



Market in a Minute
August 4, 2020

Index Performance: As of July 31, 2020

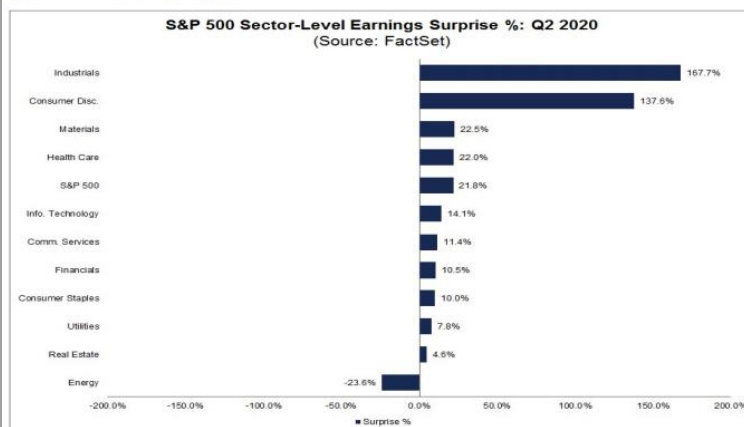
Index	Price	Last Week	YTD
S&P 500	3,271.12	1.7%	1.6%
Dow Jones	26,428.32	-0.2%	-7.0%
NASDAQ	10,745.30	3.7%	20.0%
Russell 2000	7,546.14	0.9%	-10.7%
Russell 2000 Growth	7,763.60	1.4%	0.1%
Russell 2000 Value	9,648.39	0.4%	-21.9%
Russell 1000 Growth	2,069.47	3.8%	16.9%
Russell 1000 Value	1,567.51	-0.2%	-12.6%
Shanghai SE Index	3,310.01	-1.2%	3.6%
SPDR Gold Shares	185.43	3.8%	29.8%
GS Crude Oil Total Return	33.5	-13.3%	377.2%
Powershares US \$ Index	25.28	-0.9%	-2.7%
Ishares EAFE Index	62.05	-1.9%	-10.6%
iShares Barclays 20+ Yr Treasury Bond	170.81	0.6%	26.1%
Utilities Select Sector ETF	60.83	0.9%	-5.9%
Vanguard REIT ETF	81.39	4.1%	-12.3%
iShares Mortgage Real Estate	26.02	3.0%	-41.6%
Wells Fargo BDC	13.64	0.7%	-33.3%
Alerian MLP ETF	23.74	-1.0%	-44.1%
iShares Global Telecom	65.24	0.9%	6.3%
ETFMG Alternative Harvest ETF	12.94	-0.2%	-24.4%
BitCoin Investment Trust	12.81	23.4%	56.4%

A Word on the Market

By: Pat Adams

Last week, a big week for earnings reports and this week will be as well. The positive earnings surprises have been much bigger surprises than usual. **We did very well with Nokia (NOK)**, the new management team has really done a good job in expanding margins in their 5G products. We were right on Microsoft (MSFT) trading off when they reported as expectations were very high as well as most of the other FAANG stocks. However, AAPL really did a good job! This is a mature company with now close to a \$2 trillion market cap. We are very surprised that the law-of-large-numbers has not caught up to AAPL yet. AAPL is currently about 5% of the value of the entire U.S. stock market.

Q2 2020: Scorecard



The Nasdaq has been driven up mainly by the large cap technology stocks. Below is a chart of the **Nasdaq, it is clearly in a parabolic move**. The last time we saw such a move was in February before the market freaked out about Covid-19. Now the **Nasdaq is even higher above the 200-day moving average**. This part of the market has great momentum but has too much risk. This is a repeating theme for us.

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

S&P Sector Performance: As of July 31, 2020

Index	Price	Last Week	YTD
Information Technology	1,942.39	5.0%	20.6%
Consumer Disc.	1,145.81	2.1%	16.5%
Consumer Staples	642.01	0.9%	-0.6%
Health Care	1,228.58	0.3%	3.8%
Financials	399.06	-0.9%	-21.7%
Industrials	71.73	-0.2%	-13.7%
Energy	272.09	-4.2%	-40.1%
Communications Services	191.69	1.7%	5.8%
Utilities	309.12	0.9%	-5.3%
Materials	309.12	-20.1%	-19.6%
Real Estate	224.82	4.1%	-6.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.21
3-Month	0.09	10-Year	0.55
6-Month	0.10	30-Year	1.20
2-Year	0.11		

Source: Bloomberg.com

Economic Events This Week

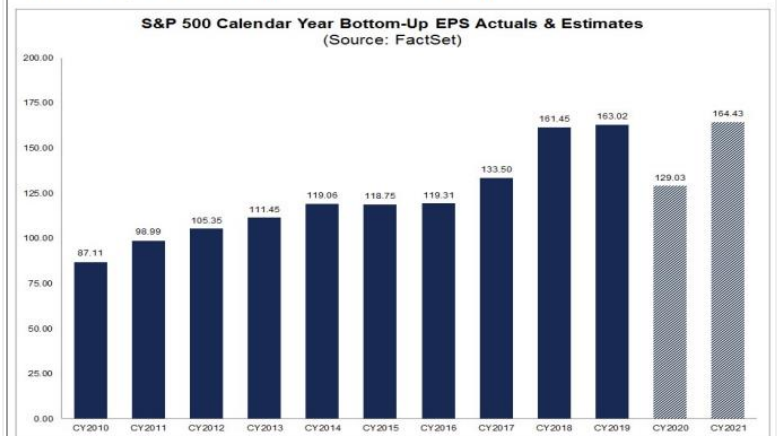
3-Aug	ISM Manufacturing PMI	54.2	53.6
4-Aug	Employment Change q/q	-2.0%	0.7%
4-Aug	Unemployment Rate	5.5%	4.2%
5-Aug	ISM Non-Manufacturing PMI	55.0	57.1
5-Aug	Inflation Expectations q/q		1.24%
6-Aug	MPC Official Bank Rate Votes	0-0-9	0-0-9
6-Aug	Unemployment Rate	50.8	50.9
7-Aug	Average Hourly Earnings m/m	-0.5%	-1.2%

Source: Briefing.com



Looking out to next year the consensus is for \$164 in earnings for the S&P 500, which puts the P/E multiple at 20x. This puts the multiple at level not too far off the 1999 forward earnings estimates.

Bottom-up EPS Estimates: Current & Historical



Our theme we keep repeating, as the economy comes back the value stocks like banks etc... for instance are too cheap. It is interesting we saw a **significant purchase by an insider in AT&T**. We think a major theme is onshoring, U.S. companies coming back to the U.S. It is not that simple as manufacturing in China is much more efficient. China is struggling in a number of ways, they are now trying to pass through the tariffs, many factories have closed in China as there is no government support like in the U.S., and they have had major flooding. We are looking for the next Kodak (KODK). KODK will make generic drug ingredients in the U.S with a huge loan from the government. We think the government will continue to spend aggressively on healthcare with or without Covid-19. **In our Emerging Healthcare and Tactical Total Return SMAs we recently bought Chimerix (CMRX), they are focused on AML Disease, but the same drug also works for Acute Lung Injury in Covid-19 patients. They also have a Smallpox (there is concern Smallpox may come back) vaccine, speaking of viruses, which could be approved next year and drop \$100 million per year to the bottom line. The company has \$103 million in cash and only a \$190 million market cap.**

Economic Events Last Week

Date	Event
27-Jul	Auto makers surge in June, durable-goods orders climb 7.3%
27-Jul	Case-Shiller index shows home prices kept rising in May, but at a slower rate
29-Jul	U.S. consumer confidence index drop to 92.6 in July indicating rocky economic recovery
30-Jul	Jobless claims rise two weeks in a row as U.S. Economy slows
31-Jul	U.S. recovery slowing, but consumer spending jumps 5.6% in June

Source: Briefing.com

In the biotech space you can get these very large moves all in one day that might take a decade in other growth stocks.

Next phase of subsidies, from the government, of at least \$1 trillion, should get passed in the next week or so. If it should not occur September could be very volatile for the markets. Our biggest concern is the election as there is such a major contrast in economic policies.

Our technical model is positive but as the market has significant short-term downward moves very quickly it makes the algorithm very sensitive to getting defensive. As we enter the historically very negative months of September and October, we believe it is important to have this protection in place.

We believe **Marathon (MPC) selling its retail segment for \$21 billion was brilliant**, with a 6% dividend yield it is perfect for our Loss Averse Equity Income SMA. If MPC were to trade to its old high, it would advance 125%.

Probably the most interesting companies reporting earnings this week are **Disney and BP both on Tuesday.**

Please let us know if you would like to discuss.

Phone:(303)874-7477

Email: info@pvgasset.com

Website: www.pvgassetmanagement.com