



## Market in a Minute

December 16, 2014

### Index Performance

Index	Price	Last Week	YTD
Dow Jones 30	17281	-3.8%	4.2%
S&P 500	2002	-3.5%	8.3%
NASDAQ	4654	-2.7%	11.4%
Russell 2000	1152	-2.5%	-1.0%
Russell 2000 Growth	692	-2.2%	0.6%
Russell 2000 Value	1455	-2.8%	-2.5%
Russell 1000 Growth	938	-3.4%	8.6%
Russell 1000 Value	1169	-3.6%	9.7%
Shanghai SE Index	3045	-2.8%	37.5%
SPDR Gold Shares	117.41	2.6%	1.1%
GS Crude Oil Total Return	13.71	-13.1%	-40.7%
Powershares US \$ Index	23.43	-1.2%	8.9%
Ishares EAFE Index	60.98	-4.7%	-9.1%
iShares Barclays 20+ Yr Treasury Bond	126.30	4.3%	24.0%

Source: Bloomberg & MSN, Returns are appreciation only.

### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	677	-3.4%	15.6%
Consumer Disc.	553	-2.3%	4.3%
Consumer Staples	491	-2.0%	12.0%
Health Care	793	-3.0%	23.5%
Financials	324	-2.9%	10.0%
Industrials	470	-4.3%	3.8%
Energy	544	-8.1%	-16.5%
Telecommunications	147	-5.8%	-5.3%
Utilities	232	0.0%	20.0%
Materials	292	-6.2%	0.2%

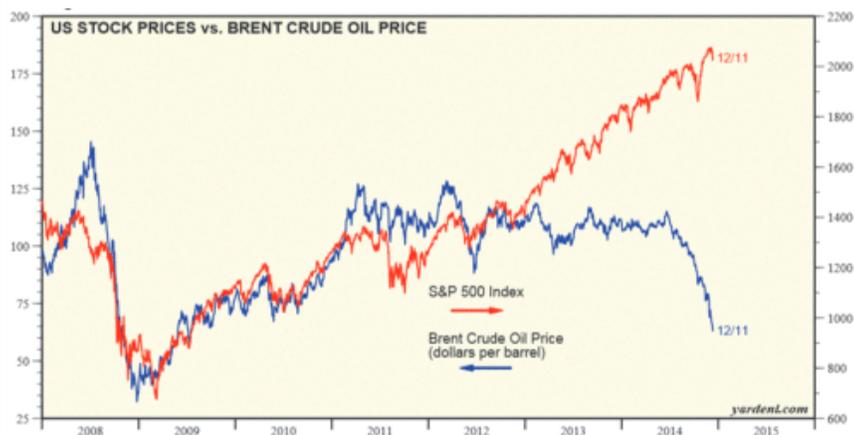
Source: Bloomberg website, Returns are appreciation only.

### Interest Rates

### A Word on the Market by Pat Adams, CFA

Last week, Oil continued its plunge falling below \$60 a barrel. As a result, the energy sector fell over -8%, and basic materials fell by nearly -7%. The carnage in the energy sector is now starting to take down the rest of the market, the S&P 500 fell by -3.5% last week. The breadth of the NYSE was poor, with 653 advancing stocks and 2614 declining, roughly 4 declining for every 1 advancing. Historically, there has been a high correlation with the stock market and the price of oil. Perhaps it is different this time as oil prices generally decline due to a recession in the U.S., but you can make the case most of the rest of the world is in a recession, or near recession, including Japan, China, Europe, Russia, and Brazil. It is perplexing to have such a big drop without a global recession.

We would expect oil prices to start to bottom or the stock market to really start to weaken. Oil is likely oversold and will start to show some strength. It would be surprising to have a major global commodity fall by nearly 50% without having some fall out, meaning there is likely a lender, fund or country that will fail.



Source: Financial Times and Standard & Poor's Corporation.

Fed Fund	0.25	5-Year	1.53
3-Month	0.02	10-Year	2.10
6-Month	0.09	30-Year	2.75
2-Year	0.56		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
15-Dec	Industrial Production	0.7%	0.1%
15-Dec	Capacity Utilization	79.3%	79.3%
16-Dec	Housing Starts	1035K	1009K
16-Dec	Building Permits	1060K	1080K
17-Dec	CPI	-0.1%	0.0%
17-Dec	Core CPI	0.1%	0.2%
17-Dec	FOMC Rate Decision	0.25%	0.25%
18-Dec	Initial Claims	292K	294K
18-Dec	Philadelphia Fed	26.0	40.8
18-Dec	Leading Indicators	0.5%	0.9%

Source: Briefing.com

Economic Events Last Week

Date	Event
9-Dec	Wholesale Inventories for Oct. rose 0.4% compared to consensus estimates of 0.2%
11-Dec	Initial Claims for the week of 12/6 came in at 294K vs. expectations of 295K
11-Dec	Retail Sales for Nov. came in at 0.7% which was stronger than forecasts of 0.4%
11-Dec	Retail Sales ex-auto for Nov. was up 0.5% vs. estimates of 0.2%
11-Dec	Business Inventories for Oct. rose 0.2% which was in line with expectations
12-Dec	PPI for Nov. declined - 0.2% compared to forecasts of -0.1%

Junk bonds have corrected about 10% since July with oil falling, which does make sense given the junk bond market having about 20% exposure to oil and gas. MLPs are down about 15% from recent highs in August, which also makes sense given the prospects for lower volumes as many oil wells are now being shut down. However the Business Development Companies are down about 16% for the year, while many of the BDCs have minimal exposure to oil and gas, somewhere around 5% on average. Given our attraction for yield, this sector has been a focus for us, and it has caused us some short term negative performance. If the economy does not enter a recession, or the stock market does not have a significant plunge, the BDC sector has significant upside.

Greece appears like it is headed for another default or bailout with their 10 year government bond yielding 9.15% last week, similar to low quality energy bonds. Spain's and Italy's bonds are near record lows around 2% or less in anticipation the ECB will begin to buy back sovereign debt.

The Russian stock market has been hit hard with the fall in oil prices, as it is down nearly 50% for the year.

This week the Federal Reserve meets and Janet Yellen will hold a press conference on Wednesday. The market will be focused on the Fed's timing of raising interest rates.

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<b>12-Dec</b>	Core PPI for Nov. was 0.0% vs. estimates of 0.1%
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<b>12-Dec</b>	The Michigan Sentiment for Dec. came in at 93.8 which was higher compared to expectations of 89.5
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Source: Briefing.com

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