

COMMENTARY OCTOBER 1ST, 2019

Stocks surged to new highs in July ahead of the Federal Reserve's first cut to interest rates in a decade but then dropped in August as the long simmering trade war with China escalated and fears of a U.S. recession abounded. Indices clawed back August losses in September to eke out a modest increase for the 3rd quarter. This helped stocks hold onto their biggest year-to-date gains in more than two decades and prolonging the longest bull market on record. For 2019, the S&P 500 Index is up 18.7%, while the Dow Jones Industrial Average advanced 15.4%. These increases comes alongside rallies in bonds and commodities. (Wall St. Journal October 1st 2019)

Investors are monitoring the political drama in Washington as lawmakers proceed with an impeachment inquiry against President Trump. While cable news has been all impeachment, all the time, it matters less to Wall Street and Main Street. The start of House impeachment inquiries is likely to have scant impact on consumer sentiment and spending, the bulwarks of the American economy. The S&P 500 index traded down nearly 0.8% the Tuesday the news broke out that speaker Pelosi planned to begin the inquiry, although the market was already falling thanks to a disappointing consumer confidence reading. (Barron's September 23rd 2019).

Impeachment makes for riveting television. For the stock market, the impact is less clear. From the beginning of President's Nixon's impeachment inquiry in February 1974 through his resignation in August that year, the S&P 500 dropped about 13%. But from President Clinton's impeachment in 1998 through his acquittal in the Senate in 1999, the S&P gained 28%. (Barron's September 30th 2019) Impeachment is only one of many newsworthy events, and market fluctuations reflect different headlines about the economy, monetary policy and one-time disruptions such as the recent attack on the Saudi Arabian oil processing facility. In an environment of slowing global growth and historically low interest rates, the primary driver of a stock market pushing through previously set highs will be accelerating corporate earnings.

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