PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

November 22, 2016

Index Performance: As of Nov. 18, 2016			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	18868	0.1%	8.3%
S&P 500	2182	0.8%	6.7%
NASDAQ	5322	1.6%	6.3%
Russell 2000	1316	2.6%	14.4%
Russell 2000 Growth	775	2.2%	9.6%
Russell 2000 Value	1688	3.0%	22.3%
Russell 1000 Growth	1040	0.9%	3.9%
Russell 1000 Value	1313	1.2%	12.9%
Shanghai SE Index	3343	-0.1%	-9.8%
SPDR Gold Shares	115.15	-1.7%	13.5%
GS Crude Oil Total Return	5.54	6.1%	-11.1%
Powershares US $ Index	26.19	2.3%	2.1%
Ishares EAFE Index	56.20	-1.5%	-4.3%
iShares Barclays 20+ Yr Treasury Bond	120.85	-1.0%	0.2%
Utilities Select Sector ETF	46.29	0.6%	7.0%
Vanguard REIT ETF	78.92	0.5%	-1.0%
iShares Mortgage Real Estate	42.02	0.7%	9.9%
Wells Fargo BDC	21.88	1.0%	7.9%
Alerian MLP ETF	12.28	2.0%	1.9%
iShares Global Telecom	56.17	0.1%	-2.9%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	796	1.0%	10.4%
Consumer Disc.	644	1.7%	3.7%
Consumer Staples	517	-0.1%	-0.3%

A Word on the Market by Pat Adams, CFA

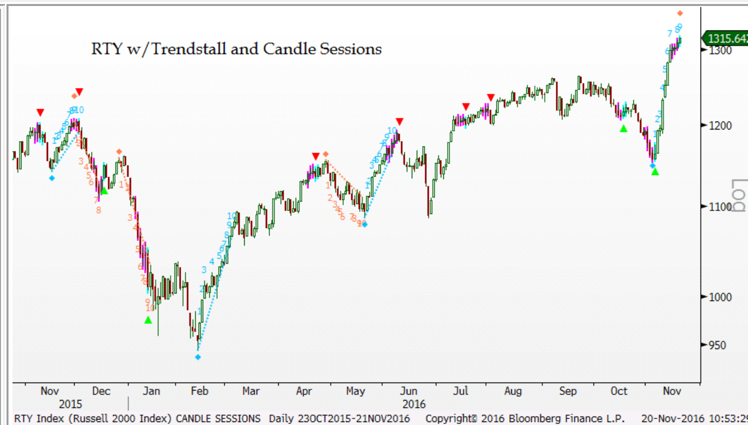
The markets have quickly gotten extended since the election, the small cap indices have had a big move, the dollar has been very strong and interest rates have spiked. The stock market is significantly overbought and the bond market is significantly oversold. We believe these are the appropriate reactions to the election. However, in the short term the markets will likely begin to consolidate. We believe over the next several years the leadership in the equity market will be driven by value, more economically sensitive sectors, and domestic companies. The things that concern us are still present, but are less of a factor if Trump's policies are in place. We are in a rising interest rate environment, we are approaching year 8 of this bull market (second longest in history), and valuations are high. The question the market is going to fight with is, will growth of earnings from Trump's policies offset the impact on valuations of higher interest rates? Maybe, but it will not be without a lot of volatility. Usually in a market cycle there is a significant correction that occurs when the economy starts to need more of the cash in the financial system to support growth, interest rates rise, and the stock market corrects. We never had this part of the cycle, followed by the final leg up. The Trump policies may provide this final leg up rather than an immediate bear market. This cycle is too old, so are we going right into a bear or do we get a strong correction followed by an up move and then a bear market?

We believe we will see more volatility, more rotation into the value sectors of the market, and bond returns likely negative for several years. The municipal bond market could be particularly hard hit with rising interest rates, but also lower individual tax rates requires the taxed equivalent yield to be higher.

Below is a chart from MKM Partners on the Russell 2000, small domestic companies really benefit from the Trump plan, up in a parabolic move. We believe that a significant part of the move up is short covering. We expect to see a flattening or pullback from here.

Health Care	804	-1.2%	-3.5%
Financials	367	2.2%	14.2%
Industrials	528	0.3%	14.0%
Energy	521	1.9%	16.2%
Telecommunications	159	3.0%	5.9%
Utilities	234	0.2%	6.3%
Materials	302	0.3%	10.5%
Source: Bloomberg website, Returns are appreciation only.			
Interest Rates			
Fed Fund	0.50	5-Year	1.80
3-Month	0.44	10-Year	2.34
6-Month	0.60	30-Year	3.01
2-Year	1.07		
Source: Bloomberg.com			
Economic Events This Week			
22-Nov	Existing Home Sales	5.40M	5.47M
23-Nov	Initial Claims	243K	235K
23-Nov	Durable Orders	1.1%	-0.1%
23-Nov	Durable Orders ex-Transportation	0.3%	0.2%
23-Nov	New Home Sales	587K	593K
23-Nov	Michigan Sentiment-Final	91.6	91.6
Source: Briefing.com			

Economic Events Last Week	
Date	Event
15-Nov	Retail Sales for Oct. was reported at 0.8% which was slightly above estimates of 0.6%
15-Nov	Retail Sales ex-auto for Oct. was up 0.8% vs. expectations of 0.5%
15-Nov	Business Inventories for Sep. came in at 0.1% which was lower than forecasts of 0.2%
16-Nov	PPI for Oct. was flat compared to estimates of 0.3%
16-Nov	Core PPI for Oct. was -0.2% vs. expectations of 0.2%



The bond market is flirting with its trend line. Below is the yield on the U.S. 10 Year Treasury. The longer term bonds are not far from being in a bear market or -20% declines from the high this year (as measured by TLT -15.4%). The Fed meets on December 13-14 and will highly likely raise rates by .25% and we believe they will continue to raise rates in the early part of 2017.

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16-Nov	Industrial Production for Oct. was flat compared to estimates of 0.2%
16-Nov	Capacity Utilization for Oct. came in at 75.3% which was lower than forecasts of 75.5%
17-Nov	CPI for Oct. rose 0.4% which was in line with estimates
17-Nov	Core CPI for Oct. was up 0.1% vs. expectations of 0.2%
17-Nov	Housing Starts for Oct. came in at 1323K which was higher than forecasts of 1178K
17-Nov	Building Permits for Oct. were reported at 1229K for Oct. compared to forecasts of 1200K
17-Nov	Initial Claims for the week of 11/12 were reported at 235K vs. expectations of 257K
17-Nov	The Philadelphia Fed report for Nov. came in at 7.6 vs. estimates of 7.0
17-Nov	The Leading Indicators for Oct. came in at 0.1% compared to the prior number of 0.2%
Source: Briefing.com	

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