Weekly Market Review

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The Week Ending September 7, 2019

Trade was once again the only topic that mattered as the U.S. equity market finished in positive territory for the second consecutive week on the positive news of the U.S. and China planning to meet at the beginning of October. Within a matter of days, we went from wondering if a meeting would even happen between the world's two largest economies, to an agreed-upon date about a month from now. This news feels like a replay from June when Presidents Trump and Xi met at the G20 Summit and agreed to a tariff ceasefire so they could restart trade negotiations. After failed trade talks in Beijing one month later, President Trump levied additional tariffs on China, commencing market volatility we continue to experience today. It is surprising markets reacted so positively to the announcement of a meeting date; however, it is still believed the two countries are a long way off from a potential trade deal.

Even though trade rhetoric continues to dominate the headlines, Brexit worries and mixed U.S. economic data were reported throughout the week. Looking back at the past few weeks of the Brexit saga, Boris Johnson, who was elected U.K. Prime Minister last month, pledged to pull the U.K. out of the European Union by the current deadline of October 31, even if this means leaving without a deal. While much of Parliament is against the idea of a no-deal Brexit, PM Johnson asked the Queen to shut down Parliament until October 14, to allow as little time as possible for Parliament to stop his plan. This plan backfired as the opposition party passed a bill stating if the U.K. and EU do not have a Brexit deal in place by October 19, then PM Johnson has to ask the EU for an extension of the Brexit deadline to January 31, 2020, which the EU has already said they would approve. With just under two months until the Brexit deadline, U.K. politics will continue to be interesting.

U.S. economic fundamentals were mixed last week as manufacturing data dropped into recession territory, while the larger services sector showed strong monthly growth. The average growth between the manufacturing and services sectors is about 1.5%, in line with GDP growth. This is not the first time manufacturing has dropped into recession territory during the current expansion, with the last time being 2016. The August jobs report showed mixed results as the headline number missed estimates, but underlying data was still strong. Year-over-year job growth was reported at 1.4%, slowing from the expansion peak of 2.3% in February 2015 but still remains positive. There is no doubt we are in a slow-growth economy; however, slow growth is still positive, and the consumer continues to look healthy.