



Weekly Market Review

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The Week Ending September 8th, 2017

U.S. stocks closed the week down with investors concerned about the ongoing disaster in Texas from Hurricane Harvey and the looming threat of Hurricane Irma barreling down on Florida. Early estimates of the combined damage are reaching into the several hundred billion dollars range for both storms. In the short-term, the destroyed infrastructure, the lost productivity of workers in Texas and Florida, and the psychological impact will be headwinds for the economy. In the medium-term, the rebuilding of infrastructure, and the replacement of vehicles, appliances, and other personal property funded by insurance proceeds will be a tailwind to the economy. And in the long-run, the effects will likely be a wash with no long lasting economic effects from the storms.



Political uncertainty on both the domestic and global fronts are pushing investors into the safety of bonds. The yield on the 10-year U.S. Treasury has fallen from a 2017 high of 2.62% in March to a ten month low of 2.06%. The Fed Funds futures market prices in a very low probability of the Fed raising rates again in 2017. The low rates and the decreased probability of a rate hike are putting further downward pressure on the U.S. Dollar as well, impacting the U.S. economy in a variety of ways. The most direct impact is a cheaper U.S. Dollar makes U.S. companies more competitive in the international marketplace because our goods and services become cheaper in other currencies.

International equities had a positive week with the EAFE returning 0.83%. The European Central Bank raised their economic growth outlook for 2017 from 1.9% to 2.2%. Mario Draghi hinted that the ECB would wait until their October meeting to make any changes to Europe's asset purchase program. The ECB's plan to tighten their monetary policy is causing the Euro to strengthen compared to the U.S. Dollar. This makes European goods and services more expensive to the international marketplace and is thus a headwind. So the ECB will be very cautious not to tighten too quickly to stall their recent surge in economic growth.



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