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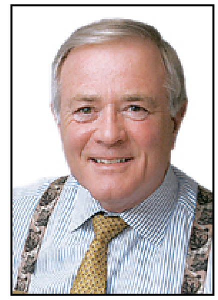

William Rutherford

OP-ED: Markets climb a wall of worry: redux

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The stock market climbing a wall of worry is a cliché in these columns, and indeed, the market is doing it again. The elections, the coronavirus and the economy have provided plenty for all of the markets to worry about. In the course of this year, they have had generational gyrations.

The elections

As the markets processed the presidential election, they had even more on their plate than usual. Markets do not like uncertainty, and a change in government at the top can be a serious threat to stability. But so far, the markets have aced the threat. Contrary to fears and some remaining challenges, the democratic process has held, and a peaceful transition seems to be possible.

Nevertheless, we still have hurdles to surmount. The expected peaceful government change appears to be bringing with it stability in our foreign relations. To date, no significant international event has manifested itself, although it still could. Often our enemies test us during the transitional period from one administration to another. Our democratic process seems to have met its tests.

The orderly election process at the state and local levels has also displayed confidence in our system and thus our economy. Yay for us! And for the many local election officials and volunteers. And for the U.S. system of governance. Are we good or just lucky? Maybe another 250 years will reveal the answer.

The coronavirus

The virus threatened our economy, our government and our people. We are not out of the woods yet, and will not be for quite some time, but it appears we are making progress and restoring stability to the system.

The economy

Corporate profits across a broad spectrum of sectors seem robust, pulling up market prices with them. Interest rates have risen, indicating strength in the economy. Of course, the unprecedented fiscal stimulus earlier this year and most likely to be forthcoming again shortly, has provided a huge underpinning to the financial markets. The result is that the markets have continued to grow stronger and not weaker. Expectations are for positive gross domestic product growth next year – a good sign. The stock market rallied through November and into December. The robust calendar of IPOs set to trade above their initial ranges is another marker of the demand for equity securities that is driving the stock market. A result of these factors and others is that the stock market has indeed successfully climbed a wall of worry again.

Perhaps we can look forward to a period of stability. Our new leaders will be anxious to show stability and acumen. Let's hope they are up to the challenge. Infrastructure spending would be a good place for cooperation. Can our fractured political landscape achieve some degree of cooperation for the benefit of the country?

Presently the markets are focused on a stimulus package. With optimism that we will have a package before Christmas, the markets have rallied again. If we don't get a stimulus package soon, the money will run out, and the economic outlook for the near term would be bleak. That is why I believe we will get a stimulus package. Neither political party wants to preside over armageddon. As Treasury Secretary nominee Janet Yellen said recently, "it's essential that we move with urgency. Inaction will produce a self-reinforcing downturn, causing yet more devastation."

With many asset classes and sectors remaining strong, I recommend investing for the long term in a diversified portfolio.

Best wishes for the holiday season.

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