



Market in a Minute

August 11, 2015

Index Performance: As of August 7, 2015

Index	Price	Last Week	YTD
Dow Jones 30	17383	-1.8%	-2.5%
S&P 500	2078	-1.2%	0.9%
NASDAQ	5044	-1.7%	6.5%
Russell 2000	1207	-2.6%	0.2%
Russell 2000 Growth	763	-2.9%	5.7%
Russell 2000 Value	1444	-2.2%	-5.2%
Russell 1000 Growth	1010	-1.4%	5.1%
Russell 1000 Value	1194	-1.1%	-1.2%
Shanghai SE Index	3923	2.2%	15.7%
SPDR Gold Shares	104.65	-0.3%	-7.9%
GS Crude Oil Total Return	8.46	-7.7%	-32.5%
Powershares US \$ Index	25.52	0.4%	6.5%
Ishares EAFE Index	64.61	-0.3%	6.2%
iShares Barclays 20+ Yr Treasury Bond	124.34	1.7%	-1.3%
Utilities Select Sector ETF	44.39	0.9%	-6.0%
Vanguard REIT ETF	78.79	-0.3%	-2.7%
iShares Mortgage Real Estate	10.59	-2.4%	-9.6%
Wells Fargo BDC	21.27	-0.2%	-5.0%
Alerian MLP ETF	14.43	-6.4%	-16.2%
iShares Global Telecom	62.84	-0.1%	4.6%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	704	-1.2%	1.7%
Consumer Disc.	620	-2.4%	8.3%
Consumer Staples	514	-0.2%	2.9%

A Word on the Market by Pat Adams, CFA

Last week, we highlighted Trinseo (TSE) before they reported earnings, thinking the stock was going to pop on the earnings as there was a large short position and the shorts had the wrong story. The stock was up in 4 days by about 22%. Nice call by our new associate Richard Prati. You can see Richard's bio on our website. We would like to make the point that PVG Asset Management has a strong team of seasoned investment professionals. We prefer to own common stocks, not ETFs, and that we have extensive experience in security analysis. This adds an additional element of return for us over the long term. Hopefully, it is refreshing to our clients that we don't focus on ETFs nor are we economists or engineers, but have come up the ranks picking stocks, listening to earnings conference calls, and talking with management of companies. It sometimes is frustrating for us that the market tends to follow momentum rather than fundamentals, but it always comes back to fundamentals. Momentum generally always gets wiped out.

In terms of market momentum, as the sell-off of 2014 rolls off the 200 day-moving average, we are seeing the 200 day move higher. What is happening is the market has been flat since January or about 7 months within the same trading range of 2040 to 2130 for the S&P 500. Most technicians remain bullish as long as the market is above the 200 day-moving and the 200-day is in an upward trend. When the trend begins to flatten it becomes more concerning, and prone to momentum investors losing confidence and having to sell as the price breaks down. By the time we get to October, the 200-day moving average is going to look like a flat line. Why this is important is a sell off would trigger selling, rather than buying the dip, as we have seen repeatedly while the 200-day moving average was rising.

The BDCs have been reporting earnings, and the common themes have been modest improvement in new originations, credit quality is very good with very little non-performing loans, and lots of share buy backs. We

Health Care	870	-1.7%	9.8%
Financials	338	-0.1%	1.5%
Industrials	462	-1.0%	-5.0%
Energy	490	-3.5%	-16.4%
Telecommunications	150	-1.3%	-1.8%
Utilities	225	0.9%	-6.2%
Materials	284	-1.6%	-7.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.25	5-Year	1.59
3-Month	0.06	10-Year	2.18
6-Month	0.23	30-Year	2.83
2-Year	0.73		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
11-Aug	Productivity-Prel	1.4%	-3.1%
11-Aug	Wholesale Inventories	NA	0.8%
13-Aug	Initial Claims	271K	270K
13-Aug	Retail Sales	0.5%	-0.3%
13-Aug	Retail Sales ex-auto	0.5%	-0.1%
13-Aug	Business Inventories	0.3%	0.3%
14-Aug	PPI	0.1%	0.4%
14-Aug	Core PPI	0.1%	0.3%
14-Aug	Industrial Production	0.3%	0.2%
14-Aug	Capacity Utilization	78.0%	77.8%
14-Aug	Michigan Sentiment	93.7	93.1

Source: Briefing.com

Economic Events Last Week

Date	Event
3-Aug	Personal Income for Jun. rose 0.4% vs. expectations of 0.3%
3-Aug	Personal Spending for Jun. was 0.2% which was in line with estimates

believe this sector on a valuation basis is extremely attractive.

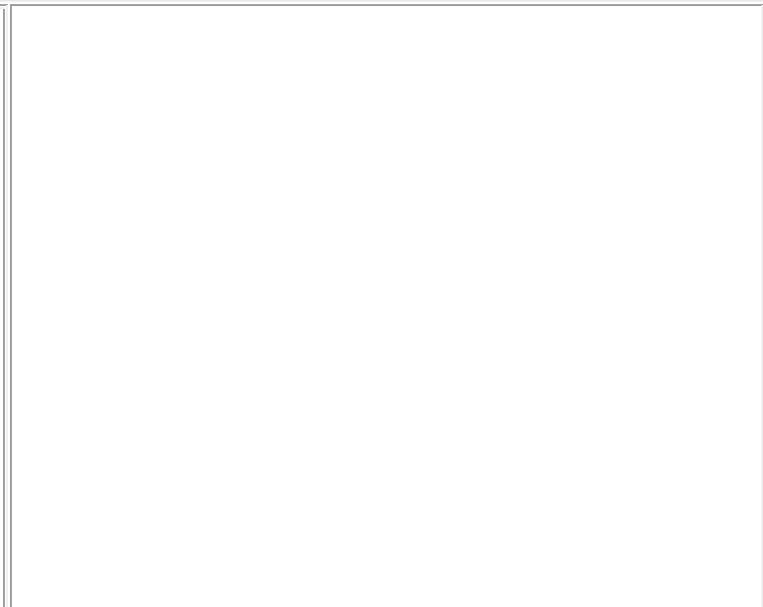
We thought the Fed made it "mostly" clear that they would raise rates in September, when they met in July. The Atlanta Fed President Lockhart said on Monday "I think the point of liftoff is close. The economy has made great gains...conditions are no longer extraordinary. I remain very disposed to September being a possible liftoff decision. In my mind gradual is going to mean something less frequent than every meeting."

To get a sense of how many rate increases per year, the Fed meets 8 times a year. If you assume 4 rate increases a year, the Fed Funds rate will increase to perhaps 2.5% by the end of 2017. It seems we would likely have a recession if that were to occur.

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3-Aug	ISM Index for Jul. came in at 52.7 compared to forecasts of 53.7
3-Aug	Construction Spending for Jun. was up 0.1% which was lower than estimates of 0.6%
4-Aug	Factory Orders for Jun. was up 1.8% which was in line with expectations
6-Aug	Initial Claims for the week of 8/1 were reported at 270K vs. estimates of 271K
7-Aug	Nonfarm Payrolls for Jul. were 215K vs. forecasts of 229K
7-Aug	Unemployment Rate for Jul. came in at 5.3% which was in line with expectations
Source: Briefing.com	



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