

## Weekly Cash Commentary

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### U.S. economy doing well, right?

Last week gave more signs the U.S. economy is not going to join those in Europe and Asia that have been experiencing slowdowns. It's been a long time since the employment situation has had a bad month. Nonfarm payrolls are strong and new applications for unemployment insurance continue to be at historic lows of many decades—especially impressive as the country has grown in population.

But low inflation continues to be a thorn in the side. The Federal Reserve has communicated many times that it remains below 2% when actually a tight job market and solid business confidence should lead to wage growth and inflation growth. This has the potential to be a big deal if inflation slips further because the Fed has few tools to handle deflation.

It is hard to reconcile these two issues and makes economists wonder if the economy is not doing as well as it might seem. Of course, recent escalation in tariffs and the potential for a full-out trade war have a dampening effect on business investment, so things could very well get worse. But we don't see a recession for some time, certainly not this year.

London interbank offered rates (Libor) finished the month of May at 2.43%, 2.50% and 2.52%, respectively.