



# Weekly Market Review

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## *The Week Ending May 29, 2020*

May trading came to an end Friday and posted another impressive month of gains, despite uncertainty in the economy. Like April, May reminded us that the stock market and economy are different entities, and one does not always tell the story of the other. The stock market continues to look past the dismal economic reports but rather at the potential for a stronger recovery than expected.

While most of the country was on lockdown and unable to spend as usual through much of April, personal savings rates hit an all-time high. Personal saving rate data has been collected since the 1960s, and the prior high was about 17% in the 1970s. The April savings rate was reported at 33%. Since the U.S. consumer is about 70% of the economy, this data point is going to play a significant role in the recovery speed.

We continue hearing predictions of how the economy is going to recover from the COVID-19 induced shutdown. Forecasters all have assigned their letter predictions, whether it's V, L, W, or the Nike swoosh, they all have their reasoning for the recovery's path. However, the savings rate is one of the most critical pieces. Recessions typically lead to a brief increase in the savings rate. Yet, this crisis is much different than what we have seen in the past. While staying at 33% is unrealistic with the economy reopening, savings rates immediately dropping back to pre-crisis levels are not expected. Since this crisis has hit the economy differently and sent unemployment to uncharted territory, savings rates remain elevated, resulting in a gradual recovery that seems likely for now.

While the economy's path to reopening continues to be the primary focal point, we saw a familiar theme reemerge last week. President Trump gave a speech Friday regarding the path forward concerning China and Hong Kong. And while he stopped short of pulling the U.S. out of the Phase One trade deal, tensions between the two nations are escalating once again. Between the COVID recovery, China, U.S. presidential elections, and various other events that are bound to arise, there will not be a shortage of volatility in the months ahead. While experts will predict every possible scenario and have plenty of reasons to back their opinion, no one truly knows what will happen. The important point is to remain focused on your long-term plan and not react to short-term events no one can predict.



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