BULLS&BEARS

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Tariff Tiff

While economic and currency concerns in Turkey, Venezuela, Argentina, etc. have grabbed some of the more recent headlines, the main story, and risk, for markets continue to be the on again, off again dance with China and attempts by the U.S. to level the playing field in international trade. The risk of course is that any final agreements, or disagreements, may result in a more restrictive trade environment that would eventually slow global economic growth below potential and flame inflationary pressures domestically. Unfortunately, it is too difficult to propose how and when the end game may appear, let alone prognosticate market reactions, especially in a mid-term election year.

Oil and Politics Too

Getting a little less of the headlines has been the price of oil. Due to declining inventories, coming Iranian sanctions and the seemingly unending, self-inflicted decline in Venezuelan production, oil prices have continued to climb. Recently, U.S. oil prices, as represented by West Texas Intermediate (WTI) benchmarks, have been trading at about $72 per barrel, or more than 32% above year-ago levels. Of course, for many of us, this story translates into higher costs to drive our vehicles and less to spend on other needs or wants. In spite of the potential for oil to become a larger issue, improvements in income growth this year, as well as confidence in the economy have resulted in higher retail sales to consumers that “should” feed over into the Christmas season.

Current politics are not a favorite topic for us to include as a basis for discussing long-term investment strategies, but the almost constant headlines of the “inside the beltway circus” does seem to rile markets. Fortunately, the impacts of such noise are almost always transient in nature, deserving little more than passing attention. We could point out, however, that the performance of markets in a mid-term election year has historically been the most favorable year in the presidential cycle.

Run Into Year-End?

We may have to let election day politics play out before we get back to the heart of what matters in equity valuations…earnings. As we approach mid-October, companies will once again start to release earnings reports for the latest calendar quarter; and, even more importantly, discuss their forward outlook. The last two quarters were nothing short of exceptional, making a “three-peat” suspect. Nonetheless, consumer confidence, employment, manufacturing, capital investment and many of the important variables seem to be doing fine. Even after recently hitting new highs, stocks are actually more reasonably priced, albeit not yet cheap, than they were before the earnings successes of the last two quarters. Thus, a post-election rally does not seem to be out of the question. Here’s hoping!

Please contact us at 1-855-829-7192 if we may be of assistance.

Market Indicators

9/24/18	Year-to-Date Change
S&P 500	10.74%
NASDAQ	16.69%
Russell 2000	12.02%

Interest Rates	9/24/18	12/31/17
10-Year Treasury Note	3.08%	2.41%
3-Month Treasury Bill	2.21%	1.39%

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