



Market in a Minute

March 28, 2017

Index Performance: As of Mar. 24, 2017

Index	Price	Last Week	YTD
Dow Jones 30	20597	-1.5%	4.2%
S&P 500	2344	-1.4%	4.7%
NASDAQ	5829	-1.2%	8.3%
Russell 2000	6595	-2.6%	0.1%
Russell 2000 Growth	5617	-2.1%	3.3%
Russell 2000 Value	10447	-3.1%	-2.8%
Russell 1000 Growth	1080	-1.1%	7.9%
Russell 1000 Value	1397	-1.9%	2.4%
Shanghai SE Index	3424	1.0%	5.4%
SPDR Gold Shares	118.86	1.7%	8.4%
GS Crude Oil Total Return	5.20	-3.2%	-17.9%
Powershares US \$ Index	25.74	-0.6%	-2.7%
Ishares EAFE Index	62.14	-0.1%	7.6%
iShares Barclays 20+ Yr Treasury Bond	120.88	1.9%	1.5%
Utilities Select Sector ETF	51.89	1.3%	6.8%
Vanguard REIT ETF	81.88	-0.7%	-0.8%
iShares Mortgage Real Estate	44.21	-2.2%	5.1%
Wells Fargo BDC	23.36	-0.5%	3.0%
Alerian MLP ETF	12.55	-0.4%	-0.4%
iShares Global Telecom	59.95	-0.9%	2.1%

Source: Bloomberg & MSN, Returns are appreciation only.

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	897	-0.9%	11.0%
Consumer Disc.	689	-1.0%	6.3%
Consumer Staples	562	-0.7%	5.8%

A Word on the Market by Pat Adams, CFA

If you cannot repeal and replace Obamacare how in the world are they going to fix the tax code? There are a lot more moving parts in cutting taxes and all the different factions that need to be heard. It certainly appeared that Trump's plan was pretty straight forward and by the Republicans controlling Congress it all seemed too easy. The market and the voters that put Trump in office do not want Paul Ryan crafting the bills. You cannot blame the Democrats. If we are waiting on tax reform as the next catalyst for the market, we may be waiting quite a while before we see much develop. So, what does all this mean from the market? We believe the market got well ahead of itself, and is trying to find a price that will make the bulls happy to start buying again and the shorts to start to cover. We have seen the individual investor push the market to these new highs, the institutional investor sitting on their hands and the hedge funds recently pressing bets on the short side. We think what moves the market back up is the hedge funds taking off their short positions, but we see no reason for that to occur yet. It certainly would occur if a deal on killing Obamacare came out of the blue. From the chart below, we broke the 109-day streak of not having a -1% down day, the market also broke the 20-day moving average and appears to want test the 50-day moving average on the S&P 500 at 2332. If it holds the 50 day we would be looking for a 2-3% upward move, that will fail without tax reform occurring. We think 2400 should be considered the top of the range. Is the trend of the market changing to the downside in the short-term? If so, the risk for now appears to be around 2260 and then the 200-day moving average of 2210, about 8% off the high. If the trend is still intact the market is oversold and will pop.

S&P 500 1 Year Chart



The first quarter is about over and growth stocks are clearly outperforming value, financials had a big pullback of about 8% recently as the prospects of regulatory reform have faded. With

Health Care	859	-1.3%	7.7%
Financials	391	-3.8%	1.2%
Industrials	555	-1.8%	3.1%
Energy	503	-1.7%	-9.3%
Telecommunications	169	-1.9%	-4.3%
Utilities	264	1.3%	6.8%
Materials	324	-1.5%	3.9%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	0.75	5-Year	1.93
3-Month	0.78	10-Year	2.38
6-Month	0.91	30-Year	2.98
2-Year	1.51		

Source: Bloomberg.com

Economic Events This Week

28-Mar	Consumer Confidence	113.3	114.8
30-Mar	GDP-Third Est	2.0%	1.9%
30-Mar	GDP Deflator-Third Est	2.0%	2.0%
30-Mar	Initial Claims	245K	258K
31-Mar	Personal Income	0.4%	0.4%
31-Mar	Personal Spending	0.2%	0.2%
31-Mar	Chicago PMI	55.8	57.4
31-Mar	Michigan Sentiment-Final	97.6	97.6

Source: Briefing.com

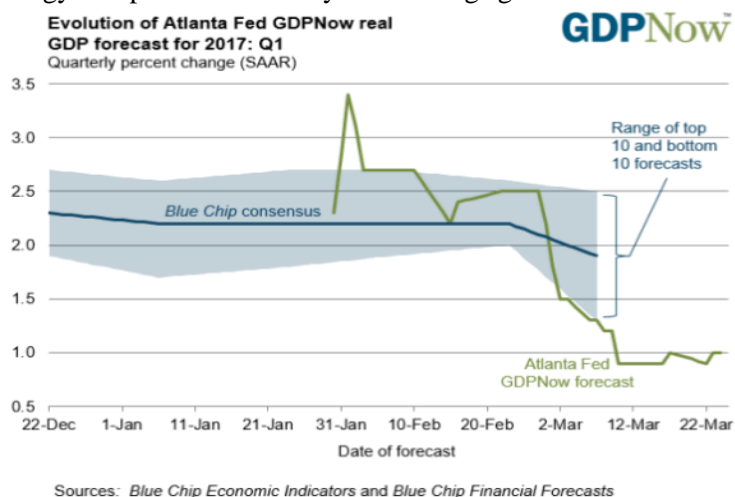
Economic Events Last Week

Date	Event
22-Mar	Existing Home Sales for Feb. came in at 5.48M units compared to estimates of 5.54M
23-Mar	Initial Claims for the week of 3/18 were 258K vs. expectations of 239K
23-Mar	New Homes Sales for Feb. were reported at 592K which was higher compared to forecasts of 560K
24-Mar	Durable Orders for Feb. rose 1.7% vs. estimates of 1.3%

less confidence in getting things passed in Washington there is less pressure on the Fed to raise interest rates. We actually are seeing very positive developments from the top down at the SEC in terms of focusing on a pro-growth agenda rather than enforcement. We do think financial regulatory reform occurs, but it may be a 2018 event at best. The financial stocks got too far ahead of themselves.

Most people likely missed all the Fed talk last week with the continuing spectacle in Washington but here are some highlights: **A number of Fed officials were out with comments on the policy outlook. New York Fed President Dudley (voter) said the US economy is in a pretty good place right now, and the FOMC is pretty close to achieving its twin objectives. He added that we could have an inflation problem if the unemployment rate is pushed much lower. Dallas Fed President Kaplan (voter) said tightening should be done deliberately, but patiently. He reiterated his forecast for GDP growth above 2% this year, and said the Fed is reaching the point where it should let the balance sheet run off. St Louis Fed President Bullard (non-voter) reiterated his largely dovish stance, saying three rate hikes this year could potentially be "overkill," adding that the Fed should focus on the hard economic data (pointing to 2% growth) versus the soft data which suggests 4% growth. San Francisco Fed President Williams (non-voter) said that it is important for the Fed to keep its inflation target at 2%, but conceded that if interest rates remain low, the central bank would need to "think hard" about a higher target.**

With all the distractions, nobody has noticed the expectation for GDP growth has been cut to 1% for the first quarter due to weak auto sales and slowing construction. This is one reason growth is outperforming value. The first quarter earnings are now expected to be up 9.1% currently, but if you pull out the easy energy comparisons it is only 5% earnings growth.



Please visit our website for more information.

www.pvgassetmanagement.com

24-Mar

Durable Orders ex-transportation for Feb. was up 0.4% compared to expectations of 0.7%

Source: Briefing.com

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