• The U.S. economy maintained its momentum during the third quarter, with GDP expanding by 1.9%, following a 2.0% gain in the second quarter. The real strength in the economy is being propelled by the American consumer, with personal consumption expenditures rising by 2.9% in the latest quarter.

• The consumer’s confidence is driven in large part by continued strength in the jobs market. Nonfarm payrolls increased by a larger-than-expected 128,000 in October and the prior two months were revised upward by 95,000 jobs. While job growth is a bit slower than last year, it is still strong enough to keep the unemployment rate near 50-year lows.

• While acknowledging the robust employment picture, the Federal Reserve (the “Fed”), at its October 30 meeting, voted to reduce the overnight federal funds rate by 25 basis points to between 1.50% and 1.75%. The Fed cited muted inflation pressures and global economic uncertainties as the prime reasons for the third interest-rate cut of the year. Importantly, Fed officials removed language in their post-meeting statement that had hinted at further rate cuts at upcoming meetings. This stance is in line with Chair Jerome Powell’s remark that he viewed these cuts as a mid-cycle adjustment rather than the start of a major rate-reduction program.

• The uncertainties cited by the Fed are unlikely to disappear overnight. Even if a trade truce is announced between the U.S. and China, the disruptions already caused and the fear of a possible reigniting of trade frictions will hinder business decision-making for some time to come. The Fed may be on hold for a considerable period as investors and decision-makers reassess their outlook with the presidential election growing closer.