

**L. Thomas Block**  
 Washington and Policy Strategist  
 Formerly Global Head of Government Relations at J.P. Morgan for 21 years, and previously served as Legislative Assistant and Chief of Staff in the House, and Legislative Staff Director in the Senate

@TomBlock\_FS

## Budget deal approved; US-China Trade Tensions Worsen with One Trump Tweet

Well, they did it. The House and Senate have finally given approval to the two-year budget and debt ceiling bill. It's now in the President's hands for his signature while the legislature is on holiday until Labor Day. The budget and debt deal removes the threat of a government default and allows the Treasury to resume normal debt financing operations. The budget agreement establishes spending ceilings but does not actually appropriate money to fund the government for the new fiscal year that begins October 1. That piece must be done with specific appropriations for each department of government.

It is the failure to pass these appropriations that have caused the government shutdowns, and therefore there is still the risk of a shutdown in the fall. Gulp. However, with or without the drama of a shutdown threat, spending bills will pass and the government will be injecting the economy with increased defense and non-defense spending because of the raised debt ceiling. Net-net, this is a positive development for the economy.

US-China trade negotiations in Beijing ended with no break-through this past week. Nothing too terrible about that though, right? There were no signs of serious tensions between either trade party and there were also plans for talks to resume in September.

So much to the market's surprise, on Thursday the President announced that he was placing a 10% tariff on an additional \$300 billion of Chinese goods entering the American market. It is hard to imagine that the Chinese won't be reacting with some retaliatory action in the next few days.

With some promise of expanded food sales to China, and the possibility of the US granting limited new licenses to Huawei, these trade threats remain up in the air. The President appears to take these actions without a plan for the next step, hence everyone will wait to see how the talks between the two global economic superpowers' progress.

While the President is taking a tough stance with the Chinese on trade, he seems indifferent to the missile tests by the North Koreans, dismissing them as "short range". These "short range" missiles may not be able to hit the US, but South Korea and Japan (US allies) are within North Korea's missile range, and the implications for this threat seems to be acceptable. It is yet another demonstration of how the heightened risk in that area and shows the Trump Administration must weigh its options with both friends and foes alike.




### Block's Fed Forecast

FOMC Meeting Date	Block's Forecast	Street Forecast	Implied Street Probability
<b>Sept. 17-18<sup>th</sup>, 2019</b>	<b>No Change</b>	<b>-25 bps</b>	<b>69%</b>

L. Thomas Block, Washington and Policy Strategist

Figure: Top Trump Tweets



**Donald J. Trump**  
The 45<sup>th</sup> President of United States of America  
[@realDonaldTrump](#)

- 

**Donald J. Trump** @realDonaldTrump · 46m  
China, Iran & other foreign countries are looking at the Democrat Candidates and “drooling” over the small prospect that they could be dealing with them in the not too distant future. They would be able to rip off our beloved USA like never before. With President Trump, NO WAY!

3.5K 5.6K 20.8K
- 

**Donald J. Trump** @realDonaldTrump · 23h  
...during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25%...

4.8K 13.7K 63.6K
- 

**Donald J. Trump** @realDonaldTrump · 18h  
What the Market wanted to hear from Jay Powell and the Federal Reserve was that this was the beginning of a lengthy and aggressive rate-cutting cycle which would keep pace with China, The European Union and other countries around the world....

3.4K 14.5K 64.9K

**Economic Calendar**

From 8/5/19 – 8/9/19

NEXT WEEK'S MAJOR U.S. ECONOMIC REPORTS & FED SPEAKERS			
TIME (ET)	REPORT	PERIOD	PREVIOUS
<b>MONDAY, AUG. 5</b>			
9:45AM	MARKIT SERVICES PMI (FINAL)	JULY	52.2
10 AM	ISM NONMANUFACTURING INDEX	JULY	55.1%
<b>TUESDAY, AUG. 6</b>			
10 AM	JOB OPENINGS	JUNE	7.3 MLN
<b>WEDNESDAY, AUG. 7</b>			
3 PM	CONSUMER CREDIT	JUNE	\$17 BLN
<b>THURSDAY, AUG. 8</b>			
8:30 AM	WEEKLY JOBLESS CLAIMS	8/3	
10 AM	WHOLESALE INVENTORIES	JUNE	0.4%
<b>FRIDAY, AUG. 9</b>			
8:30 AM	PRODUCER PRICE INDEX	JULY	0.1%