Heritage Capital LLC

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Normally, I send out a very detailed update when the Federal Reserve concludes their every 6 week meeting. Given the volume of updates I have published lately, I am sure most of you have a little Paul Schatz fatigue. So for someone not known for brevity as my colleague, Renee, says all the time, I am going to keep this short and to the point and then work on a very important Canaries in the Coal Mine.

The Fed concludes their two-day meeting today with the statement released at 2 pm est. Jay Powell and company are not going to raise short-term interest rates today. In the statement, I do expect them to remain hawkish and set the table for another rate hike at their final meeting of 2018 next month.

The economy continues to grow and perform very well over the past five quarters with an incredibly strong employment report from October that included 250,000 new jobs, a 50 year low in U-3 unemployment and annual wage growth over 3%. That's about as good as it gets. Tax reform and deregulation are certainly working economically.

With all that said, nothing has changed in my forecast for a mild and consumer-driven recession beginning between Q3 2019 and Q3 2020.

The Fed's DNA will be all over it. Right now, I am concerned about auto loans and credit card delinquencies as well as mortgage rates. The housing market is softening or outright turning down. Some dismiss that because tax reform is hurting states with high state and local taxes. I don't like to qualify data. For whatever reason, something is wrong in housing.

The stock market model for today for today is to see stocks trade between plus and minus .50% until 2pm and then a rally. However, with the huge move over the past 7 days, that trend has been muted to but a coin flip. There is a chance to see a negative trend develop for the next few days, but I need to see where stocks close today.

Finally (see I can be brief!), I wanted to show you the last time the day after a mid-term had such a huge move. You had to go all the way back to Ronald Reagan, my favorite modern day president, in 1982 when stocks soared 4% after the GOP lost House seats but gained a Senate seat. What happened back then is very different from now as August 1982 was the dawning of the great 1980s bull market after a 14 year slumber. Sentiment was close to an all-time low. Few owned stocks or even cared.

I am sticking by my bold forecast that if stocks race right back to new highs, the bull market that began in 2009 will end in Q1 2019. More on this next week when I publish the long awaited Canaries in the Coal Mine.

Don't forget to check our blog for more info www.InvestForTomorrowBlog.com

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