Weekly Market Review

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The Week Ending April 7, 2018

Headlines continue to shock equity prices as President Trump exchanges barbs with China in what investors are fearing is an imminent trade war. The feud started with Trump's announcement of the steep tariffs on steel and aluminum imports in early March. On Monday, (April 2) China responded by announcing that they would be implementing a retaliatory tariff targeting about $3 billion of U.S. goods. Trump responded the next day by threating to impose tariffs targeting an additional $50 billion of Chinese goods. This time, China wasted no time by responding Wednesday they would match the tariffs on an additional $50 billion of U.S. goods. Finally, Trump responded back on Thursday by threating tariffs on $100 billion of Chinese goods. That makes four out of five days last week the market had the announcement of new tariffs to digest. The Dow responded by selling off by 458 points (-1.90%) on Monday, rallying 861 points (+3.64%) over the next three days, and closing the last day of the week down 572 points (-2.33%) on Friday. All-in-all, the Dow only ended the week down -0.67% which hardly tells the story of the volatility.

Mark Zuckerberg is heading to Washington to testify before Congress in the escalating concern over Facebook's use of their users' personal data. Zuckerberg has been on a media apology tour while taking shots from his competitors, elected officials, and everyday users who feel betrayed by the social media giant. Facebook allegedly allowed the data of 87 million of its users to be accessed to influence the 2016 presidential election. Facebook's stock is down about 15% since the beginning of the scandal.

Jerome Powell, the new Chairman of the Fed, gave his first public speech since taking his new post. He used the opportunity to tout the strength of the U.S. economy. Steady income gains, rising household wealth, and elevated consumer confidence continue to support consumer spending which represents about 2/3 of U.S. GDP. The unemployment rate has declined to levels not seen since 2000. The unemployment rate is expected to remain below 4% for a sustainable period, which has not happened since the 1960s. While it is expected that we will see continued volatility as the market is driven by the news cycle in the short-run, the underlying economic drivers remain strong and bode well for equity levels in the long-run.

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