



## Market in a Minute

April 19, 2016

### Index Performance: As of April 15, 2016

| Index                                 | Price  | Last Week | YTD    |
|---------------------------------------|--------|-----------|--------|
| Dow Jones 30                          | 17897  | 1.8%      | 2.7%   |
| S&P 500                               | 2081   | 1.6%      | 1.8%   |
| NASDAQ                                | 4938   | 1.8%      | -1.4%  |
| Russell 2000                          | 1131   | 3.1%      | -1.6%  |
| Russell 2000 Growth                   | 686    | 2.6%      | -3.1%  |
| Russell 2000 Value                    | 1412   | 3.5%      | 2.2%   |
| Russell 1000 Growth                   | 1014   | 1.4%      | 1.4%   |
| Russell 1000 Value                    | 1196   | 2.1%      | 2.9%   |
| Shanghai SE Index                     | 3221   | 3.1%      | -13.0% |
| SPDR Gold Shares                      | 117.92 | -0.4%     | 16.2%  |
| GS Crude Oil Total Return             | 5.47   | 3.2%      | -12.2% |
| Powershares US \$ Index               | 24.54  | 0.5%      | -4.3%  |
| Ishares EAFE Index                    | 58.30  | 3.3%      | -0.7%  |
| iShares Barclays 20+ Yr Treasury Bond | 131.88 | -0.1%     | 9.4%   |
| Utilities Select Sector ETF           | 48.89  | 0.1%      | 13.0%  |
| Vanguard REIT ETF                     | 83.38  | 0.3%      | 4.6%   |
| iShares Mortgage Real Estate          | 9.77   | 1.8%      | 2.2%   |
| Wells Fargo BDC                       | 20.29  | 1.3%      | 0.0%   |
| Alerian MLP ETF                       | 11.04  | 1.4%      | -8.4%  |
| iShares Global Telecom                | 62.41  | 1.4%      | 7.9%   |

Source: Bloomberg & MSN, Returns are appreciation only.

### S&P Sector Performance

| Index                  | Price | Last Week | YTD  |
|------------------------|-------|-----------|------|
| Information Technology | 738   | 1.2%      | 2.3% |
| Consumer Disc.         | 631   | 2.1%      | 1.7% |
| Consumer Staples       | 543   | -0.8%     | 4.8% |

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

On the bullish side, bank earnings last week were better than expected and this group has significant upside over the long term. QE in Europe is starting to have an impact, as the European markets are starting to react favorably. Credit spreads have tightened significantly from the recessionary fears in February, making the liquidity better in the bond market and access to capital for all companies easier to obtain. China seems to have stabilized. Long term interest rates are likely to remain lower for longer than most had expected a year ago as the Federal Reserve seems to be on a slower path to raising rates. As a result, the dollar is lower and commodity prices are up off the bottom. Additionally, the breadth of the market has been much stronger as the value sectors have been very strong in the first quarter market bounce. Earnings growth in the second half of the year will be much better than the negative trends of the first half.

On the bearish side, earnings have been negative for four quarters, and we expect another negative quarter in the 2<sup>nd</sup> quarter. Valuations are high at 17.5 times earnings, especially given the lack of earnings growth. The bond markets around the globe are in a bubble with a significant part of Europe and Japan with negative rates. Our rates are lower than the Great Depression era. Value stocks are compelling in valuation, but we are late in the business cycle to make a strong case, until the economy gathers some strength to show sustained leadership. The technicals are much improved, as the S&P 500 is above the 200 day moving average, but we are moving into a lot of overhead resistance. The last time the market made a high was May of 2015. It appears to us that we are at the upper end of a trading range. Insider selling has been extremely high lately and the put/call ratio is very bearish as there is a lot more call buying than put buying. The last issue as we see it is a little touchy feely. It would not matter so much if valuations were low, but the geopolitical issues are

|                    |     |       |       |
|--------------------|-----|-------|-------|
| Health Care        | 810 | 1.1%  | -2.8% |
| Financials         | 309 | 4.0%  | -3.9% |
| Industrials        | 487 | 2.1%  | 5.1%  |
| Energy             | 475 | 2.0%  | 6.0%  |
| Telecommunications | 167 | -0.5% | 11.6% |
| Utilities          | 248 | 0.2%  | 12.9% |
| Materials          | 289 | 3.1%  | 5.7%  |

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

|          |      |         |      |
|----------|------|---------|------|
| Fed Fund | 0.50 | 5-Year  | 1.22 |
| 3-Month  | 0.22 | 10-Year | 1.76 |
| 6-Month  | 0.37 | 30-Year | 2.56 |
| 2-Year   | 0.74 |         |      |

Source: Bloomberg.com

#### Economic Events This Week

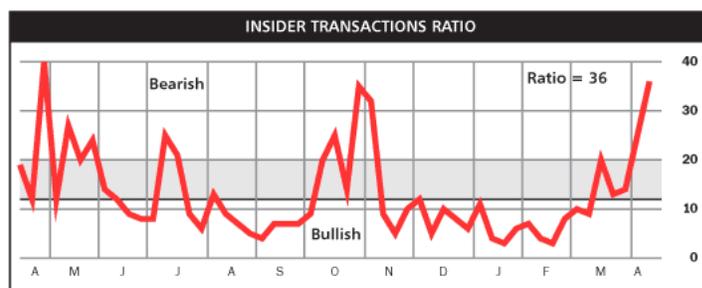
| Date   | Event               | Forecast | Previous |
|--------|---------------------|----------|----------|
| 19-Apr | Housing Starts      | 1170K    | 1178K    |
| 19-Apr | Building Permits    | 1200K    | 1167K    |
| 20-Apr | Existing Home Sales | 5.3M     | 5.08M    |
| 21-Apr | Initial Claims      | 263K     | 253K     |
| 21-Apr | Philadelphia Fed    | 9.9      | 12.4     |
| 21-Apr | Leading Indicators  | 0.4%     | 0.1%     |

Source: Briefing.com

#### Economic Events Last Week

| Date   | Event  |
|--------|--|
| 13-Apr | PPI for Mar. was reported at -0.1% which was lower than forecasts of 0.3%        |
| 13-Apr | Core PPI for Mar. came in at -0.1% vs. estimates of 0.2%                         |
| 13-Apr | Retail Sales for Mar. declined - 0.3% vs. expectations of 0.1%                   |
| 13-Apr | Retail Sales ex-auto for Mar. was reported at 0.2% compared to forecasts of 0.4% |
| 13-Apr | Business Inventories for Feb.  |

extremely concerning. The U.S. looks weak, acts weak, likely there is only a finite amount of time to take advantage of us until a new president is elected, and our election process seems like a bad dream. I don't know how you allow Russian jets to buzz our Navy.



Ratio of Insiders Sales to Buys. Readings under 12:1 are Bullish. Those over 20:1 are Bearish. The total top 20 sales and buys are 200,582,135 and 5,538,888 respectively; Source: Thomson Reuters

Our view has been that we are in a very slow moving bear market that peaked about a year ago in May. Many sectors that were overly punished by fears of rising interest rates back in 2013, falling commodity prices, or fear of a global recession got too cheap and continue to be so on a normalization of earnings basis. What we believe will happen is we see single digit returns for the market, but the potential for significant declines. Ultimately, we see a significant decline in the market.

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|                      |  |
|----------------------|--|
|                      | declined -0.1% which was in line with expectations   |
| <b>14-Apr</b>        | CPI for Mar. came in at 0.1% vs. estimates of 0.3%   |
| <b>14-Apr</b>        | Core CPI for Mar. was 0.1% compared to consensus forecasts of 0.2%                               |
| <b>14-Apr</b>        | Initial Claims for the week of 4/9 came in at 253K which was lower compared to estimates of 268K |
| <b>15-Apr</b>        | Industrial Production for Mar. dropped -0.6% compared to forecasts of 0.0%                       |
| <b>15-Apr</b>        | Capacity Utilization for Mar. came in at 74.8% which was lower vs. expectations of 75.5%         |
| <b>15-Apr</b>        | The Michigan Sentiment-Prelim for Apr. was 89.7 compared to estimates of 92.0                    |
| Source: Briefing.com |  |

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