PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

October 19, 2021

Index Performance: As of October 15, 2021			
Index	**Price**	**Last Week**	**YTD**
S&P 500	4,471.37	1.82%	20.83%
Dow Jones	35,294.76	1.58%	16.78%
NASDAQ	14,897.34	2.18%	17.32%
Russell 2000	11,697.82	1.47%	17.28%
Russell 2000 Growth	10,953.04	1.94%	6.67%
Russell 2000 Value	16,440.21	0.99%	28.99%
Russell 1000 Value	2,881.53	2.62%	20.75%
SPDR Gold Shares	165.33	0.67%	-9.32%
GS Crude Oil Total Return	158.01	5.06%	209.82%
Powershares US $ Index	25.2	-0.28%	3.87%
Ishares EAFE Index	79.98	2.56%	9.05%
iShares Barclays 20+ Yr Treasury Bond	145.03	2.22%	-7.94%
Utilities Select Sector ETF	65.68	1.40%	7.46%
Vanguard REIT ETF	106.38	3.47%	29.46%
iShares Mortgage Real Estate	37.47	1.41%	21.30%
Alerian MLP ETF	36.45	4.02%	43.28%
iShares Global Telecom	85.21	-0.27%	15.74%
ETFMG Alternative Harvest ETF	14.15	-0.98%	-4.78%
Grayscale Bitcoin Trust	47.41	11.97%	35.15%
Shanghai SE Index	3,572.37	-0.55%	1.98%

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

S&P Sector Performance: As of October 15, 2021			
Index	**Price**	**Last Week**	**YTD**

A Word on the Market

By: Patrick Adams, CFA

Last week, the **CPI** was reported up .4% month over month or annualized at 4.8%. **Retail Sales** were also reported, up .7%, so over half the Retail Sales increase was due to inflation. Clearly, inflation is eating away at the consumers purchasing power. **You cannot make this up: Biden's Chief of Staff Ron Klain said that inflation was a high-class problem.** We cannot imagine anyone making such a comment. This hits the working-class, lower waged American's, and retirees the hardest. **The Consumer Sentiment** numbers were also released and showed another downtick. Inflation is cutting into our economic growth as consumers need to buy the same goods but are having to pay much higher prices, so Real GDP does not grow. **The current estimate of third quarter GDP is now only 1.2%.**

Also, last week, many of the large financial stocks reported earnings, they were very strong. The financials are in a good position as their net interest margins are expanding due to market interest rates begin to rise and their loan loss reserves contract, (the reserves they took for bad loans during the pandemic were too aggressive and are now being reversed benefiting current earnings). Financials are a sector that benefits from rising inflation.

This week, **Industrial Production and Capacity Utilization were reported on Monday showing lower than expected numbers. This is a big week for housing data**, if the data is in line with expectations, it would be very positive, but with the lack of willing labor we are not confident in the numbers. **Good housing data could spark a move up in the market**. There are more earnings reports this week than last but next week and the following will be heavy! **There are no real market moving companies reporting this week,** but we are curious about **PG and JNJ on Tuesday, BIIB, VZ, IBM, LVS, and TLSA on Wednesday, DOW, T, WHR, and**

Information Technology	2,737.93	2.60%	21.68%
Consumer Disc.	1,502.87	3.55%	16.70%
Consumer Staples	734.91	1.17%	6.71%
Health Care	1,491.56	0.77%	13.26%
Financials	656.87	1.23%	35.77%
Industrials	102.89	1.92%	19.07%
Energy	434.44	1.16%	51.64%
Communications Services	271.29	-0.43%	24.11%
Utilities	333.81	1.42%	7.42%
Materials	528.15	3.64%	17.10%
Real Estate	288.65	3.52%	30.97%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates			
Fed Fund	.25	**5-Year**	1.13
3-Month	0.05	**10-Year**	1.59
6-Month	0.06	**30-Year**	2.05
2-Year	0.41		

Source: Bloomberg.com

Economic Events This Week			
18-Oct	Industrial Production m/m	-1.3%	0.3%
20-Oct	CPI m/m		0.2%
22-Oct	German Flash Manufacturing PMI	56.8	58.4
22-Oct	PPI m/m	0.6%	0.7%
22-Oct	Flash Manufacturing PMI	55.6	57.1

Source: Briefing.com

Economic Events Last Week	
Date	Event
Labor shortage continue to cause problems for small businesses	**12-Oct**

INTC on Thursday. We have a position in online appliance retailer GOED which stock is up a lot since we bought it, the WHR report will be interesting to see how the supply chain issues are progressing.

Barron's Magazine does a poll every 6-months to get a gage of what institutional investor are thinking, which indicates the market will be up another 10% by the middle of next year by the bulls and down about -7% by the bears. **Most believe the market is fairly to overvalued, with 80% believing a 10% correction over the next 6 months will occur and only 10% believe a bear market** (over 20% decline) will occur.

The biggest risks over the next 6-12 months:
1) Fiscal/monetary policy blunders (this is our biggest concern as well)
2) Inflation
3) Rising Bond Yields
4) Higher Taxes
5) Slowing Economic Growth
6) Disappointing Corporate Profits
7) Federal Reserve Tapering
We would put China in there as well!

There are quite a number of issues to be concerned about, with modest upside potential. How we see all this playing out is a slow move higher as these issues get resolved or the weight of too many of these issues going badly causes the market to stagnate or fall into a bear market. Given the lack of upside we would be prepared for the latter of our two scenarios to occur. As we mentioned last week the 4th quarter tends to be a seasonally strong period, generally up about 4%, as of Friday the S&P 500 was already up about 3.9% for the quarter.

Please let us know if we can be of any help or explain in detail how our highly rated Loss Averse strategies handle unwanted negative volatility.

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A record number of workers are quitting their jobs however, U.S. job openings fall from record high	**12-Oct**
CPI shows climbs 5.4% yearly pace, maintaining its 30-year high	**13-Oct**
U.S. inflation rises at slowest pace in nine month, but we aren't out of the woods yet	**14-Oct**
U.S. retail sales rise sharply, but this is partially due to inflation	**16-Oct**
Source: Briefing.com	