TDCAPITAL
EARNED TRUST

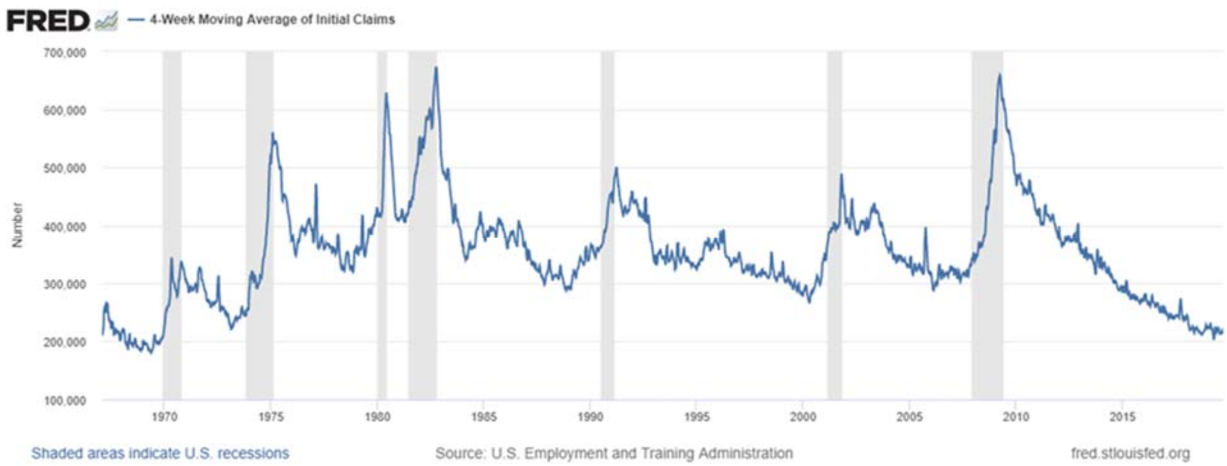
Focus on the Positive

Global growth is slowing, and the yield curve inversion (please reference our June 30 communication) has intensified the concerns that we are moving into a recession. A recession is a macroeconomic term that refers to a significant decline in general economic activity in a designated region. It is typically recognized after two consecutive quarters of economic decline, as reflected by GDP in conjunction with monthly indicators like employment1.

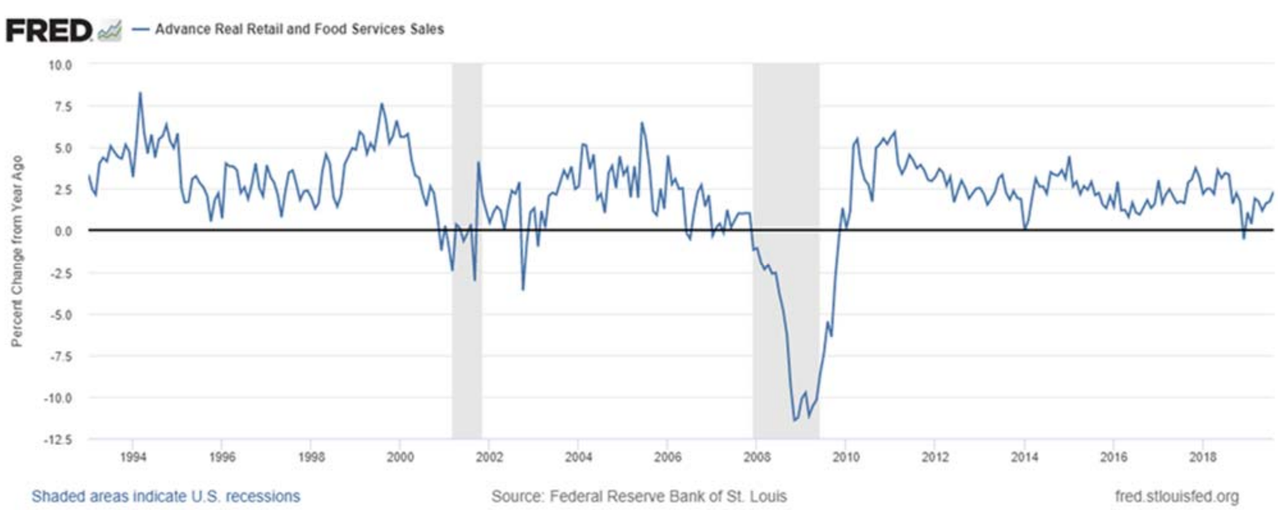
In the U.S., many analysts are focused on trade tensions with China, Brexit, slowing manufacturing data, and uncertain Fed policy. So, rather than rehash the current headlines, let's shift our focus to some of the positives in our economy. It is important to remember that consumption makes up 69% of the entire United States2. Therefore, we should first glance at what the consumer is doing to determine if the U.S. is currently moving into a recession or simply slowing from a walk to a crawl. In the past, the following key measures have provided timely data regarding the consumer.

1. Consumer Confidence – The University of Michigan's Consumer Sentiment Index rose to 93.2 in September, up from 89.8 in August. These levels are slightly below 2017 and 2018 levels but above historical averages. The September data indicate the gains in jobs and incomes have largely, but not completely, offset concerns about tariffs and other sources of uncertainty.

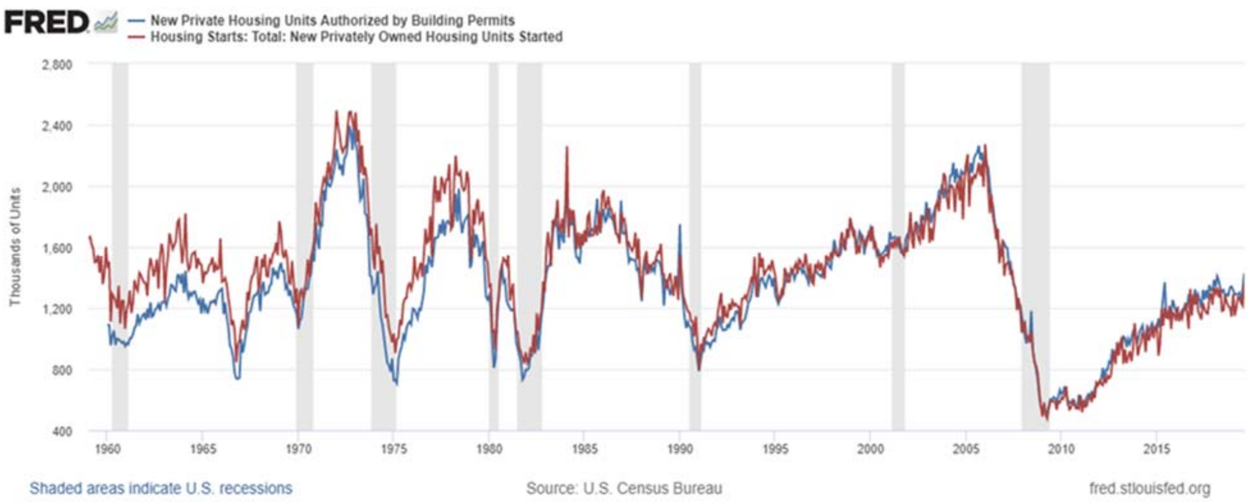
2. Initial Jobless Claims – The labor market is another critical sector that will influence household spending and, therefore, the trajectory of the economy over the coming months. Currently, initial claims rest near multi-decade lows, a reflection of the tight labor market and a sign that despite heightened uncertainty around trade and global growth, companies have not yet resorted to layoffs.



3. Real Retail Sales - The Retail Sales Report, released monthly by the U.S. Census Bureau, is very closely watched by both economists and investors. The Census Bureau has been releasing the report since 1951, and they adjust the sample of retail outlets used every five years to stay current. This indicator tracks the dollar value of merchandise sold within the retail trade by taking a sampling of companies engaged in the business of selling end products to consumers. Both fixed point-of-sale businesses and non-store retailers (such as online sellers) are used in the data sample. Companies of all sizes are used in the survey, from Wal-Mart to independent, small-town businesses.



4. Housing - Along with housing starts, building permits are also a leading indicator of the health of the US housing market. Building permit activity provides an insight into housing and overall economic activity in the upcoming months. If more building permits are issued, this indicates that more investment will likely be allocated to the housing market. According to the Census Bureau, it may take three months to establish an underlying trend for building permit authorizations because month -to-month changes in seasonally adjusted statistics often show movements that may be irregular. So investors need to closely look at the developing pattern over a few months rather than focusing on monthly data in isolation.



Gauging the U.S. economy involves checking in on multiple indicators. While the financial, inflationary, and manufacturing/business areas of the economy may provide some mixed signals, the consumer remains positive overall.