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# What to watch

## Time to worry? Market priced for perfection

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The stock market refuses to go down. The Federal Reserve is still on the side of financial markets. Fed Chair Janet Yellen doesn't think stocks are overvalued relative to history. And don't forget the Standard & Poor's 500 hit another closing high Thursday and is up 6% in 2014.

What's not to like?

Well, there's a chance stocks are priced for perfection, says S&P Capital IQ's U.S. Policy Investment Committee. In other words, there's a lot of good news priced into the market. And the uptrend's future is based on the belief that the Fed's future forecasts — a pickup in economic growth, a drop in unemployment and well-behaved inflation — are spot on, and will continue to support stock prices.

"The bears have a greater number of talking points to support their cautious approach, but the bulls simply need to remind us that it's frequently best not to fight the tape," S&P Capital IQ said in a report. "In the past 13 weeks, the S&P 500-stock index is up more than 4%, and all of its 10 sectors are in positive territory."

But, and there's always a but in forecasting: "Momentum alone, however, doesn't justify further gains," warns S&P Capital IQ, "especially since the S&P 500 is priced to perfection, in our opinion, and recent economic data hint at softening economic growth, rather than a likely acceleration of forecasts." The firm's advice: "We wouldn't trim our equity exposure, (but) we also wouldn't ... increase it either."