

New tariffs changed growth and rate outlook



The new set of tariffs will likely hit *consumer spending* in the U.S.

Delaying tariff on electronics and other Chinese goods to 15 December will likely impact consumer spending after the holiday shopping season.



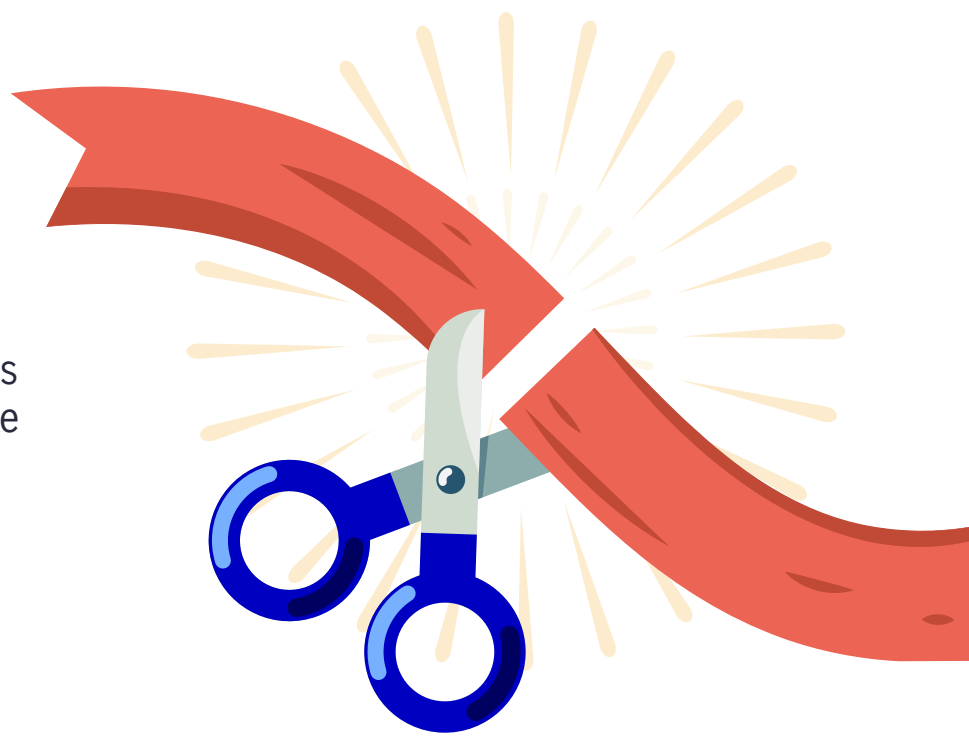
The *confidence shock* from tariffs may impact the U.S. economy.

Although a technical recession in 2020 seems unlikely, the confidence shock arising from higher tariffs could bring U.S. growth down to 1% (or slightly less) in 2020.



More rate cuts *are expected.*

The U.S. Federal Reserve is expected to cut rates by 50 basis points with the potential for more ahead in hopes of supporting market sentiment.



"While some of the new tariffs might be absorbed by companies, profit margins are in weaker shape today than they were a year ago and we're concerned that a large chunk it'll would be passed on to the U.S. consumer. From a rates perspective, we don't believe that a 50 basis points interest-rate cut will single-handedly salvage business or consumer confidence, but it could provide some support for market sentiment and economic growth."

Frances Donald

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