Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team

The Week Ending July 24, 2020

Amid corporate earnings, weakness in jobless claims, and a return of U.S.-China tensions, the S&P 500 Index finished last week in the red. Technology stocks have been the place to be since the stock market bottomed on March 23rd; however, those were the stocks leading the market into negative territory. Chances are, this was due to traders taking profits on their big winners for the year. This week, key data releases are on the agenda and could create volatility for the market.

It seems so long ago that the U.S. and China agreed to Phase One of the trade deal and were on a path to an amicable relationship. In the six months since Phase One was signed, the optimism has faded, and the U.S.-China relationship has hit a new low. China's decision to order the closure of a U.S. embassy, in retaliation to the U.S. closing a Chinese embassy in Houston, TX, marked the next saga in the relationship. While there has been some recent volatility in the stock market, more could be expected in the future as the two largest countries continue their power struggle. U.S.-China relations were the cause of market uncertainty during the trade negotiations. We may be in store for more of the same depending on how the next few months play out.

Last week's jobless claims marked the 18th straight week more than one million people applied for unemployment benefits. However, it did mark the first time in 15 weeks that first-time claims increased from the prior week. This increase came amid a resurgence of COVID-19 cases in the U.S., with California, Georgia, and Florida having the largest number of unemployment applicants, and some of the highest increases in positive COVID-19 tests. An increase in jobless claims came just a week before the additional $600 unemployment benefit expired, putting pressure on Congress on how to proceed from here.

After some slow summer weeks, we may begin to see more excitement with a full week of economic data ahead. We should have additional insight into both fiscal and monetary policy as the Federal Reserve holds a meeting and Congress works on another stimulus bill. The much-anticipated second-quarter GDP estimate will be released Thursday; GDP is expected to show a sharp contraction due to the COVID-19 induced economic slowdown. While it may feel like we are in the doldrums of summer, especially after the excitement of the first quarter, that may begin to turn around as data is released, and investors start to analyze its implications to the stock market. . As always, short-term data like this is impossible to predict; the best course of action is establishing and trusting a long-term plan with the best outcome.

Allegheny Financial Group · Allegheny Investments

811 Camp Horne Road, Suite 100 • Pittsburgh, PA 15237
Ph: 412.367.3880 • Fax: 412.367.8353
alleghenyfinancial.com • alleghenyinvestments.com