



## Market in a Minute

June 9, 2020

### Index Performance: As of June 5, 2020

Index	Price	Last Week	YTD
Dow Jones 30	3,193.93	4.9%	-0.8%
S&P 500	27,110.98	6.8%	-4.6%
NASDAQ	9,814.08	3.4%	9.6%
Russell 2000	7,669.02	8.1%	-9.3%
Russell 2000 Growth	7,636.52	5.7%	-1.6%
Russell 2000 Value	10,236.16	11.4%	-17.2%
Russell 1000 Growth	1,901.12	3.2%	7.4%
Russell 1000 Value	1,633.07	7.6%	-9.0%
Shanghai SE Index	2,937.77	0.8%	-8.1%
SPDR Gold Shares	158.01	-3.0%	10.6%
GS Crude Oil Total Return	32.8	-6.3%	-88.3%
Powershares US \$ Index	26.21	-1.5%	0.9%
iShares EAFE Index	63.82	7.0%	-8.1%
iShares Barclays 20+ Yr Treasury Bond	156.11	-4.4%	15.2%
Utilities Select Sector ETF	61.19	2.5%	-5.3%
Vanguard REIT ETF	84.69	9.4%	-8.7%
iShares Mortgage Real Estate	26.69	17.7%	-40.1%
Wells Fargo BDC	14.81	5.6%	-27.5%
Alerian MLP ETF	30.44	13.5%	-94.1%

## A Word on the Market

By: Pat Adams

The market on Friday rebounded and carried over the momentum into Monday on the **strong job gains in May**. We expect big gains in employment as the year progresses until the economy normalizes probably sometime in late 2021. As you can see from the graph below it has a long way to go but expect big gains over the next 6 months. The question, how much of the unemployment becomes permanent as the economy changes in reaction to Covid 19.

Unemployment fell to 13.3 percent in May, with a gain of 2.5 million jobs.



We show the chart below often to remind us how **aggressive the Federal Reserve has been**. The Fed has very quickly injected, over a couple of months, the same amount as they did over 5 years following the 2008 credit crisis. The market had one way to go with all this liquidity pouring in. Of course, the market can overshoot with this type of aggressive monetary policy.

iShares Global Telecom	62.35	3.2%	1.5%
ETFMG Alternative Harvest ETF	14.04	2.0%	-18.0%
BitCoin Investment Trust	11.26	3.4%	37.5%

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

#### S&P Sector Performance: As of June 5, 2020

Index	Price	Last Week	YTD
Information Technology	1,781.20	3.6%	10.6%
Consumer Disc.	1,049.92	4.8%	6.7%
Consumer Staples	617.24	1.9%	-4.5%
Health Care	1,200.89	0.2%	1.5%
Financials	434.64	12.2%	-14.7%
Industrials	336.52	-41.0%	-50.9%
Energy	336.52	15.4%	-25.9%
Communications Services	185.2	2.4%	2.2%
Utilities	309.17	2.4%	-5.3%
Materials	375.02	7.6%	-2.4%
Real Estate	229.41	7.1%	-4.2%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

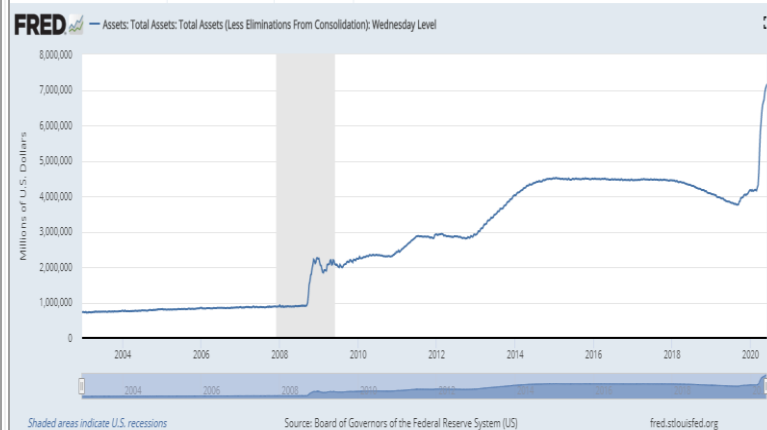
Fed Fund	.25	5-Year	0.47
3-Month	0.15	10-Year	0.91
6-Month	0.18	30-Year	1.68
2-Year	0.22		

Source: Bloomberg.com

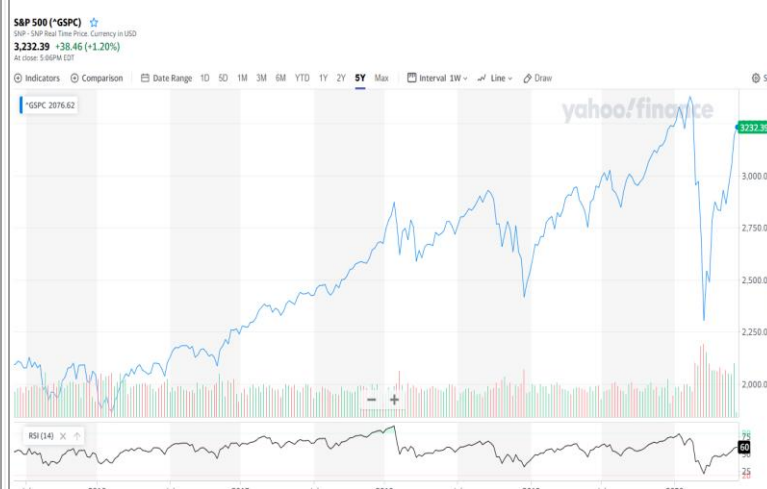
#### Economic Events This Week

8-Jun	German Industrial Production m/m	-17.9%	-16.0%
8-Jun	CPI m/m	0.0%	-0.8%
10-Jun	Core CPI m/m	0.0%	-0.4%
10-Jun	Federal Funds Rate	<0.25%	<0.25%

## Federal Reserve Balance Sheet



Below is a chart of the S&P 500 and it looks **different than any other bear market in history**, a massive -35% decline followed by 2 plus months of straight up.



On a fundamental basis, **the market is pretty much fully valued, and now has risk**. The P/E multiple on the S&P 500 using normalize earnings, or 2019 earnings, is now 19.7x. Sure, under great economic conditions, with zero interest rates, the market could be 10%-20% higher, but that is not the current fundamentals.

The Nasdaq has recently been lagging greatly after a huge bounce and now at all-time highs. We see **significant risk or perhaps just significant underperformance with the Nasdaq**. Our focus is on the sectors that underperformed the most in the years following up to the bear market, that underperformed during the decline, and now have very significant upside potential. **Our Tactical Total Return strategy that uses the S&P 500, Nasdaq, Russell 2000, EAFA, and 10% in individual stocks has eliminated the exposure completely to the Nasdaq. This weighting is now earmarked to go into a Value index and expect this to be a new strategic position.**

As the market fell quickly, bounced back quickly, it could fall very quickly again. We believe tactical or loss averse

12-Jun	Unemployment Claims	1550K	1877K
12-Jun	GDP m/m	-18.0%	-5.8%
12-Jun	Prelim UoM Consumer Sentiment	75.0	72.3

Source: Briefing.com

Economic Events Last Week

Date	Event
1-Jun	Manufacturers show faint signs of revival in May as economy slowly reopens, ISM index jumps to 41.5%
1-Jun	U.S. construction spending drops 2.9% in April
3-Jun	2.76 million Jobs lost in May from private sector
3-Jun	Jobless claims increase by 1.88 million at end of May
4-Jun	In May unemployment falls from 13.3 % as recover begins
5-Jun	U.S. Trade gap widens in April masking steep decline in exports and imports, increasing in April from 16.7% to 49.4%

Source: Briefing.com

strategies should be substituted particularly for Growth strategies, but also for long only strategies that merely go up and down with the markets. **Clearly the Fed bailed out the economy and cannot keep doing this, the next decline is not going to have the same quick bounce.**

Oil is getting back to more reasonable levels and the energy stocks have reacted very positively. **OPEC has a very important meeting on June 9<sup>th</sup>.**