PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

January 12, 2016

Index Performance: As of January 8, 2016			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	16346	-6.2%	-6.2 %
S&P 500	1922	-6.0%	-6.0%
NASDAQ	4644	-7.3%	-7.3%
Russell 2000	1046	-9.0%	-9.0%
Russell 2000 Growth	645	-8.8%	-8.8%
Russell 2000 Value	1284	-7.0%	-7.0%
Russell 1000 Growth	940	-6.0%	-6.0%
Russell 1000 Value	1094	-6.0%	-6.0%
Shanghai SE Index	3335	-10.0%	-10.0%
SPDR Gold Shares	105.68	4.2%	4.2%
GS Crude Oil Total Return	5.67	-9.0%	-9.0%
Powershares US $ Index	25.56	-0.4%	-0.4%
Ishares EAFE Index	54.93	-6.5%	-6.5%
iShares Barclays 20+ Yr Treasury Bond	123.36	2.3%	2.3%
Utilities Select Sector ETF	43.11	-0.4%	-0.4%
Vanguard REIT ETF	77.46	-2.8%	-2.8%
iShares Mortgage Real Estate	9.47	-0.9%	-0.9%
Wells Fargo BDC	19.75	-2.6%	-2.6%
Alerian MLP ETF	10.99	-8.8%	-8.8%
iShares Global Telecom	55.96	-3.3%	-3.3%
Source: Bloomberg & MSN, Returns are appreciation only.			

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	671	-7.0%	-7.0%
Consumer Disc.	584	-5.9%	-5.9%
Consumer Staples	503	-2.9%	-2.9%

A Word on the Market by Pat Adams, CFA

We have known for a while how bad China was, it seems it is starting to be the consensus, (there is generally always another shoe to drop, Bear Stearns then Lehman). We believe China is in a recession, the consensus is, growth might be around 2%-3%, that is just not right. Our markets are down about -6% year-to-date, and China is the blame. There is a circular problem, as oil is priced in dollars, as the yuan is devalued (or the dollar goes up) and China has less demand for oil, commodity prices fall. This is becoming a serious problem for the energy sector. It is not just oil prices falling. When there is a global deflationary trend it is a problem, which can expose credit issues, where you may not expect. China definitely has credit issues, not related to oil, but due to slack in global demand. It is not an easy thing to come up with an answer as to how the global economy gets out of this problem. The answer was to inflate our way out, that easy Fed money just created more supply, and puts pressure on prices to come down. As an example, we are located in the Denver Technology Center, a suburb of Denver. There is actually more office space in DTC than downtown Denver. The local business paper counted up the amount of new office supply being planned for the DTC, 3.5 million sq. ft. We estimate that will house as many as 230,000 new workers. There are about 2.7 million people in greater Denver and our unemployment rate is about 3%. Our point is there are going to be a lot of empty offices for years to come.

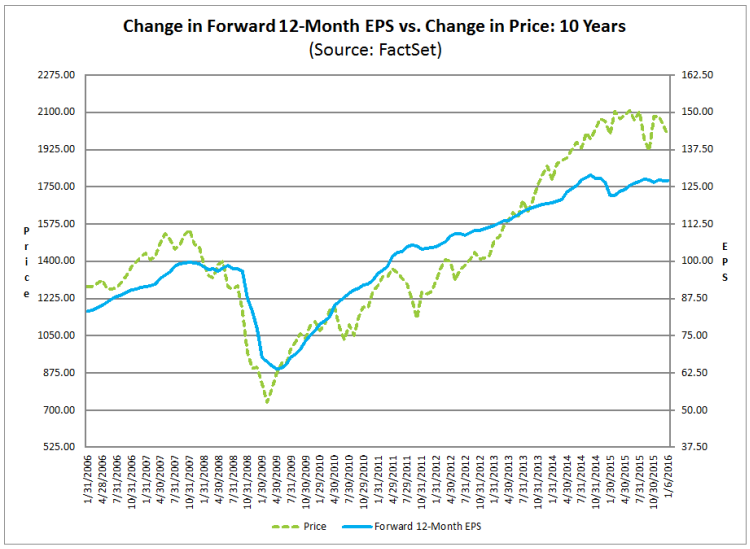
The Fed has taken the profit out of the economy. Their actions have proven to be deflationary, and now they are raising rates when all these projects around the country were built around 0% interest rates. This is a little off the subject, but the market is starting to figure this out, and it does not like the thought. We would expect earnings to be in a flat trend for a couple of years, some strategists are suggesting a 10% decline or more…this is clearly not in the market.

Health Care	787	-5.6%	-5.6%
Financials	298	-7.5%	-7.5%
Industrials	434	-6.3%	-6.3%
Energy	418	-6.8%	-6.8%
Telecommunications	145	-3.0%	-3.0%
Utilities	219	-0.4%	-0.4%
Materials	252	-7.8%	-7.8%
Source: Bloomberg website, Returns are appreciation only.			

Interest Rates			
Fed Fund	0.50	5-Year	1.58
3-Month	0.21	10-Year	2.17
6-Month	0.48	30-Year	2.96
2-Year	0.94		
Source: Bloomberg.com			

Economic Events This Week			
Date	**Event**	**Forecast**	**Previous**
14-Jan	Initial Claims	282K	277K
15-Jan	Retail Sales	0.2%	0.2%
15-Jan	Retail Sales ex-auto	0.2%	0.4%
15-Jan	PPI	-0.2%	0.3%
15-Jan	Core PPI	0.0%	0.3%
15-Jan	Industrial Production	-0.2%	-0.6%
15-Jan	Capacity Utilization	76.9%	77.0%
15-Jan	Michigan Sentiment	92.0	92.6
15-Jan	Business Inventories	-0.1%	0.0%
Source: Briefing.com			

Economic Events Last Week	
Date	Event
4-Jan	Construction Spending for Nov. was down -0.4% compared to estimates of 0.8%
4-Jan	ISM Index for Dec. was reported at 48.2 which was slightly below expectations of 49.0
6-Jan	Factory Orders for Nov. was down -0.2% which was in line with forecasts



This was actually the worse opening week in the history of the market. It sure looks like a bear market has ensued. We are actually expecting an oversold bounce, but our conviction is not necessarily high, it will depend on how the earnings come in the next couple of weeks. When you look at the Dow Jones Industrial Average, 29 of the 30 components are oversold. We have not seen this in a while, meaning it is wide spread. The average stock in the S&P 500 is down -22.6% (Bespoke Investment Group). The Russell 2000 (small cap stocks) is down about -20%. Might as well call it what it is, a bear market. Bear markets are good for some strategies, we actually like bear markets. You need to have a sound strategy in a bear market. It needs to be able to hedge or be out of the markets if necessary. Conventional approaches generally do not work. Once most investors realize they are in a bear market it is too late. We really like this investor psychology chart, we think we have passed the euphoria phase and are in the anxiety phase. The most painful part of a bear is the final phase, and we are far from that happening. Again, we are expecting an oversold bounce and some rotation before rolling over again.

7-Jan	Initial Claims for the week of 1/2 was reported at 277K vs. estimates of 270K
8-Jan	Nonfarm Payrolls for Dec. were 292K which was well ahead of consensus forecasts of 200K
8-Jan	Unemployment Rate for Dec. came in at 5.0% which was the expectation
8-Jan	Hourly Earnings for Dec. was flat vs. estimates of 0.2%
8-Jan	Wholesale Inventories for Nov. was down -0.3% vs. forecasts of -0.1%
Source: Briefing.com	

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

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