Intrinsic Investors

The Month in Review

November Takeaways

- What if they had an election and nobody won? November felt that way in the wake of the recent mid-terms. After a strong start going into election day, uncertainty over numerous races rattled investor confidence and sent stocks lower into the middle of the month.

- Against this backdrop, investors and the markets had to contend with a mixed bag of economic news, further raising doubts about the future direction of the economy and the current bull market. We remain cautiously optimistic.

- While we see continued softness in housing and autos, the consumer, who represents about two-thirds of GDP, shows few signs of fatigue if reported holiday retail sales are to be believed. Employment remains up, inflation remains subdued and wages are inching up as well, as evidenced in last week's Personal Income & Outlays report.

- On a macro level, Q3 GDP came in at 3.5% showing continued economic strength and prompting Fed Chairman Jay Powell to announce a "moderate course" in fiscal policy moving ahead. That said, the general consensus is for another ¼ point hike in rates in December.

- This, plus continued increases in earnings (Dow EPS are up 28% year-to-date), hope over progress with China, lessening tensions in the EU and a dose of seasonality have (for now) re-invigorated the "animal spirits" in the equity markets. On the negative side, talk remains strong for the risk of global contagion. Watch that debt!

- The technical picture of the stock market is still sending mixed signals and this increases the impact "algo-traders" have on the daily direction of stock prices. The Recession Predictor is still neutral (>53%), but rising. Bottom line- Wall Street loves to climb a Wall of Worry. I'll vote for that!