

Market Review

Bob Krishfield

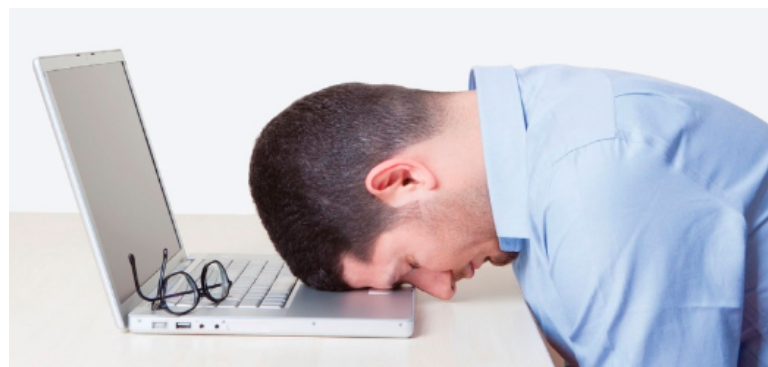
May 2019

bobkrish22@gmail.com

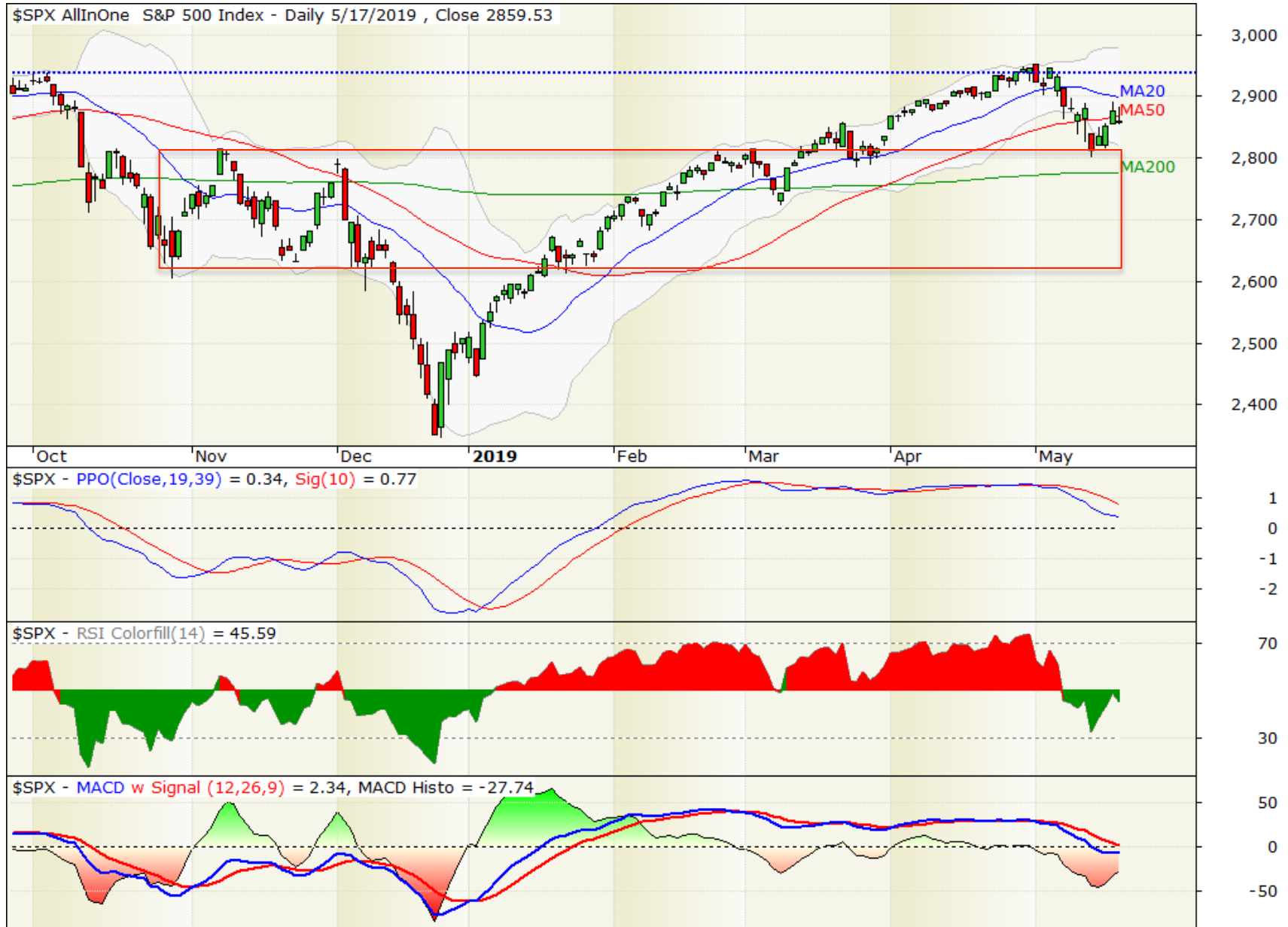
Topics Today

- Markets
 - Recent Market Trends
 - What to Expect
- Looking For Yield
 - Comparisons of Investments, Returns, Yields, Risks, Examples

**Sell in May?
But Don't Go Away.
Come Join Us At the
Investors Meeting**

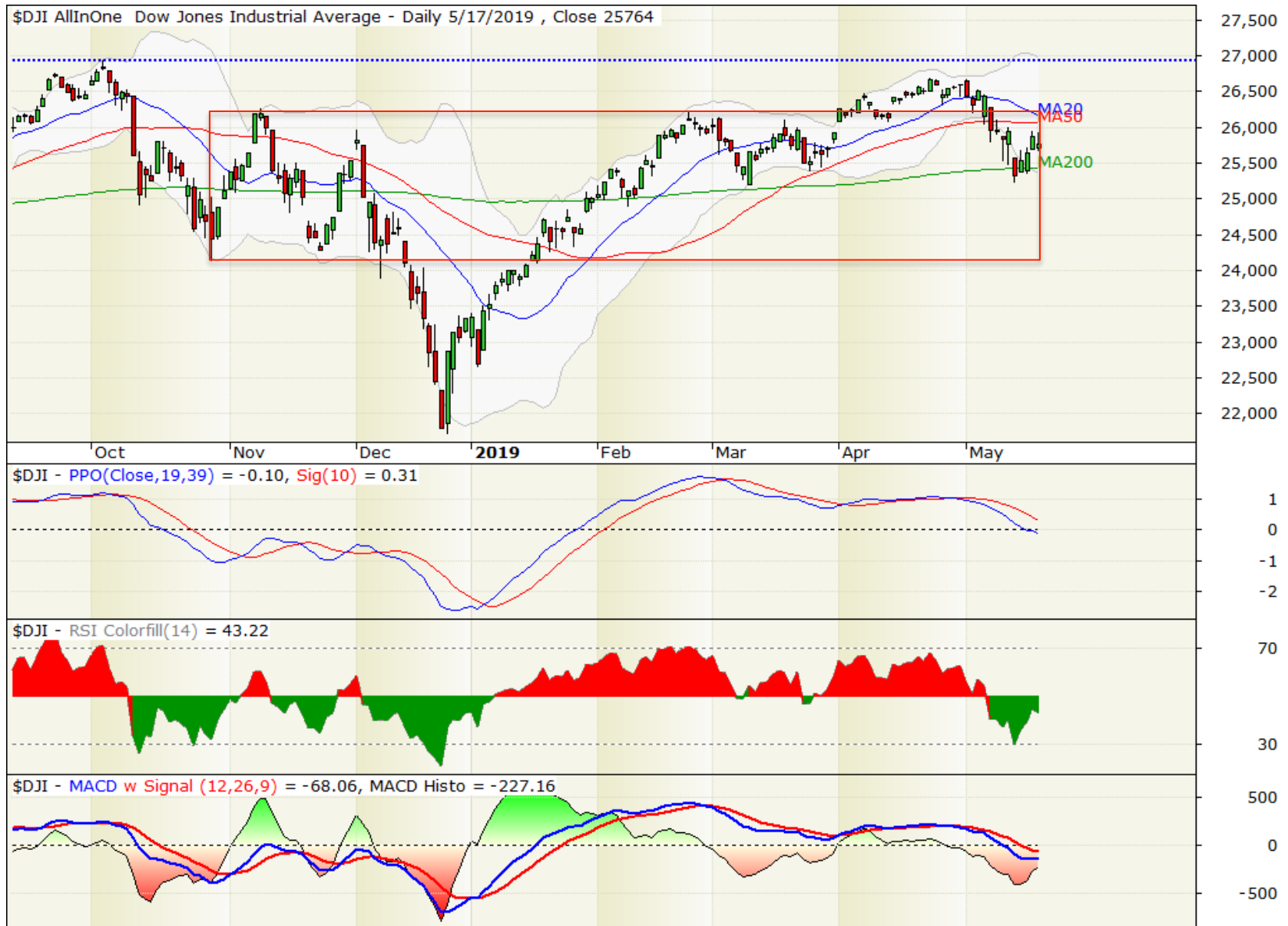


S&P 500 – Couldn't Hold High



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Dow



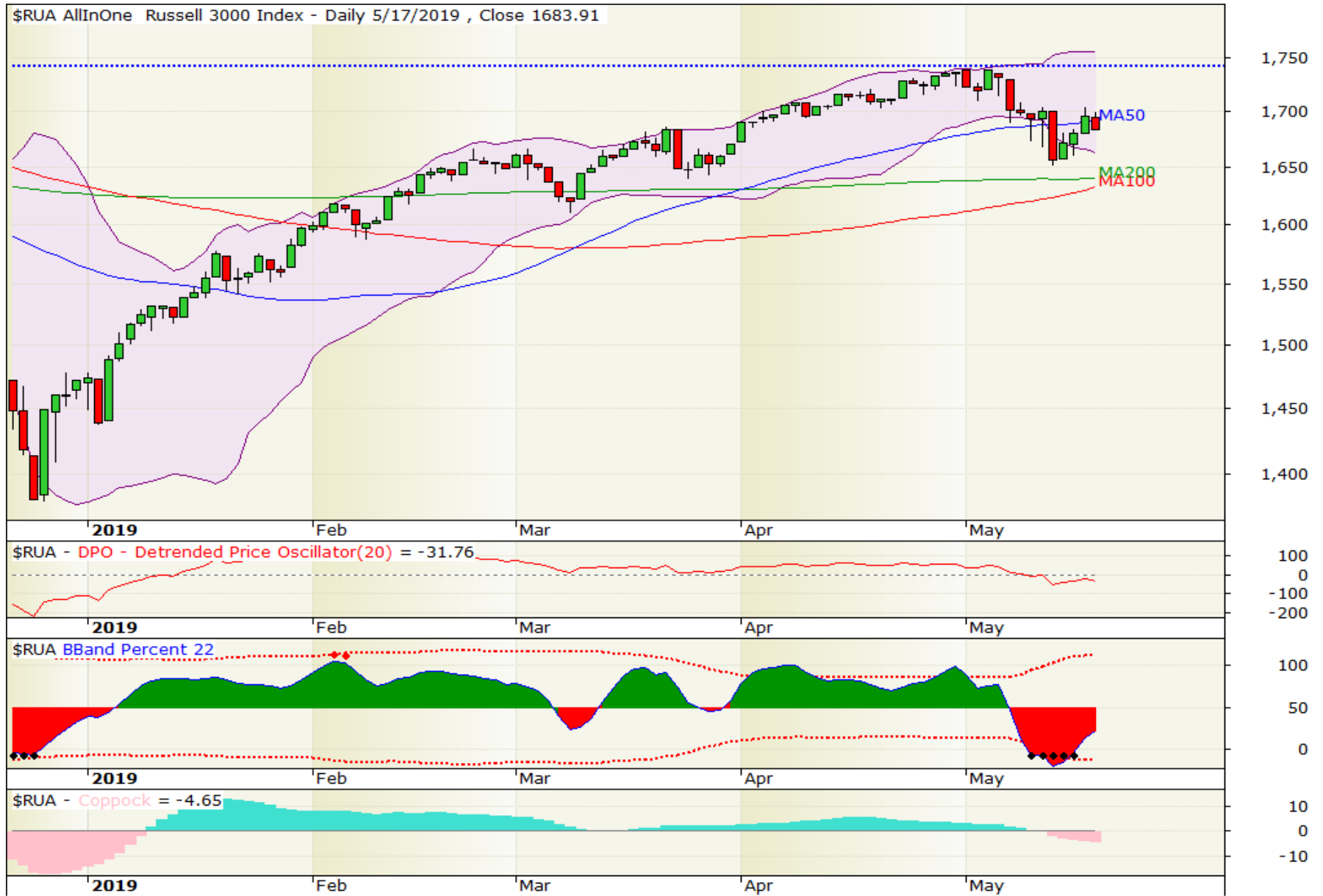
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NASDAQ



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Russell 3000 Total Market



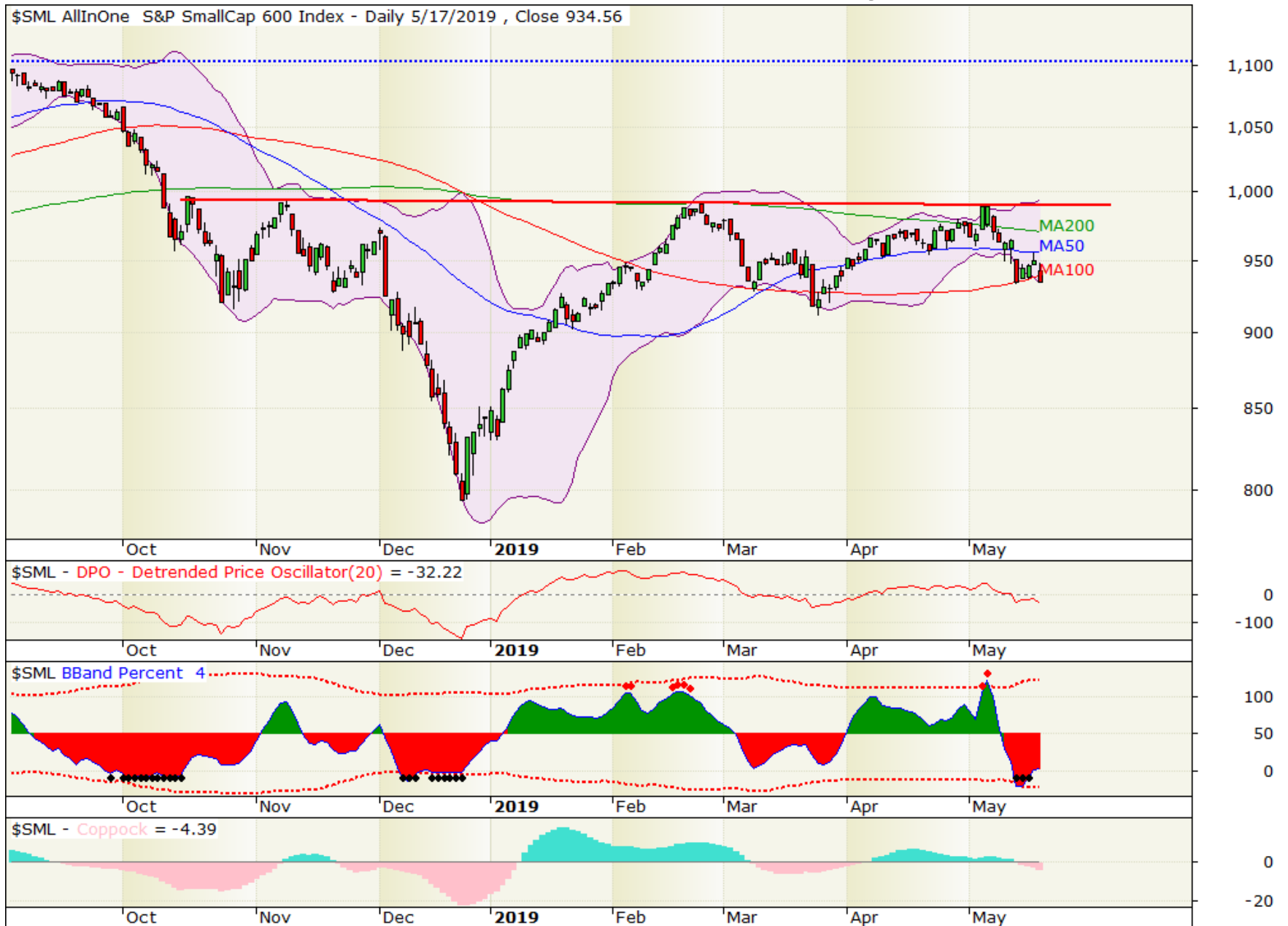
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Russell 2000 (Sm Caps)



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S&P 500 Small Caps



NDX Stocks Above 50 day MA

\$NAA50R Nasdaq Percent of Stocks Above 50 Day Moving Average (EOD) INDX

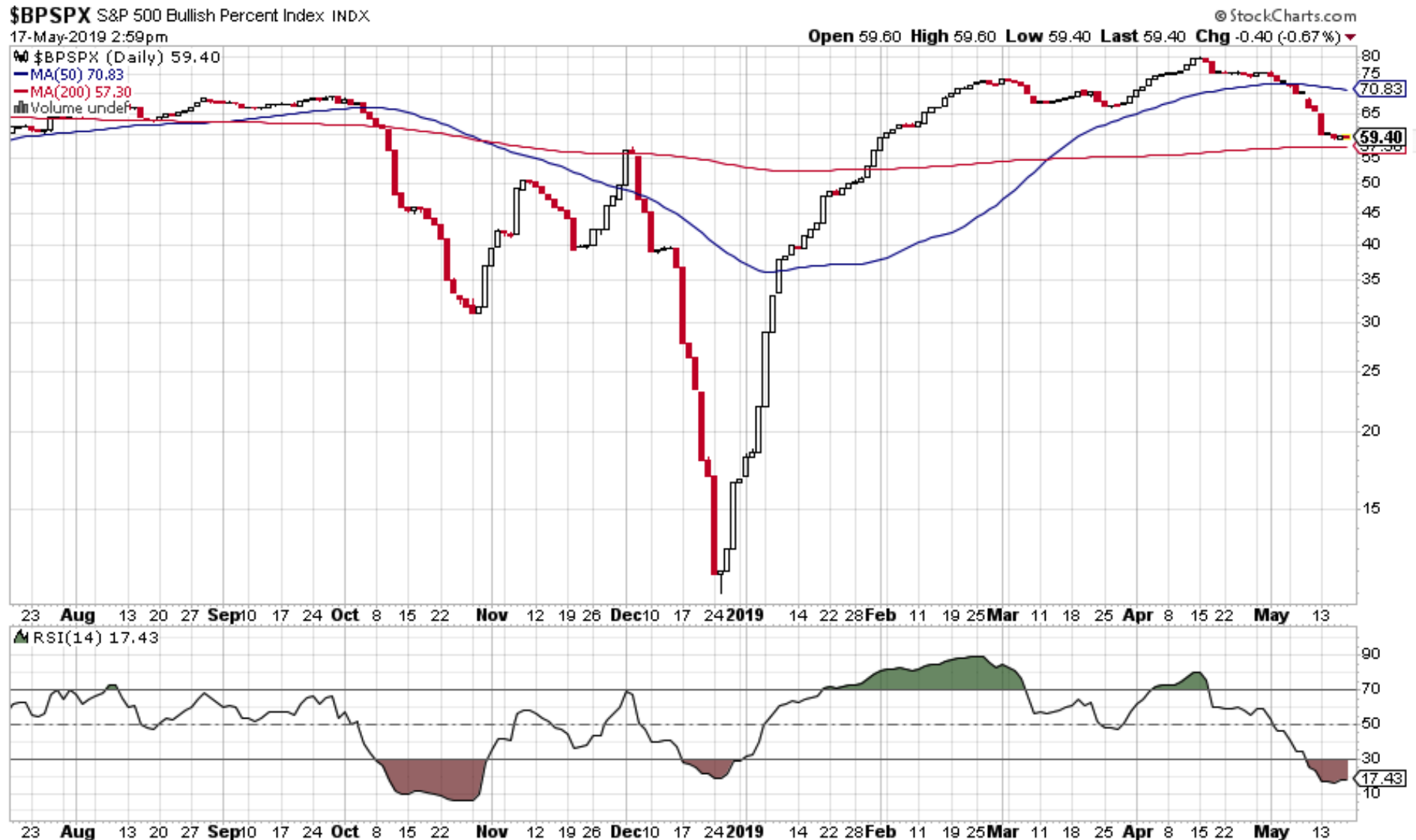
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17-May-2019

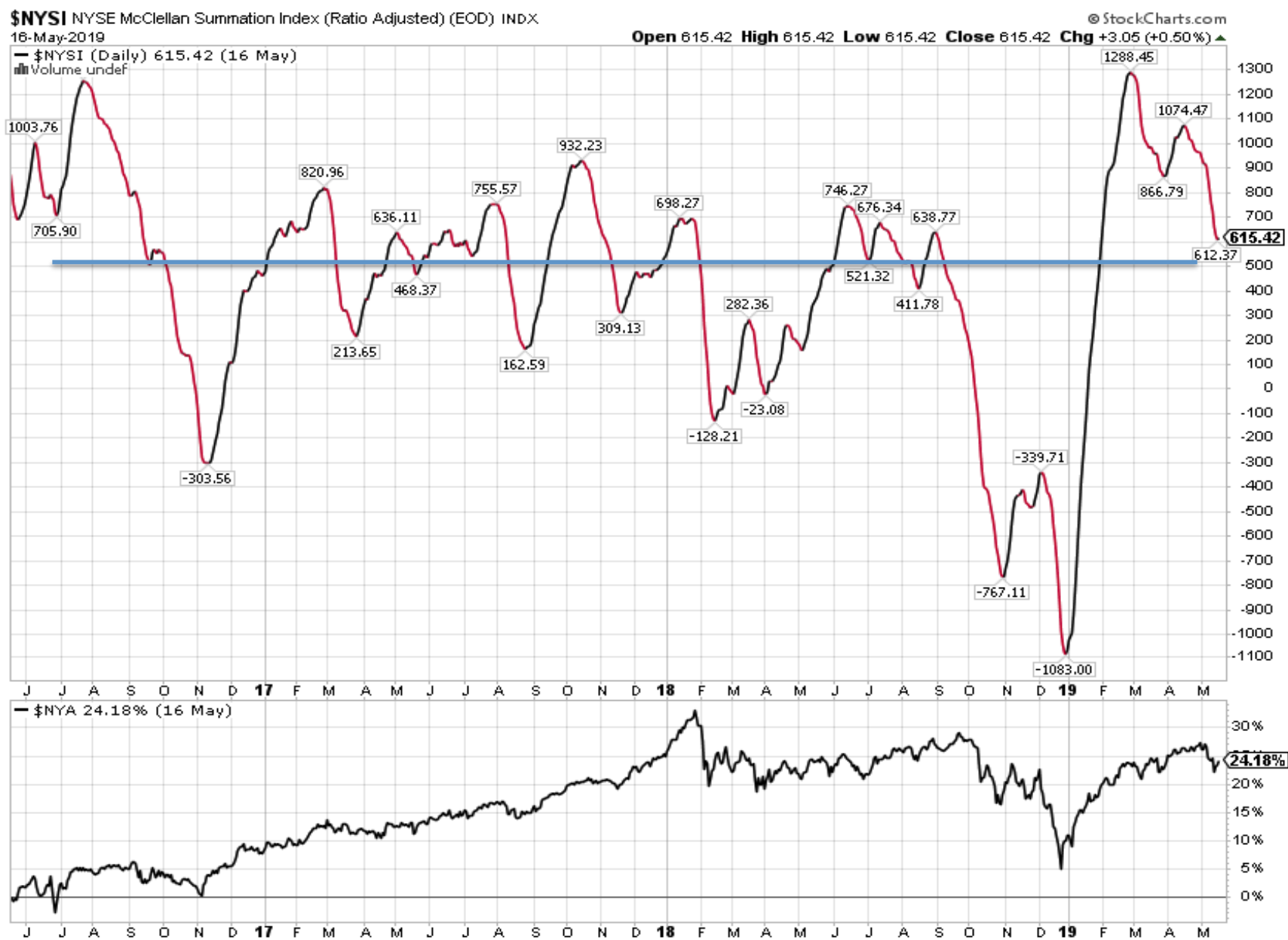
Open 39.78 High 39.78 Low 39.78 Close 39.78 Chg -4.47 (-10.10%)



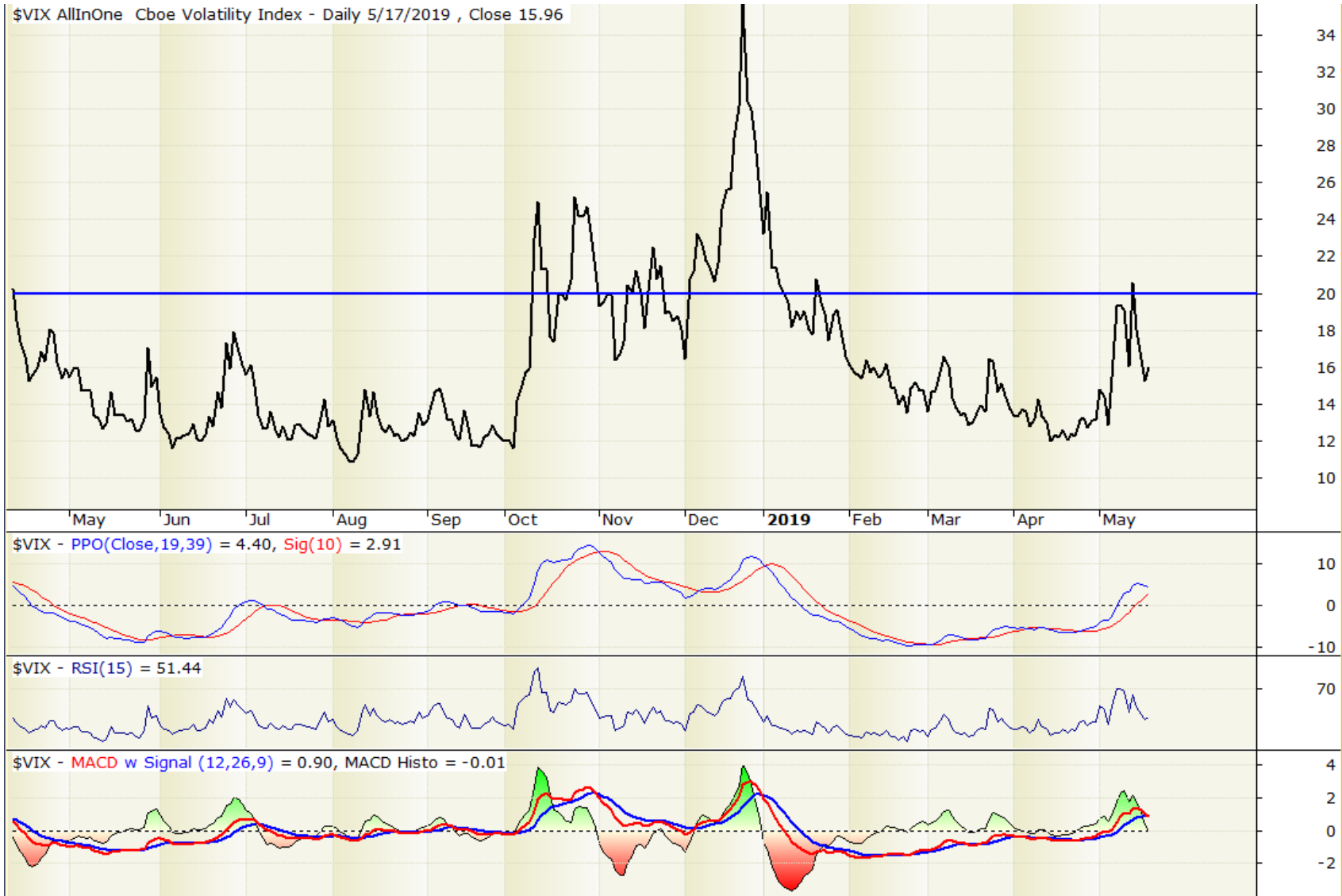
S&P 500 %Bullish Showing Weakness



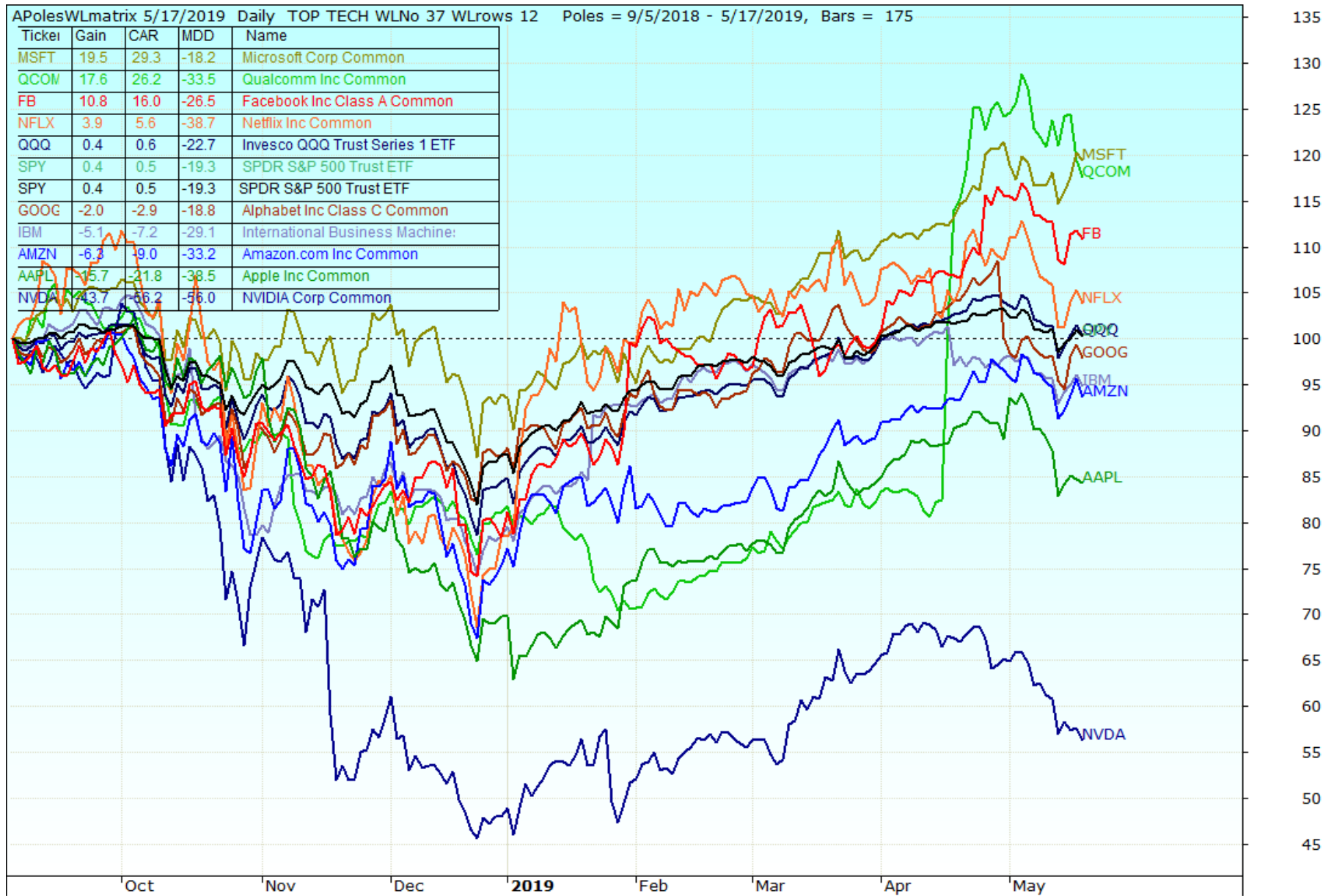
NY Sum Index – Expect Correction Below 500



VIX – Returning to Normal Levels



Top Tech Stocks Beating SP500

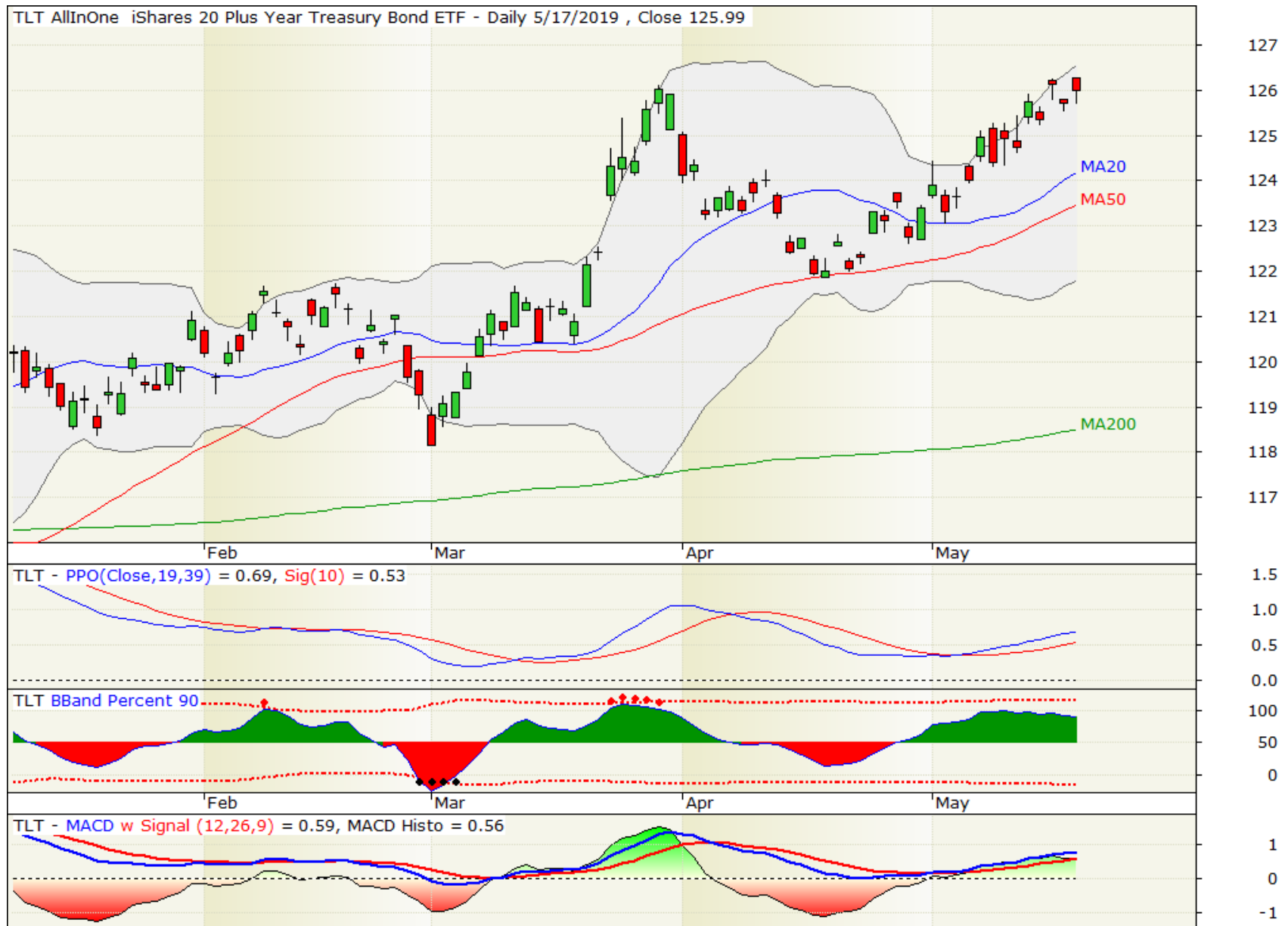


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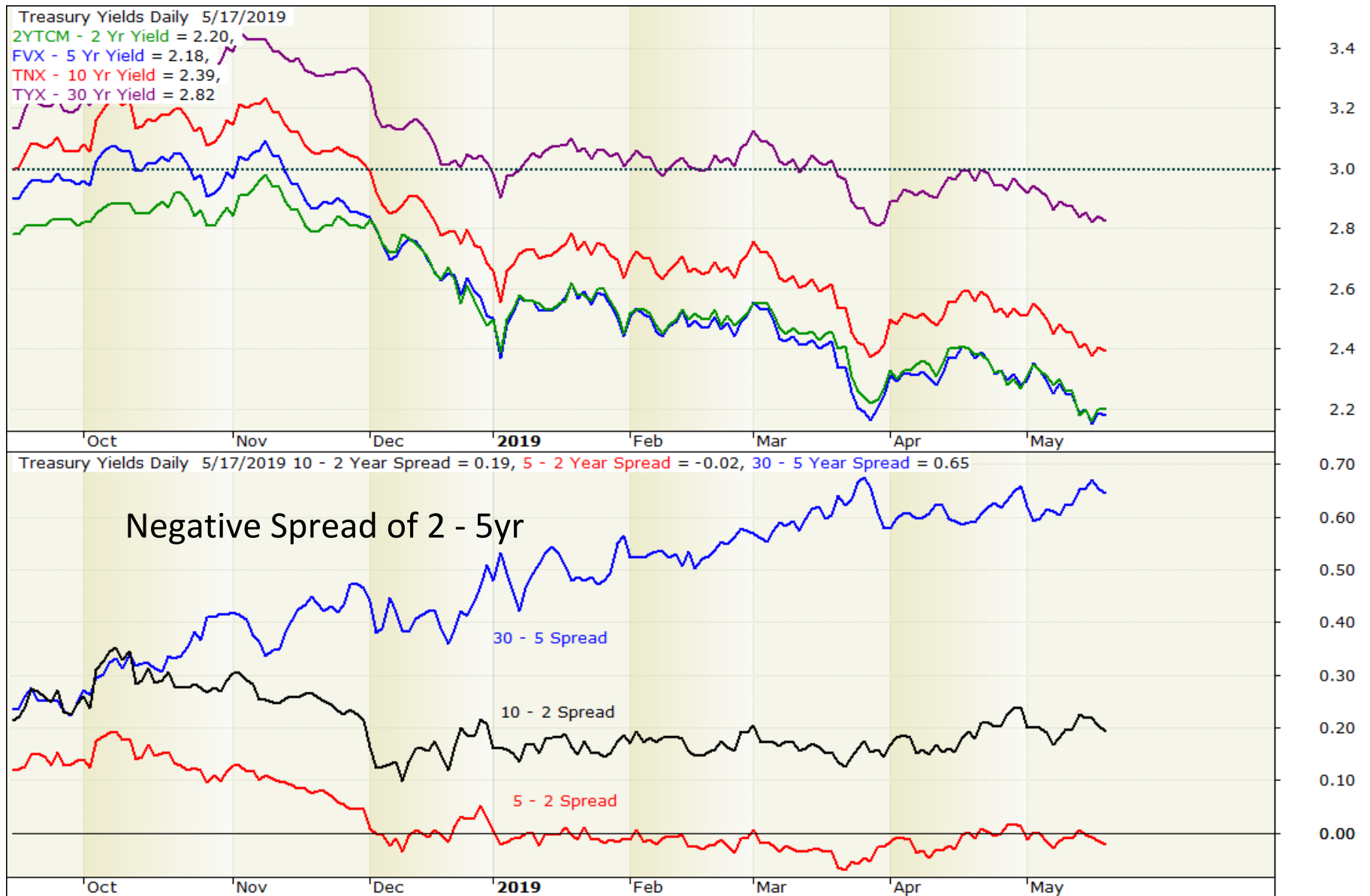
Dollar Staying Strong



30 Year Treasury Rally Returning

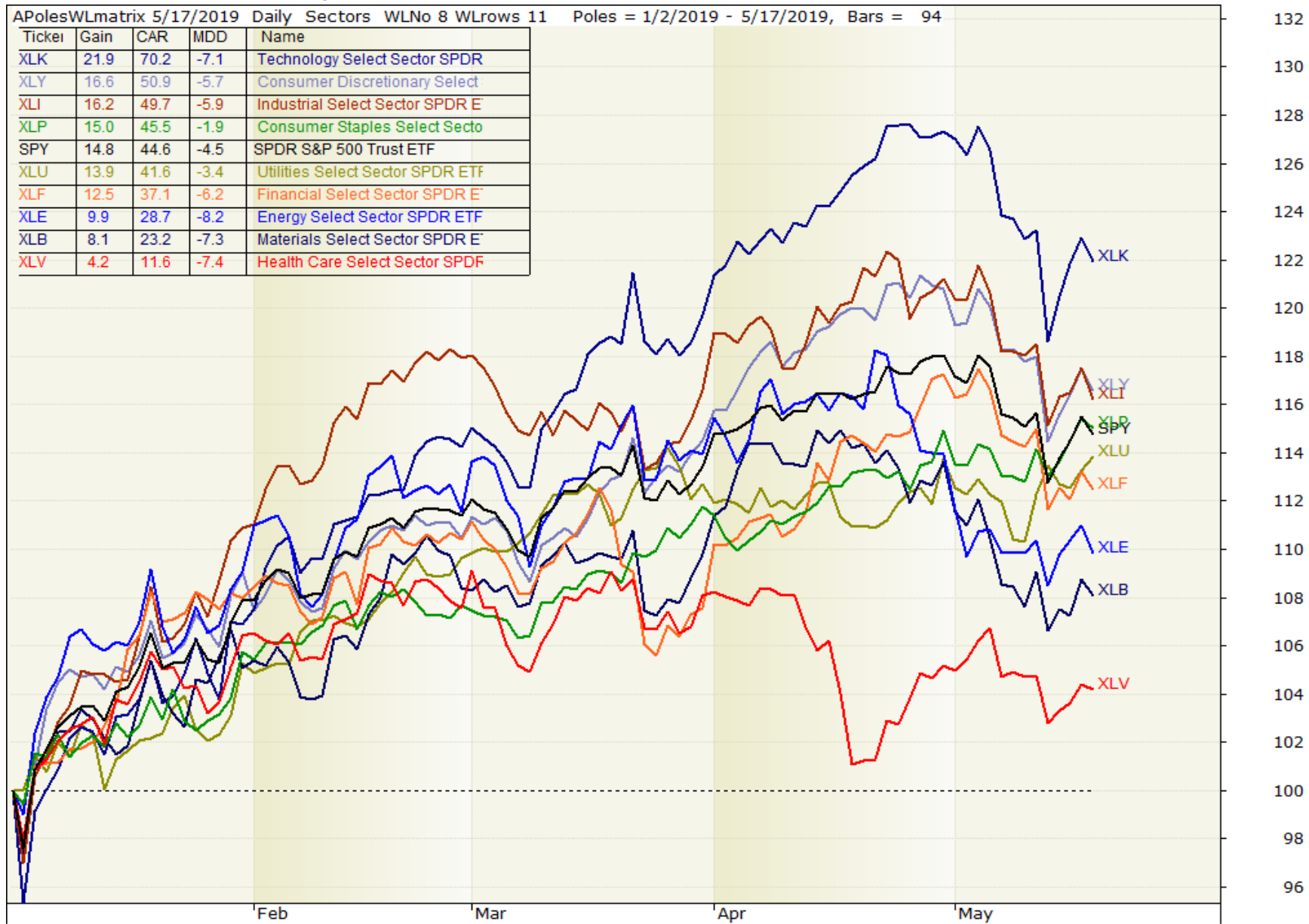


Treasury Yields & Spreads



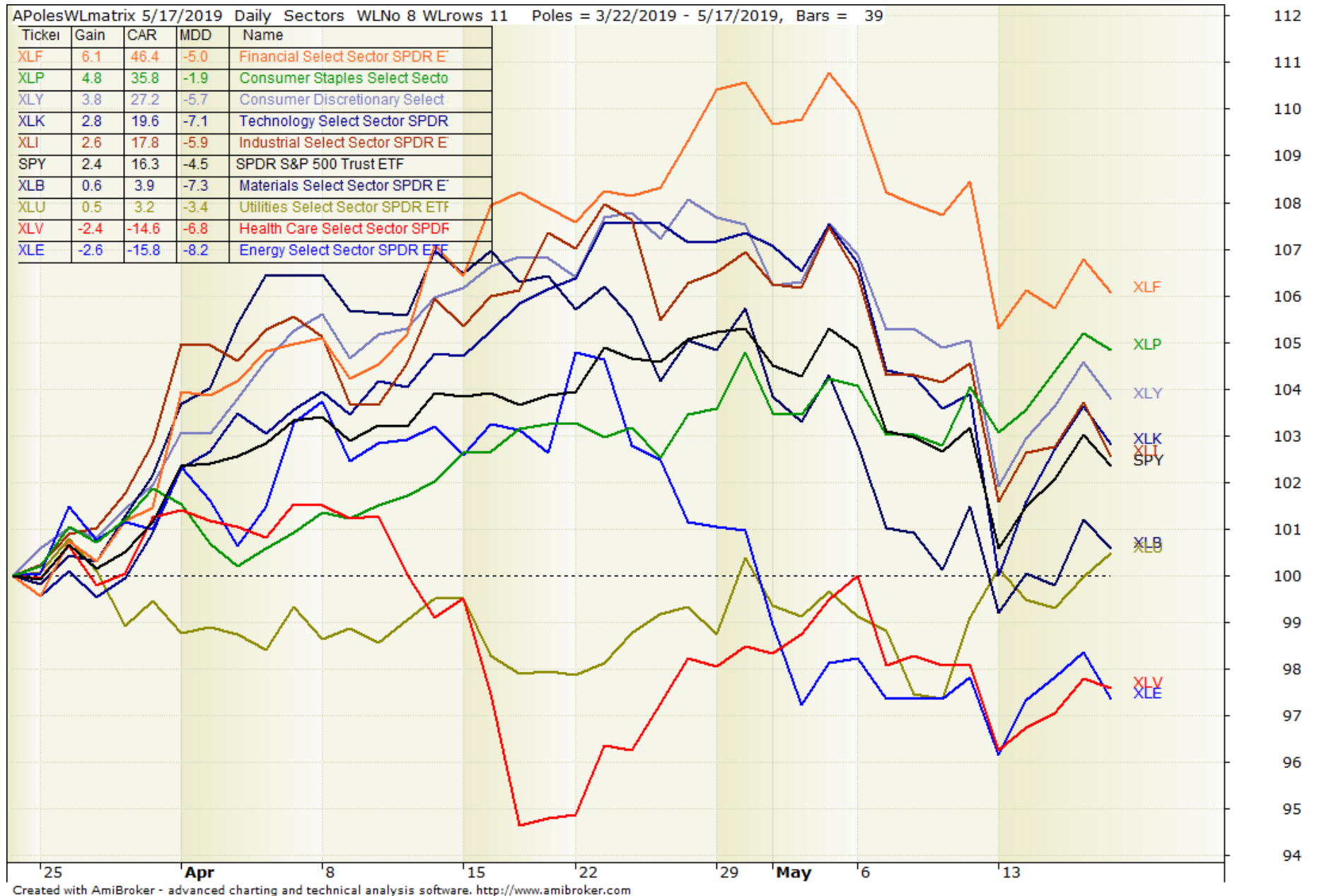
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Comparison of Sector Performance



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Comparison of Sectors – 6 weeks



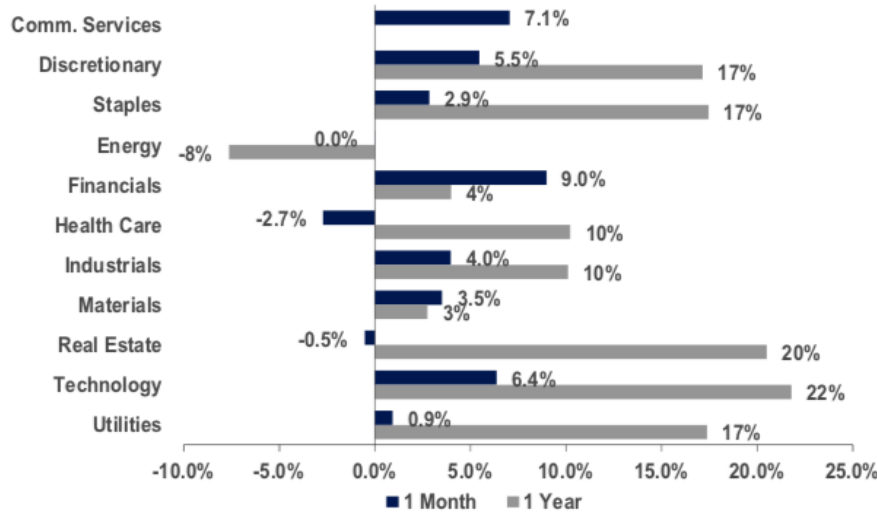
Sector ETF Month's Activity

as of April 30, 2019

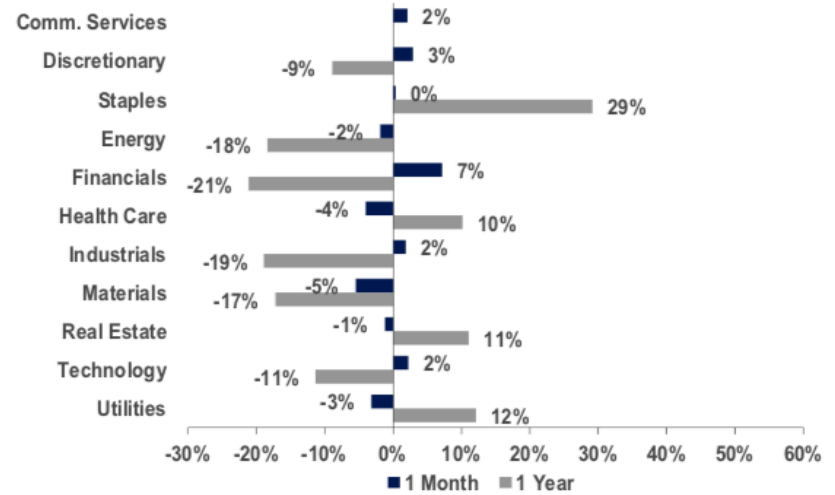
Sector SPDRs

Market Activity & Breakdown

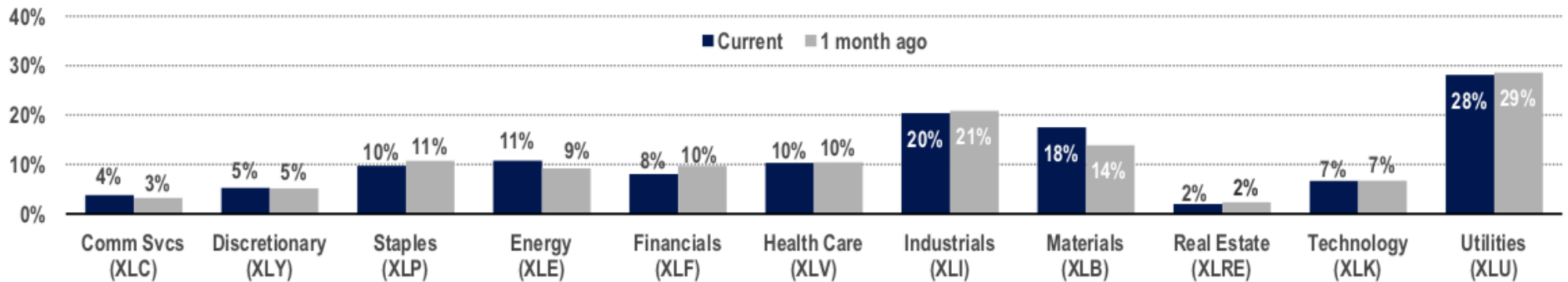
Total Returns* (Price)



Changes in Shares Outstanding



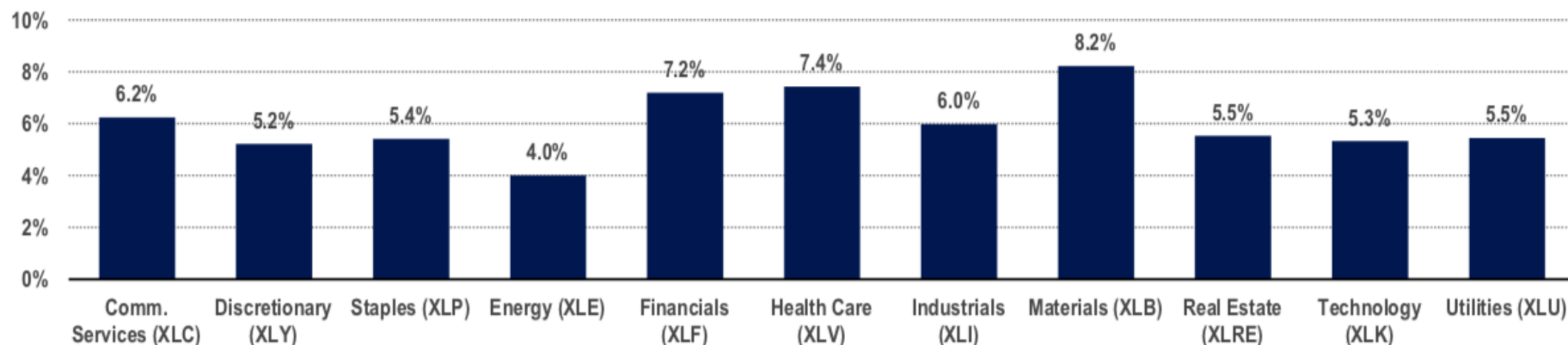
Short Interest (as a percentage of total shares outstanding)



ETF Valuation Metrics (Merit)

from Alta Vista

ALTAR Score™



Calculation of ALTAR Score™

	Avg. ROE (14-18E)	Div. by Fwd PBV	Less Exp.	equals ALTAR™
Comm. Services (XLC)	17.3%	2.7x	0.13%	6.2%
Discretionary (XLY)	30.3%	5.7x	0.13%	5.2%
Staples (XLP)	25.6%	4.6x	0.13%	5.4%
Energy (XLE)	6.2%	1.5x	0.13%	4.0%
Financials (XLF)	10.4%	1.4x	0.13%	7.2%
Health Care (XLV)	23.5%	3.1x	0.13%	7.4%
Industrials (XLI)	24.5%	4.0x	0.13%	6.0%
Materials (XLB)	15.9%	1.9x	0.13%	8.2%
Real Estate (XLRE)	17.7%	3.1x	0.13%	5.5%
Technology (XLK)	31.8%	5.8x	0.13%	5.3%
Utilities (XLU)	11.1%	2.0x	0.13%	5.5%

Risk measures: Standard Deviation

Prices (3yr Ann.)	Earnings Est. 2018-19E
--	5.0%
13.5%	4.8%
11.5%	2.1%
18.4%	18.7%
16.2%	3.5%
13.4%	2.7%
15.4%	3.9%
11.7%	9.9%
12.8%	10.1%
13.7%	4.0%
11.4%	1.7%

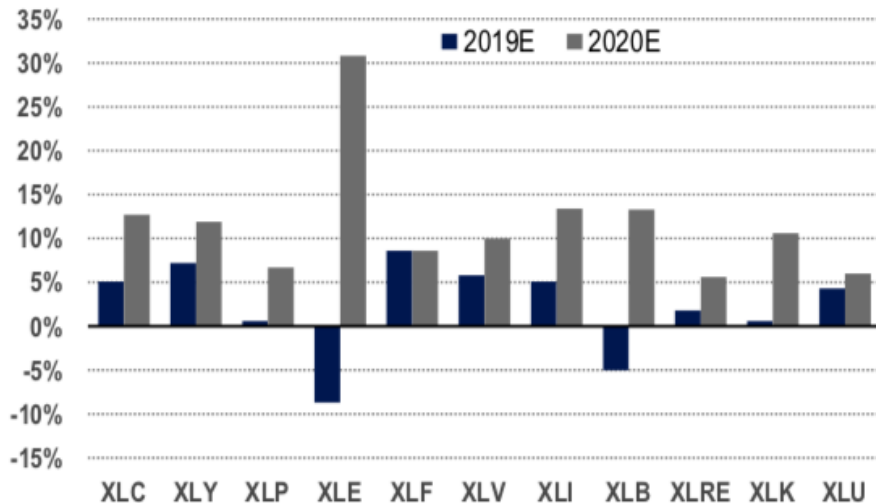
NOTE: The ALTAR Score™ is AltaVista's proprietary measure of an ETF's overall investment merit, based on academic work relating price-to-book value multiples to return on equity (Wilcox, Financial Analysts Journal, Jan-Feb 1984). In general, higher scores suggest better long term investment potential in AltaVista's opinion, but they are not forecasts of future returns. For more information go to www.etfrc.com.

ETF Valuations

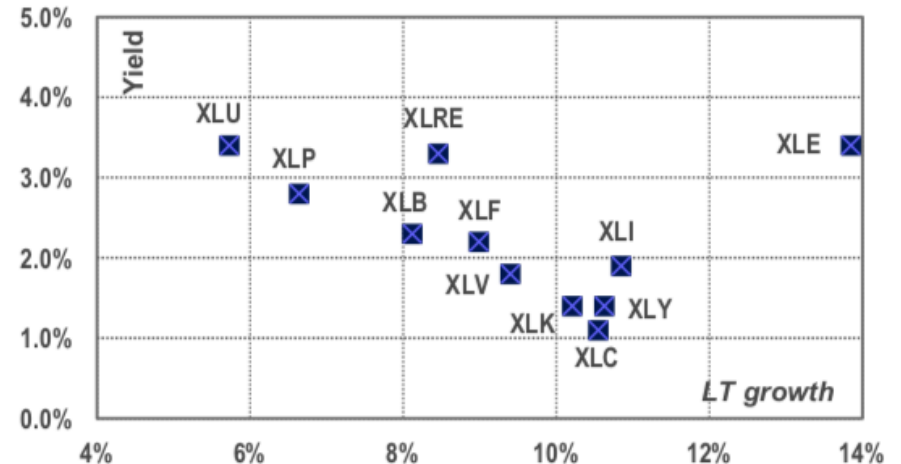
Valuation multiples (based on 2019 estimates)

	Price	P/E	PEG	P/CF	P/Sales	P/BV	Yield*	
Comm. Services (XLC)	\$50.07	19.3	1.8	11.6	2.6	2.9	1.1	<i>*Based on consensus dividend forecasts for underlying stocks. May differ from the distribution yield on the ETF.</i>
Discretionary (XLY)	\$120.07	21.1	2.1	14.8	1.7	6.2	1.4	
Staples (XLP)	\$57.71	19.9	3.0	15.5	1.5	4.8	2.8	
Energy (XLE)	\$66.11	18.3	1.3	7.4	1.2	1.5	3.4	
Financials (XLF)	\$28.02	12.5	1.4	15.9	2.4	1.5	2.2	
Health Care (XLV)	\$89.26	15.5	1.7	13.4	1.5	3.3	1.8	
Industrials (XLI)	\$78.01	17.1	1.6	12.6	1.7	4.3	1.9	
Materials (XLB)	\$57.45	16.8	2.1	10.4	1.6	2.0	2.3	
Real Estate (XLRE)	\$36.03	19.4	2.3	19.6	6.6	3.2	3.3	
Technology (XLK)	\$78.71	20.4	1.9	15.6	4.7	6.3	1.4	
Utilities (XLU)	\$58.71	19.0	3.3	8.9	2.3	2.0	3.4	
S&P500	2,945.83	17.6	1.8	13.1	2.1	3.1	2.0	

Earnings per share growth



Yield* vs. long-term EPS growth of fund constituents



Note: All valuation metrics on this page calculated based on consensus estimates of current fund constituents, as collected by Thomson/Reuters and Bloomberg. Definitions of technical terms can be found on page 19 of this document.

Top 20 ETFs (ranked by ETFReplay.com)

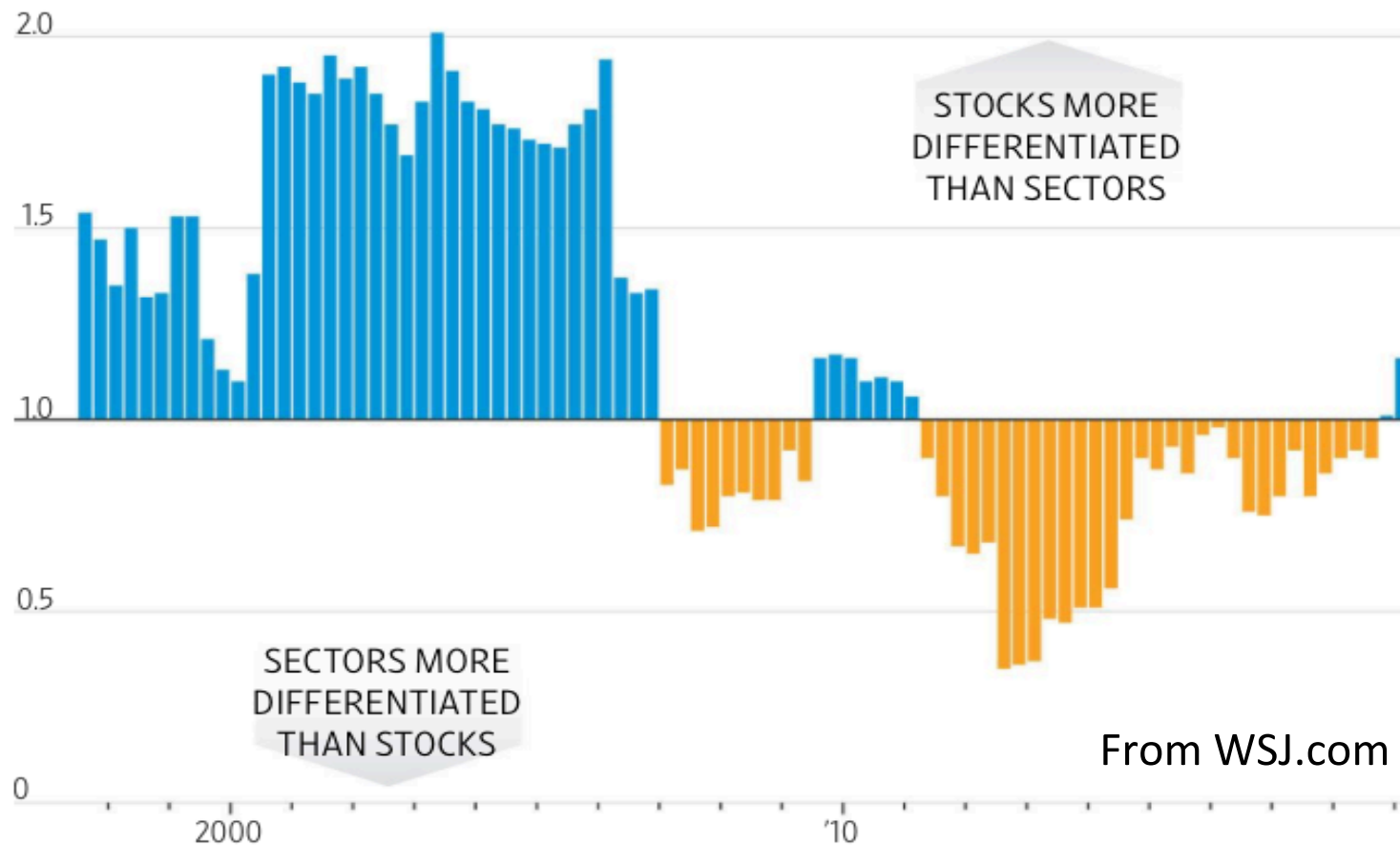
Symbol	ETF	ReturnA	ReturnB	Volatility	Rank
SPLV	<u>PowerShares S&P 500 Low Volatility Index</u>	+6.8%	+2.7%	10.3 %	1
XLP	<u>U.S. Consumer Staples Sector SPDR</u>	+8.2%	+2.0%	11.2 %	2
USMV	<u>iShares MSCI USA Minimum Volatility Index</u>	+6.4%	+1.7%	9.9 %	3
MTUM	<u>iShares MSCI USA Momentum Factor ETF</u>	+5.8%	+2.4%	11.4 %	4
XLU	<u>U.S. Utilities Sector SPDR</u>	+6.1%	+2.1%	12.9 %	5
VNQ	<u>Vanguard MSCI U.S. REIT</u>	+4.9%	+3.8%	12.6 %	6
TLT	<u>iShares Barclays Long-Term Treasury</u>	+3.9%	+3.0%	7.5 %	7
VCIT	<u>Vanguard Interm Corp Bond (6-7yr)</u>	+3.6%	+1.1%	2.9 %	8
MUB	<u>iShares S&P National Muni Bond (2-3yr)</u>	+3.1%	+1.6%	1.5 %	9
LQD	<u>iShares iBoxx Invest Grade Bond</u>	+3.7%	+0.9%	3.9 %	10
IVW	<u>iShares S&P 500 Growth Index Fund</u>	+7.2%	+0.7%	14.1 %	11
BIV	<u>Vanguard Barclays Govt-Credit Mix</u>	+2.9%	+1.4%	3.3 %	12
IEF	<u>iShares Barclays 7-10 Yr Treasury</u>	+2.7%	+1.7%	3.8 %	13
VIG	<u>Vanguard Dividend Appreciation</u>	+5.2%	+0.0%	12.6 %	14
TIP	<u>iShares Barclays TIPS</u>	+2.5%	+1.2%	3.5 %	15
PFF	<u>iShares S&P US Preferred Stock Index</u>	+3.3%	+0.5%	4.0 %	16
AGG	<u>iShares Core Total US Bond</u>	+2.4%	+1.1%	2.1 %	17
BND	<u>Vanguard Total Bond Market</u>	+2.3%	+1.1%	2.3 %	18
BNDX	<u>Vanguard Total International Bond</u>	+2.2%	+1.1%	1.5 %	19
VUG	<u>Vanguard U.S. LargeCap Growth</u>	+7.4%	-0.1%	15.7 %	20

Volatility Changing Investor Choices

Stock Picker's Market

Individual share prices moved more independently of one another than equity sectors in the first quarter.

Sector correlations vs. stock correlations within sectors, by quarter



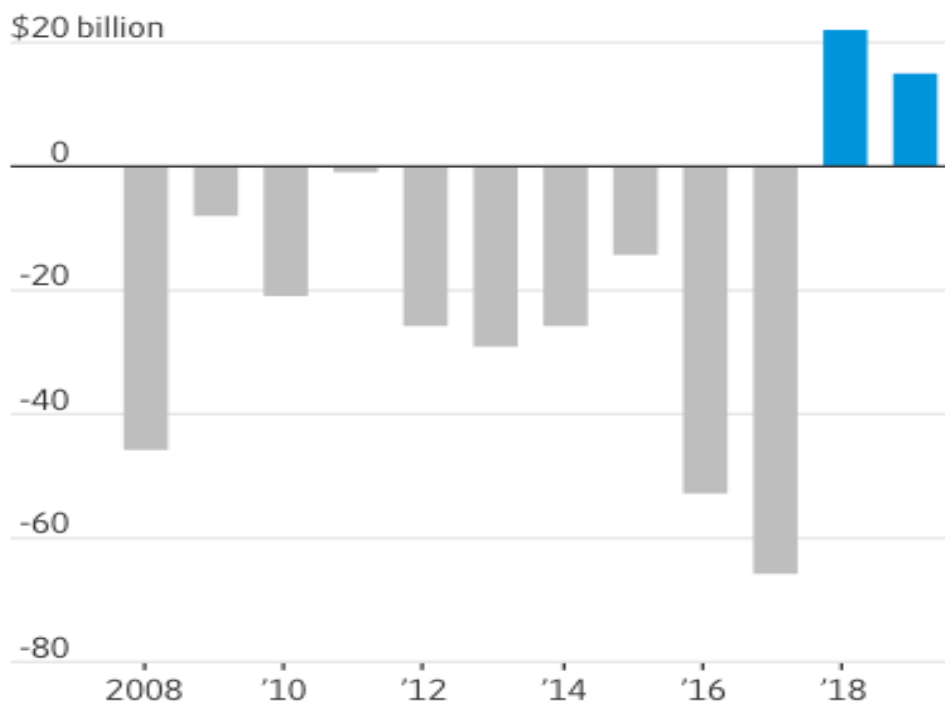
From WSJ.com

Volatility Changing Investor Choices

Buying Spree

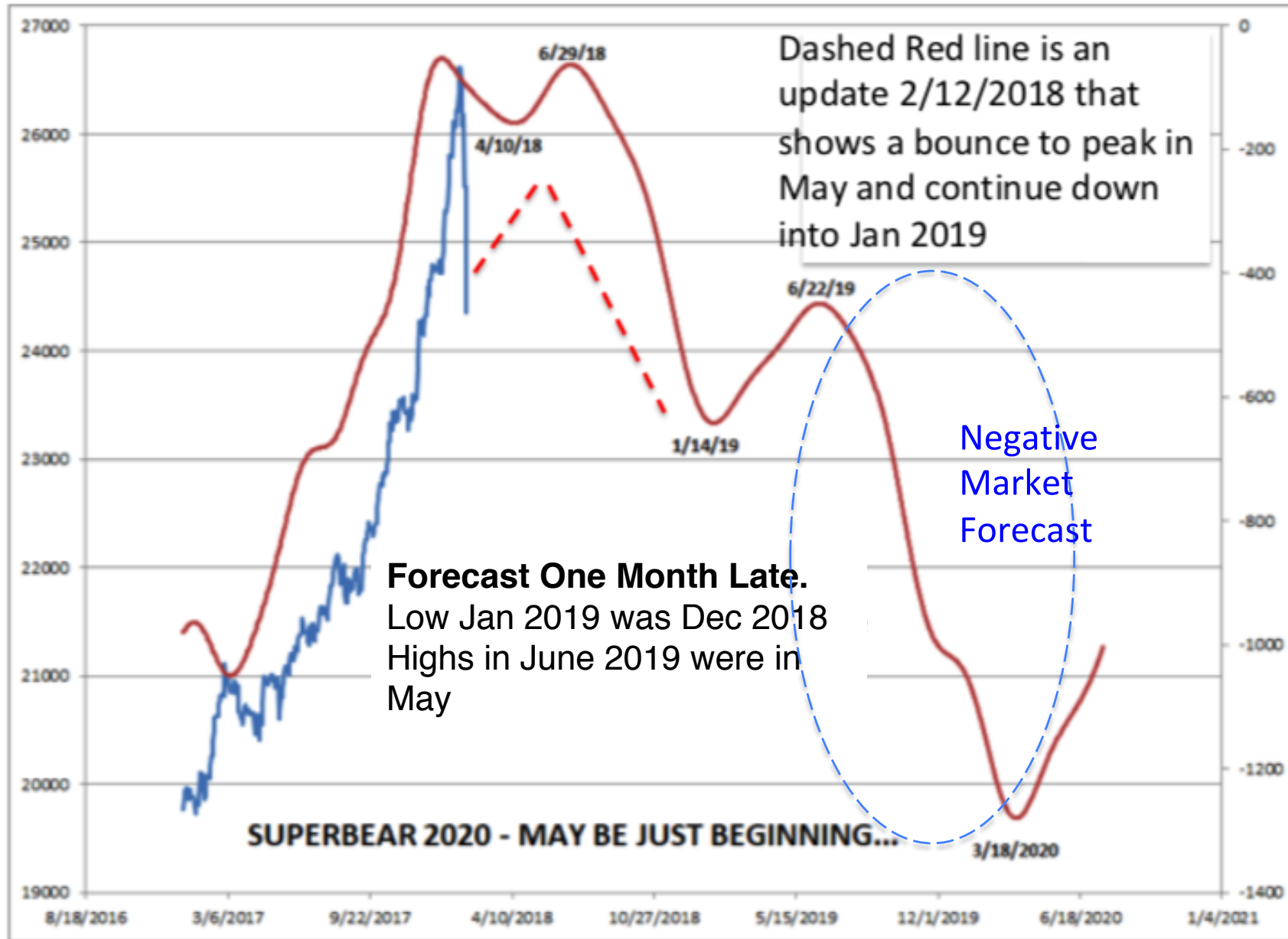
Bank of America's wealth-management clients have shifted back into buying shares of standalone companies.

Client flows, by year



From WSJ.com

Last Year Cycles Forecast – Go to Cash?



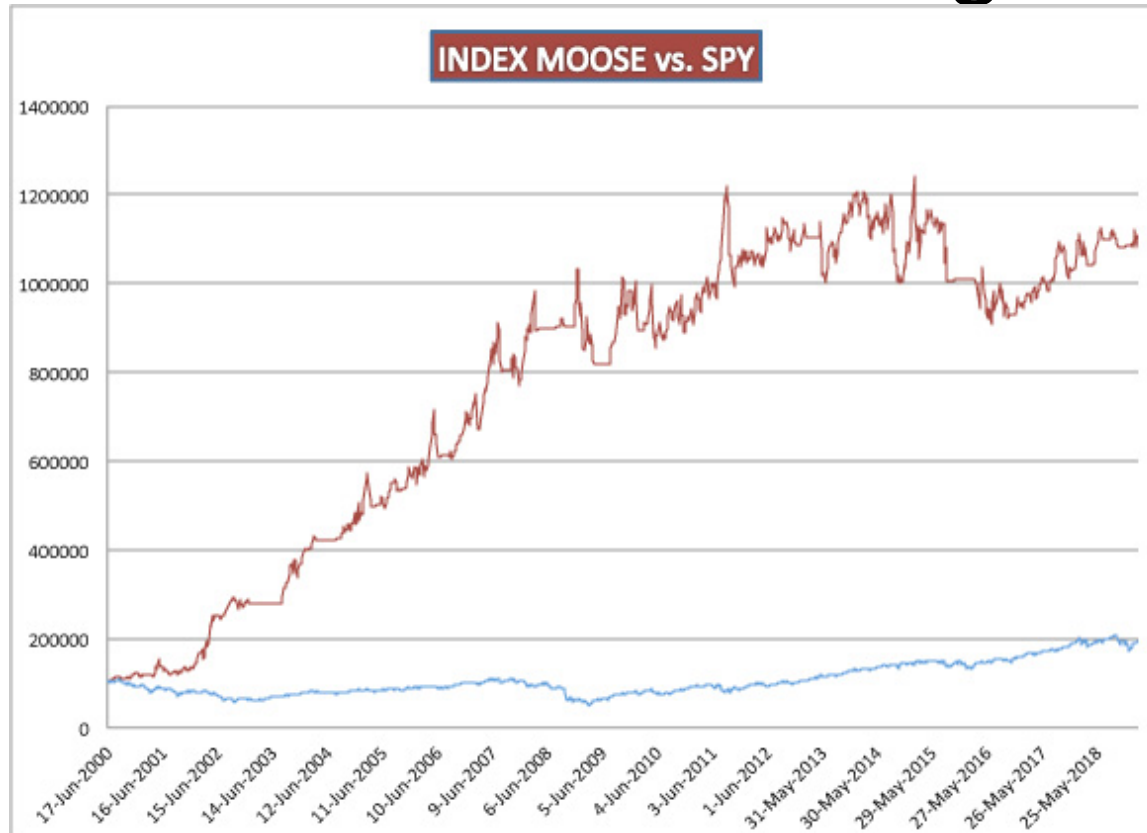
Decision Moose

Decision Moose is “an automated stock, bond, and gold momentum model developed in 1989. Index Moose uses technical analysis and exchange traded index funds (ETFs) to track global investment flows in the Americas, Europe and Asia, and to generate a market timing signal.” The trading system allocates 100% of funds to the index projected to perform best.

Decision Moose may offer investors a way to beat and diversify the broad U.S. stock market over the very long term by trading to the “hottest hand” (in economic context) from a set of nine asset class proxies, but it markedly underperforms SPY since the financial crisis.

- from CXOAdvisory.com

Decision Moose Signal



Time to Stay or Walk Away?

This Week's Free Moose Signal

Weekly Close

05/17/2019

HOLD Cash

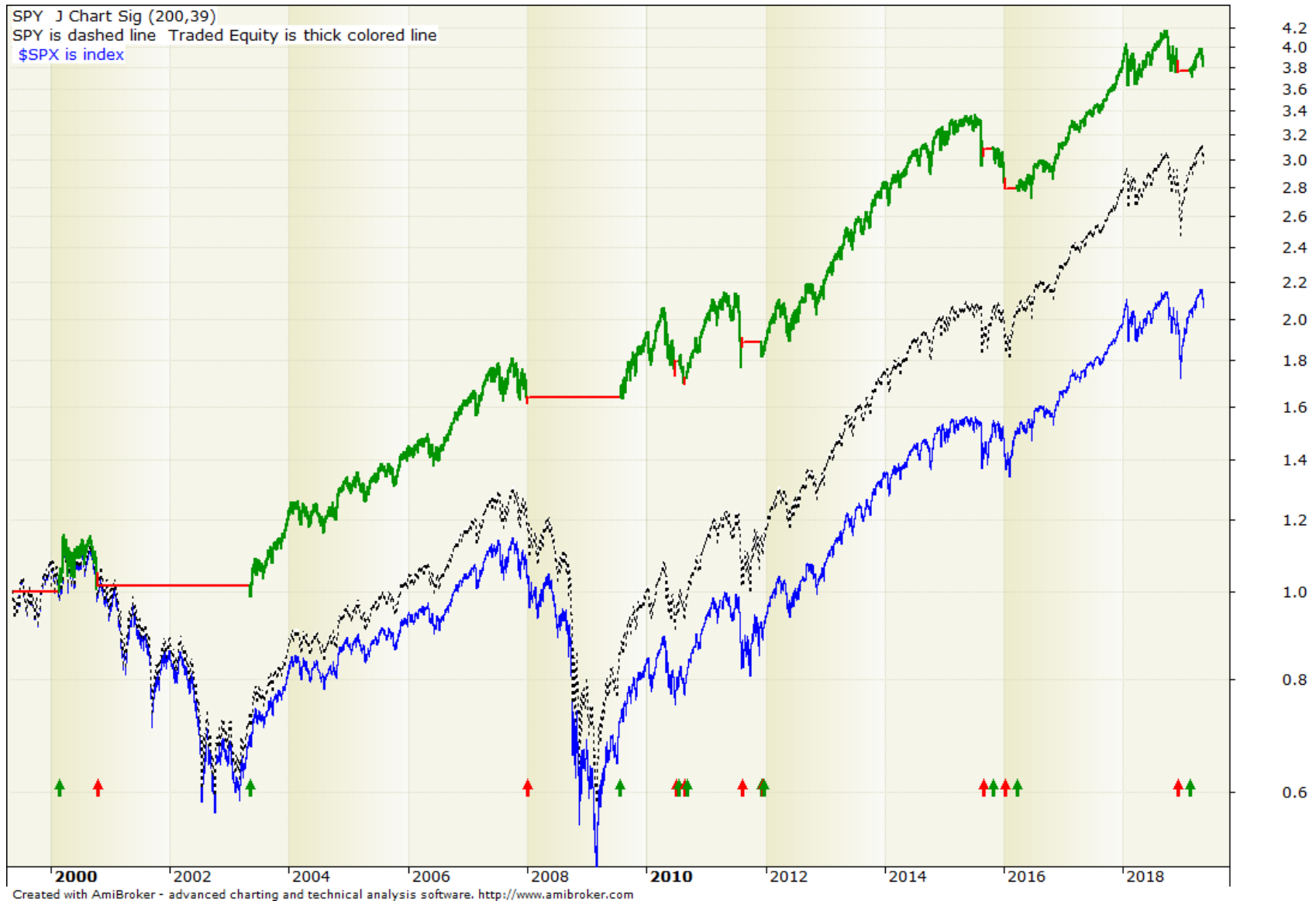
Index Moose Signal

05/26/2019

A Look At Alternative Investments with Good Returns

- Many Investors Looking for Higher Yields
 - Returns From Long Bull Market in Stocks Too Good to Continue
 - Markets Seem to be Topping Out
 - Growth of Stocks Uncertain over next few years
- Bonds Haven't Paid Much Recently
 - Fear of Rate Increases Scare Bond Holders, Weaken Bond Funds
 - Foreign Interest Rates Near Zero or Below
- What's the Answer?

20 Year Total Return % for SPY



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Getting Better Yields*

- When Growth in Equities is Uncertain, Investors depend on Income to maintain Total Return their Portfolios.
- 10 yr Treasury is THE Benchmark for safe investment income.
 - Principal is safe. Future value is interest rate dependant.
 - Income is safe. Rates guaranteed. New notes rates vary with market
 - Currently yields are only 2.6%
- Increased Yields Have Higher Risks
 - As a bond investor, you are a lender and borrowers with varying credit ratings must pay higher yields.
 - Diversification can lower exposure to risk – mutual funds, bond ETFs, etc.
 - Many choices available from 2% to 12% depending on acceptable risk levels.

***Material Taken From Kiplinger's June 2019 Magazine**

Comparison - Short Term

- Short Term – depend on Fed’s interest rate policy which change with economy
 - Money Market Mutual Funds from on-line banks 2.5%
 - No minimums, up to 6 withdrawals / month, insured by US Govt.
 - CD One year 2.9% - Merrick Bank, Springfield, Mo
 - \$25,000 min, 2% early withdrawal penalty
 - CD Five year 3.4% - First National Bank of America, East Lansing, Mi
- Using Money Funds, be aware of fees charged
 - Low example: Vanguard Prime MM Fund (VMMXX) yields 2.5% , fee 0.16%
- Tax Free Money Funds for Hi Tax Bracket Investors
 - Vanguard Municipal MM Fund (VMSXX) yields 1.6%, fee 0.15%

***From Kiplinger’s June 2019 Magazine**

Comparison - Municipal Bonds

- Example: 10 yr AAA rated national muni yields 2.0%
 - Compare with 2.6% for 10 yr Treasury note.
 - Key benefit is interest is tax free from Fed, and maybe State
- Yields Improve as Credit Rating goes lower
 - 10 yr A rated yields 2.3% up to 3.9%
 - Risk of default is very low
 - Risk of change in value depends on interest rate markets
 - Most investors used mutual funds or ETFs to avoid owning individual bonds.
- Examples:
 - Vanguard Limited Term Tax-Exempt (VMLTX) yield 1.8%, fee 0.17%
 - Fidelity Intermediate Municipal Income (FLTMX) yield 2.0%, fee 0.37%
 - Vanguard High Yield Tax-Exempt Fund (VWAHX) yield 2.9%, fee 0.17%

***From Kiplinger's June 2019 Magazine**

Comparison – Investment Grade Bonds

- Corporate Bonds offer Higher Yields than Gov't Bonds due to risk of default (which is very low)
 - Example: 20 yr AAA yield 3.7%, 20 yr BBB yield 4.0% avg.
- Example Bond Funds
 - Dodge & Cox Income (DODIX) yields 3.5%, fee 0.42%
 - Has beaten 84% of its peers over 15 years using ST bonds (4.4 yr average duration)
 - Vanguard Interm-Term Corporate Bond Index Fund (VICSX) 3.6%, fee 0.07%
 - Vanguard Long Term Bond Fund ETF (**BLV**) 3.8% fee 0.07%
 - Avg duration is 15 years which makes value more sensitive to rate changes

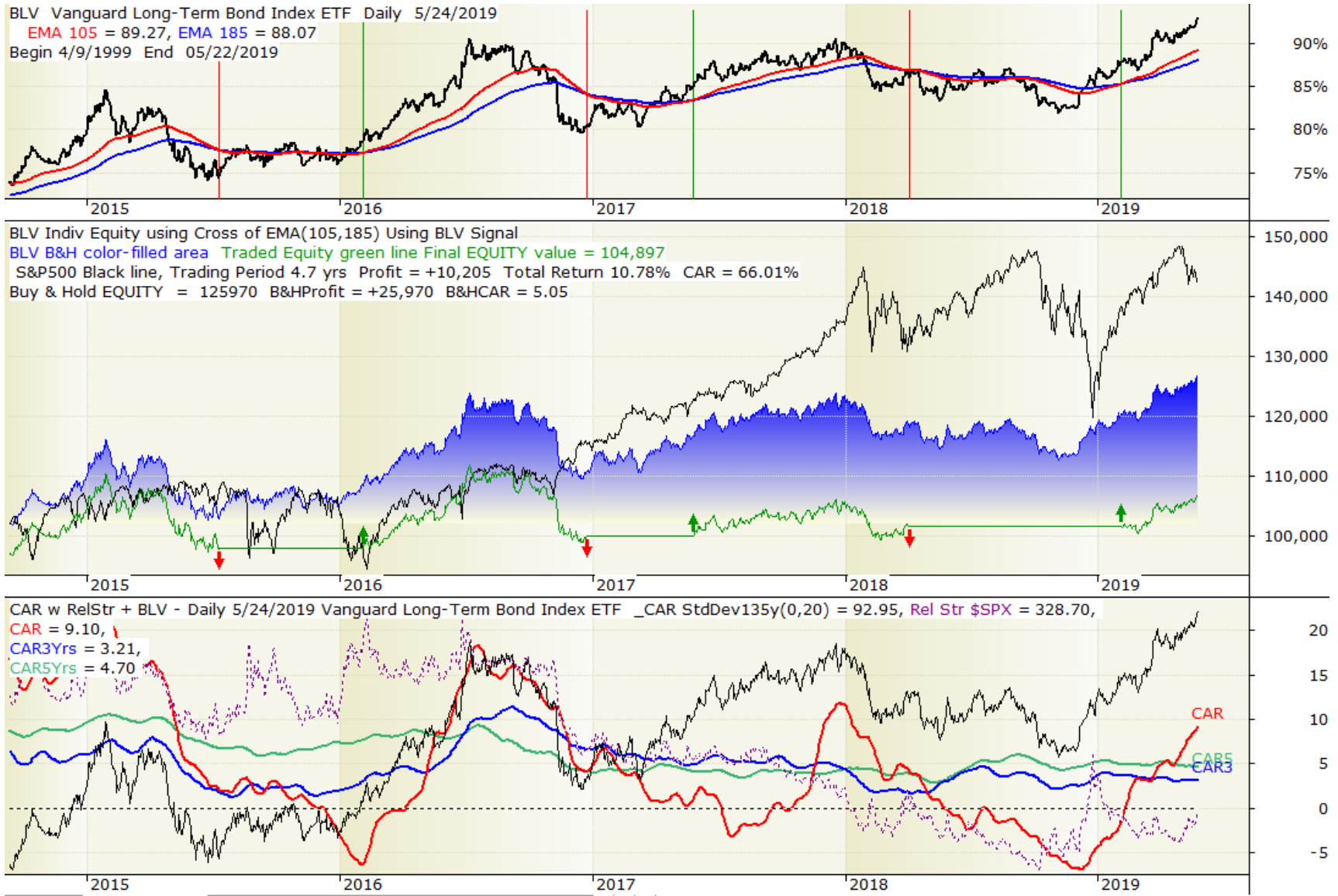
***From Kiplinger's June 2019 Magazine**

20 Year Analysis of Picks* from Kiplinger

Alt Invest	Name	5YR %GAIN	5YR UPI	CAR1	CAR3	CAR5	% Cor SPY	Category	Rel Str
O	Realty Income Common	1888.88	1.27	39.52	10.58	15.48	0.2	REIT	249.42
NLY	Annaly Capital Management Inc Common	755.14	0.41	-0.52	6.1	6.54	0.8	REIT	32.57
CET	Central Securities CEF	459.63	0.71	9.42	18.78	12.42	0.83	CEF	102.87
IYR	iShares US Real Estate ETF	390.55	0.4	18.45	8.15	8.4	-0.21	REIT	311.66
TY	Tri-Continental CEF	241.42	0.48	5.24	15.32	10.37	0.97	CEF	93.43
VZ	Verizon Communications Inc Common	177.31	0.34	27.34	11.08	8.42	-0.4	Dividend Stock	209.77
EQM	EQM Midstream Partners LP Unit	159.61	-0.29	-12.85	-10.78	-6.02	-0.1	MLP	158.04
AVK	Advent Claymore Convertible Securities and	135.92	0.19	4.11	11.41	3.42	0.84	CEF	51.38
BLV	Vanguard Long-Term Bond Index ETF	119.46	0.87	9.75	3.89	4.92	-0.79	Corp Bond	328.7
NRO	Neuberger Berman Real Estate Securities In	81.07	0.23	16.73	9.31	9.36	-0.74	REIT	17.79
JNK	SPDR Bloomberg Barclays High Yield Bond E	79.74	0.35	5.69	6.34	2.85	0.96	High Yield Bond	378.6
T	AT&T Inc Common	58.63	0.12	4.79	-0.49	3.66	-0.46	Dividend Stock	114.12
EMHY	iShares Emerging Markets High Yield Bond	44.61	0.75	5.01	5.25	3.77	0.47	HY Bond Emerg M	163.55
AMLP	ALPS Alerian MLP ETF	22.8	-0.24	4.72	0.35	-4.3	-0.46	MLP	34.9
EMO	ClearBridge Energy Midstream Opportunity	-7.94	-0.3	-7.17	0.6	-8.58	-0.32	CEF	32.92
REM	iShares Mortgage Real Estate ETF	-17.96	0.15	6.78	11.66	7.18	0.89	REIT	151.32

*Some Picks excluded – data not in data base of publicly traded securities,
 (Mutual Funds, Indiv Bonds, Money Mkts, CDs)
 Some have data less than 20 years (AMLP, EQM)
 Some Additions from previous studies.

Total Return % for BLV

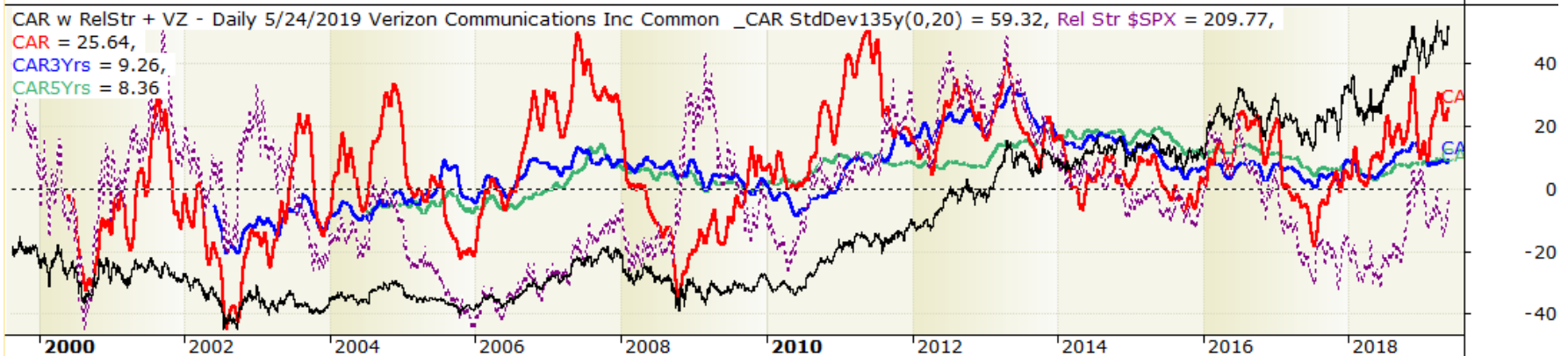
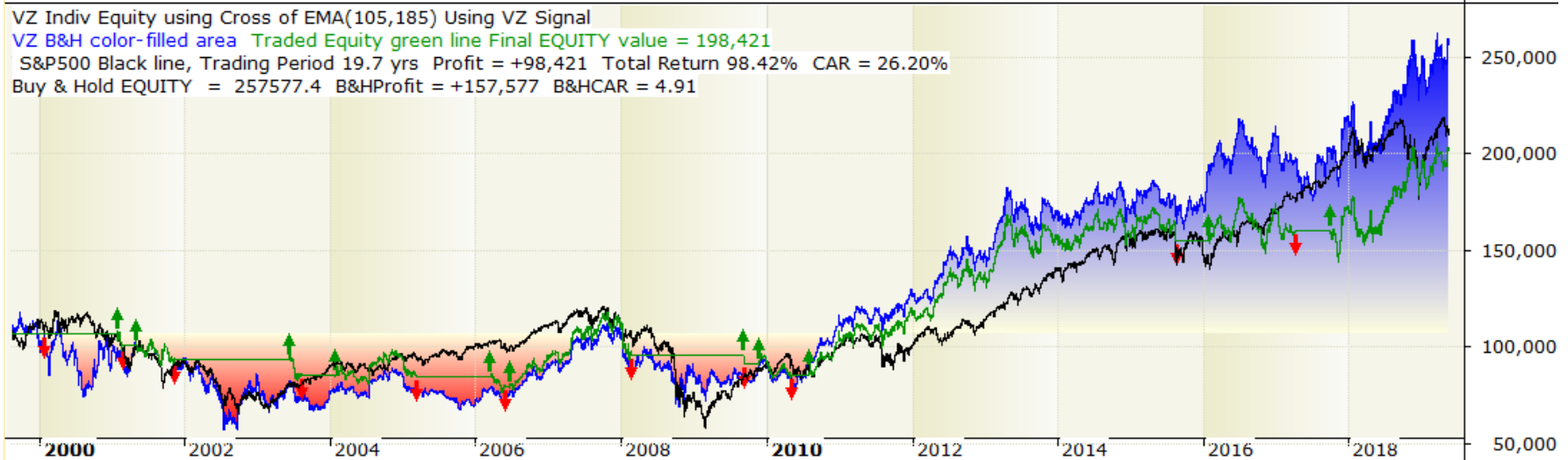
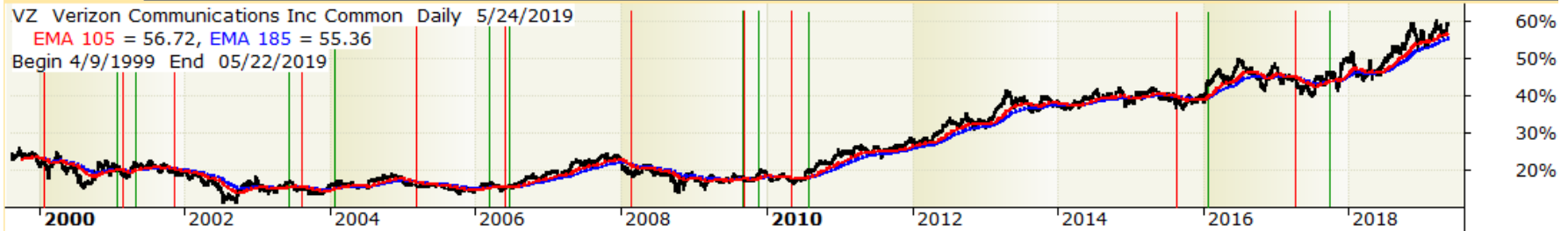


Comparison – Dividend Stocks

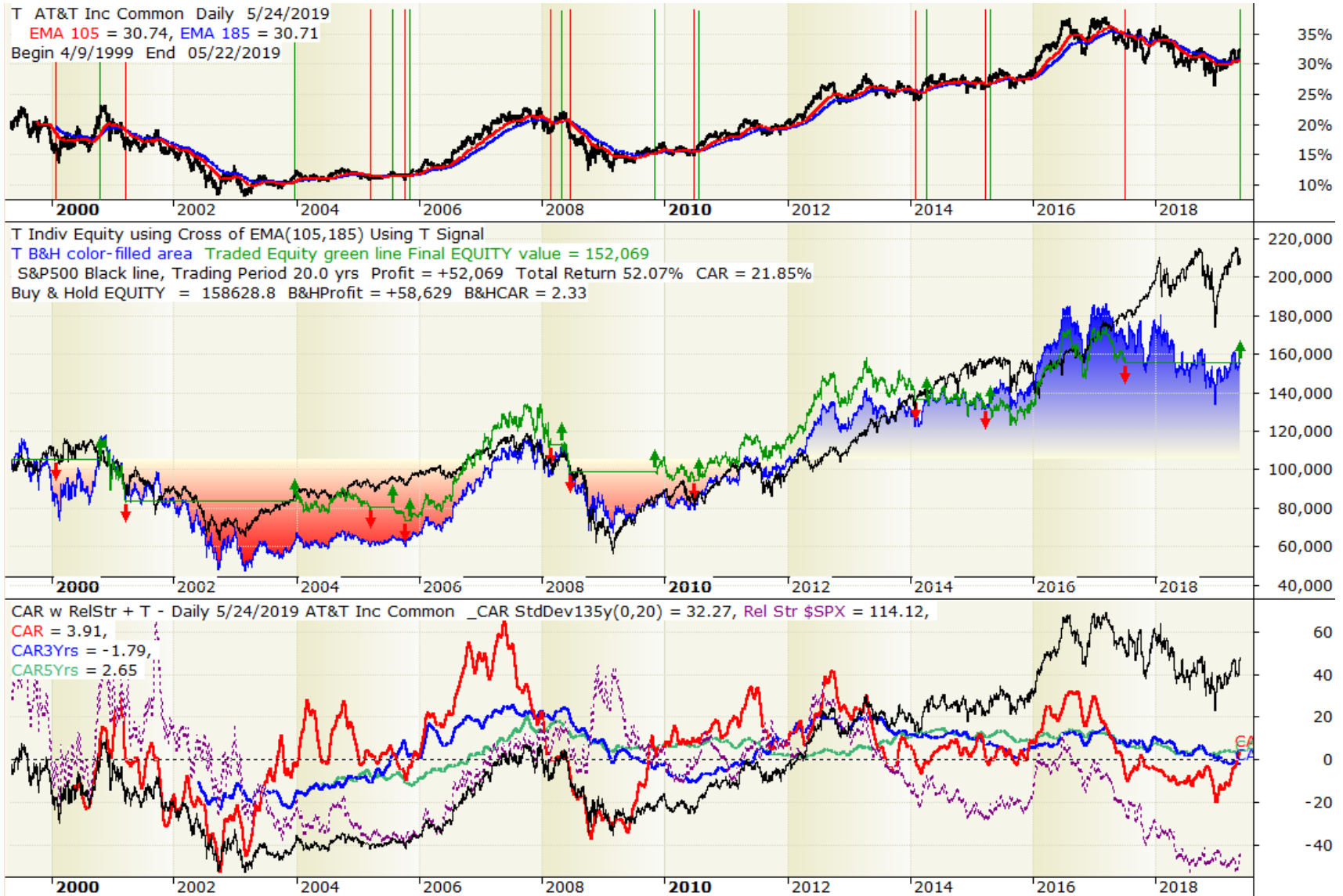
- Dividend Stocks Provide Income as Dividends without a guarantee
 - Boards can Increase/Decrease Dividends with the needs of the business
 - Usually Companies Paying Dividends have Stable Profits & Earnings that adds to value and price growth over the years. (Dividend Aristocrats)
- Preferred Stocks Pay a Fixed-Dividend like Bonds
 - Typical yields in 6% range, but sensitive to interest rate changes
- Slow Growth Companies Tend to Pay Above Avg Dividends
 - Verizon Communications (**VZ**) 4.2%
 - PPL Corp, a Utility (PPL) 5.3% gets 50% of earnings from UK
 - AT&T, a Dividend Aristocrat, (**T**) 6.4% keeps raising its dividend
 - ETF SPDR Portfolio SP500 High Dividend (SPYD) 4.3%

***From Kiplinger's June 2019 Magazine**

Total Return % for VZ



Total Return % for AT&T (T)

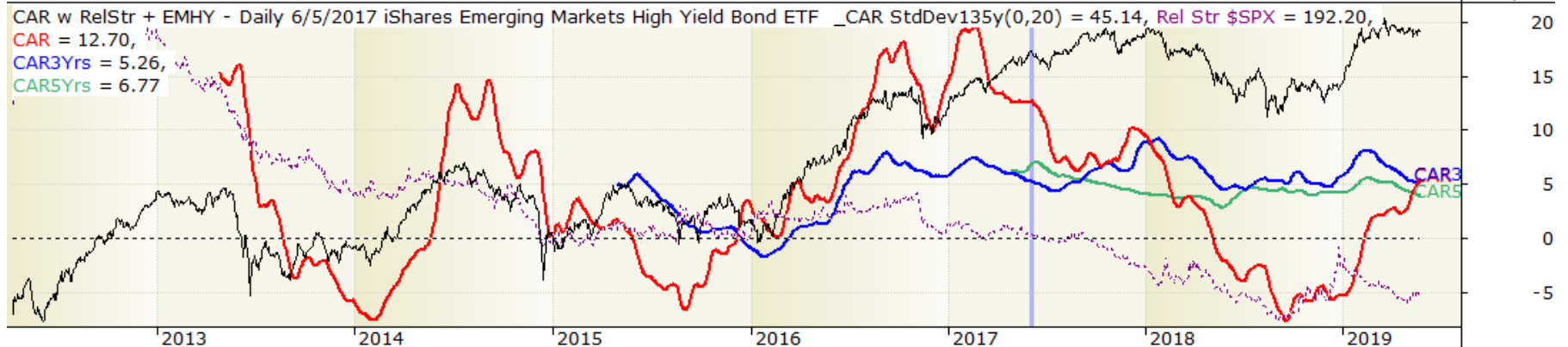
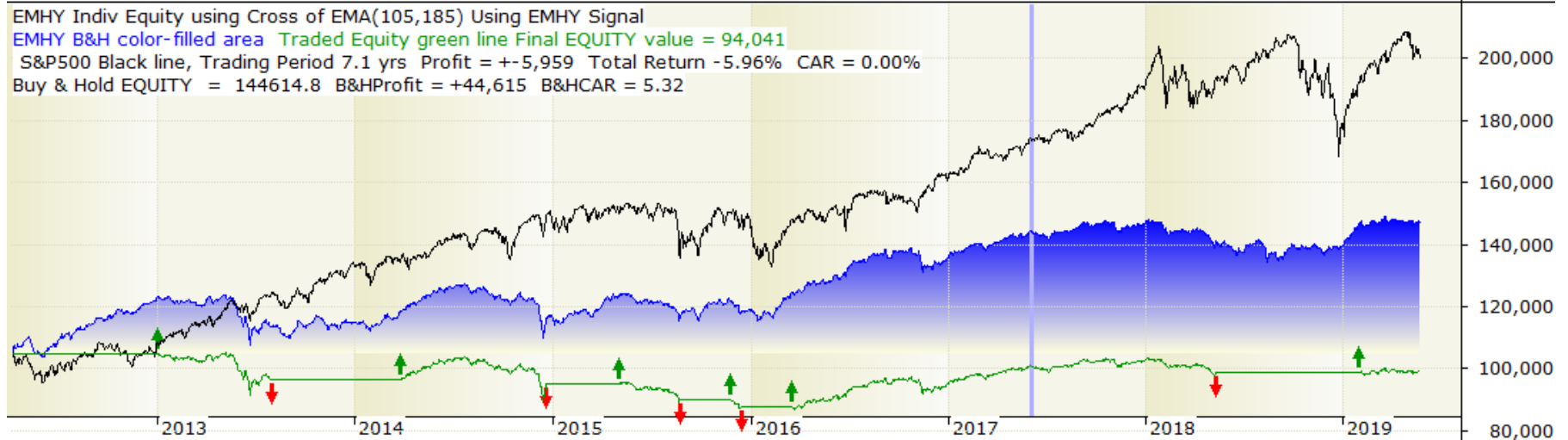
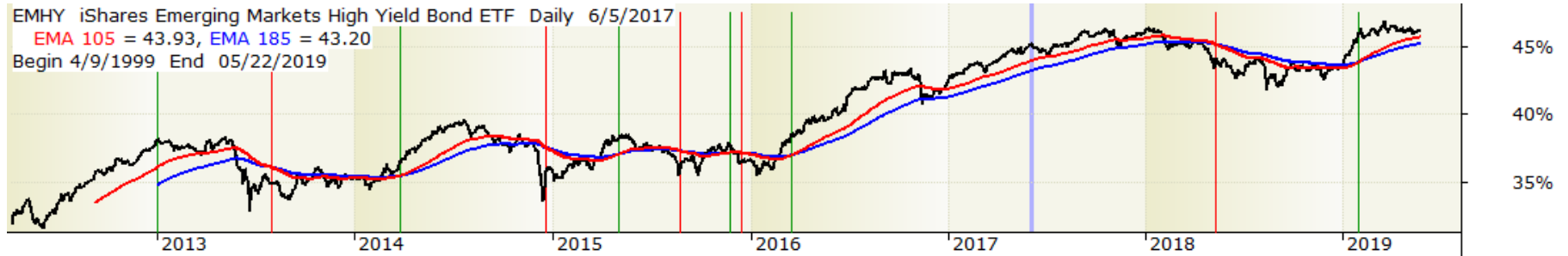


Comparison – Foreign Bonds

- Europe, UK and Japan have very low and/or negative interest rates.
- Emerging Market Bonds Offer High Rates in 7% range for 10 yr bond
 - Risks are High, massive defaults,
 - Currency changes vs the Dollar Change rates and value
- Example Funds
 - Dodge & Cox Global Bond (DODLX) 4,5%
 - Fidelity New Markets Income (FNMIX) 5.6%
 - IShares Emerging Mkts High Yield Bond ETF (**EMHY**) 6.2% (8 years)

***From Kiplinger's June 2019 Magazine**

Total Return % for EMHY

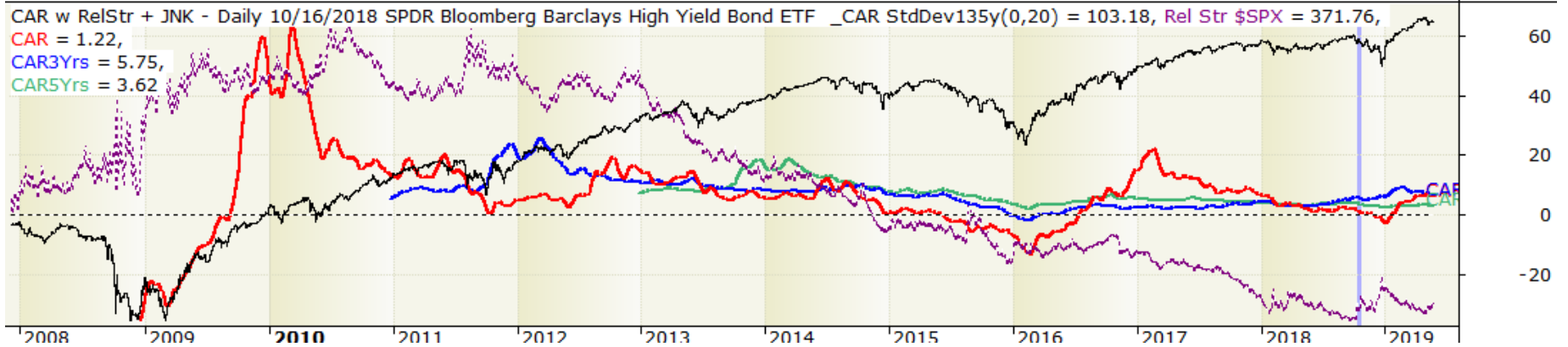
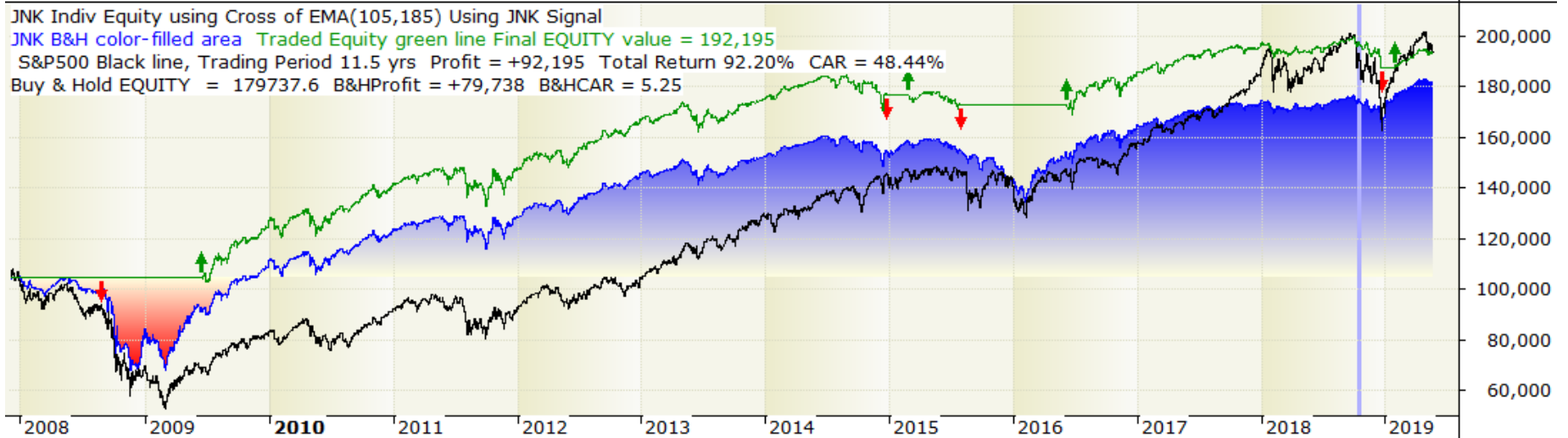
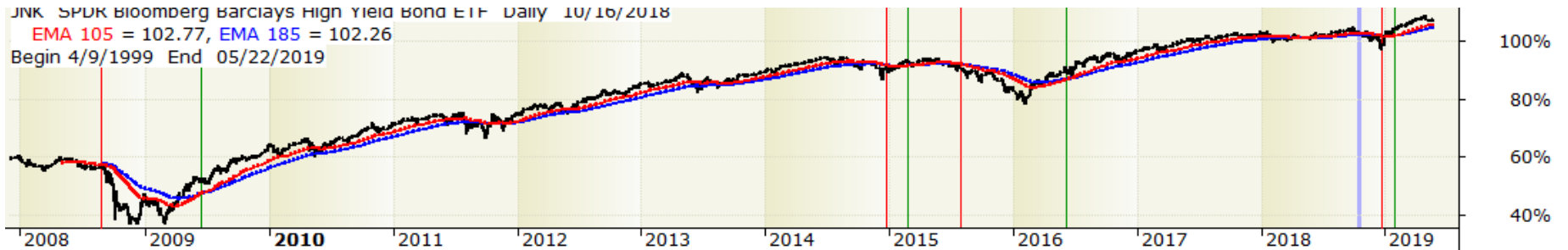


Comparison – High Yield Bonds

- Junk Bonds, rated +BB or lower Yield over 4.7%
 - Yields depend on Company ratings which indicate financial health of company
 - Default rate for junk bonds averages 3.8% since 1984
 - Junk Bond Funds follow the Stock Market and fell 26% in 2008
- Examples
 - Riverpark Strategic Income (RSIVX) 4.8%
 - Vanguard High-Yield Corporate (VWEHX) 5.5%, fee 0.23%
 - SPDR Bloomberg High Yield ETF (**JNK**) 5.8%, fee 0.40% (11 years)
 - Northern High Yield Fixed Income (NHFIX) 7.0%

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Total Return % for JNK

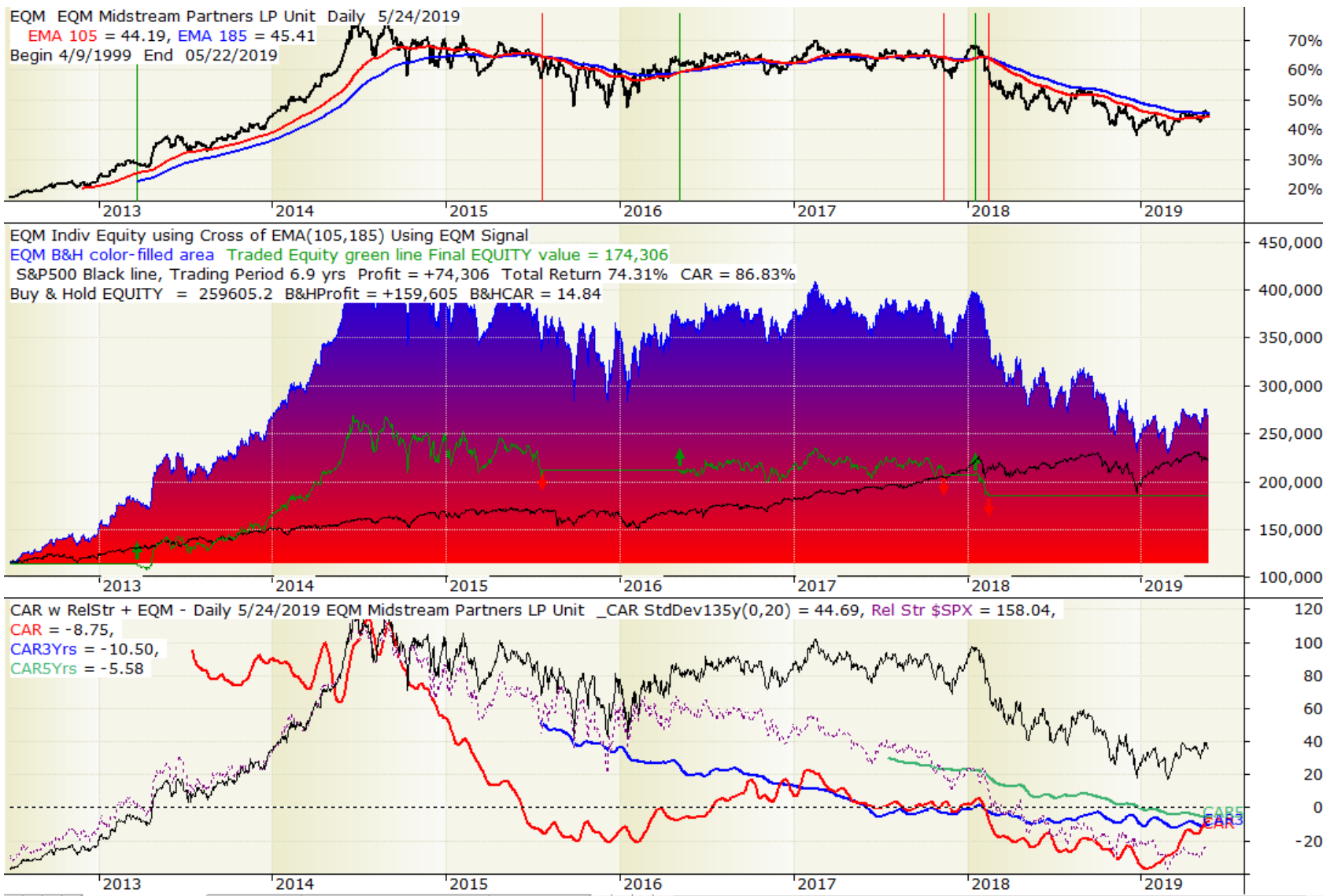


Comparison – Master Limited Partnerships

- MLPs Pay out Income to Investors and Don't Pay Income Taxes on it.
 - Investors file a K-1 tax form and pay their share of income, losses, etc.
 - ETFs and Mutual Funds don't issue K-1s but Investors report income on 1099s
- Risks – Investors are participants in the profits/losses of the companies.
- Examples
 - Magellan Midstream Partners (MMP) 6.5% has a good history of payouts
 - Alerian MLP ETF (**AML**P) 7.2%
 - setup as a C corporation pays taxes on income & gains
 - EQM Midstream Partners (**EQM**) 10.1% (8 years)

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Total Return % for EQM

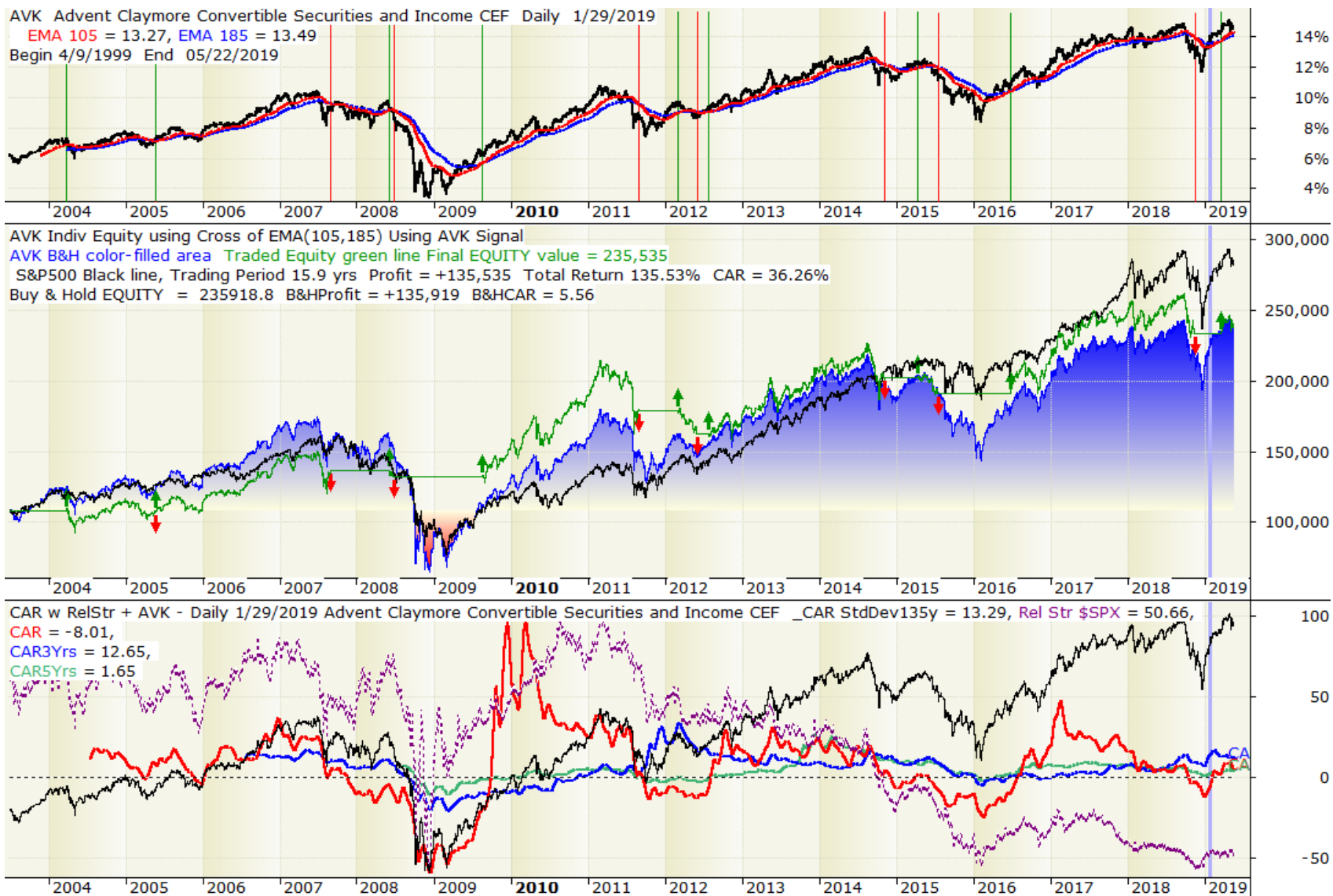


Comparison – Closed End Funds

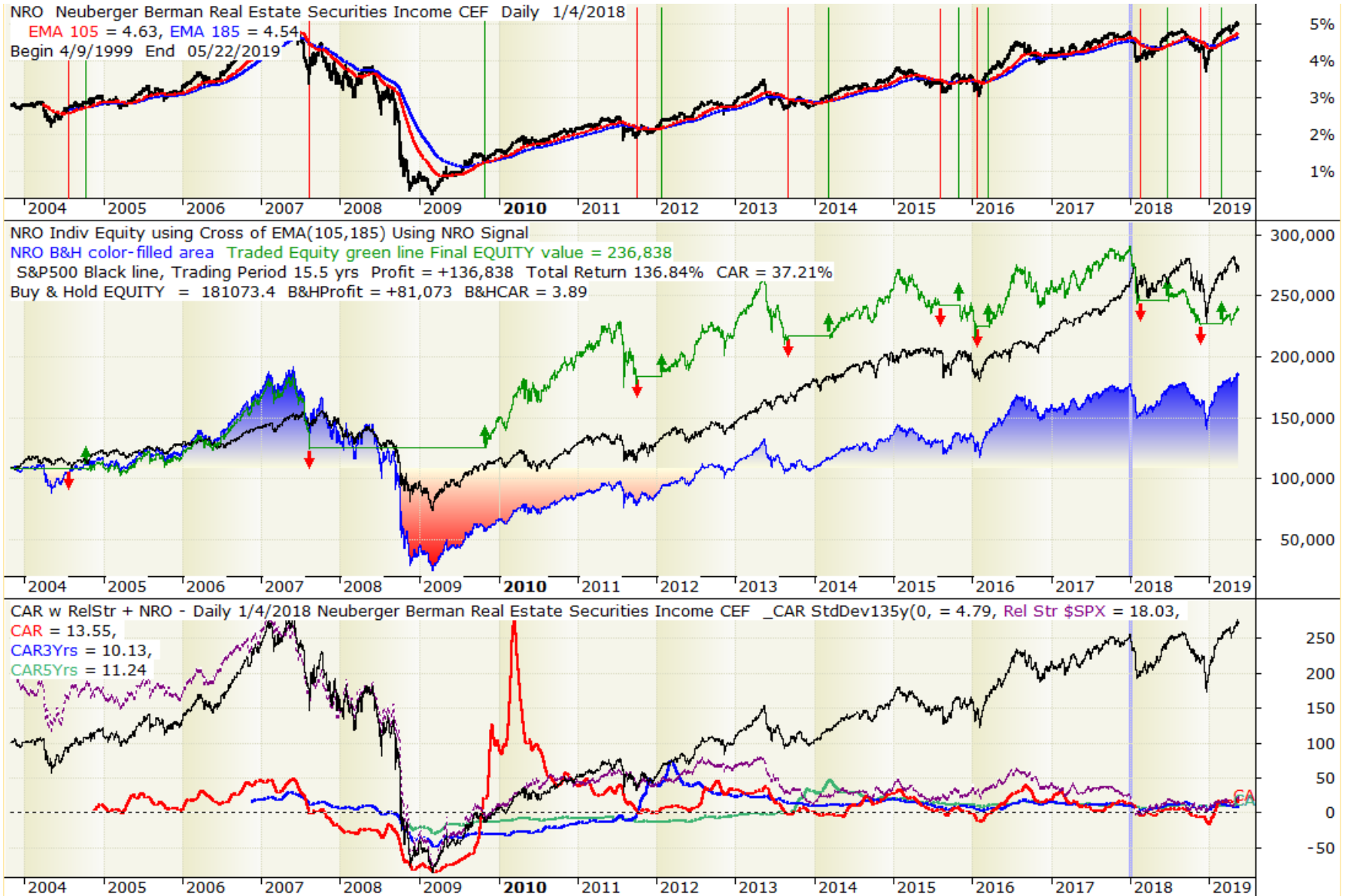
- CEFs have a fixed number of shares and Market Price varies separate from Net Asset Value, often traded at a discount.
 - Many CEFs borrow and use leverage which increases yields and sensitivity to interest rates. Expense ratios are higher than other funds.
- Examples
 - Ares Dynamic Credit Allocation (ARDC) 8.5% discount 12.1%
 - Advent Claymore Convertible Securities (AVK) 9.4% discount 10.6%
 - Clearbridge Energy Midstream Opportunity (EMO) 9.97% , 12.1% discount

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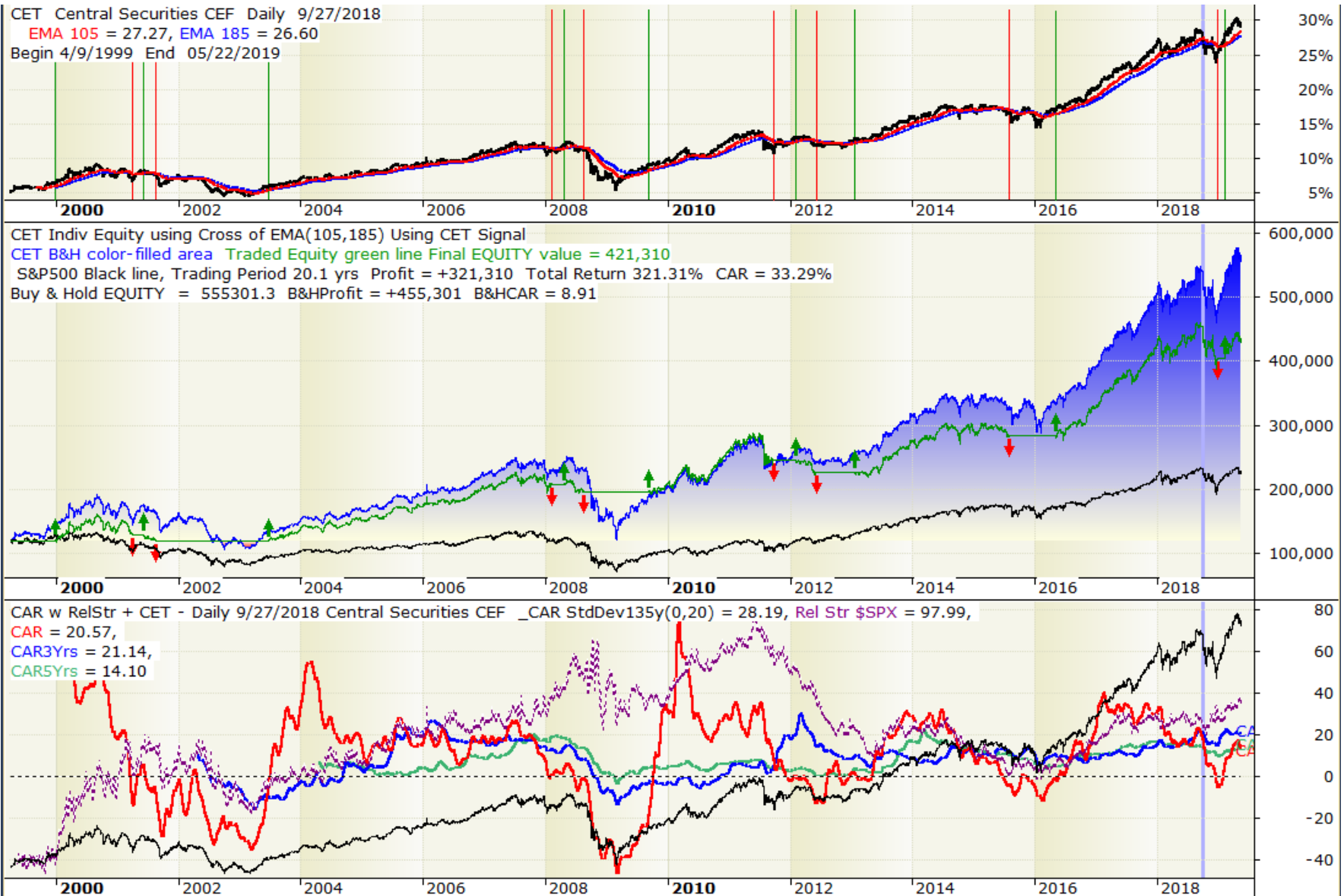
Total Return % for AVK



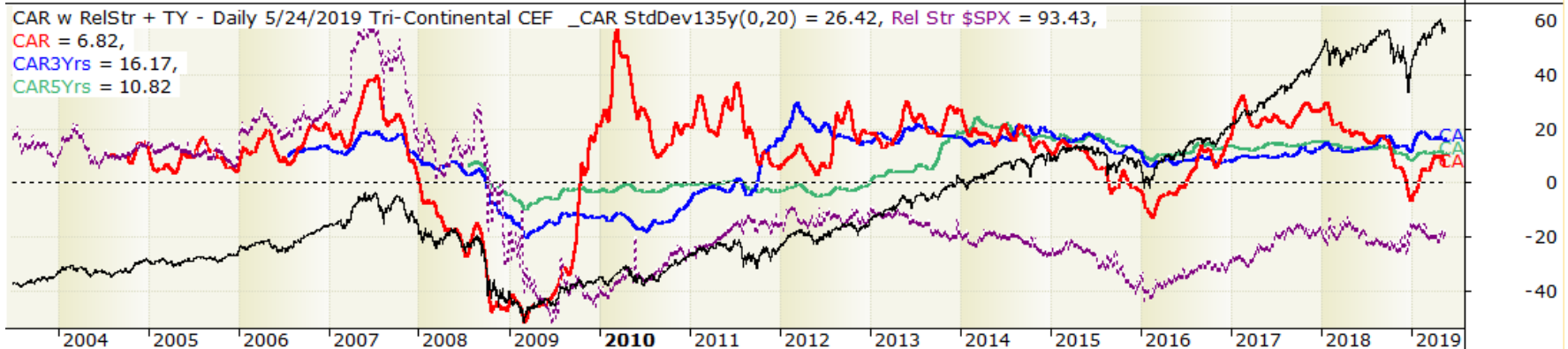
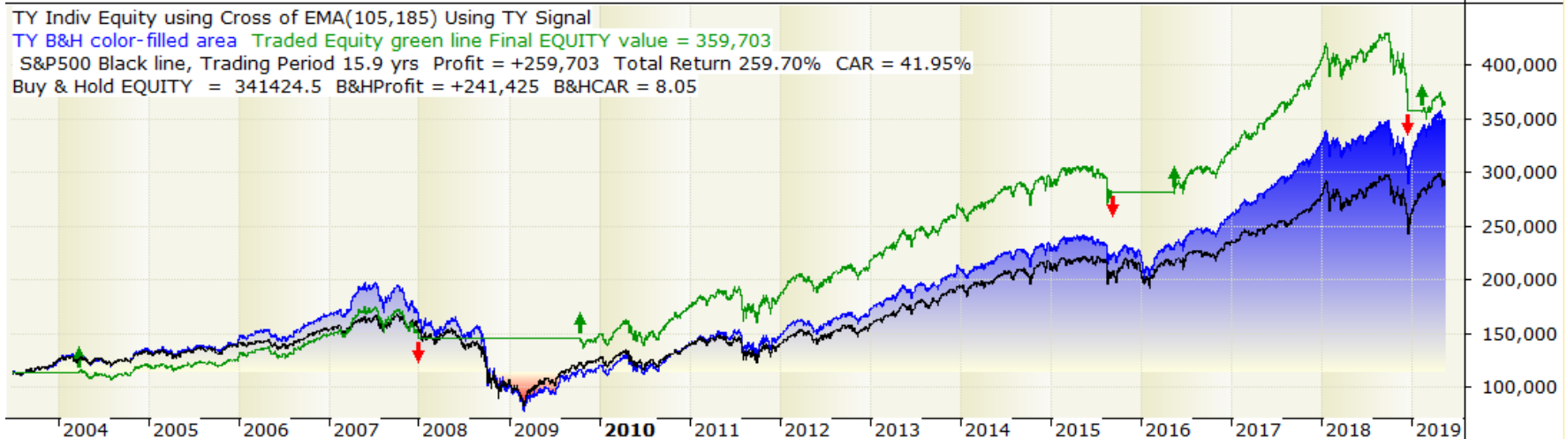
Total Return % for NRO



Total Return % for CET



Total Return % for TY

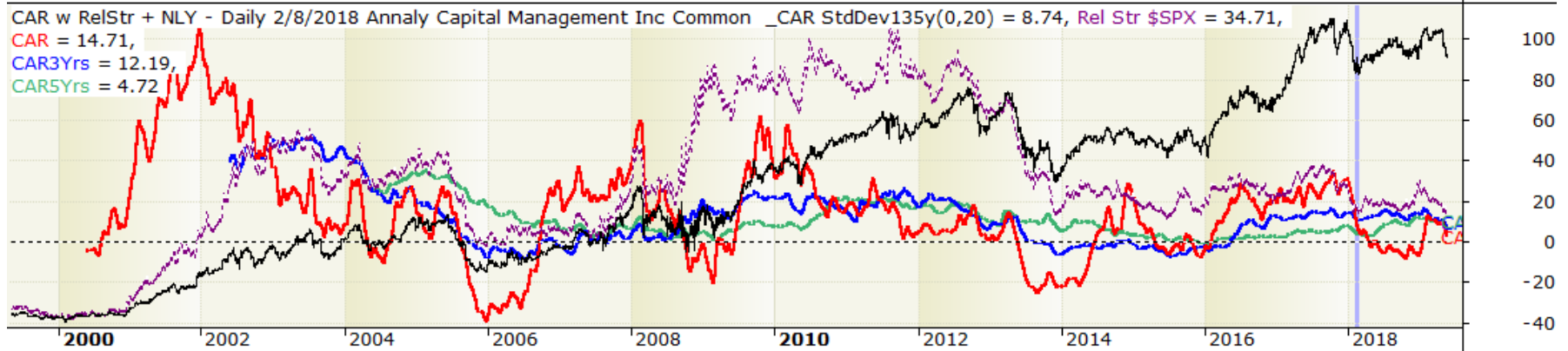


Comparison - REITs

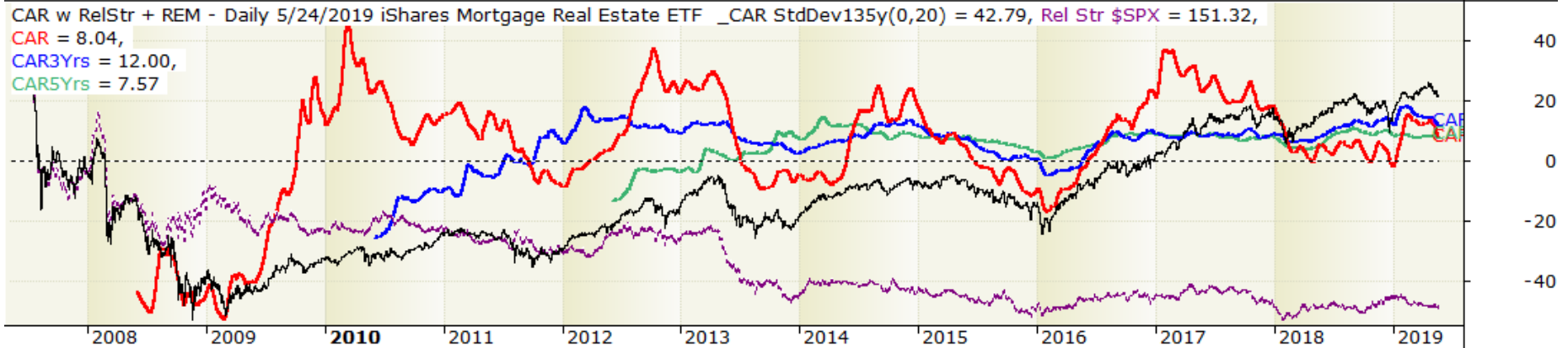
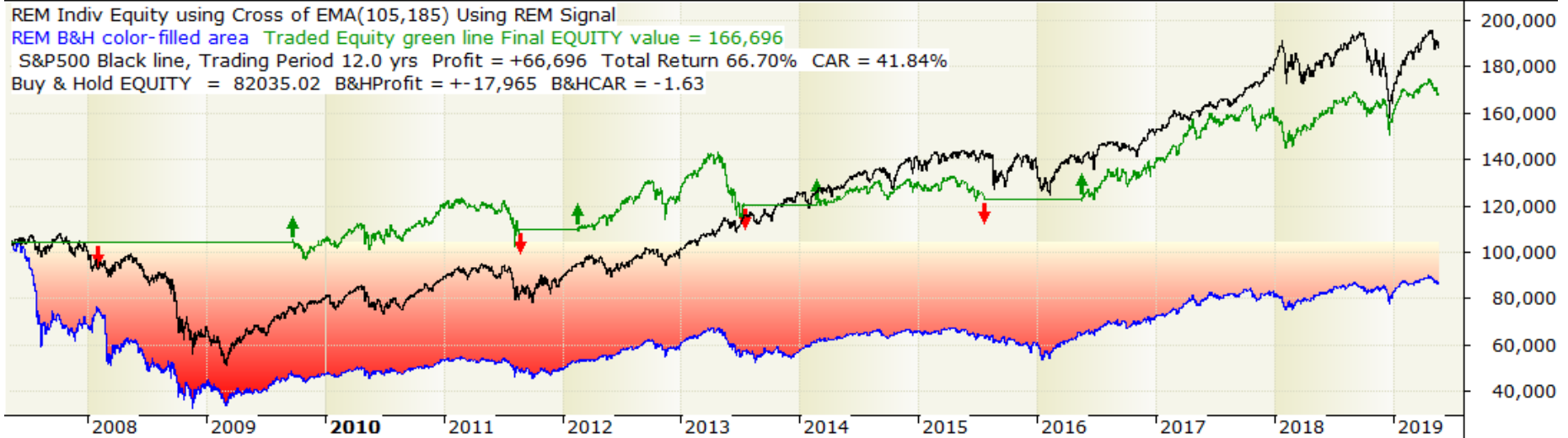
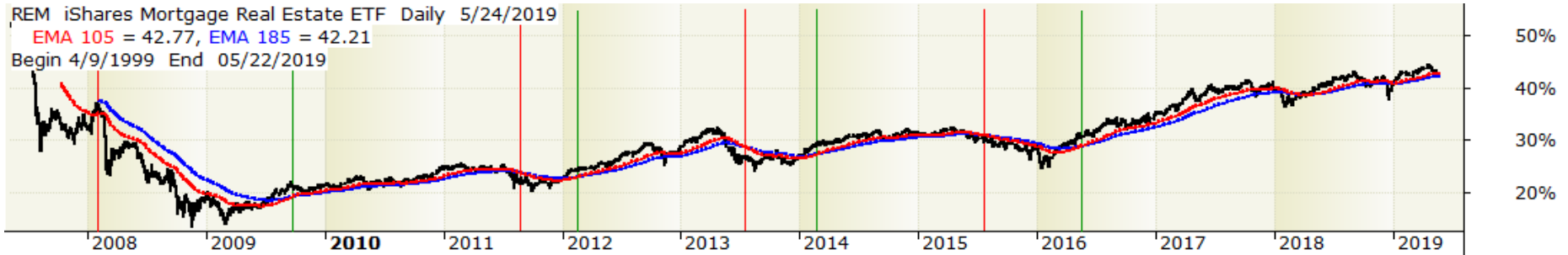
- Two Type of REITs – Property Investment and Mortgage REITs
 - Must Pass on 90% of Revenue to Investors, Dividends Taxed at normal rates
 - Average Yields
 - Property REIT 4.1%
 - Mortgage REIT 10.6%
 - Risks are from Sensitivity to Interest Rates and RE Markets
- Examples:
 - Realty Income Corp (**O**) 4.0% a property REIT, pays a dividend
 - Fidelity RE Income (FRIFX) 4.0% not a REIT but invests in them
 - Real Estate Capped ETF (**REM**) 8.2% mortgage REIT
 - Annaly Capital Management (**NLY**) 12.% mortgage REIT

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Total Return % for NLY



Total Return % for REM



Total Return % for O

