



## Market in a Minute

February 18, 2015

### Index Performance

Index	Price	Last Week	YTD
Dow Jones 30	18019	1.1%	1.1%
S&P 500	2097	2.0%	1.9%
NASDAQ	4894	3.1%	3.3%
Russell 2000	1223	1.5%	1.5%
Russell 2000 Growth	744	2.2%	3.0%
Russell 2000 Value	1525	0.7%	0.1%
Russell 1000 Growth	996	2.5%	3.6%
Russell 1000 Value	1221	1.6%	1.0%
Shanghai SE Index	3376	4.8%	-0.4%
SPDR Gold Shares	117.98	-0.6%	3.9%
GS Crude Oil Total Return	12.01	1.1%	-4.2%
Powershares US \$ Index	24.91	-0.6%	3.9%
Ishares EAFE Index	63.82	2.1%	4.9%
iShares Barclays 20+ Yr Treasury Bond	128.19	-2.1%	1.8%
Utilities Select Sector ETF	45.17	-3.0%	-4.3%
Vanguard REIT ETF	85.06	-0.2%	5.0%
iShares Mortgage Real Estate	11.74	1.4%	0.3%
Wells Fargo BDC	22.99	-0.7%	2.6%
Alerian MLP ETF	17.09	-0.5%	-0.8%
iShares Global Telecom	63.80	0.9%	6.2%

Source: Bloomberg & MSN, Returns are appreciation only.

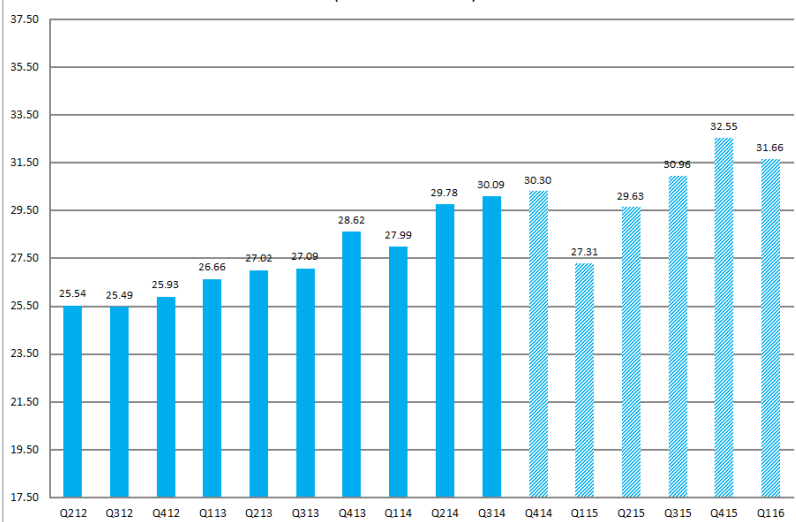
### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	711	4.3%	2.7%
Consumer Disc.	593	2.6%	3.6%
Consumer Staples	509	1.0%	1.9%
Health Care	818	1.4%	3.3%
Financials	329	1.2%	-1.3%
Industrials	490	1.6%	0.8%

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

The stock market has gone from a short term oversold condition to an overbought condition very quickly. The market has rallied about 5% from the low at the end of January. At the same time, earnings estimates for 2015 have been slashed, expecting only 3% growth. You can see from the chart below, the first quarter earnings estimates from "Wall Street" analysts have come down by -7.4%. It looks like a pothole. The market seems to be making the assumption that oil prices and currency are going to normalize in the back half of the year which we do not see as being the case. However, we think oil may have found a bottom. If things stay status quo, a 5% to 7% decline in earnings is more likely.

Quarterly Bottom-Up EPS Actuals & Estimates  
(Source: FactSet)



We are strong believers that stock prices follow earnings growth, but on the short term, earnings have been falling yet stock prices have been rising. Assuming that earnings are going to track more like the first quarter, the weak earnings will likely pull the

Energy	603	2.6%	2.9%
Telecommunications	160	0.1%	4.6%
Utilities	229	-3.3%	-4.7%
Materials	323	3.0%	5.7%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	0.25	5-Year	1.53
3-Month	0.01	10-Year	2.02
6-Month	0.07	30-Year	2.63
2-Year	0.66		

Source: Bloomberg.com

#### Economic Events This Week

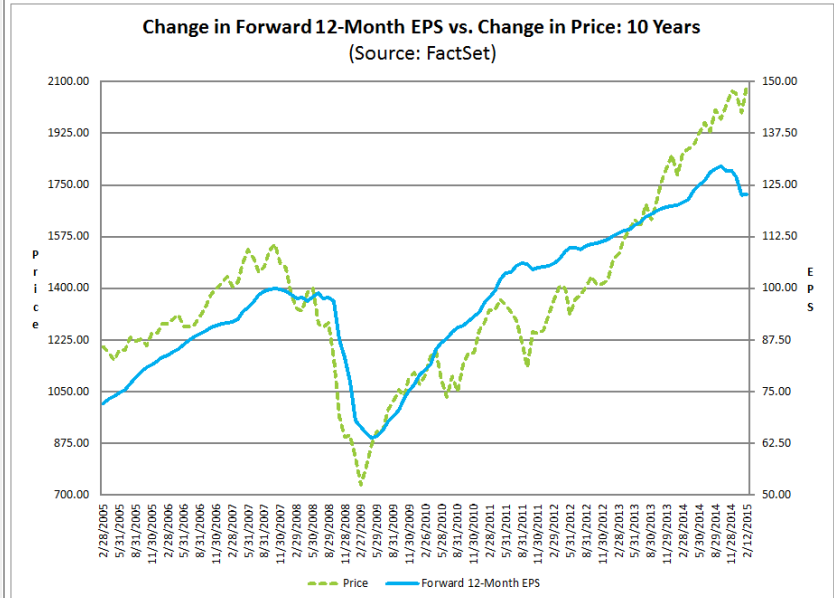
Date	Event	Forecast	Previous
18-Feb	Housing Starts	1070K	1089K
18-Feb	Building Permits	1065K	1032K
18-Feb	PPI	-0.4%	-0.3%
18-Feb	Core PPI	0.1%	0.3%
18-Feb	Industrial Production	0.4%	-0.1%
18-Feb	Capacity Utilization	79.9%	79.7%
19-Feb	Initial Claims	295K	304K
19-Feb	Philadelphia Fed	9.8	6.3
19-Feb	Leading Indicators	0.3%	0.5%

Source: Briefing.com

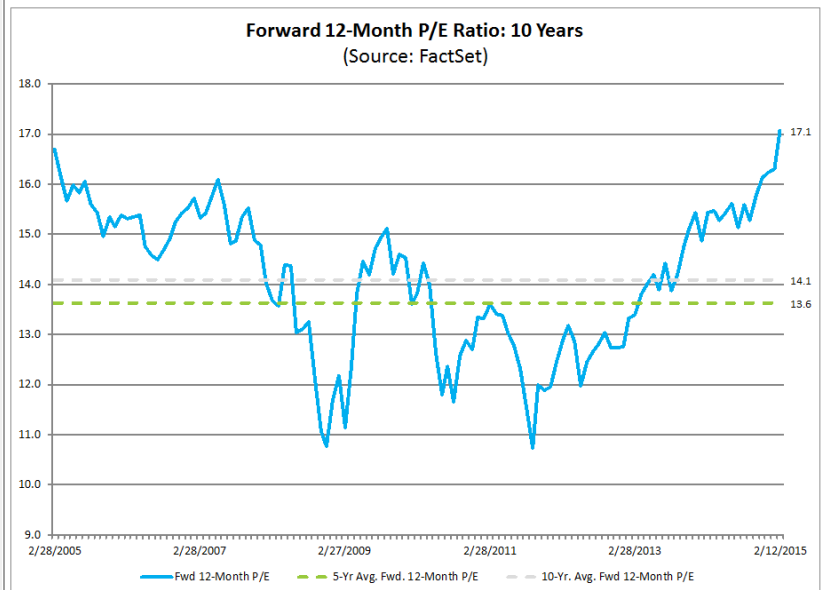
#### Economic Events Last Week

Date	Event
10-Feb	Wholesale Inventories for Dec. came in at 0.1% compared to forecasts of 0.2%
12-Feb	Initial Claims for the week of 2/7 were 304K which was higher than estimates of 285K
12-Feb	Retail Sales for Jan. was down -0.8% vs. expectations of -0.5%
12-Feb	Retail Sales ex-auto was down -0.9% vs. forecasts of 0.5%
12-Feb	Business Inventories for Dec. was reported at 0.1% compared to estimates of 0.2%
13-Feb	The Michigan Sentiment for Feb

markets down, as the gap between the earnings and stock prices would simply be too high. From the chart below, the green line is the S&P 500, and the blue line is the 12 month earnings estimate for the S&P 500. We would not be surprised to see the blue line lower in the next several months.



Below is the valuation of the S&P 500 over the past 10 year period, the current P/E of 17.4 is a high for the 10 year period. Getting much appreciation from the markets seems like a low probability. We like income oriented securities with downside protection, and believe it has become very timely.



	came in at 93.6 compared to expectations of 98.5
Source: Briefing.com	

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