Green Light for Stocks!

The late summer correction for stocks is over as we have bounced ferociously from bottom. This is easy to see as the S&P 500 (SPY) keeps leaping over technical hurdles like the 50, 100 and 200 day moving averages. This green light for stocks will stay true as long as we avoid recession. So diagnosing the health of the economy is the most important thing that investors can do now. After that is selecting the best stocks & ETFs to outperform. That is exactly what Steve Reitmeister delivers in his most recent market commentary below.

Stocks have nicely bounced from recent bottom. The key ingredient being the lowering of bond rates that was starting to crush the soul of stock investors.

Not only have we found bottom, but the S&P 500 (SPY) is back above key technical levels (50/100/200 day moving averages) that point to more bullish upside ahead. Also helping matters is the positive bias for stocks during the holiday season…what is typically called the Santa Claus rally.

Let’s dive in more to these key dynamics and what it tells us about the investing climate in the weeks and months ahead.

Market Commentary

The bonds rates up > stocks down dynamic was the key story August through October. Some just talked about it as a case of rate normalization back to more typical historical levels. While others talked about the possibility of more ominous trends like a debt crisis with severely higher rates > recession risk > bear market outcome.

For now, that crisis argument is swept under the rug with the more benign rate normalization being the more likely scenario. Unfortunately, a new potential boogeyman has also crept up in

the investment conversation. That being the possibility that bond rates are coming down because of increased odds of future recession.

That is incredibly hard to see from Q3 GDP coming in at a robust +4.9% clip. However, history has many examples of hot quarters like this being the last gas of an expanding economy before tipping over into recessionary territory.

This is especially true in higher inflation environments where consumers are afraid of waiting too long on purchases given that prices will be higher in the future. This "pulls forward" demand to create a stronger GDP reading now…and weaker, sometimes recessionary readings in the future.

Could that be happening now?

That was the focus of my last commentary you can read here: The Dark Side of the Recent Stock Rally.

The main point is that lower rates is good for the stock market as long as there is no recession forming. Slowing growth is also fine. +4.9% is well above trend and not sustainable. Cooling down to about 2% growth would be just fine to ease recessionary pressures and keep the economy and stock market rolling merrily forward.

Well the updated estimate for GDP estimate for Q4 from GDPNow is right on target at +2.1%. At this stage we are not even 20% done with the data that will be part of the final reading. So plenty of time for that to improve or devolve. Our job is to keep watching it closely which will be a central part of my upcoming commentaries.

Lastly, a late note to share as the market went from green to red on statements by Fed Chairman Powell. The headline on CNBC reads "Powell Says Fed is not confident it has done enough to bring down inflation".

I’m sorry that is a silly excuse for a sell off because it echoes 110% of what he said at the 11/1 press conference. There is nothing new in that take and continues to leave the door open to the Fed raising rates…or doing nothing at their next meeting.

Interestingly the CME’s FedWatch tool is now at 14.5% likelihood of a raise at the next meeting on 12/13 which is down from 24.4% estimate a month ago. So this is not market changing news. Just an easy excuse to take some recent trading profit off the table before the next leg higher.

For now we have a fundamental green light and a technical green light (above 50/100/200 day moving averages) which says a good time to be investing in stocks. The key, as always, is determining which stocks have the best chance for future outperformance. That is what we will discuss in the next section…

What To Do Next?

Discover my current portfolio of 7 stocks packed to the brim with the outperforming benefits found in our POWR Ratings model.

Plus I have added 4 ETFs that are all in sectors well positioned to outpace the market in the weeks and months ahead.

This is all based on my 43 years of investing experience seeing bull markets…bear markets…and everything between.

If you are curious to learn more, and want to see these 11 hand selected trades, then please click the link below to get started now.

Steve Reitmeister’s Trading Plan & Top Picks >

Wishing you a world of investment success!

Steve Reitmeister…*but everyone calls me Reity (pronounced "Righty")*
CEO, StockNews.com and Editor, Reitmeister Total Return

SPY shares fell $0.54 (-0.12%) in after-hours trading Friday. Year-to-date, SPY has gained 16.49%, versus a % rise in the benchmark S&P 500 index during the same period.

About the Author: Steve Reitmeister

Steve is better known to the StockNews audience as "Reity". Not only is he the CEO of the firm, but he also shares his 40 years of investment experience in the Reitmeister Total Return portfolio. Learn more about Reity's background, along with

links to his most recent articles and stock picks.

More…

The post **Green Light for Stocks!** appeared first on **StockNews.com**

https://www.entrepreneur.com/finance/green-light-for-stocks/465247