



Last week's press conference following the Fed's 2-day meeting presented Chairman Jerome Powell, on the job for less than 17 months, with a significant challenge – how to describe the U.S. economy in an optimistic light, but at the same time firmly communicate the central bank's willingness to come to the rescue should aid be needed. Powell, the first Fed Chair in more than 30 years not to hold a Ph.D. degree in economics, delivered a "dovish" tone that indicates the Fed will "act as appropriate to sustain the (nation's) expansion" (source: Federal Reserve).

Powell's signal that he is willing to cut rates quickly rippled across many U.S. securities. Both stocks and bonds were already hoping that interest rates cuts could occur as soon as late July 2019, but now they appear to be expecting that action. The S&P 500 index closed at a record level on Thursday 6/20/19, its 5th record close for the year and 212th in the 10 1/4 year bull market run. The yield on the benchmark 10-year Treasury note dipped to 1.99% last week, its first time below 2% since November 2016. Lower interest rates translate into a weaker U.S. dollar, just the tailwind needed by U.S. exporters fighting multiple tariff battles (source: BTN Research).

U.S. and Chinese trade teams meet in Japan early this week, setting the stage for a face-to-face dialog between President Trump and Chinese President Xi Jinping late in the week. The White House's threat from early May 2019 to increase tariffs from 10% to 25% on an additional \$325 billion of Chinese imports is Washington's leverage in the negotiations that will take place in Osaka (source: White House).

Notable Numbers for the Week:

1. **NOT AS MUCH** - China's ownership of **Treasury securities** peaked at **\$1.20 trillion** in August 2017 but has dropped 7.4% to **\$1.11 trillion** as of April 2019 (source: Treasury Department).
2. **MAYBE NEXT TIME** - The Fed's **4th meeting of 2019** ended last Wednesday with **no change** in short-term interest rates. The Fed last **cut interest rates** on 12/16/08 or **10 1/2 years ago** (source: Federal Reserve).
3. **AT RISK OF A TUMBLE?** - The **4 most overvalued housing markets** in the world today are Hong Kong, Munich, Toronto and Vancouver (source: UBS Global Real Estate Bubble Index).
4. **JULY FOURTH** - When the **Continental Congress** approved the **Declaration of Independence** on 7/04/1776, the population of the **13 colonies** was **2.5 million**, equal to the population of Houston today (source: Census Bureau).

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