PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

October 6, 2015

Index Performance: As of October 2, 2015			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	16472	1.0 %	-7.6%
S&P 500	1951	1.0%	-5.2%
NASDAQ	4708	0.5%	-0.6%
Russell 2000	1114	-0.8%	-7.5%
Russell 2000 Growth	691	-0.9%	-4.3%
Russell 2000 Value	1359	-0.6%	-10.8%
Russell 1000 Growth	953	0.7%	-0.9%
Russell 1000 Value	1118	1.2%	-7.6%
Shanghai SE Index	3193	-1.4%	-5.8%
SPDR Gold Shares	108.99	-0.7%	-4.0%
GS Crude Oil Total Return	8.50	0.7%	-32.2%
Powershares US $ Index	25.03	-0.2%	4.4%
Ishares EAFE Index	58.48	1.8%	-3.9%
iShares Barclays 20+ Yr Treasury Bond	124.56	2.5%	-1.1%
Utilities Select Sector ETF	43.35	1.5%	-8.2%
Vanguard REIT ETF	76.46	1.6%	-5.6%
iShares Mortgage Real Estate	10.03	-3.0%	-14.3%
Wells Fargo BDC	20.20	-2.7%	-9.8%
Alerian MLP ETF	13.42	3.3%	-22.1%
iShares Global Telecom	56.77	-1.2%	-5.5%
Source: Bloomberg & MSN, Returns are appreciation only.			

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	673	0.8%	-2.7%
Consumer Disc.	602	1.6%	5.1%
Consumer Staples	491	0.6%	-1.7%

A Word on the Market by Pat Adams, CFA

With the poor Employment report last week, we believe the Fed has lost the opportunity to raise rates at least in October. China was one of the factors the Fed considered in September to not raise, and China seems worse since then.

The market did test the lows of August successfully last week, and what was impressive was a 3% intraday low to high rally on Friday, which is what the doctor ordered. We don’t see new highs coming anytime soon, but we do see very negative issues being discounted to some degree in the market. We are still thinking we have seen the highs of 2134 on the S&P 500 as the highs for the cycle. We had roughly a 13% correction from the highs and a successful retest of that low. Roughly half of all stocks were down over 20%. The fluff in biotech has been taken out with a 35% decline. Oil stocks obviously have been hammered with a 40% decline from high to low and even the more conservative Master Limited Partners were also down 40% from their highs and a big part of that was this year. We see 2000 on the S&P 500 as resistance, and with the pop off the low, the market is now over bought in the short term. A fundamental event is needed to get a good move out of the market. We are focused on some sort of a stimulus plan out of China, and the market will want to see good earnings growth from companies when they report in the coming weeks.

There was chatter on Friday about the distinct possibility of a recession with the poor Employment report. In fact, some of this was already being discounted into the market. The high yield sector is off about 17% from its highs. Some of the Corporate Bond market is very attractively valued. We have had a bear market in credit, meaning lower investment grade and high yield bonds had a substantial decline due to concerns about the economy.

Health Care	789	2.1%	-0.4%
Financials	306	-0.6%	-8.3%
Industrials	436	1.2%	-10.4%
Energy	470	2.8%	-19.9%
Telecommunications	140	-1.1%	-8.0%
Utilities	220	1.3%	-8.4%
Materials	260	2.7%	-14.9%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.25	5-Year	1.29
3-Month	0.00	10-Year	1.99
6-Month	0.06	30-Year	2.82
2-Year	0.58		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
5-Oct	ISM Services	58.0	59.0
8-Oct	Initial Claims	275K	277K
8-Oct	FOMC Minutes	N/A	N/A
9-Oct	Wholesale Inventories	0.0%	-0.1%

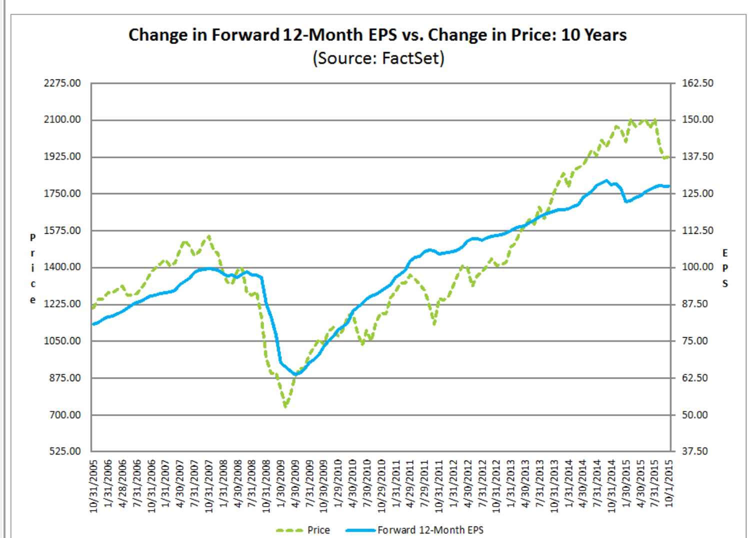
Source: Briefing.com

Economic Events Last Week

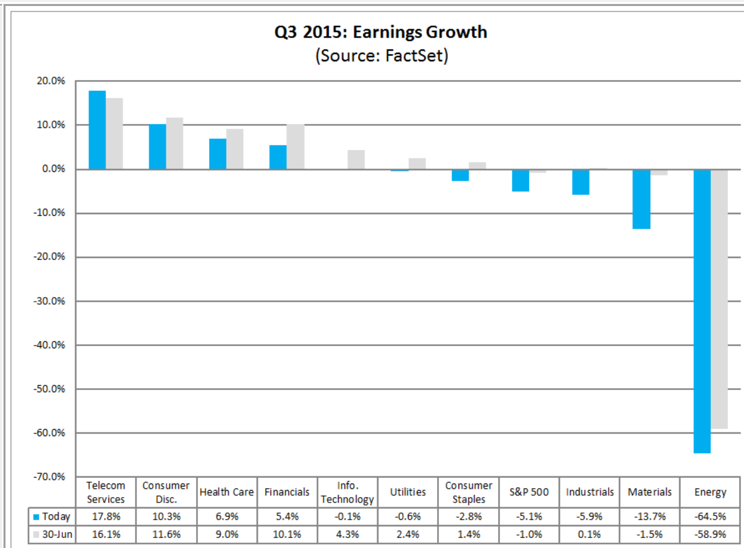
Date	Event
28-Sep	Personal Income for Aug. rose 0.3% compared to estimates of 0.4%
28-Sep	Personal Spending for Aug. came in at 0.4% vs. expectations of 0.3%
29-Sep	Consumer Confidence for Sep. was reported at 103.0 vs. consensus forecasts of 96.0
30-Sep	The Chicago PMI for Sep. was 48.7 which was lower than estimates of 52.7
1-Oct	Initial Claims for the week of 9/26 were reported at 277K vs. expectations of 270K
1-Oct	ISM Index for Sep. was reported at 50.2 vs. forecasts of 50.6
1-Oct	Construction Spending for Aug. came in at 0.7% vs. estimates of 0.5%

A sector we have favored for yield has been the BDC sector. BDCs are now being valued at lower levels relative to their net asset values (NAVs) than they were at the bottom of 2011. The current discount to NAVs is now 22% or .78x (in 2011 a 17% discount) with an average yield of 11.6%. We believe a worst case scenario under a severe recession, loan losses would not likely be over 10%, which would make these valuations as excessively discounting the worst case. This discounts the fear of the unknown and unlikely. BDCs are a buy. If you are looking for the predictability of getting an attractive yield in a low yield environment there are many ways of doing it now.

The two charts below say a lot. We believe next year's earnings are too high and need to be lowered, but the spread between earnings growth and the S&P 500 has compressed. There is a 10% spread currently, and we do believe at some point that spread will disappear. The second chart shows the expectation for the third quarter earnings is pretty negative with an expectation of -5.1% estimate, 6 of 10 sectors are expected to be negative. The negative expectations may set the market up for a rally.



2-Oct	Nonfarm Payrolls for Sep. were 142K which was lower compared to expectations of 205K
2-Oct	Unemployment Rate for Sep. was reported at 5.1% which was in line with forecasts
2-Oct	Hourly Earnings for Sep. was flat compared to estimates of 0.2%
2-Oct	Factory Orders for Aug. dropped -1.7% vs. expectations of -1.2%
Source: Briefing.com	



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