What's Up with the Market- February 2019

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

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Since we left off **last month (https://dreamwork.financial/2019-01-whats-up-market/)**, the market continues to melt higher with its 8th consecutive week of gains. For those who were "**greedy when others were fearful (https://dreamwork.financial/2018-12-whats-up-market/)**" in December have been greatly rewarded with returns of over 15% since Christmas in the S&P 500 as the Fed has stepped to the side.

Currently, we are in the midst of earnings season which has been going well. It has been nothing spectacular but stock prices have reacted positively to solid earnings growth from companies such as Starbucks and Walmart this past quarter.

Here's what else I've been focused on:

China / US Trade

All eyes are also focused on US/China trade relations as they sit down for new trade talks. Trump has made comments saying March 1st is not a magical date as showing optimism that he is willing to negotiate. I still remain confident a deal will definitely get done as both sides have too much to gain/lose with the fact that you know both leaders would love the optics of a deal.

China Economy

Another worry that may be subsiding is the economic data out of China. **Recent China PMI (https://tradingeconomics.com/china/business-confidence)** shows an increase after 4 previous declines which is a good sign things may be going in the right direction.

Federal Reserve

Right now the Fed appears to still be on the sidelines. At the most recent fed meeting (date), **Powell said (https://www.investors.com/politics/columnists/job-creation-fed-robert-samuelson/)**, "the case for raising rates has weakened somewhat" as he pointed to sluggish inflation, slowing growth in Europe and China and the possibility of another Federal government shutdown. "My colleagues and I have one overarching goal to sustain the economic expansion." This sounds to me like they are going to sit on their hands until inflation forces otherwise.

"Brexit"

A "soft Brexit" is now the most likely outcome **according to recent GeoQuant (https://www.forbes.com/sites/markrosenberg/2019/02/19/brexit-update-hard-risks-soft-landing-still/#4db4375b3f06)** indicators which is a good thing. This is what May has been shooting for and this would probably be the lease disruptive at this point. They are also showing that a "hard Brexit" (instititutionally-disruptive) is still the least likely outcome for the March 29th deadline.

Technical Levels:

If you had been away and not watching the market for the last 6 months, you'd probably think the market feels like last summer all over again. The levels we are watching are the same from the newsletters **from June (https://dreamwork.financial/2018-06-whats-up-market/)** and **July 2018 (https://dreamwork.financial/2018-07-whats-up-market/)**, 2700-2800 and the 200 day moving average (purple line).

Current 1-year Chart below:

Chart from July 18 Newsletter below:

I'm not going to lie; the fact we are smack dab back in the middle of this trading range makes me feel a little uneasy. Just a couple months ago, it was tough to find anyone that wanted to buy this market and now we are back to the FOMO (fear of missing out) market.

While this time seems a little better, (cheaper valuations, Fed at our back, just had a healthy correction, etc), I can't help but feel like there is a lot of dumb money rushing into stocks at these levels after sitting out the obvious pullback.

What if we are setting up for Summer '18 2.0 with a slightly sideways market in a back and forth trading range? Then we argued that the Fed was going to be the major headwind. However, this time it could be up to the economy and individual companies to dictate how high or which way we go. Something tells me it won't simply be that easy though.

Conclusion

While a lot of the larger macro events may be subsiding, there is still the glaring fact that the economy can't simply grow forever regardless of whatever tricks they try to pull out of their hats.

All in all, it has been a pretty lackluster month event-wise, which I think we can all agree is a good thing. Something tells me we need to cherish these times while they last. There are plenty of reasons to be optimistic and plenty of reasons to be cautious here. I guess that's why we find ourselves back at these nice agreed upon levels from last Summer. That being said it's probably a great time to revisit your personal investment goals so please feel free to reach out if there is anything at all I can help with.