



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

The first month of the year finished on a high note, with stocks advancing for the week and the S&P 500 recording the strongest January gain since 1987. The main drivers for the rally were stronger-than-expected earnings reports from several companies and a dovish stance from the Federal Reserve. The Fed kept rates steady, as anticipated, but removed language from its statement about further gradual rate increases considering the global economic slowdown and low inflation pressures. The willingness to be patient while assessing economic conditions, in combination with the

flexibility highlighted in adjusting the Fed's balance-sheet policy, was perceived by investors as a policy shift, and resulted in the U.S. dollar selling off and bonds rising. The action-packed week ended with January's jobs report, which points to a robust labor market and wage growth that can support continued consumer spending without being inflationary.



Equities increased in January at the highest pace in three decades, with the Dow rising 7% over the month and up nearly 15% from the market low on December 24. January's performance is a complete reversal from late last year, when stocks neared a bear market and ended down 6% for 2018. Market conditions can change quickly as investors adjust to slower growth and higher volatility.

In 2018, the biggest source of volatility was market concern that the Fed would increase short-term rates too quickly and negatively impact economic growth or push the economy into a recession. Last week, these fears were subsided by the Fed's announcement that it would pause rate hikes due to weakening inflation signals and tighter financial conditions. The Fed also indicated that it would remove stimulus to the financial markets (in the form of its balance sheet) more slowly than previously anticipated and retain more of its current bond holdings. A bigger bond balance sheet puts downward pressure on long-term interest rates and helps keep borrowing costs low for companies and consumers. Taken together, these two actions signal a shift away from the Fed's pace of gradually tightening rate increases over the past three years.

The Fed's monetary policy will continue to be a source of volatility in the market as the Fed adapts to changing economic

conditions. We expect one to two rate hikes this year, which may help soften some of the market's concern that the Fed will push the economy into a recession, as the economy loses some of the momentum it enjoyed from the now fading effects of tax cuts and federal stimulus. What that also means is that short-term and long-term rates will rise slowly and that the gap between them, known as the yield curve, is likely to remain flat, signaling modest growth ahead.

The January jobs data released on Friday showed that the labor market continues to look bright, with 300,000 jobs created in the month. On the flip side, the number of jobs created in December was revised downward to a still solid 222,000 jobs as opposed to the 312,000 previously reported. Despite the downward revision, the economy on average created a robust level of 240,000 jobs over the last three months. Another strong indicator of the health of the labor market was the rising labor force participation rate, which ticked up to the highest level in 13 years, as more workers left the sidelines in search of new opportunities. Wages also grew in January at a modest pace that can support continued consumer spending but is unlikely to increase inflation. If inflation remains modest, the Fed will continue to be flexible and patient with its monetary policy.

The economy will grow modestly at 2.5% for 2019. This pace of growth is lower than last year but solid enough to continue the bull market. This slowing economy will likely produce higher market volatility, and increased risk for investors.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,064	1.3%	7.4%
S&P 500 Index	2,707	1.6%	8.0%
NASDAQ	7,264	1.4%	9.5%
MSCI EAFE	1,831	1.0%	6.5%
10-yr Treasury Yield	2.68%	-0.07%	0.00%
Oil (\$/bbl)	\$55.36	3.1%	21.9%
Bonds	\$106.97	0.5%	0.7%

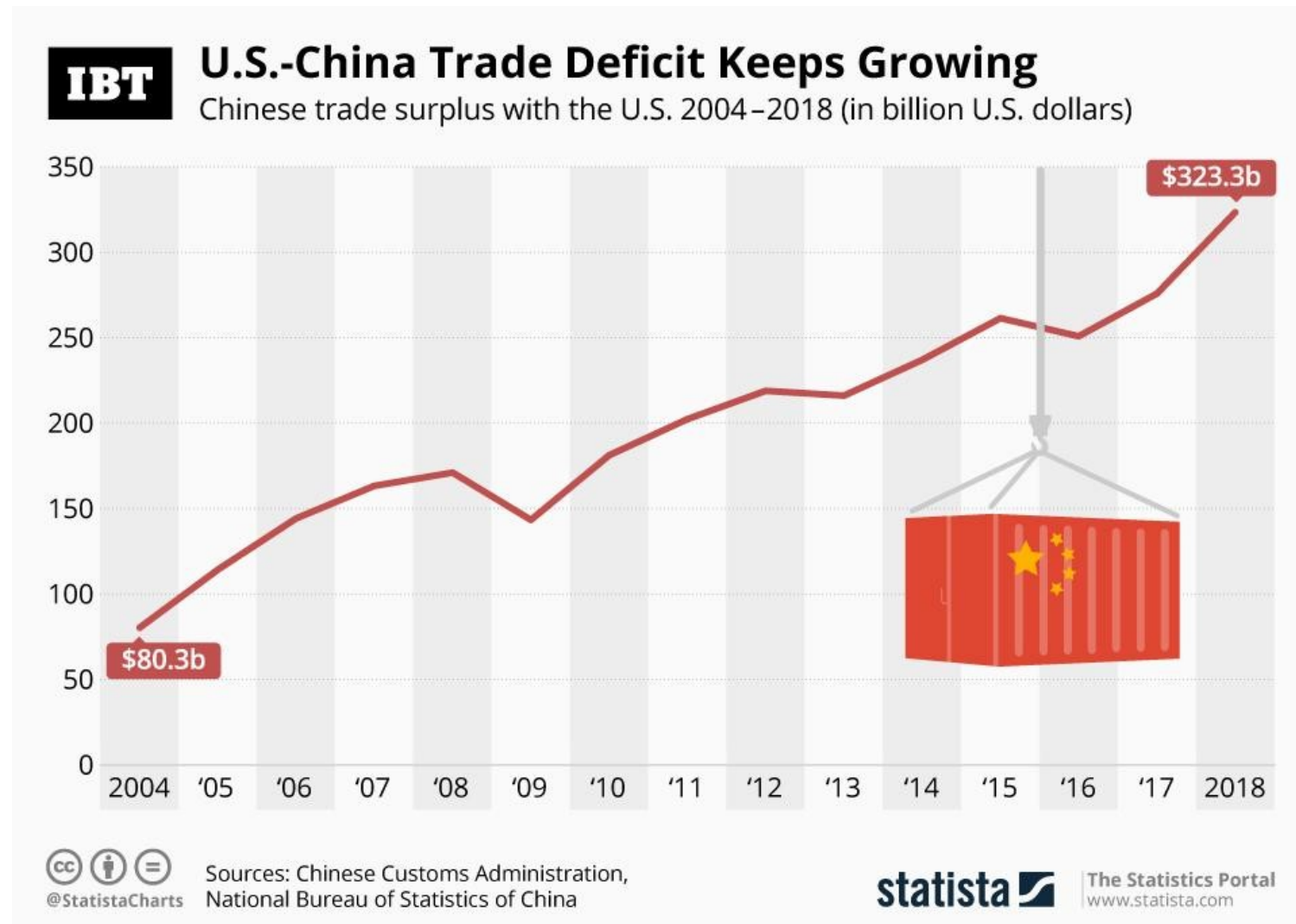
Source: Bloomberg, 02/01/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

The ongoing tariff wars will significantly impact the U.S. economy. While President Trump provided both consumers and businesses with a substantial tax cut in 2018, he effectively increased taxes on all Americans by simultaneously implementing broad-based tariffs on a multitude of Chinese imports. The new “Chinese tariffs” will be rising by another 15% at the end of March. The U.S. has also withdrawn from negotiations over the TPP, the Trans-Pacific Trade Pact, and has still not approved a final alteration of the North American Free Trade Agreement (NAFTA). There is also the potential for tariffs on imports from Europe, especially on automobiles. The real beneficiary of these tariffs is the federal government that collects the dollars that are paid by American consumers on imported goods and services.

Since the Chinese play an important role in our economy, the seriousness of the tariffs on imports from China cannot be understated. The following exhibit reflects the large trade surplus that the U.S. has with China--an indication that

American consumers and producers favor the lower cost Chinese goods. Even with the current 10% tariff, the trend is rising for increasing exports to the U.S. Over the past year, the battle over a solution has done more damage to the Chinese economy and financial markets than it has to the U.S. For 2018, the MSCI China Index fell 20% versus the decline in the S&P 500 of 4.4%. The pain being felt by Chinese consumers and producers encourages us to believe that there will be a solution to this disagreement relatively soon. The bottom line is that China and the U.S. are key trading partners bringing low cost products to both American and Chinese consumers and producers.



There were no changes to the Target Return or Growth Equity portfolios last week.

Redhawk's Strategy Update

The ongoing earnings season continues to be a positive catalyst for the stock market. Among S&P 500 companies that have reported so far, fourth-quarter earnings have risen an average 12% compared with the same quarter a year ago. However, that growth rate is expected to decline in coming quarters. The U.S. economy has generated job growth for 100 months in a row, the longest such streak on record. The government reported 304,000 jobs were added in January, with an average monthly gain of 241,000 jobs over the past three months. That's up from an average of 223,000 for all of 2018.

With another round of U.S. tariff increases set to take effect in early March, high-level talks in the trade dispute with China ended without a clear resolution. However, negotiators reported progress, and China agreed to increase its purchases of U.S. soybeans. Further talks are expected to be held in Beijing later this month. U.S. crude oil prices have been on a tear after sinking as low as \$43 per barrel in December. On Friday, prices climbed to around \$55, the highest level in two-and-a-half months. However, that level is still far below the multi-year highs reached last October, when prices spiked above \$75 per barrel.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

Time Period:				2/4/2019	1/28/2019
Redhawk S&P 500 Portfolios (RSPC, RSPM, RSPA)	Symbol		Action	Redhawk Score	Redhawk Score
Equity Precious Metals	PALL	Aberdeen Standard Phys PalladiumShrs ETF	SPYG		
Equity Precious Metals	IAU	iShares Gold Trust	IWP		
Utilities	RYU	Invesco S&P 500® Equal Weight Utilts ETF	VGT		
Consumer Defensive	PSL	Invesco DWA Consumer Staples Mom ETF	SPEM		
Technology	VGT	Vanguard Information Technology ETF		138.29	
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		135.20	
Large Growth	SPYG	SPDR® Portfolio S&P 500 Growth ETF		124.46	
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		114.04	105.03
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		108.81	106.75
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		104.89	102.83
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		104.10	102.04
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		103.63	102.88
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		98.92	97.37

Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		97.97	96.42
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		97.07	96.32

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Blend	PRILX	Parnassus Core Equity Institutional	CEYIX		
Large Blend	VFTSX	Vanguard FTSE Soc Inv	PMVYX		
Large Blend	ESG	FlexShares STOXX US ESG Impact ETF	AVEGX		
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		158.95	128.19
Mid-Cap Growth	AVEGX	Ave Maria Growth		144.72	
Large Growth	CEYIX	Calvert Equity I		135.88	
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		129.58	105.18
Mid-Cap Value	PMVYX	Putnam Sustainable Future Y		118.93	
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		109.96	106.02

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF	ESFIX		
Intermediate-term Bond	DBLTX	DoubleLine Total Return Bond I		109.71	109.74
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		109.03	108.94
Emerging Market Bond	ESFIX	Ashmore Emerging Markets Short Dur Instl		106.94	
Long Government	SCHR	Schwab Intermediate-Term US Trs ETF		105.05	105.08
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		103.15	103.21
High Yield	FIH BX	Federated Instl High Yield Bond Instl		93.51	93.57
Emerging Markets Bond	CEMB	iShares JP Morgan EM Corporate Bond ETF		92.48	92.66
World Bond	RIGS	RiverFront Strategic Income ETF		88.79	88.88

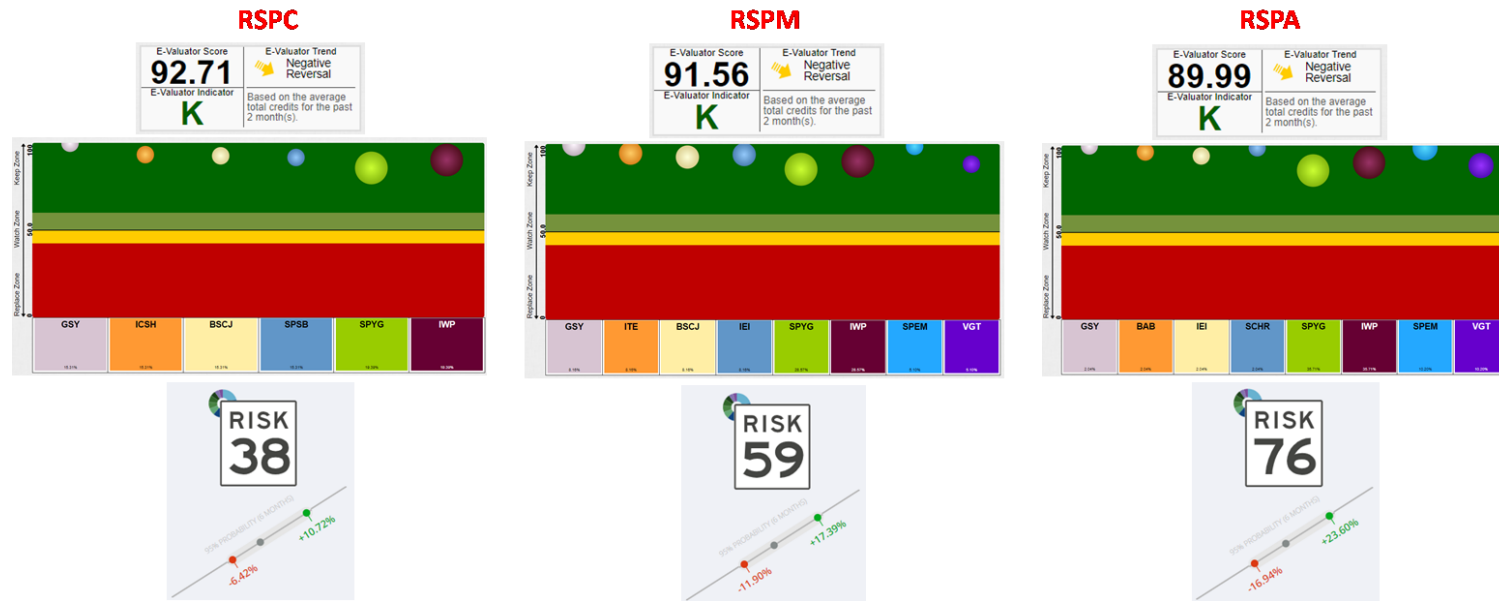
Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINC B)	Symbol		Action	Redhawk Score	Redhawk Score
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		108.82	109.24
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		107.79	107.79
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		107.74	107.74
Muni National Long	FTABX	Fidelity® Tax-Free Bond		107.18	107.12
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		106.52	106.58
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		105.81	105.81
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		101.69	101.69
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		100.81	100.81
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		100.13	100.13
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		100.03	99.49
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		99.32	99.74
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		98.09	98.09
Muni National Long	LMCIX	Lord Abbett AMT Free Municipal Bond I		88.52	88.46

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		143.47	109.47
Small Value	VBR	Vanguard SC Val Idx ETF		135.98	129.11
Small Blend	VB	Vanguard Small-Cap ETF		131.43	126.90
Small Value	IWN	iShares Russell 2000 Value		127.06	120.19
Large Value	VYM	Vanguard High Dividend Yield ETF		126.49	121.33
Large Value	VTV	Vanguard Value Idx ETF		124.46	119.30
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		122.16	114.09
Large Value	DGRO	iShares Core Div Growth ETF		122.05	116.89
Small Blend	IJR	iShares S&P Small Cap Core		120.60	116.07
Large Blend	IVV	iShares Core S&P 500 ETF		115.91	110.43
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		112.95	107.26
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		111.49	106.01
Large Blend	IWB	iShares Russell 1000		109.51	104.03
Small Growth	VBK	Vanguard SC Gr Idx ETF		107.57	106.31
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		99.10	93.41
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		93.08	83.42
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		90.65	82.60
Foreign Large Blend	SCHF	Schwab International Developed Equity		90.31	79.08
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		75.75	74.20
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		72.67	67.31

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

S&P Portfolios: Sold the Commodities Precious Metals sub-categories (PALL) and (IAU). Also sold the Consumer Defensive sub-category (PSL) and the Utilities sub-category (RYU). The proceeds from these will be invested in the Technology sub-category (VGT), the Mid-Cap Growth sub-category (IWP), the Large Growth sub-category (SPYG), and the Diversified Emerging Markets sub-category (SPEM).

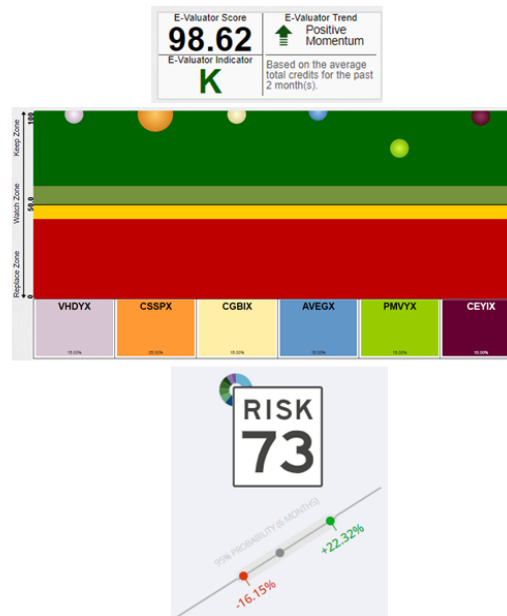
S&P Portfolio Bubble Reports as of 12/31/2018



Environmental, Social, and Governance Portfolio: Replaced the Large Blend sub-category (ESG) with the Mid-Cap Growth sub category (AVEGX). Replaced the Large Blend sub-category (VFTSX) with the Mid-Cap Value sub-category (PMVYX). Replaced the Large Blend sub-category (PRILX) with the Large Growth sub-category (CEYIX).

Portfolio Bubble Reports as of 12/31/2018

RESG



Growth Stock Portfolio: Sold the Commodities Precious Metals sub-categories (PALL) and (IAU). Also sold the Consumer Defensive sub-category (PSL) and the Utilities sub-category (RYU). The proceeds from these will be invested in the following stocks: Haliburton (HAL), Johnson Controls International (JCI), Vulcan Materials (VMC), Adobe (ADBE), Diamondback Energy (FANG), Humana (HUM), Weibo (WB), Chubb Limited (CB), Lowe's Companies (LOW), Lulumon Athletica (LULU), Hilton Worldwide (HLT), Ulta Beauty (ULTA), Raytheon (RTN), Martin Marietta Materials (MLM), Xylem (XYL), Energy Recovery (ERII), Methode Electronics (MEI), PagSeguro Digital (PAGS), and Spirit Airlines (SAVE). There is still 31.5% available in cash that will be used to purchase stocks in the coming weeks.



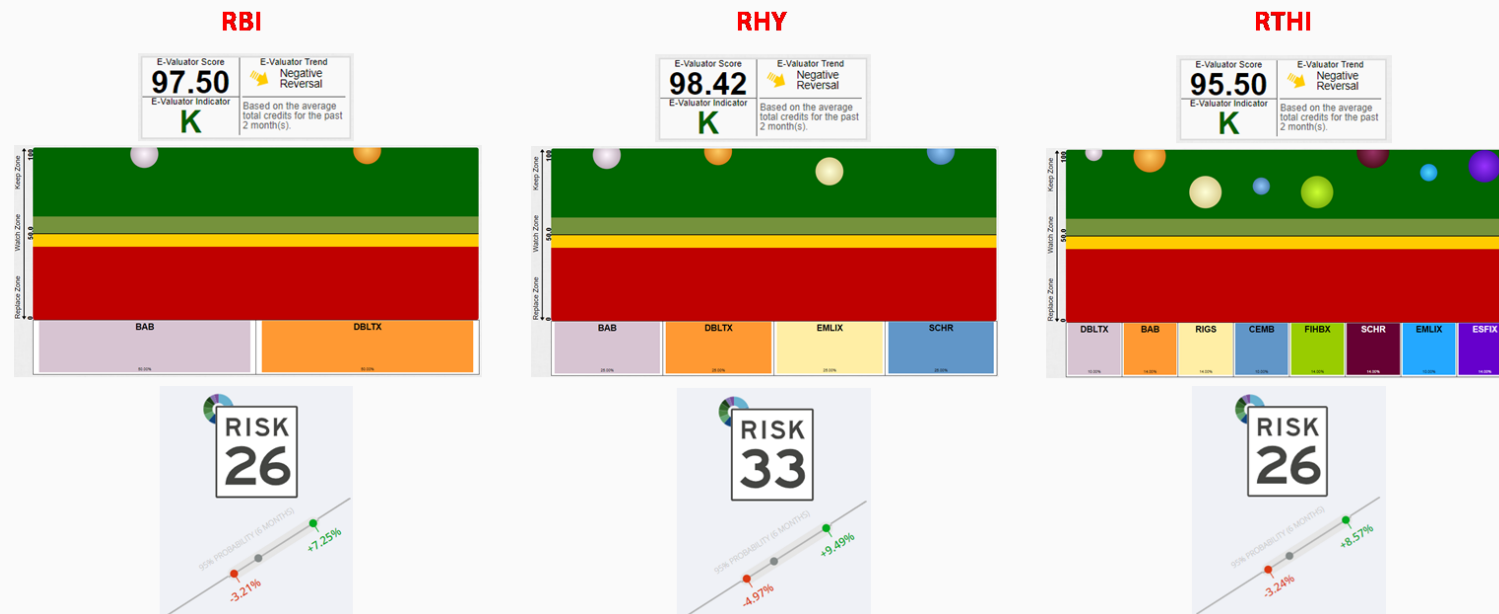
High Dividend Stock Portfolio: Sold the Commodities Precious Metals sub-categories (PALL) and (IAU). Also sold the Consumer Defensive sub-category (PSL) and the Utilities sub-category (RYU). The proceeds from these will be invested in the following stocks: AmeriGas Partners (APU), Apollo Commercial Real Estate Finance (ARI), DCP Midstream

(DCP), The GEO Group (GEO), Shell Midstream Partners (SHLX), Antero Midstream Partners (AM), Omega Healthcare Investors (OHI), Main Street Capital (MAIN), Triton International Limited (TRTN), and Plains All American Pipeline (PAA). There is still 45.0% available in cash that will be used to purchase stocks in the coming weeks.



High Income Portfolios: Replaced the Intermediate Government sub-category (ITE) with the Emerging Market Bond sub-category (ESFIX) in the RTHI portfolio.

High Income Portfolio Bubble Reports as of 12/31/2018

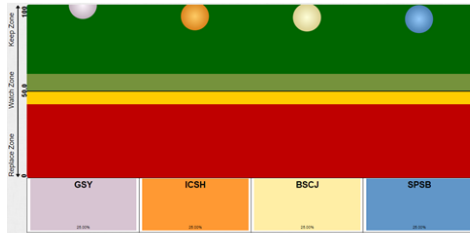


Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 12/31/2018

LINCC

E-Valuator Score 100.00	E-Valuator Trend Continued Momentum
E-Valuator Indicator K	Based on the average total credits for the past 2 month(s).



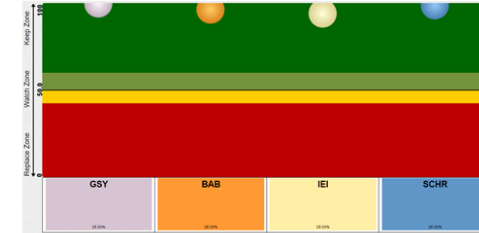
LINCM

E-Valuator Score 97.84	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 2 month(s).



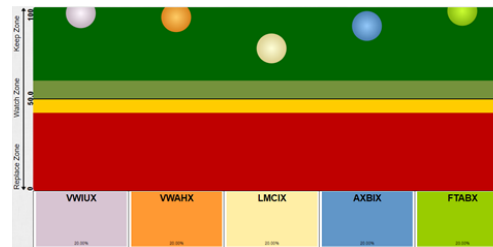
LINCA

E-Valuator Score 98.83	E-Valuator Trend Negative Reversal
E-Valuator Indicator K	Based on the average total credits for the past 2 month(s).



LINCB

E-Valuator Score 96.39	E-Valuator Trend Positive Reversal
E-Valuator Indicator K	Based on the average total credits for the past 2 month(s).



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Economic Data for this Week

Monday:

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

Tuesday:

1. Institute for Supply Management's nonmanufacturing index.

Wednesday:

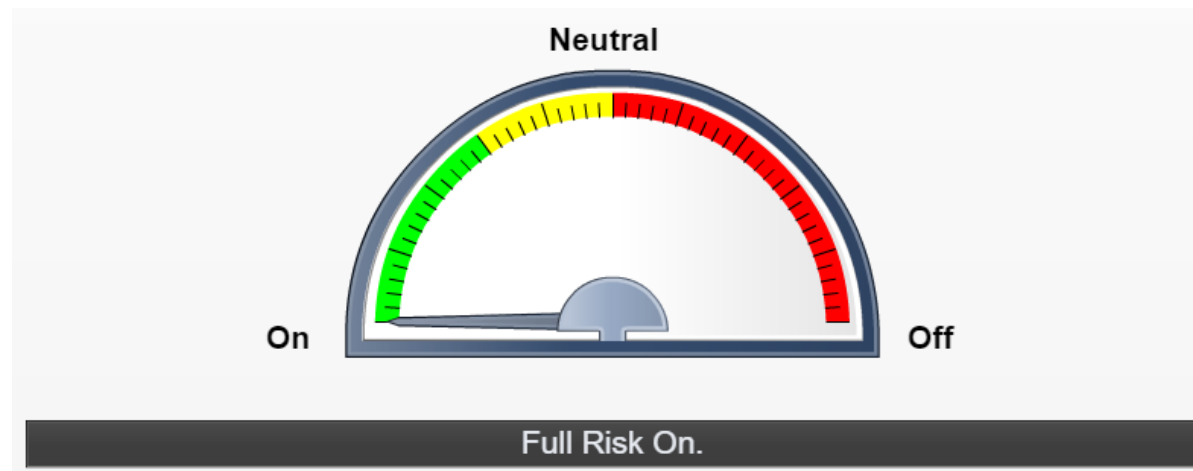
1. Trade balance, U.S. Census Bureau.

Thursday:

1. Consumer credit, U.S. Federal Reserve.

Friday:

1. No major reports scheduled.



Our 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 has gradually settled down over the last several weeks. As a result, all the defensive equity positions were liquidated on Friday and today and will be invested in the best performing categories today (see below for more details). We will continue to gather relevant data points on the market and monitor the portfolios daily and communicate 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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