



Weekly Market Review

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The Week Ending February 23, 2019

The market is off and running this morning, cheering President Trump's decision to extend the looming March 1st deadline for a China trade deal. The reports coming out of last week's trade discussions said that progress had been made on the more difficult issues such as intellectual property rights, currency management, and non-tariff barriers to trade.

Minutes from the last Fed meeting confirmed the committee's more dovish stance. The members favor a patient approach to future rate hikes allowing them to observe the effects of past hikes. They also agreed it would be good to announce details soon related to the plan to stop reducing the Fed's balance sheet later this year. Fed Chairman Powell is slated to testify before Congress this week, and he is expected to report that the economy is solid with no recession in sight.



The good news on the trade and Fed fronts was enough to propel the S&P 500 up 0.7% last week and 11.7% year-to-date. The U.S. large-cap index is now only 4% off its all-time high, which was achieved in September 2018. The MSCI Emerging Market Index, which China represents 31% of, returned 2.8% last week and is now up 9.8% year-to-date.

Looking ahead, the market will continue to watch closely for trade developments between the U.S. and China. And now that the Fed is in a wait-and-see mode, the market will have a close eye on upcoming inflation data to determine when the next hike, or perhaps cut, is likely. So far, inflation has been persistently low which has caused the Fed to increase rates more slowly than they would like.



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