



# 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 U.S. stocks edged lower with sector volatility (financials, industrials) and significant price swings in bonds. Disappointing European manufacturing data in combination with a more "dovish" Fed led the 10-year treasury yield to fall the most in two years and U.S. investment grade bonds to rise the most in four years. The Federal Reserve left interest rates unchanged, while signaling no rate hikes for the balance of 2019 acknowledging global uncertainty and muted inflation pressures. The Fed will likely continue to be a key driver of equity markets as officials negotiate the balance between rates, inflation, and a slower-growing economy.



Last week, the Fed signaled low rates and easing monetary conditions by keeping rates between 2.25% and 2.5%, projecting no new rate hikes this year and announcing a September end to winding down its large bond portfolio. Markets responded favorably at first, with both bonds and equities rallying on the news, but the markets gave back these gains as the focus turned to what the Fed's pause might mean about the underlying health of the economy.

So, what caused the major drop on Friday? The 10-year and 1-year yield curve inverted for the first time since 2007, raising market concerns about a recession despite still-positive but slowing economic fundamentals. As we've stated in this update before, when the 2-year and 10-year yield curves invert for at least a month, it's a signal that a recession can be coming in the next 9 to 18 months. While the 2-year and 10-year yield curves haven't inverted yet, they are very close.

Date	1 Mo	2 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
03/01/19	2.44	2.46	2.44	2.52	2.55	2.55	2.54	2.56	2.67	2.76	2.97	3.13
03/04/19	2.45	2.46	2.46	2.54	2.54	2.55	2.52	2.53	2.63	2.72	2.93	3.09
03/05/19	2.44	2.45	2.46	2.53	2.54	2.55	2.52	2.53	2.63	2.72	2.93	3.08
03/06/19	2.43	2.44	2.47	2.53	2.54	2.52	2.49	2.49	2.59	2.69	2.90	3.06
03/07/19	2.45	2.46	2.45	2.52	2.52	2.47	2.44	2.44	2.54	2.64	2.86	3.03
03/08/19	2.45	2.46	2.46	2.52	2.53	2.45	2.43	2.42	2.51	2.62	2.83	3.00
03/11/19	2.44	2.45	2.46	2.54	2.53	2.47	2.45	2.44	2.53	2.64	2.86	3.03
03/12/19	2.44	2.46	2.46	2.53	2.52	2.45	2.41	2.41	2.50	2.61	2.82	3.00
03/13/19	2.43	2.44	2.45	2.53	2.53	2.45	2.41	2.42	2.51	2.61	2.82	3.02
03/14/19	2.48	2.46	2.45	2.52	2.52	2.46	2.42	2.43	2.53	2.63	2.86	3.04
03/15/19	2.46	2.46	2.45	2.52	2.52	2.43	2.39	2.40	2.49	2.59	2.83	3.02
03/18/19	2.47	2.46	2.44	2.51	2.52	2.45	2.41	2.42	2.51	2.60	2.83	3.01
03/19/19	2.46	2.47	2.46	2.52	2.50	2.46	2.42	2.42	2.51	2.61	2.84	3.02
03/20/19	2.45	2.45	2.48	2.49	2.47	2.40	2.34	2.34	2.44	2.54	2.79	2.98
03/21/19	2.51	2.47	2.49	2.50	2.48	2.41	2.34	2.34	2.44	2.54	2.78	2.96
03/22/19	2.49	2.48	2.46	2.48	2.45	2.31	2.24	2.24	2.34	2.44	2.69	2.88

Looking at past recessions, the economic conditions have had the same narratives with higher inflation and the Fed's response of aggressively raising rates to contain it usually trigger a downturn. This cycle is different with the last reading of the Fed's preferred inflation measure was 1.9%, just short of its 2% target. Meanwhile, the unemployment rate is near a 50-year low at 3.8%. Since the Fed's primary mandates of low inflation and full employment are realized, it has the latitude to be patient and data-driven before acting on rates again. Similarly, low inflation and solid jobs markets have allowed central banks in Canada, the U.K., Europe, and Japan to keep rates low in the face of still-growing but slowing economic fundamentals.

Also taking center stage in market concerns last week was data showing continued weakness in Europe, which was the catalyst for the yield curve inversion on Friday. An early indicator of the health of the manufacturing sector, the Purchasing Managers Index (PMI), edged lower, signaling a slower pace of expansion across the eurozone. More worrisome for markets was data that showed a deeper-than-expected contraction in Germany, Europe's largest economy.

The ongoing saga of Britain's withdrawal from the European Union has weighed on market sentiment as well. So far, Brexit has had very little effect on U.S. or developed-market international equities. However, uncertainty will likely continue until new trade and customs agreements between the EU and the U.K. are implemented. While Brexit's timing and method are unknown at this time, Friday's extension of the March 29 deadline by two additional weeks provides more opportunity for an agreement to be reached.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,849	1.6%	10.8%
S&P 500 Index	2,822	2.9%	12.6
NASDAQ	7,689	3.8%	15.9%
MSCI EAFE	1,890	2.8%	9.9%
10-yr Treasury Yield	2.59%	-0.04%	-0.10%
Oil (\$/bbl)	\$58.39	4.1%	28.6%
Bonds	\$107.70	0.3%	1.6%

Source: Bloomberg, 03/22/19. \*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

**A**s the end of March approaches, financial markets are anticipating another milestone in the trade war with China as president Trump acquiesced to moving out the date of the additional round of tariffs on Chinese imports. Last week equity markets stumbled but year-to-date gains are still in the double-digits and one-year numbers are healthy single-digits. Fixed income investments are also in the green so far this year. Foreign and emerging equity markets are up so far this year but still in the red over the last twelve months. Investors are hoping for some type of resolution to the trade war as representatives of the U.S. visit China and vice-versa with a solution likely...we hope! But you can bet on more market volatility for the next few weeks.

The Fed announced that the economy is strong but slowing and plans for further interest rate increases in the fed funds rate have been put on hold. One reason is that the recent forecast for first quarter GDP, according to the Federal Reserve Bank of Atlanta's NOW forecasting tool, is 1.5%. Tie that lower growth forecast with falling interest rates and you get a slowdown. Recently, the ten-year treasury note hit a four-month low of 2.5%. Even though the cold winter and uncertainties surrounding the tariffs have tarnished the growth outlook, the race to lower the forecast is a little concerning. The Fed also blamed a slowing global economy as a threat to domestic growth and warned that further rate increases would be counterproductive.

Don't worry about the slowdown. There is still plenty of growth left in the economy. The first quarter was a pause in a long economic expansion that has been supported by low unemployment, rising real wages, strong corporate profits and rising government spending—both at the state and local level. Reducing tax and regulatory burdens on corporations should not be discounted either. Don't forget that 800 lb. gorilla in the room—the ongoing U.S. energy renaissance that is making all of us better off -- another “Goldilocks” economy that just won't quit. Did we say we were bullish?



No changes were made to the Growth Equity portfolio last week as the individual stocks are demonstrating unusual resiliency this year and many of them are above their highs reached back in September of 2018 -- renewing our belief that 2019 will be the year of the growth stock. One reason is that forecasts for 2020 earnings continue to improve (at least for the stocks in our portfolio and on our Approved List). For investors who fear a bear market, we think we just had one—the fourth quarter of 2018. Without any mortgage crises, Y2K one-time events or just a plain old business cycle bust, future “bear” markets should be shorter and milder than we have experienced over the last fifty years.

No changes were made to our Target Return portfolios last week.

## Redhawk's Strategy Update

Last week, stocks were having a positive week until the market abruptly reversed course on Friday amid further signs of a global growth slowdown and an inversion in the U.S. Treasury bond yield curve. The major U.S. stock indexes dropped around 2%, as did indexes in France, the United Kingdom, and Germany. Momentum from the stock market's early-year rally shifted as the major indexes fell for the second week out of the past three. The Dow fell more than 1%, while the S&P 500 and the NASDAQ posted smaller declines. The yield curve for the U.S. Treasury bond market inverted for the first time in more than a decade, when the yield of the 10-year bond on Friday settled at 2.44%, below the yield for notes maturing in 1-year. Historically, instances of shorter-term debt yielding more than longer-term debt have typically preceded recessions.

A monthly gauge of manufacturing activity in Germany fell to the lowest level in more than six years, adding to concerns about the health of Europe's economy. The weak result weighed on the yield of Germany's 10-year government bond, which fell into negative territory for the first time since 2016. Prospects of a comprehensive U.S. and China trade agreement appeared to improve as the sides agreed to another round of talks. U.S. negotiators are scheduled to fly to Beijing for discussions beginning the week of March 24. The following week, Chinese negotiators are expected to visit Washington for further discussions.

[Redhawk Live Update - Click Here](#)

## Redhawk Model Signals

Time Period:				3/25/2019	3/18/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
China Region	EWI	iShares MSCI Hong Kong ETF		142.22	120.16
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		134.53	119.91
Technology	VGT	Vanguard Information Technology ETF		122.13	100.04
Utilities	PUI	Invesco DWA Utilities Momentum ETF		118.86	120.07
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		105.75	105.16
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		101.37	100.78
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.85	90.71
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.48	90.34
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		88.10	87.91
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		85.83	85.64
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		81.09	80.39
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		78.89	78.70

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Growth	CEYIX	Calvert Equity I		139.42	119.72

Global Real Estate	IHSIX	Hartford Small Company I		126.54	116.07
Mid-Cap Growth	AVEGX	Ave Maria Growth		125.10	110.48
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		119.17	120.38
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		113.75	105.74
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I		81.80	80.88

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

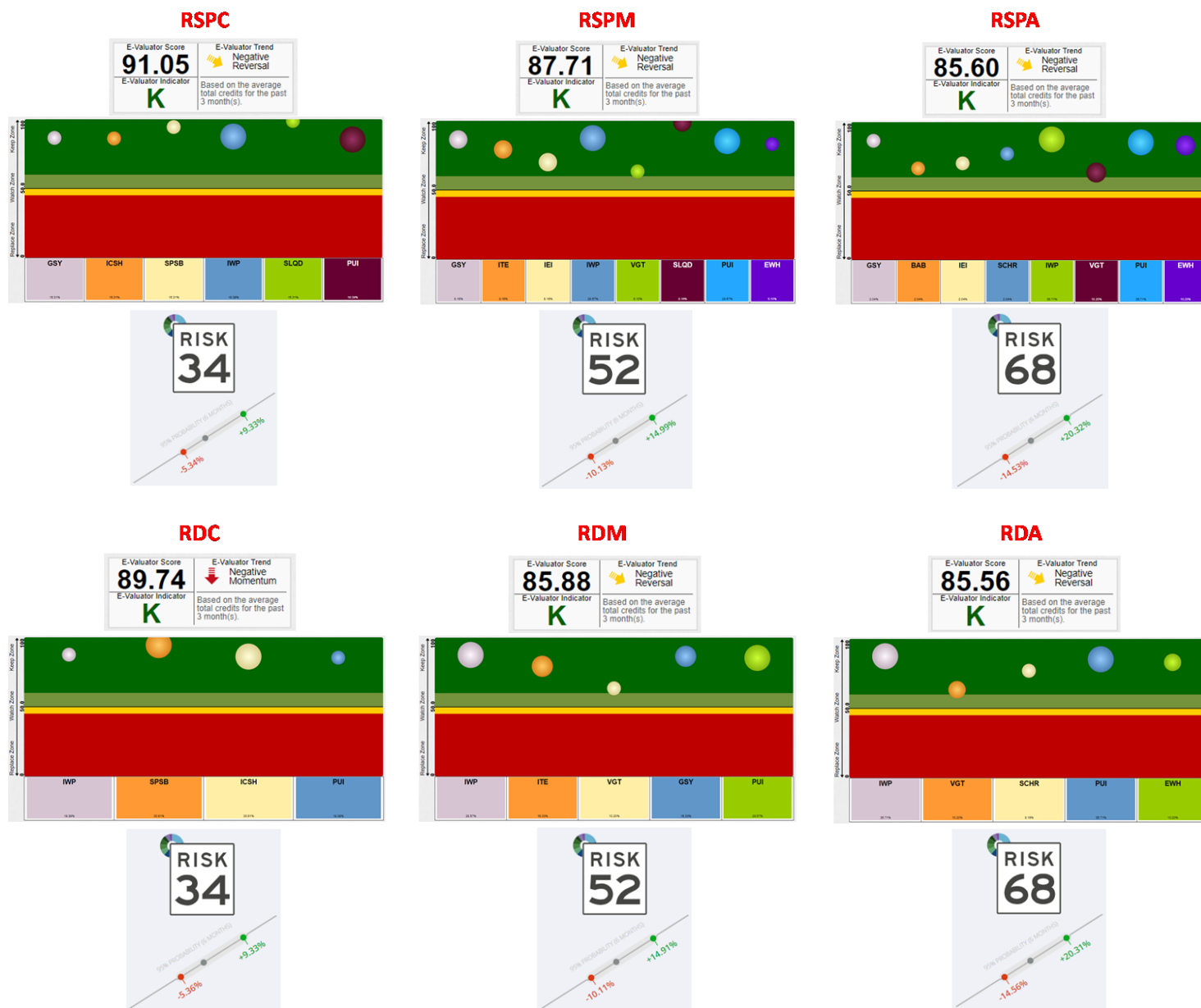
Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		108.45	108.45
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		105.12	105.12
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		103.47	103.47
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		102.49	102.49
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.87	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
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF		94.10	94.10
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		93.71	93.71
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		88.15	88.15
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF		86.97	86.97
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF		77.34	77.76
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		76.06	76.06

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Small Growth	VBK	Vanguard SC Gr Idx ETF		118.36	107.89
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		115.60	103.17
Large Value	DGRO	iShares Core Div Growth ETF		115.09	107.40
Large Value	VYM	Vanguard High Dividend Yield ETF		113.43	105.74
Large Blend	IWB	iShares Russell 1000		111.02	98.59
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		105.47	100.11
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		105.38	103.56
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		104.66	104.07
Small Blend	VB	Vanguard Small-Cap ETF		104.07	103.87
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		101.57	96.40
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		100.98	87.36
Large Value	VTV	Vanguard Value Idx ETF		99.75	92.06
Large Blend	IVV	iShares Core S&P 500 ETF		99.15	86.72
Small Value	VBR	Vanguard SC Val Idx ETF		92.87	96.34
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		91.93	86.76
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		87.85	84.40
Foreign Large Blend	SCHF	Schwab International Developed Equity		85.67	75.30
Small Value	IWN	iShares Russell 2000 Value		66.58	70.05
Small Blend	IJR	iShares S&P Small Cap Core		58.98	58.78
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		51.71	37.09

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

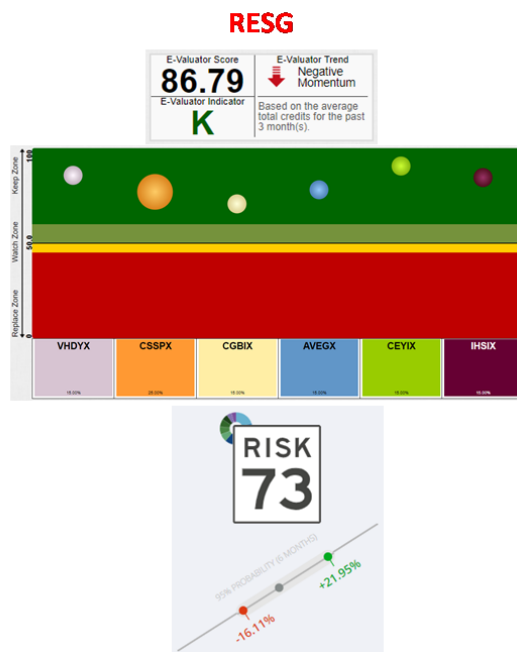
**S&P and Dynamic Portfolios:** Placed the Utilities sub-category (PUI) on the watch list due to a slight under-performance.

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



**Environmental, Social, and Governance Portfolio:** Placed the Global Real Estate sub-category (CSSPX) on the watch list due to performance.

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



**Growth Stock Portfolio:** No changes.



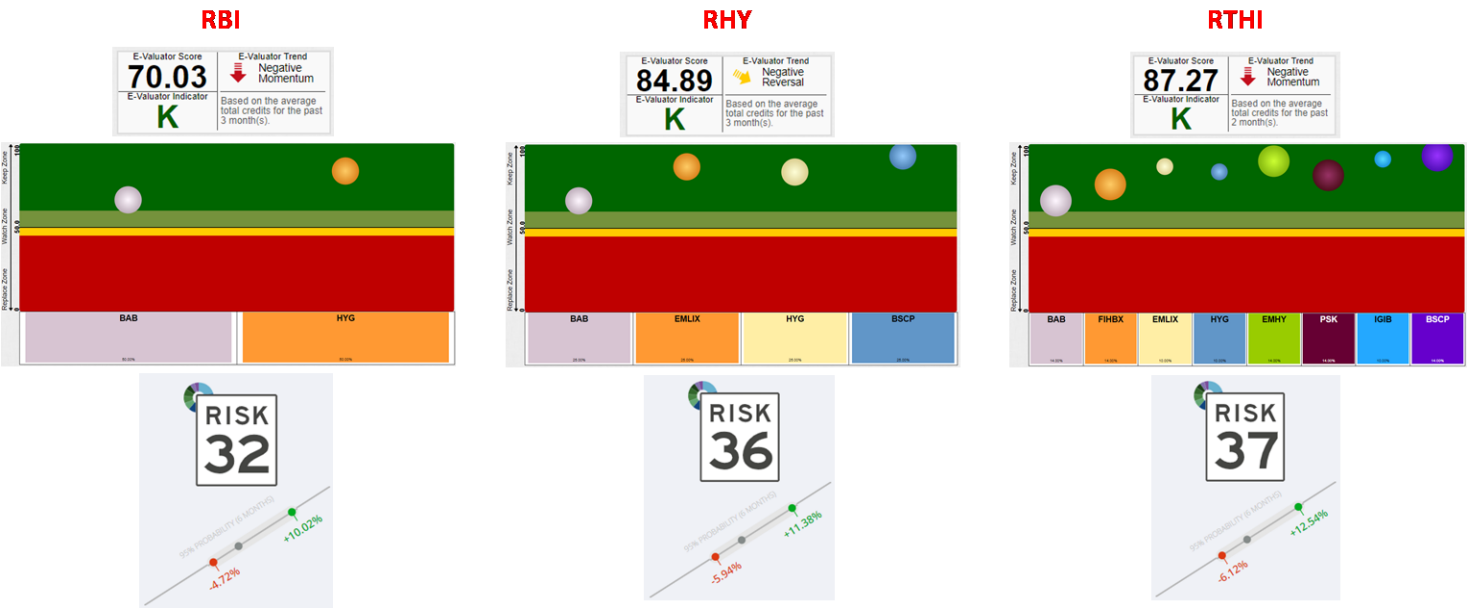
**High Dividend Stock Portfolio:** No changes.





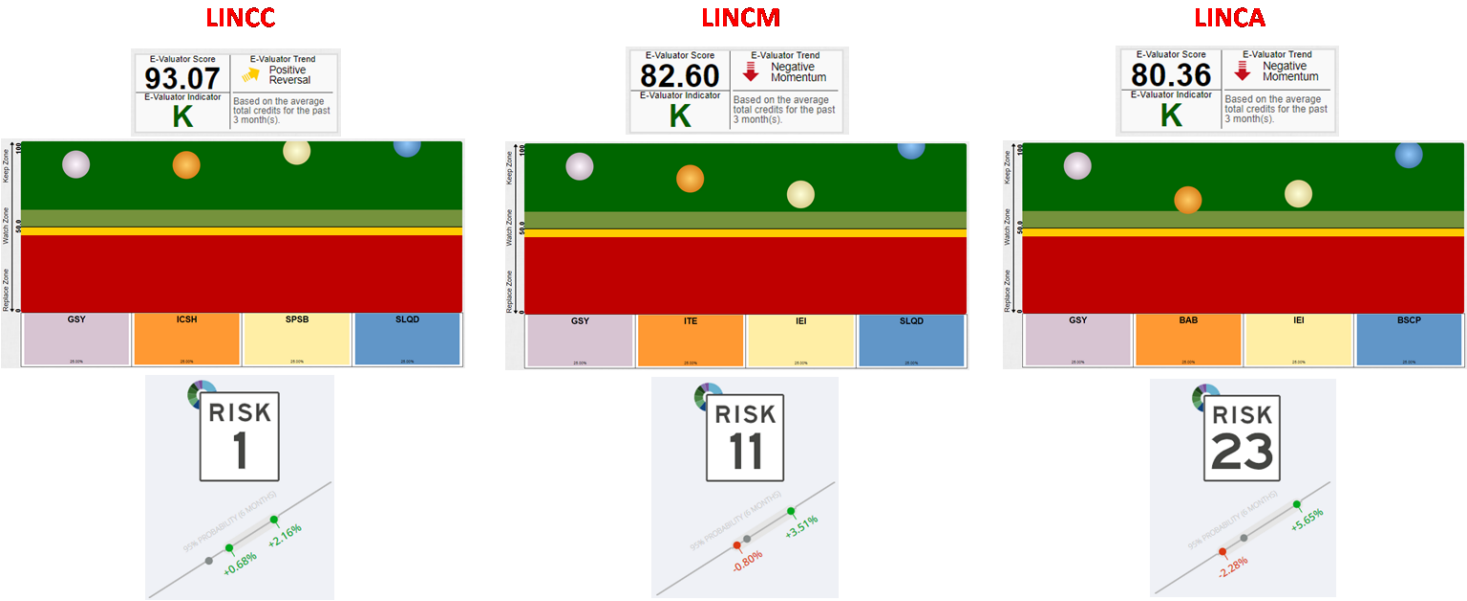
High Income Portfolios: No changes.

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

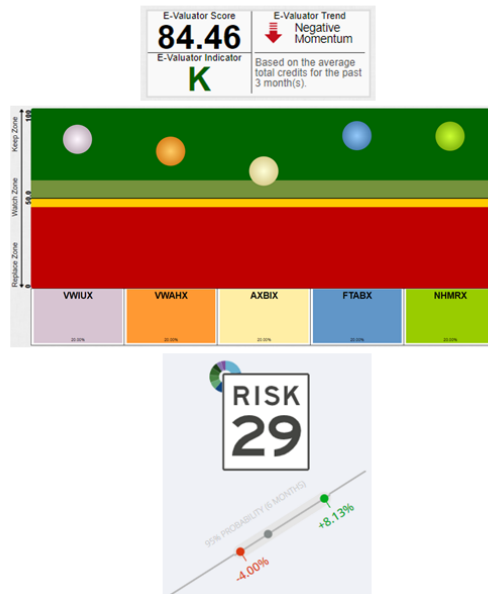


Liquid Income Portfolios: No Changes.

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



## LINCB



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## Economic Data for this Week

### Monday:

1. No major reports scheduled.

### Tuesday:

1. S&P/Case-Shiller 20-City Composite Home Price Index.
2. Housing starts, U.S. Census Bureau.
3. Consumer Confidence Index, The Conference Board.

### Wednesday:

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

### Thursday:

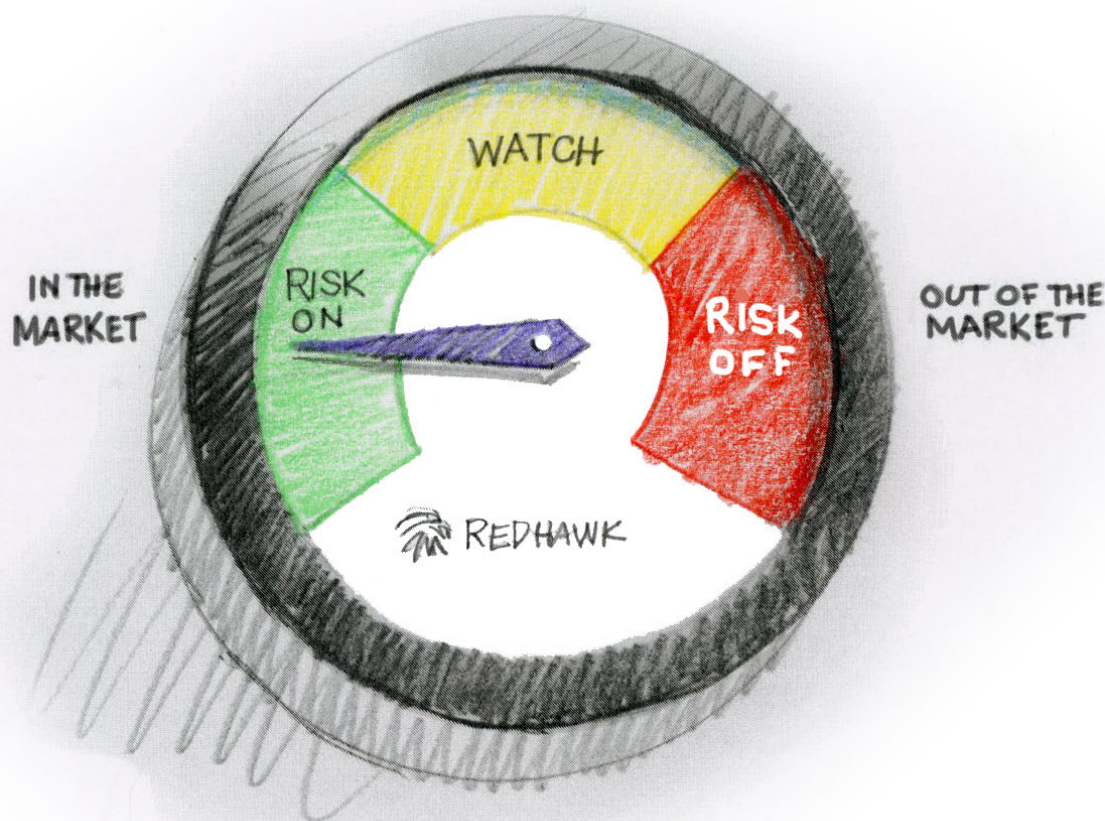
1. Fourth-quarter GDP, second estimate, U.S. Bureau of Economic Analysis.
2. Pending home sales, National Association of Realtors.

### Friday:

1. University of Michigan Index of Consumer Sentiment.
2. Personal income and consumer spending, U.S. Bureau of Economic Analysis.

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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