



What's Up with the Market- October 2019

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

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Well it's a brand new month, but we're still at the same old level on the S&P. As a matter of fact, if you had been away for the last 6 months and just looked at it or if you looked for the first time today, you wouldn't think we had really moved at all. However, we know that's hardly the case.

Let's look at the issues which are driving the market:

Impeachment

Just after posting last month's newsletter, we were hit with impeachment talks again causing this rally to fade at the 3000 level, yet again. This isn't the first time the possibility of impeachment has been brought up, but it's never had quite the momentum as it does

currently. I'm not sure if they have quite the ammo to impeach him, but if it gets closer to actually happening this would obviously be bad for the market – at least temporarily.

Trade War

Last month, just when things were looking their worst for the market, President Trump announced a surprise “phase one” deal with China which helped propel us back toward the market highs. In August’s newsletter I wrote, “Deep down I have a sneaky suspicion that Trump is going to make a ‘deal’ no matter what, but only at a time that benefits his reelection chances the most.” I’m afraid this may be a little of what we saw play out here with this “phase one” deal. It seems awfully convenient that this deal came just as impeachment talks were ramping up and the market was teetering on the brink of serious technical damage.

I don’t want to say this is definitely what happened, but it would support our trading strategy related to his negotiation tactics and re-election hopes.

Brexit

Brexit continues to be an ongoing issue. Currently it is in limbo after Boris Johnson’s bill passed Parliament, but the follow up vote on timetable was rejected. Who knows where this is going to end up, but the market is not a fan of all the uncertainty surrounding it.

Technical Levels

A month ago I posted this and it still rings true, “we have been pushing up into 3000 (on the S&P) for a couple weeks now and have failed to break through. It still seems like we need clarity on a deal to push us higher. But we could see earnings and valuations push us higher with the help of the current momentum.”

I still stand behind that statement as I think we could break through to new highs. This is especially true if we get an actual trade deal or a slew of strong corporate earnings.

Hong Kong

Protests in Hong Kong remain violent with no end in sight. As Americans have started speaking up in favor of the protesters, China has started to become more aggressive in censorship.

This has really created a wedge as businesses, such as the NBA, will have to choose sides. China spends a lot of money, but this should be an issue that should be clear to all Americans. Either way, this situation could have an impact on the bottom lines of companies that do business in China.

Syria

President Trump chose to withdraw troops from Syria, leading to increased chaos in the region. The Kurdish troops we had been helping now are feeling abandoned as Turkey prepares to invade the region.

These tensions could spill out into the rest of the world as other countries, such as Russia, could become involved. Any increase in conflicts would obviously be a bad thing for global markets.

Federal Reserve

For the first time in a very long time, I feel that the Fed is out of the equation, at least temporarily. The market seems to have gotten as much out of monetary policy as it can.

Don't get me wrong, the stock market loves lower interest rates. But I think we are at a rational point where good news is good news again. We no longer need to look for bad news to help our chances for a rate cut.

Conclusion

We are sitting at the same spot we were last month wondering if we could break out to new highs. All of the bad news has lowered expectations for this earnings season to the point where companies are able to report that things aren't as bad as they seem.

As volatility has picked up, a lot of the shine came off the momentum names and investors are now favoring value stocks for their more consistent, proven free cash flows. Now with the Fed being not as much of a factor, I feel that we are in a healthier environment. All we need now is some good corporate earnings, an actual trade deal or both.

Anyway, please let me know if I can help you navigate your investments through these uncertain conditions. I'd love to help!

Until next time,

Clint