



Weekly Market Review

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The Week Ending December 14, 2019

From elections in the UK to central bank meetings and finally an agreement on phase one of the U.S. and China trade deal, last week was packed with market-moving events. The announcement of a phase one agreement sent the S&P 500 Index to close at an all-time high Thursday and at one point, looked to continue higher Friday. Unfortunately, markets rethought the exuberance and ended the day flat but posted modest gains for the week.

The big news heading into last week was another round of tariffs set to take effect Sunday if the U.S. and China did not make progress on trade talks. An agreement was announced at the end of the week but lacked many details, leading to questions surrounding the viability of the deal. The U.S. agreed to cancel the tariffs set to take place Sunday and reduce the current 15% tariffs to 7.5%. Additional tariff reductions are set to take place in stages. In return, China has agreed to purchase U.S. agriculture goods. Supposedly, there were also agreements for a structural change in intellectual property and technology issues, and this is also a major component for phase two. While this agreement is a step in the right direction, this deal is not planned to be signed until January. As we have seen many times this year, that can be an eternity for these two nations, and many changes or backtracking could come, which is a reason the market did not continue its rally into Friday.

UK Prime Minister Boris Johnson and his Conservative Party were the other dominate headline of the week as the party captured its largest majority since the Margaret Thatcher era in 1987 in hopes of finalizing a Brexit deal. Johnson's Conservative Party won in landslide fashion by attracting blue-collar voters who had voted alongside the opposing Labour Party for decades. The Conservative Party has been working unsuccessfully to strike a Brexit deal since the UK voted on leaving the European Union over three years ago. British companies, who have been dealing with sluggish growth for three years, are hoping a Brexit plan and a focus on trade deals, mainly with Europe, will lead to better growth opportunities going forward. The Conservative Party's victory was viewed as a positive with the British pound rallying and UK domestic stocks posting their strongest day since May 2010.

The Federal Reserve and European Central Bank both met last week, with both banks not making changes to their respective interest rate policy. The Fed maintained its outlook of not foreseeing policy changes in the near term and needing sustained inflation before they would even consider increasing rates. The ECB's meeting marked the first of new President Christine Lagarde's eight-year term. As this is her first public position in economics, it will take time to know her view on the future of Europe's monetary policy. But in the meantime, she is continuing with her predecessor's stance.



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