



*In this issue of "China, Yields, And The Coming Deflationary Impulse."*

- **Market Review And Update**
- **China Drives Inflation**
- **Yields Need A New Narrative**
- **Portfolio Positioning**
- **#MacroView: Bear Markets Matter More Than You Think**
- **Sector & Market Analysis**
- **401k Plan Manager**

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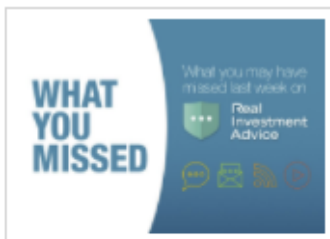


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## Catch Up On What You Missed Last Week



### #WhatYouMissed On RIA This Week: 05-28-21

Written by Lance Roberts | May 28, 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

Finally, after a week of false starts, the *"buy signals"* kicked in, and the markets mustered a rally. [As we stated last week:](#)

**"With markets deeply oversold on a short-term basis and with signals at levels that generally precede short-term rallies, the rally on Thursday and Friday was not unexpected.** Notably, the S&P 500 held support at the 50-dma and rallied back into the previous trading range.

*On Wednesday, the Nasdaq triggered its short-term "buy signal," which will likely provide some relative outperformance over the S&P 500. It will be important for the Nasdaq to hold above the 50-dma into next week"*

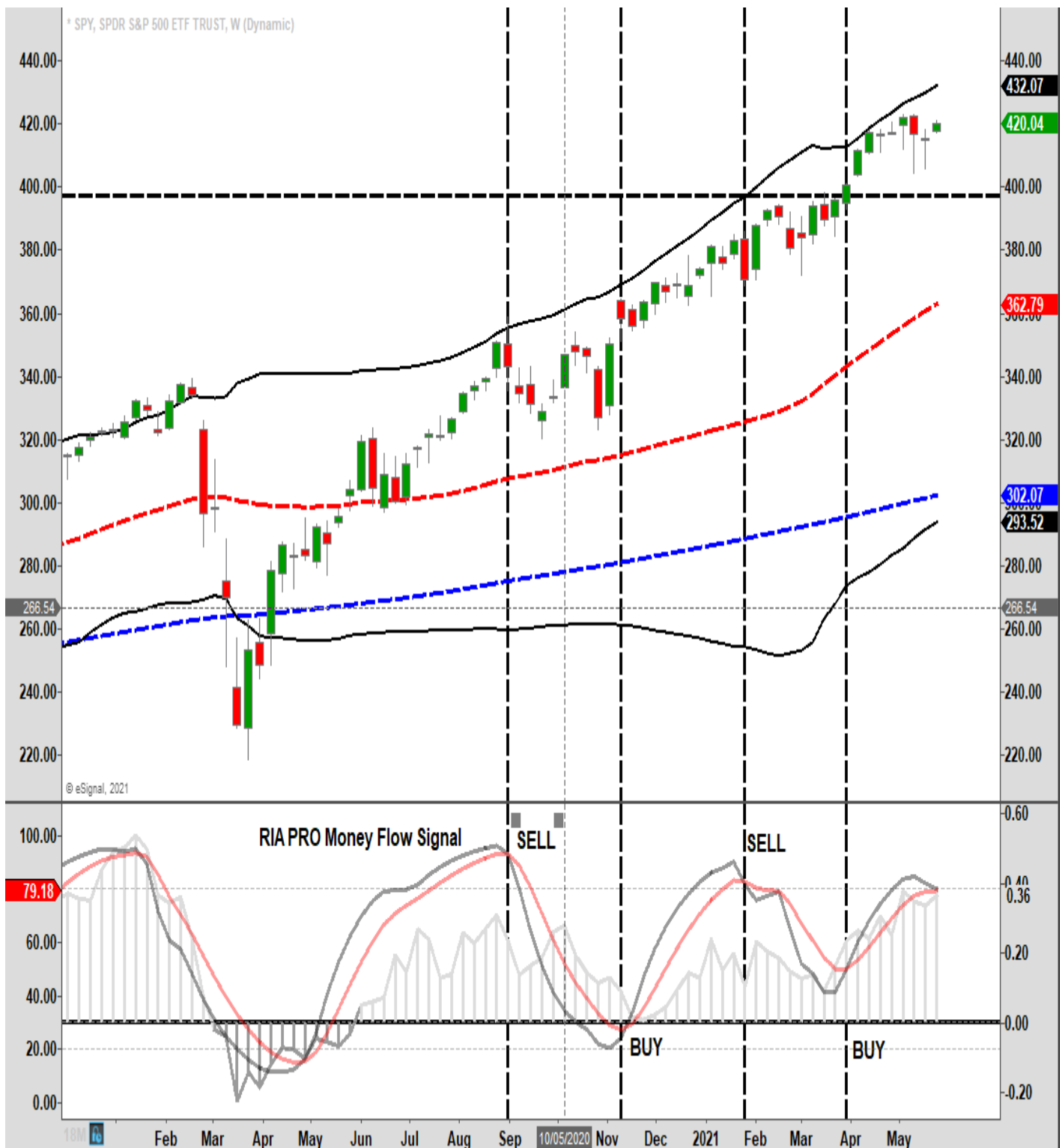
The good news is that we did indeed get the rally we were expecting. The not-so-good news is that the rally already consumed a majority of the *"buy signal."* Such does not mean the market is about to correct; it does suggest that upside remains limited near term.



However, the S&P 500 buy signal has a bit more room to run. Such suggests we may see some relative performance pickup between the S&P 500 and the Nasdaq over the next week or so.



Our more significant concern remains the weekly "sell signal." Historically, these weekly signals typically denote periods of more significant volatility swings or corrections. The biggest correction risk comes when the daily and weekly signals align.



Importantly, these weekly sell signals do not always resolve into a correction. However, by the time you realize a correction has started, it is often too late to do much about it. **Therefore, we tend to take these weekly signals at face value and adjust our risk exposures accordingly.**

## Still Expecting A Bigger Correction

As discussed over the last few weeks, we still expect a more extensive correction this summer. Currently, the markets are in an exceptionally long stretch in the market without a 5% pullback, so the odds are rising.

Importantly, as noted in this week's ["3-Minutes"](#) video below, the one thing we continue to watch very closely is interest rates.

<https://www.youtube.com/watch?v=CnfBuTlza1M>

Wall Street analysts continue to ratchet up earnings at one of the fastest paces on record. For earnings to meet these rather lofty expectations, economic growth must sustain a very high growth rate into 2022. However, interest rates peaked a couple of months ago suggesting economic growth will weaken in the months ahead.



If rates are sniffing out slower economic growth as stimulus fades from the system, the earnings are at risk of fairly significant downward revisions. In the market figures this out, a repricing of assets is likely.

Such is why we continue to suspect a 5-10% correction is a higher probability than most think.



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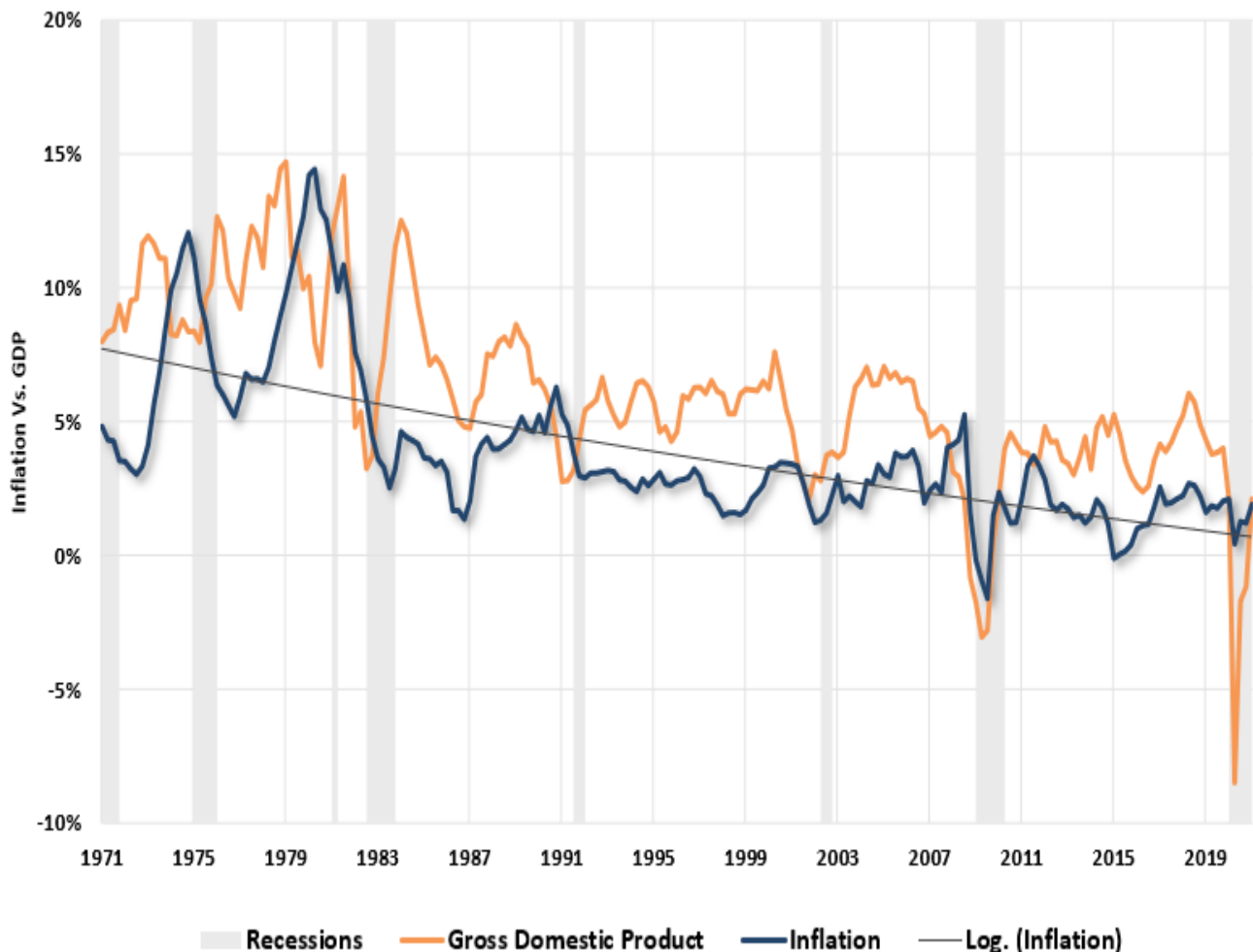
### Inflation Is Likely Transient

We previously discussed that inflation might indeed be more transitory given the impacts creating increased prices were artificial. (*i.e., stimulus, semi-conductor shortages, and pandemic-related shutdowns.*) [To wit:](#)

*"Inflation is and remains an always 'transient' factor in the economy. As shown, there is a high correlation between economic growth and inflation. As such, given the economy will quickly return to sub-2% growth over the next 24-months, inflation pressures will also subside."*

### Inflation Is Always Transient

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*"Significantly, given the economy is roughly comprised of 70% consumption, sharp spikes in inflation slows consumption (higher prices lead to less quantity), thereby slowing economic growth. Such is particularly when inflation impacts things the bottom 80% of the population, which live paycheck-to-paycheck primarily, consume the most."*



However, another important factor behind inflationary pressures is an individual's own actions. As noted last week by Soci•t• G•n•rale's Albert Edwards:

***"Surveys suggest that inflation fears have become investors' number one concern. But why look at it that way? We could equally say it is investors' own bullishness on the strength of this economic cycle that is driving prices sharply higher in the most cyclically exposed equity sectors and industrial commodities."***

[Bloomberg's John Authers](#) discussed the same, noting a ["reflexivity"](#) to investors' belief in rising inflation.

*"In inflation, as in many other areas of economic life, perceptions can form reality, and that is certainly true of inflation. The University of Michigan monthly survey of consumers' expectations perennially shows shoppers foreseeing more inflation than will in fact arrive. The important factor here is the direction of travel. **If they are more worried about inflation, they will do more to guard against it, which will tend to push up prices.**"*

## China Drives Inflation

Such is an important point, as Albert notes:

*"When investors pile into commodities as an investment vehicle to benefit from rising inflation, they create substantial upstream cost pressures. Beyond the cascading effect of upstream commodity price pressures, headline CPIs are also quickly impacted as food and energy prices rip higher."*

In other words, investors cause inflation by their actions. However, this is where Albert keys in on another critical driver of inflation.

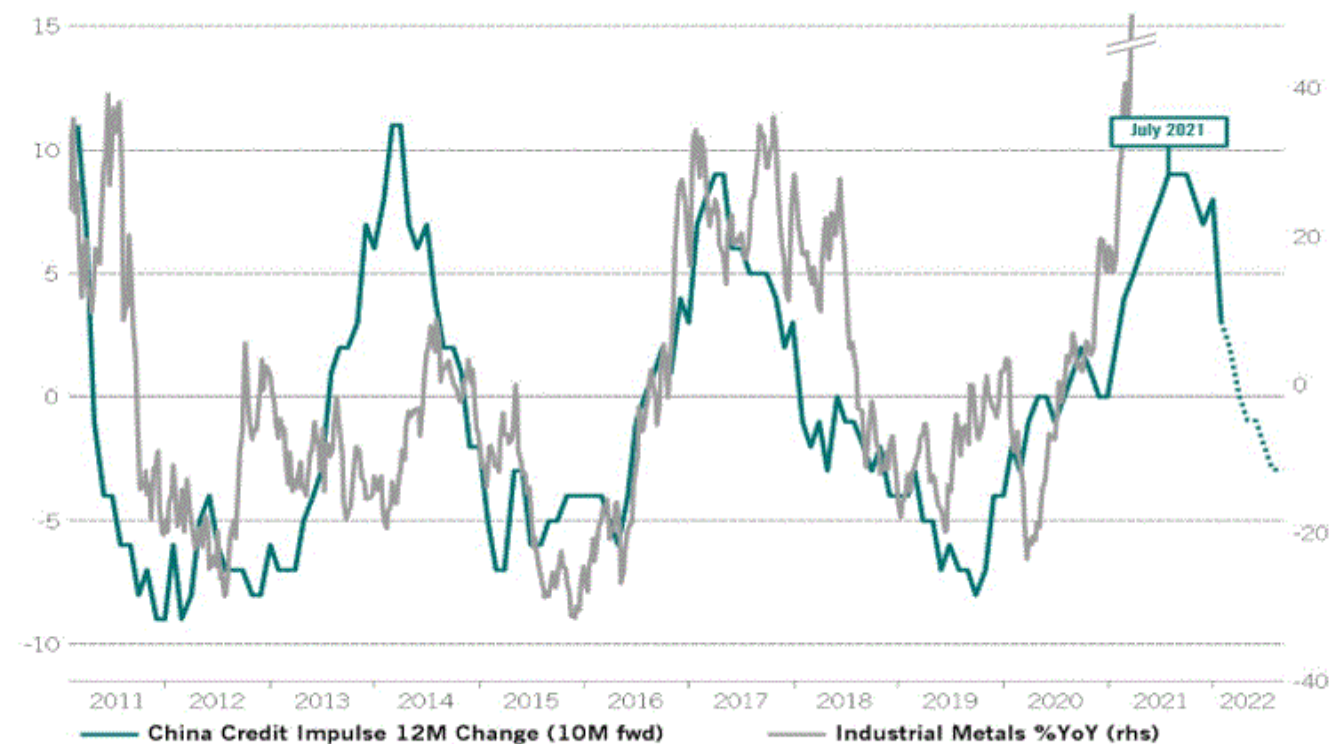
*"In addition to this, the observation by investors that industrial commodity prices are rising only serves to reaffirm their belief about cyclical strength and rising inflation, most especially 'Dr. Copper.'" Many investors see copper as extremely sensitive to economic conditions.*

***The circular, or as George Soros terms it, 'reflexive' nature of financial markets makes them extremely vulnerable to being whipsawed. Yet because of the current extreme momentum, it would take a very heavy weight of evidence to convince this market to reverse direction.***

***We continue to highlight that commodity prices are at high risk of a major reversal because of the steep downturn in the Chinese Credit Impulse. We have highlighted this before and we are not alone. Julien Bittel of Pictet Asset Management posted the following chart."***



## China Credit Impulse 12 Month Change vs. Industrial Metals\* % Change YoY



Source: Datastream, Bloomberg, Pictet Asset Management  
\*S&P GSCI Industrial Metals Index (Total Return)

Source: Pictet Asset Management

***"When commodity prices do start to fall, expect a major reversal in inflation sentiment. Furthermore, expect momentum to become as self-reinforcing and reflexive on the way down just as it was on the way up."***

As we discussed previously, this is what the bond market is already pricing in.

## Real Investment Report

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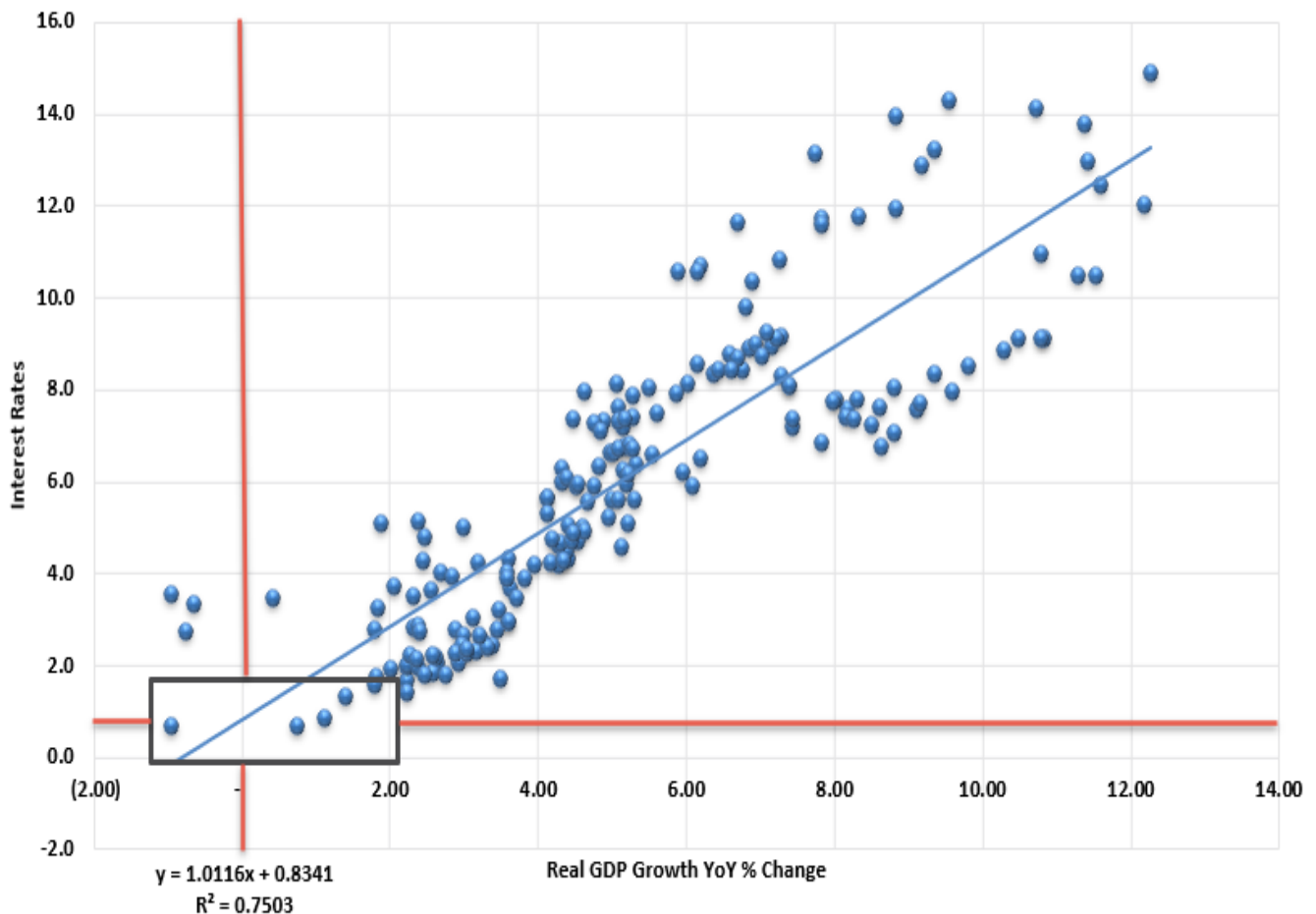
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## Yields Need A New Narrative

While investors expect surging inflation, the bond market continues to price in weaker future economic growth. As noted in [?No, Bonds Aren't Over-Valued.?](#)

***?The correlation between rates and the economic composite suggests that current expectations of sustained economic expansion and rising inflation are overly optimistic. At current rates, economic growth will likely very quickly return to sub-2% growth by 2022.?***

**Note: The ?economic composite? is a compilation of inflation (CPI), economic growth ([GDP](#)), and wages.**



Currently, as shown in our opening commentary, yields have remained range-bound between 1.5-1.6%. Such suggests that expectations for price pressures have moderated.

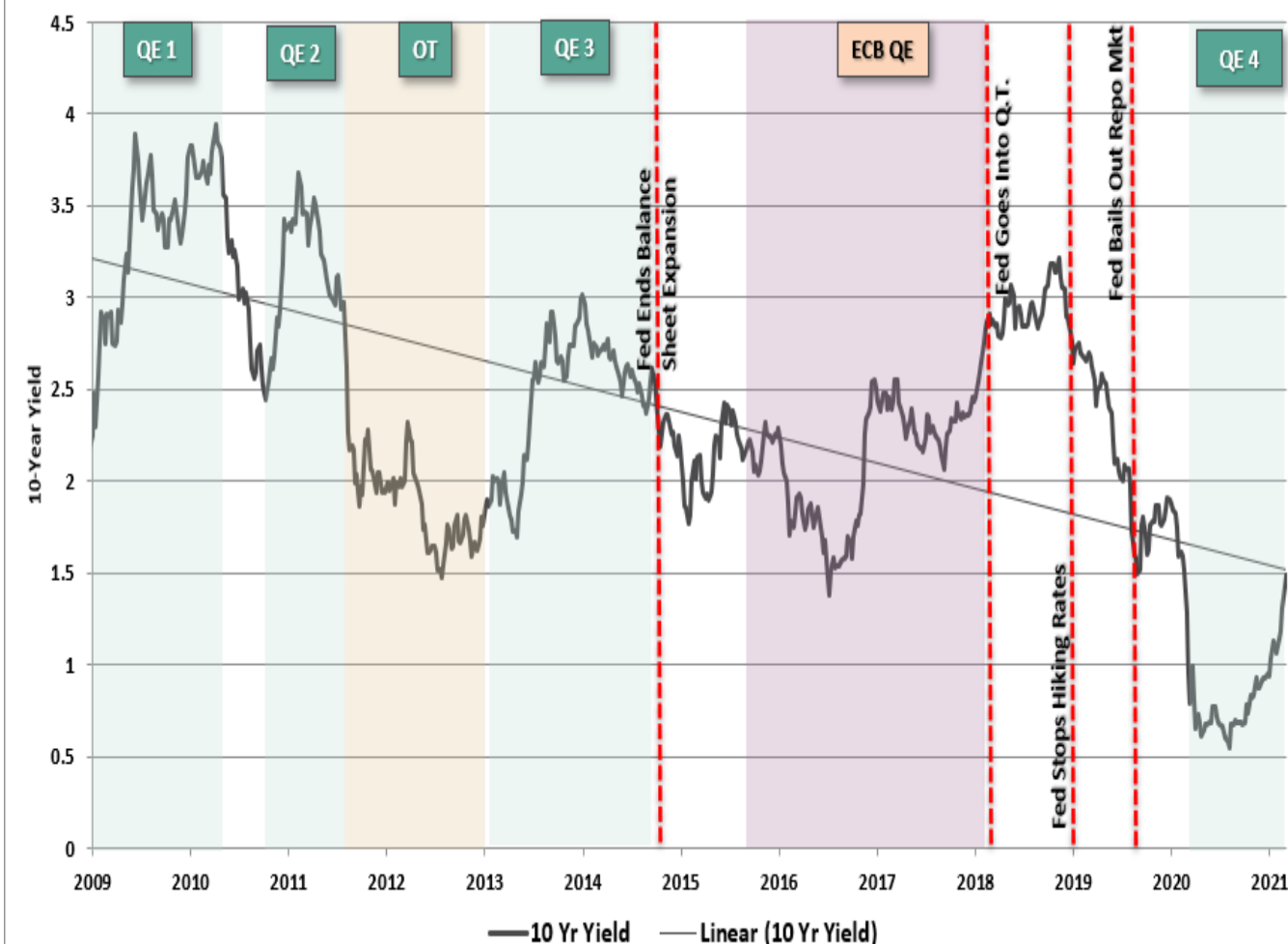
While the markets wonder when the Fed will start to talk more about tapering the bond purchases, yields are currently suggesting inflation may not be the real *"risk."*

**The most considerable risk is a divergence among Fed policymakers which possibly leads to a policy mistake of tapering too quickly or even hiking rates.**

The majority of the inflation and economic growth pressures are artificial, stemming from the stimulus injections over the last year. **However, with those inputs fading as year-over-year comparisons become more challenging, the *"deflationary"* impact could be more significant than expected.**

There is also one other point about the Fed tapering the purchases. As shown in the chart below, **rates rise during phases of QE as money rotates from bonds to stocks for the *"risk-on"* trade. The opposite occurs when they start to taper, suggesting a decline in rates if *"taper talk"* increases.**

## Fed Operations & The Effect On Yields



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## Earnings Yields Are A Problem

Switching from economics to equities, the recent spike in inflation has caused a drop in the "earnings yield" into negative territory.

Let's start with [what is "earnings yield."](#)

*?Earnings yield has been the cornerstone of the ?Fed Model? since the early ?80s. The Fed Model states that when the earnings yield on stocks (earnings divided by price) is higher than the Treasury yield, you should invest in stocks and vice-versa.?*

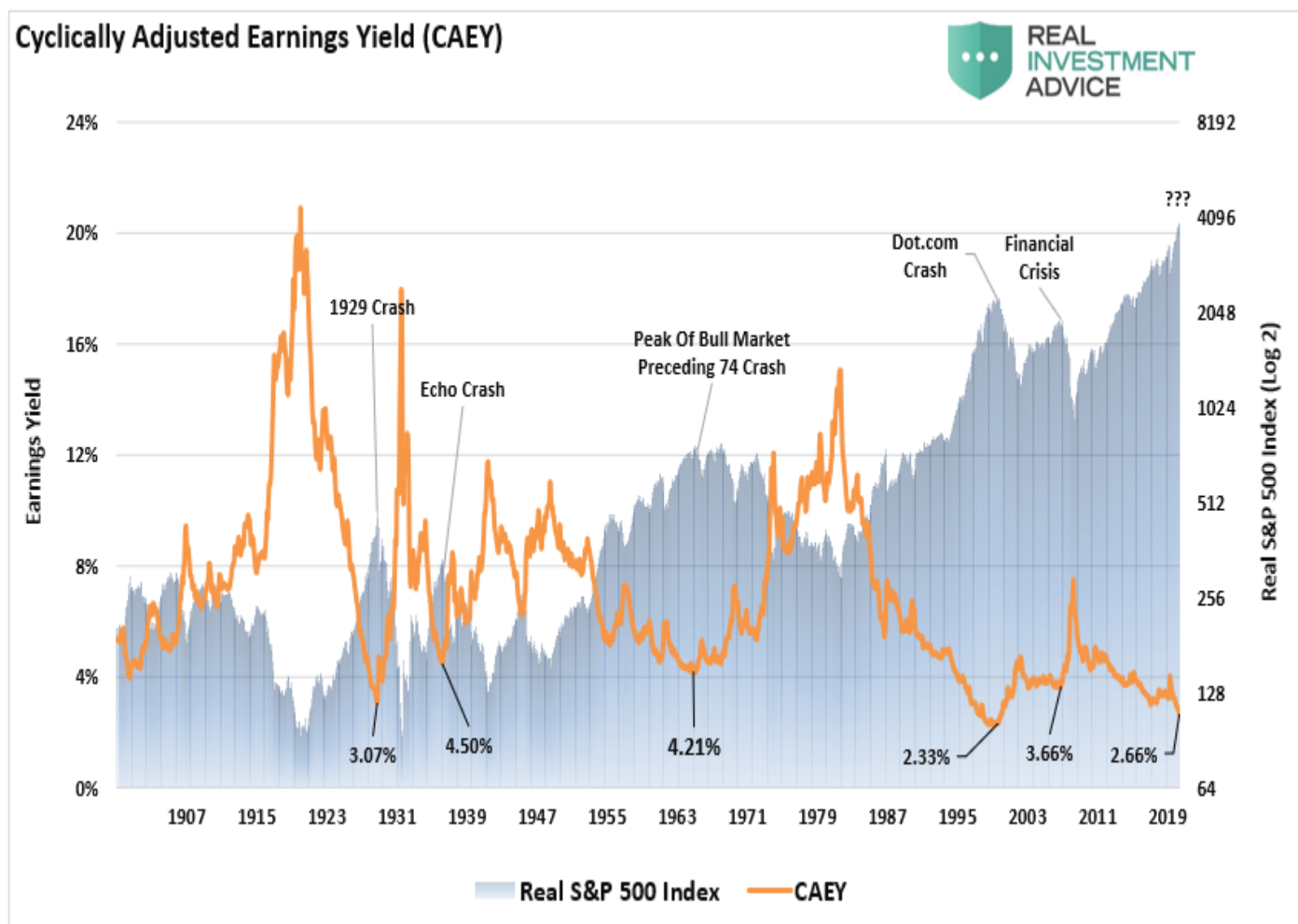
The problem here is two-fold.

1. **You receive the income from owning a Treasury bond, whereas there is no tangible return from an earnings yield.** For example, if we purchase a Treasury bond with a 5% yield and stock with an 8% earnings yield, **if the price of both assets remains stable for**

**one year, the net return on the bond is 5% while the return on the stock is 0%.**

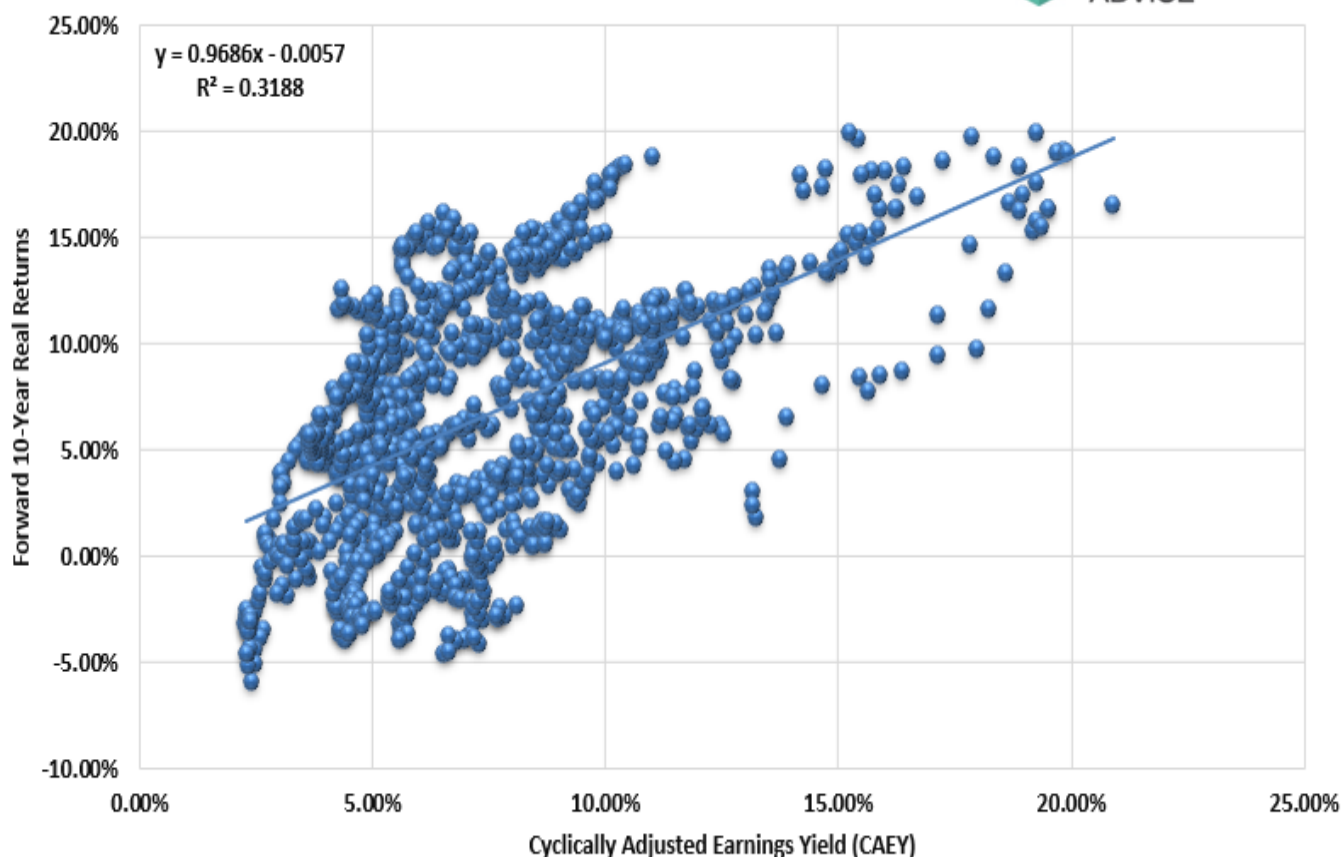
- 2. Unlike stocks, bonds have a finite value.** At maturity, the principal gets returned to the holder along with the final interest payment. **However, stocks have price risk, no maturity, and no repayment of the principal feature. The risk of owning a stock is exponentially more significant than holding a ?risk-free? bond.**

If we look at periods of exceptionally low earnings yields compared to the market, we find a better correlation to corrections and outright bear markets.



As shown, there is a reasonable correlation between low earnings yields and low forward returns. **Historically speaking, with an earnings yield of 2.66%, forward returns over the next decade should somewhere between +2% and -5%.**

## Cyclically Adjusted Earnings Yield (CAEY) Vs Forward Returns



But what about the NEGATIVE yield?

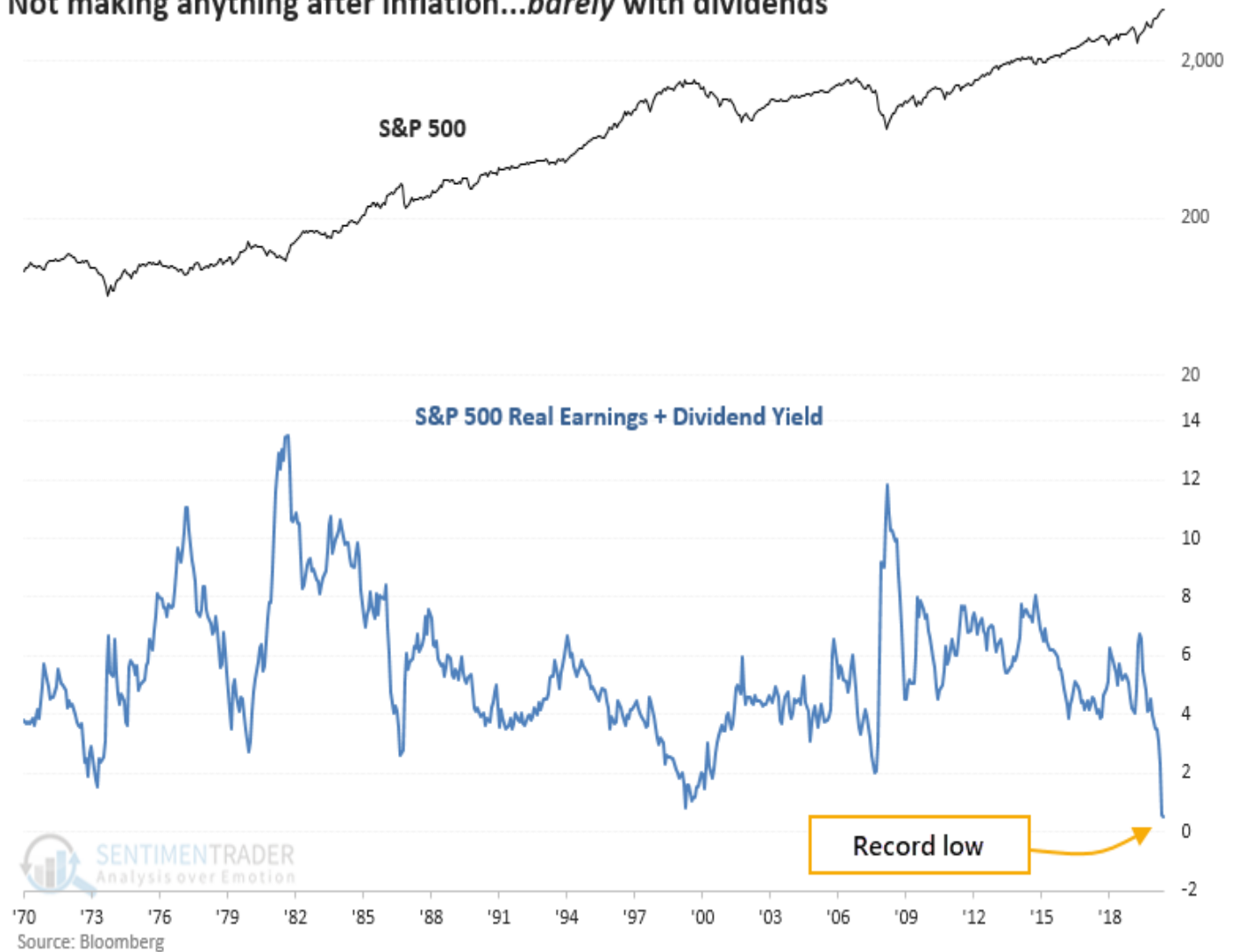
### Negative Real Yields Are A Bigger Problem

An interesting note this past week from [Sentiment Trader](#) discussed the outcomes for markets when inflation-adjusted earnings yields are negative.

*"Until recently, one of the main arguments for stocks was that even though they weren't yielding much, at least they were earning more than Treasuries, even after accounting for inflation. **Now that there has been a spike in inflation gauges, the earnings yield on the S&P 500 has turned negative. This is not a condition that investors have had to tackle much over the past 70 years.***

*When an investor in the S&P adds up her dividend check and share of earnings, then subtracts the loss of purchasing power from inflation, she's barely coming out even. **This is a record low, dating back to 1970, just eclipsing the prior low from March 2000.***

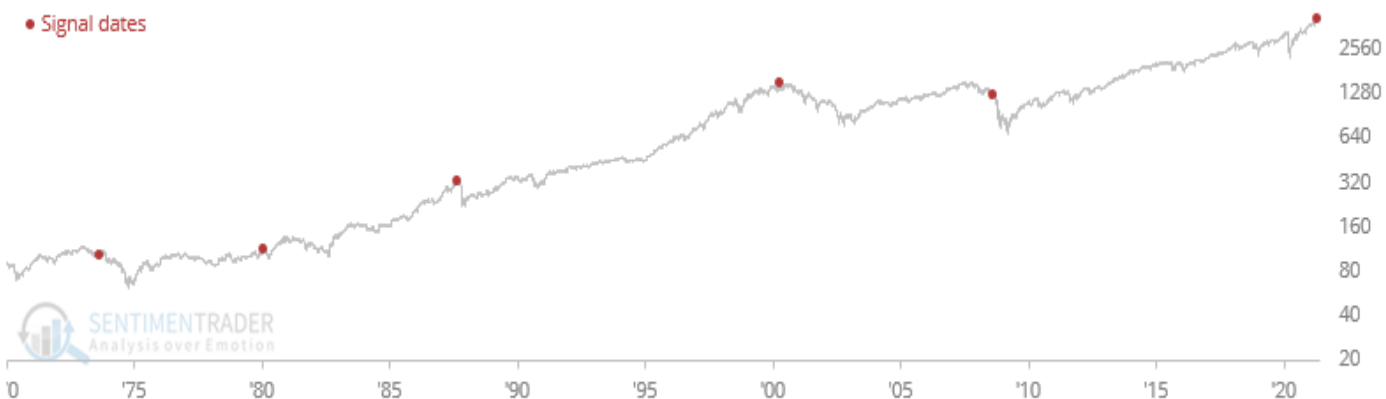
## Not making anything after inflation...barely with dividends



*"If we ignore dividends, then there have been five other times when the S&P 500's inflation-adjusted earnings yield turned negative. You may want to close one eye and use the other to look askance at the table because it's not pretty."*



## S&P 500 after real earnings yield turns negative, 1st time in > 3 years



Signals (5)	1 Month	3 Months	6 Months	9 Months	1 Year	2 Years	3 Years
1973-08-31	4.4	-8.0	-8.4	-14.5	-30.8	-16.7	-2.7
1980-01-31	-1.5	-7.6	6.6	12.0	13.5	5.5	26.4
1987-08-31	-2.4	-30.2	-19.0	-20.5	-20.5	6.8	-2.5
2000-03-31	-3.5	-2.9	-4.1	-11.9	-23.5	-25.4	-41.4
2008-07-31	1.2	-26.6	-34.8	-30.8	-22.1	-11.2	1.5
2021-04-30							
<b>Median</b>	<b>-1.5</b>	<b>-8.0</b>	<b>-8.4</b>	<b>-14.5</b>	<b>-22.1</b>	<b>-11.2</b>	<b>-2.5</b>
<b>% Positive</b>	<b>40%</b>	<b>0%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>40%</b>	<b>40%</b>
Avg Risk	-1.6	-14.0	-14.0	-16.7	-32.1	-35.6	-40.3
Avg Reward	3.0	3.0	3.0	3.0	3.0	6.8	7.6
% Big Drop	40	100	80	100	100	80	80
% Big Rise	20	0	0	0	20	0	0
Z-Score	-1.6	-1.8	-1.8	-3.0	-4.0	-4.7	-2.8

© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

The issue of negative earnings yield tells you three things:

1. *The market is hugely overvalued relative to the strength of underlying earnings.*
2. *Expectations for future earnings growth are unlikely to match current expectations leading to a future repricing of risk.*
3. *Bond yields are confirming that both economic and earnings growth has likely peaked.*

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## Portfolio Update

This past week we started trimming back on our QQQ index trading position to lock in some recent gains. Given that markets are still bullishly biased, we continue to hold our core equity positions for now.

However, we are closely watching our weekly indicators, which continue to approach the next "sell signal." **While such doesn't mean the markets will have a deep correction, as noted, it typically suggests a pick-up in volatility and investment risk. For us, we would prefer to rebalance exposures and wait for the next buying opportunity to come along.**

Let me reiterate from above.

**The biggest problem is that technical indicators do not distinguish between a consolidation, a correction, or an outright bear market.** As such, if you ignore the signals as they occur, by the time you realize it's a deep correction, it is too late to do much about it.

**Therefore, we must treat each signal with the same respect and adjust risk accordingly. The opportunity costs of doing so are minimal.**

If we reduce risk and the market continues to rise, we can quickly increase our exposures. Yes, we sacrifice some short-term performance. However, if we reduce risk and the market declines sharply, we not only protect our capital during the decline but have the cash to deploy at lower price levels.

**Such is the biggest problem with "buy and hold" strategies.** Yes, you will perform in line with the market, but given that you didn't "sell high," there is no cash available with which to "buy low" in the future.

**While I agree you can not "time the markets," [you can "manage risk" to improve your long-term outcomes.](#)**

For us, that is our primary focus.

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## The MacroView



### **#MacroView: Bear Markets Matter More Than You Think (Part-2)**

Written by Lance Roberts | May 28, 2021

In part-1, we discussed the differences between a "correction" and a "bear market." But what is often missed by mainstream analysis is the long-term damage done to investor's financial outcomes. Bear markets matter more than you think.

[>> Read More](#)

If you need help or have questions, we are always glad to help. [Just email me.](#)

See You Next Week

**By Lance Roberts, CIO**

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## Market & Sector Analysis

***Analysis & Stock Screens Exclusively For RIAPro Members***

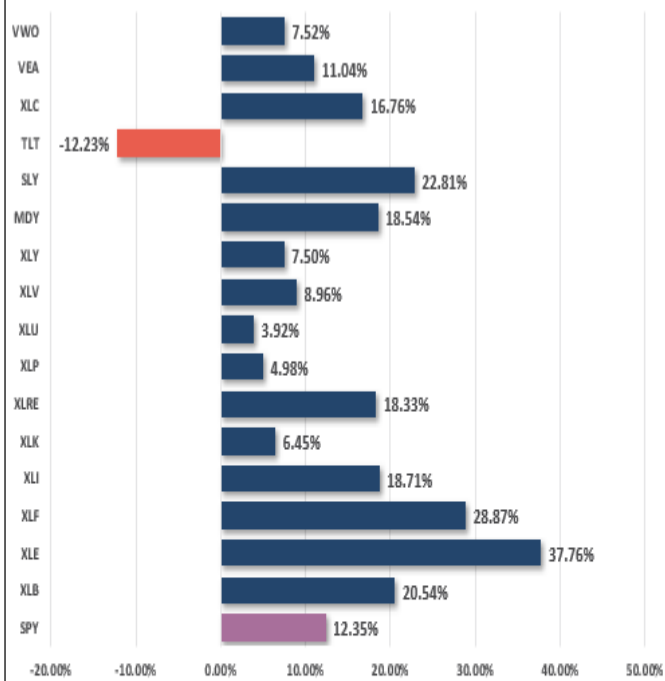
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# S&P 500 Tear Sheet

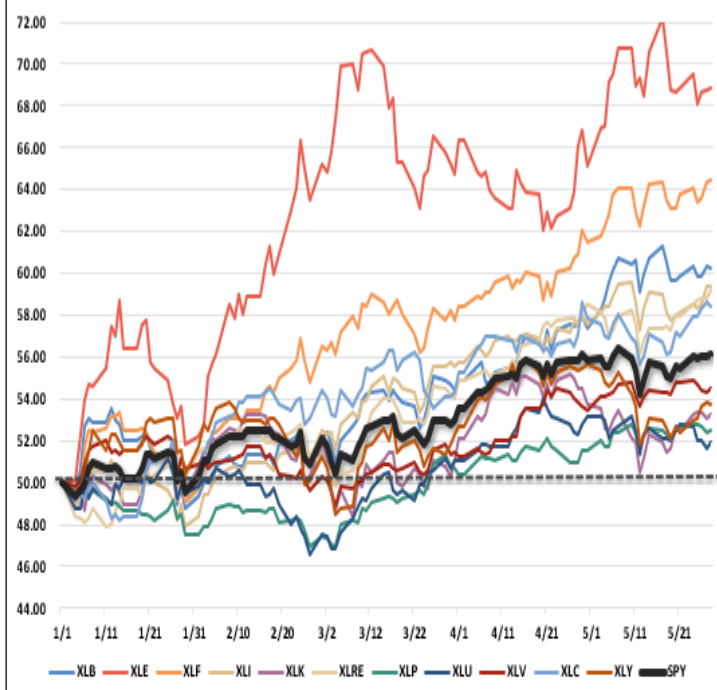
3 Month SPY Price									SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
									Item		T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
									Price Return		49.93%	38.64%	12.35%	(68.05%)
									Max Drawdown		(35.63%)	(10.86%)	(5.65%)	(47.92%)
									Sharpe		1.00	2.51	2.41	(0.04)
									Sortino		1.06	2.98	3.37	0.13
									Volatility		25.43	16.97	14.44	(0.15)
									Daily VaR-5%		(13.08)	14.66	11.09	(0.24)
									Mnthly VaR-5%		(9.06)	23.52	24.78	0.05
									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	1.81%	1.91%	1.30%	(46.86%)	2.14%	1.29%	(39.49%)	0.58%	Shares	3,080.4	2,990.7	(2.91%)		
P/E Ratio	17.74	19.71	27.75	28.95%	2727%	1606%	1.7%	72.83%	Sales	71,821	71,669	(0.21%)		
P/S Ratio	3.93	3.63	5.19	29.99%	5.16	3.23	0.49%	60.73%	SPS	23.3	24.0	2.78%		
P/B Ratio	5.14	5.08	6.98	27.19%	6.57	4.15	6.25%	67.99%	Earnings	11,113	11,760	5.82%		
ROE	21.73%	21.32%	22.80%	6.48%	22.80%	17.60%	0.00%	29.52%	EPS TTM	4.5	4.5	0.13%		
ROA	4.26%	4.09%	4.07%	(0.49%)	4.31%	3.50%	(5.63%)	16.02%	Dividend	1.6	1.6	(1.10%)		
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	33.84%	2.79%	1.89	(277.56)	121.96	(181.42)	(327.6%)	(0.1%)	4.2%	-0.50%	2.50	18.21		
Materials	58.15%	2.80%	1.20	27.13	26.42	14.16	2.7%	11.1%	1.7%	3.23%	4.67	19.31		
Industrials	52.39%	8.83%	1.18	54.10	54.29	14.68	(0.3%)	4.9%	1.3%	1.79%	4.11	24.97		
Discretionary	52.19%	12.12%	1.36	53.61	60.06	20.97	(10.7%)	24.5%	0.6%	1.96%	5.09	37.29		
Staples	20.04%	6.03%	0.64	23.02	22.83	17.65	0.8%	29.7%	2.4%	4.35%	4.37	21.21		
Health Care	19.18%	12.97%	0.77	18.61	19.45	15.10	(4.3%)	29.9%	1.6%	5.12%	7.72	16.79		
Financials	59.20%	11.79%	1.34	17.07	18.48	10.52	(7.6%)	9.3%	1.5%	5.78%	6.47	14.33		
Technology	44.51%	26.32%	1.07	31.56	32.81	16.50	(3.8%)	65.9%	0.9%	3.18%	5.64	27.08		
Telecom	48.12%	11.13%	0.97	27.61	28.18	17.61	(2.0%)	16.4%	0.6%	3.14%	8.29	22.83		
Utilities	9.79%	2.56%	0.41	20.17	22.09	16.35	(8.7%)	10.6%	3.2%	4.92%	3.47	19.53		
Real Estate	25.22%	2.54%	0.95	24.86	23.50	17.12	5.8%	6.6%	2.5%	4.21%	4.33	23.28		
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	420.04	7.85%	410.67	50	2.28%	374.88	240	12.05%	9.55%	(0.66%)	42.16%	Buy		
Mid Cap	497.76	4.62%	489.11	7	1.77%	424.62	176	17.23%	15.19%	(1.94%)	60.48%	Buy		
Small Cap	97.68	1.19%	95.17	3	2.63%	81.30	173	20.14%	17.06%	(2.04%)	75.27%	Buy		

# Performance Analysis

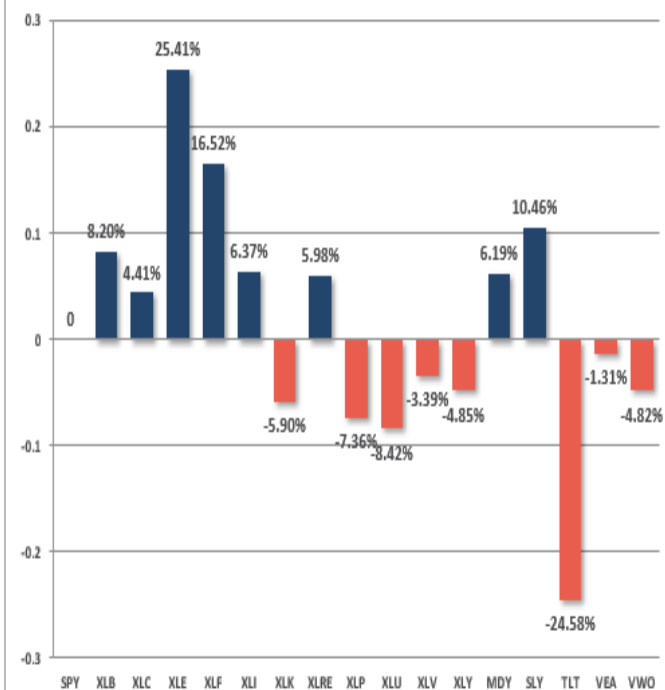
## Year To Date Performance



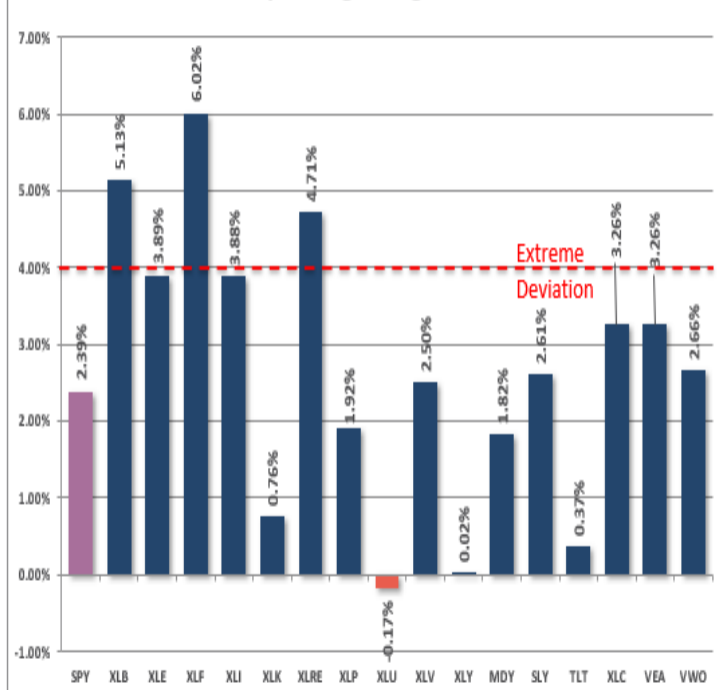
## YTD Price - S&P Sectors Recalibrated To \$50/share



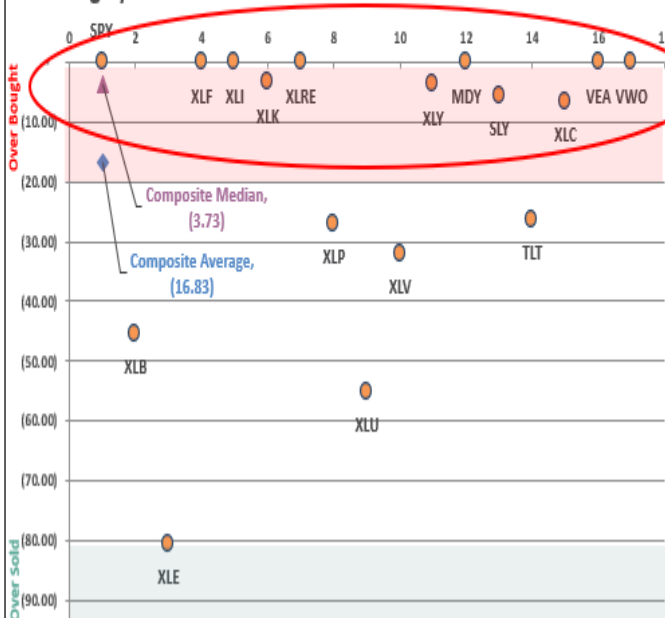
## Year To Date Performance Relative To S&P 500



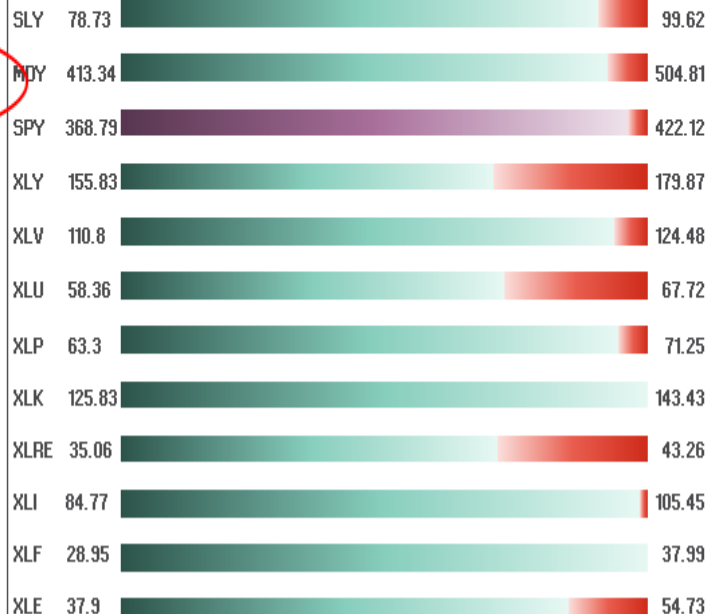
## Price Deviation From 50-Day Moving Average



## Overbought/Oversold 14-Periods



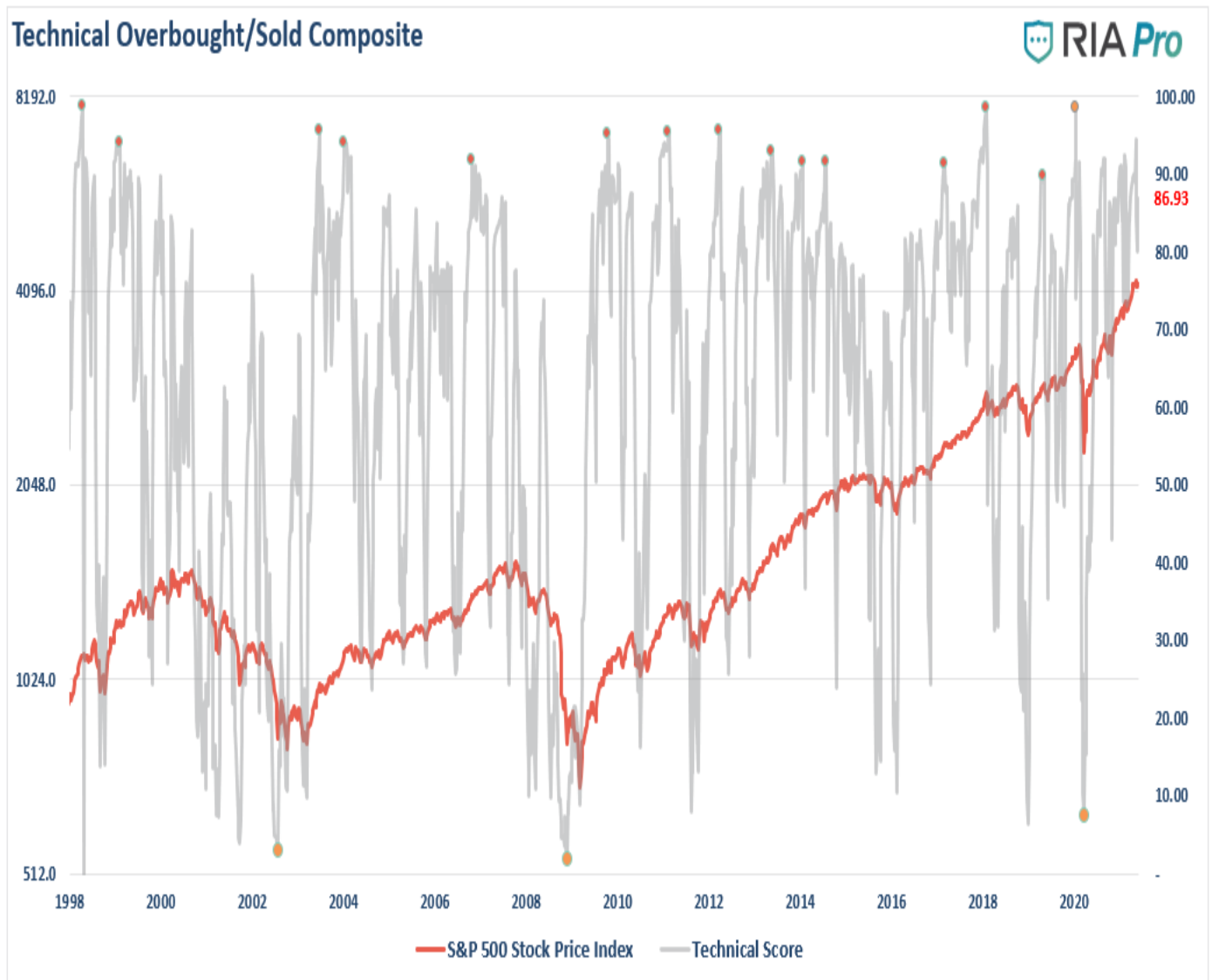
## Size / Sector ETF YTD Trading Range



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## 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" are oversold. **The current reading is 84.70 out of a possible 100.**



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## Portfolio Positioning "Fear / Greed" Gauge

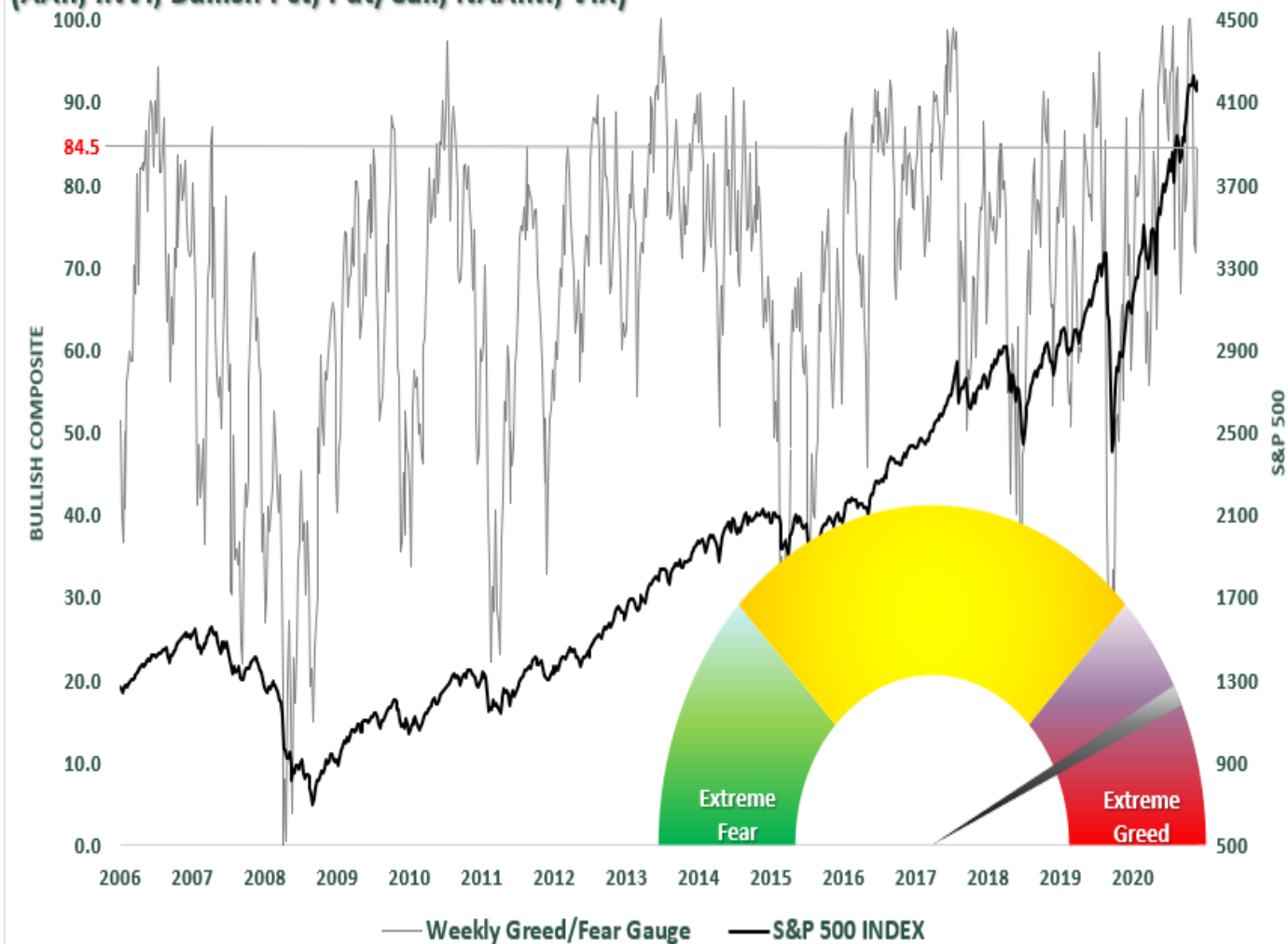
The "Fear/Greed" gauge is how individual and professional investors are "positioning" themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing 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 **84.5 out of a possible 100.**



## MARKET GREED/FEAR INDEX

(AII, INVI, Bullish Pct, Put/Call, NAAIM, VIX)



## Sector Model Analysis & Risk Ranges

### How To Read This Table

- The table compares each sector and market to the S&P 500 index on relative performance.
- "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.
- 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	421.65	1.22	0.66	9.50	14.70	38.16	407.27	382.72	418.88	0.99	429.35	408.41	4%	10%	BULLISH
XLB	SPDR-MATLS SELS	87.26	(0.46)	4.42	6.37	8.38	19.20	81.70	75.02	83.04	1.07	86.00	80.08	7%	16%	BULLISH
XLC	SPDR-COMM SV SS	78.79	1.29	0.29	(2.11)	3.01	7.69	75.77	69.75	78.05	0.99	80.77	75.33	4%	13%	BULLISH
XLE	SPDR-EGY SELS	52.21	(1.12)	5.05	(10.90)	12.27	(3.46)	50.57	42.85	49.39	1.75	51.49	47.29	3%	22%	BULLISH
XLF	SPDR-FINL SELS	37.99	(0.13)	4.11	3.20	18.79	24.12	35.44	31.15	36.26	1.20	37.60	34.92	7%	22%	BULLISH
XLK	SPDR-TECH SELS	138.40	0.41	(1.59)	(2.17)	(3.35)	3.10	135.96	129.93	139.70	1.03	144.64	134.76	2%	7%	BULLISH
XLI	SPDR-INDU SELS	105.12	0.80	2.47	3.00	3.72	17.18	99.82	91.51	101.93	1.19	105.70	98.16	5%	15%	BULLISH
XLP	SPDR-CONS STPL	70.81	(1.51)	1.11	(0.06)	(9.51)	(18.61)	68.55	66.93	69.58	0.62	71.75	67.41	3%	6%	BULLISH
XLRE	SPDR-RE SELS	43.26	0.96	0.48	7.93	4.57	(13.32)	40.59	38.13	42.77	0.68	44.13	41.41	7%	13%	BULLISH
XLU	SPDR-UTIL SELS	65.16	(2.73)	(3.00)	(0.32)	(10.01)	(29.00)	64.36	63.47	66.72	0.35	68.62	64.82	1%	3%	BULLISH
XLV	SPDR-HLTH CR	123.60	(1.83)	1.21	(0.14)	(4.02)	(18.18)	119.12	114.67	121.33	0.77	125.29	117.37	4%	8%	BULLISH
XLV	SPDR-CONS DISCR	172.84	1.33	(4.06)	0.72	(4.11)	1.01	170.78	163.83	178.92	1.13	185.42	172.42	1%	5%	BULLISH
XTN	SPDR-SP TRANSP	90.91	0.68	1.59	(0.82)	11.06	35.99	88.18	76.94	88.91	1.40	92.38	85.44	3%	18%	BULLISH
SDY	SPDR-SP DIV ETF	125.41	(0.91)	1.51	(0.42)	2.93	(0.09)	120.74	110.78	122.75	0.91	126.94	118.56	4%	13%	BULLISH
RSP	INVS-SP5 EQ ETF	151.12	(0.03)	1.25	0.75	5.51	11.89	144.84	132.21	148.28	1.12	153.65	142.91	4%	14%	BULLISH
SLY	SPDR-SP6 SC	97.68	0.88	1.51	(4.01)	11.39	32.90	95.29	84.65	95.60	1.26	99.19	92.01	3%	15%	BULLISH
MDY	SPDR-SP MC 400	497.76	0.27	(0.42)	(0.78)	7.00	16.65	484.84	438.93	496.58	1.19	514.90	478.26	3%	13%	BULLISH
EEM	ISHARS-EMG MKT	54.87	2.04	0.99	(7.57)	(6.51)	7.26	53.78	52.09	53.98	0.80	55.76	52.20	2%	5%	BULLISH
EFA	ISHARS-EAFE	80.83	(0.22)	2.82	(1.19)	(2.71)	(2.63)	77.75	73.65	78.11	0.84	80.72	75.50	4%	10%	BULLISH
IAU	ISHARS-GOLD TR	36.26	(0.05)	6.94	2.55	(11.33)	(28.48)	33.80	34.83	33.70	0.08	34.57	32.83	7%	4%	BEARISH
GDV	VANECK-GOLD MINR	39.42	(0.89)	14.07	14.54	(2.33)	(23.30)	35.09	35.86	34.36	0.70	35.46	33.26	12%	10%	BEARISH
UUP	INVS-DB US\$ BU	24.22	(1.22)	(2.13)	(11.72)	(16.00)	(47.11)	24.60	24.64	24.58	(0.11)	25.17	23.99	-2%	-2%	BEARISH
BOND	PIMCO-TOT RETRN	110.31	(1.05)	(0.72)	(9.52)	(16.79)	(37.96)	110.06	111.42	110.37	0.08	113.22	107.52	0%	-1%	BEARISH
TLT	ISHARS-20+YTB	138.44	(0.66)	(0.81)	(9.84)	(27.50)	(53.54)	137.98	148.57	138.64	(0.26)	141.75	135.53	0%	-7%	BEARISH
BNDX	VANGD-TTL INT B	56.93	(0.86)	(0.73)	(9.90)	(17.80)	(39.10)	57.06	57.80	56.97	0.03	58.41	55.53	0%	-2%	BEARISH
HYG	ISHARS-IBX HYCB	87.18	(1.14)	(0.96)	(8.85)	(14.12)	(32.39)	86.94	86.56	87.44	0.37	89.95	84.93	0%	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	137.82	17.97	9.73	0.70	25.86	9.00
DE	Deere & Co	362.21	20.15	9.08	0.99	24.96	9.00
KLAC	Kla Corp	316.54	14.03	17.32	1.14	24.63	9.00
TGT	Target Corp	227.37	13.27	6.37	1.20	18.15	9.00
TSCO	Tractor Supply	182.77	9.03	10.75	1.14	23.71	9.00
ADI	Analog Devices	163.21	12.25	11.10	1.69	28.24	8.00
AMD	Adv Micro Dev	78.42	35.01	20.18	0.00	56.01	8.00
CDW	Cdw Corp	167.18	13.10	7.52	0.96	24.19	8.00
GNRC	Generac Holding	326.22	6.50	14.89	0.00	40.88	8.00
IQV	Iqvia Holdings	237.46	12.85	13.13	0.00	36.09	8.00
IT	Gartner Inc -A	233.11	13.50	14.66	0.00	40.90	8.00
JBHT	Hunt (Jb) Trans	172.26	15.00	10.71	0.70	33.58	8.00
LOW	Lowe's Cos	193.77	13.09	7.11	1.24	18.87	8.00
MCO	Moodys Corp	333.73	10.00	10.13	0.74	29.10	8.00
MLM	Martin Mrt-Matl	370.79	12.40	6.26	0.61	30.47	8.00
MXIM	Maxim Intg Pdts	101.16	10.00	0.41	0.00	35.49	8.00
SNPS	Synopsys Inc	254.62	14.65	10.75	0.00	49.44	8.00
TER	Teradyne Inc	130.59	13.75	12.75	0.31	27.67	8.00
TXN	Texas Instrs	189.13	9.33	1.51	2.16	28.66	8.00
WMT	Walmart Inc	141.69	5.50	3.18	1.55	23.69	8.00
WST	West Pharm Svc	344.70	25.79	8.70	0.20	59.53	8.00
AAPL	Apple Inc	125.28	12.50	7.22	0.70	28.12	7.00
ALLE	Allegion Plc	140.18	5.67	5.94	1.03	26.55	7.00
AVY	Avery Dennison	218.64	7.90	3.71	1.13	27.85	7.00
CDNS	Cadence Design	127.13	14.41	9.66	0.00	54.33	7.00
CRL	Charles Rvr Lab	332.20	14.00	15.96	0.00	37.62	7.00
DOV	Dover Corp	150.25	11.50	-0.85	1.32	24.67	7.00
DVA	Davita Inc	120.67	14.38	-6.81	0.00	16.07	7.00
FB	Facebook Inc-A	332.75	20.13	33.80	0.00	28.46	7.00
HCA	Hca Holdings	213.69	12.35	5.44	0.90	18.28	7.00
HD	Home Depot	318.77	11.44	7.77	2.07	23.10	7.00
J	Jacobs Engin Gr	140.56	12.72	6.91	0.60	23.58	7.00
LRCX	Lam Research	645.70	32.80	13.48	0.81	26.94	7.00
NDAQ	Nasdaq Inc	165.98	5.75	9.22	1.18	25.03	7.00
NLOK	Norton Lifelock	27.65	7.00	-10.00	1.81	20.63	7.00
NVDA	Nvidia Corp	619.52	15.23	21.54	0.10	63.28	7.00
NXPI	Nxp Semiconduct	210.22	10.00	-0.48	1.07	33.74	7.00
ORLY	O Reilly Auto	529.10	13.36	7.39	0.00	19.87	7.00
PH	Parker Hannifin	308.08	11.78	4.65	1.34	23.39	7.00
TT	Trane Tech Plc	185.80	21.50	0.89	1.27	36.94	7.00
UPS	Utd Parcel Svc	212.80	8.72	7.87	1.92	21.63	7.00
WRB	Berkley (Wr) Cp	77.40	9.00	1.43	0.62	28.56	7.00
ADM	Archer Daniels	66.60	6.20	1.17	2.22	15.35	6.00
AME	Ametek Inc	134.38	10.18	5.54	0.60	33.60	6.00
CMS	Cms Energy	62.30	6.62	1.72	2.79	20.56	6.00
GOOG	Alphabet Inc-C	2402.51	18.13	19.82	0.00	31.98	6.00
GOOGL	Alphabet Inc-A	2362.68	18.13	19.82	0.00	31.45	6.00
ITW	Ill Tool Works	230.80	11.76	-1.30	1.98	32.33	6.00
MCHP	Microchip Tech	155.75	15.33	16.92	1.06	26.44	6.00
MMC	Marsh & McLennan	137.28	9.13	7.15	1.35	25.81	6.00
MPWR	Monolithic Pwr	342.57	25.00	20.00	0.70	94.89	6.00

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

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
AGNC	Agnc Investment	18.51	1.00	12.61	7.78	8
BSRR	Sierra Bancorp	27.25	1.21	10.55	3.08	8
CMTV	Commnty Bcp Vt	19.05	1.32	12.88	4.62	8
FNCB	Fncb Bancorp	7.50	0.98	12.84	3.20	8
LARK	Landmark Bcp	25.81	0.96	10.49	3.10	8
LOMA	Loma Negra Cia	6.39	1.26	21.10	3.98	8
NHTC	Natural Hlth Tr	7.38	1.29	34.80	10.84	8
NRIM	Northrim Bcp	43.12	1.16	10.34	3.43	8
UBCP	Utd Bancorp -Oh	14.95	1.30	10.26	3.81	8
ABR	Arbor Rlty Trst	18.16	1.54	11.02	7.49	7
AINV	Apollo Inv Cp	14.07	0.89	10.35	8.81	7
CAC	Camden Ntl Corp	47.32	1.33	11.42	3.04	7
CIM	Chimera Invest	14.03	0.91	12.70	8.55	7
CZFS	Citizens Fin Sv	61.00	1.20	12.21	3.05	7
FCBP	First Choice Bc	32.10	1.32	11.93	3.12	7
FLIC	First Long Is	22.50	1.31	10.79	3.38	7
FNF	Fnf Group	46.62	1.64	15.41	3.09	7
FNLC	First Bancp Inc	31.17	1.50	11.71	3.98	7
GSBD	Goldman Sac Bdc	19.40	1.21	11.48	9.28	7
IBCP	Indep Bk Mich	23.27	1.32	12.02	3.61	7
NMFC	New Mountn Fin	13.25	1.02	10.26	9.06	7
PFG	Principal Finl	65.27	1.15	11.97	3.43	7
PRK	Park National	126.61	1.98	12.10	3.25	7
TRTN	Triton Intl Ltd	52.23	1.62	12.80	4.37	7
UVE	Univl Insur Hld	13.90	0.95	19.48	4.60	7
WAYN	Wayne Svgs Bcsh	24.81	1.18	10.09	3.39	7
WTBA	West Bancorp	27.48	1.94	14.81	3.49	7

## 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
DE	Deere & Co	362.21	20.15	9.08	0.99	24.96	9.00
AMAT	Appld Matls Inc	137.82	17.97	9.73	0.70	25.86	9.00
KLAC	Kla Corp	316.54	14.03	17.32	1.14	24.63	9.00
TGT	Target Corp	227.37	13.27	6.37	1.20	18.15	9.00
AMD	Adv Micro Dev	78.42	35.01	20.18	-	56.01	8.00
WST	West Pharm Svc	344.70	25.79	8.70	0.20	59.53	8.00
JBHT	Hunt (Jb) Trans	172.26	15.00	10.71	0.70	33.58	8.00
SNPS	Synopsys Inc	254.62	14.65	10.75	-	49.44	8.00
TER	Teradyne Inc	130.59	13.75	12.75	0.31	27.67	8.00
IT	Gartner Inc -A	233.11	13.50	14.66	-	40.90	8.00
CDW	Cdw Corp	167.18	13.10	7.52	0.96	24.19	8.00
LRCX	Lam Research	645.70	32.80	13.48	0.81	26.94	7.00
TT	Trane Tech Plc	185.80	21.50	0.89	1.27	36.94	7.00
FB	Facebook Inc-A	332.75	20.13	33.80	-	28.46	7.00
NVDA	Nvidia Corp	619.52	15.23	21.54	0.10	63.28	7.00
CDNS	Cadence Design	127.13	14.41	9.66	-	54.33	7.00
DVA	Davita Inc	120.67	14.38	(6.81)	-	16.07	7.00
CRL	Charles Rvr Lab	332.20	14.00	15.96	-	37.62	7.00
ORLY	O Reilly Auto	529.10	13.36	7.39	-	19.87	7.00
MPWR	Monolithic Pwr	342.57	25.00	20.00	0.70	94.89	6.00
GOOG	Alphabet Inc-C	2,402.51	18.13	19.82	-	31.98	6.00
GOOGL	Alphabet Inc-A	2,362.68	18.13	19.82	-	31.45	6.00
ODFL	Old Dominion Fl	264.32	17.23	8.38	0.30	42.16	6.00
MCHP	Microchip Tech	155.75	15.33	16.92	1.06	26.44	6.00
RHI	Robt Half Intl	88.94	15.54	1.41	1.71	30.67	5.00
GWW	Grainger W W	459.12	13.50	4.02	1.41	27.98	5.00
URI	Utd Rentals Inc	333.63	13.44	12.17	-	18.99	5.00
TDY	Teledyne Tech	417.34	18.29	9.54	-	37.50	4.00
FRC	First Rep Bk Sf	191.66	15.70	18.27	0.46	29.95	4.00

## 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
FICO	Fair Isaac Inc	501.65	#N/A	9.98	-	#N/A	8
MCO	Moodys Corp	333.73	10.00	10.13	0.74	2.95	8
MXIM	Maxim Intg Pdts	101.16	10.00	0.41	-	3.23	8
TXN	Texas Instrs	189.13	9.33	1.51	2.16	2.75	8
WST	West Pharm Svc	344.70	25.79	8.70	0.20	1.86	8
CDNS	Cadence Design	127.13	14.41	9.66	-	3.69	7
FFIN	First Fin Bk-Tx	49.93	#N/A	11.75	1.04	#N/A	7
NVDA	Nvidia Corp	619.52	15.23	21.54	0.10	3.87	7
STAA	Staar Surgical	143.30	#N/A	20.15	-	#N/A	7
VICR	Vicor Corp	89.41	#N/A	9.45	-	#N/A	7
CPRT	Copart Inc	128.49	#N/A	14.92	-	#N/A	6
EXPO	Exponent Inc	90.68	#N/A	7.13	0.88	#N/A	6
LXP	Lexington Ppty	12.35	2.02	(6.24)	3.48	8.09	6
MPWR	Monolithic Pwr	342.57	25.00	20.00	0.70	3.07	6
IBKR	Interactive Brk	66.90	#N/A	15.35	0.60	#N/A	5
ILMN	Illumina Inc	408.99	7.00	9.81	-	9.68	5
RGEN	Repligen	181.45	#N/A	37.06	-	#N/A	5
ANSS	Ansys Inc	336.79	12.34	13.93	-	5.01	4
ISRG	Intuitive Surg	834.36	9.38	14.46	-	7.26	4
PGNY	Progyny Inc	60.99	#N/A	#N/A	-	#N/A	4
TREX	Trex Company	97.10	#N/A	15.55	-	#N/A	4

## Portfolio / Client Update

With the daily *"buy signal,"* the market has performed as expected. We have made recent gains in our portfolios, and currently, we don't need to take any aggressive action.

The model is well balanced for now, and we continue to focus on risk management as we enter into the *"doldrums of summer."* Volume in the markets has been exceedingly light, and *"exuberance"* seems to be fading from the market as well. Such aligns with our expectation that we could see a larger correction this summer as concerns on inflation clash with worries the Fed may be close to *"tapering"* their balance sheet.

What ultimately causes the correction is always unknown, but our weekly signals are suggesting that we are close to a correction than not. However, with that said, we do not expect the correction to any more than a typical 5-10% decline before we see the Fed begin to talk about additional supports and withdraw the idea of any potential taper.

As noted below, we did start taking profits in QQQ and are beginning to shift exposure mildly toward more defensive sector weighting heading into that potential scenario. If the anticipated correction occurs, we will use that opportunistically to add back into our holdings accordingly.

For now, we will be patient and wait and see what next week brings.

## 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).

**\*\*\* Trading Update ? Equity and Sector Models \*\*\***

*"This morning we reduced our 4% QQQ position in both models by 1% to 3% of the portfolio. The technical signals that led us to buy are getting extended, so we are just taking some profits. When our signals begin to suggest a ?sell signal? is approaching we will remove the rest of the position.*

*We are also adding 2% AMLP in both models as it technically looks strong and we think inflationary stocks will have decent relative outperformance in the coming days. This is a trade for a near-term bump in inflationary pressures and picking up an 8% dividend yield at the same time.*

*The buy signals on the Dow and S&P are not as extended as the NASDAQ." - 05/27/21*

**Equity & ETF Models**

- *Reduce the 4% position in QQQ to 3% of the portfolio.*
- *Initiate a 2% position in AMLP*

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

*Lance Roberts*

*CIO*

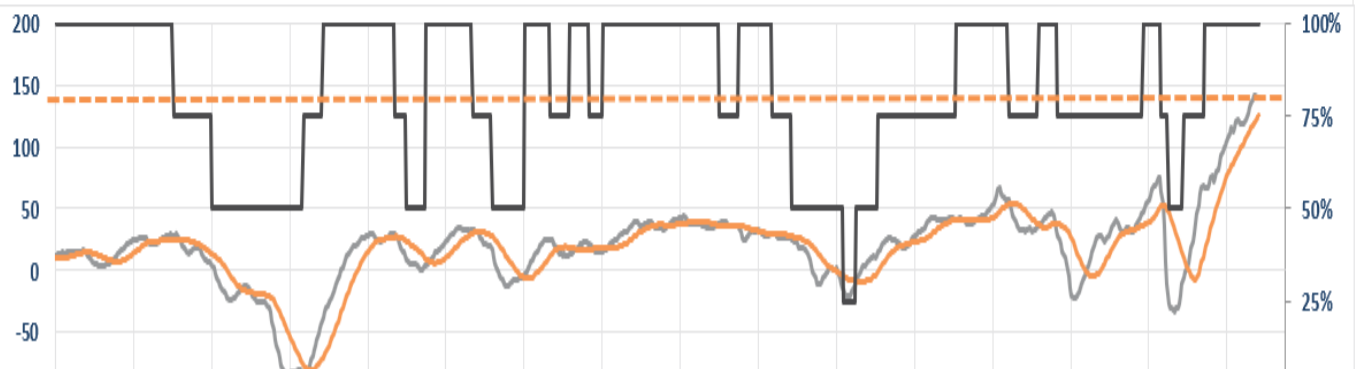
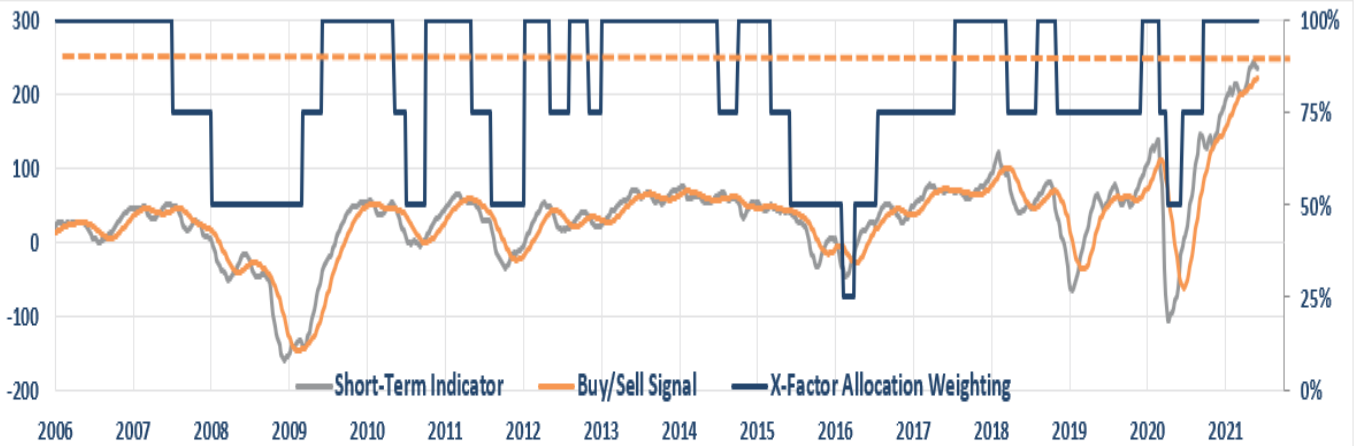
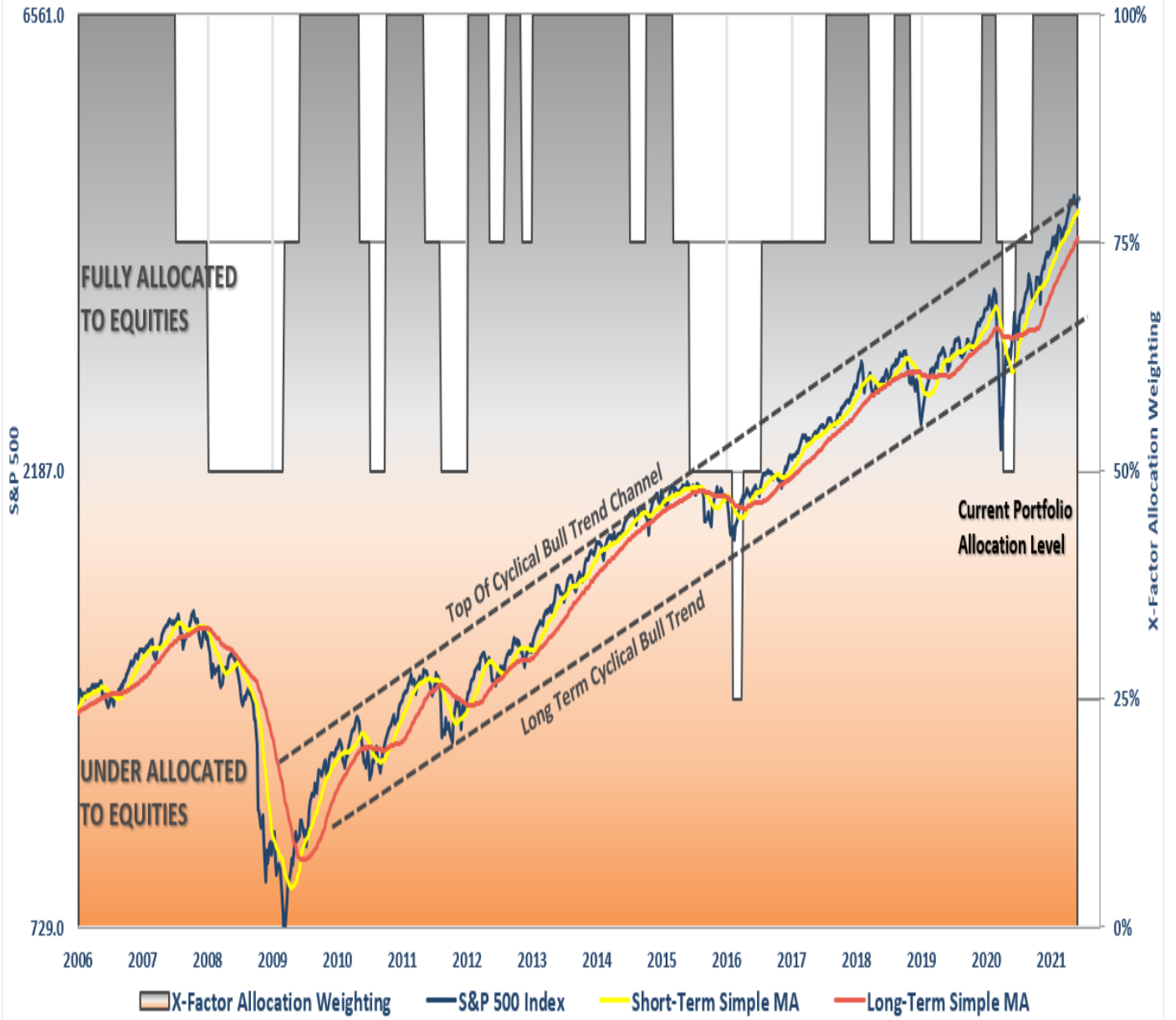
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# Risk Management Analysis




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

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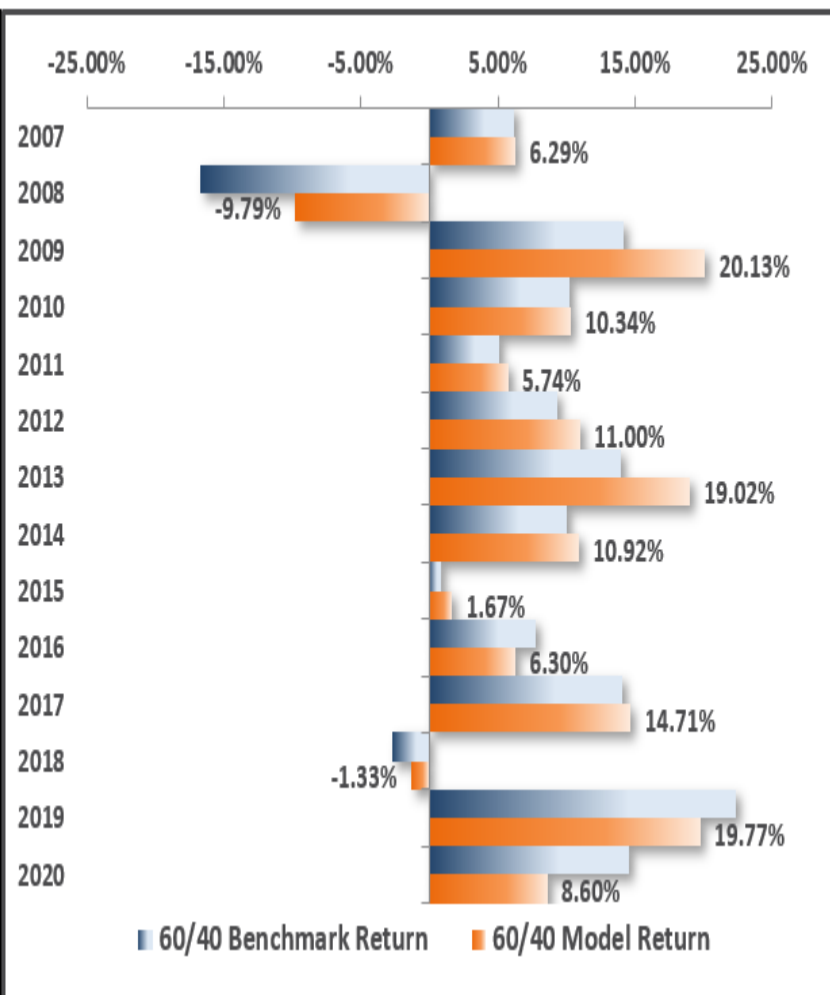
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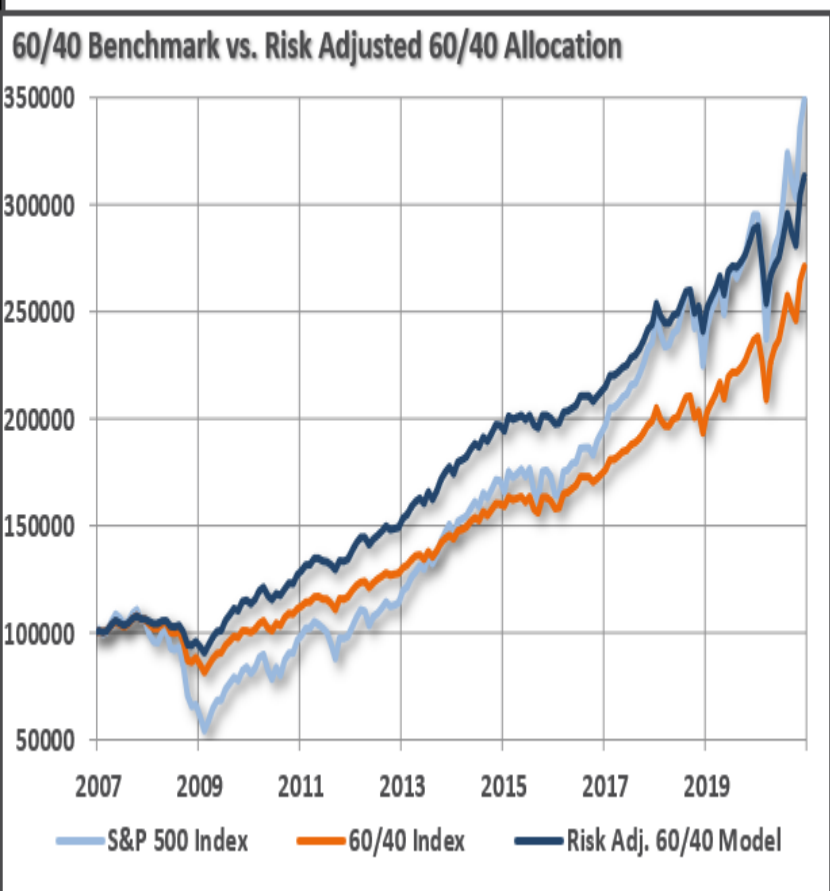
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*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance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

Year	60/40 Benchmark Return	60/40 Model Return
2007	6.16%	6.29%
2008	-16.73%	-9.79%
2009	14.14%	20.13%
2010	10.19%	10.34%
2011	5.11%	5.74%
2012	9.33%	11.00%
2013	13.94%	19.02%
2014	10.04%	10.92%
2015	0.88%	1.67%
2016	7.77%	6.30%
2017	14.12%	14.71%
2018	-2.71%	-1.33%
2019	22.41%	19.77%
2020	14.58%	8.60%



Portfolio vs Benchmark Statistics	
Number of Up Years	12
Number of Down Years	2
Best One Year Return Of Benchmark	22.41%
Best One Year Return Of Model	20.13%
Worst One Year Return Of Benchmark	-16.73%
Worst One Year Return Of Model	-9.79%
Benchmark Return 2007-Present	171.16%
Model Return 2007-Present	213.32%
Total Alpha Generated	42.17%
Mean Annual Return Of Benchmark	7.80%
Mean Annual Return Of Model	8.81%
Beta Of Model vs Benchmark	0.87
Jensens Alpha	1.91%
Sharpe Ratio	0.29



Have a great week!