



## Market in a Minute

August 06, 2019

### Index Performance: As of August 2, 2019

Index	Price	Last Week	YTD
Dow Jones 30	26485.01	-2.6%	13.5%
S&P 500	2932.05	-3.1%	17.0%
NASDAQ	8004.07	-3.9%	20.6%
Russell 2000	7704.52	-2.8%	14.6%
Russell 2000 Growth	7166.1	-2.5%	18.9%
Russell 2000 Value	11126.24	-3.2%	10.2%
Russell 1000 Growth	1568.48	-3.3%	22.3%
Russell 1000 Value	1637.22	-3.0%	15.1%
Shanghai SE Index	3004.02	-2.6%	15.0%
SPDR Gold Shares	135.95	1.7%	12.1%
GS Crude Oil Total Return	6.1	-2.1%	27.3%
Powershares US \$ Index	26.59	0.2%	4.5%
Ishares EAFE Index	63.7	-2.7%	8.4%
iShares Barclays 20+ Yr Treasury Bond	136.51	3.8%	12.3%
Utilities Select Sector ETF	60.15	0.3%	13.7%
Vanguard REIT ETF	89.32	1.2%	19.8%
iShares Mortgage Real Estate	42.96	-0.5%	7.6%
Wells Fargo BDC	19.57	-0.8%	10.6%
Alerian MLP ETF	9.58	-4.1%	9.7%
iShares Global Telecom	57.87	-3.0%	15.3%

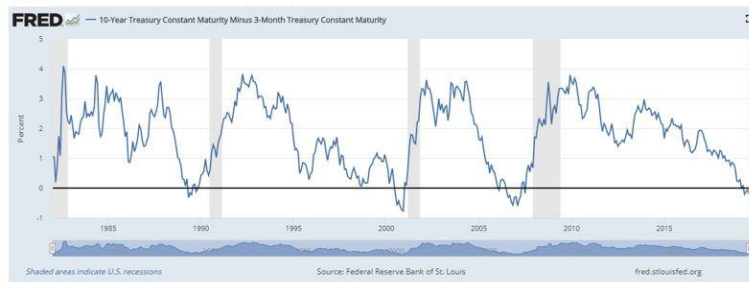
### A Word on the Market by Pat Adams, CFA

There are several risks in the market that need to be resolved or the markets will seek lower levels. To start with, we are in a bad seasonal period with August, September, and October, the toughest months. The Federal Reserve is now behind the curve, which has been historically not been good, the bond market is saying there are big problems in the world. Earnings trends are flat to down for the second quarter in a row, with a pickup in the second half of the year are now in question. China and U.S. trade frictions are not getting resolved, and China is threatening a retaliation. China may have a run on their currency and will not be able to support their currency or may decide not to support it.

August and September on average since 1950 had negative returns, and October has had serious declines.

Last week, the Federal Reserve cut the Federal Funds rate by .25% to 2.25%, but the Chairman Powell blew the press conference by saying that this was an adjustment in a mid-cycle period. This should have been spun as a late-cycle adjustment and the initial phase of lowering the Federal Funds rate to below the 10-Year U.S. Treasury, so the yield curve is in a positive slope. The spread between the 10 Year and 3-Month Treasury is about .25% higher for the short-end. It would be unusual to have an economic expansion last very long with short rates higher than long rates. It will be interesting to see if the Fed can get in front of things or be forced by the market to cut aggressively for some reason. It is generally not good when the market forces the Fed to cut rates.

10-Year U.S. Treasury minus 3-Month Treasury



ETFMG Alternative Harvest ETF	28.33	-1.0%	13.6%
BitCoin Investment Trust	14.18	13.5%	258.1%

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

#### S&P Sector Performance: As of August 2, 2019

Index	Price	Last Week	YTD
Information Technology	1386.07	-4.4%	27.3%
Consumer Disc.	933.12	-4.6%	19.4%
Consumer Staples	608.99	-1.9%	16.7%
Health Care	1052.76	-1.1%	5.2%
Financials	457.56	-3.9%	15.5%
Industrials	638.4	-3.4%	17.8%
Energy	445.85	-3.4%	5.1%
Communications Services	167.01	-3.5%	20.3%
Utilities	305.1	0.3%	13.6%
Materials	359.06	-3.0%	13.5%
Real Estate	234.05	2.0%	21.7%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

Fed Fund	2.00-2.25	5-Year	1.55
3-Month	2.05	10-Year	1.75
6-Month	1.99	30-Year	2.30
2-Year	1.59		

Source: Bloomberg.com

#### Economic Events This Week

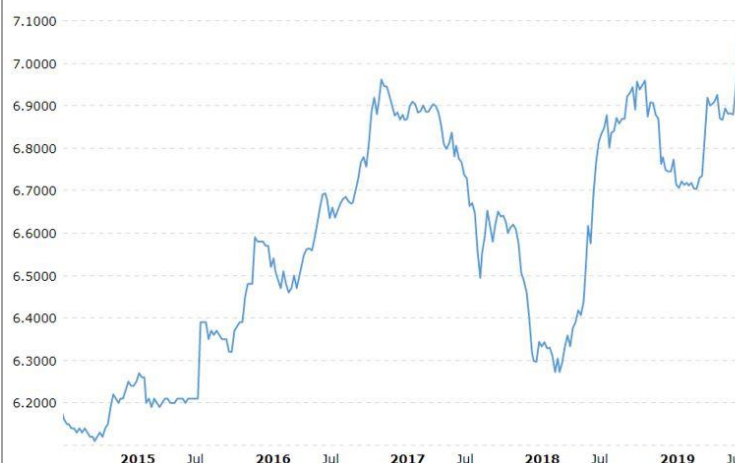
<b>05-Aug</b>	ISM Non-Manufacturing PMI	55.5	55.1
<b>06-Aug</b>	JOLTS Job Openings	7.34M	7.32M
<b>07-Aug</b>	Consumer Credit m/m	16.4B	17.1B
<b>08-Aug</b>	Unemployment Claims	215K	215K
<b>09-Aug</b>	PPI m/m	0.2%	0.1%

Source: Briefing.com

#### Economic Events Last Week

The trade war with China seems to be moving forward. On the surface, if the Chinese devalue their currency it certainly compensates for the newly imposed tariffs to keep China competitive as a low cost manufacturer, but the issue for China is the exodus of capital. If their currency declines then capital in China will seek safety. China has been purposely not allowing their currency to drop to below 7 Juan to the U.S. Dollar (if the Juan to the dollar goes from 7 to 8 that would be a drop in the Juan). The 7 level seems to be the line in the sand and something the markets are going to be concerned about. This trend could become a big problem for global growth. As a recent example, the drop in currency for Turkey was a huge negative for them. We would have to see the Juan to Dollar go to higher levels, probably, to be an issue.

Dollar/Yuan Exchange Rate Last 5 years



We were on many earnings conference calls the last several weeks when most companies have been looking for a pickup in GDP to improve business trends, we would not expect that to occur do to all the issues we previously mentioned. The stock market needs to adjust lower to account for these risks. One of the largest companies in the world, and in the technology sector, Apple (AAPL), may be entering the perfect storm, China is a big market to manufacture their product and is a big market to sell their product.

In terms of the markets technicals they are turning negative. The 200-day moving average for the S&P 500 is 2792 and will be an important support level. As the 200-day is in a flat trend our proprietary algorithm switches to the 20-day and 50-day. As a result, our tactical strategies are currently about 50% in cash. Also, our Loss Averse Equity Income strategy has a significant position in the inverse on the S&P 500.

We have a white paper which illuminates the need for tactical strategies rather than long only as we have entered

Date	Event
<b>30-Jul</b>	Consumer spending rose 0.3% last month, matching the market forecast
<b>30-Jul</b>	PCE Price Index rose 0.1% in the month leaving the increase over the past year unchanged at 1.4%
<b>30-Jul</b>	Core PCE, rose by 0.2% in June. It's up 1.6% in the past 12 months.
<b>30-Jul</b>	Personal income rose by 0.4% for the fourth month in a row
<b>30-Jul</b>	The consumer confidence index jumped to 135.7 in July from a 124.3 in June
<b>31-Jul</b>	ADP non-farm employment change was reported at 156K in July compared to an estimate of 150K
<b>31-Jul</b>	The employment cost index rose 0.6% in the second quarter versus a market forecast of 0.7% increase.
<b>31-Jul</b>	Fed cuts interest rates by quarter point
<b>01-Aug</b>	Jobless claims climb 8k to 215K at end of July
<b>01-Aug</b>	ISM manufacturing index drops to 51.2% in July, slowest pace in 3 years
<b>02-Aug</b>	U.S. adds 164K new jobs in July, keeping unemployment near 50-year low of 3.7%
<b>02-Aug</b>	Average Hourly Earnings rose 8 cents to \$27.98 an hour in July
<b>02-Aug</b>	Final reading of consumer-sentiment index for July was 98.4, up from 98.2 in June.
Source: Briefing.com	

perhaps a period of heightened volatility and bonds in a balanced account offer very little return potential or protection in a bear market. PVG specializes in protection of principal. Please let us know if we can be of any help.

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