"A Nation Divided"

By Tommy Williams, CFP®

What's the word 'phenomenal' worth? It all depends on who says it.

Tommy Williams

Barron's shared *Wilshire Associates'* calculations which indicated the word was worth about $175 billion – the amount markets gained early this month – when President Trump used it to describe the tax plan his administration will deliver *"ahead of schedule."* Markets gained another $100 billion in value about a week later. *Barron's* reported:

"While tax reform is definitely coming, a final bill is still a long way off, and a 2017 effective date is looking less likely…[However,]…the equity markets are more than willing to give the new administration the benefit of the doubt. Something's coming, even if we don't know what or when. And that seems good enough to bid stocks higher…"

The word 'phenomenal' is probably worth a bit less than *Wilshire's* estimate. United States stocks pushed higher on positive earnings growth, too. With 71 percent of companies in the S&P 500 Index reporting results for the fourth quarter of 2016, "…the blended earnings growth rate for the S&P 500 is 5.0 percent. The fourth quarter will mark the first time the index has seen year-over-year growth in earnings for two consecutive quarters since Q4 2014 and Q1 2015."

Consumer confidence remained high, but wavered a bit in February, according to the *University of Michigan Surveys of Consumers*. Americans are happy with their current financial circumstances, but expectations for the future dropped sharply. Surveys of Consumers chief economist, Richard Curtin, wrote:

"… a total of nearly six-in-ten consumers made a positive or negative mention of government policies. In the long history of the surveys, this total had never reached even half that amount…These differences are troublesome: the Democrat's Expectations Index is close to its historic low (indicating recession) and the Republican's Expectations Index is near its historic high (indicating expansion). While currently distorted by partisanship, the best bet is that the gap will narrow to match a more moderate pace of growth."

Regardless, the mood around the country is elevated. According to *Yahoo Finance,*

"A mix of hopes for lower taxes, less regulation, and increased fiscal spending, boosted both business leaders and consumers alike. Like the election, however, these surveys showed — particularly at the consumer level — a nation divided. And so it was an open question about whether there'd really be any follow-through from positive surveys, called "soft data" by economists, into actual hard data like increased spending. A…[recent]

report [from the Census Bureau showed](#) that retail sales in January rose 0.4% over the prior month, more than expected by economists. This is also notable considering that it came against a December report that was revised significantly higher — to 1% sales growth from 0.6% originally. Consumer spending accounts for about 70% of GDP growth, and so continued positive momentum on this front is likely to boost overall economic growth. Over the last 12 months, retail sales are now up 4.9%. Along with the better-than-expected retail sales numbers, Wednesday morning also featured strong readings on inflation that show an economy which could be close to pressing the Fed to raise rates faster than the market expects. Headline inflation rose 2.5% over the prior year in January, the most since March 2012. "Core" inflation, which is more closely tracked by economists and the Fed and excludes the prices of food and energy, rose 2.3% over the prior year. The Fed is targeting 2% inflation."

Regardless of your position on the nature of the political climate, at least for now, we must agree that things look pretty "phenomenal." Depending on whether your financial goals are short term or long term, I think it is a good time to observe that famous Warren Buffet quote, *"Be fearful when others are greedy and greedy when other are fearful."*

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. 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. 05.

Reprinted with permission of the Shreveport Times February 26, 2017.