

Hello Friends,

Here we are at the midpoint of the year and the stock market seems very confused. All of the major indices are flirting with all-time highs, but it certainly doesn't feel like a bull market. The market is nothing more than a gigantic voting machine that reflects either the confidence or pessimism of the collective opinion of all its participants. So if the market is confused, that just means that all of its participants are equally confused.

Which is it today, a Bear Market or a Bull Market? Looking at the December 24, 2018 Dow Jones low of 21,792 and the June 30, 2019 close of 26,600, one could argue that we are in the midst of a strong bull run. Over that six-month time span, the Dow has gained 4,807 points, or 22 percent. That advance would certainly meet the definition of a bull market. However, if you're looking at the October 3, 2018 Dow high of 26,828 and the June 30th close, then the Bears could correctly argue that the Dow has gone nowhere, and in fact lost 229 points, or minus 1% over a nine-month time span. The "glass half full" folks would call it a Bull Market and the "glass half empty" gang would argue Bear Market.

Put me in the "glass half full camp". What I see at the present time is an environment where everyone hates everyone. Trade wars with Mexico and China are wreaking havoc on the global stage and no one seems pleased about anything. We live in fear of war with Iran and/or North Korea. Then throw in the promise of open borders, free health care, free college, higher taxes, and the result is a stock market in upheaval.

In my opinion, everything changes prior to the 2020 election. It's still early, the November 3rd election is 491 days away. I'm predicting that in another 100, 200, perhaps 300 days, trade wars and the threat of military wars all get resolved. I believe that the pressing issues confusing markets today will have a favorable outcome and stock market prices will surge in front of, and after the 11/3/2020 election. It's also possible that the Fed will cut interest rates in 2019 and 2020. After all, the Fed chairman is a Republican. My prediction is Dow 30,000 by the end of Trump's first term and Dow 40,000 by the end of the second term, if he wins re-election. The Dow has gained about 45% from 11/9/16 to Friday's close, a 2 ½ year time frame.

Nothing is different today than any period in our past. It's always the same. The market is constantly dealing with problems and uncertainties. There will never be a period when everything is known and all of the stars are aligned. If I'm right about a favorable outcome regarding trade wars and military conflicts, then those problems will be replaced with a new set of challenges and the financial markets will find something new to find worry.

My point is that the most profitable strategy is to stay invested and avoid reacting to the news of the day. Recognizing that there will always be inherent volatility as the masses react to news and events, I like to buy when the news gets bad and I sell when the news improves. In the current market environment, I'm going to hold most of my positions and will continue to deploy cash whenever the market suffers an ugly day to the downside. On the good days, I'll be lightening up on some of my weaker performers.

My ten favorite stocks in no particular order include Google, Salesforce, Roku, Twilio, Amazon, Costco, Lululemon, Decker Outdoors, Lockheed Martin and Northrup Grumman. I'm selling a few shares of Tesla and FedEx and harvesting those losses into market strength. I'm a buyer when the market declines and a seller into an advance. I use the views of market "experts" as a contrarian indicator. I do my best to go opposite of the consensus public opinion.

In order to dampen market volatility and reduce risk, I usually have a portion of each account invested in CDs and/or tax-free municipal bonds. Every client is different and every account reflects my view of an appropriate risk profile. Please call or email if you would like to discuss investment strategy or asset allocation. I am ready and able to meet at any time. Thanks for reading. Enjoy your summer.



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