



Weekly Economic News & Updates

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FOMC

As a football-starved nation greets the first of many tedious and generally uninspiring pre-season games, one wonders if the FOMC might benefit from the adoption of a similar warm-up period. Football teams do it to knock off a little rust after the off-season with workouts and practices designed to foster teamwork and promote unity. Players learn the new plays, brush up on the old ones, and coaches try to get everyone on the same page.

Following the first rate cut in more than ten years, Coach Powell's narrative seemed unencumbered by economic realities while two of his team members decided they liked their playbook better than they liked his. The fan base is not amused. Would a few monetary policy drills have benefited the Fed's message and messaging? That, we'll never know, but this season's prospects are not looking good.

THE WEEK ON WALL STREET

Stocks spent much of last week rebounding from a Monday drop that reflected nervousness about the U.S.-China trade fight. By Thursday's closing bell, the S&P 500 had regained all its Monday losses, but it descended again on Friday.

The three big U.S. equity benchmarks finished the week lower: the S&P declined 0.46%; the Dow Jones Industrial Average, 0.75%; the Nasdaq Composite, 0.56%. A broad index of foreign shares, the MSCI EAFE, lost 0.95%.

China Devalues Its Currency

Last Monday, stocks fell 3% in reaction to the overnight weakening of the Chinese yuan. A weaker yuan makes Chinese exports cheaper for buyers who pay for them in dollars.

Critics quickly accused China of manipulating its currency to strike back at the U.S. The federal government plans to impose tariffs on nearly all Chinese products next month, likely making those goods more expensive to American consumers; a weaker yuan could counter the effect of those import taxes.^{3,4}

Earnings Season Update

Ninety percent of S&P 500 firms have now reported second-quarter results. Their collective sales and profits have surprised to the upside.

Stock market analytics firm FactSet says that overall earnings have beaten estimates by 5.7%. Seventy-five percent of firms have reported actual earnings per share surpassing estimates, which is better than the five-year average.⁵

FINAL THOUGHT

We are seeing a significant bond rally this summer, even with interest rates at very low levels. (When bond prices rise, bond yields tend to fall.) At the moment, about a quarter of the global bond market is invested in government notes with negative interest rates. The 10-year Treasury stands in contrast. Friday, it was yielding 1.74%.

WEEKLY QUOTE

"Dignity does not come in possessing honors, but in deserving them."

ARISTOTLE

WEEKLY TIP

*If you think you need to **save more** for retirement, think about saving at a rate that is slightly above your "comfort zone." This calls for some financial **discipline** and **dedication**, but your future self may thank you years from now.*

WEEKLY RIDDLE

*You write the word **one** on a piece of paper. An observer tells you she can make one **disappear** by **adding** something to it. Is this true, and how can she do it?*

Last week's answer:

Breakfast and lunch.

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