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Weekly Economic News & Updates

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THE OFFICIAL LEAVENWORTH TIMES ★2018★ BEST OF THE best LEAVENWORTH TIMES READER'S CHOICE AWARDS

CREDIT MARKETS -And how quickly the worm has turned for credit markets. The inversion in the slope of the short-end of the yield curve has generated fresh concerns about that condition's historical accuracy in predicting recessions. What's the Fed going to do now? Their actions will be data-driven, remember, and most of the recent data is still, on the surface, mostly positive. In remarks made earlier this week, FOMC Chairman Jerome Powell hit upon something that probably doesn't get enough attention. The lag that exists between policy implementation and the ultimate results of those policies is unpredictable and has grown greater as the velocity of money has plummeted throughout this long recovery. The public articulation of that recognition is seen by many observers as a realization by Mr. Powell that his grasp on 2% inflation may be more tenuous than previously thought, and dovetails nicely with Vice-Chairman Clarida's aversion to disinflation. Get it? Dovetails? Sorry, but the growing perception that the FOMC is turning more "dovish" was hard to miss this week. In a televised interview on the Bloomberg, Fed Governor Quarles said that "markets seem to be pretty clear about what it is that we're intending to do." Really!?

He said that on Monday, and since then, it doesn't seem like markets, any markets, seem very clear about anything. The epic volatility of equity markets serves to demonstrate the wildly shifting anticipation of maybe beneficial, maybe detrimental consequences of trade-relationship resolution. Bond prices have risen as a result of both a greater risk-off attitude, and a growing perception that the data-driven Fed will not be driven to the three rate hikes for 2019 that have long been built into the minds of many. As the short-end of the curve now depicts a slightly negative slope, the Ten-Year yield has plummeted to below 2.90%, with a mild price rally going on today.

HIRING PACE SLOWS

In November, U.S. employers added a net 155,000 hires to their payrolls. That compares with a (revised) gain of 237,000 recorded by the federal government for October. The Department of Labor's latest jobs report showed the main unemployment rate holding steady at just 3.7%, and the U-6 rate (unemployed and underemployed) rising 0.2% to 7.6%. Annualized wage growth was at 3.1%. Will this middling job growth make the Federal Reserve think twice about a year-end rate move? Perhaps not: Friday, the CME Group's Fed Watch tool put the chances of a 0.25% December rate hike at 76.6%.

FOUR DAYS OF UPS AND DOWNS- Volatility reigned on Wall Street during an abbreviated market week. (U.S. financial markets were closed Wednesday in observance of the national day of mourning for President George H.W. Bush.) Institutional investors found plenty of motivation to sell, partly due to a dimming outlook for a truce in the U.S.-China trade war. During the worst week for shares in nine months, the Dow Industrials fell 4.50% to 24,388.95; the S&P 500, 4.60% to 2,633.08; the Nasdaq Composite, 4.93% to 6,969.25.

WEEKLY QUOTE

*"Make up your mind to **act decidedly** and take the consequences. No good is ever done in this world by hesitation."*

WEEKLY TIP

Is your home a showcase for **fine art, collectibles, or antiques?** If your collection has significant value, it may not be adequately insured by a standard homeowner policy. You may want to consider **specialized property coverage**.

WEEKLY RIDDLE

Take a word with **four letters**. Take away **one**, and what remains will be better – better than **zero**, anyway. What word is this?

Last week's answer: A Hand

Sources: MarektingPro, Financial Strategies Group, The Baker Group, wsj.com, bigcharts.com, treasury.gov, Randy Baker and Chris Low and Rebecca Kooshak FTN Financial

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