

Markets Showing Resilience and Resolve

eResearch Corporation is pleased to provide an article written by Charles Payne, CEO and Principal Analyst at Wall Street Strategies.

This article is **Charles Payne's Morning Commentary**. Detailed information on Charles Payne is provided at the end of this article.

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Morning Commentary

March 5, 2018

Markets Showing Resilience and Resolve

We have heard from all the experts on why tariffs are awful. Beginning with Wall Street's temper tantrum to Electrolux of Sweden announcing it would delay a \$250 million investment to expand its Springfield, Tennessee plant.

The European Union (EU) is teeing up \$3.5 billion in potential tariffs on U.S. imports. I should note that would be 1.2% of the total amount America exported to the EU last year. The same EU is loading up on threats to an independent UK if they lower taxes and cut red tape to become more attractive to foreign businesses.

However, General Motors management issued a statement:

"We need to better understand the details...but GM supports trade policies that enable U.S. manufacturers to win and grow jobs in the U.S.A."

Speaking of supporting trade policies during the campaign, then-candidate Trump promised to take tough action, including tariffs. I tweeted to his voters to ask if they were ready to pay higher prices to fix our trade imbalances and to bring back American manufacturing and jobs.

Don't forget to ask your representative or the research desk about the special "Trade War" feature in the March 2018 Newsletter. research@wstreet.com

War Bonds

The reply was a resounding "yes". It reminds me of the time Americans took up FDR's offer of "One Great Partnership" to purchase War Bonds and Stamps during WWII. By the end of the war, 85 million Americans invested \$185 billion to help win the war.

On Friday, I went on Twitter to ask if folks were still ready to pay more. The answer was overwhelmingly "yes".

While the market continues to gyrate over a litany of concerns, there are two very important trends that bode well for the economy and the stock market this year.

Consumers Are Back

Consumer Sentiment readings from the University of Michigan last Friday were nothing short of remarkable. The headline number climbed to its second highest level since 2004. The driving forces are increased optimism over jobs, wages, and higher after-tax pay.



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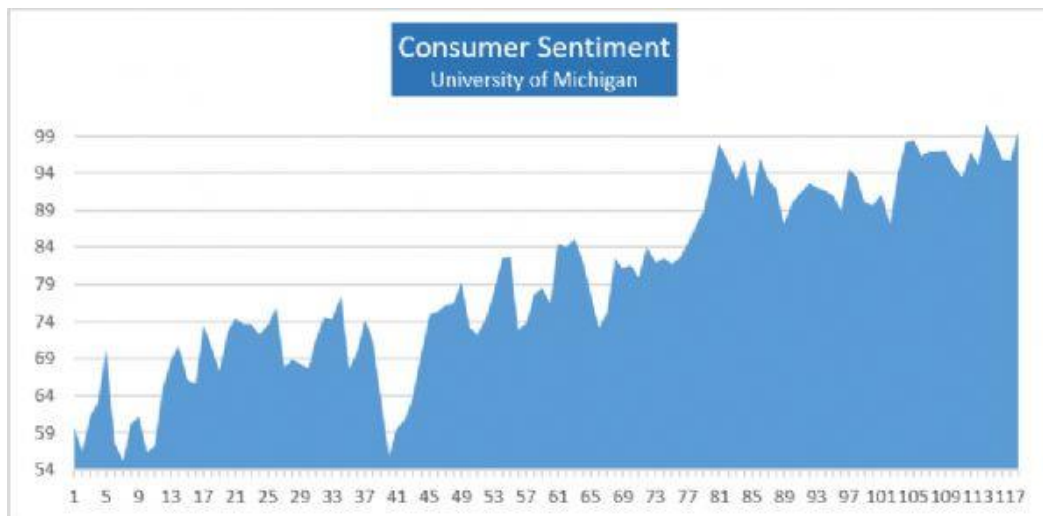
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The highlight of the report:

“The highest proportion of households since 1998 reported that their finances had improved compared with a year ago and anticipated continued gains during the year ahead.”



It is not just the surveys; Americans continue to stampede into stores and malls with a newfound swagger.

Last week, we saw amazing action in brick-and-mortar stocks from department store names such as Macy's (M), Dillard's (DDS), Kohl's (KSS), and specialty retailers T.J. Maxx (TJX) and Gap Stores (GPS). One of the underlying storylines here is brick-and-mortar survivors are beginning to learn how to compete with Amazon. Their secret is perfecting the Omni-Channel approach, which leverages existing physical locations with their digital efforts.

Thus far in 2018, the second-best performing sector is consumer discretionary. However, I should point out three of the top five winners are all digital. In other words, there is room for everyone to make money when the consumer feels flush.

On that note, Amazon (AMZN) rallied from down \$40 and Netflix exploded into the close giving credence to whispers of a major bid coming from Disney any day now.

While we know the consumer is 2/3 of the economy the difference maker is when big business starts humming. Right now, that is exactly what is happening as we found out manufacturing is at its best level since May 2011. The Institute for Supply Management (ISM) report saw 15 out of 18 industries enjoy growth in February.

The employment component was the highlight, which surged 5.5%, offsetting declines in new orders and production.



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Speaking of jobs, this week, we get employment data for last month. At this point, Wall Street is not sure what to root for because the January beat of 200,000 jobs and stronger wage growth spooked the folks in those ivory towers that think Americans are making too much money.

As for the market, while there is a chance of re-testing the lows, I am very impressed with how resilient stocks were on Friday.

Today's Session

There is continued saber rattling and distortions on the media over potential steel and aluminum tariffs, as well as crafting a narrative that the USA should apologize to Mexico and Canada ahead of the NAFTA negotiations this week. If there was such a thing as the Neville Chamberlain award for blinking, there would be a lot of nominees from the media, to the protectors of crony capitalism, to those folks that oppose everything the administration does regardless of how they might actually feel about such actions.

Let's be cool and understand this is a volatile period where entrenched interests are scared because the president is doing what he said on the campaign trail and rocking the boat. These special entrenched interests will shake up the market to prove a point, even while taking a near-term hit. They are not selling, and you should not close holdings in great companies.

Those are my morning thoughts.

BW: See ABOUT CHARLES PAYNE on the next page.



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ABOUT CHARLES PAYNE



Charles V. Payne is the Founder & CEO of Wall Street Strategies. His stock selections reap sizable profits for his subscribers and viewers. Charles is featured on the Fox Business Network Monday-Friday at 6 PM ET on "Making Money with Charles Payne". He is a member and occasional host of "Varney & Co". In addition, he guest-hosts several shows including "Cavuto on Business" and "Your World".

Charles is not only widely recognized in the media sphere as a thought leader on stock markets and politics, but is also the best-selling author of "Be Smart, Act Fast, Get Rich". In his book, he helps the average investor demystify the stock market and profit from it, explained in a manner that only he could deliver.

When Charles is not in the media spotlight, he is routinely sought after for his market and political opinions by prestigious organizations, and is featured and available for seminars and speeches.

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