



WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

Market Commentary

Last week, stocks started off 2019 with more turbulence, but finished higher for the holiday-shortened week. The combination of a profit warning from Apple, which cited weakness in China, and a softening in the ISM manufacturing index raised concerns over the impact of slowing global growth to the U.S. economy. However, the strong jobs report released on Friday, along with some trade optimism, eased those concerns. The U.S. economy added 312,000 jobs in December, the most in 10 months, which, in combination with faster wage growth, points to continued support for consumer spending, the biggest driver of U.S. economic growth.



After a volatile start to the new year, equity markets ended the week on a high note. In the first two trading days of 2019, the Dow lost 641 points, only to rally another 748 last Friday. These broad swings are indicative of the late stages of a bull market, and while we expect growth to continue, albeit slower growth, the ride is likely to be rockier.

to support higher equity returns in 2019. The economy created a very strong 312,000 jobs last month, the seventh largest monthly increase over the nearly 10-year expansion and well above an expected gain of 184,000. The previous two months were revised upward, bringing the three-month pace of jobs created to a robust average of 254,000. Wage growth, which has stalled for most of the last 10 years, jumped 0.4% in December, bringing the year-over-year total to 3.2%, its largest pace since 2009. Labor market participation, which has slumped over the decade, also ticked up. Even the slight rise in the unemployment rate to 3.9% from 3.7% signaled good news as more consumers who had been sitting on the sidelines saw attractive opportunities and jumped back into the labor market. Robust job creation and wage gains could bode well for continued strength in consumer spending and, since consumers are two-thirds of the economy, could help alleviate some concerns of an impending recession.

However, not all economic data released last week was good. A gauge of manufacturing conditions decreased in December based on a sharp decline in new orders, signaling weakening demand for U.S.-manufactured goods. Similar manufacturing data in China suggesting slower economic growth, combined with market worries and recession concerns, prompted a selloff earlier in the week. These mixed economic signals continue to point to slower but modest economic growth for the year.

2. Market sentiment changes its tune with the Federal Reserve. Over the last three months, continued debate over the direction of interest rates and Federal Reserve policy has led to wide swings in the markets. In response to a growing economy and rising inflation, we expect the Fed will continue to slowly increase short-term interest rates while likely pausing at some point over the course of the year. This past week, investors cheered comments by Federal Reserve Chairman Powell that the Fed would remain patient and flexible if slower economic conditions warrant fewer rate hikes. The main concern for investors is that the Fed will increase rates too far, curtailing economic growth and prompting a recession. Interest rates are likely to remain a key focus of the markets, and volatility will likely continue, but below the surface, the economy remains healthy.

3. Lower valuations and volatility create opportunity. Over the course of 2018, the price that investors were willing to pay for a dollar of future earnings, known as the forward price-to-earnings ratio, fell from 20 to 15.2 times for the S&P 500. As Apple illustrated in its note to investors last week, companies may be facing headwinds from tariffs, higher supply costs, and rising interest rates. Earnings will continue to grow in 2019, but at a slower pace than the more than 20% growth experienced last year. Earnings growth that is in line with historical averages (5% to 7%) will support continued increases in share prices.

Subscribe	Past Issues		CLOSE	WEEK	Translate ▼	RSS 5
Dow Jones Industrial Average			23,433	1.6%	0.5%	
S&P 500 Index			2,532	1.9%	1.0%	
NASDAQ			6,739	2.3%	1.6%	
MSCI EAFE			1,710	-0.01%	-0.6%	
10-yr Treasury Yield			2.67%	-0.05%	-0.01%	
Oil (\$/bbl)			\$48.29	6.5%	6.3%	
Bonds			\$106.69	0.4%	0.2%	

Source: Bloomberg, 01/04/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

Sold Align Technology (ALGN) in the VC Growth portfolio and kept the proceeds in cash.

Redhawk's Strategy Update

Stocks rose modestly on Monday, the final day of 2018, to cap the first negative year for the S&P 500 Index on a total-return basis since 2008. The index returned -4.4%, including dividends, and it fell 6.2% on a price basis. The CBOE Volatility Index more than doubled in 2018, and trading was characterized by frequent and sizable intraday swings in stock prices. The spread between the S&P 500's daily high and low exceeded 1% on 110 days last year, up from just 10 such instances in 2017, according to S&P Dow Jones Indices.

The S&P 500 dropped nearly 2.5% on Thursday as investors reacted to several negative headlines, including Apple's announcement that its quarterly revenue would fall short of expectations. Stocks roared back on Friday, as a stronger-than-expected jobs report and positive news about U.S.-China trade talks sent the S&P 500 to a gain of 3.4%. A speech on Friday by Federal Reserve Chairman Jerome Powell was among the day's catalysts for stocks, as it helped to ease concerns about the outlook for further interest-rate increases. Powell noted that inflation has remained muted, and in response to recent market volatility, he said the Fed is "prepared to adjust policy quickly and flexibly," if necessary.

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 Update - Click Here](#)

Redhawk Model Signals

Time Period:	1/7/2019	12/31/2018
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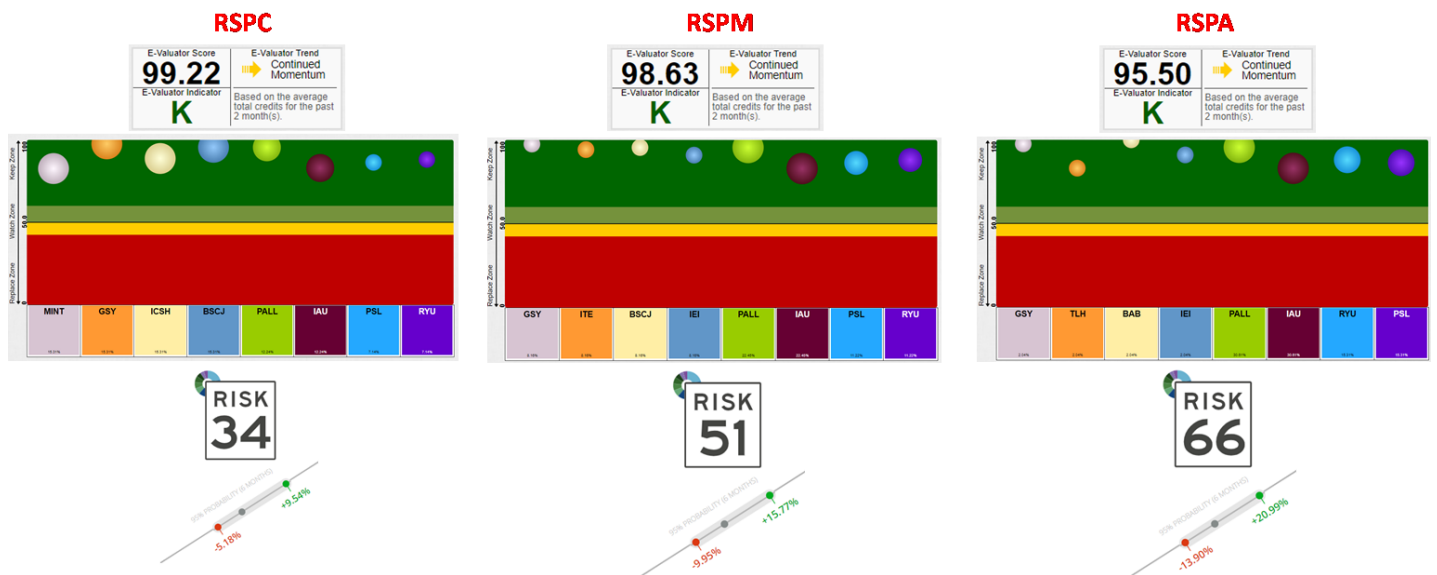
Subscribe	Past Issues	Symbol		Action	Translate	Redhawk Score	RSS
Cash				Re-Deployed into PALL, IAU, RYU, and PSL.			
Nontraditional Bond	HYND	WisdomTree Negative Dur High Yld Bd ETF	IEI				
Equity Precious Metals	PALL	Aberdeen Standard Phys PalladiumShrs ETF		128.60			
Long Government	TLH	iShares 10-20 Year Treasury Bond ETF		117.26	107.88		
Equity Precious Metals	IAU	iShares Gold Trust		116.03			
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		111.25	105.40		
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		105.81	102.80		
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		102.51			
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		99.23	98.96		
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		98.72	97.32		
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.36	90.09		
Ultrashort-Term Bond	MINT	PIMCO Enhanced Short Maturity Active ETF		84.24	83.81		
Utilities	RYU	Invesco S&P 500® Equal Weight Utilts ETF		58.81			
Consumer Defensive	PSL	Invesco DWA Consumer Staples Mom ETF		25.40			
Redhawk Environmental, Social, and Governance Portfolio (RESG)		Symbol		Action	Redhawk Score	Redhawk Score	
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		107.34	104.21		
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		66.92	28.33		
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		58.46	66.53		
Large Value	PKAIX	PIMCO RAE US Instl		48.61	10.02		
Large Blend	VFTSX	Vanguard FTSE Soc Inv		25.25	25.93		
Large Blend	ESG	FlexShares STOXX US ESG Impact ETF		7.34	8.02		
Redhawk Income Portfolios (RBI, RHY, RTHI)		Symbol		Action	Redhawk Score	Redhawk Score	
High Yield	SHYG	iShares 0-5 Year High Yield Corp Bd ETF	CEMB				
Real Estate (REITs)	USRT	iShares Core US REIT ETF	RIGS				
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		112.69	105.40		
Emerging Markets Bond	EIDOX	Eaton Vance Emerging Markets Dbt Opps I		111.92	88.59		
Intermediate Bond	DBLTX	DoubleLine Total Return Bond I		111.16	104.26		
High Yield	FIHBX	Federated Instl High Yield Bond Instl		109.25	71.84		
World Bond	RIGS	RiverFront Strategic Income ETF		109.15			
Emerging Markets Bond	CEMB	iShares JP Morgan EM Corporate Bond ETF		102.06			
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		100.22	102.80		
Long Government	TLH	iShares 10-20 Year Treasury Bond ETF		89.61	107.88		
Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)		Symbol		Action	Redhawk Score	Redhawk Score	
Muni Single State Short	LTBYX	Oppenheimer Rochester® LtdTerm NY MunisY	FTABX				
Muni National Short	PSDIX	PIMCO Short-Duration Muni Income Inst	LMCIX				
High Yield Muni	HIMYX	Pioneer High Income Muni Y	VWAHX				
Muni National Short	MEAR	iShares Short Maturity Municipal Bd ETF	AXBIX				
Nontraditional Bond	HYND	WisdomTree Negative Dur High Yld Bd ETF	IEI				
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		111.40	105.40		
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		105.56	98.96		
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		104.54	102.28		
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		103.07			
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		102.83			
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		102.16	97.32		
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		101.39	102.80		
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		97.91			
Muni National Long	FTABX	Fidelity® Tax-Free Bond		97.16			
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		96.03	90.09		
Muni National Long	LMCIX	Lord Abbett AMT Free Municipal Bond I		94.94			
Long Government	TLH	iShares 10-20 Year Treasury Bond ETF		90.84	107.88		
Ultrashort-Term Bond	MINT	PIMCO Enhanced Short Maturity Active ETF		89.19	83.97		
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)		Symbol		Action	Redhawk Score	Redhawk Score	
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		76.78	74.58		

Subscribe	Past Issues	VTV Vanguard Value Idx ETF	VYM Vanguard High Dividend Yield ETF	Translate ▼	RSS 5
Large Value	DGRO	iShares Core Div Growth ETF		65.76	27.17
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		65.08	60.72
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		62.38	60.18
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		57.41	56.01
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		56.92	60.91
Large Blend	IVV	iShares Core S&P 500 ETF		23.45	24.13
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		19.68	20.36
Large Blend	IWB	iShares Russell 1000		17.08	17.76
Foreign Large Blend	SCHF	Schwab International Developed Equity		16.25	12.35
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		16.09	12.93
Small Blend	VB	Vanguard Small-Cap ETF		8.74	0.33
Small Value	VBR	Vanguard SC Val Idx ETF		8.10	(2.53)
Small Value	IWN	iShares Russell 2000 Value		5.99	(4.64)
Small Blend	IJR	iShares S&P Small Cap Core		1.07	(7.34)
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		(6.39)	(10.29)
Small Growth	VBK	Vanguard SC Gr Idx ETF		(42.30)	(47.96)
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		(52.92)	(52.95)

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

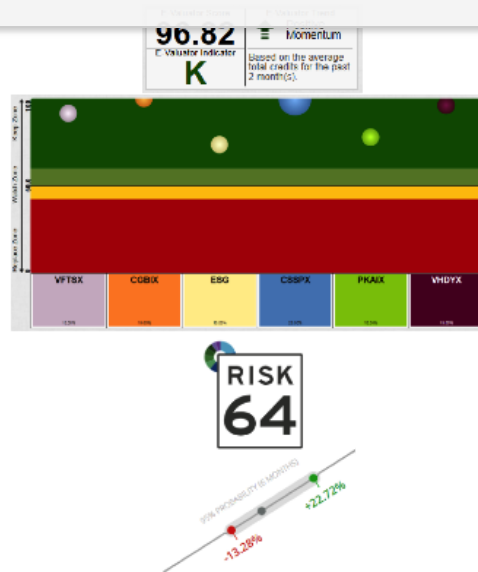
S&P Portfolios: Invested cash on the sideline into the Precious Metals sub-category (PALL) and (IAU), Utilities sub-category (RYU), and Consumer Defensive sub-category (PSL) due to moving into a defensive “risk off” allocation. Replaced the Nontraditional Bond sub-category (HYND) with the Intermediate Government sub-category (IEI) due to under-performance.

S&P Portfolio Bubble Reports as of 11/30/2018



Environmental, Social, and Governance Portfolio: No changes.

Portfolio Bubble Reports as of 11/30/2018

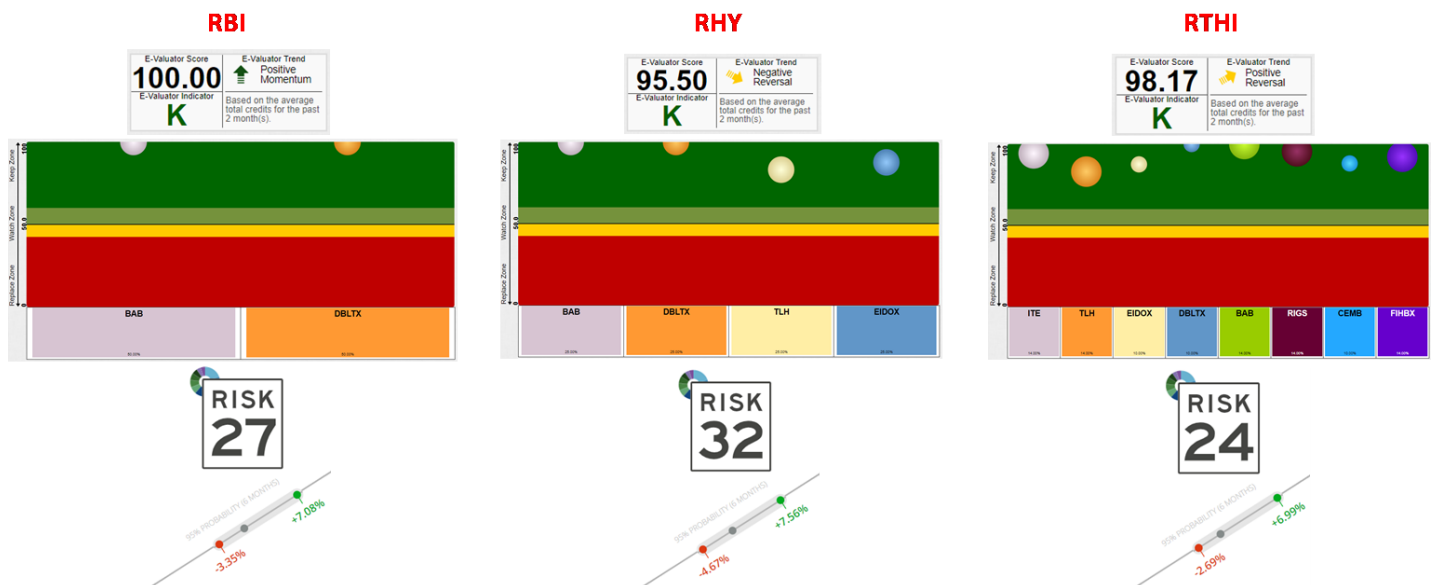


Growth Stock Portfolio: Invested cash on the sideline into the Precious Metals sub-category (PALL) and (IAU), Utilities sub-category (RYU), and Consumer Defensive sub-category (PSL) due to moving into a defensive “risk off” allocation.

High Dividend Stock Portfolio: Invested cash on the sideline into the Precious Metals sub-category (PALL) and (IAU), Utilities sub-category (RYU), and Consumer Defensive sub-category (PSL) due to moving into a defensive “risk off” allocation.

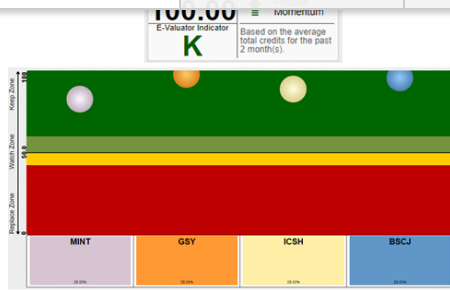
High Income Portfolios: Replaced the Real Estate REIT sub-category with the World Bond sub-category (RIGS) and the High Yield Bond sub-category (SHYG) with the Emerging Markets Bond sub-category (CEMB) due to under-performance.

High Income Portfolio Bubble Reports as of 11/30/2018

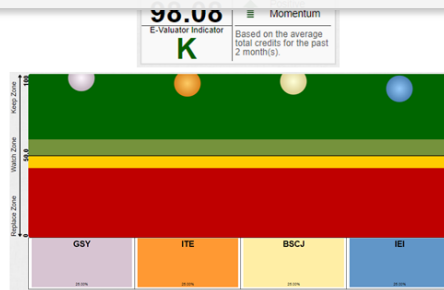


Liquid Income Portfolios: Replaced the Nontraditional Bond sub-category (HYND) with the Intermediate Government sub-category (IEI) due to underperformance. Replaced the High Yield Muni sub-category (HIMYX) with the Muni National Long sub-category (VWAHX), replaced the Muni Single State Short sub-category (LTBYX) with the Muni National Long sub-category (LTBYX), replaced the Muni National Short sub-category (PSDIX) with the Muni National sub-category (LMCIX), and replaced the Muni National Short sub-category (MEAR) with the Muni National Intermediate sub-category (AXBIX) due to under-performance.

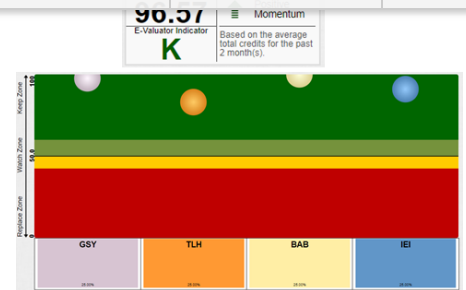
Liquid Income Portfolio Bubble Reports as of 11/30/2018



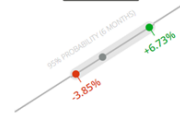
RISK 1



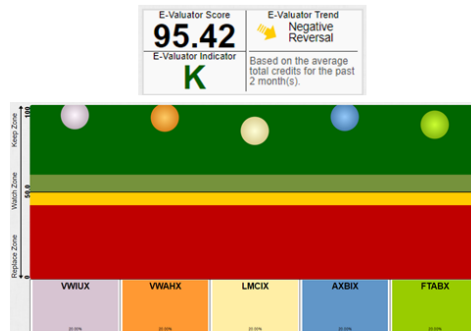
RISK 16



RISK 29



LINCB



RISK 30



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Economic Data for this Week

Monday:

1. Factory orders, U.S. Census Bureau.
2. Institute for Supply Management's nonmanufacturing index.

Tuesday:

1. Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics.
2. Consumer credit, U.S. Federal Reserve.
3. Trade balance, U.S. Census Bureau.

Wednesday:

Thursday.

1. Wholesale inventories, U.S. Census Bureau.

Friday:

1. Consumer Price Index, U.S. Bureau of Labor Statistics.
2. Federal budget, U.S. Department of the Treasury.

The algorithms have been in the “Risk Off” position since 12/19/2018. The stochastic models in place have concluded that precious metals, utilities, and consumer staples are the non-correlated asset classes to invest for this defensive period. On Friday, we re-deployed the cash sitting on the sidelines in the Redhawk growth models into these sub-categories. We will continue to gather relevant data points on the market while in this risk off period.

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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