

Good News and Bad News

Not only is the U.S. economy moving ahead at an impressive rate, but so are most of the major economies around the world. So it's no surprise that there's been a global advance in most of the world's stock markets. Still, it's important to keep in mind that the U.S. economy has been a leader in the recovery from the depths of 2008-2009, though this head start has brought the valuation of our stock market toward the upper end of the traditional range. At a minimum, this reality should alert investors to the increased risk that is part of the equation. There are values to be had as well as "investments" in which investors may be had. Better to take a closer look before jumping in.

Even with the richer valuations, the odds are that 2018 will ring up another advance. In years past when above average gains were registered, returns in the year following were in the black more than three-quarters of the time. Given the likelihood of additional increases in corporate earnings, helped at least somewhat by an eased tax burden, there should be sufficient justification for another move up, if only as a reflection of rising profits.

The other side of the coin deals with the probability of unsettling geopolitical events, rising interest rates, and a return to the kind of stock price volatility that is a normal part of most years. As much as folks would like to think that the year just past might be thought of as a new normal, that's extremely unlikely. Wiser heads would make the case for a more moderate advance accompanied by a return of the usual ups and downs. Trees don't grow to the sky and the stock market has always had its share of the jitters. The likely view ahead: A gain by yearend, but one or more hearty burps along the way. Bet on it.