

# Weekly Market Insights

September 3, 2019

## Strong markets, continued positive economics and Labor Day

United States equity markets showed continued strength this past week. The Dow Industrials rose 3.02%, while the S&P 500 increased 2.79%, followed by the NASDAQ gaining 2.72%. The markets were driven by two powerful forces: remarkably low interest rates and good economic news.

Low interest rates. When investors think about interest rates, they almost always think of the Federal Reserve and they, for the most part, are correct. The Fed has a lot to say about interest rates. Chairman Powell and the Fed have not disappointed investors. We have written a lot about the Fed and we will just remind readers that Chairman Powell has told us the Fed will do what it takes to keep the U.S. out of a recession. The other driving force is the relative strength of the U.S. economy, which translates into a strong dollar attracting foreign capital into the United States, driving interest rates lower.

A relatively unique part of this fixed income rally is how unusual it is for the Fed to be easing while economic statistics continue to indicate an economic expansion.

Economic releases. U.S. economic statistics are exceptionally strong given the age of the economic cycle, the state of the rest of the world's economies, and the current trade war between the U.S. and China. The most positive economic reports concern the consumer and labor, two sides of a coin which we will talk about more later.

Consumer confidence remains high, which is heavily influenced by low unemployment rates and increasing wages. Since consumption is such an important part of GDP, it appears that investors are paying far more attention to the positive employment, wage and retail

sales than a more somber view of business management. Perhaps investors realize that management views are heavily influenced by the tariff negotiations and consumers are far more sanguine about a settlement.

Happy Labor Day! We hope you all had a very happy Labor Day weekend. Labor, as we wrote earlier, is a vital part of the United States economy. The U.S., as well as most democratic countries, has had a storied labor history. Colorful, dynamic leaders such as Samuel Gompers, the progenitor of the American labor movement and president of the American Federation of Labor, and Walter Reuther, both a labor and civil rights leader who built the United Auto Workers, led the way for a successful labor movement. Over the years, labor has made great progress. It has often been a rocky road with terrible excesses from both labor and management, but constant progress has been made. We wrote earlier that labor and the consumer are two sides of the same coin. It is obvious that if a country doesn't have a strong labor market, it can't have strong retail sales, which will be reflected in a weak GDP and all that this entails.

A good idea! It would be a great idea if on this Labor Day week Mr. Trump would announce the beginning of the joint labor, management and government program to start a nationwide apprentice program. This should be done in conjunction with the wide and excellent array of junior and community colleges to augment the apprentice program.

This would ensure that the country maintains a vital world class workforce that makes a country and its population great.

P.S. We're proud to announce that September 2<sup>nd</sup> was the official 100<sup>th</sup> Anniversary of the firm!



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