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 *Ecclesiastes 11:4*.

"He that observeth the wind shall not sow; and he that regardeth the clouds shall not reap."

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/.

***e*Research** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.ca.

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May 12, 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.

Earlier this week, the **Volatility Index** (VIX) dropped to its lowest level in more than 24 years. The stock market just ain't doing a lot of moving around lately. Charlie Bilello points out that over the last 13 days, the S&P 500 has traded within a range of 1.01%. That is the narrowest range for a 13-day period on record.

Overall, the low-vol environment has been very good for stocks. This week, the S&P 500 jumped to yet another all-time high. The bulls were pulling for the index to close above 2,400 for the first time, but it just was not able to cross the finish line. Three times in four days, the S&P 500 closed within a point of 2,400.

Earlier this year, I said that I was expecting a modest pull-back in the stock market. Nothing major, but enough to burn some of the momentum players. I will give myself partial credit. The market did indeed drop a bit, but not as much as I had been expecting. From March 1 to April 13, the S&P 500 lost a mere 2.8%, while I had been expecting something closer to 5% to 7%. Since April 13, stocks have been quite strong. I have to admire the market's resiliency.

Ahead, let us look at the recent jobs report, and upcoming (mistaken, in my opinion) Fed rate hike.

The Jobless Rate Falls to a 10-Year Low

Last Friday, the government said that the U.S. economy created 211,000 net new jobs in April. This was a big relief for investors because the report for March was a dud: just 98,000 net new jobs.

This highlights an important lesson for investors—don't be carried away by an outlier.

Most economic data contains at least some “noise.” Traders love to pick up on one-point trends, and get carried away. Instead, we want to focus on the larger trends, and the economy continues to create new jobs.

For April, the unemployment rate fell to 4.4%, which is a 10-year low. We actually came very close to making a 16-year low, but the figure for March 2007 stood in our way. Splitting out the decimals, unemployment rate is currently at 4.404%, while it was at 4.398% for March 2007. That was the low for the last cycle. The unemployment rate is lower now than it was at *any point* from March 1970 to March 1998.

BW: So, how much lower can it go?

For me, the larger issue is wages, and that is still pretty blah. Last month, average hourly earnings rose seven cents to $26.19. The year-over-year change has decelerated, meaning the rate of growth has fallen, for the last two months.

There is a lot of talk about the declining workforce participation rate, but that is largely driven by demographics. More folks are retiring, and that shrinks the available workforce. Looking past the participation rate, the jobs-to-population ratio is currently the highest since January 2009. The broader “U-6” employment rate is down to 8.6%. That is the lowest since November 2007. So there is some real improvement.

While this report was a relief, I still believe that it does not warrant another Fed rate increase next month. I am afraid my view is in the minority. According to the futures market, traders currently put the odds of a rate hike in June at 81%. What about after that? The odds currently stand at 56.5% for still another hike to come in December.

As I explained last week, the mild economic news during the first quarter should put any Fed plans on hold. I am especially concerned about the weak wage figures. This past earnings season finally saw some revenue growth. I hope to see more, and that can be best achieved by putting more money in consumers’ pockets.

This was a pretty good earnings season for Corporate America. According to Zacks, 72.4% of reports beat expectations. Profits are up 14% from a year ago, while revenue is up by 7.9%.

Next week should be another fairly quiet one for economic news. On Tuesday, the Federal Reserve will release the Industrial Production report for April. The data here have improved a bit lately, but not much. The report for March was helped by a weather-driven increase from utilities. I would like to see more improvement.

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/2017/05/cws-market-review-may-12-2017.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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