



## Market in a Minute

January 30, 2018

### Index Performance: As of January 26, 2018

Index	Price	Last Week	YTD
Dow Jones 30	22617	2.1%	7.7%
S&P 500	2873	2.2%	7.5%
NASDAQ	7506	2.3%	8.7%
Russell 2000	7914	0.7%	4.8%
Russell 2000 Growth	7041	1.4%	6.0%
Russell 2000 Value	11988	-0.2%	3.5%
Russell 1000 Growth	1415	2.3%	8.6%
Russell 1000 Value	1644	2.0%	6.0%
Shanghai SE Index	3727	2.3%	7.6%
SPDR Gold Shares	128.05	1.3%	3.6%
GS Crude Oil Total Return	7.44	5.5%	13.3%
Powershares US \$ Index	23.25	-1.7%	-3.2%
Ishares EAFE Index	75.25	1.5%	7.0%
iShares Barclays 20+ Yr Treasury Bond	123.59	0.4%	-2.6%
Utilities Select Sector ETF	51.04	2.1%	-3.1%
Vanguard REIT ETF	79.71	1.3%	-3.9%
iShares Mortgage Real Estate	43.57	-0.5%	-3.6%
Wells Fargo BDC	20.41	0.1%	-1.7%
Alerian MLP ETF	11.83	2.1%	9.6%
iShares Global Telecom	62.51	2.9%	3.3%

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

### S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1204	1.3%	8.8%
Consumer Disc.	868	3.2%	10.5%
Consumer Staples	605	1.1%	3.0%

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

Last week's earnings were a little mixed with Intel (INTC) very strong as their business is transforming to faster growing sectors, but Texas Instruments showed signs of losing business momentum. TXN had slowing revenue and inventories that have spiked up. Revenue growth so far has been up very strong thus far for the reports for the fourth quarter, up 7%. The weak dollar is adding 3% to 4% to revenue growth. That is a major tailwind for U.S. companies, otherwise revenues would have been more consistent with economic growth. The dollar translation benefit lessens in the 3<sup>rd</sup> and 4<sup>th</sup> quarter, but will be strong in the 2<sup>nd</sup> quarter was well.

You thought the Super Bowl was on Sunday, it is actually on Thursday after the market closes with GOOG, AMZN, and AAPL reporting earnings. QCOM and MSFT report on Wednesday. These reports are hugely important for the market. AAPL, is saying that they are going to cut iPhone X production in half from 40 million down to 20 million for the first quarter of 2018. The \$1,000 price tag seems like it is too high. This will likely pressure the first quarter of 2018 by about a \$14 billion hit to revenue...wow! AMZN provides the greatest social good of any company, meaning their service is incredible but it is not for profit. Last quarter they had 34% revenue growth, yet flat profits at .52 versus .52 last year. This quarter the revenues are expected to be up a strong 37% and earnings up only 19% to \$1.83. With the stock above \$1400 the P/E is 160x earnings. The market is going to want to see earnings beat by 50% to 100% to keep it going, or have a very large revenue beat.

Trump has had a huge impact on the stock market, much more than we expected. We will get to hear about it on Tuesday with his State of the Union address. The market has set all sorts of records in terms of days without a correction. It has now been 400 trading days without a 5% drop, the last record was 394 days, 309 days since a 3% drop, and now 99 days since we had even a -.60 day (Monday was very close, down -.68%). For those of us who have been managing money for multiple decades, "zero volatility" is something

Health Care	1059	3.5%	10.8%
Financials	501	2.2%	8.1%
Industrials	679	1.2%	6.4%
Energy	573	1.5%	7.5%
Telecommunications	167	3.5%	0.5%
Utilities	259	2.1%	-3.1%
Materials	402	1.3%	6.0%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	1.375	5-Year	2.49
3-Month	1.44	10-Year	2.70
6-Month	1.66	30-Year	2.94
2-Year	2.11		

Source: Bloomberg.com

#### Economic Events This Week

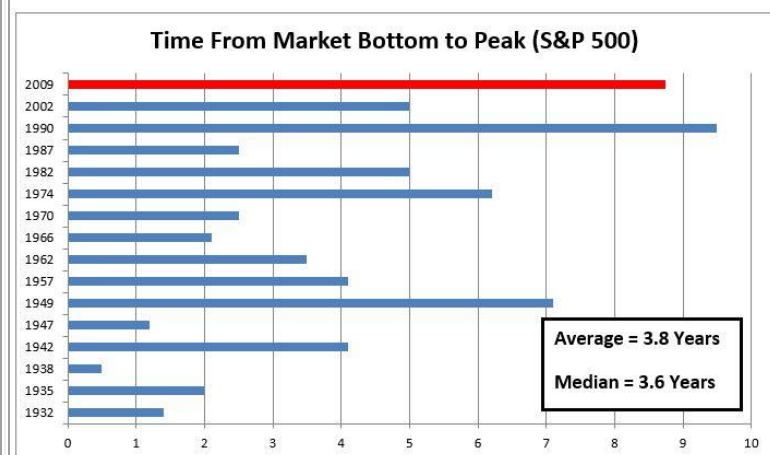
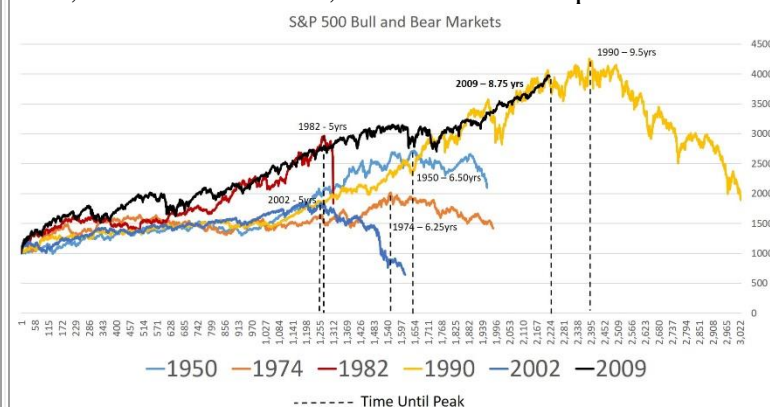
<b>29-Jan</b>	Personal Income	0.4%	0.3%
<b>29-Jan</b>	Personal Spending	0.5%	0.8%
<b>30-Jan</b>	Consumer Confidence	124.0	122.1
<b>31-Jan</b>	Chicago PMI	61	67.6
<b>31-Jan</b>	FOMC Rate Decision	1.375%	1.375%
<b>1-Feb</b>	Initial Claims	238K	233K
<b>1-Feb</b>	Productivity-Prel.	1.0%	3.0%
<b>1-Feb</b>	ISM Index	58.5	59.7
<b>1-Feb</b>	Construction Spending	0.3%	0.8%
<b>2-Feb</b>	Nonfarm Payrolls	180K	148K
<b>2-Feb</b>	Nonfarm Private Payrolls	175K	146K
<b>2-Feb</b>	Unemployment Rate	4.1%	4.1%
<b>2-Feb</b>	Factory Orders	1.3%	1.3%
<b>2-Feb</b>	Michigan Consumer Sentiment	95.0	94.4

Source: Briefing.com

#### Economic Events Last Week

Date	Event
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we see very rarely. Obviously, we all like what Trump is doing for the markets, but “zero volatility” is not something that is sustainable. We are now almost 9 years into this bull market, the longest was 9.5 years and the average bull market has lasted just 3.8 years. Below is a chart of the last 6 bull markets, they are measured from the bottom to peak, starting at 1,000, and in days. The black line is the current market cycle and the gold is the 1990's. This cycle is about 5% below the peak of the 1990's bull market in terms of performance from start to finish. The market could fall by 20%, have a bear market, but still be in an uptrend.



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<b>24-Jan</b>	Existing Home Sales for Dec. came in at 5.57M which was lower than consensus estimates of 5.70M
<b>25-Jan</b>	Initial Claims for the week of 1/20 were reported at 233K compared to expectations of 240K
<b>25-Jan</b>	New Home Sales for Dec. came in at 625K vs. forecasts of 679K
<b>25-Jan</b>	The Leading Indicators for Dec. was reported at 0.6% vs. estimates of 0.5%
<b>26-Jan</b>	The GDP-Adv. for Q4 came out at 2.6% which was lower than expectations of 2.9%
<b>26-Jan</b>	The Chain Deflator-Adv. for Q4 was 2.4% which was in line with estimates
<b>26-Jan</b>	Durable Orders for Dec. was up 2.9% which was higher compared to consensus forecasts of 0.9%
<b>26-Jan</b>	Durable Goods ex-transportation for Dec. rose 0.6% vs. estimates of 0.7%
Source: Briefing.com	

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