PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

November 29, 2022

Index Performance: As of November 25, 2022

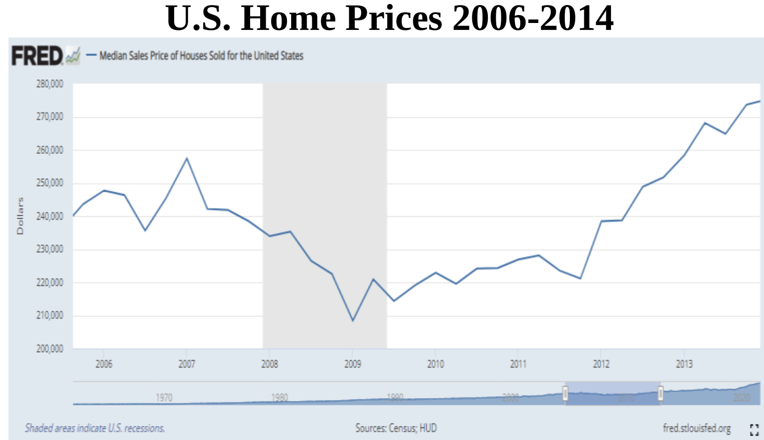
Index	Price	Last Week	YTD
S&P 500	4,026.12	1.53%	-15.53%
Dow Jones	34,347.03	1.78%	-5.48%
NASDAQ	11,226.36	0.72%	-28.24%
Russell 2000	9,792.84	1.07%	-15.74%
Russell 2000 Growth	8,346.78	0.89%	-22.14%
Russell 2000 Value	15,043.65	1.25%	-9.29%
Russell 1000 Growth Total Return	2,328.91	1.20%	-24.69%
SPDR Gold Shares	163.22	0.26%	-4.53%
GS Crude Oil Total Return	192.56	-15.17%	36.35%
Powershares US $ Index	28.58	-0.80%	11.51%
Ishares EAFE Index	66.62	2.26%	-15.33%
Barclays Aggregate Bond Index	98.04	1.07%	-14.06%
iShares Barclays 20+ Yr Treasury Bond	102.90	3.27%	-30.56%
Utilities Select Sector ETF	70.94	3.04%	-0.89%
Vanguard REIT ETF	87.04	1.80%	-24.97%
iShares Mortgage Real Estate	25.31	4.37%	-26.66%

A Word on the Market

By: Patrick Adams, CFA

Federal Reserve Chairman Powell Speaks on Wednesday: The market seems to be leaning back to the dovish side with a .50% rate increase in December to 4.5% for the Federal Funds rate, and the perhaps one more .25% rate increase early next year. The hawkish scenario is over 5% for the Federal Funds rate. Our issue is when you raise rates by 4% in less than 12-months the odds of a recession are very high. It takes times for rates to fully impact the economy and assets like housing to reflect where the market is headed. The last cycle, housing prices peaked at the end 2006 and did not really start to go up again until 2012, five years later. During the last two years, home prices increased more than 40%. We believe there is an extremely high probability that housing prices are going to fall and perhaps significantly. **What the market will be focused on is how much pain will Powell inflict on the economy and assets like real estate, although it needs to be done to kill inflation.** The current value of all U.S. homes is roughly $43 trillion, a 20% drop would be very painful, on top of the current decline in the stock market. Powell needs to walk a fine line by not causing a collapse in asset prices as he bursts this bubble.

U.S. Home Prices 2006-2014



Alerian MLP ETF	40.86	0.12%	24.80%
iShares Global Telecom	55.47	0.82%	-32.54%
ETFMG Alternative Harvest ETF	5.73	0.88%	-48.29%
Grayscale Bitcoin Trust	9.03	8.14%	-73.64%
Shanghai SE Index	3,101.69	0.14%	-14.30%

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

S&P Sector Performance: As of November 25, 2022

Index	Price	Last Week	YTD
Information Technology	2,330.19	0.98%	-23.74%
Consumer Disc.	1,107.04	1.13%	-31.27%
Consumer Staples	795.14	2.10%	-1.18%
Health Care	1,595.63	1.91%	-2.94%
Financials	599.37	2.16%	-7.79%
Industrials	101.30	1.87%	-4.26%
Energy	701.00	0.26%	65.82%
Communications Services	167.99	1.01%	-37.20%
Utilities	358.67	3.04%	-1.39%
Materials	517.32	2.92%	-9.18%
Real Estate	242.98	1.99%	-25.18%

Source: Bloomberg website, Returns are appreciation only.

Technicals/Fundamentals: A good analyst (money manager) can see trouble brewing well before it occurs. Generally, technical analysis cannot, but if done properly can outperform the fundamental view.

Of the top 100 stocks by market cap, our fundamental work tells us that only about 20 have 10% or more upside potential. Also, the macro-economic factors loom very gloomy including a potential rail strike. Not very positive.

On the technical side, the stock market is overbought, in a downtrend, but there is currently an underlying bid to the market. The sentiment seems to be betting on an end to the rate hikes soon and the economy will not fall into a recession. **Under both disciplines it makes sense to have some investments but to be defensive.** We are being cautious. We would like to see the market above the 200-day moving average of 4054 on the S&P 500, with a positive trend, or a severely oversold market. **The market this year has been making lower highs and lower lows, but perhaps a bottom is developing around 3600.** Around 3946 is some minor short-term support and then 3900. To keep this short-term trend positive the S&P 500 needs to hold 3850.

On the fundamental side, **the Fed needs to be done** and earnings cuts need to be around a number consistent with a recession. Very simplistically, **2023 earnings need to be below 2022, not there yet, please see the last graph**.

S&P 500 YTD

PVG Strategies		
Tactical Strategies	**QTD**	**YTD**
Tactical Total Return	0.5%	-7.0%
Dynamic Core	0.9%	-10.0%
Loss Averse		
Loss Averse Equity Income	3.6%	-2.4%
Navigator Growth	1.7%	-12.0%
Specialty		
Emerging Healthcare	-11.0%	-32.9%
Value		
U.S. Large Cap	15.1%	-2.3%
Income		
High Income	1.7%	-0.7%
U.S. Corporate Bond	2.8%	-8.7%
Focus		
High Income Focus 10	3.2%	3.8%
Blue Chip Focus 10	2.1%	1.3%
Growth Focus 10	0.1%	1.1%
Emerging Healthcare Focus 10	-9.8%	10.2%

Interest Rates			
Fed Fund	3.83 %	**5-Year**	3.88%
3-Month	4.40%	**10-Year**	3.71%
6-Month	4.67%	**30-Year**	3.74%
2-Year	4.46%		

Source: Bloomberg.com

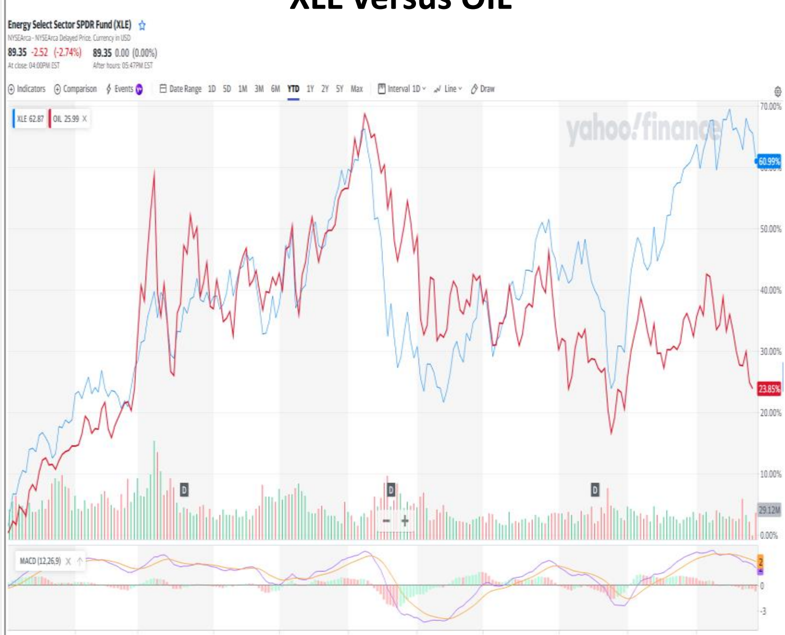
Economic Events This Week			
Date	**Report**	**Forecast**	**Previous**
Nov-29	Nov. Consumer Confidence	99.3	102.5
Nov-30	3 Qtr GDP	2.6%	2.6%
Dec-1	Oct. Personal Income	0.4%	0.4%
Dec-2	November Nonfarm Payrolls	205,000	261,000

PVG Strategies: The markets have 5%-10% risk. **If the economy weakens it may push the averages down to lower levels (this is the markets current debate), to be not as bad as the bear markets of 2000 and 2008 of roughly -50% from high to low, but perhaps as much as the average bear market of -34% (we are about half-way done). We think short-term bonds are attractive** and have these types of securities in our strategies where appropriate. **Over an 12–18-month period, the returns of stocks should be significantly higher than what can be achieved in bonds. The issue is the downside we expect before the upside occurs.** We are well positioned for that, and if we are wrong and the market goes higher now, we benefit from that as well. Because of the current technicals, our strategies flip very quickly from having any market exposure to being very defensive.

AAPL/China: The news from China is very negative! You have to imagine these lockdowns are really having a big impact on AAPL and their suppliers. Additionally, this is also very negative for Tesla and all other companies that manufacture in China. China is obviously in a severe recession, with real estate having been growth driver and so many builders in China are now going belly-up. **AAPL has more downside which will impact the market.**

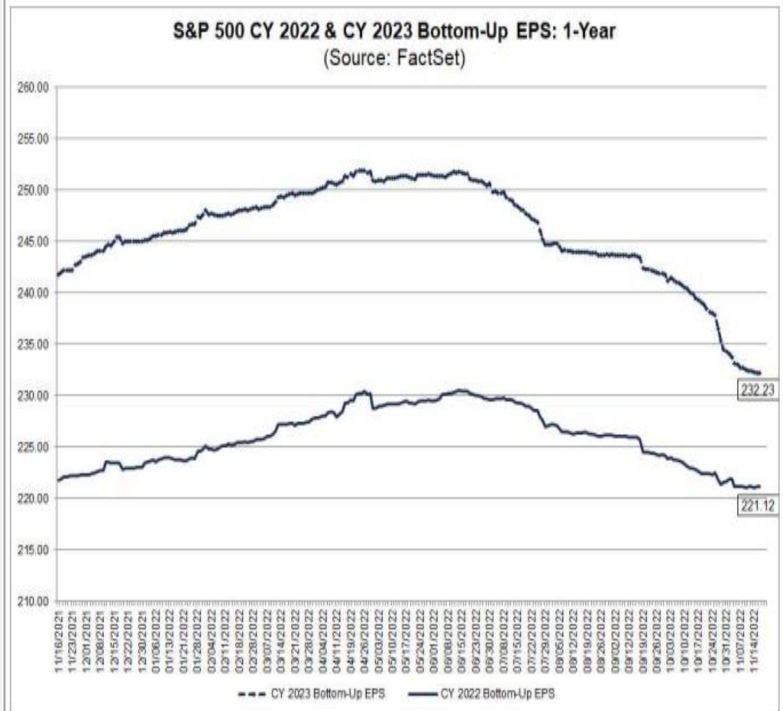
Oil Stocks versus Oil Prices: The oil stocks are up about 61% year-to-date while a proxy for oil, the OIL ETF, is now up only 24%. We believe with Biden in office that oil is an interesting sector to invest. With the global economic weakness, including a major consumer being China, oil prices have corrected very significantly. **We would expect the oil stocks to follow oil prices, and setup a buying opportunity**.

XLE versus OIL



Dec-2	November Un-employment rate	3.7%	3.7%
Source: Briefing.com			
Economic Events Last Week			
Nov-21	Chicago Fed says U.S. Economic Growth Weakened in October		
Nov-23	Durable-goods orders jump 1%, but the U.S. economy is slowing and will likely lose momentum		
Nov-23	S&P surveys show the U.S. economy is losing speed		
Nov-23 **Big Surprise!**	U.S. October new home sales climb higher despite higher mortgage rates		

S&P 500 Earnings 2022 and 2023



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