

*[Theme music playing]*

*A male host named Tim Sustak stands in front of a grey wall with two dark, wooden books shelves with various books and decorations on them.*

**Tim:** Hi, I'm Tim Sustak, Chief Credit Officer with Vizo Financial, and this is the economic update for October 2018. Today we'll take look at the recent employment report, and then look at what has been happening with interest rates.

**Tim:** So, the recent employment report had a pretty big headline with a historically low unemployment rate; but, when we look a bit deeper the report was somewhat mixed. Overall though, it seems to be pointing to more of the same steady growth we have been seeing from a labor market that has been a bright spot in the economic picture for some time.

**Tim:** The big news in the report was the unemployment rate, which came in at 3.7% for September, a 49-year low. Payroll numbers were a bit disappointing, adding just 134,000 jobs when expectations were around 180,000; however, the August number was revised higher by 69,000 jobs which eased some of the sting from September.

**Tim:** Despite an economy that keeps adding jobs and is likely at full employment or beyond, wage pressures just remain steady, with average hourly earnings on an annual basis rising 2.8%, falling just a bit from the prior months reading of 2.9%. All of this seems to be supportive of an economy that continues to grow at a reasonable pace and is supportive of the Fed's plan to keep raising rates on a slow and steady trajectory. A look at the rate picture after the break.

*[Screen fades to black]*

*[Piano music playing throughout]*

A blue and green bar move across the screen. The words 'Risk Management Education' is in black. The blue and green bars move off the screen to reveal a ivory background with the words 'Collide' in black. The words and background move off screen and a ivory colored square appears at the top with the words 'Vizo Financials' Security and Compliance Workshop November 7, 2018 Embassy Suites, Concord NC' appear in blue and 'one day' appears in green below it with a blue tinted image of a building. The words 'one day' move off the screen and the words 'five sessions' in green move onto the screen. The words 'five sessions' move off the screen and the words 'countless rewards' in green move onto the screen. The words and images move off screen and a blue tinted image of a meeting room appears with a green box with the word 'Sessions:' in black appears at the top. Green words below read, 'Identity Theft Methods and Mitigations'. The green words move off screen and the green words, 'Make Security Awareness a Top Priority' appear. The green words move off screen and the green words, 'Are You Prepared Tabletop Exercise' appear. The green words move off screen and the green words, 'BSA/AML Basics Compliance Training' appear. The green words move off screen and the green words, 'Exploring the CIS Critical Security Controls' appear. The green box and

green words move off screen. The words 'Register now at [www.vfccu.org](http://www.vfccu.org)' appear in green in the middle of the screen.

*[Screen fades to black]*

*Tim Sustak stands in front of a grey wall with two dark, wooden books shelves with various books and decorations on them.*

**Tim:** Welcome back! So, what is the latest on interest rates? Well, it's a bit more exciting than it has been for a while. The 10-year treasury is back in the low 3.20's, which it has not seen since 2011, and is being driven by strong economic data, as well as reassurance from the Fed that it plans to keep moving short-term rates higher. The curve is still flat, about 35 basis points between the 2 and 10-year treasury as of the making of this video.

**Tim:** Though the Fed controls short-term rates and the market controls long-term rates, the markets certainly listen to the Fed for guidance on where the economy currently stands, and where it is going. In an interview last week with PBS, Fed Chairman Powell indicated that US monetary policy is probably a long way from neutral at this point; neutral meaning, a level that neither helps nor hurts economic growth.

**Tim:** This sends the message to the markets that economic growth is strong and gives the Fed ability to keep moving rates higher for some time. The Fed's current median estimate for the neutral rate is somewhere in the 3% range, though the range of estimates varies by about a percent. Regardless of where neutral actually lands, the key message is that as of now, we should continue to plan for slow and steady rate increases from the Fed for the foreseeable future. The markets are now pricing in about a 77% chance of another 25-basis point increase in December, and the chance of that seems to keep getting better the closer we get.

**Tim:** Thanks for watching the economic update for October 2018. Here are this month's release dates for some of the more important economic statistics.

*A light grey screen appears with a square orange graphic with white lettering in the top left corner that reads, 'Economic Releases'. Next to the graphic, white lettering appears that reads, 'October 2018'. White letters disappear, and dark grey words appear that read,*

*Economic Releases for October 2018*

*Payroll Numbers -October 1*

*Gross Domestic Product (GDP) – October 26*

*Consumer Numbers*

*Retail Sales – October 15*

*Consumer Confidence (Conference Board) – October 30*

*Personal Income and Outlays (Including PCE Price Index) – October 29*

*Housing Numbers*

*Housing Starts – October 17*

*Existing Home Sales – October 19*

*New Home Sales – October 24*

*Manufacturing/Industrial Numbers*

*ISM Manufacturing Index – October 1*

*Industrial Production – October 16*

*FOMC*

*FOMC minutes from September meeting-October 17*

**Tim Sustak:** We'll see you again next month for another look at the economy and as always, thanks for watching.

*[theme music playing]*

*Light grey screen appears with a blue graphic with white lettering that reads, 'Thanks for watching.' Graphic fades and Vizo Financial logo appears. Vizo Financial logo fades out and disclaimer text appears on screen.*

*Disclaimer says: "The content expressed in this video is the copyright of Vizo Financial Corporate Credit Union and is provided as general information. If you wish to apply the information, concepts or ideas contained in this video, you are taking full responsibility for your actions. Neither Vizo Financial Corporate Credit Union, the Writers, nor the Actors shall in any event be liable to any party for any direct, indirect, implied, punitive, special, incidental or consequential damages arising directly or indirectly from any use of this material, which is provided as is, and without warranties. Each credit union manages its operations and balance sheet differently. Viewers should never take any information perceived from this or any other video(s) at face value and should always do their own due diligence and, where applicable, seek the advice of a competent legal, tax, accounting or other professional before taking action."*