“The Bull Market Needs a Pediatrician, Not a Mortician”

-Doug Ramsey, The Leuthold Group (December 14, 2017)

Note: We recently published this commentary in one of our strategy reports and received an overwhelming response. Accordingly, we thought we would share it again with readers that do not receive our daily missives.

In 1981, The Leuthold Group was founded by the sagacious Steve Leuthold. It is an independent stock/economic research firm that produces disciplined, quantitative financial and contrarian financial research for investors. The research team is led by CIO Doug Ramsey, who is one of Wall Street’s best and brightest. Recently, however, Jim Paulsen left Wells Capital after 20 years to join the eagle-eyed Leuthold Group. We have read Jim’s prose for years and have always found it to offer some of the best investment insights around. In fact, in recent history, Jim and I were on CNBC together advocating similar investment strategies, but I digress.

Last week, we read an article on CNBC’s website with the title “Strategist Doug Ramsey: The bull market needs a pediatrician, not a mortician,” which is a fabulous quote! The byline read, “Leuthold Group’s Doug Ramsey says the bull market is getting older, but that doesn’t mean it doesn’t have room to run.” Doug goes on to say:

One of the longest bull markets in history is showing little sign of slowing down. . . . It is now the longest cyclical bull market on record. We’re closing in on potentially a ninth birthday next March. It’s now the second-most expensive market of all time: We’re still, on most measures, not all, but on most measures we’re still well below the highs that we made in March of 2000.

We agree, but we take issue with the statement “One of the longest bull markets in history,” as well with the statement, “It’s now the second-most expensive market of all time,” a point we have argued against in these missives for years. Ladies and gentlemen, secular bull markets last 15+ years and tend to compound at around 16% per year. For example, the 1949-1966 secular bull market lasted 17 years and took the D-J Industrial Average from its June 1949 low of ~161 to the bull market high of ~995 in February 1966. Were there pullbacks? You bet.

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Jeffrey Saut

“The Bull Market Needs a Pediatrician, Not a Mortician”

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The President Kennedy steel crisis of 1962 lopped 26% off of the Dow in about three months, but the bull market persisted. From the 1966 peak, the Industrials were range-bound for 16 years (until 1982). Now, if your definition of bull and bear markets is a 20% rally, or a 20% decline, in that 16-year rangy stock market there were 13 tactical bull and bear markets. However, that is NOT our definition of a secular bull market.

In 1982, the Dow broke out of that 16-year range-bound market and commenced the 1982-2000 secular bull market. Hereto, there were pullbacks, the biggest being the 1987 Crash, but that did not end the secular bull market. In fact, most of the indices were marginally higher in 1987, and the secular bull market extended for another 13 years. In the spring of 2000, the 1982-2000 secular bull market ended and the senior index was again range-bound for 13 years, until April of 2013. The problem many pundits have is they cut off the 1949-1966 secular bull market in 1956 when Egypt tried to take over the Suez Canal and the Industrials lost some 26%, but that did not stop the secular bull market. Again, said gurus cut off the 1982-2000 secular bull in 1987 because of the Crash, yet that too did not end the bull market!

We revisit what a secular bull market is this morning because there is so much misinformation bouncing around the Street of Dreams causing consternations for many investors. We are reminded of the venerable Mr. Partridge, aka “Old Turkey”, in the legendary book *Reminiscences of a Stock Operator*, where Old Turkey reminds us “It’s a bull market, you know;” and that’s all you really need to know! Indeed, in a bull market, most of the surprises come on the upside. Also worth mentioning is that secular bull markets have “three legs.” We think the first leg began on October 10, 2008, when 92.6% of all stock traded on the NYSE made new annual lows, and ended in May 2015. From there, the Dow went into an upside consolidation for almost a year as the negative nabobs screamed that we were building a giant top that was going to be followed by a stock market crash. The “second leg” began in February of 2016 when Royal Bank of Scotland told us to sell everything except high-quality bonds. The second leg is always the longest and strongest and is driven by the accommodative Fed monetary policy that drove the first leg. However, in the second leg, the economy starts to improve and earnings tend to come in stronger than expected. When the second leg ends is unknowable, but when it does there will be another upside consolidation followed by another upside breakout leading to the third, or speculative, leg of the secular bull market. In the 1982-2000 affair, the third leg began in early 1995 and lasted until the spring of 2000.

Interestingly, off of the December 1974 low (577.60), the senior index tacked on about 52% into the July 1975 trading top. Off of the generational low in August 1982, the Dow was up some 60% into its near-term top in June 1983. From the March 2009 low into January 2010 short-term trading top, the Dow rose some 64%. So why is everyone freaked out that since the second leg of the secular bull market commenced in February 2016 the Dow has gained ~54% as of last Friday (December 15)? We do find it interesting, however, that the 1974, 1982, and 2009 lows were MAJOR stock market lows, while the February 2016 was not, but that is a discussion for another time.

*(text continues on following page)*
“The Bull Market Needs a Pediatrician, Not a Mortician”

The point of today’s diatribe is that there is an old stock market “saw” that goes: “A person will experience three bull markets in their lifetime. In the first one you do not have enough money to do much with it. In the third one you are too old to take the risk of investing in stocks. So, you had better use the second bull market to accumulate wealth.”

For the investor born in 1929, at the start of the 1949-1966 bull market, they would not have had much money to take advantage of that secular bull market. In the current 2009-? bull market, our investor would be 80+ years old and consequently probably unwilling to be very aggressive with stocks. Indeed, our hypothetical investor would have had to take full advantage of the 1982-2000 secular bull market for wealth accumulation (chart on page 5). Accordingly, an investor born in 1965 would not have had much money to play the 1982-2000 bull market. But, at the 2009 generational stock market bottom, that investor would have been 44 years old and, therefore, should have the means to aggressively invest in the current secular bull market, which would be the second one of their lifetime. We urge investors to invest accordingly.

For a long time, we have suggested that the world economies were going into a synchronized economic recovery. Accordingly, it was no surprise when, over the weekend, SentimenTrader’s Jason Goepfert wrote, “Every major Economic Surprise Index across the world is now positive. From the U.S. to China, Europe to Emerging Markets, all regions have had economic reports that have exceeded economists’ expectations. When we’ve had such coordinated economic goodies in the past, defensive sectors did the best going forward. The dollar and commodities suffered, the yield curve declined, and emerging markets did the best of all.”

Last week, the Technology sector was the strongest and made a new all-time high. If the tax bill “flies,” the sectors that should benefit the most are: Financials, Retailers, Telecom, Transports, and small-cap stocks. Indeed, the small-cap Russell 2000 saw a big lift on Friday as it bounced off of its 50-day moving average. Copper’s recent rally is also suggestive of world-wide economic strength.

Remember, “A person will experience three bull markets in their lifetime. In the first one you do not have enough money to do much with it. In the third one you are too old to take the risk of investing in stocks. So, you had better use the second bull market to accumulate wealth” [like this one].
This is What Secular Bull Markets Look Like (1949-1966, 1982-2000, 2008-?)
Jeffrey Saut

Synchronized Worldwide Economic Recovery and Here It Is

Even the most negative Economic Surprises are positive

Source: SentimenTrader.

Minimum Citigroup Economic Surprise Index

Source: Citigroup, SENTIMENTRAIDER
## Economic & Market Update

### Equity Markets/Technical Analysis

- **Market Outlook** – Most, if not all, of the major indices are higher than they were this time last month. The highly anticipated tax reform bill that was “rocket fuel” to the markets the last several weeks is finally a reality and will likely serve to “buoy” the major indices into the New Year as earnings estimates are reset (higher) for 2018 and beyond.

- **S&P 500 Earnings**
  The S&P 500 finished 3Q17 with a blended earnings growth rate of 6.4%. This is a marked increase over expectations for 3.1% as of Sep. 30. The estimated earnings growth rate for 4Q17 is 10.6%. All 11 sectors are expected to report earnings growth for the quarter, again led by Energy.

- **S&P 500 Earnings estimates**
  - 2017 - $125.03, 2018 - $144.54
  - Current P/E: 2017 – 20.5x, 2018 – 17.9x
  - Earnings estimates have held steady since this time last month while valuations are up 1 turn, reflecting the recent strength.

- **S&P 500**
  - Key support: 2674, 2650, 2625, 2600
  - Key resistance: 2694, 2700

- **Sector weightings**
  - **Overweight**: Technology, Health Care, Financials, Industrials, Energy
  - **Equal Weight**: Materials
  - **Underweight**: Consumer Discretionary, Consumer Staples, Utilities, Real Estate, Telecom

### Monetary Policy, Inflation, FX

- **FOMC Policy Statement (Dec. 13)** – As expected, the Federal Open Market Committee raised the target range for the federal funds rate to 1.25-1.50%. It was a split decision, 7-2. Fed officials are more optimistic about growth in 2018, but inflation projections are where they were in September. The dots in the dot plot did not shift much. In the Summary of Economic Projections, the median forecast of 2018 GDP growth rose to 2.5% (from 2.1%), while the outlook for 4Q18 unemployment rate fell (to 3.9% from 4.1%). The outlook for PCE Price Inflation (Fed’s measuring stick) was unchanged (at 1.9%).

- **Consumer Price Index/Producer Price Index**
  - CPI (December 13) – The headline figure was as expected in November (median forecast: +0.4%). The CPI was up 2.2% from a year ago. Ex-food & energy, the CPI rose 1.7% y/y.
  - PPI (December 12) – The Producer Price Index rose 0.4% in November (+3.1%), up 0.2% excluding food, energy, and trade services (+2.4% y/y). Pipeline pressures remained elevated.

- **Exchange rates (December 21)**
  - EUR/USD............ $1.185
  - GBP/USD............ $1.338
  - USD/JPY ........ $113.34
  - USD/CAD ...... $1.277

### U.S. Economy

- **Retail Sales** (Census Bureau) - Nov. retail sales results were stronger than expected, with upward revisions to Sep. and Oct. Figures can be uneven over time, but the last three months makes up for the softer trend seen in the first eight months of the year. Details are strong y/y, but there could be some quirks (mild weather, seasonal adjustment difficulties). These data should raise the near-term outlook for consumer spending growth, but are at odds with recent data showing lackluster average wage growth.

- **3Q17 GDP** – In the 3rd estimate, GDP was revised 10 bp lower to 3.2%. Hurricanes dampened consumer spending, but boosted inventories and reduced the budget deficit – and these effects are expected to reverse in 4Q17. That is, consumer spending growth should pick up (adding to 4Q17 GDP growth), while slower inventory accumulation and a wider trade deficit will subtract.

### Global Economy

- **European Union – Catalan Election (December 21)** – The three secessionist parties secured a 70-seat majority in the regional parliament with record voter turnout of 81%. The unionist party (Ciudadanos) received the most votes by far (~26%). This is seen as further muddying the political landscape in a deeply divided society that could have ripple effects through the EU.

- **Bank of England Monetary Policy Decision/ECB Monetary Policy Decision (December 14)** – The Bank of England left the Bank Rate at 0.5% and said that “any future increases in Bank Rate are expected to be at a gradual pace and to a limited extent.” Despite “significant improvement in the growth outlook,” the European Central Bank left short-term interest rates unchanged and did not alter its asset purchase plans.

- **China Monetary Policy Outlook** (Oct. 31) – Few surprises, but conspicuously no mention of “deleveraging” as has been status quo. Instead, focus was on “financial risk,” leading some to suggest authorities may ease up on deleveraging.

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Source: FactSet, Raymond James Research.

S&P 500 earnings estimates are bottom-up operating earnings as of 12/15/17 market close, provided by Standard & Poor’s.
Andrew Adams

S&P 500 Building on Breakout

In late November, the S&P 500 broke out once again over a possible resistance level and has since built on that breakout in the subsequent weeks. Breakouts such as this one don’t generally happen when the stock market is in trouble.

Source: Stockcharts.com.
Andrew Adams

Possibly a Short-Term Trouble Spot

However, in the near term, the S&P 500 may have run into a level just under 2700 that could at least produce a pause and maybe even some weakness. The index remains a bit extended over its key moving averages, as well, upping the odds of a consolidation period, though there remain plenty of potential support points underneath the S&P 500 that should help prevent anything substantial on the downside.

Source: Stockcharts.com.

Plenty of possible support under S&P 500
Andrew Adams

**S&P 500 “Target”**

This is the time of year when everyone starts asking what our S&P 500 target is for 2018. Trying to predict where the stock market will be 12 days from now is hard, so putting a number on it 12 months from now is completely in “educated guess” territory. We can, however, identify a probable range for the index based on the prevailing trends, and, if the trading range that has been in place since early 2016 continues into the future, we can expect the index to fall somewhere in the 2900-3100 zone by the end of next year. And if that range were to break, the longer-term range in place during this bull market would put the S&P 500 somewhere in the admittedly wide 2500-3300 zone. Any drops down to the lower ends of the prevailing trends would likely be very good buying opportunities, too.

Source: TC2000.
Andrew Adams

Dow Theory Update

The interaction between the Dow Jones Industrial Average and the Dow Jones Transportation Average signals that the secular bull market is alive and well. Both are at all-time highs and not indicating we are anywhere close to getting a Dow Theory “sell signal.”

Source: Stockcharts.com.
Andrew Adams

World Markets Breaking Out

2017, as we have written repeatedly, has not just been good to U.S. stock markets. Both the developed and developing parts of the world have generally enjoyed healthy equity expansion and the MSCI World (ex-USA) Index is now breaking out above its previous high from back in 2014.

Source: Stockcharts.com.
Growth or Value in 2018?

We also tend to get asked frequently around this time of year if we prefer growth or value-oriented strategies going forward. According to the relationship between the Russell 3000 Growth Index and Russell 3000 Value Index, growth is still in command and should be favored until the underlying trend changes. However, the relative strength trend between growth and value is nearing the upper end of the range it’s been in since 2009, so investors should monitor for any changes in the early part of 2018. We should not assume a trend reversal until it occurs, though.

Source: Stockcharts.com.
Andrew Adams

Crude Oil Remains Range-Bound

Once WTI crude oil broke above $55 back in October, it quickly approached the $60 level but has since not been able to make much progress. It continues to mostly trade within a tight range between $56-$59, with $55 expected to continue to provide heavy support. Above the current price, though, remains resistance in the $60-$62.50 area. We have to assume it will remain range-bound until it breaks out in either direction.

Source: Stockcharts.com.
Energy Sector Update

Likewise, the Energy Select Sector Index has bounced around the last couple of months, but it does appear to have now broken out above the downtrend line that had been in place since mid-2014 (that falling, solid green line). The area around 720 in the Energy index has a history of importance as both support and resistance, so it may act as a barrier to further gains, but a breakout above there would be clearly bullish for Energy stocks.

Source: Stockcharts.com.
Fed Increases Plus Tax Cuts Equals Higher Rates

After the Bush tax cuts in 2003, the 10-Year U.S. Treasury rate shot from 3.1% to 4.6% in six weeks. So far, it looks like the 10-Year rate is reacting positively to the most recent tax cuts and has now hit its highest point since earlier this year. 2.6% remains the most likely upside barrier, but if it can climb above that level, there doesn’t appear to be much obvious resistance again until closer to 2.8%.

Source: Stockcharts.com.
Andrew Adams

U.S. Dollar Index

The U.S. Dollar Index bounced from September into early November, but since then it has mostly been weak to range-bound. It’s tough to predict its next move with neutral near-term action like this, but considering it remains in a longer-term downtrend, we should probably give more weight to the downside in our expectations.

Source: Stockcharts.com.
Gold Still Interesting, but has Been Disappointing

Gold remains at an interesting level right above long-term support, but so far this positive development has not resulted in much upside, diminishing our excitement on the metal a bit. It may still be worth trade consideration here, but we’re not giving it much attention until it proves it can behave better and put some distance between its price and support.
The Economy in Brief

The economy appears to be exiting 2017 in good shape and without serious imbalances that would threaten the expansion. The tax bill is expected to add a little to GDP growth in the near term, but not much over the longer term, reflecting labor market constraints.

The hurricanes had a mixed impact on 3Q17 GDP growth, restraining consumer spending and business fixed investment, but boosting inventory growth and reducing the trade deficit (inventories and foreign trade accounted for more than a third of the third quarter’s GDP growth). These effects are expected to reverse in 4Q17. A pickup in consumer spending growth will add to GDP growth, while slower inventory growth and a wider trade deficit will subtract.

Personnel changes at the Federal Reserve will add to monetary policy uncertainty, but are likely to result in a more hawkish tilt on the Federal Open Market Committee (meaning officials are somewhat more likely to raise short-term interest rates, all else equal). Tighter monetary policy could thwart the stimulus from the tax bill.

The Tax Cuts and Jobs Act

**Tax Reform:** There has long been general agreement that tax reform should be bipartisan, revenue-neutral, and fair (meaning that people with the same income should pay about the same in taxes), and should simplify the tax code and reduce distortions. While corporate taxes are lowered, this bill fails on nearly all accounts.

**Corporate Tax Cuts:** The main rate is permanently lowered from 35% to 21% and the corporate Alternative Minimum Tax (AMT) is eliminated. All else equal, corporate tax cuts will lift after-tax earnings, which will support share prices. However, that’s no guarantee that firms will invest more or hire more workers. In the past, corporate tax cuts have been used to increase dividends and buy back shares.

**Individual Taxes:** The bill lowers the top tax rate from 39.6% to 37%, raises the threshold for the individual AMT, increases the estate tax threshold, and nearly doubles the child tax credit for working families. “Pass through” companies can deduct 20% of their income tax free.

**The Budget Deficit:** The bill is projected to add $1.5 trillion (perhaps more) to the national debt over 10 years.
Economic Consequences of the Tax Bill

**Model Estimates:** Mainstream economic models (Joint Committee on Taxation, Penn-Wharton, among others) projected that the House and Senate bills may add 0.1% per year to GDP growth. However, the final bill added cuts to personal taxes for upper income households and starts corporate tax cuts in 2018 (vs. 2019 in the Senate bill), which means the impact will be seen more upfront (perhaps up to 0.5% to GDP in 2018).

**Consumer Spending:** Tax cuts will be uneven across incomes and states, but with the economy near full employment, the upside on job growth is limited. Still, we ought to see some boost to spending in 2018.

**Business Fixed Investment:** Some $2.3 trillion in cash is already sitting on corporate balance sheets and repatriation may add another $1 trillion. We may see somewhat more capital spending in the near term, but tax cuts are likely to go more toward share buybacks and dividends.

**Loopholes, Mistakes, Unintended Consequences:** Legislation was rushed through with no debate and no hearings. Lawmakers are aware of the problems (which tax accountants will view as “opportunities”), but expect to fix these over time.
Economic Outlook – Key Themes

Hurricane Distortions in 3Q17 and 4Q17, but a moderate trend

Domestic economy

- Consumer fundamentals remain strong (jobs, wages)
  - Retail sales picked up in 4Q17, following a soft 2017 trend and hurricane effects
  - Vehicle sales up on hurricane rebound and inventory clearance incentives
  - Faster inventory growth and a smaller trade deficit (hurricane-related) added to 3Q GDP growth

- Housing fundamentals are strong, but affordability and supply issues will continue
  - Some choppiness month-to-month, but year-over-year trends remain strong
  - Higher building costs, limited supply of homes for sale, reduced affordability at the low end

- Business fixed investment improved in 1H17
  - Improvement seen outside the U.S. as well
  - Business sentiment remains elevated

Long-term demographic restraints

- Slower labor force growth than in previous decades (+0.5% / year over next 10 years)
  - And 40% of that is projected to be immigration (could be slower)

- Fed notes some signs that labor market constraints are restraining economic growth

- Better trend economic growth depends on getting stronger growth in productivity

Rest of World: outlook improving

- Brexit negotiations expected to remain difficult

- China economic restructuring likely to be uneven, concerns about high debt levels

- Near-term global economic outlook has continued to improve

- Demographic constraints will limit the long-term pace of global growth
Scott Brown

Fed Officials Expect Moderate GDP Growth

Federal Reserve Projections of Real GDP growth (4Q/4Q)
December 13, 2017

Source: Federal Reserve
The Unemployment Rate is Expected to Edge a Bit Lower

Federal Reserve Projections of the Unemployment Rate (4Q)
December 13, 2017

Source: Federal Reserve
Inflation is Seen Moving Toward the Fed’s 2% Goal

Source: Federal Reserve
Officials are Divided on the Pace of Rate Hikes

Target Federal Funds Rate at Year-End, %

Current Effective Rate: +1.41%

Source: Federal Reserve

December 13, 2017 Projections
Fed Policy Outlook

Jerome “Jay” Powell is set to become Fed chair on February 3. He is not an economist, but does have considerable experience working in the financial sector and will have good support from the staff at the Federal Reserve.

Two district bank presidents formally dissented in the Federal Open Market Committee’s December 13 decision to raise short-term interest rates (in favor of no change in the federal funds target rate). They will rotate off of the FOMC in 2018. In late November, President Trump nominated Marvin Goodfriend, who argued for a tighter monetary policy early in the economic recovery, to be a Fed governor. After Janet Yellen leaves (and unless there are new nominations), there will be three vacancies on the Fed’s Board of Governors. New York Fed President Dudley has indicated that he intends to resign mid-2018. Hence, personnel changes add uncertainty to the monetary policy outlook and the FOMC is expected to be more hawkish than in recent years (meaning the Fed is more likely to raise short-term interest rates).

The dots in the dot plot varied for the end of 2018 and 2019 (six of 16 officials expected three hikes in 2018, not much of a consensus). Policy moves are expected to be gradual and decisions will remain data-dependent.
Scott Brown

**Short-Term Rates are Seen Rising, Long-Term About Steady**

![Graph showing U.S. Interest Rates, %]

Source: Federal Reserve

10-year Tsy
2-year Tsy
federal funds target

Jan-14 | Jan-15 | Jan-16 | Jan-17 | Jan-18
Private-Sector Job Growth has Been the Same in 2017

Source: Bureau of Labor Statistics
Scott Brown

Retail Sales Have Picked Up (Temporary?)

"Core" Retail Sales, % change

Source: Bureau of Census

"core" = sales ex-autos, building materials, gasoline
Scott Brown

Average Inflation-Adjusted Wage Growth is Soft

Average Hourly Earnings, y/y % change, smoothed

Source: BLS
Scott Brown

The Chained CPI Will Now be Used to Adjust Tax Brackets

Consumer Price Index, y/y % ch.

source: BLS
Finally, Corporate Tax Relief is On the Way

Source: Treasury Department
<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td></td>
<td>Fourth quarter figures (due January 26) are expected to reflect a rebound from hurricane effects. Growth estimates for 2018 center between 2.0% and 2.5% (leaning more to 2.5%).</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td>There may be more slack in the job market than is currently believed, but the pace of growth in nonfarm payrolls is expected to slow over the course of 2018.</td>
</tr>
<tr>
<td>Consumer Spending</td>
<td></td>
<td>Inflation-adjusted wage growth has been lackluster, but tax cuts may provide a little support in 2018, especially at the upper end of the income scale.</td>
</tr>
<tr>
<td>Business Investment</td>
<td></td>
<td>Businesses remain generally optimistic. Capital spending should continue to improve, but the rebound in energy exploration (capital intensive) may have played out.</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>As with retail sales, a weak trend in the spring and summer has given way to improvement in the final quarter of 2017. Moderate growth is seen for 2018.</td>
</tr>
<tr>
<td>Housing and Construction</td>
<td></td>
<td>Monthly figures have been uneven, but the year-over-year trends in homebuilding and sales have remained strong. Limited inventories and higher home prices have been restraints.</td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
<td>Core PCE price inflation remains below the Fed’s 2% goal, but factors that restrained inflation in recent years (labor market slack, a strong dollar, softness in the global economy) are mostly behind us. The Fed expects a trend toward 2% over the next year or two.</td>
</tr>
<tr>
<td>Monetary Policy</td>
<td></td>
<td>Personnel changes add uncertainty to the monetary policy outlook, but the Federal Open Market Committee is expected to be somewhat more hawkish in 2018. Financial markets are factoring in about two rate hikes in 2018. Financial regulations are expected to be less stringent.</td>
</tr>
<tr>
<td>Long-Term Interest Rates</td>
<td></td>
<td>The Fed’s balance sheet unwind ought to put some upward pressure on bond yields over time, but not right away. Low-to-moderate inflation and low interest rates abroad are expected to prevent U.S. bond yields from rising too rapidly.</td>
</tr>
<tr>
<td>Fiscal Policy</td>
<td></td>
<td>Tax cuts will add to the budget deficit in the years ahead (on top of growing strains in entitlement spending). An infrastructure spending package is missing in action, but there is still talk that a plan is coming at some point.</td>
</tr>
<tr>
<td>The Dollar</td>
<td></td>
<td>Expectations of tighter U.S. monetary policy have added some support for the dollar in recent months (following a weaker trend in the first half of 2017).</td>
</tr>
<tr>
<td>Rest of the World</td>
<td></td>
<td>Brexit negotiations should be difficult for the U.K. and Chinese debt levels are a concern. However, the global economic outlook has continued to improve. Possible missteps on trade policy (NAFTA) remain an important risk for the U.S. economic outlook.</td>
</tr>
</tbody>
</table>
Scott Brown

Key Calendar Dates

January 1  New Year’s Day (markets closed)
January 3  ISM Manufacturing Index (December)
           Motor Vehicle Sales (December)
January 5  Employment Report (December)
           ISM Non-Manufacturing Index (December)
January 8  College Football Championship
January 12  Consumer Price Index (December)
           Retail Sales (December)
January 15  MLK, Jr. Holiday (markets closed)
January 17  Industrial Production (December)
January 26  Real GDP (4Q17, advance estimate)
January 30  State of the Union Address
January 31  Employment Cost Index (4Q17)
           FOMC Policy Decision (no press conference, no new dot plot)
February 1  ISM Manufacturing Index (January)
February 2  Employment Report (January)
February 4  Super Bowl LII
Important Investor Disclosures

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