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Since last time

Since we published our May newsletter (<https://dreamwork.financial/newsletter-2017-may/>), a great deal has happened. We've seen the French election (<https://www.forbes.com/sites/trangho/2017/05/08/investing-pros-bullish-on-france-after-macron-wins-french-election/#1590305c4bc9>), the May Fed meeting (<https://www.bloomberg.com/news/articles/2017-05-24/u-s-federal-reserve-meeting-minutes-for-may-2-3-text>), Trump impeachment talk and the market is still resting at record highs. However, this is pretty much the third time we have seen these highs. So the question is: will this be a triple top or gigantic support?

French Election

First of all, Macron won. So, the left side still has some clout in the EU. As a result, the fears of the EU falling apart are appeased for the time being. This indicates political risk is coming down slightly. Therefore, that new found stability should be a positive for French stocks.

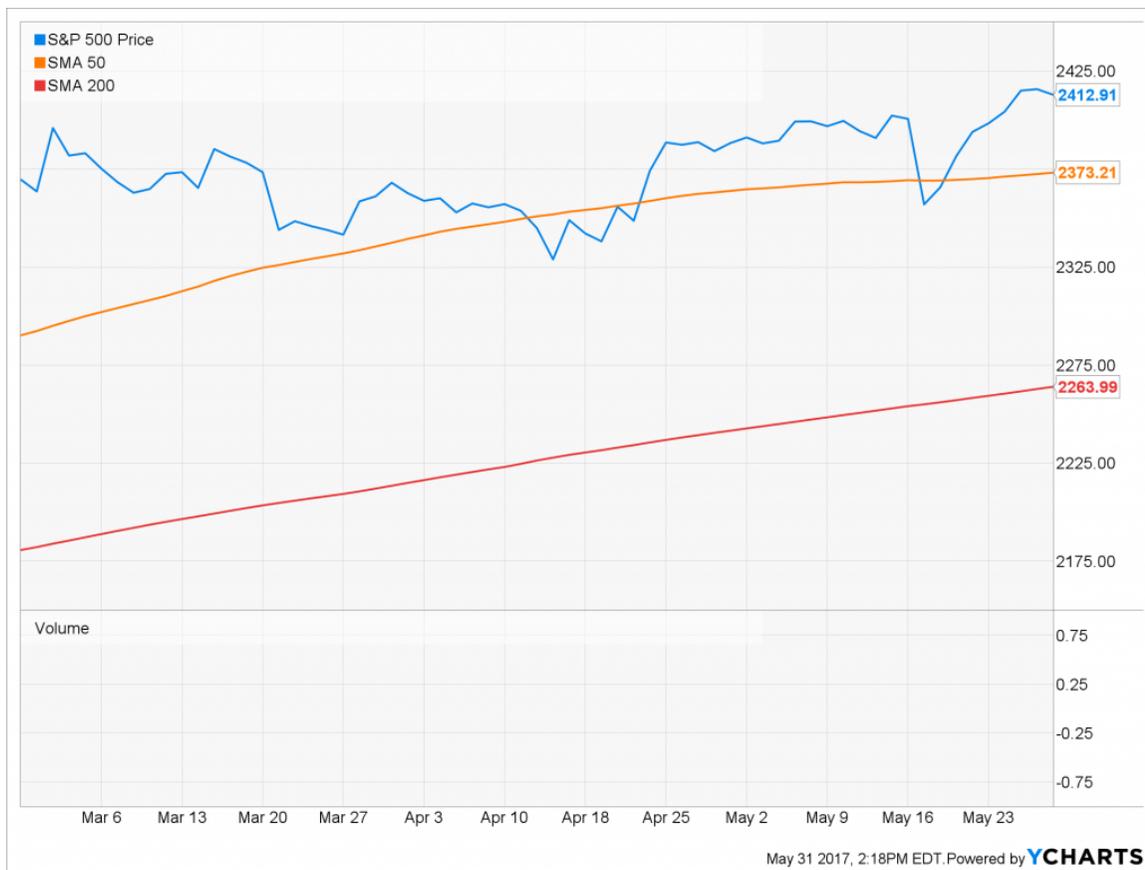
May Fed Meeting – Will there be a rate hike?

All signs have been pointing to a June rate hike for some time now. And, nothing from this most recent Fed meeting seems to say otherwise. Consequently, wages are increasing just enough to allow the Fed to feel confident in a rate increase. How the market reacts over the days following should tell us a lot, both in terms of strength of this market and confidence for future gains. Typically, lower rates are better for stocks, so rate hikes are normally not looked at favorably. But with the Fed hinting at this for a while, it should already be baked into the current price (for the most part). So, as we look for a likely rate hike in June, the real story will turn the focus to when or if another rate hike will come later this year.

US Political Landscape

We've had a few days of Trump impeachment talk, which led to few volatile days and some sharp declines in May (only to bounce back to record highs). If Republicans start turning against him, then some of the theses around the "Trump trade" could fall apart. However, if he is impeached that could be a positive for stocks as Pence should have a much easier time getting things passed. But this would assuredly cause serious volatility, if this were to actually happen. Funny that as EU political risk seems to be going down while our political risk is actually going up.

Technical Levels



The market is still resting at record highs, which also happen to be nice round psychological numbers (21,000 Dow, 2400 S&P 500). First, failing to successfully break through these levels will lead to more pressure from the bears and make this a temporary ceiling. Second, we have been in a tight trading range since the beginning of March which usually means the market is spring-loaded. The combination of these factors creates a market that is ready to move. Which way the market shoots is yet to be determined.

Final thoughts – What does this all mean?

In conclusion, the market is telling us that we could be waking up a potential sleeping giant in June with a Fed rate hike. However, if they fail to hike that would be even more worrisome. The market could see the absence of a rate hike as a sign that the Fed doesn't have confidence in the underlying economic growth. Therefore, volatility should continue to pick up a bit from historic lows as we attempt to break out of this trading range.

The markets always seem to be one step ahead of investors, and this time looks no different. As a result, we appear to be locked in this tight range until the Fed meeting. It certainly looks like neither bears nor bulls want to make a strong move in advance of the Fed's decision. How the market responds to an interest rate hike (or lack thereof) should tell us whether the current levels will be our ceiling or support.

To learn more about DreamWork Financial Group and our Fee-Only Wealth Management model, **visit our website and schedule a meeting** (<https://dreamwork.financial/contact/>) with our Chief Financial Strategist, Clint Kirby and be sure to **sign up for our free monthly newsletter** (<https://dreamwork.financial/what-is-spector/#newsletter-opt>). Also, be sure to check out our archived newsletters (<https://dreamwork.financial/category/market-news/>), **bold predictions** (<https://dreamwork.financial/category/bold-predictions/>) and other articles in our knowledge base (<https://dreamwork.financial/educate-yourself-market-analysis-trading-strategies-and-401k-education/>).

Warm Regards,

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