

After the worst December since 1931, the stock market started the New Year off with a bang with the S&P 500 advancing 7.9%, its best January since 1987. Likewise, the Dow added 7.2% for the month, its best since 1989 and the Nasdaq finished the month with an impressive 9.7% gain. All three indices closed higher last week: the S&P 500 up 1.6%, the Dow up 1.3% and the Nasdaq up 1.4%. In fact, the Dow extended its run of weekly gains to six in a row. (Source: Sherman Sheet; 02/01/2019)

If history is a guide, January's result for stocks could bode very well for 2019. The old saying, "As January goes, so goes the year," didn't hold true two of the past three years but going back to 1929, a stock market gain or loss in January preceded a full-year result in the same direction 71% of the time, according to S&P Dow Jones Indices. (Source: Sherman Sheet; 02/01/2019)

After the worst December since 1931, the S&P 500 started the new year off with a bang, posting its best January result since 1987 with a gain of 7.9%. The Dow added 7.2% in the opening month of 2019, which was that index's best January result since 1989. (Source: Sherman Sheet; 02/01/2019)

Among the 46% of companies that have reported 2018 Q4 earnings as of last Friday (02/01/19), 70% reported earnings that beat expectations and on average, their earnings were 12% higher than 2017 Q4. If that 12% average increase holds, this will be the fifth straight quarter of double-digit earnings increases. (www.factset.com; 02/01/2019)

So far, the market appears to be hitting a very positive stride for 2019 and some of the reasons are:

1. Eight years of uninterrupted job growth
2. Progress in the US – Chinese trade talks
3. The Fed implying that rather than certain rate increases, it will take a more conservative "wait and see" approach to interest rates
4. Continued corporate earnings growth
5. A significant increase in oil prices from the December 21, 2018 low of \$43 to \$55 per barrel (as of last Friday).

Regarding #1 above: The US economy has generated job growth for 100 months in a row, the longest such streak on record and the DOL reported that 304,000 jobs were added last month, the largest increase in almost a year. (Source: Sherman Sheet; 02/01/2019)

Regarding #2: Although another round of US tariff increases on Chinese imports is set for early March, high-level talks last month ended without a clear resolution. However, negotiators did report some progress, and China agreed to increase its purchases of US soybeans. Further talks are expected to be held in Beijing later this month. (www.wsj.com; 01/31/2019)

Regards,

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