



Market in a Minute

April 3, 2018

Index Performance: As of March 30, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24103	2.4%	-2.5%
S&P 500	2641	2.0%	-1.2%
NASDAQ	7063	1.0%	2.3%
Russell 2000	7548	1.3%	-0.1%
Russell 2000 Growth	6797	0.9%	2.3%
Russell 2000 Value	11281	1.9%	-2.6%
Russell 1000 Growth	1321	1.6%	1.4%
Russell 1000 Value	1507	2.5%	-2.8%
Shanghai SE Index	3319	0.5%	-4.2%
SPDR Gold Shares	125.79	-1.4%	1.7%
GS Crude Oil Total Return	7.31	-2.0%	11.8%
Powershares US \$ Index	23.61	0.8%	-1.7%
Ishares EAFE Index	69.68	2.6%	-0.9%
iShares Barclays 20+ Yr Treasury Bond	121.90	1.4%	-3.9%
Utilities Select Sector ETF	50.52	3.0%	-4.1%
Vanguard REIT ETF	75.47	3.0%	-9.1%
iShares Mortgage Real Estate	42.48	2.6%	-6.0%
Wells Fargo BDC	19.79	1.2%	-4.7%
Alerian MLP ETF	9.37	0.6%	-13.2%
iShares Global Telecom	57.33	2.4%	-5.3%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1142	1.7%	3.2%
Consumer Disc.	807	1.1%	2.8%
Consumer Staples	542	3.5%	-7.8%

A Word on the Market by Pat Adams, CFA

If you read our weekly update you know we have been talking about the severe overweight of technology in the S&P 500, and, in particular, the over investment in the FANG stocks. We do not believe there is much of an issue with a trade war with China, it is about overvaluation and over ownership of technology stocks. First, we saw Facebook fall by -20% so far, Netflix is down -16%, Google is down -18%, and the “A” in FANG, Amazon is down -15%. AMZN and President Trump are at war. AMZN is in a no-win position. The root issue for the FANG stocks, and technology, is they are very expensive, and way over owned. Can technology correct without causing a bear market...probably not, as it is such a large weighting, 27% of the S&P 500 including AMZN. This is similar to the technology bubble of the 1990's. This market is so odd, there are some really attractively valued high-quality companies like Disney at less than 13x earnings and some companies that don't make money with obscene valuations, Netflix 98x times 2018 earnings.

Looking at the S&P 500, it has penetrated the 200-day moving average. Any more downside from this level in the S&P 500 and the index is developing a very negative pattern of lower lows.

AMZN has another 15% to fall before hitting its 200-day moving average. I would not want to be in a battle with Trump.

S&P 500 Index



Health Care	941	2.0%	-1.6%
Financials	458	2.7%	-1.4%
Industrials	625	2.0%	-2.0%
Energy	498	1.0%	-6.6%
Telecommunications	152	3.1%	-8.7%
Utilities	256	3.0%	-4.2%
Materials	356	1.5%	-6.0%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.625	5-Year	2.55
3-Month	1.77	10-Year	2.73
6-Month	1.92	30-Year	2.97
2-Year	2.25		

Source: Bloomberg.com

Economic Events This Week

2-Apr	ISM Index	60.0	60.8
2-Apr	Construction Spending	0.5%	0.0%
4-Apr	Factory Orders	1.8%	-1.4%
5-Apr	Initial Claims	225K	215K
6-Apr	Nonfarm Payrolls	175K	313K
6-Apr	Nonfarm Private Payrolls	180K	287K
6-Apr	Unemployment Rate	4.0%	4.1%

Source: Briefing.com

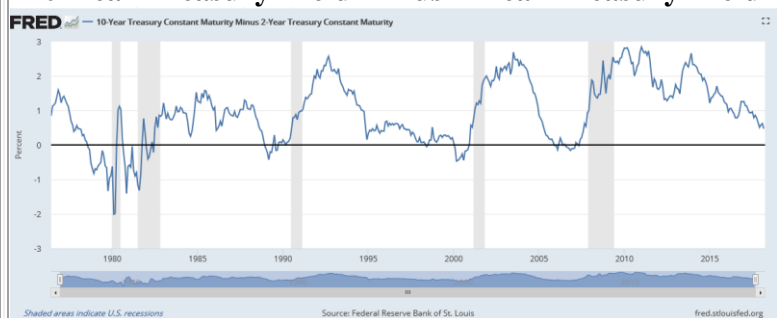
Economic Events Last Week

Date	Event
27-Mar	Consumer Confidence for Mar. came in at 127.7 which was lower than estimates of 129.5
28-Mar	GDP-Third Est for Q4 was reported at 2.9% compared to expectations of 2.6%
28-Mar	GDP Deflator-Third Est for Q4 was 2.3% which was in line with estimates
29-Mar	Personal Income for Feb. rose 0.4% vs. forecasts of 0.4%



Below is the 10-year U.S. Treasury minus the 2-year U.S. Treasury, which is now just .47%, and it looks like the spread will continue to narrow. As you can see it is on its way to being flat. Generally, when this occurs, it is followed by a recession and a bear market within about 12 months. This is consistent with our negative view for 2019. If the market cannot find a bottom soon, we may get the bear market this year.

10-Year Treasury Yield minus 2-Year Treasury Yield



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29-Mar	Personal Spending for Feb. was up 0.2% which was also in line with expectations
29-Mar	Initial Claims for the week of 3/24 were reported at 215K compared to consensus estimates of 230K
29-Mar	The Chicago PMI for Mar. came in at 57.4 which was lower vs. expectations of 62.0
29-Mar	The Michigan Sentiment-Final for Mar. was reported at 101.4 compared to forecasts of 102.0
Source: Briefing.com	

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