

## Is It Time To Get Nervous?

Two months and counting after the November election and it appears that the recent market euphoria may be beginning to fade.

Expectations of a more robust pace of business activity are one thing, but there's a considerable lag time between the talk about changes that may have a favorable impact on corporate profits and the reality of when that might actually happen.

Consumer confidence has risen to the highest level since 2007, just before the onset of the Great Recession. The good news is that the banking system, after the extended turmoil of that time, is again functioning quite well. Even so, part of the improved outlook is a reflection of hopes for a pickup in the economy, which has been marking time for an extended period.

Whether the hopes will be fulfilled is another story. Every year, Wall Street analysts crank out their earnings estimates for the next 12 months. With rare exception, the numbers start on the optimistic side and then get pared back over the course of the year. So here we are again with yet another vote of confidence from the "pros", but the odds are that this year's pattern of revisions will follow those of the past.

At a minimum, this perspective will trigger the thought of reducing one's risk quotient while pondering the economic developments that lie ahead. Although there are divergent views of where things stand now, few make much sense.

Focusing primarily on the U.S. because international markets are still roiled ignores the fact that U.S. valuations are stretched, not ridiculously so, but enough to raise an eyebrow. The same goes for concern about the impact of rising interest rates on fixed-income securities. And so on. Investing in the U.S. market because other opportunities are less compelling pays no attention to where valuations are today.

This is one of the times when there is increasing reason to think about staying on the sidelines while awaiting information that may

strengthen reasons for making or adding to commitments. What is unwise is the belief that you should never take a breather.