RIA Advice

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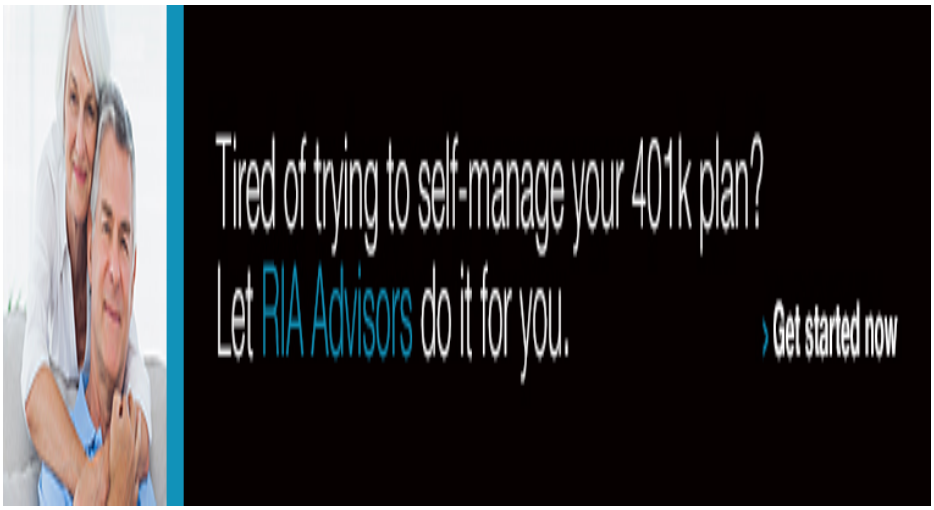

Catch Up On What You Missed Last Week

#WhatYouMissed On RIA This Week: 1-29-21

Written by Lance Roberts | Jan 29, 2021

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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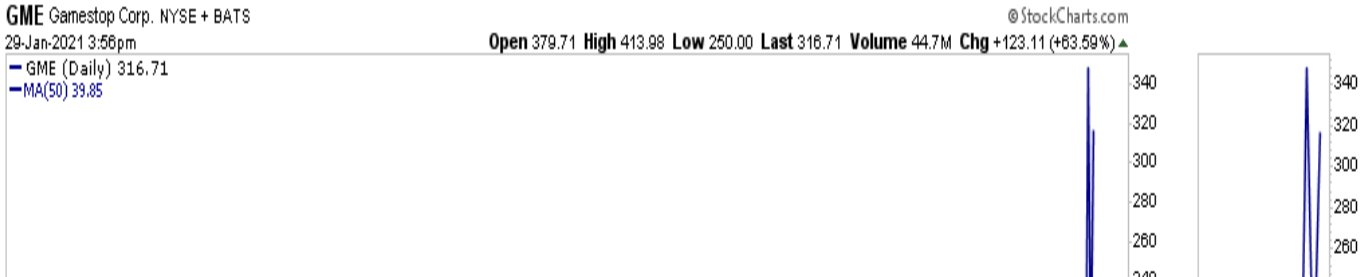
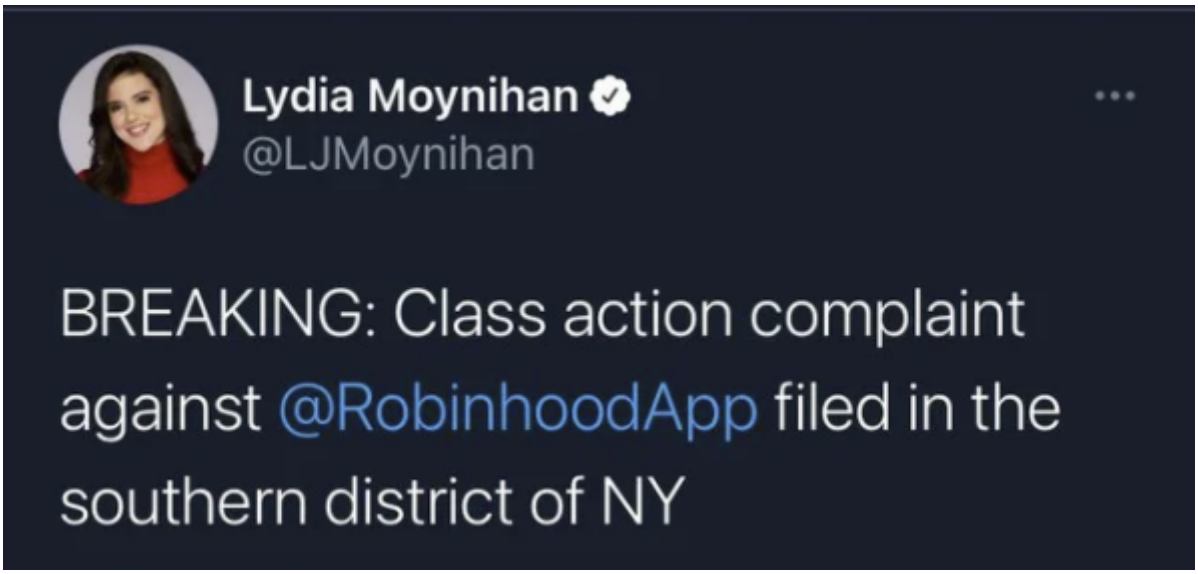
Retail Investors Stage A Riot On WallStreet

For years, Wall Street has taken advantage of retail investors. In 2000, they dumped companies with no earnings or revenue on unsuspecting individuals, eventually costing them their retirements. In 2008, it was outright mortgage fraud. From 2009 to the present, Wall Street has used algorithms, high-frequency trading, and user data purchases to front-run *"the little guy"* by scalping them for profits. Interestingly, this past week, retail investors hit back. Just as individuals used social media platforms to organize protests and riots across the country, traders used websites like *"Reddit"* to organize a successful short-squeeze on Wall Street hedge funds. That short-squeeze, which forces hedge funds who were short stocks to cover the positions, has sent a handful of stocks to the moon. Notably, Gamestop, a retail store that is on its way to bankruptcy, has been the movement's poster child. If you happened to be visiting Mars over the last few days, here is what I am talking about.

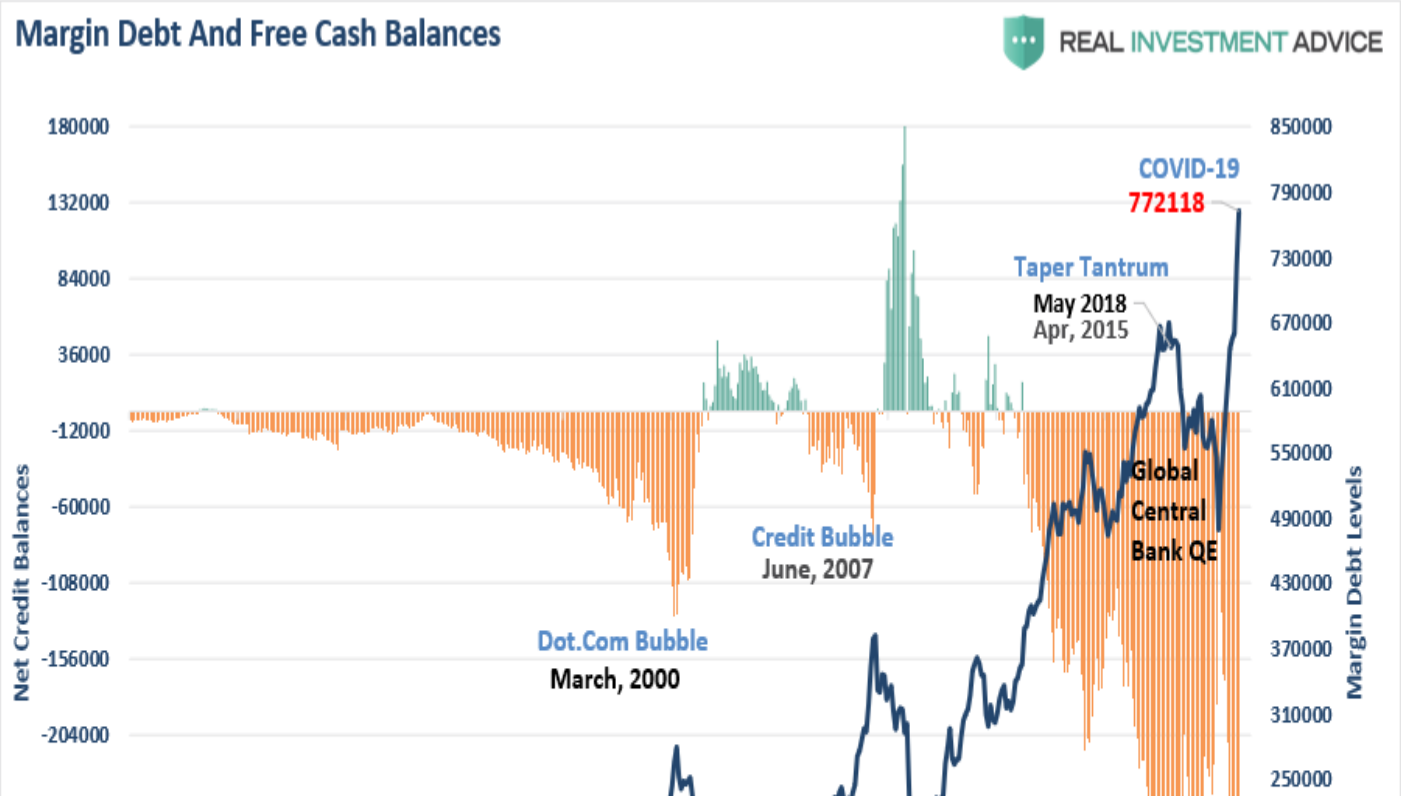


That chart is what a *"short-squeeze"* looks like when those short a stock have to "buy to cover" at the prevailing market price. It hasn't been pretty, and the *"Wall Street Bets"* Reddit group took credit earlier this week for forcing Melvin Capital, a hedge fund short Gamestop, to get a $2.7 billion bailout from its hedgefund friends. From that moment, it didn't take long for Wall Street to show its true colors by locking retail investors out of being able to buy Gamestop. Robinhood, Schwab, WeBull, and others all restricted trading in the stock, which resulted in immediate class action lawsuits.



The Margin Problem

While Robinhood, and other brokers, took a lot of heat for restricting trading in shares of the most heavily shorted names, there was a reason - ***collateral requirements.*** Without getting into all of the minutiae of capital requirements and margin accounts, the simple fact is that the NSCC is required, by SEC rules tracing back to Dodd-Frank, to make sure there is always cash to settle. Depending on the net of buys and sells, the brokerage *(like Robinhood)* is on the hook to pay or receive the trading's net cash. That is simply credit risk. The NSCC takes on that credit risk. To mitigate the risk of a brokerage failure, they demand firms post a deposit of 10% of the collateral. Here is where the problem comes in. When firms are already heavily on margin *(currently at a record level of negative cash balances),* sharp changes in the underlying collateral value can lead to immediate demands for more deposits from the brokers.



On Thursday, Robinhood had to raise nearly $1 billion in capital to secure the ability to cover collateral requirements. We also saw margin requirements being adjusted by the DTCC. Of course, the risk to the markets is that with brokerage firms already running too lean, if a firm like Robinhood failed, the ripple effect through the financial industry would likely rival that seen during the Lehman bankruptcy in 2008. Such are likely reasons the markets sold off this past week.

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Strange Bedfellows

As I stated at the beginning, it is about time Wall Street got a little bit of what they have been dishing out on Americans for years. It won't take long for Wall Street to *"circle their wagons"* and protect themselves, but maybe this is just the warning shot they needed to make some changes.

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ıld have ever

Even Mark

The mania is

likely to get far worse before it ends. Such is particularly true if Citadel Securities, the hedge fund

efore making

Nonetheless,

bets."

At least

for now.

How Does This All End

The real question is what eventually happens. In Gamestop's case, the company is effectively a *"dead man"* walking retailer. So, the only reason anyone is buying the stock is simply due to the short-squeeze conditions that currently exist. As of this writing, the percentage of shares *"short"* is 122%. *(That isn't a typo.)* The problem comes when the "Wall Street Bets" traders eventually do want to sell. Those traders are *"paper rich,"* however, to convert their shares back into cash, they have to sell. The question will be WHO will they sell to? Such is where market dynamics come into play. As stated in ***"No Cash On The Sidelines:"***

> ***"Every transaction in the market requires both a buyer and a seller, with the only differentiating factor being at what PRICE the transaction occurs."***

Think about a crowded theatre. At the moment, everyone is going into the theatre *(buying),* and no one is selling. However, when they begin to try and sell their positions, no one will be there to buy from them. Such is the equivalent of yelling *"fire."* The smart ones will get out early. The rest will find themselves scrambling towards a very narrow exit. Once the price starts falling, the sellers will swamp the buyers driving the price lower. In Gamestops case, given the company's value is around $10, where it was trading before the mania, the decline will be both brutal and fast. While Wall Street is the villain, this is one of those stories where the villain gets away with the crime in the end.

Markets Take A Hit

Last week, we discussed that our *"money flow"* signals were close to triggering, suggesting either a short-term correction of 3.-5% or an extended consolidation. ***(We publish a daily 3-minute video click here to subscribe)*** https://www.youtube.com/watch?v=DngAJ16A0YI Let me repeat that point from last week:

> "***Important Note:*** ***A correction can take on one of two forms.*** *The market either declines in price to alleviate the overbought condition, or it can consolidate sideways."*

Such remains the case currently, as on Wednesday, the market declined by almost 3% in one day. That swift sell-off did trigger our money flow "*sell signal,"* as the volatility index spiked higher.

While the market did bounce on Thursday, it was a *"suckers rally."* That bounce led to a retest of the 50-dma on Friday. Money flows have continued to weaken, suggesting there remains underlying selling pressure in the market currently. **While I fully expect a reflexive rally next week, that will likely be an opportunity to reduce risk rather than chasing markets. Such will be the case until we see money flows start to turn positive again, suggesting some underlying buying pressure.** For now, we are maintaining our higher level of cash. ***After selling***

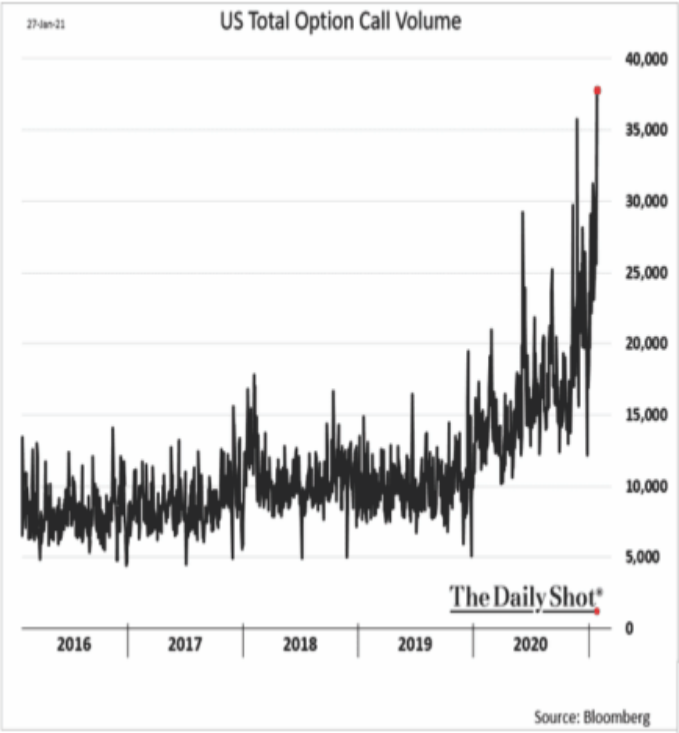
last Friday, we have the luxury to be patient and look for opportunities to add to our core equity holdings at cheaper prices.

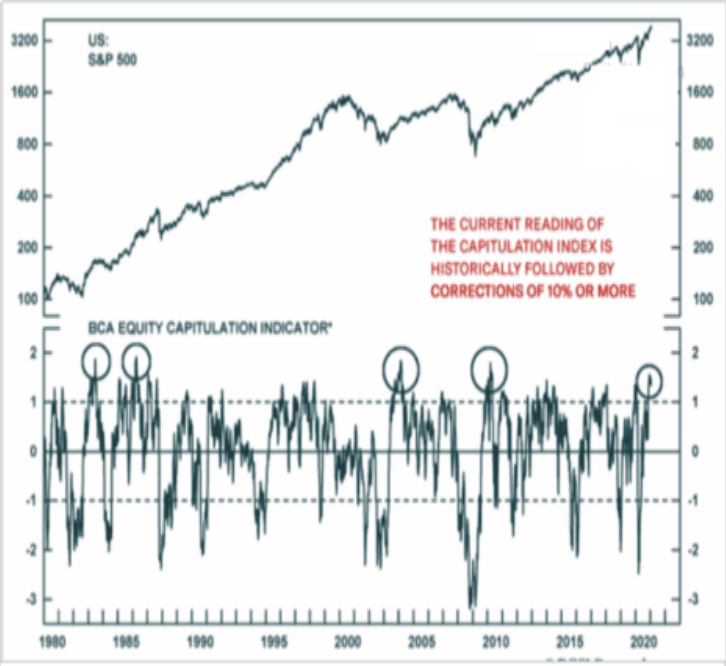
Greed Breaks Things

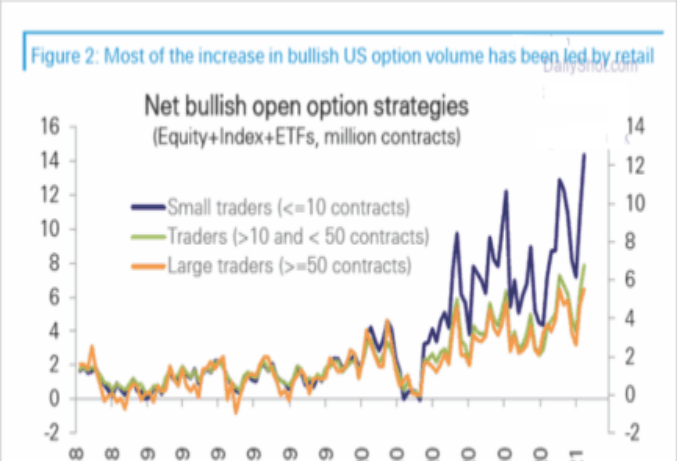
My colleague Doug Kass penned an excellent piece on Thursday discussing market conditions:

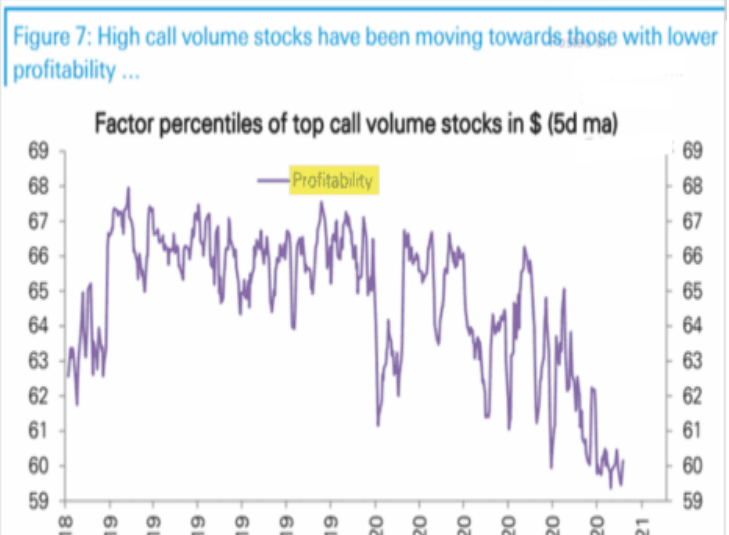
> ***"'If there is one common theme to the vast range of the world's financial crises, it is that excessive debt accumulation, whether by the government, banks, corporations, or consumers, often poses greater systemic risks than it seems during a boom.'*** *- Carmen Reinhart A grotesque level of speculation has taken us to where we are now. With a good perspective on history, we can have a better understanding of the past and present -- and thus a clear vision of the future. Like previous speculative cycles, this is about greed and trying to make money. Attempts to make trading seem like ideological notions and high minded intentions are fanciful to me.* ***Such makes my point that mishappened levels of speculation usually occur in the later stage of a Bull Market and, more often than not, presage a Bear Market. Speculation, as noted yesterday, is the outgrowth of undisciplined monetary policy."***

He is correct. The rampant speculation in the market is prolific, as shown in the charts below.

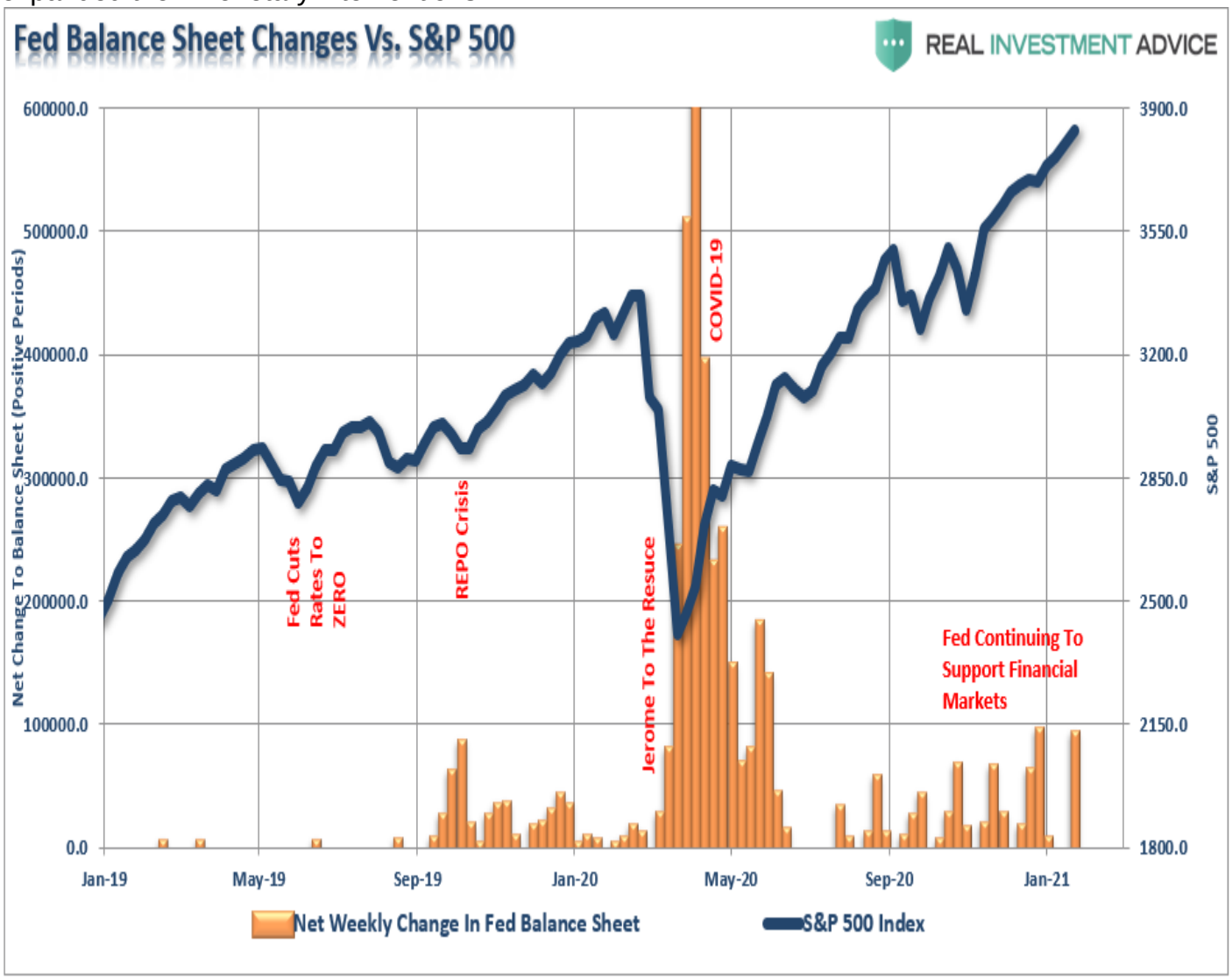








As Doug notes, speculation is the direct result of the ***"Moral Hazard"*** created by the Fed's ongoing monetary interventions. After a decade of injecting liquidity into the financial markets, it is no surprise that investors *"believe"* they have an *"insurance"* policy against loss. As noted in the linked article, such is the very definition of moral hazard. Every time the market *"wiggles,"* the Fed has expanded their monetary interventions.



However, at some point, the Fed may become trapped by the own policies. **If the direct stimulus does cause an inflationary surge, the Fed may get forced to cut QE and increase rates.** The last time they tried that was in 2018. It didn't go well.

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Portfolio Positioning Update

As I discussed last week, we had positioned for a correction. Again, as noted above, **I am NOT saying the markets are about to crash.** Here is what we said last week:

> *"However, after the recent runup from November, **all of our indicators are beginning to align. Such suggests a 3-7% correction over the next month.** Could it be 10% or more? Absolutely. Once the correction begins, we can garner a better understanding of the downside risk."*

In our view, the management of risk will pay dividends over time, even at the expense of short-term gains. Therefore, while the correction from Wednesday was short-lived, at least for the moment, the risk is still present heading into February. Therefore, let me repeat the "rules" from last week:

1. ***Tighten up stop-loss levels*** *to current support levels for each position.*
2. ***Hedge portfolios*** *against major market declines.*
3. ***Take profits*** *in positions that have been big winners*
4. ***Sell laggards*** *and losers*
5. ***Raise cash*** *and rebalance portfolios to target weightings.*

Notice, nothing in there says, *?sell everything and go to cash.?*

The Problem Of Overpaying For Value

The current environment has become so richly priced there is little opportunity for investors to extract additional gains from risk-based investments. There is one true axiom of the market, which investors always tend to forget.

?Investors buy the most at the top, and the least at the bottom.?

If you feel you must chase the markets currently, then do it with a set of guidelines to follow if things turn against you. We printed these rules a couple of weeks ago but felt there are worth mentioning again.

15-Risk Management Rules To Follow:

1. **Cut losers short and let the winner's run.** *(Be a scale-up buyer into strength.)*
2. **Set goals and be actionable.** *(Without specific goals, trades become arbitrary and increase overall portfolio risk.)*
3. **Emotionally driven decisions void the investment process.** *(Buy high/sell low)*
4. **Follow the trend.** *(80% of portfolio performance is determined by the long-term, monthly, trend. While a "rising tide lifts all boats," the opposite is also true.)*
5. **Never let a *"trading opportunity"* turn into a long-term investment.** *(Refer to rule #1. All initial purchases are "trades," until your investment thesis is proved correct.)*

While we remain optimistic about the markets currently, we are also taking precautionary steps to tighten up stops, add non-correlated assets, raise some cash, and look to hedge risk opportunistically. Just because it isn?t raining right now doesn?t mean it won?t. Nobody has ever gotten hurt by keeping an umbrella handy.

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The MacroView

#MacroView: 2021 – A Disappointment Of Growth And Disinflation

Written by Lance Roberts | Jan 29, 2021

There is a large consensus that the massive monetary interventions in 2020 will lead to an explosion of economic growth, inflation, and interest rates. We suspect that the outcome of more debt-driven spending will lead to a disappointment in growth and disinflation instead.

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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

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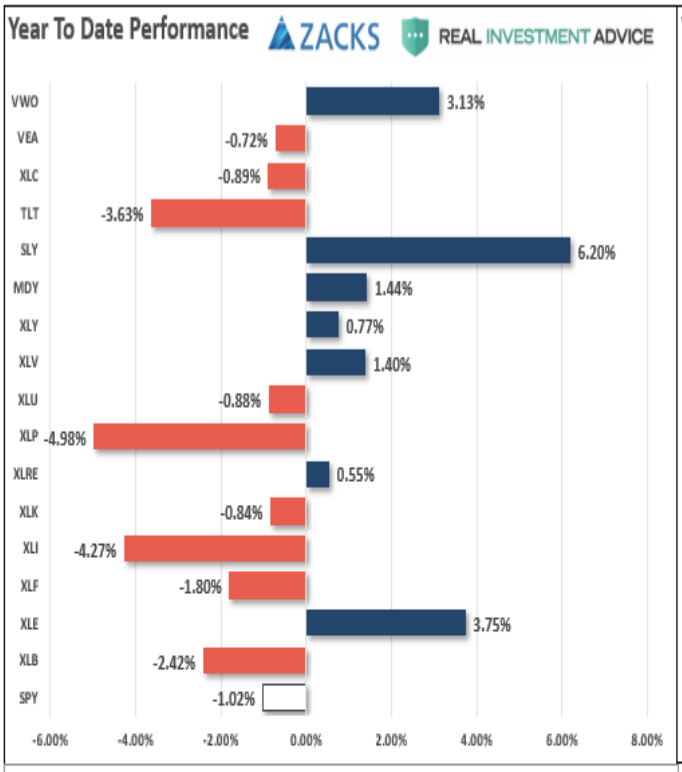
Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	40.49%	13.30%	(1.02%)	(107.66%)
Max Drawdown	(35.63%)	(35.63%)	(4.56%)	(87.21%)
Sharpe	0.89	0.72	(0.79)	(2.09)
Sortino	0.99	0.72	(0.96)	(2.32)
Volatility	25.21	33.64	16.57	(0.51)
Daily VaR-5%	(16.85)	(33.29)	(39.21)	0.18
Mnthly VaR-5%	(6.00)	(20.63)	(20.63)	0.00

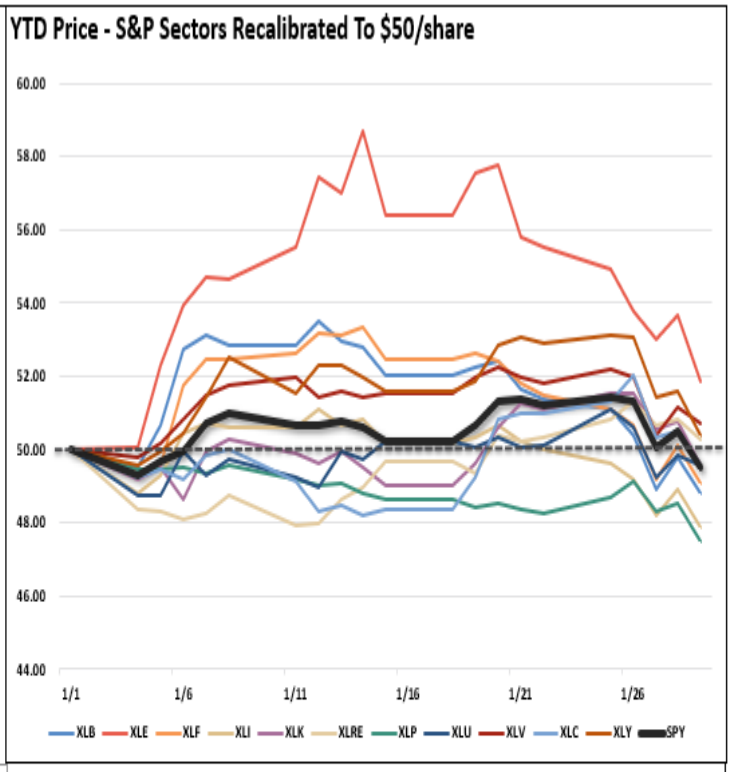
Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	2.07%	1.73%	1.43%	(21.45%)	2.19%	1.41%	(34.90%)	1.62%
P/E Ratio	17.52	20.71	27.32	24.21%	2732%	1637%	0.0%	66.92%
P/S Ratio	3.42	4.01	4.77	16.05%	4.82	3.21	(0.94%)	48.72%

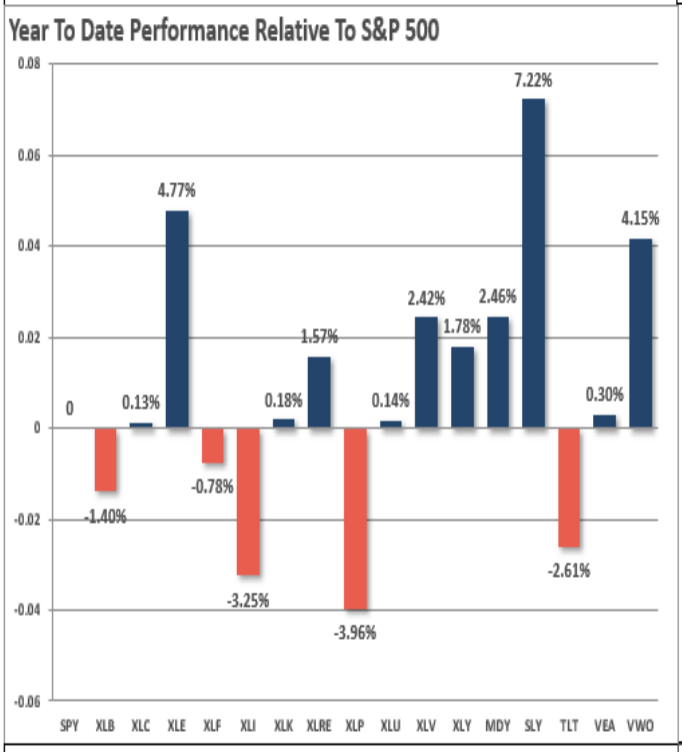
S&P 500 Market Cap Analysis

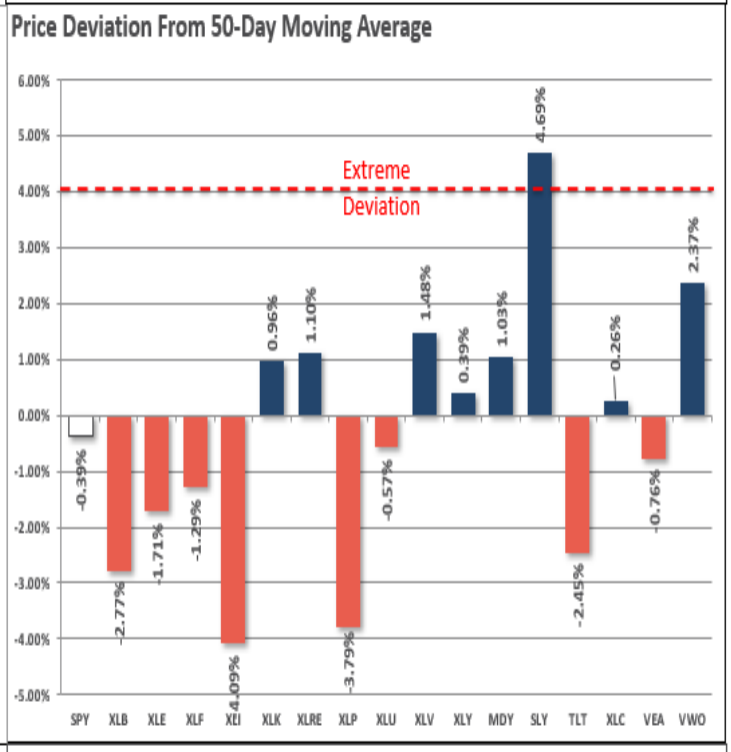
Item	12-M Ago	Current	% Chg
Shares	3,170.7	3,026.8	(4.54%)
Sales	71,993	69,369	(3.64%)
SPS	22.7	22.9	0.94%

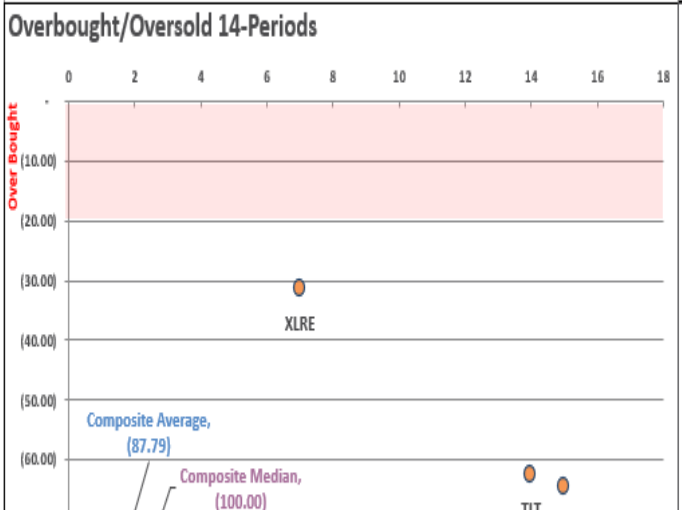
Performance Analysis

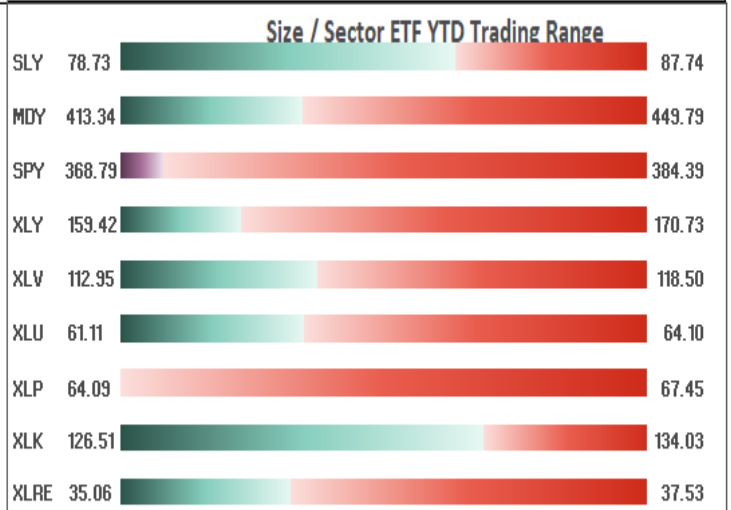






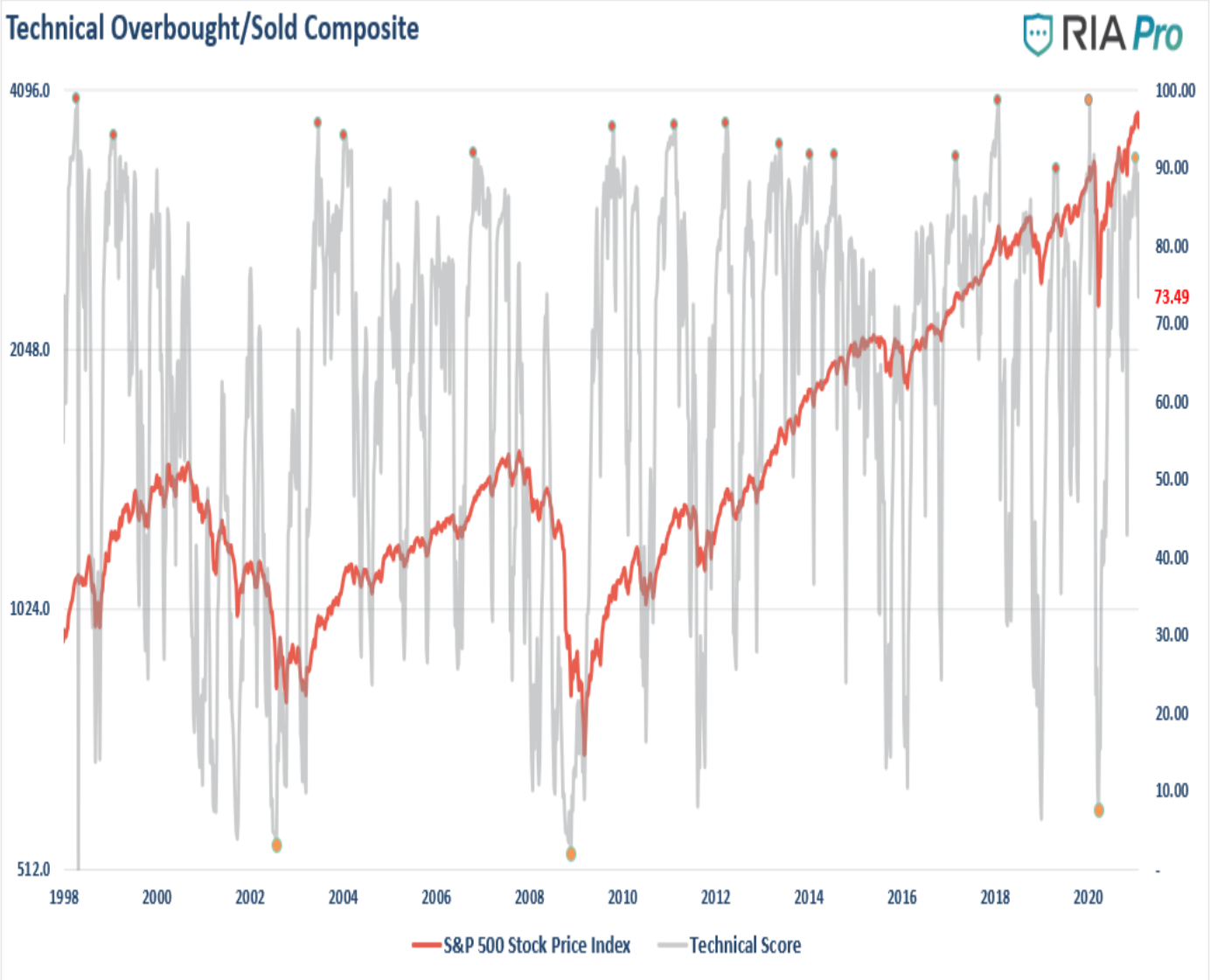






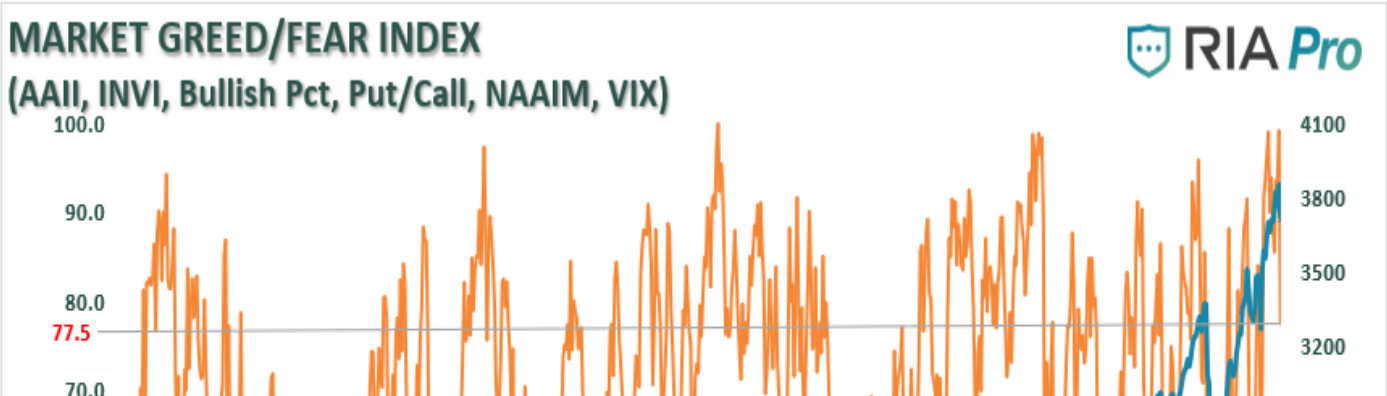
Technical Composite

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. **NOTE: The Fear/Greed Index measures risk from 0-100. It is a rarity that it reaches levels above 90.** ***The current reading is 77.5 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	371.52	(3.33)	(1.03)	5.71	9.86	14.94	368.48	345.39	375.39	0.99	384.77	366.01	1%	8%	BULLISH
XLB	SPDR-MATLS SELS	70.64	(1.70)	(1.39)	(1.83)	2.93	7.64	71.75	65.56	72.39	1.07	74.97	69.81	-2%	8%	BULLISH
XLC	SPDR-COMM SV SS	66.88	0.48	0.14	(0.72)	1.93	9.12	65.92	61.51	67.48	0.99	69.83	65.13	1%	9%	BULLISH
XLE	SPDR-EGY SELS	39.32	(3.21)	4.78	30.20	(6.90)	(41.36)	38.45	36.35	37.90	1.73	39.50	36.30	2%	8%	BULLISH
XLF	SPDR-FINL SELS	28.95	(1.25)	(0.77)	10.27	5.12	(18.31)	28.68	26.00	29.48	1.20	30.57	28.39	1%	11%	BULLISH
XLK	SPDR-TECH SELS	128.93	0.39	0.19	0.33	3.36	20.31	125.92	117.50	130.02	1.06	134.65	125.39	2%	10%	BULLISH
XLI	SPDR-INDU SELS	84.77	(0.90)	(3.24)	(1.50)	(0.52)	(10.42)	87.42	79.67	88.55	1.17	91.80	85.30	-3%	6%	BULLISH
XLP	SPDR-CONS STPL	64.09	1.82	(3.95)	(7.25)	(9.96)	(13.50)	66.47	64.22	67.45	0.59	69.53	65.37	-4%	0%	BULLISH
XLRE	SPDR-RE SELS	36.76	3.17	1.58	(2.54)	(7.35)	(21.23)	36.41	35.94	36.56	0.70	37.73	35.39	1%	2%	BULLISH
XLU	SPDR-UTIL SELS	62.15	2.23	0.15	(8.80)	(6.92)	(24.84)	63.04	61.14	62.70	0.32	64.47	60.93	-1%	2%	BULLISH
XLV	SPDR-HLTH CR	115.03	1.15	2.43	(1.06)	(2.15)	1.09	112.56	107.59	113.44	0.78	117.17	109.71	2%	7%	BULLISH
XLY	SPDR-CONS DISCR	162.01	(1.43)	1.80	0.34	2.97	14.34	159.35	148.14	160.78	1.13	166.62	154.94	2%	9%	BULLISH
XTN	SPDR-SP TRANSPT	69.85	(2.57)	(1.10)	7.65	8.36	(4.04)	70.44	62.47	71.37	1.38	74.14	68.60	-1%	12%	BULLISH
SDY	SPDR-SP DIV ETF	105.27	0.32	0.41	3.61	(2.06)	(14.17)	105.46	98.56	105.93	0.89	109.52	102.34	0%	7%	BULLISH
RSP	INVS-SP5 EQ ETF	126.50	(0.43)	0.22	5.25	4.13	(3.52)	125.30	114.57	127.54	1.12	132.15	122.93	1%	10%	BULLISH
SLY	SPDR-SP6 SC	84.47	(0.28)	7.23	22.39	19.58	6.41	78.20	68.22	79.54	1.29	82.55	76.53	8%	24%	BULLISH
MDY	SPDR-SP MC 400	425.96	(1.69)	2.47	9.53	9.97	1.62	412.30	369.10	419.92	1.19	435.43	404.41	3%	15%	BULLISH
EEM	ISHARS-EMG MKT	53.31	(1.19)	4.20	5.51	10.65	11.66	51.08	46.45	51.67	0.87	53.41	49.93	4%	15%	BULLISH
EFA	ISHARS-EAFE	72.39	(0.34)	0.25	3.62	1.86	(7.66)	71.90	66.80	72.96	0.86	75.41	70.51	1%	8%	BULLISH
IAU	ISHARS-GOLD TR	17.55	2.54	(2.17)	(11.41)	(15.25)	0.75	17.77	17.89	18.13	0.03	18.59	17.67	-1%	-2%	BEARISH
GDX	VANECK-GOLD MNR	34.51	1.28	(3.16)	(22.40)	(24.33)	4.10	36.20	38.10	36.02	0.58	37.13	34.91	-5%	-9%	BEARISH
UUP	INVS-DB US$ BU	24.42	3.66	1.77	(7.60)	(12.87)	(22.01)	24.57	25.15	24.24	(0.13)	24.82	23.66	-1%	-3%	BEARISH
BOND	PIMCO-TOT RETRN	112.59	3.30	0.57	(5.35)	(9.62)	(12.54)	112.50	112.24	113.11	0.08	116.03	110.19	0%	0%	BULLISH
TLT	ISHARS-20+YTB	152.00	3.41	(2.60)	(10.36)	(16.71)	(10.76)	156.37	161.08	157.73	(0.27)	161.24	154.22	-3%	-6%	BEARISH
BNDX	VANGD-TTL INT B	58.18	3.26	0.40	(6.12)	(9.18)	(14.02)	58.41	58.15	58.55	0.03	60.03	57.07	0%	0%	BULLISH
HYG	ISHARS-IBX HYCB	86.97	2.95	0.65	(3.67)	(6.42)	(15.58)	86.56	84.96	87.30	0.37	89.81	84.79	0%	2%	BULLISH

RIA Pro

REAL INVESTMENT ADVICE

Weekly Stock Screens

Currently, there are four 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
MKC	Mccormick & Co	94.07	6.47	6.43	1.45	33.06	9.00
LOW	Lowes Cos	167.71	16.81	5.92	1.43	19.87	8.00
MTD	Mettler-Toledo	1153.50	12.10	5.59	0.00	47.88	8.00
PKI	Perkinelmer Inc	141.73	19.52	8.24	0.20	24.95	8.00
AAPL	Apple Inc	142.06	11.50	5.33	0.58	38.47	7.00
AVY	Avery Dennison	148.67	6.65	4.28	1.67	22.63	7.00
BLL	Ball Corp	85.33	5.00	8.85	0.70	29.84	7.00
CHD	Church & Dwight	87.78	8.93	7.54	1.09	30.80	7.00
CTLT	Catalent Inc	109.55	18.34	12.58	0.00	53.97	7.00
IDXX	Idexx Labs Inc	465.18	15.83	10.64	0.00	81.04	7.00
IT	Gartner Inc -A	151.58	13.50	17.83	0.00	33.76	7.00
KSU	Kansas City Sou	201.51	15.00	4.25	0.87	28.95	7.00
MCHP	Microchip Tech	133.04	14.92	22.37	1.11	25.01	7.00
MRK	Merck & Co Inc	77.07	7.05	4.63	3.37	13.36	7.00
MXIM	Maxim Intg Pdts	87.83	10.00	0.36	0.00	33.27	7.00
NDAQ	Nasdaq Inc	141.20	8.86	7.50	1.39	22.89	7.00
NTAP	Netapp Inc	68.89	11.90	0.64	2.79	19.91	7.00
QRVO	Qorvo Inc	165.64	15.77	4.66	0.00	24.72	7.00
TER	Teradyne Inc	130.11	24.36	10.61	0.31	28.22	7.00
TGT	Target Corp	178.28	8.49	3.79	1.53	21.10	7.00
ALXN	Alexion Pharma	155.69	17.75	17.77	0.00	13.57	6.00
APH	Amphenol Corp-A	125.57	10.48	9.76	0.92	33.58	6.00
AVGO	Broadcom Inc	444.70	12.86	22.60	3.24	24.01	6.00
BAC	Bank Of Amer Cp	29.83	7.00	3.70	2.41	15.95	6.00
BBY	Best Buy	113.57	10.23	2.95	1.94	15.47	6.00
CDW	Cdw Corp	133.02	13.10	7.83	1.20	21.05	6.00
CPRT	Copart Inc	108.25	13.00	16.02	0.00	39.94	6.00
DOV	Dover Corp	118.94	11.50	0.15	1.66	21.01	6.00
JPM	Jpmorgan Chase	127.86	5.00	8.60	2.82	14.41	6.00
LDOS	Leidos Holdings	111.37	10.84	18.97	1.22	19.47	6.00
ROK	Rockwell Automt	241.05	9.30	2.64	1.78	30.32	6.00
TT	Trane Tech Plc	138.83	11.90	3.61	1.53	28.80	6.00
TTWO	Take-Two Inter	195.38	11.98	22.50	0.00	31.31	6.00
URI	Utd Rentals Inc	236.27	6.63	13.34	0.00	13.52	6.00
CE	Celanese Corp	119.37	5.88	3.06	2.08	15.85	5.00
CMI	Cummins Inc	239.10	9.00	5.67	2.26	21.23	5.00
CTSH	Cognizant Tech	76.15	11.00	7.18	1.16	19.93	5.00
EMR	Emerson Elec Co	79.52	9.64	-2.77	2.54	22.98	5.00
HD	Home Depot	274.05	11.11	6.49	2.19	23.71	5.00
PH	Parker Hannifin	249.92	11.78	5.77	1.41	22.56	5.00

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

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
CMTV	Commnty Bcp Vt	15.20	1.09	12.46	5.00	8
FLIC	First Long Is	16.83	1.01	10.80	4.52	8
IBCP	Indep Bk Mich	18.63	1.09	11.24	4.29	8
PEG	Public Sv Entrp	56.36	1.80	11.14	3.48	8
TSLX	Sixth St Spclty	20.61	1.22	12.38	7.96	8
UGI	Ugi Corp	36.62	1.84	11.14	3.60	8
BSRR	Sierra Bancorp	22.20	1.00	10.45	3.60	7
CHCO	City Hldgs Co	71.06	1.65	13.29	3.26	7
CPF	Central Pac Fin	18.65	0.96	10.14	4.93	7
CRWS	Crown Crafts	7.68	1.73	13.82	4.17	7
CZFS	Citizens Fin Sv	56.05	1.16	11.88	3.28	7
FMNB	Farmers Natl Bc	13.35	1.11	11.24	3.30	7
KEY	Keycorp New	16.72	1.02	10.46	4.43	7
LOMA	Loma Negra Cia	5.03	1.15	21.99	5.05	7
LTC	Ltc Properties	39.41	1.99	13.40	5.79	7
NTRS	Northern Trust	90.27	1.74	13.68	3.10	7
SWM	Schweitzer-Maud	37.99	1.89	19.32	4.63	7
UBFO	United Sec Bcsh	6.91	0.99	10.55	6.37	7
WTBA	West Bancorp	20.77	1.59	14.69	4.04	7

NEW! Fundamental 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
PKI	Perkinelmer Inc	141.73	19.52	8.24	0.20	24.95	8.00
LOW	Lowes Cos	167.71	16.81	5.92	1.43	19.87	8.00
MTD	Mettler-Toledo	1,153.50	12.10	5.59	-	47.88	8.00
TER	Teradyne Inc	130.11	24.36	10.61	0.31	28.22	7.00
CTLT	Catalent Inc	109.55	18.34	12.58	-	53.97	7.00
IDXX	Idexx Labs Inc	465.18	15.83	10.64	-	81.04	7.00
QRVO	Qorvo Inc	165.64	15.77	4.66	-	24.72	7.00
KSU	Kansas City Sou	201.51	15.00	4.25	0.87	28.95	7.00
MCHP	Microchip Tech	133.04	14.92	22.37	1.11	25.01	7.00
IT	Gartner Inc -A	151.58	13.50	17.83	-	33.76	7.00
NTAP	Netapp Inc	68.89	11.90	0.64	2.79	19.91	7.00
AAPL	Apple Inc	142.06	11.50	5.33	0.58	38.47	7.00
ALXN	Alexion Pharma	155.69	17.75	17.77	-	13.57	6.00
CDW	Cdw Corp	133.02	13.10	7.83	1.20	21.05	6.00
CPRT	Copart Inc	108.25	13.00	16.02	-	39.94	6.00
AVGO	Broadcom Inc	444.70	12.86	22.60	3.24	24.01	6.00
TTWO	Take-Two Inter	195.38	11.98	22.50	-	31.31	6.00
TT	Trane Tech Plc	138.83	11.90	3.61	1.53	28.80	6.00
DOV	Dover Corp	118.94	11.50	0.15	1.66	21.01	6.00
LDOS	Leidos Holdings	111.37	10.84	18.97	1.22	19.47	6.00
APH	Amphenol Corp-A	125.57	10.48	9.76	0.92	33.58	6.00
PH	Parker Hannifin	249.92	11.78	5.77	1.41	22.56	5.00
HD	Home Depot	274.05	11.11	6.49	2.19	23.71	5.00
CTSH	Cognizant Tech	76.15	11.00	7.18	1.16	19.93	5.00
GOOG	Alphabet Inc-C	1,830.79	16.93	20.47	-	35.38	4.00
GOOGL	Alphabet Inc-A	1,818.94	16.93	20.47	-	35.15	4.00
FRC	First Rep Bk Sf	147.05	13.42	19.08	0.54	25.31	4.00
MU	Micron Tech	75.09	12.65	13.05	-	26.35	4.00
TROW	T Rowe Price	156.50	11.83	8.83	2.30	17.91	4.00
TEL	Te Connect-Ltd	119.93	10.41	1.77	1.60	26.59	3.00

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	61.19	20.00	8.26	-	27.20	8
MSCI	Msci Inc-A	393.34	#N/A	10.18	0.79	#N/A	8
ADSK	Autodesk Inc	273.47	35.00	11.89	-	3.22	7
FFIN	First Fin Bk-Tx	39.89	#N/A	10.70	1.30	#N/A	7
IDXX	Idexx Labs Inc	465.18	15.83	10.64	-	4.25	7
SPSC	Sps Commerce	102.94	15.00	13.92	-	5.73	7
WDFC	Wd 40 Co	320.00	#N/A	3.01	0.84	#N/A	7
CPRT	Copart Inc	108.25	13.00	16.02	-	2.68	6
IPGP	Ipg Photonics	230.08	#N/A	7.85	-	#N/A	6
REXR	Rexford Ind Rty	49.67	7.91	29.26	1.73	4.35	6
EGP	Eastgroup Pptys	139.00	5.95	9.29	2.27	4.15	5
SAIL	Sailpoint Tech	52.64	15.00	23.77	-	#N/A	5
IBKR	Interactive Brk	63.13	#N/A	15.21	0.63	#N/A	5
IRDM	Iridium Commun	48.65	#N/A	8.43	-	#N/A	5
MANH	Manhattan Asoc	116.89	#N/A	0.77	-	#N/A	5
SAFE	Safehold Inc	77.05	#N/A	92.59	0.84	#N/A	5

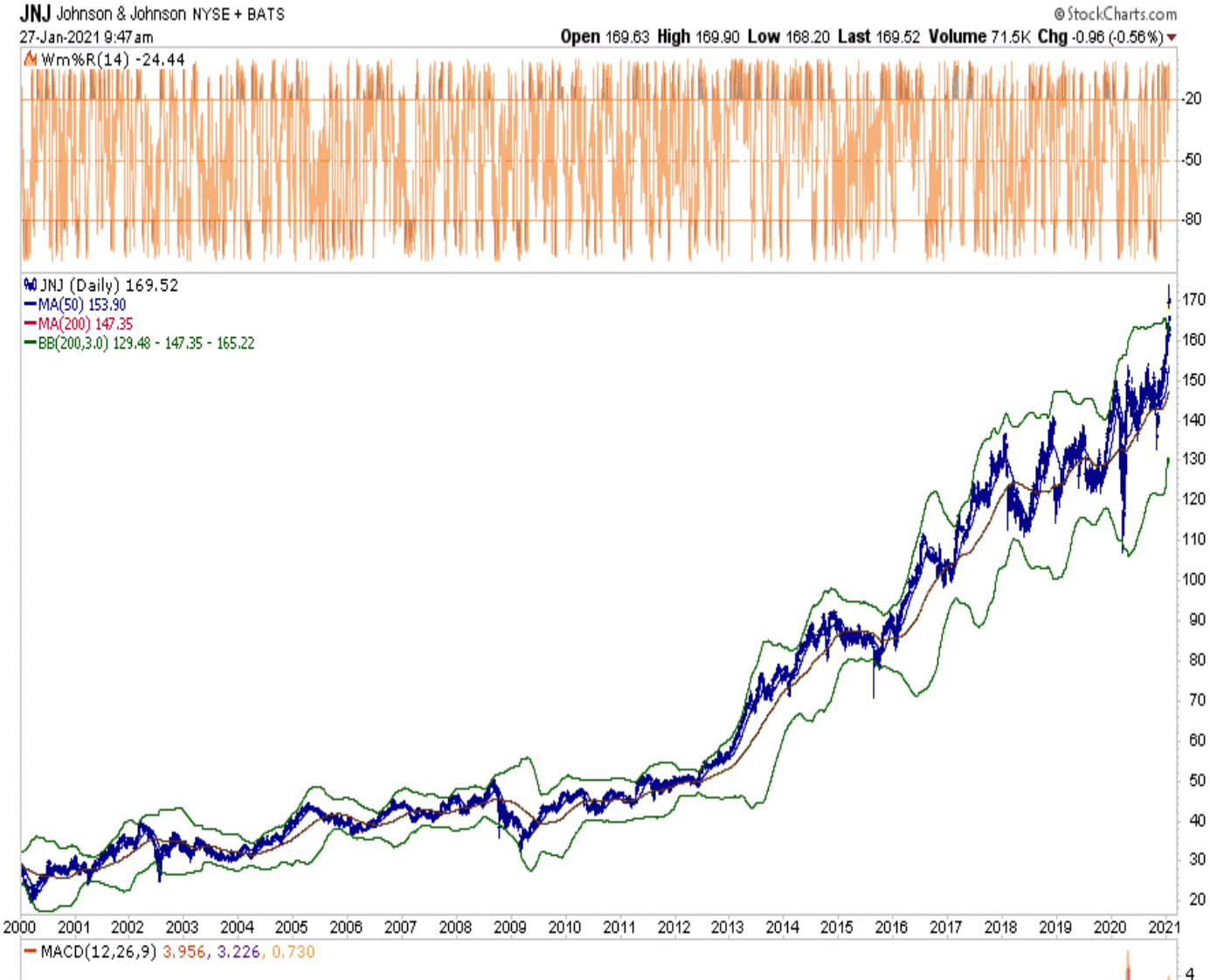
Portfolio / Client Update

As noted last week in our update, we had reduced our equity exposure by 25% last Friday by selling our two index positions of SPY and RSP. Those sales were due to the market's extreme overbought condition and weakening money flow signals, which suggested that further upside was limited. As you know, we use index positions for "trading" purposes to quickly increase, or as in this case, reduce exposure to markets as needed. Such allows us to keep our core equities and ETF's intact for a longer-term holding period. As we go through earnings season, the companies we own are reporting good earnings but not necessarily being rewarded for them right away. That is okay, as we will use weakness to increase our exposures accordingly. The plan is to continue consolidating and concentrating our holdings to gain more performance from winning positions. However, we are using tighter stop-losses to control risk, but wide enough to maximize return over time. We think the next couple of weeks could see a pickup in volatility. So, while we manage risk, we are looking to take advantage of weakness to add positions to the portfolio accordingly.

Portfolio Changes

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

> *"We reduced JNJ from 2% to 1.50% as the stock is grossly overbought. (This is our second reduction in recent weeks from 3% originally.) The graph below shows that it is well above its 200dma 3 standard deviation Bollinger band, a feat it hasn?t accomplished in at least 20 years." - 01/27/21*



- ***Reduce JNJ from 2% to 1.5% of the portfolio.***

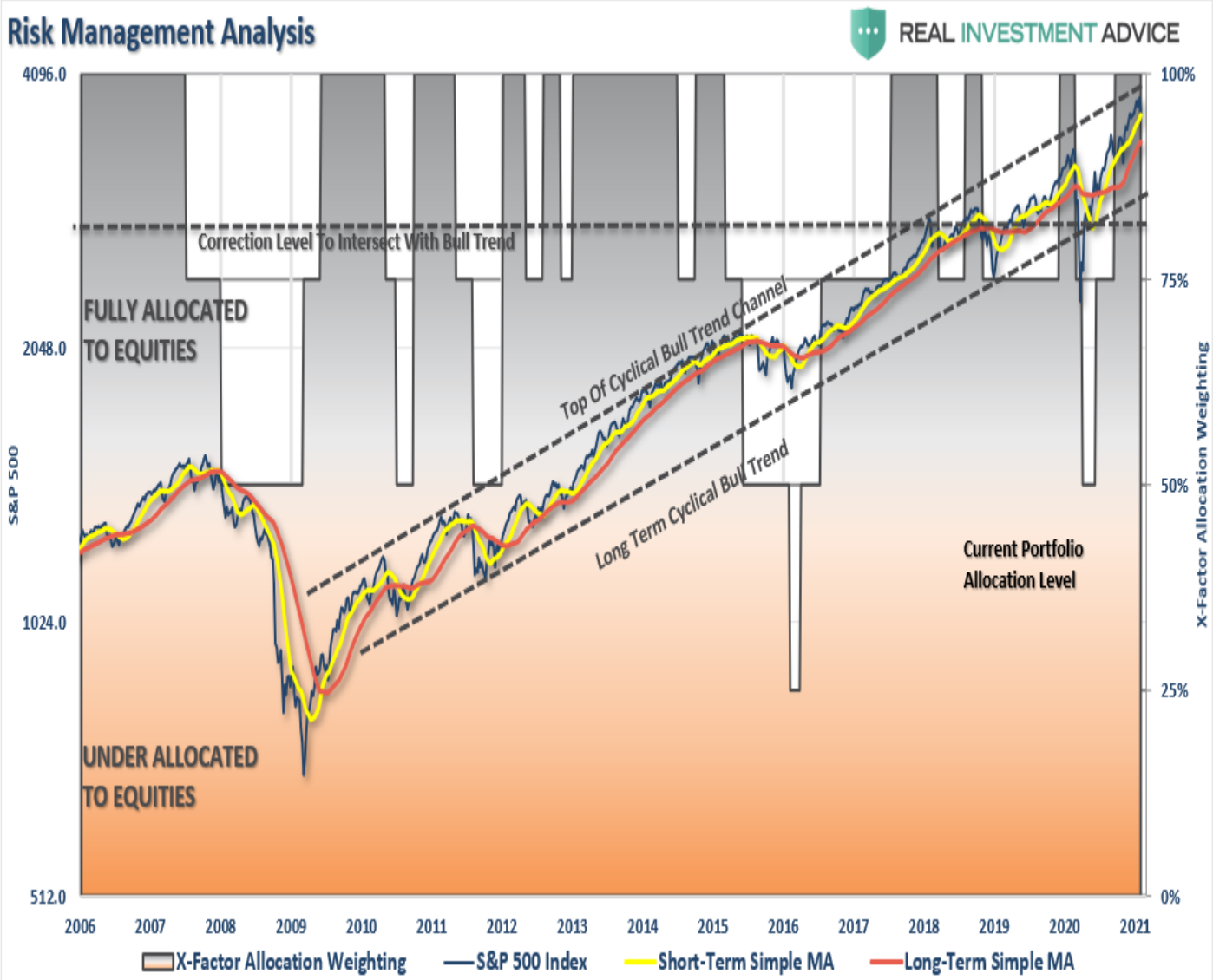
  "As we head into earnings season we previously added exposure to our major technology companies (i.e. AAPL, MSFT) in anticipation of a reflation ?risk-off? trade. After reducing equity by 20% on Friday, we are adding 3% of that cash into three of our existing technology holdings to bring our technology weight up to our benchmark." - 01/25/21

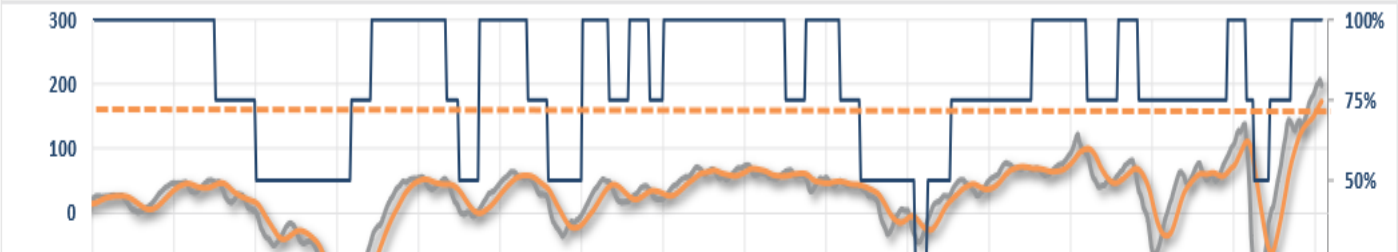
- ***Add 1% to CRM, AMD, and ADBE***

We are aware of the risks and are carrying tight stops on all positions. 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*

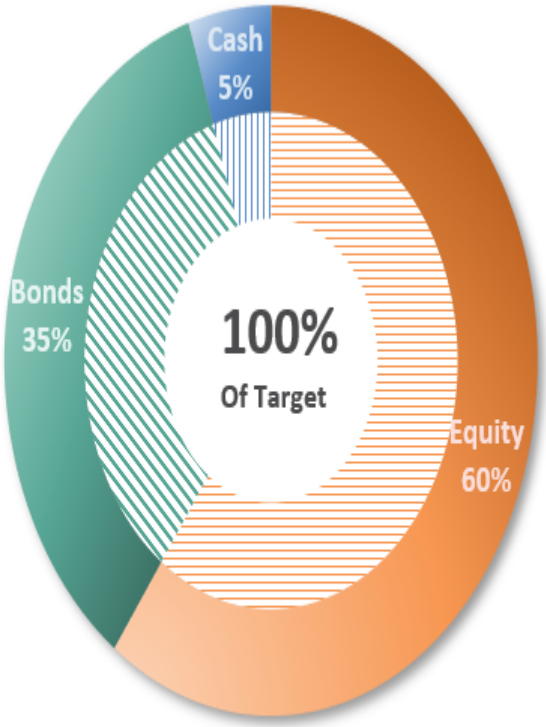
THE REAL 401k PLAN MANAGER

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

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

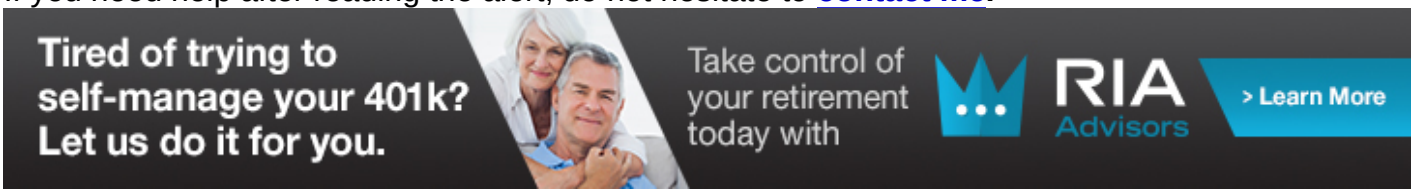
Commentary

Last week I stated: *"As we approach the end of January, the market is continuing to maintain new highs. However, on many levels the markets are extended, very overbought, and extremely bullishly biased. Such is often the makings of a short-term correction."*

Well, that correction came this past week which was needed to reduce some of the those more overly bullish conditions. Heading into February, there is no reason to take any aggressive action with portfolios already fully allocated. Given that Februrary and March tend to be weak months, I would be reticent chasing more aggressive exposure in retirement plans currently. In fact, doing a bit of housecleaning by rebalancing weightings, reducing more aggressive positioning, etc., is likely a good practice currently.

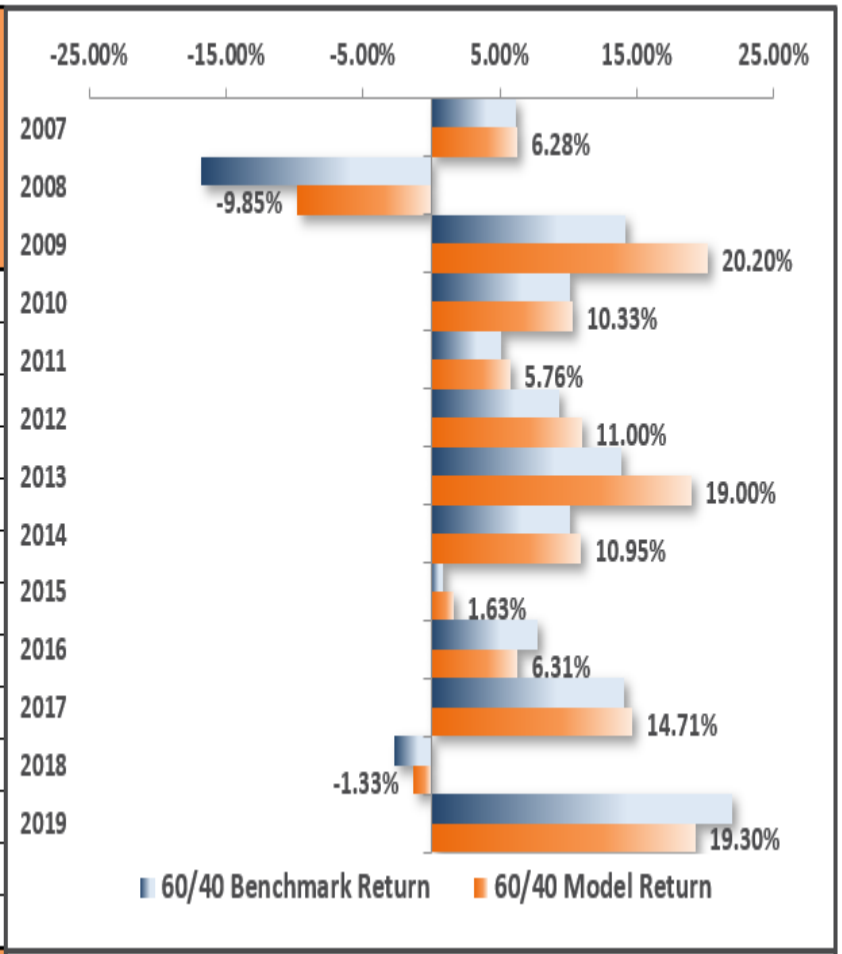
Maintain exposures, but rebalance positions that have grown to outsize weightings in portfolio. Particularly in small/mid cap and international funds which are eggregiously overbought.

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

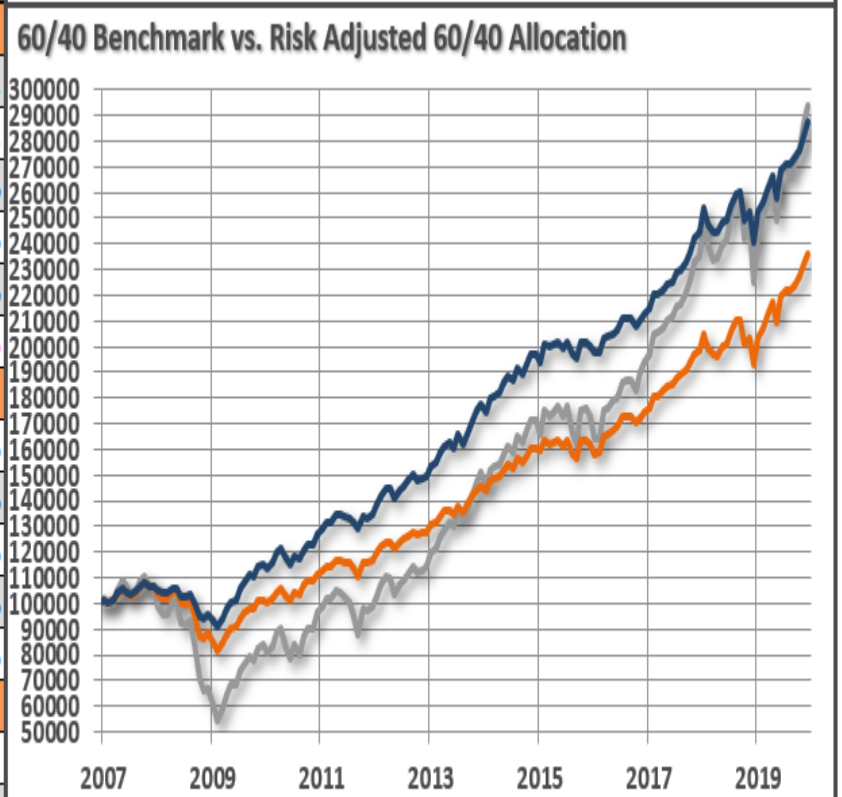


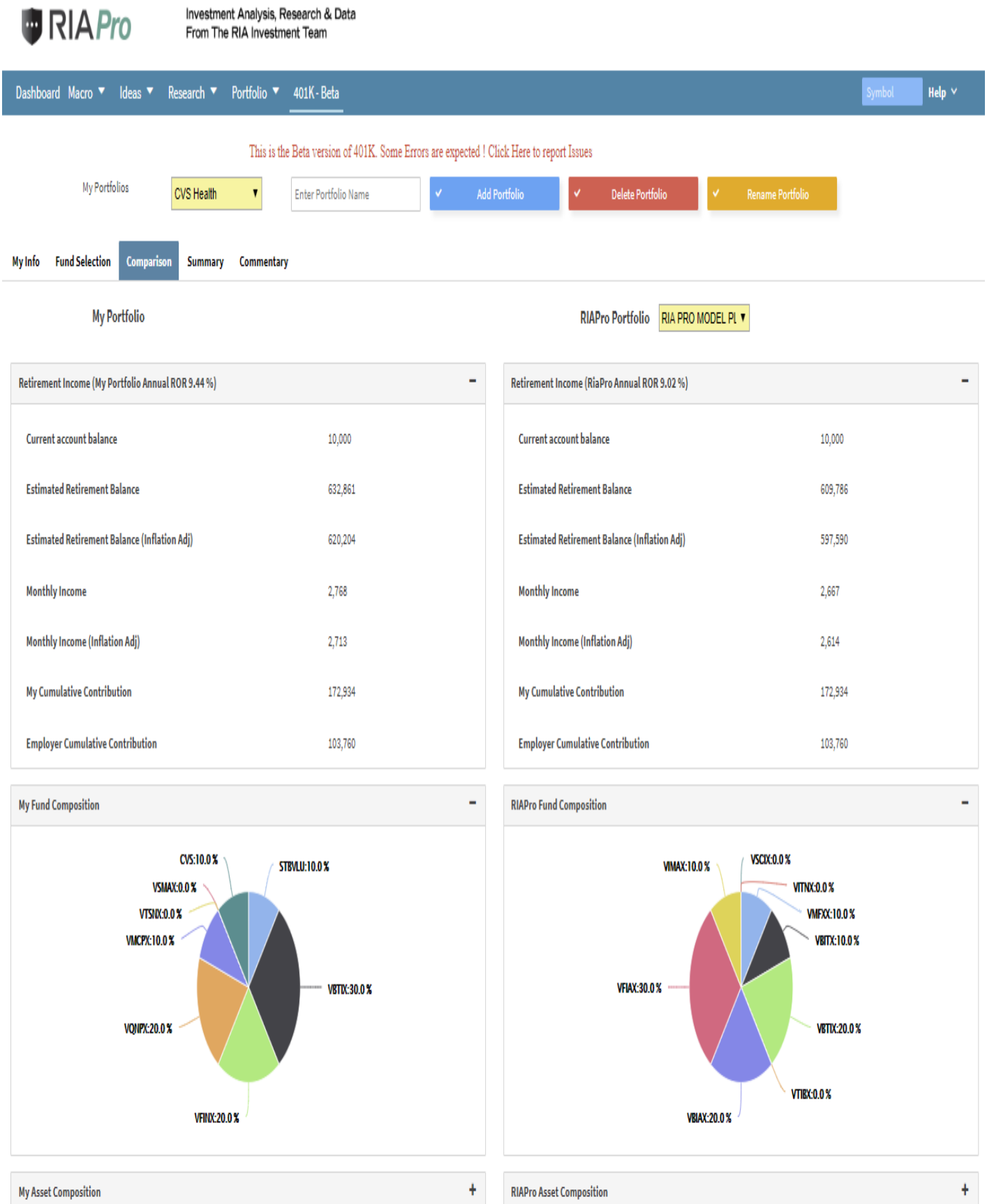
Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at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



401k Plan Manager Live Model

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