

Reliance Trading Co. Limited – US Market Update

Reliance Trading has been working with individuals, families, and organizations to develop value-based investment approaches for more than 30 years.

WAN CHAI, HONG KONG, HONG KONG, December 12, 2018 /EINPresswire.com/ -- Today, The Bureau of Labor Statistics will be releasing the Consumer Price Index (CPI) data for November.

Market watchers will be paying close attention to the CPI data as it is often looked to as a key inflation gauge. Economists polled by Bloomberg are expecting an unchanged reading for the month of November after a +0.3% jump in October.

Reliance stresses the importance of this month's CPI reading because the Federal Reserve has turned "explicitly more data dependent," the company wrote. "Risks are more clearly tilted towards a significant market reaction in the event of an upside surprise to core CPI. Driven more by global developments than US data, markets are now pricing less than one full Fed hike in 2019."

Tech giant Cisco will be holding its annual shareholder meeting on Wednesday in San Jose, California, at 10 a.m. PST.

[Market Analysis](#)

The post-crisis bull market was defined for investors by low interest rates and rising stock prices.

Pushing stock prices higher was a phenomenon known to investors as TINA — there is no alternative.

Low interest rates made the nominal yield on fixed income assets paltry and the zero interest rate policies pursued by central banks around the globe left cash yielding nothing.



US Markets Appear Cautious Ahead of CPI Data

But with the Federal Reserve raising interest rates three times so far in 2018 — and now seven times since the financial crisis — cash actually does present an alternative to investors for the first time in a decade.

In its year-ahead equity outlook, Reliance highlights the yield on 3-month Treasury bills now exceeding the forward dividend yield for the S&P 500. Three-month bills are currently yielding about 2.4%; the S&P 500's dividend yield is around 1.98%

The equity market is facing some competition from higher rates," Reliance wrote in its note. In other words, investors may serve themselves well by just sitting on cash and let it generate a risk-free return in an interest-bearing bank account.

Markets continued their volatile trading on Tuesday with the major indexes again closing little-changed after a sharp move early in the session.

On Tuesday, it was a positive open that faded throughout the day with markets turning red after President Donald Trump saying in the Oval Office that he would welcome a government shutdown over funding for the border wall. On Monday, a quick sell-off during the morning hours was bought aggressively with stocks eventually closing in the green.

And with investors now seeing markets transition into the third straight month of heightened volatility, getting 2% for nothing continues to sound like a decent deal.

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