



Weekly Market Review

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The Week Ending May 15, 2020

Economic data released last week gave us a glimpse into the damage left behind by the country's economic shutdown during April. Retail sales, industrial production, and inflation data were all released, and like every other data point we have seen in recent weeks, there was a significant drop. As a result, the stock market finished the week in the red, and the recent volatility we have been experiencing continued.

Retail sales fell an unprecedented 16% in April as consumers were confined to their homes. The only positive sections of the report came from grocery store sales and non-store sales or online sales, as people shifted their life to non-contact shopping. This data will rebound, but it is difficult to put much weight on when the rebound will happen. As data has shown in states that have begun reopening, even though businesses are reopening, that does not mean consumers will return immediately.

There was also insight into the industrial side of the economy. Like retail sales, industrial production experienced a sharp detraction of 11% in April. Industrial production data dates back about 100 years, a period that includes the Great Depression and World War II. April 2020 was the worst month in the data series' history. The good news is that we have likely hit bottom. Like every other part of the economy, manufacturing came to an immediate halt in March and has slowly reopened this month. Social distancing measures are likely to make this recovery a slow process, and it is hard to put a timetable on when capacity will be restored. Still, going forward, we should see improvements in the data.

The most consistent component of the past few months has been the sharp contraction in just about every data point. It started with the stock market's fastest drawdown in history and is now showing through in unprecedented economic data releases. As the stock market tries to make sense of all this, two narratives are forming. First, the stock market is a forward-looking indicator, while all the recent data is backward-looking. Is the stock market discounting all the data because it reacted in real-time, and the market is saying we can only recover from here?

On the other hand, there is a group saying that the stock market is too optimistic, and we cannot have such a sharp recovery given the poor data. These opposing forces make the stock market function, showing that the short-term direction of the stock market is nearly impossible to predict. However, we remain confident in the long-term direction of the stock market and encourage staying the course to achieve long-term results.



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