



Rosenthal's Economic Update and Thought for the Week



11/13/17

Friends and Colleagues

Strong employment, high small business confidence and moderate consumer credit growth make for a strong economy, but a flat yield curve raises some questions. Please read on for insights about the current state of the economy thanks to our friends at Wells Fargo Securities (WFS).

Strong Employment

Unemployment of 4.1% is at its lowest point since December 2000.

Job Openings reached a record high of 4.0% as strong demand for labor continues.

The Quit Rate held steady at 2.2%, likely resulting from an aging workforce as Baby Boomers enter the late stages of their careers.

High Small Business Confidence

The Wells Fargo/Gallup Small Business Index at 103 is the second highest reading in the current expansion.

Small business confidence has been largely driven by strong consumer spending.

This confidence could lead to increased business fixed investment which would improve GDP growth.

The primary challenge for small business owners was reported to be the availability of quality labor.

32% of small business owners reported planning to increase hiring in the next 12 months, which is the second highest report in the history of this survey.

Growing Consumer Credit

Consumer credit grew \$20.8 billion in September, and is up 6.6% in 2017.

This increase in credit is supporting increases in personal consumption despite lagging income growth.

Despite the growth in credit, the Consumer Debt Service Ratio is 5.5%, well below recessionary levels.

Flat Yield Curve

The spread between 2-year and 10-year Treasuries fell to 69 bps, the lowest it has been since 2007.

ARCHIVED ISSUES:

[July 5, 2017](#)

[January 27, 2017](#)

[September 19, 2016](#)

[June 28, 2016](#)

While the yield curve is far from inverted, its flattening raises some concerns about the outlook for continued growth.

Based on yield spreads, the Wells Fargo econometric model predicts the likelihood of a recession in the near future at below 10%.

WFS does not predict a recession over the next two years, but they do predict further flattening of the yield curve.

They predict a 90% probability of a Fed rate hike in December, but signals are mixed regarding more rate hikes in 2018, with projections ranging from 1 to 3 additional rate increases ahead.

They further predict short term rates to rise faster than long term rates due to low inflation, leading to a flattening yield curve.

WFS suggests these trends could be upset by a wide federal deficit or an increase in inflation.

Overall it looks like a strong economy, with some factors to track and look out for in the months and year ahead.

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

So please stay tuned....

THOUGHT FOR THE WEEK

Outrage ... Talk, Listen, Teach

Children shot in a church, young adults shot at a concert, tourists run down on the street in New York... sexual predators and pedophiles in Hollywood...

What is happening in our world?!?
And what can we do about it?

Of course, we are outraged....as we should be.
These are heinous acts by awful people.

So, what can we do.
What should we do?

We can talk ... We can listen ... We can teach.

Talking allows us to share our outrage with others. It keeps our concerns in front of us, and keeps us from becoming numb to the current state of our world.

Listening with compassion, especially to those whose views differ from our own, allows us to learn from others and to widen our points of view. Compassionate listening allows for meaningful dialogue that can lead to real change. Check out the Compassionate Listening Project:
<http://www.compassionatelistening.org/>

Teaching and modeling humane behavior can help those who know no better. Look at the results achieved in Kenya from educating women to protect themselves and educating men to behave like gentlemen:
<http://ujamaapamodzi.org/resources/press/>

Each of us can make a difference...one person at a time.

So please, feel your outrage, channel it, talk about it, learn to listen with compassion, and then seize any opportunity to teach and model good behavior.

Make it a great week!


David Rosenthal, MAI, FRICS
President & CEO
Curtis-Rosenthal, Inc.

www.curtisrosenthal.com
310.215.0482

Los Angeles, San Francisco, Newport Beach, and Charlotte NC
Proudly serving the Marketplace since 1983

David



 **5901 W. Century Blvd.
Suite 1230
Los Angeles, CA 90045**

© Curtis-Rosenthal, Inc. All rights reserved.
Website design by [Mind's Eye Presentations, Inc.](#)

800.548.7582