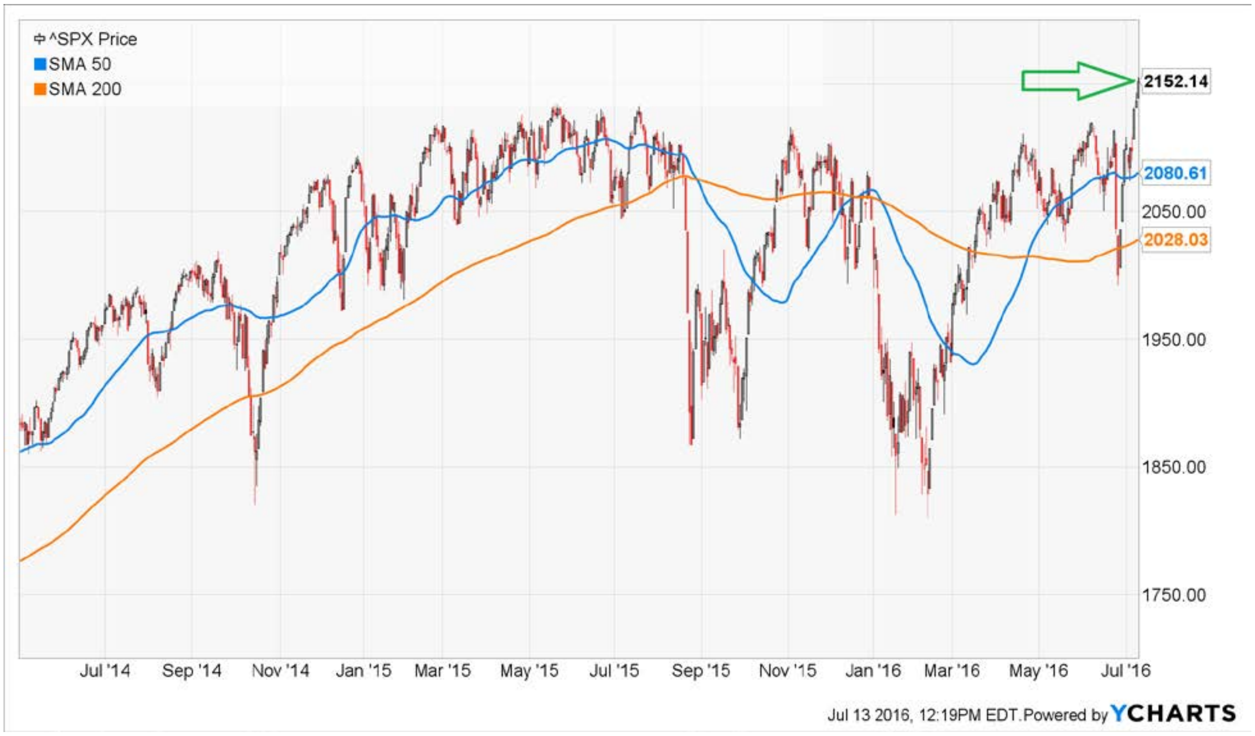
Market Update

July 13, 2016

New All Time Highs For The S&P and Dow

Earlier this week, the S&P 500 and the Dow Jones Industrial Averages broke through all time highs. Since my last market update, the U.S. markets have shrugged off Britain leaving the European Union and a subsequent global sell off to quickly rebound and make new all time highs.



Information in this chart above was taken from sources we believe to be reliable; however we do not guarantee its accuracy or completeness.

The question I am getting the most is whether this is now a resumption of the long term bull market and the end of the short term bear market that has been in place since the May 20 2015 S&P 500 market high? In order to shed some light on this we need to consider a few of the catalysts in place.

On July 8th we had a very positive June employment number as nonfarm payrolls increase by 287,000 jobs. The unemployment rate rose to 4.9% from the previous reading of 4.7%. As noted in last months market update (please contact me for a copy of Junes Market Update) the 4.7% unemployment number was largely due to the Labor Force Participation rate going down. This signaled that people gave up looking for work and were no longer being counted in the census. Along with a positive nonfarm payrolls number, the Federal Reserve maintained an accommodative interest rate policy due to Brexit and the markets sharp rebounded from the Brexit lows. Earnings season just started which could potentially provide a boost. There is a lot of cash on the sidelines and in low yielding bonds. If earnings' season starts well we could see a move into stocks and out of bonds and cash. This could provide all of the needed firepower to officially end the shorter term bear market that we just exited and resume the longer term bull market.

The markets are trading above the 50 day and 200 day moving averages. Over the remainder of the summer, I see the S&P 500 only testing the 50 day moving average as a resistance level while we grind higher into the fall. Unless there are some significant global events from now until the election, earnings season will likely be the driver of the markets.

On another note, recent events in our country seemed to have divided the U.S. a bit. While it is currently not having a major effect on our markets I do believe these events can have an effect on the Presidential Election, which as we get closer to November may start to have some impact on our investments.

If you have questions or would like to discuss this further with regard to your personal portfolio please contact me at 310-433-5378.

James M. Liotta
President
Prominence Capital GP, LLC.
jliotta@prominencecapital.com
www.prominencecapital.com

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