



Weekly Market Review

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The Week Ending December 1, 2018

After weeks of doom and gloom, the markets finally found much-needed emotional footing and rallied hugely. U.S. equities enjoyed the most significant gains with the S&P 500 and Dow Jones Industrial Average returning 4.91% and 5.32% for the week. International and Emerging Markets experienced strong equity returns as well with the MSCI EAFE Index (International) yielding 0.97% and the MSCI Emerging Market Index returning 2.65%. Let's take a closer look at the week's developments that led to the optimism.



Early Black Friday and Cyber Monday data suggest that the U.S. consumer hit the ground running on holiday spending this year. Because consumer spending represents about 70% of the U.S. economy, the market always closely watches consumer spending and sentiment this time of year. And with a few brief exceptions occurring in February, and more recently over the past few weeks, the trend of consumer confidence has been near all-time highs for 2018. Because now so much holiday gifting occurs with gift cards, it won't be until well into the first quarter until we can really get a picture for the final numbers. But so far, it's a good start.

Jerome Powell, Chairman of the Fed, spoke this week and softened his rhetoric on the path of rising rates. As it stood, the Fed was forecasting a rate hike in December and three more in 2019. The market had the December hike and only two rate hikes for 2019 built into current prices. Powell's comments suggested that rates may be near "neutral" levels. If this is the case, we should expect fewer rate hikes from the Fed which means the market forecast of two for 2019 seems more probable than three. This is good news for current equity and bond prices.

Lastly, and probably the biggest factor, optimism was building last week surrounding the much anticipated G20 meeting between President Trump and Chinese President Xi. The hope was the two would agree to a framework to continue trade negotiations and delay the upcoming January tariff deadline. After the two had dinner on Saturday, Trump's camp announced China agreed to buy a "very substantial" amount of U.S. agricultural, industry, and energy products and the tariffs would be delayed for 90 days.



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