

Dow Passed 20,000: What's Next?

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Last week our Behind the Market's podcast had a great guest to discuss the big news of the week: the Dow Jones Industrial Average passed the 20,000 mark for the first time. Both Wharton Professor Jeremy Siegel, our co-host, and Tobias M. Levkovich, Chief U.S. Equity Strategist for Citi Research, weighed in on the prospects for equity gains in 2017.

U.S. Markets Bull vs. Bull:

- Professor Siegel had the more bullish bias in terms of potential gains—but he also had a bigger caveat and hesitation based on fears of global trade rhetoric from Trump.
- I pushed Professor Siegel on whether trade wars could really be a problem—or whether there are some really important issues Trump might be focused on that have some common-sense appeal and will turn out OK.
- Levkovich was bullish on the market and has a model that assigns a fairly high probability of good market gains this year. But his model points to more modest gains, perhaps around 10% total returns for 2017.
- Cyclical bias: Levkovich also has a cyclical bias in terms of where he allocates, and we discussed those sectors he likes.
- We further discussed sentiment for the market, volatility models and the great rotation from bonds to equities that Levkovich believes is going to be a catalyst for the markets

China: Bull vs. Bear

We also had a second guest on the program: Brian Neider of Lead Edge Capital. Neider is a growth equity investor who focuses on private markets in software and Internet companies, with some public company exposure. I saw Jim Chanos at the Evidence-Based Investing conference in New York last year, where he presented a case to be short Alibaba. Neider's firm has been a major investor in Alibaba over the last five or six years, and they remain bullish.

I would note: this year China has been a surprising stand-out in performance, as we'll soon discuss in a blog post, and Alibaba's earnings beat many expectations last week. For those looking for a review of various types of exposure that go beyond the public markets, Neider does a nice job of outlining the industry and his firm's place in it.

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Investments focused in China increase the impact of events and developments associated with the region, which can adversely affect performance.