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 Warren Buffett:

"Beware geeks bearing formulas."

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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April 13, 2018

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.

The Monday before last, the S&P 500 closed below its 200-day moving average. This was a big deal, because it had not happened in 21 months. Back then, the index had previously closed below its 200-DMA for a grand total of one day. This was during the freak-out following the Brexit vote.

Are we repeating ourselves? Since Monday, April 2, we have had a nice little rebound, but I am skeptical it will last much longer. Over the last three weeks, the S&P 500 has been locked in a trading range that is about 3% wide. While daily volatility has increased, the market seems unable to get any real momentum going, either up or down.

Some of this seems to be driven by our on-again off-again trade war. Here is something to think on. Earlier this week, our stock market rallied thanks to encouraging free trade talk from Chinese President Xi Jinping. It is not every day that a Communist pseudo-dictator helps the U.S. stock market with his free-trade rhetoric. But here we are.

More importantly for us, Q1 earnings season is here. The guessing game about corporate profits is over, and we will soon see results. On balance, this should be a very good earnings season for Wall Street (thank you, tax reform).

The Fed Is More Optimistic About The Economy

Yes, yes, I know—the Fed minutes are dull as dirt. And, sure, the economists speak in dry econo-jargo-babble. Fortunately for us, I am well versed in their dark and mysterious tongue, and I am happy to translate.

On Wednesday, the Fed released the minutes from its March 20-21 meeting. This is when the Fed decided to raise interest rates. What is interesting about these minutes is it shows how much more optimistic the Fed is about the economy, especially compared with a few months ago. Economists, it seems, can be as fickle as investors.

I should explain that the Fed minutes are a study in indefinite pronouns. The minutes are not complete transcripts. Instead, we read that "some members" said this while "a few members" said that. It usually takes a little decoding, but I was surprised when "all" was used a few times. For example, "all" members expect inflation to rise in the coming months. Also, "all" members agreed that the economy has become better in recent months.

That is good to see and, looking at the recent data, I have to agree. Last Friday, the government said the economy created 103,000 net new jobs in March. That is low, but the trend is still good. In fact, we have not had a negative month for NFP in nearly eight years.

The unemployment rate came in at 4.1% for the sixth month in a row. That ties us for a 17-year low. One weak spot is wages. The government said that average hourly earnings are up 2.7% in the last year. That is not bad, but it should be better.

The good news is that inflation continues to be subdued. This week, we learned that headline consumer prices fell 0.06% last month. That was the first monthly drop in 10 months. Some of the drop was caused by lower energy prices. Gasoline prices were down nearly 5% in March.

The "core rate," which excludes food and energy prices, rose by 0.18% last month. In the last year, core inflation is running at 2.1%. That is higher than it has been in a few months. Still, core inflation has not strayed far from 2% for more than seven years.

Some of the Fed's recent optimism is due to tax reform. However, the central bank is concerned about the prospects of a trade war. (Or so said "a strong majority," which may be a new one.)

How does this affect us? In the near term, not much. Don't expect a Fed rate hike at the next Fed meeting in early May. But we will surely get one at the June meeting. Even after that, real interest rates will still be negative. Despite the higher volatility, this is still a good time to be an investor.

The Fed is a long way from damaging the market or the economy, but investors must be careful. Don't chase stocks. Don't sell on every wobble. Stay focused on the long term, and stick with fundamentally-superior stocks.

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/2018/04/cws-market-review-april-13-2018.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, weare 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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