

## 1 ½ Events Down, ½ to Go

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Last Week's S&P 500 Index:  
+4.9%

### Key takeaways

- » *We have been anticipating two events that could potentially help the stock market meet our long held year-end expectations.*
- » *The weekend Xi/Trump meeting was a positive as was Federal Reserve (Fed) Chair Powell's comments last week. Federal Open Market Committee (FOMC) meeting likely to reinforce more dovish stance.*

Last week in this commentary we discussed our opinion that there were really only two events that would determine whether the S&P 500 would finish 2018 higher or lower than its levels at the time. Needless to say, the index was trading at a meaningfully lower level just six or seven trading sessions ago. We also stated that, while we do not want our readers to get hung up on what might happen to the major equity indices over a very brief five-week period (now down to just four weeks), it was natural for investors to wonder where the S&P 500 would finish out the year. In fact, in recent months, our phones have been ringing frequently with callers asking that very question.

So while there were (and are) numerous issues for investors to think about (Brexit and Italy, for instance), this strategist argued that the events that would ultimately drive the market heading into year-end were the G-20 Leaders' Summit held in Buenos Aires, Argentina, at the end of last week and the Fed monetary policy meeting scheduled for December 18 and 19.

But as noted last week, in our view the most important meeting at the G-20 event wasn't between the leaders of the (approximately) 20 largest economies on the planet, it was Saturday's meeting between President Xi of China and President Trump as they sat down for dinner to discuss mostly trade but certainly other topics as well. We argued that all it would take was just a whiff of good news from this meeting for stocks to react positively. All one had to do to find out how this meeting went was to look and see how the S&P 500 futures were trading on Sunday night. The robust gains in the futures market prior to Monday's opening bell pretty much reflected what global equity investors thought of how the meeting went between the leaders of the globe's two largest economies. We did not expect a trade agreement to come out of this meeting, but the equity market was not expecting one either. That wasn't what was needed to push the major equity indices higher.

In regard to the Fed's monetary policy meeting, the good news came earlier than many expected as Chair Jay Powell spoke last Wednesday (November 28) to the Economic Club of New York. We thought he might set the table for a softer tone at the December meeting, but what we witnessed went beyond our equity team's expectations. The market interpreted Chairman Powell's comments as meaningfully more dovish than anything he had stated publically in recent months. We had thought it would take just a slightly less hawkish 2019 tone to produce a positive reaction in the stock market. Note that, in our opinion, a December rate hike has been completely priced into stocks for quite some time.

In summary, we have the results from the Xi/Trump meeting to contemplate. And in reality, investors likely have an accurate preview of the other important year-end event for the market thanks to Jay Powell's comments last week. It appears we have 1½ events down and just half an event to go.

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