



The Lyttle Company

Registered Investment Advisory LLC

NEWSLETTER

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Summary

- Economic News – Inflation remains below 2% and trade deal's "Phase One" is on the table to be signed mid-November.
- Market Events – Equity market grew but trade war and future monetary policy may lead to lower bond yields even after a 50% decrease in the 10 -year treasury from last year.

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Economic News

The US Real GDP rose at an annual rate of 1.9% in the third quarter of 2019.

Inflation measured in the 12-month Consumer Price Index (CPI) percentage change was 1.7% in September 2019. The Personal Consumption Expenditure Price Index (PCE) change was 1.3% in September 2019. The PCE is now what the Fed prefers to better gauge inflation. The Fed's objective for inflation remains at 2 percent.

The Fed lowered the federal funds target rate 1/4 percent to a range of 1-1/2 to 1-3/4 percent.

President Trump and Chinese President Xi were scheduled to meet at the Asia Pacific Economic Cooperation (APEC) summit in Santiago Chile in mid-November. There they were suspected to sign "Phase One" of the trade deal which represents 60% of the long-term agreement. Since, Chile will not host APEC, as the country is dealing with anti-government protests, President Trump feels Iowa may be the new location for the deal. The US dollar in the last few months has been averaging flat, but remains strong. Oil prices are around \$56.20 a barrel. Up from 2016 lows but nowhere near 2014 highs of \$106.

Market Events

The S&P 500 closed down yesterday 12% higher from a year ago. The 10-year treasury rate as at 1.71%. This is down almost 50% from a year ago.

As President Trump explained October 31st that the Federal Reserve should drop interest rates even lower or the US will be at a competitive disadvantage. Fed Chairman Jerome Powell has signaled no imminent rate cuts ahead but stated "policy is not on a preset course."