

Market Review

November 10, 2017

Market Outlook

Global equity markets continue to grind higher due to a strengthening global economy, albeit after many years of extraordinarily accommodative policy measures by numerous central banks following the Great Recession.

Inevitably, interest rates will trend higher as accommodative stances are removed, but with tepid inflationary pressures, the pace is expected to be measured.

Q3/17 earnings reports for the S&P500 companies are nearly complete and have been better than expected, with earnings per share (EPS) up over 8% from a year ago versus consensus of 5%. This marks the fifth consecutive quarter of positive EPS growth. For the year, EPS is expected to be up 11%, the first double-digit pace since 2011.

With broad market indices trading at elevated valuation levels relative to history, corporate profit growth is necessary for equity markets to maintain their upward momentum.

So far, economic indicators, surveys and sentiment gauges all suggest accelerating economic growth. Our constructive view on equities remains intact.