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Weekly Cash Commentary

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Trade woes slow manufacturing, not shoppers

The U.S.-China trade war intensified at the end of last week, a development that likely will hurt domestic manufacturing that was already contracting according to several surveys and reports. But the conflict has yet to dampen the spirits of shoppers. Consumer spending continues to be strong, with e-commerce soaring. Housing is still strong, helped by the declining mortgage rates (which also spurred more refinancing). Jobless claims have been at historic lows for so long it is no longer news.

These and other indicators show an economy not willing to follow the trend of slowing global growth. How long this will be the case as the trade war continue to escalate is anyone's guess. But that issue is now squarely in the sights of the Federal Reserve, as Chair Jerome Powell addressed Friday at the meeting of the world's central banks in Jackson Hole, Wyo.

The movement of the short end of the London interbank offered rate curve (Libor) diverged slightly last week. The 1-month rate dropped from 2.18% to 2.15% but the 3-month rate rose a tick from 2.12% to 2.13% and the 6-month rate increased from 2.01% to 2.04%.