



# Weekly Market Review

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## The Week Ending November 17, 2017

U.S. stocks ended the week about flat. Even though prices ended the week at about the same level as they started, that does not tell the whole story. Wednesday, Thursday, and Friday all saw triple-digit movement for the Dow Jones Industrial average. While large-caps ended flat, small-caps saw a surge as the market became more optimistic that tax reform will go through. Larger companies have more options/strategies to lower their taxable income making their effective tax rates lower than small companies. So a reduction in corporate taxes would be more beneficial to the smaller companies.



Even as the Fed raises the Fed Funds rate and begins to implement their plan to reduce their balance sheet, long-term rates fall. The yield curve is now the flattest it's been in the last ten years. There is currently only about a 1% difference between the 2-year and 30-year treasuries. This flattening, and a lack of consumer inflation, may challenge the Fed's ability to continue their tightening at the pace they would like. They hope to get short-term rates higher and reduce their balance sheet enough to give themselves "dry powder" to ease again when the next economic downturn inevitably comes.

Venezuela's president Nicolas Maduro invited a number of investors representing the largest of Venezuela's creditors to Caracas last week to discuss restructuring their \$60 billion of debt. China has expressed confidence that they'll be able to manage their way through this crisis. Russia is also supporting President Maduro in agreeing to restructure the \$1.35 billion that they own. But Western governments are less willing to help a president that they see as an oppressor. S&P has declared that Venezuela had fallen into a "selective default" for missing a coupon payment recently. Fitch downgraded the Venezuelan state oil company for payment default as well. There is a lot of economic and political uncertainty leaving investors puzzled as to what may happen next.



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