



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 to listen!

[Redhawk Live!](#)

Market Commentary

Last week stocks ended on a high note and the S&P 500 recorded its strongest quarterly performance in a decade, rising 13% and leaving the index 3% off its all-time high. The market rebound during the quarter was generated by the Federal Reserve's change in future rate hikes, better-than-expected earnings results, and optimism that a U.S. and China trade deal will be reached. Commodities were up significantly, driven by a 30% surge in oil prices following OPEC's production cuts.



Volatility has decreased and the stock market only saw three days in March in which there was a move of 1% or more, compared with nine such days in March 2018. For some perspective, March of 2013 had zero 1% daily swings, while March 2009 had a remarkable 15 (71% of all trading days in the month). Here's a look at the recent records and what they signal about the market ahead:

- **The Economy** – The latest reading on GDP was released last week, showing that the U.S. economy expanded at a 2.2% pace in the fourth quarter, bringing U.S. GDP growth to 2.9% for 2018, tying it with 2015 for the strongest since 2005. Economic growth is a very important driver because it sets the fundamental foundation for investment, corporate earnings, and interest rates. To put this market in perspective, we are currently in the second-longest economic expansion and the second-longest bull market. The fourth quarter growth slowed to 2.2% from 3.4% in the third quarter and 4.2% in the second quarter. Though more modest than last year, the economy is still on solid footing and will likely grow at a mid-2% pace this year.

A growing economy is a good sign for the markets. Since 1955, in years when the economy expanded at a rate between 2%-3%, the average increase in the stock market was 8.8%. Stocks rose by an average of 12.4% in years when GDP growth decelerated to a pace between 2%-3% from a rate better than 3% in the prior year. Simply put, history shows that slower but positive GDP growth has still provided healthy support for market returns.

- **The Yield Curve** – The yield curve (the difference between long-term and short-term interest rates) has generated a great deal of attention in the past week as longer-term rates have fallen, prompting concerns of a weakening outlook for growth and inflation. Ten-year interest rates fell as low as 2.37% last week, the lowest level since December 2017. As we mentioned last week, an inverted yield curve (when short rates are higher than long), has a good track record of signaling economic downturns. The general pattern in the past, when long-term rates have fallen and the yield curve has inverted, the economy and the stock market still demonstrated solid performance for 6 to 18 months before a downturn emerged. The yield curve is consistent with the view that we are likely in the later stages of this cycle.

- **The Market** – While the sharp drop experienced in December 2018 was felt by everyone, the immediate rebound has been nothing short of stellar and the U.S. market is up more than 20% since then. The market still has its fair share of headwinds such as the uncertainty of Brexit, the U.S. and China trade tensions are still a challenge, and the global economy is slowing. These are all likely catalysts for future volatility. This is the best three-month start to a year in a decade (+12%), demonstrating the resilience of this market. Since 1975 there have been 20 quarters with a gain of 10% or more. Over the year following those quarters, the stock market was up in 16 of the 20 instances, with an average return of 11.8%.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,929	1.7%	11.2%
S&P 500 Index	2,834	1.2%	13.1%
NASDAQ	7,729	1.1%	16.5%
MSCI EAFE*	1,866	-0.9%	8.5%
10-yr Treasury Yield	2.41%	-0.03%	-0.28%
Oil (\$/bbl)	\$60.15	1.9%	32.5%
Bonds	\$109.07	0.4%	2.9%

Source: Bloomberg, 03/29/19. *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

Just a quick look at the first quarter of 2019. Bottom line: The equity bull market is still intact and as we look across the globe, we see almost all green (except for Turkey)—a phenomenon we haven't seen in years! Domestically, small cap stocks came in first with a 14.6% return compared to 14.4% for their mid-cap brethren and 13.6% for large cap. Furthermore, volatility declined around 40 percent across global equity markets.

The rally in the first quarter erased most, if not all, of the declines in the fourth quarter of 2018. Short-term volatility can unnerve investors but taking a step back, we see that the long-term stock trend remains intact. Virtually all sectors in the domestic equity markets finished up with information technology, real estate and industrials leading the way. The three-year annualized returns of major market indexes are at or above long-term trends. The S&P 500 has climbed 11.3% each year over the past three years while the NASDAQ is up 16.8% and the small cap Russell 2000 has returned 11.6% per year over that same time period.

While the stock market has been surging, bond markets have remained relatively stable but also finished in the green for the first quarter as fears of further interest rate hikes dissipated. A year ago, the ten-year government bond yield was 2.74% and at the end of March the yield had fallen to 2.41%.

History and experience tell us that stock markets tend to be good leading indicators of future economic growth. As April begins, China looks like it is turning around after a period of moderate slowdown and we are progressing on trade talks. The U.S. growth rate slipped to 2.2% for the fourth quarter and is expected to fall below 2% for the first quarter. Maybe that slowdown was reflected in the weak stock market of the fourth quarter of last year. Meanwhile, the S&P 500 return for the FIRST quarter was the best since 1998 and the best quarterly return since 2009! We view the current investment environment as positive and believe greater growth is ahead of us. Couple that optimism with a call from the president's economic adviser, Larry Kudlow, for the Fed to cut the overnight interest rate by 50 basis points, and you get the possibility that the central bank can become a tailwind to this economy rather than a headwind.

Our optimistic outlook for the stock market is reflected in our fully invested position in the Growth Equity portfolio and a heavier equity weighting in our Target Return portfolios. We did not make any changes in these portfolios during the last week of March.

Redhawk's Strategy Update

The major stock indexes rose more than 1%, regaining positive momentum after alternating between modest weekly gains and losses throughout March. Small-cap stocks outpaced the large-cap companies, as a small-cap benchmark, the Russell 2000 Index, added more than 2%. Market volatility subsided substantially over the first three months of the year as the CBOE volatility index (VIX) dropped 46% in the first quarter to a level that's close to its historical average.

Investors continued to flock to government bonds in many of the world's developed markets, sending their prices up and their yields down to the lowest levels in years. The yield of the U.S. Treasury bond fell as low as 2.37%, the lowest since December 2017, while Germany's 10-year bond fell deeper into negative territory, with a yield of -0.7%. The information technology sector was far and away the top-performing sector in the S&P 500 during the first three months of the year, returning nearly 20%. Healthcare was the quarter's sector laggard, returning about 7%. U.S. stock buybacks broke a record for the fourth quarter in a row, and the record total for all of 2018 was up 55% from the previous year. Last year, companies in the S&P 500 reported \$806 billion in share repurchases, according to S&P Dow Jones Indices.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

Time Period:				4/1/2019	3/25/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Utilities	PUI	Invesco DWA Utilities Momentum ETF		132.93	118.86
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		122.73	134.53
China Region	EWI	iShares MSCI Hong Kong ETF		121.80	142.22
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		107.18	105.75
Technology	VGT	Vanguard Information Technology ETF		105.47	122.13
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		102.80	101.37
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		95.17	81.09
Intermediate Government	ITE	SPDR® BImbg Barclays Interm Term Trs ETF		92.64	88.10
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		91.08	90.85
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.71	90.48

Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		90.37	85.83
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		83.43	78.89

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Growth	CEYIX	Calvert Equity I		128.10	139.42
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		133.24	119.17
Global Real Estate	IHSIX	Hartford Small Company I		133.29	126.54
Mid-Cap Growth	AVEGX	Ave Maria Growth		113.30	125.10
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		125.75	113.75
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		86.97	81.80

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF		110.55	110.76
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		102.57	102.69
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		102.49	102.46
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		102.39	102.63
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		101.49	101.67
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		99.53	99.65
High Yield	FIHBX	Federated Instl High Yield Bond Instl		94.02	94.14
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		77.76	78.99

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		108.45	108.45
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		105.00	105.12
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		103.47	103.47
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		102.19	102.49
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.75	94.87
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.56	94.56
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		94.43	94.43
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		93.65	93.71
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		92.84	94.10
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		88.03	88.15
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		86.85	86.97
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		77.28	77.34
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		76.00	76.06

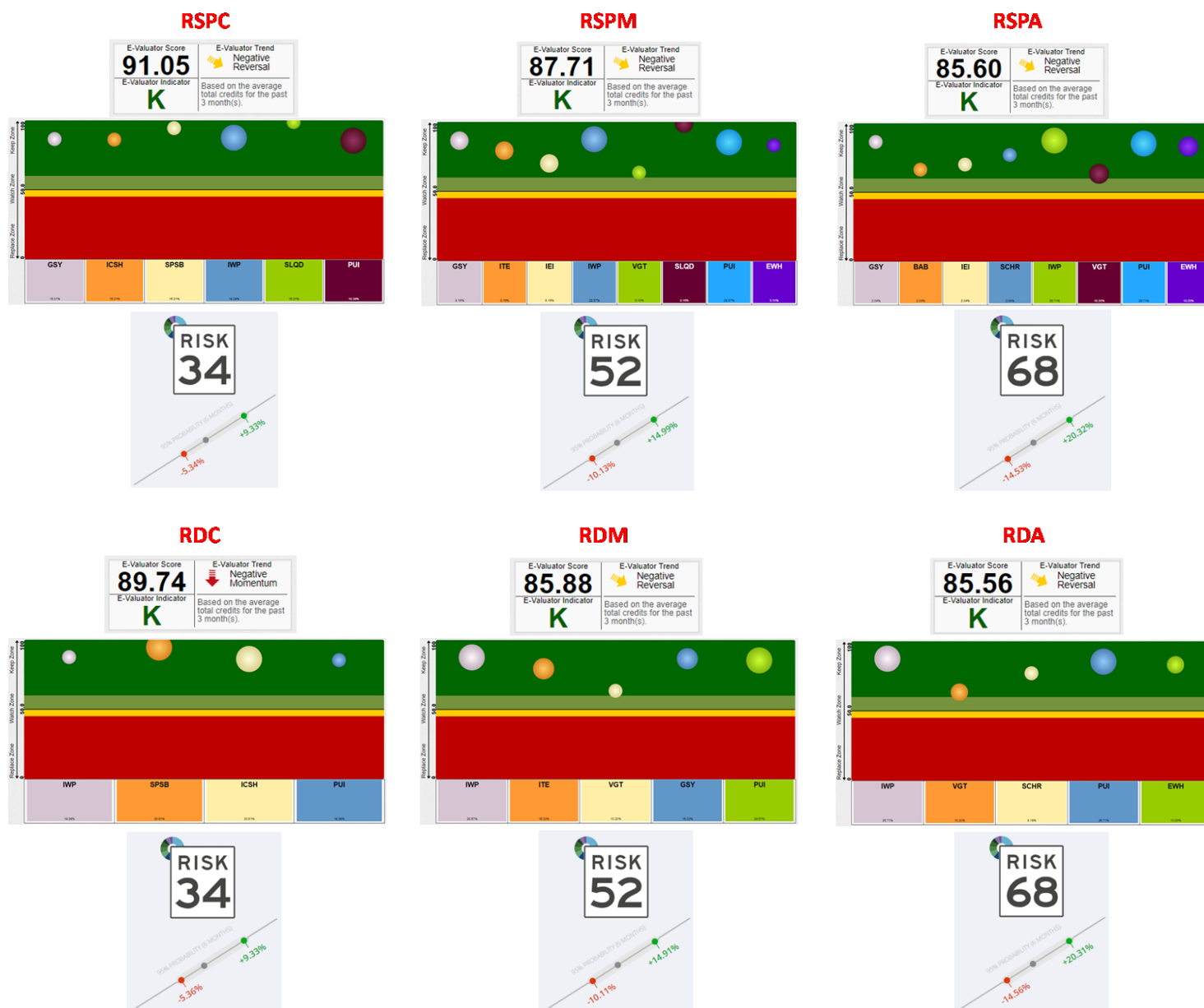
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		113.19	105.38
Large Value	DGRO	iShares Core Div Growth ETF		112.09	115.09
Large Value	VYM	Vanguard High Dividend Yield ETF		110.43	113.43
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		110.36	115.60
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		106.09	104.66
Large Blend	IWB	iShares Russell 1000		105.78	111.02
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		103.44	105.47
Small Growth	VBK	Vanguard SC Gr Idx ETF		101.63	118.36
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		101.26	101.57
Small Blend	VB	Vanguard Small-Cap ETF		99.64	104.07
Large Value	VTV	Vanguard Value Idx ETF		96.75	99.75
Large Blend	IVV	iShares Core S&P 500 ETF		93.91	99.15
Small Value	VBR	Vanguard SC Val Idx ETF		91.67	92.87
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		91.62	91.93
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		87.45	87.85
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		82.19	100.98
Foreign Large Blend	SCHF	Schwab International Developed Equity		76.70	85.67
Small Value	IWN	iShares Russell 2000 Value		65.38	66.58

Small Blend	IJR	iShares S&P Small Cap Core	54.55	58.98
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF	39.91	51.71

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

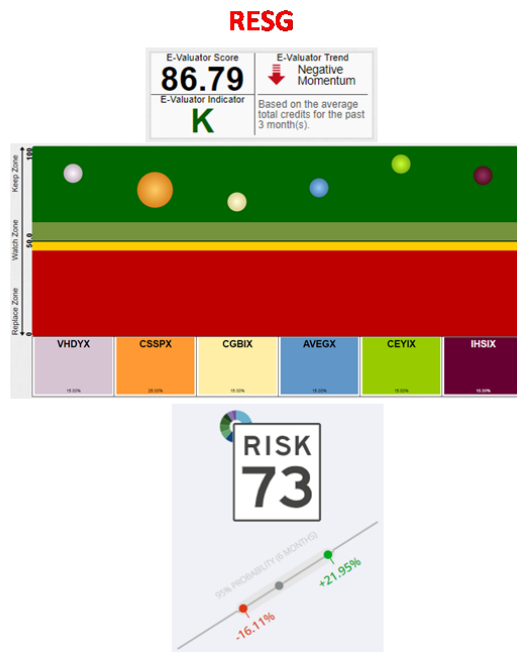
S&P and Dynamic Portfolios: Removed the Utilities sub-category (PUI) off the watch list due to improved performance. Placed the Technology sub-category (VGT) on the watch list due to several other sub-categories outperforming.

S&P and Dynamic Portfolio Bubble Reports as of 2/28/2019



Environmental, Social, and Governance Portfolio: No changes.

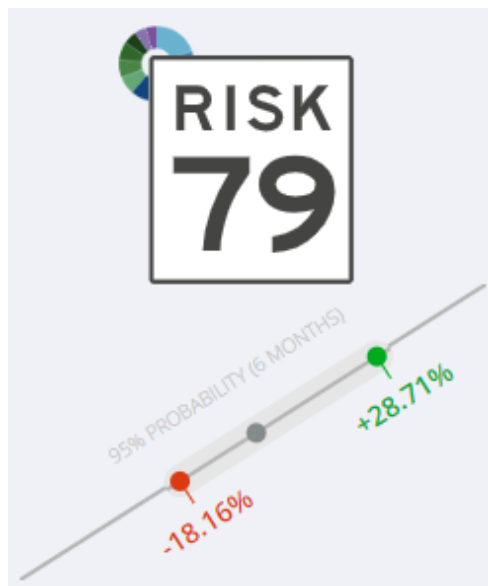
Portfolio Bubble Reports as of 2/28/2019



Growth Stock Portfolio: Replaced Humana, Inc. with Harris Corp (HRS), UnitedHealth Group, Inc. (UNH) with Dollar General Corp (DG), Raytheon Co (RTN) with VF Corp (VFC), and Methode Electronics Inc Class A (MEI) with Bio-Rad Laboratories Inc. (BIO).

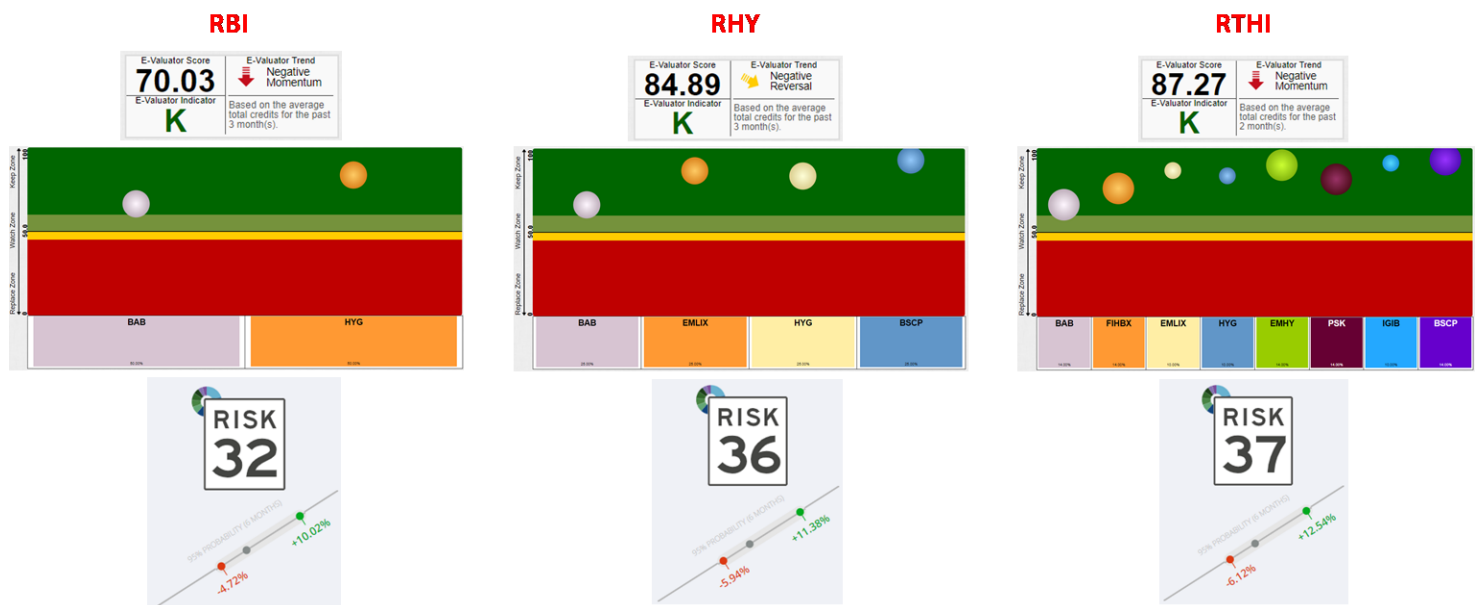


High Dividend Stock Portfolio: Replaced Itau Unibanco Holding SA ADR (ITUB) with DCP Midstream LP (DCP), People's United Financial, Inc. (PBCT), Exxon Mobil Corp (XOM), Triton International Ltd Ordinary Shares (TRTN) with cash, and Moelis & Co Class A (MC) with cash.



High Income Portfolios: No changes.

High Income Portfolio Bubble Reports as of 2/28/2019

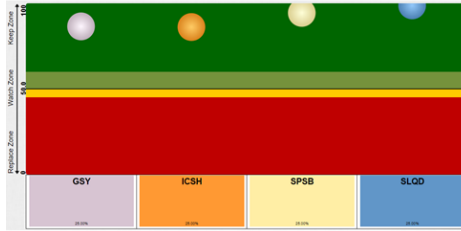


Liquid Income Portfolios: No Changes.

Liquid Income Portfolio Bubble Reports as of 2/28/2019

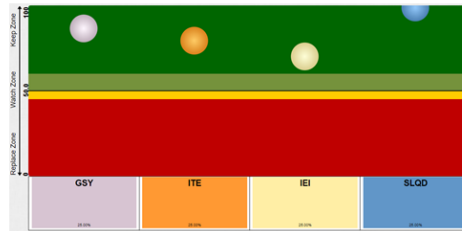
LINCC

E-Valuator Score 93.07	E-Valuator Trend Positive Reversal
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



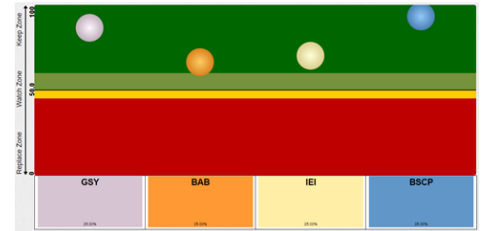
LINCM

E-Valuator Score 82.60	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



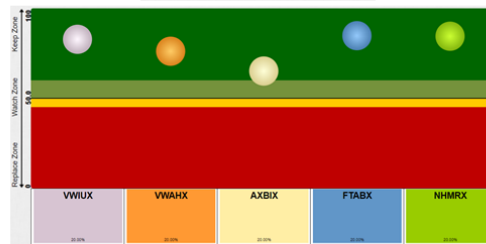
LINCA

E-Valuator Score 80.36	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



LINCB

E-Valuator Score 84.46	E-Valuator Trend Negative Momentum
E-Valuator Indicator K	Based on the average total credits for the past 3 month(s).



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Economic Data for this Week

Monday:

1. Retail sales, U.S. Census Bureau.
2. Construction spending, U.S. Census Bureau.
3. Business inventories, U.S. Census Bureau.
4. Vehicle sales, U.S. Department of Commerce.

5. Institute for Supply Management's manufacturing index.

Tuesday:

1. Durable goods, U.S. Census Bureau.

Wednesday:

1. ADP National Employment Report, ADP.
2. Institute for Supply Management's nonmanufacturing index.

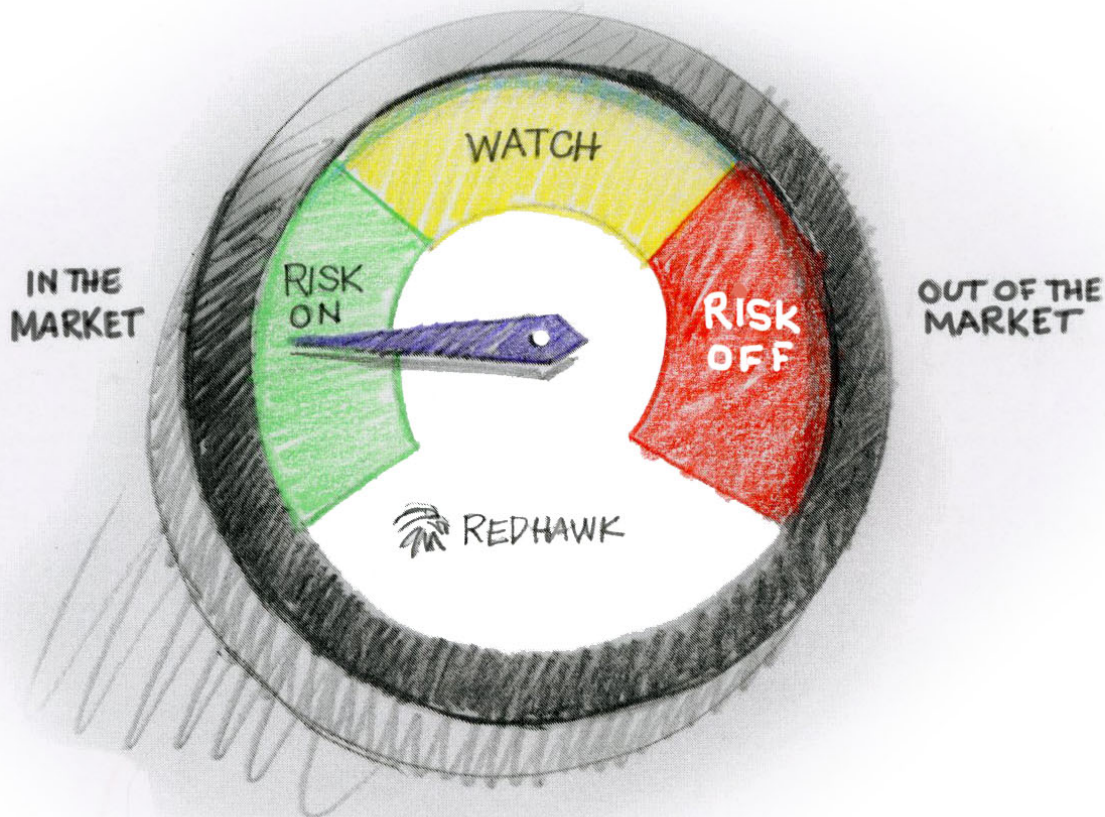
Thursday:

1. No major reports scheduled.

Friday:

1. Jobs and unemployment, U.S. Bureau of Labor Statistics.
2. Consumer credit, U.S. Federal Reserve.

The algorithms, for the growth portfolios, tripped to "risk on" after the market closed on Thursday 1/31/2019. The "risk on" algorithm tripped because the VIX settled down. We will continue to stay with the "risk on" direction and gather relevant data points on the market, monitor the portfolios daily, and communicate to you when we make any changes.



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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