



## What's Up with the Market – December 2019

Market News (<https://dreamwork.financial/category/market-news/>)

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Looks like the market is wanting to close the year on a high note as we keep hitting all-time highs. Last month (<https://dreamwork.financial/2019-11-whats-up-market/>) we spoke about how impressive the rally has been with corporate earnings beating across the board. It's really a reflection of how healthy the U.S. consumer is. I mentioned how "this is setting us up for a nice year-end rally as long as no major news comes out that could disrupt it." And so far that is what we have gotten with no major disruptions thus far.

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However, I ended feeling that the market seems to be getting complacent which is making me nervous. I referenced that the markets may already be reflecting the good news for next year and failing to discount the fact that things rarely work out the way they are supposed to. I wrote "there seems to be many headwinds on the other side of December, so I feel it's important to begin working on an exit strategy. But in the meantime, I'd still expect this upward momentum to continue with FOMO investing helping to lead the way. Just don't be caught with your head in the sand."

This is still my stance as the abundance of cheap money out there should continue to force money into risk assets such as the stock market. But I expect things to hit a rough patch once the headlines shift into full election mode.

Here is what I am focused on now:

## Trade War:

Last month I said, “right now it appears that the market is pricing in this ‘Phase One’ deal as a done deal” and that “I think President Trump is about to have to stop ‘dangling the carrot’ of a trade deal and actually sign it.” Well, it looks like the market had this pegged correctly as the US and China have verbally agreed to a trade deal. And on the news the market reaction was actually negative as it was expecting a little more substance. In this deal, the current tariffs will stay in place but no new ones will take effect. China also agreed to 40-50 billion in new agriculture purchases over the next 2 years.

“I have made it known in the last few newsletters that I think we will definitely make a deal with China, but most likely at a time it benefits President Trump’s reelection chances the most.” Not taking a side politically but I think this could definitely be what happened, facing impeachment and hoping to build consumer confidence going into the holiday shopping season.

Either way, “Phase Two” talks were said to start immediately and these should hold much more substance than the “skinny” nature of Phase One. Look for this to be front and center in 2020.

## Impeachment:

The House of Representatives voted to impeach President Trump for abuse of power from trying to pressure Ukraine to investigate his political rivals. This was the third impeachment of a US president in history. Now the next step to remove him from office is a trial in the Senate, which is controlled by the Republicans.

Markets expect the Senate Democrats to fail in getting the necessary Republicans required to remove him from office and don’t seem to be too worried. However, if they do actually remove him from office, expect markets to take a serious dive due to the massive uncertainty that would ensue.

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## Federal Reserve:

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The Fed still remains out of the equation and left rates unchanged at the December

meeting. Markets are pricing in no changes in rates for next year as the Fed remains to take a “wait and see” approach.

We will see how this goes. Remember, this time last year we were expecting a hiking cycle and now we see how wrong everyone was about that.

## Technical Levels:

Last month I wrote “this most recent breakout above 3000 was very significant showing us the next direction the market is wanting to go. Now that we are above 3100, we can look to 3000 on the S&P as our major support level.” This proved true as we are now at 3200 at continuing the melt up to all-time highs. Currently the technical levels are showing that the path of least resistance seems to be pointing higher but we know how that can change with one tweet these days.

## Conclusion:

The melt up/year-end rally we have been expecting is still happening. A strong consumer and cheap rates are fueling this rally. The skinny “Phase One” trade deal is also helping build confidence in the rally. However, in my opinion it has more to do with removing a negative cloud over the market than actually adding a positive.

It appears people are starting to get a little too optimistic or greedy based on where the market currently sits. This is what starts to make me nervous,

What’s even more interesting is **this same time last year** (<https://dreamwork.financial/2018-12-whats-up-market/>) everyone seemed very “doom and gloom” and couldn’t see anything positive about the market it seemed. I referenced my favorite investing quote from Warren Buffett: “be fearful when others are greedy and greedy when others are fearful.”

Being greedy this time last year when others were fearful was one of the greatest trades of all time as the market is having one of its best years ever. This year I’m wondering if it’s time to be a little fearful as the greed seems to be picking up. I expect the rally to continue with this momentum but remember things can turn on a dime. Just don’t be caught with your head in the sand.

Hope everyone has the Happiest Holidays! Please hit me up if I can help with any of your investment needs.

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Also, stay tuned for some exciting news and new features coming up in 2020!

Until next time,

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