Redhawk's Weekly Update February 19, 2019 Vol. 3 No. 7 View this email in your browser

REDHAWK
WEALTH ADVISORS

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 extended their recent rally with the S&P 500 rising 2.5% for the week, leaving the index less than 6% off its all-time high. Continued optimism regarding the U.S. and China talks and an agreement to avert a government shutdown provided investors with enough reasons to increase their appetite for risk. Economic news was mixed, with the Bureau of Labor Statistics reporting a surge in job openings, while retail sales and industrial production disappointed. January marked the 10th consecutive month in which there were more job openings than unemployed workers, more evidence of a tight labor market. On the flip side, retail sales slumped in December, falling 1.2% over the prior month, the biggest decline since 2009. This reported softness is in contrast with other data that point to strong holiday sales. As the economic cycle matures, we expect a more balanced mix of encouraging and underwhelming economic readings.

Positive developments in the trade talks with China kept global stocks rising last week, temporarily pushing worries about slowing economic and earnings growth into the background. Disappointing declines in retail sales and industrial output appeared to be due to short-term disruptions, and despite mixed earnings results, company outlooks were generally reassuring. Investors became more optimistic that continuing progress in resolving trade tensions could provide the impetus for better global economic growth as well as rising earnings over time.

Reports of significant progress in resolving the trade tensions with China were good news for investors, who have been concerned about current conditions as well as the additional negative impacts of a higher 25% tariff rate scheduled to go into effect on March 1. Reports that the deadline could be extended by 60 days to allow more time to hash out an agreement were also positive. But difficult issues remain, and progress may not continue to be as quick or smooth as it has been recently, leading to periodic worries and volatility in response. We believe a trade agreement, even if long in the making, would add a catalyst for better global economic growth to other positive drivers for international investments, including attractive valuations, low unemployment in the eurozone, higher dividends and earnings relative to U.S. equities, and expectations for a flat to weakening dollar.

Job openings reached a record high in December, another signal of a strong job market that will be a key support for modest economic growth ahead. But other economic indicators suggested slowing conditions. Weaker-than-expected retail sales and industrial production prompted economists to lower their estimates for economic growth and raised recession concerns.

- **Retail sales -** decreased sharply for December, traditionally the biggest month of the year for consumer spending. The drop appeared to be mostly due to the impacts of the government shutdown and declining stock prices, and spending is likely to rebound in the coming months due to rising consumer confidence and improving financial conditions.

- **January's decline in industrial production -** was concentrated in automotive production, which is extremely volatile, making it less likely to be a good signal about overall manufacturing strength. In addition, the ISM manufacturing index, another measure, showed solid gains in January.

- **Consumer prices -** were up 1.6% in January, a 19-month low that was pulled down by declining energy prices over the month. The less volatile core CPI, which removes energy and food prices, stayed at 2.2%, as it has for the past five months. This stable increase in consumer prices is right in line with the Fed’s 2% target. Moderate inflation gives the Fed room to be patient in hiking rates and could help extend the bull market.

Many economic releases over the next few months could contain more mixed news than usual due to the recent government shutdown, the stock market pullback in December, and recent winter storms. When the economic news is mixed, it's important for investors to stay focused on the longer-term indicators which continue to suggest slower but still positive growth ahead.

With two-thirds of S&P 500 companies having reported fourth-quarter results so far, earnings are on track to have grown 13% from a year ago, marking the fifth straight quarter of double-digit earnings growth. Though strong by historical standards, this rate signals a longer-term downshift in earnings growth this year. Moreover, earnings increased last year even as equity returns fell 4.2%, setting the stage for positive equity returns in 2019 but lower than the 9.8% average return over the past 3 years.

We continue to expect uncertainty tied to Fed actions, politics and trade talks, and slowing global growth will continue to add volatility, but the positive fundamentals and valuations suggest a rocky but rising road ahead for stocks. Last week, the short-term noise in the economic data was overshadowed by the progress in the trade negotiations. But if the noise, uncertainty and volatility become louder, remember your long-term goals are most important and ignore the short-term noise.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,883	3.1%	11.0%
S&P 500 Index	2,776	2.5%	10.7%
NASDAQ	7,472	2.4%	12.6%
MSCI EAFE	1,840	1.9%	7.0%
10-yr Treasury Yield	2.66%	0.03%	-0.02%
Oil ($/bbl)	$55.75	5.7%	22.8%
Bonds	$107.30	0.0%	1.0%

Source: Bloomberg, 02/15/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

According to a recent editorial in Investor's Business Daily: "the once-unimaginable is now a reality: Last year the United States became the top oil producer in the world." For forty years, OPEC dominated the supply of oil globally and raised prices when markets allowed that contributed to global inflation. The wealth transfer to oil producers from U.S. consumers was enormous. One need only look at the rise of glitzy commercial and residential towers in Dubai along with artificial islands to get a feel for the size of that wealth transfer.

Now that U.S. consumers aren't using dollars to purchase oil from OPEC, those dollars are no longer going out of the U.S. to pay for that oil. So even though the oil has been consumed, the dollars that purchased it still exist! The explosion in global dollars from OPEC oil sales stimulated global demand as members used those dollars to buy goods and services from other countries. If those dollars didn't come back to the U.S. for the purchase of U.S. goods, then they circulate in the global economy making life better for the international community. However, the size of that pool of dollars is not expanding due to minimal oil sales to the U.S.

The shortage of U.S. dollars is not showing up as critical but the continued loss of billions of dollars from the global oil trade is certainly going to take a toll on the global economic outlook. Already the International Monetary Fund has lowered its outlook for global growth. The dollar has been moving higher over recent months even though interest rates have stopped going up and have started going down. By keeping those dollars here through consumption of domestically produced oil, the U.S. economy will benefit.

To minimize the impact of a disappearing dollar, foreign governments should implement substantial fiscal policy ease—like the Trump tax rate cuts. In a world dominated by left leaning governments, tax cuts are not likely—at least not initially. This seldom discussed dollar shortage suggests that foreign equity investing may not be a great decision in the face of a rising dollar nor will investing in major multinational corporations that are penalized by a strong dollar. Since the start of 2019 small and mid-capitalization stocks have been leading the way. Could this move be another signal that the coming global shortage of dollars will accrue to the little guys in corporate America? At least all those dollars that were heading for OPEC will stay at home and keep our economy "warm."

For the week ending February 15th, we sold stocks that no longer fit our criteria in the Growth Equity portfolio and invested in stocks where accelerating growth is likely. We made no changes to the Target Return portfolios.

Redhawk's Strategy Update

Last week the major stock indexes gained 2% to 3%, picking up momentum after finishing mostly flat the previous week. For the Dow, it was the eighth positive week in a row, a run that's been driven by diminishing concerns over U.S. monetary policy and the U.S.-China trade conflict. While market gains have been modest in recent weeks, they've been impressive. Since stocks sank to a recent low on December 24, the S&P 500 and Dow have both risen around 18%. The NASDAQ has added nearly 21%, exiting a bear market that it entered in late December.

The major stock indexes climbed around 1% on Friday as the United States and China appeared to make progress toward a resolution of their trade conflict. Negotiators met in Beijing, where they discussed a potential framework for a deal. Further talks are scheduled this week in Washington to discuss remaining sticking points. Congress managed to steer clear of another partial government shutdown when it approved a negotiated deal to keep the government funded through this fall. President Trump signed the bill on Friday, hours before funding was set to expire for parts of the government, while also declaring a national emergency over border security issues.

Wednesday's release of minutes from the U.S. Federal Reserve Board's late January meeting will be closely watched, as the meeting notes are expected to reveal how broad the consensus was among board members to shift to a more dovish stance on monetary policy. The Fed's adoption of a more neutral approach to interest rates this year helped spark the recent rally for stocks.

Redhawk Live Update - Click Here

Redhawk Model Signals

Time Period:				2/19/2019	2/11/2019
Redhawk S&P 500 Portfolios (RSPC, RSPM, RSPA)	Symbol		Action	Redhawk Score	Redhawk Score
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		141.80	144.39
Technology	VGT	Vanguard Information Technology ETF		134.01	141.56
Diversified Emerging Markets	SPEM	SPDR® Portfolio Emerging Markets ETF		116.54	135.67
Large Growth	SPYG	SPDR® Portfolio S&P 500 Growth ETF		107.57	110.67
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		102.19	102.51
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		100.79	100.79
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		98.87	99.28
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		97.78	97.75
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		96.69	97.10
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		96.43	96.43
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		88.83	89.24
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		78.56	78.88

Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		[illegible]	[illegible]

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Mid-Cap Growth	AVEGX	Ave Maria Growth		144.28	146.87
Large Growth	CEYIX	Calvert Equity I		130.82	133.92
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		127.65	148.22
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		113.67	116.63
Mid-Cap Value	PMVYX	Putnam Sustainable Future Y		112.29	117.84
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		92.30	93.07

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		109.81	109.90
Emerging Market Bond	ESFIX	Ashmore Emerging Markets Short Dur Instl		96.09	94.44
Long Government	SCHR	Schwab Intermediate-Term US Trs ETF		95.06	95.54
High Yield	FIHBX	Federated Instl High Yield Bond Instl		94.90	93.37
Intermediate-term Bond	DBLTX	DoubleLine Total Return Bond I		93.59	92.72
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		93.44	93.50
World Bond	RIGS	RiverFront Strategic Income ETF		91.61	91.70
Emerging Markets Bond	CEMB	iShares JP Morgan EM Corporate Bond ETF		89.30	89.27

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		105.14	104.00
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		104.78	104.78
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		104.35	104.35
Muni National Long	FTABX	Fidelity® Tax-Free Bond		104.13	104.13
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		100.97	100.97
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		100.42	100.00
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		98.17	98.17
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		96.47	96.35
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		93.44	93.38
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		87.77	87.77
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		86.38	86.38
Muni National Long	LMCIX	Lord Abbett AMT Free Municipal Bond I		80.52	80.52
Short-term Bond	BSCJ	Invesco BulletShares 2019 Corp Bd ETF		79.24	80.14

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Small Blend	VB	Vanguard Small-Cap ETF		123.64	131.12
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		123.47	127.05
Small Growth	VBK	[illegible]		[illegible]	[illegible]

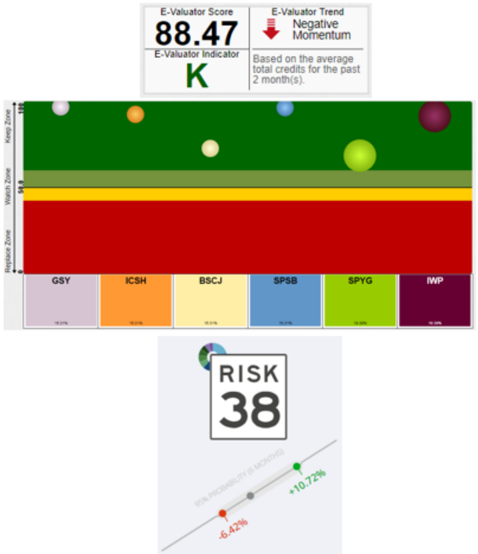
Small Growth	VBK	Vanguard SC Gr Idx ETF		117.98	120.59
Small Value	VBR	Vanguard SC Val Idx ETF		117.25	123.18
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		116.54	126.95
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		116.45	118.62
Large Value	VTV	Vanguard Value Idx ETF		115.13	117.96
Large Blend	IWB	iShares Russell 1000		114.46	116.63
Large Value	VYM	Vanguard High Dividend Yield ETF		113.91	116.74
Large Value	DGRO	iShares Core Div Growth ETF		112.44	115.27
Large Blend	IVV	iShares Core S&P 500 ETF		109.32	111.49
Small Value	IWN	iShares Russell 2000 Value		103.99	109.92
Small Blend	IJR	iShares S&P Small Cap Core		102.19	106.36
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		101.54	101.86
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		99.92	105.34
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		97.86	103.41
High Yield Bond	HYG	iShares iBoxx $HY Corp ETF		95.76	101.18
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		93.35	95.09
Foreign Large Blend	SCHF	Schwab International Developed Equity		76.37	86.99
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		63.80	66.39

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

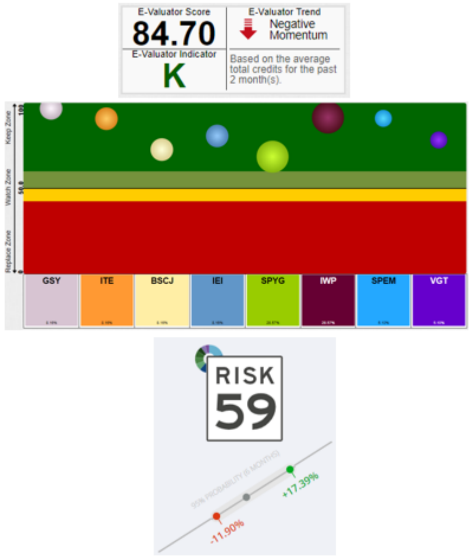
S&P Portfolios: Placed the Diversified Emerging Markets sub-category (SPEM) on the watch list due to under-performance.

S&P Portfolio Bubble Reports as of 1/31/2019

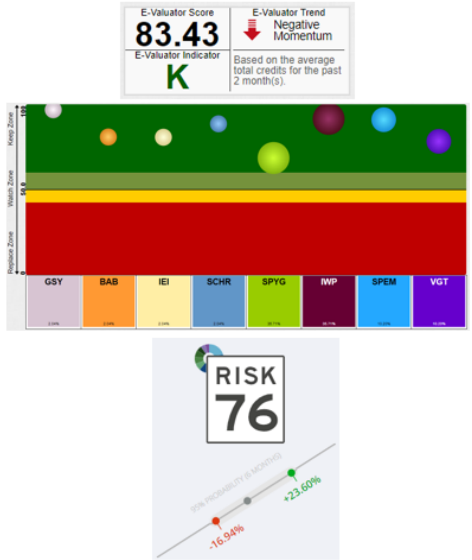
RSPC



RSPM



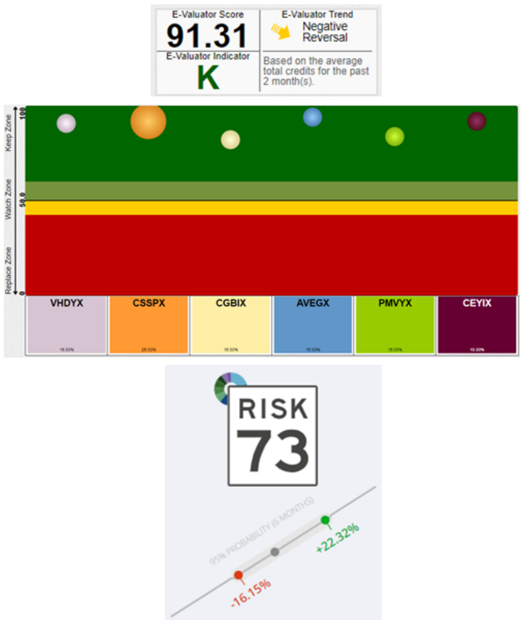
RSPA



Environmental, Social, and Governance Portfolio: Kept the Large Value sub-category (VHDYX) on the watch list due to under-performance. Placed the Mid-Cap Value sub-category (PMVYX) on the watch list due to lagging performance.

Portfolio Bubble Reports as of 1/31/2019

RESG



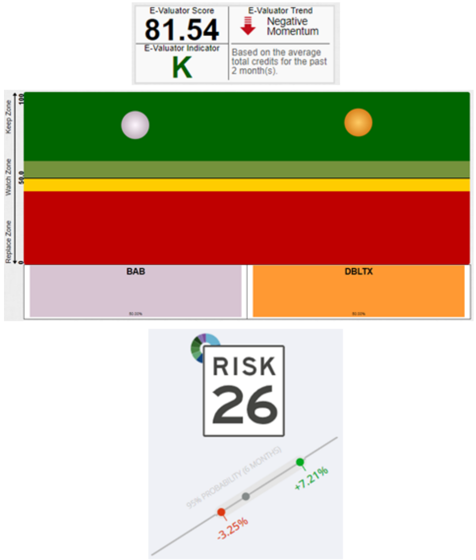
Growth Stock Portfolio: Purchased Vertex Pharmaceuticals Incorporated (VRTX), Amazon.com, Inc. (AMZN), WellCare Health Plans, Inc. (WCG), Pioneer Natural Resources Company (PXD), Facebook, Inc. (FB). After these purchases, there is roughly 1% in cash left in the portfolio.

High Dividend Stock Portfolio: Purchased BP p.l.c. (BP), Phillips 66 Partners LP (PSXP), Royal Dutch Shell plc (RDS.A), MPLX LP (MPLX). There is still 24.5% available in cash that will be used to purchase stocks.

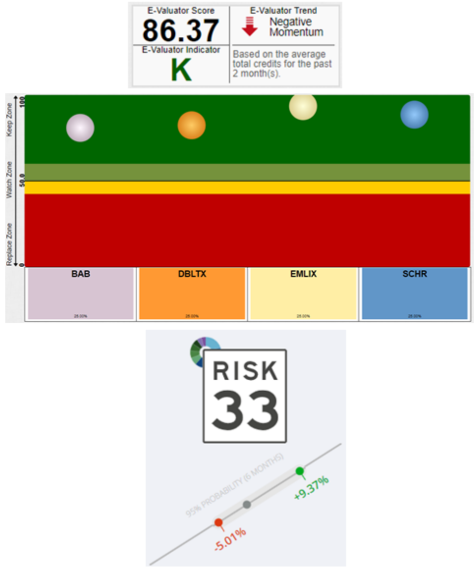
High Income Portfolios: No changes.

High Income Portfolio Bubble Reports as of 1/31/2019

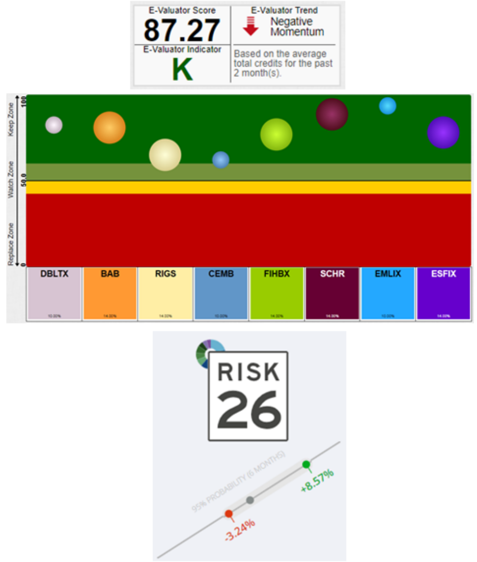
RBI



RHY



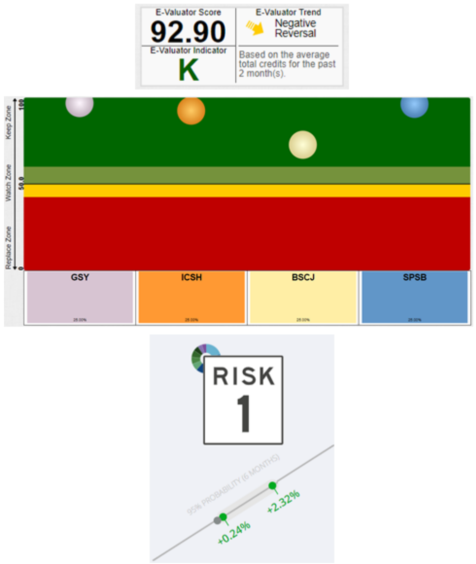
RTHI



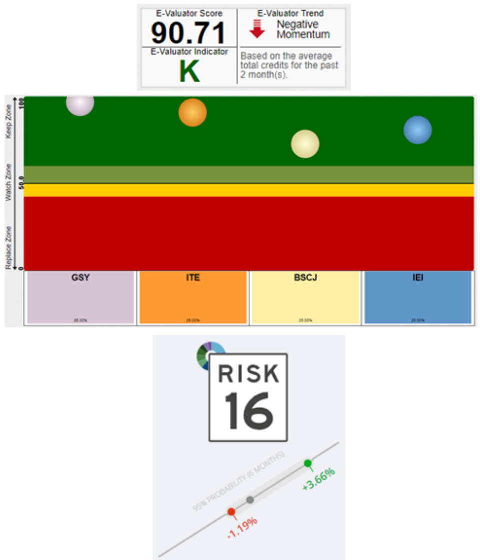
Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 1/31/2019

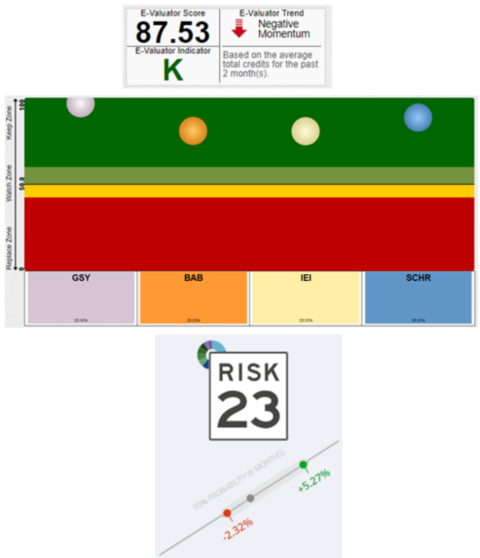
LINCC



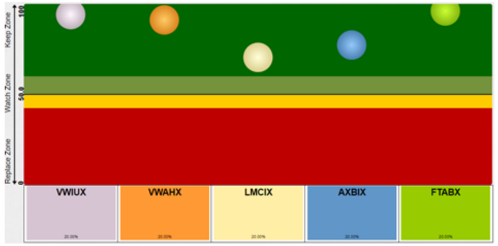
LINCM



LINCA



LINCB



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Economic Data for this Week

Monday:

1. Presidents' Day holiday, U.S. financial markets closed.

Tuesday:

1. Housing Market Index, National Association of Home Builders.

Wednesday:

1. Release of minutes from January 29–30 meeting of the U.S. Federal Reserve Board.
2. Housing starts, U.S. Census Bureau.

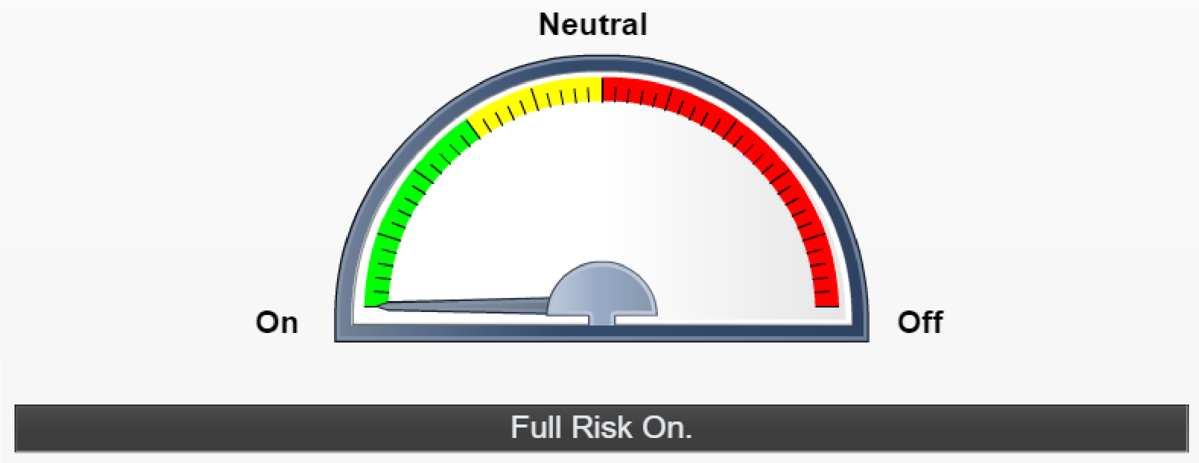
Thursday:

1. The Conference Board Leading Economic Index for the U.S.
2. Durable goods orders, U.S. Census Bureau.
3. Existing home sales, National Association of Realtors.

Friday:

1. No major reports scheduled.

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 has gradually settled down over the last several weeks. As a result, all defensive equity positions were liquidated and were invested in the best performing categories (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.