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Charles Payne's Morning Hotline Report

Watch my show: **Making Money With Charles Payne Fox Business 6PM**

President's Understatement

Last Friday, President Trump posted this message on Twitter:

"Great numbers on stocks and the economy. If we get tax cuts and reform, we'll really see some great results!"

That tweet was actually something of an understatement. I've been pointing out the rapid growth in the economy all year long, but it's picking up the kind of momentum that generates a positive feedback loop.

Success begets success.

The wheels of commerce are firing on all cylinders underscored by a report on 'Leading Economic Indicators' that I spoke about yesterday that saw nine out of ten components higher. Moreover, last week, the NY Fed adjusted its fourth-quarter Gross Domestic Product (GDP) estimate higher to 3.82%.

Wouldn't that be remarkable?

With the market surging and economic data clicking, Wall Street is beginning to sound confident. In a note, to clients, Goldman Sachs (GS) says it is "rational exuberance" to expect the good times to keep rolling into next year, lifting the S&P 500 up 11% to 2,850.

The smartest guys in the room joined other firms, including BMO Capital Markets, UBS Financial Services, Credit Suisse, and Deutsche Bank, all calling for a double-digit gain in 2018.

Goldman does add the caveat that 'if tax reform doesn't pass,' then the S&P 500 could dip to 2,590. The bottom line is that the market is looking higher, and everyone is jumping on the bandwagon, including those same Wall Street firms that were negative earlier in the year.

While we are accustomed to Wall Street speaking out of both sides of their mouth, it's unlikely they will take the other side of this debate. This does put more pressure on Wall Street and professional investors to improve their performance, which means more money pouring into the rally.

Success begets success.

Now I'm a Believer

There was a headline in last week's LA Times that reluctantly gave President Trump credit on the economy:

"Strong economy boosts Trump among otherwise skeptical voters"

This details a poll by Democratic pollster Peter Hart in which respondents called the administration chaotic and disappointing on everything except the economy where even non-Trump voters voiced appreciation and excitement.

Even as the mainstream media refuses to give President Trump credit for the economy, Main Street and Wall Street are bubbling with enthusiasm. As long as regular folks begin to see and believe the economy, we will enjoy a wind in its sails.

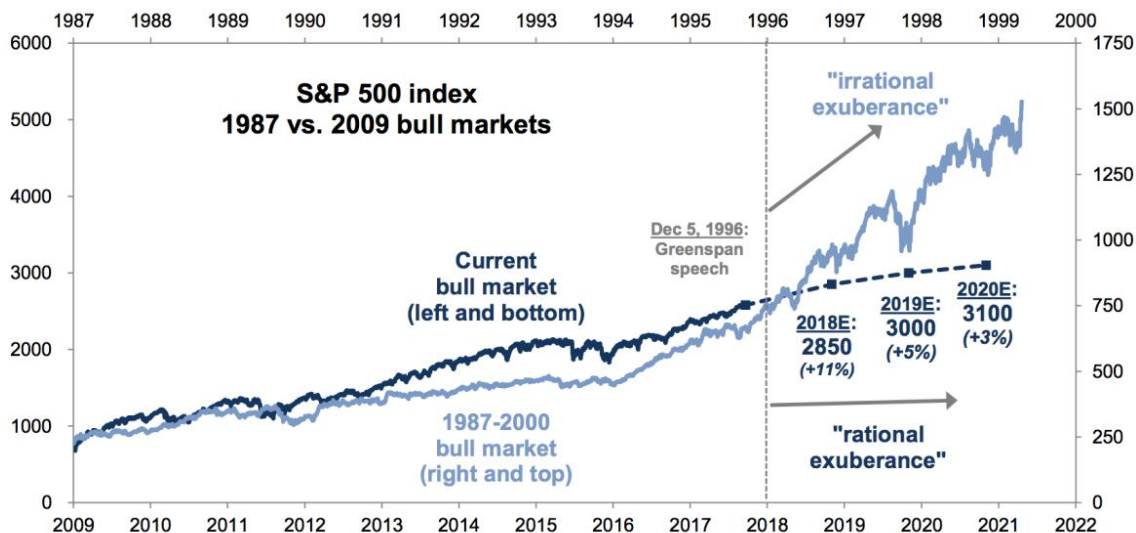
Markets

There are records across the board for all the major indices: Dow Jones Industrial Average, S&P 500, and NASDAQ, along with the Russell 2000, which continues to lag the other indices. As mentioned above, Goldman Sachs "rational exuberance" report suggests that the S&P 500 could move higher over the next three years:

- 2018 +11%
- 2019 +5%
- 2020 +3%

The report maps the current rally to 1987. It was at this point back on December 5, 1996, that the then-Federal Reserve chairman offered his infamous "irrational exuberance" speech that sent stocks lower for about a week before stocks turned higher and went parabolic.

Exhibit 1: Comparison of bull markets: 1987 vs. 2009 — Index Levels
as of November 17, 2017



I think there is a chance stocks could actually go parabolic from this point as well.

The S&P 500 forward (PE) ratio is holding steady between 17 and 18 for several quarters because earnings have been gaining strength.

With 95% of names reporting third-quarter financials, this has been another remarkable period:

- 66% beat on revenue
- 74% beat on earnings

The blended earnings growth of 6.2% is 100% above Wall Street consensus. This is the fourth consecutive quarter of a year-over-year earnings growth.



Today's Session

Equity futures are pointing slightly higher in part to strong earnings from several names including Deere (DE) which posted strong results on revenue and earnings and offered robust guidance for 2018.

The company's construction business is rocking, but its core farm business is doing very well. I'm working on a special Farm Investment Report for continued strength into 2018.

On Tax bill saga, there is a positive turn of events with Senator Lisa Murkowski announcing her support for repealing the individual mandate.

Crude oil begins today at its highest level since July 2015 and has a real chance of reaching \$60.00 a barrel. I called for this level during the summer, but there were so many fits and starts and such a loud chorus of doubters, I'm surprised West Texas Intermediate has hit \$57.00.

The most important thing for investors to know is crude-related equities have not mirrored the move in crude suggesting major upside potential.

LONG IDEA: CNH Industrial N.V. (CNHI) \$13.19 – Industrial; Machinery & Equipment

BACKGROUND: CNH Industrial N.V. designs, produces, markets, sells, and finances agricultural and construction equipment, trucks, commercial vehicles, and buses worldwide. It also offers specialty vehicles for firefighting, defense, and other uses; engines, transmissions, and axles for its vehicles. The Agricultural Equipment segment provides farm machinery and implements, including two-wheel and four-wheel drive tractors, crawler tractors, combines, cotton pickers, grape and sugar cane harvesters, hay and forage equipment, planting and seeding equipment, soil preparation and cultivation implements, and material handling equipment. This segment offers its products under the New Holland Agriculture, Case IH Agriculture, Steyr, and Miller brand names. The Construction Equipment segment offers excavators, crawler dozers, graders, wheel loaders, backhoe loaders, skid steer loaders, compact track loaders, and telehandlers, under the New Holland Construction and Case Construction brand names. The Commercial Vehicles segment provides light, medium, and heavy vehicles for the transportation and distribution of goods under the Iveco brand name; commuter buses and touring coaches under the Iveco Bus and Heuliez Bus brand names; quarry and mining equipment under the Iveco Astra name; and firefighting vehicles under the Magirus brand name, as well as vehicles for civil defense and peace-keeping missions under the Iveco Defence Vehicles brand name. The Powertrain segment offers propulsion and transmission systems and axles for on-and off-road applications, as well as engines for marine application and power generation through the FPT Industrial brand. The Financial Services segment provides and administers retail financing to customers for the purchase or lease of new and used industrial equipment or vehicles, and other equipment; and wholesale financing, which consists primarily of floor plan financing to CNH Industrial dealers. CNH Industrial N.V. is based in London, the United Kingdom.

SKINNY: I've been excited about the farm industry in the United States since 2018, moreover; global growth led by a rebound in South America should also be significant. The company has some familiar brands among its fleet of businesses:

- IVECO
- Case
- New Holland
- Steyr
- FPT

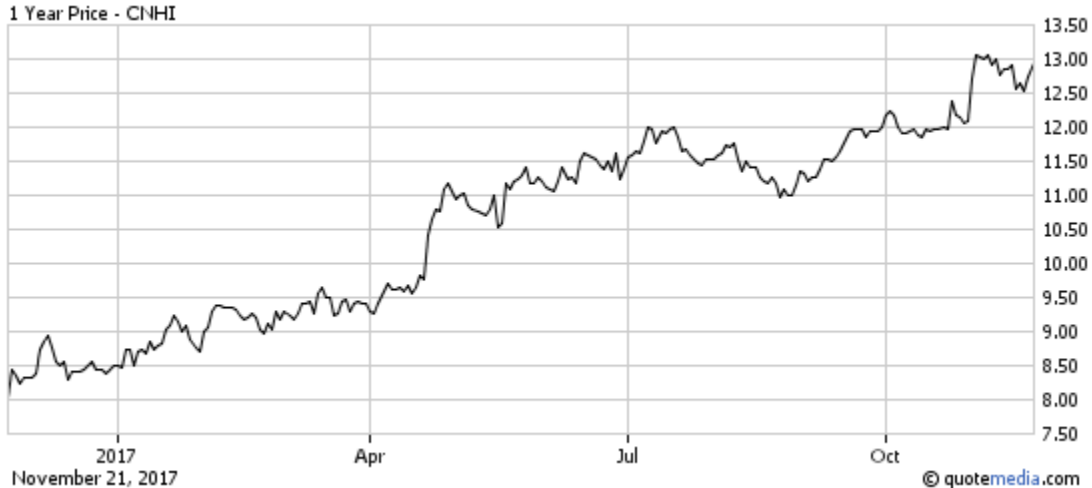
Execution has been impressive as management has posted a string of earnings beats most recently, its largest in the past 52-weeks. The stock is breaking out but still fairly valued.

We are looking for \$16.00 over the next 6 to 12 months.

Buy Limit	Options	PEG	Book Value	Avg. Vol.	Outs	Insider Activity	Inst. Hldg	YH YL	'18 Est.
MKT	N/A	1.00	3.26	1.25M	1.36B	N/A	42.15%	8.37 13.37	0.61

Peer Review								
Ratio	P/E	P/B	P/S	P/CF	P/TB	Div. Yield	Mkt Cap	Short Pos
CNHI	55.92	2.62	0.66	8.43	15.95	1.00	17.67B	0.76%
TITN	N/A	1.12	0.30	49.01	1.14	N/A	342.34M	9.26%
INDUSTRY	24.55	2.96	9.95	15.78	3.46	1.42	N/A	N/A

Analyst Action		
Stifel – Reiterated Hold	Evercore ISI – Upgrade Outperform	Seaport Global Securities – Upgrade Buy



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