



Market in a Minute

October 01, 2019

Index Performance: As of September 27, 2019

Index	Price	Last Week	YTD
Dow Jones 30	26820.25	-0.4%	15.0%
S&P 500	2961.79	-1.0%	18.1%
NASDAQ	7939.63	-2.2%	19.7%
Russell 2000	7660	-2.5%	14.0%
Russell 2000 Growth	6920.97	-3.7%	14.8%
Russell 2000 Value	11393.78	-1.1%	12.9%
Russell 1000 Growth	1569.89	-1.5%	22.4%
Russell 1000 Value	1671.68	-0.6%	17.5%
Shanghai SE Index	3071.7	-2.5%	17.6%
SPDR Gold Shares	141.06	-1.3%	16.3%
GS Crude Oil Total Return	6.1	-5.9%	27.3%
Powershares US \$ Index	27.01	0.7%	6.1%
Ishares EAFE Index	64.97	-0.9%	10.5%
iShares Barclays 20+ Yr Treasury Bond	142.73	0.6%	17.5%
Utilities Select Sector ETF	64.7	1.3%	22.3%
Vanguard REIT ETF	93.09	-0.4%	24.8%
iShares Mortgage Real Estate	42.04	-1.9%	5.3%
Wells Fargo BDC	20.16	-0.4%	14.0%
Alerian MLP ETF	9.12	-3.4%	4.5%
iShares Global Telecom	57.1	-2.3%	13.8%

A Word on the Market by Pat Adams, CFA

The stock market sold off a little last week and it was a combination of China trade war, a natural pullback in front of 3rd quarter earnings, and some of it was just algorithm trades hitting the market from the “impeachment” headlines of Trump. The S&P 500 was down about -1% and the Nasdaq was down -2.2%.

We believe the major concerns should be trade and how weak earnings will be in the third quarter. The market has been discounting these concerns for awhile now as the S&P 500 is up only 1.6% over the last 52 weeks, the Nasdaq down -1.3%, and a growth as a reasonable price index a big loser, the Barron’s 400 was down over -12%.

You must scratch your head on the impeachment saga. Our view, Trump was putting some subtle pressure on the president of the Ukraine to investigate Biden and his son, to the point of impeachment seems like a huge stretch and that was the markets reaction as well. The chess moves in the Washington politics, seems like it requires the democrats to move as fast as possible. Biden and son sure look suspicious, it is very surprising to hear Biden brag about having the prosecutor get fired before he released funds to the Ukraine. If you were a democrat, we see why you would want to shine the light on Trump rather than have the news focus on Biden, their best candidate to get elected. The Russian investigation of the investigators puts pressure on the democrats to do as much political damage as possible before these findings are announced. This investigation could be extremely damaging! Lastly, the tax policy of Warren, to tax wealth, make her unelectable as the wealthy democratic donors will not support her...this is what we have been reading anyway. It looks like the democrats are on a sinking presidential ship unless they can get rid of Trump. At this point, the Trump Impeachment inquiry is a non-event for the market.

Before the talks resume later in October with China, we would assume Trump will show a few more cards as to what else may be imposed if a deal is not reached. We believe these headlines could be very negative! As the

ETFMG Alternative Harvest ETF	21.46	-7.5%	-14.0%
BitCoin Investment Trust	9.83	-23.2%	148.2%

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

S&P Sector Performance: As of September 27, 2019

Index	Price	Last Week	YTD
Information Technology	1398.82	-0.8%	28.5%
Consumer Disc.	939.36	-0.9%	20.2%
Consumer Staples	626.39	1.2%	20.0%
Health Care	1034.11	-3.0%	3.3%
Financials	466.03	-0.2%	17.6%
Industrials	653.53	-0.4%	20.6%
Energy	440.45	-2.6%	3.8%
Communications Services	166.67	-2.3%	20.0%
Utilities	328.29	1.3%	22.3%
Materials	362.03	-1.1%	14.4%
Real Estate	243.22	0.2%	26.5%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.75-2.00	5-Year	1.56
3-Month	1.80	10-Year	1.69
6-Month	1.85	30-Year	2.13
2-Year	1.63		

Source: Bloomberg.com

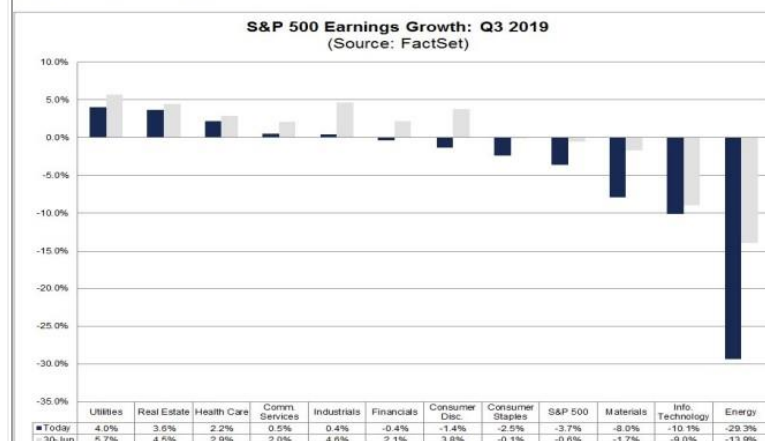
Economic Events This Week

30-Sept	Chicago PMI	50.0	50.4
01-Oct	ISM Manufacturing PMI	50.4	49.1
02-Oct	ADP Non-Farm Employment Change	140K	195K
03-Oct	Unemployment Claims	215K	213K

Federal Reserve is more dovish it makes sense for Trump to be aggressive. We believe a real trade deal will be difficult to achieve.

The market had expected earnings to be accelerating in the 3rd quarter, and then were to continue strongly in the fourth quarter and into 2020. Third quarter earnings have been cut by about 10% during the last year. Next years earnings are expected to be up 10.4%, which could occur if we get a large rebound in the global economy. Below you can see the technology sector is expected to be down over -10% in the 3rd quarter. As the economy reaccelerates next year (provided China trade war gets resolved) the cyclical sectors such as energy, technology like semiconductors, materials, consumer discretionary and financials see vastly improving trends and money to flow out of utilities and consumer staples. In this assumption we would expect the Federal Reserve to cut rates one or two more times, and again the China trade war improves. If the hope for recovery fades then so will the market.

Q3 2019: Growth



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03-Oct	ISM Non-Manufacturing PMI	55.1	56.4
04-Oct	Average Hourly Earnings m/m	0.3%	0.4%
04-Oct	Non-Farm Employment Change	140K	130K
04-Oct	Unemployment Rate	3.7%	3.7%

Source: Briefing.com

Economic Events Last Week

Date	Event
23-Sept	Flash manufacturing index rose to a five-month high of 51 in September from 50.3 in the prior month
24-Sept	Consumer confidence index falls to 125.1 in September from 134.2
25-Sept	New home sales rebounded 7.1% in August to annual rate of 713K
26-Sept	Unemployment Claims increased by 3K to 213K in the seven days ended Sept. 21
26-Sept	Gross domestic product grew at a 2% annual pace in 2Q 2019
27-Sept	Orders for durable goods increased 0.2% last month against a forecast of 0.7% decline
27-Sept	Consumer spending rose 0.1% in August, the smallest gain in six months
27-Sept	Core PCE price index rose slightly by 0.1% in August

Source: Briefing.com