

WALL STREET STRATEGIES

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Payne's Perspective
BIG STEVE EDITION

Market's Sigh of Relief

Last week, the market took its cue from the Federal Reserve, which continues to evolve in its policy approach. I'm thrilled this Fed learned from its disastrous by-the-book actions last year that mitigated fiscal growth efforts and the best year of corporate profits ever. Others continue to report the Fed contemplating rate cuts, which means the monetary policy-setting body sees economic peril.

I continue to read that the Powell Fed is now committed to not sparking economic peril.

It took a good night's sleep and some pondering, but the market erupted higher after the Federal Open Market Committee (FOMC) and the Powell press conference.

Investors before FOMC



Investors after FOMC



Now, Wall Street is 100% convinced that there will be a rate cut in July, and they are overwhelmingly convinced of additional rate cuts in 2019. A new wrinkle was thrown into the mix, however, on Friday when Fed Reserve President Neel Kashkari said he advocated for a 50-basis point (BPS) rate cut.

Let's remember a couple of weeks ago when I chronicled the last half dozen rate cycles. I pointed out the desperation of the Fed that always gets behind the curve when it's time to stimulate the economy or aid in order to prevent sharp economic declines. Their first interest rate cut has often been 50 basis points, although there have been times when it was 100 basis points.

Kashkari is a noted dove, so the revolution wasn't 'man bites dog'. With 8 participants moving toward one rate cut this year, and 7 moving toward 2 rate cuts, it's clear the Fed is seeing a different light.

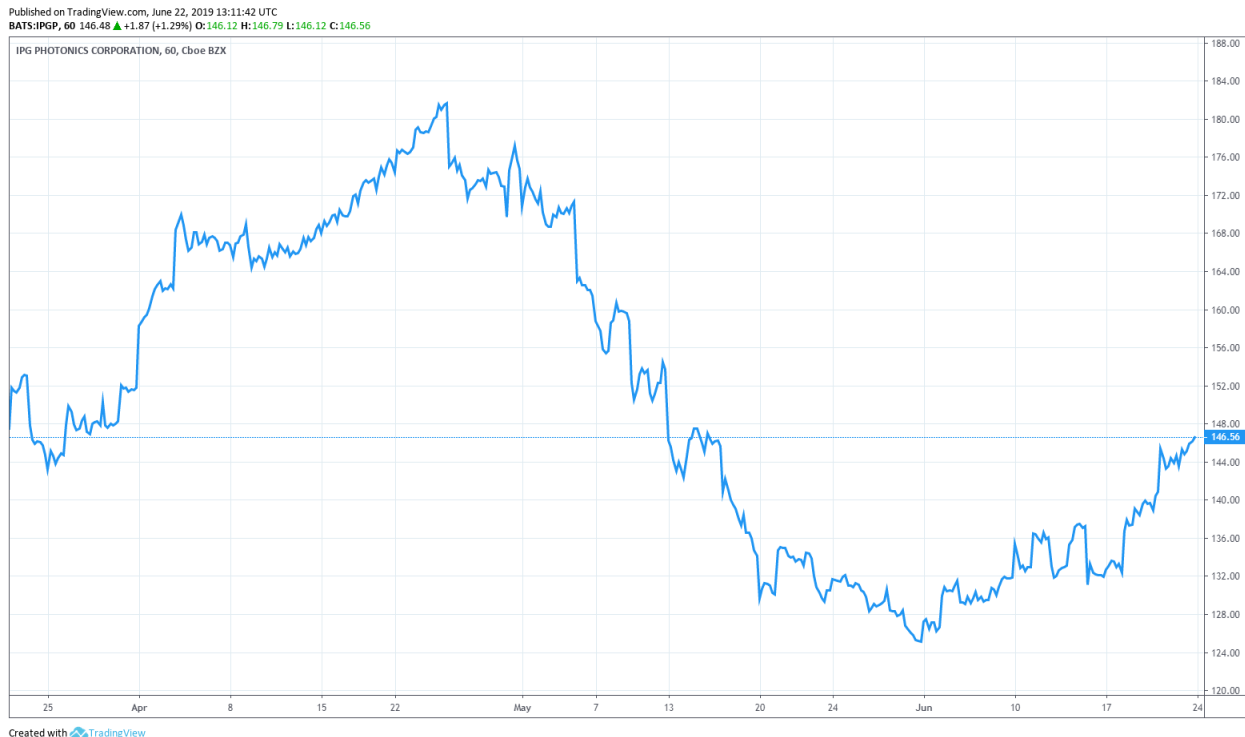
Cup & Handle



Because the market was off sharply over a six-week period, there were a lot of charts that had one of my favorite formations: Cup & Handle.

Last week, several big winners had broken out of this formation, and many more were right on the cusp. The challenge was finding this formation in a company with a string of earnings beats and improving earnings-per-share estimates.

A name on my watch list that broke out through a cup and handle formation was IPG Photonics (IPGP). It's notoriously volatile; but oh, it's so sweet to be long when it starts zooming.



By the same token, many stocks were so beaten down that there were great short-term trading opportunities.

Don't Knock The Hustle

Each morning, I drive into New York City and cut through summertime throngs of our tourists, food trucks, delivery trucks, and other folks crisscrossing the most traveled neighborhoods in America: Times Square. I park there partly because I have a longer walk to the office, but it's also because I get to meet so many different people and soak in the optimism.

However, amid the excitement of tourists and the sales pitch from vendors and folks representing dubious charities, there is a dollop of angst and growing desperation. The men and women wearing red vests and holding large signs promoting those double-decker tours buses are hustling harder than ever and sweating more than ever.

Internet Knocking The Hustle

Recently, I spoke with half a dozen of these folks that are on the streets before six in the morning. I asked how business is going, assuming they would be thrilled, as it looks like more tourists than ever are descending onto the Big Apple.

I was shocked to hear they were struggling. The main reason is the Internet. More and more tourists are buying their tour bus tickets online. Not only is it convenient, but sometimes there are deals that make the tickets less expensive. Technology is knocking their hustle. It has also punished other gigs from cab drivers to restaurant workers.

For now, these guys and gals, mostly from African countries, have no choice except to put in more hours. Their actual sales approach is governed by the need to be upbeat and optimistic, and no hard selling.

Remember a few years ago when folks in Elmo costumes were caught beating up tourists that would not pay for photos with them? That kind of stuff never happens with tour bus ticket sellers. On the contrary, one of them helped alert the police to the attempted car bombing back in 2010.

Progress always marches on. These days, it's actually sprinting ahead at a pace that should worry a lot of hardworking people.

I understand creative destruction and why it's beneficial to mankind. I'm aware of times in history where fears of technological advancements were overblown. And I know the risks of saying "this time will be different" and yet, it's difficult to see where all the replacement employment opportunities are coming from.

There is no doubt the folks I see outside day and night – and in the rain and snow - have what it takes to work hard and to learn new skills. However, their basic educational levels limit many opportunities to participate in the new economy. More than anything else, it's hard to work twelve-hour days and to find time to learn how to code.

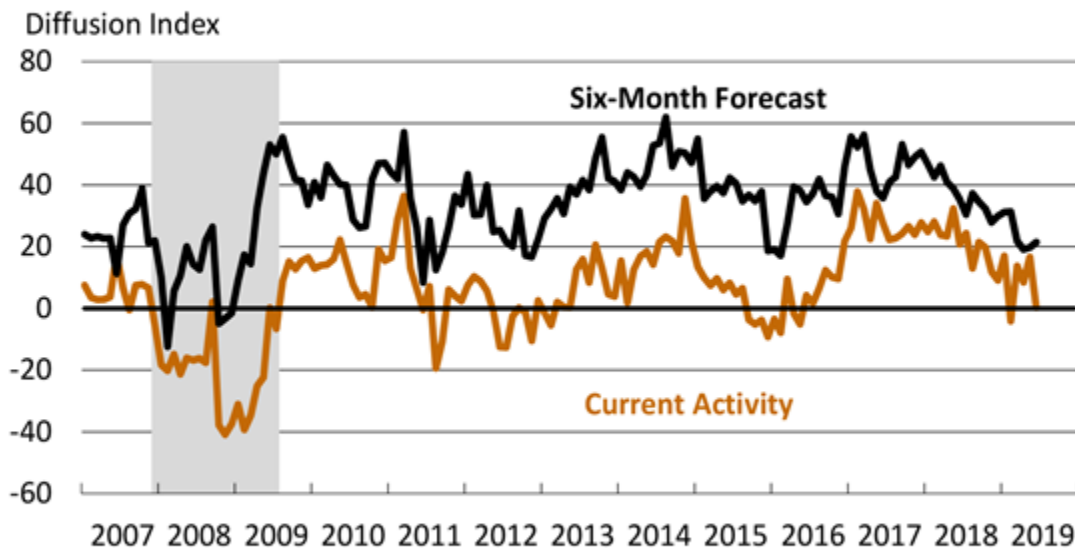
I admire those hard-working folks that came to America for a piece of the dream.

I will be rooting for them, as they will undoubtedly continue to smile and pitch to complete strangers in the hustle and bustle of New York. The fact of the matter is that their problem has become the new American Challenge, which threatens the dream for more than 50% of the native-born Americans.

From Management's Perch

Last week, the Philadelphia Fed released its latest manufacturing survey, which swooned more excessively more than Wall Street's expectations.

Chart 1. Current and Future General Activity Indexes
January 2007 to June 2019



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Nonetheless, 58.7% of managers said they expect production increases in the second quarter and would need to make adjustments to meet the demand:

- 35.1%: hire more
- 27.0%: increase hours
- 29.7%: increase productivity
- 8.1%: other

When I read 'increase productivity' and 'others,' I'm reading, 'bring in more technology'. I get it, and I understand that as an analyst. I'm looking for companies that find ways to lower costs and expand margins, although there should be commitments to national security and prosperity (some would call that redundant), and it would be smart to retrain workers.

You Hold The Key To Your Future

For now, managers are making decisions from a perch that keeps their jobs above the fray, but that won't always be the case. As for workers that could one day feel this challenge in their own lives, one way to counter the impact is to invest. You must take control of your future. Prepare for prosperity and be ready for emergencies. While reeducating yourself, make sure you are investing and building your own safety net.



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