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 Coreen T. Sol, a portfolio manager with more than twenty years of experience in private wealth management.

"Fear is an emotion, not a stock indicator."

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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January 25, 2019

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 stock market has been oddly calm this week. This is especially interesting now that earnings season is underway. So far, the earnings results look pretty good. About 25% of the companies in the S&P 500 have reported Q4 earnings, and the "beat rate" is running close to 70%.

Last Friday, the S&P 500 briefly got over 2,675. From trough to peak, the S&P 500 gained 14% in a little over three weeks. That is a nice little rally. In the last 14 trading sessions, the index has only had three losing days. Crucially, the index is still above its 50-day moving average, and the 200-DMA is not that far off.

Still, I am cautious. The shutdown is not helping things, and the Federal Reserve gets together next week. My fear is that the central bank is clinging to an unnecessary need for higher interest rates. Hopefully, we will hear evidence that the FOMC is bowing to reality. With central bankers, one never knows.

So, let's look at the best initial jobless-claims reports in half a century.

Don't Expect a Rate Hike Next Week

There was important news on Thursday that did not get a lot of attention. The initial jobless-claims report came in below 200,000. Specifically, it was 199,000. What makes this noteworthy is that this has not happened in nearly 50 years. The last time it was lower was in November 1969.

The jobless claims report *kinda/sorta* lines up with the government's jobs reports, but not exactly. This suggests that we are going to get another good jobs report next Friday. Importantly, I think we will see more folks wander back to the workforce. During the recession, many people simply stopped looking for jobs. That is how rough things were. I noticed that Walmart is looking to hire 900 truckers and pay them $90,000 a year. A lot of companies need more workers, but now they finally have to pay more to get them.

The Federal Reserve meets next week on Tuesday and Wednesday. Don't expect any movement on interest rates. The Fed may be done for a while, but I am not sure if they realize it yet. Their forecasts for this year were pretty bold. The median FOMC member sees the need for two more rate hikes this year, and a sizeable faction thinks we need three.

Color me skeptical.

Let us run down the evidence. The U.S. dollar has been holding up well. Inflation has been low. The CPI report for December showed a slight drop in consumer prices, thanks to a decline in energy prices, but even the "core rate" is low. Currently, the futures market thinks there is a 1-in-6 chance of a Fed rate hike by June. That sounds right. The futures market thinks there is a 71% chance the Fed will not make any changes to rates this year. A lot of people think the next move could be a rate cut.

But the best news has been on the jobs front. The U.S. labor market continues to expand, and people are returning to the jobs market. There is also evidence that wages are finally improving. Economic theory tells us that this results in inflation. At some point, I suppose that is right, but I prefer to look at the real world over theory. (This, among many reasons, is why I am not on the Fed.) There simply is not a need for higher rates right now.

The housing market got knocked down in 2018, but it is far from done for. Last month, existing-home sales fell 6.4%. We don't yet have the new-homes sales data yet (thank you, shutdown), but the recent weakness is certainly due to higher mortgage rates. That is another reason for the Fed to cool it. This may be why Sherwin-Williams recently warned that Q4 will be weak.

Since rates have backed off, I expect a pick-up in housing this year. It seems that a decade on from the economy going kablooey, folks are still nervous about a housing bust. Please. We are not even close to one. We just need the Fed to cooperate.

Next week, we are going to get the initial report on Q4 GDP growth. This will be an interesting one because the last two reports were pretty good: +4.2% and +3.4%. The economy has had a very hard time stringing together three quarters in a row of decent growth. This time, we may finally do it.

As I mentioned earlier, earnings season is young, but the early results look promising. The consensus is for earnings growth of 13.5%. We should top that. With this earnings season, I am also paying attention to guidance for 2019. Companies are not required to give investors guidance, but the better companies do.

Next week, there will be a lot more earnings news. The Fed meeting is on Tuesday and Wednesday. Don't expect any change on interest rates. The policy statement will come out on Wednesday afternoon. Also on Wednesday, the Q4 GDP report comes out. Wall Street expects growth of 2.9%. If that is not enough news, the January jobs report will come out on Friday.

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 his Buy List and reviews any of the stocks that are in the news. You can read about them and the entire article by clicking on the following link.

http://www.crossingwallstreet.com/archives/2019/01/cws-market-review-january-25-2019.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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