Redhawk's Weekly Update July 29th, 2019 Vol. 3 No. 29 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!

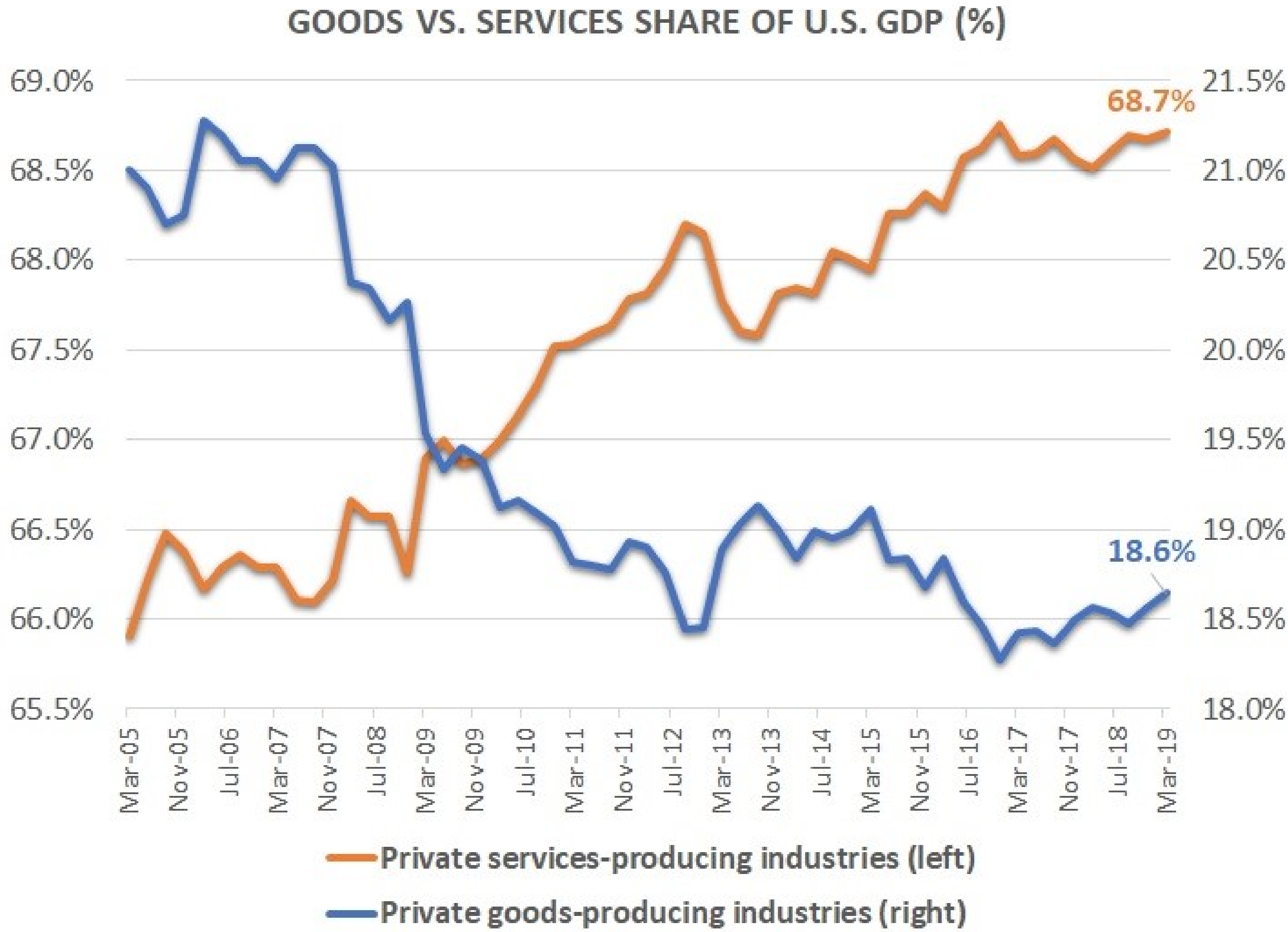
Market Commentary

Last week U.S. stocks closed at fresh record highs, helped by better-than-expected corporate earnings results and a stronger-than-expected second-quarter GDP. Even though U.S. economic growth slowed in the second quarter as trade and business investment weighed on growth, consumer spending, the biggest part of the economy, topped estimates, increasing 4.3%. The strong GDP report comes as the Fed is expected to cut rates this week in response to low inflation and risks from slowing global growth. Despite a soft patch in manufacturing, the service sector of the economy is holding steady.

The U.S. stock market has done well so far this year, gaining 21.8% on the back of an anticipated shift in Fed policy (interest rate cuts). But more broadly, stocks are driven over longer periods by more than just central bank actions, with the direction of the economy and corporate earnings providing a reliable guide for performance.

- **Earnings Growth Slow Down -** The pace of earnings growth has decreased from last year. After rising 24% in 2018, the strongest in nine years and the third-best year in the past three decades, earnings growth this year is expected to be a modest 2.6%. This deceleration in profit growth should not be dismissed. With U.S. stocks already trading slightly above long-term average valuation levels, earnings growth will need to do most of the heavy lifting for market gains going forward. Earnings growth has slowed to low-single digits previously in this expansion without a collapse in stock prices. Moreover, historically, the expirations of bull markets have most often been accompanied by an outright decline in earnings, not simply a slowdown in the pace of growth. Thus, a more broad-based deterioration in the corporate-profit picture would be a material threat to the stock market's health.

- **Weakness in Manufacturing Activity** - Earnings announcements last week indicate that the economy remains poised to grow but threats are lurking. The most recent read into earnings trends in critical sectors like financials and industrials offers a good barometer on the economic outlook. Last week's U.S. Purchasing Managers' Index (PMI) release showed that manufacturing activity stagnated in July, part of an ongoing slowdown which was attributed to slowing global growth and lingering trade tensions. However, the results from the industrials have still exceeded consensus expectations this quarter, and earnings have grown by an average of 2.8%. Ongoing trade tensions pose a significant headwind, but the U.S. is far more dependent upon the services component of the economy today, versus goods production (see the chart below). A deeper look at last week's PMI report shows that service-sector companies reported the strongest rise in business activity since April. This, coupled with healthy consumer spending, supports the view that the economic expansion should continue. Additionally, earnings results from banks and other financial companies appear to be confirming this as earnings for the sector are up nearly 4%.



Source: U.S. Bureau of Economic Analysis.

1) Private goods-producing industries consists of agriculture, forestry, fishing, & hunting; mining; construction; & manufacturing. 2) Private services-producing industries consists of utilities; wholesale trade; retail trade; transportation & warehousing; information; finance, insurance, real estate, rental, & leasing; professional & business services; educational services, health care, & social assistance; arts, entertainment, recreation, accommodation, & food services; & other services, except government.

Outlook - The market is up 344% over the past decade, including dividends, with profits rising 256% during that time, signaling that earnings have had a strong bearing on performance. More broadly, before dividends, the S&P 500 has averaged an 8.2% annual gain since 1955, while corporate profits have grown by an average of 7.5% per year over that time, demonstrating the relationship and importance of earnings to long-term stock market performance. Due to slower economic growth and some more narrow (temporary) factors such as the strong U.S. dollar and trade uncertainties, earnings growth ahead will likely be modest. As such, the current investment environment contains notable risks along with still-supportive fundamentals.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	27,192	0.1%	16.6%
S&P 500 Index	3,026	1.7%	20.7%
NASDAQ	8,330	2.3%	25.5%
MSCI EAFE	1,914.68	-0.2%	11.3%
10-yr Treasury Yield	2.07%	0.02%	-0.61%
Oil ($/bbl)	$56.17	1.0%	23.7%
Bonds	$111.23	0.1%	6.0%

Source: Bloomberg, 07/26/19. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

Victoria Capital's Strategy Update

Traditional asset allocation considerations usually show up as some mix between bonds and stocks. The historical standard looks like a 60% stock, 30% bond and 10% cash portfolio. These weightings will vary depending on the goals of the client and the expected returns from the portfolio. The weightings are also a key component of the target date fund strategy where portfolios are gradually changed to a conservative mix; i.e. decreased stock holdings and increased bond holdings as a client ages in order to reduce portfolio risk. When we discuss risk in this environment, we are speaking only of volatility risk. We are not addressing any of the other myriad number of risks that investors face.

Over the past ten years, the relationship between stocks and bonds has changed dramatically. Interest rates have fallen and are near record low yields. Even after a ten-year economic expansion, the yield on a ten-year government bond is close to 2%. On the other hand, the stock market, as measured by the S&P 500, has increased in value by about 10% a year. The value of the traditional 60/30/10 mix is not what it once was. The fall in bond yields over this period may have produced an increase in the price of bonds but that increase is temporary as bonds move closer to maturity. Incidentally, the performance of bond funds can be misleading due to the temporary rise in bond prices as a result of falling yields.

In the current low interest rate environment, it is impossible to duplicate those long-term “fixed income” returns. At a yield near 2% on that ten-year government bond, investors can’t expect a viable return on their savings; especially if they are choosing an investment portfolio that has a heavy short-term bond allocation. Investors who selected a growth strategy and invested in a portfolio of stocks were the winners over the past ten years. They can now take the gains they earned from a 10%+ annual return and roll those gains into a less volatile portfolio to protect those gains. On the other hand, investors who decided to stay in cash during or after the market crash of 2008 have not seen any gains in their portfolio. The only chance they have of catching up is by owning more stocks and fewer bonds. Yet trends over the past few years indicate that investors continue to choose bonds over stocks! As a result of this surge in “interest,” yields are going even lower! To pundits who say that the stock market is overvalued, we say that they are not looking at the equity market considering the “new” low interest rate environment.

Last week we made no changes in the Growth Equity or Growth and Income portfolios. Similarly, no changes have been made in the Target Return portfolios.

Redhawk's Strategy Update

After a modest setback the previous week, the major stock indexes regained their recent upward momentum, with the NASDAQ and S&P 500 climbing around 2% and outperforming the Dow by wide margins. Strong earnings results from key information technology and communication services companies lifted the broader market. Quarterly earnings season is entering its busiest week, and most companies that have reported results so far exceeded analysts' expectations. Among S&P 500 companies that had released second-quarter numbers as of Friday, 77% had topped forecasts, exceeding the average earnings beat rate of the past five years, according to FactSet. The U.S. government's initial estimate of second-quarter GDP showed that the economy's annual growth rate slowed, although the 2.1% figure was slightly better than most economists had forecast. Strong consumer spending offset lagging business investment, although the latest quarter's growth rate was no match for the first quarter's 3.1% figure.

The European Central Bank (ECB) signaled its intention to cut short-term interest rates and possibly restart its bond-buying program. If the ECB follows through with a rate reduction, it would be Europe's first such cut since early 2016. The White House announced that U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin will travel to China to continue trade talks starting Tuesday. The session will be the first in-person discussions since the presidents of both countries agreed in late June to formally resume talks that had previously broken down. Worries about trade conflicts and tariffs continue to weigh on the global economy. The International Monetary Fund cited those issues as it scaled back its projection of global economic growth for 2019 to 3.2%, slightly down from its forecast released in April. The U.S. Federal Reserve is widely expected to cut interest rates for the first time in about a decade when it concludes a two-day meeting on Wednesday. Most observers expect the Fed will approve a cut of a quarter of a percentage point in hopes of maintaining solid U.S. economic growth in the face of a potential global slowdown.

Redhawk Live Update - Click Here

Redhawk Model Signals

Time Period:				7/29/2019	7/15/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDM)	Symbol		Action	Redhawk Score	Redhawk Score
Equity Precious Metals	GDX	VanEck Vectors Gold Mioners ETF		155.98	138.69
Commodities Presious Metals	IAU	iShares Gold Trust		116.48	115.68
Intermediate Government	VCLT	Vanguard Long-Term Corporate Bd ETF		112.88	100.63
Latin America Stocks	EWZ	iShares MSCI Brazil Capped ETF		107.20	131.81
Real Estate	XLRE	Real Estate Select Sector SPDR ETF		106.50	121.96
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		100.75	101.83
Utilities	VPU	Vanguard Utilities ETF		100.70	120.17
Natural Resources	XLB	Materials Select Sector SPDR ETF		94.59	98.19
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		90.05	90.20
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		85.80	89.60
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		82.15	83.23
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		78.56	82.86
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		76.95	77.10
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		76.38	78.57

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score

Mid-Cap Growth	AVEGX	Ave Maria Growth		122.53	117.79
Large Growth	CEYIX	Calvert Equity I		119.47	123.73
Small Growth	IHSIX	Hartford Small Company I		117.47	112.83
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		106.47	109.30
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		97.07	100.87
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		96.18	105.55

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Emerging Market Bond	EMB	iShares JP Morgan USD Em Mkts Bd ETF		103.57	104.65
Long-Term Bond	VCLT	Vanguard Long-Term Corporate Bd ETF		102.43	102.43
Emerging Market Bond	VWOB	Vanguard Emerging Mkts Govt Bd ETF		98.45	99.41
Long-Term Bond	IGLB	iShares Long-Term Corporate Bond ETF		97.02	97.02
High Yield	HYG	iShares iBoxx $ High Yield Corp Bd ETF		91.44	92.73
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		86.39	87.05
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		76.85	77.63
Emerging-Markets Local-Currency Bond	ELD	WisdomTree Emerging Markets Lcl Dbt ETF		73.14	73.20

Redhawk Liquid Income Portfolios (LINCC, LINCM, LINCA, LINCB)	Symbol		Action	Redhawk Score	Redhawk Score
High Yield Muni	NHMRX	Nuveen High Yield Municipal Bond I		117.96	118.74
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.98	106.80
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		103.52	104.78
Corporate Bond	VCLT	Vanguard Long-Term Corporate Bd ETF		102.01	107.29
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		98.32	98.86
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		94.16	94.22
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		87.60	87.48
Muni National Long	FTABX	Fidelity® Tax-Free Bond		85.52	86.06
Corporate Bond	VCIT	Vanguard Interm-Term Corp Bd ETF		84.45	85.29
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		82.50	82.38
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		80.12	80.90
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		73.74	74.28
Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		73.72	73.48

Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Large Value	DGRO	iShares Core Div Growth ETF		113.82	114.78
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		111.37	114.20
Small Blend	VB	Vanguard Small-Cap ETF		107.90	101.84
Large Blend	IVV	iShares Core S&P 500 ETF		107.20	110.03
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		106.68	102.12
Large Blend	IWB	iShares Russell 1000		106.08	108.91
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		102.94	104.02
Small Value	VBR	Vanguard SC Val Idx ETF		102.08	94.34
Large Value	VTV	Vanguard Value Idx ETF		99.65	100.61
Small Growth	VBK	Vanguard SC Gr Idx ETF		96.17	91.53
Small Value	IWN	iShares Russell 2000 Value		90.41	82.67
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		85.80	89.60
Large Value	VYM	Vanguard High Dividend Yield ETF		83.75	84.71
High Yield Bond	HYG	iShares iBoxx $HY Corp ETF		82.41	86.71
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		81.67	88.47
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		76.45	72.46
Foreign Large Blend	SCHF	Schwab International Developed Equity		75.35	79.99
Small Blend	IJR	iShares S&P Small Cap Core		53.36	47.30
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		44.22	48.52
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		33.06	28.32

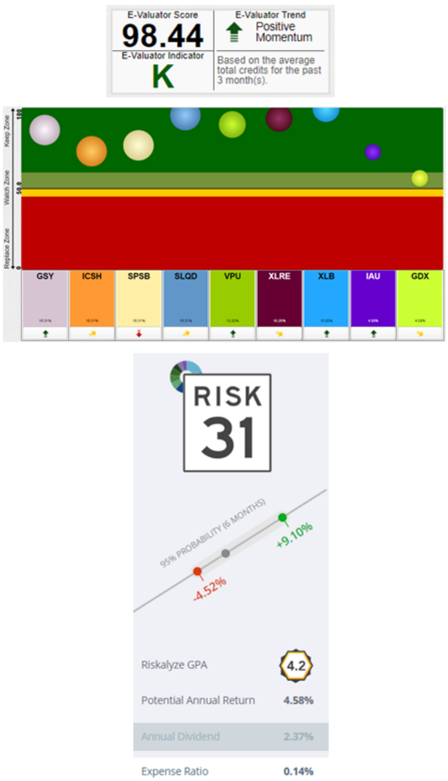
Keep	Keep.	
Watch	Watch.	

Replace	Replace with another fund or cash.	FUND

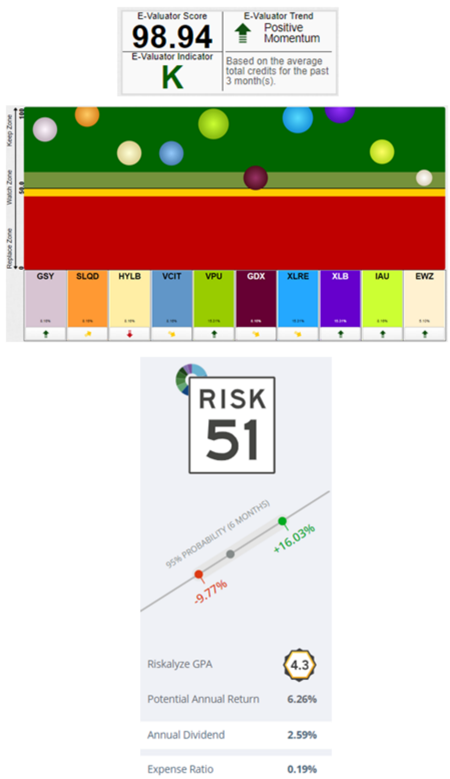
S&P and Dynamic Portfolios: Kept the Utilities sub-category (VPU) and the Real Estate sub-category (XLRE) on the watch list due to under performance. Kept the Natural Resources sub-category (XLB) on the watch list due to lagging performance.

S&P and Dynamic Portfolio Bubble Reports as of 6/30/2019

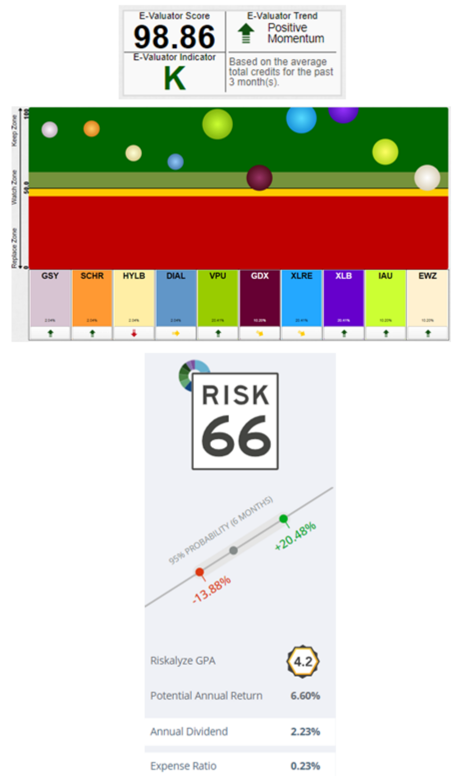
RSPC



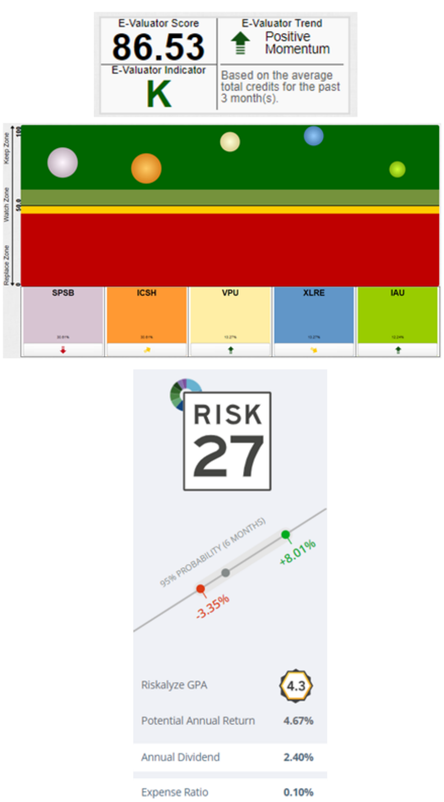
RSPM



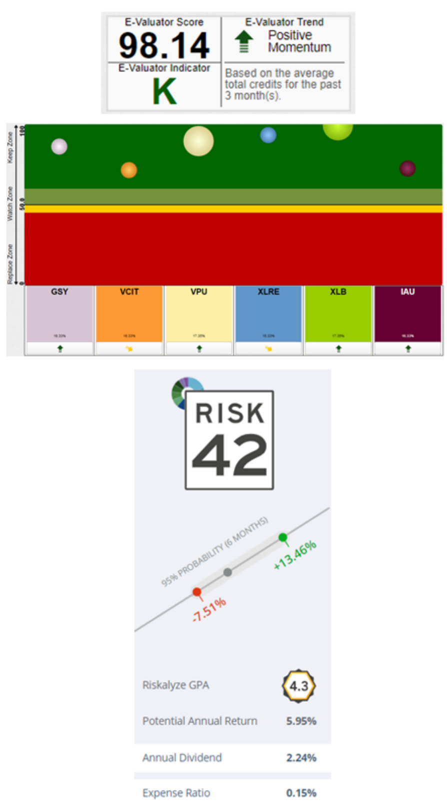
RSPA



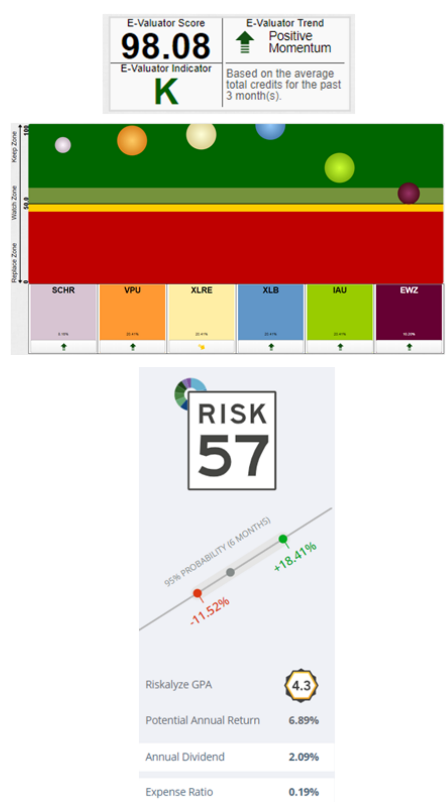
RDC



RDM

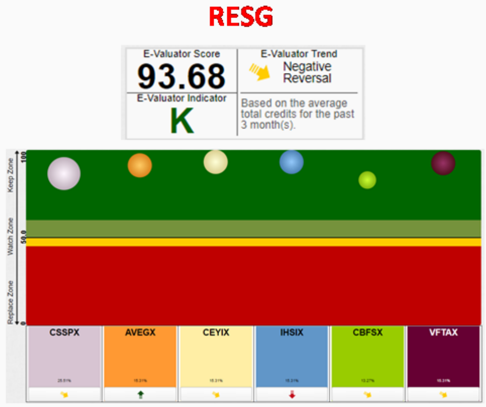


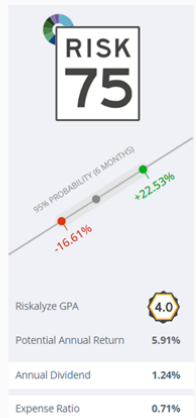
RDA



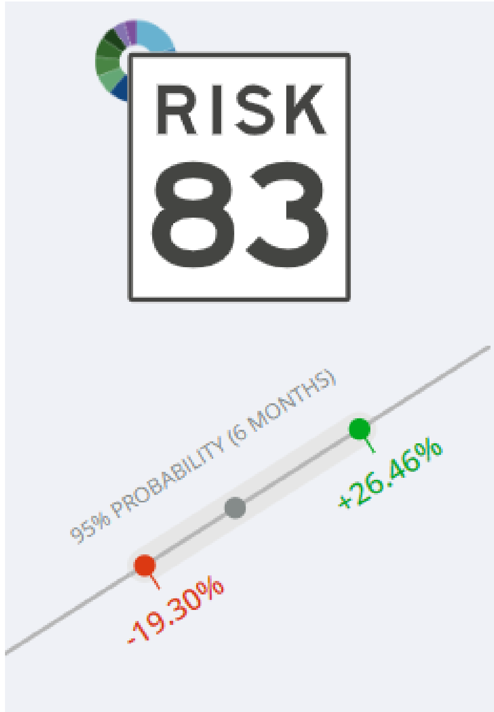
Environmental, Social, and Governance Portfolio: No changes.

Portfolio Bubble Reports as of 06/30/2019



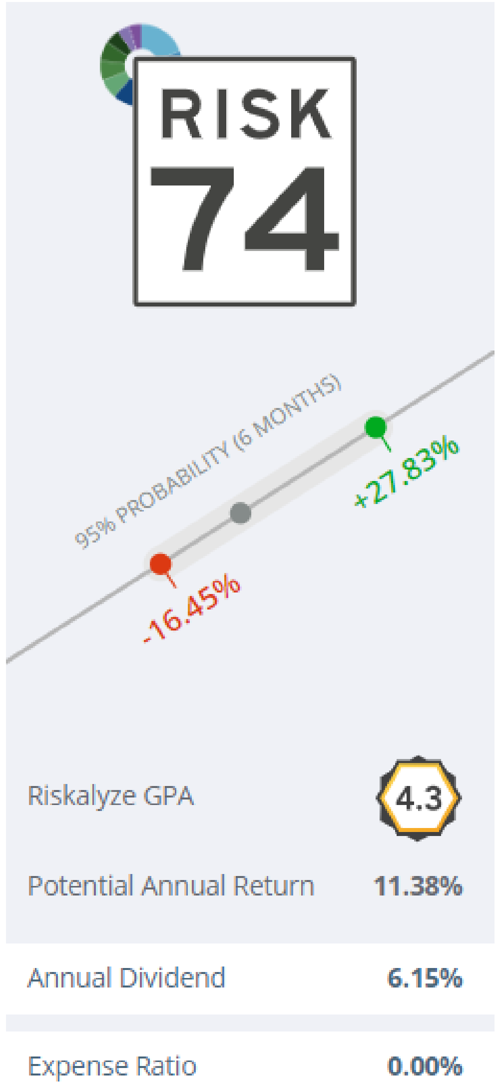


Growth Stock Portfolio: No changes.



Riskalyze GPA	4.1
Potential Annual Return	7.16%
Annual Dividend	1.29%
Expense Ratio	0.00%

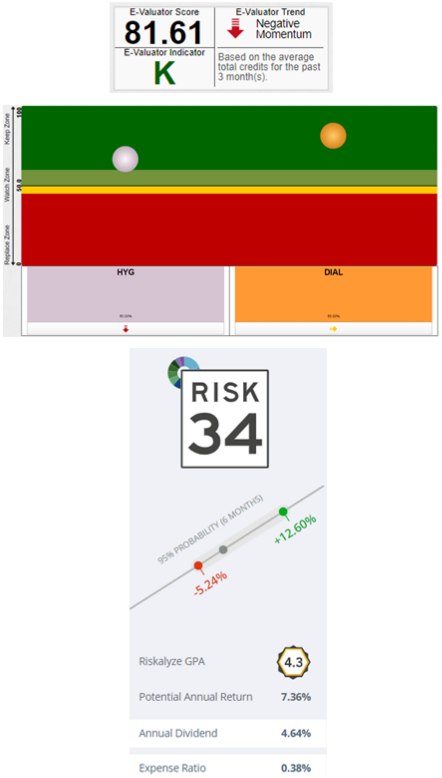
High Dividend Stock Portfolio: No changes.



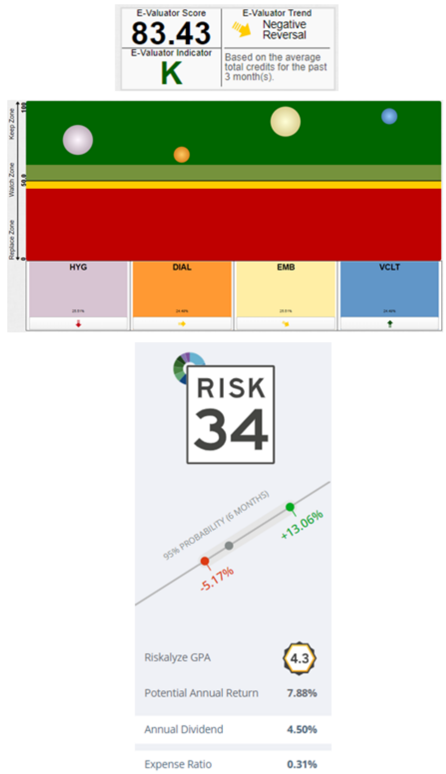
High Income Portfolios: No changes.

High Income Portfolio Bubble Reports as of 06/30/2019

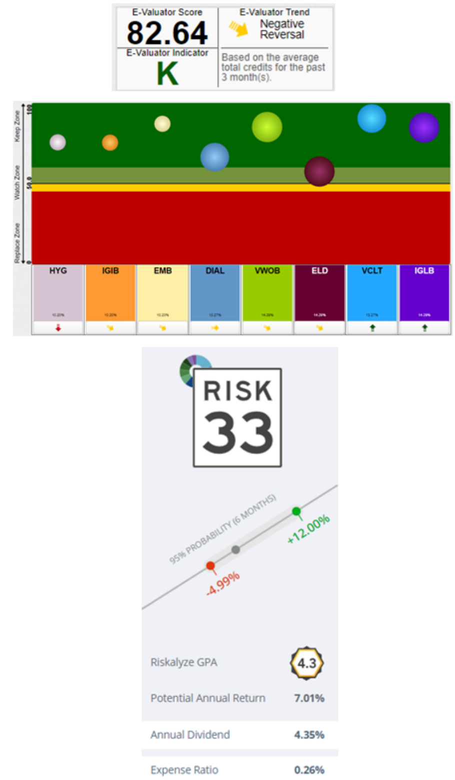
RBI



RHY



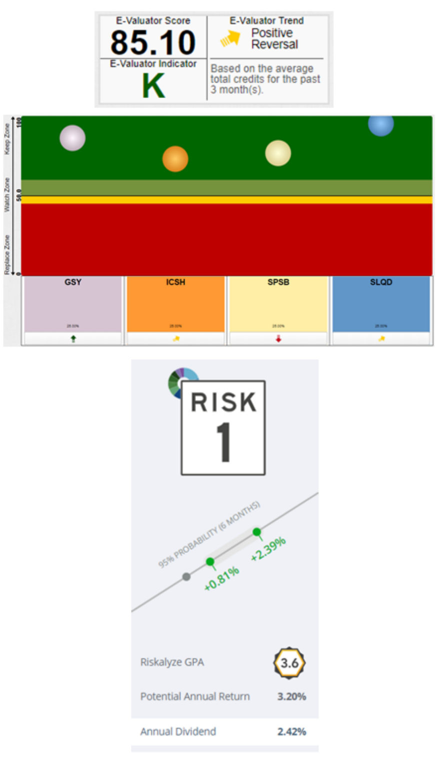
RTHI



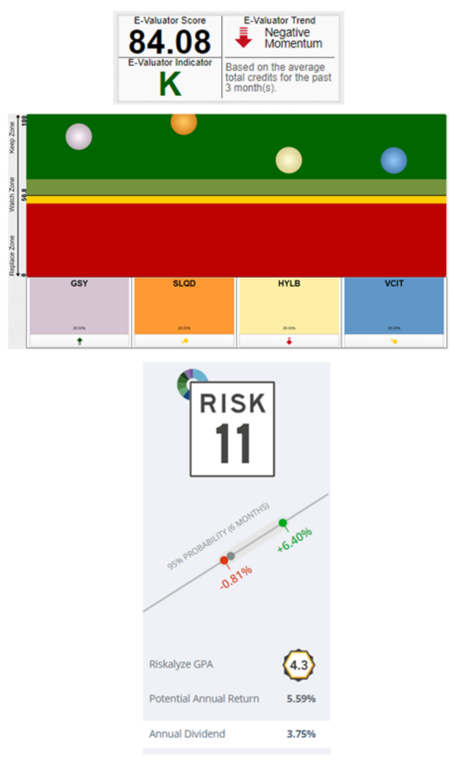
Liquid Income Portfolios: No changes.

Liquid Income Portfolio Bubble Reports as of 06/30/2019

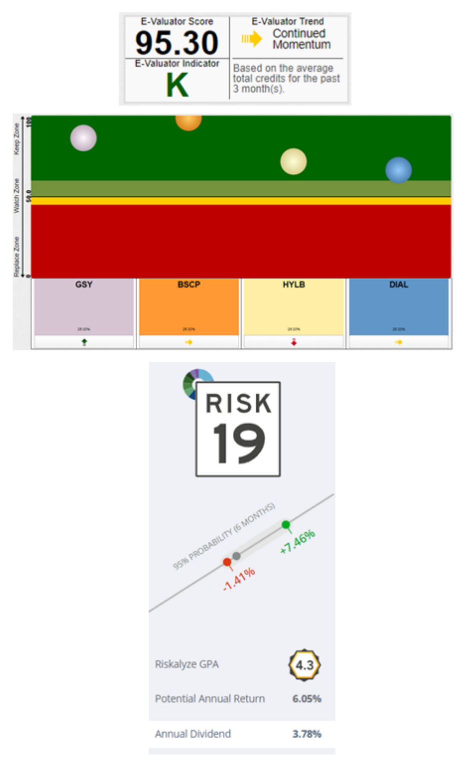
LINCC



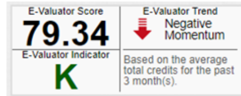
LINCM

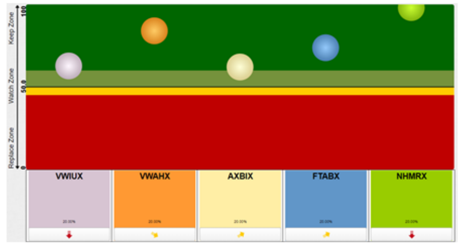


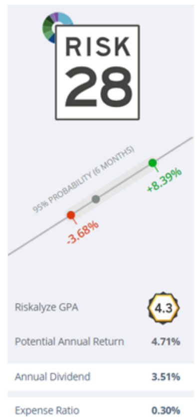
LINCA



LINCB







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Economic Data for this Week

Monday:

1. No major reports scheduled.

Tuesday:

1. U.S. Federal Reserve Board opens two-day policy meeting.
2. Personal income and consumer spending, U.S. Bureau of Economic Analysis.
3. S&P/Case-Shiller 20-City Composite Home Price Index.
4. Consumer Confidence Index, The Conference Board.
5. Pending home sales, National Association of Realtors.

Wednesday:

1. U.S. Federal Reserve Board concludes two-day policy meeting, Chairman Jerome Powell holds press conference.
2. ADP National Employment Report, ADP.

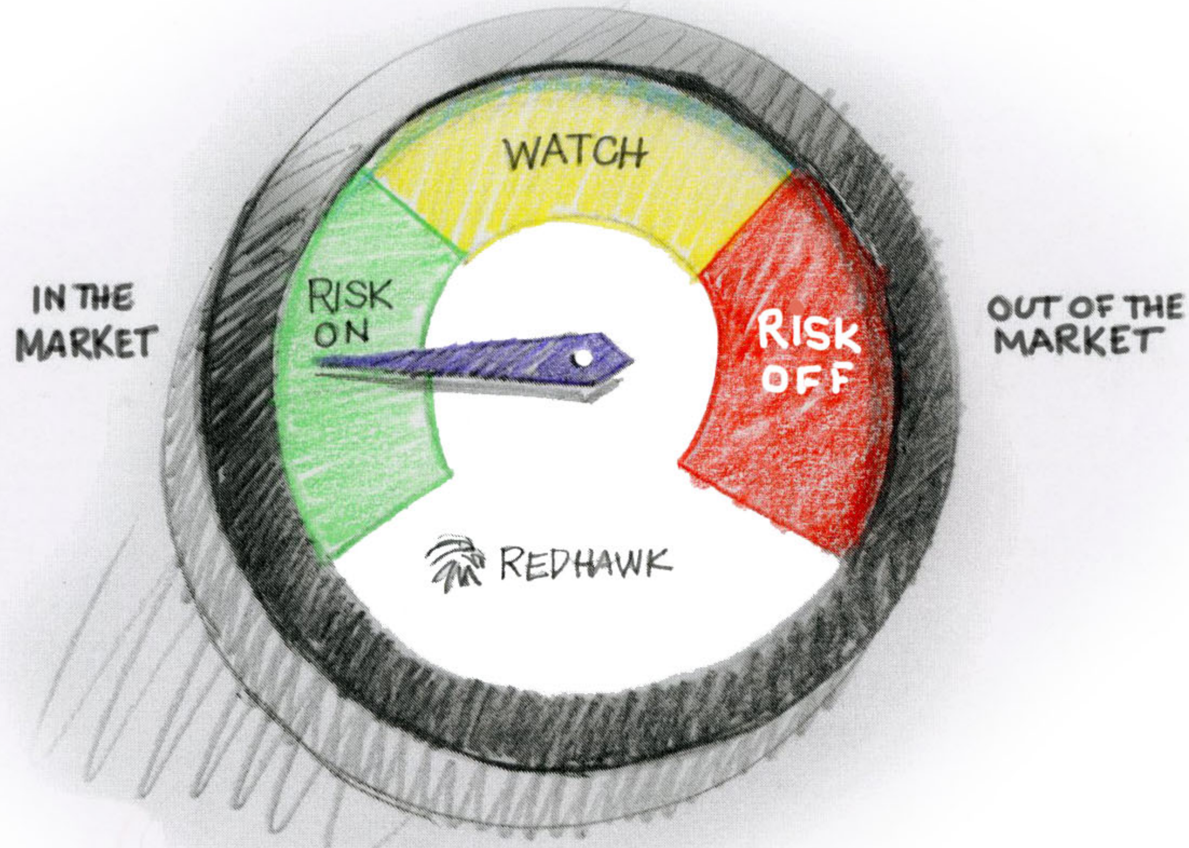
Thursday:

1. Institute for Supply Management's manufacturing index.
2. Vehicle sales, U.S. Department of Commerce.
3. Construction spending, U.S. Census Bureau.

Friday:

1. Jobs and unemployment, U.S. Bureau of Labor Statistics.
2. Factory orders, U.S. Census Bureau.
3. University of Michigan Index of Consumer Sentiment.
4. Trade balance, U.S. Census Bureau.

On 5/7, our "risk off" VIX algorithm tripped and we moved to the "Risk Watch" zone. On 6/16, the VIX algorithms confirmed the "risk on" position. 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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