

Trump Tariffs Push Fed Closer to Cutting Rates

President Donald Trump's tariffs on Chinese imports and his repeated threats to impose 5% tariffs on goods produced in Mexico has left the Federal Reserve Board ("Fed") in a precarious position. Instead of remaining patient and focusing on its dual mandate of keeping both inflation and unemployment low and stable, the Fed now has to prepare for the risk of trade tensions slowing growth and possibly even causing a recession. As Chairman Jerome Powell stated at the Fed's recent conference in Chicago, "We do not know how or when these issues will be resolved. We are closely monitoring the implications of these developments...[and] we will act as appropriate to sustain the expansion."

Markets were up about 2% following the Chairman's statements with the most likely outcome being at least one rate cut by the end of 2019. Yields on two-year treasuries fell to their lowest levels in over a year and short-term interest rate futures implied that the first rate cut could occur as early as July.

The Fed has so far withheld from committing to any cuts at any point in the future and will try to continue to be methodical in evaluating all of the data before making any decisions, however, proponents of the cuts think they should be done before any recognizable slowdown begins. They argue that the stubbornly low inflation, an inverted yield curve and lack of higher rates to cut if a recession does occur are reasons enough to make the cuts now. Those who disagree argue that the economy is already doing very well and we shouldn't risk runaway inflation or wages by using one of the few rate cuts left in case of an inevitable economic downturn.

Unfortunately, the President's love of tariffs has mooted the discussion on *if* there should be rate cuts and pushed it to *when* the cuts should occur. Only time will tell if the Fed (re)acted soon enough.

MMD GENERAL OBLIGATION INTEREST RATES

Term	Today - June 3, 2019					1 Month Ago - May 1, 2019					1 Year Ago - June 1, 2018				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	1.36%	1.37%	1.51%	1.48%	1.78%	1.55%	1.56%	1.70%	1.70%	2.00%	1.62%	1.64%	1.72%	1.82%	2.09%
5	1.40	1.46	1.68	1.69	2.01	1.63	1.69	1.91	1.95	2.27	1.99	2.08	2.28	2.40	2.71
10	1.63	1.75	1.98	1.96	2.30	1.85	1.97	2.20	2.21	2.55	2.44	2.63	2.80	2.93	3.28
15	1.92	2.10	2.28	2.32	2.62	2.17	2.37	2.53	2.60	2.90	2.64	2.85	3.01	3.14	3.50
20	2.12	2.30	2.46	2.52	2.82	2.37	2.57	2.71	2.80	3.10	2.80	3.01	3.15	3.30	3.64

RECENT CMA CLIENT SALE RESULTS

Issuer	Issue Type	Par Amount	Sale Date	Term	Rate	Purchaser
Lancaster CSD	BAN	\$ 40,000,000	30-May	12 mos.	1.49%	JP Morgan Securities LLC
Niagara County	Bonds	\$ 3,320,000	29-May	20 yrs.	2.51%	Roosevelt & Cross, Inc
Albany County	BAN	\$ 37,388,690	23-May	5 mos.	1.48%	TD Securities (USA) LLC
Franklin County SWMA	Rev. Bonds	\$ 6,155,000	Negot.	8 yrs.	2.56%	Piper Jaffray & Co.
Westchester County	Ref. Bonds	\$ 14,450,000	Negot.	4 yrs.	1.49%	FTN Capital Markets; Loop Capital
Garden City UFSD	Ref. Bonds	\$ 3,605,000	16-May	11 yrs.	1.61%	BNY Mellon Capital Markets
Oceanside UFSD	Ref. Bonds	\$ 9,465,000	7-May	4 yrs.	1.33%	BNY Mellon Capital Markets
Mamaroneck Vil.	Ref. Bonds	\$ 13,925,000	2-May	11 yrs.	1.84%	Janney Montgomery Scott LLC