



PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute
July 25, 2017

Index Performance: As of July 21, 2017

Index	Price	Last Week	YTD
Dow Jones 30	21580	-0.3%	9.2%
S&P 500	2473	0.5%	10.4%
NASDAQ	6388	1.2%	18.7%
Russell 2000	7021	0.5%	6.6%
Russell 2000 Growth	6103	0.5%	12.2%
Russell 2000 Value	10903	0.5%	1.5%
Russell 1000 Growth	1178	0.9%	17.7%
Russell 1000 Value	1441	0.2%	5.6%
Shanghai SE Index	3391	0.5%	4.4%
SPDR Gold Shares	119.25	2.1%	8.8%
GS Crude Oil Total Return	4.75	-2.7%	-25.0%
Powershares US \$ Index	24.32	-1.2%	-8.1%
Ishares EAFE Index	66.55	0.3%	15.3%
iShares Barclays 20+ Yr Treasury Bond	125.69	1.9%	5.5%
Utilities Select Sector ETF	53.29	2.6%	9.7%
Vanguard REIT ETF	83.75	0.8%	1.5%
iShares Mortgage Real Estate	46.40	-0.5%	10.3%
Wells Fargo BDC	22.36	0.7%	-1.5%
Alerian MLP ETF	11.90	-1.2%	-5.6%
iShares Global Telecom	59.45	1.4%	1.2%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	992	1.1%	22.8%
Consumer Disc.	725	1.0%	11.9%
Consumer Staples	567	0.6%	6.7%

A Word on the Market by Pat Adams, CFA

Last week, we mentioned Microsoft's earnings report would be a good barometer for the market. It was interesting to see how the stock reacted when they had strong earnings, especially when the banks reported very good earnings and their stocks declined. MSFT reported \$.98 versus \$.71 expected, this was a huge surprise and the stock traded down. Our concern has been the technology sector has been a big winner, the leadership of the market, and perhaps it is running out of momentum. This is a big week for technology earnings with GOOG on Monday night (stock was down in after-market), FB on Wednesday, and AMZN on Thursday. We believe FB and AMZN need to have nearly flawless quarters or their stocks are headed down. Keep in mind that AMZN is no longer gaining market share in the online space, as the other competitors have upped their game. Walmart is current growing their e-commerce at 60% and AMZN is about 22%. AMZN could show good earnings, but we do not expect much more than consensus estimates for revenues. Not sure this will be enough to keep the stock elevated. A decline in technology will bring down the market.

The stock that we are very interested in is Intel. They report on Thursday. A consistent theme has been cloud computing this quarter. This trend is very strong. INTC powers this trend. INTC has some legacy businesses that has a dampening impact on their growth rate, however, they have a new server chip being introduced and the stock gets no credit for their dominance. The P/E ratio is less than 12x this year's earnings, which is historically very low, while the market is very expensive.

This is a very big week for earnings, but the fireworks will be in multiple other places as well. The Federal Reserve meets on Wednesday and will likely issue a statement about reducing their balance sheet beginning in September. We have said this numerous times, that reducing the balance sheet is a really bad idea. Also, the healthcare bill will likely live or die this week with a vote in the Senate. On Friday is the GDP report, it should be around 2.5%.

Health Care	936	1.1%	17.5%
Financials	412	-0.3%	6.5%
Industrials	588	-1.0%	9.2%
Energy	479	-0.5%	-13.5%
Telecommunications	151	1.0%	-14.7%
Utilities	270	2.6%	9.5%
Materials	346	0.0%	10.9%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	1.25	5-Year	1.81
3-Month	1.16	10-Year	2.24
6-Month	1.10	30-Year	2.81
2-Year	1.36		

Source: Bloomberg.com

Economic Events This Week			
24-Jul	Existing Home Sales	5.58M	5.62M
25-Jul	Consumer Confidence	116.8	118.9
26-Jul	New Home Sales	610K	610K
27-Jul	Durable Orders	2.9%	-1.1%
27-Jul	Durable Orders-ex transportation	0.5%	0.1%
27-Jul	Initial Claims	240K	233K
28-Jul	GDP-Adv	2.8%	1.4%
28-Jul	GDP-Deflator	1.3%	1.9%
28-Jul	Michigan Sentiment	93.1	93.1

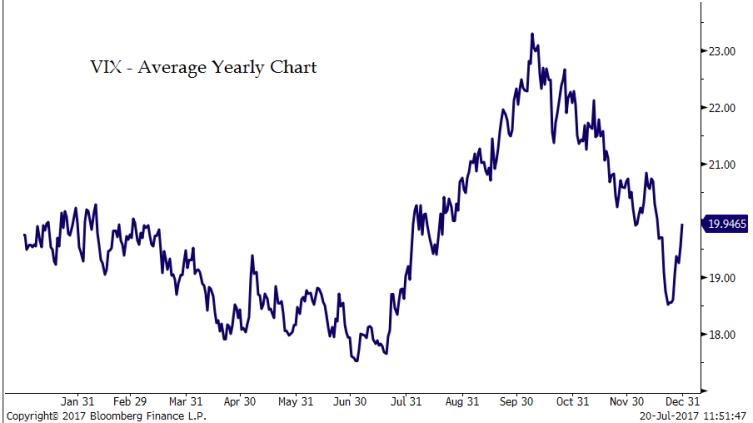
Source: Briefing.com

Economic Events Last Week	
Date	Event
19-Jul	Housing Starts for Jun. came in at 1215K which was higher than expectations of 1160K
19-Jul	Building Permits for Jun. was reported at 1254K compared to estimates of 1196K
20-Jul	The Philadelphia Fed report for Jul. came in at 19.5 which was lower compared to consensus forecasts of 22.0

We are entering a seasonally weak period for the market, and the setup is concerning. If there was ever a time for a correction perhaps it is now. We have an overbought market, an 8.5-year bull run, very high valuations, the Federal Reserve reversing the liquidity spigot, a very crowded trade in technology stocks, a lack of fear in the market, margin debt at very high levels, very high insider selling, a dysfunctional Congress, and individual investors who believe they are actually great investors. In our opinion, we need a big tax cut now to allow the market to rotate into value stocks or at some point in the near future the market is headed down.

If you have not noticed, the dollar has been weak, which benefits the larger cap companies. We are wondering if this is money leaving our markets is due to the Fed's plan on reducing their balance sheet in September. Perhaps this is the start of liquidity issues.

The chart below shows the Volatility Index (source MKM Partners) average yearly chart by month, as you can see we are entering the seasonally very tough period for the market, as the VIX goes up the market will generally go down.



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20-Jul	Initial Claims for the week of 7/15 came in at 233K which was lower vs. estimates of 245K
20-Jul	The Leading Indicators for Jun. rose 0.6% for Jun. was expectations of 0.4%
Source: Briefing.com	

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