FORMAN INVESTMENT SERVICES

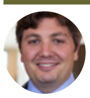
20th Anniversary 1999 - 2019

Weekly Wrap Up • July 22-26, 2019 • formanis.com

Landscaping Renovation Now Complete!

Now, both the inside and outside of Forman Investment Services have been renovated! Our landscaping is completely overhauled, and looks more welcoming to our clients – be sure to check it out next time you're in the office!

What happened in the markets last week?



by David Abuaf - **Investment Manager, RJFS**

News for the Week

General Markets / Economic

1. The biggest tech companies are propelling major US indexes' record run, highlighting investor enthusiasm for the hottest stock sector as economic growth softens
2. Tax rates at many public companies have fallen sharply as a result of the tax overhaul, and other firms have been able to stay toward the bottom of the scale
3. Restaurants are sweetening pay packages and adding perks to attract and retain workers in the tightest job market in decades
4. US home sales slumped in June as prices in major West Coast cities declined for the first time since 2012
5. A sharp deceleration of trade is slowing the global economy more than earlier projections, the IMF said
6. The ECB signaled that it is preparing to cut short-term rates and restart a giant bond buying program

Company News

1. Apple is in advanced talks to buy Intel's smart-phone modern chip business, a move that would aid the iPhone maker's push to take control of developing critical parts powering its devices
2. Samsung said it will start selling its foldable screen phone by September. G.A.M.E.   C.H.A.N.G.E.R

Interesting Stories

1. A 19-year-old received a distracted driver ticket for being on her phone. She apologized to the officers and drove off. Three minutes later those police got a call she crashed into a parked car. When they arrived, they found her unhurt with her vehicle damaged. She claimed she was distracted rummaging in car looking for distracted driver ticket!
2. In San Diego, CA, a guy named Andrew was in a hotel and went to the hot tub. There he began asking why a man was staying there and he said he had to leave his house when his crack lab blew up (its only meth labs that blow up). Andrew blurted out and said he was in the drug biz too. Andrew left and an hour later, Andrew came back down to the hot tub where there were now more people and he tried to sell them his cocaine. Turns out, the other people were all off duty Police officers in town for a drug training seminar!

Turning Back the Clock to 1999

August 2, 1999: "The Sixth Sense", starring Bruce Willis, Toni Collette, and Haley Joel Osment, premieres.

FORMAN INVESTMENT SERVICES
20th Anniversary 1999 - 2019

Weekly Wrap Up • July 22-26, 2019 • formanis.com

Weekly Commentary

Thunderstorms caused major flooding in New York this past week. The market, however, saw only sunshine. The S&P 500 index rose 1.7% to 3025.86—a record close.

Clearly, a lot of optimism is built into the market, some of it deserved. Earnings this past week have been generally solid. United Parcel Service(UPS), for one, gained 17% on the week after reporting better-than-expected profits and not cutting its guidance. Other big winners included Alphabet(GOOGL), Twitter (TWTR), and Starbucks (SBUX). “Corporate earnings didn’t disappoint,” says Adam Parker, founder of Trivariate Capital Management. “In aggregate, they were met and exceeded at a normal rate.”

But who are we kidding? It’s really all about the Federal Reserve. The central bank is set to lower interest rates at the end of its July meeting on Wednesday, and it would be a massive shock if it didn’t. Hopes for lower rates, which have already knocked the U.S. 10-year Treasury yield down to 2.08% from 2.68% at the start of the year, have helped propel stocks up 21%, leaving them trading at 19.8 times trailing earnings.

That would seem expensive, but not necessarily when considering the level of rates. One way to gauge it is to add the S&P 500’s price/earnings ratio to the 10-year yield. It’s now just under 22, down from 26 in January 2018 and in the bottom third of valuations since 1950, according to James Paulsen, chief investment strategist at the Leuthold Group. “Even though the stock market is now at a new high, its relative value has been restored,” he writes.

Of course, that means the market’s continued strength is reliant on the world’s central banks, says David Rosenberg, chief strategist at Gluskin Sheff. “If we get a hiccup in inflation or interest rates, markets will have a tantrum,” he says.

Banks are one group that might outperform regardless of how that plays out. For starters, financial stocks have been showing signs of technical strength.

That breakout could continue, according to Katie Stockton, founder of Fairlead Strategies, who notes that “relative strength has improved during earnings season as bank stocks have garnered interest.”

Banks could benefit if Fed rate cuts “extend the economic cycle,” according to KBW analyst Brian Kleinhanzl. “The group would be going into a time period where earnings are growing by more than just share repurchases and that should be positive for valuations as well,” explains Kleinhanzl, who, as it happens, upgraded Citigroup, BofA, and Goldman Sachs this past week.

And if things don’t work out? Banks’ reasonable valuations—they trade at 11.4 times forward earnings—and hefty yields of 2.9% could help them weather the storm.

Weekly Wrap Up • July 22-26, 2019 • formanis.com

FORMAN INVESTMENT SERVICES

2635 Foxpointe Drive, Suite B
Columbus, IN 47203
812-378-0730

Our Indianapolis Area Office:
Hamilton Financial Group
23 South 8th Street, Suite 700
Noblesville, IN 46060
317-776-6999