Market Musings April 25, 2018

"A wise man will make more opportunities than he finds."

— Francis Bacon

Springtime in New York can be glorious. Central park awakens, a multi-cultural buzz fills the air, Broadway is selling out and (most importantly) market strategists are happy to share their outlook. Late last week, I had the opportunity to visit with Goldman Sachs. I am going to generalize their remarks and add my own thoughts in italics. Generally, they are pro-growth, pro equity and pro reality.

Lots of Noisy Headlines – *other than Brexit and Facebook, many of the headlines are Trump or tweet related. Watch what he actually does, not what he says or tweets.*

Economic expansion continues for 10 more months

Risk of recession increases in the next 2 years

Mid-single digit stock returns (S&P 500) *It is hard to disagree that both the economic expansion and the stock market recovery should start to wane. Intuitively if the Democrats win control of the Congress, I suspect that expedites the conclusion of the expansion and the risk of recession. What no one knows (nor can they know) is the breadth and depth of a recession or the negative implications to the stock markets.*

Earnings growth in 2018 should be +9%

Earnings growth in 2019 should be +5% *Slowing earnings growth should be a blinking yellow light!*

Economics – Global Economy is Strong

> **@94% of countries have growing economies**

> **@61% of countries have growing economies and accelerating economies**

Europe slows economically (Brexit) but not their equities in general.

Interest rates should be higher than they are right now.

Expectation is for 10 year Treasury bond yielding @2.85% – to end up @ 3.30% at end of this year. *I find it hard to think that slightly higher interest rates slams the brakes on our economy.*

The message was one of diversification. As many of you know, we strongly believe in the power of diversification. It is a core tenant of our investment process. I would ask you to contact us if you have questions or concerns regarding how the above *may* affect your planning.