



Market in a Minute
December 13, 2016

Index Performance: As of Dec. 9, 2016

| Index | Price | Last Week | YTD |
|---------------------------------------|--------|-----------|-------|
| Dow Jones 30 | 19757 | 3.1% | 13.4% |
| S&P 500 | 2260 | 3.1% | 10.5% |
| NASDAQ | 5445 | 3.6% | 8.7% |
| Russell 2000 | 1388 | 5.6% | 20.7% |
| Russell 2000 Growth | 800 | 5.0% | 13.1% |
| Russell 2000 Value | 1817 | 6.1% | 31.6% |
| Russell 1000 Growth | 1064 | 3.0% | 6.4% |
| Russell 1000 Value | 1377 | 3.3% | 18.4% |
| Shanghai SE Index | 3385 | -0.3% | -8.6% |
| SPDR Gold Shares | 110.40 | -1.6% | 8.8% |
| GS Crude Oil Total Return | 6.17 | -0.3% | -1.0% |
| Powershares US \$ Index | 26.24 | 0.7% | 2.3% |
| Ishares EAFE Index | 58.72 | 3.5% | 0.0% |
| iShares Barclays 20+ Yr Treasury Bond | 117.50 | -1.8% | -2.6% |
| Utilities Select Sector ETF | 47.96 | 2.5% | 10.8% |
| Vanguard REIT ETF | 83.21 | 4.0% | 4.4% |
| iShares Mortgage Real Estate | 43.74 | 4.4% | 14.4% |
| Wells Fargo BDC | 22.36 | 1.9% | 10.3% |
| Alerian MLP ETF | 12.23 | 0.2% | 1.5% |
| iShares Global Telecom | 58.90 | 3.1% | 1.8% |

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

| Index | Price | Last Week | YTD |
|------------------------|-------|-----------|-------|
| Information Technology | 814 | 4.2% | 12.8% |
| Consumer Disc. | 667 | 3.4% | 7.5% |

A Word on the Market by Pat Adams, CFA

On Wednesday, we expect the Federal Reserve to increase interest rates by .25%. It is of particular importance the outlook the Fed gives to 2017, and the timing and number of rate increases. You could easily argue the Fed is behind the curve now in raising rates given the Trump agenda. On the other hand, we are very optimistic about the Trump tax cuts, but we are concerned about the impact on the budget deficit, and therefore, long term interest rates. Although a 15% corporate tax rate will be great, we don't see how it is not phased in over a few years rather than done all at one. Rising interest rates are our biggest concern currently, and the impact on valuations. As we mentioned last week, the Trump policies increase S&P 500 earnings by 15% or \$30, the market has discounted about half of this already.

We are still pounding the table on value stocks versus growth, but in the short term we would be more cautious. However, equity income over bonds is still a two-fisted table pounder. Bonds will likely be a very disappointing investment now and over the next several years. Additionally, if you own any type of equity we believe it is only prudent to have a hedge to protect the principle given how late we are in the market cycle. There is a lot of systemic or market risk if things don't go exactly as planned.

We think it is interesting Trump's general attitude even before coming into office. No offense to government workers, but Trump is bringing in very bright and accomplished people, the kind that finish your sentence, smart people. There will likely be a lot of confusion in the general government and press as his staff moves things forward. Government works at a glacial speed and we don't see Trump waiting around for participants that have two mouths and one ear to get on board with his policies. Obama seemed to focus on Russia as the enemy, we believe Trump will think in more economic terms and focus on China. This is a big change, it may ultimately be extremely beneficial to us, but will cause issues and bickering as to why we are being friendly with Russia. Russia needs

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|--------------------|-----|------|-------|
| Consumer Staples | 531 | 2.8% | 2.5% |
| Health Care | 794 | 0.7% | -4.7% |
| Financials | 393 | 4.8% | 22.2% |
| Industrials | 550 | 1.9% | 18.7% |
| Energy | 559 | 2.2% | 24.6% |
| Telecommunications | 170 | 3.8% | 13.1% |
| Utilities | 242 | 2.5% | 9.9% |
| Materials | 322 | 3.0% | 17.7% |

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

| | | | |
|----------|------|---------|------|
| Fed Fund | 0.50 | 5-Year | 1.89 |
| 3-Month | 0.54 | 10-Year | 2.47 |
| 6-Month | 0.64 | 30-Year | 3.16 |
| 2-Year | 1.15 | | |

Source: Bloomberg.com

Economic Events This Week

| | | | |
|--------|-----------------------|--------|--------|
| 14-Dec | Retail Sales | 0.3% | 0.8% |
| 14-Dec | Retail Sales ex-auto | 0.4% | 0.8% |
| 14-Dec | PPI | 0.1% | 0.0% |
| 14-Dec | Core PPI | 0.2% | -0.2% |
| 14-Dec | Industrial Production | -0.1% | 0.0% |
| 14-Dec | Capacity Utilization | 75.1% | 75.3% |
| 14-Dec | Business Inventories | -0.1% | 0.1% |
| 14-Dec | FOMC Rate Decision | 0.625% | 0.625% |
| 15-Dec | CPI | 0.2% | 0.4% |
| 15-Dec | Core CPI | 0.2% | 0.1% |
| 15-Dec | Initial Claims | 256K | 258K |
| 15-Dec | Philadelphia Fed | 9.0 | 7.6 |
| 15-Dec | Housing Starts | 1225K | 1323K |
| 15-Dec | Building Permits | 1236K | 1229K |

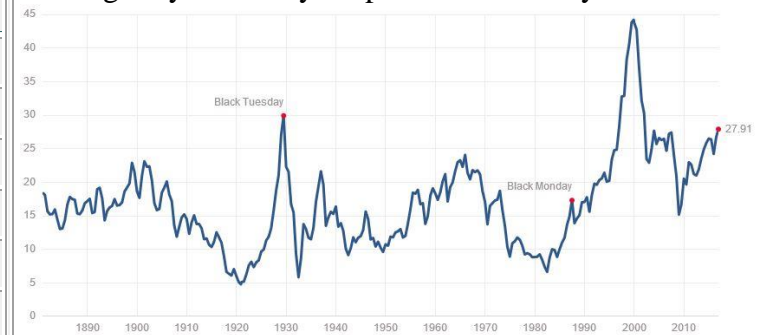
Source: Briefing.com

Economic Events Last Week

| | |
|------|-------|
| Date | Event |
|------|-------|

money and economic growth, and the U.S. needs better relations if we are going to pick a “fight” with China even if it is an economic fight. As we move into next year the honeymoon with Trump will be long past.

We believe this valuation chart below is interesting as it takes out some of the noise and adjusts for inflation. We are concerned about the valuation of the stock market. We do not believe we are in a period to create another phenomenon like the Tech Bubble in the late 1990's. Perhaps there is more Trump upside short-term, but we advise strongly not to do it with traditional asset classes that are long only. Protect your portfolios from systemic risk.



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|----------------------|---|
| 6-Dec | The Revised-Productivity for Q3 came in at 3.1% compared to estimates of 3.3% |
| 6-Dec | Factory Orders for Oct. was reported at 2.7% which was slightly higher than forecasts of 2.5% |
| 7-Dec | Consumer Credit for Oct. was reported at \$16.0B vs. expectations of \$18.7B |
| 8-Dec | Initial Claims for the week of 12/3 were 258K vs. estimates of 255K |
| 9-Dec | The Michigan Sentiment for Dec. was reported at 98.0 compared to expectations of 94.3 |
| 9-Dec | The Wholesale Inventories for Oct. declined -0.4% which was in line with forecasts |
| Source: Briefing.com | |

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