



Weekly Market Review

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The Week Ending February 9, 2019

U.S. equities broadly finished last week about flat with utilities, industrials, and tech stocks having positive returns and energy stocks in the red. Energy stocks' struggle last week was tied to the price of oil falling over 2.5%. The oil market is digesting many factors including OPEC production cuts, U.S. production increases, Venezuelan supply questions, and slowing global growth, to name a few.

The S&P 500 is now up 8.2% year-to-date, helping to calm investors' anxiety after a particularly difficult 4th quarter of 2018. The strong beginning quarter is being attributed to the Fed's more dovish rhetoric recently surrounding future changes in monetary policy. U.S. economic data continues to come in strong with low unemployment and low inflation. Fed Chairman Jerome Powell and Fed Vice Chairman Richard Clarida joined President Trump and Treasury Secretary Steven Mnuchin at the White House for dinner last week. Powell shared the same sentiment regarding the U.S. economy that he shared at the press conference last week. That is, the U.S. economy continues to look healthy, but future monetary tightening will be based on a wait-and-see approach rather than the systematic tightening regime that we've been experiencing. Although Powell has publicly spoken out to the President's attempts at influencing the Fed, Trump is likely very pleased with the more dovish language recently.



Optimism was harder to find outside of the U.S. last week. Economic growth forecasts for 2019 in the Eurozone continue to be cut. The European Commission last week cut their forecast from 1.9% to 1.3% for this year. "A high level of uncertainty surrounds the economic outlook" was the explanation given for the cut. Brexit negotiations, softening demand from China, trade negotiations with the U.S., and political uncertainty with rising populism are just a few of those uncertainties.

Robert Lighthizer, the U.S. Trade Representative, and Steven Mnuchin, the U.S. Treasury Secretary, are headed to Beijing to continue trade talks with China this week. The hope is that the U.S. and China can at least agree to extend the negotiations and not let the March 1st deadline hit when U.S. tariffs on Chinese goods will go from 10% to 25%. If a deal is close, President Trump and President Xi will meet to finalize.



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