



Market in a Minute

April 7, 2020

Index Performance: As of April 3, 2020

Index	Price	Last Week	YTD
Dow Jones 30	21,052.53	-2.7%	-25.9%
S&P 500	2,488.65	-2.1%	-22.7%
NASDAQ	7,373.08	-1.7%	-17.6%
Russell 2000	5,342.44	-7.0%	-36.8%
Russell 2000 Growth	5,280.03	-6.0%	-31.9%
Russell 2000 Value	7,195.73	-8.1%	-41.8%
Russell 1000 Growth	1,441.72	-2.0%	-18.6%
Russell 1000 Value	1,267.15	-3.1%	-29.4%
Shanghai SE Index	2,780.64	0.3%	-13.0%
SPDR Gold Shares	152.65	0.3%	6.8%
GS Crude Oil Total Return	2.69	2.7%	-61.7%
Powershares US \$ Index	27.29	2.1%	5.1%
iShares EAFE Index	50.9	-3.7%	-26.7%
iShares Barclays 20+ Yr Treasury Bond	168.5	0.5%	24.4%
Utilities Select Sector ETF	51.79	-7.0%	-19.9%
Vanguard REIT ETF	64.53	-7.9%	-30.5%
iShares Mortgage Real Estate	14.45	-34.7%	-67.5%
Wells Fargo BDC	9.65	-19.9%	-52.8%
Alerian MLP ETF	3.57	10.2%	-58.0%

A Word on the Market by Pat Adams, CFA

This has been bothering me since the Coronavirus crisis started. It appears very clear that the virus came from China and maybe not actually from the wet markets, but possibly was it manufactured and released by accident, or not. Our perception, the Communist Party runs China not necessarily President Xi. American journalists are not allowed into China...why? The virus numbers are likely being way understated, in a land where cell phones are an imperative, there were roughly 21 million phones cancelled in January and February...wow...why? It is very clear that China has a very different moral and ethical standard, to say the least. Luckin Coffee (LK) a Chinese company listed in the U.S., its stock has fallen 90% this year due to the news last week that the \$310 million in sales for 2019 were fabricated! If the U.S. figures out that China manufactured and released this virus, in an economic sense, that will be the end of China. Obviously, this is pure speculation on our part, and it will take time to play out, but see this as a big issue for China.

The market has one focus and that is the Coronavirus. With the expectation, and initial signs, the virus maybe flattening in New York. The market has taken this news very positively on Monday and is up about 7%. If the market is going to follow the virus it will likely be a very volatile ride.

Fundamental: We have talked about this in prior updates, we put fair value for the S&P 500 at about 2700 and we would not argue with a range of 2400 to 3000, the S&P 500 closed at 2663. Our assumptions are the economy begins to start to be more normal in June and back to 2019 levels in 2021. The market on 2019 earnings is valued at 16.2x earnings, not cheap for a bear market. Our valuation of 2700-3000 depends on getting the economy back to some sort of recovery late in the second quarter.

Technical: If this is a rally in a bear market, then by definition it will fail and move lower, or have we put in a bottom and we are seeing the trend change? Without question we are still in a downtrend, so this is likely a rally

iShares Global Telecom	49.78	-1.5%	-18.9%
ETFMG Alternative Harvest ETF	10.44	-13.9%	-39.0%
BitCoin Investment Trust	7.48	2.5%	-8.7%

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

S&P Sector Performance: As of April 3, 2020

Index	Price	Last Week	YTD
Information Technology	1,355.60	-2.0%	-15.9%
Consumer Disc.	753.09	-4.7%	-23.4%
Consumer Staples	569.07	3.5%	-11.9%
Health Care	1,010.87	2.0%	-14.6%
Financials	325.95	-6.8%	-36.1%
Industrials	475.7	-4.5%	-30.6%
Energy	229.26	5.4%	-49.5%
Communications Services	143.84	-1.4%	-20.6%
Utilities	262.97	-7.1%	-19.5%
Materials	267.86	-3.8%	-30.3%
Real Estate	181.9	-6.2%	-24.0%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	.39
3-Month	0.10	10-Year	.62
6-Month	.15	30-Year	1.24
2-Year	.23		

Source: Bloomberg.com

Economic Events This Week

7-Apr	Job openings		7 mln
9-Apr	Weekly jobless claims	6.0 mln	6.6 mln
9-Apr	Producer price index	-0.4%	-0.6%
9-Apr	Consumer sentiment index	70.0	89.1

in a bear market. Because the market fell so much so quickly, we did have a capitulation sell off which historically is consistent with a bottom. Below is the S&P 500 with the 20, 50, and 200 day moving averages. The market smashed upward through the 20 day on Monday, as long as the market holds the 20 day, we have a buy signal. It looks to us like the market could have a significant rally perhaps up to the 50 day which is 2941, currently or up another 10%. If the market cannot hold the 20 day, and build on it, we believe it is possible to retest the lows. For now, we expect the rally to continue.



Our technical algorithm is strictly based on the moving averages, there is no fundamental input into the decision making. As such our tactical strategies have some long exposure. If the market cannot hold this initial uptrend, then the strategies will move back to having no exposure.

Please let us know if you would like to discuss.

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Please visit our website for more information.

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10-Apr	Consumer price index	-0.4%	0.1%
10-Apr	Core CPI	0.1%	0.2%
Source: Briefing.com			
Economic Events Last Week			
Date	Event		
30-Mar	Pending home sales rise 2.4% in February, but virus will most likely slow real-estate activity for months		
31-Mar	Consumer Confidence index drops to 120 from 132.6 hitting a 32-month low		
1-Apr	ISM manufacturing sees biggest drop in new orders and employment in 11 years		
2-Apr	Jobless claims jump by 6.6 million at the end of March		
3-Apr	The U.S. Officially lost 701,000 jobs in March, but in reality millions of jobs were lost		
3-Apr	U.S. Service sector continued to expand in March, but at its lowest rate since 2016		
Source: Briefing.com			

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