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Good Morning,

Stocks have pulled back slightly this week after a month-long steady rise in prices. Is the bull getting tired or are traders getting nervous as we continue to make new highs? Most likely, investors are showing some concerns about the Fed and their plans to begin tapering the monthly Treasury purchase program. While the Fed is only beginning to discuss taking away the proverbial punchbowl, some are looking further down the road and wonder if interest rates will climb much higher and pressure stock valuations. What will be left to support stocks in the near term? For one thing – corporate earnings.

Q2 has provided very strong year-over-year earnings growth (nearly 90%!). However, much of the strong growth has been due to how much demand collapsed in the second quarter of 2020 rather than absolute performance. While performance has been robust, it looks especially strong measured against that low standard. When comparisons start to normalize next year, even as earnings continue to grow on an absolute basis, the reported growth rate is expected to drop back to more ordinary levels of approximately 10 percent. That is still excellent growth and would reflect a continued return to normal economic activity.

With all the difficult news of late, it's a good time for a little humor. I spent some time with my brother recently. He has always had some good jokes for me. Like, he recently had an out of body experience. He was beside himself. He never believed in orthopedic footwear; now he stands corrected. Use these in good health and have a great week!

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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.

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