



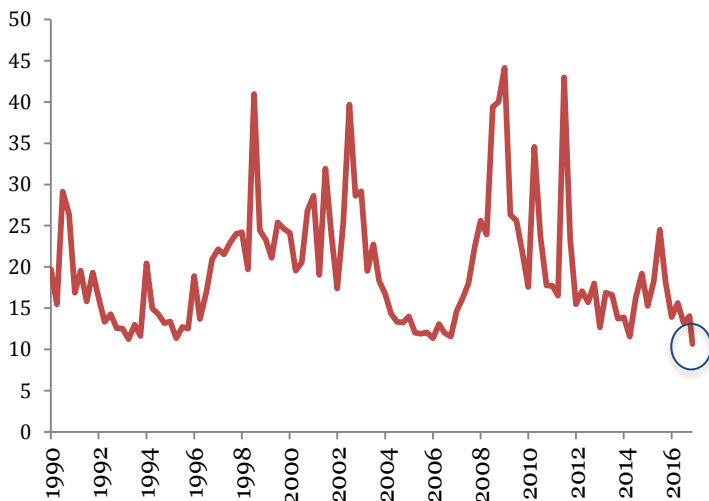
Volatility in Washington Hasn't Translated into Volatility for Stocks

News out of Washington certainly has been turbulent, but that hasn't translated into higher volatility for stocks. The VIX stock market volatility index remains near generational lows (left chart), while Strategas Research notes that it has been 38 days since the S&P 500 had an intraday move of 1% or more, the longest streak since 1982.

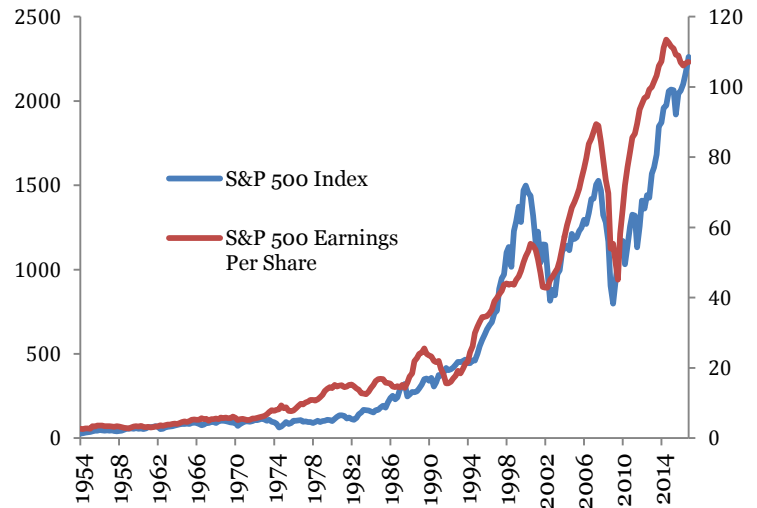
Indeed, it is easy to forget amid all the noise that corporate earnings are what ultimately matter for stocks (right chart). To that end, the current earnings season has been a good one, with roughly two-thirds of S&P 500 companies beating analyst estimates.

After earnings season, investors will turn their attention to President Trump's pledge to reveal a tax plan within the next few weeks. Tax reform will take time and the process could fail before it succeeds, but we do expect something to be accomplished by year-end. Success in this regard is critical for the market outlook, as stocks have risen by 10% since the election and trade at above-average valuations in anticipation of a large scale economic stimulus and reform package.

VIX Stock Market Volatility Index



S&P 500 vs. Earnings



Source: Hefren-Tillotson, Bloomberg, Past Performance Does Not Predict Future Results; Data as of 2/10/17

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