



Market in a Minute

January 3, 2019

Index Performance: As of Dec. 31, 2018

Index	Price	Last Week	YTD
Dow Jones 30	23327	3.9%	-5.6%
S&P 500	2507	3.7%	-6.2%
NASDAQ	6635	4.8%	-3.9%
Russell 2000	6722	4.5%	-11.0%
Russell 2000 Growth	6026	6.0%	-9.3%
Russell 2000 Value	10096	2.9%	-12.9%
Russell 1000 Growth	1283	4.9%	-1.5%
Russell 1000 Value	1423	2.8%	-8.3%
Shanghai SE Index	2611.38	-0.8%	-24.6%
SPDR Gold Shares	121.25	2.1%	-1.9%
GS Crude Oil Total Return	4.79	1.1%	-26.8%
Powershares US \$ Index	25.45	-1.9%	5.9%
Ishares EAFE Index	58.78	2.1%	-16.4%
iShares Barclays 20+ Yr Treasury Bond	121.51	0.7%	-4.2%
Utilities Select Sector ETF	52.92	-1.7%	0.5%
Vanguard REIT ETF	74.57	0.2%	-10.1%
iShares Mortgage Real Estate	39.94	2.0%	-11.6%
Wells Fargo BDC	17.69	3.1%	-14.8%
Alerian MLP ETF	8.73	0.1%	-19.1%
iShares Global Telecom	50.18	2.6%	-17.1%
ETFMG Alternative Harvest ETF	24.94	3.1%	-23.1%
BitCoin Investment Trust	3.96	-8.3%	-82.1%

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

S&P Sector Performance: As of Dec. 31, 2018

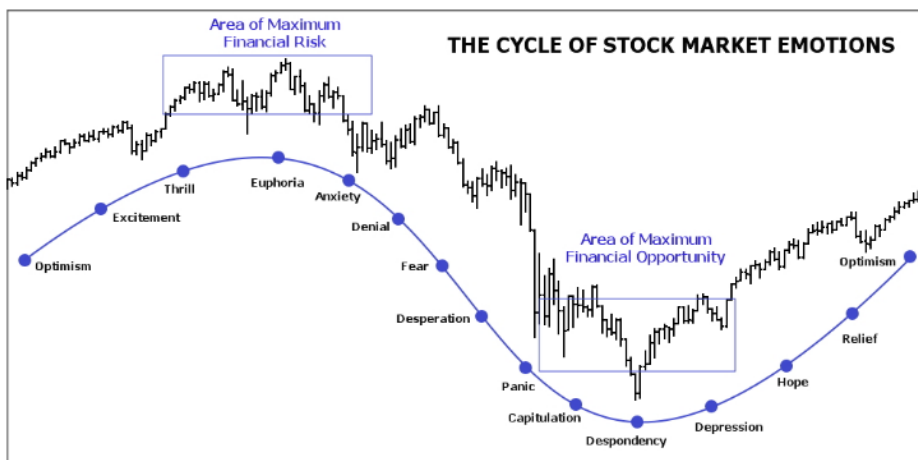
Index	Price	Last Week	YTD
Information Technology	1089	4.8%	-1.6%
Consumer Disc.	781	5.8%	-0.5%
Consumer Staples	522	1.1%	-11.2%
Health Care	1001	4.5%	4.6%
Financials	396	4.4%	-14.6%
Industrials	542	3.4%	-15.0%
Energy	424	2.2%	-20.5%

A Word on the Market by Pat Adams, CFA

The S&P 500 fell -6.2% last year and if it was not for a big surge the last week of the year, it would have fallen by roughly -10%. The S&P 500 fell into bear market territory by falling by over 20% in 2018 from high to low. The technology sector performed poorly in the 4th quarter, falling roughly -25% from the high in September to the low in December, technology was a very poor performer from the highs. Other sectors performed much better in the 4th quarter but were down more on the year as they started to have negative returns prior to the 4th quarter and did not have the euphoric rally and cycle ending spike up that traditionally happens in technology. Growth for the year clearly outperformed Value, but in the 4th quarter we started to see that change. Just on the surface, it appears the Growth sectors clearly have more downside risk on a relative basis. The REITs, BDCs, MLPs, and telecom all were down double digits last year, which has created some attractive buying opportunities, and in particular, with the Federal Reserve likely on pause in raising interest rates.

The bull market, which started in March of 2009 officially peaked in September 2018 and lasted 9 years and 7 months, was the longest bull in history. The average post WW2 bear has lasted 14 months and fell on average -33%. The shortest bear was only 3 months which was 1990 and fell -20%. This is a young bear only 3 months old. If there is no recession perhaps the bear is shorter and shallower. Our concern is really the Federal Reserve and the unwinding of their balance sheet not a deep recession.

Keep in mind, bear markets like to make you feel like they are over with massive rallies within the bear. The best short-term rallies occur during bear markets. We have clearly seen the euphoria phase of the bull and most investor, by our guess, are in denial that we are now in a bear market.



Communications Services	139	3.9%	-16.4%
Utilities	269	-1.8%	0.4%
Materials	316	3.9%	-16.5%
Real Estate	192	-0.2%	-5.7%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	2.25-2.50	5-Year	2.51
3-Month	2.45	10-Year	2.69
6-Month	2.56	30-Year	3.02
2-Year	2.48		

Source: Bloomberg.com

Economic Events This Week

02-Jan	Final Manufacturing PMI	53.8	53.9
03-Jan	Non-Farm Employment Change	179k	179k
03-Jan	Unemployment Claims	220k	216k
03-Jan	ISM Manufacturing PMI	57.7	59.3
04-Jan	Average Hourly Earnings	0.3%	0.2%
04-Jan	Non-Farm Employment Change	178k	155k
04-Jan	Unemployment Rate	3.7%	3.7%
04-Jan	Final Services PMI	53.5	53.4
04-Jan	Fed Chair Powell Speaks		
04-Jan	FOMC Member Bostic Speaks		

Source: Briefing.com

Economic Events Last Week

Date	Event
26-Dec	The year-over-year Case-Shiller home prices index fell to 5% from a revised 5.2%
26-Dec	Richmond Fed's Manufacturing Index Weakened

It feels like all the bad news has not been reported yet and fully digested by the market. If this is an average bear then we have roughly a year before the bottom occurs, so we are only halfway home in terms of downside. Our best guess of how things play out is the market rallies, feels like a return to normal, and then rolls over to get a final bottom. If this is a normal bear cycle then the bottom will occur around September of 2019. It seems things are never normal.

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	in December to minus 8 versus a forecast of 16
27-Dec	Weekly unemployment claims drop slightly to 216k against a forecast of 217k in the week before Christmas
27-Dec	The consumer confidence index dropped for the second month in a row to 128.1 from a revised 136.4 in November
28-Dec	The Chicago PMI slipped to 65.4 points in December from an 11-month high of 66.4 in the prior month beating expectations of 61.4
28-Dec	Pending home sales dropped unexpectedly by 0.7% in November to 101.4
Source: Briefing.com	

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