Last week the U.S. stock market started strong but dropped Thursday and Friday to close slightly down (the Dow was –0.04%, the S&P 500 was –1.0%, and the Nasdaq was –3.2%).

The labor market was filled with positive news. Initial claims for unemployment benefits were down 8,000 to 207,000, near a 49-year low, and well below the economists' estimates of 215,000. Continuing claims, the number of people already receiving benefits, fell by 13,000 to 1.65 million. According to payroll processor ADP, the U.S. added 230,000 jobs, well above the 179,000 that was forecast. The unemployment rate declined to 3.7% last month, the lowest level since 1969. (Source: Sherman Sheet)

Concerns about inflation and the pace of interest-rate increases weighed on bond prices, as the yield of the 10-year U.S. Treasury bond surged above 3.20%, which is the highest level in more than seven years. This yield increase is causing some investors to leave stocks for the lower risk of bonds, which in turn puts pressure on stock prices. Since the Fed is committed to raising rates over the next couple of years investors should keep in mind that when interest rates rise, the principal value of bonds goes down. (www.wsj.com)

As we mentioned last week, the U.S. and Canada negotiated a new deal in conjunction with Mexico to create the United States-Mexico-Canada Agreement (USMCA). This agreement replaces NAFTA, which President Trump promised to do since his election campaign. The agreement still has to be approved by Congress and the legislative bodies of Canada and Mexico to be finalized. (www.foxnews.com)

Companies are preparing to report Q3 earnings, with major banks kicking off the earnings season later this week. According to Factset, the estimated earnings growth for the S&P 500 is 19.2%. If this growth rate holds, it would be the third highest rate since Q1 of 2011. In addition to positive earnings, dividend payout rates hit a record high for Q3, with 291 companies announcing dividend increases and only two announcing reductions this year. (www.marketwatch.com)

The market may move sideways for the next couple of weeks as it wrestles with potential volatility from the rapidly rising interest rates and the strong corporate results expected in coming days but we continue our positive outlook for U.S. stocks.

Regards,

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