

The Lyttle Company

Registered Investment Advisory LLC

NEWSLETTER

Winter 2020-
February 1, 2020

Summary

- Economic News – Inflation target remains 2% and US-China trade deal's "Phase One" was signed. USMCA was signed.
- Market Events – S&P 500 grew 19% over past year.

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Economic News

The US Real GDP rose at an annual rate of 2.1% in the fourth quarter of 2019.

Inflation measured in the 12-month Consumer Price Index (CPI) percentage change was 2.3% in December 2019. The Personal Consumption Expenditure Price Index (PCE) change was 1.6% in December 2019. The Fed's objective for inflation remains at 2 percent. According to the Fed, "overall inflation and inflation for items other than food and energy are running below 2%."¹

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

President Trump and Chinese President Xi signed "Phase One" of the trade deal. Over a two-year period, China will purchase \$200 billion worth of US goods and will halt mandating companies to turn over their technology in respecting intellectual property. The US will in turn reduce and remove tariffs. President Trump signed the US Mexico Canada Agreement on Jan. 29, 2020. Please see footnote 2 below for VOX article highlighting major points of deal.² The US dollar in the last few months has been averaging flat, but remains strong. Oil prices are around \$51.56 a barrel.

Market Events

The S&P 500 closed yesterday 19% higher from a year ago. The 10-year treasury rate is at 1.51%. This is down almost 45% from a year ago.

President Trump continues to explain that the Federal Reserve should drop interest rates even lower or the US will be at a competitive disadvantage. The Federal Reserve maintains that current monetary policy is enough to encourage economic expansion, a strong labor market, and maintain course to the committee's 2% objective.

¹ Federal Reserve Press Release Jan. 29, 2020

<https://www.federalreserve.gov/monetarypolicy/files/monetary20200129a1.pdf>

² <https://www.vox.com/2018/10/3/17930092/usmca-mexico-nafta-trump-trade-deal-explained>