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 Robert J. Shiller:

"It amazes me how people are often more willing to act based on little or no data than to use data that is a challenge to assemble."

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/.

***e*Research** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.ca.

Bob Weir, CFA
Director of Research

August 24, 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.

On Tuesday, it finally happened. Shortly before 1 p.m. ET on August 21, the S&P 500 went above 2,872.87 to reach its highest level ever. True, it didn't get there by much; the index ended up topping out at 2,873.23 a few minutes later. But still, it was an all-time record, and it took nearly seven months of trying. This now counts as the longest bull market in history (although some folks may quibble on definitions). Basically, every two dollars invested in the market nine and a half years ago is ten dollars today.

BW: The S&P 500 Index did not close at an all-time high. The high was intra-day which, for me, does not count. It is the close that is important.

In retrospect, this was a pretty tame correction that we had earlier this year. From top to bottom, the S&P 500 lost a little more than 10%, which is the traditional definition of a correction. However, most of that loss came over two trading days. By the time folks on Wall Street were debating if we were truly in a correction, it was already mostly over. There is a lesson for investors in that.

In this week's *CWS Market Review*, I will talk about President Trump's recent stock market comments. Will impeachment make us all poor?

Don't Expect Any President to Sink or Save the Market

I prefer to steer clear of politics around here but, about once a day, an investor will ask me, "So…when will Trump sink the market?" At the other end, President Trump offered his take that impeachment would wreck the market. The president added, ominously, that, "everybody would be very poor."

Eh, I am not so sure about that. It is true that the stock market got shellacked during Watergate, but it did well after President Clinton's difficulties. (Sorry, I don't have data on Andrew Johnson.) To be fair to President Nixon, there were a lot of other things going on during Watergate. The economy was tanking, inflation was soaring, and the Middle East was in flames. The 1973-1974 market bust-up was one of the worst on record.

In reality, I don't think the occupant of the White House has a large influence on the financial markets. I realize that may sound heretical to some, but I stand by it. After the election in 2016, Paul Krugman wrote, "If the question is when markets will recover, a first-pass answer is never." And he has a Nobel Prize! Politics and investing don't mix well. In the short-run, sure—the president certainly matters. But, in the long run, it is all about sales, earnings, and interest rates. Money stuff: that is what counts.

After President Trump's election in 2016, there was a definite Trump Bump, but it didn't last long. You can also see the impact on certain sectors. Healthcare stocks got spooked during Hillary Clinton's healthcare initiative in 1994. Gun stocks often jump after a shooting on fears (or hopes) that folks will rush to buy before a new anti-gun law is passed.

My take is that financial markets are probably more influential on policy makers than vice versa. In 1981, François Mitterrand shocked the world by getting elected president of France. He had a bold socialist program. Unfortunately for him, forex traders found out, and the franc got sautéed. The weak currency started to hurt the French economy. In other words, Mitterand's brand of socialism was hurting workers and, within two years, he did an about-face (Tournant de la rigueur).

It is odd how we act like politicians are players in a game, and the market is the scoreboard. I sometimes wonder if it is the other way around. I will reiterate my position that the U.S. economy is mostly good right now. Not perfect, but good. On Thursday, jobless claims again came close to their lowest level since Altamont. Corporate earnings are pretty good. Inflation and interest rates are still low. In fact, the real Fed funds rate is still negative!

The growing Trade War is a concern. In fact, this week's Fed minutes indicated that FOMC members discussed the issue at their last meeting. Still, trade probably is not large enough to sink the economy.

Truthfully, the most important sector to watch is housing. This is the tail that wags the dog. For the most part, housing looks pretty good. Mortgage delinquencies are running at a 12-year low. There could be some cracks showing in housing's facade. For example, Redfin's stock got pummeled earlier this month. I don't want to overstate the case. There could be big problems soon but, for now, there is no reason to believe any president or any party will wreck the stock market.

The key for investors is to focus on good stocks with good earnings. Don't overthink it.

Remember that the stock market will be closed on Monday, September 3 in honor of Labor Day. There is not a lot scheduled for next week, ahead of the holiday. On Wednesday, we will see the first revision to the Q2 GDP report. The initial report was 4.1%, which is quite good.

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/2018/08/cws-market-review-august-24-2018.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

Disclaimer: The information in this blog post represents my own opinions and does not contain a recommendation for any particular security or investment. I or my affiliates may hold positions or other interests in securities mentioned in the Blog, please see my *Disclaimer* page for my full disclaimer.