

Week In Review

OLLI-GMU Investment Forum

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Today: How are consumers doing these days?


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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

Economic commentary

We have a strong economy and stock market, and a K-shaped consumer

- US – Iran war peace agreement is stalled
 - [Bank of America](#) CEO Brian Moynihan said his bank is seeing consumers continuing to spend, including on travel and restaurants, despite dealing with higher gas prices.
 - “The consumer is extremely, extremely strong” Wells Fargo
 - Consumer health indications
 - Compare Walmart, Best Buy, Dollar, Costco, Kohls
 - Decidedly K-shaped
 - Affluent shoppers are trading down
 - Mid – low income shoppers are stressed and cutting back
 - Tariffs, high gas prices and inflation obstacles
 - Price of gas dropped to \$4.29 nationally; \$6.14 in CA
 - Inflation rose to 3.8% in April
 - Unemployment rate steady at 4.3%
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Market commentary

- AI world is clearly driving markets
- S&P500 at record levels; touched 7600; EoY targets raised to 8000-8500
- Sum of all fears seems to have stabilized
 - Primarily focused on Iran War; inflation; government debt;
 - Private credit problems rising lawsuits, SEC investigations; insurance probes
 - Sam Altman: Companies that are using AI tools are hiring; apocalypse?
- Stock markets are at all-time highs
 - Major banks are revising S&P500 end of year mark: now 8000
- Anthropic (Claude AI) files for IPO. Trading within 30 days
- Salesforce (CRM) gave weak forward guidance
- Hedge funds YTD, on average, are still not beating the S&P500
 - Historically, the average hedge fund has only outperformed the S&P 500 in down market years — 2015, 2018, and 2022 in which they LOST LESS
- Q1 earnings season is done; Earnings were 26% higher YoY
- CNN fear gauge: 57/ 100 - greedy
- VIX: 15.8 – neutral
- Put/Call ratio: 0.58 – extreme greed
- AAI Investor survey: 36% bullish; 42% bearish; unchanged
- Bond market has flattened out in recent days
 - 30-year Treasury bond dropped to 4.97%; 10 year @ 4.55%

Now what?

- Possible Fed interest rate increases in 2026 due to rising inflation
- US economy is strong but....with significant geo-political and inflation uncertainty
- Stock market is on a toll, BUT expensive: Forward PE = 21 vs long term average 16
- Bond market operating cautiously

GLTA

"Be thankful we're not getting all the government we're paying for." –
Will Rogers

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