Weekly Insight

Citizens Bank & Trust
BTC Capital Management™

May 8, 2019

Equities were up and down over the past week. First they rose following a better than expected jobs release, but have come under pressure on news that trade negotiations with China took a turn for the worse. President Trump has filed paperwork to have tariffs increased from 10% to 25% on $200 billion of imports from China and added threats to extend tariffs elsewhere. China has threatened countermeasures. This came about after reports that China backtracked many of their previous promises. They suspected the United States to be in a weak position given the constant demands from President Trump to cut the federal funds rate. Tariffs go into effect Friday morning unless a last-minute deal can be saved today. Equities ended the week down more than 1% with emerging markets especially weak and down almost 3%. Chinese equities are down more than 7% in the four trading days since the tariff announcement.

The economic data was dominated by labor market releases. Non-farm payrolls increased 263,000, which was well ahead of consensus. The unemployment rate fell to 3.6%, its lowest level in five decades. This was driven by a large drop in the labor force, which isn't a positive sign. Average weekly earnings have slowed to 2.9% and are down noticeably from 3.6% in October. While this isn't positive for the average person, it does offer support to the "Goldilocks" narrative for the stock market given the Federal Reserve won't have to rush interest rates higher to stop inflation. The labor market diffusion index, which measures the percentage of industries hiring, has been falling rather sharply. Still, a higher percentage of industries are increasing payrolls. Temporary jobs accelerated in the recent month, which is a good sign given their leading tendencies to overall employment.

Earning season is wrapping up, and results are going to be better than expected. This helped lift equities to an all-time high, but they have been hit with negative trade news this week. Even without these headlines, several semiconductor companies have begun walking back their optimistic second-half guidance. Global growth has stopped decelerating, but the bounce has been rather muted. China credit creation was huge to start the year, but was weak in the recent release suggesting that a V-shaped global economic recovery may not transpire. The Federal Reserve was also more hawkish than expected last week when they called low inflation "transitory." Given these factors, the result of the China-U.S. trade negotiations will have significant ramifications.

Weekly Market Topics

- **Economy**
- **Fixed Income Markets**
- **Equity Markets**

All data is as of the above referenced date.

Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper bound)	2.50	1.75	0.50
3-Month T-Bill	2.42	1.82	0.19
10-Year Treasury	2.48	2.97	1.87
30-Year Treasury	2.89	3.15	2.72
10-Year Corporate AA	3.27	3.90	2.80
10-Year High Yield Corp.	5.68	6.17	5.95
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	1,280.88	1,304.96	1,291.55
Oil (WTI, $/barrel)	62.12	61.80	50.62
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	97.62	92.51	92.63
USD/EUR	0.89	0.84	0.87
USD/JPY	110.10	109.84	106.41

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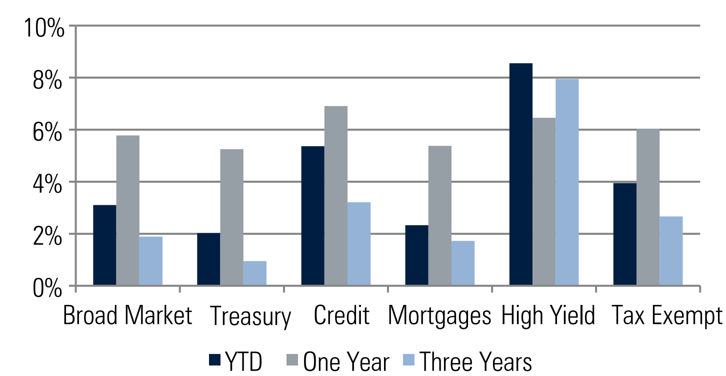
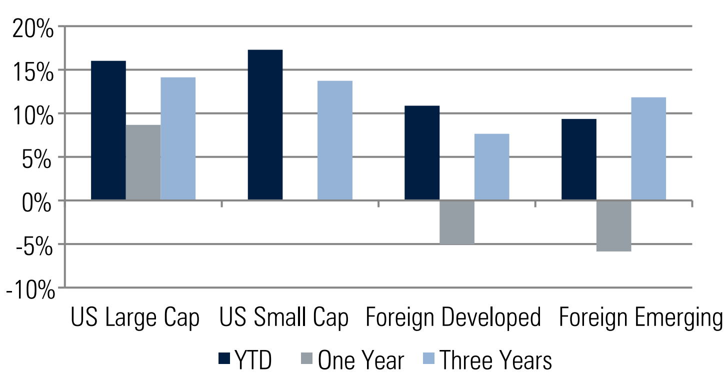
Bond Market Total Returns



Equity Market Total Returns



Source: BTC Capital Management, Bloomberg LP, Ibbotson Associates.
The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.