

Trade Tensions Thaw as U.S. Economic Data Continues to Strengthen

- Trade headlines evolved throughout last week with China initially announcing that a range of U.S. goods will be exempted from 25% extra tariffs put in place last year. Shortly thereafter, Trump announced that he would postpone the imposition of 5% extra tariffs on Chinese goods for two weeks. Late in the week, China’s Commerce Ministry announced that it would exclude soybeans and pork from additional tariffs as trade talks are set to resume in early October. Equity markets and treasury yields rebounded as both sides look to ease tensions that are clouding the outlook for the world’s biggest economies.
- The Core PPI, a measure of U.S. producer price inflation excluding volatile components, exceeded consensus estimates in August reporting at 2.3% vs. 2.2%. Core CPI, a measure of U.S. consumer price inflation, also exceeded consensus estimates reporting at 2.4% vs. 2.3%. Upward pressure at both the consumer and producer levels is a good indication for inflation growth, which has been a particular concern of the Fed.
- The trade-war escalation last month didn’t impact consumers as much as economists expected as Retail Sales for August increased at 0.4% vs. estimated 0.2%. The solid figure was driven primarily by discretionary spending on autos and robust online purchases suggesting the consumer remains healthy.
- The NFIB small business optimism fell in August as uncertainty regarding the trade war weighed on business owners. Even so, NFIB President Juanita Duggan stated that “small business owners continue invest, grow, and hire at historically high levels” as the data reported just under its 2018 high.
- The September FOMC meeting will happen this Wednesday, where the market is anticipating a 25bp rate cut. The main focus on Wednesday should be the updated projections and the chairman’s press briefing.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
1M LIBOR	2.03%	2.05%	2.20%	2.16%	0.67%	1.99%	0.15%
3M LIBOR	2.12%	2.13%	2.16%	2.34%	0.81%	2.12%	0.22%
3Y UST	1.76%	1.48%	1.61%	2.85%	1.17%	2.39%	0.28%
5Y UST	1.75%	1.43%	1.58%	2.90%	1.66%	2.83%	0.54%
10Y UST	1.90%	1.56%	1.70%	3.00%	2.44%	3.48%	1.36%

Please contact your appropriate coverage person with any questions you may have or if you would like us to add a colleague to our distribution list.

Rates Contact	Phone	Email
Rich Aidala	617.725.5589	Richard.Aidala@citizensbank.com
Matthew Risicato	617.725.5798	Matthew.Risicato@citizensbank.com
Christopher Pelletier	617.725.5580	Christopher.Pelletier@citizensbank.com
Conor Leddy	617.994.7052	Conor.Leddy@citizensbank.com
Sikandar Hashmi	617.994.7078	Sikandar.Hashmi@citizensbank.com

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