

MORNING MARKET COMMENTARY

Friday, July 13, 2018

	Last end of day	Previous end of day
Fed Funds (open)	1.91%	1.91%
3- Month T-Bill	1.93%	1.93%
6-Month T-Bill	2.10%	2.10%
1-Year T-Bill	2.28%	2.28%
2-Year T-Note	2.582%	2.594%
10-Year T-Note	2.834%	2.864%
30-Year T-Bond	2.935%	2.958%
1-Month LIBOR	2.07425%	2.0665%
DJIA ↑ 224.44	24,924.89	24,700.45
Japanese Yen/USD	112.55	112.02
Canadian Dollar/USD	1.32	1.32
USD/Euro	1.16	1.17
Gold-London Fix	1,247.33	1,241.90
Crude Oil	70.33	70.38

July 13, 2018: Fed's Powell Says Economy in Good Place as Trade Risks Mount (Bloomberg)

Federal Reserve Chairman Jerome Powell gave an upbeat assessment of the U.S. economy but warned a sustained period of high tariffs on a wide variety of imports could be harmful to growth.

“I sleep pretty well on the economy right now,” Powell said Thursday in an interview on American Public Media’s “Marketplace” program, noting that it’s in a “good place” with unemployment at its lowest level in years and inflation close to the central bank’s 2 percent target.

He cautioned, however, that trade disputes could end up being a negative for the economy if they result in a

protracted period of widespread higher tariffs. President Donald Trump has already imposed import duties on a wide range of products, from steel and aluminum to washing machines and farm equipment. Other countries have retaliated with tariffs of their own on U.S. exports.

“We are hearing a rising level of concern about the effects of changes in trade policy” on the economy, Powell said. But he added that it was hard to forecast how the trade tensions will play out, noting that the Trump administration has portrayed its efforts as an attempt to get other countries to lower their barriers to imports, not raise them. If that happened, it would be good for the economy. “I think this process that is going on now is a new one,” he said. “It’s very difficult to predict how it turns out and we’ll just have to see.”

Powell said he could imagine situations that could be “very challenging” for the Fed with inflation rising and the economy weakening at the same time from the tariff battles, though he declined to criticize the president’s actions, saying that the independent central bank needed “to stick to our lane.”

Powell took the helm of the central bank in February and has continued the approach of gradually raising interest rates that he inherited from his predecessor, Janet Yellen. The Fed has raised interest rates twice so far in 2018 and has penciled in another two hikes this year. Powell said he was “very pleased” with the results of the rate-hike campaign so far. He said the central bank was trying to balance the risks of raising rates too slowly -- resulting in too high inflation and asset bubbles -- or going too quickly and throwing the economy into a recession.

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