

NEWSLETTER

Real Time Economics: The Fed Didn't Cut... Yet



The Federal Reserve held rates steady but Chairman Jerome Powell said “the case for somewhat more accommodative policy has strengthened.” PHOTO: KEVIN LAMARQUE/REUTERS

By Jeffrey Sparshott

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This is the web version of the WSJ’s newsletter on the economy. You can sign up for daily delivery [here](#).

The Fed didn’t give President Trump an interest-rate cut, women are working more and sleeping less, and investors are squeezing first-time buyers out of the housing market. Good morning. Jeff Sparshott here to take you through key developments in the global economy. Send us your questions, comments and suggestions by replying to this email.

An Ounce of Prevention

Federal Reserve officials held interest rates steady but suggested they would cut them in the months ahead if the economic outlook doesn’t improve, Nick Timiraos reports.

- Chairman Jerome Powell said the Fed was prepared to react aggressively to any weakness, drawing from research that says when rates are historically low, officials should move faster and sooner because they have less room to cut.

- “In other words, an ounce of prevention is worth a pound of cure,” Mr. Powell said.
- The Fed next meets July 30-31. Investors in interest-rate futures markets have priced in at least a quarter-percentage-point cut.

WHAT TO WATCH TODAY

The Bank of England releases a policy statement at 7:00 a.m. ET.

U.S. jobless claims are expected to fall to 220,000 from 222,000 a week earlier. (8:30 a.m. ET)

The Philadelphia Fed manufacturing survey for June is expected to drop to 9.3 from 16.6 a month earlier. (8:30 a.m. ET)

The U.S. current account deficit for the first quarter is expected to narrow to \$122.0 billion from \$134.38 billion. (8:30 a.m. ET)

The Conference Board’s leading economic index for May is expected to be unchanged from the prior month. (10 a.m. ET)

President Trump meets with **Canadian Prime Minister Justin Trudeau** in Washington D.C.

The Bank of England’s Mark Carney speaks in London at 4:00 p.m. ET.

Japan’s consumer-price index for May is out at 7:30 p.m. ET, and the **Nikkei index for manufacturing** is out at 8:30 p.m. ET.

TOP STORIES

The World’s Central Bank

The Fed is signaling it will likely cut rates not because the U.S. is headed into recession, but because shadows are growing over the rest of the world, Greg Ip writes. Chairman Jerome Powell cited two developments for the dovish tilt: a downturn in indicators of global growth, and a worsening of trade tensions.

- **Call of duty:** The Fed’s duty is to the U.S., not to the world. But it still has to incorporate global developments into its decisions. Weakening growth abroad eventually spills into the U.S.
- **The dollar:** The Fed’s policy rate is the highest among major advanced economies. The growing differential between U.S. and foreign rates has pushed the dollar higher, indirectly restraining U.S. growth and inflation.
- **The herd:** The U.S. may be returning to growth more in line with its foreign peers. And if U.S. economic performance begins to resemble the rest of the world’s, so, arguably, should its monetary policy.

It’s Enough to Drive You Crazy if You Let It

Working women put in longer hours on the job last year, spent more time caring for their children and did more work around the house. They also spent less time relaxing or socializing—and less time sleeping. Those results, from the annual American Time Use Survey, hint at the

challenges that working women face when juggling life's various obligations, David Harrison and Soo Oh report.

The gap between the average workday for women and men has fallen to its smallest on record.

Working women spent about a half-hour more a day than men did on household chores such as cleaning and cooking last year. And working women who care for a child spent on average two hours a day on that commitment in 2018 while employed men with children spent less than an hour and a half on child care on an average day.

Home Sweet Investment

Investor purchases of U.S. homes have climbed to an all-time high, a sign that rising home prices have done little to dampen demand for flipping homes or turning them into single-family rentals. The investor purchases—now nearly twice the level from before the 2008 housing crash—pose a challenge for millennials and other first-time buyers looking for starter homes and forced to compete with deep-pocketed cash buyers, Laura Kusisto reports. Strong rental demand, technology that facilitates buying homes online and low interest rates have fueled investor appetite.

What Else We're Following

The U.S. and China are laying the groundwork for a meeting between President Trump and President Xi Jinping next week. Robert Lighthizer, the U.S. trade representative, plans to speak with Chinese Vice Premier Liu He ahead of the Group of 20 leading economies summit in Osaka, Japan.

Mexico's Senate overwhelmingly voted for a broad rewrite of trade rules between the United States, Canada and Mexico—making the nation the first of the three partners to ratify the pact designed to replace the North American Free Trade Agreement.

The White House and lawmakers are deadlocked on a deal to avert the next government shutdown. Democrats and Republicans emerged from a nearly 90-minute meeting Wednesday saying they had made little progress in striking a deal to fund the government after current appropriations expire Oct. 1.

TWEET OF THE DAY

WHAT ELSE WE'RE READING

Hey, Generation X, are you ready for the agony of professional oblivion? "The data are shockingly clear that for most people, in most fields, decline starts earlier than almost anyone thinks. According to research by Dean Keith Simonton, a professor emeritus of psychology at UC Davis and one of the world's leading experts on the trajectories of creative careers, success



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Fed Powell, asked about Trump's attacks and possible threats to demote him, says "I think the law is clear i have a four year term and a fully intend to serve it."

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and productivity increase for the first 20 years after the inception of a career, on average. So if you start a career in earnest at 30, expect to do your best work around 50 and go into decline soon after that," Arthur Brooks writes in the Atlantic.

The English gave the world the Industrial Revolution. The French rapidly falling fertility rates. "We find that the modern decline is the outcome of a gradual diffusion of new fertility behavior from French-speaking regions to the rest of Europe. This is in contrast with the spread of the Industrial Revolution, where England played a leading role. The diffusion of the fertility decline and the spread of industrialization followed different patterns because societies at different relative distances from the respective innovators (the French and the English) faced different cultural barriers to imitation and adoption," Enrico Spolaore and Romain Wacziarg write in a National Bureau of Economic Research working paper.

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