In this 10-22-21 issue of "Stocks Surge As Earnings Roll-In, But Is Risk Gone?"

- ***Market Surges Toward Previous Highs***
- ***It's Been A Very Long-Time WIthout A Deeper Correction***
- ***A Sea Of Liquidity***
- ***Portfolio Positioning***
- ***Sector & Market Analysis***
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Market Surges Toward Previous Highs

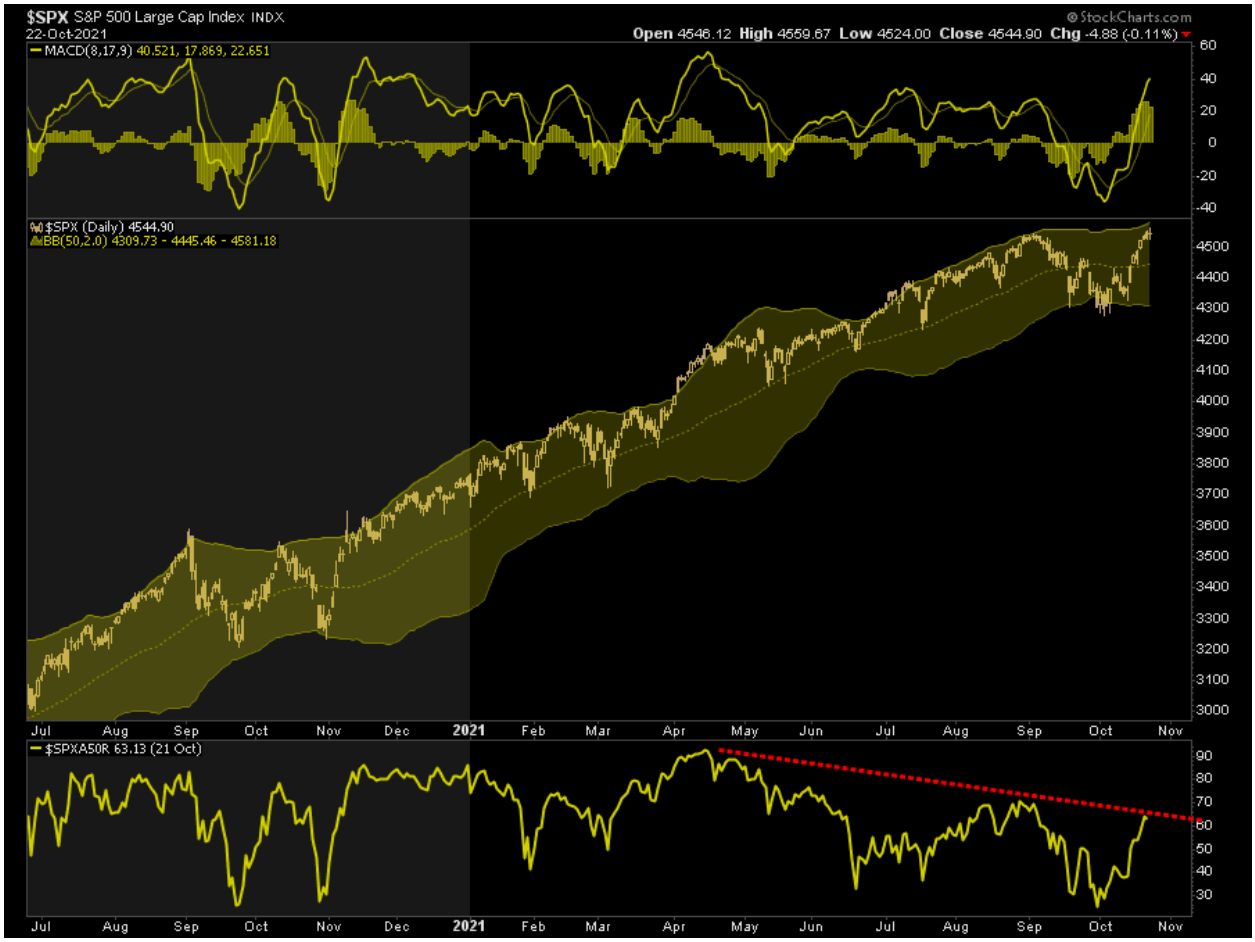
Last week, we discussed the *"correction being over" f*or the time being.

> *"While the market started the week a bit sloppily, the bulls charged back on Thursday as earnings season officially got underway.* ***With the market crossing above significant resistance at the 50-dma and turning both seasonal "buy signals" confirmed, it appears a push for previous highs is possible.***
>
> *Two factors are driving the rebound. Earnings, so far, are coming in above estimates. Such isn't surprising as analysts suppressed estimates going into reporting season. Secondly, bond yields declined.*"

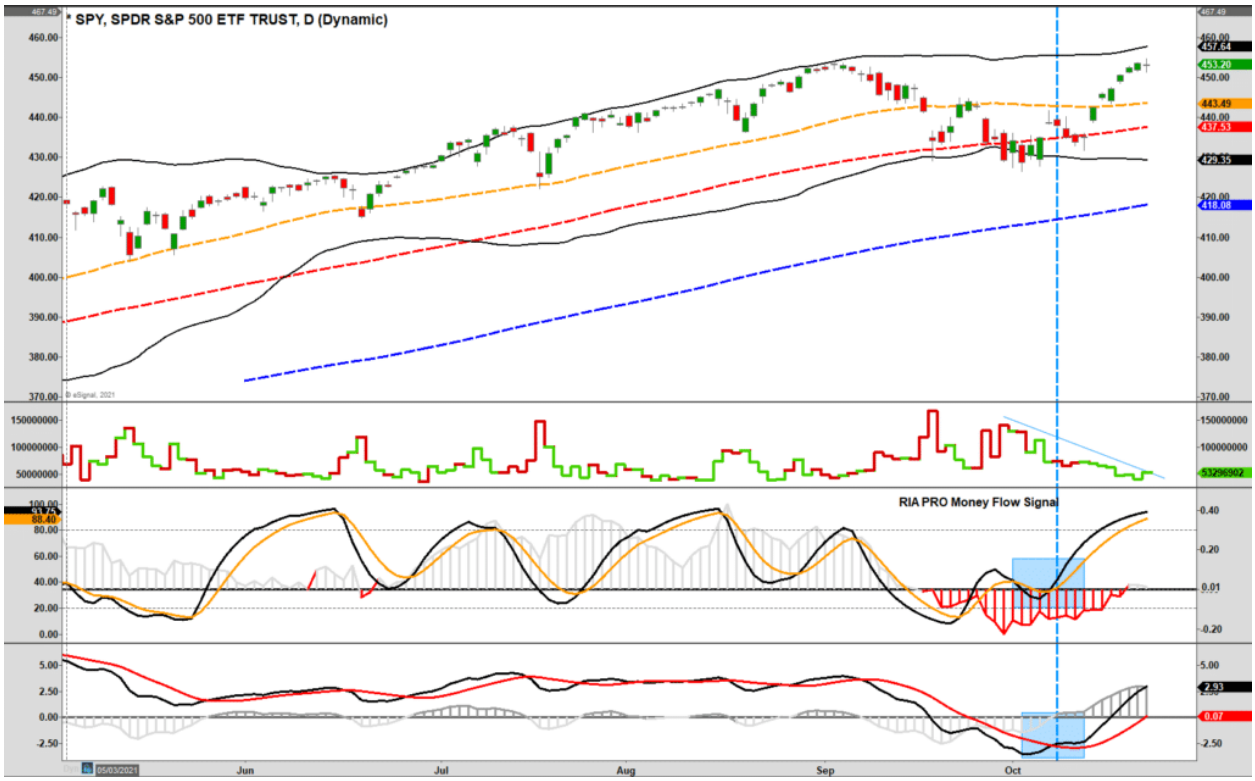
Chart updated through Friday.



However, to expand on a point from last week, breadth remains dismal, with only 60% of stocks above their respective 50-dma even though the index is at all-time highs.



Moreover, our *"money flow buy signal"* has reversed to previous highs, but volume has dissipated sharply during the advance.



Our concern is that while the expected rally from support occurred, there has been very little *"conviction"* to that advance. Therefore, we tend to agree with David Tepper of Appaloosa Management when he stated:

> "***Sometimes there are times to make money?sometimes there are times not to lose money.***"

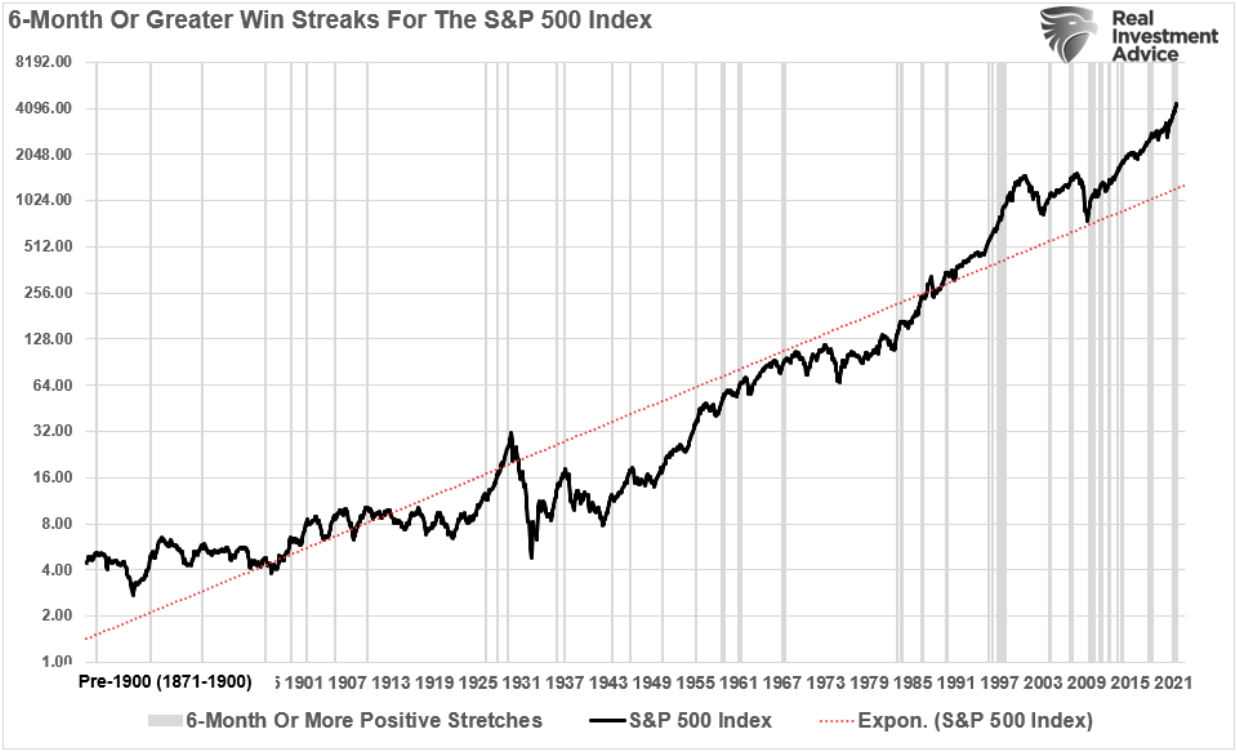
While the market is within the seasonally strong year, the risk of a correction remains. Such is particularly the case as we head into 2022.



Its Been A Very Long Time Without A Deeper Correction

While investors are quickly returning to a more *"bullish"* excitement about the market, it is worth remembering the recent 5% correction did little to resolve the longer-term overbought conditions and valuations.

In mid-August, **we discussed the market's 6-straight months of positive returns,** a historical rarity. To wit:

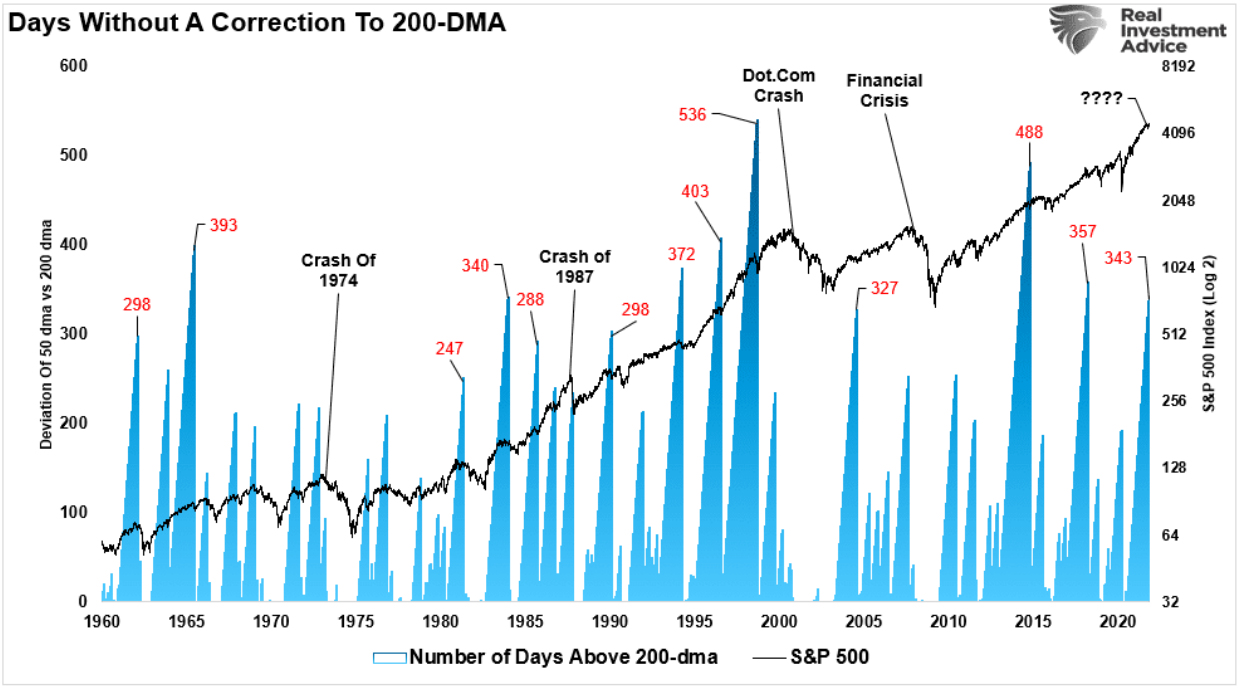


"There are several important takeaways from the chart above."

1. **All periods of consecutive performance eventually end.** *(While such seems obvious, it is something investors tend to forget about during long bullish stretches.)*
2. *Given the extremely long-period of market history,* ***such long-stretches of bullish performance are somewhat rare.***
3. *Such periods of performance often, but not always,* ***precede fairly decent market corrections or bear markets.***

Unfortunately, as we now know, that streak ended in September with a 5% correction that sent investors scurrying for cover.

There is another streak that is also just as problematic. **Currently, the S&P 500 index has gone 344-days without violating the 200-dma. Such is the sixth-longest streak going back to 1960.**



While investors are currently starting to believe that a test of the 200-dma won't happen, there are several points to be mindful of.

1. *Corrections to the 200-dma, or more, happen on a regular basis.*
2. ***Long-stretches above the 200-dma are not uncommon, but all eventually resolve in a mean-reversion.***
3. *Extremely long periods above the 200-dma have often preceded larger drawdowns.*

The most crucial point to note is that in ALL CASES, the market eventually tested or violated the 200-dma. Such is just a function of math. For an *"average"* to exist, the market must trade both above and below that *"average price"* at some point.

However, a *"correction"* requires a *"catalyst"* that changes the investor psychology from *"bullish"* to *"bearish."*

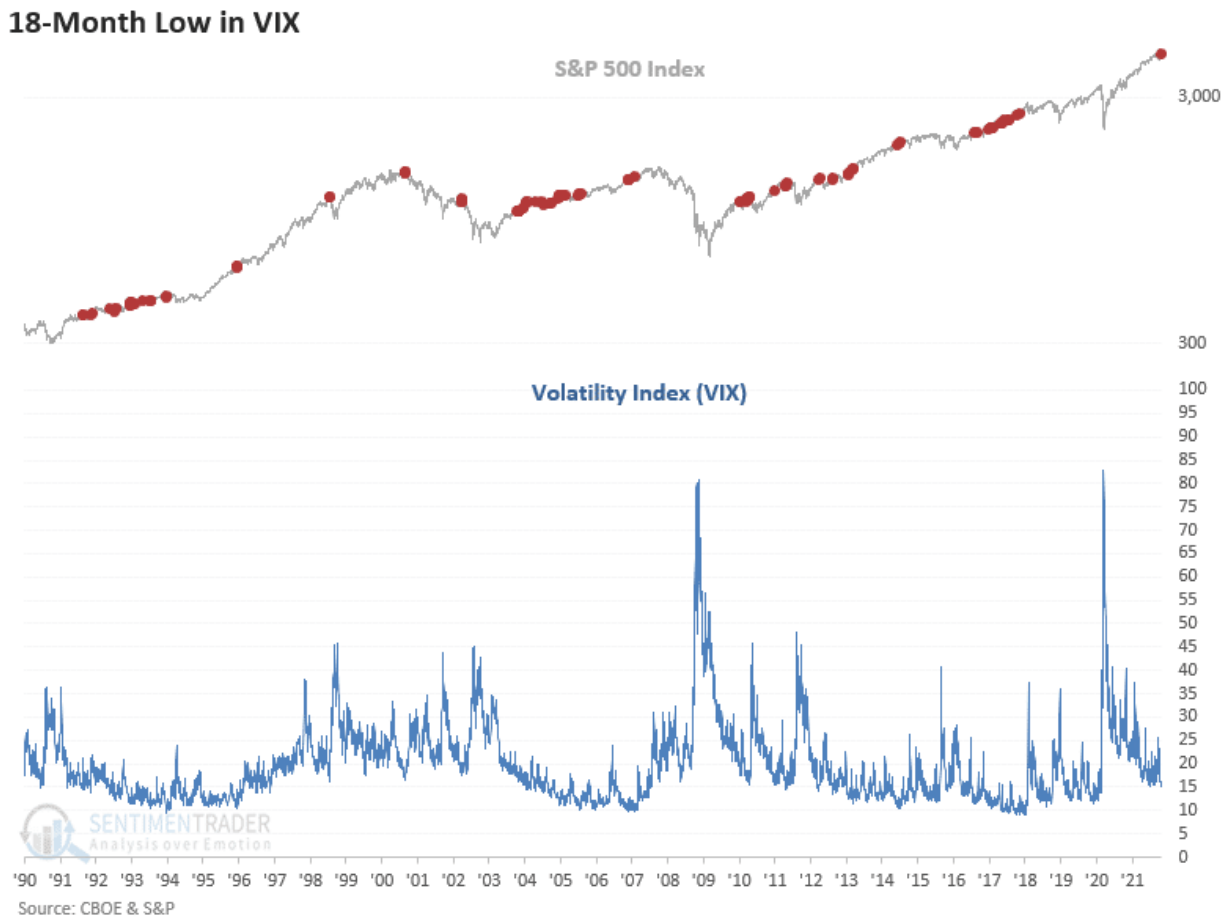
Extremely Depressed Volatility

At the moment, there are plenty of concerns, but investor psychology remains extremely bullish. Most concerns are well known, and, as such, the market discounts them concerning forward expectations, valuations, and earnings projections. However, what causes a sudden *"mean reverting event"* is an exogenous, unexpected event that surprises investors. In 2020, that was the pandemic-related *"shutdown"* of the economy.

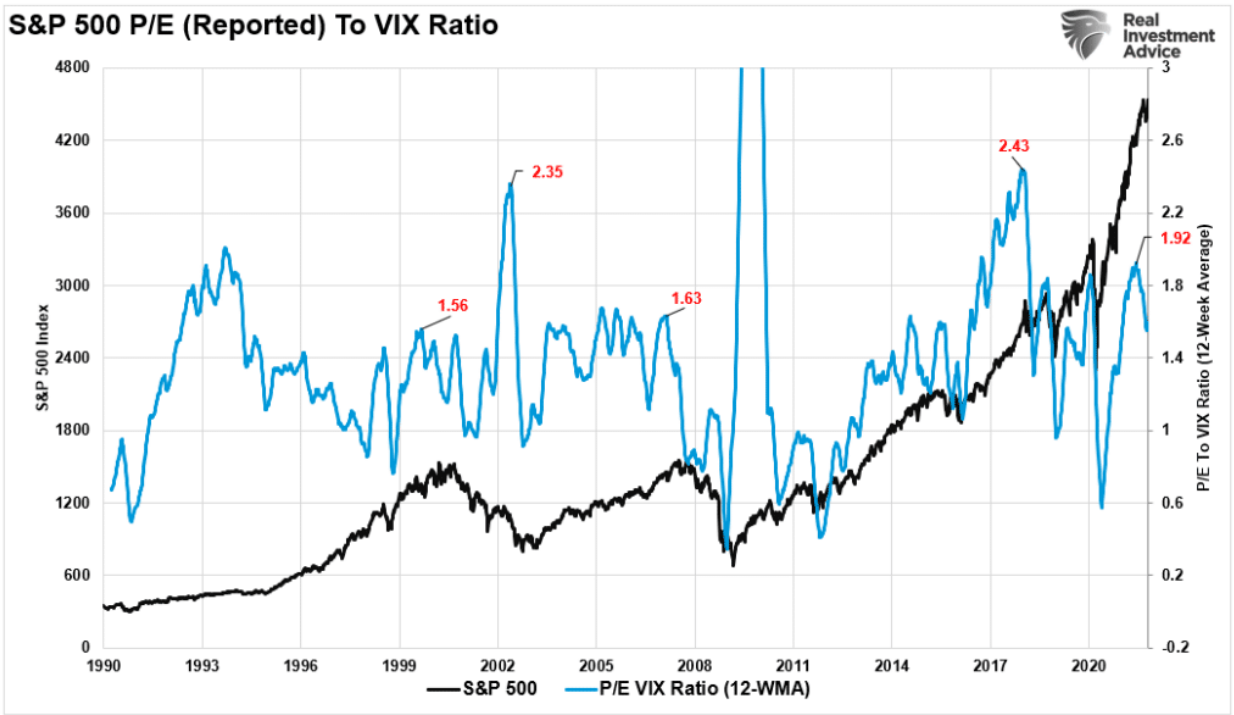
However, as with an empty *"gas can*," a catalyst is ineffective if there is no *"fuel"* to ignite. Currently, that *"fuel"* is found in the high levels of market complacency, as shown by the collapse in the volatility index over the last couple of weeks.

> *"The Volatility Index (VIX) closed at a new 18-month low as the S&P 500 closed at a new multi-year high on Thursday, 10/21/21. If you were wondering, the 18-month low in the VIX Index represents the first occurrence since November 2017." - Sentiment Trader*

It is worth remembering the market had three 10-20% corrections in 2018 as **low volatility begets high volatility.**



Another measure is the P/E to VIX ratio which recently also peaked at 2.0. Previous peaks have been coincident with short-term corrections and bear markets.



While anything is possible in the near term, complacency has returned to the market very quickly. As noted, while investors are very bullish, there are numerous reasons to remain mindful of the

risks.

- *Earnings and profit growth estimates are too high*
- *Stagflation is becoming more prevalent*
- *Inflation indexes are continuing to rise*
- *Economic data is surprising to the downside*
- *Supply chain issues are more presistent than originally believed.*
- *Inventory problems continue unabated*
- *Valuations are high by all measures*
- *Interest rates are rising*

You get the idea.

But a more significant problem will set in next year - a contraction of liquidity.

In Case You Missed It



A Day Late & A Dollar Short – The Fed's Coming Policy Mistake

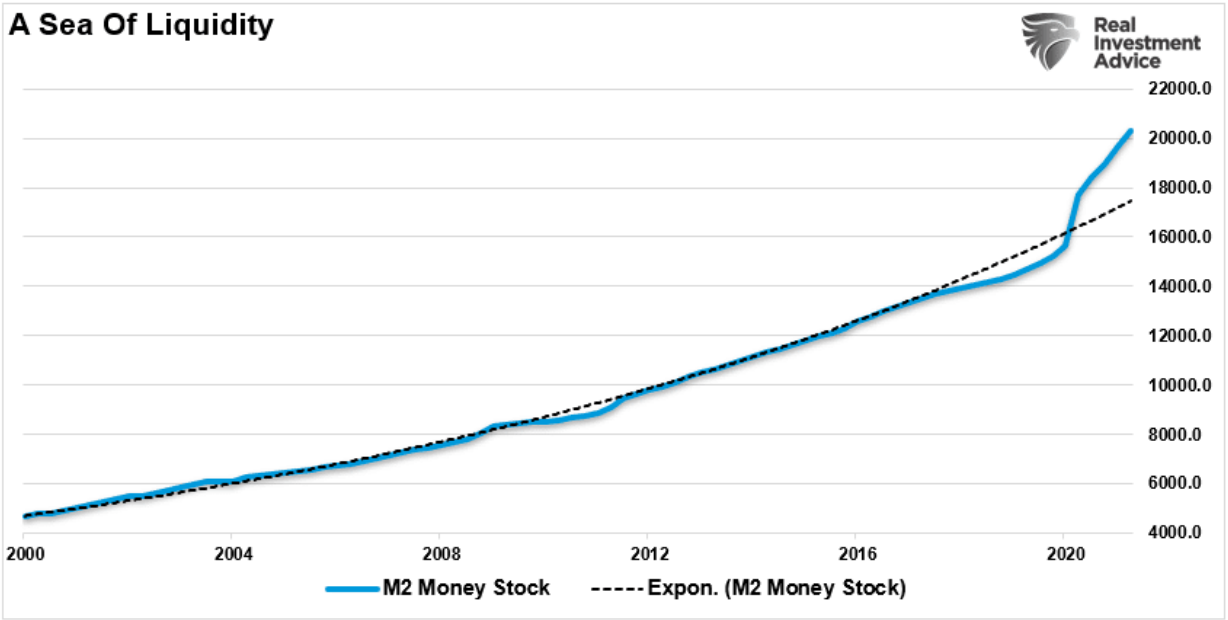
Written by Lance Roberts | Oct 22, 2021

An honest review of history shows the Fed is consistently a "day late and a…

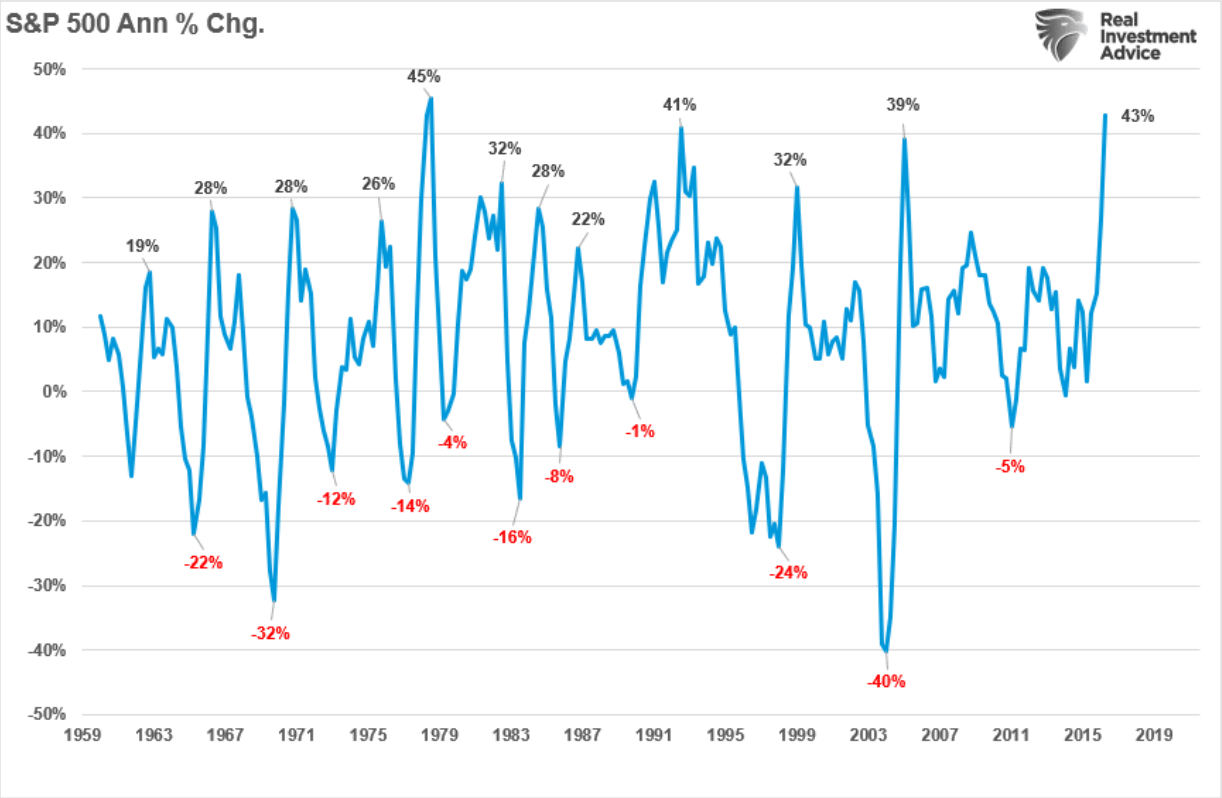
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A Sea Of Liquidity

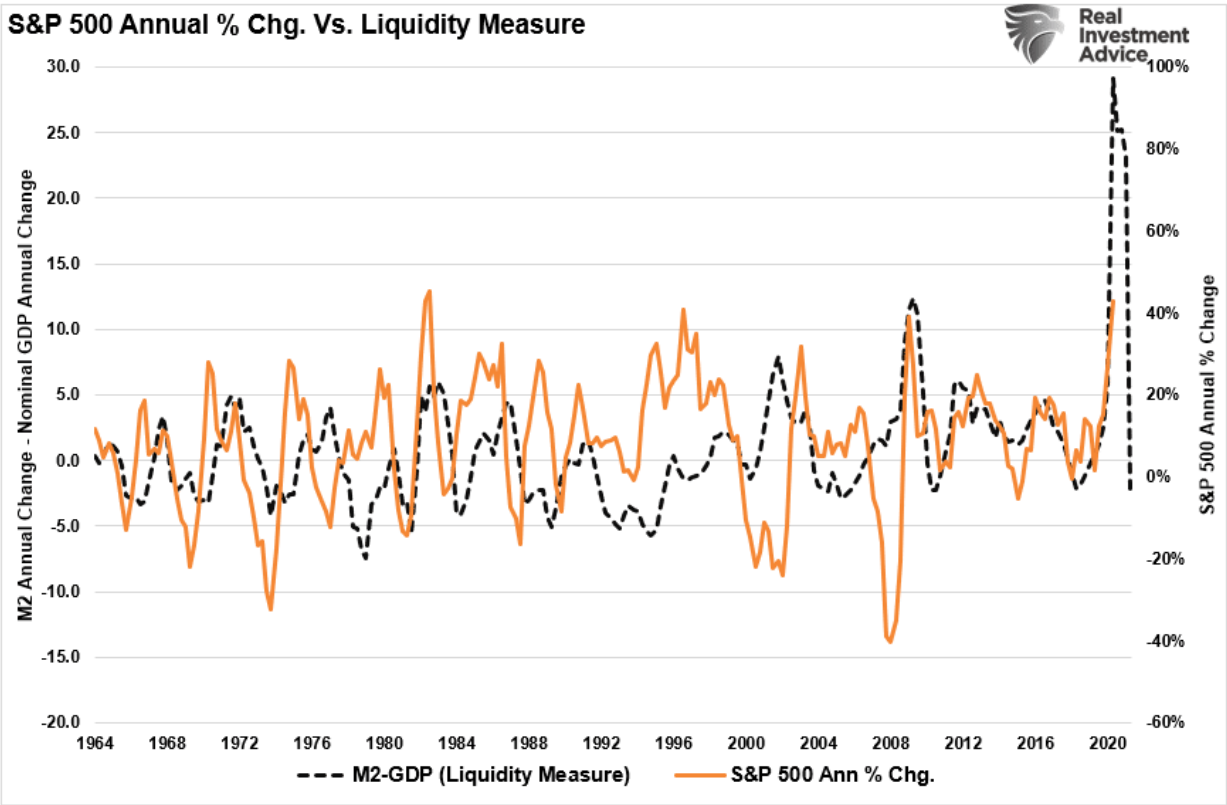
As noted, the unexpected *"pandemic-driven economic shutdown"* sent the Federal Reserve and Government into fiscal and monetary policy overdrive. Such led to an unimaginable influx of $5 trillion into the economy, sending the *"money supply"* surging well above the long-term exponential growth trend.



The importance of that *"sea of liquidity"* is both positive and negative. **In the short term, that liquidity supports economic growth, the surge in retail sales into this year, and the explosive recovery in corporate earnings.** That liquidity is also flowing into record corporate stock buybacks, retail investing, and a surge in private equity. **With all that liquidity sloshing around, it is of no surprise we have seen a near-record surge in the annualized rate of change of the S&P 500 index.**



However, as stated, there is a dark side to that liquidity. **With the Democrats struggling to pass an infrastructure bill, a looming debt ceiling, and the Fed beginning to *"taper"* their bond purchases, that liquidity will start to reverse later this year.** As shown below, if we look at the annual rate of change in the S&P 500 compared to our *"measure of liquidity" (which is M2 less GDP),* it suggests stocks could be in trouble heading into next year.



While not a perfect correlation, it is high enough to pay attention to at least. **With global central banks cutting back on liquidity, the Government providing less, and inflationary pressures taking care of the rest, it is worth considering increasing risk-management practices.**

You can see a complete list of our **portfolio management guidelines here.**

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Portfolio Update

As noted last week, we increased our exposure to technology stocks heading into earnings season. Over the last half of September, the recent additions have paid off well, with the current run back to all-time highs. **In our bond holdings, we remain nearly fully exposed to equities, slightly overweight cash, and a tad underweight target duration.**



As noted last week:

"While our positioning is bullish, we remain very concerned about the market over the next several months. Historically, stagflationary environments do not mix well with financial markets. Such is because the combination of inflationary pressures and weaker economic growth erodes profit margins and earnings.

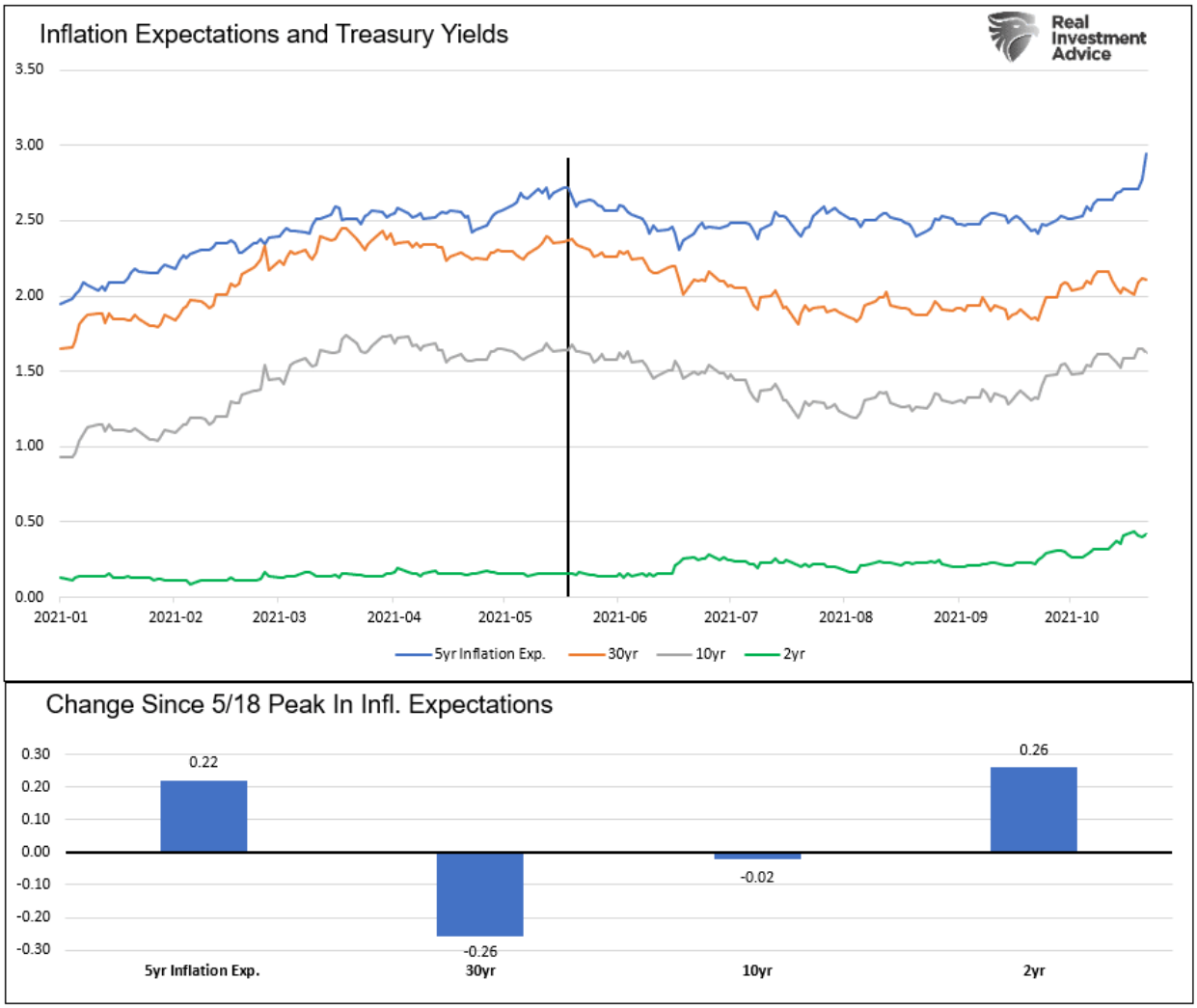
Furthermore, expectations heading into 2022 remain exceptionally optimistic, which leaves much room for disappointment. With liquidity getting drained, the Fed reducing monetary accommodation, and two rate hikes scheduled next year, the risk to investors remains elevated."

A Note On Bond Positioning

I got asked last week to discuss our bond positioning. So we posted the following to RIAPRO subscribers on Friday morning.

"5-year implied inflation expectations are up over 40 basis points (bps) since October 1st. They now stand at a 15+ year high of 2.94%. While inflation expectations rise, the yield curve is flattening. In this case, short maturity bonds are rising in yield much more than longer maturity bonds. The graphs below show what has happened to bond yields since the inflation expectations last peaked on May 18th. As we show the 30-year bond is 26 bps lower since then, while the 2-year note is 26 bps higher. As a result, the 2/30 yield curve has flattened 52 bps over the period.

Our portfolios are set up for the yield curve flattening. The portfolio's largest bond holding is TLT with a duration of 20 years. The benchmark, AGG, has a duration of 8 years. The models are also not fully vested in the fixed income sleeves to further protect against higher yields.' - Michael Lebowitz



Conclusion

As noted throughout this week's message, there are many reasons to suspect the recent rally will fail as the impact of weaker economic growth begins to temper expectations. However, that is not the case today, and the current momentum can undoubtedly carry the markets higher next week.

We will continue to maintain our more bullish stance from that position until the market begins to falter. After that, numerous support levels and warning triggers will tell us it is time to become more *"risk-averse"* in our allocations.

While that time is not now, don't become overly complacent, thinking this market can only go higher. Markets have a nasty habit of doing the unexpected just when you feel you have everything figured out.

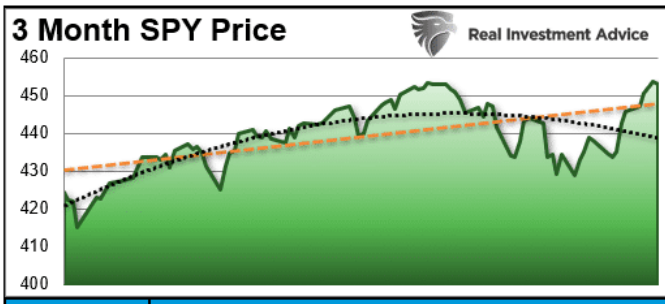
Have a great weekend.

By Lance Roberts, CIO

Market & Sector Analysis

Analysis & Stock Screens Exclusively For RIAPro Members

S&P 500 Tear Sheet



SPY RISK INFO				
Item	T 2-Yr	T 1-Yr.	YTD	% Diff YTD/T1-YR
Price Return	51.54%	31.49%	21.19%	(32.69%)
Max Drawdown	(35.63%)	(6.76%)	(6.10%)	(9.79%)
Sharpe	1.01	2.66	2.25	(0.15)
Sortino	1.07	3.54	3.10	(0.13)
Volatility	25.07	13.36	12.73	(0.05)
Daily VaR-5%	(12.10)	13.24	7.71	(0.42)
Mnthly VaR-5%	(9.71)	2.60	5.03	0.94

Item	2 years ago	1 year ago	Current	1 Yr % Change	5 Year High	5 year Low	% From High	% From Low
Dividend Yield	1.84%	1.55%	1.23%	(25.39%)	2.14%	1.20%	(42.34%)	2.67%
P/E Ratio	18.86	24.96	25.75	3.07%	2903%	1643%	(11.3%)	56.68%
P/S Ratio	3.71	4.21	5.13	18.02%	5.12	3.15	0.18%	62.75%
P/B Ratio	4.94	5.51	7.07	22.09%	7.06	4.17	0.15%	69.58%
ROE	21.78%	19.98%	26.15%	23.58%	26.15%	17.68%	0.00%	47.94%
ROA	4.28%	3.71%	4.68%	20.70%	4.68%	3.51%	0.00%	33.23%

S&P 500 Market Cap Analysis			
Item	12-M Ago	Current	% Chg
Shares	2,881.0	2,795.9	(2.95%)
Sales	68,730	74,354	8.18%
SPS	23.9	26.6	11.48%
Earnings	10,517	13,627	29.57%
EPS TTM	4.1	5.3	28.90%
Dividend	1.5	1.7	8.73%

S&P 500 Asset Allocation

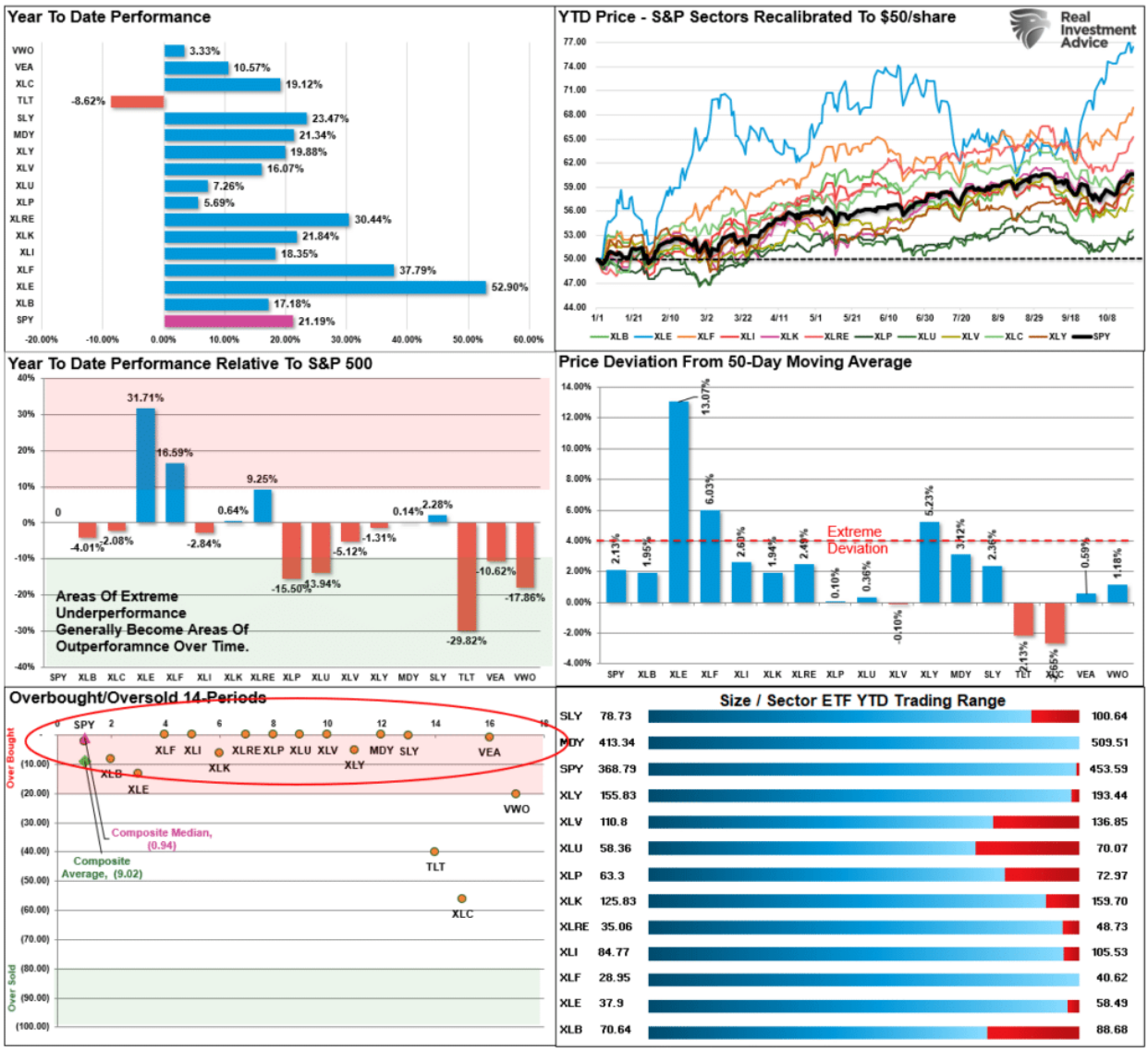
Sector	1 Year Price Return	Weight	Beta	P/E	P/E High- 5yr (Mo.)	P/E Low - 5Yr (Mo.)	P/E % From Peak	ROE	DIV. YIELD	TTM Earnings Yield	Current Forward Earnings	Forward PE
Energy	91.72%	2.95%	1.78	47.52	120.90	(330.04)	(60.7%)	4.3%	3.8%	2.12%	3.73	13.24
Materials	29.66%	2.53%	1.19	21.33	27.12	14.16	(21.3%)	14.3%	1.8%	4.67%	5.58	15.38
Industrials	28.77%	8.13%	1.20	38.07	54.23	14.69	(29.8%)	13.0%	1.4%	2.63%	6.10	20.03
Discretionary	28.61%	12.42%	1.32	43.27	60.06	20.97	(28.0%)	30.8%	0.5%	2.30%	6.31	29.90
Staples	9.71%	5.61%	0.65	22.23	23.01	17.65	(3.4%)	30.8%	2.5%	4.53%	4.64	19.89
Health Care	22.10%	12.90%	0.78	19.23	19.73	15.29	(2.5%)	31.3%	1.5%	5.23%	8.20	16.73
Financials	59.38%	11.57%	1.28	14.94	18.52	10.58	(19.3%)	11.4%	1.6%	6.75%	6.70	14.25
Technology	34.58%	27.79%	1.08	32.85	32.88	16.66	(0.1%)	72.4%	0.8%	3.04%	6.04	26.29
Telecom	40.89%	10.99%	0.96	25.71	28.26	17.65	(9.0%)	17.7%	0.5%	3.86%	9.44	21.18
Utilities	3.73%	2.44%	0.44	20.62	22.09	16.35	(6.6%)	10.7%	3.1%	4.86%	3.50	18.45
Real Estate	33.52%	2.60%	0.96	25.27	25.68	17.12	(1.6%)	8.1%	2.4%	3.97%	4.64	22.26

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	453.12	1.61%	443.64	6	2.14%	419.09	275	8.12%	5.86%	(0.34%)	40.46%	Buy
Mid Cap	509.51	2.29%	494.04	7	3.13%	483.86	275	5.30%	2.10%	(0.57%)	49.07%	Buy
Small Cap	98.21	2.28%	95.94	16	2.37%	94.89	23	3.49%	1.10%	(2.70%)	59.20%	Buy

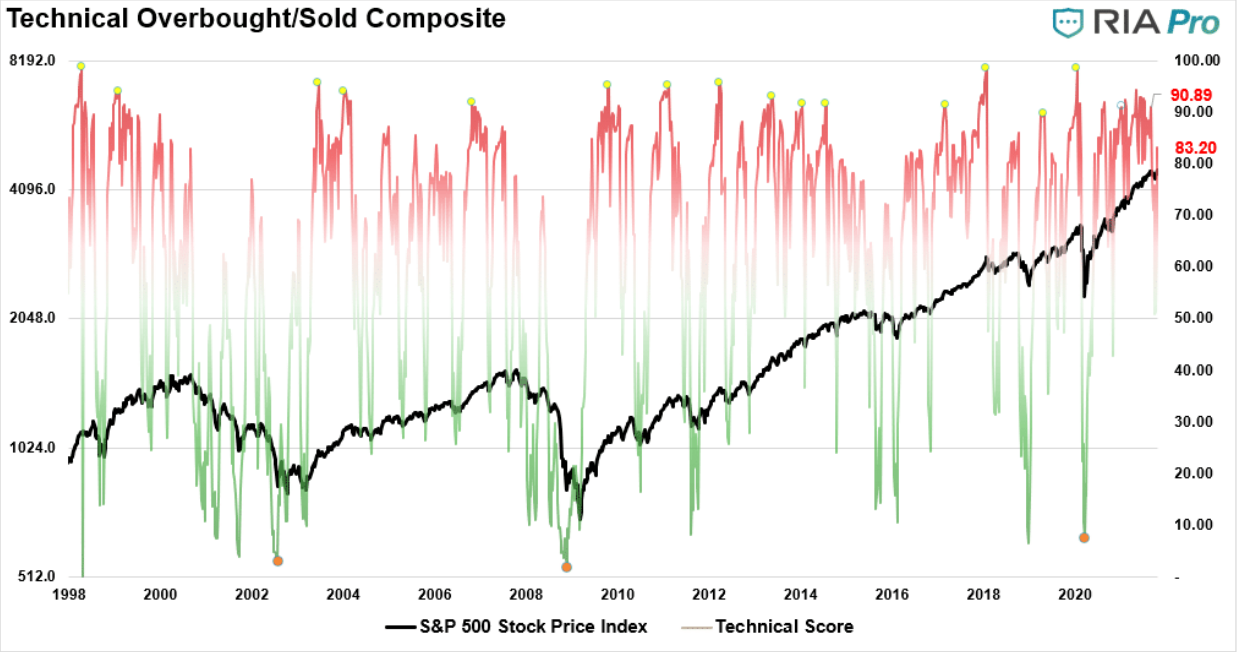
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Performance Analysis



Technical Composite

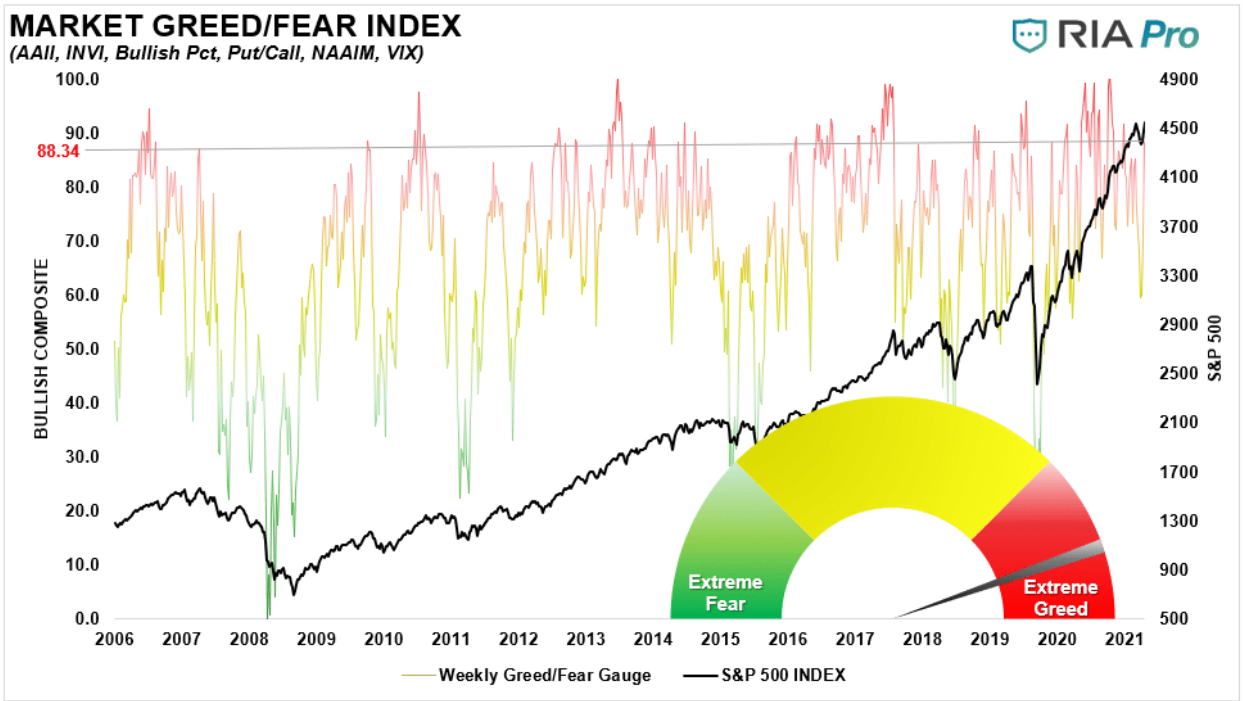
The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using "weekly" closing price data. Readings above "80" are considered overbought, and below "20" are oversold. ***The current reading is 83.20 out of a possible 100.***



Portfolio Positioning "Fear / Greed" Gauge

Our "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.

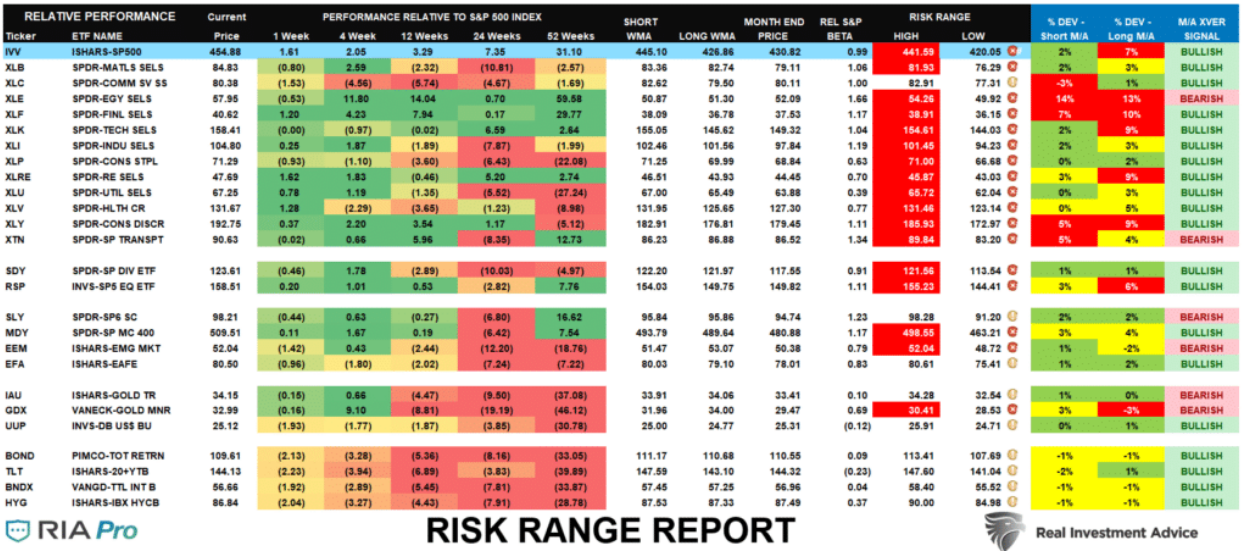
NOTE: The Fear/Greed Index measures risk from 0-100. It is a rarity that it reaches levels above 90. The *current reading is 88.34 out of a possible 100.*



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.* ***(Ranges reset on the 1st of each month)***
- *Table shows the price deviation above and below the weekly moving averages.*



RELATIVE PERFORMANCE		Current	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT		MONTH END	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	LONG WMA	PRICE	BETA	HIGH	LOW	Short M/A	Long M/A	SIGNAL
IVV	ISHARS-SP500	454.88	1.61	2.05	3.29	7.35	31.10	445.10	426.86	430.82	0.99	441.59	420.05	2%	7%	BULLISH
XLB	SPDR-MATLS SELS	84.83	(0.80)	2.59	(2.32)	(10.81)	(2.57)	83.36	82.74	79.11	1.06	81.93	76.29	2%	3%	BULLISH
XLC	SPDR-COMM SV SS	80.38	(1.53)	(4.56)	(5.74)	(4.67)	(1.69)	82.62	79.50	80.11	1.00	82.91	77.31	-3%	1%	BULLISH
XLE	SPDR-EGY SELS	57.95	(0.53)	11.80	14.04	0.70	59.58	50.87	51.30	52.09	1.66	54.26	49.92	14%	13%	BEARISH
XLF	SPDR-FINL SELS	40.62	1.20	4.23	7.94	0.17	29.77	38.09	36.78	37.53	1.17	38.91	36.15	7%	10%	BULLISH
XLK	SPDR-TECH SELS	158.41	(0.00)	(0.97)	(0.02)	6.59	2.64	155.05	145.62	149.32	1.04	154.61	144.03	2%	9%	BULLISH
XLI	SPDR-INDU SELS	104.80	0.25	1.87	(1.89)	(7.87)	(1.99)	102.46	101.56	97.84	1.19	101.45	94.23	2%	3%	BULLISH
XLP	SPDR-CONS STPL	71.29	(0.93)	(1.10)	(3.60)	(6.43)	(22.08)	71.25	69.99	68.84	0.63	71.00	66.68	0%	2%	BULLISH
XLRE	SPDR-RE SELS	47.69	1.62	1.83	(0.46)	5.20	2.74	46.51	43.93	44.45	0.70	45.87	43.03	3%	9%	BULLISH
XLU	SPDR-UTIL SELS	67.25	0.78	1.19	(1.35)	(5.52)	(27.24)	67.00	65.49	63.88	0.39	65.72	62.04	0%	3%	BULLISH
XLV	SPDR-HLTH CR	131.67	1.28	(2.29)	(3.65)	(1.23)	(8.98)	131.95	125.65	127.30	0.77	131.46	123.14	0%	5%	BULLISH
XLY	SPDR-CONS DISCR	192.75	0.37	2.20	3.54	1.17	(5.12)	182.91	176.81	179.45	1.11	185.93	172.97	5%	9%	BULLISH
XTN	SPDR-SP TRANSPT	90.63	(0.02)	0.66	5.96	(8.35)	12.73	86.23	86.88	86.52	1.34	89.84	83.20	5%	4%	BEARISH
SDY	SPDR-SP DIV ETF	123.61	(0.46)	1.78	(2.89)	(10.03)	(4.97)	122.20	121.97	117.55	0.91	121.56	113.54	1%	1%	BULLISH
RSP	INVS-SP5 EQ ETF	158.51	0.20	1.01	0.53	(2.82)	7.76	154.03	149.75	149.82	1.11	155.23	144.41	3%	6%	BULLISH
SLY	SPDR-SP6 SC	98.21	(0.44)	0.63	(0.27)	(6.80)	16.62	95.84	95.86	94.74	1.23	98.28	91.20	2%	2%	BEARISH
MDY	SPDR-SP MC 400	509.51	0.11	1.67	0.19	(6.42)	7.54	493.79	489.64	480.88	1.17	498.55	463.21	3%	4%	BULLISH
EEM	ISHARS-EMG MKT	52.04	(1.42)	0.43	(2.44)	(12.20)	(18.76)	51.47	53.07	50.38	0.79	52.04	48.72	1%	-2%	BEARISH
EFA	ISHARS-EAFE	80.50	(0.96)	(1.80)	(2.02)	(7.24)	(7.22)	80.03	79.10	78.01	0.83	80.61	75.41	1%	2%	BULLISH
IAU	ISHARS-GOLD TR	34.15	(0.15)	0.66	(4.47)	(9.50)	(37.08)	33.91	34.06	33.41	0.10	34.28	32.54	1%	0%	BEARISH
GDX	VANECK-GOLD MNR	32.99	(0.16)	9.10	(8.81)	(19.19)	(46.12)	31.96	34.00	29.47	0.69	30.41	28.53	3%	-3%	BEARISH
UUP	INVS-DB US$ BU	25.12	(1.93)	(1.77)	(1.87)	(3.85)	(30.78)	25.00	24.77	25.31	(0.12)	25.91	24.71	0%	1%	BULLISH
BOND	PIMCO-TOT RETRN	109.61	(2.13)	(3.28)	(5.36)	(8.16)	(33.05)	111.17	110.68	110.55	0.09	113.41	107.69	-1%	-1%	BULLISH
TLT	ISHARS-20+YTB	144.13	(2.23)	(3.94)	(6.89)	(3.83)	(39.89)	147.59	143.10	144.32	(0.23)	147.60	141.04	-2%	1%	BULLISH
BNDX	VANGD-TTL INT B	56.66	(1.92)	(2.89)	(5.45)	(7.81)	(33.87)	57.45	57.25	56.96	0.04	58.40	55.52	-1%	-1%	BULLISH
HYG	ISHARS-IBX HYCB	86.84	(2.04)	(3.27)	(4.43)	(7.91)	(28.78)	87.53	87.33	87.49	0.37	90.00	84.98	-1%	-1%	BULLISH

RIA Pro **RISK RANGE REPORT** 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	133.34	19.35	9.14	0.72	21.61	9.00
AVGO	Broadcom Inc	514.15	15.00	12.40	2.80	21.81	9.00
DGX	Quest Diagnostc	145.36	26.52	5.30	1.71	9.45	9.00
LH	Laboratory Cp	279.81	10.56	9.31	0.00	8.26	9.00
PAYX	Paychex Inc	122.38	7.50	7.31	2.16	37.08	9.00
TMO	Thermo Fisher	608.41	13.00	14.71	0.17	23.83	9.00
AAP	Advance Auto Pt	233.71	14.08	2.05	1.71	20.47	8.00
ADBE	Adobe Systems	638.66	19.06	21.93	0.00	62.19	8.00
AMD	Adv Micro Dev	119.33	44.60	22.18	0.00	64.50	8.00
DE	Deere & Co	342.93	21.19	8.92	1.22	19.87	8.00
DHR	Danaher Corp	310.74	13.65	4.66	0.27	32.88	8.00
EBAY	Ebay Inc	76.21	10.65	4.97	0.94	23.82	8.00
ETSY	Etsy Inc	235.98	19.67	46.57	0.00	68.20	8.00
FTNT	Fortinet Inc	334.34	14.25	19.80	0.00	123.83	8.00
HSY	Hershey Co/The	180.30	8.50	2.74	2.00	26.75	8.00
IQV	Iqvia Holdings	254.84	15.69	11.74	0.00	31.82	8.00
KEYS	Keysight Tech	176.45	11.51	11.13	0.00	31.79	8.00
MSFT	Microsoft Corp	310.76	11.09	15.85	0.72	38.99	8.00
ODFL	Old Dominion Fl	318.69	26.14	8.39	0.25	43.48	8.00
PKI	Perkinelmer Inc	176.50	41.66	15.22	0.16	14.01	8.00
SNA	Snap-On Inc	212.51	9.54	1.46	2.32	14.49	8.00
TGT	Target Corp	254.21	13.94	7.54	1.42	19.88	8.00
TSCO	Tractor Supply	210.42	9.19	11.79	0.99	25.26	8.00
TXN	Texas Instrs	201.29	9.33	1.59	2.03	28.07	8.00
WMT	Walmart Inc	146.81	5.50	3.36	1.50	23.68	8.00
WST	West Pharm Svc	422.23	27.26	9.85	0.16	60.32	8.00
ADM	Archer Daniels	64.87	8.22	2.09	2.28	13.46	7.00
BBY	Best Buy	117.60	7.57	4.62	2.38	10.94	7.00
BRK.B	Berkshire Hth-B	286.82	7.00	2.37	0.00	27.47	7.00
CTAS	Cintas Corp	424.64	9.70	7.02	0.89	40.17	7.00
EXR	Extra Space Stg	185.12	8.30	8.24	2.70	31.22	7.00
FLT	Fleetcor Tech	277.34	15.04	6.65	0.00	24.65	7.00
GIS	Genl Mills	62.49	7.50	4.06	3.26	16.53	7.00
GOOG	Alphabet Inc-C	2855.61	15.10	20.04	0.00	30.95	7.00
GOOGL	Alphabet Inc-A	2837.72	14.75	20.04	0.00	30.76	7.00
JBHT	Hunt (Jb) Trans	193.94	15.00	11.22	0.62	30.78	7.00
JNJ	Johnson & Johns	163.40	7.81	3.75	2.59	17.15	7.00
LRCX	Lam Research	555.42	17.00	13.16	1.08	18.53	7.00
MMC	Marsh &Mclennan	168.43	12.62	7.49	1.27	28.02	7.00
NTAP	Netapp Inc	92.74	8.79	0.36	2.16	24.67	7.00
ORLY	O Reilly Auto	663.25	14.15	8.04	0.00	23.81	7.00
RSG	Republic Svcs	131.29	10.62	1.92	1.40	32.66	7.00
TER	Teradyne Inc	117.54	13.75	14.03	0.34	22.18	7.00
TRMB	Trimble Inc	87.69	10.00	8.20	0.00	39.15	7.00
WEC	Wec Energy Grp	91.21	6.28	-0.04	2.97	22.35	7.00
COST	Costco Whole Cp	477.23	8.56	9.98	0.66	43.07	6.00
CSCO	Cisco Systems	55.69	7.00	0.57	2.66	19.20	6.00
CVX	Chevron Corp	111.74	5.00	-3.04	4.80	41.23	6.00
J	Jacobs Engin Gr	136.87	13.15	7.11	0.61	21.59	6.00
MPWR	Monolithic Pwr	517.50	25.00	21.13	0.46	125.30	6.00
MS	Morgan Stanley	100.28	7.03	8.22	2.79	12.43	6.00
MSI	Motorola Solutn	248.30	9.00	6.54	1.14	30.21	6.00
PLD	Prologis Inc	144.94	7.89	15.69	1.74	36.51	6.00
WM	Waste Mgmt-New	161.88	12.56	3.21	1.42	35.58	6.00

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

Ticker	Company	Current Price	Price/ Book	ROE 5 Yr Avg	Div Yield	Score
GSBD	Goldman Sac Bdc	19.13	1.19	11.47	9.41	9
ASX	Ase Tech Hldg	6.93	1.67	11.60	3.14	8
BABB	Bab Inc	0.80	1.98	14.92	5.00	8
ETRN	Equitrans Midst	11.00	1.31	14.90	5.45	8
SAFT	Safety Ins Grp	79.84	1.30	11.67	4.51	8
UBCP	Utd Bancorp -Oh	15.23	1.31	10.61	3.87	8
WBA	Walgreens Bai	49.14	1.78	19.95	3.89	8
WSBF	Waterstone Finl	20.25	1.18	10.64	3.95	8
AGNC	Agnc Investment	16.60	0.95	13.17	8.67	7
BTG	B2Gold Corp	4.25	1.64	11.05	3.76	7
CAG	Conagra Brands	33.34	1.85	17.59	3.75	7
CFFI	C&F Finl Cp	52.53	0.96	11.24	3.05	7
CGBD	Tcg Bdc Inc	14.11	0.88	10.56	9.07	7
CMTV	Commnty Bcp Vt	19.49	1.31	13.31	4.51	7
CPF	Central Pac Fin	26.34	1.34	10.04	3.64	7
CZFS	Citizens Fin Sv	61.10	1.18	12.63	3.08	7
FFBC	First Fin Bc-Oh	24.01	1.03	10.07	3.83	7
FLIC	First Long Is	20.29	1.16	10.82	3.94	7
FNLC	First Bancp Inc	29.10	1.37	12.01	4.40	7
HPE	Hewlett Pkd Ent	15.49	1.19	10.34	3.10	7
IBCP	Indep Bk Mich	22.04	1.21	12.69	3.81	7
MBWM	Mercantile Bank	35.58	1.25	10.30	3.37	7
NBTB	Nbt Bancorp Inc	37.02	1.31	10.11	3.03	7
NHTC	Natural Hlth Tr	7.28	1.31	26.23	10.99	7
NL	Nl Inds Inc	6.12	0.83	12.78	3.92	7
NLY	Annaly Cap Mgmt	8.71	1.04	12.19	10.10	7
NRIM	Northrim Bcp	43.99	1.15	10.89	3.46	7
PFG	Principal Finl	69.01	1.14	11.80	3.65	7
TRTN	Triton Intl Ltd	55.42	1.72	13.96	4.11	7
TWO	Two Harbors Inv	6.75	1.04	11.75	10.07	7
UGI	Ugi Corp	44.32	1.89	11.88	3.11	7
UVE	Univl Insur Hld	13.62	0.89	16.41	4.70	7
WAYN	Wayne Svgs Bcsh	25.60	1.18	10.73	3.28	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
DGX	Quest Diagnostc	145.36	26.52	5.30	1.71	9.45	9.00
AMAT	Appld Matls Inc	133.34	19.35	9.14	0.72	21.61	9.00
AVGO	Broadcom Inc	514.15	15.00	12.40	2.80	21.81	9.00
TMO	Thermo Fisher	608.41	13.00	14.71	0.17	23.83	9.00
AMD	Adv Micro Dev	119.33	44.60	22.18	-	64.50	8.00
PKI	Perkinelmer Inc	176.50	41.66	15.22	0.16	14.01	8.00
WST	West Pharm Svc	422.23	27.26	9.85	0.16	60.32	8.00
ODFL	Old Dominion Fl	318.69	26.14	8.39	0.25	43.48	8.00
DE	Deere & Co	342.93	21.19	8.92	1.22	19.87	8.00
ETSY	Etsy Inc	235.98	19.67	46.57	-	68.20	8.00
ADBE	Adobe Systems	638.66	19.06	21.93	-	62.19	8.00
IQV	Iqvia Holdings	254.84	15.69	11.74	-	31.82	8.00
FTNT	Fortinet Inc	334.34	14.25	19.80	-	123.83	8.00
AAP	Advance Auto Pt	233.71	14.08	2.05	1.71	20.47	8.00
TGT	Target Corp	254.21	13.94	7.54	1.42	19.88	8.00
DHR	Danaher Corp	310.74	13.65	4.66	0.27	32.88	8.00
LRCX	Lam Research	555.42	17.00	13.16	1.08	18.53	7.00
GOOG	Alphabet Inc-C	2,855.61	15.10	20.04	-	30.95	7.00
FLT	Fleetcor Tech	277.34	15.04	6.65	-	24.65	7.00
JBHT	Hunt (Jb) Trans	193.94	15.00	11.22	0.62	30.78	7.00
GOOGL	Alphabet Inc-A	2,837.72	14.75	20.04	-	30.76	7.00
ORLY	O Reilly Auto	663.25	14.15	8.04	-	23.81	7.00
TER	Teradyne Inc	117.54	13.75	14.03	0.34	22.18	7.00
MMC	Marsh &Mclennan	168.43	12.62	7.49	1.27	28.02	7.00
MPWR	Monolithic Pwr	517.50	25.00	21.13	0.46	125.30	6.00
J	Jacobs Engin Gr	136.87	13.15	7.11	0.61	21.59	6.00
V	Visa Inc-A	230.24	19.02	8.10	0.56	42.56	5.00
LOW	Lowes Cos	227.42	14.15	7.63	1.41	21.12	5.00
AZO	Autozone Inc	1,807.68	13.07	6.06	-	18.88	5.00
FRC	First Rep Bk Sf	214.85	16.42	16.84	0.41	29.63	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
PAYX	Paychex Inc	122.38	7.50	7.31	2.16	4.70	9
ADBE	Adobe Systems	638.66	19.06	21.93	-	3.18	8
AMD	Adv Micro Dev	119.33	44.60	22.18	-	1.18	8
ETSY	Etsy Inc	235.98	19.67	46.57	-	4.07	8
FTNT	Fortinet Inc	334.34	14.25	19.80	-	8.31	8
INFO	Ihs Markit Ltd	124.33	#N/A	9.52	0.64	#N/A	8
MSFT	Microsoft Corp	310.76	11.09	15.85	0.72	3.24	8
STAA	Staar Surgical	126.15	#N/A	21.32	-	#N/A	8
TSLA	Tesla Inc	894.00	37.50	44.93	-	6.71	8
TXN	Texas Instrs	201.29	9.33	1.59	2.03	2.72	8
WST	West Pharm Svc	422.23	27.26	9.85	0.16	1.88	8
EXR	Extra Space Stg	185.12	8.30	8.24	2.70	3.39	7
LSI	Life Storage	126.81	3.63	7.03	2.71	7.22	7
NFLX	Netflix Inc	653.16	30.65	29.53	-	2.01	7
NSA	Natl Storage	59.18	9.65	20.89	2.77	2.83	7
CPRT	Copart Inc	151.84	#N/A	14.92	-	#N/A	6
EGP	Eastgroup Pptys	190.32	7.41	9.67	1.89	4.35	6
ESS	Essex Ppty Tr	332.98	2.98	3.24	2.51	8.98	6
IBKR	Interactive Brk	74.10	#N/A	15.50	0.54	#N/A	6
IRT	Indep Realty Tr	22.19	2.00	9.02	2.16	13.81	6
ISRG	Intuitive Surg	339.63	9.50	14.45	-	7.87	6
MLAB	Mesa Labs Inc	303.00	#N/A	9.17	0.21	#N/A	6
MPWR	Monolithic Pwr	517.50	25.00	21.13	0.46	4.30	6
PLD	Prologis Inc	144.94	7.89	15.69	1.74	4.49	6
PSB	Ps Business Pks	177.16	#N/A	2.04	2.37	#N/A	6
REG	Regency Ctrs Cp	70.01	9.48	10.70	3.40	1.95	6
SBAC	Sba Comm Corp	340.16	#N/A	6.85	0.68	#N/A	6
CGNX	Cognex Corp	85.85	#N/A	9.35	0.28	#N/A	5
COR	Coresite Realty	145.79	20.92	10.12	3.48	1.25	5
CYTK	Cytokinetcs Inc	36.21	#N/A	(17.05)	-	#N/A	5
DRE	Duke Realty Cp	55.19	6.79	4.20	1.85	4.73	5
DXCM	Dexcom Inc	568.10	15.29	37.13	-	15.07	5
FDS	Factset Resh	426.99	8.50	6.93	0.77	4.12	5
PSA	Public Storage	322.51	6.74	3.47	2.48	3.87	5
V	Visa Inc-A	230.24	19.02	8.10	0.56	1.69	5

Portfolio / Client Update

The market continued its bullish advance this week after eclipsing the 50-dma last week. Such is good news, as our recent additions to portfolio allocations have performed well. Currently, our portfolios are outperforming our global benchmark by roughly 300 basis points with lower volatility than the S&P 500 index.

There was no need to make changes to our portfolio this week. However, we are watching interest rates closely as it looks like we may be approaching another "buy point" to increase our duration in our bond holdings further. As noted last week:

> *"We are watching our positions closely and have moved stops up to recent lows for all positions.*
>
> *Furthermore, after increasing the duration of our bond portfolio, the recent uptick in rates provides another entry point to lengthen our duration once again.* ***If there is a risk-off event in the market, yields will drop to 1% or less providing a nice bump***

in appreciation in our bond portfolio. In the meantime, we are collecting a bit of income while holding the hedge."

While it may seem counter-intuitive at the moment, the current bout of inflation will turn into deflation next year as liquidity gets drained from the system. As such, we want to continue to buy bonds at a discounted price to benefit from deflationary pressures when they return.

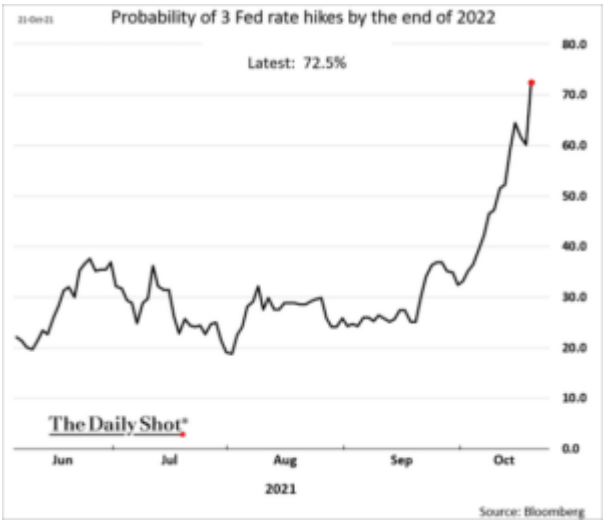
As noted, while there seems to be minimal risk in the market, don't be misled. There are numerous risks we are watching that could lead us to reverse course rapidly. Our job remains to protect your capital first and foremost, but we want to capture gains when we can.

Portfolio Changes

During the past week, we made only a single change to portfolios. In addition, we post all trades in real-time at ***RIAPRO.NET***.

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

"This morning we sold 100% of SHY which is under pressure as the market gets more aggressive about pricing in future interest rate hikes. As shown, there is currently a 100% chance the Fed will hike rates twice in 2022, and a 70% chance of three rate hikes." - 10/22/21



"When the Fed gets more aggressive about rate hikes, the long end of the curve will fall. Therefore, as the 10-year moves toward 1.8-2%, we will become more aggressive buyers of duration. For the meantime, we will leave the money in cash and over the next week or so decide how to deploy it within the fixed income sector."

All Models:

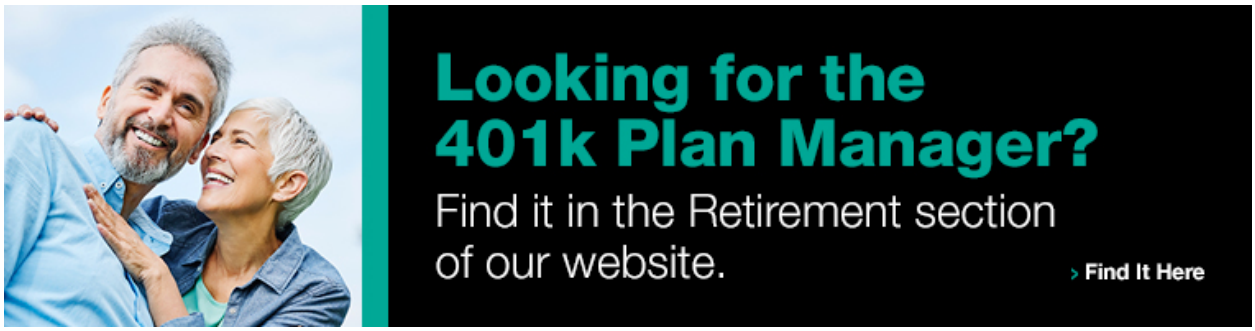
- *Sell 100% of SHY*

As always, our short-term concern remains the protection of your portfolio. Accordingly, we remain focused on the differentials between underlying fundamentals and market over-valuations.

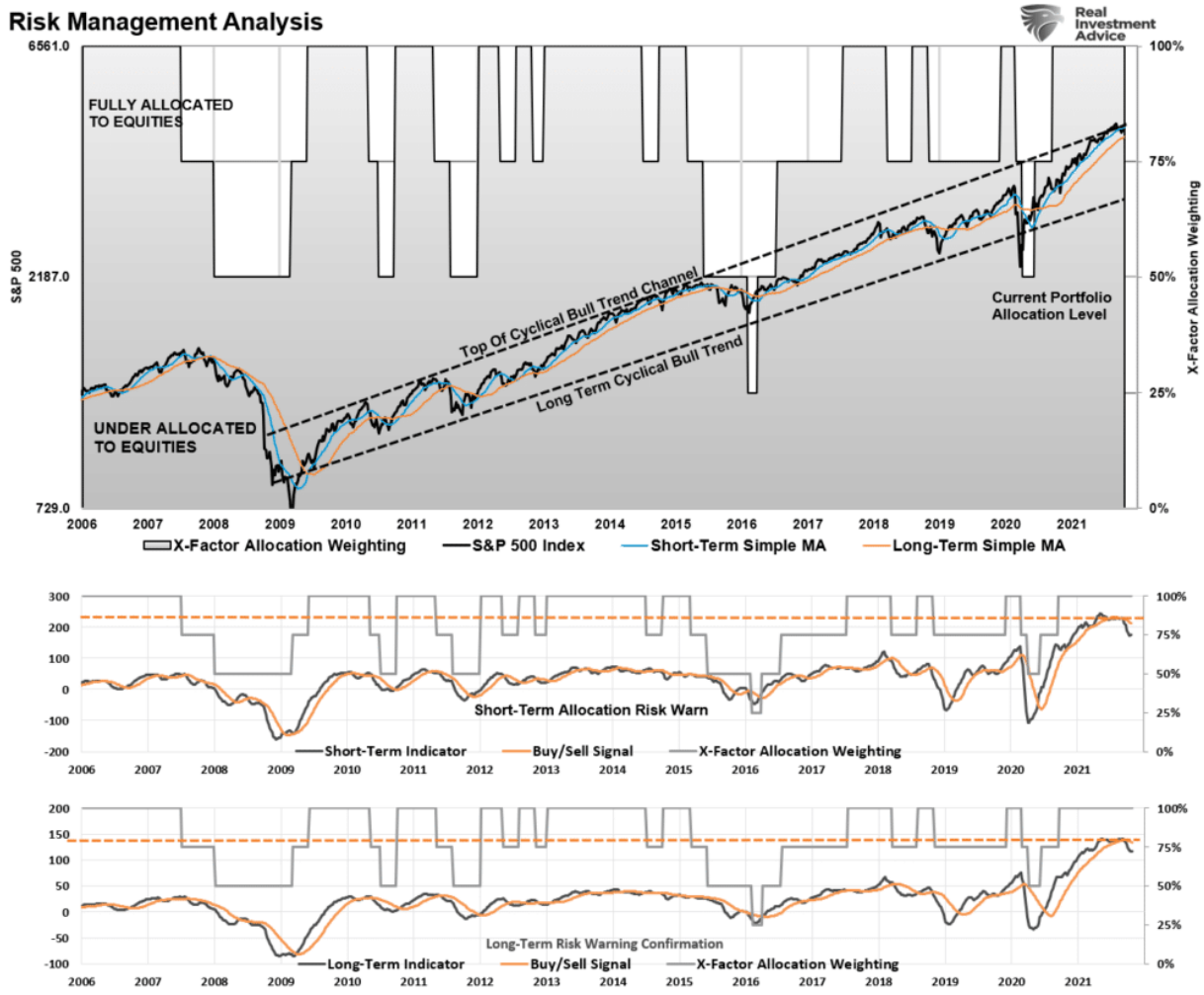
Lance Roberts, CIO

THE REAL 401k PLAN MANAGER

A Conservative Strategy For Long-Term Investors



Attention: The 401k plan manager will no longer appear in the newsletter in the next couple of weeks. However, the *link to the website* will remain for your convenience. Be sure to bookmark it in your browser.



Commentary

The market is now back to a highly overbought position after a sizable rally over the last 7-days. The triggering of the underlying MACD *"buy signals"* suggests we have entered into the seasonally strong period of the year, which supports keeping allocation long-biased.

However, this is probably a decent opportunity to rebalance holdings and reduce your risk heading into November. **In the short term, we suggest maintaining exposures in plan portfolios but start putting new contributions back into cash or stable value holdings for now.**

While we have not removed international, emerging, small and mid-cap funds from the allocation model, we suggest avoiding these areas for now and moving those allocations to domestic large-cap.

If you are close to retirement or are concerned about a pickup in volatility, there is nothing wrong with being underweight equities. However, there is likely not a lot of upside in markets heading into next year.

Model Descriptions

1. Understand your allocation options:

CORE STRATEGY

The core strategy consists of holdings that are based on market fundamentals, valuations, and long-term market trends. These are holding that should be considered "long-term" investments and should primarily track the benchmark index over time. The turnover of the portfolio should be extremely low with the exception of rebalancing periods due to market gyrations.

TACTICAL STRATEGY

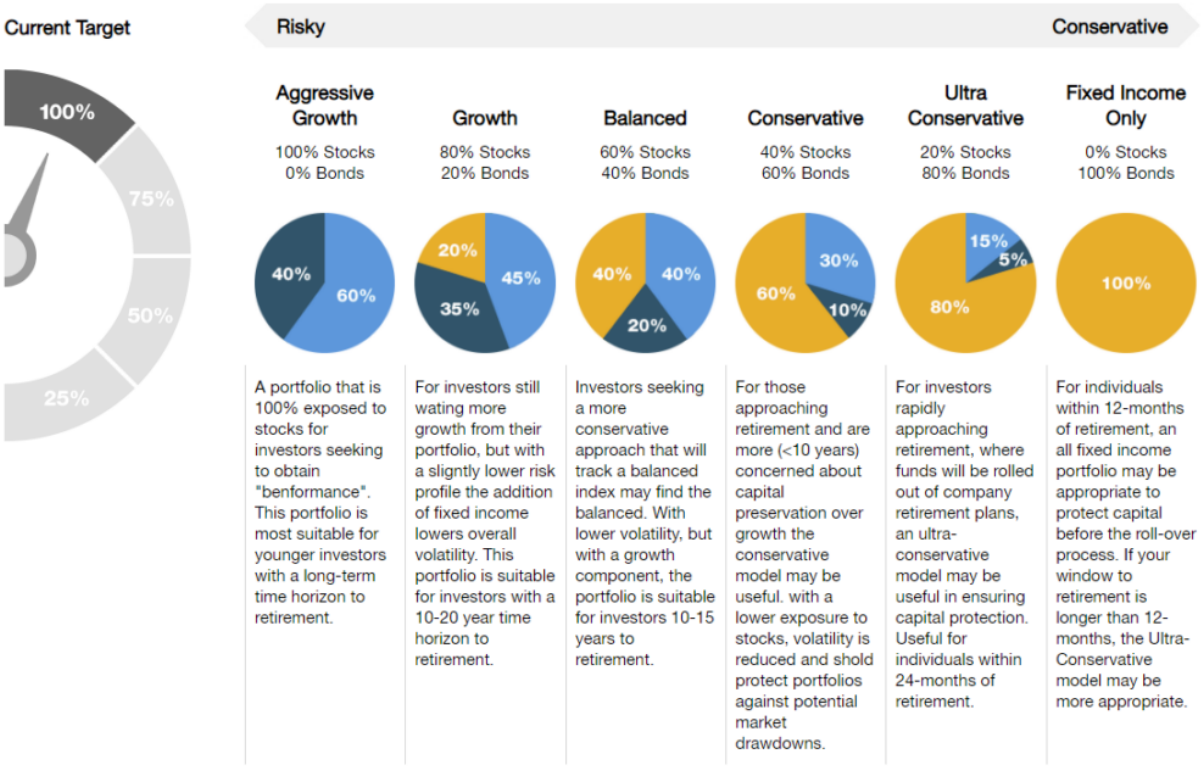
The tactical strategy consists of holdings which based on the short- to intermediate-term trends of the market. As macro-economic, monetary and fiscal policy, and investor psychology impacts markets, the holdings in the tactical strategy will shift to take advantage of market rotations. Importantly, this portion of the portfolio can move to all cash if needed to reduce risk in the event of a market downturn.

FIXED INCOME

The fixed income strategy is designed to both take advantage of changes in interest rate and inflation expectations, but also deliver a lower degree of volatility to the overall portfolio. The primary focus of the fixed-income portfolio is to protect capital, generate income, and lower overall portfolio volatility.

Choose The Model That FIts Your Goals

2. Choose the financial strategy that best fits your retirement goals and let RIA do all the work for you:



Model Allocations

Asset Class						
CORE STRATEGY						
Large Cap Blend (Ex. S&P 500 Index)	25	20	20	15	5	
Large Cap Growth	10	5				
Large Cap Value			5			
Large Cap Dividend			5	10	10	
Mid Cap Growth	10	5				
Mid Cap Value			5	5		
Small Cap Blend	15	15	5			
TACTICAL STRATEGY						
International Growth	5	5	5			
International Value			5	5		
International Blend	5	5				
Emerging Markets	10	5				
Real Estate	10	10	10	5	5	
Commodities	10	10				
FIXED INCOME						
Short Term Core			5	10	20	35
Intermedia Core		10	15	30	30	30
Global Fixed			10	10	15	10
High Yield Bond		10	5			
Inflation Protected			5	10	15	25
CASH						
Retirement Reserves/Stable Value						
5 Year Standard Deviation	15.8	13.1	9.8	6	4.4	3
5 Year Annual Return	16.7	13.8	10.7	7.9	5.8	3.4
5 Year Maximun Drawdown	-34.3	-30.2	-24.5	-16.7	-11.2	-8.2

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

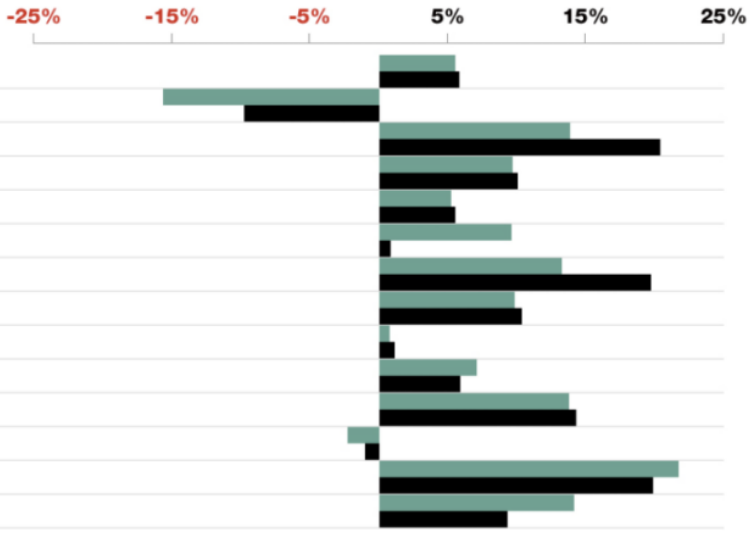
Or, let us manage it for you automatically.



401k Model Performance Analysis

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.

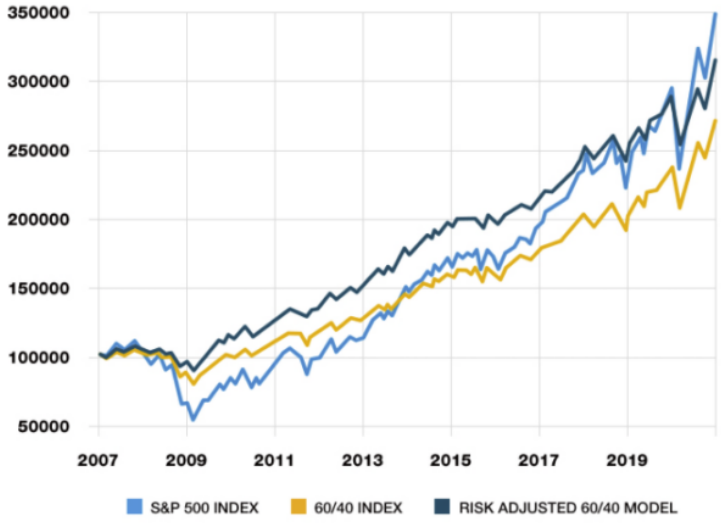
Year	60/40 Benchmark Return	60/40 Model Return
2007	6.16%	6.29%
2008	-16.73%	-9.79%
2009	14.14%	20.13%
2010	10.19%	10.34%
2011	5.11%	5.74%
2012	9.33%	1.00%
2013	13.94%	19.02%
2014	10.04%	10.92%
2015	0.88%	1.67%
2016	7.77%	6.30%
2017	14.12%	14.71%
2018	-2.71%	-1.33%
2019	22.41%	19.77%
2020	14.58%	8.60%



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

60/40 Benchmark vs Risk Adjusted 60/40 Allocation



Have a great week!