



Market in a Minute

October 2, 2018

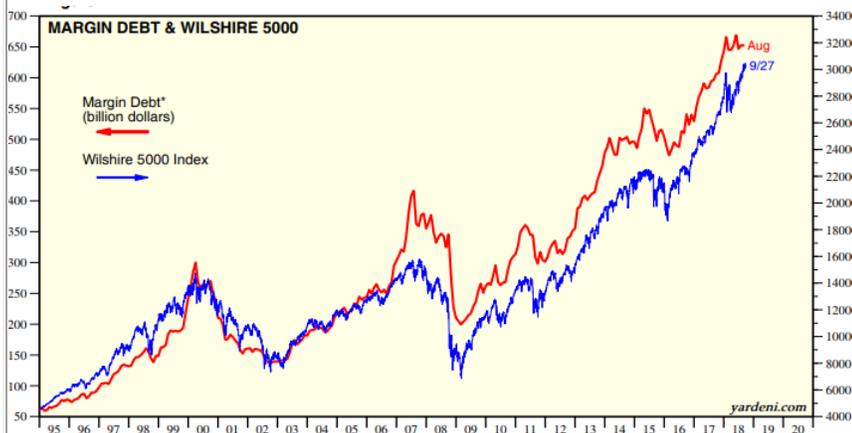
Index Performance: As of Sep. 28, 2018

Index	Price	Last Week	YTD
Dow Jones 30	26458	-1.1%	7.0%
S&P 500	2914	-0.5%	9.0%
NASDAQ	8046	0.7%	16.6%
Russell 2000	8424	-0.9%	11.5%
Russell 2000 Growth	7692	-0.2%	15.8%
Russell 2000 Value	12413	-1.5%	7.1%
Russell 1000 Growth	1525	0.7%	17.1%
Russell 1000 Value	1612	-1.7%	3.9%
Shanghai SE Index	2924	2.3%	-15.6%
SPDR Gold Shares	112.76	-0.6%	-8.8%
GS Crude Oil Total Return	9.03	4.8%	38.1%
Powershares US \$ Index	25.26	1.1%	5.1%
Ishares EAFE Index	67.99	-0.9%	-3.3%
iShares Barclays 20+ Yr Treasury Bond	117.27	0.1%	-7.6%
Utilities Select Sector ETF	52.65	-0.8%	-0.1%
Vanguard REIT ETF	80.68	-2.5%	-2.8%
iShares Mortgage Real Estate	43.56	-2.6%	-3.6%
Wells Fargo BDC	20.72	-0.9%	-0.2%

A Word on the Market by Pat Adams, CFA

Last Friday, Italy's government agreed to a budget deficit of 2.4% of GDP, well above the 2% allowed by the EU, this is a significant increase over the .8% in 2018. Italy's stock market fell -3.7% on Friday and other European markets fell -.83%. The U.K. leaving the EU and now Italy giving the EU a big raspberry is not good for the European economy.

It might be window dressing for end of quarter portfolio holdings, the big technology stocks were strong and the basic industry stocks, like chemicals, were very weak down -4% last week. Financials were also down big last week -3.1%. Perhaps with the Fed raising rates, indicating they are now in a neutral policy stance, but intended to keep increasing interest rates caused the market to become concerned about an inevitable slowing in the economy or worse. The tariffs were implemented by the U.S. against China and China against the U.S. October is the scariest month of the year for the stock market, when the major crashes or corrections have occurred. The market, really just the big tech stocks, had a big quarter, with the S&P 500 up 7.2% in the third quarter. Four technology stocks account for 84% of the return of the market. This sort of market action is consistent with final bull market moves where investors cram into the riskiest stocks to get returns. Watching many of the more speculative stocks, the individual investor is in the market and speculating in a big way. Below is margin debt, at basically an all-time high. You never like when the marginal buyer of stock is so highly leveraged.



* Debit balances in margin accounts at broker/dealers.
 Source: New York Stock Exchange through December 1996, FINRA thereafter, and Haver Analytics.

On Friday, the Employment report is expected to show the Unemployment rate fell to 3.8%. We would expect inflation to

Alerian MLP ETF	10.68	-1.4%	-1.0%
iShares Global Telecom	57.88	0.5%	-4.4%
ETFMG Alternative Harvest ETF	40.05	1.4%	23.4%
BitCoin Investment Trust	7.94	-10.3%	-64.2%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1322	0.8%	19.5%
Consumer Disc.	938	0.6%	19.5%
Consumer Staples	555	-2.1%	-5.5%
Health Care	1101	0.9%	15.2%
Financials	458	-4.1%	-1.2%
Industrials	659	-1.7%	3.3%
Energy	561	0.8%	5.2%
Telecommunications	161	1.1%	-3.3%
Utilities	267	-0.7%	0.0%
Materials	363	-4.5%	-4.2%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

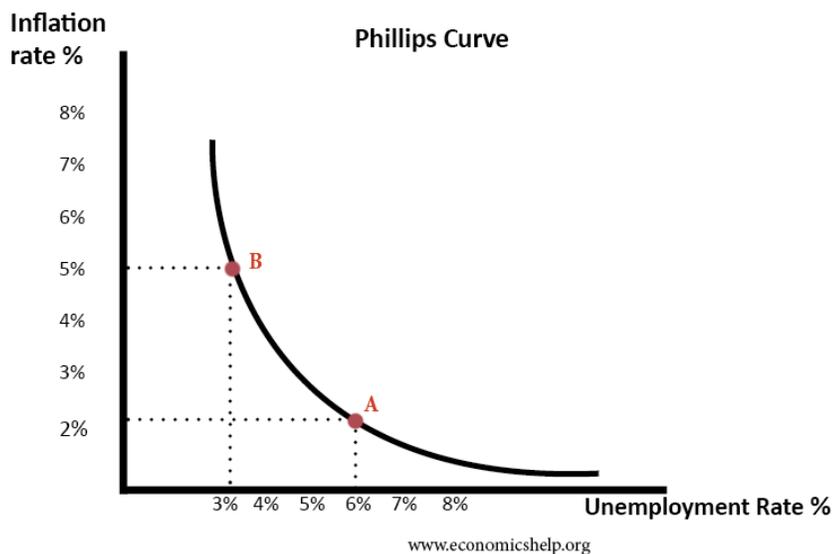
Fed Fund	2.125	5-Year	2.94
3-Month	2.19	10-Year	3.05
6-Month	2.36	30-Year	3.19
2-Year	2.81		

Source: Bloomberg.com

Economic Events This Week

25-Sep	Consumer Confidence	131.0	133.4
1-Oct	ISM Manufacturing Index	60.4	61.3
1-Oct	Construction Spending	0.4%	0.2%
4-Oct	Initial Claims	210K	214K

begin to accelerate with the low jobless rate and the tariffs starting to be implemented. There is an econometric model that describes a historical inverse relationship between the Unemployment Rate and the rate of inflation. This relationship will keep the Fed raising rates into 2019.



We thought we would share some of our favorite stocks with you. One way to weather through a tough market or make money in a rising market, but to also limit your downside is to find unloved quality stocks with little downside, attractive return potential, and with nice dividends.

- 1) AT&T (T)**- big benefit from 5G, and content with Time Warner acquisition. 9X earnings, 6% dividend yield, 40% upside just to fair value, expanding revenue and margins coming for multiple years.
- 2) Nokia (NOK)**- best way to play 5G infrastructure, 6-8-year cycle. Only 5.8x EBITDA with a 3.5% dividend yield. The stock has very large upside potential.
- 3) Disney (DIS)**- high quality entertainment, great franchise, content is becoming critical and DIS is will be rolling out their own streaming network. 15X earnings with a small yield 1.5%
- 4) Wells Fargo (WFC)**- major cost cutting program will increase earnings by \$1.00, as a result earnings will accelerate, and they are fixing the image of the company.
- 5) Newell (NWL)**- monumental restructuring, divesting half the company and will be realizing the private market value, massive share repurchases and debt reduction. Will have a higher content of online business in the process. 7.8x earnings and 4.5% dividend yield, lots of potential catalyst.
- 6) Olin (OLN)**- earnings are in a rapid acceleration in a midcycle chemical phase. Very cheap stock and high quality. AkzoNobel, a similar European chemical company was acquired for 12x EBITDA by Carlyle Group with multiple bidders. The valuation is 5.7x EBITDA with a 2.9% dividend yield. The stock has been distressed due to concerns about China's impact on global growth.

4-Oct	Factory Orders	1.8%	-0.8%
5-Oct	Nonfarm Payrolls	184K	201K
5-Oct	Nonfarm Private Payrolls	180K	204K
5-Oct	Unemployment Rate	3.8%	3.9%

Source: Briefing.com

Economic Events Last Week

Date	Event
25-Sep	Consumer Confidence for Sep. came in at 138.4 which was higher than forecasts of 131.0
26-Sep	New Home Sales for Aug. were reported at 629K which was close to expectations of 630K
26-Sep	The FOMC did increase the Fed Funds rate to 2.125% as expected from the prior 1.875% rate
27-Sep	Durable Orders for Aug. was reported at 4.5% which was higher than estimates of 1.8%
27-Sep	Durable Goods ex-transportation for Aug. rose 0.1% which was below expectations of 0.4%
27-Sep	GDP for Q2 was revised to 4.2% compared to estimates of 4.3%
27-Sep	The GDP Deflator for Q2 came in at 3.0% which was in line with forecasts
27-Sep	Initial Claims for the week of 9/22 were reported at 214K which was higher compared to expectations of 209K
28-Sep	Personal Income for Aug. rose 0.3% vs. estimates of 0.4%
28-Sep	Personal Spending for Aug. came in at 0.3% which was in line with forecasts
28-Sep	The Michigan Consumer Sentiment for Sep. was reported at 100.1 which was

- 7) **GlaxoSmithKline (GSK)**- large cheap consumer health company that is becoming more proactive, call on a cheap currency. 13.5x earnings, very large discount to peer group with a 4.9% dividend yield.
- 8) **Ares Capital (ARCC)**- biggest Business Development Company, benefits from rising short-term interest rates, very favorable regulatory environment, revenues and earnings are accelerating. 10.6 X earnings, trading at a slight discount to NAV, 9.0% dividend yield.
- 9) **Biotechnology**- very attractively value sector, Celgene (CELG) 9.7x earnings with a big pipeline, Biogen (BIIB) 12.9 x earnings beat on Alzheimer's not in the stock. Alzheon coming public soon, pure play on Alzheimer's disease, huge potential.

Please visit our website for more information.

www.pvgassetmanagement.com

	close to expectations of 100.5	
Source: Briefing.com		

Phone: (800) 777-0818

Email: Information@pvgasset.com

Web: www.pvgassetmanagement.com