

Below is a snapshot of last week's market performance and what to watch in the weeks ahead from Chadd Mason, Cabana CEO and co-founder.

Earnings season has kicked off, and 79% of companies reporting have beaten estimates. Financials are leading so far. The Financial Select SPDR® (XLF) had a big up day on Friday, in response to reports from J.P. Morgan, Citigroup and Bank of America. A jump in yields is also providing a lift to bank shares. Banks do better in a rising-rate environment, and that is why the yield curve spread is so important. For banks to make money on loans, they have to be able to borrow at lower rates than the rates that they get for their loans to customers. The jump in rates and the buying in financial stocks is somewhat of a "chicken or egg" situation. It's hard to know whether the bounce in rates as a result of strong earnings is lifting the bank stocks, or if the rise in bank stocks is causing interest rates to rise. Either way, it is a good thing when banks take the lead. Analysts are predicting earnings overall to grow by 8% this year. It is not the 20% growth we saw in 2017-2018, but it is not bad either.

Another bit of good news is that Germany's stock market just cleared its own 200-day moving average. That is a big positive out of Europe's most important market. If we can get Europe out of the doldrums and in step with the U.S. and China, we have a good chance of another leg up in the world equity markets this year. Commodities continue to benefit from the China growth story. China is the largest importer of commodities worldwide. If these trends continue, we should see interest rates continue to rise, which will allow the yield curve to return to a normal shape whereby long-term rates are higher than short-term rates. As stated above, this is good for banks *and* the economy.

The next test of the U.S. markets' uptrend will be the S&P 500's September 2018 high of 2,940. It broke through 2,900 on Friday, so we are getting close. I suspect we will reach that point this month.

Earnings statistics are from VectorVest.com.

Last week's market commentary is available [here](#).



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