

# Weekly Economic Update

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**OIL PRICES** - Today's grapevine is abuzz with concerns over the continued slide in oil prices and the negative implications for domestic economic growth. A barrel of dinosaur wine from West Texas is on sale today for less than \$60! And after the yield on a two-year Treasury note got itself to a ten-year high of almost 3% yesterday, jittery investors have pushed it back to around 2.90%. Jittery about what?

If lower oil prices mean lower gasoline prices, isn't that good for consumers? One might think so, but that's not what happened last month. According to today's Producer Price Index (PPI) report from the Bureau of Labor Statistics, gasoline prices jumped; maybe even leaped, by 7.6% last month and that helps explain the unexpected leap of 0.6% in overall Producer Prices. Perhaps more significantly, the increase was still 0.5% even after energy prices are stripped out. But, if investors were fearful about producer inflation becoming consumer inflation, they would be selling bonds, not buying them.

***FOMC**-The nation seemed to survive the mid-term elections, but the GOP's loss of a majority in the House has now added a new and greater degree of uncertainty to the Administration's ability to carry out its policies; economic and otherwise. In the not too distant future, the President is going to have to negotiate a debt-limit increase with a Democratically controlled House of Representatives. That always goes well. Could this affect monetary policy? Should the Fed be factoring in more fiscal stimulus, or less?*

*We learned from the Federal Reserve on Wednesday that Consumer Credit in September grew by less than expected. Last month's almost \$11B increase sounds like a lot, but it's quite a bit less than the prior month's upwardly revised \$23B jump. Is the hyper-confident consumer becoming less so?*

**SERVICE SECTOR KEEPS BOOMING** - At a lofty October mark of 60.3, the Institute for Supply Management's non-manufacturing purchasing manager index was a bit lower than the record 61.6 reading seen in September, but it also beat the 59.3 consensus forecast from Refinitiv. Across the 12 months ending in October, the mean reading for the index was a strong 58.5.



## WEEKLY QUOTE

"The best and most beautiful things in the world cannot be seen or even touched – they must be felt with the heart." ~Helen Keller

## WEEKLY TIP

If the terms on one of your credit cards change unfavorably, you may consider dropping the card. Think twice about doing so. If you have had the account for years and the payment history is good, closing it out could possibly hurt your FICO score. Instead, use that card for minor purchases only.

## WEEKLY RIDDLE

A young man runs away from home. Cheered on by onlookers, he makes three lefts, then finds two masked men ahead of him, but he runs toward them. Can you explain why?

Last week's answer: Snow

Sources: Financial Strategies Group, The Baker Group, wsj.com, bigcharts.com, treasury.gov and Marketing Pro

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