



Market in a Minute
July 20, 2021

Index Performance: As of July 16, 2021

Index	Price	Last Week	YTD
S&P 500	4,327.16	-0.97%	16.93%
Dow Jones	34,687.85	-0.52%	14.77%
NASDAQ	14,427.24	-1.87%	13.61%
Russell 2000	11,141.43	-5.11%	11.70%
Russell 2000 Growth	10,570.37	-5.90%	2.95%
Russell 2000 Value	15,443.69	-4.28%	21.17%
Russell 1000 Value	2,772.94	-1.10%	16.20%
Shanghai SE Index	3,539.30	0.43%	1.04%
SPDR Gold Shares	169.41	0.12%	-7.09%
GS Crude Oil Total Return	123.5	-1.98%	142.16%
Powershares US \$ Index	24.93	0.65%	2.76%
Ishares EAFE Index	78.32	-1.56%	6.79%
iShares Barclays 20+ Yr Treasury Bond	148.21	1.15%	-5.92%
Utilities Select Sector ETF	66.27	2.59%	8.43%
Vanguard REIT ETF	105.31	0.24%	28.16%
iShares Mortgage Real Estate	35.79	-3.58%	15.86%
Alerian MLP ETF	33.73	-7.21%	32.59%
iShares Global Telecom	86.49	-0.44%	17.48%
ETFMG Alternative Harvest ETF	17.75	-8.97%	19.45%
Grayscale Bitcoin Trust	26.2	-5.24%	-25.31%

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

S&P Sector Performance: As of July 16, 2021

Index	Price	Last Week	YTD
Information Technology	2,640.20	-0.61%	17.33%

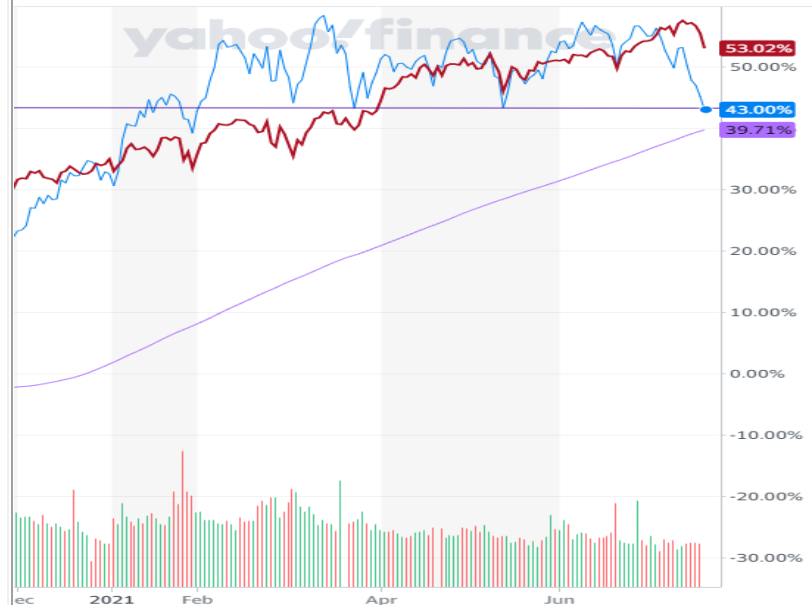
A Word on the Market

By: Patrick Adams, CFA



There is an old Wall Street expression, **be careful when the generals get too far out in front of the troops.** The last time the Russell 2000 was at a new high was back on March 15, whereas, the S&P 500 hit a new high on July 14th. The Russell 2000 is down -9.7% off its high and the S&P 500 is down -1.3%. If the economy is in a strong recovery small cap stocks will outperform, and they did. We have seen a rotation back into large cap, especially the FAANG stocks. **We have been discussing that once the large cap technology stocks bounce, which they did, the market would be susceptible to a correction. Here we are.**

Russell 2000 (BLUE) VS S&P 500 (RED)



The Russell 2000 is down to an important short-term support level but still above its 200-day moving average. We are watching to see if the Russell can hold these levels

Consumer Disc.	1,435.67	-2.63%	11.48%
Consumer Staples	733.88	1.25%	6.56%
Health Care	1,498.96	-0.17%	13.83%
Financials	600.62	-1.57%	24.15%
Industrials	101.91	-1.53%	17.94%
Energy	368.6	-7.72%	28.66%
Communications Services	267.3	-0.25%	22.29%
Utilities	336.94	2.55%	8.42%
Materials	509.02	-2.35%	12.85%
Real Estate	288.98	0.65%	31.12%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.78
3-Month	0.05	10-Year	1.31
6-Month	0.05	30-Year	1.93
2-Year	0.25		

Source: Bloomberg.com

Economic Events This Week

20-Jul	Retail Sales m/m	-0.7%	0.4%
21-Jul	Crude Oil Inventories	0.6%	0.8%
22-Jul	Unemployment Claims	19.7K	115.2K
23-Jul	German Flash Manufacturing PMI	64.2	65.1
23-Jul	Flash Manufacturing PMI	62.3	63.9

Source: Briefing.com

Economic Events Last Week

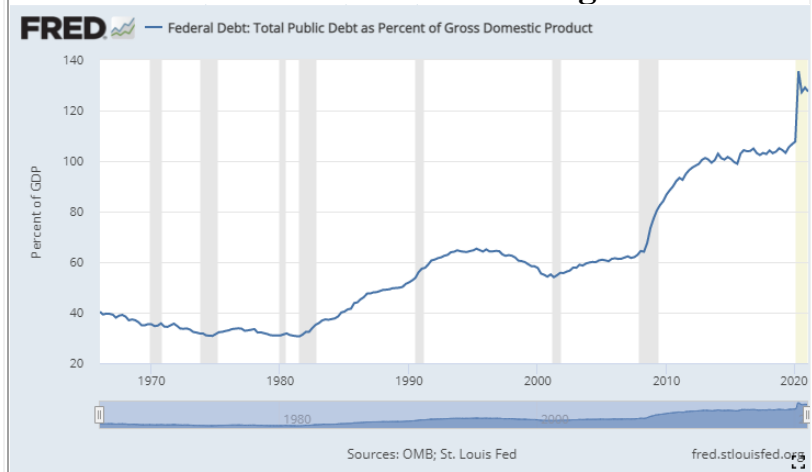
Date	Event
Jul-13	Inflation spreads through economy as cost-of-living posts biggest surge since 2008
Jul-13	U.S. June budget deficit narrows \$690 billion YoY

and bounce. In the near-term, we do not expect to see a significant move up in the markets as **we believe the market is fully valued at 20x the consensus \$213 earnings for 2022, assuming no tax increase, or 4260 on the S&P 500, and the S&P 500 closed at 4258.** We want to reiterate that 20x earnings, out a year and a half from now, is truly a full multiple and the market is fully valued. Of course, markets can still go higher or go significantly lower. We would like to see a 10%-15% correction but we are skeptical that will occur. **Many of the reopening stocks or cyclicals (value stocks) have already pulled back 10%-15%.**

The recent pullback has been driven by the **peaking in the rate of growth** and the anticipation by the bond market that the rate of change of inflation is peaking, potential for deflation in the near-term (sounds crazy right). The 10-Treasury yield is below 1.2%, which is down considerably. The Delta variant of Covid-19 is the recent negative for the market, creating concern about the economic recovery, which has put some panic into the value sectors. **If there truly becomes an issue with the Delta variant, next year's earnings estimates are too high, and the pullback will continue.**

Japan has a total public debt to GDP of 235% and their economy has had no growth for many decades. High debt to GDP has a meaningful negative impact on long-term GDP and the standard of living. Our debt growth, if it continues will start to become a problem, or the Federal Reserve will have to continue to monetize the debt and drive inflation higher...stagflation.

Total Public Debt as a Percentage of GDP



This week, **watch for the Housing reports on Tuesday and Thursday.** There are lots of earnings reports this week, we are watching for the upside versus consensus and how that impacts the 2022 S&P 500 earnings estimate of \$213. **If we would point you to one stock of interest this week it would be the Intel report on Thursday after the close, if the stock drops it may be worth considering. They will also give us a good view of how strong the economy is.**

Wholesale prices surge again as U.S. endures a bout of high inflation

Jul-14

U.S. unemployment claims drop to pandemic low of 360,000

Jul-15

Import prices climb 1% in June

Jul-15

Source: Briefing.com

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