PVG Asset Management
LOSS AVERSE INVESTING

Market in a Minute

May 3, 2022

Index Performance: As of April 29, 2022			
Index	**Price**	**Last Week**	**YTD**
S&P 500	$ 4,131.93	-3.27%	-13.31%
Dow Jones	$ 32,977.21	-2.47%	-9.25%
NASDAQ	$ 12,334.64	-3.93%	-21.16%
Russell 2000	$ 9,682.42	-3.94%	-16.69%
Russell 2000 Growth	$ 8,216.87	-4.25%	-23.35%
Russell 2000 Value	$ 14,930.64	-3.66%	-9.97%
Russell 1000 Growth Total Return	$ 2,473.03	-3.25%	-20.03%
SPDR Gold Shares	$ 176.91	-1.87%	3.48%
GS Crude Oil Total Return	$ 264.50	7.08%	87.30%
Powershares US $ Index	$ 27.57	1.92%	7.57%
Ishares EAFE Index	$ 68.64	-2.60%	-12.76%
Barcleys Aggragate Bond Index	$ 102.69	-0.24%	-9.98%
iShares Barclays 20+ Yr Treasury Bond	$ 119.25	-0.62%	-19.53%
Utilities Select Sector ETF	$ 71.26	-4.03%	-0.45%
Vanguard REIT ETF	$ 103.94	-5.30%	-10.40%
iShares Mortgage Real Estate	$ 29.59	-2.31%	-14.26%

A Word on the Market

By: Patrick Adams, CFA

Federal Reserve Announcement on May 4th: We feel like we have been waiting for our father to come home and give us the whipping that we deserve, and that time is here…oh darn! We sure deserve it! The tightening of the monetary policy is so late. The Fed is likely to raise rates by at least 50 bpts, but to really lean into it by shrinking the balance sheet by as much as $95 billion per month or $1.14 billion per year. **Perhaps, the Fed will be a little sympathetic and delay the balance sheet reduction until June or July, depending on the details the market may use this as a rally catalyst.** Over time, as the liquidity in the financial markets shrinks, it will likely have a corresponding negative impact on the financial markets…it is very simple.

"Wall Street" Chatter: The recession outlook in 2023 is starting to grow, which means greater potential for a bear market. Remember a bear market is a decline of -20%, but the average bear market decline is down -32% from the high. The S&P 500 is down about -14% from the high in early January. The market has been very stubborn this year in this decline. What we mean by that is the rallies are short and very strong and the declines are even faster. We anticipated the market would retest the resent low in March of 4170 on the S&P 500, in March the market rallied 10.6% off that low. The S&P 500 retested the 4170-level last Tuesday, then rallied about 3% intraday on Thursday but gave it all back plus on Friday. It was also reported on Thursday the real GDP declined -1.4%...how is that positive? The Friday decline came with a less than clear outlook from AAPL and a loss in the quarterly earnings report from AMZN. The are some strategists expecting 5200 on the S&P 500 by year-end and some technicians looking for the S&P 500 to decline to 3800

Alerian MLP ETF	$ 39.26	0.72%	19.91%
iShares Global Telecom	$ 67.22	-8.47%	-18.25%
ETFMG Alternative Harvest ETF	$8.45	-9.53%	-23.74%
Grayscale Bitcoin Trust	$28.04	-5.97%	-18.13%
Shanghai SE Index	$3,086.92	-5.07%	-14.71%

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

S&P Sector Performance: As of April 29, 2022

Index	**Price**	**Last Week**	**YTD**
Information Technology	$2,478.00	-1.26%	-18.90%
Consumer Disc.	$1,272.15	-7.89%	-21.02%
Consumer Staples	$810.50	-2.08%	0.73%
Health Care	$1,518.45	-2.51%	-7.63%
Financials	$573.70	-4.59%	-11.74%
Industrials	$ 95.14	-3.34%	-10.08%
Energy	$572.41	-1.29%	35.40%
Communications Services	$198.03	-4.09%	-25.96%
Utilities	$361.88	-4.10%	-0.50%
Materials	$ 533.97	-0.82%	-6.26%
Real Estate	$291.38	-5.66%	-10.28%

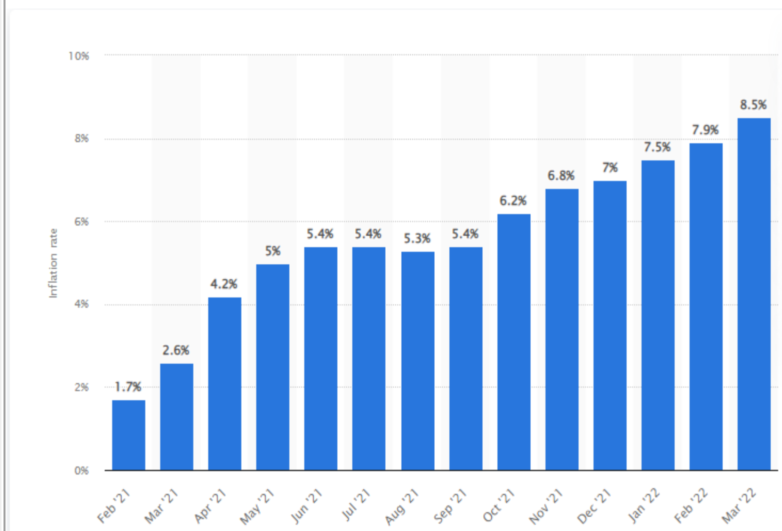
Source: Bloomberg website, Returns are appreciation only.

(up 26% or down -7.8%). For now, we believe **the support for the S&P 500 is 3800.**

Our view of technology earnings so far, GOOG has a great franchise with continued strong momentum as does MSFT, and QCOM is a must own in the semiconductor space, a 12 P/E multiple and very strong business in 5G. The market is looking for new leadership.

Rule of 20: There is an old rule we used in the 1980s, as inflation still lingered from the 1970s. The Rule of 20 was the fair value of the P/E multiple for the market was 20 minus the rate of inflation. Currently, it would be hard to imagine the rate of inflation accelerating from a 40-year high, while the Fed starts to get aggressive, and GDP has already had a negative report. The rise in bond yields and mortgage rates are likely already starting to have an impact on the economy. The regression of the inflation number results in the April report likely being below the March CPI report of 8.5%, with a 7% handle and sometime in the summer with a 6% handle (the March 2021 inflation rate of 2.6%, plus March 2022 inflation equals 11.1%, April 2021 was 4.2%, 11.1% minus 4.2% equals 6.9% for April 2022 expected inflation). By 2024, if all goes well, inflation could be in the 3% to 4% range. This would imply a P/E of 16 to 17 applying the Rule of 20.

Inflation Year over Year last 12 Months



A multiple of 17 and S&P 500 earnings of $230 for 2022 equals about 3900 on the S&P 500, **on 2023 consensus earnings estimate of $251 (could be too high) and 17x gives the S&P 500 a target of 4267 or 3.5% upside.** That is not enough considering the risk of what could go wrong.

Please see the chart below of the P/E Ratio for the S&P 500. Less than 17 is where we believe value begins to occur in the market, providing no recession next year, with inflation beginning to decelerate, but the Fed needs to not shrink the balance sheet as aggressively as they imply, otherwise the

PVG Strategies

Tactical Strategies	YTD
Tactical Total Return	-9.5%
Dynamic Core	-9.5%
Tactical Core	-15.4%
Loss Averse	
Loss Averse Equity Income	-2.5%
Navigator Growth	-7.6%
Specialty	
Emerging Healthcare	-26.1%
Value	
U.S. Large Cap	-1.3%
Income	
High Income	-1.3%
U.S. Corporate Bond	-6.3%

Interest Rates

Fed Fund	0.25% -0.50%	**5-Year**	2.86 %
3-Month	0.82 %	**10-Year**	2.85 %
6-Month	1.38 %	**30-Year**	2.92 %
2-Year	2.63 %		

Source: Bloomberg.com

Economic Events This Week

Date	Report	Forecast	Previous
2-May	ISM Manufacturing PMI	57.5	57.1
3- May	Cash Rate	0.25%	0.10%
3- May	JOLTS Job Openings	11.19M	11.27M
3- May	Federal Funds Rate	<1.00%	<0.50%
3- May	Core PCE Price Index m/m	0.3%	0.4%

Source: Briefing.com

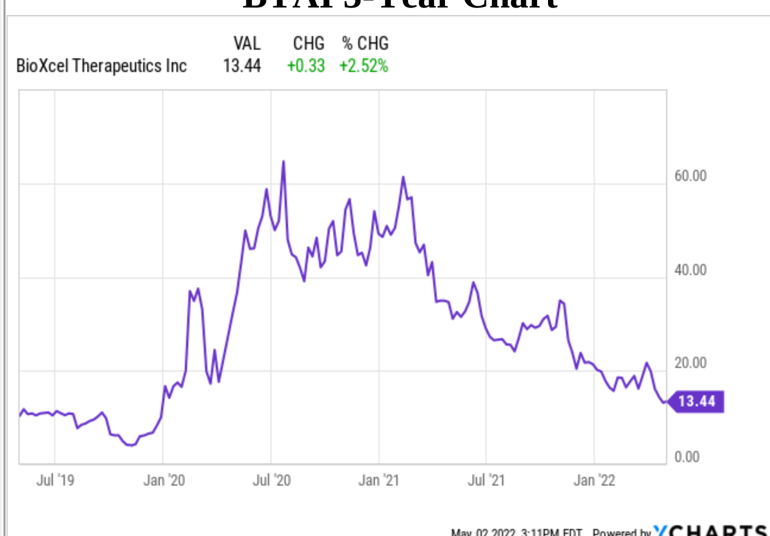
Economic Events Last Week

26-Apr	Consumer confidence falls in April, but Americans spending doesn't follow
27-Apr	U.S. trade deficit in goods jump 17.8% hitting record $125.3 billion caused by imports and inflation

market will over discount the negatives as it did recently in 2020 or 2018, where P/Es got to 13-14.

PVG Strategies: April was a very tough month for the market, with the S&P 500 falling -8.7%. Our Tactical Total Return strategy was down about -4.5%, roughly half of what the market had declined. In the Tactical Total Return strategy, we buy a sleeve of individual stocks to complement the market related ETFs. Currently Tactical Total Return is about 30% invested, with a significant position in cash as we weather this market decline. We always strive to have positive calendar year returns. As you know, we own the biotechnology company **CKPT (10x upside potential), there are some catalysts coming with their phase 3 data to be presented at the 2022 American Society of Clinical Oncology meeting on June 3rd.** There are obviously many large drug companies that attend this conference. Additionally, **we added a new biotech to the portfolio BTAI (5x upside) which just got approval for agitation for schizophrenia and bipolar**. BTAI is an artificial intelligence drug developer with a very strong pipeline. BTAI has significant cash and has been de-risked with the approval of their first drug! We **also initiated a position in QCOM**.

BTAI 3-Year Chart



28-Apr	U.S. jobless claims drops to 180,000 showing the labor market is in good shape
29-Apr	U.S. employment costs accelerate in Q1 adding to worries about inflation
29-Apr	U.S. consumer spending rises, but inflation jumps at nearly same rate

Phone:(303)874-7477
Email: jholt@pvgasset.com
Website: www.pvgassetmanagement.com