



## Market in a Minute

May 19, 2020

Index Performance: As of May 15, 2020

Index	Price	Last Week	YTD
S&P 500	2,863.70	-2.3%	-11.0%
Dow Jones 30	23,685.42	-2.7%	-16.6%
NASDAQ	9,014.56	-1.2%	0.7%
Russell 2000	6,391.58	-5.4%	-24.4%
Russell 2000 Growth	6,637.21	-3.0%	-14.4%
Russell 2000 Value	8,073.04	-8.6%	-34.7%
Russell 1000 Growth	1,747.49	-0.9%	-1.3%
Russell 1000 Value	1,396.67	-4.2%	-22.2%
Shanghai SE Index	3,006.78	3.8%	-5.9%
SPDR Gold Shares	163.93	2.2%	14.7%
GS Crude Oil Total Return	1.92	0.0%	-72.6%
Powershares US \$ Index	27.18	0.6%	4.7%
iShares EAFE Index	55.16	-3.0%	-20.6%
iShares Barclays 20+ Yr Treasury Bond	166.71	1.7%	23.1%
Utilities Select Sector ETF	54.81	-2.4%	-15.2%
Vanguard REIT ETF	68.8	-8.3%	-25.9%
iShares Mortgage Real Estate	20.39	-8.6%	-54.2%
Wells Fargo BDC	12.48	-1.0%	-38.9%

## A Word on the Market

**By: Pat Adams**

Last week, a couple of famous hedge fund managers expressed how overvalued the stock market is currently, specifically David Tepper said “... the market is the second-most overvalued he’s ever seen, behind only 1999”, and Stanley Drunkenmiller, “... the risk reward of investing in stocks has never been worse.” Also, Federal Reserve Chairman Powell spoke and said there remains a great deal of uncertainty. It goes on...President Trump made some very negative comments regarding trade with China. The market reacted very negatively falling over 7% from high to low. Now in a couple of trading days the market is back to its high of last week. On Sunday, in an interview on 60 Minutes, Powell changed his tone a little from his earlier comments last week, to reiterate that the Federal Reserve is far from out of ammunition to fight the recession. The result is **a lot of volatility**.

The market itself is not a compelling buy but the cardinal rule is “**don’t fight the Fed**”.

When dissecting the market, the **Value stocks are very compelling**, and Growth is very highly valued. Barron’s this week compared ViacomCBS with Netflix. NFLX has obviously benefitted from the stay at home investment theme and has a market cap of \$190 billion, while VIAC has a market cap of \$12 billion, VIAC has more revenues and makes over \$1 billion in profit and NFLX is expected to burn through \$1 billion. VIAC’s streaming revenue is accelerating at a very fast pace. We would expect over a couple of year period VIAC goes to \$40 per share from \$19 currently or over 100% return. NFLX has had an incredible run like many “stay at home or momentum stocks” and we see downside not upside in NFLX. Tepper and Drunkenmiller are referring to the NFLXs of the market as being very overvalued. We have a long list of very compelling value stocks.

<b>Alerian MLP ETF</b>	4.81	-0.8%	-43.4%
<b>iShares Global Telecom</b>	57.89	-1.2%	-5.7%
<b>ETFMG Alternative Harvest ETF</b>	11.99	1.5%	-30.0%
<b>BitCoin Investment Trust</b>	11.05	-3.5%	34.9%

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

#### S&P Sector Performance: As of May 15, 2020

Index	Price	Last Week	YTD
<b>Information Technology</b>	1,640.66	-1.5%	1.8%
<b>Consumer Disc.</b>	942.3	-1.0%	-4.2%
<b>Consumer Staples</b>	586.53	-1.5%	-9.2%
<b>Healthcare</b>	1,167.63	0.9%	-1.4%
<b>Financials</b>	348.6	-5.7%	-31.6%
<b>Industrials</b>	501.72	-5.9%	-26.8%
<b>Energy</b>	272.31	-7.6%	-40.0%
<b>Communications Services</b>	172.15	-1.2%	-5.0%
<b>Utilities</b>	277.34	-2.7%	-15.1%
<b>Materials</b>	320.14	-3.1%	-16.7%
<b>Real Estate</b>	191.75	-7.3%	-19.9%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

<b>Fed Fund</b>	0.25	<b>5-Year</b>	0.31
<b>3-Month</b>	0.12	<b>10-Year</b>	0.64
<b>6-Month</b>	0.15	<b>30-Year</b>	1.32
<b>2-Year</b>	0.16		

Source: Bloomberg.com

#### Economic Events This Week

<b>21-May</b>	French Flash Services PMI	28.8	10.2
<b>21-May</b>	German Flash Manufacturing PMI	39.0	34.5
<b>21-May</b>	German Flash Services PMI	26.2	16.2

When is it time to invest in Value, we wonder if the environment will ever be better on a relative basis, please see last week's Market in a Minute chart.

We believe a 7% decline is concerning, so when that does occur, we start to get defensive (early in the decline) and get back in the market as the technicals improve. The result is we give up some performance but protect against a drop that can get much worse. The reason we give up a little bit of performance is the market gapping up or down overnight otherwise we would likely make money with this volatility.

Our other important theme besides Value stocks is **tactical as a replacement for long only strategies**. We could have a very significant pullback if the virus does not dissipate or if it gets worse and pushing out the recovery. **In our opinion, Value and Tactical are two no brainer themes.**

There are over **100 companies now working on a vaccine**, we were thinking that sometime next year there may be a vaccine that the FDA would push through quickly. Moderna announced that in 8 patients tested their vaccine appears to be safe and able to stimulate an immune response....WOW. It is very early in the process, this sounds promising, and market likes the news. MRNA believes they could be in phase 3 (final phase of development) in July...it could very well be possible but extremely unusual that the FDA approves the vaccine this year. This gives us more confidence that in the later part of 2021 the economy will be back to the same pace as the economy was in 2019.

We are having a lot of fun with our **Emerging Healthcare strategy**, we have a CBD company up about 80% on Monday, YCBD. The strategy is up about 20% year to date.



An old friend, Nancy Lazar, a renowned economist, was interviewed in Barron's this week, she discussed a new theme we have been thinking about, **Onshoring**, meaning companies bringing their manufacturing back to the U.S. from China. This theme is very beneficial to middle America, we would play it by investing... guess which type of security....yes, Value. We believe China is in for some very tough years as their handling of the virus has turned the

21-May	Flash Services PMI	20.0	13.4
21-May	Flash Manufacturing PMI	37.5	36.1
22-APR	Retail Sales m/m	-16.0%	-5.1%

Source: Briefing.com

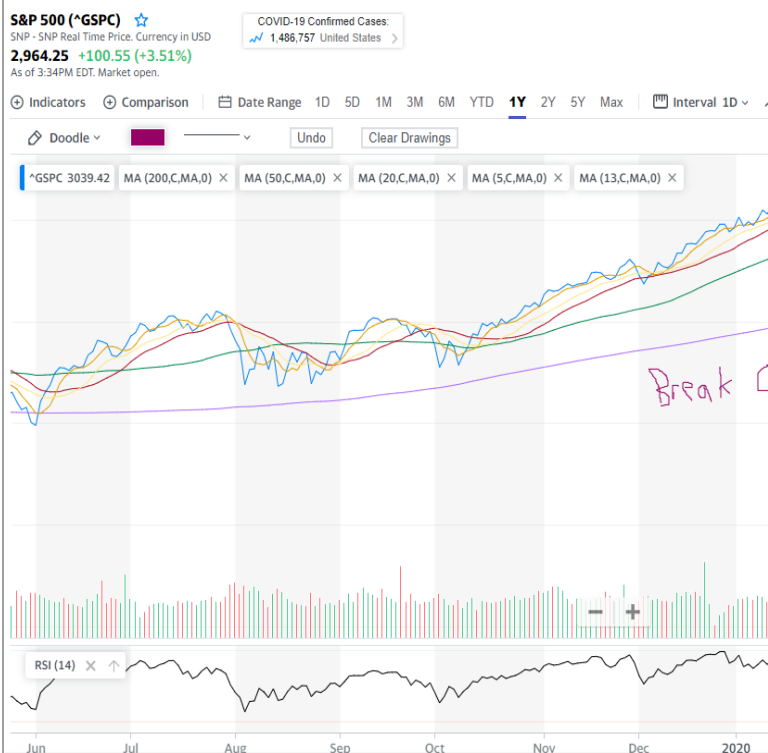
#### Economic Events Last Week

Date	Event
12-May	CPI shows 20% drop in gas prices and airfares post record drop as consumer prices post biggest decline since 2008
12-May	In April U.S. runs \$737.9 billion deficit
13-May	U.S. Wholesale prices sink 1.3% as virus causes large collapse in demand
14-May	Jobless claims raise by 2.6 million last week
14-May	U.S. jobless claims climb 3.8 million in late April leaving 30 million jobless due to virus
15-May	Sales plunge in retail by a record 16.4% in April as virus slows spending
15-May	New York State business index climbs to -48.5 in April
15-May	U.S. industrial output collapses in April posting record decline in manufacturing at 11.2%

Source: Briefing.com

world against them. This trend will also be bad for emerging markets.

Regarding the technicals, the market is having a **mini-break out**. These gap openings are a pain to deal with. You can see that twice it tried to break above 2940 on the S&P 500, and now did. The moving average we are following right now is the 20-day or the red line. **The 200 day is purple at 2998 currently and will be a major test.**



We are still cautious bulls, would we emphasize cautious. There may be significant corrections ahead in the near-term. Every day is interesting!

Please let us know if you would like to discuss.

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