



Weekly Market Review

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The Week Ending November 23, 2019

Equity markets broke their multi-week winning streak, as most indices finished the week slightly in negative territory. Once again, it was trade rhetoric driving market direction. Last week we found ourselves in the quiet period of the month when not much economic data was reported, so the market gravitated toward any trade headline. Unfortunately, most of those headlines were negative as the phase one deal was being questioned, and the trade drama continued.

Originally, phase one of the trade deal was supposed to be signed at the Asia-Pacific Economic Cooperation in Chile last week, before the Chile government canceled the conference due to protests. Instead, President Trump announced if there were not meaningful improvements in negotiations before December 15th, the U.S. would impose the additional tariffs already penciled in and could even increase rates on some existing tariffs to China. To complete phase one, China would like to see tariffs rolled back and no new ones applied next month, while the U.S. wants China to purchase additional agriculture products. One data point released last week did show China's agriculture purchases decreasing in October, making this an important issue for President Trump.

Every day last week brought different headlines, with the market reacting to each one. Friday and over the weekend did bring some optimism as U.S. delegates were invited back to China to continue negotiations, and China showed a willingness to agree on a deal. Looking at the big picture, these are relatively minor issues for the two countries to be struggling to agree upon. What is going to happen in phase two and beyond when more significant issues, like intellectual property, are being debated?

The Federal Reserve released meeting minutes from their October meeting, confirming they do not foresee additional rate cuts for the time being. Even the rate cut last month was a close call for a few voting members and was viewed internally as insurance against potential downside risks. For the Fed to institute another rate cut, they would need to make a material reassessment to their economic outlook. The market did not have much of a reaction to this release as it confirmed what Fed committee members have been saying since the October meeting.

With Thanksgiving in just a few days, here is a fun fact from the American Farm Bureau and JP Morgan tying the holiday with economics. The average cost for a family of 10 for Thanksgiving dinner is \$48.91, rising only one cent from last year. So, food is one component not helping the Fed reach its 2% inflation target.



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