

# Rochester Financial Services

Fee-Only\* Financial Management Services

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Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Crude Oil	Gold
23,539	2,588	6,764	1,495	2.34%	5.33%	\$55.70	\$1,270



## Investment Strategy Report

### “Synchronized Worldwide Growth” Powers Stocks To New Highs

Stocks made it through the historically difficult months for stocks, August, September, and October, totally unscathed, as the S&P 500 advanced a strong 4.7%. To say that the stock market’s performance has confounded the analysts and individual investors alike has become a tiresome tirade. Investors have been saying this for months and years now. The talk about bubbles and potential crashes has become common place, as many look back to 1999 or 2008 to draw comparisons. These investors point out that this bull market that started in March 2009 is now 8 years and 8 months old and has reached heights many feel are stratospheric. And the market has attained these heights with record low volatility, having thus far in 2017 not seen a pull back of as small as 3%, the longest streak ever.

For many months now, I’ve been trying to rationalize this historic stock market run as follows: While our bull market is almost 9 years old, the rest of the world is actually just getting started. 2017 is basically the first year that we have seen breakout performances for both foreign developed markets and the emerging markets. Up until this year, those markets traded sideways as the US economic recovery gathered steam and propelled its stocks higher. We are now for the first time seeing what has become coined as “synchronized worldwide growth”. Jim Cramer of CNBC used that term last Tuesday night (10/31) to describe what has been going on around the world. “The switch has flipped in Europe” he said, as the Eurozone has finally begun to move in the right direction. China is now growing consistently and there are a lot of positive developments in India as well. And Japan, which has basically been in a 28 year bear market, just recently ended its longest streak of up days ever, advancing 16 days in a row.

But don’t think that the US performance is based solely on the merits of the recovery of the rest of the world. The concept of synchronized worldwide growth means that a strong US economy helps to fuel recoveries around the world, and economic recoveries of other countries help to sustain a strong US economy. Good economic data feeds on itself, producing a self-sustaining recovery.

Cramer also points out that previously, companies were reporting strong earnings that were based solely on cost cutting, not on strong revenues. But that has now changed, as companies are reporting strong revenue increases. Recent earnings reports have been very strong. Apple surged this past week as demand for all of its products surprised to the upside. This trend should continue as customers can’t seem to get enough of the new iPhone 10’s. Amazon and Facebook also reported stellar results. Continuing with the technology theme, chip makers are seeing an enormous demand for these semi-conductor chips that power an ever-increasing array of products.

But it’s not just technology companies that are the stars of this recovery. Sectors such as aerospace, defense, and construction are all doing well. As an example, engine and generator manufacturer Cummins (CMI) continues to hit new highs in its stock price, an indication that a surging US economy has produced a strong demand for power generation. The financial sector should also do well as increasing loan growth will translate into higher profits for this sector.

For those of you who are skeptical of this bull market because you feel that tax reform will never get done or that the failure to reform health care will lead to problems, Cramer says to rest assured. The stock market performance is not based on any successes that might occur in Washington. It instead is based on a non-inflationary economic boom. “This is what a bull market looks like”.

**RMD Withdrawals** – I have now contacted, either by phone or email, everyone who needs to make an IRA distribution before year end. If you haven’t yet taken care of it, please contact me if you need my help with this. *Jeff Feldman*

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