



## Market in a Minute

May 14, 2019

### Index Performance: As of May 10, 2019

Index	Price	Last Week	YTD
Dow Jones 30	25942.37	-2.1%	11.2%
S&P 500	2881.4	-2.2%	14.9%
NASDAQ	7916.94	-3.0%	19.3%
Russell 2000	7626.03	-5.6%	13.4%
Russell 2000 Growth	6925.65	-6.2%	14.9%
Russell 2000 Value	11299.25	-5.0%	11.9%
Russell 1000 Growth	1479.41	-5.2%	15.3%
Russell 1000 Value	1584.17	-3.8%	11.3%
Shanghai SE Index	3078.25	-4.5%	17.9%
SPDR Gold Shares	121.43	0.6%	0.1%
GS Crude Oil Total Return	7.06	-0.7%	47.4%
Powershares US \$ Index	26.15	0.0%	2.8%
Ishares EAFE Index	65.33	-2.5%	11.1%
iShares Barclays 20+ Yr Treasury Bond	124.75	0.9%	2.7%
Utilities Select Sector ETF	57.96	-0.6%	9.5%
Vanguard REIT ETF	86.86	-0.9%	16.5%
iShares Mortgage Real Estate	43.35	-1.1%	8.5%
Wells Fargo BDC	19.85	-0.4%	12.2%
Alerian MLP ETF	9.91	0.1%	13.5%
iShares Global Telecom	58.19	-1.8%	16.0%

### A Word on the Market by Pat Adams, CFA

The trade war is on with China, we have been concerned that the 25% tariffs were not a big deal for China, as they are stealing our intellectual property currently, which is perhaps more valuable. The market has been very slow to realize that the trade deal was falling apart. China has a much longer time horizon than we do and seems inclined to let things play out for a while. Next, Trump's decision on European auto tariffs on May 18th. The market really will not like another trade issue and the market is not at all focused on this, which is another negative issue.

Let's review the fundamentals, we have a flat to inverted yield curve, this has historically always turned into a big problem for our economy. Wells Fargo- we view WFC as America's bank, which said on their quarterly earnings call that net interest income was going to drop -2% to -5% this year. The first quarter GDP really grew at 2% when you back out the positive impact of inventory building and trade, so the economy is not as strong as most believe. Inflation is about 2%, with the Federal Funds rate at 2.5%, the Fed is perhaps too tight, especially when compared to the 10-year treasury which is 2.4%. Earnings reports for the first quarter were much better than expected with -.5% growth, but still no growth. Earnings are expected to improve as the year progresses, but we think you must question that assumption. Valuations are high, especially if you account for the tax cut benefits which make the P/E lower and are not permanent. Without the tax cuts the multiple on the S&P 500 would be 10% higher or around 19x. Growth stocks are very expensive and value stocks are very cheap. Investors want to own growth and that is where there is the most risk. The Uber IPO was a flop. You can make the case that Uber should have been valued at a fraction of what it was.

We would increase the odds that the Fed will be forced to cut rates later this year as the odds of the market unraveling seem high. We believe Trump will start to focus on an infrastructure bill later this year, and ways to improve the economy and markets in front of the November election.

ETFMG Alternative Harvest ETF	34.3	-3.2%	37.5%
BitCoin Investment Trust	8.6	17.5%	117.2%

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

#### S&P Sector Performance: As of May 10, 2019

Index	Price	Last Week	YTD
Information Technology	1334.23	-3.6%	22.5%
Consumer Disc.	930.2	-2.5%	19.1%
Consumer Staples	588.24	-0.4%	12.7%
Health Care	1027.08	-1.5%	2.6%
Financials	455.03	-2.3%	14.9%
Industrials	641.72	-2.8%	18.4%
Energy	471.66	-0.6%	11.2%
Communications Services	164.33	-1.9%	18.3%
Utilities	293.54	-0.7%	9.3%
Materials	344.74	-2.8%	8.9%
Real Estate	223.35	-0.7%	16.1%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	2.25-2.50	5-Year	2.18
3-Month	2.41	10-Year	2.40
6-Month	2.42	30-Year	2.83
2-Year	2.18		

Source: Bloomberg.com

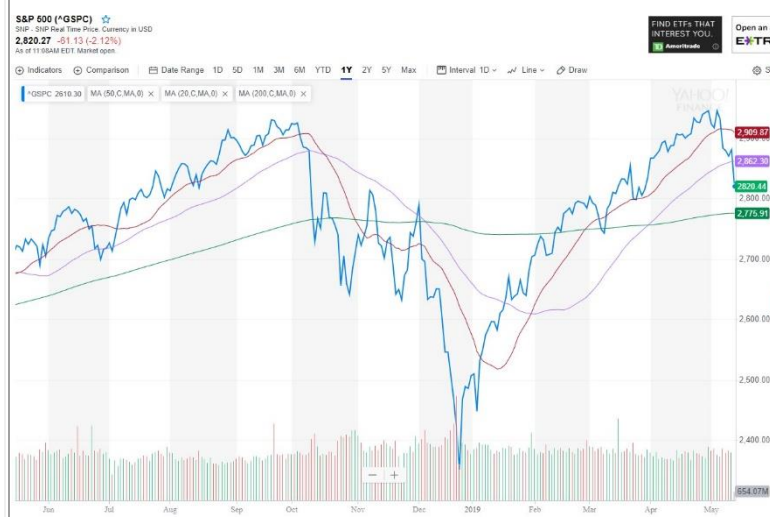
#### Economic Events This Week

<b>14-May</b>	Import Prices m/m	0.7%	0.6%
<b>15-May</b>	Core Retail Sales m/m	0.7%	1.2%
<b>15-May</b>	Retail Sales m/m	0.2%	1.6%

Earnings for the S&P 500 are expected to be \$168 up 4% for 2019, we believe this may prove to be a little too high, but assuming it is correct, and we are late in a market cycle then a multiple of 15x seems perhaps a little high, but that math gets us a price target of 2520, which is over a 10% drop.



On a technical basis, the market has proven it will rip to the upside if there is a trade deal with China, we saw this on Friday with a massive reversal to the positive. For the shorts, it is a tough thing to manage from tweet to tweet. What we have been saying is below 2900 on the S&P 500 then you want to be defensive as the market broke the 20-day moving average. Now that we are nicely below 2900, and have pierced the 50-day, we believe it is prudent to maintain a defensive position. We are focused on the 200-day moving average as support at 2776.



Annaly Capital (NLY) generally performs very well in bear markets as interest rates fall and their book value expands as a result. We have seen some recent insider buying in the shares. The stock currently yields about 10.2% and trades at a 4% discount to its book value. This is a stock we believe is an example of a timely security for defensive investors in this volatile market.

<b>16-May</b>	Building Permits	1.29M	1.29M
<b>16-May</b>	Philly Fed Manufacturing Index	10.0	8.5
<b>16-May</b>	Unemployment Claims	220K	228K
<b>17-May</b>	Prelim UoM Consumer Sentiment	97.8%	97.2%

Source: Briefing.com

#### Economic Events Last Week

Date	Event
<b>07-May</b>	The number of U.S. job openings jumps to 7.49 million in March after falling to a nine months low of 7.14 in February
<b>07-May</b>	U.S. consumer credit grows \$10.3 billion in March, down from \$15.4 billion in February
<b>09-May</b>	Jobless claims fell slightly by 2K to 228K in early May
<b>09-May</b>	U.S. trade deficit climbs 1.5% in March to \$50 billion from a revised \$49.3 billion in February
<b>09-May</b>	The producer price index rose by 0.2% in April against a 0.3% forecast
<b>09-May</b>	Fed's keep rates unchanged
<b>10-May</b>	The consumer price index rose 0.3% in April compared to a 0.4% forecast
<b>10-May</b>	The core CPI increased 2.1% in the last 12 months through April, after gaining 2.0% in March

Source: Briefing.com

Please let us know if you would like to discuss.  
800.777.0818

Please visit our website for more information.  
[www.pvgassetmanagement.com](http://www.pvgassetmanagement.com)

Phone: (800) 777-0818

Email: [Information@pvgasset.com](mailto:Information@pvgasset.com)

Web: [www.pvgassetmanagement.com](http://www.pvgassetmanagement.com)