



Market in a Minute

September 6, 2017

Index Performance: As of Sep. 2, 2017

Index	Price	Last Week	YTD
Dow Jones 30	21988	0.8%	11.3%
S&P 500	2477	1.4%	10.6%
NASDAQ	6435	2.7%	19.5%
Russell 2000	6921	2.7%	5.0%
Russell 2000 Growth	6058	3.5%	11.4%
Russell 2000 Value	10671	1.8%	-0.7%
Russell 1000 Growth	1193	2.1%	19.3%
Russell 1000 Value	1436	0.9%	5.2%
Shanghai SE Index	3539	1.4%	8.9%
SPDR Gold Shares	126.06	2.7%	15.0%
GS Crude Oil Total Return	4.90	-1.2%	-22.6%
Powershares US \$ Index	24.08	0.4%	-9.0%
Ishares EAFE Index	66.99	0.4%	16.0%
iShares Barclays 20+ Yr Treasury Bond	126.75	-0.4%	6.4%
Utilities Select Sector ETF	54.80	-0.6%	12.8%
Vanguard REIT ETF	84.33	0.6%	2.2%
iShares Mortgage Real Estate	47.26	0.3%	12.4%
Wells Fargo BDC	21.36	-0.2%	-5.9%
Alerian MLP ETF	11.26	3.2%	-10.6%
iShares Global Telecom	60.09	-0.6%	2.3%

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

S&P Sector Performance

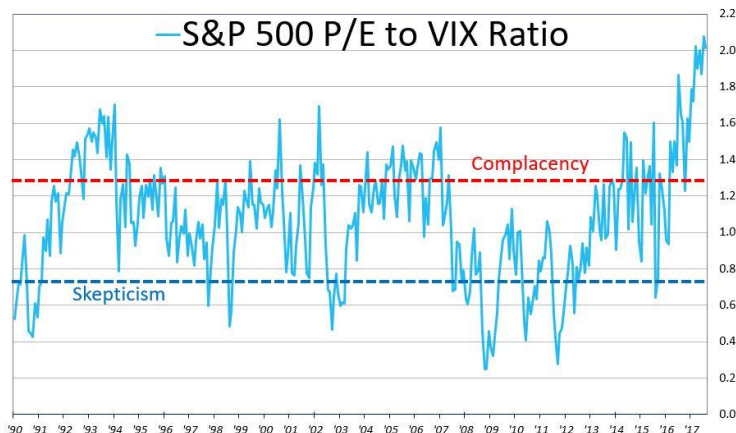
Index	Price	Last Week	YTD
Information Technology	1012	2.2%	25.2%
Consumer Disc.	715	1.6%	10.4%
Consumer Staples	564	0.5%	6.1%

A Word on the Market by Pat Adams, CFA

The things you can count on like clockwork in September are hurricanes and falling stock prices. We all know too well about hurricanes. We believe that the repair and replacement is good for some companies, but a lot of capital is spent to rebuild that takes liquidity out of the financial system and lowers real estate values. In terms of stock prices, September is a month that has fallen about 60% of the time, which makes it the month that is down the most consistently. Market crashes have tended to occur in the month of October after weak Septembers.

What we try to stay away from are markets or stocks that are over-owned. This market is very over-owned and the growth stocks, in particular, technology is very over-owned. It is odd that investors have gravitated to the FANG stocks for safety.

Below please find the S&P 500 Index P/E multiple divided by the VIX (volatility index). The P/E multiple measures the valuation of all stocks combined in the S&P 500, lower is better than higher. It is funny how the higher the multiple goes the less investors are concerned. This complacency is captured in the VIX ratio, the lower the VIX the more complacent investors are, this is not good. When we have high valuations and complacent investors, the market is very vulnerable.



The market is concerned about a number of issues that on the surface do not seem resolvable. It is time for the defense

Health Care	937	3.0%	17.6%
Financials	410	-0.1%	6.1%
Industrials	583	1.5%	8.3%
Energy	465	0.8%	-16.1%
Telecommunications	157	-1.3%	-11.1%
Utilities	276	-0.6%	12.0%
Materials	347	1.9%	11.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.25	5-Year	1.65
3-Month	1.03	10-Year	2.07
6-Month	1.13	30-Year	2.69
2-Year	1.30		

Source: Bloomberg.com

Economic Events This Week

5-Sep	Factory Orders	-3.2%	3.2%
7-Sep	Productivity-Rev.	1.2%	0.9%
7-Sep	Initial Claims	239K	236K
8-Sep	Wholesale Inventories	0.4%	0.7%

Source: Briefing.com

Economic Events Last Week

Date	Event
29-Aug	Consumer Confidence for Aug. came in at 122.9 which was higher than forecasts of 120.3
30-Aug	GDP-Second Est. for Q2 was reported at 3.0% compared to expectations of 2.7%
30-Aug	GDP Deflator-Second Est. for Q2 was reported at 1.0% which was in line with estimates
31-Aug	Personal Income for Jul. was up 0.4% vs. expectations of 0.3%
31-Aug	Personal Spending for Jul. rose 0.3% compared to forecasts of 0.4%
31-Aug	Initial Claims for the week of 8/26 came in at 236K which was in line with consensus estimates
31-Aug	Chicago PMI for Aug. was reported at 58.9 which was in line with expectations

to be on the field. We believe the N. Korean situation will be very difficult to resolve. China seems unwilling to cut trade off with N. Korea, and it is just too big of a threat to the U.S. to let them have nuclear weapons. To get China to move we need to scare them with a trade war, which means scaring the markets. The Fed meets later this month to discuss the terms of reducing their balance sheet, which we have stated is a really bad idea. Next, how do you get Congress to do anything constructive, will John McCain vote against a big tax cut...he seems to be the swing vote. The number that is circulating around now is a 25% tax rate for corporations, this would be horribly disappointing when the market has been hearing 15% for almost two years now. Another thing that concerns us is the lack of liquidity in the market. If you have to sell after the market gets tough, it is going to be very difficult and pressure the market lower than what is expected. We believe the market's valuation could easily be -5% to -10% lower, and if something goes bad, then easily -10% to -20% lower. On the other hand, markets climb a wall of worry, so all these concerns could turn into positives if all goes better than planned. We think that thought process is possible, just very risky.

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1-Sep	Nonfarm Payrolls for Aug. came in at 156K which was well below forecasts of 183K	
1-Sep	Nonfarm Private Payrolls for Aug was 165K compared to estimates of 173K	
1-Sep	Unemployment Rate for Aug. came in at 4.4% vs. expectations of 4.3%	
1-Sep	The ISM Index for Aug. was reported at 58.8 vs. forecasts of 56.8	
1-Sep	Construction Spending for Jul. declined -0.6% compared to estimates of 0.5%	
1-Sep	The Michigan Sentiment-Final for Aug. came in at 96.8 which was slightly higher vs. forecasts of 97.1	
Source: Briefing.com		

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