

Wolfe Sees 'Double Digit' S&P 500 Gain in Latest 2018 Bull Call
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By Lu Wang

(Bloomberg) -- U.S. stocks are likely to keep their momentum next year, rising by "double digits" as fiscal stimulus more than offsets tighter monetary policies globally, according to Wolfe Research.

* The bullish call for 2018 is the latest among strategists, who on average see the benchmark gauge rising ~6%, according to a Bloomberg survey.

* NOTE: SPX up ~19% YTD

* Wolfe Research analysts led by Chris Senyek wrote in a note today that they expect Republicans to pass a tax package roughly in line with the Senate's current bill.

** See S&P 500 operating EPS boost of about \$18(+11.1%) for 2019, assuming a reduction in corporate tax rate to 22%.

** Forecast U.S. real GDP growth expectations to rise above 3%, the 10-year yield to grind toward 3%, the yield curve to steepen, and the U.S. dollar to strengthen.

** Modestly bullish on oil prices, but modestly bearish on industrial commodities.

** Among U.S. stocks, favor domestic over international exposure, value over growth, and small-caps over large-caps.

*** Avoid companies with high emerging-markets exposure as China pulls back on credit.

*** Recommend biggest overweight in financial shares, a beneficiary from a steeper yield curve and regulatory reforms.

*** Also favor consumer discretionary into pick-ups in consumer confidence and spending, and energy on the back of rising oil prices.

*** Underweight utilities and telecom amid rising interest rates.

*** Staples is least preferred sector, given its defensive nature and the fact that many of its largest companies are leveraged to global growth, which should lag the U.S.

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