

June 20, 2019

Good Afternoon,

Stocks continue to rally off the lows of late May as the bulls welcome the thought of an interest rate cut by the Fed. While the Fed left rates unchanged at the conclusion of their meeting yesterday, the language in their meeting summary indicates they are open to the idea for the July meeting. While stocks hover around all-time highs, some perspective is warranted. The S&P 500 is now at the level it reached in October 2018 and again in April this year. The index is just 4% higher than it was on January 1st of 2018. We shall see if stocks can break through the previous highs and sustain those gains.

The question now is what will keep stocks moving higher? At current levels, stock prices are fully valued from an historical perspective. In a few weeks we will start to see if second quarter corporate earnings are better or worse than expected. In the meantime, we still have risks associated with trade and tariffs, mixed economic data, and escalating tensions with Iran.

As President Trump officially kicks off his re-election campaign, consider this; in the past 75 years, only two presidents elected to a first term in office have failed to win a 2nd term – Jimmy Carter in 1980 and George H. W. Bush in 1992. No one knows if a progressive Democrat can win the nomination and the general election in 2020. If it does happen, the result could be tax increases, a tighter regulatory environment and overall policies that would be considered less equity-friendly than current.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

I hope you have a fantastic first weekend of Summer!

Wade

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