Week In Review

August 23, 2019

The Fed

This week the Fed released the minutes from the July FOMC meeting. The minutes show members were more divided over the decision to lower rates than the post meeting statement indicated. Earlier today, Powell gave his speech to the Jackson Hole policy symposium and stated that the Fed will "act as appropriate" to keep the economic expansion going. Notably missing from Powell's remarks was the phrase "mid-cycle adjustment" when discussing the July rate cut. This may put additional rate cuts in a more open-ended context. That said, Powell was mostly positive on the U.S. economy, saying it has "continued to perform well overall" despite facing challenges and is "close to both goals" of the Fed's dual mandate of price stability and full employment.

Our Take: The three weeks since the July meeting have been eventful with new tariff announcements and additional evidence of a global economic slowdown. Still, the Fed remains positive regarding the U.S. economy while recognizing that there are potential headwinds. Additional accommodation is likely should growth and inflation run below expectations.

PMI

The Manufacturing Flash PMI dropped to 49.9 indicating a contraction in the manufacturing sector. The Services Flash PMI slowed to 50.9, which still indicates expansion but is down from 53.0.

Our Take: The PMI readings are consistent with the U.S. consumer continuing to support growth even as manufacturing and business investment lag. It remains to be seen whether consumer spending will drive businesses to expand or weakness in manufacturing and export markets will begin to impact the labor market and consumer spending.

China

China announced retaliatory tariffs on $75 billion of imports from the U.S. including increased tariffs on soybeans, cars and oil. President Trump stated in a tweet that he would announce the U.S. response later this afternoon.

Our Take: The trade conflict continues to escalate. The negative effect on economic growth will continue to increase.

Municipals

Bloomberg reported that state and local governments have sold $8.5 billion of bonds this month to refinance outstanding debt.

Our Take: Since the Federal Reserve cut rates last month, many municipalities have taken advantage of lower borrowing costs and refinanced existing debt. Many expect state and local governments not only to refinance but also to issue new debt in the lower rate environment.

—There is no additional Week In Review detail for this page.—

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