

U.S. Indexes Mark 25-Year Milestone

Please note that U.S. markets will be closed on Monday, February 20, in observance of Washington's Birthday (President's Day).

All offices will also be closed.

This week saw several market indexes notch multiple all-time highs. The Dow Jones industrial average recorded its fifth consecutive record close on Wednesday, the second such streak in roughly two months. The S&P 500 index ended Wednesday with its seventh straight winning session and hit a fifth straight record high. According to Schaeffer's Investment Research, the last time these two events occurred simultaneously for the S&P was July 2013, and this is only the third time this has happened dating back to November 1998. The NASDAQ Composite logged its seventh straight record high on Wednesday, something it hasn't achieved since December 1999. According to MarketWatch.com, the last time the Dow, S&P 500 and NASDAQ Composite all marked record highs for five consecutive trading days was January 2, 1992.

Spurring the market this week were comments from President Trump, once again hinting at a "massive" tax plan that is coming in the "not-too-distant future." This echoed comments he made last week about delivering a "phenomenal" tax plan. At some point, though, the market will start looking for specifics and legislative action. Alan Gayle, director of asset allocation and senior investment strategist at RidgeWorth Investments, told MarketWatch.com that "This is a market benefiting from 'Trump fairy dust.'" Even Federal Reserve Chair Janet Yellen believes that expectations of Trump policies may be driving the market. Answering questions in front of the House Financial Services Committee on Wednesday, Yellen had this to say about the recent stock market rally: "I think market participants likely are anticipating shifts in fiscal policy that will stimulate growth and perhaps raise earnings."

Investors also responded favorably to Yellen's comments in her Humphrey-Hawkins testimony to the House of Representatives and the Senate this week. She hinted that another interest rate hike may be coming as soon as March, which is the next time the Federal Open Market Committee (FOMC) meets. In years past, mention of interest rate increases would have sent stocks tumbling, but this time mentions of an increase accompanied Yellen's upbeat assessment of the U.S. economy as well as optimism about Trump's promises of tax cuts and deregulation.

Supporting the notion of an interest rate increase sooner rather than later were two key economic

data points that were revealed this week. First, consumer prices rose in January by the largest amount in four years. The consumer price index (CPI) rose by a seasonally adjusted 0.6% in January, exceeding most estimates. Rising gasoline prices accounted for nearly half of the increase, while rents and medical costs have also increased. In addition, retail sales increased 0.4% in January from the previous month. Excluding autos and gasoline, sales were up 0.7% in January, which was the strongest reading since last April, according to The Wall Street Journal. Household spending on goods and services account for more than two-thirds of gross domestic product.

Earnings Season Update

This week, four more companies in the SSR tracking portfolio reported results from the fourth calendar quarter of 2016. Cisco Systems (Group 2: **CSCO**) and Kraft Heinz (Group 3: **KHC**) posted earnings that exceeded their consensus estimates, while Photronics (Group 3: **PLAB**) reported results that were in line with analyst expectations. Omnicell (Group 3: **OMCL**) reported earnings that fell short of the consensus estimate. The news section below will have more detailed information on the results of these companies.

As of this week, 27 of the 36 stocks in the SSR portfolio have reported their quarterly results for the current earnings season. Nineteen have reported positive earnings surprises while two others have reported results that were in line with analyst expectations. The remaining six companies reported earnings that fell short of estimates. Thus far for this earnings season, the median earnings surprise for the SSR companies is +1.9%.

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