

OCTOBER 28, 2019



Paige Wilhelm
*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Two reactions to the trade war

An intriguing divide in the response to the U.S.-China trade war was evident in data released last week: American shoppers seem to be blowing it off, while businesses appear to be fixating on it.

October's report on consumer sentiment was strong, showing that people remain confident about their ability to spend. Similarly, those looking for a new home are optimistic about their ability to afford one. Sales of both new and existing houses remained elevated in September—a product of mortgage interest rates declining due to the Federal Reserve lowering rates in recent months. Another sign comes in the drop in the number of houses on the market.

It's another story for U.S. businesses. Many are holding back on plans to expand, seen in the decline in loans and in capital goods orders in September. The trade war seems to be constantly on the minds of owners and C-suite executives.

The London interbank offered rate (Libor) continued to decline last week from the previous week as 1-month fell from 1.85% to 1.80%, 3-month slipped from 1.97% to 1.93% and 6-month decreased from 1.98% to 1.93%.