Weekly Market Review

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The Week Ending August 31, 2019

Markets reversed course last week and finished in positive territory for the first time since July, posting their strongest weekly returns since June. Trade continues to be the main factor driving market activity, as tensions eased to start last week, and therefore, the market rallied. The trade war may be finally making its way to the U.S. consumer as sentiment data came in weaker than expected.

We ended the week of August 19th on a significant sell-off after China announced additional tariffs on U.S. goods. This action led President Trump to tweet, "We don't need China and, frankly, would be better off without them." In another tweet, President Trump also ordered U.S. companies to look for alternatives outside of China. Sentiment quickly shifted over the weekend as President Trump announced China is looking to make a trade deal, easing investor concerns as trading began Monday.

The extended holiday weekend brought on additional tariffs as the U.S. imposed new duties on China. Adding to the turmoil, one of the news stories last week was the U.S. and China planning to meet in Washington D.C. in September to continue negotiating a trade deal. Over the weekend, it was reported that the two countries are having a difficult time agreeing to a date, creating more anxiety on if this meeting will even happen.

University of Michigan Consumer Sentiment Index for August was reported Friday, showing the largest monthly drop since December 2012. About a third of consumers surveyed stated their negative view of tariffs, and they expected higher inflation and smaller wage gains going forward. Even with sentiment data weakening, spending data has continued to be trending upwards. With the consumer being the most crucial piece of GDP, this will be an important trend to watch going forward.

Friday closed the doors on a volatile month of trading, with the S&P 500 Index closing the month down 1.8%. Overshadowing the equity markets were bond yields, as yields across the curve all moved significantly lower. The 10-year and 2-year yields both closed the month at 1.5%, after inverting to a low of -0.04% earlier in the week. Volatility looks to continue as we move into September, which is historically the worst month of the year, and we move into the month already under tension.

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