Redhawk's Weekly Update May 13th, 2019 Vol. 3 No. 19 View this email in your browser

REDHAWK WEALTH ADVISORS

WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

New Feature!

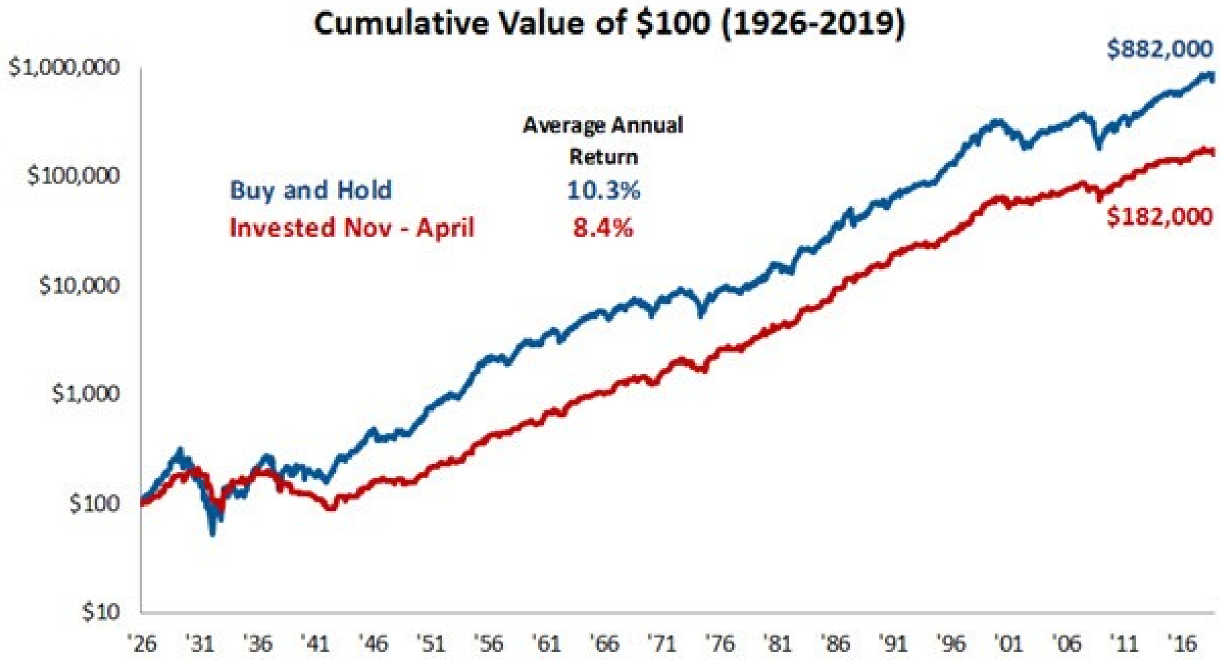
Below is a recording of our Redhawk Live Update to help our clients better understand what we are doing with our portfolios. We hope to send these out every week moving forward. Click the button below below to listen!

Redhawk Live!

Market Commentary

Last week trade and tariff tensions triggered the largest pullback in global stocks so far this year. The U.S. raised tariffs to 25% from 10% on $200 billion in imports from China on Friday May 10, while President Trump proposed increasing tariffs to 25% on another $350 billion in imports. In turn, China retaliated today with a tariff rate of as high as 25% on a portion of $60 billion worth of U.S. goods starting June 1. Obviously both sides have incentives to reach an agreement, but this will take longer than originally anticipated. The uncertainty has caused the market to tumble today. While the fundamental foundation of economic expansion and rising corporate profits is still very much intact, markets are seeing increased volatility because of the escalated round of new tariffs.

Sell in May and go away is an old Wall Street saying based on the premise that during the summer months, from May through October, stocks underperform, and therefore investors are better off re-entering the market later in the year. While such phrases are memorable, they are not always accurate and should not be the basis for a long-term investment strategy.



Source:

Source: Morningstar Direct, Edward Jones calculations. Large-company stocks represented by the IA SBBI US Large Stock Index; Cash represented by the IA SBBI US 30 Day Tbill Index. Hypothetical value of $100 invested at the beginning of 1926. Calculations assume reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. Past performance is not a guarantee of future results.

The chart above shows the growth of $100 invested in U.S. large-cap stocks since 1926 (blue line). A strategy of staying invested through the entire period returned 10.3% per year on average, while a strategy of selling in May, moving to cash/short-term bonds and then re-entering the market in November (red line) returned 8.4% per year. Though this difference may appear somewhat modest, it is quite impactful over longer periods of time, as demonstrated by the dramatic difference in ending values. For additional perspective, that 2% annual difference over even just a 10-year period would be an additional $21,900 on a $100,000 investment.

Looking back, average monthly returns for the six summer months (May-October) have been lower than the six winter months (0.7% per month vs. 1.2%), but returns were still positive for both periods, with the stock market advancing 63% of the time. It is also worth noting that despite the popularity of the sell in May and go away concept, seasonal patterns over the past five years provide even less support, because the summer months have had a higher frequency of positive moves and average returns have kept pace with the winter months.

The economic backdrop remains positive for equities, with more than 75% of the S&P 500 companies having released first quarter results, 76% of the companies have exceeded expectations, and corporate earnings are 5.6% above consensus estimates. Despite tough comparisons from a year ago (profits were up a strong 21% in 2018) and volatile business conditions around the world, corporate profits appear to be on track for small gains in the first quarter.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,942	-2.1%	11.2%
S&P 500 Index	2,881	-2.2%	14.9%
NASDAQ	7,917	-3.0%	19.3%
MSCI EAFE	1,865.10	-2.8%	8.4%
10-yr Treasury Yield	2.47%	-0.06%	-0.22%
Oil ($/bbl)	$61.67	-0.4%	35.8%
Bonds	$108.67	0.3%	3.1%

Source: Bloomberg, 05/10/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

After the U.S. stock market hit record highs last month in anticipation of a trade reconciliation between China and the U.S., the deal did not materialize, and equity markets experienced a moderate decline during the past week. Year-to-date, the S&P 500 is up 14.9%. On a sectoral basis the big winner is the PHLX semiconductor index which is up 28%

and the big loser is the PHLX gold/silver index which is down 4.8%. The bark was worse than the bite. At the same time, turbulence in the Mideast with fears of an Iranian military strike and a renewal of missile launches by North Korea may have also influenced the markets to fulfill the “go away in May” investment adage. As of this missive, the situation has grown more complex following President Trump’s Sunday tweet that not only threatened to raise tariffs from the existing 10% to 25% on $200 billion worth of Chinese goods but raised the stakes by potentially adding tariffs to an additional $325 billion dollars of Chinese imports at 25%. In total, that amounts to the potential of $575 billion in Chinese imports being taxed at 25% (~ 0.7% of U.S. GDP). China’s threat to retaliate immediately with countermeasures (not yet specified) further clouds the situation. On the domestic front, the economics still favor continued growth. To emphasize how well we are doing, the WSJ published a great, data-packed editorial on state balance sheets. California has a surprise $21.5 billion surplus which is guaranteed to grow through the end of 2019 due to the IPOs of Lyft and Uber (California has a big capital gains tax) and Illinois has a surprise $1.5 billion extra in tax revenues covering a budget shortfall. Broadly speaking, the editorial reported that 41 states have hit record (revenues) after accounting for inflation. The reason: “revenue collections have been boosted in part by the 2017 federal Tax Cuts and Jobs Act—which changed what many individuals and businesses owed to state tax collectors—and by favorable economic conditions…” The biggest beneficiaries of the tax cut have been government tax offers.

Strong employment numbers last week and modest inflation (April PPI and CPI under 2%), that has been pushed higher by stronger oil prices, suggest that recent stability in oil will keep a lid on that inflation number. Fears of an inflation backlash in response to the tariffs is possible but an expected weakening of the Chinese currency (yuan) may mitigate the impact of import prices of Chinese goods. A strong U.S. economy and rising real wages give the consumer the wherewithal to manage around the impact of the tariffs. Should the tariffs have an impact, the trade deficit could improve and provide a boost to measures of GDP growth in coming quarters. While we are disappointed in the tariff negotiations so far, we still believe that a resolution will transpire. In the meantime, the economy is doing fine and as for the stock market, we expected a near-term consolidation, if not a 10% correction, after the huge four-month run-up.

No changes were made to the Target Return models or the Growth Equity portfolio.

Redhawk's Strategy Update

The S&P 500 sustained its biggest weekly decline of the year, falling more than 2.0% from the record high it achieved the previous week. Most of the drop came on Tuesday, when the index tumbled 1.7% and the NASDAQ took a 2.0% dive. The week’s volatility was triggered by expectations that the U.S. and China were on the verge of concluding a trade deal. The U.S. accused China of backtracking on earlier commitments, leading the Trump administration to increase tariffs on nearly half of Chinese imports from 10% to 25%. The latest talks concluded on Friday without a deal.

A portion of the yield curve for the U.S. Treasury bond market inverted, marking the second such instance in less than two months. On Thursday, the yield of the 10-year bond closed at 2.45%, below the 2.46% yield for notes maturing in six months. Instances of shorter-term debt yielding more than longer-term debt are historically rare and have often preceded recessions. A gauge of investors' expectations of short-term stock market volatility jumped 24% for the week, breaking out of the narrow range that it had been stuck in over the previous three months. The CBOE Volatility Index closed on Friday at 16 after reaching as high as 23 in intraday trading on Thursday.

A key measure of U.S. inflation rose less than economists had expected, despite recent strength in the labor market and GDP growth. Excluding volatile food and energy costs, the Consumer Price Index rose 2.1% in April compared with the same month a year earlier and just 0.1% relative to March's figure.

Redhawk Live Update - Click Here

Redhawk Model Signals

Time Period:				5/13/2019	5/6/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		111.63	123.33
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		101.65	105.15
Technology	VGT	Vanguard Information Technology ETF		100.65	121.56
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		93.63	102.66
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		91.54	97.50
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		86.61	90.86
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		86.52	96.14
Consumer Cyclical	PBS	Invesco Dynamic Media ETF		86.04	103.62
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		82.12	80.94
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		80.74	86.83
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		70.68	76.57
China Region	EWH	iShares MSCI Hong Kong ETF		37.03	99.70

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv	VFTAX		
Global Real Estate	IHSIX	Hartford Small Company I		116.72	124.71
Large Growth	CEYIX	Calvert Equity I		112.30	126.51
Mid-Cap Growth	AVEGX	Ave Maria Growth		110.43	114.76
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		106.59	

Corporate Bond	CBFSX	JPMorgan Corporate Bond I		96.33	101.96
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		85.02	89.43

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I	EMB		
Emerging Market Bond	EMB	iShares JP Morgan USD Em Mkts Bd ETF		116.53	
High Yield	FIHBX	Federated Instl High Yield Bond Instl		111.86	113.82
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		109.81	100.75
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		106.98	95.40
High Yield	HYG	iShares iBoxx $ High Yield Corp Bd ETF		106.59	110.49
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		96.64	90.19
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		84.37	77.41
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF		83.89	97.96

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		120.22	117.70
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		113.78	112.37
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		112.29	98.55
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.96	109.61
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		98.15	93.14
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		93.31	101.36
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.56	94.76
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		88.73	95.89
Muni National Long	FTABX	Fidelity® Tax-Free Bond		86.53	94.72
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		85.71	91.39
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		80.90	90.44
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		77.35	81.01
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		73.61	75.37

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		106.98	104.18
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		105.37	120.89
Large Value	DGRO	iShares Core Div Growth ETF		104.45	113.96
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		103.02	105.68
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		102.71	117.59
High Yield Bond	HYG	iShares iBoxx $HY Corp ETF		99.85	108.82
Small Growth	VBK	Vanguard SC Gr Idx ETF		99.51	110.17
Large Blend	IWB	iShares Russell 1000		99.22	116.14
Small Value	VBR	Vanguard SC Val Idx ETF		95.96	105.17
Large Blend	IVV	iShares Core S&P 500 ETF		95.43	105.51

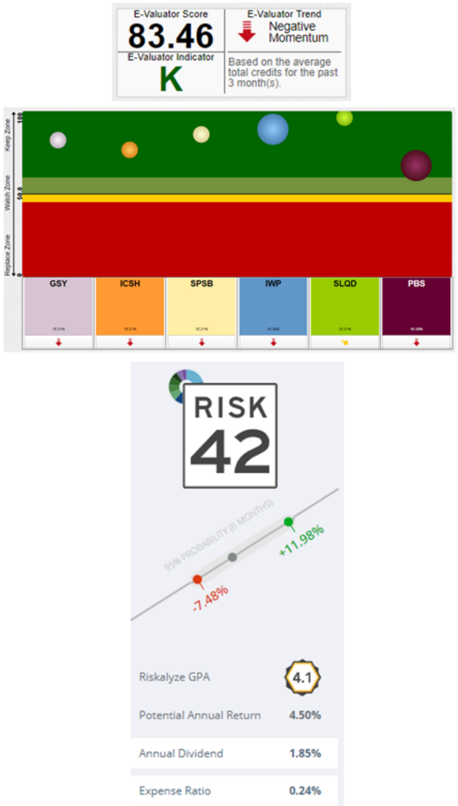
Large Value	VYM	Vanguard High Dividend Yield ETF		91.89	107.45
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		89.58	100.55
Large Value	VTV	Vanguard Value Idx ETF		87.45	103.61
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		86.41	96.14
Small Value	IWN	iShares Russell 2000 Value		78.54	84.31
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		66.74	85.93
Small Blend	IJR	iShares S&P Small Cap Core		63.32	70.50
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		60.32	84.60
Foreign Large Blend	SCHF	Schwab International Developed Equity		51.88	73.21
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		22.59	32.96

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

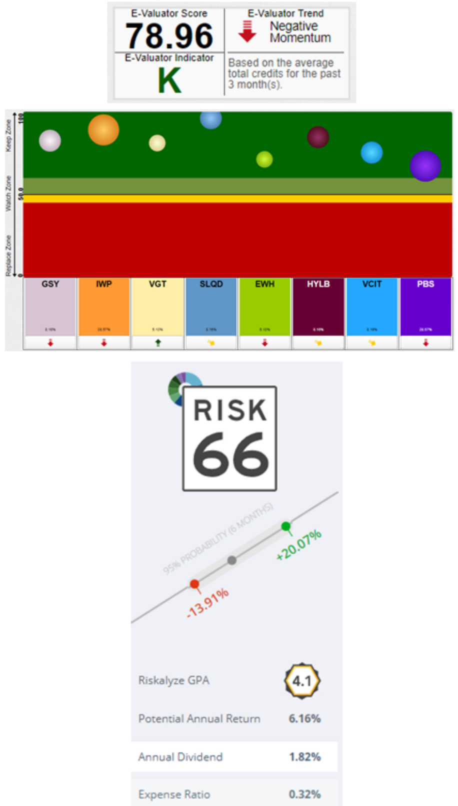
S&P and Dynamic Portfolios: Kept the China Region sub-category (EWH) on the watch list due to lagging performance.

S&P and Dynamic Portfolio Bubble Reports as of 4/30/2019

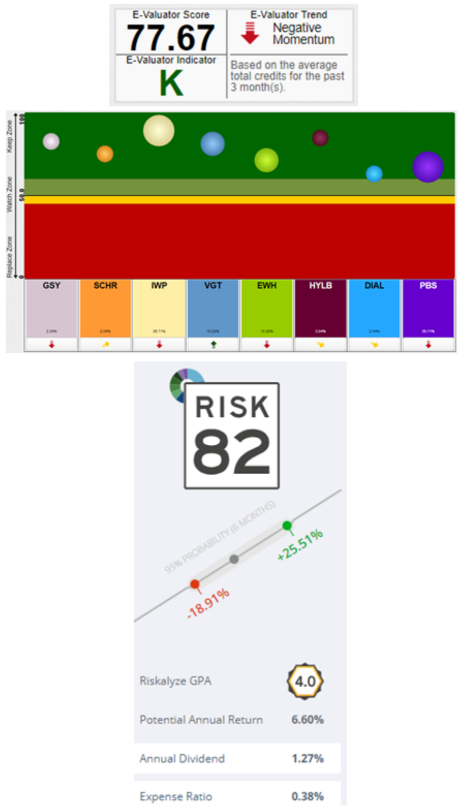
RSPC



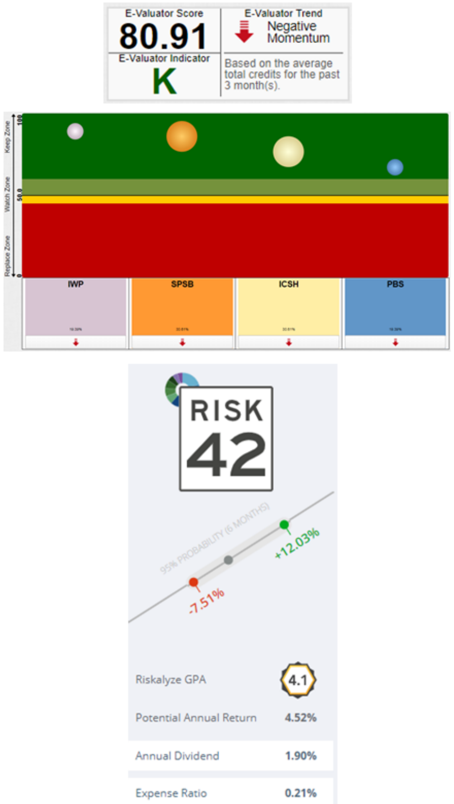
RSPM



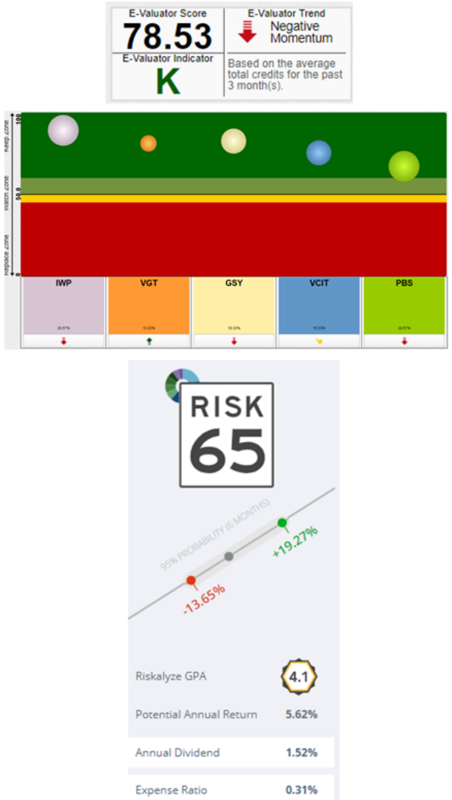
RSPA



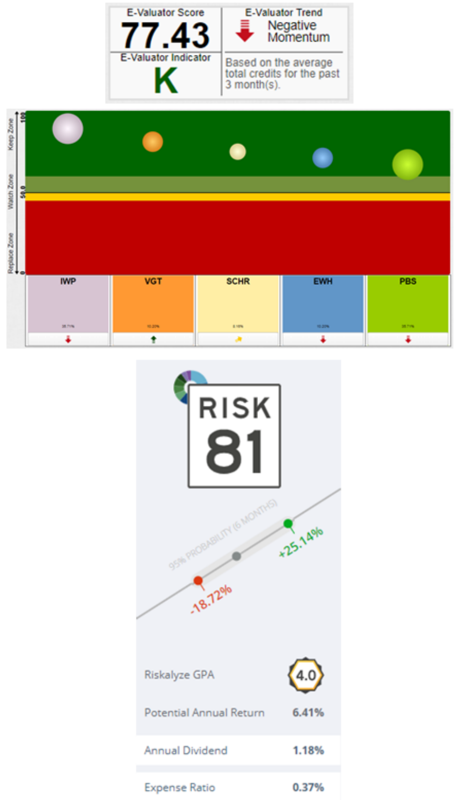
RDC



RDM



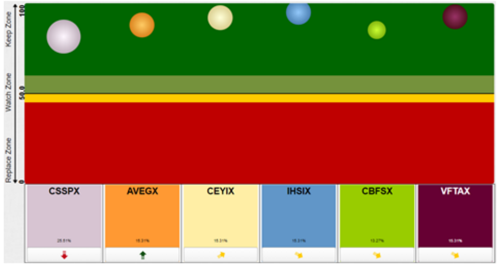
RDA

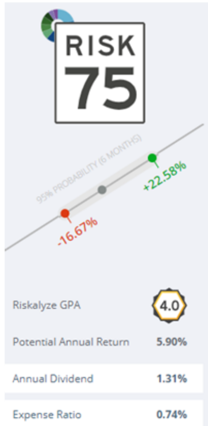


Environmental, Social, and Governance Portfolio: Replaced the Large Value sub-category (VHDYX) with the Large Blend sub-category (VFTAX) due to lagging performance. Kept the Global Real Estate sub-category (CSSPX) on the watch list due to performance.

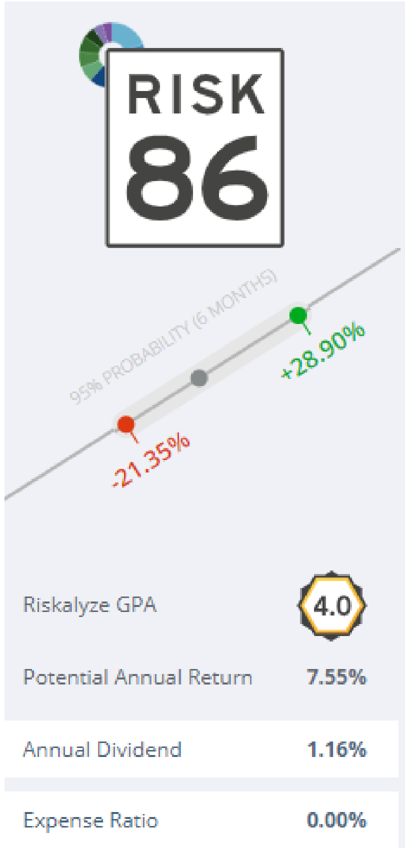
Portfolio Bubble Reports as of 3/31/2019

RESG

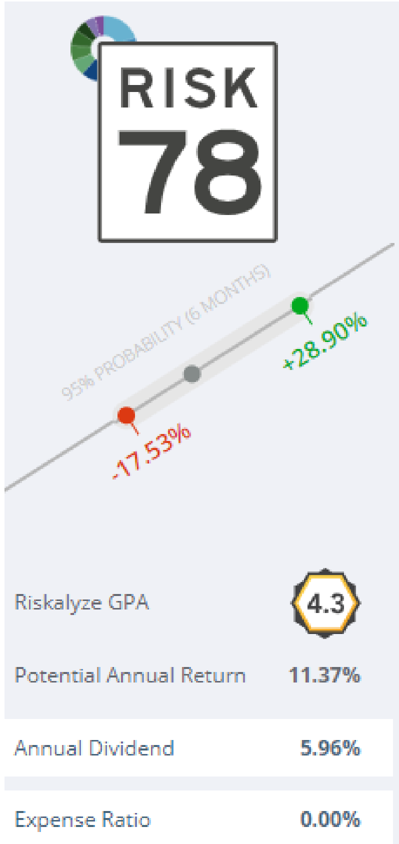




Growth Stock Portfolio: No changes.



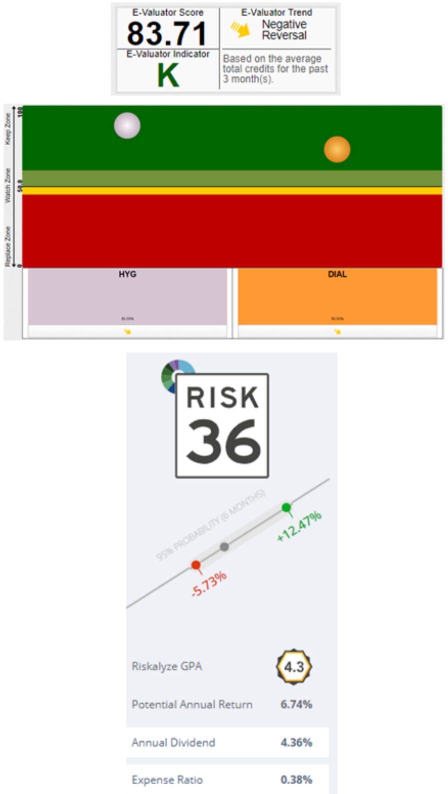
High Dividend Stock Portfolio: No changes.



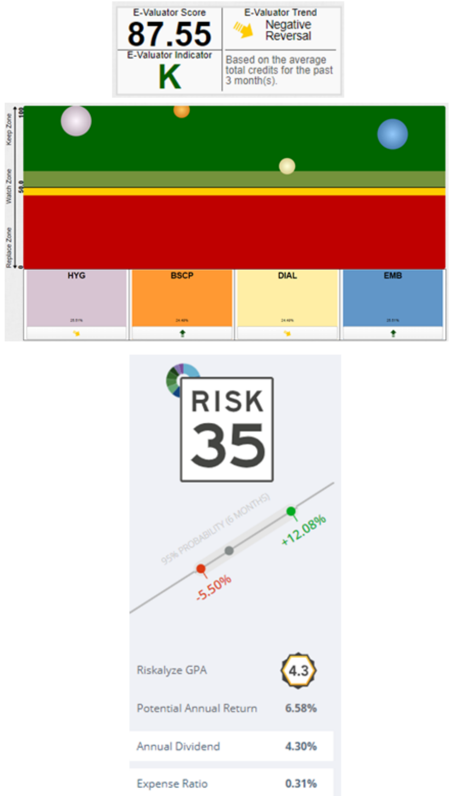
High Income Portfolios: Replaced the Emerging Markets Local Currency Bond sub-category (EMLIX) with the Emerging Markets Bond sub-category (EMB) due to lagging performance.

High Income Portfolio Bubble Reports as of 4/30/2019

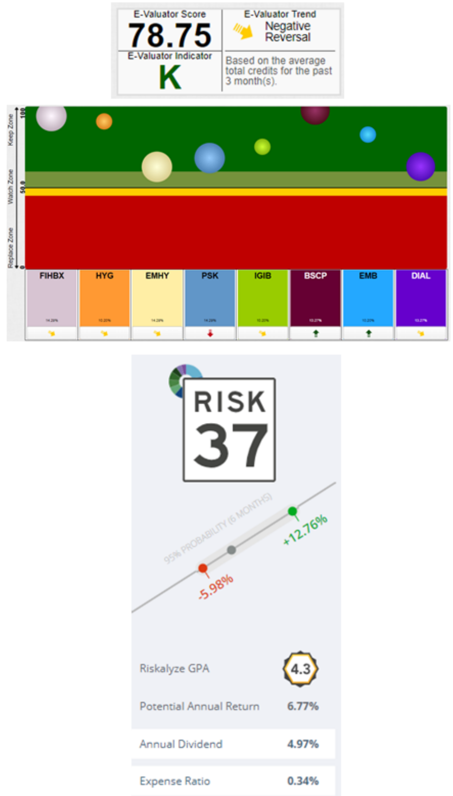
RBI



RHY



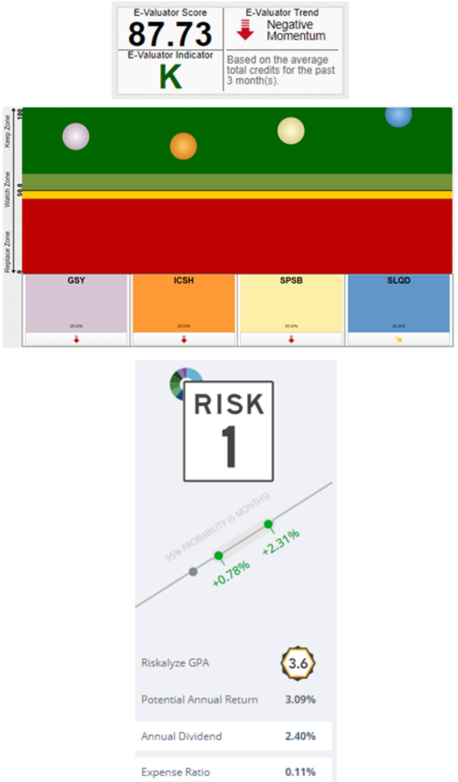
RTHI



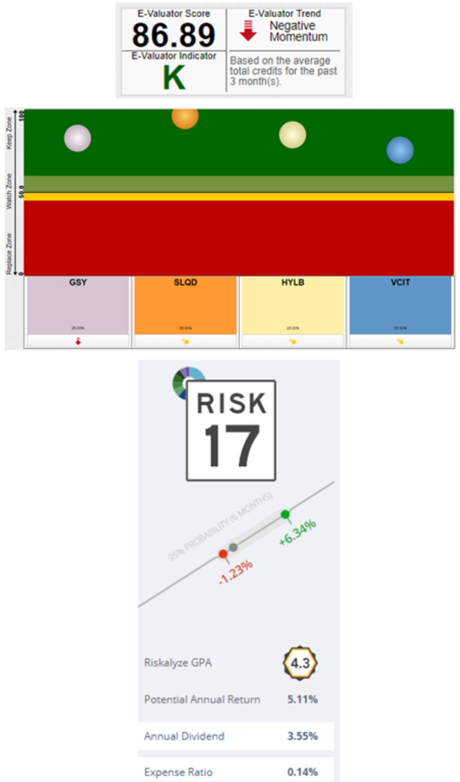
Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 4/30/2019

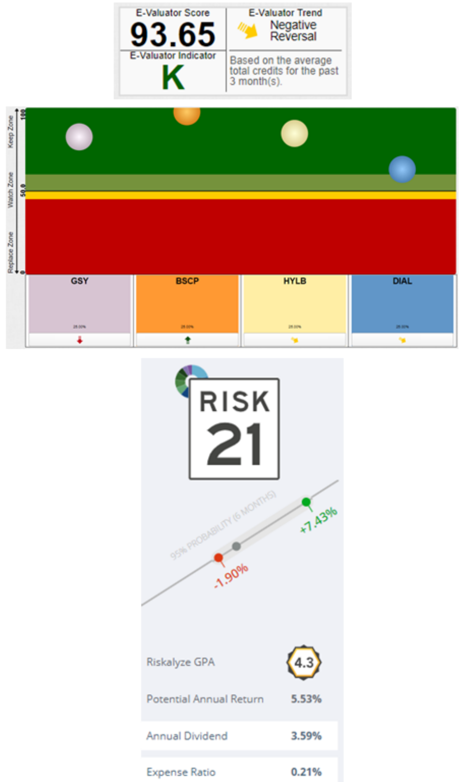
LINCC



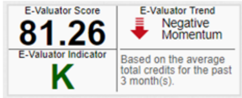
LINCM

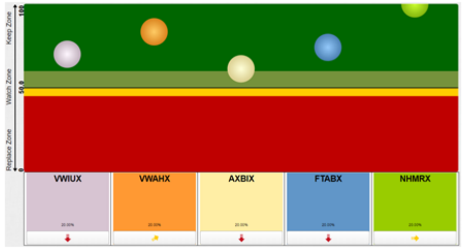


LINCA



LINCB





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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. Export and import prices, U.S. Bureau of Labor Statistics.

Wednesday:

1. Retail sales, U.S. Census Bureau.
2. Business inventories, U.S. Census Bureau.
3. Industrial production and capacity utilization, U.S. Federal Reserve.
4. Housing Market Index, National Association of Home Builders.

Thursday:

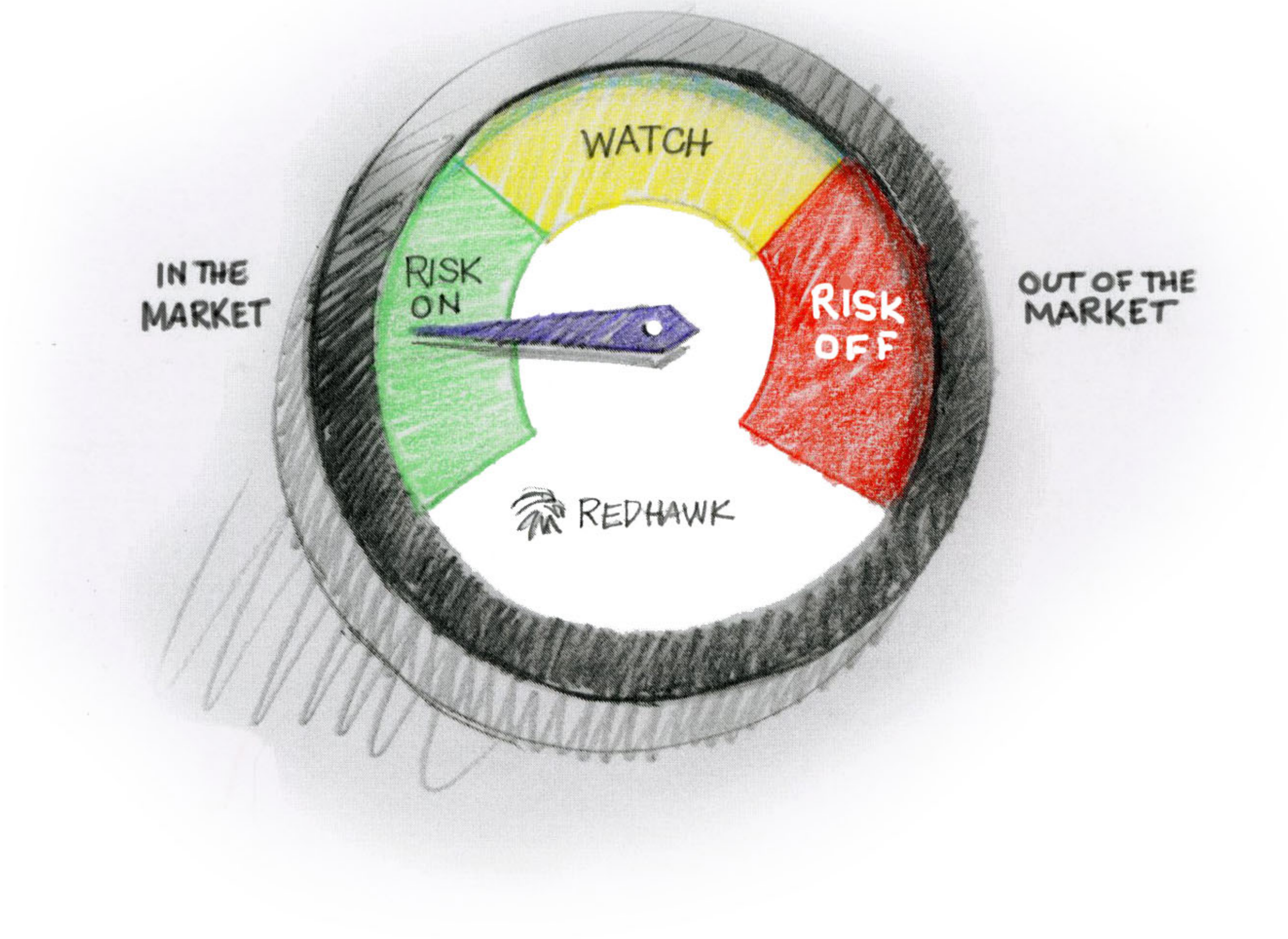
1. Housing starts, U.S. Census Bureau.

Friday:

1. The Conference Board Leading Economic Index for the U.S.
2. University of Michigan Index of Consumer Sentiment, preliminary result.

Last week on 5/7, our "risk off" VIX algorithm tripped. We will continue to watch this daily and communicate to you if we make any changes (see the chart below).


CBOE Volatility Index (^VIX)
Chicago Options - Chicago Options Delayed Price. Currency in USD
20.85 +4.81 (+29.99%)
As of 12:30PM EDT. Market open.
Indicators Comparison Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max Interval 1D Line Draw
^VIX 12.87
20.85
On 5/7 Redhawk's risk off algorithm tripped.
20.00
17.50
15.00
12.50
15 16 17 18 22 23 24 25 26 29 May 2 3 6 7 8 9 10 13



Portfolio Managers

VICTORIA Capital Management, Inc.

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.