

Going Nowhere Fast

Despite numerous triple-digit market moves so far this year, there's been no substantial progress since the end of 2017. Lots of turbulence, but essentially no forward movement.

This isn't really surprising since investors tend to react to what lies ahead, not to what's going on at the moment. So the well above average gains registered last year were largely in anticipation of the big earnings advances being made this year. Given that perspective as well as the likelihood that 2019 will provide a much more moderate rate of increase, it's no wonder that the enthusiasm that propelled stocks last year has diminished considerably.

The optimism or lack thereof evidenced in investors' attitudes tends to reflect the acceleration or deceleration in the rate of earnings increases registered by the corporate community. Although bottom-line numbers are climbing handsomely at the moment and probably will through yearend, the morning line on 2019 suggests that year-over-year comparisons will become increasingly difficult. That challenge will be exacerbated by the one-time benefit of the corporate tax cut this year as well as continued credit tightening by the Fed.

In addition to the impact of less sparkling fundamentals, the market will remain vulnerable to the nonstop flow of daily developments from within the DC Beltway and ongoing geopolitical problems. Worthwhile progress by Congress has slowed to a crawl while the volume of news about tangential matters has turned up considerably.

Once again, the heat has been turned up in the Israeli/Gaza conflict. And, the regular stream of school shootings here in the U.S. continues unabated while our elected representatives do little more than pay lip service to this most disturbing trend.

All things considered, despite the apparently solid underpinnings for equity investments, it's time for a more prudent view of the quarters ahead. Stick with companies that have solid, long-lasting records as well as short-duration bonds providing ample current returns in addition to stability during times of market unsteadiness.