



Market in a Minute

July 23, 2019

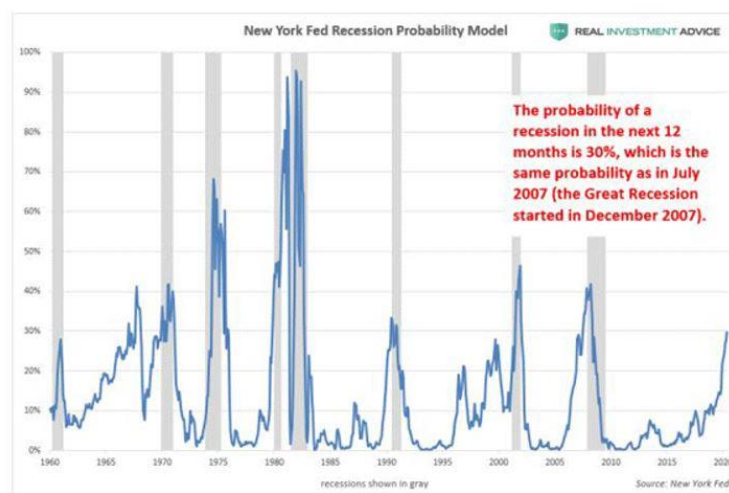
Index Performance: As of July 19, 2019

Index	Price	Last Week	YTD
Dow Jones 30	27154.2	-0.7%	16.4%
S&P 500	2976.61	-1.2%	18.7%
NASDAQ	8146.49	-1.2%	22.8%
Russell 2000	7773.55	-0.6%	15.6%
Russell 2000 Growth	7215.3	-0.3%	19.7%
Russell 2000 Value	11250.04	-0.9%	11.4%
Russell 1000 Growth	1590.25	-0.7%	23.9%
Russell 1000 Value	1664.33	-0.6%	17.0%
Shanghai SE Index	3062.77	-0.2%	17.3%
SPDR Gold Shares	134.47	0.7%	10.9%
GS Crude Oil Total Return	6.2	-3.9%	29.4%
Powershares US \$ Index	26.29	0.4%	3.3%
iShares EAFE Index	65.51	-0.4%	11.4%
iShares Barclays 20+ Yr Treasury Bond	131.69	1.1%	8.4%
Utilities Select Sector ETF	60.37	-0.4%	14.1%
Vanguard REIT ETF	87.43	-2.3%	17.2%
iShares Mortgage Real Estate	42.8	-0.3%	7.2%
Wells Fargo BDC	19.64	-0.4%	11.0%
Alerian MLP ETF	9.98	-1.4%	14.3%
iShares Global Telecom	57.67	-2.3%	14.9%
ETFMG Alternative Harvest ETF	29.83	1.3%	19.6%
Bitcoin Investment Trust	13.23	-10.9%	234.1%

A Word on the Market by Pat Adams, CFA

Below is the New York Fed Recession Probability Model, which uses the spread in treasury securities, which indicates currently there is a 32.87% probability of a recession by June 2020. We would note that the model is 100% accurate from the 1960s forward when it is over 30% in predicting or confirming a recession. The flaw in the model assumes the Fed does not dramatically change the shape of the yield curve...soon. Next week the Fed meets and it is widely expected that they will cut the Federal Funds rate by .25%, we do not think that will be enough and will need to do .50% to .75% in total to get the yield curve positively sloped. The thing to watch is how the bond market reacts, if the yield on the long-end of the curve starts to go up as the Fed brings rates down. That would indicate the market has confidence that the recession probability has been averted...for now.

New York Fed Recession Probability



If the Fed is successful, we see a significant rotation coming back into early cycle or the greatly unloved value sectors.

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

S&P Sector Performance: As of July 19, 2019

Index	Price	Last Week	YTD
Information Technology	1415.14	-0.7%	30.0%
Consumer Disc.	969.52	-1.7%	24.1%
Consumer Staples	617.25	0.2%	18.3%
Health Care	1061.01	-0.8%	6.0%
Financials	463.68	-1.3%	17.1%
Industrials	652.22	-1.2%	20.3%
Energy	464.01	-2.7%	9.4%
Communications Services	165.51	-3.1%	19.2%
Utilities	306.2	-0.4%	14.0%
Materials	366.59	0.2%	15.8%
Real Estate	227.67	-2.3%	18.4%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	2.25-2.50	5-Year	1.80
3-Month	2.09	10-Year	2.05
6-Month	2.08	30-Year	2.58
2-Year	1.80		

Source: Bloomberg.com

Economic Events This Week

23-Jul	Existing Home Sales	5.35 M	5.34M
24-Jul	Flash Manufacturing PMI	50.9	50.6
24-Jul	New Home Sales	659K	626K
25-Jul	Core Durable Goods Orders m/m	0.2%	0.4%
25-Jul	Durable Goods Orders m/m	0.8%	-1.3%
25-Jul	Unemployment Claims	220K	216K
26-Jul	Advance	1.8%	3.1%

Life Cycle of Different Sectors or Asset Classes

Below is an investment clock of the stock market, at 6 o'clock it is the bottom of the recession where smaller cap stocks, early cycle and value stocks begin to perform strongly, and at the end of an economic cycle, when the economy slows, from 12-3 o'clock is when defensive stocks, and predictable growth outperform. This is where the market has been stuck for a number of years, creating excessiveness.



- Late in an economic cycle defensive sectors and growth outperform. Since 2013 when the Federal Reserve started to lay the groundwork to tighten monetary policy these sectors have seen significant outperformance, this is from 12-4 on the clock, but the market itself has been uncharacteristically strong.
- If the Federal Reserve cuts interest rates enough, the rate sensitive, value, early cycle, and small cap stocks will recharge and should outperform, 4-9 on the clock, and likely avoid a major decline in the stock market.
- If the Fed is unsuccessful in cutting rates enough to reinvigorate the economy then the economy will drift into a recession and investors will want to be very cautious in owning equities that do not have downside protection. A bear market should occur if rates don't come down enough.

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	GDP q/q		
26-Jul	Advance GDP Price Index q/q	4.0%	0.9%

Source: Briefing.com

Economic Events Last Week

Date	Event
15-Jul	Empire State manufacturing index rises to 4.3 in July after dropping to minus 8.6 in June
16-Jul	Retail sales increased 0.4% in June against a 0.1% market forecast
16-Jul	Industrial Production was reported flat in June, below expectations of 0.1%
16-Jul	Fed chairman said that weak inflation and weak economic outlook have strengthened the case for policy easing
17-Jul	Housing starts drops in June by 0.9% to an annual rate of 1.25M, lowest levels in two years
17-Jul	Permits to build more homes dropped 6.1% to a 1.22M pace, lowest levels since mid-2017
18-Jul	Jobless claims rose as expected by 8K to 216K in mid-July
18-Jul	Philly Fed manufacturing index jumps to 21.8 after a 0.3 reading in June
19-Jul	Consumer sentiment index edges up to 98.4 in July from 98.2 in June

Source: Briefing.com

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