

Look Back

- FOMC raised the Fed Funds rate another 25bps and two more hikes are expected in 2018; Chair Powell and governor projections conveyed confidence in U.S. growth
- Euro funds rates held unchanged; Asset purchases end in December but rates will remain at current levels through summer 2019

EUR-USD X-RATE | 1Y



On Wednesday, the FOMC increased the Fed funds rate to 1.75-2.00%, the seventh hike since December 2015. The verbiage from the Fed skewed more hawkish with participants projecting two more hikes in 2018. The Fed's upbeat forecasts – particularly on the inflation front – have still not come to fruition. However, that is not deterring the Fed from its current tightening path. U.S. and China's trade dispute is escalating. Shortly after President Trump announced new tariffs on \$50Bln worth of Chinese imports, China retaliated with \$34Bln in new tariffs of their own beginning July 6th. To this point, the economic impact of these tariffs is fairly contained; however, each punch-counterpunch inches us closer to a global trade war. Much more intensity and global markets will no longer be able to shrug off the trade drama. A hawkish Fed and sleepy inflation continue to flatten the U.S. yield curve. Only 37 basis points currently separate 2 and 10 Year U.S. yields.

-Chip Hughey, CFA

Head of Retail Fixed Income Strategy and Services



Equity	Level	Index Returns %				
		1w	QTD	YTD	1Y	Δ-1w
S&P 500	2774	-0.25	5.50	4.70	16.23	
Dow Jones	24987	-1.27	4.25	2.20	19.54	
Nasdaq	7747	1.16	9.95	12.80	27.31	
Russell 2000	1692	1.10	10.91	10.83	21.84	
MSCI EAFE	1984	-1.92	0.13	-1.23	8.23	
MSCI EM	1106	-2.87	-5.04	-3.69	13.16	

Fixed Income	Yield %	Levels				
		1w	QTD	YTD	1Y	
US Aggregate	3.34	0.20	-0.52	-1.97	-1.16	
US Credit	4.01	0.15	-1.01	-3.30	-1.16	
Global HY	6.24	-0.52	-1.82	-2.17	1.55	
Municipals	2.69	-0.05	0.65	-0.46	0.87	

Benchmark Rates	Levels				1Y Trend
	06/18/18	06/11/18	05/18/18	06/19/17	
Fed Fuds	1.90	1.69	1.69	1.19	
1-Month Libor	2.08	2.05	1.95	1.22	
3-Month Libor	2.33	2.33	2.33	1.29	
2Y US Treasury	2.55	2.52	2.57	1.34	
5Y US Treasury	2.79	2.80	2.90	1.76	
10Y US Treasury	2.92	2.95	3.06	2.16	
30Y US Treasury	3.05	3.09	3.20	2.74	
Prime Rate	5.00	4.75	4.75	4.25	
30Y Fixed Mtge	4.45	4.49	4.53	3.78	

Commodites	Levels				1Y Trend
	06/18/18	06/11/18	05/18/18	06/19/17	
WTI Crude	65.85	66.36	72.35	45.93	
Gold	1278.31	1300.50	1292.60	1243.00	

Currency	Levels				1Y Trend
	06/18/18	06/11/18	05/18/18	06/19/17	
\$ USD Index	94.76	93.61	93.68	97.76	
¥ JPY	110.55	110.03	111.05	111.45	
€ EUR	1.16	1.18	1.18	1.11	
£ GBP	1.32	1.34	1.34	1.26	

U.S. Eco Data	Levels				1Y Trend
	Latest	Previous	Previous	Previous	
GDP	2.90	12/31/17	3.20	09/30/17	
Core PCE	1.80	04/30/18	1.83	03/31/18	
NFP	159K	04/30/18	155K	03/31/18	
Avg Hrly Earn	2.60	04/30/18	2.60	03/31/18	
ECI	2.60	12/31/17	2.50	09/30/17	

Look Ahead

- China will retaliate to U.S. sanctions with \$34B of their own; Further escalation could weigh on global risk assets
- With scant new U.S. economic data to digest, macro headlines will drive the narrative
- U.S. yield curve offers flattest slope in a decade; 37bps separate 2-Yr and 10-Yr yields

DOLLAR INDEX SPOT | 1Y

