



Stocks: Consideration: USA

Market Overview

Advances in valuation accelerated in April by 5.6 points in MidCap and 4.7 points for the overall market. All categories moved higher within the fair value range (80.0 to 130.0) and MidCap has reached caution levels (> 120.0) at 122.2. All categories are within fair value range, but the total market is now at 117.3.

We have a 11.3 point spread between the highest valuation, MidCap at 122.2% Fv and the lowest, Smallcap at 110.9% Fv. This is wider than last month when the spread was 10.8 and larger than two months ago when it was 6.9 points. Overall, the USA market is 17.3 points above 100% Fv and appears to be accelerating.

The Total market and every major category, LargeCap, MidCap, SmallCap, are all ahead of the positions they had 12 months ago with several approaching 10.0% returns. Growth is leading Value over the past

U.S. Market Overall		
Name	Relative Value	Under/Over
iShares Core S&P 500 ETF	116.8%	
iShares Core S&P Mid-Cap ETF	122.2%	
iShares Core S&P Small-Cap ETF	110.9%	
iShares Core S&P Total USStock	117.3%	

Table 1: Relative Fair Value (Fv) of Each Major Market Capitalization Segment

Market								
U.S.	Ticker	Current	% CHG Week	% CHG Month	% CHG Quarter	% CHG YTD	% CHG 12 mo	
iShares DJ US ETF	IYY	146.25	0.99	3.55	3.55	17.52	9.58	
iShares Core S&P 500 ETF	IVV	294.84	0.97	3.61	3.61	17.18	9.95	
iShares Core S&P Mid-Cap ETF	IJH	196.93	0.93	3.98	3.98	18.59	4.04	
iShares Core S&P Small-Cap ETF	IJR	79.81	0.95	3.45	3.45	15.13	1.31	
iShares Core S&P Total USStock	ITOT	66.66	0.94	3.51	3.51	17.44	9.05	
iShares S&P 500 Value ETF	IVE	117.23	0.65	3.98	3.98	15.91	5.83	
iShares S&P 500 Growth ETF	IVW	177.99	1.25	3.27	3.27	18.13	13.83	

Figure 2: Performance Return of Each Major Market Capitalization and Style Segment

U.S. Sectors								
Description	Ticker	Current	% CHG Week	% CHG Month	% CHG Quarter	% CHG YTD	% CHG 12 mo	
SPDR Consumer Discretionary	XLY	120.24	0.81	5.61	5.61	21.44	16.02	
SPDR Cons Staples Slct	XLP	56.71	(0.28)	1.07	1.07	11.68	12.30	
SPDR Energy Sel Sctr	XLE	68.5	1.95	3.60	3.60	19.44	(8.19)	
SPDR Financial Select	XLF	27.43	0.33	6.69	6.69	15.16	(0.83)	
SPDR Health Care Select Sector	XLV	87.33	1.64	(4.82)	(4.82)	0.95	4.96	
SPDR Industrials Slct	XLI	78.75	0.56	4.96	4.96	22.26	7.38	
SPDR Materials Select	XLB	57.69	(0.22)	3.95	3.95	14.19	(0.38)	
Real Estate Select Sector SPDR	XLRE	35.54	0.03	(1.88)	(1.88)	14.65	16.14	
SPDR Select Technology	XLK	78.85	1.32	6.55	6.55	27.22	19.45	
Comm Serv Sel Sec SPDR Fund	XLC	50.03	1.79	6.97	6.97	21.20		
SPDR Utilities Select	XLU	57.4	0.19	(1.32)	(1.32)	8.47	12.13	

Figure 3: Performance return for each domestic sector. (Communication Services is not 12 months old and does not have a % CHG 12 mo value.)

12 months by 8.0 points, but only by 2.2 points this year. Value has been accelerating and closing the gap between the two classifications. LargeCap is now above the long-term average for the year. MidCap and SmallCap are lagging behind at 4.04% and 1.31%, respectively. MidCap's position is concerning with a relative valuation that is approaching overvaluation with an annual return of just 4.04%.

## Domestic Sectors

Energy, Financials and Materials are still working to get back to their values of 12 months ago. Both, Financials and Materials are within 1.0% of reaching that objective. Energy is still struggling and behind by over 8.0%. It is making a good charge to overcome the deficit with a 19.44% increase so far this year.

## Bonds

The bond market continued its recovery from last year. Everything from Treasury to Mortgage Backed Securities has advanced slightly for the year. The largest gains reside in corporate bonds, both investment grade and high yield. Interest rates

U.S. Bonds							
Description	Ticker	Current	% CHG Week	% CHG Month	% CHG Quarter	% CHG YTD	% CHG 12 mo
iShares Barclays 1-3 yr Tr Bnd	SHY	83.94	0.06	(0.21)	(0.21)	0.38	0.80
iShares S&P Natl AMT-Fr Mun	MUB	111.05	0.16	(0.13)	(0.13)	1.84	3.01
iShares iBoxx \$ Inves Grd Corp	LQD	118.88	0.25	(0.15)	(0.15)	5.37	3.32
iShares iBoxx \$ HY B ETF	HYG	86.83	0.17	0.42	0.42	7.07	1.20
iShares Barclays MBS Bond ETF	MBB	105.68	(0.04)	(0.64)	(0.64)	0.98	1.98

Figure 4: Performance return of each major bond category

are expected to remain accommodative which translates to low rates for quite some time. Inflation is extremely low in an environment that has high employment and projected economic prosperity. Most economists did not think such conditions were possible. Bond yields are expected to continue well below long-term trends.

## Global Markets

Global markets are still battling their way back from extended negative results. Only one market is ahead for the past 12 months, Canada at 2.03%. Canada's gain for the year, so far, has been stellar reaching 19.62% and holds 1<sup>st</sup> place across all non-USA markets. The remaining 8 international markets are all near or above 10.0% for the year. Global markets can

clearly present two entirely different pictures. Over 12 months, very low performance; year-to-date, excellent performance. This is why it is always useful to look over several periods before making judgement calls.

Global bonds are having the same difficulties that are being faced domestically, low accommodative interest rates. Only the global aggregate has recovered over the past year primarily because it includes USA bonds. The other parts of global debt remain negative.

International Stocks								
Description	Ticker	Current	% CHG Week	% CHG Month	% CHG Quarter	% CHG YTD	% CHG 12 mo	
iShares MSCI EAFE ETF	EFA	66.69	0.03	2.82	2.82	13.46	(5.94)	
iShares MSCI United Kingdom	EWU	33.86	0.15	2.57	2.57	15.37	(6.90)	
iShares MSCI EMU ETF	EZU	40.41	(0.05)	4.69	4.69	15.26	(9.07)	
iShares MSCI Japan ETF	EWJ	55.46	0.20	1.35	1.35	9.41	(9.01)	
iShares MSCI Pacific Ex Jap	EPP	47.03	0.32	2.46	2.46	15.55	0.13	
iShares China Large Cap ETF	FXI	45.3	(0.94)	2.33	2.33	15.92	(8.18)	
iShares MSCI Canada ETF	EWC	28.66	-	3.69	3.69	19.62	2.03	
iShares MSCI Mexico Capped ETF	EWX	46.64	(1.04)	7.00	7.00	13.26	(9.01)	
iShares MSCI Emerg Mkts ETF	EEM	44.37	(0.43)	3.38	3.38	13.59	(5.54)	
International Bonds								
Description	Ticker	Current	% CHG Week	% CHG Month	% CHG Quarter	% CHG YTD	% CHG 12 mo	
iShares Core US Aggrgt Bd ETF	AGG	108.25	0.06	(0.75)	(0.75)	1.65	2.14	
iShares Int'l Treasury Bnd ETF	IGOV	48.63	(0.23)	(0.84)	(0.84)	0.33	(3.55)	
SPDR Barclays Interntl Corp Bd	IBND	33.2	(0.43)	0.15	0.15	0.79	(5.68)	

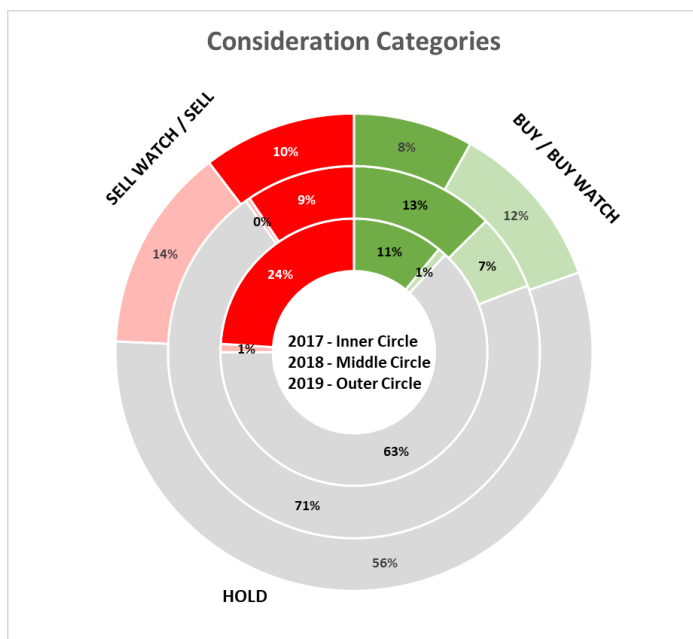
Figure 5: Performance return for international stock and bond markets.

## Considerations

Consideration classification percentages, (the percentages in the sunburst chart), have remained stable this year even in the environment of increasing returns. This is very good; relative valuations are remaining in-sync or at least better than last year, with increases in returns.

Approximately, 24% of the market is in the combined SELL WATCH/SELL classification and 20% in the combined BUY WATCH/BUY classification. This is a much better, balanced condition, than what we experienced at the end of 2017 when 24% was solidly in the single SELL/Overvalued classification and only 11% in the single BUY/Undervalued classification.

There was a 1-point increase in Sell Watch stocks moving from 13% to 14%. The percentage of Sell stocks remains at 10% for a combined 24%. The percentage of Buy Watch stocks increased from 8% to 12% as an increased number of stocks were considered undervalued but have not met all of the global ranking criteria to be considered a qualified Buy. The percentage



of Buy stocks dropped 1 point moving from 9% to 8% as some stocks moved back into fair value. The combined Buy/Buy Watch percentage remained stable at 20%.

Figure 6: Total USA market distributed according to consideration category for YTD 2019, 12 months 2018, 24 months 2017