



OFF THE NEWS



*Marriner S. Eccles building,
U.S. Federal Reserve, Washington, D.C.*

Trump Fed Bashing

President Donald Trump has begun a period of Oval Office criticism of the Federal Reserve's monetary policy. The president's reasons for this new round of Fed bashing are not yet clear. But the best bet is that his advisers have explained the dangers of an inverted yield curve in the event long-term interest rates, as the Fed raises short-term rates, fail to rise correspondingly.

The difference between two-year and ten-year U.S. Treasury notes is roughly 0.3 percentage points. The last time it hit those levels was 2007, when the U.S. economy fell into the worst downturn since the 1930s.

The San Francisco Fed's research department argues that every recession in the past sixty years has been preceded by an inverted yield curve. Inverted yield curves have telegraphed all nine recessions since 1955 with only one false positive, in the mid-1960s.

Astounding Stuff

“Globally, life expectancy has jumped from 53 years in 1960 to 72 in 2016. China's life expectancy is now 76, the same as Japan's in 1977. Brazil's is now the same as China's. India's is 69. Even Nigeria's life expectancy has risen from 37 in 1960 to 53.

“[E]xtreme poverty...is currently measured by the World Bank as an income of below \$1.90 a day (at 2011 purchasing power parity). ... In 1800, almost all people lived in such poverty. As recently as 1980, 42 percent of humanity still lived at this level. By 2013, this was down to 11 percent. In China, the rate fell from 67 percent in 1990 to 1 percent in 2014. This progress is astounding. When I joined the World Bank in the early 1970s, such advances against extreme poverty seemed almost inconceivable.”

—Martin Wolf

Cost of Trump's Trade War?

“Across all industries, inbound investment into America fell by 39 percent in 2017.”

—*The Economist*

I. China Milestone

“China startups accounted for 47 percent of the world's venture capital funding in the second quarter, the first time the country has surpassed North America in fundraising.”

—*South China Morning Post*

II. Another Milestone

“The renminbi weakened by 3.3 percent against dollar in June, the worst single-month decline since China established its foreign exchange market in 1994.”

—*Financial Times*

III. And Another

“Fixed asset investment—a core driver of Chinese growth ... grew at its slowest annual pace since at least 1995 through the first five months of this year.”

—*Financial Times*

The Latest Internet Trends

“At 3.6 billion, the number of Internet users has surpassed half the world's population. When markets reach mainstream, new growth gets harder to find—evinced by 0 percent new smartphone unit shipment growth in 2017.” Also:

- Adults spend an average of 5.9 hours per day with digital media, 3.3 hours of which is via mobile devices.
- Twenty percent of all purchases in China are e-commerce, which is the highest such mark.
- Amazon has expanded its e-commerce market share from 20 percent in 2013 to 28 percent in 2017, based on gross merchandise value. Forty-nine percent of users begin products searches at Amazon, versus 36 percent via traditional search engines.
- Six percent of all e-commerce referrals now come via social media such as Facebook and Instagram.
- American information technology companies represent 25 percent of the MSCI market cap, compared to 33 percent at the dot.com peak in 2000.
- More Chinese internet users are willing to share personal data in exchange for benefits than U.S. users (38 percent versus 25 percent).
- Google is evolving from an ad platform to a commerce platform, while Amazon is doing the reverse.
- Direct-to-consumer retail is booming, fueled by the impact of social media as a source for referrals. Shopping is increasingly entertainment.

—*Mary Meeker,*
venture capitalist
and internet guru

