



Weekly Market Review

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The Week Ending January 31, 2020

The S&P 500's weekly winning streak to start 2020 came to an end last week as fears of coronavirus continued across the globe. These fears wiped out all of January's gains as the market finished the first month of the year with a small loss. Coronavirus overshadowed most events throughout the week, as the U.S. released fourth-quarter GDP estimates and Friday marked the official withdraw of the U.K. from the European Union.

On January 30, the World Health Organization declared coronavirus a public health emergency of international concern, resulting in a large stock market sell-off. Aside from the health impact of coronavirus, the market is concerned about the effect this will have on global GDP and trade. China has halted many supply chains and shut down businesses as they try to decelerate the spread of the virus. If other parts of the world are unable to make up for the slowdown in China's production, future global GDP could be influenced. However, the stock market has been on an incredible run lately, and as long as fundamentals continue to remain strong, this could be viewed as a buying opportunity.

U.S. economic growth continued its 2% pace when fourth-quarter GDP was reported last week. The U.S. consumer, which makes up about two-thirds of the country's GDP, was once again a consistent contributor to growth, although it did slow down a bit from earlier in the year. Tariffs continued to have an impact as imports declined, which adds to GDP, but with the signing of the Phase One trade deal with China, this could impact this in future quarters. Government spending, primarily the defense sector, was the most significant contributor to growth last quarter.

Across the pond, the long-awaited Brexit finally became official Friday evening. While the U.K. has left the European Union (EU), they have not yet officially separated from the EU. Friday marked the beginning of an 11-month transition period, ending December 31, 2020, where the U.K. and EU will negotiate agreements that will be the basis for their relationship going forward, most notably a trade agreement. U.K. Prime Minister Boris Johnson has said he has no intention of filing for an extension of the transition period, but as we have seen in the U.S., trade negotiations can be complicated and time-consuming. Also, the U.K. will not only need an agreement with the EU, but with other trading partners they benefited from while being a member of the Union. Unfortunately, this just marks the start of a new chapter for Brexit, and we are not out of the woods just yet.



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