



Market in a Minute

July 14, 2020

Index Performance: As of July 10, 2020

Index	Price	Last Week	YTD
S&P 500	3,185.04	1.8%	-1.0%
Dow Jones	26,075.30	1.0%	-8.2%
NASDAQ	10,617.40	4.0%	18.6%
Russell 2000	7,249.43	-0.6%	-14.3%
Russell 2000 Growth	7,549.04	0.1%	-2.7%
Russell 2000 Value	9,149.69	-1.4%	-26.0%
Russell 1000 Growth	2,024.73	3.5%	14.4%
Russell 1000 Value	1,516.11	0.3%	-15.5%
Shanghai SE Index	3,383.32	7.3%	5.9%
SPDR Gold Shares	169.19	1.3%	18.4%
GS Crude Oil Total Return	35.9	8.8%	411.4%
Powershares US \$ Index	26.11	-0.6%	0.5%
iShares EAFE Index	62.33	0.9%	-10.2%
iShares Barclays 20+ Yr Treasury Bond	166.33	1.7%	22.8%
Utilities Select Sector ETF	57.77	-0.2%	-10.6%
Vanguard REIT ETF	78.12	-2.5%	-15.8%
iShares Mortgage Real Estate	23.84	-0.8%	-46.5%
Wells Fargo BDC	13.09	-6.1%	-36.0%
Alerian MLP ETF	23.15	-4.3%	-45.5%

A Word on the Market

By: Pat Adams

This week, we start to get earnings reports for the second quarter, with many banks reporting. The banks are expected to have positive earnings, but will be down significantly from last year as they continue to raise their loan loss provisions. Next week the technology companies will start to report earnings. Next year bank earnings should be very strong as earnings will gratitate back to where they were.

Below is the YTD performance of the 11 sectors of the S&P 500 for the first half of 2020. Without technology all the sectors would be down. The Communications Service sector has companies like Google in it and Consumer Discretionary has Amazon, which we still believe are technology stocks. Otherwise, all other sectors are down and some down very significantly. Traditional value strategies are still down considerably on the year as the sectors they invest have not performed well yet. The question that we continue to debate is when do we get a sustained move up in the underperforming or value sectors. Just going back to where some of these stocks were at the start of the year gives some stocks very significant upside potential.

The first question is how much more can technology go up? If you put the stocks back where they belong in terms of the sectors or simply just add the technology stocks and the communication stocks the total as we calculate technology in the **S&P 500, technology is 36%**. That is an extremely high weighting at the expense of every other sector. This trend has persisted for a number of years and it is getting to an extreme. **Technology got to 30% in 1999. Ballons pop when they are over inflated!**

This market seems to want instant gratification and some sort of dream of the future rather than solid dividends, attractive valuations, and critical companies in our economy. The reopening trade needs to turn into a trend with several years of economic growth. Non-technology stocks have not looked this attractive in a VERY long time. As we get closer to extremely easy earnings comparisons next year the

iShares Global Telecom	65.77	4.3%	7.1%
ETFMG Alternative Harvest ETF	13.1	1.4%	-23.5%
BitCoin Investment Trust	9.75	4.1%	19.0%

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

S&P Sector Performance: As of July 10, 2020			
Index	Price	Last Week	YTD
Information Technology	1,901.29	2.7%	18.0%
Consumer Disc.	1,125.92	4.8%	14.5%
Consumer Staples	619.33	2.5%	-4.2%
Health Care	1,173.97	-0.9%	-0.8%
Financials	389.97	2.2%	-23.5%
Industrials	68.01	-1.4%	-18.2%
Energy	270.32	-4.6%	-40.5%
Communications Services	192.39	4.7%	6.2%
Utilities	293.66	-0.2%	-10.1%
Materials	364.88	0.8%	-5.1%
Real Estate	217.32	-1.8%	-9.2%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	.25	5-Year	0.30
3-Month	0.13	10-Year	0.65
6-Month	0.15	30-Year	1.33
2-Year	0.16		

Source: Bloomberg.com

Economic Events This Week			
15-Jul	Overnight Rate	0.25%	0.25%
15-Jul	CPI q/q	-0.5%	0.8%
15-Jul	Employment Change	100.0K	-227.7K
15-Jul	Unemployment Rate	7.2%	7.1%
15-Jul	GDP q/y	2.2%	-6.8%
16-Jul	Main Refinancing Rate	0.00%	0.00%

market will start to focus on the non-technology sectors if not sooner.

The second quarter earnings for the S&P 500 is for a drop in earnings by -44% and revenues down -12%. The bar is low for non-technology and very high for technology. We believe we are at a low in earnings growth and will begin to accelerate over the next 6 quarters. This is good news for non-technology.

The market has a valuation issue as technology is very over valued, the rest of the market is very reasonably valued on normalized earnings. The market needs to get some confidence about the economy/Covid-19 to see the long awaited rotation out of technology. Round 4 of the stimulus is now being talked about in congress and there is an expectation of the new plan will be in place before the end of July. This will be another good stimulus for the economy.

Sector Overview – YTD as of 06/30/20



The election looms on the horizon, I cannot remember the politics in the country being so divisive. The big issue for the stock market is taxes, regulation, and trade. If there is a blue wave, two of these three issues could smother the economy.

Please let us know if you would like to discuss.

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16-Jul	Core Retail Sales m/m	4.5%	12.4%
16-Jul	Retail Sales m/m	4.6%	17.7%
17-Jul	Prelim UoM Consumer Sentiment	79.9	78.1

Source: Briefing.com

Economic Events Last Week

Date	Event
6-Jul	ISM services index surges to 57.1% in June showing signs of life in the economy
7-Jul	U.S. adds 6.5 million jobs back to the economy in May
8-Jul	In May, consumer credit fell 5.3% as the economy began to reopen
9-Jul	In early July, jobless claims fall to four-month low of 1.31 million
10-Jul	PPI drops .2% in June as wholesale prices drop, U.S. inflation very low due to virus

Source: Briefing.com