Market Review
December 12, 2017

Market Outlook

Strengthening broad based economic growth has been the primary driver behind buoyant global equity markets, with many broad indices posting double digit returns year-to-date.

While this current cycle is admittedly one of the longest in history, it is the slowest and against a backdrop of global monetary accommodation. Subdued inflationary pressures suggests a gradual removal of stimulative measures by central banks to ensure self-sustaining growth remains on track.

U.S. tax reform will boost corporate earnings, making stock valuations somewhat more palatable and encourage capital investment which would help stimulate industrial activity. The U.S. consumer is in excellent shape with the debt to net worth ratio at a 17 year-low, which bodes well for continued consumption spending in 2018. The rise in net worth is attributable to strong equity market returns and rising home prices.

Manufacturing and services surveys continue to signal firm expanding activity, sentiment gauges are near cycle highs and the employment situation is healthy. Indication of a pending recession remains low. For risk tolerant investors, equities remains the preferred asset class.

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