



Market in a Minute

October 14, 2020

Index Performance: As of October 10, 2020

Index	Price	Last Week	YTD
S&P 500	3,477.13	3.8%	8.0%
Dow Jones	28,586.90	3.3%	0.6%
NASDAQ	11,579.94	4.6%	29.4%
Russell 2000	8,370.45	6.4%	-1.0%
Russell 2000 Growth	8,699.65	7.0%	12.1%
Russell 2000 Value	10,583.00	5.7%	-14.4%
Russell 1000 Growth	2,248.36	4.2%	27.0%
Russell 1000 Value	1,661.20	3.8%	-7.4%
Shanghai SE Index	3,359.75	4.2%	5.1%
SPDR Gold Shares	181.08	1.4%	26.7%
GS Crude Oil Total Return	35.83	-5.3%	410.4%
Powershares US \$ Index	25.14	-0.9%	-3.2%
Ishares EAFE Index	65.68	2.8%	-5.4%
iShares Barclays 20+ Yr Treasury Bond	160.09	-1.6%	18.2%
Utilities Select Sector ETF	63.48	4.6%	-1.8%
Vanguard REIT ETF	83.02	1.3%	-10.5%
iShares Mortgage Real Estate	26.77	1.3%	-39.9%
Wells Fargo BDC	14.31	-2.3%	-30.0%
Alerian MLP ETF	21.81	8.7%	-48.7%
iShares Global Telecom	67.77	3.1%	10.4%
ETFMG Alternative Harvest ETF	11.57	11.7%	-32.4%
BitCoin Investment Trust	11.77	8.4%	43.7%

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

S&P Sector Performance: As of October 10, 2020

Index	Price	Last Week	YTD
Information Technology	2,021.40	0.8%	25.5%
Consumer Disc.	1,213.10	2.5%	23.3%

A Word on the Market

By: Patrick Adams, CFA



Last week, we mentioned the **energy sector** was particularly attractive given the underperformance of the sector for the year and the very negative sentiment. The **sector went up a strong 6.9%** last week. We still think there is significant upside to the sector as the economy improves. We also mentioned last week that the financials also appeared to be very attractive and had significant upside. **This week starts earnings seasons and many of the financials report. Generally, we expect the reports to be good. On Tuesday both Citigroup and J.P. Morgan report, many more on Wednesday, BAC, GS, PNC, USB, and WFC.**

The other sector that has been a big laggard that is also due for some major catching up is the telecom sector, particularly **AT&T (T) as an example, 8x earnings, 7.3% dividend yield, and with a big roll out of 5G occurring.** T reports on October 22.

The Trump trade is the small caps, cyclicals, and value stocks. The Biden trade is technology or the Nasdaq. Until yesterday the Trump trade has been working lately but the technology stocks were VERY strong Monday. The markets seem to believe there is no political risk. **The market believes if there is a blue wave then a major stimulus package of \$3.4 trillion gets passed, which is 17% of GDP!!!!** We included a debt to GDP chart last week, there is not a great deal of capacity left. The negative with Biden, a massive tax increase offsets the massive stimulus. **The tax increase on things like capital gains will be extremely painful.**

If Trump wins there is no large stimulus, but still stimulus and the economy continues chugging along. No major hit to stock valuations due to higher taxes.

Consumer Staples	658.43	1.6%	1.9%
Health Care	1,214.11	1.0%	2.6%
Financials	404	3.3%	-20.7%
Industrials	77.61	1.5%	-6.6%
Energy	222.55	-2.9%	-51.0%
Communications Services	194.22	0.9%	7.2%
Utilities	308.41	3.3%	-5.5%
Materials	397.67	1.2%	3.5%
Real Estate	225.85	4.9%	-5.7%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.34
3-Month	0.10	10-Year	0.79
6-Month	0.12	30-Year	1.58
2-Year	0.16		

Source: Bloomberg.com

Economic Events This Week

13-Oct	CPI m/m	0.2%	0.4%
13-Oct	Core CPI m/m	0.2%	0.2%
14-Oct	PPI m/m	0.4%	0.2%
14-Oct	Unemployment Claims	7.0%	6.8%
14-Oct	Employment Change	-38.0K	111.0K
15-Oct	Philly Fed Manufacturing Index	14.4	15.0
16-Oct	Core Retail Sales m/m	0.4%	0.7%
16-Oct	Retail Sales m/m	0.7%	0.6%

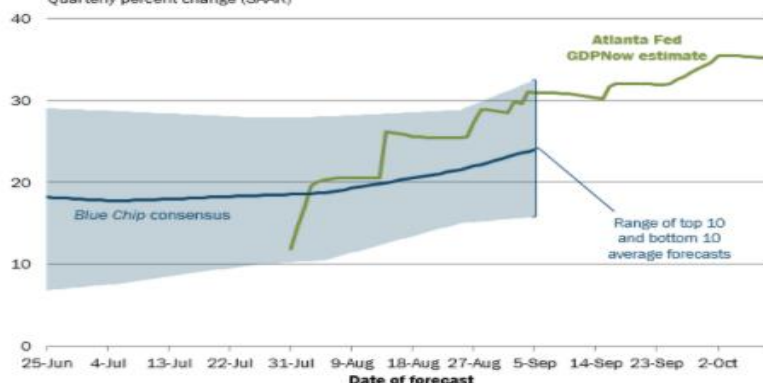
Source: Briefing.com

Economic Events Last Week

Date	Event
U.S. Service economy continues to grow, while employment turns positive for first time in 7 months	Oct-5
Trade deficit climbs to \$67.1 billion in August, the third highest level ever	Oct-6

Entering earnings season stocks generally perform well as positive news is released. **The economic forecasts for the 3rd quarter continue to rise, now above 35%!!! Strong economic growth should translate into strong earnings.**

Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q3
Quarterly percent change (SAAR)



Our technical model is positive but approaching an area of too much or getting overbought again (parabolic sell signal). The Nasdaq is now 23.5% above the 200-day moving average and peaked previously on 9/2/20 at 28% above the 200-day moving average. The earnings news truly needs to be much better than expected or the market needs a major stimulus bill passed.

Please let us know if you would like to discuss.

Phone:(303)874-7477

Email: info@pvgasset.com

Website: www.pvgassetmanagement.com

Private sector hiring and job openings fall in August as U.S. economy recovery slows	Oct-6
Layoffs fall slightly in early October; jobless claims drop below 840,000	Oct-8
U.S. wholesale inventories climb 0.4% in August	Oct-9
Source: Briefing.com	

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