
# What's Up with the Market – September 2019

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

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We left off in the midst of a very volatile and chaotic August as trade war worries continued to rattle the markets. My **conclusion (https://dreamwork.financial/2019-08-whats-up-market/)** last month was: "currently, investors are extra skittish and short sighted, eager for any opportunity to sell after one tweet and then rushing to buy after the next. If you're a long term investor, I'd take these moments of panic as opportunities to buy. However, I wouldn't buy just any stock but I would look toward higher quality names or secular growth."

Two days after I posted that newsletter, we were hit with a 700 point drop on the Dow following an additional $75B in tariffs by China on U.S. goods. This prompted Trump to fire back by telling American companies to "immediately start looking for an alternative to China and hit them with retaliatory tariffs." These actions put the market below 2850 on the S&P and near the technical lows that we have mentioned many times now.

The selloff lasted about a week before various commentary came out giving us reason to be, yet again, optimistic on the possibility of a China trade deal. Then by September 11 we were back over 3000 on the S&P nearing all-time highs. That is now where we sit as the market has moved sideways following the widely anticipated rate cut from the Fed. Now the market is waiting to make its next move. Here is what I'm looking at now:

# Trade War:

The trade war with China remains the biggest issue in determining which way the market goes from here. We continue to watch the negotiations play out over Twitter and the media which is a new concept for the markets to grasp. This will continue to cause volatility as investors (and investment programs) try to determine what each comment actually means. However, I still think President Trump has to make a deal if he wants any shot at reelection. So I'd be shocked if he doesn't make at least a small deal to give him ammunition for his campaign.

# Federal Reserve:

The Federal Reserve cut rates a quarter of a point last week as expected. This felt like the first time where markets and the Fed were actually somewhat in sync. Following the rate cut and press conference, the market was relatively unchanged. This is a great sign to me as we are normally up or down wildly after these events. It appears Powell may be finding his rhythm now as he stopped using language that can put him into a box. This should give him more flexibility to be more independent going forward. As I said last month, "the Fed has proven they are committed to doing everything they can to extend the rally, but now it is time for U.S. companies to pick up the ball and run with it."

# Global Fears:

Things still haven't cooled off globally. Hong Kong protests are **turning violent (https://www.usatoday.com/story/news/world/2019/09/23/hong-kong-protests-nearly-4-months-after-they-started-violence-rages/2417258001/)** again. **Brexit (https://www.bbc.com/news/uk-politics-32810887)** still has no resolution. **Recession fears (https://www.ft.com/content/10a85b94-dbbd-11e9-8f9b-77216ebe1f17)** are being faced around the globe. Iran is accused of **attacking the Saudis (https://www.reuters.com/article/us-un-assembly-saudi/saudi-arabia-seeks-action-against-iran-after-oil-attack-allies-wary-idUSKBN1W70JD)** energy infrastructure. Pretty much just getting more of the same from the crazy world we live in. And while it is crazy, a lot of this is at least somewhat factored into the market at this point.

# Technical Levels:

From last month: “The main level I’m watching is still 2800 to the downside on the S&P, which has been the clear support for quite some time. To the upside, I think the recent highs of just over 3000 on the S&P would be where I would expect resistance. I expect us to stay range bound between these levels until we get any further clarity on a trade deal.”

My stance on this hasn’t really changed. We have been pushing up into 3000 for a couple weeks now and have failed to break through. It still seems like we would 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. Add in the lack of other places to put your money for yield and a move higher is not out of the question.

# Conclusion:

Will we break out to new highs? Or will we fall back near 2800 as we have done so many times before? Despite the volatility and macro uncertainty, I feel like the market is at a healthy spot for the first time in a while. Value stocks are starting to come into fashion again as investors are focusing more on free cash flows and valuations. The market may have finally come to terms that it has gotten as much as it can get from Powell and the Fed and will hopefully give them a break. For the moment, we may actually be at a spot where good news is good news and bad news is bad news.

Here’s to hoping that our next move will be based off good news.

Thanks so much for reading. And please let me know if I can help you improve your investment game.

Until next time,

Clint