



## Market in a Minute

May 28, 2019

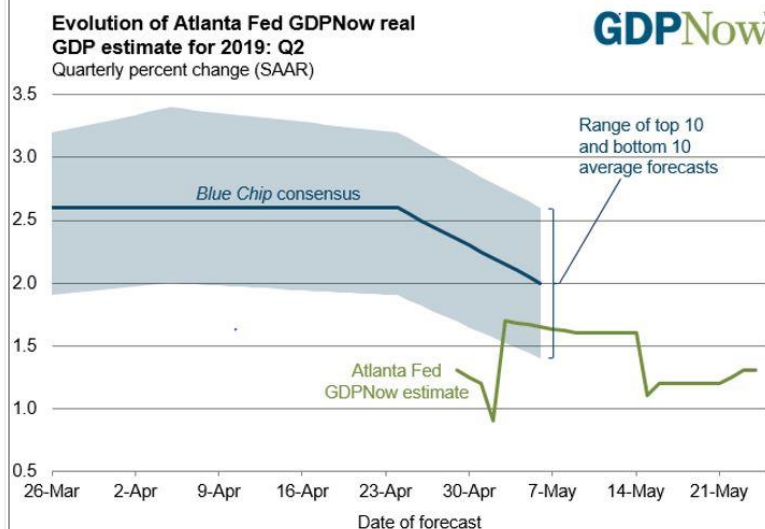
### Index Performance: As of May 24, 2019

Index	Price	Last Week	YTD
Dow Jones 30	25585.69	-0.7%	9.7%
S&P 500	2826.06	-1.2%	12.7%
NASDAQ	7637.01	-2.3%	15.1%
Russell 2000	7585.98	-1.4%	12.9%
Russell 2000 Growth	6942.1	-1.0%	15.2%
Russell 2000 Value	11147.32	-1.8%	10.4%
Russell 1000 Growth	1489.47	-1.6%	16.1%
Russell 1000 Value	1591.36	-0.8%	11.8%
Shanghai SE Index	3047.74	1.0%	16.7%
SPDR Gold Shares	121.3	0.5%	0.0%
GS Crude Oil Total Return	6.6	-8.5%	37.8%
Powershares US \$ Index	26.25	-0.4%	3.1%
Ishares EAFE Index	64.78	0.0%	10.2%
iShares Barclays 20+ Yr Treasury Bond	127.78	1.4%	5.2%
Utilities Select Sector ETF	59.83	1.8%	13.1%
Vanguard REIT ETF	88.06	0.2%	18.1%
iShares Mortgage Real Estate	42.79	-0.1%	7.1%
Wells Fargo BDC	19.75	-0.7%	11.6%
Alerian MLP ETF	9.87	-1.3%	13.1%
iShares Global Telecom	56.97	-1.2%	13.5%

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

As we mentioned in previous notes, the first quarter Real GDP when you exclude inventory building and trade then GDP was more like 2% instead of 3.2%. Perhaps businesses were anticipating the tariffs and built inventories in the first quarter. It looks like the economy has slowed even more to close to 1% in the second quarter as measured by the Atlanta Federal Reserve.

#### Atlanta Fed Forecast 1.3% 2<sup>nd</sup> Quarter 2019



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

On Friday, the government releases Personal Income and the PCE deflator. The PCE deflator is a very closely watch inflation reading, is expected to be just 1.6%, below the Fed's target of 2%. The current Federal Funds rate, which is the overnight rate the Fed charges is 2.5% versus the 10-year treasury of 2.32%. The Fed is clearly not seeing what the bond market is seeing. The bond market is signaling a significant reversal in policy is needed or otherwise the economy is headed for a significant slowdown or decline. The bond market is saying the stock market needs to continue to pullback. The S&P 500 P/E on 2019 earnings is 16.8, which is high and the earnings estimates are likely to move lower.

ETFMG Alternative Harvest ETF	33.45	-0.7%	34.1%
BitCoin Investment Trust	10.7	15.9%	170.2%

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

#### S&P Sector Performance: As of May 24, 2019

Index	Price	Last Week	YTD
Information Technology	1283.32	-2.8%	17.9%
Consumer Disc.	899.17	-2.2%	15.1%
Consumer Staples	590.84	-0.4%	13.2%
Health Care	1033.95	1.2%	3.3%
Financials	444.42	-0.2%	12.2%
Industrials	620.08	-1.5%	14.4%
Energy	452.22	-3.4%	6.6%
Communications Services	162.38	-1.4%	16.9%
Utilities	301.9	1.7%	12.4%
Materials	336.33	-1.7%	6.3%
Real Estate	227	0.3%	18.0%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	2.25-2.50	5-Year	2.12
3-Month	2.35	10-Year	2.32
6-Month	2.39	30-Year	2.75
2-Year	2.16		

Source: Bloomberg.com

#### Economic Events This Week

<b>28-May</b>	CB Consumer Confidence	130.1	129.2
<b>30-May</b>	Prelim GDP q/q	3.1%	3.2%
<b>30-May</b>	Prelim GDP Price Index q/q	0.9%	0.9%

The trade war with China looks like it is starting to get reflected in some stock prices. We believe we may have a long way to go still. Knowing Trump, we believe there will likely be another hike from 25% and on more goods from China. It seems as though China is digging in for a long battle. The stock market seems to be now becoming a little concerned, but it believes a deal will get done.

Politics are now becoming a factor for the economy and the financial markets. The infrastructure bill seems to be coming into question as the Democrats push for impeachment. Our belief is this is about the only fiscal stimulus left that Trump can do to significantly boost the economy. Tax cuts are likely out of the question.

The more economically sensitive stocks or value have not performed well and look like they have already been through a recession. Commodity prices on average are down -10% over the last 12 months. Copper prices have fallen -8.9% during the last month and oil prices fell -7.7% last week.

We mentioned WestRock (WRK) last week as an unusual value at a 9 P/E and a 5.2% dividend yield. The stock is down 50% from its high in 2018. The P/E is lower than 2008 and similar to the year 2000.

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CenturyLink (CTL) we believe is a unique opportunity at a 7.5 P/E and a 9.9% dividend yield with only a 30% payout ratio on cash flow. With only a \$10 billion market cap and \$2 billion of free cash flow after dividends are paid. We believe the company will very likely divert a \$1 billion per year and buy back stock. We also see a lot of insider buying in the shares. Below is the P/E multiple from 1998 forward. The multiple is less than the bottom in 2008. CTL has fallen by 75% from its high in 2014.



<b>30-May</b>	Unemployment Claims	216K	211K
<b>30-May</b>	Pending Home Sales m/m	0.9%	3.8%
<b>31-May</b>	Core PCE Price Index m/m	0.2%	0.0%
<b>31-May</b>	Personal Spending m/m	0.2%	0.9%
<b>31-May</b>	Personal Income m/m	0.3%	0.1%
<b>31-May</b>	Chicago PMI	55.1	52.6
<b>31-May</b>	Revised UoM Consumer Sentiment	102.0	102.4

Source: Briefing.com

#### Economic Events Last Week

Date	Event
<b>20-May</b>	Chicago Fed national activity index falls in April to 0.45 in April, down from a positive 0.05 in March
<b>21-May</b>	Existing-home sales drops to annual 5.19 million rate in April, 4.4% lower than a year ago
<b>23-May</b>	U.S. jobless claims dip by 1K to 211K for week ending May 18
<b>23-May</b>	New-home sales slump 7% in April to 673K compared to a forecast of 670K
<b>24-May</b>	Orders for durable goods dropped 2.1% in April, against a market estimate of 2.0%

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)