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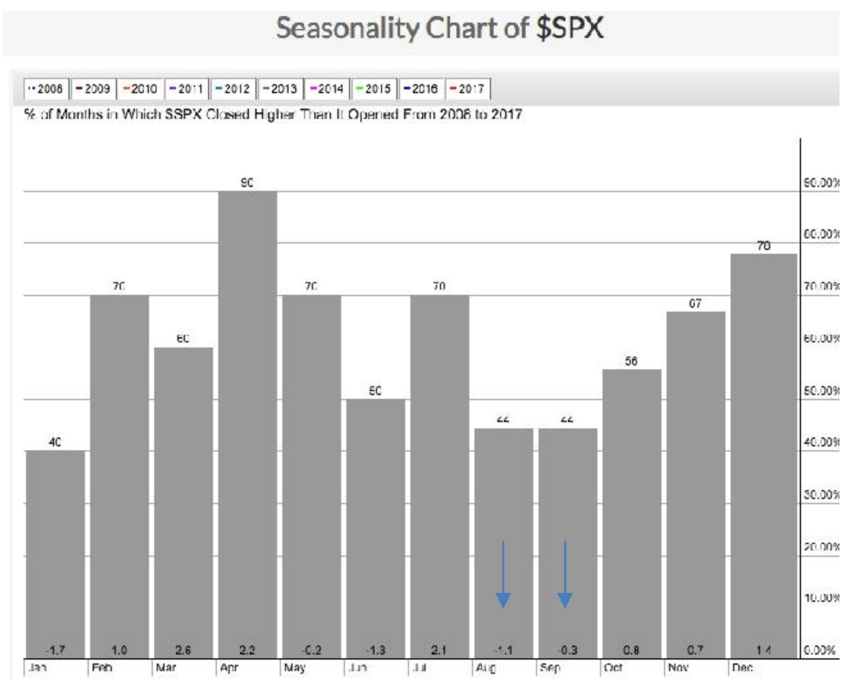
Archer July 2017 Update and Outlook:

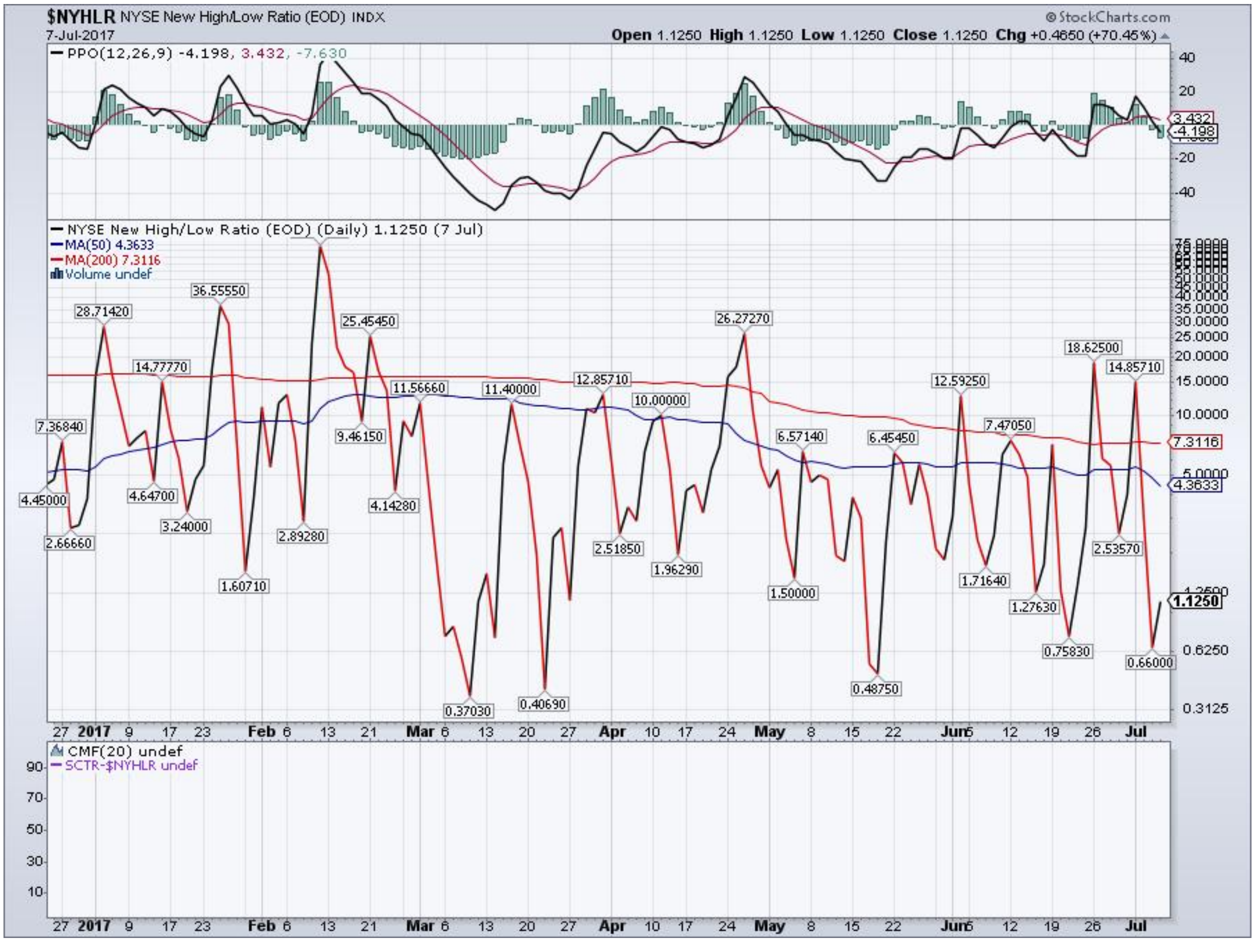
Over the last few weeks I have heard how resilient the market is, how strong the uptrend is, how we have not had a 5% correction in the S&P 500 in the last twelve months. OK, now for a dose of reality. We are due for a correction of some sort. It is likely during the seasonally weak months of August and September when Central Bankers may tighten interest rates once more. We have discussed this in past issues. They typically tighten a bit too far, too fast. In fact our chart last quarter showed how the market usually has a bit of negative performance after the 5th rate hike. The next rate hike will be the fifth consecutive increase in interest rates.

August and September are usually weaker, but not always. This is why we should avoid selling and hiding under a rock. The market is not without seasonal patterns, but to sell a portfolio hoping to pick up 1.4%   (-1.1% and -.3% for Aug and Sep) does not make good investment sense. As shown in the chart below, Aug and Sept are up nearly 44% of the time.

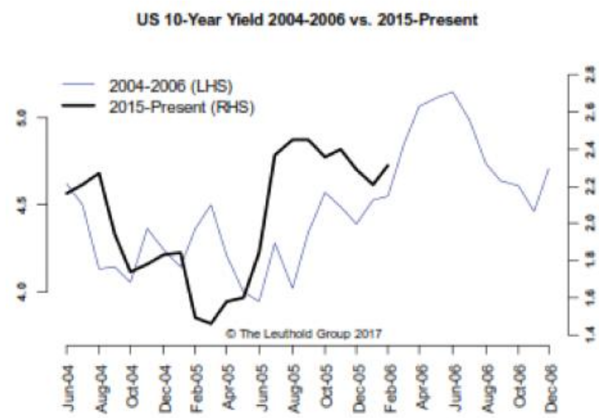


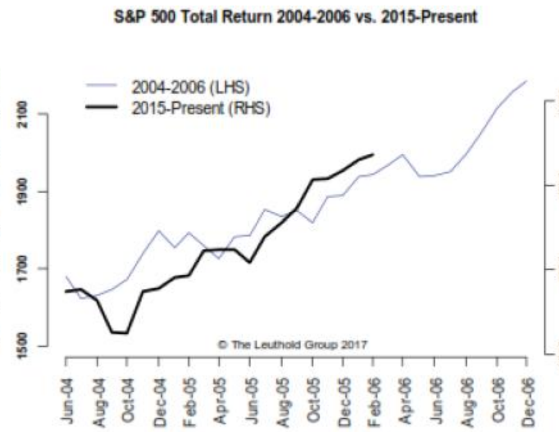
As I mentioned last quarter, the NYSE Advance-Decline chart clearly shows the market's strength. There were times in the past where this chart led us to believe the market was teetering to move lower, but did not. Last October we saw a sizable shift that never came to fruition in the Advance-Decline signaling a potential decline in the market. In fact as of today (July 10th) it appears this bull market is still moving higher.

There are signs the market is looking tired of running though and may need a breather. The number of stocks making new highs vs. new lows is starting to recede as it often does on a monthly basis before heading higher. If you take a look at the chart, we are towards the bottom of the new highs being made on a daily basis. As long as the number of new highs recovers and the chart moves back near the moving average MA (50), we should be fine and could expect the bull to keep running into October or maybe longer. Should we go the other way, a broader sell off in the market may occur before we hit our seasonally strong months of late October and back to April of next year.



Although there are potential hiccups on the horizon, this market seems quite interested in moving higher. Not that it is an exact replica of the 2004-2006 time frame, but the similarity between what interest rates are doing, as well as the market is interesting. If you look at these two charts and we did not have dates on them, you would not know what year it is. Housing is growing, the economy appears to be on track, and unemployment continues to improve. In fact with oil as low now vs. the 2004-2006 time frame, we are in really good shape, with much of the consumer's dollars staying in their pockets and finding its way into the economy, not the gas tank. The main difference this time is gas prices were rising and eventually strapped the consumer into 2007. I expect the oil play to be similar to the 1980's not the 2007 escalation that doomed the blue collar consumer.





Looking Ahead:

As we look at the rest of 2017, earnings will be the focus of the market. Everyone anticipates the Central Bankers will raise rates, political craziness will continue in Washington, and although they may move higher, interest rates will stay historically low for the foreseeable future until the balance sheet of the Fed can be unwound. This means if earnings rise as we have seen so far in the limited reports this quarter, the market could and should follow suit. As always, stay diversified in your portfolio, it will ease you through the downturns and help you sleep across all market cycles.

Regards,

The Archer Team