



## Basis Points – July 9, 2019

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### Above the Fold

*Getting Back to Business* – With Independence Day falling on a Thursday this year, markets got an extra dose of low volume as many decision makers likely opted to take much of last week off.

But while the stock market was mainly sideways, there were several key news items that could drive momentum this week and into the future. Following a slightly downbeat jobs report last Wednesday from private sector employment services provider Automatic Data Processing (ADP) earlier in the week, the closely watched and arguably more comprehensive Bureau of Labor Statistics (BLS) data offered a much more positive June employment result on Friday.

The government agency reported a whopping 224,000 jobs added last month, versus expectations for 160,000. May's BLS jobs data was revised slightly lower, and the unemployment rate ticked up a bit to (a still very low) 3.7% due to more workers entering the labor force. The news immediately sent major index futures lower as a strengthening labor market can reduce the Federal Reserve's (Fed) aggressiveness on rate reductions when they meet later this month. Headlines from most major sources seemed to paint a very rosy picture of the U.S. jobs market, as five of the first seven months of BLS data positively surprised analysts, but not everything is "crimson and clover."

Ahu Yildirmaz, vice president and co-head of the ADP Research Institute, noted that "job growth started to show signs of a slowdown." Challenger, Gray & Christmas, a global business placement specialist, also revealed in a new report that U.S. job cuts in the first half of this year are at their highest total in a decade. And over the weekend, German mega lender Deutsche Bank announced dramatic changes to its business, including an exit from global equities trading and an 18,000 person reduction to its staff.

We're already seeing layoffs from many other companies, like those in the automotive industry, who are restructuring their business as the economy's future is still cloudy. And while the leaders of the U.S. and China are back at the negotiating table, a trade deal has yet to be struck.

At the end of the day, many experts see a rate cut coming from the Fed later this month, but the strong jobs report may have lessened the chance of a 50 basis point (bps) reduction versus a more practical 25 bps.

## What's Ahead

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This week brings loads of commentary by Federal Open Market Committee (FOMC) members with FOMC meeting minutes due out tomorrow at 2 p.m. The latest Consumer Price Index is due out Thursday at 8:30 a.m., with economists predicting 0% growth on the top line and 0.2% at the core.

## Three Things

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1. *We've Got Gas* – America's natural gas supply is so high that drillers in Texas are basically burning off enough of the fossil fuel to power every home in the state. The biggest problem is infrastructure to handle, store and deliver the 37 trillion cubic feet that the U.S. produced last year. In some areas, producers were actually *paying* to take the excess away.
2. *Happy Meals Under Fire* – There's a growing petition in Britain for McDonald's to ditch the plastic toys included with every happy meal. The fast-food maker is exploring solutions and will offer books for a six- to eight-week period for every two plastic toys returned. Global plastic alternatives are being researched now, but no decisions have been made.

3. *It Might Be Time to Buy an SUV* – Car lots across the U.S. are awash with SUVs and crossovers. These sport-utility vehicles have become a hit with Americans and have drove automakers to pivot away from sedans and into these roomier options — and even more models are coming. But dealers are seeing a glut in inventory as sales slow and additional units get delivered. If you're in the market, it might soon be time to pull the trigger on one of 94 different SUV or crossover models offered in the states.

## Did You Know?

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As many of us soak up the sun this summer, there are some precautions you might want to take outside of the usual sunblock and hydration. “Margarita Dermatitis” or phytophotodermatitis occurs when a certain plant or its juice comes in contact with the skin while exposed at the same time to sun. Lime, celery, parsley and even Queen Anne’s Lace can all cause the condition, which can have similar effects as sunburn or poison ivy. Affected areas are also prone to discoloration after. The lesson here is to be extra careful when squeezing that lime in your favorite summer beverage.

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