



Weekly Market Review

By: Jim Rambo, Allegheny Research Team



The Week Ending October 20, 2018

Equity markets stabilized last week after a morale boost from the early S&P 500 companies to report third-quarter earnings. Only about 4% of companies have reported, but quarter-over-quarter earnings growth is at 22% which is a great start. It is too early to tell if we will see 20%+ earnings growth for the third quarter in a row. It is clear investors' worries are still focused on the upsetting of global world order. Trade tensions between the U.S. and China, Brexit negotiation setbacks, and slowing growth in China are clearly weighing on investor sentiment.



The Office of the U.S. Trade Representative notified Congress that the president aims to hold trade talks with the EU, the UK, and Japan. If Trump can unite these historic trade allies, it is expected that they will form a trade alliance to oppose China's trade practices. The notice must come to Congress 90 days before trade discussions which would put us into late January for talks to begin.

Minutes released from the last Fed meeting show that policymakers intend to continue hiking rates gradually "for the foreseeable future," which was taken to be hawkish. There was a discussion of the possibility of raising short-term rates beyond neutral to get ahead of a potentially overheating economy. "A few participants expected that policy would need to become modestly restrictive for a time. A couple of participants indicated that they would not favor adopting a restrictive policy stance in the absence of clear signs of an overheating economy and rising inflation." President Trump continued his criticism of Chairman Powell and the Fed. Trump has said that the Fed is raising rates "too fast," that the central bank is "my biggest threat." And even more directly, Trump has said, "I'm not happy with what he's doing because it's going too fast."



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