

CAPITALE | INVESTMENTS

US Stocks: revising numbers higher for SP500

Dear Friends and Clients,

Here are my latest thoughts on the markets for your review.

Equity Markets have gotten off to a strong start this year, mainly driven by a continued acceleration in earnings growth.

Stocks should remain well supported as earnings growth reaches double digit growth over the next several quarters. If tax reform is successful growth could accelerate further.

This solid EPS growth outlook is the catalyst for why stocks can continue higher.

First quarter SP500 EPS will rise by 12% year over year driven by a recovery in commodities, manufacturing (capital spending), improved backdrop for financials and continued strong trends in technology. This should drive the fastest SP500 sales and EPS growth in over 5 years.

My new SP500 target of 2445 for 2017 will be led higher due to sustainable growth.

Relative to low yielding fixed income, stocks remain attractive and I am overweight in US Equities and Global Equities. These growth drivers should continue into 2018 and help boost the SP500 to 2625 over the next 12 to 18 months. Assuming there is no tax reform/cuts or if there is uncertain fiscal policy there will be volatility and pullbacks in the market that should be bought.

Please feel free to contact me should you have any questions.

Sincerely,

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