



## Market in a Minute

December 22, 2020

### Index Performance: As of December 18, 2020

Index	Price	Last Week	YTD
S&P 500	3,663.46	-1.0%	13.8%
Dow Jones	30,046.37	-0.6%	5.7%
NASDAQ	12,377.87	-0.7%	38.3%
Russell 2000	9,790.05	1.0%	15.8%
Russell 2000 Growth	9,980.91	2.1%	28.7%
Russell 2000 Value	12,638.54	-0.1%	2.3%
Russell 1000 Growth	2,331.89	-0.8%	31.7%
Russell 1000 Value	1,824.15	-0.7%	1.7%
Shanghai SE Index	3,369.12	-2.2%	5.4%
SPDR Gold Shares	172.49	0.1%	20.7%
Powershares US \$ Index	50	4.2%	612.3%
iShares EAFE Index	24.54	0.3%	-5.5%
iShares Barclays 20+ Yr Treasury Bond	72.18	-0.5%	3.9%
Utilities Select Sector ETF	158.77	2.3%	17.2%
Vanguard REIT ETF	62.24	-0.3%	-3.7%
iShares Mortgage Real Estate	84.39	-2.3%	-9.1%
Wells Fargo BDC	31.28	-1.6%	-29.8%
Alerian MLP ETF	15.23	0.0%	-25.5%
iShares Global Telecom	28.16	-0.6%	-33.7%
ETFMG Alternative Harvest ETF	74.58	0.0%	21.5%

### A Word on the Market

By: Patrick Adams, CFA



The markets on Monday morning looked horrible with the futures down big even with another \$900 billion aid package passed by Congress. The fear in the market centered around the side-effects of the vaccine. That made no sense. The market did come back considerably. The issue with the market is there is a lot of unsophisticated money in the market that does not realize how much risk is in the market nor knows how to deal with it. Obviously, our approach is to deal with declines very quickly. **When a significant decline occurs, it will likely be very fast and likely very large, like what occurred in February and March. That decline earlier this year was brutal, and we want to avoid that for our customers. It was interesting our Emerging Healthcare actually went up in that decline.**

Hopefully, you have been seeing our updates and comments on the PVG Emerging Healthcare strategy as an investment opportunity for 2021 and especially longer-term. Please email us for more information at [office@pvgasset.com](mailto:office@pvgasset.com).

**When looking out to next year, it seems the “Wall Street” consensus is for about 9% increase in the market (a survey from Barron’s Magazine). They expect the economy to be strong and the profit growth to be strong. The greatest profit growth will come from other areas not just the big technology stocks. The growth is driven by the virus fading and massive stimulus from governments and central banks. Inflation is expected to begin to be a problem and could push interest rates up into 2022 putting a lid on 2022.**

It is hard to argue with this consensus outlook, but we believe two things are likely to happen. **We expect a major decline to occur in 2021 but also very significant speculation in the smaller CAP companies.** This is generally how cyclical bull markets end.

<b>BitCoin Investment Trust</b>	15.11	-4.2%	-11.7%
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Source: Bloomberg & Yahoo.com, Returns are appreciation only.

#### S&P Sector Performance: As of December 18, 2020

Index	Price	Last Week	YTD
Information Technology	2,182.24	-1.4%	35.4%
Consumer Disc.	1,259.81	-1.2%	28.1%
Consumer Staples	690.72	-0.3%	6.9%
Health Care	1,298.49	-0.8%	9.7%
Financials	471.58	-1.8%	-7.5%
Industrials	88.77	-0.5%	6.8%
Energy	306.38	1.1%	-32.5%
Communications Services	221.22	0.1%	22.1%
Utilities	314.19	-0.4%	-3.8%
Materials	444.19	-1.2%	15.6%
Real Estate	224.15	-2.9%	-6.4%

Source: Bloomberg website, Returns are appreciation only.

#### Interest Rates

<b>Fed Fund</b>	.25	<b>5-Year</b>	0.39
<b>3-Month</b>	0.08	<b>10-Year</b>	0.94
<b>6-Month</b>	0.9	<b>30-Year</b>	1.68
<b>2-Year</b>	0.13		

Source: Bloomberg.com

#### Economic Events This Week

Date	Event	Change	Rate
<b>22-Dec</b>	Final GDP q/q	33.1%	33.1%
<b>23-Dec</b>	GDP m/m	0.3%	0.8%

Source: Briefing.com

#### Economic Events Last Week

Date	Event	Rate
Due to oil and gas, U.S. import prices edge higher 0.1%	<b>Dec-15</b>	
Empire State index dips for third consecutive month	<b>Dec-15</b>	
In November retail sales sink 1.1%	<b>Dec 16</b>	

Source: Briefing.com

If the economy improves, in our opinion that is a high probability, small cap and value stocks will perform well. Some of the extra liquidity will be move into the economy and less in the stock market.

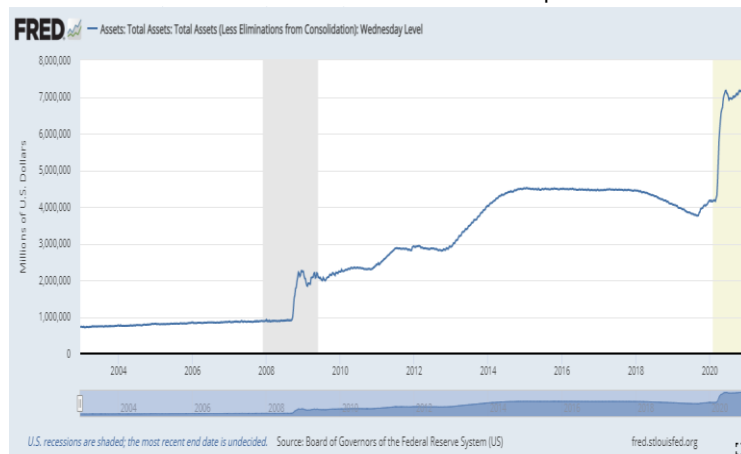
**The Federal Reserve discussed last week that they intend to keep rates near zero and continue to buy \$120 billion per month in securities purchases for some time. So, the first half of the year seems fine.**

**Most strategists believe the pullback next year will occur early in the year, which is possible, but we see the fundamentals pointing to later in the year when faced with the Federal Reserve tapering their securities purchases, and the free money from Congress running out. Tactical strategies are going to be important portfolios until the market resets to the bottom of a bear. PVG has four highly rated tactical strategies.**

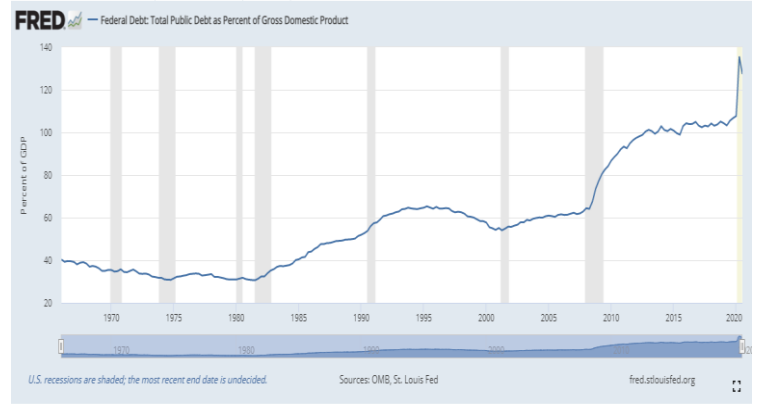
**Besides the election in Georgia as a major risk for the markets the massive stimulus by the Federal Reserve and U.S. Government will moderate and begin to decline in the second half of 2021. Please see the chart below, there is not much capacity left. The Federal Reserve's balance sheet is getting bloated at \$7.4 trillion, the U.S. Bond market is about \$47 trillion, so the Fed owns 16% of the market...wow!**

There have been numerous studies that bring issue with government debt over 100% of the economy and its impact on the economy. There is clearly a crowding out issue but believe it is only a problem when interest rates go up. **We are well over 100% of GDP, it would not surprise us to see the rating agencies down-grade our debt at some point, this would cause a clear market adjustment.**

### Federal Reserve Balance Sheet \$7.4 trillion



### Government Debt as a Percentage of GDP



**We look forward to talking to you in 2021. Merry Christmas! Happy Holidays! And Happy New Years! Please think about me when the Ohio State Buckeyes fix some unseattle business against the Clemson Tigers!**

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