PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute
October 30, 2018

Index Performance: As of Oct 26, 2018			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	24688	-3.0%	-0.1%
S&P 500	2659	-3.9%	-0.6%
NASDAQ	7167	-3.8%	3.8%
Russell 2000	7371	-3.8%	-2.4%
Russell 2000 Growth	6586	-3.9%	-0.9%
Russell 2000 Value	11110	-3.6%	-4.1%
Russell 1000 Growth	1365	-3.9%	4.8%
Russell 1000 Value	1494	-4.0%	-3.7%
Shanghai SE Index	2722	1.9%	-21.4%
SPDR Gold Shares	116.77	0.7%	-5.6%
GS Crude Oil Total Return	8.17	-3.2%	24.9%
Powershares US $ Index	25.65	0.7%	6.7%
Ishares EAFE Index	61.43	-3.6%	-12.6%
iShares Barclays 20+ Yr Treasury Bond	114.99	1.1%	-9.4%
Utilities Select Sector ETF	53.37	-2.2%	1.3%
Vanguard REIT ETF	77.20	-1.2%	-7.0%
iShares Mortgage Real Estate	42.14	-0.7%	-6.8%
Wells Fargo BDC	18.80	-3.0%	-9.4%
Alerian MLP ETF	9.80	-7.0%	-9.2%
iShares Global Telecom	52.64	-4.7%	-13.0%
ETFMG Alternative Harvest ETF	31.99	-14.7%	1.4%
BitCoin Investment Trust	6.97	-1.1%	-68.5%
Source: Bloomberg & Yahoo.com, Returns are appreciation only.			

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	1195	-2.7%	8.1%
Consumer Disc.	821	-3.2%	4.6%

A Word on the Market by Pat Adams, CFA

From the high of the market in September to the low in October, the S&P 500 is down roughly -10.9%. This is a correction. We believe the major catalyst of this correction was the Federal Reserve stating they will continue raising rates well into 2019, and that they were not close to a neutral rate yet. That surprised the market given the obvious slowing in key economic sectors we have been seeing. This has caused the stock market to seek protection and yields on longer term bonds have also come down. When yields on long term bonds fall when the Fed is raising rates, it is a signal from the bond market that the economy will likely weaken as a result. Why the stock market is seeking safety, it is not on the same page as the Fed in their forward view. The market appears to be anticipating a major slowing in economic growth next year, or perhaps a recession if the Fed continues forward. The best-case view is a significant slowing in GDP growth, the worst case is a recession. As a result, the market's forward view being very different than the Federal Reserve's, raising interest rates will cause a correction or bear market. The key to the market is the Fed.

The sectors that have been particularly weak have been the basic industries and the momentum stocks. The more cyclical sectors, those most dependent on the economy, reflect recessionary levels. The average stock in the S&P 500 is down over -20%, so the average stock is in a bear market. This has created some very compelling valuations. We are selectively taking advantage of some opportunities. If the Fed wises up and stops the aggressive policy, then these stocks would move back to more mid-cycle valuations from peak-cycle valuations. If the Fed continues as they stated by raising rates in December and continues with its plan of 4 rate increases next year, plus reducing their balance sheet by $50 billion per month, then we believe we are in the early stages of a bear market that will get a lot worse.

The momentum stocks have the most downside, the FANG stocks are in a bear market, down -23% through Friday…and getting worse. Remember the crash in the NASDAQ 2000-2002, it fell 77% from high to low. It took a very long time to get back to even.

Consumer Staples	555	-1.4%	-5.6%
Health Care	1012	-4.5%	5.8%
Financials	419	-5.2%	-9.6%
Industrials	581	-5.6%	-8.9%
Energy	493	-7.1%	-7.7%
Telecommunications	147	-4.3%	-11.8%
Utilities	271	-2.1%	1.4%
Materials	318	-4.5%	-16.1%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	2.125	5-Year	2.91
3-Month	2.33	10-Year	3.08
6-Month	2.47	30-Year	3.32
2-Year	2.81		

Source: Bloomberg.com

Economic Events This Week

29-Oct	Personal Income	0.4%	0.4%
29-Oct	Personal Spending	0.4%	0.5%
30-Oct	Consumer Confidence	135.8	138.4
1-Nov	Productivity-Prel.	2.1%	2.9%
1-Nov	Initial Claims	213K	215K
1-Nov	Construction Spending	0.2%	0.1%
1-Nov	ISM Manufacturing Index	59.0	59.8
2-Nov	Nonfarm Payrolls	190K	134K
2-Nov	Nonfarm Private Payrolls	185K	121K
2-Nov	Avg. Hourly Earnings	34.5	34.5
2-Nov	Unemployment Rate	3.7%	3.7%
2-Nov	Factory Orders	0.4%	2.3%

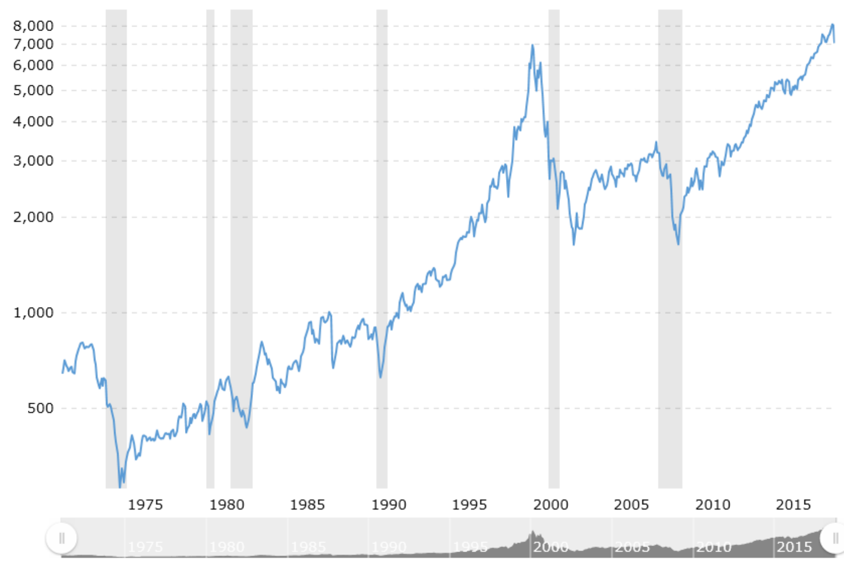
Source: Briefing.com

Economic Events Last Week

Date	Event

FANG Stock Index (thru Friday)

NASDAQ



The stock market is significantly oversold. It should have a nice bounce, but for now the technicals of the market are NEGATIVE! It will take a significant rally to turn the technicals of the market positive. Until the market becomes more comfortable with the Federal Reserves direction and the trend of the market improves investors should be cautious.

PVG Asset Management's proprietary technical indicators are all negative for the S&P 500, NASDAQ, Russell 2000 and EAFA, all equity markets we follow. PVG's tactical strategies are currently in their maximum defensive posture.

We are taking a cautious stance. We like higher dividend quality stocks as a defensive position and a good way to weather this current negative trend storm.

Please let us know if you would like to discuss.
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In case you missed our latest October monthly updates, click here.

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24-Oct	New Home Sales for Sept. came in at 553K which was lowered compared to expectations of 625K
25-Oct	Durable Orders for Sept. was reported at 0.8% which was better vs. estimates of -1.8%
25-Oct	Durable Orders ex-transportation for Sept. was 0.1% compared to forecasts of 0.3%
25-Oct	Initial Claims for the week of 10/20 were reported at 215K vs. estimates of 211K
26-Oct	GDP-Adv. for Q3 came in at 3.5% which was higher than expectations of 3.3%
26-Oct	GDP Deflator for Q3 was 1.7% vs. forecasts of 2.1%
26-Oct	The Michigan Sentiment for Oct. came in at 98.6 which was close to estimates of 99.0
Source: Briefing.com	

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