



Weekly Market Review

By: Jim Rambo, Allegheny Research Team



The Week Ending August 25, 2017

The 2017 Jackson Hole Economic Summit wrapped up this Saturday. All in all, there was not too much to write home about. Investors hoped to glean more insight into how quickly the Fed will raise rates and reduce their balance sheet in the face of low inflation. Yellen made no mention of monetary policy and instead used her time to defend bank regulation. This was viewed as a message to President Trump that she disagrees with his campaign of deregulation. Yellen's term expires in February, and Trump will either renominate her or choose a new nominee for Chairman of the Fed. Investors also hoped to learn more details about the European Central Bank's plan to taper their bond buying program. Instead, Mario Draghi spoke about the global recovery "firming up" but made no mention of monetary policy. Bonds and currency prices, which are directly affected by monetary policy, remained relatively flat last week.

President Trump signed an executive order on Friday to limit the Venezuelan government's access to U.S. financial markets. The sanctions bar dealings in new issues of stocks and bonds from the Venezuelan government and also the state-owned oil company, *Petróleos de Venezuela*. Beginning in 2013, Venezuela has slipped into an almost unprecedented economic crisis with their GDP shrinking by nearly 40%. To put that into perspective, U.S. GDP shrank by an estimated 28% during the 1929-1933 Great Depression.



President Maduro has repeatedly turned down humanitarian assistance offers. Both the Venezuelan people and the outside world see his response to the crisis as an attempt to gain power at the people's expense. In July, Goldman Sachs stirred controversy by buying \$2.8 billion worth of *Petróleos de Venezuela's* bonds for about \$865 million. While purchased through a broker, it was most likely sold by the cash strapped Venezuelan government. While there was nothing illegal about the trade, the public viewed the investment as providing cash resources to Maduro and further perpetuating his people's suffering. This investment would have been allowed even under the new sanctions which only bars new issues. But, it is clear that investors and governments are applying higher levels of scrutiny to the situation in Venezuela.



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