

## **Second Half Outlook – Signs, Signs, Everywhere are Signs...**

“A lot can be learned about the economy by paying attention to what is going on around you in everyday life,” according to Steven Sheldon, CFA and principal of SMS Capital Management (“SMS”) [www.smscap.com](http://www.smscap.com). The signs point to a U.S. economy that keeps “rolling along” despite some soft spots. In his recently released second half market forecast, Mr. Sheldon reaffirmed his call for the S&P 500 to finish the year modestly higher than where we are today, noting that the market is currently just a “tad below my year-end target of 1550.”

Keeping with his reading the signs theme, Sheldon points out that “bad service everywhere you go” might have an upside since full employment is generally good for the economy. He also suggests that “lots of pickup trucks and SUV’s still on the road”, means that consumers are not feeling the pinch of skyrocketing gas prices yet.

While he expects more upside and potentially downside volatility from here, he argues that earnings growth of 7-9% for the year appears achievable, but that expansion of the price-to-earnings multiple at which the S&P 500 trades may be harder to come by, thereby capping gains for the remainder of the year.

Mr. Sheldon still favors a portfolio consisting of a greater percentage of large cap exposure in this current environment. In January, he warned that REITs and junk bonds “appear overheated” and still believes that to be the case despite recent pullbacks.

Finally, Sheldon requests some feedback from his readers who may make their own observations, “If you find that you and everyone you know starts and ends their day by “Googling” for up-to-the-minute Paris Hilton news - please let me know because it may be the end of the world as we know it!!”

Steven Sheldon, CFA has more than fourteen years of professional experience analyzing and managing investments. Prior to founding SMS (, Mr. Sheldon worked as a senior member of a corporate principal investments group. Mr. Sheldon has an MBA from Tulane University and a BBA from The University of Texas. In addition, he is a CFA charter holder and a member of both the CFA Institute and the Houston Society of

Financial Analysts (HSFA). He also serves as President of the MBA Council of Houston.

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