



Market in a Minute

June 26, 2018

Index Performance: As of June 22, 2018

Index	Price	Last Week	YTD
Dow Jones 30	24581	-2.0%	-0.6%
S&P 500	2755	-0.9%	3.0%
NASDAQ	7693	-0.7%	11.4%
Russell 2000	8338	0.1%	10.4%
Russell 2000 Growth	7498	-0.7%	12.8%
Russell 2000 Value	12483	1.0%	7.7%
Russell 1000 Growth	1422	-1.1%	9.1%
Russell 1000 Value	1541	-0.6%	-0.7%
Shanghai SE Index	3027	-5.1%	-12.6%
SPDR Gold Shares	120.34	-0.8%	-2.7%
GS Crude Oil Total Return	7.99	9.6%	22.2%
Powershares US \$ Index	24.90	-0.3%	3.6%
iShares EAFE Index	67.80	-3.1%	-3.6%
iShares Barclays 20+ Yr Treasury Bond	120.53	0.1%	-5.0%
Utilities Select Sector ETF	50.75	2.4%	-3.7%
Vanguard REIT ETF	80.79	1.4%	-2.6%
iShares Mortgage Real Estate	44.74	1.2%	-1.0%
Wells Fargo BDC	20.37	0.0%	-1.9%
Alerian MLP ETF	10.37	1.8%	-3.9%
iShares Global Telecom	54.46	-2.6%	-10.0%
ETFMG Alternative Harvest ETF	31.20	4.3%	-3.9%
BitCoin Investment Trust	10.10	-7.8%	-54.4%

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

S&P Sector Performance

A Word on the Market by Pat Adams, CFA

This week we thought we would review the pluses and minuses of the market as we are approaching the half way point of the year.

On the positive side, the economy is very strong, earnings growth is strong, valuations in some sectors of the stock market are attractive (value stocks are a value), companies have greatly benefitted from the Trump tax cuts, and regulation is much less burdensome. The long-term outlook is positive.

On the negative view of the market, it has been 9 years and 4 months since the last bear market, both stocks and bonds have high valuations, growth/momentum (technology) are very extended, the Federal Reserve is tightening monetary policy by raising interest rates and shrinking their balance sheet (never fight the Fed), Europe has political issues (Italy may consider leaving the EU, and Merkle is close to losing her government in Germany), the EU banks have credit problems, emerging markets have fallen significantly recently, we are entering a seasonally weak period for the stock market, the U.S. election in the fall has a lot of uncertainty, the momentum in the economy will slow significantly next year as we anniversary the Trump tax cuts, and lastly we risk slowing global growth if Trump's trade practices backfire. There are many things to be concerned about.

The question that cannot be answered with any degree of certainty is, are we going to roll over into a bear market or will the market reenergize and have another run? The fact is, the risks are much higher now.

The Consumer Staple sector really fell out of bed this year and many stocks in this sector look like they are in a bear market. Campbell Soup (CPB) fell 58% from high to low (we took advantage of this decline) and is now being driven by takeover rumors of a bid from Kraft Heinz (KHC). There are a lot of cheap stocks in this sector. We believe consolidation in this sector makes sense, reducing cost, which has usually lead to increased growth. We believe JM Smucker (SJM), General Mills (GIS) and Kellogg (K) are all prime candidates to be acquired. Proctor and Gamble (PG) and PepsiCo (PEP) are prime targets of divestitures to realize value in their shares. The Consumer Staple sector has generally performed very well in a bear

Index	Price	Last Week	YTD
Information Technology	1246	-1.3%	12.6%
Consumer Disc.	887	-0.7%	12.9%
Consumer Staples	530	0.1%	-9.7%
Health Care	983	-0.7%	2.8%
Financials	450	-1.4%	-3.0%
Industrials	610	-3.4%	-4.3%
Energy	556	1.5%	4.2%
Telecommunications	146	-0.5%	-11.9%
Utilities	258	2.5%	-3.7%
Materials	367	-2.1%	-3.3%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	1.875	5-Year	2.77
3-Month	1.93	10-Year	2.90
6-Month	2.11	30-Year	3.04
2-Year	2.56		

Source: Bloomberg.com

Economic Events This Week

25-Jun	New Home Sales	666K	646K
26-Jun	Consumer Confidence	127.1	128.0
27-Jun	Durable Orders	-1.0%	-1.7%
27-Jun	Durable Goods ex-transportation	0.4%	0.9%
28-Jun	GDP-Third Est.	2.2%	2.2%
28-Jun	GDP Deflator-Third Est.	1.9%	1.9%
28-Jun	Initial Claims	220K	218K
29-Jun	Personal Income	0.4%	0.3%
29-Jun	Personal Spending	0.4%	0.6%

market, as the sector falls out of favor at the end of a bull as technology/momentum stocks take investors dollars, this has definitely occurred.

Staples Continue to Improve



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29-Jun	Chicago PMI	61.0	62.7
29-Jun	Michigan Consumer Sentiment	99.0	99.3

Source: Briefing.com

Economic Events Last Week

Date	Event
19-Jun	Housing Starts for May were reported at 1350K which was higher compared to expectations of 1323K
19-Jun	Building Permits for May came in at 1301K vs. estimates of 1343K
20-Jun	Existing Home Sales May were 5.43M which was lower than forecasts of 5.55M
21-Jun	Initial Claims for the week of 6/16 were reported at 218K vs. expectations of 220K
21-Jun	The Philadelphia Fed for Jun. was 19.9 which was lower than consensus forecasts of 27.0
21-Jun	The Leading Indicators for May was up 0.2% compared to estimates of 0.4%

Source: Briefing.com

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