



Market in a Minute

November 27, 2018

Index Performance: As of Nov. 23, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24286	-4.4 %	-1.8 %
S&P 500	2633	-3.3%	-1.5%
NASDAQ	6939	-4.3%	0.5%
Russell 2000	7403	-2.5%	-2.0%
Russell 2000 Growth	6568	-3.0%	-1.2%
Russell 2000 Value	11239	-2.1%	-3.0%
Russell 1000 Growth	1323	-4.6%	1.6%
Russell 1000 Value	1519	-2.7%	-2.1%
Shanghai SE Index	2701	-3.7%	-22.0%
SPDR Gold Shares	115.77	0.1%	-6.4%
GS Crude Oil Total Return	5.68	-12.7%	-13.1%
Powershares US \$ Index	25.87	0.6%	7.7%
iShares EAFE Index	61.80	-1.8%	-12.1%
iShares Barclays 20+ Yr Treasury Bond	115.14	0.4%	-9.2%
Utilities Select Sector ETF	54.11	-1.4%	2.7%
Vanguard REIT ETF	79.98	-1.0%	-3.6%
iShares Mortgage Real Estate	42.79	-0.8%	-5.3%
Wells Fargo BDC	19.29	-0.5%	-7.1%

A Word on the Market by Pat Adams, CFA

The markets have gotten very oversold and all the major indices have entered in what Wall Street describes as a correction, down more than -10%. As we have discussed numerous times, the concerns center around the Federal Reserve, the tariffs with China, and slower earnings and economic growth next year. Does the bear market occur now or is it perhaps in 2019, or later? We believe the Federal Reserve is sending signals that they are going to be less aggressive in raising interest rates as it is impacting the economy more than they expected, particularly the global economy. Fed Chairman Powell addresses the Economic Club of New York on Wednesday where hopefully he gives the markets some direction. We believe this could be a very important speech! It is very clear that growth globally has been slowing. We have an oversold market, the Fed could give the market some near term relief (more on the Fed below), Trump could pull a rabbit out of his hat in Buenos Aires, allowing the market to have a nice rally into year-end.

The G20 meeting in Buenos Aires will be on Friday and Saturday, where President Trump and President Xi Jinping will meet to see if they can put together a framework for a trade deal. If the U.S. can really get China to open its markets and not steal U.S. intellectual property it would be very bullish. This is not going to be easy to accomplish.

Oil prices have been extremely weak lately, they are officially in a bear market. We believe it is a combination of weak demand growth and too much supply. The last time we had very weak oil prices the credit markets had some real issues in 2014-2015. If oil continues to fall it will start to impact the economy in a negative way. OPEC meets on December 6th and the market needs around a 1 million cut in oil production.

Focusing back on the Fed, there has been a lot of attention about the Fed's interest rate policy. The market continues to expect the Fed to raise rates in December. It is less clear of what may happen next year, but during the previous Fed meeting they indicated four more rate increases in 2019. Our belief is raising rates more next year, at this time, would be a very big mistake. However, the bigger issue, we believe, is the reduction of the Fed's balance sheet. We are more concerned about the quantitative tightening than we are about interest rate increases. The reduction of the balance sheet by the Fed to the tune of \$50 billion a month or \$600 billion a year is as much or more

Alerian MLP ETF	9.40	-3.2%	-12.9%
iShares Global Telecom	51.98	-2.9%	-14.1%
ETFMG Alternative Harvest ETF	30.05	-1.9%	-7.4%
BitCoin Investment Trust	4.88	-19.3%	-78.0%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1121	-6.1%	1.4%
Consumer Disc.	802	-4.3%	2.1%
Consumer Staples	560	-2.4%	-4.6%
Health Care	1036	-0.1%	8.3%
Financials	431	-3.0%	-7.2%
Industrials	584	-3.2%	-8.4%
Energy	470	-5.1%	-11.9%
Communications Services	142	-4.0%	-14.5%
Utilities	273	-1.3%	2.2%
Materials	333	-3.5%	-12.1%
Real Estate	203	-1.5%	-0.3%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

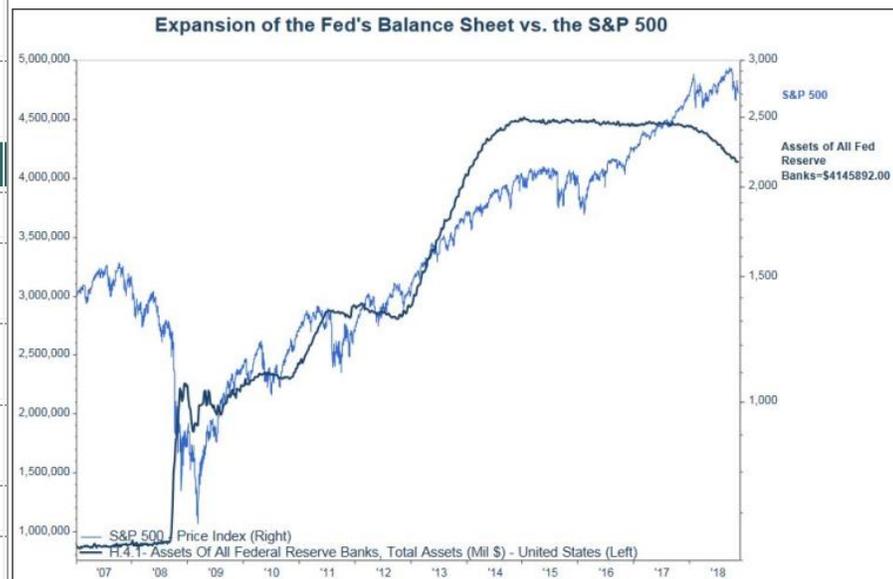
Fed Fund	2.125	5-Year	2.88
3-Month	2.41	10-Year	3.05
6-Month	2.52	30-Year	3.31
2-Year	2.81		

Source: Bloomberg.com

Economic Events This Week

27-Nov	Consumer Confidence	135.5	137.9
28-Nov	GDP-Sec. Estimate	3.6%	3.5%
28-Nov	GDP Deflator-Sec. Estimate	1.4%	1.7%

than the economy can supply in terms of liquidity. The U.S. economy is about \$20 trillion in size and could grow at 4%-5% next year, which is an increase of \$800 billion to \$1 trillion in growth, but this increase does not go to liquidity i.e. stocks or bonds, but also goes to real assets as well. Here is the problem, the Fed intends to cut the balance sheet by \$2 trillion in total. Below, on the left axis is the Fed's balance sheet and on the right axis the S&P 500. Draw a line across where the balance sheet equals \$2.5 trillion, this is a major problem for the stock market.



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28-Nov	New Home Sales	575K	553K
29-Nov	Personal Income	0.4%	0.2%
29-Nov	Personal Spending	0.4%	0.4%
29-Nov	Initial Claims	218K	224K
30-Nov	Chicago PMI	58.0	58.4

Source: Briefing.com

Economic Events Last Week

Date	Event
20-Nov	Housing Starts for Oct. came in at 1228K which was close to expectations of 1230K
20-Nov	Building Permits for Oct. were reported at 1263K vs. estimates of 1260K
21-Nov	Durable Orders for Oct. was -4.4% compared to forecasts of -2.6%
21-Nov	Durable Goods-ex Transportation for Oct. was 0.1% which was lower compared to expectations of 0.4%
21-Nov	Initial Claims for the week of 11/17 were reported at 224K which was higher vs. estimates of 215K
21-Nov	The Leading Indicators for Oct. was up 0.1% which was in line with consensus forecasts
21-Nov	The University of Michigan Consumer Sentiment for Nov. came in at 97.5 compared to estimates of 98.3
21-Nov	Existing Home Sales for Oct. came in at 5.22M vs. expectations of 5.20M

Source: Briefing.com

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