



Simply Amazing.

Last week an author known for yellow journalism published a very uncomplimentary book about the sitting president. In it, he quoted a number of people in the White House and a very influential former advisor, who also was Mr. Trump's campaign CEO, as saying the president was insane. Mr. Trump then felt obligated to tweet that he was not insane. His quote, "Actually, throughout my life, my two greatest assets have been mental stability and being, like, really smart. . . I think that would qualify as not smart, but genius..." It goes on. What to do, laugh or cry!

Meanwhile, the economy and the financial markets got off to a very good start. The financial markets were strong again this past week setting new records. The strength of the markets seems justified by the latest economic indicators. The Labor Department's release on job creation is encouraging. The economy continued to create jobs at a very acceptable rate. The breakdown of the report is also very positive. Although a 2.5% rate of wage increase is not what employees may have dreamed of, it does show an increase which, given the state of the labor market, should accelerate to, and perhaps level off, between 2.75% and 3%. We think any greater strength than 3-3.5% wage growth would force the Federal Reserve to raise interest rates higher than we anticipate. Another positive of the report is how jobs are being more evenly distributed among the population. The unemployment rate for blacks fell to 6.8%, the lowest level since these records have been kept, 1972. Unemployment for Hispanics and Latinos was 4.9%, close to a record, all certainly good news. Increasing job growth and modest but increasing wage growth are certainly positive for both the financial markets and the economy. We do see a slowdown in savings and an increase in borrowing by households, which is troublesome. There can be many reasons for this, some good and some not-so-good. The good is perhaps that consumers are gaining confidence in the economy by the constant reports of job gains and stock market records. Alas, that can also be the bad news, as always it's a matter of degree.

We are constantly looking for problems to arise and there are two that often go with strong economies and record setting equity markets. One is market excesses, in other words bubbles. Another is, as markets rise, investors anxious for large gains reach out to riskier and riskier investments. This is often how bull markets end. We don't see that now, but rest assured, we are vigilant in following our concerns.

- Michael Olin Clark
moClark@1919ic.com

The Week Ahead:

- **MONDAY:** EC Retail Sales m/m expected at 1.30%; EC Economic Confidence expected at 114.8
- **TUESDAY:** US JOLTS Job Openings expected at 6025; EC Unemployment Rate expected at 8.70%; US NFIB Small Business Optimism expected at 108
- **WEDNESDAY:** US Wholesale Inventories m/m expected at 0.70%; UK Industrial Production m/m expected at 0.40%; US Import Price Index m/m expected at 0.40%
- **THURSDAY:** US PPI Ex Food and Energy m/m expected at 0.20%; EC Industrial Production SA m/m expected at 0.80%
- **FRIDAY:** US CPI Ex Food and Energy m/m expected at 0.20%; US Retail Sales Ex Auto and Gas expected at 0.50%; US Business Inventories expected at 0.40%