

## Despite The Fed, The Bond Market Is Hiking Rates



*In this issue of "Despite The Fed, The Bond Market Is Hiking Rates."*

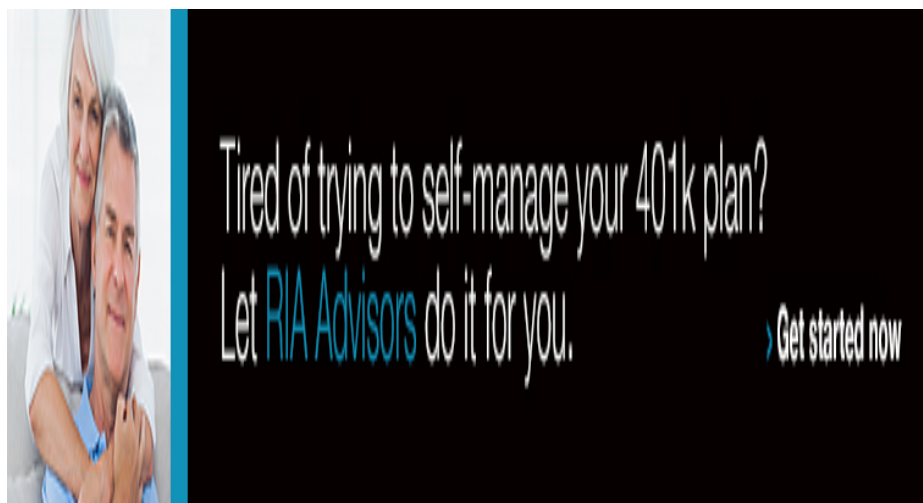
- *Market Review And Update*
- *Bond Market Is Hiking Rates*
- *Why Higher Rates Are A Real Problem*
- *Portfolio Positioning*
- *#MacroView: Why Stimulus Doesn't Lead To Organic Growth*
- *Sector & Market Analysis*
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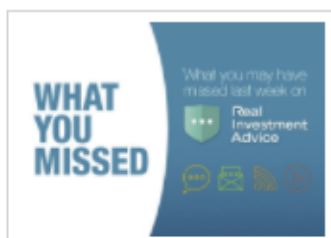
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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 2-26-21

Written by Lance Roberts | Feb 26, 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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## Market Review & Update

Last week, we discussed that the market was likely starting to adjust for higher rates. **As we stated, historically, there is little room for error as higher rates undermine one of the critical "bullish supports" that low rates justify high valuations.** This past week, rates jumped higher, putting a further pause in the stock rally for now. As we stated over the last few weeks, the **upside remains limited with the money-flow sell signal still intact.** (The vertical dashed blue line denotes when the signals initially triggered.)



Thursday morning before the market opened, I discussed the two areas we watch very closely: the 10-year treasury rate and the volatility index. Both were on extremely oversold signals, and if they turned higher, such would suggest a continued correction in the market. That turned out to indeed be the case. <https://www.youtube.com/watch?v=ZAhmyJgyFkU> Currently, as shown above, the **money flows remain positive, but "sell signals" are firmly intact. Such suggests downward pressure on prices currently. We do expect that market will likely muster a short-term oversold rally next week. However, the risk of a continued correction in March is likely if money flows deteriorate further.** It is advisable to use any rallies to reduce equity risk and rebalance allocations accordingly. We continue to suggest some caution. Despite media claims to the contrary, higher interest rates will matter, as we will discuss next. **More importantly, they tend to matter a lot.**

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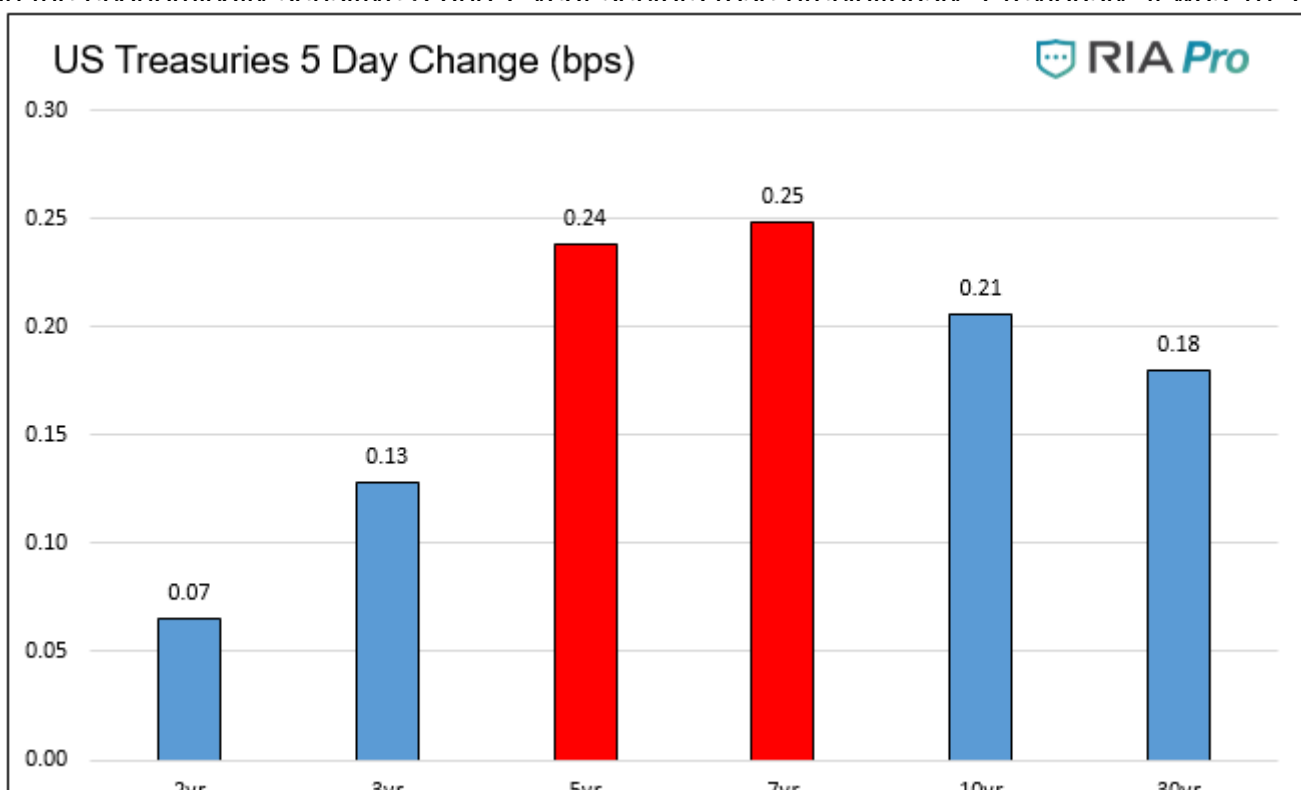
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## The Fed Is Walking Into A Trap

We sent the following market commentary out to our [RIAPRO subscribers](#) yesterday morning:

- *Jim Bullard: "The rise in bond yields is a good sign so far."*
- *Esther George "LONG-TERM YIELD RISE DOESN'T WARRANT MONETARY RESPONSE"*
- *R. Bostic: FED DOESN'T NEED TO RESPOND TO YIELDS AT THIS POINT*

**Jerome Powell, Jim Bullard, Esther George, Raphael Bostic, and other Fed members are steadfast in their determination to use an excessive amount of monetary stimulus to promote inflation and growth.** The reflationary trade and the weak dollar over the last few months are confirmation that investors believe the Fed is making headway toward its goals. **The problem is that bond investors also believe they are making progress.** On Tuesday and Wednesday, Jerome Powell said that he is not concerned about inflation and will keep the monetary pedal to the metal in no uncertain terms. The quotes above are all excellent reasons for bond investors to keep selling. Selling in the bond market became problematic this week as yields in the economically sensitive 5- and 7-year sectors rose precipitously. Previously, it was 10- and 30-



Fed has a choice. They can watch yields rise to the detriment of economic growth, or they can walk back monetary policy. Doing so requires tapering QE and raising rates. Either action will pose problems for overvalued equity markets based on a tailwind of easy monetary policy. To put it bluntly, the Fed is walking into a trap where at some point, they will get forced into deciding between rescuing the bond market or the stock market.



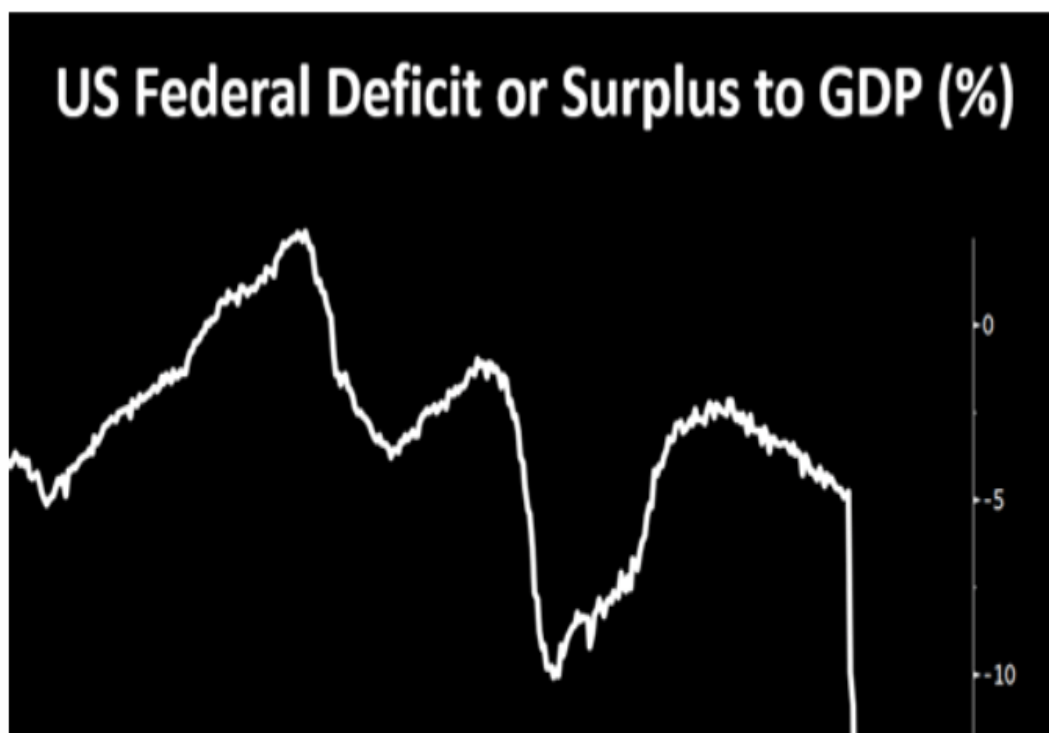
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## Why Higher Rates Are A Problem

It is essential to understand the impact of rates on a heavily leveraged economy.

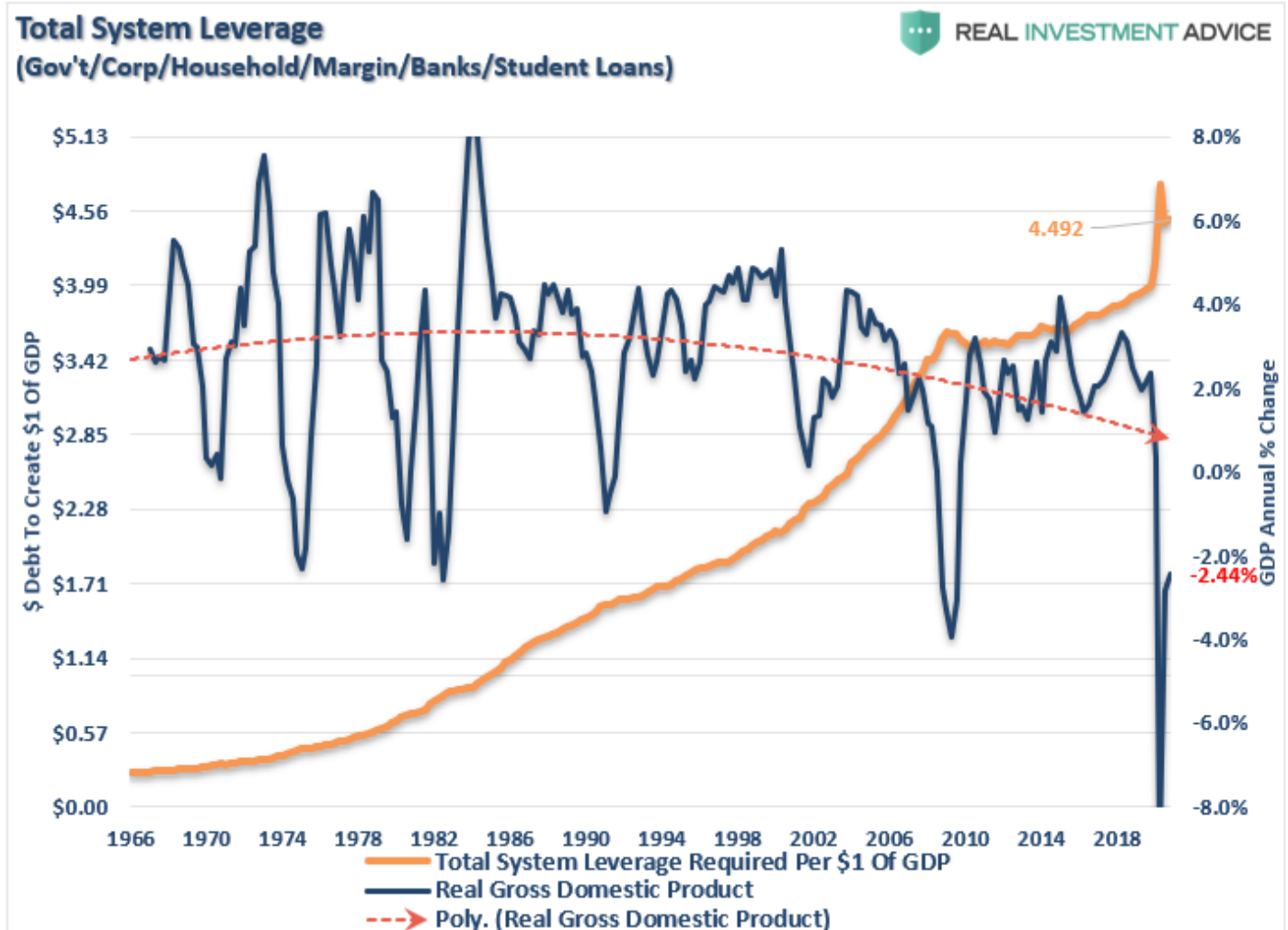
1) **Economic growth is still dependent on massive levels of monetary interventions.** An increase in rates curtails growth as rising borrowing costs slows consumption. 2) **The Federal Reserve runs the world's largest hedge fund with over \$7.5-Trillion in assets.** Long Term Capital Mgmt., which managed only \$100 billion, nearly derailed the economy when rising rates caused its collapse. **The Fed is 75x that size.** 3) Rising interest rates will immediately slow the housing market. **People buy payments, not houses, and rising rates mean higher payments.** 4) **An increase in interest rates means higher borrowing costs which lowers profit margins for corporations.** 5) **One of the main bullish arguments over the last 11-years remains stocks are cheap based on low interest rates.** That will change very quickly. 6) **The negative impact on the massive derivatives market could lead to another credit crisis as rate-spread derivatives go bust.** 7) **As rates increase, so do the variable rate interest payments on credit cards.** With the consumer already impacted by stagnant wages, under-employment, and high costs of living; a rise in debt payments would further curtail disposable incomes. Such would lead to a contraction in spending and rising defaults. (Which are already happening as we speak) 8) **Rising defaults on the debt** will negatively impact banks that are still not adequately capitalized and still burdened by massive levels of bad debt. 9) **Commodities, which are sensitive to the direction and strength of the global economy, will revert as economic growth slows.** 10) **The deficit/GDP ratio will surge as borrowing costs rise sharply.** The many forecasts for lower future deficits will crumble as new estimates begin to propel higher.



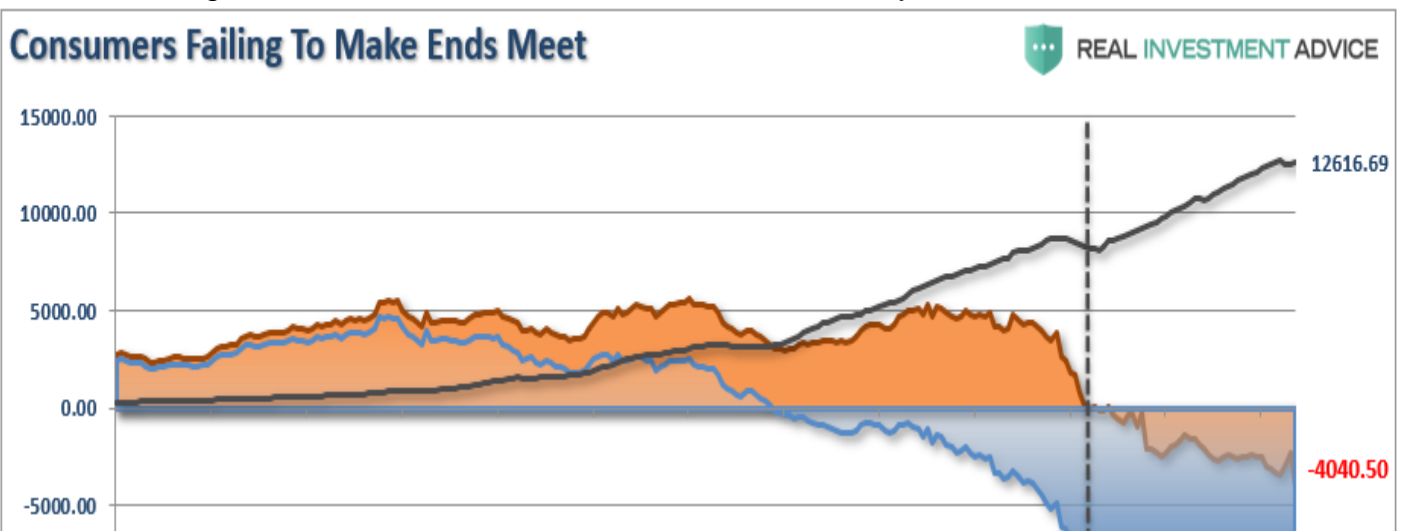
I could go on, but you get the idea.

## Putting It In Pictures

The ramifications of rising interest rates apply to every aspect of the economy. As rates rise, so do rates on credit card payments, auto loans, business loans, capital expenditures, leases, etc., while corporate profitability gets reduced. Currently, the economy requires almost \$4.50 in debt to manufacture \$1.00 of economic growth. Given the dependence on debt to fund growth, higher interest rates would be inherently destructive.



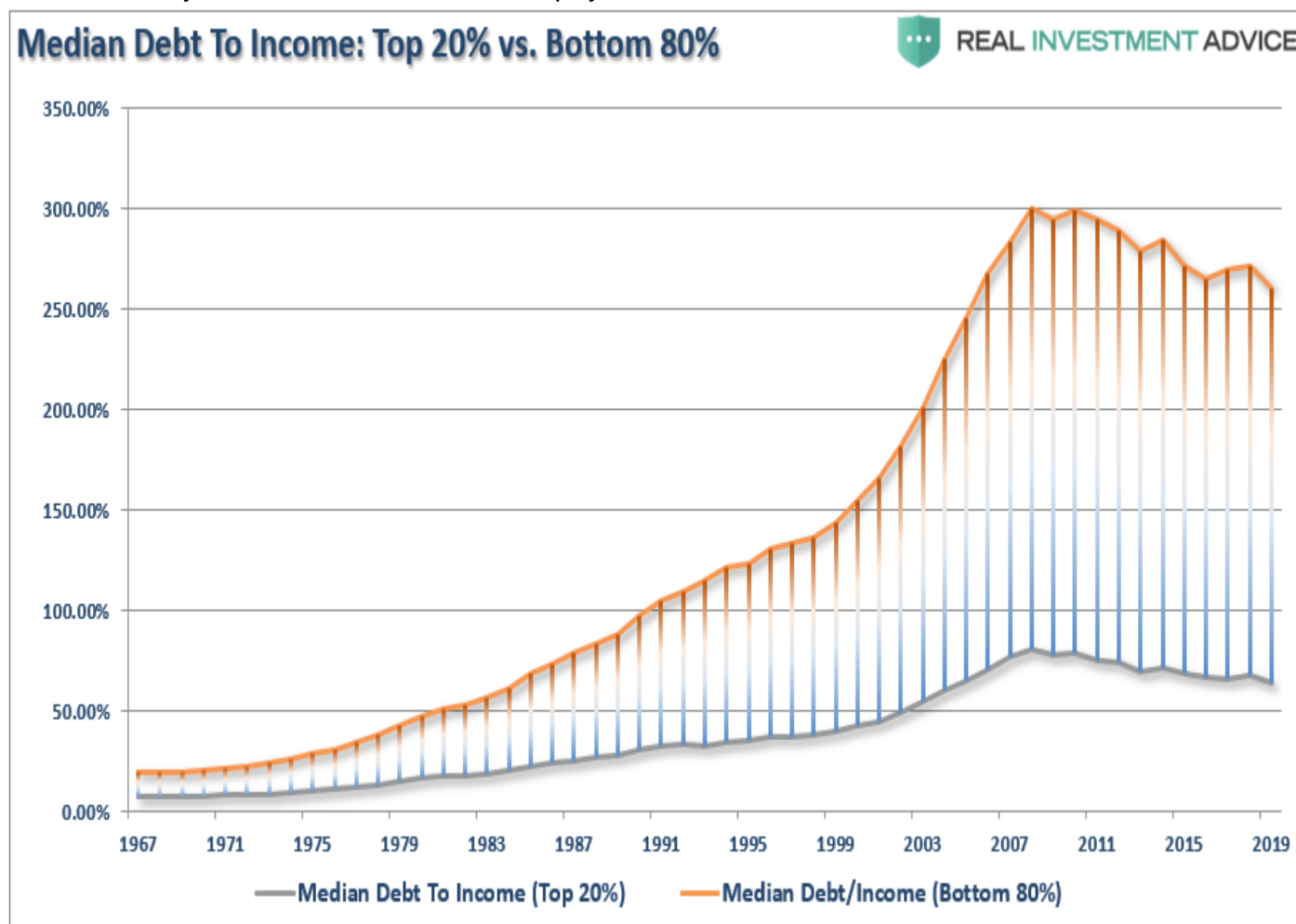
More importantly, consumers have sunk themselves deeper into debt as well. Currently, the gap between wages and the costs of supporting the required *standard of living*? is at a record. **With a requirement of over \$16,000 in debt to maintain living standards, there is little ability to absorb higher rates before it drastically curbs consumption.** The annual deficit of over \$4000 to make up the gap between the cost of living and current incomes increases debt loads on consumers. Higher interest rates will further absorb discretionary incomes into debt service.





*"But what about those charts that show the average American has deleveraged themselves? "*

The vast majority of the deleveraging only occurred in the top 20% of income earners, which you would expect. It is hard to suggest that a family barely making ends meet before the pandemic crisis suddenly found excess cash flow to pay off debt.



Interest rates matter. When rates hit a point where consumers and businesses can't justify further indebtedness, a credit-driven economy slows down.

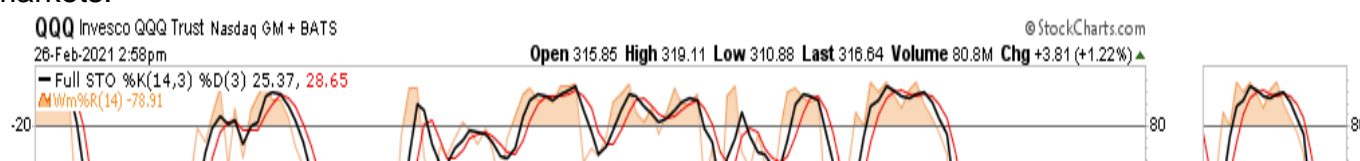
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## Portfolio Update

As noted last week, we raised cash levels in portfolios over the last couple of weeks. Notably, we had sharply reduced our bond portfolios' duration by shifting treasuries to short-term bonds and selling mortgage-backed securities. That shift helped hedge portfolios a lot of the last few days. We remain fairly allocated to equities at the moment, but we will likely start using counter-trend rallies to reduce risk further if the markets don't begin firming up next week. After this week's selloff, the market is getting fairly oversold, so a counter-trend bounce would not surprise us. As we discussed with our [RIAPRO Subscribers](#), some defined "bearish" patterns continue to form on the S&P 500, Nasdaq (shown below), Emerging, and International markets.



There is much commentary about the rotation to "reflation" sectors like industrials, materials, energy, etc., which will benefit from a reopening economic surge. **While we already own these sectors, it is essential to remember very little "value" in the market. We will likely see a boost in economic growth this year. However, that growth has already gotten well priced into the market at every level.** Valuations are extreme across every market. Such places the market at risk of disappointment if expectations fall short. If history is any guide, it is highly likely we will be disappointed as we move further into the year.

## What To Do Now


While this past week was rough, particularly for more aggressively allocated models, it is crucial not to let short-term psychological pressures derail your investment discipline. **As we have discussed previously, "risk happens fast."** As such, it is essential not to react emotionally to a sell-off. Instead, fall back on your investment discipline and strategy.

1. *Is the premise of why you bought a position previously still intact?*
2. *Has anything fundamentally changed for the company?*
3. *Review the positioning of your portfolio relative to the benchmark? Are you out of tolerance in your allocations?*
4. *Review your positions. Are they out of tolerance relative to your sizing rules?*

Last but not least, keep your portfolio management process as simplistic as possible.

1. **Trim Winning Positions** back to their original portfolio weightings. (ie. Take profits)
2. **Sell Those Positions That Aren't Working.** If they don't rally with the market during a bounce, they will decline more when the market sells off again.
3. **Move Trailing Stop Losses Up** to new levels.
4. **Review Your Portfolio Allocation Relative To Your Risk Tolerance.** If you have an aggressive allocation to equities at this point of the market cycle, you may want to try and recall how you felt during 2008. Raise cash levels and increase fixed income accordingly to reduce relative market exposure.

Nobody ever went broke taking profits. While keeping your capital intact is hard, making up lost capital is even harder.

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## The MacroView



### #MacroView: Powell Changes The Rules On QE.

Written by Lance Roberts | Feb 26, 2021

The markets took a tumble to start this week as rising interest rates and inflationary pressures begin to weigh on the "bullish dream." Those worries quickly diminished as Jerome Powell changed the rules to reassure Wall Street that "QE" is here to stay.

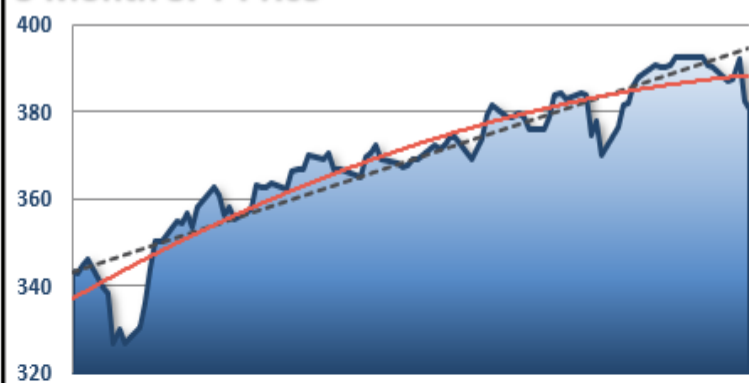
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If you need help or have questions, we are always glad to help. [Just email me](#). See You Next Week **By Lance Roberts, CIO**

## Market & Sector Analysis

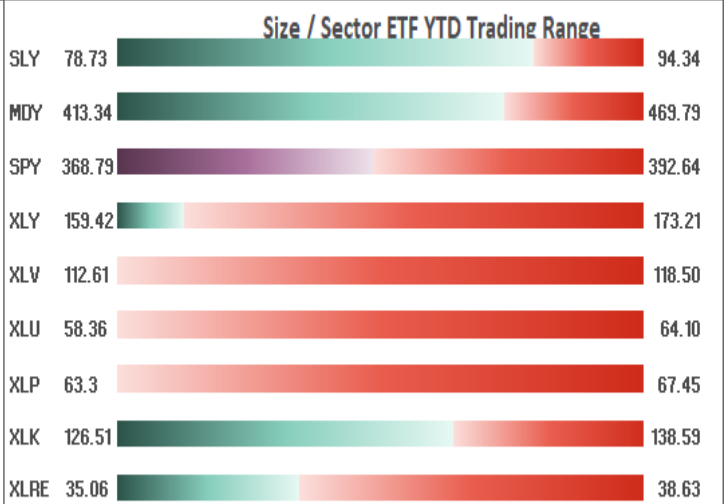
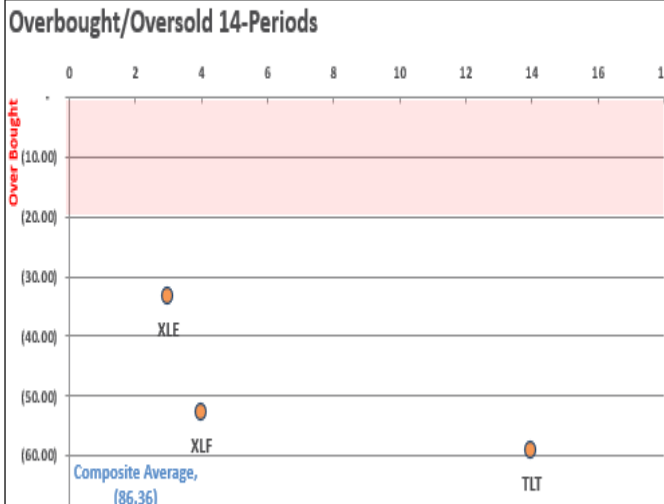
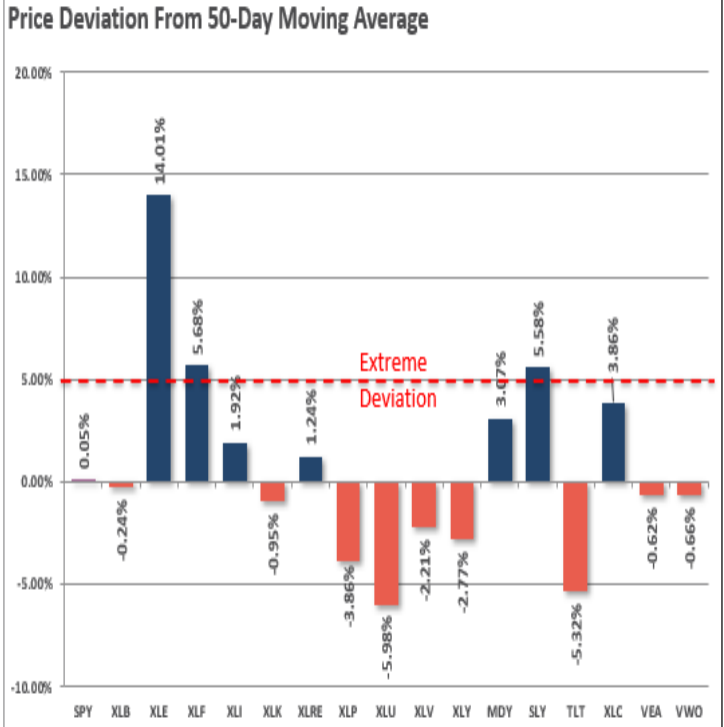
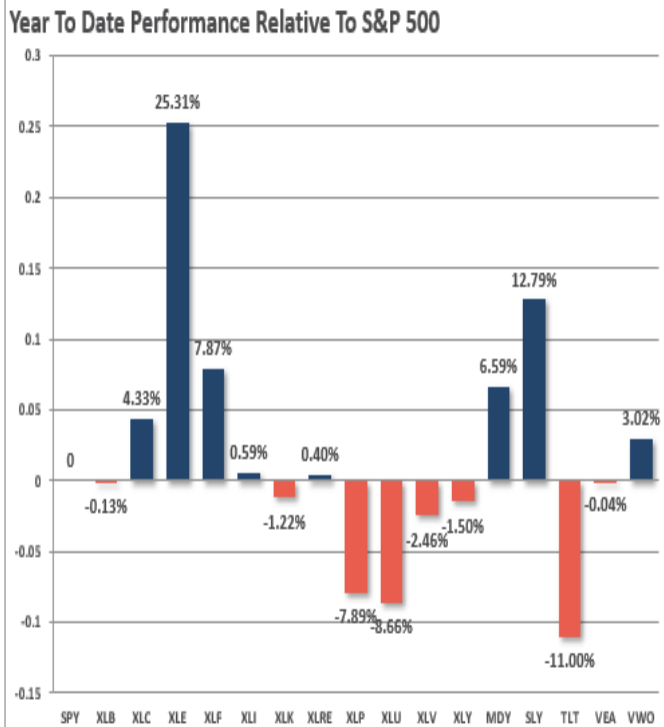
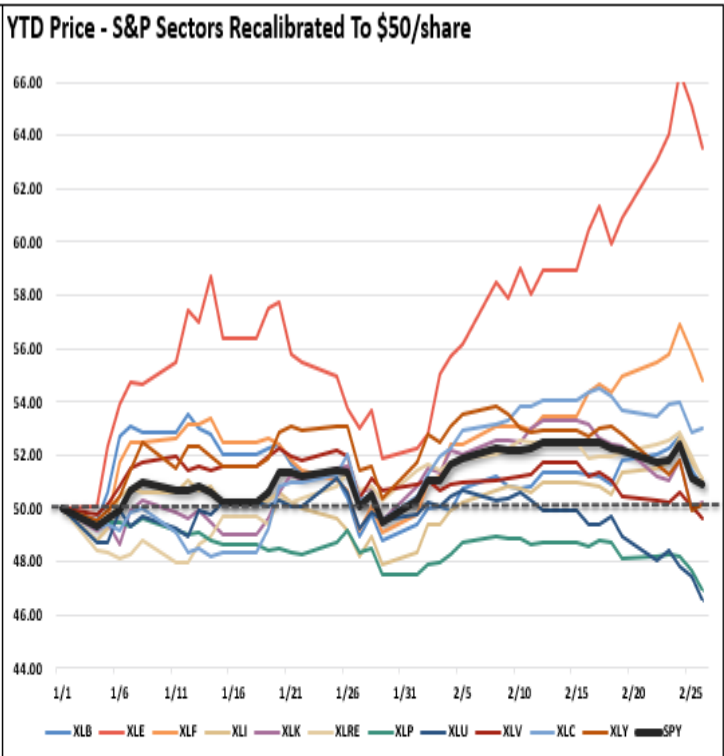
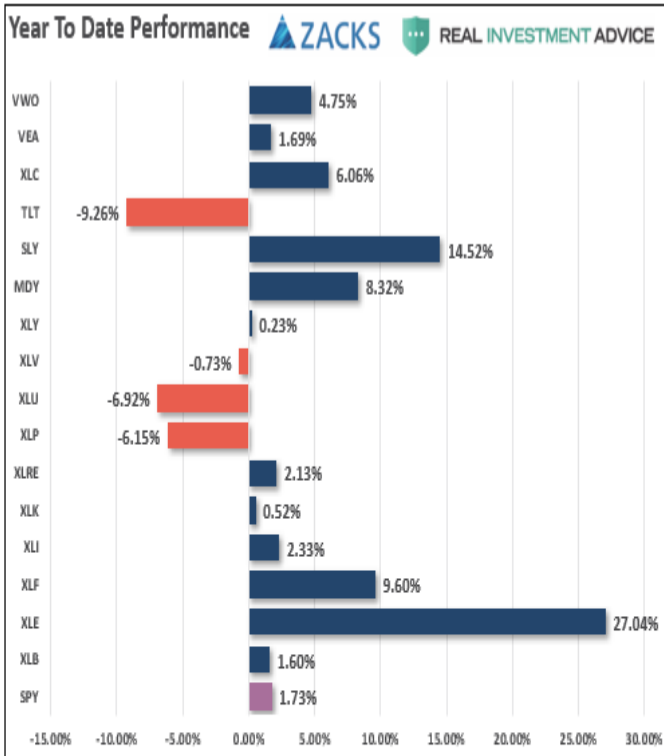
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### S&P 500 Tear Sheet

3 Month SPY Price							SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE		
							Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR		
							Price Return	36.17%	22.11%	1.73%	(92.16%)		
							Max Drawdown	(35.63%)	(30.46%)	(4.56%)	(85.04%)		
							Sharpe	0.85	0.96	0.75	(0.22)		
							Sortino	0.91	1.03	0.86	(0.16)		
							Volatility	25.28	33.38	15.34	(0.54)		
							Daily VaR-5%	(18.88)	(23.49)	(13.07)	(0.44)		
							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	1.92%	1.73%	1.40%	(23.41%)	2.19%	1.40%	(36.14%)	(0.06%)	Shares	3,129.7	3,173.5	1.40%	
P/E Ratio	18.56	19.76	27.79	28.89%	2808%	1637%	(1.0%)	69.73%	Sales	72,870	70,306	(3.52%)	
P/S Ratio	3.66	4.02	5.08	20.93%	4.99	3.20	1.87%	58.91%	SPS	23.3	22.2	(4.85%)	
P/B Ratio	4.82	5.49	6.74	18.55%	6.62	3.94	1.87%	71.04%	Earnings	11,461	10,640	(7.16%)	
ROE	22.00%	21.65%	21.01%	(3.08%)	22.00%	17.60%	(4.52%)	19.36%	EPS TTM	4.6	4.1	(11.01%)	
ROA	4.31%	4.23%	3.68%	(14.74%)	4.31%	3.50%	(14.50%)	5.12%	Dividend	1.6	1.5	(4.22%)	
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	(0.14%)	2.88%	1.88	(181.42)	121.96	11.25	(248.8%)	1.0%	4.5%	0.81%	1.42	25.26	
Materials	30.37%	2.65%	1.20	25.73	26.40	14.08	(2.5%)	9.0%	1.9%	3.64%	3.95	19.63	
Industrials	10.62%	8.42%	1.17	46.21	34.44	14.65	34.2%	5.4%	1.5%	2.79%	3.72	22.88	
Discretionary	51.29%	12.41%	1.33	57.89	57.16	21.02	1.3%	18.9%	0.6%	1.66%	4.76	36.77	
Staples	4.16%	5.92%	0.63	21.07	22.83	17.65	(7.7%)	29.6%	2.7%	4.58%	4.29	20.00	
Health Care	16.21%	12.96%	0.75	18.10	19.47	15.11	(7.1%)	30.9%	1.7%	5.32%	7.52	16.63	
Financials	12.87%	11.31%	1.31	18.11	18.48	10.52	(2.0%)	7.5%	1.8%	5.20%	5.61	13.20	
Technology	42.20%	27.37%	1.10	32.24	32.77	14.65	(1.6%)	58.2%	1.0%	2.92%	5.19	27.09	
Telecom	33.40%	11.03%	0.97	28.18	27.14	17.61	3.8%	15.5%	0.6%	3.36%	6.92	22.69	
Utilities	(13.52%)	2.51%	0.42	18.06	22.09	16.35	(18.2%)	10.7%	3.5%	5.41%	3.44	18.38	
Real Estate	(5.31%)	2.44%	0.96	21.55	21.42	16.94	0.6%	6.5%	2.9%	4.56%	4.13	20.91	
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	380.36	3.03%	380.40	20	(0.01%)	346.60	175	9.74%	9.75%	(3.50%)	74.27%	Buy	
Mid Cap	454.85	9.33%	441.83	50	2.95%	375.74	111	21.05%	17.59%	(3.34%)	112.33%	Buy	
Small Cap	91.09	15.19%	86.42	50	5.41%	70.01	108	30.11%	23.44%	(3.97%)	123.36%	Buy	

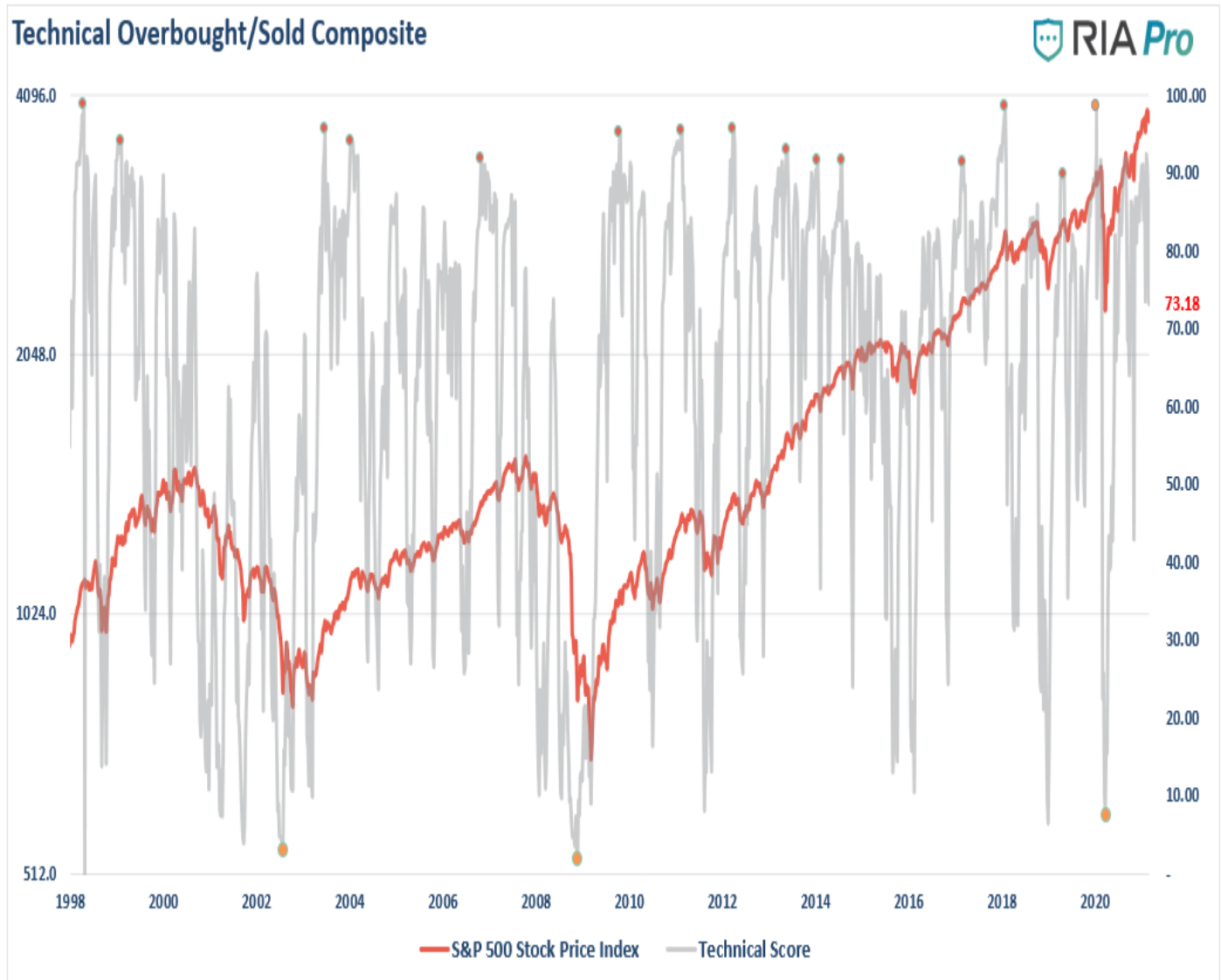


# Performance Analysis



## 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. **The current reading is 73.18 out of a possible 100.**



## 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 81.18 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	381.77	(2.49)	2.76	2.85	13.83	29.02	378.79	354.60	371.52	0.99	380.81	362.23	1%	8%	BULLISH
XLB	SPDR-MATLS SELS	73.55	0.49	1.36	(0.38)	(0.80)	10.50	73.18	67.62	70.64	1.04	73.14	68.14	1%	9%	BULLISH
XLC	SPDR-COMM SV SS	71.57	1.23	4.25	4.00	5.89	11.98	68.47	63.49	66.88	0.98	69.21	64.55	5%	13%	BULLISH
XLE	SPDR-EGY SELS	48.15	6.75	19.70	15.66	33.78	(22.65)	41.67	36.99	39.32	1.75	40.99	37.65	16%	30%	BULLISH
XLF	SPDR-FINL SELS	32.31	2.18	8.85	8.64	16.92	(7.50)	30.14	26.92	28.95	1.19	30.02	27.88	7%	20%	BULLISH
XLK	SPDR-TECH SELS	130.69	(1.45)	(1.39)	0.84	1.86	18.87	130.58	121.32	128.93	1.06	133.52	124.34	0%	8%	BULLISH
XLI	SPDR-INDU SELS	90.61	2.08	4.13	(1.28)	2.92	(5.03)	88.82	82.06	84.77	1.18	87.89	81.65	2%	10%	BULLISH
XLP	SPDR-CONS STPL	63.30	(0.04)	(3.99)	(9.25)	(15.92)	(19.86)	66.16	64.95	64.09	0.62	66.09	62.09	-4%	-3%	BULLISH
XLRE	SPDR-RE SELS	37.34	0.52	(1.18)	(2.82)	(8.80)	(27.52)	36.84	36.24	36.76	0.69	37.93	35.59	1%	3%	BULLISH
XLU	SPDR-UTIL SELS	58.36	(2.48)	(8.86)	(9.34)	(14.80)	(35.16)	62.20	61.58	62.15	0.36	63.92	60.38	-6%	-5%	BULLISH
XLV	SPDR-HLTH CR	112.61	0.91	(4.86)	(2.79)	(6.16)	(7.42)	114.41	109.41	115.03	0.76	118.78	111.28	-2%	3%	BULLISH
XLY	SPDR-CONS DISCR	161.15	(2.51)	(3.29)	(0.88)	(3.51)	10.11	164.05	152.91	162.01	1.13	167.90	156.12	-2%	5%	BULLISH
XTN	SPDR-SP TRANSP	81.30	3.42	13.63	8.61	20.33	18.00	73.95	65.33	69.85	1.39	72.57	67.14	10%	24%	BULLISH
SDY	SPDR-SP DIV ETF	110.80	1.98	2.49	0.72	3.39	(12.57)	107.99	100.72	105.27	0.91	108.86	101.68	3%	10%	BULLISH
RSP	INVS-SP5 EQ ETF	134.20	1.46	3.33	2.75	9.26	0.68	129.83	118.19	126.50	1.12	131.08	121.92	3%	14%	BULLISH
SLY	SPDR-SP6 SC	91.09	1.80	5.08	14.85	34.67	15.59	84.30	71.95	84.47	1.27	87.66	81.28	8%	27%	BULLISH
MDY	SPDR-SP MC 400	454.85	0.96	4.02	8.15	20.48	8.36	434.22	384.33	425.96	1.19	441.68	410.24	5%	18%	BULLISH
EEM	ISHARS-EMG MKT	53.73	(4.12)	(1.97)	2.81	8.48	3.59	53.58	48.34	53.31	0.86	55.10	51.52	0%	11%	BULLISH
EFA	ISHARS-EAFE	74.01	(0.45)	(0.52)	(0.82)	0.38	(10.10)	73.99	68.42	72.39	0.85	74.82	69.96	0%	8%	BULLISH
IAU	ISHARS-GOLD TR	16.44	(0.69)	(9.08)	(9.01)	(25.21)	(19.92)	17.59	17.95	17.55	0.06	18.00	17.10	-7%	-8%	BEARISH
GDX	VANECK-GOLD MNR	31.13	(2.43)	(12.55)	(14.69)	(38.20)	(10.29)	35.29	38.07	34.51	0.62	35.59	33.43	-12%	-18%	BEARISH
UUP	INVS-DB US\$ BU	24.52	3.19	(2.35)	(2.65)	(16.45)	(36.59)	24.39	24.93	24.42	(0.13)	25.00	23.84	1%	-2%	BEARISH
BOND	PIMCO-TOT RETRN	111.11	2.17	(4.07)	(3.97)	(15.18)	(29.22)	112.42	112.34	112.59	0.09	115.51	109.67	-1%	-1%	BULLISH
TLT	ISHARS-20+YTB	143.12	2.38	(8.60)	(10.63)	(26.82)	(36.86)	152.52	159.20	152.00	(0.25)	155.43	148.57	-6%	-10%	BEARISH
BNDX	VANGD-TTL INT B	57.17	2.12	(4.49)	(4.94)	(15.38)	(30.43)	58.21	58.16	58.18	0.03	59.65	56.71	-2%	-2%	BULLISH
HYG	ISHARS-IBX HYCB	86.44	1.28	(3.37)	(3.32)	(11.48)	(28.55)	87.10	85.53	86.97	0.37	89.47	84.47	-1%	1%	BULLISH



## 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
AMAT	Appld Matls Inc	113.93	13.79	10.63	0.77	24.82	9.00
DLTR	Dollar Tree Inc	98.88	10.86	6.77	0.00	18.59	8.00
MSFT	Microsoft Corp	228.99	11.93	14.71	0.98	34.13	8.00
QRVO	Qorvo Inc	168.95	13.99	5.10	0.00	21.31	8.00
AAPL	Apple Inc	120.99	11.50	6.15	0.68	32.77	7.00
ABT	Abbott Labs	121.58	14.14	12.22	1.48	33.31	7.00
ADI	Analog Devices	153.68	12.25	12.75	1.80	28.89	7.00
AVY	Avery Dennison	178.92	7.90	3.93	1.39	25.17	7.00
DE	Deere & Co	348.03	18.54	9.18	0.87	31.81	7.00
FBHS	Fortune Brd H&S	83.48	9.82	4.82	1.25	19.92	7.00
IDXX	Idexx Labs Inc	518.28	15.81	10.70	0.00	77.24	7.00
IT	Gartner Inc -A	177.86	13.50	16.25	0.00	36.30	7.00
KLAC	Kla Corp	304.79	11.56	17.27	1.18	26.57	7.00
MLM	Martin Mrt-Matl	336.31	9.10	6.45	0.68	29.14	7.00
PH	Parker Hannifin	289.39	11.78	5.34	1.22	24.16	7.00
TGT	Target Corp	185.08	10.21	3.79	1.47	21.90	7.00
TXN	Texas Instrs	170.53	9.33	1.83	2.39	28.56	7.00
BAC	Bank Of Amer Cp	35.93	7.00	3.70	2.00	19.21	6.00
CBRE	Cbre Group Inc	74.57	11.00	21.04	0.00	22.74	6.00
CDW	Cdw Corp	156.89	13.10	7.62	1.02	23.92	6.00
CF	Cf Indus Hldgs	46.66	6.00	2.70	2.57	31.74	6.00
DHR	Danaher Corp	219.26	13.69	0.46	0.33	34.86	6.00
DOV	Dover Corp	124.28	11.50	-0.41	1.59	21.92	6.00
EBAY	Ebay Inc	56.98	15.36	4.02	1.12	18.68	6.00
EL	Estee Lauder	289.62	10.67	7.40	0.73	66.28	6.00
FB	Facebook Inc-A	254.69	19.24	35.45	0.00	25.22	6.00
INTC	Intel Corp	60.40	7.50	7.61	2.30	11.38	6.00
KSU	Kansas City Sou	213.51	15.00	4.25	0.82	30.68	6.00
LRCX	Lam Research	547.65	21.34	13.95	0.95	26.77	6.00
MS	Morgan Stanley	78.43	10.03	9.77	1.78	11.99	6.00
MTD	Mettler-Toledo	1109.91	13.79	5.39	0.00	43.41	6.00
TTWO	Take-Two Inter	184.68	12.37	22.13	0.00	30.99	6.00
WAT	Waters Corp	278.23	8.85	2.70	0.00	30.71	6.00
WRB	Berkley (Wr) Cp	69.78	9.00	1.27	0.69	30.08	6.00
WST	West Pharm Svc	277.68	22.62	7.89	0.24	58.46	6.00
A	Agilent Tech	122.10	9.00	6.57	0.64	34.59	5.00
AMT	Amer Tower Corp	224.75	13.71	10.86	2.15	26.47	5.00
CAT	Caterpillar Inc	221.82	12.00	4.79	1.86	36.42	5.00
CDNS	Cadence Design	138.02	11.10	8.59	0.00	65.41	5.00
EMR	Emerson Elec Co	87.33	9.82	-2.05	2.31	24.12	5.00
JNJ	Johnson & Johns	162.76	7.72	3.82	2.48	20.27	5.00
MTB	M&T Bank Corp	156.70	13.40	5.11	2.81	15.64	5.00
NUE	Nucor Corp	61.51	12.00	8.10	2.63	18.53	5.00
PXD	Pioneer Nat Res	149.05	8.55	21.08	1.48	72.00	5.00
SNA	Snap-On Inc	204.07	8.52	1.30	2.41	17.55	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	115.03	1.60	12.13	3.13	9
CAG	Conagra Brands	34.57	1.99	19.38	3.18	8
CMTV	Commnty Bcp Vt	16.50	1.19	12.46	4.61	8
FLIC	First Long Is	18.84	1.13	10.80	4.03	8
IBCP	Indep Bk Mich	20.95	1.23	11.47	4.01	8
PEG	Public Sv Entrp	55.90	1.79	11.14	3.51	8
UGI	Ugi Corp	39.75	1.86	11.25	3.32	8
WTBA	West Bancorp	23.51	1.80	14.74	3.74	8
AROW	Arrow Finl Corp	32.23	1.53	12.42	3.23	7
BSRR	Sierra Bancorp	24.20	1.09	10.47	3.47	7
CZFS	Citizens Fin Sv	57.00	1.18	11.88	3.23	7
FMNB	Farmers Natl Bc	13.95	1.16	11.36	3.15	7
KEY	Keycorp New	20.68	1.26	10.46	3.58	7
LARK	Landmark Bcp	25.17	1.00	10.27	3.18	7
LOMA	Loma Negra Cia	5.54	1.26	21.99	4.59	7
MCBC	Macatawa Bank	8.89	1.26	12.40	3.60	7
NWIN	Northwest In Bc	40.50	0.94	13.69	3.06	7
PRK	Park National	126.47	1.98	11.95	3.26	7
TRTN	Triton Intl Ltd	56.77	1.94	12.30	4.02	7
UBFO	United Sec Bcsh	7.57	1.09	10.40	5.81	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
AMAT	Appld Matls Inc	113.93	13.79	10.63	0.77	24.82	9.00
QRVO	Qorvo Inc	168.95	13.99	5.10	-	21.31	8.00
MSFT	Microsoft Corp	228.99	11.93	14.71	0.98	34.13	8.00
DE	Deere & Co	348.03	18.54	9.18	0.87	31.81	7.00
IDXX	Idexx Labs Inc	518.28	15.81	10.70	-	77.24	7.00
ABT	Abbott Labs	121.58	14.14	12.22	1.48	33.31	7.00
IT	Gartner Inc -A	177.86	13.50	16.25	-	36.30	7.00
ADI	Analog Devices	153.68	12.25	12.75	1.80	28.89	7.00
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AAPL	Apple Inc	120.99	11.50	6.15	0.68	32.77	7.00
WST	West Pharm Svc	277.68	22.62	7.89	0.24	58.46	6.00
LRCX	Lam Research	547.65	21.34	13.95	0.95	26.77	6.00
FB	Facebook Inc-A	254.69	19.24	35.45	-	25.22	6.00
EBAY	Ebay Inc	56.98	15.36	4.02	1.12	18.68	6.00
KSU	Kansas City Sou	213.51	15.00	4.25	0.82	30.68	6.00
MTD	Mettler-Toledo	1,109.91	13.79	5.39	-	43.41	6.00
DHR	Danaher Corp	219.26	13.69	0.46	0.33	34.86	6.00
CDW	Cdw Corp	156.89	13.10	7.62	1.02	23.92	6.00
TTWO	Take-Two Inter	184.68	12.37	22.13	-	30.99	6.00
DOV	Dover Corp	124.28	11.50	(0.41)	1.59	21.92	6.00
AMT	Amer Tower Corp	224.75	13.71	10.86	2.15	26.47	5.00
MTB	M&T Bank Corp	156.70	13.40	5.11	2.81	15.64	5.00
CAT	Caterpillar Inc	221.82	12.00	4.79	1.86	36.42	5.00
NUE	Nucor Corp	61.51	12.00	8.10	2.63	18.53	5.00
CDNS	Cadence Design	138.02	11.10	8.59	-	65.41	5.00
ALGN	Align Tech Inc	556.11	19.81	25.56	-	24.77	4.00
FRC	First Rep Bk Sf	172.90	13.42	19.08	0.46	29.76	4.00
TROW	T Rowe Price	160.86	11.83	9.16	2.24	16.76	4.00
SCHW	Schwab(Chas)	63.10	11.34	11.64	1.14	26.40	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
MSFT	Microsoft Corp	228.99	11.93	14.71	0.98	2.62	8
ADSK	Autodesk Inc	284.03	35.00	11.89	-	2.26	7
IDXX	Idexx Labs Inc	518.28	15.81	10.70	-	4.32	7
TXN	Texas Instrs	170.53	9.33	1.83	2.39	2.73	7
MSCI	Msci Inc-A	406.30	#N/A	10.22	0.77	#N/A	6
RGEN	Repligen	207.07	30.00	35.13	-	3.59	6
AMT	Amer Tower Corp	224.75	13.71	10.86	2.15	1.81	5
ANSS	Ansys Inc	338.46	#N/A	12.74	-	#N/A	5
CDNS	Cadence Design	138.02	11.10	8.59	-	5.80	5
ENPH	Enphase Energy	167.37	38.03	23.19	-	2.69	5
FLGT	Fulgent Genetic	102.75	#N/A	38.58	-	#N/A	5
IBKR	Interactive Brk	74.10	#N/A	15.21	0.54	#N/A	5
ALGN	Align Tech Inc	556.11	19.81	25.56	-	3.62	4
CELH	Celsius Holding	57.28	#N/A	50.66	-	#N/A	4
CGNX	Cognex Corp	81.42	#N/A	11.47	0.29	#N/A	4

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## Portfolio / Client Update

Market action continues to be very sloppy, as our money flows indicators suggested. However, the volatility this past week was extremely challenging, with sharp sell-offs followed by sharp rallies. Such makes the market very hard to navigate. With our money flow indicators still declining, we continued to reduce equity exposure and raised cash. We previously sharply reduced our bond exposures and sold our mortgage-backed securities, which "saved our bacon" this past week. Such was a point we specifically made last week:

*"We shortened our bond-duration more by eliminating our mortgage holdings. When interest rates rise, the duration of mortgages can get very long, very quickly. Such would increase volatility in our bond portfolio more than we want currently."*

As always, we continue watching our indicators closely. Despite the sell-off, our indicators don't suggest a significant correction is in the offing. However, if we break the 50-day moving average, we will get more defensive reasonably quickly.

### 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).

#### **\*\* Equity / ETF Portfolio ? Trade Update \*\*\***

*Portfolio Managers ? Michael Lebowitz/Lance Roberts*

*"Just as we did with the energy sector earlier this week, the financial stocks have now gotten extremely overbought. We are taking profits in these holdings and reducing positions back to original sizing." - 02/26/21*

#### **Equity Model:**

- Reduce GS and JPM back to 2% of the portfolio each.

#### **ETF Model**

- Reducing XLF back to 4% of the portfolio.

*"With interest rates spiking, we are worried about the impact of higher rates on not only the economy but valuations as well." - 02/25/21*

#### **Equity Model:**

- Selling 100% of LOW

#### **ETF Model**

- Reducing XLK by 2% of the portfolio from 13% to 11%.

*"After a rather significant runup in energy stocks since the beginning of the year, we are rebalancing our positions back to portfolio weightings. We are already overweight energy stocks relative to our benchmark index, so we are just reducing our holding back to their original weightings." - 02/24/21*

#### **Equity Model:**

- Reducing MRO and XOM back to 1% of the portfolio each.

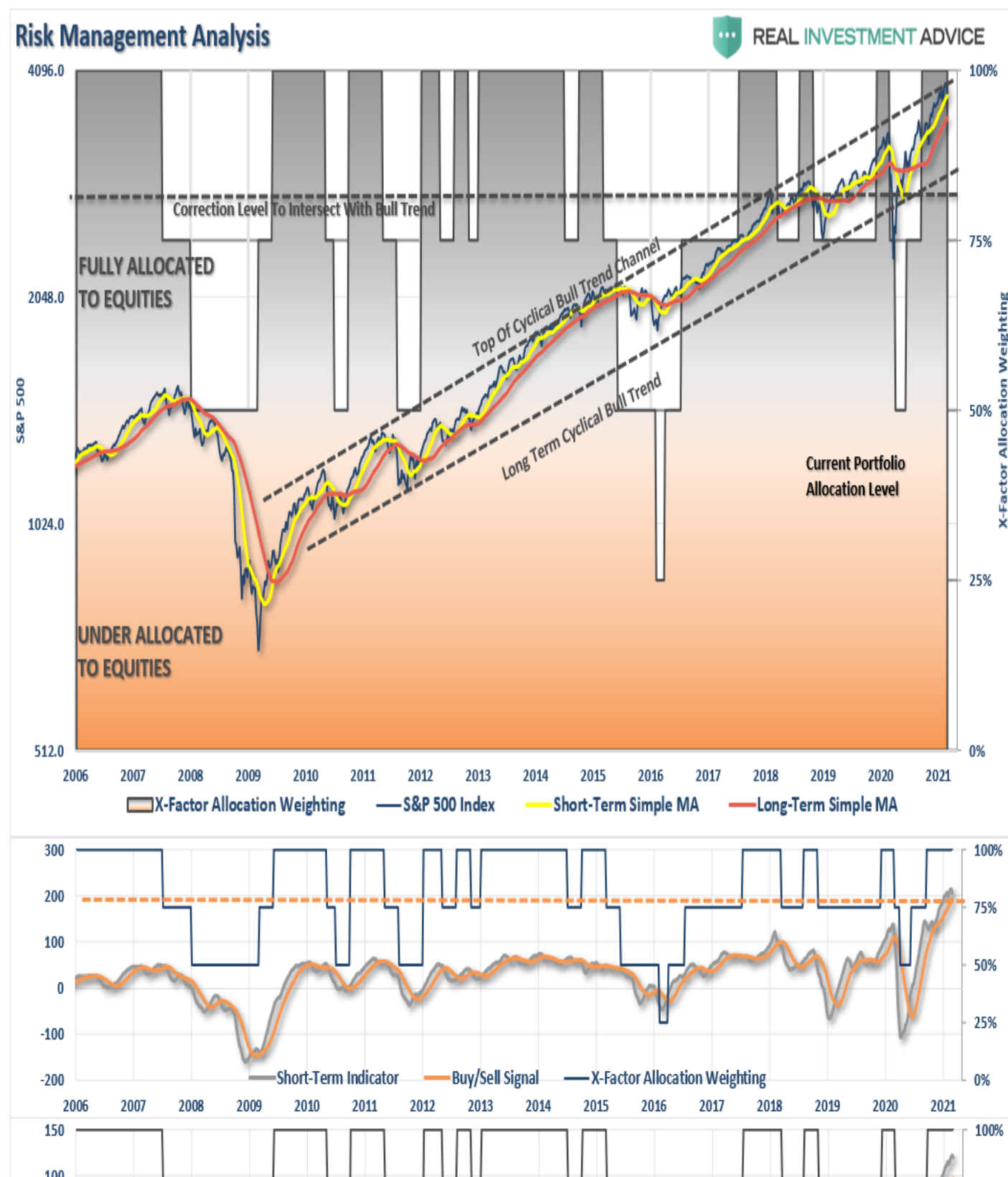
## ETF Model

- Reducing XLE back to 3% of the portfolio.

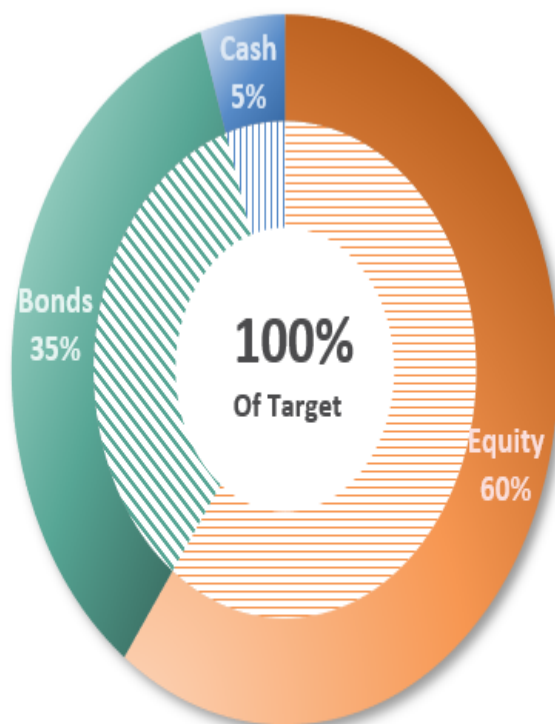
As always, our short-term concern remains the protection of your portfolio. We have now shifted our focus from the election back to the economic recovery and where we go from here. *Lance RobertsCIO*

# 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

We have been worried over the last couple of weeks about the potential for a short-term correction. That occurred this past week.

As stated last week: "Currently, all of our indicators remain positive, with money flows currently suggesting there is support for prices at current levels. However, those money flows are showing some signs of weakness which suggests that in the near future, the next few weeks, we will see a correction in the market similar to what we saw at the end of January or potentially more."

That definitely occurred this past week. I suspect we are past a bulk of the correction, and we will likely see a counter-trend rally next week particularly in the next stimulus bill advances in Congress. While there is a lot of risk built up in the market currently, there is not an immediate trigger to cause a reversion UNLESS interest rates continue to move higher.

Maintain exposures, but rebalance positions that have grown to outsize weightings in portfolio. Particularly



If you need help after reading the alert, do not hesitate to [contact me](#).

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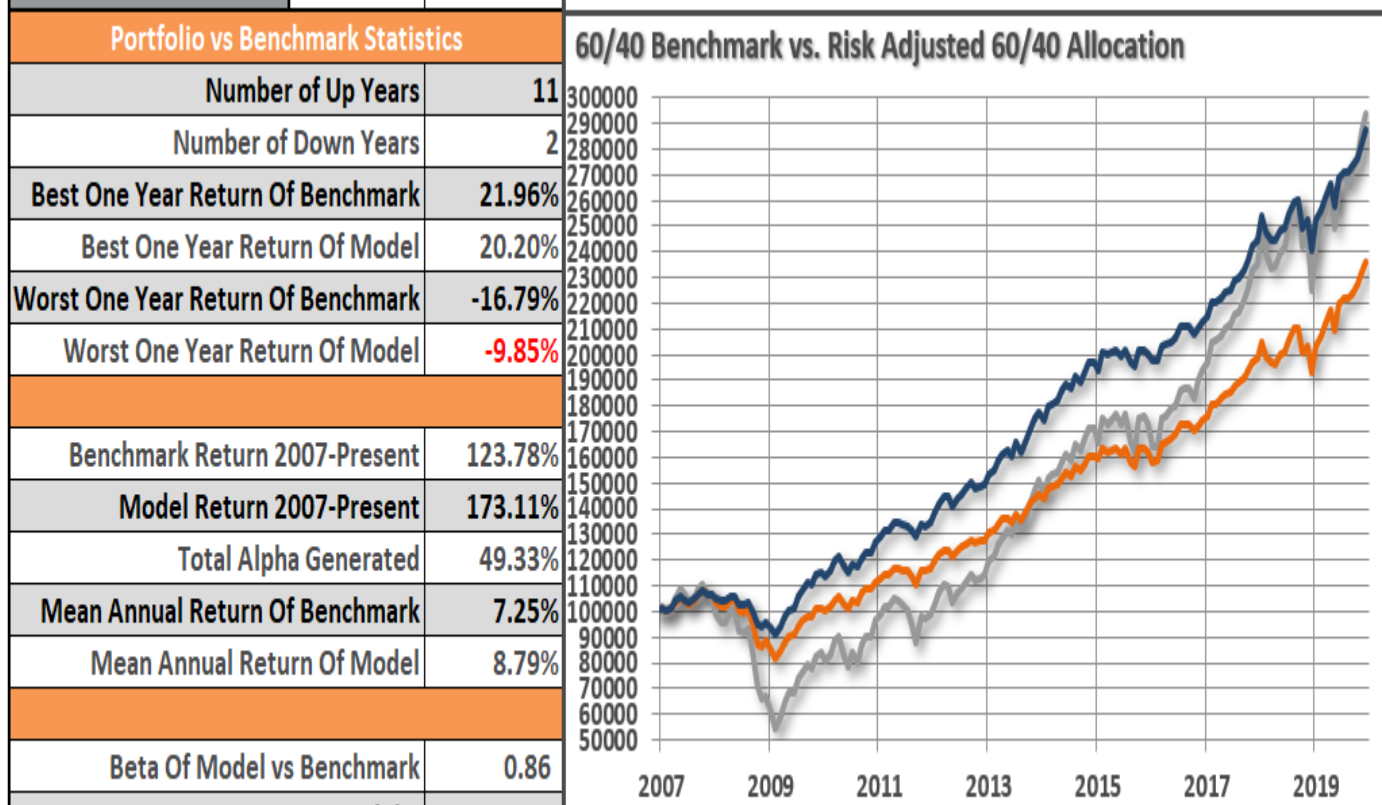
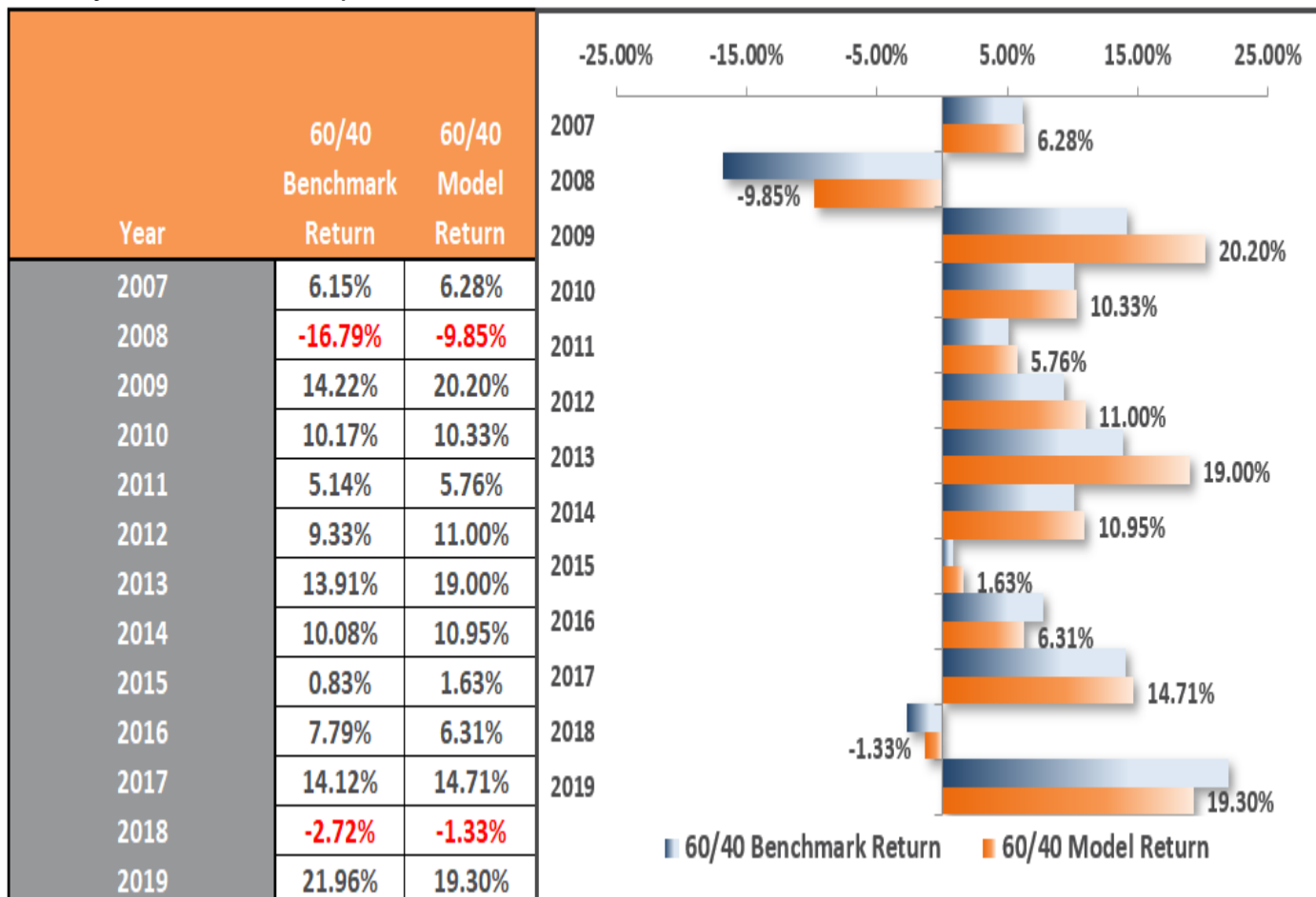
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*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance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

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This is the Beta version of 401K. Some Errors are expected ! Click Here to report Issues

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Add Portfolio

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Rename Portfolio

My InfoFund SelectionComparisonSummaryCommentary

My Portfolio

RIAPro PortfolioRIA 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

Fund	Allocation
VBTX	30.0 %
VFINX	20.0 %
VQMPX	20.0 %
VTMXX	0.0 %
VSMAX	0.0 %
CVS	10.0 %
STBYLU	10.0 %

RIAPro Fund Composition

Fund	Allocation
VFIAX	30.0 %
VBMAX	20.0 %
VTMXX	0.0 %
VBTX	20.0 %
VBTX	10.0 %
VMFXX	10.0 %
VSCIX	0.0 %

My Asset Composition

RIAPro Asset Composition