



Market in a Minute

August 10, 2021

Index Performance: As of August 6, 2021

Index	Price	Last Week	YTD
S&P 500	4,436.52	0.94%	19.88%
Dow Jones	35,101.85	0.48%	16.14%
NASDAQ	14,835.76	1.11%	16.83%
Russell 2000	11,580.65	0.98%	16.11%
Russell 2000 Growth	11,047.12	0.92%	7.59%
Russell 2000 Value	15,961.22	1.06%	25.23%
Russell 1000 Value	2,855.60	0.96%	19.67%
SPDR Gold Shares	164.64	-2.93%	-9.70%
GS Crude Oil Total Return	130.5	-2.61%	155.88%
Powershares US \$ Index	24.93	0.65%	2.76%
iShares EAFE Index	80.31	1.03%	9.50%
iShares Barclays 20+ Yr Treasury Bond	147.78	-1.16%	-6.20%
Utilities Select Sector ETF	67.45	2.24%	10.36%
Vanguard REIT ETF	106.91	0.58%	30.11%
iShares Mortgage Real Estate	36.28	0.28%	17.45%
Alerian MLP ETF	32.56	-3.98%	27.99%
iShares Global Telecom	86.59	0.02%	17.62%
ETFMG Alternative Harvest ETF	17.99	0.17%	21.06%
BitCoin Investment	36.01	3.66%	2.65%
Trust Shanghai SE Index	3,458.23	1.79%	-1.28%

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

S&P Sector Performance: As of August 6, 2021

Index	Price	Last Week	YTD
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A Word on the Market

By: Patrick Adams, CFA



The Employment Report, last week, was better than expected with 943,000 new jobs with expectations of 870,000. We are still 5.7 million lower than prior to the virus and there are over 10 million job openings in the U.S. We would expect the employment gains to be significant between now and year-end. Of course, the Federal Reserve will likely feel more comfortable now with tapering their emergency bond purchases. There is a major central bank meeting annually in Jackson Hole at the end of August, where we believe more support for the tapering will emerge, with an announcement at the Federal Reserve's scheduled meeting on September 22nd.

This week, the important economic news are the CPI on Wednesday and the PPI on Thursday, both reports are expected to show significant inflation but at a much lower rate than last month. We believe the inflationary trend will moderate and may feel deflationary for a period, which is the message from the bond market. Ultimately, the Biden policies are very inflationary and interest rates will likely go up.

One of our investors asked about the potential impact of the Covid Delta variant on the stock market. We do not believe the market has discounted any sort of economic impact, so that could be a risk. We believe, from what we know about the variant, it is not too concerning given the large amount of the population already being vaccinated. Perhaps it slows some of the return to offices such as in NY.

If you are looking for a timely idea the small cap biotechnology stocks are interesting, in the short-term, as well as longer-term. The small cap biotech companies have

Information Technology	2,716.85	0.87%	20.74%
Consumer Disc.	1,444.09	0.44%	12.13%
Consumer Staples	734.87	-0.52%	6.71%
Health Care	1,548.95	0.67%	17.62%
Financials	628.53	3.56%	29.92%
Industrials	103.54	0.17%	19.82%
Energy	374.19	0.32%	30.61%
Communications Services	275.34	0.75%	25.97%
Utilities	342.76	2.28%	10.30%
Materials	528.18	0.16%	17.10%
Real Estate	292.06	0.70%	32.51%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.79
3-Month	0.02	10-Year	1.56
6-Month	0.04	30-Year	2.25
2-Year	0.16		

Source: Bloomberg.com

Economic Events This Week

11-Aug	CPI m/m	0.5%	0.9%
11-Aug	Core CPI m/m	0.4%	0.9%
12-Aug	Inflation Expectations q/q		2.05%
12-Aug	PPI m/m	0.6%	1.0%
12-Aug	Unemployment Claims	375K	385K

Source: Briefing.com

Economic Events Last Week

Date	Event
	ISM shows economic recovery is being slowed by manufacturing shortage
Aug-2	
	Construction spending climbs higher in June
Aug-2	
	U.S. factory orders increase by 1.5% in June
Aug-3	

vastly underperformed starting in February of this year. The S&P 500 as of August 5th is up over 17%, while the small cap biotech stocks are down -7% for the year, and off -26% from their high in February. Generally, after such bear markets, it is an excellent time to invest. Interestingly, the large cap biotech stocks are up about 15% year-to-date, but about flat from the February high. There has been a clear divergence between large cap and small cap healthcare stocks. So, the question begs why the massive divergence? We do not see a fundamental reason for it. These companies are generally in need of capital, at times, to fund their clinical trials, so perhaps, the market is getting defensive. Generally, when the markets will get defensive you will see the smaller companies decline before the market declines. The Russell 2000 Small Cap Index is down about -4% from the high in February. The small biotech stocks also have had a very significant move of 24% from the first of the year until the high in February, but have declined from high to low -29% this year. From the chart below you can see the S&P 500 in red, large cap bio in green and small cap bio in blue.



We are very bullish on the small emerging healthcare stocks and are surprised by the decline this year, we had been expecting a very strong year for these stocks. Perhaps the rotation from growth to value and now into large cap is the reason for the decline. Some of the stocks we own are trading below their cash value on their balance sheet, that is very unusual. We are expecting a number of important clinical data releases this year that may have very dramatic performance for some of the stocks we own.

We believe that healthcare is one of the most interesting areas of technology advancement and the smaller companies generate much of the new product development. A portion of an overall portfolio can be allocated to this very undervalued and inefficient sector of the market. PVG has a very strong track record in the

Big parts of the economy saw explosive growth in June, however Delta could pose a new problem

Aug-4

U.S. adds 943,000 new jobs, dropping unemployment to 5.4%

Aug-6

Source: Briefing.com

emerging healthcare stocks. We believe an investor should have a long-term time horizon when investing in this sector, but should take advantage of opportunities along the way, such as now. We believe these stocks are compelling but the overall stock market has risk.

Please email us or go to our website for more information. We would be happy to discuss in more detail the PVG Emerging Healthcare strategy.

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