The pace of global economic activity continues to slow with recessions in several European countries dampening demand for goods and services from other countries around the world. However, this past week, several central banks stepped up efforts to support global economic growth. These foreign policy changes are likely to help the U.S. economy maintain modest economic growth.

Investors in the U.S. often focus on U.S. economic policies; however, global policy changes also affect the U.S. economy. The U.S. economy slowed last year even though the Federal Reserve was maintaining an easy monetary policy because foreign central banks raised interest rates to fight inflation. This year, the U.S. economy is likely to benefit from decreasing inflation and declining interest rates. These could be the forces that drive stocks over the next few months.

With stock valuations neutral, stocks could be driven by the perceived effectiveness of Federal Reserve Policy and the incoming data on the economy. Importantly, near-term moves in the popular averages should not be over-interpreted. Absent a break above the 1360-1390 range on the S&P 500 or below 1310-1300, it should be assumed that the recent trading range environment remains intact.

The second half of election years have been up for the S&P 500 81% of the time since 1928 (17 of 21 times)! There is also growing support for pushing the fiscal cliff out to March of 2013, thereby allowing more time for an election rally to run.