Weekly Market Review

***e*Research Corporation** is pleased to provide a review of the markets by Eddy Elfenbein of **Crossing Wall Street**.

Mr. Elfenbein introduces his commentary with the following quote from the Wall Street Journal.

"Obama's Radicalism Is Killing the Dow" – WSJ, 13,000 Dow Points Ago

Read Mr. Elfenbein's analysis and market comments on the following pages.

Information about **Eddy Elfenbein** and **Crossing Wall Street** is provided at the end of this article. You can also learn about **Crossing Wall Street** by going to its blog website at: http://www.crossingwallstreet.com/.

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Bob Weir, CFA
Director of Research

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January 20, 2017

Crossing Wall Street: Weekly Market Review

by Eddy Elfenbein

BW: We have taken only an extract of Mr. Elfenbein's latest weekly article. If you wish to read the entire article, which includes stocks in his recommended portfolio, there is a link provided below.

Dear Lord, this has been a dull, dull, dull market. The S&P 500 has now gone six weeks without having a single daily move, up or down, of more than 1%. Compare that to last summer, when we had six straights days of moves greater than 1%.

The Trump Rally has apparently given way to the Ambien market. Folks, Wall Street is fast asleep. Here is a stat for you: Since December 12, the Dow has closed every single day within a range of 230 points. That is a little over 1%. You can expect that kind of range for one day, but over a month?

Things may change soon. Fourth-quarter earnings season is under way. Let us look at why the Ambien market may not last, and why I am cautious about stocks over the next few weeks.

Expect A Rougher Market This Winter

The new president is going to be sworn in in a few hours. Whenever there is a new president, you will hear lots of breathless commentary about how he will ruin or save Wall Street. I tend to shy away from these predictions (see this week's epigram above). As Warren Buffett said, forecasts tell you more about the forecaster than they do about the future.

Having said that, I think the market is looking tired right now. The Dow ran into 20,000 and could go no further. Let me be clear: I am hardly forecasting doom. Rather, I think some minor pull-backs are in order over the next few weeks. Nothing to be too concerned about. In fact, I would expect good stocks to weather any storm better than the overall market.

This is a key moment for the economy. Next week, we are going to get our first look at the fourth-quarter GDP report, and I think it will be a good one. The report for Q3 was

3.5%, but the U.S. economy has had a difficult time stringing together two or three good quarters in a row. I think this is our best chance to break that.

This week, for example, we learned that industrial production grew by 0.8% last month. That is quite good. That beat expectations, and it was the biggest increase in more than two years.

We also got another CPI report telling us that inflation is well contained. The news reports noted that inflation rose by 2.1% last year, which was the largest increase in five years. Well, yes, that is correct, but it glides over the fact that we came close to *de*flation over those five years. So, this year, inflation has climbed all the way to "low." This is another reason I doubt the Fed will raise interest rates three times this year.

This week's Fed's Beige Book said that labor markets are getting "tight." That is econo-talk for "workers want more money." They may get it. The initial claims report came within a whisker of touching its lowest point since the Nixon administration. Plus, last Friday, the Census Bureau released a decent retail-sales report for December. On Wednesday, Janet Yellen said the economy is close to full employment.

I prefer to listen to the market's opinion over that of economists, and I am pleased to see the bond market pull back some. It should not be too easy for bond investors to outpace stock investors. The bond folks need to be kept on their toes. The 10-year yield got up to 2.5% this week. That is about double the yield from six months ago. This is part of an ongoing rotation as money leaves safe assets and is gradually finding a home in riskier ones. That could be a major theme this year.

The news next week will probably be dominated by earnings news, but there will be some key economic reports. The most important will be the first look at Q4 GDP. Growth for Q3 was 3.5%, but we have had a lot of difficulty getting two good quarters back to back. Let us see if we can do it this time.

Be sure to keep checking the blog for daily updates, and I will have more market analysis for you in the next issue of *CWS Market Review*!

\- Eddy

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BW: In the rest of the newsletter, Eddy reviews the earnings announcements of the companies on his Buy List. You can read about them and the entire article by clicking on the following link:

http://www.crossingwallstreet.com/archives/2017/01/cws-market-review-january-20-2017.html

Named by CNN/Money as the best buy-and-hold blogger, Eddy Elfenbein is the editor of Crossing Wall Street. His free Buy List has beaten the S&P 500 for the last six years in a row. This email was sent by Eddy Elfenbein through Crossing Wall Street.

BW: Information on Eddy Elfenbein and Crossing Wall Street follows on the next page.

ABOUT THE AUTHOR

Welcome to Crossing Wall Street

I started this Web site to help individual investors. I have to admit that I *love* the stock market. I think I must be an addict. In my opinion, the stock market is one of the greatest inventions in history. The stock market is simply the most consistently successful way to make money over the long term. Even after the financial crisis, stocks have still beaten every asset category over the long haul—bonds, commodities and real estate.

While the stock market may bounce around from day to day, and even month to month, the long-term trend has always been higher. Over the last 35 years, stocks have gone up 35-fold. And since the end of World War II, the stock market is up an amazing 120,000%. I wish I had been around! That was the beginning of an American financial revolution. Today, we're at the beginning of a *global* financial revolution. That is why I think the next 70 years will be even better.

The key to doing well on Wall Street is actually very simple: Buy and hold shares of outstanding companies. But too many investors never learn this valuable lesson. Or if they do learn it, they learn it the *hard* way. That is where I come in. I want to help investors avoid the mistakes that separate successful investors from those who always find themselves spinning their wheels.

There are lots of pitfalls on Wall Street. From shady companies that are more popular than they are profitable to a mutual fund industry that is more interested in its fees than serving investors. Todayis investors must be careful.

At Crossing Wall Street, I give investors my free and unbiased view of the market. I probably analyze dozens of companies every week. I am always looking over income statements and balance sheets. I've spent several years collecting my list of the best companies to own. This is my current Buy List. I've included a description of each company and its current share price. These are the ones that I make the most effort to follow on the site, but please feel free to ask me my opinion on any stock. I don't receive compensation from any of the stocks I recommend. Also, I don't "short" any of the stocks I criticize. At any time, I may own the companies on my Buy List. All of the information on this site is free and unbiased. I also have a section for Frequently Asked Questions that will help you learn more about Crossing Wall Street.

Please feel free to e-mail me. I enjoy getting feedback from investors. I am happy to give you my opinion on any stock or investing in general. I should warn you that I cannot give out personal portfolio advice, but all other topics are fair game. You can also check out some of my favorite links.

- Eddy Elfenbein

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