



# 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 was a holiday-shortened week with stocks extending their recent gains and the S&P 500 closing near its record high. Investor's sentiment improved after the U.S. and China agreed to suspend new tariffs and resume negotiations. Even though this was the expected outcome, avoiding further escalation of trade tensions and moving further away from the worst-case scenario was still perceived as a positive. The rally in bonds was also extended last week, as 10-year government bond yields fell to their lowest levels in more than two years amid signs of slower U.S. growth and expectations of further central bank easing.



Half of 2019 is now over with a very strong performance so far. Let's look at a few takeaways that are impacting the market:

- 1. Job Growth** - Last week's employment report showed that the U.S. economy added 224,000 new jobs in June, the strongest month since January and solidly above the 161,000 average so far in 2019. With monthly payroll gains averaging 223,000 for all of 2018, this year's slowdown in hiring has restored fears that the U.S. economy is slipping toward recession. One month does not make a trend, but June's strong job gains suggest the labor market is still in good shape and unemployment remains very low at 3.7%. June's strength rebounded from a 72,000 gain in May. For perspective, 2011, 2012, and 2016 each had two months of sub-100,000 job gains, yet monthly job growth averaged 182,000 over the remainder of those years, showing that a month or two of lower hiring numbers are not always a sign of a troubled labor market. Additionally, labor force participation inched higher last month, signaling that job opportunities and higher wages are still drawing people off the sidelines. Given the mature cycle and fewer unemployed people, we expect payroll additions to be a bit slower than recent years, with wage growth seeing the most support from the tight labor market. Wages have now risen by an annualized rate above 3% for 11 straight months, after going more than nine years without reaching that level.
- 2. Fed Rate Cut** - The solid employment figures are a positive for the economy, though that might have been hard to notice from the stock market's negative reaction. Stocks declined modestly following the jobs report as the healthy labor market dampened expectations for an upcoming Fed rate cut. The Fed is in an interesting position whereby

the stock market is at an all-time high, the economy is slowing but not stalling, inflation readings are at bay, and Trump is putting on the pressure for a rate cut. Positive economic readings are better than weaker readings and all eyes are on the Fed to see what they will do. The Fed will most likely cut rates sometime this year, but not as frequently or dramatically as the markets may be anticipating.

3. **A Stellar First Half** - The S&P 500 rose by a strong 17.4% (18.5% including dividends) in the first six months of 2019, which is the best first half since 1997. In the last 60 years, there have been 10 other years in which the stock market returned more than 15% in the first half. In seven of those 10 years, the market also posted a positive return in the second half of the year (averaging an additional 9.3%). In all 10 instances, the stock market finished positive for the full year, with an average return of 27%. The takeaway for investors is that a very strong start to a year does not signal weakness in the second half.

**Many Uncertainties Still Remain** - The Fed will continue to play the lead role and markets are likely to swing up and down as expectations around the number of upcoming rate cuts are adjusted by incoming economic data. Trade tensions have eased a bit recently as a more negotiable tone has been struck between the U.S. and China. That said, a concrete deal is far from inked, and markets will be sensitive to the ups and downs of the negotiations. Political uncertainties such as the upcoming U.S. presidential election, U.S. and Iran tensions, and Brexit will also spur periodic volatility.

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	26,922	1.2%	15.4%
S&P 500 Index	2,990	1.7%	19.3%
NASDAQ	8,162	1.9%	23.0%
MSCI EAFE*	1,932.13	0.5%	12.3%
10-yr Treasury Yield	2.04%	0.03%	-0.65%
Oil (\$/bbl)	\$57.69	-1.3%	27.0%
Bonds	\$111.09	0.0%	5.8%

Source: Bloomberg, 07/05/19. \*5-day performance ending Friday. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results.

## Victoria Capital's Strategy Update

In our quarterly Financial Market Perspective that will be released later this week, we highlight the growing difficulty that people near or in retirement have if they are invested in fixed income securities. As bond yields plunged this year, returns

on bonds have fallen and the reinvestment rate for higher yielding bonds has fallen as well. Yield seeking investors have now been forced to purchase new bonds with lower yields locked-in. As we have said in previous communications, falling interest rates are good for borrowers and bad for retirees and savers. From an investor's perspective, we have been in a bear market for bonds for many years and the recent interest rate falloff is a continuation of that decline.

For investors who have chosen to invest in a balanced portfolio (some mix between bonds and stocks) the continued advance in the stock market has increased portfolio value as has the rise in bond prices, a seemingly "best of all worlds". However, in a rising interest rate environment the bond portion of the portfolio is at risk since prices move in the opposite direction of yields. One challenge is protecting the portfolio's value against both rising yields and stock market declines. An advantage of rising stock prices is that there is more money to buy bonds when yields are appropriate. If fixed income investments have a lower yield due to market weakness, then the use of less volatile fixed income securities is reasonable and generally will lower the overall risk in an investment portfolio.

Last week, job creation surprised on the upside, increasing by 224,000 in June as unemployment rose slightly to 3.7%. This strong number after a weaker report of 72,000 jobs in May reinforces our belief that the economic expansion remains intact and that consumer spending should expand as more and more workers have increasing income to spend. The stock market concurs with this outlook as all three major U.S. market indices reached record highs last week. Over the next few weeks, investors will focus on earnings which will give us a better indication of how strong corporate profits will be and where that strength will be concentrated. The strength in employment statistics may also influence the Federal Reserve to postpone a July cut in the fed funds rate that has been thus far widely expected. Even though the tariff wars have increased business uncertainty, negatively affecting certain segments of the economy, corporate profits have remained on a healthy growth track. Whether the Fed cuts rates or not, we do not see such a decision as one that will have a lasting effect on equity market prices.

Sadly, one of our favorite magazine characters, Alfred E. Neumann, is no longer going to be appearing on the newsstands. His famous phrase: "What, me worry?" has important connotations for equity investors for the balance of 2019!

Last week there were no changes in the Growth Equity or Target Return models.

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## Redhawk's Strategy Update

**D**espite a small pullback on Friday, major stock indexes rebounded from a slight decline the previous week to post gains of 1% to 2%. The S&P 500 on Wednesday closed at nearly 2,996, notching its eighth record high of 2019 and putting the index within reach of the 3,000 mark. The Dow on Wednesday topped a record it had set last October as it closed at 26,966. After May's weak jobs gain of 72,000, the 224,000 increase in the June report exceeded expectations, topping the average monthly increase so far this year. The latest monthly gain led analysts to suggest that the U.S. Federal Reserve could be less aggressive about cutting interest rates when it concludes its next policy meeting on July 31. Stocks got a strong start to the week after a meeting at the G20 summit in Japan eased tensions in the trade conflict between the United States and China. The countries agreed to resume negotiations, with the United States holding off on further tariff increases for now and China pledging to purchase additional U.S. goods.

Just over half of the way into the year, information technology is the top-performing sector in the S&P 500 with a price gain of more than 29%. At the other end, the healthcare and energy sectors are the laggards, with gains of around 9% to 10%, respectively. Gold was volatile, as prices of the precious metal were impacted by shifting expectations about how aggressive the U.S. Federal Reserve might be in potentially cutting interest rates. Early in the week, gold prices climbed to their highest levels in about six years and on Friday, prices slipped below \$1,400 an ounce. Dividend payments by companies in the S&P 500 are projected to grow around 9% this year, based on announcements made so far this year, according to S&P Dow Jones Indices. Finally, U.S. Federal Reserve Chairman Jerome Powell is scheduled to make his semiannual monetary policy report to a House committee on Wednesday and on the following day, he'll appear before a Senate panel.

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## Redhawk Model Signals

Time Period:				7/8/2019	7/1/2019
Redhawk S&P 500 and Dynamic Portfolios (RSPC, RSPM, RSPA, RDA, RDC, RDA)	Symbol		Action	Redhawk Score	Redhawk Score
Equity Precious Metals	GDXX	VanEck Vectors Gold Miners ETF		159.53	179.55
Real Estate	XLRE	Real Estate Select Sector SPDR ETF		125.40	93.62
Natural Resources	XLB	Materials Select Sector SPDR ETF		117.41	112.31
Utilities	VPU	Vanguard Utilities ETF		116.81	91.67
Latin America Stocks	EWZ	iShares MSCI Brazil Capped ETF		113.31	122.14
Commodities Precious Metals	IAU	iShares Gold Trust		103.27	102.66
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		102.62	103.32
Corporate Bond	VCIT	Vanguard Inter-Term Corp Bd ETF		99.91	97.29
Intermediate Government	SCHR	Schwab Intermediate-Term US Trs ETF		92.67	93.38
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		90.68	86.95
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		88.49	88.57
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		86.86	87.56
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		82.32	80.45
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		76.89	76.97

Redhawk Environmental, Social, and Governance Portfolio (RESG)	Symbol		Action	Redhawk Score	Redhawk Score
Large Growth	CEYIX	Calvert Equity I		150.61	119.08
Mid-Cap Growth	AVEGX	Ave Maria Growth		144.95	115.15
Large Blend	VFTAX	Vanguard FTSE Social Index Admiral		141.09	114.77
Corporate Bond	CBFSX	JPMorgan Corporate Bond I		109.37	106.75
Small Growth	IHSIX	Hartford Small Company I		137.35	102.04
Global Real Estate	CSSPX	Cohen & Steers Global Realty I		113.63	90.05

Redhawk Income Portfolios (RBI, RHY, RTHI)	Symbol		Action	Redhawk Score	Redhawk Score
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		107.83	107.05
Emerging Market Bond	EMB	iShares JP Morgan USD Em Mkts Bd ETF		106.70	105.59
Emerging Market Bond	VWOB	Vanguard Emerging Mkts Govt Bd ETF		100.03	98.95
High Yield	HYG	iShares iBoxx \$ High Yield Corp Bd ETF		95.69	94.34
Preferred Stock	PSK	SPDR® Wells Fargo Preferred Stock ETF		89.95	88.48
Corporate Bond	IGIB	iShares Intermediate-Term Corp Bd ETF		87.59	86.75
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		77.63	69.88
Emerging-Markets Local-Currency Bond	ELD	WisdomTree Emerging Markets Lcl Dbt ETF		73.28	102.16

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	120.27
Corporate Bond	BSCP	Invesco BulletShares 2025 Corp Bd ETF		115.60	114.22
High Yield	HYLB	Xtrackers USD High Yield Corp Bd ETF		106.81	103.15
Short-term Bond	SLQD	iShares 0-5 Year Invmt Grade Corp Bd ETF		106.75	106.81
Muni National Long	VWAHX	Vanguard High-Yield Tax-Exempt		99.80	99.80
Ultrashort-Term Bond	GSY	Guggenheim Ultra Short Duration ETF		92.36	92.36
Short-term Bond	SPSB	SPDR® Portfolio Short Term Corp Bd ETF		90.27	90.33
Corporate Bond	VCIT	Vanguard Inter-Term Corp Bd ETF		89.96	89.30
Muni National Long	FTABX	Fidelity® Tax-Free Bond		84.21	84.21
Ultrashort-Term Bond	ICSH	iShares Ultra Short-Term Bond ETF		82.02	82.02
Multisector Bond	DIAL	Columbia Diversified Fixed Inc Allc ETF		80.90	80.66

Muni National Interm	VWIUX	Vanguard Interm-Term Tx-Ex Adm		78.20	78.20
Muni National Interm	AXBIX	American Century IntermTrm Tx-Fr Bd I		72.43	72.43

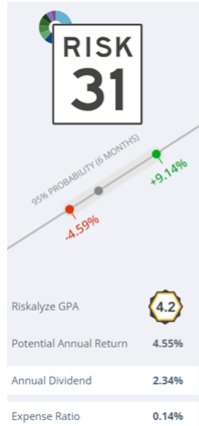
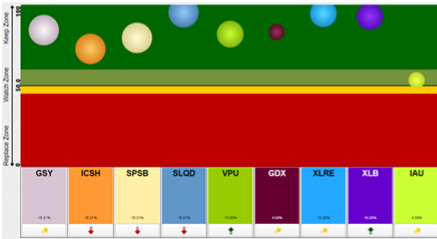
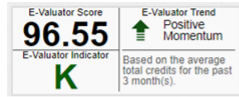
Victoria Capital Management Target Return Portfolios (TRCI, TRMI, TRAI, TRCE, TRCM, TRAE, TRIP)	Symbol		Action	Redhawk Score	Redhawk Score
Large Blend	SPLG	SPDR Portfolio Large Cap ETF		139.51	113.19
Large Blend	IVV	iShares Core S&P 500 ETF		136.31	109.99
Large Blend	IWB	iShares Russell 1000		135.79	109.47
Large Value	DGRO	iShares Core Div Growth ETF		135.78	111.59
Mid-Cap Blend	SCHM	Schwab DJ Mid Cap Core		128.45	102.20
Small Blend	VB	Vanguard Small-Cap ETF		124.44	95.23
Small Growth	VBK	Vanguard SC Gr Idx ETF		123.28	87.97
Large Value	VTV	Vanguard Value Idx ETF		121.75	97.56
Corporate Bond	VCIT	Vanguard Int Crp Bd ETF		116.50	97.29
Small Value	VBR	Vanguard SC Val Idx ETF		115.75	89.49
Large Value	VYM	Vanguard High Dividend Yield ETF		115.20	91.01
Diversified Emerging Markets	SPEM	SPDR Portfolio Emerging Markets ETF		110.51	112.71
Short-Term Bond	VCSH	Vanguard ST Corp Bd ETF		104.86	105.56
Small Value	IWN	iShares Russell 2000 Value		102.02	75.76
High Yield Bond	HYG	iShares iBoxx \$HY Corp ETF		95.46	91.73
Mid-Cap Value	MDYV	SPDR S&P 400 Mid Cap Val ETF		95.27	70.56
Foreign Large Blend	SCHF	Schwab International Developed Equity		90.43	75.75
Small Blend	IJR	iShares S&P Small Cap Core		74.06	44.85
High Yield Bond	SHYG	iShares 0-5 HY Corp Bd ETF		67.19	63.46
Mid-Cap Growth	MDYG	SPDR S&P 400 Mid Cap Gro ETF		53.80	24.00

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

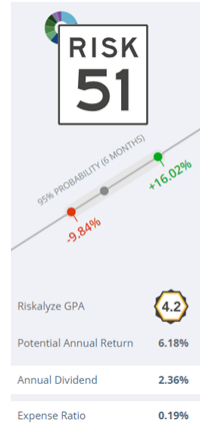
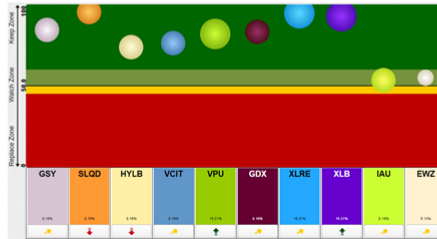
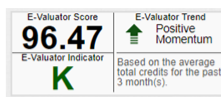
**S&P and Dynamic Portfolios:** Kept the Utilities sub-category (VPU) and the Real Estate sub-category (XLRE) on the watch list due to underperformance. Also placed the Natural Resources sub-category (XLB) on the watch list due to performance.

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

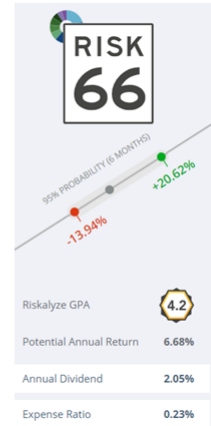
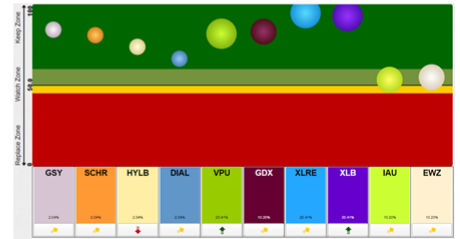
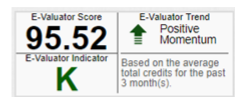
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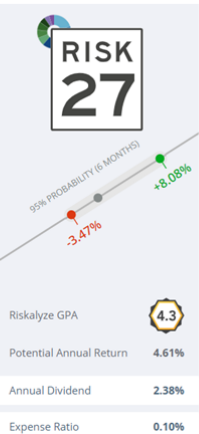
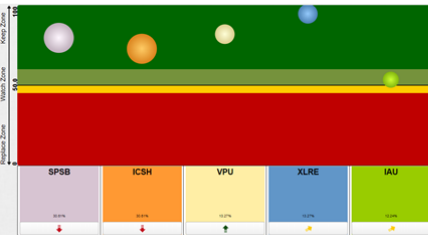
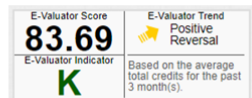
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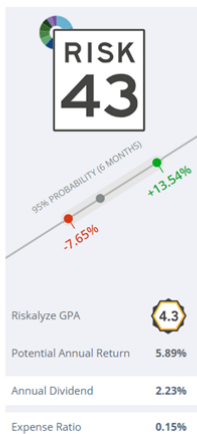
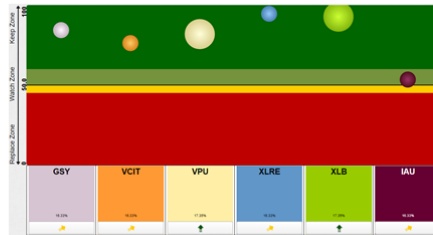
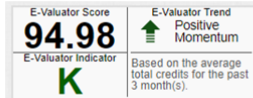
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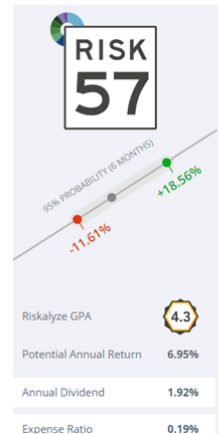
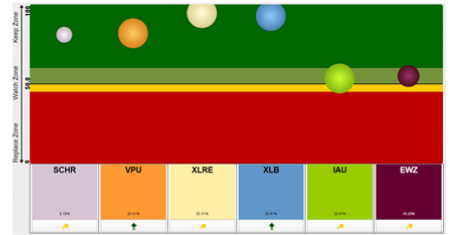
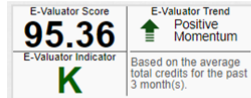
## RDC



## RDM



## RDA



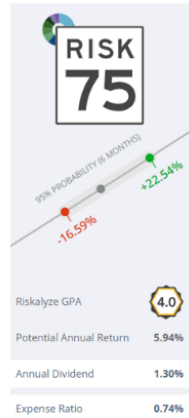
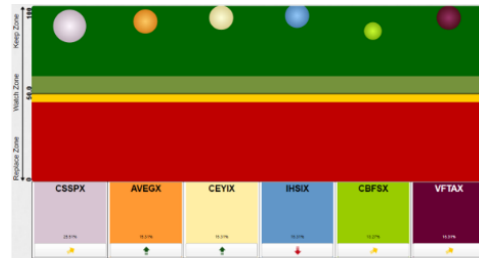
**Environmental, Social, and Governance Portfolio:** Removed the Small growth sub-category (IHSIX) from the watch list due to improved performance. Placed the Global Real Estate sub-category (CSSPX) on the watch list due to underperformance.

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



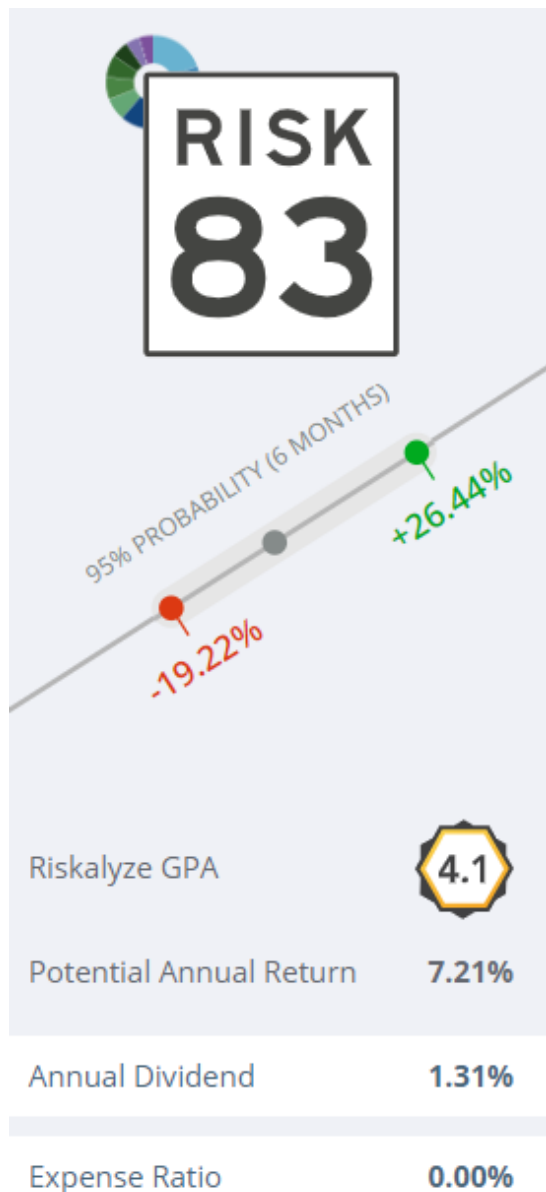
## RESG

E-Valuator Score	E-Valuator Trend
<b>94.88</b>	Positive Momentum
E-Valuator Indicator	Based on the average total credits for the past 3 month(s).
<b>K</b>	

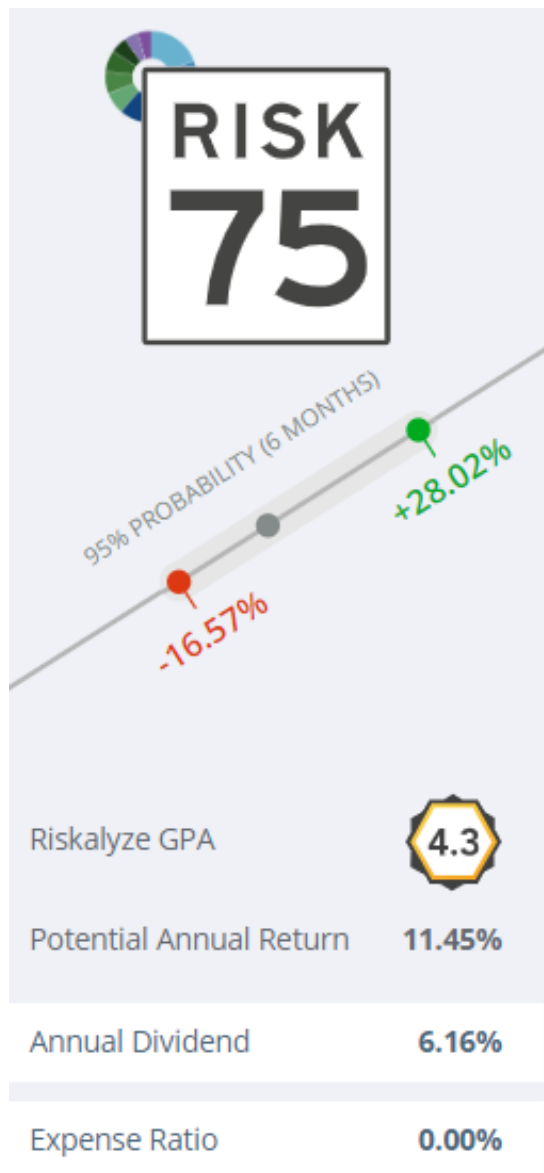


**Growth Stock Portfolio:** No changes.





**High Dividend Stock Portfolio:** No changes.

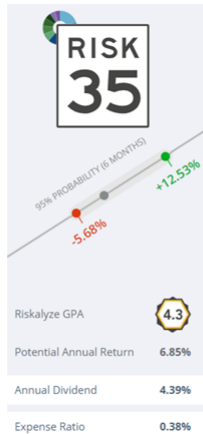
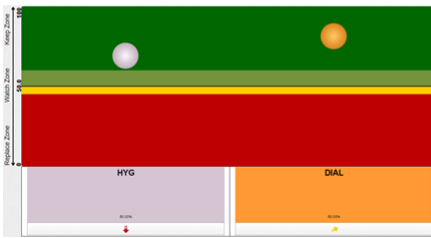


**High Income Portfolios:** No changes.

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

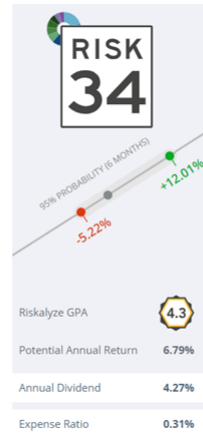
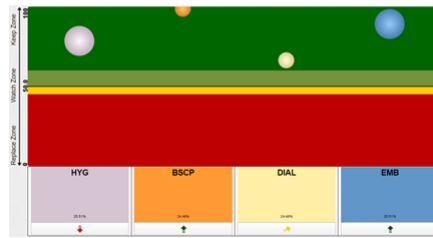
## RBI

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).



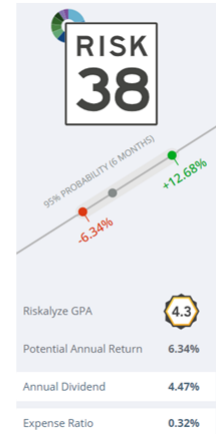
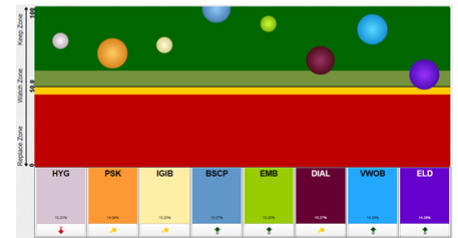
## RHY

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>80.12</b>	E-Valuator Trend Positive Reversal
E-Valuator Indicator <b>K</b>	Based on the average total credits for the past 3 month(s).

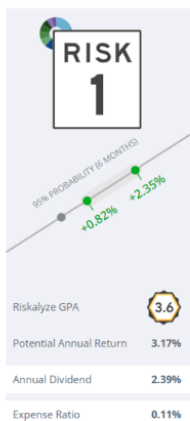


Liquid Income Portfolios: No changes.

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

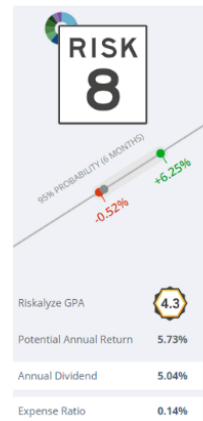
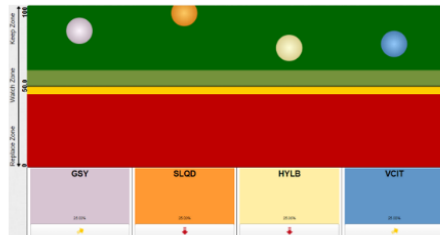
### LINCC

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).



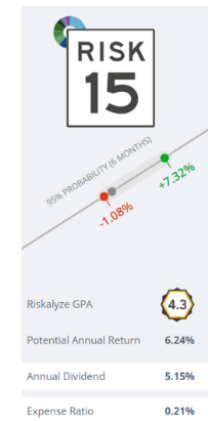
### LINCM

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. Consumer credit, U.S. Federal Reserve.

### Tuesday:

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

### Wednesday:

1. U.S. Federal Reserve Chairman Jerome Powell testifies before House Financial Services Committee.
2. Release of minutes from June 18–19 meeting of the U.S. Federal Reserve Board.
3. Wholesale inventories, U.S. Census Bureau.

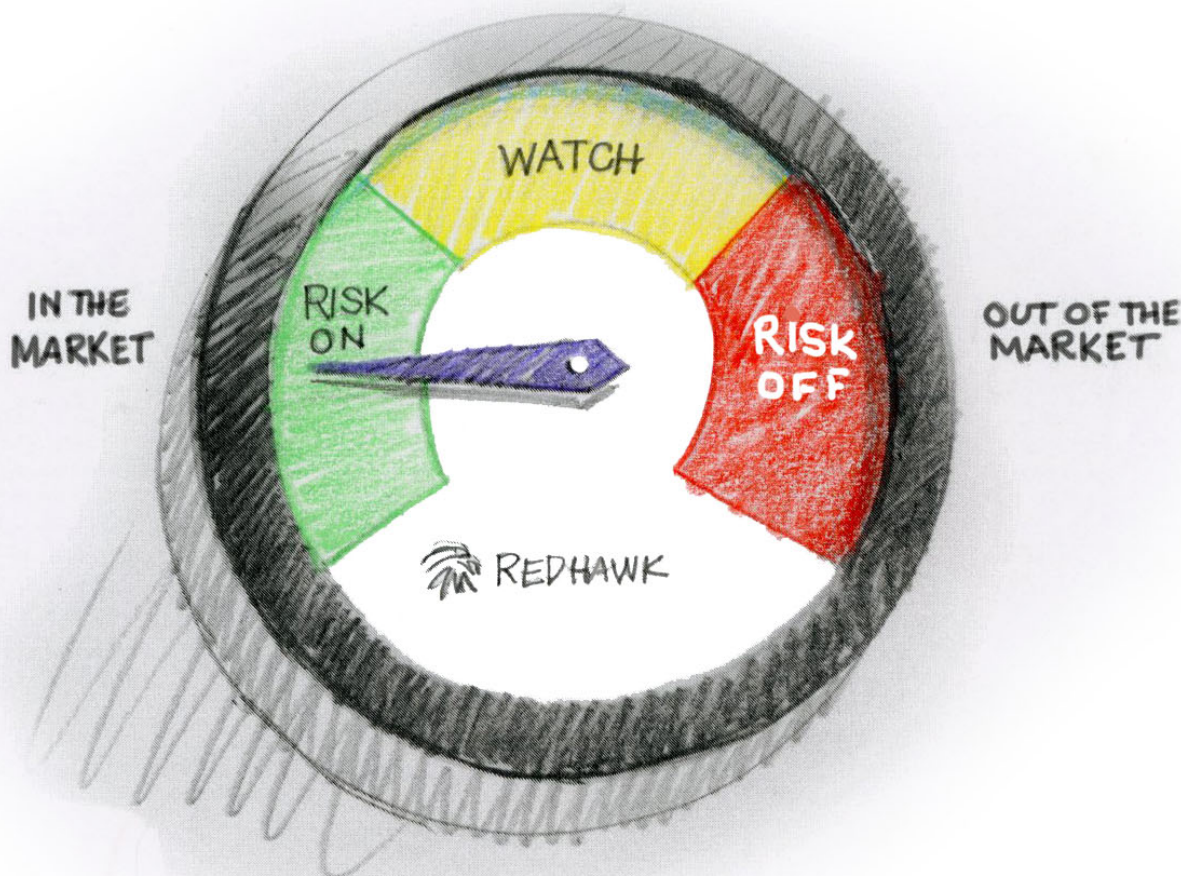
### Thursday:

1. U.S. Federal Reserve Chairman Jerome Powell testifies before Senate Banking Committee.
2. Federal budget, U.S. Department of the Treasury.

### Friday:



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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