



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 world markets ended nearly flat, digesting the balance of positive and negative news, none of which altered the current narrative. The IMF cut its 2019 global growth forecast to 3.3% from 3.5% but noted that it expects growth to firm up in the second half of the year. The Brexit deadline was pushed out until October 31, while newly released Chinese March data (exports and bank lending) pointed to a rebound in economic activity. The week ended on a high note as markets were encouraged by solid bank earnings in the U.S. and a big acquisition in the energy space.



Investors celebrated an important milestone this past quarter, the 10-year anniversary of the bull market in stocks. With the S&P 500 just having recorded its strongest quarterly gain in 10 years and strongest first quarter since 1998, the conversation naturally transitions to what's next. The outlook remains positive, but we expect higher volatility as well. Sustained yet slower economic growth, in combination with continued growth in corporate earnings and still-low interest rates, are all elements supporting the bull market in stocks and suggest it can continue for a while longer. We caution that the high returns the market delivered over the last 10 years are unlikely to be replicated as we advance in this cycle

We expect growth to slow to near the 10-year average of 2.3%, with still-solid consumer spending and business

investment providing positive support for earnings to rise, with some bumps along the way. Consumers are well-positioned to sustain a solid pace of spending. Unemployment is near a 50-year low and wages are rising at the fastest pace of the 10-year cycle. Households are saving 7.5% of their incomes, above the 10-year average of 7.1%.

Meanwhile, homeowner home equity (the difference between a home's value and the mortgage debt owed) is at a record high \$15.54 trillion. While the pace of business investment slowed over the course of 2018 as the stimulus from the tax cuts faded, lower interest rates should help support more modest but solid business investment this year.

Stocks have rebounded near all-time highs, but conditions have shifted since the last time they were at this level.

Economic growth is slightly softer, Federal Reserve policy is easier, and interest rates are lower.

Corporate earnings should support the bull market, but the pace of growth is likely to slow this year. Overall earnings for 2019 are forecast to grow by low- to mid-single digits, helped by positive GDP and healthy revenue growth. Expectations for no rate hikes this year and a trade agreement between the U.S. and China have largely been priced into stocks at this point.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	26,412	0.0%	13.2%
S&P 500 Index	2,907	0.5%	16.0%
NASDAQ	7,984	0.6%	20.3%
MSCI EAFE	1,91.67	0.2%	11.4%
10-yr Treasury Yield	2.56%	0.06%	-0.12%
Oil (\$/bbl)	\$63.82	1.2%	40.5%
Bonds	\$108.27	-0.1%	2.4%

Source: Bloomberg, 04/12/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

Over the past few weeks you may have read about Modern Monetary Theory (MMT) in the Wall Street Journal or heard debates about this economic theory among the media and economists on national cable news shows. As with any relatively “new” theory, the first response is that it is “crazy” or “foolish”. The entrenched economic gurus have little interest in recognizing any competing economic theory. Just recall the response by the establishment when Galileo theorized that the earth revolved around the sun. The prevailing wisdom was that the opposite was true. He was labeled a heretic and thrown in jail!

MMT is not new. We became familiar with the theory in 2001 after reading a paper entitled: “Soft Currency Economics” written by Warren Mosler. At first, we thought the ideas were crazy because of Tom’s experience with Arther Laffer, the supply-side economist. He had to read that paper 3 times before the reasonableness of the theory began to sink in. Mosler followed up with a book entitled: “The Seven Deadly Innocent Frauds,” a workingman’s explanation of the theory.

Another gifted writer and professor of economics, Randall Wray, wrote about the elements of this theory in his book, “Understanding Modern Money.” To go a step further, a textbook on the subject was recently published entitled: “Macroeconomics” by William Mitchell, Randall Wray and Martin Watts. So much for the lack of economic theory behind the idea!

One important tenant of the theory is that countries that function with their own currencies, otherwise known as fiat currencies, are not tied to any physical substance such as gold and are not restricted in printing money. In other words, they have infinite checkbooks. All other entities, whether public or private are constrained to the normal limitations of a standard bank account. Since fiat currency countries can “make” their money, there is no need to either tax or borrow money, whereas you and I can run out of money. This principle alone triggers a total rejection of MMT on the grounds that it is or could be inflationary. One must question that rationale since the Federal Reserve issued trillions of dollars in reserves to buy mortgage-backed bonds in 2008-2009 to bail out the U.S. economy. The unheard-of creation of money should have created inflation and many well-known economists wrote extensively about the inevitability of inflation, yet it never came. The Federal Reserve from 2009 to 2017 held interest rates at or near record low levels because inflation was too low! This fact is just one example of where monetary policy is unrelated to inflation. A similar experience is occurring in Japan where the central bank rapidly increased reserves yet struggled to get inflation above zero.

One conclusion that can be drawn from MMT is that a country that manages its monetary policy according to MMT principles cannot go bankrupt. That country might experience inflation if the government outbids the private sector for resources, but that problem can be resolved by fiscal policy—like raising taxes or cutting spending. In the MMT world, there is no possibility that federal programs such as Social Security would go bankrupt for that matter, any other federal government institution that issues debt.

Antagonists who oppose the logic of some of these ideas do so based on both politics and economics. They associate MMT with a body of liberal thinking that supports free everything for all. One can see why conservatives who espouse the idea of a balanced budget would oppose this school of thought—they demand a balanced budget. In the Seventies, supply-side economics was ridiculed by all but a few economists. By the 1980s, after two major tax rate cuts and an ebullient economy, supply-side became a viable policy of the Reagan economy. Today that economic theory dominates president Trump’s policy. One problem in challenging the theory is just that---it remains a theory; there is no government that has even attempted to implement this idea. However, up until last week “black holes” were just theory. And then there was one discovered that led to the confirmation of the theory. Given enough time and exposure, there is a real possibility that one government will have the courage to implement MMT and then we can see if the theory works.

No changes were made to the Growth Equity strategy or Target Return models for the week.

Redhawk's Strategy Update

Stocks rallied on Friday, but otherwise struggled to find direction and ended up little changed overall for the week. The major indexes remained roughly 1% below the record highs they achieved more than six months ago. Although some of the major banks that kicked off earnings season posted better-than-expected first-quarter results, earnings across the broad market are expected to decline for the first time in nearly three years. Profits for companies in the S&P 500 are expected to decline around 4% to 5% compared with the same quarter a year ago.

The U.S. Federal Reserve may keep interest rates unchanged through the rest of this year, although it's prepared to consider a further increase or perhaps a rate cut if economic conditions significantly shift in coming months. That's the takeaway that many economists had on Wednesday after reviewing minutes released from the Fed's most recent policy meeting. An updated forecast from the International Monetary Fund shows that global economic growth is off to a slower start this year than had been expected just a few months ago. The IMF's latest forecast cuts growth rate expectations to 3.3%; in January, the forecast had been 3.5%. Government bond prices fell, sending the yield of the 10-year U.S. Treasury bond back above the 2.50% level, and ending the week at 2.56%. As recently as March 28, the yield of the benchmark 10-year bond had fallen as low as 2.39%, creating a rare instance in which some short-term government debt carried higher yields than longer-term debt.

[Redhawk Live Update - Click Here](#)

Redhawk Model Signals

Time Period:				4/15/2019	4/8/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Utilities	PUI	Invesco DWA Utilities Momentum ETF	PBS		
Intermediate Government	ITE	SPDR® Blmbg Barclays Interm Term Trs ETF	VCIT		
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF	DIAL		
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF	HYLB		
China Region	EWI	iShares MSCI Hong Kong ETF		163.61	161.08
Mid-Cap Growth	IWP	iShares Russell Mid-Cap Growth ETF		149.10	148.24
Technology	VGT	Vanguard Information Technology ETF		148.20	142.64
Consumer Cyclical	PBS	Invesco Dynamic Media ETF		120.29	
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.73	105.95
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		102.57	
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		99.08	101.57
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		95.75	
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		91.26	91.07
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		87.23	90.70

Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		84.14	86.15
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		80.89	

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Intermediate Term Bond	CGBIX	Calvert Imp Green Bond I	CBFSX		
Large Growth	CEYIX	Calvert Equity I		148.66	151.11
Global Real Estate	IHSIX	Hartford Small Company I		143.57	130.11
Mid-Cap Growth	AVEGX	Ave Maria Growth		140.53	138.81
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		126.78	133.77
Large Value	VHDYX	Vanguard High Dividend Yield Index Inv		115.95	126.25
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		108.39	

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF	DIAL		
High Yield	FIHBX	Federated Instl High Yield Bond Instl		113.88	94.02
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		110.58	99.53
Emerging Market Local Currency	EMLIX	MFS Emerging Markets Debt Lcl Ccy I		103.68	102.39
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		100.69	102.49
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF		97.90	110.55
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		94.59	102.57
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		77.41	
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		90.22	101.49

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
Long-term Bond	BAB	Invesco Taxable Municipal Bond ETF	DIAL		
Intermediate Government	ITE	SPDR® Blmbg Barclays Interim Term Trs ETF	VCIT		
Intermediate Government	IEI	iShares 3-7 Year Treasury Bond ETF	HYLB		
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		117.70	102.19
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		112.49	
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		109.13	108.45
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		100.88	103.47
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		97.83	105.00
Corporate Bond	VCIT	Vanguard Interim-Term Corp Bd ETF		95.95	
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.76	94.56
Muni National Long	FTABX	Fidelity® Tax-Free Bond		94.24	94.75
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		92.72	88.03
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		90.97	94.43
Muni National Interim	VWIUX	Vanguard Interim-Term Tx-Ex Adm		90.44	93.65
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		81.01	
Muni National Interim	AXBIX	American Century InterimTrm Tx-Fr Bd I		74.71	76.00

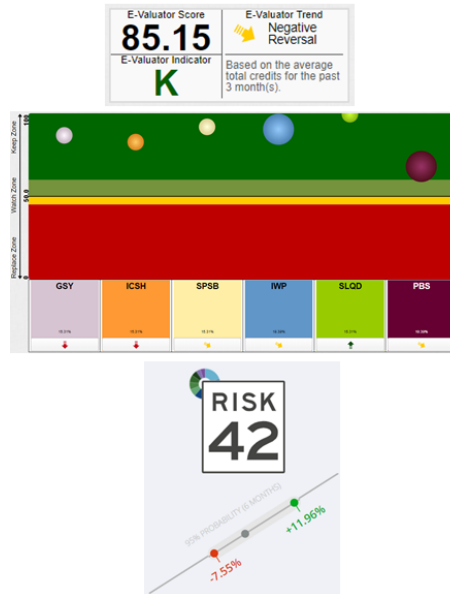
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		139.66	107.99
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		139.26	127.94
Large Blend	IWB	iShares Russell 1000		134.51	123.36
Large Value	DGRO	iShares Core Div Growth ETF		130.88	126.06
Small Growth	VBK	Vanguard SC Gr Idx ETF		129.03	121.93
Large Value	VYM	Vanguard High Dividend Yield ETF		124.37	124.40
Large Blend	IVV	iShares Core S&P 500 ETF		123.88	111.49
Small Value	VBR	Vanguard SC Val Idx ETF		122.24	111.21
Small Blend	VB	Vanguard Small-Cap ETF		121.34	113.51
Large Value	VTV	Vanguard Value Idx ETF		120.53	110.72
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		120.14	102.26
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		119.65	107.01
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		113.15	103.54
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		107.26	104.86
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		102.57	108.81
Small Value	IWN	iShares Russell 2000 Value		101.38	76.29
Foreign Large Blend	SCHF	Schwab International Developed Equity		90.39	92.02
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		90.26	93.90
Small Blend	IJR	iShares S&P Small Cap Core		87.66	68.42
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		58.73	65.42

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

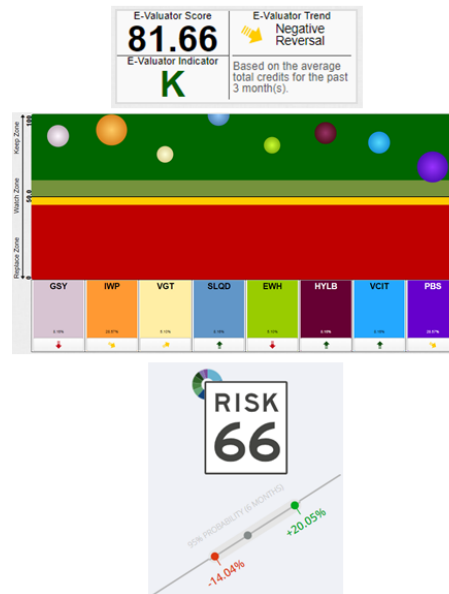
S&P and Dynamic Portfolios: Replaced the Utilities sub-category (PUI) with the Consumer Cyclical sub-category (PBS) due to under-performance. Replaced the Intermediate Government Bond sub-category (IEI) with the High Yield sub-category (HYLB) due to scoring below 60 for a performance score. Replaced the Intermediate Government Bond sub-category (ITE) with the Corporate Bond sub-category (VCIT) due to scoring below 60 for a performance score. Replaced the Long-Term Bond sub-category (BAB) with the Multisector Bond sub-category (DIAL) due to scoring below 60 for a performance score.

S&P and Dynamic Portfolio Bubble Reports as of 3/31/2019

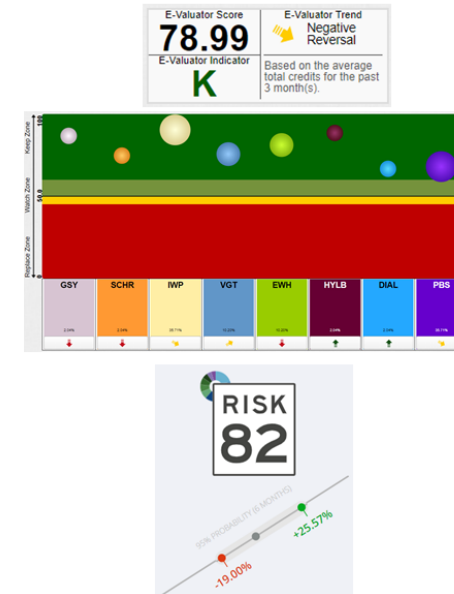
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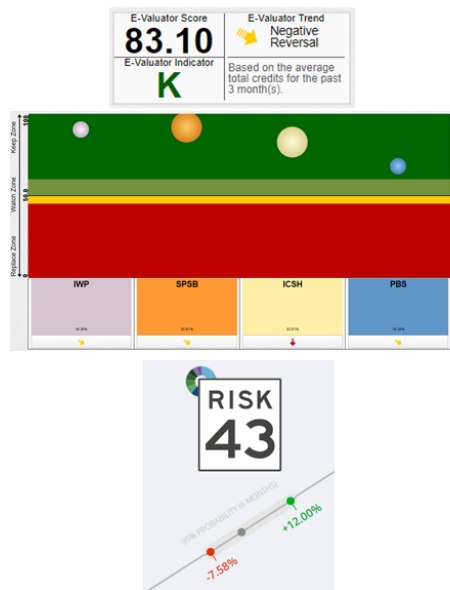
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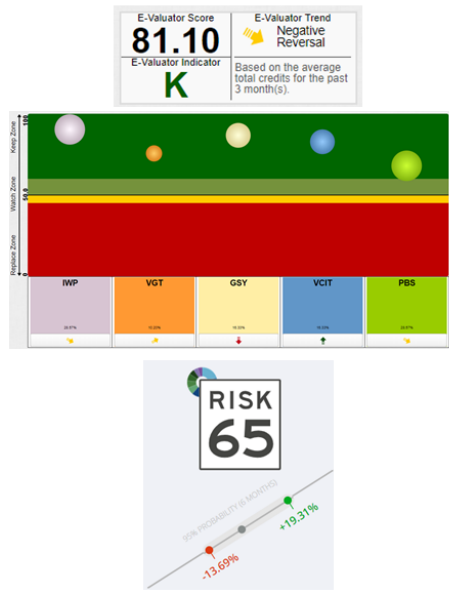
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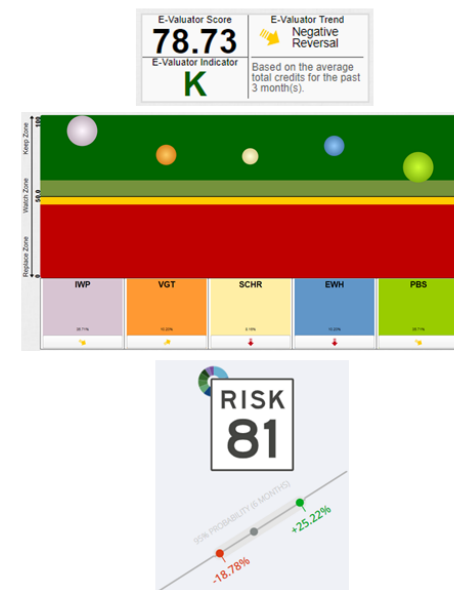
RDC



RDM

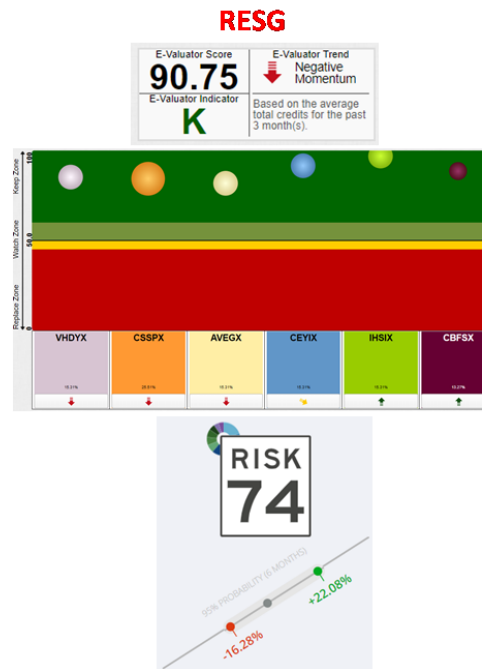


RDA

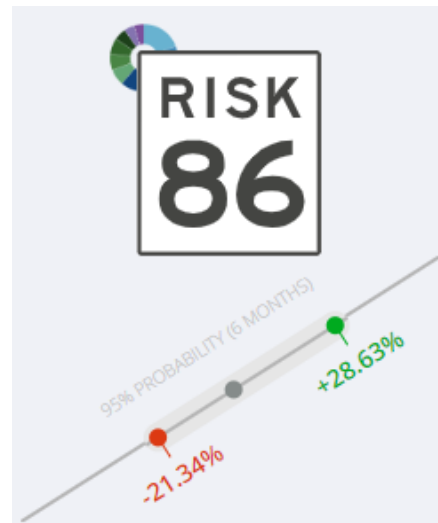


Environmental, Social, and Governance Portfolio: Replaced the Intermediate-Term Bond sub-category (CGBIX) with the Corporate Bond sub-category (CBFSX) due to scoring below 60 for a performance score.

Portfolio Bubble Reports as of 3/31/2019



Growth Stock Portfolio: No changes.

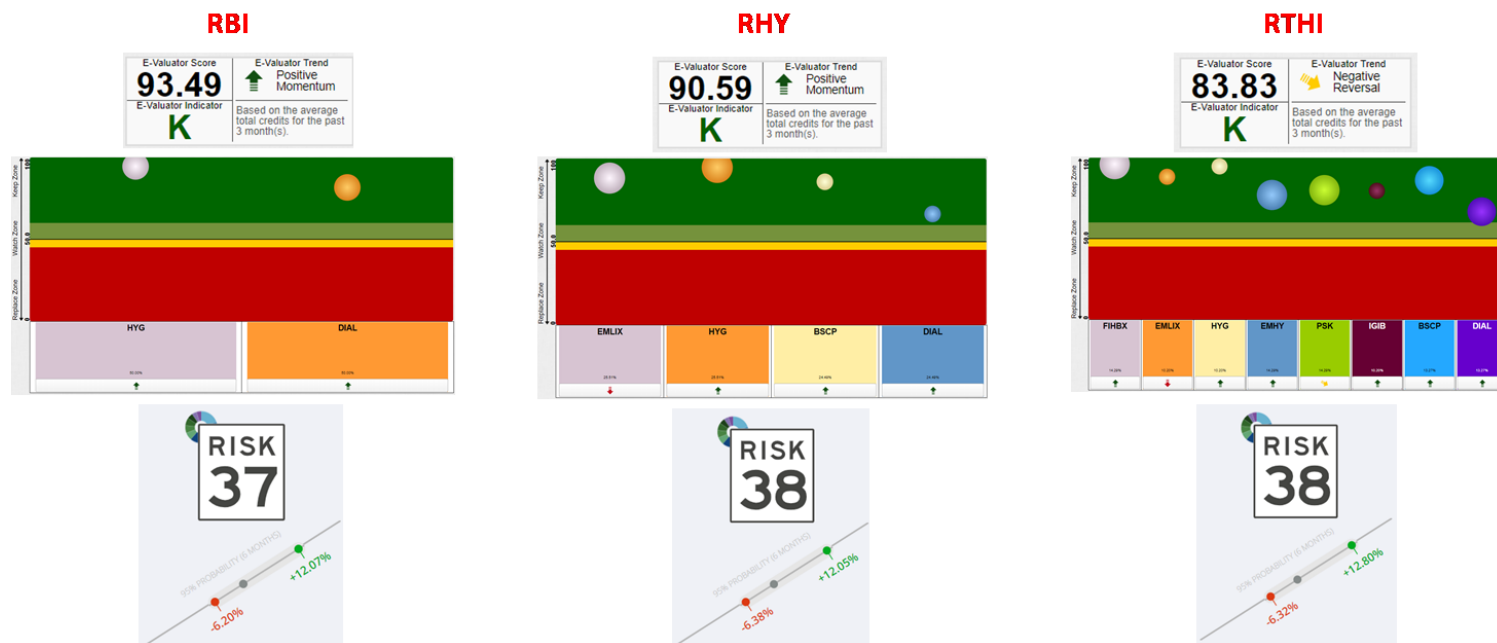


High Dividend Stock Portfolio: No changes.



High Income Portfolios: Replaced the Long-Term Bond sub-category (BAB) with the Multisector Bond sub-category (DIAL) due to scoring below 60 for a performance score.

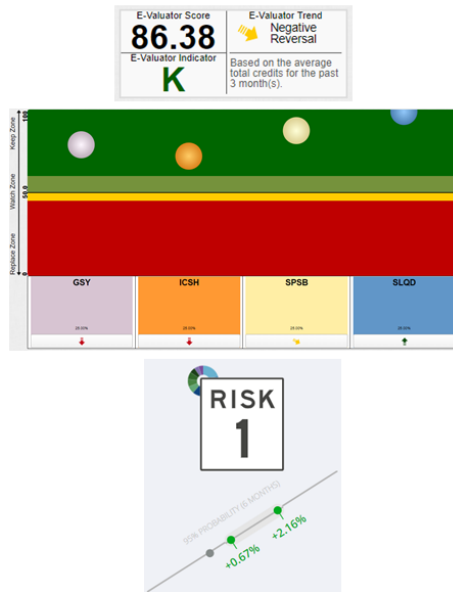
High Income Portfolio Bubble Reports as of 3/31/2019



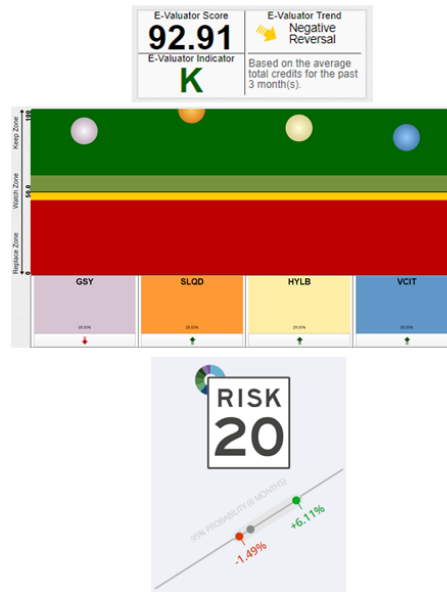
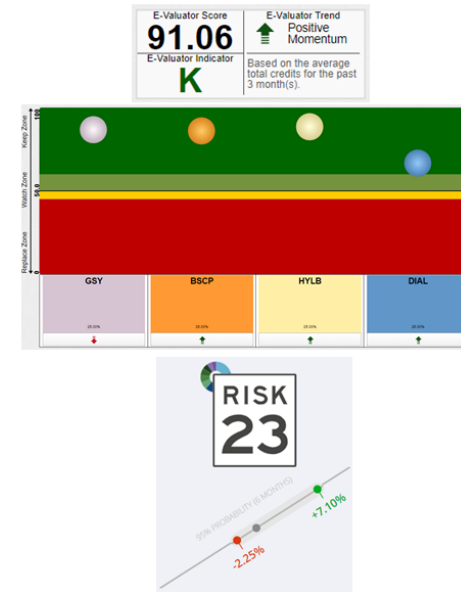
Liquid Income Portfolios: Replaced the Intermediate Government Bond sub-category (IEI) with the High Yield sub-category (HYLB) due to scoring below 60 for a performance score. Replaced the Intermediate Government Bond sub-category (ITE) with the Corporate Bond sub-category (VCIT) due to scoring below 60 for a performance score. Replaced the Long-Term Bond sub-category (BAB) with the Multisector Bond sub-category (DIAL) due to scoring below 60 for a

performance score.

Liquid Income Portfolio Bubble Reports as of 3/31/2019

LINCC

LINCM

**LINCA****LINCB**

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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. Industrial production and capacity utilization, U.S. Federal Reserve.
2. Housing Market Index, National Association of Home Builders.

Wednesday:

1. Trade balance, U.S. Census Bureau.
2. Wholesale inventories, U.S. Census Bureau.

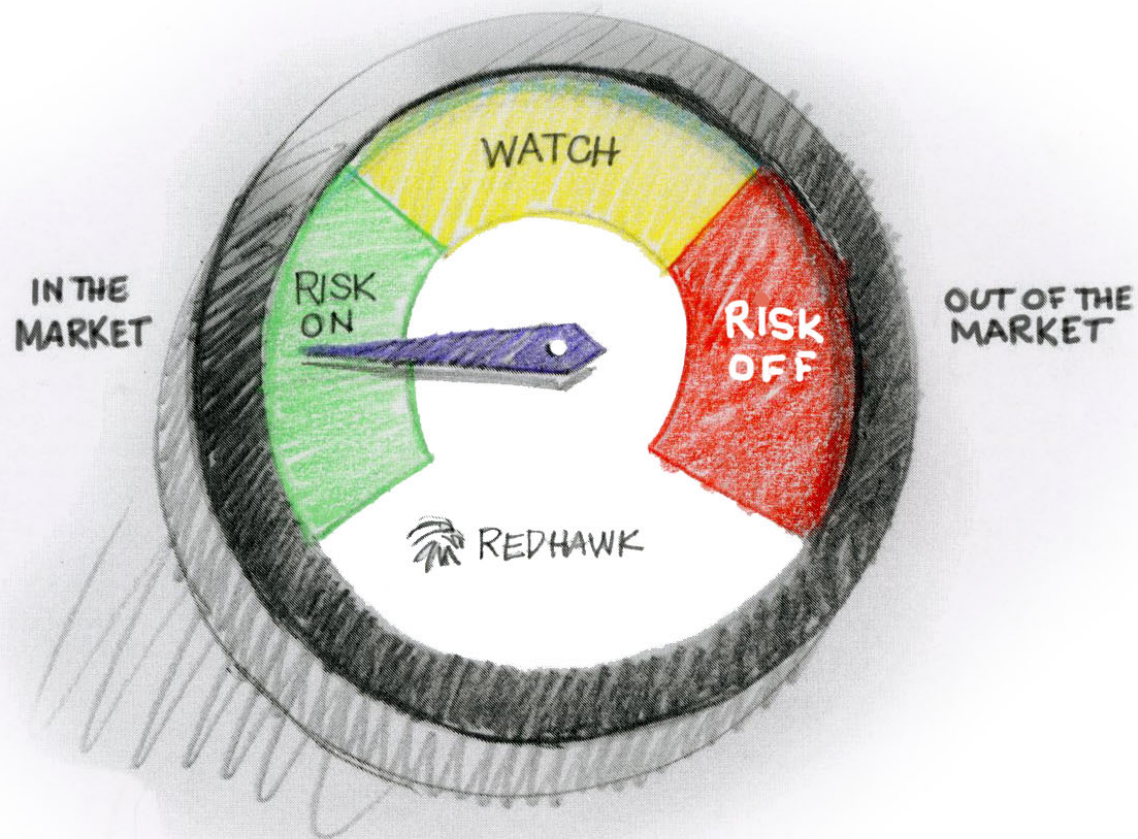
Thursday:

1. The Conference Board Leading Economic Index for the U.S.
2. Retail sales, U.S. Census Bureau.
3. Business inventories, U.S. Census Bureau.

Friday:

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

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 into a normal range. 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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