



## Market in a Minute

September 20, 2022

### Index Performance: As of September 16, 2022

Index	Price	Last Week	YTD
S&P 500	3,873.33	-4.77%	-18.73%
Dow Jones	30,822.42	-4.13%	-15.18%
NASDAQ	11,448.40	-5.48%	-26.82%
Russell 2000	9,395.22	-4.46%	-19.16%
Russell 2000 Growth	8,108.03	-5.00%	-24.36%
Russell 2000 Value	14,252.90	-3.89%	-14.06%
Russell 1000 Growth Total Return	2,312.62	-5.36%	-25.21%
SPDR Gold Shares	155.84	-2.49%	-8.84%
GS Crude Oil Total Return	213.57	-2.98%	51.23%
Powershares US \$ Index	29.40	0.72%	14.71%
iShares EAFE Index	60.40	-3.27%	-23.23%
Barclays Aggregate Bond Index	98.83	-0.95%	-13.37%
iShares Barclays 20+ Yr Treasury Bond	107.07	-1.14%	-27.75%
Utilities Select Sector ETF	73.97	-4.41%	3.34%
Vanguard REIT ETF	90.29	-5.76%	-22.17%
iShares Mortgage Real Estate	27.42	-4.03%	-20.54%

### A Word on the Market

By: Patrick Adams, CFA



*The markets are oversold headed into a Fed meeting and interest rate announcement on Wednesday. How the market interprets Powell's comments on Wednesday will be key for any short-term move and a pivot will be needed to sustain a rally! The fundamentals and technicals are negative.*

**Federal Reserve Meeting:** On Wednesday, the Federal Reserve will likely announce they are raising rates by .75% to 3.25%. At this point, we all know that! What will matter is the details of their statement and Chairman Powell's press conference after the announcement. The bond market is focused on a 4% Federal Funds rate by year-end, and perhaps another rate increase in 2023 to get to 4.25%. The market will try to understand how certain these rate increases are. **We would expect the Fed to be very clear that 4% is highly likely, but they will be data dependent. The "data dependent" part is where there could be a positive bias interpretation by the market.** We shall see how Powell encourages the market of how to interpret "data dependent" translation into stock prices. Also, the Fed may discuss the shrinking of their balance sheet at a rate of \$95 billion per month. **The correlation of the Fed's balance sheet and the stock market has been very high. The outlook is not good. In 10-months with a run off of nearly \$1 trillion then the stock market should be 10% lower (sounds aggressive but that is the math).**

The chart of the 2-Year Treasury below shows most of the current rate increases are priced into the bond market. A yield of 4% on Treasuries makes it competitive for money that is allocated to stocks.

Alerian MLP ETF	39.47	-2.23%	20.56%
iShares Global Telecom	56.88	-5.39%	-30.83%
ETFMG Alternative Harvest ETF	5.35	-8.23%	-51.71%
Grayscale Bitcoin Trust	11.98	-10.93%	-65.02%
Shanghai SE Index	3,126.40	-3.37%	-13.62%

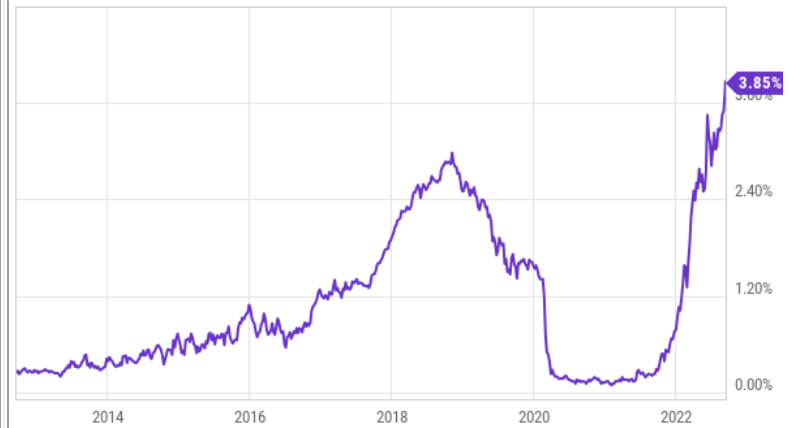
Source: Bloomberg & Yahoo.com, Returns are appreciation only.

**S&P Sector Performance: As of September 16, 2022**

Index	Price	Last Week	YTD
Information Technology	2,251.62	-6.12%	-26.31%
Consumer Disc.	1,236.40	-4.15%	-23.24%
Consumer Staples	740.39	-3.63%	-7.98%
Health Care	1,481.14	-2.38%	-9.90%
Financials	547.46	-3.81%	-15.78%
Industrials	88.79	-6.82%	-16.09%
Energy	596.27	-2.60%	41.05%
Communication s Services	176.05	-6.43%	-34.18%
Utilities	376.13	-3.82%	3.41%
Materials	456.82	-6.65%	-19.80%
Real Estate	251.42	-6.48%	-22.58%

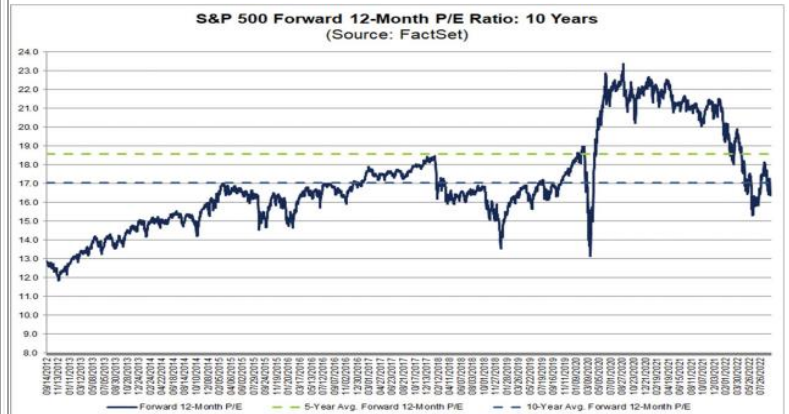
Source: Bloomberg website, Returns are appreciation only.

2 Year Treasury Rate (1:2YTCMR)

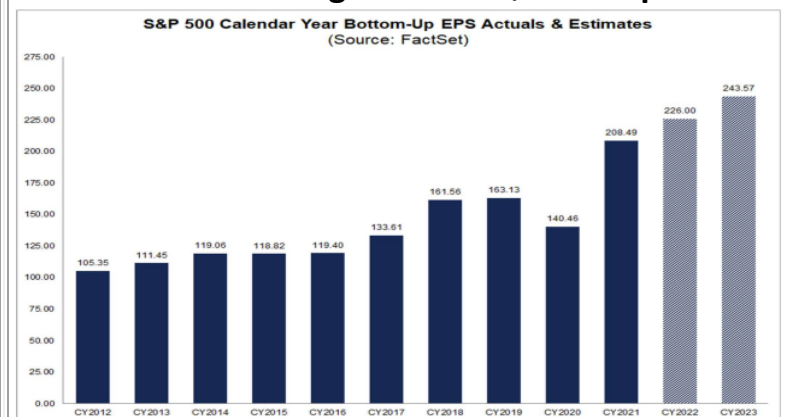


If interest rates stabilize around these levels, we believe the valuations are about right, 4% gets us around 16.5X earnings. You can see from the chart below that is exactly where the market is valued on 2023 current consensus earnings expectations. The first issue, are these the right expectations of 4%, if rates need to go higher, then the P/E is too high and vice versa. The second issue, what about the earnings, **there is not a snowballs chance in hell the earnings next year will be up 8% to \$243.5 for the S&P 500.** With FedEx cutting their earnings forecast by -33% last week it is hard to have confidence in a strong earnings outlook. Using flat earnings of \$226 and 16.5x we get 3616 for the S&P 500. This gives us about -7% downside on what we believe are expectations that may be too optimistic and does not incorporate the balance sheet impact.

**S&P 500 P/E of 16.6x**



**S&P 500 Earnings for 2023 \$243.5 up 8%**



## PVG Strategies

Tactical Strategies	QTD	YTD
Tactical Total Return	5.7%	-6.5%
Dynamic Core	3.4%	-10.1%
<b>Loss Averse</b>		
Loss Averse Equity Income	1.6%	-3.1%
Navigator Growth	1.1%	-11.4%
<b>Specialty</b>		
Emerging Healthcare	17.4%	-17.7%
<b>Value</b>		
U.S. Large Cap	-1.4	-7.2%
<b>Income</b>		
High Income	3.2%	1.0%
U.S. Corporate Bond	-1.0%	-8.8%
<b>Focus</b>		
High Income Focus 10	3.3%	<b>3.3%</b>
Blue Chip Focus 10	-0.1%	<b>-0.1%</b>
Growth Focus 10	2.0%	<b>2.0%</b>
Emerging Healthcare Focus 10	29.7%	<b>29.7%</b>

## Interest Rates

Fed Fund	2.33 %	5-Year	3.66%
3-Month	3.22%	10-Year	3.45%
6-Month	3.78%	30-Year	3.48%
2-Year	3.87%		

Source: Bloomberg.com

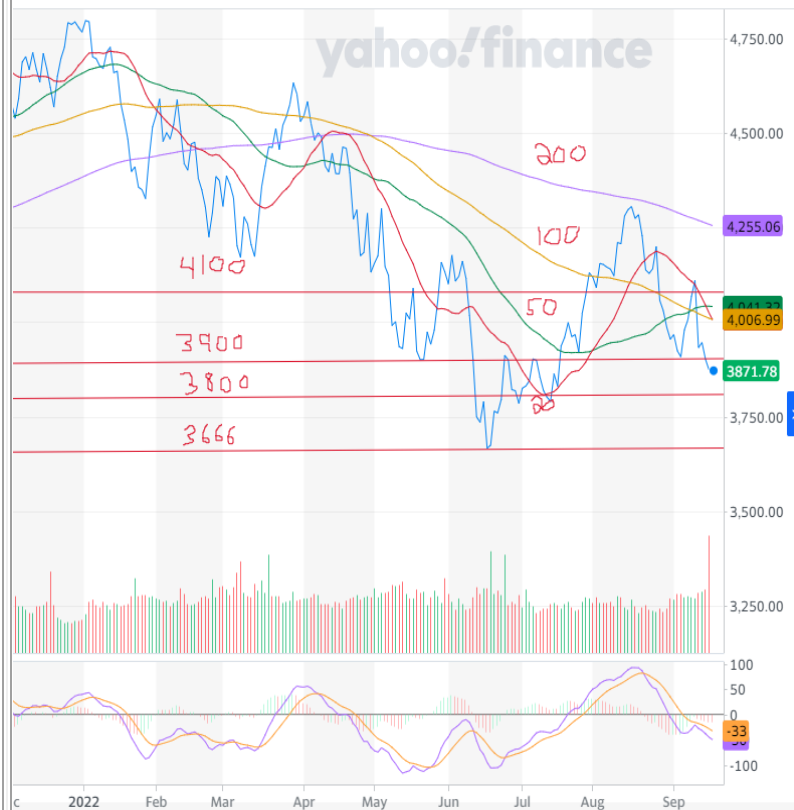
## Economic Events This Week

Date	Report	Forecast	Previous
Sept-20	August Housing Starts	1,450,000	1,446,000
Sept-21	August Existing Home Sales	4,725,000	4,810,000
Sept-22	Q2 Current Account	-\$258.1 B	-\$291.4 B

**PVG Strategies:** The Nasdaq is down about -26.8% and the S&P 500 off -18.7% year-to-date. **Our tactical and loss averse strategies have performed well, declining significantly less than the market and some actually having positive returns. For PVG customers looking at their accounts last week and seeing little change while the market was down about -5% that was the result of having hedges in their portfolio.** We believe the market is still overvalued based on where the fundamentals ultimately turn out to be, and the technicals are very negative.

**Technicals:** As we have said repeatedly recently, as the fundamentals are very much in question, allow the technicals to be your guide. **The technicals are negative, but it tends to change very quickly.** As you know we developed a proprietary technical algorithm that has been very accurate over many years. The market is below all major moving averages, it broke the support at 3900. To get any footing **the market needs to move back above 3900 and allow some of the moving averages to begin to trend higher.** The next support level is 3800, and then the June low of 3666, which cooresponds with our fundamental view. **A quick drop to 3500 would give a buy signal.**

**S&P 500 1-Year Chart**



<b>Sept-22</b>	August Leading Indicators	0.00%	-0.40%
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Source: Briefing.com

**Economic Events Last Week**

<b>Sept-13</b>	NFIB says U.S. small business confidence climbed in August as concerns over inflation eased
<b>Sept-13</b>	CPI shows U.S. inflation roars back in August despite dropping gas prices
<b>Sept-13</b>	U.S. budget deficit widens in August
<b>Sept-15</b>	Philly Fed indexes show contractions in activity in September
<b>Sept-15</b>	U.S. business inventories increase 0.6% in July, however sales decline

**Interesting Observations:** It appears there was an assassination attempt on Putin last week by some of his security personnel. We cannot imagine the Russian hard right being very happy with Putin given how the war is going, nor the pro-western Russians for invading Ukraine and all the lost soldiers.

We had dinner with a Chinese businessman, he though there was actually a good chance that Xi will not get re-elected. The business population of China believe the country is headed in the wrong direction, a pro U.S. policy is desired. Also, Taiwan has the military capability to take out Beijing with their smart rockets and that a war would never occur.

Perhaps the geopolitical risks turn into opportunities or just wishful thinking.

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