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Craig R. DeMaio: Smooth sailing on stormy market seas

By **Craig DeMaio**

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What factors impact the market's minute-by-minute performance? There are too many to count.

I have been making the point for months now that the one consistent factor in the stock market is the uncertainty around how it will perform on any given day. But why? Frankly, the answer to that question also changes with each new day, often from morning to night, and hour by hour.

However, the midterm economic outlook is promising, and the Fed still sees inflation gradually making its way to its forecasted 2 percent, although perhaps not as quickly as it appeared at the outset of the first quarter. Still, unemployment is at its lowest levels since 2000 and growth is enjoying a boost from tax cuts and increased government spending.

As far as interest rates go, the yield curve is flattening — and hasn't been this flat since 2007 — suggesting sluggish growth. This warrants our attention, especially with the Fed considering additional interest rate hikes throughout the coming year.

One area to keep an eye on is the gross domestic product (GDP): the value of all goods and services produced in the U.S., adjusted for inflation, which rose at an annual rate of 2.3 percent for the months of January through March. That is a deceleration from the 3 percent rate of growth during the final nine months of 2017.

In addition, consumer spending could be affected by rising gasoline prices, which have been responding to rising oil prices. Crude oil has been well above $60 per barrel since briefly dipping into the high $50 range in February. Gasoline prices could be as much as 18 cents higher this summer compared to last year, according to some analysts.

Regardless of what happens on the geopolitical stage, investors are generally optimistic. However, when it comes to corporate earnings, it often becomes difficult for companies to meet consistently increasing expectations of analysts and investors in "late cycle" stock markets, and their stock prices can suffer as a result.

Earnings season kicked off in earnest when several major financial institutions showed positive first-quarter results, but they were not good enough for investors who expected more. In several instances, shares declined despite the positive earnings results. Analysts warn that other companies will likely face equally hard-to-please investors as they report earnings in the weeks ahead.

Some analysts believe the earnings recovery will top out this year as the recent pace of growth puts companies up against tougher year-over-year comparisons; which could turn to a drag on the 9-year-old stock bull market.

So, what factors impact the market's minute-by-minute performance? A myriad would be my answer. But it is also imperative to keep in mind that many investors are basing their transactions on a strong positive foundation and the belief that what goes down probably is going to bounce right back up.

Goals-based wealth management that helps prepare for different stages of life continues to play an important role in the lives of investors. Financial advisers like me are focused on our client's financial health while striving to help them meet lifetime goals though personal advice and technological innovation.

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