THE WEIGHT OF THE EVIDENCE: -1 (CAUTIOUS)
EVIDENCE CAUTIOUS AS INDEXES LOOK FOR BREADTH SUPPORT

October 5, 2018
Please refer to Appendix – Important Disclosures.

MACRO FACTORS (WHAT COULD HAPPEN):

FED POLICY

BULLISH

Upward pressure on wages could keep Fed with bias toward rate hikes

BEARISH

ECONOMIC FUNDAMENTALS

BULLISH

Economy on verge of breaking out of slow growth mode

VALUATIONS

BULLISH

Valuations have improved but remain elevated – focus now turns to sustainability of record profit margins

MARKET FACTORS (WHAT IS HAPPENING):

SENTIMENT

BULLISH

Even with equity fund outflows, household exposure to stocks remains elevated

BEARISH

SEASONAL PATTERNS AND TRENDS

BULLISH

Stocks likely to contend with volatile October before favorable fourth-quarter tailwinds emerge

BREADTH

BULLISH

New highs in US indexes not getting support as market internals deteriorate and new low list expands

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