

Consumer Sentiment Soars

It has been twelve years and eleven months since the [Michigan Consumer Sentiment](#) reached the 98.2 level. Consumers are pointing their finger (I'm not sure which finger) towards brighter days ahead financially at what is being coined as [Trump's takeoff](#). When it comes to investing, there's an old saying, "Put your money where your mouth is." At the present, investors have been speaking loudly with their wallets by continuing to invest in stocks. So far, the S&P 500 is up over 2.8% in December.

When it comes to making money in any investment, I use three criteria aptly named the "investors trilogy" to help me make the decision. The criteria are fundamentals, valuation and sentiment. Fundamentals reflect the financial state and future prospects of the idea. Valuation is the metric that I use to measure the expected return against alternative choices. Sentiment, which is also known by its primal name of animal spirits, is the art form that prices assets sometimes rationally, other times irrationally.

Historically, Consumer Sentiment has averaged 85.5; it now sits at 98.2. Job growth has been steady; inflation has been modest; economic growth has been accelerating, and animal spirits are awakening. What does all this mean for the future? Well, it looks like Santa has already been generous to investors this month; let's keep our fingers crossed that the fun continues in 2017.

