PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

June 19, 2018

Index Performance: As of June 15, 2018			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	25090	-0.9%	1.5%
S&P 500	2780	0.0%	4.0%
NASDAQ	7746	1.3%	12.2%
Russell 2000	8329	0.7%	10.3%
Russell 2000 Growth	7550	1.9%	13.6%
Russell 2000 Value	12357	-0.6%	6.7%
Russell 1000 Growth	1437	0.7%	10.3%
Russell 1000 Value	1549	-0.6%	-0.1%
Shanghai SE Index	3188	-0.8%	-7.9%
SPDR Gold Shares	121.34	-1.4%	-1.9%
GS Crude Oil Total Return	7.29	-2.1%	11.5%
Powershares US $ Index	24.97	1.3%	3.9%
Ishares EAFE Index	70.00	-0.6%	-0.4%
iShares Barclays 20+ Yr Treasury Bond	120.38	0.7%	-5.1%
Utilities Select Sector ETF	49.54	1.7%	-6.0%
Vanguard REIT ETF	79.69	-0.6%	-4.0%
iShares Mortgage Real Estate	44.19	-0.2%	-2.2%
Wells Fargo BDC	20.36	-0.7%	-1.9%
Alerian MLP ETF	10.19	-2.7%	-5.6%
iShares Global Telecom	55.89	-0.7%	-7.7%

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

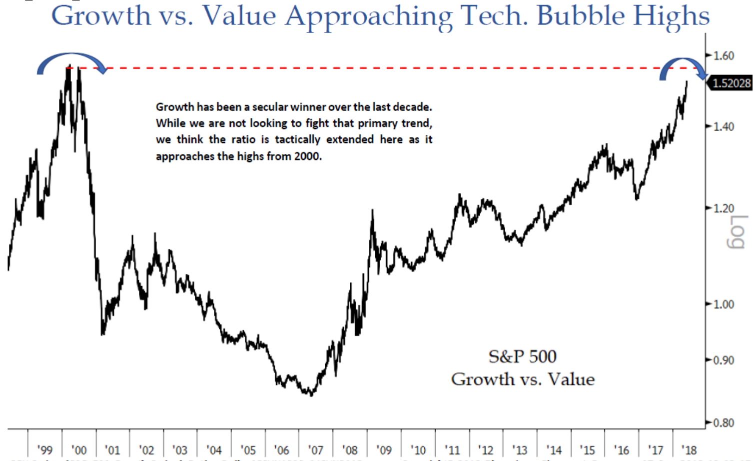
S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	1256	0.5%	14.1%
Consumer Disc.	874	2.2%	13.7%
Consumer Staples	520	1.9%	-9.7%

A Word on the Market by Pat Adams, CFA

The trade war surprisingly took a turn for the worse as China had agreed to buy an additional $70 billion of U.S. products, obviously not enough, but we were surprised a counter offer was not made from the U.S. Apparently the opening offer was too low. Trump announced a total of $50 billion of goods to be imported from China with roughly a 25% tariff. Now China has matched the U.S. tariffs. The market over reacts to negative news. The tariffs are not a material tax when considering the size of both economies. We would expect the markets to be bothered by the trend of the news of the tariffs because of other factors that are concerning and that are material, Federal Reserve monetary policy, the valuations of stocks and bonds, and the concern of current earnings being around peak for this cycle.

Below is a very interesting chart, it measures the performance of value stocks versus growth. Although many things are different from the 1990's bull market and this bull market, many things are very similar. The Federal Reserve seems to burst most bubbles, this time it is the enormous outperformance of the growth stocks relative to the market, and in particular, the technology stocks. Growth is now, on a relative basis, back to its highs compared to value stocks. We are sure if a bear market comes, then value will perform much better, perhaps as well as from 2000 thru 2007 relative to growth. Given the valuation differential between value and growth, a multiple year period of strong outperformance of value is likely…that is the way PVG's Loss Averse Equity Income is positioned. Value stocks benefit the most on a relative basis from Trump's policies.

Growth vs. Value Approaching Tech. Bubble Highs



Health Care	982	0.8%	3.5%
Financials	465	-1.9%	-1.6%
Industrials	641	-1.4%	-1.0%
Energy	565	-3.1%	2.6%
Telecommunications	150	-2.0%	-11.4%
Utilities	245	2.6%	-6.0%
Materials	380	-1.4%	-1.2%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	1.875	5-Year	2.81
3-Month	1.94	10-Year	2.93
6-Month	2.07	30-Year	3.05
2-Year	2.55		

Source: Bloomberg.com

Economic Events This Week			
19-Jun	Housing Starts	1323K	1287K
19-Jun	Building Permits	1343K	1352K
20-Jun	Existing Home Sales	5.55M	5.46M
21-Jun	Initial Claims	220K	218K
21-Jun	Philadelphia Fed	27.0	34.4
21-Jun	Leading Indicators	0.4%	0.4%

Source: Briefing.com

Economic Events Last Week	
Date	Event
12-Jun	CPI for May came in at 0.2% compared to estimates of 0.3%
12-Jun	Core CPI for May was reported at 0.2% which was in line with expectations
13-Jun	PPI for May was reported at 0.5% which was higher than forecasts of 0.3%

The two charts below are of Proctor & Gamble and the NASQAQ. The first is from 1998 until 2003. You can see the incredible performance of Nasdaq relative to PG until the market peaks, and then how well PG performs, due to its underperformance prior to the start of the bear market beginning. The exact same thing is occurring in this cycle. The consumer staples sector is in a bear market, the stocks are dirt cheap and should start performing better and certainly are defensive now given their underperformance. The consumer staples sector is a defensive group in a bear market because they perform horribly at the tail end of a bull market. All the money seems to go into the technology sector at the end of a bull market, and then flies out just as fast when the bear begins. PG is up as the NASDAQ collapses. Again, it is another similarity to the cycle of the 1990's bull and the bear market of 2000-2002.

Proctor and Gamble (dark blue) NASDAQ (light blue) from 1998 to 2003

Proctor and Gamble (dark blue) NASDAQ (light blue) from 2016 to current

If you cannot see these charts please click the PDF link below.

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13-Jun	The Fed decided to increase the FOMC Rate to 1.875% which was expected
14-Jun	Initial Claims for the week of 6/9 came in at 218K which was lower than forecasts of 223K
14-Jun	Retail Sales for May increased 0.8% which was higher than expectations of 0.4%
14-Jun	Retail Sales ex-auto for May rose 0.9% vs. estimates of 0.5%
14-Jun	Business Inventories for Apr. was up 0.3% which was in line with expectations
15-Jun	Industrial Production for May declined -0.1% compared to estimates of 0.2%
15-Jun	Capacity Utilization for May came in at 77.9% which was slightly lower than expectations of 78.1%
15-Jun	The Michigan Sentiment for Jun was reported at 99.3 vs. forecasts of 99.0
Source: Briefing.com	

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