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 *Eugene Rotberg*, a lawyer and international investment banker, who is an expert on risk-taking, interest and exchange rates, financial market regulation, and the role of international development institutions.

"The only perfect hedge is a Japanese garden."

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
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August 11, 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.

On Thursday, the S&P 500 dropped by 1.45% to close at 2,438.21. This was the index's biggest drop in nearly three months. I should restate that—this was the biggest drop *by far* in the last three months. Put it this way: since May 18, Thursday's drop was five times greater than the damage of the sixth-largest loss.

The point is that, in historical terms, Thursday's loss really ain't that big a deal. But, in terms of 2017's volatility, Thursday was an earthquake inside a hurricane next to a shark attack.

The reason behind Wall Street's fearfulness is not hard to miss. Wall Street and the world are increasingly concerned by the behavior of North Korea. The United Nations Security Council voted unanimously to impose sanctions on North Korea.

Bear in mind that the UNSC is rarely unified on anything. Despite Thursday's bout of selling, defense stocks like Lockheed Martin, Northrop Grumman, and Raytheon all made new 52-week highs.

Let's look at how Kim Jong Un has spooked the U.S. stock market.

Should We Worry About North Korea?

On Tuesday, the Dow snapped a 10-day winning streak. This streak got a lot of attention in the financial media, but I cannot say I was terribly impressed. For one thing, most of the increases were very small. In the history of the Dow, there have been 17 win streaks of 10 or more days. This last has smallest cumulative gain of all of them.

We also have to remember that the Dow is a price-weighted index. As a result, a company like Goldman Sachs has the second-highest weighting in the index, even though it has the fifth-smallest market value.

The S&P 500 is weighted by market value, and it barely budged during the Dow's winning streak. In fact, the S&P 500 fell four times in those 10 days. It was precisely companies like Goldman Sachs and JP Morgan that helped power the Dow to its new highs.

With the recent war of words over North Korea, investors are starting to feel anxious. The South Korean economy punches above its weight in the world economy. There are several prominent Korean corporations like Samsung and Hyundai. But, in the last two weeks, the **South Korea ETF** (EWY) has lost more than 7%.

Over the past several months, Wall Street has brought back its old habit of freaking out in the short-term over something that turned out to be nothing major. Remember the Brexit panic? The S&P 500 had its biggest daily drop in nearly a year. But, shortly after that, cooler heads prevailed and doomsayers were—yet again—proven wrong.

Nearly the same thing happened after last year's election. At one point on election night, the Dow futures were down more than 800 points. The end of the world never came, and the Dow is sitting on a nice 20% gain since the election.

My point is not to defend or criticize any of these political events. Rather, I am encouraging you not to be swept up by unreasonable fears. Stock prices are like a global blood-pressure machine. Historically, the U.S. stock market has been able to rally during highly unsettling times for the country and the world. Any drop in U.S. equity prices is good for stock-pickers.

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

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/2017/08/cws-market-review-august-11-2017.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.

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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