

# Market Review

Bob Krishfield

Dec 2019

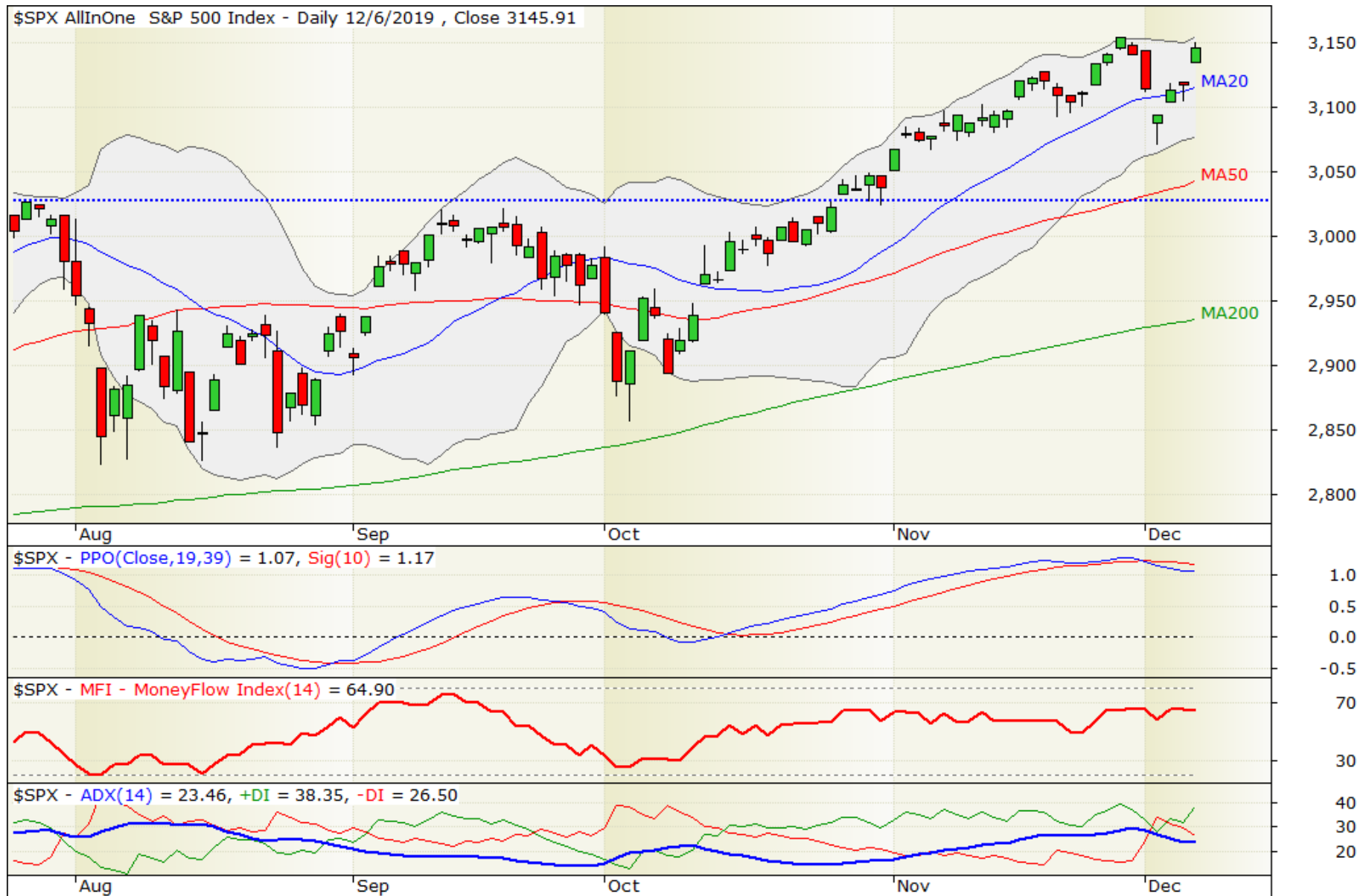
[bobkrish22@gmail.com](mailto:bobkrish22@gmail.com)

# Topics Today

- Recent Market Actions
- What to Expect Next
- Investing Strategy & Bull Market
  - Best Bull Market Choices
  - Signs That Secular Bull will continue
- ETFs and Income Investing



# S&P 500 - New Highs in Nov



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# S&P 500 Market Interpretations

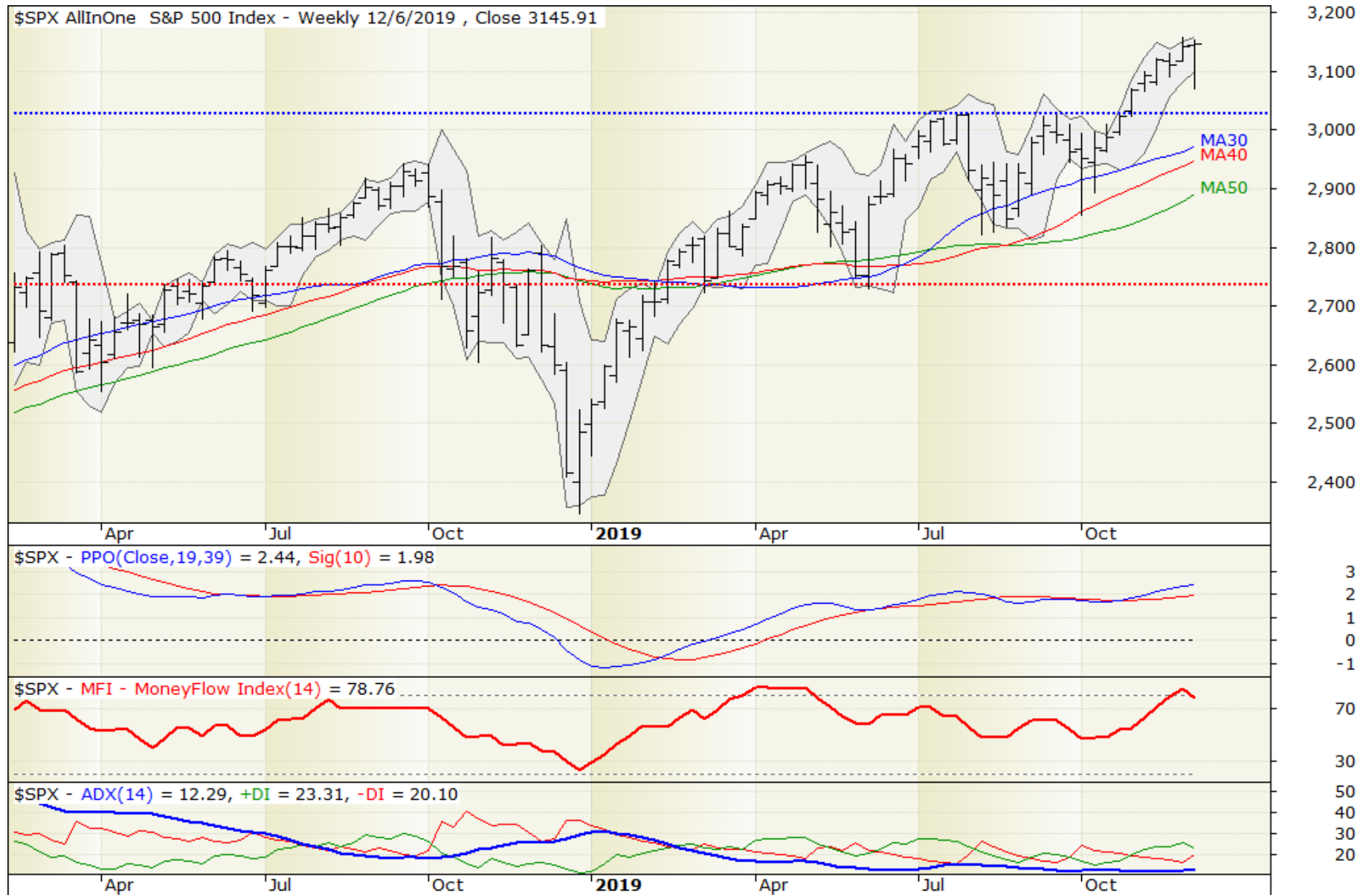
- The S&P 500 large-cap index made a new all-time high on Nov 27<sup>th</sup>, fell for the next 3 days, and regained it's position Friday on a good jobs report.
- December is a strong month seasonally.
- Maybe the Santa Claus rally in the stock market will bring new highs.



# S&P 500 - Trend Stays Strong



# S&P Weekly

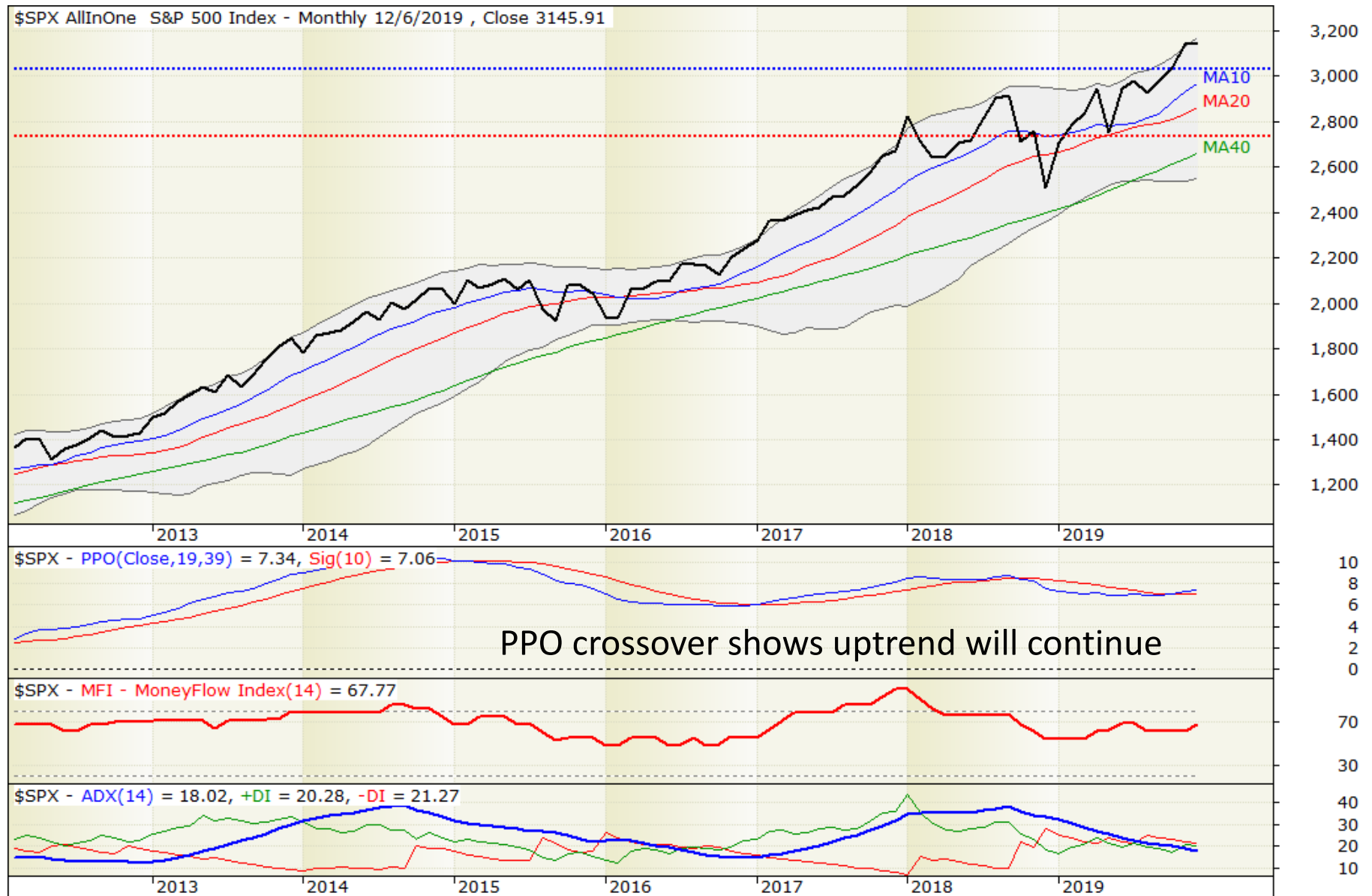


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12/10/19

Market Review

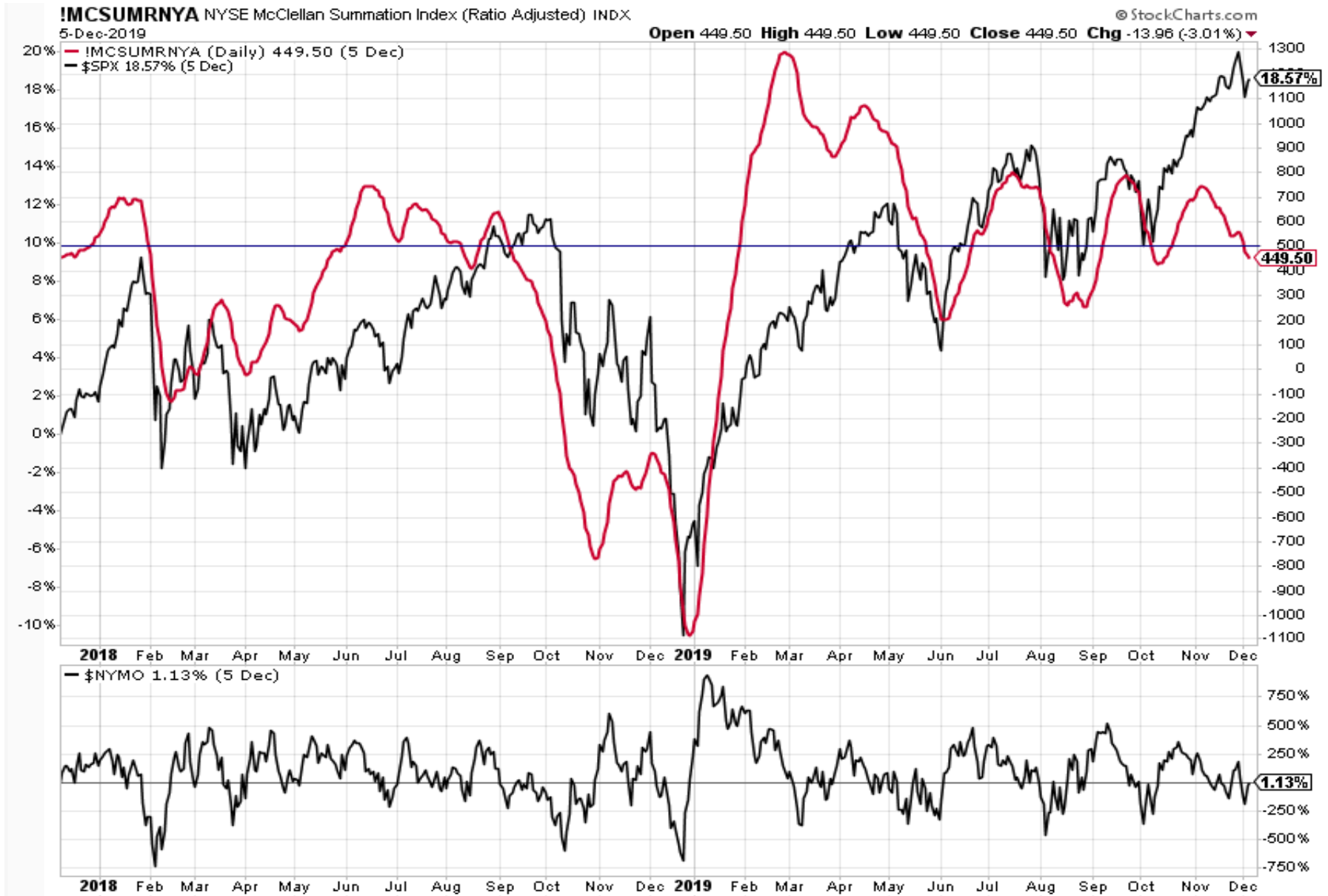
# S&P 500 Monthly – Uptrend Continues



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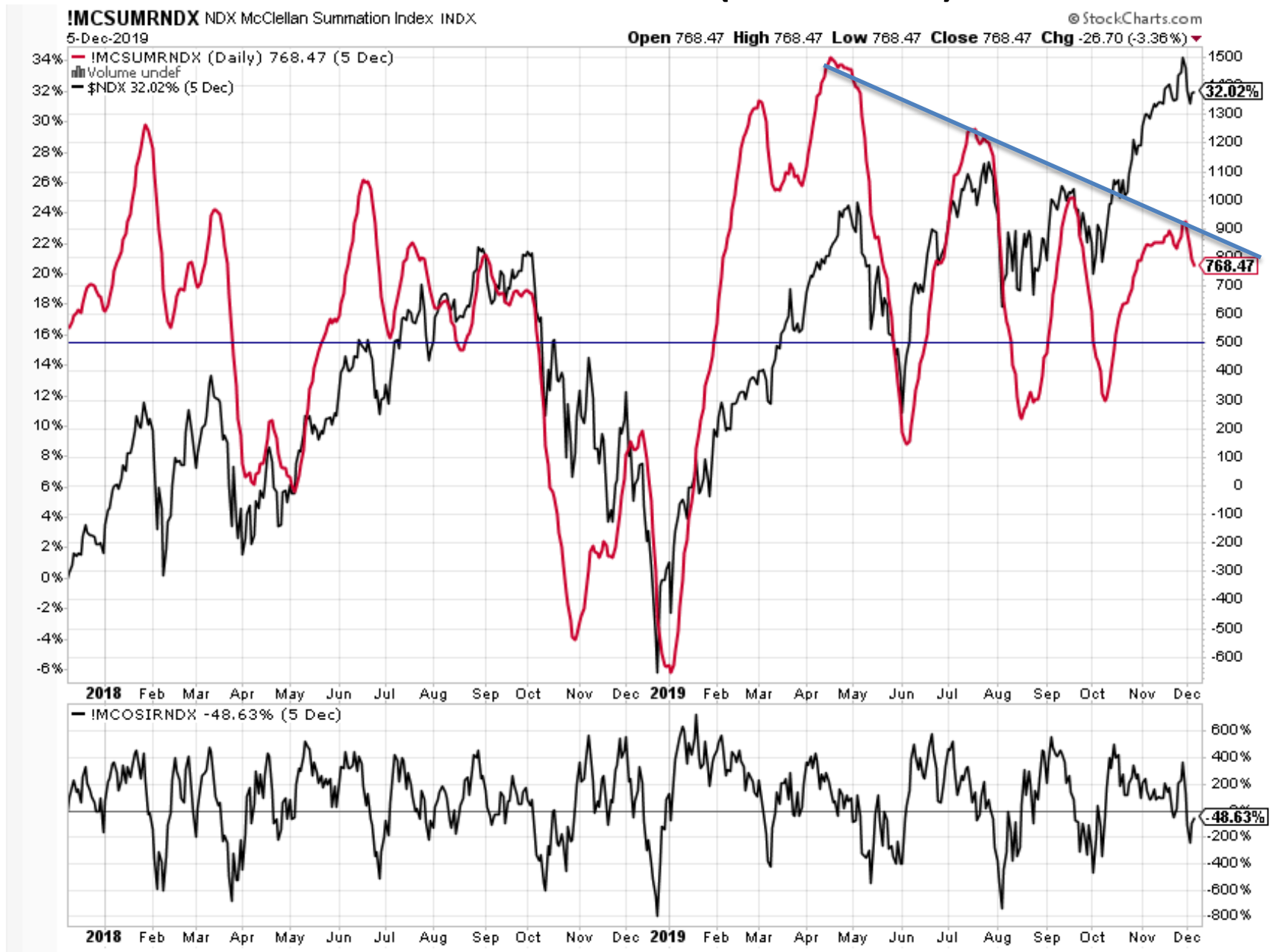
# NY Sum Index (Red line)

Oscillating. Must Stay above 500 to Avoid a Correction

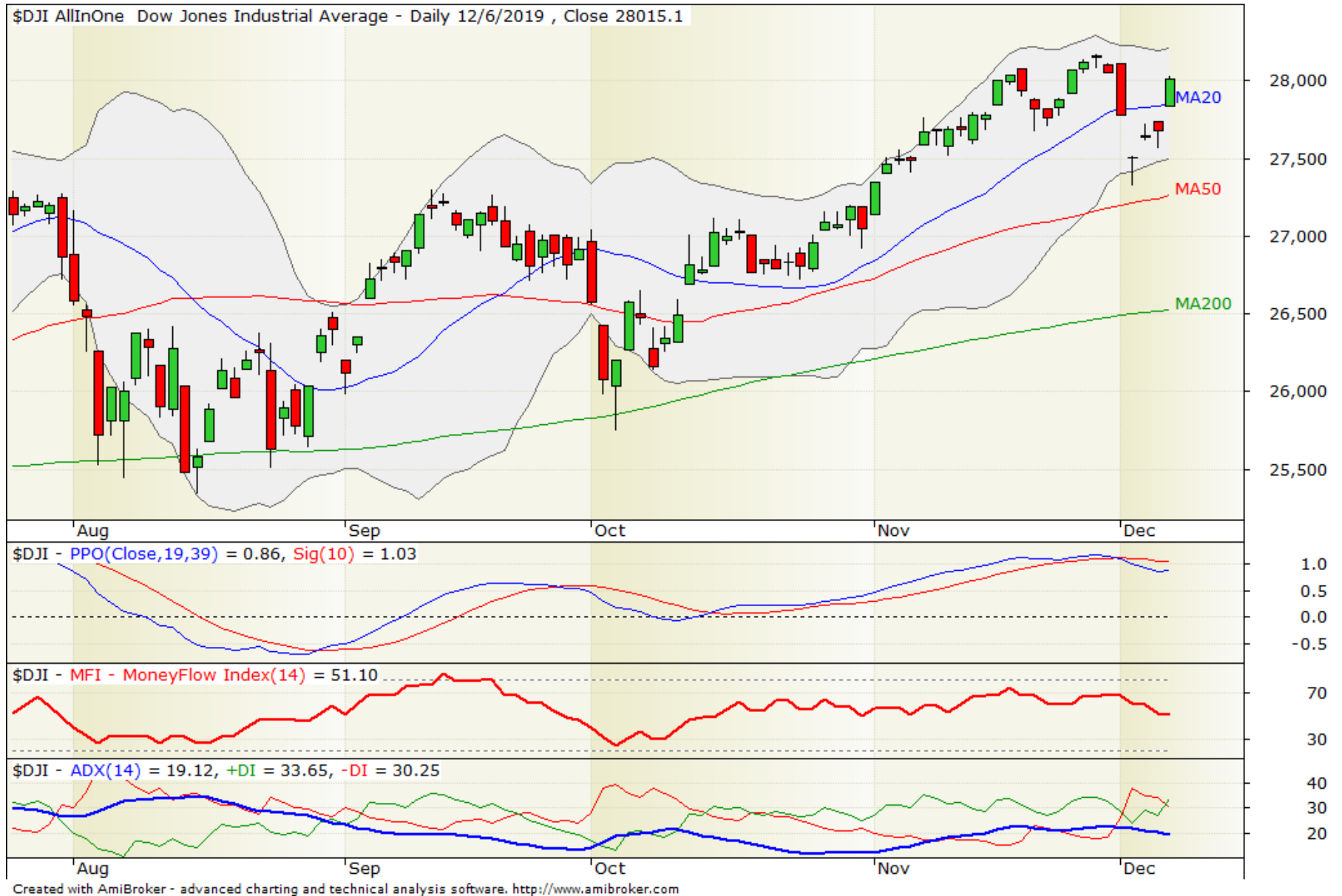




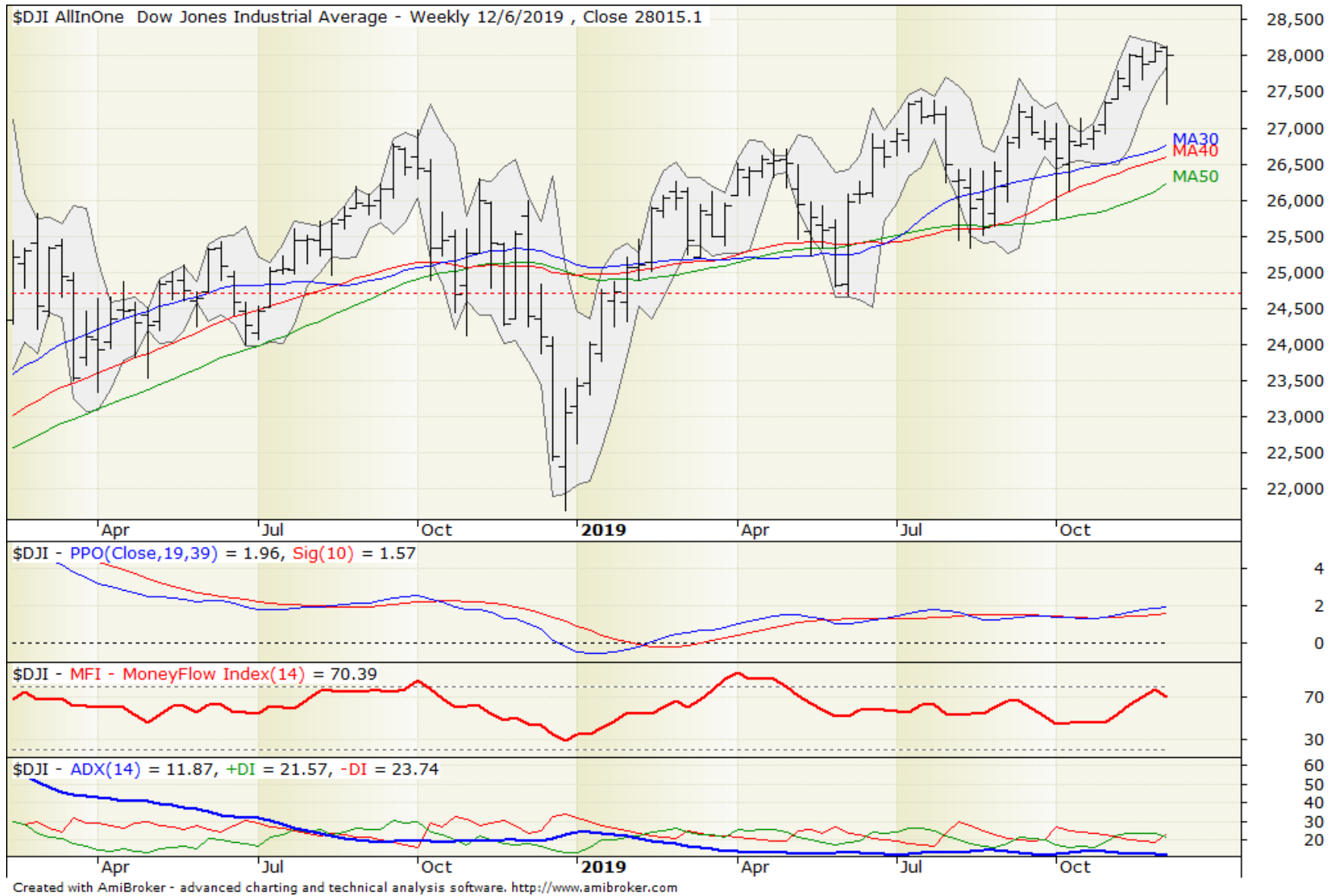
# SPY Sum Index (Red line)



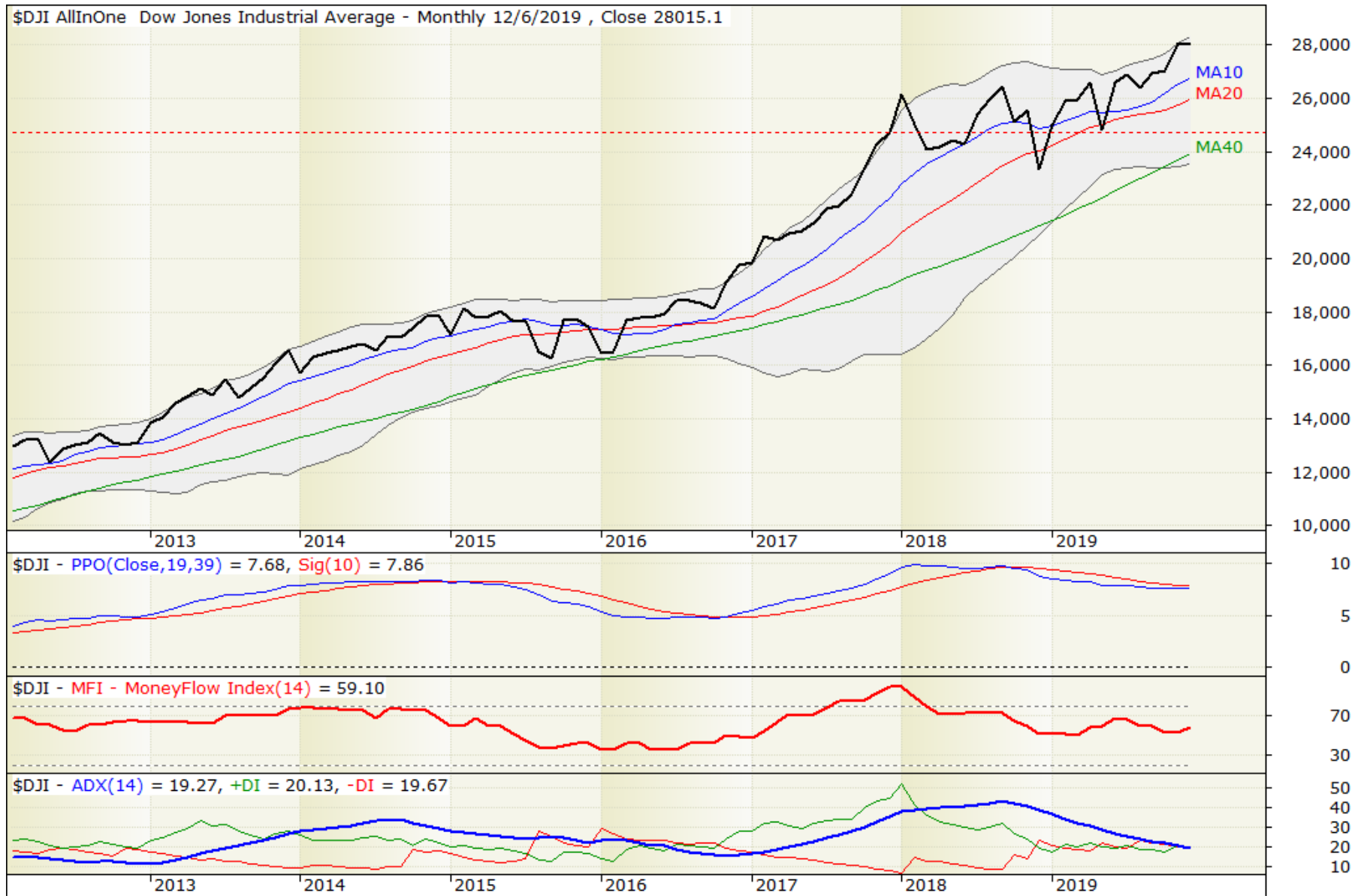
# Dow



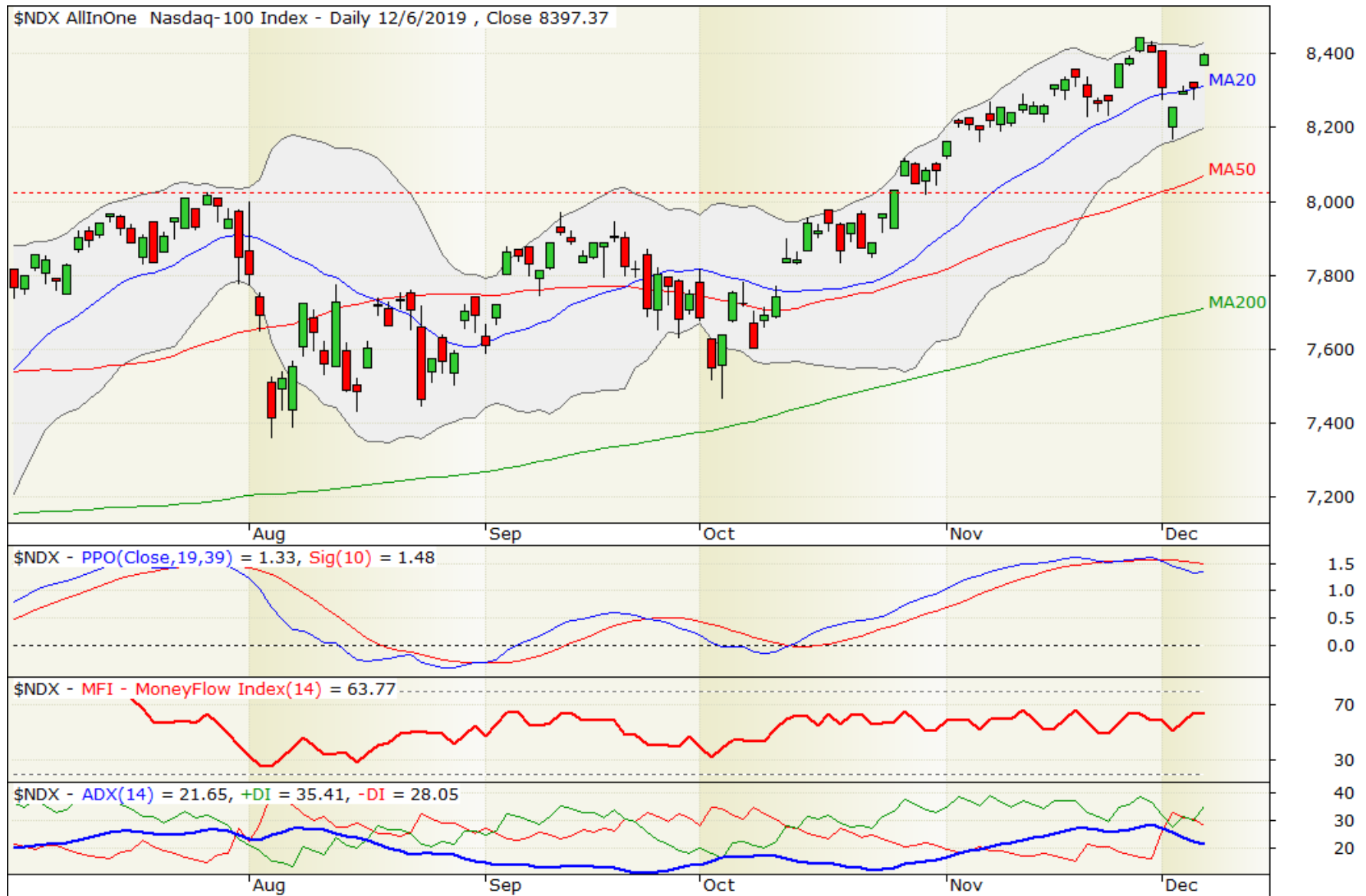
# Dow Weekly



# Dow Monthly

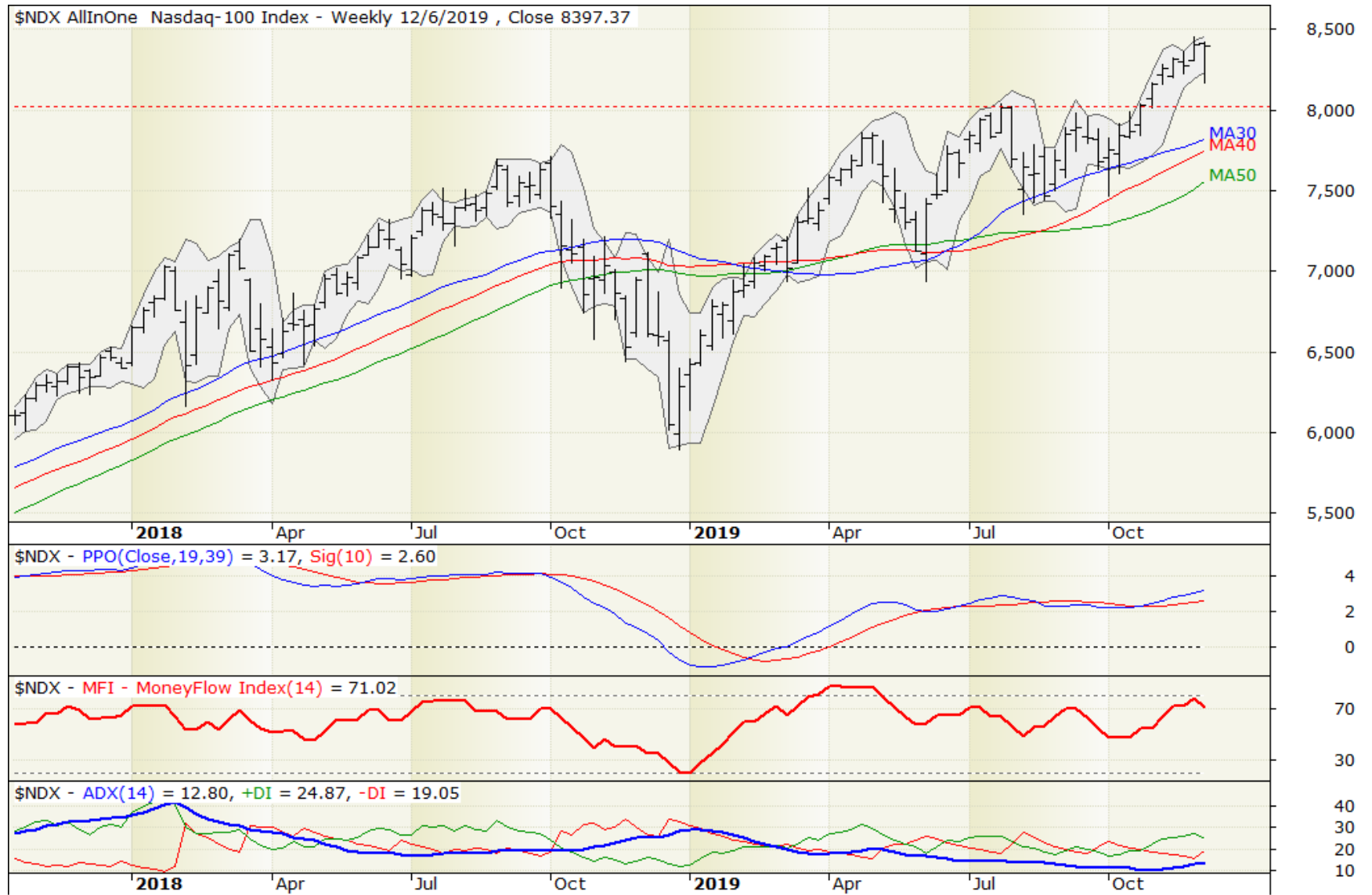


# NDX Daily



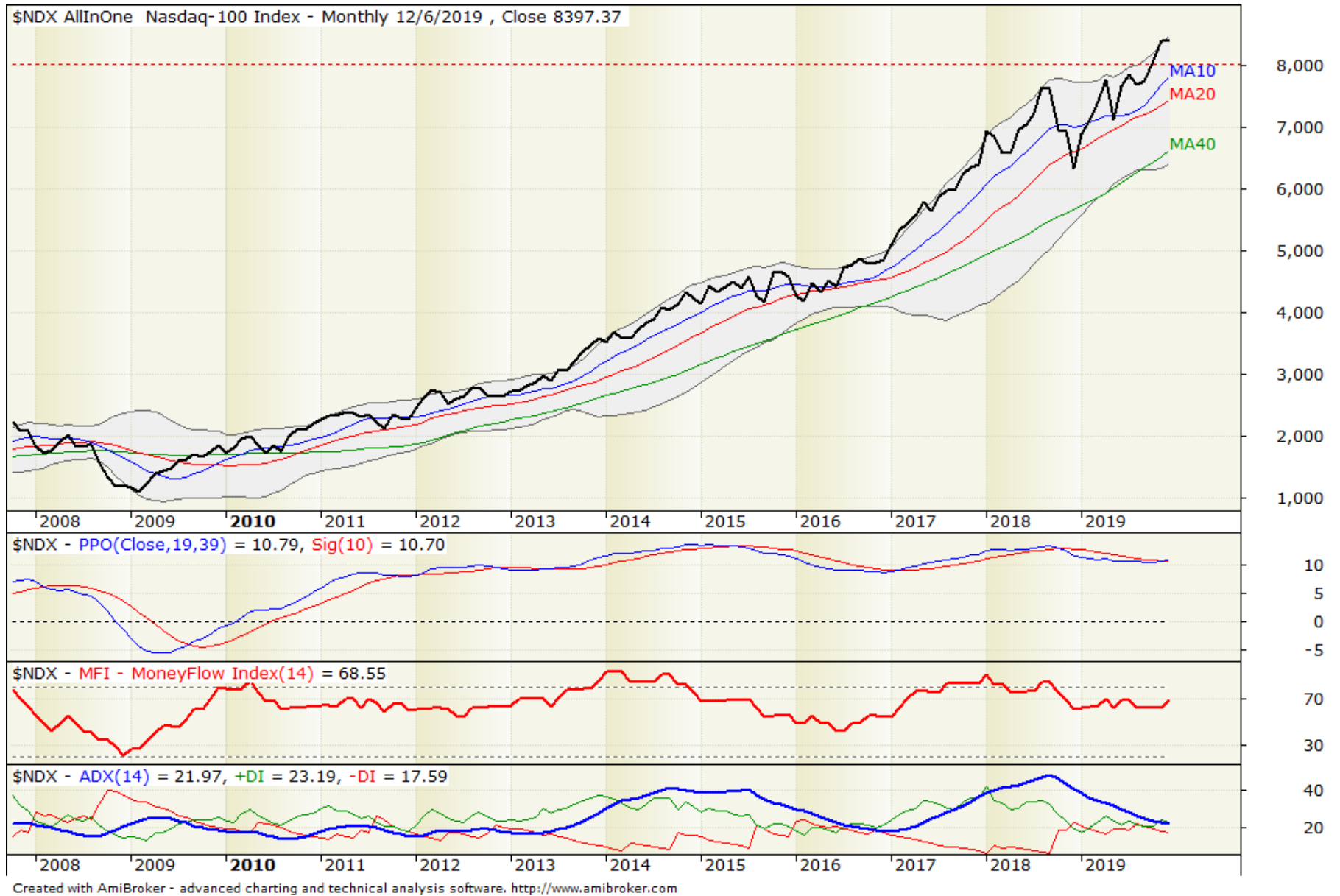
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# NDX Weekly

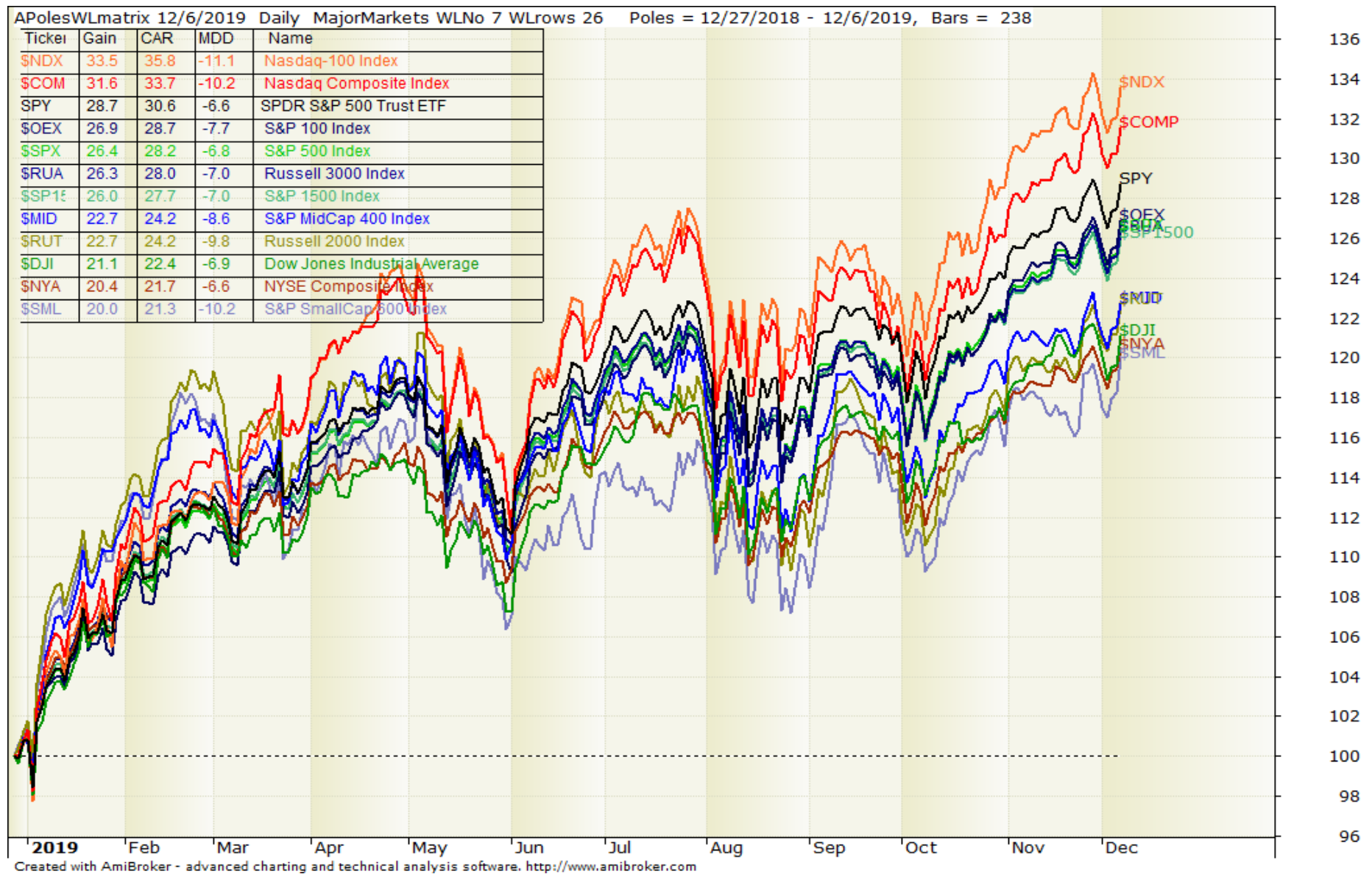


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# NDX Monthly

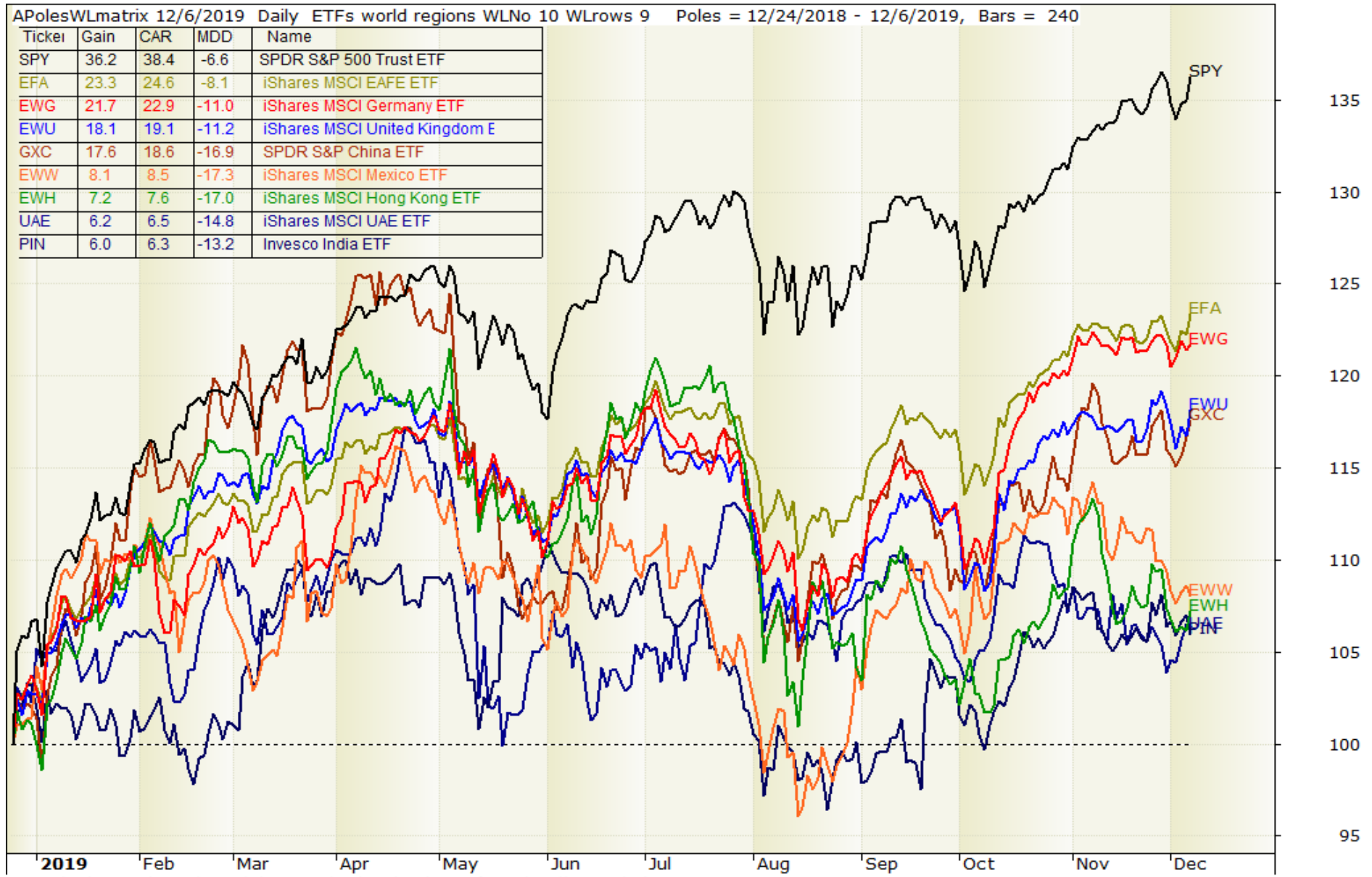


# Major Market Performance YTD

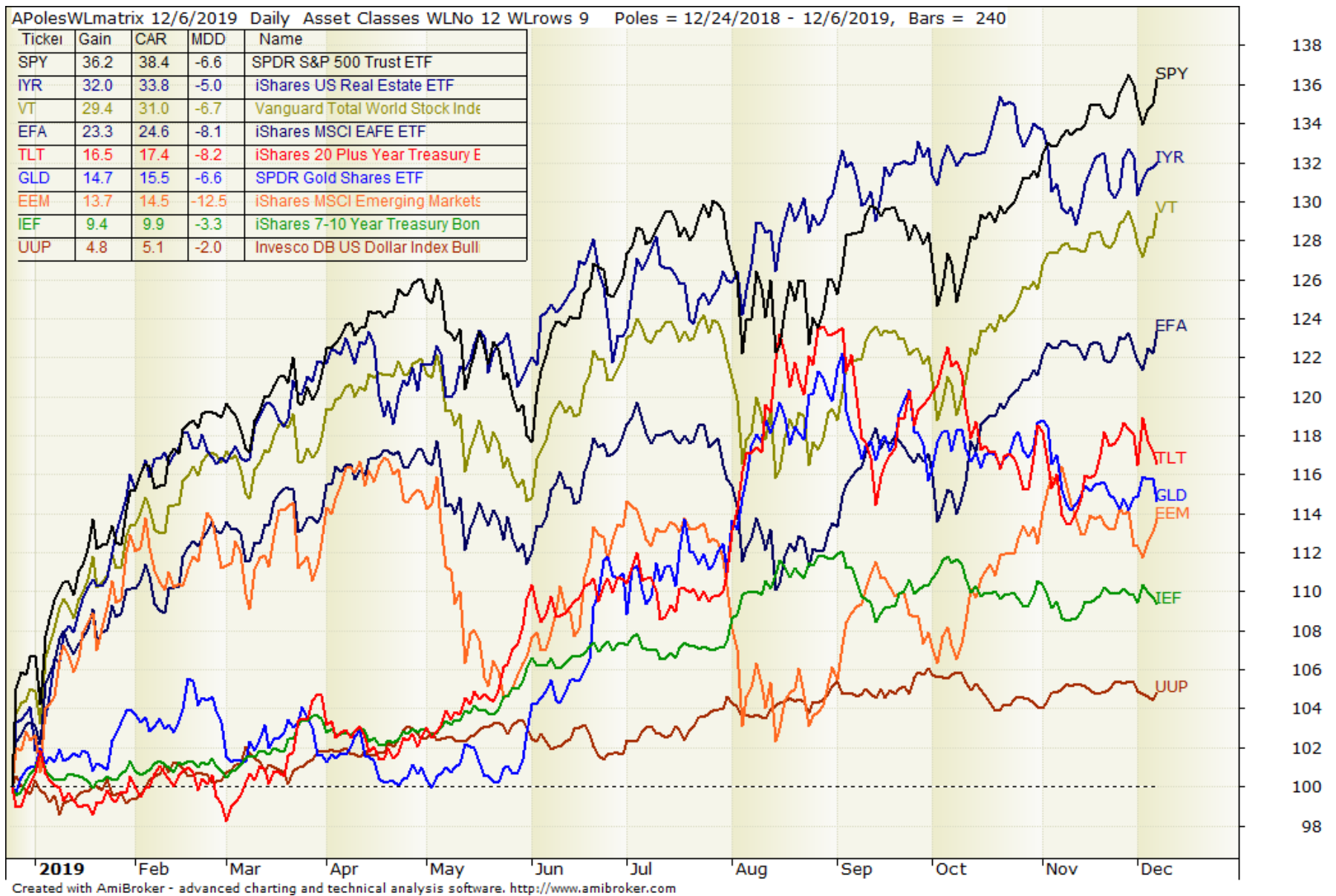




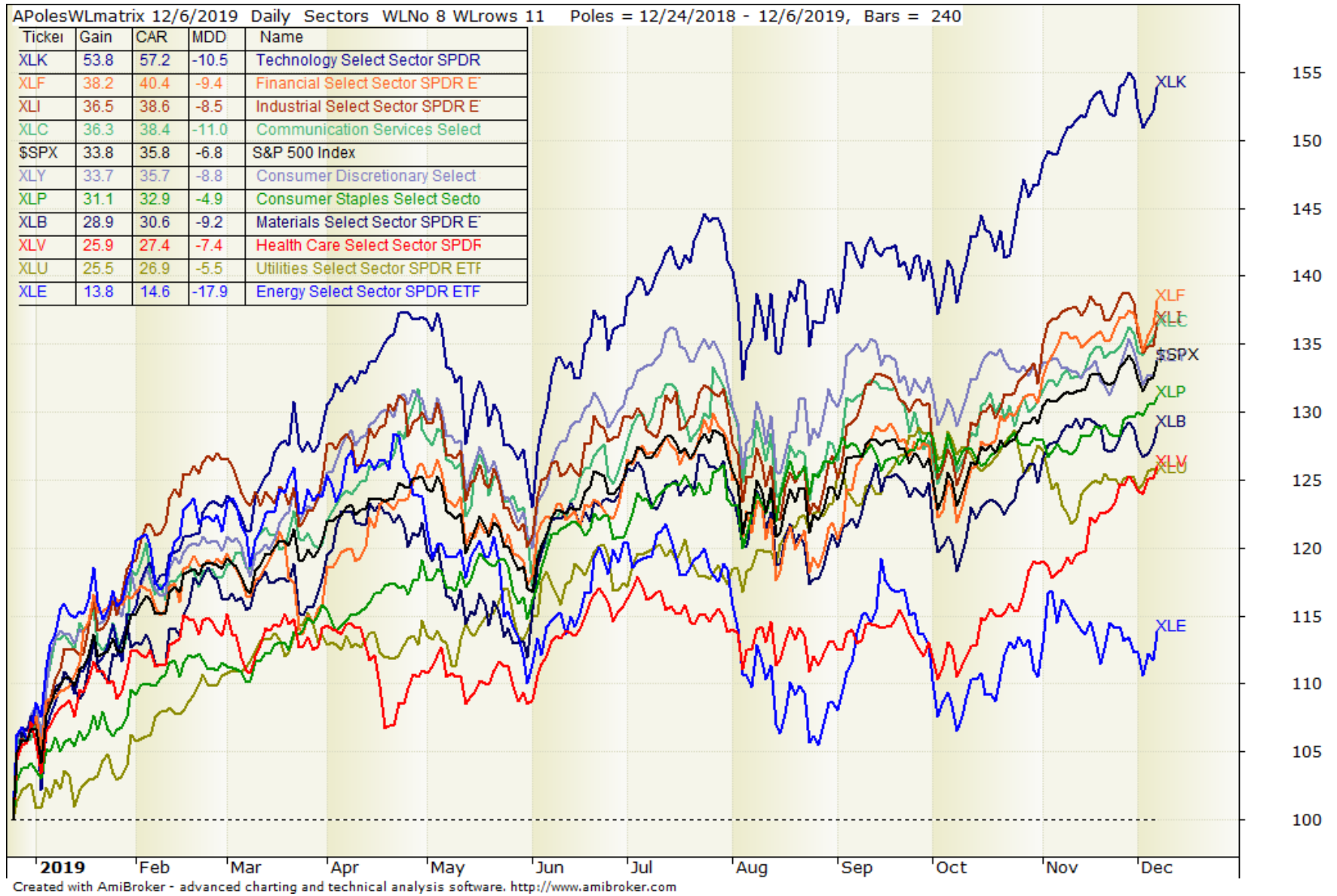
# World Market Performance YTD



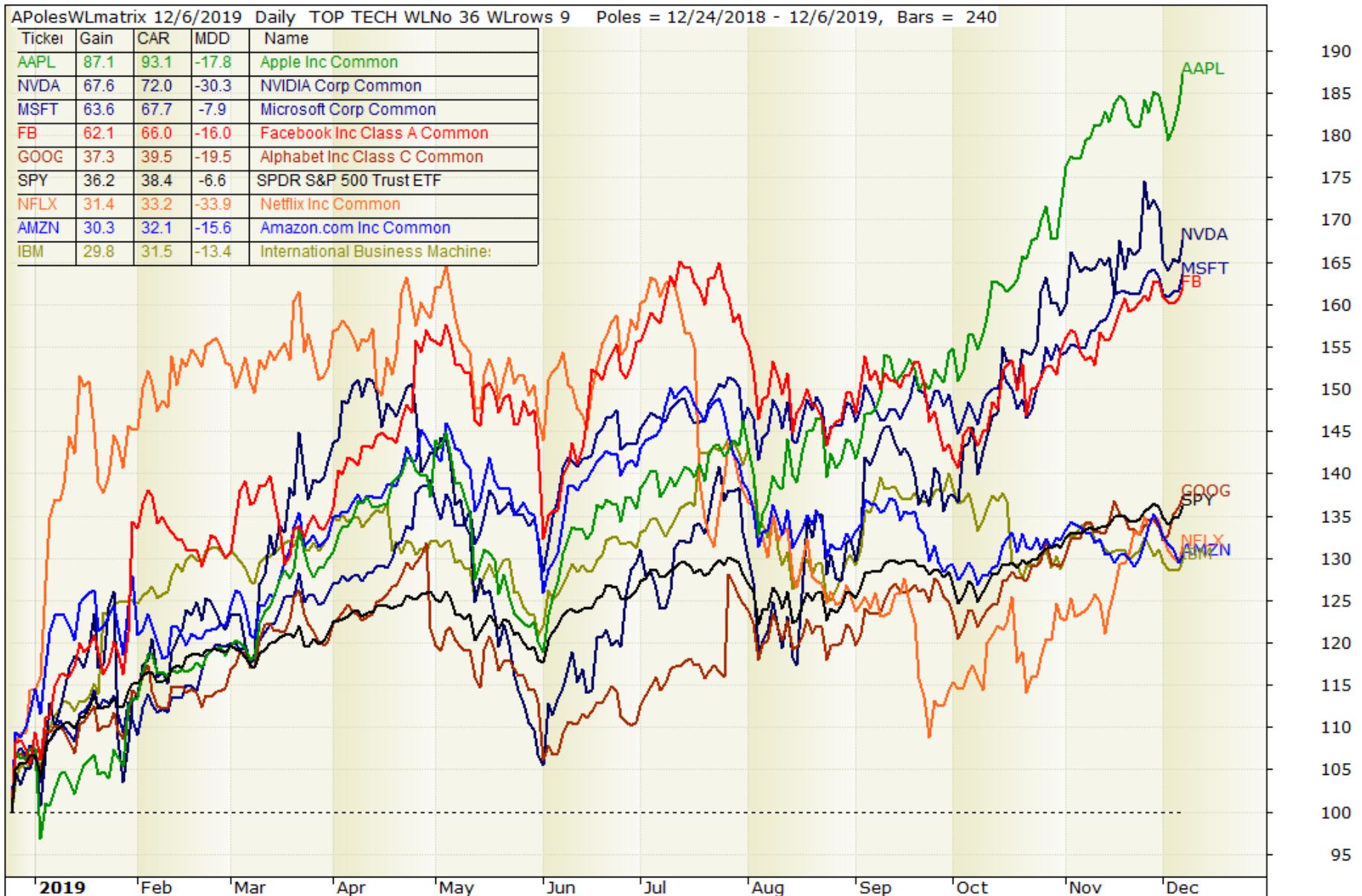
# Asset Classes Performance YTD



# Comparison of Sectors – YTD

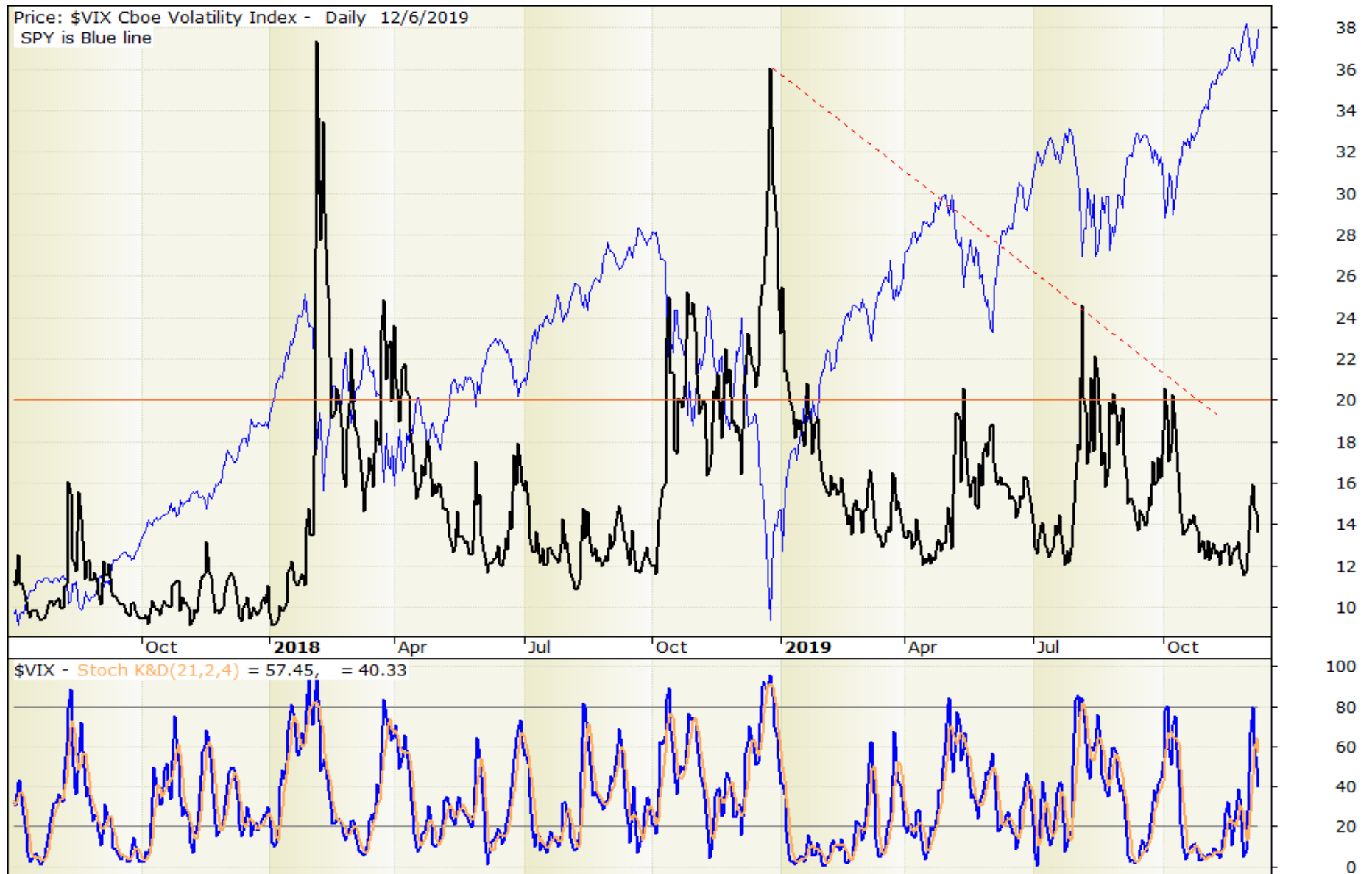


# Top Tech Stocks Performance YTD



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# VIX – Volatility Returning to Normal Levels



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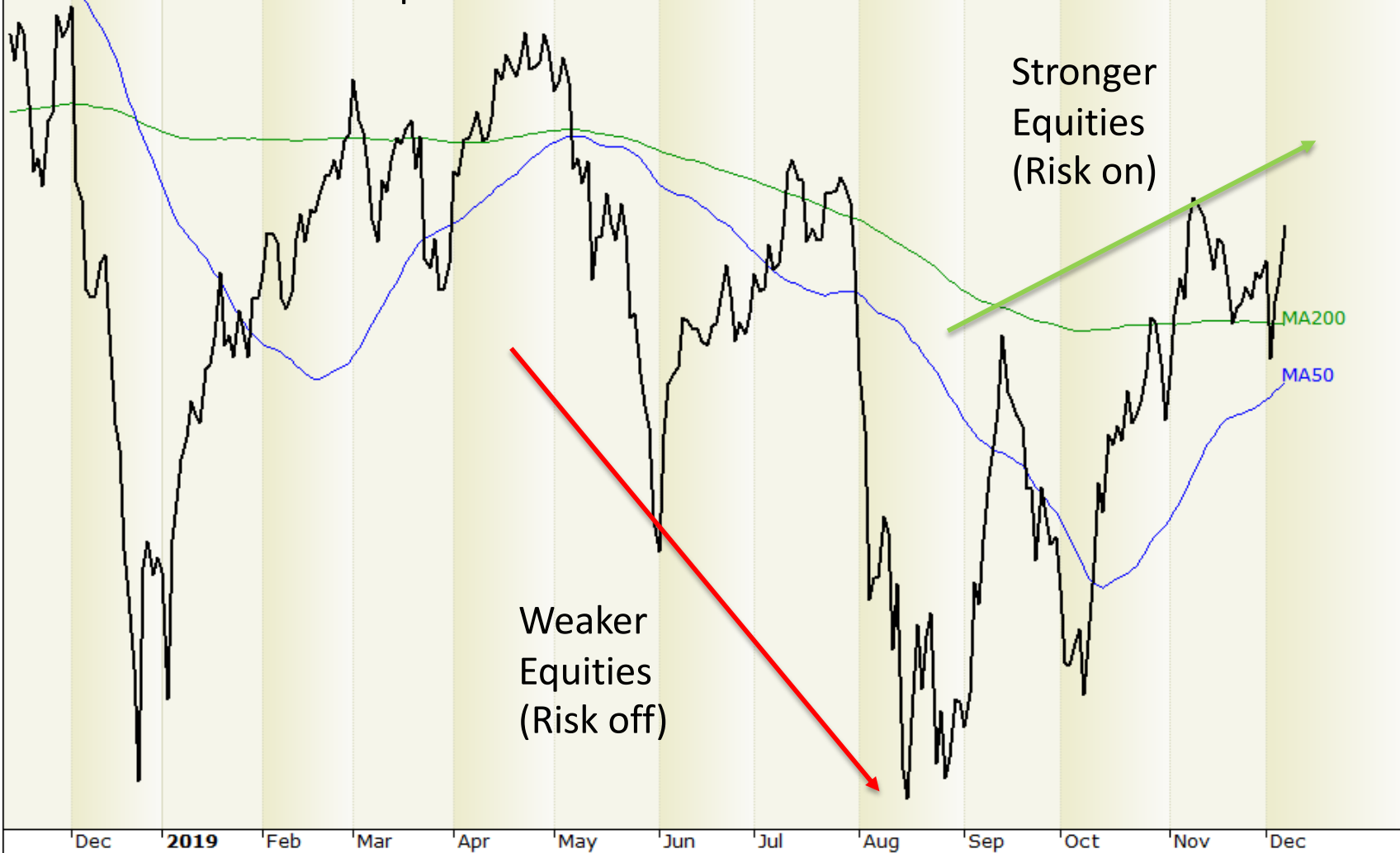
# Small Caps Underperforming Large Caps



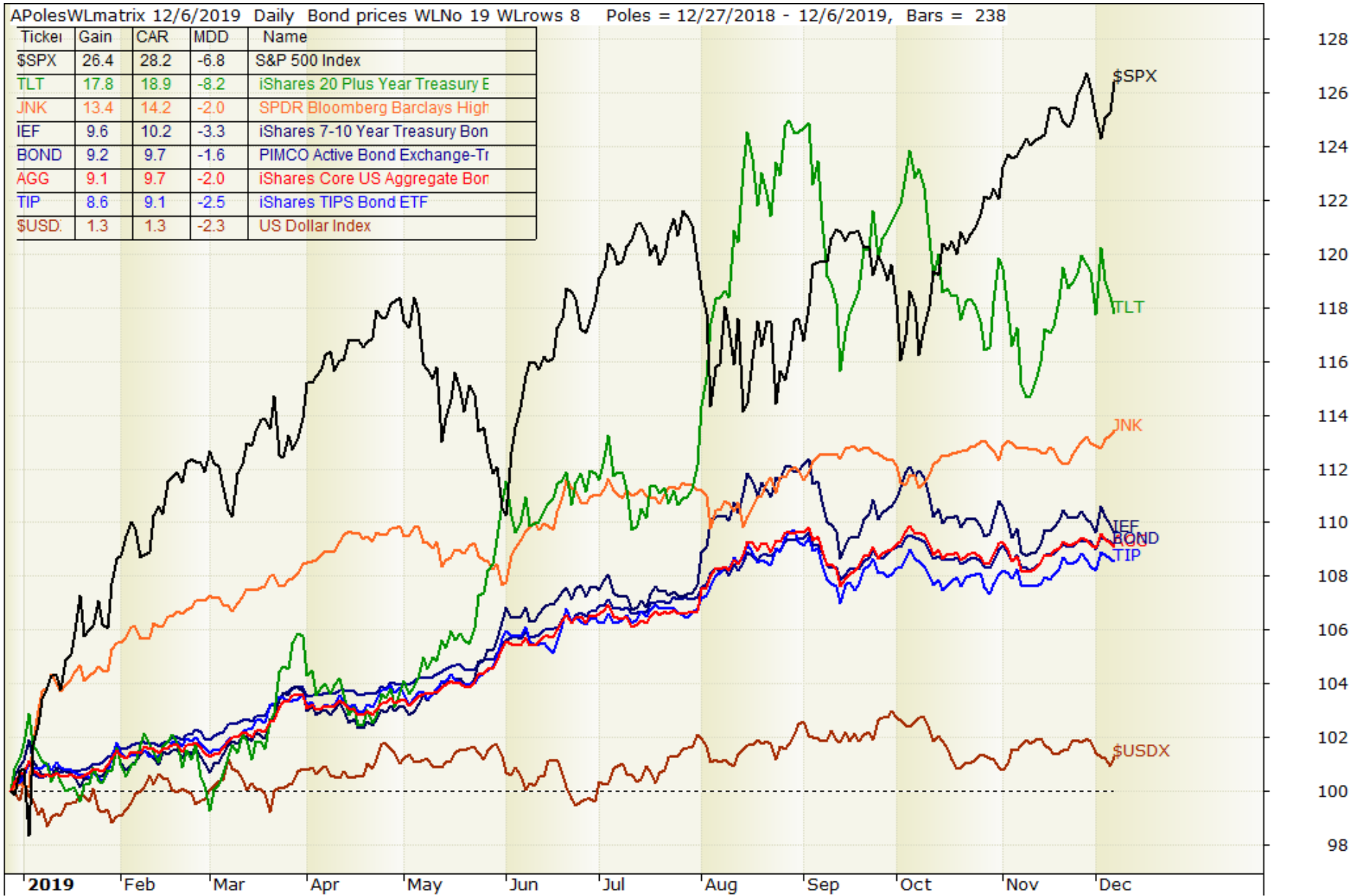
# Risk On-Off YTD

SPY/TLT Ratio Riskon-off - Daily 12/6/2019 , Cx 138.35 (-0.6%) Vol 7,556,506

Ratio of SP500 Index to 20 yr Bond Indicates Investor's Willingness to Take on Risk in Equities.



# Bond Price Performance YTD



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# Top 20 ETFs (ranked by ETFReplay.com)

Symbol	ETF	ReturnA	ReturnB	Volatility	Rank
<b>SCZ</b>	<a href="#">iShares MSCI EAFE Small Cap Index</a>	+9.0%	+2.2%	7.0 %	1
<b>VTV</b>	<a href="#">Vanguard U.S. LargeCap Value</a>	+6.5%	+1.1%	6.6 %	2
<b>DGRO</b>	<a href="#">iShares Core Dividend Growth ETF</a>	+6.1%	+1.4%	6.7 %	3
<b>QUAL</b>	<a href="#">iShares MSCI USA Quality Factor ETF</a>	+6.0%	+2.6%	7.1 %	4
<b>VHT</b>	<a href="#">Vanguard MSCI U.S. Health Care</a>	+9.9%	+6.5%	10.2 %	5
<b>XLV</b>	<a href="#">U.S. Health Care Sector SPDR</a>	+9.7%	+5.9%	10.1 %	6
<b>IWD</b>	<a href="#">iShares Russell 1000 Value</a>	+5.6%	+0.8%	6.4 %	7
<b>SCHX</b>	<a href="#">Schwab Dow Jones U.S. Large-Cap</a>	+5.2%	+1.7%	6.7 %	8
<b>ITOT</b>	<a href="#">iShares Core S&amp;P Total US Market</a>	+5.3%	+1.7%	6.9 %	9
<b>VV</b>	<a href="#">Vanguard MSCI U.S. Large Cap</a>	+5.1%	+1.7%	6.6 %	10
<b>IWV</b>	<a href="#">iShares Russell 3000 Index Fund</a>	+5.3%	+1.7%	6.9 %	11
<b>SCHB</b>	<a href="#">Schwab Dow Jones U.S. Broad Market</a>	+5.3%	+1.7%	7.0 %	12
<b>IWB</b>	<a href="#">iShares Russell 1000 Index Fund</a>	+5.1%	+1.7%	6.8 %	13
<b>IVE</b>	<a href="#">iShares S&amp;P 500 Value Index Fund</a>	+7.7%	+1.0%	7.6 %	14
<b>VGX</b>	<a href="#">Vanguard MSCI U.S. Technology</a>	+6.7%	+2.3%	10.2 %	15
<b>IVV</b>	<a href="#">iShares Core S&amp;P 500 ETF</a>	+5.2%	+1.6%	6.8 %	16
<b>XLK</b>	<a href="#">U.S. Technology Sector SPDR</a>	+6.8%	+2.2%	10.3 %	17
<b>VTI</b>	<a href="#">Vanguard Total U.S. Stock Market</a>	+5.2%	+1.7%	7.2 %	18
<b>VOO</b>	<a href="#">Vanguard S&amp;P 500</a>	+5.2%	+1.6%	6.8 %	19
<b>XLF</b>	<a href="#">U.S. Financial Sector SPDR</a>	+9.7%	+1.1%	9.0 %	20

# Value Stocks Rebound in Sept

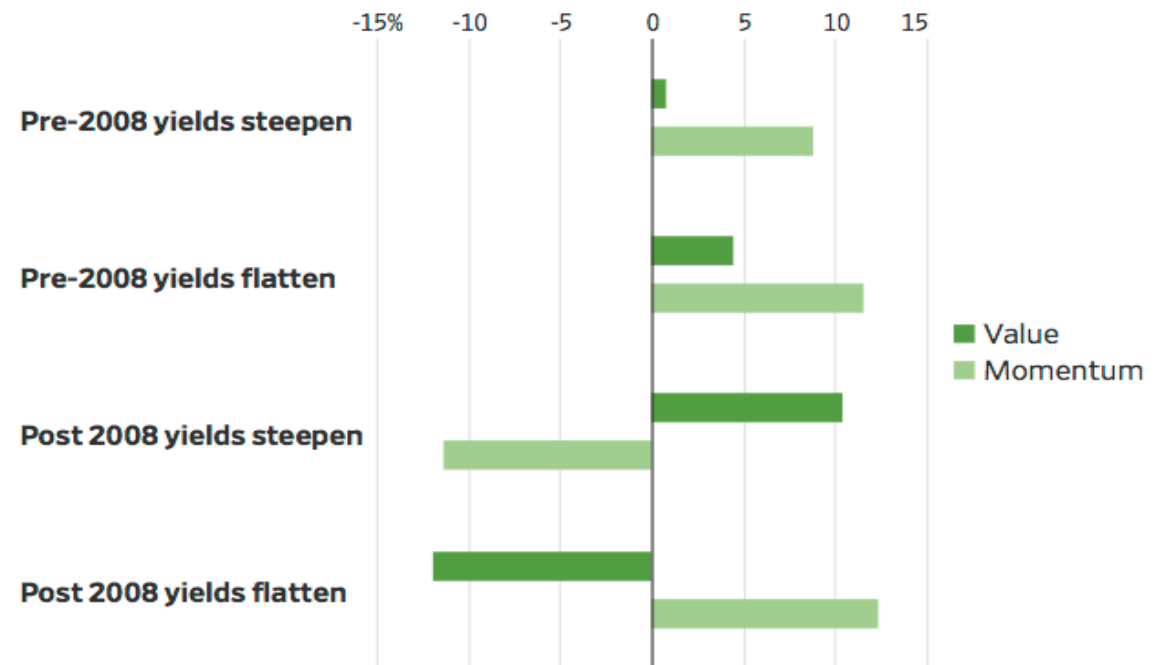
- WSJ Article points out – a big rotation in Sept, out of high-momentum stocks and into cheap value stocks since the 2008 bank bailouts.
- In the short term, threats to the economy receded, and investors were willing to take on more risk. Investors sold the defensive positions they'd been buying for ages, and bought the stocks that will benefit if a better economic
- Momentum investors buy what's going up and hold lots of big safe companies and stocks that look like bonds, and these suffered last week.
- Value investors hold lots of banks and cyclical stocks sensitive to the economy, and these benefited.

# Value Stocks Linked to Bonds

- Value stocks perform better when the yield curve gets steeper.
- Correlation has become more pronounced since 2008.

## Changing Relationship

Annualized average monthly returns when yield curves become steeper or flatter by more than 0.05 percentage points



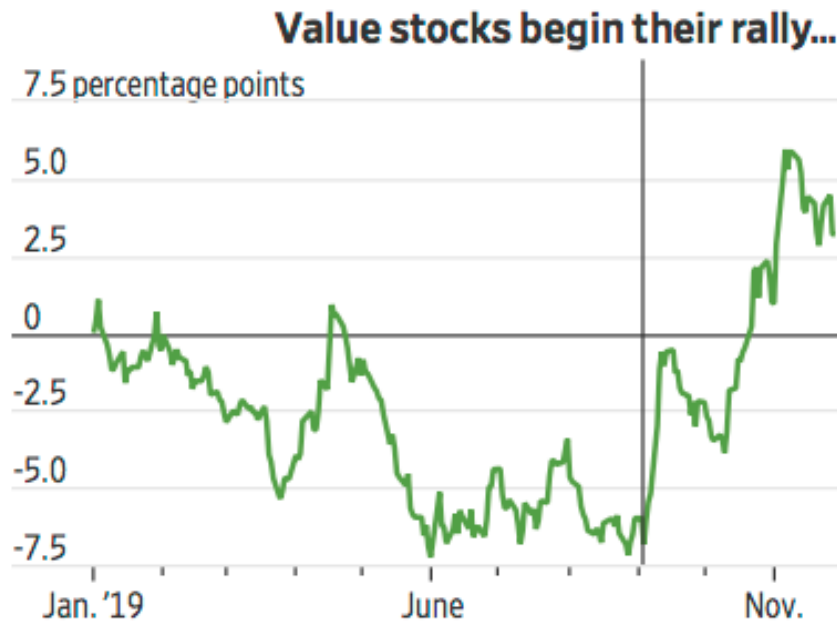
Note: Yield curve is difference between 10-year and two-year Treasuries. Pre-2008 period starts in January 1990.

Source: Instinet

# Recent Rebound in Value

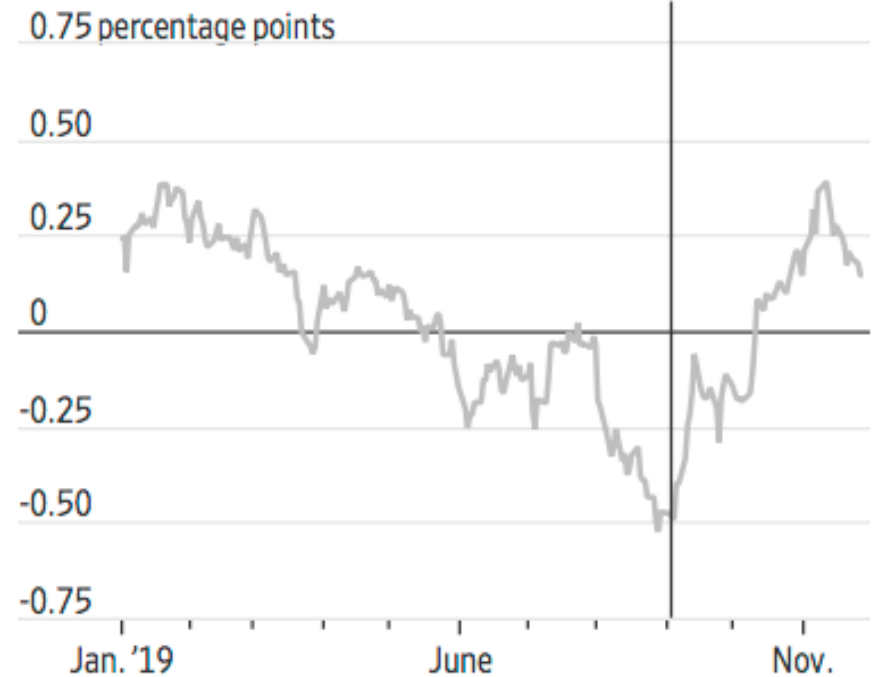
## Curve Rider

Gap between value and momentum stocks' performance



## Gap between yields on 10-year and three-month Treasuries

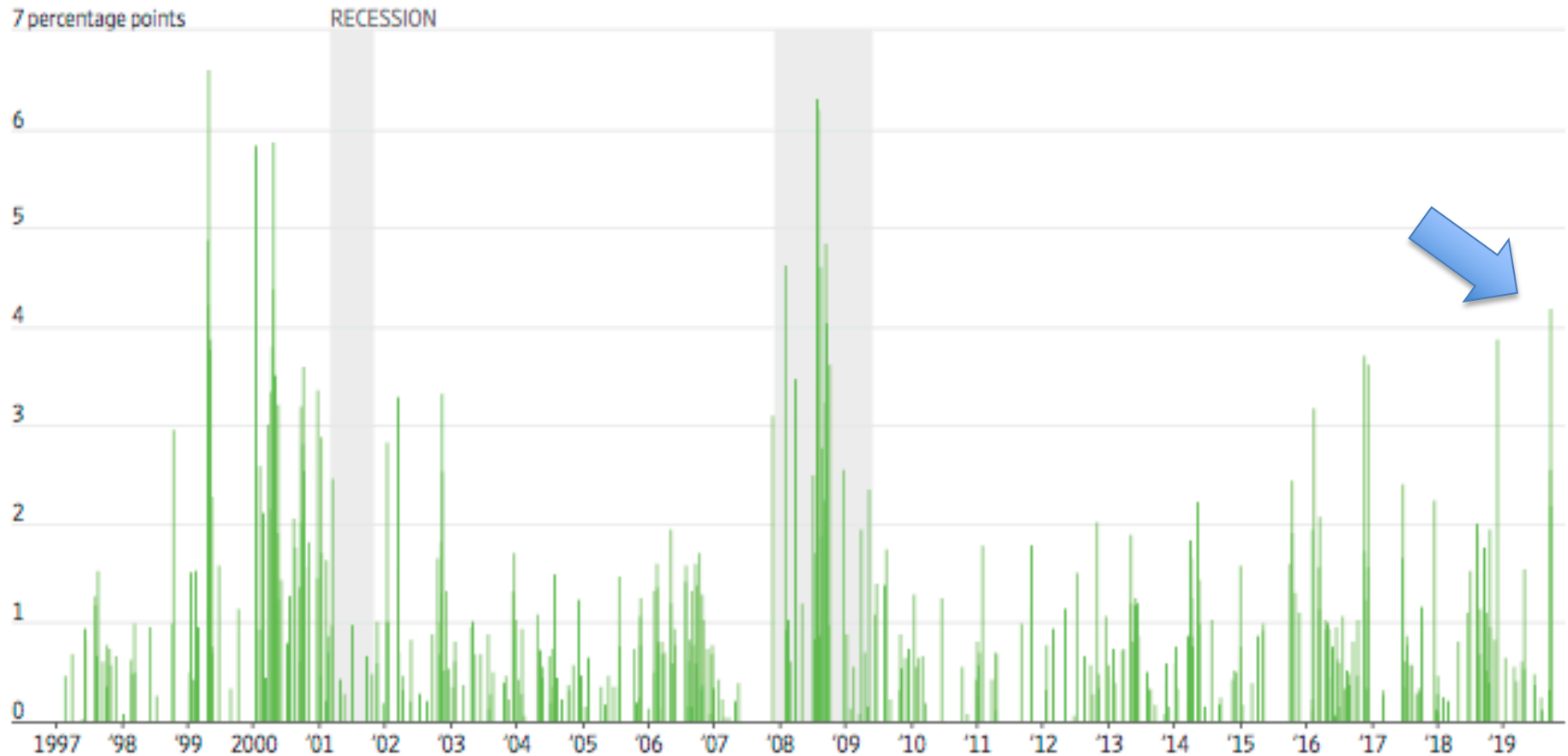
**...as the yield curve began to steepen**



Source: FactSet

# When Value is Up and Momentum Down

Value minus momentum, two-day change\*



\*MSCI USA indexes, only periods when value is up and momentum down shown

Source: Refinitiv

# Betting on the Bull

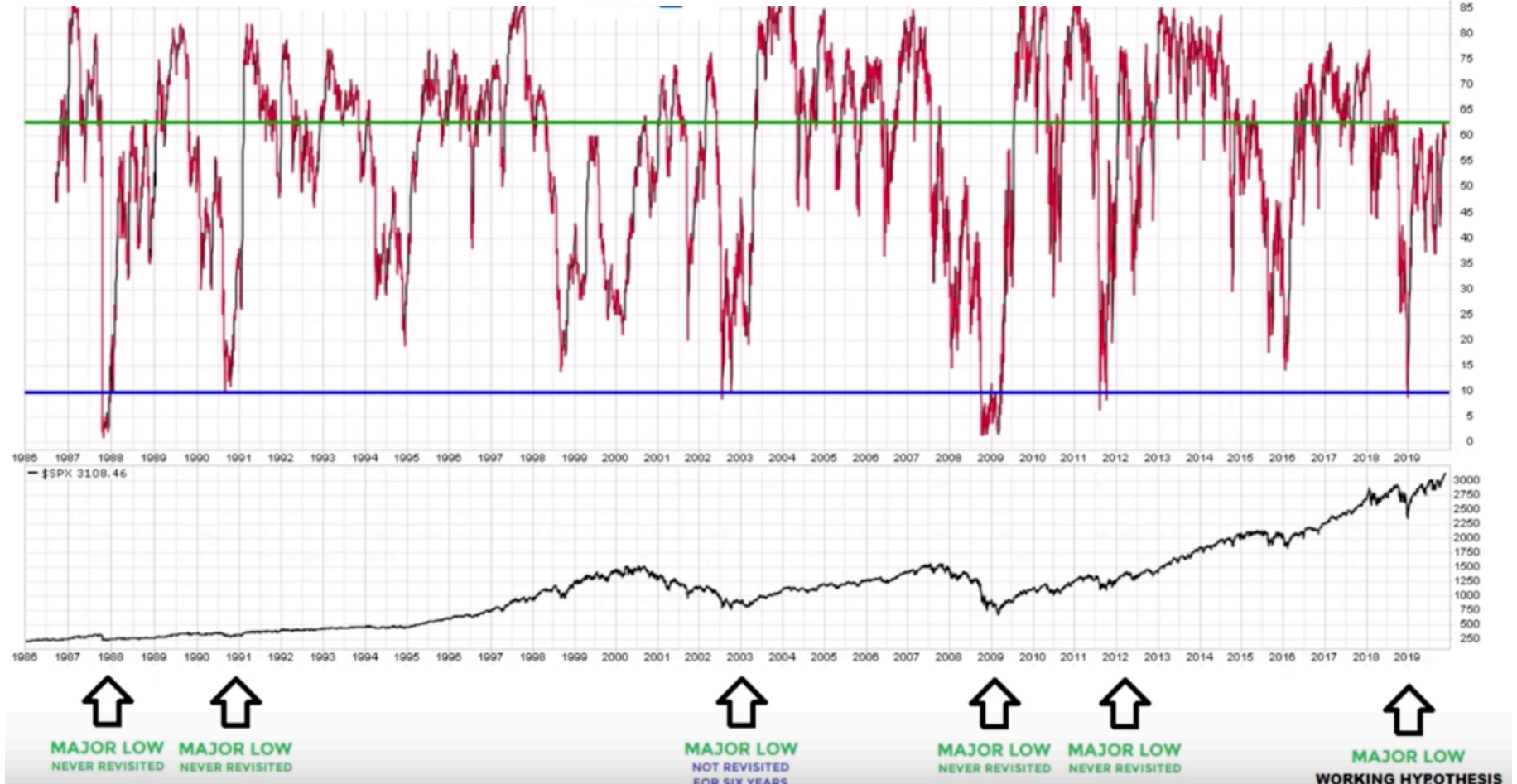
- Index Investing Has Become The Most Popular Strategy for DIY Investors
  - Low Risk - ETFs provide diversification
  - Returns as Good as the Market
  - Low Cost
  - Buy & Hold is Easy, not time consuming
- Made Profitable by a Long Term Trending Bull Market
  - When the Bull Market Turns is Key to using this Strategy
  - Many Other Strategies Apply in Sideways and Down Markets



So Can we Count on this Bull Market to Continue? How Long?

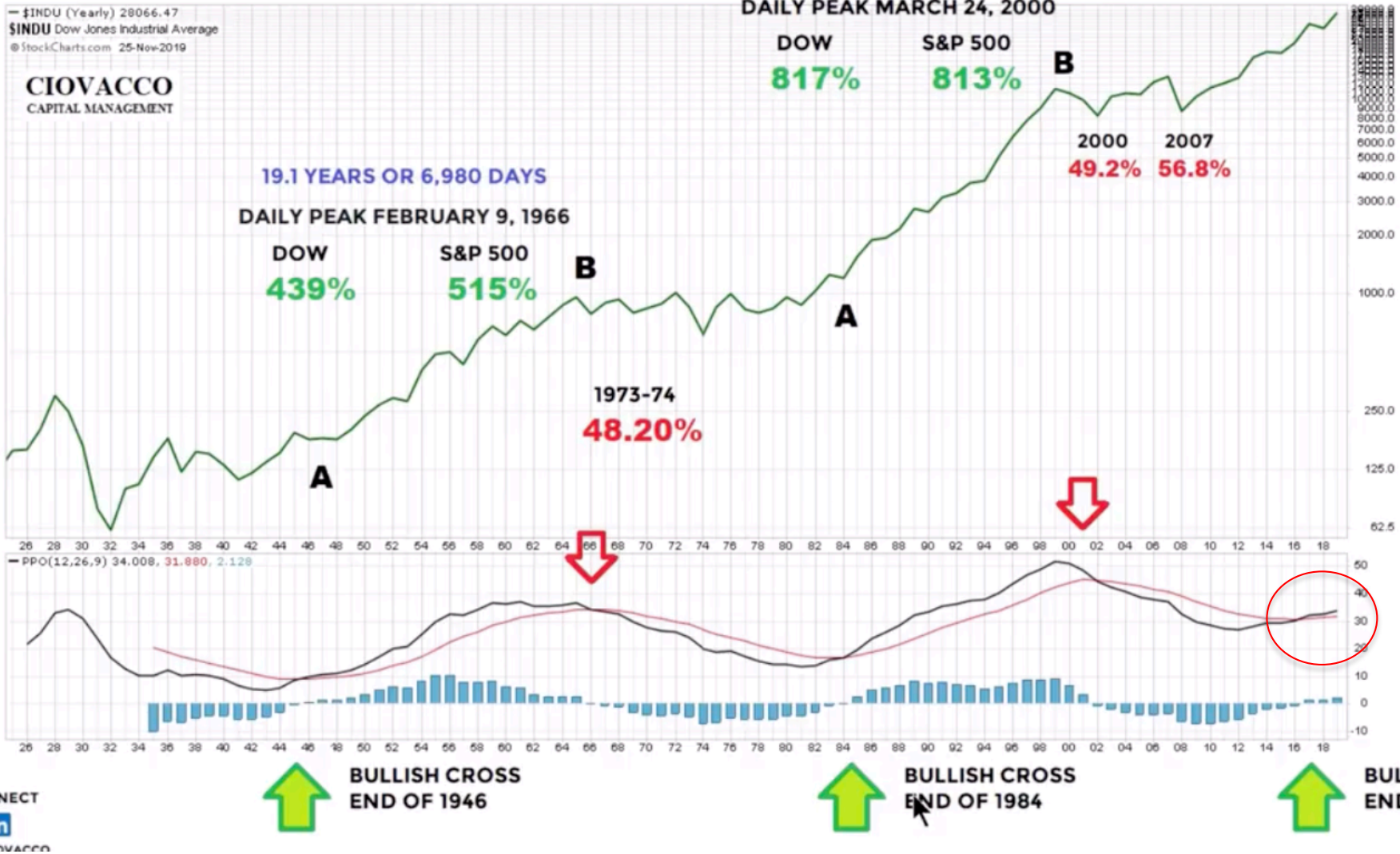
# % NY Stocks Above 200 DMA Show Major Lows

Daily Data from 1986 – 2019 Shows Major S&P500 Lows including Dec 2018. These Lows Held (Never Repeated, except for 2002 and then took 6 years)



# Annual PPO Crossings Show Secular Bulls

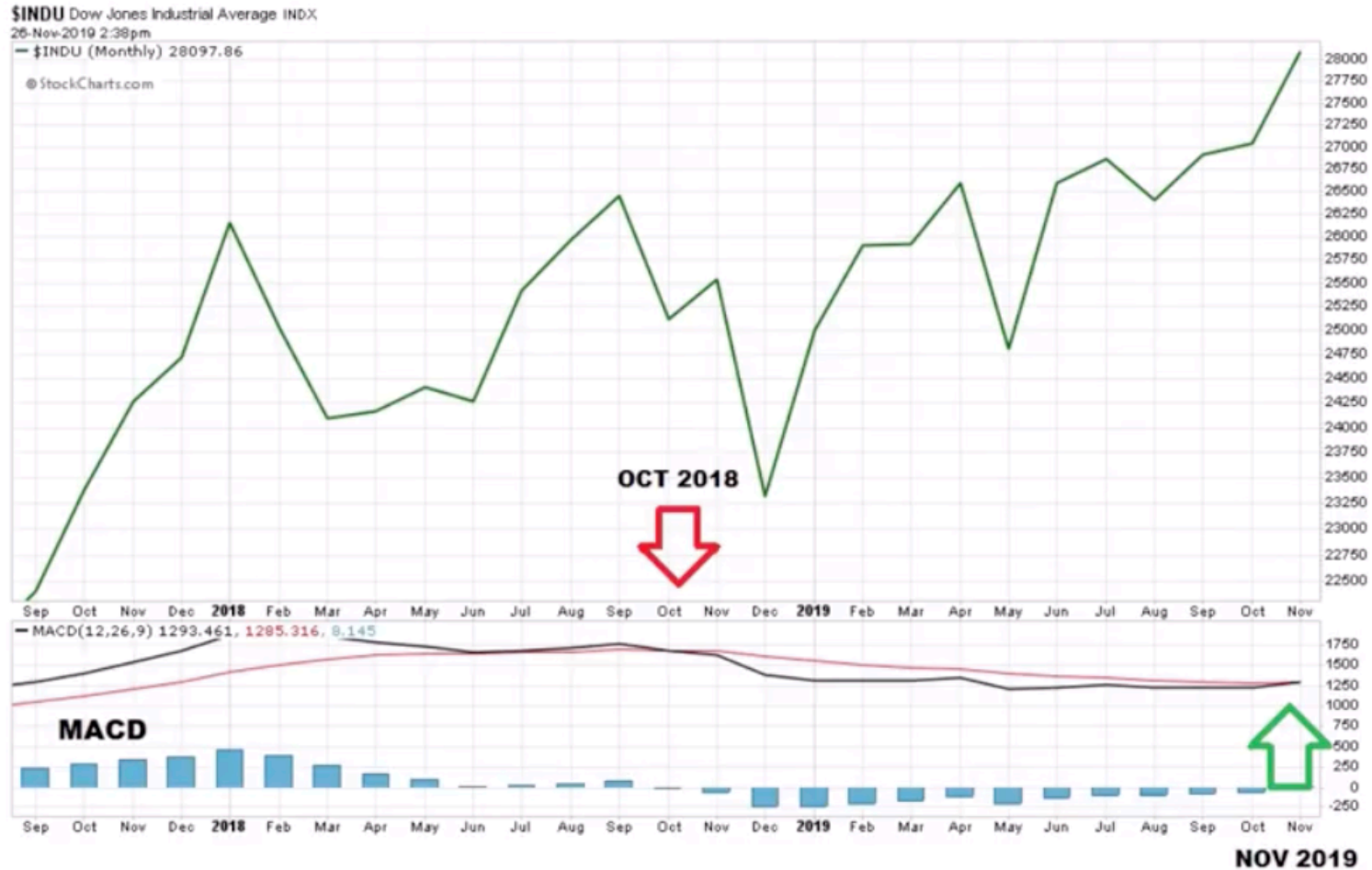
## DOW 1926-2019





# MACD Crossing Shows Up Trend

## DOW MONTHLY 2017-2019



**BELOW FOR 390 CALENDAR DAYS**



# The 'great rotation' will arrive in 2020 and bring another strong year for stocks, JP Morgan says

MarketWatch

Published: Nov 25, 2019 11:33 a.m. ET

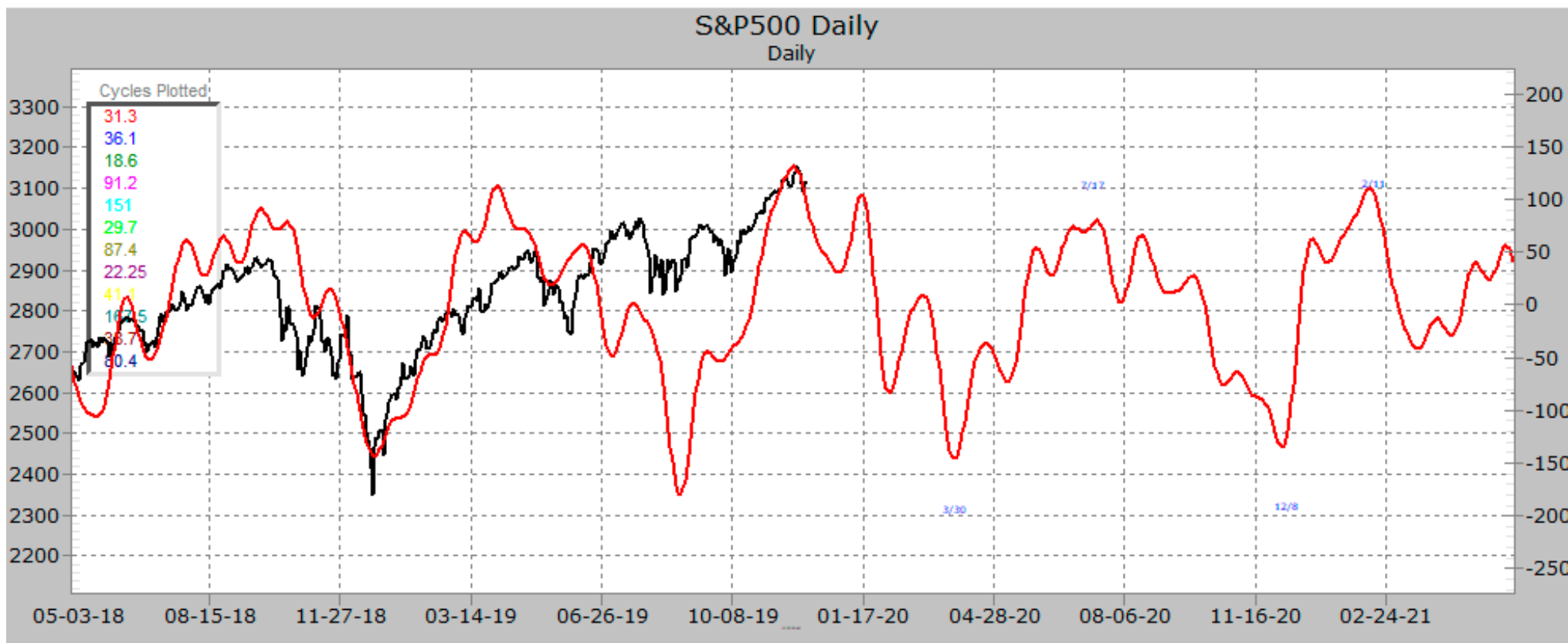
In our call of the day, JP Morgan analysts said 2020 could be the year of the “great rotation” – retail investors abruptly shifting away from bond funds to buying equity funds, last seen in 2013.

Analysts said the “extremely cautious stance” of retail investors this year had been puzzling and acted as a drag for equity markets.

Years of high bond flows, such as 2012 and 2017 – and now 2019 – have typically been followed by weak bond fund flows the following year, analysts said.

JP Morgan analyst Nikolaos Panigirtzoglou said: “Given this year proved to be a strong year for equity markets, helped by institutional investors, then we should see retail investors responding to this year’s equity market strength by turning [into] big buyers of equity funds in 2020. This suggests 2020 could be another strong year for equities driven by retail rather than institutional investors,”

# TechSignal's One Year Look Ahead



Composite cycle shows a decline into the new year with a bottom at 3/30/2020, Then an uptrend to peak on 7/17/2020, a bottom around 12/8/2020 and a peak on 2/11/2021. Amplitude of the composite swings are not significant.

# Conclusions

- No conclusive signs that the Bull Market is over.
- Historical Patterns are Positive for the Bull to continue
  - Next Major Low not for years
  - PPO Cross shows continuing Secular Bull
  - MACD Up Signal
- Political and Economic News will have short term impacts



# Income Investing using Indexed ETFs

Given That the Secular Bull Market will continue, What are Profitable Investing Strategies to consider?

Popular Passive (DIY) Income Investing Strategies

- Fixed Income Funds cover the Bond market including:
  - Government bonds, TIPs
  - Corporate bonds
  - Junk bonds
  - International bonds
  - Munis
- Dividend Stock Funds that use various indexes of dividend stocks
  - Dividend Stocks usually are less volatile, but are subject to ups and downs of market and have inherent market risk.
- Preferred Stock Funds
- REITs

# Top Bond ETFs by 5 yr Returns

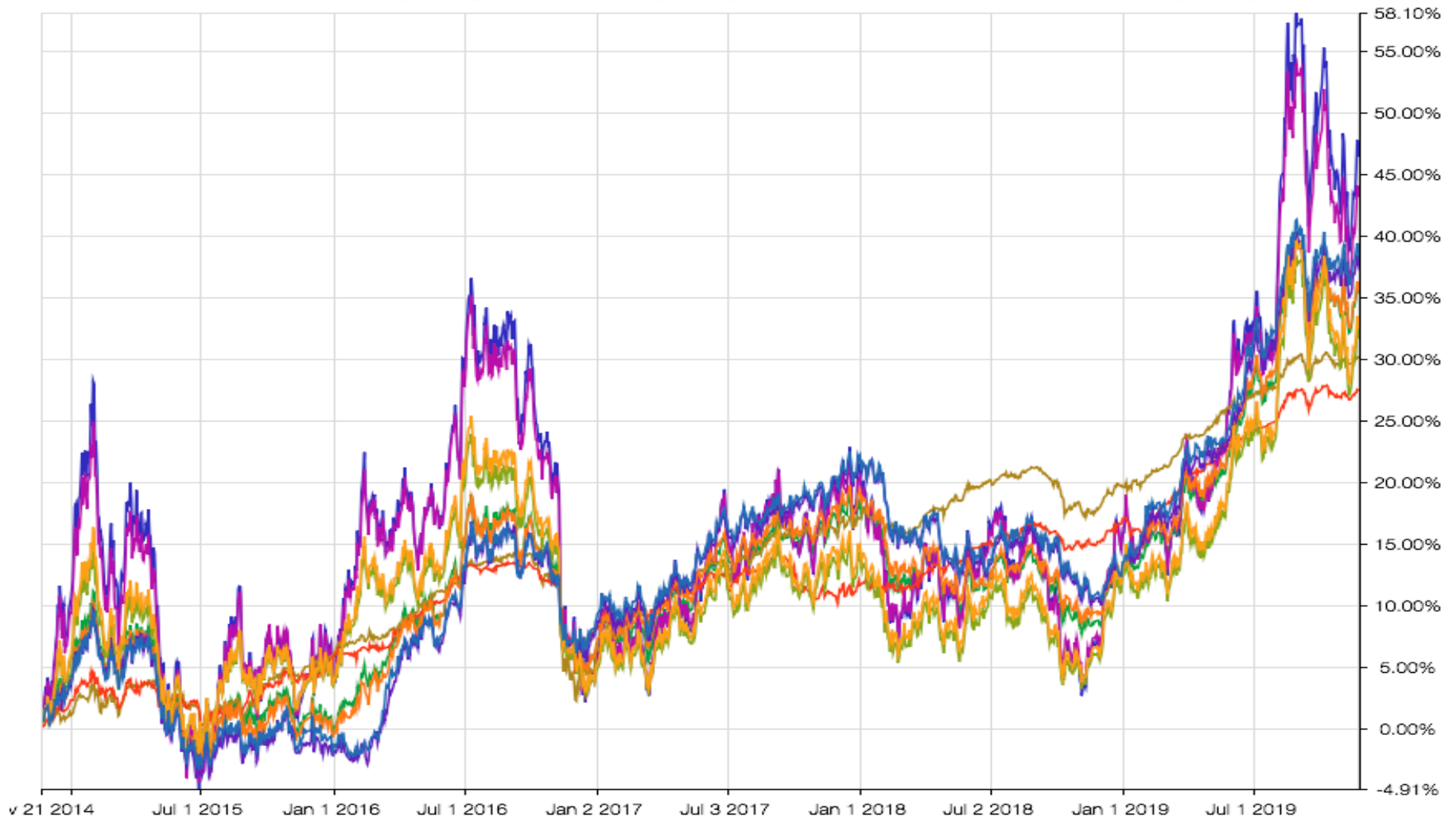
TOP BONDS 5YR (10 rows with 1 active filter)							Quotes (0)	Add Column
Views	Profile	Portfolio Performance	Current Returns	Historical Returns	Returns vs. S&P 500	Historical Valuation	Momentu	
Ticker	Company	Return (5 Years)	1-Month Return	3-Month Return	Div. Yield	1-Year Return	3-Year Return	5-Year Return
HYD	Eck Vectors High-Yield Municipal Inde...	30.0%	0.5%	0.4%	3.9%	10.7%	24.3%	30.0%
VCLT	guard Long-Term Corporate Bond Ind...	38.5%	1.0%	0.1%	3.9%	25.6%	29.9%	38.5%
HYMB	DR Nuveen S&P High Yield Municipal ...	27.3%	0.4%	0.4%	3.8%	11.0%	20.6%	27.3%
SPLB	DR Portfolio Long Term Corporate Bon...	37.4%	1.0%	0.1%	3.7%	25.0%	29.6%	37.4%
ILTB	ares Core 10+ Year USD Bond ETF	35.4%	1.0%	-0.5%	3.4%	24.4%	28.3%	35.4%
BLV	guard Long-Term Bond Index Fund ET...	35.0%	0.7%	-0.9%	3.3%	24.9%	27.8%	35.0%
EDV	guard Extended Duration Treasury Ind...	42.0%	0.8%	-3.1%	2.4%	33.5%	33.7%	42.0%
SPTL	DR Portfolio Long Term Treasury ETF	30.9%	0.5%	-2.1%	2.3%	24.2%	24.2%	30.9%
TLT	ares 20+ Year Treasury Bond ETF	32.0%	0.6%	-2.1%	2.1%	24.7%	24.7%	32.0%
ZROZ	CO 25+ Year Zero Coupon U.S. Treas...	45.1%	1.3%	-2.6%	2.0%	37.7%	36.9%	45.1%
<b>Summary</b>		<b>36.4%</b>	<b>0.8%</b>	<b>-1.4%</b>	<b>2.9%</b>	<b>25.8%</b>	<b>28.9%</b>	<b>36.4%</b>

Reduced selection to the 10 ETFs with highest Annual Yield % for comparison.

# Top Bond ETF Performance Comparison

Dividend Adjusted Return Nov 21, 2014 - Nov 22, 2019

ZROZ 140.32 (+46.9%) \* BLV 101.56 (+35.7%) \* EDV 137.16 (+43.4%) \* HYD 64.22 (+30.2%) \* HYMB 59.00 (+27.4%) \*  
ILTB 68.80 (+36.2%) \* SPLB 29.99 (+38.2%) \* SPTL 40.14 (+31.6%) \* TLT 139.90 (+32.8%) \* VCLT 100.96 (+39.2%) \*



# Top 10 Dividend Stock ETFs

DIV STOCKS (10 rows with 1 active filter)						Quotes (0)	Add Column	Ac
Views	Profile	Portfolio Performance	Current Returns	Historical Returns	Returns vs. S&P 500	Historical Valuation	Momentum	
Ticker	Company	Return (5 Years)	1-Month Return	3-Month Return	Div. Yield	1-Year Return	3-Year Return	5-Year Return
FDL	First Trust Morningstar Dividend Leaders I...	57.5%	2.4%	8.4%	4.8%	15.6%	32.0%	57.5%
RDIV	Invesco S&P Ultra Dividend Revenue ETF	56.0%	0.7%	8.9%	4.4%	8.7%	27.6%	56.0%
SPHD	Invesco S&P 500 High Dividend Low Volat...	59.5%	0.5%	6.5%	4.3%	10.6%	26.0%	59.5%
DVY	iShares Select Dividend ETF	54.5%	0.9%	6.3%	3.7%	12.2%	30.7%	54.5%
VYM	Vanguard High Dividend Yield Index Fund ...	52.4%	2.4%	6.8%	3.5%	13.2%	35.2%	52.4%
SCHD	Schwab U.S. Dividend Equity ETF	62.2%	2.5%	7.5%	3.4%	17.7%	43.9%	62.2%
SDY	SPDR S&P Dividend ETF	62.5%	1.3%	6.8%	2.6%	13.7%	38.0%	62.5%
DGRO	iShares Core Dividend Growth ETF	73.8%	3.5%	8.0%	2.5%	19.5%	53.8%	73.8%
TDIV	First Trust NASDAQ Technology Dividend I...	68.8%	3.5%	8.0%	2.4%	22.9%	52.6%	68.8%
DTD	WisdomTree U.S. Total Dividend Fund	56.7%	2.8%	7.3%	2.2%	16.8%	40.0%	56.7%
<b>Summary</b>		<b>59.0%</b>	<b>2.0%</b>	<b>7.2%</b>	<b>3.2%</b>	<b>14.7%</b>	<b>37.1%</b>	<b>59.0%</b>

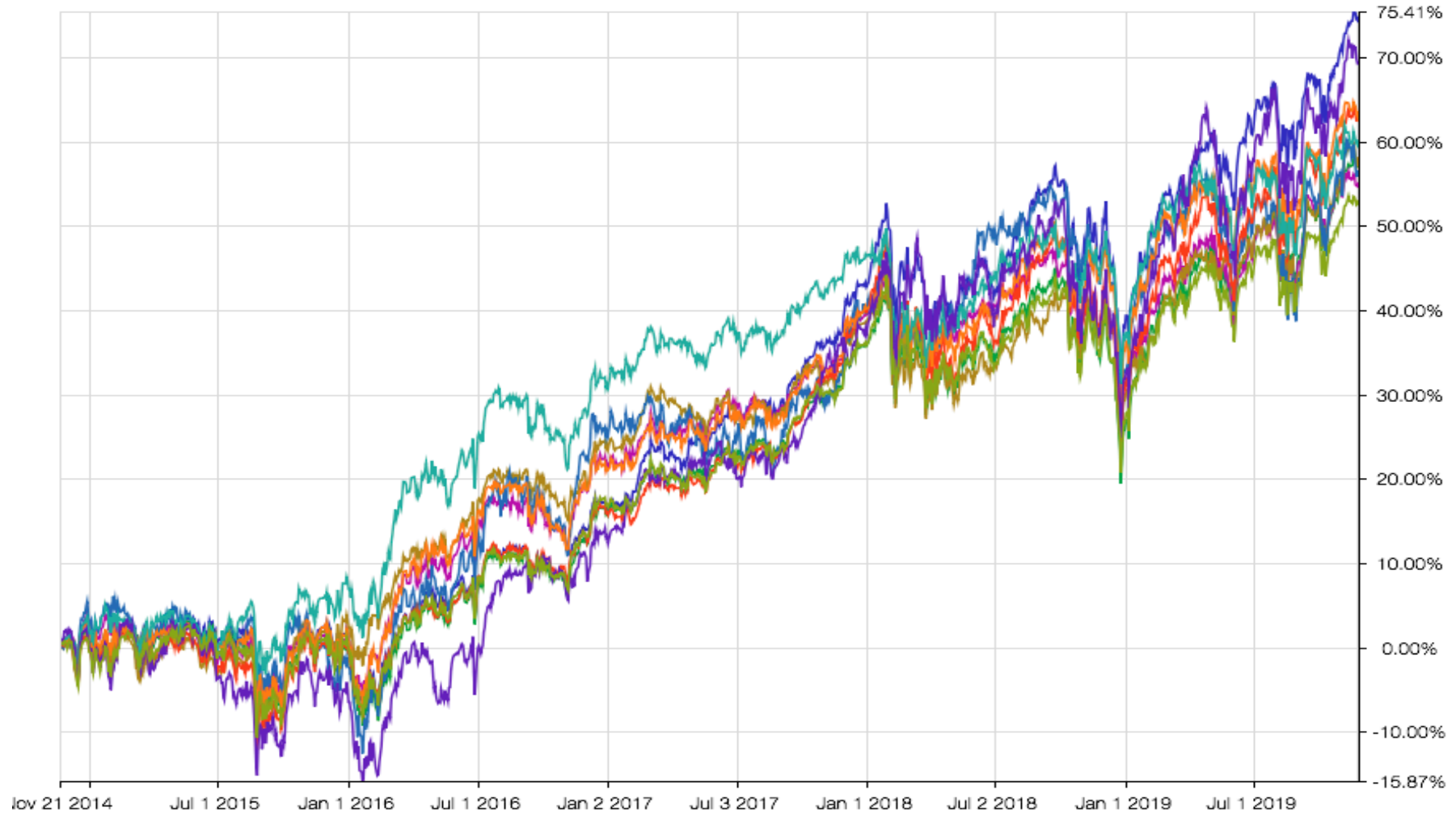
Reduced selection to the 10 ETFs with highest Annual Yield % for comparison.



# Top 10 Dividend Stock ETF Performance Comparison

Dividend Adjusted Return Nov 21, 2014 - Nov 22, 2019

DGRO 40.87 (+74.8%) \* DTD 102.63 (+57.4%) \* DVY 103.32 (+55.2%) \* FDL 32.20 (+58.2%) \* RDIV 38.36 (+56.6%) \*  
SCHD 56.61 (+62.9%) \* SDY 105.50 (+63.6%) \* SPHD 42.88 (+60.2%) \* TDIV 41.63 (+69.4%) \* VYM 91.25 (+53.1%) \*



# Top Preferred Stock ETFs

Symbol	Name	ETFdb Cate	Ann Div %	Issuer	Price	1 Yr Rtrn	3 Yr Rtrn	5 Yr Rtrn	Div Freq
PFF	iShares Preferred and Income	Preferred Sto	5.62%	iShares	\$37.19	11.09%	17.82%	20.71%	Monthly
PSK	SPDR Wells Fargo Preferred St	Preferred Sto	5.82%	State Street	\$43.74	13.83%	21.67%	31.38%	Monthly
PFXF	VanEck Vectors Preferred Secu	Preferred Sto	5.27%	VanEck	\$20.05	14.60%	23.32%	28.37%	Monthly

Dividend Adjusted Return Nov 21, 2014 - Nov 22, 2019

PFF 37.19 (+24.2%) \* PFXF 20.05 (+28.8%) \* PSK 43.74 (+31.5%) \* S&P 500 3110.29 (+67.4%) \*



# TOP 10 REIT ETFs

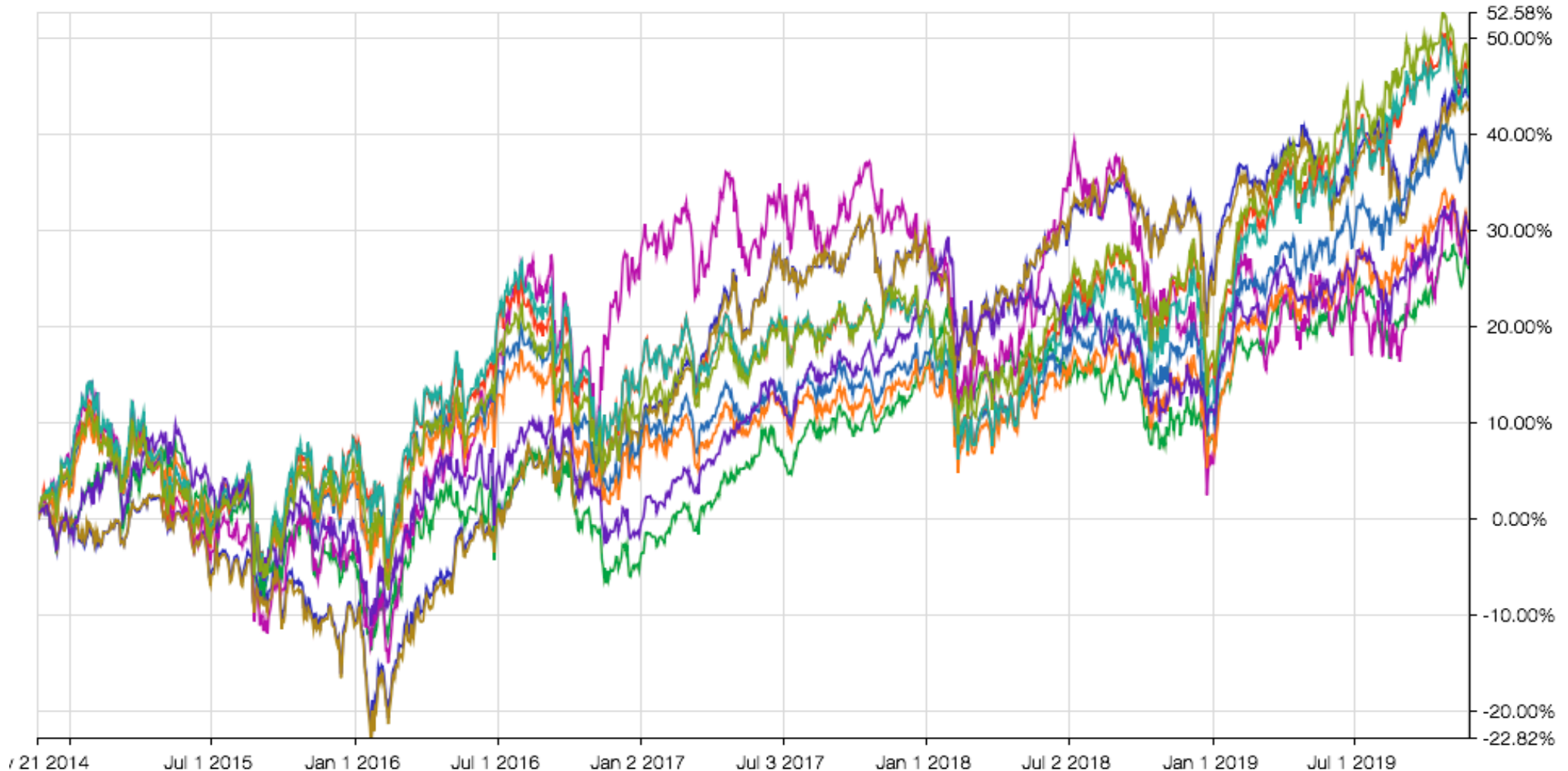
REIT ETFs (10 rows with 1 active filter)						Quotes (0)	Add Column	Ad
Views	Profile	Portfolio Performance	Current Returns	Historical Returns	Returns vs. S&P 500	Historical Valuation	Momentum	
Ticker	Company	Return (5 Years)	1-Month Return	3-Month Return	Div. Yield ↓	1-Year Return	3-Year Return	5-Year Return
REM	iShares Mortgage Real Estate Capped ETF	44.4%	0.4%	5.8%	8.6%	10.4%	33.0%	44.4%
IFGL	iShares International Developed Real Esta...	24.9%	-1.1%	4.8%	7.7%	14.6%	32.9%	24.9%
KBWY	Invesco KBW Premium Yield Equity REIT ...	26.1%	-3.6%	6.0%	7.1%	5.8%	3.4%	26.1%
MORT	VanEck Vectors Mortgage REIT Income ETF	42.6%	0.0%	5.6%	6.6%	9.3%	31.3%	42.6%
REET	iShares Global REIT ETF	35.8%	-2.6%	3.0%	3.7%	16.9%	31.4%	35.8%
USRT	iShares Core U.S. REIT ETF	43.6%	-3.5%	1.4%	3.4%	16.8%	31.2%	43.6%
RWO	SPDR Dow Jones Global Real Estate ETF	28.5%	-3.0%	2.4%	3.3%	13.8%	26.4%	28.5%
VNQ	Vanguard Real Estate Index Fund ETF Sh...	43.0%	-3.6%	0.3%	3.3%	18.5%	30.5%	43.0%
WPS	iShares International Developed Property ...	29.0%	-1.3%	4.6%	3.0%	15.0%	31.7%	29.0%
IYR	iShares U.S. Real Estate ETF	45.6%	-3.5%	0.0%	2.9%	18.0%	36.1%	45.6%
<b>Summary</b>		<b>37.9%</b>	<b>-2.6%</b>	<b>2.4%</b>	<b>4.4%</b>	<b>15.0%</b>	<b>29.6%</b>	<b>37.9%</b>

Reduced selection to the 10 ETFs with highest Annual Yield % for comparison.

# TOP 10 REIT ETF Performance Comparison

Dividend Adjusted Return Nov 21, 2014 - Nov 22, 2019

REM 43.30 (+44.1%) \* IFGL 30.24 (+25.8%) \* KBWY 30.42 (+26.3%) \* MORT 23.47 (+42.4%) \* REET 28.01 (+36.8%) \*  
USRT 54.56 (+44.6%) \* RWO 51.65 (+29.7%) \* VNQ 91.55 (+43.9%) \* WPS 39.19 (+29.9%) \* IYR 91.69 (+46.7%) \*



# Summary

- Samples of Various Income Producing ETFs were gathered using ETF Screening Tools (from ETFPro) to provide an overview of their performance over 5 years, and dividend yields.

ETF Group	5 Year Gain %
REITs	36.6
Preferred Stocks	28.18
Bond Funds	33.0
Dividend Paying Stocks	58.8
<i>Muni CEFs</i>	50.2
<i>Dividend Growth Stocks</i>	48.2
<i>ETFs High Momentum Screen</i>	99.8
<i>Large/Mid Cap Dividend Growth Stocks</i>	86.6
<i>S&amp;P500 Index</i>	67.4

For  
Comparison  
Details not  
discussed

# Comparison of ETF Group Performances

Dividend Adjusted Return Nov 21, 2014 - Nov 22, 2019

**REIT ETFs 138.63 (+38.6%) \***   
 **Preferred Stk ETFs 128.18 (+28.2%) \***   
 **TOP BONDS 5YR 133.04 (+33.0%) \***   
 **DIV STOCKS 158.83 (+58.8%) \***  
**Muni CEFs 150.23 (+50.2%) \***   
 **ETFs Dividend Growth 148.15 (+48.2%) \***   
 **ETFs Momentum 199.81 (+99.8%) \***  
**Large / Mid Cap Dividend growers 186.63 (+86.6%) \***   
 **S&P 500 3110.29 (+67.4%) \***   
 **20-Year Treasury 2.08 (-25.2%) \***

