

Rochester Financial Services

Fee-Only® Financial Management Services

Jeffrey Feldman Ph.D., CFP
Certified Financial Planner
Principal

May 6, 2018

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Crude Oil	Gold
24,263	2,663	7,210	1,566	2.94%	5.82%	\$1,316	\$69.81



Investment Strategy Report

After a 3 Month Stall, Can Stocks Resume Their Uptrend?

Are you sick and tired of this stock market yet? Well join the club. The market gyrations over the last 3 months are enough to try the patience of even the most ardent bulls. After a fantastic 2017 with a continuation into January, stocks suffered a mini-crash the first week of February. It sprang back to life almost immediately, but like a spring, has been bouncing up and down since. On about 4 separate occasions, the market rebounded to what appeared to be a resumption of the bull market uptrend. But every time, it hit a ceiling of resistance and fell back down to the floor that was set in February. For those (like me) who watch the market on a daily basis, it has been a series of dashed hopes, as the optimism of each rally has been squashed. It's enough for many investors to say, enough is enough.

And that is exactly what this "bull" wants you to think. Riding a bull isn't easy and the bull will try anything to throw you off. Staying on, despite the "wall of worry", is one of the hardest things to do as an investor.

Fundamentally, the economic data has given no indication that this recovery is ready to slow down anytime soon. The employment picture continues to get better. The unemployment rate dropped to 3.9% according to this past Friday's jobs report and unemployment claims last week fell to its lowest level since 1969. The first quarter earnings reports have come in much stronger than expected. JP Morgan's Dr. David Kelly reports that 81% of companies reporting have beaten their earnings estimates and 68% have beaten their estimated revenues. The year over year earnings growth is projected to be a phenomenal 28.7%!

Technology companies were struggling for a while as investors began to lose faith, thinking that these companies couldn't keep up with the outsized expectations. However, the FANG stocks have come roaring back. Amazon, Facebook, and Apple have all surged in the last 2 weeks as they have all reported outstanding numbers. As much as investors began to lose faith, they couldn't escape the reality of the earnings math.

Eventually, it all comes back to the earnings. Despite the surge in earnings this year, stock prices are basically back to where they started the year. With higher earnings and no price increases, stock valuations have gotten much more reasonable. At some point, prices will have to catch up with earnings and we should begin to see the stock market moving higher some time soon. Stock market analyst Marco Kolanovic said on CNBC last Thursday that 1) the market bottom is in, 2) market volatility will subside, 3) the market P/E ratio (valuation) is below the historical average, and therefore 4) the S&P 500 will hit 3,000 by year end.

Louis Navellier has been source of comfort for me on those big down days for the market. When the Dow was down 450 points on April 24th, he sent out a market alert, urging his subscribers not to panic, that everything is fine. "What's down today will be up tomorrow. Good stocks always bounce. This is a great buying opportunity". Hopefully, our patience during the last 3 months of market turmoil will be rewarded.

Social Security Analysis – I want to make sure that you are all aware, that before electing to take your social security, you should check in with me first. In addition to being very familiar with the intricacies of the various payout strategies, I have recently purchased professional software that can confirm any plans that we decide on. This is especially the case for those born before 1954, in which case spousal election strategies can still be used.

Top 25 Money Manager – I was again listed in Rochester Business Journal as a top 25 money manager for 2018 (see May 4th edition). Thanks to all of you for helping me achieve that. *Jeff Feldman*

Tel: 585 / 442-7580
Fax: 585 / 351-2458
Email: jmfeld@aol.com

7 Hastings Circle, Pittsford, NY 14534
<http://www.rochesterfinancial.com>

