# Weekly Market Review

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***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 Sam Walton:

"*Capital isn't scarce; vision is.*"

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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March 22, 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 Federal Reserve made news this week by finally recognizing reality. That is an odd headline for a news story. The facts did not change in any meaningful way, nor did the economy. Rather, the only change was that a committee of economists agreed to admit what had been perfectly obvious to everyone. The economy does not need higher interest rates, and probably will not for some time.

In 2019, that is enough to rally on. On Thursday, the S&P 500 soared more than 1% to close at 2,854.88. That is its highest close since October 9. Based on daily closes, the index has now made back 87% of what it lost during last year's bout of unpleasantness.

## The Federal Reserve Catches Up With Reality

Over the last few months, I have felt like a broken record. I have consistently said that the Federal Reserve has been vastly over-estimating the need for more interest-rate increases.

This week, I am happy to report that the Fed now agrees with us. In this week's policy statement, the Fed said it is not raising interest rates now. The central bank also kept the language that it "will be patient" in regards to further rate hikes. I think it is clear that Chairman Powell has seen the need to alter course for a few months. The last rate hike was clearly not needed.

The important part of this week's Fed news was the economic forecasts. The FOMC has 17 members. Although not all of them vote, all 17 members do get a chance to list their economics forecasts for the next few years. I will be honest, the Fed has a pretty bad record with its forecasts, but so does everyone else.

The FOMC members see the economy growing by 2.1% this year. That is down from 2.3% when the last projections came out in December. They also lowered their inflation forecast (technically, the PCE index) by 0.1%. That is not so important, but the big change came with interest rates. Of the 17 members, 11 see no need to change interest rates this year. Four members see the need for one hike, while two think two more are needed. In other words, the median vote wants to stand pat for the entire year. Hooray!

As for 2020, the FOMC sees the need for just one rate hike, and no more changes in 2021. This is a remarkable turnaround. It was not that long ago that the Fed thought it had to continue hiking rates this year and next. Why is this so important? The biggest factor impacting the direction of the market is real short-term interest rates. As long as those are low, then the math favors stocks. It is not a guarantee of a bull, but it makes the bull feel a lot more comfortable.

The futures market actually thinks there is a 40% chance that the Fed will cut rates before the year is out. Hmmm. Call me a doubter.

On Thursday, the yield on the three-month Treasury closed at a 10-year high. At the same time, the yield on the 10-year Treasury closed at a two-year low. Since November, the yield on the 10-year has dropped by 70 basis points. That is good news for mortgages, and housing in general.

This continues to be a favorable environment for investors. We will know a lot more once Q1 earnings season starts next month.

Next Week: It is the final week of March and, by extension, the final week of the first quarter. This looks to be one of the best quarters for the market in years. (True, last year's Q4 was pretty ugly.) On Tuesday, we will get reports on housing starts and consumer confidence. On Thursday, the Q4 GDP report will be updated. The initial report showed growth of just 2.6% for the final three months of 2018.

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/2019/03/cws-market-review-march-22-2019.html**

## ABOUT THE AUTHOR

Eddy Elfenbein is a Washington, DC-based speaker, portfolio manager, and editor of the blog, **Crossing Wall Street**. He was named by CNN/Money as the best buy-and-hold blogger, His free Buy List has beaten the S&P 500 for the last seven years in a row, and by 47% in the last thirteen years.

**BW: Additional information on Eddy Elfenbein and Crossing Wall Street follows on the next page.**

# Welcome to Crossing Wall Street

I started this website 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 have spent several years collecting my list of the best companies to own. This is my current Buy List. I have 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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