Weekly Market Review

By: Jim Rambo, Allegheny Research Team

The Week Ending February 16, 2018

After a wild couple of weeks that saw equity markets down over 10% at one-point, last week went much more smoothly. The S&P was up 4.37% for the week which puts it at 2.46% so far for the year. That's not bad considering the up and down volatility that we've experienced. International and emerging market equities have followed the same path.

On the bond side, rates continued to inch upward. The 10-year Treasury went as high as 2.91% last week. Rising rates are putting pressure on the BbgBarc Aggregate Bond Index which lost -0.21% for the week and is down -2.12% so far for the year. Bond returns aren't the only thing affected by rising rates. The cost of corporate and consumer borrowing will go up as well which is an economic headwind. But, rising rates also keep inflation in check. The bond markets will be listening to newly appointed Fed Chief, Jerome Powell, very closely to determine how the Fed will try to balance the two.

The volatility in the equity market has been overshadowing Bitcoin's mounting comeback. The crypto-currency set an all-time high of $19,783 in December before crashing to $7,152 in early February and climbing back to over $11,000. That's a 64% decline and a 54% recovery in just a couple of months. To put that into perspective, equities during the Great Depression (1929-1932) declined 86%, and during the Global Financial Crisis (2007-2009) declined 56%, which were both catastrophic times for the economy. But for Bitcoin, these massive swings up and down have been a common occurrence. Since 2012, there have been thirteen 30%+ pullbacks in price including an 87% drop in 2013 that took 411 days to recover from. Even with all that volatility, the annualized rate-of-return has been 238% over that six-year period. The big difference between the previous crashes and recoveries is that very few had heard of Bitcoin.

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