



Market in a Minute

March 10, 2020

Index Performance: As of March 6, 2020

Index	Price	Last Week	YTD
Dow Jones 30	25,864.78	1.8%	-9.0%
S&P 500	2,972.37	0.6%	-7.6%
NASDAQ	8,575.62	0.1%	-4.2%
Russell 2000	7,344.09	-1.8%	-13.1%
Russell 2000 Growth	7,020.96	-1.2%	-9.5%
Russell 2000 Value	10,287.86	-2.5%	-16.7%
Russell 1000 Growth	1,682.68	0.9%	-5.0%
Russell 1000 Value	1,589.67	-0.1%	-11.4%
Shanghai SE Index	3,034.51	-4.7%	-5.1%
SPDR Gold Shares	157.55	6.2%	10.3%
GS Crude Oil Total Return	4.9400	-1.4%	-29.6%
Powershares US \$ Index	26.02	-1.9%	0.2%
iShares EAFE Index	61.75	-0.8%	-11.1%
iShares Barclays 20+ Yr Treasury Bond	166.77	7.4%	23.1%
Utilities Select Sector ETF	67.11	7.9%	3.9%
Vanguard REIT ETF	90.67	3.8%	-2.3%

A Word on the Market by Pat Adams, CFA

The market has fallen about -19% from its high. We have flirted with 20% a couple of times over the last 11 years of this bull but have not quite dropped -20% for an official bear market. This time might be different. The market and it seems most individuals are panicked about the Coronavirus. Shelves are empty at many stores. Italy is now shut down, while China appears to be getting better, although the data is not reliable. Italy is concerning. The bottom line on the Coronavirus is it is not something you can handicap. The market believes we are in the early stages of a Coronavirus recession. What to expect from a recession of this kind, a couple of quarters of negative growth, followed by a sharp snapback. It is believed that warm weather will put the virus into hibernation. By summer the virus will not be a factor. Our concern, as more test kits become available then a large number of cases will appear in the U.S. Volatility, meaning big up moves and down moves are likely to occur.

The hit to GDP is likely to be significant in China, Korea, and Italy. You must expect in the U.S as well...and the market is trying to figure out what that means exactly.

The oil market through us a twist with a -25% drop on Monday! The oil market is about \$2 million barrels a day oversupplied with several countries locked down from the virus. We believe the drop was a derivative of China shutting down their economy for about a month. OPEC plus Russia is dysfunctional, the Russians don't respect the Saudis, but will need to fall in line. We are very surprise by the magnitude of some of the individual stock declines.

The President's short-term economic proposals will help. The Fed will likely cut again aggressively at their next meeting on March 18th, the market is expecting a cut of .75% in interest rates.

We mentioned before, in several Market in a Minute updates, that the market was likely in the final melt-up phase before entering a bear market, we more or less got both. It is best for the market to de-risk for a while or any significant rally will be used to sell into. **Our focus is on the 200-day**

iShares Mortgage Real Estate	43.00	1.8%	-3.4%
Wells Fargo BDC	18.27	1.7%	-10.6%
Alerian MLP ETF	6.05	-9.3%	-28.8%
iShares Global Telecom	57.82	-0.7%	-5.8%
ETFMG Alternative Harvest ETF	13.10	-5.8%	-23.5%
BitCoin Investment Trust	10.58	7.4%	29.2%

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

S&P Sector Performance: As of March 6, 2020

Index	Price	Last Week	YTD
Information Technology	1,557.93	0.6%	-3.3%
Consumer Disc.	908.30	-0.8%	-7.7%
Consumer Staples	632.29	6.2%	-2.2%
Health Care	1,129.02	5.0%	-4.6%
Financials	422.74	-4.1%	-17.1%
Industrials	608.40	-1.6%	-11.2%
Energy	318.64	-7.2%	-29.8%
Communications Services	168.93	-1.4%	-6.8%
Utilities	338.78	7.9%	3.8%
Materials	335.02	1.3%	-12.8%
Real Estate	238.52	4.8%	-0.4%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.50-1.75	5-Year	0.58
3-Month	0.62	10-Year	0.74
6-Month	0.41	30-Year	1.25
2-Year	0.49		

Source: Bloomberg.com

Economic Events This Week

moving average at 3050 on the S&P 500, but first believe the resistance will be at 2850. Support on the downside is 2620, the S&P 500 closed Monday at 2746.



Below is the VIX or Volatility Index, it is the fear gauge. A high VIX, the fear in the market is high and a low VIX and you should be careful. **The VIX is saying the market is a buy!** Below you can see the market does not rise above 40 very often, it is currently 54.



We are surprised by the severe carnage of many high yielding dividend stocks. With the 10-year treasury yield at around .50%, these stocks are compelling. One of our current favorite income stocks is CenturyLink (CTL) with a dividend yield of about 10%, a 30% payout ratio and virtually no exposure to supply disruptions from the Coronavirus. **Our Loss Averse Equity Income strategy is on sale, with a current dividend yield of about 7.5%, generally, 6% is a high yield and 5% is normal.**

Our Tactical Total Return and Dynamic Core strategies have performed very well in this 19% decline applying the breaks early. Both strategies have minimal to no current net market exposure and have a very significant lead over the market YTD. Our technical algorithm drives the process.

So what to think about, oil needs to stabilize and begin to move higher, the Fed will cut rates on March 18th, President Trump will announce numerous economic stimulus policies,

9-Mar	CPI y/y	5.2%	5.4%
10-Mar	Italian Industrial Production m/m	1.6%	-2.7%
10-Mar	GDP q/q	0.2%	0.3%
11-Mar	New Loans	1100B	3340B
11-Mar	Manufacturing Production m/m	0.2%	0.3%
11-Mar	Annual Budget Release		
11-Mar	CPI m/m	0.0%	0.1%
11-Mar	Core CPI m/m	0.2%	0.2%
12-Mar	Main Refinancing Rate	0.0%	0.0%
12-Mar	Monetary Policy Statement		
12-Mar	ECB Press Conference		

Source: Briefing.com

Economic Events Last Week

Date	Event
2-Mar	ISM manufacturing index falls to 50.1% from 50.9% in February
2-Mar	Construction spending in U.S. jumps 1.8% in January
3-Mar	ADP Employment report drops from 209k to 183k
4-Mar	ISM nonmanufacturing index increases from 57.3% from 55.5%
5-Mar	U.S. jobless claims dip at end of February, falling 3,000 to 216,000 to near 50-year low

Source:
Briefing.com

and the Coronavirus needs to be contained in the U.S. The market is likely stuck in a range of 2620-3050 on the S&P 500, and we are in the lower part of the range. After such a large a fast decline we would expect a rally. The bias in the short-term is likely up providing investors the opportunity to alter their risk if needed.

Please let us know if you would like to discuss.
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