

[Martone Capital Management: Weekly Investment Commentary \(8/25/2014\)](#)

The stock market continues to wrestle with a series of counter-forces, and for now, low rates and an improving U.S. economy are trumping full valuations and lingering geopolitical risks, allowing stocks to move higher. In fact, it is not stocks, but some of the safe haven assets - notably gold and short- to intermediate-duration U.S. Treasuries - that may be the most vulnerable in the near term as a period of interest rate normalization approaches.

Ironically, last week's gains were driven by tangible evidence of an economic acceleration in the United States and the exact opposite in Europe.

European equities - which narrowly outperformed the United States - rose despite slowing euro-area manufacturing. Investors, it seems, put a positive spin on further weakness, hoping it might lead to more aggressive action by the European Central Bank (ECB). It's another example of the "bad news is good news" phenomenon.

Although not cheap, stocks have the tailwinds of still-low rates and improving economic conditions at their back.

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