



Market in a Minute
September 25, 2018

Index Performance: As of Sep. 21, 2018

Index	Price	Last Week	YTD
Dow Jones 30	26744	2.3%	8.2%
S&P 500	2930	0.8%	9.6%
NASDAQ	7987	-0.3%	15.7%
Russell 2000	8497	-0.5%	12.5%
Russell 2000 Growth	7710	-1.3%	16.0%
Russell 2000 Value	12604	0.2%	8.8%
Russell 1000 Growth	1515	-0.1%	16.3%
Russell 1000 Value	1639	1.4%	5.7%
Shanghai SE Index	2858	1.8%	-17.5%
SPDR Gold Shares	113.49	0.4%	-8.2%
GS Crude Oil Total Return	8.62	4.1%	31.8%
Powershares US \$ Index	24.99	-0.8%	4.0%
Ishares EAFE Index	68.63	2.8%	-2.4%
iShares Barclays 20+ Yr Treasury Bond	117.10	-1.2%	-7.7%
Utilities Select Sector ETF	53.06	-2.3%	0.7%
Vanguard REIT ETF	82.79	-0.4%	-0.2%
iShares Mortgage Real Estate	44.74	-0.3%	-1.0%

A Word on the Market by Pat Adams, CFA

It clearly feels like politics will start to become a negative for the markets. The markets have raced up because of Trump's policies to stimulate the economy. The Kavanaugh appointment illuminates the problems Trump will have if they lose one or both houses of congress. Also, in the political view, additional tariffs are now being implemented by the U.S. and China, a clear stalemate has developed. The U.S. has imposed a 10% tariff (going to 25% on Jan. 1st) on an additional \$200 billion in Chinese goods and the Chinese have responded with 5%-10% tariffs on \$60 billion of U.S. goods. The Chinese have now canceled a trade delegation that they planned on sending to Washington.

The Federal Reserve plans on raising interest rates on Wednesday by .25% to 2.25%. The Federal Funds rate is now about the same as the inflation rate, which means the Federal Reserve's policy has shifted from accommodative to neutral, if we see several additional interest rate increases, as is planned, the Fed will be viewed as moving to a credit restricting policy. It is the first time, in a very long-time, money supply growth actually contracted. At this point, it is a minor issue, but it is critical to watch, as the Fed is also shrinking their balance sheet by \$50 billion a month. The market has never dealt with this before. Interest rate increases and shrinking of the Fed's balance sheet will at some point be a problem.



Below, the blue line is the spread between the 2-year and 10-year treasuries, which is currently about 30 bpts. As the spread narrows, and it is clearly narrow now, you get a pickup of volatility in the stock market. When volatility picks up, then stock prices fall.

Wells Fargo BDC	20.90	0.7%	0.7%
Alerian MLP ETF	10.83	-0.6%	0.4%
iShares Global Telecom	57.59	0.7%	-4.9%
ETFMG Alternative Harvest ETF	39.50	10.4%	21.7%
BitCoin Investment Trust	8.85	3.5%	-60.0%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1311	-0.1%	18.5%
Consumer Disc.	932	0.4%	18.7%
Consumer Staples	567	1.2%	-3.5%
Health Care	1092	1.2%	14.2%
Financials	478	2.3%	2.9%
Industrials	671	1.3%	5.1%
Energy	556	1.9%	4.3%
Telecommunications	159	0.2%	-4.3%
Utilities	269	-1.5%	0.7%
Materials	380	2.3%	0.3%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.875	5-Year	2.95
3-Month	2.18	10-Year	3.07
6-Month	2.38	30-Year	3.20
2-Year	2.81		

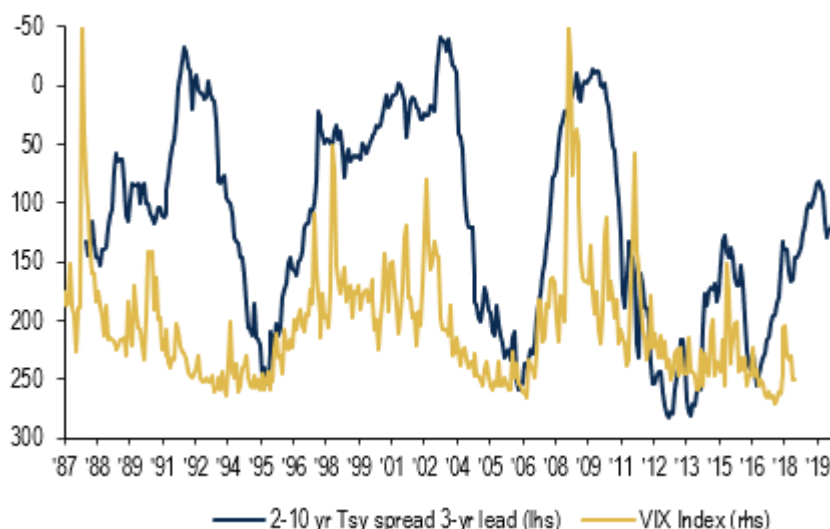
Source: Bloomberg.com

Economic Events This Week

25-Sep	Consumer Confidence	131.0	133.4
26-Sep	New Home Sales	630K	627K

From Merrill Lynch Spread of 2-10 year treasury and the VIX or Volatility Index

Chart 2: The yield curve has a strong leading relationship with the VIX
CBOE VIX and inverted slope of yield curve (Jan 1987 to present)



We mentioned last week about our bullish view of 5G, which is the next generation of wireless communications. Our research points to Nokia as the big winner in a cycle that may last 6-8 years and is just now starting. We believe AT&T, Verizon, and T-Mobile are sprinting (no pun intended) to get this equipment deployed as it improves both margins and revenues for service providers.

One of our favorite stocks is AT&T with a 9 P/E multiple (40% upside), 6% dividend yield and accelerating revenues and margins beginning likely in the 3rd quarter. The acquisition of Time Warner is a big deal.

NOK and T are unique situations and should hold up well in a bear market and grow nicely in the coming years. The valuation of T, based on P/E, are now lower than the bottom of the bear market in 2009 and has a catalyst.



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26-Sep	FOMC Rate Decision	2.125%	2.125%
27-Sep	Durable Goods-ex transportation	0.4%	0.2%
27-Sep	Durable Orders	1.8%	-1.7%
27-Sep	GDP-Third Estimate	4.3%	4.2%
27-Sep	GDP Deflator-Third Estimate	3.0%	3.0%
27-Sep	Initial Claims	209K	201K
28-Sep	Personal Income	0.4%	0.3%
28-Sep	Personal Spending	0.3%	0.4%
28-Sep	Michigan Consumer Sentiment	100.5	100.8

Source: Briefing.com

Economic Events Last Week

Date	Event
19-Sep	Housing Starts for Aug. were reported at 1282K which was higher compared to estimates of 1229K
19-Sep	Building Permits for Aug. came in at 1229K vs. expectations of 1310K
20-Sep	Initial Claims for the week of 9/15 were reported at 201K compared to consensus forecasts of 209K
20-Sep	The Philadelphia Fed for Sep. came in at 22.9 compared to estimates of 15.3
20-Sep	Existing Home Sales for Aug. were reported at 5.34M vs. expectations of 5.37M
20-Sep	The Leading Indictators for Aug. came in at 0.4% vs. forecasts of 0.5%

Source: Briefing.com

