# 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 Benjamin Graham:

"*Investing is not about beating others at their game. It is about controlling yourself at your own game.*"

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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April 5, 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.**

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T.S. Eliot famously wrote that "April is the cruelest month." Actually, as far as stocks go, it has been pretty good. The market has risen 12 times over the last 13 Aprils. Plus, April 2019 has got off to a solid start. This builds upon a very good start to the year. We just wrapped up the best first quarter for stocks in 21 years.

That could be a good omen. Consider that, of the last 19 times that each of the first three months of the year were higher, 18 times the rest of the year was green as well. The only exception came in 1987.

During the day on Wednesday, the S&P 500 got as high as 2,885. That is a six-month high. In fact, we are not that far from an all-time high. The dividend-adjusted S&P 500 came within 0.5% of making a new all-time high. (Dividends are small, but they do add up!)

The market has now rallied for six days in a row. Despite the rebound in share prices, I have to confess that there is not a lot going on in the stock market right now. Each week, I strive to bring the latest and greatest on Wall Street, but it has been quite dead lately.

We are in that odd lull before earnings season. In just a few days, we will have all the news we can bear. But for right now, it is crickets out there. Don't fret. In this week's *CWS Market Review*, we will take a look at some recent economic data.

## The U.S. Economy May Be Stagnating

In recent weeks, there has been more talk about the possibility of an interest-rate cut by the Federal Reserve. Larry Kudlow, the president's top economic advisor, said the Fed should cut rates immediately by 0.5%.

Until now, I have been a doubter, and I still think it is a long shot. But I have become somewhat less doubtful. What is the reason? Well, some recent economic news has been noticeably tepid. The standout example is the February jobs report. According to the government number crunchers, the U.S. economy created just 20,000 net new jobs in February. That was way below expectations.

I am writing this to you on Friday morning, so the March jobs report may already be out by the time you are reading this. That report includes a revision to the numbers from February, and it is likely the revision is higher.

But that is not the only data. For example, the weekly jobless-claims report got weaker at the start of this year. The weakness seemed to coincide with the government shutdown, so it caused a major uproar. Sure enough, on Thursday, we learned that initial jobless claims fell to 202,000. That is the lowest since the 1960s.

On Wednesday, the ADP payroll report said that just 129,000 private sector jobs were created last month. That is the lowest figure in 18 months. For the first time since December 2016, goods-producing jobs shrank. It is possible that the labor market is beginning to stagnate as global growth is softening.

That is probably what is driving the talk of a rate cut. What is interesting is that the yield curve is not exactly flat. Rather, it has a notch. At the moment, the yield on the six-month Treasury exceeds the yield on the three-year by 16 basis points. That is very unusual, and it only makes sense if bond traders expect a short-lived rate cut in a larger tightening cycle.

Last week, the government lowered its estimate for Q4 GDP growth. The initial report said the U.S. economy grew by 2.6% in the last three months of 2018. The updated report lowered that figure to 2.2%. That basically puts Q4 right in line with the trend of the current expansion. The economic recovery is notable for its length and its meandering speed. Compared with previous recoveries, the current one has not been particularly strong.

On Monday, the ISM Manufacturing Index was reported to be 55.3 for March. That is up from 54.2 in February, but that report was the lowest in six months. A recession usually aligns with an ISM reading somewhere in the mid-40s. On Wednesday, the Non-Manufacturing Index fell to 56.1 for March. That is down from 59.7 for February. That was below expectations and the lowest print since August 2017.

As I mentioned before, there has not been much happening on Wall Street this week, but that will soon change. Next Friday, earnings season will kick off when JPMorgan and Wells Fargo report earnings. As we stand at the beginning of earnings season, the wave of lower guidance seems to have passed. Since September, Wall Street analysts had chopped this year's earnings estimate for the S&P 500 by 5% to $167.80. Apple and the energy sector were key drivers in the lower estimates. Analysts now expect to see top-line growth of 4.4% and an earnings decline of 9.8%.

Next Week: There are a few key economic reports coming. On Monday, the factory-orders report comes out. On Wednesday, we will get the CPI report for March. Also, on Wednesday, the Fed will release the minutes from its last meeting. The jobless-claims report comes out on Thursday. On Friday, the Q1 earnings season begins as JPMorgan and Wells Fargo are due to report earnings.

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. <Ctrl-Click>

**http://www.crossingwallstreet.com/archives/2019/04/cws-market-review-april-5-2019.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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