

Weekly Market Insights

February 11, 2019

Seven Good Weeks, 2020 Remains Murky and Vacation Looms

United States equity markets completed their seventh consecutive week of gains. They achieved it by a narrow margin, but they did it.

The Dow was up 0.17%, the S&P 500 up 0.95% and the NASDAQ up 0.55%. While it is obvious the markets just managed to struggle into positive territory, it is significant that they ended the week with gains. Last week, we listed all the impediments the equity markets face and none were resolved, although listening to the rhetoric from both sides, we think investors can be a bit more positive about the battle over the "WALL." As readers are aware, the wall has been a sticking point in the negotiations on Capitol Hill. It pleases us to no end to hear it reoffered as many other things, but not a wall. The first step to reaching a compromise. Any reasonable settlement will be a big relief to the market.

As the 2020 elections start to come into focus, political alchemists begin attempting to figure out who will be the candidate and, equally, how wide the philosophic divide will be. At the moment, the Democrats are doing an excellent job of replicating the Republican 2016 battle for a candidate. There are plenty of aspirants and more to come. The most interesting point is where on the political spectra will the candidate stand? Will the Democrats pick a just left of center, labor centric candidate as in their heyday or move further to the

left, as many of the newly elected Democratic legislators seem to want? It is an important question! Many analysts, including myself, think that decision will decide the election.

The majority of hats in the ring, at the moment, fit the heads of the more progressive wing of the party. Clearly, it is very early on. As the primaries grow closer, more candidates will enter the fray. There may very well be a mismatch between party officials and the membership. Although, as we wrote earlier, the majority of candidates are of the more progressive wing, a recent CNN poll suggests that the party regulars do not take that stand. The poll was of those who vote Democratic. Among the series of questions, there was one of particular interest to answering our question. "What is most important to you personally in deciding whom to support for the Democratic nomination?" A choice of seven answers were given. The two most popular were: has a good chance of beating Donald Trump, and second, has the right experience to be president. Quite non-ideological! Coming in sixth and seventh were: holds progressive positions on issues and, can bring outsider's perspective to Washington. How this is resolved may very well tell us who the next president of the United States will be.

Last, I will be out of town for the next week so our next letter will be in two weeks.



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