TOTH FINANCIAL

January 2018 Market Commentary

Mark your calendars for April 7, 2018; this will be our annual Client Appreciation Day brunch which will again be held at Lansdowne County Club. Our speaker will be Former NASA Astronaut Frank Culbertson who will share stories and photos from his space missions.

2017 was a remarkable year for the stock market. While we did not anticipate the S&P 500 growing nearly 20%, the fundamental strength of the U.S. and world economies propelled this growth. We believe these fundamentals still exist and have been impacted positively by recent public policy.

Strong corporate earnings continue to drive the markets' growth, along with low interest rates, near-record unemployment and an optimistic consumer. Additionally, all major global economies grew in a synchronized fashion for the first time in years and U.S. GDP grew at 3% or greater for the final three quarters of 2017 which is the first time since the Great Recession that we have seen this level of GDP growth.

Looking forward to 2018, we would not predict the same rate of stock appreciation, but we do anticipate strong growth based on the broader economic improvements we are witnessing. In addition to these and other strengths in the economy, tax reform has been signed into law. Corporate earnings are the main driver of stock prices, and the tax reform law's new 21% domestic corporate tax rate should increase earnings per share of companies in the S&P 500 by roughly 9% on average. On the consumer side, 80% of taxpayers will see a tax reduction, according to the Tax Policy Center. We believe these factors will be a boost to the economy and your investment portfolio through 2018 and beyond.

After the uninterrupted market run in 2017 (the S&P 500 hasn't seen a correction of 3% since November 2016), we anticipate another positive year of growth for the economy and strong returns for stocks, but expect a return of volatility. Moreover, it would be very healthy to have a pullback sometime this year and your portfolio is constructed with that in mind. I do, however, want to emphasize that we do not see any leading indicators of a recession in the near future and remain confident of continued short and long-term growth of the equity markets.

Tom

www.tothfinancial.com
608 South King Street, Suite 300,
Leesburg, VA 20175
703.443.8684 *main* / 800.445.1880 *toll free* / 703.669.4577 *fax*