



# Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team



## *The Week Ending December 7, 2019*

The soap opera that is the trade war continued with another episode last week when more potential tariffs were announced. Drama also ensued when President Trump announced a China trade deal could be postponed until after the 2020 Presidential Election. Fortunately, a solid jobs report was published Friday and helped the markets finish the week relatively flat.

The White House recently shifted tariff focus from China to Brazil, Argentina, and France. They stated Brazil and Argentina are weakening their currencies, making U.S. agriculture goods more expensive for other countries to import; therefore, the U.S. is proposing tariffs on steel and aluminum imports. While the Argentinean Peso and Brazilian Real have been weakening this year, it is wrong to conclude they are using this to gain an advantage in the trade market. Overall, emerging market currencies have fallen relative to the U.S. Dollar, and the Brazilian Real is not out of line relative to its peers. The Central Bank of Brazil intervened to strengthen the currency, and the President of Brazil, who was elected last year, has been implementing policies to strengthen the economy. The Argentinean Peso is a bit of a different story; it has suffered a sharp decline from hyperinflation and political fears. Some of these fears have subsided in recent months as the Central Bank of Argentina stepped in and set a floor for the Peso. However, a new President is taking office next week, so time will tell how this all plays out. France comes into the mix due to its digital services tax on technology companies' revenues, including companies domiciled in the U.S. This resulted in the White House threatening 100% tariffs on all French imports. Britain is also proposing a similar tax, so this is an issue that will not be resolved any time soon.

After a week of tariffs and trade, the U.S. November jobs report far exceeded expectations on Friday, sending markets to end the week on a high note. Unemployment decreased to 3.5%, marking a 50 year low also hit earlier this year, and wage growth continued at a pace slightly ahead of inflation. Most importantly, job growth was stronger than expected and maintained a three-month average of 205,000 jobs added per month, down slightly from last year but still a healthy number. It also marked the best monthly report since January 2019. This jobs report confirms the Federal Reserve's view of steady economic growth and not needing to implement further rate cuts in the months ahead.

Last weekend marked the official beginning of the Christmas shopping season. The U.S. consumer continues to remain secure as the five days from Thanksgiving to Cyber Monday saw sales increase 16% from 2018. Online sales for the weekend outpaced in-store purchases, which companies expected based on the November jobs report. The transportation and warehousing sector added over 15,000 jobs, while retail added only 2,000 jobs.



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