

Money Talks

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Market Comment

Investors appear to be breathing a sigh of relief as the newfound optimism this year looks like it may have staying power. So far, the market, as measured by the S&P 500, has managed to hold onto the strong gains it experienced in the first quarter of this year. The MSCI ACWI Index, a popular global benchmark, is doing well, boosted by U.S. returns. Bonds have also enjoyed nice gains across the credit spectrum, with both investment grade and high yield bonds seeing strong buying interest. After the recent run-up, domestic stock markets are near last year's highs. If they can move past these levels, it will be a strong sign of support from investors.

Accommodative policies from central banks across the globe likely played a positive role in the market's change of tone. Following last year's market rout, several have been proactive in increasing stimulus to jumpstart their respective economies and support their financial markets. In the U.S., the Fed's shift has been noticeable. Recently, Fed officials have been vocal about the need to be patient, thereby holding off on rate increases for the time being. A pause seems wise, considering that inflation remains benign and the impact from recent rate hikes may need some time to work through the domestic economy.

Indeed, rays of hope are beginning to crop up in the global economy. In March, China's reading

of its manufacturing industry reached an important milestone. The figure was above the threshold that signals expansion in manufacturing, a significant source of growth for the world's second-largest economy. Investors will be keeping a close eye on whether this marks a turning point for China since its three previous readings showed that the industry was contracting. Clues from growth in other emerging markets suggest the gains may be sustainable.

Readings from several developing economies gave expansionary signals as well, marking the second month in a row that they have outperformed their developed counterparts. Although concerns remain, these are signs of improvement, which suggest that coordinated efforts by monetary officials worldwide are beginning to bear fruit.

The U.S. economy remains the bright spot among its peers. While Japan, South Korea, and key countries in Europe struggle, the U.S. continues to make strides in key areas. On the jobs front, unemployment levels remain low and wages are rising. The manufacturing and service industries remain in expansion mode. Consumer spending has proven to be resilient even in the midst of the government shutdown experienced early in the year. In addition, lower interest rates may add a much needed spark to home sales and refinancing activity.

One area that could use some improvement is corporate profits. Analysts have lowered their outlooks for first-quarter earnings by a wider margin than typical. At the time of

this writing, projections call for earnings to fall 4.2% year over year. Sales should grow 4.7% year over year, but less than expected at the end of the year. Looking ahead, expectations remain subdued. Second quarter profit growth estimates are flat at best, while third- and fourth-quarter projections show low to high single digit growth, respectively.

At first this may seem like not-so-good news for the stock market. However, there is another more positive side to the story. With earnings, as most things in life, *expectations* are what matter most. When analysts revise estimates lower, stocks may respond negatively at first, but it helps investors to set their benchmarks to realistic levels. With the bar lower, companies are likely to beat lowered expectations setting up for an opportunity for corporate profits *and* stock prices to outperform.

By the time you receive this, we hope to have more clarity on some issues that have dragged on for some time, namely the trade war and Brexit saga! While the hope is for all to end well, a healthy dose of skepticism has settled in as important issues remain unresolved. Although considering the efforts being made to extend deadlines and make progress on negotiations, it appears all involved want an amicable outcome.

While the ability of the stock market to overcome a myriad of challenges is impressive, the next phase may be its most challenging. Global growths concerns notwith-

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STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	<u>4/12/19</u> <u>Closing</u> <u>Price</u>	<u>Yield</u>	<u>Est EPS</u> <u>Next Year</u>
Procter & Gamble (PG) <i>Worldwide mfr of consumer goods</i>	105.06	2.73	4.77
AT&T (T) <i>Worldwide telecom holding company</i>	32.20	6.34	3.66
Alerian MLP Fund (AMLFP) <i>Energy MLP ETF</i>	10.14	7.88	n/a
International Paper (IP) <i>Global paper and packaging mfr.</i>	47.76	4.19	5.11
Kimberly Clark (KMB) <i>Global health and hygiene products</i>	123.18	3.34	6.94

GROWTH STOCKS

	<u>4/12/19</u> <u>Closing</u> <u>Price</u>	<u>Est</u> <u>P/E</u>	<u>Est EPS</u> <u>Next Year</u>
The Walt Disney Co. (DIS) <i>Media networks and resort destinations</i>	130.06	18.8	6.93
JPMorgan Chase & Co. (JPM) <i>Global financial services firm</i>	111.21	10.6	10.52
ABB Ltd. (ABB) <i>Industrial equipment and systems</i>	19.72	17.3	1.14
Apple, Inc. (AAPL) <i>Multinational technology company</i>	198.87	15.6	12.72
Comcast (CMCSA) <i>Global telecommunications conglomerate</i>	41.30	13.0	3.18

GROWTH AND INCOME STOCKS

Pfizer (PFE) <i>Global biopharmaceutical company</i>	41.71	3.45	2.99
LyondellBasell Industries (LYB) <i>3rd largest chemical company</i>	92.29	4.33	11.54
Prudential Financial (PRU) <i>Large life insurance co</i>	101.46	3.94	13.74
Johnson and Johnson (JNJ) <i>Manufacturer healthcare products</i>	135.98	2.65	9.19
Walmart (WMT) <i>Retail giant</i>	101.56	2.09	5.00

AGGRESSIVE GROWTH STOCKS

Salesforce.com (CRM) <i>Enterprise software for client relationship mgmt</i>	160.71	89.3	1.80
PayPal (PYPL) <i>Worldwide on-line payment system</i>	108.48	39.9	2.72
SS & C Technologies (SSNC) <i>Software services to financial service providers</i>	65.29	16.2	4.03
Alphabet Inc. (GOOGL) <i>Internet search engine, cloud computing, delivery svcs</i>	1,222.73	22.2	55.04
Check Point Software (CHKP) <i>Internet security solution provider</i>	130.40	22.1	5.89

New Addition

Salesforce.com (CRM): Salesforce.com is a leading provider of enterprise software of customer relationship management services. The company's solutions help its clients store, manage, and share data in the effort to increase efficiencies and enhance productivity. As such, Salesforce.com has been experiencing solid demand for its products, which helped the company beat profit expectations in its most recent quarterly earnings report.

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standing, valuation levels are once again elevated and the bull market is getting long in the tooth. As such, the path ahead may be bumpy, and therefore we believe a cautious stance is warranted.

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