# Colby 401(k) Timer

A Publication of Robert W. Colby Asset Management, Inc.

**Choosing the correct Risk Tolerance is VERY IMPORTANT:**

**You may need to reduce stock holdings.**

**If you have never taken a risk tolerance assessment, you can do so *here*.**

## 3 Trades Per Year Can Improve Your Retirement.

Warren Buffet tells investors to buy and hold an S&P 500® Index tracking fund in their 401(k) Plans and keep buying. We have added a safety-net and additional intelligence based on math and science that improves this advice ***significantly***--and lets you sleep at night.

The **Colby 401(k) Timer** trades on ***major long-term trend signals***, so short-term market moves up or down in reaction to news stories, earnings reports, and economic data usually do not affect the weekly 401(k) Timer signals.



## Colby 401(k) Timer

70% S&P 500® Index Fund

30% Stable Value Fund

**How Safe Is the Market Now?***

MAXIMUM Exposure to the S&P 500® = **70% of Portfolio**
(for an Aggressive Investor)

Long-Term Trend = **Bullish but losing momentum.**

*The Colby 401(k) Timer is a *LONG-TERM* view of the S&P 500®.

| Investor Risk Tolerance | S&P 500® Index Fund | Stable Value Fund (or Cash) |
|---|---|---|
| Aggressive | 70% | 30% |
| Moderately Aggressive | 56% | 44% |
| Moderate | 42% | 58% |
| Moderately Conservative | 28% | 72% |
| Conservative | 14% | 86% |

The percentages above apply to current holdings and future contributions.

Investor Risk Tolerance table is based on the "Dow Jones Relative Risk Indices for five risk profiles--these profiles are defined based on incremental levels of potential risk relative to the risk of an all-stock index." [www.spglobal.com]

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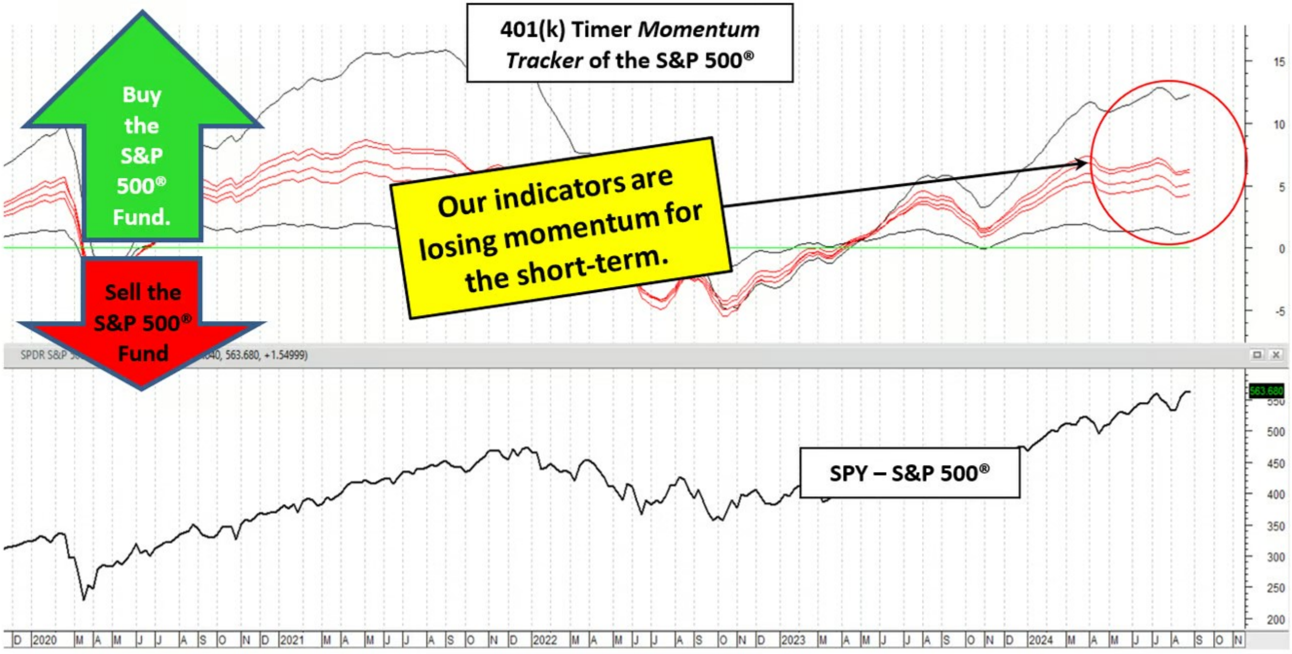
## Colby 401(k) Timer *Momentum Tracker:*




**Our indicators are losing momentum for the short-term.**

The chart above measures momentum of the S&P 500® Index over many different time frames. Readings ***above*** the ***green*** neutral line indicate it is safe to invest in the S&P 500 Fund in your 401(k) account. Readings ***below*** the ***green*** neutral line indicate it is not safe to invest in the S&P 500, and you should move money to cash or your Stable Value Fund based on the 401(k) Timer signals in these email messages. **For more information about how our Timers work, and how they performed in past bull and bear markets, watch our *Timer Overview Video* by *clicking here*.**

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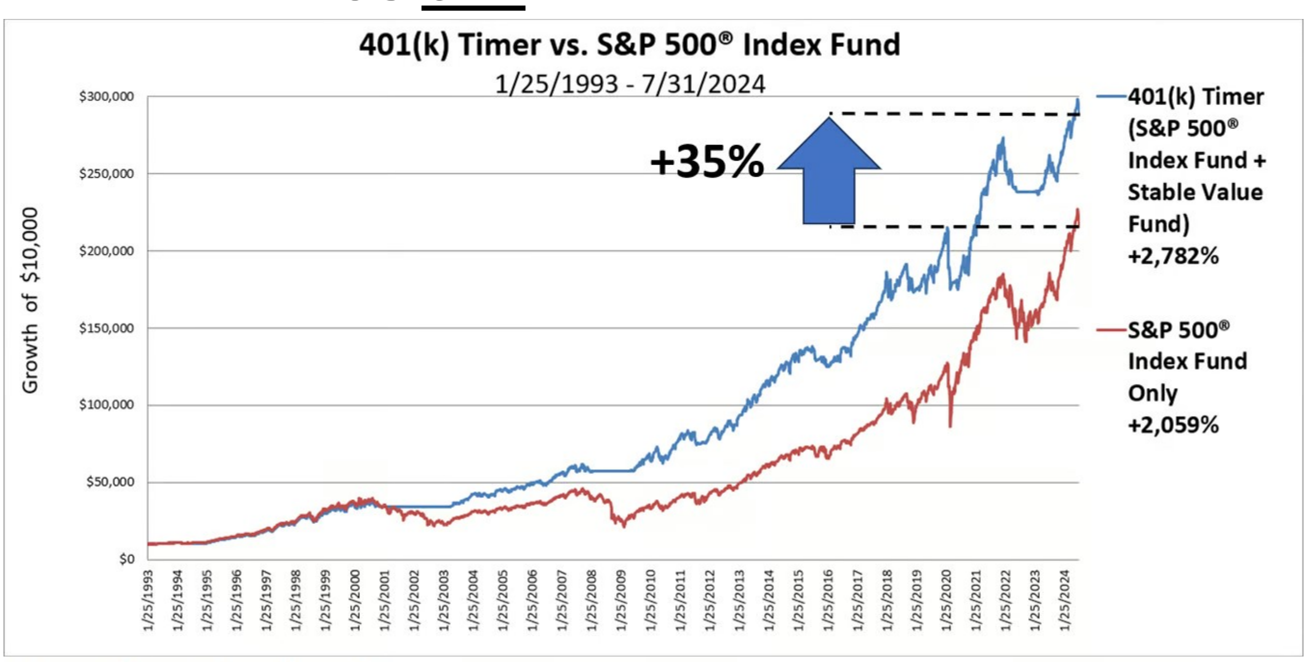
## PERFORMANCE WITH AND WITHOUT THE COLBY 401(k) TIMER: YOU *CAN* TIME THE MARKET.




**Notes About the Chart Above:**

- This is a research study--All trading is hypothetical, not based on actual trades.
- You can't actually invest in the S&P 500 Index, so you have to use a mechanism like the SPY Exchange Traded Fund (the SPDR S&P 500 ETF Trust), ticker symbol 'SPY.'
- Both lines are trading 'SPY.'
- In most 401(k) plans, there should be an S&P 500 Index tracking fund -- you would use that in your 401(k) plan if SPY is not available.
- The 401(k)Timer (blue line) goes from 100% SPY to 100% Stable Value Fund based on our 401(k)Timer Signals.
- The S&P 500 Index Fund Only (red line) buys the S&P 500 Index Fund and never sells.
- The inception date for the SPY ETF was in 1993, so that is the first date of the chart.

*Learn more about our 401(k) Timer by watching our short video:*


*Learn more about how our Timers were developed and how they performed in past bull and bear markets by watching our more detailed video here:*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## Terms of Use, Disclaimers, and Definitions

**Defining Multiple Time Frames For Classifying Trends:** It is important to understand that markets often display very different and conflicting trends, depending on the specific time period analyzed. Nearly a century ago, the Dow Theory established a useful way to organize time/trend information. In harmony with the Dow Theory, we organize our analysis into 5 different time frames, as follows:

**Intraday moves and trends** that last only a few days. These price *jiggles* are too small, too random, and change too frequently to be useful to anyone except for elite professional traders or algorithms.

**Short-term trends** typically last a few weeks, more or less. These trends change frequently, often in reaction to the latest news and rumors, and so they are fickle and unreliable. The Dow Theory views these minor *Ripples* as *insignificant noise*. Although skillful traders may be able to profit from short-term price movements, most investors cannot. The S&P 500 has crossed its 20-day SMA every 25 calendar days on average over the past 50 years, roughly matching this short-term trend.

**Medium-term trends** last more than a few weeks and often a few months. 3 weeks to 3 months is common, but they could stretch out much longer. These *intermediate* or *secondary* trends are often consolidations or corrections against (opposite to) the direction of the major trend. The medium-term trend can move price from several percentage points up 10% or a bit more. The S&P 500 has crossed its 50-day SMA every 6.1 weeks on average over the past 50 years, matching this trend.

**Longer-term trends** last a few months, sometimes longer. Prices can move 10%-20% or more. The S&P 500 crossed its 200-day SMA every 3.5 months on average over the past 50 years.

**Major trends are very big moves that last for years.** Prices can move 30%, 50%, or more. The major trend is also known as the *primary, dominant,* and *main* trend. ***Major trends are highly significant for all traders and investors.*** We always trade in the direction of the major trend, buying long in bull markets and selling long or selling short in bear markets, because that puts the probability of making money in our favor. Trading opposite to the major trend (that is, buying long in a bear market or selling short in a bull market) would put the odds against us and can lead to disastrous losses. All traders and investors can profit by trading in the same direction as the most important major trend. For the S&P 500, the 50-day crossed the 200-day SMA every 23 months on average over the past 50 years, roughly matching this major trend.

**Relative Strength:** Both academic studies and long experience show that probabilities favor buying the strongest trading instruments/investments and avoiding the weak and lagging ones. Although nothing in the markets works every time, buying and holding the strongest instruments has produced above-average returns most years and is one of the very best methods for selecting specific regions, countries, sectors, industries, stocks, bonds, tangible assets, etc. in which to invest.

**Investor Sentiment** is mainly useful for counter-trend trading. Markets are complex adaptive systems that reflect the emotions of the crowd reacting to contradictory and incomplete information as well as changing decision rules. Prices tend to swing to emotional extremes of optimism and pessimism. When there is a great majority of bulls, few investors are left to buy, and rallies suddenly can fizzle and reverse. Conversely, when there is a majority of bears, few investors are left to sell, and short-squeeze rallies suddenly can appear seemingly out of nowhere. Moderate sentiment tends to coincide with uncertain, indecisive markets. Note that sentiment extremes are often early, and momentum can sustain a trend in motion beyond sentiment extremes. The rules are not set in stone.

**Risk Tolerances:**

We use the five risk tolerance levels as outlined by Dow Jones:

**Index Objective, Highlights, and Index Family**

The Dow Jones Relative Risk Indices measure the performance of weighted return indices that consist of varying allocations to equity, fixed income, and cash component indices to represent a respective level of relative risk. The index family includes global and U.S. indices for five risk profiles—aggressive, moderately aggressive, moderate, moderately conservative, and conservative. These profiles are defined based on incremental levels of potential risk relative to the risk of an all-stock index.

| Index | % of All-Stock Portfolio Risk |
|---|---|
| ***Global Series:*** | |
| Dow Jones Aggressive Portfolio Index | 100% |
| Dow Jones Moderately Aggressive Portfolio Index | 80% |
| Dow Jones Moderate Portfolio Index | 60% |
| Dow Jones Moderately Conservative Portfolio Index | 40% |
| Dow Jones Conservative Portfolio Index | 20% |
| ***U.S. Series:*** | |
| Dow Jones Aggressive U.S. Portfolio Index | 100% |
| Dow Jones Moderately Aggressive U.S. Portfolio Index | 80% |

| | |
|---|---|
| Dow Jones Moderate U.S. Portfolio Index | 60% |
| Dow Jones Moderately Conservative U.S. Portfolio Index | 40% |
| Dow Jones Conservative U.S. Portfolio Index | 20% |

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The industry standard benchmark for performance comparison is generally the S&P 500 Index, although that and all other price indexes have certain limitations in that they differ from our recommended investment program in volatility, asset mix, diversification/ concentration, dividends, interest, trading costs, fees, and other factors. Unlike the S&P 500 Index, which passively reflects the price performance of 500 large-capitalization stocks, our recommended investment program is concentrated in relatively few securities and actively aims first for capital preservation and second for capital appreciation. We work continuously to achieve these goals. We try to anticipate and adapt to change. Regulators point out that there can never be any guarantees in investing; there is always risk and the possibility of loss; changing market conditions are beyond anyone's control; and past performance is not a guide to future performance.

Colby's technical analysis is prepared using widely-available public data that is generally accepted as reasonably reliable, although Colby cannot guarantee accuracy or completeness of data and analysis and no representation is made to that effect.  Colby's technical analysis is based primarily on analysis of the current price and volume performance of a security relative to other securities and in the context of its historical patterns of performance, in accordance with the Body of Knowledge and Code of Ethics endorsed by the CMT Association, the globally-recognized, professional regulatory organization for technical analysts established in 1973. See: https://cmtassociation.org/

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