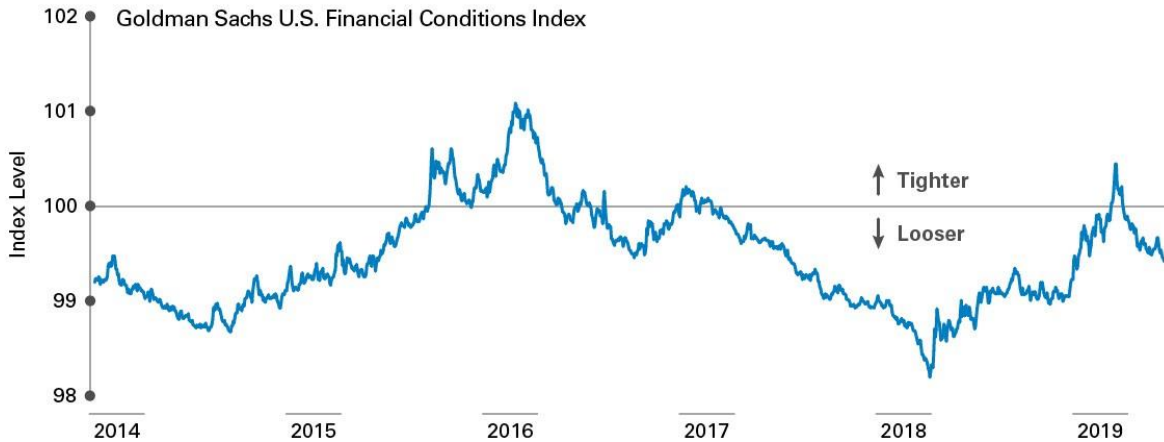


U.S. ECONOMY: TAKING IT EASIER



Source: Bloomberg, as of 3/20/19. This information is provided for illustrative purposes only and does not reflect the performance of an actual investment.

The Federal Reserve’s (Fed) March 20 decision to not raise rates and likelihood of not raising them in 2019 was more relaxed (“dovish” in Fed speak) than anticipated by many. The worries toward the end of 2018 were that the Fed would continue to raise its target interest rate (Fed rate). But the last week of 2018 saw a distinct reversal and a more “inactive” (dovish) shift in the Fed’s rhetoric. Furthermore, this was followed by two increasingly “no change” (dovish) Federal Open Market Committee (FOMC) meetings.

Based on the shift in overall financial conditions, shown in the chart above, the FOMC’s change in stance since the end of the year has had the desired effect so far – changing overall expectations of the Fed’s next rate move from upward to flat – if not outright downward. Note the chart below that shows the probability of the Fed rate change from the current 2.25% - 2.50%, downward to 2.00% to 2.25% instead of upward. There is 0.0% likelihood that the fed will “raise” rates in 2019.

MEETING PROBABILITIES																									
MEETING DATE	0-25	25-50	50-75	75-100	100-125	125-150	150-175	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575		
5/1/2019								0.0%	6.0%	94.0%	0.0%	0.0%													
6/19/2019					0.0%	0.0%	0.0%	1.1%	22.1%	76.8%	0.0%	0.0%	0.0%	0.0%											
7/31/2019				0.0%	0.0%	0.0%	0.1%	3.5%	28.3%	68.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%									
9/18/2019		0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	10.4%	39.3%	49.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							
10/30/2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	2.2%	13.8%	40.5%	43.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
12/11/2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	4.6%	19.3%	41.1%	34.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
1/29/2020	0.0%	0.0%	0.0%	0.0%	0.2%	1.5%	8.1%	24.6%	39.5%	26.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Source: CME Group

Enjoy these times and maybe in 2020 we can talk about a potential lack of growth.

Derrell