



Market in a Minute

October 23, 2018

Index Performance: As of Oct 19, 2018

Index	Price	Last Week	YTD
Dow Jones 30	25444	0.4%	2.9%
S&P 500	2768	0.0%	3.5%
NASDAQ	7449	-0.6%	7.9%
Russell 2000	7659	-0.3%	1.4%
Russell 2000 Growth	6854	-0.5%	3.1%
Russell 2000 Value	11527	-0.1%	-0.5%
Russell 1000 Growth	1420	-0.7%	9.0%
Russell 1000 Value	1556	0.8%	0.3%
Shanghai SE Index	2671	-2.2%	-22.9%
SPDR Gold Shares	116.01	0.7%	-6.2%
GS Crude Oil Total Return	8.44	-3.8%	29.1%
Powershares US \$ Index	25.47	0.6%	6.0%
Ishares EAFE Index	63.74	-0.2%	-9.3%
iShares Barclays 20+ Yr Treasury Bond	113.71	-0.7%	-10.4%
Utilities Select Sector ETF	54.57	3.1%	3.6%
Vanguard REIT ETF	78.12	3.0%	-5.9%
iShares Mortgage Real Estate	42.42	1.6%	-6.2%
Wells Fargo BDC	19.39	-0.1%	-6.6%
Alerian MLP ETF	10.54	1.7%	-2.3%
iShares Global Telecom	55.26	0.1%	-8.7%
ETFMG Alternative Harvest ETF	37.50	-4.4%	15.6%
BitCoin Investment Trust	7.05	2.9%	-68.2%

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

S&P Sector Performance

Index	Price	Last Week	YTD
Information Technology	1229	-1.2%	11.1%

A Word on the Market by Pat Adams, CFA

We are still early in the earnings season with a lot of companies to report during the next two weeks. The general trend is fine on the earnings line, but the revenues have not been particularly robust. Companies that have beat their estimates have not seen much positive reaction to their shares, but the companies that have missed are down on average about 6%, which is brutal! We believe the revenues being lower than expected is from foreign currency translation from a strong dollar, and that the global economy has weakened. We may be starting to see the U.S. economy slowing from very strong growth. Proctor & Gamble had very strong earnings, while IBM, as an example, missed their revenues by over 2%. A clear trend in the bank stocks was better than expected earnings but a real lack of any loan growth. We want to see Caterpillar (CAT) report on Tuesday morning. CAT has all the problems the market is dealing with, China exposure, currency translation, and a slower U.S. economy.

Some of the Basic Industry stocks have been pulverized. Paper stocks, chemical, steel etc... Olin (OLN) is a quality chemical company that we like, below is the price/sales ratio. If you can see the fine print below, this generally very reliable valuation indicator (price/sales) is nearly the same as the bottom of the market in 2009, now .57 and at the very bottom .46 and on average about .90.



Below, look at the chart of OLN stock, almost cut in half since the start of the year. Down by a third since the beginning of September. This is a major shift in sentiment. The Fed does not see, or care about things like this when setting monetary policy.

Consumer Disc.	849	-2.0%	8.0%
Consumer Staples	562	4.3%	-4.3%
Health Care	1059	0.5%	10.7%
Financials	443	0.8%	-4.6%
Industrials	615	-1.0%	-3.6%
Energy	530	-1.9%	-0.6%
Telecommunications	153	0.7%	-7.7%
Utilities	277	3.0%	3.6%
Materials	333	-1.3%	-12.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	2.125	5-Year	3.05
3-Month	2.31	10-Year	3.20
6-Month	2.48	30-Year	3.38
2-Year	2.92		

Source: Bloomberg.com

Economic Events This Week

15-Oct	Retail Sales	0.6%	0.1%
15-Oct	Retail Sales ex-auto	0.4%	0.2%
15-Oct	Business Inventories	0.5%	0.7%
16-Oct	Industrial Production	0.3%	0.4%
16-Oct	Capacity Utilization	78.2%	78.1%
17-Oct	Housing Starts	1221K	1282K
17-Oct	Building Permits	1273K	1229K
18-Oct	Initial Claims	212K	214K
18-Oct	Philadelphia Fed	20.0	22.9
18-Oct	Leading Indicators	0.5%	0.4%
19-Oct	Existing Home Sales	5.30M	5.34M

Source: Briefing.com

Economic Events Last Week



Cheap stocks are getting very cheap. We don't see these types of stocks going much lower unless we enter a recession. We would not rule a recession out as the Fed may not understand the damage they may be doing to the economy by both raising interest rates and shrinking their balance sheet. If there is no recession, then a stock like OLN could go up 50%, and if the Fed would stop waterboarding the economy a stock like OLN could double.

The banks have also been crushed, the sector is trading at the lowest relative valuation in terms of P/E since the financial crisis.

We have previously discussed a company called Alzheon that is developing an Alzheimer's drug and that is doing an IPO. We are not sure how Alzheon (ALZH) will trade immediately following their IPO, which is expected this week. There is a good analysis and overview of the company [here](#). We expect this could be a huge winner at some point if the market believes their Alzheimer's drug will get approval. If the drug works, a small position in a portfolio could have a massive impact. That reminds us, there is a big lottery as well, we like our chances on ALZH better.

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Date	Event
15-Oct	Retail Sales for Sept. rose 0.1% compared to estimates of 0.6%
15-Oct	Retail Sales ex-auto for Sept. came in at -0.1% vs. expectations of 0.4%
15-Oct	Business Inventories for Aug. came in at 0.5% which was in line with forecasts
16-Oct	Industrial Production for Sept. rose 0.3% which was in line with estimates
16-Oct	Capacity Utilization for Sept. came in at 78.1% vs. expectations of 78.2%
16-Oct	Housing Starts for Sept. was reported at 1201K which was lower than forecasts of 1221K
17-Oct	Building Permits for Sept. came in a 1241K vs. estimates of 1273K
18-Oct	Initial Claims for the week of 10/13 were reported at 210K compared to expectations of 212K
18-Oct	The Philadelphia Fed for Oct. came in at 22.2 which was higher than

	forecasts of 20.0
18-Oct	The Leading Indicators for Sept. came in at 0.5% which was in line with expectations
19-Oct	Existing Home Sales for Sept. were reported a 5.15M which was lower compared to estimates of 5.30M
Source: Briefing.com	

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