***In this 06-18-21 issue of "Fed Signals Taper. Will It Be Different This Time?"***

- ***Market Fails At Highs***
- ***Will It Be Different This Time.***
- ***Inflation Is Surging But Will It Last***
- ***Portfolio Positioning***
- ***Sector & Market Analysis***
- ***401k Plan Manager***

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***Are you worried about the potential for a market correction, a surge in inflation, or are you unsure how to invest for your retirement? We can help.*** *If you are not yet a client and would like to discuss your portfolio construction, please schedule a time to meet with one of our advisors below.*

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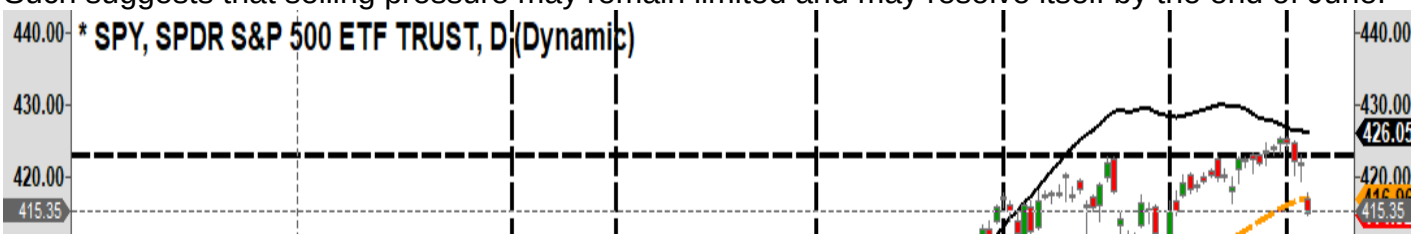
## Market Fails At Highs As Fed Spooks Markets

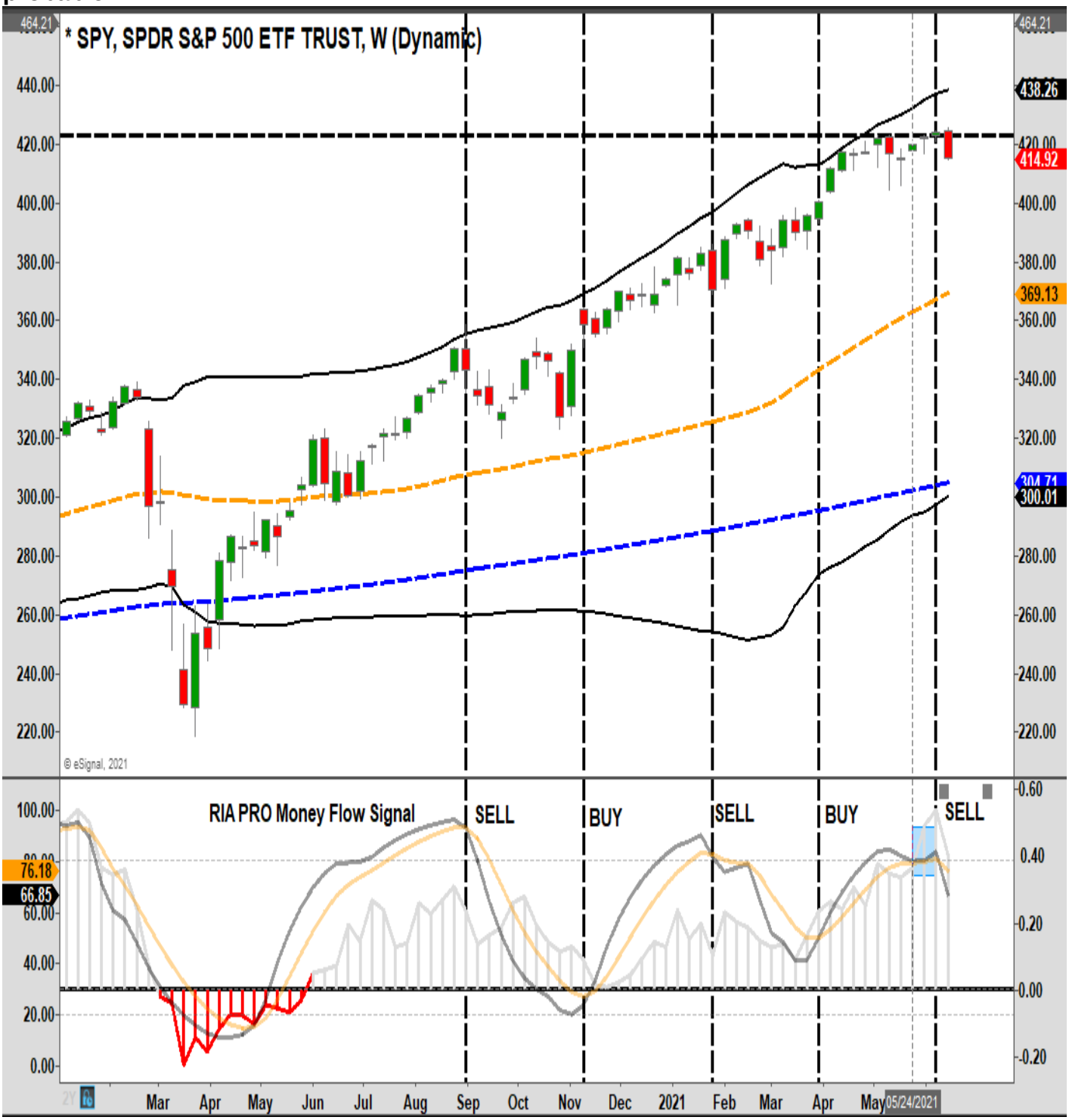
**Last week**, we reviewed our *"buy signals*" and the advance over the past month. As we concluded:

> ***"While the market did hit all-time highs this week, it was a feeble rally.*** *Such is not a sign of confidence the 'highs' will stick."*

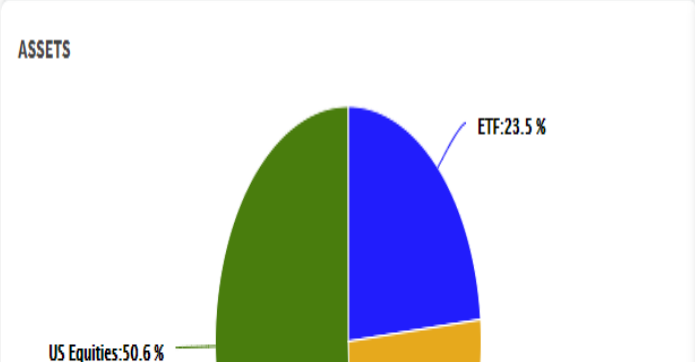
**Well, not only did the highs not stick, but the 50-dma failed during Friday's sell-off.** The market closing at its lows suggests we could see some more selling early next week. **The *"good news,"* if you want to call it that, is that the *"sell signal"* is moving quickly through its cycle.** Such suggests that selling pressure may remain limited and may resolve itself by the end of June.

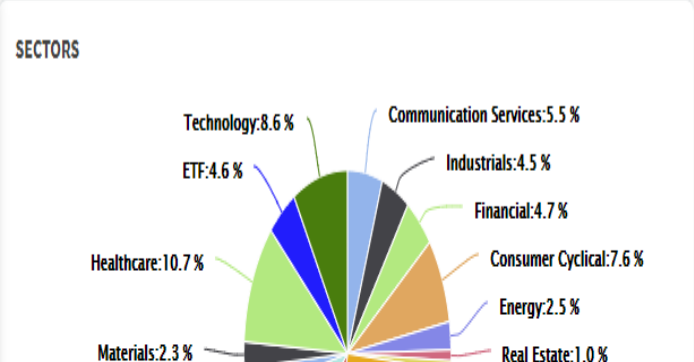


**The *"not-so-good"* news is on the weekly chart.** Our previous discussions warned that if the daily and weekly *"sell signals"* align, such has often coincided with more *"corrective"* rather than *"consolidative"* actions. **Importantly, weekly signals are only valid at the close of the week. On Friday, the weekly *"sell signal"* triggered suggests a period of correction/consolidation is probable.**




As we noted several times over the last few weeks, we set our expectations for a 5-10% correction between mid-June and July. **With both signals triggered, we reduced our equity exposure and raised cash levels further.**



Let me reiterate what we said last week:

> *"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. There are plenty of warnings that suggest 'carrying an umbrella' may come in handy.*

**This past week, the Fed's perceived change in policy stance allowed those with an *"umbrella"* to weather the sudden storm.**

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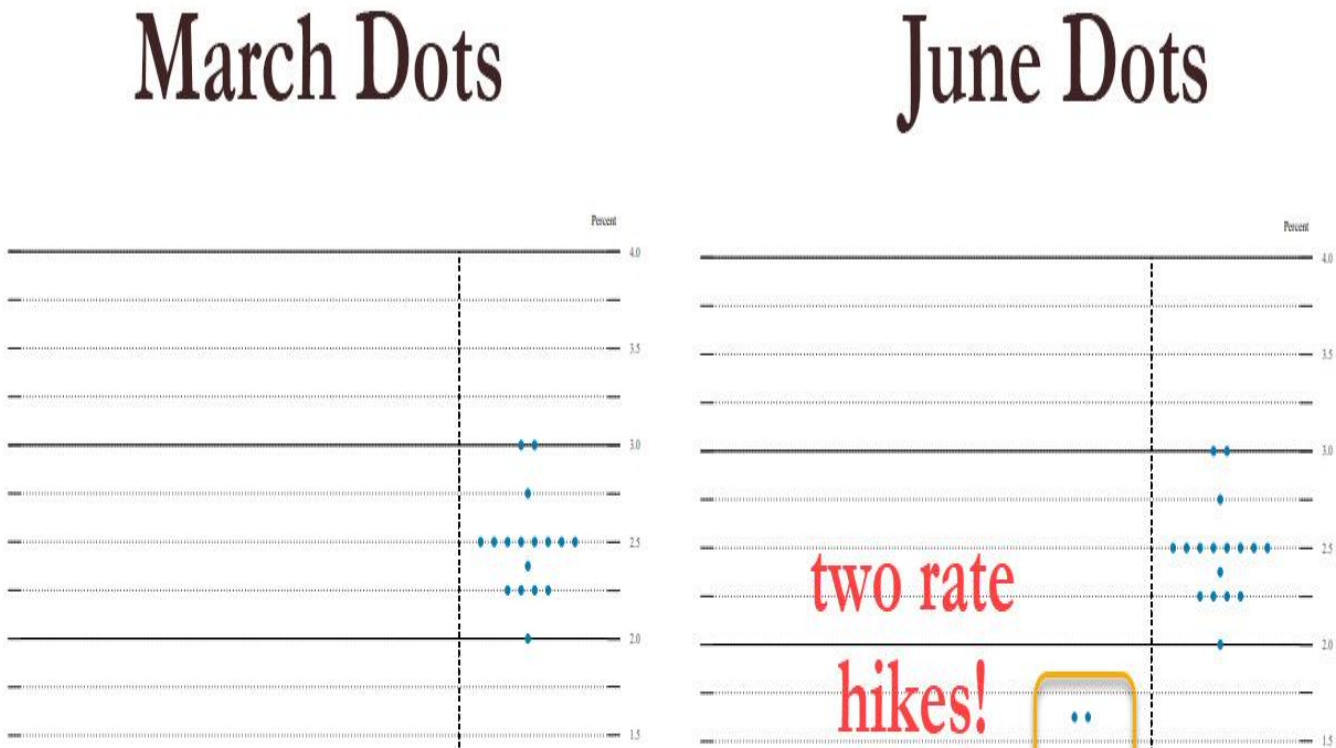
## Will It Be Different This Time

Both Michael Lebowitz and I recently discussed the Fed starting to *"think about thinking about tapering."* This week's Fed meeting was a clear indication such was in play and will likely get announced at the annual Jackson Hole *"confab"* of Central Bankers. https://www.youtube.com/watch?v=R9xzSGpPqpk As noted following the latest FOMC meeting, the Fed kept the benchmark rate and the pace of bond-buying unchanged at $120 Billion per month. However, the most significant shift was the more hawkish tilt to its rate forecasts. As shown below, courtesy of Zerohedge, the **median projections now show 2-rate hikes by end-2023. Notably, 7 of the FOMC members see a rate hike in 2022**. *Chart courtesy of Zerohedge*



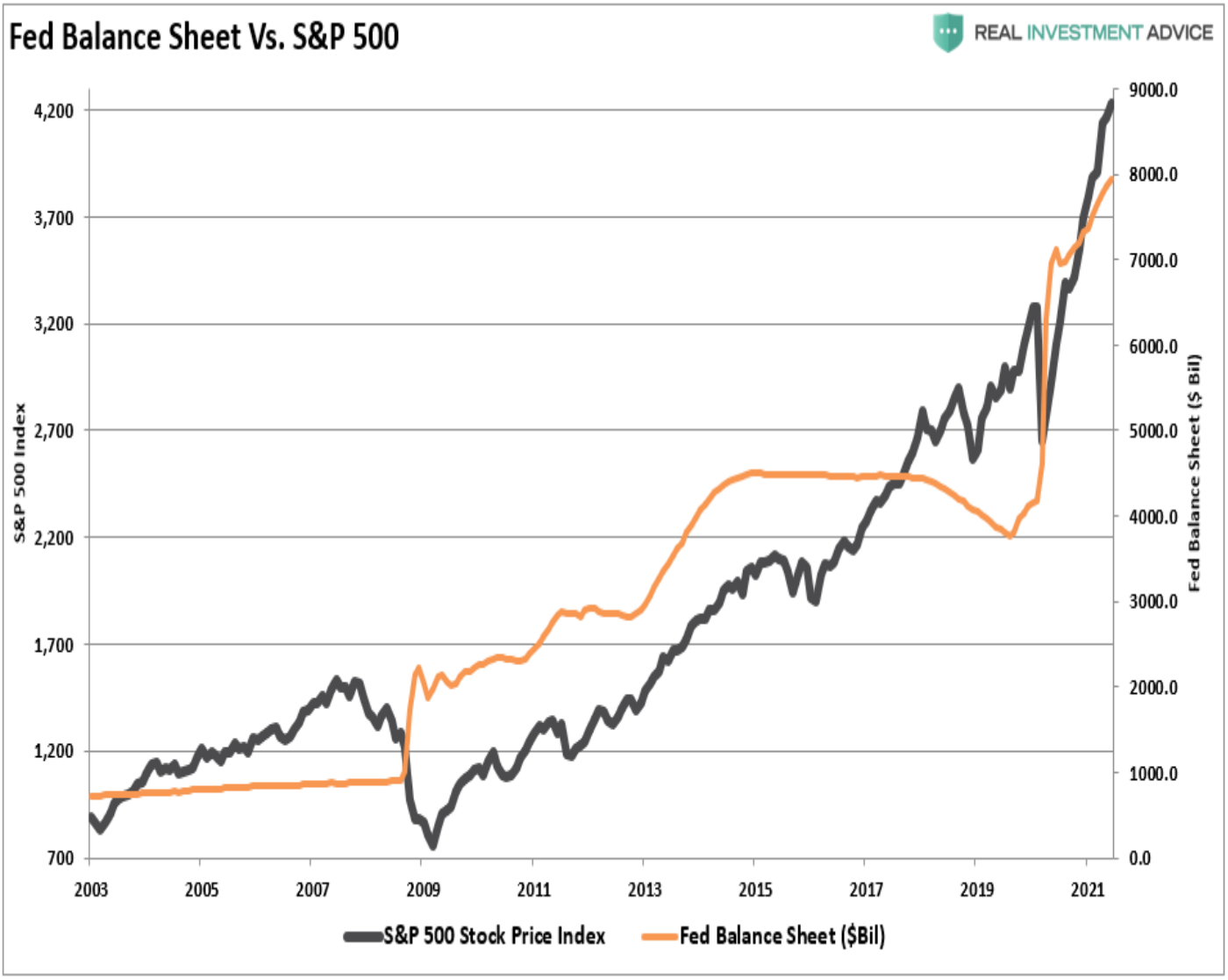
*"For those confused by the Rorschach above, the 2023 median dot was a lot higher; in fact, only five members had rates unchanged up from 11 in March.* ***The median is now 0.625% higher than anyone was reasonably expecting!*** *That said, the sheer dispersion of dots in 2023 suggests the Fed doesn't really know what the outlook looks like. Rather, the 'median of 2 hikes' in 2023 a byproduct of a lot of different views (on hawkish/dovish side). Such is not a clear message to the markets, and can easily change as soon as there is a deflationary whiff in the economy." - Zerohedge*

There are two essential things to take away from that analysis.

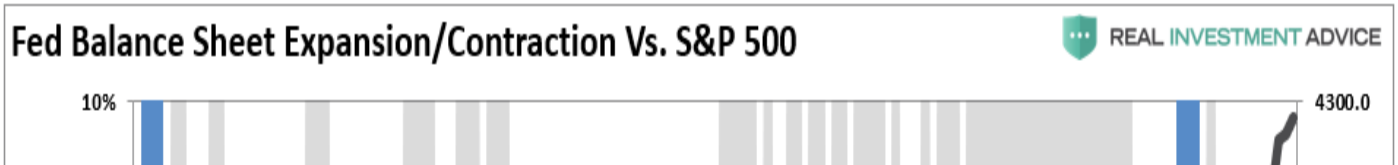
1. **The announcement is very positive for the dollar and sets up the Fed to announce the beginning of the "taper" of the bond-buying programs; and,**
2. ***"This time is not different"*** **as the taper and eventual rate hikes are bond positive and stock negative.**

## Taper Starts The Clock

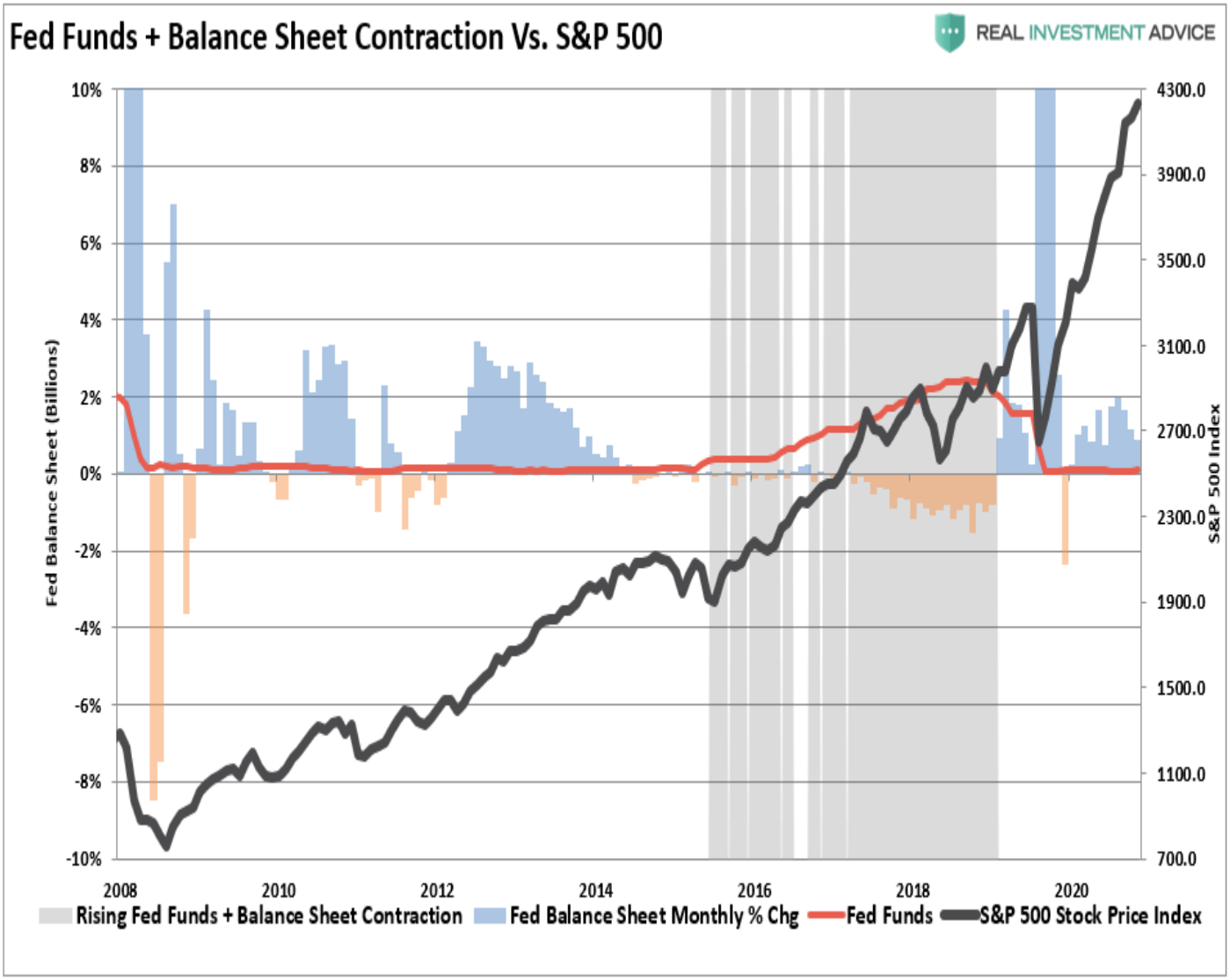
Despite comments to the contrary, the correlation between the Fed?s balance sheet and the S&P 500 is evident. **Whether the correlation is due to liquidity moving into assets** through leverage or just the ***?psychology?*** **of the** ***?Fed Put,?*** the result is the same.




Therefore, it should also not be surprising that when the Fed starts *?tapering?* their bond purchases, the market tends to witness increased volatility. The grey shaded bars in the chart below show when the balance sheet is either flat or contracting.



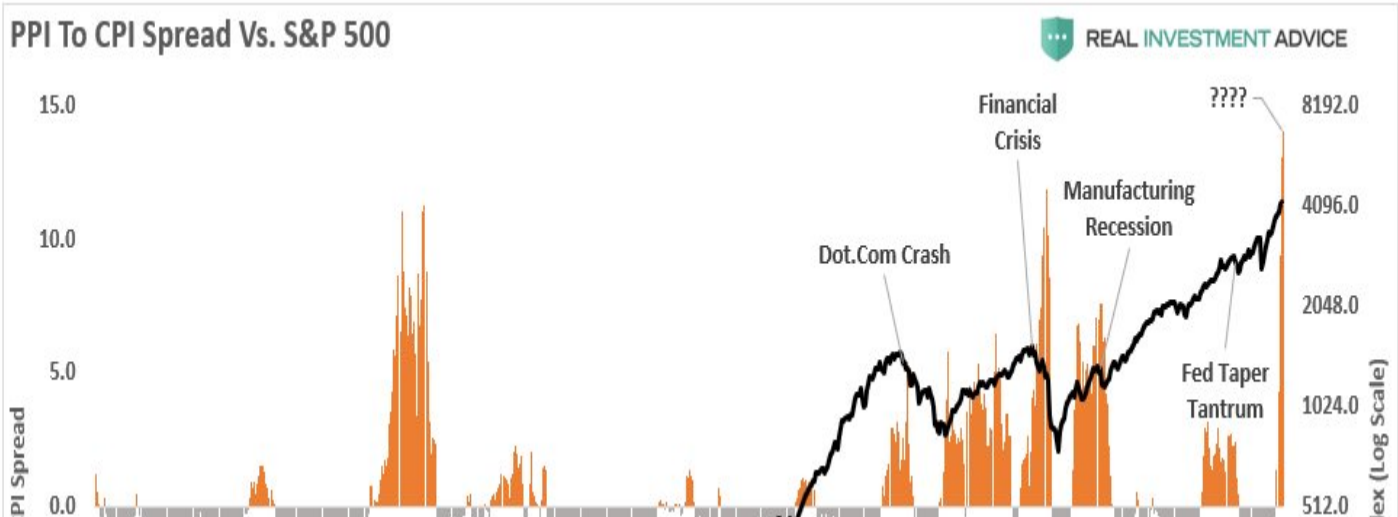
The risk of a market correction rises further when the Fed is both tapering its balance sheet and increasing the overnight lending rate. The negative impact of tighter monetary policy on asset prices is of no surprise.



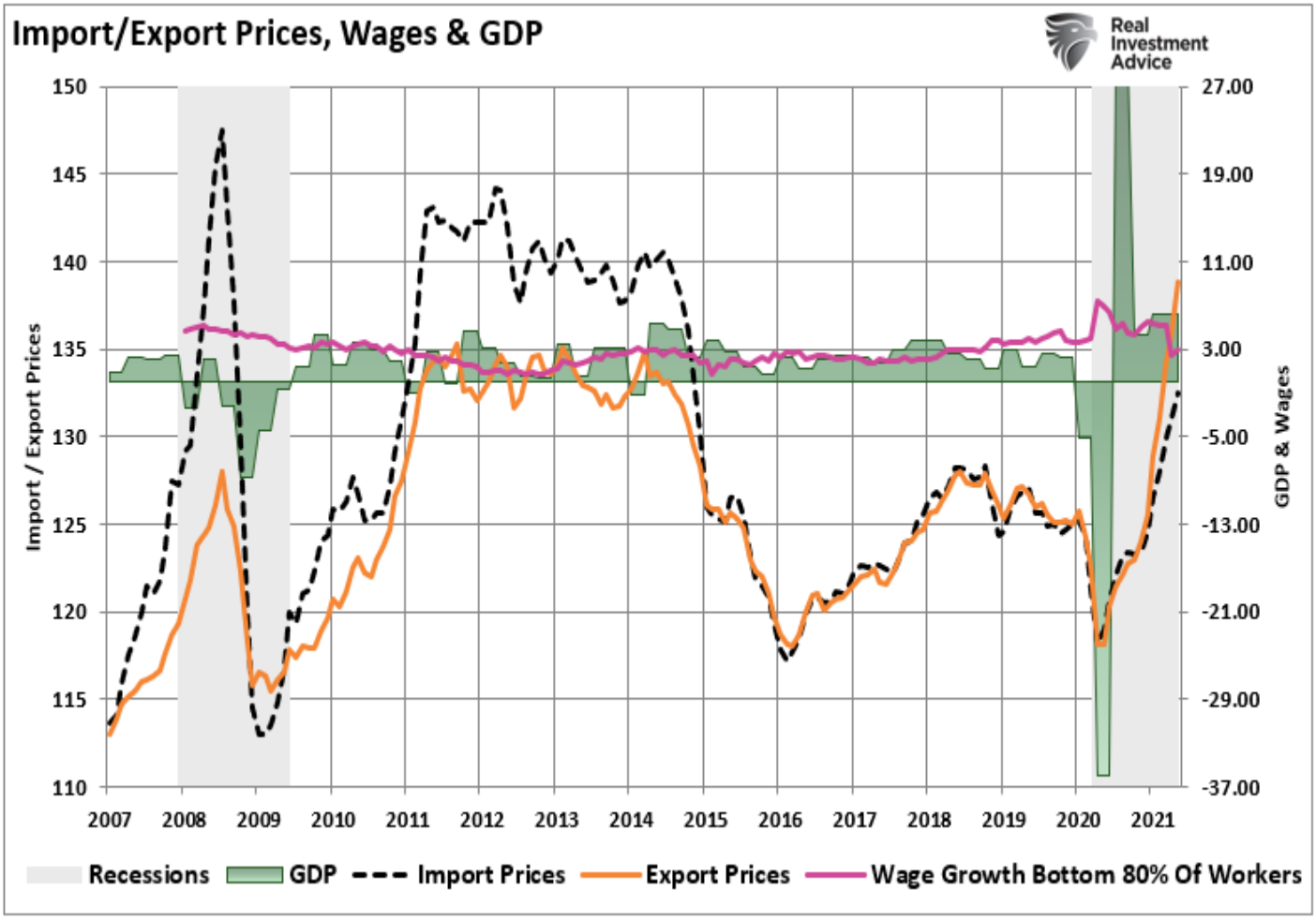

What we now know, after more than a decade of experience, is that when the Fed starts to slow or drain its monetary liquidity, the clock starts ticking to the next corrective cycle.

## Inflation Is Surging But Will It Last

With the latest reports on prices, the inflation surge has become overwhelmingly visible. However, as discussed previously, the question we must answer is whether it will last? This past week, we saw both the CPI and PPI reports come in both now above their long-term trends. However, it is the annual rate of change with which we are most concerned. As shown below, the current spread between PPI and CPI hit another record.



Please pay attention to this spread as it shows producers cannot pass along inflation to their customers. Therefore, the retained inflation, and by this measure, a lot of it, will erode profit margins and earnings in the future. Import and export prices also show a strong surge relative to GDP growth. **While increased export prices are good for exporters *(~40% of corporate profits,)* increased import costs impede consumption and domestic production.** As such, it is not uncommon to see weaker economic growth following such episodes.




**It is also worth noting that *"wages"* for the bottom 80% of workers continue to weaken despite the *"strong"* recovery.** Such will make it very difficult for consumers to absorb higher costs and continue to consume at current levels.

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**Read More On This Issue In This Week's #MacroView**

## You Can't Create Permanent Inflation From Artificial Growth

Written by Lance Roberts | Jun 18, 2021

The Biden Administration is discussing hiking corporate taxes. While the goal is to ensure the "rich pay their fair share," a look at history suggests changing tax rates will have little impact on economic outcomes.

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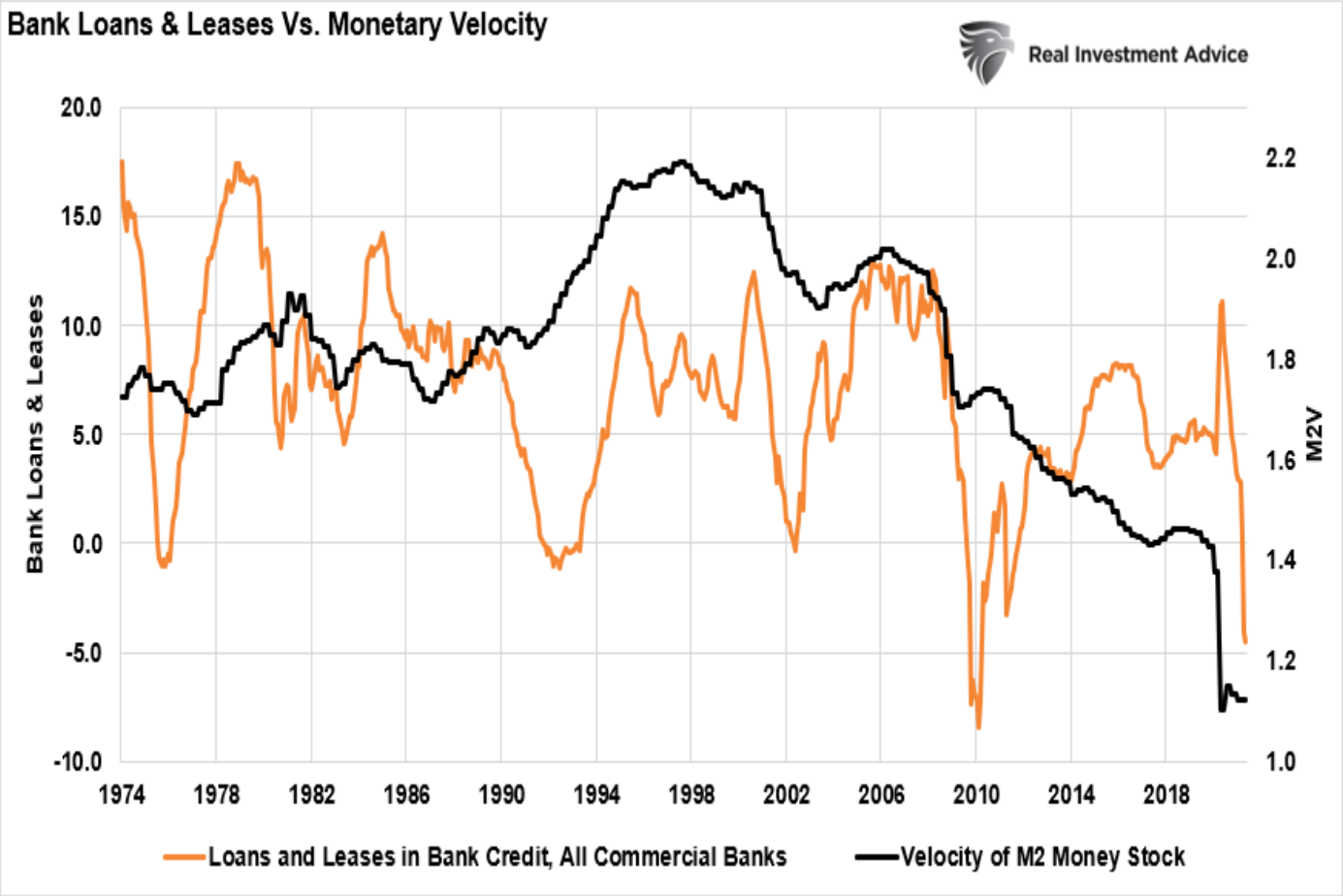
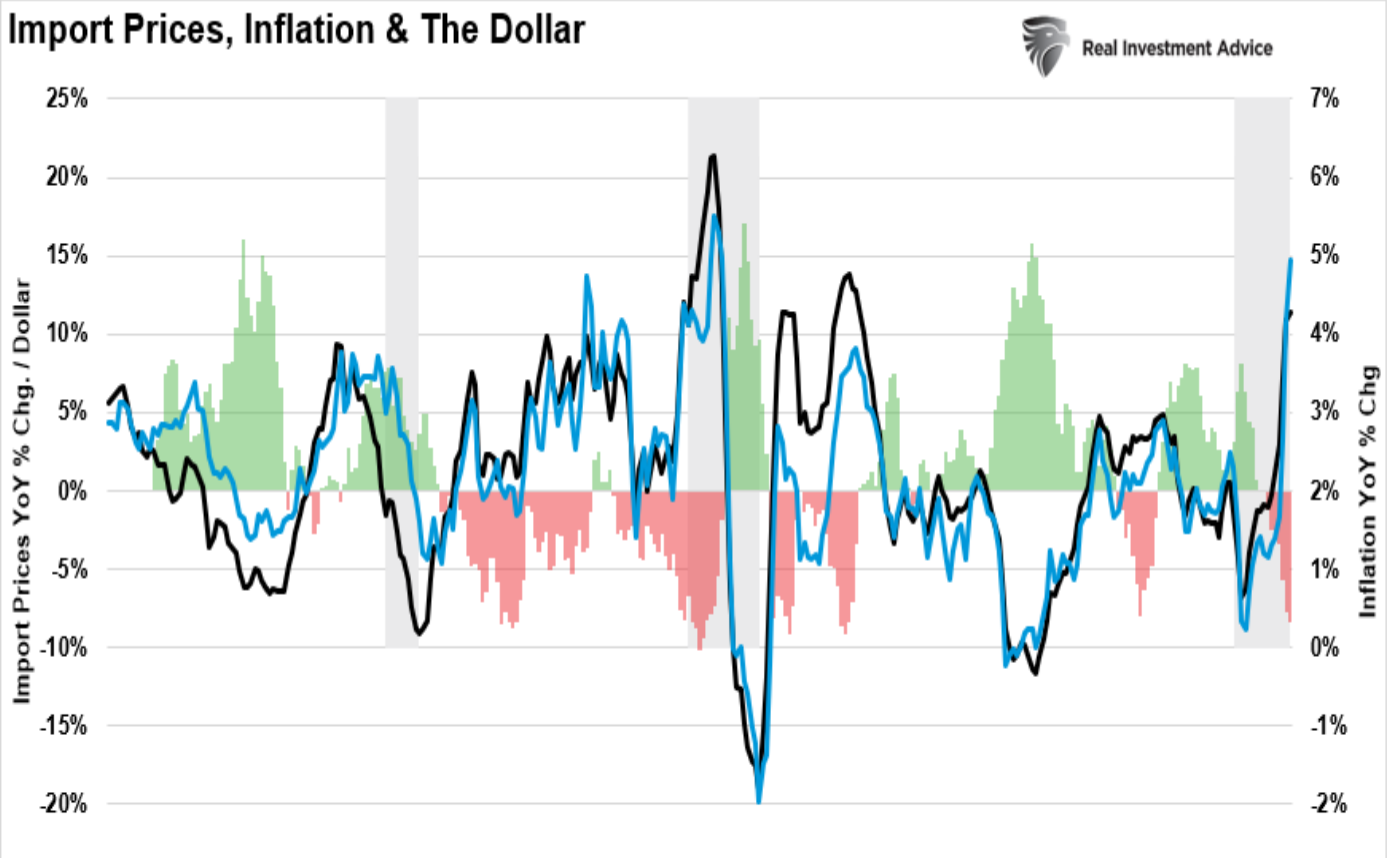
## The Coming Dollar Rally

*"Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."*
*- Milton Friedman*

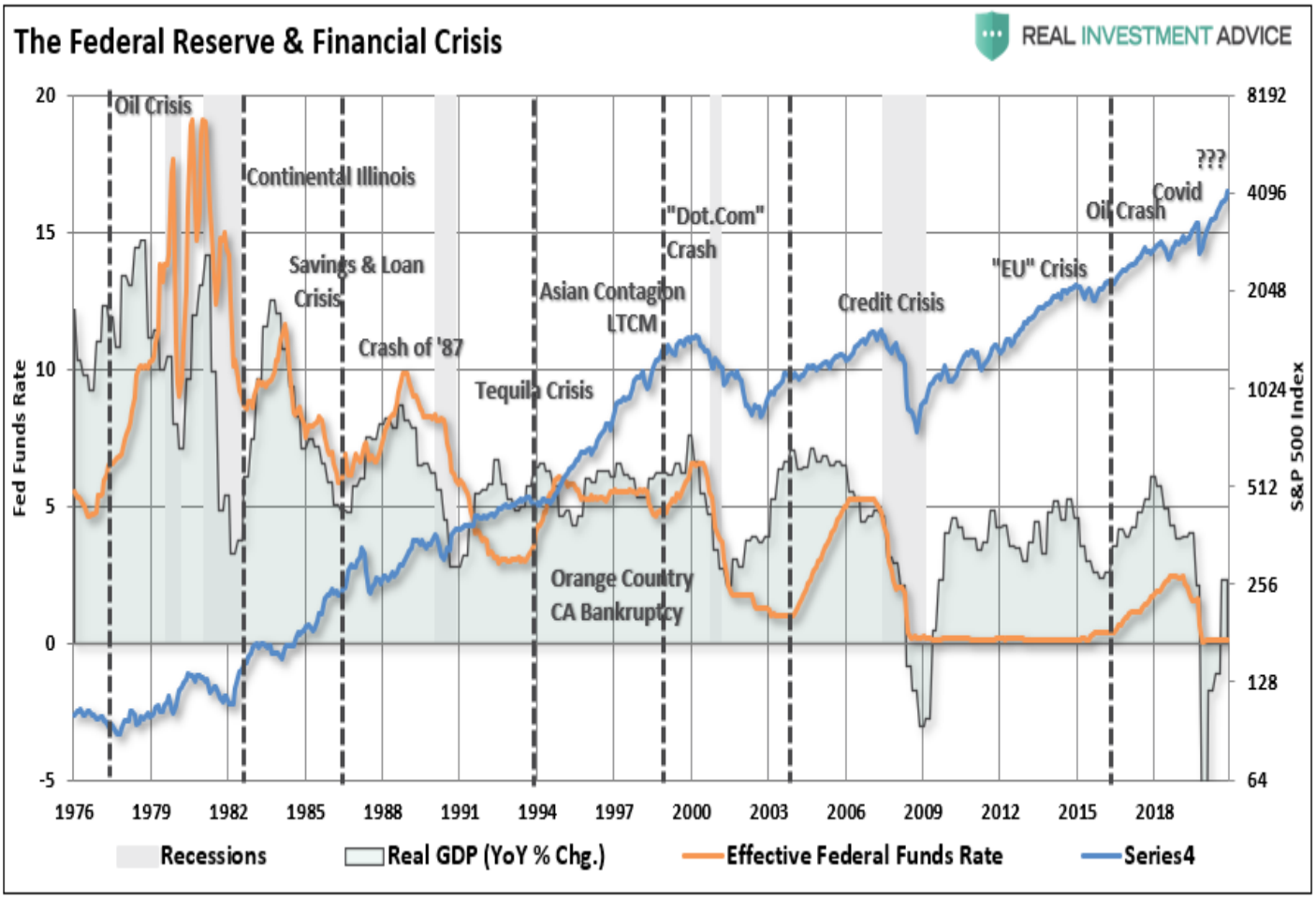
Currently, there is no argument money supply has exploded without a corresponding increase in economic output. If there were, bank loans and monetary velocity would be on the rise. Unfortunately, such isn't the case currently.




Furthermore, the weakness of the U.S. dollar contributes to the inflationary push in the economy as it increases the costs of imported goods.



However, these forces are why the current *"inflationary surge"* will become deflationary by the end of the year. Moreover, **as noted above, this deflationary surge combined with the *"Fed taper"* is *"dollar positive."* Currently, wages are lagging higher costs amid a weaker dollar *(purchasing power).* Furthermore, as the previous stimulus leaves the system, purchasing power will fade.** As such occurs, economic growth, import prices, and inflation will decline as the dollar tends to strengthen. Unfortunately, for the Fed, they are really in a tough spot. As ***discussed previously,*** the Fed should be using the $120 billion in monthly QE to start hiking rates to prepare for the next recession slowly. But, instead**, they will k*ick* the *"policy can"* further down the road.** The longer they wait, the harder it will be to pull off normalization without risking significant market volatility and reversing the economic recovery. Of course, history already shows such is what will happen.




**There have been ZERO times in history when the Fed started a rate hiking campaign that did not lead to a negative outcome.** We suggest this time won't be any different.

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## Portfolio Update

As noted above, with support near current market levels and plenty of liquidity fueling markets, downside risk remains limited. **Such does not mean you should be complacent. However, you should also not be overly defensive at this juncture either.** As noted last week, we did raise some cash recently but are still long our primary core positions. The rotation from *"value"* to *"growth"* continued this week, suggesting that markets are already sensing a return to a deflationary environment. We currently carry a *"barbelled"* portfolio holding an inflationary tilt.

However, the deflationary holdings continued to hedge our risk last week. We also had previously increased our bond duration by adding longer-duration treasuries to our portfolios which also gained ground with the Fed's stance. As a result, we are opportunistically adding to our duration and reducing excess cash holdings. As noted in ***Slowly At First:***

> ***"Understanding that change is occurring is what is essential.*** *But, unfortunately, the reason investors 'get trapped' in bear markets is that when they realize what is happening, it is far too late to do anything about it.* ***Bull markets are lure investors into believing 'this time is different.'*** *When the topping process begins, that slow, arduous affair gets met with continued reasons why the 'bull market will continue.'* ***The problem comes when it eventually doesn?t.*** *As noted, 'bear markets? are swift and brutal attacks on investor capital.'"*

Pay attention to the market. **The action this year is very reminiscent of previous market topping processes.** However, tops are hard to identify during the process as *?change happens slowly.?* 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

| SPY RISK INFO | ZACKS | | REAL INVESTMENT ADVICE | |
|---|---|---|---|---|
| Item | T 2-Yr | T 1-Yr. | YTD | % Diff YTD/T1-YR |
| Price Return | 41.90% | 33.08% | 10.98% | (66.82%) |
| Max Drawdown | (35.63%) | (10.86%) | (5.65%) | (47.92%) |
| Sharpe | 0.85 | 2.53 | 1.98 | (0.22) |
| Sortino | 0.92 | 3.12 | 2.73 | (0.12) |
| Volatility | 25.37 | 15.53 | 13.81 | (0.11) |
| Daily VaR-5% | (16.29) | 11.75 | 4.66 | (0.60) |
| Mnthly VaR-5% | (3.22) | 17.56 | 18.62 | 0.06 |

| Item | 2 years ago | 1 year ago | Current | 1 Yr % Change | 5 Year High | 5 year Low | % From High | % From Low |
|---|---|---|---|---|---|---|---|---|
| Dividend Yield | 1.93% | 1.82% | 1.31% | (38.81%) | 2.14% | 1.28% | (38.87%) | 2.12% |
| P/E Ratio | 18.44 | 20.29 | 27.53 | 26.28% | 2753% | 1606% | (0.0%) | 71.38% |
| P/S Ratio | 3.68 | 3.82 | 5.15 | 25.91% | 5.19 | 3.24 | (0.75%) | 59.05% |
| P/B Ratio | 4.80 | 5.32 | 6.93 | 23.22% | 6.95 | 4.19 | (0.27%) | 65.63% |
| ROE | 21.73% | 21.32% | 22.80% | 6.47% | 22.80% | 17.60% | 0.00% | 29.50% |
| ROA | 4.26% | 4.09% | 4.07% | (0.50%) | 4.31% | 3.51% | (5.63%) | 16.01% |

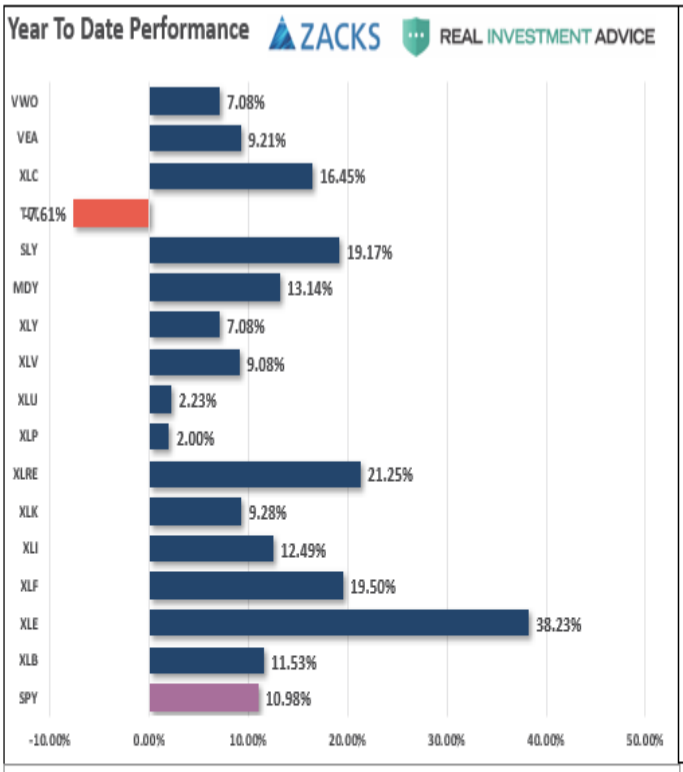
S&P 500 Market Cap Analysis

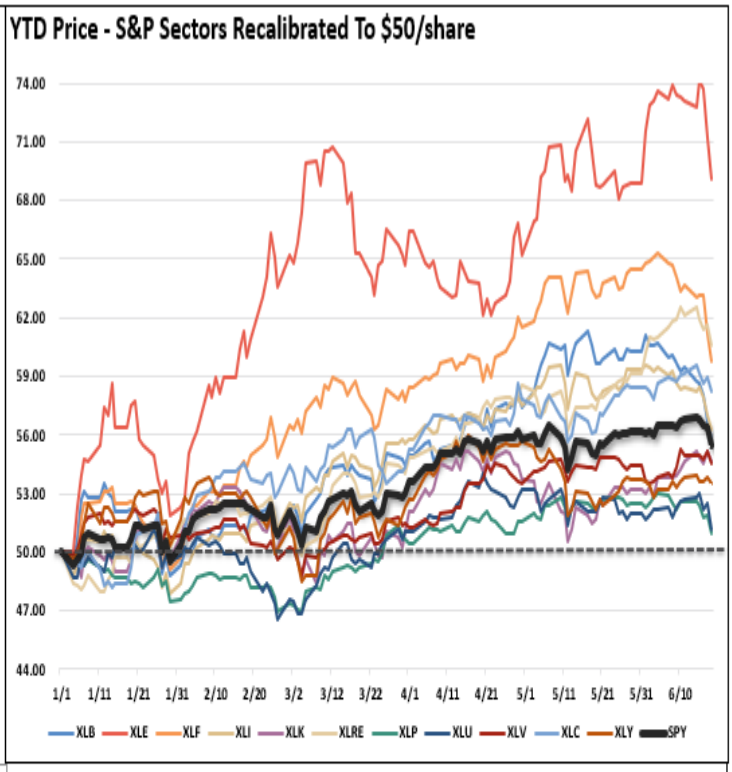
| Item | 12-M Ago | Current | % Chg |
|---|---|---|---|
| Shares | 3,081.9 | 2,989.5 | (3.00%) |
| Sales | 71,625 | 71,614 | (0.02%) |
| SPS | 23.2 | 24.0 | 3.07% |
| Earnings | 11,118 | 11,763 | 5.80% |
| EPS TTM | 4.5 | 4.5 | 0.19% |
| Dividend | 1.6 | 1.6 | (1.12%) |

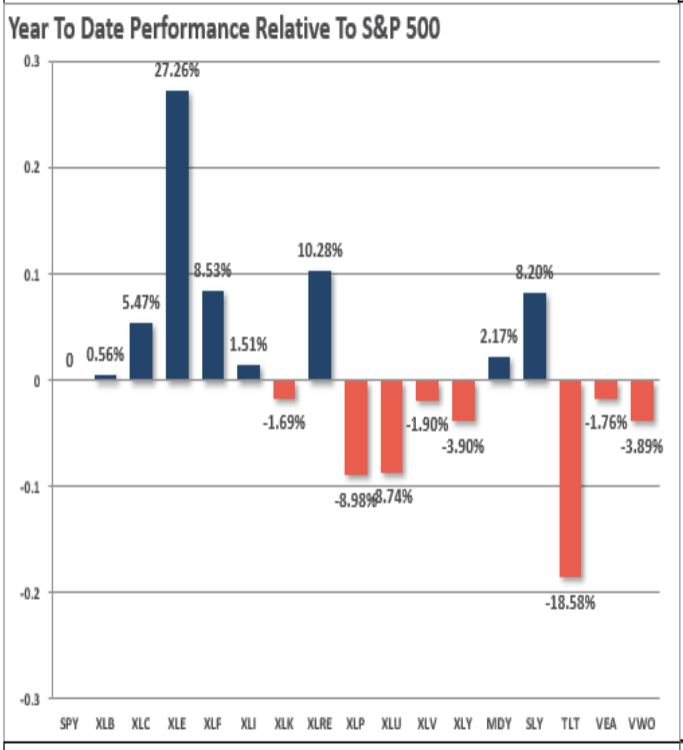
S&P 500 Asset Allocation

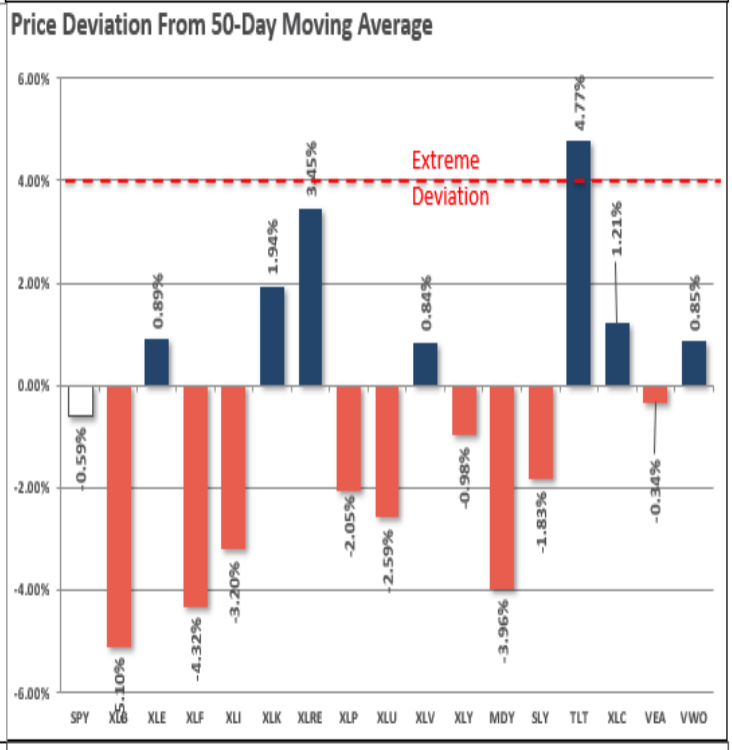
| Sector | 1 Year Price Return | Weight | Beta | P/E | P/E High- 5yr (Mo.) | P/E Low - 5Yr (Mo.) | P/E % From Peak | ROE | DIV. YIELD | TTM Earnings Yield | Current Forward Earnings | Forward PE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Energy | 30.55% | 2.97% | 1.88 | (303.72) | 123.62 | (302.30) | (345.7%) | (0.1%) | 4.2% | -0.33% | 2.70 | 17.75 |
| Materials | 44.09% | 2.69% | 1.20 | 25.06 | 27.13 | 14.16 | (7.7%) | 11.1% | 1.9% | 3.97% | 4.95 | 19.10 |
| Industrials | 40.49% | 8.67% | 1.17 | 51.29 | 54.09 | 14.68 | (5.2%) | 4.9% | 1.4% | 1.95% | 4.28 | 24.70 |
| Discretionary | 44.07% | 12.09% | 1.36 | 53.91 | 60.06 | 20.97 | (10.2%) | 24.5% | 0.6% | 1.86% | 5.58 | 32.55 |

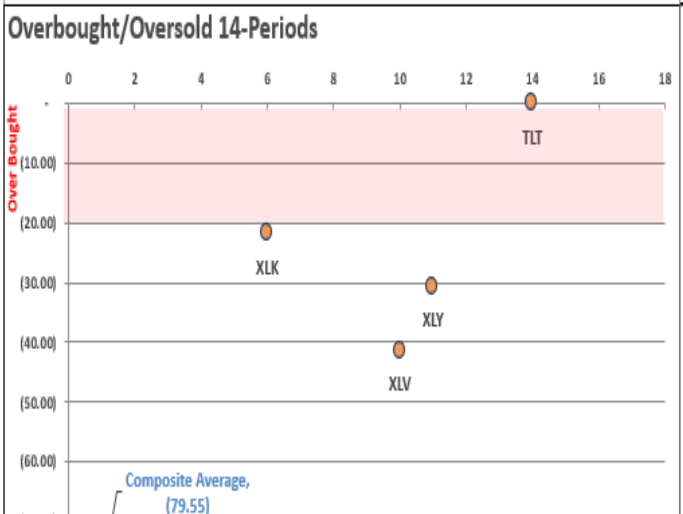
# Performance Analysis

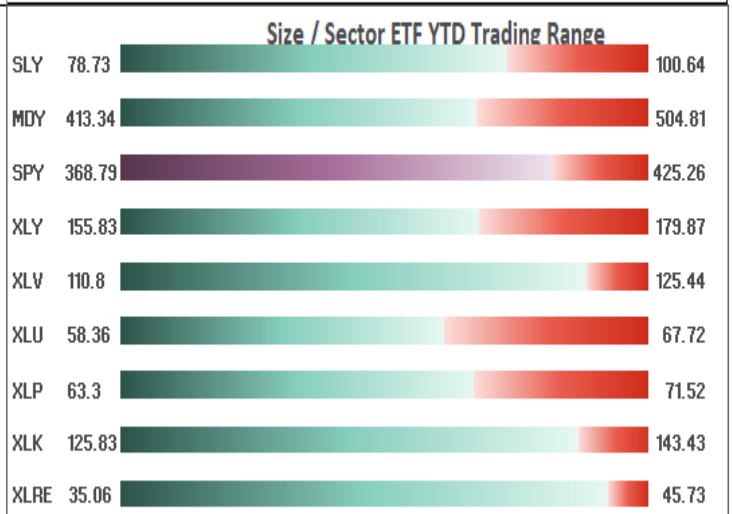


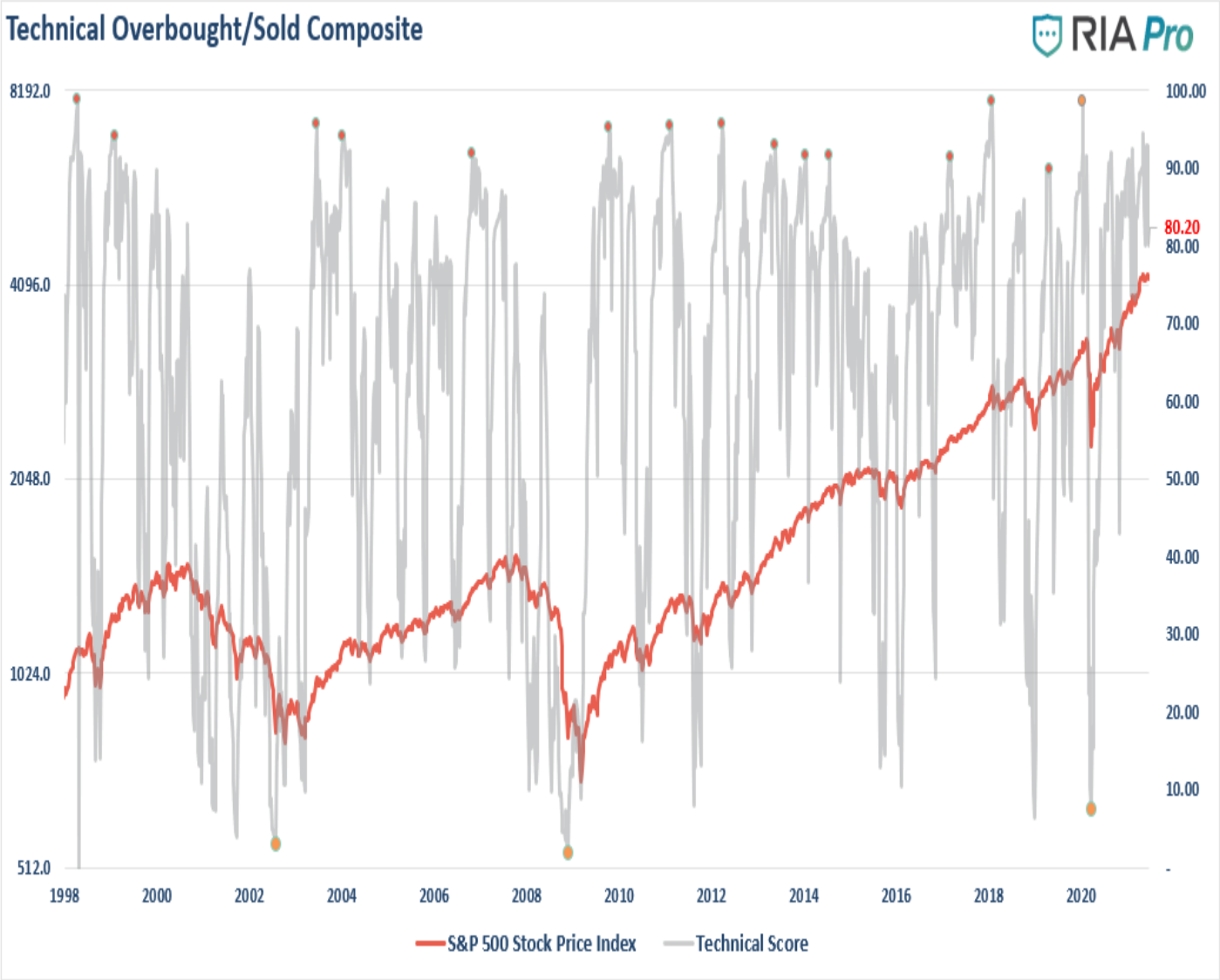



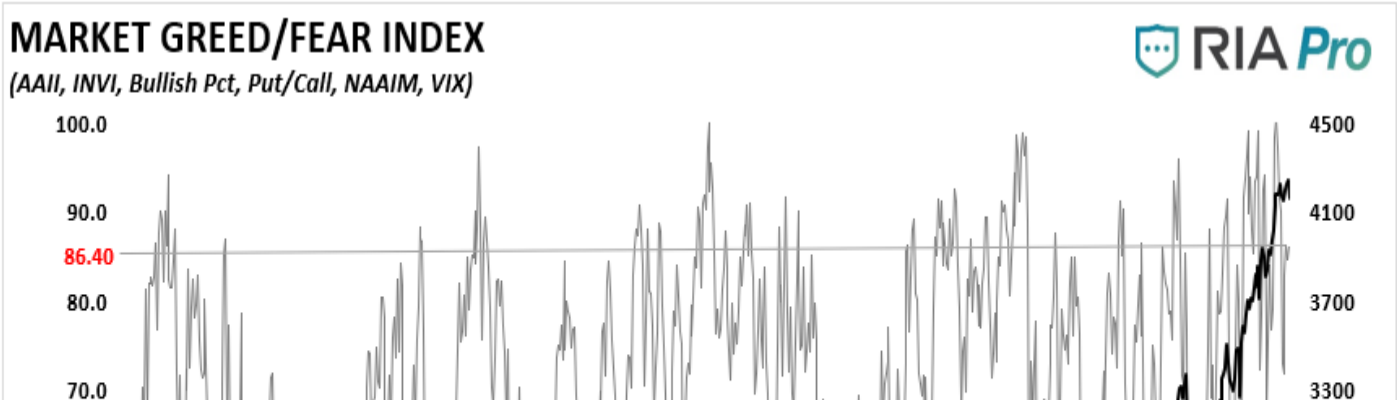
## Technical Composite

*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 86.40 out of a possible 100.***



# 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 | 416.77 | (1.88) | 0.05 | 4.86 | 11.02 | 34.56 | 414.72 | 389.51 | 421.65 | 0.99 | 432.19 | 411.11 | 0% | 7% | BULLISH |
| XLB | SPDR-MATLS SELS | 80.74 | (4.37) | (6.81) | (3.54) | 0.51 | 9.15 | 83.74 | 76.81 | 87.26 | 1.06 | 90.37 | 84.15 | -4% | 5% | BULLISH |
| XLC | SPDR-COMM SV SS | 78.58 | 0.34 | 2.19 | 3.84 | 5.43 | 6.92 | 77.00 | 71.39 | 78.79 | 0.99 | 81.54 | 76.04 | 2% | 10% | BULLISH |
| XLE | SPDR-EGY SELS | 52.39 | (3.52) | 0.40 | (0.97) | 27.21 | (2.17) | 51.35 | 45.02 | 52.21 | 1.75 | 54.43 | 49.99 | 2% | 16% | BULLISH |
| XLF | SPDR-FINL SELS | 35.23 | (4.33) | (6.30) | (2.36) | 8.48 | 12.35 | 36.25 | 32.26 | 37.99 | 1.20 | 39.40 | 36.58 | -3% | 9% | BULLISH |
| XLK | SPDR-TECH SELS | 142.09 | 1.96 | 4.29 | 2.24 | (1.74) | 4.41 | 138.22 | 131.78 | 138.40 | 1.04 | 143.29 | 133.51 | 3% | 8% | BULLISH |
| XLI | SPDR-INDU SELS | 99.61 | (1.89) | (3.37) | (3.55) | 1.47 | 9.32 | 101.85 | 93.57 | 105.12 | 1.19 | 109.00 | 101.24 | -2% | 6% | BULLISH |
| XLP | SPDR-CONS STPL | 68.80 | (1.14) | (3.17) | (4.54) | (9.02) | (19.17) | 69.79 | 67.39 | 70.81 | 0.62 | 73.02 | 68.60 | -1% | 2% | BULLISH |
| XLRE | SPDR-RE SELS | 44.33 | (0.57) | 4.65 | 6.21 | 10.23 | (9.16) | 42.17 | 38.89 | 43.26 | 0.68 | 44.64 | 41.88 | 5% | 14% | BULLISH |
| XLU | SPDR-UTIL SELS | 64.10 | (1.16) | (3.16) | (3.87) | (8.79) | (23.07) | 65.36 | 63.65 | 65.16 | 0.35 | 67.02 | 63.30 | -2% | 1% | BULLISH |
| XLV | SPDR-HLTH CR | 123.74 | 1.23 | (0.54) | 0.88 | (1.94) | (11.74) | 121.32 | 116.10 | 123.60 | 0.77 | 127.64 | 119.56 | 2% | 7% | BULLISH |
| XLY | SPDR-CONS DISCR | 172.16 | 1.27 | 2.10 | (1.19) | (3.95) | 0.59 | 172.73 | 165.58 | 172.84 | 1.14 | 179.13 | 166.55 | 0% | 4% | BULLISH |
| XTN | SPDR-SP TRANSPT | 84.38 | (3.06) | (5.47) | (8.18) | 7.21 | 23.63 | 88.79 | 79.35 | 90.91 | 1.40 | 94.46 | 87.36 | -5% | 6% | BULLISH |
| SDY | SPDR-SP DIV ETF | 119.91 | (3.55) | (4.13) | (4.12) | 2.17 | (3.91) | 122.91 | 113.33 | 125.41 | 0.91 | 129.69 | 121.13 | -2% | 6% | BULLISH |
| RSP | INVS-SP5 EQ ETF | 146.65 | (1.76) | (1.85) | (1.71) | 3.96 | 7.75 | 147.63 | 135.60 | 151.12 | 1.12 | 156.59 | 145.65 | -1% | 8% | BULLISH |
| SLY | SPDR-SP6 SC | 94.79 | (2.76) | (0.97) | (4.61) | 8.15 | 27.94 | 95.97 | 87.58 | 97.68 | 1.26 | 101.35 | 94.01 | -1% | 8% | BULLISH |
| MDY | SPDR-SP MC 400 | 475.11 | (3.53) | (3.17) | (5.54) | 2.12 | 11.66 | 490.66 | 450.76 | 497.76 | 1.19 | 516.13 | 479.39 | -3% | 5% | BULLISH |
| EEM | ISHARS-EMG MKT | 54.23 | (0.04) | 2.01 | (3.06) | (6.07) | 1.28 | 54.07 | 52.94 | 54.87 | 0.80 | 56.68 | 53.06 | 0% | 2% | BULLISH |
| EFA | ISHARS-EAFE | 78.52 | (1.19) | (1.93) | (2.35) | (3.40) | (5.93) | 78.99 | 75.07 | 80.83 | 0.84 | 83.53 | 78.13 | -1% | 5% | BULLISH |
| IAU | ISHARS-GOLD TR | 33.56 | (4.28) | (6.41) | (3.16) | (18.47) | (33.84) | 34.44 | 34.77 | 36.26 | 0.08 | 37.20 | 35.32 | -3% | -3% | BEARISH |
| GDX | VANECK-GOLD MNR | 34.13 | (8.96) | (13.18) | (0.71) | (16.27) | (32.83) | 36.32 | 35.71 | 39.42 | 0.69 | 40.68 | 38.16 | -6% | -4% | BULLISH |
| UUP | INVS-DB US$ BU | 24.82 | 3.81 | 2.43 | (5.50) | (8.63) | (40.48) | 24.52 | 24.56 | 24.22 | (0.11) | 24.80 | 23.64 | 1% | 1% | BEARISH |
| BOND | PIMCO-TOT RETRN | 110.80 | 1.74 | 0.56 | (3.94) | (13.07) | (34.97) | 110.16 | 111.30 | 110.31 | 0.08 | 113.16 | 107.46 | 1% | 0% | BEARISH |
| TLT | ISHARS-20+YTB | 145.73 | 4.28 | 5.81 | 1.78 | (18.63) | (44.82) | 138.64 | 146.87 | 138.44 | (0.26) | 141.54 | 135.34 | 5% | -1% | BEARISH |
| BNDX | VANGD-TTL INT B | 57.08 | 1.51 | 0.57 | (5.23) | (13.53) | (35.53) | 57.03 | 57.69 | 56.93 | 0.03 | 58.37 | 55.49 | 0% | -1% | BEARISH |
| HYG | ISHARS-IBX HYCB | 87.43 | 1.66 | 0.32 | (4.27) | (10.87) | (29.07) | 87.16 | 86.80 | 87.18 | 0.37 | 89.68 | 84.68 | 0% | 1% | BULLISH |

RIA Pro

REAL INVESTMENT ADVICE

# Weekly Stock Screens

Currently, there are four different stock screens for you to review. The first is S&P 500 based companies with a *"Growth"* focus, the second is a *"Value"* screen on the entire universe of stocks, and the last are stocks that are "*Technically"* strong and breaking above their respective 50-dma. We have provided the yield of each security and a Piotroski Score ranking to help you find

fundamentally strong companies on each screen. ***(For more on the Piotroski Score - read this report.)***

## S&P 500 Growth Screen

| Ticker | Company | Current Price | Next 3-5 Yr Est EPS Gr rate | 5 yr Hist Sales Gr | Div Yield | P/E using 12 mo EPS | Score |
|---|---|---|---|---|---|---|---|
| AMAT | Appld Matls Inc | 137.32 | 17.97 | 9.73 | 0.70 | 25.76 | 9.00 |
| DE | Deere & Co | 328.38 | 20.15 | 9.08 | 1.10 | 22.63 | 9.00 |
| IDXX | Idexx Labs Inc | 604.20 | 19.61 | 10.90 | 0.00 | 77.76 | 9.00 |
| KLAC | Kla Corp | 318.42 | 14.03 | 17.32 | 1.13 | 24.78 | 9.00 |
| TGT | Target Corp | 231.22 | 13.27 | 6.37 | 1.18 | 18.45 | 9.00 |
| TSCO | Tractor Supply | 174.81 | 9.03 | 10.75 | 1.19 | 22.67 | 9.00 |
| AAP | Advance Auto Pt | 194.39 | 13.88 | 1.39 | 2.06 | 17.77 | 8.00 |
| AMD | Adv Micro Dev | 84.56 | 35.01 | 20.18 | 0.00 | 60.40 | 8.00 |
| AVGO | Broadcom Inc | 471.17 | 15.00 | 14.64 | 3.06 | 21.60 | 8.00 |
| GNRC | Generac Holding | 378.94 | 6.50 | 14.89 | 0.00 | 47.49 | 8.00 |
| INTU | Intuit Inc | 474.73 | 14.82 | 13.32 | 0.50 | 61.81 | 8.00 |
| IQV | Iqvia Holdings | 246.30 | 12.85 | 13.13 | 0.00 | 37.43 | 8.00 |
| IT | Gartner Inc -A | 233.87 | 13.50 | 14.66 | 0.00 | 41.03 | 8.00 |
| KEYS | Keysight Tech | 149.35 | 10.96 | 11.08 | 0.00 | 28.72 | 8.00 |
| LOW | Lowes Cos | 186.84 | 13.75 | 7.11 | 1.28 | 18.19 | 8.00 |
| MLM | Martin Mrt-Matl | 336.52 | 12.40 | 6.26 | 0.68 | 27.65 | 8.00 |
| MXIM | Maxim Intg Pdts | 102.58 | 10.00 | 0.41 | 0.00 | 35.99 | 8.00 |
| SHW | Sherwin William | 269.23 | 12.39 | 11.56 | 0.82 | 30.30 | 8.00 |
| SNPS | Synopsys Inc | 265.14 | 14.65 | 10.75 | 0.00 | 51.48 | 8.00 |
| SWK | Stanley B&D Inc | 195.41 | 11.11 | 6.30 | 1.43 | 17.91 | 8.00 |
| TER | Teradyne Inc | 129.59 | 13.75 | 12.75 | 0.31 | 27.46 | 8.00 |
| TXN | Texas Instrs | 187.65 | 9.33 | 1.51 | 2.17 | 28.43 | 8.00 |
| WMT | Walmart Inc | 137.72 | 5.50 | 3.18 | 1.60 | 23.03 | 8.00 |
| WST | West Pharm Svc | 352.03 | 25.79 | 8.70 | 0.19 | 60.80 | 8.00 |
| A | Agilent Tech | 146.92 | 13.00 | 6.76 | 0.53 | 38.76 | 7.00 |
| AAPL | Apple Inc | 131.79 | 12.50 | 7.22 | 0.67 | 29.58 | 7.00 |
| ALLE | Allegion Plc | 136.56 | 5.67 | 5.94 | 1.05 | 25.86 | 7.00 |
| AVY | Avery Dennison | 208.57 | 7.00 | 3.71 | 1.30 | 26.57 | 7.00 |
| BBY | Best Buy | 109.50 | 8.28 | 3.93 | 2.56 | 11.55 | 7.00 |
| CDNS | Cadence Design | 130.91 | 14.41 | 9.66 | 0.00 | 55.94 | 7.00 |
| CRL | Charles Rvr Lab | 357.78 | 14.00 | 15.96 | 0.00 | 40.52 | 7.00 |
| DG | Dollar General | 213.28 | 11.31 | 10.53 | 0.79 | 19.62 | 7.00 |
| DHR | Danaher Corp | 257.08 | 18.00 | 2.27 | 0.33 | 33.13 | 7.00 |
| DOV | Dover Corp | 145.76 | 11.50 | -0.85 | 1.36 | 23.93 | 7.00 |
| DVA | Davita Inc | 123.61 | 14.38 | -6.81 | 0.00 | 16.46 | 7.00 |
| FB | Facebook Inc-A | 336.51 | 20.13 | 33.80 | 0.00 | 28.79 | 7.00 |
| HD | Home Depot | 303.12 | 11.44 | 7.77 | 2.18 | 21.97 | 7.00 |
| J | Jacobs Engin Gr | 133.81 | 12.72 | 6.91 | 0.63 | 22.45 | 7.00 |
| LRCX | Lam Research | 639.78 | 32.80 | 13.48 | 0.81 | 26.69 | 7.00 |
| NDAQ | Nasdaq Inc | 179.79 | 5.75 | 9.22 | 1.20 | 27.12 | 7.00 |
| NLOK | Norton Lifelock | 27.52 | 7.00 | -10.00 | 1.82 | 20.54 | 7.00 |
| NXPI | Nxp Semiconduct | 198.43 | 10.00 | -0.48 | 1.13 | 31.85 | 7.00 |
| ORLY | O Reilly Auto | 537.54 | 13.36 | 7.39 | 0.00 | 20.19 | 7.00 |
| PH | Parker Hannifin | 285.25 | 11.78 | 4.65 | 1.44 | 21.66 | 7.00 |
| SEE | Sealed Air Corp | 57.41 | 8.28 | -6.08 | 1.39 | 17.67 | 7.00 |
| TT | Trane Tech Plc | 180.00 | 21.50 | 0.89 | 1.31 | 35.78 | 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 | 16.99 | 0.91 | 12.61 | 8.48 | 8 |
| BSRR | Sierra Bancorp | 26.10 | 1.16 | 10.55 | 3.22 | 8 |
| CMTV | Commnty Bcp Vt | 20.00 | 1.39 | 12.88 | 4.40 | 8 |
| FNCB | Fncb Bancorp | 7.27 | 0.95 | 12.84 | 3.30 | 8 |
| LOMA | Loma Negra Cia | 6.94 | 1.37 | 21.10 | 3.66 | 8 |
| NHTC | Natural Hlth Tr | 6.79 | 1.19 | 34.80 | 11.78 | 8 |
| NRIM | Northrim Bcp | 44.86 | 1.20 | 10.34 | 3.30 | 8 |
| UBCP | Utd Bancorp -Oh | 14.70 | 1.28 | 10.26 | 3.95 | 8 |
| ABR | Arbor Rlty Trst | 18.16 | 1.54 | 11.02 | 7.49 | 7 |
| AINV | Apollo Inv Cp | 14.02 | 0.88 | 10.35 | 8.84 | 7 |
| CAC | Camden Ntl Corp | 46.73 | 1.31 | 11.42 | 3.08 | 7 |
| CAI | Cai Intl Inc | 38.16 | 1.06 | 10.14 | 3.14 | 7 |
| CATY | Cathay Genl Bcp | 39.97 | 1.29 | 11.10 | 3.10 | 7 |
| CIM | Chimera Invest | 15.25 | 0.99 | 12.70 | 7.87 | 7 |
| CRWS | Crown Crafts | 7.68 | 1.83 | 13.95 | 4.17 | 7 |
| FCBP | First Choice Bc | 31.00 | 1.28 | 11.93 | 3.23 | 7 |
| FLIC | First Long Is | 21.84 | 1.27 | 10.79 | 3.48 | 7 |
| FNF | Fnf Group | 45.13 | 1.59 | 15.41 | 3.19 | 7 |
| FNLC | First Bancp Inc | 31.06 | 1.50 | 11.71 | 3.99 | 7 |
| GSBD | Goldman Sac Bdc | 20.05 | 1.25 | 11.48 | 8.98 | 7 |
| IBCP | Indep Bk Mich | 22.01 | 1.24 | 12.02 | 3.82 | 7 |
| NMFC | New Mountn Fin | 13.02 | 1.00 | 10.26 | 9.22 | 7 |
| PFG | Principal Finl | 61.81 | 1.09 | 11.97 | 3.95 | 7 |
| PRK | Park National | 122.78 | 1.92 | 12.10 | 3.36 | 7 |
| TRTN | Triton Intl Ltd | 48.74 | 1.51 | 12.80 | 4.68 | 7 |
| UVE | Univl Insur Hld | 13.96 | 0.96 | 19.48 | 4.58 | 7 |
| WAYN | Wayne Svgs Bcsh | 25.85 | 1.22 | 10.09 | 3.25 | 7 |
| WTBA | West Bancorp | 27.88 | 1.97 | 14.81 | 3.44 | 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 | 328.38 | 20.15 | 9.08 | 1.10 | 22.63 | 9.00 |
| IDXX | Idexx Labs Inc | 604.20 | 19.61 | 10.90 | - | 77.76 | 9.00 |
| AMAT | Appld Matls Inc | 137.32 | 17.97 | 9.73 | 0.70 | 25.76 | 9.00 |
| KLAC | Kla Corp | 318.42 | 14.03 | 17.32 | 1.13 | 24.78 | 9.00 |
| AMD | Adv Micro Dev | 84.56 | 35.01 | 20.18 | - | 60.40 | 8.00 |
| WST | West Pharm Svc | 352.03 | 25.79 | 8.70 | 0.19 | 60.80 | 8.00 |
| AVGO | Broadcom Inc | 471.17 | 15.00 | 14.64 | 3.06 | 21.60 | 8.00 |
| INTU | Intuit Inc | 474.73 | 14.82 | 13.32 | 0.50 | 61.81 | 8.00 |
| SNPS | Synopsys Inc | 265.14 | 14.65 | 10.75 | - | 51.48 | 8.00 |
| AAP | Advance Auto Pt | 194.39 | 13.88 | 1.39 | 2.06 | 17.77 | 8.00 |
| TER | Teradyne Inc | 129.59 | 13.75 | 12.75 | 0.31 | 27.46 | 8.00 |
| LOW | Lowes Cos | 186.84 | 13.75 | 7.11 | 1.28 | 18.19 | 8.00 |
| LRCX | Lam Research | 639.78 | 32.80 | 13.48 | 0.81 | 26.69 | 7.00 |
| TT | Trane Tech Plc | 180.00 | 21.50 | 0.89 | 1.31 | 35.78 | 7.00 |
| FB | Facebook Inc-A | 336.51 | 20.13 | 33.80 | - | 28.79 | 7.00 |
| DHR | Danaher Corp | 257.08 | 18.00 | 2.27 | 0.33 | 33.13 | 7.00 |
| CDNS | Cadence Design | 130.91 | 14.41 | 9.66 | - | 55.94 | 7.00 |
| DVA | Davita Inc | 123.61 | 14.38 | (6.81) | - | 16.46 | 7.00 |
| CRL | Charles Rvr Lab | 357.78 | 14.00 | 15.96 | - | 40.52 | 7.00 |
| PTC | Ptc Inc | 134.27 | 25.99 | 6.88 | - | 57.38 | 6.00 |
| MPWR | Monolithic Pwr | 356.08 | 25.00 | 20.00 | 0.67 | 98.64 | 6.00 |
| ODFL | Old Dominion Fl | 249.19 | 21.94 | 8.38 | 0.32 | 39.74 | 6.00 |
| GOOG | Alphabet Inc-C | 2,527.42 | 18.13 | 19.82 | - | 33.65 | 6.00 |
| GOOGL | Alphabet Inc-A | 2,434.87 | 18.13 | 19.82 | - | 32.41 | 6.00 |
| MCHP | Microchip Tech | 150.23 | 15.33 | 16.92 | 1.10 | 25.51 | 6.00 |
| NVDA | Nvidia Corp | 746.29 | 17.56 | 21.44 | 0.09 | 76.23 | 5.00 |
| RHI | Robt Half Intl | 87.84 | 15.54 | 1.41 | 1.73 | 30.29 | 5.00 |
| GWW | Grainger W W | 440.97 | 13.50 | 4.02 | 1.47 | 26.87 | 5.00 |
| TDY | Teledyne Tech | 425.99 | 18.29 | 9.54 | - | 38.27 | 4.00 |
| FRC | First Rep Bk Sf | 181.39 | 15.70 | 18.27 | 0.49 | 28.34 | 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 |
|---|---|---|---|---|---|---|---|
| IDXX | Idexx Labs Inc | 604.20 | 19.61 | 10.90 | - | 3.86 | 9 |
| FICO | Fair Isaac Inc | 500.94 | #N/A | 9.98 | - | #N/A | 8 |
| INTU | Intuit Inc | 474.73 | 14.82 | 13.32 | 0.50 | 4.41 | 8 |
| MXIM | Maxim Intg Pdts | 102.58 | 10.00 | 0.41 | - | 3.28 | 8 |
| SNPS | Synopsys Inc | 265.14 | 14.65 | 10.75 | - | 3.91 | 8 |
| TXN | Texas Instrs | 187.65 | 9.33 | 1.51 | 2.17 | 2.72 | 8 |
| WST | West Pharm Svc | 352.03 | 25.79 | 8.70 | 0.19 | 1.91 | 8 |
| CDNS | Cadence Design | 130.91 | 14.41 | 9.66 | - | 3.80 | 7 |
| FB | Facebook Inc-A | 336.51 | 20.13 | 33.80 | - | 1.27 | 7 |
| FFIN | First Fin Bk-Tx | 49.49 | #N/A | 11.75 | 1.21 | #N/A | 7 |
| STAA | Staar Surgical | 151.15 | #N/A | 20.15 | - | #N/A | 7 |
| VICR | Vicor Corp | 93.46 | #N/A | 9.45 | - | #N/A | 7 |
| WING | Wingstop Inc | 146.10 | 11.00 | 29.56 | 0.38 | 9.52 | 7 |
| CPRT | Copart Inc | 128.07 | #N/A | 14.92 | - | #N/A | 6 |
| EXPO | Exponent Inc | 91.25 | #N/A | 7.13 | 0.88 | #N/A | 6 |
| JYNT | Joint Corp/The | 76.95 | #N/A | 21.00 | | #N/A | 6 |

# Portfolio / Client Update

This past week, the weakness in the price action of the market triggered our money flow "*sell"* signal. We previously took some profits in anticipation of the turn, so the additional cash hedged our portfolios this week. Our expectation of a mild correction of 5% this summer remains, which will *"feel worse"* than it is. However, with several support levels directly below current market levels, the overbought condition could also be resolved by the market just grinding sideways for a few weeks. In either case, the increased cash holdings will hedge risk short-term and allow us to rebalance equities back to target levels for the remainder of the year. The inflation surge seen last week remains a function of the *"base effect"* from the *"shutdown."* 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. Let me repeat from last week:

> *"The 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."*

I will add to that list this week that "bonds will also benefit." As such, we are looking to increase our exposure opportunistically. As I concluded last week, there are no *"big red flags"* currently to make us 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.***

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

We are rebalancing exposures in the Equity and ETF models slightly this morning.

> *"This morning we adjusted our models to reduce commodity risk. in the Equity model, we sold all of KMI (1.5%), and we were stopped out of GOLD (2%). We added 1% of CVS which is turning on a nice buy signal and in a sector we like. In the Sector model, we sold 1% each of AMLP and XLE.  Our equity exposure is just north of 50%." - 06/18/21*

**Equity Model**

- *Sell 100% of KMI*
- *Sell 100% of GOLD*
- *Add 1% to the current position of CVS.*

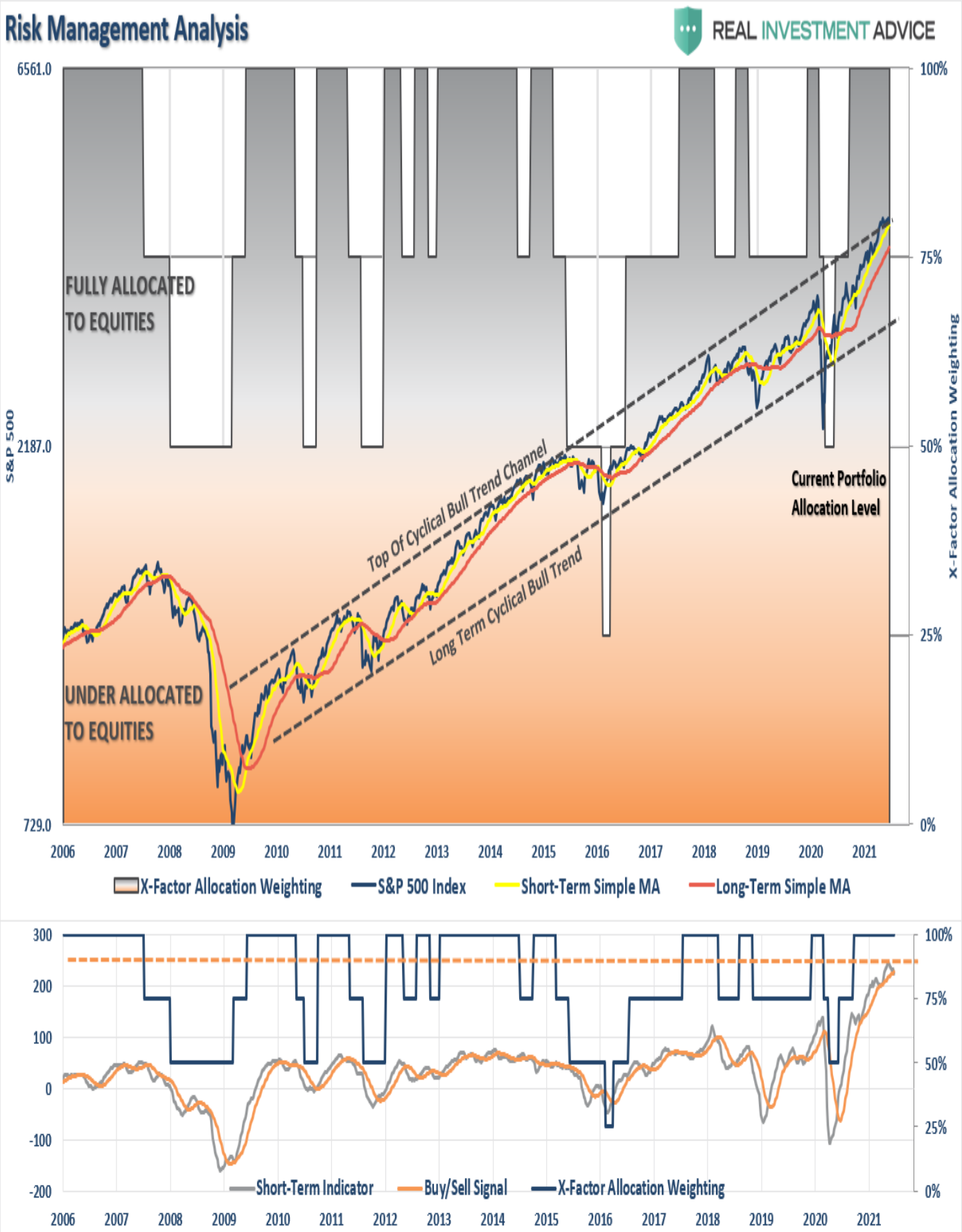
**ETF Model**

- *Reduce AMLP by 1%*
- *Reduce XLE 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*

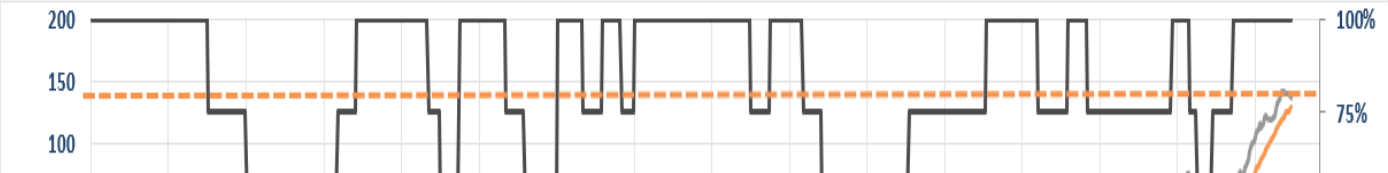
# THE REAL 401k PLAN MANAGER

## *A Conservative Strategy For Long-Term Investors*

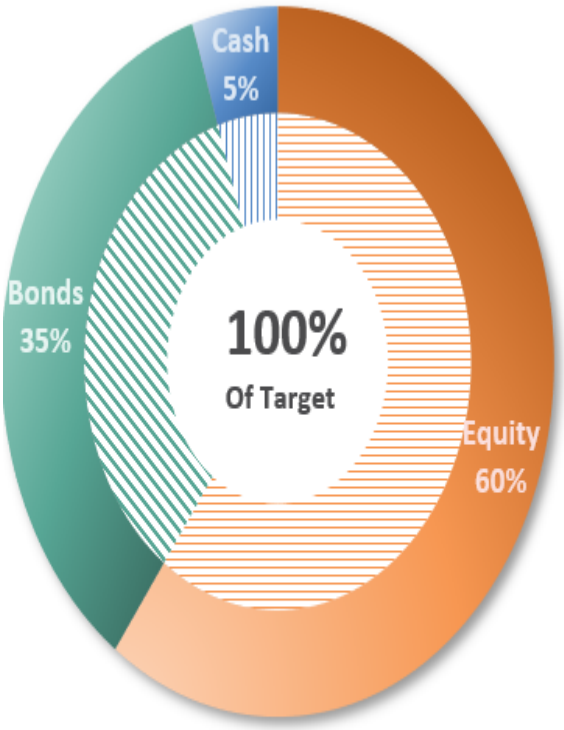








## Current Portfolio Weighting




## 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

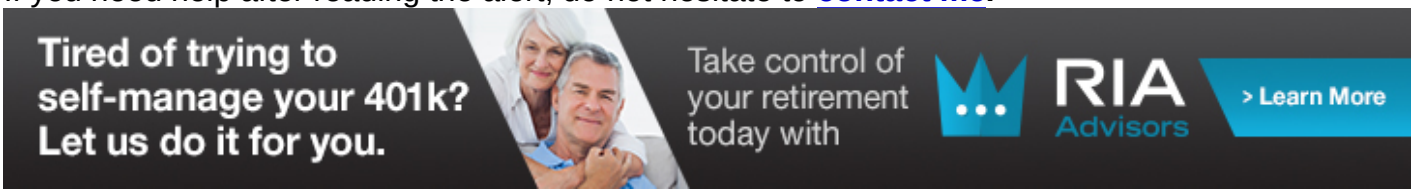
Last week, our short-term daily "sell signal" was triggered. The sell off on Thursday and Friday also triggered the weekly "sell" signal as well.

With a lot of support just below current prices, we don't expect a big "sell off," but rather a consolidative correction over the next 2-weeks as we head into July.

At that point we will look to rebalance exposures after recent instructions to sell overweight positions and hold cash has generated some buying power.

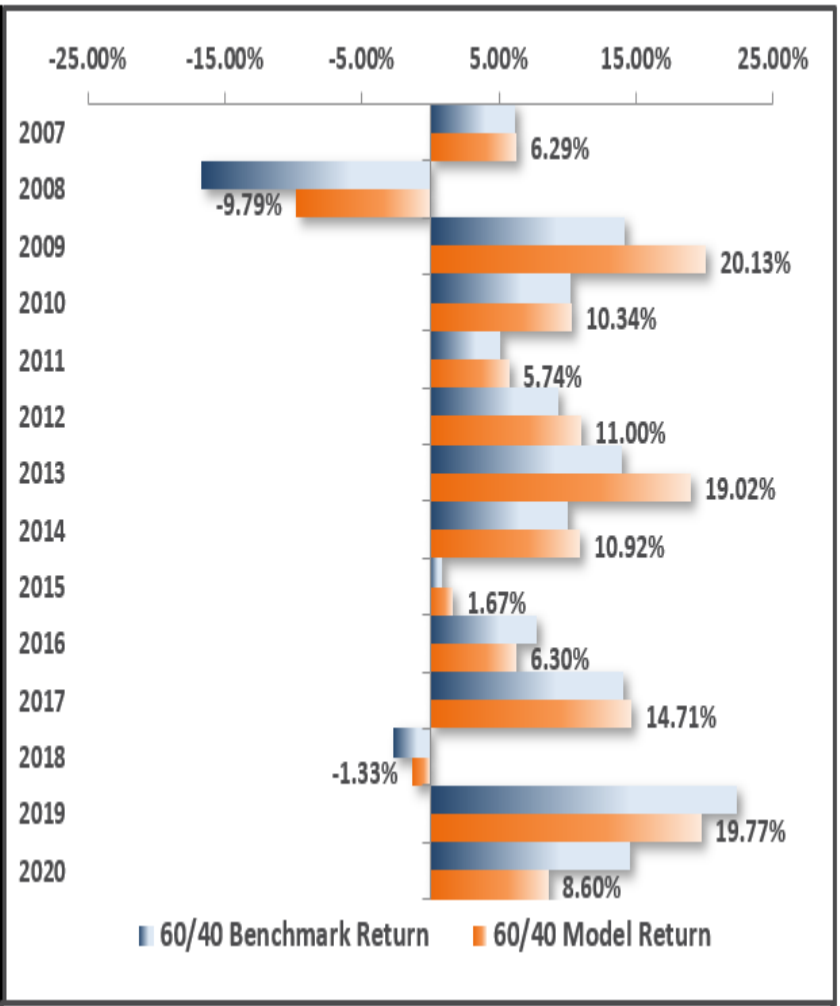
Again, there is no need to be aggressive here. There isn't likely a lot of upside to the market as we head into summer, so we would recommend not being overly aggressive.

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

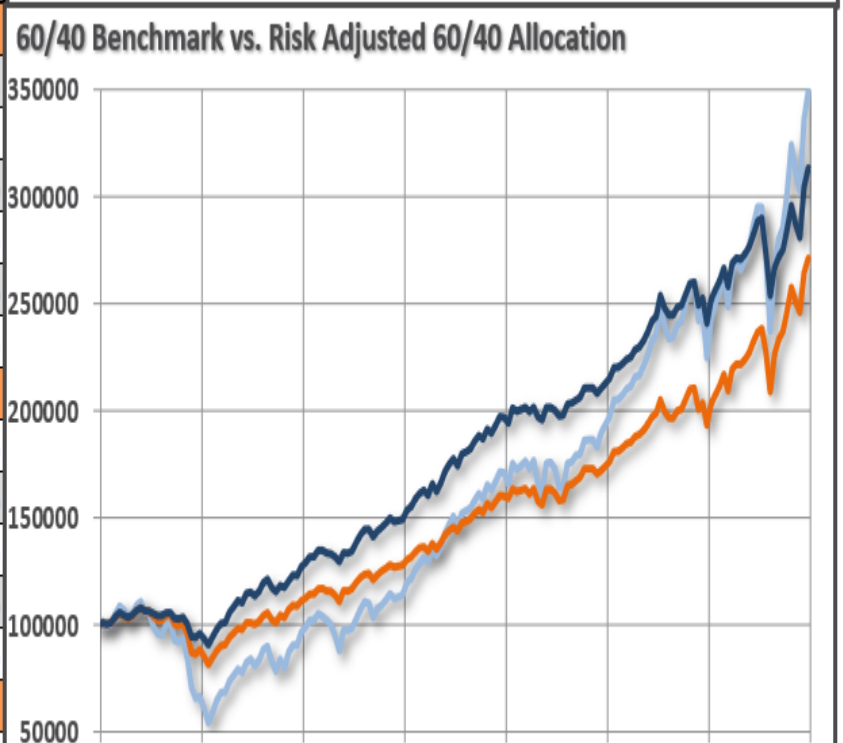



*Model performance is a two-asset model of stocks and bonds relative to the weighting changes made each week in the newsletter. Such is strictly for informational and educational purposes only, and one should not rely on it for any reason. Past performance is not a guarantee of future results. Use at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



Have a great week!