

MONEYLETTER *hotline*

Welcome to the Hotline for Wednesday, December 7, 2016

US stocks powered their way into record territory as the bond selloff that had been hindering the markets eased. The Dow Jones Industrial Average jumped nearly 300 points. Traders expect an extension of the bond buying program by the European Central Bank past the March target.

We are recommending that subscribers in all nine model portfolios shift 10% from bond funds to domestic stock funds. Two factors guide our allocation decision:

- 1) The economic outlook is relatively positive, with fiscal stimulus likely on tap; and
- 2) While Fed policy is pretty much baked into bond prices as we sit right now, the trend in interest rates is up. That's not a trend we want to buck when it comes to the bond market (floating rate issues excepted).

Here are the specific fund exchanges in our models: In the **MONEYLETTER Conservative** model Sell one-half of the SPDR DoubleLine Total Return Tactical position (the ticker is: TOTL); Buy Needham Small Cap Growth (NESGX) with the proceeds. In the **Fidelity Conservative** Sell all of Fidelity Mortgage Securities (FMSFX); Buy Fidelity Large Cap Stock (FLCSX). In the **Vanguard Conservative** Sell Vanguard Mortgage-Backed Securities ETF (VMBS); Buy Vanguard Strategic Equity Investor (VSEQX).

In the **MONEYLETTER Moderate** Sell one-half of the SPDR DoubleLine Total Return Tactical position; Buy Hodges Retail (HDPMX). In the **Fidelity Moderate** Sell Fidelity Mortgage Securities; Buy Fidelity Large Cap Stock. In the **Vanguard Moderate** Sell 42% of Vanguard Mortgage-Backed Securities ETF and 17% of

Vanguard Short-Term Investment Grade (VFSTX); Buy Vanguard Small Cap Value ETF (VBR). If you don't have a brokerage account at Vanguard, substitute Vanguard Small Cap Value Index Investor (VISVX).

In the **MONEYLETTER Venturesome** Sell PIMCO Emerging Markets Bond D (PEMDX); with 78% of the proceeds Buy Needham Small Cap Growth and move 22% of the proceeds to the Schwab Investor Money Market Fund. In the **Fidelity Venturesome** Sell Fidelity New Markets Income (FNMIX); Buy Fidelity Stock Selector Small Cap (FDSCX). In the **Vanguard Venturesome** Sell Vanguard Emerging Markets Government Bond ETF (VWOB); Buy Vanguard Strategic Equity (VSEQX).

There was one trade in the model portfolios last week. In the Fidelity Venturesome model, we Sold Fidelity Europe (ticker: FIEUX); the replacement fund was Fidelity EMEA (FEMEX).

New Fund Changes – For domestic stock funds, there is one new Buy this week: Bridgeway Small Cap Value (BRSVX). There are two new Holds: Parnassus Endeavor (PARWX) and PRIMECAP Odyssey Aggressive Growth (the fund is closed, POAGX). There are three new Sells this week: Artisan Small Cap Investor (closed, ARTSX), First Trust NASDAQ-100 Equal Weight ETF (QQEW), and PowerShares QQQ (QQQ).

For international stock funds, there are two new Buys this week: iShares Latin America 40 (ILF) and iShares MSCI Canada (EWC). There are two new Holds: BLDRs Emerging Markets 50 ADR ETF (ADRE) and iShares MSCI Hong Kong (EWH). There is one new Sell this week: T. Rowe Price Latin America (PRLAX).

Thank you for visiting the MONEYLETTER Hotline. The next Hotline will be available on our website in the Member Area at 11pm (EST) on Wednesday, December 14th and it will be emailed on Thursday morning December 15th.