



## TheECONOMY

### A Hiking We Go...

As the summer holiday season comes to an end, market activity has picked up after Labor Day as the U.S. economy and consumer sentiment remains solid. The unemployment rate remained at 3.90% and nonfarm payrolls rose by 201,000 in August, well above the expected 191,000. There was a slight upward rise in average hourly earnings, implying that the economy could be nearing full employment. While the summer may be over, it is time for hiking season for both interest rates and import tariffs.

At the next Federal Open Market Committee (FOMC) on September 26, 2018, it is widely expected that its benchmark policy rate will increase to a range of 2.00% - 2.25%. The stronger U.S. dollar suggests that the FOMC may continue to raise interest rates, and market expectations lean towards an additional rate hike in December.

These positive developments are somewhat clouded by additional tariffs on virtually all Chinese imports. The Trump administration is now considering adding \$267 billion more to the list as early as this month. China matched the first round of tariff hikes on \$50 billion of its goods and has issued a list of only \$60 billion of American products for possible retaliation, highlighting the trade imbalance between the two countries. It is unclear at this point whether U.S. businesses or Chinese manufacturers will bear most of the burden of the tariffs.

Last month, we commented on geopolitical relations between the U.S. and Turkey and the Trump administration's higher tariffs on Turkish steel and aluminum. Due to multiple factors, Turkey is on the brink of an economic slowdown, causing the lira to plummet. However, its central bank has not raised interest rates and hinted that monetary tightening would soon be coming. Public Trust is monitoring any spillover effects to other emerging markets.

### Treasury Yields

MATURITY	9/7/18	8/10/18	CHANGE
3 Month	2.095%	2.043%	0.052%
6 Month	2.299%	2.216%	0.083%
1 -Year	2.507%	2.394%	0.113%
2 -Year	2.703%	2.604%	0.098%
3 -Year	2.772%	2.679%	0.093%
5 -Year	2.821%	2.745%	0.076%
10 -Year	2.939%	2.873%	0.066%
30 -Year	3.101%	3.030%	0.071%

Source: Bloomberg

### Agency Yields

MATURITY	9/7/18	8/10/18	CHANGE
3 Month	2.124%	2.062%	0.062%
6 Month	2.255%	2.148%	0.107%
1 -Year	2.428%	2.322%	0.106%
2 -Year	2.755%	2.659%	0.096%
3 -Year	2.825%	2.738%	0.087%
5 -Year	2.931%	2.859%	0.072%

Source: Bloomberg

### Commercial Paper Yields (A-1/P-1)

MATURITY	9/7/18	8/10/18	CHANGE
1 Month	2.060%	2.050%	0.010%
3 Month	2.260%	2.250%	0.010%
6 Month	2.470%	2.460%	0.010%
9 Month	2.600%	2.600%	0.000%

Source: Bloomberg

### Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q2 '18	4.20%
US Unemployment	Aug '18	3.90%
ISM Manufacturing	Aug '18	61.3
PPI YoY	Jul '18	4.20%
CPI YoY	Jul '18	2.90%
Fed Funds Target	Sep 2018	1.75%- 2.00%

Source: Bloomberg

Data unaudited. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. Investment involves risk including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.