



Market in a Minute

October 4, 2022

Index Performance: As of September 30, 2022

Index	Price	Last Week	YTD
S&P 500	3,585.62	-2.91%	-24.77%
Dow Jones	28,725.51	-2.92%	-20.95%
NASDAQ	10,575.62	-2.69%	-32.40%
Russell 2000	8,704.89	-0.82%	-25.10%
Russell 2000 Growth	7,580.94	0.60%	-29.28%
Russell 2000 Value	13,081.70	-2.27%	-21.12%
Russell 1000 Growth Total Return	2,144.21	-2.85%	-30.66%
SPDR Gold Shares	154.67	1.08%	-9.53%
GS Crude Oil Total Return	202.50	6.33%	43.39%
Powershares US \$ Index	30.15	-0.56%	17.64%
iShares EAFE Index	56.01	-1.32%	-28.81%
Barclays Aggregate Bond Index	96.13	-1.10%	-15.73%
iShares Barclays 20+ Yr Treasury Bond	102.21	-3.30%	-31.03%
Utilities Select Sector ETF	65.51	-8.71%	-8.48%
Vanguard REIT ETF	80.17	-3.92%	-30.89%

A Word on the Market

By: Patrick Adams, CFA



Potential Black Swan Event Adverted For Now:

This is an unusual event that causes a very large decline in the financial markets, we don't see black swan events occur very often, the last one that occurred was the 2008 housing crisis. It is hard to predict the actual occurrence, but we did in 2008.

This is a complicated issue that we would like to briefly explain. **The UK is seeing a black swan event occur in their bond market** (oddly it is not having a significant impact on their stock market).

Last week, the Bank of England had to step into their bond market and buy 10-Year Gilts (bonds) to prevent their pensions funds of a serious issue (massive losses), apparently these large funds held Gilts on margin to boost returns. Their bond yields rose roughly 2.5%, up to nearly 4.5% yield in about 45 days. **That is an enormous decline in Gilt prices.**

The straw that broke the camel's back was passing a tax cut and aid for their population to pay their energy cost adding to their deficit. Basically, **there were no buyers for their bonds.** The Bank of England began shrinking their balance sheet in March, but had to temporarily stop. The Bank of England intends to restart shrinking their balance sheet on October 31st and to stop the Gilt purchases on October 14th. The UK's financial ratios are out of balance: currency too weak, debt is too high, inflation too high, more borrowing to fund tax cuts and energy bills (inflationary), and shrinking their balance sheet, caused a **liquidity issue**. The problem is not fixed!!!

What to take away from this, we continue to be concerned about our Federal Reserve raising rates very quickly, but

iShares Mortgage Real Estate	20.94	-14.15%	-39.32%
Alerian MLP ETF	36.56	2.07%	11.67%
iShares Global Telecom	52.45	-2.80%	-36.22%
ETFMG Alternative Harvest ETF	4.59	-3.16%	-58.57%
Grayscale Bitcoin Trust	11.41	1.97%	-66.69%
Shanghai SE Index	3,041.20	-1.53%	-15.97%

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

S&P Sector Performance: As of September 30, 2022

Index	Price	Last Week	YTD
Information Technology	2,079.85	-4.19%	-31.93%
Consumer Disc.	1,122.31	-2.38%	-30.32%
Consumer Staples	695.78	-3.96%	-13.52%
Health Care	1,411.36	-1.38%	-14.15%
Financials	504.39	-2.43%	-22.41%
Industrials	82.84	-2.25%	-21.71%
Energy	552.56	1.83%	30.71%
Communications Services	162.01	-3.03%	-39.43%
Utilities	332.52	-8.81%	-8.58%
Materials	427.77	-0.73%	-24.90%
Real Estate	225.94	-3.95%	-30.43%

Source: Bloomberg website, Returns are appreciation only.

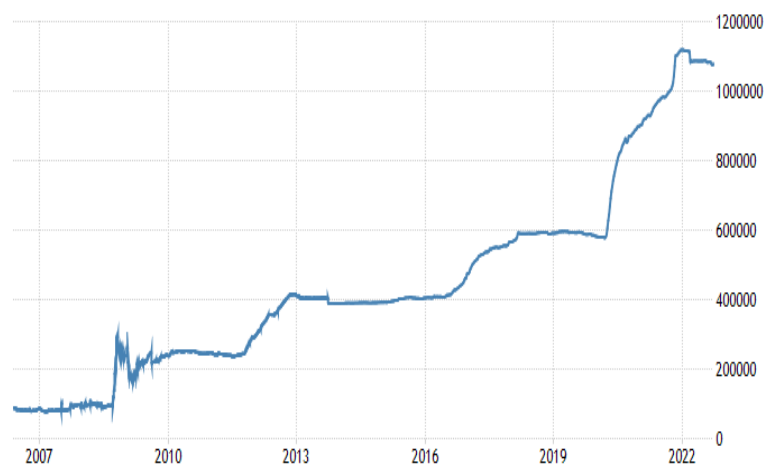
additionally **doing a massive quantitative tightening (shrinking their balance sheet) at the same time.** Our stock market is not at a level that has discounted the risk of a surprise yet. The U.S. Dollar being so strong is a global problem. The dollar has been so strong it will clearly be a big issue for upcoming third quarter earnings reports starting next week, like what Nike reported last week. The dollar is at a two decade high and will have a dramatic slowing on earnings of large U.S. based companies.

There was an emergency meeting by the Federal Reserve on Monday, obviously to discuss liquidity issues. We wonder about the Federal Reserve revising their plan given what is happening in Europe. If the Fed pauses it would be a short-term positive for the markets. The reason for the market being strong on Monday is anticipating the Fed easing up.

U.K. Gilt (bond) Yield



Bank of England Balance Sheet, Massive Stimulus is Being Reduced



PVG Strategies

Tactical Strategies	QTD	YTD
Tactical Total Return	4.6%	-7.5%
Dynamic Core	2.6%	-10.8
Loss Averse		
Loss Averse Equity Income	-1.2%	-5.8%
Navigator Growth	-1.3%	-13.5%
Specialty		
Emerging Healthcare	7.6%	-24.6%
Value		
U.S. Large Cap	-9.9%	-15.1%
Income		
High Income	-0.3%	-2.3%
U.S. Corporate Bond	-3.8%	-11.4%
Focus		
High Income Focus 10	0.6%	0.6%
Blue Chip Focus 10	-0.9%	-0.9%
Growth Focus 10	1.0%	1.0%
Emerging Healthcare Focus 10	22.1%	22.1%

Interest Rates

Fed Fund	3.08 %	5-Year	3.98%
3-Month	3.36%	10-Year	3.76%
6-Month	3.87%	30-Year	3.71%
2-Year	4.16%		

Source: Bloomberg.com

Economic Events This Week

Date	Report	Forecast	Previous
Oct-3	August Construction Spending	-0.15%	-0.40%
Oct-4	August Factory Orders	0.2%	-1.0%
Oct-4	August JOLTS Job Openings	11,175,000	11,239,000
Oct-5	August Trade Balance	-\$67.7 B	-\$70.7 B

U.K. Currency Implosion



PVG Strategies: PVG had a great quarter! The S&P 500 was down about -4.9% in the third quarter. **The PVG Tactical Total Return was up 4.6%, a 9.5% spread versus the S&P 500! Dynamic Core also had a good quarter up 2.6%. PVG is doing very well against similar tactical strategies.** The biotech index XBI was up 6.8% for the quarter, which was a strong quarter, the PVG Emerging Healthcare strategy was up 7.6% and the **PVG Emerging Healthcare Focus 10 was up a whopping 22.9%.** Lastly, the PVG Loss Averse Equity Income strategy and Navigator Growth are performing significantly better than either the stock or bond markets.

We took advantage of the sell off on Friday and bought new positions or added to some of our favorite names. Here are a few of our favorite stocks, **GOOG, BAX, BMY, BAC, AXP, V, LOW, RTX, CVX, and APA.**

Nike: NKE reported earnings last week and the currency translation due to a strong dollar was a big issue and the stock fell nearly -13%. About 60% of NKE's sales are international. Additionally, **NKE's inventories were up 44%...that is a holy-cow mistake!**

OPEC: The group will meet on Wednesday, it appears they are considering a million barrel per day cut! The U.S. Strategic Petroleum Reserve is at a historical low. The Biden Administration has been draining the reserve by one million barrels per day, this is coming to an end. **A two million per day swing to the negative will likely raise oil prices significantly. The if OPEC announcement is very important to the inflationary outlook!**

Employment Report on Friday: This report will be important data point for the Fed in determining what they will do in terms of raising rates in November. The consensus is for roughly 238,000 new jobs.

Technicals: The trend is very negative, the market is very oversold, and the sentiment is very negative. We have been saying that the market is so oversold and the sentiment so negative that the market is due for a bounce. We believe the

Oct-7	September Nonfarm Payrolls	250,000	315,000
Source: Briefing.com			
Economic Events Last Week			
Sept-26	Chicago Fed says U.S. Economic Growth Slowed in August		
Sept-27	U.S. Home prices fell in July, as mortgage rates are at almost 7%		
Sept-27	U.S. new home sales surge 28.8% in August		
Sept-27	Falling gas prices boost U.S. consumer confidence jumps to five-month high		
Sept-30	Consumer spending barely rose last if factoring in high inflation		

risk in the short-term is down to 3500 and then to 3300. **We would like to see the S&P 500 stay above the June low of 3666 and build a base.** The market is significantly below the 200-day, we would like to see a significant drop below the 20-day to get a capitulation buy signal.

Fundamental View: We are concerned about earnings for 2023 being significantly too high at 242 for the S&P 500 up 8% versus the current 2022 earnings expectations. We believe the best case is for flat earnings, and likely down -10% for 2023. It will take 2-3 quarters to get the analysts to cut earnings down to where they should be. If earnings surprise positively in the coming weeks, the market will take this well! We think the P/E is right for the S&P 500, but the earnings are wrong. More confidence in the earnings would be very positive.

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