



## Market in a Minute

November 17, 2020

### Index Performance: As of November 13, 2020

Index	Price	Last Week	YTD
S&P 500	3,509.44	7.3%	9.0%
Dow Jones	28,323.40	6.9%	-0.3%
NASDAQ	11,895.23	9.0%	32.9%
Russell 2000	8,408.63	6.9%	-0.5%
Russell 2000 Growth	8,811.09	8.7%	13.6%
Russell 2000 Value	10,534.78	4.9%	-14.7%
Russell 1000 Growth	2,299.69	9.4%	29.9%
Russell 1000 Value	1,657.37	5.5%	-7.6%
Shanghai SE Index	3,312.16	2.7%	3.6%
SPDR Gold Shares	183.19	4.0%	28.2%
GS Crude Oil Total Return	28.2	-6.8%	301.7%
Powershares US \$ Index	24.89	-1.9%	-4.2%
iShares EAFE Index	66.21	7.9%	-4.7%
iShares Barclays 20+ Yr Treasury Bond	159.41	1.3%	17.7%
Utilities Select Sector ETF	64.13	2.8%	-0.8%
Vanguard REIT ETF	79.9	4.3%	-13.9%
iShares Mortgage Real Estate	26.39	2.8%	-40.7%
Wells Fargo BDC	14.14	6.8%	-30.8%
Alerian MLP ETF	21	0.7%	-50.6%
iShares Global Telecom	71.61	6.3%	16.6%
ETFMG Alternative Harvest ETF	13.66	27.4%	-20.2%
BitCoin Investment Trust	17.54	14.0%	114.2%

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

### S&P Sector Performance: As of November 13, 2020

Index	Price	Last Week	YTD
Information Technology	2,137.67	9.7%	32.7%

### A Word on the Market

By: Patrick Adams, CFA



The market is changing rapidly. The Pfizer vaccine last week has been the catalyst for a massive rotation, along with the relief of no Blue Wave (the republicans holding the Senate), and the potential for a significant stimulus bill. Now we have another vaccine from Moderna that looks to be slightly better. It appears by April, all that want to be vaccinated can be. There are more drug companies developing Covid vaccines that will likely have news next year. The back to normal economy looks highly likely during the second quarter of 2021. The market needs to deal with the rising Covid cases for now.

Below is a chart of the Russell 1000 Value Index versus the Russell 1000 Growth Index. You can see the extreme cycles. When the chart is declining, value is underperforming growth. Value, as we have been discussing for a while is historically very cheap, whereas growth is very expensive. We mentioned last week, that generally the rotations are also associated with economic contractions, we did have quite a contraction due to the virus, it did not last long, but it had a devastating impact on value stocks. **We would not rule out a massive move in value similar to the 2000 to 2007.** Over my 35 years of managing money, the technology bubble was very obvious at the time, and the rotation to value from growth now seems equally as obvious. **PVG has two excellent strategies to play this trend. U.S. Value Leaders and Loss Averse Equity Income.**



Sources: Frank Russell Company, Bloomberg

Consumer Disc.	1,258.63	7.4%	28.0%
Consumer Staples	668.93	4.6%	3.5%
Health Care	1,282.04	8.3%	8.3%
Financials	414.07	4.5%	-18.8%
Industrials	81.34	7.2%	-2.1%
Energy	218.58	0.8%	-51.9%
Communications Services	211.48	7.6%	16.7%
Utilities	325.77	2.8%	-0.2%
Materials	427.15	7.6%	11.1%
Real Estate	220.74	4.4%	-7.8%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	.25	5-Year	0.41
3-Month	0.9	10-Year	0.89
6-Month	0.10	30-Year	1.65
2-Year	0.23		

Source: Bloomberg.com

Economic Events This Week			
17-Nov	Core Retail Sales m/m	0.6%	1.5%
17-Nov	Retail Sales m/m	0.5%	1.9%
18-Nov	Unemployment claims	707K	709K
93-Nov	CB Leading Index m/m	0.7%	0.7%
19-Nov	Retail Sales m/m	-0.4%	1.5%
19-Nov	Core Retail Sales m/m	0.0%	0.5%

Source: Briefing.com

Economic Events Last Week	
Date	Event
	Nov-10
NFIB finds that business owners are becoming anxious due to raise in covid-19 cases	
labor markets slacken in September as hiring in the U.S. slows	Nov-10
During election week, U.S. jobless claims drop to pandemic low of 709,000	Nov-12

Below is a very long-term chart of government spending as a percentage of GDP. Without question this ratio will slow as the virus dissipates in 2021 and government stimulus for the private sector will be less. The circumstance is very different then both WWs, but the economic benefit may last awhile, particularly with Biden as president keeping spending elevated.

Chart 3: After the fastest expansion, the fastest contraction looms

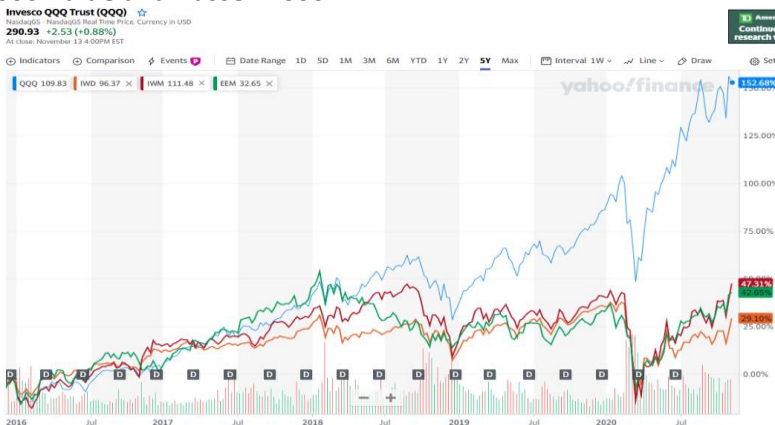


Source: BofA Research Investment Committee, Bloomberg

We all have heard about the **recent acceleration of the virus**, it is to the point that it would not surprise us to see some states putting additional restrictions in place. We would have to expect the market to stagnate as these concerns rise, without a stimulus bill, and the pending Senate runoff. Our technical model is positive, except that the **S&P 500**, as an example, is **15% above the 200-day moving average giving us a cautious allocation for now. Given the distance down to the 200-day is so significant our tactical model is cautious, but not negative.**

The Senate is 50 to 48 with the **runoff in Georgia occurring on January 5<sup>th</sup>**. This is the most important issue for the market, beside the virus, but it would appear that the Republicans will hold onto the Senate.

The consensus on "Wall Street" is quickly moving from recommending growth/or technology momentum, to now recommending value, small cap, and emerging markets. **Below is one more chart this week, showing the Nasdaq with its parabolic move, and the Russell 1000 Value Index, Russell 2000 (small cap), and the Emerging Markets, as you can see there is a lot of catchup for these lagging indicies. We believe the rotation will continue for a multiple year period. Our Tactical Total Return strategy has the ability to invest in all these markets and currently has exposure to the Russell 1000 Value and Russell 2000.**



CPI points to weak inflation as consumer prices flatten in October

Nov-5

PPI shows on higher food costs the U.S. wholesale prices climb for 6<sup>th</sup> straight month

Nov-5

Source: Briefing.com

***If you would like to discuss our views or learn more about our strategies please call 303 874 7477 and we will arrange for you to talk with one of our portfolio managers.***

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