PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

August 18, 2015

Index Performance: As of August 14, 2015			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	17477	0.6%	-1.9%
S&P 500	2092	0.7%	1.6%
NASDAQ	5048	0.1%	6.6%
Russell 2000	1213	0.5%	0.7%
Russell 2000 Growth	762	-0.1%	5.5%
Russell 2000 Value	1460	1.1%	-4.2%
Russell 1000 Growth	1015	0.5%	5.6%
Russell 1000 Value	1206	1.0%	-0.3%
Shanghai SE Index	4154	5.9%	22.6%
SPDR Gold Shares	106.85	2.1%	-5.9%
GS Crude Oil Total Return	8.05	-4.8%	-35.8%
Powershares US $ Index	25.24	-1.1%	5.3%
Ishares EAFE Index	64.00	-0.9%	5.2%
iShares Barclays 20+ Yr Treasury Bond	123.96	-0.3%	-1.6%
Utilities Select Sector ETF	45.57	2.7%	-3.5%
Vanguard REIT ETF	79.83	1.3%	-1.4%
iShares Mortgage Real Estate	10.84	2.4%	-7.4%
Wells Fargo BDC	21.77	2.4%	-2.8%
Alerian MLP ETF	14.60	1.2%	-15.2%
iShares Global Telecom	62.83	0.0%	4.6%
Source: Bloomberg & MSN, Returns are appreciation only.			

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	709	0.7%	2.4%
Consumer Disc.	621	0.1%	8.5%
Consumer Staples	514	0.0%	2.9%

A Word on the Market by Pat Adams, CFA

Last week, China devalued the Yuan by 3%, and the U.S. stock market responded poorly but then bounced back. We believe that is just the start. Exports from China declined by -8% in July. Keep in mind the vast majority of China's economy is from exports. An -8% decline has got to have really shaken the central planners. We believe they will have to devalue by a lot more than 3%. As an example, the Yen is down -40% and the euro is down -28% from their highs of the last several years. We think the Yuan could drop by a similar amount over the coming 3-5 years. China seems to be in a mess with no fix in sight. Cutting the currency by 30% would likely fix their problems. The competitive advantage that the U.S. gained over the years by devaluing the dollar by -26% is quickly going away, as the dollar is up about 24% off the bottom. Due to the global nature of world economies, the U.S. looks good in a rear view mirror, but looking out we are quickly losing our global edge.

The question of the Fed, tighten in September or wait until December...the longer they wait the foreign economies are already doing it with their currencies. We are still in the camp that the Fed is signally a rate increase in September. On Wednesday, the Fed will release the minutes of their July meeting, if we are right, expect bad news for the market. It feels like the market is leaning toward no increase in rates.

It looks like Donald Trump is carrying more momentum into the U.S. presidential election season. If he was elected president, volatility in the markets would certainly come back. The volatility in the markets has been extremely low this year, stuck in a very narrow range. The market moves between the 200 day-ma and the high of 2130 on the S&P 500. Although the market itself is flat for the year, the 200 day-ma has increased to 2077, up around 6% for the year. What is happening is the older data is running off and the slope of the market is flattening out i.e. so is the long term trend of the market. The next sell off will likely break the long term trend and cause it to

Health Care	870	0.0%	9.9%
Financials	339	0.3%	1.8%
Industrials	468	1.2%	-3.8%
Energy	506	3.2%	-13.7%
Telecommunications	151	1.0%	-0.8%
Utilities	230	2.3%	-4.0%
Materials	286	1.0%	-6.2%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.25	5-Year	1.61
3-Month	0.09	10-Year	2.20
6-Month	0.25	30-Year	2.84
2-Year	0.73		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
18-Aug	Housing Starts	1200K	1174K
18-Aug	Building Permits	1257K	1343K
19-Aug	CPI	0.2%	0.3%
19-Aug	Core CPI	0.2%	0.2%
20-Aug	Initial Claims	272K	274K
20-Aug	Existing Home Sales	5.42M	5.49M
20-Aug	Philadelphia Fed	7.0	5.7
20-Aug	Leading Indicators	0.2%	0.6%

Source: Briefing.com

Economic Events Last Week

Date	Event
11-Aug	Productivity-Prel. for Q2 came in at 1.3% vs. consensus estimates of 1.4%
11-Aug	Wholesale Inventories for Jun. was 0.9% compared to expectations of 0.3%
13-Aug	Initial Claims for the week of 08/08 were reported at 274K vs. forecasts of 271K
13-Aug	Retail Sales for Jul. rose 0.6% vs. estimates of 0.5%

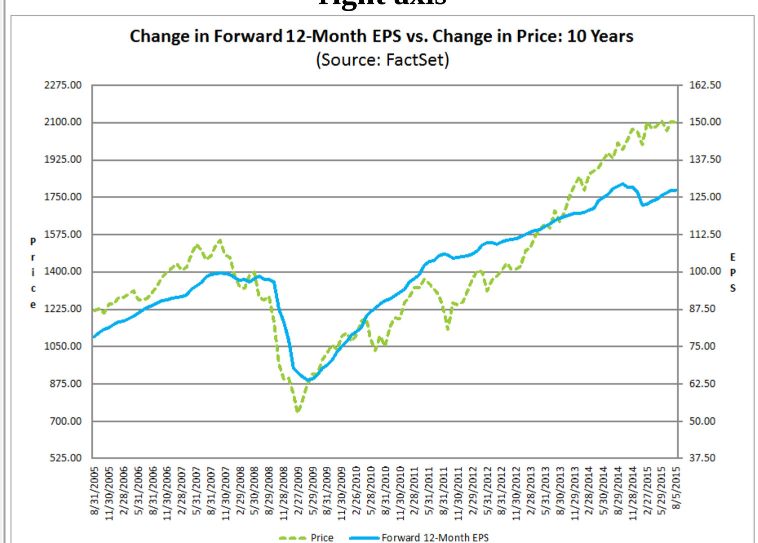
turn negative.

If you review the underlying charts of stock, not the market itself, it certainly looks like we are in a bear market. Chart after chart is in a down trend. Barron's pointed out this week that the implied correlation of individual stocks and the stock market is about as low as it can get at 43%. Generally, stocks have a very high correlation with the underlying market, 100% in a crisis. Our point is, this is odd, and is reflective of an old and perhaps tired bull.

If the economy is not in a recession, the earnings for the S&P 500 certainly may be in a recession. The earnings declined by -1% in the second quarter. The energy sector is down -56% in earnings in the second quarter, and the industrial sector is down -4.8%. If you take out the energy sector earnings are up 5.7% for the quarter, which is consistent with earnings trends during 2013 and 2014. Take out share repurchases and you are left with relatively flat earnings.

As the market has lost its QE stimulus, and with such anemic earnings growth even without energy, the market needs a P/E adjustment downward. September is a wonderful season with football starting, but given the historically negative performance in September in the markets, the Fed potentially increasing rates, the sloppy internals of the market, and the wide difference in earnings growth relative to the appreciation of the market, a cautious stance seems very obvious.

S&P 500 price on left axis and earnings growth on the right axis



Please visit our website for more information.
www.pvgassetmanagement.com

13-Aug	Retail Sales ex-auto for Jul. rose 0.4% compared to expectations of 0.5
13-Aug	Business Inventories for Jun. was up 0.8% vs. forecasts of 0.3%
14-Aug	PPI for Jul. came in at 0.2% compared to estimates of 0.1%
14-Aug	Core PPI for Jul. came in at 0.3% vs. expectations of 0.1%
14-Aug	Industrial Production for Jul. was 0.6% vs. forecasts of 0.3%
14-Aug	Capacity Utilization for Jul. was reported at 78.0% which was in line with expectations
14-Aug	The Michigan Sentiment for Aug. came in at 92.9 which was lower than estimates of 93.7
Source: Briefing.com	

Phone: (800) 777-0818
Email: Information@pvgasset.com
Web: www.pvgassetmanagement.com