

Week In Review

OLLI-GMU Investment Forum

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Today: What, Me Worry?

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

Economic commentary

- Fed Chief Powell's last meeting today
- Unemployment remains low; labor market is strong
- Inflation is elevated at 3.3% and may climb with higher fuel costs
- Housing market is weakening with higher interest rates
- US begins returning \$166B in tariff collections, plus interest
- S&P500 Q1 earnings coming in at 13% above YoY
- US manufacturing output index hit 55.7; 48-month high (SP Global)
 - Yet US has lost 100K manufacturing jobs in one year
 - Businesses are stocking up ahead of inflation, shortages
- Services PMI rose to 51.3; 3-month high
- Closure of the Str of Hormuz is causing problems worldwide
 - Jet fuel inventories at record low levels
 - Asia-Pacific jet fuel may run dry by June
 - Urea fertilizer from Persian Gulf is 30% of world supply. Corn and wheat crops depend on it. Prices are rising.
- Eurozone composite output index falls to 48.6; 17-month low
 - Rising inflation and supply-chain disruption
- China economy upgraded to "stable" from negative. Moody's
- Russia's economy is facing collapse within months (Reuters)

Market commentary

- Barron's survey of 105 "Big Money" wealth managers:
 - 54% bulls, 29% neutral; 17% bears
 - Biggest opportunities: energy, international, small caps
 - Current allocation: 69% stocks; 17% bonds; 8% cash; 17% other
 - Small caps trading at a big discount to S&P500
 - Dollar expected to slide further
 - Gold, bitcoin: no interest
- S&P500 Q1 earnings coming in at 13% above YoY
- Reporting today: GOOGL; AMZN; MSFT; META. (\$15T of market cap)
- Winners: Semis; Visa; Coke, P&G; Tractor Supply; RTX; Seagate; SBUX
- Losers: UPS, Robinhood
- The recent surge in S&P500 stocks are entirely driven by AI-related stocks
 - Without them, the S&P500 is actually down.
 - Anticipated IPOs: SpaceX, Anthropic and OpenAI are creating huge excitement
 - Data center construction is propping up markets. Adding 1% to GDP
- Bond bear market is upon us:
 - "Bond yields will be pushed inexorably higher by the "fiscal incontinence" of the U.S. government" SocGen via Barrons
 - Jamie Dimon "some kind of bond crisis is ahead"
- CNN fear gauge steady at 69: greedy!
- VIX steady at 18: neutral



Buffett's Valuation Metrics (TheStreet.com)

- Buffett Indicator: Stock market valuation vs GDP: 227%
 - At record levels. Above 200% signals higher risk
- S&P500: At record levels
- S&P500 Forward PE: 27, vs long term average 17
- Corporate profits vs GDP: 12% vs long term average 7-8%
- Berkshire Hathaway cash position:
 - Near record high
 - Cash position is \$373B, about 36% of market cap
 - Buffett says too few attractive opportunities

Now what?

- Maybe NO Fed interest rate cuts in 2026 – inflation returning?
- US economy is strong but....with overwhelming geo-political uncertainty
- Stock market is expensive: Forward PE = 27

Will Rogers: "Alexander Hamilton started the U.S. Treasury with nothing, and that was the closest our country has ever been to being solvent."

If you would like to acquire these slides, email me at: David.Toms@comcast.net