

Equities Maintain Some Upward Momentum - Domestic Stock Market Overview

Strong earnings and economic data helped propel equities higher in April, along with abundant liquidity provided by the Fed in the form of bond buying and continued low rates. Strengthening economic data has also helped maintain equity valuations, anticipating expanding growth across the economy.

The anticipated effects of the proposed increases in capital gains may be muted since roughly 25% of U.S. stocks are in taxable accounts, while the balance are in retirement and pension accounts where capital gains tax is not applicable.

Higher prices on numerous consumer products are leading to rising margins for many companies, translating into elevating earnings and stock prices. Comments by Fed Chair Jerome Powell on April 28th suggested that parts of the market “are a bit frothy”, alluding to some overpriced valuations.

Sources: S&P, Bloomberg, Federal Reserve

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