PVG Asset Management

LOSS AVERSE INVESTING

Market in a Minute

April 18, 2017

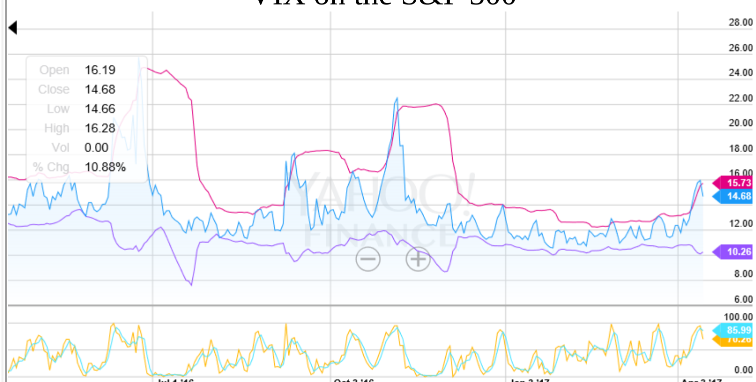
Index Performance: As of Apr. 14, 2017			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	20453	-1.0%	3.5%
S&P 500	2329	-1.1%	4.0%
NASDAQ	5805	-1.2%	7.8%
Russell 2000	6555	-1.4%	-0.5%
Russell 2000 Growth	5573	-1.1%	2.5%
Russell 2000 Value	10402	-1.7%	-3.2%
Russell 1000 Growth	1077	-0.9%	7.7%
Russell 1000 Value	1387	-1.3%	1.6%
Shanghai SE Index	3399	-1.2%	4.6%
SPDR Gold Shares	122.60	2.6%	11.9%
GS Crude Oil Total Return	5.91	2.2%	-6.6%
Powershares US $ Index	25.98	-0.7%	-1.8%
Ishares EAFE Index	61.57	-0.4%	6.7%
iShares Barclays 20+ Yr Treasury Bond	123.47	2.3%	3.6%
Utilities Select Sector ETF	51.68	0.6%	6.4%
Vanguard REIT ETF	84.27	0.9%	2.1%
iShares Mortgage Real Estate	46.30	1.6%	10.1%
Wells Fargo BDC	23.17	-2.0%	2.1%
Alerian MLP ETF	12.62	-1.3%	0.2%
iShares Global Telecom	59.06	-0.4%	0.6%
Source: Bloomberg & MSN, Returns are appreciation only.			

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	889	-1.4%	10.0%
Consumer Disc.	689	-0.8%	6.4%
Consumer Staples	564	0.2%	6.0%

A Word on the Market by Pat Adams, CFA

There was a little fear that entered the market last week, based on several issues, geopolitical factors in Syria and N. Korea, the Federal Reserve talking about unwinding QE, lack of progress on tax policy, and lastly the economy weakening. Below is the Volatility Index or Fear Index for the S&P 500, the blue line. It is not at a significant level, but there are some concerns priced into the market. If there is no follow through on these concerns becoming more of an issue in the short term, the market should rally.

VIX on the S&P 500



Syria and N. Korea are issues that seem impossible to measure, but will likely linger for a while. The Federal Reserve unwinding QE is potentially a major problem and seems like it needs to be done over a 20 year period, even that will have an impact on the markets. This is such a big problem. We think this will be more of an issue in the back half of the year or in 2018. The lack of tax policy is also a significant issue, as $17 of the $20 in earnings for the S&P 500, from the Trump stimulus plan comes from a 15% tax rate for corporations. The economic numbers have been weak, the first quarter GDP is now expected to come in around .5%. We have had two months in a row of negative retail sales, the consumer is roughly 70% of the economy, so GDP could turn negative when it is reported on April 28th. How can we forget the French elections with the first round on April 23rd. Le Pen is the anti-EU candidate and seems to be getting some momentum again, but frankly it is impossible to know. A Le Pen victory certainly would knock the markets down.

Health Care	855	-0.6%	7.3%
Financials	380	-2.6%	-1.6%
Industrials	551	-1.6%	2.4%
Energy	509	-1.5%	-8.1%
Telecommunications	165	-0.3%	-6.4%
Utilities	262	0.6%	6.2%
Materials	322	-2.4%	3.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	0.75	5-Year	1.79
3-Month	0.83	10-Year	2.26
6-Month	0.94	30-Year	2.92
2-Year	1.21		

Source: Bloomberg.com

Economic Events This Week			
18-Apr	Housing Starts	1256K	1288K
18-Apr	Building Permits	1240K	1213K
18-Apr	Industrial Production	0.4%	0.0%
18-Apr	Capacity Utilization	76.2%	75.4%
20-Apr	Initial Claims	242K	234K
20-Apr	Philadelphia Fed	23.7	32.8
20-Apr	Leading Indicators	0.3%	0.6%
20-Apr	Existing Home Sales	5.58M	5.48M

Source: Briefing.com

Economic Events Last Week	
Date	Event
13-Apr	PPI for Mar. was reported with a -0.1% compared to forecasts of 0.0%
13-Apr	Core PPI for Mar. came in at 0.0% which was lower compared to estimates of 0.2%
13-Apr	Initial Claims for the week of 4/8 came in at 234K which was short vs. expectations of 251K
13-Apr	The Michigan Sentiment for Apr. was reported at 98.0 compared to forecasts of 96.3

The markets seem to discount 2.5% to as much a 3% growth in the economy, but has now reversed and looks more like the Obama years with just the FANG stocks working. Amazon is the key stock at this point and reports on April 27th. We would note that Walmart is getting very aggressive with their e-commerce strategy.

The chart below is the S&P 500 and the 20, 50, and 200 moving averages. The market broke both the 20 and 50 day, but has a long way to go before breaking the 200 day. The 50 day will be the first resistance going back up at 2352. In the very short term, the market has seen a pattern of lower highs and lower lows, and needs to break the pattern, otherwise the support level on the downside is about 2260 or -4% lower.

S&P 500 Index with 20, 50, and 200 Moving Averages

As we mentioned before, we are very concerned about the Fed unwinding QE, and if it took them 20 years to do so it would drain $225 billion a year out of the economy, that is a big deal. The Fed will not take 20 years to do this, it will be much faster. Money, when it comes into the markets needs to go somewhere, right? Our point has been, on a relative basis, the value stocks looked much more compelling than the growth stocks. Take for instance Amazon versus Walmart, AMZN has a market cap of $422 billion and revenues of $136 billion, WMT has a market cap of $221 billion and revenues of $485 billion, it is backwards. Wow…what a difference. Now Tesla has a market cap of $50 billion and revenues of $7 billion, and the biggest auto company in the world, GM, has a market cap of $50 billion and revenues of $166 billion. The same market cap, but GM has 24 times as much revenues. Money needs to go somewhere and when the Fed prints too much bubbles occur. We are in a bond market bubble, and certain areas of the stock market are very risky. There might be one last good rally left in this market, but there are numerous examples of peak levels in the market.

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14-Apr	Retail Sales for Mar. dropped -0.2% vs. estimates of -0.1 %
14-Apr	Retail Sales ex-auto was flat compared to expectations of 0.2%
14-Apr	CPI for Mar. dropped -0.3% which was lowered compared to forecasts of 0.0%
14-Apr	Core CPI for Mar. came in at -0.1% vs. expectations of 0.2%
14-Apr	Business Inventories for Feb. rose 0.3% which was in line with estimates
Source: Briefing.com	

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