Summer Slump or Summer Sizzle

Posted by lplresearch

If all you saw were the headlines you might think that "trade wars" or "a flattening yield curve" was pushing equities to the brink of a new bear market as the U.S. economy teetered on recession. However, the data suggest the U.S. economy remains strong and the S&P 500 Index is sitting comfortably in positive territory year to date, having jumped nearly 5% since the start of the "sell in May and go away" period.

"With today being the first official day of summer, can this surprise summer rally continue?" asked LPL Research Senior Market Strategist Ryan Detrick. "We think it can. When you have small caps, high-beta stocks, recent initial public offerings (IPO), and technology all leading – that isn't the hallmark of a looming bear market. Not to mention the tailwinds of fiscal policy are still primed to support economic growth for the rest of this year and likely well into 2019; and possibly beyond."

Yes, the list of worries is long and well known: market sentiment may becoming quite optimistic, industrials are lagging, the yield curve is flattening, trade issues continue, and emerging markets are flashing potential issues, but we believe the positives outweigh the negatives and continue to expect double-digit equity returns when all is said and done in 2018*.

That said, the S&P 500 Index has finished within 0.5% of the prior session's close for the last 10 trading days, the longest streak this year; which suggests the coil is tightening and more volatility is likely coming. But as the LPL Chart of the Day shows, when the S&P 500 has been up 3% or more heading into the start of summer** (like 2018), the full year has been positive an incredible 35 out of 35 times. Not to mention the rest of the year has actually been stronger than the average year. That should comfort investors, regardless of the headlines.

IMPORTANT DISCLOSURES

*Please see the Outlook 2018: Return of the Business Cycle publication for additional description and disclosure.

**As of June 21

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. The economic forecasts set forth in this material may not develop as predicted.

All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. All performance referenced is historical and is no guarantee of future results.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

This research material has been prepared by LPL Financial LLC.

To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity.

The investment products sold through LPL Financial are not insured deposits and are not FDIC/NCUA insured. These products are not Bank/Credit Union obligations and are not endorsed, recommended or guaranteed by any Bank/Credit Union or any government agency. The value of the investment may fluctuate, the return on the investment is not guaranteed, and loss of principal is possible.

Member FINRA/SIPC

For Public Use— Tracking # 1-742631 (Exp. 06/19)

Share:

Twitter Facebook LinkedIn Email Print

Posted in Macro Market Movers

← Markets Take Central Bank Announcements in Stride

Market Update: Thursday, June 21, 2018 →

SUBSCRIBE TO BLOG VIA EMAIL

Enter your email address to subscribe to this blog and receive notifications of new posts by email.

Join 17,078 other subscribers

Email Address

Subscribe

Search Search

INTERACT WITH US

- Facebook: LPL Financial
- Twitter: @jbuchbinder_LPL
- Twitter: @JohnLynchLPL
- Twitter: @LPLResearch
- Twitter: @RyanDetrick
- Twitter: @_BurtWhite
- YouTube: LPL Financial

LEARN MORE ABOUT US

- LPL.com

@LPLRESEARCH

Tweets by @LPLResearch

LPL Research Retweeted

Burt White
@_BurtWhite

Capital investment is accelerating. Here we take a look at how to best take advantage of this investable theme.ow.ly/qil830kzIbs

1h

LPL Research Retweeted

Christi Staib, MBA ✨
@christistaib

#Congrats @RyanDetrick of @LPLResearch for the #Viral #Tweet - way to have even more #LPLAdvisors engaged and knowledgeable! ✔

2h

LPL Research
Retweeted

Ryan Detrick, CMT
@RyanDetrick

#LPLAdvisors We are starting right now!#LPLMorningCall

2h

LPL Research
@LPLResearch

#LPLAdvisors We're about to get started with our Global Thursday #LPLMorningCall with your host @jbuchbinder_LPL; hope you can join us!

2h

LPL Research
@LPLResearch

#LPLAdvisors Please join our Global Thursday #LPLMorningCall with your host @jbuchbinder_LPL at 8:45am ET; please see the @LPL Resource Center for call access details

5h

POPULAR RECENT POSTS

- Market Update: Wednesday, June 20, 2018
- Markets Take Central Bank Announcements in Stride
- Summer Slump or Summer Sizzle
