



Market in a Minute

November 12, 2019

Index Performance: As of November 8, 2019

Index	Price	Last Week	YTD
Dow Jones 30	27681.24	1.2%	18.7%
S&P 500	3093.08	0.9%	23.4%
NASDAQ	8475.31	1.1%	27.7%
Russell 2000	8063.64	0.6%	20.0%
Russell 2000 Growth	7310.04	0.5%	21.3%
Russell 2000 Value	11954.29	0.8%	18.4%
Russell 1000 Growth	1650.95	0.6%	28.7%
Russell 1000 Value	1739.86	1.2%	22.3%
Shanghai SE Index	3105.52	0.2%	18.9%
SPDR Gold Shares	137.39	-3.6%	13.3%
GS Crude Oil Total Return	6.41	3.1%	33.8%
Powershares US \$ Index	26.9	1.2%	5.7%
iShares EAFE Index	68.38	0.5%	16.3%
iShares Barclays 20+ Yr Treasury Bond	134.91	-4.0%	11.0%
Utilities Select Sector ETF	61.75	-3.7%	16.7%
Vanguard REIT ETF	91.09	-3.4%	22.2%
iShares Mortgage Real Estate	43.6	0.5%	9.2%
Wells Fargo BDC	19.7	-0.1%	11.4%
Alerian MLP ETF	8.36	-3.1%	-4.2%
iShares Global Telecom	59.68	1.0%	18.9%

A Word on the Market by Pat Adams, CFA

This week, the economic calendar is not very interesting, but the earnings calendar has Cisco Systems reporting on Wednesday and Walmart on Thursday. Both are bellwethers for the market. Also, on Thursday is Viacom, we mention VIAB as this is an extremely cheap stock at 5x earnings and they are merging with CBS that also has a very cheap valuation of just 7x earnings. With all the major players trying to get into the media business via streaming, content is very important, this would make an interesting and relatively inexpensive acquisition for someone like Google. WMT is always interesting as it is a true barometer for the economy, so tune in on Thursday. We also want to hear about the competitive environment with AMZN moving to next day delivery. WMT's online business has been very strong and had been playing catchup to AMZN. WMT's online business was up about 36% last quarter and AMZN was up about 18% this quarter. WMT had been catching up, and AMZN needed to do something to slow WMT down, next day delivery by AMZN is going to be very costly.

On Monday, there was a little overhang in the market with President Trump apparently holding firm on the tariffs. If there is no trade deal, we believe there is significant downside risk to the market. The market needs to consolidate in the short-term and work off a strongly overbought condition. It would be very ugly for the market if there was no trade deal, in our opinion.

Last week, we discussed the Federal Reserve cutting interest rates and it certainly appears to be the last cut, but we would have felt better if there was another to make sure the yield curve stays positively sloped. The spread between the 10 Year Treasury and 2 Year is just .26%. The shape of the yield curve is all important, not the level of rates necessarily, as banks are much more accommodative when there is a spread to allow them to make money on a loan. When the spread is wide, the more willing banks are to make loans. So, what would another .25% do for the banks, we believe the 10 Year Yield would likely go higher, as it has very recently, and the 2 Year lower, making the yield curve more

ETFMG Alternative Harvest ETF	19.64	0.2%	-21.3%
BitCoin Investment Trust	10.88	-2.9%	174.7%

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

S&P Sector Performance: As of November 8, 2019

Index	Price	Last Week	YTD
Information Technology	1509.6	1.7%	38.6%
Consumer Disc.	954.04	-0.2%	22.1%
Consumer Staples	623.97	-0.5%	19.6%
Health Care	1100.18	0.3%	10.0%
Financials	494.49	2.4%	24.8%
Industrials	688.42	1.8%	27.0%
Energy	446.13	2.0%	5.2%
Communications Services	175.28	1.2%	26.2%
Utilities	313.06	-3.7%	16.6%
Materials	377.42	2.0%	19.3%
Real Estate	233.61	-3.7%	21.5%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

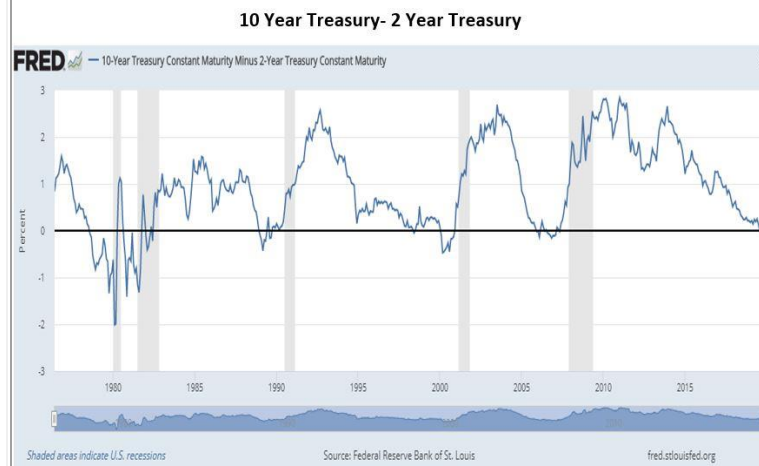
Fed Fund	1.50-1.75	5-Year	1.74
3-Month	1.55	10-Year	1.94
6-Month	1.58	30-Year	2.27
2-Year	1.68		

Source: Bloomberg.com

Economic Events This Week

13-Nov	CPI m/m	0.3%	0.0%
13-Nov	Core CPI m/m	0.2%	0.1%
14-Nov	Core PPI m/m	0.2%	-0.3%
14-Nov	PPI m/m	0.3%	-0.3%
14-Nov	Unemployment Claims	215K	211K
15-Nov	Core Retail Sales m/m	0.3%	-0.1%
15-Nov	Retail Sales m/m	0.1%	-0.3%

positively sloped in the 50-100 bpts area, rather than the current .26%. Our concern is the spread could easily turn negative again on bad news and rekindle recession fears. Therefore, another .25% would lower the recession risk.



We are seeing a number of “Wall Street” strategists now starting to push the extreme undervaluation theme of Value vs Growth, Value is starting to outperform, over the last three months Large Cap Value has outperformed Growth by 1.9%, 7.9% versus 6.0%, it is a welcomed start!

The most compelling value stocks are in the smaller cap companies, while the most overvalued growth stocks are large cap. The chart below goes back to 1985 and compares small cap cyclicals with large cap defensive stocks. You can see this once in a generation divergence.

Chart 1: Relative forward P/E small cap cyclical sectors vs. defensive sectors (through 10/31/19)



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy

CenturyLink (CTL) reported last week and was our largest stock position in many of our Equity Income strategies. You may remember we talked about this stock when it was \$10.00, and the insiders were buying the shares. CTL reported earnings and it was everything we hoped for, the stock went up over 11% the day they reported. At \$10.00 the stock had a 10% dividend yield and a 30% payout ratio. Below in blue is CTL versus the Russell 1000 Growth over the last three months, up 32% versus up 6%. Our point is there are very attractive opportunities in the value stocks.

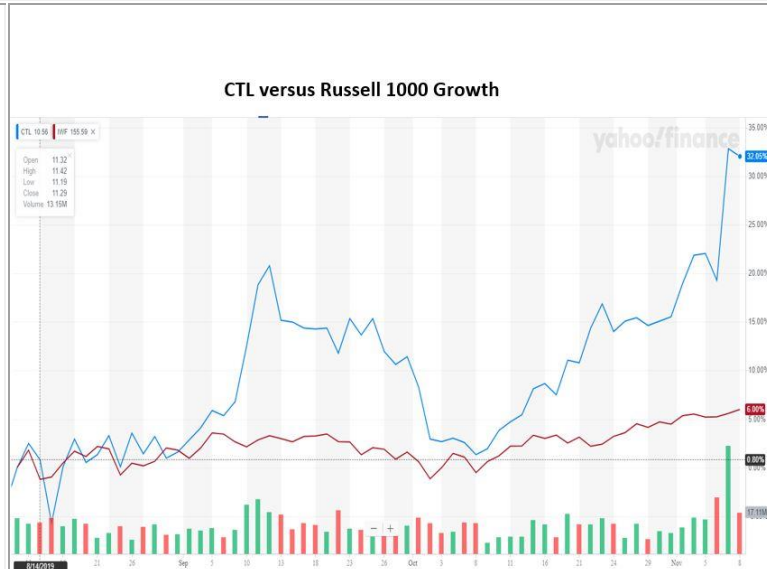
15-Nov	Empire State Manufacturing Index	6.1	4.0
15-Nov	Industrial Production m/m	-0.4%	-0.4%

Source: Briefing.com

Economic Events Last Week

Date	Event
05-Nov	ISM non-manufacturing index climbs to 54.7% from 52.6%
05-Nov	The number of job openings slipped in September for the fourth month straight to 7.02M from 7.3M
06-Nov	U.S. productivity declines 0.3% in the third quarter
07-Nov	Initial jobless claims declined by 8K to 211K in the week ended Nov. 2
07-Nov	Total consumer credit increased \$9.5B down from \$17.8B in August
08-Nov	The U.S. consumer sentiment survey rose to 95.7 In November from 95.5 in October

Source: Briefing.com



Regarding the technicals, we have been burning through our computers doing backtesting under multiple scenarios and have without question a very conservative algorithm but also very effective. Our technical model is positive, but as many of the moving averages have been advancing upward aggressively a pullback would quickly trip the algorithm negative.

The market is expecting the impeachment hearings to be a nonevent. It does not seem very likely that there is an impeachable offense, and what we mean by that is something that would convince other republicans to impeach Trump. The more the democrats push on this the worse it is going to be for the Bidens. We believe the market would be comfortable with Trump or Bloomberg as president but not Warren.

We encourage investors to use strategies that have an exit strategy and are not just long only. We believe downside protection is critically important.

If you would like to learn more about our “Loss Averse” strategies, our tactical strategies or our value strategies please call 303 874 7478 or email aadams@pvgasset.com and we will schedule a call with one of our portfolio managers.