



# Weekly Market Review

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## The Week Ending December 8, 2018

It was another volatile week in equity markets leaving the S&P 500 teetering on the brink of negative return territory for the year. The U.S. stock index finished the week down -4.6% but remains positive 0.3% on the year. It was the same headlines surrounding tariffs, yield curve/rate hikes, and global economic growth driving both the upside and downside of this week's volatility. As time goes on, and these issues remain uncertain, it seems the market is responding with more emotion on both the positive reactions to the good news and the negative reactions to the bad news. Just looking at last week – Monday



stocks rallied by over 1% on the news of President Trump and Chinese President Xi reaching a verbal agreement at the G20 summit to continue trade negotiations and delay the upcoming new tariff implementation by 90 days. On Tuesday, stocks fell by over 3% on worries over the yield curve flattening and recession fears. On Wednesday, markets were closed in observance of the National Day of Mourning of the death of former President George H.W. Bush. Thursday, the market opened by dropping almost 3% but turned around and rallied almost entirely recovering the losses and finishing the day down only 0.2%. This significant pullback was attributed to the arrest of a Chinese tech executive who is accused by the U.S. of lying to evade sanctions and continuing to do business with Iran. The fear is this incident may adversely affect the ongoing U.S./China trade negotiations. Finally, on Friday, the market closed down over 1.5%. Moreover, while a -4.6% week is significant, the market was up last week by about the same amount. So in the previous two weeks, the return is essentially flat.

These are the times when rational investors with a long-term view find opportunities to buy stocks of good companies at attractive prices. On the other side, these are also the times when emotions will drive some investors to make the irrational decision to sell stocks after a price drop which may jeopardize their ability to meet their long-term goals. So while we do not have a crystal ball, it appears that anxiety surrounding the uncertainty may get worse before it gets better. However, history has taught us that investor sentiment, and the market, can just as quickly turn toward the positive as it does toward the negative. So, while we wait for less anxious days, it's important to stay grounded and remind yourself to not focus on the short-term discomfort but instead the long-term goal.



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