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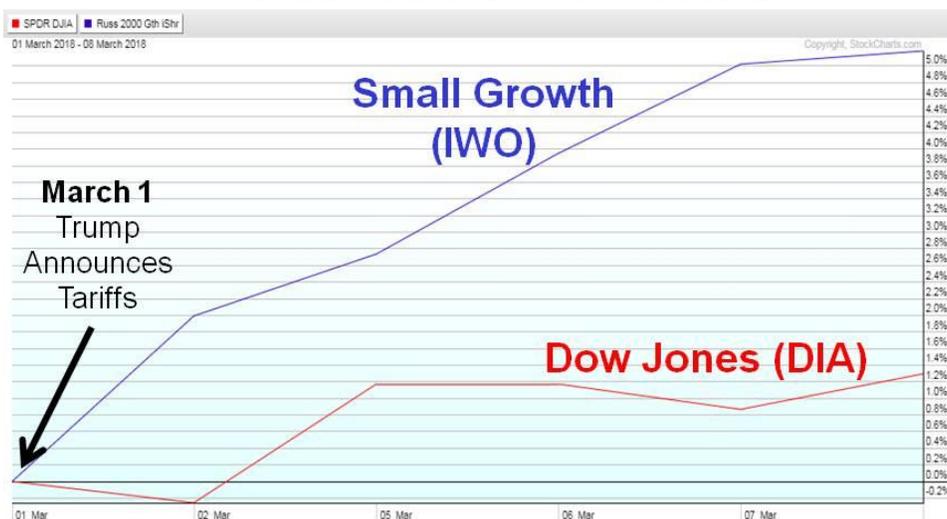
March 9, 2018

## Stock Market Responds to Tariffs and Growth

The market is not a singular entity. It is comprised of thousands of individual stocks which are organized by size, style (growth versus value) and industry sector. For example, the Dow Jones Industrial Average index (DJIA) measures the performance of 30, very large companies. The weighted average market cap of the DJIA stocks is \$230 billion. By contrast, the Russell 2000 growth index (IWO) measures the price performance of 1,162 stocks with earnings expected to grow at an above-average rate relative to the market. The weighted average market cap of the Russell 2000 growth index is one tenth the size of the DJIA at \$2.3 billion. The P/E of the DJIA is 16.9x versus the P/E of the Russell 2000 growth of 24.7x.

Since President Trump announced his steel and aluminum tariff proposal, the very large capitalization stocks with high international trade exposure (i.e., the DJIA) have experienced relatively poor price performance (up 1.3% since March 1). The small growth stocks with low international trade exposure have experienced strong relative performance (up 5.2% since March 1).

### DJIA vs. Russell 2000 Growth



The important message the stock market may be less about the potential negative impact of tariffs but more about the underlying strength of the economy and earnings

expressed through the very strong performance of growth stocks. Like many issues initiated in the political arena, the final result is often different than the initial announcement. In the case of tariffs, our largest trading partners (Canada and Mexico) have been excluded and there is a possibility other nations will also be excluded. In the case of growth, it appears to be widespread and robust. For example, the jobs report was better than expected – 313K new jobs versus an expected 195K – with little signs of wage pressure. The tariff issue, like so many other “hot button” issues, will come and go. What we expect to remain for the foreseeable future is a continuation of the bull market trend.

## **Bull Market Ninth Anniversary**

On this day nine years ago (March 9, 2009), the S&P 500 index closed at 676.53. This was the closing low of the 2007-2009 bear market. On March 6, 2009, the S&P 500 index reached an intraday low of 666.79 before closing at 683.38. Although we are nine years into a bull market, enthusiasm for stock investing remains muted, especially measured by the trillions of dollars of cash on the sidelines. Bull markets usually end when investors are too optimistic rather than too skeptical. We continue to climb the wall of worry.

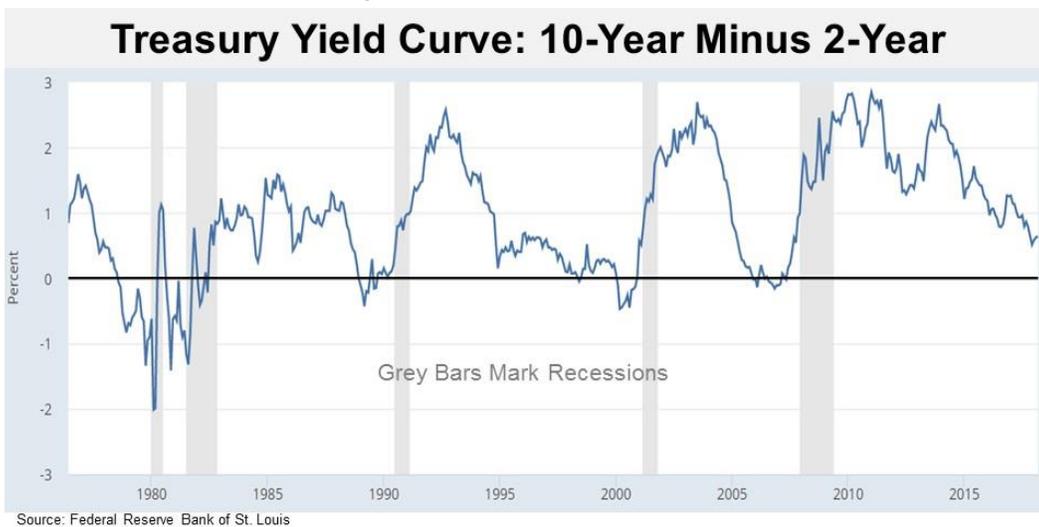
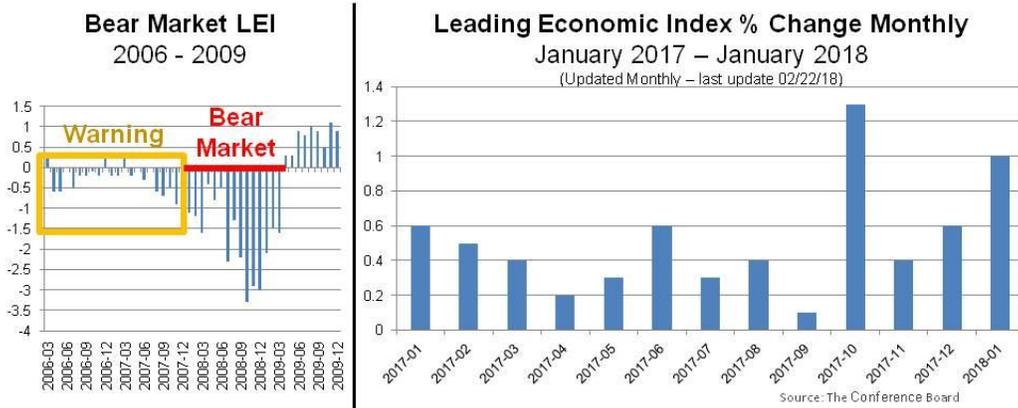
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*"I want Chardonnay, but I like saying 'Pinot Grigio.'"*

# Delta Stock Market Dashboard



MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

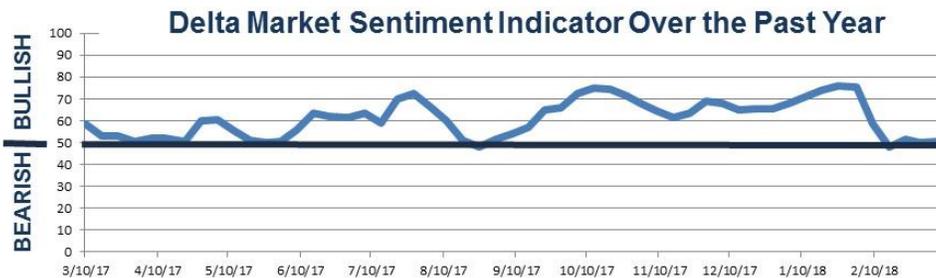
**50.3**

Our technical indicator increased this week from 50.1 to 50.3

## INDICATOR STATISTICS

Consecutive Bullish Weeks:	69
Cycle Inception Date:	11/15/2016
Range:	47.9 - 75.7
Mean:	62.98
Bullish Weeks YTD:	10
Bearish Weeks YTD:	0
*S&P 500	25.4%
*DJIA	31.9%
*NASDAQ	39.6%

\* Percentage change during current cycle



(Delta MSI is published every week in *Barron's*)

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