



08/04/2017 Article: Focus on the Economic Fundamentals, Not the Noise!

Right now, one of the biggest concerns that many people have is that they are worried that the stock market is getting ready to crash again and that this is all another big bubble. I respond to this by saying that while no one can predict the future, the fundamental economic data does not support that concern or that outcome. Below are a few data points that back up the economic expansion and the current stock market price valuations.

- Dow Jones Industrial Average closed above 22,000.00 on 08/03/2017 at its highest level in history.
- GDP (Gross Domestic Product) posted a growth rate of 2.6% for the 2nd quarter of 2017. This is above the 2.0% rate that the US economy has been growing over the last several years.
- July Non-Farm Payrolls posted a 209,000 increase versus an estimated 180,000. The private sector made up 205,000 of the 209,000 increases and was widely based across multiple sectors of the job market. An increase in multiple sectors is a good sign of broad based growth in the US economy.
- The Unemployment rate fell to 4.3% and is at a 16-year low.
- The US Trade Deficit fell drastically in June as US exports hit a 2.5-year high. The Commerce Department reported that the trade gap fell by 5.9% down to \$43.6 billion. This is the lowest level since October of 2016.
- Oil prices are currently just below \$50/barrel. Lower oil prices coupled with increases in US production have helped increase US export numbers and kept transportation cost lower for consumers giving them more expendable income.
- As of 07/28/2017, 57% of the companies in the S&P 500 have reported earnings for the 2nd quarter of 2017. 73% of these companies have reported earnings that beat the forecasted estimates. Over the previous 20 quarters, only 53% of companies had reported earnings that beat the estimates.

Hopefully this article has shown that the fundamental economic data does appear that it is improving and it does support the current stock price valuations and why it is important to focus on the data. Please feel free to contact me with any questions or concerns you may have as I would be happy to discuss your individual situation.

Sources:

www.cnbc.com/markets/

www.marketwatch.com/Economy-Politics/Calendars/Economic

www.cnbc.com/2017/07/28/2q-2017-us-gdp.html

www.cnbc.com/2017/08/04/us-trade-deficit-narrows.html

<https://data.bls.gov/timeseries/LNS14000000>

https://insight.factset.com/hubfs/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_072817.pdf

Disclosures:

- Investments are not FDIC-insured and can potentially lose value resulting in a loss of principle. Investors need to carefully consider all risk, charges, and expenses.
- Each Investor has different investment objectives and they should consult with a qualified investment professional to discuss the goals, risks and objectives that are right for their individual situation.
- Information contained in this report is for informational purposes only and does not constitute investment advice or a solicitation to buy or sell any security or investment.
- Blue Ocean Wealth Management is not liable for any action or inaction taken based on the information contained in this report.