Good News Doesn't Sell

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The canyons of Wall Street looked more like Coney Island in the second quarter as the bulls and bears went on a roller coaster ride. Stocks advanced in April, supported by positive earnings reports, and M&A activity pushed equity indices to their best levels since June of 2008, rising against mounting uncertainties across the globe. But stocks slid from the April 29 highs as bears feasted on a steady diet of soft economic data, inflation fears over Eurozone sovereign debt issues and the end of the Fed's second quantitative easing program. Stocks managed to catch their breath in the closing days of the quarter, helped by some positive economic data. In addition, the stay of execution for Greece, with the passing of austerity measures mandated by the EU and IMF, ushered in a second bailout package for the beleaguered nation and some investor appetite for risk assets.

Inflationary fears in the emerging markets, specifically China, and the resulting government response knocked the commodities market on its heels. While we continue to believe the long-term story is intact, the shorter-term trading ramifications are obvious. Yes, once again, gas is under $4.00 per gallon at the pump. Domestic large-cap, dividend-paying companies remained the portfolio darlings.

There is plenty of headline news to lose sleep over, and we expect that the ride may continue to be bumpy for the foreseeable future. The news that doesn't make the front page is that corporate earnings continue to be strong, and the recovery, while slow, continues to progress. But good news doesn't sell advertising. Like gaining weight, it takes time to put it on and time to take it off. Dieting is no fun, neither is fiscal dieting, but for the health of the patient, it's a regimen that needs to be followed.