



## Market in a Minute

February 23, 2016

### Index Performance: As of February 19, 2016

Index	Price	Last Week	YTD
Dow Jones 30	16392	2.6%	-5.9%
S&P 500	1918	2.8%	-6.2%
NASDAQ	4504	3.8%	-10.0%
Russell 2000	1010	3.9%	-12.1%
Russell 2000 Growth	611	4.6%	-13.7%
Russell 2000 Value	1264	3.3%	-8.4%
Russell 1000 Growth	931	3.3%	-6.9%
Russell 1000 Value	1092	2.7%	-6.1%
Shanghai SE Index	2993	3.5%	-19.2%
SPDR Gold Shares	117.58	-0.7%	15.9%
GS Crude Oil Total Return	4.63	2.0%	-25.7%
Powershares US \$ Index	25.07	0.6%	-2.3%
Ishares EAFE Index	53.92	3.1%	-8.2%
iShares Barclays 20+ Yr Treasury Bond	131.01	-0.4%	8.6%
Utilities Select Sector ETF	46.20	1.4%	6.7%
Vanguard REIT ETF	75.43	4.3%	-5.4%
iShares Mortgage Real Estate	9.01	4.3%	-5.8%
Wells Fargo BDC	17.90	3.4%	-11.7%
Alerian MLP ETF	9.53	11.7%	-20.9%
iShares Global Telecom	58.68	1.8%	1.4%

Source: Bloomberg & MSN, Returns are appreciation only.

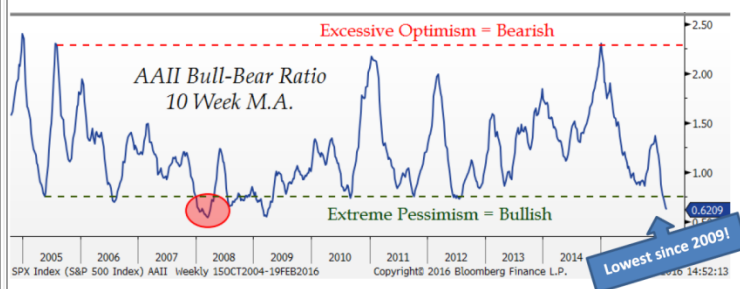
### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	670	3.8%	-7.1%
Consumer Disc.	577	4.3%	-7.1%
Consumer Staples	521	1.5%	0.5%

### A Word on the Market by Pat Adams, CFA

The market has rallied back to the resistance level of 1940-1960 on the S&P 500. What we would like to see is any pullback in the market be contained and stay above 1900. As you know, the market has tested the 1813 level twice and the last rally faded at 1945. The overall trend of the market is down, and if the market does not begin to build some higher lows, it is destined to roll over again. If the market can build some momentum and break through this resistance at 1940-1960, we would expect a move up to 2000, and would use the 1940-1960 as support. A couple of things that make us more optimistic, at least temporarily, are the sentiment is extremely negative again, and lots of sectors reflect a bear market or recession already.

Below you can see a chart of the AAIL Bull-Bear Ratio. The extremes are important because when there are too many bulls it is a good contrarian indicator, generally a top in the market, and when there are too many bearish investors then the market may be bottoming.



We mentioned, lots of sectors have been or actually reflect a bear market, such as value stocks, income oriented stocks, transportation...and small cap. The Russell 2000 is the small cap index and the decline from the high to the low has been about -28%. If the market does have a bounce or continues up then the small cap stock index represents interesting values. The chart below shows the small cap index relative to the large cap index, the theory goes that small companies grow faster than large

Health Care	761	2.4%	-8.7%
Financials	282	2.5%	-12.2%
Industrials	446	3.3%	-3.8%
Energy	427	2.4%	-4.8%
Telecommunications	161	1.1%	7.5%
Utilities	234	1.4%	6.3%
Materials	256	2.0%	-6.4%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	0.50	5-Year	1.24
3-Month	0.31	10-Year	1.76
6-Month	0.46	30-Year	2.61
2-Year	0.76		

Source: Bloomberg.com

#### Economic Events This Week

Date	Event	Forecast	Previous
23-Feb	Consumer Confidence	97.3	98.1
23-Feb	Existing Home Sales	5.30M	5.46M
24-Feb	New Home Sales	523K	544K
25-Feb	Initial Claims	270K	262K
25-Feb	Durable Orders	2.0%	-5.0%
25-Feb	Durable Goods ex-transportation	0.4%	-1.0%
26-Feb	GDP-Second Est.	0.4%	0.7%
26-Feb	GDP Deflator-Second Est.	0.8%	0.8%
26-Feb	Personal Income	0.4%	0.3%
26-Feb	Personal Spending	0.3%	0.0%
26-Feb	Michigan Sentiment	91.0	92.0

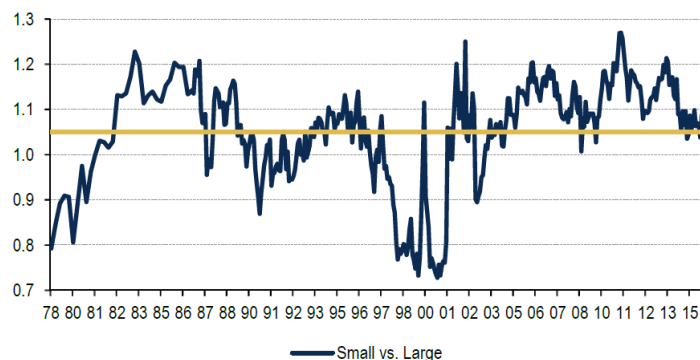
Source: Briefing.com

#### Economic Events Last Week

Date	Event
17-Feb	PPI for Jan. came in at 0.1% vs. estimates of -0.2%

companies, and therefore, should have higher P/E multiples. That generally is the case except in periods of financial stress or when large cap gets overvalued (small cap undervalued) .

Chart 16: Russell 2000 vs. Russell 1000 relative forward PE



Source: Russell Investment Group; BofA Merrill Lynch US Equity and US Quant Strategy, I/B/E/S

This week there is a lot of interesting economic data, housing data on Tuesday and Wednesday, and on Friday we get the first revision to 4<sup>th</sup> Quarter GDP. It is possible it may be negative.

Sometimes we are surprised how long it takes for the market to figure things out. There are estimates now that the Chinese banking system could be as much as \$1 trillion short on the capital the Chinese banks need under different scenarios. We still believe at some point they will need a massive devaluation of their currency.

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<b>17-Feb</b>	Core PPI for Jan. was 0.4% compared to expectations of 0.0%
<b>17-Feb</b>	Housing Starts for Jan. were reported at 1099K which was lowered than forecasts of 1171K
<b>17-Feb</b>	Building Permits for Jan. were reported at 1202K vs. expectations of 1200K
<b>17-Feb</b>	Industrial Production for Jan. rose 0.9% vs. estimates of 0.3%
<b>17-Feb</b>	Capacity Utilization for Jan. was 77.1% which was slightly than expectations of 76.6%
<b>18-Feb</b>	Initial Claims for the week of 2/13 came in at 262K vs. forecasts of 274K
<b>18-Feb</b>	The Philadelphia Fed for Feb. was -2.8 compared to expectations of -2.9
<b>19-Feb</b>	CPI for Jan. was flat vs. estimates of -0.1%
<b>19-Feb</b>	Core CPI for Jan. was 0.3% compared to expectations of 0.1%
Source: Briefing.com	

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