



WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

New Feature!

Below is a recording of our Redhawk Live Update to help our clients better understand what we are doing with our portfolios. We hope to send these out every week moving forward. Click the button below below to listen!

[Redhawk Live!](#)

Market Commentary

Expectations for monetary easing around the world continue to drive stocks higher. Last week the Dow Jones Industrial Average rallied to a record high, closing above 27,000 for the first time, following the Fed chairman's testimony to Congress. Powell communicated that the case for more accommodative policy had strengthened, further strengthening expectations for a rate cut in the coming months. The European Central Bank (ECB) is also considering injecting fresh stimulus to the economy through interest-rate cuts, or the relaunch of quantitative easing. As the second-quarter earnings season kicks off this week and attention shifts from central banks to earnings, volatility will likely pick up.

The most immediate risk to the bull market is too low inflation, or deflation. Deflation occurs when demand for goods and services weakens, causing consumer and producer prices to fall. As prices fall and are expected to continue to fall, businesses and consumers hold more cash and invest less, which weakens demand even more. The risk is that the resulting deflation could trigger a recession. To combat this risk, the Fed has indicated its willingness to cut short-term interest rates. Lower rates make it cheaper for consumers and businesses to borrow, which increases demand for big-ticket items, like houses and cars for consumers and planes and new factories for businesses. Global central banks have also signaled a shift toward looser monetary policy as they wrestle with too low inflation.

investment and disrupting world supply chains. Estimated world trade growth for 2019 has fallen to 2.1% in 2019 from 3.9% in 2018, due in large part to trade tensions, according to OECD (Organization for Economic Co-operation and Development). After a promising truce to the trade talks last month, the eventual path to a deal has again become cloudy. In contention are U.S. tariffs on Chinese goods, which have yet to be reversed from the 25% tariff on \$200 billion in Chinese goods that was implemented after trade talks broke down in May. China wants these tariffs removed, while the U.S. is waiting on China to buy more U.S. agricultural goods and make other concessions before reducing tariffs.

Slowing Global Growth

In addition to trade tensions, there are other global concerns, notably geopolitical uncertainty such as Brexit, increased worldwide debt, and a slowing China. Because of these challenges, global economic growth will slow in 2019.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	27,332	1.5%	17.2%
S&P 500 Index	3,014	0.8%	20.2%
NASDAQ	8,244	1.0%	24.2%
MSCI EAFE*	1,921.45	-0.6%	11.7%
10-yr Treasury Yield	2.11%	0.08%	-0.57%
Oil (\$/bbl)	\$60.29	4.8%	32.8%
Bonds	\$110.79	-0.3%	5.6%

Source: Bloomberg, 07/12/19. *5-day performance ending Thursday. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

All major stock market indices hit new highs last week with the DJIA eclipsing 27,000. When we started in this business, the Dow Jones Industrial Average hovered around 900! What goes up doesn't necessarily come down. The markets are telling us not to worry about the trade wars or the Fed; the rising number of employed workers, rising real wages, federal budget deficits and higher corporate profits can keep the economy and the equity market rising for the near term.

While our Growth Equity portfolio is outperforming as expected in a bull market advance, less aggressive investors are asking about the progress of our Target Return (TR) portfolios. As a reminder, the TR portfolios are structured using indexed, exchange-traded funds (ETFs) with minimal expense ratios. Over time, a low expense ratio can be key to outperforming actively managed funds. Furthermore, given the liquidity of ETFs, there is little if any problem if we decide it is time to adjust portfolio weights. Such an adjustment occurs infrequently as we rely on the long-term returns of the

asset classes that are represented in each portfolio.

Unlike strategies developed by other managers using economic studies, obscure metrics and back-tested theories, our approach is “plain vanilla” and utilizes transparent easy-to-understand securities that has produced ACTUAL long-term returns. We developed these models in 1995, well before these plain-vanilla types of strategies became mainstream. By structuring four portfolios with different indexed weightings we can forecast an expected long-term return for each portfolio with an associated risk expectation. As opposed to Target Date funds that have a variable “roll-down” strategy to change portfolio weightings based on some fixed future date that has no relationship to market conditions, our Target Return approach focuses on active management of these portfolio allocations to keep clients on track to achieve an expected long-term rate of return. The recent history of Target Date funds tells us that there is a wide disparity of returns from funds with equivalent target dates. How can you have confidence that you have chosen the “right” date and which Target Date fund is properly structured for you?

When you review the history of our Target Return portfolios, we have achieved our long-term objectives (review our recent Fact Sheets on these portfolios). Incidentally these are actual composite portfolio returns and not back-tested models. The growing risks associated with fiduciary responsibility make these portfolios one logical choice for clients saving for retirement who are not looking to win the lottery with their retirement portfolios.

There are similar indexed-based offerings that capitalize on modern portfolio theory. When considering such options, the selection process should include experience, an actual historical record (not back-tested results) and a “plain vanilla” approach that minimizes the threats to your fiduciary responsibility.

No changes were made to the Growth Equity or Target Return portfolios last week.

Redhawk's Strategy Update

Major indexes rallied to new highs, with all three setting records during the week. The Dow Jones ended the week at 27,332, up 1.5%. The S&P 500 hit 3,013, while the NASDAQ topped 8,244, which is a bump-up of around 1.0% for each index. In two days of testimony on Capitol Hill, Fed Chairman Jerome Powell signaled a pending interest rate cut, citing trade tensions and concerns around the U.S. and global economies as contributing factors. Stocks surged on the prospect of the first rate cut since 2009. U.S. and China trade talks appeared set to resume after the countries' presidents reached a go-ahead agreement. However, China's late-week edict to impose new sanctions on the United States could slow progress. The inversion of the yield curve, the spread between the 3-month and 10-year U.S. Treasuries, has lasted more than 6 weeks. The New York Federal Reserve's probability model for predicting a U.S. recession over the next 12 months, which uses the metric as a key input, reached a 32.9% probability in June, above the 30.0% threshold.

A storm in the Gulf of Mexico, declines in U.S. crude oil inventory, and a softer stance from the Fed combined to drive the prices of oil futures to over \$60 a barrel, the highest point since May. OPEC has cut its 2020 oil-production forecast, citing slowing global demand, among other factors. In June, the Consumer Price Index unexpectedly climbed 0.1% from the prior month, and 1.6% compared with the same month a year ago. Core prices, which include basic consumer staples but exclude food and energy categories, were up 0.3% from May, the largest increase since January 2018. Corporate earnings could dampen stock market euphoria, as 77% of the companies that have issued second-quarter forecasts projected negative earnings per share growth. Analysts now expect earnings to decline by 2.9% versus a year ago, as slower growth and the cost of tariffs on U.S. businesses are tallied.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

Time Period:				7/15/2019	7/8/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDM)	Symbol		Action	Redhawk Score	Redhawk Score
Equity Precious Metals	GDX	VanEck Vectors Gold Miners ETF		138.69	159.53
Latin America Stocks	EWZ	iShares MSCI Brazil Capped ETF		131.81	113.31
Real Estate	XLRE	Real Estate Select Sector SPDR ETF		121.96	125.40
Utilities	VPU	Vanguard Utilities ETF		120.17	116.81
Commodities Precious Metals	IAU	iShares Gold Trust		115.68	103.27
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		101.83	102.62
Natural Resources	XLB	Materials Select Sector SPDR ETF		98.19	117.41
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		97.04	92.67
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.20	88.49
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		89.60	99.91
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		83.23	86.86
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		82.86	90.68
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		78.57	82.32
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		77.10	76.89

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Growth	CEYIX	Calvert Equity I		123.73	150.61
Mid-Cap Growth	AVEGX	Ave Maria Growth		117.79	144.95
Small Growth	IHSIX	Hartford Small Company I		112.83	137.35
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		109.30	141.09
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		105.55	113.63
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		100.87	109.37

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF	VCLT		
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF	IGLB		
Emerging Market Bond	EMB	iShares JP Morgan USD Em Mkts Bd ETF		104.65	106.70
Long-Term Bond	VCLT	Vanguard Long-Term Corporate Bd ETF		102.43	
Emerging Market Bond	VWOB	Vanguard Emerging Mkts Govt Bd ETF		99.41	100.03
Long-Term Bond	IGLB	iShares Long-Term Corporate Bond ETF		97.02	
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		92.73	95.69
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		87.05	87.59
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		77.63	77.63
Emerging-Markets Local-Currency Bond	ELD	WisdomTree Emerging Markets Lcl Dbt ETF		73.20	73.28

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		118.74	120.27
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		115.60	115.60
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.80	106.75
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		104.78	106.81
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		98.86	99.80
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.22	92.36
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		87.48	90.27
Muni National Long	FTABX	Fidelity® Tax-Free Bond		86.06	84.21
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		85.29	89.96
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		82.38	82.02
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		80.90	80.90
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		74.28	72.43
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		73.48	78.20

Victoria Capital Management Recent Return Portfolios	Symbol		Action	Redhawk	Redhawk
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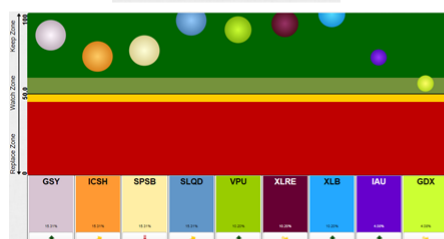
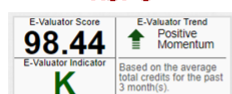
Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Score	Score
Large Value	DGRO	iShares Core Div Growth ETF		114.78	135.78
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		114.20	139.51
Large Blend	IVV	iShares Core S&P 500 ETF		110.03	136.31
Large Blend	IWB	iShares Russell 1000		108.91	135.79
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		104.02	104.86
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		102.12	128.45
Small Blend	VB	Vanguard Small-Cap ETF		101.84	124.44
Large Value	VTV	Vanguard Value Idx ETF		100.61	121.75
Small Value	VBR	Vanguard SC Val Idx ETF		94.34	115.75
Small Growth	VBK	Vanguard SC Gr Idx ETF		91.53	123.28
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		89.60	116.50
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		88.47	110.51
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		86.71	95.46
Large Value	VYM	Vanguard High Dividend Yield ETF		84.71	115.20
Small Value	IWN	iShares Russell 2000 Value		82.67	102.02
Foreign Large Blend	SCHF	Schwab International Developed Equity		79.99	90.43
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		72.46	95.27
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		48.52	67.19
Small Blend	IJR	iShares S&P Small Cap Core		47.30	74.06
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		28.32	53.80

Keep	Keep.	
Watch	Watch.	
Replace	Replace with another fund or cash.	FUND

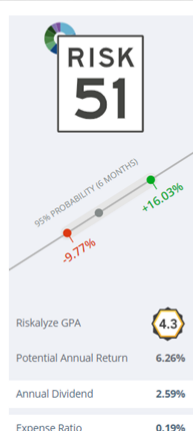
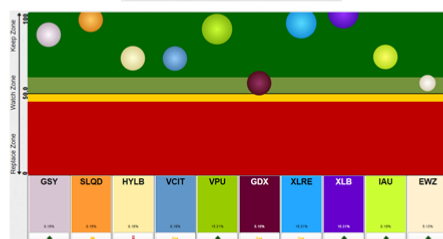
S&P and Dynamic Portfolios: Removed the Utilities sub-category (VPU) and the Real Estate sub-category (XLRE) from the watch list due to improved performance. Kept the Natural Resources sub-category (XLB) on the watch list due to lagging performance.

S&P and Dynamic Portfolio Bubble Reports as of 6/30/2019

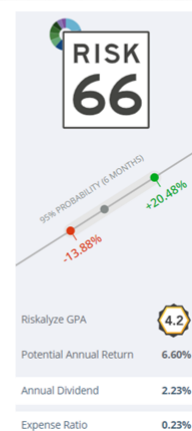
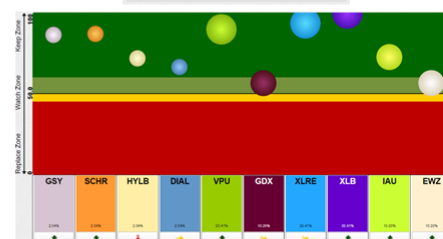
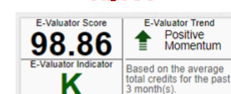
RSPC



RSPM

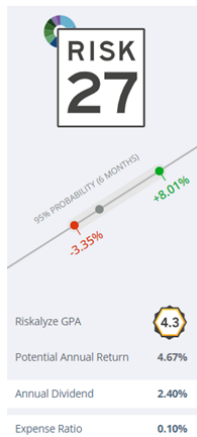
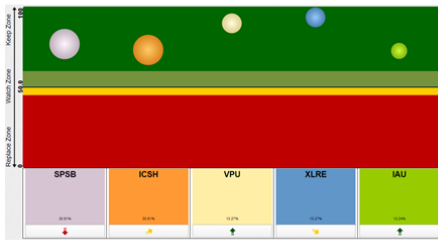


RSPA



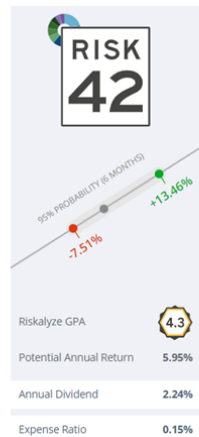
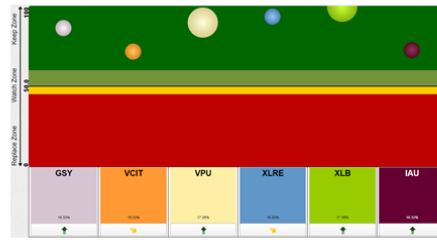
RDC

E-Valuator Score 86.53	E-Valuator Trend Positive Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



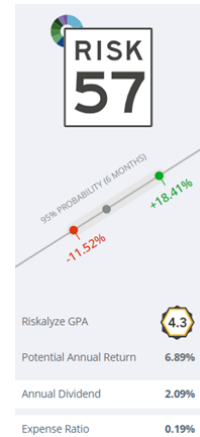
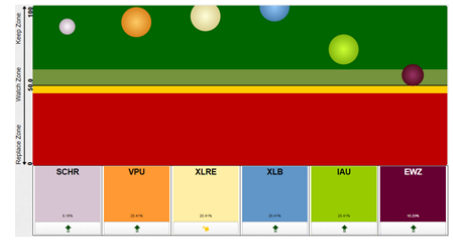
RDM

E-Valuator Score 98.14	E-Valuator Trend Positive Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



RDA

E-Valuator Score 98.08	E-Valuator Trend Positive Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).

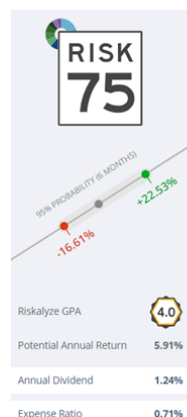
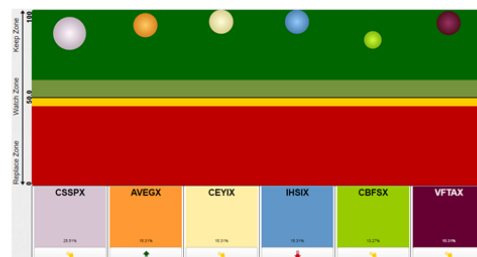


Environmental, Social, and Governance Portfolio: Removed the Global Real Estate sub-category (CSSPX) from the watch list due to improved performance.

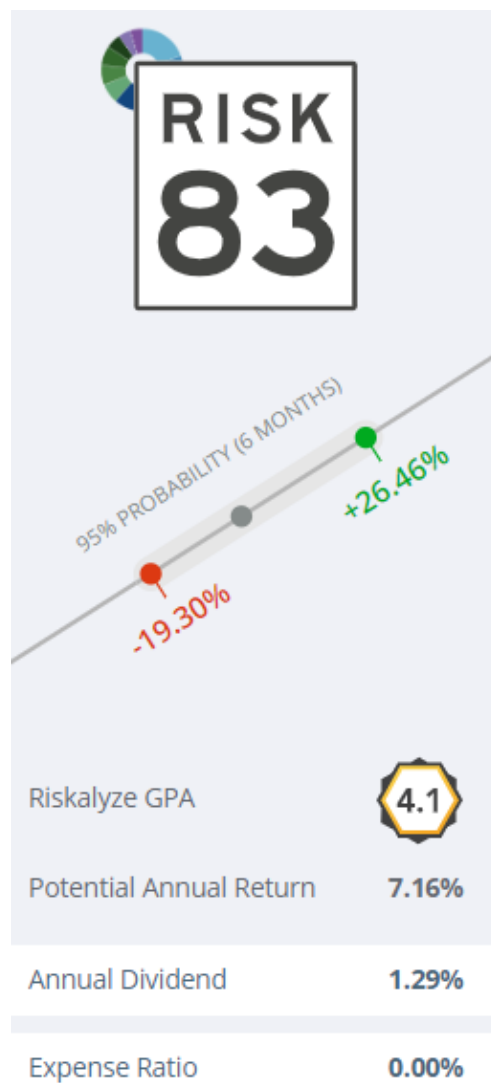
Portfolio Bubble Reports as of 06/30/2019

RESG

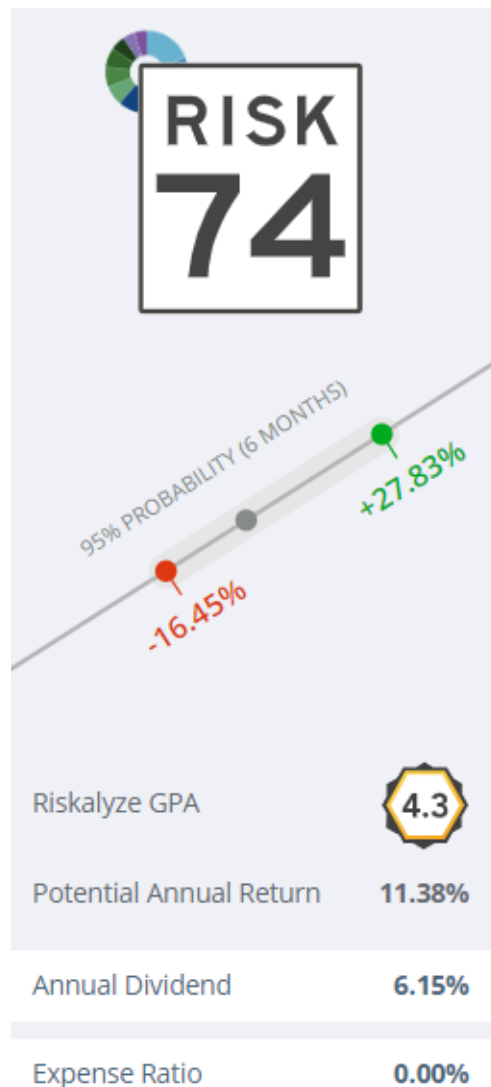
E-Valuator Score 93.68	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



Growth Stock Portfolio: Replaced Ryman Hospitality Properties Inc. (RHP) with Steel Dynamics Inc. (STLD) due to lagging performance.



High Dividend Stock Portfolio: Replaced Ryman Hospitality Properties Inc. (RHP) with Enel Americas SA ADR (ENIA) due to lagging performance. Replaced CoreCivic Inc. with Duke Energy Corp. (DUK) due to lagging performance.

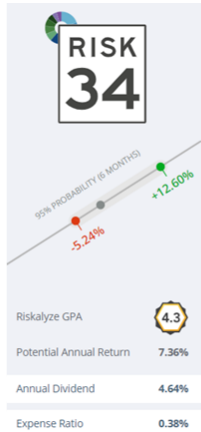
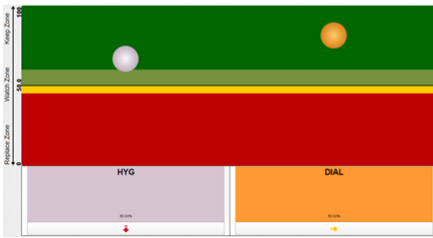


High Income Portfolios: Replaced the Invesco BulletShares 2025 Corp Bd ETF (BSCP) with the Vanguard Long-Term Corporate Bd ETF (VCLT) due to lagging performance. Replaced the SPDR Wells Fargo Preferred Stock ETF (PSK) with the iShares Long-Term Corporate Bond ETF (IGLB) due to underperformance.

High Income Portfolio Bubble Reports as of 06/30/2019

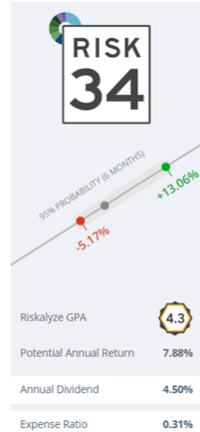
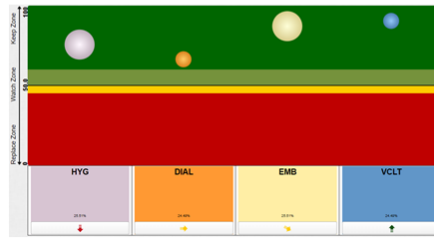
RBI

E-Valuator Score 81.61 E-Valuator Indicator K	E-Valuator Trend Negative Momentum Based on the average total credits for the past 3 month(s).
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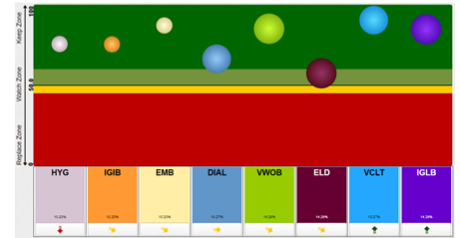
RHY

E-Valuator Score 83.43 E-Valuator Indicator K	E-Valuator Trend Negative Reversal Based on the average total credits for the past 3 month(s).
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RTHI

E-Valuator Score 82.64 E-Valuator Indicator K	E-Valuator Trend Negative Reversal Based on the average total credits for the past 3 month(s).
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Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 06/30/2019

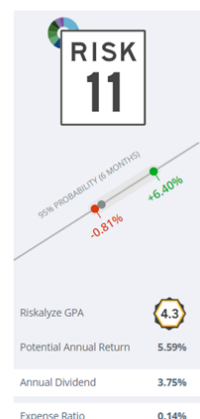
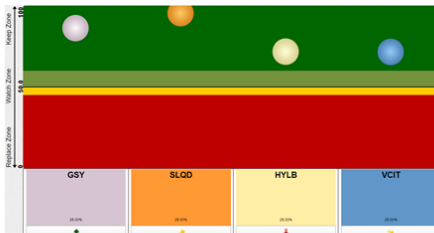
LINCC

E-Valuator Score 85.10 E-Valuator Indicator K	E-Valuator Trend Positive Reversal Based on the average total credits for the past 3 month(s).
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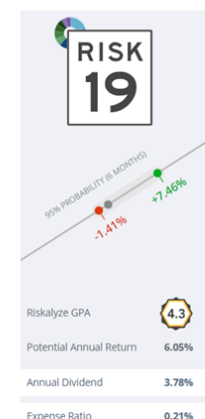
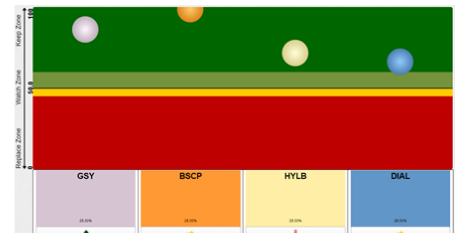
LINCM

E-Valuator Score 84.08 E-Valuator Indicator K	E-Valuator Trend Negative Momentum Based on the average total credits for the past 3 month(s).
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LINCA

E-Valuator Score 95.30 E-Valuator Indicator K	E-Valuator Trend Continued Momentum Based on the average total credits for the past 3 month(s).
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LINCB



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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. Retail sales, business inventories, export and import prices, U.S. Bureau of Labor Statistics.
2. Manufacturing and trade: inventories and sales, U.S. Census Bureau.

Wednesday:

1. Housing starts, U.S. Census Bureau.

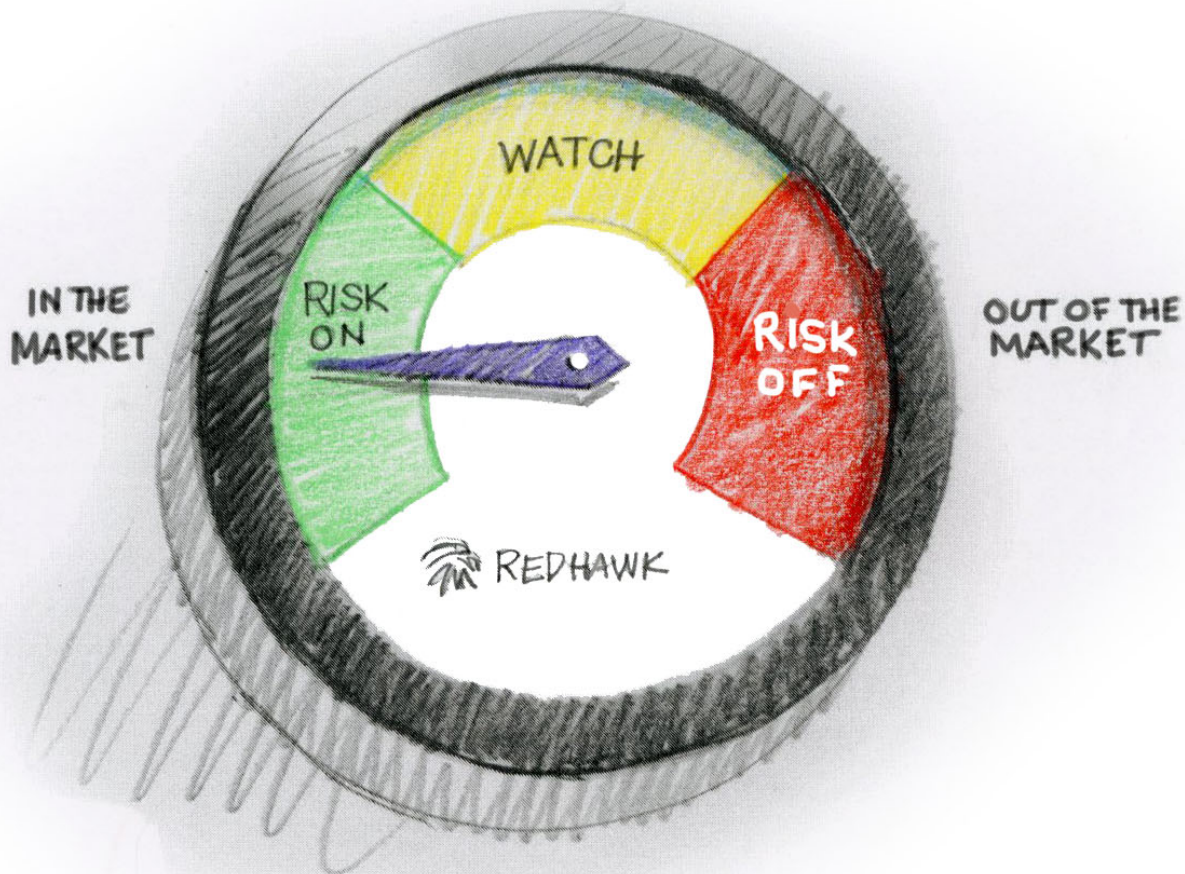
Thursday:

1. The Conference Board Leading Economic Index for the U.S.

Friday:

1. University of Michigan Index of Consumer Sentiment.

On 5/7, our “risk off” VIX algorithm tripped and we moved to the “Risk Watch” zone. On 6/16, the VIX algorithms confirmed the “risk on” position. We will continue to watch this daily and communicate to you if we make any changes (see below).



Portfolio Managers



The Target Return (TR) portfolios consist of a blend of exchange-traded funds (ETFs) to provide a range of risk and return characteristics that should meet the needs of investors saving for retirement. Each of these portfolios is designed to achieve a long-term target rate of return. By utilizing low cost ETFs and by keeping portfolio

turnover low, the ability to produce targeted rates of return is dramatically increased. For investors seeking current income, the TR Income Portfolio (TRIP) has been structured to focus on producing both high current income and growing dividend income. The goal of the Victoria Capital Growth (VCG) portfolio is to provide long-term growth through a diversified portfolio of individual equities. A theme-based investment strategy concentrates investments in common stocks of companies that are expected to grow faster than the overall economy. Owning individual stocks gives greater flexibility to make changes on a stock by stock basis for each client. By applying a bottom-up defensive tactical trading discipline, substantial portfolio reserves can be generated.

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