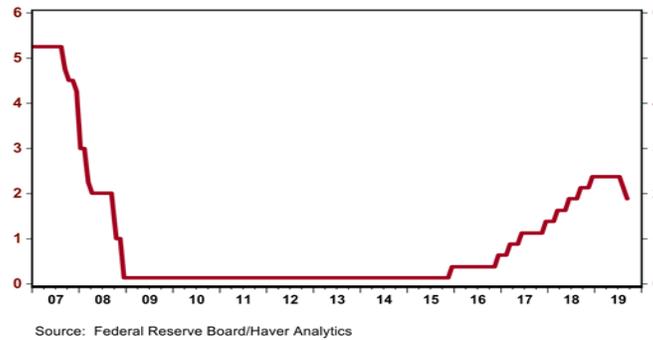


On a Mission

As expected in their September meeting, the Fed voted to cut rates another 25 basis points (1/4 point) to support continued growth of the U.S. economy along with making minor changes on the rate paid on excess reserves. The Fed typically operates with a high degree of consensus, so the dissenting votes are a new development as we typically only read about dissent in the Minutes released later. Two voting members voted to leave rates unchanged, while Kansas City Fed President Bullard, possibly after dinner at the White House, voted to cut by a 1/2% (attempt at humor). That there is not more dissent is what is surprising, given the different mandates of the Fed. Uncertainty about trade was mentioned by Chair Powell, but they also are aware the ECB is starting a new round of QE likely to drive the USD higher if the Fed does not act.

Fed Funds Target Rate
%



Delivering on Data

One of the technical indicators for the macro economy that has a strong historical basis involves FedEx. It is intuitive to understand that the more packages FedEx delivers, the higher economic growth is forecasted to be. The high correlation between FedEx stock price movement and US Real GDP is still surprising. This chart supports the idea that 'markets know best,' and discount stock prices long before economic contractions can be identified. Over the last 20 years, FedEx stock has been a leading indicator for economic growth. It is possible that FedEx is overly impacted by the trade war and this indicator will prove to be less valuable than in the past, but the phrase "this time is different" has haunted many portfolio managers. FedEx falling 30% from its recent high is a flashing red signal for the economy and should mean increasing hedges for many.

