October 31, 2018

THE WEIGHT OF THE EVIDENCE: -1 (CAUTIOUS)

DETERIORATING BREADTH OFFSET BY IMPROVING SEASONAL TRENDS

MACRO FACTORS (WHAT COULD HAPPEN):

FED POLICY

- BULLISH
  Fed expects to raise rates once more in 2018 and follow that with three more rate hikes in 2019.

- BEARISH

ECONOMIC FUNDAMENTALS

- BULLISH
  Yearly GDP growth has exceeded forecasts in each of the past four quarters, the longest such string in nearly 20 years.

- BEARISH

VALUATIONS

- BULLISH
  Valuations have been improving as prices have stalled and earnings growth has soared, but stocks are still not cheap.

MARKET FACTORS (WHAT IS HAPPENING):

SENTIMENT

- BULLISH
  Investor optimism is waning but pessimism not widespread enough to suggest sentiment is washed out.

- BEARISH

SEASONAL PATTERNS AND TRENDS

- BULLISH
  Passing of elections is typically a seasonal tailwind but lack of leadership confirmation is keeping us neutral.

- BEARISH

BREADTH

- BULLISH
  Industry group trend deterioration has prompted a downgrade in our view of stock market breadth.

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