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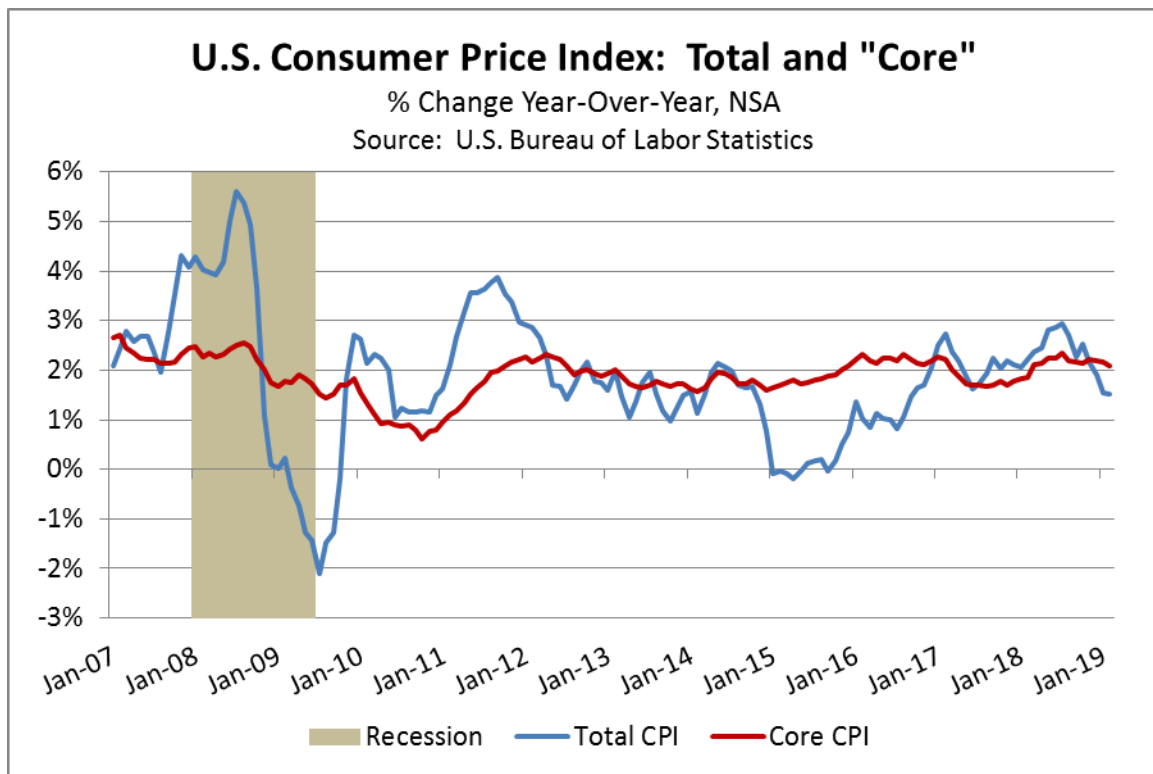
Proactive Investment Management & Financial Planning

Economic Chart of the Week March 13, 2019

This week's chart offers yet another piece of evidence that the Federal Reserve could refrain from any further interest-rate hikes through the end of 2019. Multiple economic indicators point to weakening growth momentum in key sectors, while several Fed officials have said they are comfortable waiting to see how the economic data comes in before adjusting rates any further. In addition, several reports show that the price pressures of 2018 have calmed significantly.

As shown in the chart, the February consumer price index (CPI) was up just 1.5% from the same month one year earlier, marking its weakest annual gain since September 2016. Excluding the volatile food and energy components, the February "core" CPI was up 2.1%, for its smallest annual rise since last October. By either measure, inflation seems to be substantially in line with the Fed's target of 2.0%. Since the continued softness in economic growth is likely to keep price pressures contained, we see little risk that inflation will accelerate substantially or that the Fed will have to raise interest rates aggressively in the near term. That could translate into a benign environment for bonds in the coming months, so we have recently adjusted our fixed-income holdings (in our strategies that include them) to focus more on longer-maturity bonds instead of shorter-maturity obligations, and more on standard obligations instead of inflation-protected instruments. If growth continues to weaken and inflation slows even further, we may make further adjustments in those directions in the near future.

Patrick Fearon, CFA
Lead Portfolio Manager



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