PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

November 7, 2017

Index Performance: As of November 3, 2017			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	23539	0.4%	19.1 %
S&P 500	2588	0.3%	15.6%
NASDAQ	6764	0.9%	25.7%
Russell 2000	7335	-0.9%	11.3%
Russell 2000 Growth	6420	-0.5%	18.0%
Russell 2000 Value	11308	-1.3%	5.3%
Russell 1000 Growth	1262	0.7%	26.1%
Russell 1000 Value	1489	-0.1%	9.1%
Shanghai SE Index	3531	-1.3%	8.7%
SPDR Gold Shares	120.62	-0.2%	10.0%
GS Crude Oil Total Return	5.92	4.0%	-6.5%
Powershares US $ Index	24.69	0.0%	-6.7%
Ishares EAFE Index	69.79	0.9%	20.9%
iShares Barclays 20+ Yr Treasury Bond	125.62	1.9%	5.4%
Utilities Select Sector ETF	55.21	0.3%	13.7%
Vanguard REIT ETF	83.09	1.0%	0.7%
iShares Mortgage Real Estate	44.85	-2.5%	6.6%
Wells Fargo BDC	20.70	-1.8%	-8.8%
Alerian MLP ETF	10.77	1.1%	-14.5%
iShares Global Telecom	58.78	-0.6%	0.1%

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	1108	1.8%	37.1%
Consumer Disc.	730	-0.8%	12.6%
Consumer Staples	547	0.0%	2.9%

A Word on the Market by Pat Adams, CFA

The earnings season has been brutal on companies that miss expectations by a little or maybe even meet expectations. It is odd for a company to report in-line and give guidance that is also in-line with expectations to have such negative reactions in their stock price. This is generally not a bullish indicator. The percentage of companies beating earnings estimates is 74% of those reporting, which is a little higher than average of 71% usually. The market is rewarding upside earnings surprises less than average and punishing downside surprises more than average. Upside surprises are up only .3%, we would call that flat, and negative surprises down -3.6%. We have a very narrow market where technology does well, and most of the market does not. The earnings growth year over year for the third quarter is up 5.9%. There was no margin expansion for the quarter. This is also concerning, indicating peaking earnings. The energy sector did well, and we continue to like the sector, but the easy comparisons are coming to an end. Of the 11 sectors of the market, 5 had negative earnings growth. Technology is now over 26% of the S&P 500, including Amazon of 2%, which is technically a consumer discretionary stock, but should be classified as technology. This is an extremely high historical weighting for technology, which makes the market very risky. So goes technology so goes the stock market. Technology has huge booms and busts.

Speaking of technology stocks, we have done well recently in Intel and Qualcomm. QCOM is the subject of a takeover by Broadcom for $70 per share. We expect the offer from Broadcom to go into the $80 area or higher. The combination of the two would create the Intel of communications, this would be very exciting. Broadcom has a very strong management team.

Our read of the market internals, by looking at the different sectors, is not particularly positive. Technology as discussed has been overly strong and the business momentum is slowing, not accelerating. Energy is rebounding from a depressionary period of 2014 and 2015.

Health Care	944	-0.7%	18.4%
Financials	444	-0.1%	14.9%
Industrials	608	-0.8%	12.9%
Energy	508	1.7%	-8.4%
Telecommunications	146	-2.6%	-17.4%
Utilities	280	0.3%	13.4%
Materials	369	-0.5%	18.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	1.25	5-Year	1.99
3-Month	1.18	10-Year	2.34
6-Month	1.31	30-Year	2.82
2-Year	1.63		

Source: Bloomberg.com

Economic Events This Week			
9-Nov	Initial Claims	231K	229K
9-Nov	Wholesale Inventories	0.3%	0.9%
10-Nov	Michigan Sentiment-Prelim	100.5	100.7

Source: Briefing.com

Economic Events Last Week	
Date	Event
30-Oct	Personal Income for Sep. rose 0.4% which was slightly better than expectations of 0.3%
30-Oct	Personal Spending for Sep. rose 1.0% compared to estimates of 0.8%
31-Oct	The Chicago PMI for Oct. came in at 66.2 vs. forecasts of 61.0
31-Oct	Consumer Confidence for Oct. was reported at 125.9 which was higher compared to expectations of 121.5
1-Nov	ISM Index for Oct. came in at 58.7 which was slightly below estimates of 59.0
1-Nov	Construction Spending for Sep. rose 0.3% compared to forecasts of -0.2%
2-Nov	Initial Claims for the week of 10/28 were reported at 229K vs. estimates of 235K

Telecommunications along with retail is in a bear market, the drug stocks are in the midst of a correction, as is the consumer staple sector. The hedge funds are pressing short positions in the non-technology sectors as there is a lack of buyers in these sectors. The technology sector measured by the semiconductor space is no longer reporting an acceleration of earnings. We do not believe we will see acceleration in coming quarters. The technology sector could be in the process of forming a multi-year top.

The tax plan is a big letdown for individuals, but for U.S. companies doing business domestically will get a big benefit. We believe the plan is great for more cyclical U.S. companies or yield oriented C-corps.

Between now and year end we would expect weak stocks to stay weak until the tax loss selling is over sometime in December. We would expect the laggards to be strong performers in early 2018.

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

2-Nov	The Productivity-Prel for Q3 was up 3.0% compared to expectations of 2.8%
3-Nov	The Nonfarm Payrolls for Oct. came in at 261K which was well below consensus forecasts of 300K
3-Nov	The Nonfarm Private Payrolls for oct. was reported at 252K vs. estimates of 307K
3-Nov	The Unemployment Rate for Oct. came in at 4.1% which was slightly better than expectations of 4.3%
Source: Briefing.com	

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