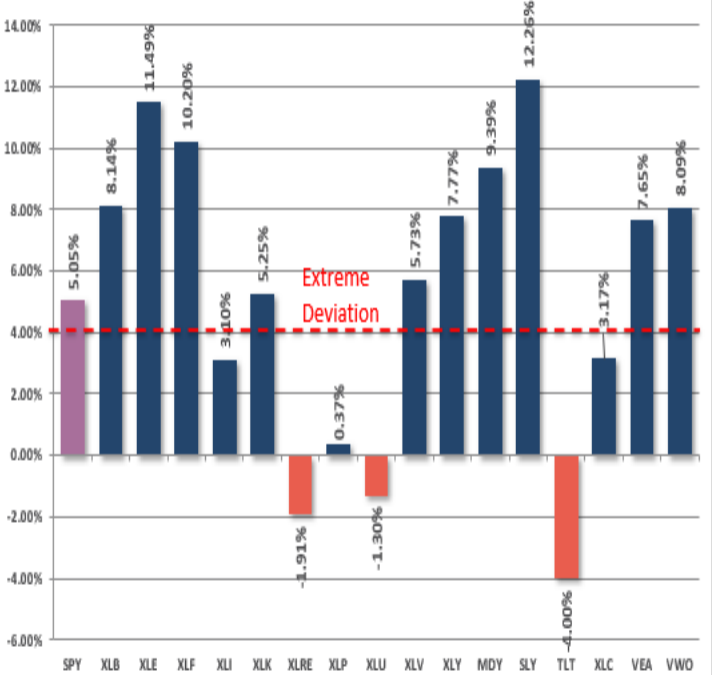
YTD Price - S&P Sectors Recalibrated To \$50/share



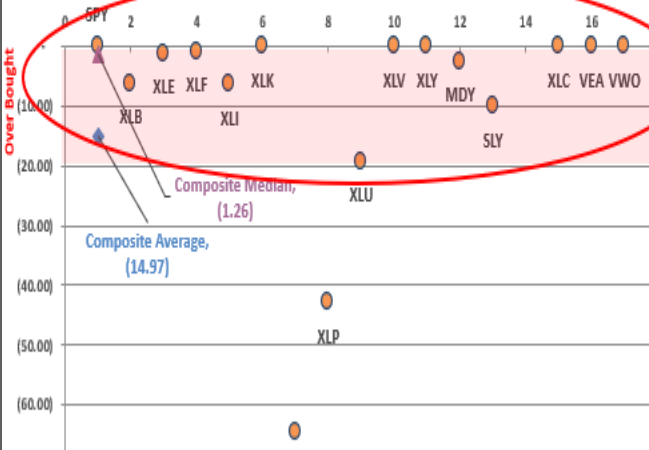
Year To Date Performance Relative To S&P 500



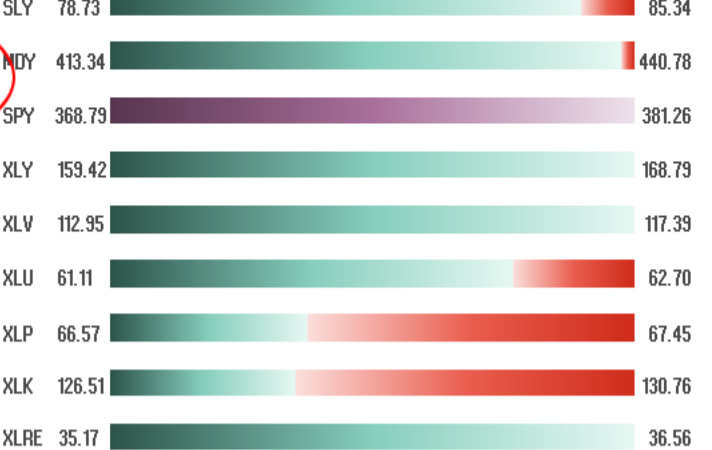
Price Deviation From 50-Day Moving Average



Overbought/Oversold 14-Periods

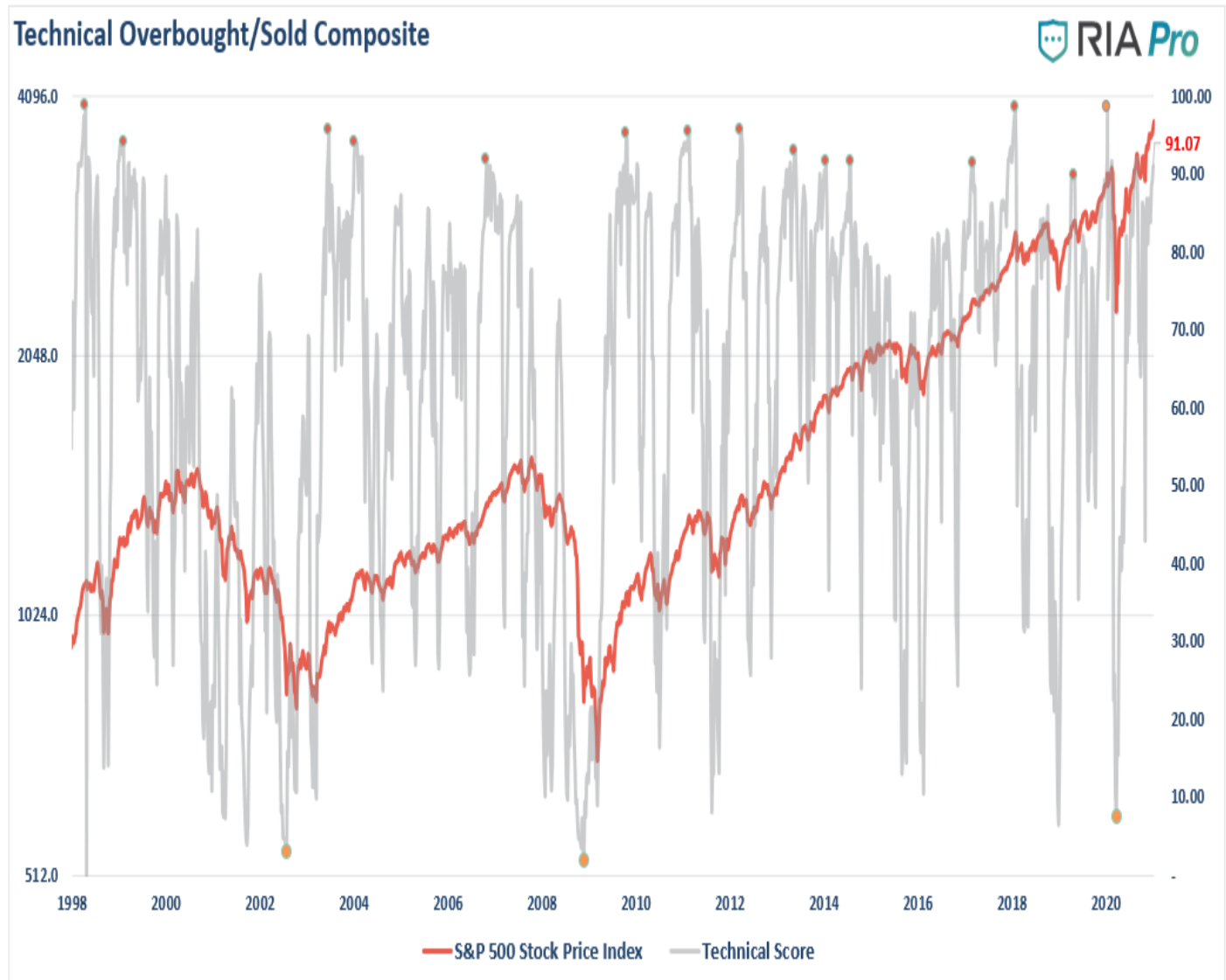


Size / Sector ETF YTD Trading Range



## 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	382.64	1.93	4.09	9.81	18.78	16.97	359.78	338.59	375.39	0.99	384.77	366.01	6%	13%	BULLISH
XLB	SPDR-MATLS SELS	76.51	3.76	3.83	5.64	5.68	11.45	69.54	63.85	72.39	1.07	74.97	69.81	10%	20%	BULLISH
XLC	SPDR-COMM SV SS	67.49	(1.92)	(3.26)	1.23	(0.07)	5.39	64.44	60.34	67.48	0.99	69.83	65.13	5%	12%	BULLISH
XLE	SPDR-EGY SELS	41.42	7.36	(3.36)	27.39	(8.36)	(47.71)	35.56	36.14	37.90	1.73	39.50	36.30	16%	15%	BEARISH
XLF	SPDR-FINL SELS	30.92	2.95	4.56	13.92	8.62	(16.22)	27.34	25.37	29.48	1.20	30.57	28.39	13%	22%	BULLISH
XLK	SPDR-TECH SELS	130.76	(1.36)	1.11	(1.85)	5.51	21.63	123.05	114.58	130.02	1.06	134.65	125.39	6%	14%	BULLISH
XLI	SPDR-INDU SELS	89.61	(0.73)	(3.14)	0.00	5.95	(8.68)	85.36	77.80	88.55	1.17	91.80	85.30	5%	15%	BULLISH
XLP	SPDR-CONS STPL	66.90	(2.75)	(4.71)	(8.71)	(11.11)	(10.20)	66.33	63.61	67.45	0.59	69.53	65.37	1%	5%	BULLISH
XLRE	SPDR-RE SELS	35.66	(4.39)	(5.77)	(11.06)	(16.31)	(24.68)	36.19	35.74	36.56	0.70	37.73	35.39	-1%	0%	BULLISH
XLU	SPDR-UTIL SELS	62.33	(2.52)	(3.94)	(12.42)	(15.38)	(20.18)	63.29	60.77	62.70	0.32	64.47	60.93	-2%	3%	BULLISH
XLV	SPDR-HLTH CR	117.39	1.55	1.03	(1.04)	(7.09)	(2.77)	110.04	106.19	113.44	0.78	117.17	109.71	7%	11%	BULLISH
XLY	SPDR-CONS DISCR	168.79	3.05	3.91	0.62	5.75	16.63	155.54	144.30	160.78	1.13	166.62	154.94	9%	17%	BULLISH
XTN	SPDR-SP TRANSP	73.36	0.86	(2.60)	10.18	15.40	(4.24)	67.51	60.55	71.37	1.38	74.14	68.60	9%	21%	BULLISH
SDY	SPDR-SP DIV ETF	108.73	0.71	(2.11)	1.95	(2.97)	(14.87)	102.50	96.96	105.93	0.89	109.52	102.34	6%	12%	BULLISH
RSP	INVS-SP5 EQ ETF	131.32	1.03	0.37	5.99	4.85	(3.71)	120.88	111.89	127.54	1.12	132.15	122.93	9%	17%	BULLISH
SLY	SPDR-SP6 SC	84.67	4.52	5.21	18.92	21.21	1.04	73.21	65.65	79.54	1.29	82.55	76.53	16%	29%	BULLISH
MDY	SPDR-SP MC 400	440.08	2.87	3.51	11.09	11.72	0.85	393.22	358.42	419.92	1.19	435.43	404.41	12%	23%	BULLISH
EEM	ISHARS-EMG MKT	54.71	3.95	3.78	10.27	8.04	3.04	48.93	44.95	51.67	0.87	53.41	49.93	12%	22%	BULLISH
EFA	ISHARS-EAFE	75.73	1.87	0.83	7.16	0.93	(7.92)	69.45	65.46	72.96	0.86	75.41	70.51	9%	16%	BULLISH
IAU	ISHARS-GOLD TR	17.63	(4.69)	(3.57)	(12.46)	(21.70)	1.20	17.89	17.79	18.13	0.03	18.59	17.67	-1%	-1%	BULLISH
GDX	VANECK-GOLD MNR	36.52	(0.54)	0.02	(18.12)	(31.48)	11.40	37.11	38.07	36.02	0.58	37.13	34.91	-2%	-4%	BEARISH
UUP	INVS-DB US\$ BU	24.27	(1.81)	(5.19)	(13.85)	(23.61)	(24.40)	24.75	25.35	24.24	(0.13)	24.82	23.66	-2%	-4%	BEARISH
BOND	PIMCO-TOT RETRN	112.12	(2.81)	(4.57)	(9.83)	(19.33)	(13.45)	112.36	111.99	113.11	0.08	116.03	110.19	0%	0%	BULLISH
TLT	ISHARS-20+YTB	151.32	(6.00)	(8.78)	(16.05)	(29.64)	(7.66)	158.15	161.97	157.73	(0.27)	161.24	154.22	-4%	-7%	BEARISH
BNDX	VANGD-TTL INT B	58.39	(2.20)	(4.70)	(9.96)	(18.18)	(14.18)	58.43	58.06	58.55	0.03	60.03	57.07	0%	1%	BULLISH
HYG	ISHARS-IBX HYCB	87.37	(1.85)	(3.29)	(6.57)	(15.51)	(18.12)	85.93	84.51	87.30	0.37	89.81	84.79	2%	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
FBHS	Fortune Brd H&S	88.53	9.63	4.99	1.08	22.47	8.00
HOLX	Hologic Inc	77.97	17.40	5.51	0.00	19.49	8.00
MTD	Mettler-Toledo	1222.54	12.10	5.59	0.00	50.75	8.00
PG	Procter & Gambl	138.85	7.57	1.54	2.28	25.81	8.00
PKI	Perkinelmer Inc	160.53	19.52	8.24	0.17	28.26	8.00
AVY	Avery Dennison	162.98	6.65	4.28	1.52	24.81	7.00
BLL	Ball Corp	90.68	5.00	8.85	0.66	31.71	7.00
CBOE	Cboe Global Mkt	96.79	6.39	47.49	1.74	18.33	7.00
IDXX	Idexx Labs Inc	495.19	15.83	10.64	0.00	86.27	7.00
IT	Gartner Inc -A	166.20	13.50	17.83	0.00	37.02	7.00
KLAC	Kla Corp	278.19	11.56	17.02	1.29	25.55	7.00
MCHP	Microchip Tech	148.70	15.62	22.37	0.99	27.95	7.00
MNST	Monster Beverag	93.50	11.97	11.15	0.00	41.93	7.00
MRK	Merck & Co Inc	84.02	7.16	4.63	3.09	14.56	7.00
MXIM	Maxim Intg Pdts	93.92	10.00	0.36	0.00	38.02	7.00
NTAP	Netapp Inc	65.24	11.90	0.64	2.94	18.85	7.00
NVDA	Nvidia Corp	533.76	18.26	22.00	0.12	75.18	7.00
STZ	Constellatn Brd	228.87	6.93	5.52	1.31	22.42	7.00
TGT	Target Corp	191.10	8.49	3.79	1.42	22.61	7.00
ZTS	Zoetis Inc	167.00	10.69	7.56	0.48	43.26	7.00
ALXN	Alexion Pharma	155.75	17.75	17.77	0.00	13.58	6.00
APH	Amphenol Corp-A	135.91	9.92	9.76	0.85	37.86	6.00
AVGO	Broadcom Inc	443.39	12.86	22.60	3.25	23.94	6.00
BLK	Blackrock Inc	750.42	9.15	8.02	1.93	23.44	6.00
CBRE	Cbre Group Inc	61.50	11.00	21.04	0.00	19.52	6.00
CPRT	Copart Inc	120.87	13.00	16.02	0.00	44.60	6.00
DE	Deere & Co	299.73	16.04	9.48	1.01	34.45	6.00
DOV	Dover Corp	129.45	11.50	0.15	1.53	22.87	6.00
JPM	Jpmorgan Chase	135.87	5.00	9.75	2.65	17.76	6.00
LDOS	Leidos Holdings	104.18	10.84	18.97	1.31	18.21	6.00
ODFL	Old Dominion Fl	201.96	15.59	9.12	0.30	38.32	6.00
RMD	Resmed Inc	215.26	14.53	12.50	0.72	42.21	6.00
ROK	Rockwell Automt	259.54	9.30	2.64	1.65	33.79	6.00
TSCO	Tractor Supply	147.12	11.72	8.83	1.09	22.84	6.00
URI	Utd Rentals Inc	264.68	6.63	13.34	0.00	14.68	6.00
CMI	Cummins Inc	239.21	9.00	5.67	2.26	21.24	5.00
EL	Estee Lauder	258.27	12.83	8.06	0.82	66.74	5.00
EMR	Emerson Elec Co	82.07	9.64	-2.77	2.46	23.72	5.00
FFIV	F5 Networks Inc	180.10	11.09	4.00	0.00	26.92	5.00
MU	Micron Tech	79.11	12.33	14.58	0.00	27.76	5.00



## 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	116.85	1.57	11.99	3.08	9
CMTV	Commnty Bcp Vt	14.85	1.07	12.46	5.12	8
FLIC	First Long Is	18.73	1.12	10.80	4.06	8
IBCP	Indep Bk Mich	20.31	1.19	11.24	3.94	8
PEG	Public Sv Entrp	56.10	1.79	11.14	3.49	8
TFC	Truist Finl Cp	51.49	1.12	10.13	3.50	8
TSLX	Sixth St Spclty	20.97	1.24	12.38	7.82	8
UGI	Ugi Corp	35.05	1.76	11.14	3.77	8
BSRR	Sierra Bancorp	25.59	1.16	10.45	3.13	7
CFR	Cullen Frost Bk	95.52	1.47	11.27	3.02	7
CHCO	City Hldgs Co	72.92	1.69	13.29	3.13	7
CPF	Central Pac Fin	20.95	1.09	10.14	4.39	7
CRWS	Crown Crafts	7.46	1.68	13.82	4.29	7
CZFS	Citizens Fin Sv	56.25	1.17	11.88	3.27	7
FMNB	Farmers Natl Bc	14.34	1.19	11.24	3.07	7
FNLC	First Bancp Inc	27.00	1.35	11.49	4.59	7
LOMA	Loma Negra Cia	5.79	1.32	21.99	4.39	7
LTC	Ltc Properties	38.71	1.95	13.40	5.89	7
UBFO	United Sec Bcsh	7.05	1.01	10.55	6.24	7
WTBA	West Bancorp	20.59	1.57	14.69	4.08	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
CEVA	Ceva Inc	50.70	20.00	8.26	-	26.00	8
ETSY	Etsy Inc	170.79	29.17	34.77	-	2.86	8
MSCI	Msci Inc-A	443.64	#N/A	10.18	0.70	#N/A	8
FFIN	First Fin Bk-Tx	39.88	#N/A	10.70	1.30	#N/A	7
IDXX	Idexx Labs Inc	495.19	15.83	10.64	-	4.58	7
MNST	Monster Beverag	93.50	11.97	11.15	-	2.98	7
MXIM	Maxim Intg Pdts	93.92	10.00	0.36	-	3.33	7
NVDA	Nvidia Corp	533.76	18.26	22.00	0.12	3.82	7
PYPL	Paypal Holdings	235.04	19.88	17.85	-	3.40	7
SPSC	Sps Commerce	115.95	15.00	13.92	-	6.45	7
ZTS	Zoetis Inc	167.00	10.69	7.56	0.48	3.71	7
CPRT	Copart Inc	120.87	13.00	16.02	-	3.00	6
HALO	Halozyme Thera	44.86	#N/A	6.59	-	#N/A	6
MSTR	Microstrategy	535.75	#N/A	(1.99)	-	#N/A	6
POWI	Power Integratio	91.33	#N/A	4.24	0.48	#N/A	6
REXR	Rexford Ind Rty	46.71	6.43	29.26	1.84	5.18	6
RMD	Resmed Inc	215.26	14.53	12.50	0.72	2.85	6
RAMP	Liveramp Hldgs	80.62	#N/A	(21.10)	-	#N/A	5
SEDG	Solaredge Tech	365.97	30.00	36.43	-	3.73	5
FLGT	Fulgent Genetic	70.84	#N/A	38.58	-	#N/A	5
SAIL	Sailpoint Tech	54.95	15.00	23.77	-	#N/A	5
TTGT	Techtarget	65.87	#N/A	5.82	-	#N/A	5
EXR	Extra Space Stg	108.97	3.11	10.88	3.30	6.44	4
IBKR	Interactive Brk	69.18	#N/A	17.03	0.58	#N/A	4

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## Portfolio / Client Update

It's a new trading year, and we are entering into it with a fully weighted portfolio with reduced hedges. Such makes us uncomfortable, but the "*market exuberance*" has gone "*off the chart*." While market momentum can last a lot longer than logic would predict, it doesn't necessarily mean a smooth ride higher. For now, we are maintaining our exposures and will look for short-term corrections to rebalance risk and adjust our allocation models for the new administration and the economic outlook. For now, the general bias is that no matter what, markets can only go higher. While that certainly does seem to be the case, the thesis is on a fairly unstable foundation. Rising interest rates and inflation on a debt-laden economy will likely not have the outcome most expect. The significant risk to the markets currently, besides more extreme overvaluation, is the disappointment in both earnings and economic growth. Given the more extreme expectations now, the risk of that occurring is elevated. I have traded through many markets over the last 30-years, and I have only seen this type of market exuberance once previously. Yes, it was in 1999.

### Portfolio Changes

During the past week, we made minor changes to portfolios. We post all trades in real-time at [RIAPRO.NET](http://RIAPRO.NET). We are rebalancing the equity model. We reduced the following stocks below (*tech, communication, and healthcare*) and **added 5% of RSP as a placeholder for now**. While this is a net reduction of equity exposure, it is only temporary as we look for short-term corrections to add to current holdings or add new holdings. **Currently, the equity model has 64% equity, and the sector model has 66%. Both figures include gold and gold miners. In Both Models**

- *CLX ? Selling 100% of the position*
- *GDX - Selling 100% of the position*
- *IAU - Selling 100% of the position*
- *SPY - Added 5% to current holdings.*

### In the Equity Model

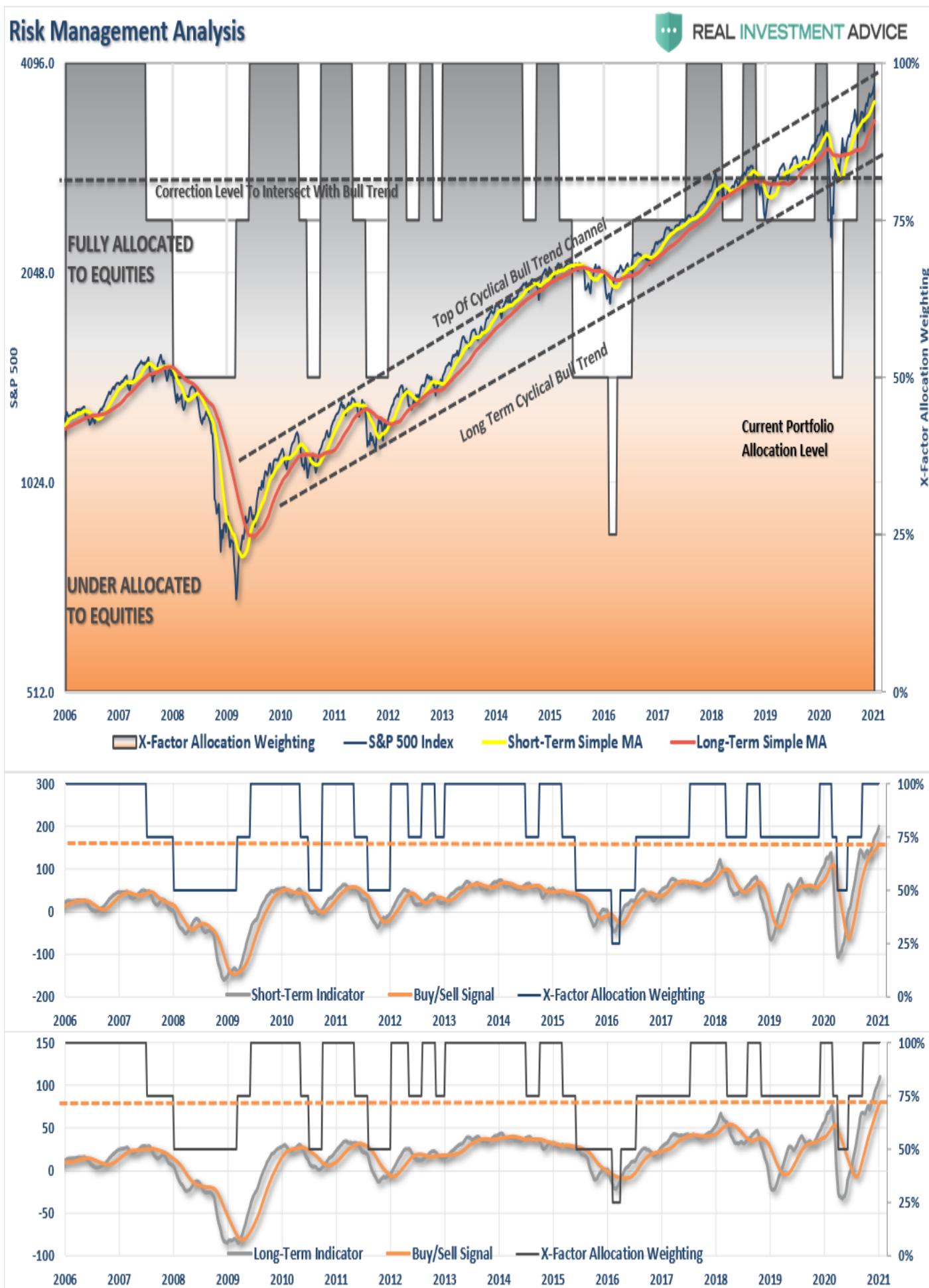
- *AMZN ? Reduce to 1.5%*
- *AAPL ? Reduce to 2%*
- *NFLX ? Reduce to 2%*
- *ADBE ? Reduce to 1.5%*
- *CRM ? Reduce to 1.5%*
- *MSFT ? Reduce to 2%*
- *JNJ ? Reduce to 2%*
- *ABT ? Reduce to 2%*
- *UNH ? Reduce to 1%*
- *CMCSA ? Reduce to 1%*
- *VZ ? Reduce to 1.5%*

As always, we are aware of the risks and are carrying tight stops on this position. Our short-term concern remains the protection of your portfolio. We have now shifted our focus to 2021 and where markets go in the New Year. *Lance Roberts CIO*

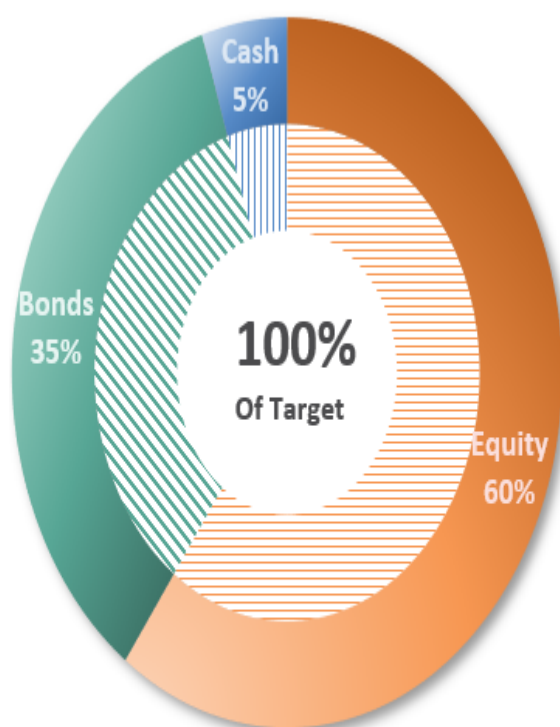
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## THE REAL 401k PLAN MANAGER

# 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	Hold Current Exposure	Hold Exposure
Equal To Target Allocation	Hold Current Exposure	Hold Exposure
Over Target Allocation	Hold Current Exposure	Hold Exposure

## Commentary

*"So goes the first 5-days of January, so goes the month. So goes the month, so goes the year."*

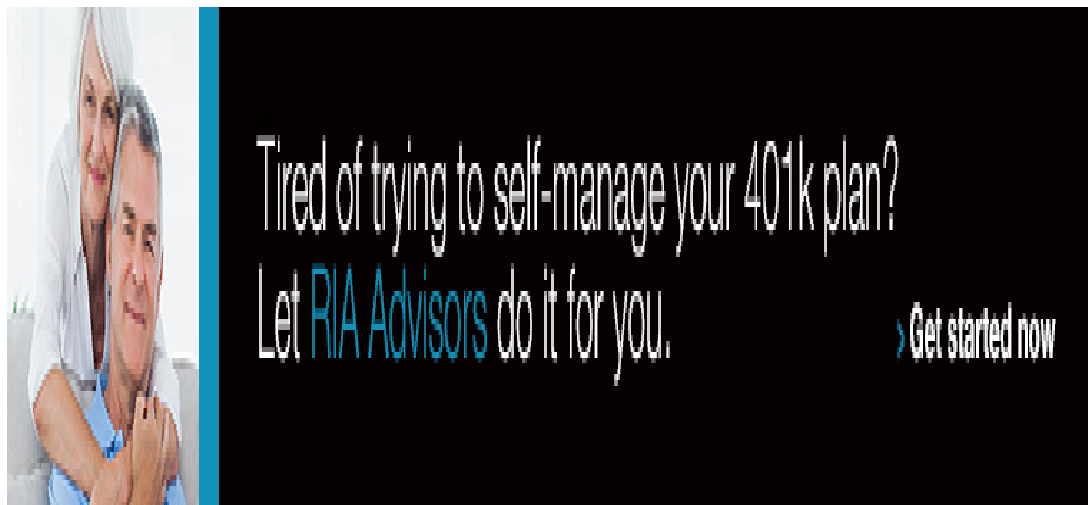
While there were concerns a "blue wave" would impact markets due to higher taxes, those concerns are now justified with more debt, deficits, and stimulus. In other words, regardless of excessively high valuations, there is no reason why markets can't keep climbing higher.

For now, there is no reason to take any aggressive action with portfolios fully allocated. I would be reticent to take on more aggressive exposure in retirement plans as we have seen these types of markets reverse quickly.

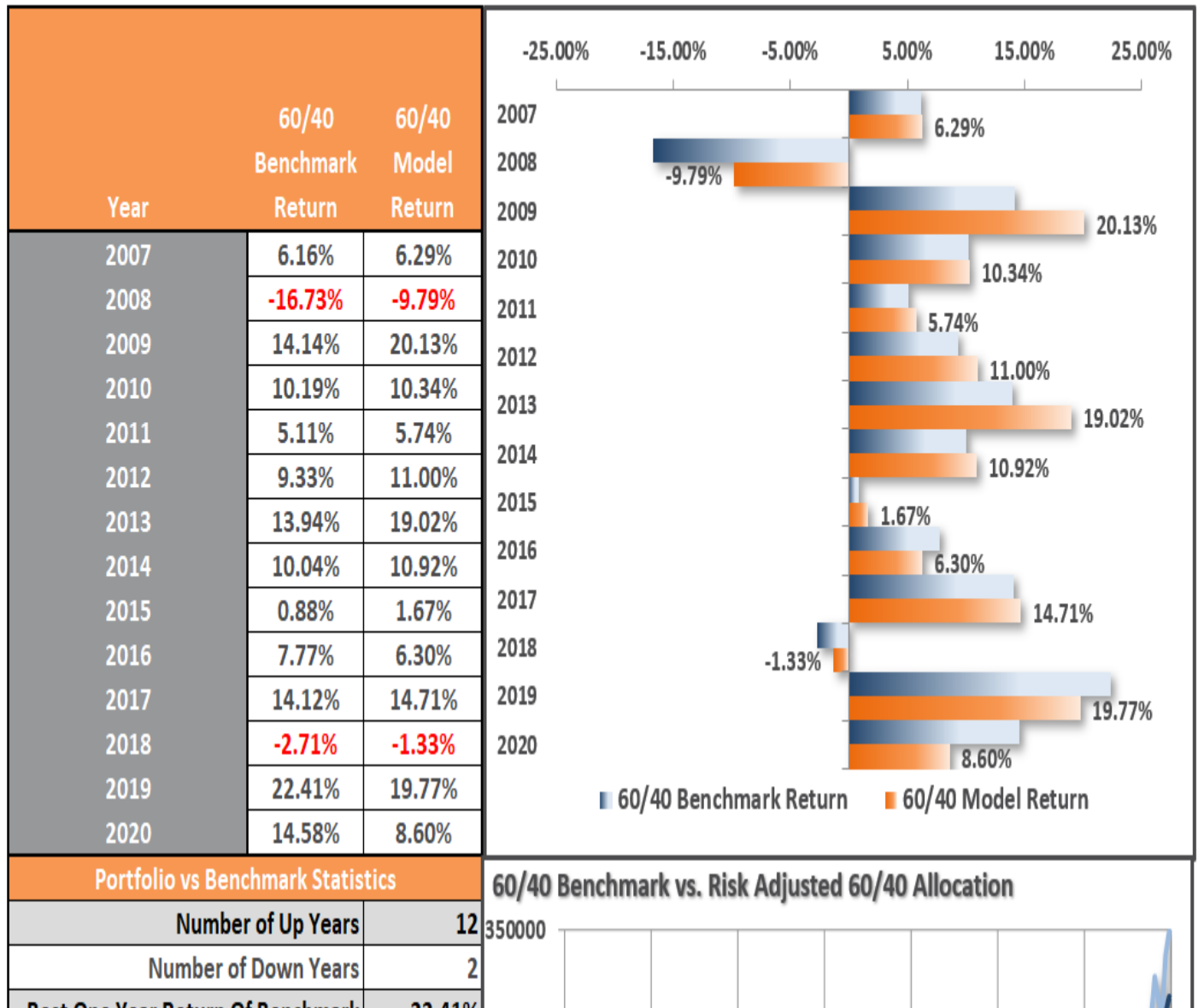
Maintain exposures, but rebalance positions that have grown to outsize weightings in portfolio. Particularly in small/mid cap and international funds which are egregiously overbought.

If you are close to retirement, a little extra caution is certainly worth taking for now.

**RIA Advisors** can now manage your 401k plan for you. **It's quick, simple, and transparent.** In just a few minutes, we can get you in the "right lane" for your retirement.



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 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

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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

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