



WEEKLY UPDATE

PERSPECTIVE for BETTER FINANCIAL OUTCOMES

New Feature!

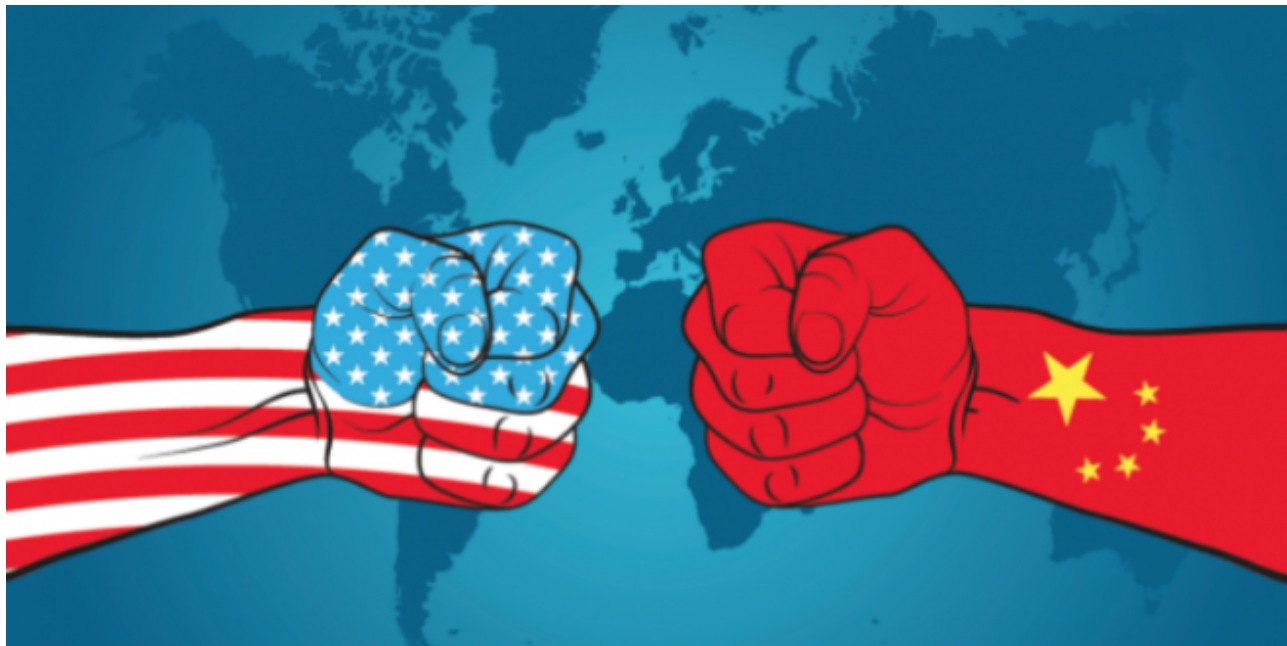
Below is a recording of our Redhawk Live Update to help our clients better understand what we are doing with our portfolios. We hope to send these out every week moving forward. Click the button below to listen!

[Redhawk Live!](#)

Market Commentary

Due to a system error we were unable to send the weekly update to our clients yesterday. We apologize for the delay.

Last week stocks sold off sharply to start, as rising trade tensions between the U.S. and China drove concerns that global growth could be negatively impacted. As the week progressed the markets recovered on sentiment that the latest tariff news is a temporary setback and that a deal can still be reached. The markets finished out the week only slightly lower.



Escalating trade tensions with China continue to add volatility in the market. After a 600-point drop in the Dow to start the week, stocks regained some control, finishing the week modestly to the downside. Signs of progress and hopes of an impending trade deal in recent months helped U.S. and global equities in recent months, but retaliatory tactics have resurfaced in the past two weeks, bringing daily market volatility with them.

Escalating tariffs and trade risks are unhealthy for the global economic landscape, but they are not new to the market narrative, nor are they the Achilles heel that will end the bull market. The fact that the world's two largest economies are involved is reason enough to consider this a near-term market risk, but we don't expect this to evolve to a full-blown trade war that drives a wave of protectionism and a collapse in global trade.

Tariff anxiety has been on the back burner for a while, but this is familiar territory. Stocks went through two 10% pullbacks in 2018, with trade worries and Fed rate hikes as the driving force behind both. Tariff announcements and retaliatory responses captured the spotlight regularly throughout the year. But as the table below shows, the initial declines were short-lived and often quickly followed by rebounds as tempers subsided and healthier data on the broader economic fundamentals supported a positive market outlook. Last week followed a similar track, where new tariff announcements were countered by news that the Trump administration will delay auto tariffs with the EU and Japan, by the consumer sentiment index reaching a 15-year high, and by encouraging earnings announcements that signaled corporate America is still on sure footing.

Timeline of Tariffs

| Date | Tariff News | Dow Reactions | | Dow Move Over | | Dow Return |
|---------------|---|---------------|-----------|---------------|-------------|-------------------|
| | | # of Points | # of Days | Next 3 Days | Next 7 Days | Since Tariff News |
| Jan '18 | Tariffs announced on imports of solarpanels & washing machines from China. | -4 | 1 | +406 | -24 | +2% |
| Early Mar '18 | Tariffs announced on steel & aluminum imports from multiple countries. | -491 | 2 | +263 | +641 | +7% |
| Late Mar '18 | Steel & aluminum tariffs go into effect, new list of potential China tariffs revealed. China retaliates. | -1,150 | 2 | +315 | +731 | +7% |
| Jun '18 | Tariff exemptions eliminated for EU, Canada and Mexico. EU and Canada retaliate with announced tariffs on commodities and consumer goods. | -973 | 8 | +190 | +659 | +6% |
| Jul '18 | EU and Canada retaliate with announced tariffs on commodities and consumer goods. | -155 | 3 | +483 | +290 | +6% |
| Sep '18 | Tariffs on \$200 bil. of imports from China and \$60 bil. of US exports to China take effect. | -358 | 3 | +266 | +68 | -3% |
| May '19 | Negotiations stall and announcement tariffs on \$200 bil. of China imports being raised. | -1,180 | 6 | +537 | | 0% |

Source: Bloomberg, Edward Jones calculations. Dow Jones Industrial Average Index. Return measure includes dividends.

With this dip in May, the stock market remains in familiar territory as we're simply back to the same level of early April, which was a time when stocks were reaching new highs. When volatility picks up putting the information in perspective is warranted.

- The S&P 500 and the Dow are still up double digits in 2019.
- The U.S. market has returned 48% over the past three years and 70% over the past five years.
- Current market volatility (measured by the VIX Index) is roughly in line with the average of the last five years. This year, the market has had 10 days with a move greater than 1% and three days with a 2% move. This compares with 43 1% moves and 20 2% moves in 2018.

| INDEX | CLOSE | WEEK | YTD |
|-------------------------------------|----------|--------|--------|
| Dow Jones Industrial Average | 25,764 | -0.7% | 10.4% |
| S&P 500 Index | 2,860 | -0.8% | 14.1% |
| NASDAQ | 7,816 | -1.3% | 17.8% |
| MSCI EAFE* | 1,869 | 0.2% | 8.6% |
| 10-yr Treasury Yield | 2.39% | -0.07% | -0.29% |
| Oil (\$/bbl) | \$62.69 | 1.7% | 38.1% |
| Bonds | \$109.03 | 0.3% | 3.4% |

Source: Bloomberg, 05/17/19. *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

We are back in the thick of the trade wars with no end in sight. Strangely, the stock market bombed on the news and the Dow Jones Industrial Average (DJIA) was down over 700 points last Monday. However, stocks rebounded Wednesday and closed the week with only minor losses given the surprise announcement that no deal was in the works. President Trump imposed an additional 15% tariff on \$200 billion of Chinese imports taking the total up to 25%. The result will be higher prices for U.S. consumers but will also reduce consumption of those Chinese imports. If the tariff wars continue, Chinese workers will bear the brunt of negative penalties associated with the failure to compromise. Not only will there be fewer workers in China producing exports for the U.S. market, but you can also bet that we will see manufacturing facilities relocating from China to Indonesia, the Philippines, and Vietnam. These manufacturing jobs won't come back to China if the tariff issue takes considerable time to resolve. If you don't think that will have much of an impact on China, just look back at the 2008-2009 recession. According to an article in the New York Times, by November 2008, the slowdown in exports, primarily to the U.S., resulted in 67,000 factories closing across China in the first half of the year. The closings caused a backlash among workers and riot police had to be called in to quell the violence. Imagine what will happen this time...

In the credit market, bond bears went back into hibernation...yet again. Interest rates have been declining all year and the 10-year treasury yield fell to 2.38% this week bringing the three-year return on that "risk-free" security to around 0.32%. The surprising strength in the U.S. dollar and threats of additional trade wars should have put bonds on the ropes. And the market has gone from anticipating higher interest rates to possible rate cuts by year-end -- even in the face of record low unemployment (3.6%) and rising wage costs (cost push inflation).

April's producer price index popped 0.2% (2.4% on an annual basis) meaning that producer costs increased more than expected. Digging into the data, the factor causing the biggest move upward (other than energy prices) was a surge in, of all things, portfolio management services. The index reflected a 5.2% move in those costs. Yet, we witness announcements almost every day that one or more investment firms are cutting rates. How does that jibe with the announced surge? The discrepancy comes in the way that the Bureau of Labor statistics calculates inflation. So, if your portfolio value goes up and your manager charges a fee based on assets under management, the manager's fee

goes up. Looks like a new way to calculate inflation! Usually inflation lowers the value of goods and services. In this case nobody loses—both the client and the manager are better off. If we take this “logic” to the next step, any increase in the stock market will be inflationary. We don’t think this approach provides an accurate measure of inflationary pressures nor does it give us confidence that the Fed is getting the accurate data necessary to make cogent decisions about changing interest rates. Stay tuned!

Last week, one security in the Growth Equity portfolio broke our investment discipline and was sold. No changes were made to the Target Return models.

Redhawk's Strategy Update

Stocks started out on slippery footing Monday as the latest escalation in the U.S. China trade war weighed on the market, and they remained choppy throughout the week. Tensions eased, stocks bounced back, and the major indexes ended up with modest weekly declines of around 1%. China responded to a U.S. tariff increase by boosting tariffs on \$60 billion worth of American goods, effective June 1. China’s retaliation on Monday sent the S&P 500 and the Dow down more than 2%, while the NASDAQ dropped more than 3%, posting its biggest daily decline of the year. Stocks also fell in Asia and Europe. While tensions with China escalated, the Trump administration reported progress in trade talks with other nations. On Friday, negotiators reached an agreement with Canada and Mexico to end U.S. imposed tariffs on steel and aluminum, and the United States delayed a tariff decision involving imported auto parts.

Amid the recent rise in stock market volatility, investors have been bidding up prices of government bonds, sending their yields lower. The yield of the 10-year U.S. Treasury bond slipped to 2.37% on Wednesday, its lowest level of the year, while the yield of Germany’s 10-year bond sank to its lowest level in three years. Monday’s stock market rout was accompanied by volatility in other asset classes. The U.S. dollar weakened to its lowest level against China’s yuan in more than three months, while other emerging-market currencies fell against the dollar and the price of gold climbed. U.S. companies are continuing to buy back shares of their stocks at a rapid clip. As of May 16, reported stock buybacks in the first quarter of this year were up nearly 8% from the same period a year earlier, according to S&P Dow Jones Indices.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

| Time Period: | | | | 5/20/2019 | 5/13/2019 |
|--|--------|--|--------|---------------|---------------|
| Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA) | Symbol | | Action | Redhawk Score | Redhawk Score |
| Short-term Bond | SLQD | iShares 0-5 Year Invmt Grade Corp Bd ETF | | 102.72 | 101.65 |
| Mid-Cap Growth | IWP | iShares Russell Mid-Cap Growth ETF | | 93.03 | 111.63 |
| Short-term Bond | SPSB | SPDR® Portfolio Short Term Corp Bd ETF | | 92.61 | 91.54 |
| High Yield | HYLB | Xtrackers USD High Yield Corp Bd ETF | | 89.39 | 93.63 |
| Corporate Bond | VCIT | Vanguard Interm-Term Corp Bd ETF | | 87.79 | 86.52 |
| Ultrashort-Term Bond | GSY | Guggenheim Ultra Short Duration ETF | | 86.67 | 86.61 |
| Intermediate Government | SCHR | Schwab Intermediate-Term US Trs ETF | | 85.52 | 82.12 |
| Technology | VGT | Vanguard Information Technology ETF | | 84.07 | 100.65 |
| Ultrashort-Term Bond | ICSH | iShares Ultra Short-Term Bond ETF | | 80.80 | 80.74 |
| Multisector Bond | DIAL | Columbia Diversified Fixed Inc Allc ETF | | 70.62 | 70.68 |
| Consumer Cyclical | PBS | Invesco Dynamic Media ETF | | 66.37 | 86.04 |
| China Region | EWI | iShares MSCI Hong Kong ETF | | 43.91 | 37.03 |
| Redhawk Environmental, Social, and Governance Portfolio | Symbol | | Action | Redhawk Score | Redhawk Score |

| (RESG) | | | | Score | Score |
|--------------------|-------|------------------------------------|--|-------|--------|
| Large Growth | CEYIX | Calvert Equity I | | 98.94 | 112.30 |
| Corporate Bond | CBFSX | JPMorgan Corporate Bond I | | 97.60 | 96.33 |
| Global Real Estate | IHSIX | Hartford Small Company I | | 94.47 | 116.72 |
| Large Blend | VFTAX | Vanguard FTSE Social Index Admiral | | 92.52 | 106.59 |
| Mid-Cap Growth | AVEGX | Ave Maria Growth | | 91.83 | 110.43 |
| Global Real Estate | CSSPX | Cohen & Steers Global Realty I | | 90.93 | 85.02 |

| Redhawk Income Portfolios (RBI, RHY, RTHI) | Symbol | | Action | Redhawk Score | Redhawk Score |
|---|--------|--|--------|------------------|------------------|
| Emerging Market Bond | EMB | iShares JP Morgan USD Em Mkts Bd ETF | | 116.68 | 116.53 |
| High Yield | FIHBX | Federated Instl High Yield Bond Instl | | 112.01 | 111.86 |
| Preferred Stock | PSK | SPDR® Wells Fargo Preferred Stock ETF | | 107.05 | 109.81 |
| High Yield | HYG | iShares iBoxx \$ High Yield Corp Bd ETF | | 106.71 | 106.59 |
| Corporate Bond | BSCP | Invesco BulletShares 2025 Corp Bd ETF | | 106.17 | 106.98 |
| Corporate Bond | IGIB | iShares Intermediate-Term Corp Bd ETF | | 96.88 | 96.64 |
| Multisector Bond | DIAL | Columbia Diversified Fixed Inc Allc ETF | | 84.46 | 84.37 |
| Emerging Market Bond | EMHY | iShares Emerging Markets High Yld Bd ETF | | 84.22 | 83.89 |

| 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 | 120.22 |
| High Yield | HYLB | Xtrackers USD High Yield Corp Bd ETF | | 113.78 | 113.78 |
| Corporate Bond | BSCP | Invesco BulletShares 2025 Corp Bd ETF | | 112.29 | 112.29 |
| Short-term Bond | SLQD | iShares 0-5 Year Invmt Grade Corp Bd ETF | | 106.96 | 106.96 |
| Muni National Long | VWAHX | Vanguard High-Yield Tax-Exempt | | 98.15 | 98.15 |
| Short-term Bond | SPSB | SPDR® Portfolio Short Term Corp Bd ETF | | 96.31 | 93.31 |
| Ultrashort-Term Bond | GSY | Guggenheim Ultra Short Duration ETF | | 90.56 | 90.56 |
| Corporate Bond | VCIT | Vanguard Inter-Term Corp Bd ETF | | 88.73 | 88.73 |
| Muni National Long | FTABX | Fidelity® Tax-Free Bond | | 86.53 | 86.53 |
| Ultrashort-Term Bond | ICSH | iShares Ultra Short-Term Bond ETF | | 85.71 | 85.71 |
| Muni National Interim | VWIUX | Vanguard Inter-Term Tx-Ex Adm | | 80.90 | 80.90 |
| Multisector Bond | DIAL | Columbia Diversified Fixed Inc Allc ETF | | 77.41 | 77.35 |
| Muni National Interim | AXBIX | American Century InterimTrm Tx-Fr Bd I | | 73.61 | 73.61 |

| Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP) | Symbol | | Action | Redhawk Score | Redhawk Score |
|---|--------|---------------------------------------|--------|------------------|------------------|
| Short-Term Bond | VCSH | Vanguard ST Corp Bd ETF | | 104.09 | 103.02 |
| High Yield Bond | HYG | iShares iBoxx \$HY Corp ETF | | 95.61 | 99.85 |
| Large Blend | SPLG | SPDR Portfolio Large Cap ETF | | 91.30 | 105.37 |
| Large Value | DGRO | iShares Core Div Growth ETF | | 90.30 | 104.45 |
| Corporate Bond | VCIT | Vanguard Int Crp Bd ETF | | 87.68 | 86.41 |
| Large Blend | IWB | iShares Russell 1000 | | 85.15 | 99.22 |
| Small Blend | VB | Vanguard Small-Cap ETF | | 84.25 | 106.98 |
| Mid-Cap Blend | SCHM | Schwab DJ Mid Cap Core | | 83.54 | 102.71 |
| Large Blend | IVV | iShares Core S&P 500 ETF | | 81.36 | 95.43 |
| Large Value | VYM | Vanguard High Dividend Yield ETF | | 77.74 | 91.89 |
| Small Growth | VBK | Vanguard SC Gr Idx ETF | | 77.26 | 99.51 |
| Small Value | VBR | Vanguard SC Val Idx ETF | | 75.04 | 95.96 |
| Large Value | VTV | Vanguard Value Idx ETF | | 73.30 | 87.45 |
| Mid-Cap Value | MDYV | SPDR S&P 400 Mid Cap Val ETF | | 70.64 | 89.58 |
| High Yield Bond | SHYG | iShares 0-5 HY Corp Bd ETF | | 62.50 | 66.74 |
| Small Value | IWN | iShares Russell 2000 Value | | 55.62 | 78.54 |
| Diversified Emerging Markets | SPEM | SPDR Portfolio Emerging Markets ETF | | 55.21 | 60.32 |
| Foreign Large Blend | SCHF | Schwab International Developed Equity | | 43.98 | 51.88 |
| Small Blend | IJR | iShares S&P Small Cap Core | | 40.59 | 63.32 |
| Mid-Cap Growth | MDYG | SPDR S&P 400 Mid Cap Gro ETF | | 3.99 | 22.59 |

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

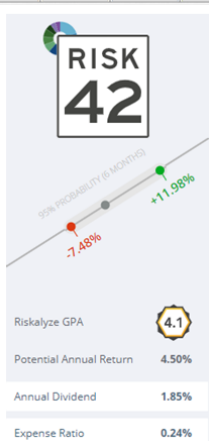
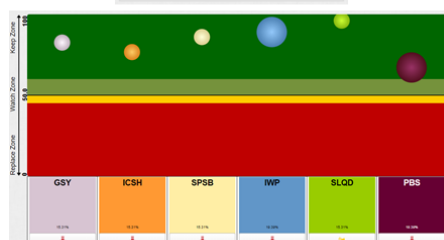
S&P and Dynamic Portfolios: Kept the China Region sub-category (EWH) on the watch list due to lagging performance. Placed the Mid-Cap Growth sub-category (IWP), the Technology sub-category (VGT), and the Consumer Cyclical sub-category (PBS) on the watch list due to performance.

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

RSPC

E-Valuator Score
83.46
E-Valuator Indicator
K

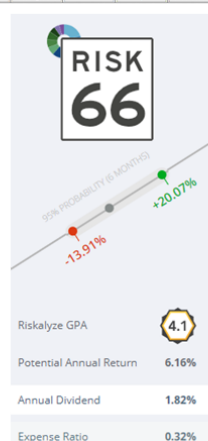
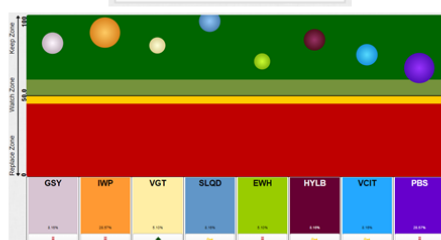
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



RSPM

E-Valuator Score
78.96
E-Valuator Indicator
K

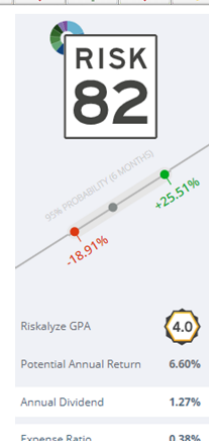
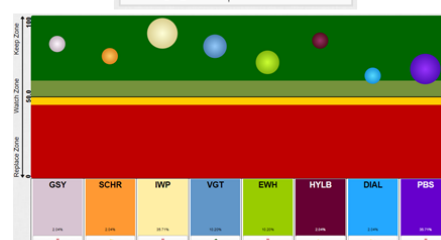
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



RSPA

E-Valuator Score
77.67
E-Valuator Indicator
K

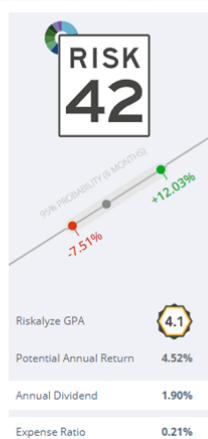
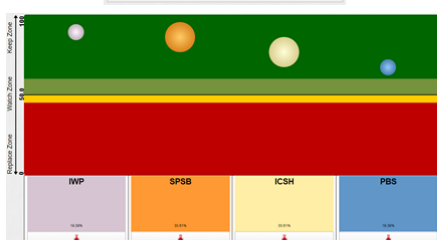
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



RDC

E-Valuator Score
80.91
E-Valuator Indicator
K

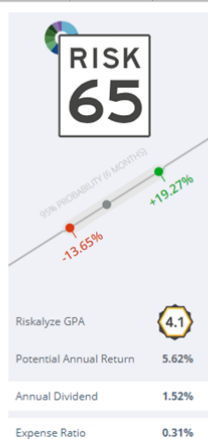
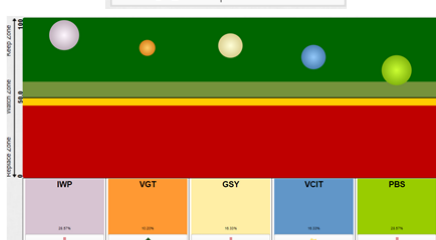
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



RDM

E-Valuator Score
78.53
E-Valuator Indicator
K

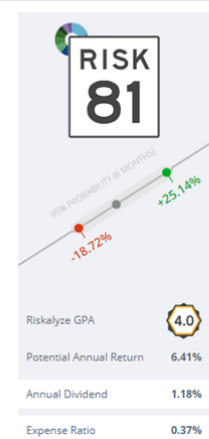
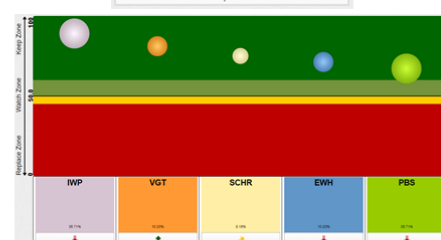
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



RDA

E-Valuator Score
77.43
E-Valuator Indicator
K

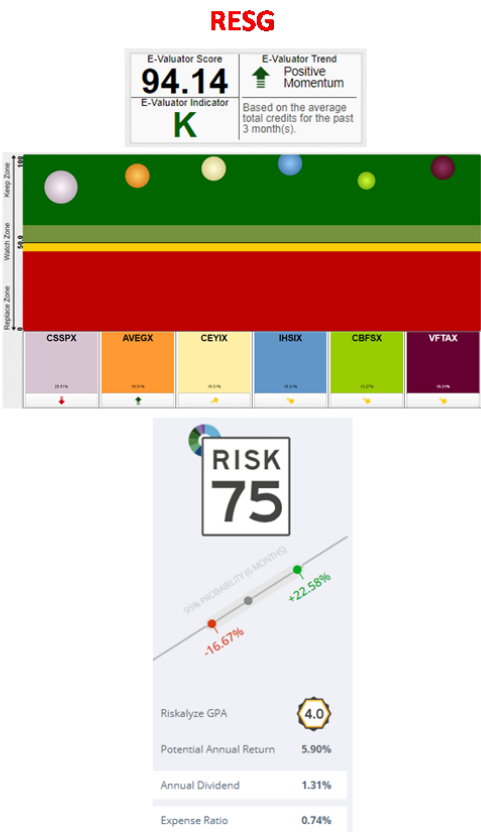
E-Valuator Trend
Negative Momentum
Based on the average total credits for the past 3 month(s).



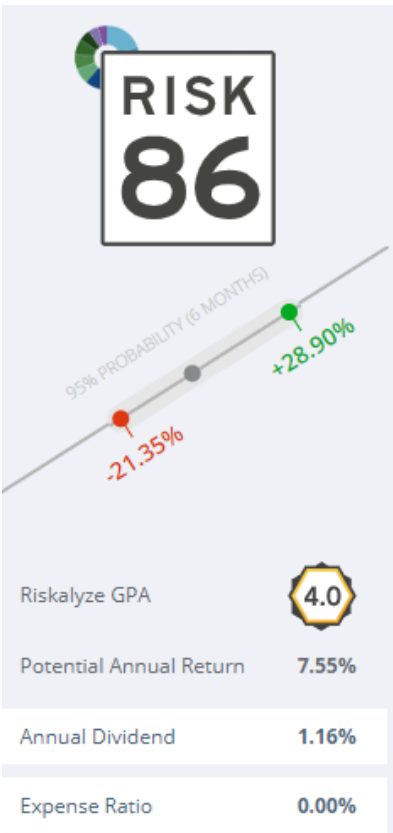
Environmental, Social, and Governance Portfolio: Placed the Small Growth sub-category (IHSIX) on the watch list

due to performance. Removed the Global Real Estate sub-category from the watch list due to improved performance.

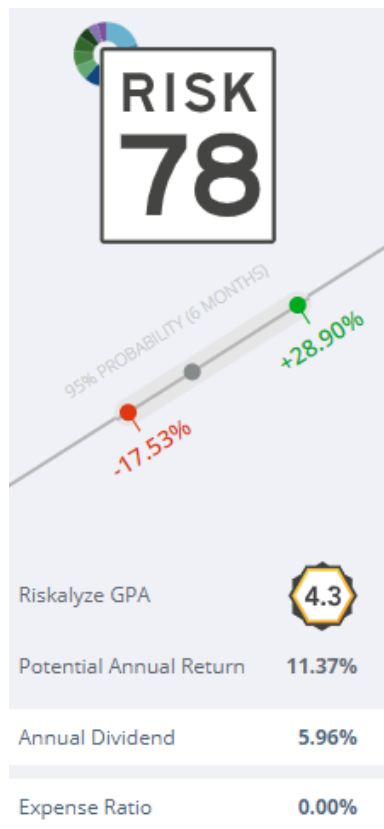
Portfolio Bubble Reports as of 4/30/2019



Growth Stock Portfolio: No changes.



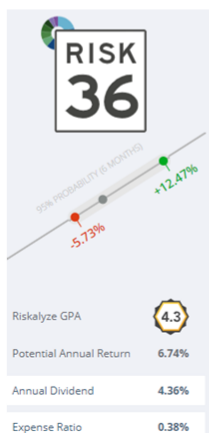
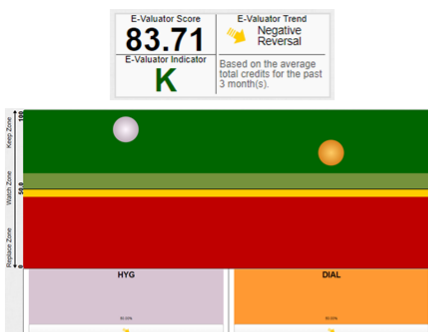
High Dividend Stock Portfolio: No changes.



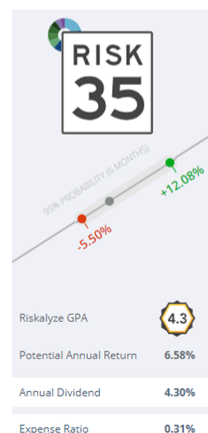
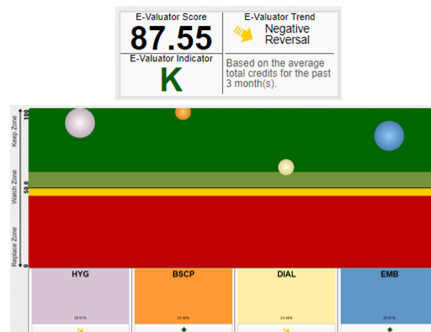
High Income Portfolios: No changes.

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

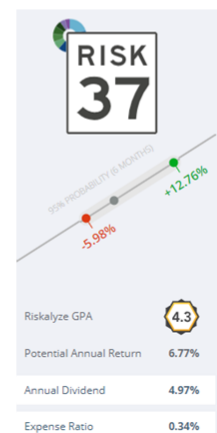
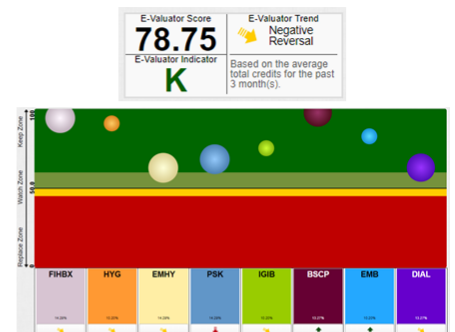
RBI



RHY



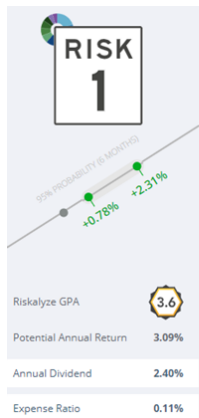
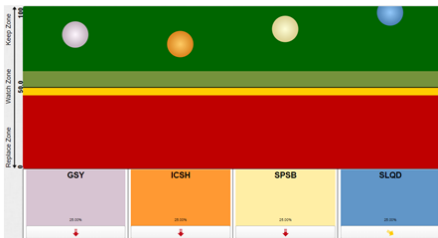
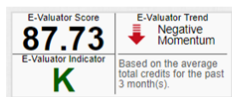
RTHI



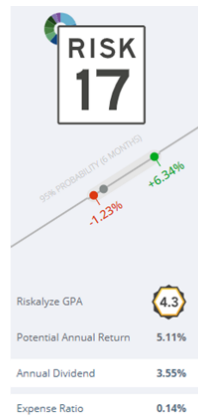
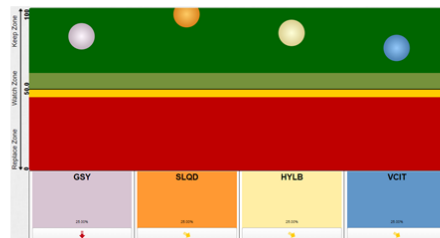
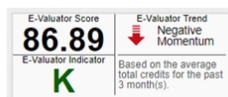
Liquid Income Portfolios: No changes.

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

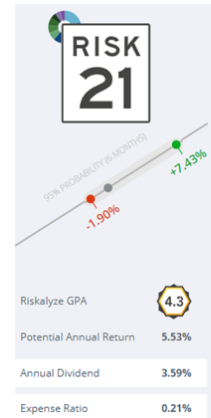
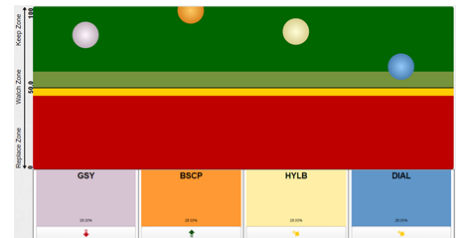
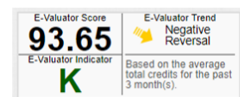
LINCC



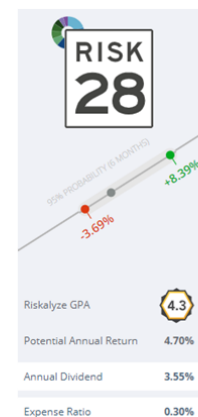
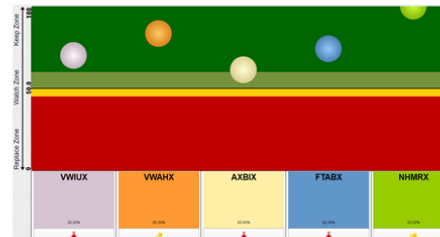
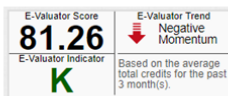
LINCM



LINCA



LINCB



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from economic or political instability in other nations. Past performance is not indicative of future results.

Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. Existing home sales, National Association of Realtors.

Wednesday:

1. Release of minutes from April 30–May 1 meeting of the U.S. Federal Reserve Board.

Thursday:

1. New home sales, U.S. Census Bureau.

Friday:

1. Durable goods orders, U.S. Census Bureau.

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).

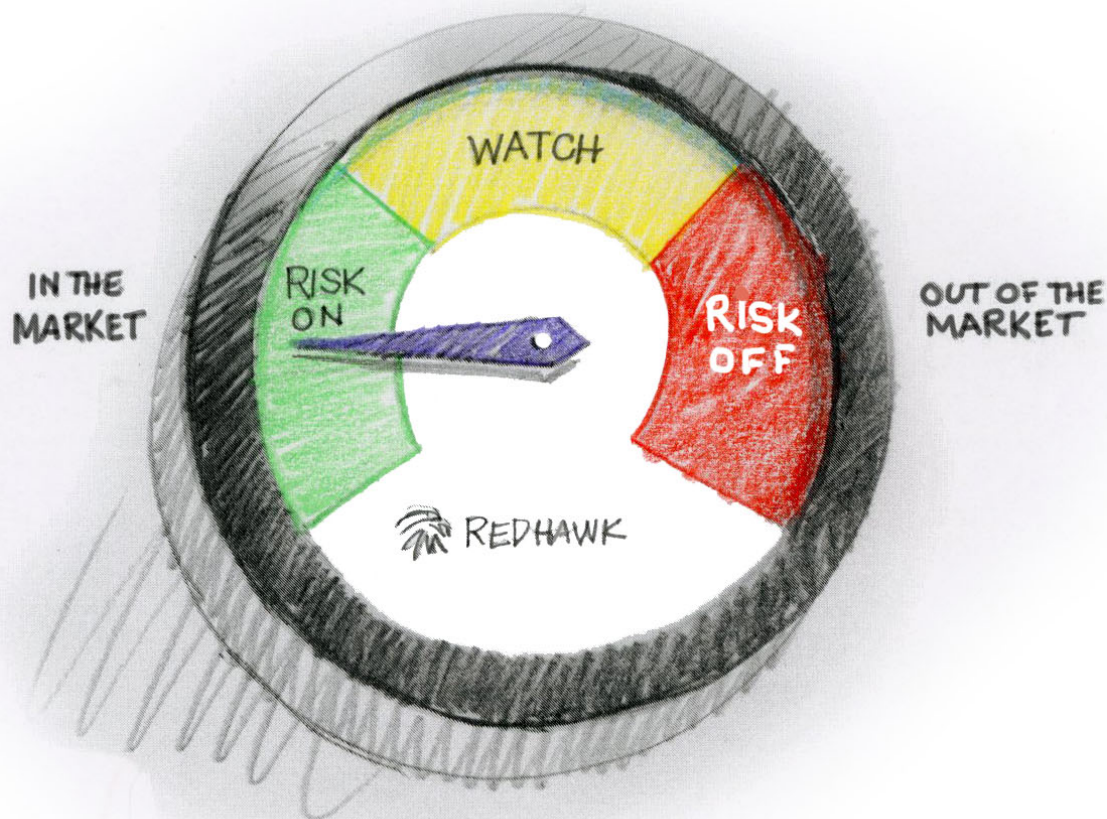
CBOE Volatility Index (^VIX) ☆

Chicago Options - Chicago Options Delayed Price. Currency in USD

20.85 +4.81 (+29.99%)

As of 12:30PM EDT. Market open.





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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