



Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team



The Week Ending October 16, 2020

Despite three straight negative days, the S&P 500 Index eked out a gain for the week. Economic data and corporate earnings, specifically banks, provided optimism for the market that earnings season could be better than initially anticipated. However, the uncertainty that is growing into norms, such as fiscal stimulus, the presidential election, and COVID-19 outweighed some of the positives on the corporate front for a few days last week. Brexit also made a reappearance in headlines as the year-end deadline is quickly approaching without much progress on agreements with the rest of the European Union.

September retail sales results, released before Friday's opening bell, set an upbeat tone for the day. Estimates undervalued the continued strength of the U.S. consumer. Spending has shifted as consumers have decreased travel and many leisure activities. Instead, consumers spent money on sporting goods, furniture, and home improvement last month. Retail sales increasing over the past five months could be a positive indicator of a robust holiday season.

Strong September retail sales are another indicator pointing towards a K-shaped economic recovery. Retail sales saw growth in sectors that benefit from staying at home, while travel and leisure industries continue to report high unemployment and lower sales. Auto sales were a significant piece of September's data, as consumers turn away from crowded public transportation and toward traveling on their own supporting auto sales and businesses in the supply chain, at the detriment of public transportation.

The next couple of months could be a large component in determining where the economy goes. COVID-19 cases are now increasing in 39 states, threatening the reimplementations of some restrictions put in place last spring. Europe, experiencing the same trend, reinstated some restrictions last seen during the initial outbreak six months ago and some new guidelines. If the U.S. follows suit, we could experience some economic data slowing, although a decline like we saw in the spring is not expected this time around. While the uncertainty theme of 2020 is set to continue, there will still be investment opportunities for active mutual fund managers to capture. No matter the environment, there are always stocks outperforming the overall market. We have confidence we have chosen active managers to allocate to the strongest companies and continue to add value to portfolios.



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