

# Market Meltup Creates Pressure to Own Stocks



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One term used to describe the market's post-election move is "meltup." It's a financial industry antonym for meltdown. During both meltups and meltdowns, there is a strong element of psychology at play.

Market observers have attributed the ongoing post-election rally to the election of President Donald Trump. Regardless of what you think of his policies, actions and proposals, expectations for stronger domestic economic growth, a looser regulatory environment and tax cuts are being priced in. Tax cuts, in particular, would directly flow to earnings and cash flow. This, in turn, would support higher valuations. (The actual benefit to earnings and cash flow will depend on what's actually changed in the tax code.)



Nonetheless, the markets are melting up on expectations not only that tax reform will be passed, but also—along with the President Trump's other initiatives—that economic growth will accelerate. As the meltup continues, the psychological pull to buy stocks grows stronger and stronger. At the same time, money managers face increasing short-term risks by not taking a bullish stance with their portfolio actions. [Continue Reading »](#)

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- [The Big Picture: How to Determine the Stock Market's Direction](#) - William O'Neil shared his thoughts on how to analyze market movement in this 2003 *AAII Journal* article.
  - [Scary Scenarios: Can You Survive a Meltdown?](#) - While going through our archives, I found this 1998 *AAII Journal* article. Those of you who are concerned about what might follow the current rally may find the article to be helpful.
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## Highlights from this month's *AAII Journal*

- [The Individual Investor's Guide to the Top Mutual Funds](#) - Our 2017 guide gives you the data you need—in a useful format—to choose the right funds for your portfolio.
  - [Strategies for Unneeded RMDs](#) - Suggestions on what retirees who do not need the money can do with required minimum distributions.
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## AAII Sentiment Survey

Bullish sentiment rebounded to a six-month high, though the rise was only large enough to bring optimism back to its long-term historical average. [More about this week's results.](#)

### **This week's results:**

- Bullish: 38.5%, up 5.4 points
- Neutral: 29.2%, down 5.3 points
- Bearish: 32.3%, down 0.1 points

### **Historical averages:**

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

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## The Week Ahead

Earnings season begins to wind down with 28 members of the S&P 500 scheduled to report. Several of the reporting companies will be retailers, including Target (**TGT**) on Tuesday and Best Buy (**BBY**) and Lowe's Companies (**LOW**) on Wednesday.

The week's first economic reports will be January durable goods orders and January pending home sales, which will be released on Monday. Tuesday will feature the first revisions to fourth-quarter GDP, January international trade, the December Case-Shiller home price index, the February Chicago Purchasing Managers Index (PMI) and the Conference Board's February consumer confidence survey. January personal income and spending, the February PMI manufacturing index, the February ISM manufacturing index, January construction spending and the periodic Beige Book will be released on Wednesday. Friday will feature the February ISM non-manufacturing index.

Eight Federal Reserve officials will make public appearances: Dallas president Robert Kaplan on Monday and Wednesday; Kansas City president Esther George, San Francisco president John Williams and St. Louis president James Bullard on Tuesday; and vice chairman Stanley Fischer, Chicago president Charles Evans, Richmond president Jeffrey Lacker and chair Janet Yellen on Friday.

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