



Weekly Economic News & Updates

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MARKET NEWS-With a long, holiday weekend awaiting most Americans, prudent travelers might want to reconfirm their reservations before getting on the bus. One never knows when plans might change. But, travel arrangements aren't the only things subject to sudden revision. It was reported yesterday afternoon that Administration officials were considering the possibility of lifting and/or cutting some of the trade tariffs that have been imposed upon Chinese imports. Apparently, Treasury Secretary Steven Mnuchin has been conducting a series of strategy meetings aimed at ways to advance the on-going trade talks and possibly gain China's support for longer-term reforms. Uncertainty over the issue's ultimate resolution is, and has been, often cited by business leaders and central bankers as one of the most significant threats to economic performance.

Threats are not new to British Prime Minister Theresa May as she dodged another no-confidence Parliamentary bullet this week. That same Parliament, although keeping Mrs. May and the Conservative party in power, voted to reject her Brexit plan 432-to-202. Whoa, that was close! They've got until March 29th to figure something out; or not.

America's government, in the meantime, continues to run at three-quarter speed with no observable near-term prospect for restarting the other quarter. After four weeks of partial government shutdown (PGS), some analysts have estimated that each week of PGS will cost the economy 10-20 basis points of quarterly GDP. This is not a welcome prospect in the face of already down-trending growth estimates for America and the world. New York Fed President John Williams said this morning that he sees the economy growing between 2% and 2.5% in 2019. He also said, "If growth *continues* (emphasis added) to come in well above sustainable levels, somewhat higher interest rates may well be called for at some point." Is he saying that 2%-2.5% is above a sustainable level?

Maybe he saw Monday's report that the Empire Manufacturing Index plunged to 3.9 from 11.5 when it was only "supposed" to slip to 10. Maybe he saw that disinflation has crept into a Producer Price Index that fell by 0.2% at the core level last month. Maybe he read the BLS report on Wednesday that recorded a 1% drop in December's Import Price Index and a 0.6% decline for Export Prices. Data on Retail Sales, kind of a big deal, remains a mystery until the bureaucrats at the Bureau of Economic Analysis return to their posts.

Although none of the above would find its way into the "good news" category, that doesn't mean there wasn't any. The National Association of Home Builders reported its Housing Market Index improved slightly to 58 from 56. And unlike the Eagles whose season is over, the Philadelphia Fed looks to be just getting warmed up. Its Business Outlook Survey Diffusion Index of General Conditions surprised most everyone as it soared to 17 from 9.1 in the face of an expected decline. This morning, the Federal Reserve reported that Industrial Production rose by 0.3%, less than last month but better than a decline, while Capacity Utilization rose by 0.2% to 78.7%. No game changers there.

The game for consumers, though, just might be changing. The University of Michigan's preliminary report on Consumer Sentiment was published today and it's pretty clear that somebody out there is having a bad day. The overall Sentiment Index plunged, yes, plunged to 90.7 from 98.3. A little slip was expected, but only to about 97. It looks like consumers have undergone an attitude adjustment, but it got adjusted the wrong way. The Current Conditions sub-index could probably use a hug after it plummeted to 110 from 116. It was supposed to remain unchanged. Likewise with the Expectations part of the survey. That was *expected*

WEEKLY QUOTE

"Always seek out the seed of triumph in every adversity."
OG Mandino

WEEKLY TIP

Most loan payments are scheduled monthly, but if you cut monthly payments in half and pay it every two weeks, there will be two months per year when you make three instead of two. This can help make 13 months of payments in 12, so you can pay down a loan more quickly.

WEEKLY RIDDLE

Round like an orange, deep like a cup, set in the earth, and nothing can pull it up. What is it?

Last week's answer:

A phone

Sources: MarketingPro, 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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to stay the same at 87 instead of nosediving to 78.3, once again proving that the key to happiness is low expectations.