

## 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 Humphrey B. Neill (1891-1977, American author of books such as Art Of Contrary Thinking):

*“Don’t confuse brains with a bull market.”*

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



June 1, 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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It is good to be back after taking a break for Memorial Day. It is almost like the stock market went on vacation as well. Over the last 15 trading sessions, the S&P 500 has closed between 2,705 and 2,733 a total of 14 times. That is a range of about 1%. It seems the market cannot get momentum in either direction.

That does not mean nothing has been happening. Wall Street has been worried about (in no particular order) trade, the mess in Italy, the bigger mess in Spain, the Fed, earnings, and North Korea. I may have left a few things out. (BW: NAFTA!)

In this week's issue, I will explain why I am little cautious going into summer. So, let us look at the stock market's recent turn towards safety.

### Wall Street Turns Defensive

Friday's jobs report is a big deal. The unemployment rate fell to a 50-year low. Yet, despite better news on the jobs front, the market's perception of the economy has changed over the past few weeks. In short, investors are less optimistic about the economy. It is nothing to worry about, but I wanted to make sure you are aware of what is happening.

Not too long ago, the futures market saw a 50-50 chance of the Fed raising rates four times this year. (We have already had one, and another is likely coming in two weeks.) Now, however, the chance of a fourth hike is fading fast. The Fed pretty much admitted this at its last meeting. The central bank said it has no problem with inflation running hot for a bit. I think this is the right call. Central bankers tend to overreact in the face of a little bit of inflation.

Alongside this, the markets have become more defensive recently. Just two weeks ago, the yield on the 10-year Treasury got to 3.11%. On Thursday, it closed at 2.83%. That shows you how much people have shifted towards safer assets. The spread between the 2- and 10-year Treasuries has narrowed as well.

This move has been mirrored in the stock market, as sectors like REITs and Utilities have perked up. For the most part, these defensive sectors have not done that well this year.

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Instead, the big winners have been in tech and energy. That generally signals greater optimism for the economy and, as an extension, a greater willingness to shoulder risk, so what we are seeing is some of that trend unwind.

Let me be clear that this does not signal impending doom. Not at all. It simply means investors are acting with greater caution, and that is good for our type of investing. The fading need for higher rates has also dented many financial stocks. The banks tend to outperform when rates go up (or more accurately, when they are *perceived* to be going up). This has given us some compelling buying opportunities.

On Monday, we will get the factory-orders report for April. The ISM non-manufacturing report comes out on Tuesday. Then, on Thursday, we will get the latest jobless-claims report. It continues to be near a multi-decade low.

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

## <continued>

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/2018/06/cws-market-review-june-1-2018.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.**

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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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