



Market in a Minute

August 29, 2017

Index Performance: As of Aug. 25, 2017

Index	Price	Last Week	YTD
Dow Jones 30	21814	0.6%	10.4%
S&P 500	2443	0.7%	9.1%
NASDAQ	6266	0.8%	16.4%
Russell 2000	6742	1.5%	2.3%
Russell 2000 Growth	5852	1.1%	7.6%
Russell 2000 Value	10485	1.8%	-2.4%
Russell 1000 Growth	1168	0.8%	16.8%
Russell 1000 Value	1423	0.8%	4.3%
Shanghai SE Index	3489	1.9%	7.4%
SPDR Gold Shares	122.74	0.4%	12.0%
GS Crude Oil Total Return	4.96	-2.6%	-21.6%
Powershares US \$ Index	23.99	-0.9%	-9.3%
Ishares EAFE Index	66.75	0.8%	15.6%
iShares Barclays 20+ Yr Treasury Bond	127.32	0.6%	6.9%
Utilities Select Sector ETF	55.14	1.2%	13.5%
Vanguard REIT ETF	83.82	2.0%	1.6%
iShares Mortgage Real Estate	47.10	0.2%	12.0%
Wells Fargo BDC	21.41	0.4%	-5.6%
Alerian MLP ETF	10.91	2.0%	-13.4%
iShares Global Telecom	60.45	1.0%	2.9%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	990	1.0%	22.5%
Consumer Disc.	704	0.4%	8.7%
Consumer Staples	561	-1.0%	5.5%

A Word on the Market by Pat Adams, CFA

First, we would like to wish everyone well that may be in the flooded areas of Texas. It truly is incredible the amount of rain, and the hardship it may be having on people.

Surprisingly, Yellen's speech at Jackson Hole never mentioned shrinking the Federal Reserve's balance sheet. We are now expecting that plan to be laid out after the Fed's meeting scheduled for September 20th. There is a lot happening around that time, congress needs to raise the debt ceiling by the end of September. President Trump wants some money for the Wall in the budget, which complicates issues for a dysfunctional congress.

August and September tend to be seasonally worse months for the market and crashes have tended to come in October. The S&P 500 is down just under -1% in August, while the smaller stocks, the Russell 2000, are down about -3%.

The S&P 500 came down and touched a support near the 2420 level and then popped to 2444, due to an oversold condition. The Russell 2000 rallied much more off that bottom. We believe the Russell 2000 has considerably more upside to close the underperformance gap.

You can see, granted it is only a short period, the S&P 500 is starting to see lower lows and lower highs, this is not a good trend. We believe the 2452 level is important for the S&P 500 to break through and 2420 for the S&P 500 to hold, if not the trend is down.

S&P 500 (green) Russell 2000 (blue) Year to Date Performance



Health Care	910	1.1%	14.2%
Financials	411	0.7%	6.2%
Industrials	574	0.3%	6.7%
Energy	462	1.0%	-16.7%
Telecommunications	159	2.0%	-9.9%
Utilities	278	1.0%	12.7%
Materials	341	1.3%	9.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.25	5-Year	1.77
3-Month	1.03	10-Year	2.17
6-Month	1.11	30-Year	2.75
2-Year	1.35		

Source: Bloomberg.com

Economic Events This Week

29-Aug	Consumer Confidence	120.3	121.1
30-Aug	GDP-Second Est	2.7%	2.6%
30-Aug	GDP Deflator-Second Est	1.0%	1.0%
31-Aug	Personal Income	0.3%	0.0%
31-Aug	Personal Spending	0.4%	0.1%
31-Aug	Initial Claims	236K	234K
31-Aug	Chicago PMI	58.9	58.9
1-Sep	Nonfarm Payrolls	183K	209K
1-Sep	Nonfarm Private Payrolls	173K	205K
1-Sep	Unemployment Rate	4.3%	4.3%
1-Sep	ISM Index	56.8	56.3
1-Sep	Construction Spending	0.5%	-1.3%
1-Sep	Michigan Sentiment-Final	97.1	97.6

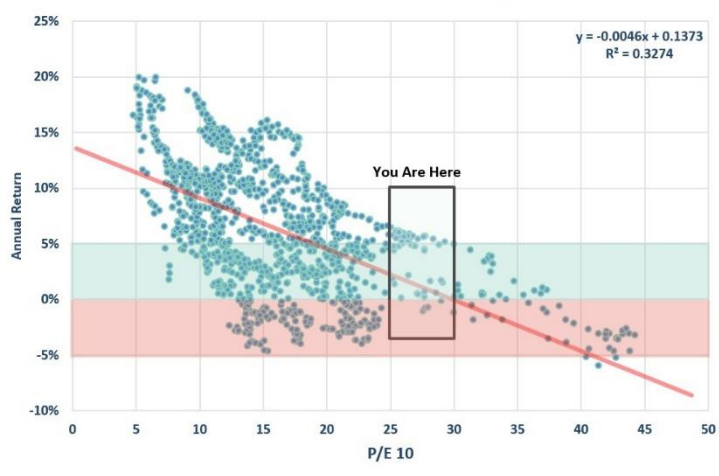
Source: Briefing.com

Economic Events Last Week

Date	Event
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We talk a lot about the long-term outlook for the market as the valuation is high when measured by price to earnings of the S&P 500. The lower the valuation for the market, the more upside the market has. As an example, the Russell 3000 Growth Index had a 12 P/E at the bottom of the bear market in 2009 as did the Russell 3000 Value Index. Growth is now well above 20x earnings and Value is around 13x earnings (when normalizing the energy stocks). We believe the market valuation is high, growth stock valuations are also high, but value stocks have meaningful upside. Below please see a range of historical P/E and historical returns based on the Shiller P/E. The higher the P/E valuation the lower the annual returns over a 10-year period and vice versa, the lower the P/E of the market the higher the returns. Returns over a 10-year period have averaged in the low single digits. This implies a potential bear market is in front of us...which is obvious, and we favor dividend paying stocks.

10 Year Forward Annual Return From P/E Levels



Higher dividend paying stocks have been pummeled in this mini pullback. There is a lack of liquidity in the market. They represent great value but may not be done going down if the market decline starts to broaden. Their expected relative returns are high for higher dividend paying stocks but some patience is needed.

Whitestone REIT (WSR) declined due to concerns about their properties in Houston, one of the metro areas where they have properties. None of the company's properties have been damaged by the flooding at this point, and the company has flood insurance. WSR has a 9% dividend yield, and looks like a very attractive stock for the long term.

Please visit our website for more information.

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23-Aug	New Home Sales for Jul. came in at 571K which was well below expectations of 615K
24-Aug	Initial Claims for the week of 8/19 were reported at 234K vs. forecasts of 237K
24-Aug	Existing Home Sales for Jul. came in at 5.44M compared to estimates of 5.56M
25-Aug	Durable Orders for Jul. declined -6.8% vs. expectations of -6.0%
25-Aug	Durable Orders ex-transportation for Jul. came in at 0.5% which was in line with forecasts
Source: Briefing.com	

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