



Market in a Minute

March 20, 2018

Index Performance: As of March 16, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24947	-1.5%	0.9%
S&P 500	2752	-1.2%	2.9%
NASDAQ	7482	-1.0%	8.4%
Russell 2000	7821	-0.7%	3.5%
Russell 2000 Growth	7062	-0.9%	6.3%
Russell 2000 Value	11654	-0.4%	0.6%
Russell 1000 Growth	1386	-1.0%	6.4%
Russell 1000 Value	1555	-1.2%	0.2%
Shanghai SE Index	3425	-1.1%	-1.1%
SPDR Gold Shares	124.60	-0.7%	0.8%
GS Crude Oil Total Return	6.92	0.6%	5.8%
Powershares US \$ Index	23.62	0.3%	-1.7%
Ishares EAFE Index	70.47	-0.4%	0.2%
iShares Barclays 20+ Yr Treasury Bond	119.81	1.6%	-5.6%
Utilities Select Sector ETF	50.27	1.8%	-4.6%
Vanguard REIT ETF	76.57	1.3%	-7.7%
iShares Mortgage Real Estate	43.08	1.8%	-4.7%
Wells Fargo BDC	19.52	-1.1%	-6.0%
Alerian MLP ETF	9.89	-3.1%	-8.3%
iShares Global Telecom	58.53	-0.8%	-3.3%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1218	-1.0%	10.1%
Consumer Disc.	838	-0.7%	6.7%
Consumer Staples	549	-2.1%	-6.6%

A Word on the Market by Pat Adams, CFA

On Monday, the technology sector had a very tough day, down -2.0%. Technology is a critically important sector for the market as it is nearly 30% of the S&P 500. This is near the highest weighting it has ever been, and obviously a function of the incredible appreciation of the FANG stocks. To give you an analogy, in 2014 and 2015 the energy stocks fell due to the drop in oil from nearly \$120 per barrel to \$26. The energy stocks are a small weighting in the S&P 500 of only 5%, its drop did not impact the market, but it had a big impact on other related sectors, like the energy MLPs that fell about 70% from high to low. If the technology sector falls, the market is going down with it. The value in the market is all the Value/Income sectors of the market. You can see the performance to the left of all the different sectors, value is flat on the year and the income sectors are down, a trend that likely reverses dramatically when money flows out of technology as investors desire to be more defensive.



Below is the Equity REIT sector, it is off about -8% year to date and at about an 11% discount to net asset values, a level consistent to other bottoms since 2008. Some REITs are as much as 30% to 50% below their liquidation values. If you want to own real estate the best place to buy great properties is on "Wall Street" not "Main Street". Other sectors are very cheap as well, like Energy MLPs, and

Health Care	990	-0.9%	3.5%
Financials	480	-2.4%	3.5%
Industrials	645	-2.0%	1.1%
Energy	498	-0.8%	-6.7%
Telecommunications	156	-0.7%	-6.1%
Utilities	255	2.6%	-4.5%
Materials	371	-3.2%	-2.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.375	5-Year	2.65
3-Month	1.78	10-Year	2.85
6-Month	1.96	30-Year	3.08
2-Year	2.31		

Source: Bloomberg.com

Economic Events This Week

21-Mar	Existing Home Sales	5.42M	5.38M
21-Mar	FOMC Rate Decision	1.625%	1.375%
22-Mar	Initial Claims	225K	226K
22-Mar	Leading Indicators	0.5%	1.0%
23-Mar	Durable Orders	1.5%	-3.7%
23-Mar	Durable Goods ex-Transportation	0.6%	-0.3%
23-Mar	New Home Sales	620K	593K

Source: Briefing.com

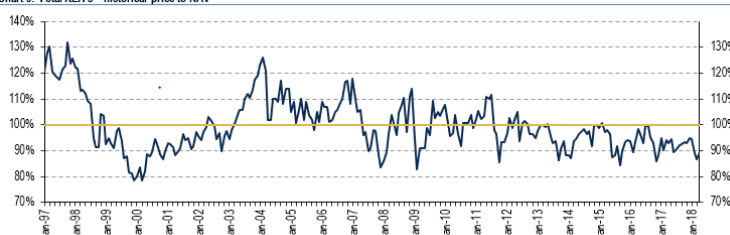
Economic Events Last Week

Date	Event
13-Mar	CPI for Feb. came in at 0.2% which was in line with expectations
13-Mar	Core CPI for Feb. was also reported in line with estimates at 0.2%
14-Mar	Retail Sales for Feb. declined -0.1% compared to forecasts of 0.3%
14-Mar	Retail Sales ex-auto for Feb. was 0.2% vs. estimates of 0.4%

BDCs. These are sectors that currently generate very attractive dividend yields. The BDCs actually benefit from rising interest rates.

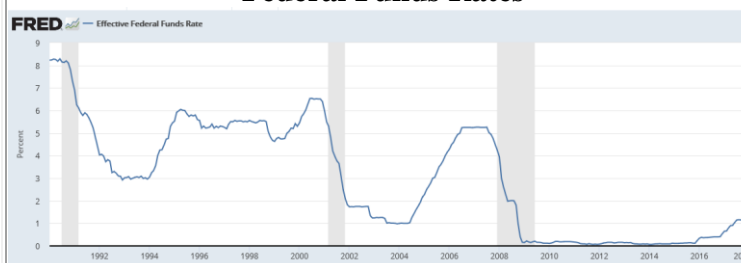
REITs Historical price to NAV

Chart 9: Total REITs - historical price to NAV



The Federal Reserve will raise rates on Wednesday by .25% to 1.75%. You can see in the previous cycles after a total hike of 3%-4%, the market falls into a massive bear market and the economy has a recession. So on Wednesday when the Fed announces their interest rate decision we will be up to 1.75% in total interest rate increases from a low of 0%. The market wants to understand if the Fed will signal 3 hikes or a total of 4 interest rate hikes this year. Unfortunately, in 2019 the Fed is also planning on more increases in interest rates. We are obviously concerned about the trend. It appears to be discounted in some sectors like the Value/Income stocks but clearly not in the technology sector, if you remember how bad technology performed in the last couple of bear markets.

Federal Funds Rates



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14-Mar	PPI for Feb. came in at 0.2% which was slightly higher than expectations of 0.1%
14-Mar	Core PPI for Feb. was reported in line with estimates of 0.2%
14-Mar	Business Inventories for Jan. came in at 0.6% which was in line with consensus forecasts
15-Mar	Initial Claims for the week of 3/10 was reported at 226K which was in line with expectations
15-Mar	The Philadelphia Fed for Mar. came in at 22.3 which was slightly lower than estimates of 23.7
16-Mar	Housing Starts for Feb. was reported at 1236K which was lower compared to expectations of 1283K
16-Mar	Building Permits for Feb. came in at 1298K compared to forecasts of 1330K
16-Mar	The Industrial Production for Feb. was reported at 1.1% which was higher than estimates of 0.3%
16-Mar	The Capacity Utilization for Feb. came in at 78.1% which was higher compared to expectations of 77.7%
16-Mar	The Michigan Consumer Sentiment for Mar. was 102.0 which was stronger than forecasts of 99.5
Source: Briefing.com	

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