Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team

The Week Ending August 10, 2019

Volatility was the theme of the past week, but you wouldn't know it by looking at weekly performance, as the S&P 500 Index was only down 0.40%. Macroeconomic events led to U.S. markets posting their worst day of 2019 on Monday, but they rallied back through the rest of the week. Gold traded above $1,500 per ounce for the first time since 2013 and the U.S. 10-year Treasury hit an intraday low of 1.59%.

China made headlines early Monday morning when it allowed the yuan to depreciate above seven yuan per $1, marking the first time the yuan crossed above seven since 2008. A few hours later, the U.S. Treasury labeled China a currency manipulator. China sets its exchange rate daily and has been keeping it in a range of 6.1-6.9 yuan per $1 since the Financial Crisis. Seven yuan is more of a psychological level than anything, but it does make China's exports cheaper for their trading partners. Along with the currency depreciation, China also sent a notice to state-owned companies informing them to stop buying U.S. agriculture goods. President Trump confirmed in late June that China would increase its purchases of U.S. agriculture goods.

Following the yuan's weakness, the U.K. pound traded to a more than two-year low versus the U.S. dollar following the release of second-quarter GDP showing a quarter-over-quarter 0.2% contraction. Most of this can be attributed to a drawdown of inventories, which boosted GDP through the first half of the year, and a continued decrease in business investment. Brexit talks will become a more prominent headline over the next couple months as it could be the key to which direction future U.K. growth takes.

Central banks were once again making noise, but the Federal Reserve was not the centerpiece. Instead, it was New Zealand, Thailand, and India all lowering interest rates more than the market was expecting. Slowing economic growth, low inflation, weakening confidence, and decreased domestic outlooks were cited as reasons behind the rate cuts.

Trade and tariffs have been drawing the headlines and leading to market volatility, but many fundamental data points have been coming in strong. Second-quarter earnings are wrapping up and reporting slowing, but still strong, year-over-year growth. This week's fundamental data will provide more insight into the current state of the consumer in both the U.S. and China, as the trade war continues.

Allegheny Financial Group · Allegheny Investments

811 Camp Horne Road, Suite 100 • Pittsburgh, PA 15237
Ph: 412.367.3880 • Fax: 412.367.8353
alleghenyfinancial.com • alleghenyinvestments.com