Weekly Market Review

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Another week and a similar story, as all three major U.S. Indices (S&P 500, Dow Jones Industrial Average, and NASDAQ) finished at all-time highs. The recent rally has seen a shift in investor preference as cyclical sectors, like financials, industrials, and energy, have outperformed the index. Meanwhile, traditionally safer sectors, like utilities and consumer staples, have recently underperformed, showing investors are once again buying risk assets.

The recession fears that gripped the market just a few weeks ago have all but subsided as improvements in trade negotiations and economic data have been reported. Much of last week's rally was supported by positive developments on the trade front with the news that the U.S. and China agreed to tariff rollbacks. However, it was reported Monday morning that China is pessimistic about signing Phase One of the deal, and they plan to prioritize economic growth while waiting for the impeachment inquiry and the 2020 U.S. election to play out. This report sent futures lower, so stay tuned as more volatility could take hold.

Staying in Asia, Hong Kong protests turned violent over the past week as protestors began using makeshift weapons and hurling Molotov cocktails at police as protestors barricaded themselves in a Hong Kong university. Protests have been ongoing since June but have been relatively peaceful until recently. As a reminder, the protests began due to a law that would have forced Hong Kong citizens charged with a crime to be sent to China for trial. This has since been dismissed, but the protests have evolved into disapproval of Hong Kong and China's relationship. Hong Kong is not a large enough economy for the protests to have an impact on the global economy or stock markets but could cause short term volatility and present buying opportunities.

The strength of the U.S. consumer has been well documented but seems to be overlooked in China. China, like many global economies, has seen slowing economic growth, and many headlines have asked what the world will be like with China growing less than 7%. Well, China's consumers might be an overlooked part of their economy. Single's Day, like Amazon Prime Day, occurred last Monday. During this one-day period, Alibaba, China's Amazon, reported revenue of over $38 billion, a 26% increase from last year. For comparison to the U.S. holiday season, last year's five-day period beginning Black Friday and lasting through Cyber Monday generated about $24 billion of sales; Single's Day hit this in 12 hours. Could part of the global slowdown be caused by technological advances rather than economic forces, and slower growth is just part of our new normal?

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