



## Market in a Minute

August 1, 2017

### Index Performance: As of July 28, 2017

Index	Price	Last Week	YTD
Dow Jones 30	21830	1.2%	10.5%
S&P 500	2472	0.0%	10.4%
NASDAQ	6375	-0.2%	18.4%
Russell 2000	6989	-0.4%	6.1%
Russell 2000 Growth	6063	-0.7%	11.5%
Russell 2000 Value	10877	-0.2%	1.2%
Russell 1000 Growth	1175	-0.3%	17.4%
Russell 1000 Value	1445	0.2%	5.9%
Shanghai SE Index	3404	0.4%	4.7%
SPDR Gold Shares	120.70	1.2%	10.1%
GS Crude Oil Total Return	5.23	10.1%	-17.4%
Powershares US \$ Index	24.17	-0.6%	-8.7%
iShares EAFE Index	66.79	0.4%	15.7%
iShares Barclays 20+ Yr Treasury Bond	123.89	-1.4%	4.0%
Utilities Select Sector ETF	53.04	-0.5%	9.2%
Vanguard REIT ETF	84.15	0.5%	2.0%
iShares Mortgage Real Estate	46.16	-0.5%	9.7%
Wells Fargo BDC	22.30	-0.3%	-1.7%
Alerian MLP ETF	11.98	0.7%	-4.9%
iShares Global Telecom	61.10	2.8%	4.1%

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

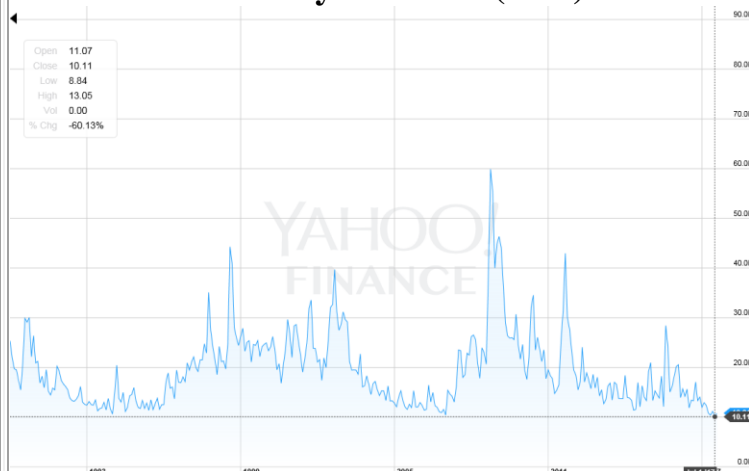
### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	986	-0.6%	22.0%
Consumer Disc.	727	0.3%	12.2%
Consumer Staples	570	0.4%	7.1%

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

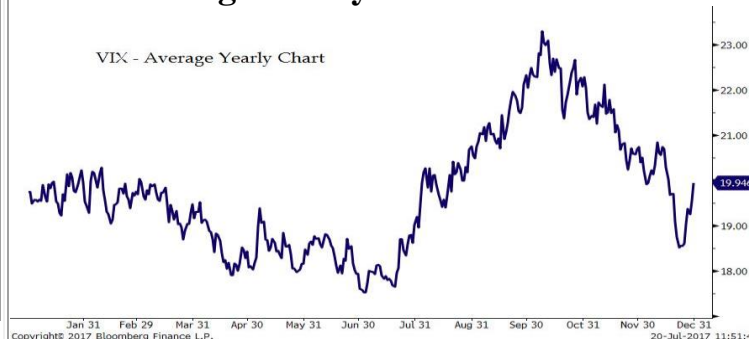
The VIX recently hit an all time low. We have discussed this in previous weeks, but there are several points we believe should be reiterated. The VIX is a measure of expected volatility in the S&P 500 Index. Many use the VIX as a contrarian indicator. When the VIX is low, investors should be cautious. When the VIX is high, it is a sign the market is low and it is an opportunity to buy. If the VIX goes up, the market generally will go down. The sentiment of the market is very complacent. Although the VIX is not a perfect timing indicator, it is clear that volatility will pick up.

#### Volatility S&P 500 (VIX)



We put this chart in last week's Market in a Minute, which shows the average value of the VIX during a calendar year historically. We thought it was worth emphasizing that during the third quarter and October the market has historically been treacherous.

#### Average Yearly Value of the VIX



Health Care	924	-1.3%	16.0%
Financials	414	0.5%	7.0%
Industrials	584	-0.6%	8.5%
Energy	488	1.9%	-11.9%
Telecommunications	161	7.0%	-8.7%
Utilities	269	-0.5%	9.0%
Materials	345	-0.4%	10.4%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	1.25	5-Year	1.83
3-Month	1.08	10-Year	2.30
6-Month	1.13	30-Year	2.89
2-Year	1.34		

Source: Bloomberg.com

#### Economic Events This Week

<b>31-Jul</b>	Chicago PMI	60.0	65.7
<b>1-Aug</b>	Personal Income	0.3%	0.4%
<b>1-Aug</b>	Personal Spending	0.1%	0.1%
<b>1-Aug</b>	Construction Spending	0.5%	0.0%
<b>1-Aug</b>	ISM Index	56.2	57.8
<b>3-Aug</b>	Initial Claims	242K	244K
<b>3-Aug</b>	Factory Orders	2.9%	-0.8%
<b>4-Aug</b>	Nonfarm Payrolls	181K	222K
<b>4-Aug</b>	Nonfarm Private Payrolls	175K	187K
<b>4-Aug</b>	Unemployment Rate	4.3%	4.4%
<b>4-Aug</b>	Average Hourly Earnings	0.3%	0.2%

Source: Briefing.com

#### Economic Events Last Week

Date	Event
<b>24-Jul</b>	Existing Home Sales for Jun. was reported at 5.52M which was lighter compared to estimates of 5.58M
<b>25-Jul</b>	Consumer Confidence for Jul. came in at 121.1 which was higher vs. expectations of 116.8

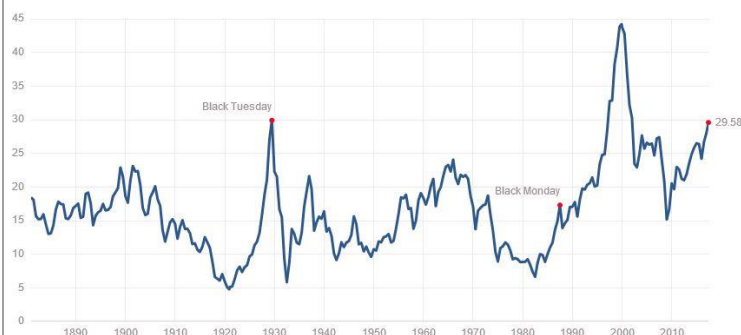
Another chart we have used recently is the intra-year average decline, we essentially have not had a decline this year. The average has historically been -14%. There will likely be a decline in the market this year, and if history repeats, the second half of the year looks rather concerning.

**S&P 500 intra-year declines vs. calendar year returns**  
Despite average intra-year drops of 14.1%, annual returns positive in 28 of 37 years



Below is the valuation of the S&P 500 measured by using price to earnings adjusted for inflation. Our point is the market valuation makes it vulnerable to a significant drop.

#### Shiller P/E



Amazon was the last FANG stock to report last week. They missed badly on the earnings and were a little better on the revenues. The stock took a significant drop. GOOG and AMZN both disappointed, FB did well, and NFLX had great subscriber growth, but inline earnings and revenues. Given the valuations of these companies and disappointing quarters, we would expect money to start to flow out of technology and into other sectors.

Politics are such an important part of the outlook for the market given where we are in the market cycle, and economy, to maintain an upward trend. Particularly, given that the Federal Reserve is talking of shrinking the liquidity in the financial system in September. The Republicans look dysfunctional! The market needs a tax cut.

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<b>26-Jul</b>	New Home Sales for Jun. was reported at 610K which was in line with forecasts
<b>27-Jul</b>	Durable Orders for Jun. rose 6.5% which was higher than expectations of 2.9%
<b>27-Jul</b>	Durable Orders ex-transportation for Jun was 0.2% compared to estimates of 0.5%
<b>27-Jul</b>	Initial Claims for the week of 7/22 came in at 244K which was higher than consensus forecasts of 240K
<b>28-Jul</b>	GDP-Adv for Q2 was reported at 2.6% compared to estimates of 2.8%
<b>28-Jul</b>	GDP-Deflator for Q2 came in at 1.0% vs. expectations of 1.3%
<b>28-Jul</b>	The Michigan Sentiment for Jul. came out at 93.4 which was slightly higher compared to forecasts of 93.1

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