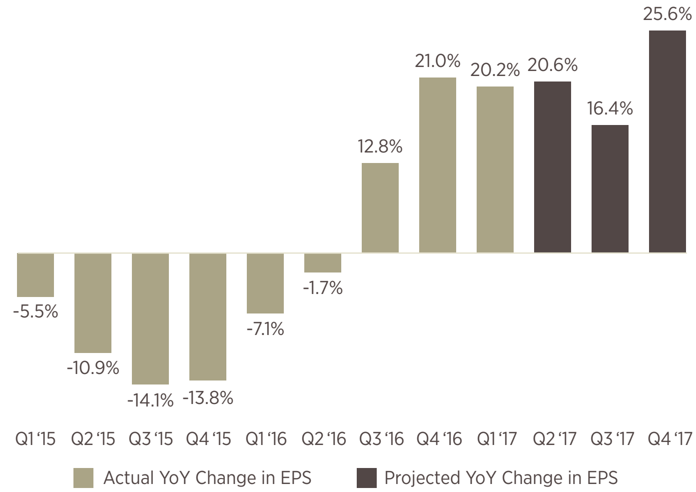
6 Meridian

Viewpoint / August

Chart of the Month

Several of you probably remember the phrase "It's the economy, stupid" from the 1992 Bill Clinton campaign (if you don't remember it there is a Wikipedia page). This simple, but very blunt catchphrase comes to mind when we wonder, "Why are stock prices so strong given everything going on in the world?" It's the earnings growth, stupid. The chart this month shows the year-over-year earnings growth rate for S&P 500 stocks as tracked by Standard & Poor's. Clearly there has been a significant pick-up in corporate profitability over the past 9 months and it appears that this is going to continue. The primary drivers are decent revenue growth, higher oil prices, weaker US dollar, strong consumer spending and corporate cost control. As long as we continue to see strong earnings growth stocks are likely to hold up.

Year-over-Year Change in Operating EPS S&P 500



*EPS: Earnings Per Share

The Advisor Survey:

Sarah Hampton, CFP®, First Vice President, Wealth Advisor

Are there concerns of the market's ability to maintain its current level and what strategies could be implemented during this bull market?

In the next 12 months we will be approaching the longest bull market in US history. In addition to this potential milestone, P/E ratios continue to be high. Although earnings projections are positive and appear stable in the near term, it highlights the importance of rebalancing a portfolio. While there isn't an immediate call to action there are adjustments that could be made based on an individual's risk profile and current income needs. This may include taking gains from highly appreciated US assets and allocating towards International or Emerging Markets where P/E ratios remain low. It could be a good time to harvest gains and increase a cash position if there are projected cash flow needs. Keep in mind that a well-designed portfolio strategy should be allocated to weather market cycles with small adjustments here and there.

	Source: FactSet 2017	July	YTD	2016	Benchmark
Stocks	United States	2.1%	11.6%	12.0%	S&P 500
	Intl Developed	2.9%	17.5%	1.5%	MSCI EAFE
	Emerging Markets	6.0%	25.8%	11.6%	MSCI Emerging Markets
Bonds	US Investment Grade	0.4%	2.7%	2.6%	Barclays US Aggregate
	Intl Investment Grade	2.7%	9.0%	1.5%	Barclays Global Aggregate xUSD
	Global High Yield	1.5%	8.1%	14.3%	Barclays Global High Yield
	Emerging Markets $	0.9%	6.0%	9.9%	Barclays Emerging Markets USD Aggregate
Other	Commodities	2.3%	-3.1%	11.8%	Bloomberg Commodity
	Gold	2.2%	10.2%	8.5%	Gold New York Spot ($/oz)
	Oil	9.1%	-6.6%	44.8%	Crude Oil WTI/Global Spot NYMEX

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