Weekly Market Review

By: Jim Rambo, Allegheny Research Team

The Week Ending October 13, 2017

Economic data continues to come in positive pushing equity markets further into record territory. The S&P 500 and Dow Jones Industrial posted weekly gains for the fifth straight week. While residents of Florida and Puerto Rico continue to deal with the aftermath of the recent hurricanes, the economy and markets appear to be ready to move forward. Immediately following the storms, initial jobless claims spiked as businesses were forced to close during the storms and initial recovery. Now, as those businesses come back online, far fewer people are filing for unemployment benefits.

Minutes from the September Fed meeting show many members expect a rate hike will be warranted in December. The market is currently pricing a 90% probability that December hike will occur. The European Central Bank is preparing the market to expect their quantitative easing bond purchasing program to be soon scaled back. The ECB is trying to avoid the same mistake the U.S. Fed made back in 2013 when they announced their plans to "taper" their bond purchasing. The mistake the Fed made was not communicating clearly enough their plans, and they spooked the bond market. In what was later dubbed the "taper tantrum," U.S. rates spiked as bondholders ran for the door expecting rates to rise and bond prices to fall. It turned out that the spike in rates was brief, and within a year, rates were as low as before the announcement. In fact, rates continued to fall to levels even lower before hitting an all-time low in the summer of 2016.

The third quarter earnings season began last week with more than 80% of companies reporting so far positing better than expected results. Most of the companies that have reported so far are from the financial service sector. With equity valuations already high, the market needs earnings growth to justify further growth in stock prices.

Allegheny Financial Group
INVEST IN YOUR PEACE OF MIND℠

811 Camp Horne Road, Suite 100 • Pittsburgh, PA 15237
Ph: 412.367.3880 • Fax: 412.367.8353
alleghenyfinancial.com