



## Rosenthal's Economic Update and Thought for the Week



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Friends and Colleagues

It looks like lackluster economic activity will keep the Fed from moving interest rates this week.

Please read on for insights about the current state of the economy thanks to the economists at Wells Fargo Securities (WFS).

### Uninspiring Consumer Economic Activity

- \* Retail sales fell 0.3% in August.
- \* The prolonged period of consumer household deleveraging is largely over, as:
  - \* the ratio of debt-to personal disposable income is at its lowest level in almost 14 years,
  - \* the personal savings rate is below its long-run average, and
  - \* household net worth is at a new all-time high.

### Uninspiring Industrial Economic Activity

- \* Industrial production was disappointing in August, with weakness in manufacturing and utilities output.
- \* Consumer goods, business equipment, non-industrial supplies and materials contracted.

These anemic results suggest to WFS that the manufacturing sector is not yet out of the woods.

### How Will the Fed Respond?

While the Fed seems ready to move, WFS projects that they will hold rates steady in September due to:

- \* mixed economic data
- \* low market expectations of a current rate hike
- \* lack of consensus among FOMC members

Probability of a rate hike at this week's FOMC meeting fell to 20% from 28% last Friday.

WFS projects the FOMC might send signals about a future rate hike if they characterize future risks as "balanced" within the meeting statement.

### Projected Changes to the Fed's Economic Outlook

- \* WFS expects only modest revisions to the Fed's economic projections.
- \* They anticipate a slight downward revision to GDP growth for 2016 due to the weaker-than-expected Q2.
- \* Slower labor market progress in recent months may also lead to a more modest projected decline in the unemployment rate.
- \* Nevertheless, the unemployment rate currently approximates full employment and core inflation remains at 1.6%.

Based on the current trajectory of the economy, WFS projects a slower path for interest rates in 2017 and 2018.

Current changes in the economy are nuanced, and require analysis and interpretation.

As always, the best way to keep in front of the curve is to be informed.

So please stay tuned....

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Thought for the Week

Forgiveness

Do we carry unresolved anger and pain around with us?  
Hurt feelings or sleights from long ago.  
People who wronged us and caused us pain.  
How much of our life force is taken up by carrying these weights around with us?

What if...

What would happen if we met our tormentors face-to-face?  
What if we told them about the pain they had caused us?

What if we stop seeing them as our tormentors and instead learn to see them as human beings?

Complete with all of the many human complexities of life.  
What if we try to understand that like us, they have a light side and a dark side, strengths and weaknesses, pressures, joys, sorrows...and like us, they sometimes makes mistakes?  
Some people carry grudges with them to their grave.  
Others try to address them in their final days.  
How cathartic would it be for us and for those who have wronged us, if we took the difficult step of meeting them face-to-face and addressing our issues together?

How liberating for us.

How liberating for them.

What positive role models we could be for our children if we could teach them to find the humanity in those who have wronged us, by digging deep and truly learning how to forgive.

In the days and weeks ahead may we spend some quiet time within ourselves learning who we carry around on our backs.

And may we find a way to heal ourselves by forgiving them.

Make it a great week!

*David*

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