

Fed Pause

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It seemed just a few months ago everyone was talking about the Fed moving rates methodically higher through 2020. Now, given the recent weaker economic data, some are now saying two may be all we get in 2019 and then a Fed pause.

Good morning!

- Chris Low from FTN wraps it up the best:
 - *“Growth in household credit has already slowed significantly. Business investment was disappointing in the third quarter. Retail sales, out yesterday, revealed decent growth in October, but revisions resulted in back-to-back declines in August and September. As a result, consumer spending is not nearly the juggernaut we thought it was.”*
 - Retail sales data and its revisions yesterday were not as strong as the headline number suggested
 - And we know we won't get much in fiscal stimulus for the next two years, so concerns are starting to mount about economic growth (here and globally) moving into next year
 - This is what is keeping the yield curve flat...the Fed moving rates on the short end, while growth concerns and lack of inflation keep the longer end anchored
 - 10yr treasury still sits just over 3%
 - **Another increase by the FOMC at their next meeting in December is around 80%, not a slam dunk by any means, but the markets would be surprised of the Fed didn't move**
 - **Next year is where it gets dicey and trying to determine when the Fed says no more**
 - **[Bloomberg article discusses a Fed rate pause is possible in 2019](#)**
- **The markets wait anxiously as we approach the G20 meeting on November 30th**
 - **Everyone is anticipating additional chatter and posturing ahead of President Trump and President Xi's much-touted one-on-one meeting**
 - Yesterday Commerce Secretary Ross stated that a trade deal with China is “impossible” by January
 - Remember, the administration could more than double current tariffs to 25% on \$200 bn of imports in just over six weeks...this won't help matters
- **Nothing top tier today on the economic calendar**

- **Industrial production at 9:15am and the KC Fed's manufacturing report at 11am**
- The Chicago Fed's Charles Evans speaks on the economy and monetary policy at 11:30am
- **Yesterday**
 - **The Philly Fed manufacturing index declined to 12.9 in October from 22.2 the prior month missing market expectations of 22.0**
 - **New orders fell by 10.2 points to 19.3, while shipments declined by 2.9 points to 21.6**
 - The Philadelphia Fed manufacturing index fell by almost 13 points in November with 6 out of its 9 underlying components moving lower
 - Although most components remain positive, manufacturing activity is weakening suggesting that factory growth may have peaked for this cycle
 - **New orders, considered a forward-looking indicator, fell to a two year low suggesting that tariffs and a stronger dollar may be hurting manufacturing**
 - **Overnight, global stocks mostly rose as a rally in oil prices helped steady markets in Europe and Asia**
 - Dow futures are down almost 200 pts...market continues to move sideways looking for some direction
 - News
 - [Reuters says the tax cut and fiscal stimulus by the White House created a sugar rush that is making the Fed's job tougher](#)
 - [Fed's business leaders survey was released today](#)
 - Treasuries are unchanged today
 - 2-yr: 2.84%
 - 10-yr: 3.09%
 - 30-yr: 3.34%
 - LIBOR
 - 1-month: 2.31%
 - 3-month: 2.62%

Have a great weekend!!!

Fred

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