First Trust
Monday Morning OUTLOOK
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Timing The Market Doesn't Work

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The stock market doesn't owe anything to anyone. If you missed the bottom in 2009, no one owes you another chance to get in when stocks are that cheap. We may never see such historic lows again.

And even if markets did give us another chance, most investors would probably miss it all over again because they would be in such a panic – just like in 2009. Breathless, breaking-news would provide so much instantaneous, and conflicting, analysis of technical indicators, like "support levels," "trading-volume," "200-day moving averages," and "new highs and lows" that investors wouldn't be able to act with any confidence.

Fundamental analysts would talk of a "downward spiral in the wealth effect," "a new normal," "peak earnings," "political gridlock," or, "Fed inaction." With this back-drop investors would expect even more declines.

But, even after the events of recent weeks, an investor that bought the S&P 500 on December 1, 2007, and held, would have made 6% per year (including dividends) through today. More recently, even after another 1.5% drop last Friday, the S&P 500 was 12.6% above its level of a year ago (14.9%, with dividends). How many people think of 2007, or last October, as a buying opportunity?

Believe it or not, we would argue that today is what a buying opportunity looks like. When stocks were rising just a few months ago, lots of investors were upset they hadn't gone "long" in 2013. Now, with markets falling, and equity prices hovering near those same levels, they hesitate to buy.

Think about all the reasons for the market drop. One fear is a slowdown in Europe. But Europe has been a very sickly plow horse for several years, so much so that many serious economists were proposing a break-up of the Euro.

We're not forecasting an economic boom in Europe, but with money easy, a collapse is not in the cards either. More like a slow motion continuation of very weak real growth as Euro-sclerosis continues.

Another fear is a slowdown in China. But goods exports to China are only 0.7% of US GDP, about half of what we export to Mexico, and if China gets in trouble our imports from China will cost less. When China is importing much more from the US, a slowdown there will be more significant. But for now, the concern is overdone.

Yet another fear is that "Abe-nomics" isn't working in Japan. For the record, it won't work. Free-markets, not government, save economies. Japan has been in decline for the past two decades, but the US has still grown. In other words, it's nothing new.

The strangest fear is that a strong US dollar will hurt the market. But a strong dollar in the 1980s and 1990s coincided with a bull market, not a bust. King Dollar is good for investors.

We are not saying equities will go up today, or tomorrow, or even this week. Heck, for all we know the long-awaited correction may finally be upon us.

But, the Fed is not tight, trade protectionism is not in the wind, tax rates are not headed higher, and big government is checked by divided government. Profits are still rising, the US economy is accelerating, and our models show that equities are still cheap. It may not be the "mother of all buying opportunities," but it ain't the end of equities, either.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-15 / 7:30 am	Retail Sales – Sep	-0.1%	**-0.3%**		+0.6%
7:30 am	Retail Sales Ex-Auto – Sep	+0.2%	**+0.3%**		+0.3%
7:30 am	PPI – Sep	+0.1%	**0.0%**		0.0%
7:30 am	"Core" PPI – Sep	+0.1%	**+0.1%**		+0.1%
7:30 am	Empire State Mfg Survey – Oct	20.9	**21.5**		27.5
9:00 am	Business Inventories – Aug	+0.4%	**+0.4%**		+0.4%
10-16 / 7:30 am	Initial Claims – Oct 11	290K	**289K**		287K
8:15 am	Industrial Production – Sep	+0.4%	**+0.4%**		-0.1%
8:15 am	Capacity Utilization – Sep	79.0%	**79.0%**		78.8%
9:00 am	Philly Fed Survey – Oct	19.9	**19.4**		22.5
10-17 / 7:30 am	Housing Starts – Sep	1.005 Mil	**1.014 Mil**		0.956 Mil
8:55 am	U. Mich Consumer Sentiment- Oct	84.0	**85.0**		84.6