



# 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

Last week stocks finished the week higher, with the S&P 500 rallying 4.4%, the best weekly gain in six months. At the same time bond yields declined to the lowest levels in two years. Increased expectations of a Fed rate cut hopes that the U.S. and Mexico can reach a deal to avoid tariffs, and improved valuations, all helped stocks move higher. Economic data were mixed, as strength from the services sector was offset by weakness in the manufacturing sector. Job gains for the month of May came in below expectations, but the unemployment rate held steady at a 50-year low.



Volatility swings are becoming common place in this late economic cycle. Stocks fell 19% late last year, followed by a 23% rise through April and tipped down 6% in May. On the plus side for the market we have moderate U.S. economic growth, healthy corporate profits, and still-helpful Fed policy. On the negative side we have trade and tariff disruptions and a decelerating global economy. Both competing forces will sustain higher volatility and market swings.

### **Jobs vs. Tariffs**

The U.S. economy is showing signs of fatigue, highlighted by manufacturing activity slowing materially recently, the auto cycle likely having passed its peak, and lackluster business investment. Tariff tensions with China and Mexico have amplified the concerns, with trade issues threatening to further slow activity. Because of these forces, calls for a recession have grown louder. U.S. exports to China represent less than 1% of GDP, and while a final deal with China is still likely a way off, it's most likely that interim talks will have a calming effect on anxiety periodically. A trade war would be a potential catalyst for economic weakness, but it is not an inevitability, as the U.S. economy is more dependent upon services than manufacturing. The strength in last week's ISM services index offers some comfort that the trade uncertainties (which are curbing factory activity and business investment) haven't necessarily seeped fully into all facets of the economy.

Consumer spending carries the most weight for our economy and news on that front remains encouraging. The labor market has been a consistently positive force, as the unemployment rate has fallen from 10% to the current 50-year

low of 3.6%. The U.S. economy added 75,000 jobs in May, well below expectations and a sizable slowdown from the prior month. The trend still looks favorable, with monthly job gains averaging 164,000 so far this year and wage growth remaining above 3%. While the dismal May jobs report stirs worries of economic fatigue and a deceleration in economic momentum. Historically, the unemployment rate has trended notably higher ahead of approaching recessions. Job growth was light last month, perhaps reflecting some hesitation from companies amidst the backdrop of policy uncertainties, but employment conditions remain far more positive than negative. The ultimate determination of whether the economy continues to grow or falls into recession will largely come from the labor market and household spending.

### Rate Hikes vs. Cuts

After a steady campaign of rate hikes from 2015 to 2018, the Fed has done an about face, now favoring a more flexible, data-dependent (dovish) approach to future rate moves. The Fed's extended period of zero-interest-rate policy during the past decade was the stimulus supporting the foundation upon which the stock market delivered a more than a 400% return since March 2009. Last week, stocks rallied sharply amid increasing expectations of a Fed rate cut this year. A flexible Fed is a good thing, but with the markets increasingly pricing in one or more rate cuts this year, investors should anticipate increased volatility as incoming data and Fed commentary reshapes those expectations. Rates are not too high to allow the economy to grow, but uncertainty around upcoming Fed moves will likely be a central market driver ahead.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	25,984	4.7%	11.4%
S&P 500 Index	2,873	4.4%	14.6%
NASDAQ	7,742	3.9%	16.7%
MSCI EAFE	1,876	3.2%	9.1%
10-yr Treasury Yield	2.08%	-0.04%	-0.60%
Oil (\$/bbl)	\$54.07	1.1%	19.1%
Bonds	\$110.53	0.4%	5.1%

Source: Bloomberg, 06/07/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

**S**urprising stock market rally in June? Many professionals thought that another bear market was right on the horizon and the NASDAQ was “officially” in correction—for a couple of days anyway. May was also a month that separated long-term investors from short-term traders. According to the Wall Street Journal, “investors” dumped stock ETFs at a record clip in May to the tune of \$20 billion, the biggest monthly outflow in history. The rationale for all the sales was supposedly the intensifying trade battles with China and Mexico, yet those battles continued last week, and the market rallied sharply. Maybe everyone did sell in May, but they have come back in June as the Dow Jones Industrial Average jumped by 4.77% last week. The rally in stocks was accompanied by a rally in bonds as interest rates continued to fall to record lows with the 10-year Treasury at 2.085% by weeks-end -- down from 2.62% at the beginning of the year. Is the bond market confused or the stock market?

Oil prices have also stumbled. Oil was up as much as 50% earlier this year and has since declined by 20% as there suddenly appeared to be a collision between excess supply and falling demand. The U.S. is producing 12 million barrels a day going to 17 million in a few years and U.S. dominance of the oil market will affect global oil markets. Maybe the oil price decline is driving down inflationary expectations and keeping the Fed on the sidelines.

Investors must be careful about following the “great money managers” as they may not be doing what they say they do. For example, Neil Woodford has been a successful investment manager for Invesco with one fund, the Woodford Equity Income Fund, peaking at 10.2 billion pounds in 2014. However, after several miscues, investor withdrawals and losses dropped the fund's value to 3.7 billion pounds. Last Monday, the firm suspended redemptions to give Neil “time to reposition the element of the fund's portfolio invested in unquoted and less liquid stocks, into more liquid investments.” Only last week we read about how exciting the private equity market has become and here we see the private equity market as a substantial barrier to portfolio liquidity. To accomplish repositioning, the fund's manager invested in another one of his funds, the Woodford Patient Capital Trust PLC, a closed-end fund focusing on long-term investments. According to the WSJ, that fund fell nearly 20% at the opening in London last Monday but later recovered. Investors must be careful when there are large liquidations in the funds they own. Such selling forces the fund manager to dump the liquid assets and retain the illiquid assets.

Have you tried those meatless hamburgers yet? Suddenly they are all the rage with many fast food outlets offering them as an alternative to the real thing. Supermarkets offer them in the dairy section, and we took a chance and tried them. Not bad. With lettuce, tomato,...on a sesame seed bun, we can see potential. For those die-hard beef eaters, you may be getting a price break in your favorite burger if this disruptor trend gains momentum. FYI, the White Castle hamburger chain was the first to offer them. We just checked and they are temporarily sold out!!

We continue to weed out securities that do not meet our fundamental and technical criteria for retention and during the past week sold Taro Pharmaceutical in the Growth Equity model. We remain optimistic that the outlook will brighten with resolution of the tariff wars but holding some cash makes sense until these problems are resolved. We made no changes in the Target Return models last week.

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## Redhawk's Strategy Update

**S**tock indexes soared to weekly gains of more than 4% as the market recovered most, but not all, of the ground lost in May's sell-off. For the Dow, the positive result snapped a string of six consecutive weekly declines and the S&P 500 had declined four straight weeks. Modest inflation and a slowdown in job growth fueled another bond price rally, sending yields lower and extending an inversion of the yield curve. The yield of the 10-year U.S. Treasury bond slipped below 2.10%, which is a big drop from three months ago, when the yield was around 2.70%. After April's strong jobs gain, May's 75,000 figure was a disappointment, as it was below expectations for around 180,000. However, stocks rallied after Friday's report, as the relatively small jobs gain fueled expectations that the U.S. Federal Reserve could be more open to an interest-rate cut.

Stock indexes surged more than 2% on Tuesday after U.S. Federal Reserve Chairman Jerome Powell said the Fed is closely watching the negative impact that trade wars could have on the economy. He said the Fed “will act as appropriate to sustain the expansion” a comment that was viewed as increasing the potential that an interest-rate cut

could come later this year. Concerns about growing oil inventories sent crude prices into a bear market on Wednesday, as the price of U.S. crude fell more than 20% below a recent high in April. Oil closed below \$52 per barrel on Wednesday, although prices recorded gains on Thursday and Friday. Some of the nation's largest technology stocks tumbled 6% to 7% on Monday after the federal government and Congress expanded their inquiries into antitrust issues. The NASDAQ, which has a heavier weighting in tech than the other major indexes, fell nearly 2%, leaving the index more than 10% below a recent high. The World Bank trimmed its global economic growth forecast for 2019 to 2.6%, down from a 2.9% projection it had made in January. The bank said that global trade and investment flows between countries have fallen faster than expected so far this year.

**Redhawk Live Update - [Click Here](#)**

## Redhawk Model Signals

Time Period:				6/10/2019	6/3/2019
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	VPU & GDV		
Technology	VGT	Vanguard Information Technology ETF	XLRE & IAU		
Consumer Cyclical	PBS	Invesco Dynamic Media ETF	XLB		
Real Estate	XLRE	Real Estate Select Sector SPDR ETF		113.56	
India Equity	INDY	iShares India 50 ETF		112.35	109.50
Equity Precious Metals	GDV	VanEck Vectors Gold Miners ETF		110.18	
Utilities	VPU	Vanguard Utilities ETF		109.05	
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		103.95	102.06
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		96.90	86.92
Corporate Bond	VCIT	Vanguard Inter-Term Corp Bd ETF		92.84	87.42
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		88.75	86.39
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		88.19	91.95
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		77.15	80.52
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		76.38	86.14
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		76.04	70.01
Commodities Precious Metals	IAU	iShares Gold Trust		71.65	
Natural Resources	XLB	Materials Select Sector SPDR ETF		50.87	

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		102.30	97.23
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		99.04	88.33
Mid-Cap Growth	AVEGX	Ave Maria Growth		86.68	70.33
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		82.78	72.66
Large Growth	CEYIX	Calvert Equity I		82.75	74.78
Global Real Estate	IHSIX	Hartford Small Company I		71.30	66.34

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Bond	EMHY	iShares Emerging Markets High Yld Bd ETF	VWOB		
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		108.13	107.04
Emerging Market Bond	EMB	iShares JP Morgan USD Em Mkts Bd ETF		106.13	116.62
High Yield	FIHBX	Federated Instl High Yield Bond Instl		100.58	112.01
Emerging Market Bond	VWOB	Vanguard Emerging Mkts Govt Bd ETF		99.19	
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		94.52	106.74
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		88.72	106.99
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		86.81	96.88
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		77.12	84.43

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		120.27	120.16
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		109.81	113.78
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.69	106.96
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		104.16	113.19
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		99.80	98.09
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		92.36	90.56
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		90.15	96.25
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		89.36	88.67
Muni National Long	FTABX	Fidelity® Tax-Free Bond		84.21	86.47
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		81.84	85.71
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		80.72	77.47
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		78.20	80.84
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		72.37	73.55

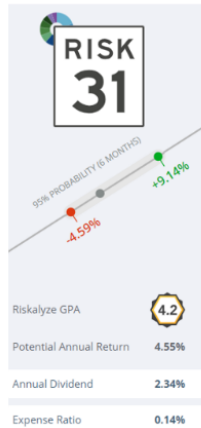
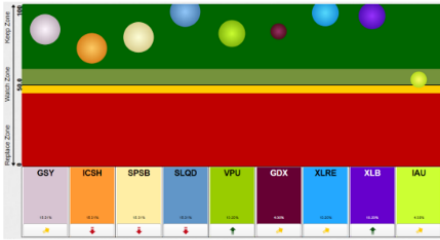
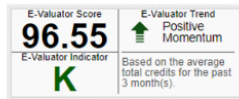
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		106.19	103.43
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		92.84	87.31
Large Value	DGRO	iShares Core Div Growth ETF		82.49	72.64
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		81.20	71.44
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		81.16	92.36
Large Blend	IVV	iShares Core S&P 500 ETF		78.00	61.50
Large Blend	IWB	iShares Russell 1000		77.48	65.29
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		71.60	62.36
Large Value	VTV	Vanguard Value Idx ETF		68.46	55.64
Large Value	VYM	Vanguard High Dividend Yield ETF		61.91	60.08
Small Blend	VB	Vanguard Small-Cap ETF		59.41	55.25
Small Growth	VBK	Vanguard SC Gr Idx ETF		57.23	49.13
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		52.89	59.25
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		52.23	44.11
Small Value	VBR	Vanguard SC Val Idx ETF		48.88	43.15
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		37.81	48.64
Small Value	IWN	iShares Russell 2000 Value		35.15	23.73
Foreign Large Blend	SCHF	Schwab International Developed Equity		33.19	31.47
Small Blend	IJR	iShares S&P Small Cap Core		9.03	11.59
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		(4.47)	(17.51)

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

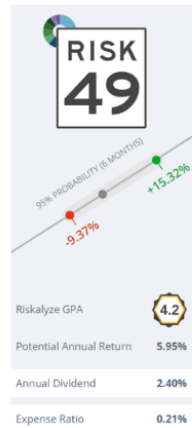
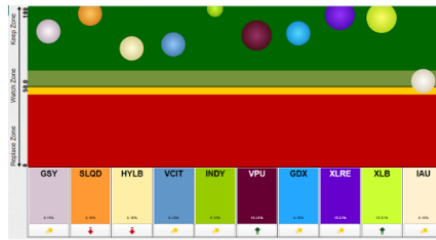
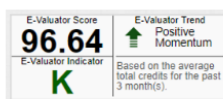
**S&P and Dynamic Portfolios:** Replaced the Mid-Cap Growth sub-category (IWP), the Technology sub-category (VGT), and the Consumer Cyclical sub-category (PBS) due to performance. Added the Utilities sub-category (VPU), the Equity Precious Metals sub-category (GDX), the Real Estate sub-category (XLRE), the Commodities Precious Metals sub-category (IAU), and the Natural Resources sub-category (XLB).

### S&P and Dynamic Portfolio Bubble Reports as of 5/31/2019

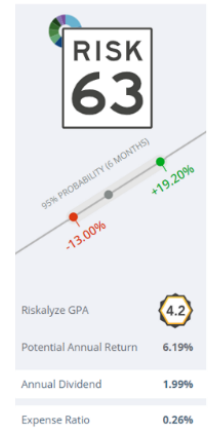
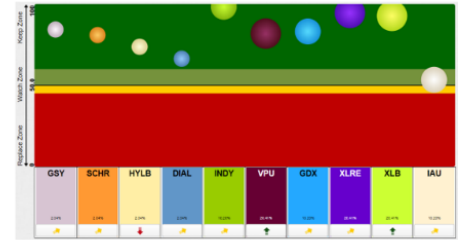
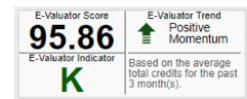
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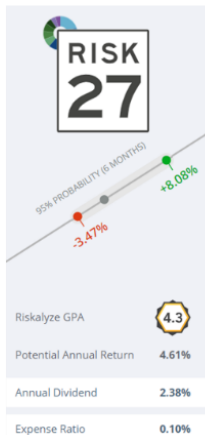
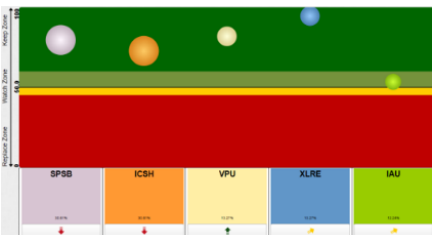
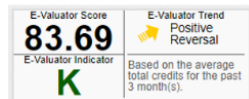
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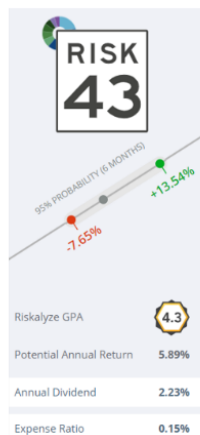
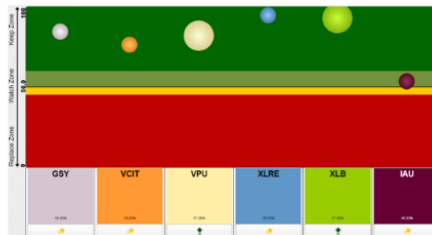
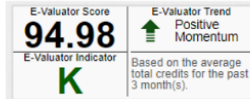
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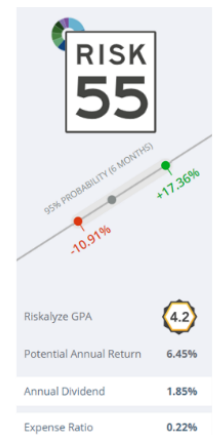
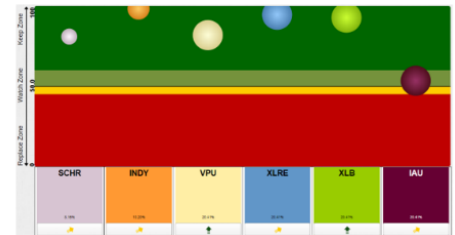
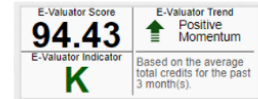
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## RDM



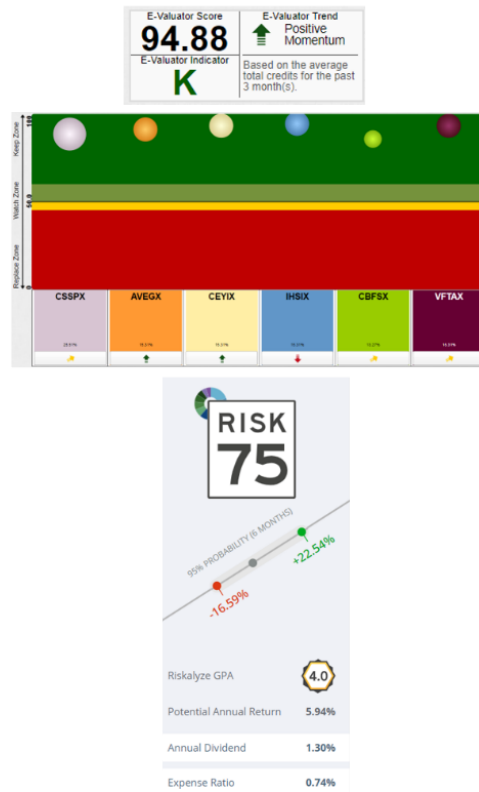
## RDA



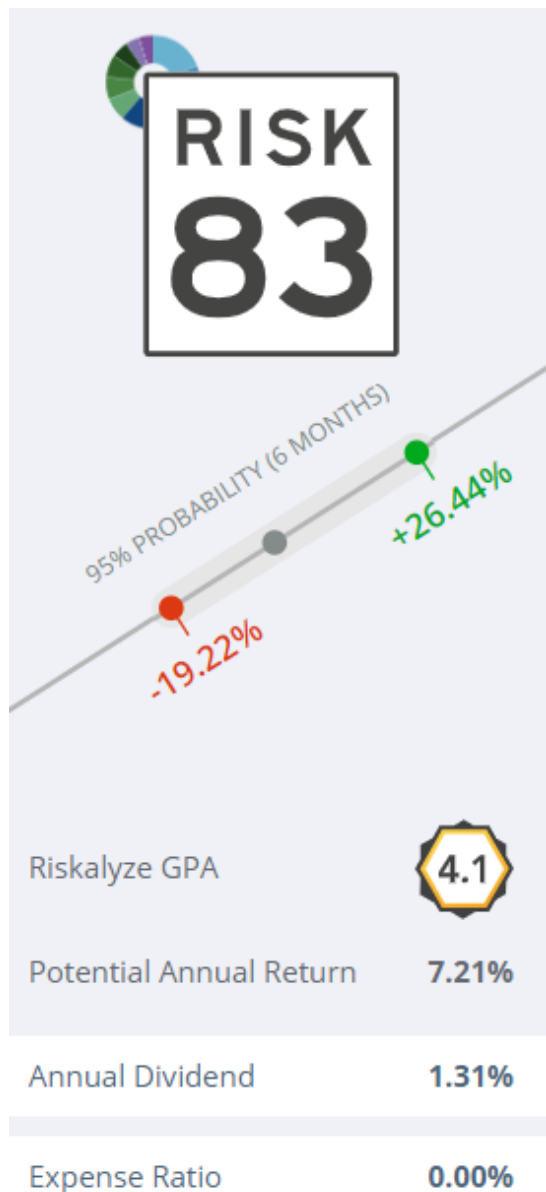
**Environmental, Social, and Governance Portfolio:** Kept the Small Growth sub-category (IHSIX), the Large Growth sub-category (CEYIX), the Mid-Cap Growth sub-category (AVEGX), and the Large Blend sub-category (VFTAX) on the watch list due to underperformance.

**Portfolio Bubble Reports as of 05/31/2019**

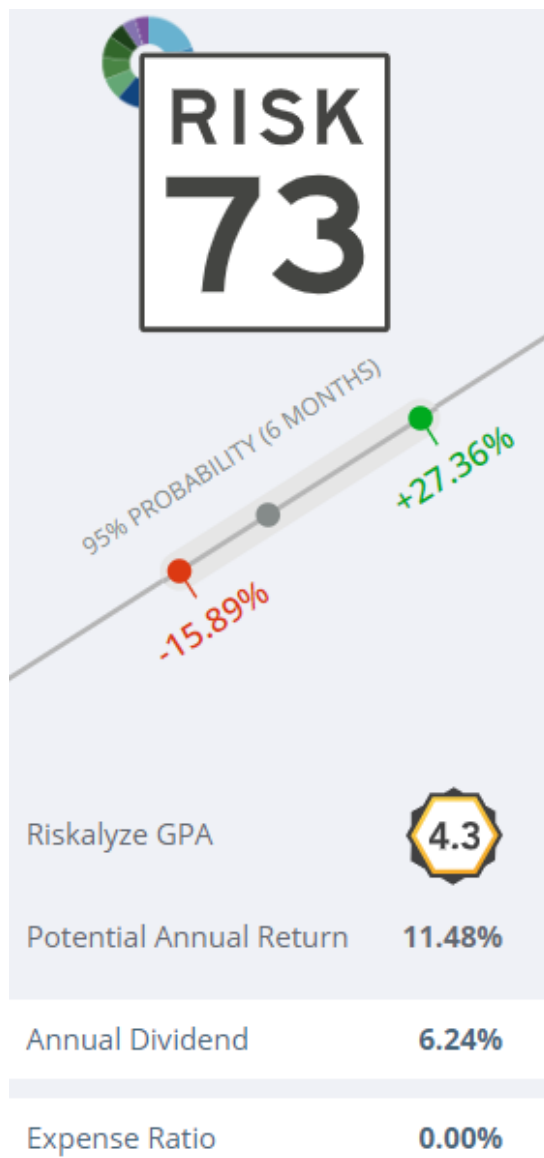
## RESG



**Growth Stock Portfolio:** Replaced Marathon Oil Corporation (MRO) with Accenture plc (ACN), Lowe's Companies, Inc. (LOW) with Merck & Co., Inc. (MRK), Pioneer Natural Resources Company (PXD) with The Procter & Gamble Company (PG), and National Instruments Corporation (NATI) with MDU Resources Group, Inc. (MDU) due to underperformance.



**High Dividend Stock Portfolio:** Replaced Umpqua Holdings Corporation (UMPQ) with AT&T Inc. (T) due to underperformance.

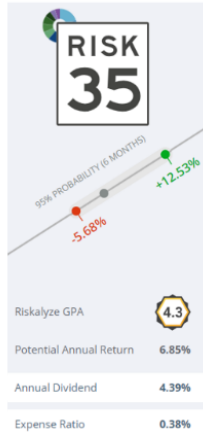
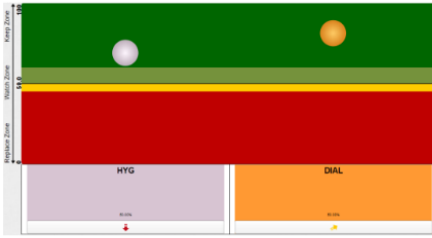


**High Income Portfolios:** Replaced Emerging Markets Bond (EMHY) with (VWOB) due to underperformance.

### High Income Portfolio Bubble Reports as of 05/31/2019

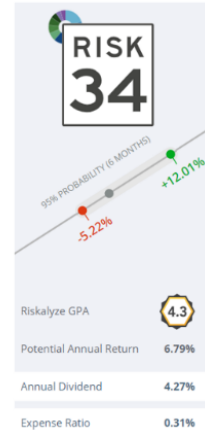
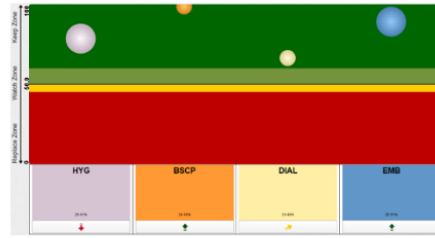
## RBI

E-Valuator Score <b>82.83</b>	E-Valuator Trend Negative Momentum
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



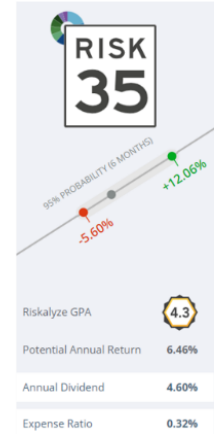
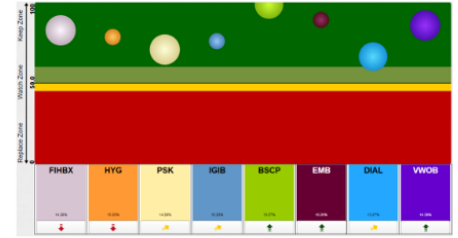
## RHY

E-Valuator Score <b>89.57</b>	E-Valuator Trend Positive Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



## RTHI

E-Valuator Score <b>86.78</b>	E-Valuator Trend Positive Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).

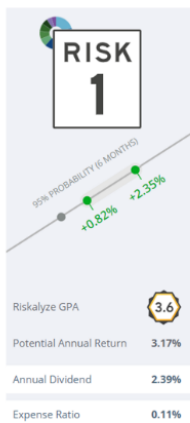
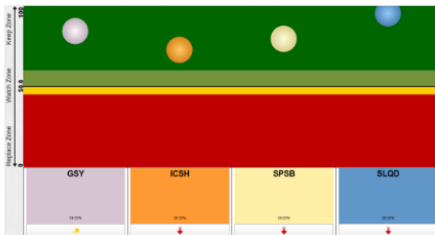


**Liquid Income Portfolios:** No changes.

## Liquid Income Portfolio Bubble Reports as of 05/31/2019

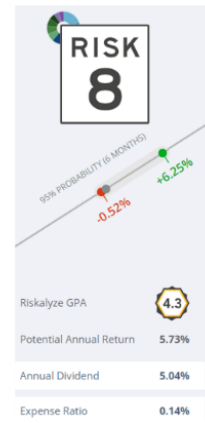
### LINCC

E-Valuator Score <b>84.50</b>	E-Valuator Trend Negative Momentum
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



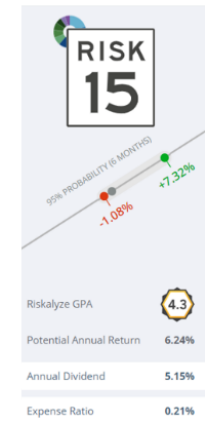
### LINCM

E-Valuator Score <b>84.08</b>	E-Valuator Trend Negative Momentum
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



### LINCA

E-Valuator Score <b>95.30</b>	E-Valuator Trend Positive Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).



## LINCB



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## Economic Data for this Week

### Monday:

1. Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics.

### Tuesday:

1. Producer Price Index, U.S. Bureau of Labor Statistics.

### Wednesday:

1. Consumer Price Index, U.S. Bureau of Labor Statistics.
2. Federal budget, U.S. Department of the Treasury.

### Thursday:

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

### Friday:

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. University of Michigan Index of Consumer Sentiment, preliminary result.

*On 5/7, our "risk off" VIX algorithm tripped and we moved to the "Risk Watch" zone. We will continue to watch this daily and communicate to you if we make any changes (see below).*



## 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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