

Well, That Was Quick

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Good morning!

One day the markets rally on what appeared to be a successful truce in the US-China trade war, the next day, it is unclear if anything was accomplished.

- Trade war truce is now in question
 - You knew the markets rallied a little prematurely on Monday based on some general comments from the White House that a trade truce was agreed upon and progress was made
 - Then, the following day, as China remains silent on the truce details, President Trump tweeted he is “a tariff man”, and the market gave it all back
 - **The Dow crept above 25k last week after a solid showing, and gave it all back yesterday, as the Dow was off just shy of 800 pts, one of its worst days of the year, off by 3.1%**
 - Larry Kudlow had to walk back some comments from Monday, including a claim that a deal had been made with China to limit auto tariffs
 - Given no real information from the meeting, the markets also walked back their enthusiasm
 - Thankfully, the markets are closed today for the National Day of Mourning for former President Bush
 - **Just this morning, WSJ article today says China’s Commerce Ministry in a statement Wednesday acknowledged for the first time that Beijing agreed to a 90-day cease-fire to allow negotiations to take place**
 - **The statement said that the negotiations have a “clear timeline and road map” and that China aims to quickly implement “an agreed upon consensus”**
 - Bloomberg News reported that Chinese officials have begun preparing to restart imports of U.S. soybeans and liquefied natural gas
- **Add to the concern on trade, the yield curve inversion is getting a ton of press**
 - This morning, the 2/10 spread is now down to just 10 bps, dangerously close to single digits
 - A review of the curve right now...with a little bit of rounding, looks dead flat out to 10yrs, and slightly inverted at the 5yr mark
 - 2yr: 2.795%
 - 3yr: 2.805%

- 4yr: 2.807%
- 5yr: 2.787%
- 10yr: 2.914%
- [WSJ article on the yield curve inversion](#)
- **And then again, add to this oil gains fading thanks to OPEC and its partners saying they may not actually curb production after all**
 - They meet this week
- The Fed has a lot to chew on for the December 19th meeting
 - **Markets still pricing in a 75% chance of another rate hike...honestly, the markets would be more surprised with a pause here**
 - But as we move into 2019, the markets may be telling Powell & Co. that 2019 may be the “pivot” year, and pausing and reflecting on all of their rate hikes might be the best play
- **Tons of data today including durable goods orders and factory orders**
 - **Also keep an eye on initial jobless claims**
 - This is a leading indicator and has turned up in recent weeks...not a trend yet, but this has been low and trending lower for many years...a turn here may be an early sign of stress in 2019
- **Yesterday**
 - **Fed President of NY John Williams spoke yesterday**
 - Said the national economy is in good shape and see inflation moving slightly above the 2% target
 - He also commented wage growth has shown signs of increasing and expects the economy will continue with strong growth
 - **Williams said the Fed has attained its dual mandate**
 - **The Wells Fargo/Gallup Small Business Index, which surveyed business owners from November 8 through November 14, jumped 11 points to a new all-time high of 129**
- News
 - [Barron’s article on the yield curve inversion](#)
 - [Dow story on the stock market](#)
 - [Postal Service is reviewing proposals for higher prices](#)
- Treasuries
 - 2-yr: 2.80%

- 3-yr: 2.81%
- 5-yr: 2.79%
- 10-yr: 2.91%
- 30-yr: 3.17%
- LIBOR
 - 1-month: 2.38%
 - 3-month: 2.75%

Have a good one!

Fred

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