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**International**

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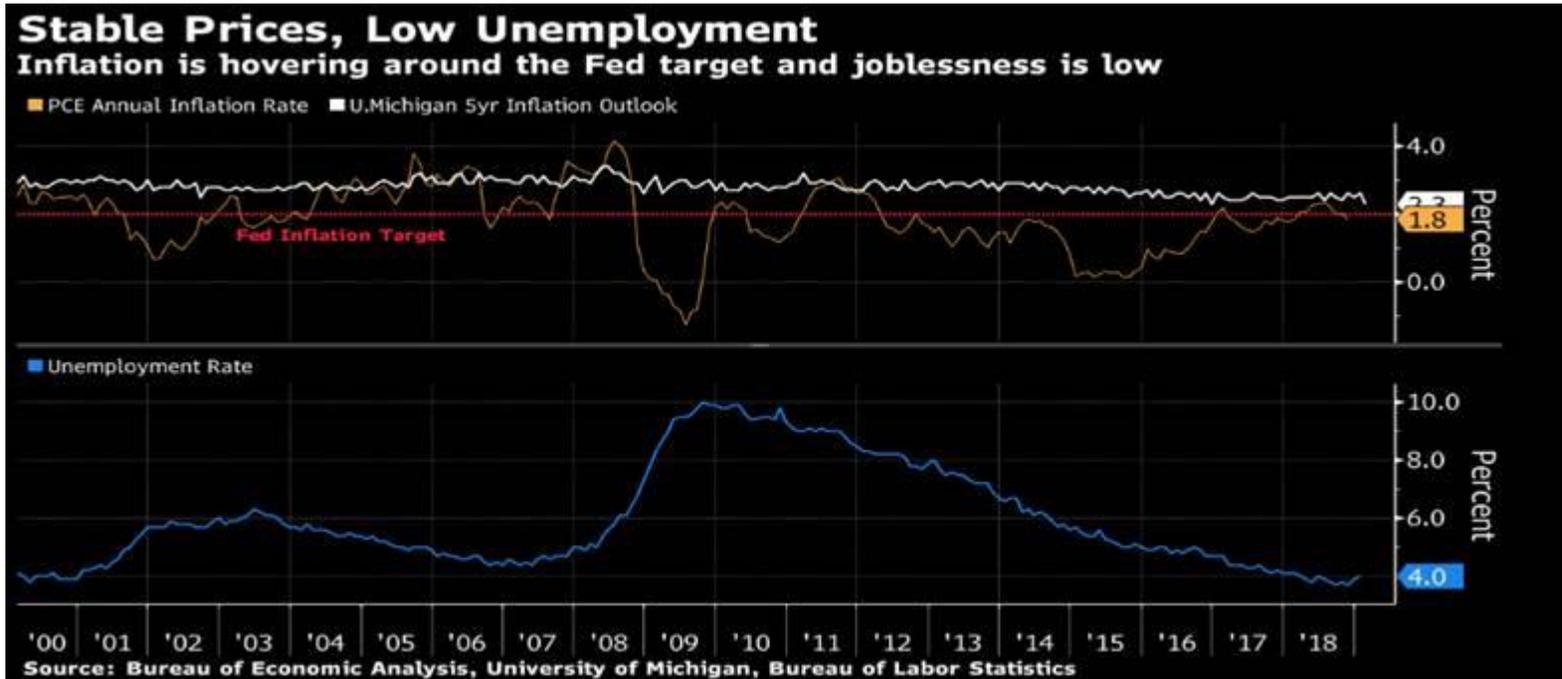
**U.S Economic Update**

### **Trade War in the balance**

- Negotiators are drawing up six memorandums of understanding on structural issues: forced technology transfer and cyber theft, intellectual property rights, services, currency, agriculture and non-tariff barriers to trade.
- Time is running short ahead of the March 1 deadline to resolve the dispute or see U.S. tariffs on \$200 billion worth of Chinese goods rise from 10% to 25%.
- One senior Chinese government official familiar with the talks said that extending the deadline was an option, though both sides were trying to reach agreement before March 1 and any extension would not be too long.
- China is proposing that it could buy an additional USD30 billion a year of U.S. agricultural products including soybeans, corn and wheat as part of a possible trade deal being negotiated by the two countries, according to sources. The offer to buy the extra farm produce would be part of the memoranda of understanding under discussion by U.S. and Chinese negotiators in Washington.
- As part of the talks, officials are also planning to discuss removing anti-dumping and anti-subsidy tariffs on distillers dried grains, a by-product of corn ethanol production that is used in animal feed. Soybeans, corn and wheat futures prices rose in Chicago in response to the news.

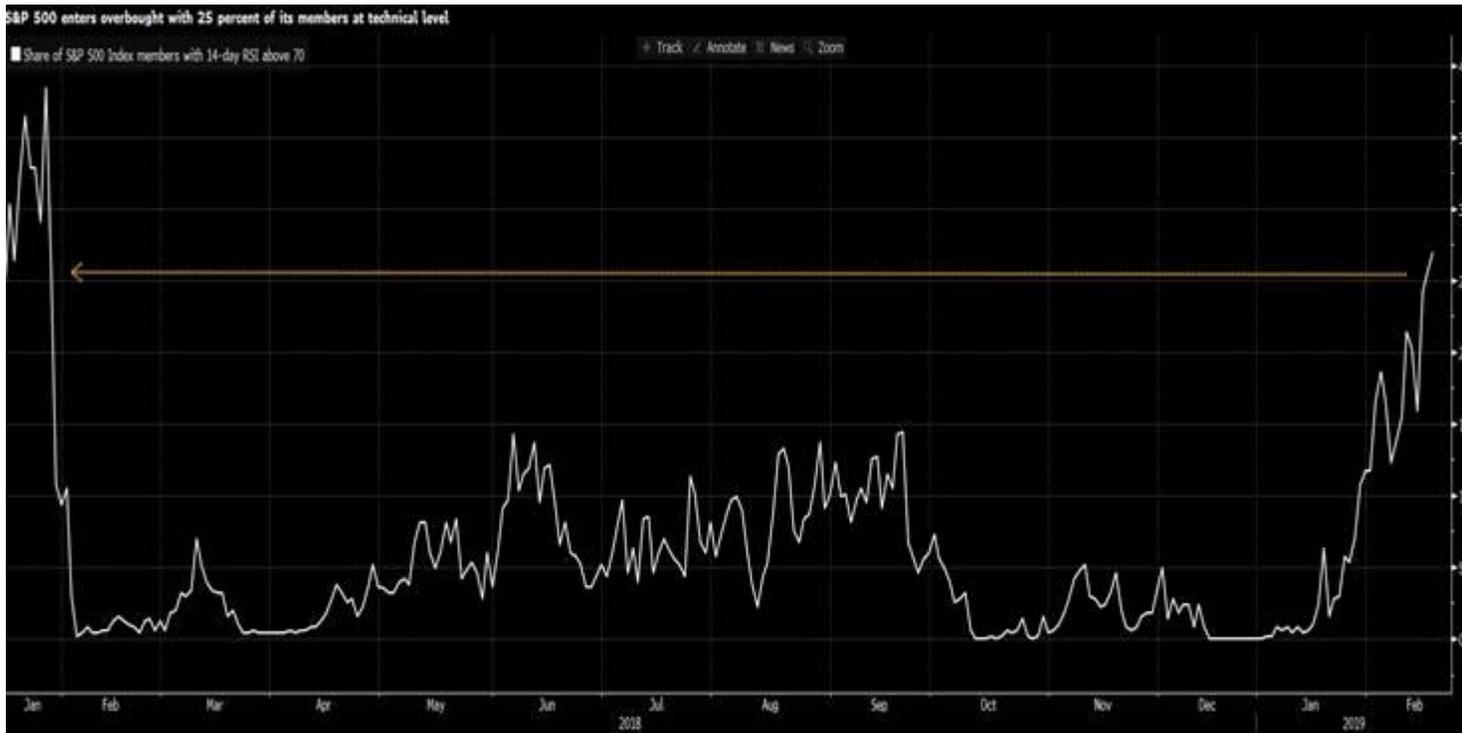
## Fed Minutes

- Fed sees balance sheet reduction ending, notes 'risks and uncertainties'
- Minutes from the January Federal Reserve meeting reiterate the central bank's new "patient" policy stance.
- Officials said they expect to keep rates steady for now but left room for hikes later if conditions improve.
- Members added that holding the federal funds rate in a target range of 2.25 % to 2.5 % "posed few risks at this point." In the past, officials have worried that keeping rates low for too long would spur inflation and force the Fed to tighten more quickly than it would like.
- Federal Open Market Committee members noted that if the potential headwinds eased, a re-evaluation of the "patient" approach would be warranted.
- Participants noted market belief that the balance sheet reduction helped cause the late-2018 market volatility, and noted that investors interpreted communications from the December meeting as "not fully appreciating the tightening of financial conditions and the associated downside risks to the U.S. economic outlook that had emerged since the fall."
- The minutes stated that respondents to a survey of primary dealers and market participants indicated little belief that the balance sheet reduction was playing havoc with markets.
- Chairman Jerome Powell underscored the message in his Jan. 30 press conference by saying the Fed would be patient in deciding when and how to adjust policy in the face of a mounting set of risks, including slowing growth in China and Europe, Brexit, trade negotiations and the effects of the five-week U.S. government shutdown.



#### U.S. weekly jobless claims fall, but the labor market trend is weakening

- The number of Americans filing applications for unemployment benefits fell last week.
- The four-week moving average rose to a more than one-year high, suggesting the labor market is slowing.
- Initial claims for state unemployment benefits dropped 23,000 to 216,000 for the week ended Feb. 16, the U.S. Labor Department said.
- The four-week moving average of initial claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose 4,000 to 235,750 last week, the highest level since January 2018.
- Payrolls jumped by 304,000 jobs in January, the most in 11 months, after increasing by 222,000 in December.



Source: Bloomberg

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