



Market in a Minute
August 18, 2020

Index Performance: As of August 14, 2020

Index	Price	Last Week	YTD
S&P 500	3,372.85	0.6%	4.8%
Dow Jones	27,931.02	1.8%	-1.7%
NASDAQ	11,019.30	0.1%	23.1%
Russell 2000	8,048.50	0.6%	-4.8%
Russell 2000 Growth	8,154.71	-0.4%	5.1%
Russell 2000 Value	10,456.97	1.6%	-15.4%
Russell 1000 Growth	2,121.92	0.4%	19.8%
Russell 1000 Value	1,625.67	0.9%	-9.4%
Shanghai SE Index	3,360.10	0.2%	5.1%
SPDR Gold Shares	182.54	-4.3%	27.7%
GS Crude Oil Total Return	42.8	5.7%	509.7%
Powershares US \$ Index	25.18	-0.2%	-3.0%
iShares EAFE Index	64.8	1.8%	-6.7%
iShares Barclays 20+ Yr Treasury Bond	163.18	-3.9%	20.4%
Utilities Select Sector ETF	60.38	-1.8%	-6.6%
Vanguard REIT ETF	81.15	-1.5%	-12.5%
iShares Mortgage Real Estate	27.05	1.8%	-39.3%
Wells Fargo BDC	14.44	0.8%	-29.4%

A Word on the Market

By: Pat Adams

The DNC is this week. **Below is Biden's tax plan.** It is very negative for investments, corporate earnings, small business, and the energy program is completely unrealistic. As we have said numerous times the biggest risk to the markets currently is political.

Snapshot of Key Components

Individual	Corporate Taxes	Other Economic Policy
<ul style="list-style-type: none"> Increase the top individual tax rate to 39.6% from 37.0% Establish a new "high-earner" payroll tax of 12.4% on all income above \$400,000 Increase long-term capital gains tax rate to 39.6% from 20.0% 	<ul style="list-style-type: none"> Increase the corporate income tax rate to 28.0% from 21.0% Create a minimum tax rate of 15.0% on book income Eliminate the qualified income deduction for partnerships and S corps 	<ul style="list-style-type: none"> Increase the federal minimum wage to \$15.00/hour from \$7.25/hour Expand the Affordable Care Act 100% clean energy by 2035 Establish a new financial transactions tax

The retailers report earnings this week. What the market wants to know is if there has been any slowing in retail sales in the month of July, in order to gauge the recovery next year. **Walmart is on Tuesday and is the best barometer for the economy.**

The **Goldman Sachs strategist** made a big call on Monday calling for further market gains. The belief is the market will continue to move higher based on liquidity. We see the point, but we are concerned about the heightened risks of certain sectors of the market.

Our current views. The S&P 500 P/E/ valuation on 2020, 2021, and 2022 is currently 25.8x, 20.4X, and 19.3x. The valuation on earnings, that assume a full recovery such as 2022 earnings are now very expensive on a historical bases. Two important fundamental considerations to consider are: 1) a lack of yield in quality bonds making stocks reasonably valued and 2) the Trump tax cut and deregulation added significantly to earnings. **Without the Trump stimulus the P/E on 2021 earnings would be around 22-23x earnings, which would make bonds more interesting as a defensive asset.** We have a bifurcated market with the companies that benefit from Covid-19 shut down and stay at home trends versus cyclical companies or companies that were affected by the recession. Unemployment rates falling will allow economic growth to continue strongly recovering and will likely improve beyond the prior peak due to the massive amount of liquidity from the Fed. Earnings are locked in to have an

Alerian MLP ETF	24.99	-0.9%	-41.2%
iShares Global Telecom	66.62	-0.2%	8.5%
ETFMG Alternative Harvest ETF	12.69	0.7%	-25.9%
BitCoin Investment Trust	13.4	2.6%	63.6%

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

S&P Sector Performance: As of August 14, 2020

Index	Price	Last Week	YTD
Information Technology	2,001.52	0.1%	24.2%
Consumer Disc.	1,185.62	1.6%	20.5%
Consumer Staples	656.81	0.9%	1.6%
Health Care	1,243.21	0.3%	5.0%
Financials	417.39	1.3%	-18.1%
Industrials	77.53	3.2%	-6.7%
Energy	654.39	133.2%	44.1%
Communications Services	196.89	-0.3%	8.7%
Utilities	305.62	-2.1%	-6.4%
Materials	393.93	1.5%	2.5%
Real Estate	222.22	-1.8%	-7.2%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.32
3-Month	0.1	10-Year	0.71
6-Month	0.12	30-Year	1.42
2-Year	0.16		

Source: Bloomberg.com

Economic Events This Week

20-Aug	Philly Fed Manufacturing Index	21.0	24.1
20-Aug	Unemployment Claims	990K	963K
20-Aug	CB Leading Index m/m	1.0%	2.0%

extended period of acceleration. **Be careful of a double dip in the stock market occurring in 2021 or 2022.** The market faces significant political risk, Trumps policies were so aggressive, unwinding these policies would have significant repercussions. Generally, all major indices of the market are seeing positive trends with some in the very early phases of recovery.

The chart of the Spanish Flu market with a -33.5% decline followed by a full recovery, followed by a 30.5% advance in 1919 and then a -32.9% decline in 1920. We would not be surprised to see something similar with the current market.

Dow Jones Industrial Average During Spanish Flu and WW1



Emerging Healthcare: We continue to see numerous underfollowed microcap companies in the healthcare or biotechnology sector. **Oncosec Medical (ONCS)** with a market cap of \$89 million has a drug in phase 3 for Advanced Melanoma, per the management of ONCS, the drug appears to work better than Iovance Biotherapeutics (IOVA) drug, which has a market cap over \$4 billion and their drug is in phase 2. The ONCS data is expected to be released in November. If they are correct on the data, then this stock is a moonshot.

Phone: (303)874-7477

Email: info@pvgasset.com

Website: www.pvgassetmanagement.com

21-Aug	French Flash Services PMI	56.3	57.3
21-Aug	German Flash Manufacturing PMI	52.2	51.0
21-Aug	German Flash Services PMI	55.3	55.6
21-Aug	Flash Manufacturing PMI	54.0	53.3

Source: Briefing.com

Economic Events Last Week

Date	Event
10-Aug	U.S. job openings slowly climbing out of deep hole, but there are still 3 unemployed workers per opening
11-Aug	Wholesale prices jump 0.6%
12-Aug	CPI jumps 0.6% for 2 nd straight month, but inflation is still low
12-Aug	U.S. budget deficit cools down in July, but will be much higher in the near future.
13-Aug	Jobless claims fall below 1 million for first time since the beginning of covid
14-Aug	U.S. productivity jumps 7.3% in Q2

Source: Briefing.com