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China trade war sees some sunlight, eyes on the Fed, and federal budget deadline approaches

There were some small positive signs this week that the US and China might be moving towards some progress in the current trade war battles. The Chinese requested that the Trump Administration delay for two weeks, purportedly because of a national holiday, the implementation of the next round of tariffs.

The President agreed to delay the next round of scheduled increases from October 1 to October 15. This would give the two sides time to have a face to face meeting which is scheduled to happen in DC in early October. On Friday the Chinese responded to the two-week delay by agreeing not to impose their reciprocal tariff increases on October 15. Knowing that the farm vote is front and center in the President's thinking, the Chinese actions will apply to pork and soybean products.

While the Chinese action is a solid goodwill gesture it does not rollback the tariffs that they have already applied to both pork and soybeans. However, this does create a better atmosphere for some more meaningful action in October.

On the Fed front all attention will be on next week's FOMC meeting. While the President continues to jawbone the Fed to dramatically lower rates, the general expectation is that the Fed will lower the Funds rate by 25 bps. What will be closely watched is the Chairman's comments about future actions.

The inappropriate statement a few weeks ago by former NY Fed President Bill Dudley will give the President ammunition to attack any action or statement by the Fed that looks like a partisan posture aimed at the President. In my view Dudley weakened Chairman Powell's position.

The Congress only has two weeks to pass appropriations to fund the government past the October 1 beginning of the new fiscal year. While the House has acted on the major departments the Senate has become ensnared in the regular issues of the border wall and abortion. However, there seems to be a consensus across party lines that the Congress will pass a Continuing Resolution (CR) before midnight on September 30 to keep the government open.

While President Trump is always a wild card, and the CR won't deal with his desire to expand his authority to build the border wall, the general expectation is that he will sign a CR that doesn't have any other hot political issues and there will be no government shutdown.

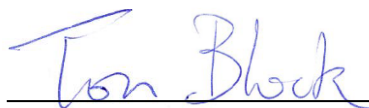

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Figure: Top Trump Tweets



Donald J. Trump
The 45th President of United States of America

@realDonaldTrump



Donald J. Trump @realDonaldTrump · Sep 11

The Federal Reserve should get our interest rates down to ZERO, or less, and we should then start to refinance our debt. INTEREST COST COULD BE BROUGHT WAY DOWN, while at the same time substantially lengthening the term. We have the great currency, power, and balance sheet.....

7.4K 14K 58K



Donald J. Trump @realDonaldTrump · Sep 11

....The USA should always be paying the the lowest rate. No Inflation! It is only the naïveté of Jay Powell and the Federal Reserve that doesn't allow us to do what other countries are already doing. A once in a lifetime opportunity that we are missing because of "Boneheads."

4.9K 10.3K 44.6K

Economic Calendar

From 9/16/19 – 9/20/19

NEXT WEEK'S MAJOR U.S. ECONOMIC REPORTS & FED SPEAKERS			
TIME (ET)	REPORT	PERIOD	PREVIOUS
MONDAY, SEPT. 16			
8:30 AM	EMPIRE STATE INDEX	SEPT.	4.8
TUESDAY, SEPT. 17			
9:15 AM	INDUSTRIAL PRODUCTION	AUG.	-0.20%
9:15 AM	CAPACITY UTILIZATION	AUG.	77.50%
10:00 AM	HOME BUILDERS' INDEX	SEPT.	66
WEDNESDAY, SEPT. 18			
8:30 AM	HOUSING STARTS	AUG.	1.191MLN
8:30 AM	BUILDING PERMITS	AUG.	1.317MLN
2:00 PM	FED ANNOUNCEMENT		2-2.25%
2:30 PM	JEROME POWELL PRESS CONFERENCE		
THURSDAY, SEPT. 19			
8:30 AM	WEEKLY JOBLESS CLAIMS	14-SEP	N/A
8:30 AM	PHILLY FED SURVEY	SEPT.	16.8
8:30 AM	CURRENT ACCOUNT DEFICIT	Q2	2.5%/GDP
10:00 AM	EXISTING HOME SALES	AUG.	5.42MLN
10:00 AM	LEADING ECONOMIC INDICATORS	AUG.	0.50%
FRIDAY, SEPT. 20			
	NONE SCHEDULED		

Source: MarketWatch