

## Weekly Market Review

eResearch 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 Charlie Munger (Berkshire Hathaway): *“Necessity never made a good bargain.”*

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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# Crossing Wall Street

Your Guide to Financial Success

Hosted by Eddy Elfenbein



May 11, 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.**

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The first-quarter earnings season is almost over, and it has been a good one for Wall Street. Stocks, however, were not as happy as the results would suggest. Still, there has been some positive news for stock investors.

The Dow added 800 points last week. The S&P 500 has rallied four times in the last five sessions and, on Wednesday, the index closed above its 50-day moving average for the first time in three weeks. Still, the 200-DMA lurks. We are less than 4% above it, and I suspect the bears are planning another strike.

Last week's jobs report showed the lowest jobless rate since 2000. Of course, that was a terrible time for stocks, which is a good reminder that the economy and the stock market are hardly the same thing.

Let us take a closer look at the economy, and see if we are in the best climate in a half a century.

### The Best Economy in 50 Years?

Last Friday, the government reported that the unemployment rate for April [fell to 3.9%](#). That is the lowest rate in more than 17 years. Actually, if we dig a little deeper, we can see that we are very close to the lowest jobless rate since the 1960s.

Splitting out the decimals, April's unemployment rate was the third-lowest since January 1970. The other two low months, both in 2000, were only a tiny bit lower than April. If the economy had created only a few thousand more jobs, then we could have said it was the lowest jobless rate since the 1960s.

To be fair, long-term comparisons like that are a bit sketchy. It is not so much a question of one reading being better than another. Rather, the economy is very different today, and in many ways. Plus, a number of years ago, the government overhauled how it measures unemployment.

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Still, I don't want those points to obscure the overall picture. The U.S. economy is doing quite well. Real GDP for Q1 grew by 2.3%. That number will be revised twice more in the coming weeks. What about Q2? That is hard to say, but I will note that the housing market continues to be healthy, and that is probably the most important driver of the cycle. The Atlanta Fed currently pegs [Q2 GDP growth at 4%](#), but we won't get the official numbers until the summer.

Overall, this is good news for us as investors. What is important to stress is how the stock market has changed. During an expansion, defensive stocks tend to lag. As long-term investors, we can afford to take the proper perspective. It is not that these companies are bad, or that they have done something wrong. Rather, they are in the wrong part of the cycle, and these cycles don't last forever.

So, what has been doing well? One sector that has been red-hot is energy. This week, oil crossed above \$70 per barrel for the first time since 2014. Remember that it was a little over two years ago when oil was trading around \$26 per barrel. How times have changed! What is interesting is that many energy stocks initially did not rally with the uptick in oil prices. Oil stocks typically follow actual oil but, this time, it was almost like the stocks did not trust the rally.

However, that all changed two months ago, when energy stocks started to rally. In fact, when you compare the rally to the broader market, it has been a gem of a rally. Since mid-March, the S&P 500 Energy sector is up close to 15% while the S&P 500 is down less than 1%.

Some of the rise in oil is due to increased geopolitical tensions, but this is also a result of a stronger economy.

With the improving economy, and rise in oil prices, we really have not seen a meaningful uptick in inflation. On Thursday, the government published its report on inflation for April. Wall Street had been expecting an increase of 0.3%. Instead, [it was up 0.2%](#). During April, gasoline prices were up 3.0%, but that is after falling 4.9% in March. In the last year, inflation is running at 2.5%.

If we look at the "core rate," which excludes food and energy, the inflation rose by 0.1% in April, and it is up 2.1% over the last year. To me, this suggests inflation is well under control. Right now, the key for investors is to focus on high-quality stocks.

Next week will be fairly quiet for economic news. The retail-sales report comes out on Tuesday. That's often a good indicator for consumer spending. On Wednesday, we'll get a look at industrial production and housing starts. The March IP report finally reached an all-time high. Industrial production is still recovering from the big tumble it had in 2015.

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/2018/05/cws-market-review-may-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 on the next page.**

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## 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 are 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. Today's 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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