



Market in a Minute

June 22, 2021

Index Performance: As of June 18, 2021

Index	Price	Last Week	YTD
S&P 500	4,166.45	-1.91%	12.59%
Dow Jones	33,290.08	-3.45%	10.14%
NASDAQ	14,030.38	-0.28%	10.49%
Russell 2000	11,517.01	-4.17%	15.47%
Russell 2000 Growth	10,893.06	-2.65%	6.09%
Russell 2000 Value	16,011.62	-5.53%	25.63%
Russell 1000 Value	2,645.25	0.47%	10.85%
Shanghai SE Index	2,107.60	-4.09%	15.46%
SPDR Gold Shares	164.93	-6.15%	-9.54%
GS Crude Oil Total Return	125	4.17%	145.10%
Powershares US \$ Index	24.82	1.93%	2.31%
Ishares EAFE Index	78.52	-3.06%	7.06%
iShares Barclays 20+ Yr Treasury Bond	145.73	2.40%	-7.50%
Utilities Select Sector ETF	63.61	-3.78%	4.07%
Vanguard REIT ETF	101.79	-3.13%	23.88%
iShares Mortgage Real Estate	36.42	-3.78%	17.90%
Alerian MLP ETF	35.82	-6.43%	40.80%
iShares Global Telecom	84.99	-1.21%	15.44%
ETFMG Alternative Harvest ETF	19.94	-7.64%	34.19%
Grayscale Bitcoin Trust	29.8	-3.18%	-15.05%

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

S&P Sector Performance: As of June 18, 2021

Index	Price	Last Week	YTD
Information Technology	2,491.85	0.09%	10.74%
Consumer Disc.	1,387.66	-0.07%	7.75%
Consumer Staples	706.19	-2.92%	2.54%

A Word on the Market

By: Patrick Adams, CFA



As we discuss last week, the Federal Reserve meeting was going to be an important event. It turned into a sell off two days later with Federal Reserve Governor James Bullard's discussion on CNBC that he believes **the current monetary policy does not apply any longer**. His main point is the economy is no longer subject to emergency conditions, suggesting that in coming meetings to expect the \$120 billion in bond purchases to get scaled back considerably and that the Fed should increase interest rates in 2022. This seems reasonable but caught the market off guard. Bullard has always been the smartest Fed governor, in our opinion, and leads the direction of the Fed. The next Federal Reserve meeting will be on July 28th. If the Fed plans to make a change, they will likely have more governors start to discuss when they make speeches. **Powell will testify before the House of Representatives on Tuesday, today**. Obviously, we are not even close to having a flat yield curve, that would signify a recession is likely, we believe a natural move to lessen liquidity from emergency levels is all that is occurring. **We believe in terms of greatest growth and inflation we are going to see it in this quarter, with slowing trends later in the year and into 2022.**

We still believe there is less upside and more downside in the markets, due to the very high valuations, the risk in the market is high. We believe the S&P 500 is fully valued at 4200.

May Existing Home Sales will be reported on Tuesday and New Home Sales on Wednesday, both are expected to be a little lower than April. There has been a bottleneck of housing supply. We wonder if these numbers are too conservative as the bottleneck should start to loosen.

Health Care	1,437.17	-0.76%	9.13%
Financials	583.92	-6.21%	20.69%
Industrials	99.3	-4.07%	14.92%
Energy	391.92	-5.21%	36.80%
Communications Services	258.06	-1.10%	18.06%
Utilities	323.41	-3.17%	4.07%
Materials	505.45	-6.31%	12.06%
Real Estate	276.12	-2.64%	25.28%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.90
3-Month	0.04	10-Year	1.52
6-Month	0.06	30-Year	2.11
2-Year	0.23		

Source: Bloomberg.com

Economic Events This Week

23-Jun	German Flash Manufacturing PMI	63.0	64.4
23-Jun	German Flash Services PMI	55.4	52.8
23-Jun	Flash Manufacturing PMI	62.0	63.1
24-Jun	Asset Purchase Facility	895B	895B
25-Jun	Final GDP q/q	6.4%	6.4%

Source: Briefing.com

Economic Events Last Week

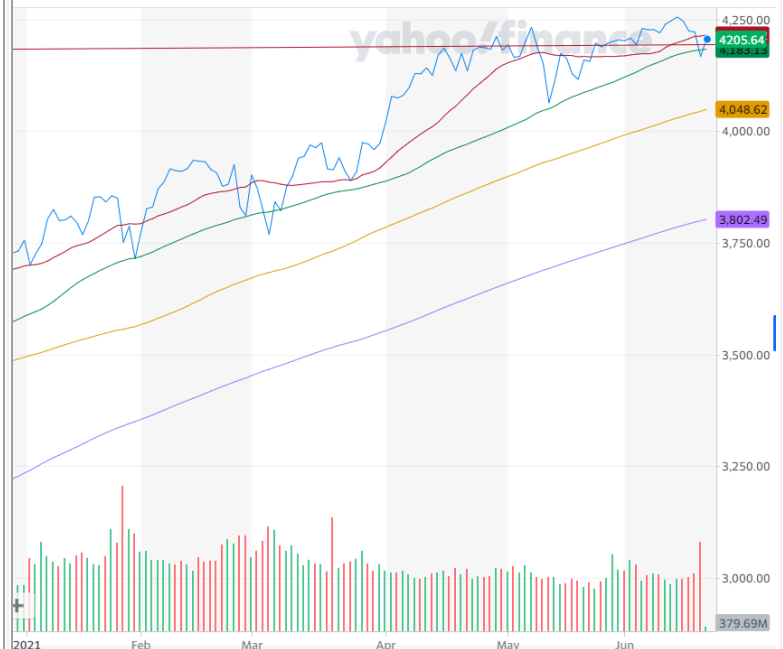
Date	Event
Jun-15	PPI shows Wholesale prices jump again in May, adding to rising inflation in U.S.
Jun-15	In May, U.S. industrial output rebounds led by autos
Jun-16	Builders break more ground on new homes in May, but housing takes a blow
Jun-16	Import Prices scream to fastest annual pace since 2011, adding to U.S. inflation
Jun-17	Jobless claims slowed drastically last week

Source: Briefing.com

On a technical basis 4200 is important, there are some important moving averages around this level, and as you know the 4200 level is a full valuation on our fundamental work. The market crossed slightly below the 50-day moving average (in green) on Friday. Below the 50-day we get nervous. We do not see on a technical basis any reason to believe there is any significant rally eminent. We would like to see the market stay above 4200.

Perhaps the Bullard comments were not the current Fed thinking, but we would not doubt that Bullard's comments could become the views of the Fed soon. This could add to the volatility in the market and contain any meaningful rally. It is important to understand that even if the Fed becomes more hawkish, they are still very accommodative. In this high valuation market, we are monitoring four things, 1) the chatter by the Fed, 2) inflation reports (and commodity prices), 3) the yield on the 10-year Treasury, and, 4) on a technical basis, 4200 on the S&P 500.

S&P 500 1-Year Chart



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