



## The Month in Review

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### April Takeaways

- Stocks remain in a *confirmed uptrend*. The technical picture of the market remains solidly bullish as it has since flashing a green light towards the end of January. That said, it is fair to point out that May can often be a brutal month for the bulls.
- On the valuation front, our [Relative Value](#) chart, where we track the actual versus hypothetical value of the Dow Jones Industrial Average shows that the market at current levels is *fairly priced*, based on the historical cumulative average long term rate of return.
- Trailing earnings growth on the Dow Jones Industrial Average is still north of 22% and reflects the continued economic strength driven by the recent positive revision to first quarter GDP, continuing low unemployment and healthy consumer spending.
- We expect the current trend to continue, but not without the volatility that has returned to the stock market. After further analysis of the fourth quarter market correction, I find evidence suggesting the culprit was, in fact, institutional selling taking place. I discovered a downtrend signal that appeared in early October. The signal turned positive in early January, prior to our other indicators turning positive.
- We will monitor this signal to determine whether or not it will be added to our market monitoring platform. In order to make the list, a signal has to be *actionable*. This particular indicator is a relatively short-term indicator. We are not short-term traders, but we'll see where this research leads us.
- To summarize, April closed with the continuation rally intact. Earnings season has commenced with mixed, results, but on balance positive. Progress is being made on trade issues. Brexit was pushed off into the future (*again*). The two economic issues I am focused on are forward earnings (*slowing*) and inflation.
- Finally, the interest rate situation remains the same, with the Fed on hold and being patient (there's that word again.) This is reflected in our [Recession Predictor](#) which is holding near 73% chance of recession. Stay tuned.

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