



Portfolio Manager Weekly Meeting Notes

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Donald Trump gave a speech last night and the President showed up

Many analysts are saying that the speech to a joint session of Congress last evening was a defining moment for President Trump. Even the political pundits on CNN had to agree that it was a moment when Trump seemed to take control of the presidency. It struck a much more unifying tone that focused on the American people rather than Trump himself.

The president began his hour long talk in a very conciliatory tone by acknowledging Black History month and the work that still must be done to achieve racial harmony. He went on to condemn violence against the Jewish people and the senseless desecration of a Jewish cemetery.

Trump's key themes focused on immigration reform and border security, the buildup of the military, a proposed \$1 trillion infrastructure spending plan, tax relief for corporations and individuals and a repeal of the Affordable Care Act.

Beneficiaries of last night's speech will likely be energy companies, engineering firms and construction firms. The president did call out drug companies saying that drug prices are "artificially too high." There was no mention of banks or financial regulation reform.

The president called on both Democrats and Republicans to work together and "seize the moment" to make this a turning point in American history.

To be fair, the speech was light on specifics. The president did not specify on how to pay for the infrastructure program, or what tax rates might be lowered to. However, these types of speeches rarely contain much detail.

Initial jobless claims distorted by warmer weather.

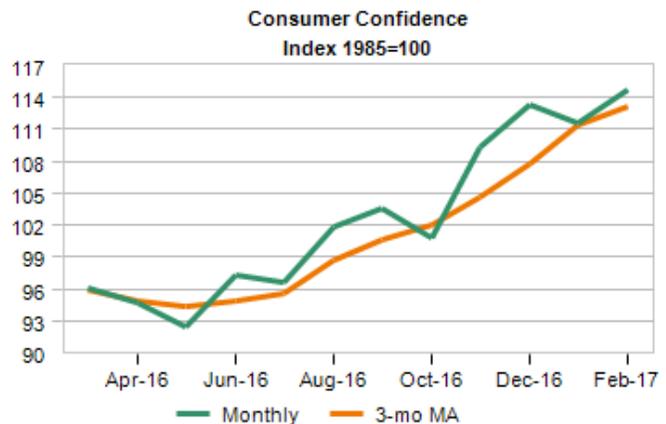
- Initial jobless claims increased 6,000 last week to 244,000, but because of large declines the last week of January and the first week of February – the four week moving average declined 4,000 to 241,000. Continuing claims fell 17,000 to 2.06 million.
- A very mild winter and unseasonably warm weather in February is really messing with the seasonal adjustment factors and it's resulting in abnormally low claims data. That's not to say that the underlying trend isn't good – it's just not quite as exceptional as it may look.

Oil inventories increased – U.S. rig count higher.

- Oil inventories increased by only 600,000 barrels last week as imports declined and refinery throughput increased modestly. Oil prices are just a bit lower at roughly \$54 per barrel, after reaching \$54.94 before the report.
- International producers have cut output- but U.S. production is responding with more. Shale oil production is increasing – but the lead time is five-to-six months before bringing new oil to market. The Baker Hughes U.S. rig count is now 754, up 3% from last week and 50% higher than last year. The Canadian rig count is 95% higher y/y at 341.

Conflicting consumer sentiment reports.

- The final University of Michigan Consumer Sentiment index dropped 2.2 points in February, the first monthly decline in four months. While consumers are still positive about present conditions – expectations are falling.
- In contrast – consumer confidence surged in February as measured by the Conference Board. Both present conditions and expectations rose. By this measure – the consumer confidence index is at a 15-year high.



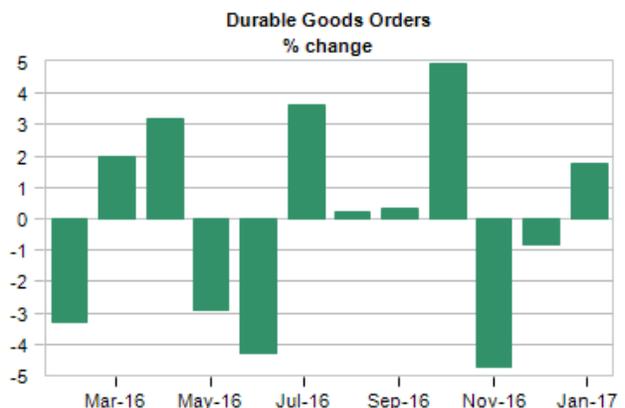
Source: Moody's

Agricultural prices continue to fall - despite recent gains.

- Agricultural prices fell in January – down 1.6% after showing some strength in November and December.
- On a year over year basis – ag prices are down 2.9%. Crop prices are about 1.5% lower and live stock prices are 3.4% lower. Higher prices for milk and hogs have been unable to offset the lower prices for cattle, eggs, and turkeys.

Durable goods show manufacturing is improving.

- Durable goods orders were up 1.8%, mainly due to a large increase in nondefense aircraft orders and defense orders. Core capital goods orders, ex. aircraft, were down 0.4% - a bit of a setback – but manufacturing remains stable.



Source: Moody's

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