



Good morning!

The significance of the Strait of Hormuz is defined by numbers – 21% of the world’s daily output of oil travels by tankers out of the Persian Gulf via the strait. This body of water, only 24 miles wide, sits just south of Iran, a country that has been in the crosshairs of US economic sanctions since November 2018. Attacks on 2 oil tankers in the strait last week brought an immediate reaction from the US military. Concerns that the flow of oil through the passageway could be disrupted didn’t immediately translate into higher oil prices – the price of oil instead fell last week – in part the result of record supplies of crude oil coming from the US shale oil industry (source: BTN Research).

The renewed rally in the US stock market would suggest that investors are betting that the Federal Reserve will come to the rescue and lower interest rates, maybe not at this week’s Fed meeting but likely within 3 months. As of the end of trading last Friday (6/14/19), the probability of a Fed rate cut at this week’s 2-day meeting was just 23%. The probability of a rate cut jumps to 87% for the Fed’s 7/31/19 meeting and 97% for its 9/18/19 meeting. The Fed’s last rate cut was on 12/16/08 (source: CME Group).

The ongoing 10-year economic expansion in the United States is one for the history books, not only for its duration but for its late stage characteristics. Most market strategists anticipated that 2019 would see higher interest rates as the Fed would be forced to slow down rising inflation. Instead interest rates have fallen as low inflation persists not only in America, but around the globe (source: BTN Research).

Notable Numbers for the Week:

1. **JOBLESS RATE** - The **last recession** in the USA began at the end of **December 2007** and lasted **18 months** through **June 2009**. The nation’s **unemployment rate** as of 12/31/07 was 5.0%, **climbing to 9.5%** as of 6/30/09 (source: National Bureau of Economic Research, Department of Labor).
2. **BUDGET REVIEW** - During the **first 8 months** of fiscal year 2019, i.e., through 5/31/19, **tax receipts** are up +2.3% from the previous year to \$2.27 trillion while **outlays** are up +9.3% to \$3.01 trillion (source: Treasury Department).
3. **TAKING THE KEYS** - Banks **repossessed 10,634 homes** nationwide in May 2019. Banks **repossessed 93,777 homes** in May 2010, the **2nd worst month ever** in American history (source: ATTOM Data Solutions).
4. **YOUNG AND OLD** - By the year 2035, the number of Americans **at least age 65** (projected to be 78.0 million) will exceed the number of Americans **under the age of 18** (projected to be 76.4 million), the **first time** in our nation’s history that has occurred (source: Census Bureau).

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