PVG Asset Management

LOSS AVERSE INVESTING

Market in a Minute

August 23, 2022

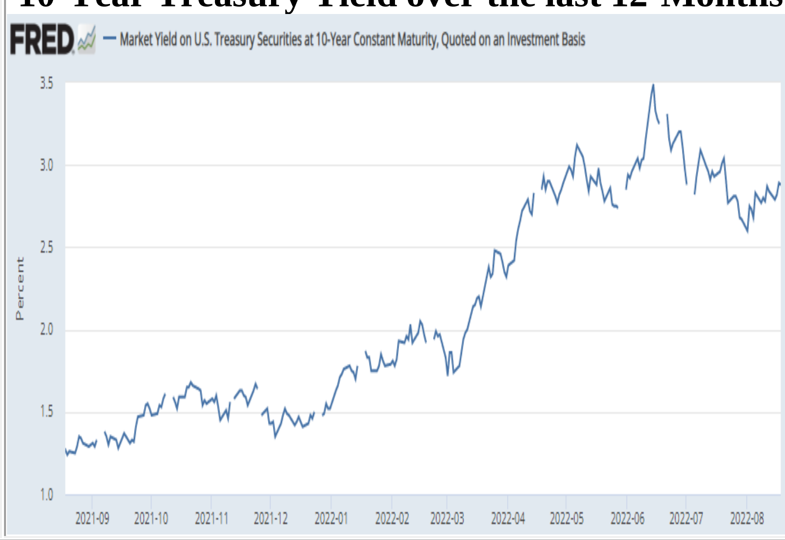
Index Performance: As of August 19, 2022			
Index	**Price**	**Last Week**	**YTD**
S&P 500	4,228.48	-1.21%	-11.28%
Dow Jones	33,706.74	-0.16%	-7.24%
NASDAQ	12,705.21	-2.62%	-18.79%
Russell 2000	10,214.44	-2.90%	-12.11%
Russell 2000 Growth	8,793.50	-3.06%	-17.97%
Russell 2000 Value	15,534.33	-2.75%	-6.33%
Russell 1000 Growth Total Return	2,559.47	-1.63%	-17.23%
SPDR Gold Shares	162.72	-3.07%	-4.82%
GS Crude Oil Total Return	234.01	-2.09%	65.71%
Powershares US $ Index	28.93	2.41%	12.88%
Ishares EAFE Index	64.69	-3.10%	-17.78%
Barclays Aggregate Bond Index	101.99	-1.10%	-10.60%
iShares Barclays 20+ Yr Treasury Bond	113.04	-2.17%	-23.72%
Utilities Select Sector ETF	77.70	1.28%	8.55%
Vanguard REIT ETF	99.52	-2.16%	-14.21%

A Word on the Market

By: Patrick Adams, CFA

Jackson Hole: The focus of both the bond and stock markets this week is focused on the annual summit of the Federal Reserve held in Jackson Hole, WY. **On Friday, Federal Reserve Chairman Powell will inform us of their thoughts on monetary policy.** The markets clearly anticipated, like we did, the Fed was going to change course and stop raising rates, at least temporarily due to negative GDP growth. So far, GDP has experienced two consecutive quarters of negative GDP growth. Last week, there were three Fed governors out publicly calling for a significant rate increase in September, as planned, and **the market had misread their intent. In these Fed comments a .75% increase in the Fed Funds rate in September was desired.** The Fed Funds rate is currently 2.25% to 2.5%. The 10-Year Treasury yield is currently **2.88%.** The yield curve is now inverted and will get much more inverted if the Fed pushes up rates as planned. An inverted yield curve is very negative for the economy.

10-Year Treasury Yield over the last 12-Months



iShares Mortgage Real Estate	29.71	-2.62%	-13.91%
Alerian MLP ETF	39.82	1.92%	21.62%
iShares Global Telecom	62.55	-2.81%	-23.93%
ETFMG Alternative Harvest ETF	6.02	-4.90%	-45.67%
Grayscale Bitcoin Trust	13.24	-13.01%	-61.34%
Shanghai SE Index	3,258.08	-0.57%	-9.98%

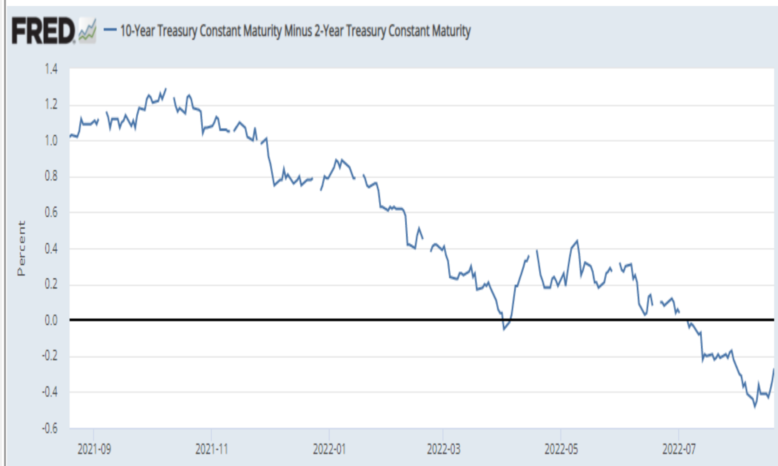
Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance: As of August 19, 2022

Index	Price	Last Week	YTD
Information Technology	2,589.56	-1.71%	-15.25%
Consumer Disc.	1,317.25	-1.58%	-18.22%
Consumer Staples	798.74	1.94%	-0.73%
Health Care	1,547.34	-0.57%	-5.87%
Financials	580.07	-1.72%	-10.76%
Industrials	98.84	-1.00%	-6.59%
Energy	603.60	0.99%	42.78%
Communications Services	196.85	-3.28%	-26.41%
Utilities	393.39	1.23%	8.16%
Materials	497.42	-2.45%	-12.68%
Real Estate	279.45	-1.94%	-13.95%

Source: Bloomberg website, Returns are appreciation only.

10-Year Treasury minus 2-Year Treasury Yield (Inverted)



Existing Home Sales are down 25% from January. Some are saying we are now in a housing bear market. Housing itself is a small percentage of the economy, but there is a very large multiplier effect which gets to around 15%. Housing has been one factor pushing down the GDP.

Existing Home Sales

The market, in the short-term, is positioning for Powell to being hawkish. If that is the case, we believe the current downward trend in the stock will continue. If Powell is dovish, accepting of inflation in the 3%-4% range, it will signal that the Fed is about done raising rates. We believe this dovish stance is possible but is the opposite of what the three Fed members expressed last week. **A dovish stance would be viewed as positive for the stock market.**

Fundamental View: **The bond market has clearly believed the Fed's comments of being hawkish**, as we have an inverted yield curve, and with the 10-Year Treasury below the 3%-4% potential inflation should the Fed become dovish. **If the dovish scenario plays out, then the 10-Year will go up above 3%-4%. This would offset the benefit to the**

PVG Strategies		
Tactical Strategies	**QTD**	**YTD**
Tactical Total Return	6.3%	-6.0
Dynamic Core	5.0%	-8.7%
Loss Averse		
Loss Averse Equity Income	2.2%	-2.6%
Navigator Growth	2.7%	-9.9%
Specialty		
Emerging Healthcare	17.2%	-17.8%
Value		
U.S. Large Cap	5.9%	-0.3
Income		
High Income	3.6%	1.4%
Focus 10		
High Income Focus 10	3.7%	3.7%
Blue Chip Focus 10	0.8%	0.8%
Growth Focus 10	3.3%	3.3%
Emerging Healthcare Focus 10	30.5%	30.5%

Interest Rates			
Fed Fund	2.33 %	**5-Year**	3.02%
3-Month	2.71%	**10-Year**	2.88%
6-Month	3.12%	**30-Year**	3.14%
2-Year	3.22%		

Source: Bloomberg.com

Economic Events This Week			
Date	**Report**	**Forecast**	**Previous**
Aug-23	July New Home Sales	577,500	590,000
Aug-24	July Durable Orders	0.40%	2.0%
Aug-25	Q2 GDP	-.90%	-0.90%
Aug-26	July Personal Income	0.60%	0.60%
Aug-26	July Wholesale Inventories	1.3%	1.8%

earnings. As we mentioned last week, the S&P 500 is fairly valued in a range of 4270-4500 depending on interest rates, specifically the 10-Year Treasury, and current earnings expectations. Given CSCO's earnings last week we are less negative on earnings falling but continue to be concerned. Given the current pullback in the S&P 500 to 4137 there is close to 9% upside 12-months out if **there are no material changes to interest rates and earnings expectations**.

PVG Strategies: Our Tactical Total Return strategy now has only 14% long exposure. Our strategies are largely defensively positioned due to the deterioration in the technicals. The market perhaps needs a pullback to readjust to a more hawkish Fed than anticipated…as we have discussed, Friday is critical for the market, particularly as we are in a seasonally weak period**. Our goal is to obviously get all of our strategies positive for the year. We are in a good position to do so even with a very negative return for the market.** We anticipate a pullback occurring and hopefully a rally by year-end. All of our Focus 10 strategies (no more than 10 stocks) are all hedged with a market neutral stance. Many of our strategies have a hedge, have significant cash position, or both. **We don't want to be locked into a defensive position and will adjust as appropriate.**

Technicals: The technicals are negative, with the S&P 500 losing momentum, breaking support, and dipping below the 20-day moving average. We would like to see the S&P 500 back above the old support at 4170 or down to the 50-day of 3970. **Given the uncertainty in the markets, we would allow the technicals to drive market exposure.**

S&P 500 Breaks Support and 20-Day Moving Average

Aug-26	August Michigan Sentiment-f	55.1	55.1

Source: Briefing.com

Economic Events Last Week	
Aug-15	New York Empire State factory gauge drops sharply in August deep into contraction territory
Aug-16	In July U.S. industrial output up sharply fueled by autos
Aug-17	U.S. inventory levels point to steady economic growth
Aug-18	Philadelphia Fed's manufacturing gauge recovers in August, but still in negative territory
Aug-18	Leading indicators fall for a fifth straight month as U.S. economy remains sluggish

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