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Greetings,

I am pleasantly surprised at how resilient the market has been given the trade tensions with China and that things are moving forward with the tariffs. Historically, the markets tend to look forward and react accordingly. The stock market is reacting positively to the strong economy as well as the outstanding earnings that were reported last quarter. The market is also looking past these tariffs and what is now a trade squirmish, as opposed to a "trade war". The market, at least as of now sees the trade problem to be eventually worked out without any escalation. I still believe that the President (as well as Peter Navarro, his chief advisor on trade matters) is underestimating China's resolve. In this case, I hope that I am wrong. It is not often that I prefer to be incorrect.

Just a few days ago, the Federal Reserve increased short term rates for the third time this year. They are expected to increase short term rates one more time in 2018. Long term rates continue to be stable with the benchmark 10 year Treasury yield barely above 3% at 3.05%. At this point in time, it is clear that the bond market does not believe in the sustainability of the growth rate of this economy. If the bond market truly believed in the sustainability of this economic strength, there would be a "steeper" yield curve with the 10 year Treasury bond having a yield in the 3.5-3.75% range.

The economy is firing on all cylinders. While I hate to throw cold water on our President who has stated "that this is the best economy ever", while it is not the best economy ever, it is pretty darned good, at least for the time being. Time flies while you are having fun. I started in business in 1984. The economy in the mid to late 1980's was clearly better than it is now. The economy in the 1990's was arguably better than it is now, at worst just as good. I think the situation is that the economy was just so lethargic (at times barely better than a recession) for about 7-8 years until recently, so many people have forgotten what a real good economy is like. I am not trying to knock the present economy, simply to remind you and others that we had some outstanding economies in the past. Just none in the last 19 years other than for a quarter or two now and then. Unemployment is at a 20 year low at 3.9%. For the first time in 20 or so years, the workforce is expanding and that is significant. Part of the problem with the lethargic economy of the previous 7-8 years was that despite the unemployment rate going down, people were leaving the labor market so that number was somewhat misleading. For productivity to improve, the workforce needs to expand, not contract as it did. An increase in productivity is essential for the sustainability of a growing economy. Some more good news on the economy is that consumer confidence is at an all-time high and also for the first time in ages, real wages are increasing so the "middle class" are also seeing some benefits. Some people will make a case that wages aren't increasing enough. Who is to say what "enough" is? I will say that something is better than nothing. An

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improvement over the stagnant wages of the past is certainly better than what we had until now. We will find out soon whether the growth of the economy is sustainable.

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