



Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team



The Week Ending November 9, 2019

Last week gave us another lesson on how fast sentiment can shift, as it quickly turned positive when it was announced that the U.S. and China agreed to remove some of the tariffs each nation has imposed on the other as part of the phase one trade deal and to delay any new tariffs. President Trump countered this statement Friday morning when he stated, "They [China] would like to have a rollback. I haven't agreed to anything." Just a few months ago, a statement like this would have been enough to send the market reeling, but after a brief sell-off, the S&P 500 closed Friday and the week at another all-time high. This action leads one to believe sentiment has shifted from the negative outlook beginning in August, to more positive as we move to year-end.

Bond yields are one area of the market displaying the effect of positive sentiment. The U.S. 10-year Treasury traded at a 2019 low of 1.47% during the first week of September; since then, it rose through September, fell again in October, and is currently climbing again and trading 1.92%, with 0.20% of the increase occurring last week. Much of the recent yield rally coincides with a better than expected jobs report, third-quarter GDP, a positive statement from the Federal Reserve, and a rebound in both manufacturing and services PMIs. The reaction of the 10-year Treasury to the positive data points are another indication sentiment has turned and is much more positive than it was just a few months ago.

The U.S. is not the only economy experiencing a rise in yields; this effect has spread across the globe. International investors seem to believe the recession fear, which was the topic of conversation through the third quarter, has subsided. In August, about \$17 trillion worth of global debt traded with a negative yield. Today, that amount has decreased to \$12.5 trillion, according to Deutsche Bank. Short-term yields remain negative, as they are controlled by central banks. Instead, we are seeing a rise in longer-term yields, which are priced by the markets. The increase in international yields seems to be tied more to anticipated progress in trade talks between the U.S. and China and the further loosening of monetary policies rather than a turnaround in economic data.

A significant factor impacting the reversal in sentiment is the continued strong third-quarter earnings season. Some analysts believe revenue to be more telling than earnings in the state of companies, as revenue is the top line of the income statement and accounting methodologies do not impact the results. From a revenue standpoint, 60% of S&P 500 companies have beat analysts' estimates so far, besting the five-year average.



The information included herein was obtained from sources which we believe reliable. This report is being provided for informational purposes only. It does not represent any specific investment and is not intended to be an offer of sale of any kind. Past performance is not a guarantee of future results.

Allegheny Financial Group is a Registered Investment Advisor. Securities offered through Allegheny Investments, LTD, a registered Broker/Dealer. Member FINRA/SIPC.