Can the 2018 stock market outperform 2017 returns?

I don't think anyone can argue that the last year in the stock market was about as good as you could've hoped for. However, going into 2018, there are some important key factors that contribute to where we stand:

- Tax cuts will hit people's paychecks and about 80% of workers will see a modest rise of disposable income. (Remember GDP, the most important economic barometer, is composed of 70% of the consumer spending money.) I believe this tax savings will be spent boosting and strengthening the economy.

- Corporate tax rates are not only dropping significantly, but will put U.S. corporations in a very competitive situation with other countries. Corporations will have a huge incentive to reparate the hundreds of billions of dollars that are overseas back to the United States. (The money was held hostage due to the high corporate tax rates here in the U.S.) Some of this money will no doubt go back into the economy through capital expenditures or dividend payouts to shareholders.

- Oil prices have not only gone up, but have stabilized around $55 to $60 per barrel which allows probably the largest lagging sector in the U.S. to start turning profit. The stocks in that industry have made decent moves in the last couple months.

- For the first time in 8 or 9 years, the international markets have outperformed the domestic markets and this could foreshadow where higher future returns may come from.

- Quarterly GDP numbers are at the highest point they have been in a number of years. And many economists see it staying around the crucial 2.5% to 3% rate. This signifies an economy that is firing on all cylinders.

- Inflation is holding below the Feds 2% target rate, so even though the Fed has and is continuing to raise rates, they should continue at a measured slow pace.

I believe that 2018 will NOT be an exact repeat of 2017. I also still see a 20 - 30% upside on the DOW (30,000 to 32,000 in the next 12 to 18 months.) Even if the domestic markets start to falter or weaken, the returns in the international markets may have just started.

Remember the stock market does not die of old age, but of recessions (For example, our last 2 major recessions were from 2000 – 2002 and 2008 – 2010). Most recessions are started by the Feds raising rates aggressively to cool down an overheating economy. The good news here in the United States, is that we have not had an overheated economy for years. So stay retired and have a great 2018!

Sincerely,

John Romano, CFP

John Romano, CERTIFIED FINANCIAL PLANNER™ has over 30 years experience in the financial field. John is a Registered Representative with Securities America, Inc. (member of the FINRA and SIPC), and an Investment Advisor Representative with Securities America Advisors. He has prepared hundreds of reports for retirees to assist in their retirement income planning needs. He is dedicated to providing portfolio analysis, dividend and income information, and investment management services to retirees (and those preparing to retire) in The Villages, Florida and surrounding areas. He is a member in good standing of the Financial Planning Association (FPA).

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