Market in a Minute

November 6, 2018

Index Performance: As of Nov. 2, 2018			
Index	**Price**	**Last Week**	**YTD**
Dow Jones 30	25271	2.4%	2.2%
S&P 500	2723	2.4%	1.8%
NASDAQ	7357	2.6%	6.6%
Russell 2000	7692	4.3%	1.8%
Russell 2000 Growth	6918	5.0%	4.1%
Russell 2000 Value	11515	3.6%	-0.6%
Russell 1000 Growth	1395	2.2%	7.1%
Russell 1000 Value	1538	3.0%	-0.8%
Shanghai SE Index	2803	3.0%	-19.1%
SPDR Gold Shares	116.65	-0.1%	-5.7%
GS Crude Oil Total Return	7.44	-8.9%	13.8%
Powershares US $ Index	25.71	0.2%	7.0%
Ishares EAFE Index	63.35	3.1%	-9.9%
iShares Barclays 20+ Yr Treasury Bond	112.00	-2.6%	-11.7%
Utilities Select Sector ETF	53.15	-0.4%	0.9%
Vanguard REIT ETF	78.04	1.1%	-6.0%
iShares Mortgage Real Estate	42.66	1.2%	-5.6%
Wells Fargo BDC	19.37	3.0%	-6.7%
Alerian MLP ETF	9.81	0.1%	-9.1%
iShares Global Telecom	53.86	2.3%	-11.0%
ETFMG Alternative Harvest ETF	32.30	1.0%	-0.5%
BitCoin Investment Trust	6.93	-0.6%	-68.7%

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

S&P Sector Performance			
Index	**Price**	**Last Week**	**YTD**
Information Technology	1207	1.0%	9.1%
Consumer Disc.	854	4.0%	8.7%
Consumer Staples	568	2.4%	-3.3%
Health Care	1033	2.1%	8.0%

A Word on the Market by Pat Adams, CFA

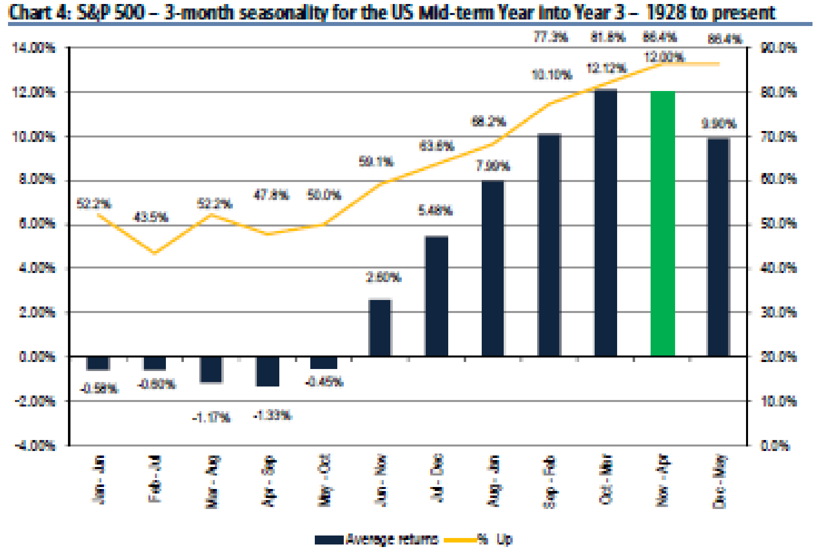
The results of the Midterm elections today could have a significant impact on fiscal policy, which is what has been driving very strong GDP growth from the stimulus provided by Trump's policies. Monetary policy by the Federal Reserve continues down the path of tightening and we believe with the very strong Employment report last Friday and wage inflation of 3.1%, the Fed will have no choice but to raise rates in December, setting the stage for many more rate increases in 2019. We continue to see good job growth, but the economy is slowing as the interest rate sensitive areas have been impacted by the rate increases, there are a significant number of unfilled employment opportunities. With no help from monetary policy, actually a pretty significant headwind, the economy is dependent on continued Trump stimulus, but there will be no additional Trump stimulus next year if we have a split government. It is hard to tell exactly what is discounted by the market, but it should be widely expected that the democrats will win the House. The stock market could be positively surprised if the republicans eke out a majority win in the house.

Below is a graph from Merrill Lynch indicating that the November-April period is seasonally a very good period for the stock market and particularly so after Mid-term elections.

Bullish Nov-Apr seasonality magnified in Mid-term-Year 3

The most bullish 6-month period of the year of November-April is even stronger from November of the Mid-term year into April of Year 3 and is up 86.4% of the time with an average return of 12.00% (SPX 3000+).

Chart 4: S&P 500 – 3-month seasonality for the US Mid-term Year into Year 3 – 1928 to present



Source: BofA Merrill Lynch Global Research, Bloomberg

Financials	438	4.4%	-5.6%
Industrials	596	2.6%	-6.6%
Energy	501	1.7%	-6.1%
Telecommunications	150	2.3%	-9.8%
Utilities	270	-0.6%	0.8%
Materials	338	6.1%	-10.9%
Source: Bloomberg website, Returns are appreciation only.			

Interest Rates			
Fed Fund	2.125	5-Year	3.03
3-Month	2.36	10-Year	3.20
6-Month	2.51	30-Year	3.43
2-Year	2.91		
Source: Bloomberg.com			

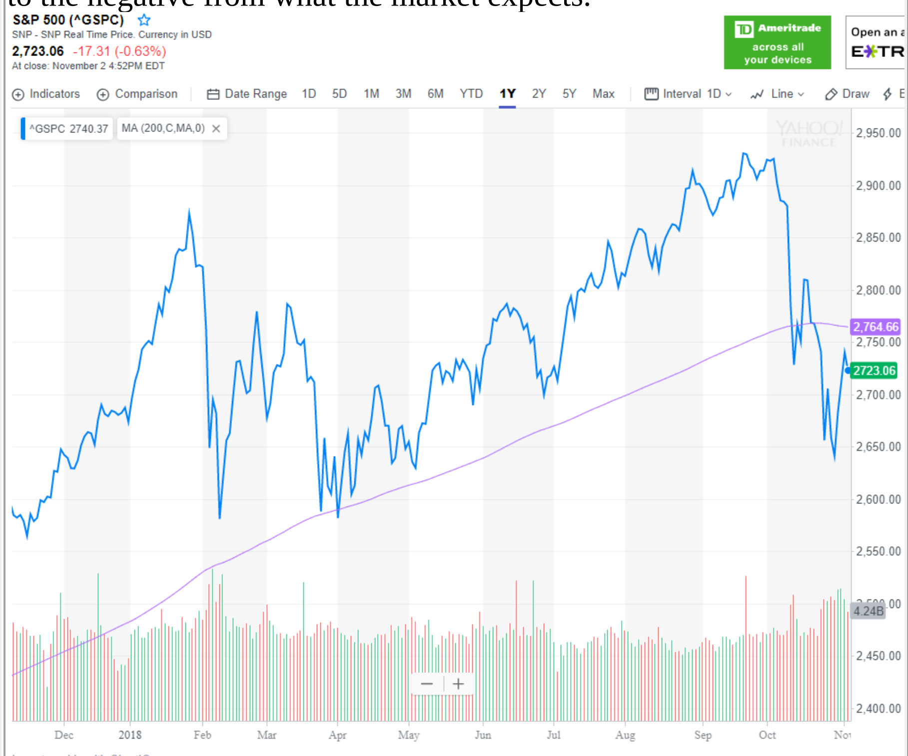
Economic Events This Week			
5-Nov	ISM Non-Manufacturing Index	58.8	61.6
8-Nov	Initial Claims	213K	214K
8-Nov	FOMC Rate Decision	2.125 %	2.125 %
9-Nov	PPI	0.2%	0.2%
9-Nov	Core PPI	0.2%	0.2%
9-Nov	Univ. of Michigan Consumer Sentiment	98.0	98.6
9-Nov	Wholesale Inventories	0.3%	1.0%
Source: Briefing.com			

Economic Events Last Week	
Date	Event
29-Oct	Personal Income for Sep. rose 0.2% which was lower compared to estimates of 0.4%
29-Oct	Personal Spending for Sep was up 0.4% which was in line with expectations
30-Oct	Consumer Confidence for Oct. was reported at 137.9 vs. forecasts of 135.8
1-Nov	Productivity-Prel. for Q3 came in at 2.2% which was close to expectatons of 2.1%
1-Nov	Initial Claims for the week of 10/27 were reported at 214K vs. consensus estimates of 213K

We believe the big growth in smart phone handsets has peaked, for now, as the big transition from flip phones to smart phones is now largely complete. As you know, we are a big believer in the new 5G technology but before the upgrade cycle of smart phones to the new technology will take a while before it occurs as the infrastructure needs to be built first. Apple had a disappointing quarter and announced they will no longer give the number of phones sold in a quarter and the company is now focusing on services/content. This announcement was taken very poorly as AAPL stock took a tumble. We believe content will be extremely important during the next technology cycle and believe Disney should be a prime target to be acquired. AT&T was very smart in buying Time Warner. We would expect AAPL will drift sideways to down until the analysts can clear the cloud over the outlook. Given AAPL is such a large stock it will be an overhang for the technology sector.

We mentioned last week that our technical model was negative, and has historically been a very good predictor, you can have some false signals, but given where we are in this very old bull market it is worth being cautious until the trend improves. We have a proprietary moving average technical model, when the trend of the market changes to a negative trend the model turns negative. We illustrate the trend in the graph below of the S&P 500 and the 200-day moving average. You can see the S&P 500 has broken the 200-day moving average (just using the 200-day moving average we have found is not very effective compared to the results derived by our model).

What we would like to see is either a significant pullback or the trend of the market to improve over a several month period. We are entering a seasonally strong period, but we believe the market will fight the seasonality until the Federal Reserve eases up, the trade issue with China improves, and the election results not be a significant departure to the negative from what the market expects.



1-Nov	Construction Spending for Sep. was flat compared to forecasts of 0.2%
1-Nov	ISM Manufacturing Index for Oct. came in at 57.7 which was lower compared to expectations of 59.0
2-Nov	Nonfarm Payrolls for Oct. were reported at 250K which was higher than estimates of 190K
2-Nov	Nonfarm Private Payrolls for Oct. was reported at 246K compared to forecasts of 185K
2-Nov	The Average Hourly Earnings for Oct. rose 0.2% which was in line with estimates
2-Nov	The Unemployment Rate for Oct. came in at 3.7% which was right in line with expectations
2-Nov	Factory Orders for Sep rose 0.7% which was better than forecasts of 0.4%
Source: Briefing.com	

Please let us know if you would like to discuss.
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