



## Market in a Minute

July 12, 2022

### Index Performance: As of Jul 8, 2022

| Index                                 | Price     | Last Week | YTD     |
|---------------------------------------|-----------|-----------|---------|
| S&P 500                               | 3,899.38  | 1.94%     | -18.19% |
| Dow Jones                             | 31,338.15 | 0.77%     | -13.76% |
| NASDAQ                                | 11,635.31 | 4.56%     | -25.63% |
| Russell 2000                          | 9,221.55  | 2.43%     | -20.66% |
| Russell 2000 Growth                   | 7,919.95  | 3.86%     | -26.12% |
| Russell 2000 Value                    | 14,057.42 | 0.99%     | -15.24% |
| Russell 1000 Growth Total Return      | 2,330.54  | 3.74%     | -24.63% |
| SPDR Gold Shares                      | 162.30    | -3.58%    | -5.07%  |
| GS Crude Oil Total Return             | 269.14    | -5.24%    | 90.58%  |
| Powershares US \$ Index               | 28.57     | 1.85%     | 11.47%  |
| Ishares EAFE Index                    | 62.35     | -0.46%    | -20.75% |
| Barclays Aggregate Bond Index         | 101.23    | -1.08%    | -11.26% |
| iShares Barclays 20+ Yr Treasury Bond | 112.50    | -2.87%    | -24.08% |
| Utilities Select Sector ETF           | 69.82     | -2.83%    | -2.46%  |
| Vanguard REIT ETF                     | 92.08     | -0.72%    | -20.63% |
| iShares Mortgage Real Estate          | 27.55     | 0.44%     | -20.17% |
| Alerian MLP ETF                       | 35.02     | 0.17%     | 6.96%   |
| iShares Global Telecom                | 63.14     | 2.57%     | -23.22% |
| ETFMG Alternative Harvest ETF         | 6.00      | 2.21%     | -45.85% |
| Grayscale Bitcoin Trust               | 13.77     | 12.41%    | -59.80% |
| Shanghai SE Index                     | 3,356.08  | -1.45%    | -7.27%  |

### A Word on the Market

By: Patrick Adams, CFA



**Economy:** The Employment report last Friday was better than expected with 372,000 new jobs (the ISM report showed a much weaker trend). There are some real odd statistics still in the employment statistics, an example, among those not in the labor force in June, 610,000 people were prevented from looking for work due to the pandemic. Also, the number of people who reported that they had been unable to work because their employer closed or lost business due to the pandemic was 2.1 million. These are large numbers. We believe there are still a large number of workers choosing not to work. As we have noted in our Inflation White Paper (which you can find on our website) the production capacity of the economy has shrunk. Also, **wages increased 5.1% over the last 12 months, clearly not keeping up with inflation.**

**CPI:** This week, there are two very important economic reports that will help determine if the economy is in a recession. CPI will be reported on Wednesday, and it is expected to be up .9% in June versus May and up **8.8% year over year. These are overwhelming numbers!**

**Retail Sales:** The other important economic report is on Friday; Retail Sales are expected to be up **.6%.**

**Retail Sales minus CPI:** if the consensus is correct in these reports .6% Retail Sales - .9% CPI then **real growth for June is -.3%.**

**GDPNow** is currently looking for -1.2% GDP for the second quarter. This negative GDP number seems about right. This will likely be the second quarter in a row of negative GDP growth i.e. recession.

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

### S&P Sector Performance: As Jul 8, 2022

| Index                   | Price    | Last Week | YTD     |
|-------------------------|----------|-----------|---------|
| Information Technology  | 2,324.75 | 4.32%     | -23.91% |
| Consumer Disc.          | 1,148.97 | 4.55%     | -28.67% |
| Consumer Staples        | 757.23   | -0.47%    | -5.89%  |
| Health Care             | 1,524.54 | 0.80%     | -7.26%  |
| Financials              | 533.64   | 0.53%     | -17.91% |
| Industrials             | 87.91    | -0.22%    | -16.92% |
| Energy                  | 540.87   | -2.39%    | 27.94%  |
| Communications Services | 196.50   | 4.92%     | -26.54% |
| Utilities               | 354.81   | -2.87%    | -2.45%  |
| Materials               | 459.36   | -1.48%    | -19.36% |
| Real Estate             | 258.02   | -0.96%    | -20.55% |

Source: Bloomberg website, Returns are appreciation only.

### PVG Strategies

| Tactical Strategies          | QTD   | YTD    |
|------------------------------|-------|--------|
| Tactical Total Return        | 1.1%  | -10.6% |
| Dynamic Core                 | .7%   | -12.4% |
| Tactical Core                | 2.7%  | -21.1% |
| <b>Loss Averse</b>           |       |        |
| Loss Averse Equity Income    | 0%    | -4.6%  |
| Navigator Growth             | .8%   | -11.6% |
| <b>Specialty</b>             |       |        |
| Emerging Healthcare          | 10.2% | -22.7% |
| <b>Value</b>                 |       |        |
| U.S. Large Cap               | .4%   | -5.5%  |
| <b>Income</b>                |       |        |
| High Income                  | .5%   | -1.6%  |
| U.S. Corporate Bond          | -.2%  | -8.1%  |
| <b>Focus</b>                 |       |        |
| High Income Focus 10         | 1.0%  | 1.0%   |
| Blue Chip Focus 10           | 0%    | 0%     |
| Growth Focus 10              | .7%   | .7%    |
| Emerging Healthcare Focus 10 | 16.6% | 16.6%  |

**So why are we focused so much on these economic reports, because it should have a big influence on Federal Reserve policy and therefore the direction of the financial markets.** The Fed will likely raise rates by .75% on July 27<sup>th</sup> to get the Federal Funds rate to 2.5% and then on July 28<sup>th</sup> GDP will be reported. **If the GDP report is ugly then the Fed is likely done raising rates for now, if the GDP is positive then another .5% increase is likely in September. If the Fed stops raising interest rates in July, then the market should have a big rally!** It does not mean the inflationary cycle is over, but it would be difficult for the Fed to continue raising rates in a recession although it is a mild recession.

**Second Quarter Earnings:** This week kicks off earnings reporting season. We believe this will be a very telling! The current consensus for the S&P 500 is \$230 for 2022 and \$250 for 2023 (16.8x and 15.4x). Essentially what has happened is most sectors have seen cuts in earnings and energy, real estate, and industrials have seen positive revisions. Thus, resulting in very little change to the overall numbers but some companies seeing huge cuts. **The banks start reporting this week and believe the outlooks will be very conservative. The technology sector is likely going to struggle with China being shut down and the very negative currency translation due to a very strong dollar.**

**PVG Strategies: We are doing something very unique and exciting!!!** We believe the small investor has been very underserved having to succumb to very risky investments that are poorly researched...there is such a long list from these internet sites. Also, large investors are perhaps looking for less diversified portfolios to make big returns! Our portfolios tend to be already fairly focused. We have gone one step further. **We have created four portfolios with just 10 stocks in each.** We will accept accounts as small as \$10,000. **If you are a small investor, you can hire a successful money management firm and get only our very best ideas!** The portfolios are Growth Focus 10, Blue Chip Focus 10, High Income Focus 10 and Emerging Healthcare Focus 10 **(Emerging Healthcare Focus 10 return of 16.6% in a week was from a near doubling of Oramed Pharma (ORMP) they have an oral insulin.)** We will also risk manage these accounts to lessen the risk during bear markets. Individuals wanting to invest at least \$10,000 in an account managed by PVG and held at Schwab, please email us and we will send you the paperwork. This is a great solution for financial advisors to give their customers an interesting solution besides a mutual fund with all their negative issues. **Concentrated portfolios can be highly volatile and have higher risk than portfolios with more securities.**

**Growth Focus 10:** A good example of a growth stock we like is **Levis (LEVI)**. A great American brand, it is growing 20% per year, has a P/E multiple of only 10x but generally has a

### Interest Rates

|                 |        |                |       |
|-----------------|--------|----------------|-------|
| <b>Fed Fund</b> | 1.58 % | <b>5-Year</b>  | 3.05% |
| <b>3-Month</b>  | 1.95%  | <b>10-Year</b> | 3.01% |
| <b>6-Month</b>  | 2.64%  | <b>30-Year</b> | 3.20% |
| <b>2-Year</b>   | 3.03%  |                |       |

Source: Bloomberg.com

### Economic Events This Week

| Date          | Report                        | Forecast | Previous |
|---------------|-------------------------------|----------|----------|
| <b>12-Jul</b> | Official Cash Rate            | 2.50%    | 2.00%    |
| <b>13-Jul</b> | CPI m/m                       | 3.8%     | 3.9%     |
| <b>13-Jul</b> | Unemployment Rate             | 11.05M   | 11.40M   |
| <b>14-Jul</b> | PPI m/m                       | 0.8%     | 0.8%     |
| <b>15-Jul</b> | Prelim UoM Consumer Sentiment | 49.0     | 50.0     |

Source: Briefing.com

### Economic Events Last Week

|              |   |
|--------------|---|
| <b>5-Jul</b> | U.S. factory orders jump 1.6% in May  |
| <b>6-Jul</b> | ISM report shows U.S. businesses grow at slowest pace in 2 years                              |
| <b>7-Jul</b> | U.S. trade deficit narrows in May to lowest level this year                                   |
| <b>7-Jul</b> | U.S. creates 372,000 jobs in June, a strong labor market is seen as bulwark against recession |
| <b>8-Jul</b> | U.S. consumer credit surges again in May, hitting another record high                         |

much higher P/E of 30x. This stock has earnings growth and P/E expansion potential with a low-risk business strategy. The stock has fallen with the sector. In a soft retail environment, the business is being driven by a more casual business trend to the office and jean shorts are a new fashion trend. The company also has a \$750 million share repurchase program. Over a 2-year period we think the stock will double.

Levi Strauss & Co Price



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