Rochester Financial Services

Fee-Only® Financial Management Services

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

August 7, 2018

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Gold	Crude Oil
25,629	2,858	7,884	1,688	2.97%	5.77%	$1,220	$69.24

Investment Strategy Report

Uptrend Continues As Stocks Break Out To The Upside

A lot has happened since I last wrote to you. Back on July 4th, the S&P 500 was at 2,713 and was struggling to stay above the 2,700 support level. The same could have been said for the Dow which was at 24,175 and was fighting with its support level of 24,000. After the vicious February correction had sent the S&P plunging below 2,700 (and lower), the index bobbed up and down through this level 5 times before settling above this mark at 2,713 last month. Since then, it has been a one way trip up for stocks, with the Dow leading the way up 6.0%, the S&P up 5.3%, and the Nasdaq up 5.1%. The S&P closed today at 2,858, just 0.5% below its January 26th peak.

The Nasdaq, the winning index thus far in 2018, long ago surpassed its January 26th peak, first in March and then adding to its gains in later months. It hit an all time high on 7/25 of 7,952 before hitting a scary loosing streak. This leading index proceeded to lose 3.8% in 3 trading days while the S&P and Dow were barely slipping 1.5% and 0.4%. And of course the cries from the investment gallery were that this heralded a change in leadership with a shift away from technology and the FAANG stocks. Facebook's 40 point drop on the first day of that 3 day slide did not help matters.

However, since bottoming on July 30th, the Nasdaq has rebounded 3.3% (and Facebook about 7.5%) and the S&P and Dow have recovered 2.0% and 1.3%. So despite some turbulence at the end of July, the stock market ship appears to have righted itself.

Another positive aspect of this market is that this upwards advance is getting participation from multiple sectors. While growth and technology were once the lonely bulwarks dragging the market higher, we are now seeing a very healthy rotation, with technology, industrials, small caps, large caps, energy, financials, and now health care all taking turns in leading this market. What was once described as narrow leadership is no longer the case. The sharp rise in stock prices in July is an indication that institutional investors are putting money to work in a variety of sectors.

My guy Steve Sjuggerud (StansberryResearch.com), in is August 2nd letter (True Wealth Systems) said that he is seeing green lights in all 5 of his early warning indicators. He looks at 1) the advance/decline line, 2) bank stocks, 3) transportation stocks, 4) smaller companies, and 5) the equal weight index. All of these indicators are giving the all clear sign. He feels that despite the small correction that we saw at the end of July, his melt up scenario, of a surge in stock prices before this bull market ends, is still intact.

My favorite economist Fritz Meyer gave his quarterly economic update on July 10th, and he was very upbeat. He tends to ignore the alarmists and concentrate on the fundamentals. Some of his take home messages: companies are paying down debt with low interest rate loans to improve their balance sheets, corporate capital expenditures have been surging as has been R&D spending, S&P 500 earnings forecasts for 2018 have been revised sharply higher, as have the forecasts for 2019 earnings. He said to avoid the noise, such as the G-7 trade spat, the China trade war, the 3% 10 year Treasury, etc. and concentrate on what's important, surging earnings and the surging US economy. Steve Sjuggerud on July 19th also stressed, "Don't let the headlines scare you out of stocks". And of course, I ended last month's letter with "the key is …to not watch the news!". Great minds think alike.

Change to My Invoicing Procedure – Some of you have noticed or will soon notice a change to how I put together your invoice letters. While my fees have not changed, I have made changes to how my fees are withdrawn from your IRA and non-IRA accounts. The basic change is that I need to be careful not to have my clients pay for the management of non-IRA accounts with IRA money. This is prohibited by the IRS. So even if you have a large IRA account and a small non-IRA account, I still need to charge you separately for each account, rather than have my total management fee be withdrawn from the IRA account. While this may require extra paperwork for you (and for me), it is the correct way to do it. Please feel free to contact me if you have any questions. *Jeff Feldman*

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

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

Fee Only ™