



Weekly Market Review

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Thus far, we've had just over half (267) of S&P 500 companies report earnings for the first quarter with remarkable results so far. Of the companies that have reported, 80% have topped analyst profit expectations. In fact, earnings have grown 25% year-over-year which is more than double the prediction going into the quarter. Yet domestic and international equities ended the week flat to down. So, what gives?

A few factors came together that held back equity prices last week. First, the earnings results from the first quarter were going to be harder to predict given these were the first figures the market would see with the effects of corporate tax cuts. And while the results are better than expected, there is a feeling that this might be a short-lived bump rather than persistent growth. Second, some companies such as Caterpillar, have cited rising input costs as being a headwind going forward and Q1 would be the "high watermark for the year." For the first three months of 2018, The National Association for Business Economics published the largest increase in workers wages and salaries since they began tracking the data in 1982. This has investors worried that inflation will creep up in a meaningful way soon. Bond yields ticked up last week which is also consistent with the increased inflation worries. The 10-year Treasury Note rose to hit a significant milestone of 3% for the first time since 2014.



After historical calmness in equities markets for 2017, 2018 has been anything but. We're only four months into the year, and we've seen corporate and individual tax rate reductions, threats of trade wars among the world's largest economies, threats of actual new wars, investigations of political corruption, and perhaps the official ending of the 65+-year-old Korean War. It's hard to imagine what the rest of the year will bring. But it would be safe to assume that we will see more volatility on the upside and down side as the market digests the ever-changing political and economic landscapes. 

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