



Market in a Minute
February 16, 2021

Index Performance: As of February 12, 2021

Index	Price	Last Week	YTD
S&P 500	3916.38	0.76%	4.94%
Dow Jones	31430.7	0.91%	3.36%
NASDAQ	14095.47	0.77%	9.52%
Russell 2000	11721.8	2.35%	15.51%
Russell 2000 Growth	12148.1	2.22%	15.88%
Russell 2000 Value	14868.9	2.50%	15.09%
Russell 1000 Growth	2546.85	0.76%	5.38%
Russell 1000 Value	1947.13	1.35%	6.05%
Shanghai SE Index	3,603.49	2.01%	2.87%
SPDR Gold Shares	169.81	-1.62%	-4.44%
GS Crude Oil Total Return	80.03	6.71%	53.90%
Powershares US \$ Index	24.37	-0.65%	0.83%
iShares EAFE Index	75.89	1.58%	3.22%
iShares Barclays 20+ Yr Treasury Bond	148.96	0.63%	-5.42%
Utilities Select Sector ETF	63.08	-0.80%	2.10%
Vanguard REIT ETF	89.57	1.66%	6.48%
iShares Mortgage Real Estate	33.22	0.45%	4.89%
Wells Fargo BDC	15.22	0.00%	0.00%

A Word on the Market

By: Patrick Adams, CFA



The textbooks tell us if you print money excessively inflation picks up, causing the economy to stagnate when interest rates rise, while financial assets fall in value and hard assets perform strongly. Being in undergraduate studying finance and accounting, business school and obtaining a CFA in the 1980s inflation was a significant aspect of studying finance. Milton Friedman was a Nobel Prize economist for his work on money supply and consumer consumption. Paul Volker killed inflation, but it was like chemotherapy, his aggressive interest rate increases darn near killed the economy. Our point of walking down memory lane is the massive amount of government stimulus from both **fiscal spending and monetary money pumping should cause a significant wave of inflation.**

The Philips Curve, an economic theory that states inflation and unemployment have a stable and inverse relationship, which means as unemployment goes down then inflation will go up in a like fashion. We did not see this relationship when under Trump, the unemployment rate fell to an all-time low, but very little inflation. Perhaps the reason is the **Amazon Economy and the fact that Trump kept oil prices low by incentivizing production.** Our view is oil will rise significantly over the next 4 years.

Below is a chart of inflation since 1960. Generally, inflation has been averaging about 2% over the last ten years, excluding the collapse in oil prices. With the national unemployment rate of 6.3% currently it would surprise us to see inflation much above 2%, but **when the economy fully recovers inflation should pick up.**

The textbooks tell us to buy precious metals, commodities, real assets like real estate and avoid financial assets, especially high P/E stocks or low yield bonds. We view crypto currency as a financial asset, we really cannot explain the massive move in Bitcoin. We think selectivity is key any investment, a broad-brush approach is not a great way to manage money, but tech stocks that performed so well the last 10-years will not do well in a rising interest rate environment.

We don't see a clear inflationary trend developing yet and we don't see an undervalued real estate market, however the public REITs still have not fully recovered. BDCs and banks would do well in a rising interest rate environment. Oil stocks are attractive, but it is a bet on a negative view of Biden's policies. We believe each investment

Alerian MLP ETF	27.79	-1.28%	9.07%
iShares Global Telecom	81.5	1.56%	10.43%
ETFMG Alternative Harvest ETF	25.04	7.19%	71.04%
BitCoin Investment Trust	48	26.72%	45.90%

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

S&P Sector Performance: As of February 5, 2021

Index	Price	Last Week	YTD
Information Technology	2422.53	1.79%	6.04%
Consumer Disc.	1366.17	-1.43%	4.87%
Consumer Staples	674.17	-0.26%	-2.41%
Health Care	1355.74	0.60%	3.56%
Financials	518.02	1.04%	7.02%
Industrials	89.65	0.74%	3.75%
Energy	330.36	2.88%	14.52%
Communications Services	237.39	1.26%	8.01%
Utilities	319.89	-1.01%	1.85%
Materials	462.35	0.06%	1.87%
Real Estate	239.02	1.19%	6.21%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.46
3-Month	0.05	10-Year	1.16
6-Month	0.06	30-Year	1.94
2-Year	0.011		

Source: Bloomberg.com

Economic Events This Week

15-Feb	CPI y/y	0.6%	0.6%
16-Feb	CPI m/m	0.5%	-0.2%
17-Feb	Core Retail Sales m/m	0.9%	-1.4%

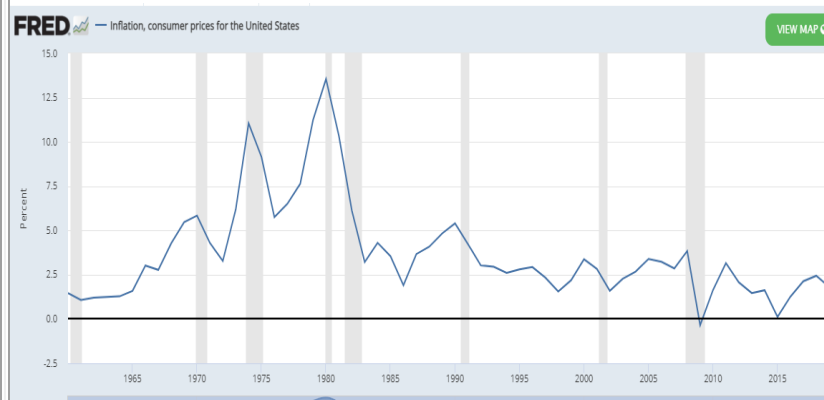
needs to stand on its own merits not necessarily a macro view that has not developed.

We like to find value in individual securities. As you know we have been discussing a stock with a ticker symbol **UGRO** as it is emerging, they finally did their financing, and the stock has perhaps as much as 200% upside over time relative to other cannabis infrastructure suppliers.

Hopefully, everyone knows about our success in the emerging healthcare space with our strategy **PVG Emerging Healthcare**. Please email us at office@pvgasset.com for more information on this strategy. **Hepion Pharmaceuticals (HEPA)**, the company uses artificial intelligence to develop drugs, this is an emerging trend that we believe is significantly reducing the cost and time for drug development. We really like AI drug companies; they have been great stocks. HEPA just completed a large financing and is poised to have a very significant move over the next 18 months. They are now fully funded, should have phase 2 data out this quarter on a NASH drug that showed great results with lower doses, this data is with higher doses. The management has a great track record. **Fully funded, great management, sound science, with a significant catalyst right in front of us.**

Additionally, below is the yield on junk bonds, now down to just 4%, we find this as crazy and distorted by Federal Reserve policy. That being said we, are finding great yields for our clients in select issues, **BWSN** (not sure if the ticker works yet) is a BB+ rated baby bond that should be rated BBB, it is 5-year paper with over an 8% yield. That is an interesting value!

Inflation



Yield on Junk Bonds



17-Feb	Retail Sales m/m	1.1%	-0.7%
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18-Feb	Employment Change	30.2K	50.0K
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Source: Briefing.com

Economic Events Last Week

Event	Date
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Hiring sank in December capping off the worst year in Labor Market since 2009	Feb-9
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CPI Shows, mostly due to oil consumer spending inflation climbs at fastest pace in 5 months	Feb-10
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U.S. Jobless claims show early 800,000 apply for unemployment benefits in early February	Feb-11
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Consumer sentiment sags to six-month low as families earning less than \$75,000 turn pessimistic	Feb-12
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Source: Briefing.com

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