



Weekly Market Review

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The Week Ending July 7, 2018

Last week was a short one with the markets closing early on Tuesday and closed entirely on Wednesday in observance of Independence Day. U.S. equities had a very good week with the S&P 500 returning 1.6% and the Russell 2000 returning 3.1%. International equities ended the week up 0.6%, and emerging market equities ended down -0.7%.

The big news of the week came Friday as the U.S. tariffs on \$34 billion of Chinese imported goods that President Trump announced last month, officially went into effect. As promised, China implemented the tit-for-tat retaliatory tariff on \$34 billion of U.S. goods as well on Friday. However, the recent focus on the trade negotiation front has shifted to Europe where Trump is threatening tariffs on German vehicles imported into the U.S. unless the E.U. removes the tariffs on U.S. vehicles imported into Europe.



Stocks closed the week on a positive note on Friday after the announcement of a good jobs report. Unemployment ticked up from 3.8% to 4.0% due to a jump in people entering the labor force which is a positive sign. Full-time jobs rose by 213,000 which is a healthy amount. Average hourly earnings, which have recently been coming in higher than expected and have caused some concerns over inflation, came in this month as a 2.8% year-over-year increase which matched expectations.

Also boosting U.S. equities last week was the release of Fed minutes from their June meeting. Over the last few months, the discussion of risks has centered around the risk of rising inflation which has had investors worried the Fed might raise rates more quickly. But this month, the conversation surrounding risks was a more balanced conversation both talking about the dangers of the economy overheating causing rising inflation and on the other side, the risk of increasing rates too quickly and potentially inverting the yield curve thereby stalling economic growth. The takeaway was that the Fed will not likely raise rates more quickly than they have said they would.



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