



Market in a Minute

February 10, 2015

Index Performance

Index	Price	Last Week	YTD
Dow Jones 30	17824	3.8%	0.0%
S&P 500	2055	3.0%	-0.2%
NASDAQ	4744	2.4%	0.2%
Russell 2000	1205	3.4%	0.1%
Russell 2000 Growth	728	3.1%	0.8%
Russell 2000 Value	1514	3.8%	-0.6%
Russell 1000 Growth	972	2.7%	1.1%
Russell 1000 Value	1201	3.5%	-0.7%
Shanghai SE Index	3223	-3.1%	-4.9%
SPDR Gold Shares	118.64	-3.9%	4.5%
GS Crude Oil Total Return	11.88	11.2%	-5.3%
Powershares US \$ Index	25.06	-0.3%	4.5%
Ishares EAFE Index	62.50	2.1%	2.7%
iShares Barclays 20+ Yr Treasury Bond	130.96	-5.3%	4.0%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	681	2.5%	-1.5%
Consumer Disc.	578	4.2%	1.0%
Consumer Staples	504	2.2%	0.9%
Health Care	807	0.7%	1.9%
Financials	325	4.8%	-2.5%
Industrials	483	3.0%	-0.8%
Energy	588	5.4%	0.2%
Telecommunications	159	6.9%	4.5%
Utilities	237	-3.7%	-1.5%
Materials	313	4.7%	2.6%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.25	5-Year	1.48
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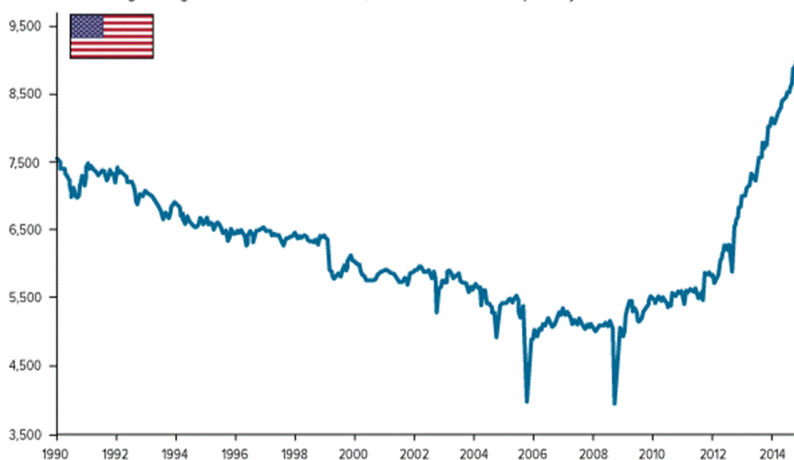
A Word on the Market by Pat Adams, CFA

The markets had a nice move up last week, as we mentioned in our previous "Market in a Minute" that the markets were oversold on a short term basis and was either going to pop up or if it continued to get worse, would establish a downtrend. We don't see anything in the near term to drive the markets up significantly from these levels with this recent advance. Oil and currency have been the fundamental negative factors bringing down earnings estimates significantly this year. A lower dollar and higher oil prices would be viewed as positive by the market. With good employment trends recently, the markets are expecting the Fed to increase interest rates this year. With both Europe and Japan executing QE programs this year it is unlikely the dollar is going to pullback.

You can see from the charts below, the significant amount of U.S. oil production increases over the past 5 years, essentially doubling. Oil prices in the mid \$40's make much of this supply uneconomical.

The Rise of Oil Production in the United States

Four-Week Moving Average of Total U.S. Production, Thousands of Barrels per Day



Source: US Trust, Business Insider, U.S. Global Investors

3-Month	0.02	10-Year	1.95
6-Month	0.07	30-Year	2.51
2-Year	0.65		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
10-Feb	Wholesale Inventories	0.2%	0.8%
12-Feb	Initial Claims	285K	278K
12-Feb	Retail Sales	-0.5%	-0.9%
12-Feb	Retail Sales ex-auto	-0.5%	-1.0%
12-Feb	Business Inventories	0.2%	0.2%
13-Feb	Michigan Sentiment	98.5	98.1

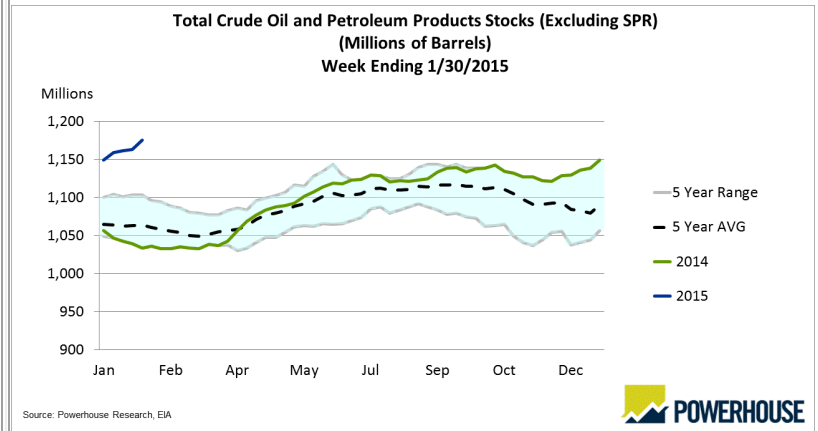
Source: Briefing.com

Economic Events Last Week

Date	Event
2-Feb	Personal Income for Dec. rose 0.3% which was in line with estimates
2-Feb	Personal Spending for Dec. was down -0.3% vs. expectations of -0.2%
2-Feb	ISM Index for Jan. was reported at 53.5 compared to consensus forecasts of 54.7
2-Feb	Construction Spending for Dec. rose 0.4% which was lower vs. estimates of 0.8%
3-Feb	Factory Orders for Dec. dropped -3.4% vs. expectations of -2.0%
5-Feb	Initial Claims for the week of 1/31 were 278K vs. forecasts of 290K
5-Feb	Productivity-Prel. for Q4 came in at -1.8% which was well below estimates of 0.2%
6-Feb	Nonfarm Payrolls for Jan. came in at 257K vs. expectations of 235K
6-Feb	Unemployment Rate for Jan. came in at 5.7% compared to forecasts of 5.6%
6-Feb	Hourly Earnings for Jan. rose 0.5% compared to estimates of

Please see the second chart for the level of inventories, which are at an all-time high.

Commodity prices tend to follow the rate of change of inventories, so in that regard, oil prices have likely seen the worst of it, and should be higher by summer when the seasonal high consumption period occurs. We would stress that there is a long term fundamental issue with supply that needs to be corrected before prices move back up to previous levels.



If you are an investor with us you likely know we have invested significantly in Business Development Companies, as they have become very attractive on valuations and dividend yields for many BDCs are over 10%. Last week, numerous BDCs reported earnings. The fundamentals are playing out positively as we expected. The BDC sector was up 5% last week. One of the higher quality BDCs, PennantPark (PNNT), has been plagued by the fear that oil exposure was going to have a significant impact on their fundamentals, which is simply not the case. PNNT popped 11% on their earnings report. The stock also pays a current dividend of 12%. We continue to believe this sector is the most attractive sector of the market for total return, by far. However, we would note that we don't think the volatility is necessarily over, but it is likely headed in the right direction.

Please visit our website for more information.

www.pvgassetmanagement.com

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Source: Briefing.com

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