



Market in a Minute

November 1, 2022

Index Performance: As of October 28, 2022

| Index | Price | Last Week | YTD |
|---------------------------------------|-----------|-----------|---------|
| S&P 500 | 3,901.06 | 4.74% | -24.82% |
| Dow Jones | 32,861.80 | 1.15% | -18.45% |
| NASDAQ | 11,102.45 | -3.11% | -34.03% |
| Russell 2000 | 9,663.44 | -1.15% | -24.28% |
| Russell 2000 Growth | 8,300.19 | -2.56% | -29.49% |
| Russell 2000 Value | 14,729.94 | 0.33% | -19.11% |
| Russell 1000 Growth Total Return | 2,290.47 | -2.80% | -31.79% |
| SPDR Gold Shares | 153.16 | -3.10% | -10.52% |
| GS Crude Oil Total Return | 236.05 | -10.42% | 53.21% |
| Powershares US \$ Index | 29.78 | 0.53% | 18.85% |
| Ishares EAFE Index | 59.87 | -1.44% | -28.81% |
| Barclays Aggregate Bond Index | 95.22 | -1.16% | -17.02% |
| iShares Barclays 20+ Yr Treasury Bond | 96.80 | -2.40% | -33.48% |
| Utilities Select Sector ETF | 67.41 | -2.53% | -13.17% |
| Vanguard REIT ETF | 83.07 | -1.68% | -34.37% |
| iShares Mortgage Real Estate | 23.75 | 1.16% | -39.41% |

A Word on the Market

By: Patrick Adams, CFA



Federal Reserve Meeting: Wednesday is the big day. The Federal Reserve will likely raise interest rates by .75% to 4% on the Federal Funds rate. The market knows this already but is less certain of the next meeting and thereafter. We believe the bond and stock market are now expecting another .50% in December and perhaps one or two more .25% raises in the first quarter. **We are not sure how Chairman Powell will communicate this, perhaps he will say they are getting close to their terminal rate and will be more measured in any further rate increases at this meeting. The market would like this and believe this was purposely leaked two Fridays ago by the Fed. However, if the Fed continues with a hawkish tone, then the market will likely try to retest some lower support levels.**

Employment Report: On Friday, the Employment report **should show some modest weakening** with 195,000 jobs created versus 263,000 in September and the unemployment rate to inch up to 3.6%. If so, this will signal to the markets that the labor market is starting to weaken.

Election: Yes, we all know the election is next Tuesday. **It seems the momentum is with the Republicans**, although Obama has been campaigning and he seems to energize the Democrats. **The market surveys want a Republican sweep** as it takes the ability to deficit spend down or lessens the long-term inflationary pressures. The pocketbook model, used for presidential elections, if used for the midterm would strongly favor the Republicans.

Earnings Reports: Wow...the earnings from the 5 large technology companies (GOOG, MSFT, META, AAPL, and AMZN) last week were **disappointing**. AAPL was the one

| | | | |
|-------------------------------|----------|--------|---------|
| Alerian MLP ETF | 41.45 | 0.08% | 16.37% |
| iShares Global Telecom | 52.41 | -2.46% | -37.30% |
| ETFMG Alternative Harvest ETF | 5.20 | -8.22% | -57.67% |
| Grayscale Bitcoin Trust | 12.06 | -1.67% | -67.42% |
| Shanghai SE Index | 2,915.93 | 1.57% | -15.12% |

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

S&P Sector Performance: As of October 28, 2022

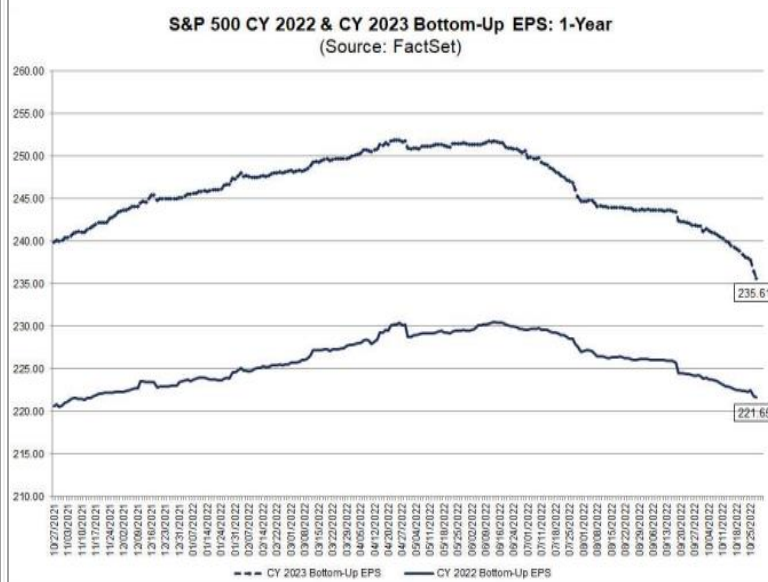
| Index | Price | Last Week | YTD |
|-------------------------|----------|-----------|---------|
| Information Technology | 2,271.63 | -3.23% | -33.05% |
| Consumer Disc. | 1,132.37 | -4.09% | -33.92% |
| Consumer Staples | 761.97 | 1.45% | -12.62% |
| Health Care | 1,547.85 | 0.80% | -12.33% |
| Financials | 568.03 | 0.20% | -20.82% |
| Industrials | 94.62 | -0.49% | -19.91% |
| Energy | 685.71 | -1.85% | 46.07% |
| Communications Services | 164.62 | -1.86% | -39.68% |
| Utilities | 342.40 | -2.58% | -13.28% |
| Materials | 470.30 | -1.89% | -24.74% |
| Real Estate | 230.77 | -2.36% | -34.89% |

Source: Bloomberg website, Returns are appreciation only.

that was better. One of the disturbing trends for investors was the slowing in cloud computing, which impacted MSFT, GOOG, and AMZN. We knew that AMZN was going to have a tough quarter from their delivery business. We believe the delivery business has seen better days and is now just a public service. **When the recovery comes, the two stocks you want to own are MSFT and GOOG.** We were surprised we did not see major layoffs announced, but this is likely coming sometime after the election.

The earnings for the S&P 500 for 2023 have now been cut by about 7% from the peak to \$235. The earnings for 2022 now stand at \$221. **We would expect after the earnings reports in January, the 2023 estimates will be about equal to 2022 or about \$220.**

AMZN gave some interesting commentary about their sales growth of about 2.5% for online in the 4th quarter... a very interesting barometer for the economy, we would assume some pricing power due to inflation. Clearly the economy will experience negative real GDP growth in the 4th quarter, and earnings will follow.



Economy: The first two quarters this year GDP growth was negative. Last week, the third quarter GDP was up 2.6%. We believe the report was actually much weaker as exports rose by 14.4% and imports which you subtract from GDP fell -6.9% (Exports up, oh come on! This was the big positive, makes no sense at all!!!). **Consumer spending was up only 1.4% this is more realistic as to the actual GDP number, but housing fell a whopping -26.4%. The housing decline whips out the positive consumer spending. The Fed should be concerned about these numbers. The 4th quarter is highly likely to be negative and we would expect the 1st quarter as well.**

PVG Strategies

| Tactical Strategies | QTD | YTD |
|------------------------------|-------|--------|
| Tactical Total Return | 1.8% | -5.8% |
| Dynamic Core | 1.2% | -9.8% |
| Loss Averse | | |
| Loss Averse Equity Income | 2.2% | -3.7% |
| Navigator Growth | 2.0% | -11.8% |
| Specialty | | |
| Emerging Healthcare | -6.2% | -29.2% |
| Value | | |
| U.S. Large Cap | 9.6% | -7.0% |
| Income | | |
| High Income | 1.1% | -1.2% |
| U.S. Corporate Bond | 0.0% | -11.1% |
| Focus | | |
| High Income Focus 10 | 1.5% | 2.2% |
| Blue Chip Focus 10 | 2.7% | 1.8% |
| Growth Focus 10 | 1.9% | 2.9% |
| Emerging Healthcare Focus 10 | -5.6% | 15.2% |

Interest Rates

| | | | |
|-----------------|--------|----------------|-------|
| Fed Fund | 3.08 % | 5-Year | 4.09% |
| 3-Month | 4.13% | 10-Year | 3.96% |
| 6-Month | 4.50% | 30-Year | 4.12% |
| 2-Year | 4.30% | | |

Source: Bloomberg.com

Economic Events This Week

| Date | Report | Forecast | Previous |
|---------------|--------------------|----------|----------|
| Nov-01 | ISM Manf. | 50.0% | 50.9% |
| Nov-02 | FOMC Rate Decision | 4.0% | 3.25% |
| Nov-03 | Unit Labor Cost | 4.2% | 10.2% |
| Nov-03 | ISM Non-Manf. | 55.2% | 56.7% |
| Oct-20 | Non-Farm Payrolls | 220k | 263k |

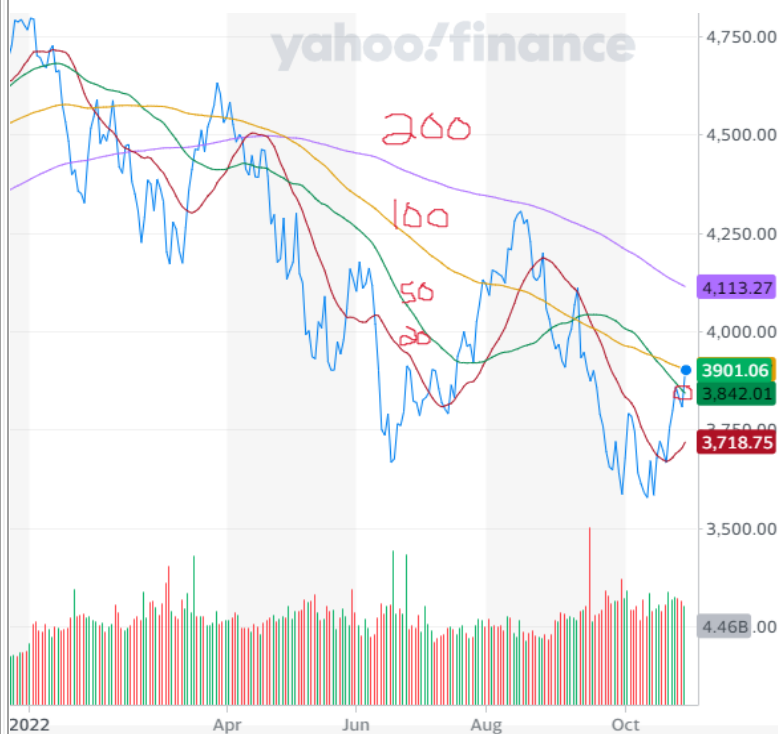
Source: Briefing.com

PVG Strategies: What do you do in a bear market? We believe the bear market decline started the first day of 2022 and will likely last through the first half of 2023 (This is based on when we believe the bulk of the earnings cuts will occur). **Our tactical model is working well with minor losses for most of our strategies versus very significant losses for the broader market.**

Our model increases long exposure as the market rises but cuts our market exposure quickly should the market begin to fall, while we are below the 200-day moving average (defined as being in a downtrend). Our investment philosophy is call **Loss Averse Investing**. We do not have fundamental input into these decisions but do for our security selection.

Technicals: The market is now up and through the 50-day as we expected would occur, now we see if it can hold. The Federal Reserve comments on Wednesday will be critical!

S&P 500 Breaking thru 50-day Moving Average



Economic Events Last Week

| | |
|---------------|---|
| Oct-25 | Flash PMI data shows U.S. economic downturn gathers momentum in October |
| Oct-25 | Case-Shiller index says U.S. home prices fall for second straight month in August |
| Oct-26 | U.S. trade deficit in goods climbs for first time in five months as strong dollar dings exports |
| Oct-27 | U.S. economy grows 2.6% in the third quarter, recession worries still linger |
| Oct-28 | Key PCE price gauge shows U.S. inflation still running hot |

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