



Market in a Minute

September 1, 2015

Index Performance: As of August 28, 2015

Index	Price	Last Week	YTD
Dow Jones 30	16643	1.1%	-6.6%
S&P 500	1989	0.9%	-3.4%
NASDAQ	4828	2.6%	1.9%
Russell 2000	1163	-0.8%	-3.5%
Russell 2000 Growth	732	1.2%	1.3%
Russell 2000 Value	1398	-0.2%	-8.2%
Russell 1000 Growth	972	1.5%	1.1%
Russell 1000 Value	1141	0.3%	-5.7%
Shanghai SE Index	3386	-7.9%	-0.1%
SPDR Gold Shares	108.70	-2.2%	-4.3%
GS Crude Oil Total Return	8.56	14.1%	-31.7%
Powershares US \$ Index	25.10	1.2%	4.7%
Ishares EAFE Index	60.42	0.8%	-0.7%
iShares Barclays 20+ Yr Treasury Bond	122.36	-3.2%	-2.8%
Utilities Select Sector ETF	43.15	-4.2%	-8.6%
Vanguard REIT ETF	75.76	-3.1%	-6.5%
iShares Mortgage Real Estate	10.52	-1.1%	-10.2%
Wells Fargo BDC	21.47	2.0%	-4.2%
Alerian MLP ETF	14.54	3.3%	-15.6%
iShares Global Telecom	60.13	-0.4%	0.1%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	677	3.1%	-2.2%
Consumer Disc.	598	1.6%	4.5%
Consumer Staples	488	-0.3%	-2.4%

A Word on the Market by Pat Adams, CFA

The S&P 500 fell about 12% from its recent and all-time high, and bottomed out last week. The market subsequently rallied off the bottom to be down only around 6% last Friday. The S&P 500 has had a text book 50% retracement off the bottom. We are exactly in no man's land. Our technical model is at a sell and would need a significant drop or advance to change to a buy. We view the bounce as a counter trend rally, as the current market is currently in a down trend. We are expecting some modest upside in the market, to be followed by some sort of retest of the low. The question is what we would need to see to not retest the lows, or in other words, just move higher from these levels? The market would have to feel more comfortable in earnings for 2016 to be better than currently expected, the Federal Reserve to put off raising interest rates, or the economy in China to find a big source of strength. We are not seeing any of these at this point. The next data point will be on Friday with the Employment report. We believe if new jobs are well above 200,000 then the odds of a rate increase in September is likely, and conversely, if well below 200,000 then the odds are likely significantly lower that the Fed would raise rates.

This market feels a lot like 1987 to us, in that the market is up substantially from the low of a very tough recession, 5 years previously. A recession did not look like it was likely in 1987, but occurred three years later. Valuations got too high, 1987 was the last time we had a bear market without a recession. This is not our forecast, but it seems like a reasonable possibility we have a swoon down that unless you are positioned for it there is nothing you can do about it. The bullish investor sentiment is very similar as it was in 1987. The market waffled around in August and September, and broke in October. If you did not

Health Care	829	0.2%	4.7%
Financials	318	-0.5%	-4.7%
Industrials	445	0.5%	-8.6%
Energy	479	3.6%	-18.3%
Telecommunications	147	-0.2%	-3.7%
Utilities	218	-4.3%	-9.3%
Materials	273	0.9%	-10.6%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.25	5-Year	1.52
3-Month	0.06	10-Year	2.19
6-Month	0.25	30-Year	2.92
2-Year	0.72		

Source: Bloomberg.com

Economic Events This Week

Date	Event	Forecast	Previous
31-Aug	Chicago PMI	54.7	54.7
1-Sep	ISM Index	52.6	52.7
1-Sep	Construction Spending	0.5%	0.1%
2-Sep	Productivity-Rev.	2.8%	1.3%
2-Sep	Factory Orders	0.9%	1.8%
3-Sep	Initial Claims	273K	271K
3-Sep	Nonfarm Payrolls	219K	215K
4-Sep	Unemployment Rate	5.2%	5.3%
4-Sep	Hourly Earnings	0.2%	0.2%

Source: Briefing.com

Economic Events Last Week

Date	Event
25-Aug	New Home Sales for Jul. came in at 507K vs. estimates of 511K
25-Aug	Consumer Confidence for Aug. was 101.5 compared to expectations of 93.1
26-Aug	Durable Orders for Jul. rose 2.0% vs. forecasts of -0.6%
26-Aug	Durable Orders ex-transportation for Jul. was 0.6% compared to estimates of 0.4%

follow the moving averages you likely got surprised. Again the technical trend is negative.

Oil has bounced off the bottom, and we believe we have seen a capitulation low. Although the fundamental supply/demand is not in balance, the price may have bottomed. We are not bullish on oil, but believe there is value in the sector.

What we are watching in the short term is the ISM report on Tuesday morning and the Employment report on Friday.

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27-Aug	Initial Claims for the week of 8/22 came in at 271K which was slightly less than expectations of 275K
27-Aug	The Q2 GDP-Second Estimate came in at 2.1% vs. forecasts of 2.0%
28-Aug	Personal Income for Jul. rose 0.4% which was in line with estimates
28-Aug	Personal Spending for Jul. was up 0.3% vs. expectations of 0.4%
28-Aug	The Michigan Sentiment for Aug. came in at 91.9 vs. forecasts of 93.0
Source: Briefing.com	

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