

## “What Goes Up Must Come Down”

By Tommy Williams, CFP®

Four major U.S. benchmark stock indices closed at record highs for four consecutive days during mid-February, reported Financial Times (FT).



Tommy Williams

To date, positive corporate earnings and robust investor confidence have offset fiscal and political uncertainty and helped push U.S. stock markets higher, said sources cited by FT. With 82 percent of companies in the S&P 500 Index reporting, corporate earnings are up 4.6 percent for the fourth quarter of 2016, and the Investors Intelligence Advisors Sentiment survey showed bullishness at a 12-year high last week,

according to CNBC.com.

While bullish performance is welcomed by stock investors, a Barron's article titled, 'Memo to Investors: What Goes Up Must Come Down,' listed the responses of traders at a firm whose chief market strategist asked:

*“In order to stay long U.S. equities, you have to believe...what? Here are some answers: Trump's recent troubles are just the typical pains of any new administration. The Federal Reserve hikes rates twice, not three times, in 2017, and the yield on 10-year Treasuries stays at or below 3 percent. Oil prices remain stable. The Street, for once, is too pessimistic on earnings, but since analysts already forecast profit growth of 10.5 percent in 2017 and 11.7 percent in 2018, lower taxes must goose growth.*

*To this list, [the chief strategist] added the following: Trump doesn't introduce*

*overtly protectionist policies. U.S. growth stays in the 2 percent to 3 percent range until Trump's economic agenda passes Congress. And no geopolitical event either increases global energy prices or dampens U.S. consumer confidence.”*

Stock markets may be highly valued, but the Conference Board Leading Economic Index, which was designed to determine highs and lows in the business cycle, indicates the U.S. economy is doing well. The index increased for three consecutive months (November through January). The Conference Board's director of business cycles and growth research, Ataman Ozyildirim, said, “The January gain was broad based among the leading indicators. If this trend continues, the U.S. economy may even accelerate in the near term.”

In fact, CNBC recently used the word “boom” to describe the positive direction the market is heading:

*“The tumult surrounding President Donald Trump’s first weeks in office has not bothered professional investors, whose confidence is surging that both the economy and stock market are in for robust times ahead. Optimism that the global economy is in a ‘boom’ period has multiplied by orders of magnitude, according to one measure in the latest Bank of America Merrill Lynch Global Fund Manager Survey. Some 23 percent believe the economy will see above-trend growth and inflation in the next 12 months, which [Bank of America Merrill Lynch] interprets as ‘boom’ sentiment.”*

The CNBC article warns, however, that we shouldn’t get too comfortable:

*“Of the multiple market risks, 34 percent of the fund managers believe trade protectionism is the biggest. Trump has repeatedly criticized international trade agreements, and Wall Street is worried that an imposition of tariffs could spark a global trade war. The investors also continue to believe*

*the U.S. dollar is overvalued, with a net 28 percent indicating the U.S. greenback has risen too far.”*

Whatever you believe, there are a couple of things I know: 1) You need to have a clear plan and stick to it and 2) Most of us need a competent trusted advisor to sort out the “noise” in order to stick to that plan.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. This material was prepared in part by Peak Advisor Alliance.

Visit us at [www.williamsfa.com](http://www.williamsfa.com). Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through RFG Advisory Group, a registered investment advisor. RFG Advisory Group, Williams Financial Advisors, LLC, and Peak Advisor Alliance are separate entities from LPL Financial. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.