Market in a Minute

November 4, 2019

Index Performance: As of November 1, 2019			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	2734.7	1.4%	17.2%
S&P 500	3066.9	1.5%	22.3%
NASDAQ	8386.4	1.7%	26.4%
Russell 2000	8013.35	2.0%	19.2%
Russell 2000 Growth	7276.82	2.5%	20.8%
Russell 2000 Value	11859.4	1.5%	17.5%
Russell 1000 Growth	1640.49	1.7%	27.9%
Russell 1000 Value	1719.55	1.3%	20.8%
Shanghai SE Index	3099.28	0.1%	18.7%
SPDR Gold Shares	142.58	0.5%	17.6%
GS Crude Oil Total Return	6.22	-1.4%	29.9%
Powershares US $ Index	26.58	-0.6%	4.4%
Ishares EAFE Index	68.02	1.5%	15.7%
iShares Barclays 20+ Yr Treasury Bond	140.56	1.5%	15.7%
Utilities Select Sector ETF	64.09	-0.1%	21.1%
Vanguard REIT ETF	94.28	0.2%	26.4%
iShares Mortgage Real Estate	43.38	1.8%	8.6%
Wells Fargo BDC	19.71	0.5%	11.4%
Alerian MLP ETF	8.63	-0.2%	-1.1%
iShares Global Telecom	59.09	1.5%	17.8%

A Word on the Market by Pat Adams, CFA

From last week, the news was good, the Federal Reserve did what was needed, Apple had a good earnings report relative to expectations, and the October ISM Manufacturing Purchasing Managers Index was up versus last month's decline, coming in at 48.3 versus September's report of 47.8 percent. Remember, below 50 the manufacturing sector is declining. We would expect higher numbers and back above 50 in the next month or two (this will be important to monitor). Right now, it appears the Fed has done enough to keep the economy out of a recession and has lowered the chances of a recession next year. The Fed has moved to a policy of allowing inflation to increase "significantly" before raising interest rates. We would like to see another rate cut to get some real momentum in the economy and ensure the Fed is ahead of the curve, (making sure the expectation on the economy weakening does not come back). We would expect the economy to improve into next year, but to again tire out late next year or in 2021.

There is a Wall Street firm calling for higher oil prices, we believe this could happen, but it would not be good for economic growth. Right now, we are not too concerned about China trade as a deal seems to be progressing forward. This is another obvious major economic issue. The bull market is now 10 years and eight months old versus the previous longest bull of the 1990's of 9.5 years. We believe it is critically important to have a plan in place to protect your portfolio in case things turn negative.

If the Federal Reserve has done enough to reinvigorate the economy, then there is likely a significant investment opportunity in the value stocks before this bull cycle ends (value has started to outperform). Energy is a significant sector of the value space and we would agree that this sector could see a nice bounce. The mega cap technology stocks have accounted for a large amount of the markets performance and are expensive. As an example, Apple had an average P/E on 12x in 2016 and now has a trailing P/E of 21.6x, that is an almost doubling of the stock's valuation. We don't see how AAPL's multiple expands higher from here. Our Dynamic Core strategy, focused on the S&P 500, using our tactical algorithm, we protect against bear

ETFMG Alternative Harvest ETF	19.6	-4.3%	-21.4%
BitCoin Investment Trust	11.2	8.6%	182.8%
Source: Bloomberg & Yahoo.com, Returns are appreciation only.			

S&P Sector Performance: As of November 1, 2019			
Index	**Price**	**Last Week**	**YTD**
Information Technology	1485.07	2.1%	36.4%
Consumer Disc.	956.17	0.6%	22.4%
Consumer Staples	627.3	0.0%	20.2%
Health Care	1097.41	3.0%	9.7%
Financials	482.76	1.5%	21.9%
Industrials	675.93	2.0%	24.7%
Energy	437.36	-0.3%	3.1%
Communications Services	173.25	1.5%	24.8%
Utilities	325.17	-0.1%	21.1%
Materials	370.03	1.3%	16.9%
Real Estate	242.52	-0.7%	26.1%
Source: Bloomberg website, Returns are appreciation only.			

Interest Rates			
Fed Fund	1.50-1.75	5-Year	1.55
3-Month	1.52	10-Year	1.73
6-Month	1.55	30-Year	2.21
2-Year	1.56		
Source: Bloomberg.com			

Economic Events This Week			
03-Nov	Retail Sales m/m	0.4%	0.4%
04-Nov	Caixin Services PMI	51.5	51.3
04-Nov	Cash Rate	0.75%	0.75%
05-Nov	Services PMI	49.6	49.5
05-Nov	ISM Non-Manufacturing PMI	53.5	52.6
05-Nov	Employment Change q/q	0.2%	0.8%
05-Nov	Unemployment Rate	4.1%	3.9%

markets. In the Dynamic Core strategy, we are using for half of the portfolio the equally weighted S&P 500 to benefit from perhaps a significant catchup in performance from the bottom half or more attractively valued stocks in the S&P 500. The S&P 500 is market cap weighted, and an equal weight S&P 500 distributes the weighting equally on all companies so not to overweight the most expensive stocks.

The P/E multiple for the S&P 500 is now 18.8x 2019 earnings, this is obviously very high, most believe that 15x earnings is normal, which would be a drop of 20%. This could easily occur if interest rates were to rise (inflation) or the market becomes worried about a recession. During the past 10 years the market has traded as low as 10x earnings (47% drop). Again, from other updates as well, we believe using tactical or Loss Averse strategies are imperative as the stock market does have meaningful risk and the bond market offers very little return potential. We also believe that value stocks are very attractive and should be part of a balanced portfolio.

As the market has moved to a new high, and has "broken-out", there is chatter of how high the market can now go and if we are going to see a "melt up". Believe it or not there is a definition of "melt up". ***"A melt up is a dramatic and unexpected improvement in the investment performance of an asset class, driven partly by a stampede of investors who don't want to miss out on its rise, rather than by fundamental improvements in the economy. Gains that a melt up creates are considered to be unreliable indications of the direction the market is ultimately headed. Melt ups often precede melt downs".***

A melt up would likely end this cycle, we have measured what a melt up is on a technical basis historically, and currently if the S&P 500 was quickly at 3300 if would qualify technically.

PVG focuses on tactical, Loss Averse Investing, and value investing, please visit our website for more information or please give us a call 303 874 7478.

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06-Nov	Trade Balance	5.10B	5.93B
07-Nov	Official Bank Rate	0.75%	0.75%
07-Nov	Asset Purchase Facility	4.35B	4.35B
07-Nov	Unemployment Claims	215K	218K
08-Nov	New Loans	800B	1690B
08-Nov	Prelim UoM Consumer Sentiment	96.0	95.5
	CPI y/y	3.2%	3.0%

Source: Briefing.com

Economic Events Last Week

Date	Event
29-Oct	U.S. house prices drop 0.2% in August
29-Oct	U.S. consumer confidence index reported at 125.9 in October from a revised 126.3 in September
30-Oct	The US created 125K private-sector jobs in October matching forecast estimates
30-Oct	Fed cuts rates for third meeting in a row to a range between 1.5% and 1.75%
31-Oct	U.S. jobless claims rise 5K to 218K at the end of October
31-Oct	Consumer spending rose 0.2% last month compared to an estimate of 0.3%
31-Oct	Chicago PMI drops to 43.2, lowest since December 2015
01-Nov	Unemployment rate rises to 3.6% from 3.5% in October
01-Nov	ISM index rises to 48.3% in October from a 10-year low of 47.8%

Source: Briefing.com

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