

Market Review

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Jan 2020

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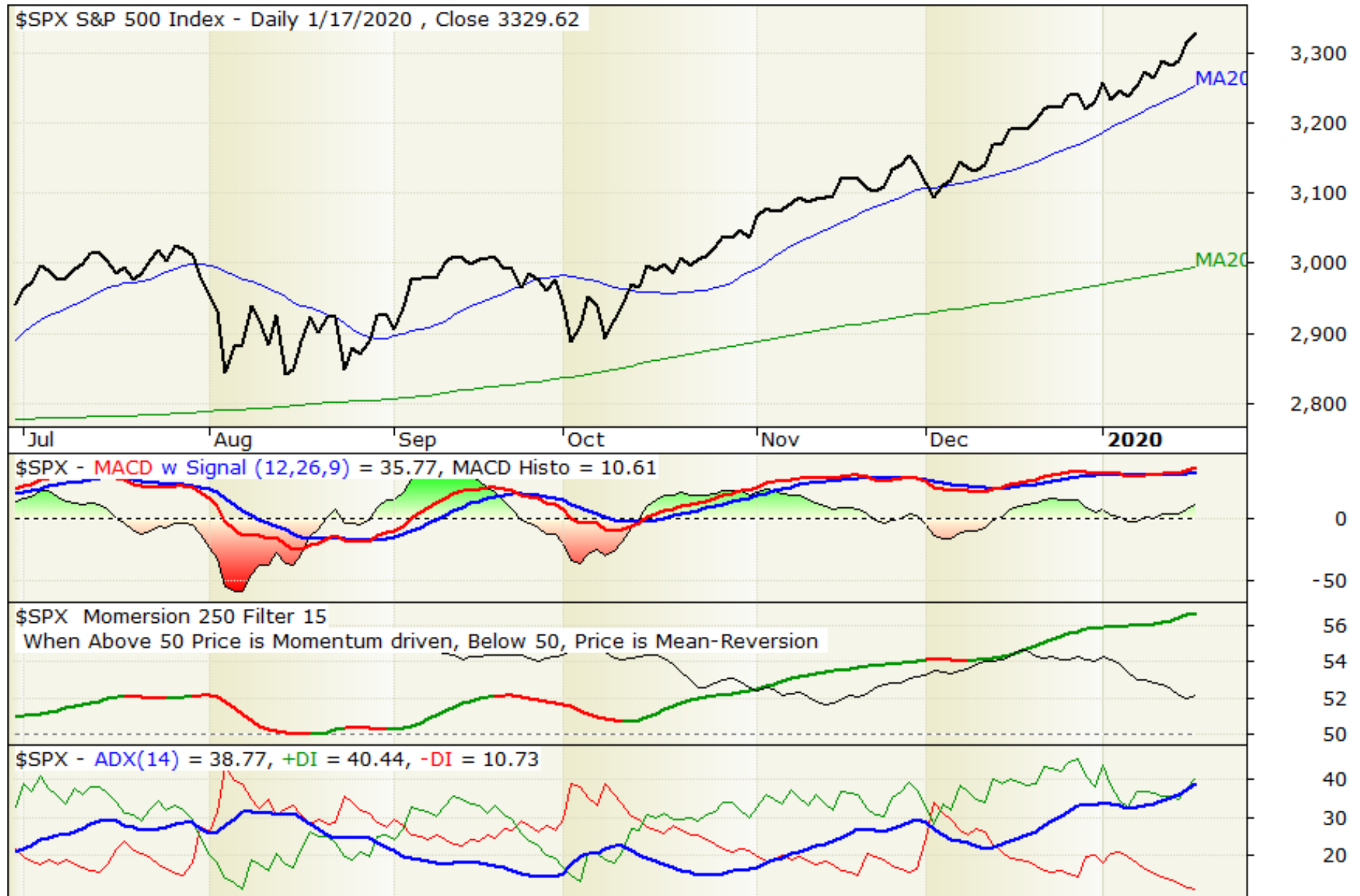
Topics Today

- Recent Market Actions
- What to Expect Next
- Global Risks
- Predictions for the New Decade
- 5G – Hot Growth Stocks
 - 3 Phase of Expansion
 - Key Stocks to Look at



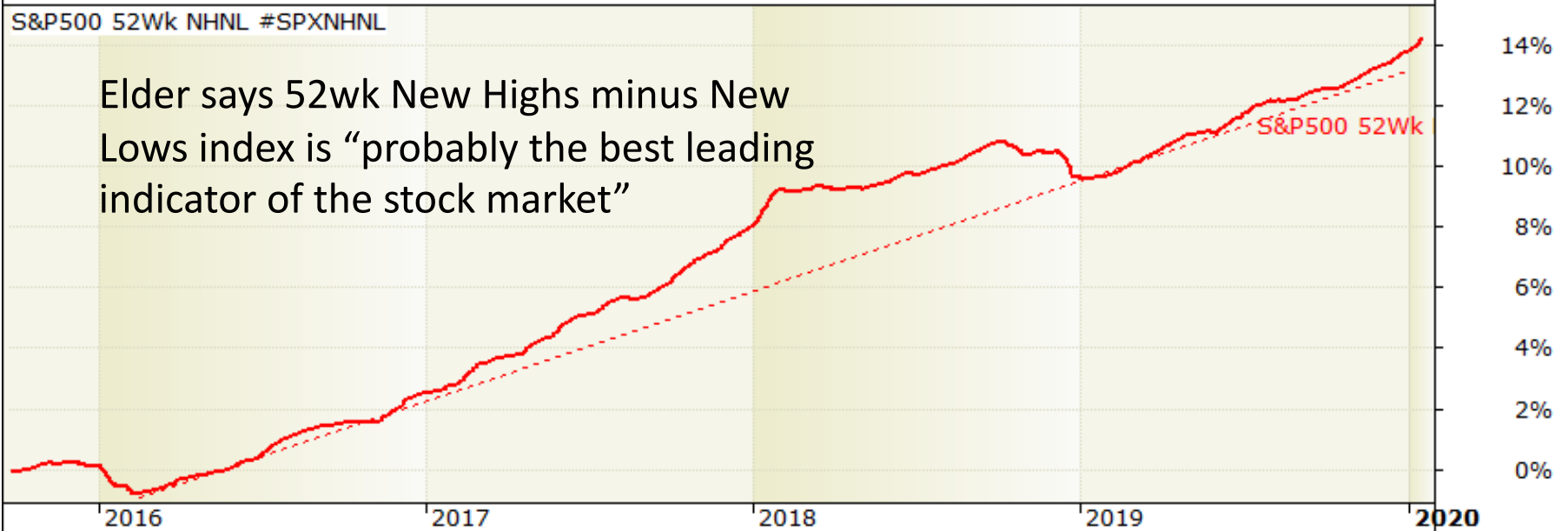
I See Lots of Surprises Ahead

S&P 500 - New Highs im Jan 2020



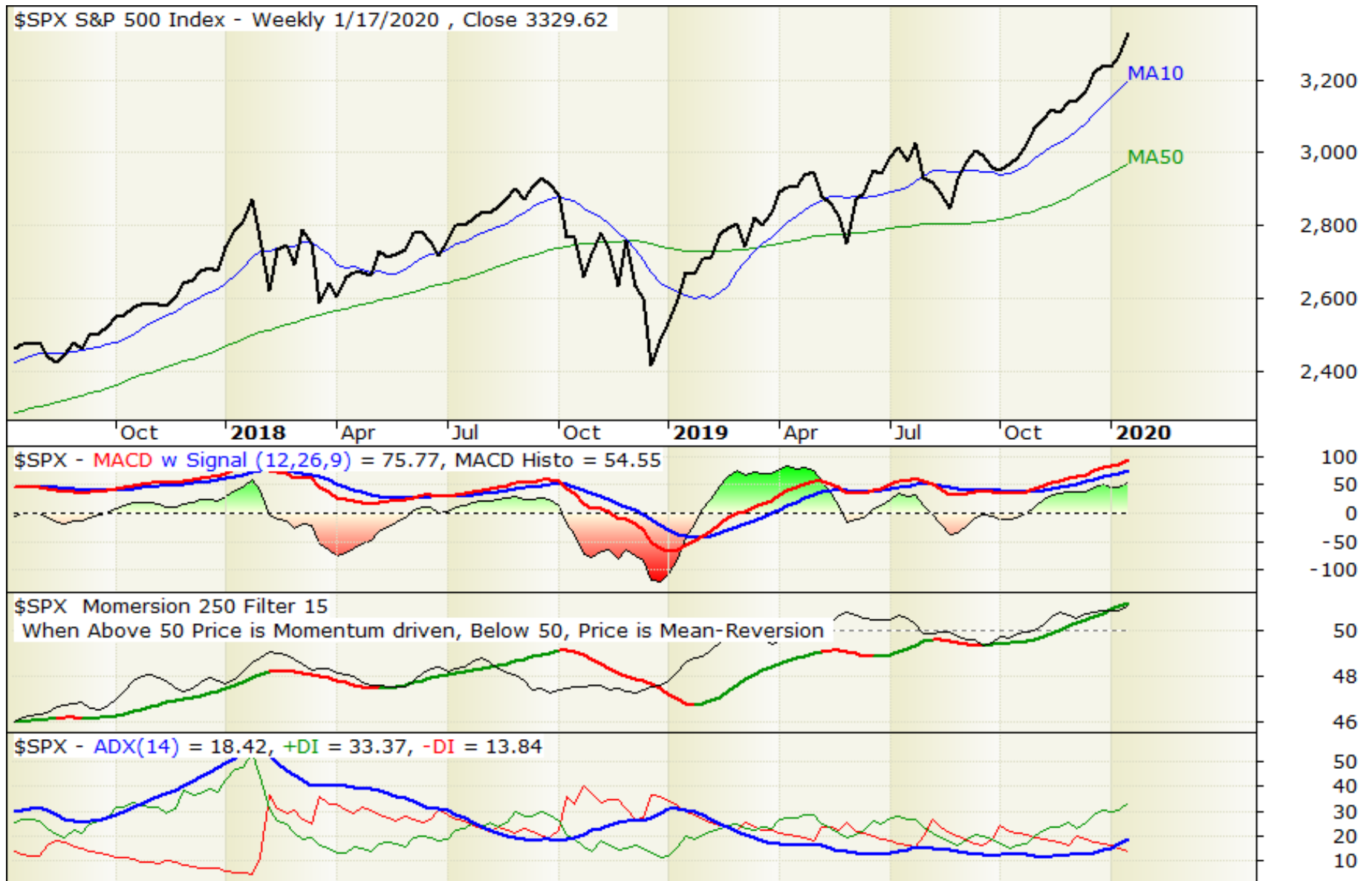
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S&P 500 - LT Trend Strong



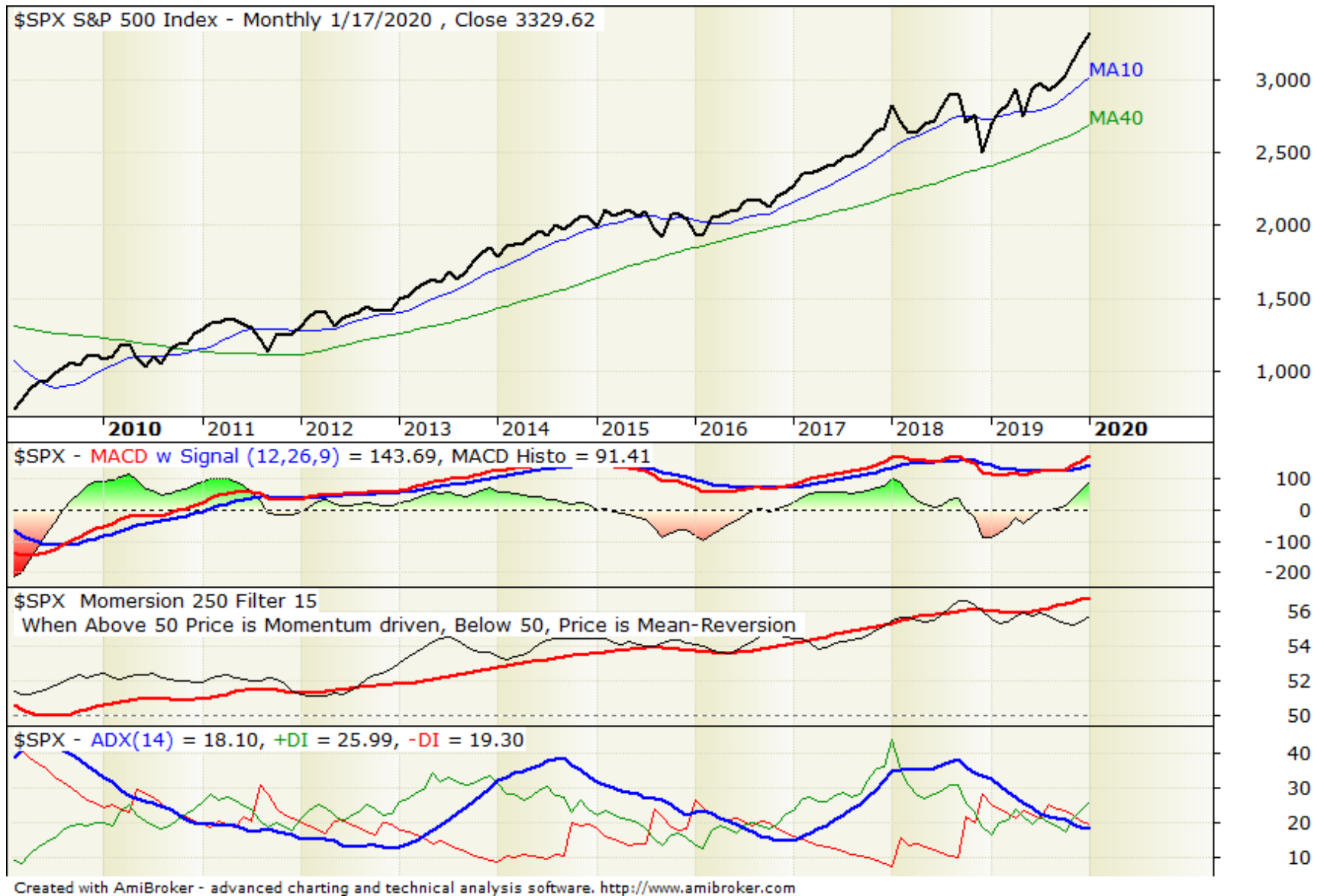
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S&P Weekly



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S&P 500 Monthly – Uptrend Continues



\$SPX S&P 500 Large Cap Index INDX

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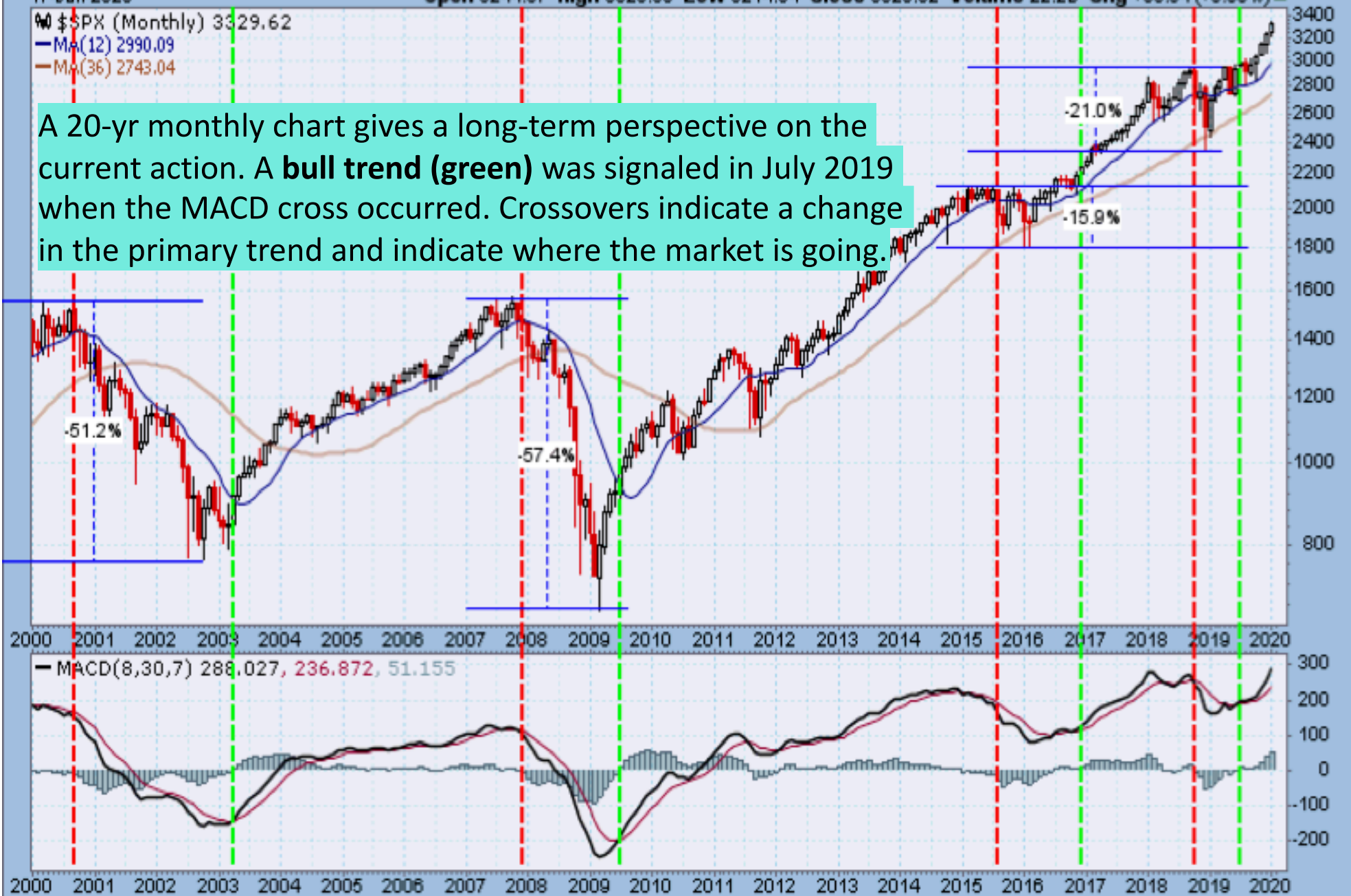
Open 3244.67 High 3329.88 Low 3214.64 Close 3329.62 Volume 22.2B Chg +98.84 (+3.06%) ▲

\$SPX (Monthly) 3329.62

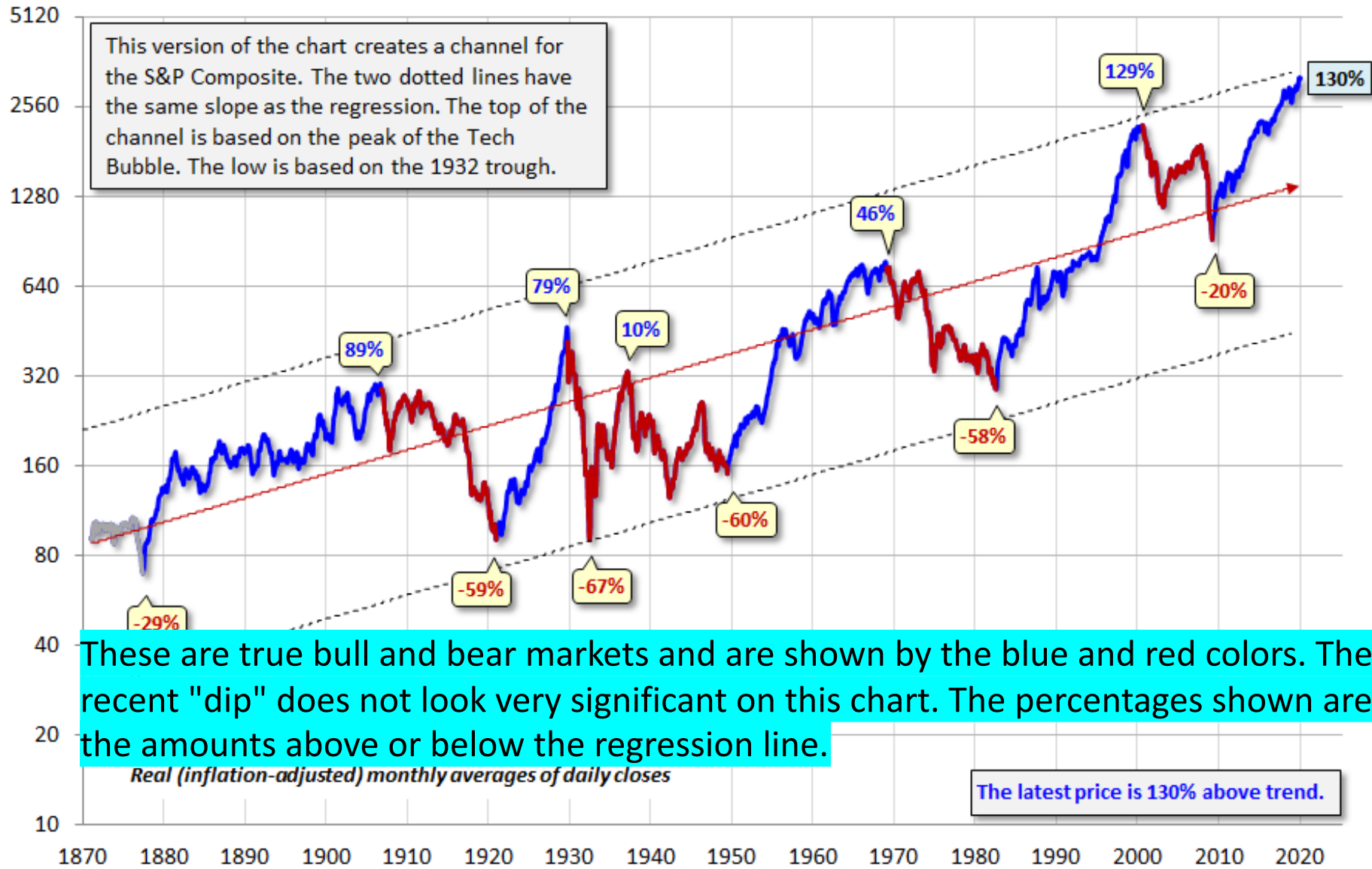
MA(12) 2990.09

MA(36) 2743.04

A 20-yr monthly chart gives a long-term perspective on the current action. A **bull trend (green)** was signaled in July 2019 when the MACD cross occurred. Crossovers indicate a change in the primary trend and indicate where the market is going.



S&P Historical Composite: 1871-Present Inflation-Adjusted Regression Channel



These are true bull and bear markets and are shown by the blue and red colors. The recent "dip" does not look very significant on this chart. The percentages shown are the amounts above or below the regression line.

Bullish % Increasing for S&P 500



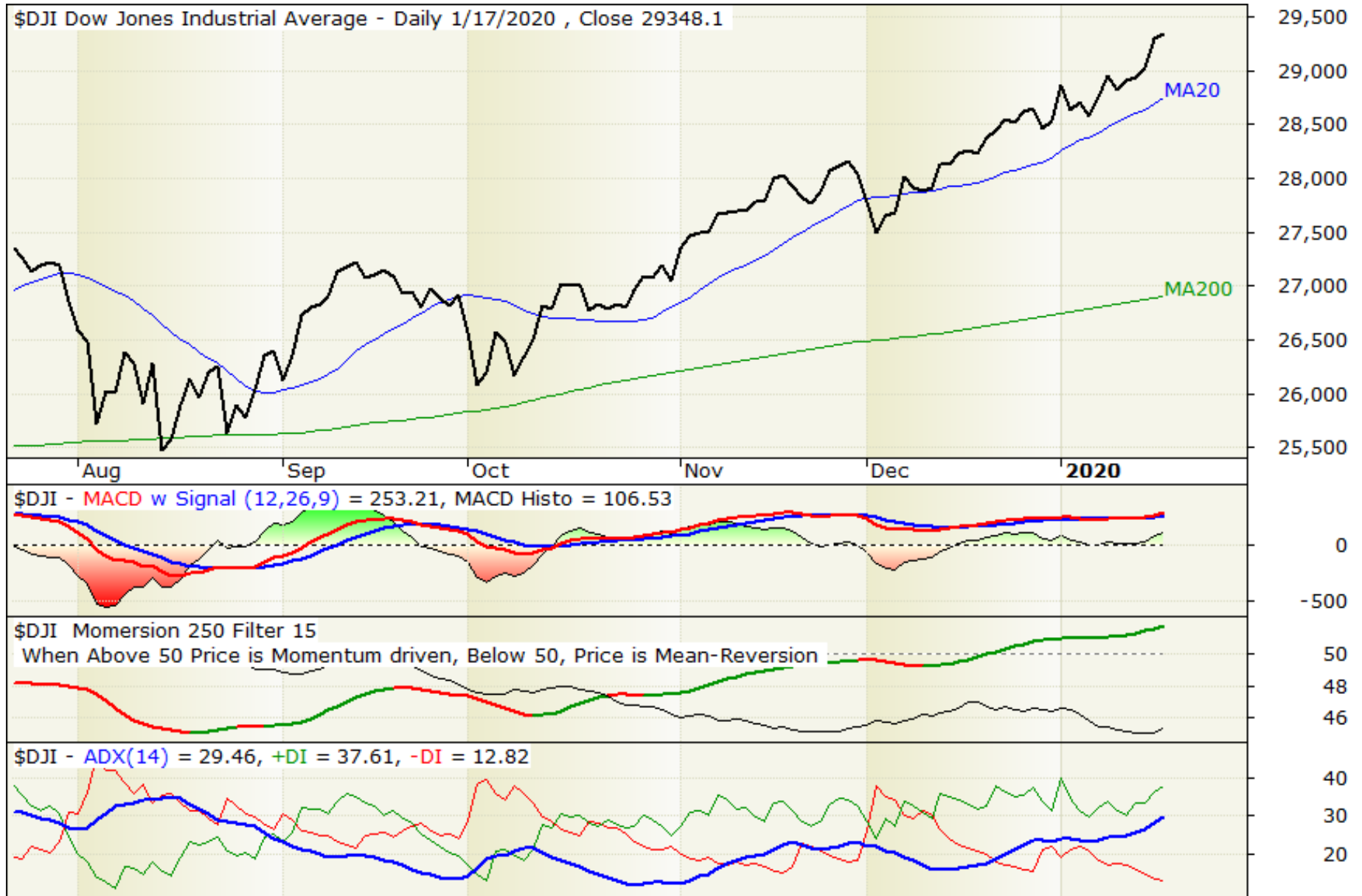
NY Sum Index (Red line)

Oscillating. Must Stay above 500 to Avoid a Correction



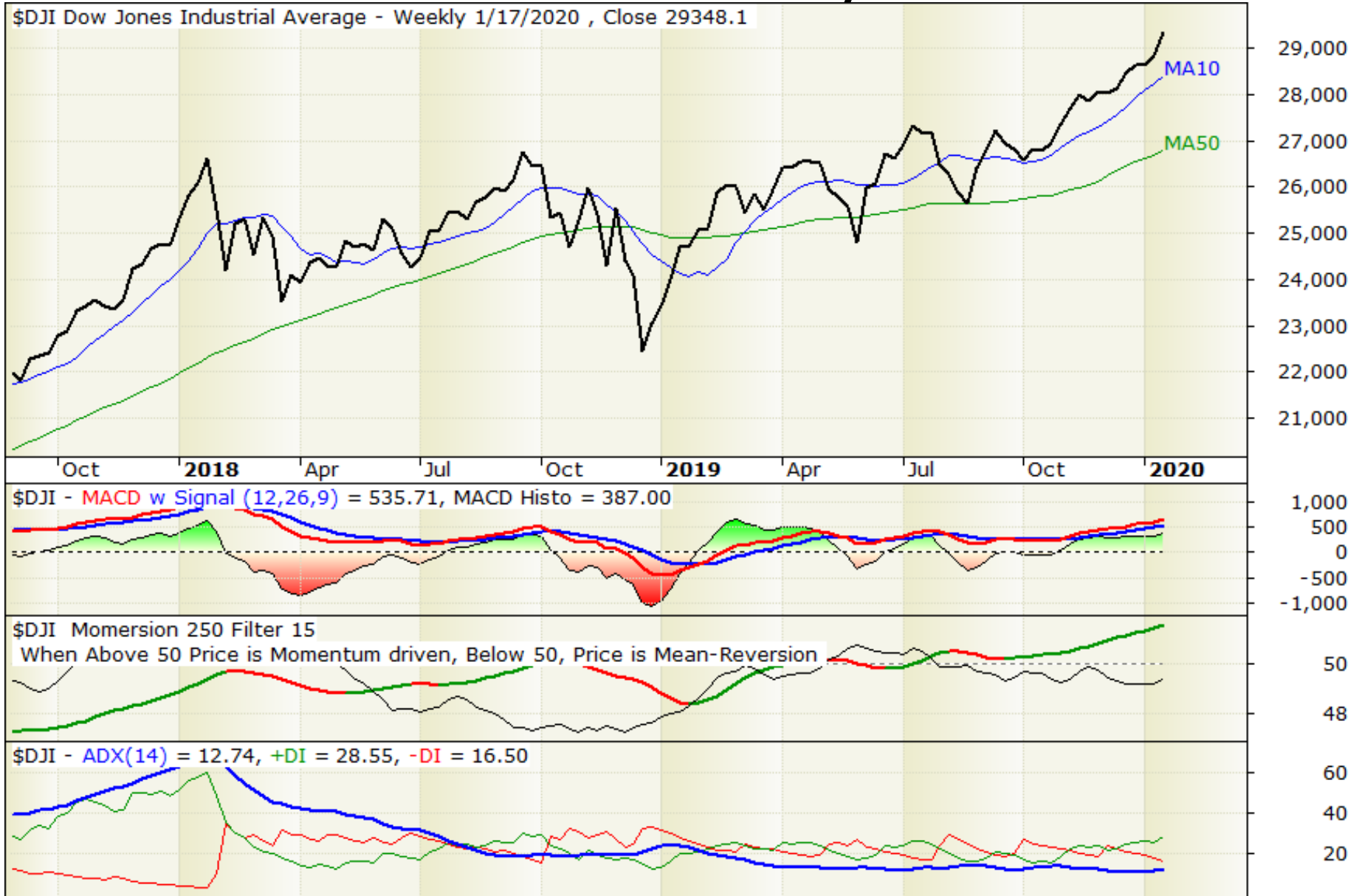
Pattern Strengthening from Last Month. Oscillating pattern for 6+ months indicates market strength is ok, slightly increasing.

Dow

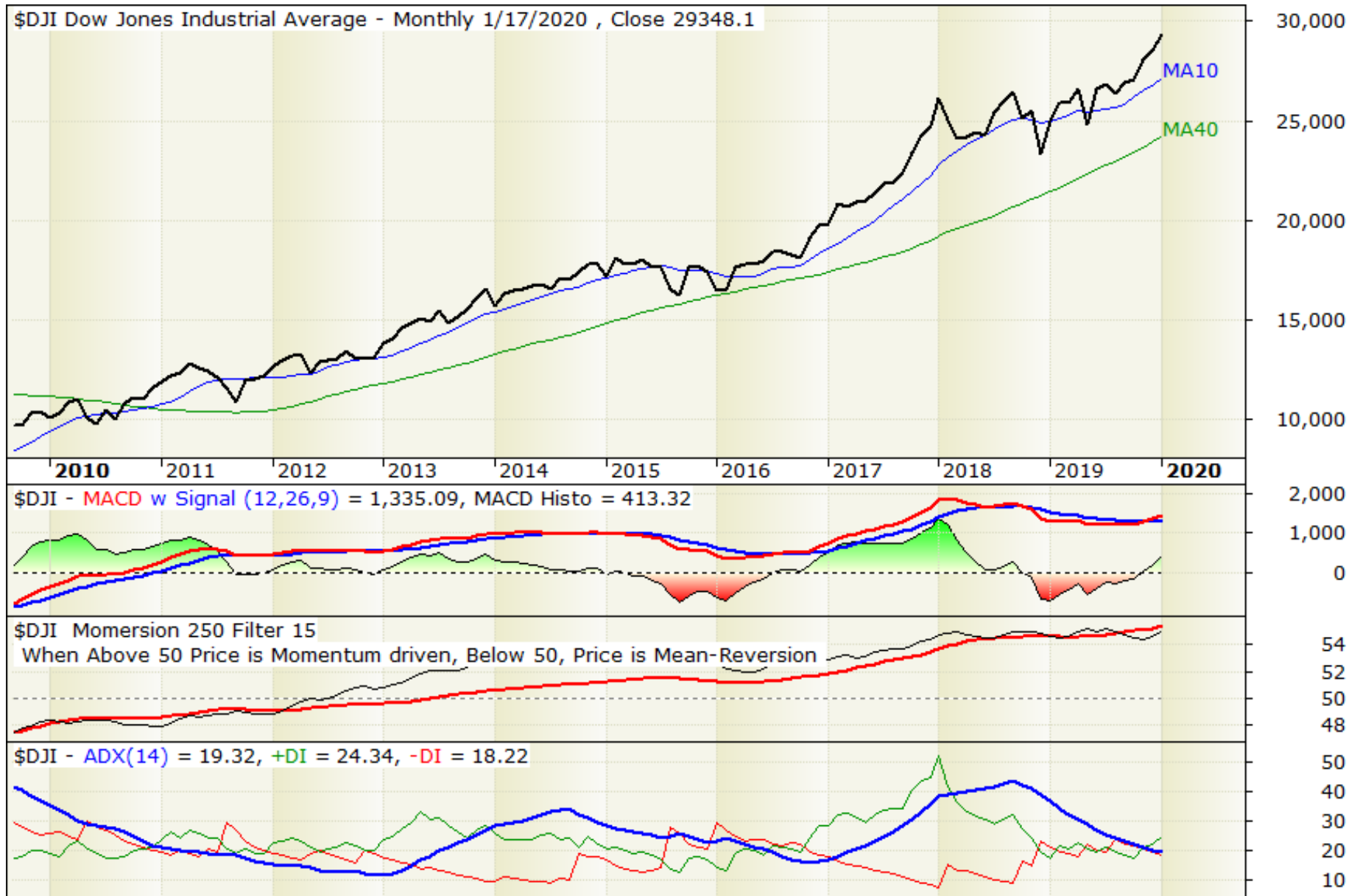


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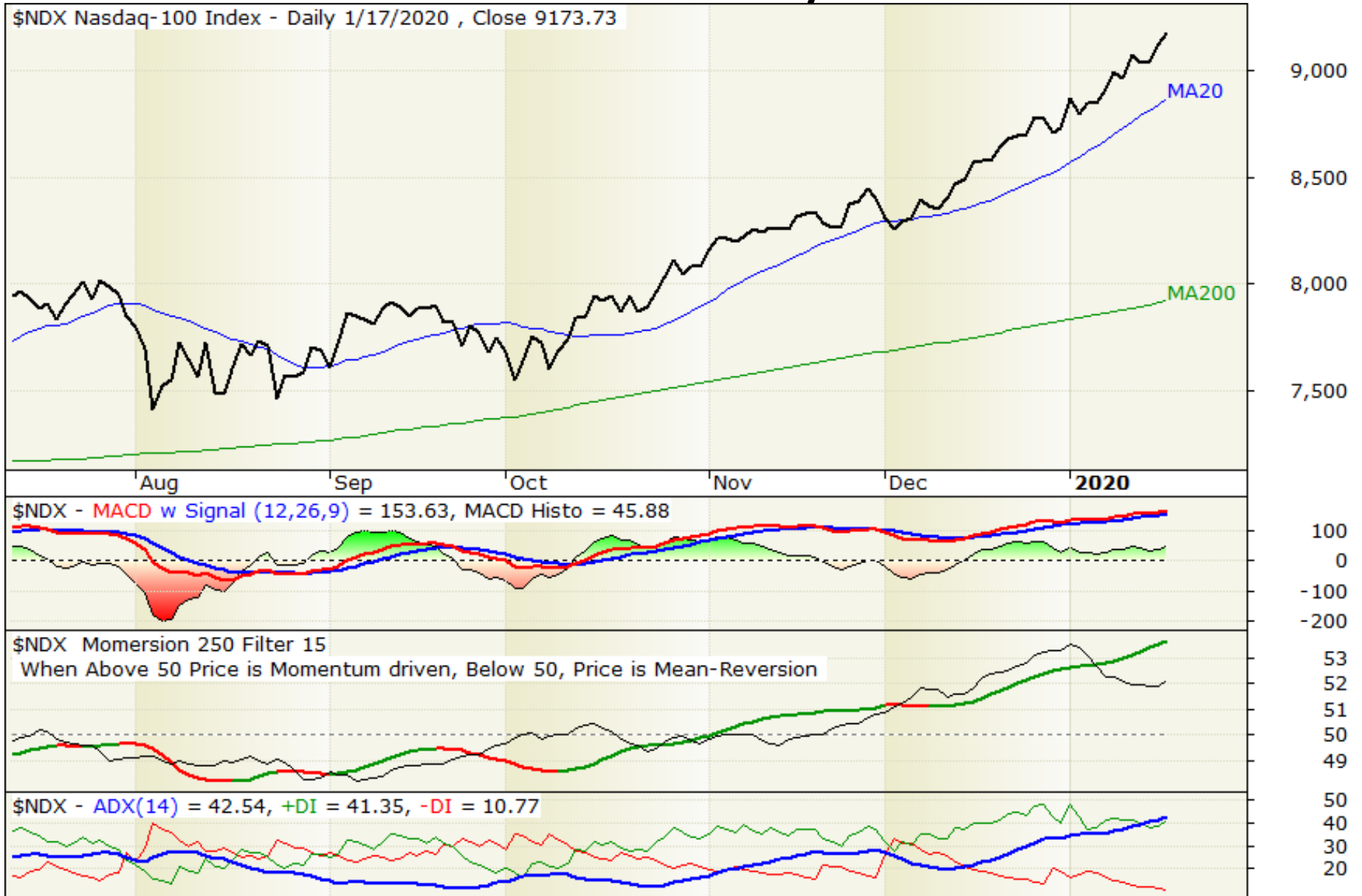
Dow Weekly



Dow Monthly

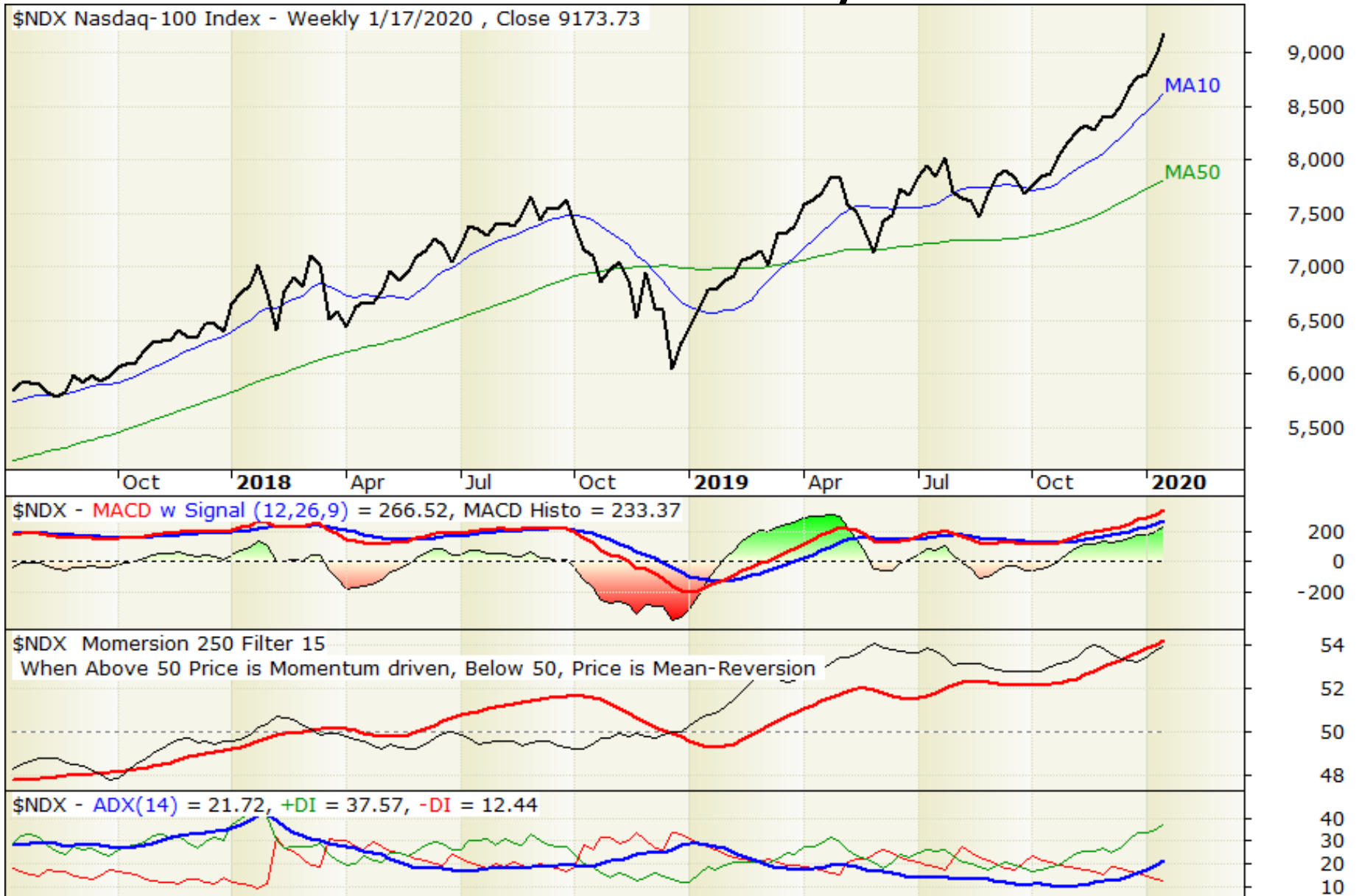


NDX Daily



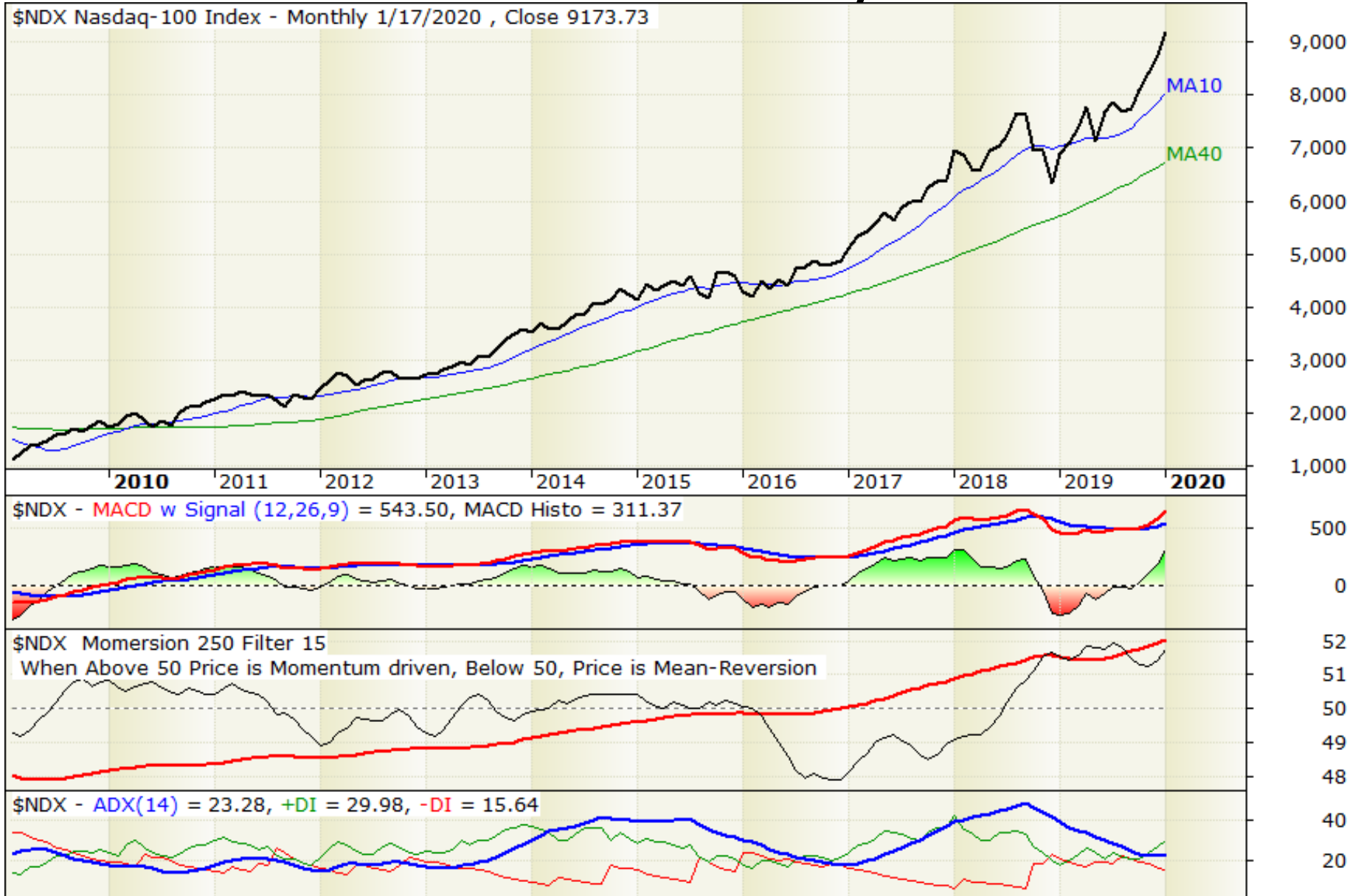
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NDX Weekly



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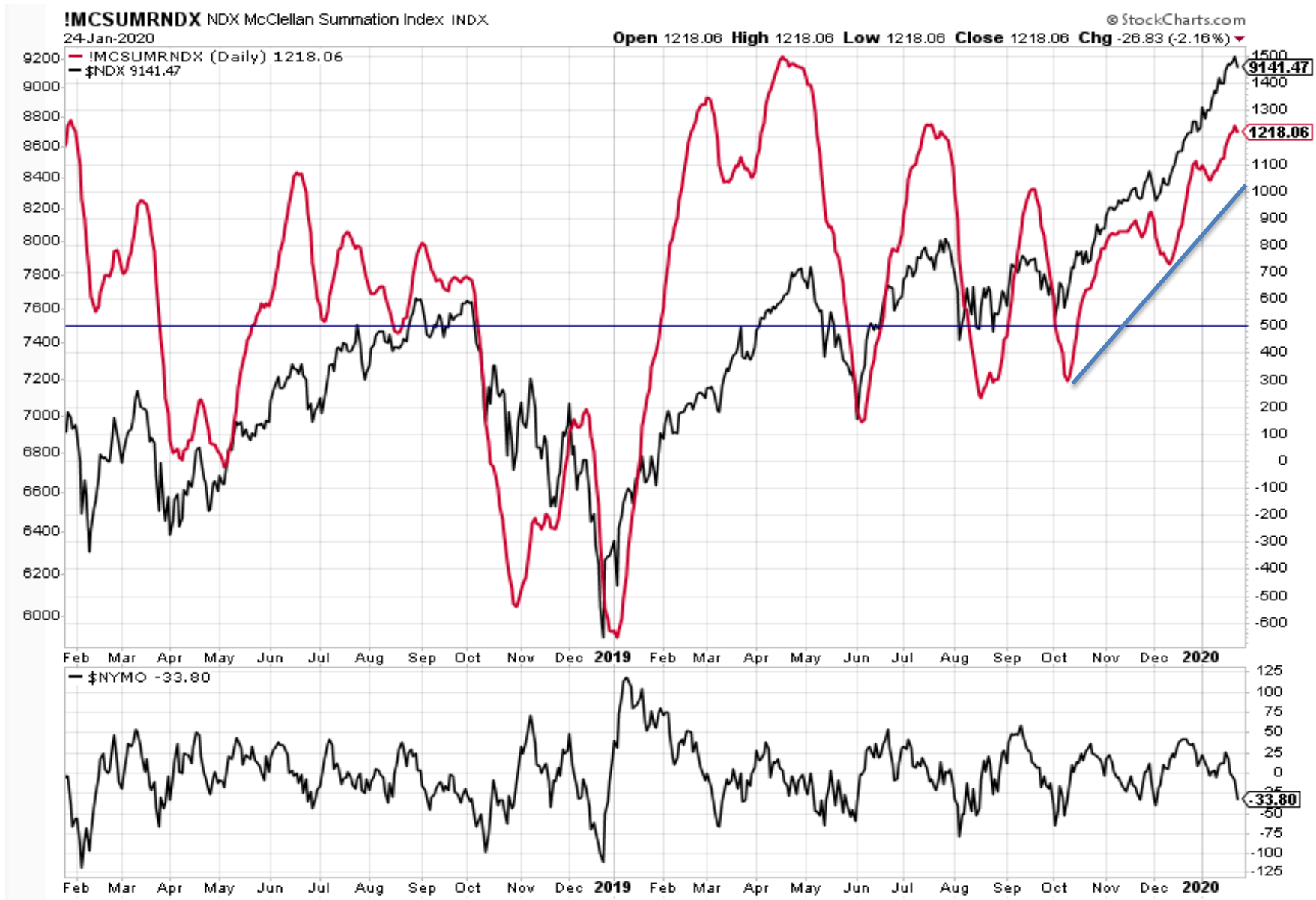
NDX Monthly



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NDX Sum Index (Red line)

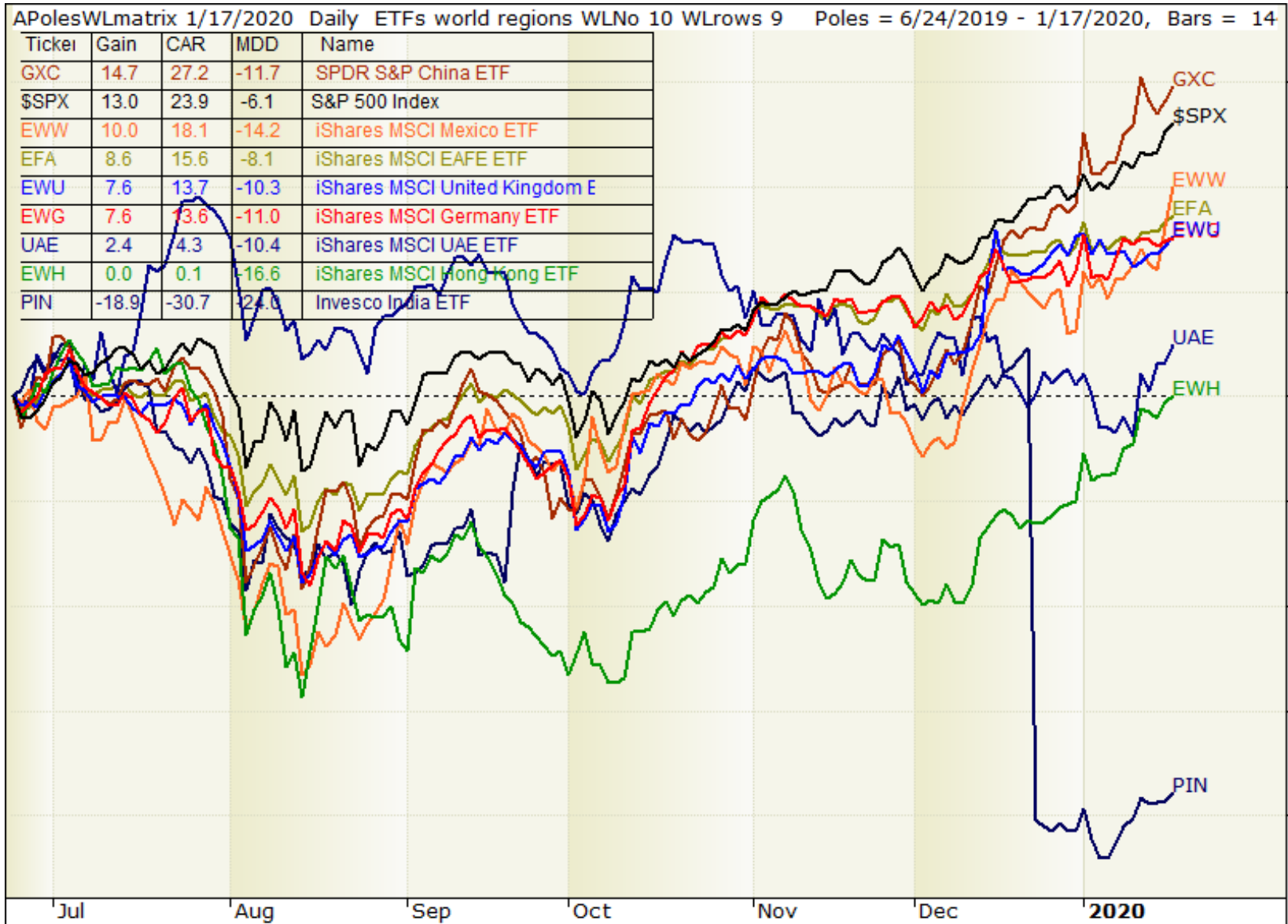
NDX Index Showing Reversal in Oct 2019 and New Strength



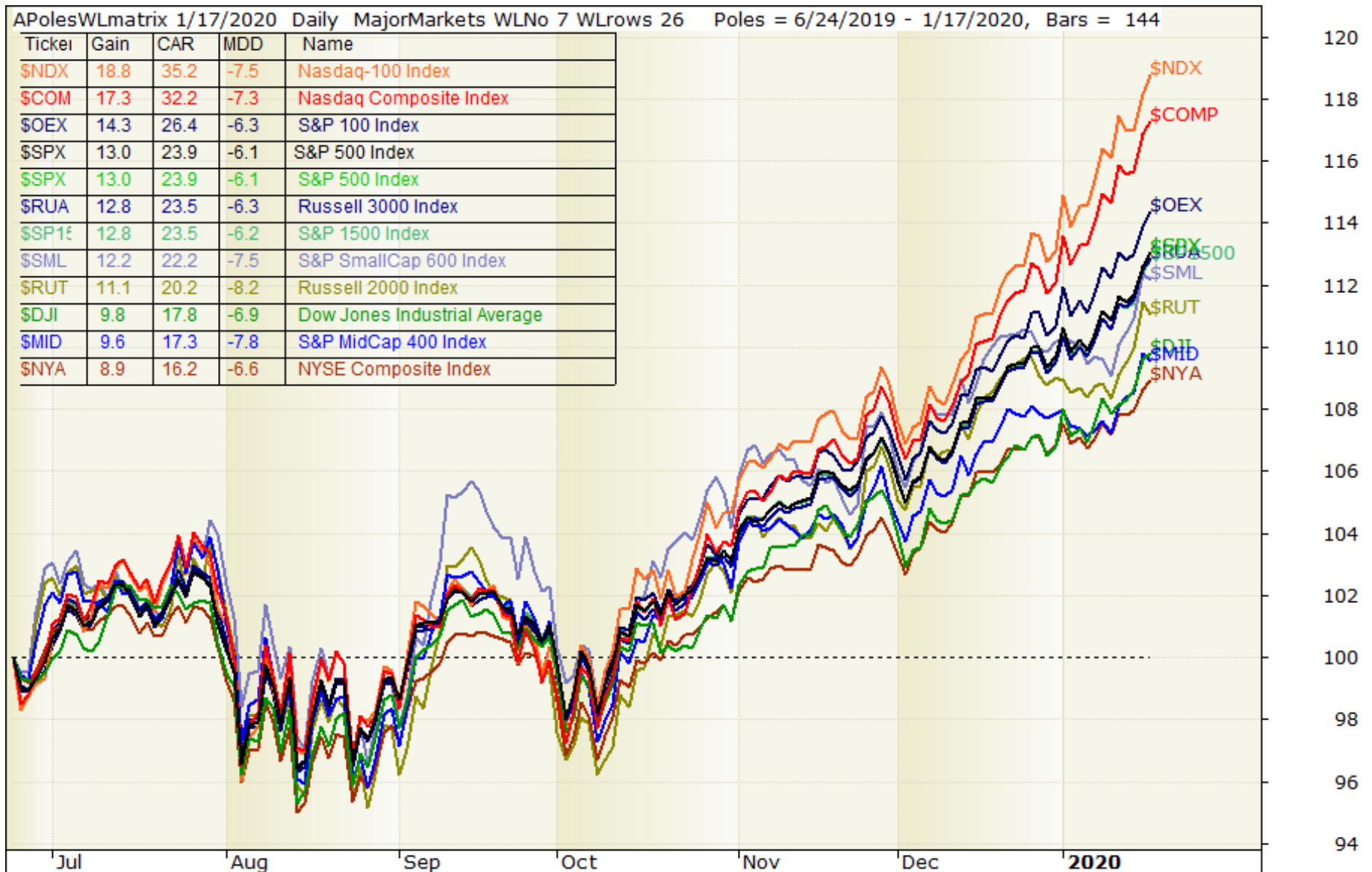
% NASDAQ Stocks Above 50 dma



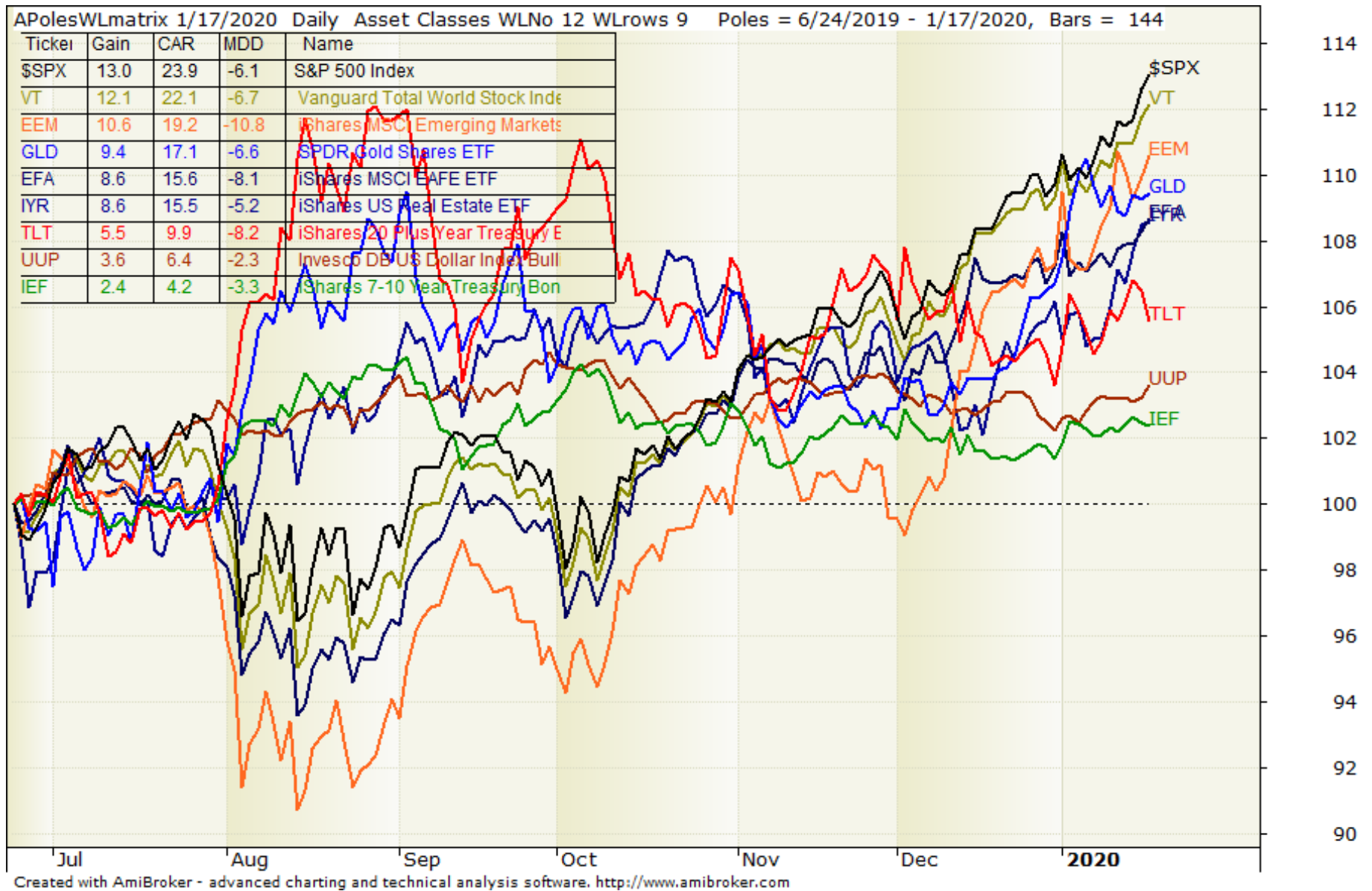
World Market Performance 6 mo



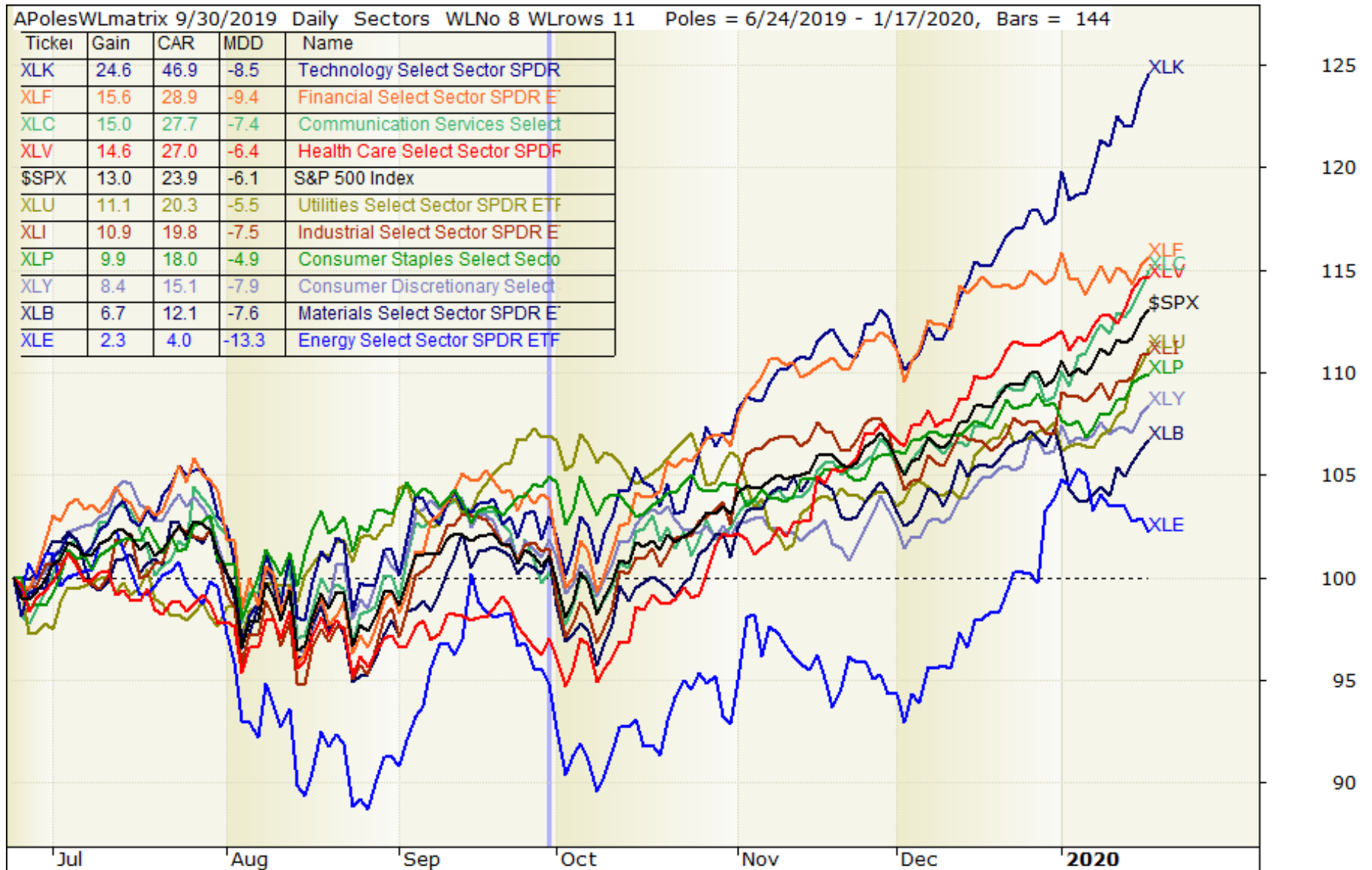
Major Market Performance YTD



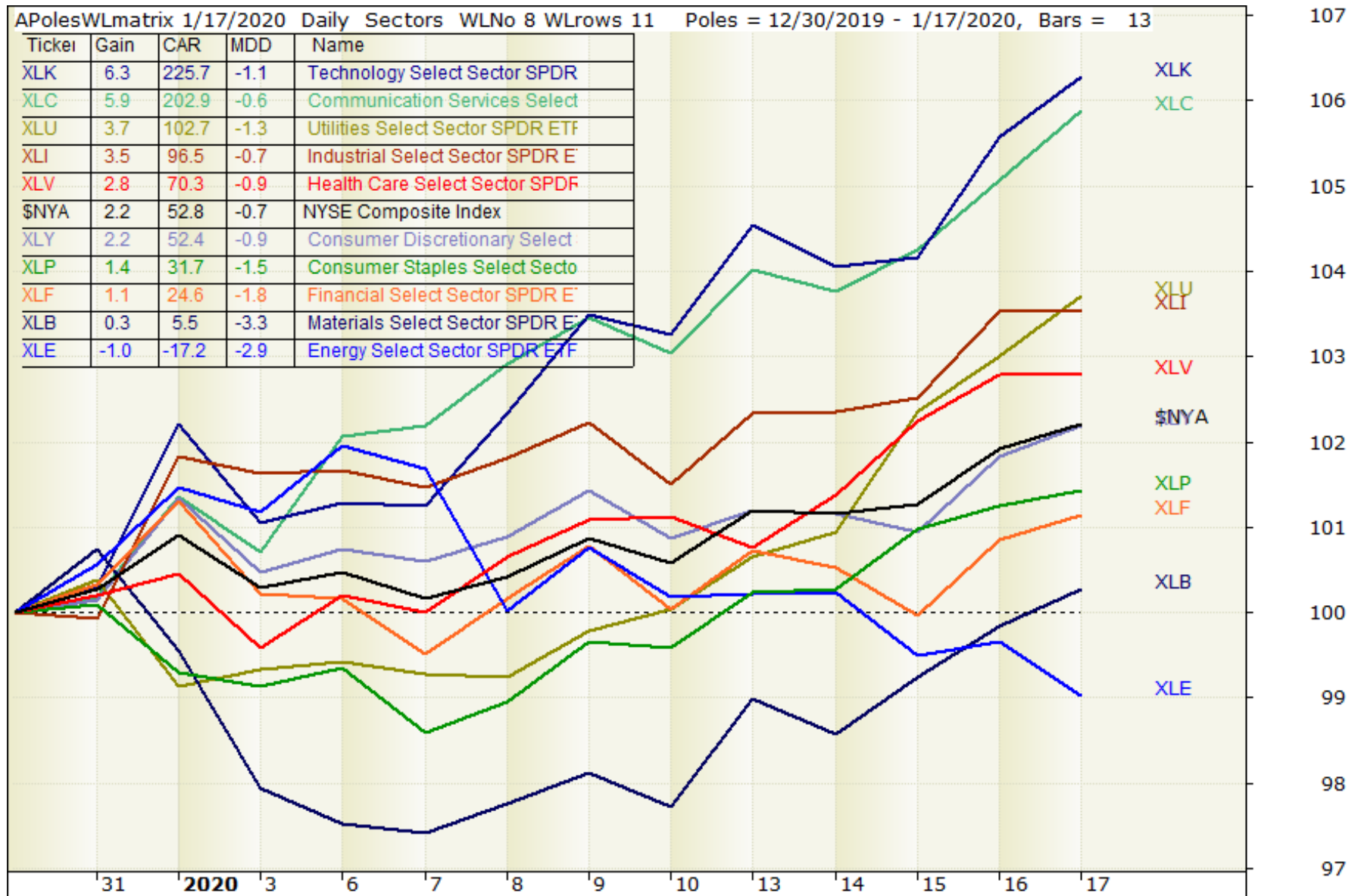
Asset Classes Performance 6 mo



Comparison of Sectors – 6 mo

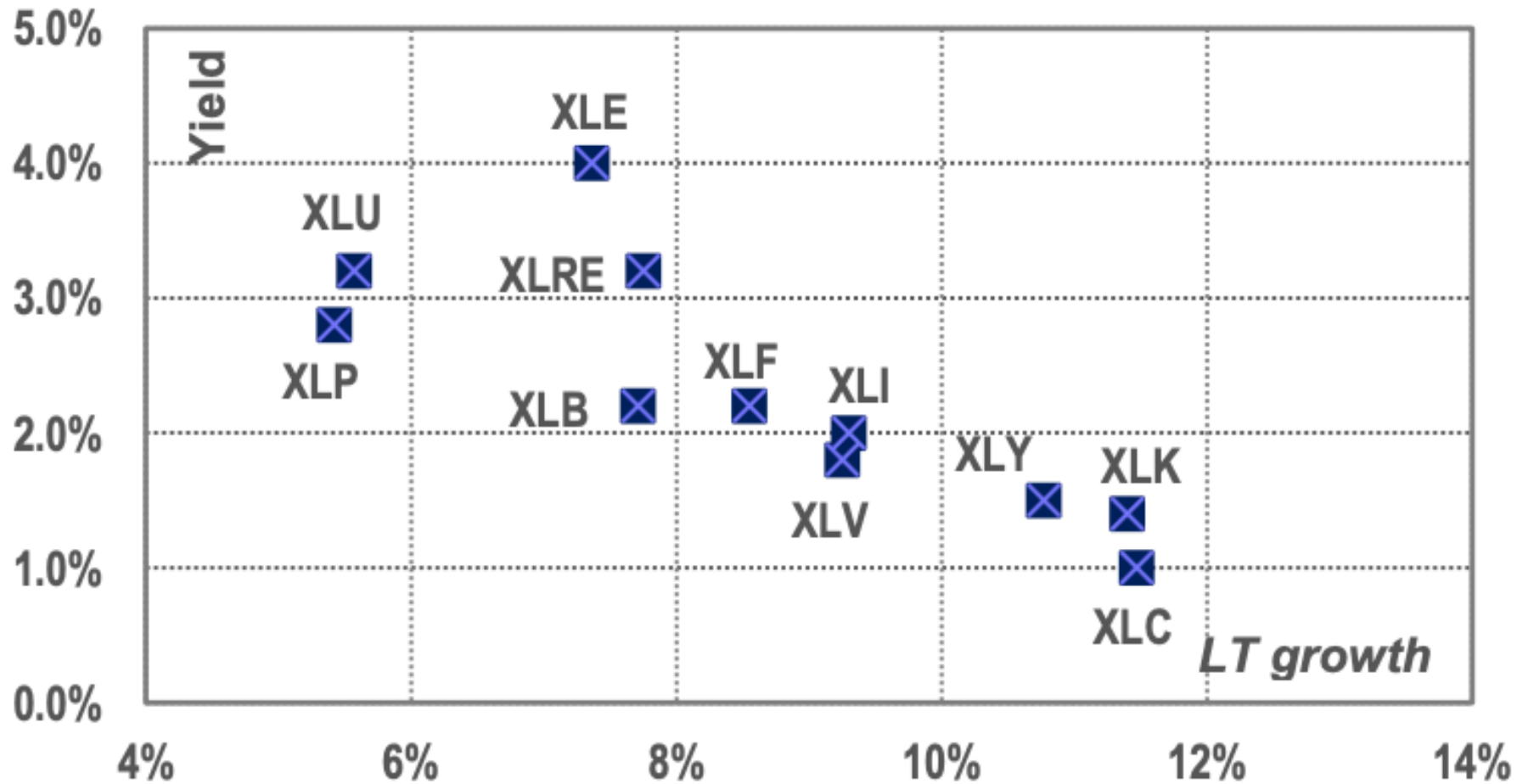


Comparison of Sectors – 6 wks



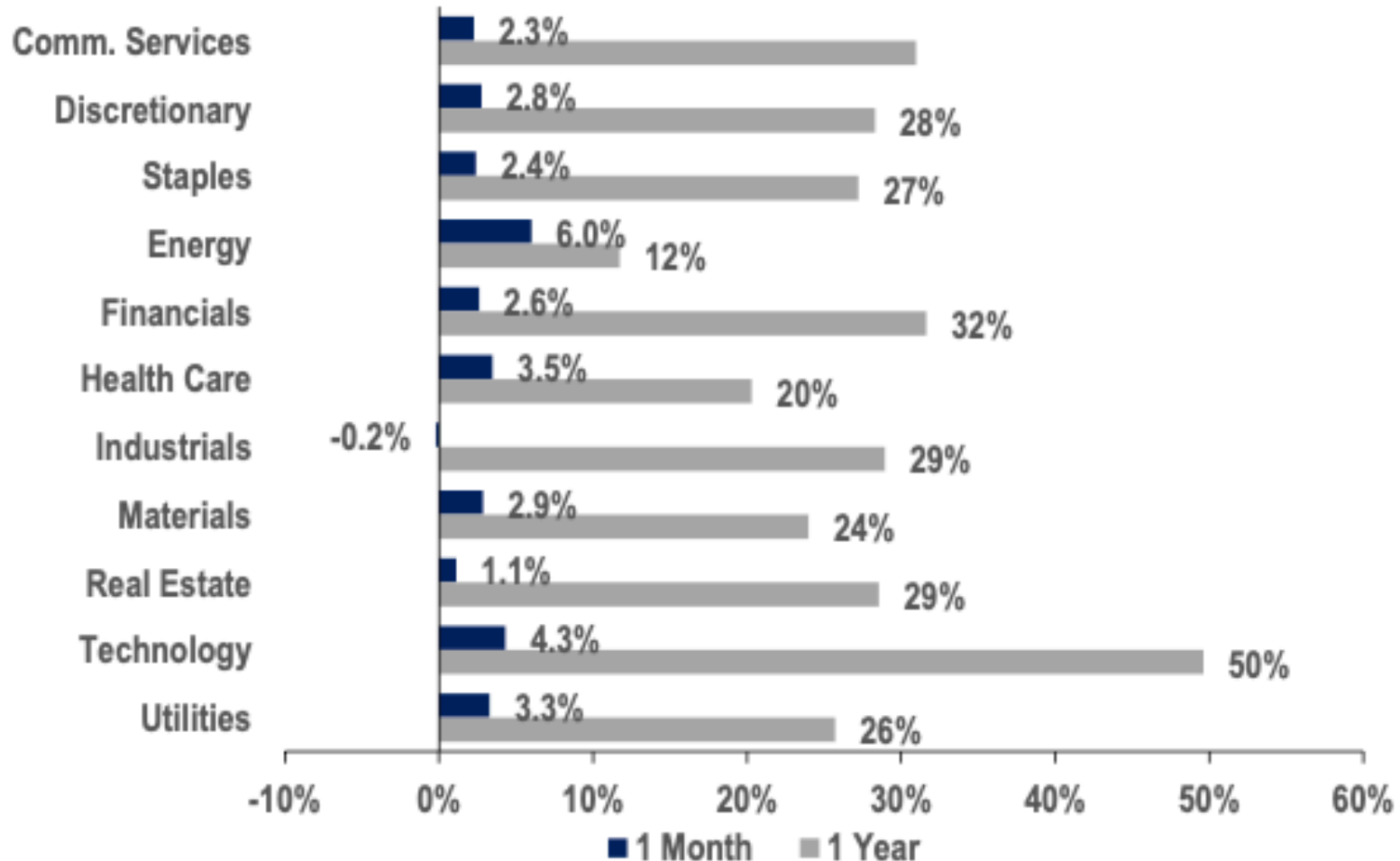
Sector ETFs – Yield vs Growth

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

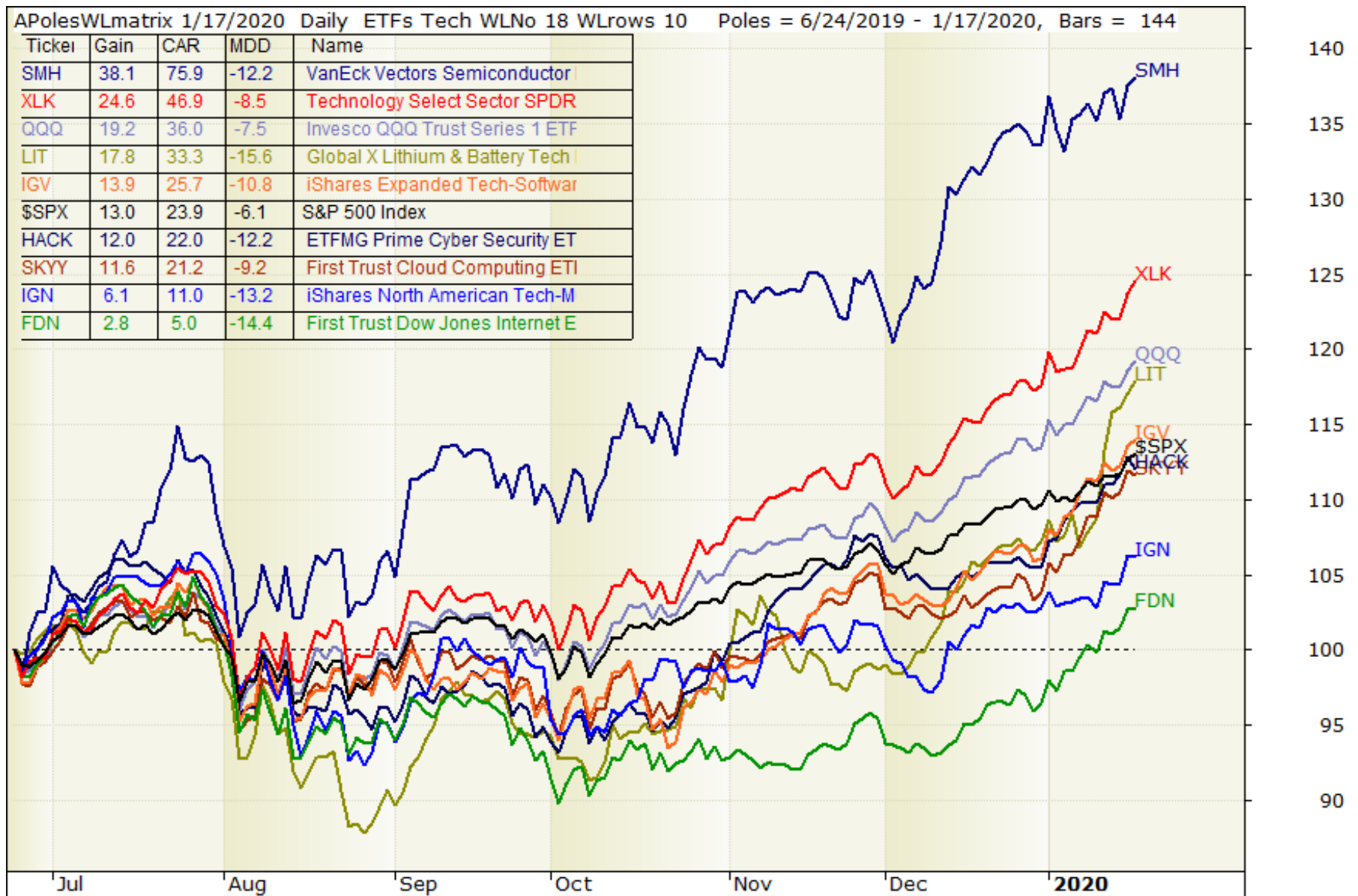


Sector ETFs – Total Returns 1mo & 1 yr

Total Returns* (Price)

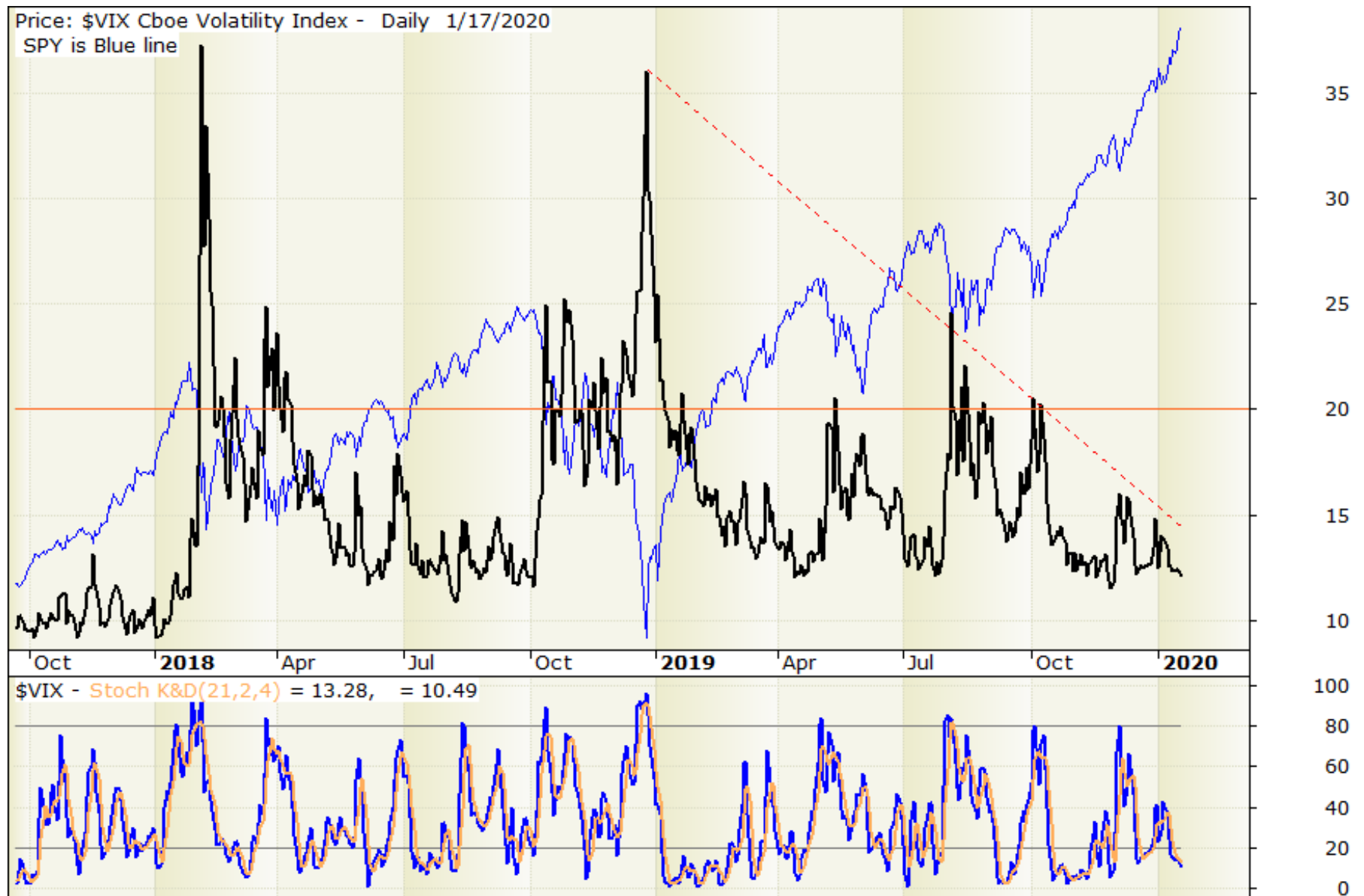


Top Tech Stocks Performance 6 mo



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VIX – Volatility Trending Lower



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Small Caps Underperforming Large Caps



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Small Cap vs Large Cap Weak As Dollar Rises

IWM:SPY iShares Russell 2000 ETF/SPDR S&P 500 ETF NYSE

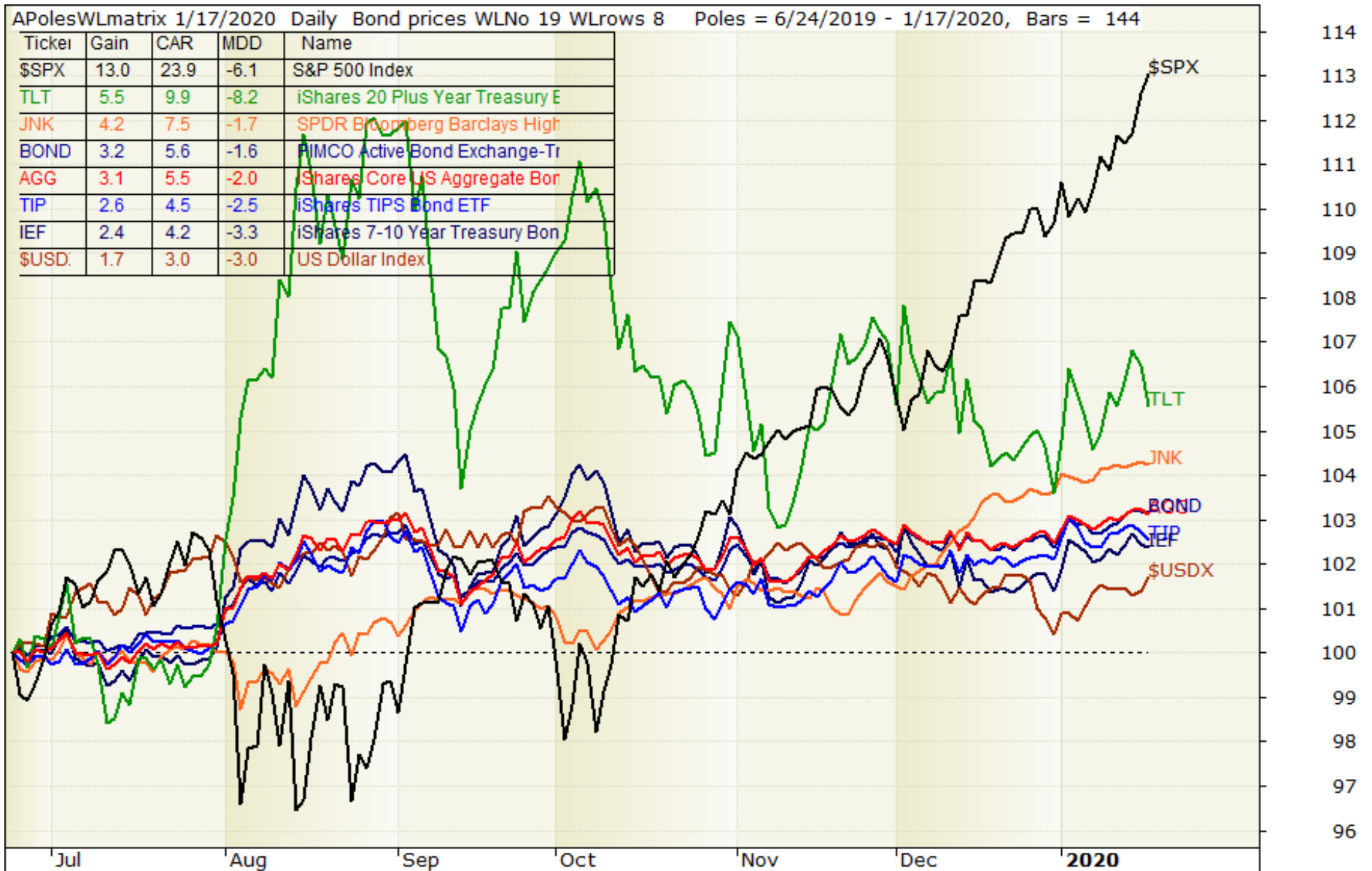
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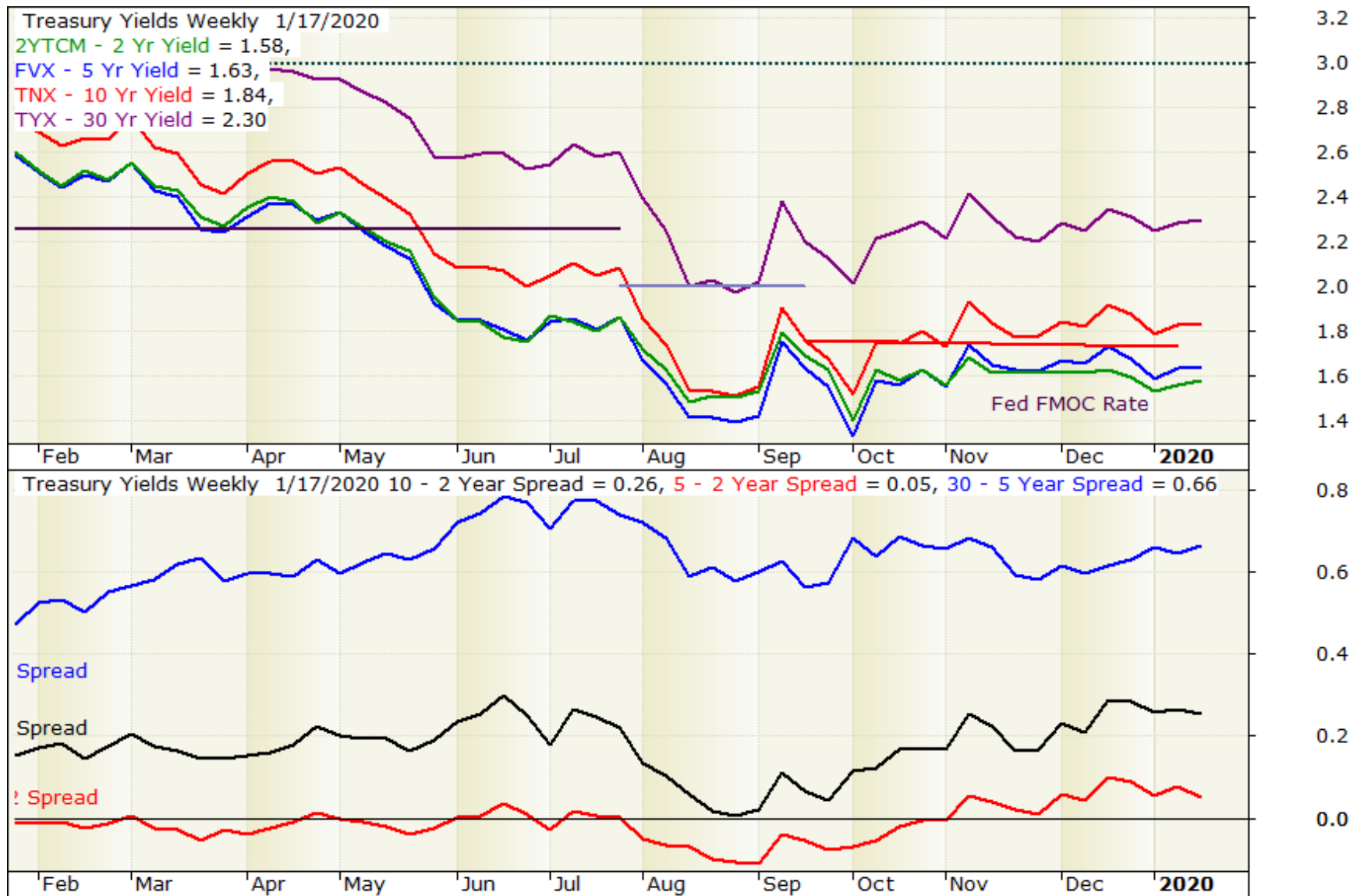
Open 0.513 High 0.513 Low 0.508 Close 0.509 Chg -0.003 (-0.58%)



Bond Price Performance YTD



Treasury Yields Remain Low



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Yield Spread Dangerously Low

The 10-year minus 3-month yield spread is shown below since 1996, where a negative spread indicates an inverted yield curve. The flattening yield curve is often a warning of a slowing economy and a potential stock market peak. An inverted yield curve generally forecasts a future recession. It has preceded all of the past seven recessions since 1970, typically by four or five quarters.



Top 20 ETFs (ranked by ETFReplay.com)

Symbol	ETF	ReturnA	ReturnB	Volatility	Rank
VO	<u>Vanguard CRSP U.S. Mid Cap</u>	+9.9%	+3.6%	5.8 %	1
IWP	<u>iShares Russell Midcap Growth</u>	+12.9%	+4.3%	7.1 %	2
IWB	<u>iShares Russell 1000 Index Fund</u>	+11.6%	+3.3%	6.8 %	3
SCHX	<u>Schwab Dow Jones U.S. Large-Cap</u>	+11.8%	+3.4%	7.1 %	4
QUAL	<u>iShares MSCI USA Quality Factor ETF</u>	+12.2%	+3.3%	6.9 %	5
VV	<u>Vanguard MSCI U.S. Large Cap</u>	+11.8%	+3.5%	7.2 %	6
IWF	<u>iShares Russell 1000 Growth</u>	+15.5%	+5.3%	9.0 %	7
VUG	<u>Vanguard U.S. LargeCap Growth</u>	+15.7%	+6.1%	9.4 %	8
VBK	<u>Vanguard U.S. Small Cap Growth</u>	+12.3%	+2.9%	6.9 %	9
VTI	<u>Vanguard Total U.S. Stock Market</u>	+11.5%	+3.2%	6.8 %	10
IWR	<u>iShares Russell Midcap Index Fund</u>	+9.6%	+2.8%	5.6 %	11
XLK	<u>U.S. Technology Sector</u>	+21.7%	-7.3%	11.6 %	12
IVW	<u>iShares S&P 500 Growth</u>	+11.3%	+3.3%	8.9 %	13
QQQ	<u>PowerShares Nasdaq 100</u>	+13.0%	+3.0%	10.1 %	14
VGT	<u>Vanguard MSCI U.S. Tech</u>	+17.3%	+7.3%	11.7 %	15
VOO	<u>Vanguard S&P 500</u>	+11.3%	+3.3%	7.1 %	16
IVV	<u>iShares Core S&P 500 ETF</u>	+11.5%	+3.3%	7.3 %	17
IWV	<u>iShares Russell 3000 Index Fund</u>	+11.4%	+3.1%	6.8 %	18
VIG	<u>Vanguard Dividend Appreciation</u>	+8.5%	+3.4%	5.8 %	19
USMV	<u>iShares MSCI USA Minimum Volatility Index</u>	+7.5%	+4.3%	4.9 %	20

Time Period
Weight %
ReturnA
ReturnB
Volatility

What's In The Future?

- Global Risks
- Predictions for the New Decade
- The Build-Out of 5G and Investing Opportunities



Global Risks - Environmental

World Economic Forum's *Global Risks Report 2020* for the first time in the survey's 10-year outlook, the top five global risks are all environmental.

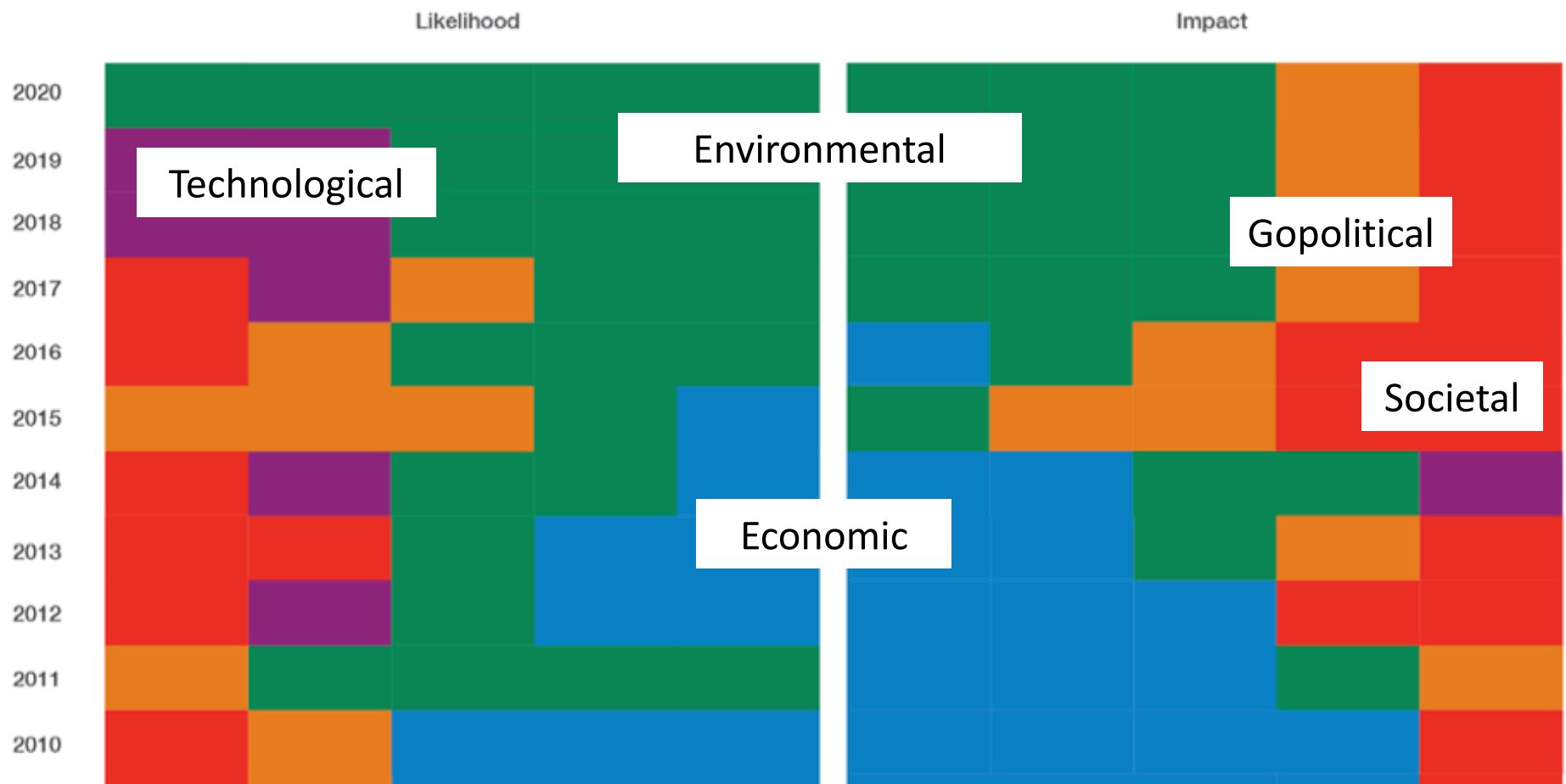
Economic Issues didn't even make the top 5. The report highlights:

- Extreme weather events with major damage to property, infrastructure and loss of human life
- Failure of climate-change mitigation by governments and businesses.
- Environmental damage and disasters including environmental crime, such as oil spills, and radioactive contamination.
- Major biodiversity loss and ecosystem collapse with irreversible consequences to the environment (terrestrial or marine), severely depleting resources for humankind as well as industries.
- Major natural disasters such as earthquakes, tsunamis, volcanic eruptions, and geomagnetic storms

Global Risks – by Year

TOP GLOBAL RISKS

From economic to environmental. Climate now tops the risks agenda, while the economy has disappeared from the top five.

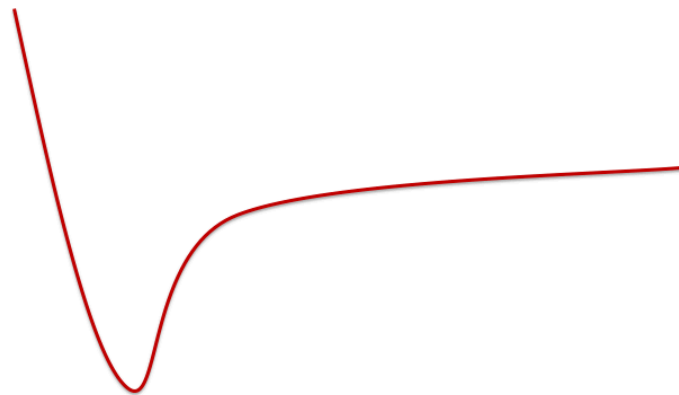


Bold Predictions For The Decade Ahead*

The great decade for capital markets in the 2010s is not likely to be repeated in the 2020s. Investors must be prepared for wide ranging possibilities.

- **Prediction #1:** The U.S. stock market gets cut in half once more. At some point over the next decade, perhaps in the first few years, the S&P 500 Index is primed to experience another major bear market that could take it lower by -50% to -60% or more before it's all said and done.

Illustration of the Stock
Market Decade Ahead



* Eric Parnel, CFA, Global Macro Research, Seeking Alpha

5 Bold Predictions For The Decade Ahead*

- **Prediction #2:** The bond market gets neutered as an asset class. Now the U.S. bond market provides a reasonable amount of interest income for investors while still providing a diversification benefit. But it seems only a matter of time now before the U.S. joins much of the rest of the developed world in driving our yield curve to zero and negative territory.



* Eric Parnel, CFA, Global Macro Research, Seeking Alpha

Bold Predictions For The Decade Ahead*

- **Prediction #3:** The global monetary system enters its latest major change. Major transformations have taken place every 25 to 50 years or so.
 - The gold standard from the 1870s up to World War I,
 - The demise of the gold standard from post World War I to the 1930s,
 - Bretton Woods from 1945 to 1971,
 - The fiat currency system in the nearly 50 years since through today.
- Our current system - currencies issued by sovereign nations are backed by “the full faith and credit” of the issuing government.
- Cryptocurrencies came into existence in 2009 in the immediate aftermath of the financial crisis for a reason. These digital assets may reside at the heart of the next major transformation in the global monetary system, as political leadership changes and eventually moves to seize the global currency system away from today’s issuing governments and their print happy central banks as well.

* Eric Parnel, CFA, Global Macro Research, Seeking Alpha

Bold Predictions For The Decade Ahead*

- **Prediction #4:** Active management shines as passive hits its reckoning. Index funds like the S&P 500 work well during bull markets. This is particularly true when the largest stocks in the index get bigger each year.
- But when times get tough, including high volatility and a bear market or two, passive buy & hold breaks down. Such is the environment for the coming decade.
- Additional predictions: Value stocks meaningfully outperform growth. Consumer staples, healthcare, regional bank and energy-related stocks take a leadership role while technology, communications, and consumer discretionary rank among the worst performing sectors. **Apple** and **Amazon** are no longer the largest companies in the U.S. by market cap. **Tesla** no longer exists as an independently operating firm. **Precious metals** may end up beating the returns of both stocks and bonds over the next decade.

* Eric Parnel, CFA, Global Macro Research, Seeking Alpha

Getting a Piece of the 5 G Roll-Out

5G's Reach Is About To Go Exponential In the Next Five Years.

- It will soon soar to become a \$12 trillion market.
- 5G-based opportunities could generate as much as \$1.3 trillion in additional annual revenue by 2026 just for carriers.

Network rollouts - happen in three phases and can take a decade.

- **Phase One:** The Infrastructure Phase - now, we're well into it.
- **Phase Two:** The Devices Phase - kicked off last year when 5G cellphones hit the market.
- **Phase Three:** The Services Phase – this will continue for many years

Picking the 5G Winners

The winners will be the first to market 5G

- Telco and infrastructure providers (the 5G transmitter manufacturers),
- 5G enabled sim/chip sets (modems)
- 5G device makers (5G smartphones & tablets)
- Data storage companies,
- New app makers,
- Content/entertainment providers
- **Beware** - Early 5G phones will need to be replaced in 1-2 yrs as frequencies change

New industries - autonomous cars, advanced robotics, and 5G enabled security and monitoring systems, tele-medical, advanced military (drones, monitoring), smart factories will evolve.














Online retailers (via 3D apps) and social media giants will benefit by an enhanced customer experience and customers spending more time online.

Picking the 5G Winners

Spending will focus on key areas

- Infrastructure - Nearly 80% of 5G infrastructure spending, will come from hardware and network projects to support the new 5G standard.
 - Key players are **Cisco**, Dell, EMC, HP, IBM, and Lenovo
- Data-center suppliers - companies supplying components that manufacturers use to build their hardware solutions.
 - Key players include **Intel**, Qualcomm, Broadcom, AMD, Samsung, and Nvidia.
- Network transformation providers - help telecom and other communication companies upgrade their networks to handle 5G.
 - Companies include Ericsson, Intel, **Nokia**, Samsung and Huawei.
- Modem and IP suppliers - build modems, and supply intellectual property that contributes to the 5G standard.
 - Companies include Ericsson, **Qualcomm**, Huawei, Intel, Nokia and Samsung.
- Mobile telecom providers - deliver cellphone services
 - Companies include - China Mobile, SingTel, Vodafone, **AT&T**, Verizon, T-Mobile, Sprint, Orange

5G Stocks to Watch

Ticker	Company	Industry Group	Return (5 Years)	3M Return	1-Year Return ↓	3Y Return	Div. Yield	Return on Assets	Return on Assets vs Industry
AMD	Advanced Micro De...	Semiconductors	1955.1% 	58.7%	141.5%	382....	-	4.0%	3.9%
AAPL	Apple	Hardware	206.6% 	31.1%	111.6%	177....	1.0%	16.3%	16.2%
QCOM	Qualcomm	Semiconductors	48.7% 	14.4%	83.0%	82.6%	2.8%	13.3%	13.2%
SWKS	Skyworks Solutions	Semiconductors	62.8% 	37.0%	78.3%	39.1%	1.4%	17.6%	17.5%
INSG	Inseego	Hardware	74.0% 	64.1%	64.8%	183....	-	-19.7%	-19.8%
INTC	Intel	Semiconductors	116.0% 	31.8%	41.0%	96.6%	1.8%	14.5%	14.3%
T	AT&T	Telecommunicati...	51.4% 	6.0%	33.3%	10.2%	5.4%	3.0%	3.0%
AVGO	Broadcom	Semiconductors	240.2% 	15.9%	27.7%	79.1%	4.0%	4.0%	3.9%
IBM	IBM	Software	10.0% 	6.1%	11.1%	-9.1%	4.6%	5.2%	5.1%
VZ	Verizon Communica...	Telecommunicati...	60.2% 	0.5%	10.1%	37.6%	4.1%	5.7%	5.6%
CSCO	Cisco Systems	Hardware	102.8% 	6.0%	10.1%	75.0%	2.9%	11.9%	11.8%
NOK	Nokia	Hardware	-39.4% 	3.8%	-32.9%	-5.0%	5.5%	-0.9%	-1.0%
Sum...			240.7% 	23.0%	48.3%	95.8%	2.8%	6.2%	6.1%

5G Stocks to Watch

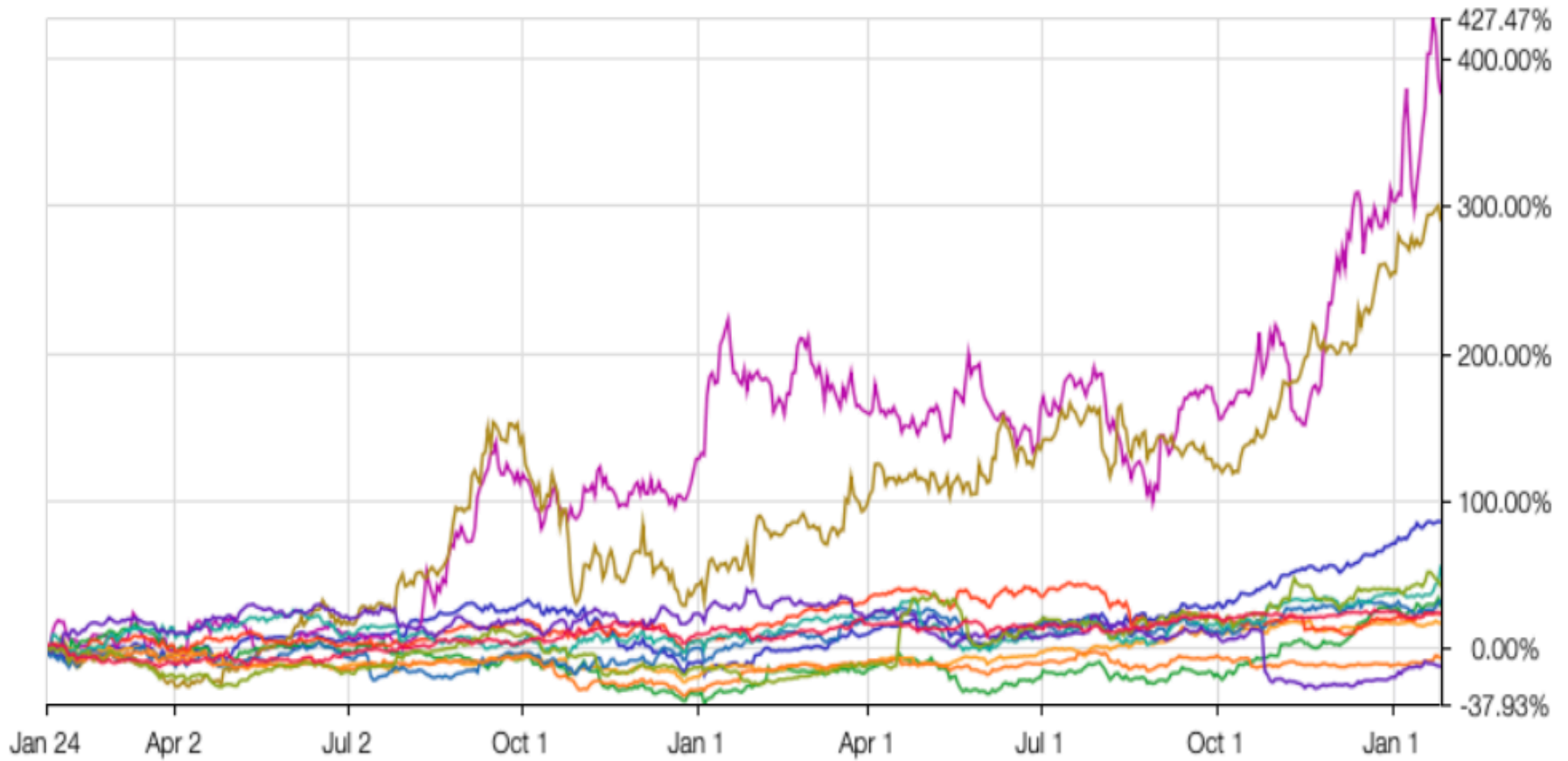
Ticker	Name	CR	P/E	Ann Div Rte	LT D/C	1Y Ann Perf	3Y Ann Perf	Est EPS Tgt Prc	Est EPS Tot Gain(Loss)	Est EPS Gr	TL EPS Tot Gain(Loss)
AMD	ADVANCED MICRO DEVICES I	BB-	77.36	\$0.00	32.00%	148.43%	59.32%	\$63.96	\$13.61	29.61%	\$22.97
AAPL	APPLE INC	AA+	25.87	\$3.08	46.00%	89.13%	37.84%	\$260.68	\$-44.55	10.02%	\$65.01
SWKS	SKYWORKS SOLUTIONS INC	-	19.39	\$1.76	3.40%	84.15%	19.01%	\$136.64	\$18.82	13.99%	\$104.77
INSG	INSEEGO CORP	-	0.00	\$0.00	1.10%	76.63%	44.29%	\$4.50	\$-4.15	10.00%	\$-11.04
QCOM	QUALCOMM INC	A-	24.01	\$2.48	64.00%	61.61%	13.95%	\$107.23	\$24.57	16.98%	\$117.25
T	AT&T INC	BBB	10.81	\$2.08	47.00%	44.11%	1.98%	\$65.85	\$33.86	5.81%	\$53.72
AVGO	BROADCOM INC	BBB-	14.94	\$10.60	51.00%	30.70%	24.68%	\$416.37	\$131.71	9.25%	\$409.44
INTC	INTEL CORP	A+	14.03	\$1.26	24.00%	30.34%	20.49%	\$83.32	\$18.92	4.55%	\$37.91
IBM	INTERNATIONAL BUSINESS M	A	10.94	\$6.48	65.00%	23.83%	-2.71%	\$244.78	\$124.99	6.25%	\$160.86
CSCO	CISCO SYSTEMS INC	AA-	15.42	\$1.40	28.00%	16.60%	20.39%	\$53.14	\$8.16	4.55%	\$21.69
VZ	VERIZON COMMUNICATIONS I	BBB+	12.46	\$2.46	63.00%	13.54%	8.70%	\$74.18	\$21.61	2.80%	\$31.21
NOK	NOKIA OYJ	BB+	17.89	\$0.16	24.00%	-34.36%	-6.15%	\$5.89	\$2.39	11.89%	\$4.32

5G Stocks to Watch

Two Year Relative Performance

Dividend Adjusted Return Jan 24, 2018 - Jan 24, 2020

AAPL 318.31 (+85.2%) *	INSG 8.65 (+375.3%) *	SWKS 122.31 (+27.6%) *	T 38.50 (+16.6%) *
AMD 50.35 (+289.1%) *	AVGO 324.00 (+32.1%) *	CSCO 48.85 (+22.9%) *	IBM 140.56 (-7.4%) *
INTC 68.47 (+56.2%) *	NOK 4.05 (-12.5%) *	QCOM 89.65 (+41.4%) *	VZ 60.28 (+23.5%) *



5G Summary

The 5G telecomm providers **Nokia** and **Ericsson** should do well early as the telcos spend big on 5G transmitters.

Next the 5G modem and network connection developers **Qualcomm** and **Skyworks** should do well.

The 5G enabled Smartphone and PC makers such as **Apple** and **Samsung** should benefit from a 5G upgrade super cycle.

Finally the online entertainment (especially video streaming) companies such as **Netflix** should get a significant boost as consumers continue to switch out of fixed location/cable/TV to the new mobile 5G enabled entertainment world - Content on demand - Anytime, anywhere.

Conclusions

- No conclusive signs that the Bull Market is over.
- Historical Patterns are Positive for the Bull to continue
- Lots of Uncertainty in the Market from Politics, World Events, World Trade
- Investor Sentiment is Positive

