Volume 79, August 5th, 2019

Citizens SAVINGS & LOAN ASSOC., FSB

Weekly Economic News & Updates

CELEBRATING 135th ANNIVERSARY 1884-2019 Strong, Stable and Staying that way

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Foreign Markets-Many investors could probably use a little break after the wild wooliness of last week's events. Well, that's not going to happen, at least not today. Investors have awakened to the news that the Peoples' Bank of China has let the yuan slip to its lowest value since 2008 as that nation's administration has also "asked" state-owned entities to suspend their purchases of America's agricultural products. Full compliance is expected.

This response to last week's announcement by President Trump that another layer of 10% tariffs would be coming to Chinese imports in September has germinated growing concerns about the negative impact this predictable back-and-forth behavior inevitably produces.

US Market-The alarming sell-off in equity markets that was seen last week has become more alarming as investors perceive the latest Chinese fire-drill is not a drill. At the moment, the DJIA is down more than 500 points while bond prices continue to rally. The Ten-Year's yield of around 1.75% is now 26 basis points less than what you can get for 90-day bills. It was just last week that those two Treasury issues had the same yield. Remember when you thought a 2% Ten-Year was expensive?

In this week's distant background, there's a little bit of data on the calendar and we've already had a nugget of positive news. The private, Markit Services Purchasing Managers Index just came out at 53 and that was better than expected and better than last month's 52.2. The Institute of Supply Management Services Index was a little less generous as its services index fell to 53.7 from 55.1. It was supposed to go the other way to 55.5. None of that matters much today.

Labor Market- Tomorrow, the BLS is expected to report its Job Openings and Labor Turnover Survey and it is predicted to show that the number of unfilled positions is growing. That's good. The following day, a new report on Consumer Credit may show that consumer borrowing is slowing down a bit. With much debt-fueled consumption supporting economic growth, that might be worrisome to those that fear consumers might actually be deleveraging. Friday will see a BLS report on July's Producer Price Index and no needle-moving results are expected. The low inflation theme will not be going away.

FOMC-Nor will the drumbeat for more aggressive rate cuts by the FOMC. Although careful to avoid being seen as coming to the rescue of equity markets, that has historically been the central bank's behavior. The nosedive being experienced by equity markets around the globe is not lost on our monetary policy makers. Pressure continues to build for the FOMC to become more aggressive about cutting rates at future meetings and they likely will. They will explain their actions as being a manifestation of concerns about "financial stability" because it sounds better than if they say they're doing it to save the stock market. You know the drill. It's a good week to be careful out there

WEEKLY QUOTE

"Learning does not consist only knowing what we must or we can do, but also of knowing what we could do and perhaps should not do." ~ Umberto Eco

WEEKLY TIP

You may be inclined to help your adult children financially during retirement, but think twice about doing so. Providing gifts or a personal loan (or cosigning on a loan they arrange) may put your financial outlook at risk

WEEKLY RIDDLE

What two things will you never be able to eat at dinner?

Last week's answer:

The word is Starting

Sources: MarektingPro, 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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