



# 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

Last week, stocks rose globally, with the S&P 500 finishing higher for seven straight sessions. International stocks, particularly those in emerging markets, outperformed, while cyclical sectors outpaced the defensive ones. The main catalyst for the global rally was positive readings from China as the China March Purchasing Managers' Index (PMI) showed a return to expansion after more than six months of mild contraction, signaling that the tax cuts and other policies are producing moderate growth. In the U.S., the jobs report showed that hiring rebounded strongly in March following a soft reading in February, lowering recessionary fears.



The recent yield-curve inversion, often regarded as a potential early indicator of a recession, prompted fears that the economy was slowing. However, these fears have abated for the time being as the yield curve has steepened and stocks had their first seven consecutive up days since 2017. Even though the yield curve is still flat, the fact that it didn't remain inverted for long is a potentially positive sign for moderate growth to continue. Some of the themes as of late:

### **Strong Job Growth – Weaker Wages**

Friday's jobs report showed that the number of jobs created rebounded strongly to 196,000 jobs in March from a revised 33,000 in February, bringing the three-month average of jobs created to a healthy 180,000. While the average monthly pace of job growth in 2019 falls short of the 235,000 jobs averaged in all last year, it still signals a strong labor market with an unemployment rate at 3.8%, near 50-year lows.

More importantly, the jobs report was strong while inflation continues to remain low. Wage growth is growing at a manageable pace that's keeping inflation in check and allowing the Fed to stay patient and data-driven. The Fed's preferred inflation measure fell to 1.4% year-over-year in January from 1.8% the previous month. With low inflation for now, the Fed will keep interest rates at current levels, which should help support moderate economic growth.

### **Retail and Manufacturing Data was Mixed**

Mixed retail and manufacturing data out last week showed that the economy has its weak areas. Retail sales slowed in February but were revised upwards for January. Interest rates are expected to remain low which will support the strong job market and consumer spending, as households continue to benefit from rising wages and low borrowing costs.

U.S. manufacturing data, which has also been mixed this year, showed that the ISM Manufacturing Index increased to 55.3% from 54.2% in February, but also showed a loss of 6,000 manufacturing jobs in March. Manufacturing makes up only one-fifth of the corporate sector, but the health of this cyclical sector is viewed as a status check on the

sustainability of the economic expansion. While tariffs and the global slowdown continue to be headwinds, ongoing progress of the U.S. and China trade negotiations could be a tailwind to growth in this sector over time.

### Global Growth is Turning the Corner

While geopolitical concerns, like Brexit and the slowdown in China, are an ongoing source of market uncertainty, it's expected that global growth will start to pick up. Weakness in the eurozone and a deceleration in China have weighed on international markets. While a resolution of trade conflicts won't be a universal fix to ongoing geopolitical uncertainty, ongoing progress in trade negotiations may help bolster investor optimism towards international equities and the U.S. economy, where trade accounts for 25% of GDP. Investor sentiment has been overly negative towards international equities, given the outlook for global growth to continue in 2019 based on strong labor markets and accommodative monetary policy in Europe aimed at boosting corporate credit and investment. Therefore, the recent uptick in retail spending, a measure of consumer demand, as a potentially positive signal of stabilizing growth in Europe. Additionally, the Chinese government will continue with economic stimulus through tax cuts and increased credit availability.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	26,425	1.9%	13.3%
S&P 500 Index	2,893	2.1%	15.4%
NASDAQ	7,939	2.7%	19.6%
MSCI EAFE	1,911	1.9%	11.1%
10-yr Treasury Yield	2.50%	0.09%	-0.19%
Oil (\$/bbl)	\$63.28	5.2%	39.4%
Bonds	\$108.39	-0.4%	2.5%

Source: Bloomberg, 04/05/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

## Victoria Capital's Strategy Update

**F**or investors in the stock market, especially those who expect to grow their portfolio over long periods of time, there is one investment principle that is widely accepted but one we believe does not benefit savers -- especially those who choose to invest in a diversified portfolio of stocks and bonds. This mix of securities represents a "balanced" approach to investing. The heavier weighting in stocks, the more likely the portfolio will be volatile in the short-term but likely to provide a higher value in the long-term. Traditionally, portfolio structure for this balanced approach was weighted 60% stock, 30% bond and 10% cash. During the Seventies and Eighties this mix generally worked well with record high interest rates contributing to portfolio returns both from an income and a capital appreciation perspective as, from

1980 on, interest rates were falling, and bond prices were rising.

To squeeze a better return out of this portfolio, academics provided evidence that the notion of “rebalancing” could produce about 1% in additional returns per year. The theory was that, if the portfolio got out of balance i.e. went from 60-30-10 to 70-20-10 then the portfolio should be “rebalanced” back to 60-30-10 by selling stock and buying bonds. This idea caught on like wildfire and today it is a standard operating practice for “professionally” managed portfolios in accounts managed by brokerage firms and institutional investors. So, if all these decisions add value, why would anyone resist this strategy?

The problem with this approach is that it reflects the lack of logic involved in selling winners and buying losers. In a bull market advance of the late 1990s, this portfolio consistently lost the boost from growth stocks as they were sold to rebalance back to the target allocations. Then, in the two bear markets of the 2000s, stocks were purchased as they continually declined in value. Unless markets moved in a sideways pattern for a long period of time, this strategy virtually guaranteed that the value of a portfolio would be less in future years than it would have been if you bought and held your winners. But this strategy doesn’t work for banks and brokerage firms that benefit from commissions generated from continuous rebalancing.

During the week ended April 5<sup>th</sup>, we made no changes in the Target Return portfolios. The structure of these portfolios continues to hold more stocks and less bonds based on our current optimistic outlook for domestic stocks. In the Growth Equity portfolio, we sold two stocks that violated our discipline and will be deploying cash in newly identified opportunities.

## Redhawk's Strategy Update

**S**tocks climbed throughout the week, rising more than 2% overall, and the S&P 500 on Friday saw its seventh daily gain in a row, extending a rally that began in the previous week. The rally that started in late December has returned stocks close to the record heights reached more than six months ago. As of Friday, the S&P 500 and Dow were both around 1.5% short of their records, while the NASDAQ was about 2.1% below its peak. Stocks rose on Friday after the latest monthly jobs report showed that February’s weak result could have been an anomaly. The U.S. economy generated 196,000 new jobs in March, while February’s job growth figure was revised upward to 33,000 from an initial estimate of 20,000. The unemployment rate remained unchanged at 3.8%.

Britain’s government on Friday requested an additional Brexit delay, which would push back the nation’s exit from the European Union from April 12 to June 30. Meanwhile, EU leaders debated their own timetable in the wake of the British Parliament’s repeated failures to secure majority support for any Brexit deal. While sticking points remain in the U.S. and China trade dispute, U.S. President Donald Trump on Thursday offered an upbeat assessment of prospects for a comprehensive agreement. The president said the two countries hope to reach a deal within the next four weeks, although no date has been set for a potential summit between Trump and China’s Xi Jinping. The major banks and other companies that will begin reporting first-quarter results this week will face tough comparisons with the year-ago period, when earnings got a big boost from U.S. tax cuts. Earnings for companies in the S&P 500 are expected to decline around 4% compared with the same quarter a year ago, according to analysts’ estimates.

[Redhawk Live Update - Click Here](#)

## Redhawk Model Signals

Time Period:				4/8/2019	4/1/2019
Redhawk S&P 500 and Dynamic Portfolios <small>(RSPC, RSPM, RSPA, RPA, RPS, RPA)</small>	Symbol		Action	Redhawk Score	Redhawk Score



(RSPC, RSPIM, RSPA, RDA, RDC, RDA)				Score	Score
China Region	EWI	iShares MSCI Hong Kong ETF		161.08	121.80
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		148.24	122.73
Technology	VGT	Vanguard Information Technology ETF		142.64	105.47
Utilities	PUI	Invesco DWA Utilities Momentum ETF		125.94	132.93
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		105.95	107.18
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		101.57	102.80
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		91.07	91.08
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.70	90.71
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		88.42	92.64
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		88.04	95.17
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		86.15	90.37
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		79.21	83.43

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Growth	CEYIX	Calvert Equity I		151.11	128.10
Mid-Cap Growth	AVEGX	Ave Maria Growth		138.81	113.30
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		133.77	125.75
Global Real Estate	IHSIX	Hartford Small Company I		130.11	133.29
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		126.25	133.24
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		83.09	86.97

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	110.55
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		102.57	102.57
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		102.49	102.49
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		102.39	102.39
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		101.49	101.49
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		99.53	99.53
High Yield	FIHBX	Federated Instl High Yield Bond Instl		94.02	94.02
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		77.76	77.76

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	105.00
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	102.19
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.75	94.75
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	93.65
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		92.84	92.84
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		88.03	88.03
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		86.85	86.85
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		77.28	77.28
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		76.00	76.00

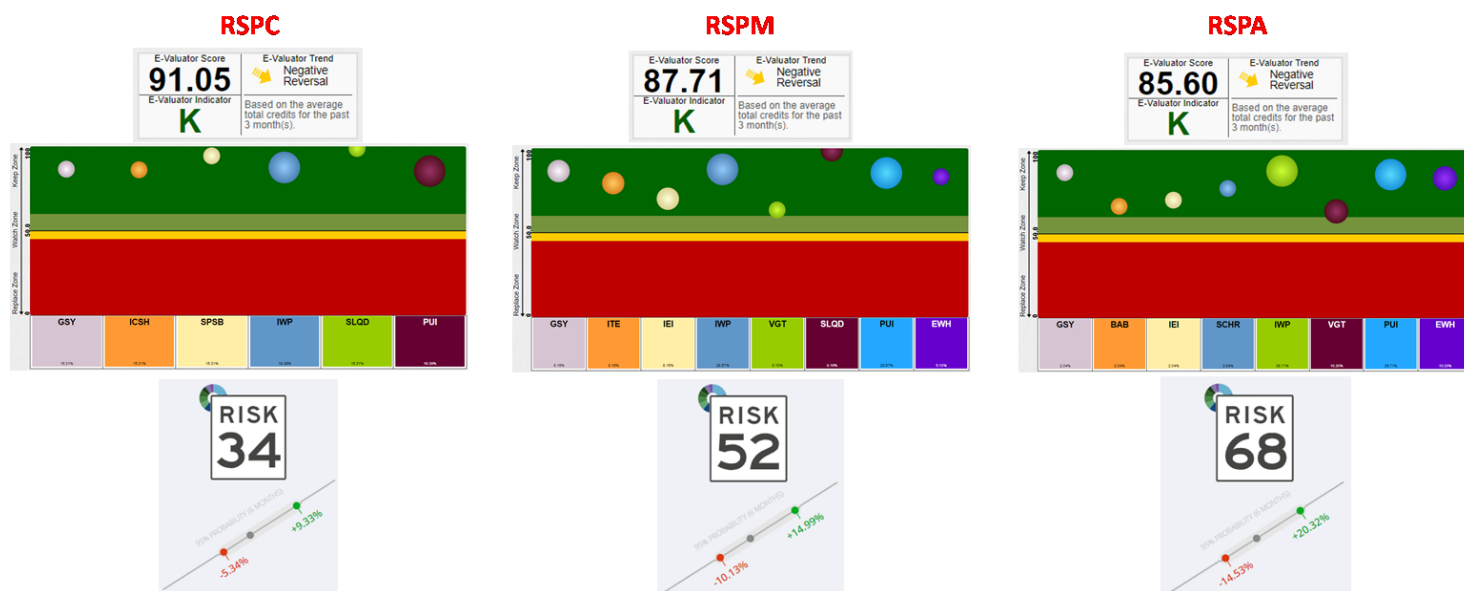
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		127.94	110.36
Large Value	DGRO	iShares Core Div Growth ETF		126.06	112.09
Large Value	VYM	Vanguard High Dividend Yield ETF		124.40	110.43
Large Blend	IWB	iShares Russell 1000		123.36	105.78
Small Growth	VBK	Vanguard SC Gr Idx ETF		121.93	101.63
Small Blend	VB	Vanguard Small-Cap ETF		113.51	99.64
Large Blend	IVV	iShares Core S&P 500 ETF		111.49	93.91

Small Value	VBR	Vanguard SC Val Idx ETF		111.21	91.67
Large Value	VTV	Vanguard Value Idx ETF		110.72	96.75
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		108.81	113.19
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		107.99	103.44
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		107.01	82.19
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		104.86	106.09
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		103.54	101.26
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		102.26	87.45
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		93.90	91.62
Foreign Large Blend	SCHF	Schwab International Developed Equity		92.02	76.70
Small Value	IWN	iShares Russell 2000 Value		76.29	65.38
Small Blend	IJR	iShares S&P Small Cap Core		68.42	54.55
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		65.42	39.91

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

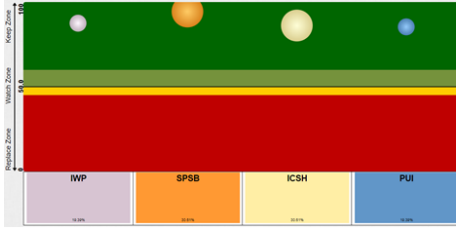
**S&P and Dynamic Portfolios:** Placed the Utilities sub-category (PUI) on the watch list due to several other sub-categories outperforming. Removed the Technology sub-category (VGT) from the watch list due to improved performance.

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



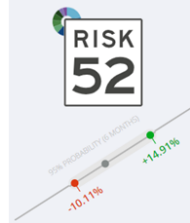
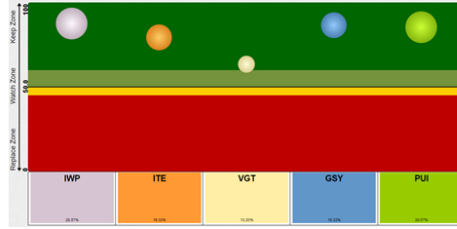
## RDC

E-Valuator Score <b>89.74</b>	E-Valuator Trend Negative Momentum
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



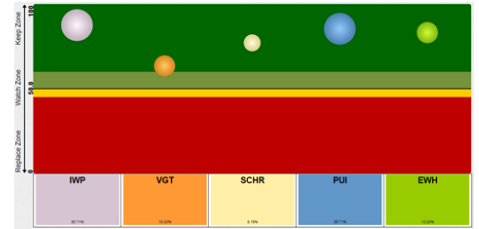
## RDM

E-Valuator Score <b>85.88</b>	E-Valuator Trend Negative Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



## RDA

E-Valuator Score <b>85.56</b>	E-Valuator Trend Negative Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).

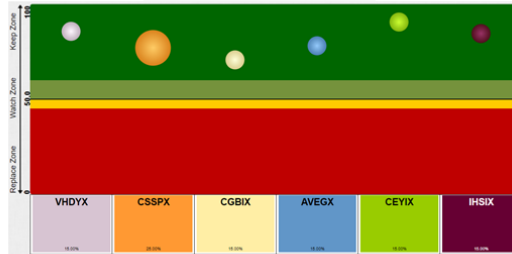


**Environmental, Social, and Governance Portfolio:** No changes.

## Portfolio Bubble Reports as of 2/28/2019

## RESG

E-Valuator Score <b>86.79</b>	E-Valuator Trend Negative Momentum
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



**Growth Stock Portfolio:** Replaced Fox Corp Class A (FOXA) with Marathon Oil Corp (MRO), Everest Re Group Ltd (RE) with Ryman Hospitality Properties Inc (RHP), Spirit Airlines Inc (SAVE) with World Wrestling Entertainment Inc Class A (WWE), and Vertex Pharmaceuticals Inc (VRTX) with Chevron Corp (CVX).

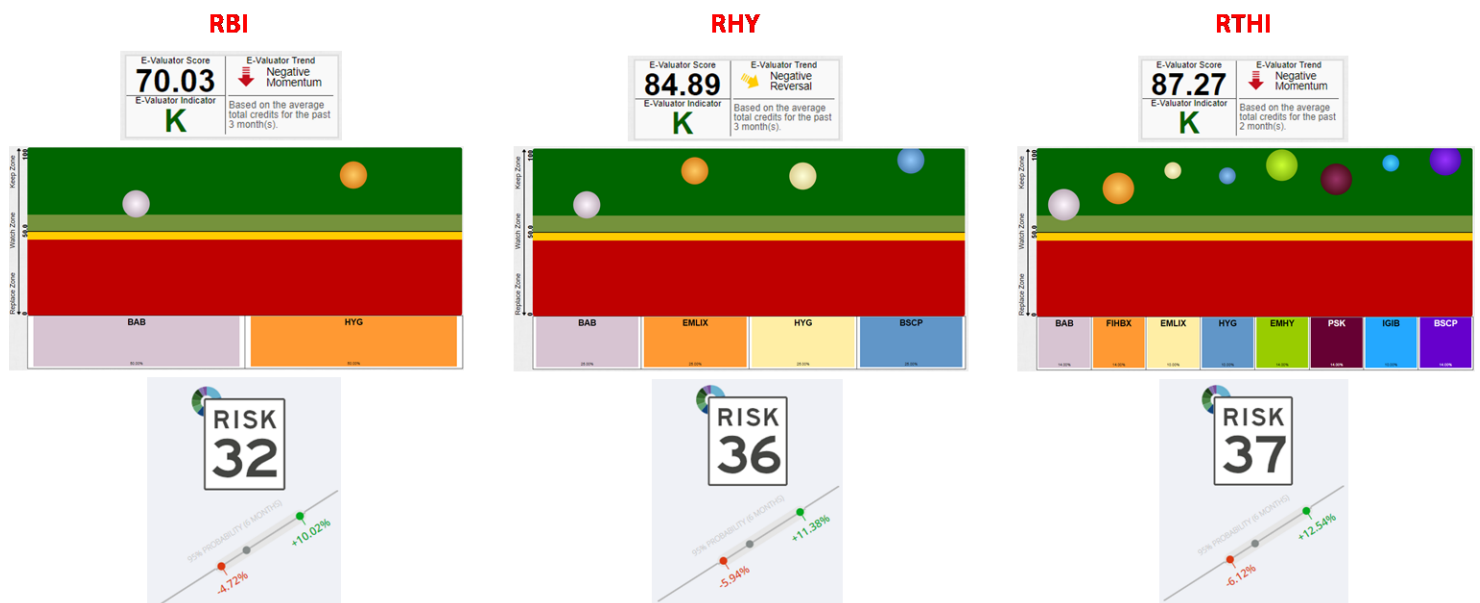


**High Dividend Stock Portfolio:** Replaced Cheniere Energy Partners LP (CQP) with cash and Plains All American Pipeline LP (PAA) with cash.



**High Income Portfolios:** No changes.

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



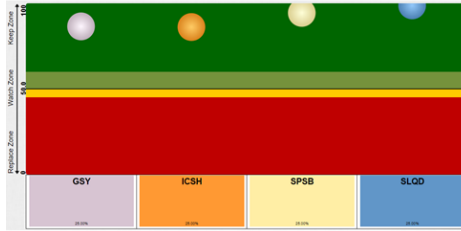
**Liquid Income Portfolios:** No Changes.

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



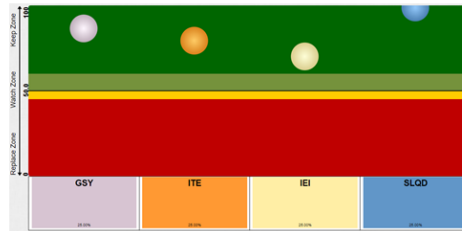
## LINCC

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



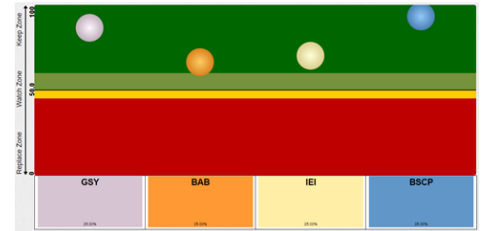
## LINCM

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



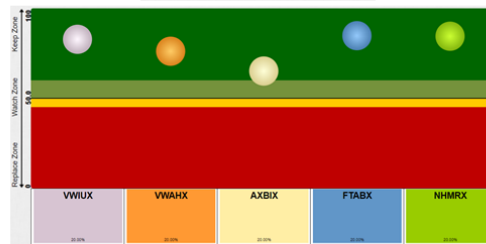
## LINCA

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



## LINCB

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



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## Economic Data for this Week

### Monday:

1. Factory orders, U.S. Census Bureau.

### Tuesday:

1. Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics.

Wednesday:

1. Release of minutes from March 19–20 meeting of the U.S. Federal Reserve Board.
2. Consumer Price Index, U.S. Bureau of Labor Statistics.
3. Federal budget, U.S. Department of the Treasury.
4. Wholesale inventories, U.S. Census Bureau.

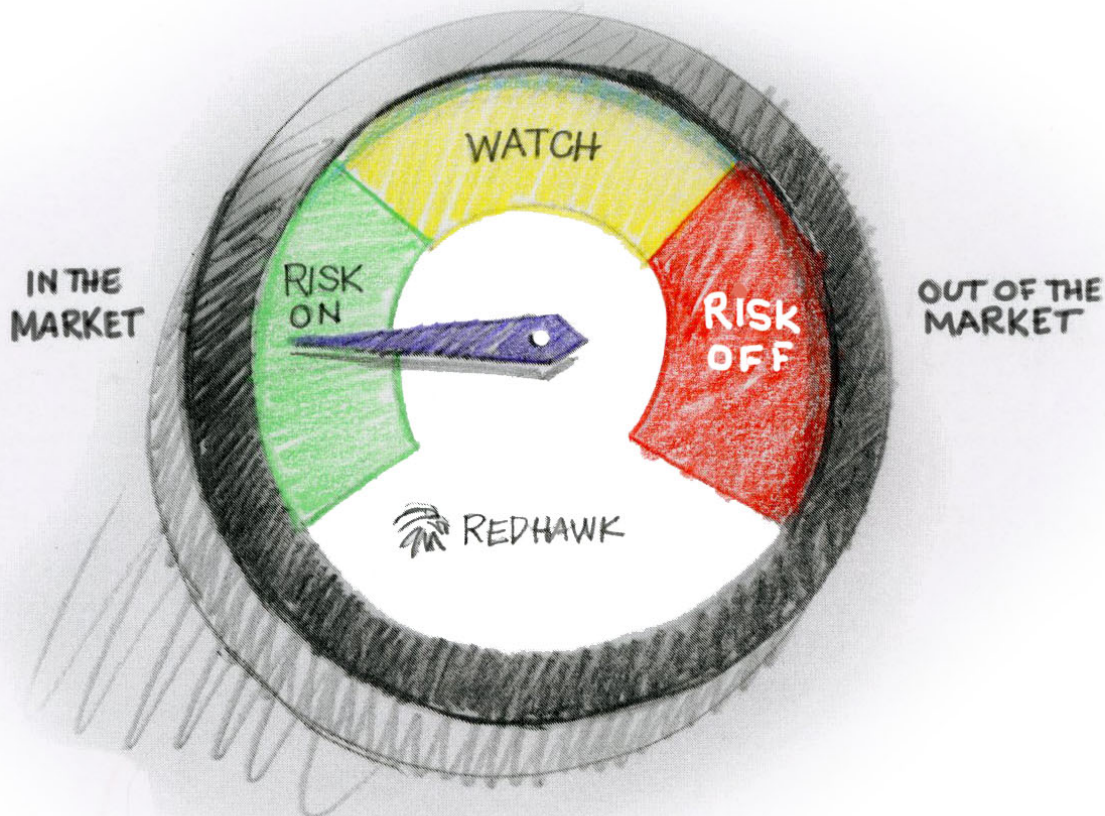
Thursday:

1. Producer Price Index, U.S. Bureau of Labor Statistics.

Friday:

1. University of Michigan Index of Consumer Sentiment, preliminary result.
2. Export and import prices, U.S. Bureau of Labor Statistics.

*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 into a normal range. 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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