



UNITED STATES

GROSS DOMESTIC PRODUCT

First quarter real gross domestic product (GDP) increased at an annual rate of 3.2% in the first quarter of 2019. For the fourth quarter of 2018, real GDP had a 2.2% growth according to the advanced estimate released by the Bureau of Economic. This report is based on incomplete source data that.

The upward movement in real GDP for the first quarter reflected positive contributions from PCE, private inventory investment, non-residential fixed investment, exports, state and local government spending. This movement was partly offset by negative contributions from state and local government spending and residential fixed investment. In addition, imports decreased.

Real GDP growth acceleration in the first quarter reflected upturn in private inventory investment, exports and a slight decline in residential investment. These movements were partly tempered by a decrease in PCE and non-residential fixed investment, and a deceleration in federal government spending. Imports as a contributor of GDP, decreased.

“Current dollar GDP went up 3.8% or \$197.6 billion for the first quarter to \$21.06 trillion. In the previous quarter (fourth quarter) current-dollar GDP increased 4.1%, or \$206.9 billion,” as stated by the BEA.

In the first quarter, the gross domestic purchases price index went up 0.8% when compared to rising 1.7% in the fourth quarter. In addition, the PCE price index increase 0.6% relative to an increase of 1.5%. With the exception of the food and energy prices, the PCE price index climbed 1.3% versus an increase of 1.8%.

UNEMPLOYMENT

Total nonfarm payroll employment climbed by 263,000 in April, with the rate of unemployment declining at 3.6%, as stated by the U.S. Bureau of Labor Statistics. Employment rose in the various areas of health care, construction and social assistance.

In April, the unemployment rate fell by 0.2 percentage points, the lowest since December 1969. Furthermore, the number of unemployed persons decreased by 387,000 to 5.8 million. Of the unemployed, the number of job losers and persons who completed temporary jobs declined by 186,000 over the month to 2.7 million.

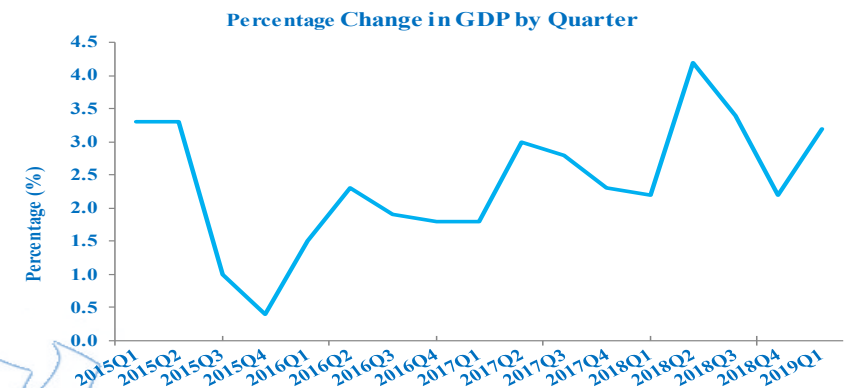
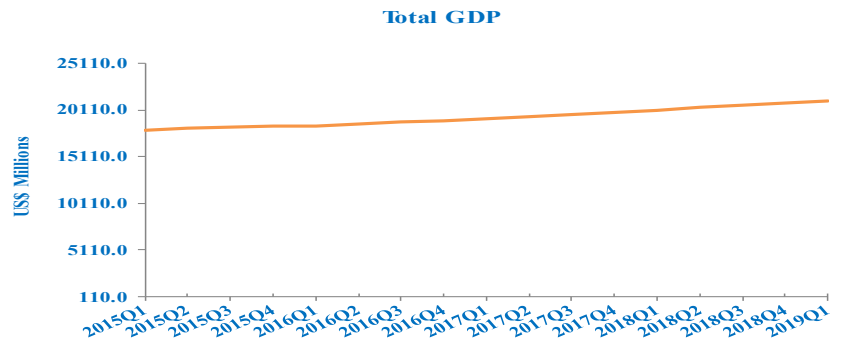
Long-term unemployed (those jobless for 27 weeks or more) remained relatively constant at 1.2 million in April and accounted for 21.1% of the unemployed. Persons unemployed less than 5 weeks fell by 222,000 to 1.9 million.

Labour force participation rate was 62.8% for April, declining 0.2 percentage points. In addition, the employment-population ratio remained the same at 60.6% and has been either 60.6% or 60.7% since October 2018.

Involuntary part-time workers or the number of persons employed part time for economic reasons changed a bit at 4.7 million, in April. These persons who would have wanted full time employment, worked part time due to a reduction of hours or the inability to find a full-time job.

There were 1.4 million individuals marginally attached to the labour force, slightly different relative to last year. These persons were not in the labour force, wanted and were available for work, and had looked for a job in the last year. They would not have been counted as unemployed because they had not searched for work in the 4 weeks before the survey was conducted.

Of the marginally attached, 454,000 persons were classified as discouraged workers in March, a slight change than a year ago. These persons are not currently seeking for work as they believe no jobs are available for them. There are still 963,000 persons marginally attached to the labour force in April who had not sought employment for reasons such as school attendance or family responsibilities.



| Labour Force in Thousands | Jan-Mar | Apr-Jun | Jul-Sep | Oct - Dec |
|---------------------------|---------|---------|---------|-----------|
| | Year | Q1 | Q2 | Q3 |
| 2015 | 422,400 | 424,510 | 426,425 | 428,580 |
| 2016 | 430,343 | 431,988 | 434,115 | 435,729 |
| 2017 | 437,494 | 439,013 | 440,603 | 442,220 |
| 2018 | 444,143 | 446,227 | 448,227 | 450,175 |
| 2019 | 452,023 | | | |



CONSUMER PRICE INDEX

“The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3% in April subsequent to increasing to 0.4% in March on a seasonally adjusted basis,” the U.S. Bureau of Labor Statistics indicated. The all items index increased 2.0% before seasonal adjustment over the last year.

“The all items less food and energy index increased 0.1% for the third consecutive month. The indexes for medical care, shelter, new vehicles and education all advanced while the indexes for apparel, used cars and trucks, household furnishings and operations trended down.”

“The all items index rose to 2.0% for three month straight, the largest 12-month increase since November 2018. The index for all items less food and energy rose 2.1% over the last year. The energy index increased 1.7% for the year subsequent to posting 12-month declines in the past 4 months. Furthermore, the food index advanced 1.8%.”

“The gasoline index rose 5.7% in April and accounting for over two-thirds of the seasonally adjusted all items monthly increase. The energy index went up 2.9% in April despite the decline in natural gas index and the electricity index remaining the same.

“The food (0.1%) index rose in April, after a 0.3% increase in the previous month, with the indexes for food at home falling by 0.5% and food away from home rising 0.3%. Over the last twelve months the index for food away from home increased by 3.1% (largest 12-month increase since February 2015) whereas the index for food at home rose 0.7%.

PRODUCER PRICE INDEX

According to Bureau of Labor Statistics “The Producer Price Index for final demand prices increased 0.2% in April, seasonally adjusted. Final demand prices increased in 0.6% in March and 0.1% in February. On an unadjusted basis, the final demand index increased 2.2% for the 12 months ended in April.”

“Leading the increase in April’s index for final demand, prices for final demand goods moved up 0.3%. The final demand services index went up to 0.1% and prices for final demand construction climbed 1.6%,” as stated by BLS.

The index for final demand less foods, energy, and trade services rose 0.4% in April, the largest increase since rising 0.5% in January 2018. For the 12 months ended in April, index for final demand less foods, energy, and trade services increased 2.2%.

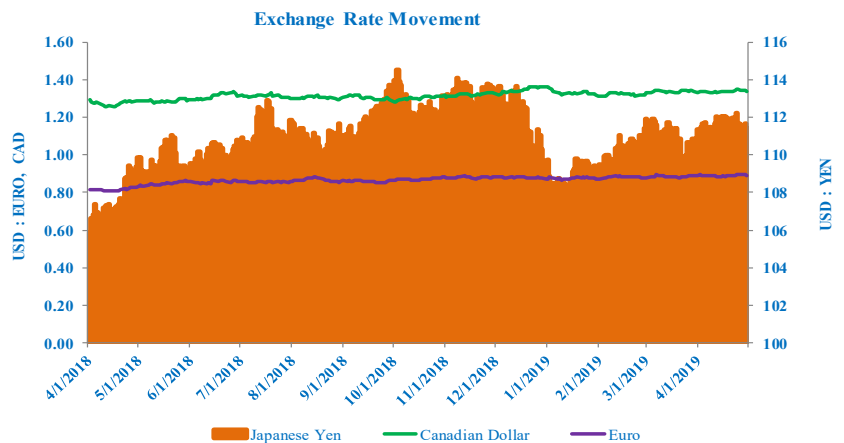
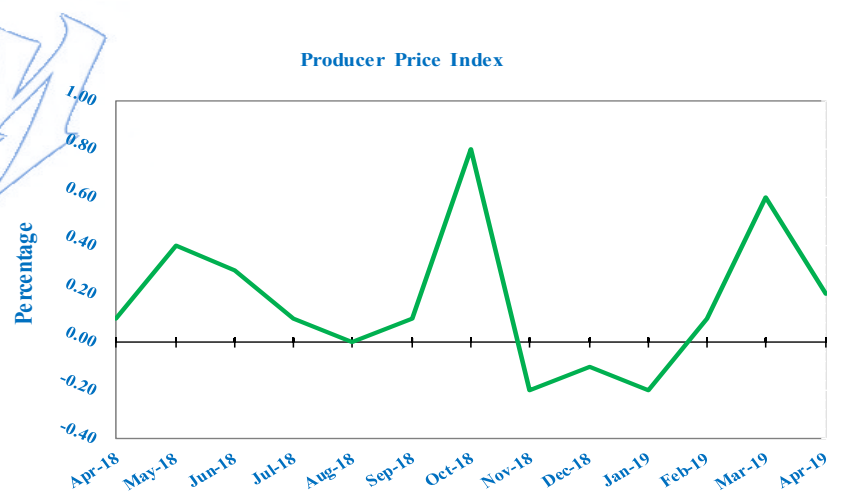
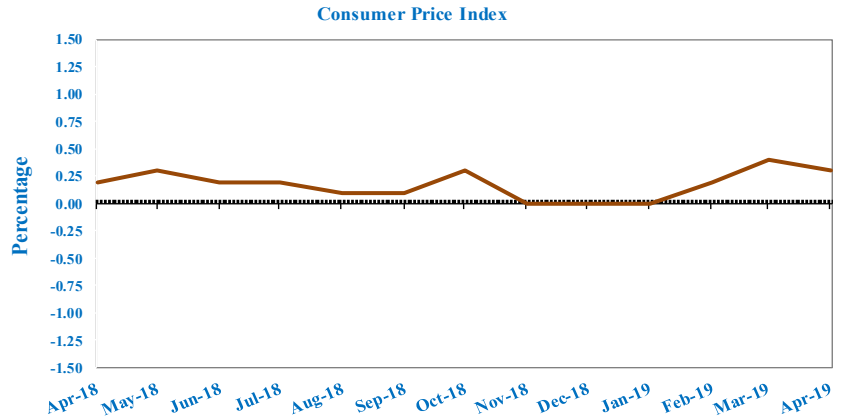
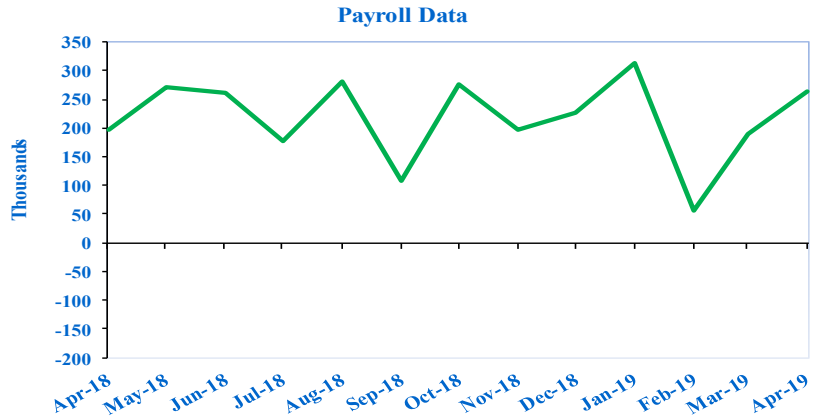
The index for final demand services changed to 0.1% in April, subsequent to a 0.3% increase in the prior month. Leading the increase in April, the index for final demand services less transportation, trade and warehousing experienced a 0.3% increase. The index for final demand trade transportation and warehousing services increased 1.0%. In contrast, margins for final demand trade services fell 0.5% (Trade indexes measure changes in margins received by wholesalers and retailers.)

The index for final demand goods went up 0.3% in April, the third time since 2019. The increase can be traced to prices for final demand energy, which went rose 1.8%. In contrast, the index for final demand foods went down 0.2%. The final demand goods less foods and energy were unchanged.

U.S. Dollar

According to FX Empire, “Headlines of proceedings of Brexit controlled price action of EURO for the majority of the month and is highly likely to continue dominating price action during the first half of April. Legally binding assurance from EU’s Juncker to work on an alternative for Irish Backstop agreement and UK lawmakers voting to avoid no-deal Brexit were the major factors that helped EURO on its recovery rally. However, news that China & U.S.A had postponed the meeting between Presidents of both nations for concluding trade deal between two parties from the end of March to early April took the wind out of Market bulls capping gains above 1.13 handle.”

“A dovish US FOMC update which saw FOMC members hint at the possibility of rate cuts in the year ahead and no-plans for rate hikes during 2019 caused a sharp downward slide of US Greenback in the global market helping EURO recover positive momentum from early March and scale 1.14 handle. EU leaders summit which saw leaders agree to grant UK’s request for Brexit deadline extension albeit attaching conditions for the extension of time frame also helped EURO maintain positive price action.”





FEDERAL RESERVE MINUTES

On March 20, 2019, The Federal Reserve made the decisions to implement monetary policy stance announced by the Federal Open Market Committee in its statement:

All the members of the Board of Governors of the Federal Reserve System voted to maintain the interest rate paid on required and excess reserve balances at 2.40%, effective March 20, 2019.

In addition to the policy decision, the FOMC voted for the Open Market Desk at the Federal Reserve Bank of New York to permit and direct unless given other instructions, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

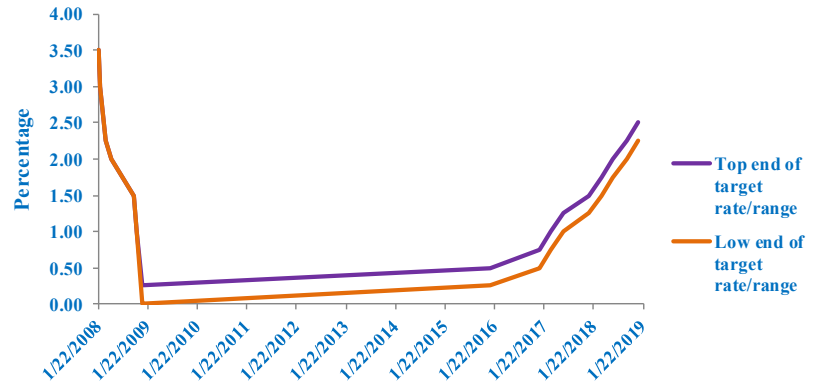
“Effective March 20, 2019, the Federal Open Market Committee directs the Desk to undertake open market operations as necessary to maintain the federal funds rate in a target range of 2-1/4 to 2-1/2%, including overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 2.25%, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of \$30 billion per day.”

“The Committee directs the Desk to continue rolling over at auction the amount of principal payments from the Federal Reserve’s holdings of Treasury securities maturing during each calendar month that exceeds \$30 billion, and to reinvest in agency mortgage-backed securities the amount of principal payments from the Federal Reserve’s holdings of agency debt and agency mortgage-backed securities received during each calendar month that exceeds \$20 billion. Small deviations from these amounts for operational reasons are acceptable.”

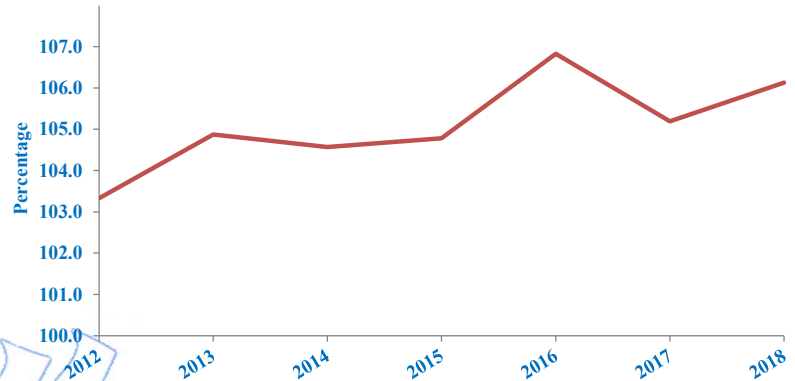
“The Committee also directs the Desk to engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve’s agency mortgage-backed securities transactions.”

“In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 3%, effective.”

Federal Interest Rates



Debt to GDP (Percentage)

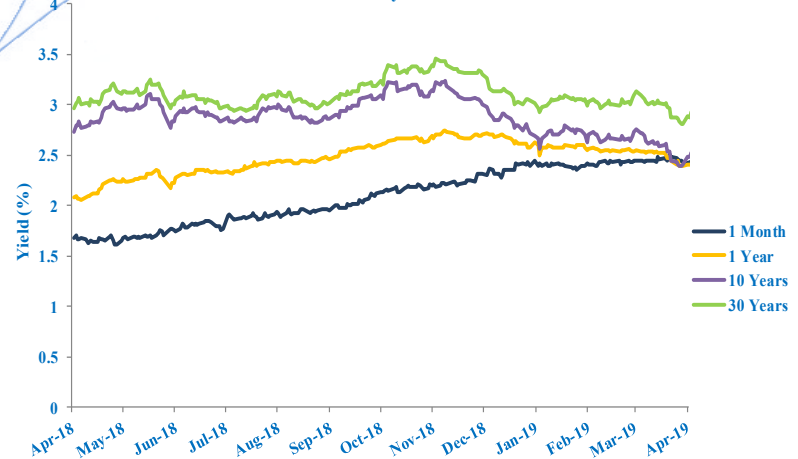


U.S. TREASURY YIELD CURVE

According to Federal Reserve Bank of Cleveland, “The 3-month (constant maturity) Treasury bill rate inched down to 2.43% down from March’s 2.43% as well as February’s 2.45%. The 10-year rate (also constant maturity) moved in the opposite direction, rose to 2.58%, up from March’s 2.55% but below February’s 2.66%. The twist brought the slope up to 15 basis points, well above March’s 8 basis points and below February’s slope of 21 basis points.”

“Using past values of the spread and GDP growth suggests that real GDP will grow at about a 2.3% rate over the next year, slightly above the 2.1% in March and inching up (2.2%) for February. This provide predictions of future GDP growth and the probability that the economy will fall into a recession over the next year.”

U.S. Treasury Yield



GOVERNMENT DEBT/DEFICIT

According to the Congressional Budget Office (CBO), “The federal budget deficit was \$531 billion for the first seven months of the 2019 fiscal year (\$145 million more than the deficit recorded during the same period of the previous year), the congressional budget office estimates revenues were \$33 billion (2%) higher and outlays were \$178 billion (7%) higher than during the first seven months of 2018.

According to CBO, “Receipts totaled \$2,401 billion during the first seven months of fiscal year 2019, CBO estimates—\$33 billion (2%) more than during the same period last year. Most of that shortfall stems from lower-than-anticipated withholding of individual income and payroll taxes in December 2018 and January 2019.”

Outlays for the said period were \$2,571 billion, \$178 billion higher than they were during the same period last year.” If not for the shift of certain payments last year, that year-to-year increase would be smaller—\$135 billion (or 6%). CBO estimates.

Budget Totals, October–April

Billions of Dollars

| | Actual, FY 2018 | Preliminary, FY 2019 | Estimated Change |
|-------------|-----------------|----------------------|------------------|
| Receipts | 2,007 | 2,041 | 34 |
| Outlays | 2,393 | 2,571 | 178 |
| Deficit (-) | -385 | -531 | -145 |

