



PVG Asset Management

LOSS AVERSE INVESTING

Market in a Minute

January 6, 2015

Index Performance

| Index | Price | Last Week | YTD |
|---------------------------------------|--------|-----------|-------|
| Dow Jones 30 | 17833 | 0.1% | 0.1% |
| S&P 500 | 2058 | 0.0% | 0.0% |
| NASDAQ | 4727 | -0.2% | -0.2% |
| Russell 2000 | 1199 | -0.5% | -0.5% |
| Russell 2000 Growth | 718 | -0.6% | -0.6% |
| Russell 2000 Value | 1517 | -0.4% | -0.4% |
| Russell 1000 Growth | 960 | -0.1% | -0.1% |
| Russell 1000 Value | 1210 | 0.1% | 0.1% |
| Shanghai SE Index | 3389 | 0.0% | 0.0% |
| SPDR Gold Shares | 114.08 | 0.4% | 0.4% |
| GS Crude Oil Total Return | 12.21 | -2.6% | -2.6% |
| Powershares US \$ Index | 24.20 | 1.0% | 1.0% |
| iShares EAFE Index | 60.58 | -0.4% | -0.4% |
| iShares Barclays 20+ Yr Treasury Bond | 127.32 | 1.1% | 1.1% |

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

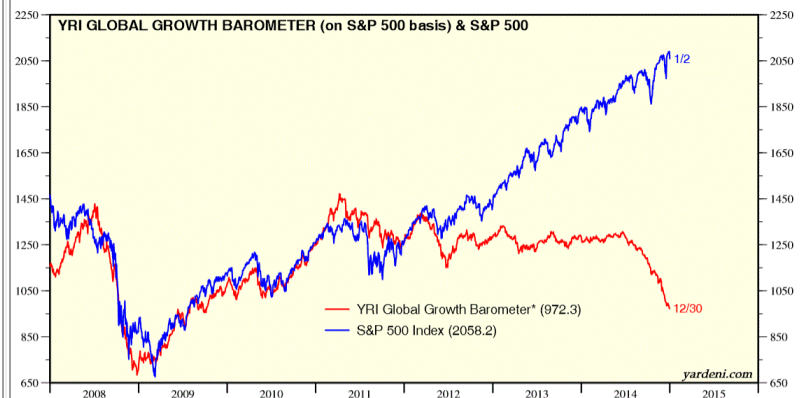
| Index | Price | Last Week | YTD |
|------------------------|-------|-----------|-------|
| Information Technology | 691 | -0.1% | -0.1% |
| Consumer Disc. | 569 | -0.7% | -0.7% |
| Consumer Staples | 498 | -0.4% | -0.4% |
| Health Care | 795 | 0.4% | 0.4% |
| Financials | 333 | 0.0% | 0.0% |
| Industrials | 486 | -0.2% | -0.2% |
| Energy | 589 | 0.4% | 0.4% |
| Telecommunications | 153 | 0.5% | 0.5% |
| Utilities | 242 | 0.6% | 0.6% |
| Materials | 306 | 0.2% | 0.2% |

Source: Bloomberg website, Returns are appreciation only.

A Word on the Market by Pat Adams, CFA

We thought we would revisit a chart we have published recently from Yardeni Research as oil continues to fall. Generally there is some correlation with stock prices and commodity prices.

<http://www.yardeni.com/pub/PEACOCKBULLBEAR.pdf>



Our analysis is, if oil prices remain in the \$50 range, you will get enough supply shut in to bring supply and demand back in balance, but it may take awhile.

The market has many headwinds to deal with, a number of the issues are not necessarily anything we (the Fed or corporations) have control over, meaning these are international issues. Greece is troubled, Russia is imploding, the Euro zone seems to be stuck in a perpetual recession, and the dollar continues to rise, to mention the most obvious. S&P 500 earnings are clearly too high given the hit the energy companies are going to take, and exporters are going to be significantly impacted by lower currency translation.

Interest Rates

| | | | |
|----------|------|---------|------|
| Fed Fund | 0.25 | 5-Year | 1.61 |
| 3-Month | 0.02 | 10-Year | 2.12 |
| 6-Month | 0.11 | 30-Year | 2.69 |
| 2-Year | 0.66 | | |

Source: Bloomberg.com

Economic Events This Week

| Date | Event | Forecast | Previous |
|-------|-----------------------|----------|----------|
| 5-Jan | Auto Sales | NA | 6.1M |
| 6-Jan | Factory Orders | -0.4% | -0.7% |
| 6-Jan | ISM Services | 58.5 | 59.3 |
| 8-Jan | Initial Claims | 290K | 298K |
| 9-Jan | Nonfarm Payrolls | 245K | 321K |
| 9-Jan | Unemployment Rate | 5.7% | 5.8% |
| 9-Jan | Hourly Earnings | 0.2% | 0.4% |
| 9-Jan | Wholesale Inventories | 0.3% | 0.4% |

Source: Briefing.com

Economic Events Last Week

| Date | Event |
|--------|--|
| 30-Dec | Consumer Confidence for Dec. came in at 92.6 compared to expectations of 94.4 |
| 31-Dec | Initial Claims for the week of 12/27 were reported at 298K, which was slightly higher than estimates of 290K |
| 31-Dec | The Chicago PMI for Dec. came in at 58.3 vs. forecasts of 60.0 |
| 31-Dec | Pending Home Sales for Nov. was up 0.8% which was in line with estimates |
| 2-Jan | ISM Index for Dec. was reported at 55.5 which was lower than expectations of 57.5 |
| 2-Jan | Construction Spending for Nov. dropped -0.3% vs. forecasts of 0.1% |

Source: Briefing.com

Below is the current consensus of "Wall Street" strategists. If interest rates rise as expected, bond returns will be crushed as all yields across the yield curve will likely rise. It would be a repeat of 2013 with negative returns. Revenue growth for the 4th quarter of 2014 is expected to be up only 1% and earnings up only 2.6%. It appears that earnings for 2014 will grow at about 6.3%. Earnings growth is decelerating not accelerating. The consensus of 7.5% earnings for 2015 seems unachievable. Keep in mind the consensus, to our knowledge, has never forecasted a negative outlook for the stock market. We will start to get earnings this week, but the real start of earnings season is next week. The ECB meets on January 22nd where the markets are expecting a major QE announcement.

Consensus expectations for 2015

- 1) Stock market consensus expectation is to be up 8% from a consensus of "Wall Street" strategists, with none expecting the market to be down.
- 2) Consensus earnings for the S&P 500 are expected to be up 7.5%, while analysts' estimates are for growth of about 9.5%.
- 3) The U.S. economy consensus is expected to grow 3%.
- 4) The 10-Year Treasury consensus is expected to end the year at 3.24%.

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