"The impact of anticipation"

By Tommy Williams, CFP®

"*We can never know about the days to come, but we think about them anyway…*"
--*Carly Simon*


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Economists and market analysts have been thinking a lot about the Federal Reserve and the actions it may take before the end of 2016. Recent employment numbers helped fan the speculative fire. Early this month, the *U.S. Labor Department* reported the unemployment rate remained at 4.9 percent with 151,000 jobs added during August.

The broad market consensus was 180,000 jobs would be created, according to *MarketWatch*. The publication cited a source as saying the report, *"…wasn't strong enough to force the Fed to raise rates in September, but it also wasn't weak enough to raise concern about the U.S. economy or dampen the outlook for corporate earnings. As such it's a mildly dovish report…"*

Economists and political leaders also are thinking a lot about the impending British exit from the European Union (EU). At the G20 Summit – a forum for government and central bank leaders from 20 countries – British Prime Minister Theresa May confirmed, "Brexit means Brexit." However, the *BBC* reported there remains a general lack of agreement within the British government about exactly what the country's relationship with the EU should be after Brexit.
The potential effects of Brexit gained some clarity at the G20. *The Guardian* reported, *"…the U.S. wanted to focus on trade negotiations with the EU and a bloc of pacific nations before considering a deal with the U.K.*" Further, *Reuters* recently reported,

"*Japan has warned Britain that its exit from the European Union could prompt Japanese financial institutions to relocate from London. In a 15-page report…a Japanese government task force formed to respond to 'Brexit' also warned of a possible outflow of drug research and development investment from Britain, though it said it expected the British government to handle its exit from the bloc smoothly. Recent economic data suggests* *the economic impact of Britain's vote to leave the EU has not been as severe as some predicted, although British Prime Minister Theresa May said [recently] its economy will suffer as a result of the decision.*"

According to *Bloomberg,*

"May got an early taste of the difficulties to come after her first one-on-one meeting, with Barack Obama. The U.S. president told reporters he stood by his warning earlier this year that a trade deal with the U.K. wasn't high on his country's list of priorities. 'I never suggested that we will quote unquote punish Britain…I was asked about the viability of negotiating a separate trade deal between the U.S. and the U.K.', [said Obama].

Prime Minister May is realistic about the difficulties Britain could be facing in the future, but she remains optimistic. Others, however, don't share her optimism. *Time* recently reported,

"*U.K. PMIs, otherwise known as the Purchasing Managers' Index, show that the British economy is contracting at its steepest pace since 2009. That's a big deal. PMIs are…one of the best economic indicators around, because they are forward looking – they reflect both things like factory output and new orders coming in, which tells you what the economy will be doing in a quarter or two from now. By that measure, the future is worrisome. Both output and orders registered their sharpest drops in the history of the data, and the decline in expectations amongst managers in the services industries were also the largest on record. However, that doesn't necessarily mean a full-blown recession. In fact, the policy easing that will almost certainly come from the Bank of England throughout the rest of the year, despite its rosy report, will keep the pound low and thus help U.K. exports."*

Alas, we will continue to wait for the dust to settle post-Brexit. In the words of Carly Simon, "Anticipation, anticipation is making me late, it's keeping me waiting."

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