



## Market in a Minute

May 12, 2020

Index Performance: As of May 8, 2020

Index	Price	Last Week	YTD
S&P 500	2,929.80	3.5%	-9.0%
Dow Jones 30	24,331.32	2.6%	-14.4%
NASDAQ	9,121.32	6.0%	1.9%
Russell 2000	6,757.52	5.5%	-20.1%
Russell 2000 Growth	6,840.75	7.4%	-11.8%
Russell 2000 Value	8,830.69	3.1%	-28.5%
Russell 1000 Growth	1,763.86	5.1%	-0.4%
Russell 1000 Value	1,458.06	2.4%	-18.7%
Shanghai SE Index	2,895.34	2.6%	-9.4%
SPDR Gold Shares	160.42	0.4%	12.3%
GS Crude Oil Total Return	1.92	2.1%	-72.6%
Powershares US \$ Index	27.03	0.8%	4.1%
iShares EAFE Index	56.84	2.7%	-18.1%
iShares Barclays 20+ Yr Treasury Bond	163.98	-2.4%	21.0%
Utilities Select Sector ETF	56.16	0.5%	-13.1%
Vanguard REIT ETF	74.99	2.0%	-19.2%
iShares Mortgage Real Estate	22.32	3.8%	-49.9%
Wells Fargo BDC	12.61	4.5%	-38.3%
Alerian MLP ETF	4.85	-0.4%	-42.9%

## A Word on the Market

**By: Pat Adams**

We start this week with an update on the fundamentals. As we have said repeatedly, we believe in the back half of 2021 we will be at a run rate in terms of earnings for the S&P 500 to be similar to 2019 earnings of \$164. Based on this normalized level of earnings the S&P 500 is valued at 17.9x. Given that interest rates are zero, and not likely to go up any time soon, the current valuation maybe about right, or just slightly too high, given the earnings don't get to \$164 until sometime in 2022. The market has not bought into the virus going away! The Nasdaq is now positive year to date, only 6.5% from its all-time high that occurred in February, and 9% above its 200-day moving average. Companies like MSFT, AMZN, GOOG, FB, NFLX and AAPL actually benefit from stay at home. We don't see how AMZN's business can get any better than what it is currently with all the stores being closed.

Below we have compared the Nasdaq with the small cap value index the Russell 3000, which is comprised of companies like retailers, energy, REITs, banks, and healthcare related. Over the last 12 months the Nasdaq is up approximately 16% and the Russell 3000 is down almost -14%, about a 30% difference! If the market believed the economy was going to roar back the Russell 3000 would be significantly outperforming the Nasdaq. Money has to find a home; thus, U.S. Treasury bond yields are next to nothing and the FAANG stocks are back to being very highly valued.

As the economy reopens, if there are no major flair up in the virus that closes down the economy, these deep value sectors will perform exceptionally well. Stock picking will come back in a big way. If this shift to an improving economy does not occur, then the market will lose confidence in the 2021 recover, and perhaps revert to a bear market. It is funny that good economic news will be bad news for the Nasdaq. Remember, the only way this recovery does not eventually occur is if AMZN cannot deliver enough ink to Washington to keep the money printing going! Where the money is going

iShares Global Telecom	58.62	3.4%	-4.5%
ETFMG Alternative Harvest ETF	11.81	2.3%	-31.0%
BitCoin Investment Trust	11.45	20.9%	39.8%

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

#### S&P Sector Performance: As of May 8, 2020

Index	Price	Last Week	YTD
Information Technology	1,665.40	6.6%	3.4%
Consumer Disc.	952.09	4.4%	-3.2%
Consumer Staples	595.63	0.9%	-7.8%
Healthcare	1,157.47	1.7%	-2.2%
Financials	369.6	1.0%	-27.5%
Industrials	533.16	1.3%	-22.2%
Energy	294.75	8.3%	-35.1%
Communications Services	174.23	3.7%	-3.8%
Utilities	285.1	0.5%	-12.7%
Materials	330.32	3.4%	-14.0%
Real Estate	206.76	1.5%	-13.7%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

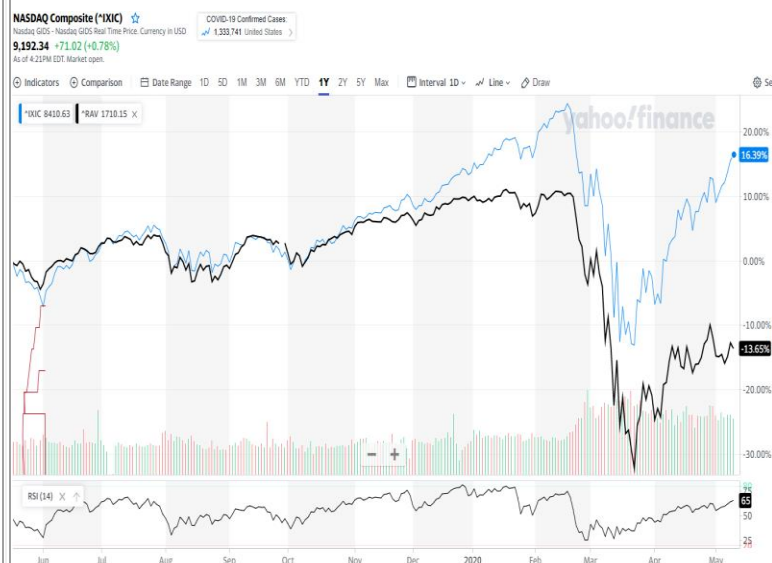
Fed Fund	0.25	5-Year	0.33
3-Month	0.12	10-Year	0.69
6-Month	0.15	30-Year	1.39
2-Year	0.16		

Source: Bloomberg.com

#### Economic Events This Week

12-May	CPI m/m	-0.7%	-0.4%
12-May	Core CPI m/m	-0.2%	-0.1%
13-May	Official Cash Rate	0.25%	0.25%
13-May	Prelim GDP q/q	-2.5%	0.0%
13-May	Employment Change	-550.0K	5.9K

to be made in the next several years will be in undervalued small companies or cyclical stocks.



Our Emerging Healthcare strategy has been our strongest performer this year, up about 17%. This is an aggressive portfolio full of smaller companies. In order to maintain confidence in the recovery Covid-19 testing will be very important and needs to be prevalent everywhere, particularly around manufacturing facilities or large office buildings. A recent addition into our Emerging Healthcare strategy is SG Blocks (SGBX), with only \$19 million market cap it could go up 10x (this is not a recommendation to buy but just an example of an investment). SGBX will roll out in a joint venture with OSANG Healthcare to distribute their Covid-19 rapid tests.

We do not see any important news scheduled this week and our focus is on Georgia's progress in reopening. If they close down after reopening that would not be good.

We are watching 3000 on the S&P 500, that is the 200-day moving average, and a level where if it breaks above a lot of additional buying will come in.

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Please visit our website for more information.  
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<b>13-APR</b>	Unemployment Rate	8.3%	5.2%
<b>15-May</b>	German Prelim GDP q/q	-2.3%	0.0%
<b>15-May</b>	Core Retail Sales m/m	6.40B	4.36B
<b>15-May</b>	Retail Sales m/m	-11.0%	-8.7%

Source: Briefing.com

#### Economic Events Last Week

Date	Event
<b>4-May</b>	U.S. factory orders plunge 10.3% in March
<b>5-May</b>	U.S. trade deficit rockets 12% in March as virus slams exporters and tourism
<b>5-May</b>	ISM drops to 41.8% breaking 11-year positive streak
<b>6-May</b>	ADP says 20.2 million jobs lost in private-sector during April
<b>6-May</b>	U.S. jobless claims climb 3.8 million in late April leaving 30 million jobless due to virus
<b>6-May</b>	U.S. Treasury will sell 20-year bonds for the first time on May-20 raising \$20 billion
<b>7-May</b>	Jobless claims climb another 3.2 million in early May
<b>8-May</b>	CCP virus costs the U.S. 20.5 million jobs in April causing highest unemployment since 1930's

Source: Briefing.com