

Stock Superstars Report: November Portfolio Changes and Update

This month there is one portfolio deletion and one portfolio addition for the SSR tracking portfolio.

For more information on this month's portfolio changes, read the **November SSR Monthly Report**.

October Market Recap

The U.S. stock market kept churning away in October as the "Trump Trade" nears its one-year anniversary. Strong corporate earnings, global growth and tame inflation are pushing the major U.S. stock indexes to new highs, despite the worries of rising valuations and low volatility. On October 5, the S&P 500 registered its sixth consecutive record close, Volume 15 Issue 11 its longest streak in 20 years. The Dow Jones industrial average closed above 23,000 and set a new highwater mark for the most records in a single calendar year since 1995. Also, the Dow's upward march that started in March 2009 became the third-longest bull market in the index's history, according to *The Wall Street Journal*.

Meanwhile, Wall Street's "fear gauge"—the CBOE Volatility Index or VIX—fell to its lowest reading ever of 9.19 on October 5, according to *The Wall Street Journal*. To give you an idea of how placid the U.S. stock market has been this year, the S&P 500 index has yet to register a 2% move up or down in a single trading session. In comparison, there were 55 separate 2% daily moves in 2009 and 35 in 2011, according to First Trust. Our internal research shows that there were 10 daily moves of 2% in 2016.

Thus far, the extremely active Atlantic hurricane season has yet to have an overly negative impact on the U.S. economy. While nonfarm payrolls fell by 33,000 in September, marking the first decline since 2010, the unemployment rate fell to 4.2% from 4.4%, its lowest level since 2001.

Manufacturing activity reached a 13-year high last month, and service sector activity hit a 12-year high. U.S. consumer sentiment rose to its highest level since November 2000 earlier this month, according to the University of Michigan. Meanwhile, the Labor Department reported that U.S. inflation rose less than expected, undermining a key data point the Federal Reserve has referenced when considering interest rate increases. The consumer price index (CPI) rose 0.5% in September, below the consensus estimate of 0.6% according to First Trust. Despite the inflation reading, the minutes from the last Federal Open Market Committee meeting released earlier this month indicated the Fed's willingness to raise short-term rates one more time in 2017. As of October 24,

the CME Group's FedWatch Tool has the likelihood of higher rates before the end of the year at 98.2%.

Looking at corporate earnings, the projected growth in S&P 500 earnings is only 3.6% for the third quarter, due mainly to downward revisions in the insurance industry. However, analysts are still calling for double-digit earnings growth for the S&P 500 in 2017 and 2018, according to First Trust. Through the close of last week, of the S&P 500 companies that have reported earnings so far, three-quarters have beaten their consensus estimate, according to FactSet.

On the political front, it looks like one piece of President Trump's pro-growth agenda is still alive—tax reform. The U.S. Senate passed a budget blueprint that could pave the way for revising the tax code. The passage helped unlock a procedure whereby Republicans can rewrite the tax code and vote it into law along party lines. Many view this possibility as a positive for corporate earnings and economic growth.

SSR Portfolio

For 2017, the SSR tracking portfolio is up 14.7% through the close on October 27, while the iShares DJ U.S. ETF (IYY) has posted a total return of 16.7%. Since inception, the iShares DY U.S. fund is up 218.6% on a total return basis while the SSR portfolio has gained 264.8%.

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Click [here](#) for news on the current SSR holdings and weekly performance data.

The Stock Superstars Report (SSR) publication was developed to educate individual investors on how to build a stock portfolio using a mix of strategies. The SSR is designed to provide all the information you need to manage a stock portfolio as well as to teach you about timely investment principles relating to the SSR portfolio and stock investing in general.