



Weekly Market Review

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The Week Ending March 2, 2018

We kicked off last week with Jerome Powell, the new Chairman of the Fed, testifying before Congress on the health of the economy. And for the most part, Powell sounded a lot like Yellen in his thoughts on the Fed's game plan. The question investors were hoping to find an answer to was will the Fed hike three times in 2018 or four. Powell remarked that the U.S. economy is expanding in a "moment of global growth." Much of the developed and emerging world's economies are in an expansionary state and appear to be picking up steam. Powell commented on the U.S. unemployment rate at historically low levels with the expectation of an uptick in wages. While an uptick in growth and wages may eventually lead to higher inflation, Powell sees no indication that economy is at risk of overheating and sees no risk that the recent volatility will derail economic growth.



While former Fed Chairwoman Yellen and new Chairman Powell have operated in a very transparent and deliberate way to avoid spooking the market, President Trump has done the exact opposite. The latest example was last week's bombshell of an announcement of a new 25% steel and 10% aluminum tariff on imports. The news shook the markets causing the Dow to close 420 points lower on Thursday. The tariffs are action resulting from a national security investigation launched last year. The provision is a rarely used loophole allowing the president to impose tariffs during a time of war. "When a country is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win," Trump said. "Example, when we are down \$100 billion with a certain country, and they get cute, don't trade anymore – we win big. It's easy!" While most sectors were down significantly, US Steel, AK Steel, and Cleveland Cliffs were up 4%, 5.5%, and over 8% respectively. Trump regularly criticizes the Chinese on trade violations, but these tariffs will hit Canada, Brazil, the European Union, and Mexico the hardest. The president has since added "We have large trade deficits with Mexico and Canada. NAFTA, which is under renegotiation right now, has been a bad deal for U.S.A. Massive relocation of companies & jobs. Tariffs on Steel and Aluminum will only come off if new & fair NAFTA agreement is signed."



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