

# *Reviewing Market Signals* **As Warnings Increase**




*In this 06-11-21 issue of "Reviewing Market Signals As Warnings Increase."*

- **Reviewing Market Signals**
- **Warnings Increase**
- **Bonds Say Deflation Is A Risk**
- **Portfolio Positioning**
- **#MacroView: Rates, Dollar & The 2021 Outlook**
- **Sector & Market Analysis**
- **401k Plan Manager**

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## Reviewing Market Signals

Over the last several weeks, we discussed evaluating the recent "buy" signal and concerns about a potential summer correction. **We will review that bit of history and discuss our reduction of equity exposures this past week.** May 7th:

*"The uptick in money flows did allow us to add some exposure to portfolios in holdings we took profits in previously. **Overall, the market trend remains bullish, so there is no need to be overly defensive. Just a regular process of tweaking risk and managing exposures is all that portfolios require for now.**"*

May 14th - things didn't work out as planned:

*"Well, that follow-through failed to occur. Not only did the ?buy signal? not trigger, but the market also broke down through the previous consolidation range. **The last exposure we took on is now pressuring the portfolio momentarily, but we should benefit from the turn if we are correct.**"*

May 21st - the rally gets underway:

*"We do expect a counter-trend rally due to the liquidations occurring by institutional investors over the previous few weeks. We will hold exposures at current levels for now. However, instead of looking for a more extended rally into mid-summer, **we suspect this rally will be fairly short-lived.**"*

That week we also began to build the case for a **5-10% correction by mid-summer.**

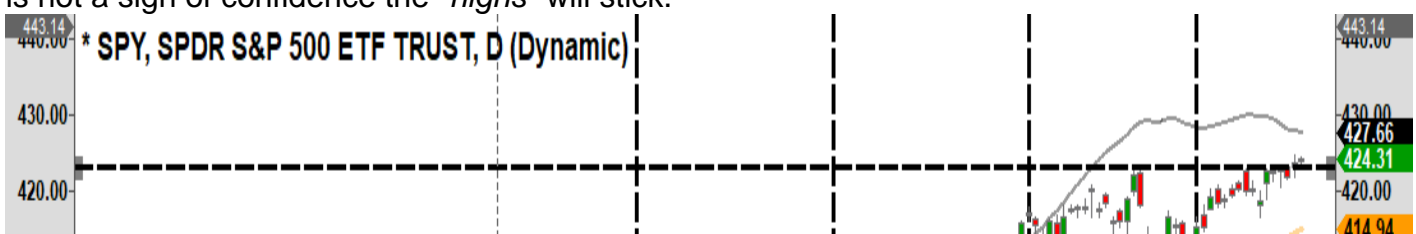
***"The risk of a more significant drawdown outweighs the reward longer-term, but we are willing to trade short-term opportunities."***

Jumping ahead, [last week](#), the signals returned to overbought short-term conditions.

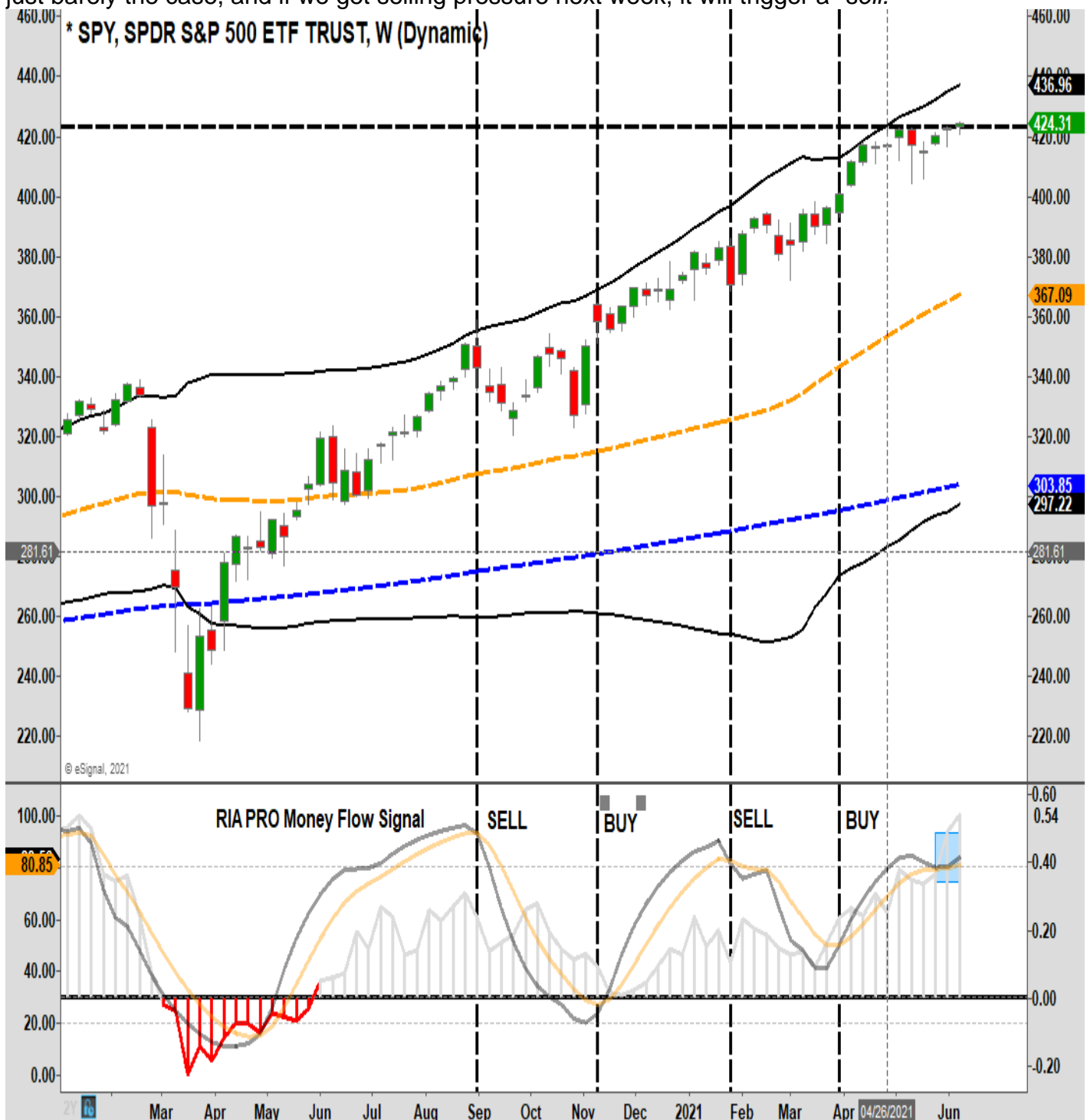
*?The good news is that we did indeed get the rally we were expecting. **The not-so-good news is that the rally already consumed a majority of the ?buy signal.? Such does not mean the market is about to correct; it does suggest that upside remains limited near term.***

## Market Struggles At Highs As Signals Peak

While the market did hit all-time highs this week, it was a feeble rally. Both Thursday and Friday saw the market drop into the red intraday only to be saved by end-of-day buying. Unfortunately, as shown, money flows continued to decline until there was "distribution" as the market hit highs. Such is not a sign of confidence the "highs" will stick.



On a weekly chart, the picture improves somewhat with the "buy signal" still intact. However, it is just barely the case, and if we get selling pressure next week, it will trigger a "sell."

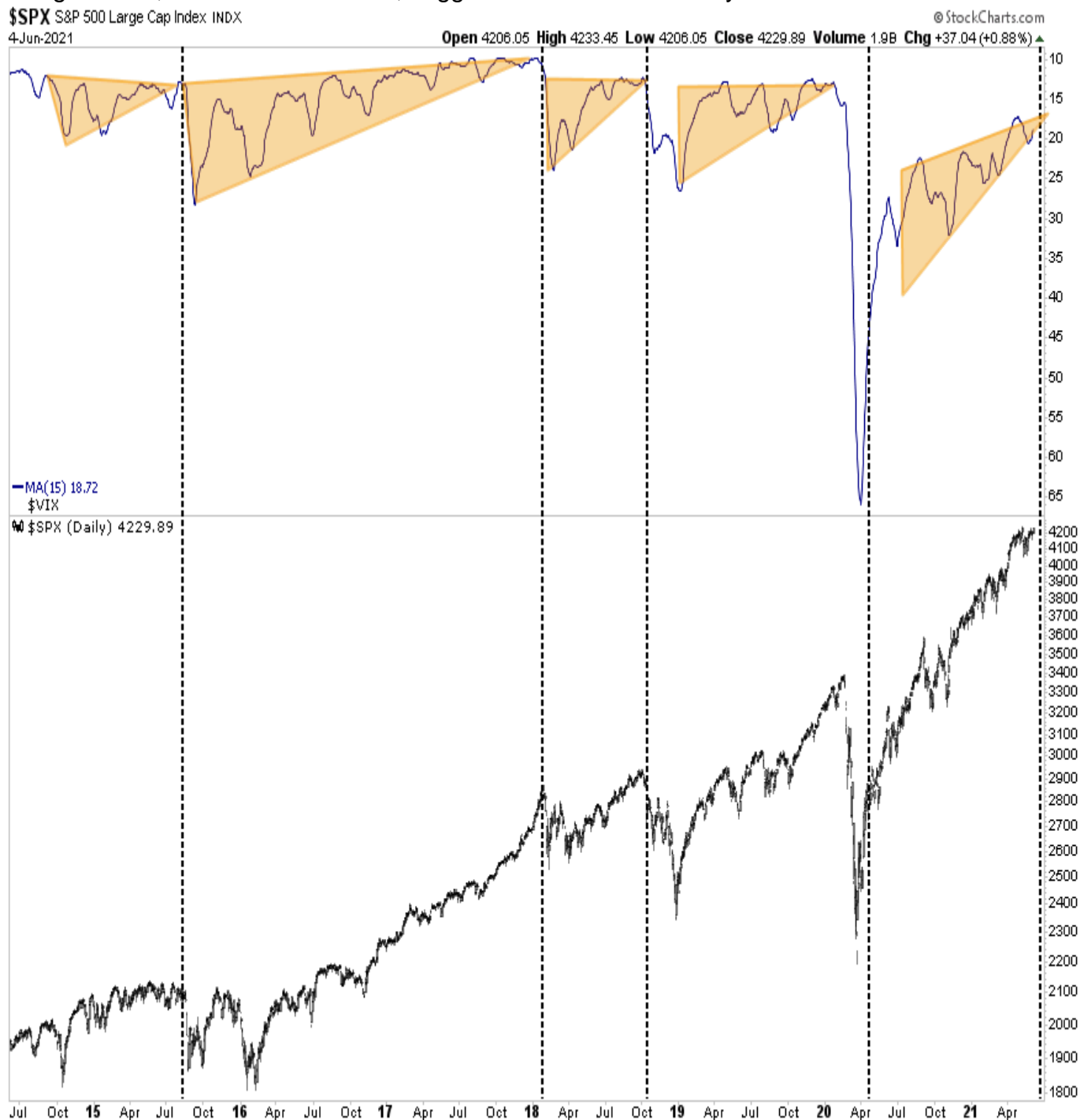


As discussed previously, we set our expectations for a 5-10% correction between mid-June and July. With that window approaching and signals very close to triggering "sells" on both a daily and weekly basis, we used the rally this week to lighten our equity exposure and raise cash levels. (See the portfolio update below.) For now, the bullish trend remains intact. Therefore, there is no need to get overly defensive at this juncture. However, being excessively complacent and not applying some risk management to portfolios will leave you flat-footed when the correction does come. Investors are exceedingly exuberant about markets once again, with numerous analysts suggesting nothing but "blue skies" ahead. Maybe. But there are plenty of warnings that suggest "carrying an umbrella" may come in handy.



## Warning Signals Increase

In our ["Warning Signs Ahead,"](#) we discussed several concerns of a correction in the coming weeks. Importantly, as noted then, **we are only discussing the potential for a short-term correction**. As is often the case, some tend to extrapolate such commentary to mean a *?crash?* is coming. Such is not the case currently, but it does not mean a deeper correction is not possible. Currently, complacency has reached more extreme levels. As noted last week, the 15-day moving average of VIX, on an inverted scale, suggests a correction is likely.

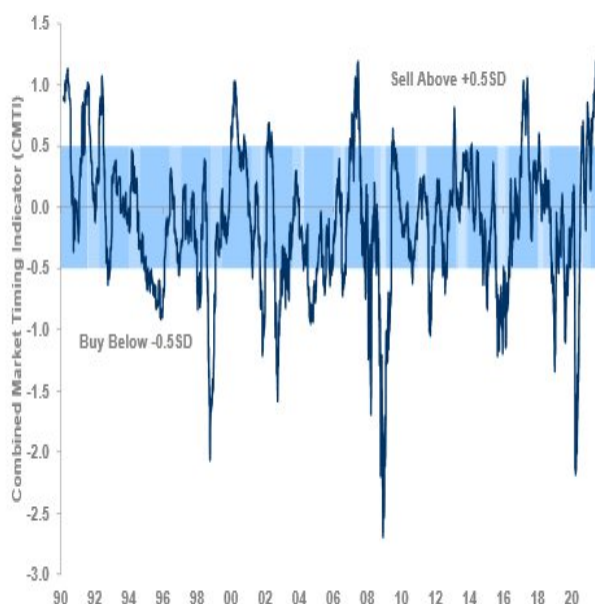


*?The market may have one last push higher over the next several weeks. Such will take the VIX even lower and complete the VIX wedge pattern. **That pattern has been evident in the last three 10% or greater corrections.** By this measure, the correction should begin somewhere around July 21<sup>st</sup> ? August 10<sup>th</sup>.? ? [Jim Colquitt](#)*

Morgan Stanley's market timing indicator is also at levels typically associated with market

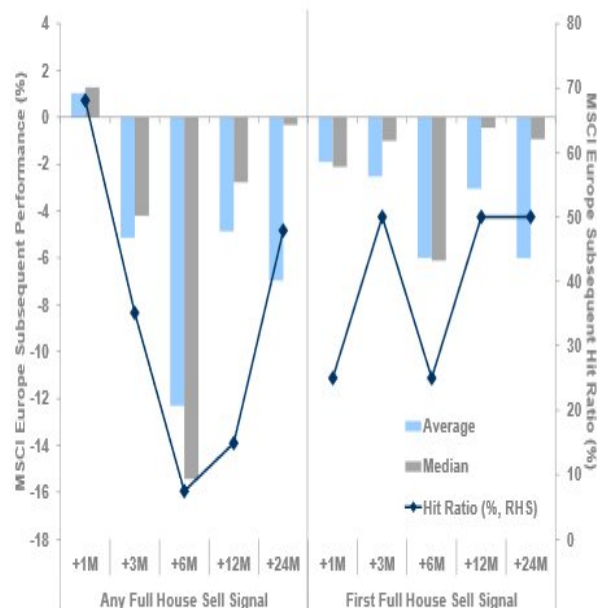
downturns. Just for reference, the current reading is the most *?bearish?* on record.

## Exhibit 1: Our Combined Market Timing Indicator is in-line with its all-time high...



Source: MSCI, Morgan Stanley Research.

## Exhibit 2: ... and we have a 'Full House Sell Signal' from our Market Timing Indicators



Source: MSCI, Morgan Stanley Research



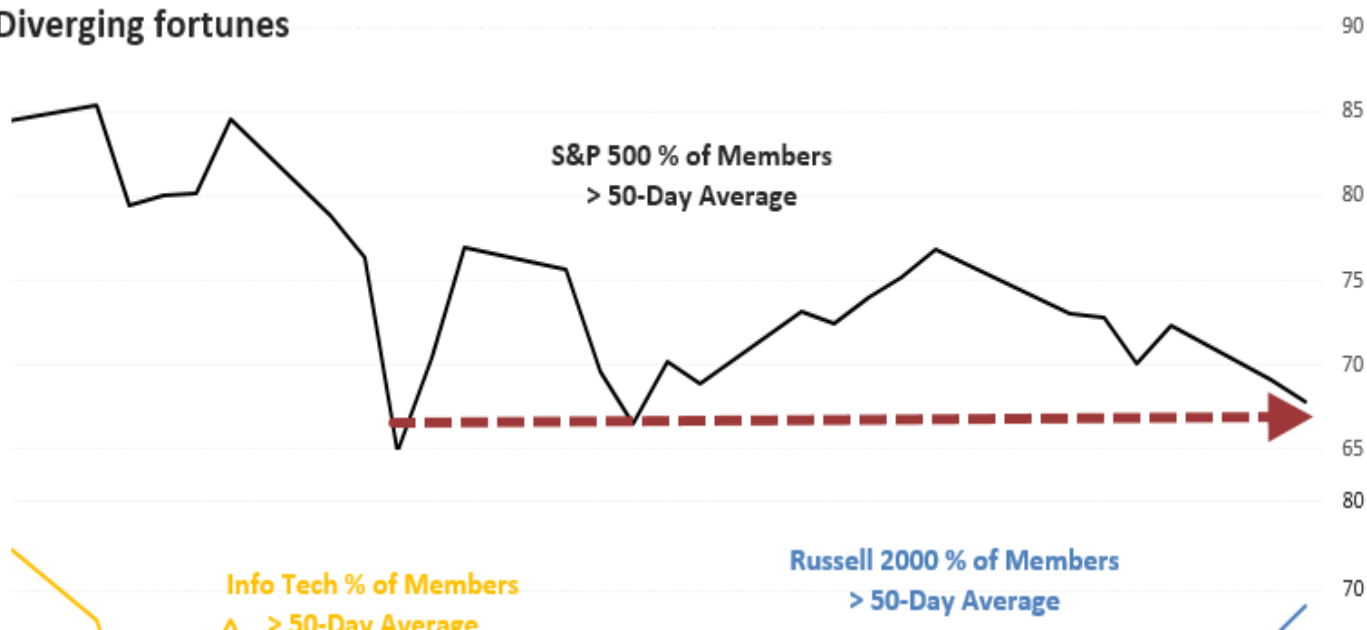
We covered several other indicators, all suggesting that risk has become elevated. Moreover, given the length of the current advance without a correction, the risk of such has increased.

## More Signs

Furthermore, during the past week, we saw other indicators suggesting that market upside is likely limited short-term. For example, Sentiment Trader made an excellent observation of the recent rotation from large to small-caps.

**"Over the past few weeks, there has been a remarkable rotation under the surface. On May 12, only 31% of stocks in the Russell 2000 were holding above their 50-day moving averages. In the Info-Tech sector, only 25% of stocks were above their averages. Both have seen participation more than double since then, while the S&P 500 has stagnated internally, as pointed out by the esteemed Liz Ann Sonders."**

## Diverging fortunes

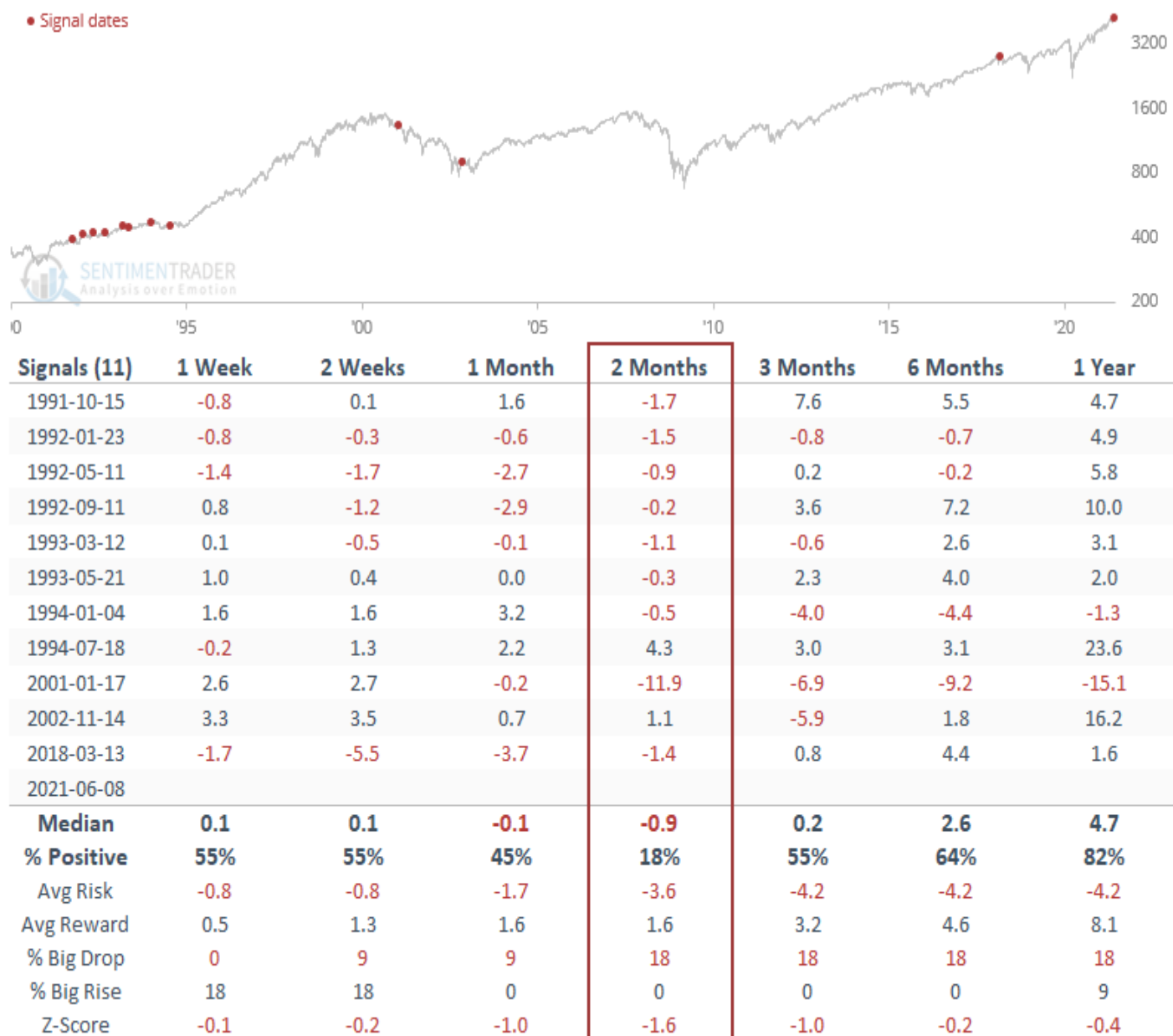




As noted above, one of the common themes has been numerous bullish commentators suggesting the market is about to run to new highs. However, given the confluence of warning signals and "stagnation" of the advance, the bearish view is such action usually appears near market peaks. Sentiment Trader provided some historical evidence.

***"Looking at available history, bears have the more compelling evidence on their side, depending on the index and the time frame. The table below shows the S&P 500's future returns when its percentage of members above the 50-day average rises less than 12.5% over a multi-week period while the percentage of members above their averages in Small-Caps and Tech rises more than 25%."***

### S&P 500 after % members > 50-day avg rises < 12.5% while Small-Cap, Tech > 25%



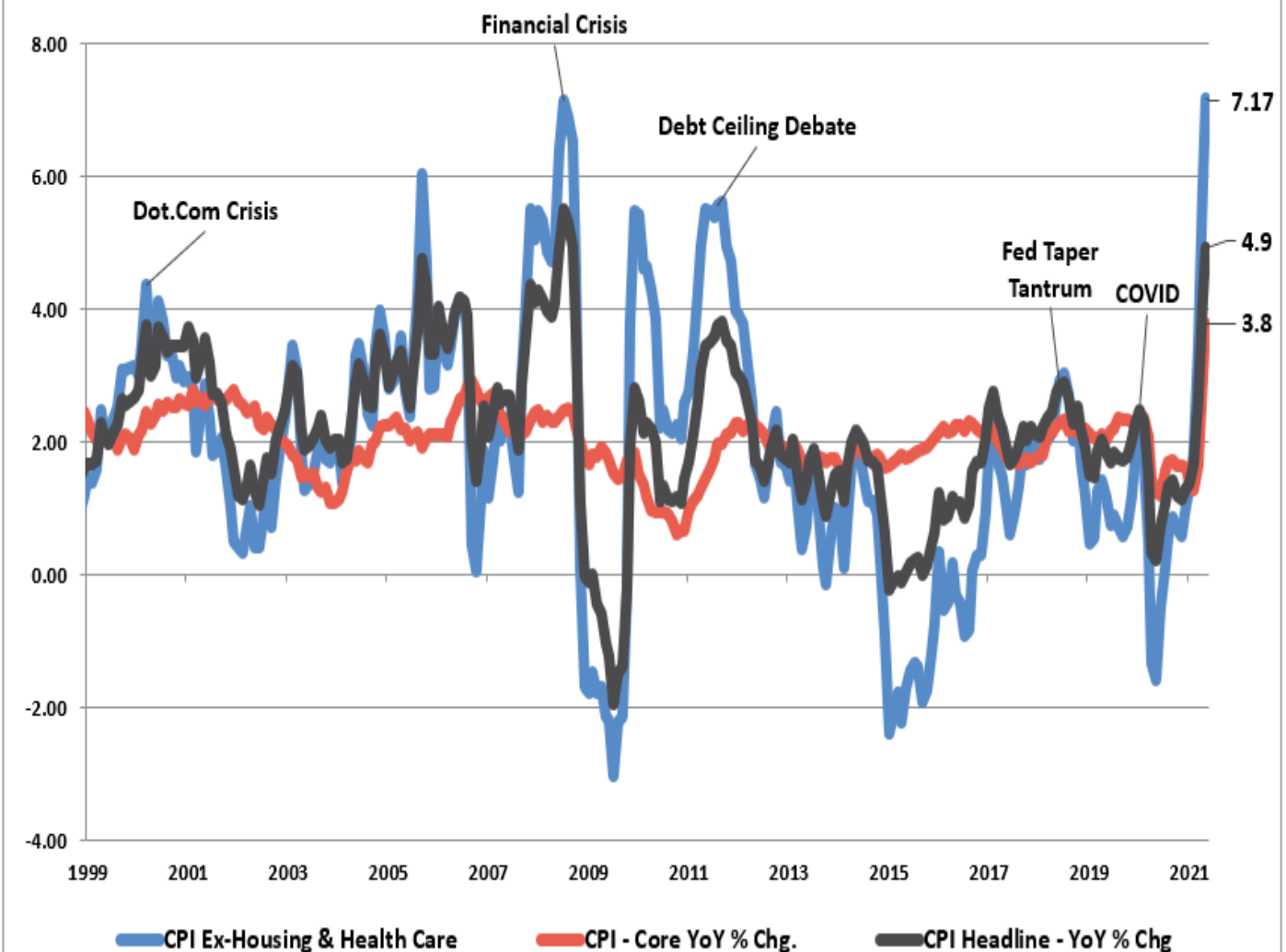
© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

Again, given the more extreme conditions seen in not only our current short-term "money-flow" signals but numerous other indications, the risk of a short-term correction seems a realistic probability. Does such mean that a "correction" must occur? No. However, as noted last week, we prefer to err to the side of our analysis and discipline. By the time a correction appears, it is often too late to mitigate the damage effectively.

## Bonds Say Deflation Is The Risk

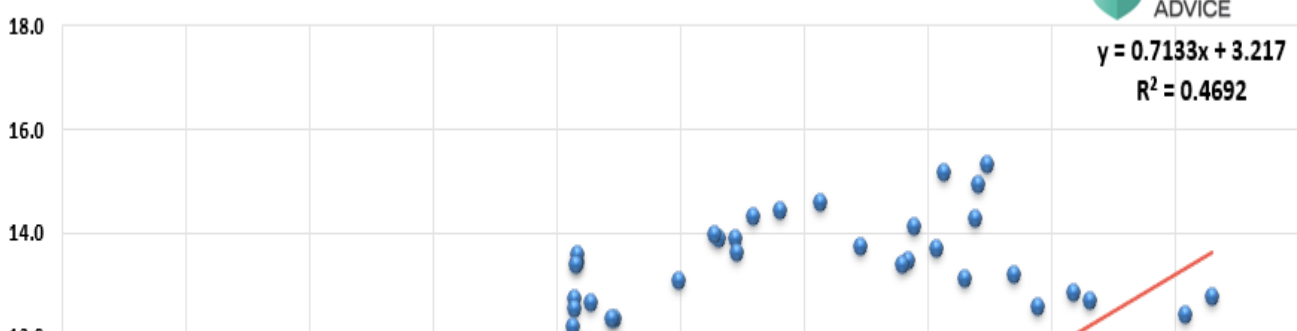
Despite a sharp year-over-year increase in the latest CPI report, the bond market suggests deflation remains the more considerable risk. As shown in the chart below, the latest CPI and "Core CPI" surged sharply. I also included a **"consumer inflation gauge,"** which excludes healthcare and home prices. (For most individuals, these two costs are fixed by a mortgage payment and health insurance.)

### 3-Measures Of Inflation

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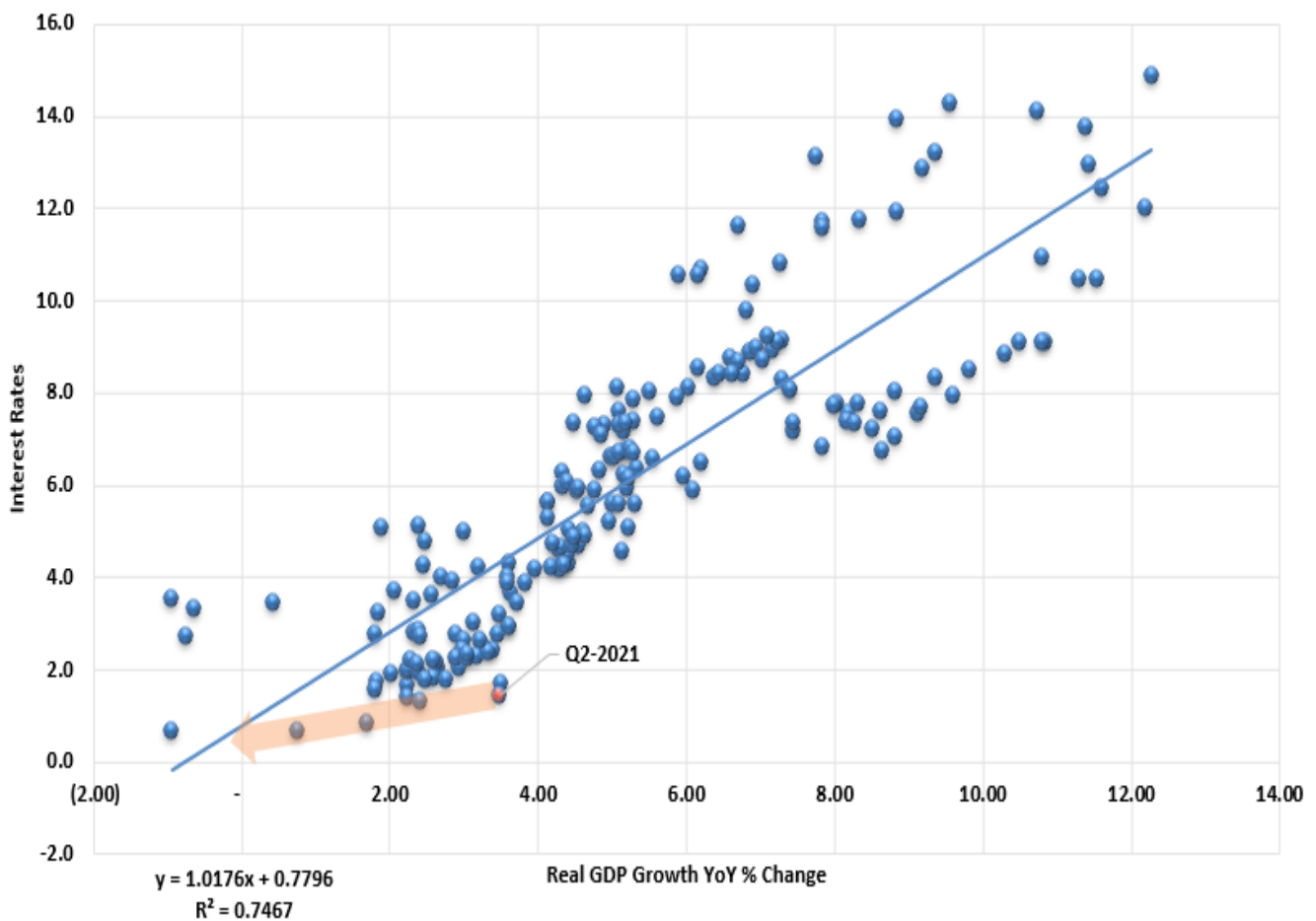
Interestingly, the *"bond market"* continues to suggest deflation is the more significant threat as we are currently at the largest deviation between annual CPI and rates since 1980.

### Yields Vs. YoY % Chg In CPI

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This model suggests the market agrees with the Fed's view that inflation is transitory and is pricing in sub-2% inflation and economic growth. Furthermore, over the next two quarters, the year-over-year rate of change will slow (the "*base effect*") as the economic "*shutdown*" is removed from the calculation.

### Economic Composite Vs Rates



As discussed in Friday's [#MacroView report "The Dollar, Rates & 2021 Outlook,"](#) deflation is set to return.

*?Contrary to the conventional wisdom, **disinflation is more likely than accelerating inflation**. Since prices deflated in the second quarter of 2020, the annual inflation rate will move transitorily higher. **Once these base effects are exhausted, cyclical, structural, and monetary considerations suggest that the inflation rate will moderate lower by year-end and will undershoot the Fed Reserve's target of 2%.** The inflationary psychosis that has gripped the bond market will fade away in the face of such persistent disinflation.?? Dr. Lacy Hunt*

Furthermore, given real wages are not keeping up with the actual "*cost of living*" increases, the "*stimulus*" effect is fading, and the pull-forward of consumption is mostly complete, **we most likely have seen the peak of economic and earnings growth.**

### Annual Change In Real Wages Not Keeping Pace With Real Inflation

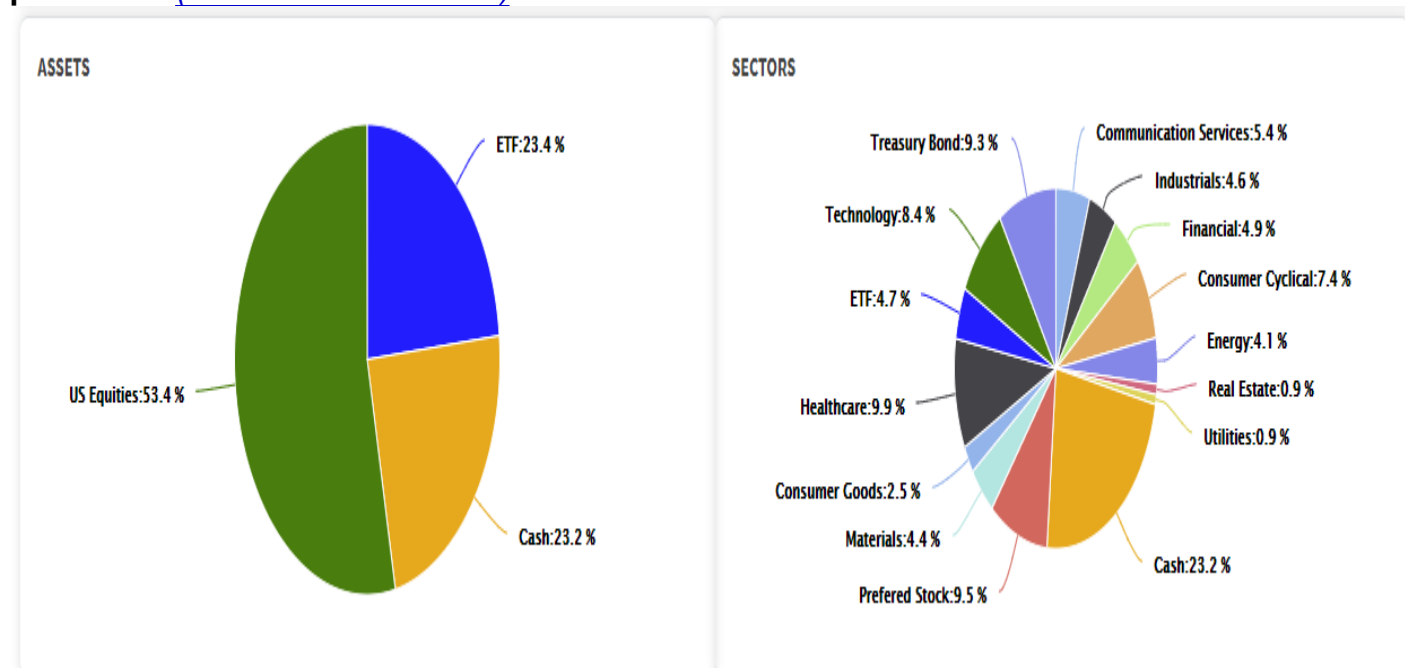




We remained concerned about a repricing of risk over the next few months.

## Portfolio Update

On Thursday, we did begin **reducing our exposures slightly in 60/40 equity and ETF portfolios.** ([Chart via RIAPRO.net](#))



As shown, we are still 53% long equity exposure but are down from nearly 70% from the recent market lows. Part of the cash exposure comes from our bond portfolio due to shortening duration to offset short-term interest rate risk. We did begin increasing bond duration a couple of weeks ago. The reason for showing you the allocation is that you don't assume that just because we are warning of a potential correction, **we are not sitting 100% in cash.** I suggest that **with our ?sell signals? approaching, it is time to start taking some action essential to portfolio risk management.**

- Trim back winning positions to original portfolio weights: **Investment Rule: Let Winners Run**
- Sell positions that simply are not working (if the position was not working in a rising market, it likely won't in a declining market.) **Investment Rule: Cut Losers Short**
- Hold the cash raised from these activities until the next buying opportunity occurs.  
**Investment Rule: Buy Low**

We may very well be a little early in our actions which could equate to short-term portfolio underperformance. However, there is minimal risk in *?risk management.?* In the long term, the results of avoiding periods of severe capital loss will outweigh missed short-term gains. If you need help or have questions, we are always glad to help. [Just email me.](#) See You Next Week **By Lance Roberts, CIO**

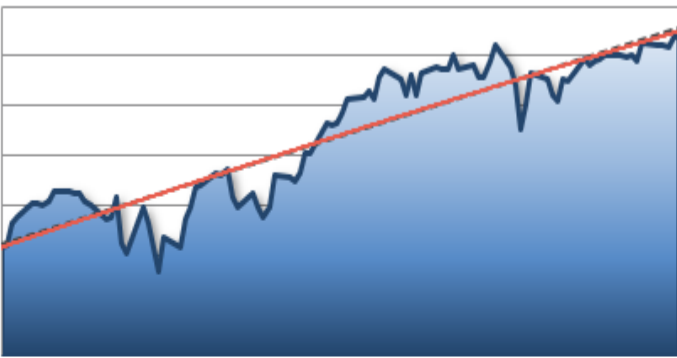
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## Market & Sector Analysis

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

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## S&P 500 Tear Sheet

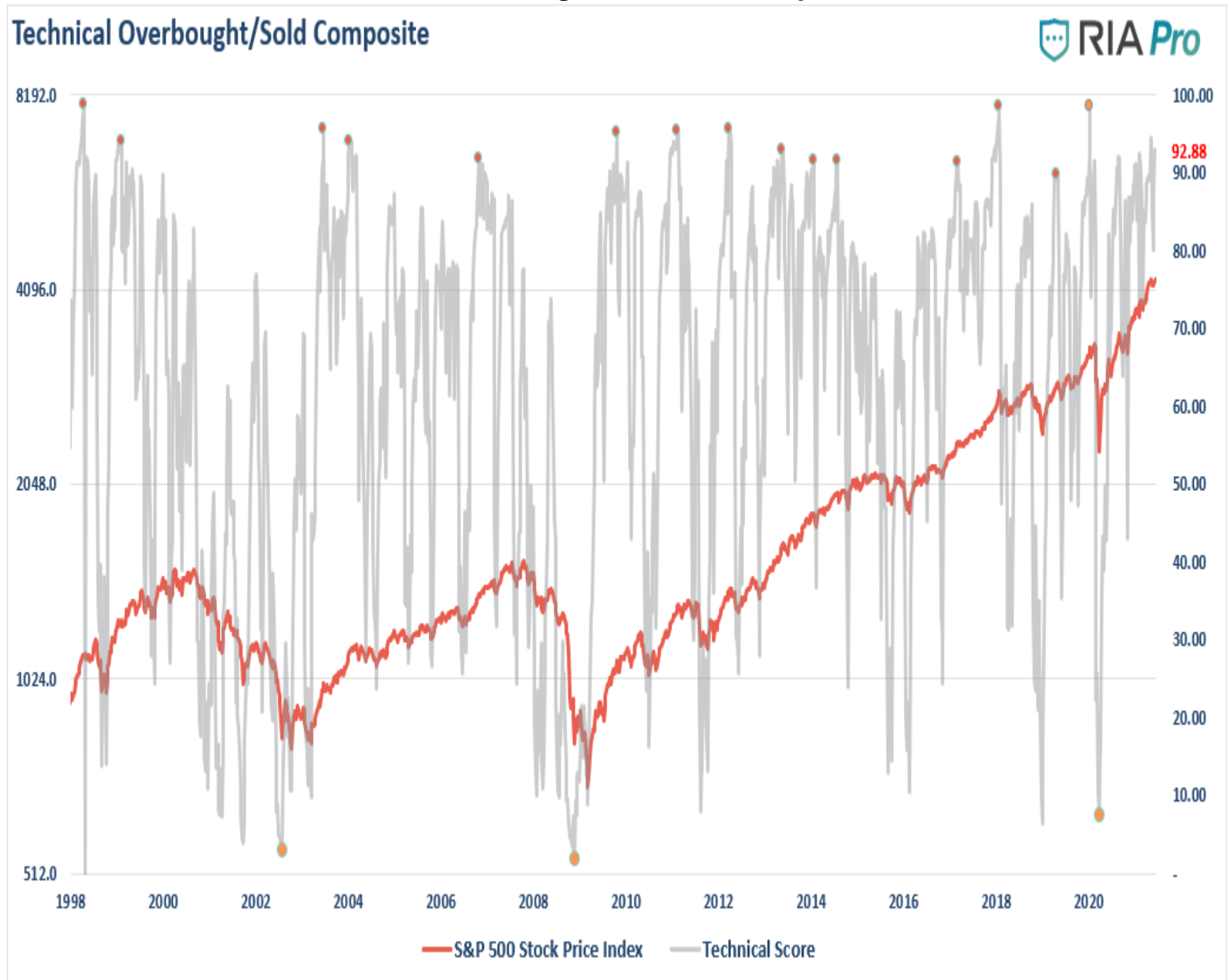
3 Month SPY Price								SPY RISK INFO		ZACKS		REAL INVESTMENT ADVICE	
								Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR	
								Price Return	46.87%	41.15%	13.49%	(67.22%)	
								Max Drawdown	(35.63%)	(10.86%)	(5.65%)	(47.92%)	
								Sharpe	0.94	2.21	2.47	0.12	
								Sortino	1.00	2.58	3.39	0.32	
								Volatility	25.35	16.69	13.89	(0.17)	
								Daily VaR-5%	(14.30)	9.52	11.59	0.22	
								Mnthly VaR-5%	(3.22)	17.56	18.62	0.06	
								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	1.93%	1.82%	1.29%	(41.51%)	2.14%	1.28%	(40.04%)	0.17%	Shares	3,081.9	2,989.2	(3.01%)	
P/E Ratio	18.23	19.57	28.04	30.22%	2804%	1606%	(0.0%)	74.59%	Sales	71,628	71,615	(0.02%)	
P/S Ratio	3.68	3.82	5.25	27.26%	5.19	3.24	1.11%	62.02%	SPS	23.2	24.0	3.08%	
P/B Ratio	4.80	5.32	7.06	24.63%	6.95	4.19	1.60%	68.74%	Earnings	11,118	11,762	5.79%	
ROE	21.73%	21.32%	22.80%	6.47%	22.80%	17.60%	0.00%	29.51%	EPS TTM	4.5	4.5	0.19%	
ROA	4.26%	4.09%	4.07%	(0.49%)	4.31%	3.51%	(5.63%)	16.02%	Dividend	1.6	1.6	(1.13%)	
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	42.63%	2.95%	1.88	(320.66)	123.62	(302.30)	(359.4%)	(0.1%)	4.0%	-0.31%	2.69	17.81	
Materials	60.39%	2.77%	1.20	26.74	27.13	14.16	(1.4%)	11.1%	1.8%	3.73%	4.95	19.12	
Industrials	51.34%	8.79%	1.17	53.27	54.09	14.68	(1.5%)	4.9%	1.4%	1.87%	4.25	24.84	
Discretionary	49.04%	11.98%	1.36	53.86	60.06	20.97	(10.3%)	24.5%	0.6%	1.86%	5.55	32.75	
Staples	22.58%	5.93%	0.64	23.04	23.02	17.65	0.1%	29.7%	2.5%	4.34%	4.45	21.18	
Health Care	26.02%	12.88%	0.77	18.73	19.45	15.10	(3.7%)	29.9%	1.6%	5.31%	7.81	16.89	
Financials	61.37%	11.80%	1.33	16.88	18.48	10.52	(8.6%)	9.3%	1.5%	5.94%	6.54	14.83	
Technology	46.28%	26.44%	1.07	32.38	32.81	16.50	(1.3%)	65.9%	0.9%	3.10%	5.77	26.20	
Telecom	52.24%	11.13%	0.97	28.16	28.18	17.61	(0.1%)	16.4%	0.5%	3.54%	8.46	22.41	
Utilities	12.38%	2.56%	0.41	20.44	22.09	16.35	(7.5%)	10.6%	3.2%	4.91%	3.44	19.15	
Real Estate	33.45%	2.66%	0.95	26.12	24.86	17.12	5.1%	6.6%	2.4%	3.82%	4.44	22.95	
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	424.31	5.92%	416.11	50	1.97%	378.56	250	12.09%	9.92%	(0.08%)	42.99%	Buy	
Mid Cap	502.25	4.14%	494.38	17	1.59%	431.92	186	16.28%	14.46%	(1.06%)	61.93%	Buy	
Small Cap	99.40	4.36%	96.31	13	3.21%	83.04	183	19.71%	15.99%	(1.52%)	78.36%	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" are oversold. **The current reading is 92.88 out of a possible 100.**

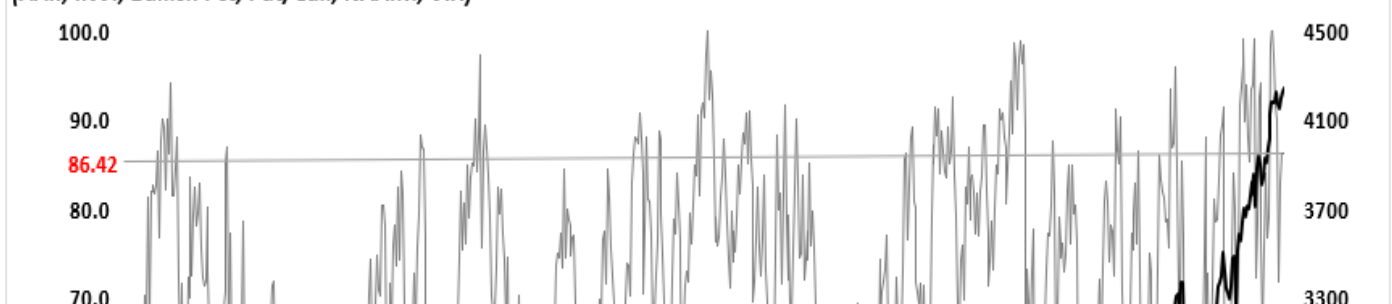


## Portfolio Positioning "Fear / Greed" Gauge

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 86.42 out of a possible 100.**

### MARKET GREED/FEAR INDEX

(AAII, 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	424.74	0.12	1.57	8.30	14.70	39.09	412.67	387.23	421.65	0.99	432.19	411.11	3%	10%	BULLISH
XLB	SPDR-MATLS SELS	86.12	(2.15)	(3.61)	2.11	5.61	17.37	83.36	76.29	87.26	1.06	90.37	84.15	3%	13%	BULLISH
XLC	SPDR-COMM SV SS	79.81	0.66	1.96	(2.46)	5.75	8.37	76.69	70.84	78.79	0.99	81.54	76.04	4%	13%	BULLISH
XLE	SPDR-EGY SELS	55.38	(0.78)	1.96	3.51	30.58	(0.02)	51.07	44.29	52.21	1.75	54.43	49.99	8%	25%	BULLISH
XLF	SPDR-FINL SELS	37.56	(2.48)	(2.42)	1.46	15.04	18.52	36.09	31.92	37.99	1.20	39.40	36.58	4%	18%	BULLISH
XLK	SPDR-TECH SELS	141.97	1.27	2.83	1.25	(4.70)	3.72	137.40	131.08	138.40	1.04	143.29	133.51	3%	8%	BULLISH
XLI	SPDR-INDU SELS	103.51	(1.86)	(2.74)	(1.00)	2.93	11.31	101.47	92.95	105.12	1.19	109.00	101.24	2%	11%	BULLISH
XLP	SPDR-CONS STPL	70.94	(0.93)	(1.53)	(1.43)	(8.37)	(17.04)	69.51	67.25	70.81	0.62	73.02	68.60	2%	5%	BULLISH
XLRE	SPDR-RE SELS	45.44	1.86	6.75	9.30	11.84	(11.24)	41.72	38.61	43.26	0.68	44.64	41.88	9%	18%	BULLISH
XLU	SPDR-UTIL SELS	66.11	0.98	(1.27)	(2.01)	(6.69)	(26.41)	65.13	63.60	65.16	0.35	67.02	63.30	2%	4%	BULLISH
XLV	SPDR-HLTH CR	124.55	1.90	(0.68)	(0.06)	(2.96)	(11.48)	120.59	115.58	123.60	0.77	127.64	119.56	3%	8%	BULLISH
XLY	SPDR-CONS DISCR	173.21	1.16	(0.12)	(4.24)	(4.99)	(0.90)	172.34	164.96	172.84	1.14	179.13	166.55	1%	5%	BULLISH
XTN	SPDR-SP TRANSP	88.76	(0.40)	(4.39)	(7.38)	9.63	28.92	88.92	78.61	90.91	1.40	94.46	87.36	0%	13%	BULLISH
SDY	SPDR-SP DIV ETF	126.79	(0.25)	(1.40)	0.56	5.88	(0.06)	122.47	112.53	125.41	0.91	129.69	121.13	4%	13%	BULLISH
RSP	INVS-SP5 EQ ETF	152.18	(0.17)	(0.31)	(0.03)	6.00	9.96	146.98	134.50	151.12	1.12	156.59	145.65	4%	13%	BULLISH
SLY	SPDR-SP6 SC	99.40	0.78	1.63	(5.32)	9.99	32.49	95.96	86.64	97.68	1.26	101.35	94.01	4%	15%	BULLISH
MDY	SPDR-SP MC 400	502.25	0.75	(0.37)	(2.73)	4.39	17.30	490.05	447.01	497.76	1.19	516.13	479.39	2%	12%	BULLISH
EEM	ISHARS-EMG MKT	55.29	(1.37)	2.85	(6.06)	(4.41)	(0.42)	54.02	52.68	54.87	0.80	56.68	53.06	2%	5%	BULLISH
EFA	ISHARS-EAFE	81.00	(0.95)	0.24	(2.32)	(2.76)	(6.96)	78.69	74.61	80.83	0.84	83.53	78.13	3%	9%	BULLISH
IAU	ISHARS-GOLD TR	35.76	(0.89)	0.25	(0.65)	(14.92)	(30.93)	34.32	34.82	36.26	0.08	37.20	35.32	4%	3%	BEARISH
GDX	VANECK-GOLD MNR	38.28	(1.15)	(0.41)	4.66	(8.45)	(21.82)	36.13	35.80	39.42	0.69	40.68	38.16	6%	7%	BULLISH
UUP	INVS-DB US\$ BU	24.35	0.34	(1.32)	(10.03)	(14.70)	(46.37)	24.53	24.58	24.22	(0.11)	24.80	23.64	-1%	-1%	BEARISH
BOND	PIMCO-TOT RETRN	110.95	0.52	(0.73)	(6.75)	(16.56)	(38.79)	110.07	111.33	110.31	0.08	113.16	107.46	1%	0%	BEARISH
TLT	ISHARS-20+YTB	142.31	1.60	2.24	(2.69)	(24.22)	(51.41)	138.10	147.35	138.44	(0.26)	141.54	135.34	3%	-3%	BEARISH
BNDX	VANGD-TTL INT B	57.29	0.41	(0.55)	(7.93)	(16.70)	(39.46)	57.03	57.73	56.93	0.03	58.37	55.49	0%	-1%	BEARISH
HYG	ISHARS-IBX HYCB	87.62	0.28	(1.10)	(6.48)	(14.04)	(32.81)	87.06	86.71	87.18	0.37	89.68	84.68	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	137.16	17.97	9.73	0.70	25.73	9.00
DE	Deere & Co	341.44	20.15	9.08	1.05	23.53	9.00
IDXX	Idexx Labs Inc	580.53	19.61	10.90	0.00	74.71	9.00
KLAC	Kla Corp	319.31	14.03	17.32	1.13	24.85	9.00
TGT	Target Corp	231.66	13.27	6.37	1.17	18.49	9.00
TSCO	Tractor Supply	179.84	9.03	10.75	1.16	23.33	9.00
AAP	Advance Auto Pt	195.85	13.88	1.39	0.51	17.90	8.00
AMD	Adv Micro Dev	81.56	35.01	20.18	0.00	58.26	8.00
AVGO	Broadcom Inc	468.67	15.00	14.64	3.07	21.49	8.00
GNRC	Generac Holding	344.62	6.50	14.89	0.00	43.19	8.00
INTU	Intuit Inc	471.33	14.82	13.32	0.50	61.37	8.00
IQV	Iqvia Holdings	242.80	12.85	13.13	0.00	36.90	8.00
IT	Gartner Inc -A	230.98	13.50	14.66	0.00	40.52	8.00
JBHT	Hunt (Jb) Trans	164.20	15.00	10.71	0.73	32.01	8.00
KEYS	Keysight Tech	148.94	10.96	11.08	0.00	28.64	8.00
LOW	Lowes Cos	188.78	13.75	7.11	1.27	18.38	8.00
MCO	Moodys Corp	339.96	10.00	10.13	0.73	29.64	8.00
MLM	Martin Mrt-Matl	350.05	12.40	6.26	0.65	28.76	8.00
MXIM	Maxim Intg Pdts	103.60	10.00	0.41	0.00	36.35	8.00
SHW	Sherwin William	277.86	11.34	11.56	0.79	31.27	8.00
SNPS	Synopsys Inc	262.07	14.65	10.75	0.00	50.89	8.00
SWK	Stanley B&D Inc	204.00	11.11	6.30	1.37	18.70	8.00
TER	Teradyne Inc	127.87	13.75	12.75	0.31	27.09	8.00
TXN	Texas Instrs	188.00	9.33	1.51	2.17	28.49	8.00
WMT	Walmart Inc	139.88	5.50	3.18	1.57	23.39	8.00
WST	West Pharm Svc	343.78	25.79	8.70	0.20	59.38	8.00
A	Agilent Tech	143.06	13.00	6.76	0.54	37.75	7.00
AAPL	Apple Inc	126.11	12.50	7.22	0.70	28.31	7.00
ALLE	Allegion Plc	138.66	5.67	5.94	1.04	26.26	7.00
AVY	Avery Dennison	217.09	7.00	3.71	1.25	27.66	7.00
BBY	Best Buy	112.54	8.28	3.93	2.49	11.87	7.00
CDNS	Cadence Design	128.51	14.41	9.66	0.00	54.92	7.00
CRL	Charles Rvr Lab	354.78	14.00	15.96	0.00	40.18	7.00
DHR	Danaher Corp	246.26	18.00	2.27	0.34	31.74	7.00
DOV	Dover Corp	150.29	11.50	-0.85	1.32	24.68	7.00
DVA	Davita Inc	121.80	14.38	-6.81	0.00	16.22	7.00
FB	Facebook Inc-A	332.46	20.13	33.80	0.00	28.44	7.00
HCA	Hca Holdings	210.10	12.35	5.44	0.91	17.97	7.00
HD	Home Depot	308.31	11.44	7.77	2.14	22.34	7.00
J	Jacobs Engin Gr	141.26	12.72	6.91	0.59	23.70	7.00
LRCX	Lam Research	640.77	32.80	13.48	0.81	26.73	7.00
NDAQ	Nasdaq Inc	168.36	5.75	9.22	1.28	25.39	7.00
NLOK	Norton Lifelock	28.67	7.00	-10.00	1.74	21.40	7.00
NXPI	Nxp Semiconduct	201.05	10.00	-0.48	1.12	32.27	7.00
ORLY	O Reilly Auto	527.74	13.36	7.39	0.00	19.82	7.00
PH	Parker Hannifin	303.16	11.78	4.65	1.36	23.02	7.00
TT	Trane Tech Plc	183.69	21.50	0.89	1.28	36.52	7.00
UPS	United Parcel Serv	202.22	11.22	7.87	2.91	22.55	7.00



## 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	18.62	1.00	12.61	7.73	8
BSRR	Sierra Bancorp	26.75	1.18	10.55	3.14	8
CMTV	Commnty Bcp Vt	19.50	1.35	12.88	4.51	8
FNCB	Fncb Bancorp	7.32	0.96	12.84	3.28	8
LOMA	Loma Negra Cia	7.27	1.43	21.10	3.50	8
NHTC	Natural Hlth Tr	7.28	1.27	34.80	10.99	8
NRIM	Northrim Bcp	43.90	1.18	10.34	3.37	8
UBCP	Utd Bancorp -Oh	15.36	1.33	10.26	3.77	8
ABR	Arbor Rlty Trst	19.10	1.61	11.02	7.12	7
AINV	Apollo Inv Cp	14.83	0.93	10.35	8.36	7
CAC	Camden Ntl Corp	46.94	1.32	11.42	3.07	7
CAI	Cai Intl Inc	37.85	1.05	10.14	3.17	7
CATY	Cathay Genl Bcp	41.24	1.33	11.10	3.01	7
CIM	Chimera Invest	15.45	1.00	12.70	7.77	7
CZFS	Citizens Fin Sv	61.50	1.22	12.21	3.02	7
FCBP	First Choice Bc	31.53	1.30	11.93	3.17	7
FLIC	First Long Is	22.24	1.30	10.79	3.42	7
FNF	Fnf Group	47.05	1.65	15.41	3.06	7
FNLC	First Bancp Inc	31.77	1.53	11.71	3.90	7
GSBD	Goldman Sac Bdc	20.08	1.25	11.48	8.96	7
IBCP	Indep Bk Mich	22.39	1.27	12.02	3.75	7
NMFC	New Mountn Fin	13.36	1.02	10.26	8.98	7
PFG	Principal Finl	64.38	1.13	11.97	3.79	7
PRK	Park National	124.14	1.94	12.10	3.32	7
TRTN	Triton Intl Ltd	50.54	1.57	12.80	4.51	7
UVE	Univl Insur Hld	14.08	0.97	19.48	4.55	7
WAYN	Wayne Svgs Bcsh	25.75	1.23	10.09	3.26	7
WTBA	West Bancorp	28.31	2.00	14.81	3.39	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	341.44	20.15	9.08	1.05	23.53	9.00
IDXX	Idexx Labs Inc	580.53	19.61	10.90	-	74.71	9.00
AMAT	Appld Matls Inc	137.16	17.97	9.73	0.70	25.73	9.00
KLAC	Kla Corp	319.31	14.03	17.32	1.13	24.85	9.00
AMD	Adv Micro Dev	81.56	35.01	20.18	-	58.26	8.00
WST	West Pharm Svc	343.78	25.79	8.70	0.20	59.38	8.00
AVGO	Broadcom Inc	468.67	15.00	14.64	3.07	21.49	8.00
JBHT	Hunt (Jb) Trans	164.20	15.00	10.71	0.73	32.01	8.00
INTU	Intuit Inc	471.33	14.82	13.32	0.50	61.37	8.00
SNPS	Synopsys Inc	262.07	14.65	10.75	-	50.89	8.00
AAP	Advance Auto Pt	195.85	13.88	1.39	0.51	17.90	8.00
TER	Teradyne Inc	127.87	13.75	12.75	0.31	27.09	8.00
LRCX	Lam Research	640.77	32.80	13.48	0.81	26.73	7.00
TT	Trane Tech Plc	183.69	21.50	0.89	1.28	36.52	7.00
FB	Facebook Inc-A	332.46	20.13	33.80	-	28.44	7.00
DHR	Danaher Corp	246.26	18.00	2.27	0.34	31.74	7.00
CDNS	Cadence Design	128.51	14.41	9.66	-	54.92	7.00
DVA	Davita Inc	121.80	14.38	(6.81)	-	16.22	7.00
CRL	Charles Rvr Lab	354.78	14.00	15.96	-	40.18	7.00
MPWR	Monolithic Pwr	343.40	25.00	20.00	0.70	95.13	6.00
ODFL	Old Dominion Fl	248.41	21.94	8.38	0.32	39.62	6.00
CTLT	Catalent Inc	108.87	20.92	14.41	-	42.86	6.00
GOOG	Alphabet Inc-C	2,521.60	18.13	19.82	-	33.57	6.00
GOOGL	Alphabet Inc-A	2,435.13	18.13	19.82	-	32.42	6.00
MCHP	Microchip Tech	153.44	15.33	16.92	1.08	26.05	6.00
NVDA	Nvidia Corp	697.00	17.56	21.44	0.09	71.19	5.00
RHI	Robt Half Intl	91.23	15.54	1.41	1.67	31.46	5.00
REGN	Regeneron Pharm	532.04	18.33	15.50	-	16.23	4.00
TDY	Teledyne Tech	421.52	18.29	9.54	-	37.87	4.00
SCHW	Schwab(Chas)	72.62	14.09	12.04	0.99	27.61	1.00

## 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
IDXX	Idexx Labs Inc	580.53	19.61	10.90	-	3.71	9
FICO	Fair Isaac Inc	496.42	#N/A	9.98	-	#N/A	8
INTU	Intuit Inc	471.33	14.82	13.32	0.50	4.38	8
MCO	Moodys Corp	339.96	10.00	10.13	0.73	3.00	8
MXIM	Maxim Intg Pdts	103.60	10.00	0.41	-	3.31	8
SNPS	Synopsys Inc	262.07	14.65	10.75	-	3.87	8
TXN	Texas Instrs	188.00	9.33	1.51	2.17	2.73	8
WST	West Pharm Svc	343.78	25.79	8.70	0.20	1.86	8
CDNS	Cadence Design	128.51	14.41	9.66	-	3.73	7
FFIN	First Fin Bk-Tx	51.01	#N/A	11.75	1.02	#N/A	7
STAA	Staar Surgical	144.23	#N/A	20.15	-	#N/A	7
VICR	Vicor Corp	91.97	#N/A	9.45	-	#N/A	7
WING	Wingstop Inc	146.90	11.00	29.56	0.38	9.57	7
CPRT	Copart Inc	123.93	#N/A	14.92	-	#N/A	6
EXPO	Exponent Inc	88.59	#N/A	7.13	0.90	#N/A	6
IVNT	Joint Corn/The	72.78	#N/A	31.99	-	#N/A	6

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## Portfolio / Client Update

This past week, the daily "buy signal" continued to get more oversold, with the weekly signal very close to triggering a "sell" signal. Consequently, we are taking some pre-emptive actions to reduce portfolio risk by rebalancing holdings across the models. We still expect a mild correction of 5% or so during the summer, which will "feel worse" than it is. However, the goal will be to use that correction to rebalance equity risk back to target levels for the remainder of the year. Notably, the current rebalancing gives us increased cash levels to make opportunistic buys during the next corrective phase. As noted in the main body of this week's missive, the inflation surge seen this past week is a function of the "base effect" from the "shutdown" last year. As a result, we expect to see inflation and economic growth numbers fade over the next quarter as the base effect gets removed from the calculation. This roll-off of the base effect will also lead to a surge in deflationary headwinds leading to weaker earnings growth into year-end. We expect to see a resurgence of the "deflation" trade as that occurs, which will benefit Technology, Healthcare, Staples, and Utilities. You will notice we have already started making adjustments in these areas. However, at the moment, there are no "big red flags" that suggest we become significantly more active. But, should

they appear, we assure you we will take action as needed. **Portfolio Changes**

During the past week, we made minor changes to portfolios. In addition, we post all trades in real-time at [RIAPRO.NET](http://RIAPRO.NET).

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

*"As discussed over the last few weeks in our weekly newsletter, we are coming upon the confluence of daily and weekly signals turning negative for a wide swath of sectors, stocks, and broad indexes. As such, we are reducing our net exposure by 3.5% to 53% in both models. At the same time, we are adding to a few sectors/stocks that have positive technical outlooks." - 06/10/21*

#### Equity Model:

- AAPL ? reduce by 1/2%
- ABBV ? increase by 1%
- ADBE ? reduce by 1/2%
- ALB ? reduce 1 1/2%
- FANG ? reduce 1/2%
- CVS ? increase by 1/2%
- GOLD ? increase by +1
- JNJ ? increase by 1/2%
- MSFT ? reduce by 1/2%
- PSA ? reduce by 1/2%
- RTX ? reduce by 1/2%
- UNP ? sell 100% of the position.
- UPS ? increase by 1%
- V ? reduce by 1/2%

#### Sector Model:

- XLV ? increase by 2% of the portfolio.
- XLK ? reduce by 2.5%
- LIT ? decrease by 1%

- IYT ? reduce by 1/2%
- XLB ? reduce by 1/2%
- XLE ? reduce by 1/2%
- XLF ? decrease by 1%
- XLI ? reduce by 1/2%
- XLU ? increase by 1%

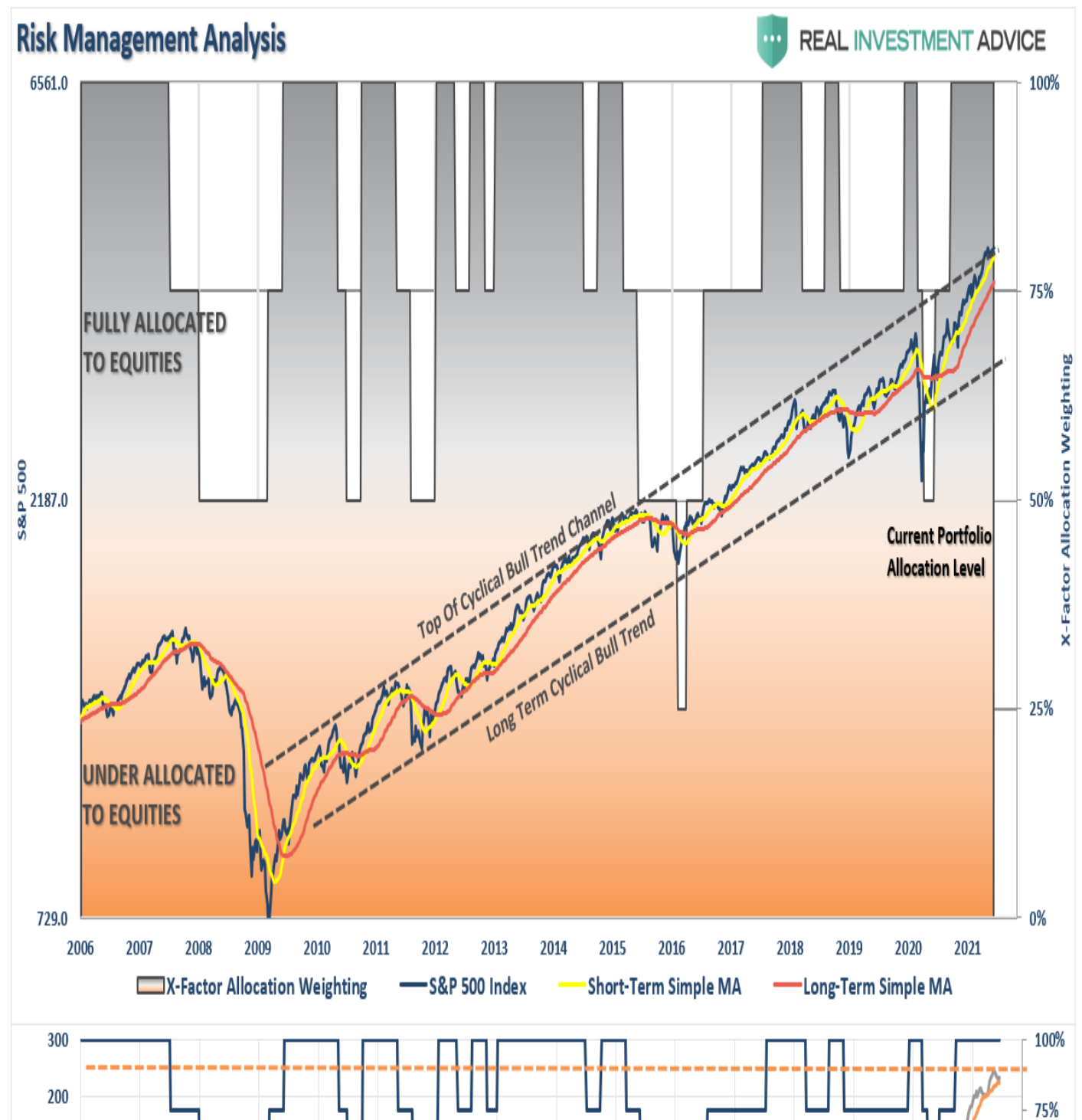
As always, our short-term concern remains the protection of your portfolio. Accordingly, we have shifted our focus from the election back to the economic recovery and where we go from here.

*Lance Roberts*

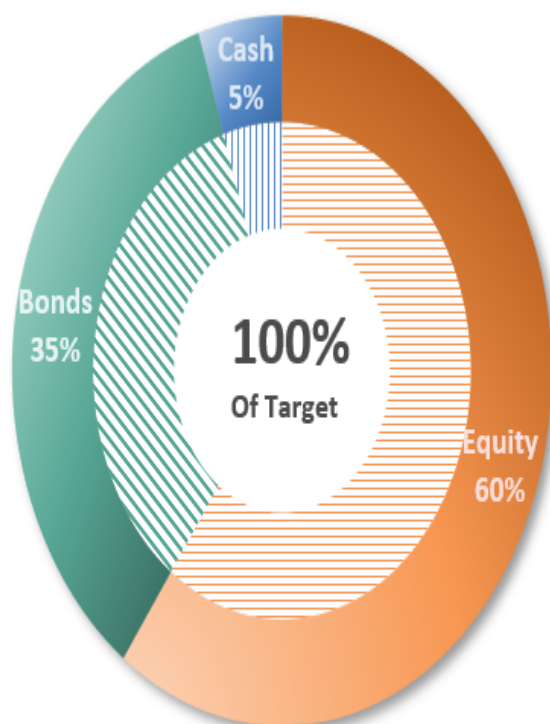
*CIO*

## 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

After registering a several weeks ago, the market finally set a new high last week. However, while the market is sitting at highs, the underlying money flows have declined into "distribution" territory. Such shows there is little conviction to the current rally, and may lead to a "head fake" as we move into next week.

The big market moving event next week will be the Fed. If they start hinting at "tapering" its balance sheet given the surge in inflation, the market could react negatively. Also, as noted, market action remains weak, breadth is narrowing and technical indications are getting more extremely overbought.

We continue to suggests taking profits in areas where you are overweight due to the recent advance. HOWEVER, do NOT buy holdings that have been declining or lagging the recent rally. Just hold extra cash for now.

There is no need to be aggressive here. There isn't likely a lot of upside to the market as we head into summer, so we would recommend not being overly aggressive.



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

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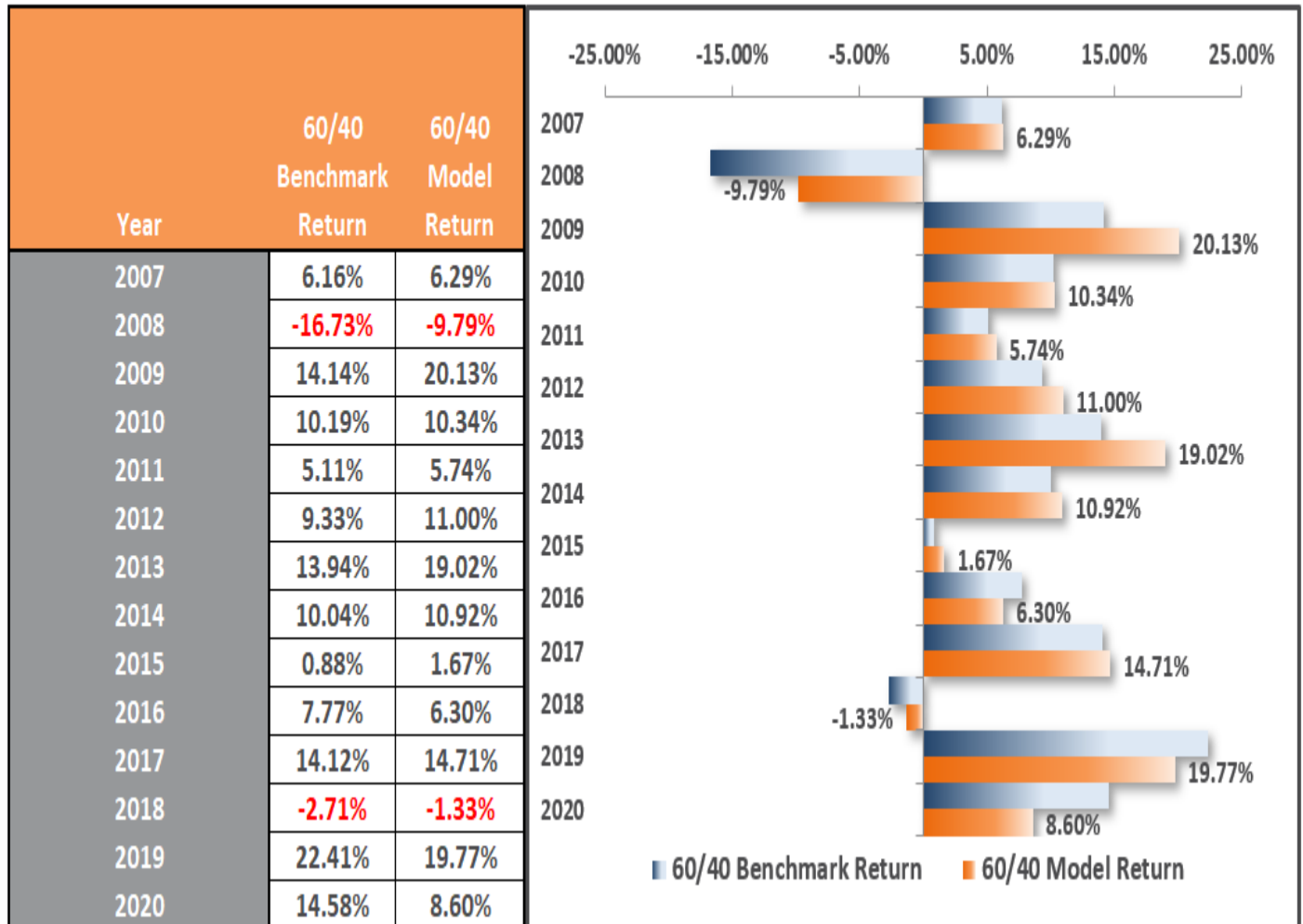
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*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance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



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%

**60/40 Benchmark vs. Risk Adjusted 60/40 Allocation**



Have a great week!