



Weekly Market Review

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The Week Ending October 5, 2019

Well, the S&P 500 Index's 16-day streak of no moves of more than 1% in either direction ended with a vengeance once the Manufacturing Index was released last Tuesday. By market close on Friday, the market moved more than 1% three of the five days but only finished with a slight loss for the week. The services sector and monthly jobs report highlighted data released to begin the month as fundamentals continue to point to slowing growth.

The S&P 500 Index finished the third quarter with the largest year to date gain since 1997. However, that gain didn't have much merit as the fourth quarter began, and the ISM Manufacturing Index was released. The index came in at the lowest level since June 2009. Two factors dragging on the index were the United Auto Workers strike at GM, which is going into its fourth week, and the global manufacturing slowdown. Europe, especially Germany, continues to lead the Global Manufacturing Index into a recessionary territory for the fifth consecutive month, marking the longest streak since 2012. Exports make up 20% of Europe's economy, so the trade war is a significant factor behind their slowing growth. As GDP estimates for the third quarter are announced over the next few weeks, we will begin to see the impact of the manufacturing slowdown on the overall economy.

The services sector followed the manufacturing index's lead and showed slowing growth as the index slumped to a three year low. Fears over tariffs, labor resources, and general direction of the economy were cited as reasons for the slow down. The manufacturing index and the services index combined produced the lowest level since June 2013. While the overall index is closing in on recessionary levels, it has generated false positives in the past. However, it is safe to say slow growth will be the theme as long as trade uncertainty continues.

Friday had the labor market in the spotlight as it continued to be the U.S. economy's strongest area. While job growth is slowing compared to this time last year, the three-month average job growth is still 140,000 per month. The unemployment rate continues to creep down to all-time lows; September's unemployment rate was reported at 3.5%, the lowest level since December 1969. Last week's slowing data also put the next Fed rate cut back in the headlines. The week began with the market pricing in a 30% chance of a rate cut at the Fed's October 29-30 meeting and ended at a 100% chance, as the market continues to expect the Fed to step in and save the day.



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